

 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

Stock Information

Share Price	Shares Outstanding (Excluding Treasury Shares)		Total Market Cap	ROE (Actual)	Trading Unit
¥1,192	12,858,430 shares		¥15,327 million	6.8%	100 shares
DPS (Estimate)	Dividend Yield (Estimate)	EPS (Estimate)	PER (Estimate)	BPS (Actual)	PBR (Actual)
¥22.00	1.8%	¥91.40	13.0x	¥1,362.11	0.9x

*Stock price is the closing price on May 1. Each number is based on PICKLES HOLDINGS' financial results for the term ended February 2023.

Consolidated Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
February 2019 Act.	40,670	1,409	1,561	920	71.94	14.00
February 2020 Act.	41,417	1,871	1,973	1,290	100.83	15.00
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 Est.	42,200	1,620	1,755	1,150	91.40	22.00

*Results for PICKLES CORPORATION until FY2/22, and results and forecasts for PICKLES HOLDINGS CO., LTD.. after that. Unit: Million-yen, 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 term ending February 2023, the accounting standards for revenue recognition, etc. have been applied.

This Bridge Report presents PICKLES HOLDINGS' summary of Financial Results for the Fiscal Year Ended February 2023 along with estimates for the term ending February 2024.

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Key Points

- The Accounting Standards for Revenue Recognition, etc., have been applied since the first quarter of the term ended February 2023. In the term ended February 2023, sales decreased due to the adoption of the Accounting Standards for Revenue Recognition, a reactionary decline in stay-at-home consumption, and the increase of budget-minded consumers due to price hikes for each food product due to soaring raw material prices. Operating income decreased 47.7% year on year to 1,538 million yen. Although the weather was relatively favorable and prices of vegetable ingredients were stable, profit decreased due to a decline in sales and soaring raw material costs, utility, and logistics costs. Sales exceeded the projection, but profit fell short.
- Sales are expected to increase 2.8% year on year to 42.2 billion yen, and operating income is projected to rise 5.3% to 1.62 billion yen in the term ending February 2024. Sales are forecast to grow thanks to demand recovery, expanding sales of delicatessen, etc. Despite the continued impact of soaring raw material costs, the company plans to increase profit by reviewing product contents and prices. The company plans to pay an ordinary dividend of 22.00 yen per share (in the previous fiscal year, the company paid an ordinary dividend of 20.00 yen per share and a commemorative dividend of 2.00 yen per share, for a total of 22.00 yen per share). The expected dividend payout ratio is 24.1%.
- While the reactionary decline in stay-at-home consumption is expected to subside, it is unclear how long the money-saving trend will last amid soaring prices, but the company is expected to improve its performance from lower sales and profits in the previous fiscal year to slightly higher sales and profits in the term ending February 2024. In addition to its mainstay products, such as pickles, kimchi, and delicatessen, our attention is attracted by the sales and progress of its new products, such as frozen foods, which the company has begun to sell them. In addition, there appears to be no significant change in the expansion of sales areas yet, but we would like to expect that the company will proceed with market cultivation by taking advantage of the strength of the only nationwide network in this industry.

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 pickles, and prepared food items, 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 “an absolute 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.

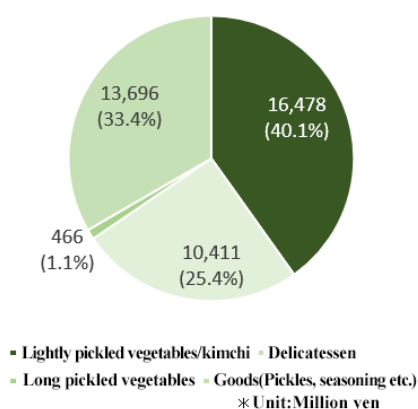
「ESG Bridge Report」

https://www.bridge-salon.jp/report_bridge/archives/2023/03/230328_2935.html

【1-2 Business Description】

In the term ended February 2023, sales from products (manufactured by PICKLES CORPORATION at its own factories) accounted for 66.6% (40.1% from lightly pickled vegetables and kimchi, 25.4% from delicatessen, and 1.1% from long pickled vegetables), and those from products of a consolidated subsidiary, FOOD LABEL CO., LTD., and products purchased from outside companies made up 33.4%.

Sales by Food Item(FY2/23)



(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.

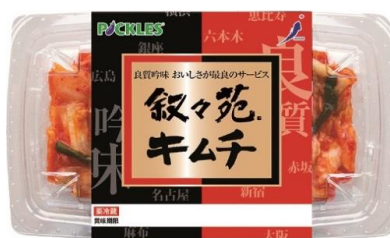
Currently, lightly pickled vegetables and kimchi account for about 50% of the pickled vegetables market. Although the overall pickle market is shrinking, the market for lightly pickled vegetables and kimchi is stable.

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

(Source: the company)



JOJOEN Pogi Kimchi



4 Kinds of Bran vegetables

◎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 holdings 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 company 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

(Source: the company)



Bangbangji Salad

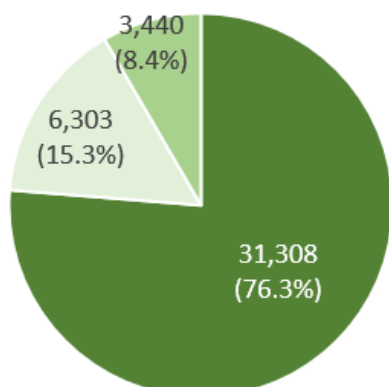


Cabbage Salad with Umami Salt

(Sales Destination)

Mass merchandisers, retailers, and wholesalers throughout Japan are the sales destinations, with 76.3% of the total sales channels being mass merchandisers and wholesalers, 15.3% being convenience stores, and 8.4% being restaurants and others as of FY2/23.

Sales by Sales Channel (FY2/23)



- Mass retailers/wholesalers
- Convenience stores
- Restaurants/others

* Unit: Million yen

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

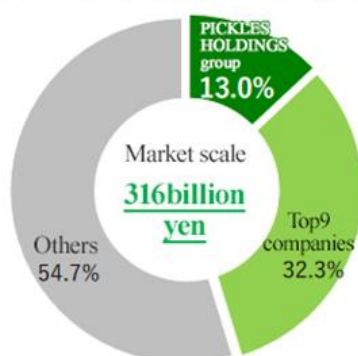
【1-3 Features, Strengths, and Competitive Advantages】

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 2021 (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.

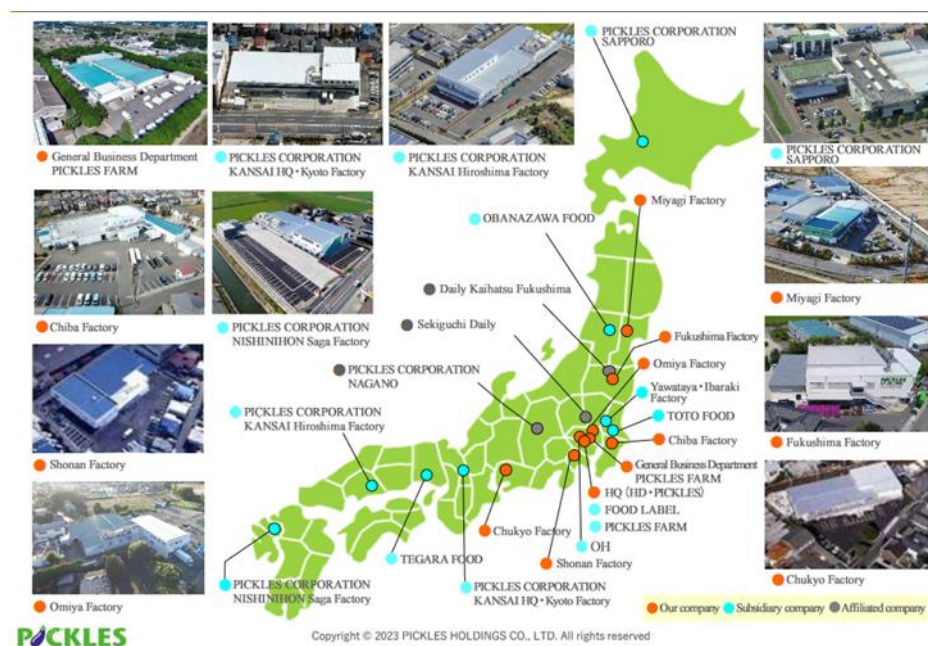
The company promotes development from multiple aspects, from the selection of ingredients such as vegetables and seasonings to processing methods, taste, and packaging.

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 Pne-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.



(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.

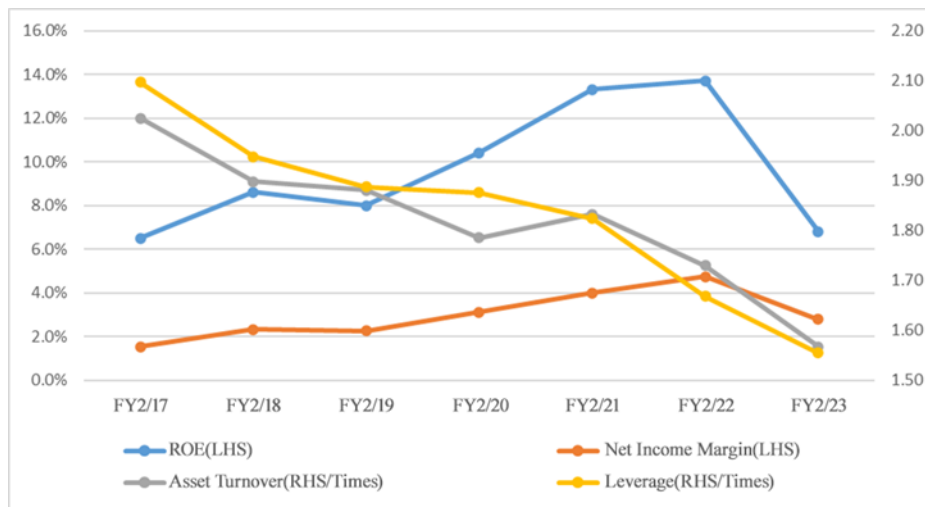
(5) Vendor functions to meet the needs of customers

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.

【1-4. ROE Analysis】

	FY2/17	FY2/18	FY2/19	FY2/20	FY2/21	FY2/22	FY2/23
ROE (%)	6.5	8.6	8.0	10.4	13.3	13.7	6.8
Net Profit Margin (%)	1.53	2.32	2.26	3.11	3.98	4.73	2.77
Total Asset Turnover (times)	2.02	1.90	1.88	1.79	1.83	1.73	1.57
Leverage (times)	2.10	1.95	1.89	1.88	1.83	1.67	1.55

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

ROE exceeded 10% for three consecutive terms until the term ended February 2022, but it fell short of 8%, which is generally considered a target for Japanese companies, in the term ended February 2023.

2. Financial Results for the Fiscal Year Ended February 2023

2-1 Consolidated Business Results

Outline

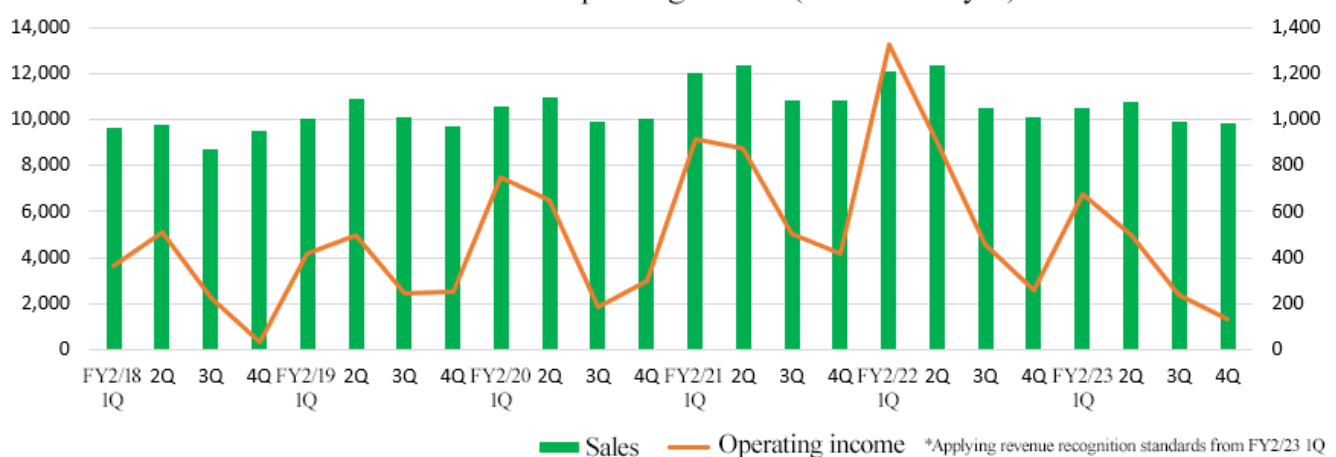
	FY2/22	Ratio to sales	FY2/23	Ratio to sales	YoY (Applied)	Compared to the forecast	References (Not Applied)	References (YoY, not applied)
Sales	45,006	100.0%	41,052	100.0%	-	+2.6%	43,769	-2.7%
Gross profit	12,466	27.7%	8,633	21.0%	-	-	11,220	-10.0%
SG&A expenses	9,523	21.2%	7,094	17.3%	-	-	9,699	+1.8%
Operating income	2,942	6.5%	1,538	3.7%	-47.7%	-14.5%	1,521	-48.3%
Ordinary income	3,068	6.8%	1,650	4.0%	-46.2%	-13.6%	1,633	-46.8%
Net Income	2,128	4.7%	1,138	2.8%	-46.5%	-10.3%	-	-

*Unit: million yen. Figures as of the end of February 2022 are based on the brief financial report of PICKLES CORPORATION and February 2023 are based on that of PICKLES HOLDINGS CO., LTD., respectively. The Accounting Standards for Revenue Recognition, etc. have been applied from the first quarter of the term ending February 2023. Accordingly, the increase/decrease rate of net sales, gross profit or SG&A expenses is not shown. Year-on-year increases/decreases of sales, gross profit, SGA, operating income, and ordinary income without application of the accounting standards for revenue recognition are reference values calculated by Investment Bridge Co., Ltd. based on the disclosed material.

Both sales and operating income declined

In the term ended February 2023, sales decreased due to the adoption of the Accounting Standards for Revenue Recognition, a reactionary decline in stay-at-home consumption, and the increase of budget-minded consumers due to price hikes for each food product due to soaring raw material prices. Operating income decreased 47.7% year on year to 1,538 million yen. Although the weather was relatively favorable and prices of vegetable ingredients were stable, profit decreased due to a decline in sales and soaring raw material costs, utility, and logistics costs. Sales exceeded the projection, but profit fell short.

Trend of Sales and Operating income (unit: million yen)



① Trends by Food Item and Sales Channel

◎ Sales by Food Item

	FY2/21	Ratio to sales	FY2/22	Ratio to sales	FY2/23	Ratio to sales	Compared to the forecast
Product	30,020	65.2%	29,631	65.8%	27,355	66.6%	+1.9%
Lightly pickled vegetables /kimchi	19,949	43.4%	18,858	41.9%	16,478	40.1%	+0.7%
Delicatessen	9,267	20.1%	10,264	22.8%	10,411	25.4%	+4.1%
Long pickled vegetables	803	1.7%	508	1.1%	466	1.1%	-2.9%
Goods	15,999	34.8%	15,374	34.2%	13,696	33.4%	+4.1%
Total Sales	46,018	100.0%	45,006	100.0%	41,052	100.0%	+2.6%

*Unit: million yen. Year-on-year is not stated due to the applying Accounting Standard for Revenue Recognition from FY2/23 1Q.

◎ Sales by Sales Channel

	FY2/21	Ratio to sales	FY2/22	Ratio to sales	FY2/23	Ratio to sales	Compared to the forecast
Mass retailers/wholesalers	34,437	74.8%	33,530	74.5%	31,308	76.3%	+2.3%
Convenience stores	7,973	17.3%	7,536	16.7%	6,303	15.4%	+6.2%
Restaurants/others	3,610	7.9%	3,938	8.8%	3,440	8.4%	-0.6%
Total Sales	46,020	100.0%	45,006	100.0%	41,052	100.0%	+2.6%

*Unit: million yen. The rate of decrease is not stated due to the applying Accounting Standard for Revenue Recognition from FY2/23 1Q.

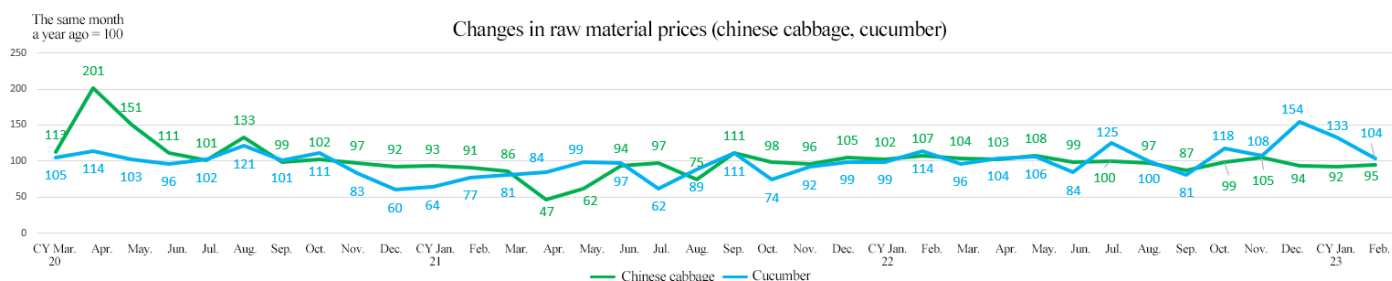
② Gross profit margin and situation surrounding vegetable prices

(Price of Chinese cabbages)

Although low temperatures and drought were observed in the main production site (Ibaraki Prefecture) around February 2022, there was no significant impact, and from March onward, the weather stabilized and growth progressed smoothly, remaining almost at the same level as the previous year.

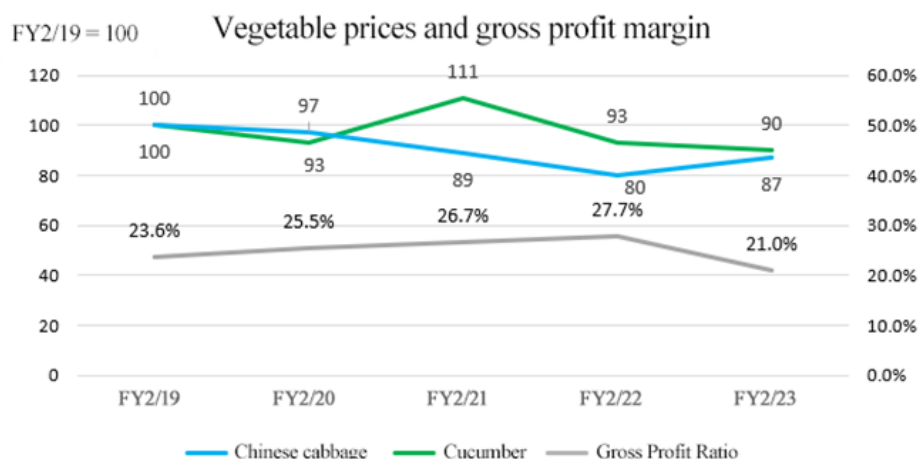
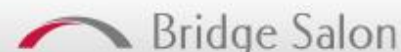
(Price of cucumbers)

Around December 2022, production was delayed at the main production site (Miyazaki Prefecture) due to the impact of low temperatures and other factors that caused prices to soar, resulting in a higher annual average price 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.

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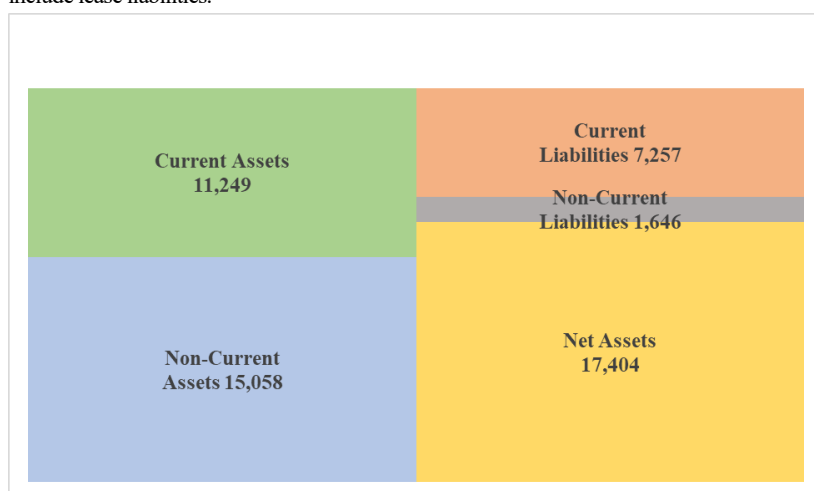


2-2 Financial Conditions and Cash Flow

Financial conditions

	Feb.22	Feb.23	Increase/ Decrease		Feb.22	Feb.23	Increase/ Decrease
Current Assets	10,864	11,249	+385	Current liabilities	7,345	7,257	-87
Cash	6,034	5,940	-94	Payables	2,828	2,922	+94
Receivables	4,205	4,251	+46	ST Interest-Bearing Liabilities	1,893	2,114	+221
Inventories	578	672	+94	Noncurrent liabilities	1,989	1,646	-342
Noncurrent Assets	15,227	15,058	-168	LT Interest-Bearing Liabilities	1,055	539	-516
Tangible Assets	13,588	13,387	-201	Total Liabilities	9,334	8,904	-430
Intangible Assets	571	463	-108	Net Assets	16,757	17,404	+646
Investments and Others	1,066	1,207	+141	Total Liabilities and Net Assets	26,091	26,308	+216
Total Assets	26,091	26,308	+216	Equity Ratio	63.5%	65.1%	+1.6p

*Unit: million yen. Figures as of the end of February 2022 are based on the brief financial report of PICKLES CORPORATION and February 2023 are based on that of PICKLES HOLDINGS CO., LTD., respectively. Increases and decreases were calculated by Investment Bridge Co., Ltd. Interest-bearing liabilities include lease liabilities.



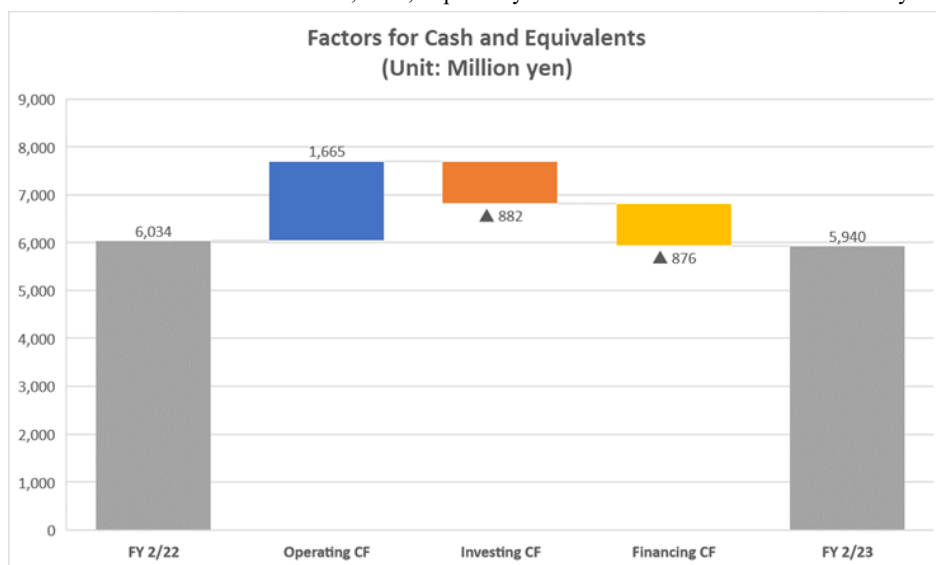
*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

Total assets increased by 216 million yen from the end of the previous fiscal year to 26,308 million yen due to increases in accounts receivable, inventories, and investments and other assets. Total liabilities decreased by 430 million yen to 8,904 million yen due to a decrease in interest-bearing liabilities. Net assets grew from 646 million yen to 17,404 million yen due to an increase in retained earnings, etc. The capital-to-asset ratio increased 1.6pt from the end of the previous year to 65.1%.

◎Cash Flow

	FY2/22	FY2/23	Increase/Decrease
Operating CF	3,521	1,665	-1,856
Investing CF	-712	-882	-170
Free CF	2,809	783	-2,026
Financing CF	-1,212	-876	+336
Cash and cash equivalents at end of year	6,034	5,940	-94

*Unit: million yen. Figures as of the end of February 2022 are based on the brief financial report of PICKLES CORPORATION and February 2023 are based on that of PICKLES HOLDINGS CO., LTD., respectively. Increases and decreases were calculated by Investment Bridge Co., Ltd.



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3. Fiscal Year ending February 2024 Earnings Forecasts

Consolidated Earnings Forecast

Major income statements

	FY2/23	Ratio to sales	FY 2/24 Est.	Ratio to sales	YoY
Sales	41,052	100.0%	42,200	100.0%	+2.8%
Gross profit	8,633	21.0%	8,704	20.6%	+0.8%
SG&A	7,094	17.3%	7,084	16.8%	-0.1%
Operating Income	1,538	3.7%	1,620	3.8%	+5.3%
Ordinary Income	1,650	4.0%	1,755	4.2%	+6.3%
Net Income	1,138	2.8%	1,150	2.7%	+1.0%

*Unit: million yen.

Forecasted increase in sales and profit

Sales are expected to increase 2.8% year on year to 42.2 billion yen, and operating income is projected to rise 5.3% to 1.62 billion yen in the term ending February 2024. Sales are forecast to grow thanks to demand recovery, expanding sales of delicatessen, etc. Despite the continued impact of soaring raw material costs, the company plans to increase profit by reviewing product contents and prices. The company plans to pay an ordinary dividend of 22.00 yen per share (in the previous fiscal year, the company paid an ordinary dividend of 20.00 yen per share and a commemorative dividend of 2.00 yen per share, for a total of 22.00 yen per share). The expected dividend payout ratio is 24.1%.

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◎Sales by Food Item

	FY2/23	Ratio to sales	FY 2/ 24 Est.	Ratio to sales	YoY
Product	27,355	66.6%	27,905	66.1%	+2.0%
Lightly pickled vegetables /kimchi	16,478	40.1%	16,746	39.7%	+1.6%
Delicatessen	10,411	25.4%	10,679	25.3%	+2.6%
Long pickled vegetables	466	1.1%	479	1.1%	+2.8%
Goods	13,696	33.4%	14,294	33.9%	+4.4%
Total Sales	41,052	100.0%	42,200	100.0%	+2.8%

*Unit: million yen.

The company is expected to see performance recovery from the previous term and sales growth in all categories.

◎Sales by Sales Channel

	FY2/23	Ratio to sales	FY 2/ 24 Est.	Ratio to sales	YoY
Mass retailers/wholesalers	31,308	76.3%	32,188	76.3%	+2.8%
Convenience stores	6,303	15.4%	6,495	15.4%	+3.0%
Restaurants/others	3,440	8.4%	3,515	8.3%	+2.2%
Total	41,052	100.0%	42,200	100.0%	+2.8%

*Unit: million yen.

◎Plan of SG&A Expenses

	FY2/23	Ratio to sales	FY 2/ 24 Est.	Ratio to sales	YoY
Total SG&A expenses	7,094	17.3%	7,084	16.8%	-0.1%
Logistics cost	2,170	5.3%	2,224	5.3%	+2.5%
Personnel cost	3,260	7.9%	3,100	7.4%	-4.9%
Advertising cost	33	0.1%	267	0.6%	+709.1%
Others	1,630	4.0%	1,491	3.5%	-8.5%
Sales	41,052	100.0%	42,200	100.0%	+2.8%

*Unit: million yen.

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 Pickled vegetables and kimchi

(Market environment)

According to the ranking of companies that generate good sales in the pickles industry as presented by PICKLES CORPORATION based on THE JAPAN FOOD NEWS articles, only five companies have achieved sales of over 10 billion yen, with PICKLES CORPORATION ranked first with consolidated sales of 41 billion yen followed by Tokai Pickling Co., Ltd. whose sales are 23.4 billion yen, AKIMOTO FOODS Co., Ltd., with sales of 13.0 billion yen, Bingo Tsukemono Co., Ltd., which has generated sales of 10.1 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 2021, the number of enterprises continue to decrease and aggregation is underway.

PICKLES CORPORATION pulls far ahead of the other companies with a market share of 13.0% (as of 2021) while endeavoring to attain its target of a market share of 15%.

Although sales of pickled vegetables have been stopped falling due to multifarious factors, including changing eating habits and falling demand for rice, the sales decline has bottomed out in the market as a whole thanks to some products that have been selling well, such as kimchi. The production volume of pickles increased from 742,000 tons in 2019 to 777,000 tons in 2020 and 816,000 tons in 2021. The company will keep enhancing product development and strive to expand its market share.

(Examples of product development)

<Kimchi>

Sales of its core product, “Gohan ga Susumu Kimchi” are expected to increase 2.8% year on year to 7,986 million yen in the term ending February 2024.

With the increase of budget-minded consumers, a 20-gram increase campaign was implemented in November 2022 and February–March 2023.

<Lightly Pickled Vegetables>

The product lineup includes a variety of lightly pickled vegetables under the brand concept of “Lightly pickled vegetables you want to eat every day.”

Standard food items	Pickle products popular as individual servings as well as in large volumes
Seasonal delicacy	Limited-time products to savor the four seasons
Snacks	Responding to the demand for side dishes (snacks), which fall under a growing category
Easy-to-take healthy/fermented food items	Products based on health trends such as fermented and low-sodium foods, as well as foods high in dietary fibers and proteins
Original vegetable-based items	Sauces that can be used as an alternative to seasonings, vegetable-based sweets, etc.
Specialty food items	Domestically produced food items with no preservatives or artificial coloring

② Delicatessen

(Market environment)

According to the reference material presented by the company (based on research by the Japan Chain Stores Association), the scale of the delicatessen market (including Japanese-style, Western-style, and Chinese-style delicatessen products, packed meals, and sandwiches) was 1,211.7 billion yen in 2022 (which was 1,050.8 billion yen in 2019 and 1,057.5 billion yen in 2020 and 1,166.3 billion yen in 2021).

The market continues booming on the back of a growing number of one-person households, aging population, a higher number of working women, growing interest in food from the viewpoint of health and nutritional balance and needs for simplifying and reducing time of household chores.

In this sector, PICKLES CORPORATION is vying with listed companies such as FUJICCO Co., Ltd. (sales of 55.0 billion yen and a net income of 2.1 billion yen), KENKO Mayonnaise CO., Ltd. (Sales of 75.6 billion yen and a net income of 1.2 billion yen), and Ebara Foods Industry, Inc. (sales of 43.3 billion yen and a net income of 2.7 billion yen), and subsidiaries of listed companies, including Deria Foods Co., Ltd. (Kewpie Group) and initio foods inc. (Nisshin Seifun Group Inc.)

Although PICKLES HOLDINGS is a late comer (which entered the industry in 2003), it has been increasing sales from delicatessen products by making careful sales activities and focusing on vegetable-based delicatessen products that attract health-conscious consumers.

The sales in the term ended February 2022 exceeded 10.0 billion yen for the first time. Although sales declined in the term ended February 2023, the company forecasts a 2.6% year-on-year sales increase to 10.6 billion yen in the term ending February 2024.

(Product development case)

the company endeavors to renew the existing products (such as namul, salads, and pirikara (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 prepared food items.

◎ Frozen food related products

Developed a frozen kimchi hot pot that goes well with rice, "Reito gohan ga susumu kimchi nabe."

Delicatessen with sealing film lids is sold at mass retailers.

◎ Sweet potato related products

The company has developed a frozen baked sweet potato called "Aisu Yakiimo," which is sold at mass retailers, frozen products vending machines, and EC sites.

◎ LL gas-filled delicatessen

The company developed LL gas-filled delicatessen that enables long-term storage by creating a vacuum inside the container and replacing it with inert gas.

The company conducts test sales at mass retailers for four products: kiriboshi daikon (dried radish strips), hijiki-ni (simmered dark edible seaweed), unohana (soybean pulp), and kinpira (chopped burdock root and carrot cooked in sugar and soy sauce).

Frozen food related products

Reito gohan ga susumu
kimchi nabe

Sweet potato related products



Aisu Yakiimo

Frozen products
vending machines

LL gas-filled delicatessen



(Source: the company)

(2) Expansion of selling areas

Sales in the Kanto region account for 50.3% of the total sales of the company while sales in Western Japan (the Kinki region, the Chugoku and Shikoku region, and the Kyushu region and Okinawa Prefecture) make up about 25%.

Considering that the combined population ratio by region of Western Japan is about 38%, there is ample room for expanding sales and the company aims to increase sales in the area to over 30% by enhancing sales activities there.

Taking advantage of the supply capacity of Hiroshima Factories of PICKLES CORPORATION KANSAI, which now have capability enough to spare for production thanks to the start of the operation of Saga Factory, and TEGARA FOOD CO., LTD., for which building extension and repair have been completed, PICKLES CORPORATION will reinforce production and sales in the Kinki region, the Chugoku and Shikoku region, and the Kyushu region. The company will leverage the strength as the only company in the industry with a nationwide network to cultivate the market.

(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 will also approach enterprises that deliver meals to elderly people and others.

As previously mentioned, the company started selling frozen baked sweet potatoes.

The company will strive to expand selling areas of its products, because it will improve efficiency of marketing and distribution.

(4) New businesses**① Retail and Restaurant Business**

OH CO., LTD., a subsidiary established in March of 2019, began the restaurant and retail businesses in a complex featuring fermentation and health, OH!!!, (Hanno City, Saitama Prefecture) in October 2020.

In addition to developing products such as to-go dishes, increasing the number of trial classes, and planning and organizing various events such as Zen meditation and hand-copying sutras with Noninji Temple, and opening pop-up stores, the company sells PICKLES FARM vegetables. Performance in the term ended February 2023 is 255 million yen in sales and 55 million yen in operating loss. For the current fiscal year, the company expects sales of 305 million yen and an operating loss of 29 million yen, aiming for early realization of profitability.

② Upgrade of the EC Site

The company had been operating EC through "Piene Online Shop" and "YAWATAYA Online Shop," but in September 2022, the EC site was upgraded as "OH!!! Online Store."

Through the integration with the OH!!! site, it has become an all-in-one site that combines facility introduction and EC functions. This upgrade enables purchases from various brands.

③ Agricultural Business

PICKLES FARM CO.,LTD., which is a subsidiary, was established in March 2022, and started agricultural business in Saitama Prefecture.

It grows komatsuna (Japanese mustard spinach) for Tokorozawa Factory, and sweet potato for OH!!!. It aims to vitalize each region through stable procurement and agriculture.

Specifically, 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.

Currently, there are 38 instructors certified by the JGPA, and the company aims to increase this number going forward.

*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 holdings, 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 term ended February 2023. The company is expected to return to profitability with sales of 20 million yen and an operating income of 2 million yen in the current term ending February 2024.

【4-2 Various efforts】

The following is a list of other efforts that PICKLES HOLDINGS made at production, ESG, and SDGs:

①Production and management

The company will review vegetable procurement (risk diversification, procurement in each region, etc.), review unprofitable items, consolidate items, change containers (from cups to bags), automate production and reduce manpower in production by adopting AI, etc., improve the efficiency of logistics (inventory management and sorting) and administrative processing (order processing, expense processing, etc.) within the group, and research manufacturing technologies (expiry date or shelf life extension).

②SDGs

◎Environment

Solar power generation equipment was installed at the Hiroshima plant of PICKLES CORPORATION KANSAI. The company will examine its effectiveness and consider adopting solar power generation at other plants.

The entire company is working to adopt LED lighting at all facilities.

To prevent feeding damage by sea urchins and the increase of sea urchins with no edible content, joint research was initiated with Yaizu Fisheries High School and the University of Yamanashi on sea urchin cultivation using vegetable waste as bait.

◎Safety and Security

The company is working to adopt and maintain a food management system.

◎Employees

Promoting health management to improve the working environment for employees.

In February 2023, the company announced a health management declaration.

In the first fiscal year, efforts will be made to increase the health check-up rate to 100%, improve the implementation rate of specified health guidance, improve dietary habits, increase exercise opportunities and exercise regularly and promote communication.

【4-3 Medium-Term Management Plan】

	FY2/23	Ratio to sales	FY2/24 (Plan)	Ratio to sales	FY2/25 (Plan)	Ratio to sales	FY2/26 (Plan)	Ratio to sales	CAGR
Sales	41,052	100.0%	42,200	100.0%	42,500	100.0%	43,000	100.0%	+1.6%
Gross Margin	8,633	21.0%	8,704	20.6%	8,800	20.7%	8,950	20.8%	+1.2%
SG&A expenses	7,094	17.3%	7,084	16.8%	7,100	16.7%	7,150	16.6%	+0.3%
Operating Income	1,538	3.7%	1,620	3.8%	1,700	4.0%	1,800	4.2%	+5.4%
Ordinary Income	1,650	4.0%	1,755	4.2%	1,830	4.3%	1,930	4.5%	+5.4%
Net income	1,138	2.8%	1,150	2.7%	1,160	2.7%	1,230	2.9%	+2.6%

* Unit: million yen. From next term, CAGR is the average annual growth rate from the term ended February 2023 to the term ending February 2026. Calculated by Investment Bridge Co., Ltd.

	FY2/23	FY2/26 (Plan)	CAGR
Lightly pickled vegetables /kimchi	16,478	17,058	+1.2%
Delicatessen	10,411	10,941	+1.7%
Old pickled vegetables	466	488	+1.6%
Product	13,696	14,512	+2.0%
Total	41,052	43,000	+1.6%

*Unit: million yen. CAGR is the average annual growth rate from FY2/23 to FY2/26, calculated by Investment Bridge Co., Ltd

	FY2/21	FY2/22	FY2/23	FY2/24(Plan)	FY2/25(Plan)	FY2/26(Plan)
Capital Expenditure	1,409	718	883	1,700	3,500	3,700
Depreciation	931	963	980	968	1,226	1,252

* Unit: million yen.

The company is planning a capital investment of 8.9 billion yen over the next three years.

The main items are: "Term ending February 2024: facility upgrade, etc.," "Term ending February 2025: Kimchi plant (Kanto), facility upgrade, etc.," "Term ending February 2026: New plant (Kansai), facility upgrade, etc."

Construction of a dedicated kimchi plant in Kanto (Ibaraki Prefecture) is scheduled to begin this summer. The company will strengthen investment in automation to save labor.

The new plant in Kansai is planned as a new manufacturing base to enhance production capacity in the Kansai region, including the Hokuriku region.

As for M&A, the company will explore a wide range of potential targets, including seasonings and frozen foods.

5. Conclusions

While the reactionary decline in **stay-at-home consumption** is expected to subside, it is unclear how long the money-saving trend will last amid soaring prices, but the company is expected to improve its performance from lower sales and profits in the previous fiscal year to slightly higher sales and profits in the term ending February 2024. In addition to its mainstay products, such as pickles, kimchi, and delicatessen, our attention is attracted by the sales and progress of its new products, such as frozen foods, which the company has begun to sell them. In addition, there appears to be no significant change in the expansion of sales areas yet, but we would like to expect that the company will proceed with market cultivation by taking advantage of the strength of the only nationwide network in this industry.

<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
Auditors	4 directors, including 3 from outside

◎Corporate Governance Report (Updated on September 1, 2022)

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. 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.

Additionally, along with establishing a Public Relations/IR Office as the department in charge of IR, we have posted the disclosure policy on our home page.

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