



## To Our Shareholders

I would like to express my deepest appreciation to you, our shareholders, for your patronage and support.

As Mr. Koji Funahashi, the former President & CEO of Mac-House Co., Ltd. left office (to become President & CEO of Chiyoda Co., Ltd.), I have been appointed President & CEO of Mac-House as his successor at the 23rd Annual Meeting of Shareholders and the ensuing Board of Directors Meeting.

At Chiyoda Co., Ltd., I have been engaged, for many years, in overall management, including sales, IR and marketing, in the shoe business and also played a role in bold corporate reforms. By building on my vast experience, I am determined to contribute to the further growth and development of Mac-House.

I thank you and ask for your continued warm support of Mac-House.



May 2013  
Takashi Shiratsuchi  
President & CEO

### <Overview of the 23rd Term Ended February 28, 2013>

Net income for the term was the highest since the foundation of Mac-House, with the dramatic increase in income due to continued structural reforms, which include multidimensional approaches in merchandising assortment and sales promotion and closure of unprofitable stores.

In terms of store operations, we reviewed underperforming stores and carefully opened new stores with an emphasis on profitability. Under these circumstances, we took on a new challenge of opening Blueberry stores at regional shopping centers and opening community-based stores with brand-new interior design at shopping malls across Japan.

As for products, we developed and sold functional products which have various functions to meet customers' needs. In particular, "Nano Platinum" denim, the world's first jeans made of fabric to which cosmetic ingredient "platinum nano colloid" is adhered, have been enjoying strong sales due to their anti-bacterial and anti-odor properties that make the product stay clean for longer. Meanwhile, we are enhancing our thermal wear product range, MAC HEAT, by launching not only underwear but also outer wear, bottoms and small articles. In addition to these functional products, brands that we are exclusively distributing in Japan, including Lee Cooper that we started to launch across Japan last autumn, have also sold briskly.

We continued proactive and multidimensional measures geared toward sales promotion, rather than remaining dependent on flyers in newspapers. The measures we took included continuing to launch TV commercial, proposing fashion coordinates in our free magazine *nana STYLE* that features popular actresses, and delivering timely information to our mobile members.

### <Issues for the Company to Address>

Aiming at steady growth with a focus on profitability, Mac-House will constantly make efforts for "Delivery of Value" and "Improvement of Customer Satisfaction" to increase the number of customers visiting our stores. For Delivery of Value, we will listen to our customers so that we can continue to develop products that they need now. We will also make our basic product groups even more attractive by adding value and messages, such as our commitment to manufacturing, to our fashionable and functional products, while making in-store presentation even more appealing. For Improvement of Customer Satisfaction, we will keep working to improve the level of our customer service based on our Jeans Advisor system and enhance our services. We will also focus on creating more accessible, customer-friendly and convenient in-store presentation, while making efforts to increase our customer base, including senior customers.

At the same time, we will build closer relationships with our partners and work toward a further improvement in our performance.

## Highlights

**Net sales:**  **Down 4.4% year-on-year**

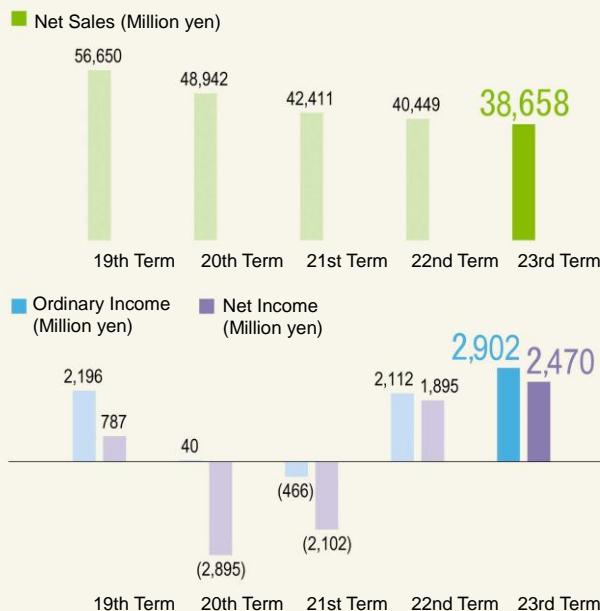
While existing stores secured sales at almost the same level as the previous term, a decrease in the number of stores due to stores closing resulted in a slight decline in sales.

**Ordinary income:**  **Up 37.4% year-on-year**

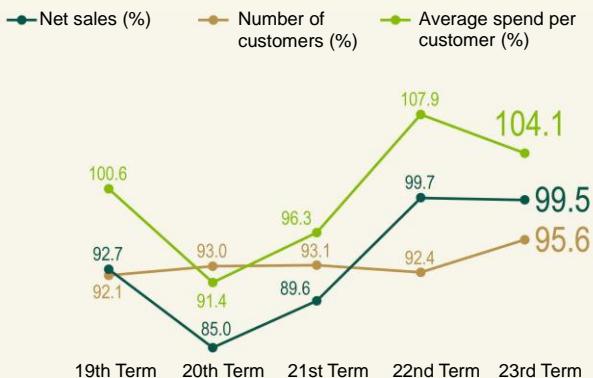
The gross profit margin improved by 1.8 points from the previous term due to an improvement in merchandise turnover, which improved merchandise freshness. Together with efforts to strategically control selling, general and administrative expenses, the improvement resulted in a substantial increase in income.

**Net income:**  **Up 30.3% year-on-year**

The record-high net income was partly due to the posting of income taxes-deferred based on the tax effect accounting method.



### Trend at Existing Stores



### Trend in the status of the opening and closing of stores



## Management Strategies

Increase opportunities to open new stores and expand our customer base, focusing mainly on responding to diversified store locations.

- 1 Open more stores at local GMSs, RSCs, and NSCs\*
- 2 Renew store image
- 3 Develop new concept shops



\* GMSs (general merchandise stores): Shopping centers offering a wide range of daily goods targeted at medium-sized trade areas  
 RSCs (regional shopping centers): Mall-type shopping centers accommodating many specialty stores targeted at large-sized trade areas  
 NSCs (neighborhood shopping centers): Supermarket-anchored shopping centers targeted at small-sized trade areas

Reform our store opening strategy

Strengthen product development

Revenue-focused steady growth

Boost our gross margin

Make effective use of human resources

Further improve business operations in order to achieve a gross margin of 50% as early as possible.

- 1 Promote direct trade (Directly place orders with Chinese sewing plants to manufacture private brand products; establish the Product Development Division)
- 2 Strengthen collaboration with business partners (Establish selling spaces in collaboration with national brands; plan customized items)
- 3 Renew merchandise on an even more timely basis (Finely-tuned location-based merchandise management)

Refine product assortment to expand customer base.

- 1 Clarify the positioning of private brands and national private brands
- 2 Expand development of functional products (MAC HEAT, Nano Platinum, fragrance-emitting T shirts and bra tops)
- 3 Enhance recognition by leveraging Lee Cooper and Dickies stores; strengthen visual merchandising



Make effective use of part-time workers in order to enhance customer satisfaction.

- 1 Improve sales techniques on an ongoing basis based on the Jeans Adviser qualification system
- 2 Enhance the sales skills of part-time workers by holding sales contests and other events
- 3 Establish a Human Resources Development Division dedicated to overseeing recruitment and employee training



## Topics

First of the new store-format  
“Blueberry” opened in Nagoya

## Blueberry

FOR CASUAL LIFE

Mac-House opened the first of its new-format “Blueberry” stores in October 2012 at Airport Walk Nagoya. Blueberry, a new-concept store geared toward regional shopping centers, focuses on national private brands. Carrying mainly mid-priced men’s apparel, the store is experiencing favorable sales, and five more Blueberry stores are scheduled to open in the first half of FY2013.



Mac-House takes part in  
an industry-academia collaborative  
product development with  
Dressmaker Gakuin and  
Toray Industries

From early April, 2013, spring items planned and developed jointly by Dressmaker Gakuin and Toray Industries, Inc. as part of an industry-academia collaborative product development project, have become available at 171 selected Mac-House and Goalway stores nationwide.

Mac-House has offered full-scale cooperation to this industry-academia joint project since May 2012 for the purpose of nurturing industry talent. The product development, which involved market analysis, fashion trend forecasting and product planning, was the final project assigned to Dressmaker Gakuin students taking the Practical Trend Marketing course organized jointly by Dressmaker Gakuin and Toray Industries.



商品1 快風、走れるパーカ。 **¥4,900**

商品2 アクティブに、るんるんパーカ。 **¥4,900**

商品3 花柄、アイデアコート。 **¥6,900**

A world first! Nano Platinum pants made from xylitol-infused antioxidant fabric

キシリトール配合で清涼感アップ

BEAUTY & COOL

美しく、優しく、快適に。

世界初、抗酸化性繊維を使用。

洗濯乾燥

ソフトタッチストレッチ

UVカット

3,900

A new line has been added to the “Platinum Beauty” series, which debuted last year. Expected benefits of Nano Platinum include anti-aging by way of removal of reactive oxygen, a known cause of aging, and inhibition of UV-ray absorption.

The Beauty & Cool series employs a dry-to-the-touch, light, stretch polyester-blend fabric. By infusing this fabric with xylitol, the series offers an enhanced feel of coolness that improves wearer comfort during the hot and humid summer months.

Mac-House and Lion Corporation jointly develop scented women’s wear featuring the fragrance of “Soflan with Fragrance and Deodorant Aroma Soap”

Mac-House has developed, in partnership with Lion Corporation, bra camisoles, loungewear, and printed T-shirts scented with the fragrance of Lion’s fabric softener Soflan with Fragrance and Deodorant Aroma Soap.

The innovative combination of apparel and fabric softener fragrance was developed in response to rising demand for daily products that offer the enjoyment of fragrances, in particular fabric softeners, which are increasingly gaining users because of the popularity of their fragrances.

香りとデオドラントの  
ソフラン

×  
navy natural

Natural Aroma Oil  
天然アロマオイル配合

Aroma Natural

アロマソープの香り

# Brand Lineup

Principal brands are shown below in line with our category positioning.

Trendy

FOR CASUAL LIFE  
**Mac-House**



A quality brand that offers casual wear incorporating an essence of outdoor activities.



Born in Texas, Dickies workwear has stood for the quality, toughness, and pride that embodies the spirit of the American worker.



A global brand well known as Europe's oldest jeans maker.



This unique Los Angeles-born street brand features comfortable clothes adopting distinct colors, fit for fashion conscious youth



American Casual



An American activewear brand themed on sports and colleges.



A pioneering brand in the field of Japanese military fashion.

## NAVY

This brand provides everyday clothing for adult men. Simple and basic items, the brand's lineup also meets the needs of the Cool Biz and Warm Biz fashion markets.



## navy natural

Under the concept of relaxed casual wear, this earth-friendly brand adopts natural materials and designs suitable for everyday clothing.



European Casual

Basic

## Financial Statements

### Balance Sheets (Condensed)

(Million yen)

Accounting items	As of the end of the fiscal year under review (February 28, 2013)	As of the end of the previous fiscal year (February 29, 2012)
<b>Assets:</b>		
Current Assets	21,847	21,008
Noncurrent Assets	8,001	7,526
Property, plant and equipment	1,384	1,134
Intangible assets	113	113
Investments and other assets	6,503	6,277
<b>Total Assets</b>	<b>29,849</b>	<b>28,534</b>
<b>Liabilities:</b>		
Current Liabilities	10,676	11,001
Noncurrent Liabilities	2,979	3,354
<b>Total Liabilities</b>	<b>13,656</b>	<b>14,355</b>
<b>Net Assets:</b>		
Shareholders' Equity		
Capital stock	1,617	1,617
Capital surplus	5,299	5,299
Retained earnings	9,428	7,266
Treasury stock	(163)	(5)
<b>Total Shareholders' Equity</b>	<b>16,182</b>	<b>14,178</b>
Subscription rights to shares	9	-
<b>Total Net Assets</b>	<b>16,192</b>	<b>14,178</b>
<b>Total Liabilities and Net Assets</b>	<b>29,849</b>	<b>28,534</b>

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

#### Current Assets:

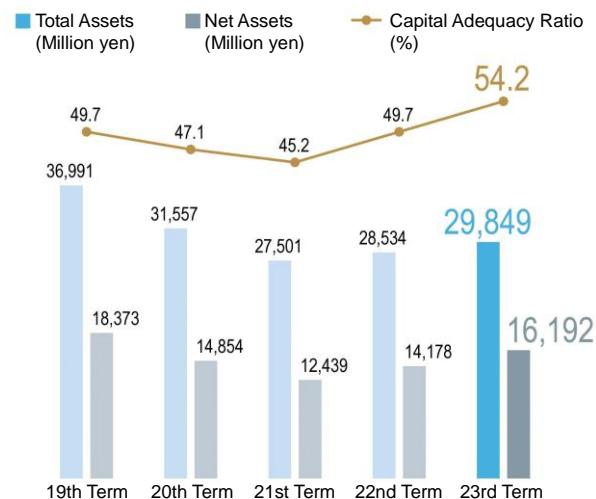
Total current assets increased ¥839 million from the end of the previous fiscal year as a result of ¥718 million in cash and deposits as well as ¥397 million in merchandise.

#### Noncurrent Assets:

Total noncurrent assets expanded ¥475 million from the end of the previous fiscal year reflecting growth of ¥653 million in deferred tax assets and other factors.

#### Total Assets, Net Assets and Capital Adequacy Ratio

Total assets increased by ¥2,013 million from a year earlier. This was mainly attributable to ¥2,470 million in net income despite ¥309 million in dividends paid from surplus, etc. The capital adequacy ratio to total assets improved 4.5 points from the end of the previous fiscal year to 54.2%.



**Statements of Income (Condensed)** (Million yen)

Accounting item	FY 2012 (March 1, 2012 to February 28, 2013)	FY 2011 (March 1, 2011 to February 29, 2012)
Net sales	38,658	40,449
Cost of sales	20,112	21,753
Gross profit	18,545	18,696
Selling, general and administrative expenses	15,830	16,632
Operating income	2,715	2,064
Non-operating income	585	564
Non-operating expenses	398	515
Ordinary income	2,902	2,112
Extraordinary income	128	75
Extraordinary loss	81	671
Income before income taxes	2,949	1,516
Income taxes-current	995	182
Income taxes-deferred	(516)	(561)
Net income	2,470	1,895

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

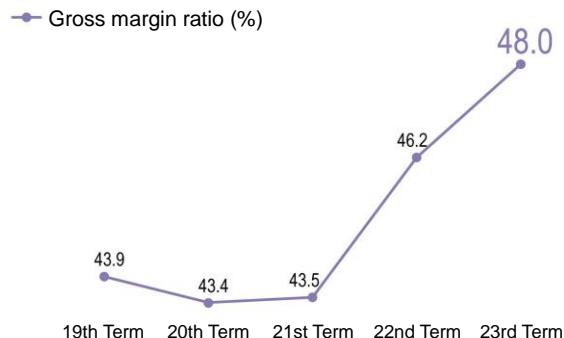
**Statements of Cash Flows (Condensed)** (Million yen)

Accounting item	FY 2012 (March 1, 2012 to February 28, 2013)	FY 2011 (March 1, 2011 to February 29, 2012)
Net cash provided by operating activities	1,563	2,698
Net cash used in investing activities	(736)	(941)
Net cash used in financing activities	(602)	(281)
Net increase in cash and cash equivalents	224	1,475
Cash and cash equivalents at beginning of period	10,994	9,518
Cash and cash equivalents at end of period	11,218	10,994

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

**Gross Margin Ratio**

Functional products of our private brands and brands sold under exclusive distribution rights recorded robust sales, significantly contributing to the improvement of the gross margin ratio.



**Selling, General and Administrative Expenses**

Reductions in personnel expenses and rent due to a decrease in the number of stores significantly contributed to control of selling, general and administrative expenses.

■ Selling, general and administrative expenses (Million yen)      — Ratio of selling, general and administrative expenses to net sales (%)



# Corporate Profile/Status of Shares

## Corporate Profile

(As of February 28, 2013)

<b>Trade name:</b>	Mac-House Co., Ltd.
<b>Address of the Head Office:</b>	Shin-Koenji Twin Building, 1-7-7, Umesato, Suginami-ku, Tokyo
<b>Establishment:</b>	June 1, 1990
<b>Capital:</b>	1,617,850,000 yen
<b>Number of employees:</b>	388
<b>Principal business:</b>	Operation of chain stores nationwide focusing mainly on the retail of clothing.

## Management

(As of May 22, 2013)

<b>President &amp; CEO (Representative Director):</b>	Takashi Shiratsuchi
<b>Director and Advisor:</b>	Masao Funahashi
<b>Director:</b>	Yoshio Kazami
<b>Director:</b>	Koshiro Sugiura
<b>Director:</b>	Hisami Kitahara
<b>Standing Auditor:</b>	Kiyohiko Suzuki
<b>Auditor:</b>	Isao Noguchi
<b>Auditor:</b>	Shinichi Miura
<b>Auditor:</b>	Kiyoshi Yamamoto

## Benefit Plan to Shareholders

Mac-House presents shareholders with "Shareholder Special Benefit" vouchers as one way of returning profits to our shareholders, in the hope that our shareholders to experience 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:

### 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:

Osaka Securities 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.
- The Osaka Securities Exchange is to merge with the Tokyo Stock Exchange effective July 16, 2013. Therefore, shares of Mac-House will be listed on the Tokyo Stock Exchange on the same date and thereafter.

FOR CASUAL LIFE

**Mac-House**

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Telephone: +81-3-3316-1911