



WORKMAN CO., LTD.

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

February 5, 2024

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

Cumulative income statement

(Millions of yen)	FY3/23 Q3	FY3/24 Q3	YoY (%)
Sales at all chain stores	137,871	141,368	+2.5
Sales to directly managed stores	8,615	11,300	+31.2
Sales to franchise stores	129,255	130,067	+0.6
(Same store sales)	—	—	△ 2.1
Total operating revenue	100,844	106,162	+5.3
Cost of sales	64,686	67,286	+4.0
Adjusted OP before SG&A	36,157	38,876	+7.5
SG&A	15,390	18,197	+18.2
Operating profit	20,767	20,678	△ 0.4
Ordinary profit	21,198	21,086	△ 0.5
Net income	13,208	13,086	△ 0.9
EPS	161.85yen	160.35yen	

➤ Financial Results Highlights

● Sales at all chain stores

- Sales of winter products were sluggish due to the warm winter.
 - High prices have resulted in heightened awareness of the need for consumption that protects one's lifestyle.
 - Consumer behavior has changed after COVID-19.
- Due to these three factors, sales were about 4,500 million yen lower (△3.1pt) than the plan.

(For reference) EC sales ratio: 1.2% (YoY △0.2 points)

● Total operating revenue

- Sales to directly managed stores: 11,300 million yen (up YoY +31.2%)
- Average number of stores during the quarter: up by 14 stores (including 9 more SC stores with high sales volumes)

● Cost of sales

- As for profit related to overseas purchases, both the margin and amount of profit improved thanks to an increase in transaction volume, reduced costs, and product change or elimination.
- Direct overseas purchases: 137.1% (accounts for 60.8% of total purchases, YoY 13.2 points)
- Average settlement rate: 133.78 yen (Q3 for FY3/23: 125.94 yen +7.84 yen)
- Profit related to overseas purchases: 5,349 million yen (+52.7%)

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

- Revenue from franchise stores: up 429 million yen
- Gross profit from self-operated stores: up 831 million yen
- Profit related to overseas purchases: up 1,844 million yen
- Other purchase rebates, etc.: △3,085 million yen

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



(Millions of yen)	FY 3/23 Q3	SG&A ratio (%)	FY 3/24 Q3	SG&A ratio (%)	Change	YoY (%)
Sales at all chain stores	137,871	–	141,368	–	–	+2.5
Labor cost	2,782	2.0	2,995	2.1	+212	+7.6
Selling cost	866	0.6	1,112	0.8	+246	+28.4
Traveling expenses	232	0.2	322	0.2	+90	+38.9
Freight cost	1,040	0.8	1,486	1.1	+446	+43.0
Rent	4,466	3.2	4,946	3.5	+479	+10.7
Supply expenses	508	0.4	571	0.4	+63	+12.5
Outsourcing expenses	2,141	1.6	2,845	2.0	+704	+32.9
Depreciation	1,676	1.2	2,013	1.4	+336	+20.0
Other	1,675	1.2	1,903	1.4	+227	+13.6
Total	15,390	11.2	18,197	12.9	+2,807	+18.2

※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: +9

● Selling cost

• Resumption of product exhibitions for franchise stores: +58 million yen
• Sales promotion flyers: SC: +67 million yen, regular: +40 million yen

● Traveling expenses

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

● Freight cost

• +394 million yen because of the decrease in rebates due to the decrease in domestic purchases

● Rent

• The average number of stores during the quarter +37, +197 million yen
• Leasing costs for Kobe Distribution Center (DC): +252 million yen

● Outsourcing expenses

• Operating cost was up +1,099 million yen due to the increase in the average number of SC stores during the quarter
• Distribution center operating cost: +64 million yen
• +308 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

● Qther

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 Q3	FY3/23	FY 3/24 End of Q3	Change
Current assets	97,867	101,390	108,144	+6,753
Cash and deposits	70,126	62,640	72,582	+9,942
Accounts receivable - due from FCs	9,450	13,459	12,156	△1,302
Merchandise	14,365	21,911	19,248	△2,662
Other	3,924	3,379	4,157	+777
Non-current assets	33,125	34,355	35,856	+1,500
Property, plant and equipment	26,102	27,149	28,344	+1,195
Intangible assets	795	884	819	△64
Other investments	6,227	6,322	6,692	+369
Total assets	130,992	135,746	144,001	+8,254
Current liabilities	16,865	17,172	18,531	+1,359
Non-Current liabilities	3,662	4,337	4,577	+240
Total liabilities	20,527	21,510	23,109	+1,599
Total net assets	110,464	114,236	120,891	+6,655
Total liabilities and net assets	130,992	135,746	144,001	+8,254

➤ Factors of increase/decrease

● Cash and deposits

- Free cash flow: up 10,591 million yen
- Payments of dividends: down 5,548 million yen
- Term deposits with maturity dates exceeding 3 months: +5,000 million yen

● Accounts receivable - due from FCs

- Consumption of winter products was sluggish, which led to a significant increase in storefront inventory: +2,705 million yen

● Merchandise (factors for increase/decrease)

- In addition to weak sales of winter products, inventory stored at DCs also increased as a result of a higher ratio of direct overseas purchases because of sharp increases in purchase prices

	FY 3/23 Q4	FY 3/23 Q3
• Directly managed/SC stores	+271 million yen	+505 million yen
• Distribution centers	△493 million yen	+3,818 million yen
• Goods in transit	△2,430 million yen	+564 million yen

● Rise in tangible fixed assets

- A total of 38 newly built stores—27 new stores and 11 S&B stores (of which 25 are company owned stores)
- WORKMAN Plus renovation 58 stores
- WORKMAN Pro renovation 7 stores
- WORKMAN Colors renovation 1 stores





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

Store Openings



- Openings of stores in urban SCs and suburban open malls, which attract many customers, accelerated

1,006 stores at the end of December 2023 (up 33 stores over end-March 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-Dec. 2023
			Roadside	SC※2			Full renovation	Partial renovation			
	479	—	—	—	(△11)	(△65)	—	(△65)	(+4)	△2	405
	473	9	9	—	11	58	—	58	△4	—	547
	26	18	8	10	—	1	1	—	△1	—	44
	3	—	—	—	—	7	—	7	—	—	10
Total ※1	981	27	17	10	11	66	1	65	—	△2	1,006

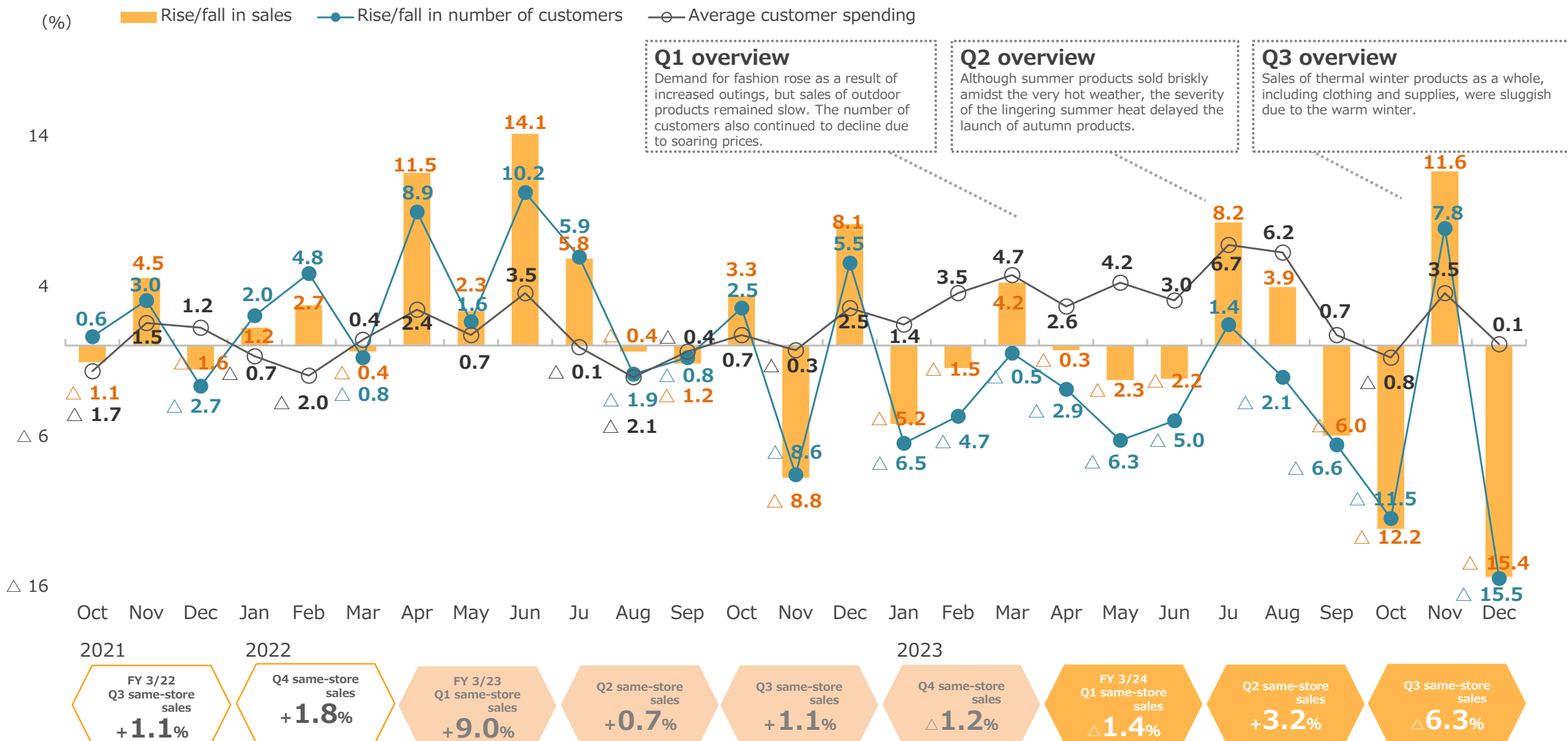
※1. The Total column shows the number of operating stores, with figures in parentheses excluded from the Total.

※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 Q3)

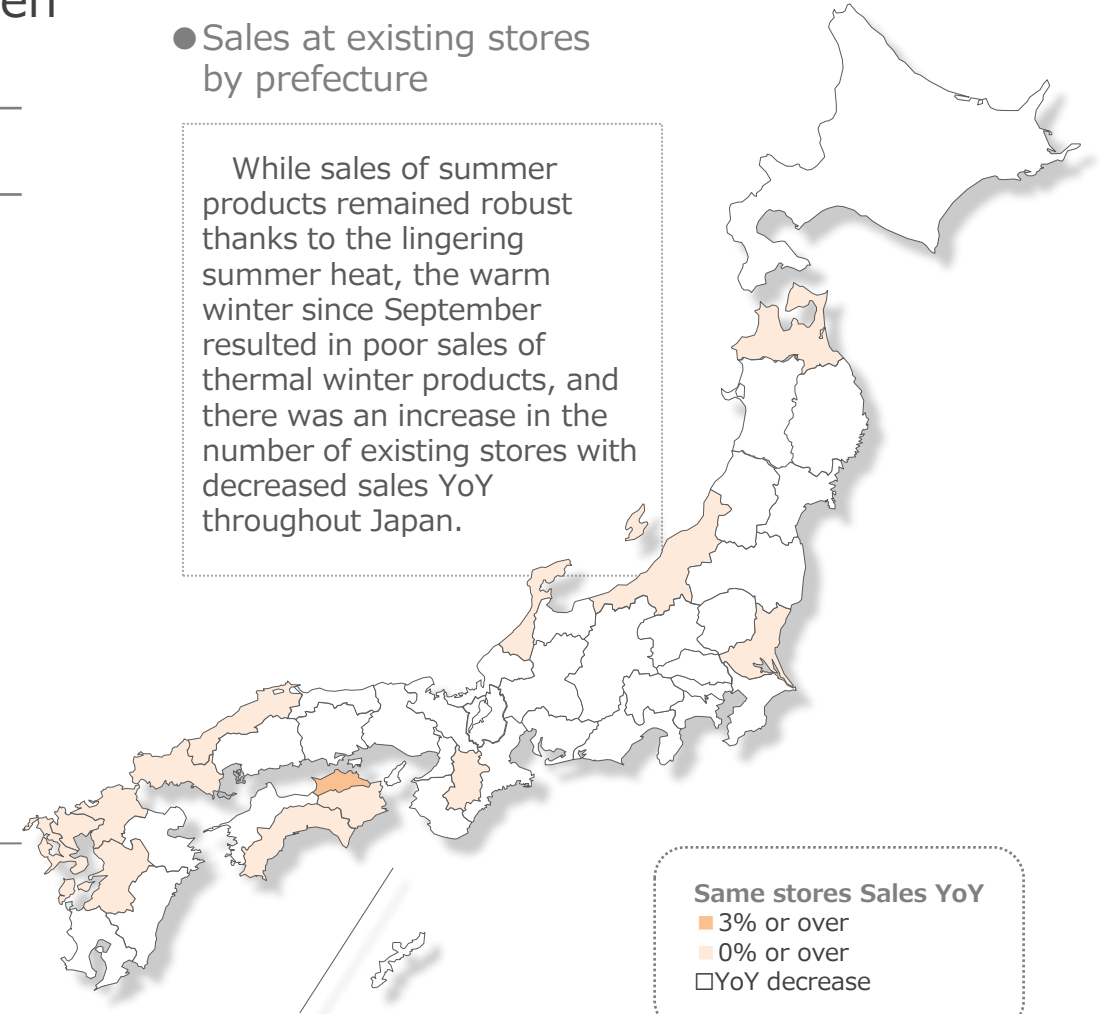
● Sales at All Chain Stores **141,368** Million Yen

	All chain stores	Existing stores
Net sales	+2.5%	△2.1%
Number of customers	△0.3%	△4.7%
Average number of customers per day	—	※175 (△7)
Average customer spending	3,031 yen (+2.8%)	3,023 yen (+2.7%)
Unit price per item	1,210 yen (+49 yen)	1,199 yen (+50 yen)
Number of items purchased	2.5 items (±0.0 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

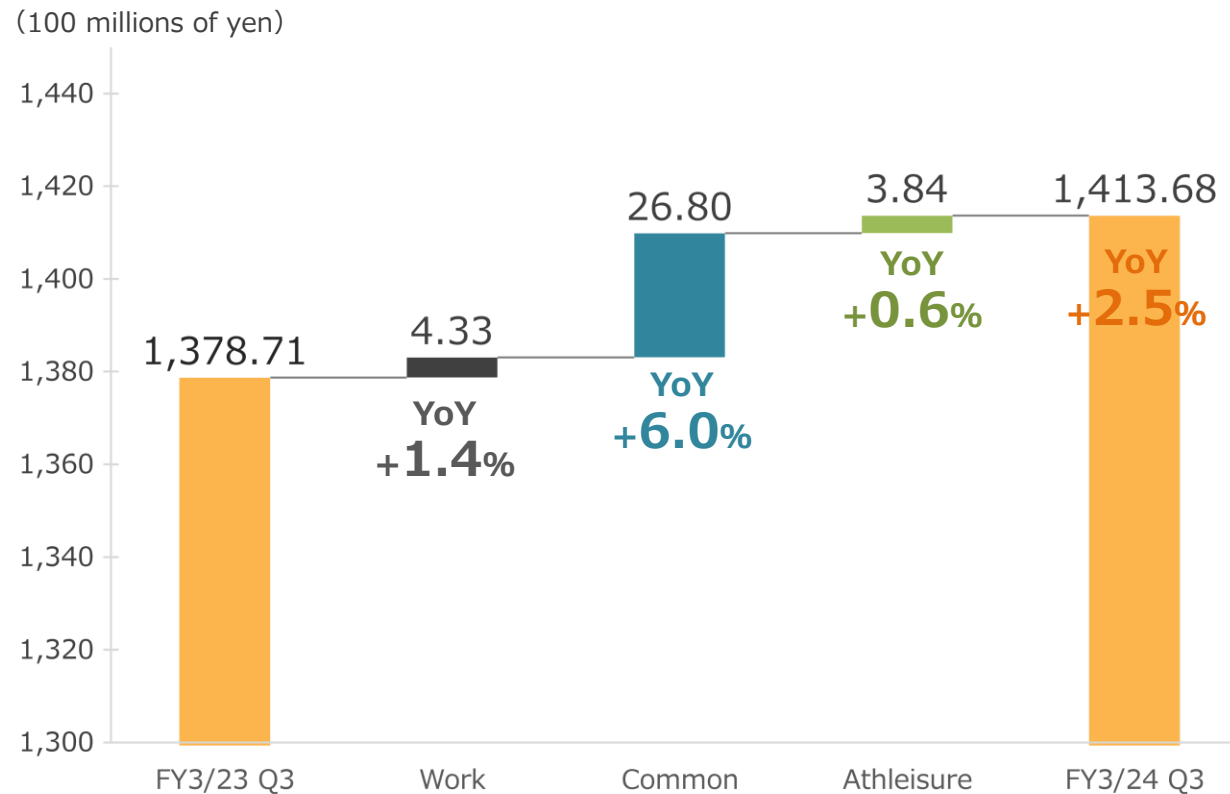
While sales of summer products remained robust thanks to the lingering summer heat, the warm winter since September resulted in poor sales of thermal winter products, and there was an increase in the number of existing stores with decreased sales YoY throughout Japan.



Status of Sales (Results by Product)

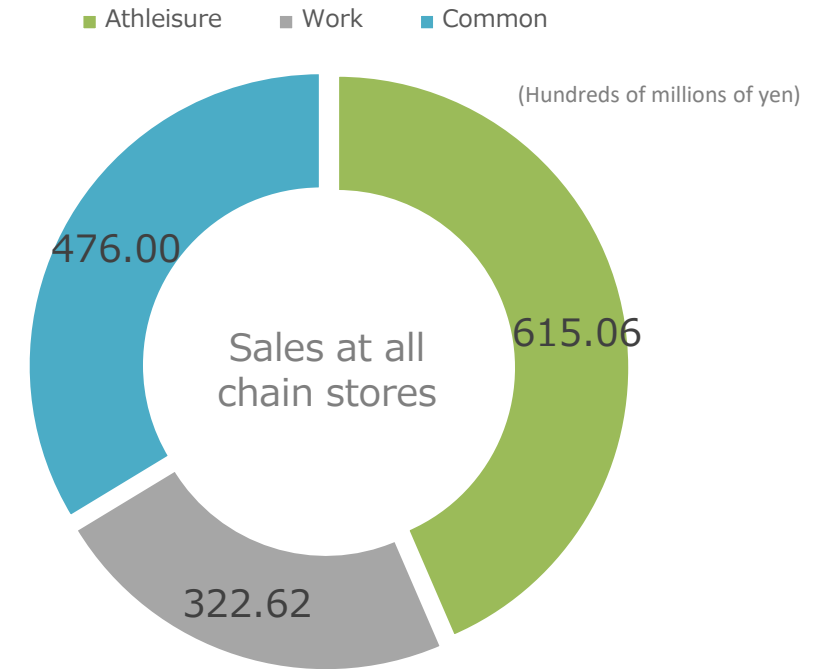
- Though the warm winter led to slow sales of winter products for the athleisure market, products for the professional market are selling well

- Factors for Increase/Decrease in FY 3/24 Q3
Sales at All Chain Stores



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

- FY 3/24 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.

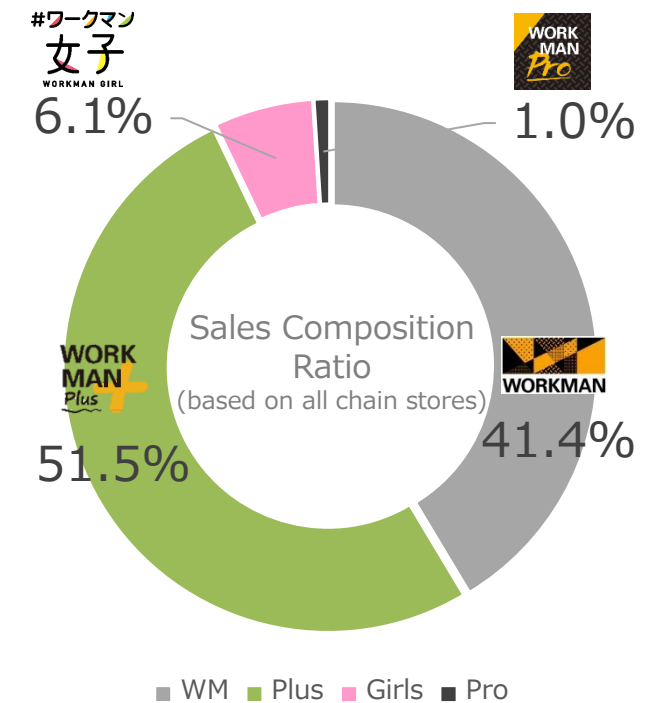
Sales by Business Category

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

New stores have maintained strong sales. Sales at existing stores that have not undergone renovation are sluggish.



※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 of workwear/outdoor products and work supplies/rainwear, which have a high ratio of thermal winter goods, were down year-on-year.






Category	FY 3/23 Q3		FY 3/24 Q3		Factors (YoY)
	Sales	YoY	Sales	YoY	
Undergarments • Socks Undergarments, socks, hats, towels, etc.	13,635	+15.0	14,810	+8.6	<ul style="list-style-type: none"> • Summer short Socks (+18.1%) • Support straps (+41.3%) • Ladies' Summer supplies (+656.5%)
Casualwear • Sports Sportswear, polo shirts, etc.	20,630	+11.2	21,574	+4.6	<ul style="list-style-type: none"> • Short-sleeved T-shirts (+8.0%) • Thermal compression clothing (△30.7%) • Golf wear (+387.4%)
Workwear • Outdoor Workwear, outdoor wear, etc.	42,051	+5.1	41,725	△0.8	<ul style="list-style-type: none"> • Clothing with air-conditioning fan(s) (+24.8%) • Thermal outerwear (△20.3%) • Warm pants (△17.5%)
Women's • Uniforms white smocks, office uniforms, etc.	8,860	+29.5	10,179	+14.9	<ul style="list-style-type: none"> • Ladies' bottoms (+13.4%) • Summer woman's tops (+26.2%) • Thermal ladies' bottoms (+44.5%)
Footgear Protective footwear, <i>tabi</i> stocks, high boots, kitchen shoes, etc.	21,136	+9.8	22,142	+4.8	<ul style="list-style-type: none"> • Athletic shoes (+19.6%) • Outdoor shoes (+43.6%) • Winter shoes (△18.7%)
Work supplies Work gloves, protective gear, rainwear, etc.	31,495	+7.3	30,645	△2.7	<ul style="list-style-type: none"> • Rain Wear (△3.6%) • Outdoor gear (△17.8%) • Windbreaker (△13.4%)
Other	60	△22.9	288	+373.6	–
Total	137,871	+9.5	141,368	+2.5	

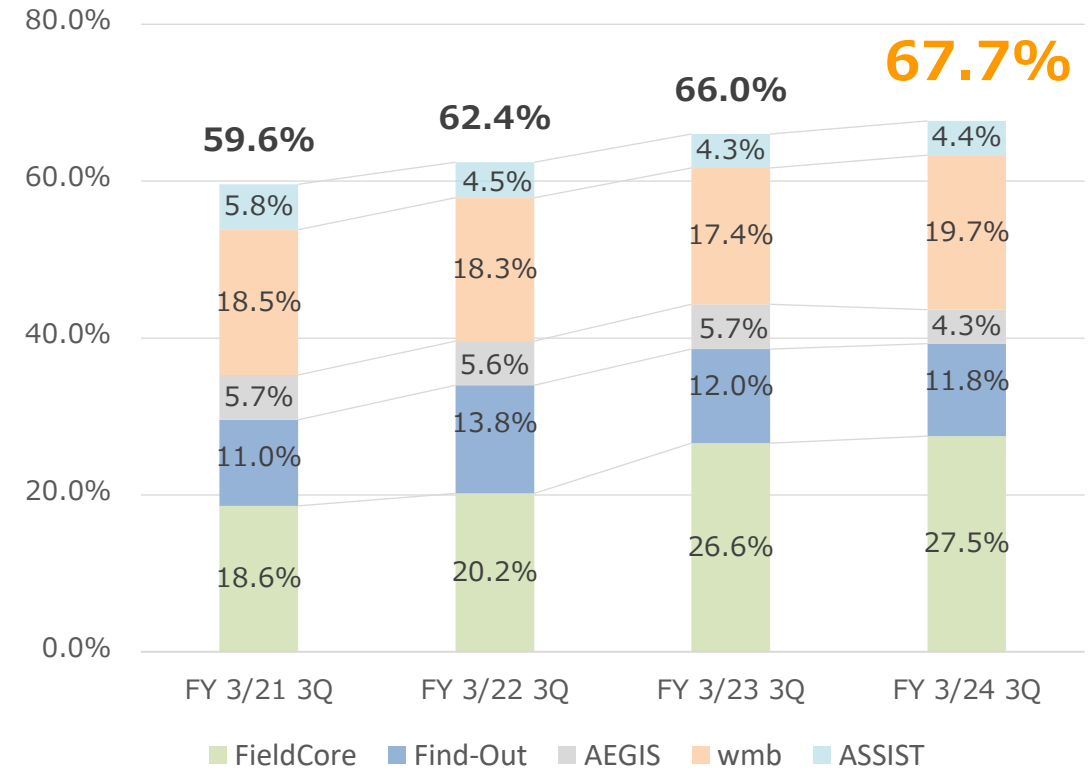
Status of Sales (Sales by Product and Factors)

● Sales of PB Products **95,561 Million Yen** (Up 5.1% YoY)

● Sales results by brand

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

	(Millions of yen)	Number of items (the previous year)	Sales value (YoY)
 Work & Outdoor		896 (+178)	38,853 (+5.8)
 Work & Sports		382 (+52)	16,674 (+0.8)
 High-performance rainwear		78 (△17)	5,974 (△24.0)
 Work & Casual		663 (+198)	27,870 (+16.4)
 Work		127 (+2)	6,189 (+6.0)
Total for PB products		2,146 (+413)	95,561 (+5.1)



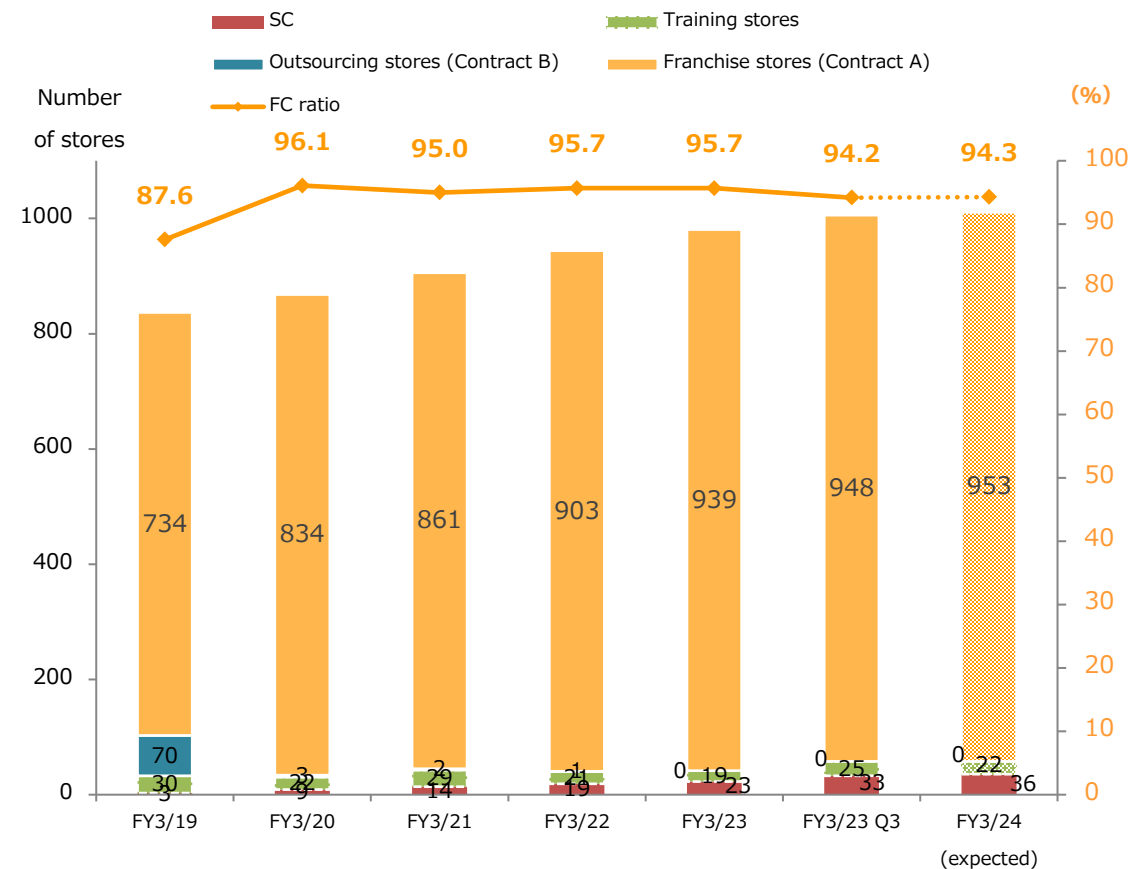
Format of Store Operations

● Ratio of Franchise Stores **94.2%** (Down 1.5 points YoY)

● Format of Store Operations for FY 3/24 Q3

Format	End-March 2023	Up	Down	End-Sep. 2023
Franchise stores	939	39	30	948
Outsourcing stores	—	—	—	—
Training stores	19	30	24	25
SC stores	23	10	—	33
Total	981	79	54	1,006

● Number of Stores by Format of Operations



Inventories (Logistics Cost)

● Warm winter led to a significant increase in inventories of winter products

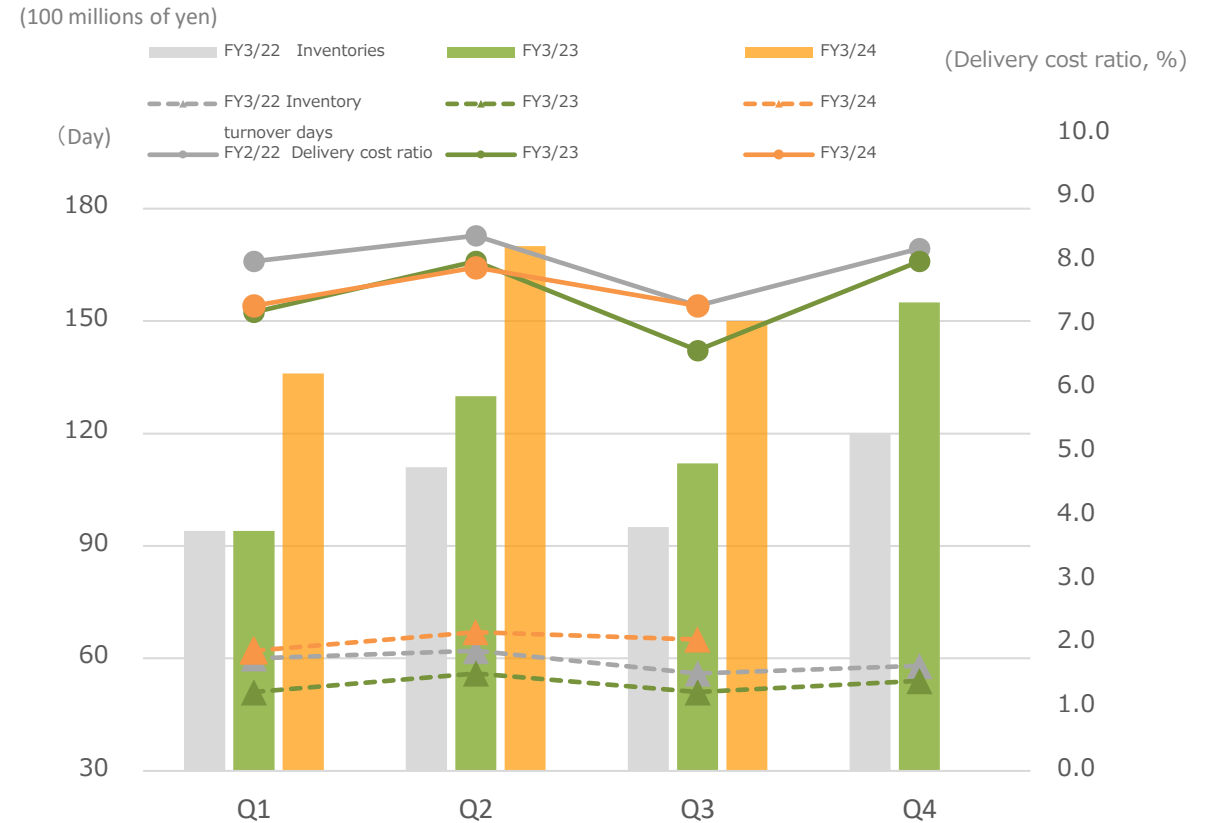
● Selling price inventories per store

- Winter inventories will be carried over and continue to be sold next year.
 - Those winter products that will not be continued will be marked down.
- The markdown rate will be kept at the same rate as last year.



● DC inventories / delivery cost ratio

- As winter products have caused an increase in inventories, we plan to adjust production in the next year and beyond to ensure an appropriate inventory level.
- The expansion of the Kobe Distribution Center and the increase in inventories have worsened the delivery cost ratio.



- 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

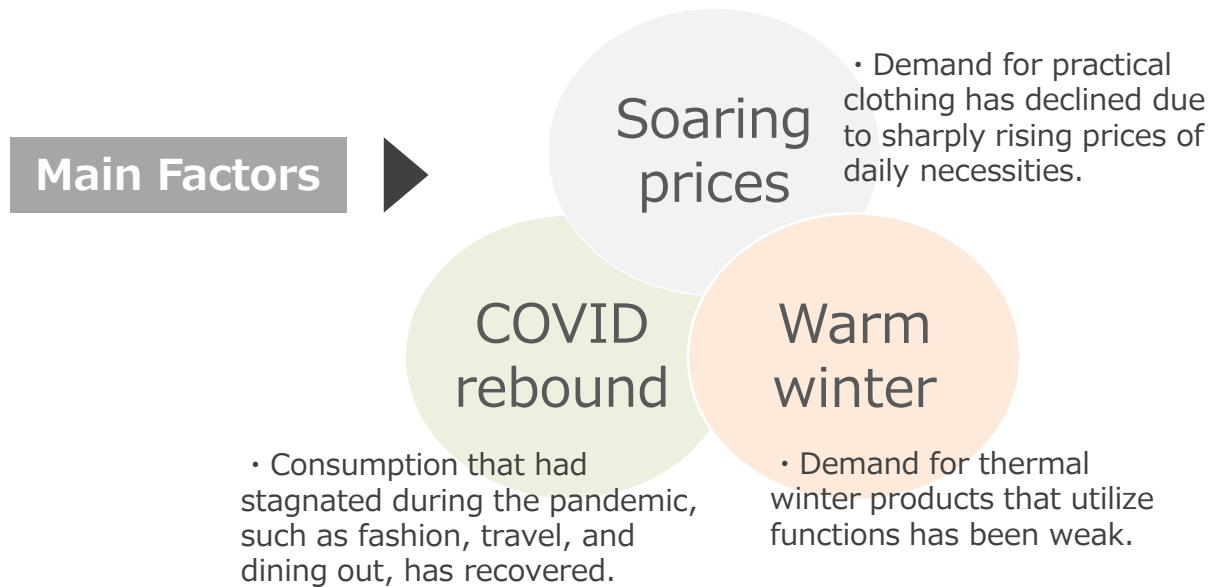
- ✓ 1,500 domestic stores
- ✓ Aim for individual store sales of 200 million yen



Status of Existing Stores

- Changes in the external environment are intertwined with internal factors, maintaining a challenging situation

- Changes in the External Environment



Challenges ►

Communicating the value of products on sales floors to encourage repeat customers

Point!

- While there is high demand for clothing with functionality, it is easily affected by climate change ⇒ Establishing the product mix and sales methods is a challenge going forward.
- Right-sizing inventories and thoroughly managing freshness along with enhanced sales presentation on sales floors ⇒ Communicate the real value of the products in the stores.
- Pursue renovation and scrap & build based on customers' needs ⇒ Provide the services that customers demand.

- Internal Factors

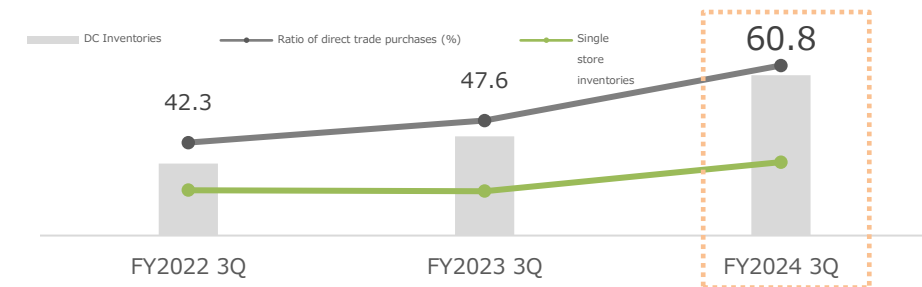
① Product supply system/distribution capacity

- Ordering is done early due to off-season production, making it difficult to respond to the current climate conditions.
- Increases in the ratio of direct trade purchases, sales, and items resulted in insufficient DC storage space and a higher ratio of bulk deliveries to stores.

② Store operations





Due in part to ① above and the external factors described on the left, storefront inventories at some stores increased to a level that hindered operations.

⇒ **The value of shopping in stores decreased**



Store Opening Plans

- Aim to boost customer convenience by expanding the store network for general consumers and pursuing proactive S&B

(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	—	—	—	(△16)	(△65)	—	(△65)	(+6)	△3	401	200
	473	11	11	—	16	58	—	58	△6	—	552	900
	26	22	9	13	—	1	1	—	△1	—	48	400
	3	—	—	—	—	7	—	7	—	—	10	N/A
Total※1	981	33	20	13	16	66	1	65	—	△3	1,011	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



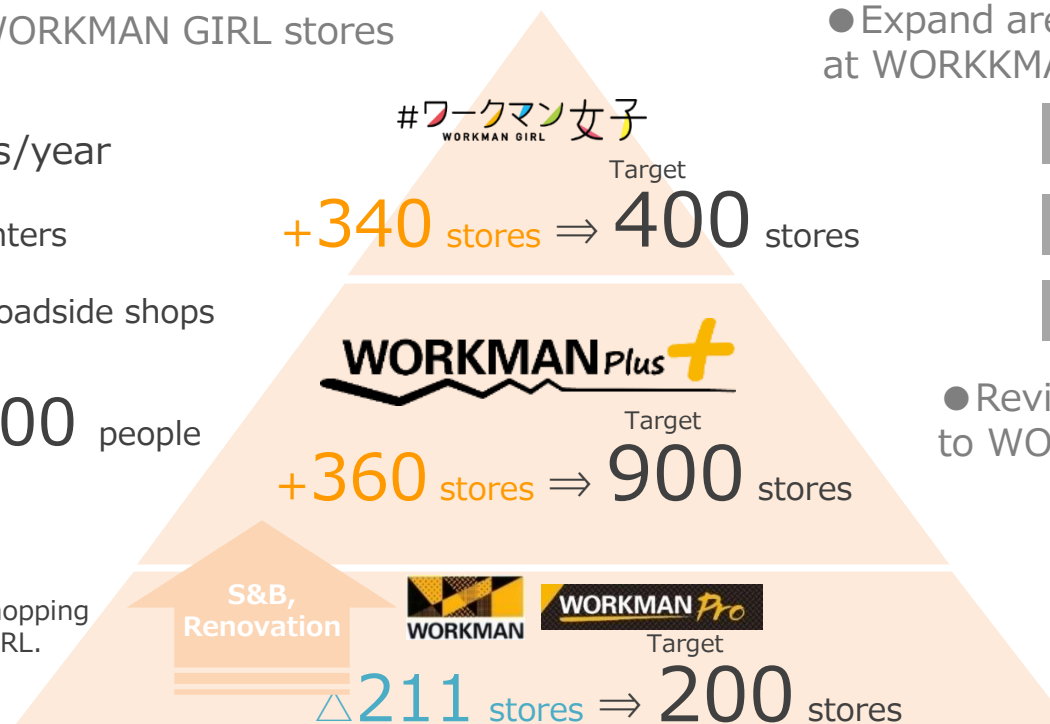
- Expect to accelerate store openings starting in the second half of the fiscal year ending March 2025, aiming to achieve a 1,500-store network.

- Accelerate opening of # WORKMAN GIRL stores

- Expand areas where stores can be opened at WORKMAN Plus II

Store opening target:	30 stores/year
Locations	<ul style="list-style-type: none"> • Shopping centers • Open malls • Standalone roadside shops
Administrative staff	Over 50,000 people

※WORKMAN Plus12 stores opened in shopping centers are classified as # WORKMAN GIRL.



Store opening target:	15 stores/year
Locations	<ul style="list-style-type: none"> • Open malls • Standalone roadside shops
Administrative staff	Under 50,000 people

- Revitalize existing stores by converting to WORKMAN Plus

Store opening target:	# of stores/year
S&B target	20 stores/year ※Incl. WORKMAN Plus II
Renovation/conversion	70 stores/year

- Developing logistics infrastructure in anticipation of increased sales due to accelerated store openings



● Focus on developing products that combine high performance with low prices, revisit the right balance of mass and niche products, and re-affirm our strengths as a “category killer.”

● Develop core products

- Develop products that will continue to support a broad range of customers with basic items, focusing on functionality and price.



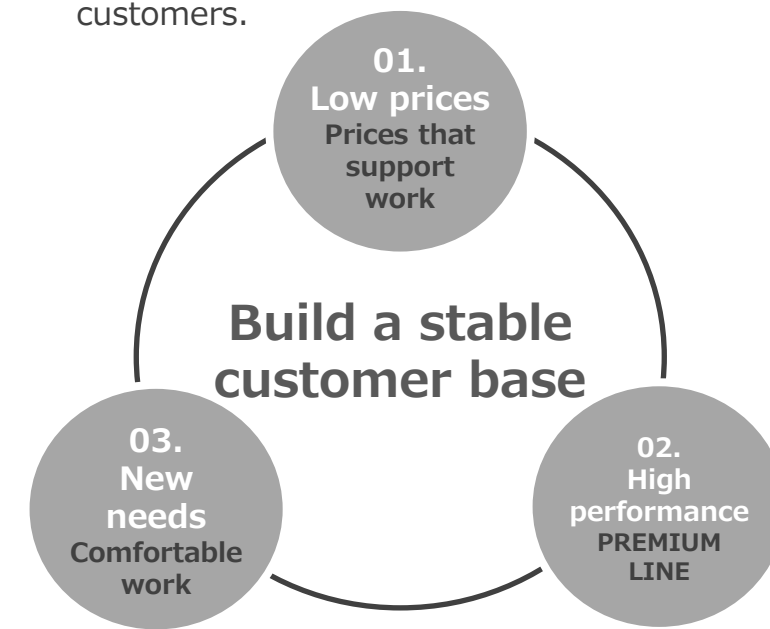
● Dedicated products for the general market

- Develop products targeting general consumers such as with QR codes.
- Change up sales floors to keep customers interested in shopping.



● Strengthen workwear

- Continue to offer good prices, functionality, and added value to the professional market, who are our main customers.



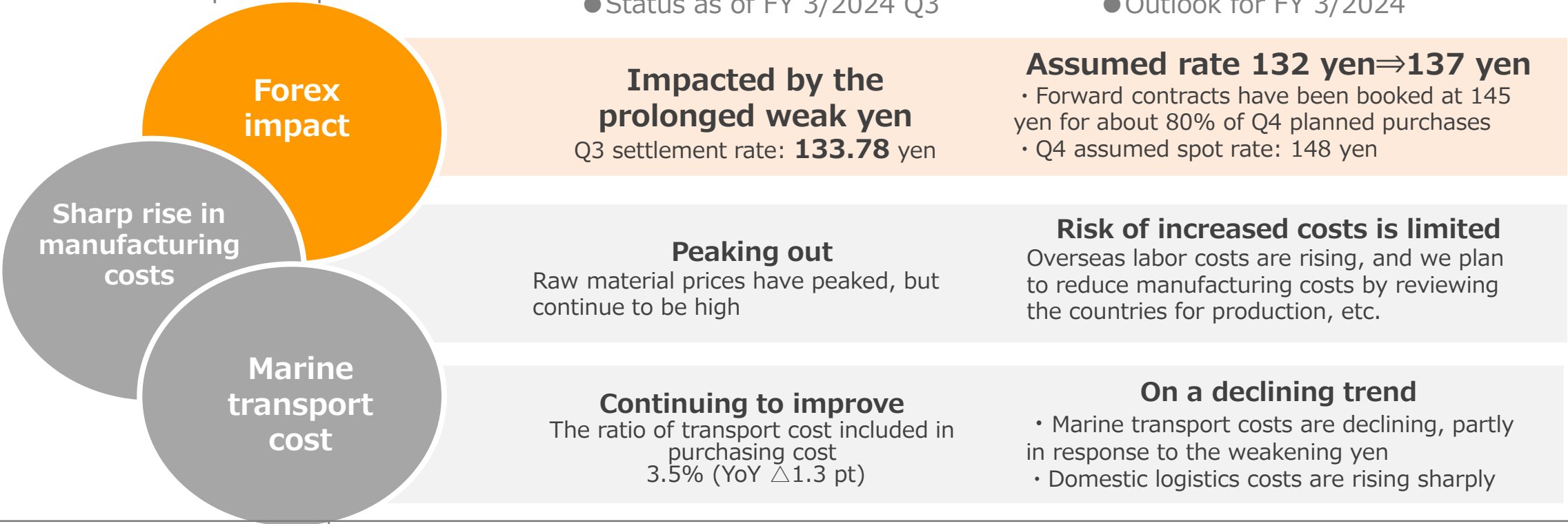
● Revise the assumed rate in light of the prolonged depreciation of the yen.

Despite efforts to improve profitability by reducing costs and product change/elimination, profit margins have worsened compared to assumptions at the start of the year.

● Issues in product procurement

● Status as of FY 3/2024 Q3

● Outlook for FY 3/2024



Pricing Policy for the Fiscal Year Ending March 2025

- Seasonally
- Yearly

Prices for spring and summer products will remain unchanged. Prices will be revised starting with autumn and winter products by changing or eliminating certain products, etc.

Prices will be raised for certain work-related products due to large deviations from market prices.

We will uphold our policy of offering **the world’s lowest prices.**

Presentation of New Spring and Summer Products for 2024



- Theme: “Stylish, Functional, For Everyday”
Sunday, February 18, 2024, at the Tokyo International Forum



1 Functional apparel you will want to wear all the time

In addition to functions that come in handy during the rainy season or summertime, like waterproofing, water-repelling, cooling, and heat-blocking, we will release new products with highly-requested **anti-pollen** materials!

2 Collaborative events

- “Breathing undergarments” that allow you to spend your summer in comfort.
- Rainwear produced under the supervision of motorcycle designers.

3 Workman Kids

We will exhibit 35 items of functional apparel for active kids, for school and for play time.

4 Comfortable work products

We will change the model of the Peltier vest with an air conditioning function that garnered a lot of attention last year and the release of affordable, high-performance pants that reduce the burden on the lower back.

CHECK !

Plans for the Fiscal Year Ending March 2024

● The full-year forecast is being revised downward due to underperformance in sales and the impact of the weak yen.

- Sales at FC stores fell short of the planned figure by about 5,637million yen, resulting in a drop in royalty revenue of $\triangle 1,254$ million yen.
- As the assumed rate was changed from 132 to 137 yen because of the prolonged weak yen, cost of sales rose by +986 million yen.

(Millions of yen)	FY 3/2023	FY 3/2024 Previous forecast	FY 3/2024 Revised forecast	Increase/ Decrease	Vs. Plans (%)	YoY (%)
Sales at all chain stores	169,856	180,980	175,888	$\triangle 5,092$	$\triangle 2.8$	+3.6
Sales to directly managed stores	10,965	13,960	14,505	+545	+3.9	+32.3
Sales to franchise stores	158,891	167,020	161,382	$\triangle 5,637$	$\triangle 3.4$	+1.6
(Same store sales)		+2.0	$\triangle 1.1$	—	—	—
Total operating revenue	128,289	136,576	134,993	$\triangle 1,583$	$\triangle 1.2$	+5.2
Cost of sales	83,529	86,488	87,088	+599	+0.7	+4.3
SG&A	20,652	24,367	24,464	+97	+0.4	+18.5
Operating profit	24,106	25,720	23,440	$\triangle 2,280$	$\triangle 8.9$	$\triangle 2.8$
Ordinary profit	24,664	26,214	23,955	$\triangle 2,259$	$\triangle 8.6$	$\triangle 2.9$
Net income	16,656	17,563	16,030	$\triangle 1,533$	$\triangle 8.7$	$\triangle 3.8$
EPS	204.10 yen	215.21 yen	196.42yen	$\triangle 18.79$ 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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