

Financial Results for the 2Q of Fiscal Year Ending January 31, 2021

SILVER LIFE Co., Ltd.

The First Section of the Tokyo Stock Exchange (9262)



Summary of the 2Q Results and Whole Financial Year Forecast

FY2021 2Q Financial Results



(百万円)

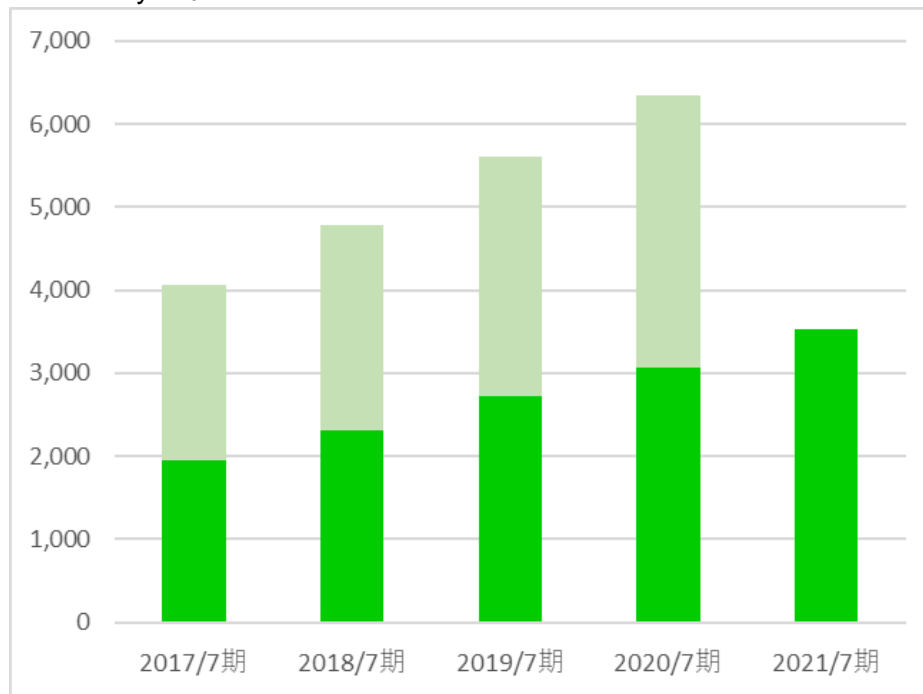
	FY2021				FY2020			FY2021 Forecast
		YoY Changes	Composition Ratio	Compared with Forecast		YoY Changes	Composition Ratio	
Sales	4,888	16.1%	100.0%	51.3%	4,212	11.1%	100.0%	9,530
Gross Profit	1,459	19.1%	29.9%	59.1%	1,226	14.3%	29.1%	2,470
Operating Profit	611	48.6%	12.5%	94.1%	411	▲5.0%	9.8%	650
Ordinary Profit	671	38.2%	13.7%	87.3%	486	▲0.2%	11.5%	770
Profit	417	38.3%	8.5%	90.8%	302	0.7%	7.2%	460

Franchise chains

Sales 3,526 million yen (YoY +15.0%)

Stores : 897 (compared to the previous year-end +63) Exceeded annual plan
The positive impact of the July 2019 departmental food price reduction continues

(Millions of yen)



Facilities for the elderly

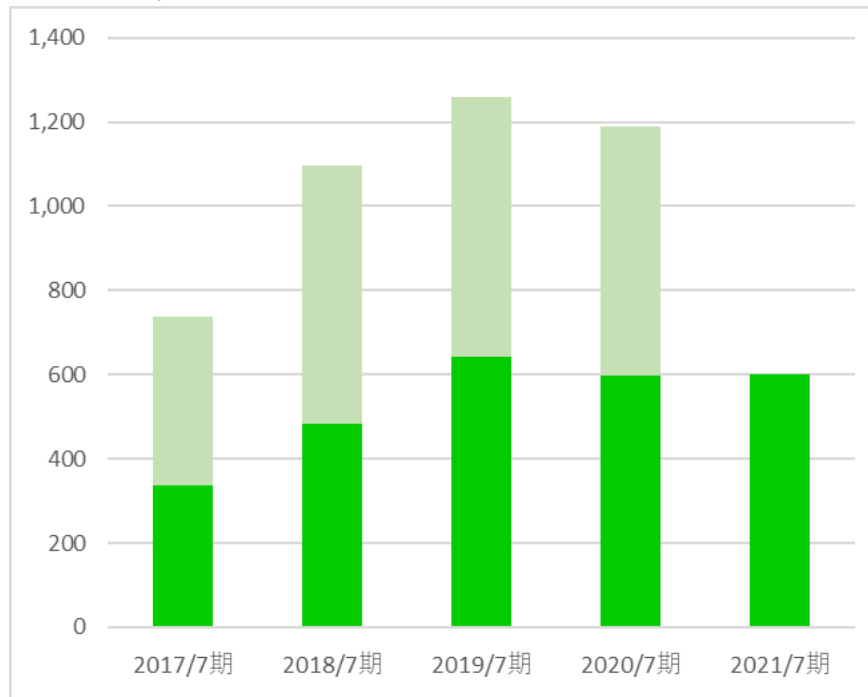
Sales 601 million yen (YoY +0.7 %)

Cilled : 90% of facility sales, new sales activities have almost stopped.

Frozen : 10% of facility sales, sales activities limited by COVID19 but increasing slowly

As of the last month of 2Q, 15% of facility sales

(Millions of yen)



Direct Sales/ Others

Sales 760 million yen (YoY +38.6%)

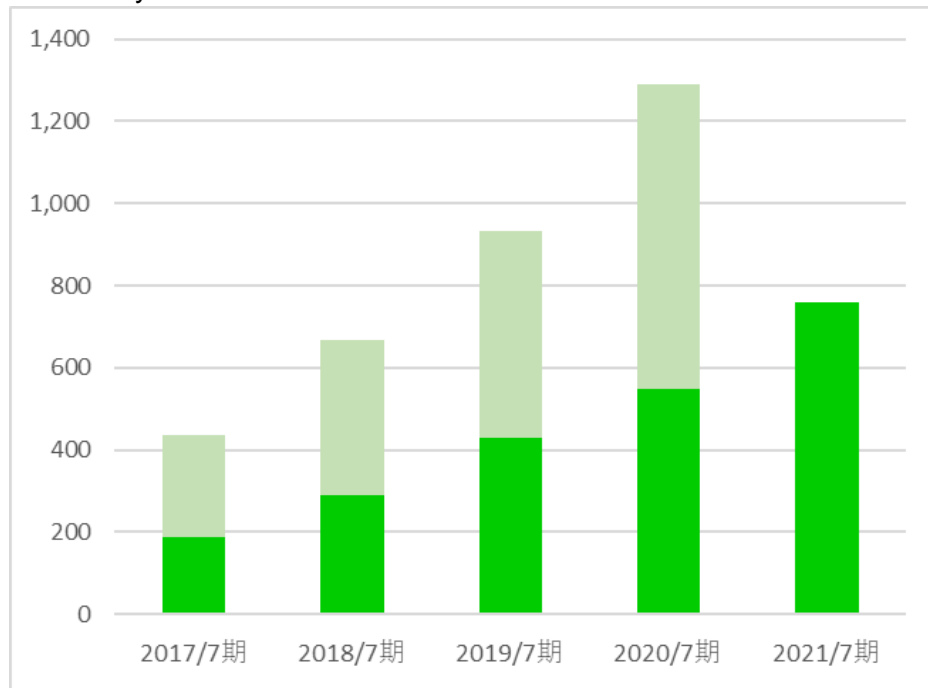
Direct sales: Maintain a certain level of sales

OEM: Volume of orders from existing large customers continued to decline.

At the beginning of the fiscal year, the frozen lunch box production line was limited to 22,000 units/day, but by the end of 2Q, it was under pressure due to the increase in FC, and was producing 20,000 units/day.

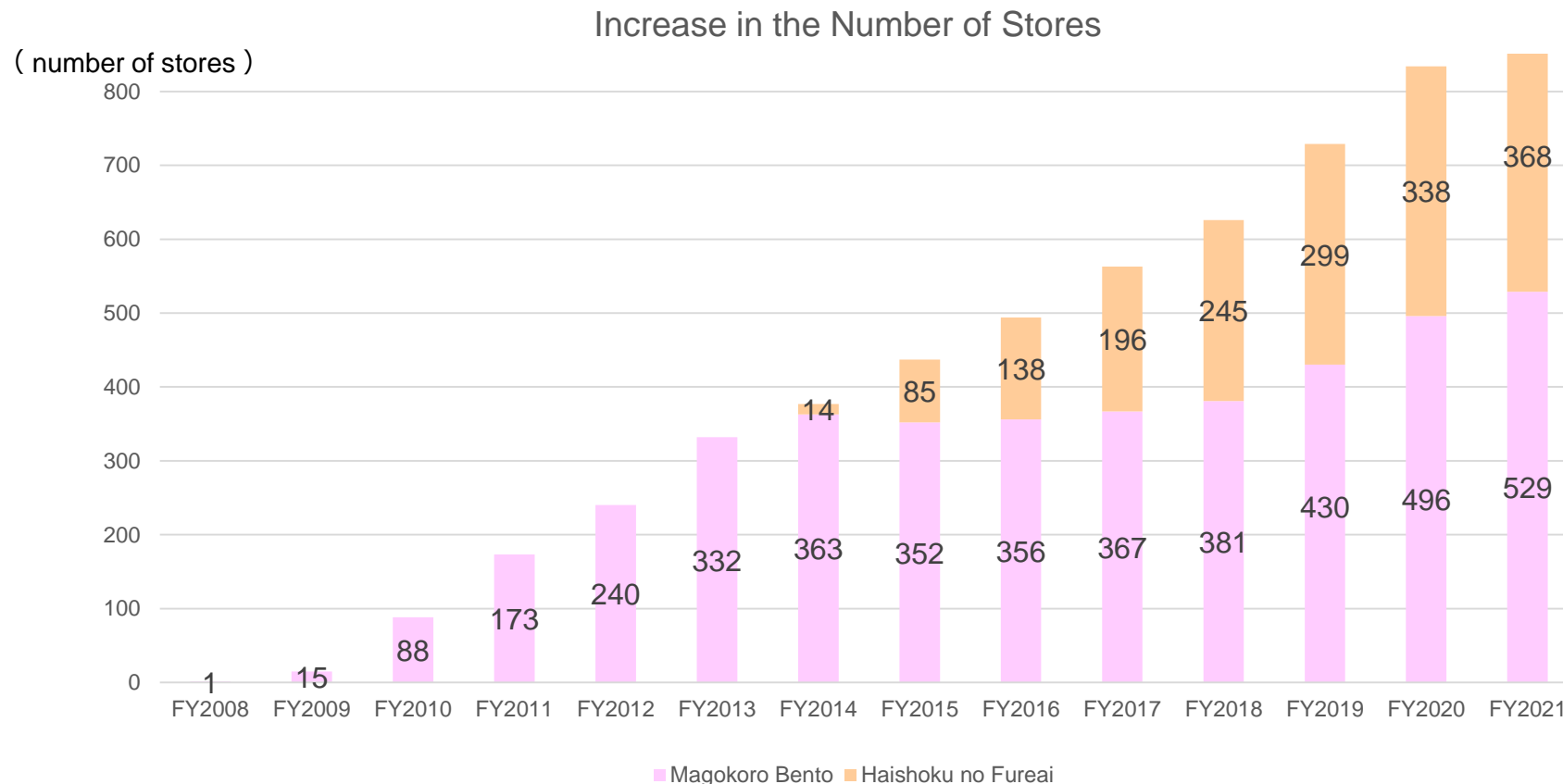
Adjust advertising volume at 15,000-18,000 units/day while monitoring overtime hours. Additional capital investment in July 2021 will bring the production limit to 50,000 units/day.

(Millions of yen)



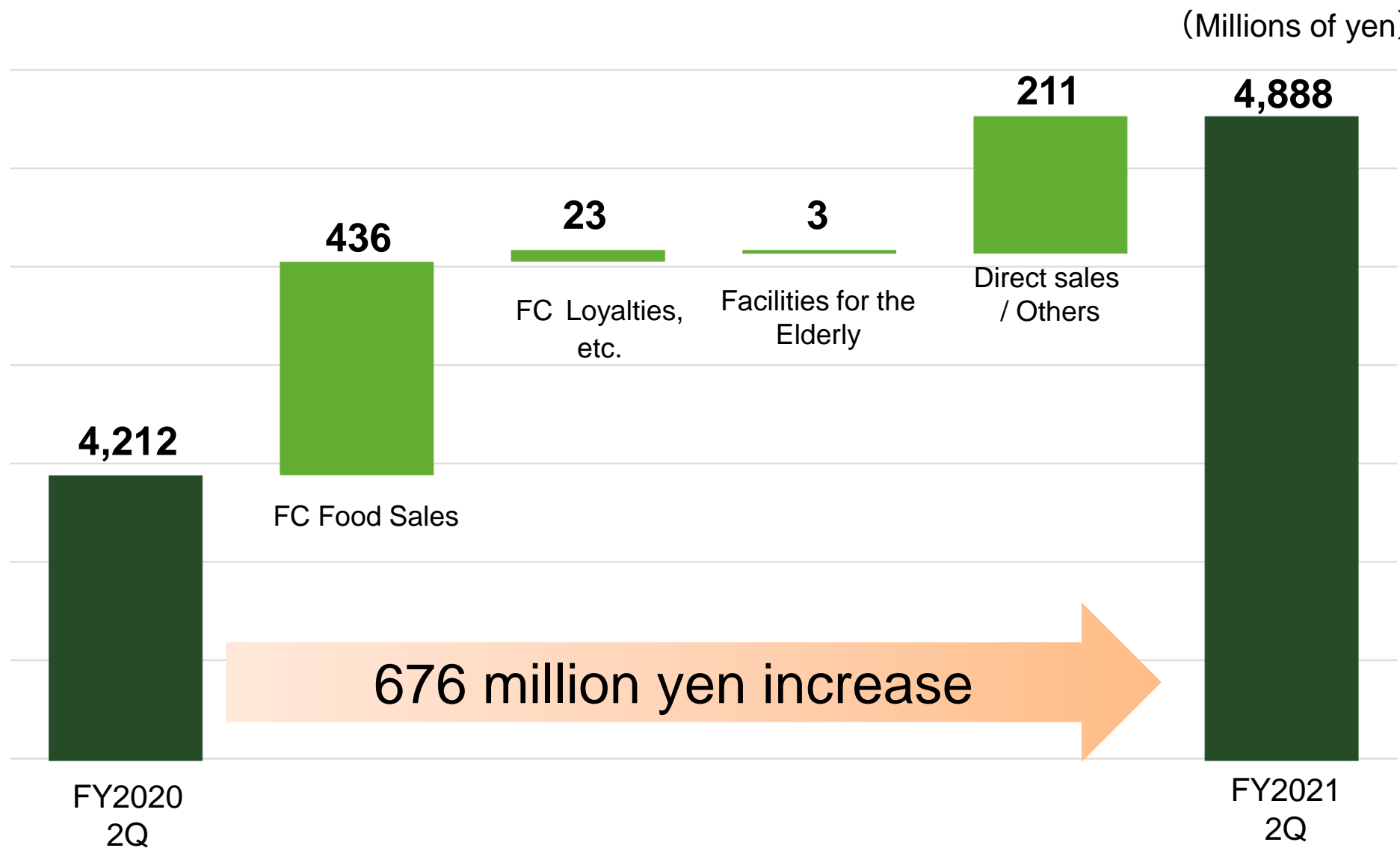
Number of Stores

33 "Magokoro Bento" stores and 30 "Haishoku no Fureai" stores increase (compared to the previous year-end). 897 stores in total (as of the end of Jan. 2021)



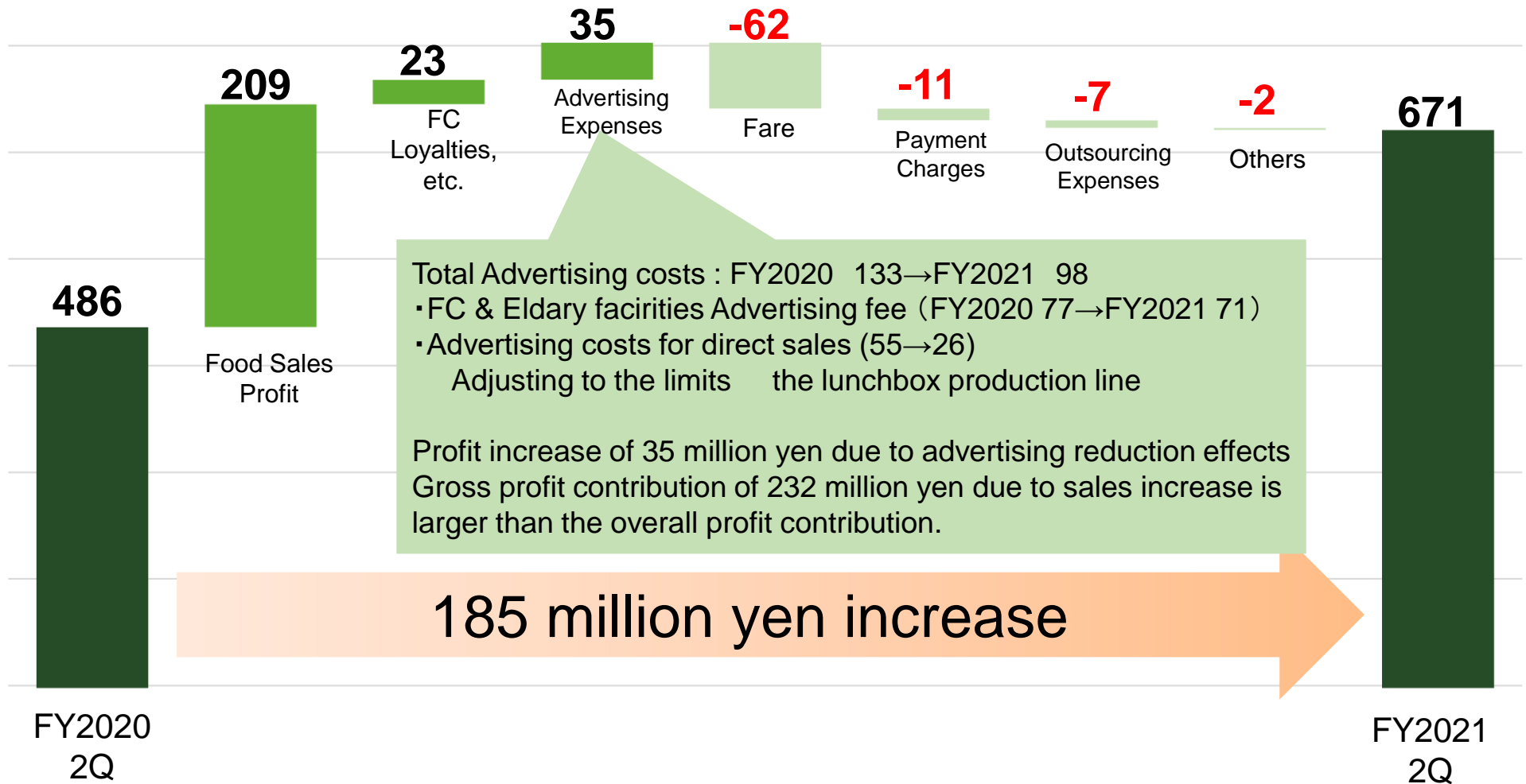
- * 1. "Rakuraku Bento" is not included in the above number of stores since it will only be a store opened alongside a member store.
- 2. Since store sales start from zero and gradually increase after the opening, contribution to sales will be from the next year after the store opens.

Analysis of Sales Figures



Analysis of Ordinary Profit Figures

(Millions of yen)



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".

Direct Sales / Others

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.

FY2021 Forecasts unchanged at this time

<Factors>

Postponement of new factory-related expenses to the second half of the fiscal year.

Business performance in the second half may fluctuate significantly depending on the progress of factory start-up.

<Forecast for the second half>

Sales	<ul style="list-style-type: none">○FC store sales are expected to exceed the plan. (Price down has been successful)×Facilities for the elderly are expected to be weaker than planned based on the current situation. (COVID19 influence continues)△Uncertainties in direct sales have increased. <p>The timing of the production increase may change depending on the progress of the new factory operation.</p> <p>Increase in number of competitors, and it is quickly becoming a red ocean.</p>
Gross Profit	<ul style="list-style-type: none">×Depreciation and amortization expenses will be incurred as the factory begins operations.○Gross profit margin set at low level in anticipation of trial and error during plant start-up period×Efforts are needed to make up for the delay in the start of operations (e.g., purchase of spare equipment earlier than planned).×Unplanned increase in factory personnel (strengthening mid-career hiring)
SG&A expenses	<ul style="list-style-type: none">×Advertising expenses will be gradually increased while maintaining a balance between production volume and order volume.

Factory Operation Schedule

April : New Factory starts operation

The 1st factory will be dedicated to refrigeration from summer onward, while monitoring its operation status, to enable increased production.

	FY2021	FY2022	FY2023
1 st Factory (Gunma factory)	Chilled/Frozen Manufacturing		
		Expansion of freezing equipment	Frozen foods increase
2 nd Factory (Tochigi factory)		Start operation	Add production lines as needed



Society

We believe that the growth of our business itself is our commitment to society. We deliver well-balanced lunches to the homes of elderly people who are too old to go shopping on their own. We believe that this business has a high social significance.

We, Silver Life, will contribute to society by growing our business with integrity in accordance with our corporate philosophy: "We, Silver Life, will create a society where everyone can age with peace of mind from the perspective of food."



Environment

• Efforts to reduce food loss

We commercialized the extra cooked ingredients as "Omakase Kobachi". We have started to use them as extras in our sales products. This will help to reduce food residue.



Governance

- We have the following systems in place to strengthen our management monitoring system
 - Ratio of independent outside directors: 1/3
 - Transition to a company with an audit committee
 - Compliance
 - Continue to provide compliance training to all employees
- We will continue our efforts without loosening our grip.



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

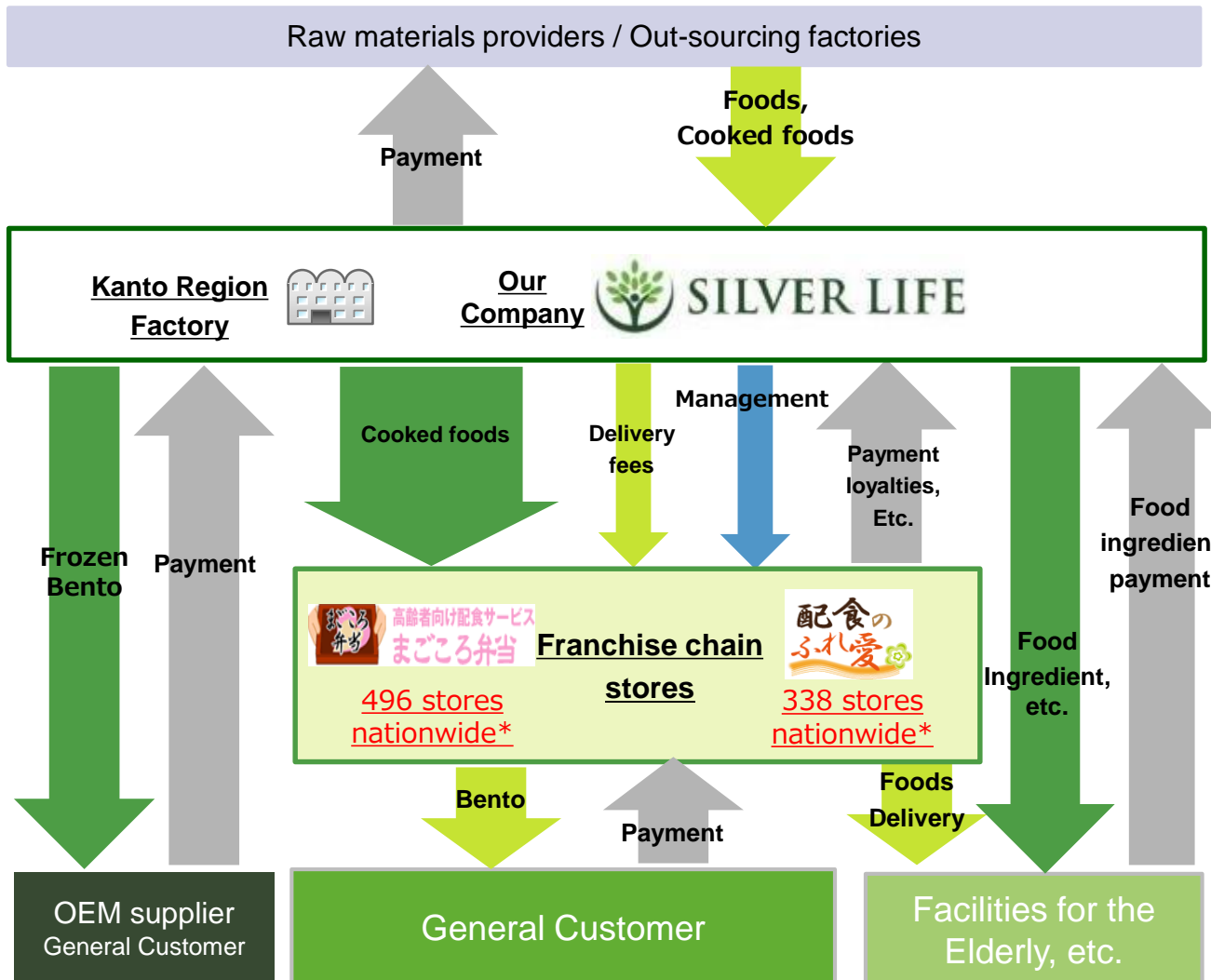
Company Name	SILVER LIFE Co., Ltd.
Representative	President, CEO : Takahisa Shimizu
Established	October 2007
Capital Stock	710 million yen (as of July 31, 2019)
Address	Highness Lofty Level 2, 4-32-4, Nishishinjuku, Shinjuku-ku, Tokyo, 160-0023, Japan
Businesses	<ul style="list-style-type: none">▪ Franchise 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

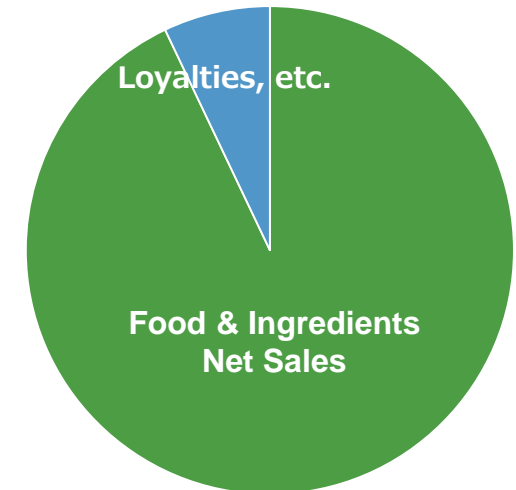
Date	Main store / Business development	Stores / Business development
Oct. 2007	Company established in Setagaya-ku, Tokyo	
Nov. 2007		Opened the 1st directly managed store in Setagaya-ku, Tokyo
Apr. 2009		Launched our first franchise chain “Magokoro Bento”
Sep. 2010		Accomplished 100 "Magokoro Bento" 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)

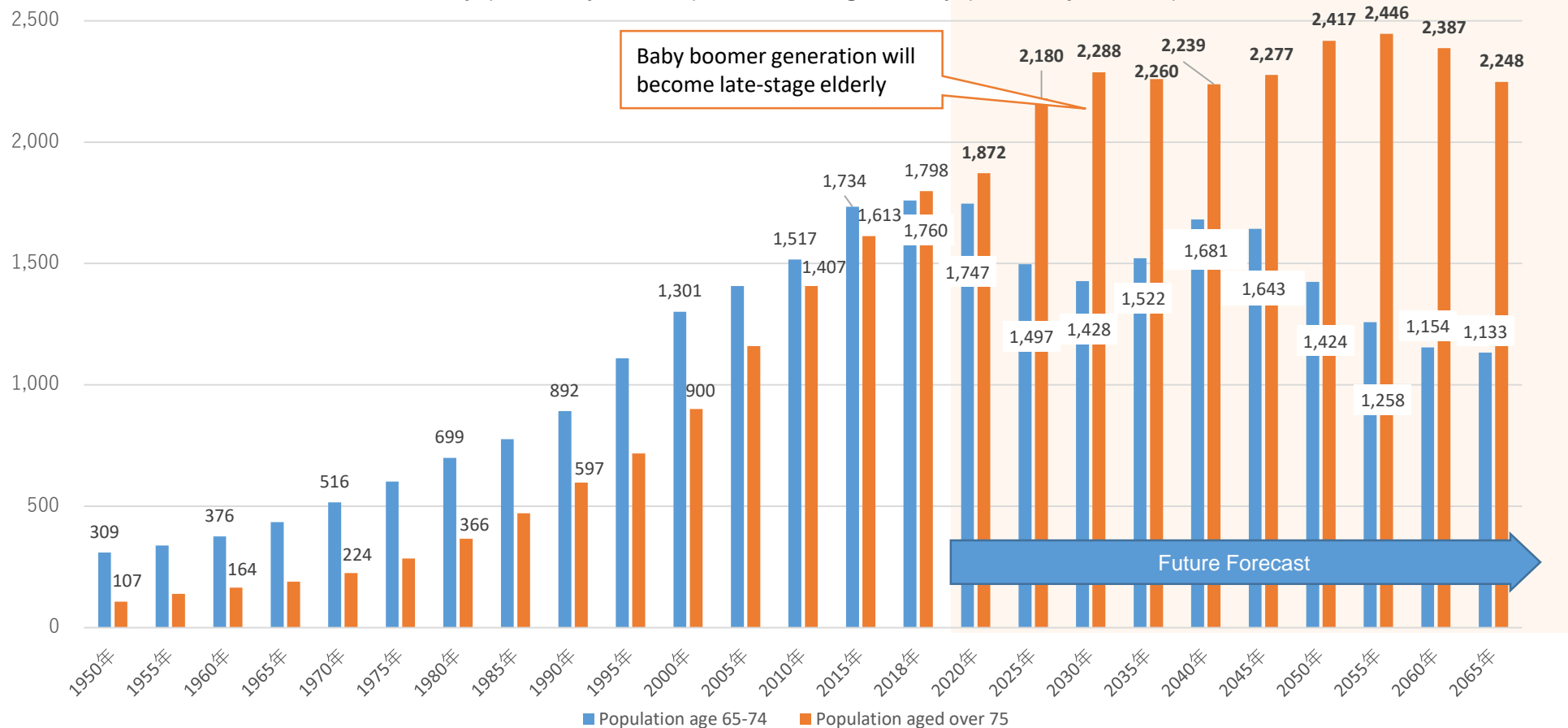
*As of the end of July 2020

The Market to which we belong

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

(ten thousand)

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

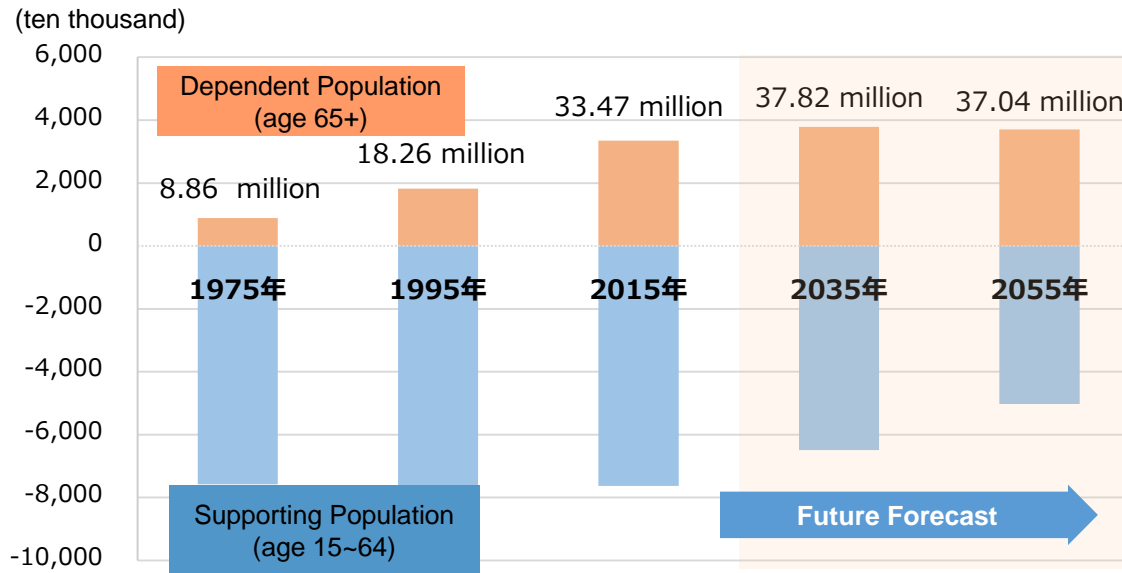


External Environment (a business that does not rely on long-term care insurance)



SILVER LIFE

Changes in the Working Generation and the Elderly Population

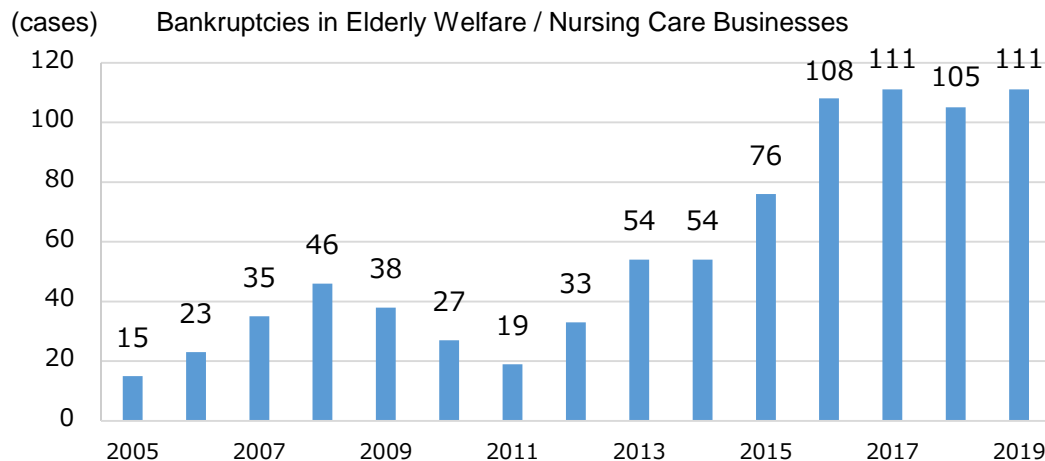


The working generation (15 to 64 years old) is decreasing, and the elderly population is increasing

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.

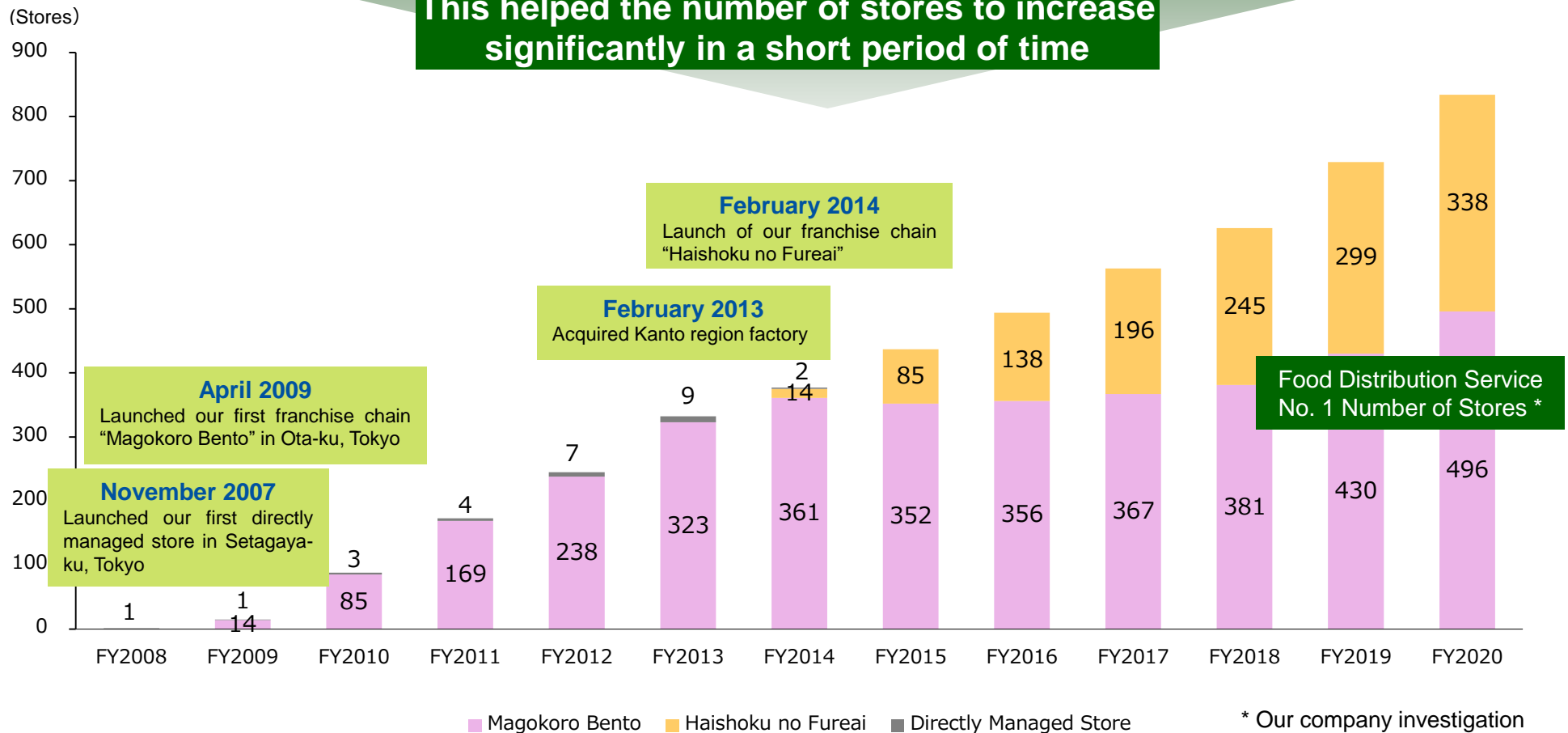
Our Company Features and Advantages

Our Advantage: FC Network stores opened



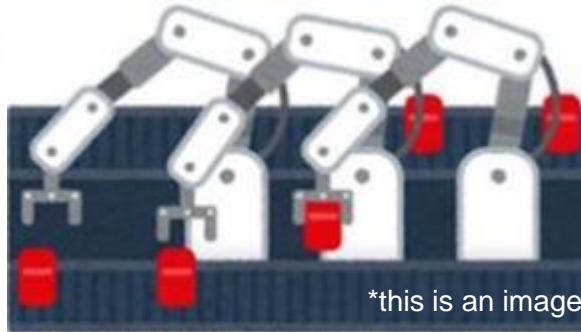
- Low-cost opening (non-visit-type stores with no restriction to location / no large kitchen equipment required)
- The simple process of preparing cooked ingredients and delivering (the business can be started alone)
- Stable supply of high-quality cooked ingredients from FC headquarters (no cooking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



*this is an image

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
9月1日	オクラのかか和え	鶏きんぴら
10月1日	さつまいもの煮しめ	野菜のカレー炒め
11月1日	ブルーベリーみそ汁	法蓮草のしそひき和え
12月1日	冷しゃぶ風	白身魚(牛乳)のもろみ焼
1月1日	キャベツのピリ辛漬け	ヤングコーンソテー
2月1日	野菜のクリーム煮	山菜煮
3月1日	しる菜のおひたし	五目巾着炊き合せ
4月1日		柚子大福
5月1日		
6月1日		
7月1日		
8月1日	サワラの佃煮焼(45)	ハンバーグデミグラスソース
9月1日	法蓮草の磯辺和え	人参マリネ
10月1日	ナスとピーマンの味噌炒め	かぼちゃソテー
11月1日	おでん風煮	田舎煮
12月1日	ミモザサラダ	小松菜の胡麻和え

- **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

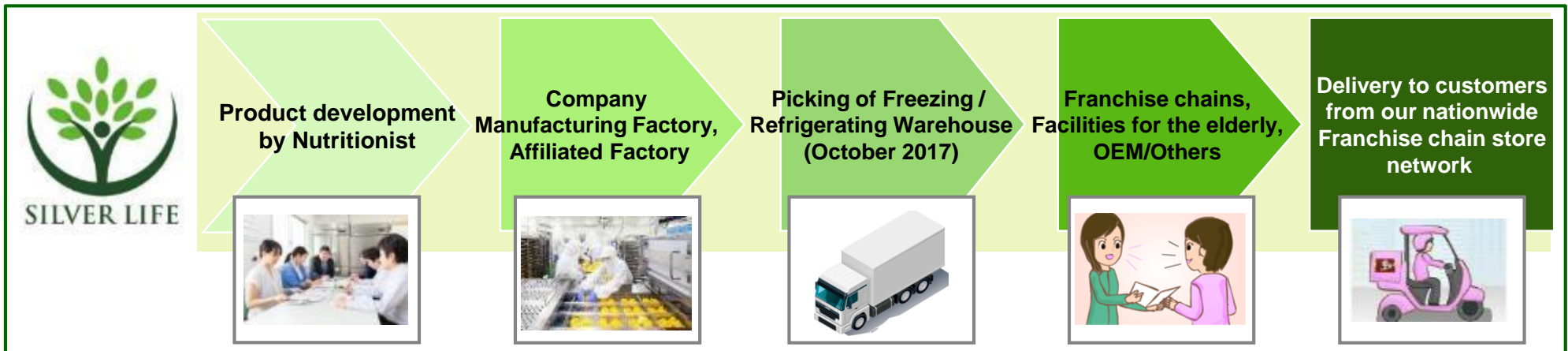
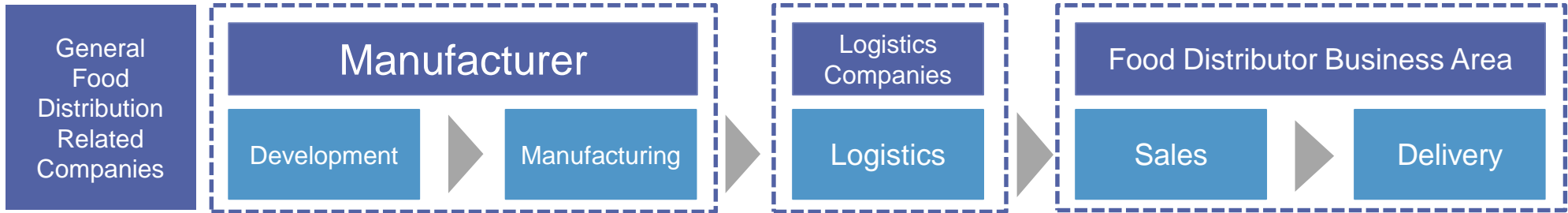


Franchise Chain Network

- "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

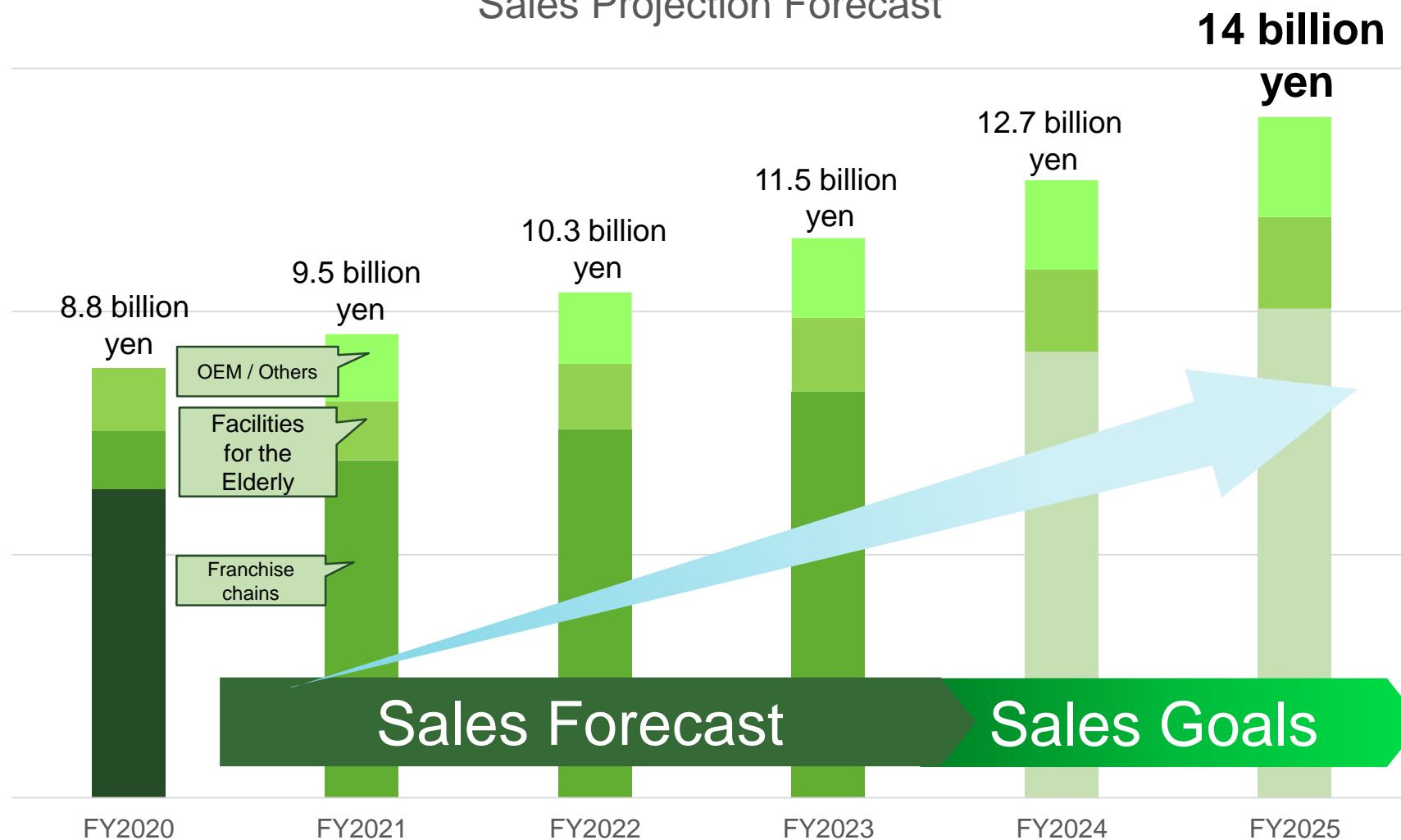
- Cost advantage due to mass production
- Product development based on customer feedback (franchise chain stores)
- Ensure the "Safety and Security"

- 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

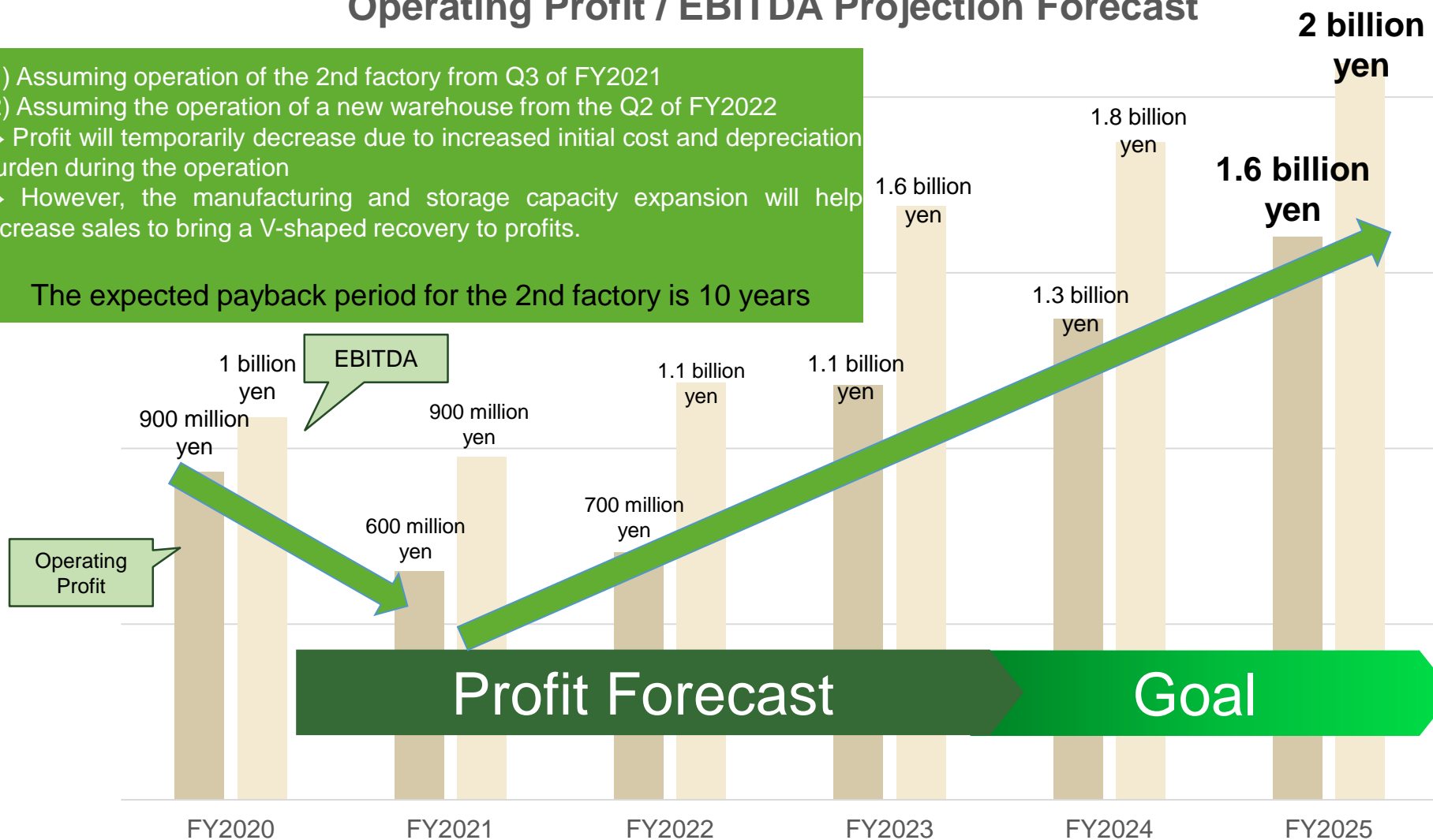
Sales Projection Forecast



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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