

Mac-House

Mens, Womens, Kids Clothing & Lifestyle Goods

To Our Shareholders

I would like to express our deepest gratitude for your understanding and support of our business.

Japan was recently hit by an earthquake centered in Kumamoto Prefecture. My heartfelt condolences go out to those who were affected by the disaster. I am praying for the earliest possible restoration of the disaster-hit regions.

Impact of the Kumamoto Earthquake and our support activities

Mac-House operates 10 stores in Kumamoto Prefecture, most of which have resumed normal business operations following the disaster.

We are pleased to have been able to donate on April 15, 2016 a total of 2,700 daily necessity items handled by our company, including innerwear, socks, and towels, to victims of the earthquake as well as those assisting with restoration activities.

Business report for the 26th term from March 1, 2015 to February 29, 2016

Mac-House is undertaking a wide range of challenges to establish new business models that will propel us to greater growth. Our most pressing task, however, is to boost sales at our existing stores. We have been implementing a number of measures to entice as many customers as possible to visit our stores not just once but repeatedly.

In products, we expanded our offerings of daily necessities including innerwear, legwear, rain items, and shoes, while also focusing on selling low-priced, value-for-money products. Furthermore, under what we refer to as the Super Surprise Project, we forged partnerships with new overseas manufacturers, reviewed the operational efficiency, which led to the release of stretch jeans and stretch color pants at astonishingly low prices without compromising quality. In addition, under our project aimed at helping customers cut down on their household expenses, we reduced the prices of 52 basic clothing items. Our measures to generate sales based on new initiatives included the launch of Navy PREMIUM. It is the sub-brand of our core brand, Navy. Navy PREMIUM gives an addition of casual-business style jackets to our lineup.

In sales promotion, we strived to appeal to a wide range of customers by promoting low-priced products through mobile newsletters and flyers, while attracting rather elder customers through newspaper advertising.



May 2016

Takashi Shiratsuchi
President & CEO

With respect to our store management, we opened nine new stores during the term, while closing down 37 unprofitable stores, bringing our total number of stores to 452 as of the end of the 26th term, down 28 stores from a year earlier. Meanwhile, we renovated three existing stores entirely and re-launched them under a new store format, Mac-House SUPER STORE, which offers casual family clothing under a new concept.

As a result, sales at our existing stores increased by 4.9% and the number of customers climbed by 5.1% from the previous term, driving both net sales and net income up for the first time in nine terms.

Outlook for the 27th term (March 1, 2016 to February 28, 2017)

In the 27th term, we will further strengthen our sales of coordinated sets of clothing focusing on bottom wear. The market competitive array of low-priced products will be further expanded, and so will our lineups of innerwear, legwear, rain items, and other daily necessity items to push up the total sales.

We will launch new stores carefully, determining how much they can contribute to our profits, while eagerly closing down unprofitable ones. Meanwhile, we aim to boost net sales per store at our existing stores by implementing renovations and relocations. In addition to Mac-House SUPER STORE, another new business format, Mac-House SUPER STORE FUTURE, will be launched, with some of the stores to be created through renovation projects.

Consequently, we are planning to achieve an increase in both net sales and net income for the 27th term.

Mac-House will continue to make efforts to create stores that attract and serve as many as customers to be an essential part of their life.

We are always grateful for your continued understanding and support.

Highlights

Net Sales:



Although the number of stores decreased by 28 outlets, net sales increased year on year owing to existing store sales rising 4.9% from the previous fiscal year.

Ordinary Income:



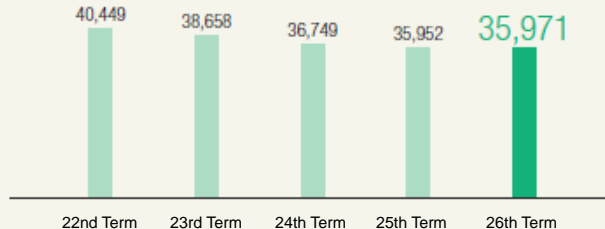
Ordinary income increased year on year owing to a growth in net sales and a decrease in expenses as a result of closing down unprofitable stores.

Net Income:

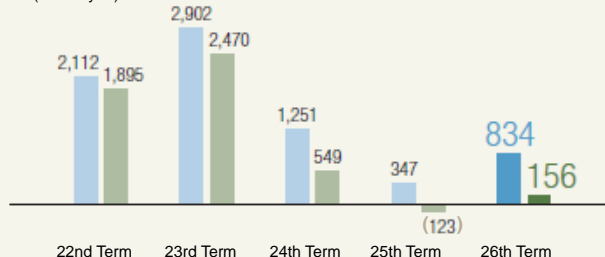


Net income increased due to a higher ordinary income.

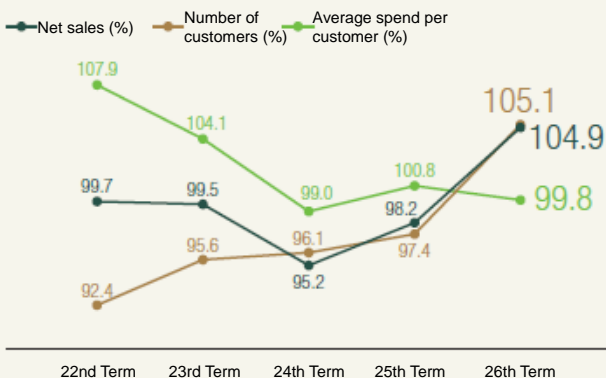
Net Sales (Million yen)



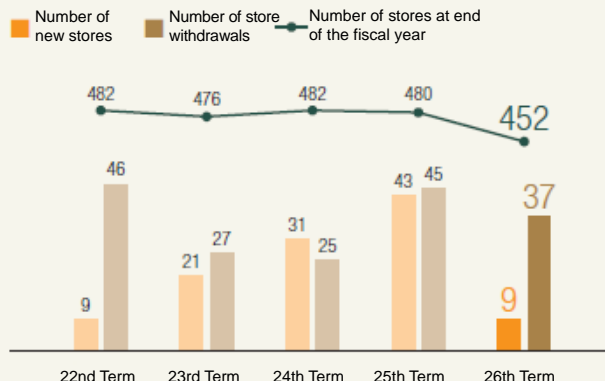
Ordinary Income (Million yen) and Net Income (Million yen)



Trend at Existing Stores



Trend in the status of the opening and closing of stores



Quest for a Business Model for Growth

A new business model that goes beyond jeans and casual clothing

Three-way reform of sales, merchandise, and sales promotion + Store development reform

Mac-House offers an assortment of products useful in daily life, While making our stores appealing to a wide range of customers,

and stores and services that satisfy customers. we aim to increase existing store sales.

1. Low-price Project

We offer large numbers of items unrivalled in terms of price competitiveness. We are particularly accelerating our strategy to shift our focus from the middle-price range to the low-price range in ladies' clothing.



2. Super Surprise Project

Products of value are offered at astonishingly low prices. The Super Surprise Project was rolled out seven times during the 26th term, attracting customers of all ages.



3. A wide assortment of daily necessities

We offer an abundant range of daily necessities in frequent demand throughout the year, including innerwear, legwear, and rain items.



4. New product categories: Business Casuals and Office Casuals

These items are classic must-haves that are less susceptible to changing fashion trends. Our sales team, including 700 jeans advisors, provides advice on how to coordinate items for both work and off-time

* Jeans advisors are Mac-House's certified sales personnel who meet a certain standard of skills as demonstrated by passing a written test, practical test, and interview.



5. New business format Mac-House SUPER STORE FUTURE (MHSSF)

Mac-House SUPER STORE was launched under a new concept during the previous fiscal term, attracting a host of customers and achieving strong performance. This term, we will build on this success to roll out another new casual clothing store format with the name Mac-House SUPER STORE FUTURE by opening new stores from scratch as well as by relocating and renovating existing stores.

MHSSF will be based on a new concept, delivering a wide selection of stylish clothing ranging from casual wear to casual business wear sold mainly under private brands, as well as innerwear, legwear, and other miscellaneous goods.



Topics

Mac-House's Business Casuals and Office Casuals

In February 2015, Mac-House released a lineup of men's casual business clothing including exquisitely comfortable jackets, shirts, and bottom wear. This was followed 10 months later by the launch of a range of women's casual office wear in December 2015. Boasting utmost versatility, our jackets are perfect both for the office and casual occasions.



Nyans World launched

A new brand, Nyans World, was launched, offering clothing and miscellaneous goods featuring a motif of a group of five distinctive cats.

Item categories: Apparel + miscellaneous goods including storage items, towels, slippers, rain items, umbrellas, etc.



Items adopt motifs of busy groups of cute, lively cats, each one with a unique look and character.



NAVY TRAVEL launched

A new brand, NAVY TRAVEL, was launched, offering roller bags convenient for both leisure and business travel, packable Boston bags and rucksacks, travel jackets, and packable cardigans and parkas.

Item categories: Bags, packable parkas/cardigans, jackets, room wear, etc.



Official LINE account set up

Mac-House set up its official LINE account in February 2016 to share information on special offers with a wide range of customers of all ages and genders.

The number of “friends” registered to the account exceeded 4 million in the first month.

The LINE account has helped us enhance our corporate image and public recognition and expand our mobile membership.

Free LINE stamps were distributed from February 11 to March 7, 2016.



Mac-House's original character, Chaemon



Information on special offers are sent via e-mail newsletters.

New mobile members are welcome!

Registration is free and simple via smartphone or other mobile devices.

<http://mac-house.jp/>

Mac-House Mobile

Search



Our Stores

Mac-House SUPER STORE (MHSS)

- This store format offers a full lineup of items focusing on major Japanese brand products.



March 28, 2015

Vivamall Ooi store in Saitama Prefecture reopened after renovation

April 24, 2015

LAGUNA TEN BOSCH Gamagori store in Aichi Prefecture reopened after renovation

November 21, 2015

YAOKO Market City Tokorozawa store in Saitama Prefecture reopened after renovation

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SUPER STORE

Mac-House SUPER STORE FUTURE (MHSSF)

- This store format offers a full lineup of items focusing on private brand products.

March 19, 2016

Power Center Kochi store newly opened in Kochi Prefecture

March 19, 2016

Suzaka Interchange store in Nagano Prefecture reopened after renovation

March 19, 2016

HISAI INTER GARDEN store in Mie Prefecture reopened after renovation

March 19, 2016

HOME'S Kawasaki Daishi store in Kanagawa Prefecture reopened after renovation

April 23, 2016

Oyumino store newly opened in Chiba Prefecture

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S.S.F.

The Oyumino store in Chiba Prefecture opened a specialty in-store shop offering cat-themed miscellaneous goods.

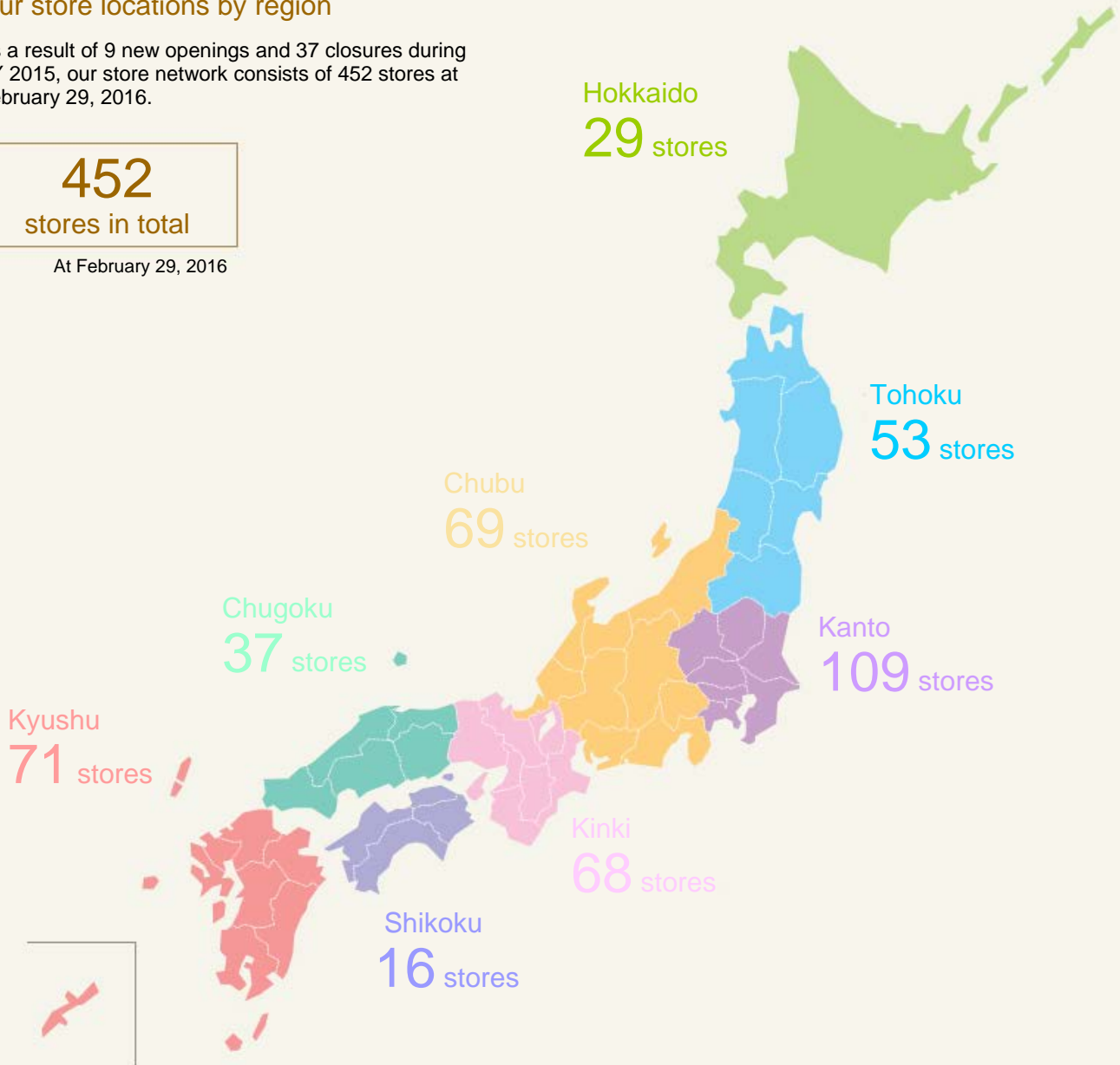


Our store locations by region

As a result of 9 new openings and 37 closures during FY 2015, our store network consists of 452 stores at February 29, 2016.

452
stores in total

At February 29, 2016



Financial Statements

Balance Sheets (Condensed)

(Million yen)

Accounting items	As of the end of the fiscal year under review (February 29, 2016)	As of the end of the previous fiscal year (February 28, 2015)
Assets:		
Current Assets	18,884	20,067
Noncurrent Assets	6,705	7,576
Property, plant and equipment	1,557	1,732
Intangible assets	201	216
Investments and other assets	4,946	5,627
Total Assets	25,590	27,644
Liabilities:		
Current Liabilities	8,387	9,877
Noncurrent Liabilities	2,371	2,496
Total Liabilities	10,759	12,374
Net Assets:		
Shareholders' Equity		
Capital stock	1,617	1,617
Capital surplus	5,299	5,299
Retained earnings	8,053	8,472
Treasury stock	(153)	(153)
Total Shareholders' Equity	14,817	15,236
Subscription rights to shares	25	17
Total Net Assets	14,830	15,269
Total Liabilities and Net Assets	25,590	27,644

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

Current Assets

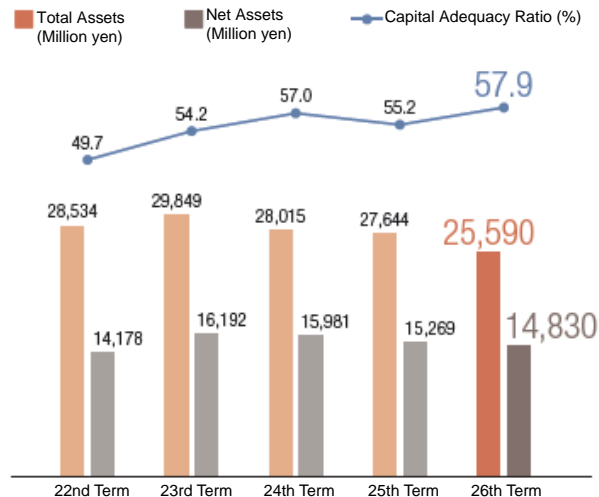
Total current assets decreased by ¥1,182 million from a year earlier, primarily as a result of a decline in cash and deposits of ¥2,130 million and an increase in merchandise of ¥1,144 million.

Noncurrent Assets

Total noncurrent assets decreased by ¥871 million from the previous year, primarily due to a decline in lease and guarantee deposits of ¥530 million.

Total Assets, Net Assets and Capital Adequacy Ratio

Net assets decreased by ¥438 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 2.7 percentage points from the end of the previous year to 57.9%.



Statements of Income (Condensed) (Million yen)

Accounting item	FY 2015 (March 1, 2015 to February 29, 2016)	FY 2014 (March 1, 2014 to February 28, 2015)
Net sales	35,971	35,952
Cost of sales	19,393	19,298
Gross profit	16,577	16,653
Selling, general and administrative expenses	15,858	16,451
Operating income	718	202
Non-operating income	401	452
Non-operating expenses	285	306
Ordinary income	834	347
Extraordinary income	—	11
Extraordinary loss	273	295
Income before income taxes	561	63
Income taxes-current	324	171
Income taxes-deferred	80	16
Net income	156	(123)

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

Statements of Cash Flows (Condensed) (Million yen)

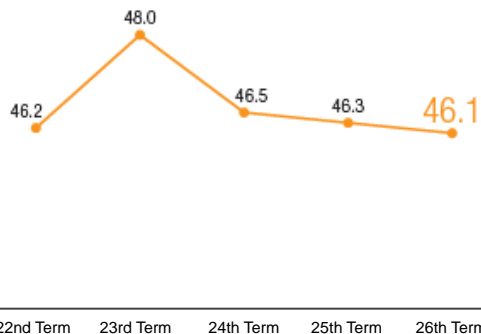
Accounting item	FY 2015 (March 1, 2015 to February 29, 2016)	FY 2014 (March 1, 2014 to February 28, 2015)
Net cash provided by operating activities	(1,459)	(1,720)
Net cash used in investing activities	1,584	(403)
Net cash used in financing activities	(651)	(706)
Net increase in cash and cash equivalents	(526)	(2,829)
Cash and cash equivalents at beginning of period	6,313	9,143
Cash and cash equivalents at end of period	5,787	6,313

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

Gross Margin Ratio

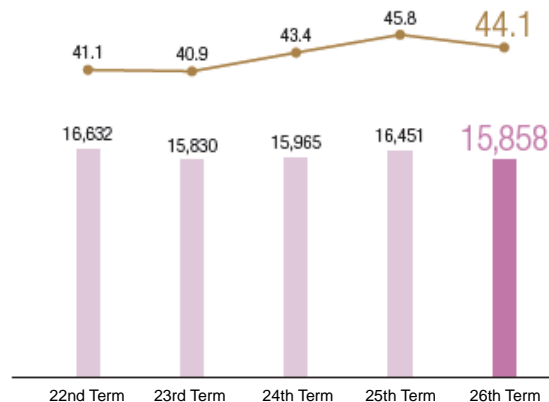
Gross margin ratio declined due to increased discount sales resulting from intensified competition.

— Gross margin ratio (%)



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 29, 2016)

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:	320
Principal business:	Operation of chain stores nationwide focusing mainly on the retail of clothing.

Management

(As of May 25, 2016)

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

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, and Yoshiaki Uchida are outside company auditors, the definition of which is 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.

FOR CASUAL LIFE

Mac-House

Shin-Koenji Twin Building, 1-7-7, Umesato, Suginami-ku, Tokyo 166-0011 Telephone: +81-3-3316-1911

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

	25th term (ended Feb. 2015)	26th term (ended Feb. 2016)	27th term (ending Feb. 2017)
End of second quarter	¥20	¥20	¥20 (forecast)
Year end	¥20	¥20	¥20 (forecast)
Full year	¥40	¥40	¥40 (forecast)