

The Financial Results for the Fiscal Year Ended July 31, 2020

SILVER LIFE Co., Ltd.

The First Section of the Tokyo Stock Exchange (9262)



Summary of the Fiscal Results and Whole Financial Year Forecast

FY2020 Financial Results

(Millions of yen)

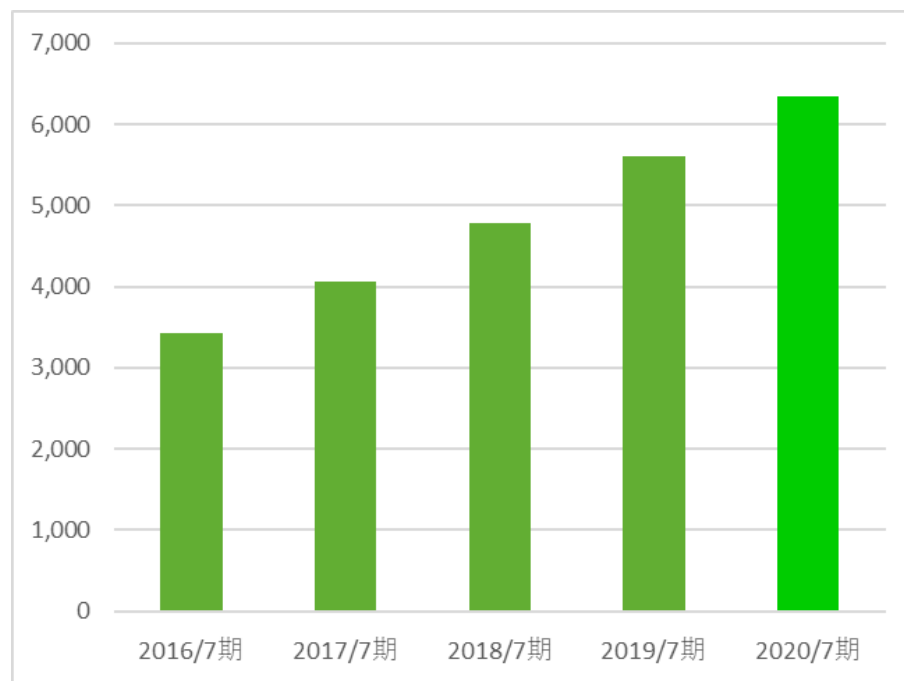
	FY2020				FY2019			FY2020 Forecast
		YoY Changes	Composition Ratio	Compared with Forecast		YoY Changes	Composition Ratio	
Sales	8,832	13.2%	100.0%	100.0%	7,800	19.1%	100.0%	8,830
Gross Profit	2,610	16.8%	29.6%	103.6%	2,235	27.2%	28.7%	2,520
Operating Profit	934	5.6%	10.6%	94.4%	885	47.6%	11.4%	990
Ordinary Profit	1,086	8.4%	12.3%	101.5%	1,002	47.9%	12.9%	1,070
Profit	678	6.8%	7.7%	101.3%	635	47.3%	8.2%	670

Franchise chains

Sales 6,350 million yen (YoY +13.2%)

Number of stores: 834 (+105 stores at the end of the previous fiscal year)
Despite a 4% price cut from July 2019, sales increased 13.2% year-on-year

(Millions of yen)

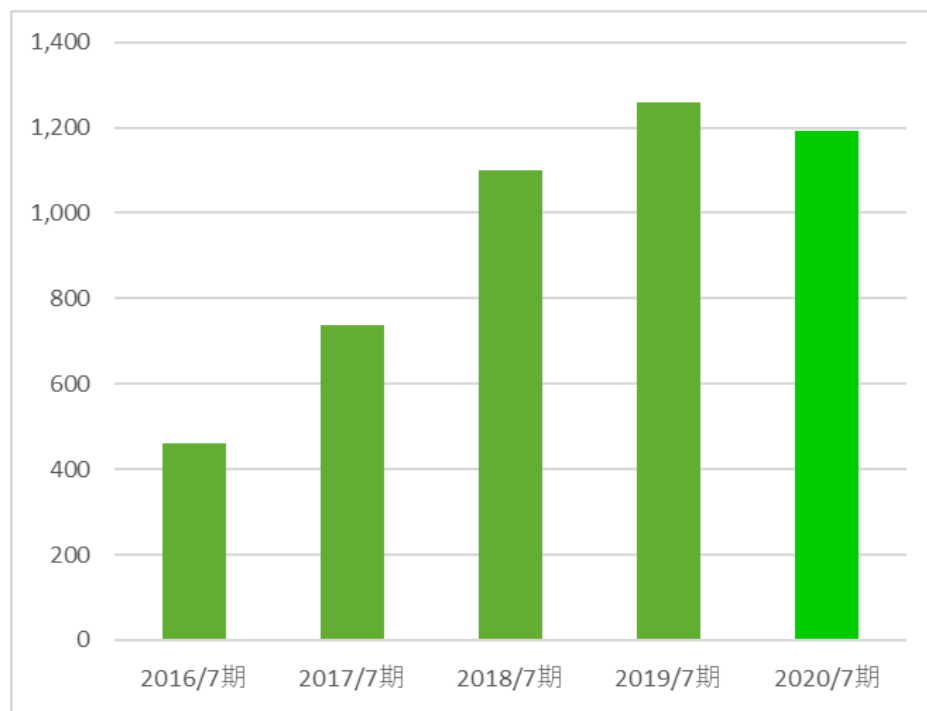


Facilities for the elderly

Sales 1,191 million yen (YoY -5.4%)

Number of contracted facilities: 6,057 (+628 facilities compared to the previous fiscal year)
Sales of refrigerated foods continued to decline due to the abolition of fractional packs, but the rate of decline gradually slowed down.
As a recovery measure, we started selling frozen food-packs from April 2020, but due to the impact of the COVID-19 (especially in the state of emergency from April to June), we could not actively do sales activities, and the contribution to sales was small.

(Millions of yen)

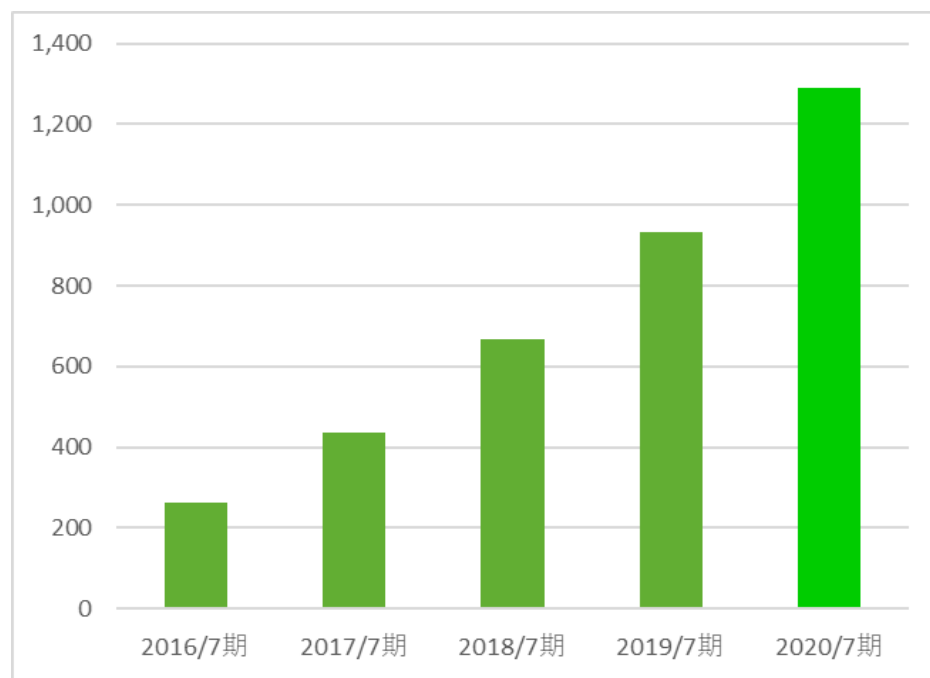


OEM / Other Operations

Sales 1,290 million yen (YoY +38.4%)

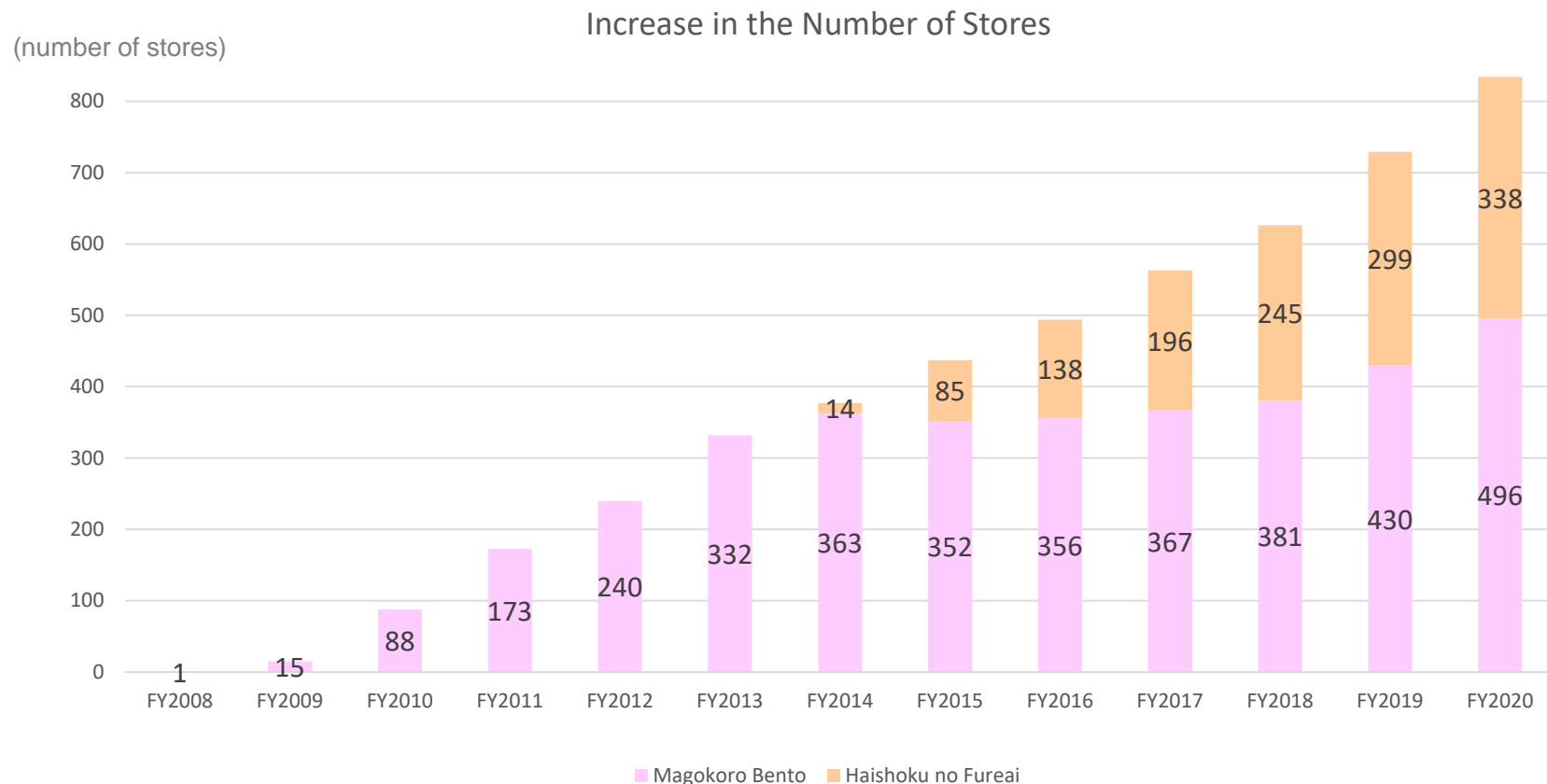
OEM sales decreased (-19.2%) due to a decrease of contracts from major OEMs. As a recovery measure, we started direct sales and the overall sales increased (+ 38.4%) to completely make up for the decrease. Since direct sales expanded, we are planning to change the category to "Direct sales / Others" for the next fiscal year.

(Millions of yen)



Number of Stores

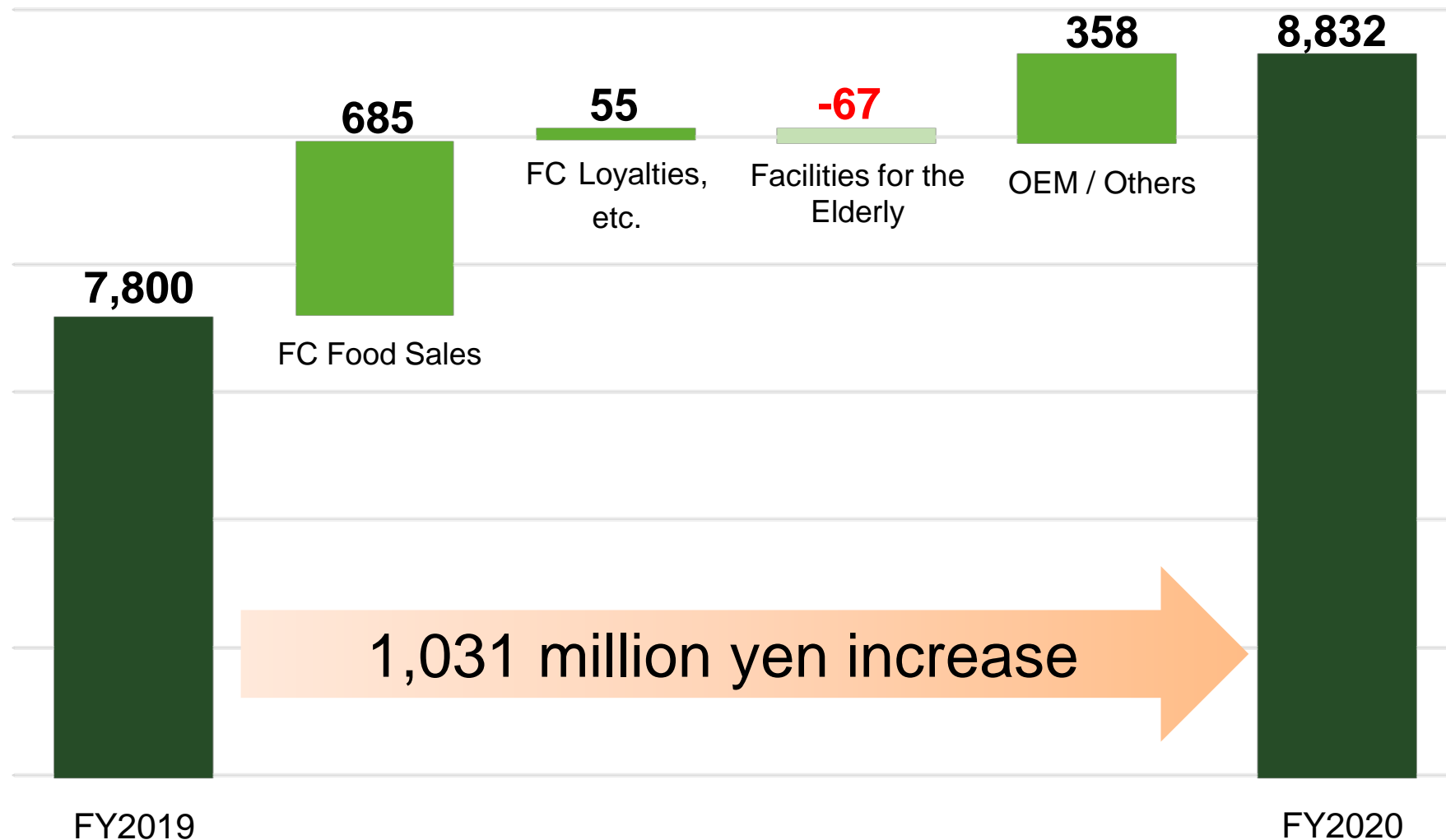
66 "Magokoro Bento" stores and 39 "Haishoku no Fureai" stores increase (compared to the previous year-end). 834 stores in total (as of the end of July 2020)



- * 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.

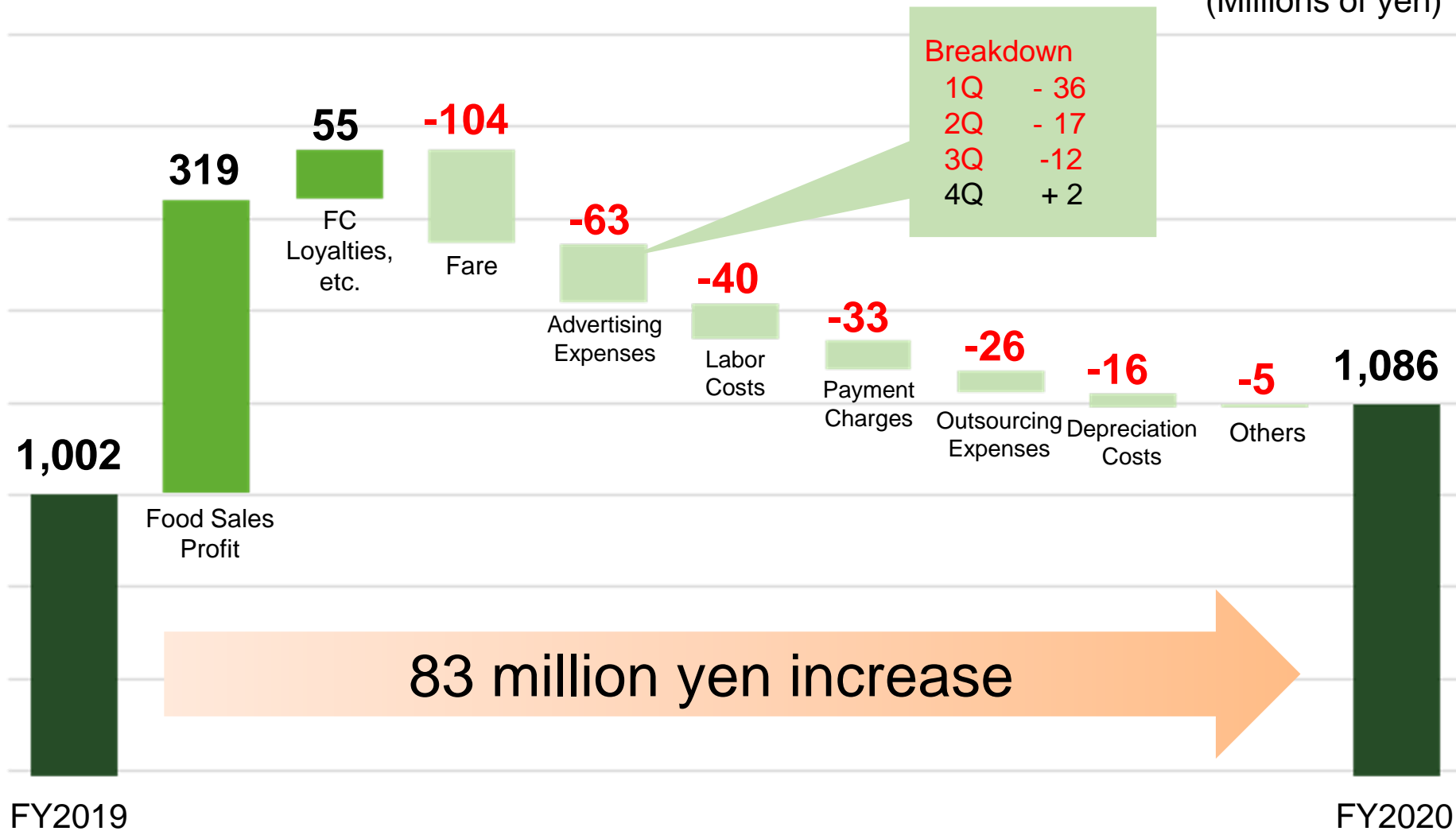
Analysis of Sales Figures

(Millions of yen)



Analysis of Ordinary Profit Figures

(Millions of yen)



FY2021 Forecast

(Millions of yen)

	FY2021 Forecast	YoY Changes	FY2020 Results	YoY Changes
Sales	9,530	7.9%	8,832	13.2%
Gross Profit	2,470	-5.4%	2,610	16.8%
Operating Profit	650	-30.4%	934	5.6%
Ordinary Profit	770	-29.1%	1,086	8.4%
Profit	460	-32.2%	678	6.8%

- Sales forecast is stated on the Sales Forecast per Sales Category page
- Gross profit decreased significantly due to related expenses (350 million yen) such as depreciation costs associated with the launch of the new factory.
- SG&A expenses are expected to increase due to advertising expenses for the direct sales business associated with the new factory launch, software usage fees and depreciation costs due to system enhancements.

FY2021 Sales Forecast per Sales Category



Franchise chains

6,940 million yen (YoY +9.3%)

Estimated number of stores at the end of the fiscal year: Approximately 890 stores (50 to 60 stores compared to the previous fiscal year). Although we have hope to continue opening more stores, we expect to open about 50 stores regularly each year.

Facilities for the elderly

1,210 million yen (YoY +1.6%)

Sales are expected to recover with the broader development of the facility-specific frozen food-packs "Kodawari Chef".

OEM / Other operations

1,380 million yen (YoY +6.9%)

The contract volume of existing major customers is expected to continually decrease. The direct sales business is expected to increase moderately based on production capacity.

Manufacturing and Storage reached limits



Manufacturing Limits

Frozen bento production almost doubled in a year and a half. There is not enough space in the current factory to increase the number of facilities and the number of people working at the same time.

- Extend the operating hours to cope with the situation
- Employees are exhausted due to late-hour labor
- Frequent abnormality found in the inspection that lead to disposal and remanufacturing

Tried to find a manufacturing contractor that can “produce a wide variety of frozen bento’s and provide a lower price than the current price” but found out there was no suitable factory.

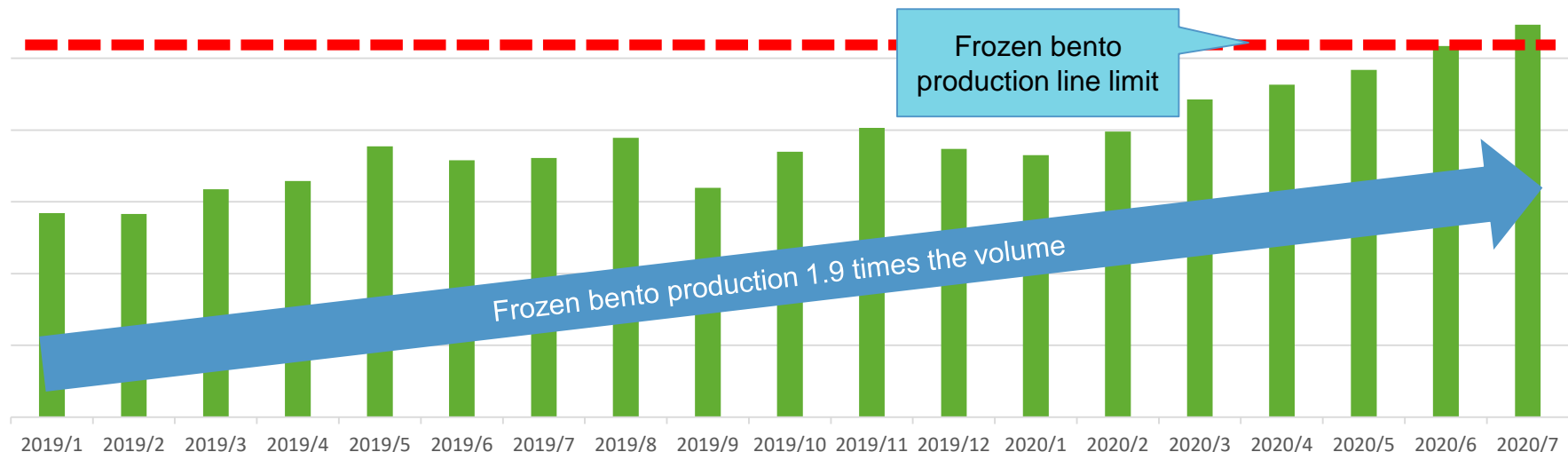


Storage Limits

In 2017, we built a distribution center that can store 100,000 meals. However, due to the unexpected increase in the number of frozen bento’s, we ran out of storage space.

- To immediately cope with the situation our distribution costs increased
- After manufacturing at our factory, we had to decentralize storage at another company's cold storage warehouse
- Move daily shipment to the distribution center

Nearby rental cold storage warehouses are almost full, and there are not enough freezer trucks to run between warehouses.



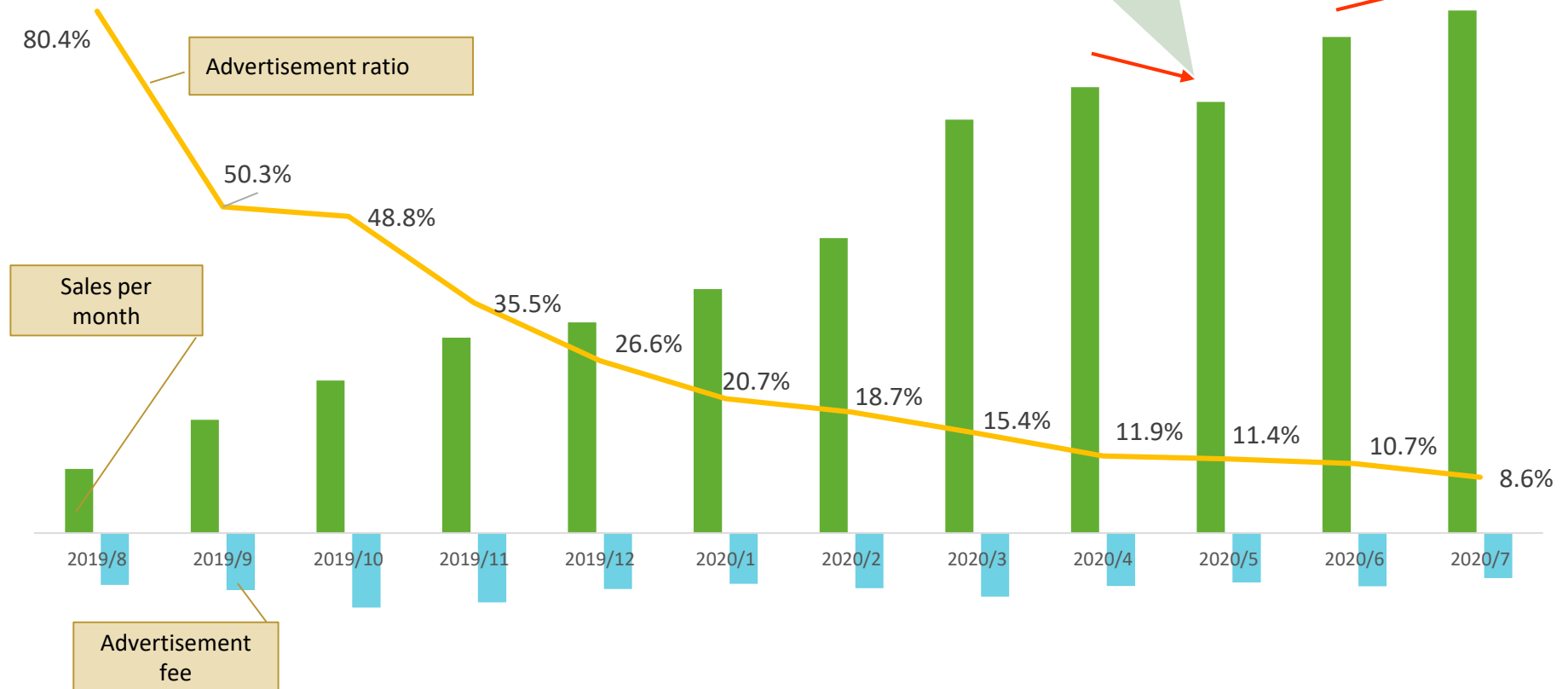
Frozen Bento Direct Sales Difficult to Increase

Established direct sales system for frozen bento's.
But faced manufacturing & storage limitations.
Quickly implemented brake measures to reduce the
number of units sold.

From July 13th, stopped almost all advertisements

Temporary sales increase
due to the state of
emergency declared in April.
Reactionary temporary
decrease in May.

July 13th, suspension of
all advertisements slowed
down sales growth.



Establishing a 200 Thousand Meals / Day Manufacturing & Storage System

1st Factory (Kanto Region) (Ora-gun, Gunma Pref.)
50,000 meals / day (frozen foods)

Refrigerating equipment replaced with freezing equipment



New frozen foods warehouse
(Tatebayashi City, Gunma Pref.)
The storage capacity of 1.35 million meals

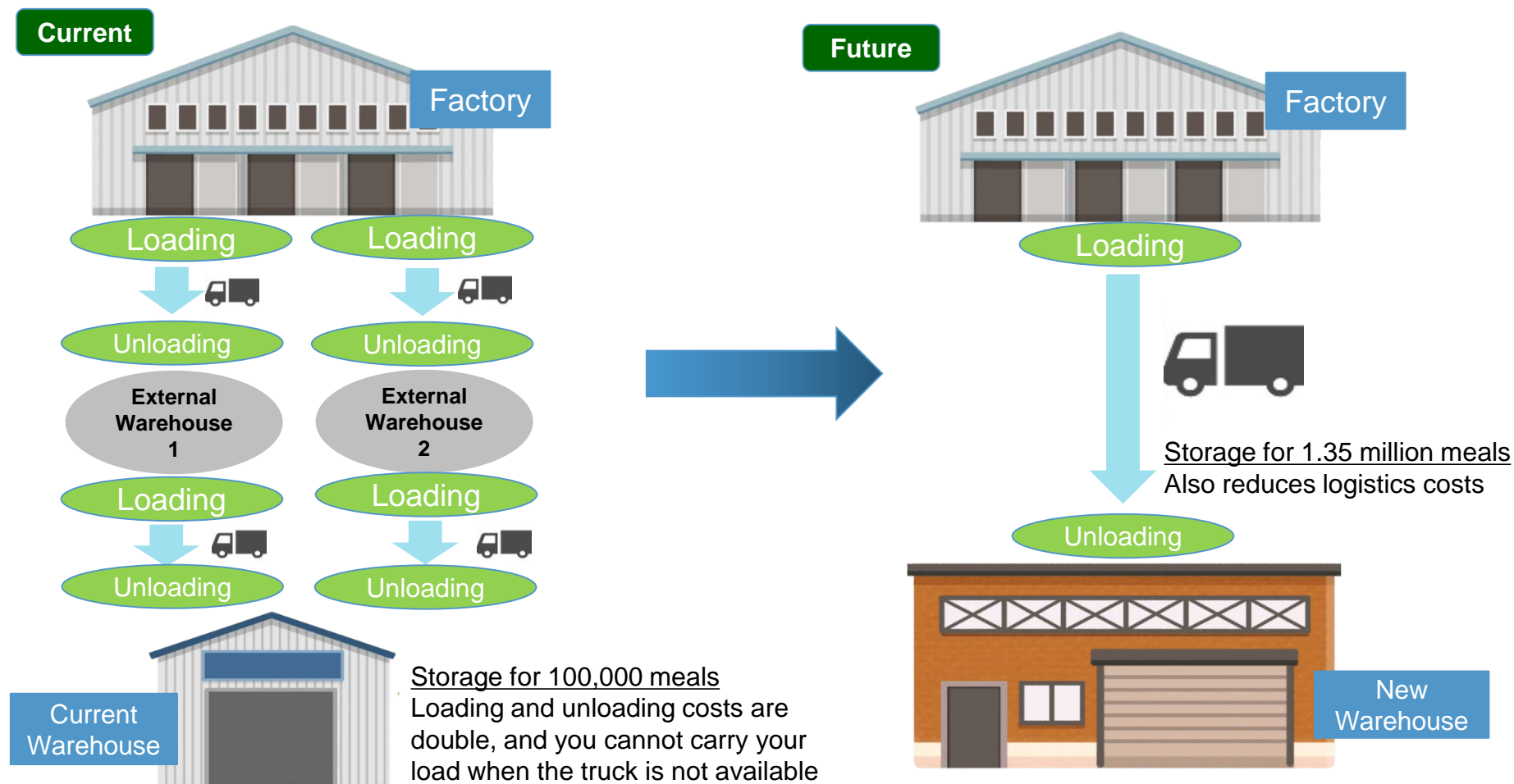
New 2nd Factory (Ashikaga City, Tochigi Pref.)
150,000 meals / day (chilled foods)
Completed in early 2021 (Scheduled)



Annex warehouse (chilled foods)

New Cold Storage Warehouse

Construction of a new warehouse due to the shortage of warehouses is one of the bottlenecks to our expansion to sales. The new warehouse will improve work efficiency and reduce transportation, loading and unloading costs.



Frozen foods Warehouse Overview

Frozen Foods Distribution Center Overview

Address: 681-3, Kondo-cho, Tatebayashi-shi, Gunma

Site Area: Approximately 1967m²

Total Floor Area: Approximately 1487 m² (scheduled)

Total Investment: 900 million yen (land, building, equipment)

Construction Start: March 2021 (scheduled)

Financial Plan: Own funds (borrowed)

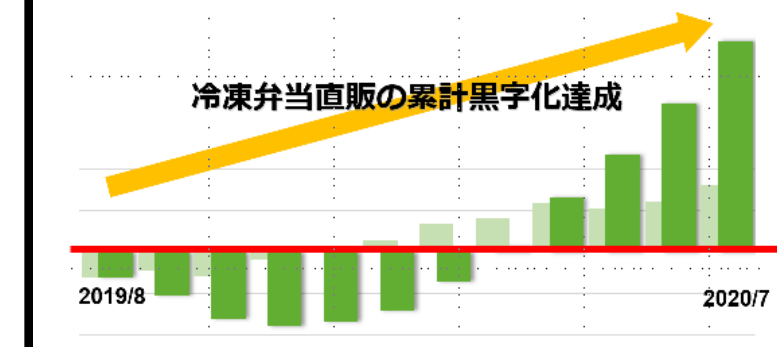


Breakdown of Capital Investment (scheduled)	
Land	90 million yen
Building	550 million yen
Machines	160 million yen
Others	100 million yen
Total	900 million yen



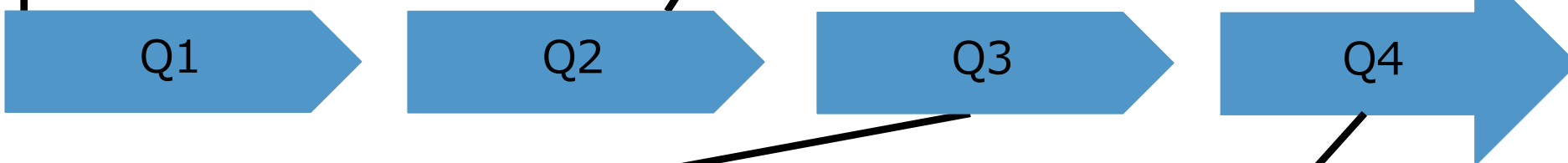
August 2019: Started direct sales for frozen bento's

Unexpected sales decrease due to the policy change of current OEM contractors. To make up for our loss, we started a direct sales business and carried out large-scale advertising. Initially, advertising expenses were a factor in lowering profits, but within the whole financial year contributed with growth to profits.



January 2020: Listing shifted to the Tokyo Stock Exchange, First Section

Expectations to acquire human resources who will lead the future of the company



April 2020: Started selling "Kodawari Chef", a frozen food-packs for facilities

We developed a fully cooked frozen food-packs product that is storable for a long period of time as well as adjustable to a sudden change of quantity



July 2020: Acquired "FSSC 22000" certification

Acquired international standards for food safety management system at our factory (Kanto region factory)

Topics: Acquired "FSSC 22000" Certification

In July 2020, our factory (Kanto region factory (1st factory)) acquired "FSSC 22000" certification, an international standard for food safety management systems.

This helps us further strengthen our efforts to enhance the quality of our products, and with the acquisition of this certification we have built a system to provide safer foods.



【What is FSSC 22000 certification?】
FSSC stands for "Food Safety System Certification", an international standard aimed at providing safe food to consumers

Impact on Costs and Sales

Current Situation

Sales

- ✓ No particular change to franchise chains
- ✓ Some facilities for the elderly unable to sell new products were closed

The steady increase of member stores

A gradual restart of sales activities

Cost

- ✓ Buying inexpensive ingredients from overseas was temporarily difficult, but no major impact
- ✓ Temporarily increased purchases to securing essential consumables (masks / disinfectants), but there were no major impact
- ✓ Immigration restrictions to foreign trainees

Changed the menu to cope with the situation

The impact was minor

Hiring Japanese with increased hourly wages and hiring temporary staff

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

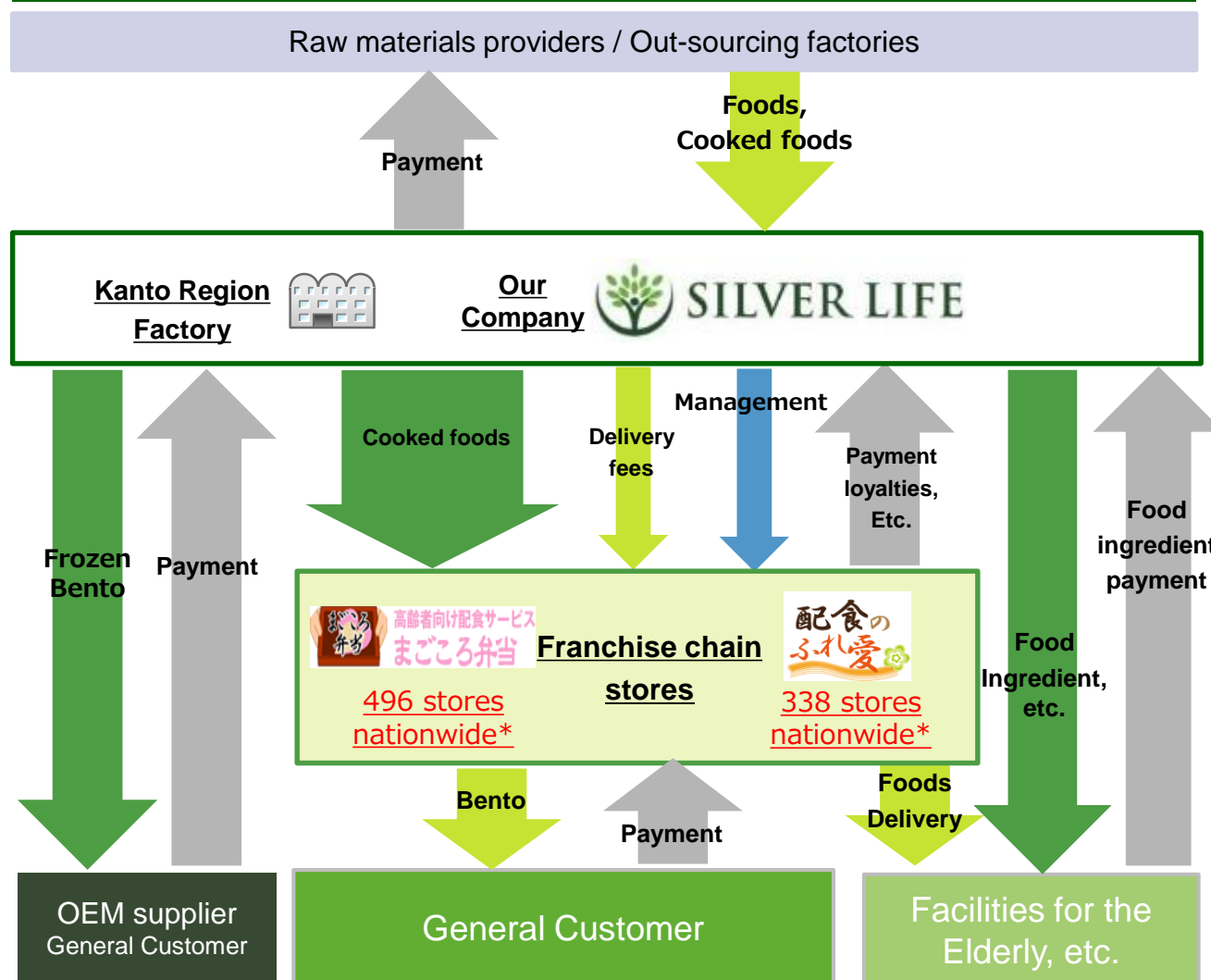
Company Name	SILVER LIFE Co., Ltd.
Representative	President, CEO : Takahisa Shimizu
Established	October 2007
Capital Stock	710 million yen (as of July 31, 2019)
Address	Highness Lofty Level 2, 4-32-4, Nishishinjuku, Shinjuku-ku, Tokyo, 160-0023, Japan
Businesses	<ul style="list-style-type: none">▪ Franchise management of food delivery service for the elderly (Service names: “Magokoro Bento”, “Haishoku no Fureai”)▪ Food ingredient sales to senior-care facilities (Service names: “Magokoro Shokuzai Service”, “Kodawari Chef”)▪ Own brand and OEM sales of frozen bento products (Service name: “Magokoro Care Shoku”)
Website	https://www.silver-life.co.jp/
Employees	260 (Full-time: 101 / Part-time: 159) As of the end of July 2020
Factory	1678-1, Nakano, Ora-machi, Ora-gun, Gunma, 370-0603, Japan
Distribution Center	195-1, Akaiwa, Chiyoda-machi, Ora-gun, Gunma, 370-0503, Japan

Our History

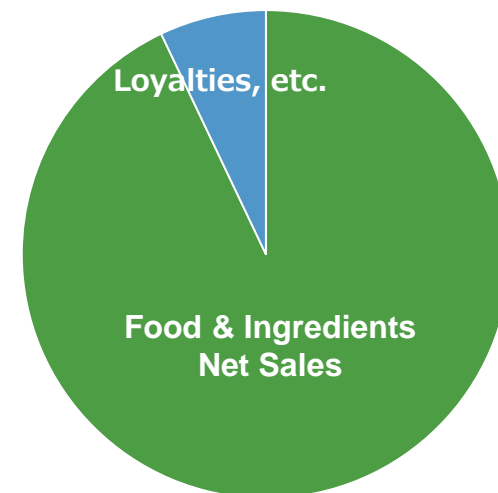
Date	Main store / Business development	Stores / Business development
Oct. 2007	Company established in Setagaya-ku, Tokyo	
Nov. 2007		Opened the 1st directly managed store in Setagaya-ku, Tokyo
Apr. 2009		Launched our first franchise chain “Magokoro Bento”
Sep. 2010		Accomplished 100 "Magokoro Bento" stores
Jun. 2012		Launch of our food ingredient delivery service “Magokoro Shokuzai Service” to senior-care facilities
Feb. 2013	Purchase of the Company plant 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

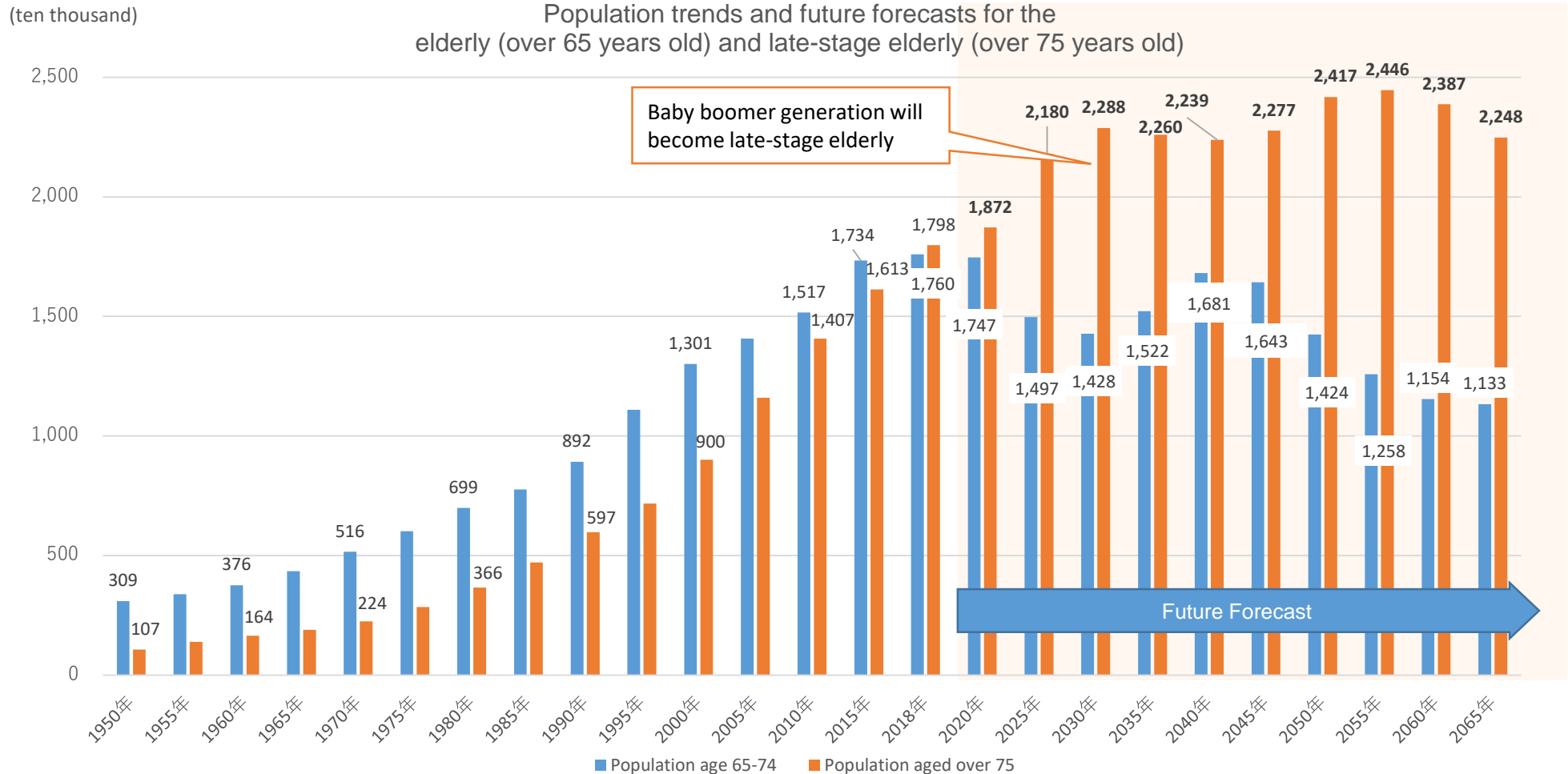
A continuous profit system in which our food net sales increases proportionally to the growth in net sales (number of meals) of franchise chain stores.

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

*As of the end of July 2020

The Market to which we belong

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

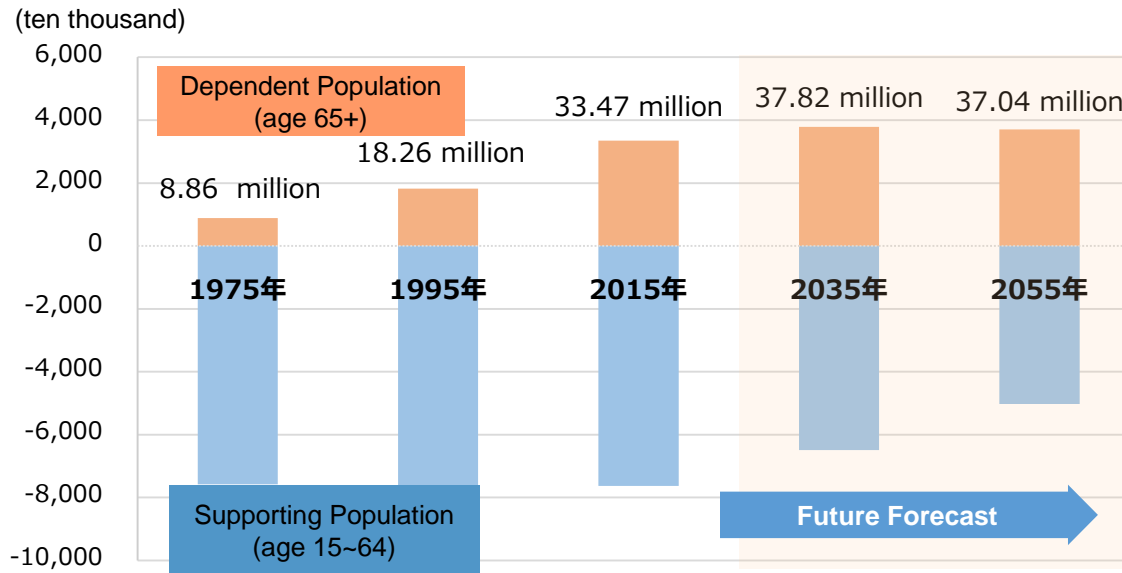


External Environment (a business that does not rely on long-term care insurance)



SILVER LIFE

Changes in the Working Generation and the Elderly Population

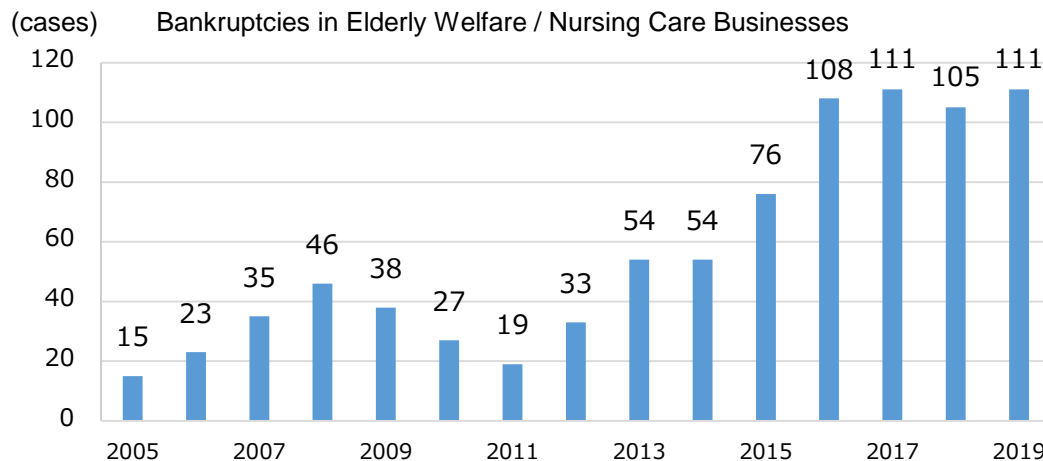


The working generation (15 to 64 years old) is decreasing, and the elderly population is increasing

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.

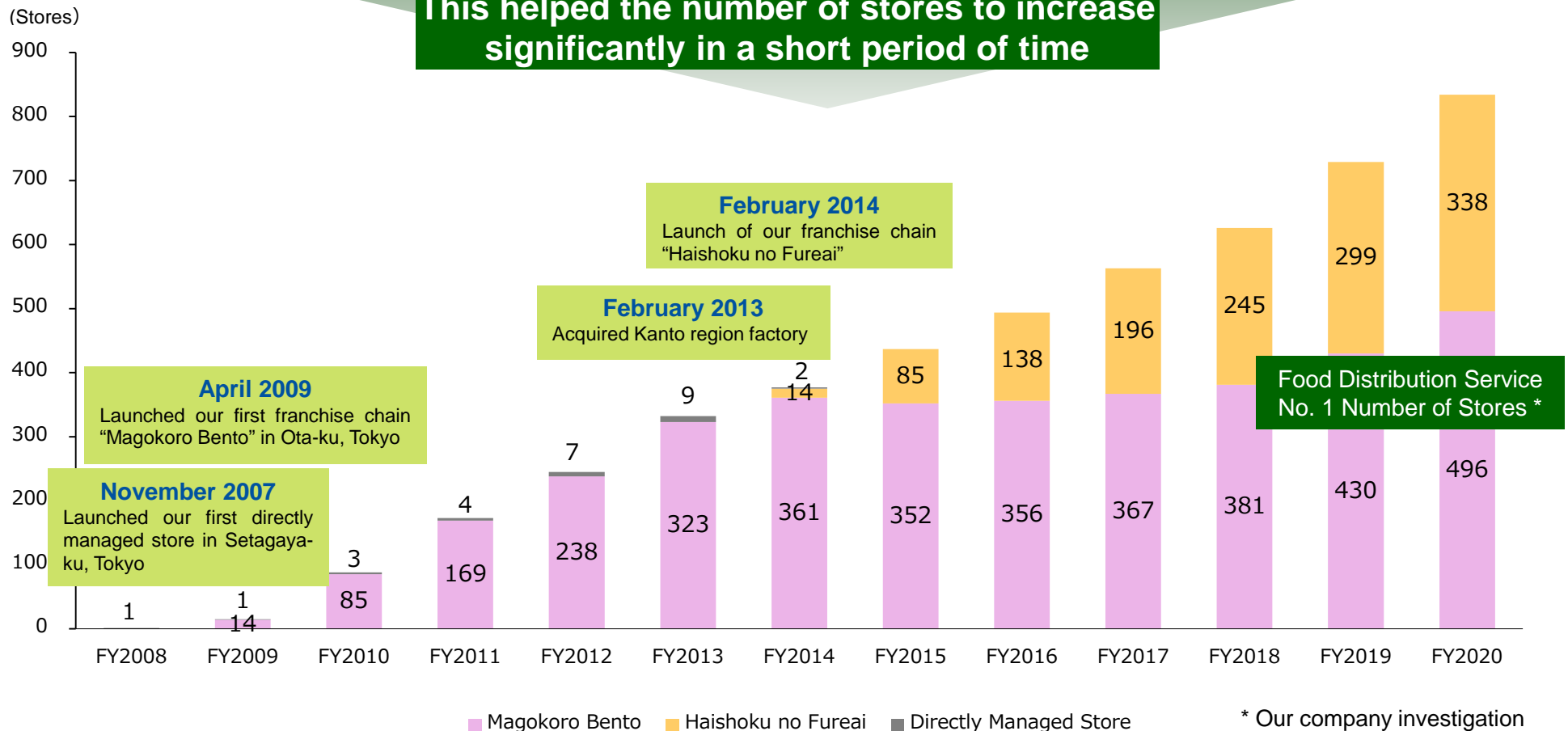
Our Company Features and Advantages

Our Advantage: FC Network stores opened

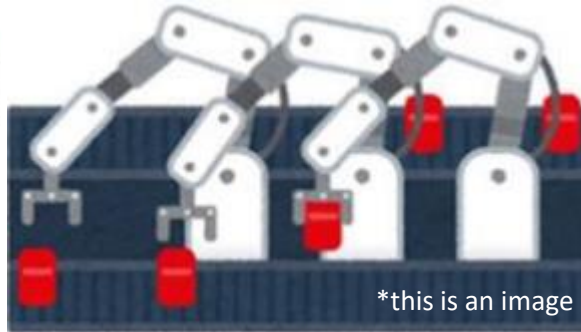


- **Low-cost opening** (non-visit-type stores with no restriction to location / no large kitchen equipment required)
- **The simple process of preparing cooked ingredients and delivering** (the business can be started alone)
- **Stable supply of high-quality cooked ingredients from FC headquarters**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



Our factory 3 days menu



	昼食	夕食
8月1日	カニ玉あんかけ	鶏団子の豆乳煮
8月2日	オクラのかか和え	鶏きんぴら
8月3日	さつまいもの煮しめ	野菜のカレー炒め
8月4日	ブルーベリーみそ汁	法蓮草のしそひき和え
8月5日	冷しゃぶ風	白身魚(ホキ)のもろみ焼
8月6日	キャベツのピリ辛漬け	ヤングコーンソテー
8月7日	野菜のクリーム煮	山菜煮
8月8日	しる菜のおひたし	五目巾着炊き合せ
8月9日		柚子大福
8月10日		
8月11日		
8月12日		
8月13日		
8月14日		
8月15日		
8月16日		
8月17日		
8月18日		
8月19日		
8月20日		
8月21日		
8月22日		
8月23日		
8月24日		
8月25日		
8月26日		
8月27日		
8月28日		
8月29日		
8月30日		
8月31日		

- **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

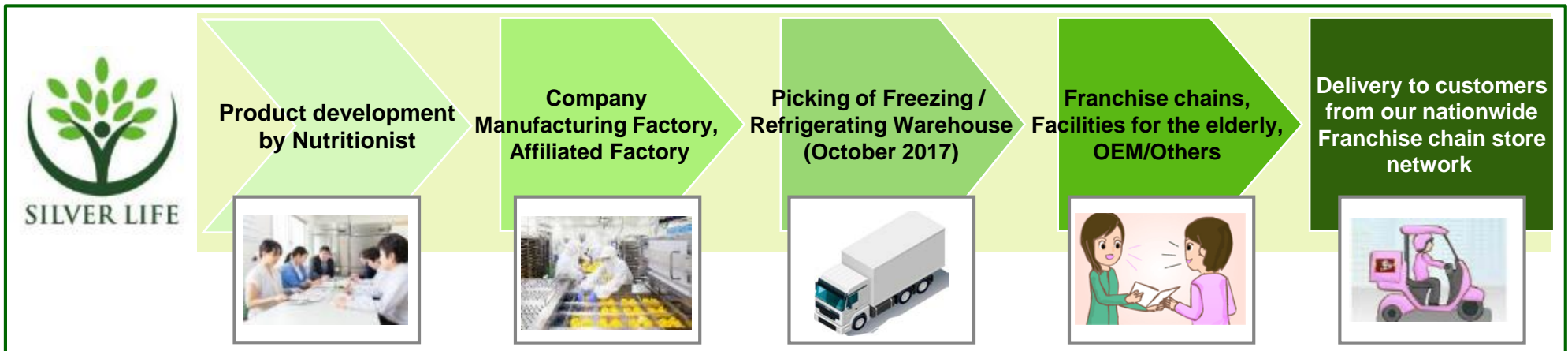
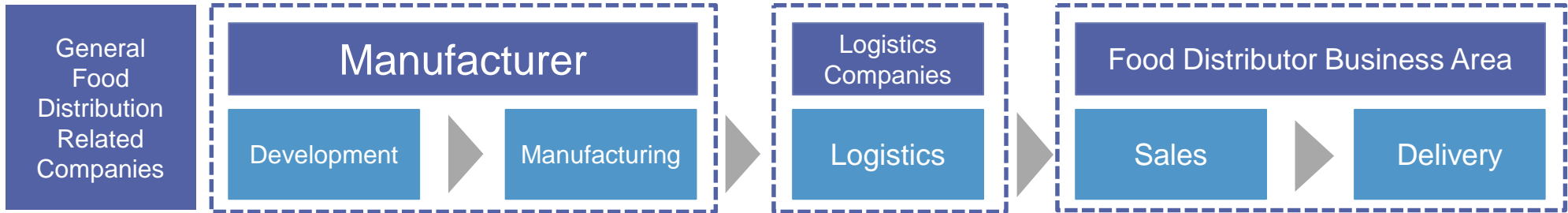


Franchise Chain Network

- "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

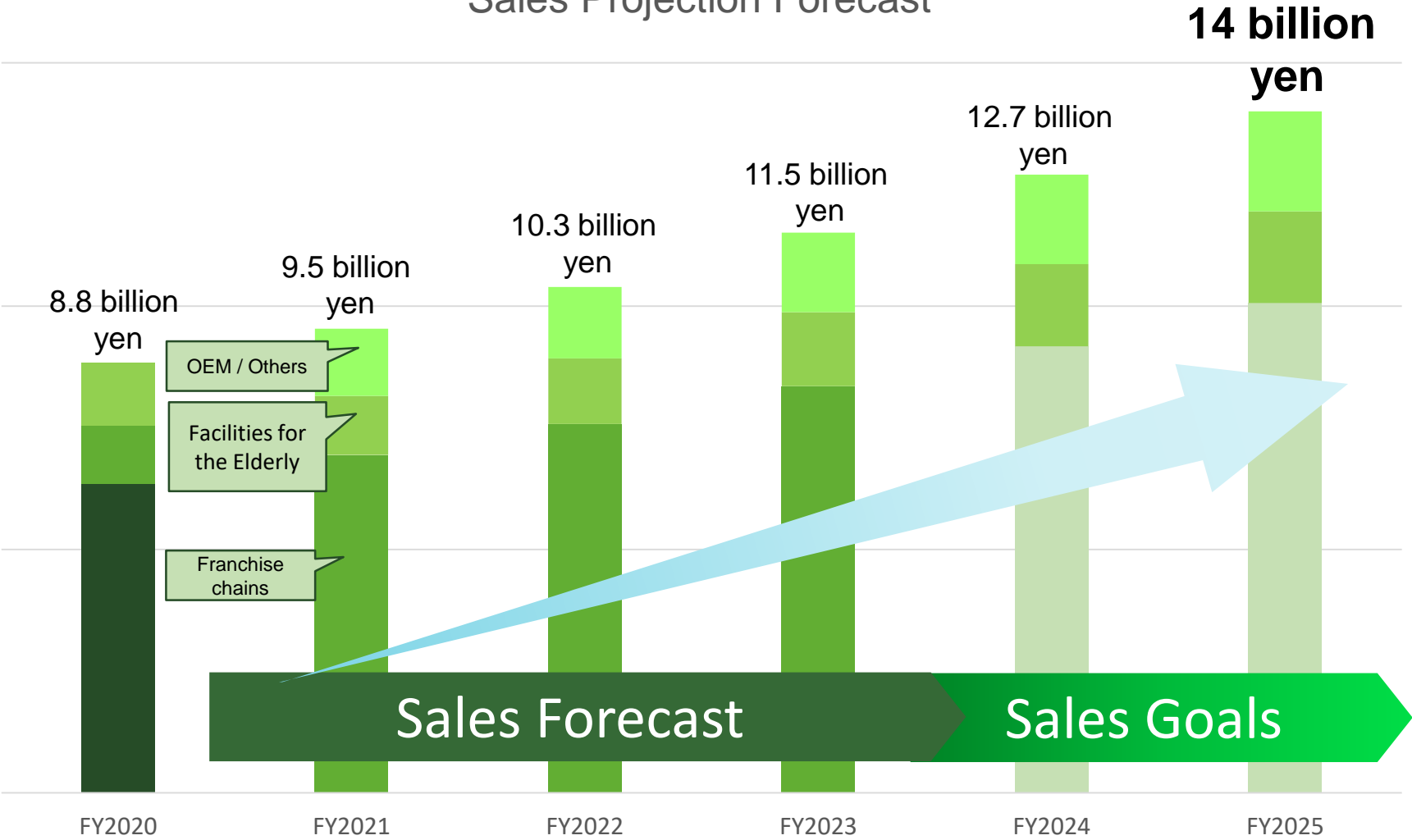
- Cost advantage due to mass production
- Product development based on customer feedback (franchise chain stores)
- Ensure the "Safety and Security"

- 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)

Medium-Term Business Plan FY2021 - FY2025

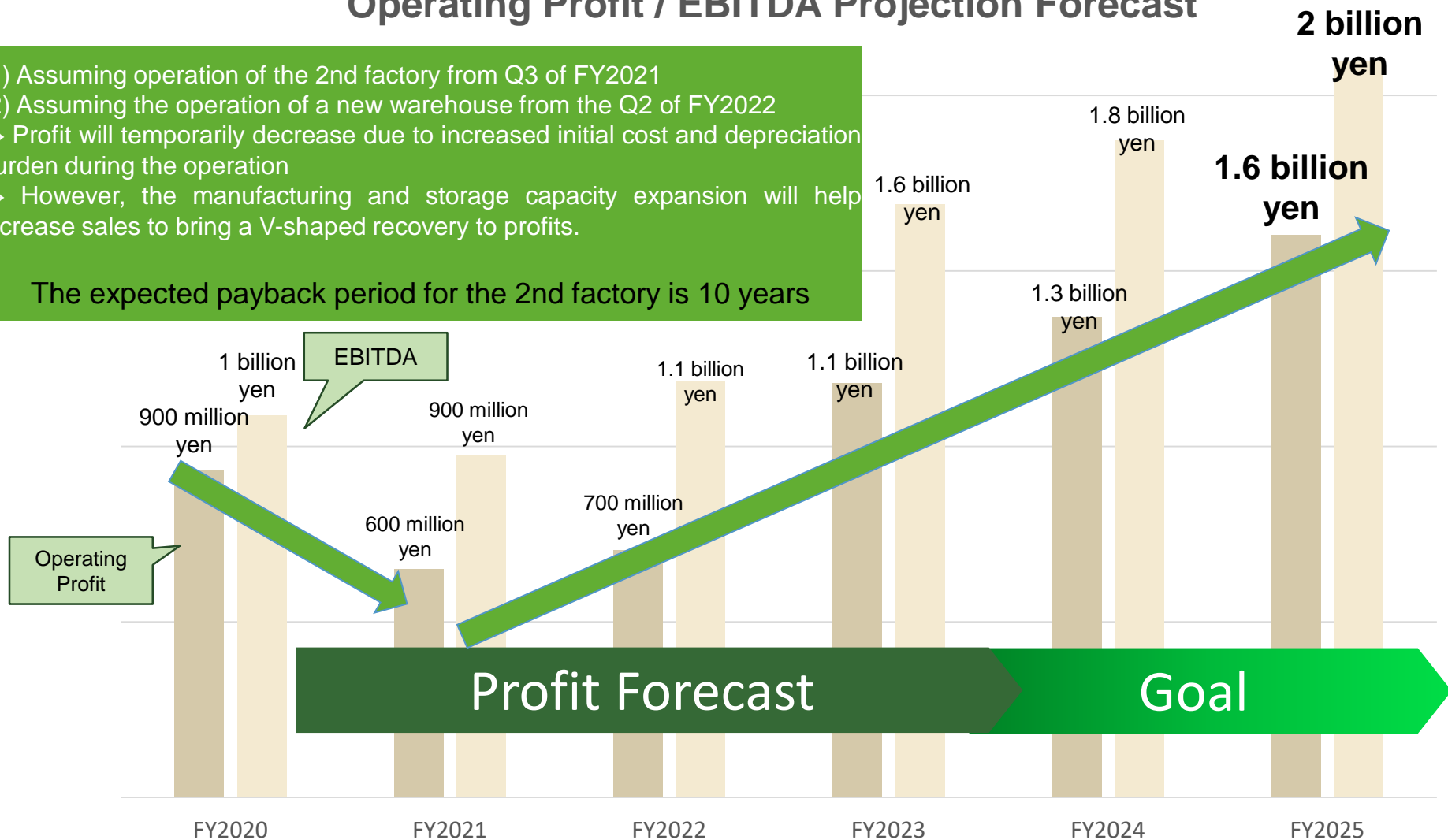
Sales Projection Forecast



Operating Profit / EBITDA Projection Forecast

(1) Assuming operation of the 2nd factory from Q3 of FY2021
(2) Assuming the operation of a new warehouse from the Q2 of FY2022
→ Profit will temporarily decrease due to increased initial cost and depreciation burden during the operation
→ However, the manufacturing and storage capacity expansion will help increase sales to bring a V-shaped recovery to profits.

The expected payback period for the 2nd factory is 10 years



The Basis for 5-year Numerical Plan

	FY2021	FY2022 – FY2025
Sales	<ul style="list-style-type: none"> ➤ Franchise chains are expected to raise around 700 million yen every year ➤ Facilities for the elderly are shifting to frozen food-packs ➤ OEM sales are expected to decline ➤ Direct sales are adjusting shipment until the production system is in order 	<ul style="list-style-type: none"> ➤ Franchise chains will shift their chilled production to a new factory and after stable running, with the expectation of starting a third brand, the growth will accelerate ➤ Facilities for the elderly continue the shift to frozen food-packs ➤ We aim to acquire new OEM sales brands ➤ Direct sales aim to increase sales by gradually increasing production
Cost	<ul style="list-style-type: none"> ➤ Increase in depreciation cost and personnel due to running the 2nd factory ➤ A short-term cost rate increase to establish the production system ➤ Renovated the 1st factory to a dedicated freezing factory 	<ul style="list-style-type: none"> ➤ The cost rate improved after 2nd factory started running ➤ Investment to improve production efficiency at 1st and 2nd factories
Selling & Management Expenses	<ul style="list-style-type: none"> ➤ 250 million yen investment for production management systems, etc. <p>* Expected to be launched and in-service before the 2nd factory starts running</p>	<ul style="list-style-type: none"> ➤ Start running the new warehouse (total investment of 900 million yen planned beyond 2021) <p>*Establishment of a frozen bento picking system</p> <ul style="list-style-type: none"> ➤ Resuming sales of frozen bento's and using expenses for advertising

Investment Plan

Investment	Investment Amount	Investment Content	Investment Results
1st Factory	200 million yen (additional investment amount)	Frozen foods Factory to replace chilled & frozen foods factory Products for OEM & Direct Sales	➤ Increase in production volume and improved productivity specializing in manufacturing frozen products instead of both frozen and chilled foods products
2nd Factory	3.7 billion yen	Cilled foods Factory (Vacuum packing method) Products for FC stores and facilities	<ul style="list-style-type: none"> ➤ Maximum 150,000 meals / day manufacturing capability ➤ The decrease in the amount of deliveries due to the extended expiration date
Frozen warehouse	900 million yen	Frozen foods Warehouse	<ul style="list-style-type: none"> ➤ Eliminating bottlenecks to frozen bento product sales that have a large growing demand by creating a warehouse exclusive to frozen products ➤ Improving productivity by consolidating warehouses ➤ Reduction of external warehouse costs
Software	250 million yen	Production Management System	<ul style="list-style-type: none"> ➤ Visualization and efficiency improvement of production management by integrating production management and measuring systems ➤ Production and management system cooperation by ERP



By 2025, when the number of late-stage elderly people will increase, we will build our in-house infrastructure, lay out the foundation, and aim for the No. 1 share in the market expansion period.

- 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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