

# Medium-term 3-Year Management Plan (FY2/25-FY2/27)

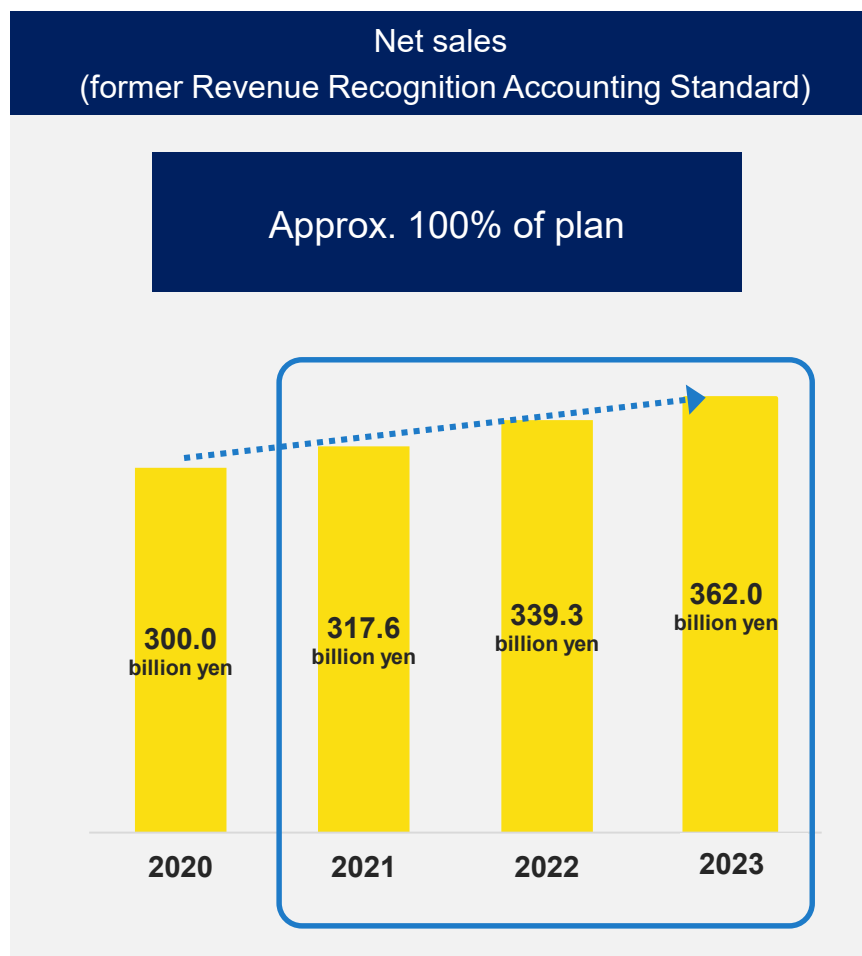
AEON DELIGHT CO., LTD.

Kazumasa Hamada,  
President and CEO, Group CEO

October 8, 2024

## Review of Previous Medium-Term Management Plan (FY2021-FY2023) ① Comparison with Targets

- ✓ Carrying out various initiatives based on the three basic policies of "customer-oriented management," "promotion of DX," and "group-wide management"
- ✓ Net sales achieved the target level, and operating income was about 70% of the target.



## Business Environment Surrounding Our Group (FY2/25-FY2/31)

Demand in our Group business domains is expected to be firm, but the number of players is expected to decline due to labor shortages and other factors.

### Business Environment

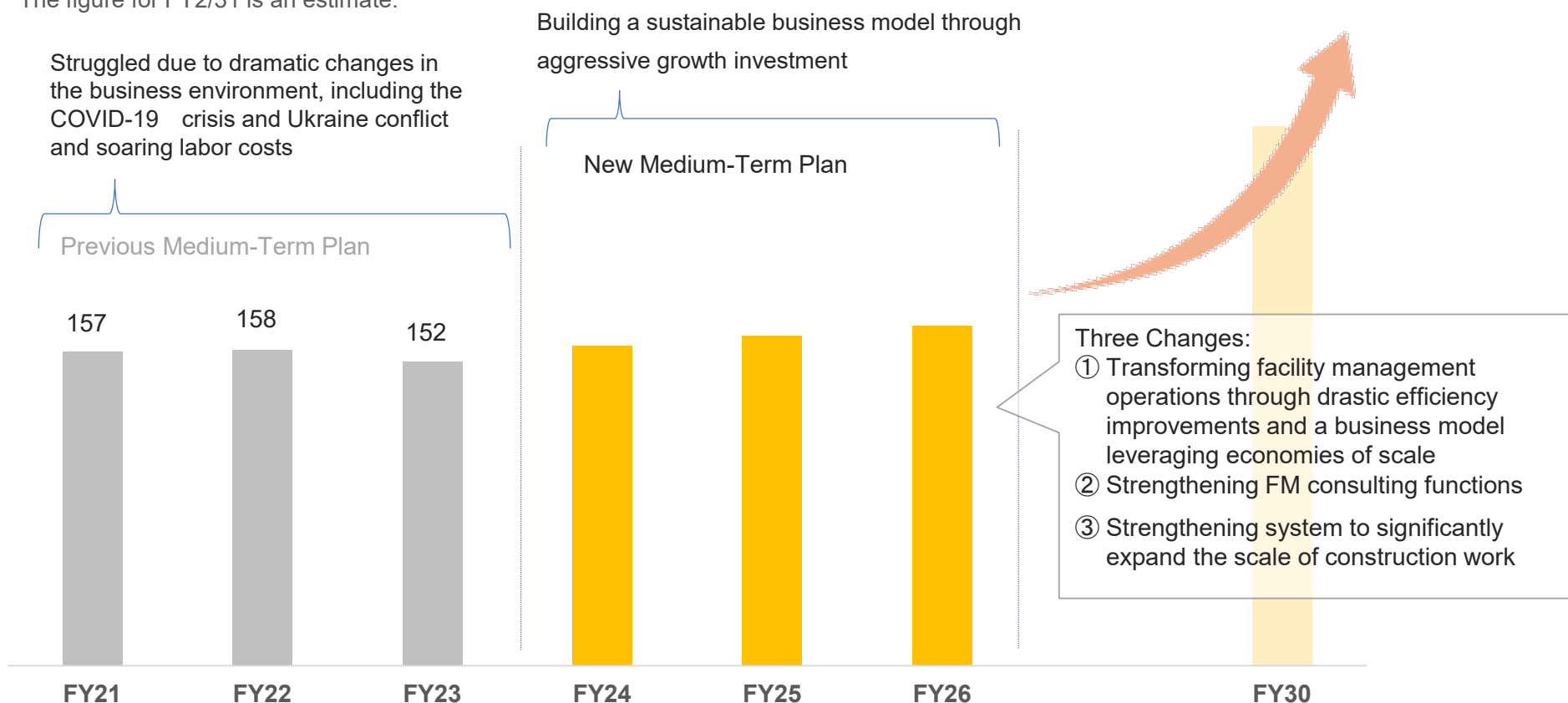
- ✓ **Domestic building management market (approx. 4.5 trillion yen) expanding moderately**
- ✓ Risks associated with urbanization in major metropolitan areas, particularly the Tokyo area (Increasing risks of natural disasters, aging infrastructure, etc.) emerge
- ✓ Market size of the construction industry (over 60 trillion yen) remained flat.  
**Percentage of renovations, maintenance, and repairs increased due to aging countermeasures and environmental measures.**
- ✓ **Outsourcing needs for non-core businesses are expected to expand** due to labor shortages.
- ✓ In the facilities management industry, there is a growing shortage of manpower, a problem with finding successors, and rising labor costs, **and it is expected that there will be an increase in the number of businesses that are forced to downsize or close, and a rise in the momentum for industry reorganization.**

# Positioning of the Medium-Term Management Plan (FY2/25-FY2/27)

During the new 3-year period, we will reform our business model for future growth.

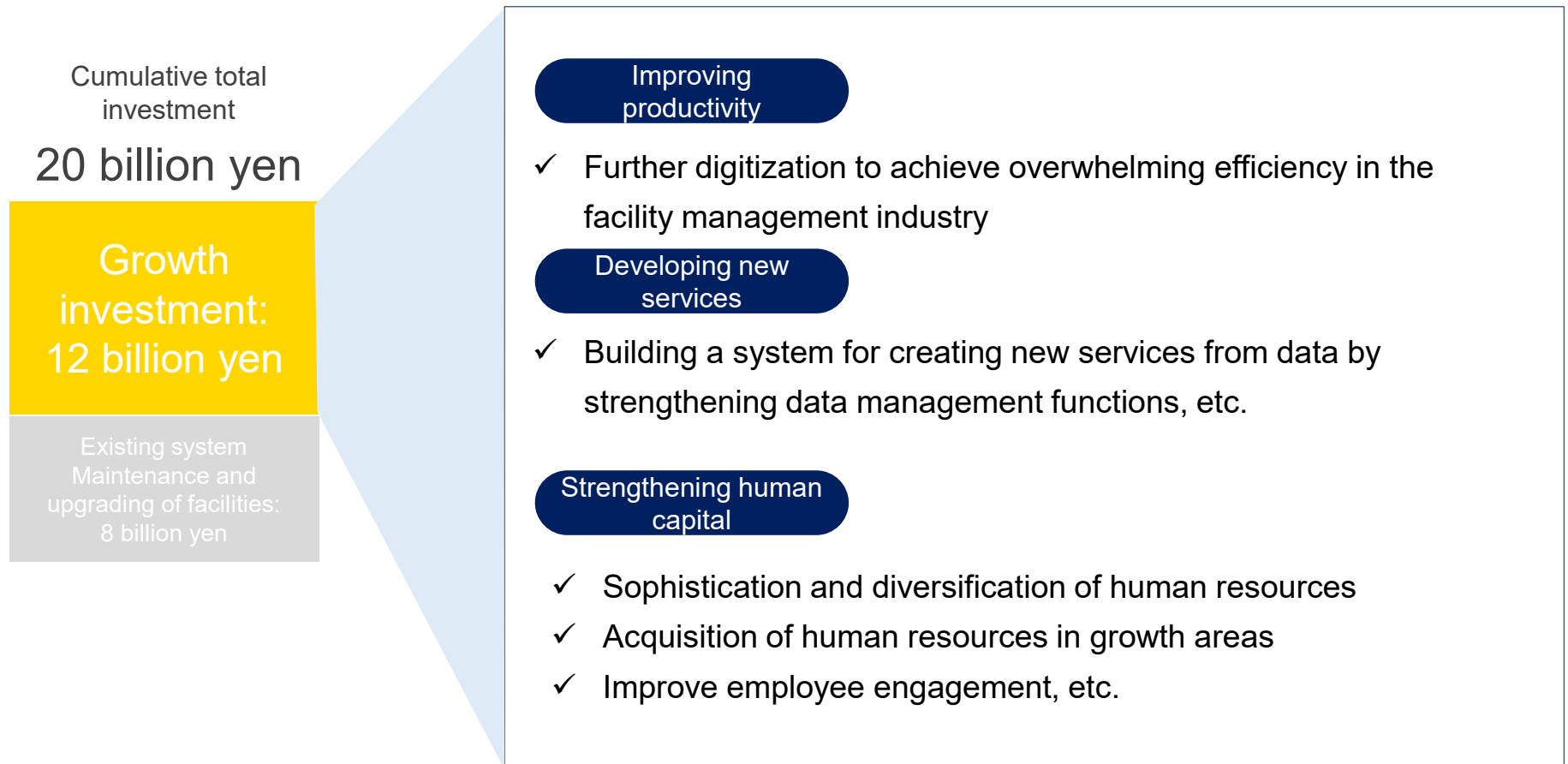
Changes in Operating Income (100 million yen)

\*The figure for FY2/31 is an estimate.



## Aggressive growth-oriented investment

We are actively investing in growth with a focus on the themes of “improving productivity”, “developing new services” and “strengthening human capital”.



We will continue to promote the strengthening of human capital, which will continue to be our most important management resource.

## Sophistication and diversification of human resources

- ✓ Selection and development of management candidates to support our company's future through career development programs linked to management strategies
- ✓ Enhance the development of professionals who possess both expertise and integrity
- ✓ Promoting foreign personnel's success in Japan through a specified skilled worker program etc.

## Securing human resources in growth areas

- ✓ Securing highly specialized human resources who are responsible for consulting FM
- ✓ Securing qualified personnel who are essential for expanding construction work
- ✓ Securing more global human resources by strengthening personnel exchanges between Japan and abroad

## Enhance employee engagement

- ✓ Strengthening talent management (such as allocation and develop plans that make employee grow according to individual skills)
- ✓ Creating corporate culture to encourage and promote challenges
- ✓ Measures to improve motivation for job satisfaction

## Numerical Targets for the Medium-Term Management Plan (FY2/25-FY2/27)

- ✓ Increase sales by expanding market share within existing customers and acquiring new customers
- ✓ Control the decline in the gross margin by continuously reviewing unit prices and streamlining operations through DX
- ✓ Aggressive growth investment aimed at business model transformation

	FY2/24 Results (Ratio to sales)		FY2/27 Targets (Ratio to sales)		Pct. change
(100 million yen)					
Net sales	3,248	(100.0%)	4,000	(100.0%)	+ 23.1%
Gross profit	426	(13.1%)	532	(13.3%)	+ 24.8%
Operating profit	152	(4.7%)	170	(4.3%)	+ 11.6%

Aim to achieve business model transformation through KPI management

Improving  
productivity

Facilities management/Security services/Cleaning services  
3 businesses (non-consolidated)  
Operating income per capita: **1.2** times compared to FY23  
(FY30 target : 1.5 times compared to FY23)

Acquisition of human  
resources in growth  
areas

Increase of 200 people (FY2/27)

Enhance employee  
engagement

Employee Satisfaction (ES) survey conducted  
each year to improve score



# Financial Policy

- ✓ We will boldly make investments for sustainable growth while maintaining financial soundness
- ✓ Aiming for further continuous dividend increases, flexibly consider and implement share buybacks
- ✓ We have the ability to generate stable cash flow, and realize sufficient liquidity on hand and a high equity ratio.
- ✓ In order to maintain and expand capital profitability, it is necessary to expand the earnings base to match the accumulated cash and shareholder equity, and investments to achieve this must be made decisively.
- ✓ Consider external procurement as necessary when implementing large-scale investments such as M&A

## ➤ Cash allocation during the Medium-Term Management Plan

### Cash

Operating CF: about 42 billion yen

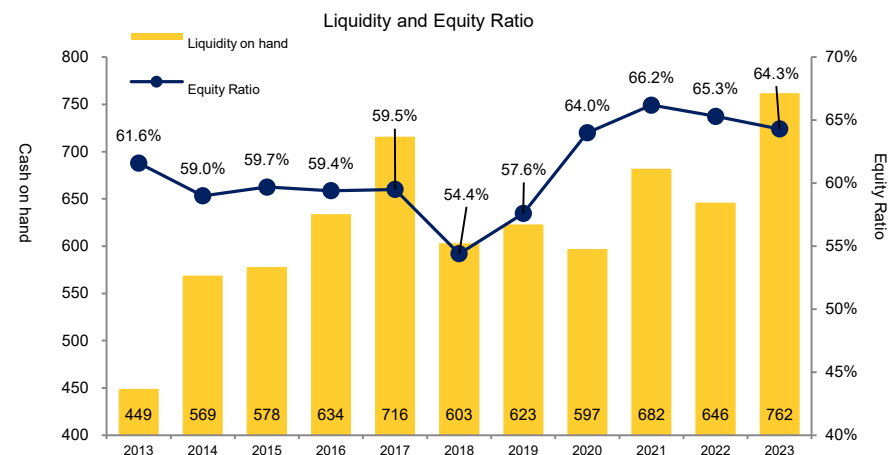
Cash generated during the 2024 mid-term period (accumulated over 3 years)

Cash on hand

External procurement

### Allocation

Investment	Maintenance and renewal investment: 8 billion yen · Renewal and installation of existing systems
	Growth oriented investments : 12 billion yen
	M&A
Shareholder Returns	Dividends Continue further consecutive dividend increases
	Share Buyback -Consideration and Implementation-



\* Liquidity on hand = Cash and deposits + Securities

### Growth investment framework

- Improving productivity
    - Further digitization for the overwhelming efficiency of facility management
  - Strengthening human capital
    - Sophistication and diversification of human resources
    - Acquisition of human resources in growth areas
    - Enhance employee engagement
  - Developing new services
    - Establishment of a mechanism to create new services from data through strengthening of data management functions
- etc.

# Capital Policy

- ✓ The current situation regarding capital profitability, etc., is that ROE is exceeding the cost of capital, but we recognize that we have not yet achieved our target ROE of 12%.
- ✓ Based on the current recognition, the Company's capital policy is to increase shareholder value by investing in growth and enhancing shareholder returns.
- ✓ Taking into consideration consolidated dividend payout ratio 50% within the period of Medium-term 3-Year Management Plan

## Recognizing the current situation (cost-of-capital and ROE level)

- ✓ Recognized that our cost of capital is around 5%
- ✓ ROE 10.6% in FY2/24
- ✓ Although ROE is higher than the cost of capital, it does not reach the 12% level that we are aware of as a guideline for capital efficiency.

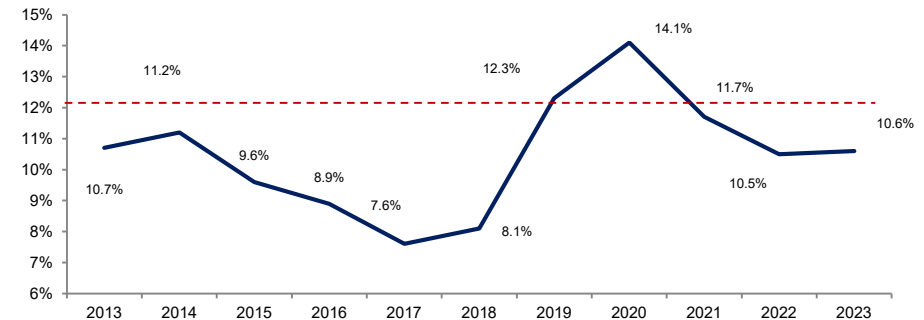


## Principle of capital strategy

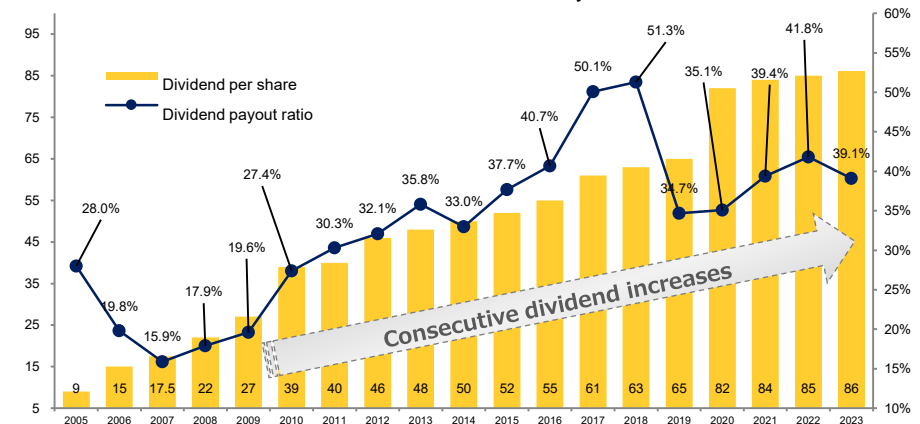
- ✓ Improve business profitability by investing in growth
- ✓ Enhance shareholder returns
  - Dividends have increased for 19 consecutive terms, and we aim to continue this trend.
  - Share buybacks are considered flexibly within certain limits.
- ✓ Through the above initiatives, we will enhance shareholder value.

Improve business profitability + Enhance shareholder returns  
→ Enhance shareholder value

ROE10Annual trends



1Dividends and Dividend Payout Ratio



## 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
- ◇ Figures are rounded down to the nearest 100 million yen.
- ◇ Percentages have been rounded off to one decimal place

**AEON DELIGHT CO., LTD.**  
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Please contact us on our website.  
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Based on information available up to the date of publication (October 8, 2024)  
These forecasts have been prepared and are subject to change due to various factors going forward.