



WORKMAN CO., LTD.

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

November 8, 2022

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

Cumulative income statement

(Millions of yen)	FY3/22 Q2	FY3/23 Q2	YoY (%)	FY3/23 Q2 Plans	Vs. Plans
Sales at all chain stores	73,756	81,928	+11.1	79,995	+2.4
Sales to directly managed stores	4,487	5,017	+11.8	4,530	+10.8
Sales to franchise stores	69,269	76,911	+11.0	75,465	+1.9
(Same store sales)	—	—	+5.2	+3.7	+1.5
Total operating revenue	55,295	60,208	+8.9	59,971	+0.4
Cost of sales	33,065	38,028	+15.0	37,770	+0.7
Adjusted OP before SG&A	22,229	22,180	$\triangle 0.2$	22,200	$\triangle 0.1$
SG&A	9,624	10,020	+4.1	10,333	$\triangle 3.0$
Operating profit	12,604	12,159	$\triangle 3.5$	11,867	+2.5
Ordinary profit	12,891	12,435	$\triangle 3.5$	12,179	+2.1
Net income	7,999	7,748	$\triangle 3.1$	7,602	+1.9
EPS	98.02yen	94.95yen		93.15yen	

➤ Financial Results Highlights

● Sales at all chain stores

- Blessed with the easing of COVID-19 restrictions and fair weather, sales fared well and surpassed the plan by +2.4 points. For the second quarter, as demand for summer products was brought forward, sales failed to reach the plan's goal by $\triangle 4.1$ points.

● Total operating revenue

- While the markup rate of PB products declined, royalty revenue increased as the average number of franchise stores in the quarter rose.
Gross margin ratio for FC stores ($\triangle 0.2$ points)
The average number of FC stores in Q2 917 stores (+45 stores)

- With storefront inventories optimized by the higher ratio of single-item products supplied to stores, the growth rate of sales of products supplied to FC stores (+8.1%) fell below the growth rate of sales of FC stores (+11.0%).

● Cost of sales

- The yen's further weakening and the price freeze for PB products caused "profit related to overseas purchases," reported as a negative element in the cost of sales, to decline significantly.
- Direct overseas purchases YoY 120.9%
- Average settlement rate 120.96 yen
(the preceding quarter 106.98 yen)
- Profit related to overseas purchases 2,771 m. yen
(YoY $\triangle 37.9\%$)

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

- Revenue from FC stores +1,520 m. yen
- Gross profit margin of company owned stores +153 m. yen
- Profit related to overseas purchases $\triangle 1,692$ m. yen

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



(Millions of yen)	FY3/22 Q2	SG&A ratio (%)	FY3/23 Q2	SG&A ratio (%)	Change	YoY (%)
Sales at all chain stores	73,756	–	81,928	–	–	+11.1
Labor cost	1,753	2.4	1,853	2.3	+99	+5.7
Selling cost	480	0.7	513	0.6	+33	+7.0
Traveling expenses	137	0.2	147	0.2	+10	+7.3
Freight cost	735	1.0	664	0.8	△70	△9.6
Rent	2,927	4.0	2,963	3.6	+35	+1.2
Supply expenses	380	0.5	346	0.4	△33	△8.8
Outsourcing expenses	1,233	1.7	1,357	1.7	+123	+10.0
Depreciation	928	1.3	1,097	1.3	+169	+18.2
Other	1,048	1.4	1,076	1.3	+28	+2.7
Total	9,624	13.0	10,020	12.2	+396	+4.1

※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 +14

● Freight cost

Delivery efficiency and maintenance cost reduction associated with Isezaki DC expansion

● Rent

- The average number of stores during the quarter up by 38 +104 m. yen
- External warehouses dropped due to the Isezaki DC expansion △63 m. yen

● Outsourcing expenses

- SC stores operating cost +103 m. yen
(The average number of stores during the quarter +4 stores, quarterly sales +54.3%)
- Replacement of the sales core system +140 m. yen
- The effects of the Isezaki DC expansion and introduction of the Material Handling system △75 m. yen

● Depreciation

The increase in acquisition costs associated with the rise in owned property and site expansion, the Isezaki DC expansion

● Other (Utilities expenses)

The rise in the unit fuel price pushed up electricity bills (+38 m. yen), but the impact was minimal as the head office covers 20% of the burden.

Balance Sheet

(Millions of yen)	FY3/22 End of Q2	FY3/22	FY3/23 End of Q2	Change
Current assets	86,411	94,266	95,869	+1,602
Cash and deposits	56,617	64,283	64,492	+209
Accounts receivable - due from FCs	13,152	11,944	10,977	△966
Merchandise	14,772	15,257	16,774	+1,517
Other	1,868	2,781	3,624	+842
Non-current assets	29,782	30,878	31,754	+876
Property, plant and equipment	22,726	23,949	25,180	+1,230
Intangible assets	706	818	780	△38
Other investments	6,349	6,110	5,794	△316
Total assets	116,194	125,145	127,624	+2,479
Current liabilities	19,800	17,897	17,854	△43
Non-Current liabilities	3,646	3,687	3,679	△8
Total liabilities	23,447	21,585	21,533	△51
Total net assets	92,746	103,559	106,090	+2,530
Total liabilities and net assets	116,194	125,145	127,624	+2,479

➤ Factors of increase/decrease

● Cash and deposits

Operating C/F 7,860 million yen
Investing C/F △ 2,037 million yen
Financial C/F △ 5,613 million yen

● Merchandise (factors for increase/decrease)

- Directly managed/SC stores △74 million yen
- Distribution centers +956 million yen
- Goods in transit +626 million yen

Though carried amounts of spring and summer products decreased, inventories rose temporarily as the supply of autumn and winter products weakened.

● Other

In the wake of the yen's further weakening, forward exchange contracts increased by 477 m. yen.

● Rise in tangible fixed assets

- A total of 26 newly built stores—18 new stores and 8 S&B stores (of which 24 are company owned stores, +5 stores YoY)
- WORKMAN Plus renovation (2 stores fully renovated, 36 stores partially renovated)
- In line with the increase in size of stores and the building of two-story stores, the building cost per store increased.





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

Store Openings



- We sought sustainable growth through new store openings tailored to customer needs
General demand was incorporated by deploying stores in urban areas and at open malls, and the launch of the new category "WORKMAN Shoes"

961 stores at the end of September 2022 (up 17 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-Sep. 2022
			Roadside	SC※3			Full renovation	Partial renovation		
	559	—	—	—	(△8)	(△38)	(△2)	(△36)	△1	512
	372	8	8	—	8	38 (—)	2 (—)	36 (—)	—	426
	12	10	8	2	—	—	—	—	—	22
	1	—	—	—	—	—	—	—	—	1
Total※1	944	18	16	2	8	38	2	36	△1	961

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

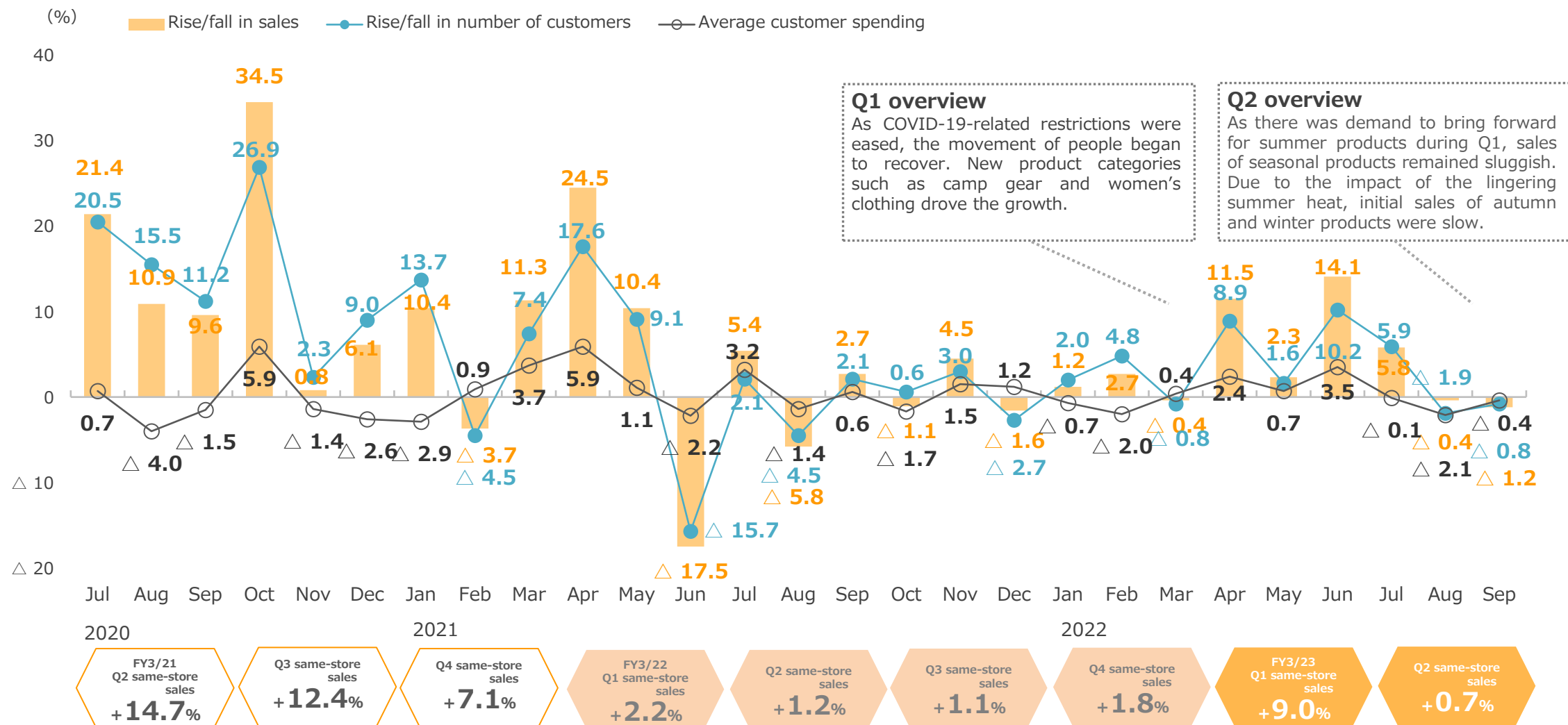
※2. The renovation means the conversion of WORKMAN stores to WORKMAN Plus stores.

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



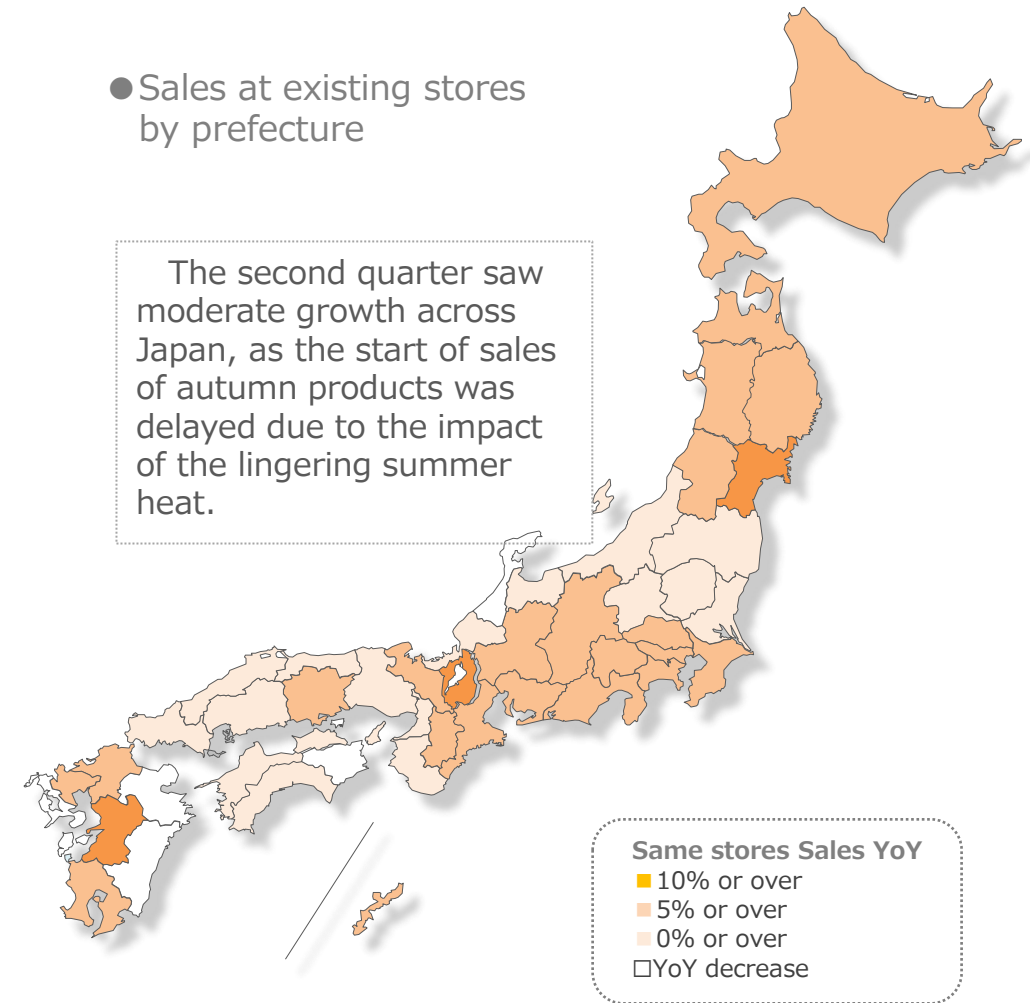
Status of Sales (FY3/23 Q2)

● Sales at All Chain Stores 81,928 Million Yen

	All chain stores	Existing stores
Net sales	+11.1%	+5.2%
Number of customers	+9.7%	+4.2%
Average number of customers per day	—	※172(+9)
Average customer spending	2,820 yen (+1.2%)	2,813 yen (+1.2%)
Unit price per item	1,097 yen (+26 yen)	1,089 yen (+28 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



Status of Sales (Results by Product)

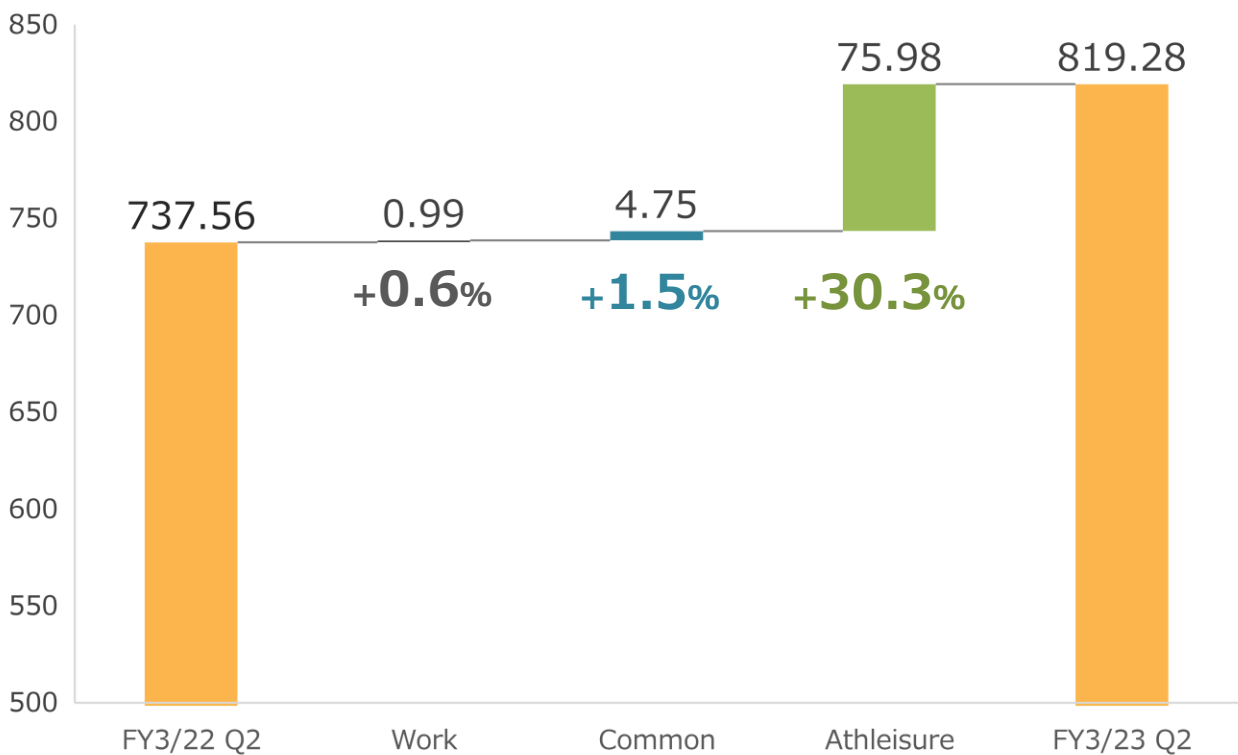


● Sales of products for the athleisure market grew significantly with support from professional artisans

● Factors for Increase/Decrease in FY3/23 Q2

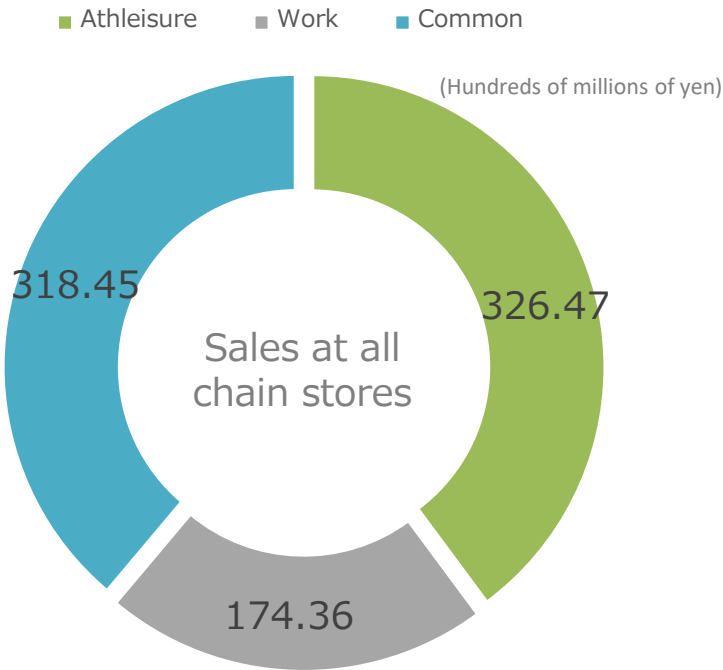
Sales at All Chain Stores

(100 millions of yen)



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

● FY3/23 Q2 Sales by Product

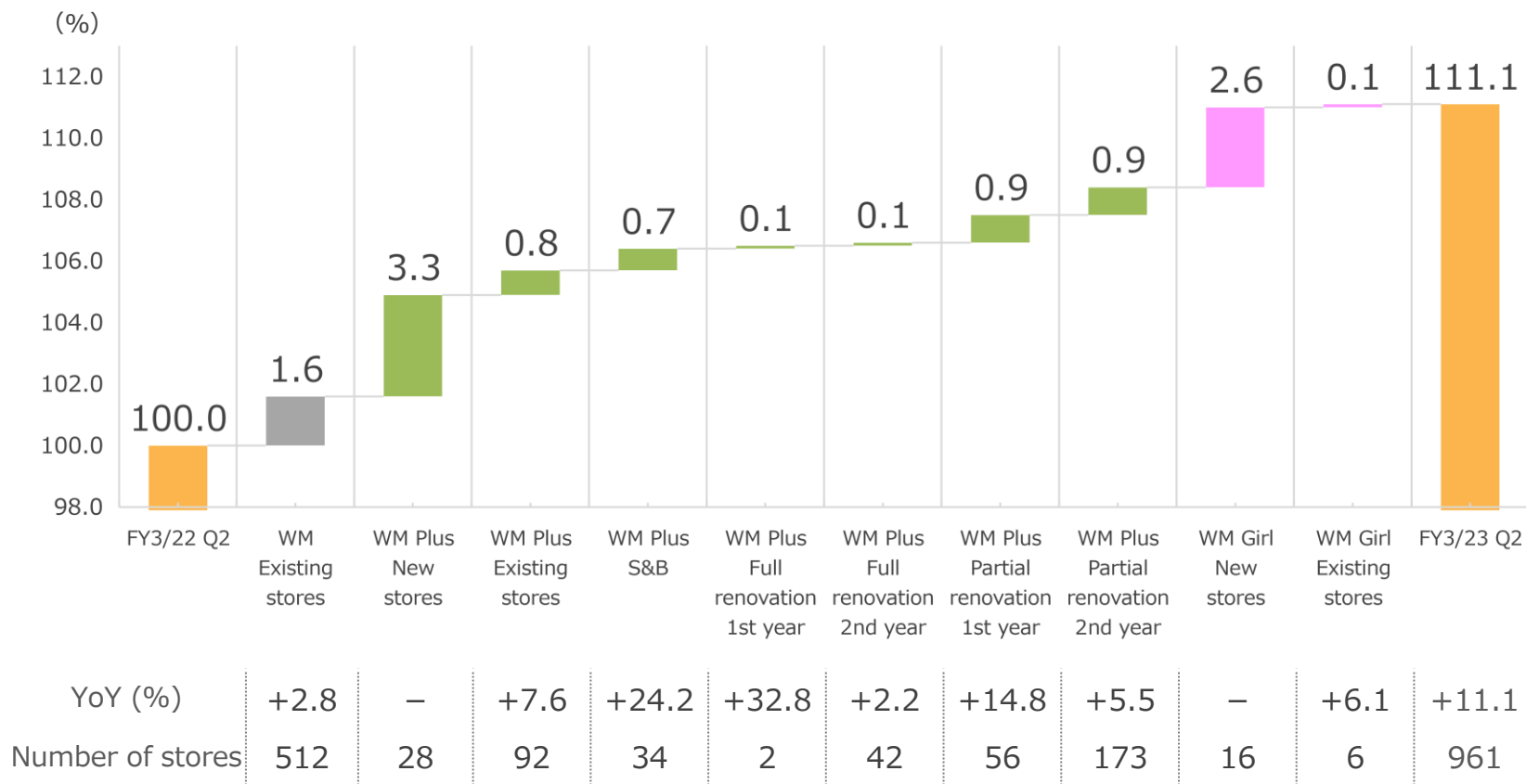


- 01. Market for professionals...Only products ordinary consumers are believed to have very few opportunities to use are chosen, such as working uniforms, "tabi" Japanese stocks and protective footwear for incorporated enterprises.
- 02. Athleisure market...FieldCore/Find-Out/AEGIS brands
- 03. Common...Products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

Sales by Business Category

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

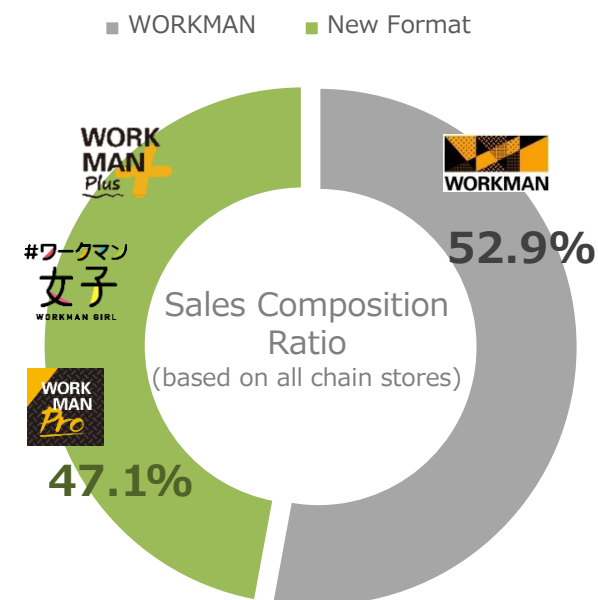
New stores maintained strong sales that contributed to the overall growth, with S&B and renovation/conversion also stimulating existing stores



※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	FY3/22 Q2		FY3/23 Q2		Factors (YoY)
	Sales	YoY	Sales	YoY	
Undergarments · Socks Undergarments, socks, hats, towels, etc.	6,791	+8.8	7,821	+15.2	<ul style="list-style-type: none"> • Summer supplies (+16.2%) • Outdoor caps (+33.1%)
Casualwear · Sports Sportswear, polo shirts, etc.	11,088	+12.9	12,607	+13.7	<ul style="list-style-type: none"> • Short-sleeved T-shirts (+26.1%) • Short pants (+54.7%)
Workwear · Outdoor Workwear, outdoor wear, etc.	22,999	+4.6	24,513	+6.6	<ul style="list-style-type: none"> • Jogging pants (+48.6%) • Clothing with air-conditioning fan(s) (+15.2%) • Summer Long-sleeved shirts (△15.6%)
Women's · Uniforms white smocks, office uniforms, etc.	3,822	+29.1	5,282	+38.2	<ul style="list-style-type: none"> • Women's slacks (+117.7%) • Summer women's clothing (+89.9%)
Footgear Protective footwear, <i>tabi</i> stocks, high boots, kitchen shoes, etc.	11,491	+10.4	12,539	+9.1	<ul style="list-style-type: none"> • Outdoor shoes (+30.5%) • Athletic shoes (+31.9%)
Work supplies Work gloves, protective gear, rainwear, etc.	17,516	+4.8	19,122	+9.2	<ul style="list-style-type: none"> • Camp gear (+189.6%) • Bag (+36.2%) • disposable gloves (△29.3%)
Other	47	△70.4	42	△ 11.2	—
Total	73,756	+8.0	81,928	+11.1	


Status of Sales (Sales by Product and Factors)

● Sales of PB Products **50,950 Million Yen** (Up 19.2% YoY)

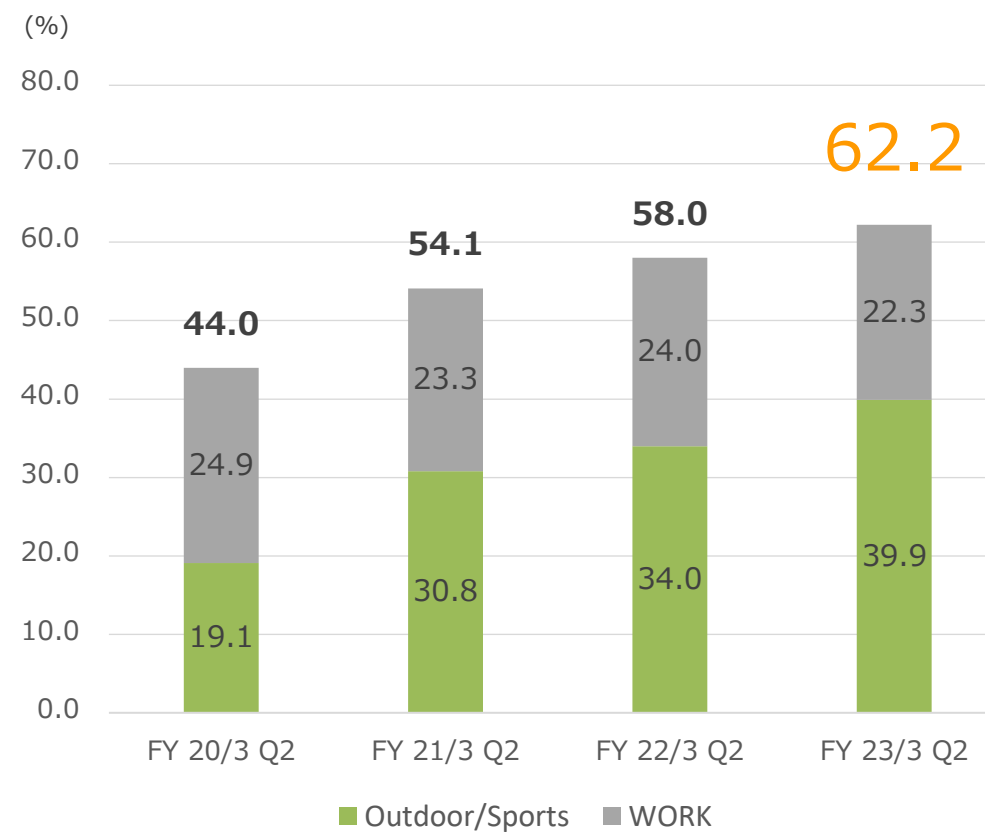
● WORK & Outdoor · Sports

(Millions of yen)	Number of items (the previous year)	Sales value (YoY)
 Work & Outdoor	609 (429)	19,717 (+37.4)
 Work & Sports	299 (284)	9,259 (+21.3)
 High-performance rainwear	78 (84)	3,669 (+19.7)
Total for athleisure PB products	986 (797)	32,647 (+30.3)

● WORK

 WORKMAN BEST	410 (414)	14,670 (+2.8)
ASSIST	110 (99)	3,632 (+5.8)
Total for working PB products	520 (513)	18,303 (+3.4)
Total for PB products	1,506 (1,310)	50,950 (+19.2)

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



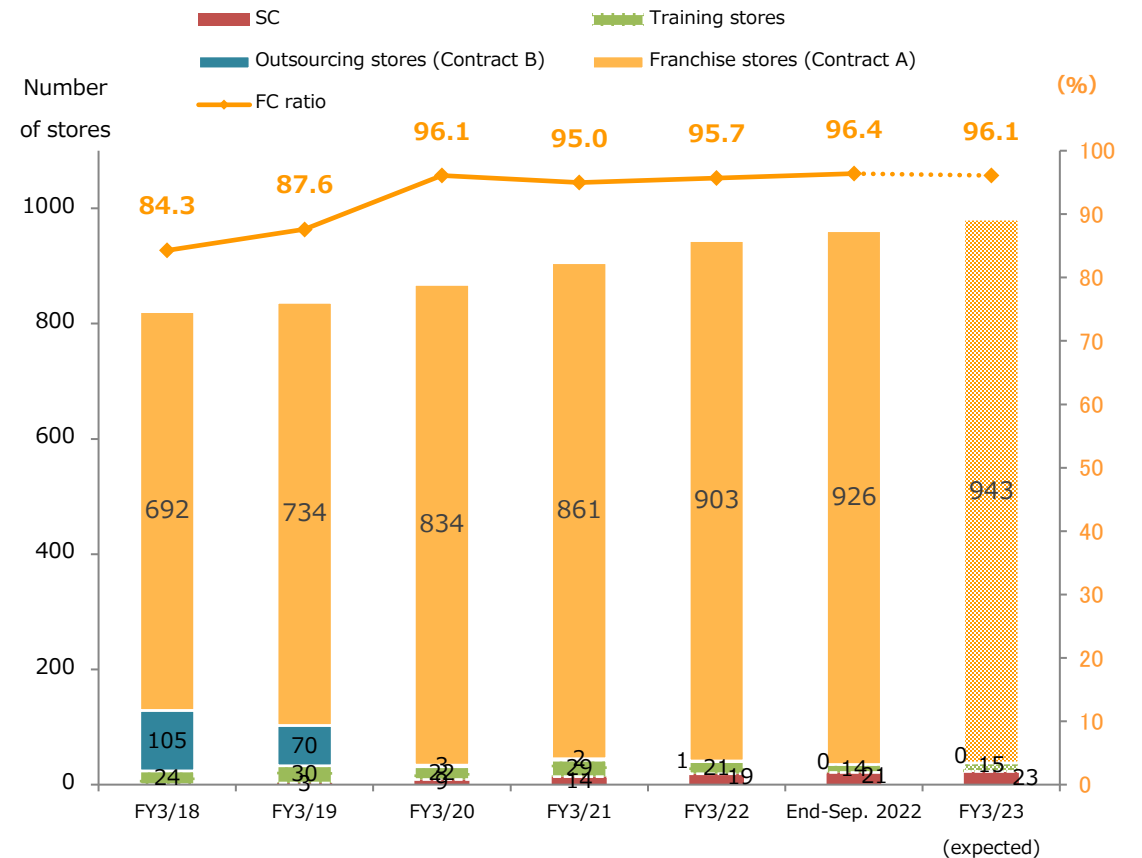
Format of Store Operations

● Ratio of Franchise Stores **96.4%** (up 0.7 points YoY)

● Format of Store Operations for FY3/23 Q2

Format	End-March 2022	Up	Down	End-Sep. 2022
Franchise stores	903	41	18	926
Outsourcing stores	1	—	1	—
Training stores	21	13	20	14
SC stores	19	2	—	21

● Number of Stores by Format of Operations

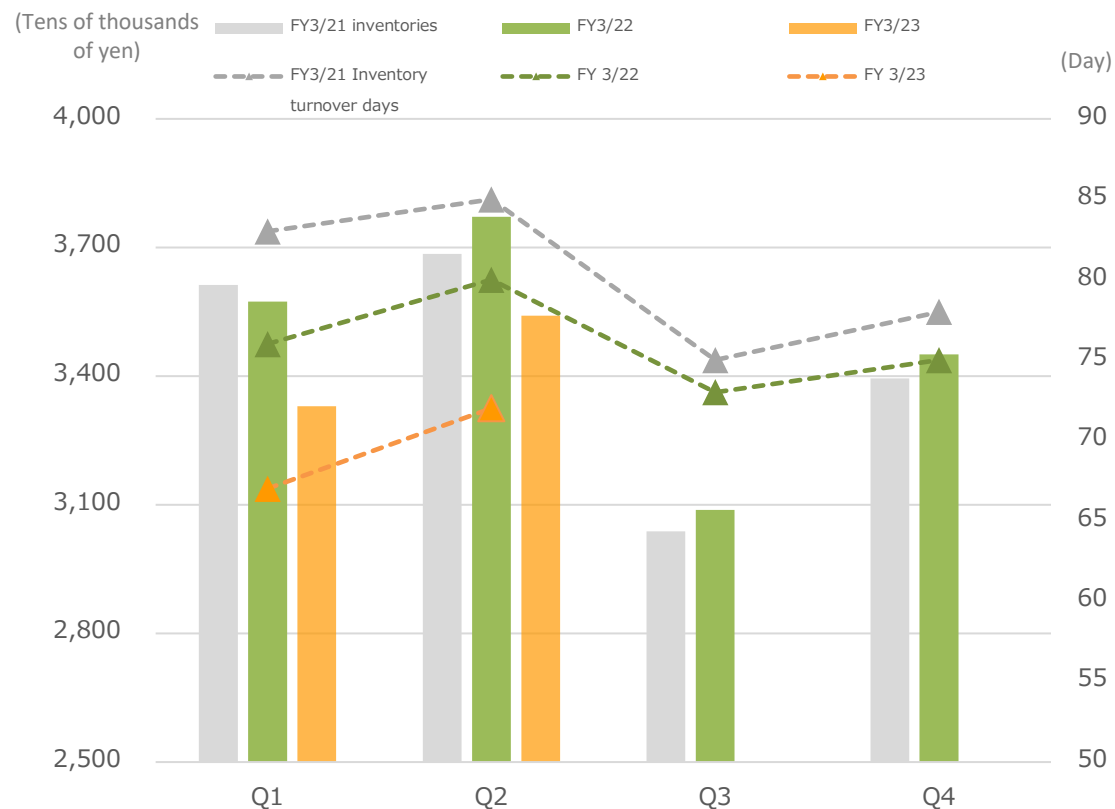


Inventories (Logistics Cost)

● Thorough and efficient inventory management helped improve inventory turnover days and the delivery cost ratio

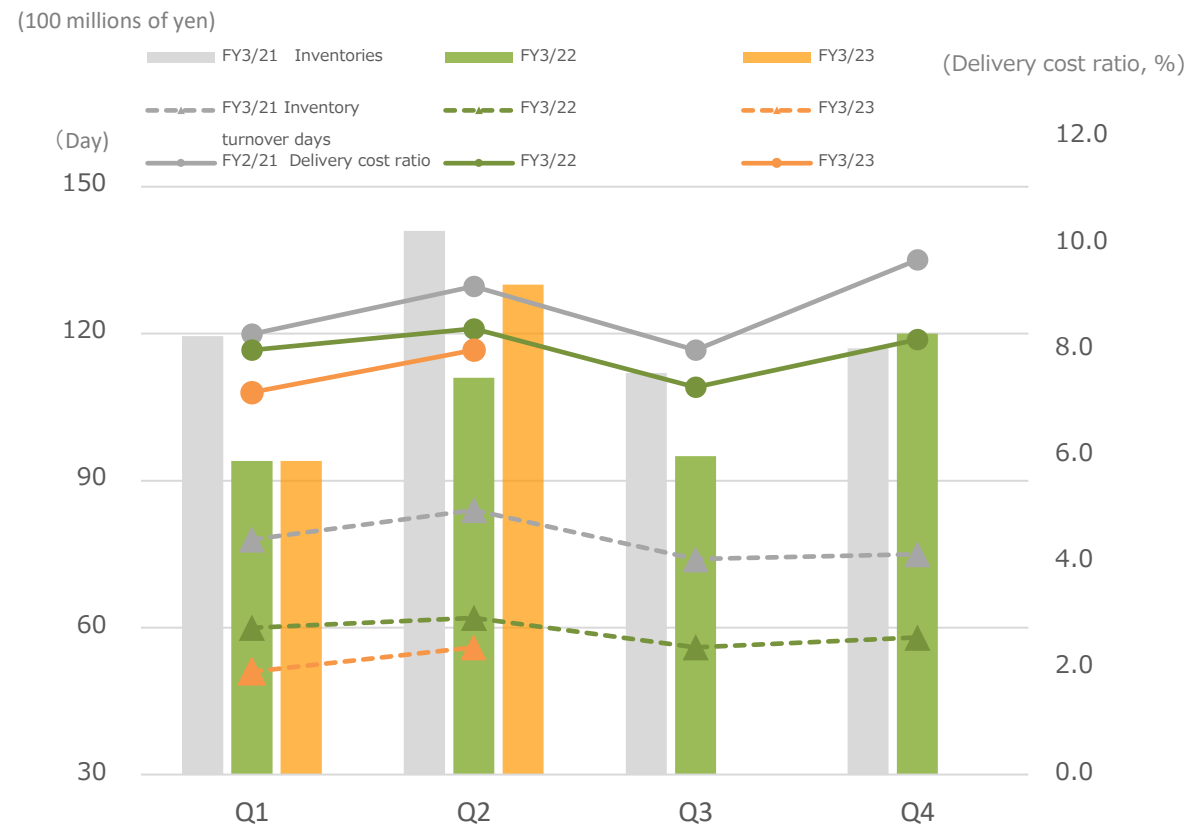
● Selling price inventories per store

- As spring and summer products sold well, carried inventories fell (YoY Δ 16%).
- Optimized inventories helped reduce inventory turnover days by 13 days.



● DC inventories / delivery cost ratio

- Carried inventories for spring and summer products dropped 14%, but inventories of autumn and winter products increased.
- Better infrastructure and inventory management systems helped improve inventory turnover days and the delivery cost ratio.

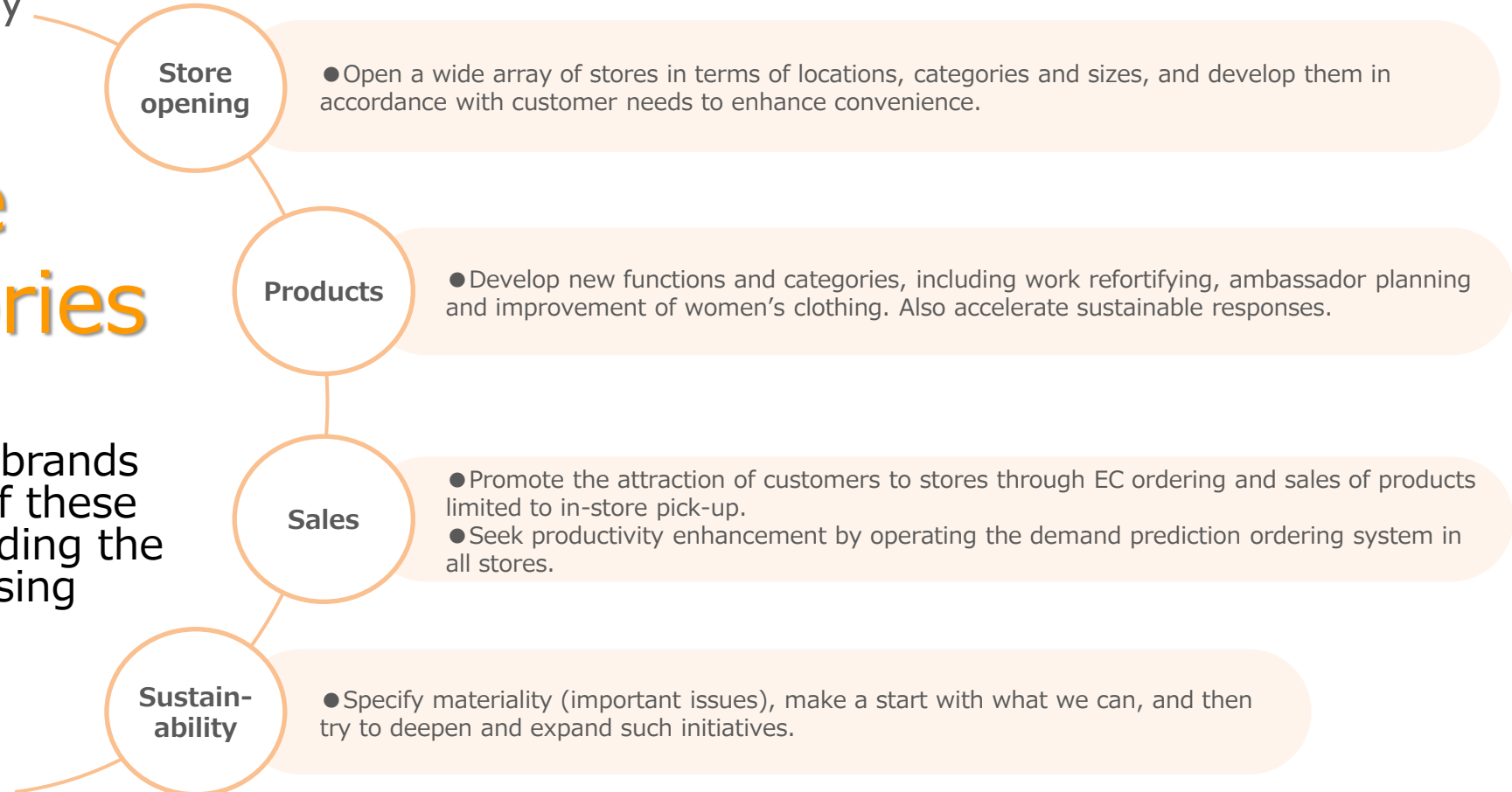


- Plans for the Fiscal Year Ending March 31, 2023

● Management policy





Sustainable Growth Stories

Enhance the power of brands through the creation of these stories, thereby expanding the customer base and raising customer satisfaction.



Store Opening Plans

● Go for **1,500** domestic stores

(Number of stores)	Number of stores at end of FY3/22	Openings set for FY3/23			S&B※3	Renovation set for FY3/23※2			Closures	Number of stores at end of FY3/23	Medium/longer-term goals
			Roadside	SC※3			Full renovation	Partial renovation			
	559	—	—	—	(△11)	(△67)	(△3)	(△64)	△2	480	200
	372	24	24	—	11	65 (—)	3 (—)	62 (—)	—	471	900
	12	15	11	4	—	—	—	—	—	27	400
	1	—	—	—	—	2	—	2	—	3	N/A
Total※1	944	39	35	4	11	67	3	64	△2	981	1,500

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

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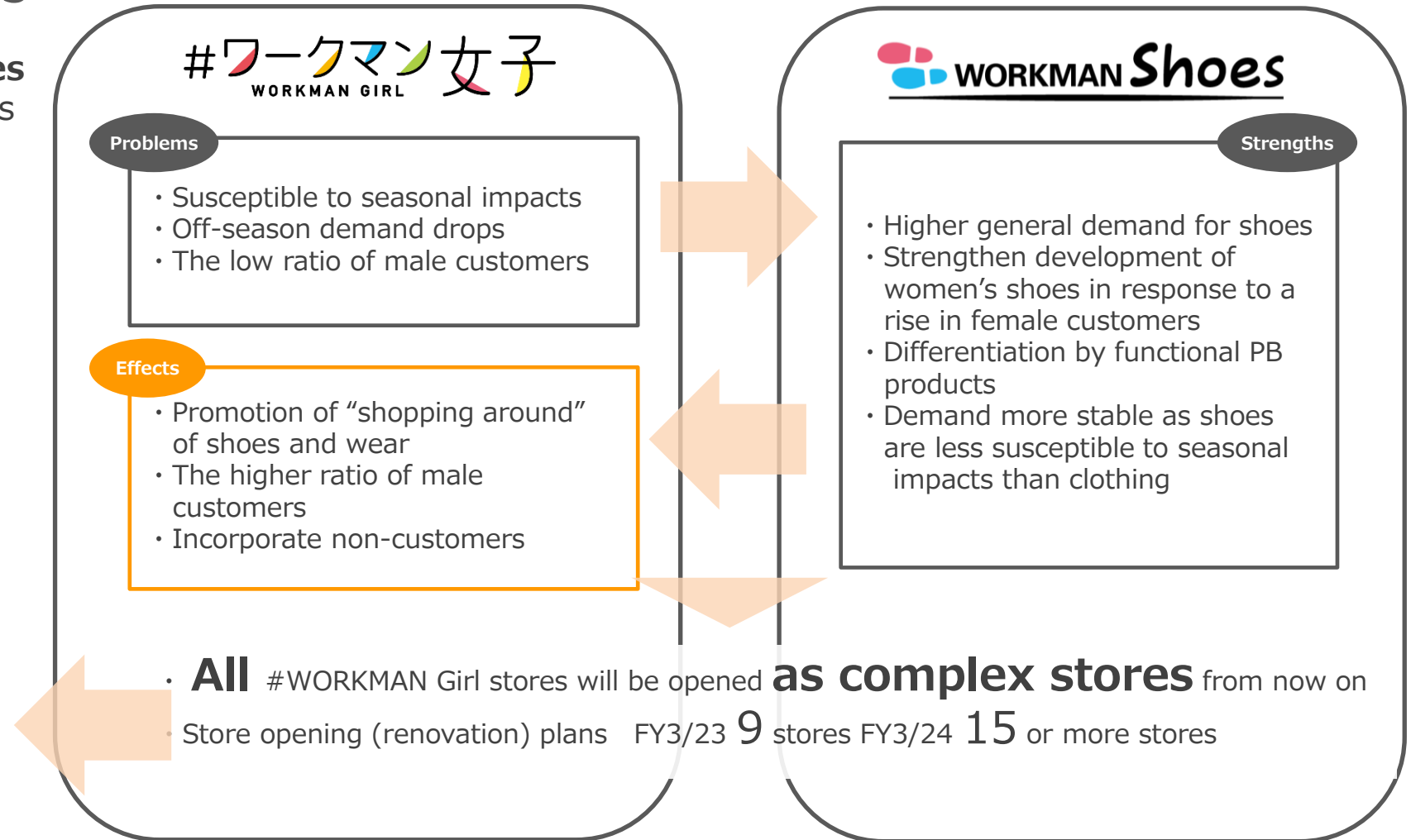
Store Opening Strategy

● General demand incorporated through stores combining #WORKMAN Girl and WORKMAN Shoes

- **Purpose of opening stores**
Acquire potential customers

- **Task**
Stable profit base

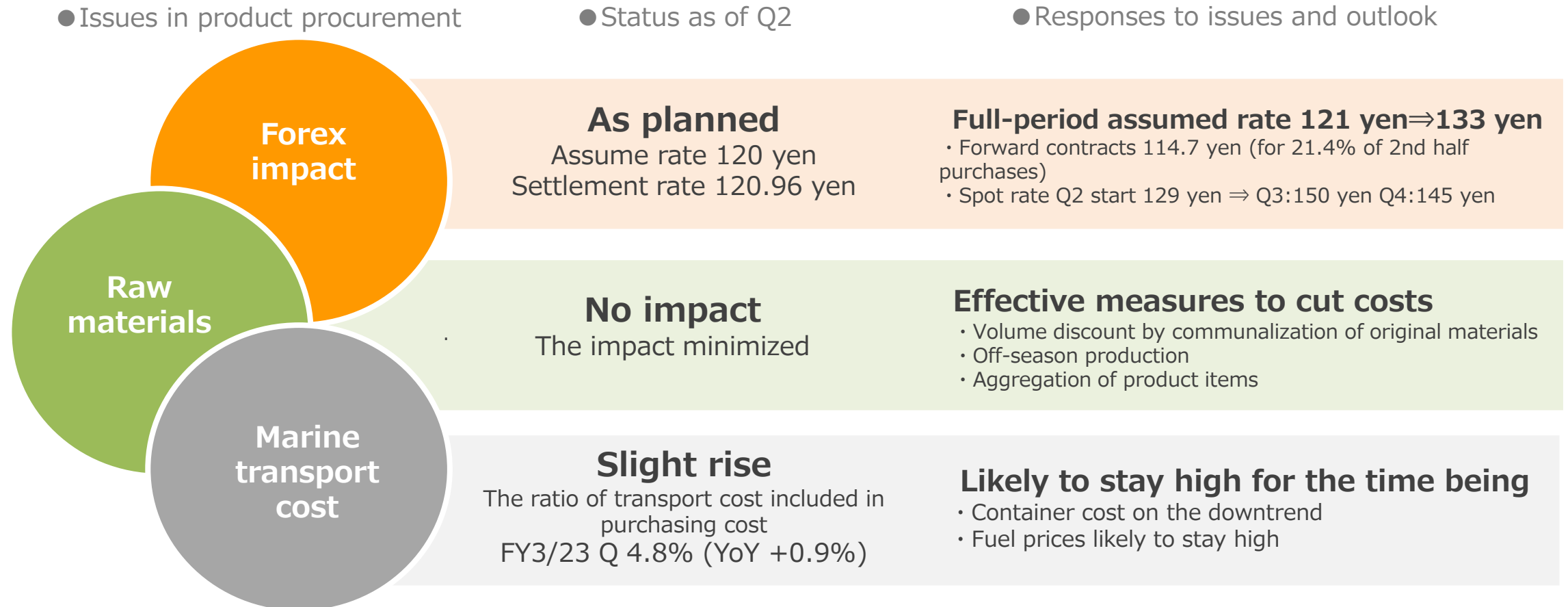
- **Goals**
Customer base expansion
Sustainable growth



Impacts of Sharp Rises in Purchase Prices

- Realized “new standards for functions and prices” by keeping prices unchanged for PB products

Plans to keep prices unchanged for all PB products for autumn/winter 2022 and major PB products for spring/summer 2023



Product Development

● Expand the customer base via new category development

Broaden business domains as derivatives of the core business of work supplies through ambassador marketing

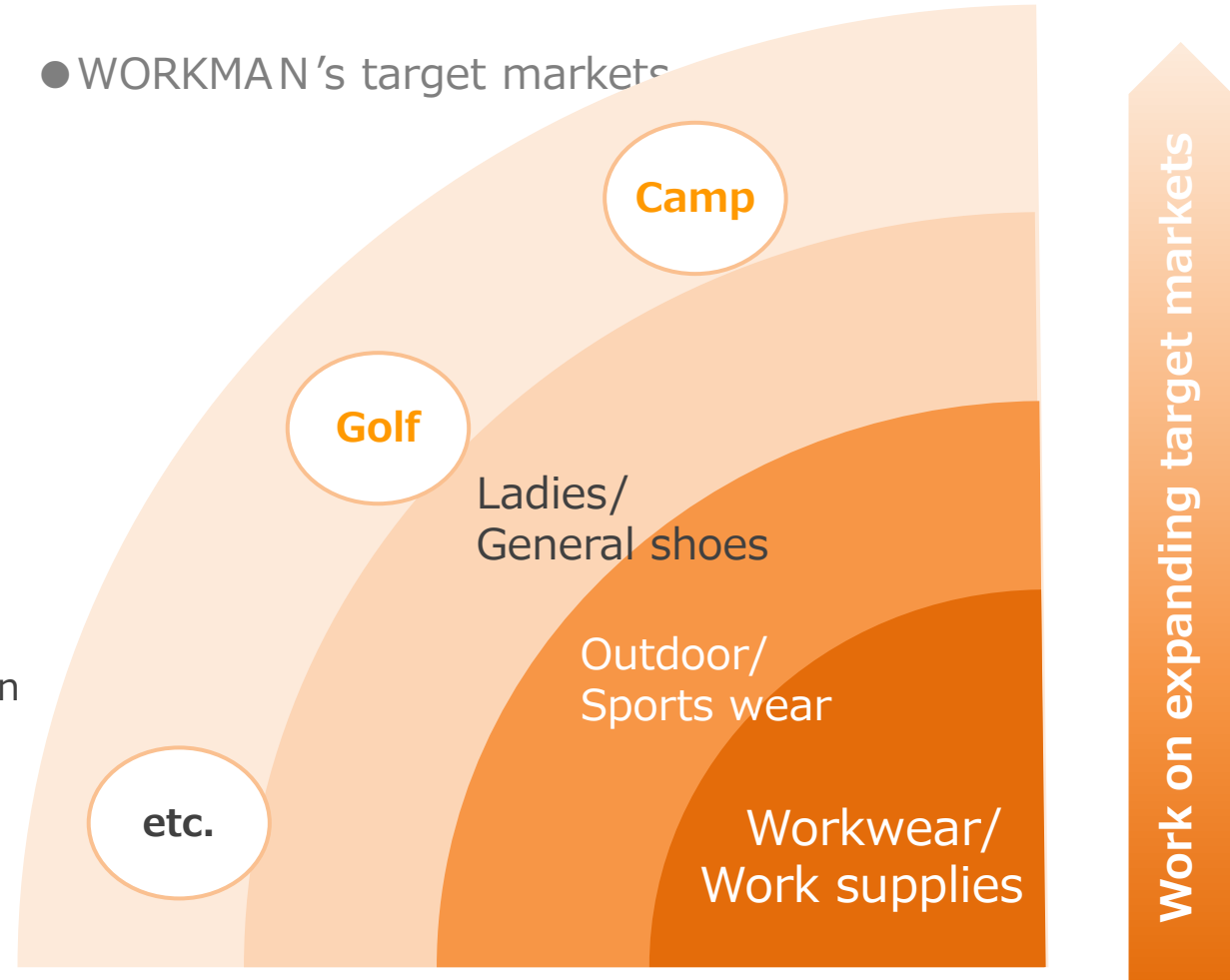


- Enter the family-oriented camp gear market in earnest, such as through the release of the second series of camp gear and large tents



- Sales goal
FY3/23 800 m. yen
FY3/24 2 b. yen

● WORKMAN's target markets



Presentation of 2022 AW New Products

- Hands-on event for mass media, influencers



- Enhance exposures to mass media (TV, newspapers, etc.) through SNS responses

Ambassadors/influencers
3.15 million views

Web media
351 sites

Newspapers, magazines,
business journals
62

TV
14 programs

During four days after the presentation event, the number of visits to the online store reached

2 million

● Support operations of FC stores by promoting customers' store visits

- Strengthen linkages of products, release and sales floor

- Effective use of BOPIS (Buy Online Pick-Up In Store)

- EC sales ratio **1.5%** (Q1 actual results, ratio to sales at all chain stores)
Of that, the ratio of products limited to EC sales about **42%**
- Ratio of sales for pick-up in store **79%** (on a sales proceeds basis)
- Increase by about **1.7** times YoY thanks to sales of camp gear and other products

- Demand Forecast and Ordering System

- As of end-September 2022, **677** stores introduced the system

▶ end-FY3/23 **The system in operation at all stores**

- Optimize inventories by raising the follow rate of single items at stores

(Comparison with stores without the system)

- Sales growth rate **+2** points
- Inventories of spring/summer products carried per store
△300,000 yen



Plans for the Fiscal Year Ending March 2023

● The full-year profit forecast revised downward

- Royalty revenue and sales of products supplied increased thanks to the growth of sales of FC stores. Due to the worsening of the markup rate for PB products, gross profit margin declined 0.1 point.
- As the assumed foreign exchange rate was changed from 121 yen to 133 yen in the wake of the yen's further weakening, cost of sales increased by 2.62 billion yen.
- As trade-offs to overseas direct purchases accelerated under the impact of cost inflation, rebates declined and operating profit dropped by 350 million yen.

(Millions of yen)	FY 3/2022	FY 3/2023 Previous forecast	FY 3/2023 Revised forecast	Increase/ Decrease	Vs. Plans (%)	YoY (%)
Sales at all chain stores	156,597	166,690	168,634	+1,944	+1.2	+7.7
Sales to directly managed stores	9,902	10,727	10,658	△68	△0.6	+7.6
Sales to franchise stores	146,695	155,962	157,975	+2,013	+1.3	+7.7
(Same store sales)	+1.5	+1.5	+2.2	—	—	—
Total operating revenue	116,264	124,110	125,213	+1,102	+0.9	+7.7
Cost of sales	70,207	78,633	82,625	+3,992	+5.1	+17.7
SG&A	19,254	21,015	20,813	△201	△1.0	+8.1
Operating profit	26,802	24,461	21,774	△2,687	△11.0	△18.8
Ordinary profit	27,395	25,063	22,355	△2,708	△10.8	△18.4
Net income	18,303	16,782	14,897	△1,885	△11.2	△18.6
EPS	224.28 yen	205.65 yen	182.55 yen	△23.10 yen	—	—



■ 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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