

# **Financial Results for the Fiscal Year Ended February 28, 2018**

**AEON DELIGHT CO., LTD.**

**Ippei Nakayama, President and CEO**

**April 11, 2018**

A person in a blue suit is shaking hands with a white robotic arm. The background is a bright, modern office with large windows. The text is overlaid on a semi-transparent blue band across the middle of the image.

**Solve the social challenge of labor shortage from the field of facility management**

## **1** Financial Report for the Fiscal Year Ended February 2018

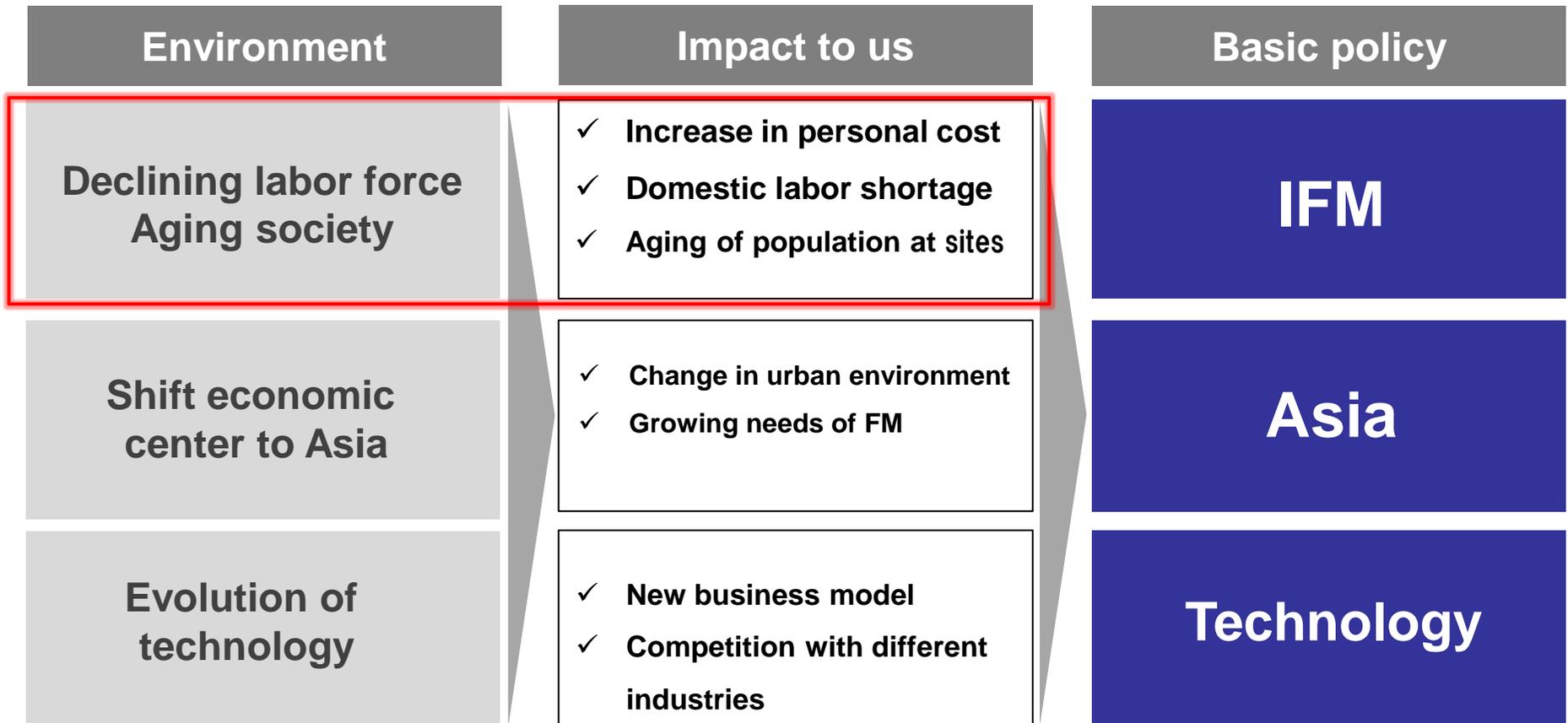
## **2** Initiatives for Priority Management Issues

## **3** Initiatives for the Fiscal Year Ending February 2019

# Mid-term Management Plan (FY2/18-FY2/20)

Currently, the effect of labor shortage is expanding  
**Labor-saving (establishment of highly efficient/highly profitable-type model)** is an urgent and the greatest challenge

## ■ Basic policies for the mid-term management plan (FY2/18-FY2/20)



# Achievements and Issues for FY2/18

**Expand business steadily in Asia but delay in the development of labor-saving model for use of technology**

## ■ Progress in the mid-term management plan (FY2/18-FY2/20)

Basic policy	Assessment	From FY2/19
<b>IFM</b>	<p>(+) Acquire expertise as a new corporate business model and build an operating base</p> <p>(-) <b>Opportunity loss due to labor shortage</b></p>	<p><b>Establish FM labor-saving and unmanned models early</b></p> <p>to overcome labor shortage which is the greatest challenge</p>
<b>Asia</b>	<p>(+) Expand business steadily in China</p> <p>Profits improve in ASEAN</p>	
<b>Technology</b>	<p>(+) Establish energy saving model</p> <p>(-) <b>Not able to establish labor-saving model and to absorb labor cost increase</b></p>	

# Consolidated Income Statement

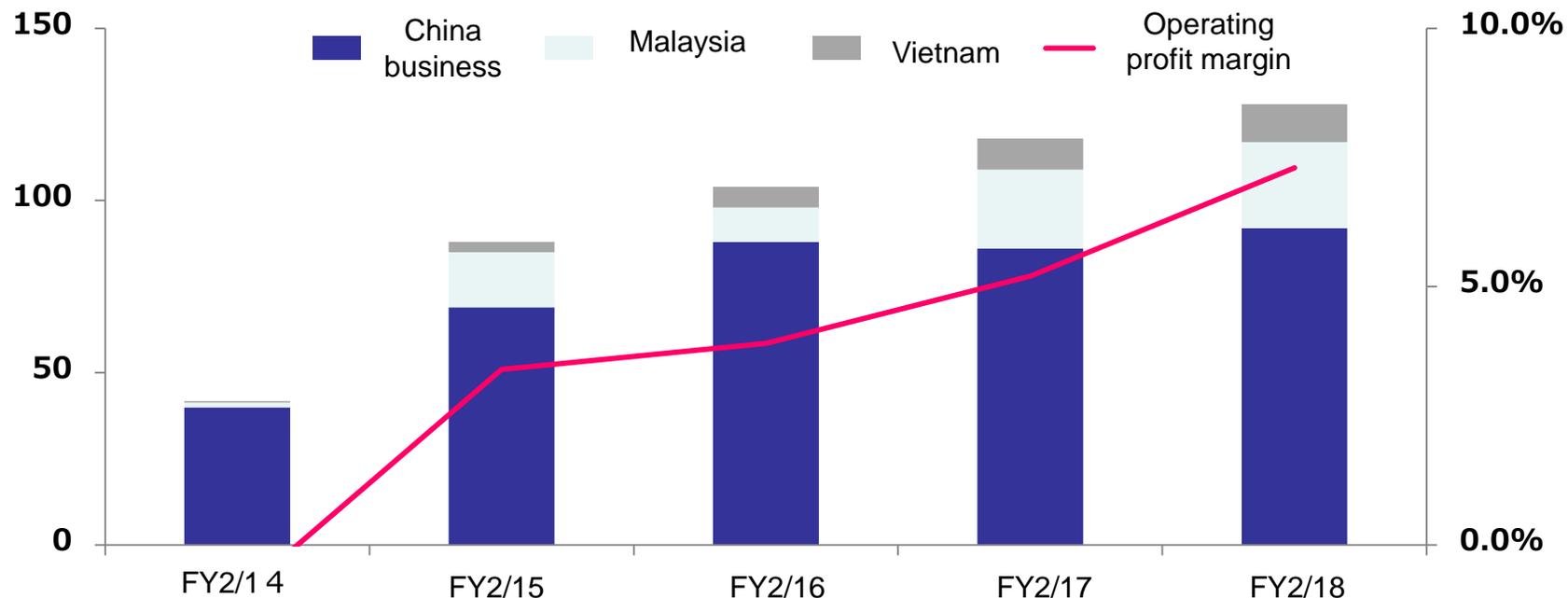
- ① From 3Q onward, sales and gross profit margin fell below the plan and showed great difference in operating income
- ② Full-year sales and net income exceeded the previous year

	FY2/17		FY2/18		Difference	Percentage change
	(Ratio to sales)		(Ratio to sales)			
Net sales	2,947	(100.0%)	2,958	(100.0%)	11	100.4%
Gross profit	389	(13.2%)	389	(13.2%)	▲0	99.8%
SG&A	217	(7.4%)	220	(7.5%)	3	101.6%
Operating income	172	(5.9%)	168	(5.7%)	▲4	97.4%
Ordinary income	173	(5.9%)	172	(5.8%)	▲0	99.4%
Net income attributable to owners of parent	102	(3.5%)	103	(3.5%)	0	100.8%

# Business Expansion in Asia

Overseas sales were **107.2%** YoY, operating income grew **1.5 times** YoY (\*)

## Changes in overseas sales/operating profit margin (100 million yen/%)



Fiscal year	FY2/14	FY2/15	FY2/16	FY2/17	FY2/18
Net sales (100 million yen)	42	89	106	120	129
Operating profit margin (%)	▲ 1.0	3.4	3.9	5.2	7.3

\*Numbers are sums of the performance of individual companies

\*Conducted business restructuring including withdrawal from unprofitable businesses between FY2/17 and FY2/18 in China

# Sales by Segment

YoY increase in 4 segments. Construction work is mainly affected by decrease in construction contracts associated with large customers' store renovations in the previous year

	FY2/17	FY2/18	Percentage change (100 million yen)
Facilities management	505	526	104.2%
Security services	410	432	105.4%
Cleaning services	533	552	103.6%
Construction work	458	408	89.3%
Materials/supplies sourcing services	507	502	99.1%
Vending machine services	328	328	99.9%
Support services	203	205	101.4%
Total	2,947	2,958	100.4%

\*Executed partial reorganization between each of the security, cleaning, construction, and support segments  
(Installation of safety camera equipment, construction works projects ⇒ Security, waste material commissions support ⇒ Cleaning)

# Profit by Segment

Profits increased in 5 segments. Sales of construction work decreased and profits increased due to change in portfolio

Security services affected by increase in outsourcing cost, vending machine service cost increased due to a shift in revenue model

	FY2/17	FY2/18	Percentage change (100 million yen)
Facilities management	43	46	106.8%
Security services	31	28	91.9%
Cleaning services	60	62	103.6%
Construction work	32	33	103.0%
Materials/supplies sourcing services	27	28	103.4%
Vending machine services	28	21	74.9%
Support services	23	25	106.0%
<b>Total</b>	<b>246</b>	<b>245</b>	<b>99.5%</b>

\*Segment earnings... Operating income by segment calculated by excluding internal transaction by segment and corporate expenses (corporate common expenses not specified by segment)

# Consolidated Balance Sheet

(100 million yen)

Assets	FY2/17	FY2/18	Difference
Current assets	1,124	1,202	78
Tangible fixed assets	90	100	9
Intangible fixed assets	90	80	▲10
Investments, etc.	89	85	▲3
Fixed assets	270	266	▲4
Total assets	1,395	1,468	73

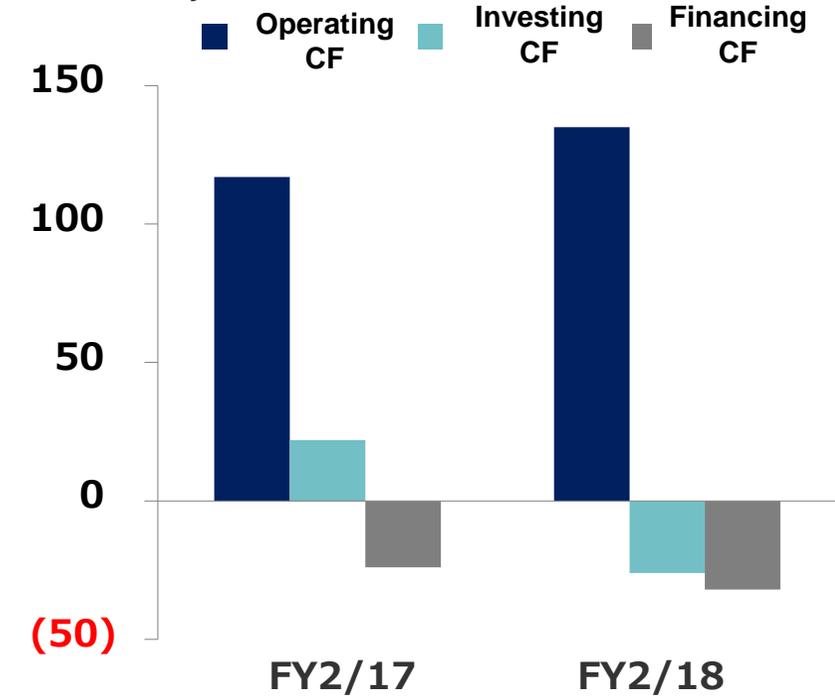
Liabilities and net assets	FY2/17	FY2/18	Difference
Current liabilities	440	434	▲5
Fixed liabilities	33	27	▲5
Total liabilities	474	462	▲11
Shareholder's equity	885	959	73
Total net assets	920	1,005	84
Total liabilities and net assets	1,395	1,468	73

# Consolidated Cash Flow Statement

(100 million yen)

Assets	FY2/17	FY2/18	Difference
Cash flows from operating activities	117	135	18
Cash flows from investing activities	22	▲26	▲49
Cash flows from financing activities	▲24	▲32	▲8
Cash and cash equivalents at the end of year	310	387	77

(100 million yen)



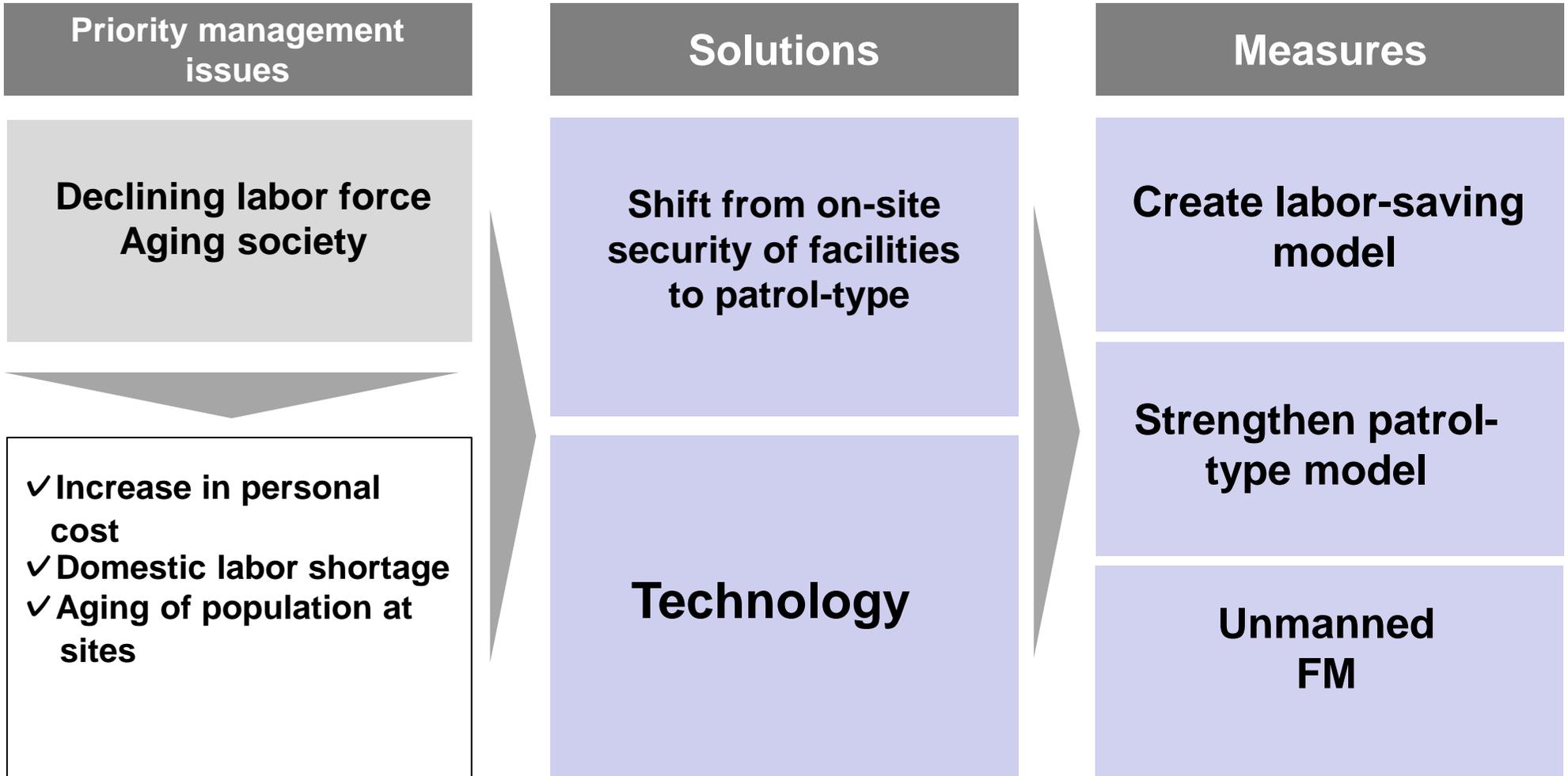
**1** Financial Report for the Fiscal Year Ended February 2018

**2** Initiatives for Priority Management Issues

**3** Initiatives for the Fiscal Year Ending February 2019

# Initiatives for Priority Management Issues

Create a highly efficient FM business model (labor-saving/unmanned, patrol-type) and solve priority management issues



**Reduce the number of staff on duty at all times by half and cut cost by 40% with labor-saving model**

Under verification

**Introduction of labor-saving system**

**[Customers]**

**Cut facility cost by 40%**

**[Our company]**

**Reduce the number of staff on duty at all times by half**

**FY2/19 1H**

**Establish labor-saving model**

**FY2/19 2H**

**Development of several facilities**

# Strengthening of Patrol Services for Small and Mid-sized Facilities in Japan

## ① Create a new FM business model through cooperation

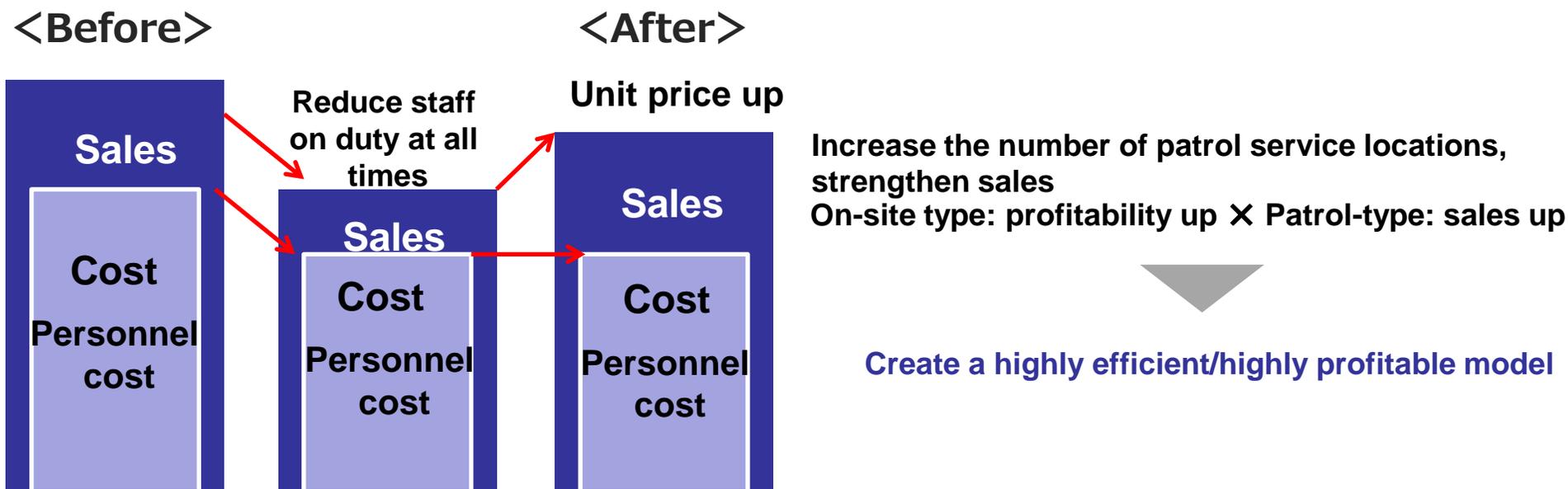
信頼される安心を、社会へ。

**SECOM**



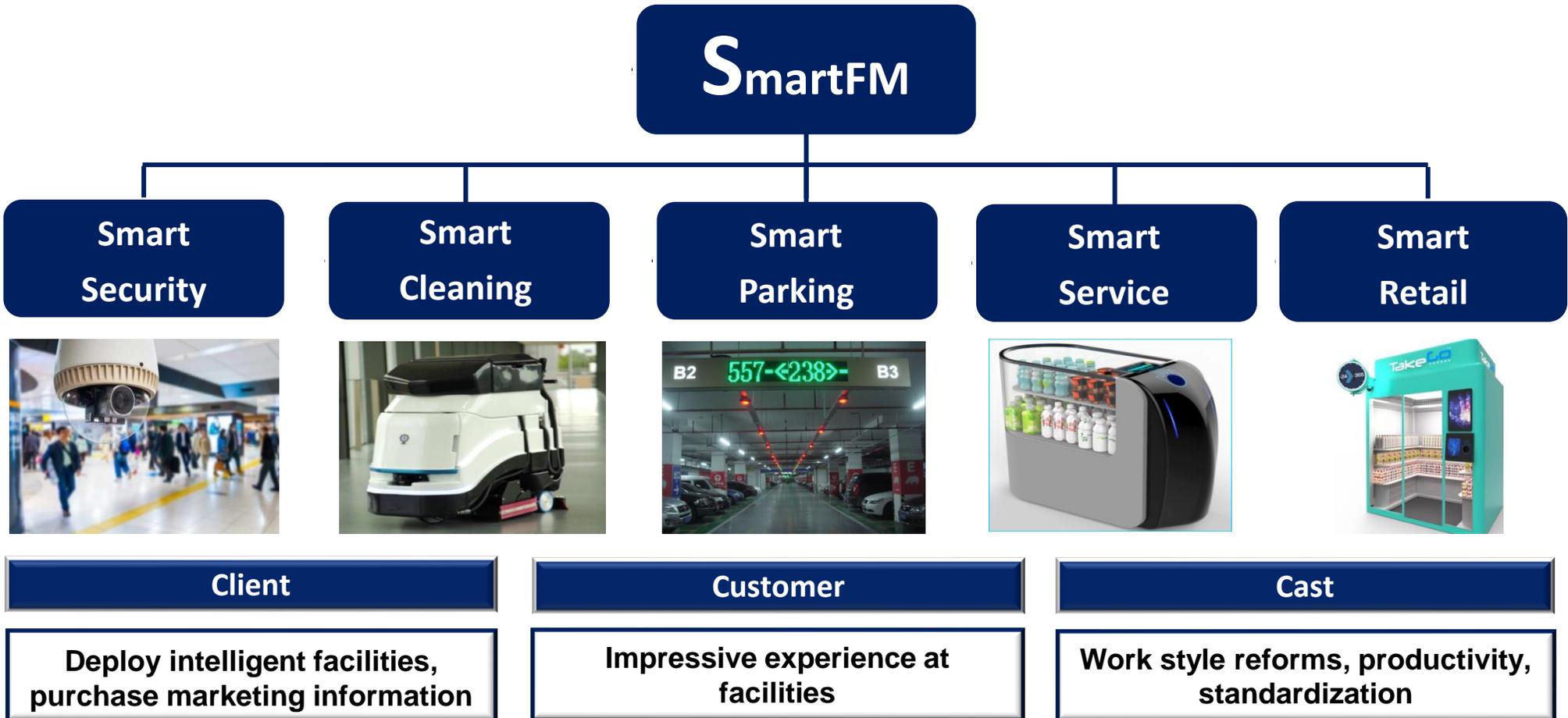
**AEON delight** 

## ② Strengthen patrol service locations by reducing staff on duty at all times



# Creation of FM Unmanned Model (Smart FM) in China

Create FM labor-saving/unmanned model in China where it is making a significant progress in digitalization



**1** Financial Report for the Fiscal Year Ended February 2018

**2** Initiatives for Priority Management Issues

**3** Initiatives for the Fiscal Year Ending February 2019

# Strengthening of IFM (Integrated Facility Management) Proposal

Use IFM to promote reforms of indirect department/general affairs functions that have growing demand due to shortage of human resources



\*RPA (Robotic Process Automation) Robotic operational efficiency. Mainly takes care of white-collar work at back-office

# Store Design and Interior Construction

Made a company specialized in store designing a wholly owned subsidiary to strengthen the upstream of value chain and expand orders for interior construction in Japan and abroad



Made U-COM Co., Ltd. with substantial track records in commercial facilities in Japan and abroad a subsidiary



Strengthen organization

Previous major services

Research and planning

Store designing

Supervision

Production and construction

After maintenance

Restoration work and compartment formation

Total support from research and planning to after maintenance

Expand orders in Japan and abroad

# Business Expansion in Asia①China Business

Expand sales by two core companies and make a difference through new business for further growth

## Organic



Unexplored areas  
(Shandong, Guangdong)

## Catering



Attract a huge market

## Renovation



Store design and  
interior construction

**+ M&As aimed at shifting and creating business structure**

# Business Expansion in Asia②ASEAN



## Existing areas (Malaysia, Vietnam)

Promote alliance strategies with local leading companies

[1Q topics]

### Malaysia

Received orders for the country's largest resort-related company's facilities

### Vietnam

Received orders for the Japanese public office



## Newly-developed areas (Cambodia, Indonesia)

Expand into Cambodia as a branch office of AD Vietnam

Consider an area strategy through M&As of local companies

# Breakdown of YoY Increase in Operating Income

FY2/19 operating income **¥18.5 billion** Up **¥1.68 billion** YoY

Items	YoY change (100 million yen)
① IFM (Expansion of customers)	8
② Store design and interior construction	3
③ Business expansion in Asia	6
④ Labor-saving and cost improvement	7
⑤ Growth of domestic subsidiaries	6
<b>①- ⑤ Total gross profit</b>	<b>30</b>
<b>YoY increase in SG&amp;A</b>	<b>12</b>
<b>YoY increase in operating income</b>	<b>18</b>

# Business Forecasts for FY2/19

(100 million yen)	FY2/18 results (Ratio to sales)	FY2/19 Forecasts (Ratio to sales)	Percentage change
Net sales	<b>2,958</b> (100.0%)	<b>3,050</b> (100.0%)	<b>103.1%</b>
Operating income	<b>168</b> (5.7%)	<b>185</b> (6.1%)	<b>110.0%</b>
Ordinary income	<b>172</b> (5.8%)	<b>185</b> (6.1%)	<b>107.0%</b>
Net income attributable to owners of parent	<b>103</b> (3.5%)	<b>110</b> (3.6%)	<b>106.6%</b>

# Toward Realizing the Mid-Term Management Plan

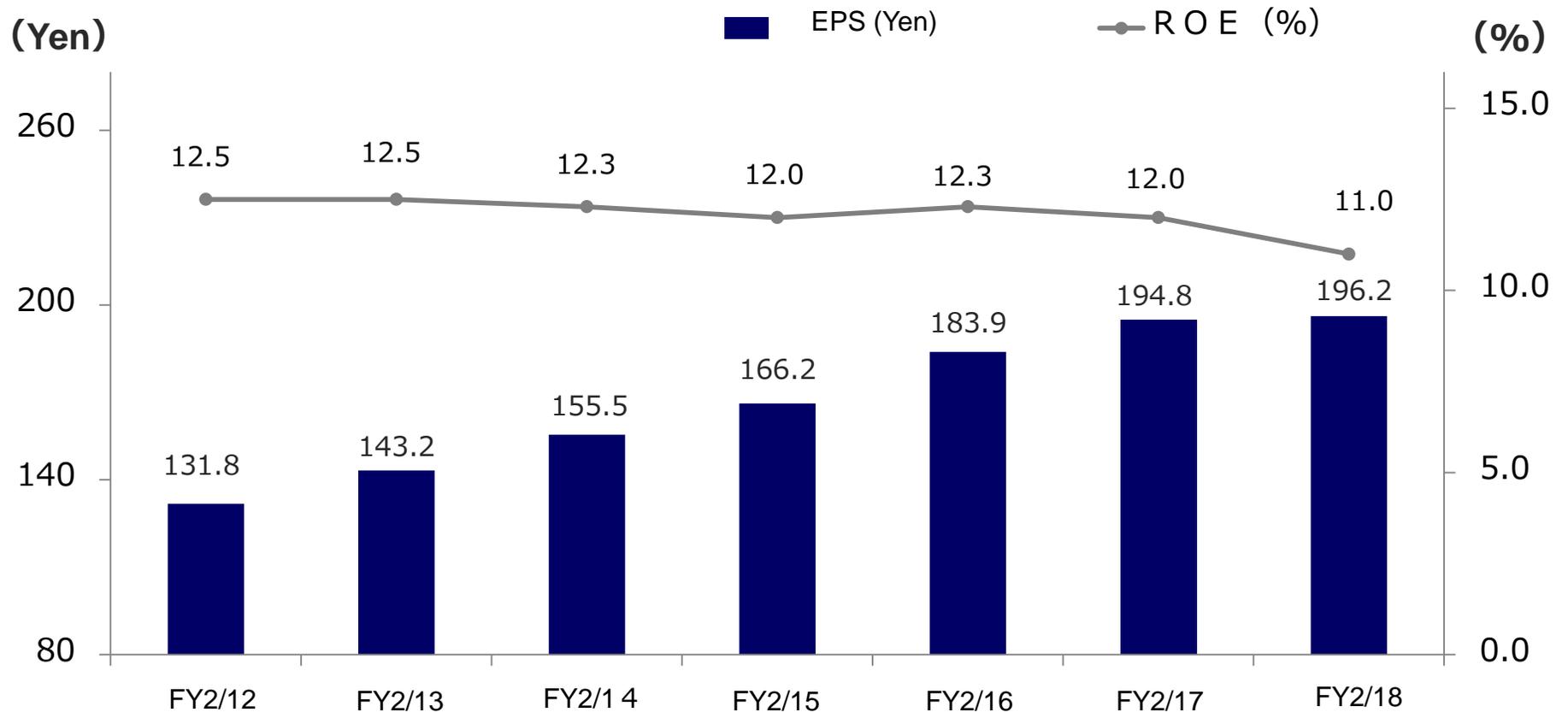
Market	Competitive advantage
Japan	Labor-saving/highly efficient model for large facilities
	Patrol-type/highly profitable model for small and mid-sized facilities
	Environment business
	Store design and interior construction
Asia	Smart FM



# Capital Policy

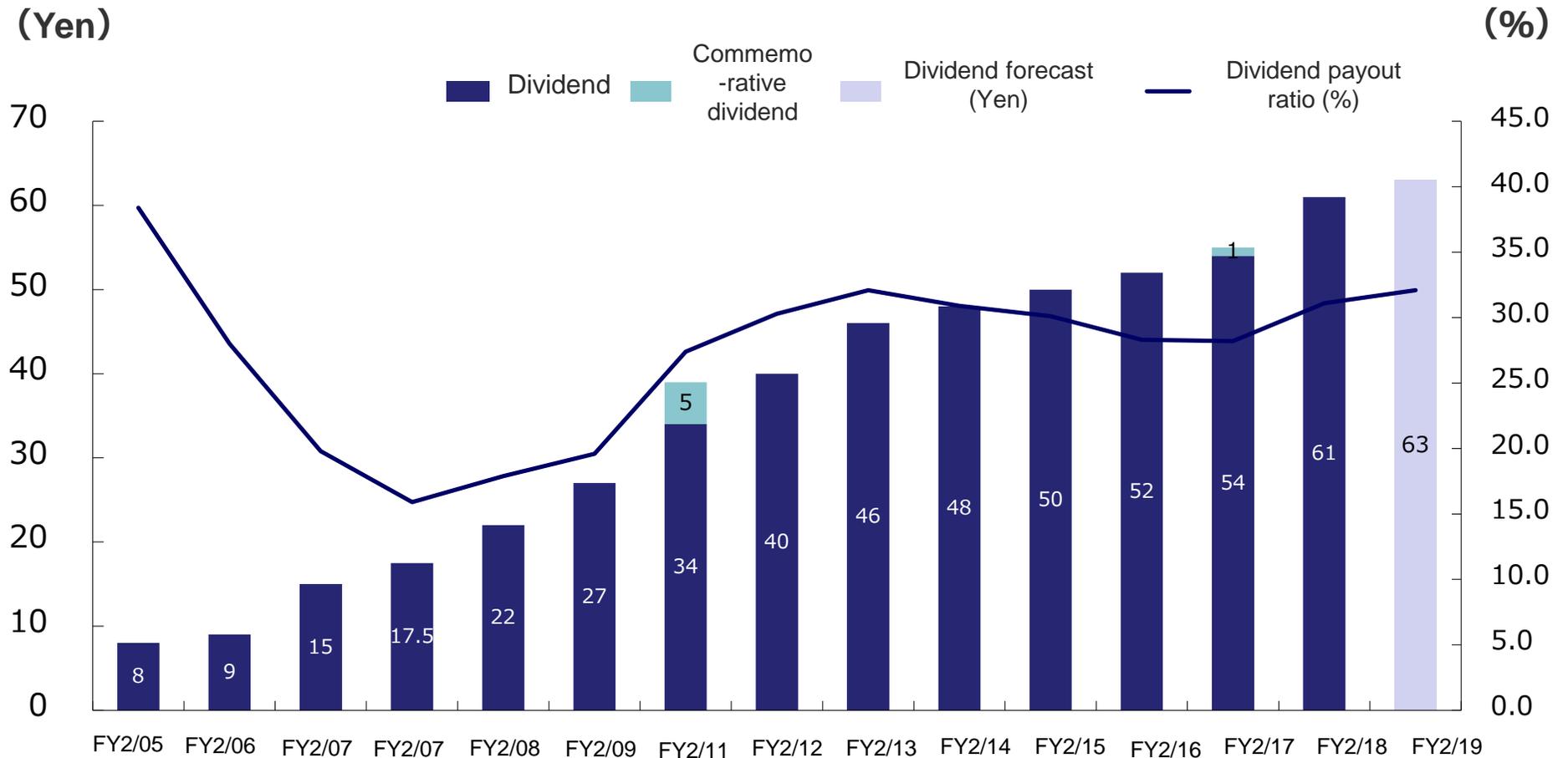
**Consolidated payout ratio: Maintain around 30%**

**Capital efficiency: Maintain around 12% of ROE**



# Shareholder Return

Aim for 14 consecutive years of increased dividends since FY2/06



# Make the Next Leap under a New Framework



**President (scheduled)**

## **Kazumasa Hamada**

**Previous Senior Executive Officer, AEON RETAIL Co., Ltd.  
Branch Manager, Kita-Kanto and Niigata Companies**

\*Mr. Kazumasa Hamada is scheduled to become President following the 45<sup>th</sup> annual meeting of shareholders to be held in May 2018 and the subsequent resolution of Board of Directors

## 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.**  
(Stock code: 9787)

IR Contact Yoshiyuki Kyomoto  
Group Strategy Div.  
TEL 043-351-2563

Or visit our website at:  
**<http://www.aeondelight.co.jp>**

This presentation has been prepared based on the information available as of the date of the presentation (April 11, 2018). The business forecasts may be revised due to various factors that may arise in the future.