



Right-on.

RIGHT ON Co., Ltd.
1-11-1 Azuma, Tsukuba-shi,
Ibaraki 305-8503, Japan
Tel: +81-29-858-0321
URL: <http://right-on.co.jp/english/>

Right-on.®

Report

The **37th** Business Report
(August 21, 2015–August 20, 2016)



Stock Code: 7445

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 37th fiscal term (August 21, 2015–August 20, 2016).

Review of Operations for the 37th Fiscal Term

● Business environment

During the fiscal term under review, Japan continued along a moderate recovery track amid ongoing improvement in the employment and income environment. Despite this, increased uncertainties, such as Brexit and the impact of a downward swing in overseas economies, are cause for concern going forward.

● Review of operations

In these conditions, we attempted to maximize sales and profits and worked to provide even more attractive products and services to remain the jeans shop chosen by customers.

In merchandise, we sought to strengthen basic items and national brand products as well as develop valuable private brand products. For national brands, we engaged in a variety of initiatives with each of our business partners to develop special order products and expand product lineups. With regard to our private brands, we sought to satisfy a wide range of customers through the development of functional and trendy

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.

products offering high quality at an affordable price, including “MOCO MOCO JEANS” (soft and warm bottoms with a thick shaggy fleece nap lining).

In our sales promotion activities, we expanded sales of core products by boosting our appeal to customers with unified, easy-to-understand sales floors and abundant merchandise in conjunction with television commercials, posters and other in-store promotions featuring a number of popular celebrities. We also strove to attract more customers through collaboration projects with other industries and sales promotions tailored to specific regions and stores.

In sales, we worked to provide favorable customer service and experiences to heighten customer satisfaction. We sought to enhance the skills of our sales staff through daily customer service role playing, including the achievement of favorable results at an outside customer service role-playing contest.

In store development, we opened 24 stores, including the Aeon Mall Shijonawate Store (Shijonawate, Osaka), and closed 26 stores to improve efficiency. As a result, the number of stores at the end of the 37th fiscal term stood at 514. In addition, we are actively renovating to invigorate stores, and create attractive store spaces that employ new store designs and more appealing new fixtures.

● Financial results for the 37th fiscal term

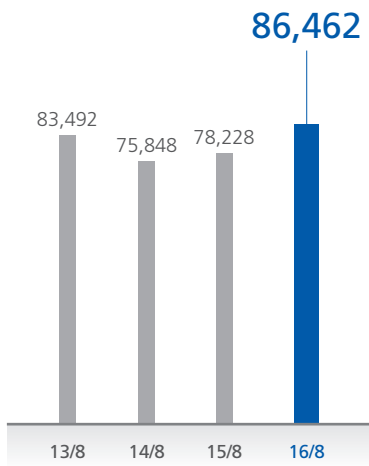
As an overview of the fiscal term under review, despite lackluster sales of winter outerwear due to record warm winter temperatures in the first half of the fiscal term, fall apparel sales were solid and our major product “MOCO MOCO JEANS” was a hit, with enhanced basic items and an abundant offering of national brand products selling well, resulting in sales growth. In the second half of the fiscal term, spring merchandise and other items launched ahead of schedule sold well reflecting higher temperatures than normal for early spring. However, the weak appeal of mid- and late summer merchandise resulted in sluggish sales. Overall, net sales increased 10.5% year on year, to 86,462 million yen.

By product sector, net sales rose 6.2% to 27,739 million yen for bottomwear, increased 14.0% to 25,402 million yen for cut-and-sewn and knit wear, and grew 9.1% to 15,142 million yen for shirts and outerwear.

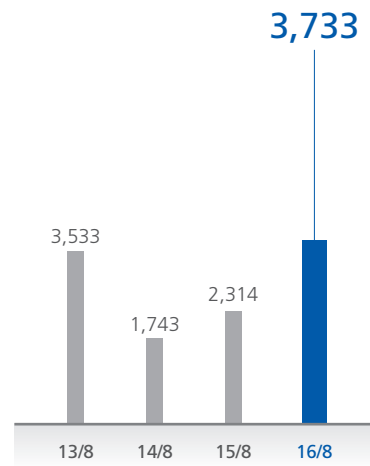
In terms of profit, operating income increased 61.3% to 3,733 million yen, ordinary income advanced 61.0% to 3,677 million yen, and profit surged 136.4% to 1,754 million yen. Overall, profits were up year on year despite a decline in the gross profit margin due to a rise in the loss from seasonal merchandise price cuts.

Financial Highlights

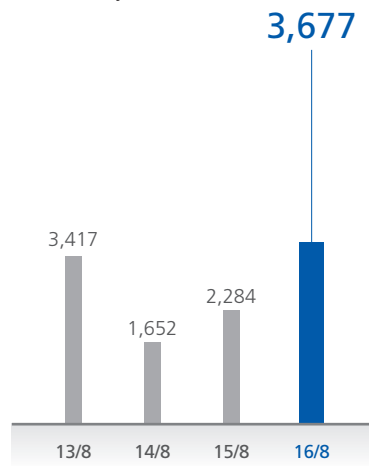
Net Sales
(millions of yen)



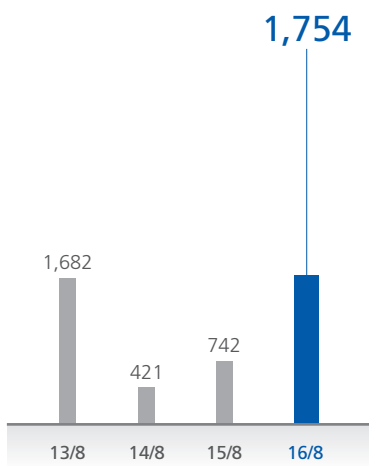
Operating Income
(millions of yen)



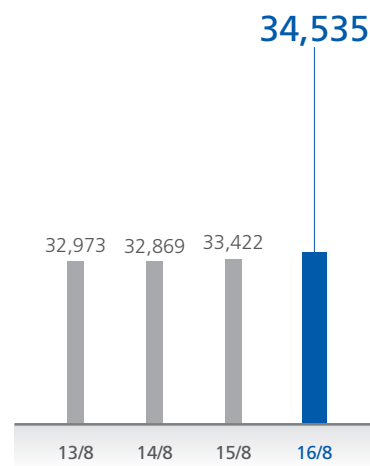
Ordinary Income
(millions of yen)



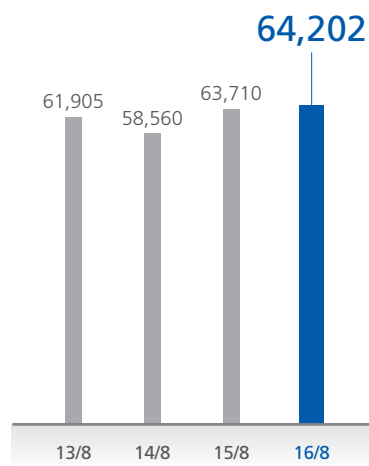
Profit
(millions of yen)



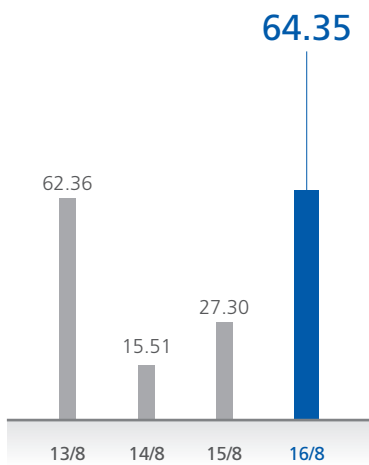
Net Assets
(millions of yen)



Total Assets
(millions of yen)

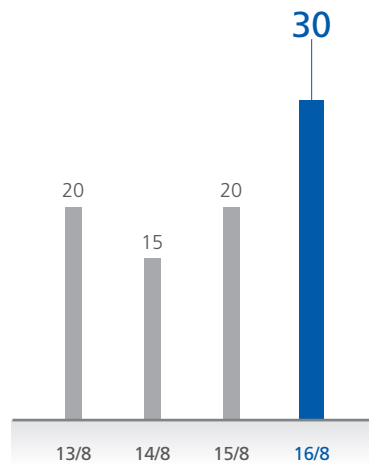


Profit per Share
(yen)



Dividends per Share
(yen)

We provided a year-end dividend for the 37th fiscal term of 15 yen per share. This resulted in a full-year dividend of 30 yen per share (an interim dividend of 15 yen and a year-end dividend of 15 yen).

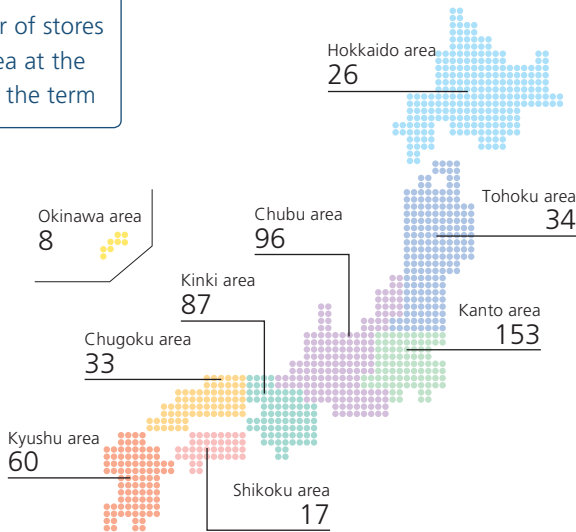


Stores

National total: **514** stores (As of August 20, 2016)

Number of stores according to business type	Right-on	476
	FLASH REPORT	15
	CHIME	13
	BACK NUMBER	9
	BACK NUMBER KIDS	1
	Total	514

Number of stores by area at the end of the term



Outlook for the 38th Fiscal Term

Looking ahead to the 38th 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 downward pressure on the Japanese economy caused by struggling overseas economies.

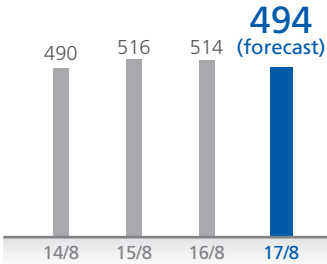
Given these conditions, we aim to maximize sales and profits through a product lineup that continues to bring satisfaction to a wide range of customers, carrying out engaging sales promotion activities and working to improve customer service to remain the jeans shop chosen by customers.

Our forecast for business performance in the next fiscal term calls for net sales of 91,000 million yen, operating income of 4,050 million yen, ordinary income of 4,000 million yen, and profit of 2,000 million yen.

Forecast for the 38th term

	Amount (millions of yen)	Y-o-y change
Net sales	91,000	+5.2%
Operating income	4,050	+8.5%
Ordinary income	4,000	+8.8%
Profit	2,000	+14.0%

Number of stores
(stores)



Our Medium-Term Management Plan: “NEXT 36”

From the fiscal year ending August 20, 2017 to the fiscal year ending August 20, 2019

Right-on will build a foundation for branding with the aim of becoming the leading company in jeans casualwear.

Right-on announced its Medium-Term Management Plan, “NEXT 36,” for the three-year period (36 months) from the fiscal year ending August 20, 2017 to the fiscal year ending August 20, 2019.

Our business model calls for a “Full lineup jeans and casualwear shop” able to meet customer needs with an overwhelmingly wide-ranging product lineup, from national brands to private brands. As specialty store retailer of private label apparel (SPA) companies in and outside Japan have established a presence in the apparel market, Right-on will attempt to invigorate and expand the overall market as the leading company in jeans casualwear.

All-store customer satisfaction rate
Become the No. 1 store in each community

Highest level of net sales ever
Achieve net sales of 100 billion yen

“NEXT 36” Key Measures

- 1

Improve product planning precision
- 2

Enhance product competitiveness
- 3

Enhance sales capabilities
- 4

Strengthen sales promotions
- 5

Focus on branding
- 6

Conduct proactive renovations
- 7

Establish a full-fledged e-commerce business
- 8

Advance logistics
- 9

Develop and educate human resources
- 10

Attempt to open new stores

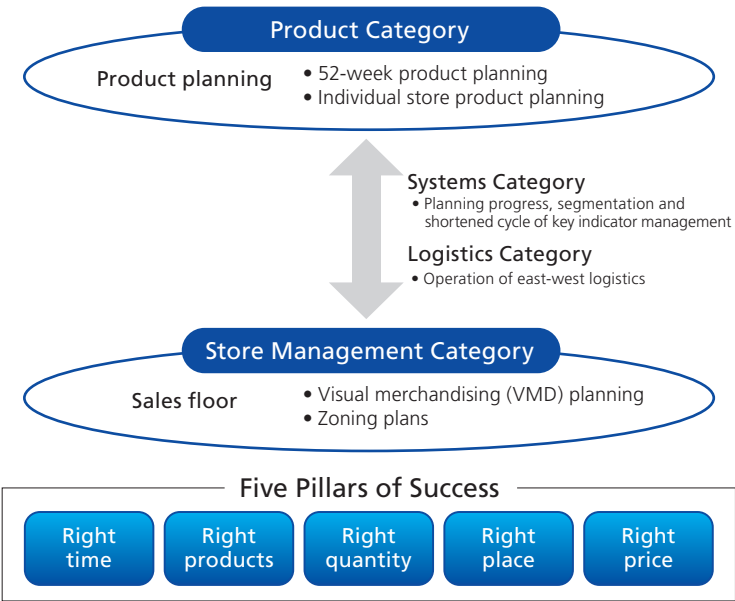
	Medium-term targets	Long-term targets
Net sales	100 billion yen	200 billion yen
Existing store growth rate (annual average)	102.5% or higher	102.5% or higher
Gross profit margin	50% or higher	52% or higher
Ordinary income	7% or higher	12% or higher
ROE	8% or higher	15% or higher
Dividend ratio	30% or higher	40% or higher



Medium-Term Management Plan: “NEXT 36” | Key Measures

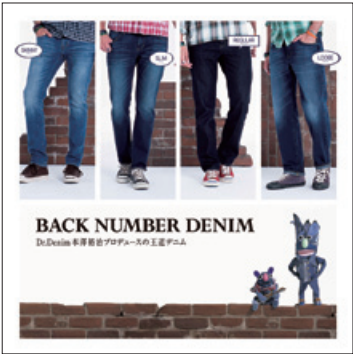
1 Improve product planning precision

Engage in more detailed product planning (52-week product planning) to achieve the five pillars of success: the right time, right products, right quantity, right place, and right price. Improve product planning precision with product planning that incorporates the distinctive aspects of each store (individual store product planning), for example.



2 Enhance product competitiveness

Promote enhanced product competitiveness through product differentiation that incorporates stronger merchandise testing to achieve ideal product lineups, further quality improvements, quick response (QR) mechanisms and other supply chain enhancements and national brand strengthening (an overwhelming lineup of denim brands and other products), for example.



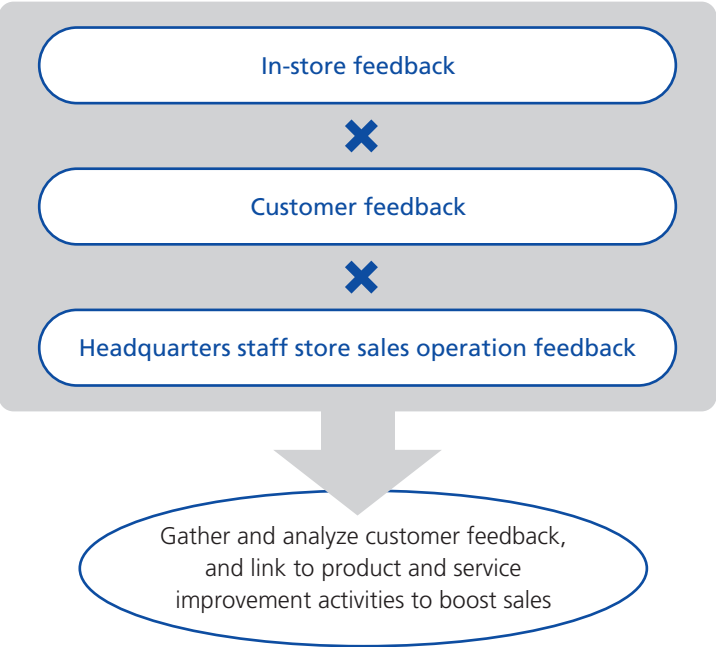
The ultimate basic denim produced by Dr. Denim (Yuji Honzawa)



Water barrier material with a surprising water repellent function that employs a lotus leaf structure and water repellent finish

3 Enhance sales capabilities

Enhance sales capabilities through extensive education and ongoing daily training aimed at strengthening sales knowledge and technologies and by linking customer feedback to product and service improvements.



4 Strengthen sales promotions

Strengthen sales promotions using television commercials, enhanced customer relationship management (CRM) achieved through improved convenience of apps, and the use of video to explain product merits in an easy-to-understand way in stores, online and social media.



5 Focus on branding

Unify visual presentations aimed at branding with the appointment of top creators to revolutionize store design, interior decoration and in-store promotions as well as the establishment of VMD, realizing sales floors that are easy to see and shop in with improved presentation capabilities.



Store design and interior decoration
Takashi Sugimoto, SUPER POTATO



In-store promotions
Chie Morimoto, goen®

6 Conduct proactive renovations

Conduct proactive renovations to invigorate existing stores and increase sales, and expand the potential for new store openings in favorable locations and large areas.

Recent store openings
Mainly mid-sized areas

Future store openings

Secure large areas in favorable locations to become a shopping center anchor tenant



Ikebukuro store



Ueno store



Ikebukuro store

7 Establish a full-fledged e-commerce business

Establish a full-fledged e-commerce (EC) business by expanding existing EC sales (via omni-channel retailing promotion, one-to-one marketing system investment, enhanced contents and an EC logistic system functional improvements), opening a new EC store and engaging in overseas development including cross-border EC.

Internet malls with Right-on stores



8 Advance logistics

Advance logistics by shortening lead time through concentrated logistics functions, reducing domestic logistics processing costs through enhanced overseas assortment and promoting low-cost store operations via the logistics transfer of store operations.

Expansion of overseas centers

With overseas centers established in all countries where production occurs, we will reduce domestic logistics processing costs.



29 locations (as of August 20, 2016)

9 Develop and educate human resources

Enhance human resources development and education through active investment in human resources focused on the future (establish an educational system, create and operate a personnel system to evaluate innovative and positive behavior, delegate responsibilities and authority to stores, and actively incorporate external human resources) and strengthen the function of the Tokyo office (human resource recruitment activities, additional functions as a base for product planning), and so on.



All store managers from across Japan gather to undergo training.

10 Attempt to open new stores

Attempt to open new stores by developing business*1 that will become the next pillar after the Right-on business, opening stores*2 overseas, opening stores in outlet malls, opening stores in urban areas and developing flagship stores.

*1. New business Naughty Dog is scheduled to launch in spring 2017.
*2. Our first overseas store (Taiwan) is scheduled to open in spring 2017.



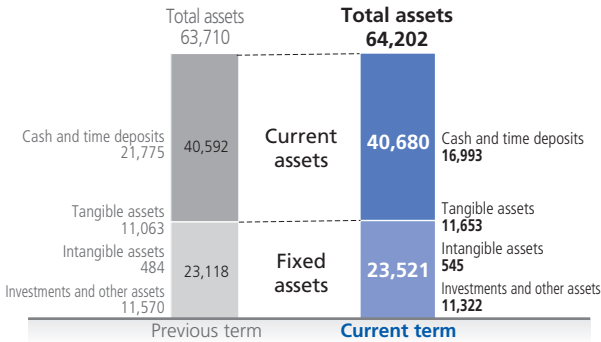
Ikebukuro store

Balance Sheets (Summary)

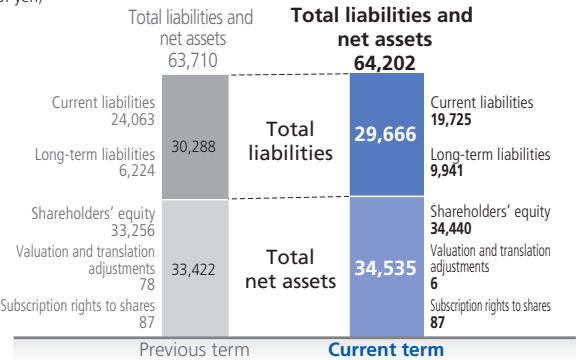
(millions of yen)		
Item	Previous term (as of August 20, 2015)	Current term (as of August 20, 2016)
Assets		
Current assets	40,592	40,680
Cash and time deposits	21,775	16,993
Accounts receivable—trade	1,383	1,557
Merchandise	15,174	19,143
Other	2,258	2,986
Fixed assets	23,118	23,521
Tangible assets	11,063	11,653
Intangible assets	484	545
Investments and other assets	11,570	11,322
Total assets	63,710	64,202

(millions of yen)		
Item	Previous term (as of August 20, 2015)	Current term (as of August 20, 2016)
Liabilities		
Current liabilities	24,063	19,725
Long-term liabilities	6,224	9,941
Total liabilities	30,288	29,666
Net assets		
Shareholders' equity	33,256	34,440
Capital stock	6,195	6,195
Capital surplus	6,481	6,481
Retained earnings	23,679	24,699
Treasury stock	(3,100)	(2,936)
Valuation and translation adjustments	78	6
Subscription rights to shares	87	87
Total net assets	33,422	34,535
Total liabilities and net assets	63,710	64,202

● Status of assets
(millions of yen)



● Status of liabilities and net assets
(millions of yen)



S u m m a r y

- Assets** Total assets as of the end of the term came to 64,202 million yen, an increase of 491 million yen compared to the end of the previous term.
- Current assets rose by 88 million yen compared to the end of the previous term to 40,680 million yen. This mainly reflected a decrease of 4,782 million yen in cash and time deposits, an increase of 3,968 million yen in merchandise and a 687 million yen increase in trade advance payment.
- Fixed assets increased by 403 million yen compared to the end of the previous term to 23,521 million yen. This primarily reflected a rise of 589 million yen in tangible assets, which outweighed a decrease of 247 million yen in investments and other assets.
- Liabilities** Total liabilities as of the end of the term came to 29,666 million yen, a decline of 621 million yen compared to the end of the previous term.
- Current liabilities decreased by 4,338 million yen compared to the end of the previous term, to 19,725 million yen. This was mainly due to a drop of 1,726 million yen in trade accounts payable, a decrease of 9,424 million yen in trust payables, and a decrease of 2,945 million yen in the current portion of long-term loans payable, which counterbalanced an increase of 9,208 million yen in electronically recorded obligations-operating.
- Long-term liabilities increased by 3,717 million yen, compared to the end of the previous term, to 9,941 million yen. This was mainly because of a rise of 3,765 million yen in long-term loans payable.
- Net assets** Total net assets as of the end of the term came to 34,535 million yen, an increase of 1,112 million yen compared to the end of the previous term. This was mainly due to a rise in retained earnings, which were up 1,020 million yen year on year. The equity ratio stood at 53.7%.

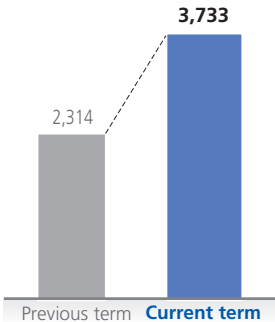
Statements of Income (Summary)

(millions of yen)				
Item	Previous term (year ended August 20, 2015)	Current term (year ended August 20, 2016)	Y-o-y change	
Net sales	78,228	86,462	110.5%	% of total
Cost of sales	40,829	45,349	111.1%	52.2%
Gross profit on sales	37,399	41,112	109.9%	47.8%
Selling, general and administrative expenses	35,084	37,379	106.5%	44.8%
Operating income	2,314	3,733	161.3%	3.0%
Non-operating income	170	123		
Non-operating expenses	199	179		
Ordinary income	2,284	3,677	161.0%	2.9%
Extraordinary income	9	0		
Extraordinary losses	582	681		
Profit before income taxes	1,711	2,997	175.1%	2.2%
Current:	954	1,291		
Deferred:	15	(48)		
Profit	742	1,754	236.4%	0.9%

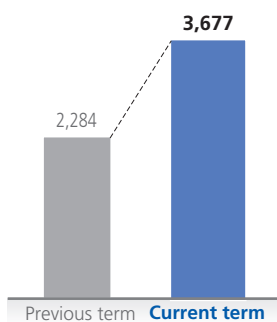
Statements of Cash Flows (Summary)

(millions of yen)		
Item	Previous term (year ended August 20, 2015)	Current term (year ended August 20, 2016)
Cash flows from operating activities	6,999	(2,889)
Cash flows from investing activities	(1,884)	(3,118)
Cash flows from financing activities	(1,830)	226
Net increase (decrease) in cash and cash equivalents	3,284	(5,782)
Cash and cash equivalents at beginning of the term	18,491	21,775
Cash and cash equivalents at end of the term	21,775	15,993

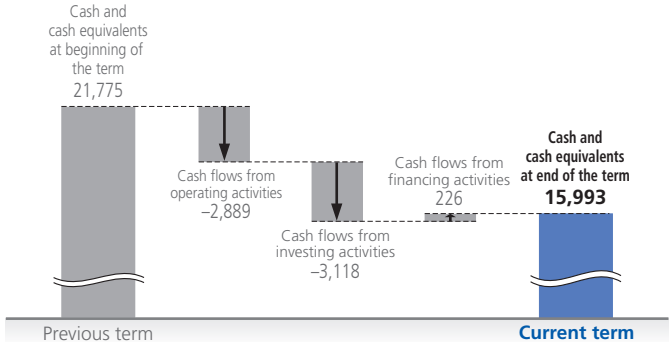
● Operating income
(millions of yen)



● Ordinary income
(millions of yen)



● Changes in cash flows
(millions of yen)



S u m m a r y

- Income** In terms of sales conditions, during the first half of the fiscal term under review, we experienced lackluster sales of winter outerwear due to record warm winter temperatures. On the other hand, fall apparel sales were solid and our major product “MOCO MOCO JEANS” was a hit, with enhanced basic items and an abundant offering of national brand products that sold well, resulting in sales growth. In the second half of the fiscal term, spring merchandise and other items launched ahead of schedule sold well reflecting higher temperatures than normal for early spring. However, the weak appeal of mid- and late summer merchandise resulted in sluggish sales. Overall, net sales increased 10.5% year on year, to 86,462 million yen.
- By product sector, net sales rose 6.2% to 27,739 million yen for bottomwear, increased 14.0% to 25,402 million yen for cut-and-sewn and knit wear, and grew 9.1% to 15,142 million yen for shirts and outerwear.
- In terms of profit, operating income grew 61.3% to 3,733 million yen, ordinary income increased 61.0% to 3,677 million yen, and profit jumped 136.4% to 1,754 million yen. Overall, profits were up year on year despite a decline in the gross profit margin due to a rise in the loss from seasonal merchandise price cuts.
- Cash flows** Cash and cash equivalents at the end of the fiscal term under review totaled 15,993 million yen, down 5,782 million yen, or 26.6%, from the end of the previous fiscal term. Inflows included the recording of 2,997 million yen in profit before income taxes (up 1,285 million yen year on year) and 1,635 million yen in depreciation (down 26 million yen year on year). Outflows included 3,109 million yen in accounts payable (up 4,609 million yen in the previous fiscal term), 3,994 million yen in inventories (up 2,284 million yen year on year) and income tax payments of 1,103 million yen (up 810 million yen year on year).

Corporate Data (as of August 20, 2016)

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:	954
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, 2016)

Masahiro Fujiwara	Chairman and Representative Director
Tatsuharu Yokouchi	President and Representative Director
Yusuke Fujiwara	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.

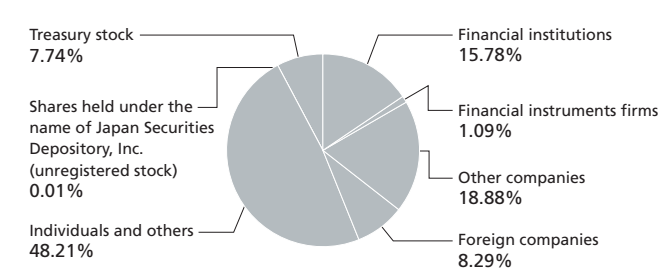
Stock Information (as of August 20, 2016)

Total number of shares authorized	60,000,000
Total number of shares issued and outstanding	29,631,500
Number of shareholders	29,495

Major shareholders

Name	Number of shares held (thousands of shares)	Ratio of shares held (%)
Masahiro Fujiwara	5,224	17.63
Fujiwara Kosan Inc.	4,873	16.44
RIGHT ON Co., Ltd.	2,294	7.74
Yusuke Fujiwara	1,737	5.86
Eiko Fujiwara	674	2.27
NORTHERN TRUST CO. (AVFC) RE-HCR00	648	2.18
Nippon Life Insurance Company	635	2.14
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	627	2.11
Japan Trustee Services Bank, Ltd. (Trust Account 9)	594	2.00
Joyo Bank, Ltd.	528	1.78

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 30 yen per share (an interim dividend of 15 yen and a year-end dividend of 15 yen) for the 37th 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 and Account Managing Agency for Special Accounts	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)
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 <i>Nihon Keizai Shimbun</i> .

- 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. On May 7, 2016, the Company’s account managing agency for special accounts changed from Mizuho Trust & Banking Co., Ltd., to Mitsubishi UFJ Trust and Banking Corporation. Please keep this in mind when arranging transactions. The contact information is the same as the contact address of the administrator of the shareholders’ register.
 3. Dividends receivable are paid by the main and branch offices of Mitsubishi UFJ Trust and Banking Corporation.

