

Right-on®

Right-on®

Report

The 36th Business Report
(August 21, 2014–August 20, 2015)

RIGHT ON Co., Ltd.

1-11-1 Azuma, Tsukuba-shi, Ibaraki 305-8503, Japan

Tel: +81-29-858-0321 Fax: +81-29-858-0331

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

To Our Shareholders



Tatsuharu Yokouchi
President and Representative Director

First of all, I would like to thank our shareholders for the support we received from you throughout the year. It is my pleasure to present the Right-on Report for the 36th fiscal term (August 21, 2014–August 20, 2015).

Review of Operations for the 36th Fiscal Term

● Business environment

During the fiscal term under review, the Japanese economy continued along a moderate recovery track, characterized primarily by improvement in the employment and income environment on the back of growing corporate earnings and by signs of resurgence in personal consumption. Despite this, the impact of a downward swing in overseas economies is cause for concern going forward.

● Review of operations

Against this backdrop, we worked to improve performance by heightening customer satisfaction and aiming to be the jeans shop chosen by customers.

In merchandise, we sought to strengthen our product lineup following a review of product policy. We enhanced our lineup of attractive national brand products, an area of strength, and worked to appeal to customers

MISSION

To give people more fun and choice in life by delivering jeans with lasting appeal that transcends the generations.

POLICY

1. We aim to be a company that makes customers happy by taking a Customer First approach.
2. We aim to be a company that is trusted by the public for its honesty and fairness.
3. We aim to be a company where staff can grow, use their skills to the full, and feel motivated in their work.

in stores in an easy-to-grasp manner through a range of initiatives conducted with business partners. With regard to our private brands, we sought to provide a lineup to satisfy a broad array of customers mainly by developing functional, trendy products and products with an affordable price, including “MOCO MOCO JEANS” (soft and warm bottoms) and “Plant Paradise” (relaxed bottoms using a number of natural materials).

In our sales promotion activities, we worked to secure new Right-on members and significantly boosted the number of members by winning support from a large number of customers. In addition, we further reinforced our ability to attract more customers through such means as continuous collaboration with other industry sectors, promotion through visual images using artists and entertainers, and other customer participatory events such as Kids Snap photography events and live events, to make shopping more fun for customers.

With regard to store development, we opened 46 stores, beginning with the AEON Mall Kyoto Katsuragawa Store

(Minami-ku, Kyoto), and closed 20 stores to improve efficiency. As a result, the number of stores at the end of the 36th fiscal term stood at 516.

● Financial results for the 36th fiscal term

As an overview of the fiscal term under review, the effects of product policies started to emerge in the second half of the fiscal year, including a revision of a skewed product composition, an issue during the previous fiscal term, and strengthening of national brands. As a result, net sales increased 3.1% year on year to 78,228 million yen.

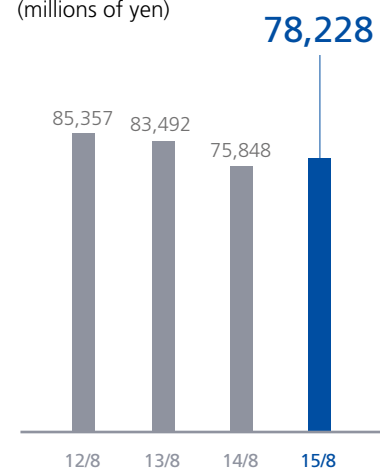
By product sector, net sales rose 0.3% to 26,126 million yen for bottomwear, jumped 16.9% to 22,285 million yen for cut-and-sewn and knit wear, and dropped 8.9% to 13,875 million yen for shirts and outerwear.

Operating income increased 32.8% to 2,314 million yen, ordinary income advanced 38.3% to 2,284 million yen, while net income surged 76.1% to 742 million yen. Overall, sales and profits were up year on year despite a decline in the gross profit margin due to a rise in the loss from price cuts.

Financial Highlights

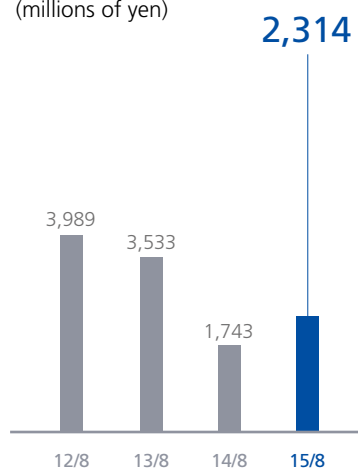
Net Sales

(millions of yen)



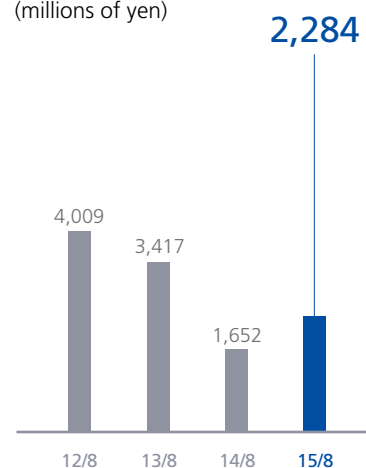
Operating Income

(millions of yen)



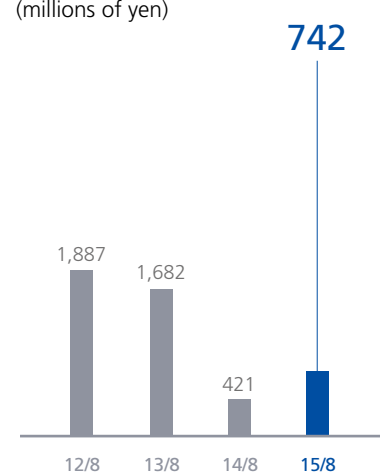
Ordinary Income

(millions of yen)



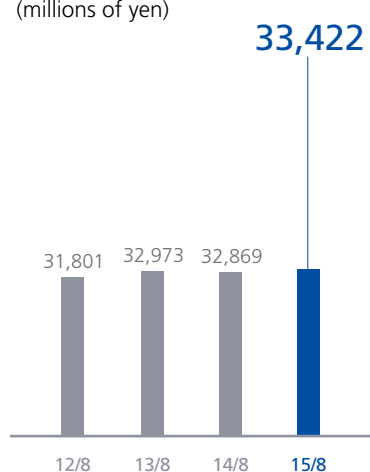
Net Income

(millions of yen)



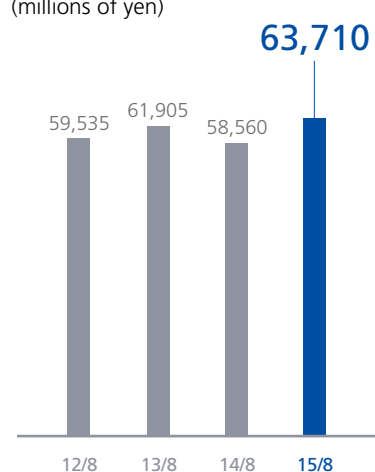
Net Assets

(millions of yen)



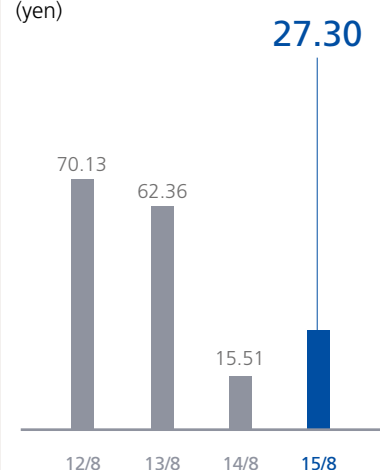
Total Assets

(millions of yen)



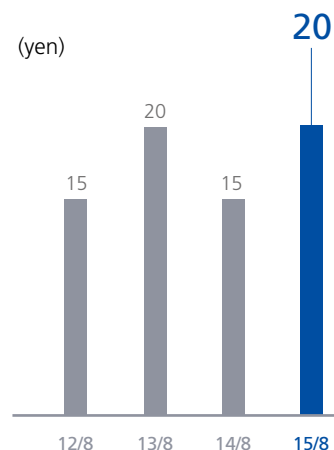
Net Income per Share

(yen)



Dividends per Share

We provided a year-end dividend for the 36th fiscal term of 10 yen per share. This resulted in a full-year dividend of 20 yen per share (an interim dividend of 10 yen and a year-end dividend of 10 yen).



Outlook for the 37th Fiscal Term

Looking ahead to the 37th fiscal term, it is expected that the economy will continue to improve gradually, but the future remains uncertain due to factors such as the risk of a downturn in the Japanese economy caused by struggling overseas economies.

In this situation, we will aim to maximize sales and profits through a product lineup that continues to bring satisfaction to a wide range of customers, carry out engaging sales promotion activities and work to improve customer service to become the jeans shop chosen by customers.

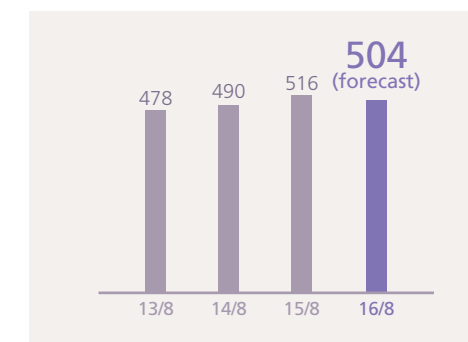
As for our forecast for business performance in the next fiscal term, we forecast net sales of 82,000 million yen, operating income of 3,050 million yen, ordinary income of 3,000 million yen, and net income of 1,350 million yen.

Forecast for the 37th term

	Amount (millions of yen)	Y-o-y change
Net sales	82,000	+4.8%
Operating income	3,050	+31.8%
Ordinary income	3,000	+31.3%
Net income	1,350	+81.9%

Number of stores

(stores)



Strategy for the 37th Fiscal Term

Enhance customer satisfaction by maximizing the essential strengths of Right-on to become the jeans shop chosen by customers.

(1) Aggressive product plan

We will plan and develop value-added products for both bottoms and tops. In particular, we will implement an aggressive product strategy for core products in each season by combining a range of promotions.

(2) Restart TV commercials

The hit product “MOCO MOCO JEANS,” launched in fall 2013, has achieved accumulated sales of 800,000 units. We will use members of the pop group Dream to help boost the image of the products this year, the third year since launch, and restart TV commercials as a way to boost sales promotion.



Merchandise Strategy

National brands

We will strengthen American casual products (national brands), an area of strength, including military and outdoor fashion, to drive differentiation with other companies while developing products in line with market trends and regions.



Private brands

We will actively develop private brand products and propose products that embody the unique Right-on style to customers, to respond more swiftly to the feedback of diversified customers.

NEW ITEM

Core products for the fiscal term

"MOCO MOCO JEANS"

Introduction of an extensive range for men, women and kids!

We will roll out "MOCO MOCO JEANS," featuring soft, easy-to-wear comfort and warmth that feels as if blanket fabric has been used for the lining, in an extensive range of varieties, designs and colors as a first trial. The finished items not only provide easy-to-wear comfort but also focus on fashionable style.



Key points

- ▶ Nice texture thanks to the shaggy fleece lining
- ▶ Anti-static properties: Even if static electricity occurs in the inner polyester fabric, it is discharged because of the moisture content contained in the outer cotton material.
- ▶ Warmth: Air is retained in the hairs of the shaggy fleece where it heats up to maintain warmth.

Promotion Strategy

As an initiative to increase sales of our leading products, or "power items," we will use entertainers for creative spreads in magazines and produce catalogs. In addition, we will tie up with "the music and movie master" free paper distributed at HMV music stores and introduce a special feature in which artists each month discuss the appeal of jeans. We will also strengthen our collaborative framework with respective business partners, which includes actively rolling out original collaborative items.





Store Concept

Fashion needs are becoming increasingly diversified in today's world. At Right-on, we reflect the opinions of the period, segment the format and scale of the stores we develop and implement new ways to popularize labels more suited to specific target markets.

Right-on



Striking the perfect balance between trendy and basic, these stores offer a casual style that anyone can easily embrace.



BACK NUMBER



This store offers unisex styling that can also be used as active street-wear while retaining its authenticity.



We provide store fixtures and composition enabling stylish presentation and easy-to-view displays with easy-to-reach items from apparel to miscellaneous goods and accessories, so that customers can fully take in the worldview of BACK NUMBER. The borderless layout has been designed in consideration of accessories and cut-and-sewn products that are unisex in nature.

FLASH REPORT



This store offers an urbanized mixed style that fits in nicely with one's wardrobe, targeting people who are in tune with trends and enjoy dressing in selective attire.



The use of store fixtures with restricted height creates an environment with a sweeping view of the wall surfaces and a space that feels more expansive than the actual floor area. An increase in display space for goods in-store ensures an environment that offers a more enjoyable time for shoppers, making it easier for people to drop in.

CHIME



Featuring a simple and playful design to fit one's natural, daily wardrobe, this store offers daily apparel combining the concepts "cute," "bright" and "cheery," with which women can personally identify.



The worldview of CHIME is expressed through the displays and staging based on a store makeup utilizing mannequins and tables. Low table fixtures near the entrance provide an open feel that entices customers into the store. Meanwhile, increasing the number of hanging displays has made it easier for shoppers to pick up and browse the merchandise.

■ About Membership Organizations

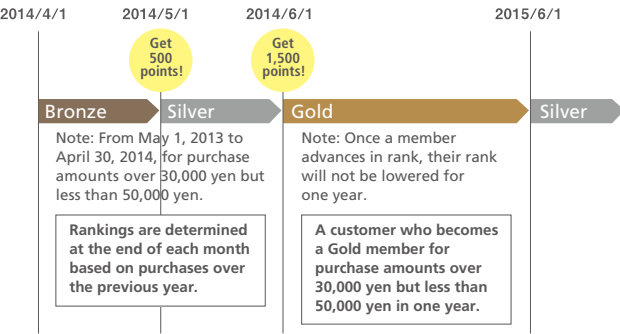
P Points

Points are earned for every 100 yen spent (excluding tax) and can be used as one point = 1 yen. Points are earned when shopping in-store or online, and can be used for shopping in both channels. In-store use starts from 100 points, online shopping use starts from one point, and use of each is possible in one-point increments.

We will attempt a range of communications to make shopping more fun and provide premiums for customers. The website is packed with noteworthy content, including members-only campaigns and events that feature giveaway items. Members can also use the website to keep track of points and purchase amounts.

✉ About Member Rankings

Members are ranked according to the amount they purchase throughout the year. Rankings are updated monthly.



👑 Providing Special Information to Meet Customer Needs

We provide customers with special information about sales and other announcements ahead of time by email.



▶ Our email magazine delivers information on campaigns featuring labels that customers favor and introduces new products

■ About E-Commerce (Online Shopping)

Consumption behavior has become increasingly diversified, with the explosive proliferation of not only the Internet but also smartphones. In line with this, the role of online shops has shifted from being one option for different purchasing tools to being a key factor determining consumption behavior up to and including purchase. We are taking steps to expand our share in online shopping, including the offering of merchandise through large Internet malls, and we are also implementing O2O (Online to Offline, a tie-up between stores and online shops) measures centered on membership organizations that have been standardized in terms of actual store and online shop.



Internet malls where Right-on merchandise is available

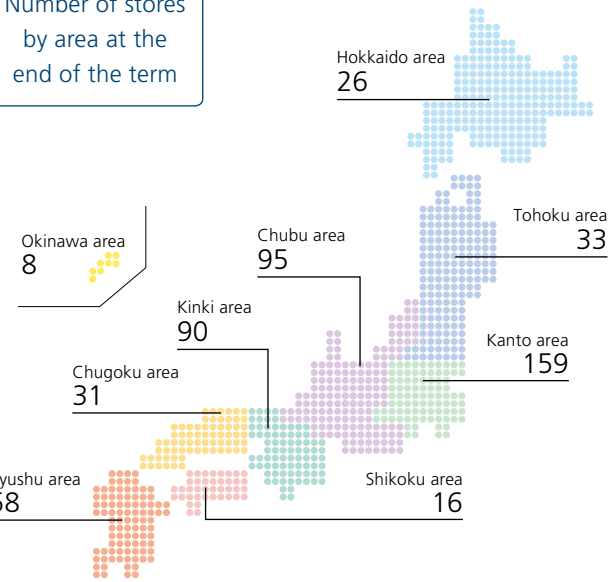


| Store-Opening Strategy

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. To keep our sales floors fresh and attractive, we will not only undertake an active program of renovation but also reorganize sales floors, to take advantage of the distinctive features of each store as part of measures to reinvigorate existing stores. We plan to open approximately 14 stores during the next fiscal term.

National total: 516 stores (As of August 20, 2015)		
Number of stores according to business type	Right-on	475
	FLASH REPORT	15
	CHIME	15
	BACK NUMBER	10
	BACK NUMBER KIDS	1
	Total	516

Number of stores by area at the end of the term



TOPICS

Opening of an Interior Design Prototype Store in the Next Term

SUPER POTATO Co., Ltd., which boasts vast experience in the interior decoration of restaurants and the interior design of hotels worldwide, was contracted to handle the design of the store in line with the renovations this fall. The store has taken on a whole new look, including an entire wall filled with jeans, the symbol of Right-on. Come and take a look at the refined mozo wondercity and feel the warmth of the timber design.



mozo wondercity

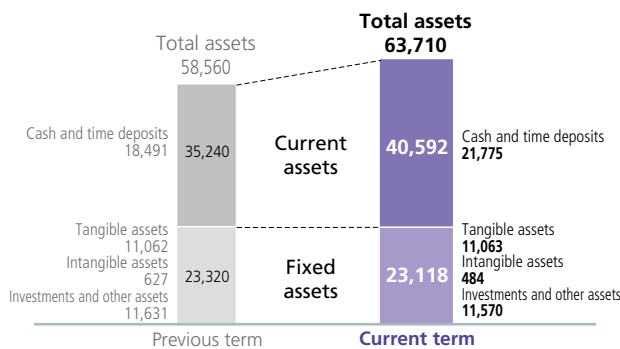
3F, mozo wondercity,
40, Futakata-cho, Nishi-ku, Naogya, Aichi 482-0817, Japan
Tel: +81-52-501-1012

Balance Sheets (Summary)

(millions of yen)		
Item	Previous term (as of August 20, 2014)	Current term (as of August 20, 2015)
Assets		
Current assets	35,240	40,592
Cash and time deposits	18,491	21,775
Accounts receivable—trade	1,230	1,383
Merchandise	13,464	15,174
Other	2,052	2,258
Fixed assets	23,320	23,118
Tangible assets	11,062	11,063
Intangible assets	627	484
Investments and other assets	11,631	11,570
Total assets	58,560	63,710

● Status of assets

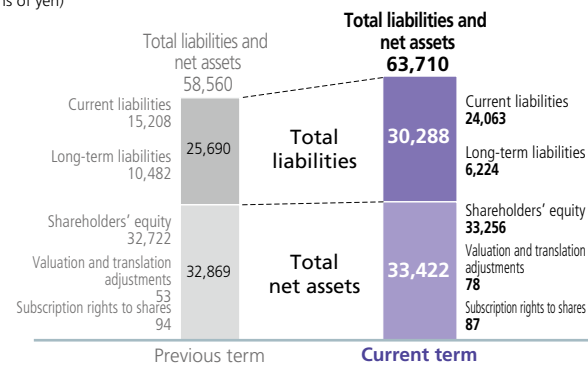
(millions of yen)



(millions of yen)		
Item	Previous term (as of August 20, 2014)	Current term (as of August 20, 2015)
Liabilities		
Current liabilities	15,208	24,063
Long-term liabilities	10,482	6,224
Total liabilities	25,690	30,288
Net assets		
Shareholders' equity	32,722	33,256
Capital stock	6,195	6,195
Capital surplus	6,481	6,481
Retained earnings	23,190	23,679
Treasury stock	(3,145)	(3,100)
Valuation and translation adjustments	53	78
Subscription rights to shares	94	87
Total net assets	32,869	33,422
Total liabilities and net assets	58,560	63,710

● Status of liabilities and net assets

(millions of yen)



Summary

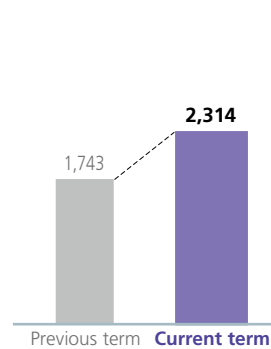
- Assets** Total assets as of the end of the term came to 63,710 million yen, an increase of 5,149 million yen year on year. Current assets increased by 5,352 million yen compared to the end of the previous term to 40,592 million yen. This mainly reflected an increase of 3,284 million yen in cash and time deposits and 1,709 million yen in merchandise. Fixed assets declined by 202 million yen compared to the end of the previous term to 23,118 million yen. This primarily reflected a decrease of 143 million yen in intangible assets and a decrease of 60 million yen in investments and other assets.
- Liabilities** Total liabilities as of the end of the term came to 30,288 million yen, an increase of 4,597 million yen compared to the end of the previous term. Current liabilities increased by 8,855 million yen compared to the end of the previous term, to 24,063 million yen. This was mainly due to an increase of 2,090 million yen in trade accounts payable, 2,414 million yen in trust payables, 669 million yen in income taxes payable, and 3,175 million yen in the current portion of long-term loans payable. Long-term liabilities decreased by 4,258 million yen, compared to the end of the previous term, to 6,224 million yen. This was mainly because of a decrease in long-term loans payable (down 4,224 million yen).
- Net assets** Total net assets as of the end of the term came to 33,422 million yen, an increase of 552 million yen compared to the end of the previous term. This was mainly due to an increase in retained earnings (up 489 million yen year on year). The equity ratio as a percentage of total assets stood at 52.3%.

Statements of Income (Summary)

(millions of yen)				
Item	Previous term (year ended August 20, 2014)	Current term (year ended August 20, 2015)	Y-o-y change	
Net sales	75,848	78,228	103.1%	
Cost of sales	39,134	40,829	104.3%	
Gross profit on sales	36,713	37,399	101.9%	
Selling, general and administrative expenses	34,970	35,084	100.3%	
Operating income	1,743	2,314	132.8%	
Non-operating income	159	170		
Non-operating expenses	250	199		
Ordinary income	1,652	2,284	138.3%	
Extraordinary income	2	9		
Extraordinary losses	559	582		
Income before income taxes	1,095	1,711	156.3%	
Current:	590	954		
Deferred:	83	15		
Net income	421	742	176.1%	

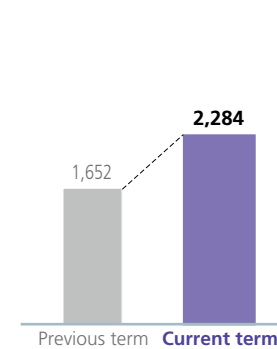
● Operating income

(millions of yen)



● Ordinary income

(millions of yen)

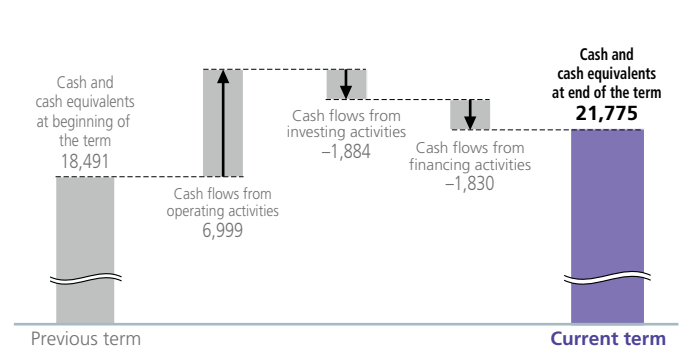


Statements of Cash Flows (Summary)

(millions of yen)		
Item	Previous term (year ended August 20, 2014)	Current term (year ended August 20, 2015)
Cash flows from operating activities	148	6,999
Cash flows from investing activities	(2,552)	(1,884)
Cash flows from financing activities	(1,806)	(1,830)
Net increase (decrease) in cash and cash equivalents	(4,209)	3,284
Cash and cash equivalents at beginning of the term	22,701	18,491
Cash and cash equivalents at end of the term	18,491	21,775

● Changes in cash flows

(millions of yen)



Summary

- Income** During the first half of the fiscal term under review, performance struggled due in part to the high number of warm days into November and beyond, which made it difficult to expand sales of winter products, particularly items offering protection from the cold, despite solid sales of increasingly popular fall products. Into the second half of the fiscal term under review, as days with high temperatures continued, sales of both spring products and summer products were solid, with the number of customers on a recovery track. As a result, net sales for the entire company rose 3.1% for the full fiscal term and sales from existing stores increased 0.2% year on year. Operating income grew 32.8% to 2,314 million yen, ordinary income increased 38.3% to 2,284 million yen, and net income increased 76.1% to 742 million yen in year-on-year terms. Overall, sales and profits were up year on year despite a decline in the gross profit margin due to a rise in the loss from price cuts.
- Cash flows** Cash and cash equivalents at the end of the fiscal term under review totaled 21,775 million yen, up 3,284 million yen, or 17.8%, from the end of the previous fiscal term. Factors influencing this result included the recording of 1,711 million yen in income before income taxes and 1,662 million yen in depreciation as well as 4,609 million yen in an increase in accounts payable and 1,500 million yen in proceeds from long-term debt. This was offset by a payment of 1,626 million yen for the purchase of tangible assets as part of new store openings and store renovations and repayment of long-term debt of 2,585 million yen.

Corporate Data (as of August 20, 2015)

Company name:	RIGHT ON Co., Ltd.
Headquarters:	1-11-1 Azuma, Tsukuba-shi, Ibaraki 305-8503, Japan Tel: +81-29-858-0321
Corporate website:	http://right-on.co.jp/
Establishment:	April 1, 1980
Capital stock:	6,195 million yen
Representative:	Tatsuharu Yokouchi, President and Representative Director
Number of employees:	940
Business contents:	<ul style="list-style-type: none">● A casualwear specialty store with jeans as the mainstay item● 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, 2015)

Masahiro Fujiwara	Chairman and Representative Director
Tatsuharu Yokouchi	President and Representative Director
Yusuke Fujiwara	Director
Noriyuki Miura	Director
Satoshi Nakano	Director
Junichi Ishida	Director
Hiromasa Kohama	Director
Hatsuo Nishikawa	Standing Corporate Auditor
Hiroo Otomo	Standing Corporate Auditor
Toshihiro Nagai	Corporate Auditor
Shinichi Hiraide	Corporate Auditor

Notes:

1. Director Hiromasa Kohama is an External Director.
2. Corporate Auditors Toshihiro Nagai and Shinichi Hiraide are both outside corporate auditors.

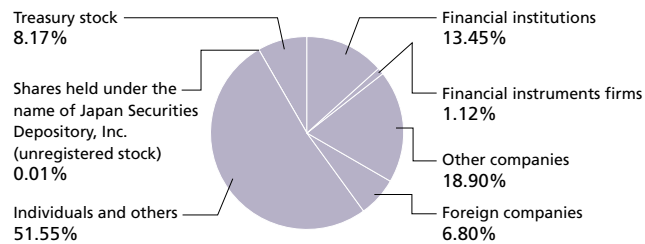
Stock Information (as of August 20, 2015)

Total number of shares authorized	60,000,000
Total number of shares issued and outstanding	29,631,500
Number of shareholders	35,013

Major shareholders

Name	Number of shares held (thousands of shares)	Ratio of shares held (%)
Masahiro Fujiwara	5,223	17.62
Fujiwara Kosan Inc.	4,873	16.44
RIGHT ON Co., Ltd.	2,422	8.17
Yusuke Fujiwara	1,736	5.86
Eiko Fujiwara	674	2.27
Nippon Life Insurance Company	635	2.14
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	627	2.11
Joyo Bank, Ltd.	528	1.78
Ryosei Fujiwara	462	1.55
Japan Trustee Services Bank, Ltd. (Trust Account 4)	411	1.38

Status of Stock by Type of Shareholder



Sharing Profits with Our Shareholders

Dividends

Our dividend policy is to sustain a stable payment of dividends and distribute profits to shareholders backed by our business performance, while building the internal reserves necessary to strengthen our financial profile and enable us to operate our business in the future.

Based on this policy, we plan to pay an annual dividend of 20 yen per share (an interim dividend of 10 yen and a year-end dividend of 10 yen) for the 36th fiscal term.

Special Benefit Plan for Shareholders

We present discount coupons available at all of our stores (excluding our online shop) 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)

The expiration date of the discount coupons is August 20 of the year after the coupons are presented.

Website Information

Information about RIGHT ON is available at the following URLs:

● IR site:

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

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

● Corporate site:

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

● Online shop:

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

● RIGHT ON Group Members Website “RIGHT!”:

<https://members.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, Japan
Tel: 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, Suginami-ku, Tokyo 168-8507, Japan
Tel: 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:

1. 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.
2. 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).
3. Dividends receivable are paid by the main and branch offices of Mitsubishi UFJ Trust and Banking Corporation.



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