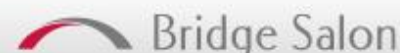


BRIDGE REPORT



President Naoji Kageyama

PICKLES HOLDINGS CO., LTD. (2935)

We deliver the vitality of vegetables.



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
¥1,173	12,858,430 shares		¥15,082 million	5.3%	100 shares
DPS (Estimate)	Dividend Yield (Estimate)	EPS (Estimate)	PER (Estimate)	BPS (Actual)	PBR (Actual)
¥29.00	2.5%	¥115.15	10.2x	¥1,482.42	0.8x

*Stock price is the closing price on October 9. The number of outstanding shares, DPS, and EPS were taken from the brief report on financial results in the second quarter of the fiscal year ending February 2026. ROE and BPS are the results in the previous fiscal year.

Consolidated Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 Act.	41,518	1,279	1,345	958	77.09	26.00
February 2026 Est.	41,700	2,080	2,150	1,440	115.15	29.00

*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 for the second quarter of the Fiscal Year Ending February 2026.

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Key Points

- Sales in the first half of the fiscal year ending February 2026 were 22,321 million yen, up 2.9% year on year. While consumers continued to try to save money due to the soaring commodity prices, promotional activities such as campaigns conducted at convenience stores led to the increase in sales. Operating income rose 40.5% year on year to 1,569 million yen. Inquiries that the company received grew in number because primarily of the unreasonable weather conditions and the shortage of leafy greens in stock, which caused a temporary surge in the prices of some vegetables such as Chinese cabbages, main ingredients used by the company, up until April, but the price surge has been subsiding from then on. In addition, the company revised the prices of some of its original products and boosted the production efficiency by cutting the number of items. Consequently, gross profit increased 9.0% year on year and gross profit margin improved 1.3 points year on year. SG&A expenses were almost unchanged year on year, so the company achieved a double-digit increase in profit. Both sales and profit exceeded the company's initial forecasts (it announced revisions to its earnings forecasts on September 22, 2025) because the slowdown in sales resulting from the increased price of kimchi, the company's mainstay product, was more limited than the company initially expected. The company raised an interim dividend from 13.00 yen/share to 15.00 yen/ share.
- The company has revised the earnings forecast upwardly. It initially projected that sales would decline, but now forecasts that sales will grow 0.4% year on year to 41.7 billion yen. While there is some uncertainty about the outlook for raw materials due to the scorching heat, the company projects a sales increase for the full fiscal year owing to the campaigns conducted at convenience stores and the like. The company expects that operating income will rise 62.6% year on year to 2 billion yen and earnings before interest, taxes, depreciation and amortization (EBITDA) will grow 44.3% year on year to 3.2 billion yen. While forecasting growth in procurement prices of vegetables, which the company uses as raw materials, in the second half of the fiscal year, the company projects that profit will go up significantly for the full fiscal year because it expects that it can cut production expenses thanks to stabilized procurement prices of vegetables, and SG&A expenses such as logistics and labor costs through its initiatives to streamline the production system. Operating income margin is forecast to be 5.0%, up 2.9 points year on year, owing to an increase in gross profit margin and a decline in the ratio of SG&A expenses. The company plans to pay an interim dividend and a year-end dividend of 15.00 yen/share and 14.00 yen/share, respectively, for a total of 29.00 yen/share (up 3.00 yen/share from the previous year). Payout ratio is expected to be 25.2%.
- For the full fiscal year, the company forecasts that gross profit will increase 9.3% (which was 2.8% before the revision) year on year and operating income will grow 62.6% (which was 17.3% before the revision) year on year, which means that profit will grow considerably, because it plans to keep SG&A expenses at almost the same level as that of the year before while revising the prices of some of its original products and enhancing production efficiency through a reduction in the number of its original products; however, for the second half, both sales and operating income are forecast to fall below their respective levels projected before the revision. We would like to expect the company to make further progress with the pillars of its medium/long-term management strategies, which are the reduction in the number of items and the revision to selling prices in response to soaring costs, both of which are aimed at improving operating income margin, and the streamlining and automation of the production system and the revision and streamlining of the process of raw material procurement, which both are aimed at cutting down on cost prices, while we keep an eye on whether the company can continuously improve gross profit margin and operating income margin that have reached the level that the company has attained for the first time since the first half of the fiscal year ended February 2022.

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 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 JFS-B.

1-1 Corporate Philosophy and Vision

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. In accordance with this policy, they follow JFS-B, which is the standard for food safety, and ISO14001, which is an international standard for environmental management. In addition, they put energy into the education of employees while enriching systems for human resources, education, etc. and make efforts to foster the stance and corporate culture for encouraging employees to take on challenges.

The company focuses also on SDGs and sustainability management, 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/2025/03/250311_2935.html

Under the corporate philosophy, they pursue a “general maker of vegetables, fermented food, and health” that keeps creating new value as an ideal state in the medium/long term.

1-2 Market environment

(1) Lightly pickled vegetables and kimchi

According to the sales ranking in the field of pickled foods produced by the company with reference to the articles of the Shokuhin Shinbun, the company occupies the largest share with consolidated sales of 41.5 billion yen, followed by Tokai Pickling with sales of 24.5 billion yen, Bingo Tsukemono with sales of 14 billion yen, Akimoto Foods with sales of 13 billion yen, Yamamoto Shokuhin with sales of 11.3 billion yen, and MIYAMA with sales of 10.2 billion yen. Only six companies earn sales of over 10 billion yen.

Due to the changes in eating habits and a decline in demand for meals with rice, the scale of the market of pickles shrank from 480 billion yen in 2000 to 320 billion yen in 2023. The number of enterprises has been declining, and integration has been progressing, but the shrinkage of the entire market is subsiding. Under such an environment, lightly pickled vegetables and kimchi account for about 50% of the market of pickled foods, so the market scale is stable.

The market share of the company is 12.9%, much higher than that of the second company, and they have been aiming to increase it to 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.

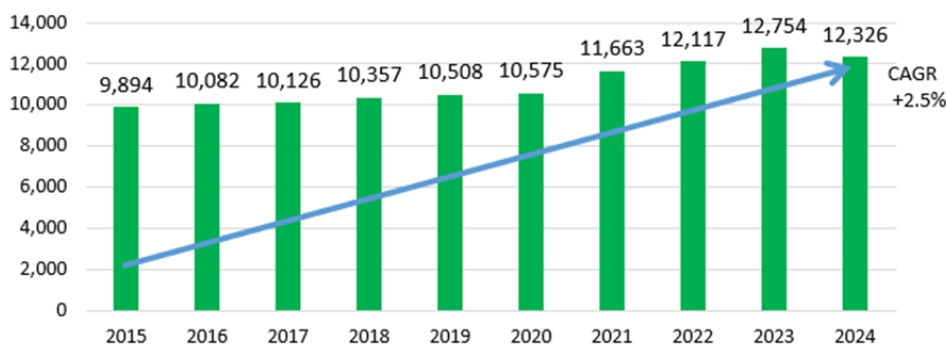
(2) Delicatessen

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 2024 was 1,232.6 billion yen, which decreased from the year before, it has been growing steadily since 2015 at a compound annual growth rate (CAGR) of 2.5%.

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.

In this field, they are competing with some listed companies, including Fujicco (results from the previous fiscal year, the same shall apply hereinafter: sales of 57 billion yen, net income: 950 million yen in the previous fiscal year), KENKO Mayonnaise (sales: 91.7 billion yen, net income: 3.5 billion yen), and Ebara Foods Industry (sales: 47.9 billion yen, net income: 1.39 billion yen), and subsidiaries, etc. of listed companies, such as Deria Foods (the Kewpie Group) and initio foods (the Nisshin Seifun Group).

Delicatessen market trend (Unit: 100 million yen)

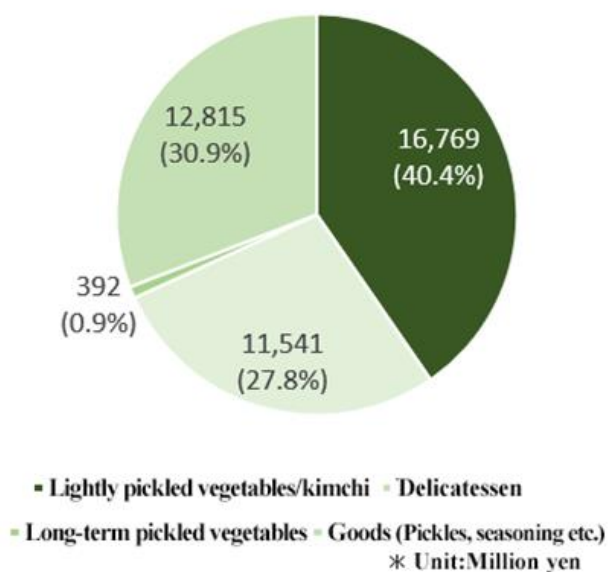


(Produced by Investment Bridge Co., Ltd. based on the company's reference material)

1-3 Business Description

In the fiscal year ended February 2025, sales from products (manufactured by PICKLES CORPORATION at its own factories) accounted for 69.1% (40.4% from lightly pickled vegetables and kimchi, 27.8% from delicatessen, and 0.9% 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 30.9%.

Sales by Food Item(FY2/25)



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

(1) Product and Goods overview

◎ Lightly pickled vegetables and kimchi

The company offers a lineup of lightly picked 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.

"Gohan ga Susumu Kimchi (kimchi that goes well with rice)," which was released in October 2009 and became a long-selling core product for all generations as the cumulative sales quantity of 3 major products has exceeded about 500 million packs, was embodied based on an idea of a young employee: "kimchi that can be enjoyed by all family members because it is not so spicy" under their stance of taking on challenges, while breaking away from the conventional mindset that kimchi is spicy.

They have developed with an original taste that accentuates sweetness and umami to suit Japanese tastes. 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.

They have developed some products in collaboration with some characters and food makers, and expanded the domain of products by utilizing the brand power of the "Gohan ga Susumu Kimchi" series, including delicatessen, seasonings, and frozen food products.

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-flavored 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 corporate group is developing products based on the keyword "vegetables," which is one of its strengths, and currently Namul, Salad, rice bran pickles, 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

(Source: the company)



Protein-rich Bangbangji Salad

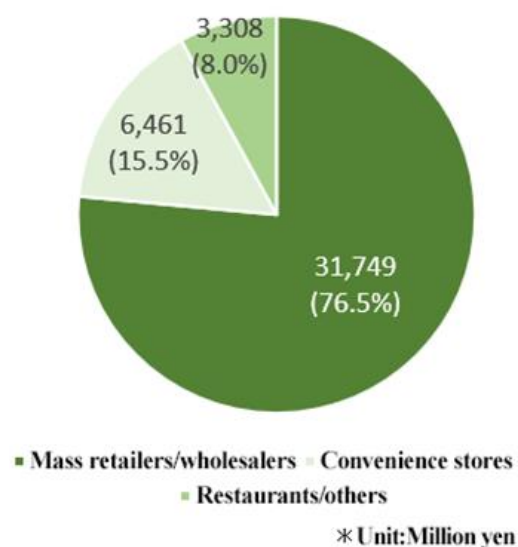


Assortment of rice bran pickles

(Sales Destination)

Mass merchandisers, retailers, and wholesalers throughout Japan are the sales destinations, with 76.5% of the total sales channels being mass merchandisers and wholesalers, 15.5% being convenience stores, and 8.0% being restaurants and others as of fiscal year ended February 2025.

Sales by Sales Channel (FY2/25)



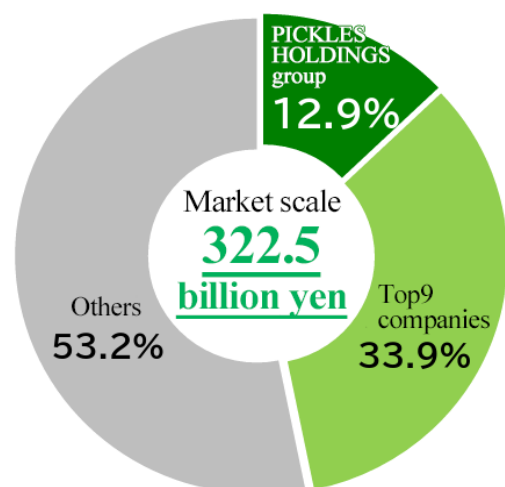
(Prepared by Investment Bridge Co., Ltd. based on the company's materials)

1-4 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 41.5 billion yen, pulling far ahead of the other companies with a market share of 12.9% while endeavoring to attain its target of a market share of 15% through M&A etc.



(Source: the company)

(2) Highly unique product development capabilities

In order to swiftly and flexibly develop about 400 items per year, they have organized development and marketing teams for respective business partners, including convenience stores, mass retailers, and restaurants, to reflect the opinions of clients in product development and differentiate our products from competitors'. The company promotes development from multiple aspects, from the selection of ingredients such as vegetables and seasonings to processing methods, taste, and packaging.

Development personnel are assigned to business establishments around Japan, so that local needs can be grasped and met.

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

There are about 20 production sites, and they can produce about 600,000 packs per day. Group companies, mainly PICKLES CORPORATION, cover the entire Japan, and can produce and ship products 365 days a year. 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.

For production, they have adopted JFS-B as the standards for food safety, and produced an HACCP plan for each factory for pickles and delicatessen, to supply safer and more worry-free products.



(Source: the company, the operation of Ibaraki Factory began in December 2024.)

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

There are a broad range of clients, including leading nationwide chains and local small-sized retailers. Their sales offices scattered around Japan had about 60 marketing staff members as of March 2025, who conduct proposal-based marketing for each region and each client and make direct transactions based on the trusting relationships and sales networks they have developed for many years.

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

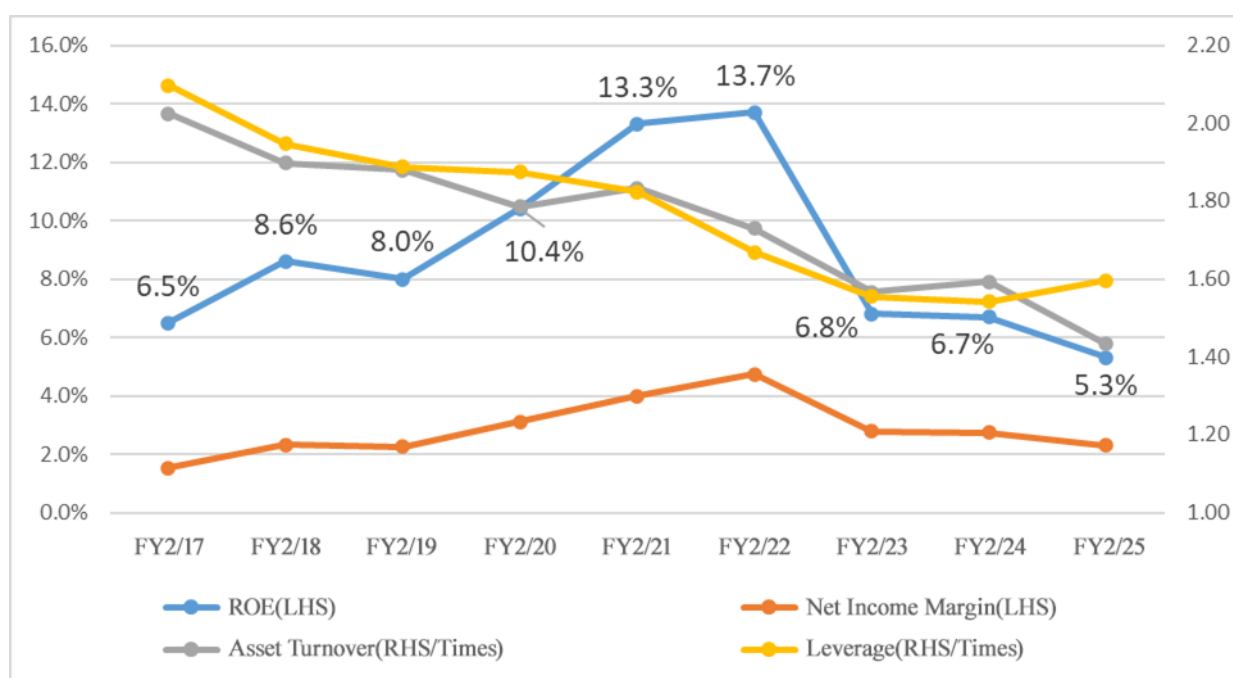
The company has two functions: one as a manufacturer of its own products such as lightly pickled vegetables, kimchi, and delicatessen, and the other as a wholesaler of products such as pickled plums that cannot be manufactured at its own factory, which it purchases from pickle manufacturers throughout 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.

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1-5 ROE Analysis

	FY 2/18	FY 2/19	FY 2/20	FY 2/21	FY 2/22	FY 2/23	FY 2/24	FY 2/25
ROE (%)	8.6	8.0	10.4	13.3	13.7	6.8	6.7	5.3
Net Profit Margin (%)	2.32	2.26	3.11	3.98	4.73	2.77	2.73	2.31
Total Asset Turnover (times)	1.90	1.88	1.79	1.83	1.73	1.57	1.59	1.43
Leverage (times)	1.95	1.89	1.88	1.83	1.67	1.55	1.54	1.60



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

ROE was over 10% for 3 consecutive fiscal years until the fiscal year ended February 2022, but it has been declining to less than 8%, which is the value general Japanese companies should aim for, in fiscal year ended February 2025. Profitability and asset efficiency need to be improved.

2. First Half of Fiscal Year Ending February 2026 Financial Results

2-1 Consolidated Business Results

	FY 2/25 1H	Ratio to sales	FY 2/26 1H	Ratio to sales	YoY	Compared to the initial forecast
Sales	21,694	100.0%	22,321	100.0%	+2.9%	+4.5%
Gross profit	4,620	21.3%	5,037	22.6%	+9.0%	-
SG&A expenses	3,502	16.1%	3,467	15.5%	-1.0%	-
Operating income	1,117	5.2%	1,569	7.1%	+40.5%	+68.8%
Ordinary income	1,171	5.4%	1,623	7.3%	+38.5%	+70.0%
Interim net income	798	3.7%	1,102	4.9%	+38.1%	+74.9%
EBITDA	1,557	7.2%	2,139	9.6%	+37.4%	-

*Unit: million yen. EBITDA was calculated with the equation: Operating income + Depreciation.

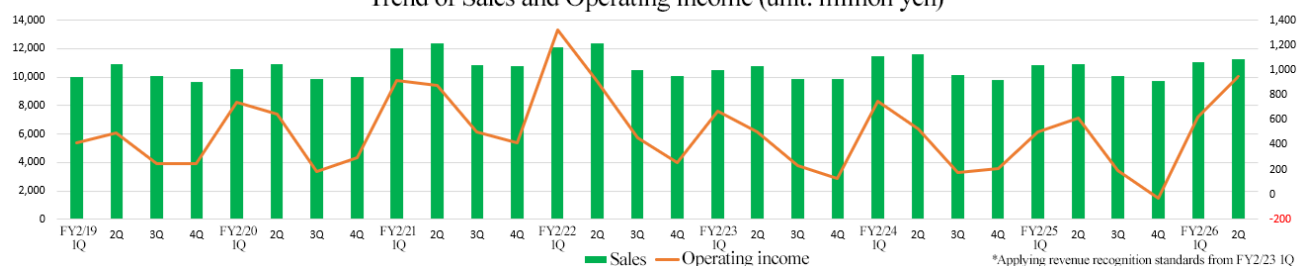
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Sales and profits increased

Sales were 22,321 million yen, up 2.9% year on year. While consumers continued to try to save money due to the soaring commodity prices, promotional activities such as campaigns conducted at convenience stores led to the increase in sales. Operating income rose 40.5% year on year to 1,569 million yen. Inquiries that the company received grew in number because primarily of the unreasonable weather conditions and the shortage of leafy greens in stock, which caused a temporary surge in the prices of some vegetables such as Chinese cabbages and cucumbers, main ingredients used by the company, but the price surge has been subsiding from then on. In addition, the company revised the prices of some of its original products and boosted the production efficiency by cutting the number of items. Consequently, gross profit increased 9.0% year on year and gross profit margin improved 1.3 points year on year. Selling, general and administrative (SG&A) expenses were almost unchanged year on year, so the company achieved a double-digit increase in profit. Both sales and profit exceeded the company's initial forecasts (it announced revisions to its earnings forecasts on September 22, 2025) because the slowdown in sales resulting from the increased price of kimchi, the company's mainstay product, was more limited than the company initially expected. The company raised an interim dividend from 13.00 yen/share to 15.00 yen/ share.

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



Regarding quarterly performance, sales and profit increased year on year and quarter on quarter in the second quarter (June to August).

① Trends by Food Item and Sales Channel

◎ Sales by Food Item

	FY 2/24 1H	Composition ratio	FY 2/25 1H	Composition ratio	FY 2/26 1H	Composition ratio	YoY
Product	15,721	68.0%	14,819	68.3%	15,808	70.8%	+6.7%
Lightly pickled vegetables /kimchi	8,852	38.3%	8,354	38.5%	8,682	38.9%	+3.9%
Delicatessen	6,608	28.6%	6,254	28.8%	6,947	31.1%	+11.1%
Long-term pickled vegetables	260	1.1%	210	1.0%	179	0.8%	-14.8%
Goods	7,390	32.0%	6,874	31.7%	6,513	29.2%	-5.3%
Total Sales	23,111	100.0%	21,694	100.0%	22,321	100.0%	+2.9%

*Unit: million yen.

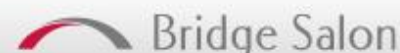
Regarding original products, sales from lightly pickled vegetables were not strong, but those from kimchi were healthy. Sales from delicatessen items grew steadily. Sales of goods dropped because the company prioritized measures to improve profit margin.

◎ Sales by Sales Channel

	FY 2/24 1H	Composition ratio	FY 2/25 1H	Composition ratio	FY 2/26 1H	Composition ratio	YoY
Mass retailers/wholesalers	17,265	74.7%	16,664	76.8%	16,136	72.3%	-3.2%
Convenience stores	3,691	16.0%	3,240	14.9%	4,161	18.6%	+28.4%
Restaurants/others	2,154	9.3%	1,789	8.3%	2,023	9.1%	+13.1%
Total Sales	23,111	100.0%	21,694	100.0%	22,321	100.0%	+2.9%

*Unit: million yen.

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Sales through mass retailers fell as sales from lightly pickled vegetables and kimchi declined. Sales via convenience stores were healthy owing to the sales promotion activities conducted. Products such as newly released frozen delicatessen items contributed to sales through the channel for selling food items for professional use.

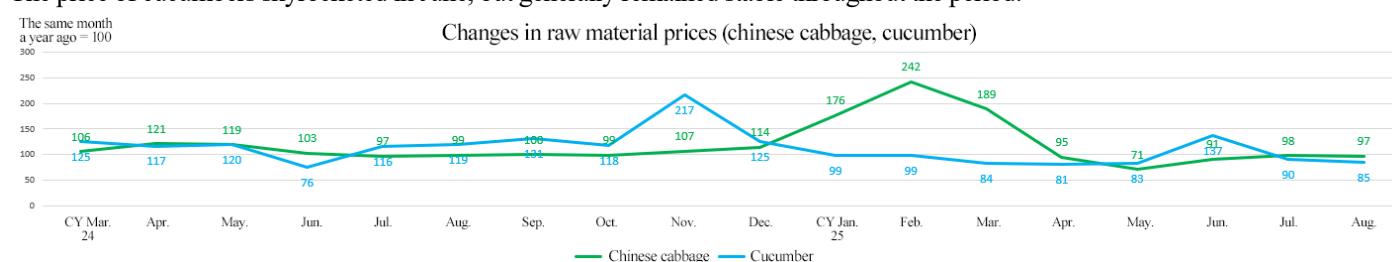
② Gross profit margin and situation surrounding vegetable prices

(Price of Chinese cabbages)

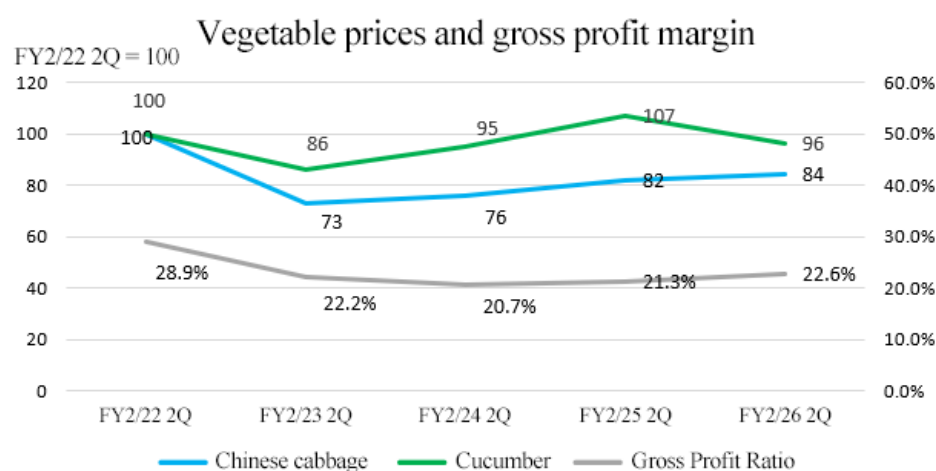
While the price of Chinese cabbages shot up during the period from January through March, it remained stable at a level falling below that of the previous year after April.

(Price of cucumbers)

The price of cucumbers skyrocketed in June, but generally remained stable throughout the period.



The company strives to improve gross profit margin on a sustainable basis through such continuous efforts as an increase in the number of farmers with which it enters into contracts and establishment of stronger relationships with farmers who have concluded contracts with the company.



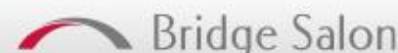
2-2 Financial Conditions

◎ Financial conditions

	End of Feb. 2025	End of Aug. 2025	Increase/ Decrease		End of Feb. 2025	End of Aug. 2025	Increase/ Decrease
Current Assets	10,888	12,644	+1,756	Current liabilities	8,019	7,822	-197
Cash	4,974	6,083	+1,109	Payables	2,974	4,001	+1,027
Receivables	4,083	5,707	+1,624	ST Interest-Bearing Liabilities	2,672	973	-1,699
Inventories	725	796	+71	Noncurrent liabilities	3,339	3,969	+630
Noncurrent Assets	19,353	19,007	-346	LT Interest-Bearing Liabilities	2,176	2,795	+619
Tangible Assets	17,788	17,447	-341	Total Liabilities	11,358	11,792	+434
Intangible Assets	186	134	-52	Net Assets	18,884	19,859	+975
Investments and Others	1,378	1,425	+47	Total Liabilities and Net Assets	30,242	31,651	+1,409
Total Assets	30,242	31,651	+1,409	Equity Ratio	61.0%	61.5%	+0.5pt

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

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Total assets grew 1.4 billion yen from the end of the previous fiscal year to 31.6 billion yen, due to the increases in cash & deposits and accounts receivable. Total liabilities augmented 400 million yen from the end of the previous fiscal year to 11.7 billion yen, due to the increase in accounts payable. Net assets augmented 900 million yen from the end of the previous fiscal year to 19.8 billion yen, due to the increase in retained earnings.

Capital-to-asset ratio rose 0.5 points from the end of the previous fiscal year to 61.5%.

3. Fiscal Year Ending February 2026 Earnings Forecasts

3-1 Consolidated Earnings Forecast

Major income statements

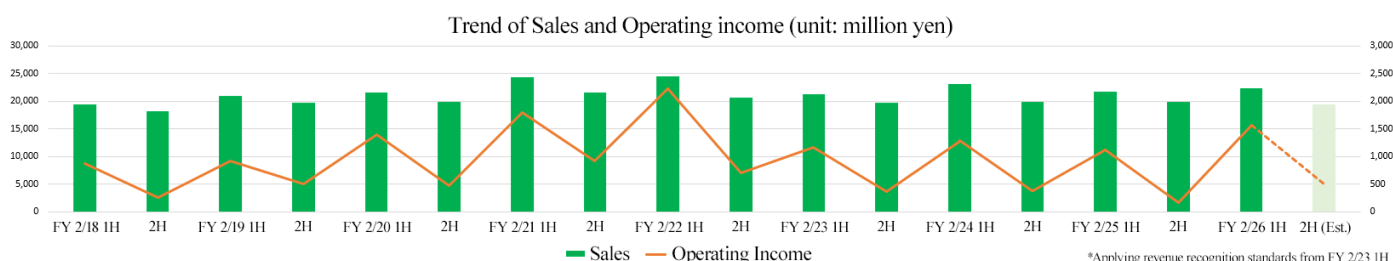
	FY 2/25	Ratio to sales	FY 2/26 Est.	Ratio to sales	YoY	Revision rate	Progress rate
Sales	41,518	100.0%	41,700	100.0%	+0.4%	+1.7%	53.5%
Gross profit	8,193	19.7%	8,953	21.5%	+9.3%	+6.3%	56.3%
SG&A	6,913	16.6%	6,873	16.5%	-0.6%	-0.7%	50.4%
Operating Income	1,279	3.1%	2,080	5.0%	+62.6%	+38.7%	75.4%
Ordinary Income	1,345	3.2%	2,150	5.2%	+59.8%	+40.3%	75.5%
Net Income	958	2.3%	1,440	3.5%	+50.2%	+45.5%	76.5%
EBITDA	2,284	5.5%	3,296	7.9%	+44.3%	+21.4%	64.9%

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

The earnings forecast has been revised upwardly, a significant increase in profit is expected.

The company has revised the earnings forecast upwardly. It initially projected that sales would decline, but now forecasts that sales will grow 0.4% year on year to 41.7 billion yen. While there is some uncertainty about the outlook for raw materials due to the scorching heat, the company projects a sales increase for the full fiscal year owing to the campaigns conducted at convenience stores and the like. The company expects that operating income will rise 62.6% year on year to 2 billion yen and earnings before interest, taxes, depreciation and amortization (EBITDA) will grow 44.3% year on year to 3.2 billion yen. While forecasting growth in procurement prices of vegetables, which the company uses as raw materials, in the second half of the fiscal year, the company projects that profit will go up significantly for the full fiscal year because it expects that it can cut production expenses thanks to stabilized procurement prices of vegetables, and SG&A expenses such as logistics and labor costs through its initiatives to streamline the production system. Operating income margin is forecast to be 5.0%, up 2.9 points year on year, owing to an increase in gross profit margin and a decline in the ratio of SG&A expenses.

The company plans to pay an interim dividend and a year-end dividend of 15.00 yen/share and 14.00 yen/share, respectively, for a total of 29.00 yen/share (up 3.00 yen/share from the previous fiscal year). Payout ratio is expected to be 25.2%.



BRIDGE REPORT



3-2 Initiatives

◎ Sales by Food Item

	FY 2/25	Composition ratio	FY 2/26 Est.	Composition ratio	YoY	Revision rate	Progress rate
Product	28,703	69.1%	29,082	69.7%	+1.3%	+1.9%	54.4%
Lightly pickled vegetables /kimchi	16,769	40.4%	16,702	40.1%	-0.4%	-0.5%	52.0%
Delicatessen	11,541	27.8%	11,996	28.8%	+3.9%	+5.8%	57.9%
Long-term pickled vegetables	393	0.9%	384	0.9%	-2.1%	-7.2%	46.6%
Goods	12,815	30.9%	12,616	30.3%	-1.5%	+1.3%	51.6%
Total Sales	41,518	100.0%	41,700	100.0%	+0.4%	+1.7%	53.5%

*Unit: million yen.

The company will review and revise the product portfolio by reducing the number of items with the aim of enhancing the profitability while maintaining the sales level for all of the food items.

The situation surrounding the company's lightly pickled vegetables is as tough as the market trend, but the company projects that it will be able to maintain the level of sales from its kimchi products, including "Gohan ga Susumu Kimchi."

It forecasts an increase in sales from its delicatessen foods for the full fiscal year given the powerful sales performance in the first half of the fiscal year while cutting the number of items.

Taking into consideration the price revisions made as a reaction to the soaring costs including logistics and personnel expenses, sales from goods are projected to decline.

◎ Sales by Sales Channel

	FY 2/25	Composition ratio	FY 2/26 Est.	Composition ratio	YoY	Revision rate	Progress rate
Mass retailers/wholesalers	31,749	76.5%	30,912	74.1%	-2.6%	-0.3%	52.2%
Convenience stores	6,461	15.6%	7,349	17.6%	+13.7%	+12.1%	56.6%
Restaurants/others	3,308	8.0%	3,438	8.3%	+3.9%	+0.2%	58.8%
Total	41,518	100.0%	41,700	100.0%	+0.4%	+1.7%	53.5%

*Unit: million yen.

Sales through mass retailers are forecast to decrease due to the company's initiatives such as a reduction in the number of items and revisions to selling prices.

Having upwardly revised the forecast of sales via convenience stores as the company has taken measures that are in line with the merchandizing policies of its loyal clients, it projects a double-digit growth in sales.

Sales through restaurants and others are expected to rise because the company will strive to open up sales channels for frozen foods, including those for professional use.

◎ Plan of SG&A Expenses

	FY 2/25	Ratio to sales	FY 2/26 Est.	Ratio to sales	YoY	Revision rate	Progress rate
Total SG&A expenses	6,913	16.6%	6,873	16.5%	-0.6%	-0.7%	50.4%
Logistics cost	2,279	5.5%	2,333	5.6%	+2.4%	-1.1%	50.3%
Personnel cost	3,029	7.3%	2,991	7.2%	-1.3%	-1.6%	49.1%
Advertising cost	40	0.1%	42	0.1%	+5.0%	-4.5%	47.6%
Others	1,564	3.7%	1,506	3.6%	-3.7%	+2.3%	53.3%
Sales	41,518	100.0%	41,700	100.0%	+0.4%	+1.7%	53.5%

*Unit: million yen.

Logistics expenses are projected to increase 2.4% year on year. In response to the 2024 logistics problem, the company will implement various measures, 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. In addition to the measures for improving efficiency, they will request distributors, where the ratio of delivery costs has increased, to revise selling prices.

While projecting that personnel cost will go down 1.3% year on year, the company expects it to increase at some point in the future. Regarding advertising cost, the company is considering doing not costly sales promotions, but promotions aimed at giving back to consumers, such as campaigns of increasing the amount contained per food item.

4. Progress of Medium/Long-Term Management Strategy

4-1 Overall picture

Taking into account management challenges such as the “improvement of profitability considering the soaring prices of raw materials and personnel costs,” the “improvement of PBR” and “expansion of the business scale throughout the group by creating new growth drivers,” the company is promoting the priority strategies of “elevation of profitability,” “management conscious of capital efficiency” and “endeavoring to develop new products and enter new fields.” The current progress is as follows.

4-2 Progress of priority strategies

(1) Elevation of profitability

The company is working to “improve its operating income margin” and “reduce costs.”

Measures to improve its operating income margin include “narrowing down the number of items” and “revising selling prices in response to soaring costs.”

Their measures for the reduction of costs are “streamlining and automation of the production system” and “revision and streamlining of raw material procurement.”

① Improvement of operating income margin

<To narrow down items>

At Tokorozawa Plant, which is the core plant of the company, the number of items was reduced by approximately 10% in the fiscal year ended February 2025 compared to the previous fiscal year. This fiscal year, it is continuously implementing various initiatives to streamline the production process, such as those listed below, with the aim of reducing the number of items by about 10%.

* The company implemented a consolidation of items, focusing on delicatessen products, whose product codes varied among business partners and whose production efficiency had deteriorated due to the small-batch production of a wide variety of products.

* The company has communicated carefully with each store and endeavored to maintain relationships of trust, proposing alternative products for those who request the reduction of items.

* At Tokorozawa Plant, Labor costs improved as a result of the reduction of the number of items, and sales at the factory alone increased from the previous year.

The company is also introducing standards for the number of items in order to reduce it at factories other than Tokorozawa Plant while taking into account production capacity, promoting reductions across the entire group.

At the plants for producing pickled vegetables and delicatessen foods throughout Japan, the company cut the number of items by approximately 8% as of the first half of the fiscal year ending February 2026 compared to the same period of the year before.

Taking into account the fact that sales will drop if the company just reduces the number of items because each of the company's plants has requirements to satisfy, the company takes measures by considering such matters as the characteristics of each area, requirements regarding each sales destination, and the profitability by item.

<To revise selling prices in response to soaring costs>

For the company's products, the selling prices tend to fluctuate less compared with the changes in raw material prices. On the other hand, as consumers are becoming increasingly frugal, the company has been cautious about raising prices, as this could lead to a drop in sales. However, as the recent increases in raw material, labor, and logistics costs have had a significant impact, the company has revised the selling prices and adjusted the quantities of its flagship "Gohan ga Susumu Kimchi" series, whose prices had not been previously raised. In September 2024, the company started to raise prices for the three mainstay products in the "Gohan ga Susumu Kimchi" series at wholesalers and some retailers. In May 2025, the company started to raise prices and adjusted the quantities of the three main products of its flagship "Gohan ga Susumu Kimchi" series at all retailers, including mass retailers and convenience stores.

In the future, the company will also revise the selling prices of other products, such as lightly pickled vegetables, while monitoring the balance between the impact on sales and profit improvement, as well as the reaction of retailers.

② Reduction of costs

<Streamlining and automation of the production system>

The investment amount is approximately 5 billion yen, and Ibaraki Factory, which began full-scale operation in December 2024, produces the "Gohan ga Susumu Kimchi" series for the entire Kanto region. The maximum production capacity is over 10,000 packs per hour, and productivity per hour has increased to about 90% from about 80% as of the first quarter of the fiscal year. The processes, including the receipt of raw Chinese cabbages, inspection, processing, packaging, packing, and shipping, have been mechanized using automated machines, and hourly production efficiency has increased by approximately 2 times.

The company plans to establish a stable production system that can be operated throughout the year and maximize production capacity, and have Ibaraki Factory take over production from Miyagi Factory, which produces products for the Tohoku area, and Chukyo Factory, which produces products for the Chukyo and Hokuriku areas.

The company will also work to improve production efficiency and automation at its factories other than Ibaraki Factory.

At Tokorozawa Plant, the company will transfer a dedicated production line to the group company Tegara Shokuhin (Hyogo and Himeji), improving the production capacity and manufacturing efficiency of "Gohan Ga Susumu Kimchi" in western Japan. In addition to improving quality by utilizing AI-based sorting machines and inspection devices, the company also aims to adopt machines in its various production processes, which could help save manpower and reduce the number of personnel (such as machines for removing the core of Chinese cabbages that are equipped with AI-powered machine learning cameras), and realize a production and logistics system that does not use containers.



Ibaraki Factory

(2) Management conscious of capital efficiency

Regarding the "Measures to realize management that is conscious of capital costs and share prices" requested by the Tokyo Stock Exchange, the company's analysis and future initiatives 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.

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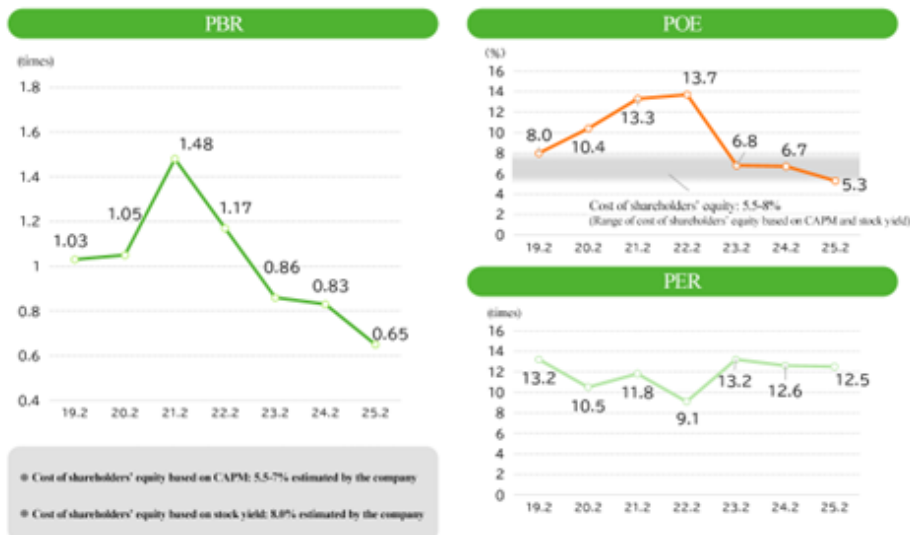
***Cost of Capital**

The company estimates that cost of shareholders' equity is 5.5 to 7.0% in the CAPM and about 8.0% based on stock yield.

***ROE**

ROE had been above 8% until the fiscal year ended February 2022, but it has been less than 8% for three consecutive fiscal years, from the fiscal year ended February 2023 to the fiscal year ended February 2025.

Although the company has not set a target, it hopes to return ROE to above 8% in the future.



(Source: the company)

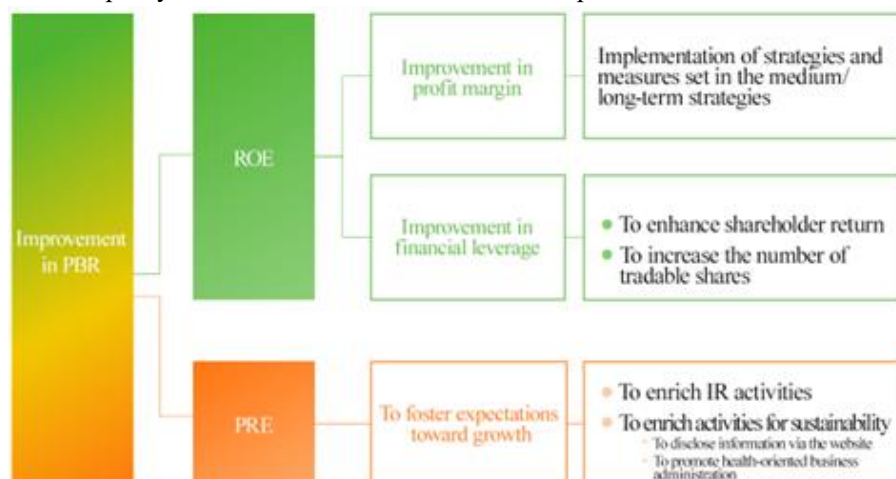
(General measures)

As it stands now (as of the end of February 2025), the market capitalization of tradable shares in the company is 8,350 million yen, which does not meet the Continued Listing Criteria for the Prime Market. The company will propel forward a wide range of initiatives with the aim of raising its share price to over 1,200 yen that is the rough indicator for satisfying the Continued Listing Criteria.

The company is aiming for the recovery of PBR to 1.0 or higher, through the improvement of ROE based on the medium/long-term strategy.

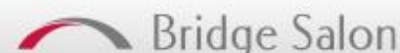
They believe that the improvement of ROE and elevation of PER are necessary for the improvement of PBR and they will strive to “elevate profit margin” and “elevate financial leverage” in order to improve ROE and focus on “fostering expectations for growth” in order to improve PER.

The company understands that shareholder return is one of its key business issues, so the company will enrich its shareholder return while combining dividends and shareholder benefits. Regarding dividends, it has shifted from a stable dividend policy to a progressive dividend policy in which the amount of dividend to be paid is maintained or increased.



(Source: the company)

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**(Capital allocation)**

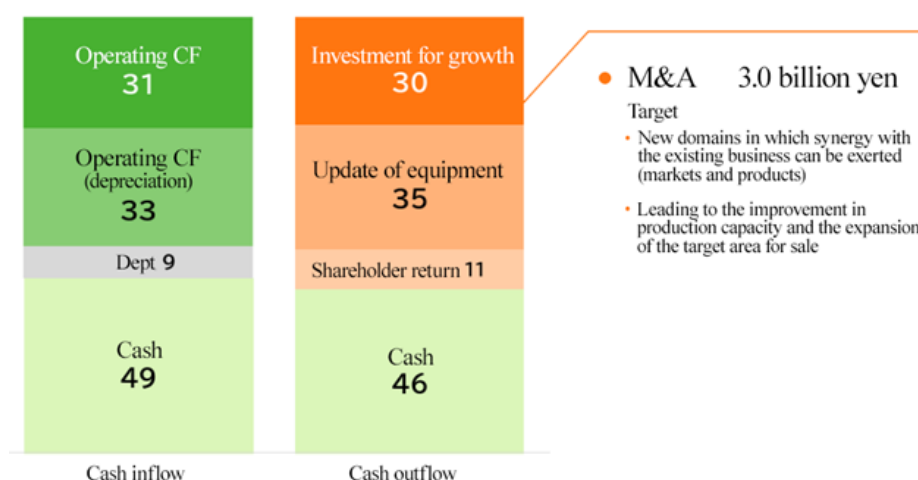
Regarding “Measures to realize management that is conscious of capital costs and share prices,” the company recognizes that the demonstration of cash allocation to investors is important.

The company will invest 3 billion in growth during the three years from the fiscal year ending February 2026 to the fiscal year ending February 2028.

The company will continue to make growth investments, including M&A, following the operation of the new factory in Ibaraki. They will target new fields (markets and products) which allow for synergy with existing businesses and business opportunities leading to the elevation of production capacity and expansion of sales areas.

Cumulative results in the period from FY 2/26 to FY 2/28

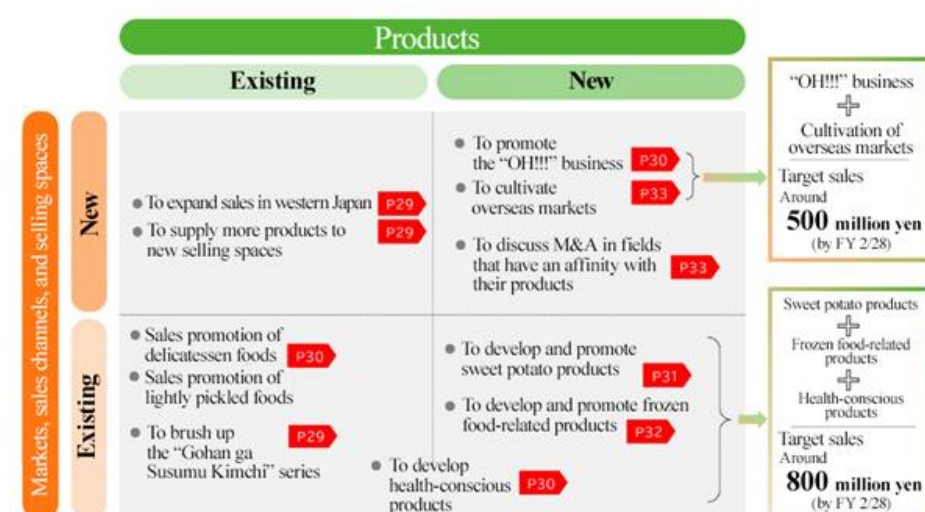
(Billion yen)



(Source: the company)

(3) Endeavoring to develop new products and enter new fields

The following measures will be taken to boost existing fields while generating new sales of over 1 billion yen in new fields.



(Source: the company)

① Main measures

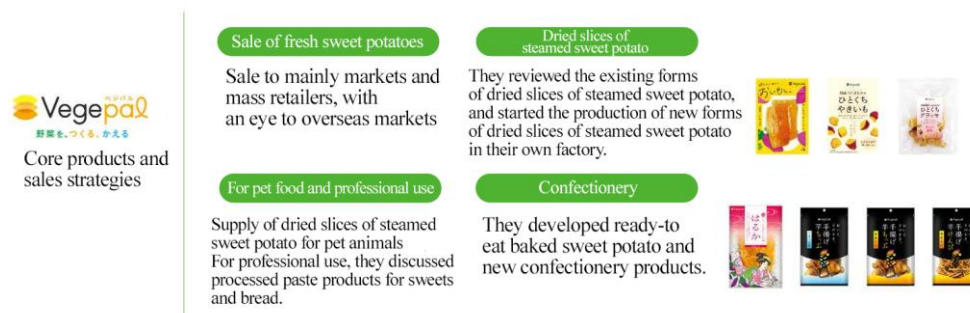
As the progress that the company achieved in the first half of the fiscal year ending February 2026, the company has enumerated the development and sales promotion of products related to sweet potatoes and the development and sales promotion of frozen food-related products.”

◎ Development and sales promotion of products related to sweet potatoes

The purposes of use and selling methods of sweet potatoes grown in Japan have diversified, due to the growth of demand for baked sweet potato and the popularization of processed products, such as dried slices of steamed sweet potato, and sweet potato as an ingredient for sweets. As inquiries from outside Japan have increased, export has grown.

Vegepal Co., Ltd., which is a joint-venture firm established in September 2023, stably receives orders from leading clients. It not only endeavors to improve its core products, but also has established a system for producing dried slices of steamed sweet potato at its own plant.

In the future, in addition to propelling forward the development of products that differentiate the company from other companies and the expansion of channels for selling such products, the company will strive to increase the sale of sweet potato products while enriching the raw material procurement capability of PICKLES FARM CO., LTD., one of its subsidiaries, and cooperating with its group companies.



◎ Development and sales promotion of frozen food-related products

The demand for frozen food is growing, because it is possible to shorten cooking time and reduce the amount of waste food significantly. Leading makers have significant advantages in selling products to consumers, and competition is fierce. Demand for frozen food items for professional use is strong due mainly to labor shortages at restaurants and the like, which means that the demand is highly likely to keep growing.

Regarding products for consumers, the company has released “Gohan ga Susumu Kimchi-nabe (kimchi pot dish as an accompaniment to rice),” which was developed with the technology for retaining the texture of fresh vegetables nurtured in the production of lightly pickled vegetables, as part of efforts to differentiate their products, and started tentatively selling frozen products of “Gohan ga Susumu Kimchi (kimchi as an accompaniment to rice),” Chinese cabbage with yuzu, okra, and delicatessen.

Regarding frozen food items for professional use whose transactions were started, the company is raising the number of clients on the basis of the standards set by the client companies with which it is intensely conducting transactions now.

Regarding products for consumers, they will develop side dishes, snacks for alcoholic beverages, sweets, etc. by utilizing strengths. Regarding products for professional use, the company will expand sales channels of frozen food items for professional use, including frozen food wholesalers and local restaurants around Japan, while increasing transactions with existing clients.

They will promote “Gohan ga Susumu Kimchi” in overseas markets, including North America and Hong Kong.

◎ Brushing up the "Gohan ga Susumu Kimchi" series

Currently, the "Gohan ga Susumu Kimchi" series is the top brand of kimchi.

Sales of “Gohan ga Susumu Kimchi” were on a downward trend through the fiscal year ended February 2023, but have begun to show signs of recovery due to the company's strategic focus on “expansion of sales in western Japan” and “enhancement of sale of products in new selling spaces.” This includes efforts to increase sales through non-supermarket channels such as drugstores in western Japan and promotional campaigns. Based on sales figures using the previous revenue recognition standard, sales have returned to the record-high levels seen during the fiscal year ended February 2021, when demand from housebound consumers arose due to the COVID-19 pandemic.

In the future, the company aims to become the top brand in "rice accompaniments" that are indispensable to rice and appear on the dinner table every day by expanding into easy-to-prepare products, seasonings, frozen foods, and delicatessen foods.

As a concrete measure, the company opened a fan community site, "Pickles Shokudo," in February 2025. Through direct communication with customers, the company plans to create fans and promote awareness of the group's product lineup other than kimchi and strive to enhance the customer loyalty, as well as to explore potential needs and use them in product development for national brands that will lead to increased sales and profits.

◎ Expanding sales of delicatessen products and developing health-conscious products

As consumers become more health-conscious, health-conscious foods and foods with functional claims continue to grow. Meanwhile, manufacturers are developing new products one after another, intensifying competition. The delicatessen food market has also been growing since the COVID-19 pandemic.

In this context, the company is selling "Protein-rich Bangbangji Salad" in the delicatessen food category as a health-conscious product, and is also developing packages and products that highlight its patented Plant Origin Lactic Acid Bacteria "Pne-12."

Going forward, the company plans to use the research and development technology of "Pne-12" and its own fermented rice bran extract to strengthen its "rice bran pickle" products, which can demonstrate its strengths by combining it with its original pickling technology. In addition, by using rice malt containing Pnc lactic acid bacteria in the dough of the bread offered at "Hanno Bakery POCO-POCO" located in "OH!!! Fermentation, Health, Food Magic!!!," a commercial facility for the restaurant and retail business, the company will be able to increase the added value of a variety of products by giving the bread a natural sweetness, a unique moistness, etc.

◎ Promotion of the "OH!!!" business

In "OH!!! Fermentation, Health, Food Magic!!!," which opened in Hanno City, Saitama Prefecture, in October 2020 as a complex commercial facility with the theme of health and fermentation, the company operates both restaurant and retail businesses. A restaurant, bakery, shopping and experience classes are available at the complex, offering the opportunity to introduce the group's products and approach to production from many aspects through each facility, and it is popular among a wide range of people, including local customers and tourists, and sales have been increasing year by year.

In March 2024, the café building was renovated and reopened as "Hanno Bakery POCO-POCO."

Going forward, they will develop products and hold promotions and events unique to "OH!!!," by utilizing the synergy among group companies, and make preparations for running restaurants, bakeries, etc. in the "OH!!!" business in other regions.

◎ Cultivation of overseas markets

In countries where it is difficult to grow or harvest vegetables, the demand for frozen food products is expected to grow, so it is considered that there is a business chance there. In particular, the markets in Hong Kong and Singapore where food self-sufficiency ratio is low and there are many high-income individuals are promising, but the hurdle to local production is high.

Accordingly, they will export products made in Japan. For the foreseeable future, they will concentrate on frozen food products. The export of rice bran for pickling and frozen kimchi pot dishes began. Firstly, they will cultivate the Asian market, including Vietnam and Hong Kong, and then promote initiatives with Japanese exporting companies.

They will keep targeting Asia, and cultivate the market with frozen food products. In North America, they are surveying the market.

◎ Discussion on M&A in fields with which the company has an affinity

They will keep promoting M&A to accelerate growth speed.

Assumed target enterprises and fields are those with which the company can evolve or improve their capabilities of development, manufacturing, and sale, which are the strengths of the company and which possess functions, customer bases, products, or human resources the PICKLES Group does not have, so it can be expected that synergetic effects will be produced soon.

4-3 Numerical goals

	FY 2/25	Ratio to sales	FY 2/26 (Plan)	Ratio to sales	FY 2/27 (Plan)	Ratio to sales	FY 2/28 (Plan)	Ratio to sales	CAGR
Sales	41,518	100.0%	41,700	100.0%	42,000	100.0%	43,000	100.0%	+1.2%
Gross Margin	8,193	19.7%	8,953	21.5%	8,657	20.6%	8,899	20.7%	+2.8%
SG&A expenses	6,913	16.7%	6,873	16.5%	7,057	16.8%	7,199	16.7%	+1.4%
Operating Income	1,279	3.1%	2,080	5.0%	1,600	3.8%	1,700	4.0%	+9.9%
Ordinary Income	1,345	3.2%	2,150	5.2%	1,670	4.0%	1,770	4.1%	+9.6%
Net income	958	2.3%	1,440	3.5%	1,070	2.5%	1,130	2.6%	+5.7%

*Unit: million yen. CAGR is the average annual growth rate from the fiscal year ended February 2025 to the fiscal year ending February 2028. Calculated by Investment Bridge Co., Ltd.

The forecasts for the fiscal year ending February 2026 have been revised. The company will review and revise the forecasts for the fiscal year ending February 2027 and subsequent years at the beginning of each fiscal year as it executes its rolling plan.

	FY 2/25	FY2/28 (Plan)	CAGR
Lightly pickled vegetables /kimchi	16,769	17,803	+2.0%
Delicatessen	11,541	11,810	+0.8%
Old pickled vegetables	392	469	+6.2%
Goods	12,815	12,917	+0.3%
Total	41,518	43,000	+1.2%

*Unit: million yen. CAGR is the average annual growth rate from the fiscal year ended February 2025 to the fiscal year ending February 2028. Calculated by Investment Bridge Co., Ltd.

	FY 2/23	FY 2/24	FY 2/25	FY 2/26 (Plan)	FY 2/27 (Plan)	FY 2/28 (Plan)
Capital Expenditure	883	951	4,700	1,400	900	700
Depreciation	980	940	1,005	1,216	1,106	1,053

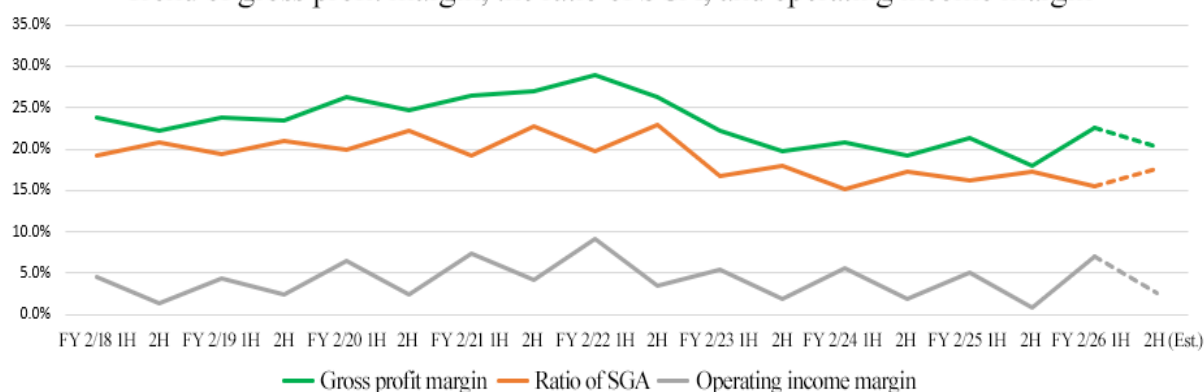
* Unit: million yen.

The company is planning a capital investment of 3 billion yen over the next three years. Mainly, the company will “conduct repair, upgrade equipment, and so on at the factory of Tegara-shokuhin in fiscal year ending February 2026.” From fiscal year ending February 2027, they will keep upgrading equipment. Deprecation will reach a peak in fiscal year ending February 2026.

5. Conclusions

For the full fiscal year, the company forecasts that gross profit will increase 9.3% (which was 2.8% before the revision) year on year and operating income will grow 62.6% (which was 17.3% before the revision) year on year, which means that profit will grow considerably, because it plans to keep SG&A expenses at almost the same level as that of the year before while revising the prices of some of its original products and enhancing production efficiency through a reduction in the number of its original products; however, for the second half, both sales and operating income are forecast to fall below their respective levels projected before the revision. We would like to expect the company to make further progress with the pillars of its medium/long-term management strategies, which are the reduction in the number of items and the revision to selling prices in response to soaring costs, both of which are aimed at improving operating income margin, and the streamlining and automation of the production system and the revision and streamlining of the process of raw material procurement, which both are aimed at cutting down on cost prices, while we keep an eye on whether the company can continuously improve gross profit margin and operating income margin that have reached the level that the company has attained for the first time since the first half of the fiscal year ended February 2022.

Trend of gross profit margin, the ratio of SGA, and 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	6 directors, including 2 from outside (including 2 independent directors)
Auditors	4 directors, including 3 from outside (including 3 independent directors)

◎ Corporate Governance Report (Updated on May 30, 2025)

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.

[Supplementary Principle 2-4-①]

Our group promotes highly motivated and skilled employees to management posts regardless of age, nationality, gender, etc. Regarding the promotion to management posts, the ratio of female managers is 8.6%, and we will increase this ratio. The percentage of women in management positions above is based on the values of PICKLES CORPORATION (our main subsidiary). 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 the development of a comfortable working environment as an important management issue, so our corporate group has adopted refreshing holidays, overtime-free working days, 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 3-1 Enrichment of information disclosure]

(1) Our corporate philosophy and policy are disclosed in our website, etc.

(2) Our basic policy for corporate governance is disclosed in this report.

(3) The basic policy for our directors' remuneration is to contribute to the sustainable improvement in corporate performance and value and set the remuneration of each director at an appropriate level according to each post. In detail, the remuneration of each executive director is composed of the basic remuneration, which is fixed, a bonus, and a stock option. The remuneration of each outside director is composed of only the basic remuneration, because of their duties. The details of the policy and procedure for determining the remuneration of each director are disclosed in this report.

(4) The board of directors choose candidates for internal directors from those who possess expertise in their respective fields and can respond to changes in the business environment swiftly and accurately, and candidates for outside directors from those who can oversee our business administration from an objective, independent standpoint without seeking the benefits of the management or specific stakeholder. Candidates for auditors are chosen by the board of auditors from those who possess plenty of experience and advanced insight, and then determined by the board of directors after having discussions and reaching an agreement. If the above policy for appointing directors cannot be fulfilled or a director violates or is suspected of violating a law, a regulation or the articles of incorporation, the board of directors will discuss the dismissal of said director.

(5) The reasons for choosing candidates for directors and auditors are disclosed in convocation notices for a general meeting of shareholders.

[Supplementary Principle 4-11①]

The board of directors of our company is composed of directors who possess technical knowledge and plenty of experience in respective fields, such as business administration and finance, while securing an appropriate scale and diversity of gender, work history, and age so that the board can fulfill its roles and duties effectively. The policy and procedure for appointing directors are as described in Section (4) of "Principle 3-1."

This report discloses the skill matrix, which lists the knowledge, experience, abilities, etc. of each director. Independent outside directors include those who have the experience of business administration in another company.

[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.

In detail, a financial results briefing sessions is held twice a year, and a briefing session for individual investors is held when necessary, and the representative director and president gives explanations. Individual interviews are handled by the publicity/IR division. We have the persons in charge thoroughly manage insider information when holding dialogue with shareholders.

We strive to make the most of opinions and other feedback obtained through dialogue with shareholders by sharing them with the directors and reporting them to the board of directors as needed.

[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 described in the reference material for the session for briefing the financial results for the fiscal year ended February 2025 held on April 18, 2025. This material is disclosed on the company's website (<https://pickles-hd.co.jp/ir/>).

This material considers such matters as the enhancement of profitability, the enrichment of shareholder returns, and ambitious initiatives to develop new products and break into new fields to be our company's medium/long-term important strategies. We will aim to raise our corporate value and the price of the shares in our company by showing how our corporate group should operate our business as we grow, actually implementing the ideal way to run business, and attaining our medium-term management goals and improving capital efficiency. We also endeavor to improve our price book-value ratio (PBR) through these initiatives.

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