

**Financial Results for the Three Months Ended
May 31, 2020**

AEON DELIGHT CO., LTD.

Kazumasa Hamada, President, Group CEO

July 8, 2020

1 Financial Report for 1Q of FY2/21

2 Issues to be Addressed and Measures (Progress and Future Initiatives)

3 Other Initiatives

Consolidated Statement of Income

Decline in sales, operating income and ordinary income due to partial closures or temporary closures of customer facilities, and requests to refrain from events and going out by the Japanese government to prevent the spread of the new coronavirus (COVID-19).

(100 million yen)

	FY2/20 1Q (Ratio to sales)	FY2/21 1Q (Ratio to sales)	Difference	Percentage change
Net sales	790 (100.0%)	735 (100.0%)	▲55	93.0%
Gross profit	96 (12.2%)	89 (12.2%)	▲6	93.1%
SG&A expenses	58 (7.4%)	55 (7.5%)	▲3	94.4%
Operating income	38 (4.8%)	34 (4.7%)	▲3	90.9%
Ordinary income	38 (4.8%)	34 (4.7%)	▲3	90.5%
Net income attributable to owners of parent	20 (2.6%)	29 (4.1%)	9	144.5%

[Reference] Income Statement excluding former KAJITAKU* (Same Scale Comparison)

[Reference]

(100 million yen)

	FY2/20 1Q (Ratio to sales)	FY2/21 1Q (Ratio to sales)	Difference	Percentage change
Net sales	775 (100.0%)	726 (100.0%)	▲49	93.6%
Gross profit	98 (12.7%)	89 (12.3%)	▲9	90.3%
SG&A expenses	55 (7.2%)	53 (7.3%)	▲2	95.4%
Operating income	43 (5.6%)	36 (5.0%)	▲7	83.5%

*Income statement excluding the results of Current Actia Corporation (successor company to the Housekeeping Support Business) and KJS Corporation (formerly KAJITAKU, changed its name as of March 1, 2020).

Impact of COVID-19 in the first quarter was within the initial projection

Assuming that the impact of partial closures and temporary closures of our customers' facilities will continue through the first half of the year, we estimate the **-1.5 billion yen** impact on full-year operating income

The impact of COVID-19 on operating income for 1Q was about **-1 billion yen**.

Negative effects of COVID-19

① Negative effects will continue to occur

Event-related (security and AEON COMPASS): sales decline due to voluntary restraint on events, including travel.

② Temporary events

Facilities Management/Cleaning/Security/Materials/Vending Machines: sales declined due to partial closures and temporary closures of commercial facilities

Construction work: decreased or postponed due to delays in procuring parts from overseas

▶ **We will make up for delays in measures due to the effects of COVID-19 throughout the year**

Sales by Segment

Decrease in sales due to the impact of measures to prevent the spread of COVID-19 in countries where we operate

(100 million yen)

FY2/20 1Q

FY2/21 1Q

Percentage change

Facilities management

149

145

97.2%

Security services

111

108

97.3%

Cleaning services

154

150

97.4%

Construction work

120

115

95.9%

Materials/supplies
sourcing services

129

129

99.8%

Vending machine
services

76

47

61.4%

Support services

48

39

81.4%

(Reference)
Excluding KAJITAKU

34

30

89.2%

Total

790

735

93.0%

(Reference)
Excluding KAJITAKU

775

726

93.6%

Profit by Segment

Increase profits in 2 businesses. Construction work: improved profitability by expanding the provision of high value-added services.

Security services: improved profitability by optimizing unit prices and systemization of entrance/exit management and operations for closing stores.

(100 million yen)

	FY2/20 1Q	FY2/21 1Q	Percentage change
Facilities management	14.3	12.5	87.7%
Security services	7.3	7.6	104.6%
Cleaning services	17.2	16.4	95.5%
Construction work	10.9	11.3	104.1%
Materials/supplies sourcing services	7.1	6.1	86.1%
Vending machine services	2.5	▲0.1	-
Support services	▲1.2	0.0	-
(Reference) Excluding KAJITAKU	3.8	1.5	39.6%
Total	58.2	54.1	93.0%
(Reference) Excluding KAJITAKU	63.3	55.6	87.8%

Consolidated Balance Sheet

(100 million yen)

Assets	FY2/20	FY2/21 1Q	Difference
Current assets	1,123	1,072	▲50
Tangible fixed assets	96	101	5
Intangible fixed assets	71	68	▲3
Investments, etc.	76	74	▲2
Fixed assets	245	245	▲0
Total assets	1,369	1,318	▲51

Liabilities and net assets	FY2/20	FY2/21 1Q	Difference
Current liabilities	488	449	▲39
Fixed liabilities	67	66	▲0
Total liabilities	556	515	▲40
Shareholder's equity	789	796	7
Total net assets	812	802	▲10
Total liabilities and net assets	1,369	1,318	▲51

Changes in people's lifestyles and working styles due to the impact of COVID-19

In facilities,

- Infection control measures are common at various facilities
- Changes in the facilities' functions required through the penetration of teleworking in offices and the promotion of online services in educational institutions.



Formed a project team to raise awareness and speed for business model reform, which we have been working on since the beginning of the year, and started building the new normal for the facility management (FM) service.

Initiatives to Build a New Normal

- Establishment of sanitation methods based on our hygiene control service
- Establishment of a contactless store environment
- Energy conservation and improvement of ventilation and air conditioning through air conditioning management using open network systems (building automation), etc.

Major Initiatives in FY2/21 1Q ② Response to COVID-19 Infections

<Safety and Security>

Implemented a variety of epidemic prevention measures from the standpoint of customer crisis management while ensuring the safety and health of employees



■ Preventative cleaning with alcohol

Efforts to protect our employees

- Managing the physical condition of all our employees - including our partner companies - and taking measures to prevent infection of COVID-19.
- Promoting staggered working hours and telecommuting.

Response for customers (managed properties)

- Implementing preventative cleaning with alcohol at commercial facilities and offices.
- Taking a prompt and appropriate response in cooperation with partner companies who have expertise in this area in facilities where it has been confirmed there are those who have tested positive for the new coronavirus.
- Stable supply of epidemic prevention materials such as droplet infection prevention sheets, professional masks, gloves, and alcohol.

Major Initiatives in FY2/21 1Q ③ Accelerate Business Model Reforms

<Labor shortage>

To accelerate the digitalization of various services and operations,
we established dedicated cross-divisional organization "Business Model Reform PT"

4 Priority Items for Business Model Reform

① Establish new facility management services

- Establishment of Customer Service Center (CSC) to accurately grasp customer needs
- Accelerate the digitization of business processes

② Expand market share among existing customers

- Improve customer satisfaction by strengthening account sales

③ Explore new customers

- Expand touch points with customers through the use of digital technology

④ Create new business opportunities based on customer needs

- Create new business opportunities based on customer needs through networks with partner companies

<Environment>

Adopted in METI's VPP construction demonstration project *1

A control method for power supply and demand adjustment in Aeon Mall Kobe Kita was verified

- Participation in a consortium led by Kansai Electric Power Co., Inc.
- In collaboration with AEON MALL Co., Ltd., we examined how to control the power supply and demand adjustment power of chilled and hot water pumps and air conditioners in Aeon Mall Kobe Kita

Built power supply and demand adjustment capabilities within the Aeon Group in anticipation of the creation of VPP*2 for the spread of renewable energy and the launch of the "Supply and Demand Adjustment Market*3" in FY2021

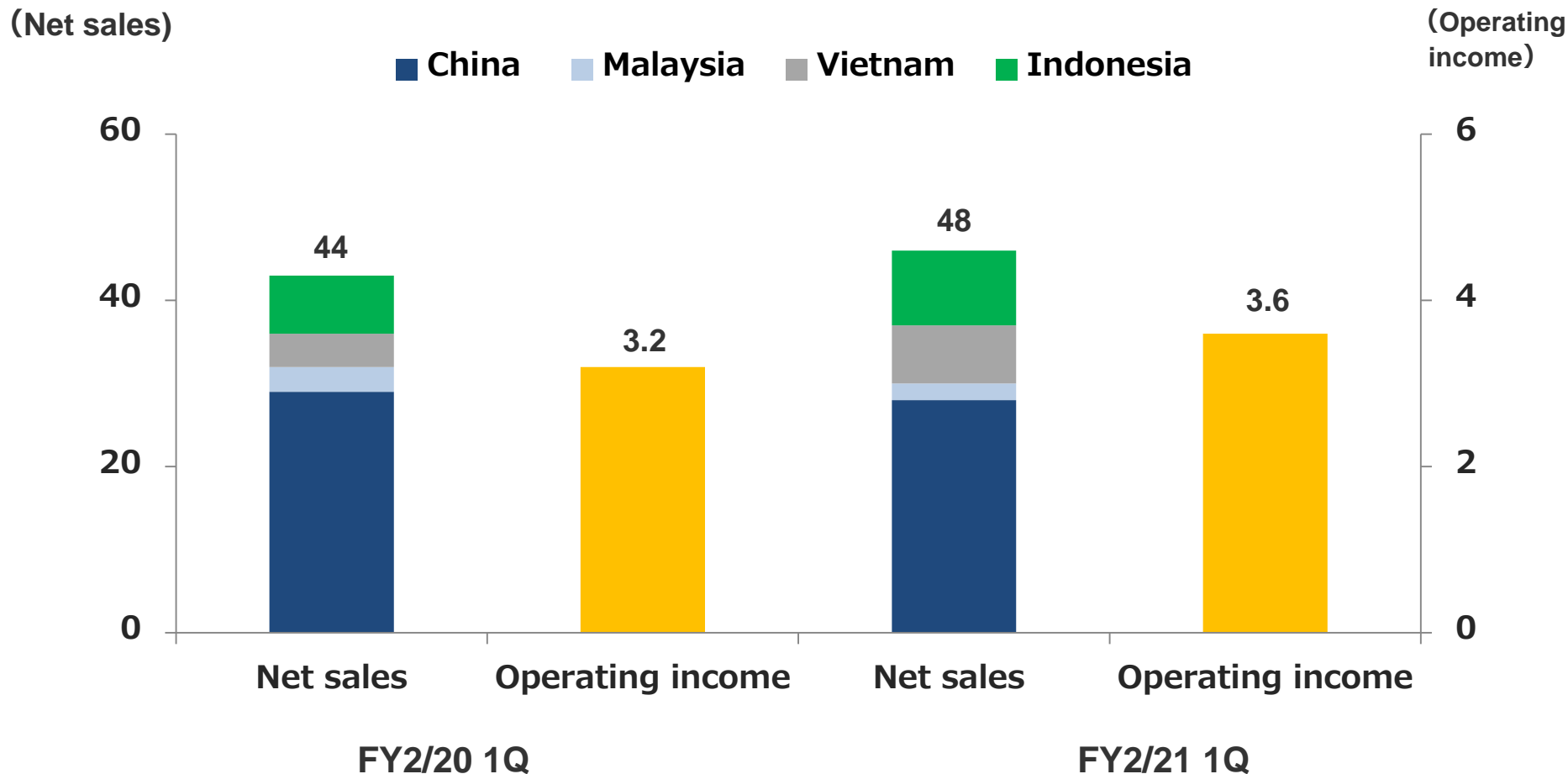
*1 Ministry of Economy, Trade and Industry, Agency for Natural Resources and Energy's co-creation initiative
"Subsidy for the demonstration project to construct a virtual power plant using energy resources on the user side in FY2020"

*2, 3 VPP (virtual power plants), and supply-demand coordination
Please refer to Attached Material p. 3, 4 of "1Q Report for the Fiscal Year Ending February 2021" dated July 8, 2020.

Major Initiatives in FY2/21 1Q ⑥ Business Expansion in Asia

In overseas business, sales were 108.9% YoY, operating income was 111.9% YoY(*)

Overseas Business: Net Sales / Operating Income (100 million yen)



* Figures are simple totals of results of operating companies.

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Position and plan figures for FY2/21

Year of laying the foundation for the realization of the “AEON DELIGHT Vision 2025**”

(100 million yen)	FY2/20 Result (Ratio to sales)	FY2/21 Forecast (Ratio to sales)	Percentage change
Net sales	3,085 (100.0%)	3,150 (100.0%)	102.1%
Operating income	160 (5.2%)	165 (5.2%)	103.1%
Ordinary income	159 (5.2%)	165 (5.2%)	103.4%
Net income attributable to owners of parents	93 (3.0%)	100 (3.2%)	107.0%

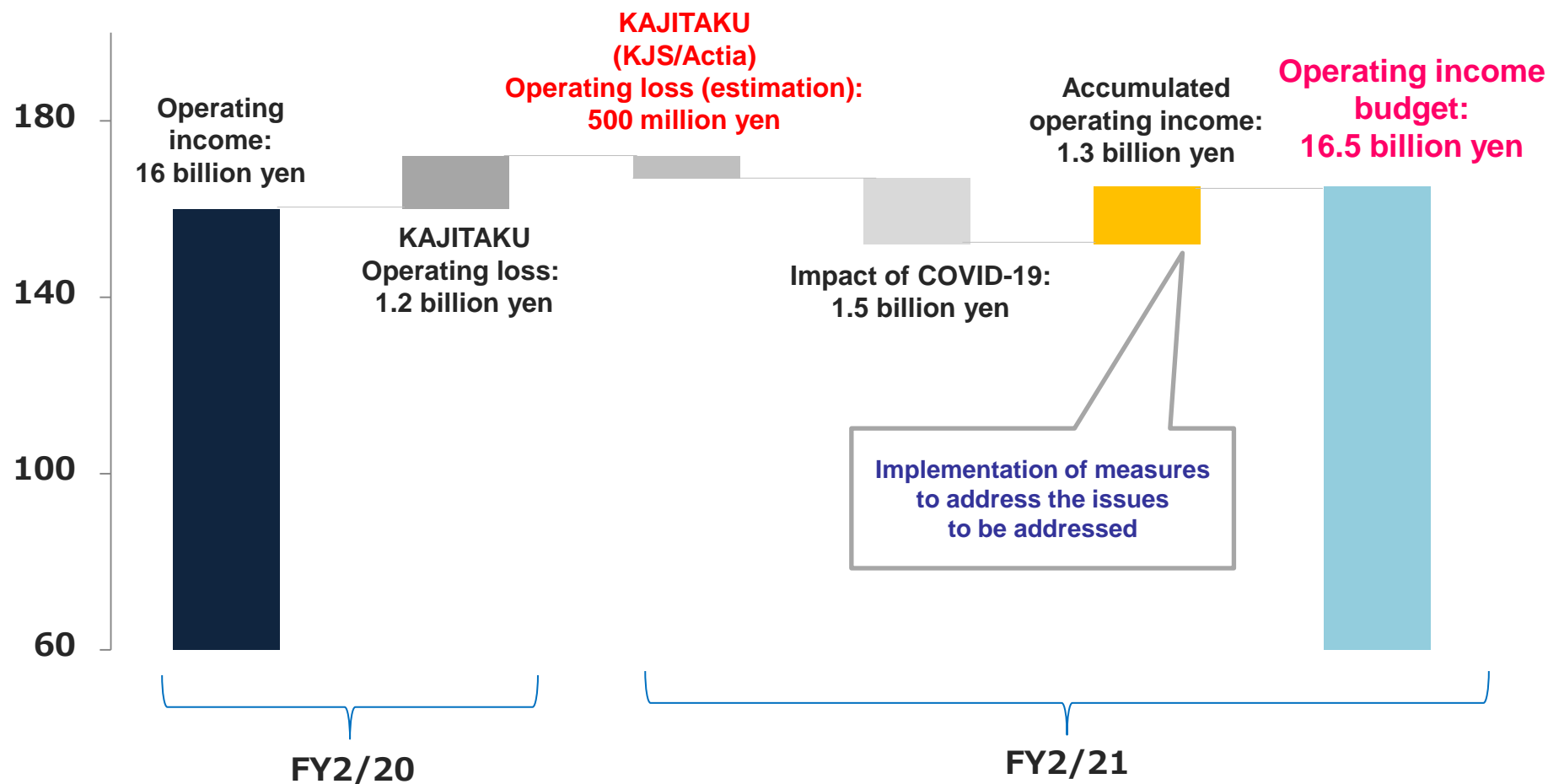
Target figures adjusted for the impact of COVID-19

* For more information about Aeon Delight Vision 2025, please refer to the "Financial Results for the Six Months Ended August 31, 2019 (p. 22-25)" dated October 9, 2019.

Scenario for achieving operating income budget

Operating loss in the former KAJITAKU business and the impact of COVID-19 were in line with the plan

(100 million yen)



Issues to be Addressed

① Measures ② Progress ③ Future Initiatives

Deterioration in facility management profitability and a delay in measures against this

- ① Improve low-profit properties and reforming business processes
- ② Local effects confirmed, but failed to keep pace with increase in outsourcing costs for existing operations, resulting in improvement in profitability of the entire business
- ③ Form the "Business Model Reform Project" to accelerate business process reform

Deterioration in cleaning profitability and a delay in measures against this

- ① Improve low-profit properties and improve productivity
- ② Profitability improved on a non-consolidated basis by improving low-profit properties with horizontally sharing good examples of improvement on a site basis, but profitability declined at subsidiaries due to discontinued operations at commercial facilities and other factors.
- ③ Improve productivity, including at subsidiaries and partner companies, by rolling out best practices and expanding the introduction of cleaning robots

Insufficient building construction work contracting

- ① Expansion of renovation contracts
- ② There were some construction delays due to COVID-19
- ③ Continue to expand orders for large-scale projects by participating from the design stage, and steadily capture orders for small-scale projects through cooperation with consolidated subsidiaries and partner companies.

Issues to be Addressed

① Measures ② Progress ③ Future Initiatives

Deterioration in material-related profitability

- ① Expand trading volume and reduce logistics costs
- ② Through aggressive proposal activities from the beginning of the fiscal year, we expanded trading volume from the 2Q onwards, and built a structure that can utilize economies of scale.
- ③ Reduce costs through large-volume orders and improve logistics efficiency

Impact of the Kajitaku case greater than expected

- ① Growth of the housekeeping support business and restructuring of the store support business
- ② Despite the fact that the growth of the housekeeping support business was not achieved the plan due to the impact of COVID-19, the operating loss of the former 2 companies of KAJITAKU was as planned.
- ③ Housekeeping Support Business (Actia)
Promoting growth by developing products adapted to new lifestyles
Store support business (KSJ)
Prompt implementation of reorganization procedures

Issues to be Addressed

Progress

Expand market share

**Not started in 1Q due to the impact of COVID-19.
We will review target indicators and measures
in light of changes in the environment caused by
COVID-19.**

Increase productivity

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Restructuring and consolidation of head office functions

Formed the “Head Office Relocation PT” to streamline head office

Reorganize our head office in this fiscal year and consolidated it into a new intelligent office

- Restructure the head office functions in Tokyo, Osaka, and Makuhari
⇒ **Accelerate decision-making**
- Build an Intelligent Offices utilizing AI and IoT
⇒ **To be a base for promoting our business**
- Promote non-contact and digitization with continuing new ways of working, such as teleworking and staggered commuting
⇒ **Efficiency businesses while preventing infections**

 **Toward a head office that realizes “Environmental Value Creation”**

Improve capital productivity by promoting organizational restructuring within the Group toward achieving the Aeon Delight Vision 2025

■ May, 2020



Made **A.G. Service Co., Ltd.** a wholly owned subsidiary

which specializes in facility management and construction of small chain stores

- Prompt and flexible decision-making
- **Clarifying roles and functions for the formation of the AEON Delight Economic Zone**

■ Jun. 2020

As part of the reorganization procedures for the former KAJITAKU's store support business (now KJS Corporation) in connection with the problem of inappropriate accounting, the Company transferred the certification photo machine business.*

*Transferred KJS's certification photo machine business to a newly established business through a corporate split (incorporation-type split), and then transferred all shares of the newly established company to another company.

If you have any questions or comments, please contact us below.

- These materials contain statements about forecasts and estimates relating to the future plans, strategies, and performance of AEON DELIGHT.

These statements are based not only on past performance, but also on assumptions based on information currently available to the company. For this reason, please note that the actual performance may differ from our estimates.

- The information contained in these materials has been prepared by the following methods if not specifically stated otherwise.

- ◇ All statements are based on consolidated results
- ◇ All figures of less than 100 million yen have been rounded down
- ◇ Percentages have been rounded off to one decimal place

AEON DELIGHT CO., LTD.
(Securities Code: 9787)

IR Contact : Emiko Ishii
Delight Communication Department
TEL 03-6840-5712

Please contact us on our website.
<https://www.aeondelight.co.jp>

Based on information available up to the date of publication (July 8, 2020)
These forecasts have been prepared and are subject to change due to various factors going forward.