



Financial Results for the Six Months
Ended August 31, 2015

AEON DELIGHT CO., LTD.

Ippei Nakayama, President and CEO

October 7, 2015

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§ 1 Financial Report and Full-Year Forecast for the First
Half of the Fiscal Year Ending February 2016

§ 2 Initiatives for the Priority Management Issues

Financial Summary

Recorded the highest sales and earnings

100 million yen

	FY2/16 2Q			YoY	
	Amount	Pct. to net sales (%)	YoY (%)	Amount (actual)	Pct. to net sales (%)
Net sales	1,427	100.0	106.5	1,340	100.0
Operating income	81	5.7	105.4	77	5.7
Ordinary income	81	5.7	105.4	77	5.8
Net income	46	3.3	106.9	43	3.3

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【Financial Summary】

(1) Net sales : ¥142.7 billion (+¥8.7 billion, 106.5% YoY)

- i. Net sales increased YoY in 6 businesses
- ii. Double digit growth in construction work business and support business
- iii. The increase is mainly derived from increase in customers outside the AEON Group, establishment of new AEON Group stores, renovation of existing stores and growth of subsidiary KAJITAKU Co., Ltd.

(2) Gross margin : ¥18.5 billion (+¥1.3 billion, 107.6%YoY)

- i. Earnings increased thanks to increase in sales (+¥1.1 billion YoY)
- ii. Earnings increased thanks to improvement in gross margin (+¥200 million YoY)

(3) Operating income: ¥8.1 billion (+¥410 million, 105.4% YoY)

- i. SG&A increased due to increase in personnel expenses for recruiting strategic human resources, system expenses and prior investment related to new orders
- ii. Income increased as planned, although SG&A exceeded the growth rate of gross margin

(4) Ordinary income: ¥8.1 billion (+¥410 million, 105.4% YoY)

(5) Net income: ¥4.6 billion (+¥300 million, 106.9% YoY)

【Reference】Comparison with forecasts (forecast for cumulative second quarter of FY2/16)

Net sales : ¥142.7 billion, 103.5% to the ¥138.0 billion forecast

Operating income: ¥8.1 billion, 101.5% to the ¥8.0 billion forecast

Ordinary income: ¥8.1 billion, 101.7% to the ¥8.0 billion forecast

Net income: ¥4.6 billion, 104.0% to the ¥4.5 billion forecast

Net Sales by Segment



Net sales of each six businesses increased YoY

Double increase in construction work business and support business

※ There was a reactionary fall in the vending machine services as planned, due to installation of large number of digital signage vending machines in the previous period

100 million yen

	FY2/16 2Q actual			YoY	
	Net sales	Composition ratio (%)	YoY (%)	Net sales	Composition ratio (%)
Facilities management	243	17.1	106.7	228	17.1
Cleaning services	233	16.4	106.7	219	16.3
Security services	186	13.0	104.3	178	13.3
Construction work	262	18.4	114.2	229	17.2
Materials/supplies sourcing services	245	17.2	105.2	233	17.4
Vending machine services	169	11.9	95.3	178	13.3
Support services	86	6.1	118.2	73	5.5

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【Net sales by Segment】

(1) Facilities management

Sales increased owing to orders from outside the AEON Group including hospitals etc. and from new AEON stores. According to the amendment of act, promote the CFC management services and expanded the office to over 1,300

(2) Cleaning services

Sales increased owing to increase in new orders, as well as the facilities management. Established a framework for hygiene control services for medical facilities and started using these services to capture new business

(3) Security services

Sales increased owing to increase in new orders, as well as the facilities management. Strong customer response to the attender service, an additional security service for AEON facilities.

(4) Construction work

Increase in orders for construction works such as revitalization, restoring and energy saving construction. Improve profitability by elaboration of construction estimates and appropriate time management

(5) Materials/supplies sourcing services

Started business with new customers and expand business with existing customers

(6) Vending machine services

Expect lower sales in FY2/16 due to completion of installation of a large number of vending machines in FY2/15. For reform including business structure and profit structure, started signage vending machine advertisement business and developed character designed vending machine

(7) Support services

Consolidated subsidiary KAJITAKU expanded its sales of household service for individual houses “KAJICloud” by 1.5x and contributed to the Group’s growth

- ① Expanded customers outside the AEON Group
- ② Expanded overseas business steadily
- ③ Grew consolidated domestic subsidiaries
- ④ Initiatives for improving environmental value

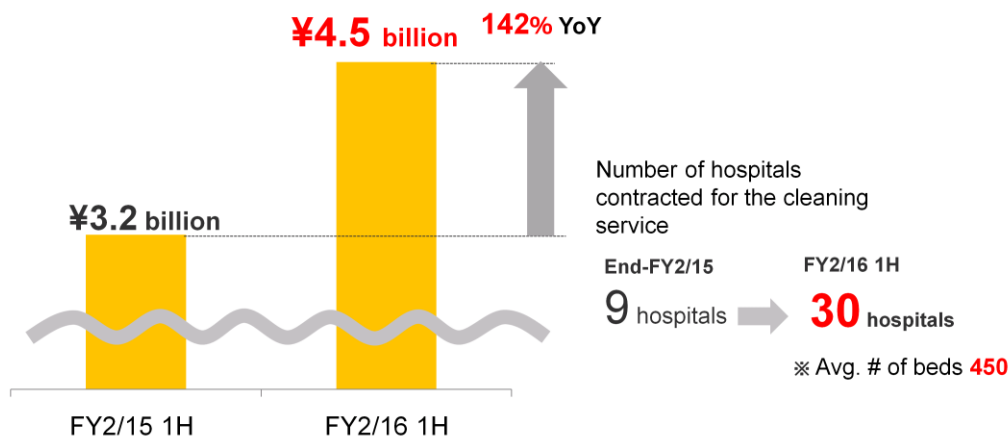
① Expanded customers outside the AEON Group



Expanded customers to large facilities such as hospitals, hotels and universities, in addition to commercial facilities

Net sales from new customers outside the AEON Group

※ Non-consolidated basis



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【① Expanded customers outside the AEON Group】

1H Sales from new customers outside the AEON Group were ¥4.5 billion, 142% YoY
Expanded orders from target large facilities with approaching from hygiene control services

* Hygiene control

Started preparations for this new business in FY2/14 as new strains of influenza, the norovirus and other infection problems emerged. A new hygiene control service that adds to conventional cleaning, which emphasizes an attractive appearance, infection prevention activities like disinfection and dust removal.

■ Use technologies and knowhow, cultivated from commercial facilities, in various use facilities

1. Develop target facilities such as hospitals, hotels and universities
2. Develop services that fit each application of facilities
3. With using its strength, reduce customers' anxiety about shifting to the service
 - i. Trust and reliability as the largest company in the industry
 - ii. Human resources including over 16,000 qualified technicians and securing capability
 - iii. A nationwide network that can respond quickly to an emergency

① Expanded customers outside the AEON Group



Expanded customers to various types of facilities including hospitals, hotels and universities

New customer facilities



Most priority issue is to secure human resources

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【① Expanded customers outside the AEON Group】

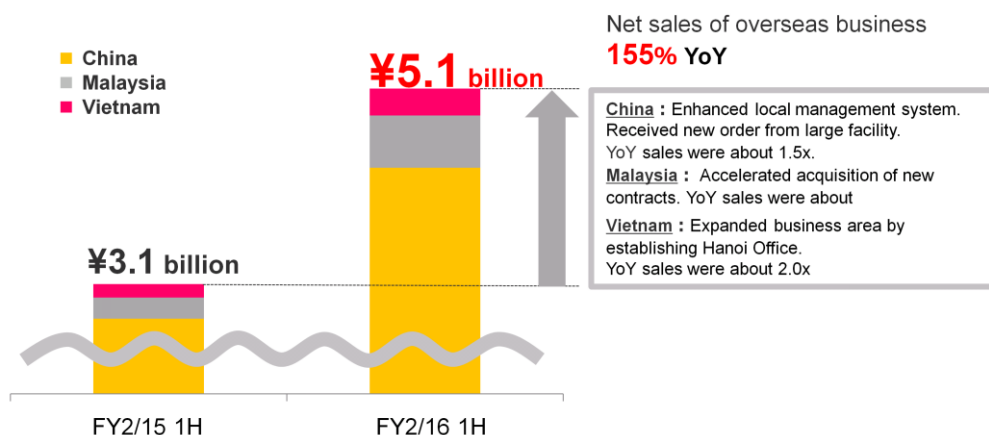
*Above pictures are part of examples of new customers

- ① Orders for total service of facility management increased because more people including corporations and institutions increased awareness of reviewing their facilities from both its quality and costs
- ② Backed by favorable wind from customers demand, increased orders from hospitals by hygiene control services, and also increased customers which had not been core customers such as hotels, universities, laboratories, distribution centers and factories.
- ③ Most priority issue is securing human resources
To acquire new customers, securing human resources is the urgent necessity

② Expanded overseas business steadily

Significant growth in China, Malaysia and Vietnam

Net sales of overseas business



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【② Expanded overseas business steadily】

1H Sales from overseas business were ¥5.1 billion, 155% YoY
 Sales significantly increased in China, Malaysia and Vietnam by developing business foundations in each country. Expect full-year overseas sales of exceeding ¥10 billion.

(1) China

Some real estate development projects have been postponed because of China's economic downturn, but there was only a minimal effect on the Aeon Delight Group.

Changes in the real estate market have little effect on major subsidiaries in China because public-sector business is a large share of sales. A new Aeon Mall contract is also contributing to the growth in China.

(2) Malaysia

Accelerated development of customers by enhancing service supply system. Started business tie-up for cleaning service with local large company in October, this enables the company to expand orders from AEON stores which became the largest retailer in Malaysia

(3) Vietnam

Opened 3rd AEON store in October in Hanoi (AEON Mall Long Bien). Opened branch office in Hanoi (April) enables the company to offer the services in other areas of Hanoi. Strengthen sales activities to Japanese companies mainly in South Ho Chi Minh and North Hanoi.

Delight Way –Effect of the Tianjin Explosion



Three properties near the hypocenter were damaged by the explosion in Tianjin

Embodying the philosophy of Delight Way, local employees started clean-up and restoration work immediately after the explosion. Exploited **crisis-management capability** by establishing a task force in both Japan and China

Aeon Delight employees started clean-up and restoration work immediately after the explosion.



Thank you flag from customers

AEON Mall Tianjin Teda SC soon after the explosion



Partially resumed on September 20

Continue remediation activity for full-reopening

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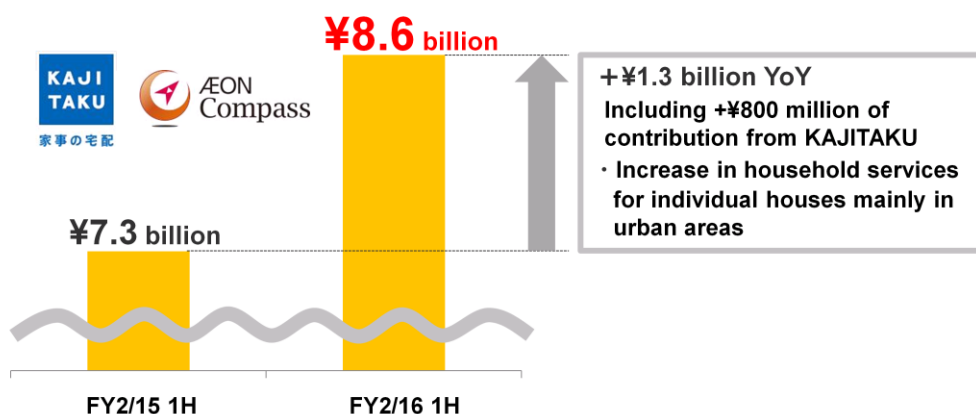
【Delight Way – Effect of the Tianjin Explosion】

- ① Three properties managed by Aeon Delight, including the Aeon Mall Tianjin Teda (about 2km from the explosion), were damaged by the explosion on August 12.
- ② Despite being affected themselves by this tragedy, Aeon Delight employees in China protected the facilities of customers and worked hard to restore operations.
- ③ Customers where damage was significant were very impressed with the dedication and hard work of the Aeon Delight workforce.

③ Grew consolidated domestic subsidiaries

Significant growth of subsidiary in the support services segment

Net sales of support services



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【③ Grew consolidated domestic subsidiaries】

(1) KAJITAKU Co., Ltd.

Sales of “KAJICloud” by KAJITAKU, engages in operation of household services which expand its demand mainly in urban areas, significantly increased.

(Sales for FY2/161H: ¥3.3 billion, about 1.3x YoY)

(2) AEON Compass Co., Ltd.

AEON Compass, engages in domestic and overseas travel business mainly for corporate customers, progressed well thanks to high operation rate of rental conference rooms in Tokyo, Osaka and Nagoya etc.

④ Initiatives for improving environmental value



Expanded the CFC management services, a leader in the Japanese market for CFC management services backed by a nationwide network.

Training CFC removal technicians since FY2/14 **More than 500 technicians** have been certified



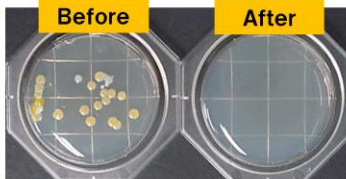
Received orders from 26 companies and over 2,100 offices (FY2/15)

Largest domestic share (※)

※ Number of registered companies in JRECO (Japan Refrigerants and Environment Conservation Organization)

More progress with hygiene control services. Strengthened disinfection and virus detection and analysis capabilities

For hotels, universities, laboratories and food-processing plants



(Left)
Sterilization effect by hygiene control
(for doorknob)

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【④ Initiatives for improving environmental value】

① Growth of CFC management services

- i. The April 2015 enactment of Japan's amended Fluorocarbon Management Act tightened restrictions on companies that remove CFCs.
 - ii. Started training CFC removal technicians in FY2/15
 - iii. A leader in the Japanese market for CFC management services, backed by a nationwide network with more than 500 certified technicians
- *Individuals registered with the Japan Refrigerants and Environment Conservation Organization

(2) More progress with hygiene control services

- i. Strengthened disinfection and virus detection and analysis capabilities; measurements of airborne dust and other particles
 - ii. Worked on establishing evaluation standards using ATP measurements* (for visualization of quality)
- A new service for spaces that require the highest levels of hygiene including clean rooms, operating rooms and other locations of hospitals

*Adenosine triphosphate (ATP) is an enzyme that is present in all living cells. ATP is quantified by measuring light produced through its reaction with an enzyme. The existence of ATP shows that bacteria and other contaminants remain. This measurement method is used to check the cleanliness of instruments and devices at medical institutions and other locations.

Consolidated Balance Sheet



100 million yen

	End of FY2/15 (Feb. 28, 2015)	End-1H of FY2/16 (Aug. 31, 2015)	Difference		End of FY2/15 (Feb. 28, 2015)	End-1H of FY2/16 (Aug. 31, 2015)	Difference
Current assets	1,044	1,081	36	Current liabilities	466	466	0
Fixed assets	215	212	▲3	Fixed liabilities	19	17	▲2
Tangible fixed assets	43	45	2	Total liabilities	485	483	▲1
Intangible fixed assets	109	108	▲0				
Investments, etc	62	57	▲4	Total net assets	774	809	35
Total assets	1,260	1,293	33	Total liabilities and net assets	1,260	1,293	33

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【Consolidated Balance Sheet】

(1) Total assets: ¥129.3 billion (+¥3.3 billion, 102.6% YoY)

- There is no noteworthy fact about assets and liabilities structure, investment and fund raising. There is slight change in net assets due to posting of net income from operating activities and distribution of dividends.

(2) Changes in assets: Current assets +¥3.6 billion, fixed assets -¥300 million

- Current assets: Accounts receivables including note and accounts receivable-trade and electronically recorded monetary obligations increased by ¥4.2 billion, and deposit of subsidiaries and affiliates increased by ¥800 million, although cash and deposits decreased by ¥2.4 billion.
- Fixed assets: Sold holding securities partially

(3) Total liabilities: -¥100 million

- Accounts payable including notes and accounts payable-trade and Electronically recorded monetary obligations increased by ¥2.4 billion and current liabilities and others decreased by ¥2.4 billion.

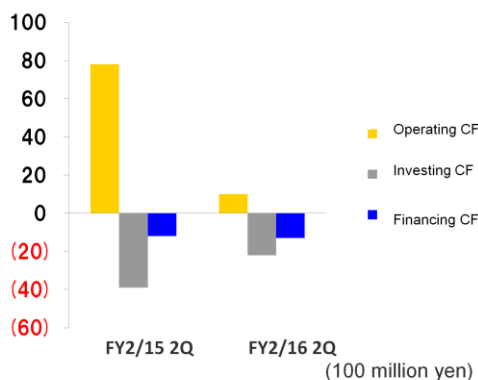
(4) Changes in net assets: +¥3.5 billion

- Retained earnings increased by ¥3.3 billion owing to posting of ¥4.6 billion of net income for 1H and distribution of ¥1.3 billion of dividends

(5) Shareholders' equity ratio

- Shareholders' equity ratio increased by 1.1 points from the previous year results of 59.8% to 60.9%

Consolidated Cash Flow Statement



	FY2/15 2Q	FY2/16 2Q	Change
Cash flows from operating activities	78	10	▲67
Cash flows from investing activities	▲39	▲22	17
Cash flows from financing activities	▲12	▲13	▲0
Cash and cash equivalents at the end of year	145	128	▲17

Major factors for increase/decrease(100 million yen)

【 Operating cash flows 】 10

Income before income taxes	82
Decrease (increase) in accounts receivable	▲41
Increase (decrease) in accounts payable	25

【 Investing cash flows 】 ▲22

Decrease (increase) in deposit of subsidiaries and affiliates for consumption	▲8
Purchase on intangible fixed assets	▲13

【 Financing cash flows 】 ▲13

Dividend payment	▲13
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【Consolidated Cash Flow Statement】

(1) Operating CF: ¥1.0 billion (-¥6.7 billion YoY)

- Net cash provided by operating activities was ¥1.0 billion, mainly by posting of income before income taxes and minority interests of ¥8.2 billion, increase in accounts receivables of ¥4.1 billion and accounts payables of ¥2.5 billion and payment of income taxes of ¥3.6 billion
- Down ¥6.7 billion YoY because of timing of settlement date for notes, etc.

(2) Investing CF: -¥2.2 billion (+¥1.7 billion YoY)

- Net cash used in investing activities was ¥2.2 billion, mainly for purchase of property, plant and equipment and intangible fixed assets of ¥1.3 billion and payments for and collection of deposit of subsidiaries and affiliates of ¥800 million.
- Up ¥1.7 billion YoY because of decrease in deposits of subsidiaries and affiliates.

(3) Financing CF: -¥1.3 billion (-¥0 billion YoY)

- Net cash used in financing activities was ¥1.3 billion, mainly for payment of dividends

(4) Balance of cash and cash equivalents: ¥12.8 billion (-¥1.7 billion YoY)

- Cash and cash equivalents were decreased by ¥2.6 billion YoY to ¥12.8 billion

FY2/16 Measures for expanding operating income



FY2/16 Full-year operating income plan: ¥17 billion (+¥1.2 billion YoY)

Measures for expanding operating income	Full-year YoY difference (100 million yen)	1H progress (¥100 m)	Initiatives for 1H
① Expand customers outside the AEON Group	10~15	5	• Expand orders from target facility such as hospitals, hotels, universities and office buildings
② Improve profitability of each business	10~15	2	• Improve profitability by standardization of cleaning service • Reduce cost by material logistics reform • Contribution from the activation and restoration work
③ Grow subsidiary business	5	5	• Increase sales of KAJITAKU mail-order • Profit contribution associated with the expansion of orders from overseas new stores
④ Expand orders from AEON Group	5	1	• Receive order from large AEON store
①~④ total gross profit increase	30~40	13	
SG&A (▲increase)	▲20	▲9	• Continue to make substantial investments for growth while properly controlling expenses
Planned increase of operating income	10~20	4	

※Figures for ①②④ are non-consolidated basis.

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【FY2/16 Measures for expanding operating income】

- (1) Operating income increased ¥400 million in 1H, almost in line with the full-year plan for FY2/16 of ¥17 billion (+¥1.2 billion YoY)
- (2) Expect to secure operating income of over +800 million YoY in 2H

Business Forecast for FY2/16



(100 million yen)

	Full-year forecast for FY2/16			FY2/15 actual	
	Amount	Pct. to net sales (%)	YoY (%)	Amount (Actual)	Pct. to net sales (%)
Net sales	2,800	100.0	105.0	2,667	100.0
Operating income	170	6.1	107.2	158	5.9
Ordinary income	170	6.1	106.6	159	6.0
Net income	94	3.4	107.7	87	3.3

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【Business Forecast for FY2/16】

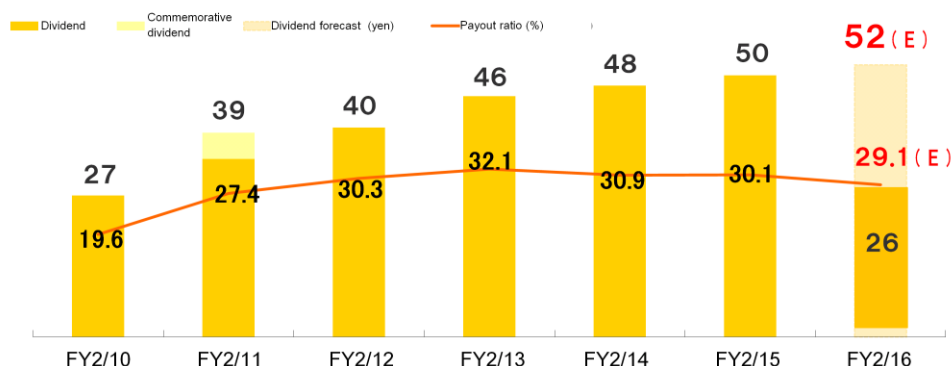
- (1) Business forecasts remained unchanged from the initial forecasts
- (2) Net sales: ¥280 billion, Operating income: ¥17 billion, Ordinary income: ¥17 billion, Net income: ¥9.4 billion
- (3) Maintain 12% of ROE

Shareholder Return



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

Fiscal year	FY2/10	FY2/11	FY2/12	FY2/13	FY2/14	FY2/15	FY2/16
Dividend	¥27.0	¥39.0	¥40.0	¥46.0	¥48.0	¥50.0	¥52.0
Payout ratio	19.6%	27.4%	30.3%	32.1%	30.9%	30.1%	29.1%



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【Shareholder Return】

- (1) Dividends for FY2/16: Plan to pay ¥26 of interim dividend and ¥26 of year-end dividend on the assumption that the company will achieve the business forecasts, totaled ¥52.
- (2) Target over 20% of consolidated dividend payout ratio with aiming to pay dividends stably
- (3) Internal reserves will be proactively used for investment in innovation, IT and development of human resources for sustained growth and improving quality

**§ 1 Financial Report and Full-Year Forecast for the
First Half of the Fiscal Year Ending February 2016**

§ 2 Initiatives for the Priority Management Issues

- ① Establish competitive advantages
- ② Further expand the business in Asia
- ③ Secure human resources and improve quality

① Establish competitive advantages Reforms in cleaning service **AEON delight**

What we aim for

- ① Improve worker shortage and productivity: Use the best combination of people and machines
- ② Environmental responsibility: Develop and advertise environmental-friendly cleaners and equipments
- ③ Scientific cleaning: Use numerical value for verification. "Visualization" of issues

Cleaning robots



- (Left) Large-sized cleaning robot
Plan to use in large commercial facilities
- (Right) Carpet cleaning robot
Plan to use in office buildings

Electrolysis water



- Antiseptic handwash in operating room
- (Right) Disinfection effect by strongly acid water

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【① Establish competitive advantages Reforms in cleaning service】

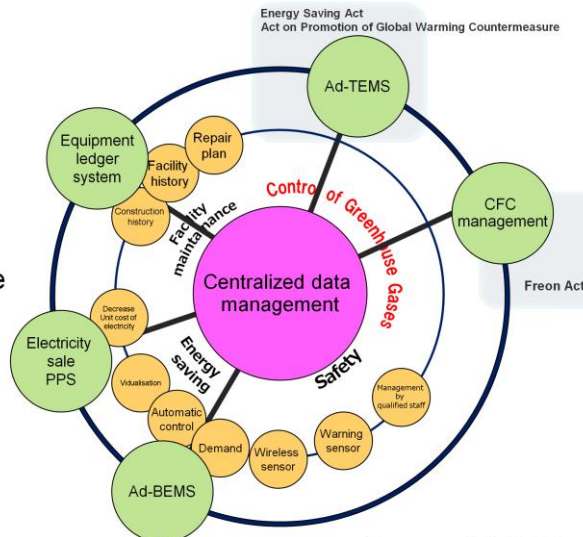
Redefine cleaning services in order to establish a competitive edge

- (1) Improve worker shortage and productivity (New cleaning robot technologies)
 - i. Conduct demonstration tests with a company developing a cleaning robot
 - ii. Aim for improvements by using small cleaning teams and other measures
Increase efficiency by improving cleaning equipment currently used and increasing communications with job sites
- (2) Environmental responsibility
 - i. Start using a water-soluble floor coating with outstanding luster, durability and safety
 - ii. Replace chemical cleansers with cleaning products having a small environmental impact
- (3) Scientific cleaning (numerical confirmations, visualization of improvements)
 - i. Scientifically check change in cleanliness before and after cleaning
 - ii. Use numerical visualization of issues to establish a PDCA cycle for improvements
 - iii. Make continuous improvements in operating efficiency

Use centralized data management to transform individual services into total facility management packages – Building an equipment management platform

Provide comprehensive solution for optimum facility management

- ① Cut costs
- ② Lower the environmental load
- ③ Improve convenience



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【① Establish competitive advantages Build new facility management platform】

(1) Equipment management platform

- i. Use remote control with wireless sensors for efficient constant supervision of equipment
- ii. Use accumulated equipment management data (big data) and Aeon Delight expertise for proposals to optimize energy conservation and all other aspects of operations
- iii. Use centralized data management to expand from supplying individual services to the provision of total facility management packages
- iv. Cut costs, lower the environmental load and improve convenience for customers

(2) Initiatives to improve services

- i. Current services
 - BEMS: Started offering an improved BEMS in September that makes time and location comparisons easy
 - CFC removal: Aiming for growth by using the nationwide network for services to reduce greenhouse gas emissions
- ii. New services
 - Next-generation remote control: Demonstration test started in October at Aeon Makuhari
 - Electricity sale PPS: Now studying a scheme for this service

② Further expand the business in Asia

Create environmental value in Asia. Consider M&A for enhancing business foundation

“Enhance” business foundation in China and “Establish” it in ASEAN

China

Enhance business foundation for further growth

- ① Enhance corporate governance in China with considering to establish holdings structure
- ② Further expand the business by M&A strategy

ASEAN

Establish basement for business expansion

- ① Strengthen operating system for increasing customers outside the AEON Group (Japanese and foreign companies), in addition to AEON Group customers
- ② Seek next target country

【(3) Further expand the business in Asia】

Create environmental value in Asia. Contribute to solving environmental issues by providing comprehensive FMS.

Consider M&A for enhancing local business foundation.

Completed establishing business foundation in China, but “enhance” it for further growth

Expand the business in ASEAN countries for “establishing” business foundation

(1) China

“Enhance” business foundation

- i. Enhance governance system by establishing holdings structure
- ii. Expand business further by M&A strategy

(2) ASEAN

“Establish” business foundation

- i. Expand orders from outside the AEON Group by strengthening its sales activities, in addition to AEON Group
- ii. Seek new target country

③ Secure human resources and improve quality



Solve management issues substantially to make the growth foundation more firmly

(1) Recruiting activities to support sustained growth

- ① Secure talents for management, global business and professionals in growth field
- ② Secure field staffs to receive orders from new customers

(2) Higher quality to improve customer satisfaction

- ① Improve ability to respond to a crisis by extensive training centered on ISO for managers of all service centers
- ② Visualization of service quality – Create a method for the scientific assessment of results

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【③ Secure human resources and improve quality】

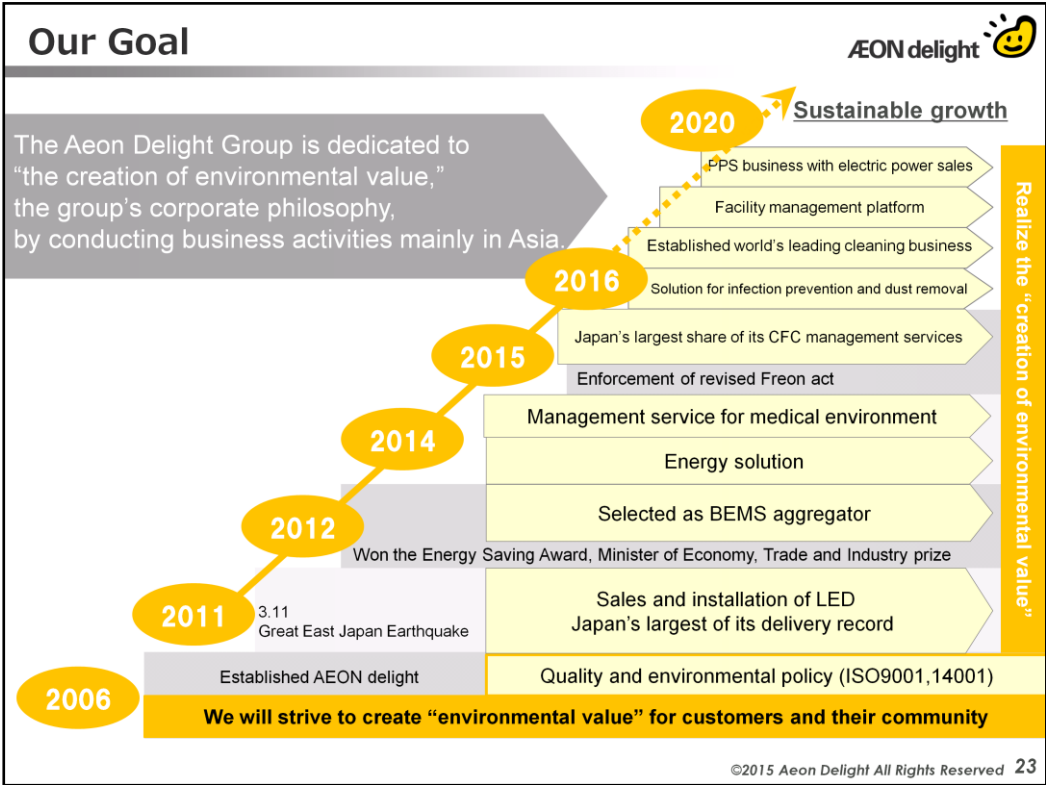
We regard the human resources and its quality as an essential management issues. Make the growth foundation more firmly by strengthening initiatives from a mid-and-long term points of view.

(1) Recruiting activities to support sustained growth

- i. Secure talents for management, global business in Asia and professionals in growth field
- ii. Secure field staffs who can receive orders from new customers
 - Increasing activities to hire people with experience, including older workers


(2) Higher quality to improve customer satisfaction

- i. Extensive training centered on ISO for managers of all service centers
 - Develop supervision skills for improving quality and the ability to respond to a crisis
- i. Visualization of service quality – Create a method for the scientific assessment of results. Establish standards for the entire industry



【Our goal】

The Aeon Delight Group is dedicated to "creation of environmental value," the group's corporate philosophy, by conducting business activities mainly in Asia.

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

- 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

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This presentation has been prepared based on the information available as of the date of the presentation (October 8, 2015).
The business forecasts may be revised due to various factors that may arise in the future.

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