

Medium-Term Business Plan

FY2021 - FY2025

Announced on September 11, 2020

SILVER LIFE Co., Ltd.

The First Section of the Tokyo Stock Exchange (9262)



Ever since our company was founded, we have consistently made steady growth in both sales and profits. However, due to the significant increase in frozen bento sales in FY2020, we have reached limits to our production capacity and storage capacity of frozen bento's. Even for other refrigerated products, we feel it is necessary to further strengthen the production system in preparation for the increase in demand beyond 2025 due to the increase in the number of elderly people at home.

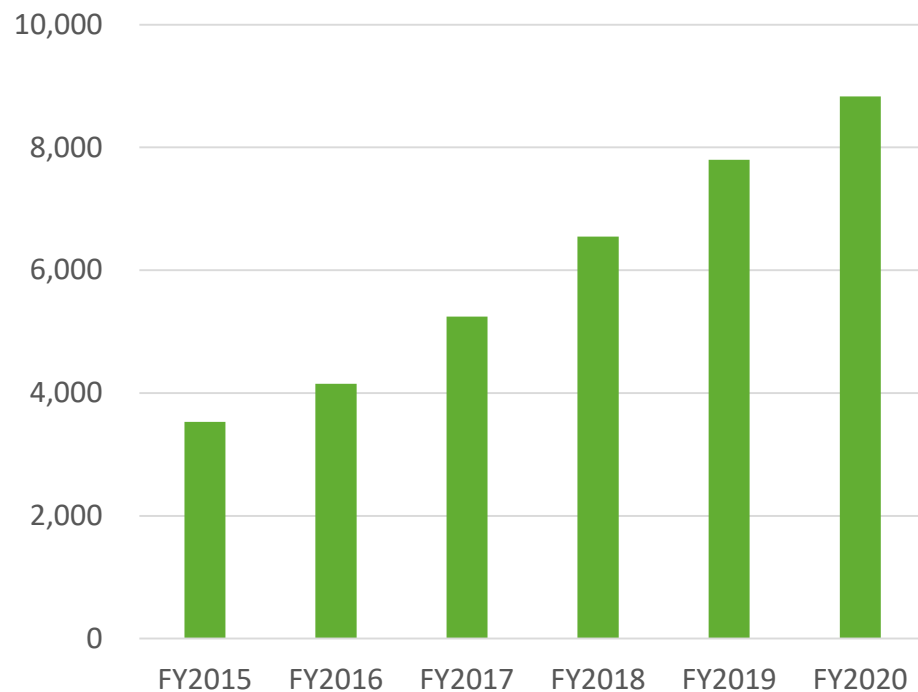
To correspond with these issues, we will make a large-scale capital investment in order to build a system that can reasonably increase sales. Therefore, we have formulated this business plan since we believe it is necessary to clearly explain our medium to long-term management policy and the impact the capital investment will bring to our business performances.

The planned period will be our “Period to Build a Foundation for Long-Term Improvement of our Corporate Value”. And in order to continue growth in our business activities for the next 50 to 100 years, we envision a growth strategy that further strengthens our current competitive advantages.

<Trends in Sales and Profits>

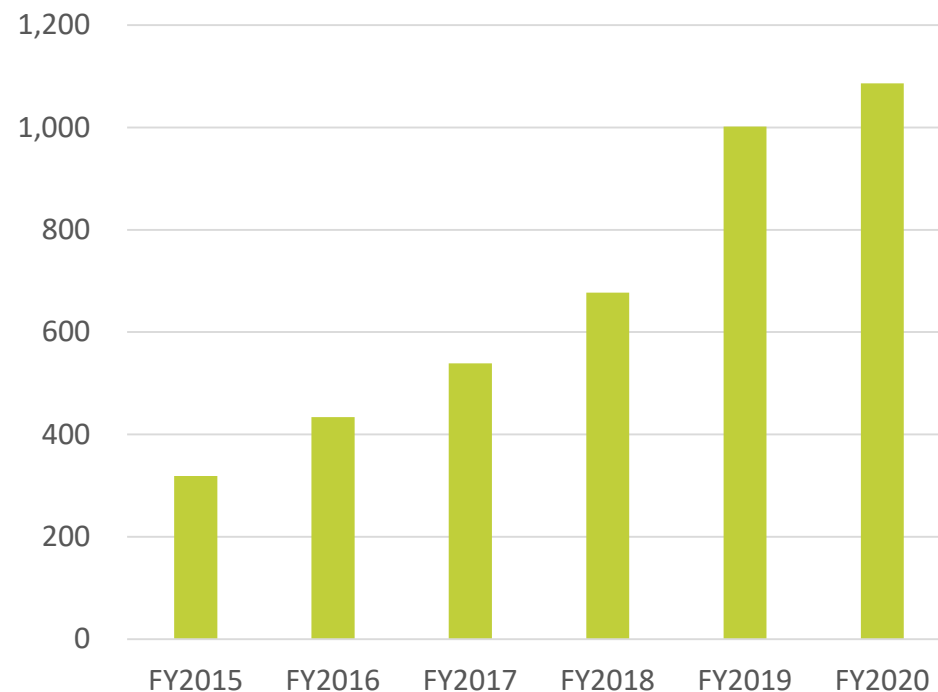
(one million yen)

Sales Trends



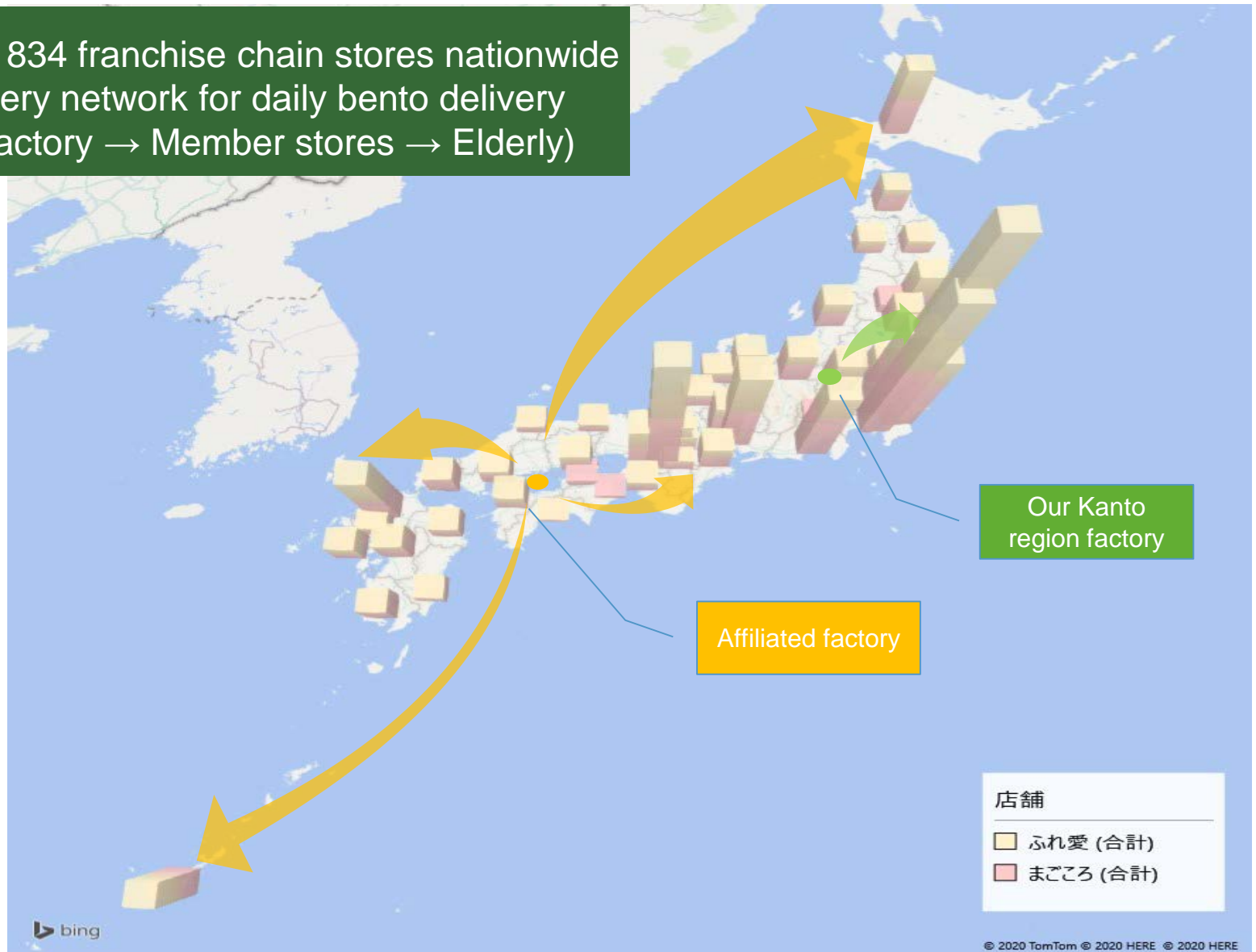
(one million yen)

Ordinary Profit Trends



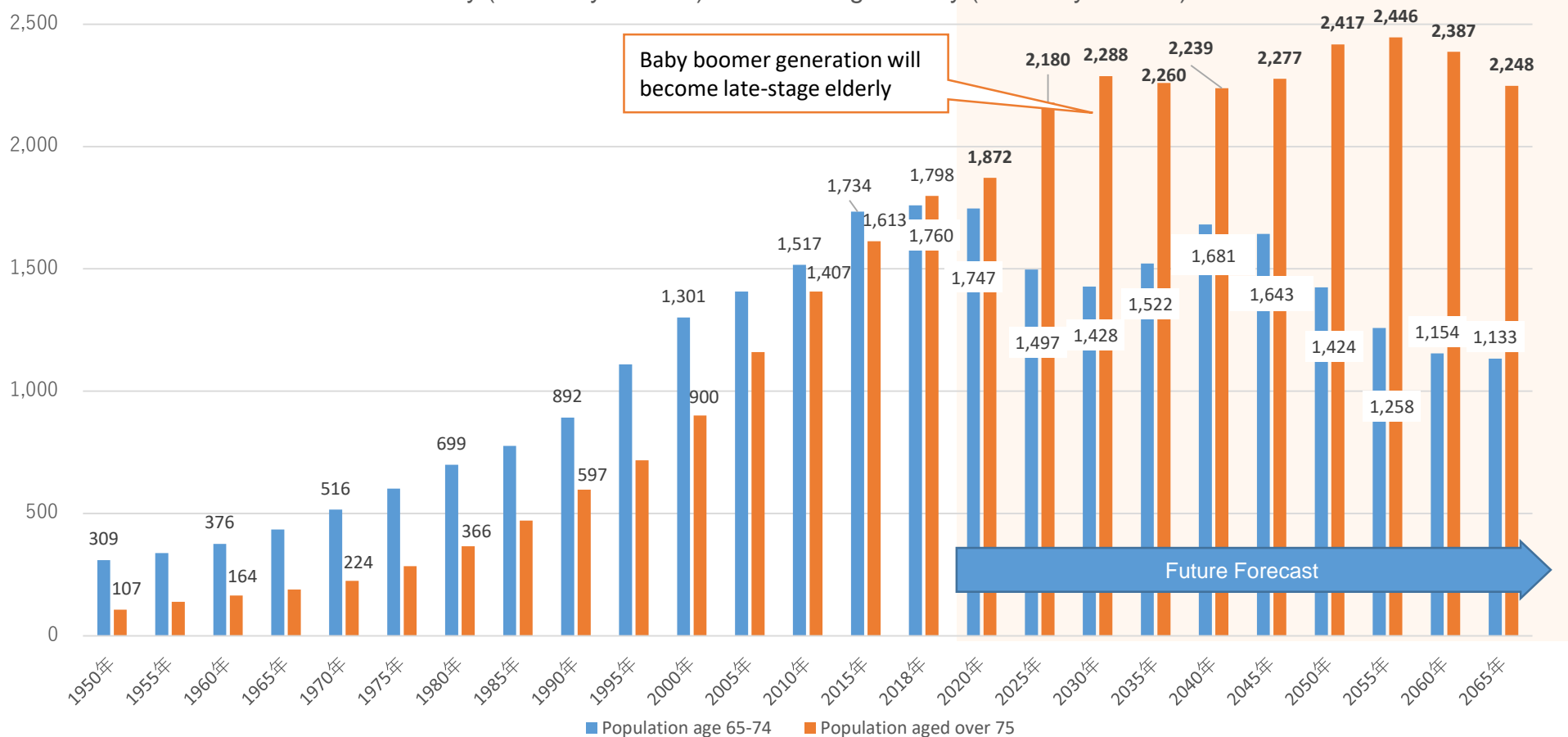
Nationwide Store Network and Delivery Network

- Currently, we have 834 franchise chain stores nationwide
- Established a delivery network for daily bento delivery (Manufacturing factory → Member stores → Elderly)



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

Population trends and future forecasts for the elderly (over 65 years old) and late-stage elderly (over 75 years old)

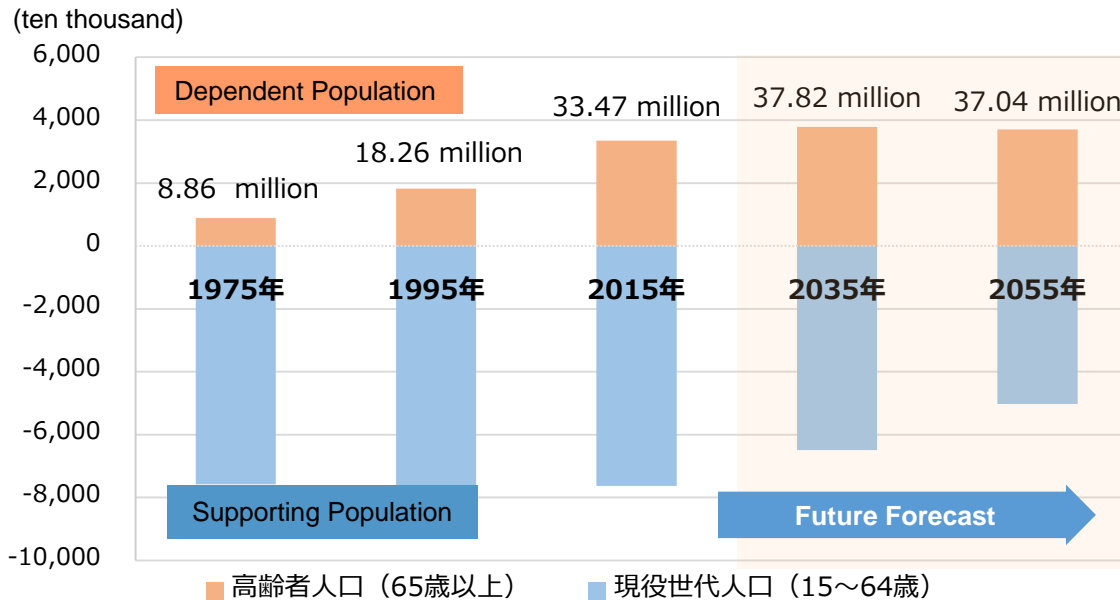


External Environment (a business that does not rely on long-term care insurance)



SILVER LIFE

Changes in the Working Generation and the Elderly Population



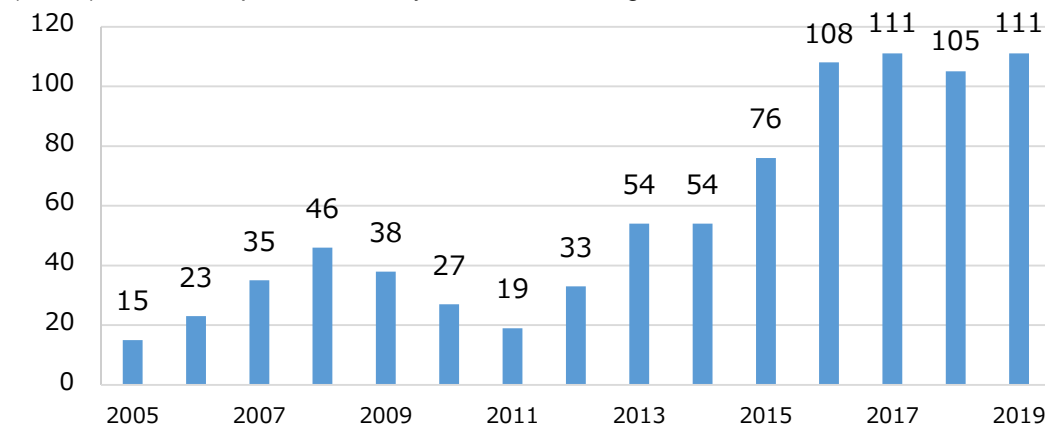
Source: Cabinet Office, White Paper on the Aging Society

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

Bankruptcies in Elderly Welfare / Nursing Care Businesses



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.

Franchise Chains

Further increase in stores & the launch of our 3rd brand



Facilities for the Elderly

Sales expansion of frozen food-packs



Acquisition of new frozen products is prosperous
The mainstream shift from refrigeration to freezing

OEM

Acquisition of new OEM partners



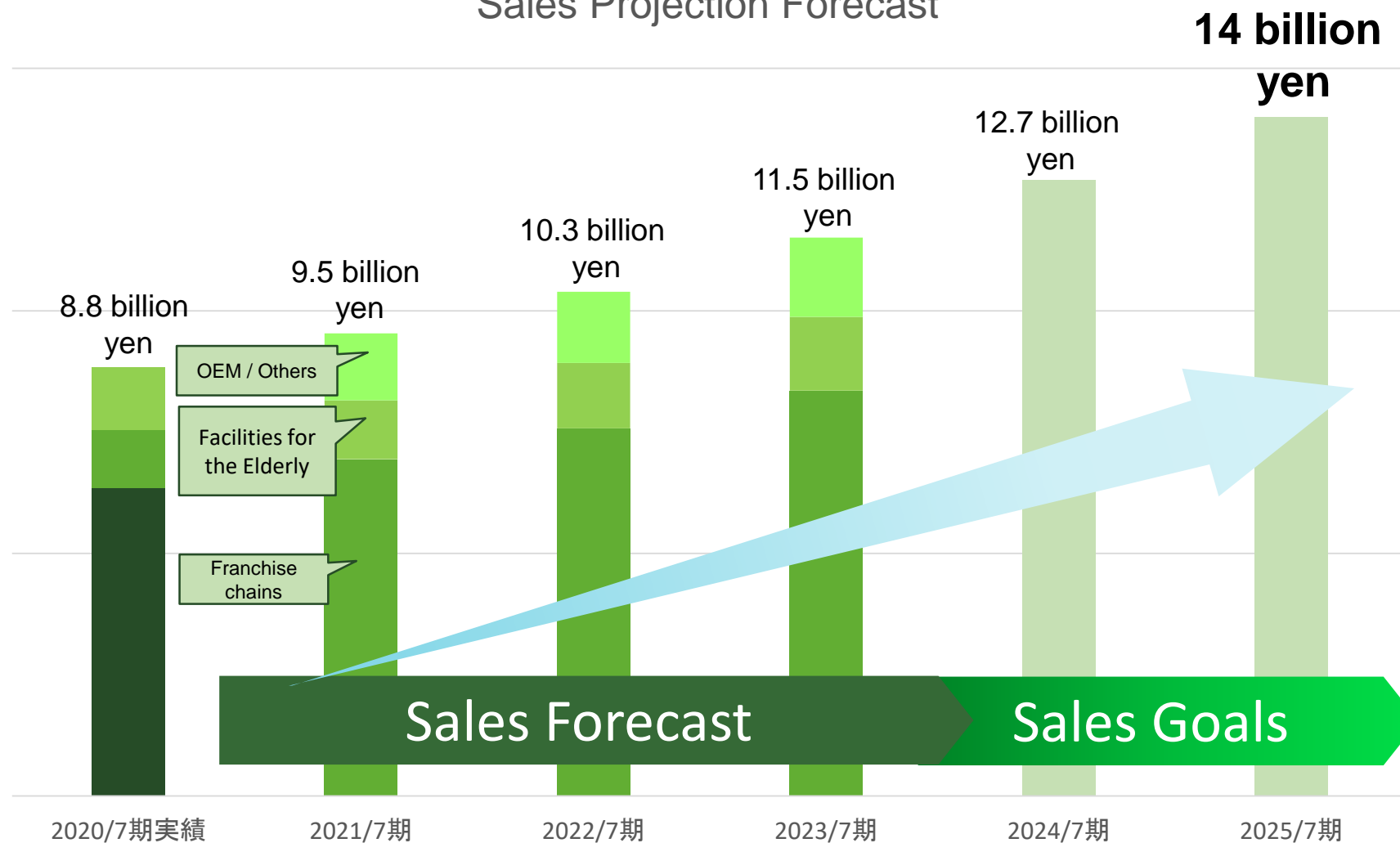
Direct Sales of Frozen Bento

- New advertising skills
- Increase in new and regular customers



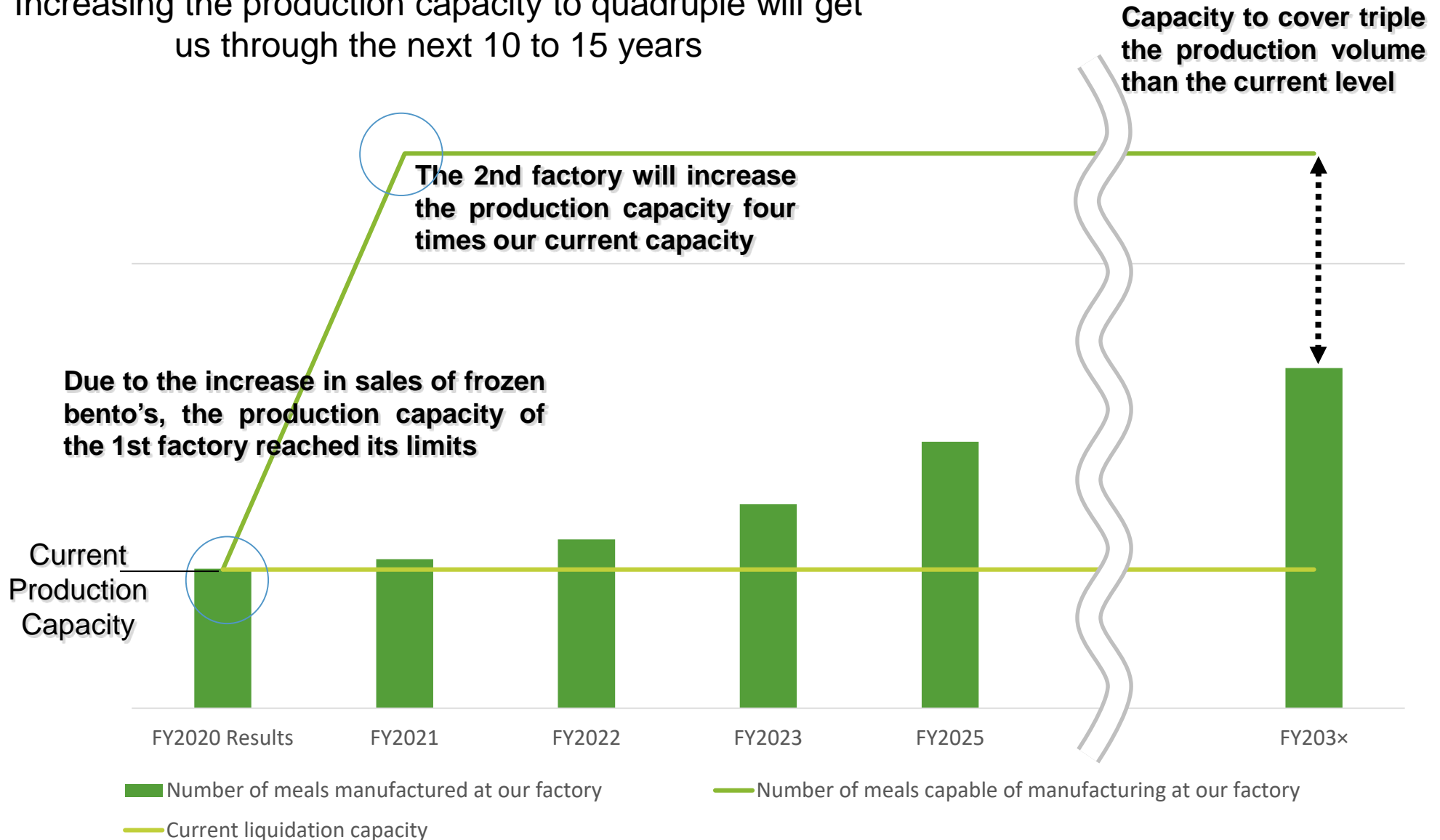
New Business Challenges & Establishing New Growing Content

Sales Projection Forecast



Overcoming the Manufacturing Limitations

Increasing the production capacity to quadruple will get us through the next 10 to 15 years



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)

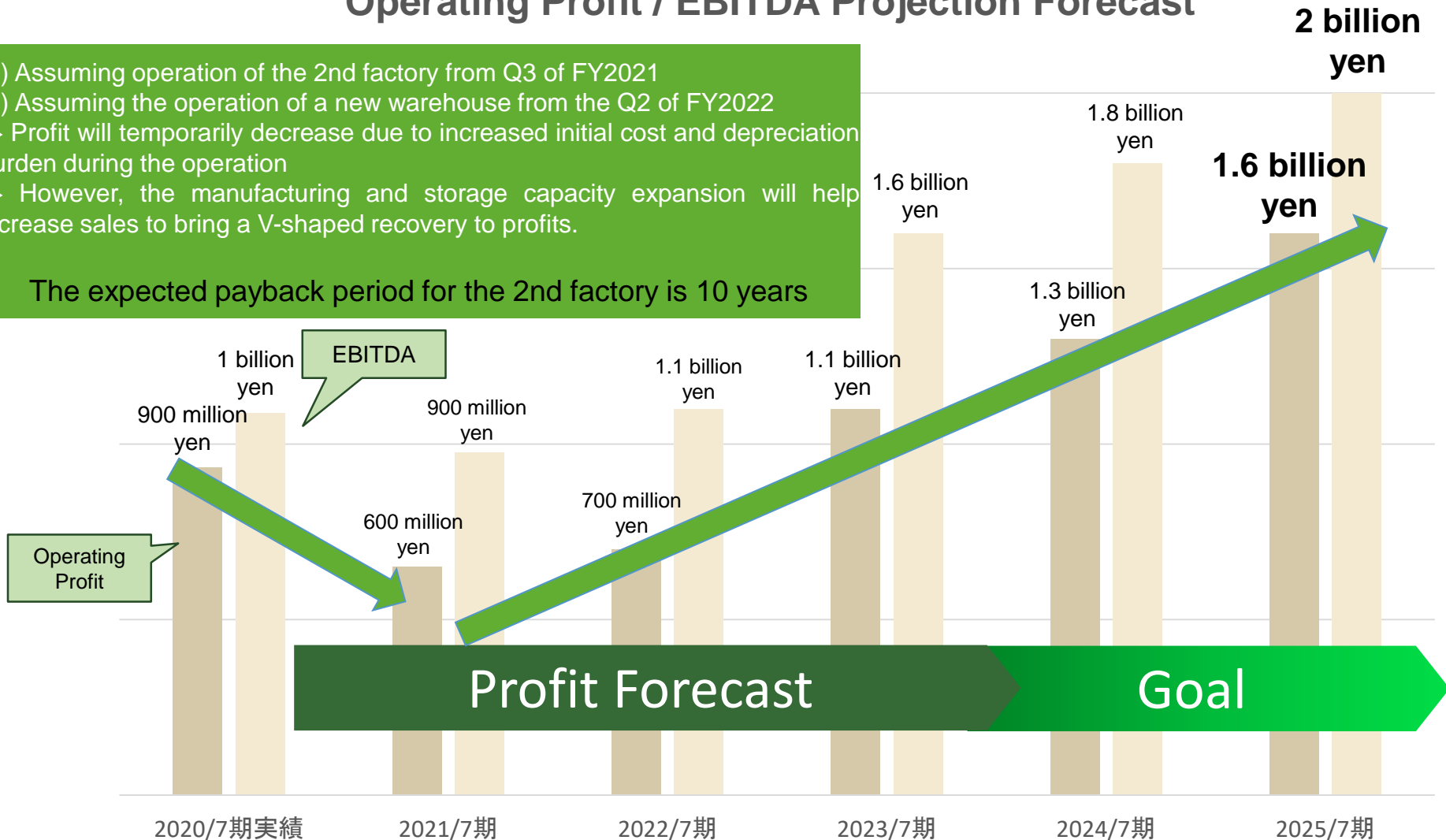


Annex warehouse (chilled foods)

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	<ul style="list-style-type: none"> ➤ 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 next five years are most crucial for our companies next 30 years of growth.

By 2025, we will build our internal infrastructure and aim for the No. 1 share in the expansion period of the market, when we will see an increase in the population of late-stage elderly people.

- 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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