SILVER LIFE Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended July 2021

September 13, 2021

Event Summary

[Company Name]	SILVER LIFE Co., Ltd.
[Company ID]	9262-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Financial Results Briefing for the Fiscal Year Ended July 2021
[Fiscal Period]	FY2021 Annual
[Date]	September 13, 2021
[Number of Pages]	24
[Time]	15:30 - 16:04 (Total: 34 minutes, Presentation: 20 minutes, Q&A: 14 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	1 Takahisa Shimizu President, CEO

Presentation

Moderator: Thank you very much for taking time out of your busy schedule today to participate in the financial result briefing for the fiscal year ending July 2021 of SILVER LIFE Co., Ltd.

Takahisa Shimizu, President and CEO, will now give a presentation. Thank you.

Shimizu: I am the President and CEO of SILVER LIFE, Shimizu.

I would now like to begin the presentation of the financial results for the fiscal year ended July 2021. Let me use screen sharing. Now, let me explain according to this document.

FY2021 Financial Results

SILVER LIFE

(Millions of yen)

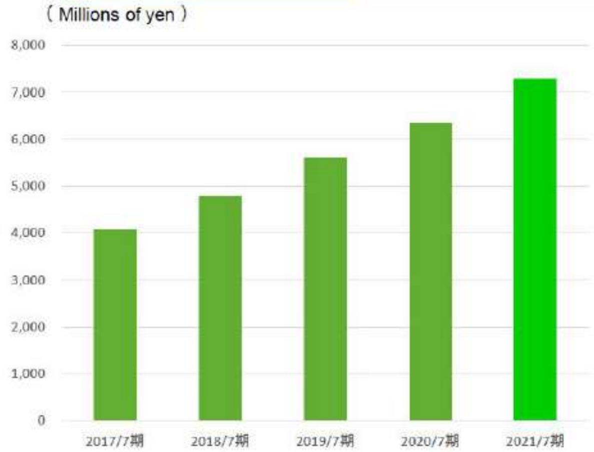
	FY2021				FY2020			FY2021 Forecast (revised in June 2021)
		YoY Changes	Composition Ratio	Compared with Forecast		YoY Changes	Composition Ratio	
Sales	10,050	13.8%	100.0%	101.1%	8,832	13.2%	100.0%	9,940
Gross Profit	2,720	4.2%	27.1%	103.8%	2,610	16.8%	29.6%	2,620
Operating Profit	839	▲10.1%	8.4%	109.1%	934	5.6%	10.6%	770
Ordinary Profit	973	▲10.4%	9.7%	108.1%	1,086	8.4%	12.3%	900
Profit	546	▲19.5%	5.4%	109.2%	678	6.8%	7.7%	500

- 3 -

First, the figures for the fiscal year just ended show that sales exceeded the record high of JPY10 billion by just a little bit. For gross profit onward, we are slightly ahead of the forecast. Compared to the previous fiscal year, operating income onward fell by about 10% and net income by about 20%, mainly due to the amortization of the plant that was started up in March of the fiscal year just ended. It was a year in which the structure of the Company changed dramatically due to amortization and the associated initial costs.

Sales per Category: Franchise Chains

Franchise chains	**Sales 7,275 million yen** (YoY +14.6 %) Sales : stores opened last year contributed to exceeding annual plan Stores : 934 (compared to the previous year-end ＋100)



This page shows the sales for franchise chains.

The number of stores has been growing steadily. However, since this is not a business model in which sales grow in line with the number of stores, stores that have just opened will not contribute to sales with their seeds just planted. The sales increased 14.6% YoY exceeding the plan by the contribution of sales from the store opened last year.

The second one is for facilities.

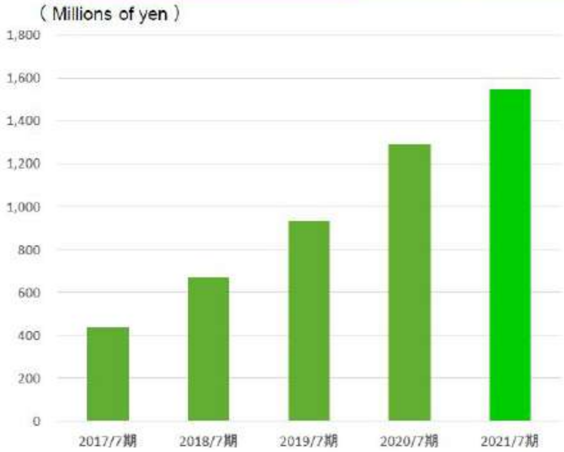
Unfortunately, this is a department that is struggling a bit. First, the amount of decrease in chilled products has remained flat with a slight decrease since the service level was lowered 3 years ago. We were trying to make up for this by starting frozen packs, but unfortunately, COVID-19 has limited our sales activities here as well, resulting in a moderate growth.

However, even so, about 20% of the facility's total sales is now being replaced by frozen products.

Sales per Category: Direct sales / Others

SILVER LIFE

Direct Sales/ Others	**Sales 1,547 million yen** (YoY +19.9%) Direct sales : Maintain a certain level of sales. Adjust advertising volume while monitoring the production limit OEM : While the new customers is Increasing, Total sales are decreased due to the decreasing of contract volume of existing large customers from the policy of diversifying business partners



- 6 -

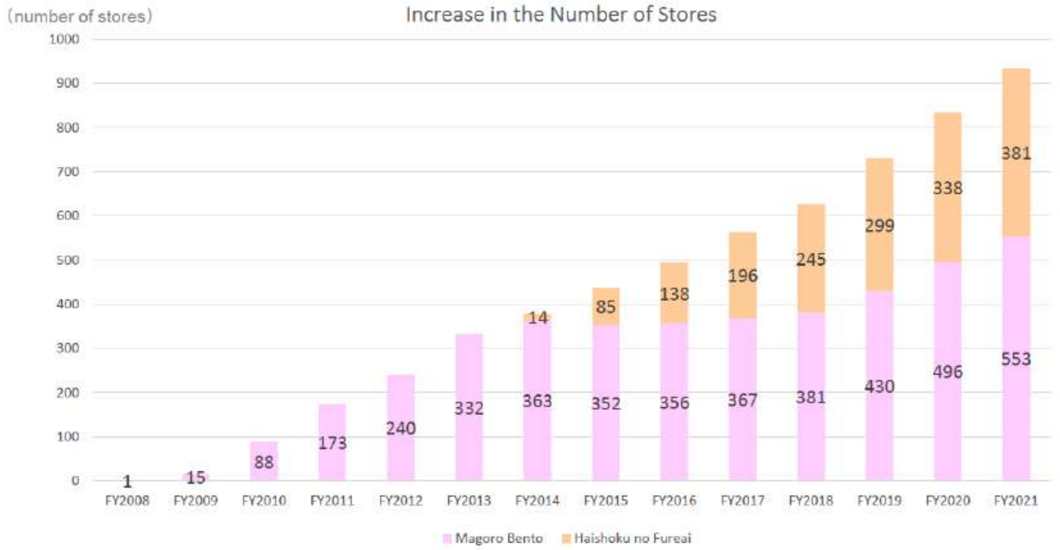
Page 6 shows the Direct Sales and Others.

This is the department that faced the most manufacturing limitations in the fiscal year just ended. Therefore, the department-controlled sales by repeatedly placing and stopping advertisements while monitoring the production limits. While OEM sales are down slightly due to manufacturing limitations, we are making up for it by increasing direct sales in this department.

Above were the sales trends for each division.

Number of Stores

57 "Magokoro Bento" stores and 43 " Haishoku no Fureai" stores increase (compared to the previous year-end). 934 stores in total (as of the end of July. 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.

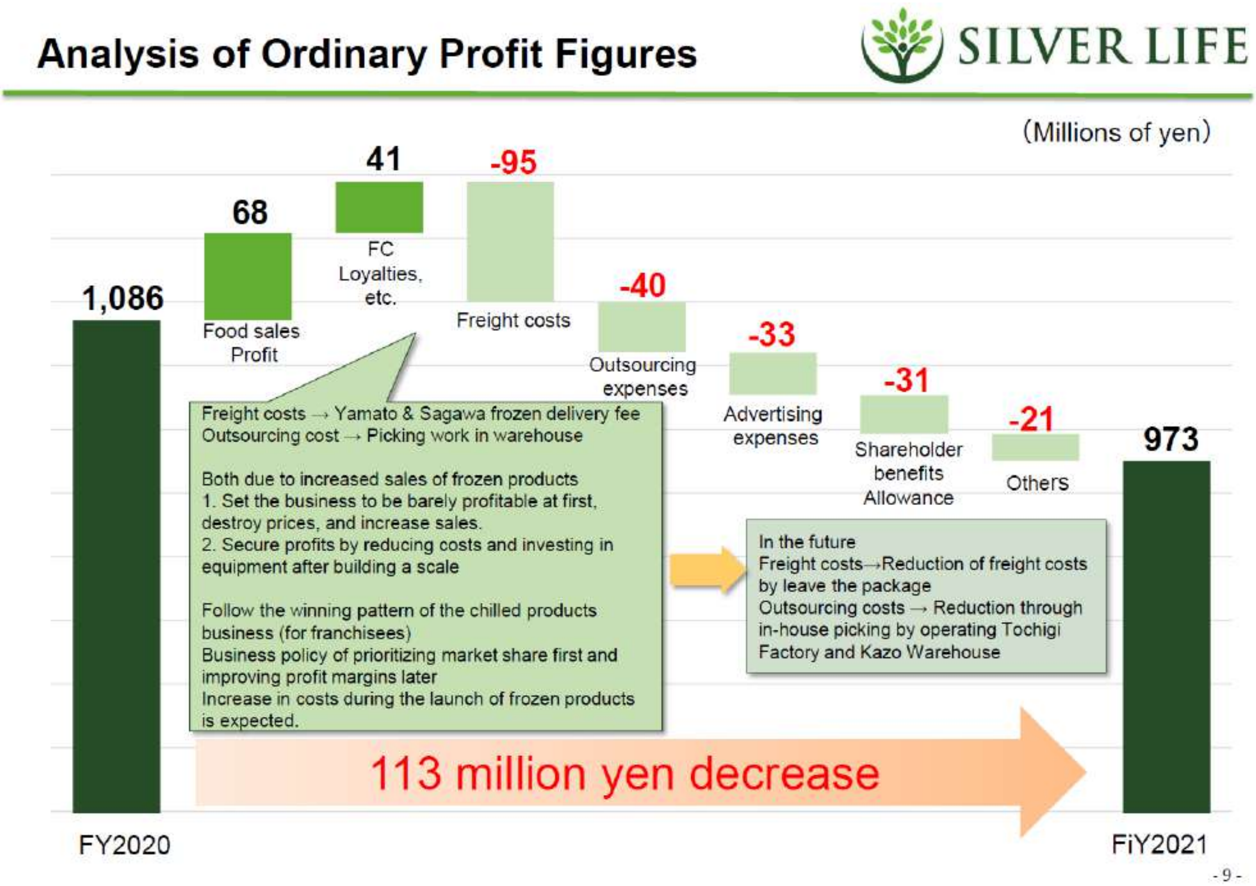
- 7 -

Continuing on, page 7 shows the number of stores.

We were able to increase the number of stores compared to our initial expectations. The total number of stores has reached 934. However, as I mentioned, since the newly opened stores will only contribute a small amount to sales, I believe that the numbers will have an impact on the future.

This is the analysis of the changes in sales.

Sales to facilities have not changed, while sales to franchise chains and direct sales have grown.



Page 9 is the analysis of changes in profit.

This is an important point, so we made a little detailed document.

After all, sales were up, but profits were down. The major factors for the result are the increase in fare for frozen products due to higher sales of frozen products, and the increase in outsourcing costs due to more work in the warehouse.

If things continue as they are, we will not be able to make a profit even if we are able to increase sales. However, we are planning to reduce fare and outsourcing costs as much as possible by making capital investments, which I will explain in detail later.

As I mentioned in my presentation, our winning pattern in the chilled food business is to increase our market share first by setting low prices. Then, after the products have been distributed to a certain extent, we will gradually make capital investments, and, although it is not mentioned in this document, once our market share has increased to a certain extent and our competitors are no longer a problem, we will be able to gradually increase the unit price to create a structure that will allow profits to follow.

Specifically, fares are for the delivery in which the package is dropped in the pre-designated place. We would like to lower the fare per meal by further promoting the delivery of boxed and frozen lunches through our network of franchise chains. We intend to reduce the outsourcing cost through the in-house production and mechanization of picking by the launch of the freezing warehouse in Kazo, which is expected to start operation in March next year.

FY2022 Forecast

SILVER LIFE

(Millions of yen)

	FY2022 Forecast	YoY Changes	FY2021 Results	YoY Changes
Sales	11,720	16.7%	10,050	13.8%
Gross Profit	2,980	9.5%	2,720	4.2%
Operating Profit	550	-34.5%	839	-10.1%
Ordinary Profit	680	-30.1%	973	-10.4%
Profit	430	-21.3%	546	-19.5%

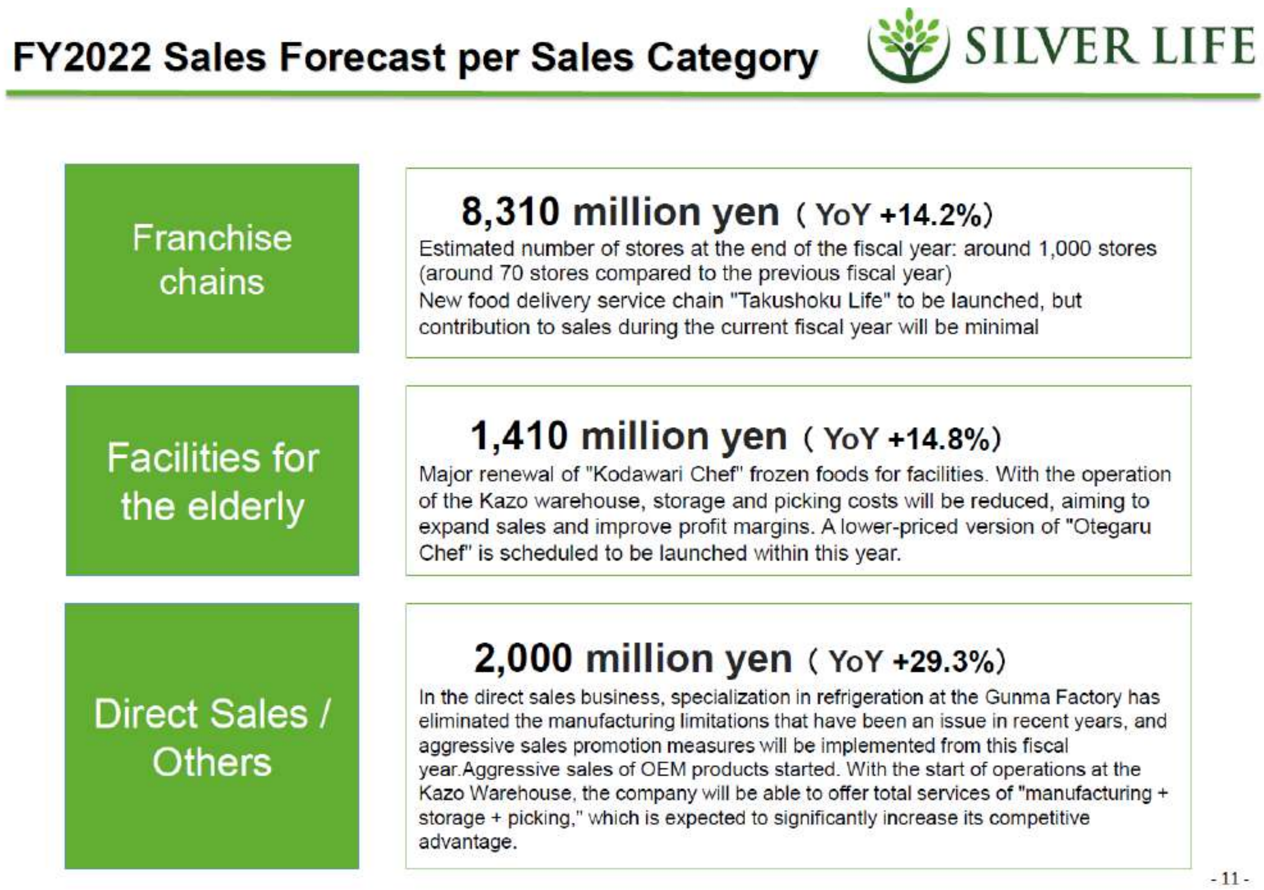
- Sales forecast is stated on the Sales Forecast per Sales Category page
- Gross profit decrease due to higher depreciation, labor costs, material costs resulting from the start of operations at the Tochigi Factory.
- SG&A exprenses increase due to advertising expenses for aggressive sales promotion and depreciation related to the purchase of a new warehouse.

- 10 -

Page 10 shows the full-year earnings forecast.

The sales target is JPY11.7 billion, which is slightly higher than the medium-term plan announced earlier. However, from gross profit onward, depreciation associated with the start-up of the Tochigi Plant, an increase in the number of employees, and the depreciation of the Kazo Warehouse have had an impact, and the numbers have been further reduced from there.

Again, our strategy is that we capture market share first, then increase profits after that. We have been taking this strategy from the time we went public 4 years ago. However, when this becomes a reality, I think the impact of the apparent number is quite large.



Page 11 shows the sales forecast for each sales category.

First, for franchise chains, we expect that the number of stores at the end of the fiscal year to finally reach 1,000 stores, which is one of the milestones of our business. Sales are expected to be up by 14.2% YoY, or JPY8.3 billion.

In addition, for facilities, we have finally renewed the Kodawari Chef, frozen packs, and further reduced the cost by starting the operation of the warehouse. Also, we plan to start the sales of Otegaru Chef, at the beginning of the next year, which is the cheaper version of Kodawari Chef. In the past year or 2, we have learned that facilities are looking for products that can be made a little cheaper and sold at a lower price, although.

For Direct Sales and Others, with the manufacturing limit resolved, we will start aggressively spending money on advertising this fiscal year. Therefore, in the 1Q and 2Q, it is difficult to generate profits due to advertising cost, but from there on, we would like to develop it into a good business that can contribute to profits as early as possible, just like we did when we started this Direct Sales business 2 years ago.

With the start of operation of the warehouse in Kazo, we can drop costs here as well. For example, by promoting mechanization and in-house production, so we would like to increase profitability in this area.

Another topic is OEM. In fact, we have just started active sales of OEM products. Specifically, we created an OEM recruitment website on August 26, and have been advertising on it for about 3 weeks now. At this point, we have received more than 10 inquiries, to which we have been extremely busy to respond. We are hopeful that this will result in good outcome.

Revision of the Medium-term Management Plan

SILVER LIFE

<Background of the revision>

Results for the FY2021 were significantly higher than originally planned due to strong sales and the fact that some expenses were postponed to the FY2022.The Company will review the numerical plan due to the significant difference in the assumptions made in the original plan, such as the change in the construction plan of the new warehouse.There is no change in the strategy of "First, prioritize sales and market share" and "Later, improve profitability" in the mid-term management plan.

<Point of revision>

Sales	・In the direct sales business, we expect to achieve a significant increase in sales compared to the initial plan by promoting sales measures centered on advertising activities and new product development. Sales are expected to increase significantly from the initial plan.
Cost	・Increase in depreciation expenses at Tochigi Factory ・Increase in personnel expenses due to the impact of increased hiring of experienced personnel at the start of operations at the factory
SG&A expenses	・The ratio of advertising expense to net sales increased in order to expand sales in the direct sales business. ・Increase in depreciation expenses due to changes in the new warehouse plan (significant reduction in depreciation period) ・After the new warehouse goes into operation, we will be able to reduce expenses by improving efficiency.

- 12 -

Page 12 and onward are for a review of the medium-term management plan.

Sales went up against the original plan, and the latest profit went down. In the end, we have revised the plan in a way that allowed us to increase profits more than originally planned.

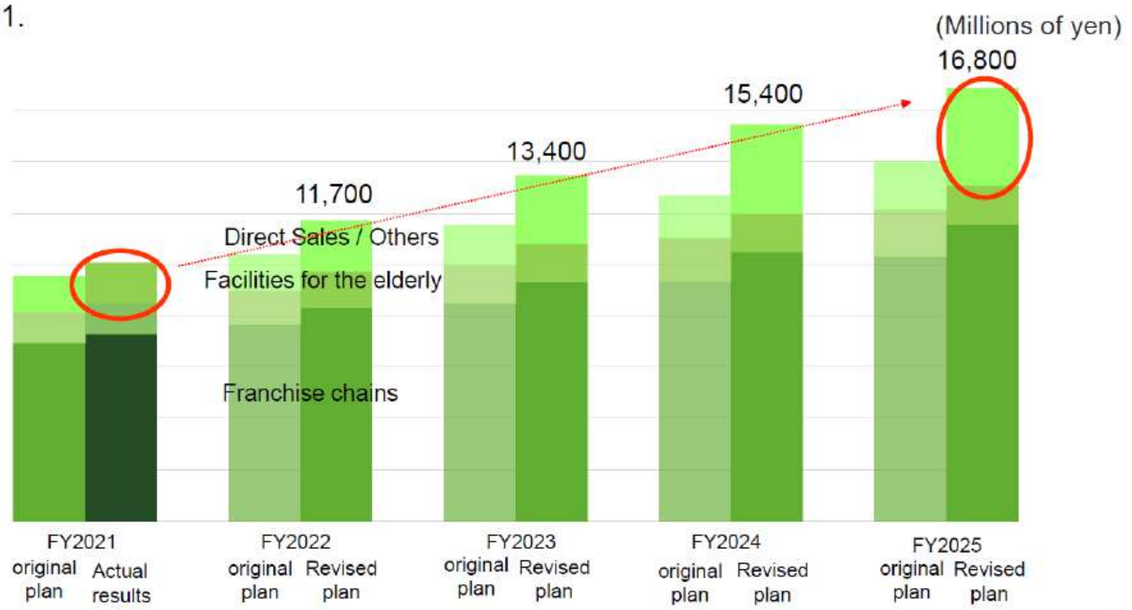
Revision of Medium-term Management Plan (Sales)

SILVER LIFE

<Revised sales plan>

Achieve the sales target for the final year of the medium-term management plan (FY2025) one year ahead of schedule.

Direct sales and other sales in the FY2025 will be approximately three times the level of the FY2021.



- 13 -

First, starting with sales on page 13, we believe that we will probably be able to achieve our initial sales target for the fiscal year ending July 2025, 4 years from now, in 3 years by 2024. For Direct Sales and Other, we are now preparing to triple our current sales in the next 4 years as well. Now that the manufacturing limits have been eliminated, all that is left is to increase sales.

Revision of Medium-term Management Plan (Operating Profit)

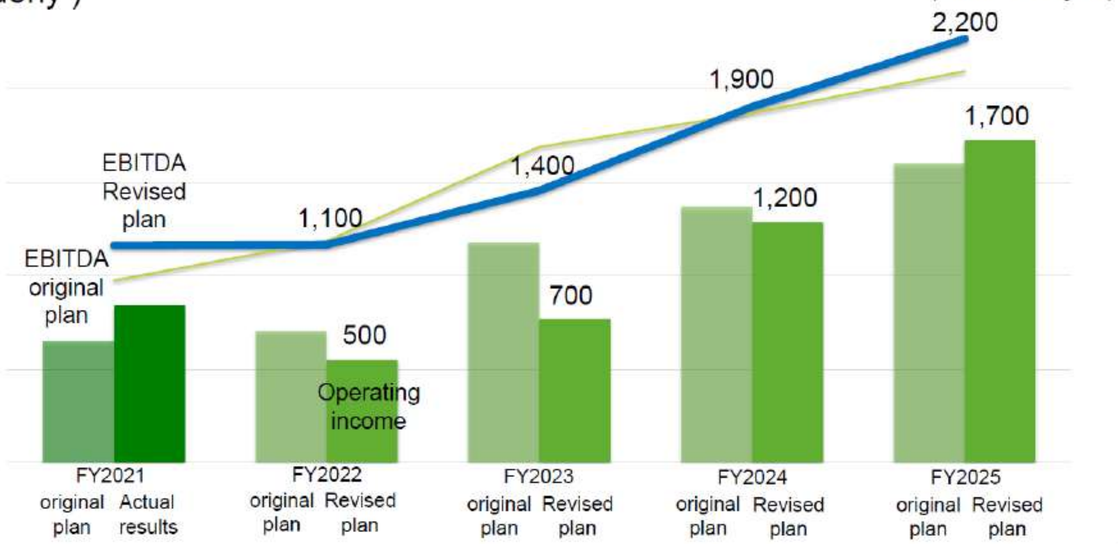
＜Revised plan for operating profit＞

Profit targets through 2024 revised downward

Build a structure that will enable long-term profit contribution by temporarily squeezing profits through investment

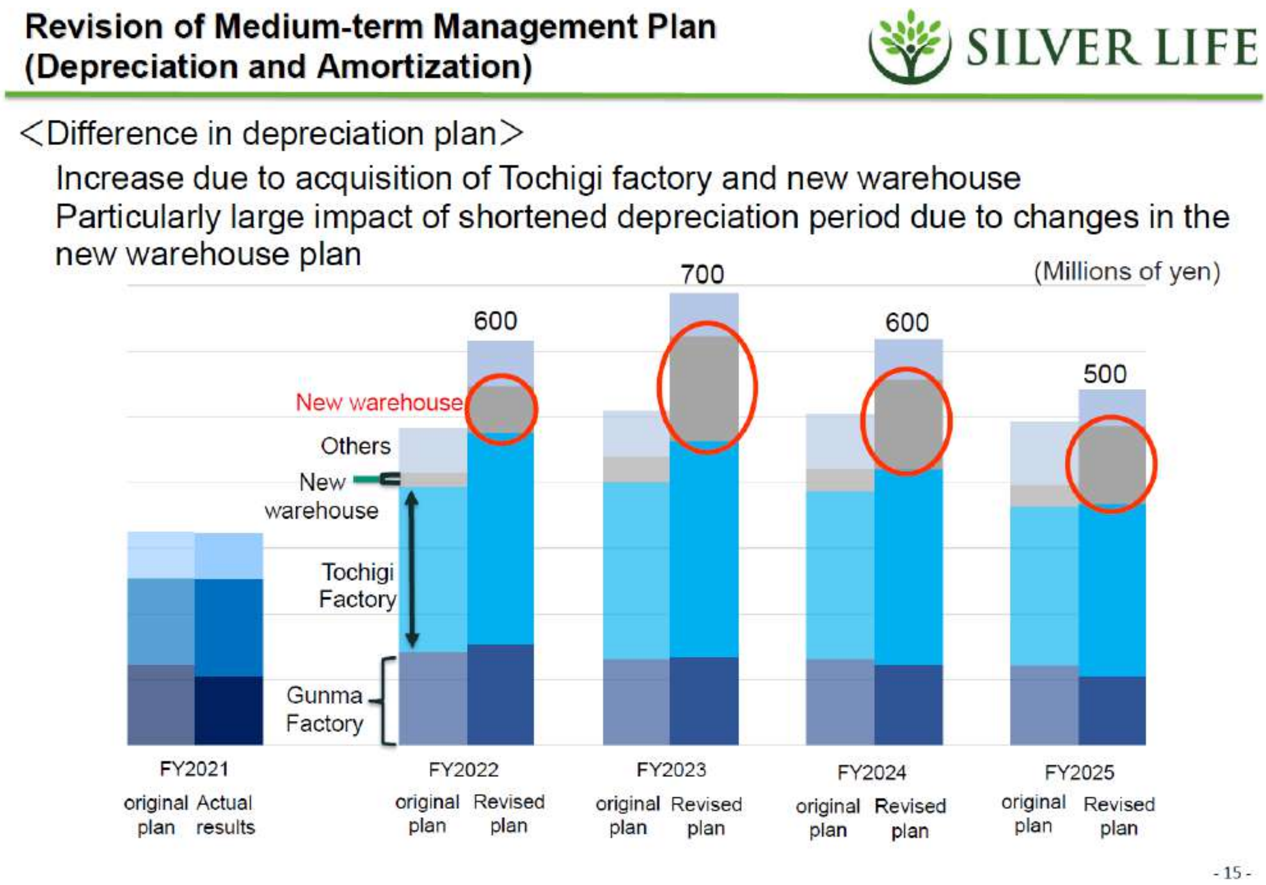
Maximize profits after 2025 (the golden age when baby boomers will become elderly)

(Millions of yen)



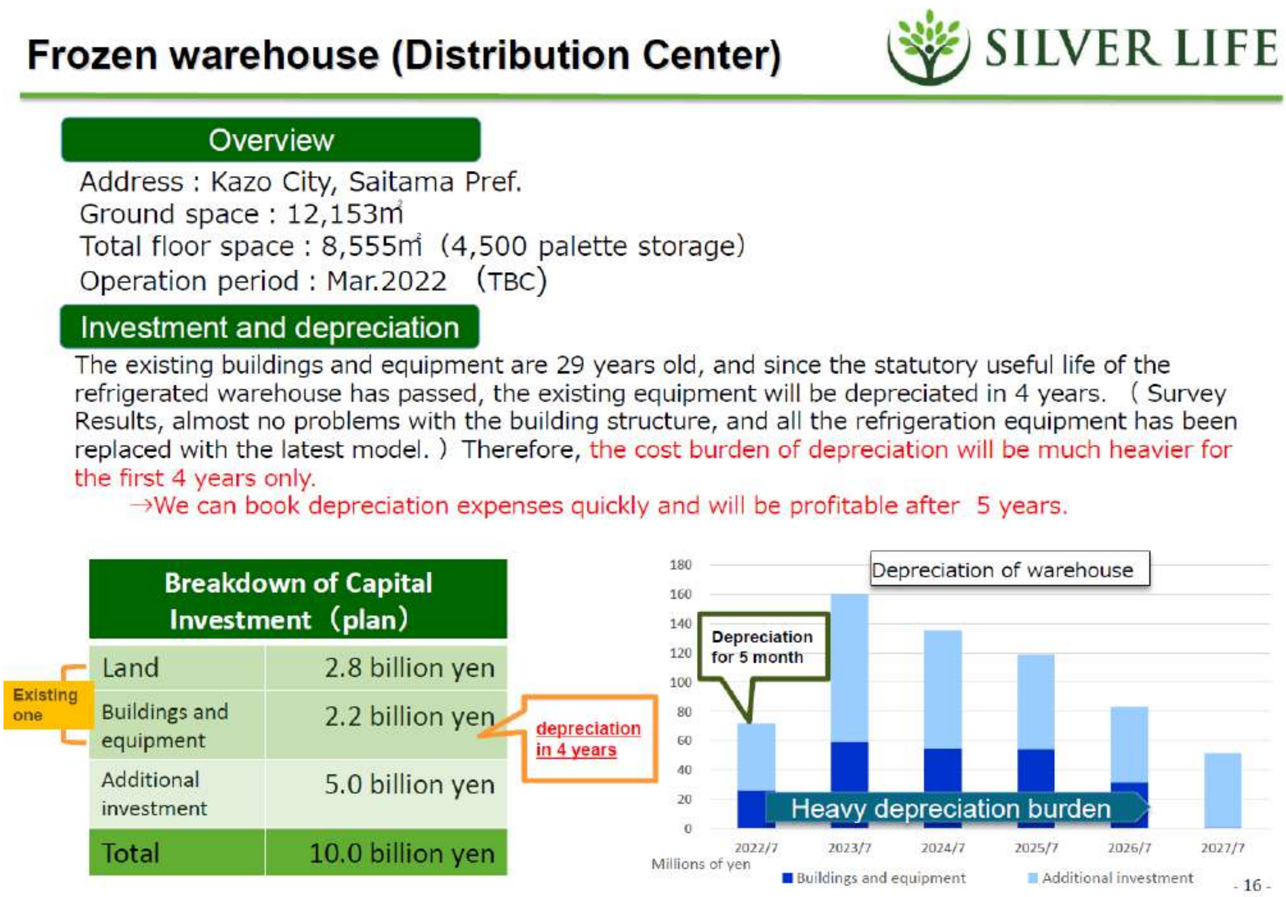
Moving on to page 14. This is the review of operating income.

As expected, the plan revised this time is much lower than the initial plan for 2022 and 2023. This is based on the assumption of the immediate increase in depreciation costs due to the start of the operation of the Kazo warehouse, the expected growth in other depreciation and personnel costs.



Page 15 is the amortization. Let's start with the big picture.

Amortization will be higher than planned starting this fiscal year. Specifically, it will increase by JPY130 million in total this fiscal year compared to the original plan. This includes an increase of JPY10 million for the Gunma Plant, JPY60 million for the Tochigi Plant, and JPY60 million for the Kazo freezing warehouse, for a total increase of JPY130 million from the plan.



In particular, since we purchased a 29-year-old building for our new frozen warehouse in Kazo, we will have to amortize the existing building and equipment in four years, even if we replace the refrigeration equipment. Normally, depreciation is done over 10 to 20 years, but since the depreciation is done in 4 years, the annual depreciation expense is expected to increase by 60 million yen.

However, from the fifth year onward, the burden of depreciation expenses will be greatly reduced, and we believe that we will be able to quickly build a system that can generate profits from there.

And this is the effect of the freezing warehouse in Kazo.

As I wrote, first, the storage limit, which comes after the manufacturing limit, will be eliminated. This will lead to the reduction of various costs, including storage fees, delivery costs, outsourcing costs, and picking costs, which have increased .

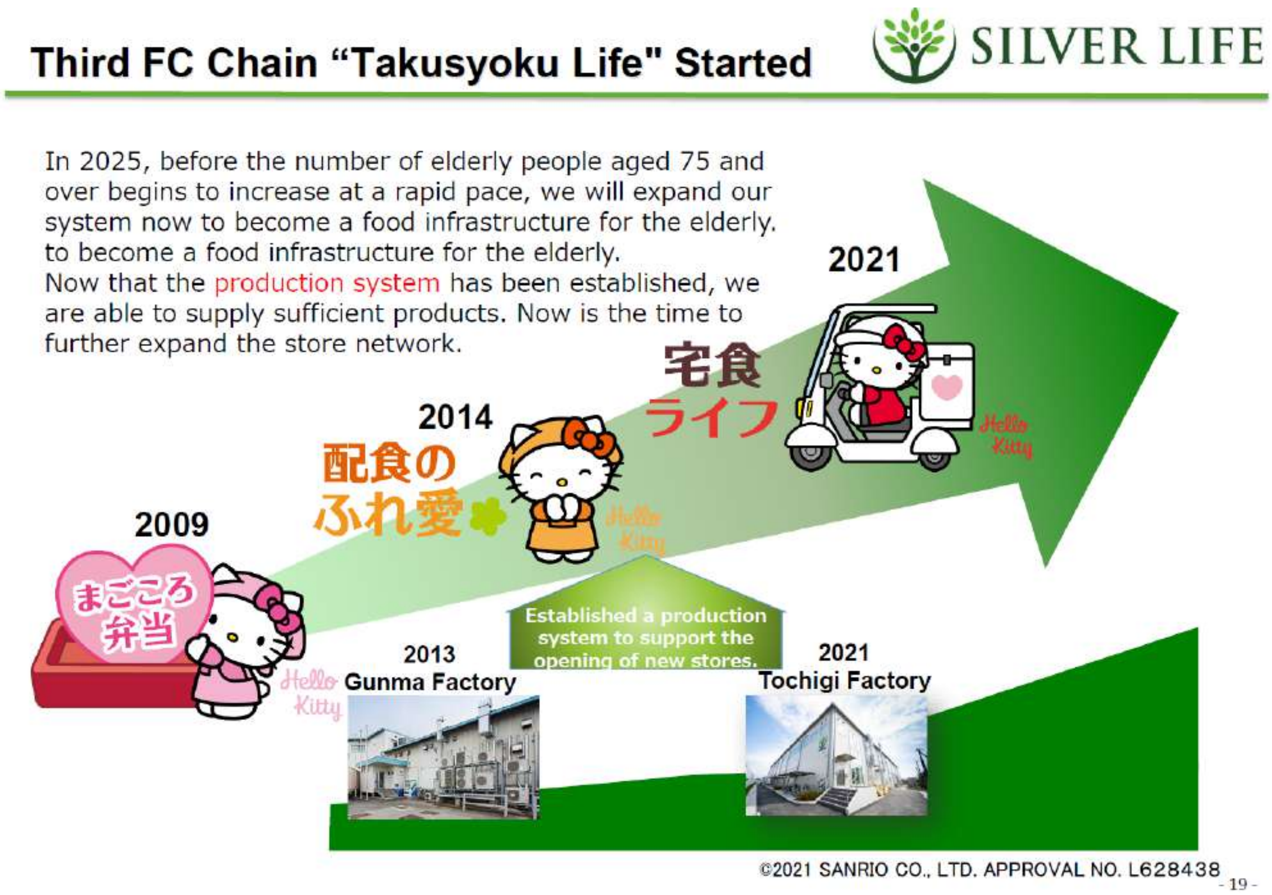
In addition, we are thinking of entering into a new business, warehousing, for which we are in the process of obtaining permits. Since freezing warehouses are hardly available in the Tokyo metropolitan area and demand for them is strong, we will use some of them for our core business. The remaining portion will be used for warehousing business to make a profit.

In this case, the sales will be free of expenses and costs, so I believe that the profit margin will be high. However, the sales are in the 10s of millions, so I don't think it's that big.

Page 18 shows the promotional activities.

As I said, from here, we are in a period where we need to make every effort to increase sales. Therefore, we would like to start new sales promotion activities using the well-known Hello Kitty character as shown.

In fact, many people choose from the pamphlets of various vendors somehow, so we hope that they can feel something familiar with the familiar characters from there. This is an attempt to make it more likely that at least one of our SILVER LIFE bento shops will be chosen.



And another attempt to increase sales is the third chain. We have started offering Takushoku Life.

We started accepting applications for this service in the middle of August, and now we have about 10 stores under contract, so we hope to open more shops in October and beyond.

The last page, 20, is about ESG initiatives.

Going forward, we need to create a sustainable business environment both in terms of society and the environment, so we started with the introduction of eco-friendly electric bikes. In addition, as part of our human rights efforts, we have been investigating all of our business partners, including those outside of Japan, for the elimination of child labor and forced labor.

Also, as a matter of course, we continue to conduct harassment training every year.

Although the appearance and the stock price have been shocking, we will continue to follow our original plan in this way. And that will ultimately increase our market share in this industry. We believe that we will be in an environment where we will be able to obtain the merits of scale that will enable us to compete even if the big players come in full force.

With this year's capital investment in Kazo, all of our originally planned investments will be completed. After that, we hope to become a company that is able to increase sales and profits while also providing a solid return to shareholders.

So that's all I wanted to talk about today. Thank you very much for your kind attention so far.

Question & Answer

Shimizu: Now, we would like to have a question-and-answer session.

Here is the first question.

First of all, regarding OEMs, I heard that you are currently receiving inquiries and that there are 100,000 inquiries. Is that correct?

My apologies. I apologize if there are any unclear points. It is more than a dozen cases. To be precise, we have received about 15 inquiries so far, and since we can meet with you via Zoom, we are handling them via Zoom.

That's the answer.

Now my next question is: What are the factors other than the increase in depreciation and amortization that caused the increase or decrease in profit for the fiscal year ending July 2022?

Yes, I understand. First of all, depreciation expenses are 130 million yen higher than originally planned. We also plan to aggressively invest in advertising expenses, so we expect an annual increase of 130 million yen compared to the original mid-term management plan.

Next is personnel expenses. It's still a little unclear, but to be honest, we are hiring a lot in anticipation of the launch of the Tochigi plant.

Also, although it is in the past now, it was very frightening to have the entire plant shut down due to COVID-19 infection. Therefore, we have added more people than planned. However, from now on, we will be using part-time employees to compensate for this, so we are not planning any further significant increase in personnel costs.

Since the construction of the Tochigi Plant, we have changed from cooking in large pots to vacuum cooking, and the material cost has improved considerably.

Also, and this leads to the next question, we would like to further increase the cost reduction effect by reducing the delivery and picking costs at the warehouse.

These are the factors that will increase or decrease profits in the fiscal year ending July 2022.

Next question. You say that the sales of your cold storage warehouse are in the tens of millions of yen. Is this on a yearly or monthly basis? Is this on a yearly or monthly basis?

Unfortunately, it is annual, because we would like to rent out 2,000 pallets x 365 days, or about half of the total, we think the sales will be around tens of millions of yen.

However, this is based on the assumption that we will be able to lease half of our production capacity. Therefore, it is still at the stage of assumption.

These are the answers.

Next question. Could you tell us about the cost reduction of delivery costs through placement and delivery and the image of the future coverage ratio?

First of all, delivery costs will basically not change much from what they are now. This is because we have to pay a commission to the stores, so we set the price the same as it is now. However, once the cost reduction and fulfillment rate of package drop delivery increases to some extent, we will of course change the commission rate and selling price to increase the profit margin, just like in the case of Yahoo's PayPay.

As for the coverage ratio, to be honest, we don't know yet. So far, about 100 stores have raised their hands to work on this. Right now, we have about 1,000 stores, and the population coverage is close to 80%, so I think 10% of that is about 8% right now.

However, by the end of this year, we will be recruiting office workers to do package delivery as a side business. So we would like to add to our existing franchise chain to increase our coverage.

That's the answer.

Moving on to the next question, do you foresee any unexpected increase in depreciation or fixed costs after 2023?

At the moment, there are none. I think the Kazo warehouse will be the last in terms of facilities. If I had to say, there might be a possibility of M&A, but we have no concrete plans or specific projects at this time.

These are the answers.

Next question. You have started package drop delivery. What is the actual response, and since we are under the COVID-19 pandemic, I think the demand is there. I think more and more young people are using it.

To be honest, I don't know yet since we have just started. As for the frozen lunch boxes, we started operating a pack-drop delivery store in August, and we just started advertising frozen lunch boxes again in earnest in September. It has only been two weeks since we resurrected it, so we don't know how much yet.

Even in August, when we didn't advertise at all, we actually started pack-drop delivery to a certain extent. So we expect the number to increase more and more.

Incidentally, we wanted to advertise our frozen lunch boxes in August because of the COVID-19 cases at our factory in Gunma, but we were unable to do so in August. Therefore, we started advertising in September.

However, in August and September, almost 80% of all employees have finished their second vaccination by the end of next week. Therefore, we do not expect the same thing to happen after October.

However, in August and September, almost 80% of all employees will have completed the second round of vaccinations by the end of next week in September. Therefore, we do not expect same thing to happen after October.

The above are the answers to all the questions we received.

We have received one more.

When will you start renting out your refrigerated warehouse to other companies and how much revenue can you expect to generate?

We expect to start probably in early spring or before summer, and the warehouse will be operational in March. We'll start marketing from there and see how many customers come.

As for the amount, we don't know yet. However, according to the rough calculation I made earlier, if we rent half of all pallets, our sales will be around tens of millions of yen. My answer is based on the assumption that you could rent half of the equipment.

Now the next question. You said that all the capital investment has been completed, but how many years will that be? How many years will it be before the next capacity expansion is needed?

To be honest, I think we will be fine for 5 to 10 years. In terms of sales scale, our current facilities can produce and supply everything up to about 30 billion yen.

Therefore, I think the time to win is when the sales scale reaches 30 billion yen. At this rate, we will have to think about five years from now, or even after 2030.

That's my answer.

Do you have any other questions? Nothing in particular? Okay, then.

Well, I have told you everything I wanted to tell you today and answered all your questions.

I thought I had been giving you this information for some time, but these numbers were still quite shocking. I would like to do my best in future sales activities so that people will say, "That investment was necessary.

Whether this investment will turn out to be "good thing we didn't do it" or "necessary" will depend on our future sales activities, but I believe that the environment is still very good. Therefore, I am quite confident that we will be able to increase our sales.

This is the last thing I wanted to say.

Thank you very much for your time today.

[End]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *This document has been translated by SCRIPTS Asia.*

Disclaimer