

Financial Results for the Fiscal Year Ended February 28, 2023

AEON DELIGHT CO., LTD.

Kazumasa Hamada, President and CEO, Group CEO

April 11, 2023

1 Financial Report for FY2/23

2 Initiatives for FY2/24

Consolidated Statement of Income

Sales increased due to expansion of market share within existing customers, new customer acquisition, and expansion of contracts for various types of construction projects.

operating income and ordinary income increased YoY

The impact of COVID-19 and the Ukraine crisis on operating income was -1.1 billion yen, exceeding the initial forecast (-0.8 billion yen).

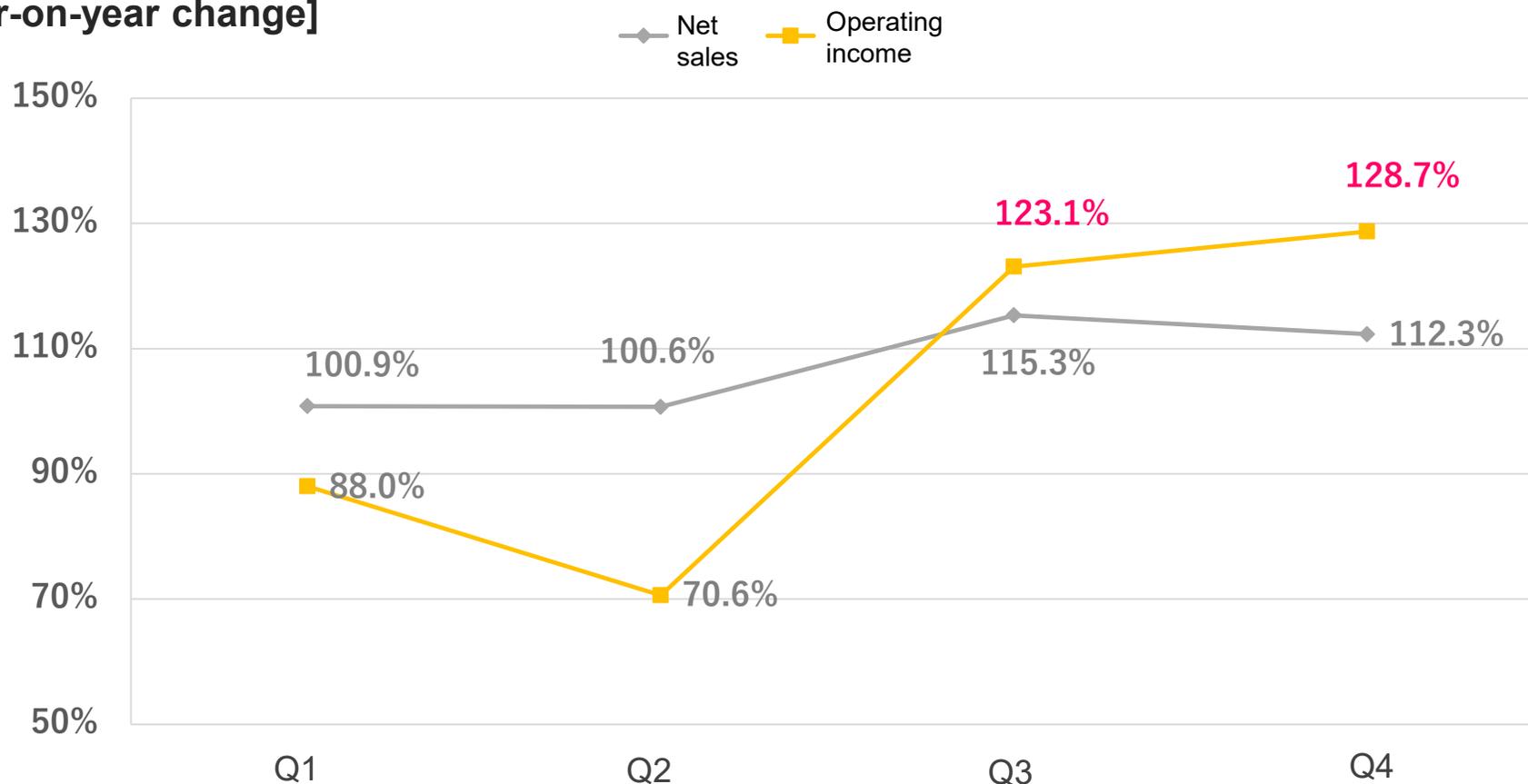
(100 million yen)

	FY2/22 (Ratio to sales)		FY2/23 (Ratio to sales)		Difference	Percentage change	Vs. FY2/20
Net sales [Former Revenue Recognition Standard]	2,837 [3,176]	(100.0%)	3,037 [3,392]	(100.0%)	199 [215]	107.0% [106.8%]	111.4% [109.9%]
Gross profit	394	(13.9%)	414	(13.6%)	19	104.9%	107.4%
SG&A expenses	237	(8.4%)	256	(8.4%)	18	107.8%	113.5%
Operating income	157	(5.5%)	158	(5.2%)	0.8	100.5%	98.8%
Ordinary income	157	(5.6%)	160	(5.3%)	2.1	101.4%	100.4%
Net income attributable to owners of parent	106	(3.8%)	101	(3.3%)	▲5.1	95.2%	108.6%

Quarterly Trends

In FY2/2023, although the performance for the first half struggled, sales and profits increased significantly in the second half due to new contracts and energy-saving-related construction in line with rising energy costs.

[Year-on-year change]



Sales by Segment

Sales increased in all 7 businesses YoY. Compared to FY2/20, sales increased in 5 businesses excluding vending machine services and support services businesses.

(100 million yen)

	FY2/22	FY2/23	Percentage change	Vs. FY2/20
Facilities management [Former Revenue Recognition Standard]	615 [615]	647 [646]	105.3% [105.1%]	111.2% [111.0%]
Security services	472	494	104.7%	110.8%
Cleaning services	669	683	102.1%	109.6%
Construction work	430	520	121.1%	124.5%
Materials/supplies sourcing services [Former Revenue Recognition Standard]	396 [564]	415 [596]	104.8% [105.6%]	116.7% [116.7%]
Vending machine Services [Former Revenue Recognition Standard]	93 [263]	94 [269]	101.4% [102.2%]	84.9% [85.4%]
Support services	160	180	112.6%	96.3%
Total [Former Revenue Recognition Standard]	2,837 [3,176]	3,037 [3,392]	107.0% [106.8%]	111.4% [109.9%]

Profit by Segment

Profits increased in 4 businesses and decreased in 3 businesses.

The major factors are as follows.

Security services : Decrease in orders for safety cameras, Cleaning services : Decrease in orders for alcohol-disinfecting cleaning,

Materials/supplies sourcing services : Increase in purchase cost

	FY2/22	FY2/23	Percentage change	Vs. (100 million yen) FY2/20
Facilities management	54.9	58.1	105.7%	109.8%
Security services	34.3	32.7	95.5%	108.0%
Cleaning services	81.0	70.1	86.5%	100.7%
Construction work	35.8	40.8	113.9%	106.9%
Materials/supplies sourcing services	25.6	19.9	78.1%	80.3%
Vending machine services	6.0	10.8	178.0%	77.6%
Support services	4.4	4.6	104.9%	111.2%
Total	242.3	237.3	97.9%	101.3%

Consolidated Balance Sheet

(100 million yen)

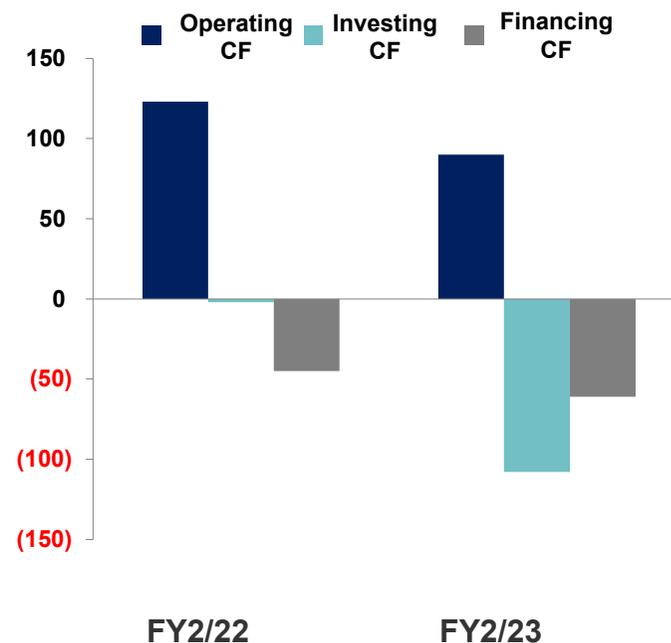
Assets	FY2/22	FY2/23	Difference	Liabilities and net assets	FY2/22	FY2/23	Difference
Current assets	1,210	1,295	85	Current liabilities	438	484	45
Tangible fixed assets	70	64	▲5	Fixed liabilities	35	28	▲7
Intangible fixed assets	56	63	7	Total liabilities	474	512	37
Investments, etc.	91	82	▲8	Shareholder's equity	929	959	30
Fixed assets	218	210	▲7	Total net assets	954	993	39
Total assets	1,428	1,506	77	Total liabilities and net assets	1,428	1,506	77

Consolidated Statement of Cash Flows

(100 million yen)

(100 million yen)

	FY2/22	FY2/23	Difference
Cash flows from operating activities	125	88	▲37
Cash flows from investing activities	▲3	▲107	▲103
Cash flows from financing activities	▲45	▲61	▲16
Cash and cash equivalents at the end of year	675	599	▲75



Achievements in FY2023 and Issues for FY2024

Basic policies	Results	Issues for FY2024
Customer-oriented management	<ul style="list-style-type: none"> • Expanded market share among existing customers by strengthening account-based marketing • Contribution to energy cost reduction • Introduced power visualization tools to 171 facilities 	<ul style="list-style-type: none"> • Further strengthen account management • Strengthen response to rising energy costs • Strengthen Construction Work business to meet the growing needs of customers
Promotion of DX	<ul style="list-style-type: none"> • Started using AD platforms to improve the efficiency of sales activities and the quality of work. • Reduced staffing at a total of 95 facilities nationwide through the deployment of area management, securing 52 personnel resources • Improved profitability at facilities with labor saving 	<ul style="list-style-type: none"> • Promote use of AD platforms • Accomplishment of “area management” and make further DX to improve productivity
Group Management	<ul style="list-style-type: none"> • Steadily expanded its business in China • Business in ASEAN recovered due to economic recovery from the COVID-19 crisis. 	<ul style="list-style-type: none"> • Recovery in the performance of domestic subsidiaries, which remained sluggish partly due to the impact of the global situation such as COVID-19 and the Ukrainian crisis

Medium-term Management Plan: Progress of KPIs (Key Performance Indicators)

Delay of 1 to 2 years in realizing the effects of some measures, partly due to the impact of the situation exceeding expectations (e.g., COVID-19 and Ukraine crises)

Basic policies	KPI (End-FY2/24)	End-FY2/23	End-FY2/22
Customer-oriented management	Ratio of sales inside and outside the Aeon Group: 60% : 40%	63.4% : 36.6%*	64.4% : 35.6%
Promotion of DX	Operating margin of 6.0%*. Maintain ROE level of 12% (full year) through improvement of operating margin.	Operating income margin: 4.7%* ROE: 10.5%	Operating income margin: 5.0% ROE: 11.7%
	Number of facilities with area management introduced: 360 facilities	273 facilities	178 facilities
	Reduction of 180 on-site staffs through area management	167 staffs	115 staffs
	Reallocation of 20% of headquarters staffs to direct departments through consolidation of functions	Continued improving business processes in headquarter	Began improving business processes in the head office divisions
Group Management	Full-year sales of domestic group companies: 65 billion yen*	54.5 billion yen*	52.0 billion yen
	Overseas sales ratio: over 8%*	9.8%*	7.8%
	Convert domestic group finance and accounting departments to shared services (full year)	Continued providing support from our finance and accounting department for all domestic group companies	Started supporting share-based services for all domestic group companies

* Former revenue recognition standard

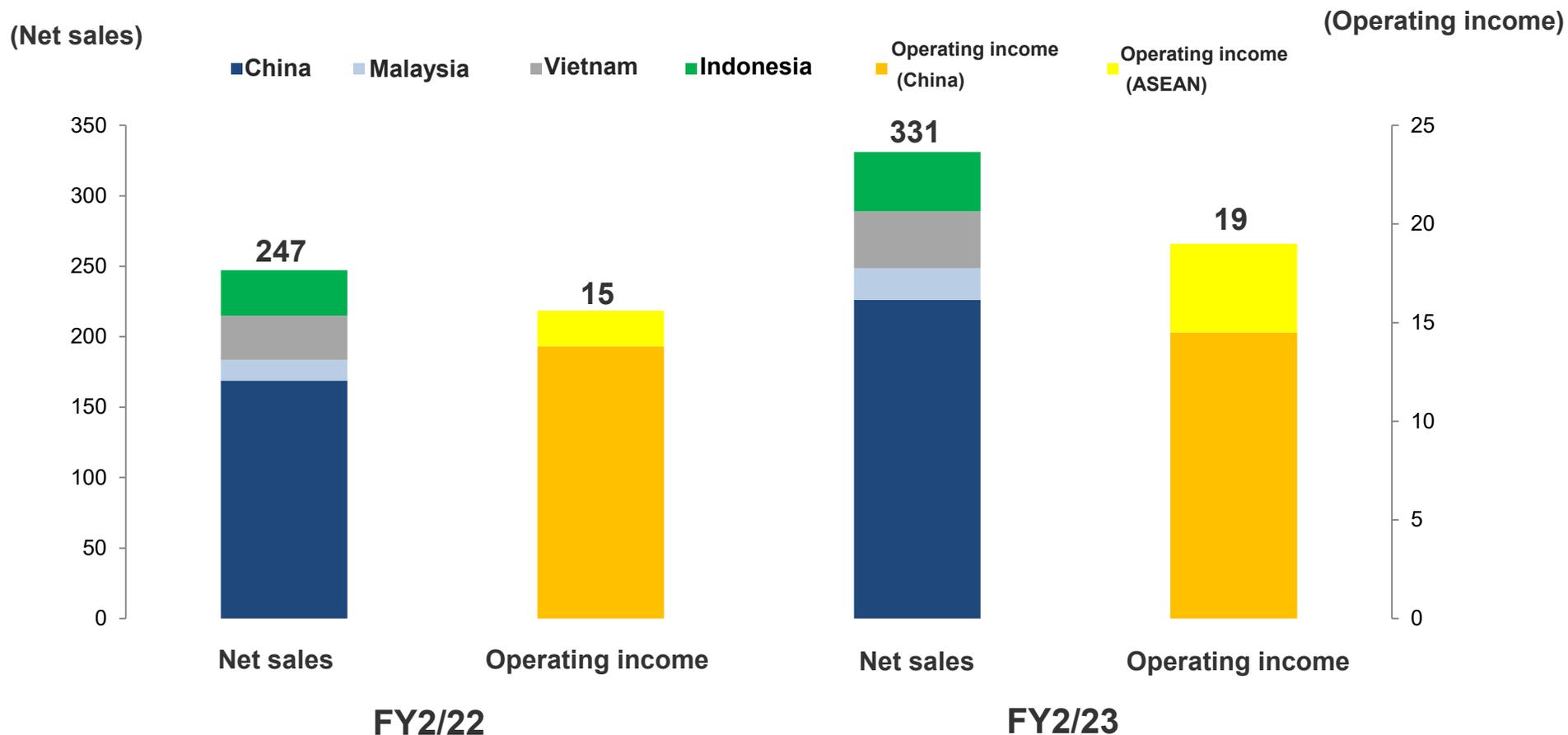
Business Expansion in Asia

In China, Sales and profits increased due to expansion of share within customers and acquisition of new customers.

Sales and profits increased in ASEAN as the economy recovered from COVID-19.

[Overseas business] Net sales: 133.9 % YoY; Operating income: 121.7 % YoY*

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



*Figures are simple totals for operating companies.

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2 Initiatives for FY2/24

Positioning for FY2/24

We will continue our efforts in accordance with the 3 basic policies and carry out the transformation towards a new growth strategy toward the post-COVID era, accompanied by major environmental changes.

(100 million yen)	FY2/23 Results (Ratio to sales)		FY2/24 Forecasts (Ratio to sales)		Percentage change
Net sales	3,037	(100.0%)	3,100	(100.0%)	102.0%
Operating income	158	(5.2%)	160	(5.2%)	101.2%
Ordinary income	160	(5.3%)	160	(5.2%)	100.0%
Net income attributable to owners of parents	101	(3.3%)	104	(3.3%)	102.4%

Expand market share by further contributing to customer success

1

Further strengthen account management

- Expand share within customers
- Accurate understanding of issues through strengthening relationships with customers

▶ **Construct and propose customized solutions for each customer**

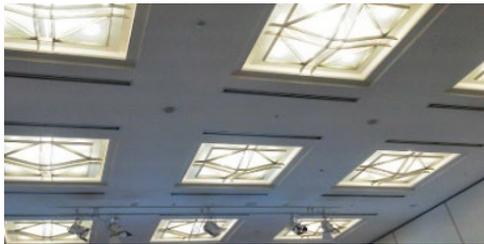
2

Strengthen Construction Work business to meet the growing needs of customers

- Strengthen construction management
- Aggressive proposal activities for management properties

▶ **Meet the growing needs of customers (both in quality and in quantity) including energy-saving construction.**

Leveraging the know-how cultivated in the field of facility management to actively offer energy-saving proposals



Aggressive energy-saving proposals, especially to customers who are large consumers of electricity.

- **Changing to LED lighting/upgrading**
- **Upgrading air conditioning systems**
- **Sales of non-CFCs showcases**
- **Introduction of energy management tools, etc.**

Helping customers reduce their environmental impact and energy costs

Customer-oriented Management ② Expansion of Healthcare Solutions

Develop solutions to improve the hygiene standards of facilities by utilizing the know-how gained through infection preventive measures in various facilities.

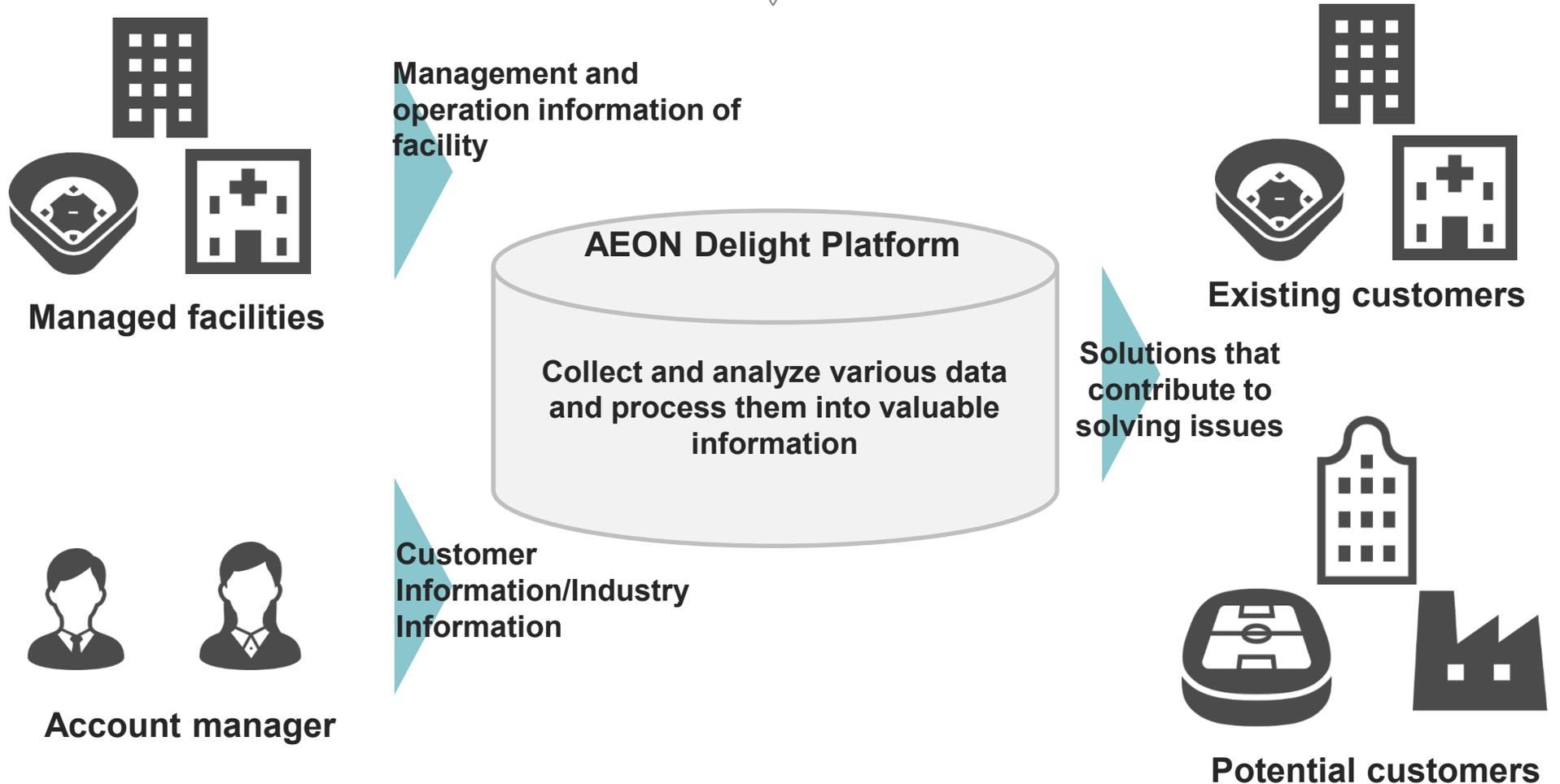


In conjunction with the development of "sanitary cleaning" for medical-related facilities, we strengthened cleaning proposals, including quarantine measures, for accommodation facilities.

Ensuring the “safety and security” of facilities, including infection control

Promotion of DX ① Promote Utilization of AD Platform

Establish a system for unified management of major systems and analysis and processing of voluntary data, creating a data-driven (data-based decision-making and action) internal system



Promote the transformation of facility management operations as well as the development of area management



- Labor-saving at **87 new facilities** (360 facilities in total)
Aiming to reallocate more than **13 specialist personnel** (cumulative total of 180), develop "area management" targeted in the medium-term management plan
- **Improve on-site productivity** by automating routine operations (facility inspections, report preparation, etc.)

● CSC of the Kanto Branch Office, which has strengthened facilities

Group Management ① Initiatives by Group Companies in Japan

Aiming for growth as the AEON Delight Group, formulate strategies for each individual company and clarify functions and roles within the Group

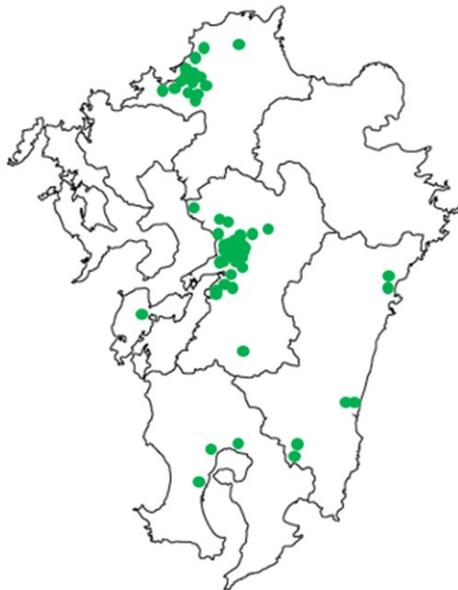
Company name	Initiatives
AEON DELIGHT CONNECT	Target companies that operate small and medium-sized shops across the country, creating dominance in each region
Hakuseisha	Establish competitive advantage in facility management operations at department stores (Deepen facility management operations and ancillary operations and strengthen business foundations)
Kankyouseibi	Strengthen cooperation with AEON Delight, strengthen sales structure, and formulate and implement sales strategies for each area
AEON COMPASS	Expand travel-related business, capture event-related demand and expand service areas in business travel support

Group Management ② Initiatives to Form a Regional Economic Zone

Acquired Ask Maintenance Co., Ltd., which operates A building maintenance business centered on cleaning in the Kyushu region, as a wholly owned subsidiary

ask 株式会社 アスクメンテナンス
ask maintenance

Net sales: 1.6 billion yen,
Operating income: 31 million yen
(FY3/22)



● Operating areas of Ask Maintenance

- Headquartered in Kumamoto City, operating throughout the Kyushu region
- Services for various types of facilities, including commercial facilities, hospitals, and government properties
- Became the first operator in Kyushu to acquire the Eco Mark for cleaning services

**Expand business base in Kyushu.
Integrate the technologies and know-how
cultivated by both companies to further improve
quality and improve management efficiency**

Driving overseas business in Asia's largest growth area



● AEON Delight Jiangsu

- Expanded share within the Aeon Group, strengthen sales to tenants, and expand outsourcing
- Strengthened sales to Japanese companies outside the Aeon Group/expand customer base. Further leveraging this to strengthen sales to other foreign-affiliated companies



● Wuhan Xiaozhu

- Strengthened service quality through quality management and human resource development
- Expanded contracts in residential properties, hospitals, and schools

Aggressively implement M&A and investments required to acquire expertise and expand business domains

Strengthening management base for medium- to long-term growth



Expand business and strengthen quality management in Malaysia, Vietnam, Cambodia, and Indonesia

Dividends

Dividends have increased for **18** consecutive years since FY2/06.

Aiming for **19** consecutive years of dividend increase

Plan to pay **85 yen** per share for FY2/23 as forecasted at the beginning of the fiscal year (Actual payout ratio: 41.8%)

For FY2/24, based on the assumption that the performance forecasts will be achieved,

Plan to pay dividends of **86 yen**
(Payout ratio: 40.1%)

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
(Rounded down to the nearest 10 million only in part of p.3 and p.6)
- ◇ Percentages have been rounded off to one decimal place

AEON DELIGHT CO., LTD.
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Please contact us on our website.
<https://www.aeondelight.co.jp>

Based on information available up to the date of publication (April 11, 2023)
These forecasts have been prepared and are subject to change due to various factors going forward.