Financial Results for the Fiscal Year Ended February 28, 2022

AEON DELIGHT CO., LTD.
Kazumasa Hamada, President and CEO, Group CEO

April 7, 2022

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Consolidated Statement of Income

Sales, operating income and ordinary income increased YoY thanks to market share expansion within existing customers and new customer development.

The impact of COVID-19 on operating income was -1.2 billion yen, far exceeding the initial forecast (-0.5 billion yen).

(100 million yen)

	FY2/21	(Ratio to sales)	FY2/22	(Ratio to sales)	Difference	Percentage change	Vs. FY2/20
Net sales	3,000	(100.0%)	3,176	(100.0%)	175	105.9%	102.9%
Gross profit	371	(12.4%)	394	(12.4%)	23	106.2%	102.4%
SG&A expenses	219	(7.3%)	237	(7.5%)	18	108.3%	105.3%
Operating income	152	(5.1%)	157	(5.0%)	5	103.3%	98.3%
Ordinary income	152	(5.1%)	157	(4.9%)	5	103.4%	99.0%
Net income attributable to owners of parent	116	(3.9%)	106	(3.4%)	▲10	91.3%	114.1%

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Sales by Segment

Sales increased in all 7 businesses YoY. Compared to FY2/20, sales increased in 5 businesses excluding vending machine services and support services businesses.

(100 million yen)

	FY2/21	FY2/22	Percentage change	Vs. FY2/20
Facilities management	582	615	105.7%	105.6%
Security services	443	472	106.4%	105.8%
Cleaning services	624	669	107.2%	107.4%
Construction work	406	430	105.8%	102.8%
Materials/supplies sourcing services	530	564	106.5%	110.5%
Vending machine services	254	263	103.5%	83.5%
Support services	158	160	101.3%	85.5%
Total	3,000	3,176	105.9%	102.9%

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Profit by Segment

Profits increased in 5 businesses excluding construction work and vending machine services businesses. Construction work was affected by lower demand for environmental construction and other high value-added work, while vending machines were affected by fixed costs such as equipment expenses.

(100 million yen)

	FY2/21	FY2/22	Percentage change	Vs. FY2/20
Facilities management	51.7	54.9	106.2%	103.8%
Security services	33.0	34.3	103.9%	113.1%
Cleaning services	73.2	81.0	110.7%	116.4%
Construction work	38.8	35.8	92.4%	93.9%
Materials/supplies sourcing services	24.6	25.6	103.8%	102.8%
Vending machine services	6.5	6.0	93.1%	43.6%
Support services	▲0.7	4.4	-	106.0%
Total	227.3	242.3	106.6%	103.5%

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Consolidated Balance Sheet

(100 million yen)

Assets	FY2/21	FY2/22	Difference
Current assets	1,100	1,210	110
Tangible fixed assets	94	70	▲24
Intangible fixed assets	55	56	1
Investments, etc.	115	91	▲24
Fixed assets	265	218	▲47
Total assets	1,365	1,428	62

Liabilities and net assets	FY2/21	FY2/22	Difference
Current liabilities	441	438	▲2
Fixed liabilities	41	35	▲6
Total liabilities	482	474	▲8
Shareholder's equity	866	929	62
Total net assets	882	954	71
Total liabilities and net assets	1,365	1,428	62

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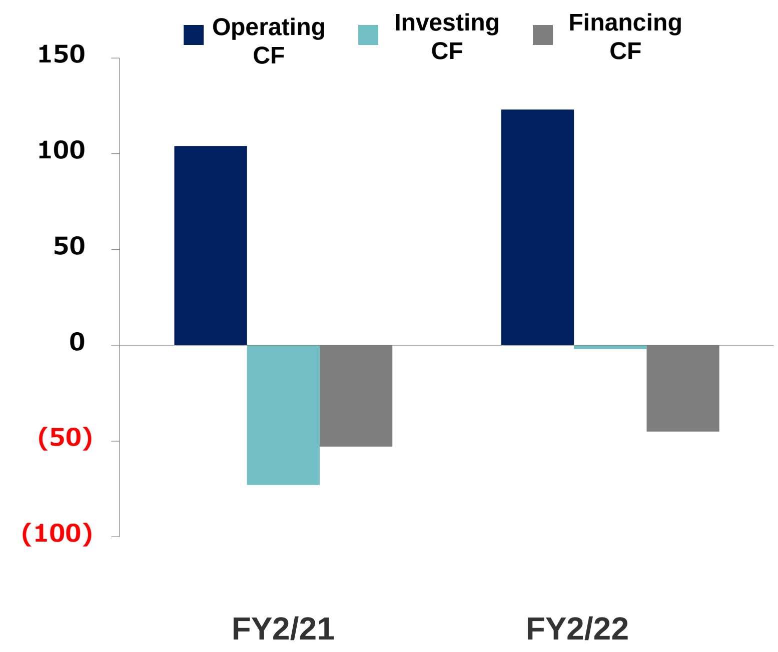
Consolidated Statement of Cash Flows

(100 million yen)

	FY2/21	FY2/22	Difference
Cash flows from operating activities	104	125	21
Cash flows from investing activities	▲73	▲3	69
Cash flows from financing activities	▲53	▲45	7
Cash and cash equivalents at the end of year	589	675	85

(100 million yen)



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FY2/22 Results and Issues

Basic policies	Results	Issues
Customer-oriented management	• Expanded market share among existing customers by strengthening account-based marketing	・Service development based on market-in approach
Promotion of DX	• Established Customer Support Center (CSC) in 8 branches in Japan • Reduced staffing at a total of 151 facilities nationwide through the deployment of area management, securing 115 personnel resources. • Improved profitability at facilities with labor saving.	• The effect for profitability improvement is limited to labor-saving facilities as area management is still under development; the overall profitability of the Facilities Management business remaining unchanged.
Group Management	• China business expanded steadily due to organic growth and M&A of local leading companies.	• Delay in the effects of the integration of AD Connect, which has been positioned as a core company for small-and medium-sized facilities • Slump in domestic subsidiaries due to the impact of COVID-19 • Stagnation of ASEAN business due to the impact of COVID-19 in each country

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Medium-term Management Plan: Progress of KPIs (Key Performance Indicators)

Delay of one to two years for some measures to take effect, partly due to higher-than-expected COVID-19 impact.

Basic policies	KPI (End-FY2/24)	End-FY2/22	End-FY2/21
Customer-oriented management	Ratio of sales inside and outside the Aeon Group: 60% : 40%	64.4% : 35.6%	64.3% : 35.7%
Promotion of DX	Operating margin of 6.0%. Maintain ROE level of 12% (full year) through improvement of operating margin.	Operating income margin: 5.0% ROE: 11.7%	Operating income margin: 5.1% ROE: 14.1%
	Number of facilities with area management introduced 360 facilities	**151** facilities	27 facilities
	Reduction of 180 on-site posts through area management	**115** staffs	—
	Reallocation of 20% of headquarters staffs to direct departments through consolidation of functions	Began improving business processes in headquarter	—
Group Management	Full-year sales of domestic group companies: 65 billion yen	52.1 billion yen	52.8 billion yen
	Overseas sales ratio: over 8%	**7.8**%	6.7%
	Convert domestic group finance and accounting departments to shared services (full year)	Started providing support from our finance and accounting department for all domestic group companies	—

Items in blue are items of improvements

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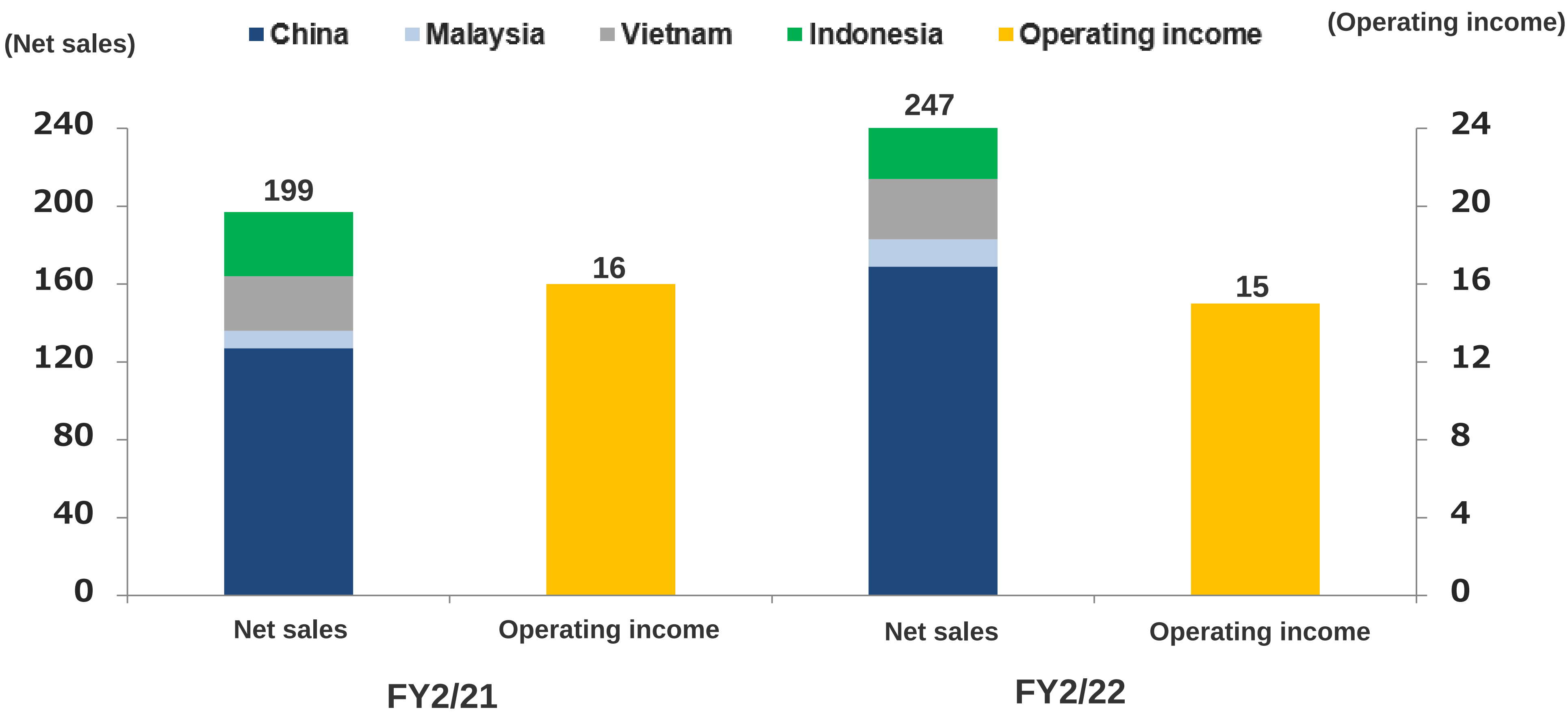
Business Expansion in Asia

Steady growth in China through new customer development and business domain expansion.
In ASEAN countries, we support customers' business continuity amidst the continuing severe business environment due to the impact of COVID-19 in each country.

[Overseas business] Net sales: 124.2% YoY; Operating income: 96.7% YoY*

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



*Figures are simple totals for operating companies.

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Aim for recovering through solving issues in FY2/22

(100 million yen)		FY2/22 Results (Ratio to sales)		FY2/23 Forecasts (Ratio to sales)		Percentage change
Net sales	New revenue recognition standard	2,839	(100.0%)	3,100	(100.0%)	109.2%
	Former revenue recognition standard	3,176	(100.0%)	3,470	(100.0%)	109.3%
Operating income		157	(5.0%)	170	(5.5%)	108.3%
Ordinary income		157	(4.9%)	170	(5.5%)	108.3%
Net income attributable to owners of parents		106	(3.4%)	107	(3.4%)	100.9%

*Ratio to sales (figures in parenthesis) are calculated based on the former revenue recognition standard for FY2/22 and the new revenue recognition standard for FY2022.
*Estimated impact of COVID-19 on operating income for FY2/23: -0.8 billion yen (FY2/22: -1.2 billion yen)

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Major Initiatives for FY2/23

Basic Policies	Details of Initiatives
Customer-oriented management	• Reorganize the local branch structure under 8 domestic regional offices, which serve as points of contact with customers. • Expand market share among existing customers by enhancing the sales structure and new customer development. • Expand the range of customer base of healthcare-related services, which have targeted healthcare-related facilities, and developing them as pillars of future business. • Systematize measures to reduce environmental impact; start a consulting business to support decarbonization for customers.
Promotion of DX	• Promote linkage among various systems and increase the amount of information stored to promote utilization of the AD Platform (enhance output through further accumulation and analysis of information). • Accelerate development of new facility management model "area management”.
Group Management	• Promote growth of domestic group companies by strengthening cooperation among group companies • Further growth in China. • Start preparations to establish an ASEAN head office to strengthen the management foundation.

Explanation of each item in detail from the next pages.

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Strengthen connection with customers by restructuring the local branch structure

Through the structural reform on April 1, 2022,

- Reorganize the local branch structure under the control of all 8 domestic regional offices, which are points of contact with customers, in accordance with customer needs, characteristic of facilities, regional characteristics, and the location environment.
- Redefine duties at each level (branch head, branch manager, area manager, site manager)

Each regional branch will establish a system to communicate with customers

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Strengthen sales structure to further increase market share among existing customers, which was achieved in FY2/22, and promote new customer development.

【FY2/22】

- **Increase market share among existing customers by strengthening account-based marketing**

【FY2/23】

By strengthening the sales structure

- **Further strengthen relationships with existing customers by further promoting account-based marketing; increase market share through contributions to customers' successes.**
- **Increase orders received based on relationships with prospective customer base established in FY2/22. Build relationships with potential customers to develop new customers.**

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Customer-Oriented Management ③ Develop healthcare solutions

Expand facility management services by leveraging experience and know-how gained through "hygiene control" and "New Standard Cleaning" services.

【Initiatives taken】

- In FY2/15, we began offering "hygiene control", a service for hospitals that incorporates infection control, which led to a significant expansion of services offered to hospitals (hygiene control, facilities management, support services, etc.)
- In FY2/21, we developed the "New Standard Cleaning" as a new standard for cleaning in the COVID era, leveraging the know-how of "hygiene control", and provide it to various facilities. We are responding immediately to the changes in customer needs due to COVID-19.

Amid growing social awareness of the need to prevent epidemics, we expand facility management services contracted to hospitals, hotels, and various other facilities by proposing solutions to improve the hygiene standards.

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Leveraging our accumulated knowledge and technology to develop decarbonization support solutions




【Environmental impact reduction services to date】

- Installation of energy-saving equipment
- Energy-saving operation of various eqipment
- Chlorofluorocarbon (CFCs) management
  (CFCs management agent, sales of non-CFCs showcases)
- Electricity supply service, etc.

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【Future environmental impact reduction services 】

- Support for procurement of renewable energy
- Support for issuance of environmental certificates, etc.

Establish a dedicated organization to provide total support for customers' decarbonization
A new pillar of our business based on the principle of Creation of “Environmental Value”

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Promote utilization of AD Platform through linkage of various systems and further accumulation of information stored

Increase in customer information by increasing accounts

input

Increase in facility information through remote control of facilities in conjunction with "area management" development

input

AD Platform

A system that collects and analyzes a variety of data, including customer and facility information, and processes it into valuable information.

output

Valuable information that contributes to solving customer issues

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Promotion of DX ② Accelerate development of area management

Aiming to solve labor shortages and quickly reform profit structure through accelerated development of area management and digitalization of various operations

●CSC with enhanced equipment in Kanto Regional Office

【FY2/22】

Reduced manpower of 151 facilities through the use of remote supports by CSC and various sensors and cameras. Reallocated total of 115 specialized personnel to newly commissioned facilities, sales and construction departments.

【FY2/23】

Labor-saving at 100 new facilities (278 facilities in total)
Aim to redeploy 40 specialized personnel (155 in total)
At the same time, promote R&D for DX in security, cleaning, and support businesses

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Group Management ① Initiatives by Group Companies in Japan

Aiming for growth as a group while leveraging the expertise of each company

Company name	Initiatives
AEON DELIGHT CONNECT	Concentrate sales resources on companies with small and medium-sized stores nationwide
Hakuseisha	Expand market share among existing customers
Kankyouseibi	Expand market share in the North-Kanto area through collaboration with our Kanto branch
AEON COMPASS	Steadily respond to demand recovering from the COVID-19

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Aim for further growth through aggressive M&A and business alliances in addition to organic growth

Organic growth through expansion of contracts in the **priority target areas of mid- to high-end shopping centers, hospitals and nursing homes, and redevelopment areas**

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Growth through **M&A and business alliances**

- Acquisition of expertise
- Expansion of business areas
- Strengthening customer base, etc.

- In China, we are expanding our business areas, including operation services at logistics facilities (top photo) and refreshment supply stations (bottom photo).

Continue to drive our overseas business as the largest growth area in Asia

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Strengthening management base for medium- to long-term growth

● Supporting customers' business continuity amidst a continuing difficult business environment under COVID-19

Continue to support customers' facilities in ASEAN countries while responding to changes due to COVID-19 in each country

In addition, we have begun preparations to establish an "ASEAN Headquarters" to strengthen our management base for mid- to long-term growth and to chart a new growth strategy for each country.

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Shareholder Return

Dividends have increased for 17 consecutive years since FY2/06.
Aiming for 18 Consecutive Years of Dividend Increase

Plan to pay 84 yen per share for FY2/22 as forecasted at the beginning of the fiscal year

including 74 yen of ordinary dividend (payout ratio of 35%) and
10 yen of commemorative dividend for AEON DELIGHT's 15th anniversary

For FY2/23, based on the assumption that the performance forecasts will be achieved,

Plan to pay dividends of 85 yen with payout ratio of 40%*

Plan to increase the dividend from the previous fiscal year (including commemorative dividend) by applying the dividend payout ratio of 40%, which had been planned within the 3 years of the medium-term plan, in FY2/23.
***In the case of net income attributable to owners of parent is 10.7 billion yen.**

In order to eliminate concerns about dilution of shares, 3.5 million shares out of 4.1 million shares of treasury stock (ownership ratio of 7.66%) are scheduled to be retired.

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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

*Rounded down to the nearest 10 million yen only on p. 5

◇ Percentages have been rounded off to one decimal place

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Based on information available up to the date of publication (April 7, 2022)
These forecasts have been prepared and are subject to change due to various factors going forward.