

# The Financial Results for the Fiscal Year Ended July 31, 2021



## **Summary of the Fiscal Results and Whole Financial Year Forecast**

# FY2021 Financial Results

(Millions of yen)

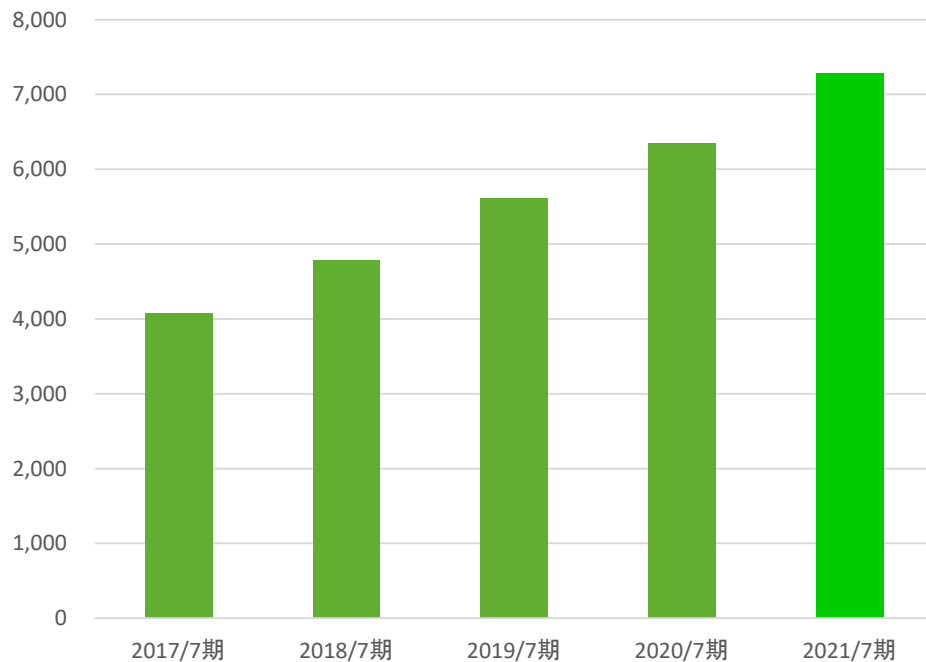
	FY2021				FY2020			FY2021 Forecast (revised in June 2021)
		YoY Changes	Composition Ratio	Compared with Forecast		YoY Changes	Composition Ratio	
Sales	10,050	13.8%	100.0%	101.1%	8,832	13.2%	100.0%	9,940
Gross Profit	2,720	4.2%	27.1%	103.8%	2,610	16.8%	29.6%	2,620
Operating Profit	839	▲10.1%	8.4%	109.1%	934	5.6%	10.6%	770
Ordinary Profit	973	▲10.4%	9.7%	108.1%	1,086	8.4%	12.3%	900
Profit	546	▲19.5%	5.4%	109.2%	678	6.8%	7.7%	500

## Franchise chains

**Sales 7,275 million yen** (YoY +14.6 %)

Sales : stores opened last year contributed to exceeding annual plan  
Stores : 934 (compared to the previous year-end +100)

( Millions of yen )



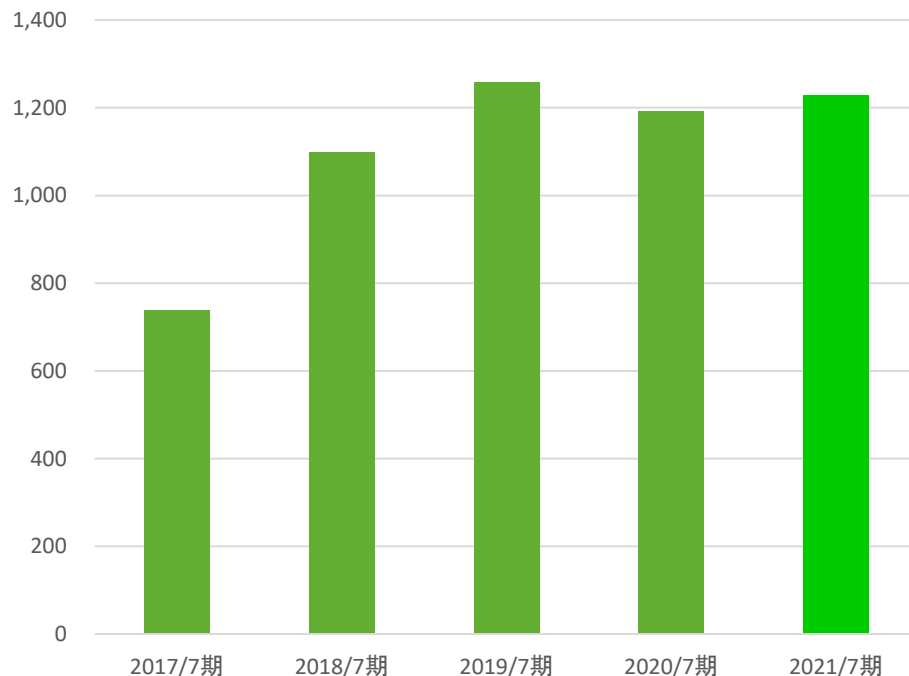
## Facilities for the elderly

**Sales 1,227 million yen** (YoY +3.1 %)

Cilled : the decline is bottoming down. new sales activities have stopped due to low customer satisfaction and low order rate

Frozen : sales activities limited by COVID19 but increasing slowly  
20% of facility sales

( Millions of yen )



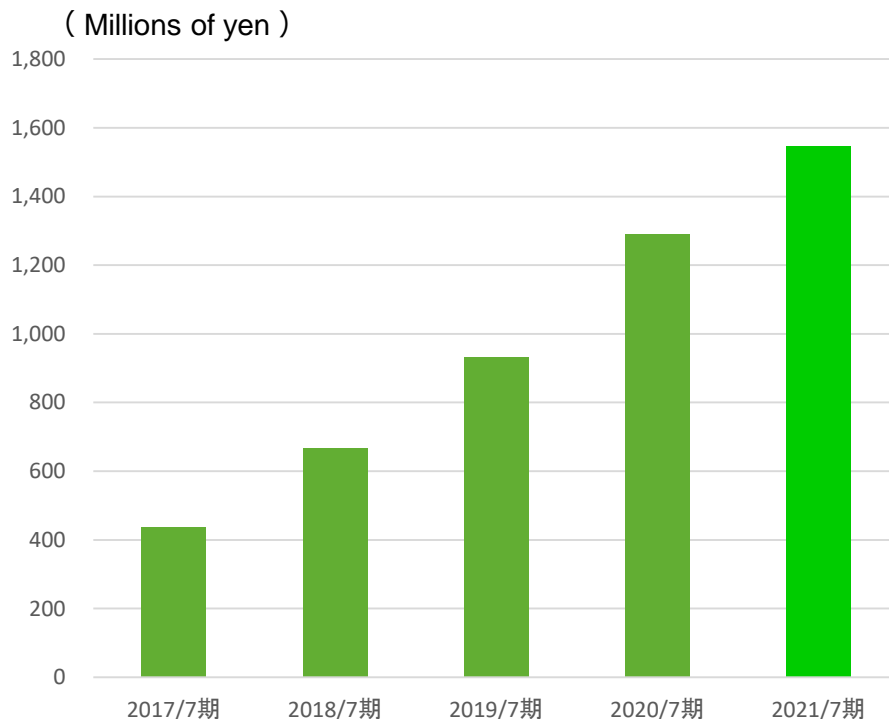


Direct Sales/  
Others

## Sales 1,547 million yen (YoY +19.9%)

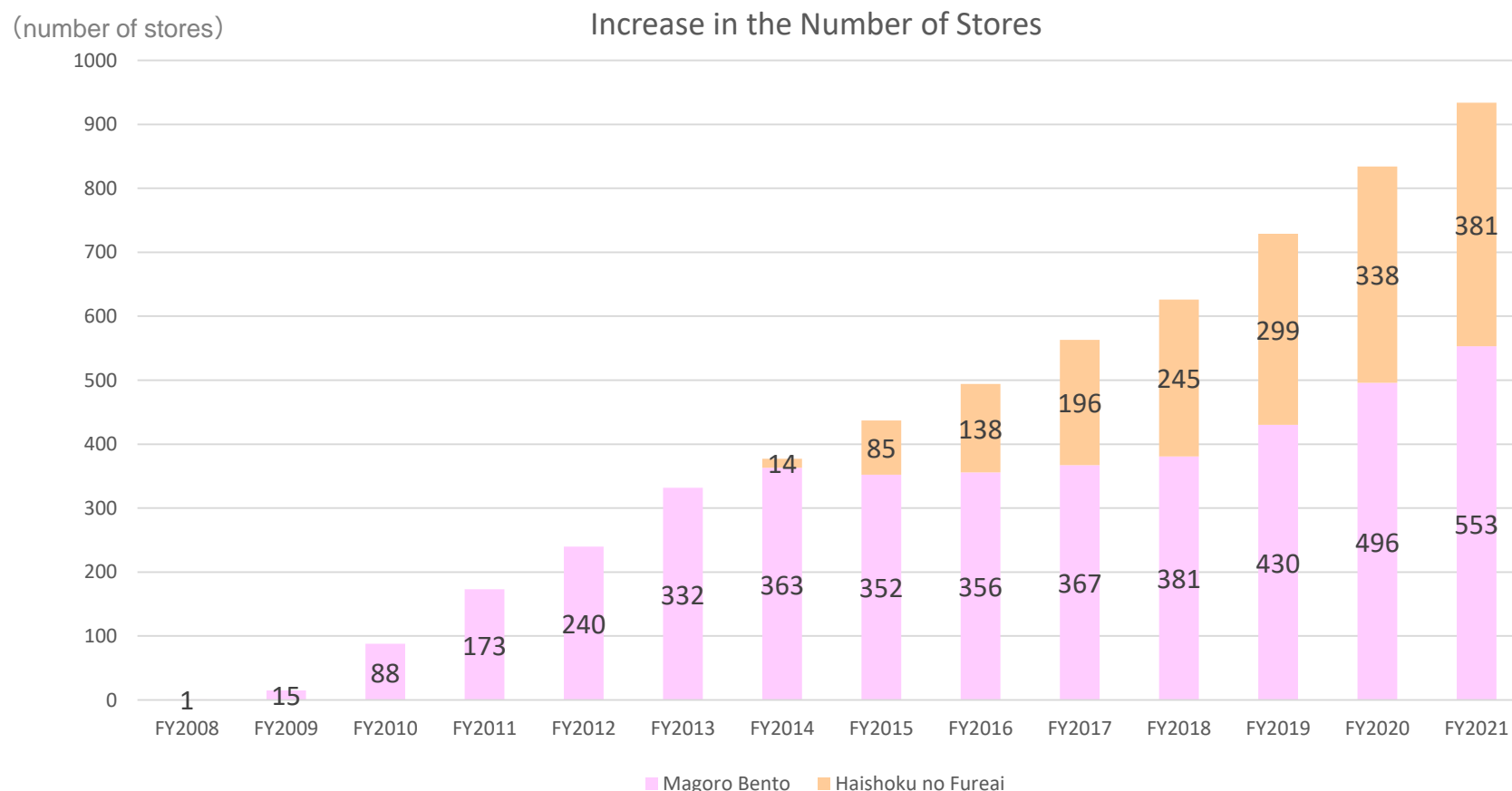
Direct sales: Maintain a certain level of sales. Adjust advertising volume while monitoring the production limit

OEM: While the new customers is Increasing, Total sales are decreased due to the decreasing of contract volume of existing large customers from the policy of diversifying business partners



# Number of Stores

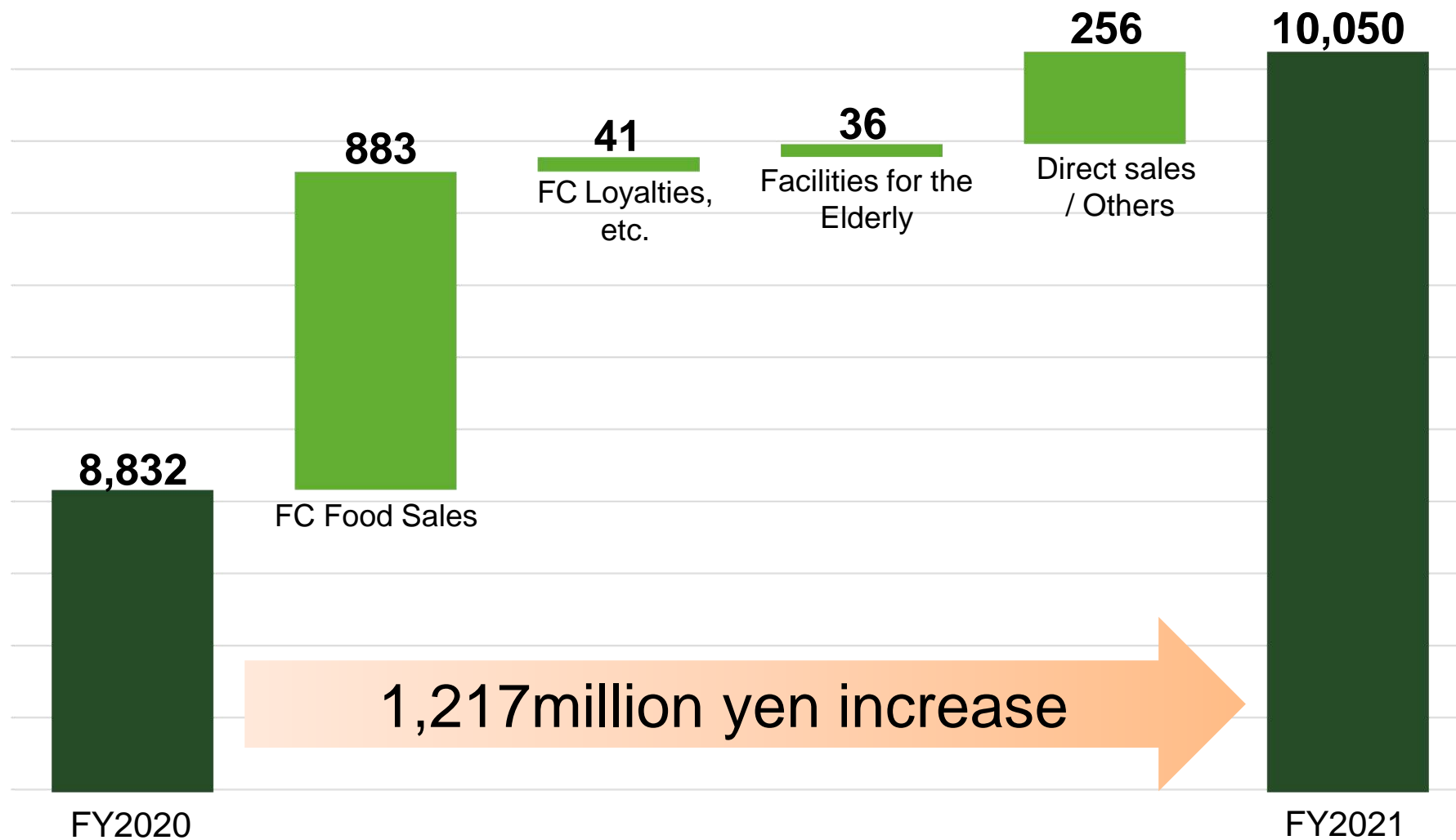
57 "Magokoro Bento" stores and 43 "Haishoku no Fureai" stores increase (compared to the previous year-end). 934 stores in total (as of the end of July. 2021)



- \* 1. "Rakuraku Bento" is not included in the above number of stores since it will only be a store opened alongside a member store.
- 2. Since store sales start from zero and gradually increase after the opening, contribution to sales will be from the next year after the store opens.

# Analysis of Sales Figures

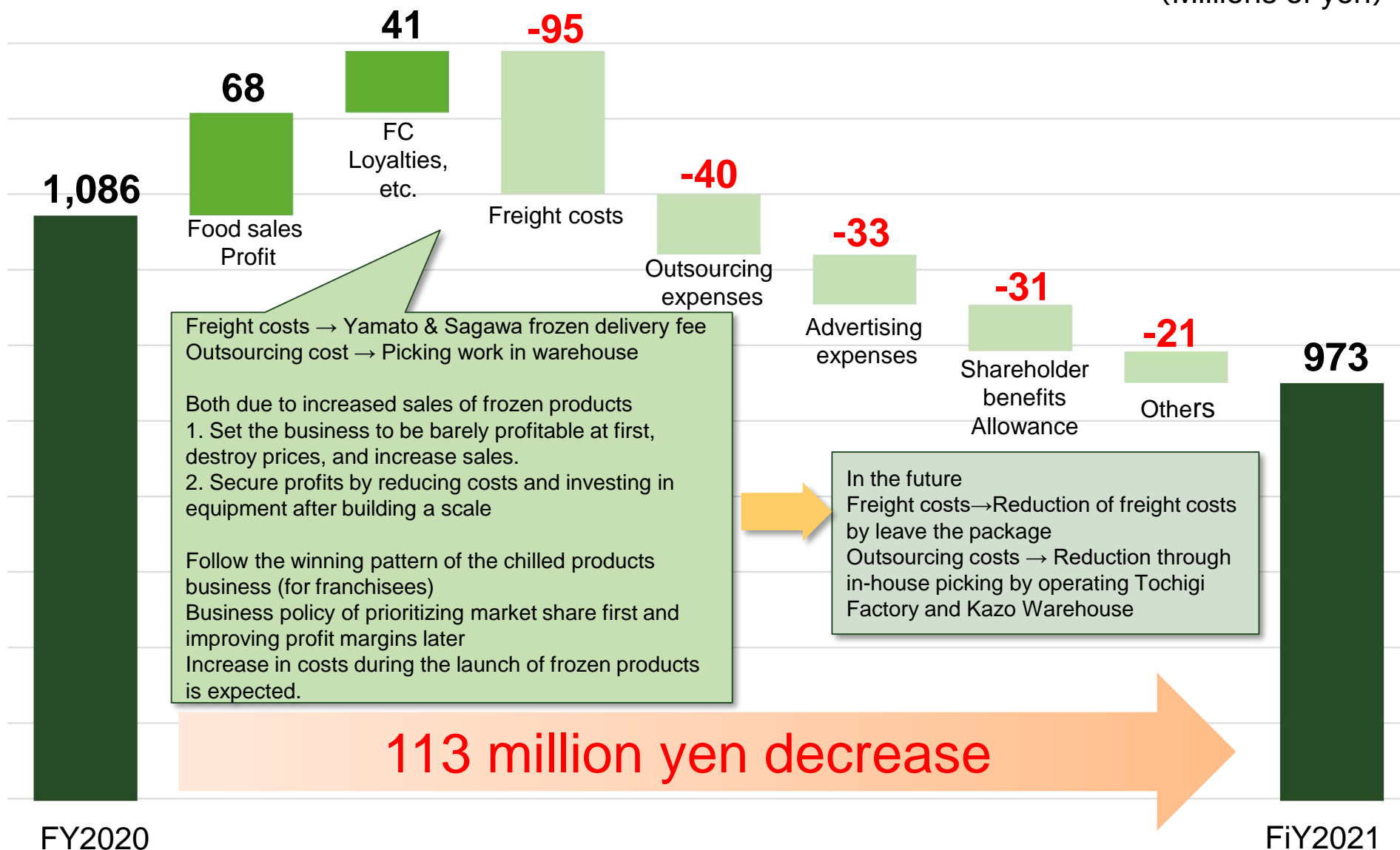
(Millions of yen)





# Analysis of Ordinary Profit Figures

(Millions of yen)



# FY2022 Forecast

(Millions of yen)

	FY2022 Forecast	YoY Changes	FY2021 Results	YoY Changes
Sales	11,720	16.7%	10,050	13.8%
Gross Profit	2,980	9.5%	2,720	4.2%
Operating Profit	550	-34.5%	839	-10.1%
Ordinary Profit	680	-30.1%	973	-10.4%
Profit	430	-21.3%	546	-19.5%

- Sales forecast is stated on the Sales Forecast per Sales Category page
- Gross profit decrease due to higher depreciation, labor costs, material costs resulting from the start of operations at the Tochigi Factory.
- SG&A expenses increase due to advertising expenses for aggressive sales promotion and depreciation related to the purchase of a new warehouse.

## Franchise chains

**8,310 million yen ( YoY +14.2%)**

Estimated number of stores at the end of the fiscal year: around 1,000 stores (around 70 stores compared to the previous fiscal year)

New food delivery service chain "Takushoku Life" to be launched, but contribution to sales during the current fiscal year will be minimal

## Facilities for the elderly

**1,410 million yen ( YoY +14.8%)**

Major renewal of "Kodawari Chef" frozen foods for facilities. With the operation of the Kazo warehouse, storage and picking costs will be reduced, aiming to expand sales and improve profit margins. A lower-priced version of "Otegaru Chef" is scheduled to be launched within this year.

## Direct Sales / Others

**2,000 million yen ( YoY +29.3%)**

In the direct sales business, specialization in refrigeration at the Gunma Factory has eliminated the manufacturing limitations that have been an issue in recent years, and aggressive sales promotion measures will be implemented from this fiscal year. Aggressive sales of OEM products started. With the start of operations at the Kazo Warehouse, the company will be able to offer total services of "manufacturing + storage + picking," which is expected to significantly increase its competitive advantage.

## <Background of the revision>

Results for the FY2021 were significantly higher than originally planned due to strong sales and the fact that some expenses were postponed to the FY2022. The Company will review the numerical plan due to the significant difference in the assumptions made in the original plan, such as the change in the construction plan of the new warehouse. There is no change in the strategy of "First, prioritize sales and market share" and "Later, improve profitability" in the mid-term management plan.

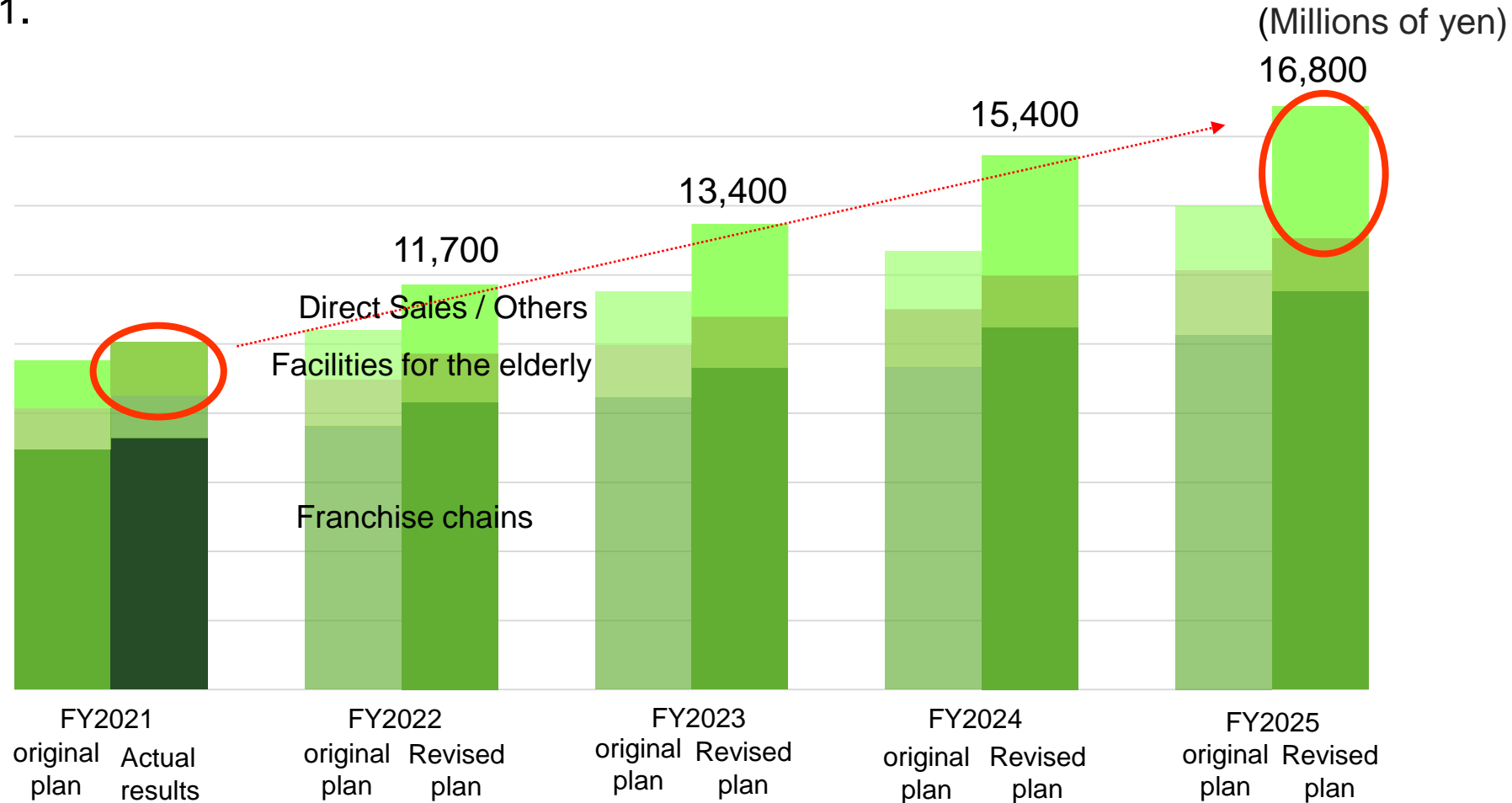
## <Point of revision>

Sales	<ul style="list-style-type: none"> <li>• In the direct sales business, we expect to achieve a significant increase in sales compared to the initial plan by promoting sales measures centered on advertising activities and new product development. <u>Sales are expected to increase significantly from the initial plan.</u></li> </ul>
Cost	<ul style="list-style-type: none"> <li>• <u>Increase in depreciation expenses at Tochigi Factory</u></li> <li>• Increase in personnel expenses due to the impact of increased hiring of experienced personnel at the start of operations at the factory</li> </ul>
SG & A expenses	<ul style="list-style-type: none"> <li>• The ratio of advertising expense to net sales increased in order to expand sales in the direct sales business.</li> <li>• <u>Increase in depreciation expenses due to changes in the new warehouse plan (significant reduction in depreciation period)</u></li> <li>• After the new warehouse goes into operation, we will be able to reduce expenses by improving efficiency.</li> </ul>

<Revised sales plan>

Achieve the sales target for the final year of the medium-term management plan (FY2025) one year ahead of schedule.

Direct sales and other sales in the FY2025 will be approximately three times the level of the FY2021.



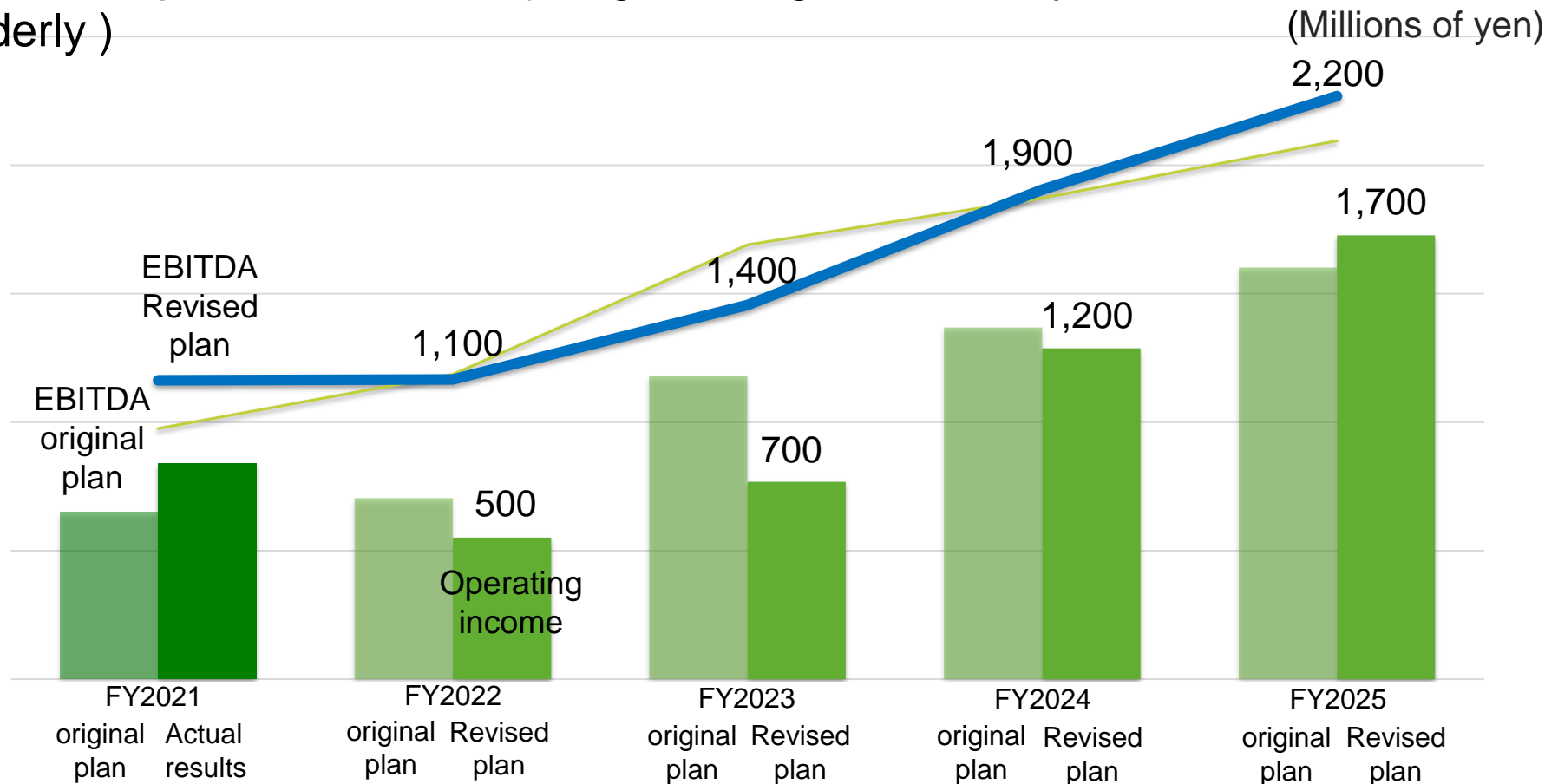
# Revision of Medium-term Management Plan (Operating Profit)

<Revised plan for operating profit>

Profit targets through 2024 revised downward

Build a structure that will enable long-term profit contribution by temporarily squeezing profits through investment

Maximize profits after 2025 (the golden age when baby boomers will become elderly )





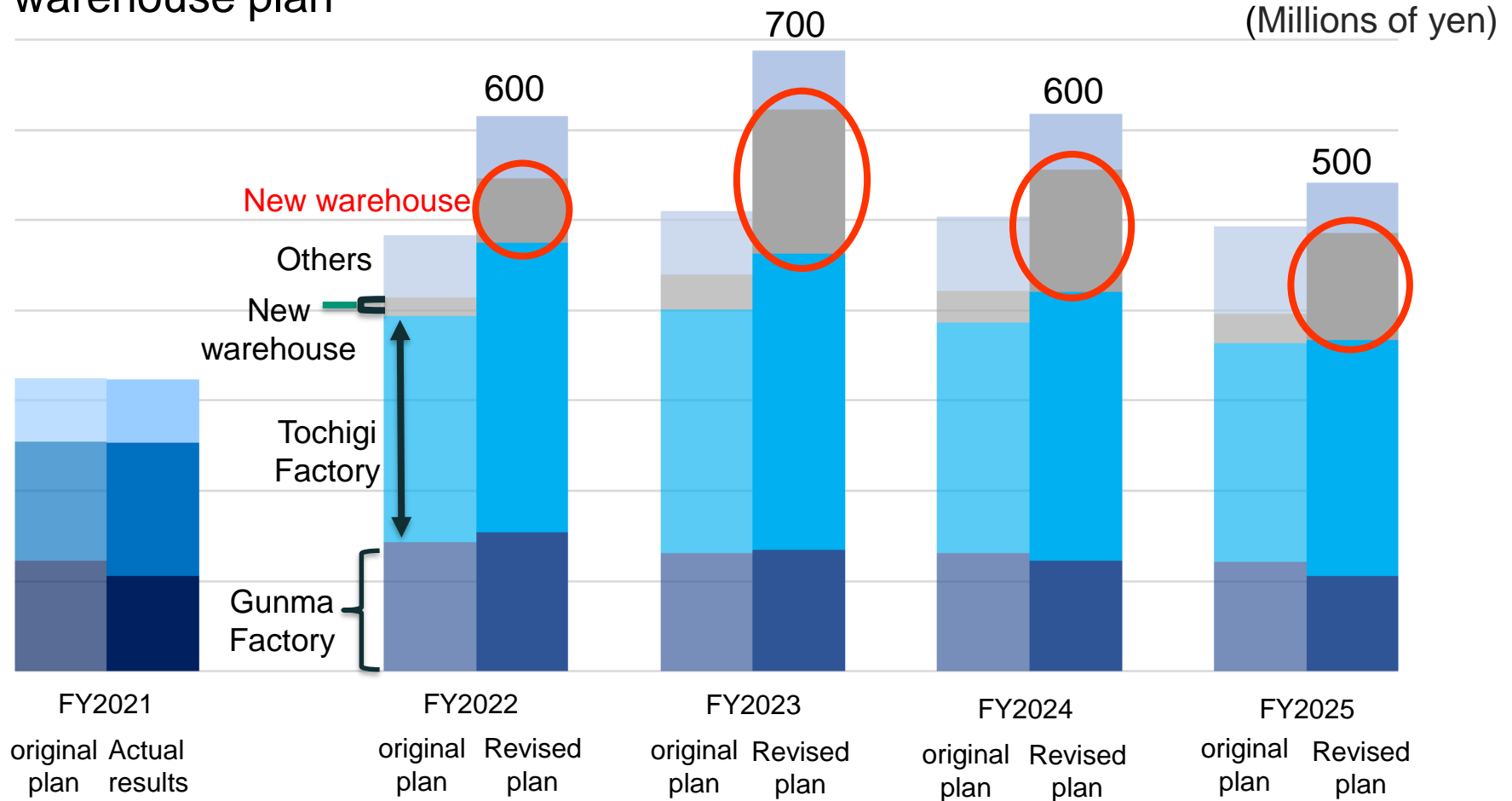
# Revision of Medium-term Management Plan (Depreciation and Amortization)



## <Difference in depreciation plan>

Increase due to acquisition of Tochigi factory and new warehouse

Particularly large impact of shortened depreciation period due to changes in the new warehouse plan



# Frozen warehouse (Distribution Center)

## Overview

Address : Kazo City, Saitama Pref.

Ground space : 12,153m<sup>2</sup>

Total floor space : 8,555m<sup>2</sup> (4,500 palette storage)

Operation period : Mar.2022 (TBC)

## Investment and depreciation

The existing buildings and equipment are 29 years old, and since the statutory useful life of the refrigerated warehouse has passed, the existing equipment will be depreciated in 4 years. ( Survey Results, almost no problems with the building structure, and all the refrigeration equipment has been replaced with the latest model. ) Therefore, **the cost burden of depreciation will be much heavier for the first 4 years only.**

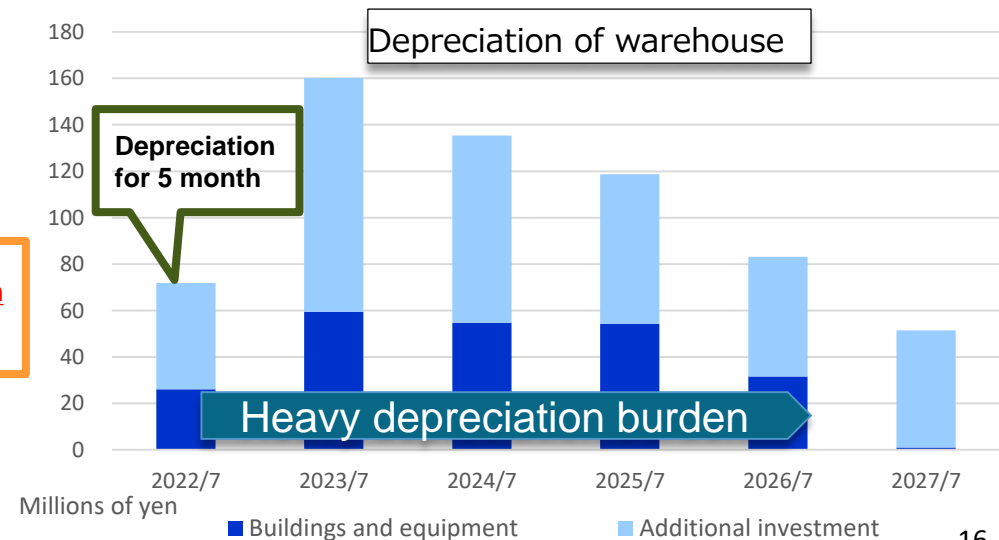
→We can book depreciation expenses quickly and will be profitable after 5 years.

### Breakdown of Capital Investment (plan)

Land	2.8 billion yen
Buildings and equipment	2.2 billion yen
Additional investment	5.0 billion yen
Total	10.0 billion yen

Existing one

**depreciation in 4 years**



# Effectiveness of frozwarehouse

Storage limits will be eliminated and various costs (storage fees, shipping fees, outsourcing fees) will be lowered.

And it will lead to new sales (expansion into warehousing business).

## Response to increased demand

- Prepare for rapid growth in sales of frozen Bento and frozen food ingredients.



## Warehouse consolidation

- Consolidation of two external warehouses into one location
- Reduce shipping costs to warehouses
- Visualization and optimization of inventory

## Strengthen frozen product shipment system

- Internalization of picking operations
- Cost reduction through automation



## Entering the warehousing business

- Expanding into the warehousing business by taking advantage of our large warehouse
- Storage and picking of other companies' products is also handled.

# Sales promotion using “Hello Kitty”

Use of Hello Kitty as product logo from August 1, 2021

## 【Promotion Examples】

### <Free tasting tickets>



### <business card>



## Current market for frozen Bento and food delivery for the elderly

Due to the immaturity of the market, promotional activities using high-profile characters have. As the market is still in its infancy, promotional activities using high-profile characters have been virtually unheard of since the dawn of the industry.

The reality is that customers buy from a company name they have never seen before based on their impression of the brochure or the price.

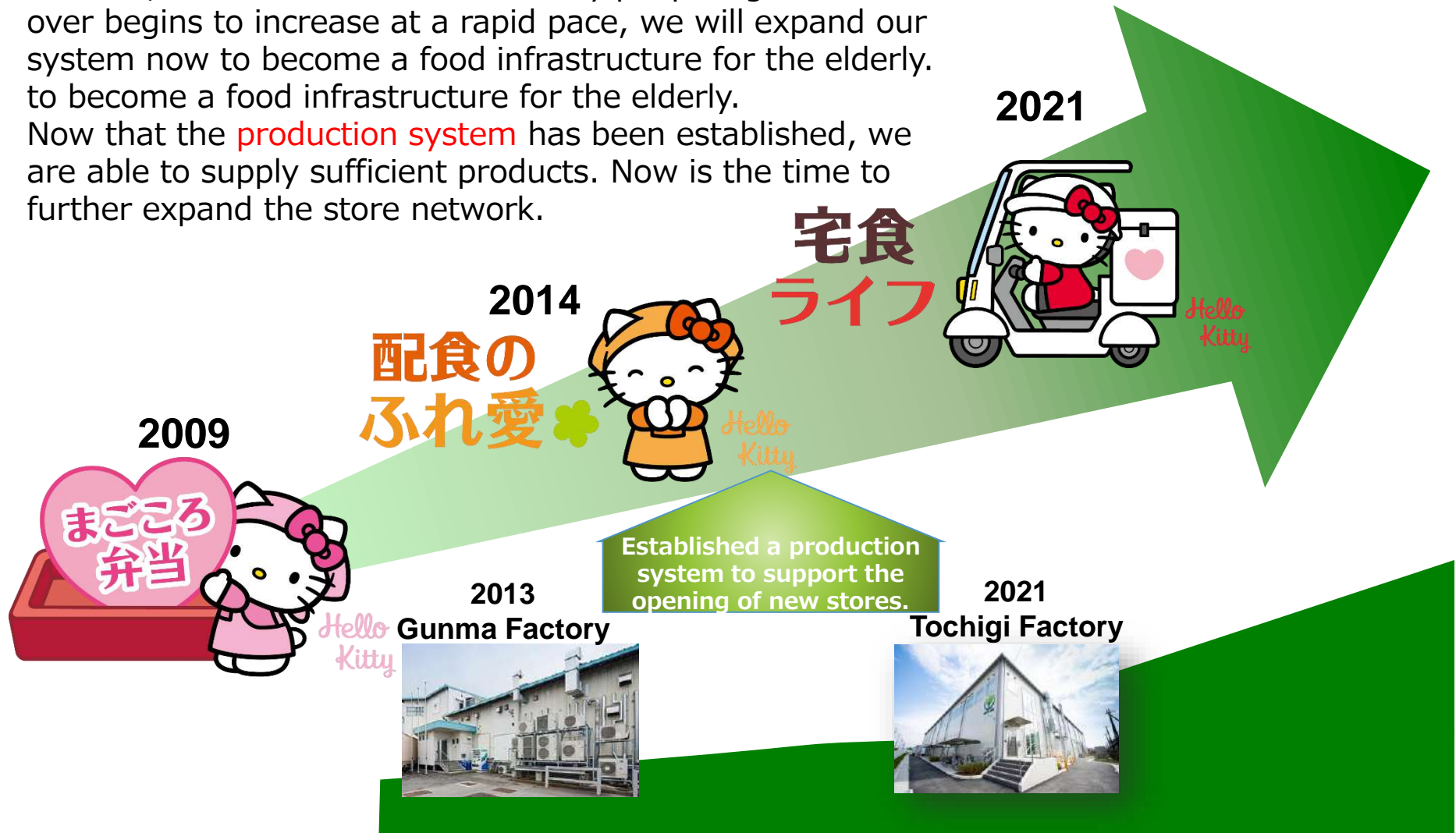
It is important to gain the trust of customers. When a person is considering a food service for the first time, **looking at one of our brochures with the familiar Hello Kitty on it will make them feel more comfortable in choosing** one of the many unfamiliar companies.

## This will be the final push for you to choose our products

# Third FC Chain "Takusyoku Life" Started

In 2025, before the number of elderly people aged 75 and over begins to increase at a rapid pace, we will expand our system now to become a food infrastructure for the elderly. to become a food infrastructure for the elderly.

Now that the **production system** has been established, we are able to supply sufficient products. Now is the time to further expand the store network.





## Environmental Initiatives

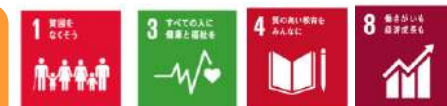


- Introduction of environmentally friendly electric bikes  
We are promoting the introduction of "AA Cargo," an electric three-wheeled motorcycle for delivery, to our franchise stores "Magokoro Bento" and "Fureai for Food Delivery." As a result, a single motorcycle is expected to reduce carbon dioxide emissions by 1,044 kg per year. Stores can also expect to save on fuel and maintenance costs compared to gasoline vehicles.

We will continue to proactively promote environmentally friendly activities as a group.



## Human Rights Initiatives



- Elimination of child labor and forced labor  
We understand the minimum age requirements of international labor laws and prohibit all forms of child labor and forced labor. We have also confirmed with our suppliers that there is no child labor or forced labor, and that they have a policy and attitude to deal with such cases. We have also confirmed that our suppliers have policies and stances to deal with such cases.

We will continue to carry out our corporate activities in consideration of human rights.

- Conduct harassment training  
In our company, all managers and above are required to attend harassment training, and we are working to ensure that all employees are aware of this.





# **Company Overview**



## 【Our Mission】

We prepare bento's at reasonable prices and deliver to your home every day so that elderly people living alone or needing long-term care who have difficulty cooking or going out to shop can eat without any trouble.



# Company Overview



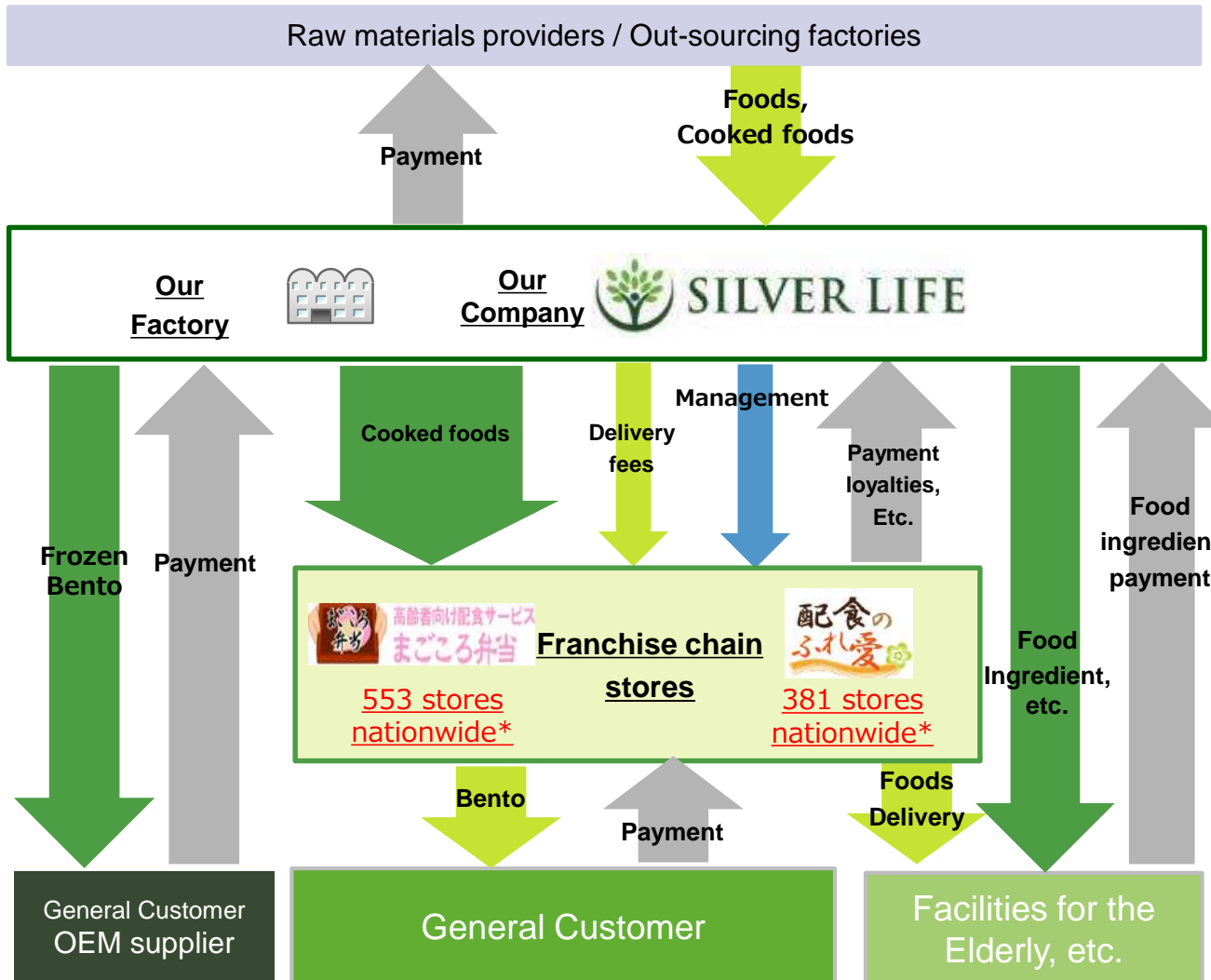
Company Name	SILVER LIFE Co., Ltd.
Representative	President, CEO : Takahisa Shimizu
Established	October 2007
Capital Stock	724 million yen (as of July 31, 2021)
Address	Highness Lofty Level 2, 4-32-4, Nishishinjuku, Shinjuku-ku, Tokyo, 160-0023, Japan
Businesses	<ul style="list-style-type: none"><li>▪ Franchise management of food delivery service for the elderly (Service names: “Magokoro Bento”, “Haishoku no Fureai”, “Takushoku Life”)</li><li>▪ Food ingredient sales to senior-care facilities (Service names: “Magokoro Shokuzai Service”, “Kodawari Chef”)</li><li>▪ Own brand and OEM sales of frozen bento products (Service name: “Magokoro Care Shoku”)</li></ul>
Website	<a href="https://www.silver-life.co.jp/">https://www.silver-life.co.jp/</a>
Employees	337 (Full-time: 128 / Part-time: 209) As of the end of July 2021
Factory	<ul style="list-style-type: none"><li>▪ Gunma Factory:1678-1, Nakano, Ora-machi, Ora-gun, Gunma, 370-0603, Japan</li><li>▪ Tochigi Factory:576-6, Hakaricho, Ashikaga-shi, Tochigi, 326-0327, Japan</li></ul>
Distribution Center	195-1, Akaiwa, Chiyoda-machi, Ora-gun, Gunma, 370-0503, Japan

# Our History

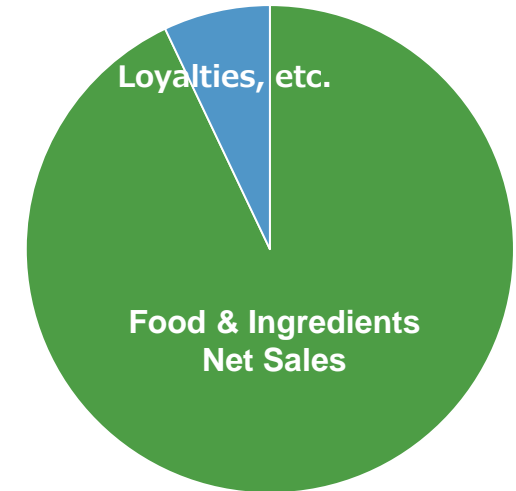
Date	Main store / Business development	Stores / Business development
Oct. 2007	Company established in Setagaya-ku, Tokyo	
Nov. 2007		Opened the 1st directly managed store in Setagaya-ku, Tokyo
Apr. 2009		Launched our first franchise chain "Magokoro Bento"
Sep. 2010		Accomplished 100 "Magokoro Bento" stores
Jun. 2012		Launch of our food ingredient delivery service "Magokoro Shokuzai Service" to senior-care facilities
Feb. 2013	Purchase of the Company factory site in Ora-machi, Ora-gun, Gunma	
May. 2013		Accomplished 300 "Magokoro Bento" stores
Aug. 2013	Absorption-type merger with Next Community Co., Ltd.	
Feb. 2014		Launch of our second franchise chain "Haishoku no Fureai"
Apr. 2014		Launch of OEM sales
Oct. 2014	Enfranchisement of all directly managed stores	
Feb. 2016	Acquired ISO9001 certification for Our factory (Kanto region)	
Mar. 2016	Head office moved to the current site in Shinjuku-ku, Tokyo	
Sep. 2016		Accomplished a total of 500 "Magokoro Bento" & "Haishoku no Fureai" stores
Oct. 2017	Distribution center opened to Chiyoda-machi, Ora-gun, Gunma	
Oct. 2017	Listed on TSE Mothers	
May. 2019		Accomplished a total of 700 "Magokoro Bento" & "Haishoku no Fureai" stores
Jan. 2020	Listing shifted to the TSE, First Section	

# Business Model

## Schematics of our Business Operation



## FY2021 Sales Percentage



## Mainly Wholesale Ingredients

A continuous profit system in which our food net sales increases proportionally to the growth in net sales (number of meals) of franchise chain stores.

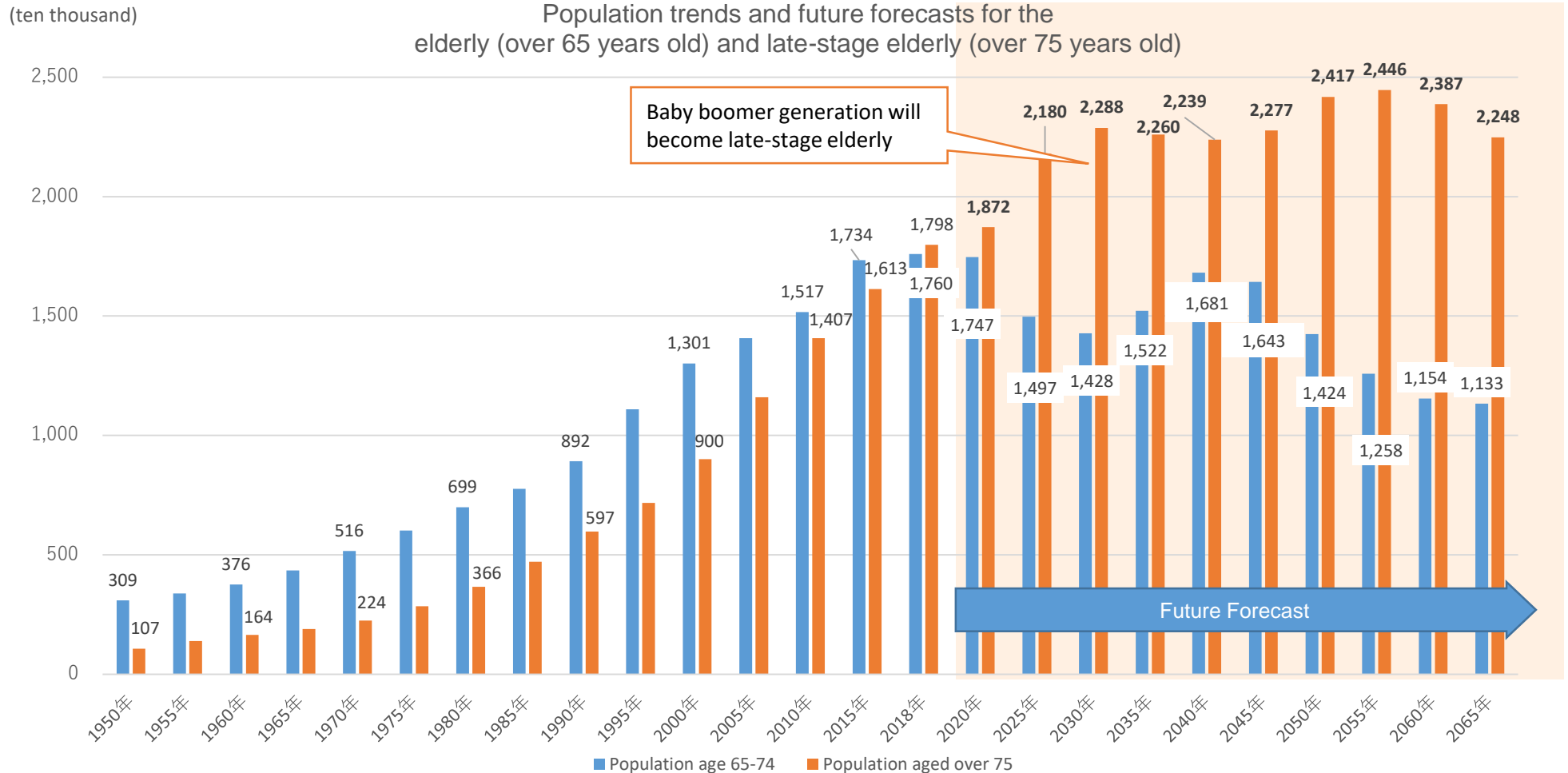
(Food net sales include sales for facilities for the elderly, OEM, and in-house sales)

\*As of the end of July 2021

# **The Market to which we belong**



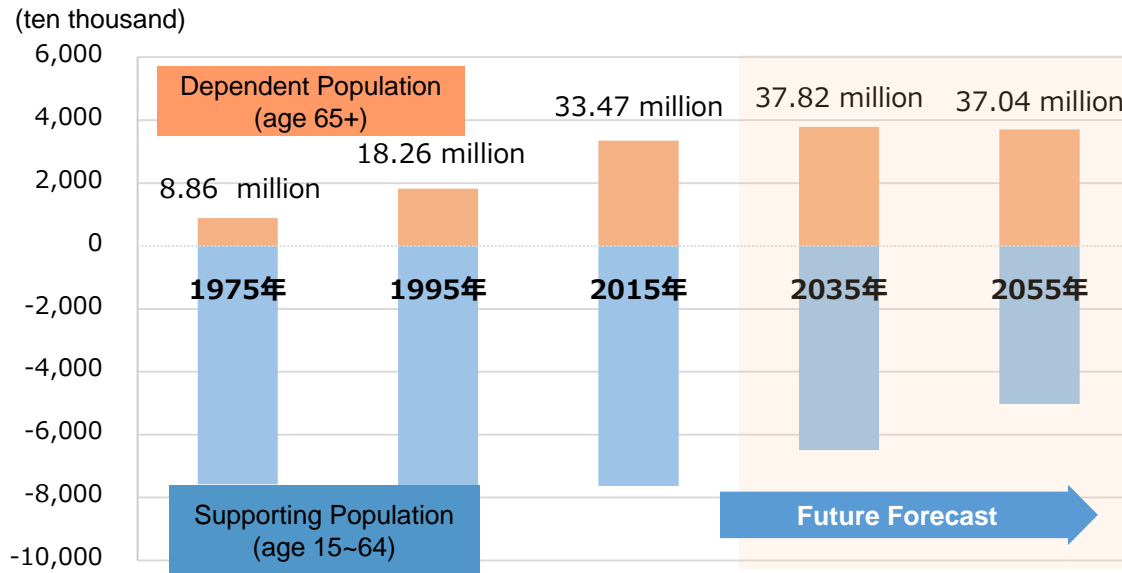
Our main target, the late-stage elderly, will increase exponentially beyond 2025



# External Environment (a business that does not rely on long-term care insurance)



Changes in the Working Generation and the Elderly Population

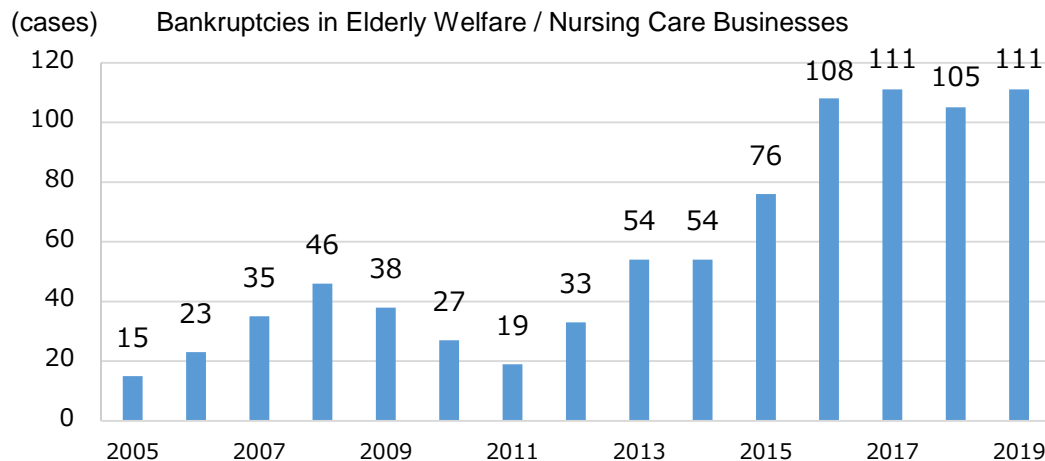


The working generation (15 to 64 years old) is decreasing, and the elderly population is increasing

Moving toward society where 1.3 people of the working generation will support 1 person aged over 65. Social security deposit benefits per person will decrease

The increase of expenditure toward COVID-19 measures in 2020 makes it even more difficult to secure financial resources for long-term care and welfare

Source: Cabinet Office, White Paper on the Aging Society



Source: Tokyo Shoko Research, 1st half of 2020 "Elderly Welfare / Nursing Care Business" Bankruptcy Situation

(90% of net sales rely on the long-term care insurance system) The long-term care business is destined to become difficult in the future.

In this upcoming era, only businesses such as food distribution services for the elderly, which can be managed without relying on long-term care insurance, can support the lives of the rapidly increasing elderly population.

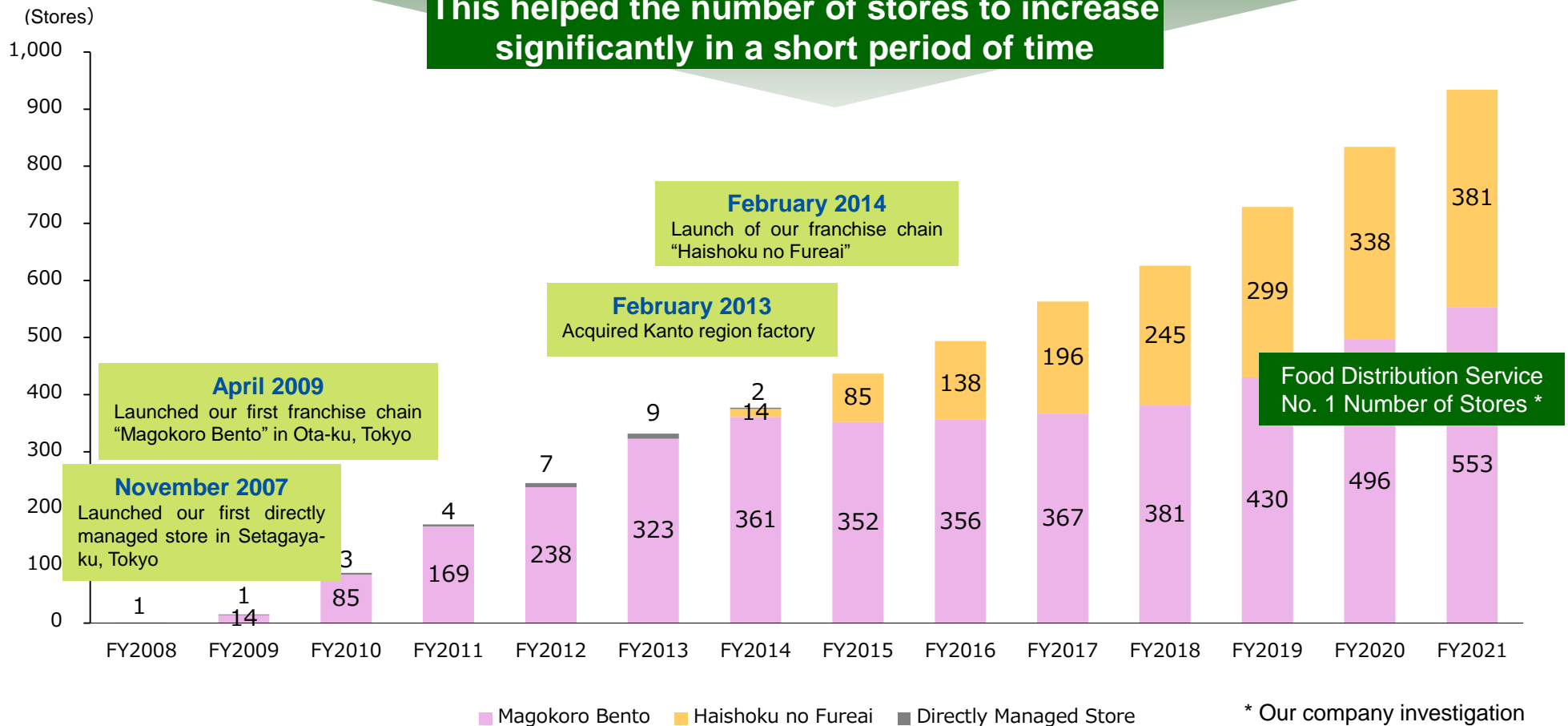
# **Our Company Features and Advantages**

# Our Advantage: FC Network stores opened



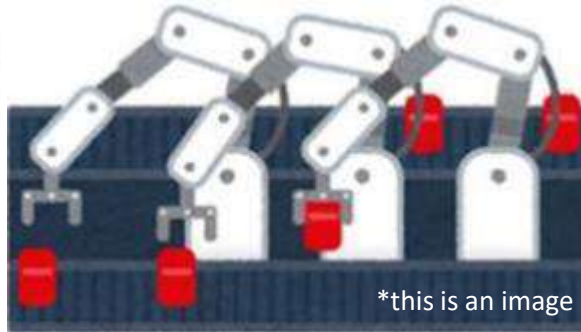
- Low-cost opening (non-visit-type stores with no restriction to location / no large kitchen equipment required)
- The simple process of preparing cooked ingredients and delivering (the business can be started alone)
- Stable supply of high-quality cooked ingredients from FC headquarters (no cooking experience required)

**This helped the number of stores to increase significantly in a short period of time**



# Our Advantage:

Production System allows Multi-Variety Random Production



\*this is an image

## Our factory 3 days menu



	昼食	夕食
8月	カニ玉あんかけ	鶏団子の豆乳煮
1日	オクラのかか和え	ゆきんぴら
2日	もつ煮物の煮しめ	野菜のカレー炒め
3日	フルーツみつま	法蓮草のしそひき和え
4日		
5日	冷しゃぶ風	白身魚(ホキ)のもろみ焼
6日	キャベツのピリ辛漬け	ヤングコーンソテー
7日	野菜のクリーム煮	山菜煮
8日	しらす菜のおひたし	五目巾着焼き合せ
9日		柚子大福
10日		
11日	サワラの佃煮(45)	ハンバーグデミグラスソース
12日	法蓮草の磯辺和え	人参マリネ
13日	ナスとピーマンの味噌炒め	かぼちゃソテー
14日	おでん風煮	田舎煮
15日	ミモザサラダ	小松菜の胡麻和え

- **Manufacturing line required in a general food factory** (dedicated line for a single product group)

A meat buns dedicated factory (1 million meat buns produced daily flow from a buns dedicated machine to a conveyor. Although there are meat buns and bun with bean-jam filling differences, they are "Principally the same product group").

- **Manufacturing line required for food distribution service** (line that can handle random production of other varieties)

Since meals are distributed daily, the same product group cannot be provided every day. 12 items made today, 12 items made tomorrow, 12 items made on the 3rd day, all should be different.

Only few factories have multi-variety random production lines which are thought to be inefficient (Usually cannot be maintained without a certain sales scale like our company)



As a result: Managing low-cost manufacturing that generates profit despite the large variety of products

# Our Advantage:

Production System that provides an abundant Menu with Low Prices



- **Tenderness, seasoning, and nutritional balance** suitable for the elderly to eat
- **Rich menu variety (more than 1,000 items)** you will never get tired of for your everyday meals
- **Delivered to franchise chain stores refrigerated (chilled)** to improve texture (regular meals)

## Regular meal

- Mainly Japanese food bento for the general elderly. Consideration to nutritional balance and ease of eat

Price :  
450yen+tax~  
(sides dish only)



## Komachi (smaller portion)

- A bento with fewer calories, less salt, and a smaller portion of a regular meal for elderly people with smaller appetites

Price :  
320yen+tax~  
(sides dish + rice)



## Puréed meal

- A puréed meal bento which looks the same, for elderly people who have difficulty chewing and swallowing

Price :  
540yen+tax~  
(sides dish only)



## Calorie-adjusted meal

- A bento for people who need to calculate calories and salt intake. Manufactured to be almost 240 kcal no matter what you eat

Price :  
600yen+tax~  
(sides dish only)



## Protein-adjusted meal

- A bento for people who need to calculate protein intake, such as people who go to a dialysis clinic regularly. Protein is 10g or less per meal

Price :  
700yen+tax~  
(sides dish only)





## Production System

- A production line that can manufacture refrigerated (chilled) ingredients specializing in food distribution
- Flexible production system capable of multi-variety multi-production
- Merit of scale and reasonable price listing due to mass production

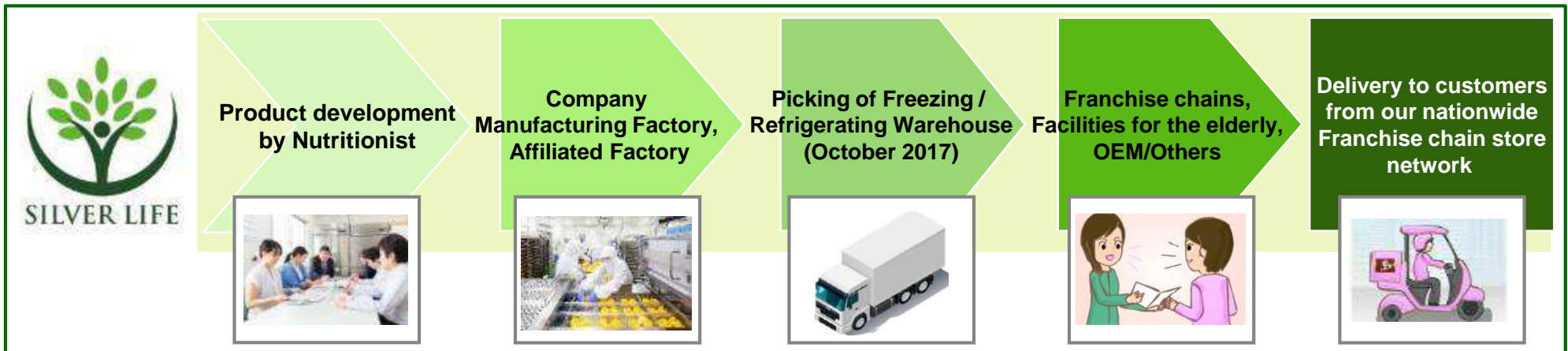
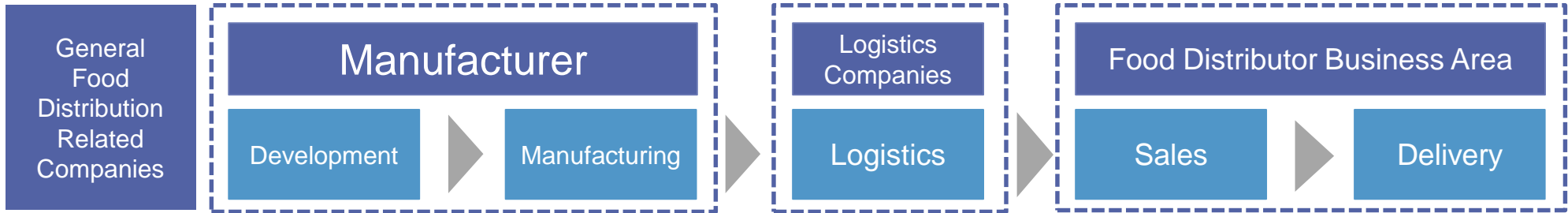


## Franchise Chain Network

- "No. 1" number of stores in the industry (An internal investigation of Magokoro Bento & Haishoku no Fureai total) of our food distribution franchise chain network for the elderly (834 stores total as of the end of July 2020)
- A store network that covers the last mile to your home

Our biggest advantage is the consistent system we have from manufacturing to delivery

# Our Advantage (summary) Consistent System



Feedback from franchise chain stores and customers

## Purpose and Features

- Cost advantage due to mass production
- Product development based on customer feedback (franchise chain stores)
- Ensure the "Safety and Security"

- Efficiency of storage and delivery
- OEM sales expansion

Food distribution service for the elderly  
Number of stores: 834  
(As of the end of July 2020)

- The statements in this document regarding future-prospects are based on current information and may fluctuate due to economic trends, market environment, our related industry trends, and other internal and external factors. Therefore, please have in mind that there are risks and uncertainties that the actual results may differ from those described in this document regarding future-prospects.
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