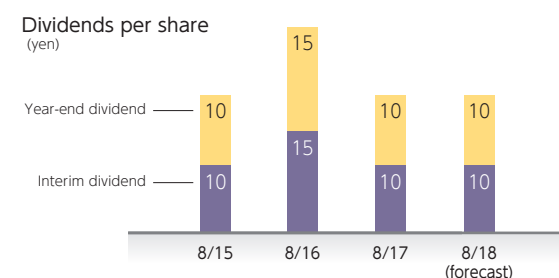


## Sharing Profits with Our Shareholders

### [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. We provided a year-end dividend for the 38th 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).



### [Special Benefit Plan for Shareholders]

We present vouchers that can be used 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 every year.

The gift is as follows:

Number of shares held	Value of vouchers
100–499	3,000 yen (1,000 yen voucher × 3)
500–999	5,000 yen (1,000 yen voucher × 5)
1,000–	7,000 yen (1,000 yen voucher × 7)

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

## 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:

\*Contact information of the administrator of the shareholders' register and the account managing agency for special accounts has been changed as follows due to relocation of the handling office.

Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation  
1-1 Nikko-cho, Fuchu-shi, Tokyo, Japan  
Tel: 0120-232-711 (toll free)  
Send to: P.O.BOX 29, Shin-Tokyo Post Office 137-8081  
Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation

### 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, administrative operations such as changes of registered address and requests to purchase shares less than one unit shall be handled by the account managing agencies (securities companies) with whom the shareholder has an account, as a general rule. Please make inquiries with the securities company where you have an account. Note that these administrative operations cannot be handled by the administrator of the shareholders' register.
  - 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.
  - Dividends receivable are paid by the main and branch offices of Mitsubishi UFJ Trust and Banking Corporation.

# Right-on® Report

## The 38th Business Report

(August 21, 2016–August 20, 2017)

**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/>

# To Our Shareholders

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 38th fiscal term (August 21, 2016–August 20, 2017).

## Review of Operations for the 38th Fiscal Term

### ●Business environment

During the fiscal term under review, the Japanese economy continued along a moderate recovery track showing signs of some improvement in personal consumption. Regarding the future economic conditions, it is expected that the economy will recover at a moderate pace due to improvement in employment and income environment as well as the effect of various political measures, but concerns still remain over uncertainty in overseas economies and effects of changes in financial and capital markets.

### ●Review of operations

In these conditions, we engaged in initiatives to create stores which are supported by our customers as the No.1 store in their community, under the slogan of “building a foundation for branding with the aim of becoming a leading company in jeans casualwear,” as stated in our medium-term management plan “NEXT36.”

In merchandise, we expanded our lineup of national brand products, which is our strong point, as well as provided our unique private brand products including BACK NUMBER DENIM, MOCO MOCO JEANS series and WASHI DENIM series with the aim of creating a product lineup that would satisfy a wide range of customers.

In our sales promotion activities, we worked to improve the number of customers visiting our stores by utilizing television commercials, continuously



President and Representative Director  
Tatsuharu Yokouchi  
横内 達治

collaborating with other industries and using artists and popular celebrities as key visual images for promotion. We also conducted sales promotions tailored to target customers, regions and stores through a variety of SNS tools including LINE, the mobile messaging app. At our flagship HARAJUKU TOKYO SHOP, we held our own unique events such as launching a shop-in-shop for national brand products, to be a newsmaker in the market. At branch stores, we also strove to enhance and standardize our in-store visuals for branding.

### ●Financial results for the 38th fiscal term

As an overview of the fiscal term under review, while we engaged in measures to mainly enhance 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 (superior lineup of denim brands and other products), the number of customers visiting our stores significantly decreased due to the lack of freshness in sales floors which was caused by the facts that the sales of the products carried over from the previous year did not go well and that many of the product lineups had to consist of the top selling products of the previous year. In the second half of

### 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.

the fiscal term, we put in effort to decrease the carried-over products by promoting the sale of those products, but we were unable to rejuvenate the sales floors and the number of customers due to an insufficient lineup for trend items. While some of new products such as WASHI DENIM series sold well, sales in general were slow and sluggish. Overall, net sales decreased 7.4% year on year, to 80,028 million yen. In terms of profit, operating loss was 2,849 million yen (operating income being 3,733 million yen in the previous term), ordinary loss was 2,888 million yen (ordinary income being 3,677 million yen in the previous term) and loss was 4,421 million yen (profit being 1,754 million yen in the previous term). This was due to a significant decrease in gross profit margin because of an increase in discount loss of carried-over products, an increase in selling, general and administrative expenses because of an aggressive investment in new schemes and new businesses, and the number of closed stores exceeding the number planned at the beginning of the term.

### ●Outlook for the future

Looking ahead to the 39th fiscal term, we aim to recover and improve our performance by building up a corporate system that can immediately respond to changes in the market and improving the operations of the company to achieve more accuracy in

managing inventories in order to solve the problems appeared in the current term. We seek to remain the No.1 store in each community chosen by customers through a product lineup that continues to bring satisfaction to a wide range of customers, carrying out attractive sales promotion activities, improving the appeal of sales floors and working to improve customer service. Our forecast for business performance in the next fiscal term calls for net sales of 80,000 million yen, operating income of 1,550 million yen, ordinary income of 1,500 million yen and profit of 550 million yen. For more details, please consult the following pages.

At the end of the previous term, we developed the medium-term management plan “NEXT36” to be executed for the period of three years until the end of the fiscal year ending August 20, 2019. We, however, decided to withdraw the quantitative targets (100,000 million yen of net sales, 7% or higher of ordinary income to net sales, 8% or higher of ROE and 30% or higher of dividend ratio) stated in the plan for the time being in response to the results of the current term. We need to improve and solve the problems at hand as the first priority and then reconsider the quantitative targets for a medium term, which will be disclosed at the time of announcement of financial statements for the fiscal year ending August 20, 2018. There are no changes in the key measures stated in “NEXT 36.”

# Close UP

Improvement plans and outlook for the 39th fiscal term

Financial results for the fiscal year ended August 20, 2017

Factors that caused a slump during the fiscal year ended August 20, 2017

Improvement plans

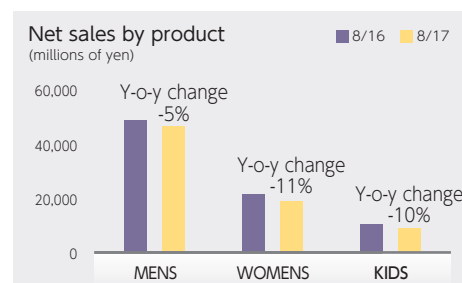
Outlook for the fiscal year ending August 20, 2018

Financial results for 8/17 (millions of yen)	
Net sales	80,028
Gross profit on sales	35,877
Selling, general and administrative expenses	38,727
Operating income	(2,849)
Ordinary income	(2,888)
Extraordinary income	32
Extraordinary losses	1,032
Profit before income taxes	(3,888)
Profit	(4,421)
Number of stores	513 stores

## (i) Inability to Provide a Product Lineup Meeting our Customers' Expectation

Net sales was significantly below what was initially projected at the beginning of the term. This was caused by insufficiency in preparation for the trend of the market and continued excess inventory due to the carried-over products from the previous term, resulting in failure to establish sales floors environment where customers can easily choose and buy products.

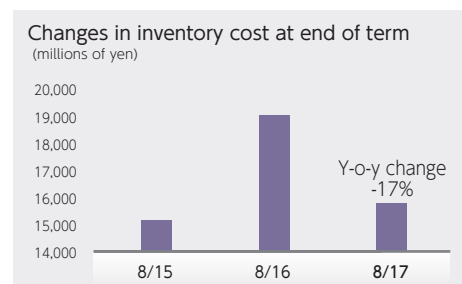
In particular, the sales of women's and kids' products slumped.



## (ii) Significant Decrease in Gross Profit Margin

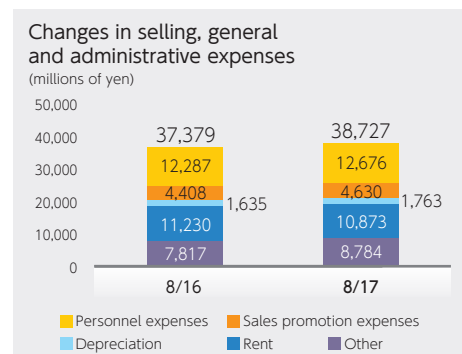
Gross profit margin decreased to 44.8% due to an increase in discount loss of the carried-over products from the previous term as a result of expediting the sale of them and net sales being below the targets.

Inventory cost at the end of the term was reduced by 17%, an improvement over the previous year.



## (iii) Increase in Selling, General and Administrative Expenses

Variable costs such as sales promotion expenses and personnel expenses increased in order to achieve the initial sales plan. Developing new businesses and actively investing in new stores including remodeling of stores caused increase in depreciation and other expenses.



## 1 Enhance the products

We will develop high-functioning, quality original products by developing new materials, as well as provide a sufficient range of trend items. In addition, we will enhance a lineup of popular national brand products and exclusively offer special order products in order to differentiate from competitors.

➔ For details, please see the pages 5 and 6.

## 2 Strengthen sales promotions

We will adopt an image strategy to communicate with our customers to show the good quality of our products by expressing our "commitment to the quality of the products." We will also enhance our capability to provide information by shifting our promotional channel from existing media to digital media. We will convey information to our customers by utilizing our membership organizations.

➔ For details, please see the page 7.

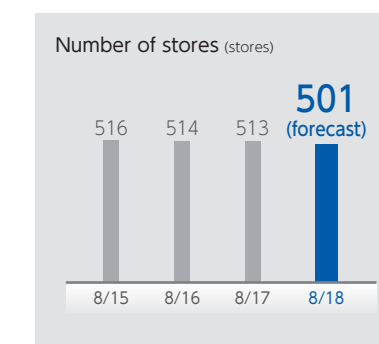
## 3 Improve sales floors

- Promote styling proposal
- Innovate sales floors that incorporate bottom wear wall displays
- Innovate women's sales floors

We will incorporate the element of styling and sales floor image from the beginning of product planning and aim to increase the number of customers visiting our stores by establishing highly appealing sales floors.

➔ For details, please see the page 8.

Plan for 8/18 (millions of yen)	
Net sales	80,000
Gross profit on sales	38,000
Selling, general and administrative expenses	36,450
Operating income	1,550
Ordinary income	1,500
Profit	550
Profit per share (yen)	20.06





# 1

## Enhance the products

### ●Development of Original Products

#### Enhance private brands

We will develop private brand products starting from the development of materials to proudly provide high-functional, quality products only possible by Right-on. We will also develop differentiated products for each item per season, including our symbolic products of jeans.



▲WASHI DENIM  
Comfortable jeans for the climate in Japan



▶WATER-REPELLENT DENIM  
High utility jeans that repel water

▼ALL-AROUND STRETCH PANTS  
360 degrees all directions stretch  
Stress free pants



#### Evolve existing series

We will continue to evolve our existing line of products to make them even more attractive so that customers who bought a product in the previous year would want to purchase one again in the next year.

##### ▼MOCO MOCO JEANS series



##### ▼MARUHACHI DOWN series

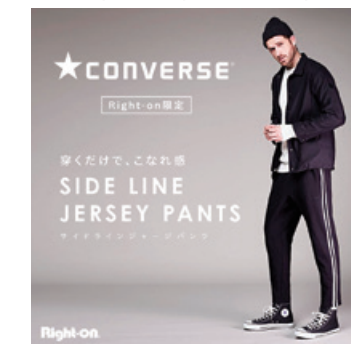


#### Strengthen national brands

We will strengthen a product lineup of high quality and popular national brand products through cooperation with our suppliers with whom we have established partnership over many years. In addition, we will expand special order products which are only possible by Right-on in order to differentiate our products from those of competitors.



##### ▼Examples of special order products



# 2 Strengthen sales promotions

## ●Image strategy to convey the good quality of products

We will adopt actor Shun Oguri as the face of our brand for the fiscal year ending August 20, 2018.

Through Mr. Oguri, one of the leading actors in Japan, we will convey the policies of Right-on such as "commitment to the quality of the products" and "being authenticity-oriented."



## ●Shift to digital media and utilize membership organizations

The company used to emphasize a certain type of media including flyers, direct mails, magazines, television commercials for advertisement, but we will shift to digital media for the fiscal year ending August 20, 2018 in order to achieve high efficiency in cost. We have more than 9,500,000 people registered on LINE app as our friend. We also have more than 4,000,000 people registered in our membership organizations. Well will constantly communicate with these existing customers through information network we have already established. We will also actively utilize web advertisement to gain new customers.

### [Types of media we used to emphasize]

- Flyers
- Direct mails
- Magazines
- Television commercials

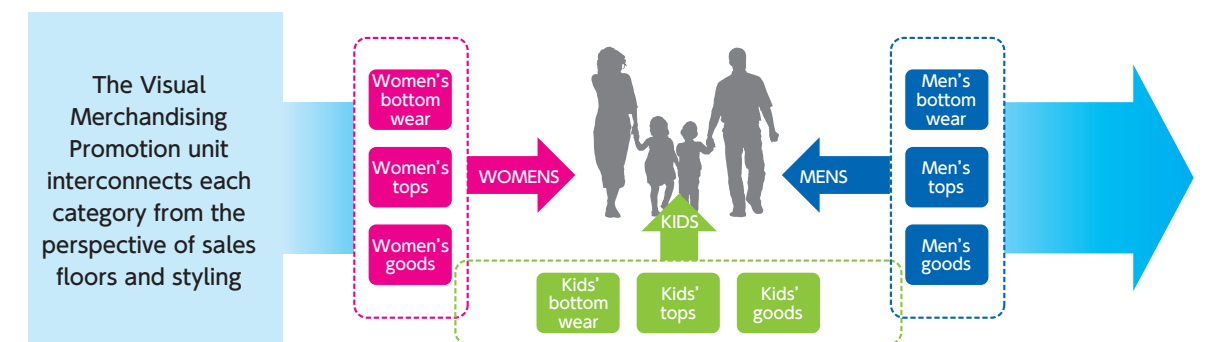
### [Types of media we will utilize from now on]

	Convey information to more than 9,500,000 people registered in LINE as our friend	<b>Digital media of Right-on</b> Members: <b>4,000,000 people</b> Friends registered in LINE: <b>9,500,000 people</b> The number of downloads of App: <b>1,000,000 downloads</b>			
Internally-developed App Email magazine	Convey information to deep-rooted fans of Right-on				
	Utilize it as an alternative method of flyers				
Also actively utilize other web advertisement					


# 3 Improve sales floors

## ●Propose clothing styling

We will reconsider our internal organization and integrate the teams by men's, women's, kids' in each category in our Procurement unit. In addition, we will newly establish the Visual Merchandising Promotion unit to interconnect each team of the Product Procurement Division from the perspective of sales floors and styling in order to strengthen the appealing power of our stores as a whole.



## ●Innovate bottom wear/women's sales floors



Our sales floors have emphasized the quantity of the products until now, but we will innovate our sales floors to convey our commitment to each and every pair of jeans from now on.



We will increase variety of miscellaneous goods and sell them at storefronts with the aim of increasing the number of customers attracted to our stores. We will also expand short-term products and provide products with high trend characteristics.



# Financial Highlights

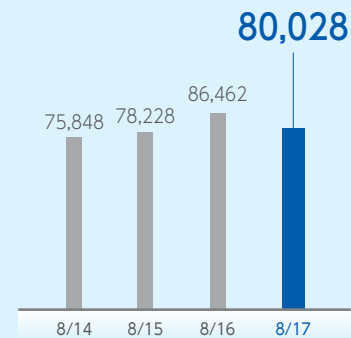


"Materials for financial results briefing" is available at our IR site.

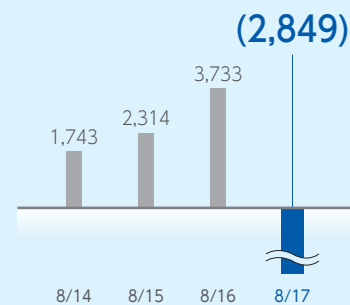
<https://right-on.co.jp/english/ir.php>

## Status of income

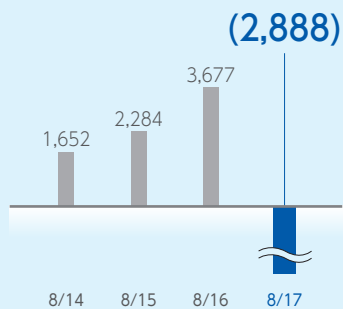
Net sales (millions of yen)



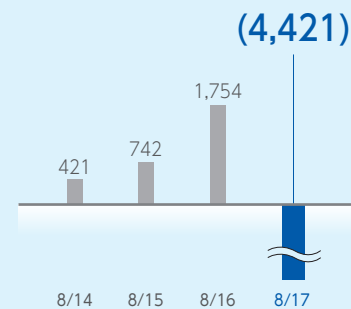
Operating income (millions of yen)



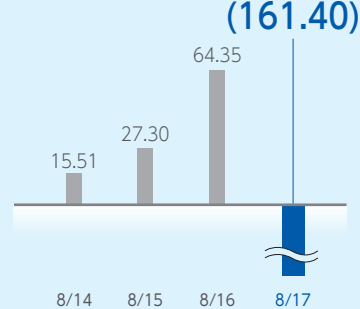
Ordinary income (millions of yen)



Profit (millions of yen)



Profit per share (yen)



## Stores

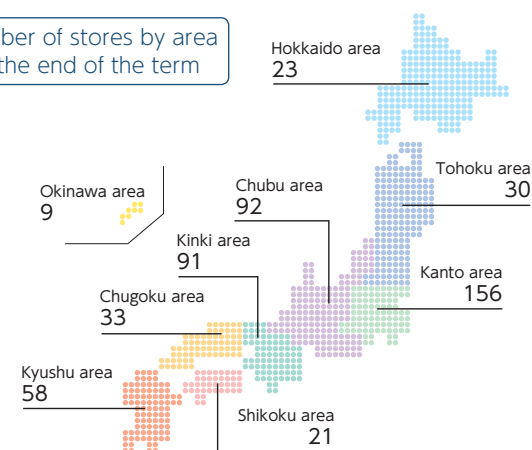
National total: **513** stores (as of August 20, 2017)

Number of stores according to business type

Right-on	477
FLASH REPORT	0
CHIME	0
BACK NUMBER	7
BACK NUMBER KIDS	1
NAUGHTY DOG	28
Total	513

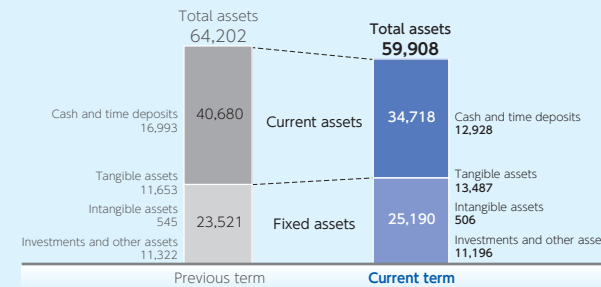
\*During the term, one store of FLASH REPORT changed its business type to NAUGHTY DOG, and one store of BACK NUMBER to Right-on.

Number of stores by area at the end of the term



## Status of assets

(millions of yen)

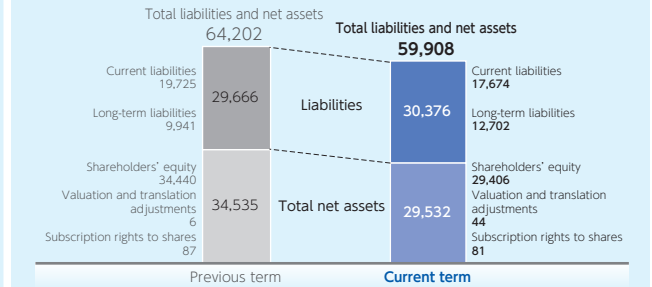


## POINT [Assets]

Total assets as of the end of the term came to 59,908 million yen, a decrease of 4,293 million yen compared to the end of the previous term. Current assets decreased by 5,961 million yen compared to the end of the previous term to 34,718 million yen. This mainly reflected a decrease of 4,064 million yen in cash and time deposits, a decrease of 3,317 million yen in merchandise, an increase of 297 million yen in accrued income, an increase of 177 million yen in trade advance payment and an increase of 172 million yen in accounts receivable-trade. Fixed assets increased by 1,668 million yen compared to the end of the previous term to 25,190 million yen. This primarily reflected a rise of 1,833 million yen in tangible assets, which outweighed a decrease of 126 million yen in investments and other assets.

## Status of liabilities and net assets

(millions of yen)

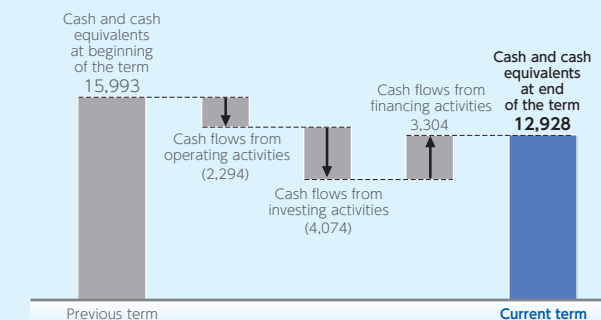


## POINT [Liabilities/Net Assets]

Liabilities as of the end of the term came to 30,376 million yen, an increase of 709 million yen compared to the end of the previous term. Current liabilities decreased by 2,050 million yen compared to the end of the previous term, to 17,674 million yen. This was mainly due to a drop of 1,225 million yen in trade accounts payable, a decrease of 955 million yen in electronically recorded obligations-operating and other factors. Long-term liabilities increased by 2,760 million yen, compared to the end of the previous term, to 12,702 million yen. This was mainly because of a rise of 2,445 million yen in long-term loans payable. Net Assets decreased by 5,003 million yen compared to the end of the previous term to 29,532 million yen. This was mainly due to a decrease in retained earnings carried forward, which were down 5,134 million yen year on year. The equity ratio stood at 49.2%.

## Changes in cash flows

(millions of yen)



## POINT [Cash flows]

Cash and cash equivalents as of the end of the term came to 12,928 million yen, a decrease of 3,064 million yen compared to the end of the previous term. Funds used as a result of operating activities were 2,294 million yen, which was mainly because of the recording of 3,888 million yen in loss before income taxes. Funds used as a result of investment activities were 4,074 million yen, which was mainly because of proceeds from collection of guarantee and rental deposits of 387 million yen, proceeds from withdrawal of time deposits of 1,000 million yen, payments for guarantee and rental deposits of 759 million yen and purchase of property, plant and equipment accompanied by new store openings of 3,690 million yen. Funds acquired as a result of financial activities were 3,304 million yen, which was mainly because of proceeds from long-term loans payable of 6,400 million yen and repayments of long-term loans payable of 2,465 million yen.

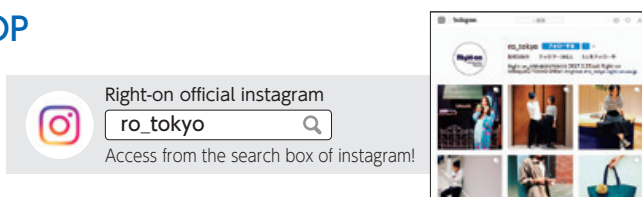
# TOPICS Topics of the fiscal year ended August 20, 2017

Let us introduce our new initiatives and their progress during the fiscal year ended August 20, 2017.

## Downtown flagship store Right-on HARAJUKU TOKYO SHOP

We utilize HARAJUKU TOKYO SHOP, a newly opened downtown flagship store in Harajuku, as a base for branding to convey the image of Right-on in collaboration between actual stores and the press function, by maximizing the advantages of its location.

We convey the appeal of Right-on and the brand by developing a pop-up store tied up with a variety of brands and holding events featuring celebrities.

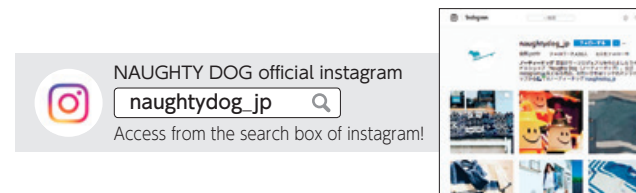


In June, "Right-onxDISH//THE DENIM MASTER Premium Talk Show" was held.

## New business type NAUGHTY DOG

We established 28 stores in the business type of NAUGHTY DOG during the fiscal term.

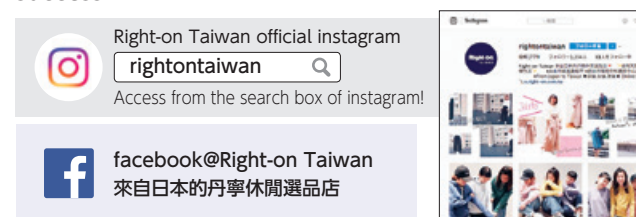
The stores are deployed as LA life style shops carrying urban surf casual products for their core lineup. We will strengthen information dissemination by utilizing an image strategy and SNS tools, and work to achieve an increase in net sales of existing stores for the time being.



## Launching business in Taiwan

We opened two stores in Taiwan during the fiscal term, which was our first attempt to expand our business abroad.

Unlike in the domestic environment, our first priority is to increase awareness of our products in the region. We employed a local actress as the face of Right-on to increase our profile with the aim of improving sales and profitability within Taiwan and will make solid preparation for our future success.



[Shop Information]  
▶ Right-on Breeze Fuxing SHOP  
<Address>  
7F, No. 39, Sec. 1, Fuxing S. Rd, Songshan District, Taipei Breeze Center



[Shop Information]  
▶ Right-on Global Mall Zhonghe SHOP  
<Address>  
2F, No. 122, Sec 3, Zhongshan Rd, Zhonghe District, New Taipei City Global Mall New Taipei Zhonghe



## E-commerce (online shop)

Consumer behavior has been getting diverse due to explosive proliferation of smartphones. Accordingly, the role of online shop is no longer just “another method of purchase,” but it has become an important factor to determine consumer behavior that concludes in ultimately buying a product. Not only would we expand our share of online merchandise by opening stores in the major Internet malls, but also will promote an omni-channel retailing scheme by utilizing our membership organizations shared by actual stores and online shops.

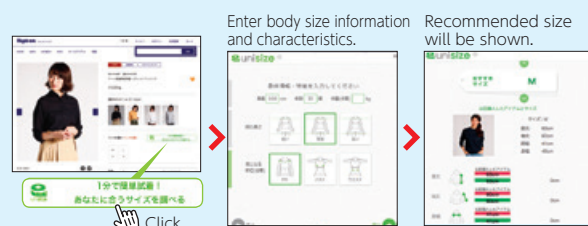
### [Internet malls with Right-on stores]



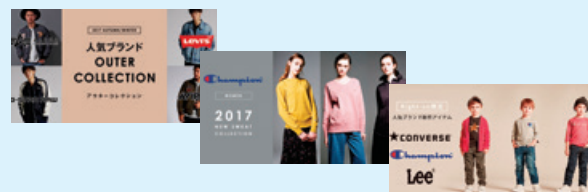
## Our online shop website has been revamped.

### New functions

- **Search by popular/trend key words**  
Frequently searched words and products are shown as “Popular key words.” You can search product lineups by these key words.
- **Launch of fitting support system “unize”**  
Recommended size will be shown after answering questions on the product page. Moreover, you can compare the size of the products with the product you have purchased in the past.



- **Men's/women's/kids' pages**  
Products and special topics for men's, women's and kids' pages are well organized respectively, which makes the items easy to find.



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



We also have strengthened services that connect actual stores and online shops.

- **Order to receive the products at a store**  
You can order products via the Internet and pick them up at a store.
- **Search for inventory at a store**  
You can check products by color and size to see if they are in stock at your local store.

## Corporate Data (as of August 20, 2017)

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:  
998

Business contents:

- A casual wear 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 17, 2017)

Masahiro Fujiwara	Chairman and Representative Director
Tatsuharu Yokouchi	President and Representative Director
Yusuke Fujiwara	Director
Junichi Ishida	Director
Junpei Kawasaki	Director
Hiromasa Kohama	Director
Hiroshi Masuyama	Director
Hitoshi Tada	Director
Hiroo Otomo	Standing Corporate Auditor
Noriyuki Miura	Standing Corporate Auditor
Toshihiro Nagai	Corporate Auditor
Shinichi Hiraide	Corporate Auditor

\*Directors Hiromasa Kohama, Hiroshi Masuyama and Hitoshi Tada are External Directors.  
\*Corporate Auditors Toshihiro Nagai and Shinichi Hiraide are both Outside Corporate Auditors.

## Stock Information (as of August 20, 2017)

Total number of shares authorized 60,000,000  
Total number of shares issued and outstanding 29,631,500  
Number of shareholders 41,799

### Major shareholders

Name	Number of shares held (thousands of shares)	Ratio of shares held (%)
Masahiro Fujiwara	5,225	17.63
Fujiwara Kosan Inc.	4,873	16.45
RIGHT ON Co., Ltd.	2,215	7.48
Yusuke Fujiwara	1,738	5.87
Eiko Fujiwara	674	2.28
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	627	2.12
Nippon Life Insurance Company	618	2.09
The Jojo Bank, Ltd.	528	1.78
Ryosei Fujiwara	462	1.56
NORTHERN TRUST CO.(AVFC) RE-HCR00	442	1.49

### Status of Stock by Type of Shareholder

