

# **Financial Results for the Fiscal Year Ended February 29, 2020**

**AEON DELIGHT CO., LTD.**

**Kazumasa Hamada, President, Group CEO**

**April 10, 2020**

## **0** Response to the New Coronavirus Infections

## **1** Financial Report for the Fiscal Year Ended February 2020

## **2** Progress of Recurrence Prevention Measures for Inappropriate Accounting by a consolidated subsidiary KAJITAKU

## **3** Initiatives for the Fiscal Year Ending February 2021

# Response to the New Coronavirus Infections (1)

**We are putting into practice actions that prioritize the health and safety of all our employees - including our partner companies - above all else so that we can continue to provide services to our customers.**

## Efforts to protect our employees

- We are managing the physical condition of all our employees - including our partner companies - and taking measures to prevent infection of the new coronavirus .
- We are promoting staggered working hours and telecommuting.

## Response for customers (managed properties)

- We are implementing preventative cleaning with alcohol at our managed properties focused on stores of the AEON Group.
- We are 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 .



■ Preventative cleaning with alcohol

## Response to the New Coronavirus Infections (2)

We are also carrying out our mission  
as an environmental value creation company in Wuhan

### Efforts of Wuhan Xiaozhu Property Management Co., Ltd.

AEON is continuing to operate five stores locally - Jinyintan, Jingkai, Xicheng, Jinqiao and Gemdale - to protect the lives and lifestyles of our customers on a daily basis.

▶ We are supporting store operations as an FM company.

In addition, we involved in preparations for the construction of a temporary medical facility locally. We also implemented advance cleaning and indoor setting of medical team accommodation hotels in a limited time (within 48 hours).

▶ We have been awarded the title of “**Real Estate Management Service Company Possessing Advanced Infection Prevention Capability**” by the Jiangxia District of Wuhan.



■ Response at a local AEON mall

**\*The impact on consolidated financial results in FY2019 from the new coronavirus was minimal.  
We will give the calculation of the impact on our business results in FY2020 later.**

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On February 4, 2020, we established Actia Corporation as a new subsidiary to focus on the Housekeeping Support Business through the Incorporation-type Company Split



**Establish core competencies by concentrating management resources on the housekeeping support market, which is expected to grow in the future**

**Aiming to grow as a company specializing in housekeeping support for making a clean start**

**The Store Support Business will stop receiving new orders and proceed with the restructuring procedures including business split and sell-offs while conducting existing contracts as KJS Corporation (formerly KAJITAKU Co., Ltd.)**

\*With respect to the accounting issues of our consolidated subsidiary KAJITAKU, please refer to the "Measures to Prevent Recurrence of Inappropriate Accounting at Our Consolidated Subsidiary KAJITAKU CO., Ltd." dated July 22, 2019.

# Consolidated Statement of Income

Sales and profits increased, with profits reached a record high, but fell short of the business forecasts due to a lack of new property acquisitions and delay in productivity improvement measures.

(100 million yen)

	FY2/19 (Ratio to sales)	FY2/20 (Ratio to sales)	Difference	Percentage change
Net sales	3,029 (100.0%)	3,085 (100.0%)	56	101.9%
Gross profit	354 (11.7%)	385 (12.5%)	31	108.8%
SG&A expenses	224 (7.4%)	225 (7.3%)	1	100.7%
Operating income	130 (4.3%)	160 (5.2%)	29	122.8%
Ordinary income	133 (4.4%)	159 (5.2%)	25	119.4%
Net income attributable to owners of parent	64 (2.1%)	93 (3.0%)	29	145.7%



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

Net sales increased due to the expansion of new customers and the growth of overseas subsidiaries.  
Operating income increased, driven by security, cleaning, vending machines, and support businesses.

(100 million yen)

[Reference]

	FY2/19 (Ratio to sales)	FY2/20 (Ratio to sales)	Difference	Percentage change
Net sales	2,974 (100.0%)	3,041 (100.0%)	66	102.2%
Gross profit	384 (12.9%)	390 (12.8%)	5	101.4%
SG&A expenses	214 (7.1%)	218 (7.1%)	3	101.8%
Operating income	170 (5.7%)	172 (5.7%)	1	100.8%



## Sales by Segment

Sales increased in 5 businesses.

Cleaning services: Indonesia's SJS acquired in the previous fiscal year contributed to the growth.

(100 million yen)

	FY2/19	FY2/20	Percentage change
Facilities management	563	582	103.4%
Security services	444	446	100.4%
Cleaning services	581	623	107.2%
Construction work	414	418	100.9%
Materials/supplies sourcing services	510	511	100.2%
Vending machine services	319	315	98.7%
Support services	194	187	96.5%
(Reference) Excluding KAJITAKU	139	143	102.5%
Total	3,029	3,085	101.9%

# Profit by Segment

Increase profits in 3 businesses. Earnings model of vending machine services has changed.

Purchase costs for facilities management services were increased.

Construction work was affected by failure to meet sales target. Materials/supplies were affected by lower sales to major customers.

(100 million yen)

	FY2/19	FY2/20	Percentage change
Facilities management	55	52	95.2%
Security services	28	30	105.4%
Cleaning services	66	69	104.1%
Construction work	39	38	95.7%
Materials/supplies sourcing services	27	24	89.6%
Vending machine services	11	13	119.9%
Support services	△22	4	- %
(Reference) Excluding KAJITAKU	17	16	91.9%
Total	207	234	112.6%

# Consolidated Balance Sheet

(100 million yen)

Assets	FY2/19	FY2/20	Difference
Current assets	1,072	1,123	50
Tangible fixed assets	101	96	▲4
Intangible fixed assets	81	71	▲9
Investments, etc.	85	76	▲8
Fixed assets	267	245	▲22
Total assets	1,340	1,369	28

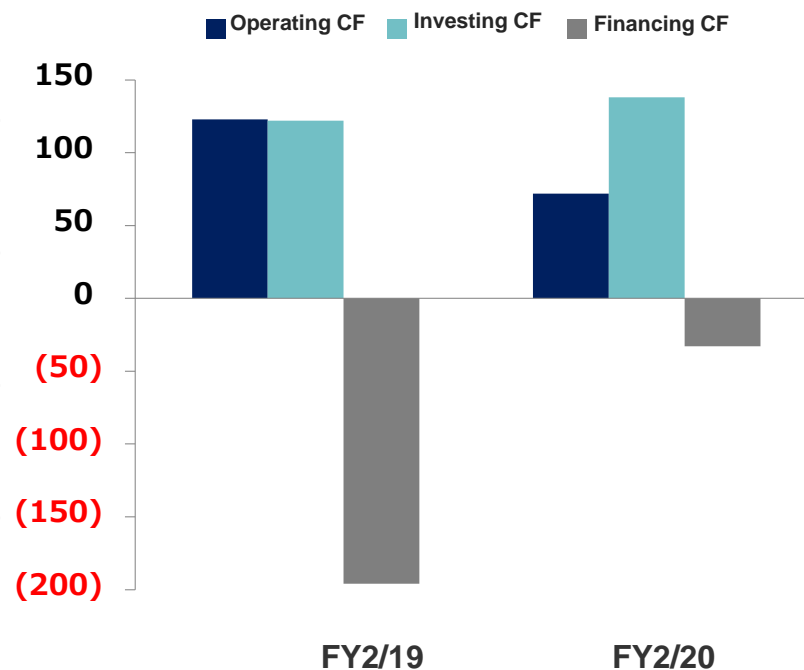
Liabilities and net assets	FY2/19	FY2/20	Difference
Current liabilities	514	488	▲25
Fixed liabilities	71	67	▲3
Total liabilities	585	556	▲29
Shareholder's equity	727	789	62
Total net assets	755	812	57
Total liabilities and net assets	1,340	1,369	28

# Consolidated Cash Flow Statement

(100 million yen)

(100 million yen)

	FY2/19	FY2/20	Difference
Cash flows from operating activities	123	73	▲50
Cash flows from investing activities	122	138	15
Cash flows from financing activities	▲196	▲33	162
Cash and cash equivalents at the end of year	434	611	177



# Major initiatives for FY2/20

## 1 Safety

- Aggressive proposal activities to support the development of disaster prevention and disaster mitigation systems
- In response to natural disasters such as typhoons No. 15 and No. 19, support activities were conducted in cooperation with Aeon Group companies.
- Held an internal contest for each business (facilities management, security, and cleaning) with the aim of becoming a group of facility management professionals.

## 2 Labor shortage

- Introduced integrated facility management services using Open Network System ( Building Automation ) to Aeon Fujiidera SC in order to build AD Platform.
- Started a new project with SECOM CO., LTD to strengthen non-onsite management to expand service provision to small and medium-sized offices.

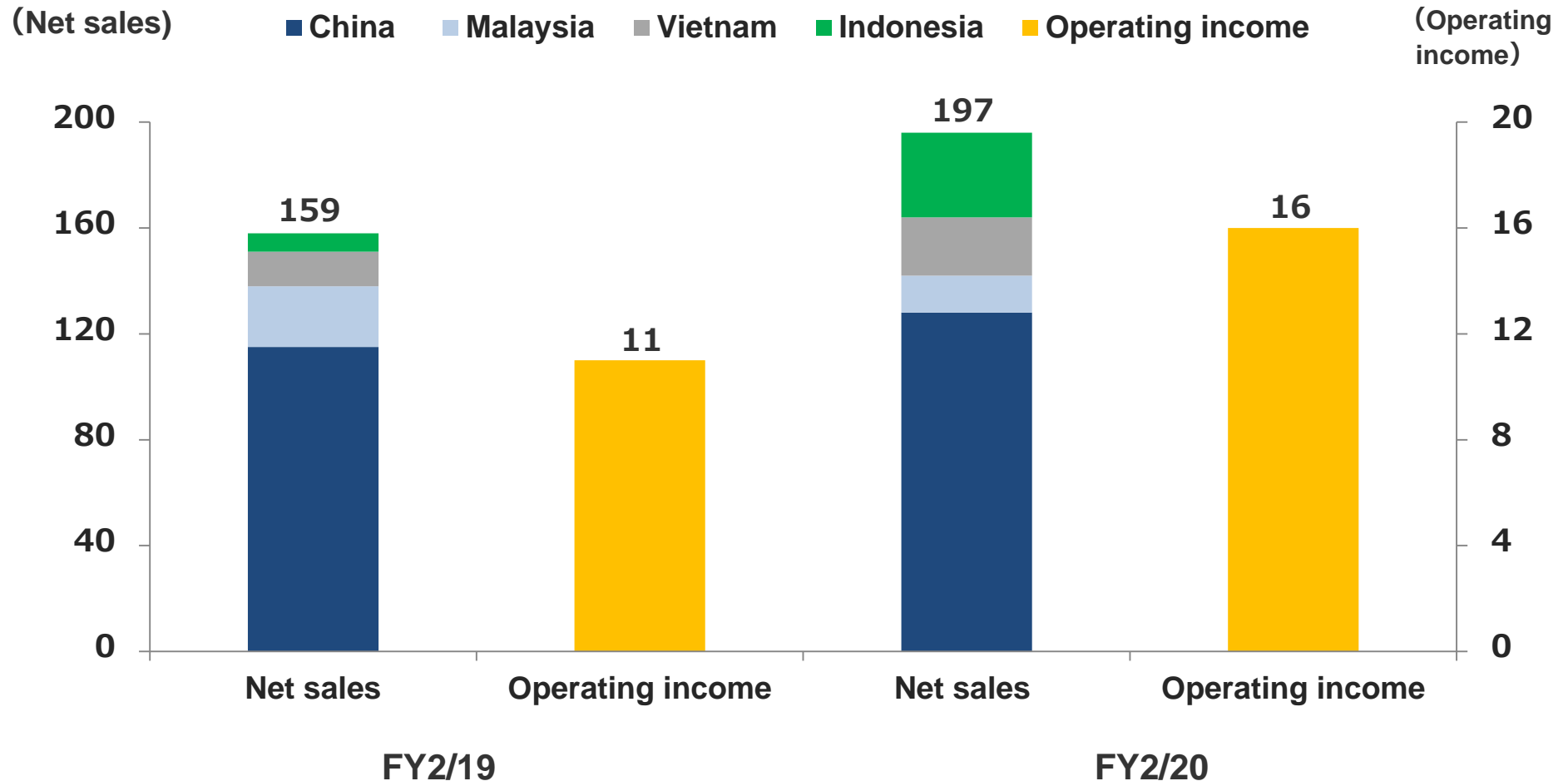
## 3 Environment

- Demonstration of renewable energy power supply utilizing blockchain technology started in October toward the establishment of energy management services.
- Received the Chairman's Award of the Energy Conservation Center of Japan in the 2019 Energy Conservation Grand Prize for energy saving activities with introducing air conditioning control systems to commercial facilities.

# Business expansion in Asia

## Double-digit growth in both sales and operating income in the Overseas Business (\*)

### Overseas Business: Sales and Operating Income (100 million yen)



\* Figures are simple totals of results of operating companies.

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### Strengthening of group governance in light of inappropriate accounting at KAJITAKU

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Under the newly established Group Compliance Headquarters, we are promoting initiatives to "Creating a corporate culture that does not cause frauds" and "Establishment of fraud prevention mechanisms" throughout the AEON Delight Group.

**Creating a corporate culture that does not cause frauds**



**Establishment of fraud prevention mechanisms**



**Strengthening the Group's management foundation  
from the viewpoints of corporate culture and structure**

To accelerate the growth strategy of the Aeon Delight Group, strengthen the group governance system and steadily implement measures to prevent recurrence

## Strengthening of the Group's governance system

- Accelerating the entire AEON Group's growth strategy as well as establishing 3 pillars of group governance  
(①Growth strategies of each company, ②Budget control, ③Internal control system)
- Establishment of Group Compliance Division
- Establishment of Recurrence Prevention Committee

## Implementation of measures to prevent recurrence at Actia (formerly KAJITAKU)

- Reform and strengthen the management system
- Raise awareness of compliance among management and all employees
- Establish a system to foster a healthy organizational culture

\*For details of the measures to prevent recurrence, please refer to the "Measures to Prevent Recurrence of Inappropriate Accounting at Our Consolidated Subsidiary KAJITAKU CO., Ltd." dated July 22, 2019.

\*For the schedule of the implementation of measures to prevent recurrence, please refer to the " Financial Results for the Six Months Ended August 31, 2019 (p. 17-18)" dated October 9, 2019.

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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)	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%

\* Estimated data considering the impacts of the new coronavirus

\* For more information about Aeon Delight Vision 2025, please refer to the "Financial Results for the Fiscal Year Ended February 28, 2019 (p. 22-25)" dated June 28, 2019.

# The Impacts of the Spread of New Coronavirus

The impacts is expected to be approximately \*1.5 billion yen in terms of operating profit.

※ Estimated on the assumption that **the effects will last until the end of the first half of the fiscal year** such as canceling events and temporary closure of the AEON groups' stores along with the state of emergency declared on April 7<sup>th</sup>.


## Businesses at Risk for COVID-19

Vending Machine Services : Sales will drop because of the temporary closure of the AEON groups' stores.

Businesses Related to Events (Security Services and AEON compass Co., Ltd.): Their sales will decline due to cancelling events and travels.

## Others

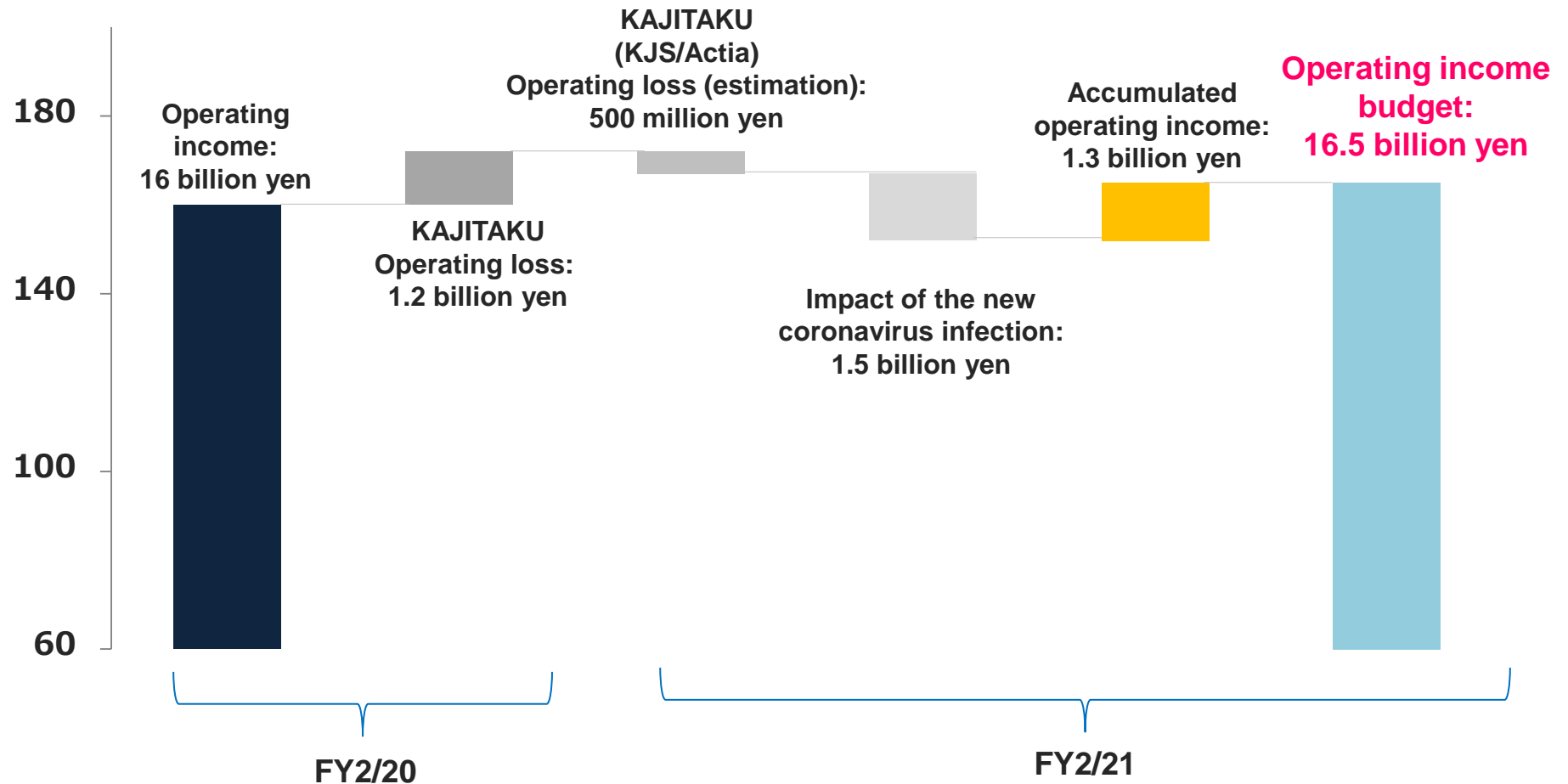
Construction Work Services: Little impacts by the virus and that become the leading market for our sales by adjusting the schedules of construction

 We are attempting to do as much to contribute to our customers by supporting their infrastructures with our growth services, security services(not for events), cleaning services, materials/supplies sourcing services and so on.

# Scenario for achieving operating income budget

**Aim to achieve the operating income budget by increasing market share and improving productivity**

(100 million yen)



# Causes of the Failure to Reach Our Operating Income Target in FY2020 and Measures for FY2021

## Causes

## Measures for FY2020

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

We will accelerate efforts to reduce the number of resident staff posts at facilities with thorough standardization and centralization of some operations. We will look to radically reform business processes to match the acceleration in the introduction of open network systems.

**Deterioration in cleaning profitability and a delay in measures against this**

We will promote the elimination of low-profit properties at the branch office level. We will look to improve productivity - including at our partner companies - by expanding the introduction of cleaning robots and conducting improvement activities at the site level.

**Insufficient building construction work contracting**

We will strengthen our contracting structure focused on the large markets of Kanto and Kansai. We will increase participation in projects from the design stage and look to expand the contracting of large construction work projects. Furthermore, we will organize the service network with the cooperation of consolidated subsidiaries and partner companies

**Deterioration in material-related profitability**

We will continue to work on reducing distribution costs in addition to increasing new customers and proposing high value-added products (e.g., environmental materials).

**Impact of the Kajitaku case greater than expected**

We will reduce the impact of the negative factors by promptly working on procedures to reorganize our storefront support business in addition to growing AQUTIA, the newly established division specialized in housework support.



# Issues to be Addressed and Measures

## Issues to be Addressed


## Countermeasure

**Expand market share**

- **Expand market share by existing customers through strengthening account sales activity**
- **Business expansion in Asia**

**Increase productivity**

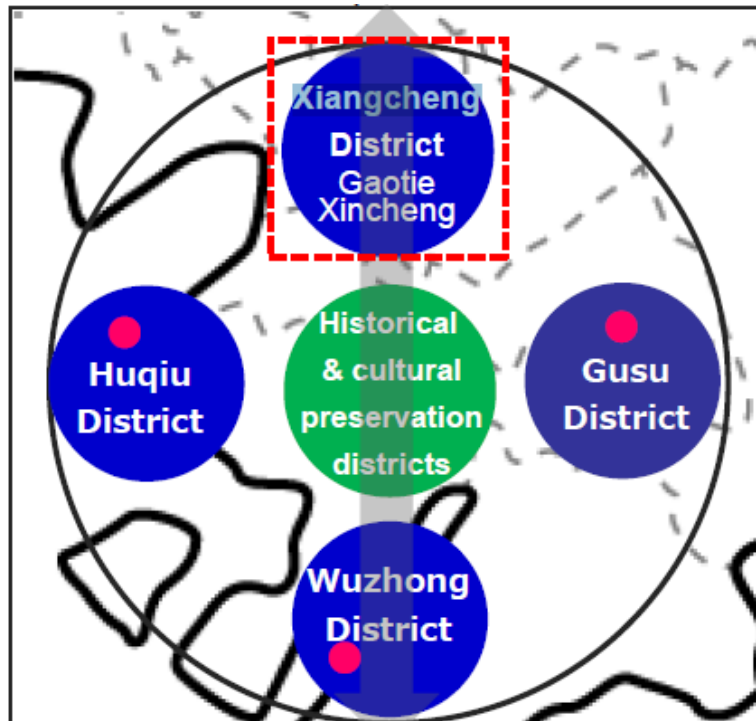
- **Streamlining of head office and branch office functions**
- **Cost reduction through unification of building maintenance materials by the Purchasing Department**



**Increase market share to improve productivity through the steady implementation of the above measures in conjunction with the resolution of issues in FY2/20.**

## Expand facility management from points (properties) to plane (cities)

Suzhou urban development strategy  
“1 core, 4 districts”



**May 2016 -**

Established a JV company with local top class real estate investment & development company.  
Participated in Gaotie Xincheng Project, spanning 28 square kilometers in northern Suzhou

Focused on FM management contracts for properties within the area, contributing to business results

**2020 -**

Based on the above know-hows, we are participating in new urban development projects

Promote FM on a city basis (rather than by property) to form a regional economic zone including Aeon stores

With the restoration of urban functions in Wuhan City, we aim to achieve a smooth resumption of operations and to recover the negative impact of the new coronavirus by diversifying operations.

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- **A soft landing to normal business conditions**
- **Diversification of business to recover negative impact**
  - **Expand the catering business, which is in high demand**
  - **Entry into the road cleaning service**
  - **Seeking new services in the areas of housekeeping and nursing care that have a high degree of affinity with the medium-to-high-end residences we manage**

## Business Expansion in Asia ②ASEAN

We planed to expand market share in the countries where we operate and research new operating area. However, we are investigating the impacts of the new coronavirus.

(Ref) Policies of expanding market share by each area

**\*We are investigating the impacts of the new coronavirus.**

Area (local subsidiaries)	Policy
Malaysia (Aeon Delight Malaysia)	Expanding market share within the AEON Group
Vietnam. (Aeon Delight Vietnam)	Expanding market share within the AEON Group, while expanding new contracts targeting offices and industrial parks
Indonesia (Sinar, Journey, Sarana)	In addition to the contract with AEON Mall, we are expanding new contracts to include offices, schools and factories
Common to all areas	Expanding new contracts targeting Japanese companies and hospitals through collaboration with AEON DELIGHT (Japan)

## Establish new strengths and expand market share in Asia as a whole

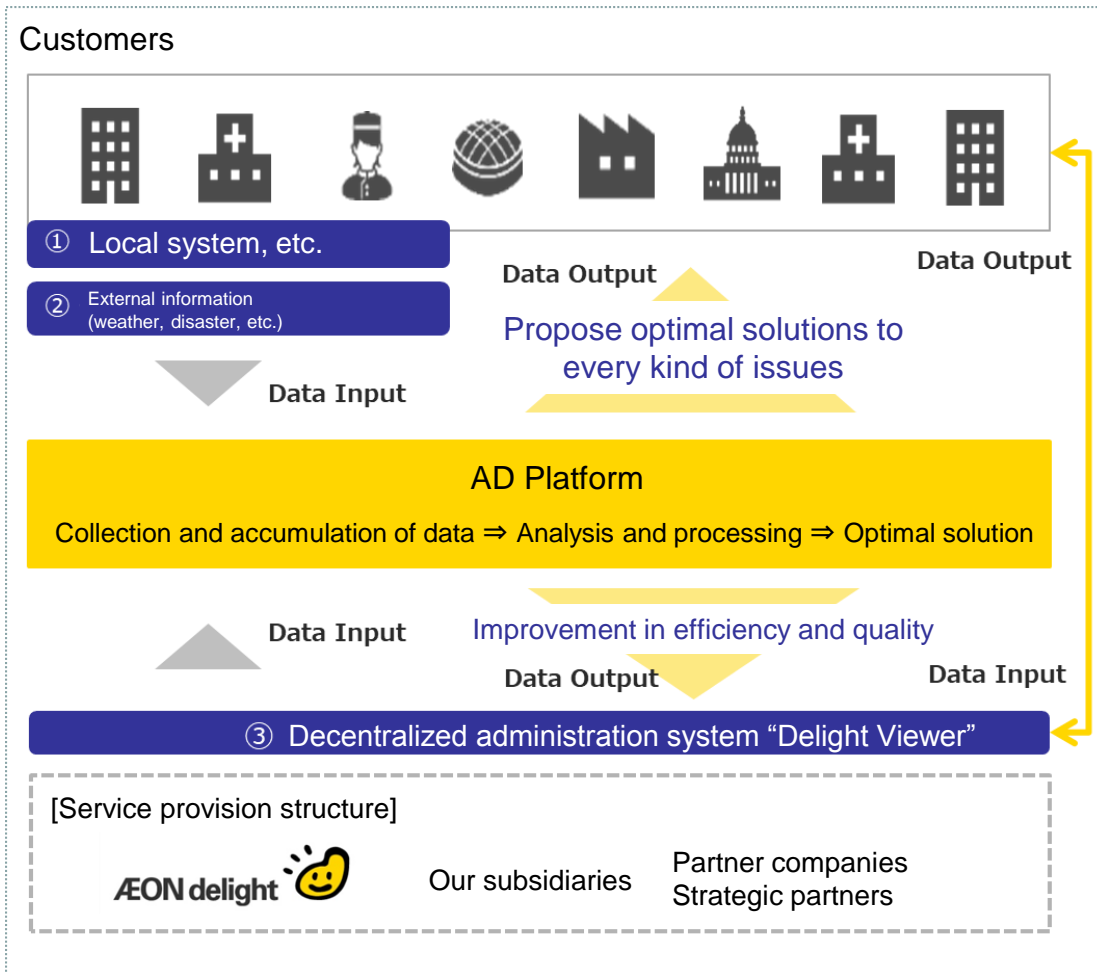
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- **Designing the best FM services for offices, factories, hospitals, and other facilities** by strengthening marketing while leveraging the know-how cultivated in commercial facilities.
- By strengthening the sales structure by customer, we will evolve into a partner that can work together to **solve the problems faced by companies and organizations that own facilities, based on their management strategies.**

**We provide comprehensive services to our customers (companies and organizations) for their facilities in Asia.**

**We will transition from contracts with a certain number of workers deployed to SLA contracts\* in anticipation of patrol shifts.**

### ■ AD Platform Conceptual Diagram



**AD platform based on an open network system and DX of various tasks**

**From resident/property-level facility management to patrol/area-level facility management (patrol shifts)**

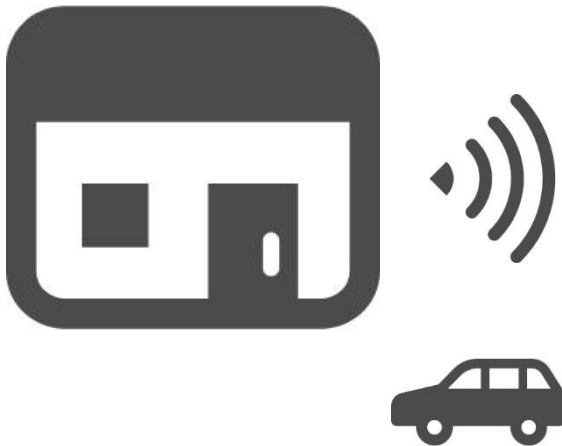
**\*SLA (Service Level Agreement) Contract:**  
This is a contract form with a commitment to workmanship (results) instead of specifications (e.g., frequency or number of workers).

## Mid- to Long-term Initiatives (2): Productivity Improvement - Labor-saving Model Construction Efforts

We will reduce resident staff posts with remote control in anticipation of patrol shifts.

We will start this initiative at our branch office in Hokkaido.

### Customer facility



We will go to the facility quickly in an emergency.

**This realizes efficient and flexible facility management.**

### Our service base

We implement remote control and central monitoring of movements in the facility at a monitoring station.





## ① Promotion of diversity and inclusion

- Promote diversity as a growth strategy

## ② Development of global human resources

- Introduced the "Management Trainee System" for young human resources  
By experiencing work in different cultures at an early stage of their careers, we develop international human resources with a broad perspective.

## ③ Finding young human resources

- Establish the Human Resources Development Committee to find young human resources  
Placement in appropriate posts according to ability regardless of age

Dividends have increased for 15 consecutive years since FY2/06.  
**16 Consecutive Years** of Dividend Increase

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For FY2/20, we increased the dividend by 2 yen from the previous fiscal year, to **65 yen**

For FY2/21, based on the assumption that the performance forecasts will be achieved,

Plan to pay dividends of **70 yen,**  
up 5 yen from FY2/20 with consolidated dividend payout ratio of 35% (\*)

\* Net income attributable to owners of parent: 10 billion yen

## 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.**  
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Based on information available up to the date of publication (April 10, 2020)  
These forecasts have been prepared and are subject to change due to various factors going forward.