

Financial Results for the Nine Months Ended November 30, 2020

AEON DELIGHT CO., LTD.

January 13, 2021

1 Impact of COVID-19 and Current Trends


2 Financial Report for 3Q of FY2/21

3 Initiatives for 4Q Onwards

The negative impact of COVID-19 on operating income for the nine months period is within the initial projection.



Assuming that the impact of partial closures and temporary closures of our customers' facilities will continue through the first half of the year, we estimate the **-1.5 billion** yen impact on full-year operating income



The impact of COVID-19 on operating income for nine months period was about **-1.3 billion yen.**

Issues

Sales growth

Measures

● New Standard for Facility Management

- Ideas for improving ventilation
- A new standard for cleaning (prevention of COVID-19)
- More sales of epidemic prevention materials

● Facilities Management Business

- Expansion of the use of open network systems
- Increase sales of freezer showcases that do not use Freon

● Security Business

- Ideas for the replacement of security cameras

● Construction Work Business

- Activities concerning construction projects not yet started
- Construction projects for environmental measures such as installing electric vehicle charging stations

Issues

Improving profitability

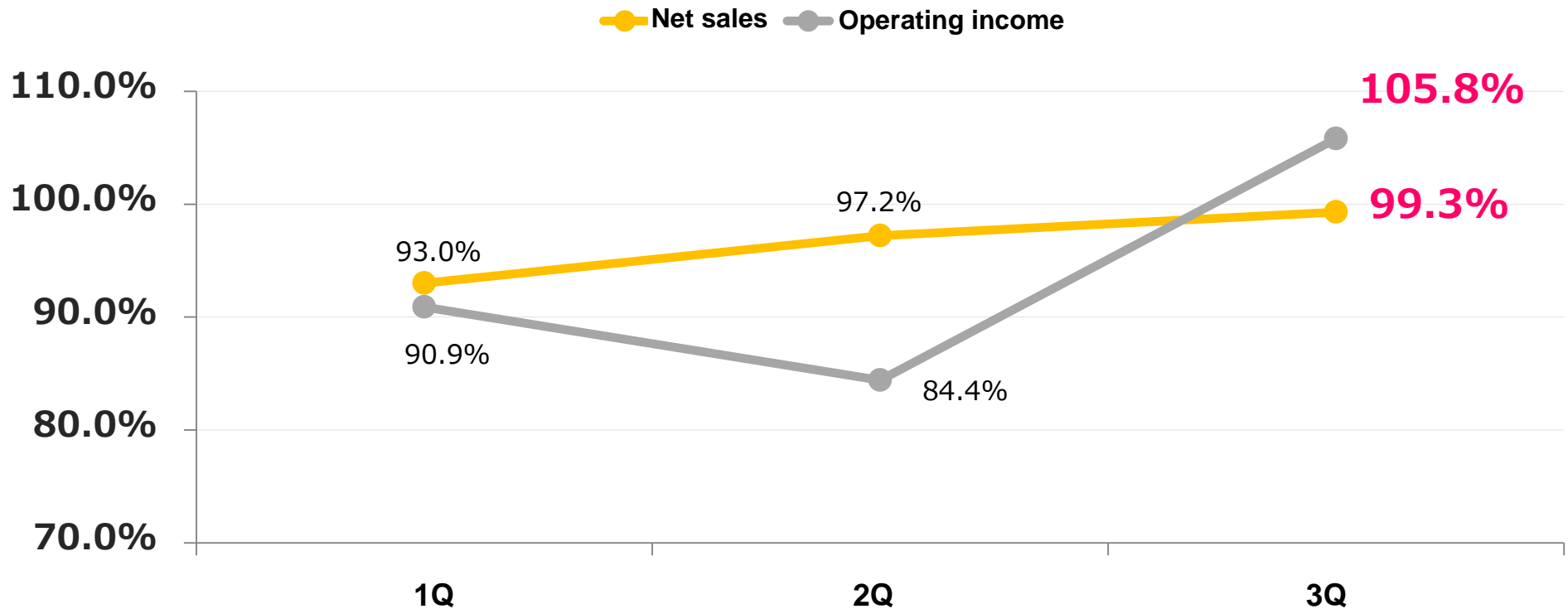
Measures

- **Improve profitability of the three building maintenance businesses (Facilities management, security, cleaning)**
 - Cut the cost of sales by using fewer suppliers and purchasing items at suitable prices
 - Shift to area management based on patrol-type management (for Facilities management)
 - Improve performance of contracts with low profitability (for Facilities management, Cleaning services)
- **Hold down SG&A expenses**
 - Use teleworking, remote meetings and other new formats for work to lower transportation and other expenses

Current Trends – Quarterly Trends

Quarterly sales recovered to the same level as the previous year and operating income increased through reexamining and strengthening of measures

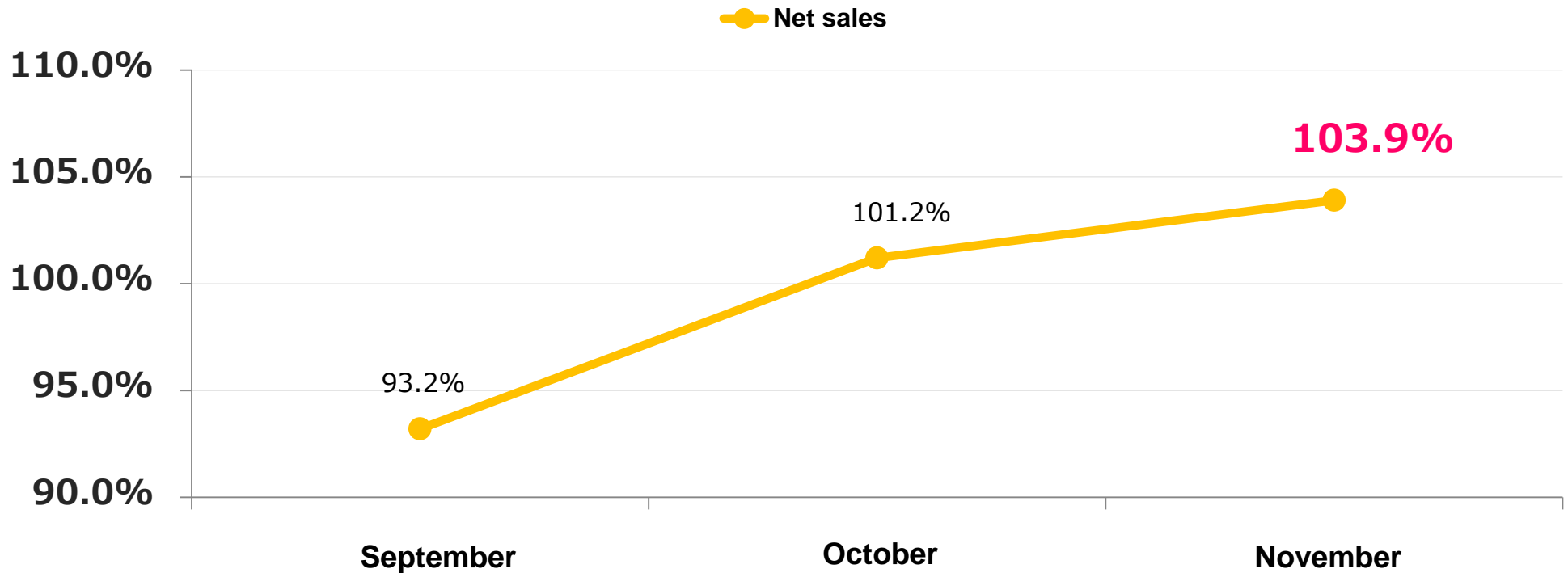
【YoY Changes】



Current Trends – Consolidated Monthly Trends in 3Q

Monthly trends also show a recovery toward 4Q.

【YoY Changes】



* Monthly sales and YoY changes are calculated based on management accounting figures.

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Consolidated Statement of Income

Decline in sales and profits due to partial closures or temporary closures of customers' facilities, and requests to refrain from events and going out by the Japanese government to prevent the spread of COVID-19.

(100 million yen)

| | FY2/20 3Q (Ratio to sales) | | FY2/21 3Q (Ratio to sales) | | Difference | Percentage change |
|--|-------------------------------|----------|-------------------------------|----------|------------|----------------------|
| Net sales | 2,326 | (100.0%) | 2,243 | (100.0%) | ▲82 | 96.5% |
| Gross profit | 290 | (12.5%) | 275 | (12.3%) | ▲14 | 95.0% |
| SG&A expenses | 169 | (7.3%) | 163 | (7.3%) | ▲5 | 96.7% |
| Operating income | 121 | (5.2%) | 112 | (5.0%) | ▲8 | 92.6% |
| Ordinary income | 121 | (5.2%) | 112 | (5.0%) | ▲9 | 92.3% |
| Net income attributable to owners of parent | 73 | (3.2%) | 63 | (2.8%) | ▲10 | 85.8% |

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

[Reference]

(100 million yen)

| | FY2/20 3Q (Ratio to sales) | FY2/21 3Q (Ratio to sales) | Difference | Percentage change |
|------------------|-------------------------------|-------------------------------|------------|----------------------|
| Net sales | 2,289 (100.0%) | 2,218 (100.0%) | ▲70 | 96.9% |
| Gross profit | 293 (12.8%) | 278 (12.5%) | ▲15 | 94.7% |
| SG&A expenses | 163 (7.1%) | 158 (7.1%) | ▲4 | 97.1% |
| Operating income | 130 (5.7%) | 119 (5.4%) | ▲10 | 91.8% |

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

Sales by Segment

Material-related sales grew thanks to increased orders for epidemic prevention materials.

(100 million yen)

FY2/20 3Q

FY2/21 3Q

Percentage change

Facilities management

442

438

99.0%

Security services

333

329

99.0%

Cleaning services

465

460

99.0%

Construction work

320

310

96.9%

Materials/supplies
sourcing services

385

396

102.8%

Vending machine
services

237

190

80.2%

Support services

142

117

82.9%

(Reference)
Excluding KAJITAKU

105

92

88.1%

Total

2,326

2,243

96.5%

(Reference)
Excluding KAJITAKU

2,289

2,218

96.9%

Profit by Segment

In security services, we improved profitability by optimizing unit prices and systemizing entrance and exit management and closing operations.

In construction work, improve profitability by implementing cost-cutting measures.

(100 million yen)

| | FY2/20 3Q | FY2/21 3Q | Percentage change |
|--------------------------------------|-----------|-----------|-------------------|
| Facilities management | 40.3 | 39.1 | 97.0% |
| Security services | 22.0 | 23.8 | 108.1% |
| Cleaning services | 52.9 | 53.4 | 100.9% |
| Construction work | 28.4 | 28.7 | 101.3% |
| Materials/supplies sourcing services | 19.4 | 18.5 | 95.1% |
| Vending machine services | 9.4 | 5.6 | 59.4% |
| Support services | 4.4 | ▲1.7 | - |
| (Reference) Excluding KAJITAKU | 13.8 | 5.8 | 42.3% |
| Total | 177.1 | 167.6 | 94.6% |
| (Reference) Excluding KAJITAKU | 186.5 | 175.2 | 93.9% |

Consolidated Balance Sheet

(100 million yen)

| Assets | FY2/20 | FY2/21 3Q | Difference |
|-------------------------|--------|--------------|------------|
| Current assets | 1,123 | 1,055 | ▲67 |
| Tangible fixed assets | 96 | 98 | 2 |
| Intangible fixed assets | 71 | 67 | ▲4 |
| Investments, etc. | 76 | 76 | ▲0 |
| Fixed assets | 245 | 243 | ▲1 |
| Total assets | 1,369 | 1,299 | ▲69 |

| Liabilities and net assets | FY2/20 | FY2/21 3Q | Difference |
|----------------------------------|--------|--------------|------------|
| Current liabilities | 488 | 431 | ▲57 |
| Fixed liabilities | 67 | 44 | ▲23 |
| Total liabilities | 556 | 475 | ▲80 |
| Shareholder's equity | 789 | 812 | 23 |
| Total net assets | 812 | 823 | 10 |
| Total liabilities and net assets | 1,369 | 1,299 | ▲69 |

<Safety and Security>

We were working to create facilities adapting to post-COVID-19 era with FM New Standard, while people's standards for safety and security change



Toward a New Facility Management Standard in the post-COVID-19 era, we released its [COVID-19 response video](#)

4 themes for FM New standards

- ① Establish scientifically based cleaning methods for sanitary environment (New Standard Cleaning)
- ② Efficient ventilation while maintaining comfort
- ③ Development and introduction of contactless services
- ④ Raise awareness and knowledge of epidemic prevention among store employees

<Safety and Security>

More than 1,000 experts trained in infection control cleaning



New Standard Cleaning service began in September. The work is carried out by the “Sanitation and Cleaning Specialists” that has completed its own educational program

- We formulated an original training program based on the latest research trends in infection control to promote New Standard Cleaning (Basic/Standard/Advanced courses)

- **1,100** staffs have completed the standard course with the expertise in infection control cleaning (as of November 30, 2020)

Major Initiatives in FY2/21 3Q ① Response to COVID-19 Infections

<Safety and Security>

Anti-bacterial and virus film placed on 24,000 vending machines to prevent infections due to physical contact



* SIAA: The Society of International sustaining growth for Antimicrobial Articles (SIAA) certifies products that meet requirements for antimicrobial properties, safety and suitability.

Major Initiatives in FY2/21 3Q ① Response to COVID-19 Infections

<Safety and Security>

Provide many methods for the prevention of contact infections in game arcades, movie theaters, financial institutions and other locations

[Anti-bacterial/virus coatings for game/amusement equipment]



Spray/application of safety coatings on individual medal game machines



Application of seals that certify completion of safety coating procedures

Photo shows a Molly Fantasy indoor theme park operated by AEON Fantasy Co.,Ltd

Major Initiatives in FY2/21 3Q ② Technology Contests

<Safety and Security>

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

[Photos of contests]



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 3Q ③ Speed Up Business Model Reforms

<Labor shortage>

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 the development of services that originate with customers' needs.

Decided to start automated services at the model store in November

Plan to expand the use of automated services to all areas of Hokkaido

Plan to use the test results to propose the use of automated services to major customers in other regions of Japan

Major Initiatives in FY2/21 3Q ④ Launch of Electricity Supply Service

<Environment>

Started selling safe electricity at low prices to reduce energy costs at facilities

Securing routes to procure electricity at competitive prices

Started proposals for switching electricity to commercial facilities, office buildings, and medical facilities in September.

Started providing electricity supply services at several facilities.

Reduce facility energy costs while improving equipment operation by facility managers.

In the medium-to long-term, we will develop a system that enables proposals for the use of renewable energy, and aim to minimize the environmental impact of facilities and contribute to the realization of a carbon-free society.

Started providing services at a wide variety of facilities

<Example>

Head office of Bank of Iwate
(Facilities management)



The Westin Tokyo (Facilities management)



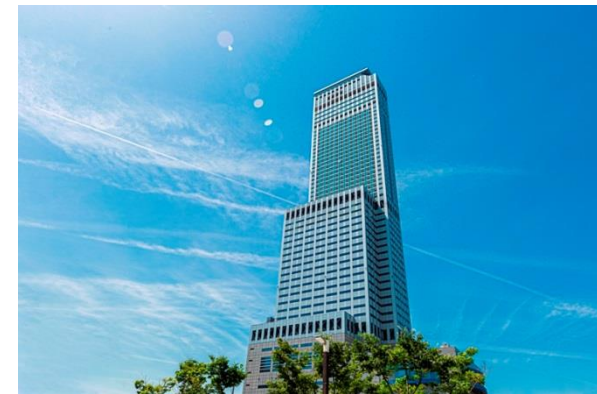
Administrative bldg. of Osaka Port Transport
System (Comprehensive management)



Rakuten Seimei Park Miyagi (Facilities management)



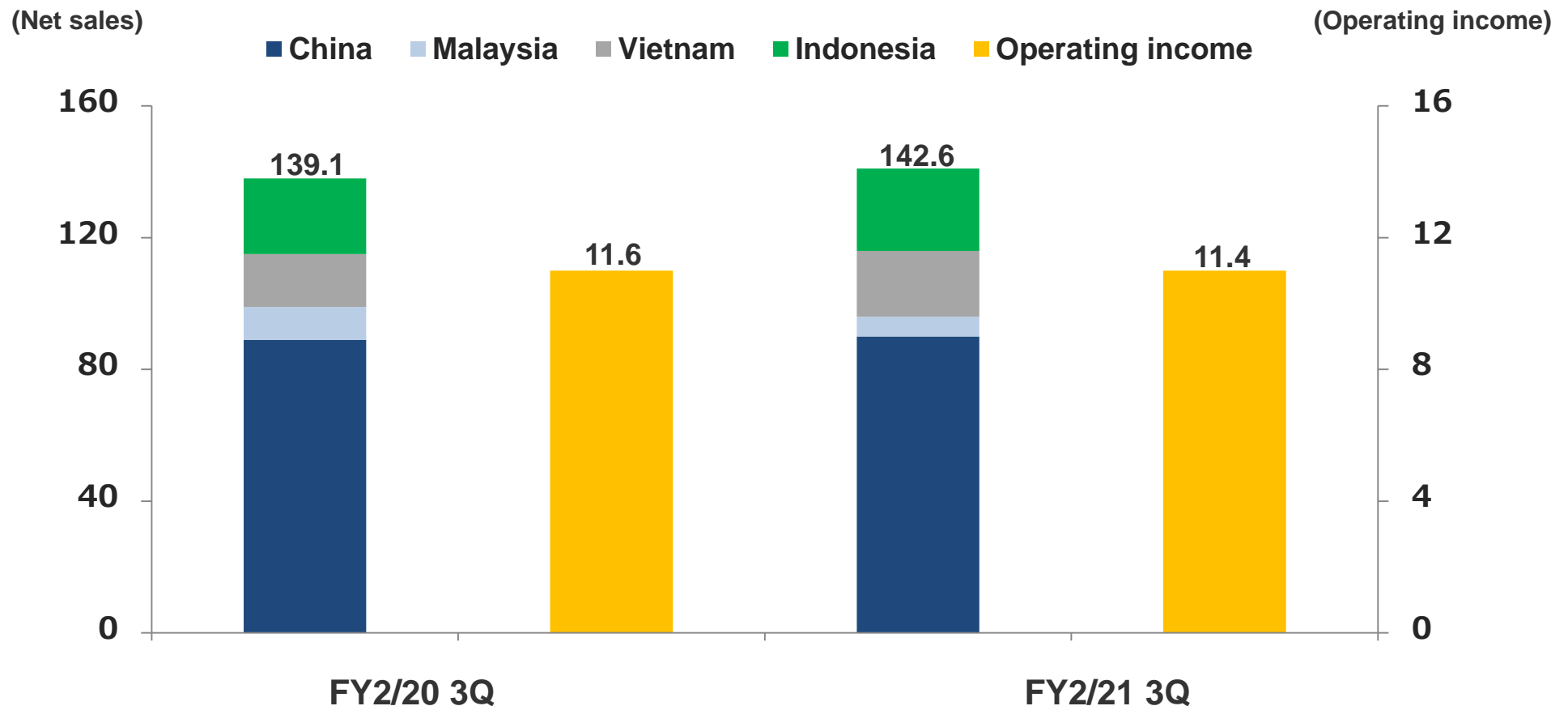
Oriental Suites Airport Osaka Rinku
(Facilities management/Cleaning services)



Major Initiatives in FY2/21 3Q ⑥ Business Expansion in Asia

In overseas business, sales were 102.6% YoY, operating income was 98.1% YoY(*)

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



* Figures are simple totals of results of operating companies.

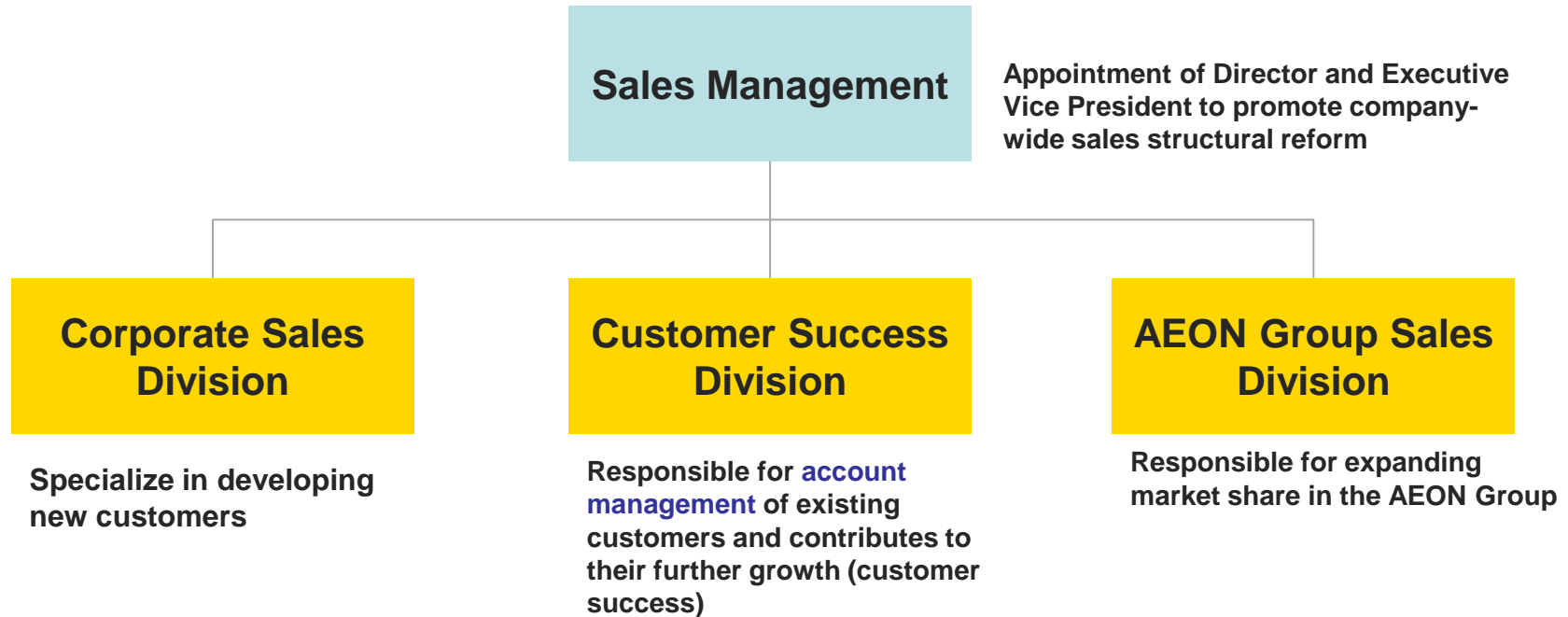
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Aiming to increase market share with a customer-oriented sales structure

<New sales structure (as of Dec. 1)>



Aim to further expand market share by strengthening the structure for new customer development and assigning account managers to existing customers

AEON Delight Group Reorganization Progress

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

■ December 2020

- Approved the absorption by AEON Delight of KJS Corporation (formerly KAJITAKU), which operates a store support business, on February 28, 2021 (tentative).

Withdrawal from the smart phone printing business and the picture palette business by the end of 2020. AEON Delight will operate the copier business until the completion of the last contract for copiers currently in use (2023).

- Approved the absorption by AEON Delight of U-COM Co., Ltd., which operates a design and interior decoration business for stores, on March 1, 2021 (tentative).

This merger will strengthen the construction business by eliminating redundant activities and consolidating resources (personnel engaged in design and other creative tasks).

- Liquidation of General Services Inc. (to be completed in April 2021 or afterward)

The liquidation of this company reflects the growth potential of the operations of General Services, which has many accomplishments as a consulting firm, and the outlook for synergies between these operations with other businesses of the AEON Delight Group. This step will also give AEON Delight expertise concerning consulting sales and services involving large-scale customers.

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

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Based on information available up to the date of publication (January 13, 2021)
These forecasts have been prepared and are subject to change due to various factors going forward.