Financial Results for the Six Months Ended August 31, 2023

AEON DELIGHT CO., LTD.

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October 10, 2023

Contents

Consolidated Statement of Income

Sales and profits increased owing to the growing market share of existing customers and new customer acquisition.
On the other hand, profits fell below the plan due to inadequate efforts to improve profitability amid rising cost pressures.

(100 million yen)

	FY2/23 H1	(Ratio to sales)	FY2/24 H1	(Ratio to sales)	Difference	Percentage change
Net sales	1,476	(100.0%)	1,615	(100.0%)	138	109.4%
Gross profit	196	(13.3%)	208	(12.9%)	12	106.1%
SG&A expenses	130	(8.8%)	135	(8.4%)	5	104.2%
Operating income	66	(4.5%)	72	(4.5%)	6	110.0%
Ordinary income	66	(4.5%)	74	(4.6%)	7	112.1%
Net income attributable to owners of parent	43	(2.9%)	53	(3.3%)	9	122.8%

Sales by Segment

Sales increased in all seven business segments. Double-digit growth was achieved in the Construction work, driven by increased orders for energy-saving-related works, and in Material/supplies sourcing services, driven by increased orders for materials.

(100 million yen)

	FY2/23 H1	FY2/24 H1	Percentage change
Facilities management	322	345	107.1%
Security services	241	254	105.4%
Cleaning services	337	352	104.2%
Construction work	233	288	123.4%
Materials/supplies sourcing services	204	229	112.4%
Vending machine services	47	49	102.6%
Support services	89	96	107.9%
Total	1,476	1,615	109.4%

Profit by Segment

Profits increased in 5 businesses and decreased in 2 businesses.

Profits declined in Cleaning services and Support services, mainly due to lower profitability from higher labor and subcontracting costs.

(100 million yen)

	FY2/23 H1	FY2/24 H1	Percentage change
Facilities management	28.2	28.6	101.6%
Security services	14.4	15.8	110.0%
Cleaning services	33.2	27.9	83.8%
Construction work	14.0	23.7	169.3%
Materials/supplies sourcing services	9.9	11.9	120.5%
Vending machine services	5.5	6.7	121.6%
Support services	2.7	1.4	51.8%
Total	108.3	116.4	107.5%

Consolidated Balance Sheet

(100 million yen)

Assets	Feb. 2023	Aug. 2023	Difference
Current assets	1,295	1,313	18
Property, plant and equipment	64	68	3
Intangible assets	63	64	0
Investments, etc.	82	81	▲0
Noncurrent assets	210	214	3
Total assets	1,506	1,527	21

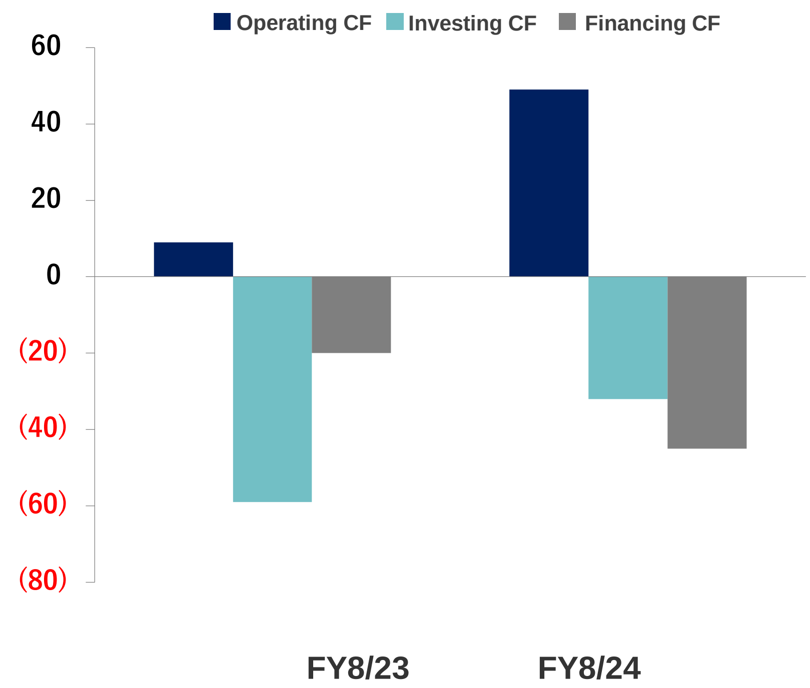
Liabilities and net assets	Feb. 2023	Aug. 2023	Difference
Current liabilities	484	487	3
Noncurrent liabilities	28	30	2
Total liabilities	512	518	6
Shareholder's equity	959	965	6
Total net assets	993	1,009	15
Total liabilities and net assets	1,506	1,527	21

Consolidated Statement of Cash Flows

(100 million yen)

	Aug. 2022	Aug. 2023	Difference
Cash flows from operating activities	9	49	40
Cash flows from investing activities	▲59	▲32	27
Cash flows from financing activities	▲20	▲45	▲25
Cash and cash equivalents at the end of year	614	576	▲37

(100 million yen)



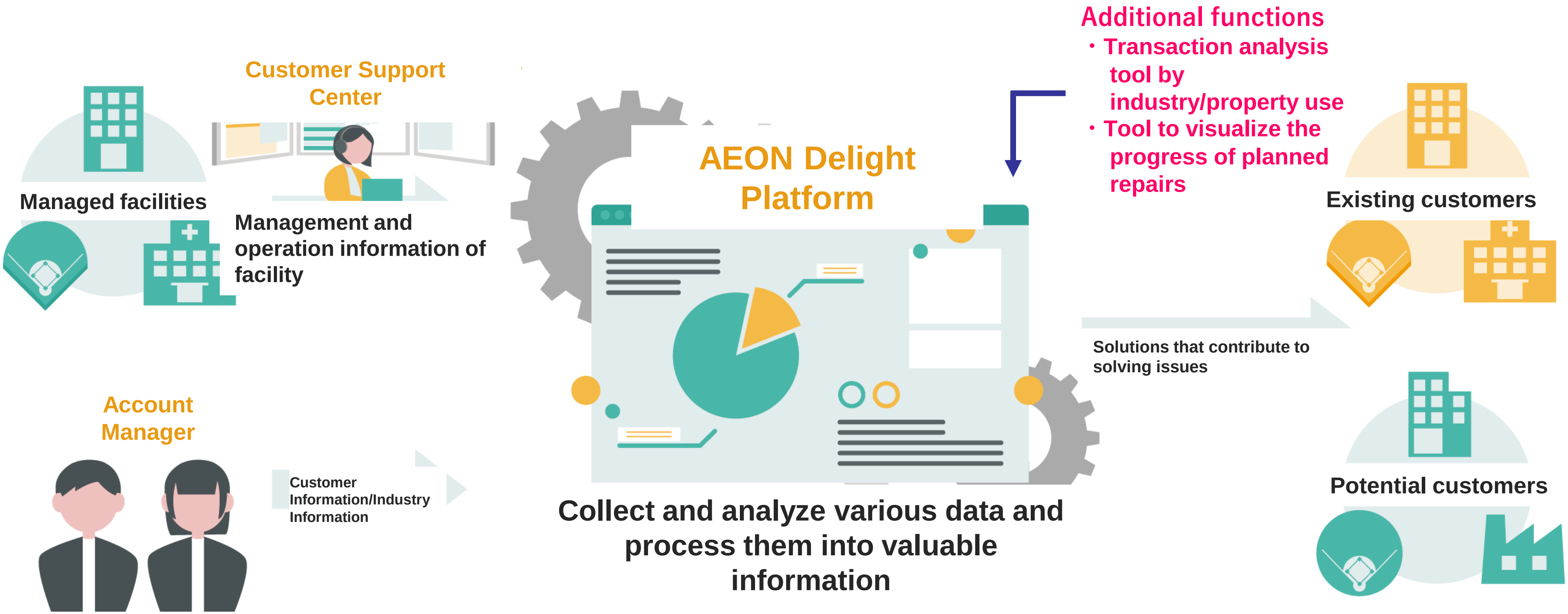
Major Initiatives in FY2/24 Q2 ① Customer-oriented management

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

Initiatives	Results
Further strengthen account sales	・Through strengthening relationships with customers through account management, we increased the market share of existing customers by expanding the services and by contracting with the same customer to provide services to properties at other locations. ・Since our services and expertise are highly evaluated, we received new orders from a wide range of facilities.
Strengthen construction works	・Orders increased for energy-saving-related construction projects, where demand is rising in line with higher energy costs. ・Orders for various types of work increased through aggressive proposals of renovation and repair work for facilities managed.

Updated the Aeon Delight Platform, a data linkage platform, by adding new functions

To streamline sales activities and prevent opportunity losses



Major Initiatives in FY2/24 Q2 ② Promotion of DX- 2

To build a sustainable business model, we developed the Area Management system and promoted the reform of facility management operations.

● DX of facility administration operations through use of cameras (top) and sensors (bottom)

● **Development of "area management“**

Labor-saving at **39 new facilities**
(312 facilities in total)
Reallocated more than **43 specialist personnel**
(cumulative total of 210)

*Area Management
A facility management model in which multiple facilities are managed on an area-by-area basis, mainly through remote control and patrol services.

● **Reform of facility management operations**

Utilization of digital devices enables automation of routine operations (facility inspections, preparation of reports, etc.) and visualization of power consumption
Introduced at **86 new facilities** (257 facilities in total)

Major Initiatives in FY2/24 Q2 ③ Group Management-1

Sales and profits increased for all domestic group companies thanks to the recovery in performance of AEON DELIGHT CONNECT, a core company in the management of small and medium-sized facilities, and AEON COMPASS, a travel-related business.

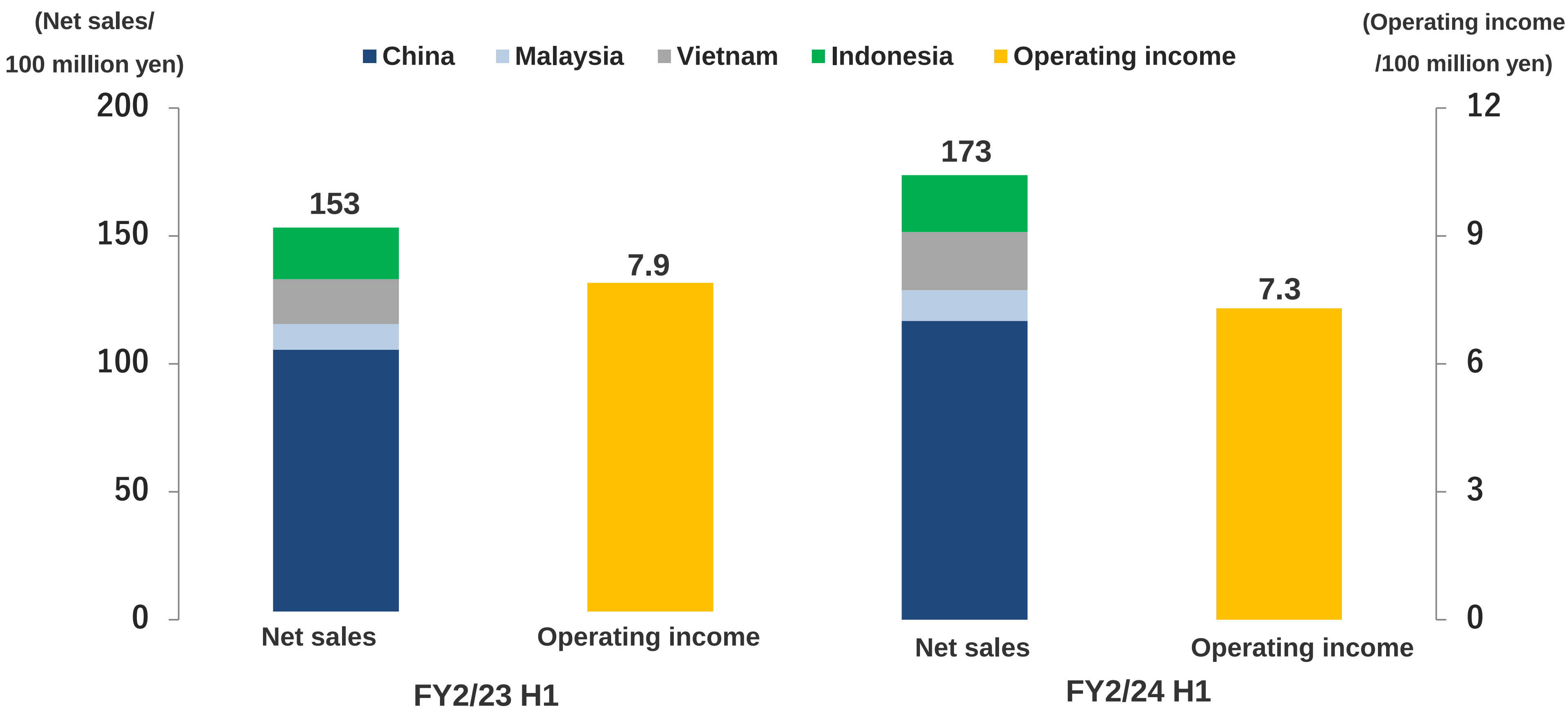
Company name	Outline
AEON DELIGHT CONNECT CO., LTD.	Sales and profits significantly increased due to the expansion of contracts for daily cleaning and maintenance operations and construction works by apparel chains, restaurant chains, and convenience stores.
AEON compass Co., Ltd.	Sales and profits increased thanks to the strong performance of on-site management services and corporate travel business along with the recovery of human flow.
Kankyouseibi Co., Ltd.	Sales increased due to an increase in energy-saving-related construction works, but profits decreased due to higher labor costs.
Hakuseisha CO., LTD.	Profits decreased due to higher labor costs, etc., while sales remained at the same level as the previous fiscal year.
Ask Maintenance Co., Ltd	In April, we made the company, which operates a cleaning business mainly in the Kyushu region, a wholly owned subsidiary. Both sales and profits increased due to growth in new orders, contributing to the Group's performance from the first half of the year.

Major Initiatives in FY2/24 Q2 ③ Group Management-2

In overseas business, sales increased to 113.3% YoY, but operating profit decreased to 92.3% YoY.

China: Sales increased as the business expanded steadily through expanding the market share of existing customers and new customer acquisitions. On the other hand, profit decreased due to the impact of rising personnel costs and other factors.

ASEAN: Higher sales in countries where we operate. On the other hand, profit decreased due to the impact of the rise in labor costs associated with the revision of the Employment Law in Malaysia.



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

Contents

Progress Toward Planned Targets for FY2/24

H1: Operating income fell below the target
H2: Aim to achieve the target through various measures (refer to the next page)

(100 million yen)	FY2/24 H1 Result (Ratio to sales)		FY2/24 Forecast (Ratio to sales)		Difference
Net sales	1,615	(100.0%)	3,100	(100.0%)	52.1%
Operating income	72	(4.5%)	160	(5.2%)	45.4%
Ordinary income	74	(4.6%)	160	(5.2%)	46.3%
Net income attributable to owners of parent	53	(3.3%)	104	(3.3%)	51.2%

Initiatives for H2 Onward to Achieve the Full-year Operating Income Target

Amid rising cost pressures, we will continue to work on measures to improve profitability while strengthening sales activities to secure sales in excess of the plan.

Items	Major initiatives
Increase sales	• Further increase orders for energy conservation-related work, such as LED lighting and replacement of air conditioning and heat source equipment. • Strengthen proposals for small-scale repairs by cites to maintain "safety and security" and "aesthetics" of facilities.
Improve profitability	• Facilities management: In addition to reviewing unit labor costs associated with labor saving in area management and on-site operations, begin cost structure reform by reviewing unit labor costs for operations and bringing some maintenance operations in-house. • Security services: Promote rationalization of unit prices through labor saving and price negotiations through entry and closure management and systemization of store closure operations. • Materials/supplies sourcing services: Promote appropriate reflection of cost increases in various materials in selling prices.

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

Basic Policy	KPI (End-FY2/24)	FY2/24 Q2	End-FY2/22
Customer-oriented management	Ratio of sales inside/outside the AEON Group 60%:40% (total)	62.6% : 37.4%	64.4% : 35.6%
Promotion of DX	Operating income margin of 6.0%*1, sustaining the standard of ROE 12% (full-year) through increasing operating income	Operating income margin: 4.0%*1 ROE: –%*2	Operating income margin: 5.0%*1 ROE 11.7%
	Number of facilities introducing area management: 360 (total)	312 facilities	178 facilities
	Reduction in number of on-site staff through area management: 180 (total)	210 staffs	115 staffs
	Allocation of 20% of staffs in the headquarters to front office by consolidating head office functions	–*2	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	–*2	52.1 billion yen
	Net sales ratio of Asia businesses over 8.0%*1 (Former Revenue Recognition Standard)	9.7%*1	7.8%
	Shift to shared services for domestic group finance and accounting departments (full-year)	–*2	Started support from our financial and accounting department for all domestic group companies

Items in blue indicate improvements.

*1 Calculation based on the former revenue recognition standard

*2 Renewed for the full year

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, 12 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 (October 10, 2023)
These forecasts have been prepared and are subject to change due to various factors going forward.