

The Financial Results for the Fiscal Year Ended July 31, 2022

SILVER LIFE Co., Ltd.



Summary of the Fiscal Results and Whole Financial Year Forecast

FY2022 Financial Results

(Millions of yen)

	FY2022				FY2021			FY2022 Forecast
		YoY Changes	Composition Ratio	Compared with Forecast		YoY Changes	Composition Ratio	
Sales	11,215	11.6%	100.0%	-4.3%	10,050	13.8%	100.0%	11,720
Gross Profit	3,088	13.5%	27.5%	3.7%	2,720	4.2%	27.1%	2,980
Operating Profit	561	-33.1%	5.0%	2.1%	839	-10.1%	8.4%	550
Ordinary Profit	709	-27.1%	6.3%	4.3%	973	-10.4%	9.7%	680
Profit	401	-26.4%	3.6%	-6.5%	546	-19.5%	5.4%	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 8 million each.

Sales per Category: Franchise Chains

Franchise chains

Sales 8,080 million yen (YoY +11.1 %)

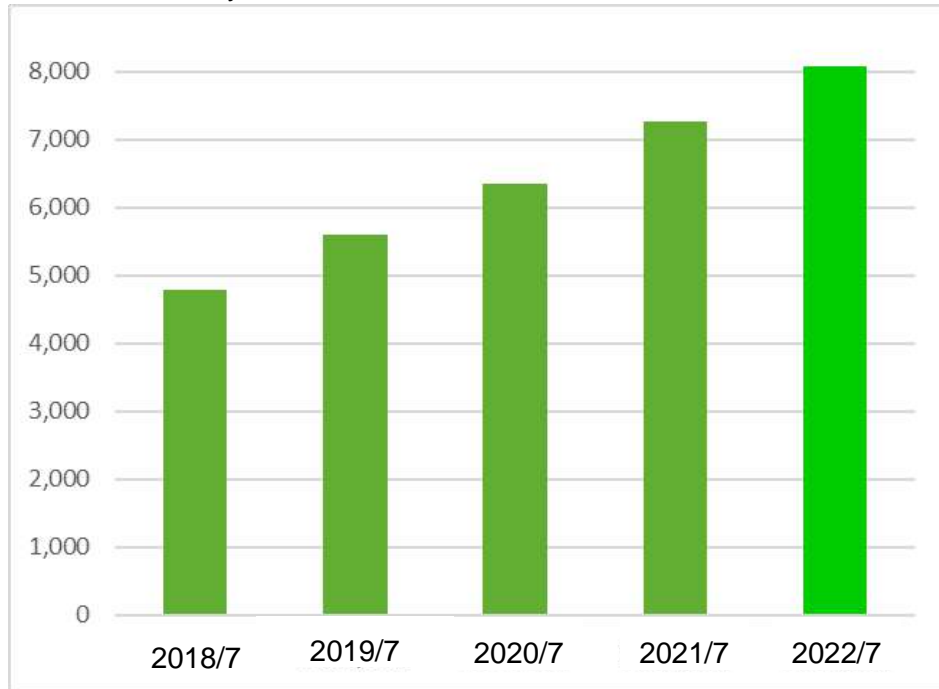
Stores 990 (compared to the previous year-end +56)

Existing stores sales YoY (Open 13 months past)

Magokoro Bento +14.0%、Haishoku no Fureai +30.2%

Growth continues on the back of moderate store growth and sales per store

(Millions of yen)



Facilities for the elderly

Sales 1,307 million yen (YoY +6.5 %)

Cilled: 923 million yen. YoY -9.0% (71% of sales to Facilities for the elderly)

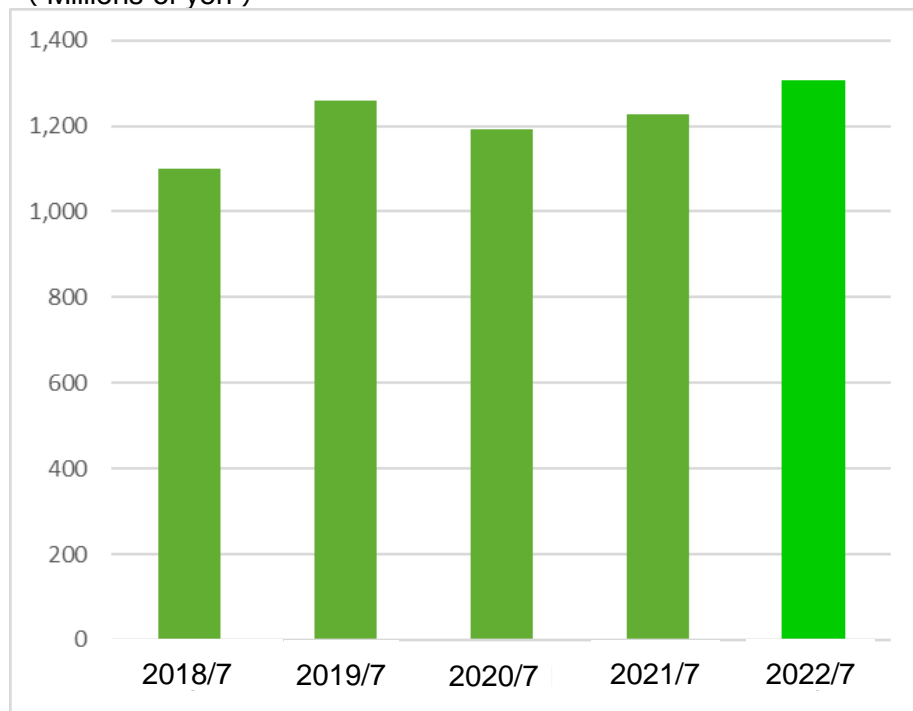
Stabilized the Tochigi Factory and introduced the "Fit Plan" to enable individual meals from July 2022. Return service levels to previous levels

Frozen: 384 million yen. YoY +80.3% (29% of sales to Facilities for the elderly)

Sales activities are in full swing as the impact of COVID-19 fades, and "Otegaru Chef," a low-priced brand, is launched

With the operating of the Kazo Distribution Center, the daily shipment limit has been eliminated, and full acceleration is now underway

(Millions of yen)



Sales per Category: Direct sales / Others

Direct Sales/
Others

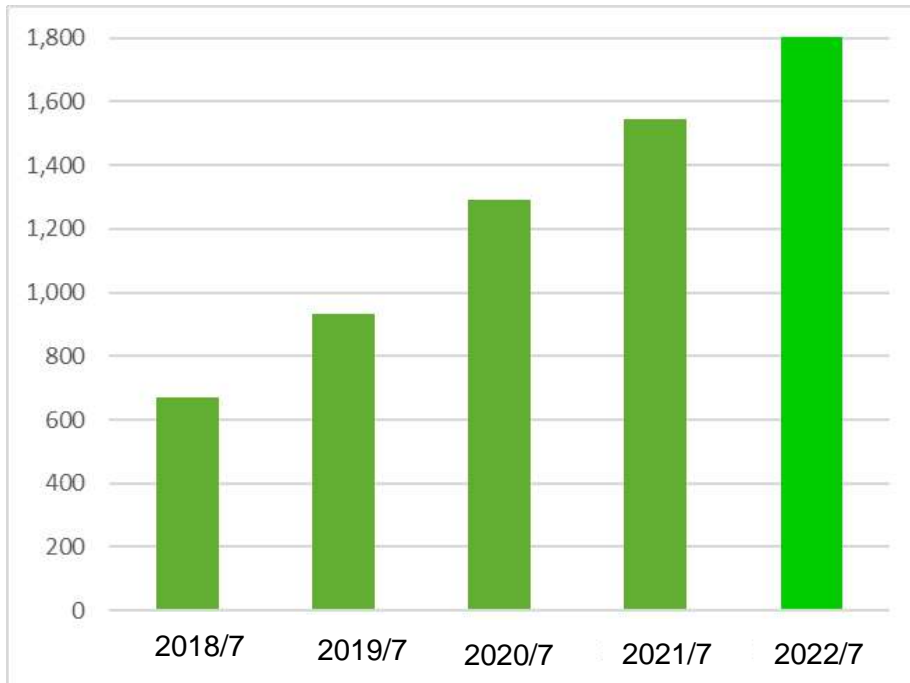
Sales 1,827 million yen (YoY +18.1%)

Direct sales: 1,257 million yen. YoY+39.7%

OEM: 564 million yen. YoY-12.7%. Continued decline in contract volume from existing large customers. The pace of decline gradually slowed due to the development of new customers

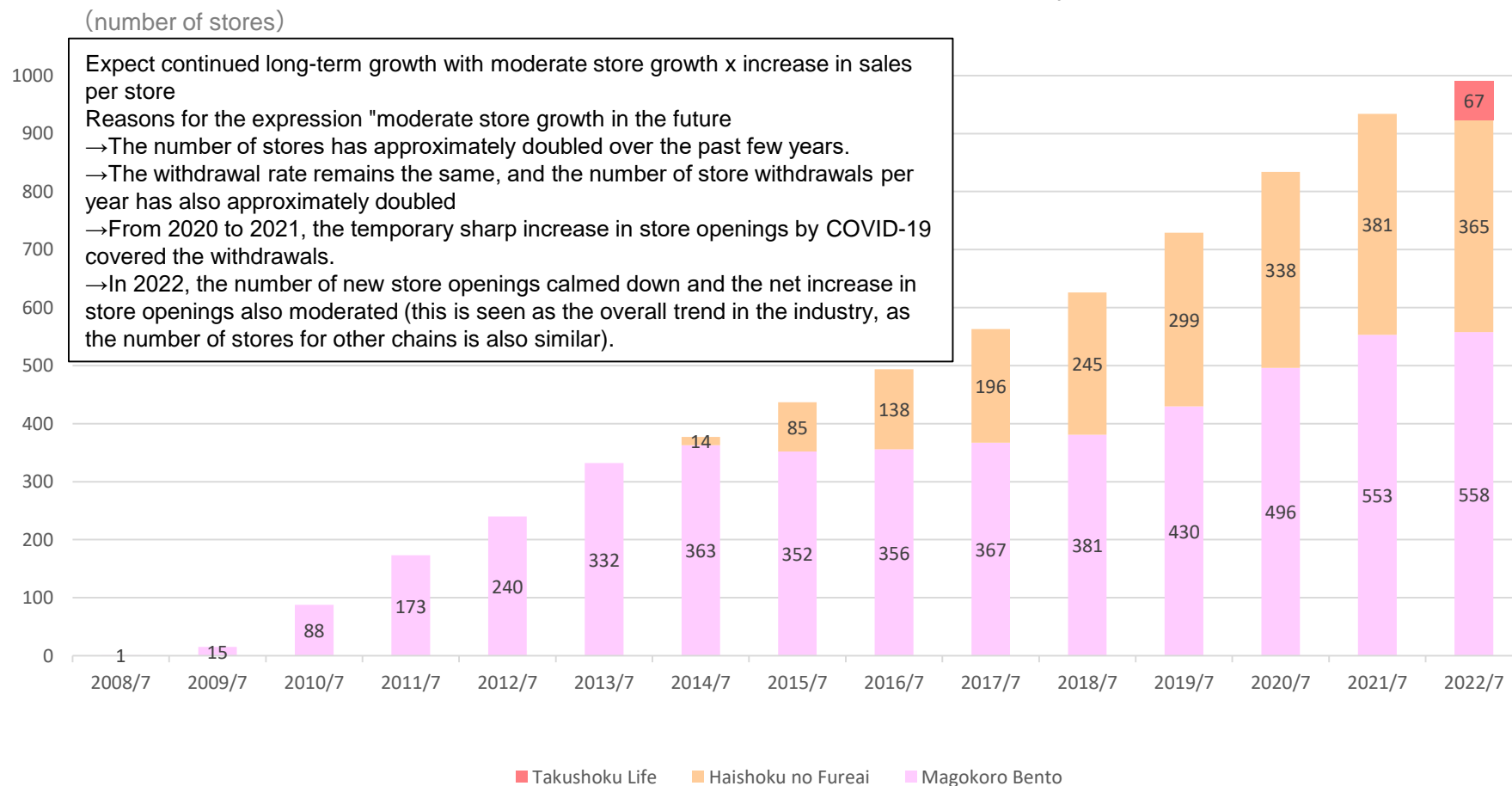
Warehousing operations: 5 million yen.began operations in July 2022.small sales but almost entirely profitable

(Millions of yen)



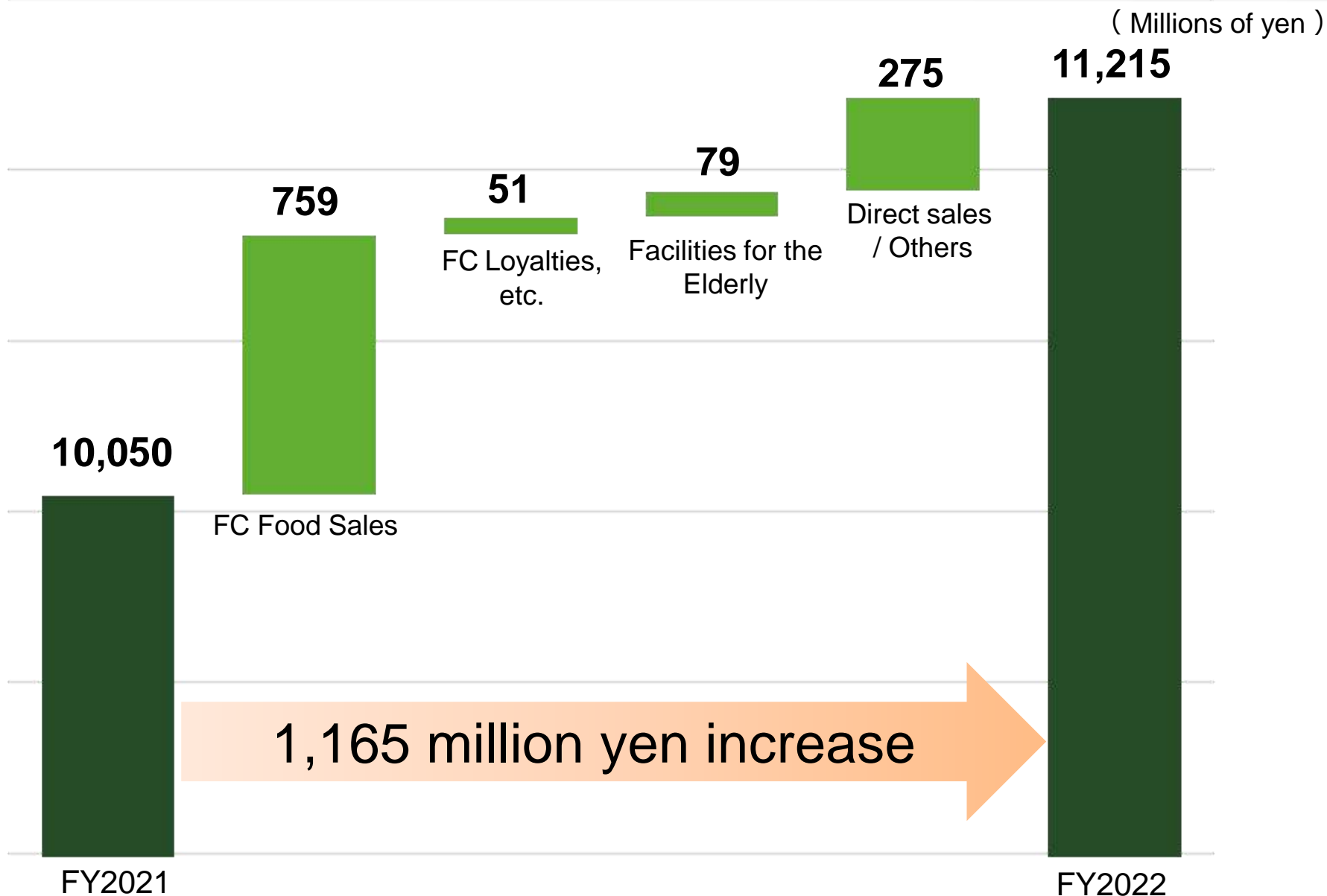
Number of Stores

6 "Magokoro Bento" stores and 67 "Takushoku Life" stores increased. 17 "Haishoku no Fureai" stores decreased (compared to the previous year-end)
990 stores in total (as of the end of July. 2022)



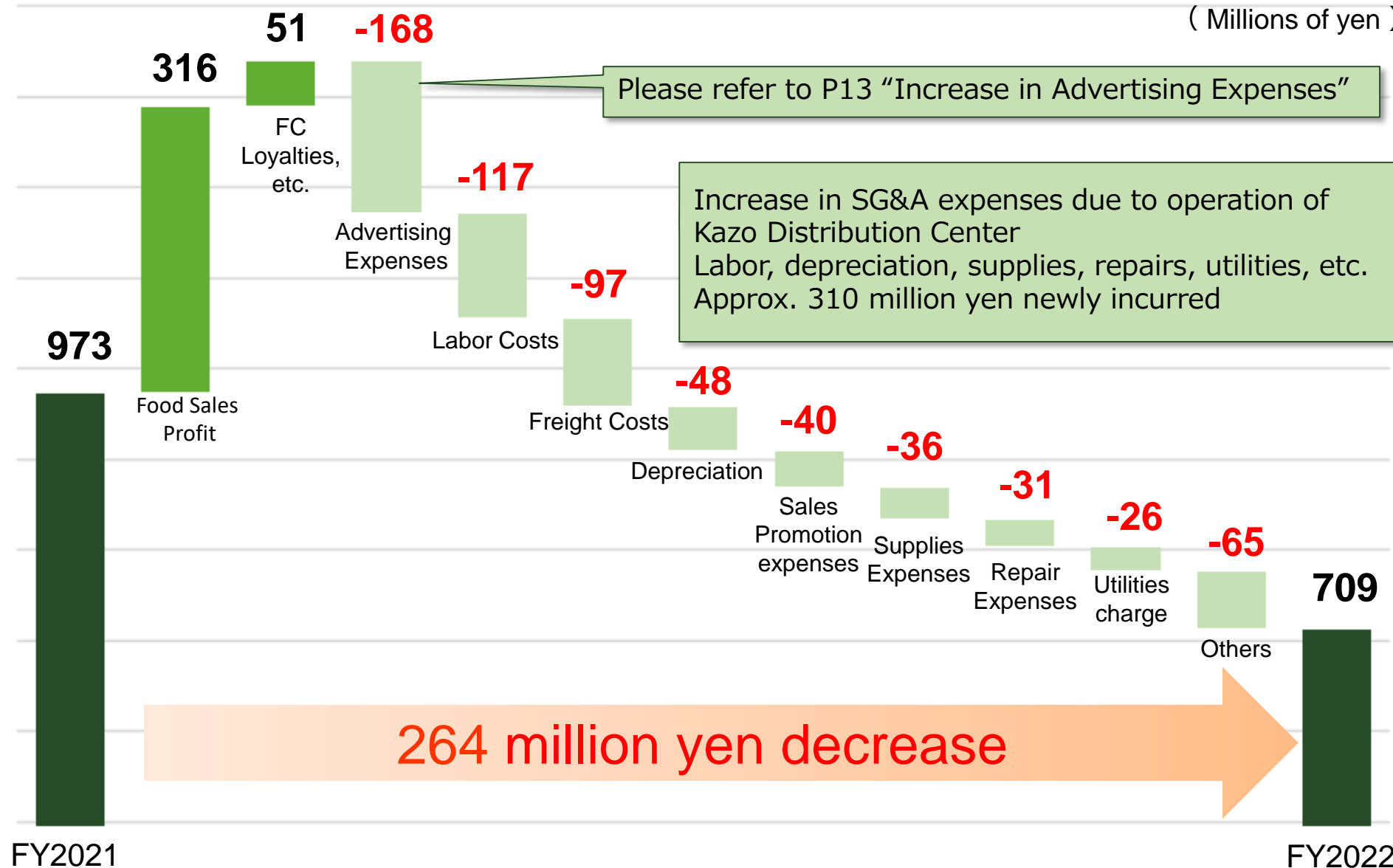
- * 1. "Rakuraku Bento" is not included in the above number of stores since it will only be a store opened alongside a member store.
- 2. Since store sales start from zero and gradually increase after the opening, contribution to sales will be from the next year after the store opens.

Analysis of Sales Figures



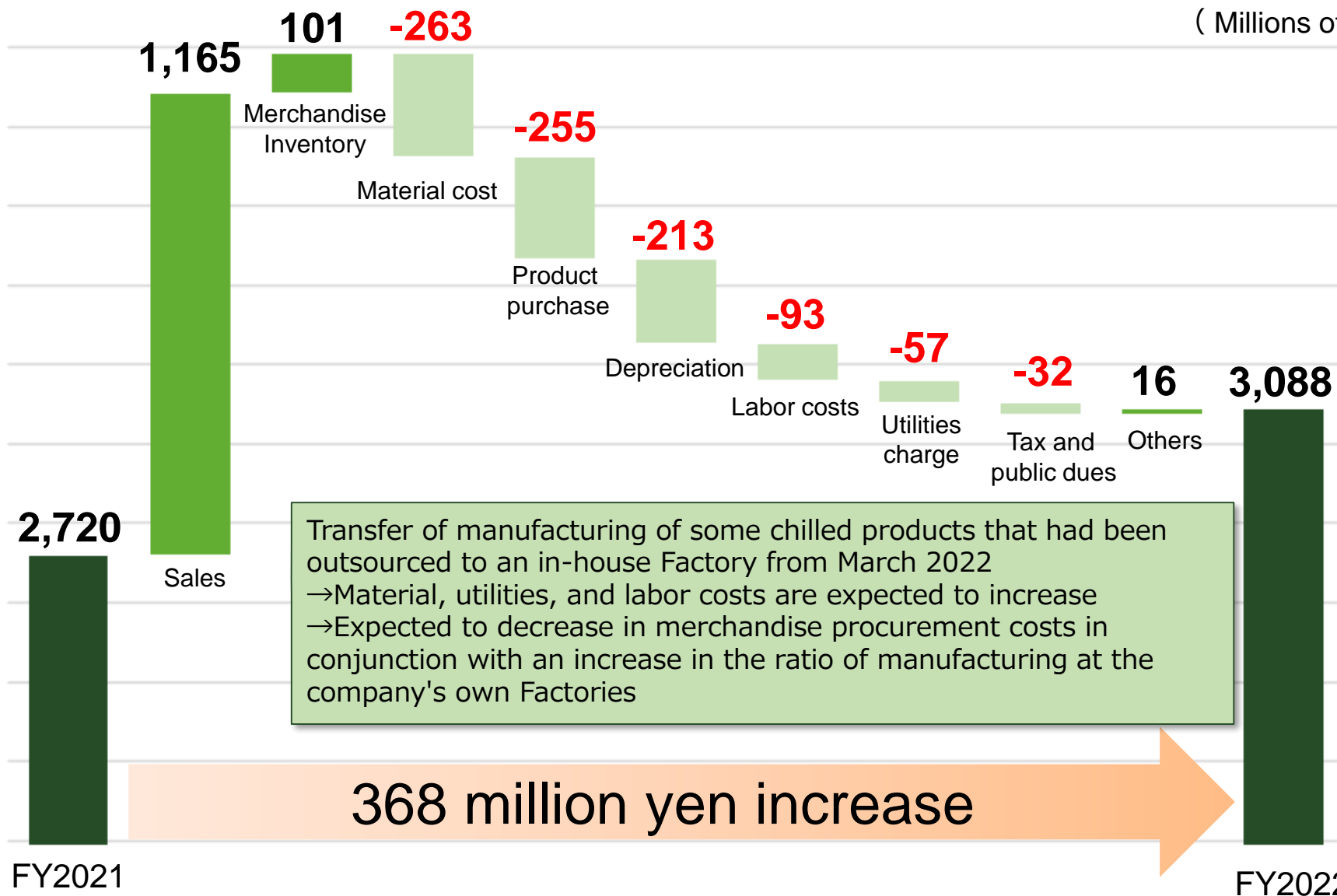
Analysis of Ordinary Profit Figures

(Millions of yen)



Analysis of Changes in Gross Profit

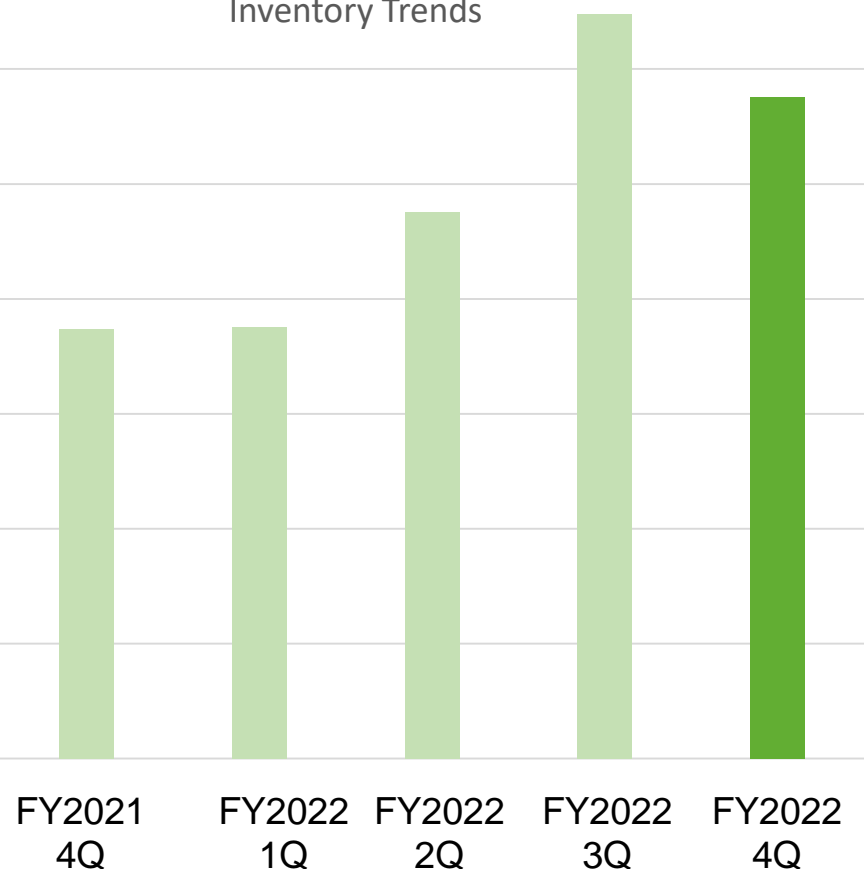
(Millions of yen)



Factor for operating profit in the 4Q only

Disposal of approximately 76 million yen worth of frozen inventory in one lump sum, which was a negative factor for operating profit in the 4Q only

Inventory Trends



In March 2022, the company set up its own warehouse, and from March to June, gathered inventory from several other companies' warehouses in one location and established its own storage system, but found it to be inadequate.

Some inventory was out of date.

Some of the inventory had been removed from the inventory to be shipped and stored in a dead stock.

The total amount of the inventory up to now was 76 million yen.

Periodic reports of expiration dates had been received from the storage facility.

The inventory was left unattended amongst a lot of information.

There was no alert system for inventory due dates.

The exact amount of inventory was not known, and only that group of products was being manufactured unnecessarily.

After discovering the problem, the company disposed of 76 million yen worth of dead items in one lump sum.

From now on, the company will manage the items in-house to create a management system as an ordinary company and prevent recurrence of such a situation.

Impairments incurred in 4Q

Impairment of approximately 95 million yen on the former Akaiwa Distribution Center profit before income taxes was negatively impacted, which was not anticipated in the budget.



The former Akaiwa Distribution Center will be used as a vegetable cutting center. (If conditions are favorable, we will consider selling the center to another company or leasing it at the same time.)

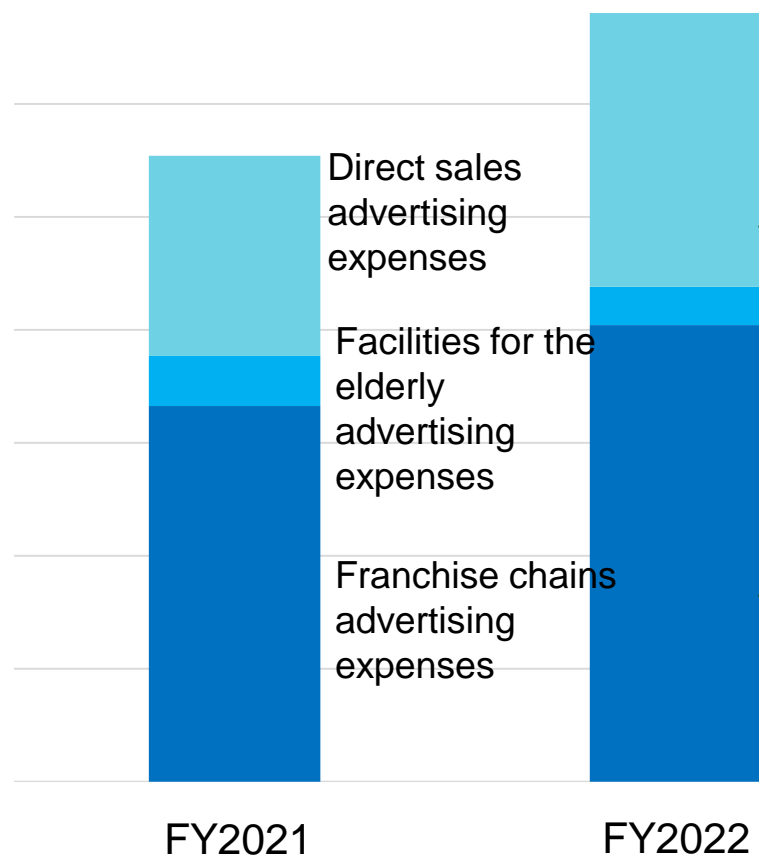
(If conditions are favorable, we will consider selling or leasing it to another company at the same time. The property was subject to impairment because it could not be realized and is vacant at the present time.

Currently the factory purchases cut vegetables (There is no place for equipment that can wash muddy vegetables or a cutting machine.) In-house production here is expected to lead to long-term cost reductions, even taking into account capital investment and labor costs.



Increase in Advertising Expenses

Significant increase from the same period last year 277 million yen → 445 million yen



Direct sales advertising expenses +132 million yen

Previous period :Adjustment of advertising input so as not to exceed manufacturing capacity

Current period :August 2022: Suspended due to COVID-19 outbreak at the factory
Massive volume of ads to be dropped from September

Steady acquisition of regular customers (end of July 2021→end of July 2022)

Number of customers under regular course delivery 4,034 → 7,575

Number of freezers on rent out of which 1,338 → 3,235

Plan to hold back a little in 1-2Q and increase from 3Q onward
New frozen bento meals brand, which has been delayed, will be released from 3Q.

Franchise chains advertising expenses +35 million yen

Increased the amount of advertisements for food service consumers on a trial basis in the current fiscal year→Stopped due to poor cost-effectiveness.

Plans to try new initiatives in the future, such as MEO measures using Google Business Profiles, while monitoring cost-effectiveness.

FY2023 Forecast

(Millions of yen)

	FY2023 Forecast	YoY Changes	FY2022 Results	YoY Changes
Sales	12,700	13.2%	11,215	11.6%
Gross Profit	4,270	38.2%	3,088	13.5%
Operating Profit	700	24.7%	561	-33.1%
Ordinary Profit	860	21.2%	709	-27.1%
Profit	550	36.9%	401	-26.4%

- Sales forecast is stated on the Sales Forecast per Sales Category page.
- Gross profit is expected to increase significantly due to the transfer of chilled products to the company's own factory. However, freight expenses, which were previously borne by the outsourced manufacturing factory, are now included in the company's SG&A expenses.
- S.G.&A. expenses include an increase in advertising expenses due to aggressive sales promotion measures, and depreciation of the Kazo Distribution Center.

FY2023 Sales Forecast per Sales Category



Franchise chains

8,950 million yen (YoY +10.8%)

Estimated number of stores at the end of the fiscal year: around 1,040 stores (around 50 stores compared to the previous fiscal year)

Expect continued long-term growth with moderate store growth x sales per store

Facilities for the elderly

1,470 million yen (YoY +12.5%)

Introducing new services in different price ranges

"Fit Plan" for chilled products and "Otegaru Chef" for frozen products

Establish a sales structure with multiple low to mid-priced brands to ensure that customers are not left out

Direct Sales / Others

2,280 million yen (YoY +24.7%)

Direct sales business will promote new products and effective sales promotion measures

Continue aggressive marketing in OEM and warehousing operations

Establish competitive advantage through total service of "manufacturing + storage + picking" by operating Kazo Distribution Center

Review of Business Performance (FY2022) SILVER LIFE

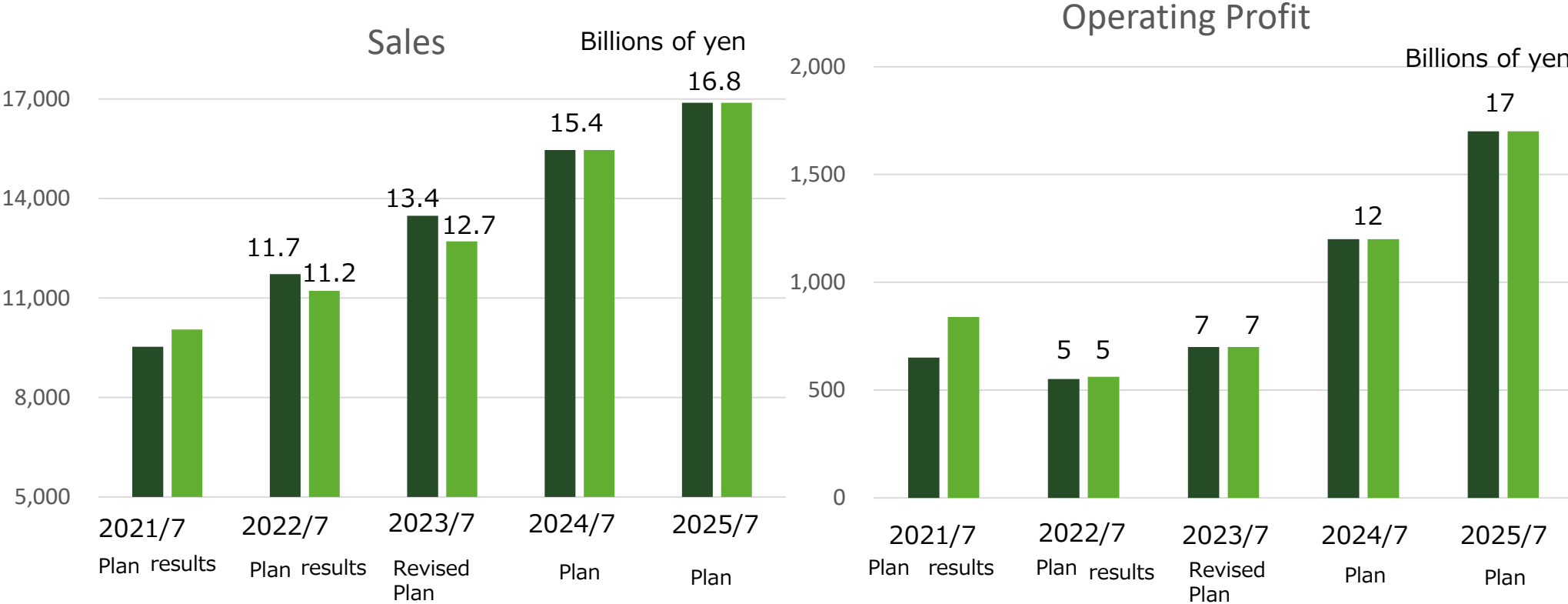
Item	Details
Sales	<p>Failed to meet plan</p> <ul style="list-style-type: none"> • Franchisees (increase in stores and sales per store) are both below forecast →Along with growth through own resources, we will consider M&A in the future • Delayed start of New Brand of Frozen bent meals“Life Meal”,“Chiisana Shiawase” →Sales are scheduled to begin in March 2023
Cost	<p>Reduced than Forecasts</p> <ul style="list-style-type: none"> • Continued upward trend in raw material prices →Minor impact due to menu replacements →Plans to switch from expensive foreign products to cheap domestic products due to the depreciation of the yen • Transferred a portion of chilled meals that had been outsourced to an external contractor to the company’s own Factory → Profitability improved despite increases in material costs, manufacturing labor costs, utilities costs
SG & A Expenses	<p>Significantly increase</p> <ul style="list-style-type: none"> • Increase in advertising expenses • Temporary expenses were increased with the start of operations at the Kazo Distribution Center • 310 million yen in total for labor costs, depreciation, repairs, etc.
Other	<ul style="list-style-type: none"> • Impairment loss on the former distribution center in Akaiwa, 95 million yen → Plans to use as vegetable cutting center

Review of FY 2022 Financial Results

(Compared to mid-term management plan)

SILVER LIFE

2023/7 → Sales plan revised downward due to delay in launching new frozen bent meals
→Operating profit in line with plan due to improvement in factory productivity
From July 2024 onward, both sales and operating profit will remain unchanged from the medium-term management plan



The major investment phase has ended
we will take sales by implementing a variety of measures

Franchise Chains

Baby boomer generation will become late-stage elderly starting in 2025.
→ Continue to grow gently as the number of late-stage elderly increases



Facilities for the Elderly

- Cilled introduced the "Fit Plan" Resume fractional packs. Restored to previous level
- Frozen Cheap frozen food brand Started "Kodawari Chef" also continue



Direct Sales

- (1) Efforts to strengthen advertising professionals
→ Introduce advertising analysis tools and Recruitment of advertising
- (2) Launch of new brands for the young and women
→ New brand of frozen bento meals in "Life Meals" Meals" and "Chiisana Shiawase" Started March 2023



OEM・Warehousing

- OEM Continue to acquire new business customer through aggressive sales activities.
- Warehousing operations Sales activities began in July 2022. expected to contribute to profit due to no additional costs and the profit going directly to the company.



【dividend】

Beginning with the FY2023, we will begin paying dividends

For the time being, we plan to pay dividends with a payout ratio of 30%
All planned major capital investments have been completed, and we aim to expand performance, increase profits, and steadily increase dividends

【Shareholder benefits】

Shareholder benefits were initiated in the FY2023 (Distribution of two 5,000 yen gift certificates for use on the company's website to shareholders holding 200 or more shares)

We hope that our shareholders will try our meal, deepen their understanding of our company, and become even more fans of our meals



ESG Initiatives

Environmental Initiatives



- Installed solar power generation
Tochigi Factory started operation in May. May-July 2022. Provide an average of 10% of the factory's total electricity consumption.
Annual reduction forecast is -95 kW in electricity and reduction forecast in electricity cost: -4 million yen.
Kazo Distribution Center will also begin operation in August. The same effect is expected.



- Calculation of CO2 emissions
CO2 emissions are currently being calculated. Scope 1 and 2 will be calculated at the end of 2022. Visualization of numerical values and efforts to reduce.
Scope 3 is also expected to be calculated by the end of this fiscal year (July 2023).
In addition, we are convinced that this business will contribute directly to CO2 reduction by increasing sales, since it will reduce CO2 emissions from inefficient daily shopping and cooking in each household.

Governance Initiatives



- Establishment of Nominating and Compensation Committee.
Establishment of a Nomination and Compensation Committee with a majority of independent outside directors, and introduction of decisions by the committee beginning with the election of directors and proposed executive compensation for the 2023/7.

Social Initiatives



- Choice of work style
Increase in combined remote work, full remote work. Able to work while raising children.
- Increased use of maternity and paternity leave
Ten years have passed since the start of new graduate recruitment, and many employees have reached the appropriate age for acquisition.
- Number of maternity and paternity leave taken
2021/7 0 2022/7 5
- Increase in the number of female managers
- Number and Ratio of Female Managers
2021/7 4 15.4% 2022/7 8 26.7%

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

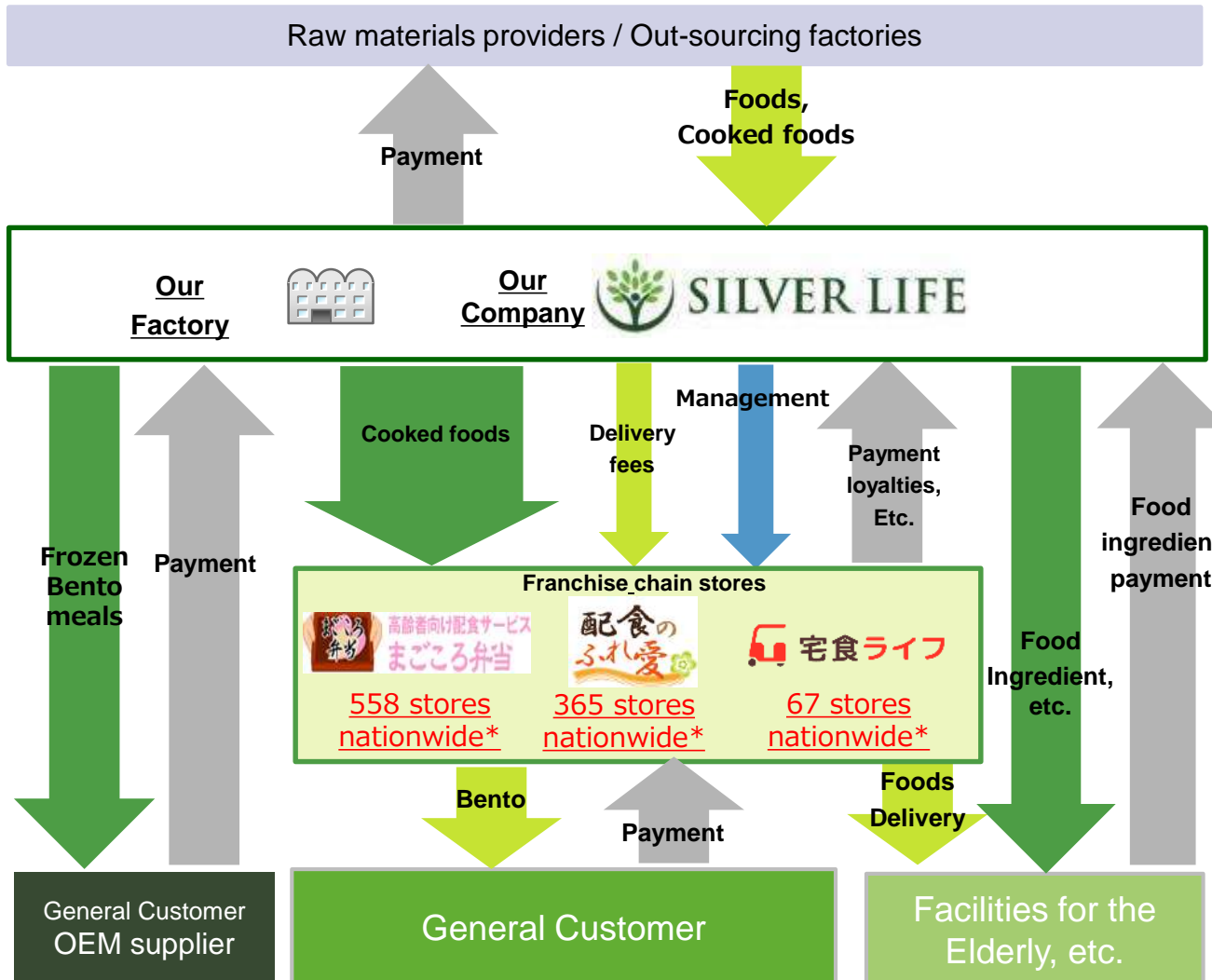
Company Name	SILVER LIFE Co., Ltd.
Representative	President, CEO : Takahisa Shimizu
Established	October 2007
Capital Stock	725 million yen (as of July 31, 2022)
Address	Highness Lofty Level 2, 4-32-4, Nishishinjuku, Shinjuku-ku, Tokyo, 160-0023, Japan
Businesses	<ul style="list-style-type: none">▪ Franchise management of food delivery service for the elderly (Service names: “Magokoro Bento”, “Haishoku no Fureai”, “Takushoku Life”)▪ Food ingredient sales to senior-care facilities (Service names: “Magokoro Shokuzai Service”, “Kodawari Chef”)▪ Own brand and OEM sales of frozen bento meals (Service name: “Magokoro Care Shoku”)
Website	https://www.silver-life.co.jp/
Employees	426 (Full-time: 173 / Part-time: 253) As of the end of July 2022
Factory	<ul style="list-style-type: none">▪ Gunma Factory:1678-1, Nakano, Ora-machi, Ora-gun, Gunma, 370-0603, Japan▪ Tochigi Factory:576-6, Hakaricho, Ashikaga-shi, Tochigi, 326-0327, Japan
Distribution Center	<ul style="list-style-type: none">▪ Kazo Distribution Center:376, Sakae, Kazo-shi, Saitama, 349-0213, Japan

Our History

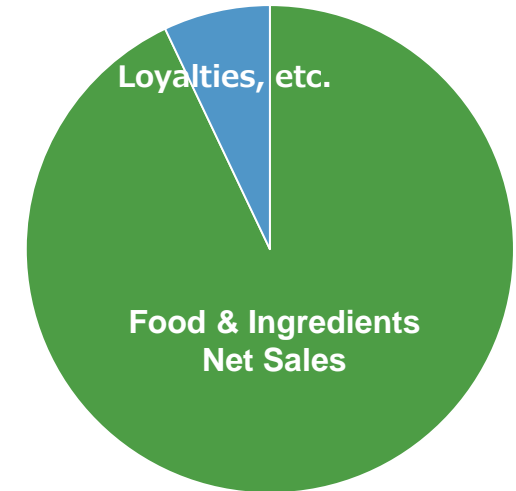
Date	Main store / Business development	Stores / Business development
Oct. 2007	Company established in Setagaya-ku, Tokyo	
Nov. 2007		Opened the 1st directly managed store in Setagaya-ku, Tokyo
Apr. 2009		Launched our first franchise chain "Magokoro Bento"
Sep. 2010		Accomplished 100 "Magokoro Bento" 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	
Mar. 2021	Tochigi Factory begins operations	
Sep. 2021		Launch of our third franchise chain "Takushoku Life"
Mar. 2022	Kazo Distribution Center begins operations	

Business Model

Schematics of our Business Operation



FY2022 Sales Percentage



Mainly Wholesale Ingredients

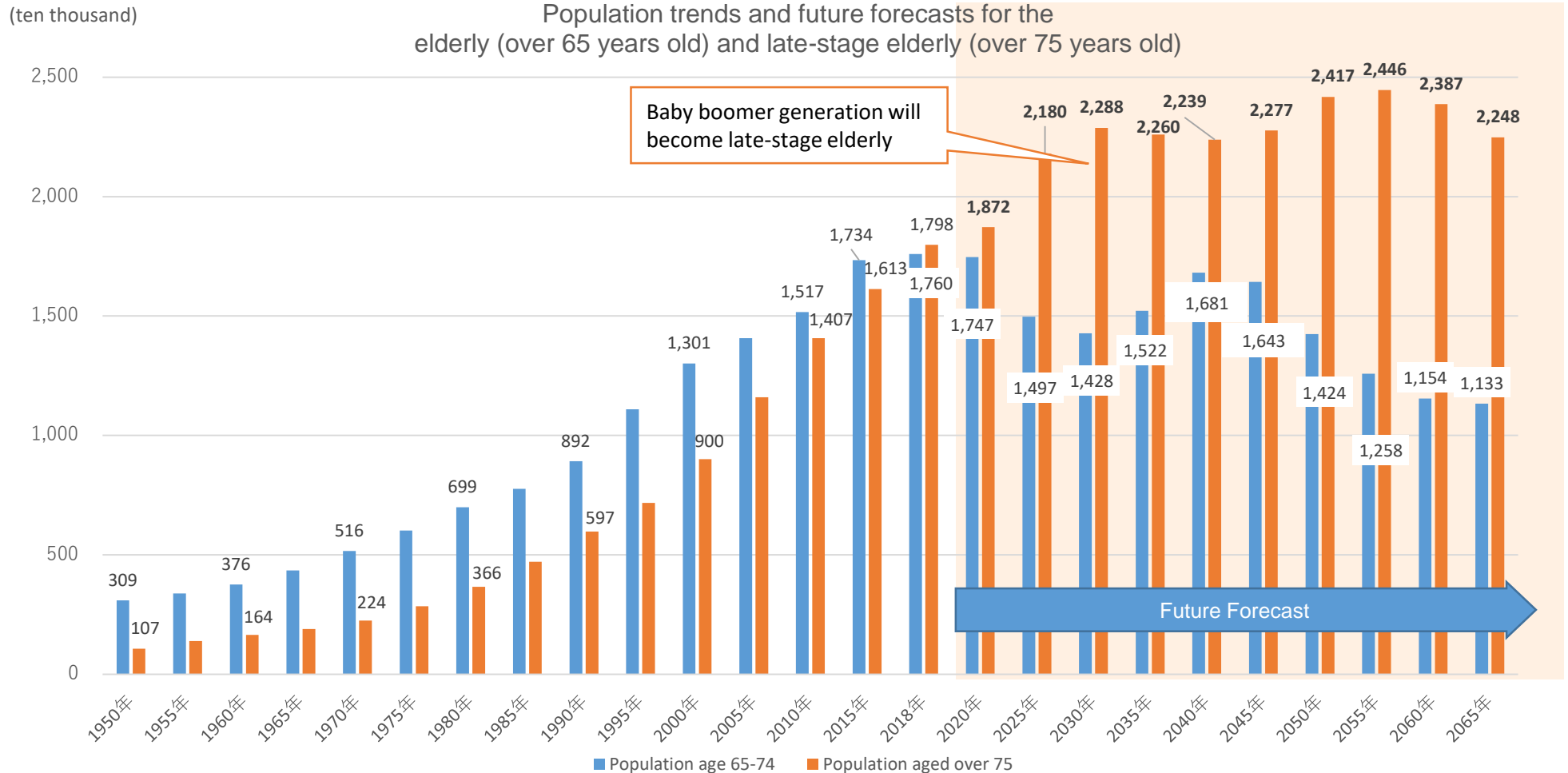
A continuous profit system in which our food net sales increases proportionally to the growth in net sales (number of meals) of franchise chain stores.

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

*As of the end of July 2022

The Market to which we belong

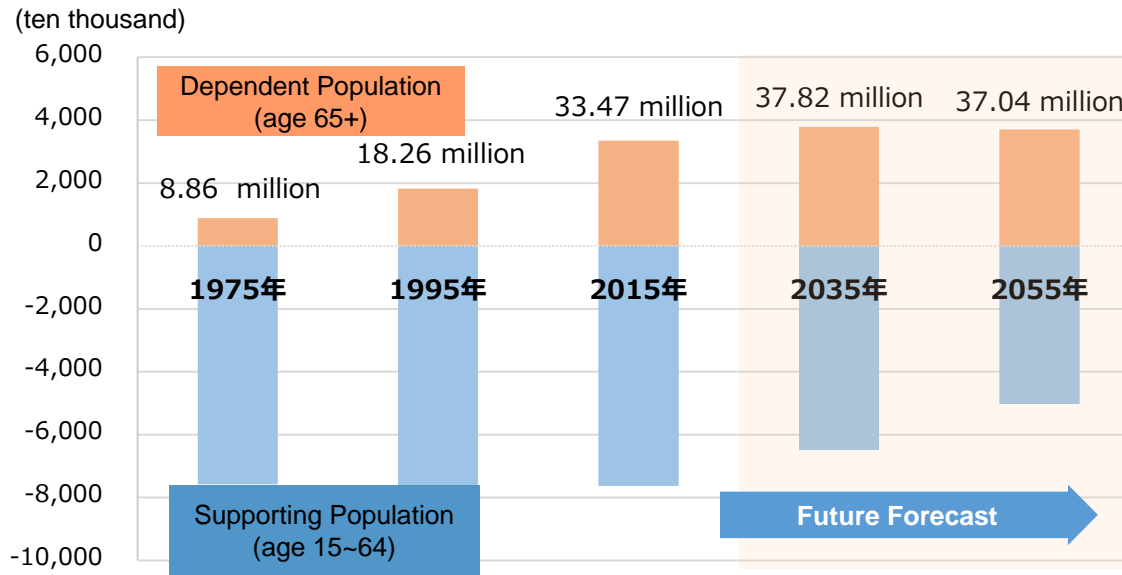
Our main target, the late-stage elderly, will increase exponentially beyond 2025



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



Changes in the Working Generation and the Elderly Population

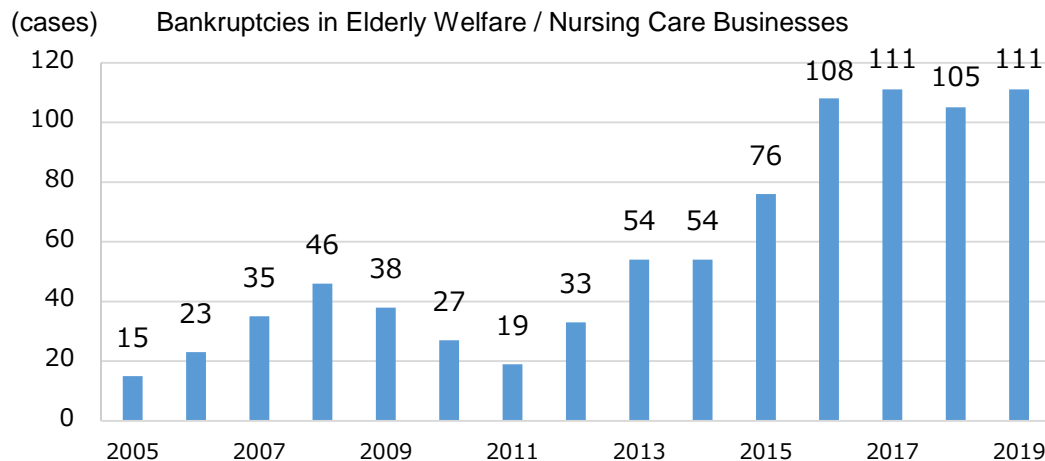


The working generation (15 to 64 years old) is decreasing, and the elderly population is increasing

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.

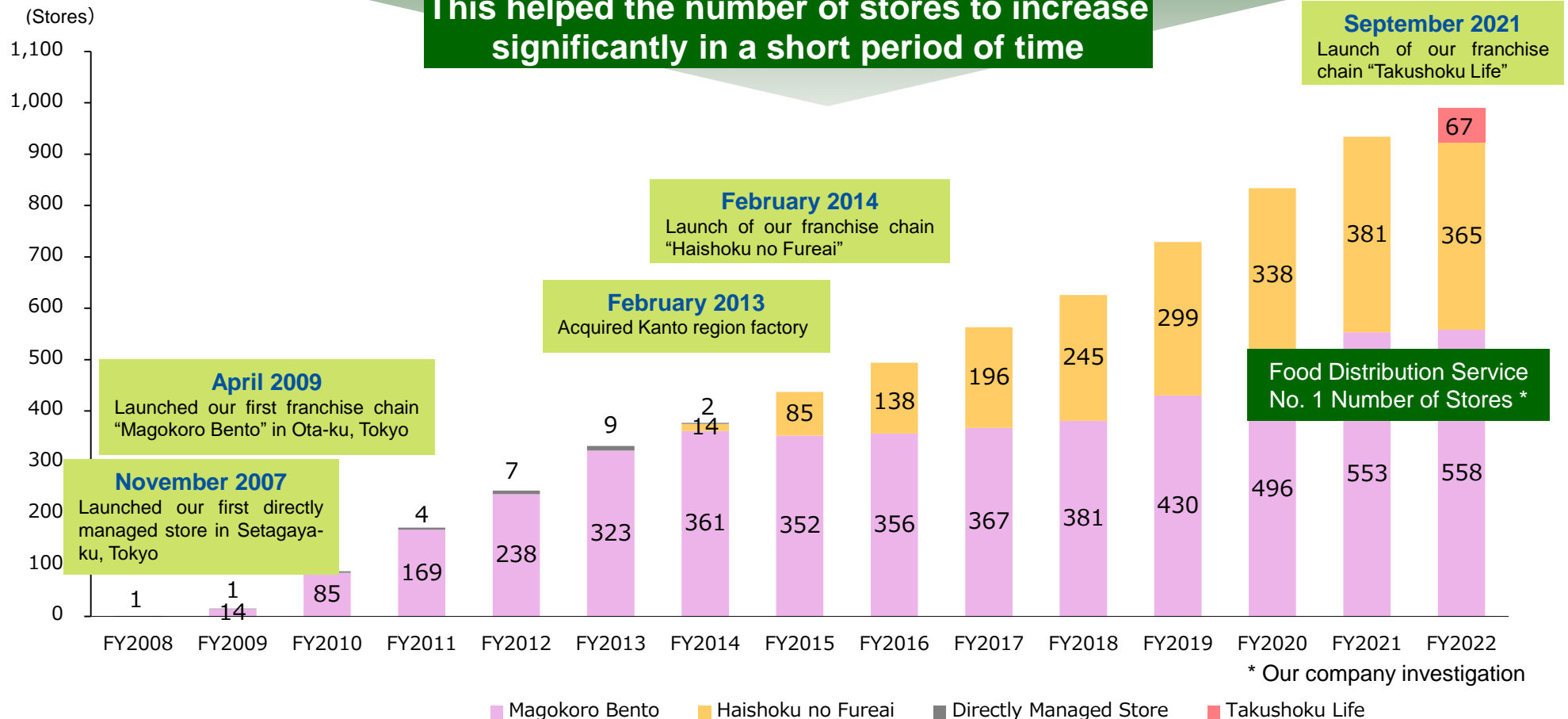
Our Company Features and Advantages

Our Advantage: FC Network stores opened

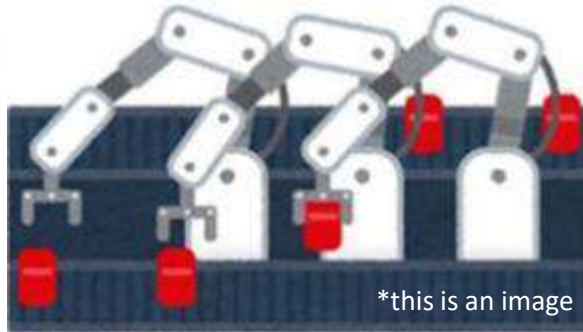


- Low-cost opening (non-visit-type stores with no restriction to location / no large kitchen equipment required)
- The simple process of preparing cooked ingredients and delivering (the business can be started alone)
- Stable supply of high-quality cooked ingredients from FC headquarters (no cooking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



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
9月	オクラのかか和え	節きんぴら
10月	さつまいもの煮しめ	野菜のガレー炒め
11月	フルーツみつま	法蓮草のしそひき和え
12月		
1月	冷しゃぶ風	自身魚(ホキ)のもちん鍋
2月	キャベツのピリ辛漬け	ヤングコーンソテー
3月	野菜のクリーム煮	山菜煮
4月	しるしのおひたし	五目中華焼き合せ
5月		柚子大根
6月		
7月	サワラの佃煮(45)	ハンバーグデミグラスソース
8月	法蓮草の磯辺和え	人参マリネ
9月	ナスとピーマンの味噌炒め	かぼちゃソテー
10月	おでん風煮	田舎煮
11月	ミモザサラダ	小松菜の胡麻和え
12月		

- **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

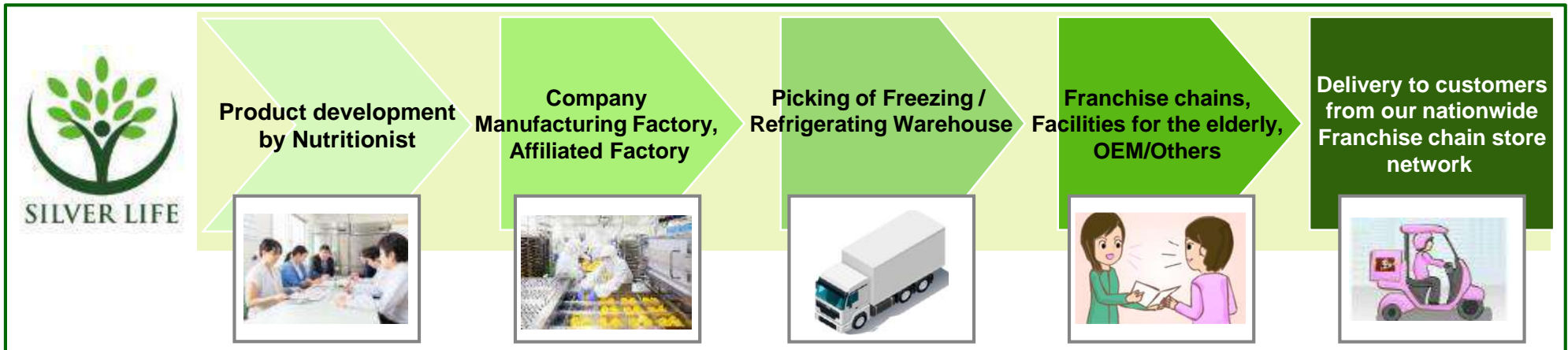
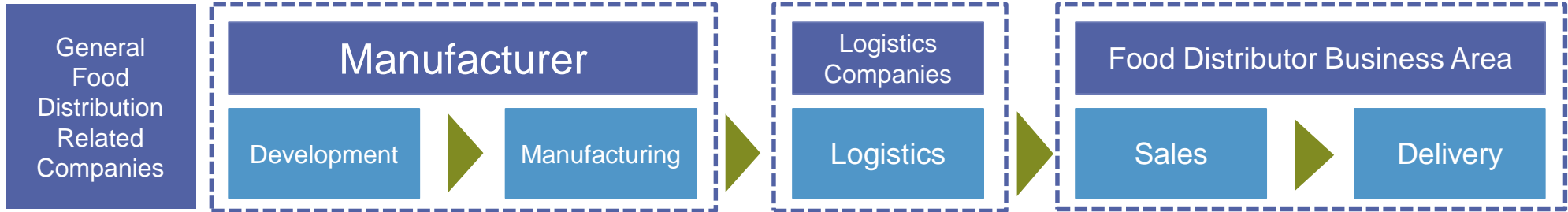


Franchise Chain Network

- "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 (990 stores total as of the end of July 2022)
- 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: 990
(As of the end of July 2022)

- 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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