



WORKMAN CO., LTD.

Materials for Briefing Session on the Financial Results for
the Fiscal Year Ending March 31, 2023

May 10, 2023

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- Financial Results for the Fiscal Year
Ending March 31, 2023

Cumulative income statement

(Millions of yen)	FY 3/22	FY 3/23	YoY (%)	Forecast for FY3/23	Compared with Plan
Sales at all chain stores	156,597	169,856	+8.5	168,634	+0.7
Sales to directly managed stores	9,902	10,965	+10.7	10,658	+2.9
Sales to franchise stores	146,695	158,891	+8.3	157,975	+0.6
(Same store sales)	—	—	+2.6	+2.2	+0.4
Total operating revenue	116,264	128,289	+10.3	125,213	+2.5
Cost of sales	70,207	83,529	+19.0	82,625	+1.1
Adjusted OP before SG&A	46,056	44,759	$\triangle 2.8$	42,588	+5.1
SG&A	19,254	20,652	+7.3	20,813	$\triangle 0.8$
Operating profit	26,802	24,106	$\triangle 10.1$	21,774	+10.7
Ordinary profit	27,395	24,664	$\triangle 10.0$	22,355	+10.3
Net income	18,303	16,656	$\triangle 9.0$	14,897	+11.8
EPS	224.28yen	204.10yen		182.55yen	

➤ Financial Results Highlights

● Sales at all chain stores

- Down 2.4 points from the Q4 accounting period
- In addition to a favorable external business environment, including climate-related effects and increased demand for outings, the plan for the full year was successfully achieved by developing products such as camping gear and women's clothing that meet needs.

● Total operating revenue

- Supply sales to franchise stores: 81,893 million yen (up YoY 11.3%)
Supply sales increased more than in-store sales.
- Revenue from franchise stores: 35,311 million yen (up YoY 7.9%)
Average number of franchise stores during the fiscal period: 927 (an increase of 44 stores)
Despite impact from sharp rises in purchase prices, a 36.2% gross profit margin for franchise stores was maintained (down 0.1 points)

● Cost of sales

- Profit related to overseas purchases has decreased due to the weakening yen. This trend began to improve in the Q4 accounting period.
Direct overseas purchases: 130.0%
Average settlement rate: 128.05 yen (FY3/22: 109.27 yen)
Profit related to overseas purchases: 4,437 million yen (down 48.1%)

● Gross operating profit (main factors for rise/drop)

- Revenue from franchise stores: up 2,595 million yen
- Gross profit from self-operated stores: up 310 million yen
- Profit related to overseas purchases: down 4,109 million yen

Cumulative Selling, General and Administrative Expenses (SG&A)



(Millions of yen)	FY 3/22	SG&A ratio (%)	FY 3/23	SG&A ratio (%)	Change	YoY (%)
Sales at all chain stores	156,597	—	169,856	—	—	+8.5
Labor cost	3,535	2.3	3,700	2.2	+165	+4.7
Selling cost	972	0.6	1,084	0.6	+111	+11.5
Traveling expenses	266	0.2	322	0.2	+55	+20.8
Freight cost	1,410	0.9	1,422	0.8	+12	+0.9
Rent	5,830	3.7	6,000	3.5	+169	+2.9
Supply expenses	714	0.5	741	0.4	+26	+3.7
Outsourcing expenses	2,426	1.5	2,865	1.7	+438	+18.1
Depreciation	2,013	1.3	2,305	1.4	+292	+14.5
Other	2,083	1.3	2,210	1.3	+126	+6.1
Total	19,254	12.3	20,652	12.2	+1,398	+7.3

※The SG&A ratio is the ratio of SG&A to sales at all chain stores.

➤ Factors of increase/decrease

● Labor cost

The average number of employees during the quarter +13

● Freight cost

• Delivery efficiency and consolidation of external warehouses reduced maintenance cost. Even in comparison with the sales growth rate, costs were curbed significantly.

● Rent

• The average number of stores during the quarter up by 40 +212 m. yen
• Consolidation of external warehouses associated with the DC expansion
△55 m. yen

● Outsourcing expenses

• SC stores operating cost +220 m. yen
The average number of stores during the fiscal period increased by 4 stores, and royalties increased due to the growth of existing stores
• Replacement of the sales core system: up 266 million yen

● Depreciation

• Acquisition costs increased due to expansion of owned property and store sites
• Isezaki DC expansion

● Other (Utilities expenses)

• The rise in the unit fuel price pushed up electricity bills +74 m. yen.
※Store electricity bills: 80% covered by FC stores and 20% by the head office.

Balance Sheet

(Millions of yen)	FY 3/22	FY 3/23	Change
Current assets	94,266	101,390	+7,124
Cash and deposits	64,283	62,640	\triangle 1,642
Accounts receivable - due from FCs	11,944	13,459	+1,514
Merchandise	15,257	21,911	+6,654
Other	2,781	3,379	+597
Non-current assets	30,878	34,355	+3,477
Property, plant and equipment	23,949	27,149	+3,199
Intangible assets	818	884	+65
Other investments	6,110	6,322	+211
Total assets	125,145	135,746	+10,601
Current liabilities	17,897	17,172	\triangle 724
Non-Current liabilities	3,687	4,337	+649
Total liabilities	21,585	21,510	\triangle 74
Total net assets	103,559	114,236	+10,676
Total liabilities and net assets	125,145	135,746	+10,601

➤ Factors of increase/decrease

● Cash and deposits

- Free cash flow: up 9,043 million yen
- Payments of dividends: down 5,547 million yen
- Term deposits with terms of less than one year: down 5,000 million yen

● Accounts receivable - due from FCs

- The introduction of spring and summer products went smoothly compared to previous years, and the number of stores covered increased (up 46 stores since the end of FY3/22)

● Merchandise (factors for increase/decrease)

- Directly managed/SC stores +298 million yen
- Distribution centers +3,463 million yen
- Goods in transit +2,870 million yen

While there was a decrease in distribution center fall and winter inventories carried, supply-side issues have been resolved and inventories have increased due to the early arrival of spring and summer products.

● Rise in tangible fixed assets

- A total of 50 newly built stores—39 new stores and 11 S&B stores (of which 44 are company owned stores)
- WORKMAN Plus renovation (3 stores fully renovated, 62 stores partially renovated)
- WORKMAN Pro renovation 2 stores
- In line with the increase in size of stores and the building of two-story stores, store development tailored to needs and location resulted in the building cost per store increasing.
- Re-examination of estimated asset retirement obligations: up 660 million yen (an increase of the same amount was reported for liabilities).

Statement of cash flows

(Millions of yen)	FY 3/22	FY 3/23	Change
Net cash provided by (used in) operating activities	18,451	8,813	△9,638
Net cash provided by (used in) investment activities	△9,631	230	+9,861
Net cash provided by (used in) financing activities	△5,350	△ 5,685	△335
Net increase (decrease) in cash and cash equivalents	3,469	3,357	△111
Cash and cash equivalents at beginning of period	40,813	44,283	+3,469
Cash and cash equivalents at end of period	44,283	47,640	+3,357

➤ Principal factors of increase/decrease (change from the previous year)

● Operating C/F

- Change in accounts payable: Up 677 million yen
- Fall in accrued consumption tax, etc.: Up 397 million yen
- Corporate income taxes paid: Up 381 million yen
- Change in inventory assets: Down 5,479 million yen
- Profit before income taxes: Down 2,658 million yen
- Rise in credit to franchise stores: Down 1,454 million yen
- Fall in accounts payable: Down 722 million yen

● Investing C/F

- Net cash used in deposits for term deposits with deposit terms of over 3 months: Down 5,000 million yen
- Proceeds from refunds of term deposits with deposit terms of over 3 months: Up 3,000 million yen
- Net cash used for acquisition of tangible fixed assets: Down 2,027 million yen

● Financing C/F

- Payments of dividends: Up 327 million yen





- Overview of Financial Results for the Fiscal Year
Ending March 31, 2023

Store Openings



- New store openings were accelerated in urban areas, open malls and other untapped areas. We sought sustainable growth through new store openings tailored to customer needs.

981 stores at the end of March 2023 (up 37 stores over end-March 2022)

(Number of stores)	Number of stores at end-March 2022	New store openings			S&B※3	Renovation/conversion※2			Closures	Number of stores at end-March 2023
			Roadside	SC※3			Full renovation	Partial renovation		
	559	—	—	—	(△11)	(△67)	(△3)	(△64)	△2	479
	372	25	25	—	11	65 (—)	3 (—)	62 (—)	—	473
	12	14	10	4	—	—	—	—	—	26
	1	—	—	—	—	2	—	2	—	3
Total※1	944	39	35	4	11	67	3	64	△2	981

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

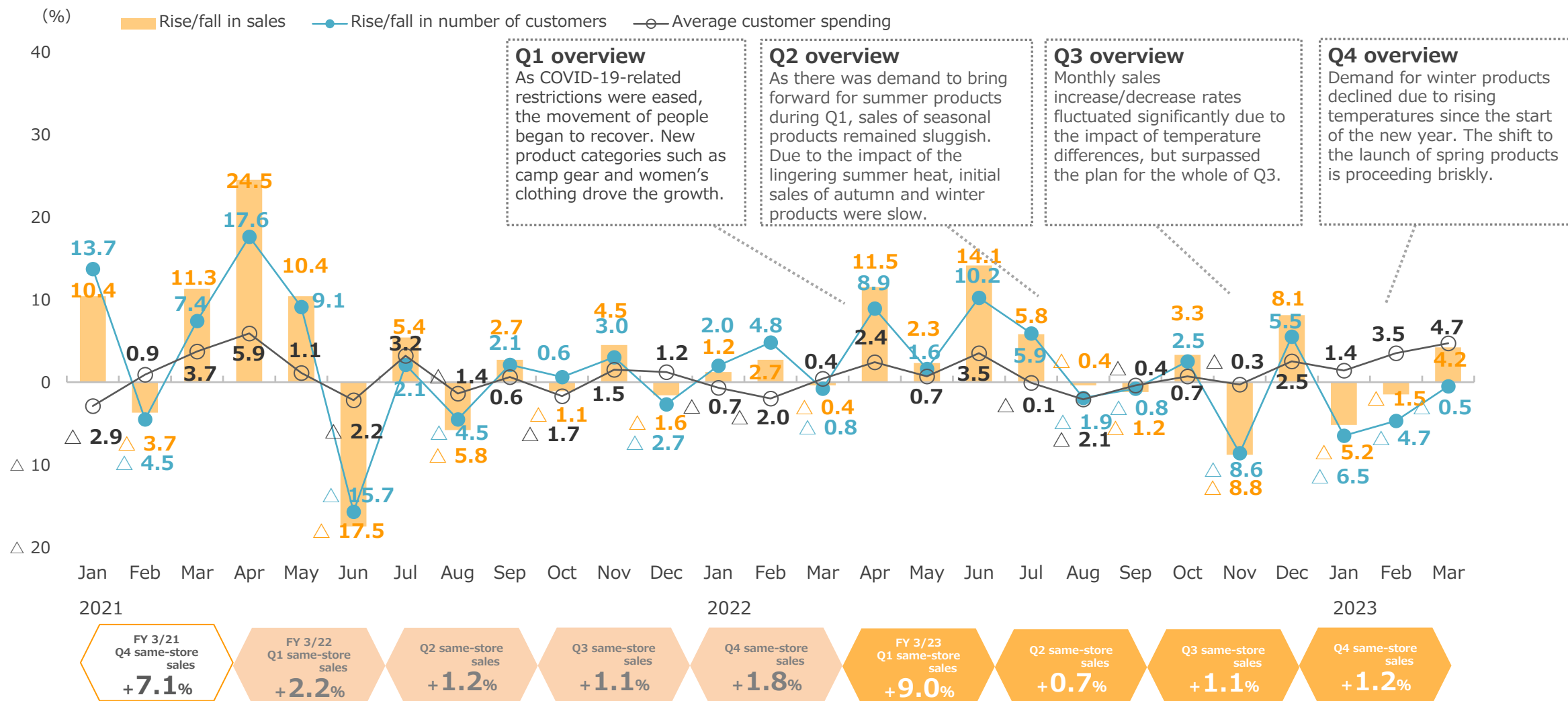
※2. The renovation means the conversion of WORKMAN stores to WORKMAN Plus stores.

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



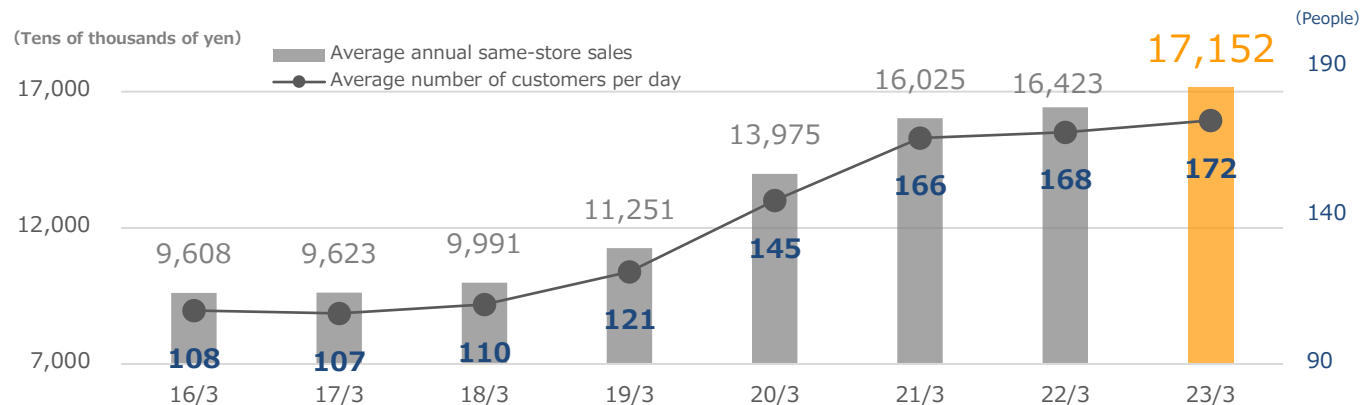
Status of Sales (FY 3/23)

● Sales at All Chain Stores **169,856** Million Yen

	All chain stores	Existing stores
Net sales	+8.4%	+2.6%
Number of customers	+6.6%	+1.1%
Average number of customers per day	—	※172 (+4)
Average customer spending	2,903 yen (+1.7%)	2,890 yen (+1.5%)
Unit price per item	1,153 yen (+25 yen)	1,141 yen (+29 yen)
Number of items purchased	2.5 items (±0.0 item)	2.5 items (±0.0 item)

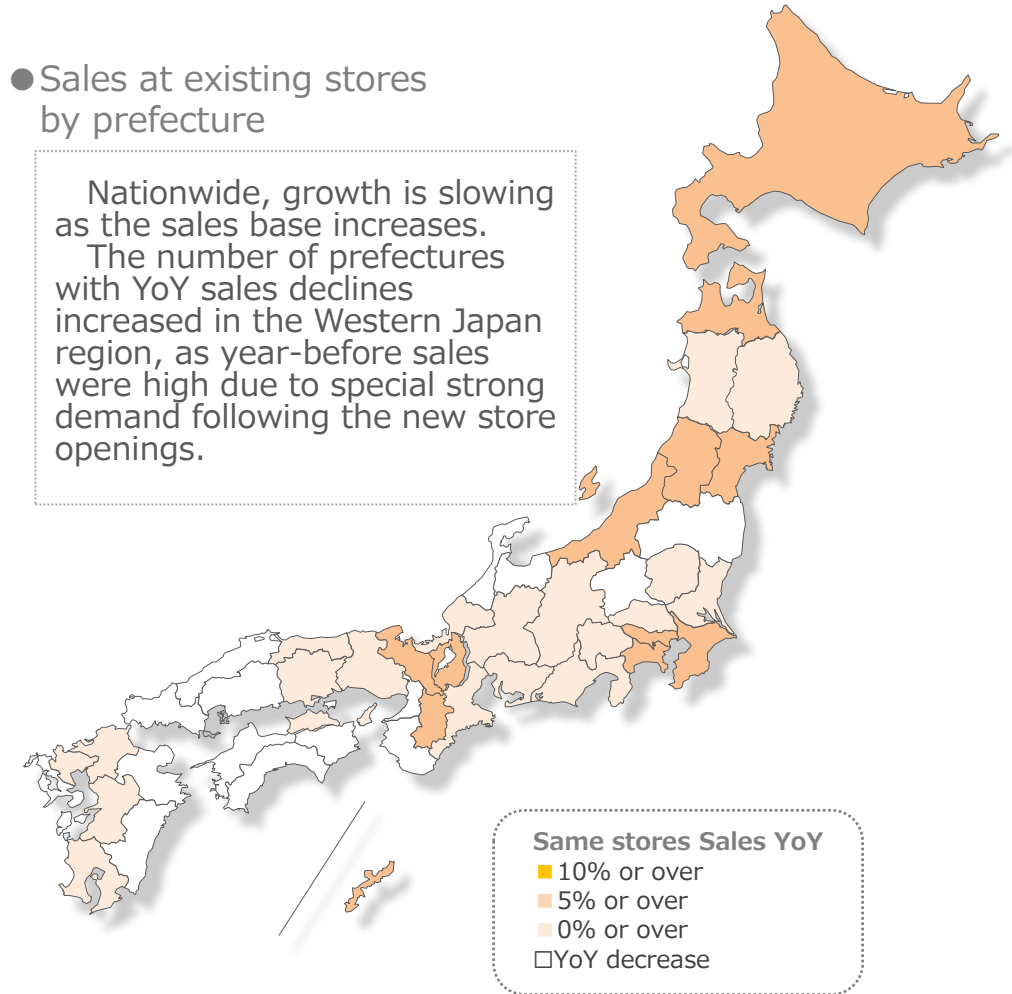
※ The average number of customers per day is an approximate figure as the number of business days varies depending on the format of store operations.

● Average annual same-store sales / Average number of customers per day



● Sales at existing stores by prefecture

Nationwide, growth is slowing as the sales base increases. The number of prefectures with YoY sales declines increased in the Western Japan region, as year-before sales were high due to special strong demand following the new store openings.



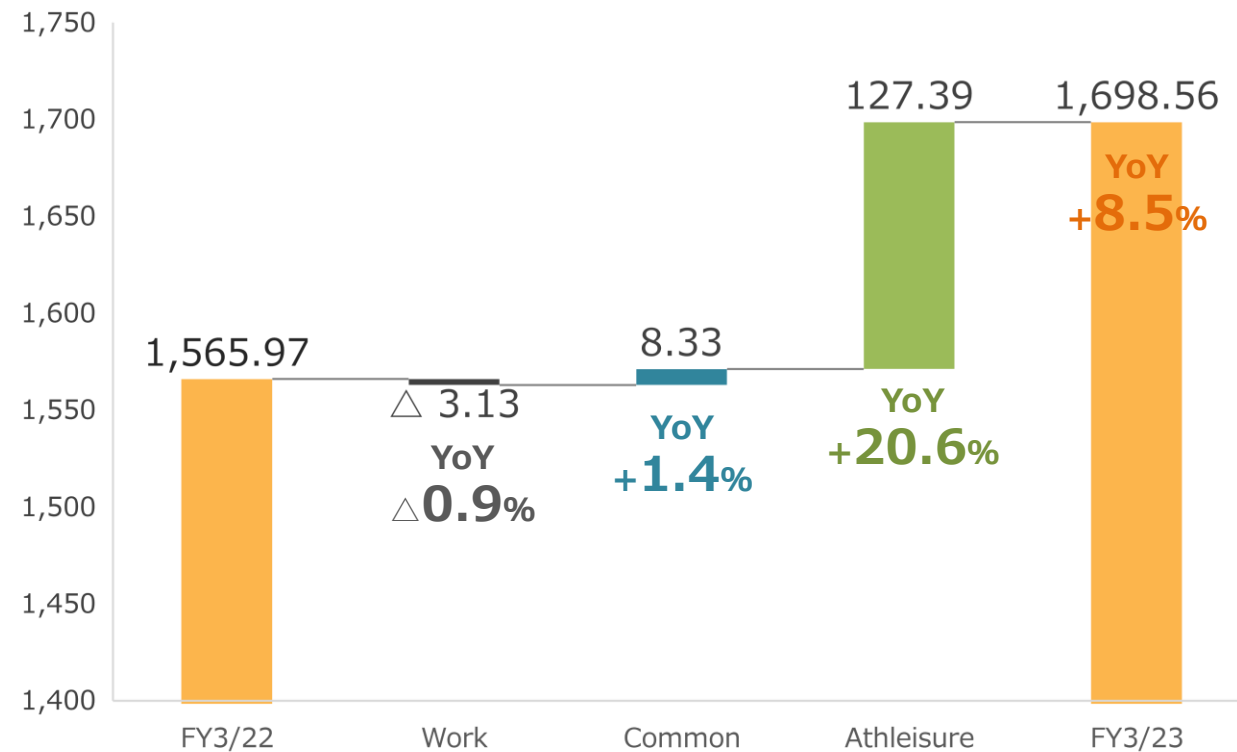
Status of Sales (Results by Product)

- Products for the athleisure market drove growth in sales, supported by a broad range of customers

- Factors for Increase/Decrease in FY 3/23

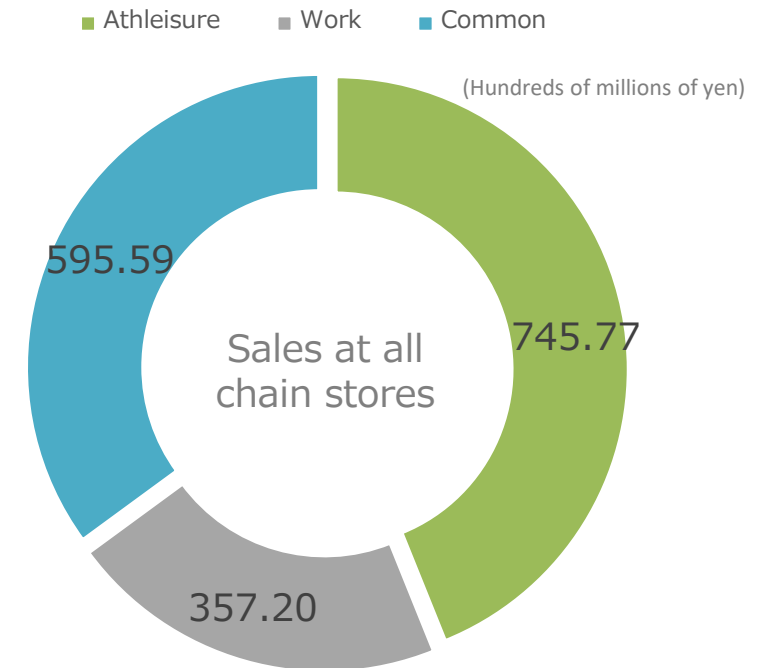
Sales at All Chain Stores

(100 millions of yen)



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

- FY 3/23 Sales by Product

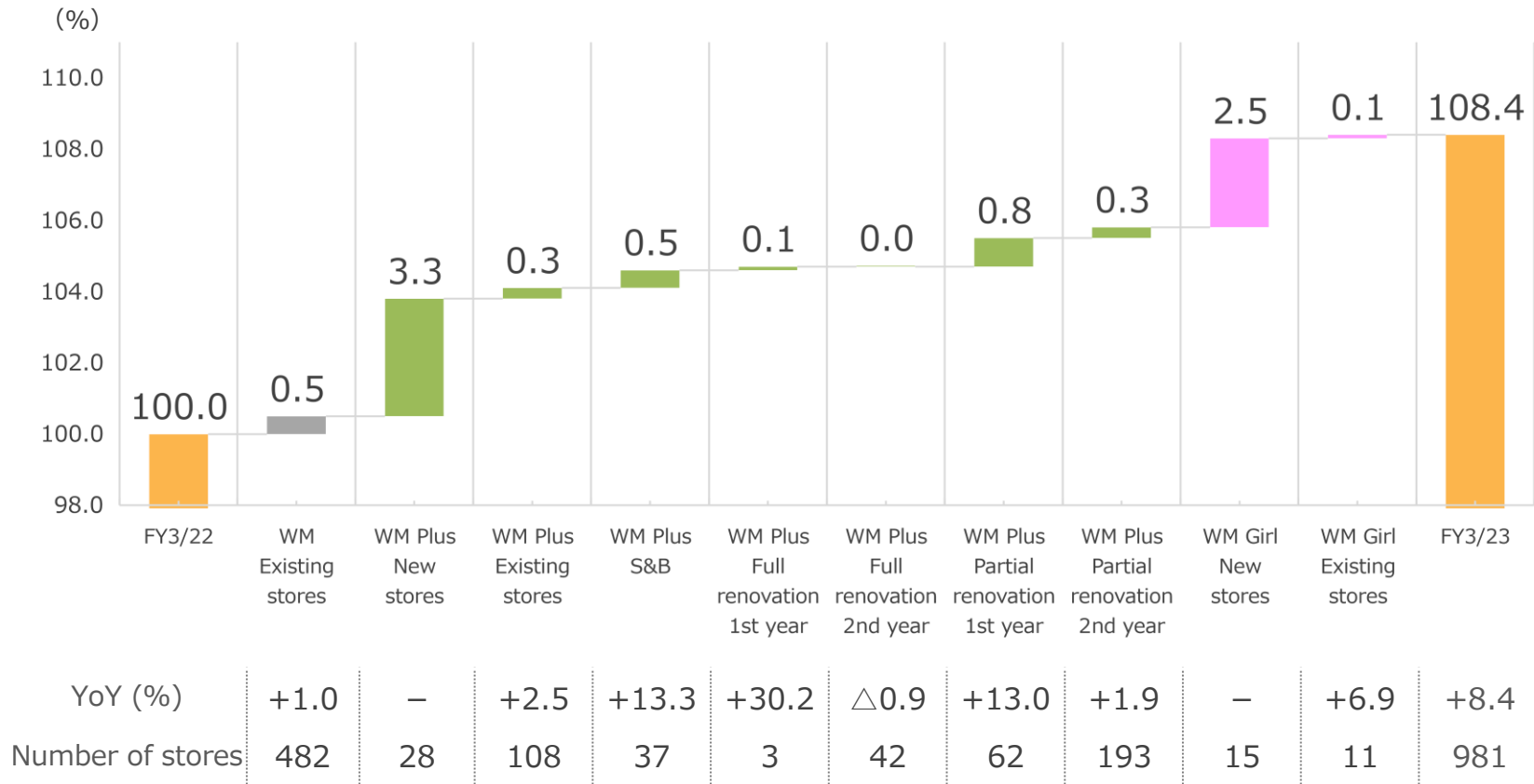


01. Market for professionals...Only products ordinary consumers are believed to have very few opportunities to use are chosen, such as working uniforms, "tabi" Japanese stocks and protective footwear for incorporated enterprises.
02. Athleisure market...FieldCore/Find-Out/AEGIS brands
03. Common...Products other than the above, such as socks and T-shirts.

Sales by Business Category

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

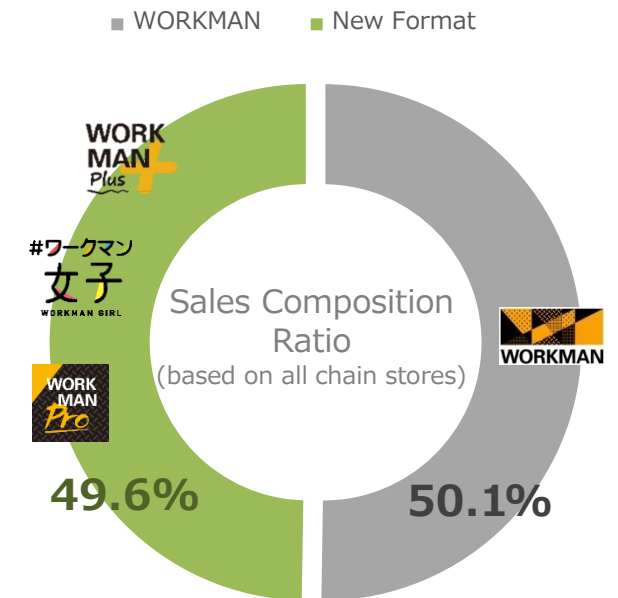
New stores contributed to growth with high sales numbers. S&B and renovation (1st year) also continued to help expand the customer base.



※Same-store sales are calculated by excluding sales in months of new store openings and post-renovation renewal openings.

※“WM Plus Existing stores” covers stores newly opened in the WORKMAN Plus format.

※“WORKMAN Pro 1 stores are included in “WM Plus New stores”



Status of Sales (Sales by Product and Factors)




● Sales at All Chain Stores by Product

Category	FY 3/22		FY 3/23		Factors (YoY)
	Sales	YoY	Sales	YoY	
Undergarments • Socks Undergarments, socks, hats, towels, etc.	14,865	+12.8	16,861	+13.4	• Summer supplies (+15.5%) • Outdoor caps (+30.5%) • Ladies' Winter supplies (+142.8%)
Casualwear • Sports Sportswear, polo shirts, etc.	22,364	+9.7	24,661	+10.3	• Short-sleeved T-shirts (+24.0%) • Sweat shirts (+18.4%) • Short pants (+43.5%)
Workwear • Outdoor Workwear, outdoor wear, etc.	47,799	+4.3	50,386	+5.4	• Clothing with air-conditioning fan(s) (+15.4%) • Warm pants (+10.2%) • Summer Slacks (+43.9%)
Women's • Uniforms white smocks, office uniforms, etc.	8,285	+28.1	10,723	+29.4	• Ladies' bottoms (+85.4%) • Ladies' rainwear (+20.2%) • Summer women's clothing (+92.2%)
Footgear Protective footwear, <i>tabi</i> stocks, high boots, kitchen shoes, etc.	24,557	+7.3	27,072	+10.2	• Outdoor shoes (+33.7%) • Athletic shoes (+31.3%) • Safety shoes (+5.76%)
Work supplies Work gloves, protective gear, rainwear, etc.	38,632	+3.0	39,982	+3.5	• Camp gear (+76.0%) • Bag (+18.2%) • Winter gloves (+22.7%)
Other	92	△76.2	167	+80.5	—
Total	156,597	+6.8	169,856	+8.5	


Status of Sales (Sales by Product and Factors)

● Sales of PB Products **111,778 Million Yen** (Up 14.3% YoY)

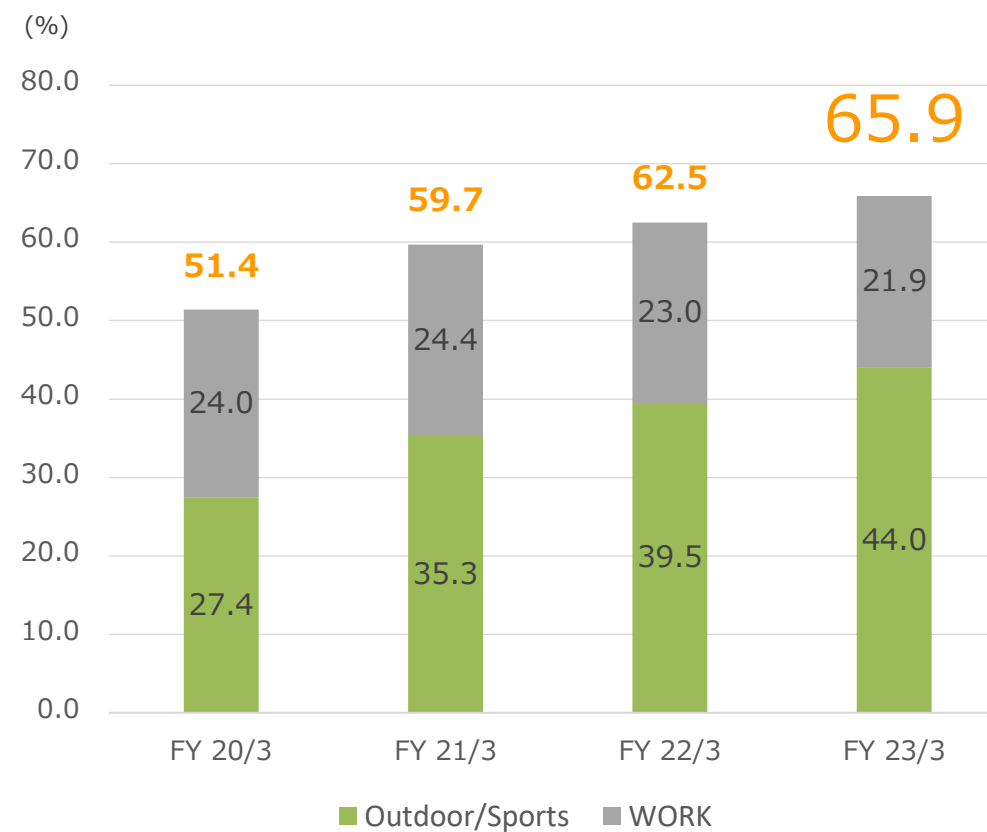
● WORK & Outdoor · Sports

(Millions of yen)	Number of items (the previous year)	Sales value (YoY)
 Work & Outdoor	894 (642)	44,828 (+41.2)
 Work & Sports	388 (351)	20,361 (△ 3.8)
 High-performance rainwear	117 (121)	9,385 (+5.2)
Total for athleisure PB products	1,399 (1,114)	74,576 (+20.6)

● WORK

 WORKMAN BEST	581 (485)	30,444 (+3.9)
ASSIST	141 (132)	6,758 (+1.5)
Total for working PB products	722 (617)	37,202 (+3.5)
Total for PB products	2,121 (1,731)	111,778 (+14.3)

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



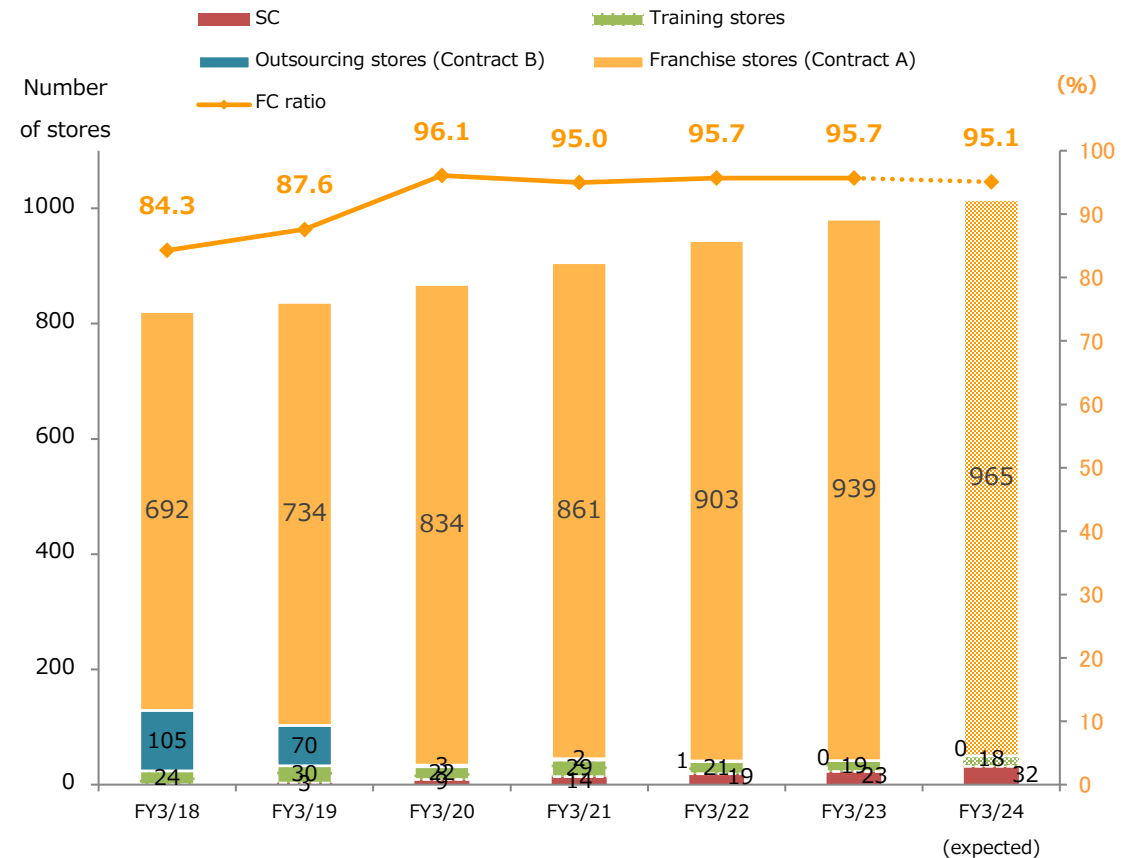
Format of Store Operations

● Ratio of Franchise Stores **95.7%** (up ± 0.0 points YoY)

● Format of Store Operations for FY 3/23

Format	End-March 2022	Up	Down	End-March. 2023
Franchise stores	903	73	37	939
Outsourcing stores	1	—	1	—
Training stores	21	28	30	19
SC stores	19	4	—	23
Total	944	105	68	981

● Number of Stores by Format of Operations



Inventories (Logistics Cost)

● Inventories increased thanks to the early arrival of spring and summer products.

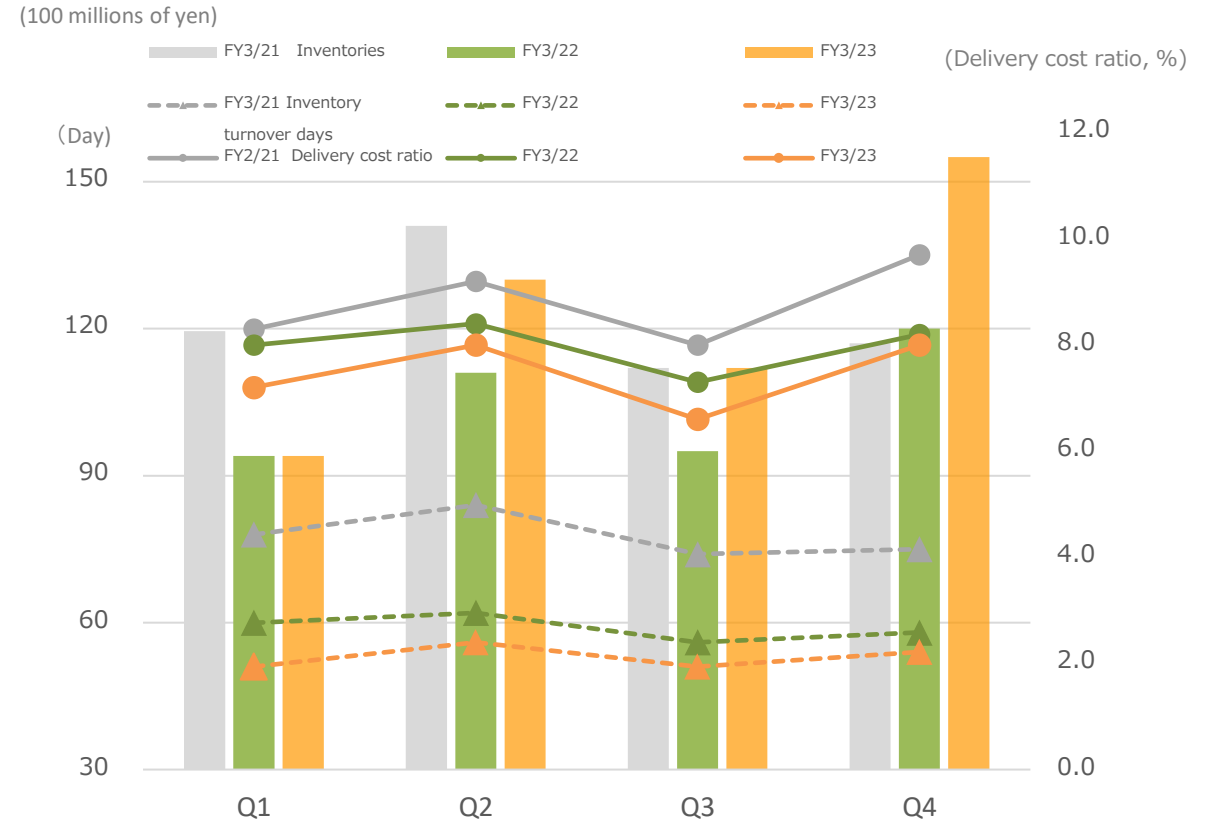
● Selling price inventories per store

- Early introduction of spring and summer products resulted in increased inventories at the end of the term.
- Fall and winter inventories carried per store rose by 25 million yen. This is generally in line with expectations and not a problem.



● DC inventories / delivery cost ratio

- In addition to the spring and summer products arriving without delay, unlike previous years, inventories increased due to product change/elimination.
- Stronger turnover management systems helped improve inventory turnover days and the delivery cost ratio.



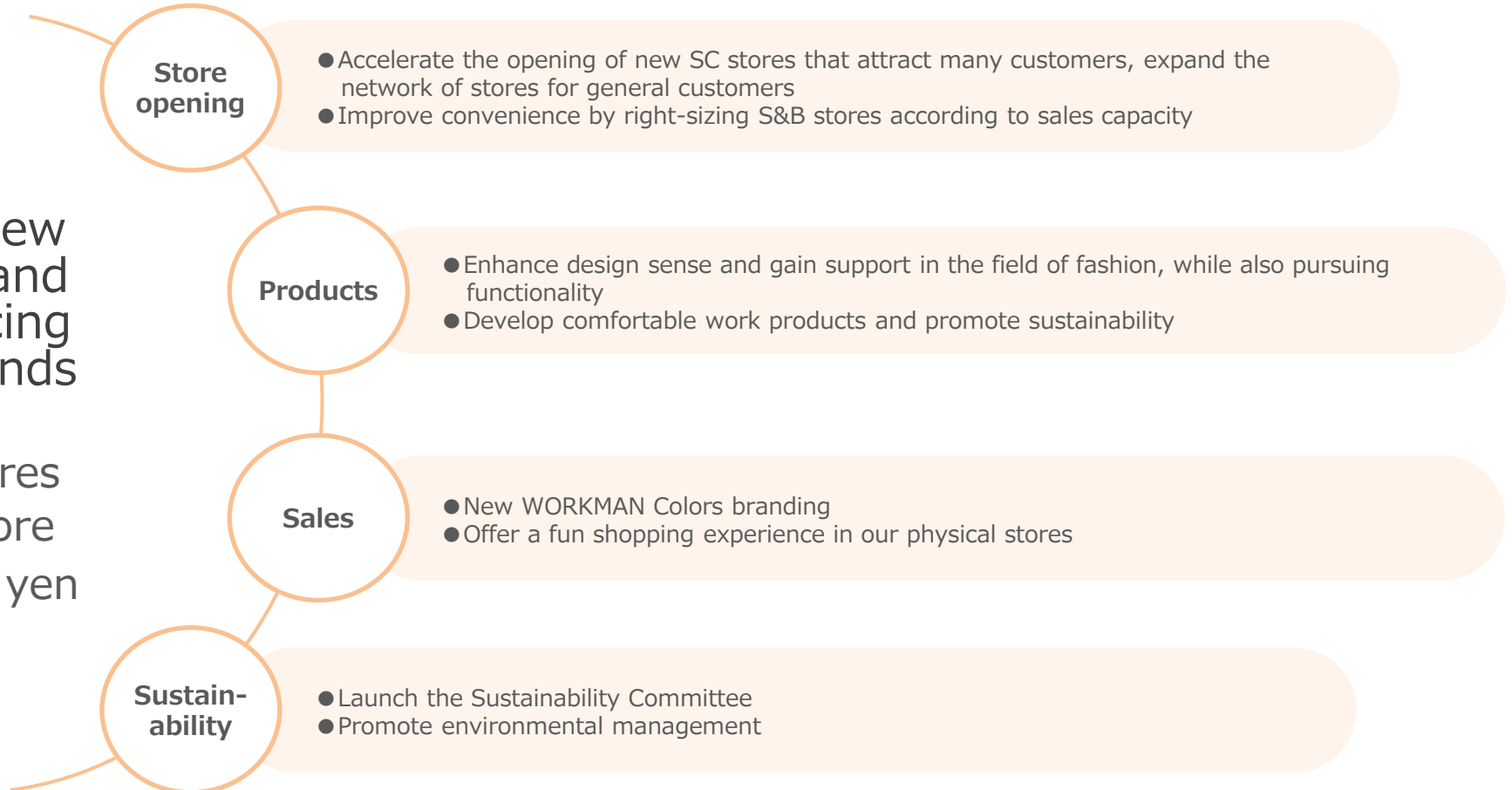
- Plans for the Fiscal Year Ending March 31, 2024

Plans for FY Ending March 31, 2024

● Management policy






Achieve sustainable growth by creating new business categories and products and enhancing the power of our brands

- ✓ 1,500 domestic stores
- ✓ Aim for individual store sales of 200 million yen



Store Opening Plans

- Aim for **1,500** domestic stores by accelerating the opening of SC stores and expanding the network of stores for general customers

(Number of stores)	Number of stores at end of FY 3/23	Openings set for FY 3/24			S&B※2	Renovation set for FY 3/24※2			増減除外 ※3	Closures	Number of stores at end of FY 3/24	Medium/ longer-term goals
			Roadside	SC※2			Full renovation	Partial renovation				
	479	—	—	—	(△15)	(△65)	(—)	(△65)	(+4)	△1	402	200
	473	15	15	—	15	58	—	58	△4	—	557	900
 	26	20	10	10	—	—	—	—	—	—	46	400
	3	—	—	—	—	7	—	7	—	—	10	N/A
Total※1	981	35	25	10	15	65	—	65	—	△1	1,015	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. SC: Shopping centers S&B: Scrap and Build

※3. This column shows the number of stores that operated as WORKMAN Plus in the past but became subject to S&B or were renovated during the period under review.

Store Opening Strategy

- Development of stores tailored to customer needs
Aim to improve convenience while expanding the customer base

- WORKMAN Colors



Fashionable on all fronts, with stealthy functionality

Establish a fashionable brand image and a business category that can be used on an everyday basis

- Accelerate opening of SC stores



Open stores expecting to make them franchises

Accelerate development in densely populated areas where it is difficult to open roadside stores, expand the store network and increase brand recognition

- Renovation of WORKMAN Pro



Lock in professional customers

Promote renovation and conversion of stores with high annual sales and a high ratio of sales of products for professionals, seeking to separate out these customers

Product Development (PB Products)

- Increase added value through improved design sense and sustainability, with functionality at the core

● WORKMAN Colors



Capture needs for more fashionable clothes and tie into sustainable growth by enhancing design sense as well as functionality

● Comfortable work product

Contribute to the extension of the work life

- Develop new work markets
- Target corporate customers at first, but expect to expand to general customers in the future.



● Sustainable products

FY 3/2024 sales target:
22,300 million yen

「Green-TECH」

Develop environmentally-friendly, sustainable products with enhanced functionality using “natural fibers” and special technology

※Repurposing of coffee grounds and banana stems



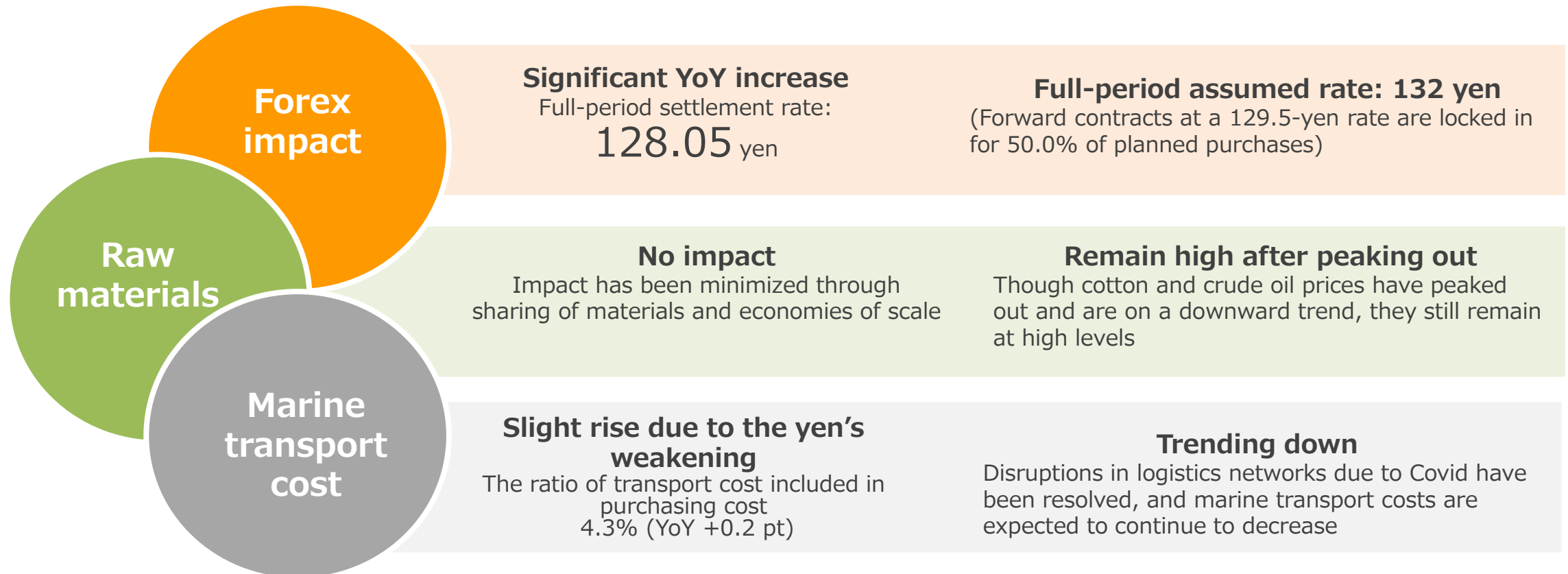
● Plan to keep prices of focus PB products unchanged

We aim to improve profitability through the development of new products with higher added value and changing/eliminating existing products

● Issues in product procurement

● Status as of FY 3/2023

● Outlook for FY 3/2024



● Expand the customer base and improve customer satisfaction

- Disseminate information to create a shared sensibility
Ambassador and influencer marketing



- Strengthen the customer base with new branding based on the theme of WORKMAN Colors
- Hold in-person events that provide a sense of togetherness. Enlarge booths in order to share information from the user's perspective
- Become more familiar to customers by maintaining hype on social media and increasing publicity from external sources

● Leverage WORKMAN Plus stores

Action 1

Switch to the latest Plus store sales floor and displays at the first batch of partially renovated stores

Action 2

Consider additional investment, such as conversion to Plus II, in view of sales trends

Target

Boost activity at existing stores

● Improve operations

More efficient store operations

Renovate back rooms to add multifunctionality

Plan: **120** stores

Secure stock space in preparation for peak sales seasons

Operational-level improvements

- Revise operations manuals for new franchise store staff
- Establish a system for follow-up training after franchising

Provide backup for franchise stores through both hard measures and education

● Enhance the promotion system in order to resolve challenges

● Results for FY 3/2023

■ Sustainable product development

- Sustainable products: 117 items; 12,568 million yen
- Product disposal rate: 0.48% (improvement of 0.2%)
- Endorsed the “Declaration of Partnership Building”

■ Contribution to the global environment

- June 2022: the Kodama store (in Saitama prefecture) obtained “ZEB Ready” certification
- Going forward, we will build more energy-efficient stores.

■ Satisfaction of FC stores / employees

- Maintained franchise store re-contracting at the high rate of 98.3%
- Improved indicators for employee engagement
- Increased the ratio of women chiefs and managers by 9.5%

■ Governance

- Evaluated the effectiveness of the Board of Directors
- Disclosed the skills matrix

■ Other

- Enhanced disclosure on the official company website

● To be implemented in FY 3/2024 (planned)

■ Strengthen the system for implementation

- Launch the Sustainability Committee, to be chaired by the Representative Director

■ Environmental management

- Calculate Scope 1 and 2 emissions
- Address disclosure in accordance with the TCFD Recommendations

■ Sustainable product development

- Sustainable products: 185 items; 22,300 million yen

■ Human capital

- Develop human resources adapted to the business environment
- Promote the internal data analysis program “My Star”

■ Governance

- Appoint outside directors (the Board is composed of 42.9% outside directors)

※To be formalized upon obtaining approval at the General Meeting of Shareholders to be held on June 29, 2023

Plans for the Fiscal Year Ending March, 2024

- Although both revenue and profit are predicted to increase, SG&A will drag down the numbers, and total operating revenue will be flat

(Millions of yen)	FY3/2023 Results	YoY (%)	FY3/2024 Q2 Plan	QoQ (%)	FY3/2024 Full-year Plan	YoY (%)
Sales at all chain stores	169,856	+8.5	87,990	+7.4	180,980	+6.5
Sales at directly managed stores	10,965	+10.7	6,558	+30.7	13,960	+27.3
Sales at franchise stores	158,891	+8.3	81,431	+5.9	167,020	+5.1
(Same store sales)	—	+2.6	—	+2.6	—	+2.0
Total operating revenue	128,289	+10.3	65,191	+8.3	136,576	+6.5
Cost of sales	83,529	+19.0	40,924	+7.6	86,488	+3.5
Adjusted OP before SG&A	44,759	△2.8	24,266	+9.4	50,087	+11.9
SG&A	20,652	+7.3	12,083	+20.6	24,367	+18.0
Operating profit	24,106	△10.1	12,182	+0.2	25,720	+6.7
Ordinary profit	24,664	△10.0	12,436	+0.0	26,214	+6.3
Net income	16,656	△9.0	7,753	+0.1	17,563	+5.4
EPS	204.10 yen		95.01 yen		215.21 yen	

➤ Topics

● Sales at all chain stores

- Sales at existing stores are expected to rise 2.0% as a result of renovation and S&B.
- On an all-store basis, sales will increase 6.5% due accelerated opening of SC stores and expansion into locations with high ability to attract customers.

● Total operating revenue

- Franchise stores sales: up YoY 5.1% Gross profit margin for stores: 36.1% (up YoY ±0.0pt)
⇒ While royalty revenue will increase, supply sales will only see a 4.0% YoY increase due to spring and summer products arriving ahead of schedule at the end of the previous quarter.

● Cost of sales

- Assumed rate: 133 yen (128.05 yen in FY 3/2023)
(Prerequisites) Forward contracts: 31.4% of planned purchases locked in at the rate of 128.45 yen)
Spot rate 135 yen ※Forward contracts executed as needed.
⇒ In addition to reaping the benefits of economies of scale, such as sharing materials, due to the increase in the ratio of direct trade purchases, the increase in cost of sales was kept in check (Direct trade purchase plan: up YoY by 23.9%)

● SG&A

- Due to the increased direct trade rate, there will be a decrease in rebates offset by SG&A (a drop of about 680 million yen).
- Depreciation to rise with the impact of proactive investment in stores (a rise of about 380 million yen).
- Rent will increase due to more land being leased in association with DCs being consolidated into a mother site (a rise of about 350 million yen).
- Labor costs will be higher due to regular hiring and regular salary increases (a rise of about 340 million yen).
- Fees for commissioning SC store operations will increase (a rise of about 330 million yen).

● Operating profit

- While issues in product procurement are heading toward resolution, profit margin is expected to remain flat YoY due to higher SG&A associated with growth strategies and soaring commodity prices.¥

Shareholder Return

● Basic policy

We target a dividend payout

ratio of **30%**

We regard the maintaining of an appropriate distribution of profits to our shareholders as an important management issue. As such, we distribute our profits to our shareholders based on our financial performance while striving to enhance internal reserves as necessary to achieve sustainable growth.

● Dividends per share

- Fiscal year ended March 31, 2023

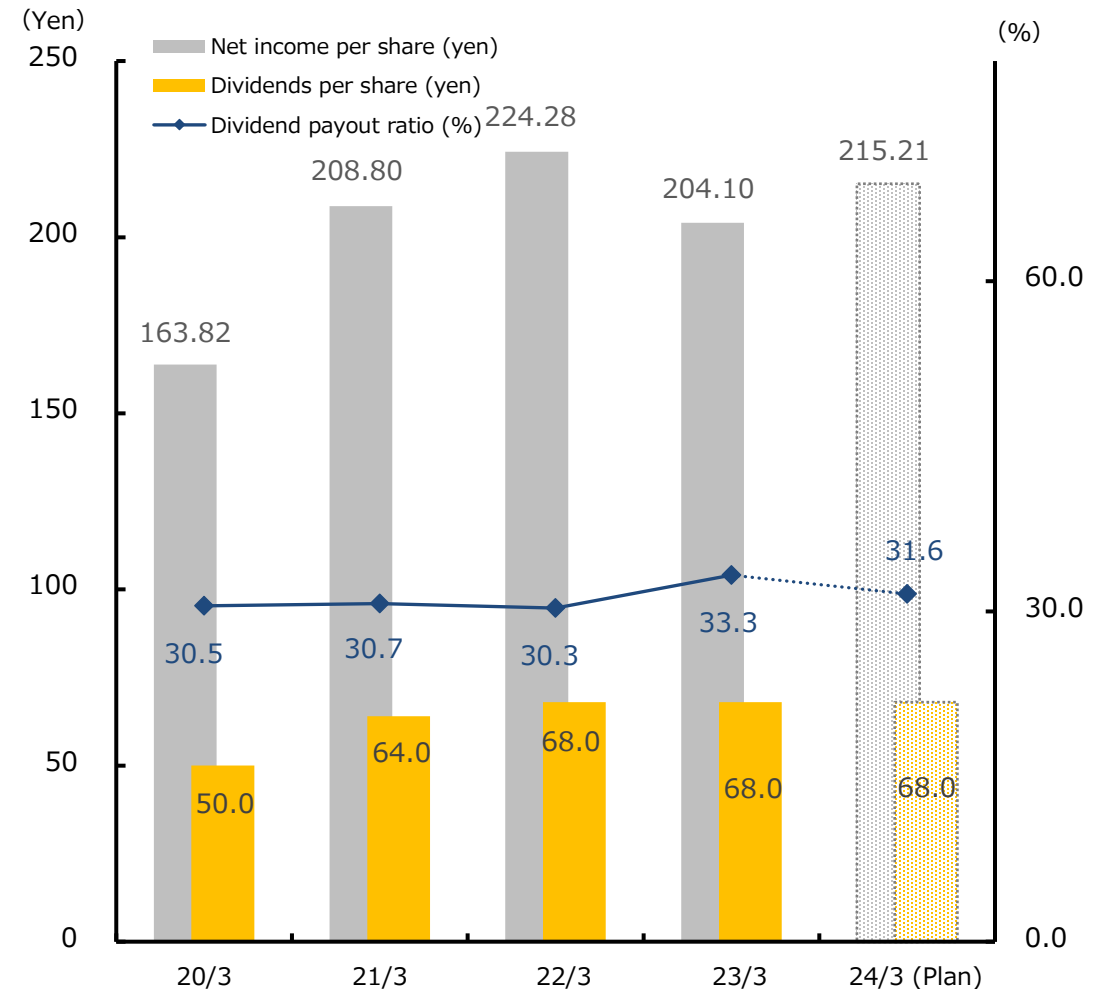
Plan to keep at **68 yen**

- Fiscal year ended March 31, 2024

Expect to keep at **68 yen**

We will strive to realize a dividend increase in accordance with this basic policy.

Changes in net income and dividends per share





■ 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.

WORKMAN CO., LTD.

Securities code: 7564 (STANDARD)

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