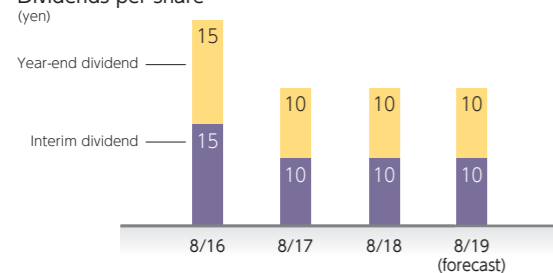


Sharing Profits with Our Shareholders

[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 39th 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).

Dividends per share



[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.

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 31 of the year after the vouchers are presented.

*The business year of the Company is one year commencing on August 21 every year and ending on August 20 of the following year. From the 40th fiscal term, however, the business year of the Company will be changed to commence on September 1 every year and end on August 31 of the following year in order to more efficiently manage the operations of the Company. As a result, the record date for the General Meeting of Shareholders and dividend payments will be changed as follows:

●Record date for the General Meeting of Shareholders:
August 31 every year

●Record date for dividend payments:

Year-end dividend: August 31 every year

Interim dividend: End of February every year

Note that the 40th fiscal term shall commence on August 21, 2018 and end on August 31, 2019, the accounting period of which consists of 12 months and 11 days, and that the record date for interim dividend for the term will be on February 20, 2019.

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

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

Right-on® Report

The 39th Business Report

(August 21, 2017–August 20, 2018)

Right-on®

RIGHT ON Co., Ltd.

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

Tel: +81-29-858-0321

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

Stock Code: 7445

To Our Shareholders

You can look forward to the future Right-on which will be changed into a “jeans-focused specialty store.”

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 39th fiscal term (August 21, 2017–August 20, 2018).

I have promoted various initiatives with momentum in order to recover our business performance since April this year when I was appointed as President of the Company. I am going to explain the overview of our medium-term management plan announced in October.

● Financial results for the fiscal year ended August 20, 2018

Products have been continuously oversupplied in the recent market of the apparel industry, which results in the saturation of the market. Products handled by companies show a strong tendency for being homogeneous, which has led to more price competition. In terms of “selecting one product from among many products” or “searching for the cheapest product”, the convenience of the e-commerce (EC) has been rapidly growing, and the Company should review the significance of existence of actual stores and the EC, respectively. Meanwhile, some companies are still able to improve their business performance in spite of these circumstances, and we have considered that the Company should promptly respond to this situation by clearly presenting the direction that it should take for the future.

We experienced a downturn in profitability due to an increasing tendency of the ratio of discount sales during price competition with other companies year by year. As a result, we recorded negative ordinary income in the previous term for the first time since the establishment of the Company, and our performance

in the first half of the fiscal term under review also continued to be sluggish. In order to break away from the current state of slump, we reconsidered the position of Right-on and decided to transform it from our previous business model of a “mass jeans retailer,” which focuses on the price appeal, into a proposal-based model of a “jeans-focused specialty store,” which conveys the appeal of our products from the second half of the fiscal term.

Based on this new business model, we reduced loss



President and
Representative Director
Jumpei Kawasaki

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.

caused by discount sales and recovered profit due to a stable growth in fixed price sales by strengthening product competitiveness and the presentation capability of sales floors from the second half of the fiscal term. As a result, we successfully achieved financial surplus in the fiscal year ended August 20, 2018, recording 1,036 million yen of ordinary income and 457 million yen of profit.

● Reconsideration of the management and organization system

Looking ahead to the future, we started reforming the organization and system of the Company in the fiscal year ended August 20, 2018.

Firstly, the function of sales headquarters, including merchandise and sales promotion departments, was transferred from Tsukuba-shi, Ibaraki where our headquarters is located, to Harajuku, Tokyo, the center of fashion. This is because we determined that Harajuku was an appropriate place where we could secure human resources necessary for our future growth, enhance our currently-insufficient know-how and function as well as expand our business scope.

Harajuku is full of activity where there are many young people who follow the latest trends of fashion and one can easily access various information on the street. The place is highly convenient and located nearby the offices of our business partners so that we are able to communicate more frequently with them and we can hire our staff more easily than ever.

Secondly, we invited staff who has knowledge or

skills that would be necessary for the Company. As an important point, we reinforced a merchandiser who designs the whole sales floors as a jeans-focused specialty store and constructs the flow of seasons of fashion. In addition, we secured human resources who are ready to promote the supply chain management (SCM) such as production control and quality control.

Finally, we significantly changed the organization system of stores and the headquarters. At the headquarters, in addition to the transfer to Harajuku and the recruitment of new staff, we widely redeployed our labor force in accordance with the right-person-in-the-right-place principle, which started to invigorate the organization significantly. At the stores, we established new professional positions specialized in inventory management and store presentation so that our employees can find their appropriate career paths according to their aptitude.

In addition, we announced a message “we will change our company” to all employees of the Company. Because of continued sluggish business performance, each of our employees already had an awareness of the problem against which we needed to take some measures. The Company sent the message to them with the aim that they actually solve the problem, not just being aware of it. This stimulated our employees to start reconsidering the operation flows and rules from the beginning. We intend to reform the organization and system as stated above in the aim of reforming the Company as a whole.

●Medium-term management plan

In October, we announced the medium-term management plan for the next three years. We set the three objectives as stated below and will proceed with initiatives to achieve them.

(i) Changing into a proposal-based model of a “jeans-focused specialty store”

60% of products sold by us are national brands (NBs) and 40% of them are private brands (PBs). The NBs have been long supported by our customers. They are good in quality and offer various items. However, if the NBs are continuously sold in discount sales, then they lose creditability in their price, causing the brand value to decrease. In the long run, we have no doubt that the best way for both of the Company and the NBs is to break this vicious cycle and then work together to appeal the brand value.

In our stores, the products were lined up by each item. We, however, reconsidered the display style, and have decided to change it to a way that the products are displayed based on the theme set up for each brand. In cooperation with the NBs, we prepare catalogs, POP materials and promotional materials as well as offer a season’s theme or seasonal coordinate in sales floors in order to attract our customers to stop and take a look at them. In addition, we strengthen our partnership for the development of limited edition of products with value such as our 40th anniversary model. Regarding our regular products, this cooperation allows us to develop items which are well balanced in quality and price more than ever and to take on various challenges.

(ii) To make BACK NUMBER a global brand

BACK NUMBER is the representative PB of the Company. The Company has built a strategy in which we make BACK NUMBER a global brand with

product competitiveness and brand image that can compete with renowned NBs.

Utilizing the economy-of-scale advantages of our approximately 500 stores, where BACK NUMBER can alone generate large sales, we are able to start a project with our business partners from the development of material. As a symbolic product of BACK NUMBER, we will launch a product of WASHI DENIM. Denim cloth woven with Japanese traditional paper “washi” is an appropriate material to appeal from Japan to the rest of the world. The material is functionally strong yet light and breathable so that clothes made with this material are cool in summer and warm in winter. We set the price of these products at an affordable price and highlight their functionality to readily sell them at stores.

We will use WASHI DENIM mainly for jeans as well as for jackets and shirts in the future. In addition, the Company will build up the system where attractive products are stably supplied by actualizing the product lineup of PBs unique to Right-on with other materials ranging from traditional materials to innovative materials that cannot be imitated by competitors and by further promoting the SCM.

(iii) EC as a core for a growth strategy

We understand that an important issue for our



future is to strengthen the EC and digital marketing. As our strength is in our actual stores, we will develop our services by connecting the EC and actual stores to create a synergy effect in order to differentiate ours from other EC malls.

For example, we will design services so that customers can easily select and buy our products through seasonal proposals or clear explanation of the quality of materials. We will proceed with initiatives that are “unique to Right-on” such as publishing feature articles for the appeal of NBs at its own EC site, and utilizing a strong connection with NBs.

Because comfortableness of jeans may vary depending on their size and material, we offer our customers an opportunity to enjoy actually fitting them, which is a part of the pleasure of selecting clothes. This is what we consider as the greatest strength of Right-on where customers can find products at EC sites and visit an actual store to fit them to check their comfortableness, which is possible with services connected to actual stores. We have no doubt about the quality of jeans handled by us. We just need to construct a system where we can offer our customers more opportunities to try our jeans to fit.

In our medium-term management plan, we prioritize an improvement in profitability with the aim of connecting it to our future growth.

By the end of the fiscal year ending August 31, 2021, the last year of the plan, we expect to achieve an ordinary income of 6% or higher by strengthening our actual stores and the EC with the initiatives explained above as well as improving a gross profit margin, and promoting the suppression of inventory and the reduction of expenses.

●To our shareholders

We hope that our shareholders will visit an actual

Overlook for the full fiscal year ending August 31, 2019

(August 21, 2018–August 31, 2019)

		Y-o-y change
Net sales	80,000 million yen	104.2%
Gross profit on sales	40,800 million yen	109.5%
Selling, general and administrative expenses	38,800 million yen	107.6%
Operating income	2,000 million yen	166.3%
Ordinary income	2,000 million yen	193.0%
Extraordinary losses	1,200 million yen	206.2%
Profit attributable to owners of parent	350 million yen	76.5%
Profit per share	12.71 yen	–

*The fiscal year ending August 31, 2019 is an irregular accounting period consisting of 12 months and 11 days due to the transitional period of change.

store nearby, and see and understand our initiatives for a “jeans-focused specialty store.” I believe that if you see our initiatives over a period of a half or one year, you can feel that our reformation is actually in progress.

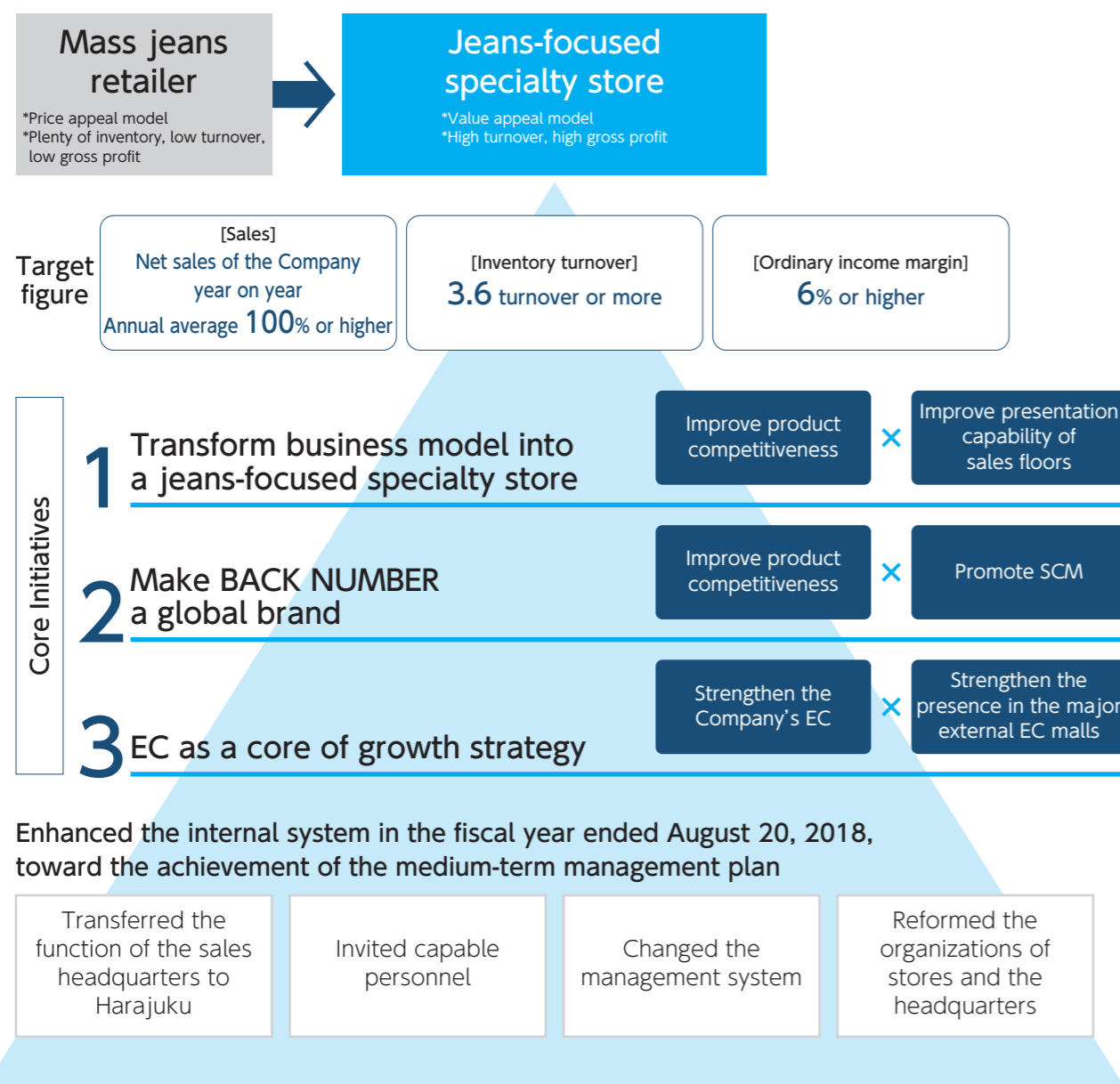
The Company offers vouchers for shareholders because we would like to build a long lasting relationship with our shareholders as a fan of Right-on. We will continuously exert our efforts to provide stable dividends to meet our shareholders’ expectations.

I look forward to receiving your continued support in the future.

Medium-Term Management Plan

(From the fiscal year ending August 31, 2019 to the fiscal year ending August 31, 2021)

Right-on has established the medium-term management plan targeting for the period from the fiscal year ending August 31, 2019 to the fiscal year ending August 31, 2021. We try to transform our business style from a previous price appeal model of a “mass jeans retailer” into a value appeal model of a “jeans-focused specialty store” in order to achieve our MISSION.



1 Transform business model into a jeans-focused specialty store

Strengthen a partnership with national brands

Further strengthen a partnership with national brands and improve product competitiveness even more

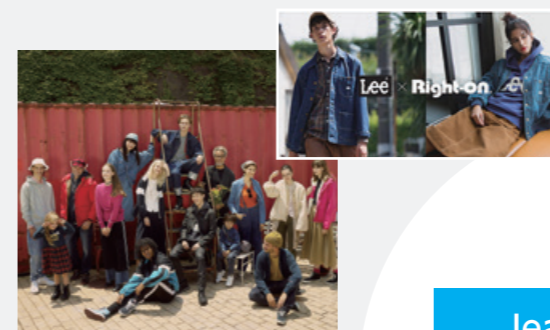


Image of sales floors

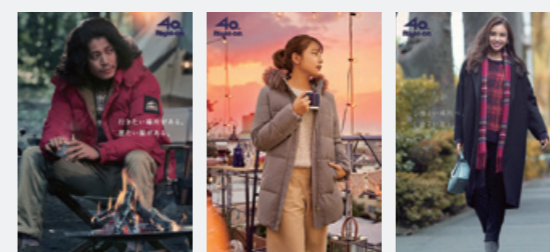
Change sales floors into the places where features of each of our products are highlighted and presented by creating a space with a certain theme



Jeans-focused specialty store
*Value appeal model
*High turnover, high gross profit

Strengthen an image strategy

Use authentic actors and models to maximize and publicize the appeal of our products

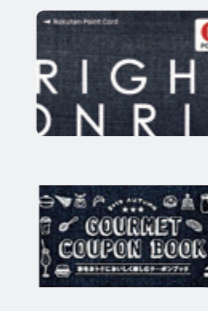


Mr. Shun Oguri Ms. Haruna Kawaguchi Ms. Makiko Takizawa

Collaboration with different types of business

Actively plan a collaboration event with different types of business as a new measure to attract customers

Right-on members card, LINE, and apps with a Rakuten Point function



2 Make BACK NUMBER a global brand

- Utilizing the economy-of-scale advantages of the Company which enable us to start from the development of materials, we will plan and develop a private brand which is unique and can be differentiated from competitors.
- We will make BACK NUMBER, which is a core product of the Company, a brand with an image and product competitiveness that can compete with national brands sold in the global market.
- In addition, we will build a system where we can stably supply better quality products to our customers by improving the capability of product development as well as the efficiency of production, quality control, and logistics.



Focus on WASHI DENIM and develop sub-products

- ▶ Build an image of BACK NUMBER focusing on WASHI DENIM, while developing sub-products that will fit with jeans
- ▶ Create jeans casualwear in which the elements of authentic vintage and contemporary culture will be integrated



3 EC as a core of growth strategy

- We will set the EC as a core for our growth strategy and develop it all at once to the level that it can compete with competitors' ECs within three years.
- We will significantly increase contact points with our customers by strengthening the digital marketing function that directly connects with EC sales.
- We will develop actual stores and the EC with a synergy effect with our initiatives where actual stores are firmly connected to the EC.



Strengthen the Company's EC

- ▶ As for the Company's EC, we are committed to proceeding with initiatives that are unique to Right-on. Meanwhile, we enhance our presence in external malls by clearly setting a strategy for each mall.

- 1st STEP Kick-off...Improve the sales ratio and average sales per customer**
 - EC design unique to Right-on
 - Reform every element of the EC toward the achievement of an unrivaled level of services (Sales interface, sales, payments, and logistics for EC as well as systems to support them)
- 2nd STEP Expand sales...Increase the number of customers visiting our stores**
 - Enhance measures to attract customers
 - Strengthen digital marketing
 - Enhance links with the stores
 - Expand product lineups
 - Expand the range of brands and items
- 3rd STEP Expand the business of Right-on**
 - Overseas measures
 - Multilingualization and cross-border EC
 - Outlet
 - Promote inventory consumption and establish Outlet Merchandising

Strengthen the presence in the major external EC malls

Initiatives for external malls

- ▶ In external EC malls, we ensure to make a profit by responding to the characteristic of each mall in terms of attracting customers.
- ▶ In the major external EC malls, we enhance our presence within the mall by implementing a measure that clearly defines a strategy for the mall.

EC malls where we have already opened our stores



3 EC as a core for a growth strategy [EC site renewal]

We have renewed and opened the Right-on online shop. We will launch a new recommendation service introducing artificial intelligence (AI) to offer our customers an even more fun and convenient shopping experience as well as new WEB contents of a jeans-focused specialty store specialized in jeans.

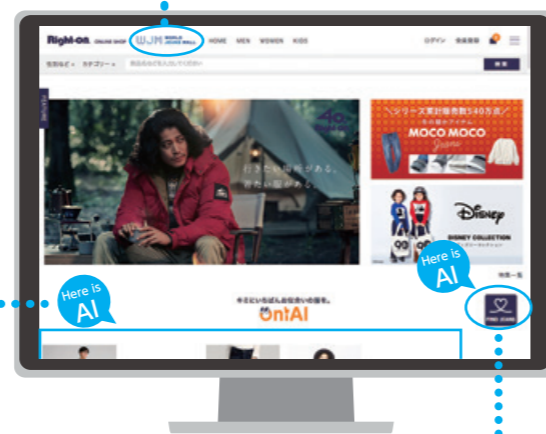
The URL of our corporate site has been changed due to renewal of the EC site.

<Corporate site>
<https://biz.right-on.co.jp/english/>
 <Online shop>
<https://right-on.co.jp/>



Gather jeans from all over the world WORLD JEANS MALL

The EC site specialized in jeans, WORLD JEANS MALL, will open at the same time. The site where customers can select jeans from around the world is unique to Right-on as jeans-focused specialty store. Customers can search jeans not only by brand or shape, but also by the depth of rise and the degree of faded color. We also offer a variety of information such as articles and contents of jeans.



“Jeans of fate”



Create ONIAI by AI and Right-on staff Recommendation service

We launched a new recommendation service by introducing personal artificial intelligence SENSY which can learn sensitivity, developed by an AI venture company, SENSY Inc. A new recommendation service ONIAI allows our customers to find items they are looking for, or some other unexpected items, or items they have never tried before, all of which are proposed by AI. In addition, we have created our own algorithm as the original function of the Company which incorporates many style samples that are actually checked by our staff one by one. An ONIAI service will propose a fashion coordination combining recommended items as if customers select products with their dedicated stylist.

In addition, we have published the contents of “Jeans of fate” to help our customers who have difficulty in selecting jeans that suit them at the EC site to relieve their concern.



Other initiatives

New business type

It has been about one and a half years since the launch of Naughty Dog and Right-on in Taiwan. We try to make a profit and expand within the three years.

Naughty Dog

- Expand the top selling products which have been found after about one and a half years since the launch of the brand
- Gain a stable growth in sales by expanding the products of the national brands



Taiwan

- Rebuild a product mix that meets the customers' expectations in Taiwan to increase sales of the products
- Actively develop a pop-up store with a limited period for branding and expanding sales channels
- Fully operate the Company's EC and plan to open stores in external EC malls



Reformation of personnel system

We strive to reform our personnel system and organize a working environment in order to smoothly manage the new organization as well as to properly respond to the current labor market environment where a lack of manpower continues.

Improve motivation in the work

- Train employees who would voluntarily promote improvement and reformation
- Create a personnel system where an “employee with ability” and an “employee with spirit of challenge” is highly evaluated, recruited, and promoted

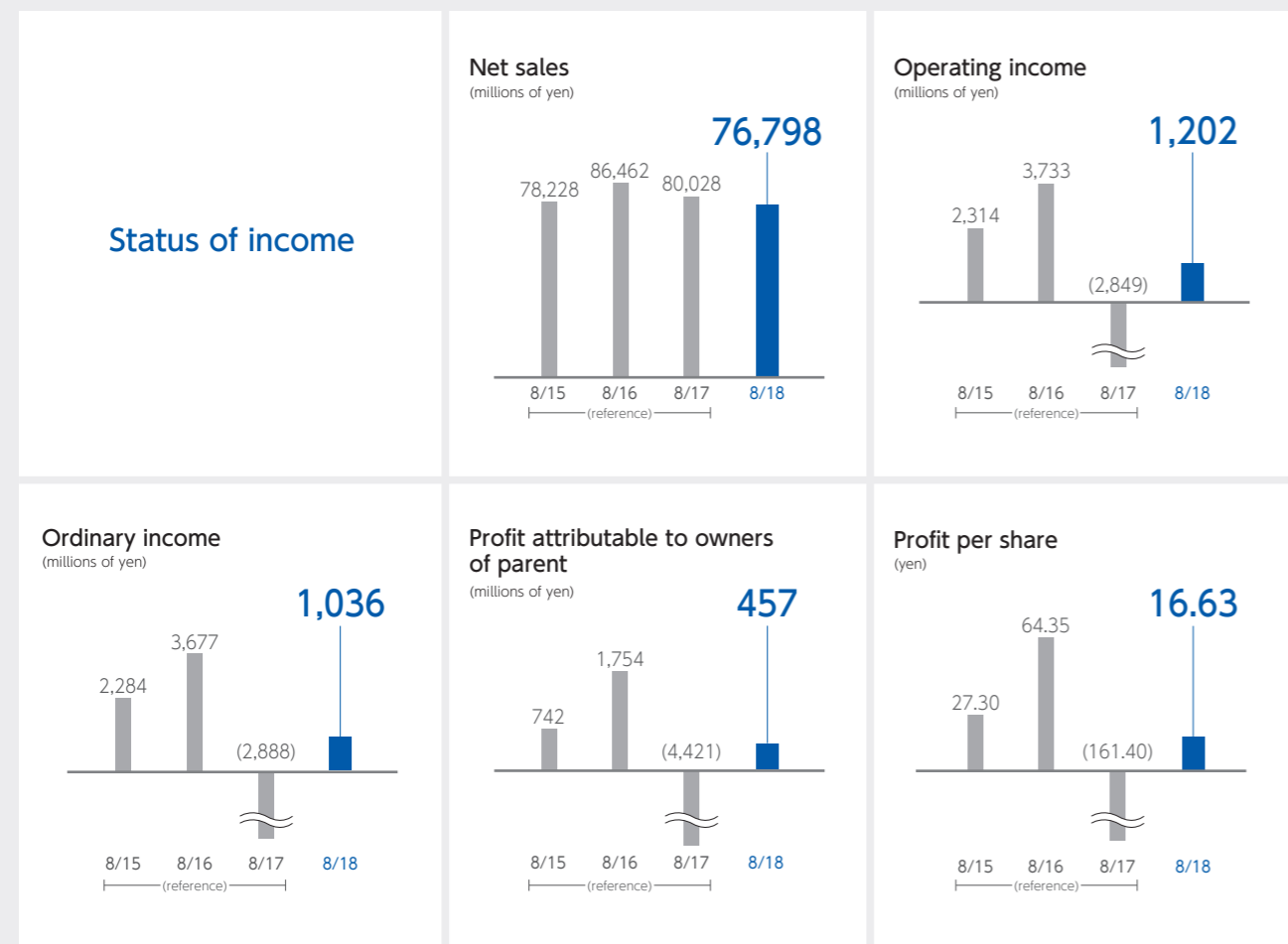
Improve environment in the workplace

- Enhance systems that support working women
- Actively recruit non-Japanese staff, respond to inbound tourism consumption, and improve the quality of customer services
- Actively make an investment to exclude the “unreasonableness, inconsistency, waste” of operations

Financial Highlights

"Materials for financial results briefing" is available at our IR site.
<https://right-on.co.jp/english/ir.php>

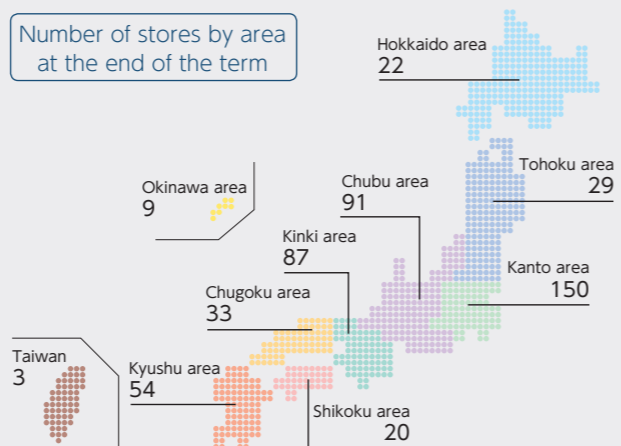
Figures for previous fiscal years are provided for reference purposes only because we started preparing consolidated financial statements for the fiscal year ended August 20, 2018.



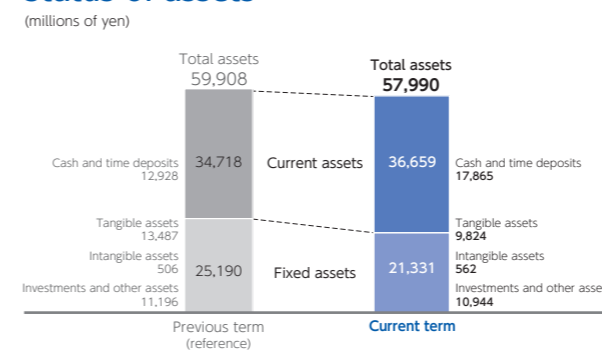
Stores

Total: 498 stores	(as of August 20, 2018)
Number of stores according to business type	
Right-on	459 *
Naughty Dog	30
BACK NUMBER	5 *
BACK NUMBER KIDS	1
Overseas	3
Total	498

*One store of BACK NUMBER changed its business type to Right-on during the term.



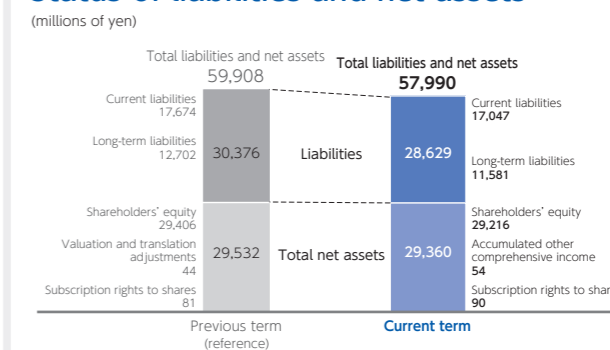
Status of assets



POINT [Assets]

Current assets at the end of the fiscal year under review amounted to 36,659 million yen. This mainly comprised cash and time deposits of 17,865 million yen, notes and accounts receivable-trade of 1,730 million yen, and merchandise of 14,587 million yen. Tangible assets amounted to 9,824 million yen. This mainly comprised buildings and structures of 7,152 million yen. Investments and other assets amounted to 10,944 million yen. This mainly comprised net defined benefit asset of 320 million yen and lease and guarantee deposits of 10,262 million yen. As a result, total assets amounted to 57,990 million yen.

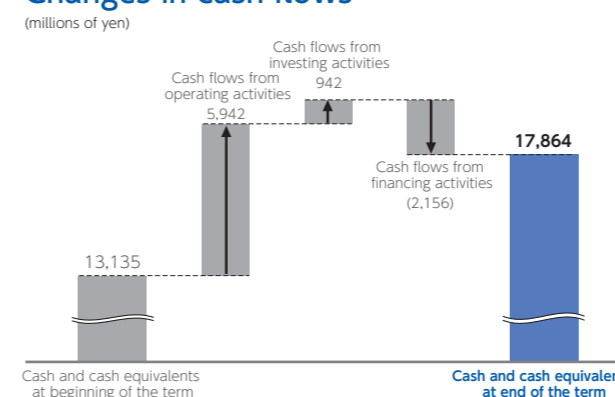
Status of liabilities and net assets



POINT [Liabilities/Net assets]

Current liabilities at the end of the fiscal year under review amounted to 17,047 million yen. This mainly comprised notes and accounts payable-trade of 1,435 million yen, electronically recorded obligations-operating of 7,460 million yen, and current portion of long-term loans payable of 3,840 million yen. Long-term liabilities amounted to 11,581 million yen. This mainly comprised long-term loans payable of 8,630 million yen and asset retirement obligations of 2,559 million yen. As a result, total liabilities amounted to 28,629 million yen. Net assets amounted to 29,360 million yen. This was mainly due to profit attributable to owners of parent of 457 million yen as well as disposal of treasury stock of 146 million yen, despite the dividend payments of 549 million yen. As a result, equity ratio was 50.5%.

Changes in cash flows



POINT [Cash flows]

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the fiscal year under review amounted to 17,864 million yen. Funds acquired as a result of operating activities were 5,942 million yen. This was mainly due to profit before income taxes of 847 million yen, depreciation of 1,714 million yen as well as a decrease of 1,317 million yen in inventories and an increase of 1,084 million yen in accounts payable. Funds acquired as a result of investing activities were 942 million yen, which was mainly due to purchase of tangible assets accompanied by new store openings of 2,100 million yen, payments for guarantee and rental deposits of 489 million yen as well as proceeds from sales of tangible assets of 3,448 million yen. Funds used as a result of financial activities were 2,156 million yen, which was mainly because of proceeds from long-term loans payable of 2,600 million yen and repayments of long-term loans payable of 4,255 million yen.

Special Topic: Right-on 40th Anniversary



It is Right-on's 40th anniversary this autumn. We will offer our customers 40th anniversary products which are created in collaboration with various national brands as well as many events and campaigns prepared in collaboration with different types of business. We will live up this year of our 40th anniversary from the point of view of both product and promotion.

<40th Anniversary Products>



Examples of products



Right-on's 40th anniversary bandana

Special tag with 40 embroideries in commemoration of the 40th anniversary



DENIM-WASH, limited novelty item in commemoration of the 40th anniversary

You will get the novelty item by spending 10,000 yen or more (excluding tax) of our products including the 40th anniversary products. (while supplies last)



For more information about the products

Special site for the 40th anniversary
<https://right-on.co.jp/feature/40th>



<40th anniversary promotion>



Right-on gourmet coupon



Tohato, Inc.
 Right-on original Harvest



KALITA CO.,LTD.
 Project linked with CM Coffee gift

Corporate Data (as of August 20, 2018)

Company name:
 RIGHT ON Co., Ltd.

Tsukuba Headquarters:
 1-11-1 Azuma, Tsukuba-shi, Ibaraki 305-8503, Japan
 Tel: +81-29-858-0321

HARAJUKU HEAD OFFICE:
 6-27-8 Jingumae, Shibuya-ku, Tokyo, 150-0001, Japan

Corporate website:
<https://biz.right-on.co.jp/>

Establishment:
 April 1, 1980

Capital stock:
 6,195 million yen

Representative:
 Jumpei Kawasaki,
 President and Representative Director

Number of employees:
 (Non-consolidated) 991 (Consolidated) 1,010

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 stores located in shopping centers, power centers and station buildings, urban street stores and suburban roadside stores

Directors and Corporate Auditors (as of November 16, 2018)

Masahiro Fujiwara Chairman and Representative Director
 Tatsuharu Yokouchi Vice Chairman and Director
 Jumpei Kawasaki President and Representative Director
 Yusuke Fujiwara Director
 Junichi Ishida Director
 Takashi Izumi 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

Notes:
 *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, 2018)

Total number of shares authorized 60,000,000
 Total number of shares issued and outstanding 29,631,500
 Number of shareholders 41,901

Major shareholders

Name	Number of shares held (thousands of shares)	Ratio of shares held (%)
Masahiro Fujiwara	5,226	17.63
Fujiwara Kosan Inc.	4,873	16.44
RIGHT ON Co., Ltd.	2,101	7.09
Yusuke Fujiwara	1,740	5.87
Eiko Fujiwara	674	2.27
Nippon Life Insurance Company	635	2.14
MUFG Bank, Ltd.	627	2.11
The Joyo Bank, Ltd.	528	1.78
Ryosei Fujiwara	462	1.55
Japan Trustee Services Bank, Ltd. (Trust Account 4)	439	1.48

Status of Stock by Type of Shareholder

