Financial Results for the Six Months Ended August 31, 2022

AEON DELIGHT CO., LTD.

Kazumasa Hamada,
President and CEO, Group CEO

October 4, 2022

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Consolidated Statement of Income

Sales increased but profits decreased YoY, showing a slow growth compared to the initial plan.

COVID-19 and the Ukrainian crisis had a 600 million yen of negative impact on our operating income for the first half.

(100 million yen)

	FY2/22 1H	(Ratio to sales)	FY2/23 1H	(Ratio to sales)	Difference	Percentage change	Vs. FY2/20 1H
Net sales [Former Revenue Recognition Standard]	1,465 [1,639]	(100.0%)	1,476 [1,653]	(100.0%)	10 [14]	100.7% [100.9%]	106.2% [105.0%]
Gross profit	204	(14.0%)	196	(13.3%)	▲8	95.8%	99.2%
SG&A expenses	120	(8.2%)	130	(8.8%)	9	108.1%	116.4%
Operating income	84	(5.8%)	66	(4.5%)	▲18	78.3%	76.8%
Ordinary income	84	(5.8%)	66	(4.5%)	▲18	77.8%	76.3%
Net income attributable to owners of parent	55	(3.8%)	43	(2.9%)	▲12	78.0%	83.7%

* Figures for change, difference, and comparison with the FY2/20 1H 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 5 businesses and decreased in 2 businesses due to expansion of market share among existing customers and development of new customers.
Cleaning services: Decrease in sales due to lower demand for alcohol disinfection cleaning services
Construction work: Sales down sharply due to cancel or postponement of customers' capital investment plans and material shortages and procurement delays

(100 million yen)

	FY2/22 1H	FY2/23 1H	Difference	Vs. FY2/20 1H
Facilities management	310	322 [322]	104.0% [104.2%]	108.9% [109.2%]
Security services	236	241	102.0%	108.8%
Cleaning services	341	337	99.0%	109.2%
Construction work	247	233	94.2%	101.1%
Materials/supplies sourcing services [Former Revenue Recognition Standard]	202 [287]	204 [292]	101.2% [101.6%]	113.0% [112.9%]
Vending machine services [Former Revenue Recognition Standard]	47 [135]	47 [136]	100.3% [100.5%]	88.6% [84.7%]
Support services	80	89	110.7%	92.4%
Total [Former Revenue Recognition Standard]	1,465 [1,639]	1,476 [1,653]	100.7% [100.9%]	106.2% [105.0%]

Profit by Segment

Profits increased in 3 businesses and decreased in 4 businesses.

Security services: Decrease in orders for safety cameras
Cleaning services: Decrease in orders for alcohol disinfection cleaning services
Construction work: Decrease in net sales and orders for small-scale repair construction
Materials/supplies sourcing services: Increase in purchasing cost

(100 million yen)

	FY2/22 1H	FY2/23 1H	Difference	Vs. FY2/20 1H
Facilities management	26.2	28.2	107.7%	101.3%
Security services	17.0	14.4	84.8%	102.2%
Cleaning services	42.7	33.2	77.8%	94.8%
Construction work	22.5	14.0	62.5%	64.6%
Materials/supplies sourcing services	13.6	9.9	73.0%	73.4%
Vending machine services	3.5	5.5	157.3%	78.9%
Support services	2.5	2.7	109.5%	110.0%
Total	128.2	108.3	84.5%	88.8%

Consolidated Balance Sheet

(100 million yen)

Assets	2022/2	2022/8	Difference
Current assets	1,210	1,251	41
Tangible fixed assets	70	69	▲1
Intangible fixed assets	56	64	8
Investments, etc.	91	86	▲4
Fixed assets	218	220	1
Total assets	1,428	1,471	43

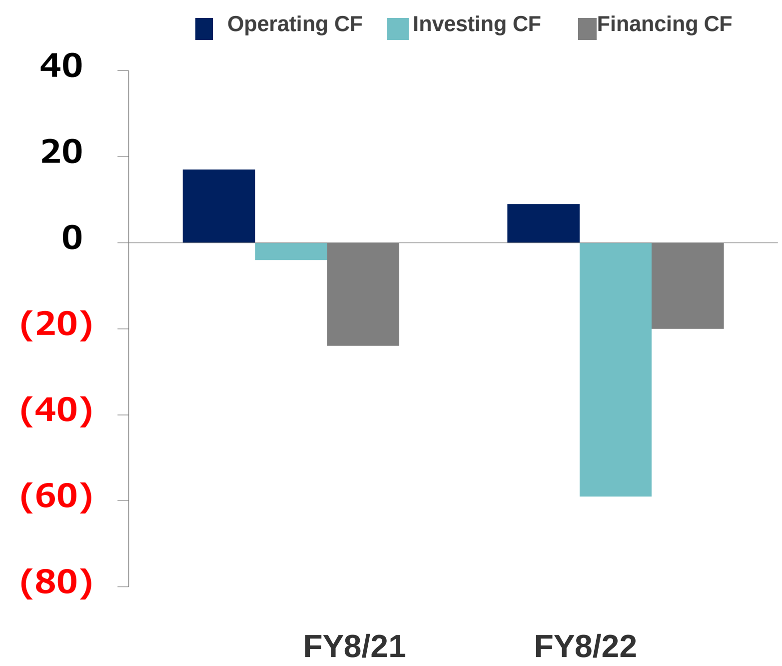
Liabilities and net assets	2022/2	2022/8	Difference
Current liabilities	438	459	20
Fixed liabilities	35	31	▲4
Total liabilities	474	490	15
Shareholder's equity	929	941	11
Total net assets	954	981	27
Total liabilities and net assets	1,428	1,471	43

Consolidated Statement of Cash Flows

(100 million yen)

	2021/8	2022/8	Difference
Cash flows from operating activities	17	9	▲8
Cash flows from investing activities	▲4	▲59	▲55
Cash flows from financing activities	▲24	▲20	4
Cash and cash equivalents at the end of year	583	614	31

(100 million yen)



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.**

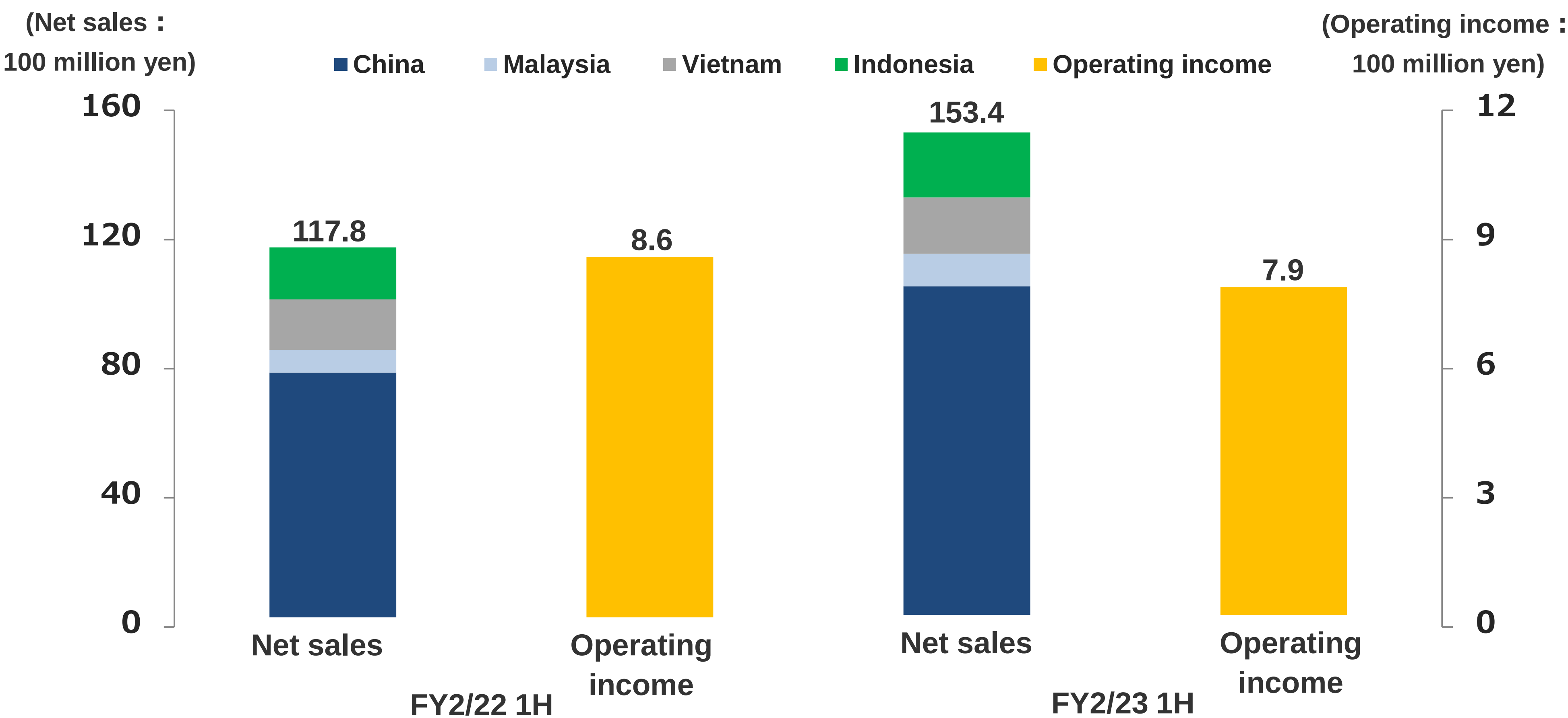
At the same time, we have made progress in automating inspection operations through the introduction of cameras and sensors and consolidating operations at customer support centers, resulting in the following results.

Labor-saving at **70 new facilities**
(248 facilities in total)
Aim to redeploy **26** specialized personnel
(141 in total)
to capture new opportunities to gain revenues

Major Initiatives in FY2/22 1H ② Business Expansion in Asia

Sales increased in both China and ASEAN businesses (130.2% YoY)
On the other hand, operating income in overseas business decreased (92.1% YoY) due to increased costs for strengthening governance in China and higher labor costs following the revision of Indonesian law.

In China, we will change the corporate form of AEON DELIGHT（CHINA） to an investment company in order to accelerate business expansion throughout China（Oct. 2022）
In the ASEAN region, where further growth is expected in the mid- to long-term, we have begun preparations to establish an ASEAN headquarters where we have taken the lead in strengthening our management base.



*Fiscal-year end for the overseas business is December 31. Figures are simple sum of operating companies.

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Factor Analysis of Consolidated Business Results for 1H and Measures for 2H

Results for 1H	Policies and Assumptions for 2H
① Shortage of various materials and equipment due to COVID-19 and Ukrainian situation, delays in procurement, etc. affected sales in each segment.	① Although the procurement of materials and equipment remains, there has been a considerable improvement, and a portion of shortages and delays will be incorporated in the 2H of the fiscal year.
② Impact on the Construction work business due to customers' cancellation and postponement of capital investment plans reflecting to changes in the environment.	② Amid rising energy costs for facilities, strengthen energy-saving proposals that leverage our expertise in LEDs, air conditioning control, and sales of non-fluorocarbon cases to help customers solve their issues. Receive orders for earthquake recovery-related construction in the Tohoku region
③ Decreased profitability of the security services due to a decrease in orders for safety cameras, etc.	③ Improve profitability by continuing initiatives through systemization of store entry and exit management and store closure operations, price negotiations, etc.
④ Decline in sales of the Cleaning services business due to a decrease in demand for alcohol sanitizers	④ Excluding alcohol disinfection, base sales will continue to increase in the first half of the year. In the second half, the year-on-year impact of alcohol sanitation and cleaning decreased significantly. Continuing from the first half, we will secure an increase in sales in the second half by expanding renewal contracts.
⑤ Decline in profitability of the Materials/supplies sourcing services business due to increase in purchasing costs reflecting increases in raw materials, logistics costs, etc.	⑤ In addition to streamlining logistics costs, we will strive to reflect rising costs in appropriate selling prices. Agreements on price revisions with customers are in progress
⑥ Increase in expenses due to increased upfront investments, including for DX.	⑥ Steadily make investments necessary for future growth, while assessing the effects

Business Forecasts for FY2/23

(100 million yen)	FY2/22 Result (Ratio to sales)		FY2/23 Forecast (Ratio to sales)		Difference
Net sales	New revenue recognition standard 2,839	(100.0%)	New revenue recognition standard 3,100	(100.0%)	109.2%
	Former revenue recognition standard 3,176	(100.0%)	Former revenue recognition standard 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 FY2/2022 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)

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

Basic Policy	KPI (End-FY2/24)	Progress in FY2/23 1H	End-FY2/22
Customer-oriented management	Ratio of sales inside/outside the AEON Group 60%:40%	**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: 4.5% ROE: －%※	Operating income margin: 5.0% ROE: 11.7%
	Number of facilities introducing area management: 360	**248 facilities**	**178 facilities**
	Reduction in number of on-site staff through area management: 180	**141 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 Asia businesses over 8%	**10.4%**	**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.

Acquisition of Treasury Shares

Acquire treasury shares to improve capital efficiency and increase shareholder returns

We will acquire up to 1.5 million shares, equivalent to 3.0% of the total number of shares issued (excluding treasury stock)

(Repurchase period: October 5, 2022 to October 4, 2023)

Improve capital efficiency and increase shareholder returns

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 5, 9 (Operating income) 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

Based on information available up to the date of publication (October 4, 2022)
These forecasts have been prepared and are subject to change due to various factors going forward.