

Translation

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**Summary of Non-Consolidated Financial Results
for the Year Ended July 31, 2020
(Based on Japanese GAAP)**

September 11, 2020

Company name: SILVER LIFE CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 9262 URL <https://www.silver-life.co.jp/>
 Representative: President, CEO Takahisa Shimizu
 Inquiries: Coporate Planning Division Manager Reiko Saito TEL (03)6300-5629
 Scheduled date of ordinary general meeting of shareholders: October 27, 2020
 Scheduled date to file Securities Report: October 28, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the year ended July 31, 2020 (from August 1, 2019 to July 31, 2020)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|--------------------------|-----------------|------|------------------|------|-----------------|------|-----------------|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Year ended July 31, 2020 | 8,832 | 13.2 | 934 | 5.6 | 1,086 | 8.4 | 678 | 6.8 |
| Year ended July 31, 2019 | 7,800 | 19.1 | 885 | 47.6 | 1,002 | 47.9 | 635 | 47.3 |

| | Earnings per share | Diluted earnings per share | Profit/equity | Ordinary profit/total assets | Operating profit/net sales |
|--------------------------|--------------------|----------------------------|---------------|------------------------------|----------------------------|
| | Yen | Yen | % | % | % |
| Year ended July 31, 2020 | 63.80 | 61.96 | 16.9 | 20.8 | 10.6 |
| Year ended July 31, 2019 | 60.21 | 58.05 | 19.0 | 22.8 | 11.3 |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of July 31, 2020 | 5,613 | 4,364 | 77.7 | 408.33 |
| As of July 31, 2019 | 4,853 | 3,674 | 75.7 | 346.17 |

(3) Non-consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|--------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Year ended July 31, 2020 | 678 | (1,100) | 8 | 1,847 |
| Year ended July 31, 2019 | 906 | (324) | (9) | 2,260 |

2. Cash dividends

| | Annual dividends per share | | | | | Total cash dividends (Total) | Dividend payout ratio (Non-consolidated) | Ratio of dividends to net assets (Non-consolidated) |
|--------------------------------------|----------------------------|-----------------|-----------------|-----------------|-------|------------------------------|--|---|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| Year ended July 31, 2019 | – | 0.00 | – | 0.00 | 0.00 | – | – | – |
| Year ended July 31, 2020 | – | 0.00 | – | 0.00 | 0.00 | – | – | – |
| Year ending July 31, 2021 (Forecast) | – | 0.00 | – | 0.00 | 0.00 | | – | |

3. Forecast of non-consolidated financial results for the year ending July 31, 2021 (from August 1, 2020 to July 31, 2021)

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit | | Earnings per share |
|---------------------------------------|-----------------|------|------------------|--------|-----------------|--------|-----------------|--------|--------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Six months ending January 31, 2021 | 4,710 | 11.8 | 450 | 9.3 | 510 | 4.9 | 320 | 5.9 | 29.94 |
| Full year | 9,530 | 7.9 | 650 | (30.4) | 770 | (29.1) | 460 | (32.2) | 43.04 |

4. Notes

(1) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(2) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

| | | | |
|---------------------|-------------------|---------------------|-------------------|
| As of July 31, 2020 | 10,688,800 shares | As of July 31, 2019 | 10,616,400 shares |
|---------------------|-------------------|---------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|---------------------|------------|---------------------|------------|
| As of July 31, 2020 | 294 shares | As of July 31, 2019 | 294 shares |
|---------------------|------------|---------------------|------------|

Average number of shares during the period

| | | | |
|--------------------------|-------------------|--------------------------|-------------------|
| Year ended July 31, 2020 | 10,635,942 shares | Year ended July 31, 2019 | 10,554,621 shares |
|--------------------------|-------------------|--------------------------|-------------------|

Non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

| | As of July 31, 2019 | As of July 31, 2020 |
|-------------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,260,473 | 1,847,192 |
| Accounts receivable - trade | 744,807 | 870,406 |
| Merchandise and finished goods | 40,367 | 63,166 |
| Raw materials and supplies | 12,452 | 15,563 |
| Prepaid expenses | 37,020 | 20,714 |
| Accounts receivable - other | 182,910 | 224,454 |
| Other | 46,922 | 67,771 |
| Allowance for doubtful accounts | (28,682) | (29,913) |
| Total current assets | 3,296,271 | 3,079,355 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 781,233 | 830,749 |
| Accumulated depreciation | (140,682) | (186,033) |
| Buildings, net | 640,551 | 644,716 |
| Structures | 28,239 | 36,999 |
| Accumulated depreciation | (2,805) | (5,487) |
| Structures, net | 25,434 | 31,512 |
| Machinery and equipment | 514,357 | 564,466 |
| Accumulated depreciation | (205,703) | (260,956) |
| Machinery and equipment, net | 308,653 | 303,509 |
| Vehicles | 108 | 5,085 |
| Accumulated depreciation | (108) | (3,551) |
| Vehicles, net | – | 1,533 |
| Tools, furniture and fixtures | 64,268 | 70,203 |
| Accumulated depreciation | (32,855) | (42,703) |
| Tools, furniture and fixtures, net | 31,412 | 27,499 |
| Land | 288,544 | 288,544 |
| Leased assets | 4,507 | 16,927 |
| Accumulated depreciation | (4,131) | (6,784) |
| Leased assets, net | 375 | 10,143 |
| Construction in progress | 29,922 | 839,688 |
| Total property, plant and equipment | 1,324,894 | 2,147,148 |
| Intangible assets | | |
| Trademark right | 7,560 | 5,827 |
| Software | 72,852 | 103,979 |
| Other | 60,527 | 152,613 |
| Total intangible assets | 140,939 | 262,420 |
| Investments and other assets | | |
| Long-term loans receivable | 29,094 | 38,855 |
| Distressed receivables | 5,496 | 4,762 |
| Long-term prepaid expenses | 1,828 | 4,503 |
| Deferred tax assets | 32,960 | 37,492 |
| Other | 32,552 | 51,522 |
| Allowance for doubtful accounts | (10,184) | (12,115) |
| Total investments and other assets | 91,747 | 125,021 |
| Total non-current assets | 1,557,581 | 2,534,590 |
| Total assets | 4,853,852 | 5,613,946 |

(Thousands of yen)

| | As of July 31, 2019 | As of July 31, 2020 |
|---|---------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 483,705 | 539,806 |
| Accounts payable - other | 207,751 | 277,115 |
| Accrued expenses | 12,671 | 12,480 |
| Income taxes payable | 259,561 | 228,017 |
| Deposits received | 5,933 | 8,099 |
| Lease obligations | 405 | 2,682 |
| Other | 76,047 | 21,587 |
| Total current liabilities | 1,046,077 | 1,089,788 |
| Non-current liabilities | | |
| Guarantee deposited | 129,626 | 148,279 |
| Lease obligations | – | 8,271 |
| Other | 3,210 | 3,210 |
| Total non-current liabilities | 132,836 | 159,761 |
| Total liabilities | 1,178,913 | 1,249,550 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 710,656 | 716,103 |
| Capital surplus | | |
| Legal capital surplus | 700,656 | 706,103 |
| Total capital surpluses | 700,656 | 706,103 |
| Retained earnings | | |
| Other retained earnings | | |
| Retained earnings brought forward | 2,264,308 | 2,942,871 |
| Total retained earnings | 2,264,308 | 2,942,871 |
| Treasury shares | (682) | (682) |
| Total shareholders' equity | 3,674,939 | 4,364,396 |
| Total net assets | 3,674,939 | 4,364,396 |
| Total liabilities and net assets | 4,853,852 | 5,613,946 |

Non-consolidated statements of income

(Thousands of yen)

| | Fiscal year ended July 31, 2019 | Fiscal year ended July 31, 2020 |
|---|------------------------------------|------------------------------------|
| Net sales | 7,800,676 | 8,832,415 |
| Cost of sales | | |
| Beginning inventory of merchandise and finished goods | 36,382 | 40,367 |
| Cost of products manufactured | 2,313,058 | 2,574,444 |
| Cost of purchased goods | 3,256,147 | 3,670,250 |
| Total | 5,605,588 | 6,285,062 |
| Ending inventory of merchandise and finished goods | 40,367 | 63,166 |
| Total cost of sales | 5,565,221 | 6,221,896 |
| Gross profit | 2,235,455 | 2,610,518 |
| Selling, general and administrative expenses | | |
| Salaries and allowances | 208,240 | 238,736 |
| Freight costs | 239,906 | 344,575 |
| Depreciation | 50,930 | 67,904 |
| Outsourcing expenses | 189,919 | 216,842 |
| Advertising expenses | 180,137 | 243,671 |
| Bad debts expenses | 5,632 | 4,322 |
| Provision of allowance for doubtful accounts | 4,356 | 2,623 |
| Other | 471,207 | 557,328 |
| Total selling, general and administrative expenses | 1,350,330 | 1,676,006 |
| Operating profit | 885,125 | 934,511 |
| Non-operating income | | |
| Interest income | 7,956 | 9,769 |
| Compensation income | 97,040 | 127,986 |
| Commission income | 13,327 | 18,993 |
| Other | 14,756 | 17,743 |
| Total non-operating income | 133,081 | 174,492 |
| Non-operating expenses | | |
| Interest expenses | 29 | – |
| Rental expenses | 11,952 | 19,149 |
| Bad debts expenses | 1,589 | 131 |
| Provision of allowance for doubtful accounts | 1,806 | 3,127 |
| Other | 574 | 387 |
| Total non-operating expenses | 15,951 | 22,797 |
| Ordinary profit | 1,002,255 | 1,086,207 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 39 | 1,209 |
| Total extraordinary income | 39 | 1,209 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 4,230 | 340 |
| Loss on retirement of non-current assets | 5,280 | 19,378 |
| Total extraordinary losses | 9,510 | 19,718 |
| Profit before income taxes | 992,783 | 1,067,698 |
| Income taxes - current | 362,578 | 393,667 |
| Income taxes - deferred | (5,295) | (4,531) |
| Total income taxes | 357,282 | 389,135 |
| Profit | 635,501 | 678,562 |

Non-consolidated statements of changes in equity

Fiscal year ended July 31, 2019

(Thousands of yen)

| | Shareholders' equity | | | | | | | Total net assets |
|---|----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------------|----------------------------|------------------|
| | Share capital | Capital surplus | | Retained earnings | | Treasury shares | Total shareholders' equity | |
| | | Legal capital surplus | Total capital surplus | Other retained earnings | Total retained earnings | | | |
| Balance at beginning of period | 701,787 | 691,787 | 691,787 | 1,628,807 | 1,628,807 | (171) | 3,022,211 | 3,022,211 |
| Changes during period | | | | | | | | |
| Issuance of new shares - exercise of share acquisition rights | 8,868 | 8,868 | 8,868 | | | | 17,737 | 17,737 |
| Profit | | | | 635,501 | 635,501 | | 635,501 | 635,501 |
| Purchase of treasury shares | | | | | | (510) | (510) | (510) |
| Total changes during period | 8,868 | 8,868 | 8,868 | 635,501 | 635,501 | (510) | 652,727 | 652,727 |
| Balance at end of period | 710,656 | 700,656 | 700,656 | 2,264,308 | 2,264,308 | (682) | 3,674,939 | 3,674,939 |

Fiscal year ended July 31, 2020

(Thousands of yen)

| | Shareholders' equity | | | | | | | Total net assets |
|---|----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------------|----------------------------|------------------|
| | Share capital | Capital surplus | | Retained earnings | | Treasury shares | Total shareholders' equity | |
| | | Legal capital surplus | Total capital surplus | Other retained earnings | Total retained earnings | | | |
| Balance at beginning of period | 710,656 | 700,656 | 700,656 | 2,264,308 | 2,264,308 | (682) | 3,674,939 | 3,674,939 |
| Changes during period | | | | | | | | |
| Issuance of new shares - exercise of share acquisition rights | 5,447 | 5,447 | 5,447 | | | | 10,894 | 10,894 |
| Profit | | | | 678,562 | 678,562 | | 678,562 | 678,562 |
| Total changes during period | 5,447 | 5,447 | 5,447 | 678,562 | 678,562 | - | 689,457 | 689,457 |
| Balance at end of period | 716,103 | 706,103 | 706,103 | 2,942,871 | 2,942,871 | (682) | 4,364,396 | 4,364,396 |

Non-consolidated statements of cash flows

(Thousands of yen)

| | Fiscal year ended July 31, 2019 | Fiscal year ended July 31, 2020 |
|--|------------------------------------|------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 992,783 | 1,067,698 |
| Depreciation | 146,349 | 169,309 |
| Increase (decrease) in allowance for doubtful accounts | (3,780) | 3,161 |
| Interest and dividend income | (7,956) | (9,769) |
| Interest expenses | 29 | – |
| Loss on retirement of non-current assets | 5,280 | 19,378 |
| Loss (gain) on sales of non-current assets | 4,191 | (869) |
| Decrease (increase) in trade receivables | (99,668) | (125,599) |
| Decrease (increase) in inventories | (2,915) | (25,909) |
| Increase (decrease) in trade payables | 79,864 | 56,100 |
| Increase (decrease) in accrued consumption taxes | 82,295 | (48,945) |
| Other, net | (25,201) | (11,439) |
| Subtotal | 1,171,271 | 1,093,115 |
| Interest and dividends received | 7,956 | 9,769 |
| Interest paid | (21) | – |
| Income taxes paid | (272,639) | (424,003) |
| Net cash provided by (used in) operating activities | 906,566 | 678,881 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (284,360) | (957,184) |
| Proceeds from sales of property, plant and equipment | 1,700 | 5,730 |
| Purchase of intangible assets | (51,925) | (149,608) |
| Loan advances | (12,207) | (22,305) |
| Collection of loans receivable | 15,460 | 12,190 |
| Payments of leasehold and guarantee deposits | (2,516) | (14,029) |
| Proceeds from refund of leasehold and guarantee deposits | 616 | 450 |
| Refund of guarantee deposits received | (4,846) | (5,386) |
| Guarantee deposits received | 31,541 | 35,814 |
| Purchase of other investments | (17,507) | (5,861) |
| Net cash provided by (used in) investing activities | (324,044) | (1,100,191) |
| Cash flows from financing activities | | |
| Repayments of long-term borrowings | (25,300) | – |
| Proceeds from exercise of employee share options | 17,737 | 10,894 |
| Purchase of treasury shares | (510) | – |
| Repayments of lease obligations | (1,216) | (2,864) |
| Net cash provided by (used in) financing activities | (9,290) | 8,029 |
| Net increase (decrease) in cash and cash equivalents | 573,232 | (413,280) |
| Cash and cash equivalents at beginning of period | 1,687,241 | 2,260,473 |
| Cash and cash equivalents at end of period | 2,260,473 | 1,847,192 |