

Mac-House

Mens, Womens, Kids Clothing & Lifestyle Goods

To Our Shareholders

We challenge a drastic reform of our business model with the spirit of “Trial and Error”.

Making our stores useful for customer’s daily lives, is our basic concept for future growth.



While consumers adopt a defensive stance, the share of household expenditure on clothing continues to decline. In particular, the casual wear industry in which Mac-House operates has seen intensifying market competition and a challenging business environment.

Under these circumstances, based on our determination that a drastic reform of our business model is crucial for growth, we have implemented a core strategy which we call “TRINITY Reform,” comprising “Sales,” “Merchandise” and “Sales promotions”. We adopted a slogan “Spirit of Trial and Error,” challenging new ideas where we saw possibilities, but quickly withdraw and change course if it was judged as a failure. In this way, we have been practicing the trial-and-error over and over. As a result, we came to realize that the basic concept of our future growth should be “Make our stores useful for customers’ daily lives.” The following six action plans have been set, “Strengthen sales force by disseminating culture of customer service,” “Steady growth in new customers,” “Expand item categories of daily necessities for everyday life,” “Achieve low price and high gross profit by advancing the procurement system,” “Develop the original designs and unique intellectual

contents,” and “Increase sales per store by enlarge sales floor area per store.” We are determined to achieve the three-year Medium-term Management Plan (fiscal year ending February 2018 to fiscal year ending February 2020) by implementing these action plans.

With respect to returns to shareholders, we have decided to pay a year-end dividend of 20 yen per share for our 27th term (fiscal year ended February 28, 2017), totaling an annual dividend of 40 yen per share. We plan to continue to pay an annual dividend of 40 yen for the 28th term (fiscal year ending February 28, 2018). Unless there is a drastic change in our business performance, it is our policy to maintain stable dividend as same level as in the previous fiscal year whenever possible.

We will continue our best efforts to deliver satisfaction to all stakeholders including shareholders, employees and business partners by creating stores that attract and serve large numbers of customers.

We look forward to your continued understanding and support.

Medium-term Management Plan

Net Sales (Million yen)



Operating Income (Million yen)



Number of Stores



Highlights

Net Sales:

 **33,727** million yen

Net sales recorded a year-on-year decline, reflecting the decreases in the number of stores (by 19) as of the end of the fiscal year and the 3.8% decline of sales at existing stores.

Ordinary Income:

 **681** million yen

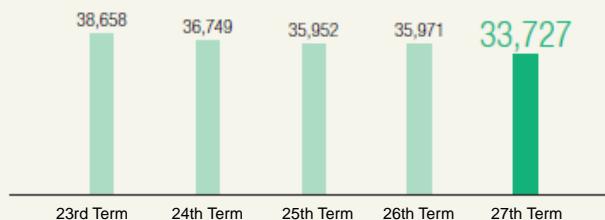
Ordinary income shrank due to the year-on-year decreases in gross profit by 0.9% and selling, general and administrative expenses by 0.3%, which was almost the same level as in the previous year, despite a rise in gross margin ratio by 2.6 points year on year.

Net Income:

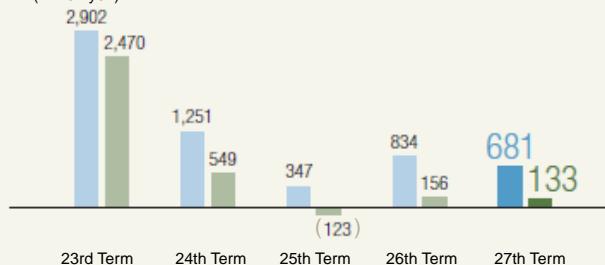
 **133** million yen

Net income fell due to the decrease in ordinary income.

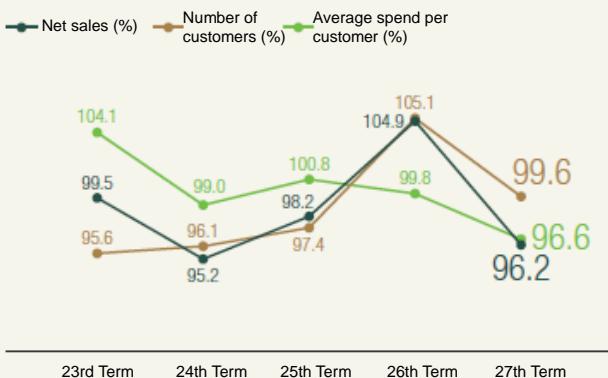
Net Sales (Million yen)



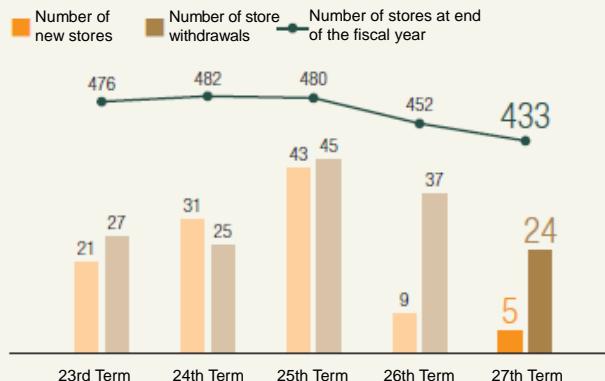
Ordinary Income (Million yen) and Net Income (Million yen)



Trend at Existing Stores



Trend in the status of the opening and closing of stores



Make Stores Useful for Customers' Daily Lives

Mac-House evolves from a jeans casual shop to family casual shop with wide selection of jeans.

Six Action Plans

1. Strengthen sales force by disseminating culture of customer service

Many star salespersons were born through our internal sales competition of which cultivating their skill to sell business casual jackets. Intensive on-the-job training implemented by those star salespersons at other Mac-House stores was effective.



Roleplaying Contest (2016 JA Award)

2. Steady growth in new customers

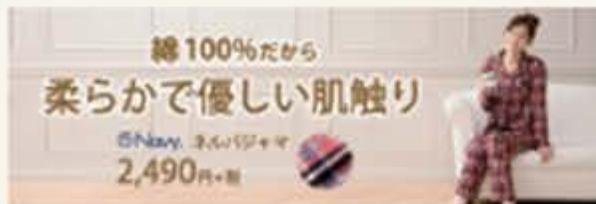
We successfully increased new customers and improve store recognition by running national newspaper advertisement periodically. Promoting various campaigns for mobile-registered members to repeat shopping. (Number of mobile-registered members as of February 28, 2017: approximately 2.2 million)



A scene from an OJT

3. Expand item categories of daily necessity items

We launched a variety of innerwear, legwear and room wear in addition to high-functional bottom wear as well as items for rainy conditions made of functional materials.



4. Create original designs and content

By taking advantage of our roots as a jeans specialty store, we focus on products featuring denim cloth designs, and strive to differentiate ourselves from other companies by enhancing the lineup of products using our proprietary logo and characters.



5. Achieve low price and high gross profit through innovative procurement system

We proactively develop new business partners concurrently with implementing direct trading and shifting production bases to ASEAN countries. As a result, we are in a position to forecast dramatic business performance.



Jeans jacket, a low-price trendy item. ¥2,990 + tax



T-shirt: ¥590 + tax
Half pants: ¥990 + tax



6. Increase sales per store by enlarging the sales floor area per store

The new and relocated Mac-House SUPER STORE and Mac-House SUPER STORE FUTURE store have recorded their highest-ever sales. By aggressively developing larger-scale stores based on a standard floor space of more than 660 square meters we will pursue not only an increase in sales per store but also more efficient store operations.



Topics

High-quality stretch jean lines NAVY JEANS and RUN DENIM.



Best performance jeans with a unique and special manufacturing method. ¥2,990 + tax



Innovative denim pants that stretch both vertically and horizontally, equipped with concealed pockets for smartphone or wallet.
Men's: ¥5,900 + tax; Women's: ¥4,990 + tax

Full-fledged launch into Athleisure wear

While well-being and anti-aging have been hot issues, we launched sports wear brand, "Tarzan" named after a famous magazine for physical training.

Competitive prices ranging from ¥1,290 to ¥2,990 + tax



New Private Brands “ZooMac” and “Mac-Art Museum” launched.

Expanding lineup of our original design products

We increased the product lineup of our popular products such as simple “NAVY” logo series, “Nyans World,” “CHAEMON,” and “ZooMac.”



A variety of non-apparel daily miscellaneous goods that feature our original logos and characters



Lingerie container: ¥790 + tax

Slippers: ¥790 + tax



Lunch tote bag:
¥590 to ¥790 + tax



Hand towel:
¥290 + tax

Mac-Art Museum

With the theme “Stay close to the world of arts,” we brought world-famous paintings to T-shirts. These are our exclusive original contents, and cannot be purchased from other stores.



Van Gogh: ¥1,490 + tax

Mondrian: ¥1,490 + tax

Our brand new stores



(Mac-House SUPER STORE)

MHSS in Mr. Max Shonan Fujisawa Store

MHSS opened on March 18 in Fujisawa City, Kanagawa Prefecture.



(Mac-House SUPER STORE FUTURE)

MHSSF in AEON MALL Hiezu Store

MHSSF opened on April 15 in Saihaku-gun, Tottori Prefecture.

Men's Business Casual wear



Ladies Office Casual wear



Jeans



Men's casual wear



Women's trend wear



Kids' apparel



Inner and Legwear



Fashion Goods



The new store format of family casual wear, ranging from fast-fashion for men, women and kids to brand casual wear, innerwear, legwear, miscellaneous goods, as well as business casual and office casual outfit. Large scare store which makes shopping enjoyable for whole family.

Our store locations by region

As a result of 5 new openings and 24 closures during FY 2016, our store network consists of 433 stores at February 28, 2017.

433
 stores in total

(As of February 28, 2017)

Business formats

Mac-House : 311 stores
Mac, Women, Kids, Clothing, Lifestyle Goods

(Mac-House SUPER STORE)

Mac-House : 4 stores
Mac, Women, Kids, Clothing, Lifestyle Goods
 SUPER STORE

(Mac-House SUPER STORE FUTURE)

Mac-House : 28 stores
Mac, Women, Kids, Clothing, Lifestyle Goods
 S.S.F.

(Mac-House OUTLET)

Mac-House : 5 stores
Mac, Women, Kids, Clothing, Lifestyle Goods
 OUTLET

FOR CASUAL LIFE
MAC-HOUSE PLAZA : 16 stores

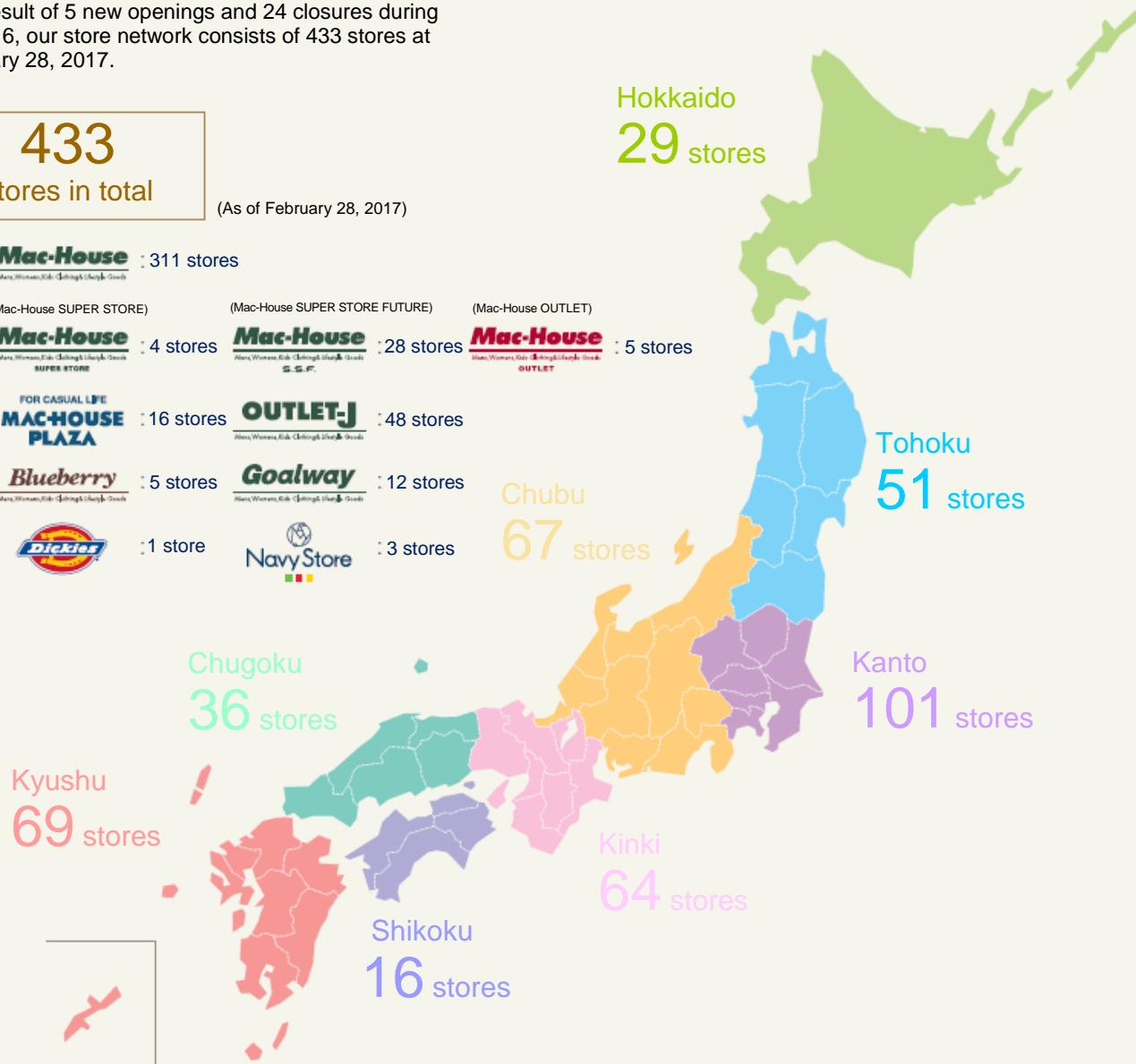
OUTLET-J : 48 stores
Mac, Women, Kids, Clothing, Lifestyle Goods

Blueberry : 5 stores
Mac, Women, Kids, Clothing, Lifestyle Goods

Goalway : 12 stores
Mac, Women, Kids, Clothing, Lifestyle Goods

Dickies : 1 store

NavyStore : 3 stores



Financial Statements

Balance Sheets (Condensed)

(Million yen)

Accounting items	As of the end of the fiscal year under review (February 28, 2017)	As of the end of the previous fiscal year (February 29, 2016)
Assets:		
Current Assets	17,138	18,884
Noncurrent Assets	6,628	6,705
Property, plant and equipment	1,800	1,557
Intangible assets	193	201
Investments and other assets	4,634	4,946
Total Assets	23,767	25,590
Liabilities:		
Current Liabilities	6,978	8,387
Noncurrent Liabilities	2,397	2,371
Total Liabilities	9,375	10,759
Net Assets:		
Shareholders' Equity		
Capital stock	1,617	1,617
Capital surplus	5,299	5,299
Retained earnings	7,573	8,053
Treasury stock	(153)	(153)
Total Shareholders' Equity	14,337	14,817
Subscription rights to shares	33	25
Total Net Assets	14,391	14,830
Total Liabilities and Net Assets	23,767	25,590

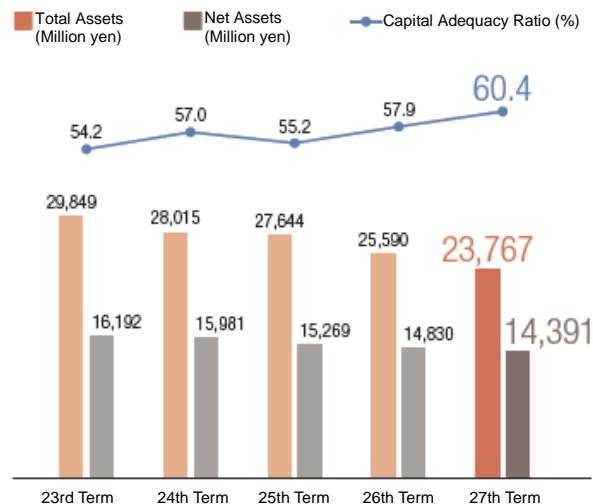
Note: Figures are rounded down to the nearest million yen.

Current Assets

Total current assets decreased by ¥1,746 million from a year earlier, primarily as a result of declines of ¥1,358 million in cash and deposits and ¥430 million in merchandise.

Total Assets, Net Assets and Capital Adequacy Ratio

Net assets decreased by ¥439 million from a year earlier, mainly as a result of dividends of surplus of ¥613 million. The capital adequacy ratio to total assets increased by 2.5 percentage points from the end of the previous year to 60.4%.



Current Liabilities

Total current liabilities decreased by ¥1,409 million from a year earlier, primarily reflecting the declines of ¥784 million in accounts payable-trade and ¥459 million in factoring liabilities.

Statements of Income (Condensed) (Million yen)

Accounting items	FY 2016 (March 1, 2016 to February 28, 2017)	FY 2015 (March 1, 2015 to February 29, 2016)
Net sales	33,727	35,971
Cost of sales	17,303	19,393
Gross profit	16,423	16,577
Selling, general and administrative expenses	15,807	15,858
Operating income	616	718
Non-operating income	370	401
Non-operating expenses	305	285
Ordinary income	681	834
Extraordinary loss	302	273
Income before income taxes	379	561
Income taxes-current	245	404
Net income	133	156

Note: Figures are rounded down to the nearest million yen.

Statements of Cash Flows (Condensed) (Million yen)

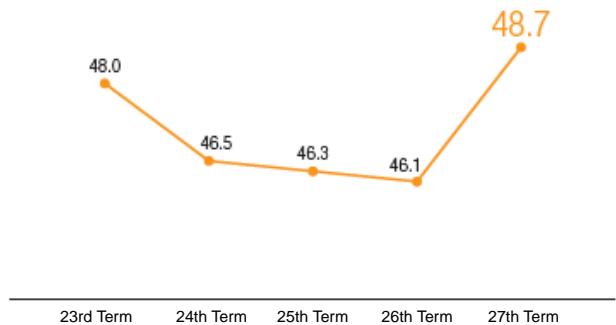
Accounting items	FY 2016 (March 1, 2016 to February 28, 2017)	FY 2015 (March 1, 2015 to February 29, 2016)
Net cash provided by operating activities	31	(1,459)
Net cash used in investing activities	542	1,584
Net cash used in financing activities	(631)	(651)
Net increase in cash and cash equivalents	(58)	(526)
Cash and cash equivalents at beginning of period	5,787	6,313
Cash and cash equivalents at end of period	5,729	5,787

Note: Figures are rounded down to the nearest million yen.

Gross Margin Ratio

The gross margin ratio turned upward by 2.6 points on a year-on-year basis, reflecting our shift of emphasis in our advertising strategy toward the gross margin ratio.

— Gross margin ratio (%)



Selling, General and Administrative Expenses

■ Selling, general and administrative expenses (Million yen)



Corporate Profile/Status of Shares

Corporate Profile

(As of February 28, 2017)

Trade name:	Mac-House Co., Ltd.
Address of the Head Office:	Shin-Koenji Twin Building, 1-7-7, Umesato, Suginami-ku, Tokyo
Establishment:	June 1, 1990
Capital:	1,617,850,000 yen
Number of employees:	308
Principal business:	Operation of chain stores nationwide focusing mainly on the retail of clothing.

Management

(As of May 24, 2017)

President & CEO (Representative Director):	Takashi Shiratsuchi
Managing Director:	Koshiro Sugiura
Director:	Hisami Kitahara
Director:	Yoshio Kazami
Director:	Ken Aruga
Director and Advisor:	Masao Funahashi
Director:	Ai Ishizuka
Director:	Toshiaki Yamada
Standing Auditor:	Mamoru Tamura
Auditor:	Shinichi Miura
Auditor:	Yoshiaki Uchida
Auditor:	Shigeru Kobayashi

Notes:

Of the directors above, Ai Ishizuka and Toshiaki Yamada are outside directors, the definition of which is specified by Article 2-15 of the Companies Act.

Of the auditors listed above, Mamoru Tamura, Shinichi Miura, Yoshiaki Uchida and Shigeru Kobayashi are outside corporate auditors as specified by Article 2-16 of the Companies Act.

Introduction to the Shareholder Special Benefit Plan

Mac-House presents shareholders with "Shareholder Special Benefit" vouchers as one way of returning profits to our shareholders, in the hope that as many shareholders as possible can use our merchandise and services and become fans of Mac-House.

Shareholders holding 100 shares or more and less than 500 shares	A voucher equivalent to 1,000 yen
Shareholders holding 500 shares or more and less than 1,000 shares	A voucher equivalent to 3,000 yen
Shareholders holding 1,000 shares or more	A voucher equivalent to 5,000 yen

* The base date for the allocation of the vouchers is the end of February; to be sent once a year in late May.

Memorandum for Our Shareholders

Fiscal year:

From March 1 to the end of February of the following year

Ordinary general meeting of shareholders:

Held in May of each year.

Record date:

End of February of each year

(If necessary, we will make a public notice in advance.)

(Record date for shareholders entitled to receive dividends):

Year-end dividend: End of February of each year

Interim dividend: August 31 of each year

Shareholder registry administrator and account management organization of special accounts:

Mitsubishi UFJ Trust and Banking Corporation; 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo

Payment Handling Bank:

Transfer Agent Dept., Mitsubishi UFJ Trust and Banking Corporation;

4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo

(Mailing address):

Transfer Agent Dept., Mitsubishi UFJ Trust and Banking Corporation; 10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081

Telephone: 0120-232-711 (Toll free)

Number of shares in one unit: 100

Securities exchange on which the shares are listed:

Tokyo Stock Exchange

Method of providing public notice:

Public notices shall be provided electronically. However, if the public notices cannot be provided electronically due to unavoidable reasons, such notices shall be posted in the *Nihon Keizai Shimbun*.

For our public notices, please visit the following website: <http://www.mac-house.co.jp>

Notes:

- As a result of the transition to dematerialization of stock certificates, procedures relating to change of address, share purchase demand, etc. from shareholders, shall be handled by the account management organizations (securities firms, etc.), in principle, with which shareholders hold accounts. Shareholders are kindly requested to contact the securities firms, etc. in which accounts are held. Please note that the shareholder registry administrator (Mitsubishi UFJ Trust and Banking Corporation) is not entitled to handle the above-mentioned procedures.
- With respect to the procedures relating to the shares recorded for special accounts, please contact the above-mentioned special account management organization (Mitsubishi UFJ Trust and Banking Corporation) as account management organization. The domestic branches of Mitsubishi UFJ Trust and Banking Corporation may mediate the procedures.
- Unpaid dividends shall be paid at branches or the head office of Mitsubishi UFJ Trust and Banking Corporation.

Dividends per Share

	26th term (ended Feb. 2016)	27th term (ended Feb. 2017)	28th term (ending Feb. 2018)
End of second quarter	¥20	¥20	¥20 (forecast)
Year end	¥20	¥20	¥20 (forecast)
Full year	¥40	¥40	¥40 (forecast)

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