

# Term Results for For Year ended February 2018

March 1, 2017 to February 28, 2018

Mac-House (7603)

# Part. I

## Results for FY 18/2

Managing Director Koshiro Sugiura

# 1. Summary of Income Statement

(JPY million)

	FY18/2	% to Sales	FY18/2 Plan	% to Plan	FY17/2	y/y
Total Sales	30,852	100.0%	31,600	97.6%	33,727	91.5%
Gross Profit	15,965	51.7%	16,458	97.0%	16,423	97.2%
SG&A	15,749	51.0%	15,838	99.4%	15,807	99.6%
Operating Profit	216	0.7%	620	34.9%	616	35.1%
Recurring Profit	264	0.9%	660	40.0%	681	38.7%
Net Income	▲224	-	150	-	133	-

- Total sales fell 2.4pt., 747 million yen short from the plan.
- GPM improved from previous term by 3 pt. to 51.7%, but 0.4 pt. below the plan.
- SG & A expenses were almost as planned. OP, Recurring Profit and NP were about 400 million short.

## 2. Key factors to contribute declining total sales

### Declining same-store sales

-2H same store sales plan – yoy 100%  
actual -> 95.3%

-Full-Year same store sales plan -97.2%  
actual -> 94.8%

Same-store Sales(y/y)	Total Sales	No. of customers	Ave. spend per customer
1H	94.3%	94.0%	100.3%
2H	95.3%	99.8%	95.4%
Full-Year	94.8%	96.8%	97.9%

Store Format(y/y)	Total Sales	No. of customers	Ave. spend per customer
MH	91.1%	93.0%	98.0%
MH S S/MHSSF	115.7%	117.6%	98.4%

- The number of customers decreased by 3.2 pt. In 1H, the number of customers decreased by 6pt. In 2H, it recovered to almost the same level as the previous term.
- The prices of apparels continue to decline in the market. Average spend per customer declined due to lowered unit prices.
- Demand for NB jeans has weakened (-11% yoy on sales) which gave a negative impact on overall sales and average spend per customer.
- The new large store format, MHSS and MHSSF has been performed well, but aged and small MH format stores have been facing a long stagnation.

### 3. GPM

	FY18/2 Actual	Plan	% to plan	FY17/2	y/y
Full-Year	51.7%	52.1%	-0.4pt	48.7%	+ 3.0 pt

\* Revised plan released on October 10, 2017

- GPM improved yoy as a result of reviewing suppliers and merchandise procurement and the unit prices got lowered.

Average purchase price per unit -17.2pt  
 Mark-up ratio (yoy) +2.4pt

Shifting production from China to other Asian countries such as Bangladesh and ASEAN countries.

- PB sales ratio  
 PB ratio increased by 2.6pt yoy.

## 4. SG&A

(JPY million)

	FY18/2	% to plan	YOY
Advertising	1,737	94.7%	92.9%
Personnel	5,376	100.0%	99.9%
Utility	812	104.8%	100.2%
Store Rents	3,934	100.7%	96.0%
Other	3,888	98.6%	106.7%
SG&A Total	15,749	99.4%	99.6%

※Revised plan released on October 10, 2017

### SG & A controlled as planned.

- Advertising costs decreased 10 pt. in 2H, and 5.3 pt. decreased in full year.
  - Revised and improved the sales promotion tools and medium based on the effect on each stores.
  - Utility costs increased 4.8 pt. against the plan.
- Although the number of stores has decreased (433 → 410 stores), the total sales floor sqm increased by 4.2 pt. because of the opening of large new stores.

## 5. Summary of B/S

(JPY million)

	FY18/2	FY17/2	Change
Total Assets	22,291	23,767	▲1,476
Current Assets	15,564	17,138	▲1,574
Fixed Assets	6,727	6,628	+99
Total Liabilities	8,754	9,375	▲621
Current Liabilities	6,027	6,978	▲951
Fixed Liabilities	2,727	2,397	+330
Shareholder's Equity	13,499	14,337	▲838
Capital Adequacy Ratio	60.5	60.4	0.1

- Current assets: 1.57 billion yen decrease.  
(1.38 billion yen decrease in inventory.)
- Current liabilities: 950 million yen decrease.  
(Payment obligation decreased by 930 million yen)
- Shareholders' equity: 840 million yen decreased.  
(Dividends paid 600 million yen, losses of current fiscal year 200 million yen)

## 6. Cash Flow

### Cash Flow from Operating Activities

Net income before income taxes: ¥ 100 million

Depreciation and amortization: ¥ 400 million

Decrease in inventories: ¥ 1.4 billion

Purchase Liability: ¥ -1.1 billion

### Cash used in Investing Activities

Acquisition of tangible fixed assets by opening stores: -500 million yen,

Security deposit for store opening: -200 million yen,

Collection of security deposit by closing stores: +400 million yen

### Cash used in Financing Activities

Dividend payments: 600 million yen

### Closing Balance of Cash and Cash equivalents

5.45 billion yen: decreased by 270 million

(JPY million)

	Cash Flow from Operation Activities	Cash used in Investing Activities	Cash used in Financing Activities	Closing Balance of Cash and Cash Equivalents
FY18/2	799	△383	△688	5,457
FY17/2	31	542	△631	5,729



## 7. Number of stores, store opening/closing and Capital Investment

	FY2/18	FY2/18 Plan	changes	FY2/17	y/y
Opened	13	5	+8	5	+8
Relocated	12	20	△8	11	+1
Closed	36	35	+1	24	+12
No. of stores at term end	410	403	+7	433	△23
Refurbished	33	24	+9	34	△1

(JPY million)

	FY2/18	Plan	changes
Capital Investment	1,170	1,085	+85
Store opening	443	164	+279
Relocation	560	826	△266
Refurbishing	166	95	+71

※ Capital investment include only for store facilities and not include investment for IT network.

## Part.2

# Strategy for FY2/19

CEO and President Takashi Shiratsuchi

# The Rapid Decline of National Brand Jeans

Jeans & casual wear Companies---- All struggling.

Year-on year sales of bottom wear <Existing store>

- Men's jeans: 92.4%
- Women's jeans: 86.5%

-National Brand(NB) bottom wear (40% of category share):  
yoy sales 89% (92% in qty.)

-Private Brand(PB) bottom wear: yoy sales 104%

■ Market trend has been shifted from NB jeans to low- priced PB jeans. Especially for women, non-jeans bottom wear such as wide pants, Gaucho pants, skants etc. were in-trend.

Close the small and aged FS (free-standing) stores.



Open large-scale stores in SC(Shopping Center).

FY2/18

【Existing store sales by store location】

Store location	No.of stores	y/y sales
Free Standing	141	89.7%
Neighborhood SC	101	92.9%
Shopping Center	155	100.3%
Existing Store Total	397	94.8%

※36% of Mac-House stores are FS store.

⇒Except for a few good stores, close FS stores according to the term expiration.

Average store age: 20 years

Average sales floor area : 125 tsubo (413 sqm)

## MHSS and MHSSF are in strong demand from SC

The new store format “Mac House Super Store”(MHSS) and “Mac House Super Store future”(MHSSF) are in demand for the large vacant space of GMS, SC and Railroad Station Building.

Shopping mall, GMS, Renovated SC are in short of large tenants which can fill 200 ~ 500 tsubo (660 sqm ~ 1650sqm)



2018.Feb.

MHSSF - MEGA Don Quixote, Hirohata store opened. (267 tsubo)  
(ex Ito-Yokado site => renovated by Don Quixote )



Store openings at Renovated SC in FY19/2

M! Nara (400 tsubo) / Corowa Koshien (495 tsubo) / Oh!me Otsu terrace (520 tsubo)

Large floor space x Low price family apparel x Low price variety fashion goods x futuristic store image

Speed up the store openings (new store & store relocation)  
MHSS, MHSSF and experimental new store format,  
Mac-House Urban Store (MHUS).



※ FY18/2 Total Same Store Sale yoy: 94.8% (397 stores)

MHSS & MHSSF: 116% (43 stores)

Other store format: 91%(354 stores)

※ FY19/2 Planning 30 new stores (1H: 10 stores, 2H :20 stores)

※ The new store location should be examined carefully. Improving the success rate of the new stores should be prioritized than keeping on the number of new stores.

## The new store format: Mac-House Urban Store (MHUS)

(150~200 tsubo/495~660sqm)

Mac-House Urban Store, Aeon Mall(Funabashi) opened 2018/04



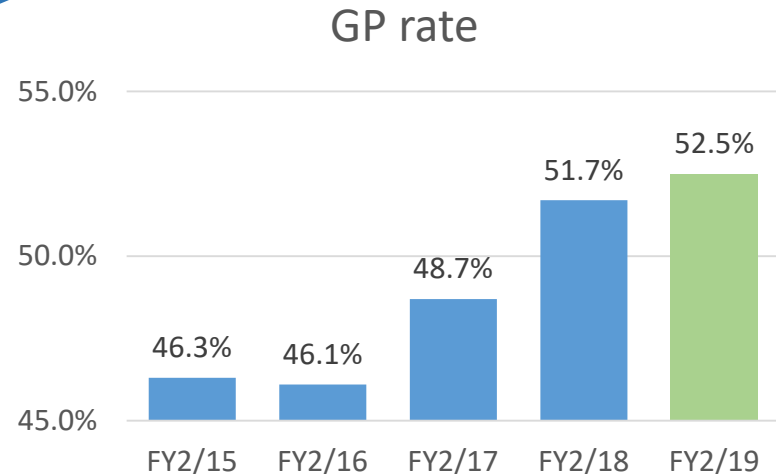
A new store format of Mac-House, enhancing the urbanized and stylish store image, using white and silver color. Store location is in RSC near the neighborhood city. Compact select store carrying low-price family casual apparel and variety goods. Ladies and kids items are more highlighted than other categories.

# Business Plan

- Achieve competitive low-price with high gross profit  
(Target PB ratio : 75%)



- ① To be more competitive
- ② To become customer's first choice
- ③ Aim sales and profit growth
- ④ Prepare the threats of Amazon and other net-retailers.



To achieve low price and high GP, we need to....

- Procure beyond casual apparel industry, achieve low price / high GP merchandise.
- Further develop manufacturers and vendors (both domestic and overseas)



# Merchandise Strategy

① Develop PB denims and other bottom wear to be more functional and stylish.

**New Color! New Style!!**  
**NAVY**  
**JEANS**  
**1936**

**UPF 50+**  
 サラッと、軽いはき心地。  
**夏の快適**  
**イージーパンツ**  
 SA·RA·RI

**雨の日も安心!**  
**超はっ水ジーンズ**

はっ水 透湿 防汚性 ストレッチ

※超はっ水ジーンズは、プラチナ加工されていません。

# Merchandise Strategy

## ② Empower kids apparel with trend fashion.

Mother-daughter matching fashion is in trend.



FY18/2 Kids apparel

Same store sales : 101% yoy

Kids apparel share : 12.1% (increased 0.7 pt. yoy)



If you buy kids fashion, Let's go to Mac-House!

## Merchandise Strategy

③ Low price Ladies apparel. Trendy and Fast-fashion.



※Low price, fast-fashion is also in need for teenager customers



## Merchandise Strategy

### ④ Expand “Athleisure” under Tarzan brand



※ Athleisure is the world trend in fashion. Expand the athletic wear under our exclusive “TARZAN” brand.

# Merchandise Strategy

## ⑤ Increase frequent customers for the basic items

●マックヒートインナー (Tシャツ・レギンス・タイツ)  
当社通常価格 ¥990+税 → ¥690+税



冬結れ肌にやさしい  
クリーミータッチインナー



【ウイメンズ】

(サイズ:S/M/L)



ネイビー カモフラ柄      ブラック チャコール

【メンズ】

(サイズ:S/M/L/XL)

(サイズ:M/L/XL)



チャコール ブラック      ブラック チャコール

●特暖インナー (Tシャツ・レギンス・タイツ)  
当社通常価格 ¥1,290+税 → ¥890+税

特暖 ぽかぽかの暖かさ



【ウイメンズ】

(サイズ:S/M/L)



ネイビー ブラック      ブラック チャコール

【メンズ】

(サイズ:S/M/L/XL)

(サイズ:M/L/XL)



チャコール ブラック      ブラック チャコール

●超・特暖インナー  
当社通常価格 ¥1,490+税 → ¥1,290+税

超・特暖



【ウイメンズ】

(サイズ:S/M/L)



チャコール      ブラック      ホワイト

【メンズ】

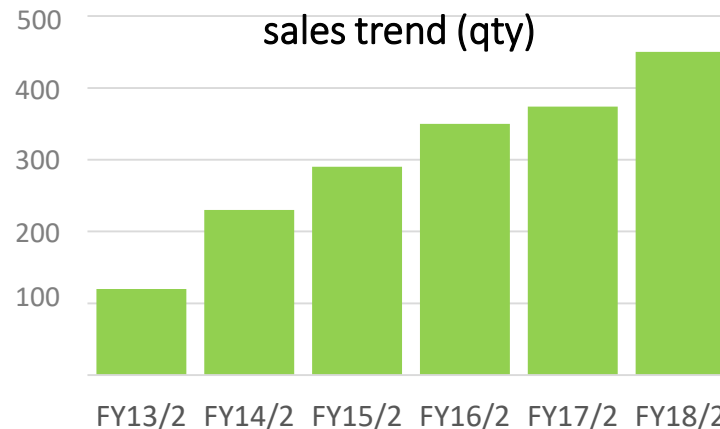
(サイズ:S/M/L/XL)



ブラック      ホワイト



Innerwear and legwear sales trend (qty)



FY18/2 sales volume      約4.3 million pcs.  
yoy      110.4%

※ Increase frequent customers → Earning Customer loyalty.

# Merchandise Strategy

## ⑥ Unique store by unique characters

Aside from licensed brand merchandising, developing unique brands and characters are the best way to make the store unique.

### Original Characters

**PARKA NEKO**

CHOOSE YOUR OWN PATH

**Debut!!**

**Characters Collection**

キャラクターズ コレクション

T-GRAPHICS

5人のデザイナーが競演!!

マックハウスの新キャラクターが登場

**Wimp GHOST**

MOVING FORWARD

**MIX ÜP WORLD**

GOOD ADVENTURES TO BE AHEAD

**BISTRO WINE & DINNER**

高円寺3丁目食堂

That is very delicious food.  
Wine and Dinner.

**Mecha Mucho**

### NyansWorld



### ZooMAC



# Evaluation of miniPRICE

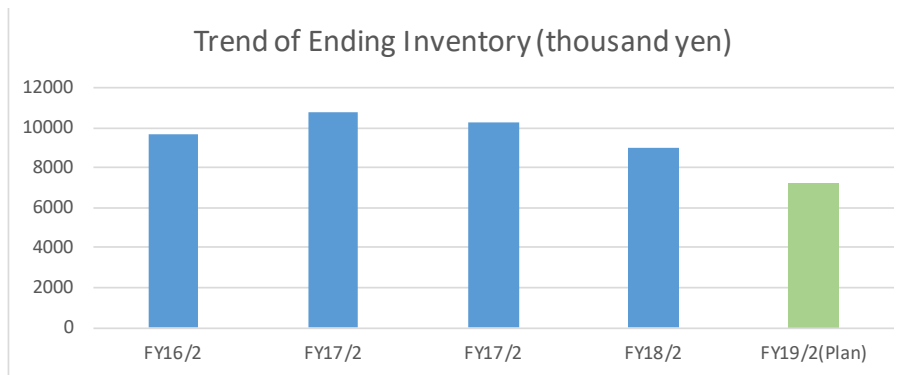
- (1) Low price variety goods → Success
- (2) Cosmetics and Fashion accessories → Success
- (3) Bed clothing → Fail  
(Cushion and living-room items → Success )
- (4) Low price shoes → Success



The new store format of low price ladies apparel & variety goods is under way to be opened in FY18/2.

## Further Improve the Inventory Efficiency

- ① Further reduction of purchase cost
- ② Decrease National Brand(NB) items to increase GP
- ③ Minimize the shipping of new items to the small scale-stores



Ending Inventory at FY19/2 → 7.2 billion yen (20% decrease)

→ Increase inventory control efficiency → More trendy items to offer → Increase sales.



# Strategies to Increase Same Store Sales

## Increase Sales per Customer



### <1> Increase Unit Price

- ① Control selling price + Sales per customer -> Plan and Verify
- ② Sell “value-added” items in Top 200 stores.
  - Devilcats <Story PB>
  - TARZAN <Athleisure>
  - New NB Bottoms < 2018 AW >



### <2> Increase UPT (Unit Per Transaction)

- ① Reinforce set-discount, multiple-units discount <ex. “Super Kids Party”>
- ② Create total fashion <Create entire outfit / Mom & Daughter matching outfit>  
Make the store front display more attractive



# Sales Promotion Plan

Increasing Mobile Members is the key to reach customers.



Direct Sales Email

Over 3 million  
Mobile members!  
<as of 2018/May>



Target: 10, 000 members  
per store.



- SNS ( Enhancing Instagram )
- Newspaper advertisement ( Families, Customers over 60 yrs. )
- Flyers
- Promote inter-stores competition, encourage team effort

# FY19/2 Income Statement Plan

(JPY million, %)

	FY18/2 1H	y/y	FY18/2 2H	y/y	Total	y/y
Total Sales	14,830	97.8	16,270	103.7	31,100	100.8
(% to sales yoy)	98.3		97.9		98.0	
Gross Profit	7,864	99.5	8,463	105.4	16,327	102.5
(% to sales)	53.0		52.0		52.5	
SG & A	7,761	98.4	8,096	103.0	15,857	100.7
(% to sales)	52.3		49.8		51.0	
Operating Profit	103	685.0	367	182.5	470	217.4
(% to sales)	0.7		2.3		1.5	
Recurring Profit	123	252.6	397	184.3	520	196.9
(% to sales)	0.8		2.4		1.7	
Net Income	▲75	-	135	-	60	-

## <FY19/2 Store Opening/Closing Plan>

Opening : 30stores, Closing : 15 stores, End of the term: 425 stores

## <Capital Investment Plan>

1.1 billion yen

# Mid-Term Business Plan (FY19-FY21)

	FY2019 Plan			FY2020 Plan			FY2021 Plan		
	million yen	%	YoY %	million yen	%	YoY %	million yen	%	YoY %
y/y %	98.0%			98.0%			98.0%		
Capital Investment (stores)	1.1billion yen			1.1billion yen			1.1billion yen		
(unit)	million yen	%	YoY %	million yen	%	YoY %	million yen	%	YoY %
<b>Total Sales</b>	<b>31,100</b>	<b>100.0</b>	<b>100.8</b>	<b>32,700</b>	<b>100.0</b>	<b>105.1</b>	<b>34,300</b>	<b>100.0</b>	<b>104.9</b>
( No. stores at term end )	425			440			455		
( Store Opening )	30			30			30		
( Store Closing )	15			15			15		
<b>Total Gross Profit</b>	<b>16,327</b>	<b>52.5</b>	<b>102.5</b>	<b>17,330</b>	<b>53.0</b>	<b>106.1</b>	<b>18,350</b>	<b>53.5</b>	<b>105.9</b>
<b>SG &amp; A</b>	<b>15,857</b>	<b>51.0</b>	<b>100.7</b>	<b>16,700</b>	<b>51.1</b>	<b>105.3</b>	<b>17,500</b>	<b>51.0</b>	<b>104.8</b>
<b>Operating Profit</b>	<b>470</b>	<b>1.5</b>	<b>217.4</b>	<b>630</b>	<b>1.9</b>	<b>134.0</b>	<b>850</b>	<b>2.5</b>	<b>134.9</b>

# Shareholder Return

- **Dividend forecast for FY 2019**


In necessity of future growth investment, indispensable for recovery of business performance, we stop the interim dividend and pay a year-end dividend of 30 yen.

- **Changes in shareholder benefit program**

Increase gift coupons to twice a year, and give 20% discount coupons.

100 ~ 400 Stocks	Shopping Ticket 1,000 Yen
500 ~ 900 Stocks	Shopping Ticket 3,000 Yen
Over 1,000 Stocks	Shopping Ticket 5,000 Yen



Allocation date : End/ February, Once a year  Twice a year End/Feb and End/Aug

**Applied from the shareholders listed on the shareholder registry as of August 31, 2018**