

Financial Results for the Fiscal Year Ended February 28, 2021
Medium-term 3-Year Management Plan(FY2/22-FY2/24)

AEON DELIGHT CO., LTD.

Kazumasa Hamada, President and CEO, Group CEO

April 9, 2021

- 1** Financial Report for FY2/21
- 2 Improvement of Group Management Structure and Review of Vision 2025
- 3 Three-Year Mid-Term Management Plan (FY2/22 - FY2/24)
- 4 Forecast of consolidated business results and shareholder return for FY2/22

Consolidated Statement of Income

Sales, operating income and ordinary income decreased due to factors such as partial and temporary closures of customer facilities and requests for voluntary restraint on events and outings following the spread of COVID-19 in the first half, while the net income hit a new record

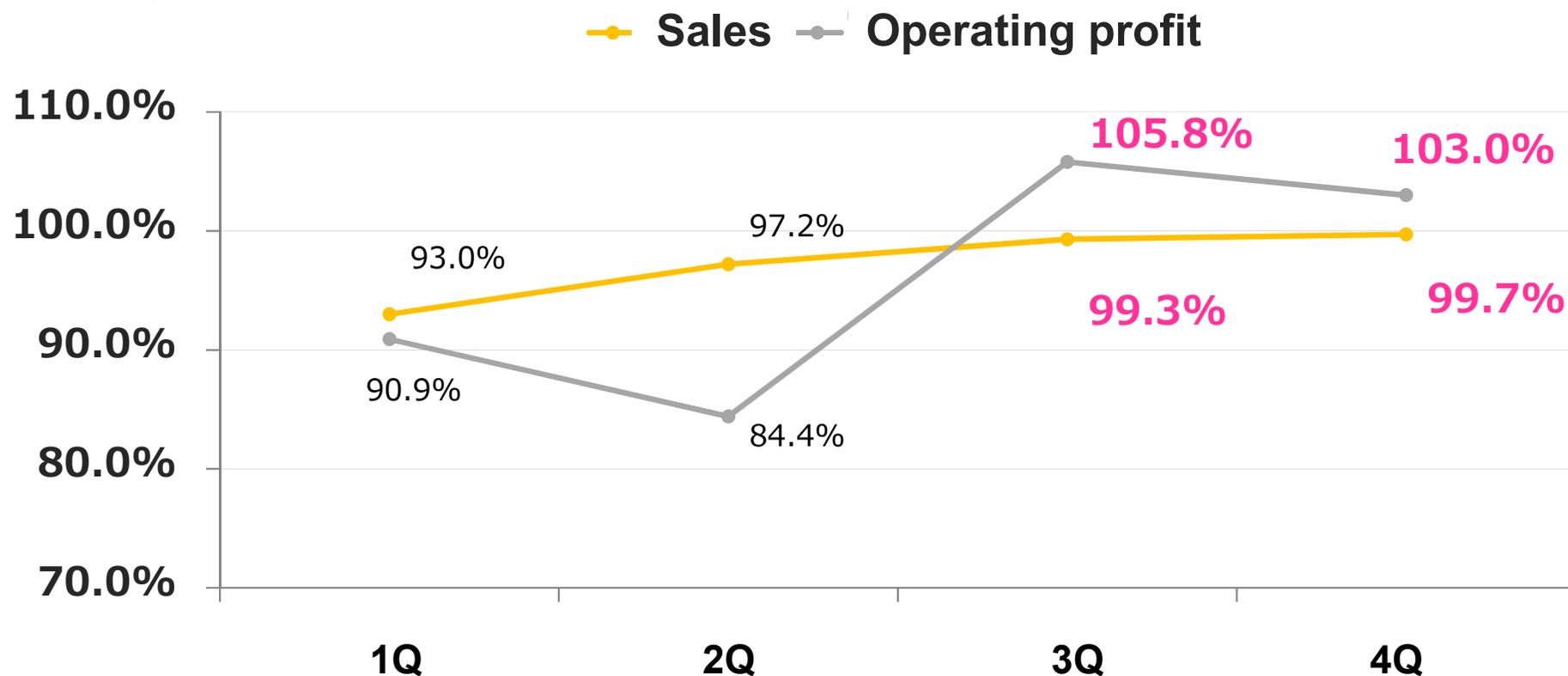
(100 million yen)

	FY2/20 (Ratio to sales)		FY2/21 (Ratio to sales)		Difference	Percentage change
Net sales	3,085	(100.0%)	3,000	(100.0%)	▲84	97.2%
Gross profit	385	(12.5%)	371	(12.4%)	▲13	96.4%
SG&A expenses	225	(7.3%)	219	(7.3%)	▲6	97.2%
Operating income	160	(5.2%)	152	(5.1%)	▲7	95.2%
Ordinary income	159	(5.2%)	152	(5.1%)	▲6	95.7%
Net income attributable to owners of parent	93	(3.0%)	116	(3.9%)	23	125.0%

Current Trends – Quarterly Trends

In the second half, through reexamining and strengthening of measures, quarterly sales recovered to the level in the previous year, and operating income increased.

【YoY Changes】



***Impact of COVID-19 on full-year operating income: -1.5 billion yen (within the initial expectation)**

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

(100 million yen)

[Reference]

	FY2/20 (Ratio to sales)		FY2/21 (Ratio to sales)		Difference	Percentage change
Net sales	3,041	(100.0%)	2,969	(100.0%)	▲71	97.7%
Gross profit	390	(12.8%)	375	(12.6%)	▲14	96.2%
SG&A expenses	217	(7.1%)	212	(7.2%)	▲4	97.8%
Operating income	172	(5.7%)	162	(5.5%)	▲9	94.2%

*Income statement excluding the results of Current Aquitia Co., Ltd (successor company to the Housekeeping Support Business) and KJS Corporation (formerly KAJITAKU, changed its name as of March 1, 2020).

Sales by Segment

Cleaning and material-related sales increased due to increased orders for epidemic prevention cleaning and materials

	FY2/20	FY2/21	Percentage change (100 million yen)
Facilities management	582	582	99.9%
Security services	446	443	99.4%
Cleaning services	623	624	100.2%
Construction work	418	406	97.2%
Materials/supplies sourcing services	511	530	103.8%
Vending machine services	315	254	80.7%
Support services	187	158	84.4%
(Reference) Excluding KAJITAKU	142	127	89.0%
Total	3,085	3,000	97.2%
(Reference) Excluding KAJITAKU	3,041	2,969	97.7%

Profit by Segment

Profits increased in three businesses. The cleaning services increased sales and reduced costs by consolidating suppliers and optimizing purchase unit prices, and improved low-profit properties ; the security services promoted systemization and optimized unit prices; and the construction business reduced costs.

	FY2/20	FY2/21	Percentage change (100 million yen)
Facilities management	52.9	51.7	97.8%
Security services	30.3	33.0	108.9%
Cleaning services	69.6	73.2	105.1%
Construction work	38.1	38.8	101.7%
Materials/supplies sourcing services	24.8	24.6	99.1%
Vending machine services	13.9	6.5	46.8%
Support services	4.1	▲0.7	-
(Reference) Excluding KAJITAKU	16.2	9.4	57.9%
Total	234.1	227.3	97.1%
(Reference) Excluding KAJITAKU	246.3	237.5	96.4%

Consolidated Balance Sheet

(100 million yen)

Assets	FY2/20	FY2/21	Difference
Current assets	1,123	1,100	▲23
Tangible fixed assets	96	94	▲1
Intangible fixed assets	71	55	▲16
Investments, etc.	76	115	38
Fixed assets	245	265	20
Total assets	1,369	1,365	▲3

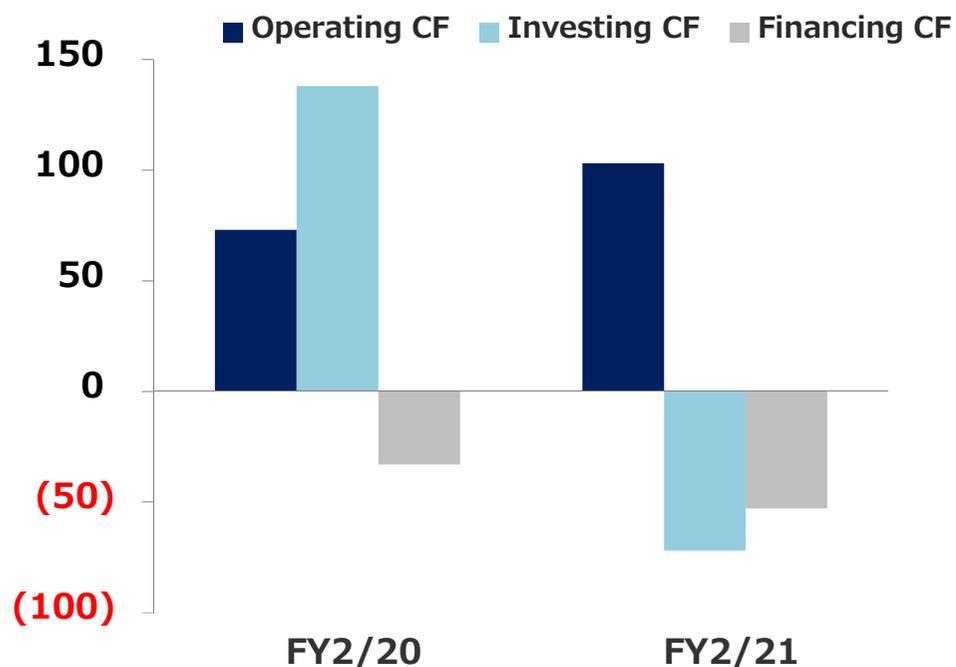
Liabilities and net assets	FY2/20	FY2/21	Difference
Current liabilities	488	441	▲47
Fixed liabilities	67	41	▲26
Total liabilities	556	482	▲73
Shareholder's equity	789	866	77
Total net assets	812	882	69
Total liabilities and net assets	1,369	1,365	▲3

Consolidated Statement of Cash Flows

(100 million yen)

	FY2/20	FY2/21	Difference
Cash flows from operating activities	73	104	30
Cash flows from investing activities	138	▲73	▲211
Cash flows from financing activities	▲33	▲53	▲19
Cash and cash equivalents at the end of year	611	589	▲22

(100 million yen)



Major Initiatives in FY2/21 ① Response to COVID-19 Infections

The standard for safety and security has been changing.
To exceed the people's demand, we are working to establish a new standard for facilities management.



Image from our COVID-19 response video

[“Protecting the livelihood of the local community through ‘Safety and Security’”](#)

4 themes for FM New standards

- ① **Establish scientifically based cleaning methods for sanitary environment (New Standard Cleaning)**
More than **1,200** experts trained in infection control cleaning
- ② **Efficient ventilation while maintaining comfort**
- ③ **Development and introduction of contactless services**
- ④ **Raise awareness and knowledge of epidemic prevention among facility users**

Major Initiatives in FY2/21 ③ Speed Up Business Model Reforms

Build a business model combining human technologies with pure technologies in order to provide services that can constantly upgrade customer satisfaction.



The new Customer Support Center

- Use customer information and feedback to create proposals with value for customers
- Remote control/centralized surveillance of “movements” within stores and other locations

Tested and confirmed in Hokkaido

- A demonstration trial for the automated management of store facilities by using numerous systems and sensors at a model store has confirmed the effectiveness of this business model.
- Started operating a Customer Support Center for remote supporting for facility management and consolidating customer feedback

Decided to start automated services at the model store in November
Plan to expand the use of automated services to all areas of Hokkaido
Toward "area management" centered on CSC
(Details of area management to follow.)

Major Initiatives in FY2/21 ② Technology Contests

Activities to upgrade specialized skills are continuing even during the COVID-19 crisis.
We held the Second AEON Delight Technology Contest.

[Photos of the contest]



From left:

The facilities management contest was held at the AEON Delight Academy – Nagahama (November 11)

The cleaning services contest was held at locations in Japan and other countries linked by TV conferencing (November 19)

The security services contest was held at locations in Japan and other countries linked by TV conferencing (November 20)

These events allowed AEON Delight companies as well as partner companies (security) in Japan and other countries to share their technologies and explain activities that have been successful.

Technology skills x People skills = Specialists

Major Initiatives in FY2/21 ④ Group Reorganization

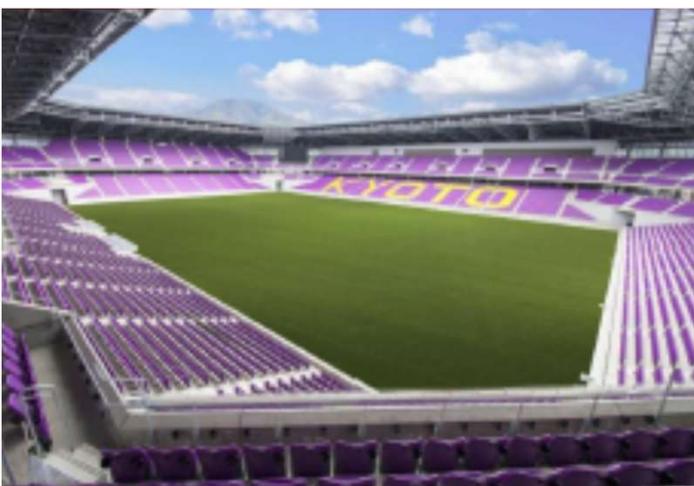
Promoted group reorganization to achieve Aeon Delight Vision 2025 with these objectives: ① strengthen governance, ② improve capital productivity, and ③ clarify the functions and roles of each company

- A to Z Service Co., Ltd. and DO SERVICE Co.,Ltd. merged on March 1, 2021, to form **AEON DELIGHT CONNECT CO.,LTD.** It is positioned as a core subsidiary in the small- and medium-sized facility market, accelerating the formation of a regional economic zone.
- KJS Corporation (formerly KAJITAKU, engaged in the store support business) was absorbed on February 28, 2021.
We will take over the businesses with some remaining contract periods and fulfill our responsibilities to customers.
- On March 1, 2021, we merged with U-COM Co., Ltd., which is engaged in the design and interior finishing of commercial facilities. This merger will strengthen the construction business by eliminating redundant activities and consolidating resources
- Resolved to dissolve and liquidate General Services Inc., which has many accomplishments as a consulting firm. *Completed liquidation after April 2021

Major Initiatives in FY2/21 ⑤ Expansion of New Contracts

Started providing services at a wide variety of facilities

<Example>



[Name of facilities listed]

(Top row, from left)

- Marelli Fukushima Co., Ltd.
- Coca-Cola Bottlers Japan Inc. Hiroshima Plant
- Dunlop Sports Club Kasukabe

(Bottom row, from left)

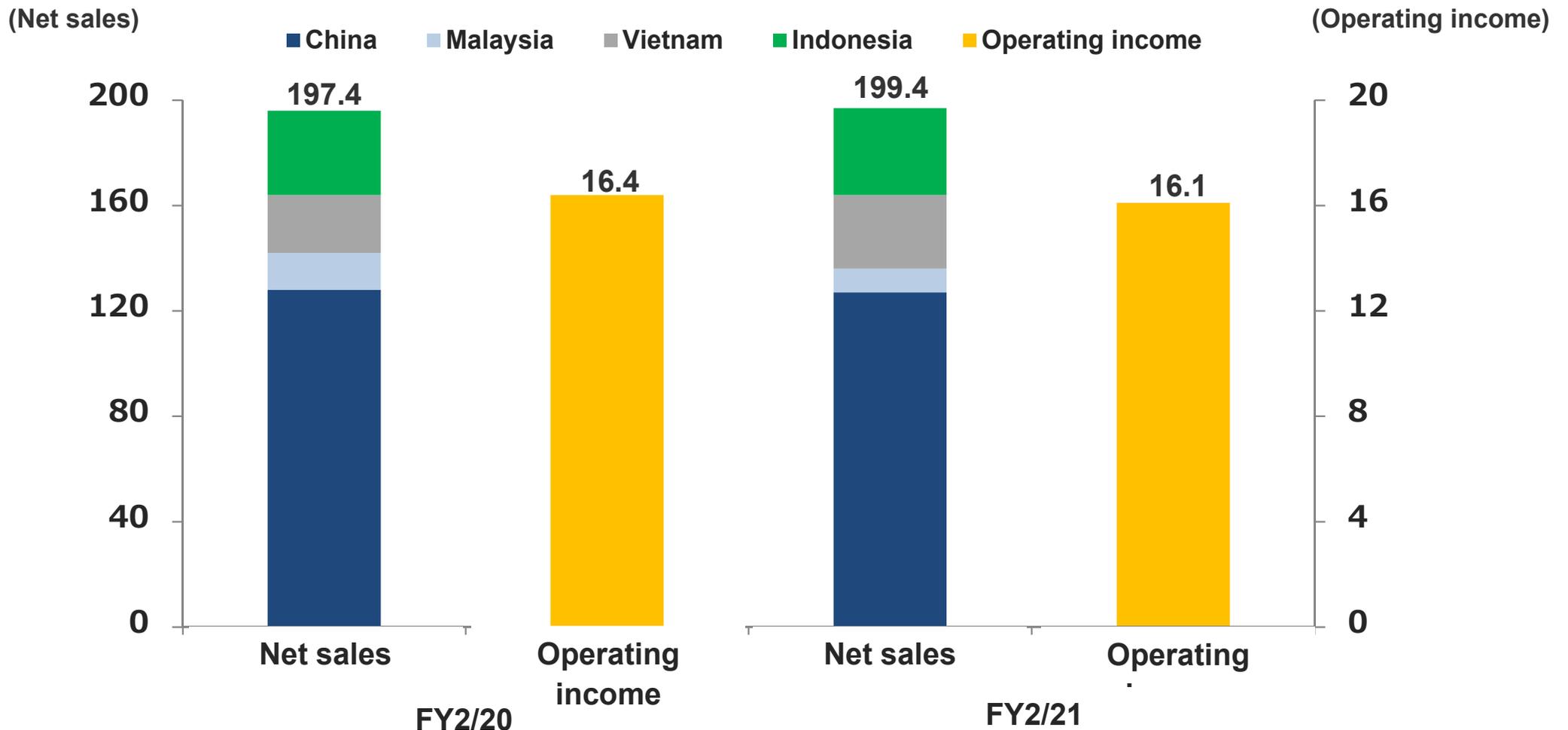
- Kobe Proton Center
- Kyoto Stadium

Major Initiatives in FY2/21 ⑥ Business Expansion in Asia

Overseas business was affected by COVID-19 in each region, but it was offset by the expansion of market share, and the performance was on a par with the previous year.

Net sales were 101.0% YoY and Operating income was 98.3% YoY*

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



* Figures are simple totals of results of operating companies.

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Improvement of Group Management Structure and Review of Vision 2025

Concluded measures to prevent recurrence of the inappropriate accounting at the former KAJITAKU.

Formulated a new medium-term management plan after scrutinizing Vision 2025.

Since the announcement of the recurrence prevention measures in July 2019, our top priorities have been to thoroughly implement the recurrence prevention measures and strengthen Group governance.

The Recurrence Prevention Committee was dissolved in March 2021. The newly established **Organizational Culture Committee** and other bodies will take over ongoing efforts to prevent the occurrence of improprieties (see below for details of the Organizational Culture Committee).

The new medium-term management plan was formulated based on a close examination of the AEON DELIGHT Vision 2025 to lay the groundwork for the AEON DELIGHT Group's growth strategy once again.

【AEON DELIGHT Vision 2025】

In Asia, we aim to become an environmental value-creating company that solves social issues based on the three pillars of our growth strategy: "safety and security," "labor shortage" and "environment."

▶ Revised our numerical target, but no revision to our direction to aim for

■ Target figures (after revision)

Net sales

471 billion yen

Operating income

37 billion yen

*Including M&A

We have revised the target figures in light of the delay in some measures due to the inappropriate accounting treatment of our consolidated subsidiary, former KAJITAKU CO., Ltd., which came to light in FY2/20, and the impact of COVID-19 in FY2/21.

(Reference) Initial targets announced in October 2018:

Net sales of 525 billion yen, operating income of 48 billion yen

Promoting ESG Management - Resolving Material Issues through Our Business

Work on resolving the material issues narrowed down based on Vision 2025 targets

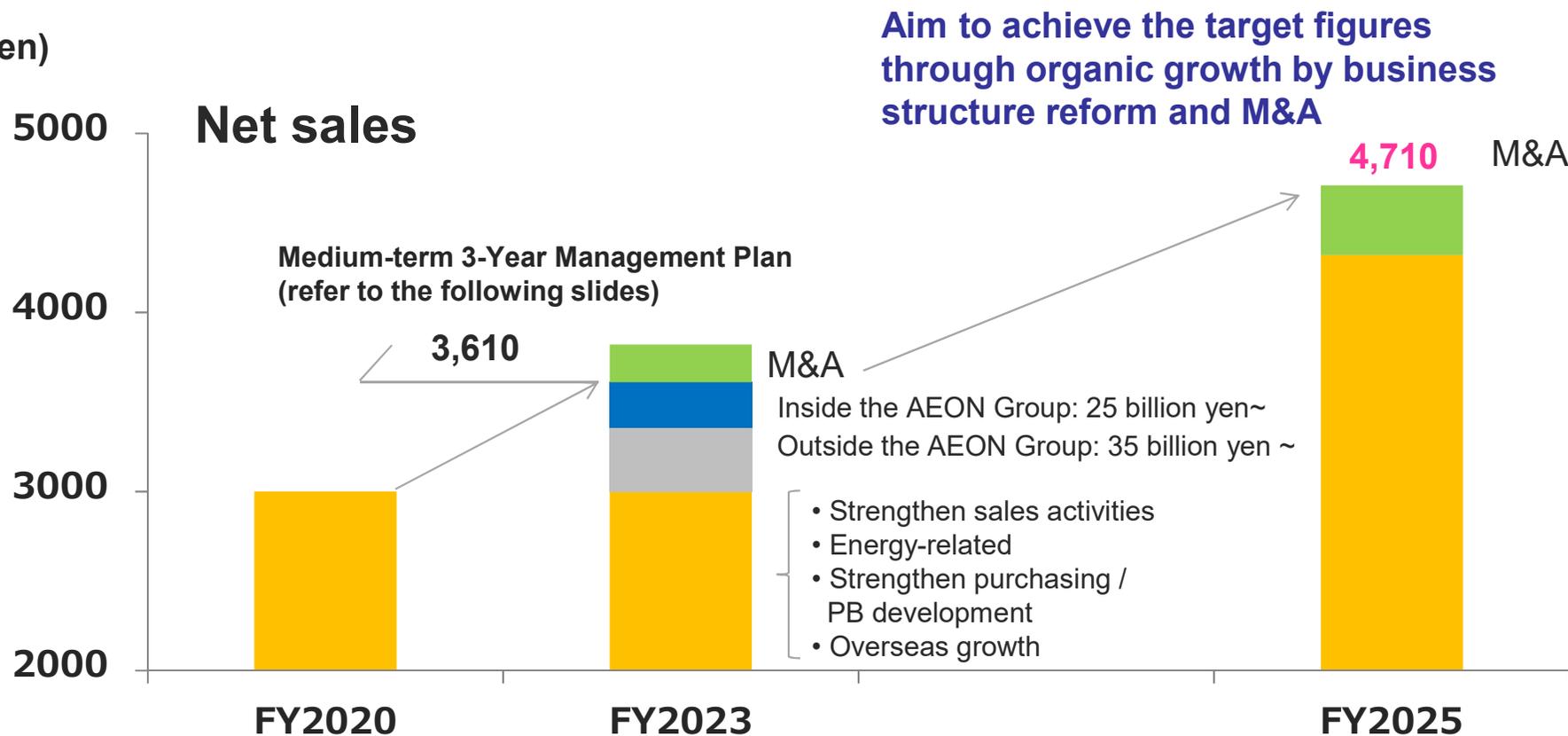
Vision 2025	Material Issues
Safety and Security	Providing a safe and secure living environment
Labor shortage	Solving labor shortages and create an environment in which diverse human resources can play an active role by improving productivity
Environment	Reduction of environmental impact through energy conservation and promotion of the use of renewable energy
Use of Technology	Utilizing AI, IoT, and robots and responding to risks in the information society
Governance	Strengthening of group governance

Aeon Delight's Goals for SDGs

Social issues to be solved through business	Social issues to be resolved through corporate activities
Safe and secure facility environment   	Human rights and D&I 
Solving labor shortages through the use of technology   	Human resource development 
Reducing environmental impact    	Global environment 

Roadmap to Achieve Vision 2025

(100 million yen)



Ratio of sales outside the AEON Group	36%	40%	50%
Operating income margin	5.1%	6.0%	8.0%
Ratio of overseas sales	6.7%	over 8%	over 15%
ROE	14.1%	12%	15%

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To achieve Vision 2025, we are working work on "customer-oriented management," "promotion of DX" and "group management".

Customer-oriented management

- **Develop a customer-oriented corporate structure**
 - **Organizational restructuring and organizational reform**
 - **Strengthen relationships with customers**

Promotion of DX

- **Build a new facility management model**
 - **Change to an area management model**
 - **Establishment of CSC**

Group Management

- **Strengthen governance for offense and defense**
 - **Clarification of roles and responsibilities of each company**
 - **Promotion of shared services**
 - **Strengthen compliance**

Mid-Term Management Plan ② Target Figures and KPI

■ FY2/24 Target Figures

Net sales

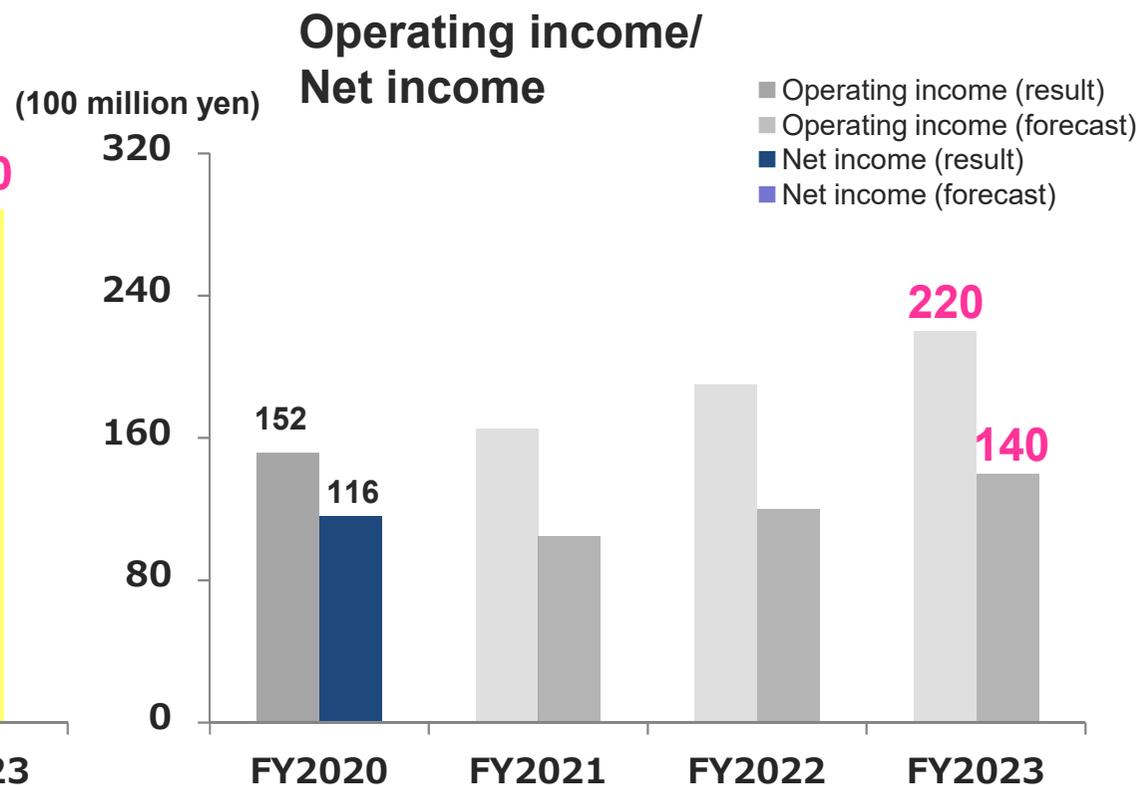
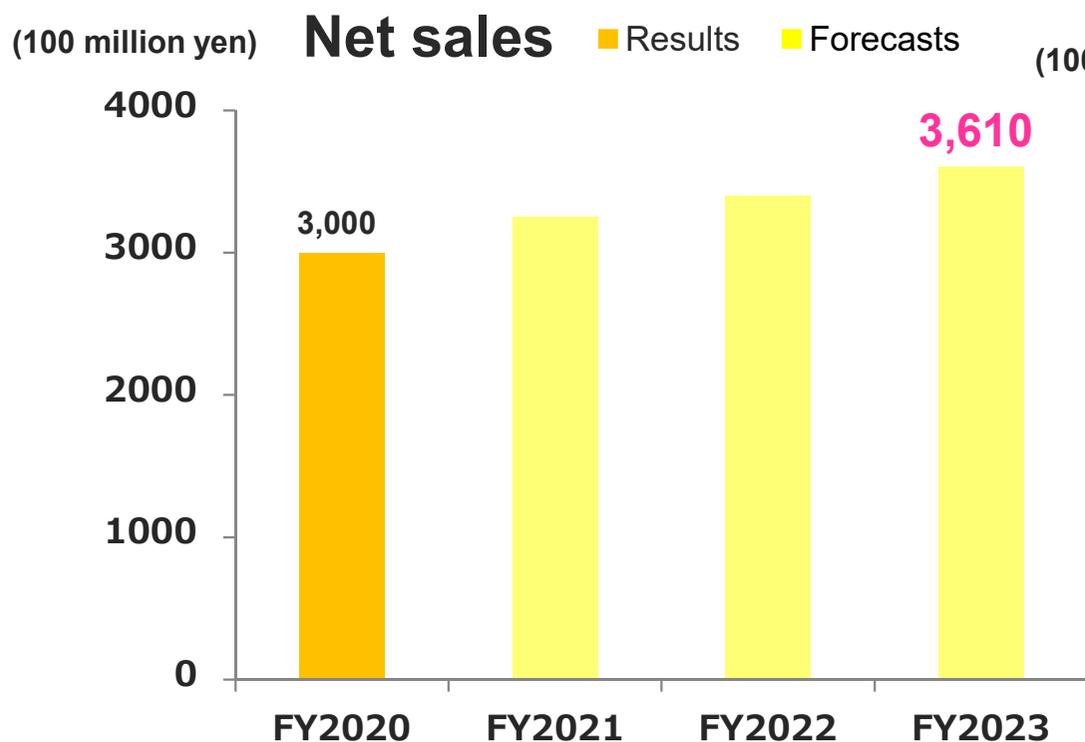
361 billion yen

Operating income

22 billion yen

Net income attributable to owners of parent

14 billion yen

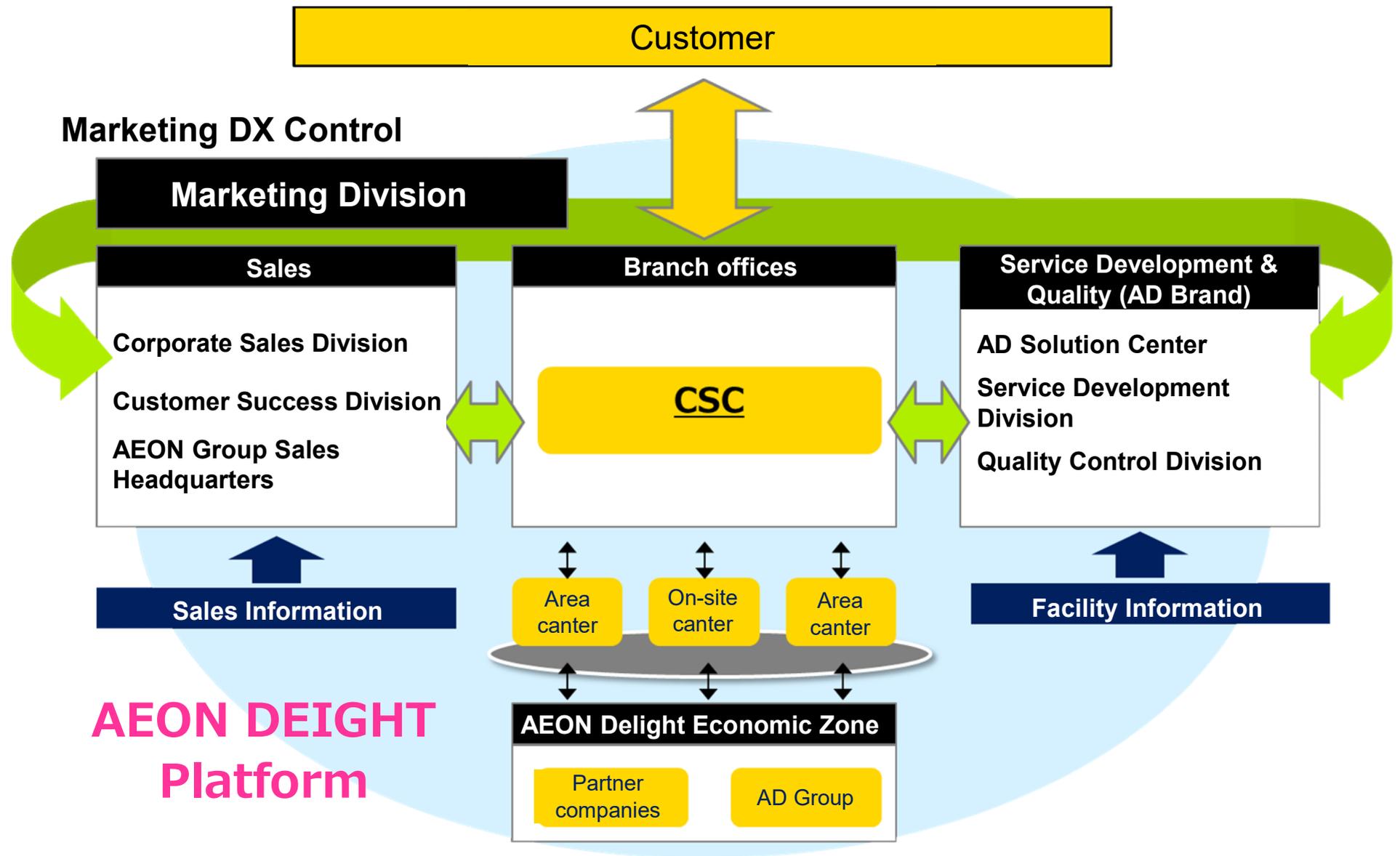


To expand the market share, we will establish the Market Division and strengthen the account management system

Environmental changes	Issues	Major Initiatives
<p>Slowdown in the opening of new large-scale stores by the Aeon Group in Japan</p>	<p>Insufficient knowledge and expertise in industries other than distribution</p>	<p>Develop the customer-oriented management structure</p> <ul style="list-style-type: none">● Establish CSC● Establish marketing department● Strengthen account management

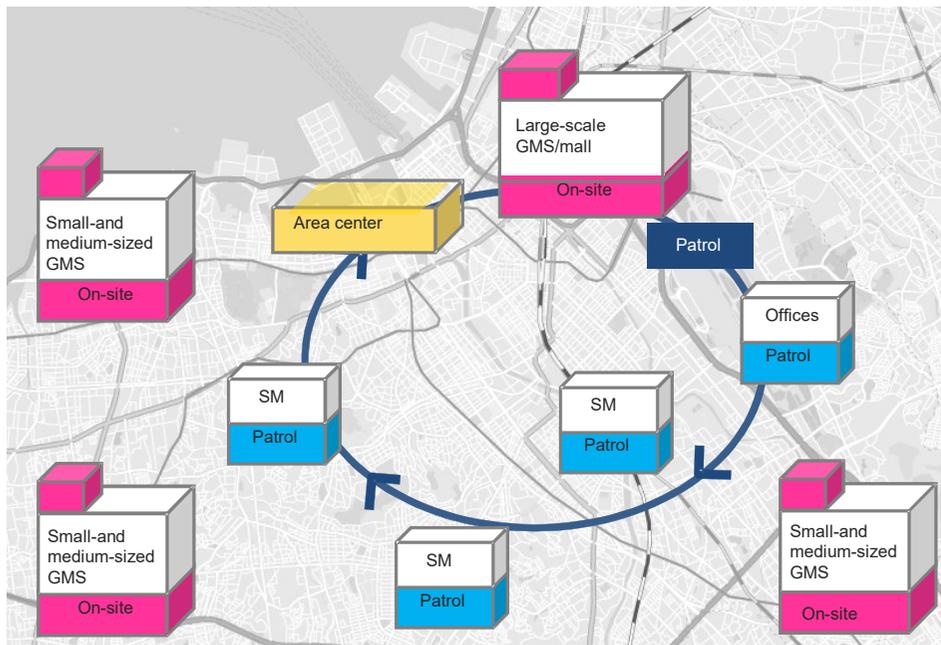
Mid-term Management Plan ③ Customer-oriented Management-2

Improve the structure to achieve customer-oriented service development, quality management, and DX

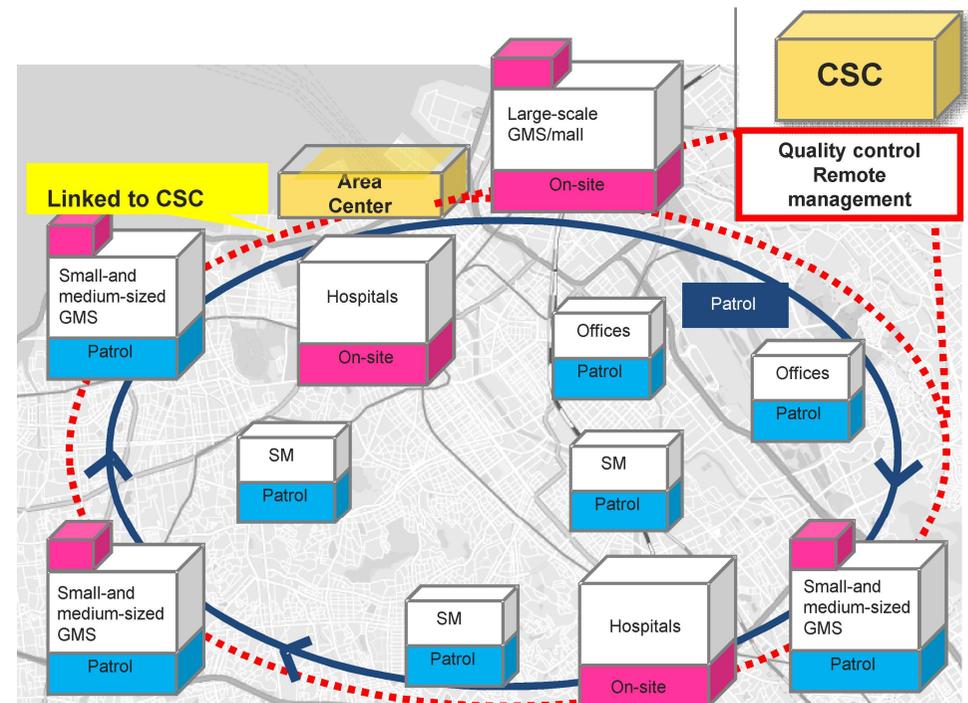


By saving labor in facility management through DX, we will develop a new facility model "area management" centered on CSC nationwide.

Until now: Individual store management



From now on: Area management



Mid-term Management Plan ④ Promotion of DX-2

Moved the Tokyo head office in September. Productivity was improved by consolidating head office functions and implementing work style reforms.

Convert to a strategic office that will lead to expansion of business opportunities as an information transmission base.

- Build a smart office by renovation
- Implement energy-saving and BCP measures as a service
- Review business processes and consolidate head office functions
- Promote work style reforms through digitalization of office operations
- Head office organization that is always close to customers through constant connection with branch CSCs

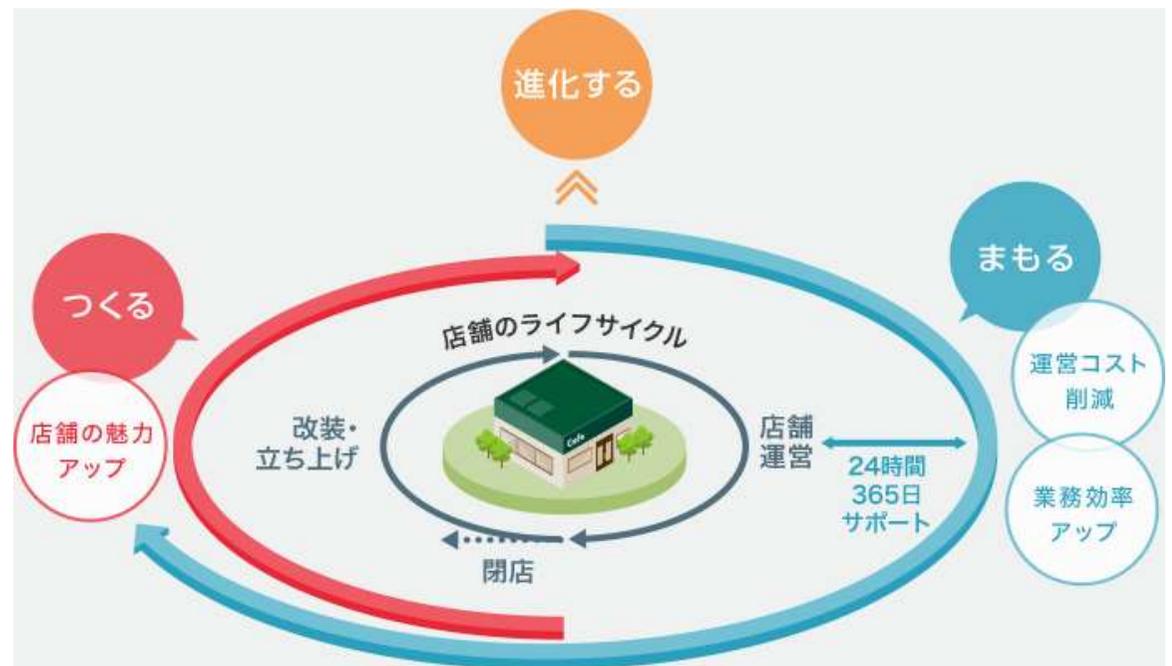
 **Reduce costs by consolidating functions and reforming work styles; expand sales opportunities as a base for disseminating FM information**

To further enhance the Group's management capabilities by strengthening both "offensive" and "defensive" governance

Environmental Changes	Issues	Major Initiatives
Stagnation and slowdown in the growth of Group companies	Insufficient management policies and strategies for the Group	<p>Strengthening of "offensive" governance</p> <ul style="list-style-type: none"> ● Clarification of roles and responsibilities of each group company ● Group management in China ● Consideration and implementation of M&As
Occurrence of fraudulent cases in group companies	Management of group companies is becoming more difficult as the scale of the group expands	<p>Strengthen "defensive" governance</p> <ul style="list-style-type: none"> ● Promotion of shared services ● Establishment of the Organizational Culture Committee ● Strengthen group compliance ● Strengthen internal control system

Established a new core company specializing in the management of small- and medium-sized facilities by combining the know-how and resources cultivated by AEON DELIGHT CO., Ltd., A to Z Service co., Ltd., and DO SERVICE Co.,Ltd.

Provide total facility management services for small- and mid-sized facilities in chains nationwide



Accelerate the formation of a regional economic zone as the AEON DELIGHT group

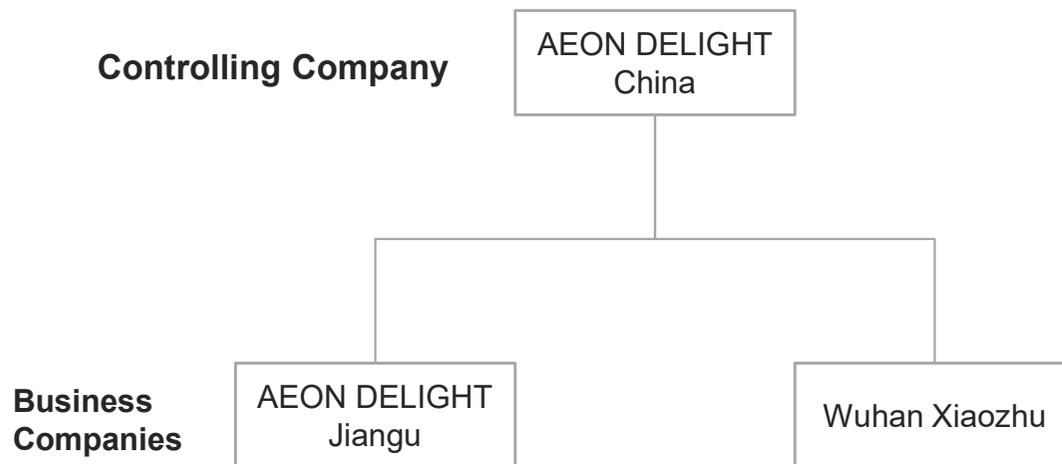
Select the appropriate partners in each field(Locality/Specialty) for enhancing the service network

		Examples
Locality	companies that excel in locality in terms of facilities management, security services and cleaning services	Kankyouseibi Co., Ltd.(North Kanto Area/Cleaning) Hakuseisha CO.,LTD.(Capital region/cleaning), etc.
Specialty	companies that excel in locality in terms of the fields which special skills are necessary	ABC CO.,LTD.(Hotels/cleaning) XYZ CO.,LTD.(Hospitals/facilities management), etc.

Subsidiaries which excel in building maintenance have the role to facilitate the formation of a regional economic zone taking advantage of the locality

**Establish a controlling company to promote group management in China
Aiming for further growth in Asia's largest growth area**

■ Group Management Structure for China Business



With establishment of a controlling company

- Strengthen group governance
- Maximize synergies among operating companies
- Establish the AEON DELIGHT brand in China through comprehensive management of service quality

Accelerate growth in central China and south China as our focus areas

To achieve Vision 2025, we will once again consider M&A as an important strategy and actively consider and implement it.

■ Objectives of M&As

- ① Regional economic zone
- ② Establish overseas bases
- ③ Expand business domain

*In selecting investment projects, we will set a certain level of liquidity on hand while taking into consideration capital costs, secure a variety of financing methods, and set financial discipline before making decisions.

Change both structure and culture to become an organization that prevents fraud

Promotion of shared services

Promote shared services (consolidation) of finance and accounting departments to ensure the reliability of financial statements of Group companies

Organizational Culture Committee

Work to create an sound organizational culture based on the Delight Way.



The Delight Way is a set of values and codes of conduct that all employees of the AEON DELIGHT Group must share in order to put the management philosophy into practice.

Mid-term Management Plan ⑥ KPI (Key Performance Indicator)

Monitoring KPIs to achieve target figures

Basic Policy	KPI
Customer-oriented management (Expansion of market share)	Ratio of sales inside/outside the AEON Group 60%:40% (FY2/21: 64%:36%)
Group Management (Growth as a group)	Net sales of 65.0billion yen consolidated with group companies in Japan (52.8billion yen in FY2/21)
	Net sales ratio of Asia businesses over 8%(6.7% in FY2/21)
	Shift to shared services for domestic group finance and accounting departments
Promotion of DX (Reform of business model / Improvement of profitability)	Operating income ratio of 6.0%(5.1% in FY2/21), sustaining the standard of ROE 12% through increasing operating income
	Number of facilities introducing area management: 360
	Reduction in number of on-site staff through area management: 180
	Allocation of 20% of staffs in the headquarters to front office by consolidating head office functions

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Planned figures for FY2/22

Enhancing the foundation for profit increase
by investing to DX and human resource fields aggressively

(100 million yen)	FY2/21 Result (Ratio to sales)	FY2/22 Forecast (Ratio to sales)	Percentage change
Net sales	3,000 (100.0%)	3,250 (100.0%)	108.3%
Operating income	152 (5.1%)	165 (5.2%)	108.3%
Ordinary income	152 (5.1%)	165 (5.2%)	108.1%
Net income attributable to owners of parents	116 (3.9%)	105 (3.2%)	89.9%

● Reduction of negative impact of COVID-19 and former KAJITAKU

- COVID-19: -0.5 billion yen (FY2/21: -1.5 billion yen)
- Former KAJITAKU: -0.3 billion yen (FY2/21: -1.0 billion yen)

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

For FY2/21, we increased the dividend by 17 yen from the previous fiscal year, to **82 yen**

For FY2/22, based on the assumption that the performance forecasts will be achieved,

Plan to pay dividends of **84 yen,**

including 74 yen with consolidated dividend payout ratio of 35% (*1) and 10 yen of commemorative dividend for AEON DELIGHT's 15th anniversary

We take into consideration consolidated dividend payout ratio 40%

Within the period of Medium-term 3-Year Management Plan

* Net income attributable to owners of parent: 10.5 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 9, 2021)
These forecasts have been prepared and are subject to change due to various factors going forward.