



JASDAQ (7564)

# WORKMAN CO., LTD.

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

November 9, 2021

● Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022	3
● Overview of Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022	8
● Plans for the Fiscal Year Ending March 31, 2022	18

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

# Cumulative income statement



(Millions of yen)	FY3/21 Q2	FY3/22 Q2	YoY	FY3/22 Q2 Plans	Vs. Plans
<b>Sales at all chain stores</b>	68,288	<b>73,756</b>	<b>+8.0</b>	74,792	△1.4
Sales to directly managed stores	3,980	<b>4,487</b>	<b>+12.7</b>	4,420	+1.5
Sales to franchise stores	64,308	<b>69,269</b>	<b>+7.7</b>	70,372	△1.6
(Same store sales)	—	—	<b>+1.7</b>	+3.3	△1.6
<b>Total operating revenue</b>	48,713	<b>55,295</b>	<b>+13.5</b>	53,732	+2.9
Cost of sales	29,073	<b>33,065</b>	<b>+13.7</b>	31,488	+5.0
SG&A	8,565	<b>9,624</b>	<b>+12.4</b>	9,819	△2.0
<b>Operating profit</b>	11,073	<b>12,604</b>	<b>+13.8</b>	12,425	+1.4
<b>Ordinary profit</b>	11,782	<b>12,891</b>	<b>+9.4</b>	12,697	+1.5
<b>Net income</b>	7,372	<b>7,999</b>	<b>+8.5</b>	7,926	+0.9
EPS	90.33yen	<b>98.02yen</b>		97.13yen	

※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 at 98.6% of the plan for Q2

- Sales went ahead as planned generally throughout Q2, but fell short of the plan due to higher temperatures in late September.
- The rise in the number of new customers turned moderate, and the impacts of weather and other external factors became significant.

### ● Total operating revenue Growth of sales of products supplied to franchise stores

The increase resulted from smooth supplies of seasonal products, with sales of products supplied to franchise stores growing significantly by 13.7% compared with the 7.7% rise in sales to franchise stores.

### ● Cost of sales

152 million yen was booked for reevaluation of seasonal PB products.

### ● SG&A

- Some 110 million yen was booked for the initial cost of the DC expansion.
- Logistics cost still at a high level, but the tendency to contain it increased.
- Increases in new stores/S&B (+5 stores QoQ) and WM plus remodeling (+10 stores QoQ)

### ● Operating profit

Overseas transactions were under pressure from exchange rates and rises in marine transportation costs, but contributed to profits thanks to higher supplies of PB products to franchise stores.

- Profit related to overseas purchase 4,464 million yen (+8.5%)
- Direct overseas purchases down 0.9% YoY
- Average settlement rate 106.98 yen (the preceding quarter: 105.80 yen)

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



(Millions of yen)	FY3/22 Q2 Pre-change	FY3/22 Q2 Post-change	Effect
Sales at all chain stores	73,761	<b>73,756</b>	△4
Total operating revenue	54,648	<b>55,295</b>	<b>+646</b>
Cost of sales	33,231	<b>33,065</b>	△165
SG&A	9,179	<b>9,624</b>	<b>+445</b>
Operating profit	12,237	<b>12,604</b>	<b>+367</b>
Ordinary profit	12,942	<b>12,891</b>	△50
Net income	8,030	<b>7,999</b>	△31

## ➤ Effect of the Change

### ● Profit

- ① Effect of the change to recording royalties by allocation to appropriate accounting periods from lump-sum booking  
⇒ Operating profit - **Down 21 million yen**
- ② Effect from the process of calculating purchase rebates  
⇒ Operating profit - **Down 30 million yen**
- ③ Effect from the change of non-operating revenue  
⇒ Operating profit - **Up 418 million yen**

The impact on operating profit of the above - **Up 367 million yen**

※① and ② also impacted on ordinary profit and below.

### ● SG&A

- FC store cost changed from the revenue item - Up **2,427** million yen
- Award money for franchise stores changed to the revenue item - Down **170** million yen
- Expenses related to entrusted DC operations changed from the revenue item - Down **1,802** million yen

Other changes involving small amounts - Up **445** million yen in total

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

(Millions of yen)	FY3/21 Q2 Pre-change (a)	FY3/21 Q2 Pre-change (b)	YoY (%) b/a	FY3/21 Q2 Post-change (c)	Effect c – b
Labor cost	1,618	1,753	+8.3	<b>1,753</b>	–
Selling cost	557	412	△25.9	<b>480</b>	<b>+67</b>
Traveling expenses	117	137	+17.2	<b>137</b>	–
Freight cost	1,349	1,450	+7.5	<b>735</b>	△715Rent
Rent	988	1,066	+7.9	<b>2,927</b>	<b>+1,8561</b>
Supply expenses	412	471	+14.3	<b>380</b>	△91
Outsourcing expenses	1,731	1,840	+6.3	<b>1,233</b>	△607Depreciation
Depreciation	756	928	+22.8	<b>928</b>	–
Other	1,035	1,118	+8.4	<b>1,048</b>	△69
<b>Total</b>	<b>8,565</b>	<b>9,179</b>	<b>+7.2</b>	<b>9,624</b>	<b>+445</b>

# Balance Sheet



(Millions of yen)	FY3/21 End of Q2	FY3/21	FY3/22 End of Q2	Change
<b>Current assets</b>	75,283	85,696	<b>86,411</b>	<b>715</b>
Cash and deposits	43,562	57,813	<b>56,617</b>	<b>△1,195</b>
Accounts receivable - due from FCs	13,014	11,884	<b>13,152</b>	<b>1,268</b>
Merchandise	17,312	14,077	<b>14,772</b>	<b>695</b>
<b>Non-current assets</b>	24,401	27,179	<b>29,782</b>	<b>2,602</b>
Property, plant and equipment	17,664	20,101	<b>22,726</b>	<b>2,624</b>
Intangible assets	587	769	<b>706</b>	<b>△63</b>
Other investments	6,150	6,307	<b>6,349</b>	<b>41</b>
<b>Total assets</b>	99,684	112,876	<b>116,194</b>	<b>3,317</b>
<b>Current liabilities</b>	15,964	19,090	<b>19,800</b>	<b>710</b>
<b>Non-Current liabilities</b>	3,137	3,191	<b>3,646</b>	<b>454</b>
<b>Total liabilities</b>	19,101	22,282	<b>23,447</b>	<b>1,165</b>
<b>Total net assets</b>	80,582	90,593	<b>92,746</b>	<b>2,152</b>
<b>Total liabilities and net assets</b>	99,684	112,876	<b>116,194</b>	<b>3,317</b>

## ➤ Factors of increase/decrease

### ● Cash and deposits

Operating C/F - 6,373 million yen  
Investing C/F - Down 2,286 million yen  
Financial C/F - Down 5,282 million yen

### ● Rise in credit to franchise stores

- Rise in the number of stores to 829 stores (up 20 stores from the end of the preceding quarter)
- Rise in inventories...spring and summer products carried - up by about one million yen per store.

### ● Merchandise (factors for increase/decrease)

- Directly managed/SC stores - Up 81 million yen
  - Distribution centers - Down 762 million yen
  - Goods in transit - Up 1,354 million yen
- Inventories at distribution centers decreased significantly thanks to stronger inventory controls.  
Goods in transit from overseas rose ahead of the selling season for autumn and winter products.

### ● Rise in tangible fixed assets

- DC expansion - Total acquisition 2,933 million (Of the total, 421 million acquired in the preceding quarter)
- New openings of 20 stores and 3 S&B stores (Of the total, 19 are company owned stores)
- Remodeling of WORKMAN Plus stores (2 stores fully remodeled, 37 stores partially remodeled)

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






# Store Openings



- New openings and renovation went ahead as initially planned

**924** stores at the end of September 2021 (up 18 stores over end-March 2021)

(Number of stores)	Number of stores at end-March 2021	New store openings				Renovation/conversion※2			Closures	Number of stores at end-Sept. 2021
			Roadside	SC※3	S&B※3		Full renovation	Partial renovation		
	632	(△3)	—	—	(△3)	(△39)	(△2)	(△37)	△2	<b>588</b>
	272	<b>18</b>	15	—	3	<b>39</b> (—)	2 (—)	37 (—)	—	<b>329</b>
	2	<b>5</b>	2	3	—	—	—	—	—	<b>7</b>
Total※1	906	<b>23</b>	17	3	3	<b>39</b>	2	37	△2	<b>924</b>

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

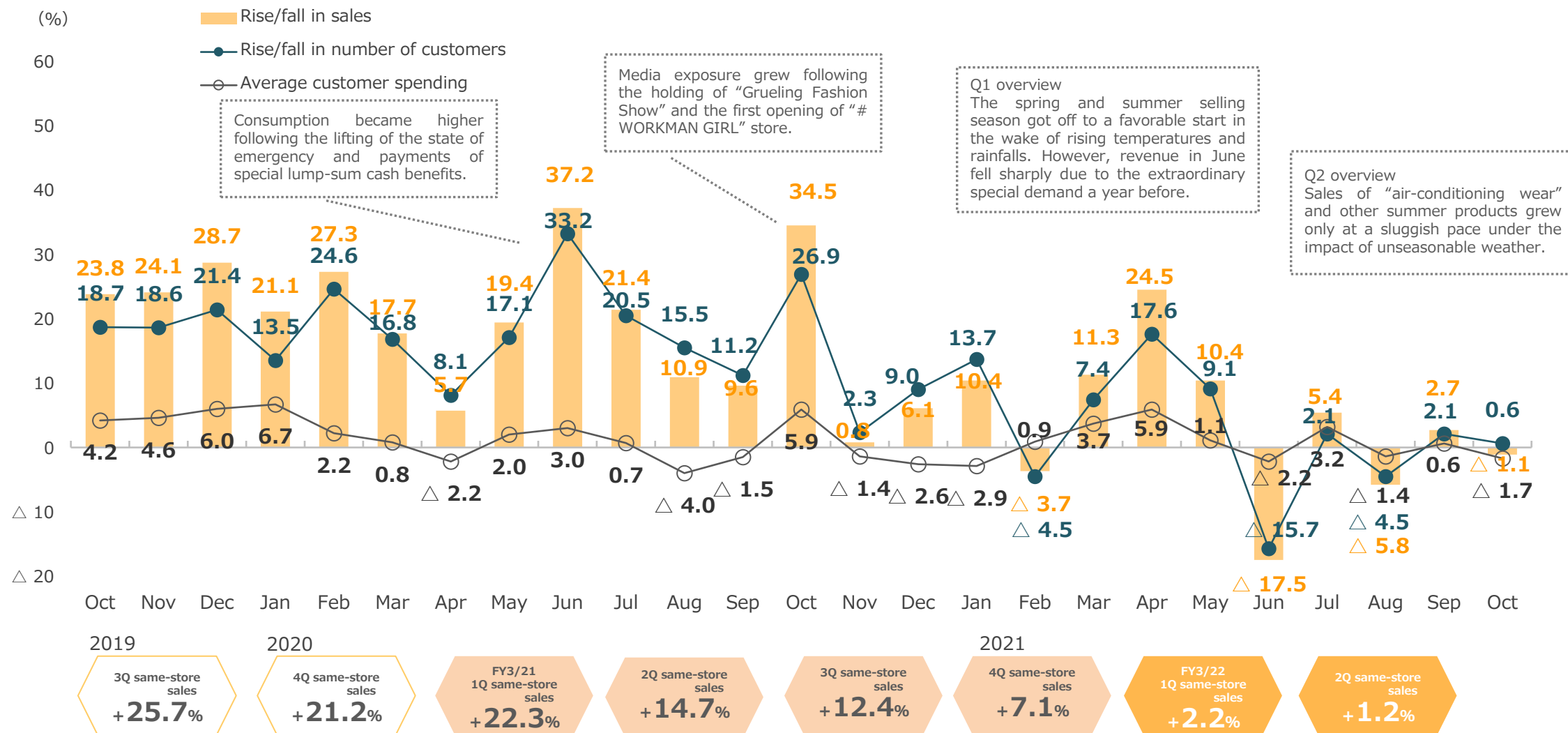
※2.The renovation means the conversion of WORKMAN stores to WORKMAN Plus stores.

The lower column shows the number of stores that were renovated to WORKMAN Plus in the past but became subject to S&B during the period under review.

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

# Monthly Trends and Factors

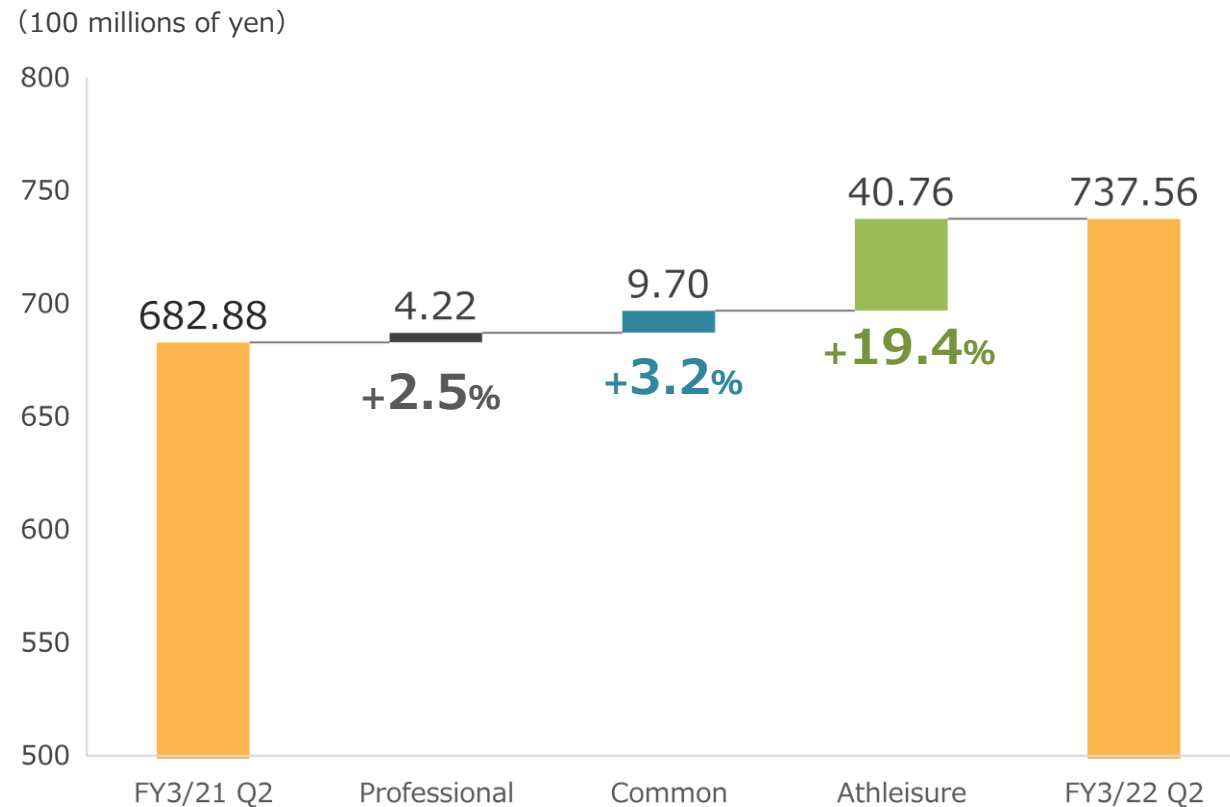
## ● Rise/Fall in Same-Store Sales, Number of Customers and Average Customer Spending



# Status of Sales (Results by Product)

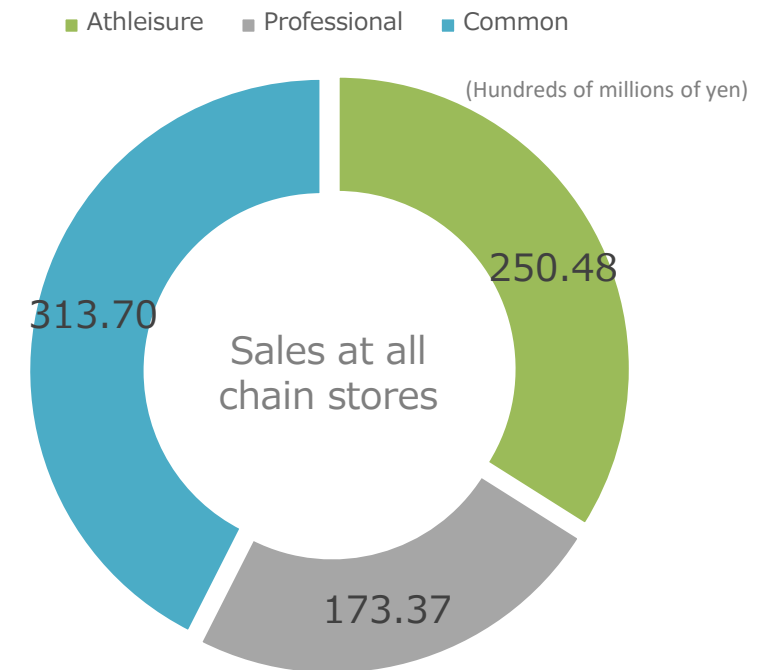
- PB brands for the athleisure market drove growth (customer base expanded).

● Factors for Increase/Decrease in FY3/22 Q2 Sales at All Chain Stores



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

● FY3/22 Q2 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.

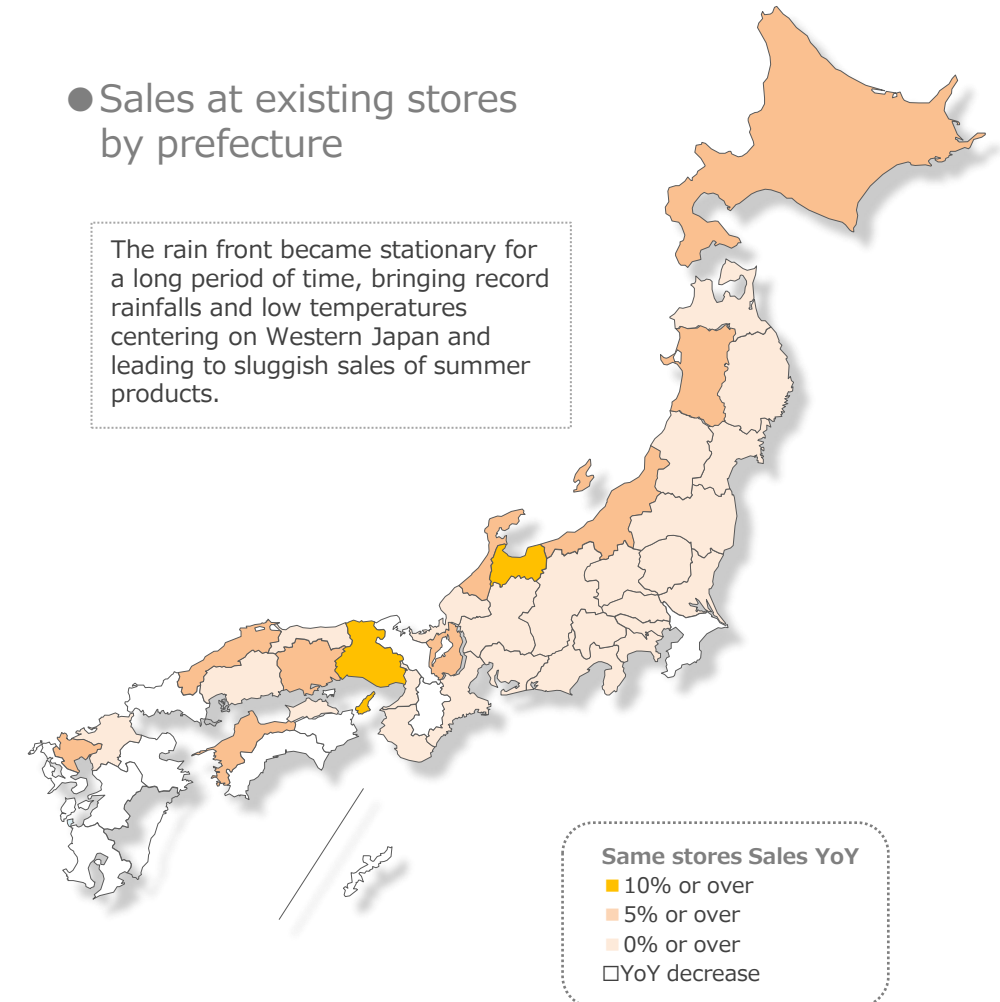
# Status of Sales (FY3/22 Q2)

## ● Sales at All Chain Stores 73,756 Million Yen

	All chain stores	Existing stores
Net sales	+8.0%	+1.7%
Number of customers	+6.7%	+0.7%
Average number of customers per day	—	※163 (+1)
Average customer spending	2,786 yen (+1.3%)	2,779 yen (+1.0%)
Unit price per item	1,071 yen (+26 yen)	1,061 yen (+24 yen)
Number of items purchased	2.6 items (±0.0 item)	2.6 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.

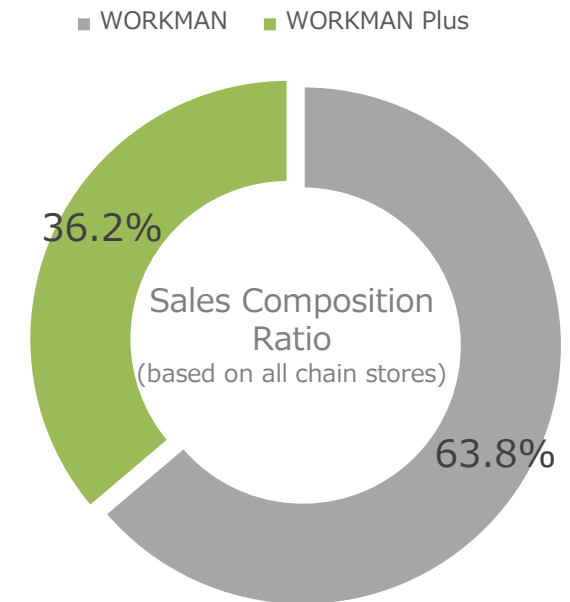
## ● Sales at existing stores by prefecture



# 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 Q2		FY3/22 Q2		Factors (YoY)
	Sales	YoY	Sales	YoY	
<b>Undergarments · Socks</b>	6,240	+28.4	<b>6,791</b>	<b>+8.8</b>	<ul style="list-style-type: none"> <li>• Short socks (+11.3%)</li> <li>• Tropical accessories (+7.8%)</li> </ul>
<b>Casualwear · Sports</b>	9,824	+24.2	<b>11,088</b>	<b>+12.9</b>	<ul style="list-style-type: none"> <li>• Short-sleeved T-shirts (+14.1%)</li> <li>• Long-sleeved T-shirts (+24.8%)</li> <li>• Long-sleeved compression shirts (+12.4%)</li> </ul>
<b>Workwear · Outdoor</b>	21,980	+22.6	<b>22,999</b>	<b>+4.6</b>	<ul style="list-style-type: none"> <li>• "Air-conditioning wear" (+9.5%)</li> <li>• Stretchable workwear (+46.9%)</li> <li>• Jogging pants (+40.9%)</li> </ul>
<b>Women's · Uniforms</b> white smocks, office uniforms, etc.	2,961	+59.5	<b>3,822</b>	<b>+29.1</b>	<ul style="list-style-type: none"> <li>• Women's clothing for summer (+30.8%)</li> <li>• Rainwear for women (+42.7%)</li> </ul>
<b>Footgear</b> Protective footwear, <i>tabi</i> stocks, high boots, kitchen shoes, etc.	10,413	+16.1	<b>11,491</b>	<b>+10.4</b>	<ul style="list-style-type: none"> <li>• Safety shoes (+7.1%)</li> <li>• Athletic shoes (+19.0%)</li> </ul>
<b>Work supplies</b> Work gloves, protective gear, rainwear, etc.	16,708	+22.1	<b>17,516</b>	<b>+4.8</b>	<ul style="list-style-type: none"> <li>• Outdoor gear (+625.6%)</li> <li>• Rainwear (+6.2%)</li> </ul>
<b>Other</b>	160	+22.3	<b>47</b>	<b>△70.4</b>	—
<b>Total</b>	68,288	+23.4	<b>73,756</b>	<b>+8.0</b>	

# Status of Sales (Sales by Product and Factors)




● Sales of PB Products **42,754 Million Yen** (Up 16.0% YoY)

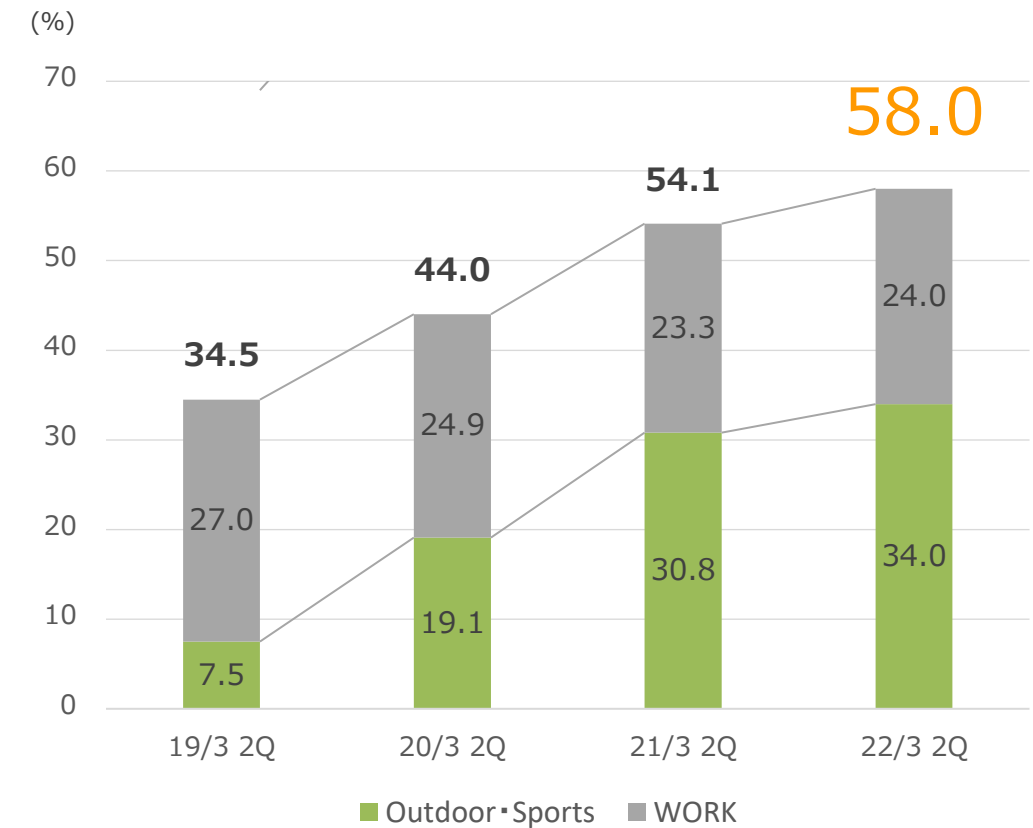
● WORK & Outdoor • Sports

(Millions of yen)	Number of items (the previous year)	Sales value (YoY)
 Work & Outdoor	429 (343)	14,350 (+24.1)
 Work & Sports	284 (316)	7,631 ( +9.6)
 High-performance rainwear	84 ( 94)	3,066 (+25.4)
Total for athleisure PB products	797 (753)	25,048 (+19.4)

● WORK

 WORKMAN BEST	414 (485)	14,272 (+13.1)
<b>ASSIST</b>	99 (160)	3,433 ( +5.4)
Total for working PB products	513 (645)	17,705 (+11.5)
Total for PB products	1,310 (1,398)	42,754 (+16.0)

● Changes in the PB ratio  
(The ratio to sales at all chain stores)



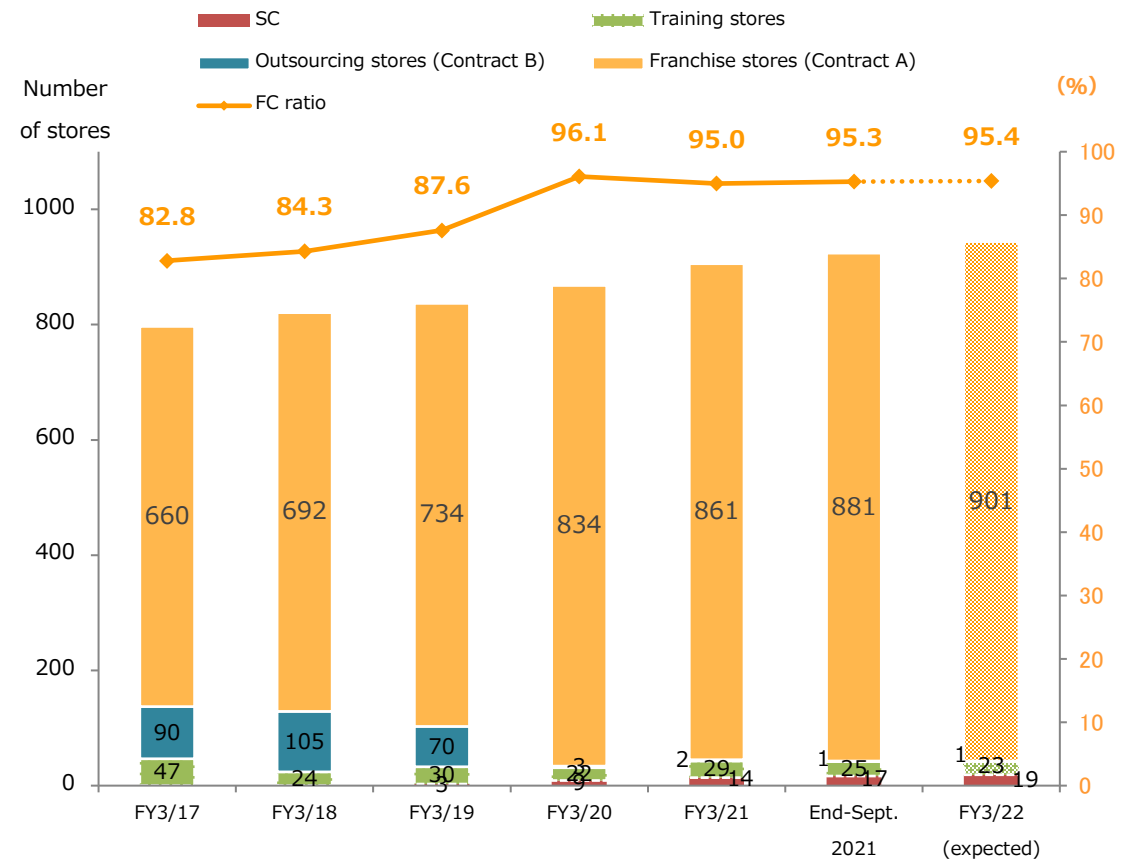
# Format of Store Operations

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

### ● Format of Store Operations for FY3/22 Q2

Format	End-March 2021	Up	Down	FY3/22 Q2
Franchise stores	861	45	25	881
Outsourcing stores	2	—	1	1
Training stores	29	18	22	25
SC stores	14	3	—	17

### ● Number of Stores by Format of Operations





# Inventories (Logistics Cost)

- Early introduction of products to stores ahead of the autumn and winter selling season, and control of CD inventories and delivery costs

- Selling price inventories per store

- Rise in spring/summer products carried - 4.6 million yen per store (3.6 million yen in FY3/21 Q2)
- Inquiries about autumn/winter products from franchise stores increased



- DC inventories / delivery cost ratio

- Delivery costs still remain at high levels. The Company aims to reduce delivery costs by streamlining logistics with the DC expansion.



- 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



## Logistics policy

- Isesaki Distribution Center expansion

## 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)	Number of stores at end of FY3/21	Openings set for FY3/22				Renovation set for FY3/22※2			Closures	Number of stores at end of FY3/22	Medium/ longer-term goals
			Roadside	SC※3	S&B※3		Full renovation	Partial renovation			
	632	(△13)	—	—	(△13)	(△59)	(△2)	(△57)	△2	<b>558</b>	200
	272	<b>43</b>	30	—	<b>13</b>	<b>59</b> (—)	2 (—)	57 (—)	—	<b>374</b>	900
	2	<b>10</b>	5	5	—	—	—	—	—	<b>12</b>	400
Total※1	906	<b>53</b>	35	5	13	<b>59</b>	2	57	△2	<b>944</b>	1,500

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

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

※2.The renovation means the conversion of WORKMAN stores to WORKMAN Plus stores.

The lower column shows the number of stores that were renovated to WORKMAN Plus in the past but became subject to S&B during the period under review.

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

# AI-Driven Sales Forecast of Seasonal New Products



- Improve the early stockout of new products Seek to mitigate opportunity loss through the insourcing of the system for sales forecast of new products



## ● Grueling Fashion Show

- Under the main theme of “Water & Fire,” new products sought to appeal their functionality through more grueling staging than in previous years
- Exhibition of tents and other outdoor gear (the gear is set to launch in February 2022)



The show drew visitors from 50 TV, magazine, newspaper and web media companies and 11 brand ambassadors.



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

The second roadside store and the Morioka Minami store (150-tsubo type) were opened.



- Plans for store openings in the second half

October	Arcakit Kinshicho store
November	Maebashi Yoshioka store (Cainz Mall)
	Mito Motoyoshida store (Cainz Mall)
	Nagaoka Kawasaki store (Lips Garden)
March	Shopping center stores (contracts under negotiations)

## Future Challenges

### 01. Stability of operations

⇒ Requires a long-term verification

### 02. Impact on neighboring stores

⇒ At present, sales tend to increase thanks to a synergetic effect.

It is necessary to verify the impact for each region by broadening the areas for new store openings.

### 03. Standardization of the operations of stores

⇒ Responses to general demand, including better assortment of products and wider sales floor Development of mechanisms anyone can handle (toward franchising)

# Demand Forecast and Ordering System

## ● Verification started at many stores

### ➤ Introduction schedule

※The schedule represents the timetable expected at the present time, and the Company may change it flexibly in accordance with the status of verification.



### ➤ Objective of the introduction

#### 01. Maximize sales by business categories

Build the ordering logic to help push up sales

#### 02. Optimize inventories at stores

Improve the inventory elasticity in accordance with sales

#### 03. Reduce the work of ordering at stores

Improve operations across all stores (the current upper limit is 500 stores)

### ➤ Goals

#### Sales

+ 2 %

#### Inventory value

± 1 million yen

#### Stockout rate

△ 0.1 ~ △ 0.2 %

While maintaining inventory levels, optimize them, and expect improvement in the stockout rate and sales growth.

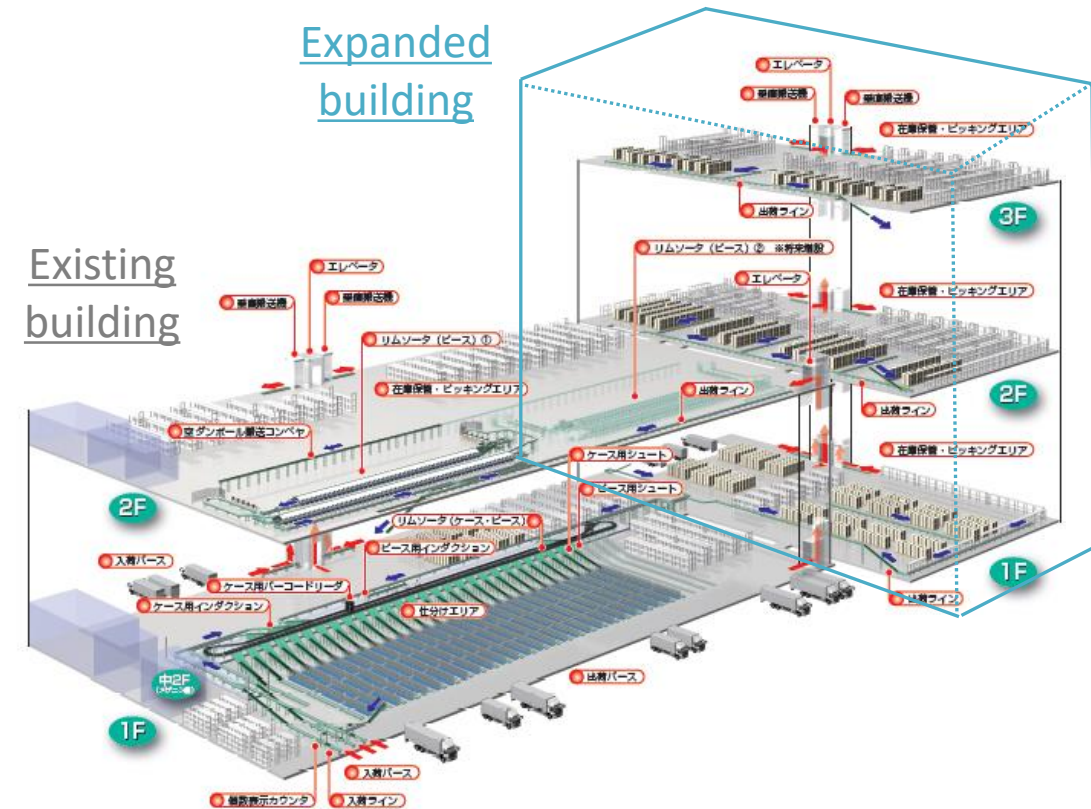


# Investment in Logistics

## ● Rebuilding of logistics infrastructure – Expansion of Isesaki Distribution Center (Gunma Prefecture)

### ● Details of the acquisition

Aggregate investment	3,317 million yen
Depreciation (annual amount)	153 million yen
SG&A (Q3 2022)	110 million yen
Total floor area (structural)	6,670 tsubo (Three stories)
Cost reduction (annual amount)	Some 265 million yen



Plans to construct the Nishi Nihon (Western Japan) Distribution Center (Okayama Prefecture) (Set for completion in 2026)



Following the reception of the outcome of the primary determination on the conformity to the criteria for maintaining the listing, the Company chose the

## "Standard Market."

### ● Outline of the listing criteria for the Standard Market

	Number of shareholders	Number of shares in circulation	Ratio of shares in circulation	Market capitalization of shares in circulation	Corporate governance
Criteria for maintaining the listing	400 or more	2,000 share units or more	25% or more	One billion yen or more	All principles applied
The Company's status	○	○	○	○	○

The Company "conforms" to all the criteria for maintaining the listing and plans to go ahead with the procedure relating to the application for the market the Company has chosen.

# 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 current fiscal year)

## FY3/22 Plans

### Sales at all chain stores

**156,174** million yen YoY+6.5%

### Total operating revenue

**114,445** million yen YoY+7.0%

### Operating profit

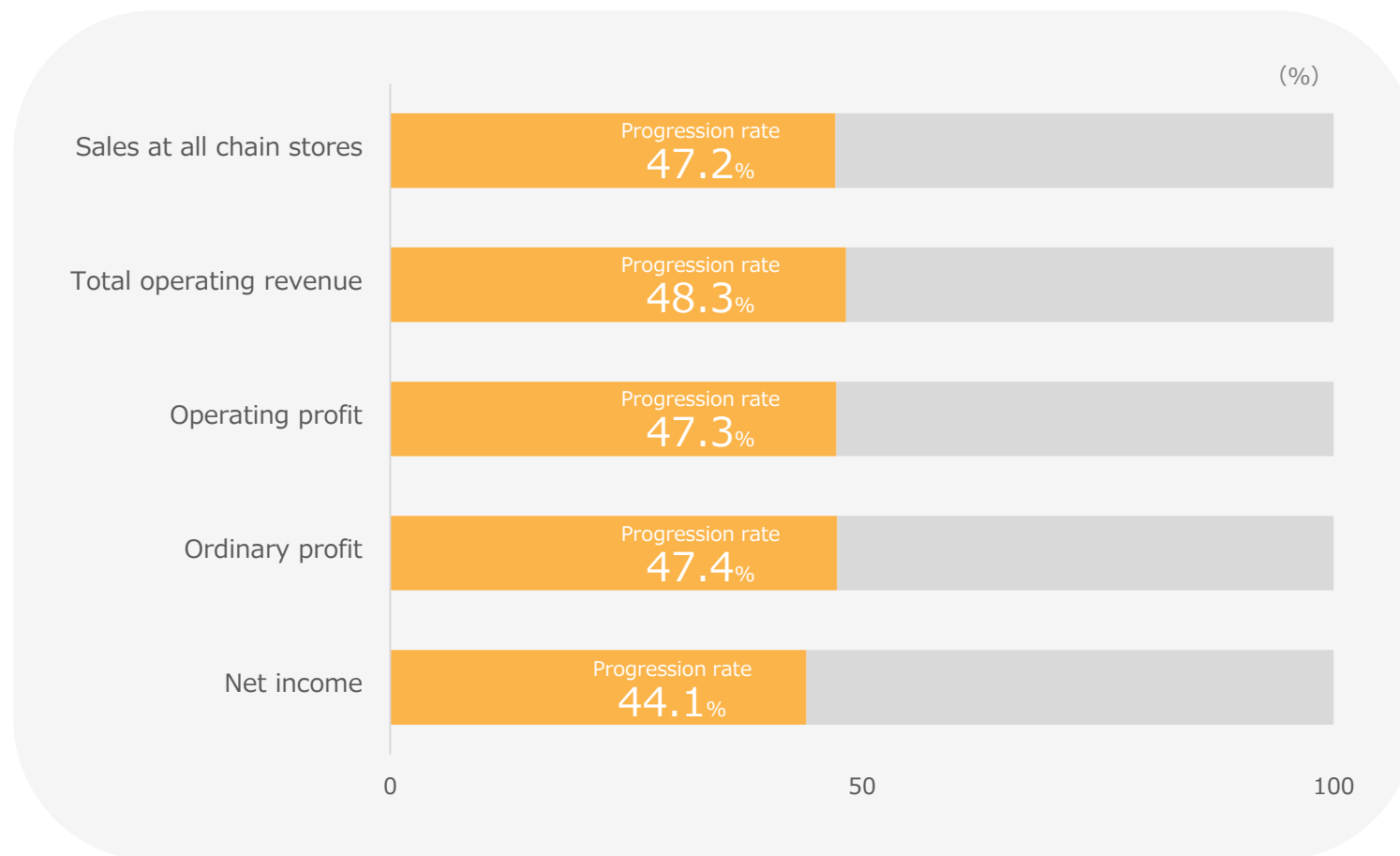
**26,673** million yen YoY+7.8%

### Ordinary profit

**27,200** million yen YoY+7.0%

### Net income

**18,155** million 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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