Financial Results for the Three Months Ended May 31, 2022

AEON DELIGHT CO., LTD.

July 5, 2022

Contents

Sales increased and profits decreased YoY, lagging behind the initial plan.
(Factor analysis is shown on the next page)

(100 million yen)

	FY2/22 1Q	(Ratio to sales)	FY2/23 1Q	(Ratio to sales)	Difference	Percentage change	Vs. FY2/20 Q1
Net sales [Former Revenue Recognition Standard]	711 [796]	(100.0%)	717 [801]	(100.0%)	6 [4]	100.9% [100.6%]	102.4% [100.3%]
Gross profit	97	(13.7%)	97	(13.6%)	▲0	99.8%	101.2%
SG&A expenses	60	(8.5%)	64	(9.0%)	4	107.0%	110.8%
Operating income	37	(5.2%)	32	(4.6%)	▲4	88.0%	86.4%
Ordinary income	37	(5.3%)	33	(4.6%)	▲4	88.0%	86.3%
Net income attributable to owners of parent	25	(3.5%)	22	(3.1%)	▲2	89.6%	108.5%

- Figures for "Difference", "Percentage change" and "Vs. FY2/20" are compared to actual figures for the same period of the previous year and FY2/20 calculated based on the new revenue recognition standard.
  Figures in parentheses are comparisons with figures under the former revenue recognition standard.

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

Factor Analysis of Consolidated Results

	Status in Q1	Current status
Status of net sales and operating income	Sales increased YoY, mainly due to the growing sales from outside the AEON Group, despite the negative impact of external factors. On the other hand, operating income decreased YoY due to aggressive upfront spending on digitalization (DX) and other factors. Net sales and operating income lagged behind the full-year plan.	・Sales from outside the AEON Group increased through expanding market share within existing customers and developing new customer base. ・On the other hand, shortages of various materials and equipment and delays in procuring due to COVID-19 and the Russian-Ukrainian crisis, and other factors affected segment sales. In particular, there were project delays and cancellations in the Construction work business. The shortage of parts and materials has been recovering for some items. ・Actively invest in DX for business model transformation, including area management. ・Strengthen proposal-based sales in response to growing needs for energy conservation and power saving in light of rising fuel and electricity charges. ・Cost of sales rose in the Materials/supplies sourcing services business reflecting global price trends. Steadily reflecting the trends in selling prices.

The impact of COVID-19 and Ukrainian crisis on operating income was 250 million yen

Sales by Segment

Sales increased in 5 businesses thanks to an increase in market share within existing customers and the development of new customers, while sales decreased in 2 businesses.
Construction work: Significant decrease in sales due to the impact of material shortages and procurement delays;
Vending machines services: Decrease in sales due to the impact of changes in consumer sentiment.

(100 million yen)

	FY2/22 1Q	FY2/23 1Q	Percentage change	Vs. FY2/20 Q1
Facilities management [Former Revenue Recognition Standard]	155 [155]	161 [160]	104.0% [103.8%]	108.1% [107.8%]
Security services	116	119	102.5%	107.1%
Cleaning services	165	165	100.0%	107.6%
Construction work	112	102	91.8%	85.6%
Materials/supplies sourcing services [Former Revenue Recognition Standard]	99 [141]	102 [145]	103.0% [102.6%]	111.5% [111.7%]
Vending machine services [Former Revenue Recognition Standard]	22 [65]	21 [63]	99.9% [97.1%]	86.0% [82.3%]
Support services	41	44	108.3%	91.5%
Total [Former Revenue Recognition Standard]	711 [796]	717 [801]	100.9% [100.6%]	102.4% [101.4%]

Profit by Segment

Profits increased in 3 businesses and decreased in 4 businesses.

Security services: Increase in initial investment associated with the start-up of new consigned facilities;
Cleaning services: Decrease in orders for alcohol sanitation and cleaning.
Construction work: Significant decrease in sales; Materials/supplies sourcing services: Rising cost pressure

(100 million yen)

	FY2/22 1Q	FY2/23 1Q	Percentage change	Vs. FY2/20 Q1
Facilities management	12.7	13.7	107.6%	95.7%
Security services	7.9	7.3	92.1%	100.5%
Cleaning services	19.7	16.8	85.2%	97.5%
Construction work	10.6	6.9	65.0%	63.4%
Materials/supplies sourcing services	6.5	6.1	93.7%	86.4%
Vending machine services	1.1	2.0	179.4%	81.1%
Support services	1.1	1.6	136.0%	-
Total	60.0	54.6	91.0%	93.8%

Consolidated Balance Sheet

(100 million yen)

Assets	2022/2	2022/5	Difference
Current assets	1,210	1,194	▲16
Tangible fixed assets	70	69	▲1
Intangible fixed assets	56	62	5
Investments, etc.	91	91	▲0
Fixed assets	218	222	4
Total assets	1,428	1,416	▲11

Liabilities and net assets	2022/2	2022/5	Difference
Current liabilities	438	432	▲6
Fixed liabilities	35	32	▲2
Total liabilities	474	464	▲9
Shareholder's equity	929	920	▲9
Total net assets	954	952	▲2
Total liabilities and net assets	1,428	1,416	▲11

Major Initiatives in FY2/23 Q1 ① Customer-oriented management

Promoted various initiatives set at the beginning of the period to expand market share.

Initiatives	Details
Strengthen customer contacts by reorganizing the area branch system	・Implemented structural reforms in April 2022, reorganized the area branch system under the control of 8 domestic branches to match each regional characteristic. ・Redefined duties at each level from operations to management at branch offices ・Started educational programs for branch managers to foster a mindset and improve skills as a regional manager
Enhance sales structure	・Expanded share within existing customers with enhanced account-based marketing ・Started providing services to various facilities with customer-oriented proposals
Develop consulting business through solution sales	・Started development of consulting business through solution sales in two specialized areas, "healthcare-related market" and "decarbonization support market," by establishing a new dedicated sales department

Major Initiatives in FY2/23 Q1 ② Promotion of DX- 1

Promoted utilization of the Aeon Delight Platform by linking systems, collecting information on customer requests, various facilities, etc.

Increase in customer information by increasing accounts

input

Increase in facility information due to expand in the number of contracts

input

Aeon Delight Platform

A system that collects and analyzes a variety of data, including customer and facility information, and processes it into valuable information.

output

Valuable information that contributes to solving customer issues

Utilize to improve sales activity efficiency and operational quality

Major Initiatives in FY2/23 Q1 ② Promotion of DX- 2

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

● Kanto Regional Office CSC

Labor-saving facility management operations by automating inspection work using OCR (Optical Character Recognition) cameras and sensors, and consolidating some operations into the Customer Support Center (CSC), which has remote monitoring capabilities.
Accelerated the development of area management, which manages multiple facilities in areas, centered on peripatetic activities

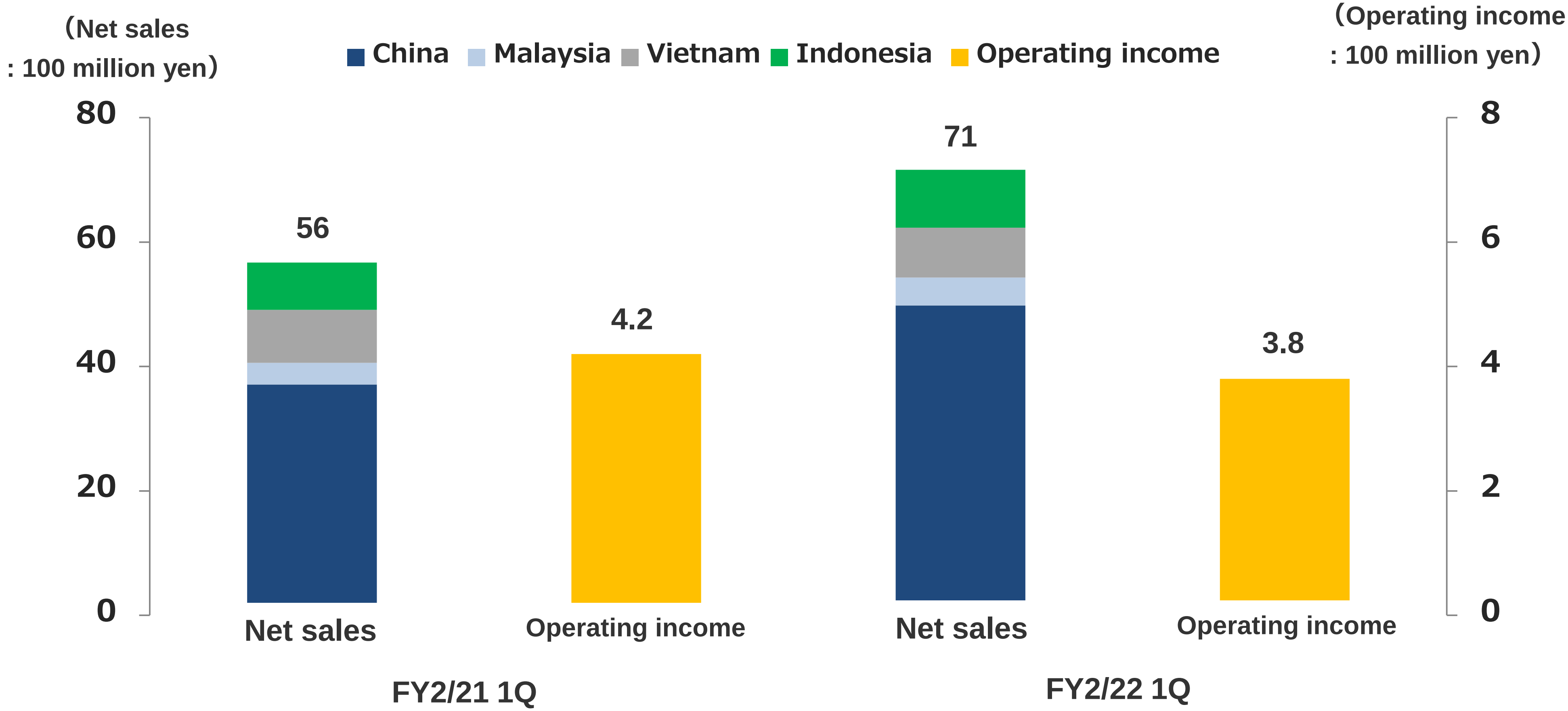
Labor-saving at 53 new facilities
(231 facilities in total)
Aim to redeploy 20 specialized personnel
(135 in total)
to capture new opportunities to gain revenues

AEON COMPASS, a travel-related business, recovered significantly
AEON DELIGHT CONNECT and other building maintenance subsidiaries struggle

<table>
<tr><th>Company name</th><th>Outline</th></tr>
<tr><td>AEON COMPASS</td><td>・Steady response to recovering demand for business travel and physical events, which are on the rise, led to a significant recovery in business performance.</td></tr>
<tr><td>AEON DELIGHT CONNECT</td><td rowspan="3">・The business environment continues to be challenging due to following factors: the postponement of customers' capital investment plans due to changes in the business environment, shortage/delays in procurement of materials and equipment due to COVID-19 and the Russian-Ukrainian crisis, and an increase in initial investment in new consignment projects.</td></tr>
<tr><td>Hakuseisha</td></tr>
<tr><td>Kankyouseibi</td></tr>
</table>

Major Initiatives in FY2/23 Q1③ Group Management-2 (Business Expansion in Asia)

Sales increased in both China and ASEAN businesses (126.3% YoY).
On the other hand, overall operating income in overseas business decreased (90.0% YoY) due to a temporary increase in quarantine response costs following the spread of COVID-19 in Wuhan, China from February to March, and higher labor costs following a change in Indonesian law.
In the ASEAN region, where further growth is expected over the medium to long term, we have begun preparations for establishing an ASEAN head office, just as in China, which is ahead of other countries in strengthening its management base.



* Fiscal year of overseas businesses ends in December. Figures are simple totals of operating companies.

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

Basic Policy	KPI (End-FY2/24)	FY2/23 1Q	End-FY2/22
Customer-oriented management	Ratio of sales inside/outside the AEON Group 60%:40% (total)	**63.7% : 36.3%**	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:4.6% ROE －%	Operating income margin: 5.0% ROE 11.7%
	Number of facilities introducing area management: 360 (total)	**231** facilities	**178** facilities
	Reduction in number of on-site staff through area management: 180 (total)	**135** staffs	**115** staffs
	Allocation of 20% of staffs in the headquarters to front office by consolidating head office functions	—※	Started improvement of business processes in the head office divisions
Group management	Net sales of 65.0 billion yen consolidated with group companies in Japan	—※	52.1 billion yen
	Net sales ratio of Asia businesses over 8% （Former Revenue Recognition Standard）	**9.0%**	**7.8%**
	Shift to shared services for domestic group finance and accounting departments (full-year)	—※	Started support from our financial and accounting department for all domestic group companies

Items in blue indicate improvements.

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

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Initiatives for Q2 Onward to Achieve the Full-year Target

To further improve customer success, we will propose high-demand services that contribute to energy savings and the safety & security of customers.

Initiatives	Details
Proposals for energy savings	・Against the backdrop of rising energy costs at facilities, we are aggressively proposing energy-saving services, such as LED, automatic air-conditioning control, and sales of non-CFC cases for commercial facilities, where electricity demand is high. Contributing to reducing electricity costs and environmental impact in response to customer needs.
Proposals for safety and security	・Propose services that ensure the safety and security of facilities for the measures of natural disasters that occur frequently and intensify, and to prevent incidents and accidents.
Proposals for small-scale repair	・Increase the number of proposals for small-scale repairs, which has been declining, to a level exceeding that of the first half of the previous year. ・Improve the probability of winning orders by focusing on the themes of "energy conservation, safety and security, compliance, and hygiene" that make a high contribution to customers.

Recovering the delay in Q1, together with the expansion of sales from outside the AEON Group and promoting DX since the beginning of the period.

(Reference) Target figures for FY2/23

Aim for recovering through solving issues in FY2/22

(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		156	(4.9%)	170	(5.5%)	109.0%
Net income attributable to owners of parent		106	(3.4%)	107	(3.4%)	100.0%

* “Ratio to sales” is calculated based on the former revenue recognition standard for FY2/22 and the new revenue recognition standard for FY2/23.

* Estimated impact of COVID-19 on operating income in FY2/23

・COVID-19: -800 million yen (FY2/22: -1.2 billion yen)

If you 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, 12 (Operating income) are rounded down to the nearest 10 million yen.
  - ◇ Percentages have been rounded off to one decimal place

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Based on information available up to the date of publication (July 5, 2022)
These forecasts have been prepared and are subject to change due to various factors going forward.