



JASDAQ (7564)

# WORKMAN CO., LTD.

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

February 8, 2022

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

# Cumulative income statement



(Millions of yen)	FY3/21 Q3	FY3/22 Q3	YoY
<b>Sales at all chain stores</b>	117,696	<b>125,963</b>	<b>+7.0</b>
Sales to directly managed stores	7,629	<b>8,061</b>	<b>+5.7</b>
Sales to franchise stores	110,067	<b>117,901</b>	<b>+7.1</b>
(Same store sales)	—	—	<b>+1.5</b>
<b>Total operating revenue</b>	83,102	<b>91,778</b>	<b>+10.4</b>
Cost of sales	49,456	<b>54,625</b>	<b>+10.5</b>
SG&A	13,512	<b>14,567</b>	<b>+7.8</b>
<b>Operating profit</b>	20,132	<b>22,585</b>	<b>+12.2</b>
<b>Ordinary profit</b>	21,277	<b>23,053</b>	<b>+8.3</b>
<b>Net income</b>	13,336	<b>14,313</b>	<b>+7.3</b>
EPS	163.42yen	<b>175.39yen</b>	

※The Company applies the Accounting Standard for Revenue Recognition from FY3/22 Q1. The said accounting standard is not applied retroactively to FY3/21 Q3, and YoY comparison is made against figures prior to the change.

## ➤ Financial Results Highlight

### ● Sales at all chain stores

- Sales reached the assumed line for the cumulative period.
- The higher base sales helped existing stores achieve growth at cruising speed.
- Thanks to the expanded customer base, women's clothing and other products for the general public performed favorably.

### ● Total operating revenue

- Sales and gross profit margin were generally inline with the plan, and as such are progressing favorably.
- The balance between OTC sales and sales of products supplied to franchise stores improved, and profitability and store inventory optimization progressed.

### ● Cost of sales

131 million yen was booked for reevaluation of products in Q3 (the same level a year earlier).

### ● SG&A

- Around 110 million yen was booked for the initial cost of the DC expansion.
- Logistics cost was contained by better inventory control.
- Rewards for honoring step-up (honoring of sales growth) Down 414 million yen

### ● Operating Profit

Profit related to overseas purchase tended to worsen due to sharp rises in raw material and marine transportation costs, but the profit rate was maintained by sustaining gross profit at stores and curbing SG&A.

- Profit related to overseas purchase 6,941 million yen (down 0.2%)
- Direct overseas purchases up 2.90% YoY%
- Average settlement rate 107.75 yen (the preceding quarter: 105.65 yen)

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



(Millions of yen)	FY3/22 Q3 Pre-change	FY3/22 Q3 Post-change	Effect
Sales at all chain stores	125,971	<b>125,963</b>	△8
Total operating revenue	90,774	<b>91,778</b>	<b>+1,003</b>
Cost of sales	54,913	<b>54,625</b>	△288
SG&A	13,917	<b>14,567</b>	<b>+649</b>
Operating profit	21,943	<b>22,585</b>	<b>+642</b>
Ordinary profit	23,083	<b>23,053</b>	△29
Net income	14,332	<b>14,313</b>	△18

## ➤ 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 5 million yen**
- ② Effect from the process of calculating purchase rebates  
⇒ Operating profit - **Down 25 million yen**
- ③ Effect from the change of non-operating revenue  
⇒ Operating profit - **Up 672 million yen**

The impact on operating profit of the above - **Up 642 million yen**

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

### ● SG&A

- FC store cost changed from the revenue item - Up **3,754** million yen
- Award money for franchise stores changed to the revenue item - Down **247** million yen
- Expenses related to entrusted DC operations changed from the revenue item - Down **2,843** million yen

Other changes involving small amounts - Up **649** million yen in total

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

(Millions of yen)	FY3/21 Q3 <b>Pre-change (a)</b>	FY3/22 Q3 <b>Pre-change (b)</b>	YoY (%) b/a	FY3/22 Q3 <b>Post-change (c)</b>	Effect c – b
Labor cost	2,485	2,658	+7.0	<b>2,658</b>	–
Selling cost	918	591	△35.6	<b>802</b>	<b>+211</b>
Traveling expenses	185	209	+13.0	<b>209</b>	–
Freight cost	2,187	2,233	+2.1	<b>1,070</b>	△ <b>1,163</b>
Rent	1,534	1,568	+2.2	<b>4,357</b>	<b>+2,788</b>
Supply expenses	663	671	+1.1	<b>541</b>	△ <b>130</b>
Outsourcing expenses	2,775	2,832	+2.0	<b>1,872</b>	△ <b>959</b>
Depreciation	1,189	1,453	+22.2	<b>1,453</b>	–
Other	1,573	1,698	+8.0	<b>1,602</b>	△ <b>96</b>
Total	13,512	13,917	+3.0	<b>14,567</b>	<b>+649</b>

# Balance Sheet



(Millions of yen)	FY3/21 End of Q3	FY3/21	FY3/22 End of Q3	Change
<b>Current assets</b>	82,499	85,696	<b>89,924</b>	<b>4,228</b>
Cash and deposits	56,881	57,813	<b>64,969</b>	<b>7,156</b>
Accounts receivable - due from FCs	10,299	11,884	<b>10,121</b>	△ <b>1,763</b>
Merchandise	13,317	14,077	<b>12,054</b>	△ <b>2,022</b>
Other	2,000	1,921	<b>2,779</b>	<b>857</b>
<b>Non-current assets</b>	25,788	27,179	<b>30,644</b>	<b>3,464</b>
Property, plant and equipment	18,936	20,101	<b>23,621</b>	<b>3,519</b>
Intangible assets	688	769	<b>814</b>	<b>44</b>
Other investments	6,162	6,307	<b>6,208</b>	△ <b>99</b>
<b>Total assets</b>	<b>108,287</b>	<b>112,876</b>	<b>120,569</b>	<b>7,693</b>
<b>Current liabilities</b>	18,714	19,090	<b>17,865</b>	△ <b>1,224</b>
<b>Non-Current liabilities</b>	3,187	3,191	<b>3,666</b>	<b>475</b>
<b>Total liabilities</b>	<b>21,901</b>	<b>22,282</b>	<b>21,532</b>	△ <b>749</b>
<b>Total net assets</b>	<b>86,385</b>	<b>90,593</b>	<b>99,036</b>	<b>8,442</b>
<b>Total liabilities and net assets</b>	<b>108,287</b>	<b>112,876</b>	<b>120,569</b>	<b>7,693</b>

## ➤ Factors of increase/decrease

### ● Cash and deposits

Operating C/F - 18,292 million yen  
Investing C/F - Down 5,756 million yen  
Financial C/F - Down 5,316 million yen

### ● Drop in credit to franchise stores

- Number of stores covered increased to 781 (down 28 stores from the end of the preceding quarter)
- Drop in at-store inventories thanks to smooth sales of winter products

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

- Directly managed/SC stores – Down 135 million yen
  - Distribution centers – Down 2,231 million yen
  - Goods in transit – Up 344 million yen
- Inventories at distribution centers decreased significantly thanks to stronger inventory controls.

### ● Rise in tangible fixed assets

- DC expansion – Total acquisition 2,933 million yen (Of the total, 421 million yen acquired in the preceding quarter)

### The expanding store site area led to the rising trend of investments.





- New openings of 31 stores and 11 S&B stores (Of the total, 36 are company owned stores)
- Remodeling of WORKMAN Plus stores (2 stores fully remodeled, 57 stores partially remodeled)

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



## ● Opening of the new business category “WORKMAN Pro”

**935** stores at the end of December 2021 (up 29 stores over end-March 2021)

(Number of stores)	Number of stores at end-March 2021	New store openings			S&B※3	Renovation/conversion※2			Closures	Number of stores at end-Dec. 2021
			Roadside	SC※3			Full renovation	Partial renovation		
	632	—	—	—	(△11)	(△59)	(△2)	(△57)	△2	<b>560</b>
	272	<b>21</b>	21	—	<b>11</b>	<b>59</b> (—)	2 (—)	57 (—)	—	<b>363</b>
	2	<b>9</b>	5	4	—	—	—	—	—	<b>11</b>
	—	<b>1</b>	1	—	—	—	—	—	—	<b>1</b>
Total※1	906	<b>31</b>	27	4	<b>11</b>	<b>59</b>	2	57	△2	<b>935</b>

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

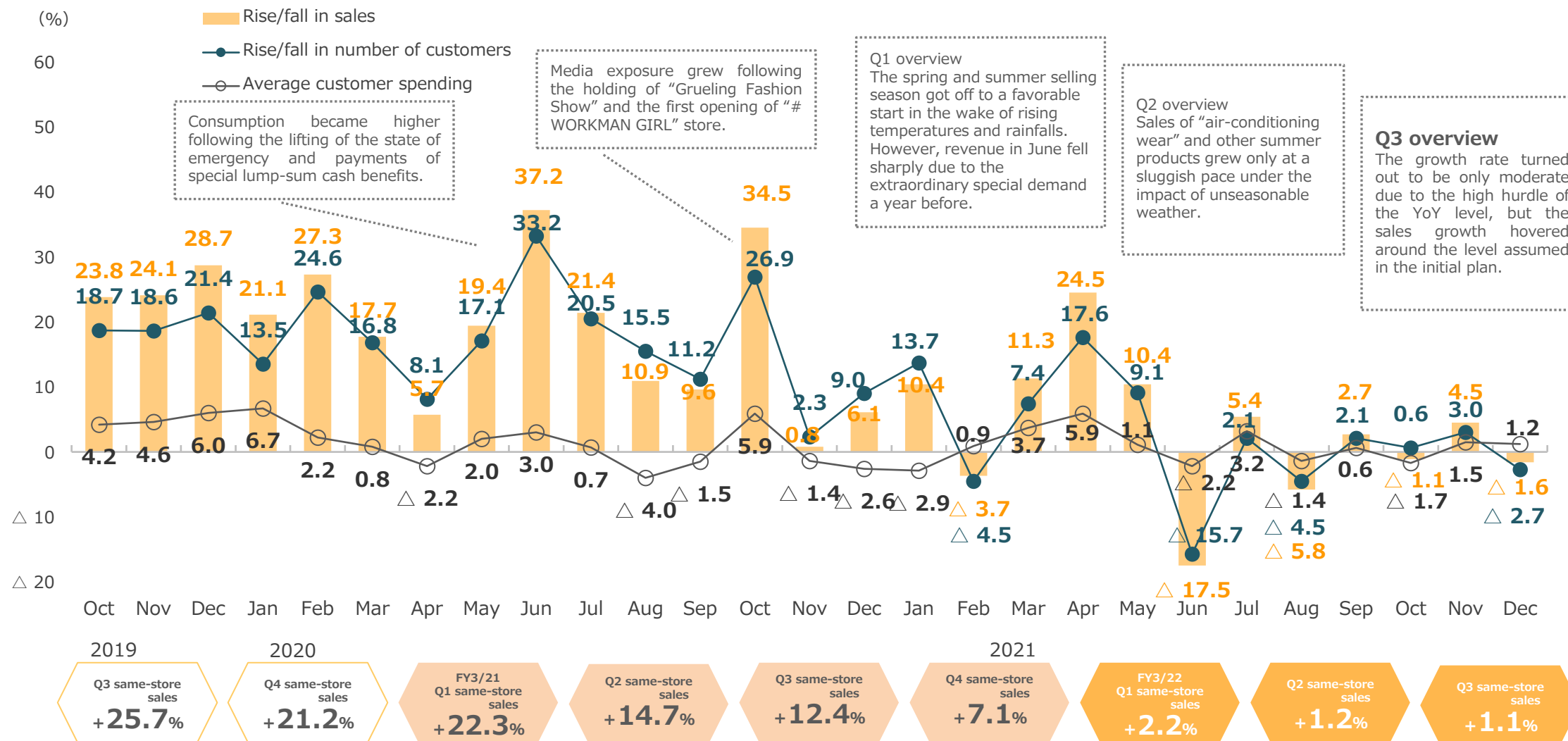
※2. The renovation means the conversion of WORKMAN stores to WORKMAN Plus stores.

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



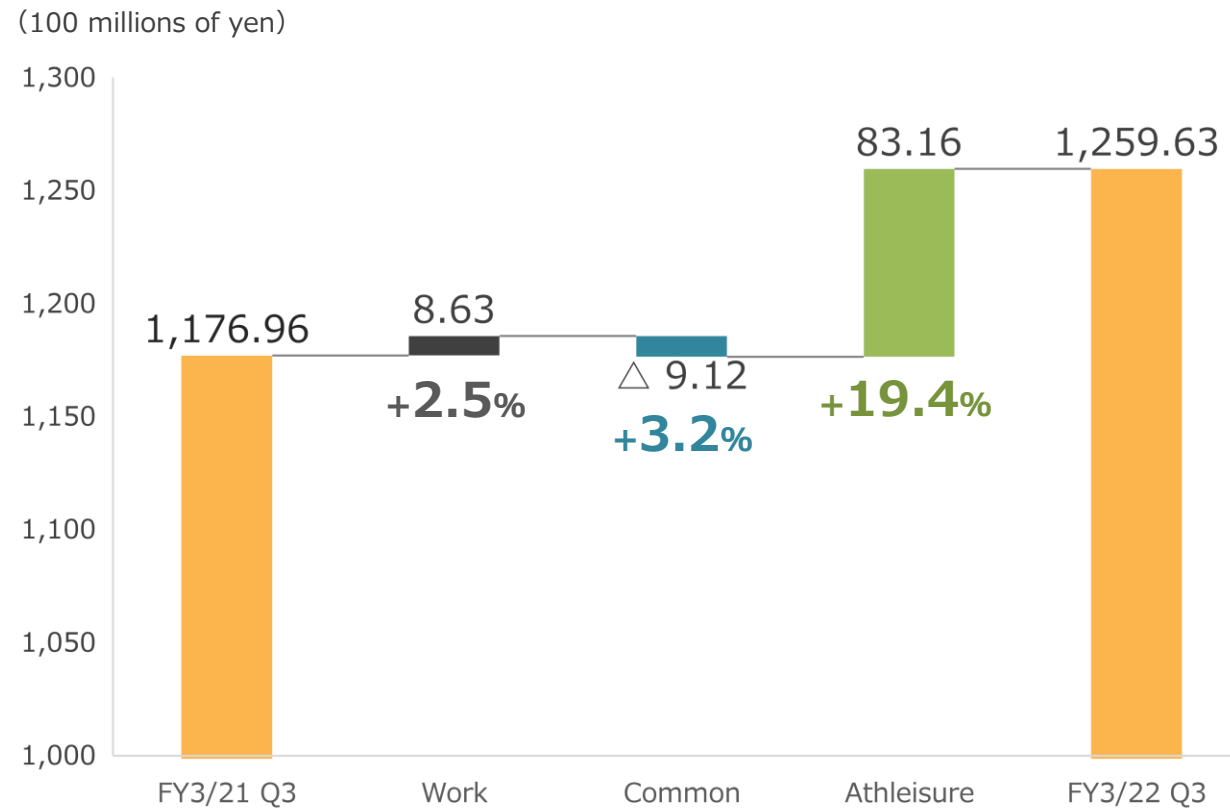
# Status of Sales (Results by Product)



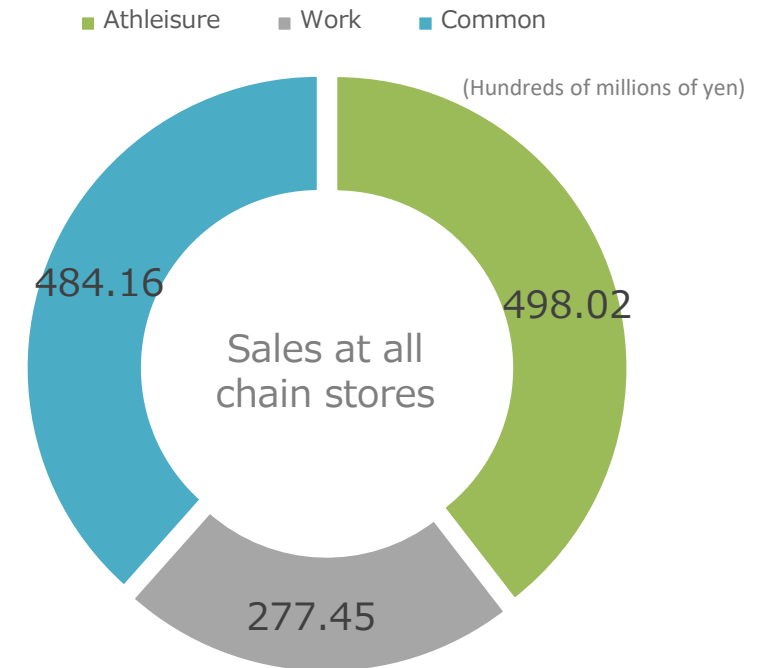
## ● Products for the athleisure market drove growth, products for professionals remained steady

● Factors for Increase/Decrease in FY3/22 Q3 Sales at All Chain Stores

● FY3/22 Q3 Sales by Product



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



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.

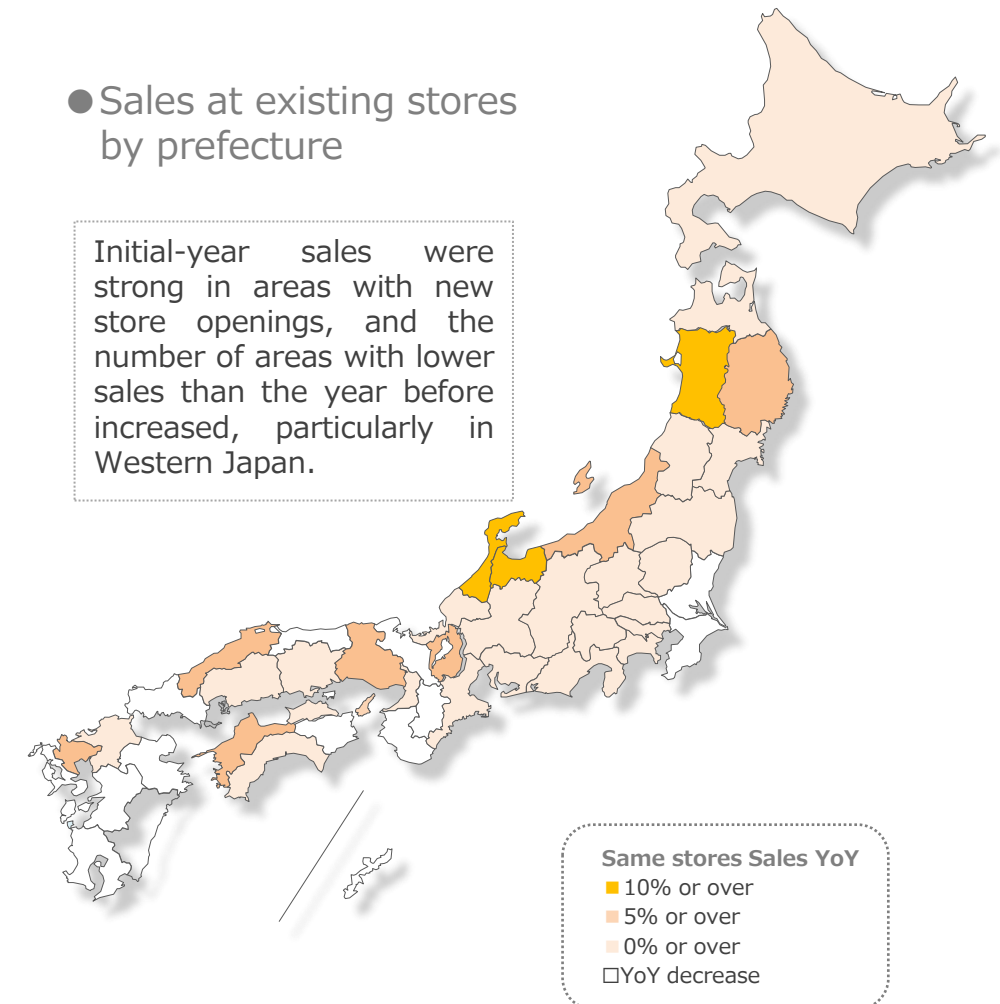
# Status of Sales (FY3/22 Q3)

## ● Sales at All Chain Stores 125,963 Million Yen

	All chain stores	Existing stores
Net sales	+7.0%	+1.5%
Number of customers	+6.0%	+0.7%
Average number of customers per day	—	※174 (+1)
Average customer spending	2,913 yen (+1.0%)	2,898 yen (+0.8%)
Unit price per item	1,140 yen (+23 yen)	1,124 yen (+15 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

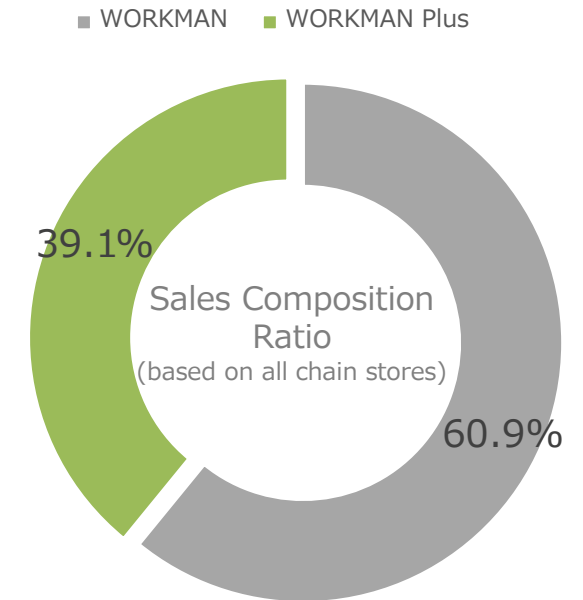
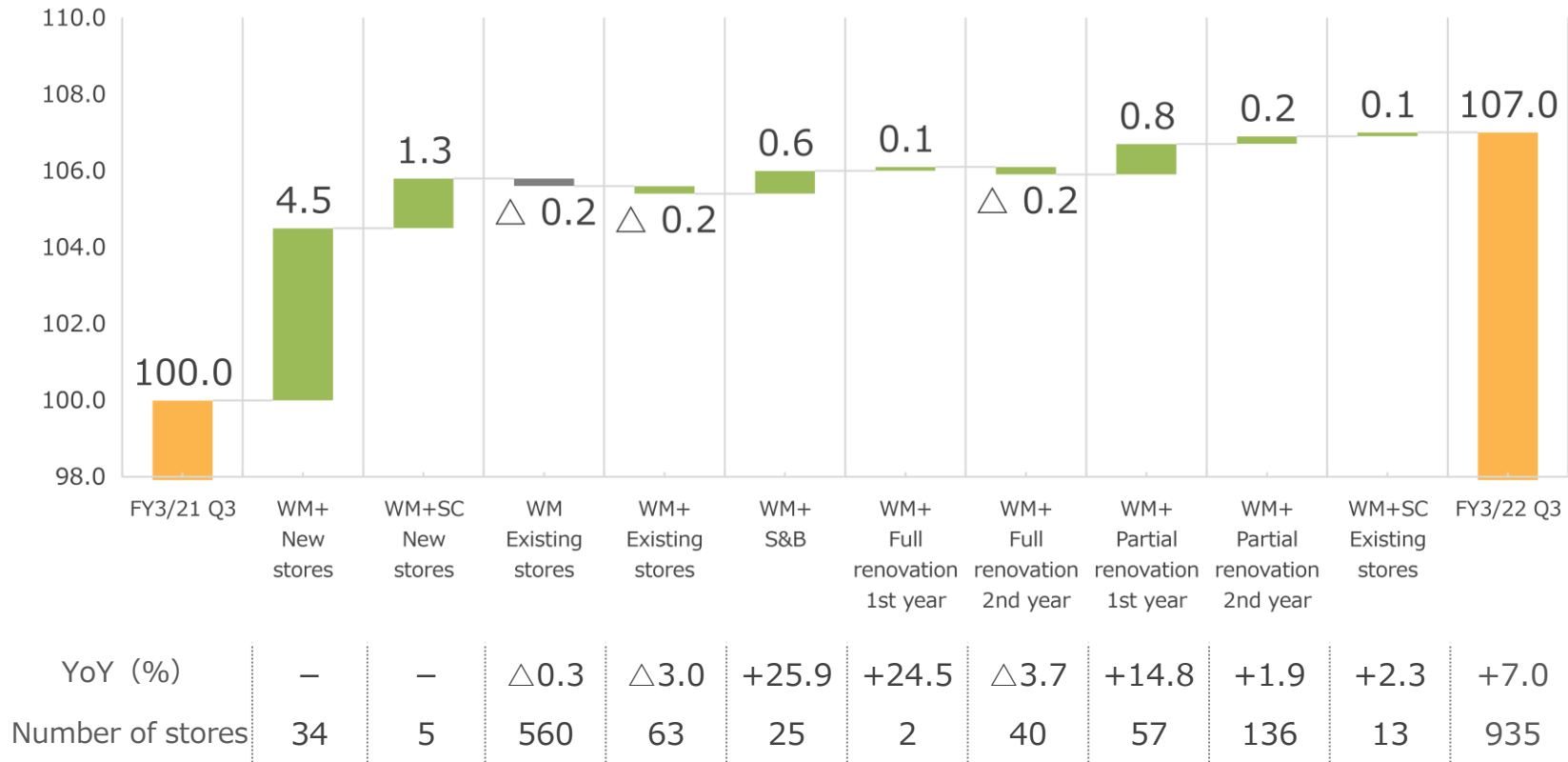


# Sales by Business Category



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

The effective openings of new stores and the renovation of WORKMAN Plus stores pushing up sales at existing stores combined to help maintain growth.  
(%)



※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




Category	FY3/21 Q3		FY3/22 Q3		Factors (YoY)
	Sales	YoY	Sales	YoY	
Undergarments・Socks	10,697	+27.3	11,860	+10.9	<ul style="list-style-type: none"> <li>• Outdoor caps (+130.7%)</li> <li>• Thermal inner shirts (+20.7%)</li> <li>• Thermal tights (△12.5%)</li> </ul>
Casualwear・Sports	16,921	+26.8	18,553	+9.6	<ul style="list-style-type: none"> <li>• Thermal long-sleeved T-shirts (+57.4%)</li> <li>• Training blouson (+19.8%)</li> <li>• Thermal blouson (△14.3%)</li> </ul>
Workwear・Outdoor	38,126	+20.7	40,023	+5.0	<ul style="list-style-type: none"> <li>• Jogging pants (+44.6%)</li> <li>• Heater wear (+80.0%)</li> <li>• Work pants (△10.6%)</li> </ul>
Women's・Uniforms white smocks, office uniforms, etc.	5,265	+65.5	6,843	+30.0	<ul style="list-style-type: none"> <li>• Rainwear for women (+43.0%)</li> <li>• Thermal women's clothing (+55.8%)</li> </ul>
Footgear Protective footwear, <i>tabi</i> stocks, high boots, kitchen shoes, etc.	17,754	+15.5	19,255	+8.5	<ul style="list-style-type: none"> <li>• Athletic shoes (+12.8%)</li> <li>• Thermal outdoor boots (+171.7%)</li> <li>• Safety shoes (+6.3%)</li> </ul>
Work supplies Work gloves, protective gear, rainwear, etc.	28,638	+17.4	29,347	+2.5	<ul style="list-style-type: none"> <li>• Rainwear (+6.1%)</li> <li>• Outdoor gear (+546.3%)</li> <li>• Waterproof, thermal clothing (△19.4%)</li> </ul>
Other	292	+35.0	79	△73.0	—
<b>Total</b>	<b>117,696</b>	<b>+22.0</b>	<b>125,963</b>	<b>+7.0</b>	

# Status of Sales (Sales by Product and Factors)




● Sales of PB Products **78,857 Million Yen** (Up 12.3% YoY)

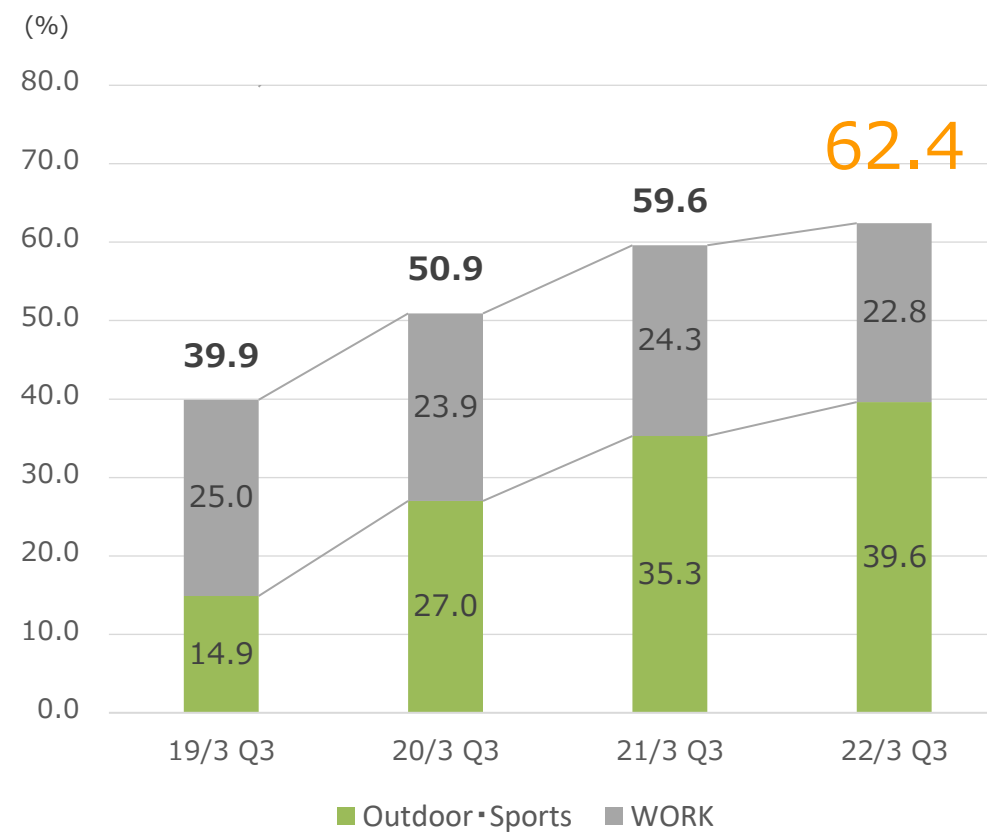
● WORK & Outdoor • Sports

(Millions of yen)	Number of items (the previous year)	Sales value (YoY)
 Work & Outdoor	493 (388)	25,418 (+16.4)
 Work & Sports	310 (346)	17,320 (+33.6)
 High-performance rainwear	115 (103)	7,063 (+5.6)
Total for athleisure PB products	918 (837)	49,801 (+20.0)

● WORK

 WORKMAN BEST	461 (522)	23,018 (+6.2)
<b>ASSIST</b>	117 (180)	5,738 (△15.4)
Total for working PB products	578 (702)	28,756 (+1.0)
Total for PB products	1,496 (1,539)	78,557 (+12.3)

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



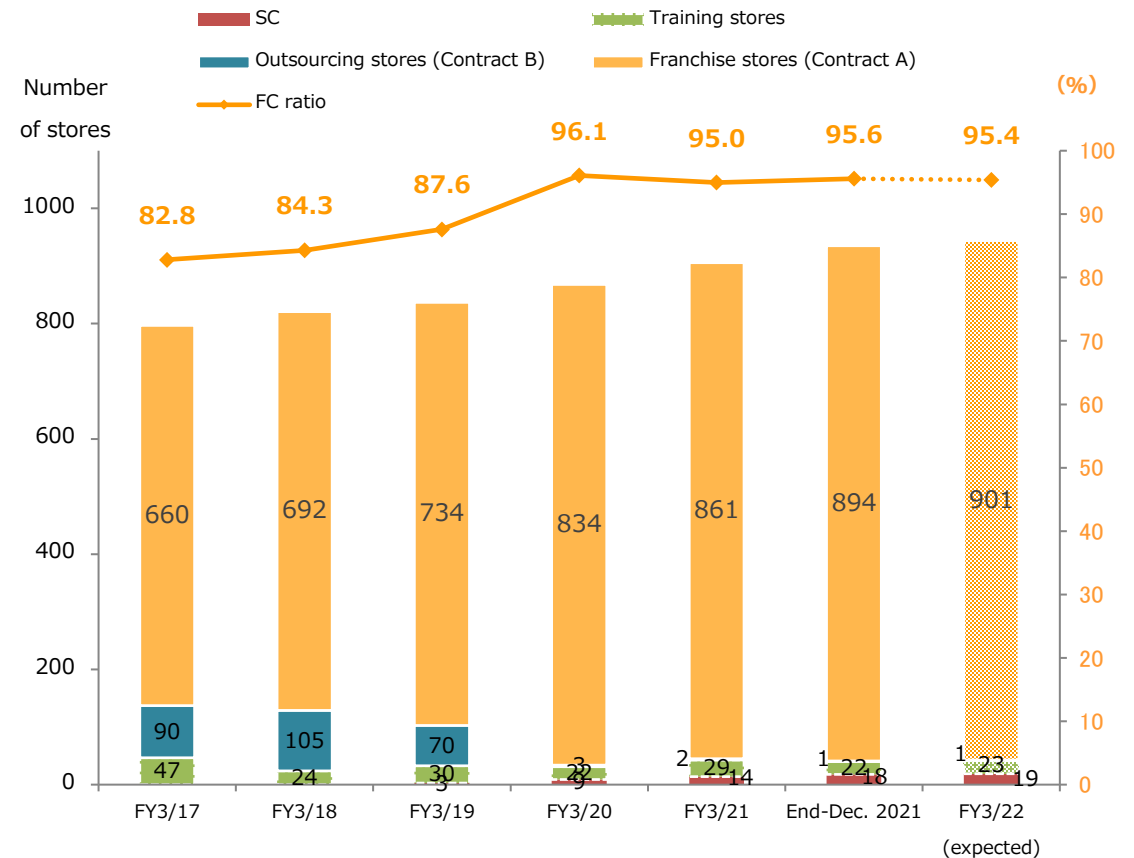
# Format of Store Operations

## ● Ratio of Franchise Stores **95.6%** (up 0.6 points YoY)

### ● Format of Store Operations for FY3/22 Q3

Format	End-March 2021	Up	Down	FY3/22 Q3
Franchise stores	861	65	32	894
Outsourcing stores	2	—	1	1
Training stores	29	30	37	22
SC stores	14	4	—	18

### ● Number of Stores by Format of Operations



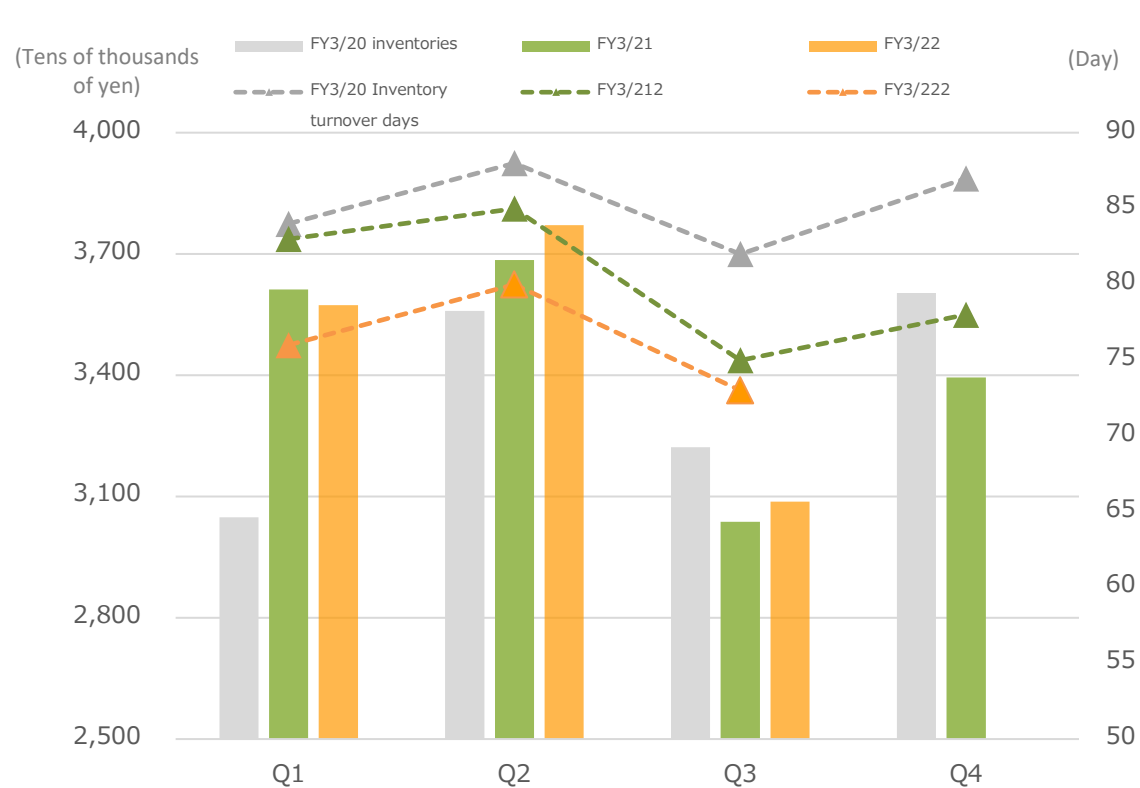


# Inventories (Logistics Cost)

## ● Sales of winter products fared well

### ● Selling price inventories per store

- With sales of winter products faring well, inventory costs came to settle close to the level of last year.
- As the life cycles of products are getting shorter, the Company will review inventory management.



### ● DC inventories / delivery cost ratio

- The controlling of inventories and costs is moving ahead smoothly.
- Over the medium and long term, the Company will strive to reduce costs further by improving 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



## 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			S&B※3	Renovation set for FY3/22※2			Closures	Number of stores at end of FY3/22	Medium/longer-term goals
			Roadside	SC※3			Full renovation	Partial renovation			
	632	—	—	—	(△12)	(△59)	(△2)	(△57)	△2	<b>559</b>	200
	272	<b>29</b>	29	—	<b>12</b>	<b>59</b> (—)	2 (—)	57 (—)	—	<b>372</b>	900
	2	<b>10</b>	5	5	—	—	—	—	—	<b>12</b>	400
	—	<b>1</b>	1	—	—	—	—	—	—	<b>1</b>	N/A
Total※1	906	<b>40</b>	35	5	<b>12</b>	<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

- New business category designed to ease decline in satisfaction of customers and franchise stores



- With the higher base sales, further segmentation of store categories determined as necessary for stable growth.
- The product lineup is basically the same as WORKMAN, but the new category is intended to produce a shop with an exterior appearance and interior design for professional craftspeople.

## [MISSION]

**The strong bond with craftspeople**

Revive the strong bond of “Our WORKMAN”

## [ISSUE]

**Craftspeople’s psychological defection from WORKMAN**

Dispel the dissatisfaction that “WORKMAN is no longer ours”

## [STRATEGY]

- Renovation of existing stores
  - Rebuilding of product lines for craftspeople
- We aim to become an enterprise for craftspeople that is “more serious than anyone else.”

**Following the verification at the new store, we will seek to expand deployment of WORKMAN Pro stores by renovating existing stores.**

# ● We started the opening and franchising of WORKMAN GIRL stores at open mall shopping centers

## Task

## Progress/In-house evaluation

### Stability of operations

• Stores are performing favorably, as the number of customers visiting open malls tends to grow in synergy with other chains.

⇒ **Open malls showing good responses (we plan to open 11 stores in the fiscal year ending in March 2023).**

• Roadside independent stores are faring well in terms of both the number of customers and sales, but sales in the second year need to be checked before accelerating new store openings.

### Impact on neighboring stores

• At present, little impact seen on existing stores. During the open sale periods, sales at neighboring stores tend to increase.

• We plan to expand the areas for opening new stores, and continuously carry out hypothesis and verification at locations such as those with smaller trade-area populations.

### Store operations

• We are developing sales floors based on the in-season MD plan.

We plan to move ahead with the improvement and accuracy enhancement of sales floor development and alteration operations.

### Franchising

• The profit rates of both franchise stores and the headquarters is nearing the same levels as other store categories.

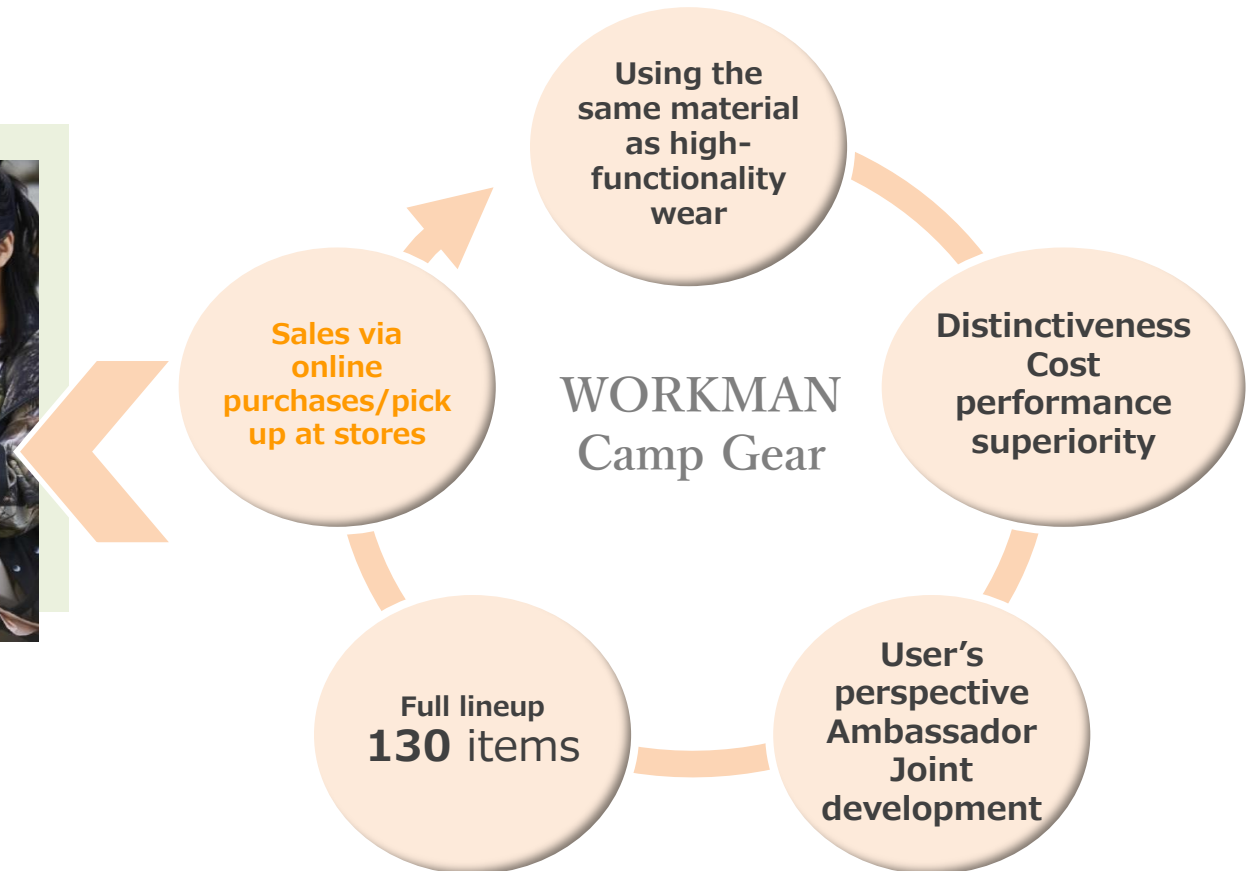
⇒ We plan to move ahead with the standardization of store operations and accelerate franchising while checking the stability of operations.

# Camp Gear

- We will make a full-scale entry into the camp gear market in response to user requests.
- “Camp Gear & New Spring/Summer Products Rollout Event” planned for Tuesday, February 22.
- We will have a crack at new sales channels for exclusive products for online purchase and pick up at stores.



Target annual sales of 4.0 billion yen for the fiscal year ending in March 2023



# Response Policy to Sharp Rises in Purchase Prices

- We have declared “a price freeze” for PB products.

- We will consider changing producing countries to maintain prices, with some products revised or eliminated to maintain affordability.

- Problems involved in product procurement

## Weaker yen

- Forex rate for the March 2022 term  
108-yen level (estimate)
- Forex rate for the March 2023 terms  
115-yen level (forecast)

## Sharp rise in raw materials prices

- Sharp rise in cotton prices
- Sharp rises in chemical fiber and crude oil prices

## Sharp rise in transport costs

Maritime transportation costs (fuels, container costs, etc.)

## Background to the price freeze

With consumer sentiment dampened by the impact of COVID-19, we declared the price freeze in order to retain customers.

## Price increase risks

- Impairment of the brand image of “high functionality x low prices”
- Alienating new customers
- Price lines in disarray

**While “defensively” freezing prices, we will create a distinctive market by promoting product improvement/elimination and enhancing functionality as an “offensive” measure.**

**※Our policy is to respond flexibly when considering profitability, as we have to assume that extremely sharp rises in purchase prices may force us to raise prices.**



# 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

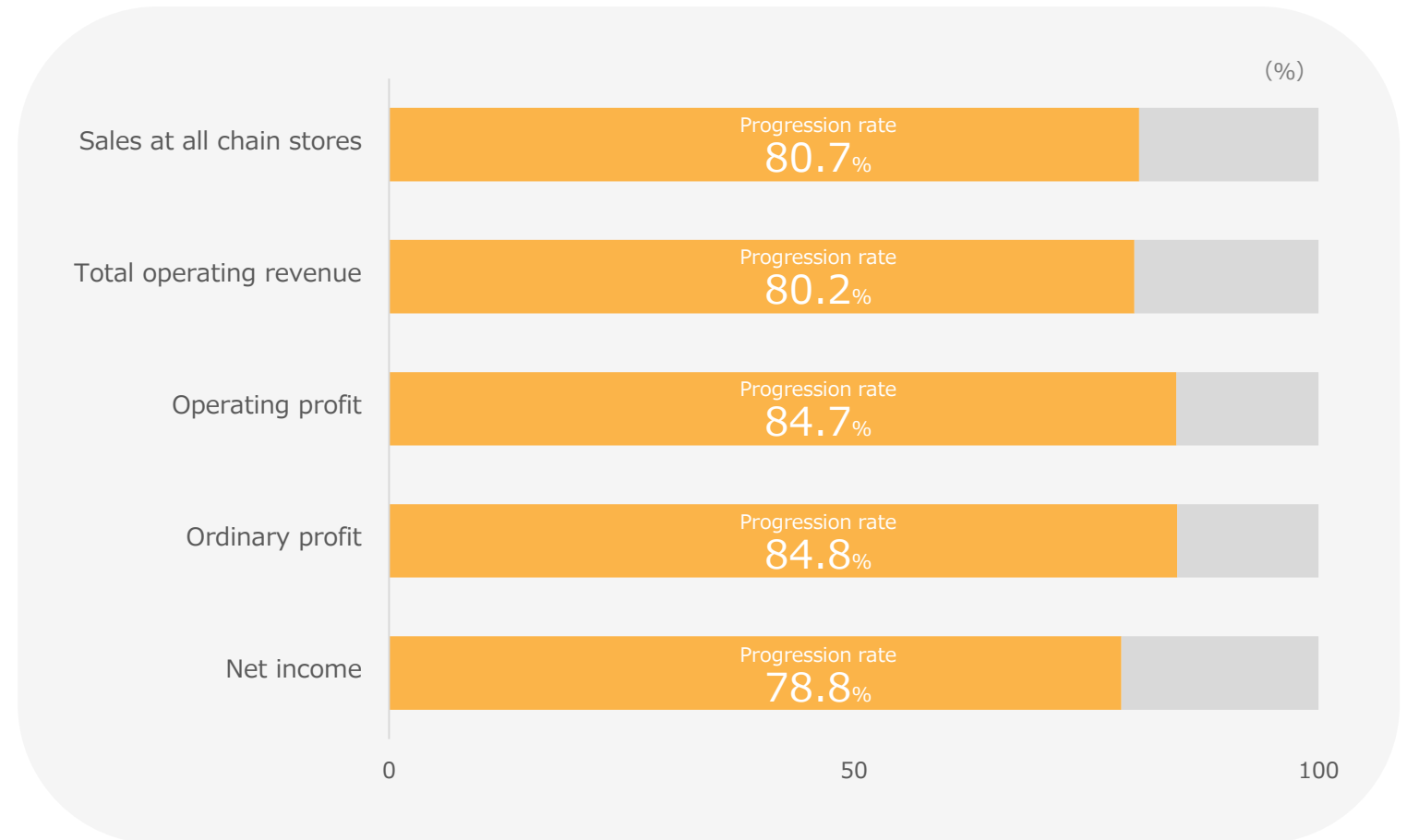
**26,673** million yen YoY+7.8%

### 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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