

The **30**th Business Report
(August 21, 2008–August 20, 2009)

Right-on.

Right-on Report
For New Growth

RIGHT ON Co., Ltd.
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Stock Code: 7445

Right-on[®]

As part of our medium-term business strategy, we will continue to proceed with the creation of new business models for future growth, as well as thoroughly implementing the *primacy of the business front line* and further strengthening the *Scheme for Large Sales*.

Implementing the *Primacy of the Business Front Line*

Under the basic principle of the *primacy of the business front line*, according to which everything begins at store level, we are aiming to improve our business results by incorporating the opinion of store staff into not only the sales system but all of our strategies and measures, including products, product supply, sales promotion, and store openings.

Each of our stores around the country has special characteristics in terms of popular products and customers, resulting from differences in temperature, climate,

geographical environment, and store type. An important challenge for us is to thoroughly understand these characteristics and work out how to utilize them in our products and sales floors. The key to addressing this challenge is of course the *primacy of the business front line*. We will strive to optimize the characteristics of each store by fully reflecting the opinions of store staff, who deal with customers on a daily basis, in all strategies and measures.

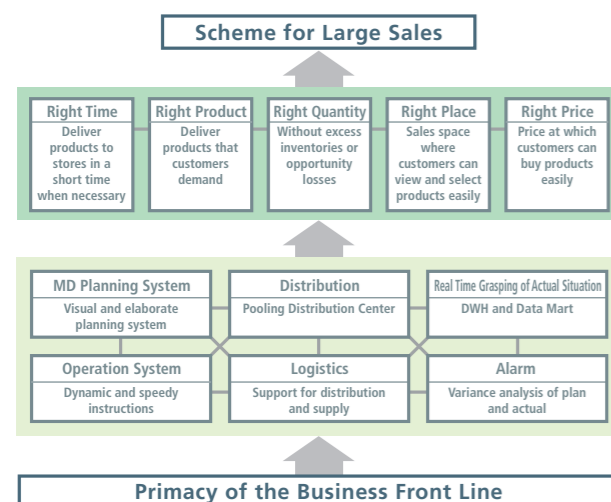
Scheme for Large Sales

Our *Scheme for Large Sales* is a unique system designed in accordance with our business model that is based on the principle of the *primacy of the business front line*. The system is designed to organically combine the three capabilities that form the source of our business strength, namely the dynamics of stores (superiority in the design of sales floors, locations, and other factors), products (a rich assortment of popular products), and sales (ability to sell

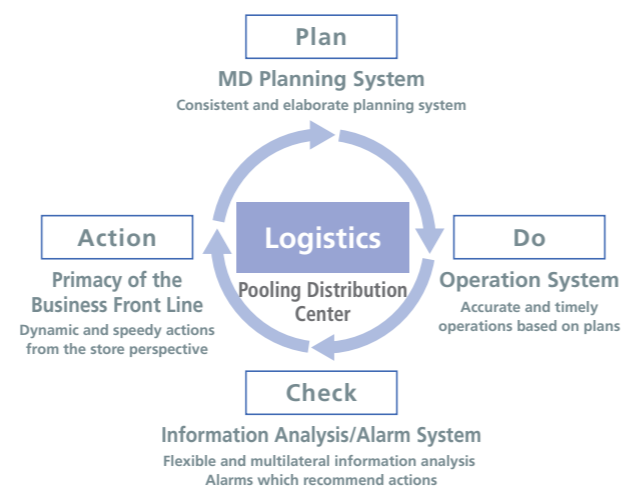
out products), and to realize the five pillars of success, namely “the right time, the right product, the right quantity, the right place, and the right price.”

To develop a *Scheme for Large Sales*, we have been actively investing in systems. In future, we will work to fully utilize these systems by increasing their operational accuracy.

●Scheme for Large Sales



●Cycle of the *Scheme for Large Sales*



Towards the Creation of New Business Models—Important Issues for the 31st Fiscal Term

(1) To create “seasonal basics”

We have been working on the creation of “seasonal basics” since the 29th fiscal term, but we have yet to make adequate progress. In the 31st fiscal term, we will reflect on the lessons that we have learned so far, and work hard to develop simple products that combine well with other items and basic products that will be endorsed by many customers, regardless of their age or generation. We will also work to improve the value of our products by thoroughly implementing quality management and increasing the degree of perfection of this quality management.

(2) Freeing ourselves from duplicate inventories and low turnover

From the 31st fiscal term, we will reform the traditional business style of duplicate inventories and low turnover. Through our efforts to reduce store inventories we aim to create environments in which the attractiveness of our

products can be readily expressed, and realize sales floors where it is easy for customers to see the products on offer and purchase them. Lightening our footwork by reducing inventories will also enable us to respond to the rapid changes in fashion trends.

(3) Clarifying which products we want to sell

We will aim to establish integrated marketing activities that incorporate the three elements of *products, sales floors and sales promotion*, in order to clarify which products we want to sell and turn them into products that actually sell well. In order to thoroughly cater to customer needs, we will bolster the appeal of our products not only by providing competitive depth of product assortment, but also by creating sales floors that clearly display products and facilitate purchases and combining this with sales promotion that incorporates multiple media and other promotional tools.

Voice of Staff

~ Creating “seasonal basics” ~



Kazuyoshi Nemoto
Leader, Merchandising Strategy Team

I work for the Merchandising Strategy Team, which is a new department that was established in August 2009. I am engaged in the comprehensive management of items relating to merchandising creation and supporting product

planning and development. Right now, the Merchandising Strategy Team is working on the creation of “seasonal basics” as our most important challenge. In the 30th fiscal term our sales floors were biased towards products with strong trend elements, and were lacking in basic items that are endorsed by a large cross-section of customers. In the 31st fiscal term we will learn from these mistakes and work to establish the basic items that will become our mainstay products. “Basic items” are simple products that combine well with other items. A classic example of a cut and sewn item that fits this concept is the plain T-shirt. There is a growing assortment of T-shirts including crew necks, V necks and U necks. We believe that if we can provide these burgeoning items in a range of materials (such as eco materials or functional materials), the resulting high quality and comfort will clearly differentiate our products from those of our competitors. For women’s items in

particular, there are innumerable different variations even within the cut and sewn category in the example above, all with different collars, dress lengths, sleeve lengths, sleeve shapes and so on. Within this range of possibilities, we want to create basic products that are distinctive to Right-on.

People have a tendency to think about trend products and basic products as being polar opposites, but in fact they have an extremely close relationship—the basic items are there to bring the trend items to life, and conversely the trend items are there to bring the basic items to life. In other words, both types of items exist on the sales floor in an exquisite balance, and by making appropriate styling proposals that take advantage of both types of items we believe that we can create sales floors that are interesting precisely because they include basic items. With this aim in mind, we intend to review the way that we display our products in our sales floors with a view to making a series of improvements.

We will strive to satisfy as many customers as possible by proceeding with sales floor innovations and expanding our basic items in order to create “seasonal basics.”

Merchandise Strategy

In our merchandise strategy, we will work to improve product competitiveness.

For national brand products, we will increase the competitiveness of our stores by strengthening our partnerships with our suppliers to create a richer range of custom-ordered and limited edition products that our competitors do not have. For private brand products, we will continue to plan and develop products based on the “seasonal basics” concept. For items of casual clothing, there is a certain time of year when they are “in season.” By focusing on basic items that anyone can wear when we propose seasonal materials and ways of dressing, we believe that we can produce a product range that can meet

the expectations of as many customers as possible. We will continue to thoroughly implement quality management and improve our product planning towards the creation of “seasonal basics” and continue to increase the degree of perfection of all of these processes.

In terms of product control, we have established a new Block Distributor System, whereby a distributor is assigned to each sales block. By transferring some of the store inventory management functions that had previously been performed by the head office to the front line, we are aiming to make merchandise transfers more efficient and to achieve store product ranges that better match customers’ needs.

Marketing Strategy

We employ a mixed media strategy that uses a variety of media to promote sales (including TV commercials, magazines, newspapers, leaflets, websites and email newsletters). By using different forms of media depending on the target audience, the timing and the purpose of marketing, we will strive to enhance our ability to attract customers.

We intend to conduct integrated marketing activities incorporating the three elements of products, sales floors and sales promotions, tying in the aforementioned sales promotion media and sales promotion tools (such as catalogs and point of purchase) with our core products and sales floors. The aim of integrated marketing activities is to increase sales by enhancing product appeal and transforming products that we *want to* sell into products that *will* sell.

Poster models for the 31st period



Jun Hasegawa

Hiro Mizushima

NEW MODEL



CAMP7



BACK NUMBER.

X-WASH

Introducing the X-WASH!
A down jacket that can be washed in a normal home washing machine

EASY CARE

—Easy to take care of because it can be washed at home—

This new technology makes life easier by making it possible to take care of down jackets by simply cleaning them in a regular washing machine, something that has been difficult until now.

PACKABLE & PORTABLE

—Light and compact—

We have used high-quality down to create a jacket that is light and compact while still providing exceptional warmth.



BACK NUMBER.
BLACK LABEL



NEW SHINY DENIM

The shine changes conventional denim style.
Premium Coating Finish Denim

- ◆ An original material from ISKO, a Turkish company that supplies denim material all around the world.
- ◆ A proprietary process is used to deliver a material that is both soft and shiny.
- ◆ The diagonal lines are prominent, making the silhouette look attractive.
- ◆ This material has been adopted by various premium brands.
- ◆ The coating process results in a soft feel against the skin.

E-Commerce Launching our own website

About a year has passed since we first launched our e-commerce business. In future we will aim to expand this business by creating a new website in order to better meet the particular requirements of customers shopping online and to properly promote the distinctive appeal of our products.

URL: <http://e.right-on.co.jp>

* The new site is scheduled to open in November 2009

Back Number participates in the Tokyo Girls Collection!

Back Number, one of our major private brands, participated in this autumn’s Tokyo Girls Collection. In future we will actively strengthen Back Number’s brand image through active public relations campaigns and by participating in high-profile events.



Store-opening Strategy

With regard to our store-opening strategy, we will aim to expand our sales share by seeking to improve the accuracy of our market research, by continuing to open stores in locations with good geographical and other conditions, and by seeking to bolster the efficiency of our stores through the continuation of our “scrap and build” program. We plan to open about 20 new stores during the 31st fiscal term. We will aim for an evolution of the sales space by actively opening trial stores with new interiors and product displays that reflect prevailing trends.



Right-on Business Types

Right-on.



<http://right-on.co.jp/>

FLASH REPORT



<http://flashreport.co.jp>

MPS.



<http://mps-kids.com/>

RAPUA.



<http://rapua.jp/>

National total: **484** stores (as of August 20, 2009)

Number of stores according to business type (as of the end of the term)

Right-on	458
FLASH REPORT	22
MPS	2 (2)
RAPUA	2

Total
484 (2)

* Figures in parentheses refer to the number of stores attached to other businesses.

Number of stores by area at the end of the term

Hokkaido area	22	Kinki area	72
Tohoku area	30	Chugoku area	27
Chubu area	28	Shikoku area	12
Kanto area	169	Kyushu area	52
Tokai area	69	Okinawa area	3

Sales Strategy

In our sales strategy, we are seeking to expand our customer base by striving to develop stores that will make customers say “I would love to come here again.”

As well as seeking to create a sales floor environment where it is easy for customers to purchase our products because it is easy for them to see what is on offer, we will improve our “ability to talk to customers” by continuing initiatives aimed at improving customer service skills (such as participation in the Role-Playing Contest).

We are also seeking to boost the overall sales capabilities of our stores through new initiatives, such as the Checkout Leader System (for experts in customer support at the checkout counter) and the Visual Advisor System (for specialists who make suggestions regarding store presentation), in addition to the Fashion Advisor System (staff who excel at customer service and selling products) System.



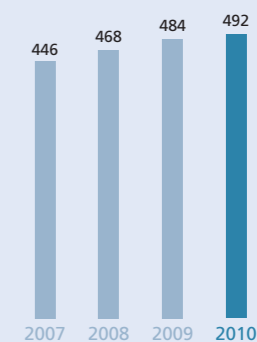
Outlook for the 31st Fiscal Term

We expect that we will face an even more difficult sales environment during the 31st fiscal term, due to the entry of foreign competitors into the market and growing competition in the industry, as consumer spending remains flat and economic conditions continue to deteriorate.

With this in mind, we will improve our product quality by giving priority to the initiatives aimed at strengthening the planning and development of “seasonal basics” under the principle of the “implementation of the *primacy of the business front line*.” We will also endeavor to enhance our performance by strengthening integrated marketing activities incorporating the three elements of *products, sales floors and sales promotions*, and developing stores that will make customers say “I would love to come here again.”

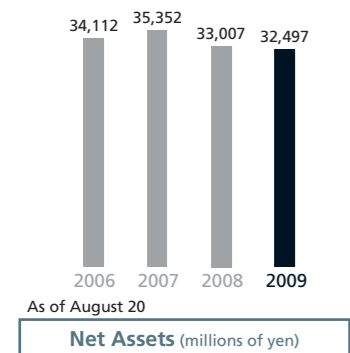
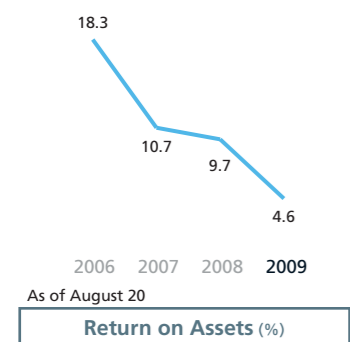
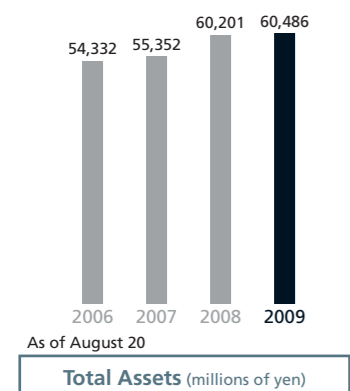
Forecasts for the 31st fiscal term

Net sales	97,000 million yen
Operating income	2,900 million yen
Ordinary income	2,900 million yen
Net income	900 million yen



Years ended August 20
Number of Stores (Stores)

Balance Sheets (Summary)



(Unit: millions of yen)

Item	Current term (as of August 20, 2009)		Previous term (as of August 20, 2008)	
	Value	Ratio (%)	Value	Ratio (%)
Assets				
Current assets	26,888	44.5%	24,988	41.5%
Cash and time deposits	10,389		8,717	
Accounts receivable-trade	1,225		1,296	
Merchandise	12,178		11,698	
Accrued income	1,836		2,106	
Other	1,258		1,169	
Fixed assets	33,597	55.5%	35,213	58.5%
Tangible assets	16,705	27.6%	18,038	30.0%
Buildings	10,858		11,639	
Structures	326		377	
Tools, furniture and fixtures	3,341		3,952	
Land	1,952		1,952	
Construction in progress	226		117	
Intangible assets	1,633	2.7%	2,500	4.1%
Investments and other assets	15,259	25.2%	14,674	24.4%
Guarantee and rental deposits	13,991		13,929	
Other	1,670		1,220	
Allowance for doubtful accounts	(402)		(475)	
Total assets	60,486	100.0%	60,201	100.0%

POINT 1 ▶▶▶ Assets

Total assets as of the end of the term came to 60,486 million yen, a rise of 284 million yen year-on-year.

Current assets rose by 1,900 million yen compared to the end of the previous term to 26,888 million yen. This was mainly due to an increase in cash and deposits (up 1,672 million yen year-on-year) and an increase in merchandise (up 480 million yen).

Fixed assets decreased by 1,615 million yen compared to the end of the previous term to 33,597 million yen. This was mainly due to declines in tangible and intangible assets (down 2,200 million yen) offsetting increases in investment securities (up 257 million yen) and guarantee and rental deposits (up 61 million yen).

(Unit: millions of yen)

Item	Current term (as of August 20, 2009)		Previous term (as of August 20, 2008)	
	Value	Ratio (%)	Value	Ratio (%)
Liabilities				
Current liabilities	20,345	33.7%	21,237	35.3%
Notes payable-trade	93		204	
Trust payable	11,708		12,462	
Accounts payable-trade	2,225		1,679	
Current portion of long-term loans payable	2,555		2,166	
Accounts payable-other	1,667		1,525	
Income taxes payable	133		1,092	
Reserve for bonuses	472		479	
Other	1,488		1,628	
Long-term liabilities	7,643	12.6%	5,956	9.9%
Long-term debt	7,390		5,695	
Other	253		261	
Total liabilities	27,989	46.3%	27,194	45.2%
Net assets				
Shareholders' equity	32,473	53.7%	32,957	54.7%
Capital stock	6,195	10.2%	6,189	10.3%
Capital surplus	6,481	10.7%	6,475	10.7%
Capital reserve	6,481		6,475	
Retained earnings	23,280	38.5%	23,776	39.5%
Legal reserve	78		78	
Other retained earnings	23,202		23,698	
Special reserve	4,000		4,000	
Retained earnings carried forward	19,202		19,698	
Treasury stock	(3,485)	(5.8%)	(3,484)	(5.8%)
Valuation and translation adjustments	24	0.1%	49	0.1%
Unrealized gains on marketable securities	24		49	
Total net assets	32,497	53.7%	33,007	54.8%
Total liabilities and net assets	60,486	100.0%	60,201	100.0%

POINT 2 ▶▶▶ Liabilities

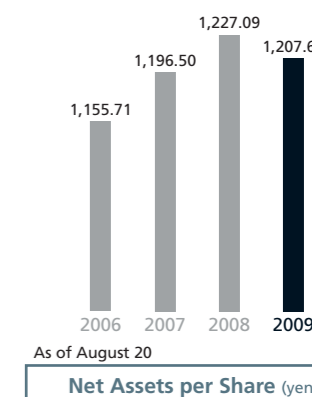
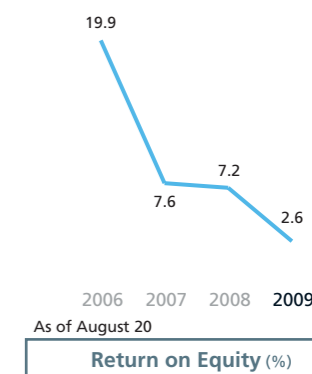
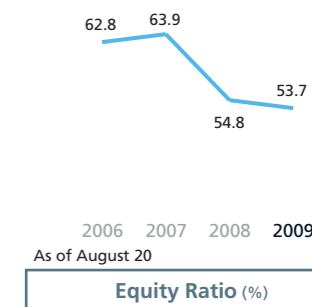
Total liabilities as of the end of the term came to 27,989 million yen, a rise of 794 million yen compared to the end of the previous term.

Current liabilities decreased by 891 million yen compared to the end of the previous term to 20,345 million yen. This was mainly due to an increase in the current portion of long-term loans payable (up 389 million yen year-on-year) combined with a decline in income taxes payable (down 958 million yen).

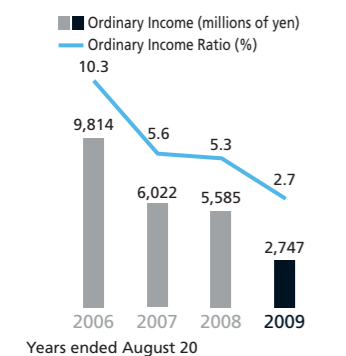
Long-term liabilities increased by 1,686 million yen compared to the end of the previous term to 7,643 million yen. This was mainly due to an increase in long-term debt (up 1,694 million yen).

POINT 3 ▶▶▶ Net assets

Total net assets as of the end of the term came to 32,497 million yen, a decrease of 510 million yen compared to the end of the previous term. This was mainly due to a decrease in retained earnings (down 495 million yen). The equity ratio as a percentage of total assets came to 53.7%.

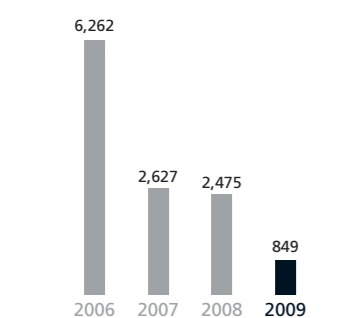


Statements of Income (Summary)



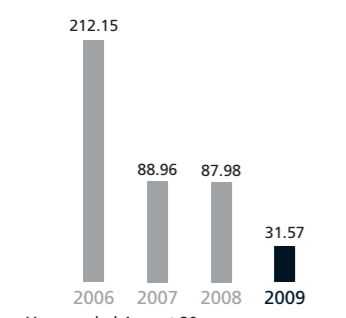
Years ended August 20

Ordinary Income and Ordinary Income Ratio



Years ended August 20

Net Income (millions of yen)



Years ended August 20

Net Income per Share (yen)

(Unit: millions of yen)

Item	Current term (year ended August 20, 2009)		Previous term (year ended August 20, 2008)	
Net sales	100,606	100.0%	104,235	100.0%
Cost of sales	53,932		55,194	
Gross profit on sales	46,673	46.4%	49,041	47.0%
Selling, general and administrative expenses	43,897		43,431	
Operating income	2,775	2.8%	5,610	5.3%
Non-operating income	268		268	
Non-operating expenses	297		293	
Ordinary income	2,747	2.7%	5,585	5.3%
Extraordinary income	76		64	
Extraordinary losses	936		1,114	
Income before income taxes	1,886	1.9%	4,534	4.3%
Income taxes				
Current:	944		2,190	
Deferred:	92		(131)	
Net income	849	0.8%	2,475	2.4%

POINT

The fiscal term started well, with a rich range of products for transitional seasons and product launches timed to coincide with actual demand, but sales stagnated later in the term, as a result of lack of progress in creating “seasonal basics,” the largest initiative announced at the beginning of the term, and the failure of the integrated marketing activities to deliver sufficient results. A combination of external factors—such as consumers’ increasingly defensive approach to spending as economic conditions deteriorated, growing competition as more foreign competitors dealing with fast fashion entered the market, and an unusually cool summer with less sunshine than usual—led to an extremely difficult sales environment. As a result, net sales regrettably declined 3.5% year-on-year to 100,606 million yen.

We attempted various initiatives at the beginning of the term under the *Scheme for Large Sales*, but it was an uphill battle for sales and losses from cut-price sales increased. As a result, the gross margin on sales fell from the previous term to 46.4%, operating income fell 50.5% from the previous term to 2,775 million yen, and ordinary income declined 50.8% to 2,747 million yen.

On top of this, the addition of losses on retirement of fixed assets as a result of store renovation work and extraordinary losses such as losses on store closures and impairment losses resulted in a fall in profits, with net income totaling 849 million yen (down 65.7% year-on-year).

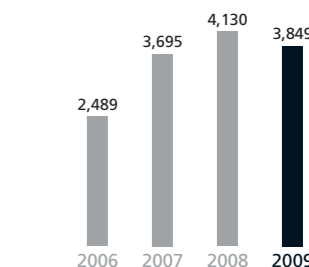
Statements of Cash Flows (Summary)

(Unit: millions of yen)

Item	Current term (year ended August 20, 2009)		Previous term (year ended August 20, 2008)	
Cash flows from operating activities	4,039		8,310	
Cash flows from investing activities	(3,116)		(5,996)	
Cash flows from financing activities	749		1,862	
Net increase in cash and cash equivalents	1,672		4,176	
Cash and cash equivalents at beginning of the term	8,717		4,540	
Cash and cash equivalents at end of the term	10,389		8,717	

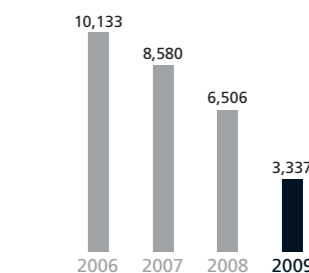
POINT

Cash and cash equivalents at the end of the term increased by 1,672 million yen compared to the end of the previous term to 10,389 million yen (up 19.2% year-on-year). This increase was mainly due to the posting of income before income taxes totaling 1,886 million yen, 3,849 million yen of depreciation, and proceeds from long-term debt offsetting factors such as the cost of paying income taxes, the cost of acquiring tangible assets and paying guarantee deposits as part of opening new stores and store refurbishment, and the cost of paying dividends.



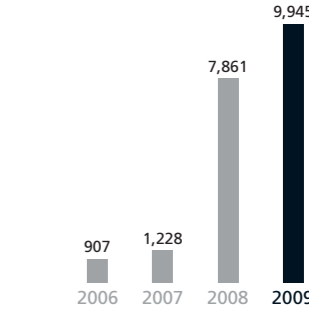
Years ended August 20

Depreciation (millions of yen)



Years ended August 20

Capital Investment (millions of yen)



Years ended August 20

Interest-bearing Debt (millions of yen)

Statement of Changes in Net Assets

(From August 21, 2008 to August 20, 2009)

(Unit: millions of yen)

	Shareholders' equity					Valuation and translation adjustments	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity		
Balance as of August 20, 2008	6,189	6,475	23,776	(3,484)	32,957	49	33,007
Changes during the current term							
Dividends from retained earnings	5	5	—	—	11	—	11
Issuance of new shares	—	—	(1,345)	—	(1,345)	—	(1,345)
Net income	—	—	849	—	849	—	849
Acquisition of treasury stock	—	—	—	(1)	(1)	—	(1)
Increase/(decrease) in unrealized gains on marketable securities directly recorded in net assets	—	—	—	—	—	(25)	(25)
Total changes during the current term	5	5	(495)	(1)	(484)	(25)	(510)
Balance as of August 20, 2009	6,195	6,481	23,280	(3,485)	32,473	24	32,497

Corporate Data (as of August 20, 2009)

Company name: RIGHT ON Co., Ltd.
Headquarters: 1-11-1 Azuma, Tsukuba-shi, Ibaraki 305-8503, Japan
 Phone +81-29-858-0321 (pilot number)
 Fax +81-29-858-0331
 URL: <http://www.right-on.co.jp/>
Establishment: April 1, 1980
Capital stock: 6,195 million yen
Representative: Masahiro Fujiwara, Representative Director
Number of employees: 978
Business Contents:
 ● A specialty store that sells jeans as the core item and other casual wear to male and female customers of all ages.
 ● A nationwide chain store operation with different types of stores for different locations, such as shops located in shopping centers, power centers and station buildings, urban street stores and suburban roadside stores.

Directors and Corporate Auditors (as of November 18, 2009)

Masahiro Fujiwara	President and Representative Director
Tatsuharu Yokouchi	Director
Hiroshi Nakagawa	Director
Hirohisa Minamiya	Director
Yasuhiro Umeda	Director
Kazushi Orita	Director
Yusuke Fujiwara	Director
Noriyuki Miura	Director
Makoto Kobayashi	Standing Corporate Auditor
Hatsuo Nishikawa	Standing Corporate Auditor
Toshihiro Nagai	Corporate Auditor
Shinichi Hiraide	Corporate Auditor

Note
 Corporate Auditors Toshihiro Nagai and Shinichi Hiraide are both outside corporate auditors.

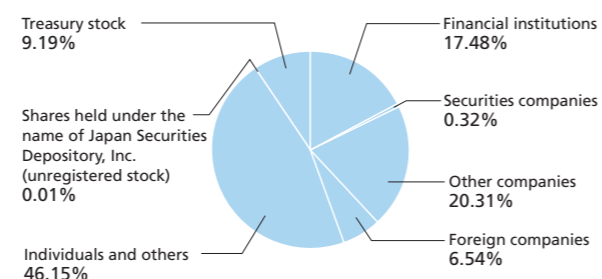
Stock Information (as of August 20, 2009)

Total number of shares authorized 60,000,000
 Total number of shares issued and outstanding 29,631,500
 Number of shareholders 14,843

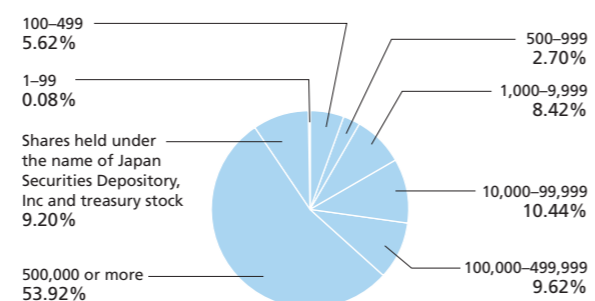
Major shareholders

Name	Number of shares held (thousands of shares)	Ratio of shares held (%)
Masahiro Fujiwara	5,212	17.59
Fujiwara Kosan Inc.	4,873	16.45
RIGHT ON Co., Ltd.	2,722	9.19
Yusuke Fujiwara	1,725	5.82
Japan Trustee Services Bank, Ltd. (Trust Account)	980	3.31
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	687	2.32
Eiko Fujiwara	674	2.28
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	662	2.23
Nippon Life Insurance Company	635	2.14
Joyo Bank, Ltd.	528	1.78

Status of Stock by Type of Shareholder



Status of Stock by Number of Shares Held



Sharing Profits with Our Shareholders

Special Benefit Plan for Shareholders

We present discount coupons available at all of our stores as a gift to shareholders recorded or registered on the final list of shareholders on August 20.

The gift is as follows:

Number of Shares Held	Value of Discount Coupon
100-499	3,000 yen (1,000 yen coupon × 3)
500-999	5,000 yen (1,000 yen coupon × 5)
1,000-	7,000 yen (1,000 yen coupon × 7)

Changes in the Special Benefit Plan for Shareholders

◆Details of changes

The expiration date of the discount coupons has been changed to August 20 of the year after the coupons are presented from November 20 of the year after the coupons are presented.

◆Application of changes

These changes are applicable to shareholders recorded or registered on the list of shareholders on August 20, 2009.

Website Information

Information about Right-on is available at the following URLs:

●IR site:
<http://www.right-on.co.jp/biz/ir/index.htm>

* On the IR site, settlement information is available, including data on monthly sales with year-on-year changes and financial results.

●Corporate information:
<http://www.right-on.co.jp/biz/index.htm>

●Corporate site:
<http://right-on.co.jp/>
<http://www.right-on.co.jp/english/>

●Mobile phone website:
<http://right-on.co.jp>



IR Information

Business Year: August 21 to August 20 of the following year

Date of General Meeting of Shareholders:
 November

Record Date for Dividend Payments:
 Year-end Dividend: August 20
 Interim Dividend: February 20

Handling Office of Administrator of Shareholders' Register:
 Mitsubishi UFJ Trust and Banking Corporation

Contact details: Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation
 7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081
 Phone: 0120-232-711 (toll free)

Account managing agency for special accounts:

Mizuho Trust & Banking Co., Ltd.
Address: Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.
 8-4, Izumi 2-chome, Sugunami-ku, Tokyo, 168-8507
 Phone: 0120-288-324 (toll free)

Listing: Tokyo Stock Exchange

Public Notice: The Company makes public notices electronically. URL for the website where the notices will be published: <http://www.right-on.co.jp/biz>
 However, if the Company is unable to give an electronic public notice because of an unavoidable reason, public notices may be given in the Nihon Keizai Shimbun.

(Notes)

- As part of the dematerialization of stock certificates, in principle administrative operations such as changes of registered address and requests to purchase shares shall be handled by the account managing agencies (securities companies) with whom the shareholder has an account. Make inquiries with the securities company where you have an account. Note that these administrative operations cannot be handled by the Handling Office of Administrator of Shareholders' Register.
- For administrative operations relating to shares recorded in special accounts, the account managing agency is Mizuho Trust & Banking Co., Ltd. Note that these administrative operations cannot be handled by the Handling Office of Administrator of Shareholders' Register (Mitsubishi UFJ Trust and Banking Corporation).
- Dividends receivable are paid by the main and branch offices of Mitsubishi UFJ Trust and Banking Corporation.