

Financial Results for the Fiscal Year Ended February 28, 2014 Announcement of the Three-Year Medium-Term Management Plan

AEON DELIGHT CO., LTD. 

Ippei Nakayama, President and CEO

April 9, 2014

1 Financial Report for the Fiscal Year Ended February 28, 2014

2 Medium-Term Management Plan (FY2/15 – FY2/17)

3 Initiatives for the Fiscal Year Ended February 28, 2015

4 Reference Materials

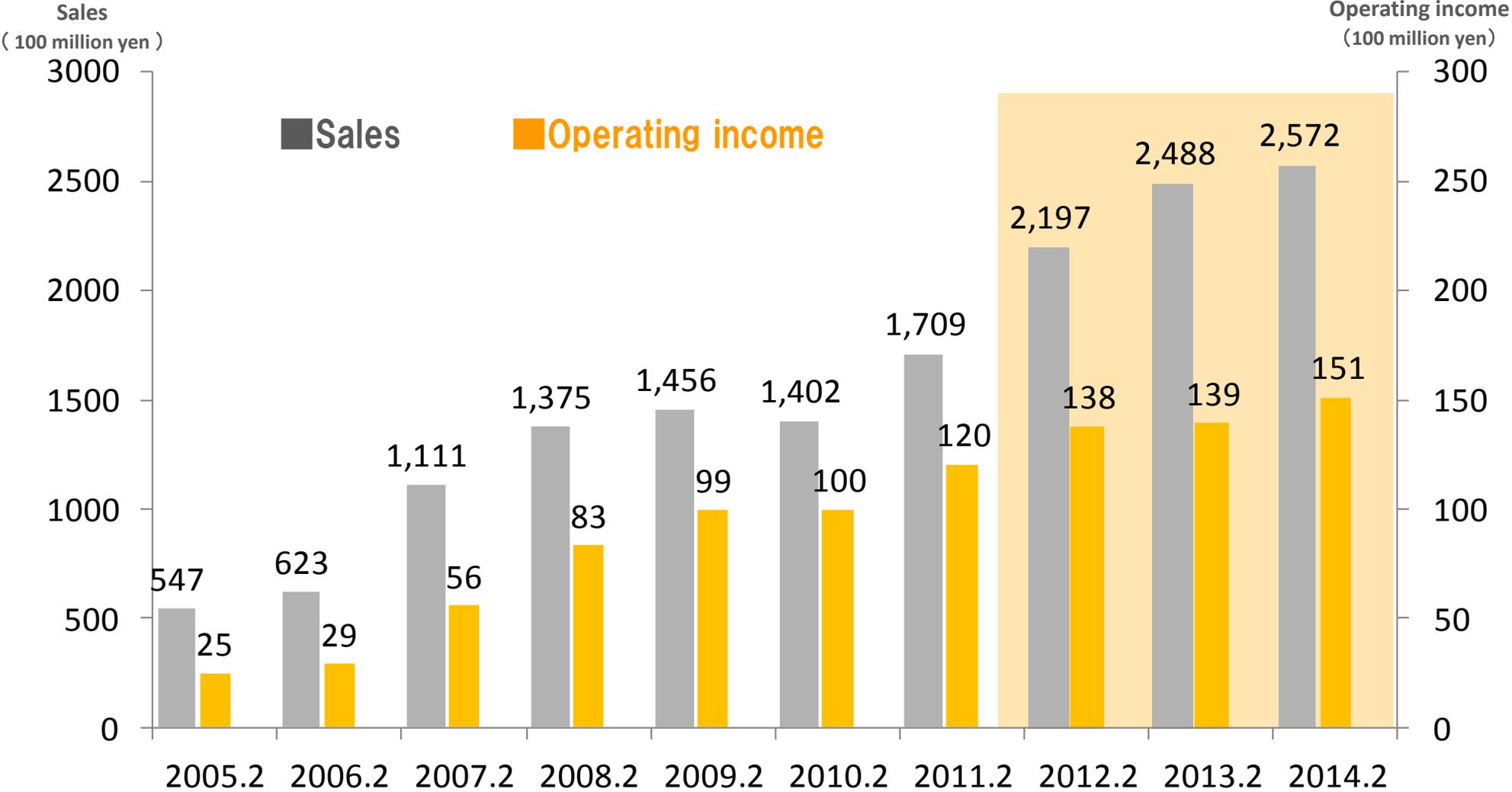
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Sales increased for four consecutive years and **profit increased** for 10 consecutive years (record net profit)



1. Net sales: Up **103.4% YoY**
2. Gross profit: Improved **1.0 percentage point YoY (13.1%)**
3. Operating margin: Improved **0.3 percentage point YoY (5.9%)**

100 million yen

	FY 2/14				FY 2/13	
	Actual	Pct. to net sales (%)	YOY (%)	YoY difference	Actual	Pct. to net sales (%)
Sales	2,572	100.0	103.4	+83	2,488	100.0
Operating income	151	5.9	108.7	+12	139	5.6
Ordinary income	150	5.9	108.6	+ 11	138	5.6
Net income	81	3.2	108.7	+6	75	3.0

Assessment by Segment (Net Sales)

Increased YoY in the entire business segments except for Construction work

Substantial growth in Support Services due to contribution of group companies resulting in **125.2%** YoY

100 million yen

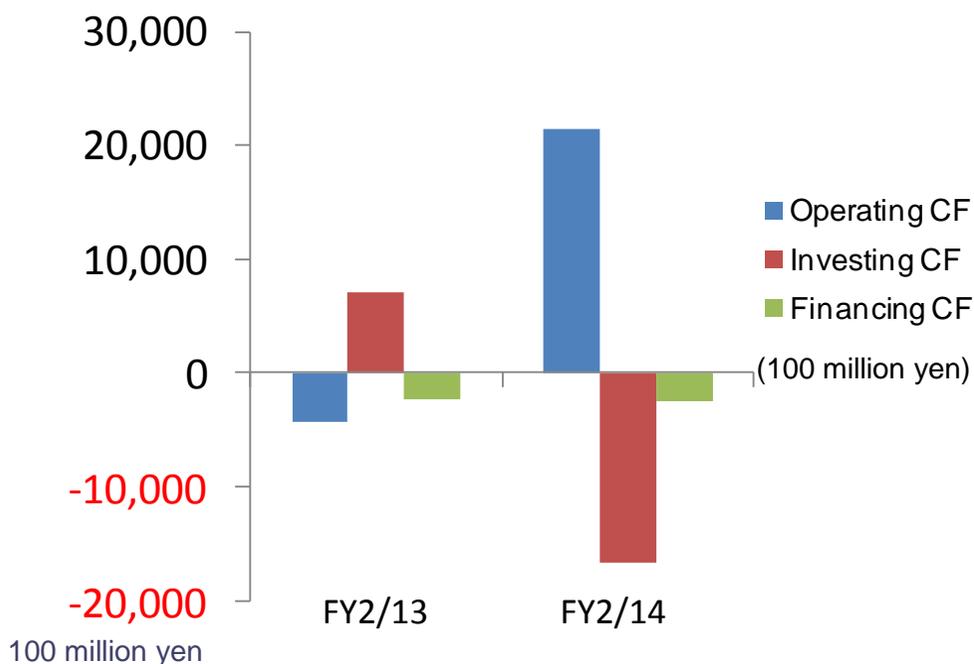
	FY 2/14 Actual			FY 2/13 Actual	
	Sales	Pct. to net sales (%)	YOY (%)	Sales	Pct. to net sales (%)
Facilities management	434	16.9	103.3	420	16.9
Cleaning services	423	16.5	104.4	405	16.3
Security services	342	13.3	107.7	318	12.8
Construction work	456	17.7	86.0	530	21.3
Materials/supplies sourcing services	445	17.3	113.4	392	15.8
Vending machine services	333	13.0	106.8	312	12.5
Support services	135	5.3	125.2	108	4.3

Consolidated Balance Sheet

100 million yen

	Feb.28 2013	Feb.28 2014	Difference		Feb.28 2013	Feb.28 2014	Difference
Current assets	793	903	110	Current liabilities	349	393	43
Fixed assets	213	217	4	Fixed liabilities	11	15	3
Tangible fixed assets	37	42	4	Total liabilities	361	408	46
Intangible fixed assets	123	116	△6	Total net assets	645	713	67
Investments, etc.	52	58	5	Total liabilities and net assets	1,006	1,121	114
Total assets	1,006	1,121	114				

Consolidated Cash Flow Statement



	FY2/13 total	FY2/14 total	Difference
Cash flows from operating activities	△43	213	170
Cash flows from investing activities	70	△166	△95
Cash flows from financing activities	△22	△24	△47
Cash and cash equivalents at end of the year	96	120	23

Major factors for increase/decrease (billion yen)

【Operating cash flows】 21.3billion yen

Income before income taxes	14.5billion yen
Decrease (increase) in accounts receivable	7.8billion yen
Increase (decrease) in accounts payable	2.0billion yen

【Investing cash flows】 △16.6billion yen

Payments for affiliate consumption entrusted funds	△212.4billion yen
Proceeds from repayments for affiliate consumption entrusted funds	198billion yen

【Financing cash flows】 △2.4billion yen

Dividend payment	△2.4billion yen
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Overview of FY2/14

(1) Structural reforms created a stronger profit structure

Enacted measures to generate earnings from group companies and improve profitability of existing businesses

(2) Increased the number of service locations in Japan and overseas

(Japan) New outsourcing agreements with large stadiums, government agencies, hotels, hospitals and other facilities

Started providing services to large AEON Group facilities and new AEON Group companies

(China) Expanded services to 136 companies for Japanese and foreign-affiliated companies,

Chinese companies and others

(ASEAN)

Malaysia: Providing services to 45 Japanese and foreign-affiliated companies

Vietnam: Providing services to 23 Japanese and foreign-affiliated companies

(3) Improved bases in two major business domains for achieving the goals of the next three-year plan

• Sanitation and Cleaning Services field

More actions concerning the AEON model for the cleaning business

(uniform quality of services by using the optimal amount of labor)

Strengthened development strategy operations by developing an exclusive floor coating material (AD Coat),

and increasing sales of value-added products

• Facility Management + Energy

Increased activities aimed at conducting Facilities Management-integrated ESCO Business

To target opportunities in the renewable energy maintenance market, considering creating a recharging business

model by establishing a special-purpose company (SPC) with other companies

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- Expanded the scale of operation by enhancing service menu and building a new business
- Establish operating bases in China and ASEAN countries



(Evaluations)

- Promising companies in Japan became subsidiaries
- Established operating base in Asia

(Issues)

- Increase in selling, general and administrative expenses due to expansion of scale of operation
- Decentralization of management resources (develop menu in-house)

What the AEON Delight Group is Aiming at

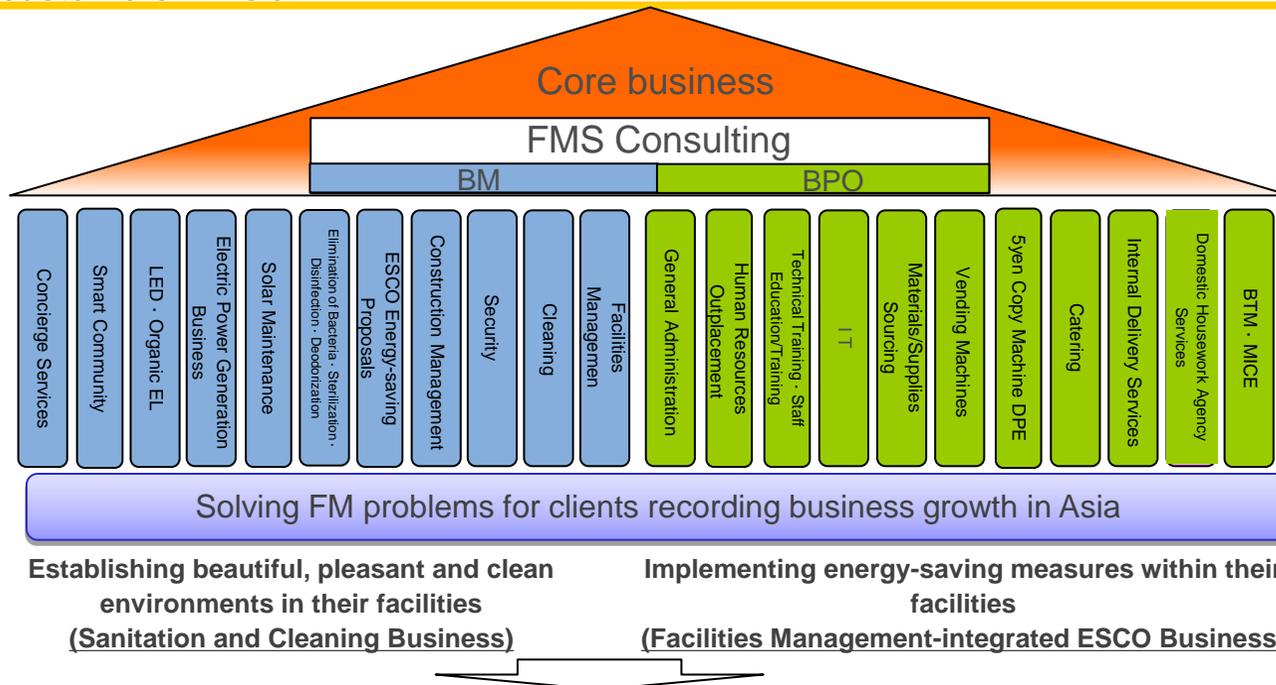
Management Philosophy

AEON Delight will continue to create “environmental value” of customers and regional communities



2016 Group Vision:

Becoming a facilities management company that can provide the best, most pleasant and highest cost-performance service to the facilities of our fast-growing corporate customers in Asia.

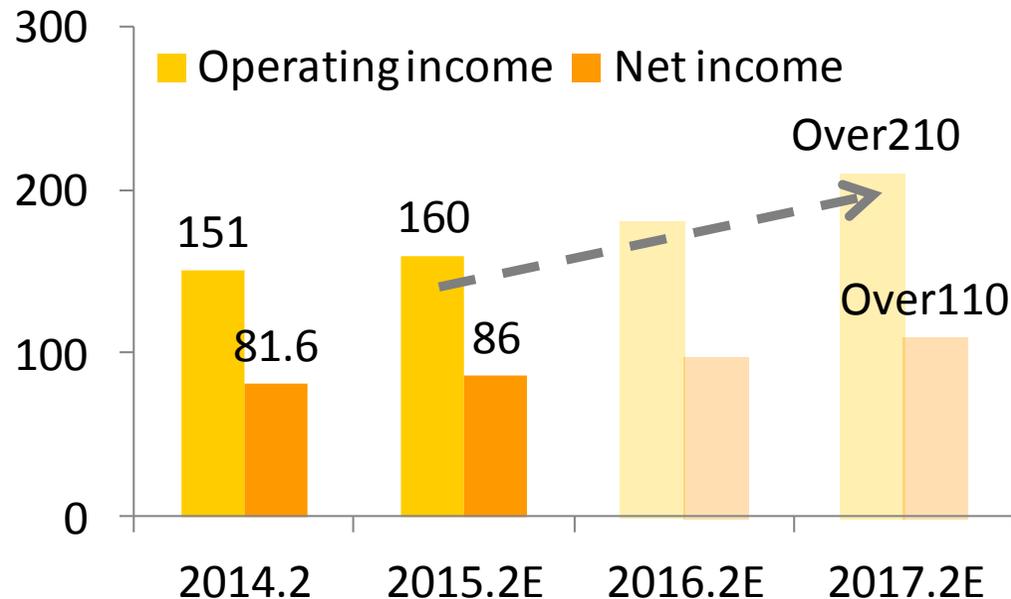
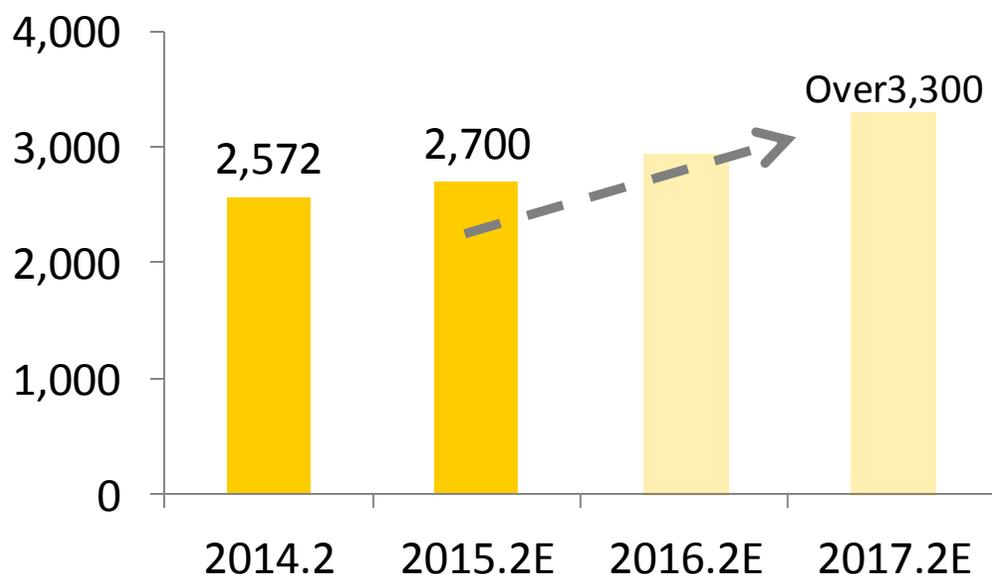


Towards becoming a leading company that can realize total cost reduction solutions for its customers

Numerical Goal of Medium-Term Management Plan

Consolidated net sales, operating income and net income plans

(100 million yen)



FY2/17 major numerical goals		
Consolidated net sales	Over¥330billion	*Major indicators of net sales (ratio outside the AEON Group 35%, overseas ratio 10%)
Consolidated operating income (operating margin)	Over¥21billion	
Operating margin	Over6.4%	

1. Establishment of comprehensive FMS (establishment of competitive advantage)

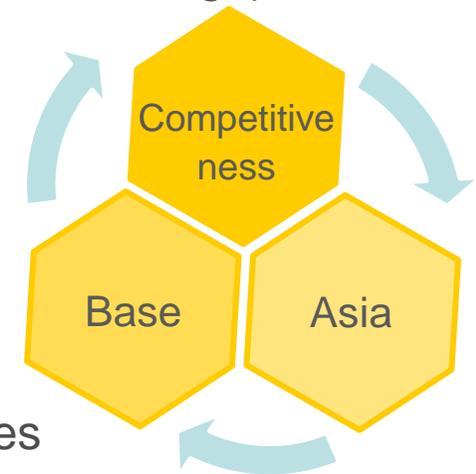
- (1) Strengthening of Sanitation and Cleaning Services
- (2) Strengthening of Energy Solution business

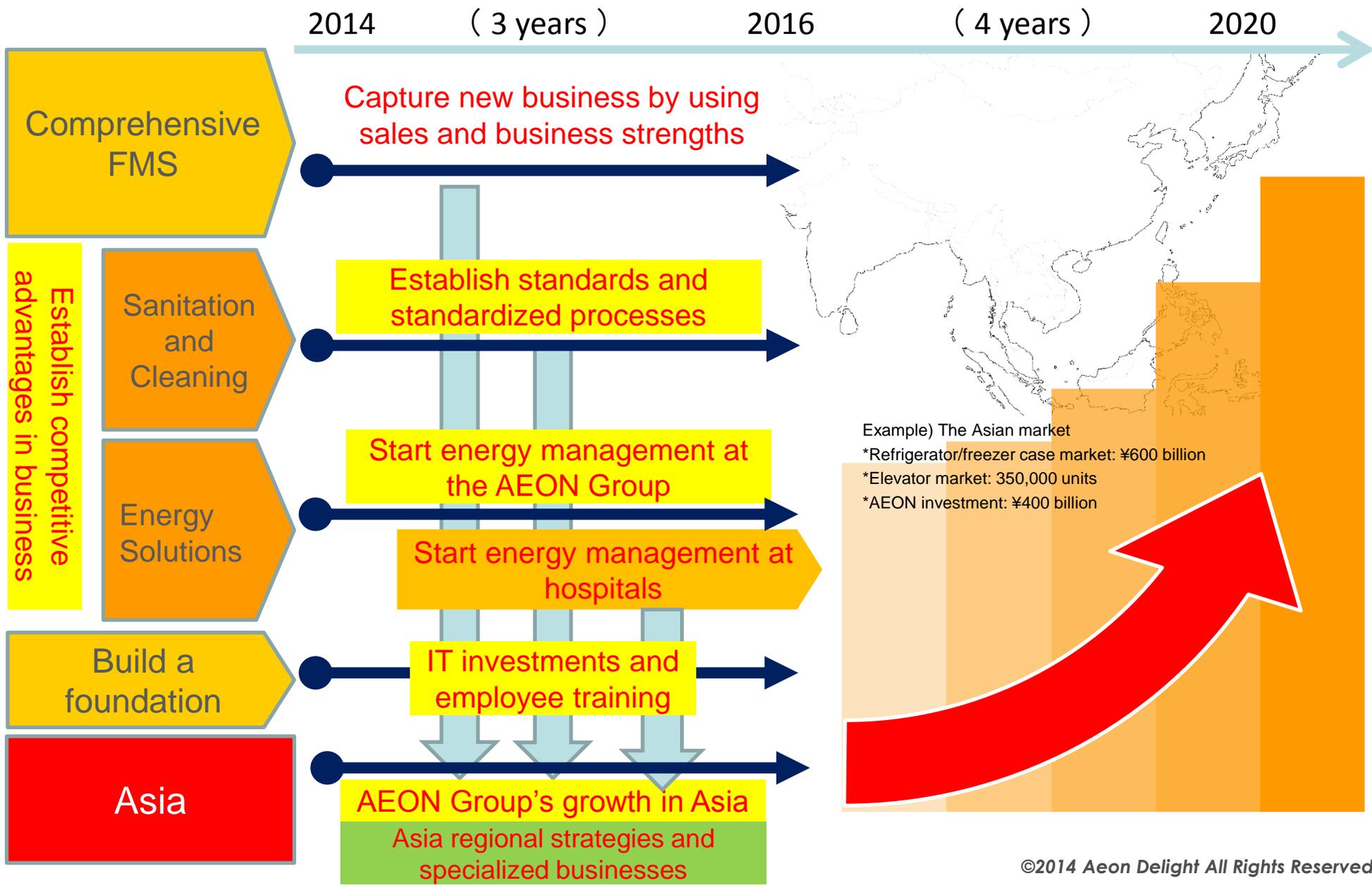
2. Development of Asian market

- (1) Establishment of a federal management structure in China
- (2) Establishment of comprehensive FMS menu in ASEAN countries

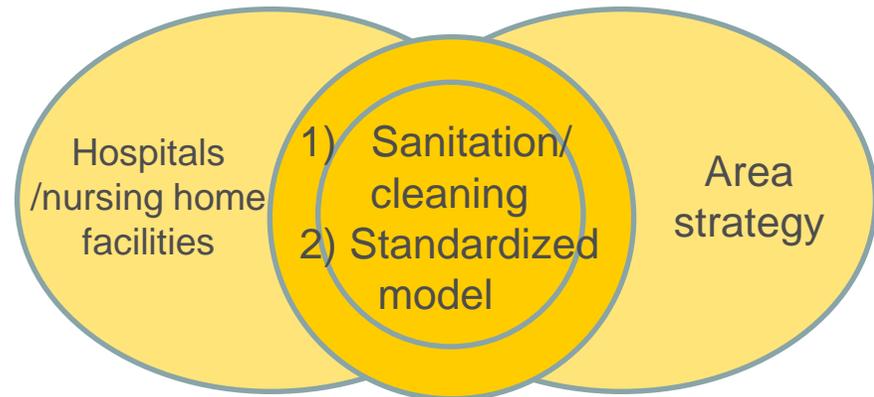
3. Building of organization base

- (1) Organizational restructuring aimed at flexible sales activities and business development
- (2) Human resources development aimed at pursuing growth and service quality
- (3) IT investment to accelerate business growth and achieve a small head office





- 1) Development of new domain
- 2) Establishment of standardized cleaning model
- 3) Expansion of market share

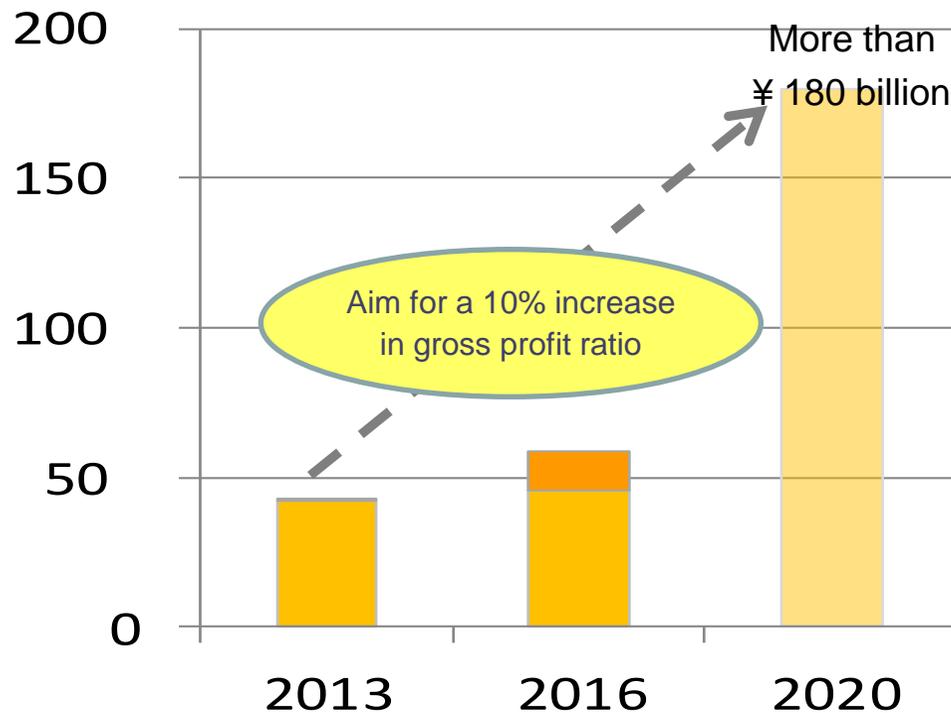


Largest market share in Japan + Highest quality in cleaning



Autonomous robot floor cleaning machine

Cleaning services sales plan

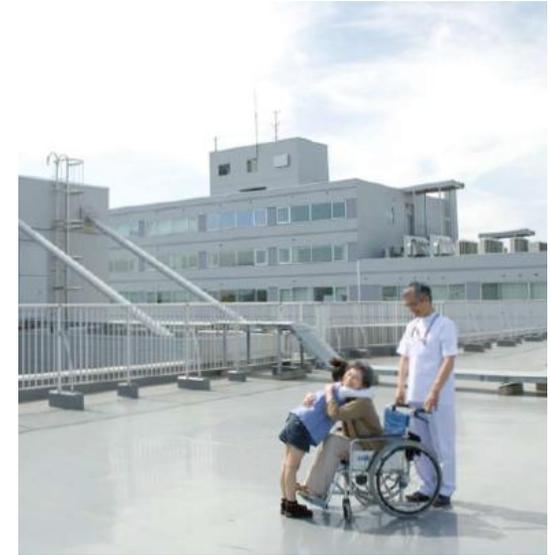


Needs of large hospital groups in Japan with nationwide operations

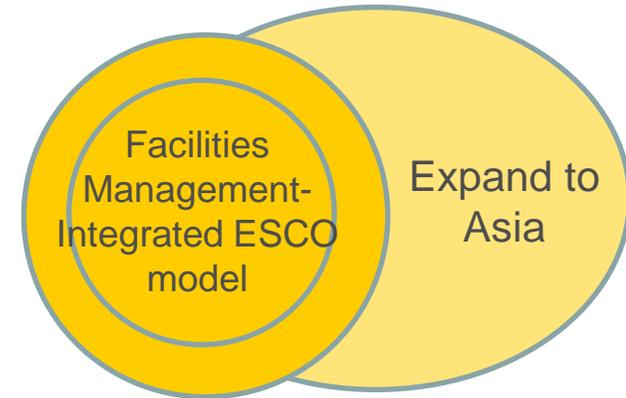
- Hygiene and the environmental services, safety and confidence, consistent service quality, cost cutting, and other actions

= **Matching with the value of comprehensive FMS provided**

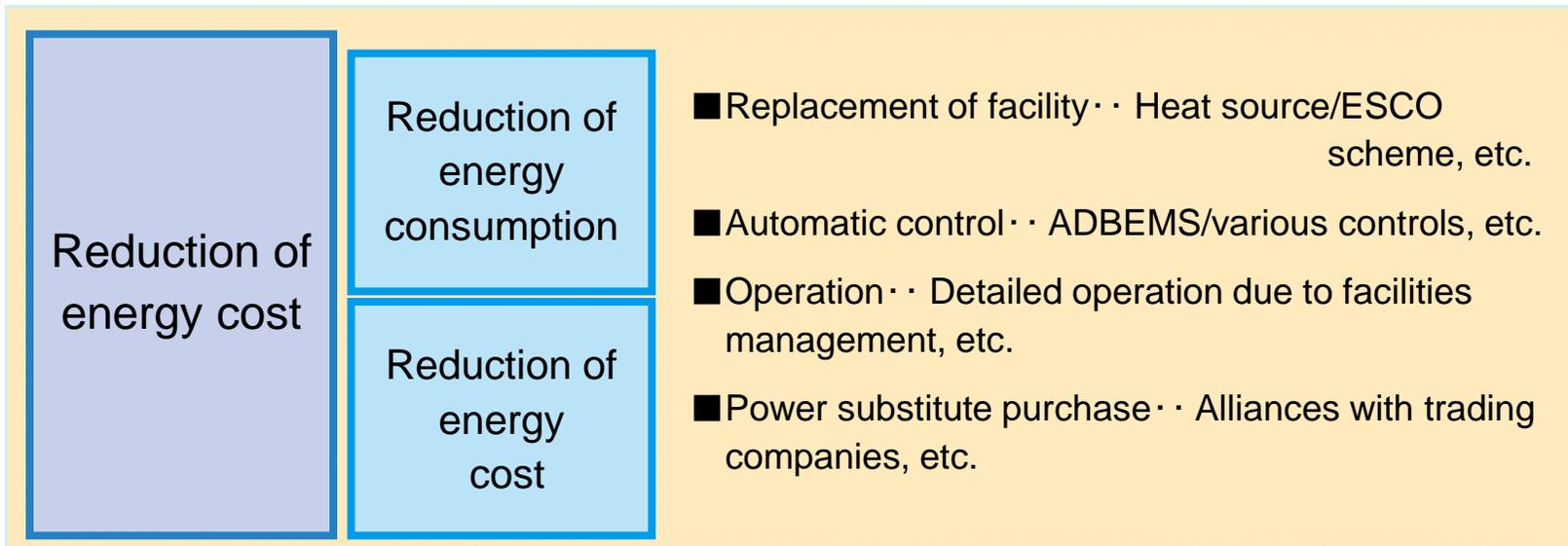
- Develop new services by using alliances with the healthcare operations of European manufacturers and large trading companies in Japan
- **Offer comprehensive FMS** that includes “sanitation and cleaning” as well as energy management, the supply of materials, vending machine operations and other services



- 1) Establish the company's own Facilities Management-Integrated ESCO business ※ EnergyServiceCompany
- 2) Total management of the entire AEON Group's energy



Make energy-saving “best mix proposals” to customers



Promotion of technology development · · · Low-voltage regulation, gold control, Freon gas control, elevators, etc.

➤ **Also intend to establish a research institute**

(1) Establishment of a federal management structure in China

Further promotion of regional joint strategy with strong local companies
(Prepare to expand into Beijing, Tianjin, Jiangsu, Hubei, Guangdong and **Shandong**)



➤ Establish a federal management **structure to accelerate growth and strengthen governance**

Implementation of differentiation strategy **due to specialization of ESCO business and Elevator business**

(2) Establishment of comprehensive FMS menu in ASEAN countries

Aim to have **the largest domestic market share** in three businesses
– cleaning, vending machine and energy conservation in Malaysia

Enhance service menu and strengthen sales activities for Japanese and foreign-affiliated companies in Vietnam

Plan to expand into **Cambodia, Singapore and Indonesia**



3 Build a Sound Organizational Base

1. Reorganize operations to enable speedy business operations and solution-based sales activities

Consolidate and realign the organization to build “Sanitation and Cleaning Services” and “Energy Solutions Business”

Build **separate sales frameworks for each customer and business category**

Reinforce **corporate sales activities**

2. Actions to train employees in order to upgrade the quality of services

Introduce the AEON Delight certification program

Train people in other Asian countries to become managers by using the “AEON Delight Academy Nagahama”

➤ Upgrade the education infrastructure **with the goal of establishing schools in many Asian countries.**

3. IT investments to speed up growth and downsize the head office

Make IT investments of about ¥3 billion over three years to

➤ Develop and start using tools and systems that can accelerate growth that is backed by “Sanitation and Cleaning” and “Energy Solution”

➤ Establish **a management structure that uses resources efficiently (a small head office)**



Training for management of Vietnam

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1. Strengthen sales activities in Japan and Asia

■ Extensive use of solution-based sales

- Integrate sales resources in Japan and Asia to closely monitor sales activities on **a customer-by-customer and facility-by-facility basis. (Use IT investments to build and operate a database.)**
- Build a sales structure on a customer-by-customer and facility-by-facility basis
Establish new department for sales targeting hospitals and nursing homes
- Deepen relationships with current customers



Use the “AD-MAP” IT tool to manage and share information about visits to individual customers



2. Establishment of Sanitation and Cleaning Services and Facilities Management-Integrated ESCO business

■ Sanitation and Cleaning

- Improve profitability by **using a standardized model for cleaning**
- **Build a sanitation and cleaning model for hospitals and nursing homes**

■ Facilities Management-Integrated ESCO business

- Establish a model for cutting the cost of operating facilities, such as by offering ideas for energy conservation and using fewer people for equipment management due to BEMS and advanced remote control technologies.
- **Minimize the cost of equipment across the entire life cycle**

100 million yen

	Full-year forecast for FY2/15			FY2/14 actual	
	Amount	Pct. to net sales (%)	YoY (%)	Amount (Actual)	Pct. to net sales (%)
Net sale	2,700	100.0	105.0	2,572	100.0
Operating income	160	5.9	105.9	151	5.9
Ordinary income	160	5.9	106.0	150	5.9
Net income	86	3.1	105.4	81	3.2

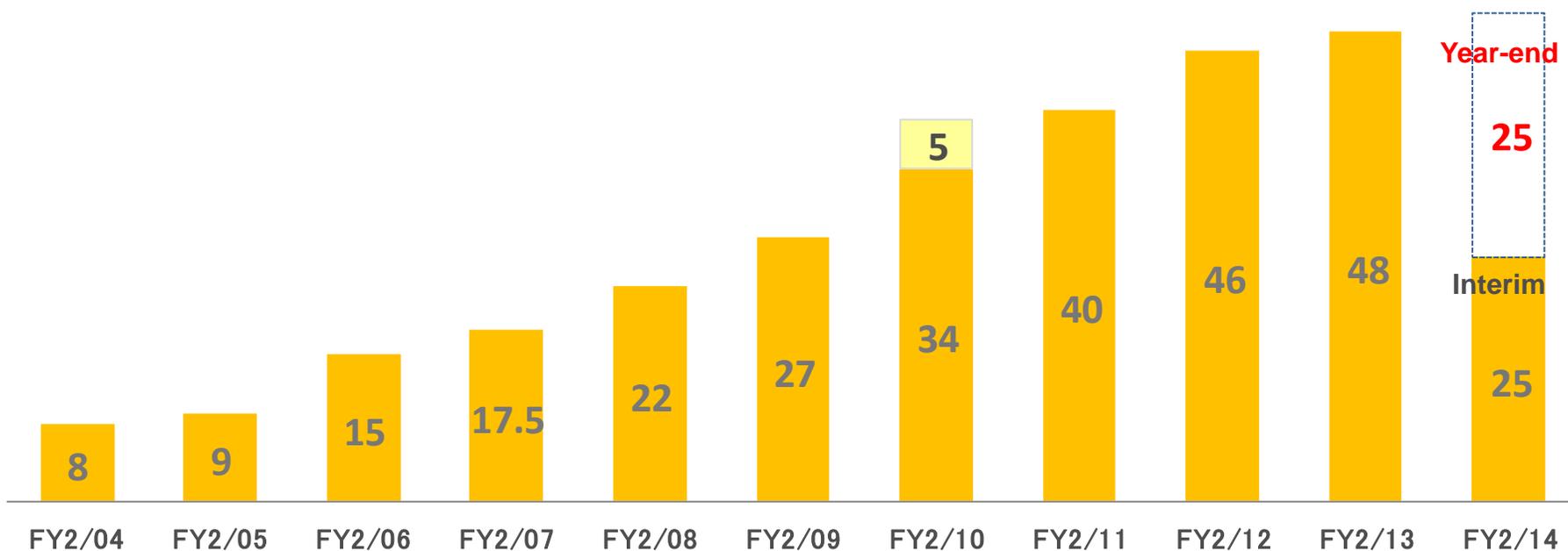
Aim for **10 consecutive years** of increased dividends since FY2/06

	FY2/04	FY2/05	FY2/06	FY2/07	FY2/08	FY2/09	FY2/10	FY2/11	FY2/12	FY2/13	FY2/14
Dividend	¥8.0	¥9.0	¥15.0	¥17.5	¥22.0	¥27.0	¥39.0	¥40.0	¥46.0	¥48.0	¥50.0

□ Dividend forecast

■ Commemorative dividend

■ Dividend



*On December 1, 2007, the company conducted a two-for-one stock split. The dividend amount assumes that the stock split was conducted at the beginning of FY2/05.

*A commemorative dividend of 5.00 yen is included in the year-end dividend for FY2/11.

Thank you very much for your attention.

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

■ 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 one million yen have been rounded down
- ◇ Percentages have been rounded off to one decimal place

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This presentation has been prepared based on the information available as of the date of the presentation (April 9, 2014). The business forecasts may be revised due to various factors that may arise in the future.

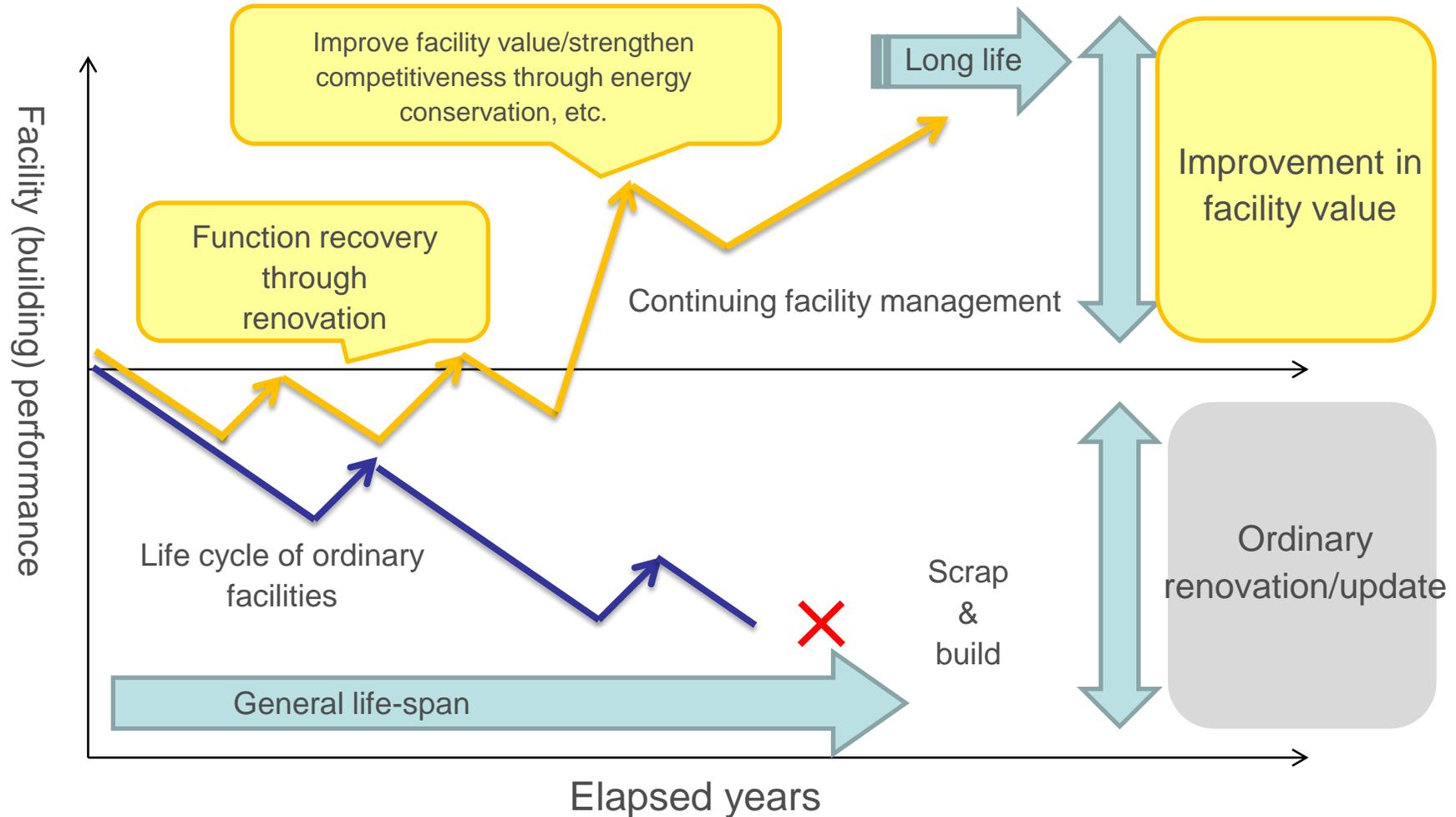
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Facility management is “management for companies and organizations to comprehensively plan, manage and use facilities and the environment for organizational activities” *JFMA’s definition



■ What is the life cycle cost of a building?

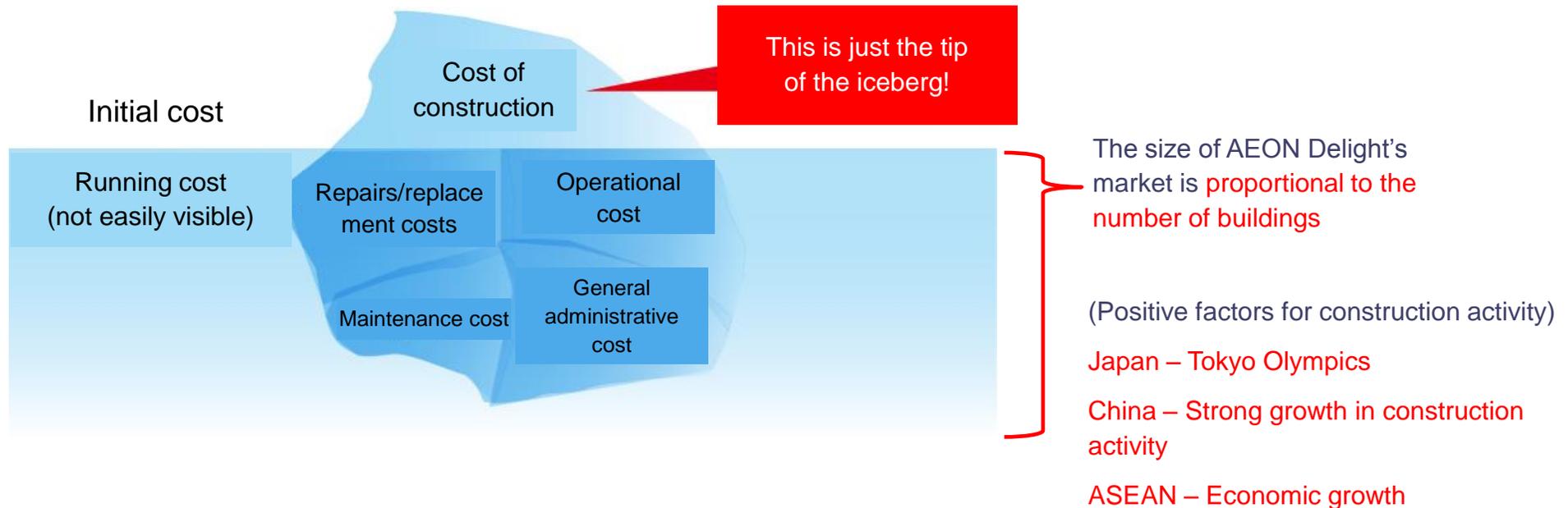
Initial cost (cost of construction) + Running cost
(operational cost, repairs/replacement costs, general administrative cost, etc.)

Example:

For an ordinary office building with a useful life of 50 years

The running cost is four to five times the initial cost.

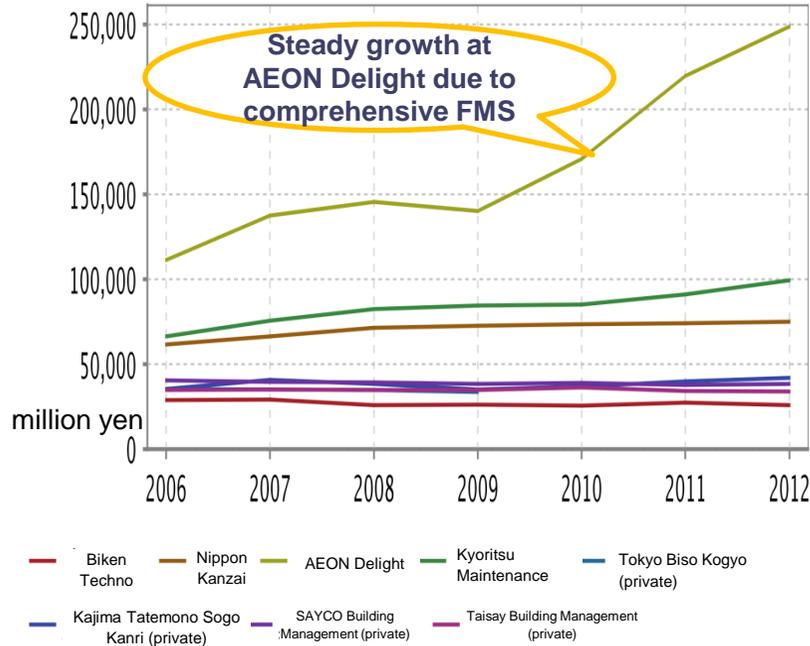
➡ Therefore, the size of the market for AEON Delight's services is 75% of the life cycle cost.



The Building Maintenance Market

Building maintenance market is ¥3.5 trillion
The market in Japan is shrinking

[Sales of Major Building Management Firms in Japan]



Source: Securities Reports and Toyo Keizai
Note: FY2/10 figures for Tokyo Biso Kogyo because no results have been disclosed since FY2/11

The Comprehensive FMS Market Category is Growing

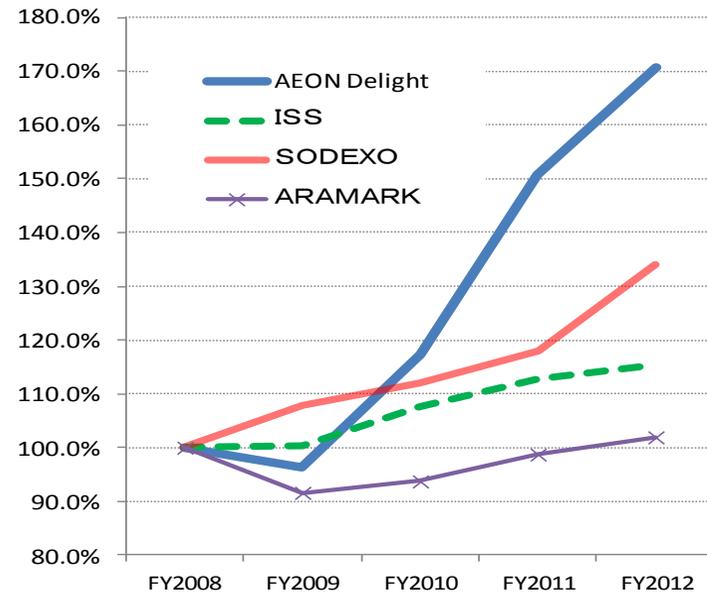
Customer needs: Cost cutting; hygiene and environmental services; safety, confidence and comfort

The overall comprehensive FMS market is ¥20 trillion

*AEON Delight estimate

Preparations are under way for an international standard (ISO 18480) for facility management, with the goal of 2016 enactment. This will make people more aware of the importance of facility management services.

[Global Growth Rate of Sales at Facility Management Companies]



Source: Sales growth rates between 2008 and 2012 based on data in Securities Reports and annual reports

Income Statement

Million yen

	FY2/04		FY2/05		FY2/06		FY2/07		FY2/08	
	Actual	YoY (%)	Actual	YoY (%)	Actual	YoY (%)	Actual	YoY (%)	Actual	YoY (%)
Net sales	54,665	98.1	62,323	114.0	111,170	178.4	137,519	123.7	145,690	105.9
Operating income	2,504	148.5	2,949	117.8	5,576	189.0	8,330	149.4	9,946	119.4
Ordinary income	2,511	147.9	2,953	117.6	5,485	185.7	8,186	149.2	9,812	119.9
Net income	860	580.6	1,324	153.8	2,998	226.4	4,379	146.1	4,876	111.3

Million yen

	FY2/09		FY2/10		FY2/11		FY2/12		FY2/13	
	Actual	YoY (%)								
Net sales	140,299	96.3	170,905	121.8	219,797	128.6	248,876	113.2	257,243	103.4
Operating income	9,970	100.2	12,031	120.7	13,762	114.4	13,901	101.0	15,115	108.7
Ordinary income	9,912	101.0	12,089	122.0	13,784	114.0	13,892	100.8	15,092	108.6
Net income	5,466	112.1	6,495	118.8	6,912	106.4	7,509	108.6	8,161	108.7

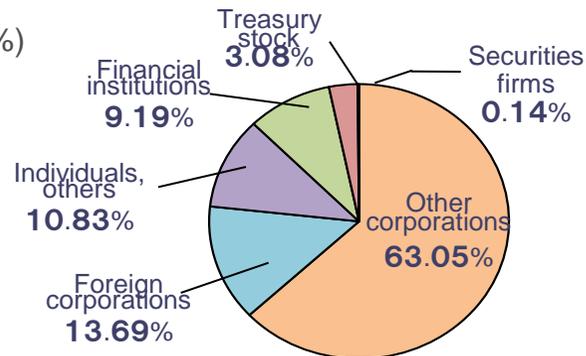
Major Shareholders and Shareholders by Type (%)

The ownership ratio corresponds to outstanding shares. Numbers of shares are rounded down to the nearest one thousand, ownership ratios are rounded to the second decimal place.

Rank	Shareholder	No. of shares owned (1,000 shares)	Ownership (%)
1	1AEON RETAIL CO., LTD.	23,261	42.94
2	AEON CO., LTD.	9,103	16.81
3	Japan Master Trust Bank, Ltd. (Trust Account)	1,467	2.71
4	Northern Trust Co. (AVFC) RE 10PCT TREATY ACCOUT	914	1.69
5	Japan Trustee Services Bank, Ltd. (Trust Account 9)	913	1.69
6	AEON DELIGHT Business Partner Stock Ownership Association	827	1.53
7	AEON DELIGHT Employee Stock Ownership Association	622	1.15
8	BNP PARIBAS SEC SERVICES LUXEMBOURG/JASDEC/ABERDEEN GLOBAL CLIENT ASSETS	593	1.10
9	Japan Trustee Services Bank, Ltd. (Trust Account)	515	0.95
10	Trust & Custody Services Bank, Ltd. (pension trust account)	515	0.95

The data is as of February 28, 2014

Shareholders by type (%)



Management Indicators

	FY2/10	FY2/11	FY2/12	FY2/13
EPS	¥142.56	¥131.81	¥143.15	¥155.54
ROE	15.47%	12.55%	12.46%	12.31%
ROA	9.75%	7.79%	7.76%	7.67%
Ratio of ordinary income to net sales	7.07%	6.27%	5.58%	5.87%
Ratio of net income to net sales	3.80%	3.15%	3.02%	3.17%
Total assets turnover	2.56times	2.48times	2.57times	2.42times
Shareholders' equity ratio	62.32%	61.92%	62.64%	62.03%
Net assets per share	¥1,005.62	¥1,095.59	¥1,202.42	¥1,324.84
PER	10.57times	11.62times	11.46times	13.12times
PBR	1.50times	1.40times	1.36times	1.54times
(Ref.) Share price at year end	¥1,507	¥1,532	¥1,641	¥2,040

* The number is rounded to the third decimal place.