



WORKMAN CO., LTD.

Materials for Briefing Session on the Financial Results for the
Second Quarter of the Fiscal Year Ending March 31, 2024

November 6, 2023

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- Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024

Cumulative income statement

(Millions of yen)	FY3/23 Q2	FY3/24 Q2	YoY (%)	FY3/24 Q2 Plans	Vs. Plans
Sales at all chain stores	81,928	86,498	+5.6	87,990	△1.7
Sales to directly managed stores	5,017	6,468	+28.9	6,558	△1.4
Sales to franchise stores	76,911	80,029	+4.1	81,431	△1.7
(Same store sales)	—	—	+0.7	2.6	△1.9
Total operating revenue	60,208	65,580	+8.9	65,191	+0.6
Cost of sales	38,028	41,773	+9.8	40,924	+2.1
Adjusted OP before SG&A	22,180	23,806	+7.3	24,266	△1.9
SG&A	10,020	11,815	+17.9	12,083	△2.2
Operating profit	12,159	11,991	△1.4	12,182	△1.6
Ordinary profit	12,435	12,260	△1.4	12,436	△1.4
Net income	7,748	7,605	△1.9	7,753	△1.9
EPS	94.95yen	93.01yen		95.01yen	

➤ Financial Results Highlights

● Sales at all chain stores

- While the number of customers was sluggish due to seasonal and inflationary factors, sales results were largely in line with the plan through August thanks to rising unit prices of individual items. Lingering hot weather in September led to weak sales of year-round and autumn/winter products, and sales were down 1.7 points from the plan.

(For reference) EC sales ratio: 1.2% (YoY △0.3 points)

● Total operating revenue

- Sales to directly managed stores: 6,468 million yen (YoY +28.9%)
The average number of stores during the quarter increased by 12, and stores with large sales numbers increased by 9.
- Product supply sales to franchise stores: 41,150 million yen (YoY +7.9%)
Increased more than the growth rate of franchise stores' sales due to the early arrival of autumn/winter products.

● Cost of sales

- The profit margin related to overseas purchases has improved due to reduced costs and the effects of product change/elimination, in addition to higher transaction volume, limiting the impact of the weakening yen.
- Direct overseas purchases: 145.5% (accounts for 59.1% of total purchases, YoY 12.8 points)
- Average settlement rate: 131.57 yen (Q2 for FY3/23: 120.96 yen, +10.61 yen)
- Profit related to overseas purchases: 3,261 million yen (+18.7%)

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

- Revenue from franchise stores: up 903 million yen
- Gross profit from self-operated stores: up 448 million yen
- Profit related to overseas purchases: down 513 million yen

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



(Millions of yen)	FY 3/23 Q2	SG&A ratio (%)	FY 3/24 Q2	SG&A ratio (%)	Change	YoY (%)
Sales at all chain stores	81,928	—	86,498	—	—	+5.6
Labor cost	1,853	2.3	1,972	2.3	+118	+6.4
Selling cost	513	0.6	682	0.8	+168	+32.7
Traveling expenses	147	0.2	205	0.2	+58	+39.6
Freight cost	664	0.8	917	1.1	+252	+38.0
Rent	2,963	3.6	3,260	3.8	+296	+10.0
Supply expenses	346	0.4	421	0.5	+74	+21.4
Outsourcing expenses	1,357	1.7	1,796	2.1	+439	+32.4
Depreciation	1,097	1.3	1,314	1.5	+217	+19.8
Other	1,076	1.3	1,245	1.4	+168	+15.7
Total	10,020	12.2	11,815	13.7	+1,794	+17.9

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

➤ Factors of increase/decrease

● Labor cost

Regular salary increase: +5.1%. Average number of employees during the quarter: +13

● Selling cost

Physical exhibition of autumn/winter products for franchise stores

● Traveling expenses

Resumption of business trips and in-person sales meetings with the easing of restrictions on activities

● Freight cost

• +209 million yen because of the decrease in rebates due to the decrease in domestic purchases

● Rent

• The average number of stores during the quarter +39, +130 million yen
• Leasing costs for Kobe Distribution Center (DC): +168 million yen

● Outsourcing expenses

• SC stores operating cost: +130 million yen (the average number of SC stores during the quarter: +7)
• +162 million yen because of the decrease in rebates due to the decrease in domestic purchases

● Depreciation

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

● Other

Invoice system support: +83 million yen

※Logistics-related rebates are recorded as a reduction in SG&A expenses.

Balance Sheet



(Millions of yen)	FY 3/23 End of Q2	FY3/23	FY 3/24 End of Q2	Change
Current assets	95,869	101,390	105,531	+4,141
Cash and deposits	64,492	62,640	61,166	△1,474
Accounts receivable - due from FCs	10,977	13,459	14,512	+1,053
Merchandise	16,774	21,911	26,281	+4,370
Other	3,624	3,379	3,571	+191
Non-current assets	31,754	34,355	35,038	+683
Property, plant and equipment	25,180	27,149	28,057	+908
Intangible assets	780	884	894	+9
Other investments	5,794	6,322	6,087	△235
Total assets	127,624	135,746	140,570	+4,824
Current liabilities	17,854	17,172	19,250	+2,077
Non-Current liabilities	3,679	4,337	4,503	+165
Total liabilities	21,533	21,510	23,753	+2,243
Total net assets	106,090	114,236	116,817	+2,581
Total liabilities and net assets	127,624	135,746	140,570	+4,824

➤ Factors of increase/decrease

● Cash and deposits

- Free cash flow: down 861 million yen
- Payments of dividends: down 5,544 million yen
- Term deposits with maturity dates exceeding 3 months: +5,000 million yen

● Accounts receivable - due from FCs

- Inventory per store increased significantly as the movement of autumn/winter products was slowed by the lingering hot weather. In addition, the number of stores covered increased by 11 since the end of the previous term.

● Merchandise (factors for increase/decrease)

Sales of year-round and autumn/winter products struggled due to lingering hot weather, with early arrivals resulting in a significant increase in merchandise.

	FY 3/23 Q4	FY 3/23 Q2
• Directly managed/SC stores	+392 million yen	+774 million yen
• Distribution centers	+1,564 million yen	+4,071 million yen
• Goods in transit	+2,394 million yen	+4,639 million yen

● Rise in tangible fixed assets

- A total of 26 newly built stores—21 new stores and 5 S&B stores (of which 17 are company owned stores)
- WORKMAN Plus renovation 35 stores
- WORKMAN Pro renovation 6 stores
- The building cost per store has increased in line with store development tailored to locations, such as increasing the size of stores or building two-story and/or warehouse-type facilities.






- Overview of Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024

Store Openings



- The new business category “Workman Colors” was launched to expand the customer base.

Milestone of **1,000** stores **achieved** at the end of September (+19 stores over end-Mar 2023)

(Number of stores)	Number of stores at end-March 2023	New store openings			S&B※2	Renovation/conversion※2			Excluding increase/decrease ※3	Closures	Number of stores at end-Sep. 2023
			Roadside	SC※2			Full renovation	Partial renovation			
	479	—	—	—	(△5)	(△41)	—	(△41)	(+1)	△2	432
	473	6	6	—	5	35	—	35	△1	—	518
	26	15	7	8	—	(△1)	(△1)	—	—	—	40
	—	—	—	—	—	1	1	—	—	—	1
	3	—	—	—	—	6	—	6	—	—	9
Total ※1	981	21	13	8	5	42	1	41	—	△2	1,000

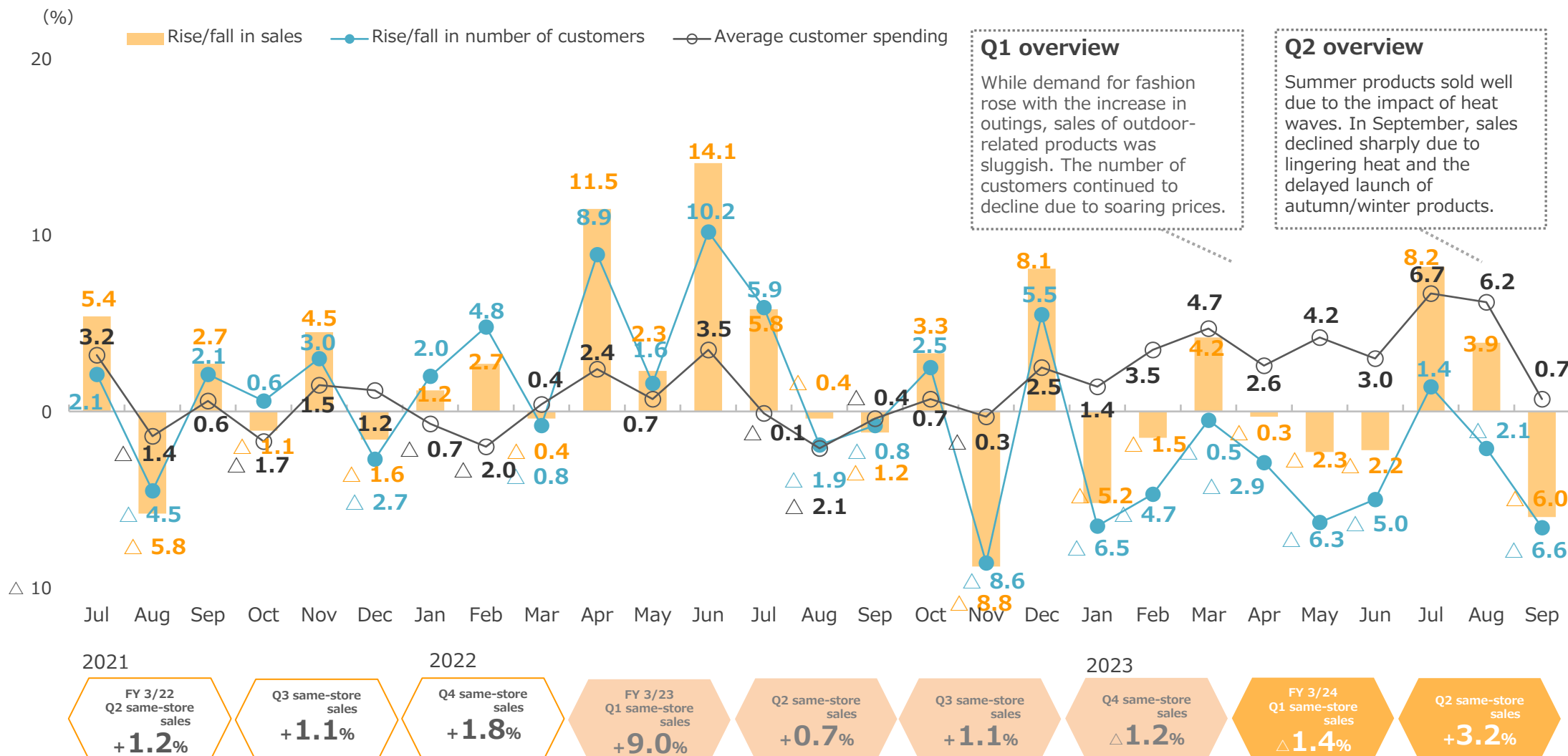
※1. The Total column shows the number of operating stores, with figures in parentheses excluded from the Total.

※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.

Monthly Trends and Factors

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



Status of Sales (FY 3/24 Q2)

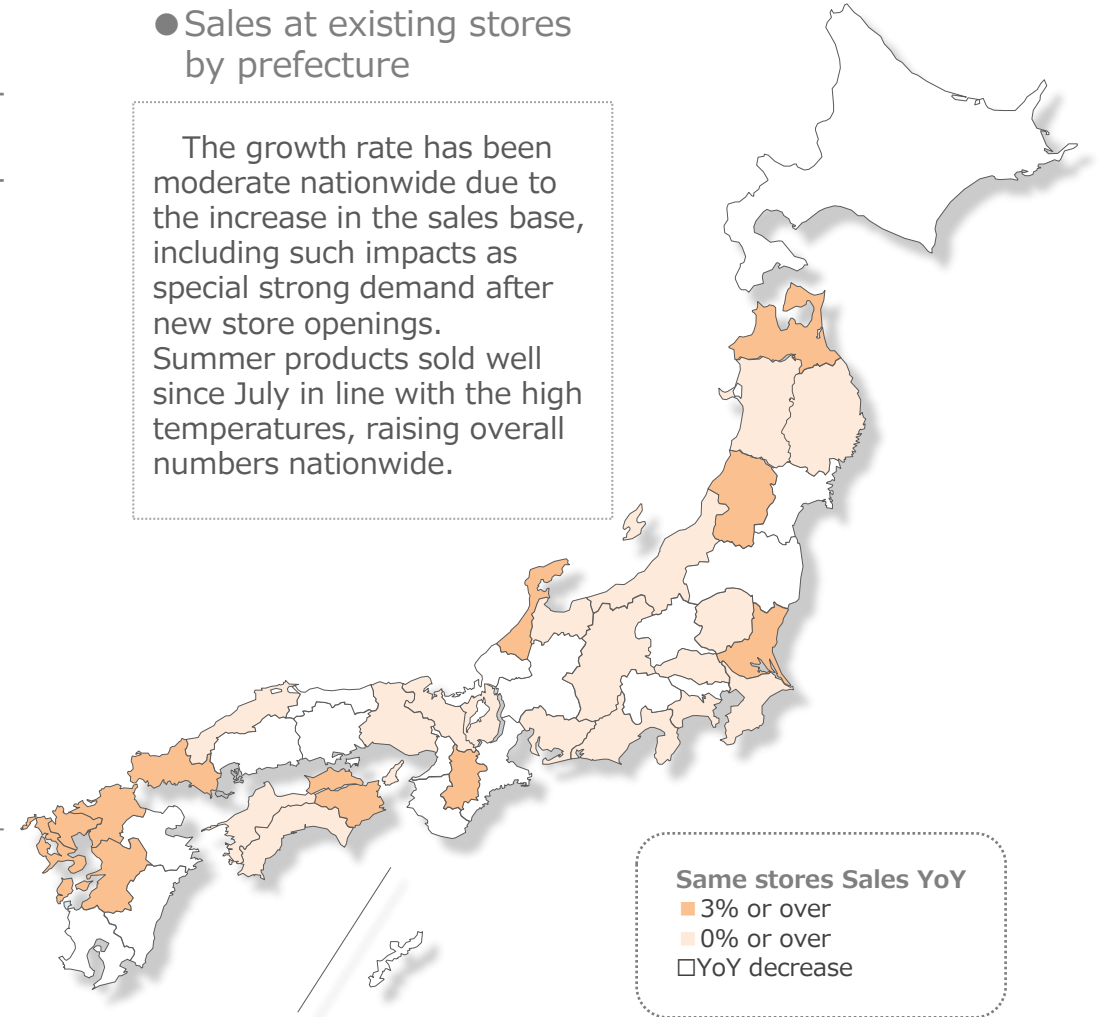
● Sales at All Chain Stores **86,498** Million Yen

	All chain stores	Existing stores
Net sales	+5.6%	0.7%
Number of customers	+1.3%	△3.3%
Average number of customers per day	—	※168 (△4)
Average customer spending	2,939 yen (+4.2%)	2,934 yen (+4.1%)
Unit price per item	1,162 yen (+65 yen)	1,153 yen (+64 yen)
Number of items purchased	2.5 items (△0.1 item)	2.5 items (△0.1 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

The growth rate has been moderate nationwide due to the increase in the sales base, including such impacts as special strong demand after new store openings. Summer products sold well since July in line with the high temperatures, raising overall numbers nationwide.



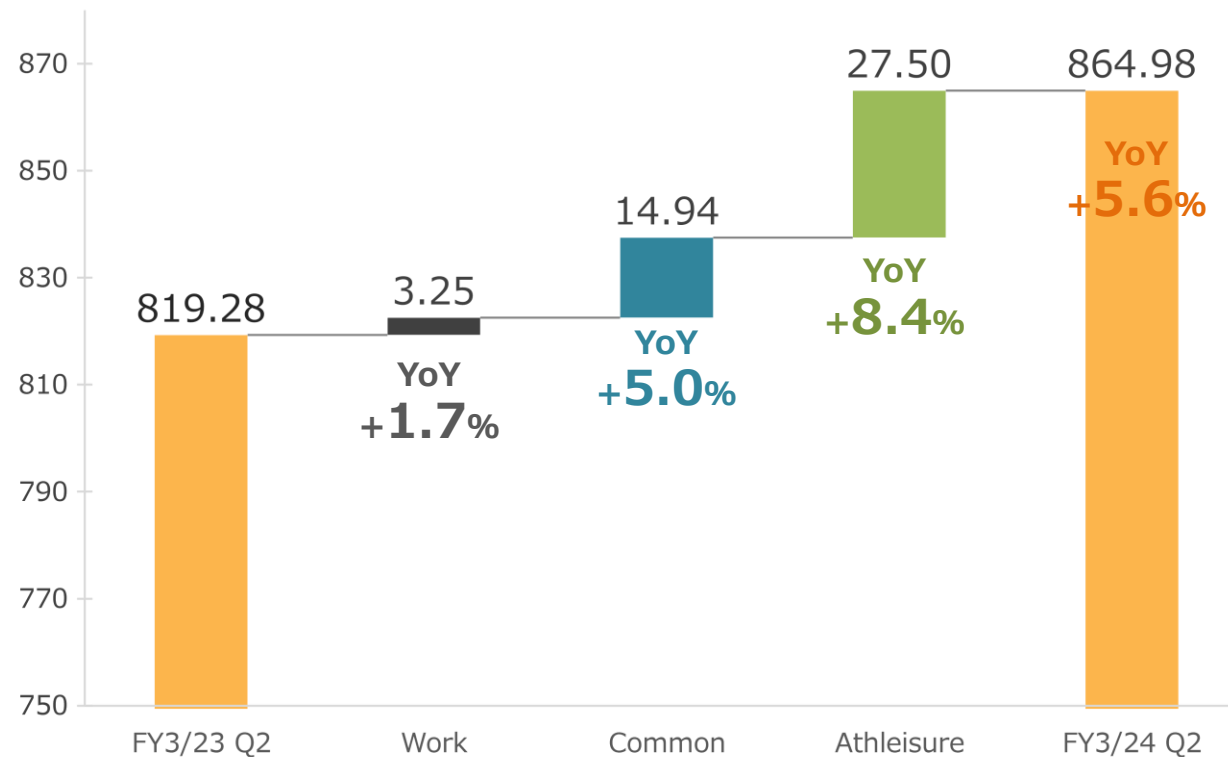
Status of Sales (Results by Product)

- Sales results were solid for all products, with products for the athleisure market being the main driver of growth

- Factors for Increase/Decrease in FY 3/24 Q2

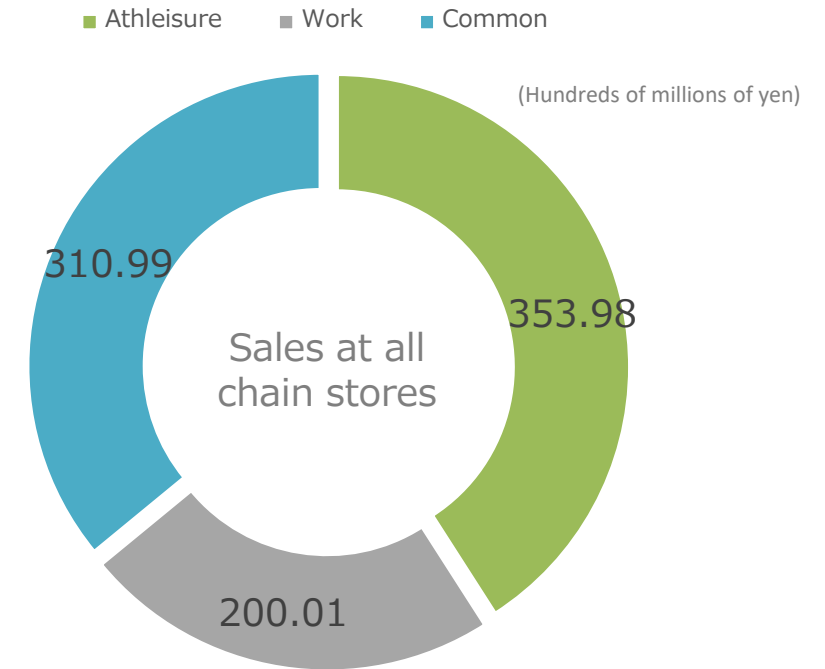
Sales at All Chain Stores

(100 millions of yen)



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

- FY 3/24 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.

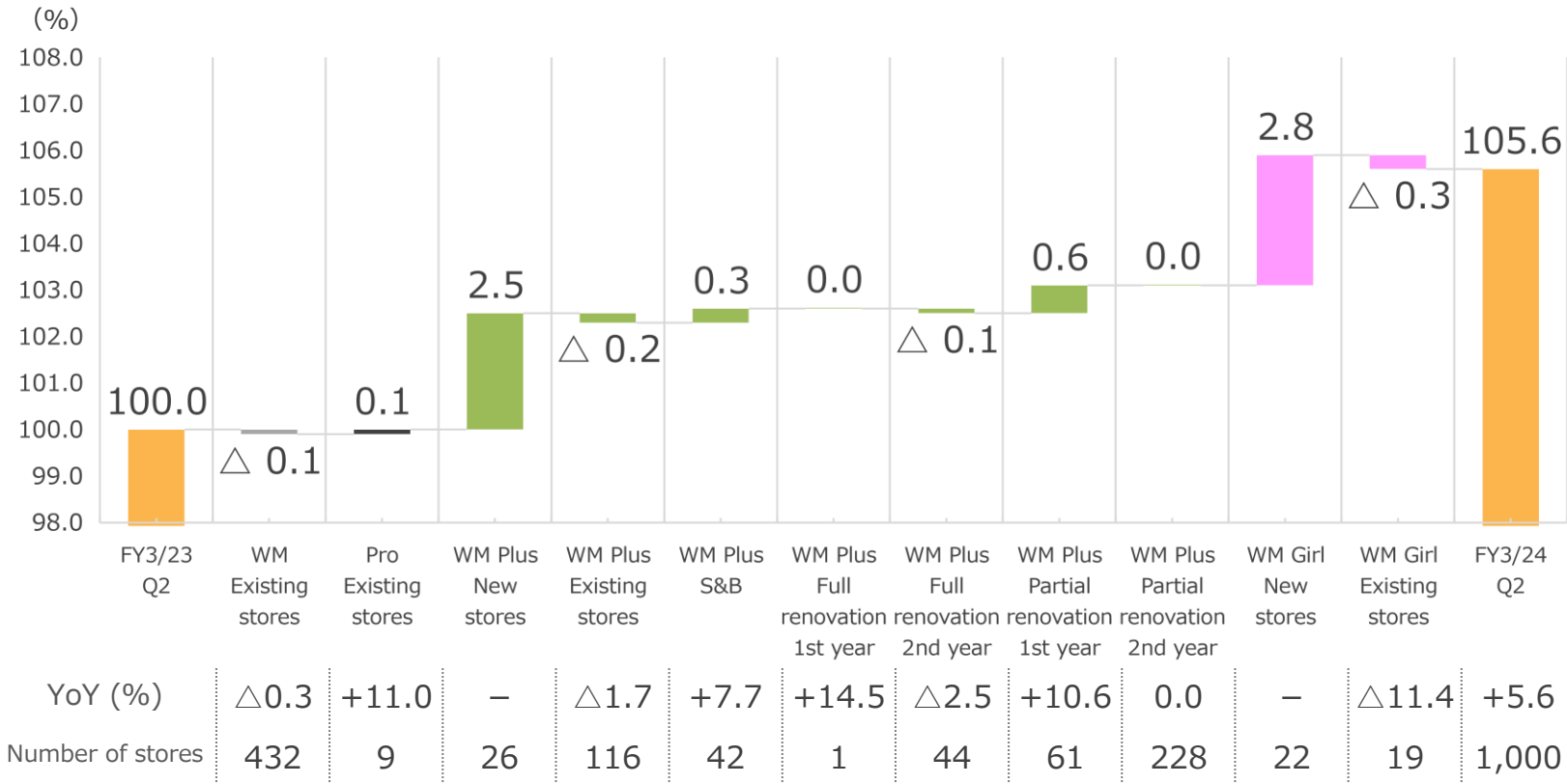
02. Athleisure market...FieldCore/Find-Out/AEGIS brands

03. Common...Products other than the above, such as socks and T-shirts.

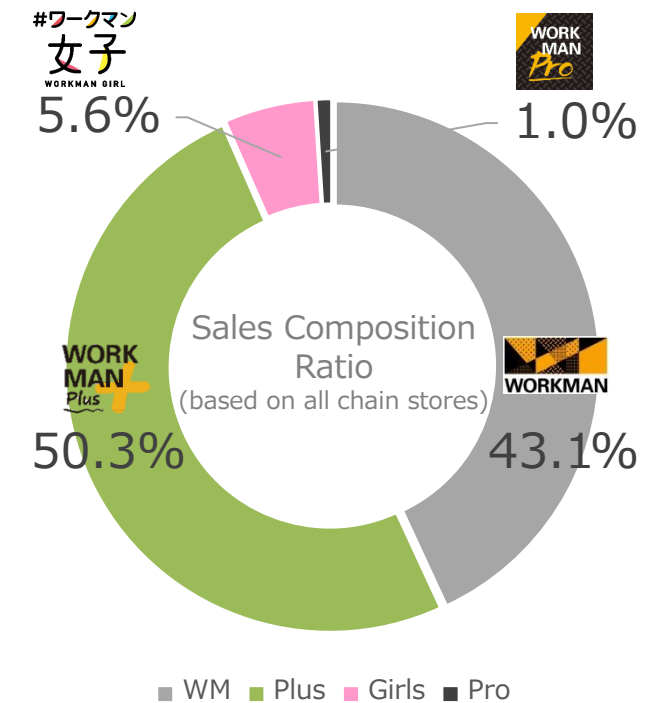
Sales by Business Category

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

New stores have maintained robust sales. S&B and existing stores not undergoing renovation are experiencing sluggish 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.
 ※One WORKMAN Colors store is included in WM Girl Existing stores.



Status of Sales (Sales by Product and Factors)






● Sales at All Chain Stores by Product

Category	FY 3/23 Q2		FY 3/24 Q2		Factors (YoY)
	Sales	YoY	Sales	YoY	
Undergarments • Socks Undergarments, socks, hats, towels, etc.	7,821	+15.2	8,706	+11.3	<ul style="list-style-type: none"> • Summer short Socks (+17.2%) • Leggings (+10.2%) • Ladies' Winter supplies (+648.3%)
Casualwear • Sports Sportswear, polo shirts, etc.	12,607	+13.7	12,981	+3.0	<ul style="list-style-type: none"> • Short-sleeved T-shirts (+7.2%) • Short-sleeved Polo-shirts (△12.2%) • Golf wear (+536.2%)
Workwear • Outdoor Workwear, outdoor wear, etc.	24,513	+6.6	26,030	+6.2	<ul style="list-style-type: none"> • Clothing with air-conditioning fan(s) (+24.8%) • Summer Slacks (+32.4%) • Warm pants (△32.1%)
Women's • Uniforms white smocks, office uniforms, etc.	5,282	+38.2	6,119	+15.8	<ul style="list-style-type: none"> • Ladies' bottoms (+20.1%) • Summer woman's tops (+26.4%) • Summer women's dress (+24.5%)
Footgear Protective footwear, <i>tabi</i> stocks, high boots, kitchen shoes, etc.	12,539	+9.1	13,651	+8.9	<ul style="list-style-type: none"> • Athletic shoes (+14.3%) • Safety shoes (+3.4%) • Outdoor shoes (+43.6%)
Work supplies Work gloves, protective gear, rainwear, etc.	19,122	+9.2	18,874	△1.3	<ul style="list-style-type: none"> • Rubber gloves (+6.6%) • Outdoor gear (△14.4%) • Windbreaker (△11.9%)
Other	42	△11.2	135	+221.5	–
Total	81,928	+11.1	86,498	+5.6	

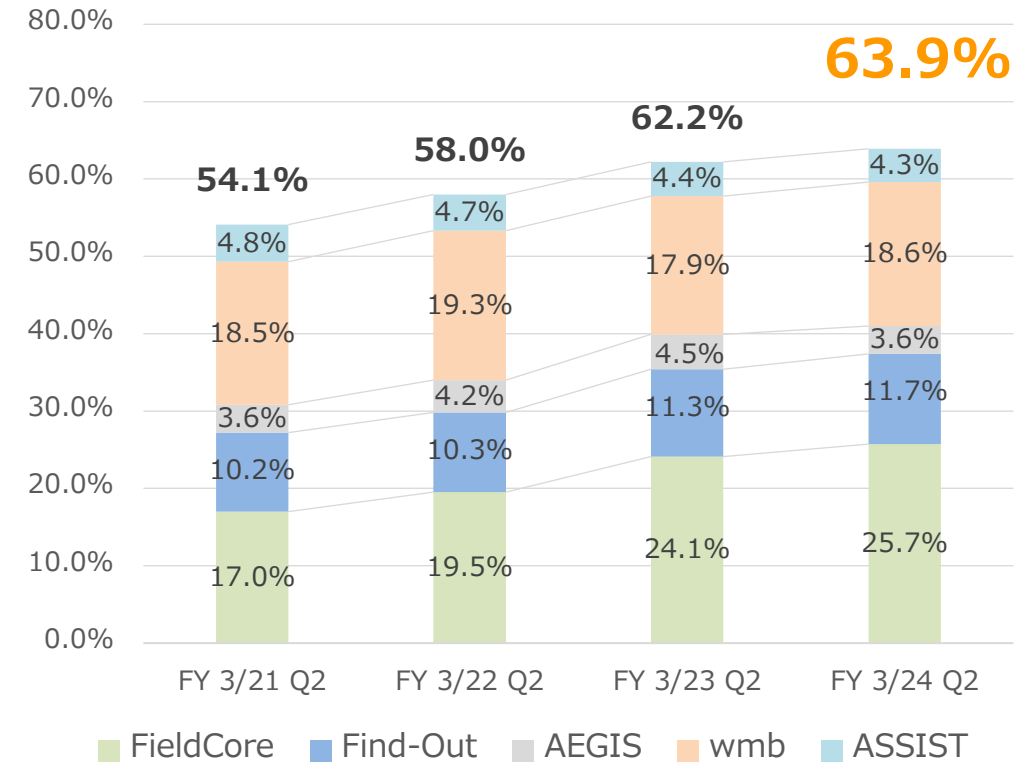
Status of Sales (Sales by Product and Factors)

● Sales of PB Products **55,176** Million Yen (Up 8.3% YoY)

● Sales results by brand

	(Millions of yen)	Number of items (the previous year)	Sales value (YoY)
 Work & Outdoor		763 (+154)	22,207 (+12.6)
 Work & Sports		308 (+9)	10,102 (+9.1)
 High-performance rainwear		53 (△25)	3,087 (△15.9)
 Work & Casual		545 (+135)	16,067 (+9.5)
 Work		106 (△4)	3,711 (+2.2)
Total for PB products		1,775 (+269)	55,176 (+8.3)

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



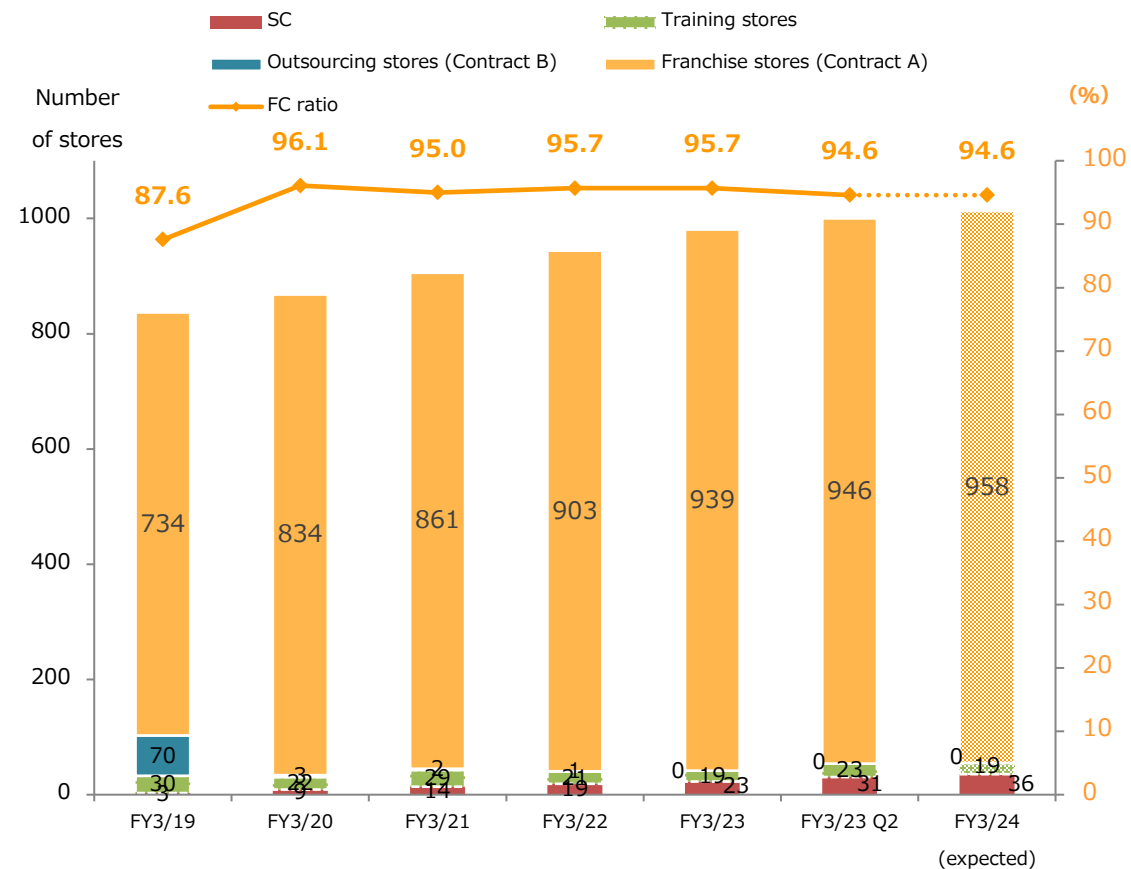
Format of Store Operations

● Ratio of Franchise Stores **94.6%** (Down 1.1 points YoY)

● Format of Store Operations for FY 3/24 Q2

Format	End-March 2023	Up	Down	End-Sep. 2023
Franchise stores	939	25	18	946
Outsourcing stores	—	—	—	—
Training stores	19	19	15	23
SC stores	23	8	—	31
Total	981	52	33	1,000

● Number of Stores by Format of Operations



Inventories (Logistics Cost)

● Although summer products sold well due to the lingering hot weather, the inventories of year-round and autumn/winter products have increased

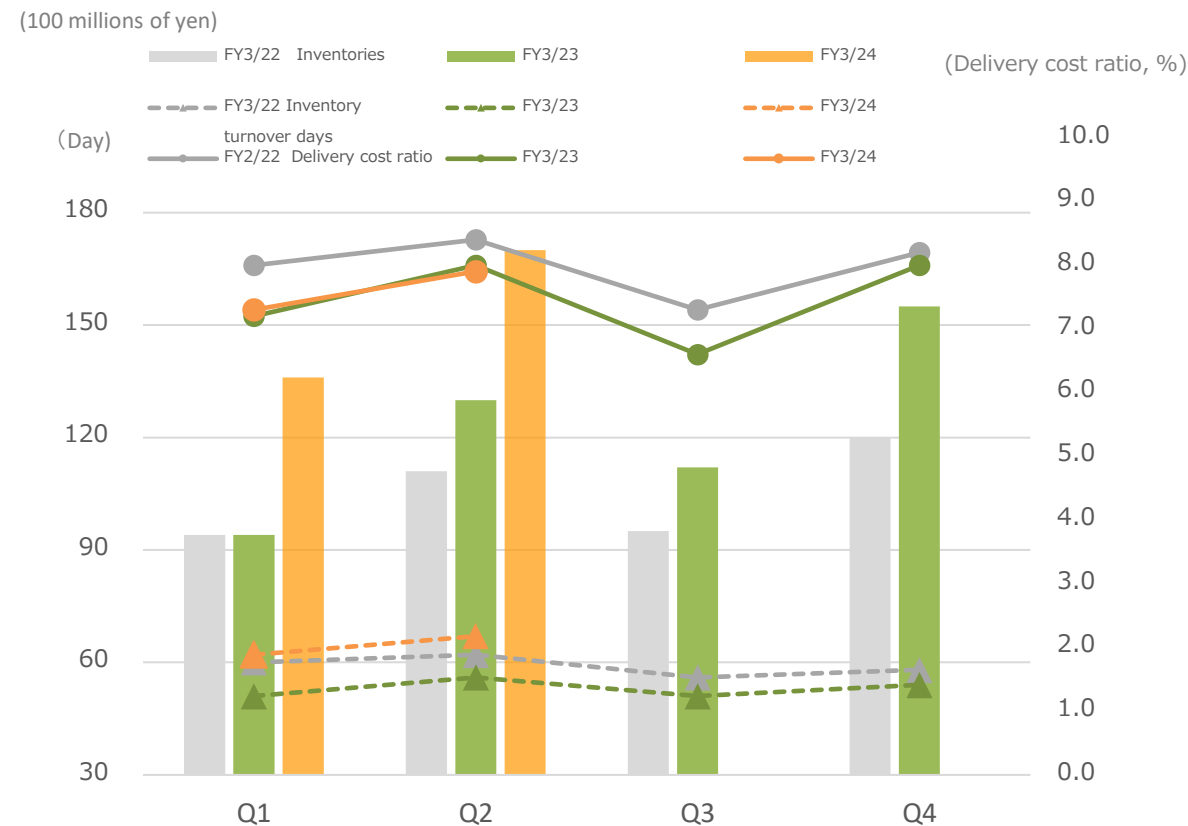
● Selling price inventories per store

- Although summer inventories carried were smaller than last year due to lingering hot weather, movement of year-round and autumn/winter products was sluggish, resulting in significant increase in inventories.
- Disruptions to the supply network caused by the pandemic having subsided and delivery dates being accelerated were also contributing factors to the increase in inventory.



● DC inventories / delivery cost ratio

- Seasonal products increased slightly, while year-round products increased significantly.
- In addition to clearing out backlogs, production adjustments are being made to optimize inventories and delivery costs.
- Despite a significant increase in inventories at the end of the term, the delivery cost ratio is largely on track with planned targets.



- Plans for the Fiscal Year 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			Excluding increase/decrease ※3	Closures	Number of stores at end of FY 3/24	Medium/longer-term goals
			Roadside	SC※2			Full renovation	Partial renovation				
	479	—	—	—	(△17)	(△65)	—	(△65)	(+6)	△2	401	200
	473	12	12	—	17	58	—	58	△6	—	554	900
	26	22	9	13	—	(△1)	(△1)	—	—	—	47	400
	—	—	—	—	—	1	1	—	—	—	1	N/A
	3	—	—	—	—	7	—	7	—	—	10	N/A
Total※1	981	34	21	13	17	66	1	65	—	△2	1,013	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.

● Aim to grow the customer base by developing Workman Colors

- The WM Girl shop in Exitmelsa Ginza was renovated and re-opened on September 1



Status of Sales

- There has been an increase in male and younger customers coupled with a rebound in inbound tourism, increasing diversification
- Clothing is accounting for a larger ratio of the sales mix, but the ratio of shoe sales has declined
 - QR products also performed well, and a production increase was implemented
 - ⇒ **Increasing demand for fashion**
- The sales budget was achieved in the opening month, and the store is off to a good start

Future Challenges

- Strengthen styling proposals for sales floors and product lineups. Aim to capitalize on the demand for fashion
- Store development in prime locations and ensuring profitability
- Support for duty-free shopping
- **Confirm sales trends at the Ginza store and consider the next store location**

Product Development (for Professional Customers)

- In addition to price appeals, build a stable customer base by exploring demand for work products

- Develop Premium Line products



These products are in a higher price range than our other lines, but offer more functional and experiential value than ever before, while still maintaining our philosophy of “high performance x low price”



- In response to professional users' requests for “an even better product,” develop PROCORE® Premium products that take functionality and design to the next level
- Develop a wide range of products such as clothing, shoes, and tool cases that consolidate our dedication and technology

- Work-supporting prices

 3P 399円	 4P 399円	 3P 980円	 98円	 580円	 1,500円	 1,900円	 980円	 2,500円	 2,900円
 1,304円	 1,900円	 1,900円	 1,900円	 1,900円	 1,900円	 1,900円	 1,900円	 1,900円	 1,900円
 1,900円	 1,900円	 1,900円	 1,900円	 1,900円	 1,900円	 1,900円	 1,900円	 1,900円	 1,900円
 299円	 378円	 99円	 10P 980円	 99円	 10P 980円	 99円	 10P 980円	 99円	 10P 980円
 3P 750円	 278円	 399円	 399円	 399円	 1,900円	 上下 1,900円	 上下 4,900円	 上下 4,900円	 上下 4,900円

- With the exception of seasonal products, maintain the same prices for top-selling products for professionals
- Link sales floors and sales promotions to boost appeal, such as by reviewing the number of products displayed, etc.

**Increase our competitive advantage
to recapture and lock in professional tradesmen**

Product Development (for General Customers)

● Grow the customer base by developing core products and responding to trends

● Women's innerwear

First line of high-performance underwear: **Collaboration with Fanci Corp.**

Uses material with a high content of "ceramide veil," a cosmetic moisturizing ingredient



- Full-scale entry into the underwear market, which is a large market where stable demand is expected
- Differentiate WORKMAN in this highly competitive market through our combination of "high performance x low price"
- Pursue functionality by collaborating with materials manufacturers

● QR (short-term) production initiative



Challenges

While low prices thanks to off-season production provides an advantage, addressing the inventory risks of seasonal products and responding to fashion trends are challenges

Bringing color and change to the sales floor

- Respond to general demand by reflecting trends with a short delivery time of approximately 4 weeks
- Aim to build a supply chain that can respond to off-season sales as well as trends

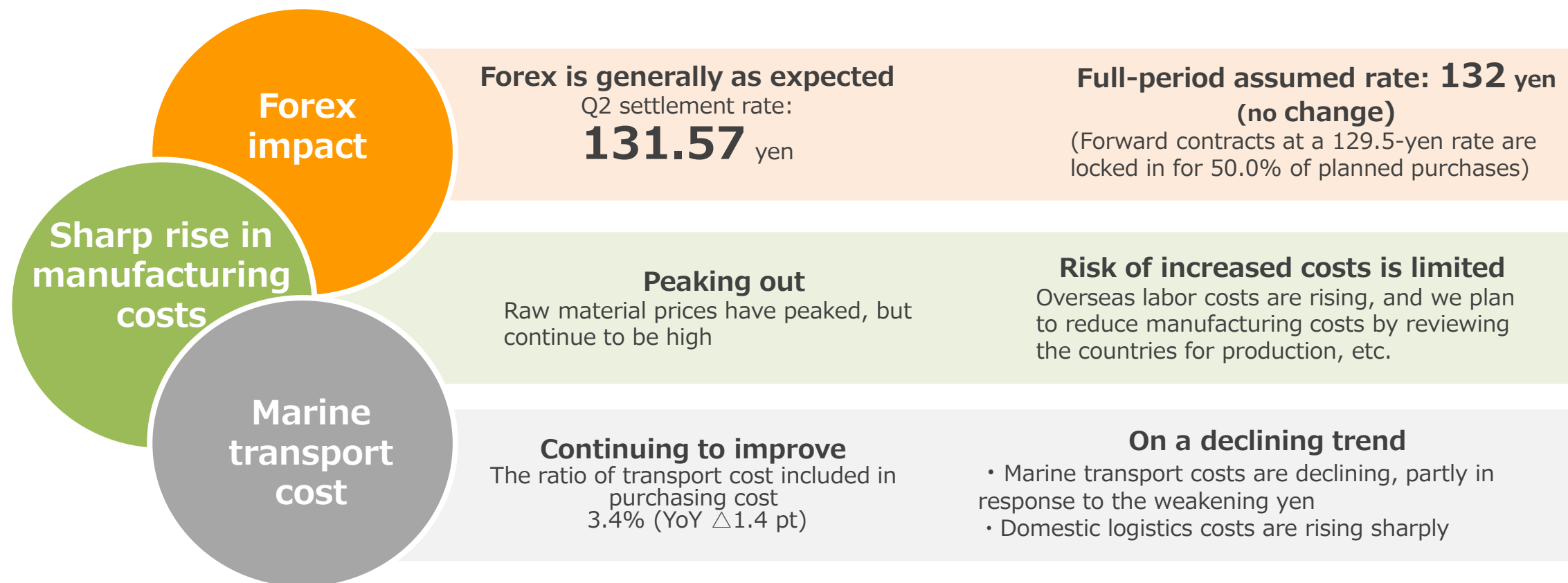
- Plan to keep prices of focus PB products unchanged

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 3/2024 Q2

- Outlook for FY 3/2024



- Aim to achieve stable growth by increasing resilience in products for professionals
- Overhaul sales floors for professional products
- Acquire expertise in products for professional customers

(Main Initiatives)

Standardize sales floors for professional products (tools, gloves, etc.)

1. Promote the introduction of basic shelving allocation recommended by the head office to standardize sales floors and product lineups.

Review SV performance evaluation

2. Add the percentage of shelf allocation of professional merchandise introduced to the performance evaluation, aiming for a shared awareness at the head office and franchise stores and to improve front-line execution capabilities.

Promote “work-supporting prices” through in-store advertising and printed flyers

3. Promote regular annual products that have highly competitive fixed prices on sales floors and through printed flyers, aiming to lock in customers.



Action Along with moving forward with a review of sales floors and product lineups, focus on educating the people who sell products.

Action Set up a working merchandise sales floor at the AW 2023 new product presentation to provide opportunities for franchise stores and employees to acquire expertise.

Target Aim to achieve stable growth in work-related products, which is the core of our business, by aligning company-wide perceptions of our strengths.

Plans for the Fiscal Year Ending March 2024

- No revision to the full-year earnings forecast; a decision will be made based on Q3 trends.

Sales at all chain stores

180,980 Million yen YoY +6.5%

Total operating revenue

136,576 Million yen YoY +6.5%

Operating profit

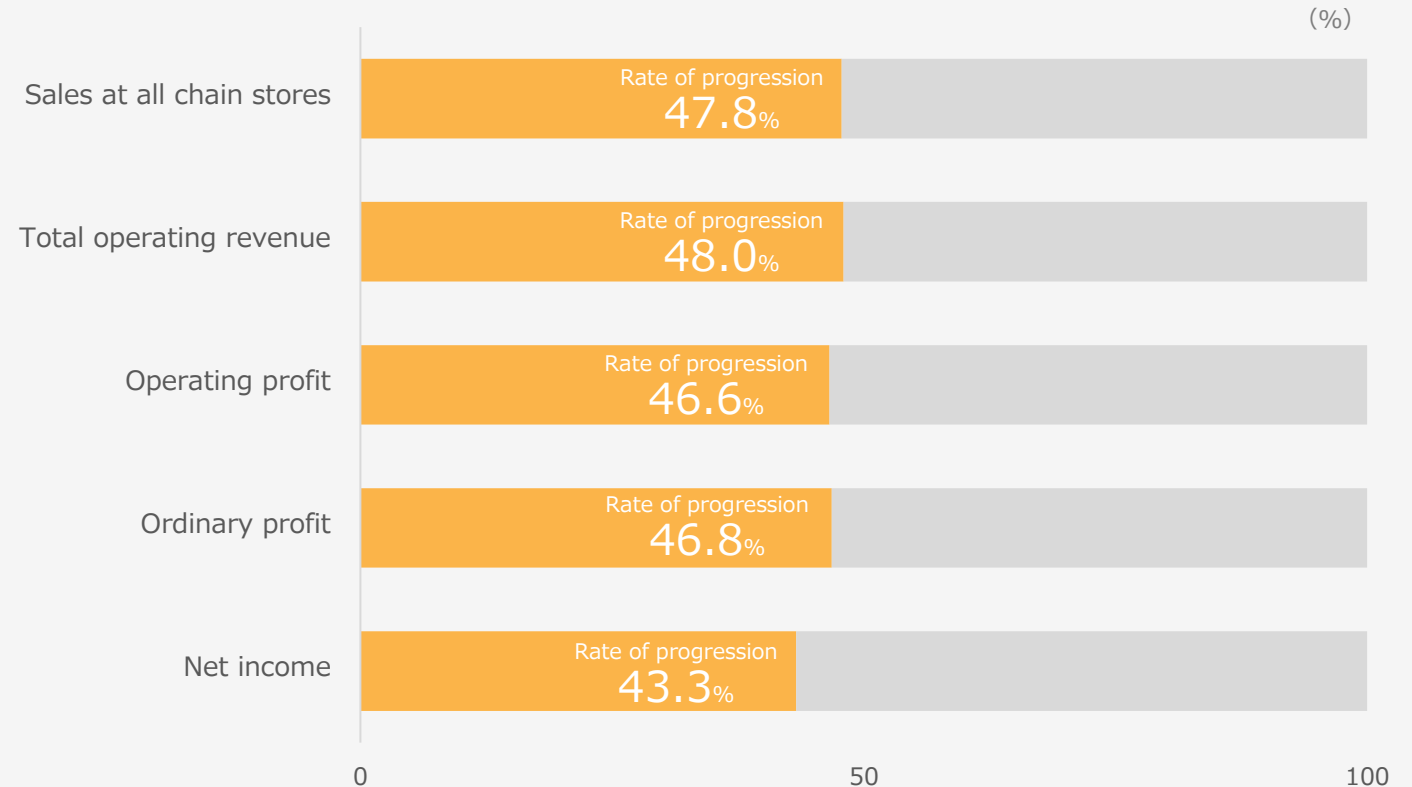
25,720 Million yen YoY +6.7%

Ordinary profit

26,214 Million yen YoY +6.3%

Net income

17,563 Million yen YoY +5.4%





■ 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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