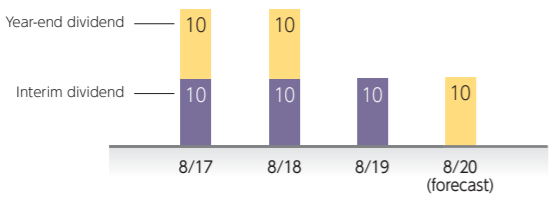


Sharing Profits with Our Shareholders

[Dividends]

Our dividend policy is to place importance on sustaining a stable payment of dividends while seeking to distribute profits to shareholders backed by our business performance. We will effectively utilize our internal reserves to strengthen our financial profile, which will enable us to operate our business in the future, and work to expand our business. After comprehensively considering this policy and our business performance, the full-year dividend will be 10 yen per share (an interim dividend of 10 yen and a year-end dividend of 0 yen).

Dividends per share (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 31.

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 was one year commencing on August 21 every year and ending on August 20 of the following year. From the 41st fiscal term, however, the business year of the Company has been 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.

IR Information

Business Year\*:

September 1 to August 31 of the following year

Date of General Meeting of Shareholders:

November

Record Date for Dividend Payments\*:

Year-end Dividend: August 31  
Interim Dividend: End of February

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.

As a result, the record date for the General Meeting of Shareholders and dividend payments has been 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



The 40th Business Report

(August 21, 2018–August 31, 2019)



## To Our Shareholders

Under the medium-term management plan, which has entered its second year, we are aiming to reform our business model and make an early return to growth.



President and  
Representative Director  
**Jumpei Kawasaki**

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 40th fiscal term (August 21, 2018–August 31, 2019). I would also like to express my deepest sympathies to all those who have been affected by the recent natural disasters such as torrential downpours and typhoons.

### ●Medium-term management plan's progress and future issues

The fiscal year ended August 31, 2019 was the first fiscal year of the medium-term management plan that was announced last year, but performance was disappointing due to the significant losses recorded. I would like to sincerely apologize for not being able to meet the expectations of our shareholders. We are working with determination to quickly recover our business performance, and I request your continued support.

In this medium-term management plan, one of our core initiatives is to transform from a "mass jeans retailer" with a business model appealing to price into a "jeans-focused specialty store" with a business model appealing to value. This term, we have focused on transforming our business model with

### 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.

initiatives such as the reduction of our large amount of inventory, but improvement of our merchandise quality, and careful selection and refinement of items to be developed continue to be issues.

Oversupply continues in the apparel market, and the risk of declining prices tends to expand. If we participate in never-ending price competition, we won't be able to secure appropriate profits. I think it can be said that it is now more important to meet the needs of our customers that want to buy good merchandise regardless of price by providing carefully selected items that are high quality.

### ●Changes in the business environment and Right-on's strengths

I believe that Right-on has two strengths. The first is our high level of recognition as a jeans specialty store. As the reputation that "If I'm going to buy jeans, it will be at Right-on," builds, Right On is receiving opportunities to open stores in shopping centers (SC) on a preferential basis.

The other strength is our high level of convenience that comes with existing close to our customers, as we have stores all throughout Japan that offer popular brands and trending items. However, famous brands have recently been opening specialty shops

in SC in various regions, various companies have been strengthening their e-commerce (EC) websites, and sales from external EC malls have increased, so it has become easy for customers to purchase the merchandise that they want without coming to our shops. As a result, the Group's extensive network doesn't necessarily translate to competitiveness, and with each passing year, our competitiveness is relatively weakening, and sales and profitability are decreasing. In order to respond to these kinds of changes in the business environment, we believe that we should move forward with immediately expanding sales from EC sites and at the same time, refining the presentation capability and value appeal of jeans more than anything else.

In this society where people live abundantly and are inundated with things, consumers need great-value merchandise that improves their quality of life when owned. As a company that responds to the times, our aim is to proactively propose merchandise that shows the commitment of Right-on and matches the different situations in our customers' lives going beyond simple messaging like "it's good because it's a well-known brand" or "it's time to buy because the price dropped."

●Corporate vision for the future

Over the past 10 years in the apparel market, the main players have switched around and been replaced under the fiercely competitive environment, and the power relationships in the industry have seen big changes. We believe that two key strategies to manage the ups and downs are to continually develop merchandise that shows our commitment and to convey our messaging effectively. By creating a high-quality merchandise lineup based on the newest trends, and proactively conveying our earnest beliefs regarding jeans and American casualwear, as well as proposing new ways to dress well, we are working to create “a sense of comfort and confidence in merchandise proposed by Right-on” in the current day and age where people are inundated with things and information and establish our branding.

Regarding EC, which we consider to be of core importance for our growth strategy, we will immediately create an appealing EC site in order to enhance a jeans and American casualwear specialty online store in line with the preceding initiatives of other companies. In addition, we will pursue the expansion of synergy through cooperation between our actual stores and our EC site based on the sharp increase of customers that order merchandise from EC sites and pick them up in-store.

●Future store development

Regarding store development, we believe that the trend of reducing the number of stores will continue for a while. Over the past few years, the gap between SC has expanded as a result of the rush to open stores in SC, and even Right-on has started to see stores having difficulties attracting customers. Additionally, even for urban street stores and

suburban roadside stores, it is necessary to concentrate and unify operations into the highly profitable stores in cases where there are multiple stores in one area, and increase earning power of the Group as a whole. In order for the Group to embark on a track of growth again, strategic store development, including closing stores and consolidation, is necessary. Regarding the opening of new stores, our policy is to consider not only stores in SC, which are our core type of store, but also various types of other stores, such as urban street stores, outlets, and collaborative stores, and at the same time, focus on establishing an efficient network of stores.

●Scenarios for recovering business performance and our future policy

In order to quickly recover our business performance, the Group is strengthen earning power by working to rapidly improve profitability and drastically reducing costs.

To recover our sales, we will pave the way to recovery of our existing stores by clarifying the store concept of Right-on as a “jeans-focused specialty store” and thoroughly offering jeans and American



casualwear that our customers look forward to, as well as working to provide high-quality, cost-effective merchandise that exceeds expectations, and developing and expanding Right-on’s customers (whom we see as our fans). We will also work toward the enhancement of EC to supplement the reduced number of stores.

Additionally, to improve our gross profit margin, we will fundamentally reconsider the ideal status of the partnerships with our business partners in order to improve the efficiency of production and logistics. Regarding selling, general and administrative expenses, we will reconsider all expense items from the beginning and optimize them.

●Management policy for the fiscal year ending August 31, 2020

Our medium-term management plan began its second year this September.

The first year resulted in the recording of significant losses, but we promoted initiatives connected with improving our financial profile through working to optimize our inventory. In the fiscal year ending August 31, 2020, which is the second year of our medium-term management plan, we will make this fiscal year the starting point of our next stage of growth. To do so, we will shake free from the slump in our business performance by earnestly accelerating our transformation into a jeans-focused specialty store and promoting initiatives to completely reform the operations of the Company and optimize costs to improve profitability. Our forecast for business performance in the fiscal year ending August 31, 2020 calls for net sales of 66,000 million yen, operating income of 600 million yen and ordinary income of 600 million yen.

Overlook for the full fiscal year ending August 31, 2020

(September 1, 2019–August 31, 2020)

Net sales	66,000 million yen
Operating income	600 million yen
Ordinary income	600 million yen
Profit attributable to owners of parent	100 million yen
Profit per share	3.63 yen

\*Year on year changes will not be shown as the fiscal year ended August 31, 2019, which would be used for comparison, is an irregular accounting period consisting of 12 months and 11 days due to the change in fiscal year-end.

●Message to our shareholders

The Group’s basic policy of profit distribution is to continually provide stable payment of dividends while also working to build the internal reserves that will be the funds used to operate our business in the future. In line with this basic policy, dividends for the fiscal year ended August 31, 2019 were 10 yen per share.

It can be thought that the management environment surrounding the Group will continue to be unpredictable in the future, but we want to make the securing and rebuilding of profitability our number one objective, and clear the way to a new stage of sustainable growth. We will also actively respond to the strengthening of our corporate governance and work style reform, and focus on establishing an appropriate management system for a company that attains growth. We would like to ask all of our shareholders for your continued understanding and support of Right-on.

## Progress of the Medium-Term Management Plan

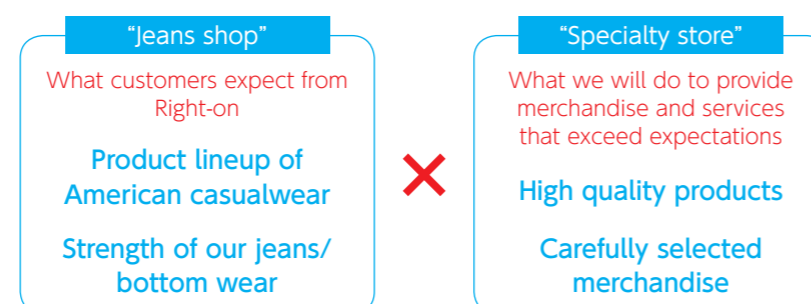
I am going to report on this term's progress on the medium-term management plan that was announced last year.

This term we aimed to change from a "mass jeans retailer" to a value appeal model of a "jeans-focused specialty store," and emphasized engaging in initiatives to transform our business model. However, we were limited to addressing our situation and making improvements within our existing framework, so we recognize that we were not able to achieve the reformation of operations of the whole company or the transformation of our business structure. Going forward, we will clarify our store concept, in addition to changing and evolving with the times, expanding the number of our fans, and further promoting the reformation of our business model.

Targets of the medium-term management plan	Progress as of the end of the fiscal year ended August 31, 2019	Measures for the future
<b>Net sales</b> Net sales of the Company year on year Annual average 100% or higher (Securing of over ¥80.0 billion)	×	<ul style="list-style-type: none"> <li>•The scale of sales at our existing stores is gradually decreasing, but for the future we will increase the number of our fans by promoting "reformation into a jeans-focused specialty store," and changing and evolving with the times.</li> <li>•In this large transformation, there is a risk of strain on our sales for a fixed period of time, but we will quickly correct our course and realize this policy.</li> <li>•As the number of stores gradually decreases, we will strengthen EC so that it can supplement the reduced number of stores.</li> </ul>
<b>Inventory turnover</b> 3.6 turnover or more	△	<ul style="list-style-type: none"> <li>•Consumption of our inventory that was carried over from the previous fiscal year is steadily progressing, but on the other hand, we still continue to have a large amount of inventory of our regular products, including jeans, so our inventory turnover for the fiscal year ended August 31, 2019 was 2.9.</li> <li>•In the fiscal year ending August 31, 2020, we will promote the further optimization of our inventory, and we will continue to aim for the realization of an inventory turnover of 3.6 or more for the fiscal year ending August 31, 2021.</li> </ul>
<b>Ordinary income margin</b> 6% or higher	×	<ul style="list-style-type: none"> <li>•For "reformation into a jeans-focused specialty store," we will reconsider our existing expense items across the board, and we understand that the establishment of a management system is imperative.</li> <li>•For the fiscal year ending August 31, 2020, we will improve profitability by continuing to optimize selling, general and administrative expenses, and we will continue to aim for the realization of an ordinary income margin of 6% or more by the fiscal year ending August 31, 2021.</li> </ul>

### Core Initiative (i) Transform business model into a jeans-focused specialty store

We will engage in initiatives to set Right-on's concept and further clarify it as an American casualwear specialty store with jeans as its core item.



### Core Initiative (ii) Make BACK NUMBER a global brand

We will come up with a plan to make merchandise that demonstrates our commitment to value as the our merchandising focus using our three-pronged approach of "merchandise, sales floors and promotion."

#### Standard and universal

- Development of classic items with a high level of perfection that thoroughly pursued the roots of design
- Modernizing shape, functionality, etc., and providing updated value

#### Natural materials

- Aiming to create clothes that will be worn for a long time, and using unique natural materials
- Pursuing comfort
- Easy-care and tough materials
- Not "deterioration over time," but "fits well to the body" and "looks better over time"
- Consideration toward the environment

#### Compelling buying choices

- Maintaining price range, centered on SC, while staying authenticity-oriented and using carefully selected materials
- Utilizing economy-of-scale advantages to the highest extent to realize high cost performance that other companies can't imitate



▲WASHI DENIM



▲TOUGH AGE



▲THE WORLD CARGO

### Core Initiative (iii) EC as a core of growth strategy

This term we updated EC by moving to an in-house system, moved to handling major operations in house, and reformed logistics. Going forward, we will mainly improve and expand contents for the EC site, which concentrates Right-on's commitment to products and the proposals of ways to dress well.



## E-commerce (online shop)

In order to realize “EC as a core for growth strategy,” which is one measure in our medium-term management plan, we will strengthen our EC site through various measures such as adding and improving functionality.

We will connect our stores throughout Japan and help customers securely and comfortably enjoy shopping by easing issues that are common when shopping online, such as choosing the correct size and color, being unsure about materials, and having difficulty receiving products at home, through our “service to receive products in store.”

### Service to receive products in store

The issue with ordering products online has been solved!



Order products online  
Receive products at the store

### 2 Receive products when you want



You can shop without worrying about delivery time! If you use our “service to receive products in store,” you can receive products at a nearby store during your work commute, school commute, or while shopping, so you can order without worrying about delivery time.

### 4 You can get your bottom wear hemmed in store!



You can't decide the length to hem without actually putting the pants on. After trying pants on in store, you can discuss length with staff, so you can feel at ease and get your pants hemmed. You can even get your pants hemmed at a later date for free if you have your receipt.

### 1 Free delivery



We provide free delivery, even for one item, for customers receiving products in store. This is even recommended for people who refrain from ordering online because they're worried about delivery fees.

### 3 You can purchase items after trying them on in store!



There is probably a lot of apprehension regarding ordering online such as, “The size isn't correct...” or “It looks different than the picture...” You can try clothes on and choose sizes that match your body. If the shop has inventory, you can exchange sizes there, so you can have peace of mind.

### 5 Variety of payment methods



There are probably a lot of people that are unsure about using their credit card online. If you pick up products in store, you can choose a payment method that's the same as shopping in store such as cash, gift certificates, or cashless payment.

## BRAND

### Private brands

#### BACK NUMBER

Based on American casualwear like work and military wear, BACK NUMBER is a brand with the concept of “Re-Vintage,” which uses the appeal of good old-fashioned vintage wear, and recreates it using materials and shapes that match your current lifestyle and fashion style. BACK NUMBER is releasing various products with individual expression and interpretation that don't stick to stereotypes, such as “WASHI DENIM.”



#### H A R V A R D®

HARVARD brings the style that started with “Ivy League style” from America's East Coast in the 60's into the present. They propose traditional and preppy styles.



#### RAG MACHINE

“RAG” means “worn-out.” RAG MACHINE is venturing to present a secondhand clothing-type world view that focuses on appearance that looks as though the clothes were worn for many years. They are a brand that presents classic American casualwear items with young, new sensibilities.



Naughty Dog is a specialty store that looks to the comfortable lifestyle of the West Coast. They will change the ordinary day to day to a special time with items that focus on being kind to people, animals and the environment. Happiness is beside you.



Established in 1971. Responding to the needs of climbers that gather at the Rocky Mountains, CAMP 7 constantly develops and provides high quality merchandise. They are a daily outdoor brand that updated their functionality and design, and was established half a century ago.



## I Topics

### (i) Opening of our model stores

The Urasoe PARCO CITY SHOP and iias Tsukuba SHOP were opened as jeans-focused specialty model stores. In particular, the Urasoe PARCO CITY SHOP, which was designed utilizing regionality, has had a large impact and has been featured various times in SNS and the media, etc.



#### ► Urasoe PARCO CITY SHOP

This shop was developed as a sales floor that focuses on bottom wear in order to further convey the appeal of jeans to customers. It presents the atmosphere of Okinawa and has a format that is different from our conventional shops.



#### ► iias Tsukuba SHOP

This shop embodies the jeans-focused specialty store with its sales floor that focuses on “showing” our merchandise even more.

### (ii) Holding community-based events

All the store managers worked with developers on planning and proposals, and various events took place, including different kinds of experiences. They took place not only in shopping centers, but also suburban roadside stores, and around 100 events took place in one year. Going forward, we plan to continue to hold events originating from our stores that will make customers happy.



#### ► Aeon Mall Kagoshima SHOP

Making printed t-shirts.



#### ► Mioka List SHOP

Making denim fans.

### (iii) Commencement of promotions advanced by staff

To convey the value of our products, shop staff will direct familiar and realistic presentations. We began publishing a style magazine by staff in the online shop.



### (iv) Core products at the beginning of the 41st term

We will develop merchandise that focuses on materials, has high functionality and incorporates trends.

#### BACK NUMBER



#### “N-3B down jacket”

A genuine American style military jacket that gives thoughtful attention to the environment by using recycled down and emphasis on functionality such as its water repellent finish that makes the outer material surface rain resistant, and its neck liner that can be detached and washed.

#### BACK NUMBER



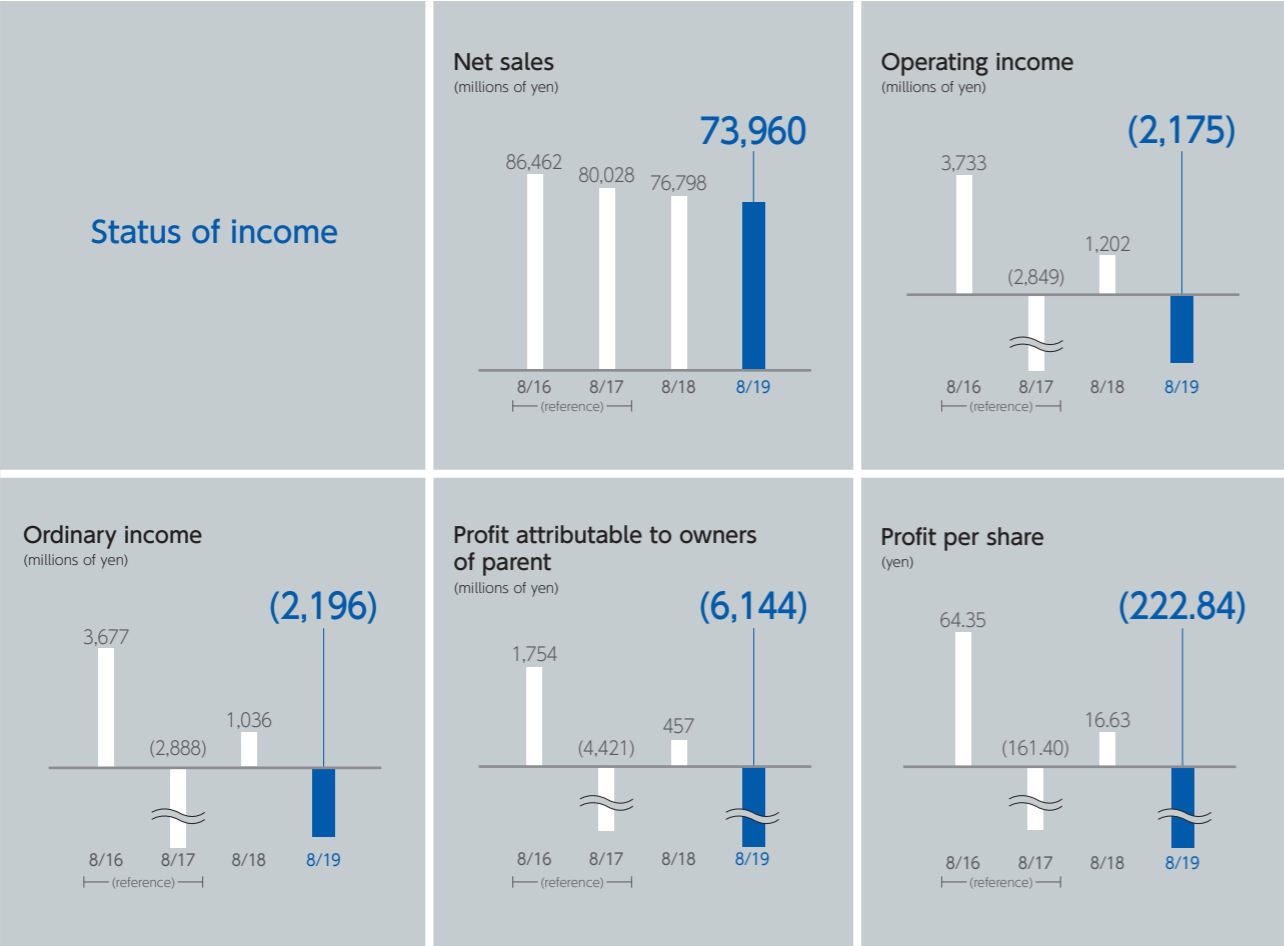
#### “WILL CYCLE DOWN jacket”

A sustainable down jacket that gives thoughtful attention to the environment by reducing CO2 emissions that would be released during the incineration of unneeded feathers by using cleaned and de-dusted pre-used feathers from bedding materials and reducing water pollution that would occur during the cleaning of new feathers.

# Financial Highlights

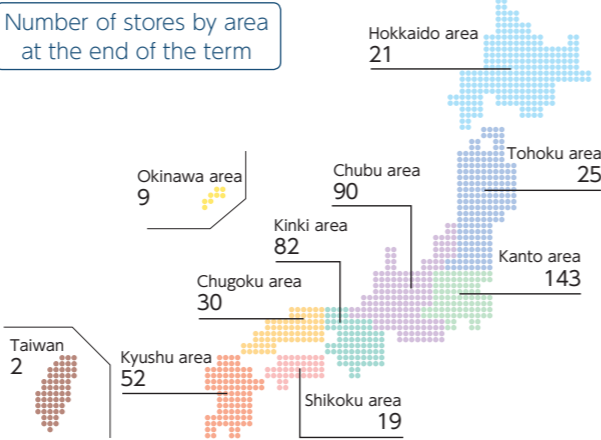
"Materials for financial results briefing" is available at our IR site.  
<https://right-on.co.jp/english/ir.php>

The figures for the fiscal year ended August 20, 2017 and before are reference figures on a non-consolidated basis as consolidated financial statements started being prepared from the fiscal year ended August 20, 2018.  
The 40th fiscal term is an irregular accounting period consisting of 12 months and 11 days due to the change in fiscal year-end.

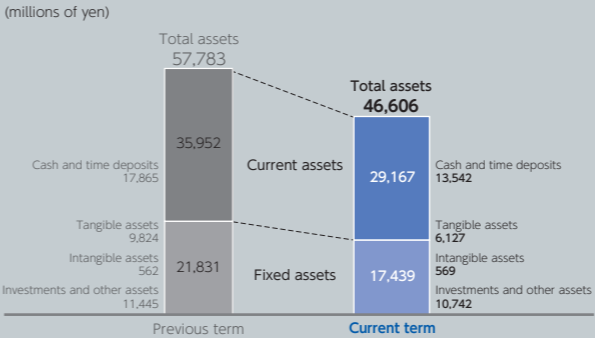


## Stores

Total: 473 stores (as of August 31, 2019)	
Number of stores according to business type	
Right-on	450
Naughty Dog	19
BACK NUMBER	2
Overseas	2
Total	473



## Status of assets

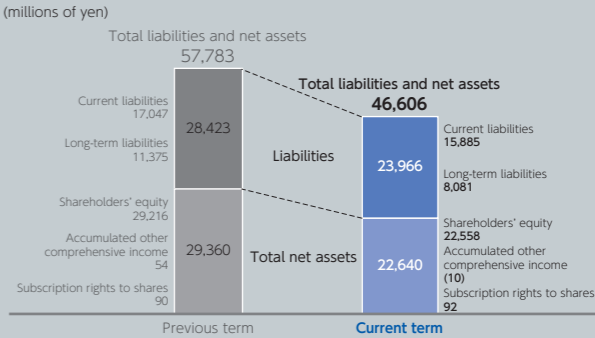


## POINT

[ Assets ]

Current assets at the end of the fiscal year under review amounted to 29,167 million yen. This mainly comprised cash and time deposits of 13,542 million yen, notes and accounts receivable-trade of 1,611 million yen, and merchandise of 12,069 million yen. Tangible assets amounted to 6,127 million yen. This mainly comprised buildings and structures of 4,372 million yen. Intangible assets amounted to 569 million yen. This mainly comprised software of 441 million yen. Investments and other assets amounted to 10,742 million yen. This mainly comprised deferred tax assets of 405 million yen and lease and guarantee deposits of 9,777 million yen. As a result, total assets amounted to 46,606 million yen.

## Status of liabilities and net assets

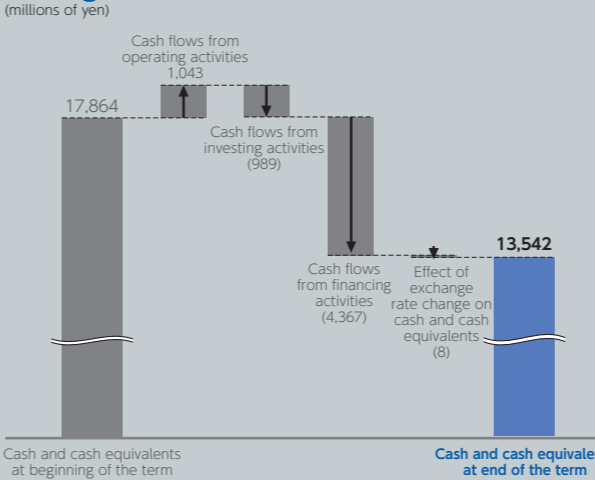


## POINT

[ Liabilities/Net Assets ]

Current liabilities at the end of the fiscal year under review amounted to 15,885 million yen. This mainly comprised notes and accounts payable-trade of 3,075 million yen, electronically recorded obligations-operating of 6,069 million yen, and current portion of long-term loans payable of 3,290 million yen. Long-term liabilities amounted to 8,081 million yen. This mainly comprised long-term loans payable of 5,340 million yen and asset retirement obligations of 2,555 million yen. As a result, total liabilities amounted to 23,966 million yen. Net assets amounted to 22,640 million yen. This was mainly due to loss attributable to owners of parent of 6,144 million yen as well as decrease of treasury stock of 63 million yen from disposal of treasury stock, despite the dividend payments of 551 million yen. As a result, equity ratio was 48.4%.

## 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 13,542 million yen. Funds acquired as a result of operating activities were 1,043 million yen. This was mainly due to loss before income taxes of 5,803 million yen, depreciation of 1,485 million yen, impairment losses of 3,332 million yen as well as a decrease of 2,512 million yen in inventories and an increase of 226 million yen in accounts payable. Funds used as a result of investing activities were 989 million yen, which was mainly due to purchase of tangible assets accompanied by new store openings of 983 million yen, purchase of intangible assets of 252 million yen, payments for guarantee and rental deposits of 287 million yen as well as proceeds from sales of tangible assets of 267 million yen for the effective use of management resources. Funds used as a result of financial activities were 4,367 million yen, which was mainly because of repayments of long-term loans payable of 3,840 million yen.

Consideration toward the environment

Right-on  
Urasoe PARCO CITY  
SHOP



Re-use

Denim art partially uses recycled denim collected at our stores as a “re-use” initiative to reduce waste. This is our special initiative that we hope will get people who see this art interested in denim and spread interest in re-use.

“Denim art”

► Denim shisa

The two shisa, which are over 170cm, at the entrance of the store were made using about 100 pairs of jeans.



► Denim wall

The storefront and the whole wall behind the register are decorated with denim. They were made with about 2,000 pairs of jeans, including some from unneeded denim that we collected.

■ JEANS RE-USE PROJECT

We have rolled out a coupon present campaign limited to stores where customers can exchange jeans that they've stopped wearing for coupons.



For details, please visit the following website.

<https://biz.right-on.co.jp/reuse/> (in Japanese only)

Corporate Data (as of August 31, 2019)

Company name:	RIGHT ON Co., Ltd.
Tsukuba Headquarters:	260-1 Onozaki, Tsukuba-shi, Ibaraki 305-0034, Japan Tel: +81-29-858-0321
HARAJUKU HEAD OFFICE:	6-27-8 Jingumae, Shibuya-ku, Tokyo, 150-0001, Japan
Corporate website:	<a href="https://biz.right-on.co.jp/">https://biz.right-on.co.jp/</a>
Establishment:	April 1, 1980
Capital stock:	6,195 million yen
Representative:	Jumpei Kawasaki, President and Representative Director
Number of employees:	(Non-consolidated) 1,019 (Consolidated) 1,040
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 28, 2019)

Masahiro Fujiwara	Chairman and Representative Director
Jumpei Kawasaki	President and Representative Director
Yusuke Fujiwara	Director
Hiromasa Kohama	External Director
Hitoshi Tada	External Director
Ayumi Nakazawa	External Director (New appointment)
Noriyuki Miura	Standing Corporate Auditor
Toshihiro Nagai	External Corporate Auditor
Shinichi Hiraide	External Corporate Auditor

Stock Information (as of August 31, 2019)

Total number of shares authorized	60,000,000
Total number of shares issued and outstanding	29,631,500
Number of shareholders	49,373

Major shareholders

Name	Number of shares held (thousands of shares)	Ratio of shares held (%)
Masahiro Fujiwara	5,227	17.64
Fujiwara Kosan Inc.	4,873	16.44
RIGHT ON Co., Ltd.	2,051	6.92
Yusuke Fujiwara	1,741	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)	448	1.51

Status of Stock by Type of Shareholder

