



SILVER LIFE Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended July 2020

September 14, 2020

Event Summary

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[Participants]	
[Number of Speakers]	1 Takahisa Shimizu President, CEO

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Presentation

Moderator: Thank you very much for attending the briefing session on SILVER LIFE Co., Ltd.'s Financial Results for the Fiscal Year Ending July 2020, as well as on its Medium-Term Management Plan.

Our President and CEO, Takahisa Shimizu, will explain onwards. Thank you in advance.

FY2020 Financial Results



(Millions of yen)

	FY2020				FY2019			FY2020 Forecast
		YoY Changes	Composition Ratio	Comparison 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

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Shimizu: Once again, thank you for participating in our financial briefing today.

From here on, I would like to start with an explanation of the financial results for the previous fiscal year. Let me start with the financial results briefing materials and the results for the previous fiscal year.

First, sales were JPY8.832 million, which is almost the same amount as projected. The gross profit and the numbers thereafter improved partly due to an increase in direct sales.

Operating income and others fell short of projections due to upfront expenditures resulting from investment in advertising expenses in conjunction with the start of direct sales. We see a decrease of 5.6%.

Instead, we were able to surpass projections in terms of ordinary profit and profit.

A brief summary at the outset shows that in the previous fiscal year there were unexpected events that led to a considerable decline in sales, but the recovery in the middle was somewhat successful.

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Sales per Category: Franchise Chains

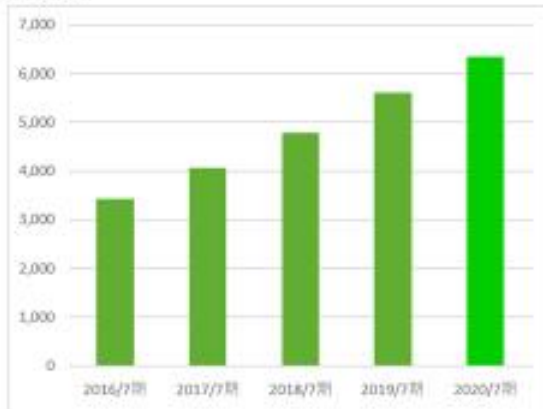


Franchise chains

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)



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Now, let me explain the details of each customer.

First, one of our three sales destinations is the sale of foodstuffs to franchise chains. This was despite a department-wide price reduction of about 4% since July last year: We have achieved a 13.2% increase in sales compared to the previous fiscal year. Since the price reduction was about 4%, the amount of foods actually increased 17%.

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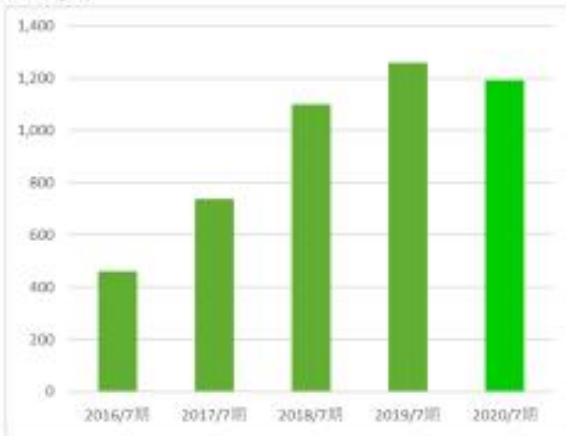


Facilities for the elderly

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)



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Second, we have facilities for the elderly.

Sales of chilled food-packs declined, reflecting a decline in service levels from October 2018 and the termination of single-pack sales for one person. However, the rate of decline was reduced.

In April 2020, we began sales of frozen food-packs as a recovery measure. Immediately after the launch, the emergency situation was declared, and we were unable to conduct aggressive door-to-door sales, thus the contribution to Company sales is still minimal. However, as I will talk about later, we are now in a situation where we can expect a lot of sales in the near future.

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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.



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Third, we have OEM & Others.

There were major events in the previous fiscal year. The number of orders from a major OEM client, which accounted for approximately 80% of the total OEM volume, has declined. Nearly 90% of this Company's sales were products of SILVER LIFE, so we understand that they would like to increase the amount purchased from other companies.

However, we did not anticipate the time frame in which this occurred, which was the beginning of the previous fiscal year, so we have not considered this aspect when fixing our budget. We did our best in the previous fiscal year to catch up.

As a recovery measure, we began direct sales of frozen bento in the beginning of the previous fiscal year. This was favorable, and overall sales did more than just offset the decline, at a positive 38.4%.

As a result, from the current fiscal year, Direct Sales have become so large that we might change the classification name to Direct Sales & Others.

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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.

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Page seven shows trends in the number of stores affiliated with our Food Service.

This was an increase of 105 stores compared to the previous fiscal year, resulting in a total of 834 stores. In particular, since April of this year, when the impact of the coronavirus hit, existing restaurants have given up on their physical store and started offering food delivery services, which is why we think the number of affiliated stores grew.

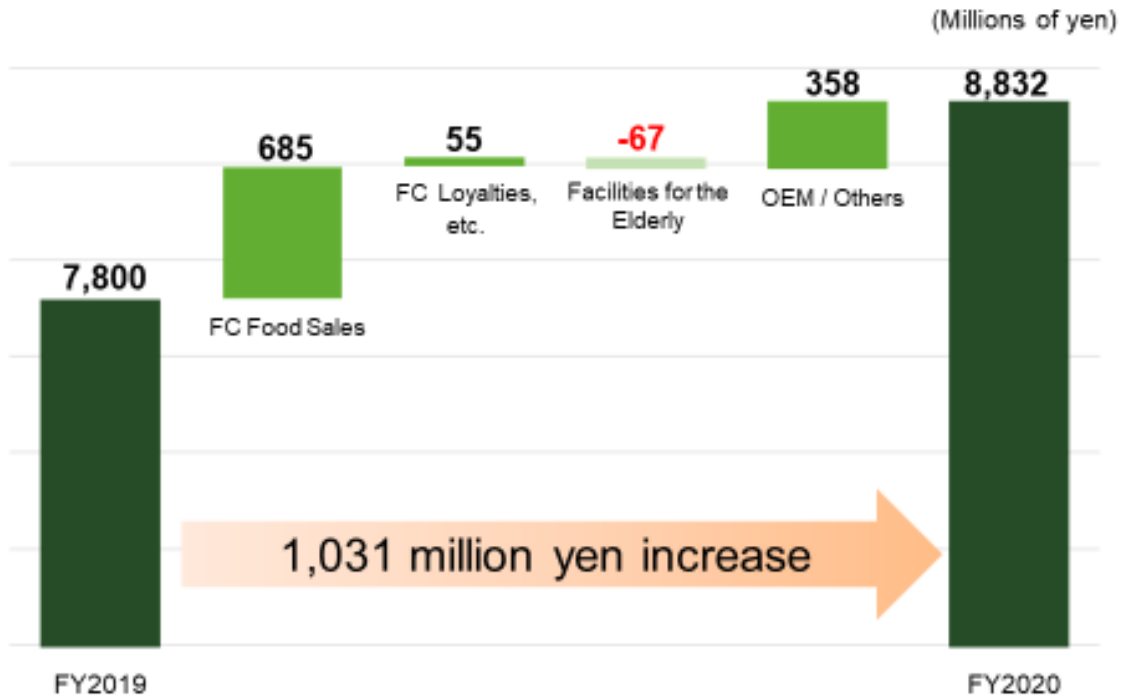
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Analysis of Sales Figures



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The eighth page is an analysis of changes in sales.

Franchisees, OEM & Others, especially Direct Sales, has increased. However, as I mentioned, sales for facilities have decreased slightly. While OEM declined considerably, we did meet the budget, which was a relief.

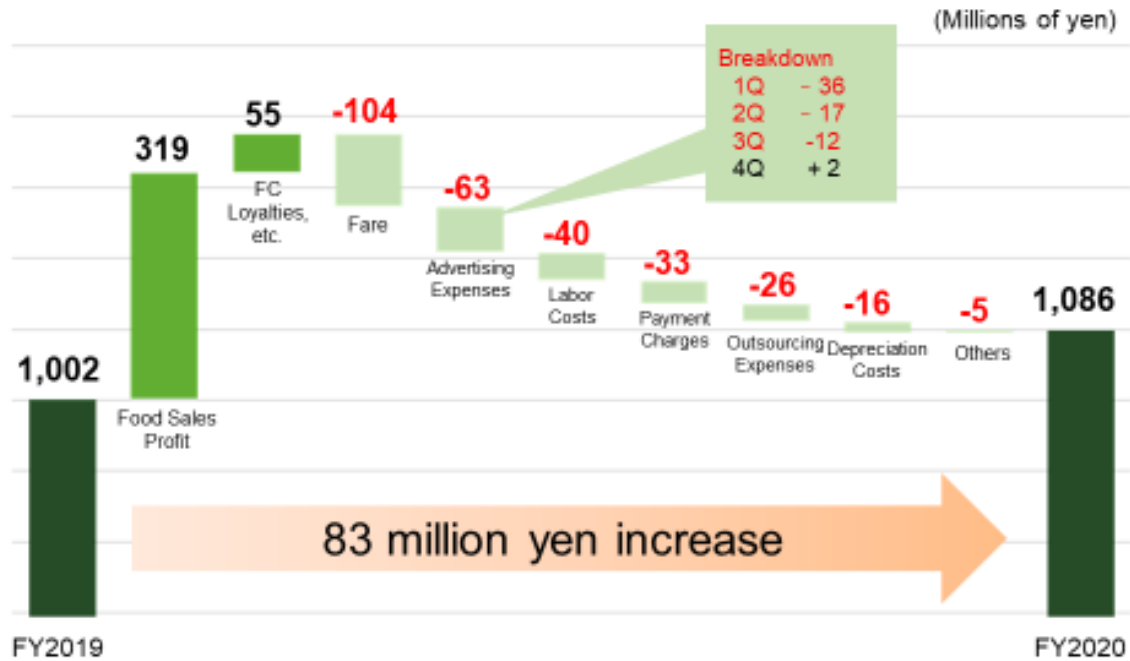
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Analysis of Ordinary Profit Figures



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The ninth page is an analysis of changes in ordinary profit.

The sales of foodstuffs are rising, and particularly because direct sales have increased, the fares for transportation companies such as Yamato and Sagawa are increasing.

A significant point is advertising expenses. As you can see, we spent considerably more on advertising than in 1Q, 2Q, 3Q and last year. Since we were able to secure a certain amount of sales through this, we spent less in 4Q than in last year.

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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.

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The tenth page is our full-year earnings forecast.

Sales increased 7.9%, or JPY9.5 billion. Gross profit decreased significantly, since depreciation and other related expenses associated with the start of operations at the new plant amounted to JPY350 million.

Breaking this down, we expect an increase in depreciation expenses of about JPY150 million and an one-time expense of JPY200 million associated with the start-up of the factory, which is expected in the budget. As this will be included in the cost of sales, there is a considerable decrease after the gross profit.

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FY2021 Sales Forecast per Sales Category SILVER LIFE

Franchise chains	<p>6,940 million yen (YoY +9.3%)</p> <p>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.</p>
Facilities for the elderly	<p>1,210 million yen (YoY +1.6%)</p> <p>Sales are expected to recover with the broader development of the facility-specific frozen food-packs "Kodawari Chef".</p>
OEM / Other operations	<p>1,380 million yen (YoY +6.9%)</p> <p>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.</p>

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Page 11 is the sales forecast by each sales category.

Sales of Franchise chains will continue to grow in line with the current extension. Facilities for the elderly, we expect the decrease in refrigerated packs and the increase in frozen food-packs to almost offset each other during the current fiscal year.

Subsequently, sales for the elderly are forecasted to increase 1.6% YoY. In reality, frozen food-packs have higher profit margins than chilled food-packs, so I think this restructuring process could be quite promising, if we look at the business as a whole.

For OEM & Others, or Direct Sales & Others, from this fiscal year onwards, we expect a slight decrease in OEM, while maintaining a certain level of sales in the Direct Sales area. While we have to consider the manufacturing limitations of factories as well, we have to proceed thoughtfully.

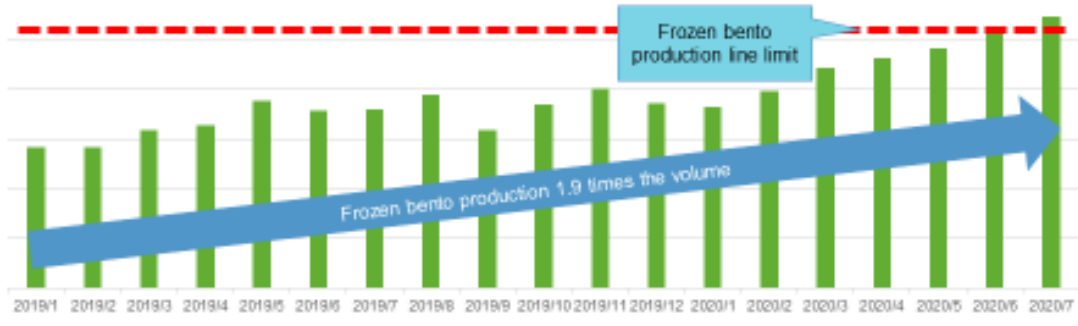
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Manufacturing Limits	Storage Limits
<p>Frozen bento production almost doubled in a year and a half. There is not enough space in the current factory to increase the number of facilities and the number of people working at the same time.</p> <ul style="list-style-type: none"> - 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 <p>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.</p>	<p>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.</p> <ul style="list-style-type: none"> - 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 <p>Nearby rental cold storage warehouses are almost full, and there are not enough freezer trucks to run between warehouses.</p>



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Page 12 starts with the topics.

I have just talked about limitations. In fact, the two limitations to manufacturing and storage are coming closer faster than expected.

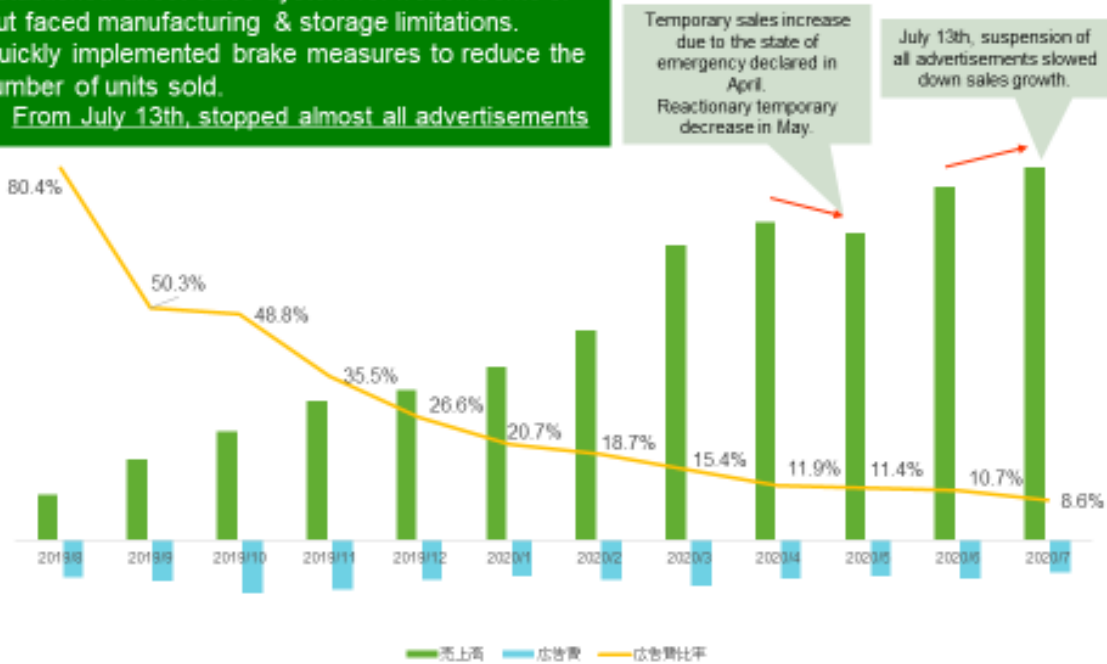
The first is the production limit. It took too long for the second factory to open up, and it came to the limit of production at the first factory. We sought out whether the same product could be made at other companies' factories, but unfortunately we haven't found such a factory. Even if they could, manufacturing costs would increase 20%, so we came to the conclusion that is it better to do it on our own.

Secondly, the limitation of storage has come out. The limit value is even higher than that of the manufacturing limit, so that we have to make a frozen warehouse, which was originally intended to be constructed five years from now. That's why we have declared it as storage limit. Because of these limitations, direct sales of frozen bento are difficult to increase by advertising more.

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



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In fact, the only thing we can do is to increase the operating hours.

The factory finally closes at 3:00 AM to 4:00 AM, but at 4:30 AM the morning staff will already arrive. Sometimes, there is no time for the factory to stop, and it also happens that the night staff is working until the early morning and that the day staff starts working when the night staff is still present.

Thus, unfortunately, all advertising was discontinued from July 13.

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Establishing a 200 Thousand Meals / Day Manufacturing & Storage System



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In the future, since the market is growing rapidly, we would like to increase sales without discontinuing advertising. Here is a summary of what is needed to increase that sales.

The first factory will be a factory exclusively for freezing. We would like to retire all of our current refrigeration equipment and deploy our freezing equipment into vacant spaces.

Then, we will establish a new warehouse exclusively for frozen meals in Tatebayashi, which is close to here. We will be able to store about 1,350,000 meals, which is 13 times more than the capacity of the food storage distribution center that we completed in 2017, which can hold up to 100,000 meals.

At the same time, we are establishing a second plant on the right. This will be a factory exclusively for chilled. As we have stated in the past, a warehouse will be included inside the factory. We may be able to start operations in early 2021.

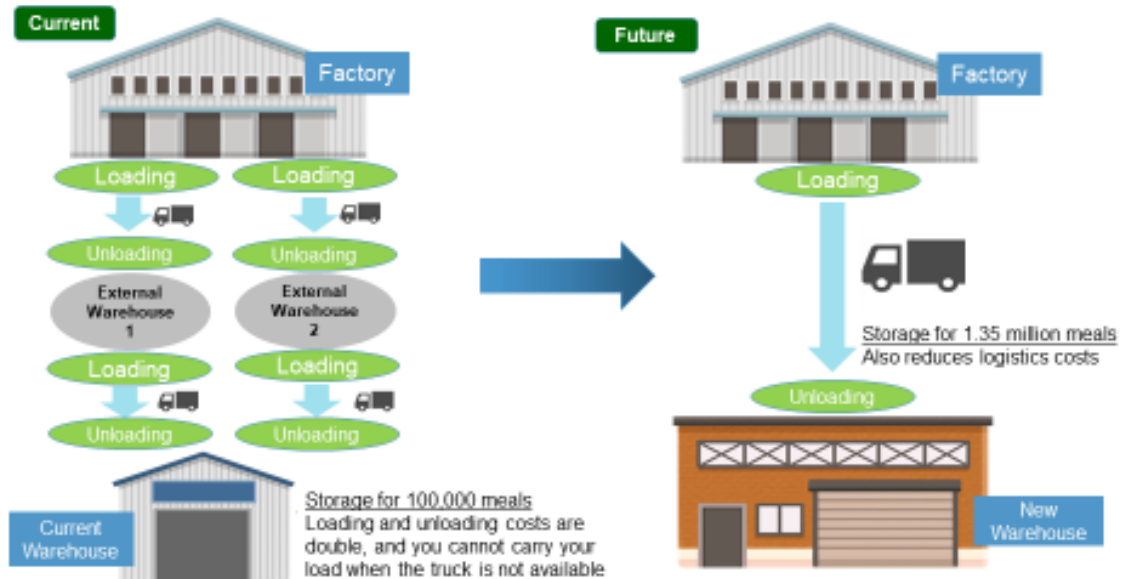
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New Cold Storage Warehouse

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.



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The new frozen warehouse will be the first of its kind to be outside, so I will explain it in detail.

At the moment, we are still using an external warehouse so we can increase our manufacturing limit. However, the cost of loading, unloading, loading, and unloading to an external warehouse is considerably high.

Furthermore, there is a limit to the date and time when external warehouses can be used. For example, they can tell us to unload only from 9:00 AM to 12:00 PM from Monday to Friday. Of course, the warehouse is used for other businesses as well, so there is a significant time limit. We hope to improve this area by building a warehouse nearby.

Of course, I've been looking for a wide range of rental warehouses throughout the Tokyo metropolitan area. However, unlike normal-temperature warehouses, frozen and refrigerated warehouses were hard to find. They are difficult to borrow or buy. So we decided to make one ourselves.

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Frozen foods Warehouse Overview

Frozen Foods Distribution Center Overview
Address: 681-3, Kondo-cho, Tatebayashi-shi, Gunma

Site Area: Approximately 1967 m²
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



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Page 16 outlines a frozen warehouse in Tatebayashi.

We have already signed a contract on the land. We are considering a total investment of JPY900 million by making a new building here and putting the machines into it. While we did not provide a detailed explanation in the written material, the machinery will comprise of sorters as well as three-dimensional containers which enable the storage of foodstuffs, et cetera. This photograph shows a picture of manual picking by humans, but we think that in the new warehouse all of it will be automated so that we can reduce costs considerably.

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Topics: FY2020 Review

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)

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Page 17 is a review of the fiscal year which ended in July 2020.

There were a variety of movements each quarter.

As a result of the start of direct sales in 1Q, we achieved monthly surpluses from the fourth or fifth month onwards, and eliminated the cumulative losses in the ninth month. So despite the emergency start, we were able to launch a textbook-like new business.

In 2Q, the Company changed its listing to the First Section of the Tokyo Stock Exchange. Through this, we expect benefits such as attracting human resources in the future. We have been preparing for this for quite some time, but it just happened at this time of year. Therefore, we had to pay a fee of JPY12 million to change listings, which was also not expected from a budgeting perspective, and it was difficult for us to catch up with the numbers.

From 3Q, we expect recovery for seasonal frozen foodstuffs and kodawari-chef. In fact, sales have risen considerably recently. However, as you can see, since April we have the declaration of an emergency situation, the start of the project has slowed down a little. In September, as an improvement measure, we are currently in implementing drastic changes in our system, so that orders can be completed online, instead of sales people visiting.

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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

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In terms of 4Q, we recently acquired the FSSC 22000 certification.

Please think of this as a standard that combines HACCP with ISO. We have acquired this FSSC 22000 because we believe it is more credible internationally and can be used when exporting.

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Impact on Costs and Sales		Current Situation
Sales	✓ No particular change to franchise chains	The steady increase of member stores
	✓ Some facilities for the elderly unable to sell new products were closed	A gradual restart of sales activities
Cost	✓ Buying inexpensive ingredients from overseas was temporarily difficult, but no major impact	Changed the menu to cope with the situation
	✓ Temporarily increased purchases to securing essential consumables (masks / disinfectants), but there were no major impact	The impact was minor
	✓ Immigration restrictions to foreign trainees	Hiring Japanese with increased hourly wages and hiring temporary staff

Page 19 is about the impact of the coronavirus.

There is no particular change in sales to franchise chains. In other words, the number of franchised stores is steadily increasing, but in our case, since sales at stores immediately after the opening start at zero and grow gradually, the contribution of sales in the near term is still small.

Sales to facilities were slightly impacted. As I said now, we are making changes to the system in a way that will enable orders via the Internet.

In terms of cost, we have almost entirely solved the problem of purchasing ingredients. We are also able to take measures. There have been some price increases for consumables, masks, and sanitizers, but this can still be offset by the increase in sales.

The most problematic issue is the restriction on the entry of foreign trainees. In fact, this is related to the limitations of production, since depending on the time, it will be difficult to find people who can work.

As a countermeasure, we have started to accept and recruit a large number of part-time and temporary Japanese workers, changing the hourly wage of the factory from JPY900 per hour in January of this year to JPY1,100 in April. Temporary staff are also accepted.

However, we do not receive many applications. Many people are losing their jobs at their current company due to the influence of the coronavirus. For example, many people who work at automobile factories near Gunma Prefecture only work two or three days a week now. However, these people are still receiving financial

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aid from the national government, and their employment is still maintained at the other company, so our factories have not been able to hire them as much as we had expected.

As for this, I think we need to continue our hiring activities with a focus on the future, given the recruitment process is facing delays.

The explanation of the financial results is provided above.

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Medium-Term Business Plan FY2021 - FY2025

Announced on September 11, 2020

SILVER LIFE Co., Ltd.
The First Section of the Tokyo Stock Exchange (9262)



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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.

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Next, let me explain the medium-term management plan again.

The period from the fiscal year ending July 2021 to the fiscal year ending July 2025 will be subject to the medium-term management plan.

The background to the formulation of this plan is that we believe that we will need to further strengthen our production system in preparation for the future increase in sales, which has been growing up to now, and further increases in demand until 2025 and beyond.

Originally, our plan was to gradually step up in the next 5 years to 10 years by establishing new refrigerating and freezing warehouses. However, due to the increase in sales and the OEM budget being met, as well as the difficulty hiring people, we believe that capital investment should be given priority.

We hope that we will make the necessary capital investment here in order to continue to grow our business activities in the next 50 years to 100 years.

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<Trends in Sales and Profits>



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I will explain the background.

Trends in sales and profits. Sales have been growing. Profits are also growing.

Although not shown here, sales grew from 2012 to 2013, but there was a period in which profits grew little. The start-up of the first plant and the associated depreciation and initial one-time costs resulted in little growth in profits. However, I think that we were able to increase sales and profits at a later stage because we built this first plant.

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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)



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The fourth page is our store network and distribution network.

As you can see, there are now 834 stores nationwide.

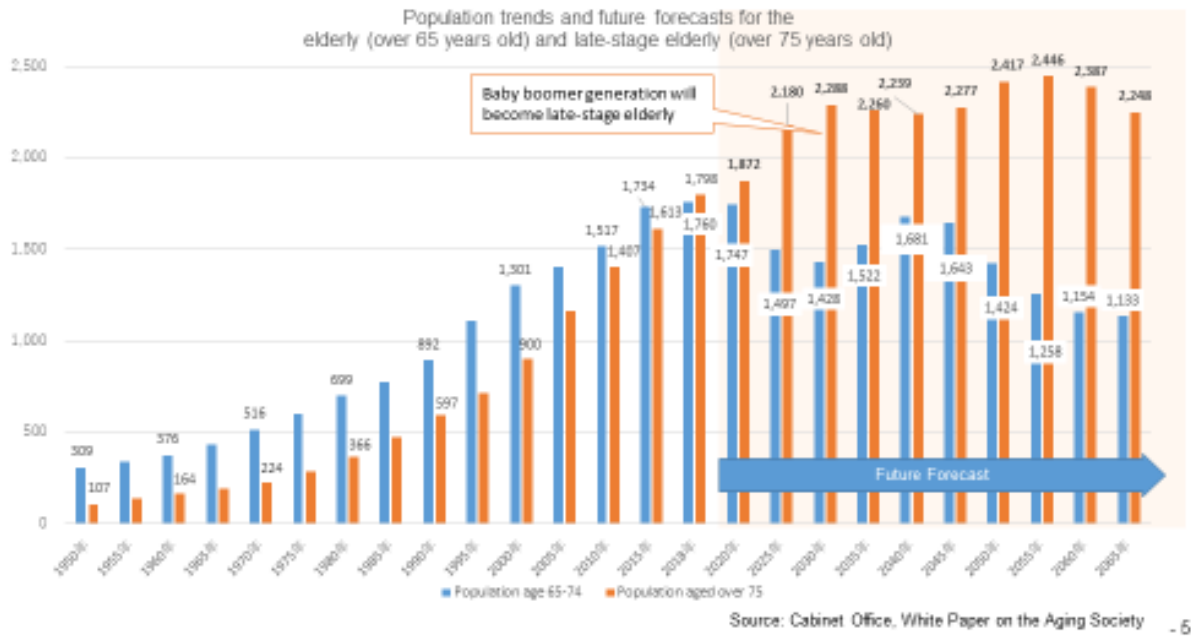
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Our main target, the late-stage elderly, will increase exponentially beyond 2025



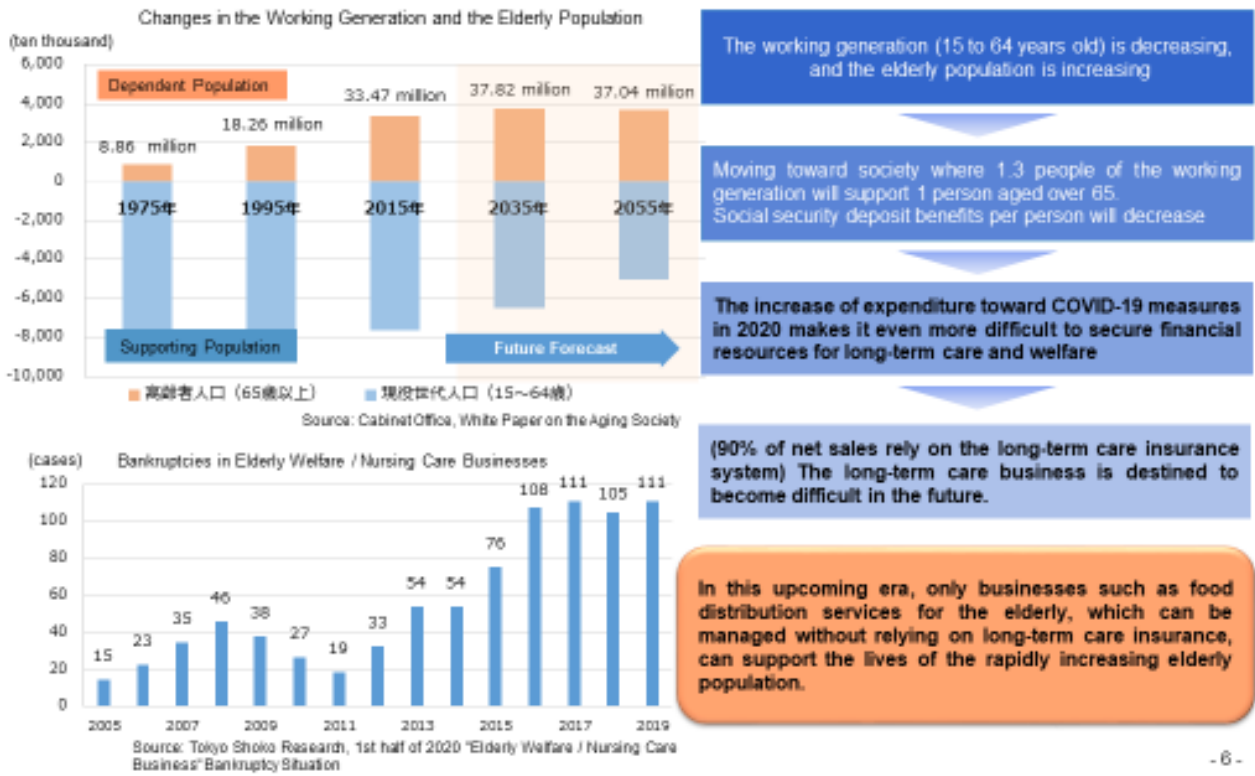
This is the external environment.

As you all know, the population of the late-stage elderly will increase in the future. Especially in 2025 and beyond, the slope will rise even higher than now. I think that it is necessary to have a manufacturing capacity that can respond to all demands without being restricted by the limitations of manufacturing as we are now.

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Personally, I think it will grow at the same pace after 2030 for about five years.

As you can see, the elderly population itself will settle down from 2030 to 2035, but by then, as shown on page six, I think that the care provided by the country is probably no longer viable.

Specifically, I believe that around that time, helpers who usually come five times a week to bring warm food, will get their shifts cut down to twice a week, since the government does not have enough funds to provide public healthcare. From this point of time onwards, things will become serious.

In that age, we believe that only businesses such as food delivery services for the elderly, which are viable without relying on nursing care insurance, can support the lives of the elderly.

Especially due to the coronavirus, the country lost money, and now funds will be entirely used up faster than initially expected.

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Page seven depicts the measures to increase sales against the backdrop of this.

I will briefly tell you in each division.

Franchise chains will increase their stores further. We also intend to launch a third brand if necessary. After establishing the factory, we will be able to create different types of menus on the same day. Therefore, after the second factory is established, we will be able to launch a third brand.

Next, we have facilities for the elderly. The acquisition of new frozen products is strong here. I think it would be better for facilities to sell many desired products. As our profit margin is also higher for frozen than chilled products, we would like to continue and grow in this area as well.

Furthermore, we have OEM. The acquisition of more new OEM customers includes Wellness Dining Corporation., Yoshikei Development Co., Ltd., Zenkokutsuhan Co., Ltd., and Dinos Cecile Co., Ltd. As we have announced today, we are considering letting various companies, starting with Taihei Co., Ltd., use our factories. In fact, we were quite restrictive until now, however, if the second plant is completed, we will be able to handle new requests from a variety of companies.

These are direct sales of frozen bento. We have acquired know-how in advertisement. I'm confident that numbers will increase after launching a campaign. We hope to exceed our manufacturing limits and generate further increases in sales.

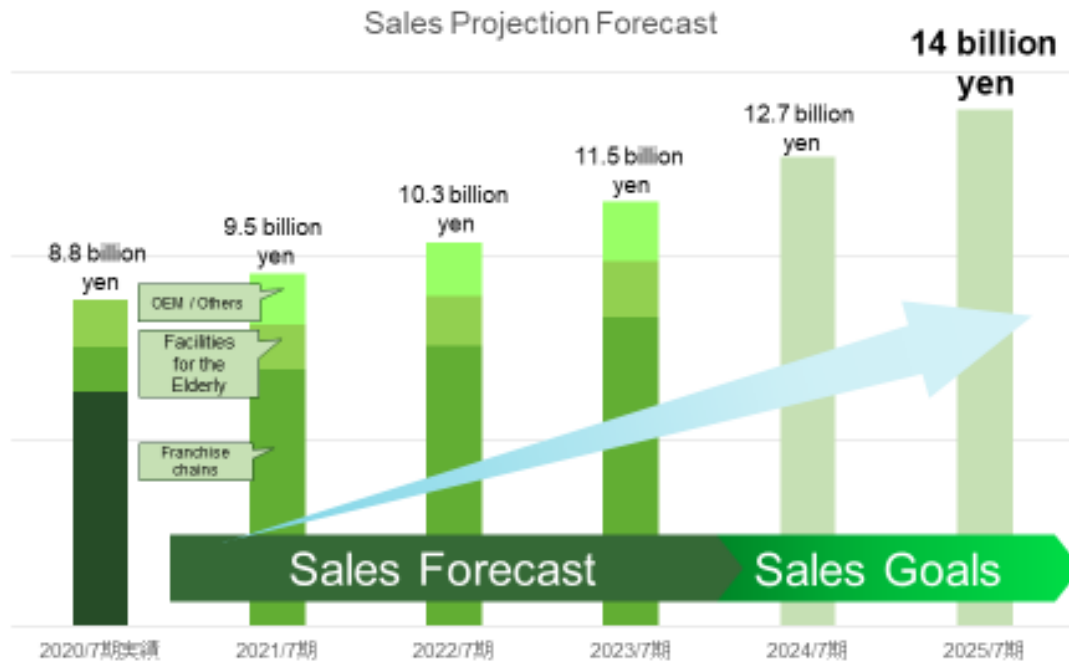
Here we are talking about an extension of the current situation.

We have not yet reached this stage, but we expect to move forward with a broader range of new businesses once we have eliminated our manufacturing and storage limitations.

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Sales Forecast



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Page eight is the sales forecast. It is divided between forecasts and targets.

This is the extension line of future sales, which I have mentioned in page seven.

We are unable to predict when new businesses and new stories will be available, so we are unable to incorporate them in this figure for sales. We believe that this extension line should be the minimum we have to secure.

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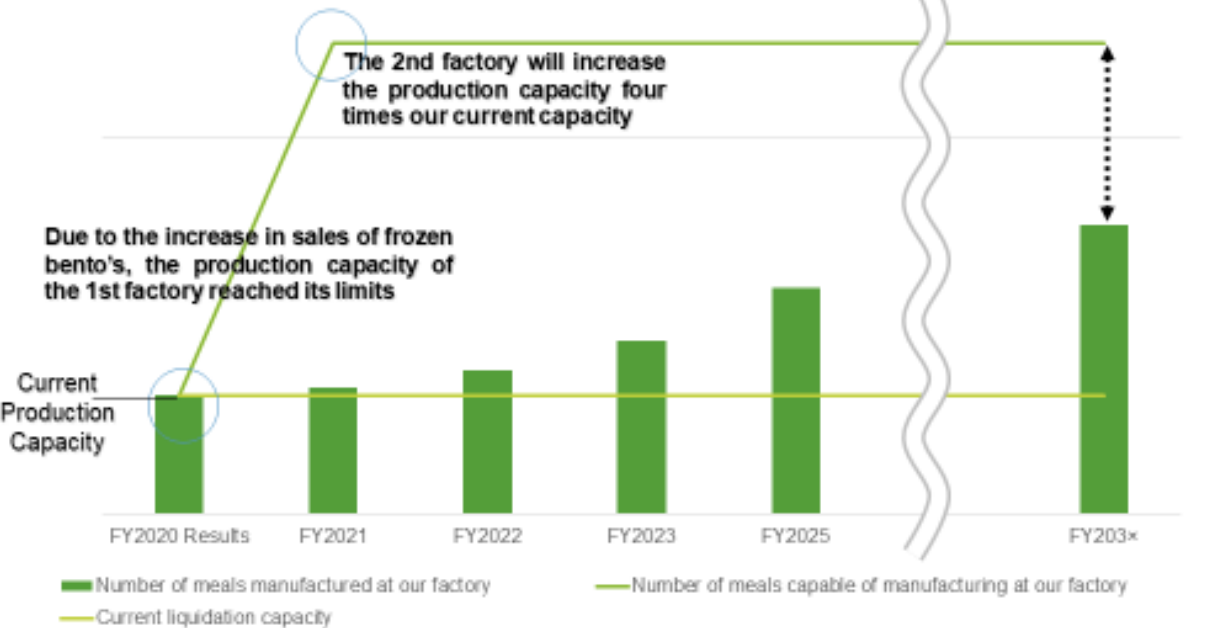
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Overcoming the Manufacturing Limitations SILVER LIFE

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



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Page nine is the breakthrough of manufacturing limits.

We believe that we will be able to compete for the next 10 years to 15 years with our own factory manufacturing capacity and warehouse. In other words, we can realize all of the capital investment we had planned. This investment will allow us to compete for the next 10 years and 15 years.

Also, since our listing, we have always said that after a certain level of capital investment has been completed we will properly return profits to shareholders.

We had institutional investors who have made a telephone calls after the settlement of accounts, accusing us of not intending to return profits to shareholders for five years.

Regarding this issue, I would like to say that this is not the case, and I would like to apologize if we were misleading. Actually, since we have accelerated our capital investment this time, we think we will be able to return profits to shareholders even earlier. I would like to share this with you as well.

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**Establishing a 200 Thousand Meals / Day
Manufacturing & Storage System**



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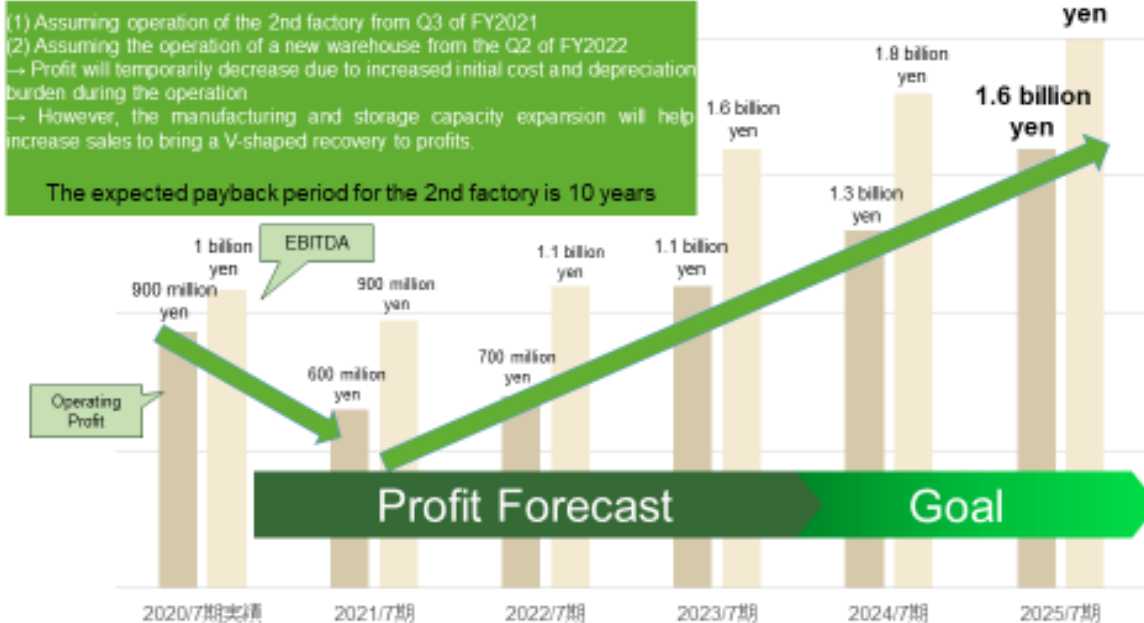
The tenth page is for future growth. As I discussed earlier, these things are necessary for growth.

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Operating Profit / EBITDA Projection Forecast



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The 11th page is the earnings forecast and target.

After the price declines temporarily, we intend to return to a V-shaped recovery.

As I stated earlier, the sales and profits are future projections along the current extension line. However, with the factory now available and the warehouse now available, we can start accepting requests which we have previously declined.

Thus, I think that for the next five years, we will aim even higher.

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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. * Expected to be launched and in-service before the 2nd factory starts running 	<ul style="list-style-type: none"> ➢ Start running the new warehouse (total investment of 900 million yen planned beyond 2021) *Establishment of a frozen bento picking system ➢ Resuming sales of frozen bento's and using expenses for advertising

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These numbers lay the foundation for the five-year plan.

As you can see here, these are based on extensions of our current businesses. No stories of new businesses have been included.

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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	➤ 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	➤ 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	➤ 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.

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The 13th page is our investment plan. The respective amounts have been stated.

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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.

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Lastly, the 14th page is everything I have said today.

We believe that the next five years will be the most important period to determine our growth in the following 30 years.

Going forward, we intend to complete all of our infrastructure by 2025 to meet the increasing demand, with the aim of becoming the number one in terms of market share, especially during times of market growth.

Thank you very much for your patience. Let me finish my explanation for now.

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Question & Answer

Shimizu: Now, we will enter into a question-and-answer session. If you have any questions, please enter your questions in the Q&A at the bottom of the screen. I would also like to answer the questions you have asked me so far.

First, people are asking about the situation concerning the many franchises that shift their direction from restaurants. How will the progress be?

For now, it will stay the same. Many companies, especially izakayas and late-night businesses, are sensing the danger of the current situation and are asking us if they could deliver bentos instead. We also anticipate more individual players, not companies, to emerge in this area, especially when things get worse and companies start firing their human resources.

The second question: You said that you have stopped advertising for the time being in July. What is your image of resuming advertising in the future?

We look forward to resume advertisement by the time the second plant will have been in operation and be able to provide a stable supply. Specifically, the plant is scheduled to operate from around 3Q in the current fiscal year, so we would like to resume advertising as early as 3Q or at the latest during 4Q. Until then, we will not entirely shut down advertising, but try to maintain a small but constant level of it, in order to keep up the sales.

The next question is: Are there any changes regarding long-term strategy?

There is no change here. Since I'm the owner of the Company, I have a strong idea of expanding the business of this Company over the long term. Therefore, my approach is to think what can be done now to benefit the long-term. And I'm convinced that this is probably the best way that will eventually make you happy.

The next question: Do you plan to use the platform to sell supplements and pharmaceuticals?

We are thinking about this. Although we are thinking of it, as regulations for pharmaceuticals have not yet been relaxed, we are worried about when we should enter the market a little. There are rules which state that only pharmacists can deliver and responding via remote medical services is difficult as well. When the regulations get relaxed, it is our time to enter the market.

Regarding the supplements, I'm sorry, I have tried two or three times in the past, but it didn't work very well, so I'd like to remove it from my thinking for now.

The next question is: It is clear that profits will fall due to speculation, but can we expect acceleration of sales from the second half of the year?

There is a possibility. Rather, I myself hope that the plant will get completed at an early stage, and from that moment I hope we can fully accelerate.

However, considering the fact that we had a hard time due to very unsuccessful procedures at the time of the first plant's launch, I'm afraid if we do not consider the worst-case scenario for the next plant. At the time of the start-up of Factory 1, I myself had the experience of sleeping at the factory for two months and doing everything all over again. I don't want to repeat that experience again and I think that in order to do so, I need a variety of proper preparations and a budget as well.

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Here is the next question: What about securing labor after the start of operations at the new factory?

We are optimistic. As I mentioned earlier, the recruitment of new graduates who will join the Company in April 2021 has been quite successful. We also expect more mid-career recruits, since we expect many companies to unfortunately fire their workers in the future.

While the regular routes of foreign trainees from Vietnam have been stopped for a long time, the situation seems to improve from October onwards. I expect that the situation will be such that even with the coronavirus will be able to secure a certain amount of manpower with foreign trainees for the time being.

These are the questions you have asked. Is there anyone else who has any other questions?

Then, if you have another question, please contact the person in charge of IR department after this, and we will reply, so please contact us again then.

One more thing I get asked about is my approach to launching a new production system, i.e. the idea behind the start-up of a new factory.

My idea is to gradually increase the number. At first, we start with 1,000 meals a day, and then gradually increase to 3,000 meals a day in the next week, thus constantly raising the upper limit. The ideal way of thinking is to keep the factory at full capacity in about three months, while an average of about three to six months would be the ideal value. I would like to do that as soon as possible. I don't know if it really can be switched smoothly unless we try, but we think we can switch properly by starting with a small number of meals at first and starting with a new number of meals again.

Also, when we started the first factory, there was no other option. We had to do it here. When we established the first factory, we told partner factories that we do not need the same amount of purchases anymore. Unlike the old first factory, which had lost its exit route, the second factory will be set up in-house, i.e. the Company will have its own factory, and if the situation becomes difficult we will be able to return and take a step back. We can smoothly switch depending on the situation, since it is all in-house.

The next question: What changes are occurring regarding the ease of obtaining franchises and the churn rate?

This has undergone a favorable change. First, regarding the ease of acquiring franchises, as I mentioned, there was an increase in the switch from restaurants to food delivery services, particularly through the second half of the fiscal year.

In fact, the churn rate has been decreasing. There was a 4% cost reduction from July last year, so it would be odd if it were not decreasing. Therefore, the effects are positive due to two synergies: The acquisition of more contracts than expected, and the churn rates being below expectations.

This is the next question: Is there any change that your Company feels in terms of final demand?

There is no change in this. As in the past, the situation is that sales are growing as they continue to rise. Conversely, when it comes to final demand, I think that the most important are bentos from franchisees and food delivery services for the elderly at home, but for this, it is continuing to grow as it has been. However, the rate of growth is increasing more than ever.

As for the questions you have asked, I would like to say more.

Once again, I would like to thank you very much for taking part in our briefing session for our financial results in your busy schedule today.

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Moderator: Then, the questions have been completed, so we will conclude The Briefing on the Financial Results and the Medium-Term Management Plan. If you have any additional questions, please do not hesitate to contact the IR representative.

Thank you for your participation today.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
2. *This document has been translated by SCRIPTS Asia.*

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