



JASDAQ (7564)

WORKMAN CO., LTD.

Materials for Briefing Session on the Financial Results for the
First Quarter of the Fiscal Year Ending March 31, 2022

August 11, 2021

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- Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2022

Cumulative income statement



(Millions of yen)	FY3/21 Q1	FY3/22 Q1	YoY
Sales at all chain stores	36,443	39,851	+9.4
Sales to directly managed stores	1,939	2,489	+28.4
Sales to franchise stores	34,504	37,361	+8.3
Same store sales	—	—	+2.2
Total operating revenue	25,664	29,534	+15.1
Cost of sales	15,276	17,516	+14.7
SG&A	4,224	4,869	+15.3
Operating profit	6,163	7,148	+16.0
Ordinary profit	6,535	7,299	+11.7
Net income	4,160	4,628	+11.3
EPS	50.98yen	56.72yen	

※The Company applies the Accounting Standard for Revenue Recognition from FY3/22 Q1. The said accounting standard is not applied retroactively to FY3/21 Q1, and YoY comparison is made against figures prior to the change.

➤ Financial Results Highlight

● Sales at all chain stores achieved 100.0% of the plan for Q1.

The rate of increase became moderate, but the growth was sustained under the impact of special demand prompted by special benefits in June of the preceding year.

● Front-loading of sales of products supplied to franchise stores

The progress in adjustments of store inventories helped increase inquiries about summer products. While OTC sales at franchise stores rose 8.3%, sales of products supplied to franchise stores grew 14.6%.

● 2,343 million yen in profits related to overseas purchases (up 13.4%)

- Direct overseas purchases down 12.1% QoQ
- Average settlement rate 106.65 yen (the preceding quarter: 106.50 yen)

The purchase amount and foreign exchange rates turned out to be negative, but shipments of PB products from DC inventories went ahead faster than the plan, yielding profits related to overseas purchases.

● SG&A

- Logistics cost still at a high level, but the rate of increase is on the decline.
- Depreciation rose due to active new store openings and software investment.
- With the rise at existing stores becoming moderate, the amount of award money for franchise stores fell.

See P. 6 for the increases/decreases for each item.

Effect of the Application of the Accounting Standard for Revenue Recognition (P/L)



(Millions of yen)	FY3/22 Q1 Pre- change	FY3/22 Q1 Post- change	Effect
Sales at all chain stores	39,853	39,851	△2
Total operating revenue	29,239	29,534	+294
Cost of sales	17,602	17,516	△85
SG&A	4,654	4,869	+214
Operating profit	6,982	7,148	+165
Ordinary profit	7,344	7,299	△44
Net income	4,653	4,628	△24

➤ Effect of the Change

● Total operative revenue

Sales at directly managed stores (sales at all chain stores)---Down 2 million yen

Points granted at SC stores changed from SG&A - Down 2 million yen

Revenue from franchise stores---Up 1,399 million yen

• 1,360 million yen in FC store cost, the offset item, changed to SG&A

• **Effect of the change to recording royalties by allocation to appropriate accounting periods - Down 22 million yen**

• Award money to franchise stores changed from SG&A and other operating revenue - Down 75 million yen

• Usage fees for facilities and equipment changed from non-operating income - Up 190 million yen

Other operating revenue---Down 1,103 million yen

Revenue from entrusted distribution center operations changed to the following items:

• Appropriation for award money for franchise stores - Down 41 million yen / Cost of sales - Down 103 million yen / SG&A - Down 959 million yen

● Cost of sales

• **Effect from the process of calculating purchase rebates - Up 23 million yen**

• Change from other operating revenue - Down 103 million yen

• Vendor rebate changed from non-operating income - Down 6 million yen

● SG&A

• Points granted at SC stores - Down 2 million yen

• FC cost offset by revenue from franchise stores - Up 1,306 million yen

• Award money for franchise stores changed to revenue from franchise stores - Down 116 million yen

• Change from other operating revenue - Down 959 million yen

• **Effect of tax calculation - Down 1 million yen**

• Change from non-operating income - Down 13 million yen

● Non-operating income

209 million yen changed to an operating item

Effect of the Application of the Accounting Standard for Revenue Recognition (SG&A)

(Millions of yen)	FY3/21 Q1 Pre-change (a)	FY3/22 Q1 Pre-change (b)	YoY (%) b/a	FY3/22/ Q1 Post-change (c)	Effect c – b
Labor cost	807	878	+8.7	878	–
Selling cost	301	190	△36.8	290	+100
Traveling expenses	55	65	+17.9	65	–
Freight cost	662	734	+10.9	355	△378
Rent	463	534	+15.4	1,453	+919
Supply expenses	194	261	+34.7	225	△36
Outsourcing expenses	850	1,008	+18.6	664	△343
Depreciation	365	452	+23.7	452	–
Other	524	528	+0.9	482	△45
Total	4,224	4,654	+10.2	4,869	+214

Balance Sheet



(Millions of yen)	FY3/21 End of Q1	FY3/21	FY3/22 End of Q1	Change
Current assets	72,132	85,696	81,619	△4,076
Cash and deposits	43,471	57,813	55,629	△2,183
Accounts receivable - due from FCs	13,521	11,884	12,656	772
Merchandise	13,528	14,077	11,227	△2,849
Non-current assets	23,759	27,179	27,250	70
Property, plant and equipment	17,277	20,101	20,412	310
Intangible assets	592	769	74	△35
Other investments	5,888	6,307	6,103	△203
Total assets	95,891	112,876	108,869	△4,006
Current liabilities	15,212	19,090	15,733	△3,357
Non-Current liabilities	3,120	3,191	3,650	458
Total liabilities	18,332	22,282	19,383	△2,898
Total net assets	77,558	90,593	89,486	△1,107
Total liabilities and net assets	95,891	112,876	108,869	△4,006

➤ Factors of increase/decrease

● Cash and deposits

Operating C/F
Investing C/F
Financial C/F

● Credit to franchise stores

Rise in the number of stores covered 824 stores (804 stores in the preceding quarter)

● Products (factors for increase/decrease)

- Directly managed stores - Up 24 million yen
- Distribution centers - Down 2,326 million yen
- Goods in transit - Down 478 million yen

Excess inventories curbed by strengthening the production management system




● Tangible fixed assets

- 11 new store openings (7 own stores)
- Remodeling of WORKMAN Plus stores (2 stores fully remodeled, 37 stores partially remodeled)

- Overview of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2022

- # The first roadside store of WORKMAN GIRL opened (Minami Kashiwa Store in Chiba Prefecture)

916 stores as of the end of June 2021 (Up 10 YoY)

(Number of stores)	Number of stores at end-March 2021	New store openings				Renovation/conversion※2			Closure	Number of stores at end-June 2021
			Roadside	SC※3	S&B※3		Full renovation	Partial renovation		
	632	(-)	-	-	(-)	(△39)	(△2)	(△37)	△1	592
	272	7	7	-	-	39 (-)	2 (-)	37 (-)	-	318
	2	4	1	3	-	-	-	-	-	6
Total※1	906	11	8	3	-	39	2	37	△1	916

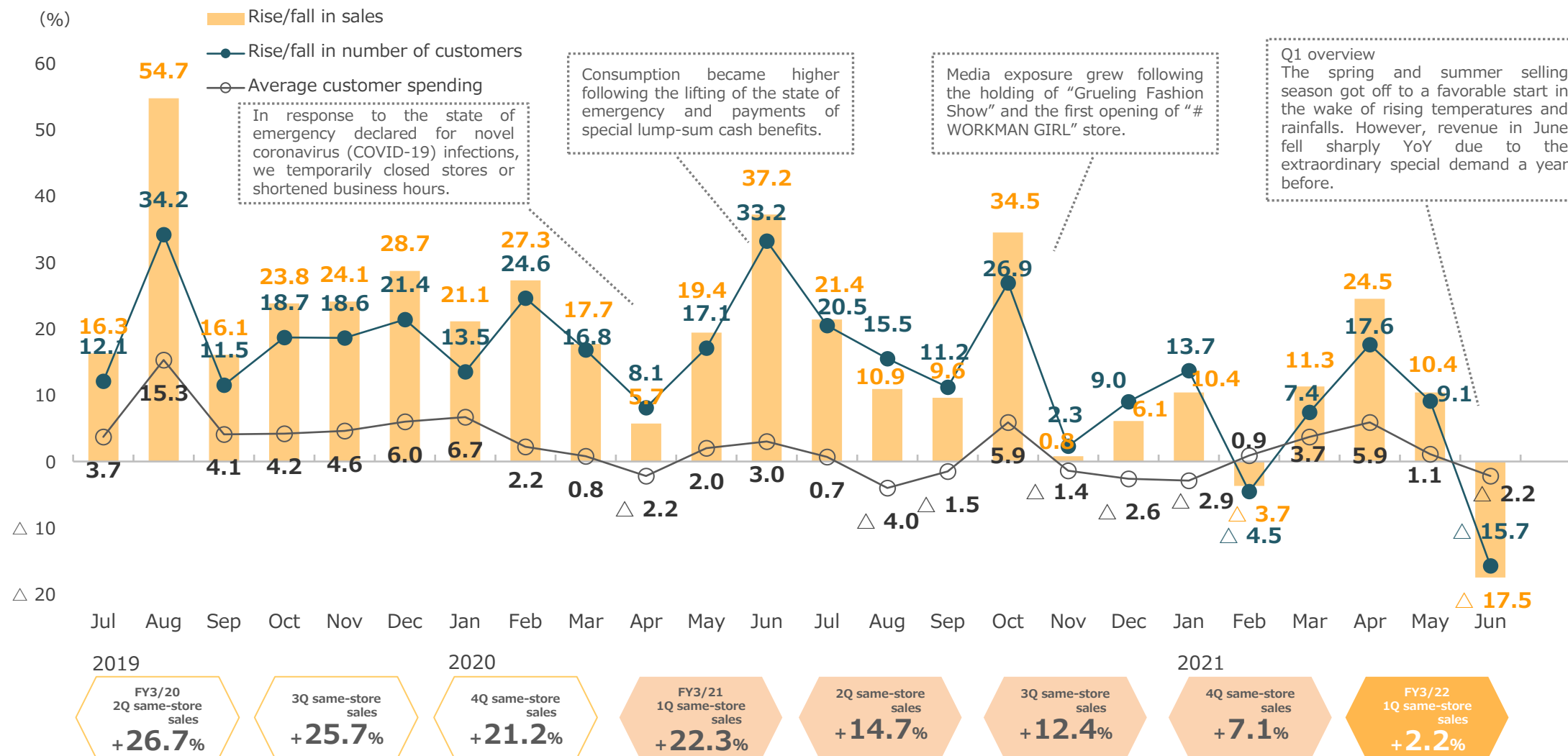
※1.The Total column shows the number of operating stores, with figures in parentheses excluded from the Total.

※2.WORKMAN stores were renovated/converted to WORKMAN Plus stores. The Total shows the number of renovated stores.

※3.SC: Shopping centers S&B: Scrap and Build

Monthly Trends and Factors

● Rise/Fall in Same-Store Sales, Number of Customers and Average Customer Spending



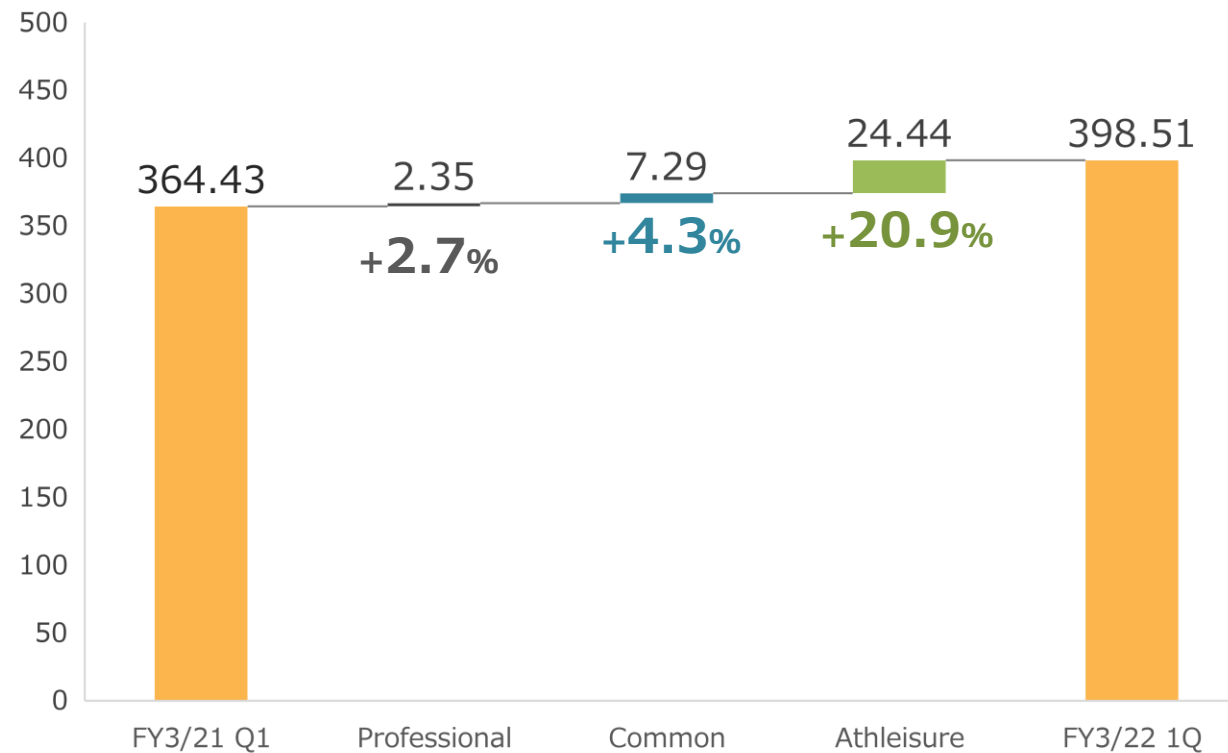
Status of Sales (Results by Product)

- PB brands for the athleisure market drove growth (customer base expanded).

● Factors for Increase/Decrease in FY3/22

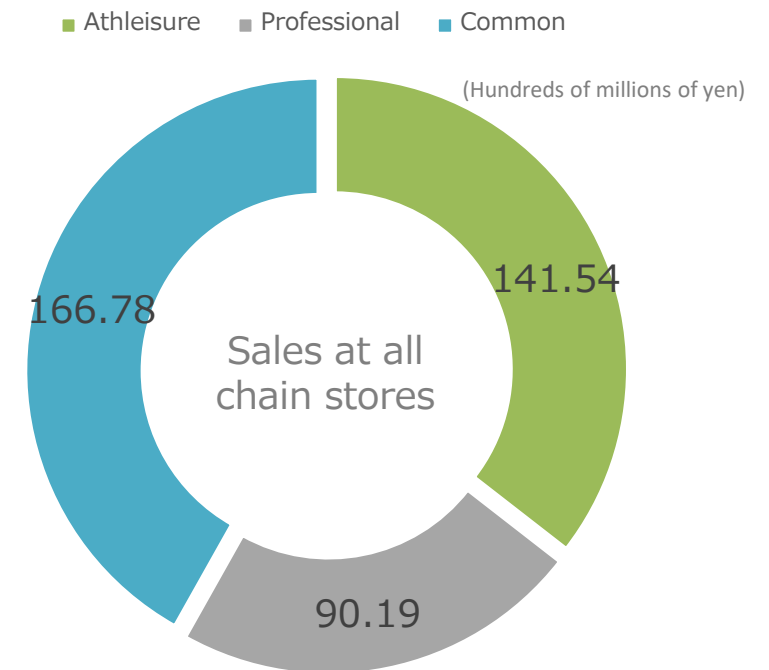
Q1 Sales at All Chain Stores

(100 millions of yen)



※Sales are calculated by product. These are not the product of a customer analysis.

● FY3/22 Q1 Sales by Product



01. Market for professionals...Only products ordinary consumers are believed to have very few opportunities to use are chosen, such as working uniforms, "tabi" Japanese stocks and protective footwear for incorporated enterprises.

02. Athleisure market...FieldCore/Find-Out/AEGIS brands

03. Common...Products other than the above, such as socks and T-shirts.

Status of Sales (FY3/22 Q1)

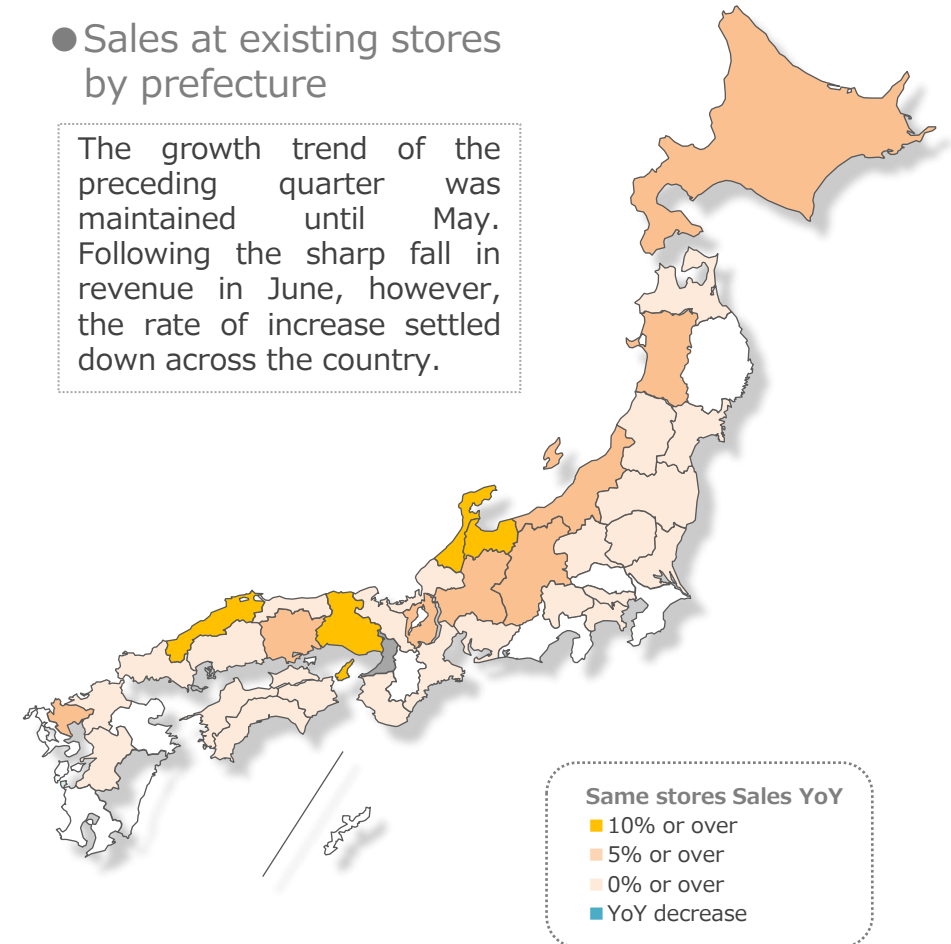
● Sales at All Chain Stores 39,851 Million Yen

	All chain stores	Existing stores
Net sales	+9.4%	+2.2%
Number of customers	+8.1%	+1.3%
Average number of customers per day	—	※172 (+3)
Average customer spend	2,842 yen (+1.1%)	2,835 yen (+1.0%)
Unit price per item	1,072 yen (+39 yen)	1,063 yen (+35 yen)
Number of items purchased	2.7 items (±0.0 item)	2.7 items (±0.0 item)

※ The average number of customers per day is an approximate figure as the number of business days varies depending on the format of store operations.

● Sales at existing stores by prefecture

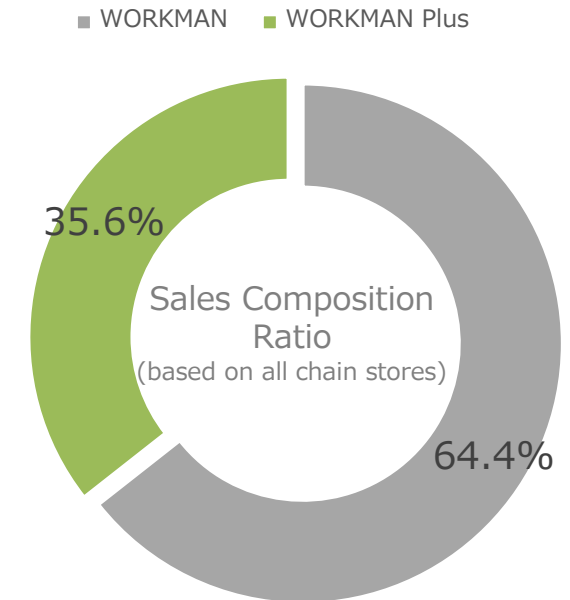
The growth trend of the preceding quarter was maintained until May. Following the sharp fall in revenue in June, however, the rate of increase settled down across the country.



Sales by Business Category



● Contribution to sales at all chain stores (Monthly cumulative period)



※Same-store sales are calculated by excluding sales in months of new store openings and post-renovation renewal openings.
 ※“WM + Existing stores” covers stores newly opened in the WORKMAN Plus format.

Status of Sales (Sales by Product and Factors)



● Sales at All Chain Stores by Product

(Millions of yen)





Category	FY3/21 Q1		FY3/22 Q1		Factors (YoY)
	Sales	YoY	Sales	YoY	
Undergarments · Socks	3,368	+31.0	3,643	+8.2	<ul style="list-style-type: none"> • Tropical accessories (+78.6%) • Warm shirts (+68.1%)
Casualwear · Sports	5,623	+30.9	6,397	+13.8	<ul style="list-style-type: none"> • Short-sleeved T-shirts (+11.2%) • Long-sleeved T-shirts (+17.4%) • Training Wear (+121.6%)
Workwear · Outdoor	11,546	+28.3	12,018	+4.1	<ul style="list-style-type: none"> • Summer long-sleeved jumpers (+27.7%) • Stretch workwear (+60.8%) • Jogging pants (+41.6%)
Women's · Uniforms white smocks, office uniforms, etc.	1,673	+61.6	2,354	+40.7	<ul style="list-style-type: none"> • Women's clothing for summer (+45.5%) • Rainwear for women (+73.5%)
Footgear Protective footwear, <i>tabi</i> stocks, high boots, kitchen shoes, etc.	5,337	+13.6	5,978	+12.0	<ul style="list-style-type: none"> • Safety Shoes (+8.0%) • Athle shoes (+28.6%)
Work supplies Work gloves, protective gear, rainwear, etc.	8,816	+22.8	9,438	+7.1	<ul style="list-style-type: none"> • Outdoor gear (+543.5%) • Windbreakers (+8.2%) • Rainwear (+13.7%)
Other	77	+2.3	20	△73.9	—
Total	36,443	+26.3	39,851	+9.4	

Status of Sales (PB Products)

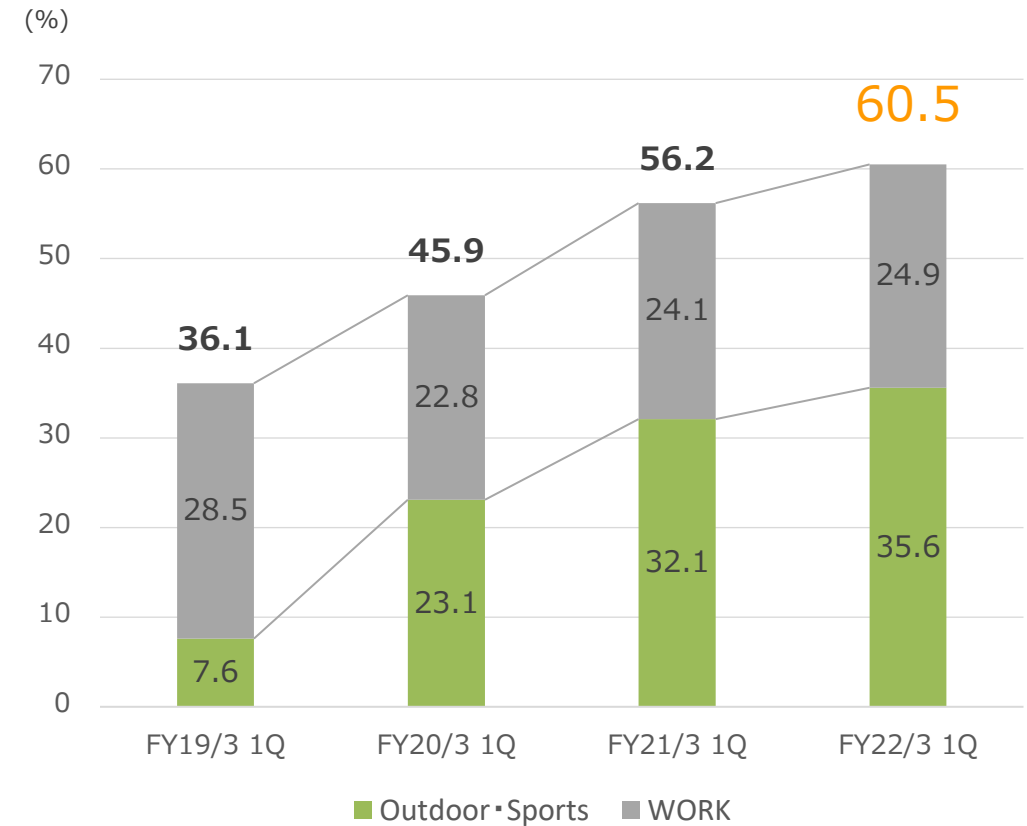


● Sales of PB Products **24,080 Million yen** (up 17.9% YoY)

● Work & Outdoor • Sports

(Millions of yen)		Number of items (previous year)	Sales value (YoY)
	Work & Outdoor	304 (273)	8,228 (+23.8)
	Work & Sports	230 (282)	4,135 (+7.5)
	High-Performance Rainwear	66 (70)	1,789 (+47.3)
Total for athleisure PB products		600 (625)	14,154 (+20.9)
● Work			
	WORKMAN BEST	361 (412)	7,805 (+15.4)
	ASSIST	67 (133)	2,120 (+8.2)
Total for working PB products		428 (545)	9,925 (+13.8)
Total for PB products		1,028 (1,170)	24,080 (+17.9)

● Changes in the PB ratio



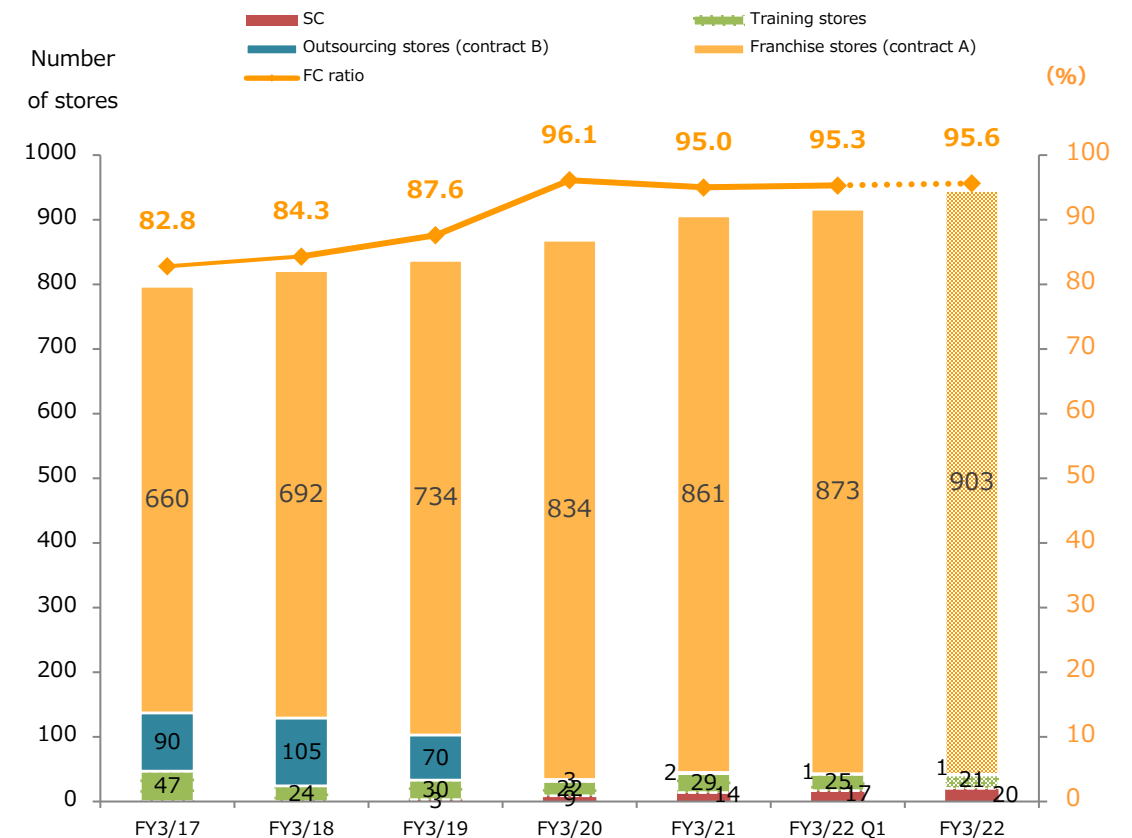
Format of Store Operations

● Ratio of Franchise Stores **95.3%** (up 0.3 points YoY)

● Format of Store Operations for FY Ended June 30, 2021

Format	End-March 2021	Up	Down	End-June 2021
Franchise stores	861	25	13	873
Outsourcing stores	2	—	1	1
Training stores	29	10	14	25
SC stores	14	3	—	17

● Number of Stores by Format of Operations



Inventories (Logistics Cost)

● Cost control was a challenging task amid the smooth progress in inventory control

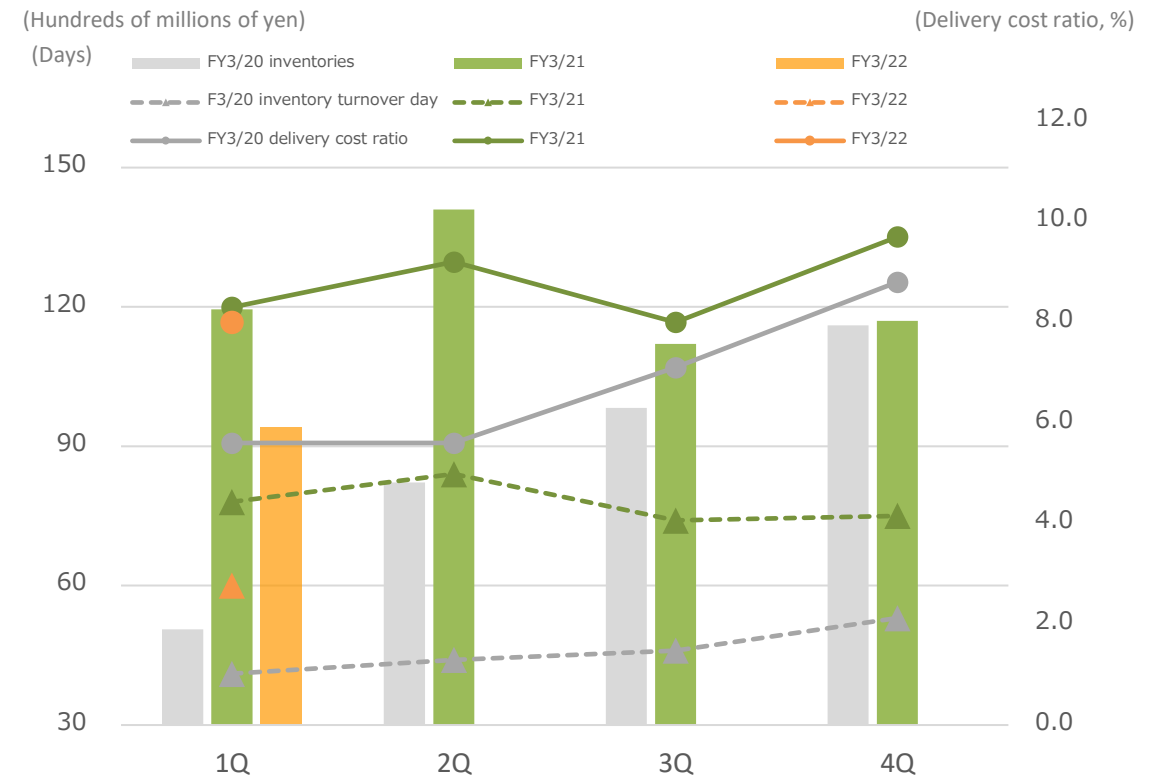
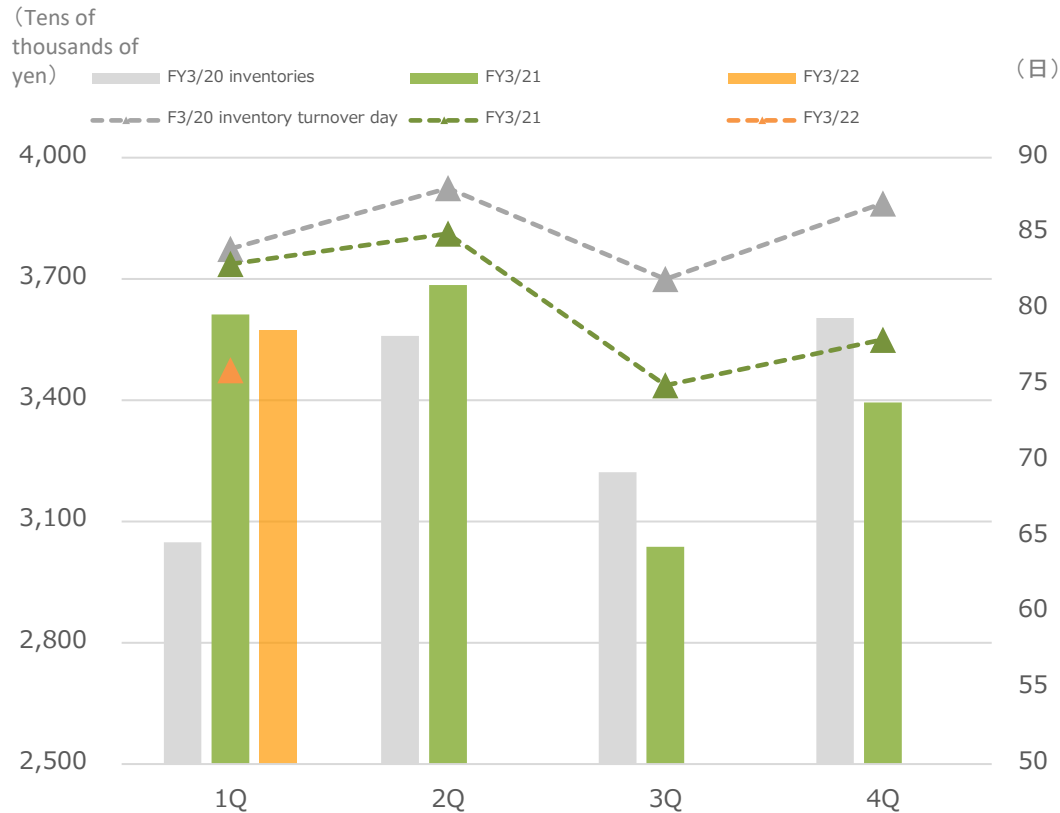
● Selling price inventories per store

Improvement in inventory details.

Autumn/winter product carry decreases and summer products increase as we enter the actual sales period

● DC inventories / delivery cost ratio

Inventories were curved through the strengthening of the production control system with the cost-cutting effect. A full-fledged improvement will require a reduction in dependence on external warehouses through investment in logistics infrastructure.



- Plans for the Fiscal Year Ending March 31, 2022

Establishment of new business categories, new formats

- Accelerate opening of #WORKMAN GIRL roadside stores
- Open stores in commercial districts, areas in front of train stations (vacant lots)
- Promote “scrap and build” of existing stores
- Standardize 130-tsubo, 150-tsubo stores

Store opening policy

Logistics policy

- Isesaki Distribution Center expansion (September 2021)

“Evolving in line with customer opinion”

Product policy

Broadening of customer base
Enhancement of customer satisfaction

Sales policy

Development of products full of “surprises”




- Endeavor to incorporate new functions and new categories through product development with brand ambassadors
- Rebuild the product lineup for working professionals and reinforce pricing, functions and designs
- Optimize inventories by enhancing the production management system and promoting the four-season system

Enhance customer convenience and improve operations

- Turn #WORKMAN GIRL stores into FCs
- Maximize sales via stronger links between PR and merchandizing
- Transition to the new demand forecast-based ordering system
- Fuse online and physical stores by promoting C&C purchases

Store Opening Plans

- Go for 1,500 domestic stores in 3 categories

(Number of stores)	Stores at end of FY3/21	Openings set for FY3/22				Renovation set for FY3/22 ※2			Closure	Stores at end of FY3/22	Medium/longer-term goals
			Roadside	SC※3	S&B※3		Full renovation	Partial renovation			
	632	(△13)	—	—	(△13)	(△62)	(△2)	(△60)	△2	555	200
	272	43	30	—	13	62	2	60	—	377	900
	2	11	5	6	—	—	—	—	—	13	400
Total※1	906	54	35	6	13	62	2	60	△2	945	1,500

These are the plans as of this moment. They may be altered in the future.

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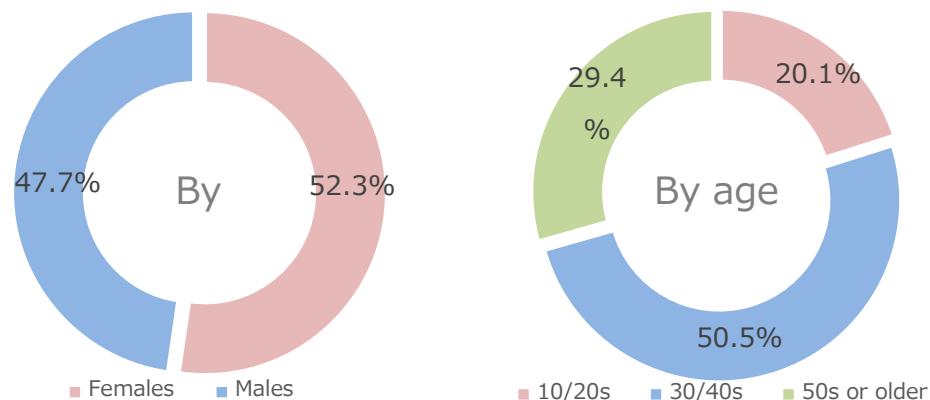
※3.SC: Shopping centers S&B: Scrap and Build

Deployment of # WORKMAN GIRL Roadside Stores

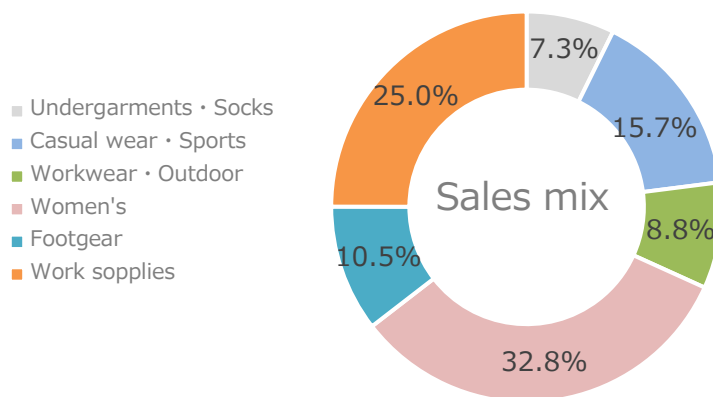


- We will continue experiments and verification, hoping to put roadside stores for general consumers on track.

● Actual sales (# WORKMAN GIRL Roadside Minami Kashiwa Store)



※The Company does not conduct a constant analysis of customers. The above shows results of a survey on visiting customers on specific dates.



Future Challenges

01.

Data-based changes in the assortment of products and sales floors
(Enhancement of products for males)

02.

Control inventories through the review of assortments introduced, enhanced accuracy of the additional follow-up and appropriate markdown.

03.

Promote efforts to become dominant stores by getting a grasp of an impact on neighboring stores.

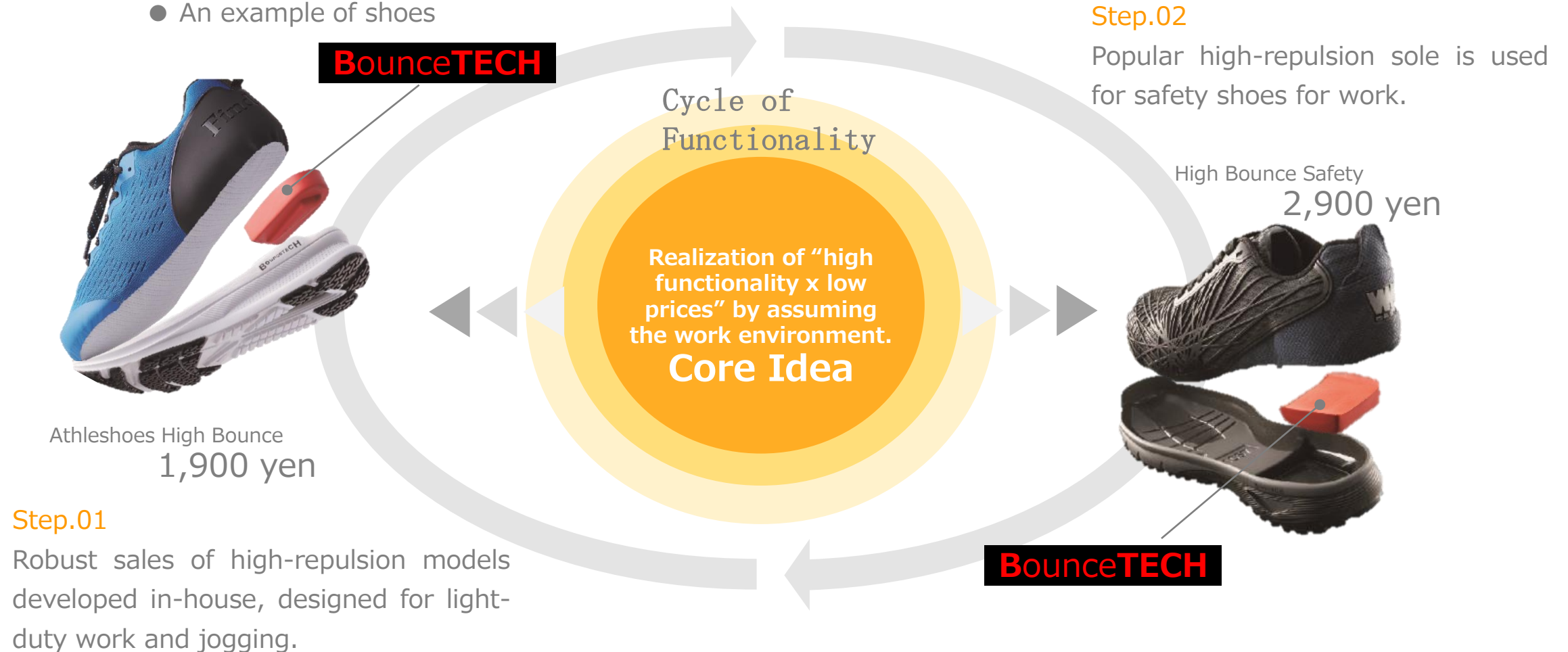
04.

Standardize the operations of stores for general customers.
(on the assumption that they would be turned into FCs)

● Revitalization of products for professionals only WORKMAN can make

(application of outdoor/sports functions)

- An example of shoes



Plans for the Fiscal Year Ending March 2022



- Aiming for **record-high net income** for the 11th straight year (No change from the plan at the beginning of the year)

Sales at all chain stores

156,174 Millions yen YoY+6.5%

Total operating revenue

114,445 Millions yen YoY+7.0%

Operating profit

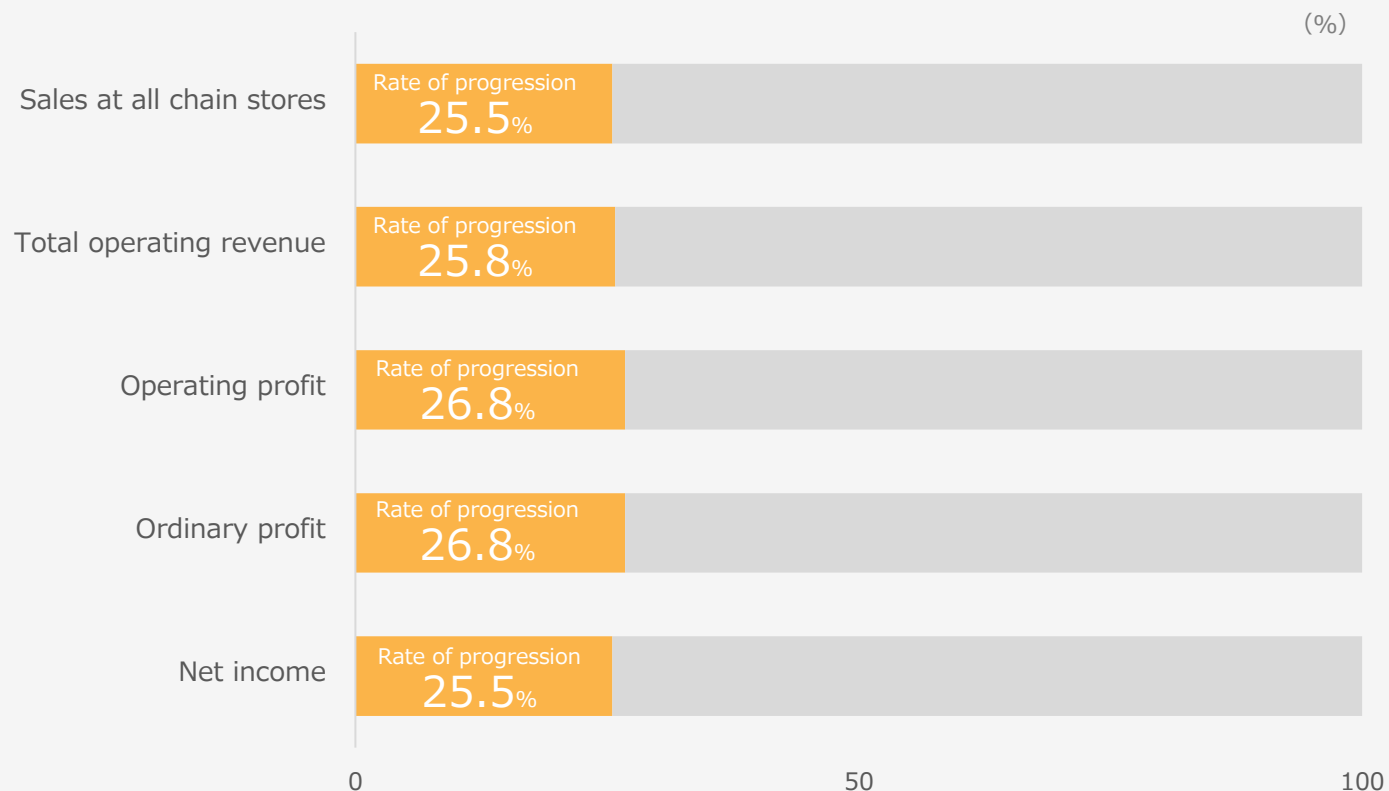
26,673 Millions yen YoY+7.8%

Ordinary profit

27,200 Millions yen YoY+7.0%

Net income

18,155 Millions yen YoY+6.5%



※The forecast of financial results represents amounts after the application of the Accounting Standard for Revenue Recognition, and the comparison with the preceding fiscal year is calculated on the assumption that the said accounting standard had been applied to the preceding fiscal year.



■ We have prepared this document solely for the purpose of facilitating understanding of WORKMAN, and not for the purpose of soliciting investment in the Company. As such, investors are advised to make investment decisions at their own discretion.

■ Whereas every effort has been made to ensure the accuracy of this document, we make no guarantees regarding the completeness thereof. Accordingly, WORKMAN bears no responsibility whatsoever for any losses or damages arising in relation to information contained herein.

■ Financial results forecasts, business plans and other forms of forward-looking statements contained herein have been prepared based on information available to WORKMAN as of the date on which this document was prepared. However, please be aware that actual financial results may vary greatly from the forward-looking statements herein as a result of substantial changes that may occur with respect to the business environment.

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