Financial Results for the Nine Months Ended November 30, 2022

AEON DELIGHT CO., LTD.

January 12, 2023

Contents

Consolidated Statement of Income (Cumulative Q3)

Sales increased but profits decreased YoY. The performance lagged behind initial forecasts, but are on a recovery track in Q3 (see next page).

COVID-19 and the Russia/Ukraine crisis had a 860 million yen of negative impact on our operating income.

(100 million yen)

	FY2/22 Q3	(Ratio to sales)	FY2/23 Q3	(Ratio to sales)	Difference	Percentage change	Vs. FY2/20 Q3
Net sales [Former Revenue Recognition Standard]	2,152 [2,407]	(100.0%)	2,268 [2,530]	(100.0%)	115 [123]	105.4% [105.1%]	110.3% [108.8%]
Gross profit	298	(13.9%)	302	(13.4%)	4	101.5%	104.4%
SG&A expenses	179	(8.4%)	194	(8.6%)	14	108.3%	115.2%
Operating income	118	(5.5%)	108	(4.8%)	▲10	91.3%	89.4%
Ordinary income	119	(5.5%)	110	(4.9%)	▲9	92.1%	90.3%
Net income attributable to owners of parent	84	(3.9%)	71	(3.2%)	▲13	84.3%	97.2%

* Figures for change, difference, and comparison with the FY2/20 Q3 are reclassified under the new revenue recognition standard and compared under the same standard for the same period of the previous year and the same period of FY2/20.
Figures in square brackets are comparisons with the same basis under the old revenue recognition standard.

* (Ratio to sales) is calculated based on the new revenue recognition standard.

Consolidated Statement of Income (Q3)

Operating income increased by 123.1% YoY due to an increase in new contracts and an increase in orders for various types of construction projects.

(100 million yen)

	FY2/22 Q3 (Ratio to sales)		FY2/23 Q3 (Ratio to sales)		Difference	Percentage change	Vs. FY2/20 Q3
Net sales [Former Revenue Recognition Standard]	686 [768]	(100.0%)	791 [877]	(100.0%)	104 [108]	115.3% [114.2%]	118.8% [116.7%]
Gross profit	93	(13.6%)	106	(13.5%)	13	114.0%	115.5%
SG&A expenses	59	(8.7%)	64	(8.2%)	5	108.8%	112.7%
Operating income	34	(5.0%)	42	(5.3%)	7	123.1%	120.1%
Ordinary income	34	(5.0%)	43	(5.6%)	9	127.3%	124.5%
Net income attributable to owners of parent	29	(4.3%)	28	(3.6%)	▲1	96.2%	129.2%

* Figures for change, difference, and comparison with the FY2/20 Q3 are reclassified under the new revenue recognition standard and compared under the same standard for the same period of the previous year and the same period of FY2/20.
Figures in square brackets are comparisons with the same basis under the old revenue recognition standard.

* (Ratio to sales) is calculated based on the new revenue recognition standard.

Sales by Segment

Sales increased in all 7 businesses due to expansion of market share among existing customers and development of new customers.

(100 million yen)

	FY2/22 Q3	FY2/23 Q3	Percentage change	Vs. FY2/20 Q3
Facilities Management [Former Revenue Recognition Standard]	464 [464]	490 [487]	105.4% [104.9%]	110.7% [110.1%]
Security services	354	369	104.2%	110.8%
Cleaning services	504	511	101.3%	109.9%
Construction work	336	382	113.4%	119.3%
Materials/supplies sourcing services [Former Revenue Recognition Standard]	301 [427]	309 [442]	102.8% [103.5%]	114.6% [114.8%]
Vending machine services [Former Revenue Recognition Standard]	69 [197]	70 [202]	101.9% [102.4%]	85.4% [85.3%]
Support services	120	135	111.7%	95.0%
Total [Former Revenue Recognition Standard]	2,152 [2,407]	2,268 [2,530]	105.4% [105.1%]	110.3% [108.8%]

Profits increased in 3 businesses and decreased in 4 businesses.

The major factors are as follows.
Security services：Decrease in orders for safety cameras, Cleaning services：Decrease in orders for alcohol-disinfecting cleaning and upfront investments accompanied by development of new customers, Construction work：Decrease in orders for minor repairs, Materials/supplies sourcing services：Increase in purchase cost

(100 million yen)

	FY2/22 Q3	FY2/23 Q3	Percentage change	Vs. FY2/20 Q3
Facilities management	40.3	42.6	105.7%	105.7%
Security services	25.9	23.0	88.9%	104.5%
Cleaning services	61.7	50.3	81.6%	95.2%
Construction work	28.6	27.1	94.9%	95.4%
Materials/supplies sourcing services	19.3	14.5	75.3%	74.8%
Vending machine services	4.1	7.9	191.0%	83.4%
Support services	3.3	4.1	126.9%	95.0%
Total	183.4	169.9	92.6%	95.9%

Consolidated Balance Sheet

(100 million yen)

Assets	2022/2	2022/11	Difference
Current assets	1,210	1,281	71
Tangible fixed assets	70	71	0
Intangible fixed assets	56	64	7
Investments, etc.	91	84	▲6
Fixed assets	218	220	1
Total assets	1,428	1,501	73

Liabilities and net assets	2022/2	2022/11	Difference
Current liabilities	438	483	44
Fixed liabilities	35	32	▲2
Total liabilities	474	516	42
Shareholder's equity	929	941	11
Total net assets	954	985	30
Total liabilities and net assets	1,428	1,501	73

Major Initiatives in FY2/23 Q3 ① Customer-oriented management

Expanded market share by strengthening the sales structure and proposing energy management and other solutions based on customer issues

Initiatives	Details
Enhance sales structure	・Strengthened account sales with the aim of expanding market share within customers ・Strengthened regional sales by branches and offices
Responded to rising energy costs	・Promoted energy saving at facilities through the use of LED lighting, updating of air conditioning equipment, and sales of CFC-free cases ・Planned more advanced energy management for each facility and introduced power visualization tools to 38 facilities

Major Initiatives in FY2/23 Q3 ② Promotion of DX

Accelerated the development of "area management", a new facility management model, to build a sustainable business model

●Customer support centers with remote monitoring functions are set up under the control of 8 branch offices nationwide.

Reorganized area branch system under all 8 domestic branch offices as the reorganization plan in April 2022.
Designed areas based on customer needs and facility/regional characteristics, and developed a nationwide "area management" system.

At the same time, we have made progress in automating inspection operations through the introduction of cameras and sensors and consolidating operations at customer support centers, resulting in the following results.

Labor-saving at 91 new facilities
(269 facilities in total)
Aim to redeploy 41 specialized personnel
(156 in total)
to capture new opportunities to gain revenues

Major Initiatives in FY2/23 Q3 ③ Group Management-1 (Domestic Group Companies)

Sales increased but profits decreased for all domestic group companies.

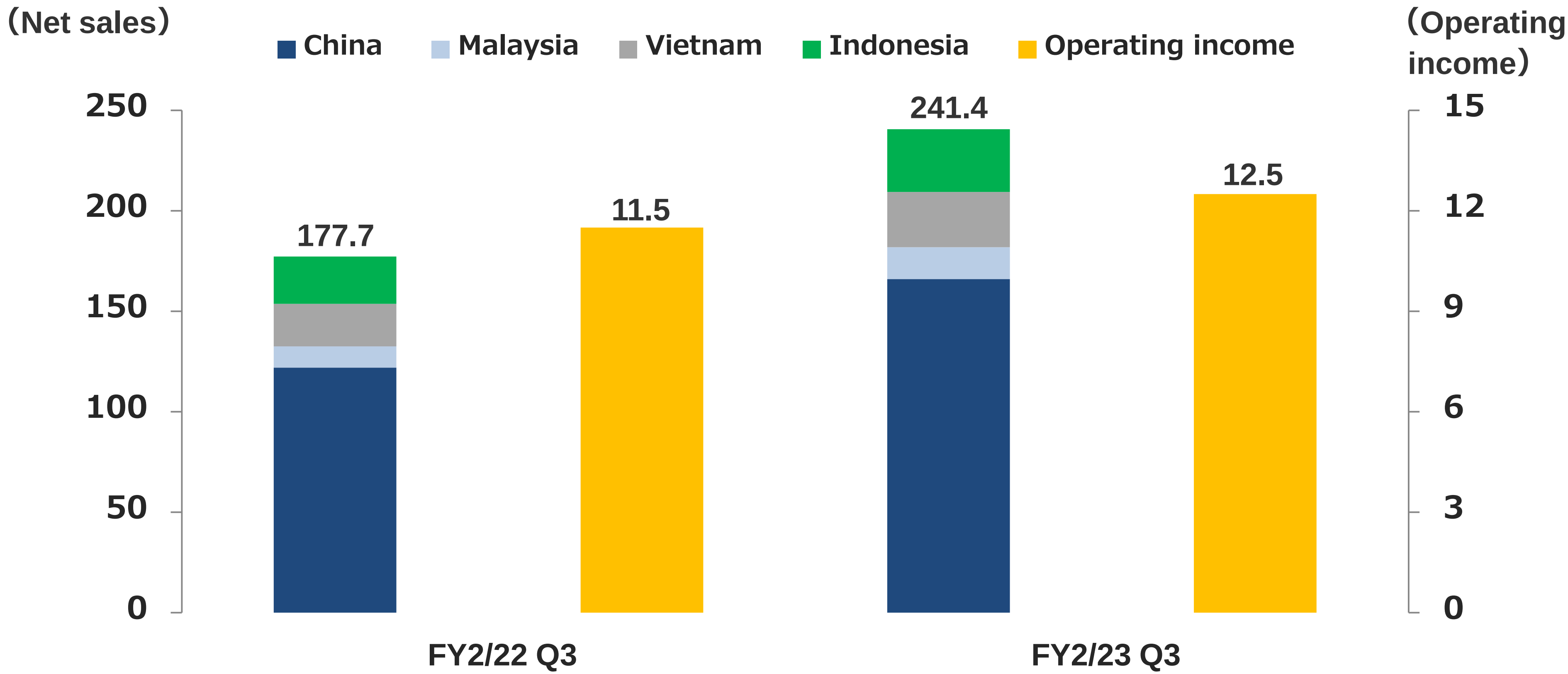
Struggle to respond to rising costs despite sales growth in a harsh environment

Company name	Outline
AEON COMPASS	・Profits significantly recovered by steadily responding to demand for recovering business trip and physical events, which are on the rise.
AEON DELIGHT CONNECT **Hakuseisha** **Kankyo Seibi**	・Building maintenance subsidiaries continued to face a challenging business environment due to the cancellation and postponement of customers' capital investment plans in line with changes in the business environment, a shortage/delayed procurement of materials and equipment associated with COVID-19 and the situation in Ukraine, etc., while some sales increased, but they struggled to cope with rising costs.

Sales and profits increased in both China and ASEAN businesses
China: Promoted expansion of share within customers and acquisition of new customers through M&A
ASEAN: Sales increased significantly in all countries where we operate as the economies of each country began to recover.

Net sales in overseas business were 135.9% YoY, operating income was 108.6% YoY*

Changes in net sales/operating income in overseas business (100 million yen)



*Figures are simple sum of operating companies.

Becoming a group of experts in facility management with partner companies.
We held the Fourth AEON Delight Skill Contest.

[Photos of contests]

From left: The facilities management contest, The cleaning services contest, The security services contest

These events allowed AEON Delight companies as well as partner companies (cleaning, security) in Japan and other countries to share their skills and their successful activities.

Skills x Human capabilities = Specialists

Major Initiatives in FY2/23 Q3 ⑤ Acquisition of Treasury Stock and Employee Stock Grants

In addition to acquisition of treasury stock, we have decided to grant stock to employees, who are important stakeholders.

■ **Acquisition of up to 1.5 million shares from October 5, 2022 to October 4, 2023 (Acquired 349,300 shares as of December 31, 2022)**

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■ **To commemorate the 50th anniversary of our founding, we have decided to grant stock to employees through the Employee Stockholding Association**
- Grant of 30 shares of our stock to members of Employee Stockholding Association (as of the end of February 2023)

To increase awareness of participation in management, commitment to future performance, and loyalty

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Initiatives for Q4

In addition to reducing SG&A expenses by 10% compared to forecasts, aim to accumulate operating income by executing various measures

Items	Major Initiatives
Increase net sales	・Further reinforce energy-saving proposals, including use of LED lighting, replacement of air conditioners, and sales of CFC-free cases ・Strengthen proposals for small-scale repairs to maintain the "safety and security" and "aesthetics" of facilities
Improve profitability	・Facilities management business: Promote the reduction of facilities management staff stationed in conjunction with the expansion of area-management ・Security services business: Promote labor savings by systemizing entry and closure management and store closure operations ・Materials/supplies sourcing services business: In addition to streamlining logistics costs, continue to strive to reflect rising costs in appropriate selling prices

Business Forecasts for FY2/23

(100 million yen)		FY2/22 Result (Ratio to sales)		FY2/23 Forecast (Ratio to sales)		Percentage change
Net sales	New revenue recognition standard	2,839	(100.0%)	3,100	(100.0%)	109.2%
	Former revenue recognition standard	3,176	(100.0%)	3,470	(100.0%)	109.3%
Operating income		157	(5.0%)	170	(5.5%)	108.3%
Ordinary income		157	(4.9%)	170	(5.5%)	109.0%
Net income attributable to owners of parent		106	(3.4%)	107	(3.4%)	100.0%

* Figures (Ratio to sales) for FY2/22 are based on the former revenue recognition standard, and figures for FY2/23 are based on the new revenue recognition standard.

- Estimated impact of COVID-19 on operating income in FY2/23: -800 million yen (-1.2 billion yen in FY2/22) (excluding the impact of the Ukraine crisis)

Progress in KPIs (Key Performance Indicators) of the Medium-Term Management Plan

Basic Policy	KPI (End-FY2/24)	Progress in FY2/23 Q3	End-FY2/22
Customer-oriented management	Ratio of sales inside/outside the AEON Group 60%:40% (total amount)	**64.0% : 36.0%**	64.4% : 35.6%
Promotion of DX	Operating income margin of 6.0%, sustaining the standard of ROE 12% (full-year) through increasing operating income	Operating income margin: 4.8% ROE –%※	Operating income margin: 5.0% ROE: 11.7%
	Number of facilities introducing area management: 360 (total)	**269 facilities**	178 facilities
	Reduction in number of on-site staff through area management: 180 (total)	**156 staffs**	115 staffs
	Allocation of 20% of staffs in the headquarters to front office by consolidating head office functions	–※	Began to improve business processes in the head office division
Group management	Net sales of 65.0 billion yen consolidated with group companies in Japan	–※	52.1 billion yen
	Net sales ratio of overseas businesses over 8%	**10.6%**	7.8%
	Shift to shared services for domestic group finance and accounting departments (full-year)	–※	Started providing support from our finance and accounting department for all domestic group companies.

Items in blue indicate improvements.

*Some indicators were updated on a full-year basis.

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
- ◇ Figures are rounded down to the nearest 100 million yen.
  *Figures on page 6, 11 are rounded down to the nearest 10 million yen.
- ◇ Percentages have been rounded off to one decimal place

AEON DELIGHT CO., LTD.
(Securities Code: 9787)

IR Contact : President's Office, PR•IR Group
TEL 03-6895-3892

Please contact us on our website.
https://www.aeondelight.co.jp/english/

Based on information available up to the date of publication (January 12, 2023)
These forecasts have been prepared and are subject to change due to various factors going forward.