



# WORKMAN CO., LTD.

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

February 7, 2023

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

# Cumulative income statement

(Millions of yen)	FY 3/22 Q3	FY 3/23 Q3	YoY (%)
<b>Sales at all chain stores</b>	125,963	<b>137,871</b>	<b>+9.5</b>
Sales to directly managed stores	8,061	<b>8,615</b>	<b>+6.9</b>
Sales to franchise stores	117,901	<b>129,255</b>	<b>+9.6</b>
(Same store sales)	—	—	<b>+3.5</b>
<b>Total operating revenue</b>	91,778	<b>100,844</b>	<b>+9.9</b>
Cost of sales	54,625	<b>64,686</b>	<b>+18.4</b>
Adjusted OP before SG&A	37,153	<b>36,157</b>	$\triangle$ <b>2.7</b>
SG&A	14,567	<b>15,390</b>	<b>+5.6</b>
<b>Operating profit</b>	22,585	<b>20,767</b>	$\triangle$ <b>8.0</b>
<b>Ordinary profit</b>	23,053	<b>21,198</b>	$\triangle$ <b>8.0</b>
<b>Net income</b>	14,313	<b>13,208</b>	$\triangle$ <b>7.7</b>
EPS	175.39yen	<b>161.85yen</b>	

## ➤ Financial Results Highlights

### ● Sales at all chain stores

- With the impact of the weather and increasing demand for outings, the external environment worked positively, and sales fared well and surpassed the plan by +3.6 points for the third quarter.
- Sales of products in new categories capturing customer needs, such as camp gear and ladies' clothing, led the growth.

### ● Total operating revenue

**Sales of products supplied to FC stores 63,488 m. yen (YoY+10.8%)**

- With optimization of inventories advancing, inquiries for products grew more than storefront sales (YoY+9.6%).

**Revenue from FC stores 28,674 m. yen (YoY+8.8%)**

- Sales growth and the rise in the average number of stores in Q3 lifted revenue.
  - The average number of FC stores in Q3: 923 stores (+45 stores)
- Gross margin ratio mostly leveled off, despite the impact of sharp rises in purchase prices.
  - Gross margin ratio for FC stores: 36.3% (YoY $\triangle$ 0.1 point)

### ● 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 124.9%
- Average settlement rate 125.94 yen (the preceding quarter 107.75 yen)
- Profit related to overseas purchases 3,529 m. yen (YoY  $\triangle$ 49.1%)

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

- Revenue from FC stores +2,331 m. yen
- Gross profit margin of company owned stores +153 m. yen
- Profit related to overseas purchases  $\triangle$ 3,408 m. yen

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



(Millions of yen)	FY 3/22 Q3	SG&A ratio (%)	FY 3/23 Q3	SG&A ratio (%)	Change	YoY (%)
<b>Sales at all chain stores</b>	<b>125,963</b>	<b>–</b>	<b>137,871</b>	<b>–</b>	<b>–</b>	<b>+9.5</b>
Labor cost	2,658	2.1	<b>2,782</b>	2.0	+124	+4.7
Selling cost	802	0.6	<b>866</b>	0.6	+64	+8.0
Traveling expenses	209	0.2	<b>232</b>	0.2	+22	+10.8
Freight cost	1,070	0.9	<b>1,040</b>	0.8	△30	△2.9
Rent	4,357	3.5	<b>4,466</b>	3.2	+109	+2.5
Supply expenses	541	0.4	<b>508</b>	0.4	△32	△6.1
Outsourcing expenses	1,872	1.5	<b>2,141</b>	1.6	+268	+14.4
Depreciation	1,453	1.2	<b>1,676</b>	1.2	+223	+15.3
Other	1,602	1.3	<b>1,675</b>	1.2	+73	+4.6
<b>Total</b>	<b>14,567</b>	<b>11.6</b>	<b>15,390</b>	<b>11.2</b>	<b>+822</b>	<b>+5.6</b>

※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 consolidation of external warehouses reduced maintenance cost.
- Winter products fared well and shipments increased significantly during Q3, but cost rises were limited.

### ● Rent

- The average number of stores during the quarter up by 40 +175 m. yen
- Consolidation of external warehouses associated with the DC expansion  
△60 m. yen

### ● Outsourcing expenses

- SC stores operating cost +155 m. yen  
(The average number of stores during the quarter +4 stores, royalties increased)
- Replacement of the sales core system +87 m. 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 +58 m. yen.  
※Store electricity bills: 80% covered by FC stores and 20% by the head office.

# Balance Sheet



(Millions of yen)	FY 3/22 End of <b>Q3</b>	FY 3/22	FY 3/23 End of <b>Q3</b>	Change
<b>Current assets</b>	89,924	94,266	<b>97,867</b>	<b>+3,600</b>
Cash and deposits	64,969	64,283	<b>70,126</b>	<b>+5,843</b>
Accounts receivable - due from FCs	10,121	11,944	<b>9,450</b>	<b>△2,493</b>
Merchandise	12,054	15,257	<b>14,365</b>	<b>△891</b>
Other	2,779	2,781	<b>3,924</b>	<b>+1,143</b>
<b>Non-current assets</b>	30,644	30,878	<b>33,125</b>	<b>+2,246</b>
Property, plant and equipment	23,621	23,949	<b>26,102</b>	<b>+2,152</b>
Intangible assets	814	818	<b>795</b>	<b>△23</b>
Other investments	6,208	6,110	<b>6,227</b>	<b>+117</b>
<b>Total assets</b>	120,569	125,145	<b>130,992</b>	<b>+5,847</b>
<b>Current liabilities</b>	17,865	17,897	<b>16,865</b>	<b>△1,032</b>
<b>Non-Current liabilities</b>	3,666	3,687	<b>3,662</b>	<b>△25</b>
<b>Total liabilities</b>	21,532	21,585	<b>20,527</b>	<b>△1,057</b>
<b>Total net assets</b>	99,036	103,559	<b>110,464</b>	<b>+6,904</b>
<b>Total liabilities and net assets</b>	120,569	125,145	<b>130,992</b>	<b>+5,847</b>

## ➤ Factors of increase/decrease

### ● Cash and deposits

Operating C/F 15,313 million yen  
Investing C/F △ 3,820 million yen  
Financial C/F △ 5,649 million yen

### ● Accounts receivable - due from FCs

• Due to inventory control, the number of stores covered dropped (QoQ△37 stores).

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

• Directly managed/SC stores +78 million yen  
• Distribution centers △848 million yen  
• Goods in transit △124 million yen

Despite the rise YoY at the end of December, merchandise maintained an adequate level overall, as inventories carried dropped and consumption of autumn and winter products is going ahead smoothly.

### ● Rise in tangible fixed assets

• A total of 46 newly built stores—35 new stores and 11 S&B stores (of which 41 are company owned stores, +5 stores YoY)  
• 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, the building cost per store increased.





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

# Store Openings



- We sought sustainable growth through new store openings tailored to customer needs  
The first department store branch opened in October 2022 (the Kichijoji Store of Tokyu Department Store), and the renovation of “WORKMAN Pro” began.

**977** stores at the end of December 2022 (up 33 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-Dec. 2022
			Roadside	SC※3			Full renovation	Partial renovation		
	559	—	—	—	(△11)	(△67)	(△3)	(△64)	△2	<b>479</b>
	372	<b>22</b>	22	—	<b>11</b>	<b>65</b> (—)	3 (—)	62 (—)	—	<b>470</b>
	12	<b>13</b>	10	3	—	—	—	—	—	<b>25</b>
	1	—	—	—	—	<b>2</b>	—	2	—	<b>3</b>
Total※1	944	<b>35</b>	32	3	<b>11</b>	<b>67</b>	3	64	△2	<b>977</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.

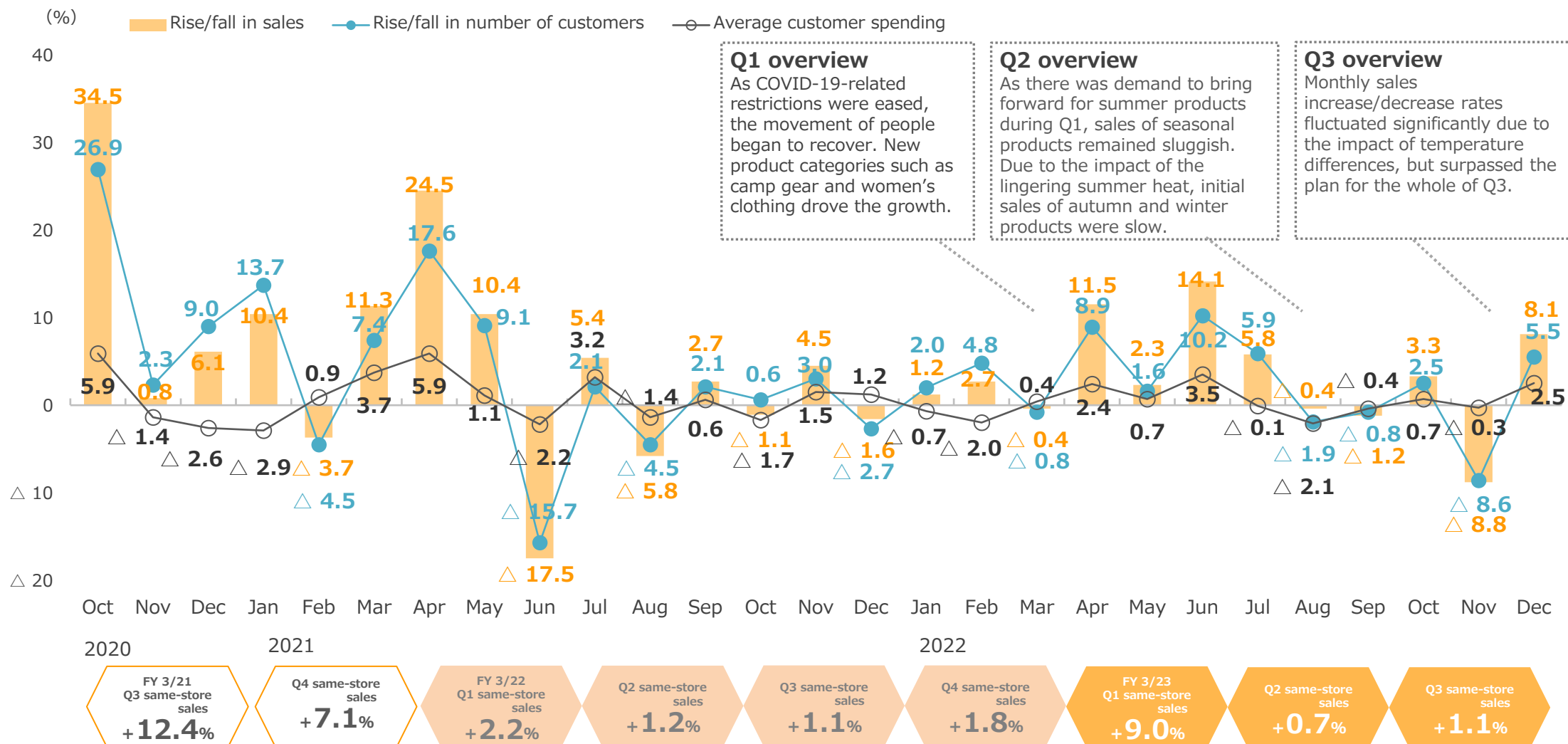
The lower column shows the number of stores that were renovated to WORKMAN Plus in the past but became subject to S&B during the period under review.

※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



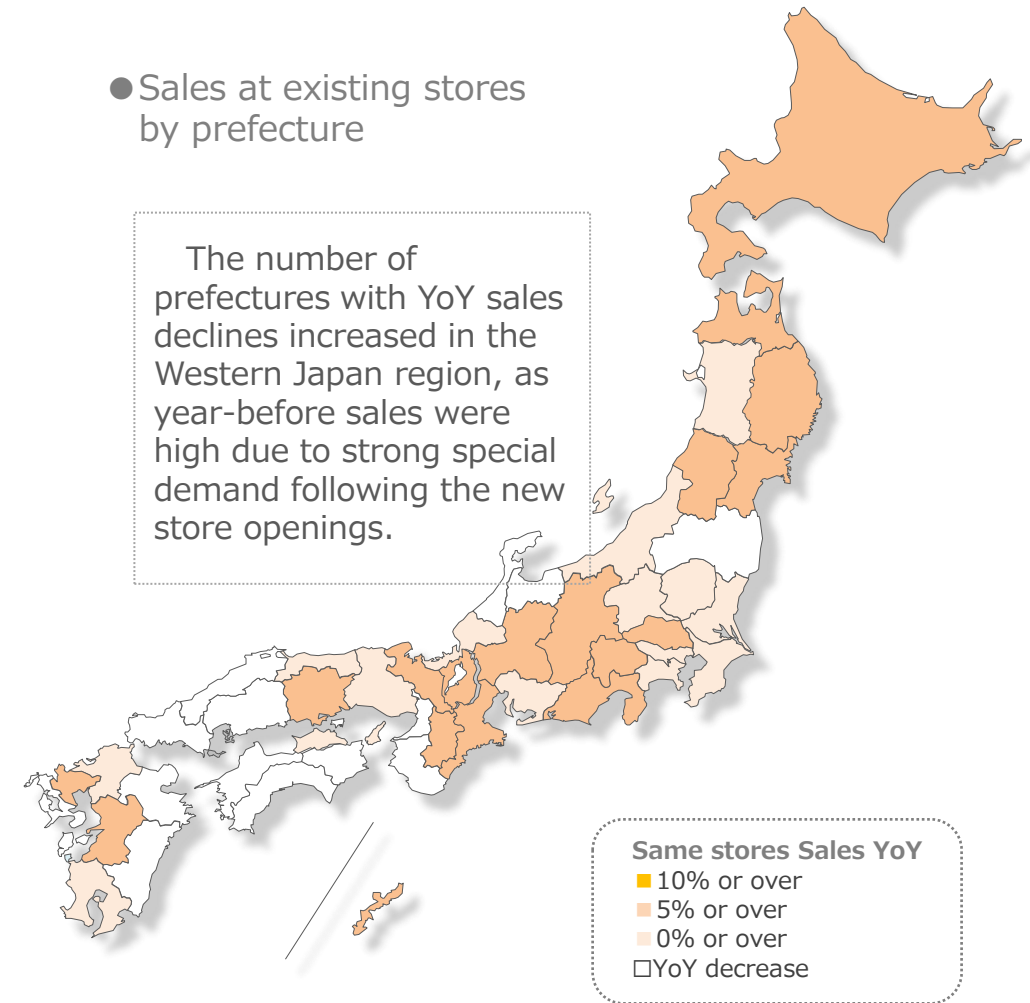
# Status of Sales (FY 3/23 Q3)

## ● Sales at All Chain Stores **137,871** Million Yen

	All chain stores	Existing stores
Net sales	+9.5%	+3.5%
Number of customers	+8.2%	+2.6%
Average number of customers per day	—	※182(+8)
Average customer spending	2,948 yen (+1.2%)	2,935 yen (+1.3%)
Unit price per item	1,161 yen (+21 yen)	1,149 yen (+25 yen)
Number of items purchased	2.5 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



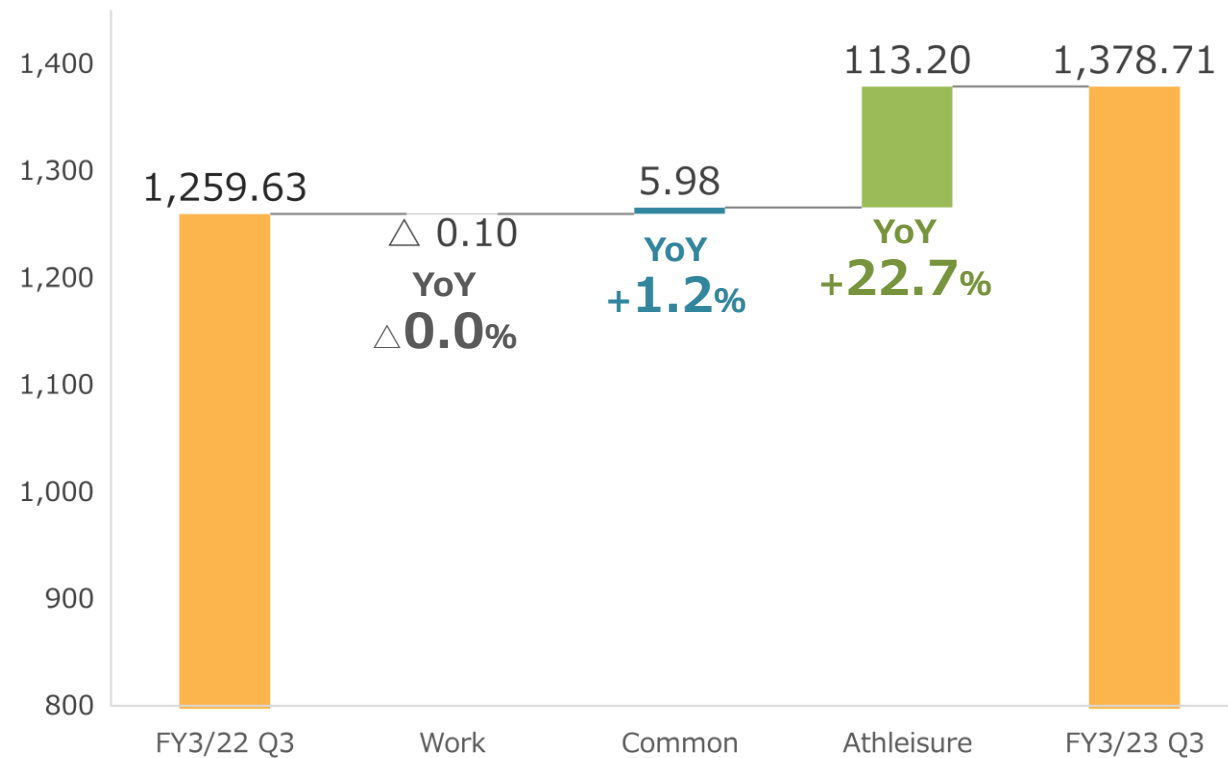
# Status of Sales (Results by Product)

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

- Factors for Increase/Decrease in FY 3/23 Q3

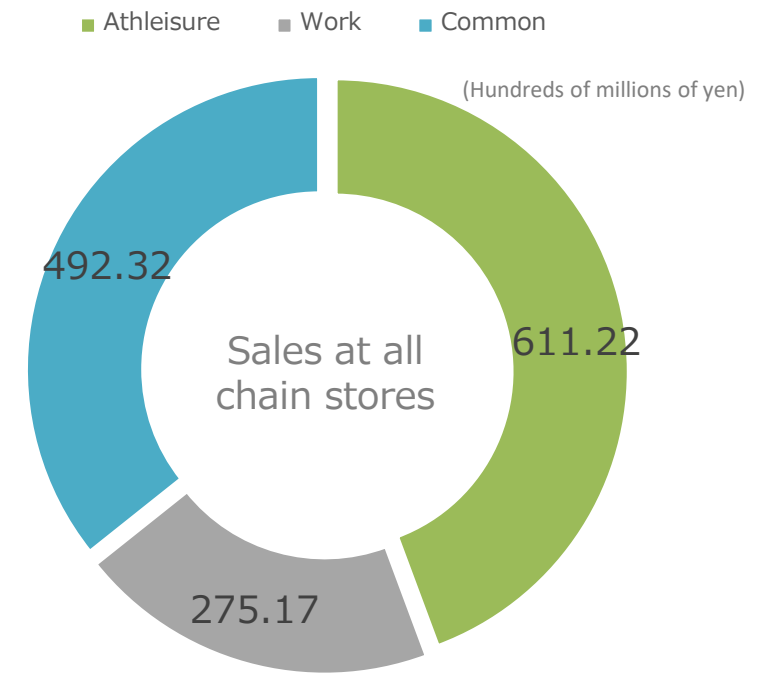
## Sales at All Chain Stores

(100 millions of yen)



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

- FY 3/23 Q3 Sales by Product



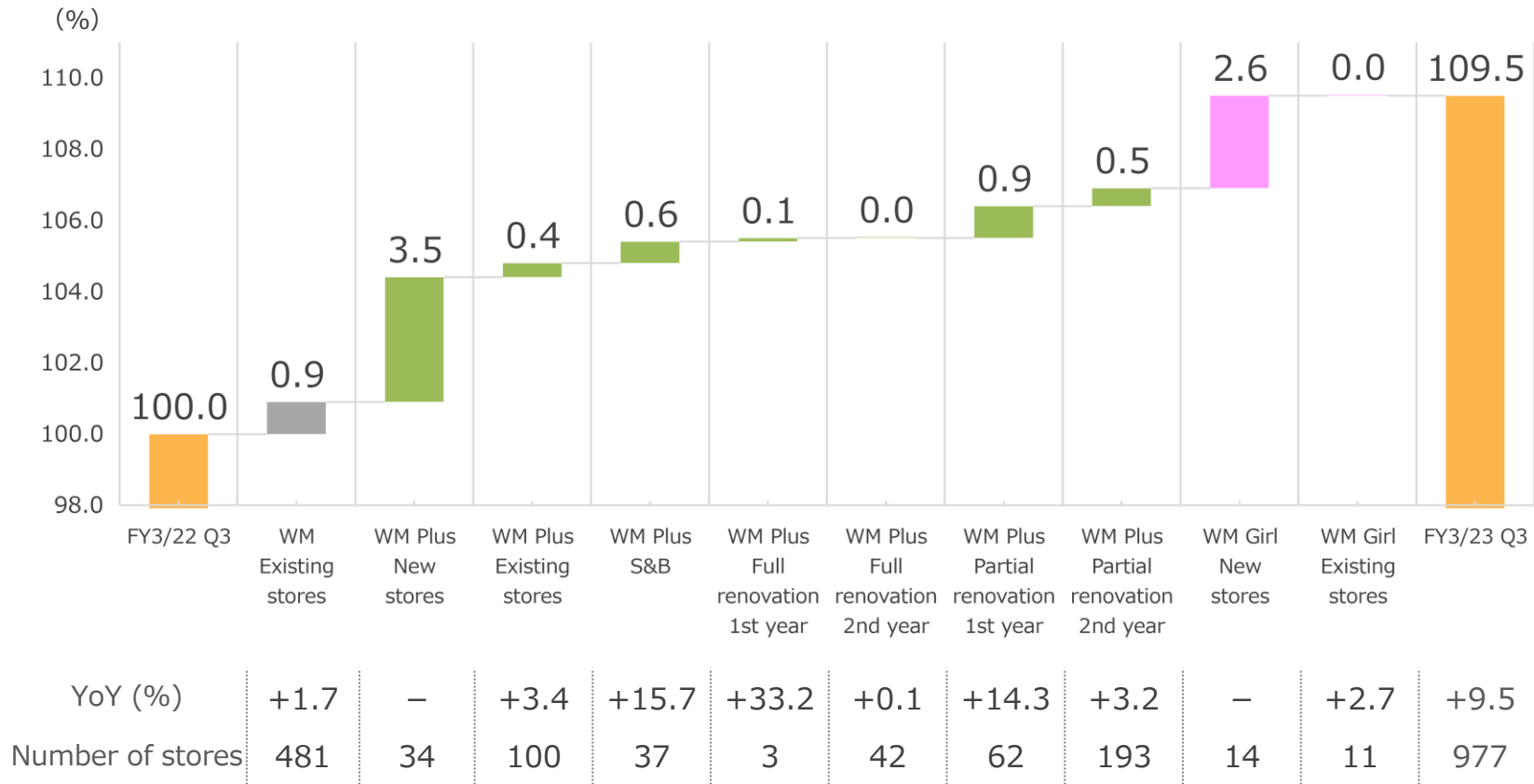
01. Market for professionals...Only products ordinary consumers are believed to have very few opportunities to use are chosen, such as working uniforms, "tabi" Japanese stocks and protective footwear for incorporated enterprises.  
02. Athleisure market...FieldCore/Find-Out/AEGIS brands  
03. Common...Products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

# Sales by Business Category

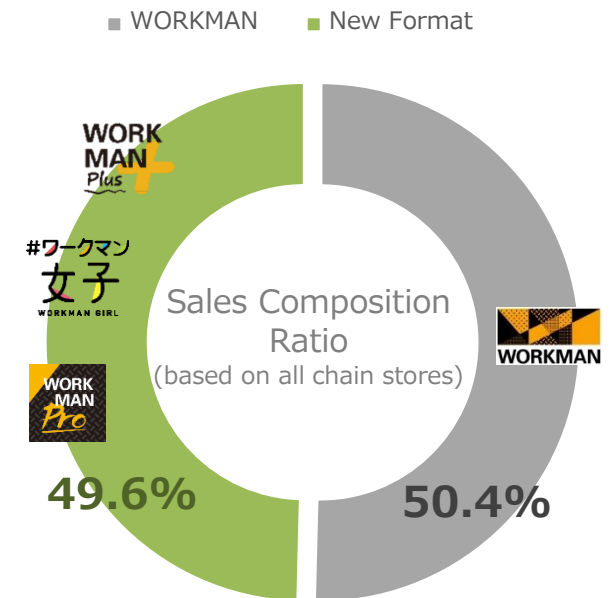


- Contribution to sales at all chain stores (Monthly cumulative period)

Sales at newly opened stores fared well, while S&B and renovation of existing stores contributed to growth.



※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 Q3		FY 3/23 Q3		Factors (YoY)
	Sales	YoY	Sales	YoY	
<b>Undergarments • Socks</b> Undergarments, socks, hats, towels, etc.	11,860	+10.9	<b>13,635</b>	<b>+15.0</b>	<ul style="list-style-type: none"> <li>• Summer supplies (+16.0%)</li> <li>• Winter inner shirts (+21.3%)</li> <li>• Outdoor caps (+33.1%)</li> </ul>
<b>Casualwear • Sports</b> Sportswear, polo shirts, etc.	18,553	+9.6	<b>20,630</b>	<b>+11.2</b>	<ul style="list-style-type: none"> <li>• Short-sleeved T-shirts (+25.5%)</li> <li>• Sweat shirts (+29.7%)</li> <li>• Short pants (+54.6%)</li> </ul>
<b>Workwear • Outdoor</b> Workwear, outdoor wear, etc.	40,023	+5.0	<b>42,051</b>	<b>+5.1</b>	<ul style="list-style-type: none"> <li>• Clothing with air-conditioning fan(s) (+16.1%)</li> <li>• Warm pants (+14.9%)</li> <li>• Year-round workwear (△4.0%)</li> </ul>
<b>Women's • Uniforms</b> white smocks, office uniforms, etc.	6,843	+30.0	<b>8,860</b>	<b>+29.5</b>	<ul style="list-style-type: none"> <li>• Ladies' bottoms (+88.4%)</li> <li>• Ladies' rainwear (+25.9%)</li> <li>• Summer women's clothing (+94.7%)</li> </ul>
<b>Footgear</b> Protective footwear, <i>tabi</i> stocks, high boots, kitchen shoes, etc.	19,255	+8.5	<b>21,136</b>	<b>+9.8</b>	<ul style="list-style-type: none"> <li>• Outdoor shoes (+30.5%)</li> <li>• Athletic shoes (+31.9%)</li> <li>• Safety shoes (+5.7%)</li> </ul>
<b>Work supplies</b> Work gloves, protective gear, rainwear, etc.	29,347	+2.5	<b>31,495</b>	<b>+7.3</b>	<ul style="list-style-type: none"> <li>• Camp gear (+262.4%)</li> <li>• Bag (+26.2%)</li> <li>• Winter gloves (+26.2%)</li> </ul>
<b>Other</b>	79	△73.0	<b>60</b>	△22.9	—
<b>Total</b>	125,963	+7.0	<b>137,871</b>	<b>+9.5</b>	


# Status of Sales (Sales by Product and Factors)

● Sales of PB Products **90,909** Million Yen (Up 15.7% YoY)

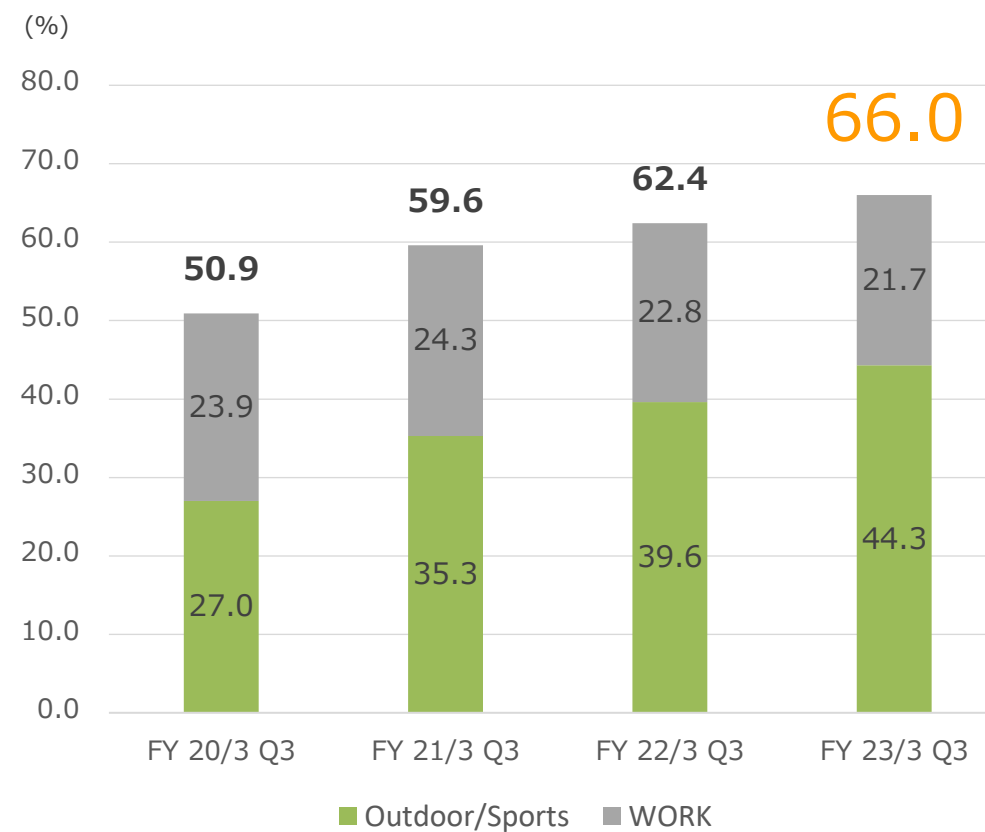
● WORK & Outdoor · Sports

(Millions of yen)	Number of items (the previous year)	Sales value (YoY)
 Work & Outdoor	718 (493)	36,721 (+44.5)
 Work & Sports	330 (310)	16,538 (△ 4.5)
 High-performance rainwear	95 (115)	7,862 (+11.3)
Total for athleisure PB products	1,143 (918)	61,122 (+22.7)

● WORK

 WORKMAN BEST	465 (461)	23,946 ( +4.0)
<b>ASSIST</b>	125 (117)	5,841 ( +1.8)
Total for working PB products	590 (578)	29,787 ( +3.6)
Total for PB products	1,733 (1,496)	90,909 (+15.7)

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



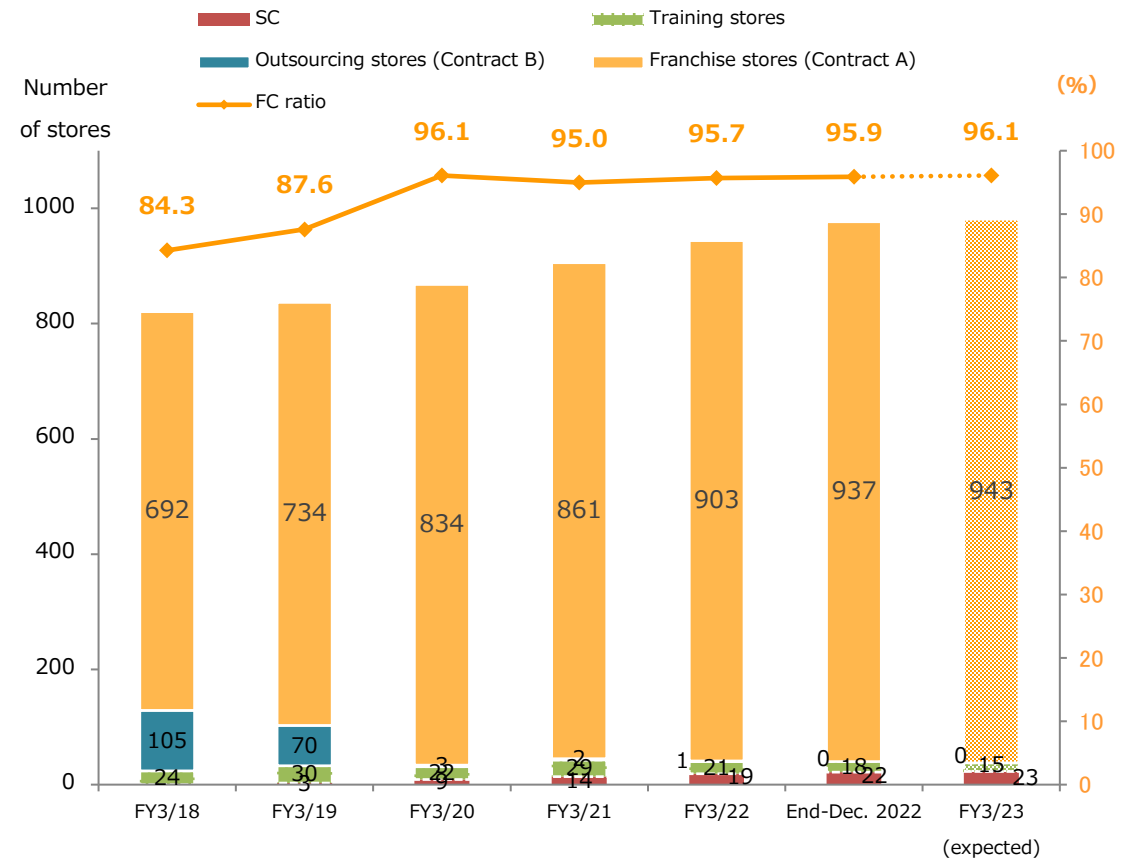
# Format of Store Operations

## ● Ratio of Franchise Stores **95.9%** (up 0.2 points YoY)

### ● Format of Store Operations for FY 3/23 Q3

Format	End-March 2022	Up	Down	End-Dec. 2022
Franchise stores	903	64	30	937
Outsourcing stores	1	—	1	—
Training stores	21	21	24	18
SC stores	19	3	—	22
Total	944	88	55	977

### ● Number of Stores by Format of Operations

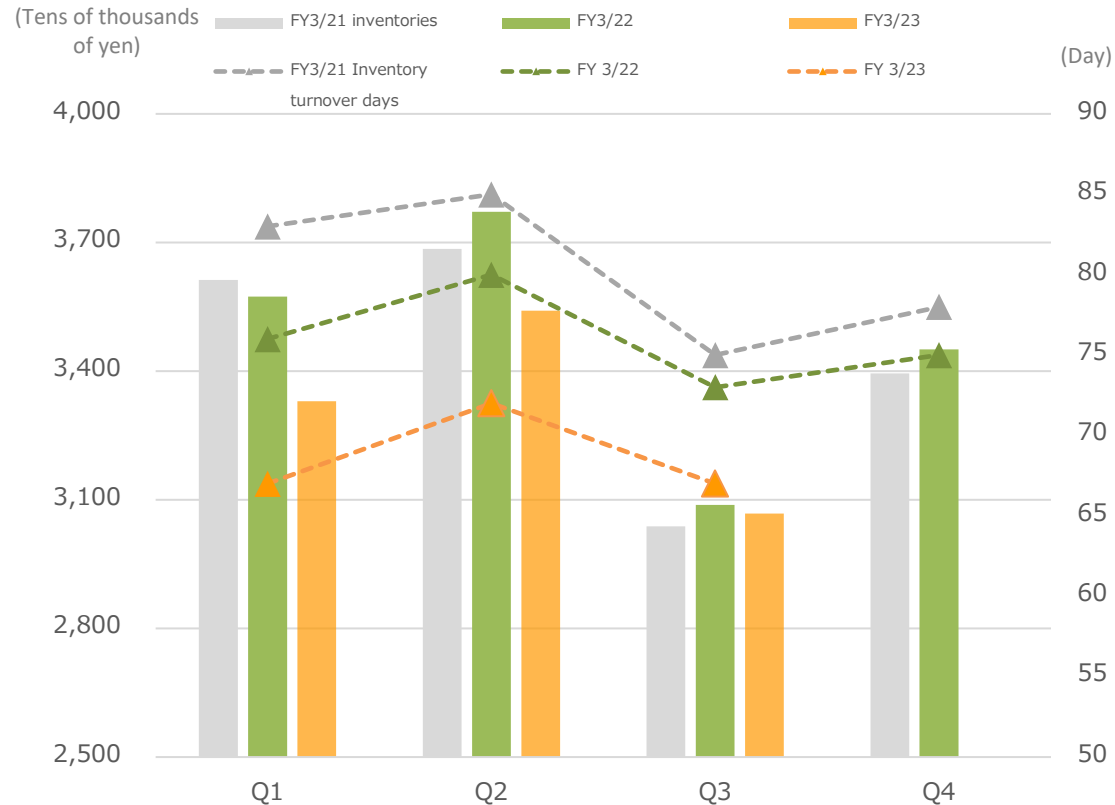


# Inventories (Logistics Cost)

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

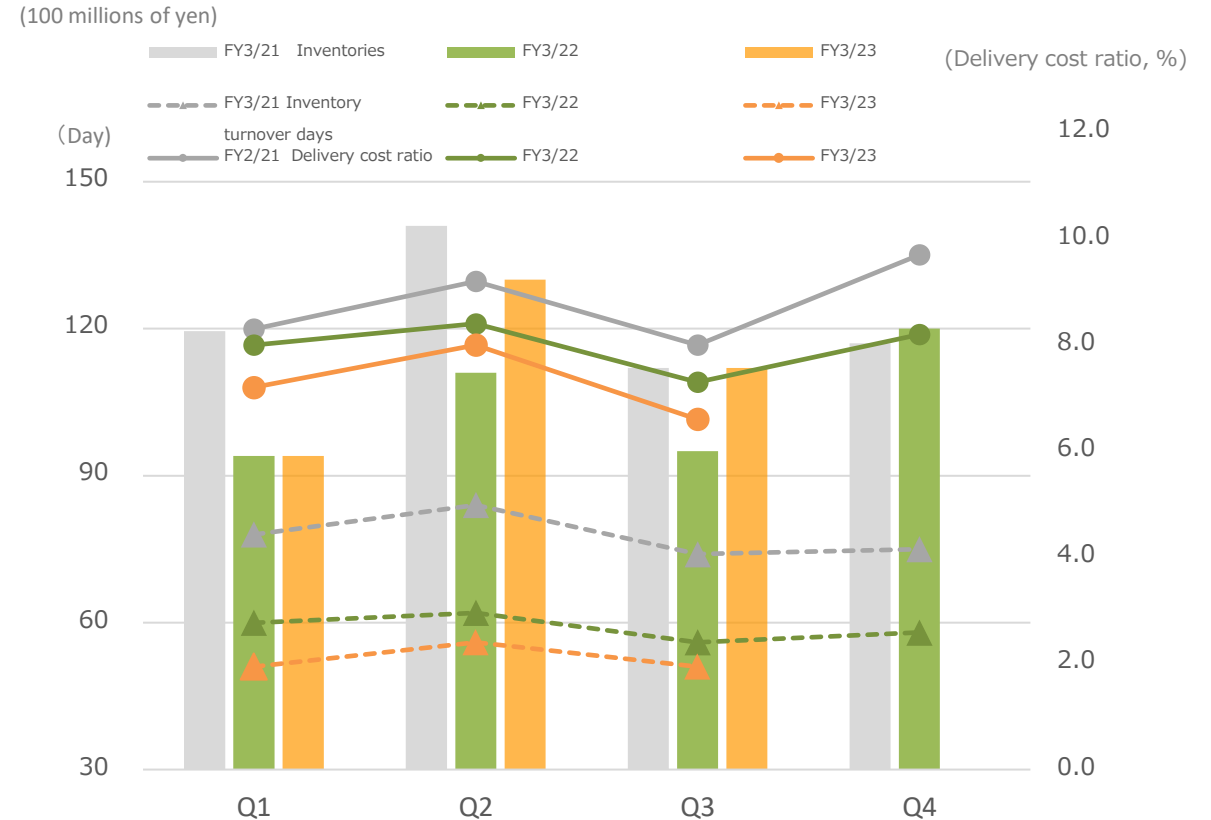
### ● Selling price inventories per store

- Inventory control of seasonal products progressed smoothly.
- Optimized inventories helped reduce inventory turnover days by 8 days.



### ● DC inventories / delivery cost ratio

- Inventories of autumn and winter products rose at the end of December, but maintained adequate levels.
- Stronger inventory management systems helped improve inventory turnover days and the delivery cost ratio.



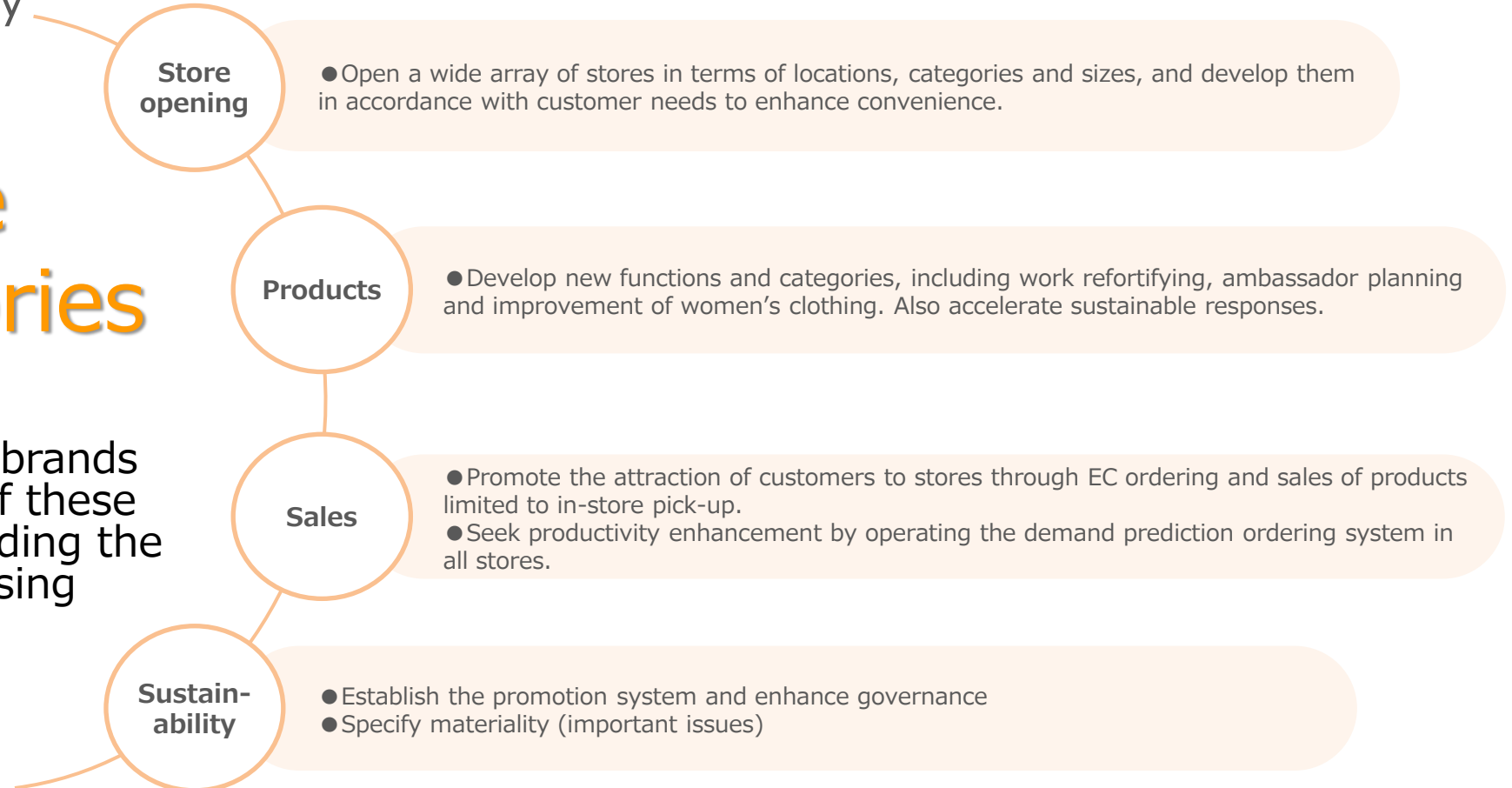


- Plans for the Fiscal Year Ending March 31, 2023

## ● 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



- Aim for 1,500 domestic stores through the promotion of new business categories and store development in urban areas

(Number of stores)	Number of stores at end of FY 3/22	Openings set for FY 3/23			S&B※3	Renovation set for FY 3/23※2			Closures	Number of stores at end of FY 3/23	Medium/longer-term goals
			Roadside	SC※3			Full renovation	Partial renovation			
	559	—	—	—	(△11)	(△67)	(△3)	(△64)	△2	<b>479</b>	200
	372	<b>24</b>	24	—	<b>11</b>	<b>65</b> (—)	3 (—)	62 (—)	—	<b>473</b>	900
	12	<b>15</b>	11	4	—	—	—	—	—	<b>26</b>	400
	1	—	—	—	—	<b>2</b>	—	2	—	<b>3</b>	N/A
Total※1	944	<b>39</b>	35	4	<b>11</b>	<b>67</b>	3	64	△2	<b>981</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.

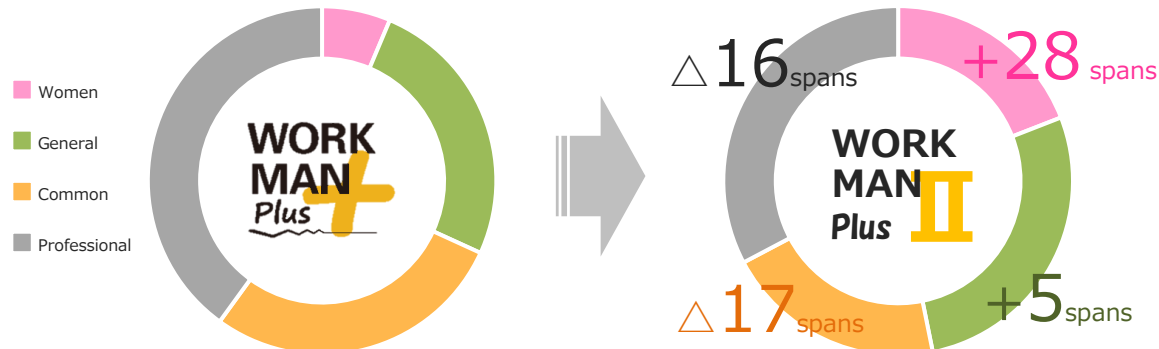
※3. SC: Shopping centers S&B: Scrap and Build

# Store Opening Strategy

- We began the verification of WORKMAN Plus II  
The Niitsu store (Niigata Prefecture) opened in January 2023



- Expand the lineup for general customers (the number of sales floor spans)



## ● Concept

- Plus** product lineups of #WORKMAN GIRL and Shoes at Plus stores
- Plus** further customer satisfaction with full product lineups

## ● Target

- Open stores in commercial districts and shopping centers convenient for shopping around
- Maximize general demand while keeping professional demand
- Balance sales by reducing the impacts of different days of the week

## ● Goal

Establish a hybrid-type small trade area format by combining the **stability** of Plus stores and the **growth potential** of #WORKMAN GIRL

# Presentation of 2023 Spring/Summer New Products

- Theme: “Play up designability with stealthy function”



We will **transform** images and bring growth to the **next stage**

- ✓ Along with the expanded development of #WORKMAN GIRL, it is necessary to approach a broader range of customers in fashion and other areas.
- ✓ Propose coordination by style, while maintaining functionality.
- ✓ Introduce new product categories.

# Product Development (PB Products)

- Expand products that capture customer needs

- Develop new categories in major fields

## Camp Gear

- **The third series of camp gear released**

Expand large products and bring the product line closer to completion  
FY2023 sales target **4.0 b. yen**

## Golf

- **Develop a full line of golf-related products**

- Build our own unique positioning in functions and pricing, and expand market shares as entry models  
(wear, bags, gloves, caps, sunglasses, etc.)

## Ladies' Innerwear

- **Development of core products for #WORKMAN GIRL**

Realize functionality (elasticity, soft to the touch, high moisture-retaining property) and low prices (499 yen without cups, 1,280 yen with cups)

First-year sales target **2.5 b. yen**

- Responses to labor shortages

Extend the work life with comfortable work

## Comfortable Work Institute

- Respond to social problems confronting industry, such as the aging society
- Collaborate with firms and universities in product development by taking in advanced technologies and knowledge of other industries
- Support an environment that allows long and healthy work

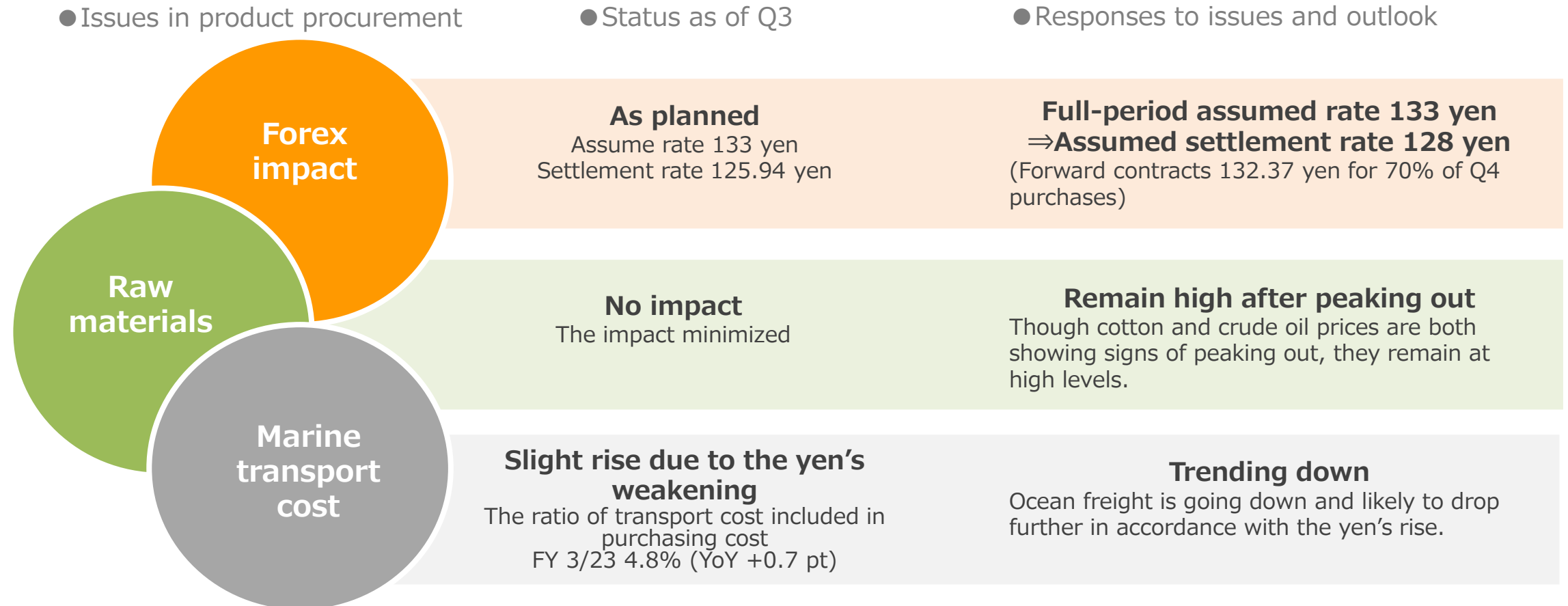
※ We will announce details of the development of new categories and the Comfortable Work Institute at the Presentation of Spring/Summer 2023 New Products on February 23.



# Impacts of Sharp Rises in Purchase Prices

## ● We are planning to keep prices of core products unchanged for autumn/winter 2023 as well

- We plan to conclude forward contracts for FY 3/24 purchases after assessing the market situation



- Enhance productivity at stores through digitalization

- Impacts of price increases

General	<ul style="list-style-type: none"><li>✓ As weather impacts and the effects of store re-openings are great, price rises have little impact on sales at the moment.</li><li>✓ As prices of necessities keep rising amid no improvement in income, there are concerns about a slowdown in consumption of apparel products.</li></ul>
Corporate	<ul style="list-style-type: none"><li>✓ Corporate customers are cautious about replacement demand as they have heightening concerns over business deterioration due to sharp rises in prices of natural resources.</li><li>✓ Prices are trending up throughout the market. Thanks to the effect of price freezes on PB products, the number of inquiries for competitive bids is on the rise.</li></ul>

**With real income weakening, it is hard to say that consumers are accepting “price hikes,” requiring cautious responses.**

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

**Resolve the issue of sales floor space and expand the product lineups**

- Online sales ratio: 1.4% (including pick-ups in store)  
Of that, the ratio of products limited to online sales: about 44%
- Ratio of sales for pick-ups in store: 81%

- Demand Forecast and Ordering System

**Optimization of inventories and greater efficiency in store operations**

- Introduced at 724 stores as of end-December 2022  
▶ **Have the system in operation in all stores** by end-FY 3/23

**(Comparison with stores without the system)**

- Sales growth rate at existing stores +2.0 points
- Stockout rate  $\Delta$ 2.7 points



# Plans for the Fiscal Year Ending March 2023

- As the yen rose faster than assumed, profits remained steady. The full-year plan remains unchanged.

## FY 3/23 Plans

### Sales at all chain stores

**168,634** million yen YoY+7.7%

### Total operating revenue

**125,213** million yen YoY+7.7%

### Operating profit

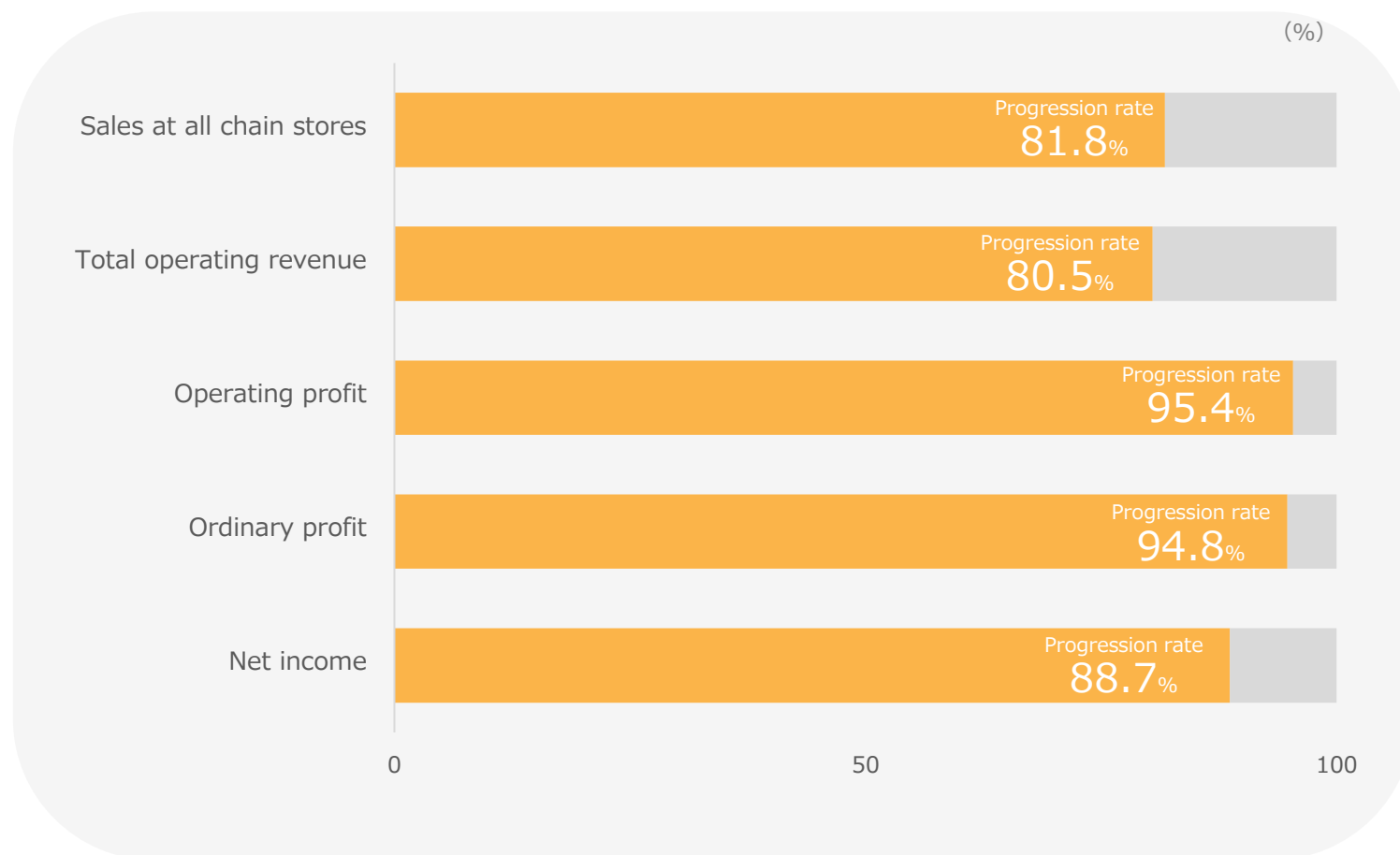
**21,774** million yen YoY△18.8%

### Ordinary profit

**22,355** million yen YoY△18.4%

### Net income

**14,897** million yen YoY△18.6%





■ 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.

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■ 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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WORKMAN CO., LTD.

Securities code: 7564 (STANDARD)

Contact Information: IR Group, Finance Division

TEL : 03-3847-8190

E-mail : [wm\\_seibi@workman.co.jp](mailto:wm_seibi@workman.co.jp)

[https : //www.workman.co.jp/](https://www.workman.co.jp/)