

# Financial Results for the 2Q of Fiscal Year Ending January 31, 2022

**SILVER LIFE Co., Ltd.**

The First Section of the Tokyo Stock Exchange (9262)



## **Summary of the 2Q Results and Whole Financial Year Forecast**

# FY2022 2Q Financial Results



(Millions of yen)

	FY2022 2Q				FY2021 2Q			FY2022 Forecast
		YoY Changes	Composition Ratio	Compared with Forecast		YoY Changes	Composition Ratio	
Sales	5,450	11.5%	100.0%	46.5%	4,888	16.1%	100.0%	11,720
Gross Profit	1,382	▲5.3%	25.4%	46.3%	1,459	19.1%	29.9%	2,980
Operating Profit	312	▲49.0%	5.7%	56.7%	611	48.6%	12.5%	550
Ordinary Profit	382	▲43.1%	7.0%	56.1%	671	38.2%	13.7%	680
Profit	254	▲39.0%	4.7%	59.2%	417	38.3%	8.5%	430

Losses and percentage change in net sales, operating income, and ordinary income are for reference purposes only. Actual results for the fiscal year ended July 31, 2022 are after the application of the revenue recognition accounting standard, and the aforementioned three items have decreased by approximately 5 million each

## Franchise chains

**Sales 3,988 million yen (YoY +13.1%)**

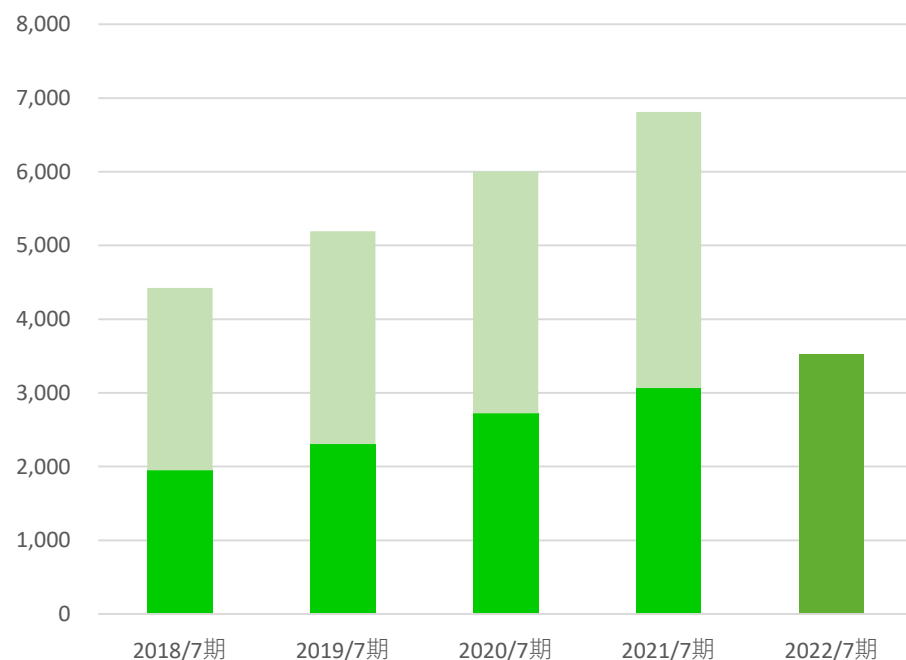
Stores : 948 ( compared to the previous year-end +14)

3rd Chain "Takusyoku Life" Started recruiting FC chain members.

Existing stores sales YoY (Open 13 months past)

"Magokoro Bento"+14.1%、"Haishokuno Fureai" +27.6%

(Millions of yen)



## Facilities for the elderly

# Sales 633 million yen (YoY +5.4)

Cilled: YoY ▲9.1%

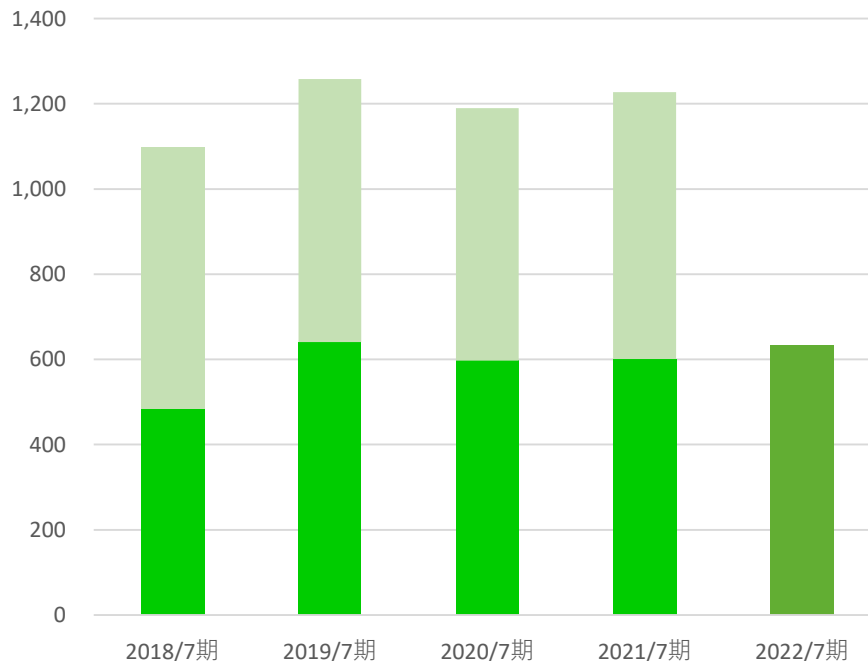
Suspension of new sales activities due to low service and low order rates

Frozen: YoY +104.8%

Sales are in full swing, and since 2Q, the impact of COVID19 has faded and facility visits are now allowed.

Sales ratio within this category reached 25%.

(Millions of yen)





## Direct Sales / Others

### Sales 827 million yen (YoY +8.8%)

Direct sales : YoY +30.4%

Resume advertising activities in September 2021.

Increase in rental freezer users (regular set orders)

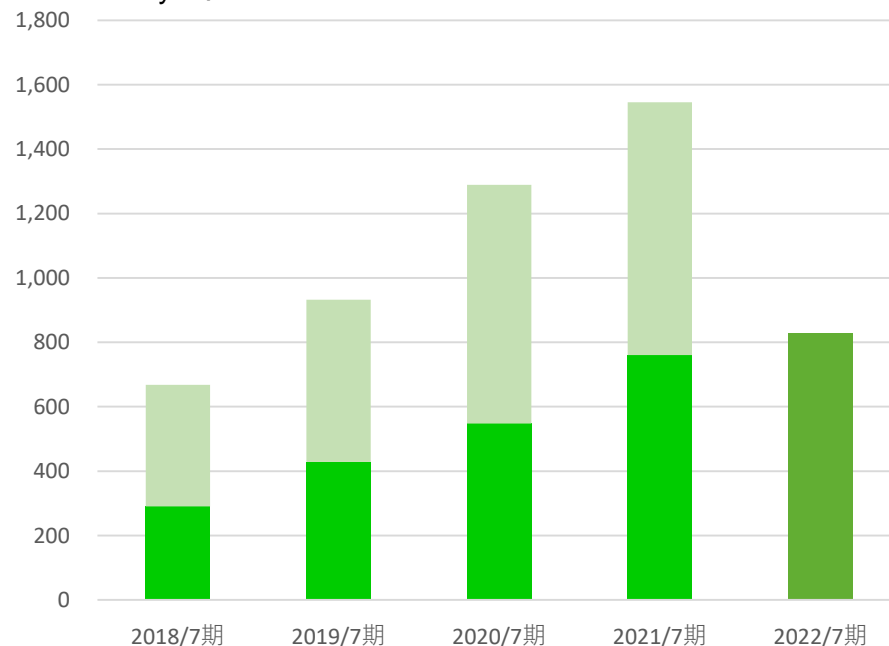
Expanding the number of stores that can handle package drop service

OEM : YoY ▲18.3%

Continued decline in contract volume from existing large customers

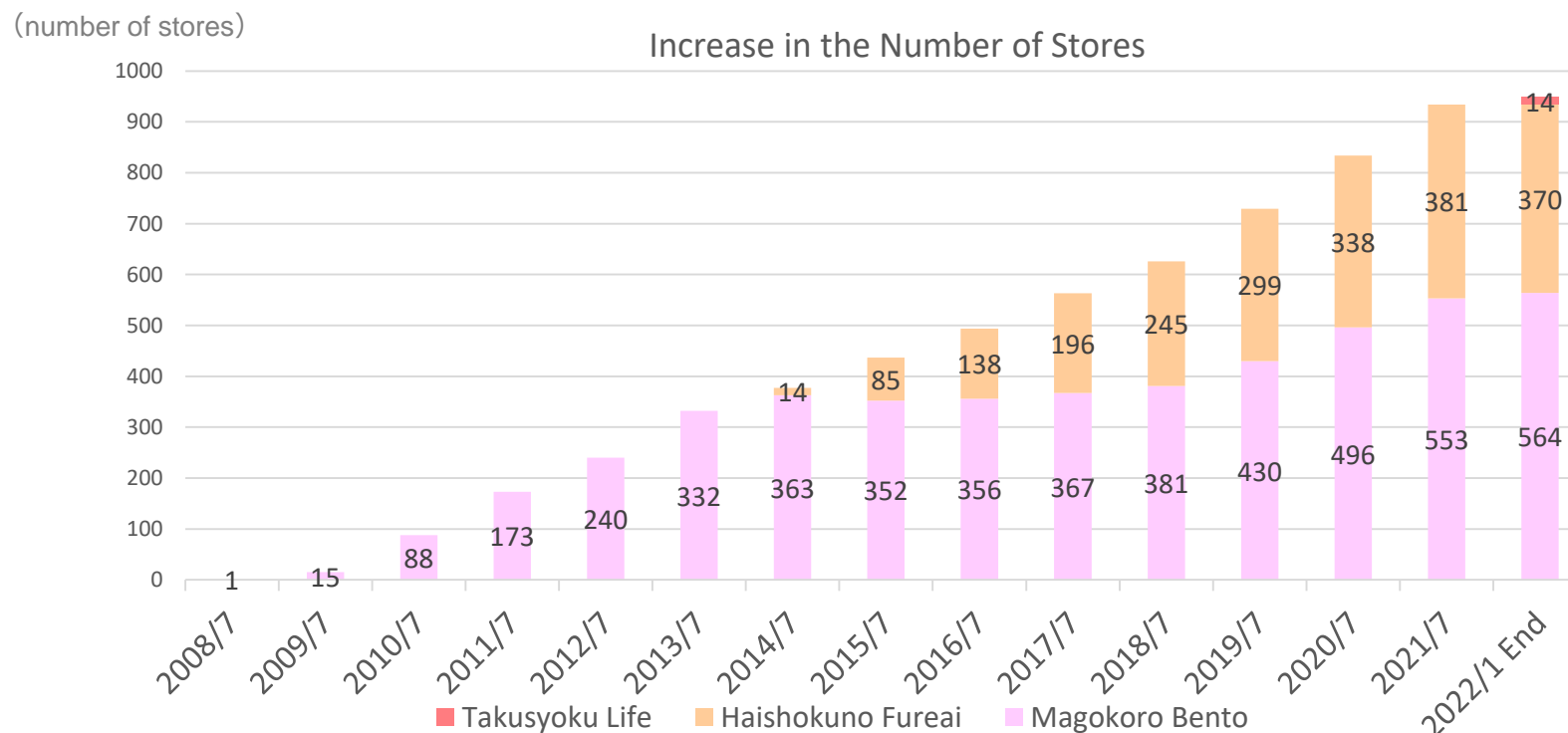
New customers are being developed steadily, and sales are expected to increase from 3Q.

(Millions of yen)



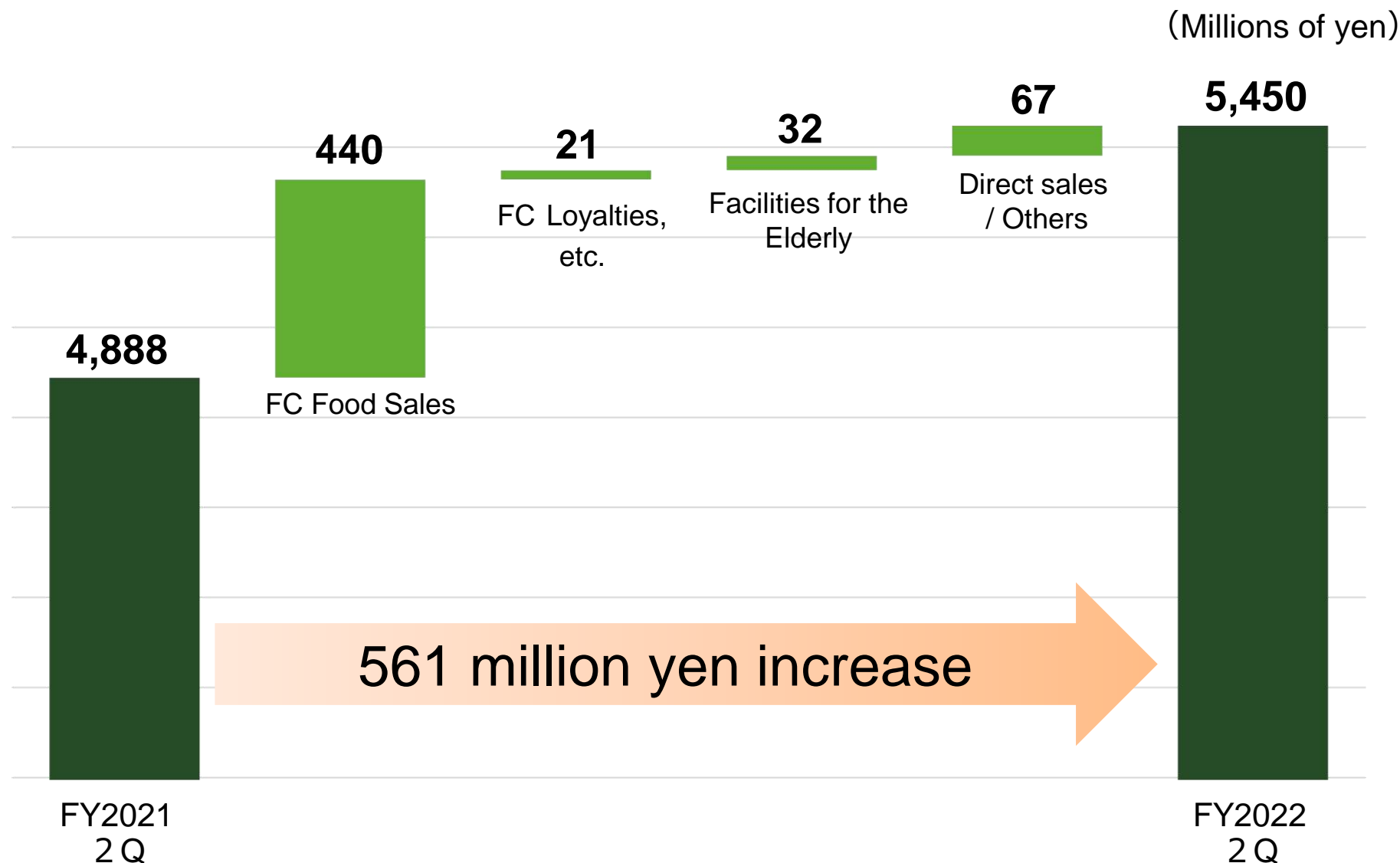
# Number of Stores

11 "Magokoro Bento" stores increased and 11 "Haishoku no Fureai" stores decrease  
 "Takusyoku-Life" increased (compared to the previous year-end). 948 stores in total (as of the end of Jan. 2022) 2Q saw a decrease in store openings and a concentration of postponements compared to previous years (for various reasons, no trend) Favorable acquisition of franchise contracts; 120 stores currently under preparation, compared to 60-70 in the past; expected to be resolved in the second half of the year



- ※ 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.

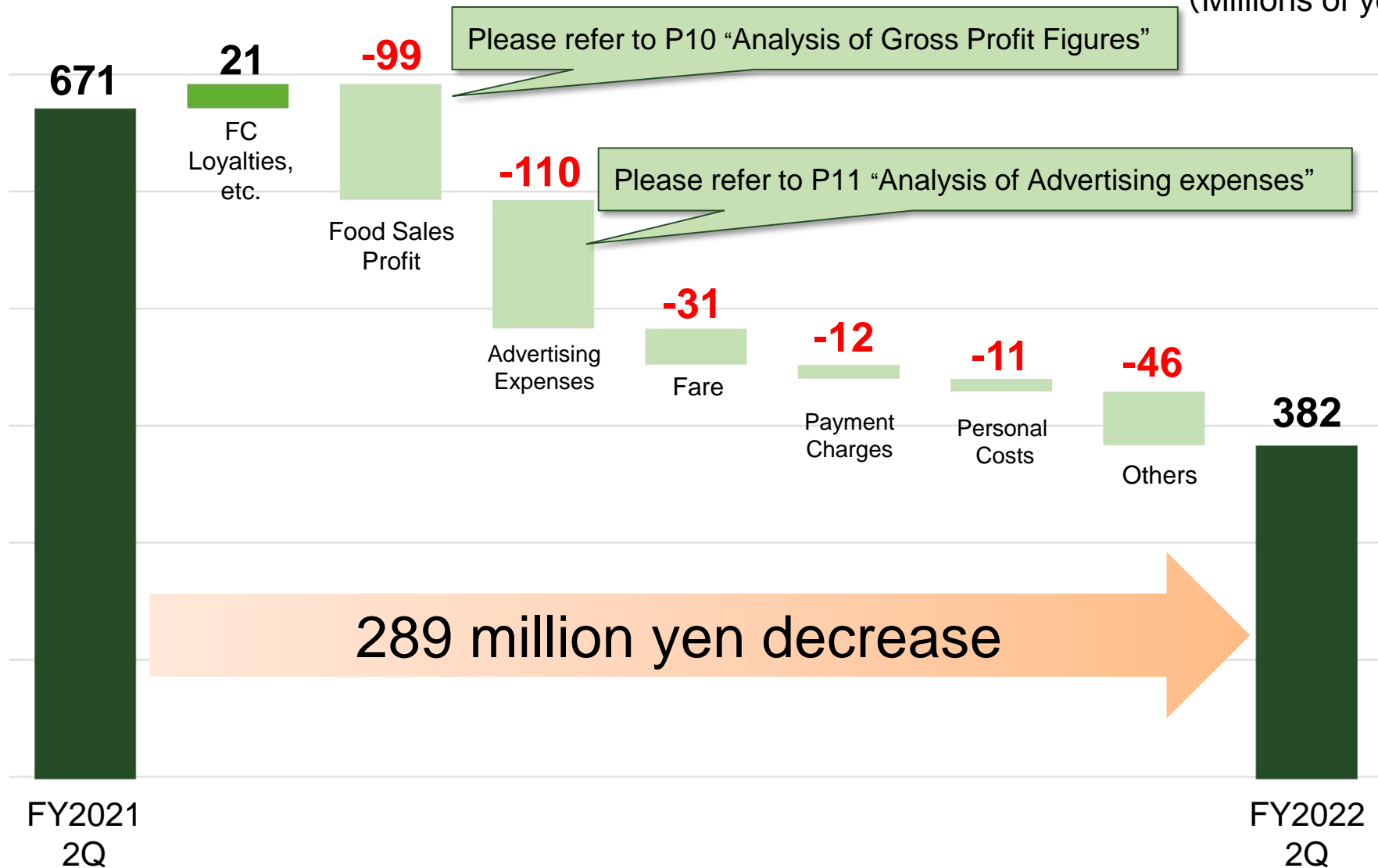
# Analysis of Sales Figures





# Analysis of Ordinary Profit Figures

(Millions of yen)



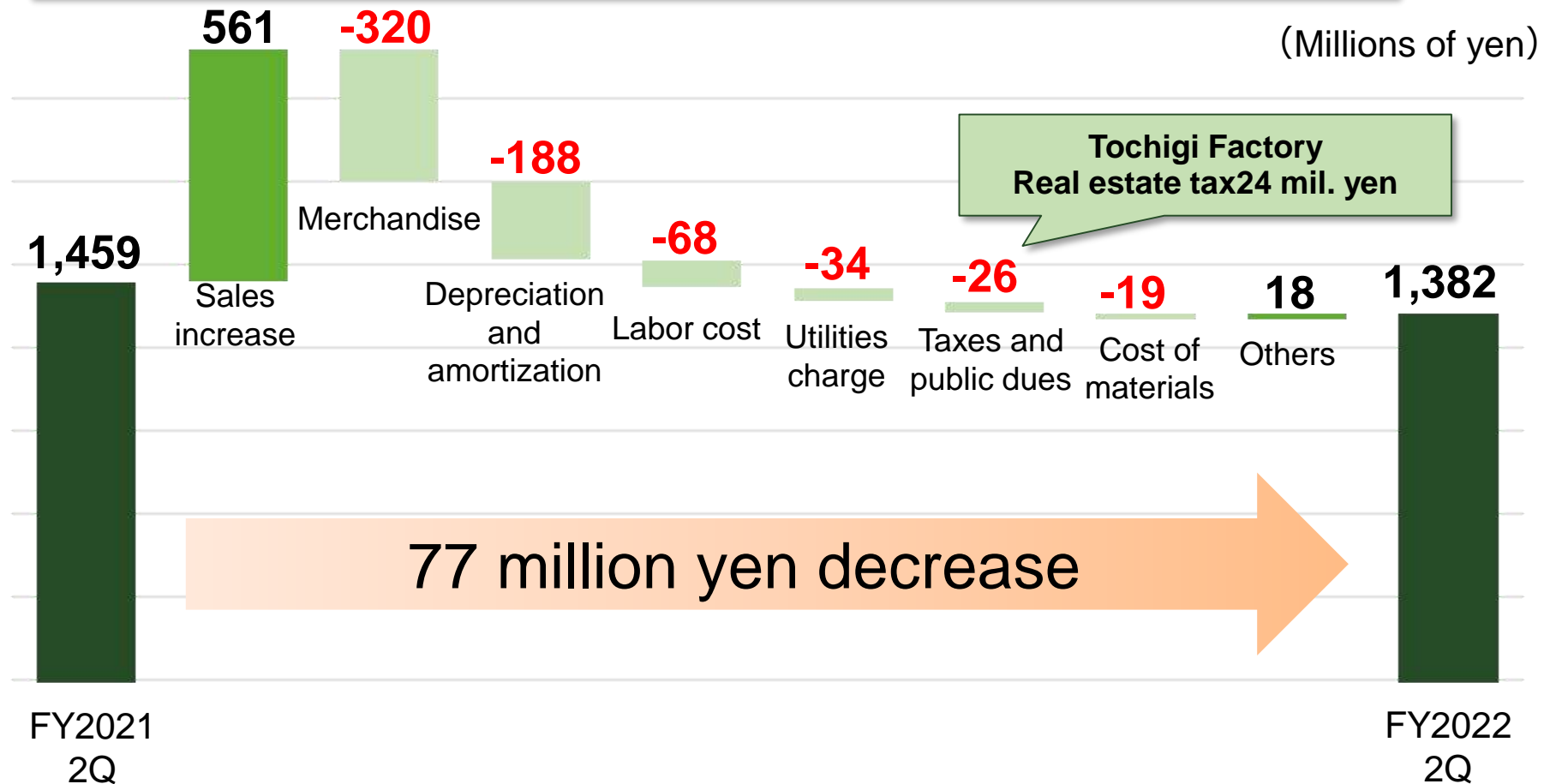
# 【Supplement】 Analysis of Gross Profit Figures SILVER LIFE

**Increases in depreciation and labor costs put pressure on gross profit.**

【Depreciation】 2 Factories 236mil. yen (PY 48mil. yen)

【Labor cost】 2 Factories 340mil. yen (PY 272mil. yen)

**Production efficiency gradually becomes more pronounced (see p. 15 & 16)**

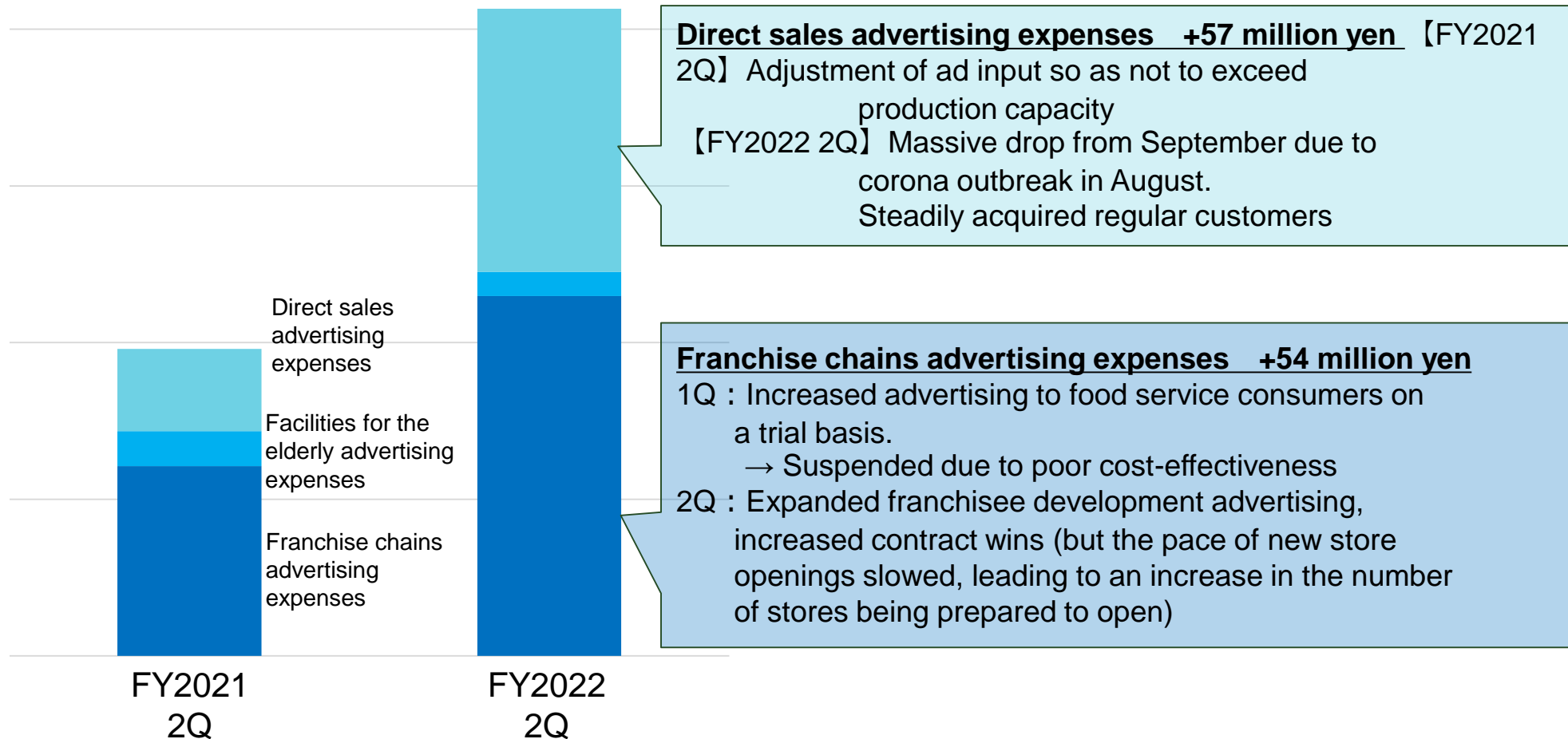


# 【Supplement】 Increase in advertising expenses SILVER LIFE

Significantly increased from the same period last year

98 million yen → 208 million yen

※From August for Franchise chains and Facilities for the elderly,  
and from September for Direct Sales



# 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 are expected to grow steadily.
- Gross profit increased slightly, while depreciation, labor cost, material cost, utilities cost, etc. increased due to operation of Tochigi Factory.
- SG&A expenses increased significantly; advertising expenses increased due to aggressive sales promotion, and depreciation expenses were incurred when the warehouse became operational in March 2022.

# FY2022 Sales Forecast per Sales Category



## Franchise chains

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

Assumed number of stores at the end of the fiscal year: approx. 1,000 stores (approx. 70 stores increase from the previous fiscal year)

Delays in opening stores are expected to be resolved in the second half of the fiscal year, while the new "Takushoku Life" chain is expected to make only a minor contribution to sales during the current fiscal year, as most of the stores have just opened.

## Facilities for the elderly

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

Major renewal of frozen food "Kodawari Chef" from November 2021

Kazo Distribution Center will start operation in March 2022, reducing storage and picking costs, aiming to further expand sales and improve profit margins

## Direct Sales / Others

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

Manufacturing limits have been eliminated, and aggressive sales promotion measures will be promoted from this fiscal year.

Sales activities of OEMs are also favorable, and many projects under product development will start posting sales from 3Q. The operation of the above distribution center will enable us to provide total service of "manufacturing, storage, and picking", which will significantly increase our competitive advantage.

## Upward revision for 1H, but full-year forecast unchanged

<Forecast for the second half >

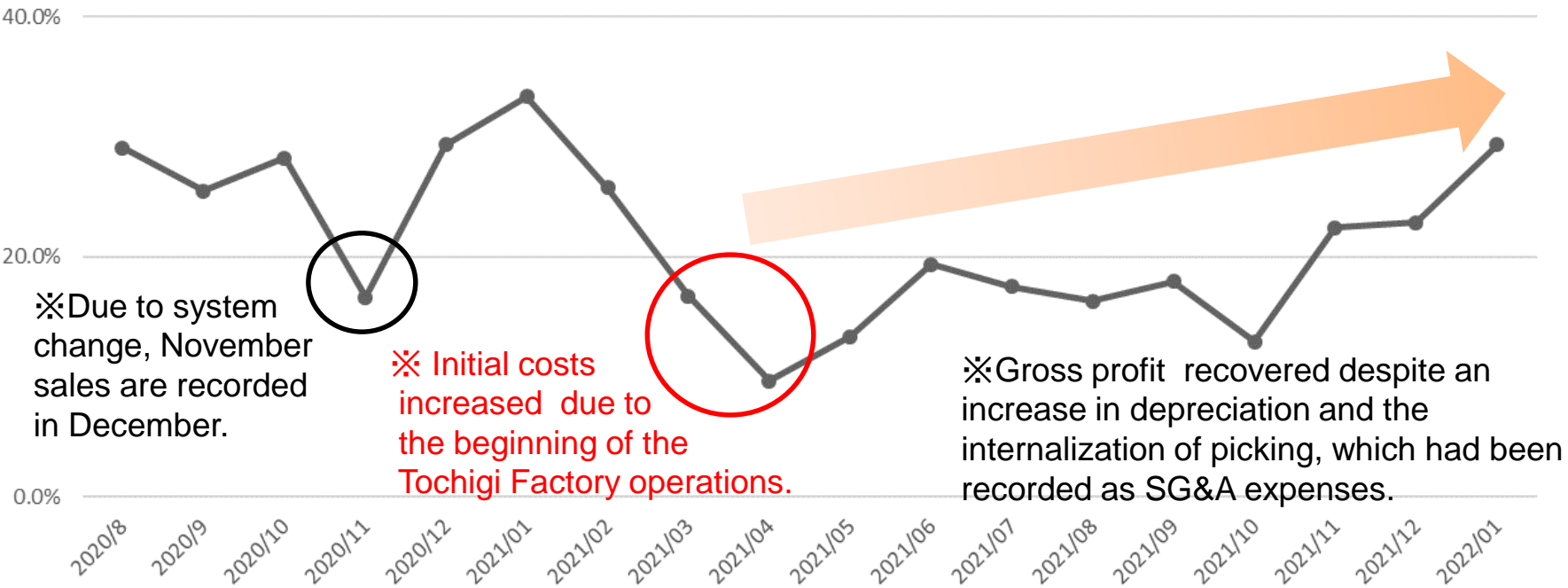
Sales	All sales categories are expected to remain strong. Direct sales and other sales plans are weighted toward the second half of the year, but we aim to achieve the plan.
cost price	Upside and downside are competing against each other, with many factors unclear. Steady pace of production efficiency improvement at Tochigi Factory ○ (May add two "○" marks since they are above expectations) × Soaring raw material costs; various price increase notices are coming in every month at the moment × Part of the real estate acquisition tax for the Tochigi Factory, approx. 55million yen, will be incurred from 3Q onward.
SG&A expenses	Many downside factors in 2H non-consolidated Operational efficiency improved by operating Kazo Distribution Center (bringing warehouse operations in-house) × However, initial costs for Kazo were more than planned. × Advertising expenses are also higher than planned for direct sales expansion. × Real estate acquisition tax of Kazo, approx. 7 million, will be incurred from 3Q onward.



# Improved gross profit margin and productivity



Gross profit margin of own factory※ Includes internalized picking costs (SG&A expenses)



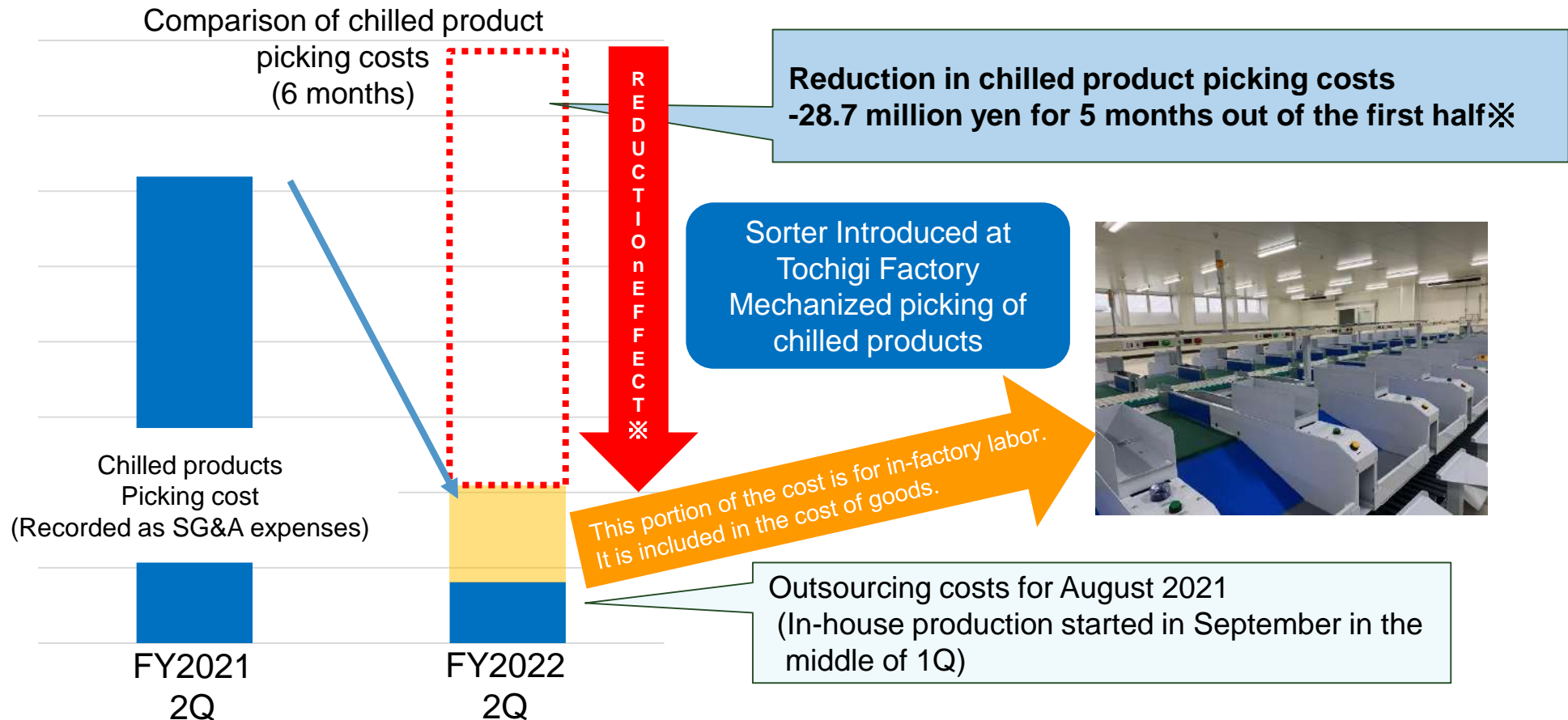
Material costs	Some outsourced products were brought in-house. Reduced impact of raw material price raising.
Labor costs	Manpower saving through mechanization enables the Tochigi Factory to produce the same amount of food ingredients with about 30% fewer workers than the Gunma Factory.
Outsourcing expenses	In-house production of picking operations that had been outsourced (reduction of SG&A expenses)

# Reduction of picking costs (SG&A expenses)

In-house picking of chilled products at the Tochigi Factory and mechanization of SG&A expenses

Achieved a cost reduction of approximately 5 million yen per month.

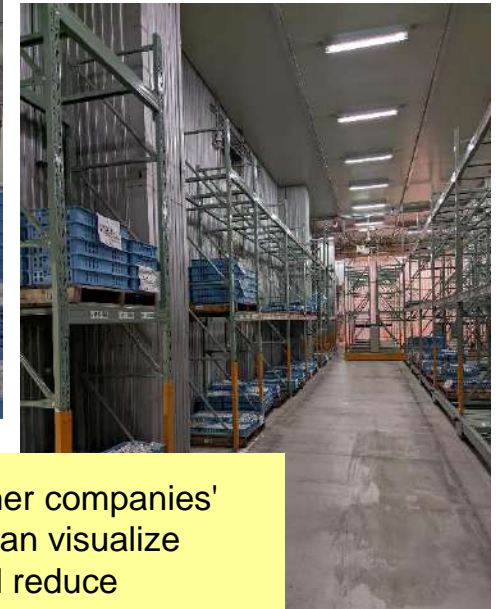
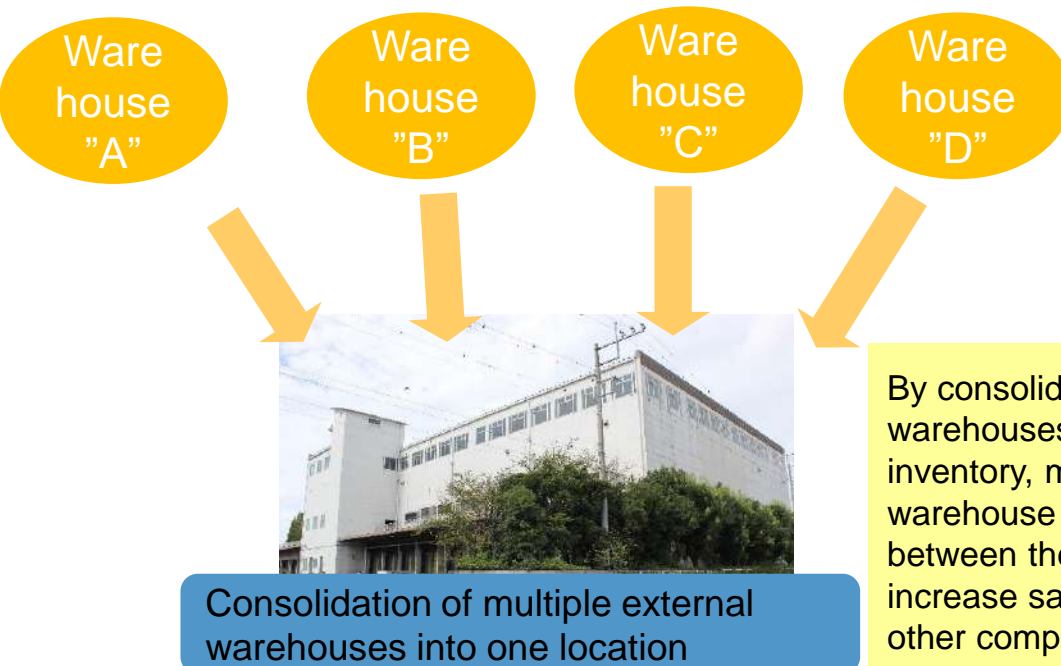
Reduction effect will increase as sales grow in the future.



※ Assumed cost of outsourced picking against actual sales of chilled products manufactured in the company's own factory - Cost (August outsourcing cost + in-factory labor cost)

# Progress at Kazo Distribution Center

2022/3	2022/4	2022/5	2022/6	2022/7
Delivery of manufactured products				
	Transfer products stored in an external warehouse			
		Started warehousing business(Storage and picking of other companies' products)		
Relocation of call center				



By consolidating products stored in other companies' warehouses into our warehouse, we can visualize inventory, manage it appropriately, and reduce warehouse costs, picking costs, and delivery costs between the factory and warehouse. Furthermore, increase sales by undertaking storage and picking of other companies' products.

## Environmental Initiatives



- Solar power generation started at Tochigi Factory and Kazo Distribution Center



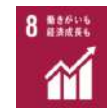
In March 2022, we began using solar power generation on the roof space of our Tochigi Factory. Our annual electricity consumption at the Tochigi Factory alone is approximately 2,400,000 kWh per year. From now on, we will be able to cover a part of this amount with solar power. ※Plans to introduce the system at Kazo Distribution Center

By using energy that does not emit carbon dioxide, we will strive to realize a sustainable society.

Installed solar power generation  
Tochigi Factory and  
Kazo Distribution Center



## Human Rights Initiatives



- Weekends are closed at Gunma Factory. Improved Job Satisfaction



Starting in February 2022, Gunma Factory will be closed on Saturdays and Sundays. Gunma factory, which used to operate at full capacity seven days a week, can now manufacture more than ever even with five-day-a-week operation thanks to improved efficiency through mechanization. (Tochigi Factory is currently operating six days a week as it is in the process of stabilizing operations.)

Gunma Factory has been receiving many requests from employees for fixed holidays on Saturdays and Sundays, and now all employees are able to take them equally, leading to higher employee satisfaction. We also offer other benefits such as a scholarship repayment program, wedding and maternity gifts, and permanent remote work in departments where possible, and will continue to improve job satisfaction.

# Company Overview



# Our Management Philosophy and Mission



## 【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



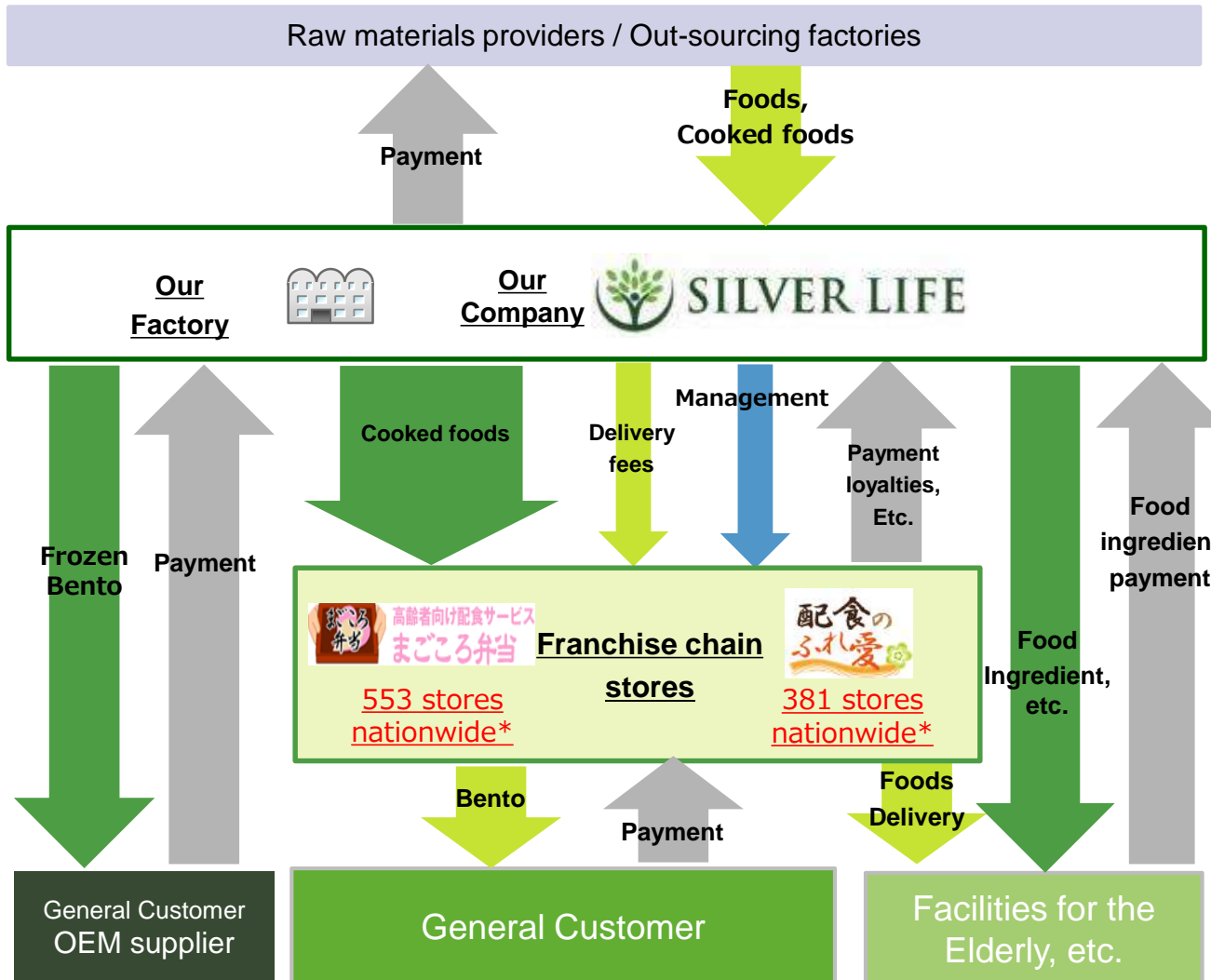
Company Name	SILVER LIFE Co., Ltd.
Representative	President, CEO : Takahisa Shimizu
Established	October 2007
Capital Stock	724 million yen (as of July 31, 2021)
Address	Highness Lofty Level 2, 4-32-4, Nishishinjuku, Shinjuku-ku, Tokyo, 160-0023, Japan
Businesses	<ul style="list-style-type: none"><li>▪ 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

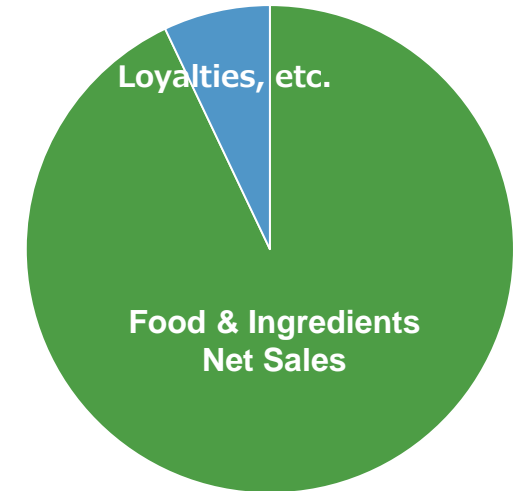
Date	Main store / Business development	Stores / Business development
Oct. 2007	Company established in Setagaya-ku, Tokyo	
Nov. 2007		Opened the 1st directly managed store in Setagaya-ku, Tokyo
Apr. 2009		Launched our first franchise chain "Magokoro Bento"
Sep. 2010		Accomplished 100 "Magokoro Bento" 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

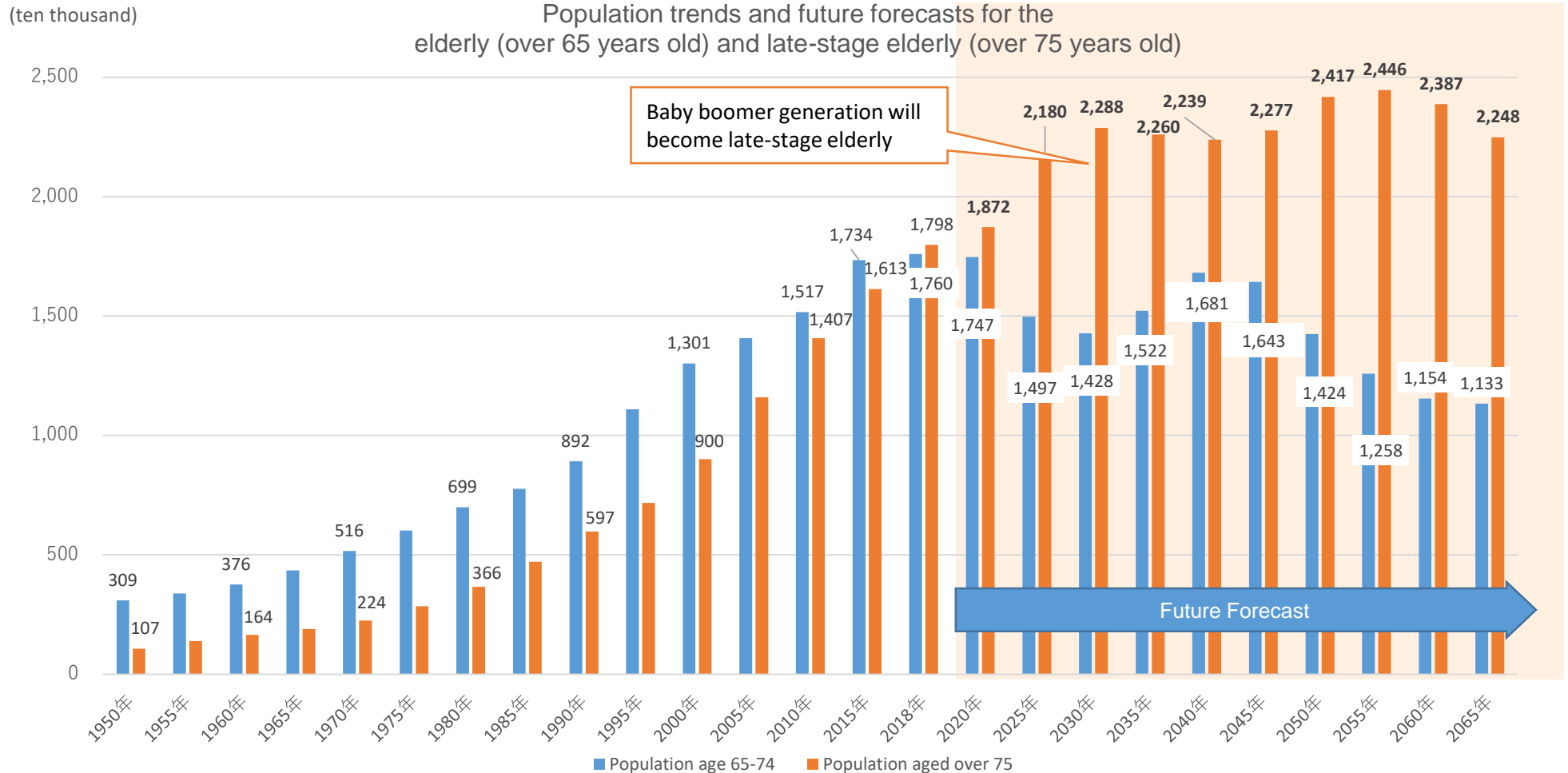
A continuous profit system in which our food net sales increases proportionally to the growth in net sales (number of meals) of franchise chain stores.

(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

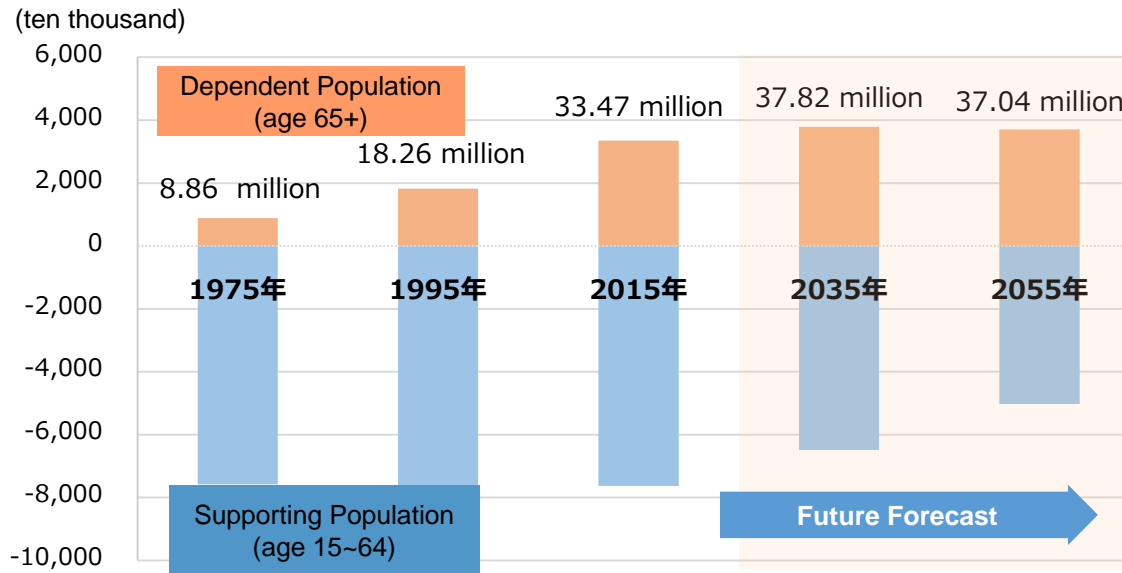


# External Environment (a business that does not rely on long-term care insurance)



**SILVER LIFE**

Changes in the Working Generation and the Elderly Population

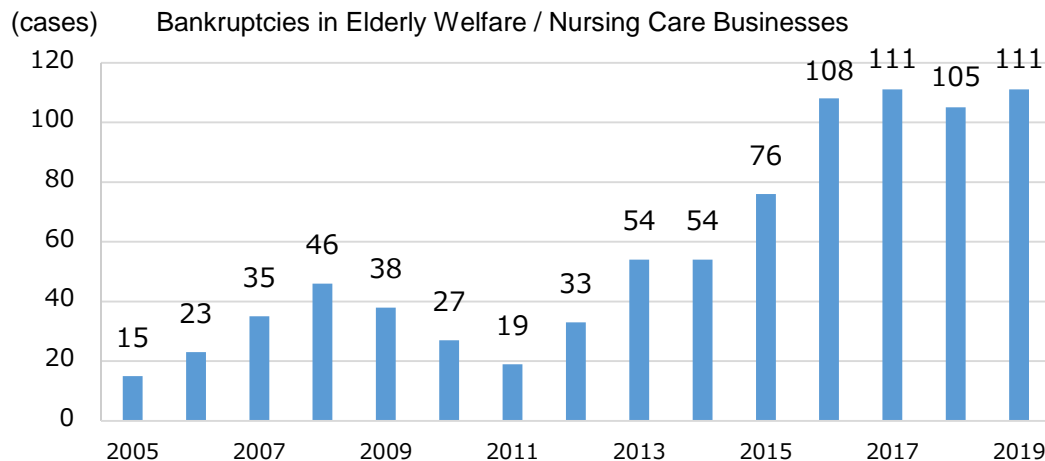


The working generation (15 to 64 years old) is decreasing, and the elderly population is increasing

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.



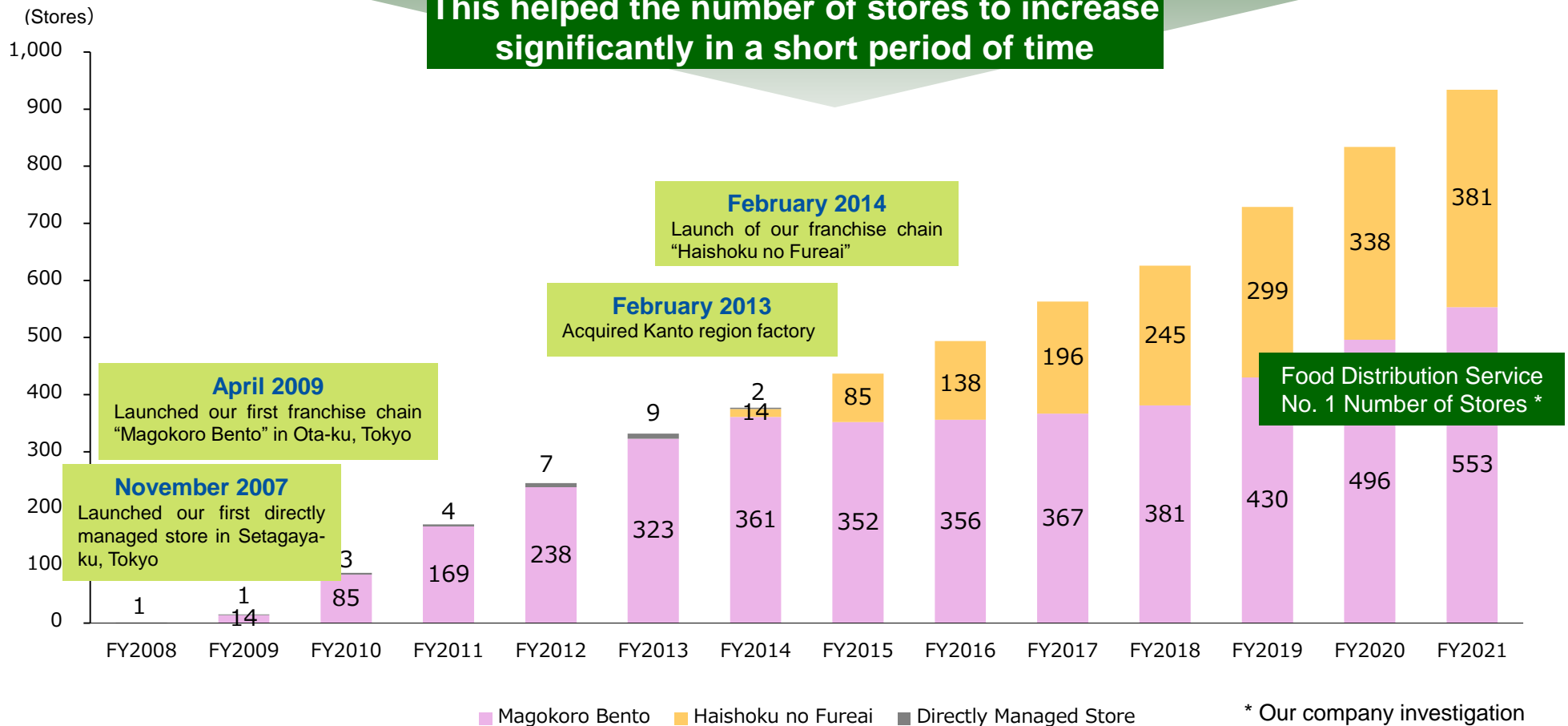
# **Our Company Features and Advantages**

# Our Advantage: FC Network stores opened



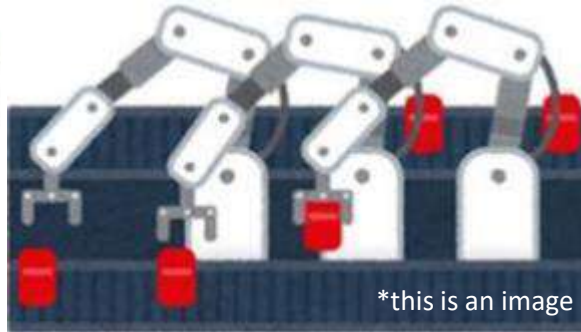
- Low-cost opening (non-visit-type stores with no restriction to location / no large kitchen equipment required)
- The simple process of preparing cooked ingredients and delivering (the business can be started alone)
- Stable supply of high-quality cooked ingredients from FC headquarters (no cooking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

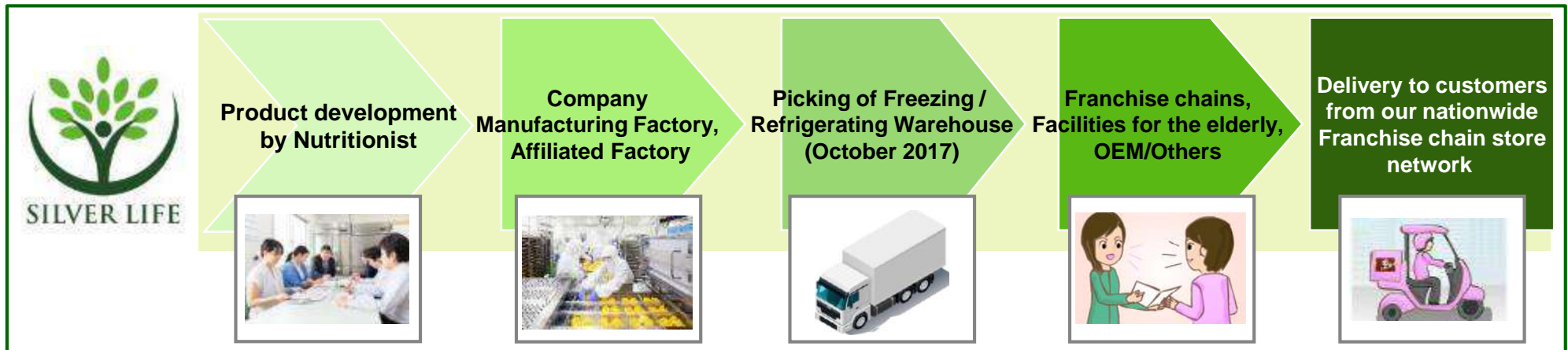
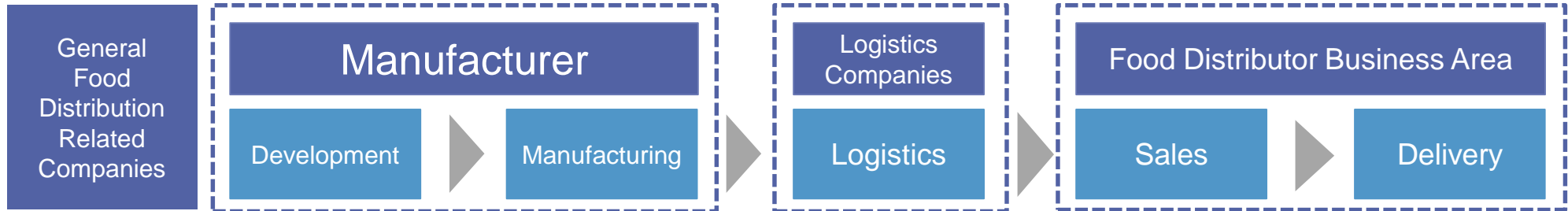


## Franchise Chain Network

- "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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