

 President Naoji Kageyama	PICKLES HOLDINGS CO., LTD. (2935)
	We deliver the vitality of vegetables.  <i>New Traditional Taste</i>

Corporate Information

Stock Exchange	TSE Prime Market
Industry	Food products (manufacturing)
Representative	Naoji Kageyama
Address	7-8, Higashisumiyoshi, Tokorozawa-shi, Saitama
Accounting term	February
URL	https://www.pickles-hd.co.jp/en/

Stock Information

Share Price	Shares Outstanding (Term-end)	Total Market Cap	ROE (Actual)	Trading Unit	
¥1,161	12,858,430 shares	¥14,928 million	6.7%	100 shares	
DPS (Estimate)	Dividend Yield (Estimate)	EPS (Estimate)	PER (Estimate)	BPS (Actual)	PBR (Actual)
¥24.00	2.1%	¥96.49	12.0x	¥1,438.45	0.8x

*Stock price is the closing price on April 18. Each number is based on PICKLES HOLDINGS' financial results for the fiscal year ended February 2024.

Consolidated Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
February 2021 Act.	46,020	2,711	2,829	1,832	142.96	17.50
February 2022 Act.	45,006	2,942	3,068	2,128	165.59	20.00
February 2023 Act.	41,052	1,538	1,650	1,138	88.80	22.00
February 2024 Act.	43,028	1,668	1,771	1,175	94.29	24.00
February 2025 Est.	43,500	1,700	1,780	1,200	96.49	24.00

*Results for PICKLES CORPORATION until fiscal year ended February 2022, and results and forecasts for PICKLES HOLDINGS CO., LTD. after that. Unit: Million-yen. Net income is the net income attributable to owners of the parent company. The same applies below. EPS and DPS are retroactively adjusted for the 1:2 stock split implemented on September 1, 2021. Since the first quarter of the fiscal year ended February 2023, the accounting standards for revenue recognition, etc. have been applied.

This Bridge Report presents PICKLES HOLDINGS' summary of Financial Results of the Fiscal Year Ended February 2024 and Earnings Forecasts of the Fiscal Year Ending February 2025.

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Key Points

- In the fiscal year ended February 2024, sales increased 4.8% year on year to 43,028 million yen. The company's performance has been favorable due to the subsiding of the reactionary decline in sales against the demand from housebound consumers, the adoption of its products at convenience stores for fairs, and the contribution of the “Gohan ga Susumu Kimchi” volume-up campaign to sales. Operating income increased 8.4% year on year to 1,668 million yen. Gross profit was unchanged year on year due to soaring vegetable prices caused by the record summer heat wave and higher prices for seasonings, packaging materials, and other raw materials, but selling, general, and administrative expenses decreased 1.8% year on year, despite the surge in logistics costs. Both sales and profit were largely in line with forecasts.
- For the fiscal year ending February 2025, the company forecasts a 1.1% year-on-year increase in sales to 43.5 billion yen, a 1.9% year-on-year increase in operating income to 1.7 billion yen, and a 6.1% year-on-year increase in EBITDA to 2,766 million yen. This increase in sales is expected to be due to new product sales and active sales promotion. Despite the impact of the new Ibaraki factory, which is scheduled to start operations in December 2024, and higher advertising and logistics costs, the company plans to increase profit through sales growth and the revision of product standards. The company decided to disclose and explain EBITDA, partly due to depreciation expenses resulting from the start of operations of the Ibaraki factory. The company plans to pay a dividend of 24.00 yen per share, the same level as the previous fiscal year. It will pay an interim dividend from this fiscal year. The company's expected dividend payout ratio for the full year is 24.9%.
- The company will continue to expand its business by leveraging its strengths and promoting four strategies: “strengthening product development,” “widening sales areas,” “expanding the customer base,” and “venturing into new businesses.” The goals for the fiscal year ending February 2027 are sales of 44.5 billion yen and an operating income of 1.74 billion yen.
- The company's PBR had been above 1 until the fiscal year ended February 2022, but due to the reactionary decline against the demand from housebound consumers, it has been less than 1. The cost of shareholders' equity is estimated to be around 5.5% to 7.0%. ROE has been less than 8% from the fiscal year ended February 2023 to the fiscal year ended February 2024. The company aims to improve its PBR to over 1 by raising ROE, achieving its medium-term management plan, enhancing IR activities, and strengthening shareholder returns.
- The company forecasts slight increases in sales and profit for the current fiscal year ending February 2025, like in the previous fiscal year. Consumers continue to have a strong desire to save money, making the business environment challenging. However, the company's strong product appeal is supporting its earnings, as evidenced by the adoption of its products at convenience store fairs. Operating income margin will remain in the 3% range for the time being due to the upfront depreciation and other costs associated with the new Ibaraki factory, but it will be interesting to see when the company will start to see the medium-term contribution to earnings from increased production capacity, increased efficiency through mechanization and automation, improved profitability at existing plants, and the production of new products.

1. Company Overview

As a holding company, PICKLES HOLDINGS CO., LTD. has established a nationwide production and sales network, with PICKLES CORPORATION, which is engaged in the production and sales of lightly pickled vegetables, kimchi, and delicatessen, as well as the purchase and sale of pickles, etc., PICKLES CORPORATION SAPPORO, PICKLES CORPORATION KANSAI, FOOD LABEL CO., LTD. and other group companies.

The theme color of the company, green, represents freshness under a slogan of “We deliver the vitality of vegetables.” The company’s own products are produced using vegetables grown and harvested mainly in Japan by contracted farmers so that their traceability is ensured (about 80% of the vegetables used are supplied by contracted farmers), and no preservatives or synthesized food colorings are used. Furthermore, the company has displayed “a commitment to food safety” at its production sites as demonstrated by such endeavors as thorough temperature control at the factories, checkups of the clothes and health of all the employees before they enter the factories, devotion to the 5S activities (5S represents sorting, setting-in-order, shining, standardizing, and sustaining the discipline) and acquisition of the certification of FSSC22000 and JFS-B.

【1-1 Corporate Philosophy】

PICKLES HOLDINGS’ philosophy is “We deliver tasty and safe foods to consumers and aim at eco-conscious corporate management.” Under the corporate philosophy, it is pursuing the following management policies: (1) quality control for producing safe and delicious food products, (2) environmentally friendly corporate management, and (3) arrangement of a working environment that puts instillation of morals and the principle of safety and health first. Following these policies, the company is working on standards for food safety, including FSSC22000 and JFS-B, and international standards for environmental control such as ISO14001. In addition, it focuses on training and education of its employees through various approaches, such as enrichment of the personnel system and education programs. On the basis of the corporate philosophy, the company focuses also on Environmental, Social, and Governance (ESG)-based business operations and SDGs, and prepares ESG reports with the aim of introducing its efforts and challenges related to ESG and its stories of enhancing the corporate value.

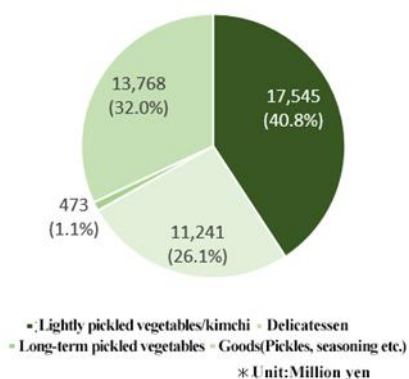
「ESG Bridge Report」

https://www.bridge-salon.jp/report_bridge/archives/2024/03/240326_2935.html

【1-2 Business Description】

In the fiscal year ended February 2024, sales from products (manufactured by PICKLES CORPORATION at its own factories) accounted for 68.0% (40.8% from lightly pickled vegetables and kimchi, 26.1% from delicatessen, and 1.1% from long-term pickled vegetables), and those from products of a group company, FOOD LABEL CO., LTD., and products purchased from outside companies made up 32.0%.

Sales by Food Item(FY2/24)



(Produced by Investment Bridge Co., Ltd. based on the company's reference material)

(Product and Goods overview)

◎Lightly pickled vegetables and kimchi

The company offers a lineup of lightly pickled vegetable, which can be eaten like a salad, according to the season of the vegetables. In recent years, as consumers have become more health-conscious, the company has been selling "low-sodium lightly pickled vegetable," which is lower in salt than conventional products.

As the holdings emphasizes the provision of safe and secure food, the main ingredients, such as Chinese cabbage and cucumber, are produced in Japan. No preservatives or synthetic coloring agents are used.

The mainstay product, "Gohan ga Susumu kimchi" which was launched in October 2009, has been developed with an original taste that accentuates sweetness and umami to suit Japanese tastes, abandoning the traditional basic concept of kimchi being spicy and coming up with a concept of kimchi that housewives would want to feed to their families. While most kimchi products have a capacity of 300 to 400 grams, the new product is 200 grams so that a family can eat it all, making it easier to buy and more affordable. In addition, the package was designed to be slim enough to fit in the refrigerator, and the main color of the package was black instead of red or orange. As a result, the new product was well received by women and children.

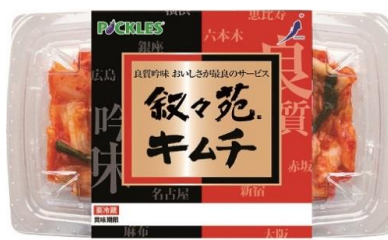
The company has also developed products in collaboration with characters and food manufacturers to enrich its lineup.

Currently, lightly pickled vegetables and kimchi account for about 50% of the pickled vegetables market. Although the overall pickle market is shrinking, the market for lightly pickled vegetables and kimchi is stable.

Lightly pickled vegetables and kimchi are made mainly from vegetables and are being reevaluated as low-calorie foods rich in dietary fiber, and future growth in demand is expected.



Gohan ga Susumu Kimchi



JOJOEN Pogi Kimchi



4 Kinds of Bran-flavored vegetables

(Source: the company)

◎Delicatessen

The company began handling delicatessen in August 2002 and has been steadily increasing its sales. In recent years, consumers have become more budget-conscious and have been cutting back on eating out, resulting in a growing trend toward eating in at home by buying delicatessen, as well as a change in eating styles due to the increase in the number of elderly people, single-person households, and dual-earner households.

Demand for delicatessen is expected to continue to grow in the future. The corporate group is developing products based on the keyword "vegetables," which is one of its strengths, and currently Salad and other products are doing well. In addition, the corporate group is developing products with originality and added value to its delicatessen, for example, by focusing on different varieties of vegetables and developing salad dressings in-house, etc. In addition, the company utilizes technologies such as pH control to prevent discoloration of green vegetables.



4 kinds of Namul Set



Bangbangji Salad

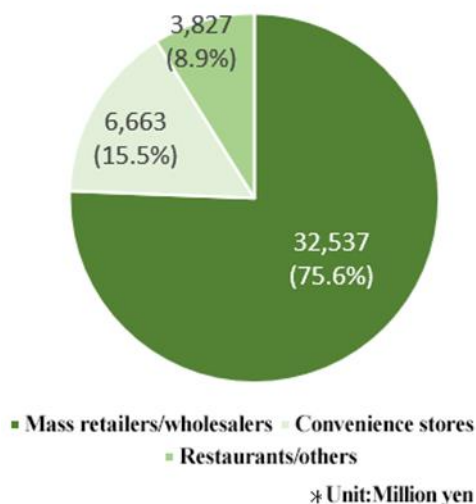


Cabbage Salad with Umami Salt

(Source: the company)

(Sales Destination)

Mass merchandisers, retailers, and wholesalers throughout Japan are the sales destinations, with 75.6% of the total sales channels being mass merchandisers and wholesalers, 15.5% being convenience stores, and 8.9% being restaurants and others as of fiscal year ended February 2024.

Sales by Sales Channel (FY2/24)

(Prepared by Investment Bridge Co., Ltd. based on the company's materials)

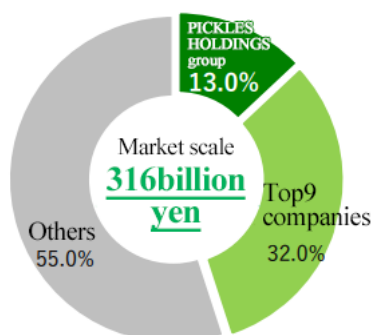
【1-3 Features, Strengths, and Competitive Advantages】

The company has the following features, strengths, and competitive advantages.

(1) Top share in the pickles industry

According to the ranking of companies that generate good sales in the pickles industry as presented by PICKLES HOLDINGS CO., LTD. based on THE JAPAN FOOD NEWS articles, PICKLES HOLDINGS group ranked first with consolidated sales of 41 billion yen, pulling far ahead of the other companies with a market share of 13.0% while endeavoring to attain its target of a market share of 15% through M&A etc.

● Our Market share of 2022(est.)



(Source: the company)

(2) Highly unique product development capabilities

In order to realize product development quickly and flexibly, we have established a team system of having a development staff and a sales staff for each customer, such as convenience stores, mass merchandisers, and the food service industry. By reflecting the opinions of our customers, we are able to develop highly original products that are different from those of other companies.

The company promotes development from multiple aspects, from the selection of ingredients such as vegetables and seasonings to processing methods, taste, and packaging.

The Research and Development Laboratory, which is responsible for basic research, is engaged in future-oriented initiatives, including research on lactic acid bacteria, such as the plant-derived lactic acid bacteria Pnc-12 (Pene lactic acid bacteria), which the company has developed on its own.

(3) Production and distribution system covering the entire country

The group companies, including PICKLES CORPORATION, cover the entire Japan. It is the only company in the pickles industry that has established a nationwide network of manufacturing, distribution, development, and sales functions. As a result, the company is able to provide the same lightly pickled vegetables, kimchi, and delicatessen to all of its customers' stores nationwide, which is a major selling point for the company.

In terms of manufacturing, the company has introduced the FSSC22000 and JFS-B standards for food safety and has established a system to supply safer and more secure products.

Production and distribution system covering the entire country



(Source: the company)

(4) Proposal-Based Sales with Close Relationships to Customers

At the sales bases located throughout Japan, proposal-based sales are conducted in close contact with each region and customer.

In addition to the mainstay lightly pickled vegetables and Kimchi products, the company is enhancing its product lineup for the delicatessen section, and its sales representatives are proposing sales methods, creating sales areas, holding pickle fairs, and considering various approaches to consumers together with the customers. In addition, information obtained from communication with customers is fed back to the company and used for product development based on consumer trends.

(5) Vendor functions to meet the needs of customers

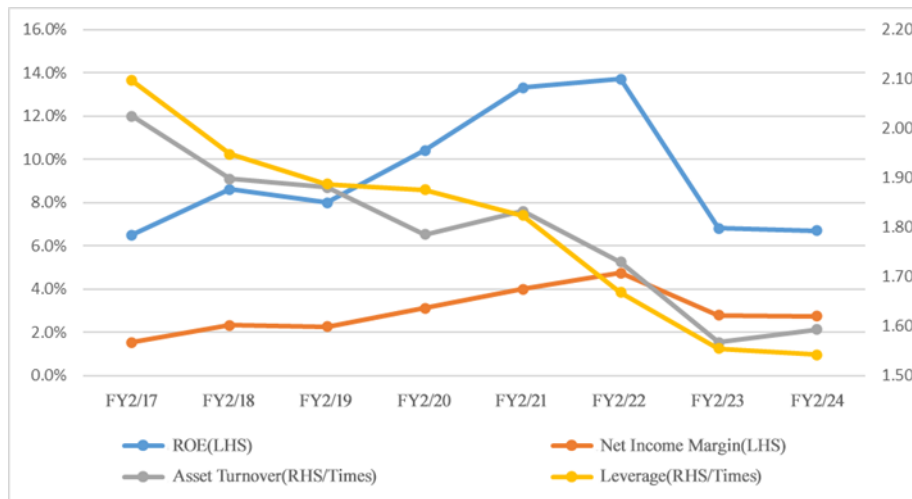
The company has two functions: one as a manufacturer of its own products such as lightly pickled vegetables, kimchi, and delicatessen, and the other as a wholesaler of products such as pickled plums that cannot be manufactured at its own factory, which it purchases from pickle manufacturers throughout Japan. By taking advantage of its vendor function, which allows it to offer both its own products and those of other companies at the same time, the company is able to propose total sales floor development that meets the needs of its customers.

BRIDGE REPORT



【1-4. ROE Analysis】

	FY 2/17	FY 2/18	FY 2/19	FY 2/20	FY 2/21	FY 2/22	FY 2/23	FY 2/24
ROE (%)	6.5	8.6	8.0	10.4	13.3	13.7	6.8	6.7
Net Profit Margin (%)	1.53	2.32	2.26	3.11	3.98	4.73	2.77	2.73
Total Asset Turnover (times)	2.02	1.90	1.88	1.79	1.83	1.73	1.57	1.59
Leverage (times)	2.10	1.95	1.89	1.88	1.83	1.67	1.55	1.54



*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

ROE exceeded 10% for three consecutive fiscal years until the fiscal year ended February 2022, but in the fiscal year ended February 2023 and the fiscal year ended February 2024, it fell short of 8%, which is generally considered a target for Japanese companies. Profitability and asset efficiency need to be improved.

2. Financial Results of the Fiscal Year Ended February 2024

2-1 Consolidated Business Results

	FY 2/23	Ratio to sales	FY 2/24	Ratio to sales	YoY	Compared to the forecast
Sales	41,052	100.0%	43,028	100.0%	+4.8%	+2.0%
Gross profit	8,633	21.0%	8,637	20.1%	+0.0%	-
SG&A expenses	7,094	17.3%	6,969	16.2%	-1.8%	-
Operating income	1,538	3.7%	1,668	3.9%	+8.4%	+3.0%
Ordinary income	1,650	4.0%	1,771	4.1%	+7.3%	+0.9%
Net Income	1,138	2.8%	1,175	2.7%	+3.2%	+2.2%

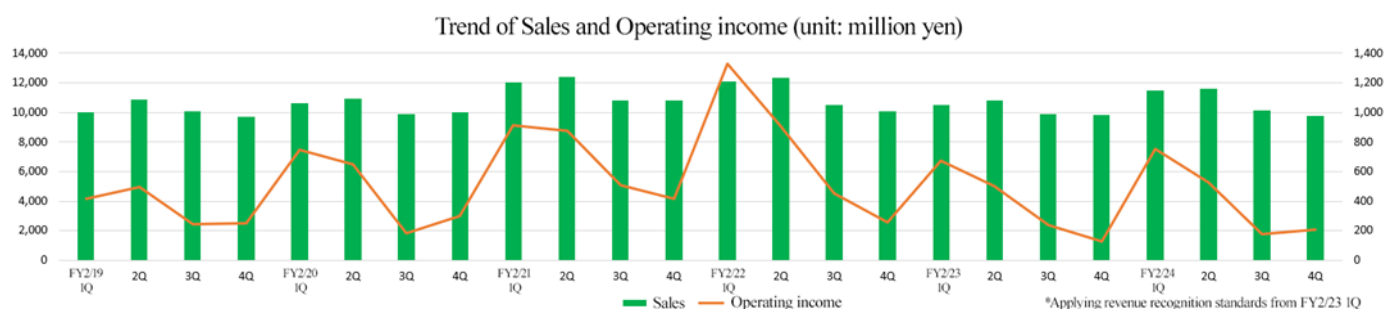
*Unit: million yen.

Sales and profits increased

Sales increased 4.8% year on year to 43,028 million yen. The company's performance has been favorable due to the subsiding of the reactionary decline in sales against the demand from housebound consumers, the adoption of its products at convenience stores for fairs, and the contribution of the "Gohan ga Susumu Kimchi" volume-up campaign to sales.

Operating income increased 8.4% year on year to 1,668 million yen. Gross profit remained at the same level as the previous fiscal year due to soaring vegetable prices caused by the record summer heat wave and higher prices for seasonings, packaging materials, and other raw materials, but selling, general, and administrative expenses decreased 1.8% year on year, despite the surge in logistics costs.

Both sales and profit were largely in line with forecasts.



① Trends by Food Item and Sales Channel

◎Sales by Food Item

	FY 2/22	Compo sition ratio	FY 2/23	Compo sition ratio	FY 2/24	Compo sition ratio	YoY	Compared to the forecast
Product	29,631	65.8%	27,355	66.6%	29,259	68.0%	+7.0%	+4.9%
Lightly pickled vegetables /kimchi	18,858	41.9%	16,478	40.1%	17,545	40.8%	+6.5%	+4.8%
Delicatessen	10,264	22.8%	10,411	25.4%	11,241	26.1%	+8.0%	+5.3%
Long-term pickled vegetables	508	1.1%	466	1.1%	473	1.1%	+1.5%	-1.3%
Goods	15,374	34.2%	13,696	33.4%	13,768	32.0%	+0.5%	-3.7%
Total Sales	45,006	100.0%	41,052	100.0%	43,028	100.0%	+4.8%	+2.0%

*Unit: million yen. Year-on-year is not stated due to the applying Accounting Standard for Revenue Recognition from the first quarter of the fiscal year ended February 2023.

The sales of delicatessen increased due to the holding of fairs at convenience stores.

Regarding products, sales of pickled plums and other products for commercial use were strong.

◎Sales by Sales Channel

	FY 2/22	Composition ratio	FY 2/23	Composition ratio	FY 2/24	Composition ratio	YoY	Compared to the forecast
Mass retailers/wholesalers	33,530	74.5%	31,308	76.3%	32,537	75.6%	+3.9%	+1.1%
Convenience stores	7,536	16.7%	6,303	15.4%	6,663	15.5%	+5.7%	+2.6%
Restaurants/others	3,938	8.7%	3,440	8.4%	3,827	8.9%	+11.3%	+8.9%
Total Sales	45,006	100.0%	41,052	100.0%	43,028	100.0%	+4.8%	+2.0%

*Unit: million yen. Year-on-year is not stated due to the applying Accounting Standard for Revenue Recognition from the first quarter of the fiscal year ended February 2023.

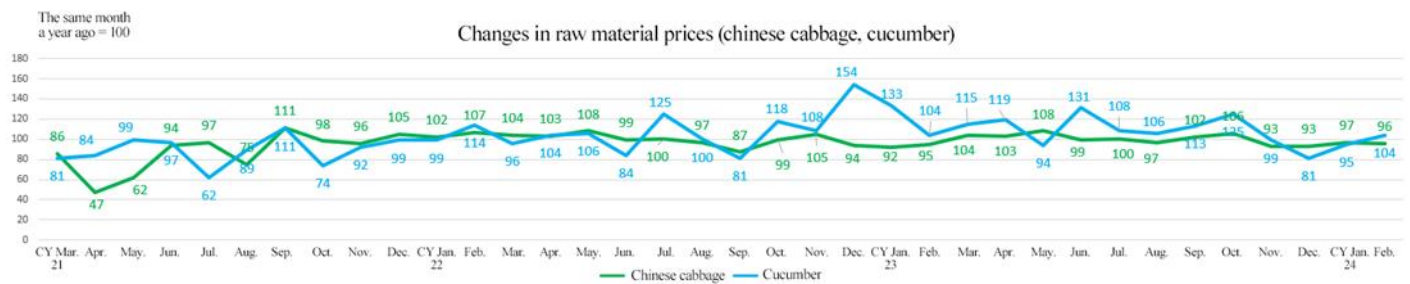
②Gross profit margin and situation surrounding vegetable prices

(Price of Chinese cabbages)

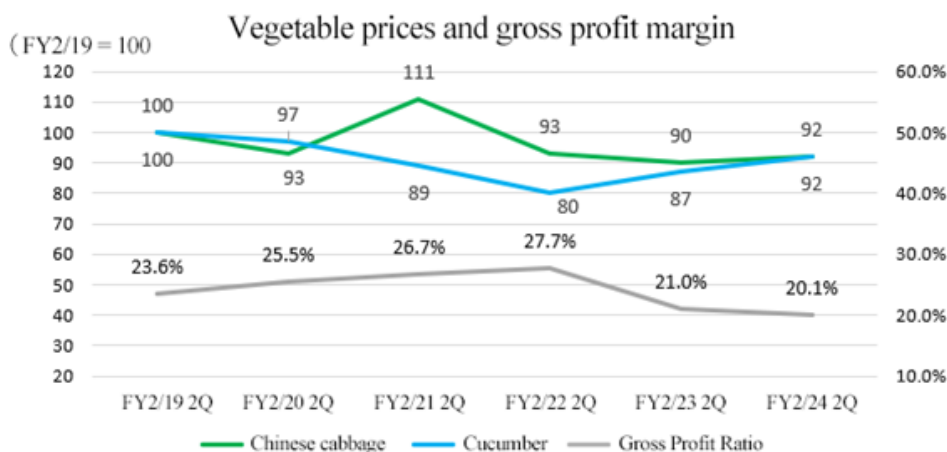
From March to April 2023, crop growth was accelerated due to high temperatures and moderate rainfall. Although market prices soared due to a decrease in shipments in May and a summer heat wave in October, their impact was minimal, and prices generally remained stable for the year.

(Price of cucumbers)

Around June 2023, production delays occurred due to rainfall and low temperatures. Around October, prices soared due to the summer heat wave, resulting in higher prices for the year than the previous year.



The company continuously strives to improve the gross margin rate on a continuous basis by entering into contracts with more farmers and cementing its relationship with them.



2-2 Financial Conditions and Cash Flow

Financial conditions

	End of Feb. 2023	End of Feb. 2024	Increase/ Decrease		End of Feb. 2023	End of Feb. 2024	Increase/ Decrease
Current Assets	11,249	12,622	+1,373	Current liabilities	7,257	6,668	-589
Cash	5,940	7,754	+1,814	Payables	2,922	2,892	-30
Receivables	4,251	4,119	-132	ST Interest-Bearing Liabilities	2,114	1,505	-609
Inventories	672	662	-10	Noncurrent liabilities	1,646	2,791	+1,145
Noncurrent Assets	15,058	15,091	+33	LT Interest-Bearing Liabilities	539	1,634	+1,095
Tangible Assets	13,387	13,436	+49	Total Liabilities	8,904	9,459	+555
Intangible Assets	463	326	-137	Net Assets	17,404	18,254	+850
Investments and Others	1,207	1,327	+120	Total Liabilities and Net Assets	26,308	27,713	+1,405
Total Assets	26,308	27,713	+1,405	Equity Ratio	65.1%	64.6%	-0.5pt

*Unit: million yen. Interest-bearing liabilities include lease liabilities.



*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

Total assets increased 1.4 billion yen from the end of the previous fiscal year to 27.7 billion yen due to increases in cash, and other assets. Total liabilities increased 500 million yen year on year to 9.4 billion yen due to an increase in long-term interest-bearing debt. Net assets grew 800 million yen to 18.2 billion yen due to an increase in retained earnings, etc. The capital-to-asset ratio decreased 0.5pt from the end of the previous year to 64.6%.

【2-3 Topics】

◎ Compliance with the criteria for remaining listed on the Prime Market

In April 2024, the company announced that it had confirmed its compliance with all criteria for remaining listed on the Prime Market as of the end of February 2024.

As of the end of February 2023, the company's "market capitalization of tradable shares" was 9.55 billion yen, which was less than the required minimum of 10 billion yen. Thus, it did not meet the criteria for remaining listed on the Prime Market. However, the company has been working to address this issue based on its "Plan for Compliance with the criteria for remaining listed," and as a result of these efforts, it has met all criteria.

◎ Toward amending the Articles of Incorporation to execute capital and dividend policies flexibly

The company has decided to bring forward a proposal for an amendment to its Articles of Incorporation to the Annual General Meeting of Shareholders scheduled for May 30, 2024, to implement its capital and dividend policies flexibly.

The amendment will allow the Board of Directors to make decisions on the distribution of surplus funds and other matters.

If approved at the Annual General Meeting of Shareholders, the amendment will take effect on May 30, 2024.

3. Fiscal Year ending February 2025 Earnings Forecasts

Consolidated Earnings Forecast

Major income statements

	FY 2/24	Ratio to sales	FY 2/25 Est.	Ratio to sales	YoY
Sales	43,028	100.0%	43,500	100.0%	+1.1%
Gross profit	8,637	20.1%	8,929	20.5%	+3.4%
SG&A	6,969	16.2%	7,228	16.6%	+3.7%
Operating Income	1,668	3.9%	1,700	3.9%	+1.9%
Ordinary Income	1,771	4.1%	1,780	4.1%	+0.5%
Net Income	1,175	2.7%	1,200	2.8%	+2.1%
EBITDA	2,608	6.1%	2,766	6.4%	+6.1%

*Unit: million yen. EBITDA is calculated by operating income + depreciation.

Forecasted increase in sales and profit

The company forecasts a 1.1% year-on-year increase in sales to 43.5 billion yen, a 1.9% year-on-year increase in operating income to 1.7 billion yen, and a 6.1% year-on-year increase in EBITDA to 2.7 billion yen.

This increase in sales is expected to be due to new product sales and active sales promotion. Despite the impact of the new Ibaraki factory, which is scheduled to start operations in December 2024, and higher advertising and logistics costs, the company plans to increase profit through sales growth and the revision of product standards.

The company decided to disclose and explain EBITDA, partly due to depreciation expenses resulting from the start of operations of the Ibaraki factory.

The company plans to pay a dividend of 24.00 yen per share, the same level as the previous fiscal year. It will pay an interim dividend from this fiscal year. The company's expected dividend payout ratio for the full year is 24.9%.

(Price revisions)

The company recognizes that price revisions are necessary to face the rising costs across various areas. However, it is also aware of the negative impact that price increases have had on sales in the past. As a result, it has not raised prices for its flagship "Gohan ga Susumu Kimchi" to date. However, it will continue to consider the possibility of a price increase in the future.

For products other than kimchi, such as lightly pickled vegetables and delicatessen, the company reviewed and revised prices appropriately at the time of product switching. However, it will also consider price increases or product specification changes for its flagship delicatessen, which are sold as regular items throughout the year.

◎Sales by Food Item

	FY 2/24	Composition ratio	FY 2/ 25 Est.	Composition ratio	YoY
Product	29,259	68.0%	29,396	67.6%	+0.5%
Lightly pickled vegetables /kimchi	17,545	40.8%	17,571	40.4%	+0.2%
Delicatessen	11,241	26.1%	11,357	26.1%	+1.0%
Long-term pickled vegetables	473	1.1%	467	1.1%	-1.3%
Goods	13,768	32.0%	14,103	32.4%	+2.4%
Total Sales	43,028	100.0%	43,500	100.0%	+1.1%

*Unit: million yen.

Due to the rising cost of raw materials, the sale of products including Chinese yams was suspended in the second half of the previous fiscal year, but is scheduled to be resumed in the second half of the current fiscal year.

◎Sales by Sales Channel

	FY 2/24	Composition ratio	FY 2/25 Est.	Composition ratio	YoY
Mass retailers/wholesalers	32,537	75.6%	32,834	75.5%	+0.9%
Convenience stores	6,663	15.5%	6,870	15.8%	+3.1%
Restaurants/others	3,827	8.9%	3,795	8.7%	-0.8%
Total	43,028	100.0%	43,500	100.0%	+1.1%

*Unit: million yen.

The forecast sales to convenience stores are based on the assumption that fairs will continue in the current fiscal year.

◎Plan of SG&A Expenses

	FY 2/24	Ratio to sales	FY 2/25 Est.	Ratio to sales	YoY
Total SG&A expenses	6,969	16.2%	7,228	16.6%	+3.7%
Logistics cost	2,283	5.3%	2,375	5.5%	+4.0%
Personnel cost	3,066	7.1%	3,058	7.0%	-0.3%
Advertising cost	34	0.1%	254	0.6%	+647.1%
Others	1,585	3.7%	1,539	3.5%	-2.9%
Sales	43,028	100.0%	43,500	100.0%	+1.1%

*Unit: million yen.

The company plans to increase advertising expenses significantly.

Logistics expenses are projected to increase 4.0% year on year. In response to the 2024 logistics problem, the company will implement various measures to improve logistics efficiency, including switching from store-by-store deliveries to consolidated deliveries, which will improve loading efficiency and reduce the number of delivery trips, switching to new delivery providers, and restructuring the group's logistics network following the operation of the new factory in Ibaraki.

4. Major Future Policies

【4-1 Future strategies】

The company intends to expand business by taking advantage of its strengths and forging ahead with the following four strategies: reinforcing product development, expansion of sales area, expansion of sales channels, and new businesses.

(1) Reinforcing product development

① Lightly pickled vegetables and kimchi

(Market environment)

According to the ranking of companies that generate good sales in the pickles industry as presented by PICKLES HOLDINGS based on THE JAPAN FOOD NEWS articles, only five companies have achieved sales of over 10 billion yen, with PICKLES HOLDINGS ranked first with consolidated sales of 43 billion yen followed by Tokai Pickling Co., Ltd. whose sales are 22.9 billion yen, AKIMOTO FOODS Co., Ltd., with sales of 12.8 billion yen, Bingo Tsukemono Co., Ltd., which has generated sales of 11.5 billion yen, and YAMAMOTO SYOKUHIN Co., Ltd., with sales of 10.1 billion yen in descending order.

While the size of the market of pickles shrank from 480 billion yen in 2000 to 316 billion yen in 2022, the number of enterprises continue to decrease and aggregation is underway.

PICKLES HOLDINGS pulls far ahead of the other companies with a market share of 13.6% while endeavoring to attain its target of a market share of 15%.

The POS data show that the unit purchase price of lightly pickled vegetables has increased over the previous year. Still, the quantity of pickles purchased has decreased, affected by a decrease in the number of items purchased by consumers due to rising prices. Market trends for the company's mainstay products, lightly pickled vegetables and kimchi are on the same trend.

The company will keep enhancing product development and strive to expand its market share.

(Product development cases)

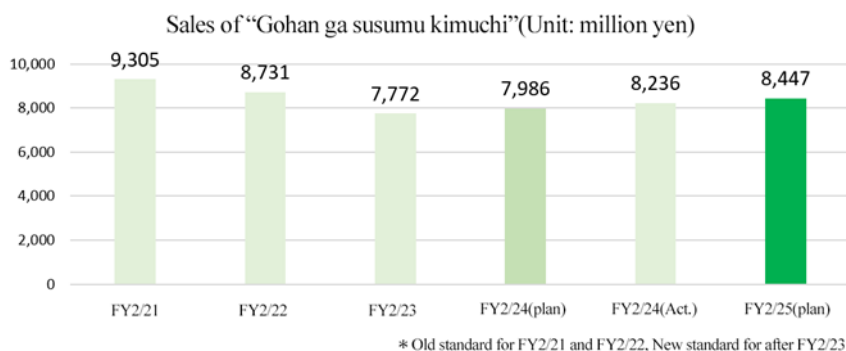
<Kimchi>

In the fiscal year ended February 2024, the relatively stable growth of Chinese cabbage during the winter allowed the company to launch aggressive sales promotion measures, and sales of “Gohan ga Susumu Kimchi” exceeded the initial forecast as well as the results of the fiscal year ended February 2023.

For the fiscal year ending February 2025, the company is expected to increase its sales 2.6% year on year to 8.4 billion yen by further strengthening sales activities.

The company will respond to changes in consumers’ preferences and upgrade its standard products when necessary.

Against the backdrop of growing interest in food waste issues, the company considers efforts to extend shelf life to be a significant issue from the perspective of quality improvement.



(Prepared by Investment Bridge Co., Ltd. based on disclosed material.)

<Lightly Pickled Vegetables>

In addition to the classic side dishes designed for everyday meals, the company is developing a variety of other products to meet diverse customer needs. These include limited seasonal products featuring fresh, in-season vegetables, as well as side dishes (snacks) for enjoying with drinks.

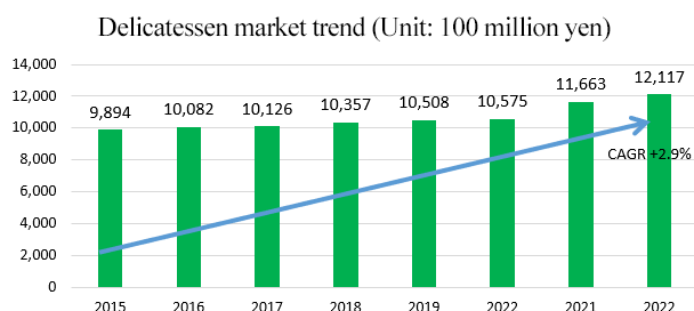
The company is strengthening its proposals to use lightly pickled vegetables as a simple main course food or a side dish.

Kimchi can be used in a variety of dishes, such as nabe (hot pots) and stir-fries, and can be eaten as is. However, the category of lightly pickled vegetables, which lacks versatility in how it can be eaten, is facing a decline in popularity, so the company is working to develop new products, including stimulating new demand by breaking free from the conventional framework.

② Delicatessen**(Market environment)**

According to the company's data (researched by the Japan Chain Stores Association), the market size of the delicatessen market (Japanese, Western, and Chinese deli foods, boxed meals, sandwiches, etc.) in 2022 was 1.2117 trillion yen, growing at a CAGR (Compound Annual Growth Rate) of 2.9% since 2015.

The growth is believed to be driven by factors such as an increase in single-person households, an aging population, the advancement of women in society, heightened interest in health and nutritional balance, and the need for convenience and time-saving in household chores.

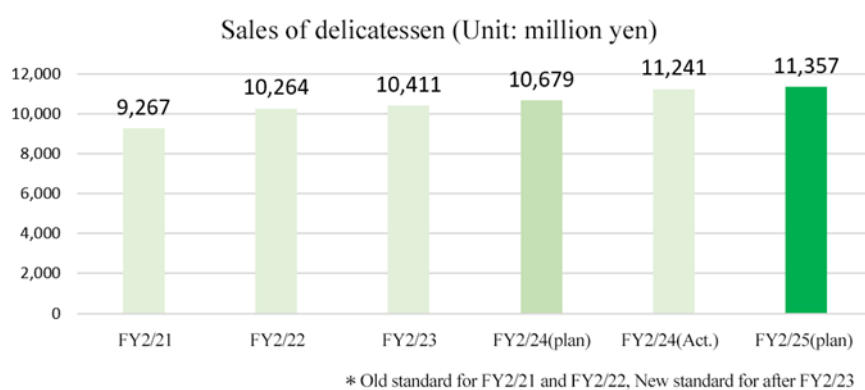


(Prepared by Investment Bridge Co., Ltd. based on disclosed material.)

In this sector, PICKLES CORPORATION is vying with listed companies such as FUJICCO Co., Ltd. (sales of 53.9 billion yen and a net income of 1.4 billion yen, Results for the previous period, same as below), KENKO Mayonnaise CO., Ltd. (Sales of 82.3 billion yen and a net income of 0.4 billion yen), and Ebara Foods Industry, Inc. (sales of 43.4 billion yen and a net income of 2.1 billion yen), and subsidiaries of listed companies, including Deria Foods Co., Ltd. (Kewpie Group) and initio foods inc. (Nisshin Seifun Group Inc.)

Although the corporate group is a latecomer that entered the market in 2003, it has expanded its sales by focusing on delicatessen using vegetables that match health trends, differentiating the taste through pickling techniques developed in the pickle production industry, and through meticulous sales efforts. In term ended February 2022, sales exceeded 10 billion yen for the first time. It is growing into a new business pillar.

The sales in the fiscal year ended February 2024 exceeded the initial forecast and the results for the fiscal year ended February 2023. For the fiscal year ending February 2025, the company forecasts a 1.0% year-on-year increase to 11.3 billion yen.



(Prepared by Investment Bridge Co., Ltd. based on disclosed material.)

(Product development case)

the company endeavors to renew the existing products (such as namul, salads, and spicy cucumbers), develop products that meet demand for drinking at home, and develop salads seasoned with dressings targeting health-conscious consumers.

③ New fields

The company is focusing on product development in new fields other than lightly pickled vegetables, kimchi, and delicatessen.

◎Frozen food related products

The company has begun selling frozen “Gohan ga Susumu kimchi nabe (hot pot)” and frozen “Delicatessen with sealing film lids” to some mass retailers.

Against the backdrop of the recent increase in demand for frozen ingredients, the company has been freezing delicatessen products and supplying them for commercial use.

◎LL gas-filled delicatessen

The company developed products with an extended shelf life by using gas displacement technology that evacuates air inside the container and replaces it with inert gas. The company has extended the Gohan ga Susumu brand to include kiriboshi daikon (shredded daikon radish), hijiki nimono (simmered hijiki seaweed), kinpira (burdock root stir-fry), and u no hana (simmered soy pulp and vegetables), which are sold at mass merchandisers.

Frozen food related products



[Frozen] Nabe (hot pot) series

LL gas-filled delicatessen



[Long Life] Gas-filled delicatessen



[Frozen] Delicatessen with sealing film lids



[Frozen] Delicatessen for commercial use

(Source: the company)

(2) Expansion of selling areas

The sales composition of consolidated sales by region shows that the Kanto region accounts for 50.0%, while the Western Japan area (Kinki, Chugoku-Shikoku, Kyushu-Okinawa) makes up about 25%.

In contrast, the population ratio is 34.4% in Kanto and about 38% in the West Japan area. Considering the population, there is significant room for sales expansion in the Western Japan area. Therefore, the company is focusing on expanding sales in this area by increasing sales of products for commercial use and increasing sales of high-unit-price products at mass merchandisers to raise the sales composition ratio of the Western Japan area to over 30%.

Taking advantage of the supply capacity of Western Japan Factories and Saga Factory of PICKLES CORPORATION NISHINIHON and TEGARA FOOD CO., LTD., the corporate group will reinforce production and sales in the Kinki region, the Chugoku and Shikoku region, and the Kyushu region.

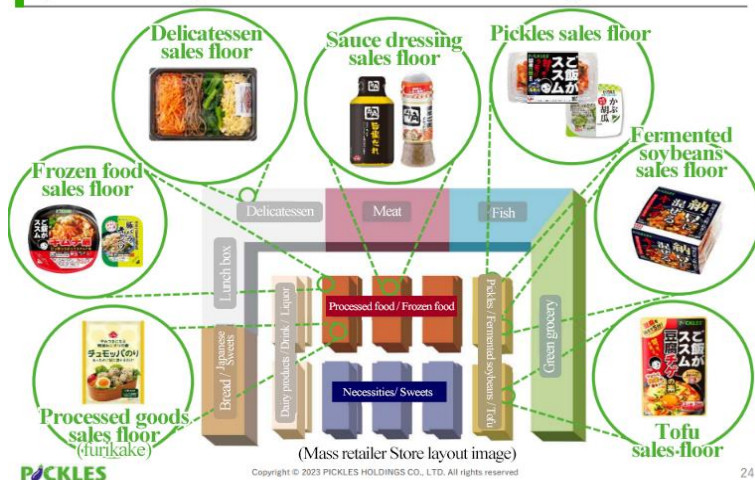
The corporate group will leverage the strength as the only company in the industry with a nationwide network to cultivate the market.

In the fiscal year ended February 2024, while the overall sales ratio for the Western Japan area remained unchanged from the previous fiscal year due to the increase in sales in the Eastern Japan area, a closer look at individual company performance reveals a trend of steady growth in the Western Japan area. PICKLES CORPORATION KANSAI, TEGARA FOOD CO., LTD., and PICKLES CORPORATION NISHINIHON saw significant sales growth from the previous fiscal year. They achieved increases of 3%, 8%, and 14%, respectively.

(3) Expansion of sales channels

While increasing its market share in the selling spaces for pickles and delicatessen at convenience stores and mass retailers, restaurants, etc., the company will concentrate on selling products in new selling spaces for tofu, natto, sauces, dressings, processed food products, and frozen food products in addition to the selling spaces for pickles and delicatessen, at drugstores that actively sell food products and mass retailers.

The company is actively engaging in the expansion of its products beyond existing sales areas. This strategy is advantageous as it leverages existing sales channels and enhances the loading efficiency of delivery vehicles. Consequently, this initiative is expected to lead to improvements in both marketing and logistics efficiency.

**Expansion of sales destinations:
product development in markets other than existing sectors**


(Source: the company)

(4) New businesses

① Retail and Restaurant Business

Our group company, OH CO., LTD., conduct the restaurant and retail businesses in a complex featuring fermentation and health, OH!!!, (Hanno City, Saitama Prefecture).

(In addition to selling vegetables produced by PICKLES FARM CO., LTD. and sweet potato products from VEGEPAL, the café serves as a testing ground for new product sales in order to pursue group synergy among the operating companies.

The café building was renovated and reopened on March 1 as Hanno Bakery POCO-POCO.

② Agricultural Business

PICKLES FARM CO., LTD., a group company established in March 2022, produces komatsuna (Japanese mustard spinach) and sweet potatoes at three farms in Tokorozawa City, Saitama Prefecture, aiming to revitalize local communities through stable procurement and agriculture.

The company will work on operations in accordance with JGAP*, undertake harvesting work for farmers, etc., provide planting and harvesting experience (in-house training and restaurants serving dishes to children in need free of charge or at low prices based on donations from adult customers), realize recycling-oriented agriculture using vegetable waste, and export the vegetables it produces.

Additionally, the company is increasing the production of sweet potatoes and constructing a workshop and storage facility to store and process the sweet potatoes it produces.

*JGAP: Certification specifying the standards for appropriate agricultural farm management from the viewpoints of farm management, food safety, environmental conservation, occupational safety, human rights and welfare, while considering Japanese laws, production and social environments. The factory of the corporate group, too, procures vegetables that are managed in accordance with JGAP as ingredients.

The company posted sales of 9 million yen and an operating loss of 1 million yen in the first year of the fiscal year ended February 2023. In the fiscal year ended February 2024, the company posted sales of 20 million yen and operating loss of 13 million yen. The company plans to return to profitability in its third fiscal year ending February 2025 with sales of 32 million yen and an operating income of 4 million yen.

③ Establishment of the Joint venture “VEGEPAL CO., LTD.”

VEGEPAL CO., LTD., established in September 2023, leverages the company group's experience in food manufacturing and sales and the experience and strengths of its joint venture partner Asue Co., Ltd. in trading and intermediation to purchase and sell sweet potatoes and processed foods made from sweet potatoes.

Utilizing sweet potatoes produced by PICKLES FARM CO., LTD. the subsidiary will not only sell sweet potatoes as fresh produce, but also develop products such as sweet potato paste, frozen baked sweet potato, dried sweet potato, and pet food.

Furthermore, amid a declining domestic population, the company will also focus on developing overseas markets.

【4-2 Profit Improvement and Quality Improvement Initiatives】

The company's efforts to improve profitability and quality are as follows.

(1) Revision of selling prices

In this fiscal year, the company will raise prices or adjust the quantities of its mainstay products, such as “Gohan ga Susumu Kimchi,” although the timing has not yet been determined.

(2) Revision of non-profitable items and integration of items

Currently, the company produces more than 2,000 items per year at its plants nationwide. Until now, the company's priority has been sales growth, but going forward, it will pursue integration with the aim of shifting to a more profitable structure.

(3) Revision of vegetable procurement process (procurement by region, etc.)

The company will stabilize procurement prices. It will work to diversify suppliers by increasing the number of contract farmers in the vicinity of its plants.

(4) Research on manufacturing technologies (expiry date or shelf life extension)

Aiming to extend the existing expiry date, the company will develop and test various products and strive to improve the added value of its products.

(5) Improving the efficiency of logistics (inventory management/sorting) and administrative processing (order processing/expense processing, etc.) within the group

The company will improve work efficiency through the use of automated tools.

(6) Mechanization and labor saving in production and management

Labor costs are expected to continue to rise, so the company will address it through the mechanization of production processes.

【4-3 Medium-Term Management Plan】

	FY 2/24	Ratio to sales	FY 2/25 (Plan)	Ratio to sales	FY 2/26 (Plan)	Ratio to sales	FY 2/27 (Plan)	Ratio to sales	CAGR
Sales	43,028	100.0%	43,500	100.0%	44,000	100.0%	44,500	100.0%	+1.1%
Gross Margin	8,637	20.1%	8,928	20.5%	8,972	20.4%	9,221	20.7%	+2.2%
SG&A expenses	6,969	16.2%	7,228	16.6%	7,372	16.8%	7,481	16.8%	+2.4%
Operating Income	1,668	3.9%	1,700	3.9%	1,600	3.6%	1,740	3.9%	+1.4%
Ordinary Income	1,771	4.1%	1,780	4.1%	1,670	3.8%	1,810	4.1%	+0.7%
Net income	1,175	2.7%	1,200	2.8%	1,120	2.5%	1,220	2.7%	+1.3%

*Unit: million yen. CAGR is the average annual growth rate from the fiscal year ended February 2024 to the fiscal year ending February 2027. Calculated by Investment Bridge Co., Ltd.

	FY 2/24	FY2/27 (Plan)	CAGR
Lightly pickled vegetables /kimchi	17,545	18,321	+1.5%
Delicatessen	11,241	11,613	+1.1%
Old pickled vegetables	473	507	+2.3%
Product	13,768	14,056	+0.7%
Total	43,028	44,500	+1.1%

*Unit: million yen. CAGR is the average annual growth rate from the fiscal year ended February 2024 to the fiscal year ending February 2027. Calculated by Investment Bridge Co., Ltd.

	FY 2/22	FY 2/23	FY 2/24	FY 2/25 (Plan)	FY 2/26 (Plan)	FY 2/27 (Plan)
Capital Expenditure	718	883	951	6,400	940	400
Depreciation	963	980	940	1,056	1,325	1,315

* Unit: million yen.

(Sales and profit)

For the fiscal year ending February 2026, the company expects a decrease in profit due to the depreciation burden incurred by the Ibaraki factory. Operating income margin is also projected to decline.

Lightly pickled vegetables and kimchi are expected to drive sales.

(Capital investment, etc.)

The company is planning a capital investment of 7.7 billion yen over the next three years.

The main items are: "Fiscal year ending February 2025: Ibaraki factory (temporary name), facility upgrade, etc.," "Fiscal year ending February 2026: facility upgrade, etc.," "Fiscal year ending February 2027: facility upgrade, etc."

Regarding the new factory in Kansai, which was originally scheduled to be built in the fiscal year ending February 2026, the company decided to remove it from the current capital investment plan. This is due to rising construction costs and the need to consider the future business environment of the group. Instead, the company will explore options such as M&A or acquiring an existing factory.

*About Ibaraki Factory

To further mechanize the manufacturing process, reduce labor costs and achieve cost reduction through labor cost improvement, the company will promote the mechanization and automation of the production process for kimchi and other Chinese cabbage products. It expects production capacity to increase over two times.

In the future, the plant will also be used to produce new Chinese cabbage products other than kimchi.

With the transfer of production to the new plant, the existing plant will improve profitability by shifting night shift production to day shift and will also utilize the vacant space to produce products that will become a new source of revenue.

The company plans to invest approximately 5 billion yen, with delivery scheduled for December 2024.

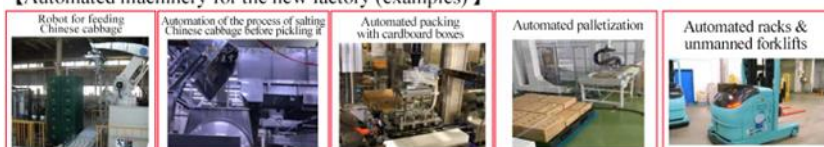
Depreciation is expected to be 130 million yen in the fiscal year ending February 2025 (from the fourth quarter), 500 million yen in the fiscal year ending February 2026, and 430 million yen in the fiscal year ending February 2027.

【Outline of the new factory】

Location	Suge, Yachiyo-machi, Yuki-gun, Ibaraki Prefecture
Site area	15,460.69 m ²
Building	steel-framed, total floor area: about 5,286 m ²
Investment amount	5,050 million yen (production equipment [buildings and machinery])
Scheduled date of completion	To be delivered in December 2024



【Automated machinery for the new factory (examples)】



(Source: the company)

5. Management with a Focus on Capital Costs and Share Prices

The company's analysis and future initiatives in response to the Tokyo Stock Exchange's request for “Measures to realize management that is conscious of capital costs and share prices” are as follows:

(Analysis of the current situation)

*PBR

PBR had been above 1 until the fiscal year ended February 2022, driven by strong performance due to the demand from housebound consumers during the COVID-19 pandemic. However, it has been less than 1 due to the reactionary decline against the demand from housebound consumers.

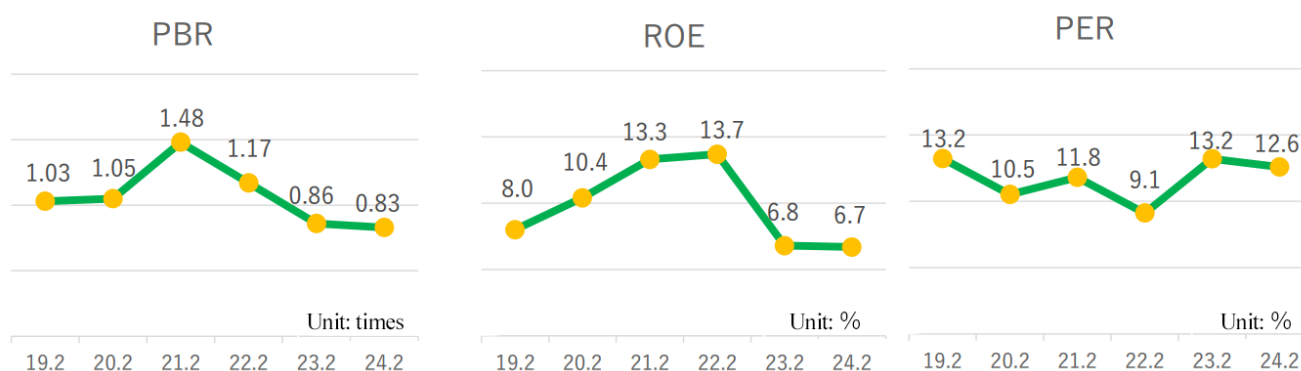
*Cost of Capital

The cost of shareholders' equity is estimated to be around 5.5% to 7.0%.

*ROE

ROE had been above 8% until the fiscal year ended February 2022, but has been below 8% in the fiscal year ended February 2023 and the fiscal year ended February 2024. Although the company has not set a target, it hopes to return ROE to above 8% in the future.

<Annual variations in indicators>



(Source: the company)

(Policies, Targets, and Initiatives)

◎ Policies and Targets

The company will work to improve PBR, aiming for more than 1.

◎ Initiatives

The following five initiatives will be undertaken.

(1) Initiatives to Achieve Medium-term Management Targets

- Strengthen product development
- Expand their sales area
- Expand customers
- New Businesses

(2) Enhancement of IR activities

- Financial results briefing sessions

Presenter: President and Representative Director

Number of times held: 2 times/year

Disclosure of videos and transcripts

- Briefing sessions for individual investors

Presenter: President and Representative Director

Number of times held: 2 times/year

Disclosure of videos and transcripts

- Meetings with institutional investors and analysts

Presenter: President and Representative Director or Public and Investor Relations Office

(3) Enhancement of Sustainability Activities

- Disclosure of information on its website
- Promotion of health management

(4) Strengthening Shareholder Returns

- Enhancement of shareholder returns through dividend payments
- Enhancement of shareholder returns and capital efficiency through the acquisition of treasury shares

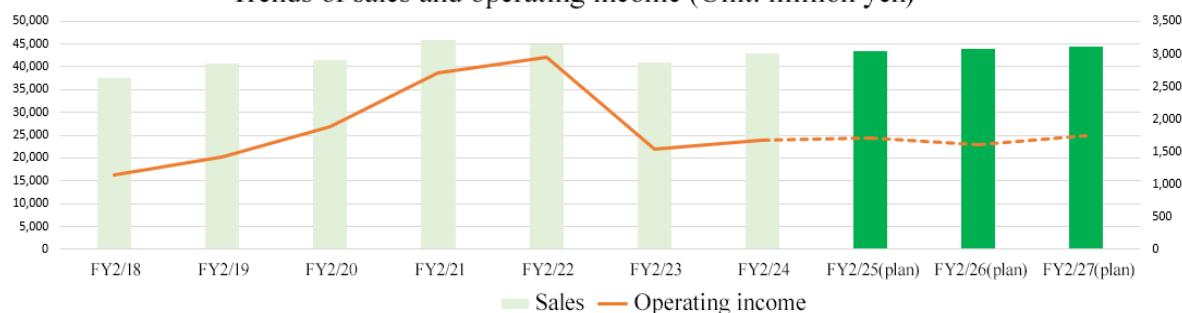
(5) Increasing the number of shares in circulation

- Activation of employee stock ownership association

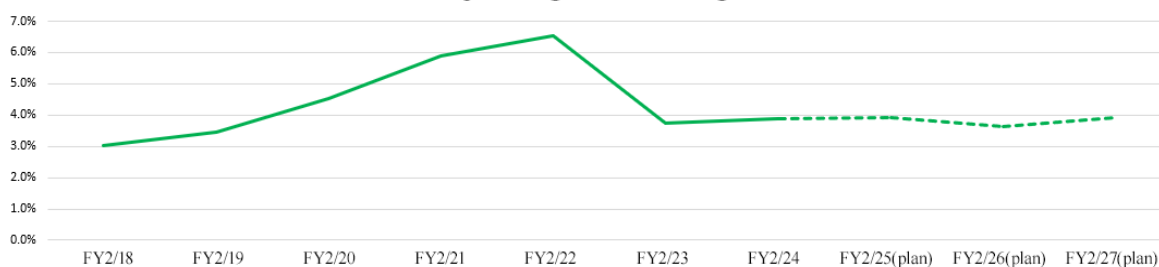
6. Conclusions

The company forecasts slight increases in sales and profit for the current fiscal year ending February 2025, like in the previous fiscal year. Consumers continue to have a strong desire to save money, making the business environment challenging. However, the company's strong product appeal is supporting its earnings, as evidenced by the adoption of its products at convenience store fairs. Operating income margin will remain in the 3% range for the time being due to the upfront depreciation and other costs associated with the new Ibaraki factory, but it will be interesting to see when the company will start to see the medium-term contribution to earnings from increased production capacity, increased efficiency through mechanization and automation, improved profitability at existing plants, and the production of new products.

Trends of sales and operating income (Unit: million yen)



Operating income margin



<Reference: Regarding Corporate Governance>

◎Organization type, and the composition of directors and auditors

Organization type	Company with an audit and supervisory board
Directors	8 directors, including 3 from outside (including 3 independent directors)
Auditors	4 directors, including 3 from outside (including 3 independent directors)

◎Corporate Governance Report (Updated on December 29, 2023)

Basic Policy

Our company considers corporate governance to be the important issue of business management for acting in conformity with the law and social norms, realizing the management policies, and achieving continuous growth.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

[Principle 1-4: Policy Retention Co.]

In principle, our company will not hold the shares of listed companies. However, if we hold shares for a reasonable purpose, such as the maintenance or strengthening of transaction relationships, we regularly check whether the purpose is satisfied.

We will discuss methods for examining the appropriateness of strategic shareholding and disclosing the detailed information on strategic shareholding.

Regarding the exercise of voting rights for strategically held shares, we judge each case individually. We appropriately exercise voting rights, while comprehensively considering whether they would contribute to the improvement in mid/long-term corporate value of our company and invested companies.

Going forward, we will examine procedures to ensure objectivity and transparency in the determination of the compensation system's design and of specific remuneration amounts.

【Supplementary Principle 2-4-①】

Our group promotes highly motivated and skilled employees to management posts (division chiefs or higher) regardless of age, nationality, gender, etc. Regarding the promotion to management posts, the ratio of female managers is 8.3%, and we will increase this ratio. The company was established through a sole share transfer of PICKLES CORPORATION, meaning that the company is part of PICKLES CORPORATION, so the percentage of women in management positions above is based on the values of PICKLES CORPORATION as of February 28, 2022. For non-Japanese employees, the ratio of them is low, so we have not set a goal for them. For mid-career workers, we promote them to management posts while comprehensively considering their experiences, abilities, etc., so we have not set a goal for them. With the aim of honing the ability of each employee, we make efforts to foster the stance of learning voluntarily, adopting systems for supporting self-development, incentives for acquiring qualifications, etc. In addition, we recognize that the development of a comfortable working environment as an important management issue, and adopted refreshing holidays, overtime-free days, staggered working hours, etc.

【Supplementary Principle 3-1-③】

Regarding sustainability, we recognize the environment, safety, reliability, etc. as important issues, and take initiatives. As the investment in human capital, we develop educational systems and pursue a comfortable working environment for employees, and as the investment in intellectual property, we research lactic acid bacteria, etc. These are disclosed via our ESG reports and IR documents, which are available in our website. For more information about our corporate group's sustainability efforts, please visit our website. We will consider disclosure based on the TCFD, a globally established disclosure framework, or an equivalent framework, going forward.

<Disclosure based on the Principles of the Corporate Governance Code (Excerpts)>**【Principle 5-1. Policy on Constructive Dialogue with Shareholders】**

With a basis in transparency, fairness, and continuity, we strive to disclose information promptly so that our shareholders and investors can understand our company correctly.

We will strive to disclose information based on related laws and regulations such as the Financial Instruments and Exchange Act as well as the timely disclosure rules established by financial instruments exchange, and to actively disclose information that can be considered effective for understanding our company with appropriate measures.

Specifically, we will hold financial results briefings twice a year and hold briefings for individual investors as appropriate. The President and Chief Executive Officer and the Public Relations and IR Office will also handle individual interviews within a reasonable range.

【Measures to realize management that is conscious of capital costs and stock prices】

Regarding measures to realize management that is conscious of capital costs and stock prices, these measures are consistent with the measures that the company is taking to meet the criteria for remaining listed on the Prime Market of TSE, which is a management challenge. The specific measures are described in the “Plan to Meet the Criteria for Remaining Listed on the Prime Market.” The plan is disclosed on the company's website (<https://pickles-hd.co.jp/ir/>).

In this plan, the company aims to demonstrate the growth trajectory of the group by implementing initiatives such as “Initiatives to Achieve Medium-term Management Targets,” “Enhancement of IR Activities,” “Enhancement of Sustainability Activities,” and “Strengthening Shareholder Returns.” Through the implementation of these initiatives, the company strives to enhance corporate value and increase stock price by improving profitability and asset efficiency. It also aims to improve its PBR through these initiatives.

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