



# ANNUAL REPORT 2014

Year Ended December 31, 2014

LOOK INCORPORATED

# LOOK Group Corporate Profile

Adhering to its basic philosophy that the “Customer Comes First,” the LOOK Group is committed to increasing customer satisfaction through fashion. Reflecting this commitment, since the establishment of LOOK INCORPORATED in 1962 we have been engaged in the planning, manufacturing, and sales of mainly women’s apparel. Through these integrated business activities, we have sought to create new lifestyles and values and enhance people’s everyday lives.

The LOOK Group now encompasses LOOK (the parent company) and nine consolidated subsidiaries in Japan and overseas. In addition to building a robust business foundation domestically, we are expanding our operations in other parts of Asia, including South Korea, China, and Hong Kong. Under our medium-term business plan—covering the five-year period from January 2012 through December 2016—we will upgrade existing brands and develop new businesses. In the process, we will strengthen our corporate brand and improve our competitiveness and profitability as we further enhance our corporate value.

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# Financial Highlights

LOOK INCORPORATED and Subsidiaries

For the years ended December 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>At year-end:</b>			
Total current assets	¥20,743	¥18,942	\$172,057
Total current liabilities	7,692	6,808	63,808
Short-term loans	150	150	1,244
Total shareholders' equity	17,889	16,750	148,383
<b>For the year:</b>			
Net sales	45,559	41,463	377,897
Operating income	1,177	1,186	9,770
Ordinary income	1,623	1,680	13,463
Net income	1,262	1,356	10,476

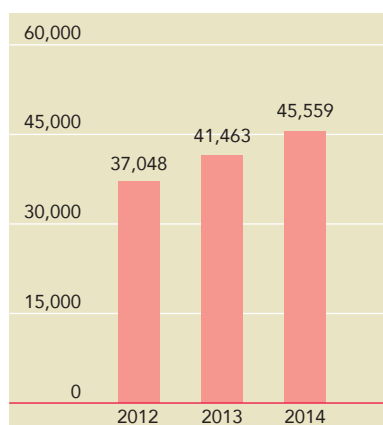
	Yen		U.S. dollars
<b>Per share:</b>			
Net income	¥33.05	¥35.48	\$0.27
Cash dividends	3.00	3.00	0.02

	%	
<b>Ratios:</b>		
ROE	6.6	8.1
Operating income margin	2.6	2.9

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥120.56 to US\$1, the approximate rate of exchange at December 30, 2014.

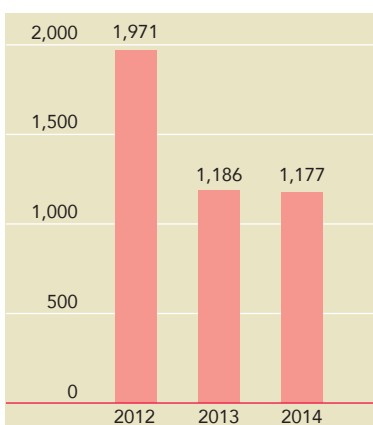
## Net Sales

(Millions of yen)



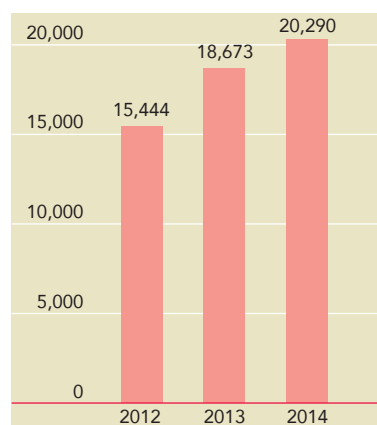
## Operating Income

(Millions of yen)



## Total Net Assets

(Millions of yen)



# To Our Shareholders

In fiscal 2014, ended December 31, 2014, the LOOK Group contributed to improved lifestyles and values guided by a corporate philosophy that ensures the "Customer Comes First." At the same time, we addressed the expectations of customers and all other stakeholders who support the Group by pursuing our basic policy of enriching people's lives.

Going forward, we will continue generating value that resonates in people's hearts while responding appropriately to the changing times and business environment, to help create a diverse, affluent society.



Kazuhiro Tada  
President and  
Representative Director

## Business Environment and Performance Overview

### Consolidated Results

Net sales	¥45,559 million (up 9.9% year on year)
Operating income	¥1,177 million (down 0.8%)
Ordinary income	¥1,623 million (down 3.4%)
Net income	¥1,262 million (down 6.9%)

Fiscal 2014 was the interim year of the Group's medium-term business plan, which ends in December 2016, and was positioned as a year for setting a trajectory to achieve the plan's targets. During the period, we implemented business expansion strategies aimed at reinforcing our earnings foundation. These included actively introducing new brands. In April 2014, for example, we acquired LAISSE PASSE CO., LTD., which subsequently became a consolidated subsidiary, and in July 2014 we formed an exclusive distribution agreement covering Japan with U.S. company VERA BRADLEY DESIGNS, INC., owner of the Vera Bradley brand of lifestyle products, which specializes in bags. This led to the establishment of VERA BRADLEY STYLE LTD.

In South Korea, we established I.D. JOY LTD. in February 2014 to sell the Group's products in shopping centers and other commercial facilities and expand sales channels. These efforts resulted in expansion of the Group's operations and a year-on-year increase in revenue.

As a result, consolidated net sales for the year totaled ¥45,559 million, up 9.9% from fiscal 2013. Operating income edged down 0.8%, to ¥1,177 million, and ordinary income decreased 3.4%, to ¥1,623 million. Net income for the year declined 6.9%, to ¥1,262 million.

## Performance by Business Segment

### Apparel Business

In Japan, we fully utilized the Group's business

resources to focus on energizing existing brands and expanding sales of brands in new businesses. For existing brands, we strove to improve the earning capabilities of directly managed stores through the opening of new stores for Il Bisonte, a leather goods brand, and Marimekko, a lifestyle brand offering a variety of items, including apparel, accessories, and interior goods. We also strengthened our lineup of domestic licensed products under the A.P.C. brand, handled by A.P.C. JAPAN LTD., and expanded its range of denims, accessories, and other offerings. Thanks also to more efficient allocation of expenditures, A.P.C. JAPAN turned a profit for the year. As for expanding sales of new brands, LAISSE PASSE rolled out two brands targeting young women, and in October 2014 we opened a free-standing store for the overseas Vera Bradley brand, in Daikanyama, Tokyo. In our e-commerce business, meanwhile, we commenced online sales of the Il Bisonte and alicia + olivia brands via their official Japanese websites.

As a result, sales in Japan increased 6.9% year on year, to ¥33,377 million, and operating income rose 7.3%, to ¥655 million.

In South Korea, we enjoyed increased sales in department stores of three brands handled by I.D. LOOK LTD.—KEITH (original brand), Sandro (French import brand), and Maje (French licensed brand)—despite sluggish demand in the department store retail market. During the year, the South Korean won appreciated against the Japanese yen, leading to significant sales growth in yen terms. As a result, sales in South Korea rose 22.9%, to ¥11,088 million, and operating income climbed 14.3%, to ¥530 million.

In "Other abroad" (Hong Kong and China), LOOK (H.K.) LTD. (based in Hong Kong) posted a year-on-year decline in sales due to a decrease in the number of

stores, but boosted operating income through efforts to enhance business efficiency. Meanwhile, LOOK CHINA CO., LTD. (based in Shanghai) has been rolling out the RENEEVON brand (original brand handled by I.D. LOOK) in department stores. Amid a slowdown in the growth rate of the Chinese economy, however, LOOK CHINA emphasized operational efficiency by closing unprofitable stores and centralizing business resources. Nevertheless, languishing sales at department stores, a mainstay channel, had a major impact on performance, causing both revenue and earnings to decline year on year. Accordingly, sales in “Other abroad” fell 13.7%, to ¥513 million, and the operating loss was ¥171 million, compared with an operating loss of ¥15 million in fiscal 2013.

As a result, the Group’s Apparel Business segment posted a 10.2% increase in sales, to ¥44,978 million, and a 4.2% decrease in operating income, to ¥1,014 million.

### Production and OEM Business

LOOK MODE INC., which handles the Group’s Production and OEM Business segment, posted a year-on-year decrease in production volume for the parent company’s apparel offerings, as well as a sales decline in its OEM business, leading to a drop in overall sales. However, LOOK MODE enhanced the efficiency of its production management system, which led to a decrease in manufacturing costs, and also concentrated on improving the profitability of its OEM business, turning a profit as a result. As a consequence, the segment reported a 4.7% decrease in sales, to ¥4,310 million, and operating income of ¥36 million, compared with an operating loss of ¥68 million in fiscal 2013.

### Logistics Business

Domestic subsidiary L. LOGISTICS INC. is mainly responsible for distribution of the Group’s apparel products. In fiscal 2014, the company reassessed the Group’s distribution commissions, causing sales to decline year on year. Accordingly, the Group’s Logistics Business segment posted a 5.9% decrease in sales, to ¥1,283 million, and a 75.0% decline in operating income, to ¥25 million.

### Outlook for Fiscal 2015 and Consolidated Forecasts

#### Consolidated Forecasts

Net sales	¥46,000 million (up 1.0% year on year)
Operating income	¥700 million (down 40.6%)
Ordinary income	¥800 million (down 50.7%)
Net income	¥500 million (down 60.4%)

Going forward, the LOOK Group will continue implementing business strategies aimed at achieving the targets of its medium-term business plan, which include strengthening its earnings foundation and increasing the value of existing brands.

One core priority of the business plan is to rebuild the Group’s internal information system. To this end, January 2015 saw the full-scale launch of a new system that can address everything from the conventional apparel business to business formats that propose overall lifestyle concepts. This will lead to enhanced efficiency of our entire business, not just operational functions. In other initiatives, we will further streamline and reinforce internal systems to build a growth foundation. This includes securing and fostering human resources who can respond appropriately to changing business conditions.

In the domestic apparel business, we will continue promoting proactive sales expansion measures for existing overseas brands. At the same time, we will work to energize our brands from all perspectives, including product planning, the education of our sales staff, and store renovation.

Overseas, South Korean subsidiary I.D. LOOK is performing well, and I.D. JOY commenced operations in 2014. Both companies will strive to increase sales by actively opening new stores. Meanwhile, LOOK CHINA will reassess its operational system and brand planning, and the Group will work to swiftly improve overseas earnings by further strengthening the operations of I.D. LOOK.

On January 23, 2015, we released a statement with regard to the termination of our exclusive distribution agreement in Japan for the Tory Burch brand. That agreement, which will expire on July 31, 2015, is expected to result in a ¥2.7 billion year-on-year decline in sales of Tory Burch products in fiscal 2015.

By contrast, two new companies formed in fiscal 2014—LAISSE PASSE and VERA BRADLEY STYLE—will make a contribution to our fiscal 2015 performance.

By implementing the aforementioned measures, the LOOK Group forecasts consolidated net sales of ¥46,000 million in fiscal 2015, up 1.0% year on year. We also forecast operating income of ¥700 million (down 40.6%), ordinary income of ¥800 million (down 50.7%), and net income of ¥500 million (down 60.4%).

The Group will continue creating new lifestyles and values to build an income structure that can flexibly address changes in market conditions, with the aim of achieving sustained growth.

# Increasing Brand Sales in New Businesses

The LOOK Group is pursuing business growth strategies aimed at strengthening its future earnings foundation. Recent examples include the acquisition of LAISSE PASSE CO., LTD. and the establishment of VERA BRADLEY STYLE LTD. We will target sustained Group-wide growth by rolling out new brands and opening new sales channels.

## **LAISSE PASSE CO., LTD. becomes consolidated subsidiary**

In April 2014, the Company acquired LAISSE PASSE CO., LTD., which subsequently became a consolidated subsidiary. LAISSE PASSE established the LAISSÉ PASSÉ brand in 1986 and the Début de Fiore brand in 2006, targeting women in their 20s and 30s. It currently has 31 stores around Japan (as of December 31, 2014), mainly in department stores and commercial facilities. Going forward, it will step up new-store openings in an effort to increase brand value.



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### **Corporate Profile**

#### **LAISSE PASSE CO., LTD.**

4-5, Motoyoyogi-cho, Shibuya-ku, Tokyo, Japan

President and Representative Director: Shigeki Hariu

Main Business: Planning/design, manufacture, and sales of women's clothing, etc.

Paid-in Capital: 50 million yen

Date of Establishment: September 9, 1986

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## **LAISSÉ PASSÉ**

**A coordinated brand that highlights the distinctive charm of women in their 20s**

Meaning "free and carefree," this brand is not bound by a single concept. Rather, it features uniquely LAISSÉ PASSÉ themes and colors while incorporating new trends for each season, always remembering the distinctive charm of women.

## **Début de Fiore**

**The "older sister" of LAISSÉ PASSÉ, Début de Fiore incorporates the concept of "flowers beginning to blossom"**

The styling of this brand highlights the delicate beauty of elegant femininity. Offering detail and silhouettes, as well as a mixture of classical nuances of materials and new refined trends, Début de Fiore embraces all scenarios—daytime, nighttime, and even party time.



# Establishment of VERA BRADLEY STYLE LTD.

In July 2014, we formed an exclusive distribution agreement covering Japan with U.S. company VERA BRADLEY DESIGNS, INC., owner of the Vera Bradley brand of lifestyle products, mainly bags. This led to the establishment of VERA BRADLEY STYLE LTD.



## Shop Information



## Corporate Profile

### VERA BRADLEY STYLE LTD.

2-7-7, Nakameguro, Meguro-ku, Tokyo, Japan

President and Representative Director: Yoshihiro Kato

Main Business: Sales of women's clothing, accessories, etc.

Paid-in Capital: 100 million yen

Date of Establishment: July 28, 2014

## Brand Overview

### American lifestyle brand for all women's life scenarios

Established in 1982 by Barbara Bradley Baekgaard and Patricia R.

Miller, Vera Bradley is a brand for all women's lifestyle scenarios,

punctuated by such elements as "vivid," "friendly," "comfort," "forever girly," and "sharing."

It is suited to the daily scenarios of all women and features iconic designs and a multitude of items in colorful styles.

# Rejuvenate and Boost Sales of Existing Brands

We are opening new stores and conducting a brand campaign ahead of our milestone year. We are also working to strengthen existing brands, including by expanding our e-commerce business.

## A.P.C.

Import licensed brand

### New store openings

In February 2015, we opened two A.P.C. stores—the Futako-Tamagawa Store (at Tamagawa Takashimaya S-C [Shopping Center]) and the Hiroshima Store (a free-standing store).



# A.P.C.

## MARIMEKKO

Import licensed brand

### 50th anniversary of Unikko

In 2014, Marimekko marked the 50th anniversary of its iconic Unikko (poppy) pattern. In celebration, Marimekko held various events to commemorate the milestone in major cities around the world. In Tokyo, for example, we celebrated the event by opening the Unikko Café for a limited 10-day period at Higashiya Ginza, a Japanese confectionery shop in the Ginza area.



# marimekko®

## KEITH

Original brand

### 30th anniversary

This is a British-style brand that has been popular since its launch in 1985. Thirty years later in 2015, we will unveil a new “KEITH check pattern” that has received a Royal Warrant. Going forward, we will work to rejuvenate and expand sales of this brand while adding modern elements to its traditional appeal.

# KEITH





## Overseas Business

### I.D. LOOK LTD.

**Expand channels and boost sales in South Korea through aggressive new-store openings**

In February 2014, I.D. LOOK LTD. established I.D. JOY LTD., which is expanding sales channels in shopping centers and other commercial facilities. Meanwhile, I.D. LOOK will continue opening new stores in the mainstay department store channel for KEITH and RENEEVON (original brands), as well as for Sandro (French import brand) and Maje (French licensed brand), in its efforts to further increase sales.



## Expand the E-commerce Business

We have opened official Japanese online stores for the alice + olivia and Il Bisonte brands. They will feature the latest information about the brands, including new collections and shop news.



<http://www.aliceandolivia.jp>



<http://www.ilbisonte.jp>

# Brand Profile



A comprehensive lifestyle brand incorporating the personality and style of fashion designer Stacey Bendet.



ALICE + OLIVIA  
Spring 2015



A lifestyle brand offering "affordable luxury." The Tory Burch lineup features clothing and accessories that are stylish yet easy to wear.



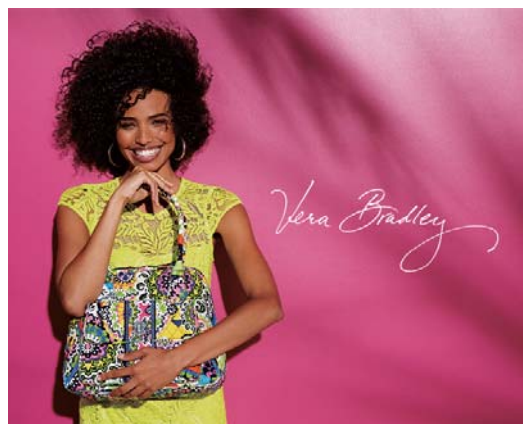


## deux lux

A line of bags and wallets that has won the support of women worldwide, especially in New York and Los Angeles.



A lifestyle brand from America for all of women's lifestyle scenarios.



## VINCE CAMUTO

A lifestyle brand from New York featuring designer shoes with a high fashion sense, incorporating the latest trends.



## SOLUDOS

A brand of espadrille shoes from New York that exquisitely incorporates current trends and has won worldwide support.



## A.P.C.

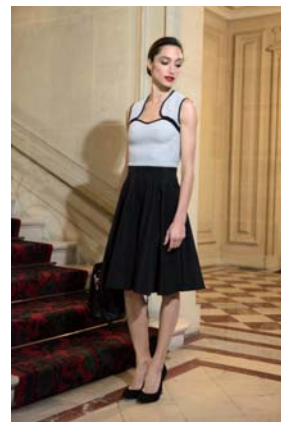
A modern French-style brand pursuing essential elegance with minimal yet radical elements.



## Repetto

PARIS

A brand tracing back to 1947 when Rose Repetto started designing ballet shoes. Its shoes, which are hand-made using traditional techniques, promise reliable quality and beauty.



## PAUL & JOE®

A collection perfectly suited to people who embrace their own sense of style, with a motif portraying joy, freshness, and brightness.



## PAUL & JOE® SISTER

The second line under the Paul & Joe brand, Paul & Joe Sister features trendy designs and "girly" taste inherited from Paul & Joe. This line offers "cool" coordination options based on French traditional fashion.



A.P.C.  
Spring/Summer 2015



REPETTO  
Spring/Summer 2015







A handbag and leather goods brand designed by Wanny Di Filippo, from Florence, Italy.



The men's collection from Il Bisonte debuted in fall 2008.



## LAPERLA

An Italian luxury brand with a unique blend of tradition and innovation.



## marimekko®

A lifestyle brand from Finland, offering a variety of items, from interior goods to apparel and bags.



## SCAPA

A Belgian brand featuring sophisticated styles with a sense of nostalgia reminiscent of Scotland.



SCAPA  
Summer 2015



## KEITH

A brand that is continuously evolving while maintaining its British tradition, KEITH is a favorite among women who are especially aware of their individual qualities.



## K O R E T

A coordinated fashion brand allowing mature women to enjoy their time in their own special way.



## REMA LON *mieux*

A prêt-à-porter brand of large-sized apparel for adults who are youthful at heart and enjoy the latest trends.



## TWO:C

A brand of conservative styles incorporating current trends, designed for women who have established their own style.





## Début de Fiore

The “older sister” of LAISSÉ PASSÉ, Début de Fiore combines delicacy and charm.



## LAISSÉ PASSÉ

A brand for young career women that accentuates women’s distinctive charm.

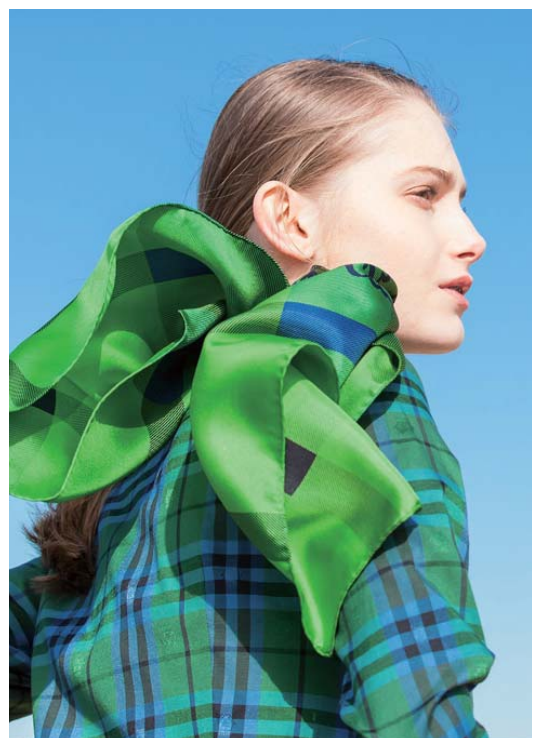


## roga

A contemporary casual brand incorporating today’s trends and sensibilities, for women who are capable of expressing their own uniqueness.



KEITH  
Spring/Summer 2015



# Management's Discussion and Analysis

Future-related statements contained in the following section are based on the LOOK Group's judgments at the time of submission of the annual securities report.

## Major Accounting Policies and Estimates

The LOOK Group's consolidated financial statements are based on accounting standards generally accepted in Japan as fair and appropriate.

## Business Performance

In fiscal 2014, ended December 31, 2014, the LOOK Group reported consolidated net sales of ¥45,559 million, up ¥4,095 million from the previous fiscal year. Significant contributing factors included a ¥1,874 million year-on-year increase in net sales of South Korean subsidiary I.D. LOOK LTD., as well as the acquisition of LAISSE PASSE CO., LTD., and its subsequent inclusion in consolidation in April 2014, which boosted consolidated net sales by ¥1,741 million.

Gross profit rose ¥1,894 million, to ¥20,899 million, owing to the increase in net sales.

Selling, general and administrative (SG&A) expenses increased ¥1,903 million, to ¥19,721 million. A significant factor was SG&A expenses posted by LAISSE PASSE, which was acquired by the Group, and by two consolidated subsidiaries newly established during the year—VERA BRADLEY STYLE LTD. and I.D. JOY LTD. Other factors included increases in sales agency commissions, personnel costs, and advertising and sales promotion expenses, reflecting the Group's proactive business expansion strategies.

Other expenses declined ¥116 million, to ¥290 million. Major factors included a ¥112 million impairment loss on long-lived assets and provision for business transfer loss of ¥35 million, which contrasted with a ¥108 million foreign currency exchange gain.

## Financial Position

At December 31, 2014, total assets amounted to ¥31,007 million, up ¥2,581 million from a year earlier. Contributing factors included an increase in notes and accounts receivable—trade, reflecting sales growth, as well as a rise in merchandise and products. Other factors included an increase in intangible assets, due to the investment in information systems.

Total liabilities increased ¥964 million, to ¥10,716 million. Factors affecting liabilities included increases in long-term loans and notes and accounts payable—trade.

Total net assets rose ¥1,616 million, to ¥20,290 million. This was due primarily to growth in retained earnings stemming from net income, as well as an increase in foreign currency translation adjustments.

## Cash Flows

Net cash provided by operating activities amounted to ¥1,688 million. Major factors included ¥1,468 million in income before income taxes and minority interests and ¥896 million in depreciation and amortization, which contrasted with a ¥337 million increase in inventories and a ¥267 million increase in notes and accounts receivables.

Net cash used in investing activities totaled ¥1,530 million. Significant factors included ¥974 million in payments for purchase of property, plant and equipment and ¥466 million in payments for purchase of intangible assets.

Net cash used in financing activities was ¥346 million. Key factors included ¥113 million in cash dividends paid and ¥100 million in redemption of bonds of subsidiaries.

Cash and cash equivalents at end of year stood at ¥2,778 million, down ¥77 million from a year earlier. This was due to the aforementioned factors, as well as the ¥110 million positive effect of foreign currency translation adjustments on cash and cash equivalents.



## **Business Risks**

The LOOK Group's business performance and financial position described in its financial reports are subject to a number of factors, discussed below, that could have a major influence on the decisions of investors.

Future-related statements contained in the following section are based on the LOOK Group's judgments at the time of submission of the annual securities report.

### **(1) Economic and consumer trends**

Domestic sales account for approximately 75% of the LOOK Group's consolidated net sales. As a result, the overall level of personal consumption in the Japanese market—the Group's main market—has a material impact on the Group's revenue and earnings. The Group endeavors to accurately grasp customer needs and takes care to offer products that reflect the demands of the times. It also focuses on developing and fostering new brands for the market based on innovative proposals. However, changes in external circumstances that the Group cannot foresee, such as sharp changes in fashion trends, could have an impact on the Group's business performance. In addition, department stores generate approximately 45% of domestic sales posted by the Group's apparel business. Consequently, changes in the business results of department stores could also have an impact on the Group's business performance.

### **(2) Unseasonal weather and natural disasters**

The Group's business performance is impacted by unseasonal weather. Abnormal weather, such as a cold summer or warm winter, discourages consumers from purchasing seasonal products, which could have an impact on the Group's business performance. Natural disasters, including typhoons, earthquakes, and floods, can impact the sales activities of business partners and the production activities of affiliated factories, as well as reduce consumption in affected regions, which could have an impact on the Group's business performance.

### **(3) Overseas business and production**

Overseas subsidiaries generate approximately 25% of the Group's consolidated net sales. Around 75% of products sold in the domestic market are either manufactured overseas or procured from overseas sources. Accordingly, significant exchange rate fluctuations affecting the Group's main overseas markets and procurement and manufacturing bases, political or economic turmoil, unforeseen changes in laws and regulations, and the unforeseen outbreak of an epidemic, terrorism, war, or other acts of social upheaval could have an impact on the Group's business performance.

### **(4) Product quality**

The LOOK Group manages quality control in accordance with its "Quality Manual," "Inspection Procedure Manual," and "Written Inspection Standards" established as part of its quality control system. If an unforeseen quality-related problem or product liability incident were to occur, it could tarnish the reputation of the Group or its brands, which could have an impact on the Group's business performance.

### **(5) Exclusive distribution and license agreements**

In addition to its original brands, the LOOK Group develops brands under exclusive distribution and license agreements. If such an agreement cannot be continued due to an unforeseen factor, there could be an impact on the Group's business performance.

### **(6) Information management**

The LOOK Group possesses a large amount of personal information on the customers of its shop-in-shops in department stores, directly managed stores and online. The Group appoints information management officers to oversee the handling of this type of information, and rigorously implements rules based on internal regulations and management manuals. However, the leaking of information due to an unforeseen incident could result in a loss of customer trust or damage to the Group's image. This could lead to a decline in sales or claims for compensation, which in turn could have an impact on the Group's business performance.

# LOOK INCORPORATED

## Consolidated Balance Sheets (Unaudited)

December 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits (Note 4)	¥ 3,120	¥ 2,856	\$ 25,882
Notes and accounts receivable-trade	6,216	5,407	51,566
Less: allowance for bad debts	(37)	(35)	(308)
Inventories (Note 5)	9,990	9,201	82,866
Deferred tax assets (Note 10)	804	792	6,669
Other current assets	648	719	5,382
Total current assets	20,743	18,942	172,057
<b>Investments and other assets:</b>			
Investments in securities (Note 7, 8)	3,294	3,472	27,329
Lease deposit	1,809	1,554	15,007
Other assets (Note 10,18)	1,057	414	8,775
Less: allowance for bad debts	(133)	(34)	(1,107)
Total investments and other assets	6,028	5,405	50,004
<b>Property, plant and equipment :</b>			
Buildings and structures (Note 6 ,9, 18)	5,533	5,314	45,900
Machinery and equipment (Note 18)	177	170	1,472
Tools, furniture and fixtures (Note 6, 18)	3,966	3,375	32,901
Other	59	60	491
Land (Note 9)	1,680	1,633	13,942
	11,417	10,554	94,706
Less: Accumulated depreciation	(7,182)	(6,477)	(59,574)
Total property, plant and equipment	4,235	4,077	35,132
<b>Total assets</b>	¥ 31,007	¥ 28,425	\$ 257,193

The accompanying notes are an integral part of these statements.

# LOOK INCORPORATED

## Consolidated Balance Sheets (Unaudited) December 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term loans (Note 9)	¥ 150	¥ 150	\$ 1,244
Notes and accounts payable - trade	4,509	4,251	37,401
Accounts payable - other	83	126	696
Accrued expenses	1,769	1,516	14,673
Income taxes payable (Note 10)	208	299	1,726
Reserve for sales returns	51	45	423
Reserve for point service	12	-	100
Reserve for business transfer loss	35	-	290
Asset retirement obligations (Note 12)	45	48	379
Other current liabilities	828	369	6,876
Total current liabilities	7,692	6,808	63,808
<b>Long-term liabilities:</b>			
Long-term loans (Note 9)	1,400	850	11,612
Liabilities for retirement benefits (Note 11)	782	1,013	6,490
Deferred tax liabilities (Note 10)	383	674	3,177
Asset retirement obligations (Note 12)	189	170	1,573
Other liabilities	268	234	2,230
Total long-term liabilities	3,023	2,943	25,082
<b>Total liabilities</b>	<b>10,716</b>	<b>9,751</b>	<b>88,890</b>
<b>Net assets (Note 13):</b>			
<b>Shareholders' equity :</b>			
Common stock	6,340	6,340	52,596
-Authorized : 120,000,000 shares			
-Issued : 38,237,067 shares both at December 31, 2014 and 2013			
Additional paid-in capital	1,631	1,631	13,533
Retained earnings	9,931	8,783	82,382
Treasury stock, at cost, 55,614 shares and 15,562 shares at December 31, 2014 and 2013, respectively	(15)	(5)	(128)
Total shareholders' equity	17,889	16,750	148,383
<b>Accumulated other comprehensive income:</b>			
Net unrealized gain on available-for-sale securities, net of tax (Note 7)	1,366	1,550	11,334
Deferred gain on derivatives under hedge accounting	—	54	—
Foreign currency translation adjustments	687	50	5,706
Total accumulated other comprehensive income	2,054	1,655	17,040
<b>Minority interests in consolidated subsidiaries</b>	<b>347</b>	<b>267</b>	<b>2,880</b>
<b>Total net assets</b>	<b>20,290</b>	<b>18,673</b>	<b>168,303</b>
<b>Commitments and contingencies (Note 19)</b>			
<b>Total liabilities and net assets</b>	<b>¥ 31,007</b>	<b>¥ 28,425</b>	<b>\$ 257,193</b>

The accompanying notes are an integral part of these statements.

# LOOK INCORPORATED

Consolidated Statements of Income (Unaudited)  
For the years ended December 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
<b>Net sales</b>	¥ 45,559	¥ 41,463	\$ 377,897
<b>Cost of sales (Note 5)</b>	24,659	22,457	204,541
Gross profit	20,899	19,005	173,356
<b>Selling, general and administrative expenses</b>	19,721	17,818	163,586
Operating income	1,177	1,186	9,770
<b>Other income (expenses)</b>			
Interest and dividend income	77	70	643
Interest expenses	(21)	(14)	(180)
Rent income	12	13	106
Reversal of allowance for employees' retirement benefits	70	178	583
Foreign currency exchange gain, net	108	66	897
Loss on disposal of property, plant and equipment	(18)	(35)	(154)
Impairment loss on long-lived assets (Note 18)	(112)	(76)	(931)
Gain on valuation of compound financial instruments	65	52	540
Gain (loss) on valuation of coupon swap	(11)	26	(97)
Income from sale of prototypes	42	49	356
Gain on sales of investments in securities	—	37	—
Gain on sales of property, plant and equipment	2	1	20
Additional payment for retirement	(9)	(6)	(82)
Provision for business transfer loss	(35)	—	(290)
Loss on withdrawal from the brand	—	(40)	—
Other, net	120	85	998
Income before income taxes and minority interests	1,468	1,594	12,179
<b>Income taxes (Note 10)</b>			
Current	323	328	2,683
Deferred	(143)	(122)	(1,191)
	179	206	1,492
Income before minority interests	1,288	1,387	10,687
<b>Minority interests in consolidated subsidiaries</b>	25	31	211
<b>Net income</b>	¥ 1,262	¥ 1,356	\$ 10,476
	Yen		U.S. dollars (Note 3)
	2014	2013	2014
<b>Per share (Note 22):</b>			
Basic net income	¥ 33.05	¥ 35.48	\$ 0.27
Diluted net income	—	—	—
Cash dividends applicable to the year	3.00	3.00	0.02

The accompanying notes are an integral part of these statements.

# LOOK INCORPORATED

## Consolidated Statements of Comprehensive Income (Unaudited) For the years ended December 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
<b>Income before minority interests</b>	¥ 1,288	¥ 1,387	\$ 10,687
<b>Other comprehensive income (Note 14):</b>			
Net unrealized gain on available-for-sale securities	(186)	919	(1,544)
Deferred gain on derivatives under hedge accounting	(54)	30	(453)
Foreign currency translation adjustments	671	1,228	5,573
Total other comprehensive income	431	2,178	3,576
<b>Comprehensive income</b>	<u>¥ 1,719</u>	<u>¥ 3,566</u>	<u>\$ 14,263</u>
			Thousands of U.S. dollars (Note 3)
	2014	2013	2014
<b>Comprehensive income attributable to:</b>			
Owners of parent	¥ 1,661	¥ 3,472	\$ 13,781
Minority interests	58	93	482

The accompanying notes are an integral part of these statements.



**LOOK INCORPORATED**  
Consolidated Statements of Changes in Net Assets (Unaudited)  
For the years ended December 31, 2014 and 2013

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Number of Common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Sub-total	Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Sub-total	Minority interests in consolidated subsidiaries	Total net assets
<b>Balance at December 31, 2012</b>	38,237,067	¥ 6,340	¥ 1,631	¥ 7,580	¥ (3)	¥ 15,549	¥ 639	¥ 24	¥ (1,124)	¥ (460)	¥ 354	¥ 15,444
Dividends	-	-	-	(152)	-	(152)	-	-	-	-	-	(152)
Net income for the year ended December 31, 2013	-	-	-	1,356	-	1,356	-	-	-	-	-	1,356
Treasury stock acquired (7,710 shares)	-	-	-	-	(2)	(2)	-	-	-	-	(2)	-
Net changes other than shareholders' equity	-	-	-	-	-	-	910	30	1,174	2,115	(87)	2,028
Total changes during the year	-	-	-	-	-	-	910	30	1,174	2,115	(87)	3,229
<b>Balance at December 31, 2013</b>	38,237,067	6,340	1,631	8,783	(5)	16,750	1,550	54	50	1,655	267	18,673
Dividends	-	-	-	(114)	-	(114)	-	-	-	-	-	(114)
Net income for the year ended December 31, 2014	-	-	-	1,262	-	1,262	-	-	-	-	-	1,262
Treasury stock acquired (40,052 shares)	-	-	-	-	(9)	(9)	-	-	-	-	-	(9)
Net changes other than shareholders' equity	-	-	-	-	-	-	(184)	(54)	637	398	79	478
Total changes during the year	-	-	-	1,148	(9)	1,138	(184)	(54)	637	398	79	1,616
<b>Balance at December 31, 2014</b>	38,237,067	¥ 6,340	¥ 1,631	¥ 9,931	¥ (15)	¥ 17,889	¥ 1,366	¥ -	¥ 687	¥ 2,054	¥ 347	¥ 20,290
Thousands of U.S. dollars (Note 3)												
	Shareholders' equity					Accumulated other comprehensive income						
Number of Common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Sub-total	Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Sub-total	Minority interests in consolidated subsidiaries	Total net assets	
<b>Balance at December 31, 2013</b>	38,237,067	\$ 52,596	\$ 13,533	\$ 72,857	\$ (47)	\$ 138,939	\$ 12,864	\$ 453	\$ 418	\$ 13,735	\$ 2,219	\$ 154,893
Dividends	-	-	-	(951)	-	(951)	-	-	-	-	-	(951)
Net income for the year ended December 31, 2014	-	-	-	10,476	-	10,476	-	-	-	-	-	10,476
Treasury stock acquired (40,052 shares)	-	-	-	-	(81)	(81)	-	-	-	-	-	(81)
Net changes other than shareholders' equity	-	-	-	-	-	-	(1,530)	(453)	5,287	3,304	661	3,965
Total changes during the year	-	-	-	9,525	(81)	9,444	(1,530)	(453)	5,287	3,304	661	13,409
<b>Balance at December 31, 2014</b>	38,237,067	\$ 52,596	\$ 13,533	\$ 82,382	\$ (128)	\$ 148,383	\$ 11,334	\$ -	\$ 5,705	\$ 17,039	\$ 2,880	\$ 168,302

The accompanying notes are an integral part of these statements.

**LOOK INCORPORATED**  
Consolidated Statements of Cash Flows (Unaudited)  
For the years ended December 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 1,468	¥ 1,594	\$ 12,179
Adjustments for:			
Depreciation and amortization	896	829	7,433
Impairment loss on long-lived assets	112	76	932
Loss on disposal of property, plant and equipment	18	35	153
Gain on sales of property, plant and equipment	(2)	(1)	(20)
Interest and dividend income	(77)	(70)	(643)
Interest expenses	21	14	180
Gain on sales of investment in securities	-	(37)	-
Loss (gain) on valuation of coupon swap	11	(26)	97
Gain on valuation of compound financial instruments with embedded derivatives	(65)	(52)	(540)
Change in assets and liabilities:			
Increase in notes and accounts receivables	(267)	(156)	(2,221)
Increase in inventories	(337)	(1,615)	(2,801)
Increase in notes and account payables	3	144	27
Increase in accrued expenses	94	20	781
Decrease in allowance for bad debts	(2)	(6)	(24)
Decrease in reserve for sales returns	0	(9)	0
Decrease in allowance for employees' retirement benefits	(263)	(434)	(2,184)
Increase in reserve for business transfer loss	35	-	290
Others	436	(143)	3,625
Subtotal	2,081	161	17,264
Interest and dividend income received	78	68	650
Interest expenses paid	(22)	(13)	(184)
Income taxes paid	(449)	(243)	(3,729)
Net cash provided by (used in) operating activities	1,688	(26)	14,001
<b>Cash flows from investing activities:</b>			
Payments into time deposits	(651)	(378)	(5,401)
Proceeds from time deposits	449	378	3,725
Payments for purchase of property, plant and equipment	(974)	(1,132)	(8,082)
Proceeds from sales of property, plant and equipment	0	1	0
Payments for purchase of intangible assets	(466)	(125)	(3,868)
Proceeds from sales of intangible assets	14	-	122
Payments for purchase of investments in securities	(2)	(2)	(22)
Proceeds from sales of investment in securities	0	45	0
Proceeds from acquisition of newly consolidated subsidiary	288	-	2,392
Proceeds from redemption of bond	-	100	-
Payments for long-term loans receivable made	(107)	(23)	(889)
Proceeds from collection of long-term loans receivable	56	31	468
Payments for lease deposit	(282)	(210)	(2,346)
Proceeds from lease deposit	63	182	531
Proceeds from cancellation of insurance	89	-	742
Other, net	(8)	(88)	(68)
Net cash used in investing activities	(1,530)	(1,221)	(12,696)
<b>Cash flows from financing activities:</b>			
Proceeds from short-term loans	1,810	-	15,013
Repayment of short-term loans	(2,260)	(850)	(18,746)
Proceeds from long-term loans	550	850	4,562
Repayment of long-term loans	(204)	-	(1,696)
Cash dividends paid	(113)	(138)	(945)
Cash dividends paid to minority interests	(3)	(2)	(30)
Purchase of treasury stock	(9)	(2)	(81)
Purchase of treasury stock by subsidiaries	-	(185)	-
Repayment of lease obligations	(14)	(14)	(120)
Redemption of bond	(100)	-	(829)
Net cash used in financing activities	(346)	(343)	(2,872)
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	110	376	920
<b>Net decrease in cash and cash equivalents</b>	(77)	(1,215)	(647)
<b>Cash and cash equivalents at beginning of year</b>	2,856	4,071	23,690
<b>Cash and cash equivalents at end of year (Note 4)</b>	¥ 2,778	¥ 2,856	\$ 23,043

The accompanying notes are an integral part of these statements.

LOOK INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
December 31, 2014 and 2013

**1. Basis of Presenting the Financial Statements**

The accompanying unaudited consolidated financial statements of LOOK INCORPORATED (the "Company") have been prepared based on the consolidated financial statements filed with the Financial Service Agency as required by the Financial Instruments and Exchange Act of Japan, and in accordance with accounting principles generally accepted in Japan ("Japan GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards ("IFRSs"). In the case of the foreign subsidiary, its financial statements are prepared in conformity with accounting principles prevailing in the countries of domicile.

The "Practical Solution on unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, May 17, 2006) requires that for the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle, and financial statements prepared by foreign subsidiaries in accordance with IFRSs or the generally accepted accounting principles in the United States ("U.S. GAAP") tentatively may be used for the consolidation process, however, the items listed in the PITF should be adjusted in the consolidation process so that net income is accounted for in accordance with Japan GAAP unless they are not material. According to the PITF, for the preparation of consolidated financial statements, the Company made necessary modification to the consolidated financial statements.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under Japan GAAP but is presented herein as additional information.

Certain reclassifications of previously reported amounts have been made to conform with classifications for the year ended December 31, 2014.

**2. Summary of Significant Accounting Policies**

**(1) Consolidation and investments in affiliates**

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

The consolidated financial statements at December 31, 2014 include the accounts of the Company and its nine significant subsidiaries (collectively the "Group"), A.P.C. JAPAN LTD., LAISSE PASSE CO., LTD., VERA BRADLEY STYLE LTD., LOOK MODE INC., L. LOGISTICS INC., I.D. LOOK LTD., I.D. JOY LTD., LOOK (H.K.) LTD. and LOOK CHINA CO., LTD. and the consolidated financial statements at December 31, 2013 include the accounts of the Company and its seven significant subsidiaries (collectively the "Group"), L. TERMINAL INC., L. LOGISTICS INC., A.P.C. JAPAN

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
December 31, 2014 and 2013

LTD., LOOK MODE INC., LOOK (H.K.) LTD., I.D. LOOK LTD. and LOOK CHINA CO., LTD. For the year ended December 31, 2014, LAISSE PASSE CO., LTD. is newly consolidated because of the acquisition of stocks and I.D. JOY LTD. and VERA BRADLEY STYLE LTD. are also newly consolidated because of the establishment. Because L. TERMINAL INC. was dissolved and the liquidation was completed, it was excluded from consolidation, and its profit and loss until the completion of the liquidation is included in the consolidation. Consolidation of the remaining unconsolidated subsidiaries would not have had a material effect on the accompanying consolidated financial statements. The fiscal year-end of the consolidated subsidiaries is in conformity with that of the Company, except for one subsidiary. One consolidated subsidiary with balance sheet date of August 31 is consolidated based on its tentative financial statement as of and for the period ended November 30. The necessary adjustments are made in consolidation to reflect any significant transactions from December 1 to December 31.

There are no investments in non-consolidated subsidiaries and affiliate companies at December 31, 2014 and 2013, which should be accounted for by the equity method since the effect on the accompanying consolidated financial statements would not have been material. Investment in non-consolidated subsidiaries is stated at cost (see Note 8).

All significant inter-company balances and transactions have been eliminated in consolidation. All material unrealized gains resulting from inter-company transactions have been eliminated.

(2) Cash and cash equivalents

Cash and cash equivalents are composed of cash on hand, bank deposits which can be withdrawn on demand, and short-term investments which are readily convertible into cash and with an original maturity of three months or less, which represent insignificant risk of changes in value.

(3) Foreign currency transactions/ Foreign currency financial statements

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

All assets and liabilities of foreign consolidated subsidiary are translated into Japanese yen at the exchange rate at balance sheet date. All revenue and expense accounts are translated at average exchange rate for the year. The resulting translation adjustments are reported as a separate component of accumulated other comprehensive income and minority interests in consolidated subsidiaries.

(4) Inventories

Inventories are stated at the lower of cost or net selling value. Cost is determined mainly by the first-in first-out method.

LOOK INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
December 31, 2014 and 2013

(5) Securities

Securities are classified as held-to-maturity debt securities or available-for-sale securities, depending on management's holding intent. Held-to-maturity debt securities are reported at amortized cost. Available-for-sale securities, for which market quotations are available, are stated at fair value, with unrealized gains or losses, net of taxes, reported in a separate component of accumulated other comprehensive income. Available-for-sale securities, for which market quotations are unavailable, are stated at cost. The cost of available-for-sale security sold is determined based on the moving-average method. In cases where the fair value of held-to-maturity debt securities, available-for-sale securities and equity securities issued by subsidiaries and affiliates has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are charged to income for the period.

(6) Derivatives and hedging activities

The Company uses foreign exchange forward contracts to manage its exposures to fluctuations in foreign exchanges. The Company also holds compound financial instruments with embedded derivatives to manage the surplus funds. The Company does not enter into derivatives for trading or speculative purposes.

Derivative instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and b) for derivatives used for hedging purposes, if the hedging derivative instruments qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until the related losses and gains on the hedged items are recognized, reported in a separate component of accumulated other comprehensive income.

The Company basically evaluates hedging effectiveness by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items with corresponding changes in the hedging instruments.

(7) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is mainly computed on the declining-balance method, at rates based on the estimated useful lives of assets, which are prescribed by the Japanese corporate tax laws.

When property, plant or equipment is retired or disposed of, the difference between the net book value and sales proceeds, if any, is charged or credited to income.

Normal repair and maintenance, including minor renewals and improvements, are charged to income as incurred.



LOOK INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
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(8) Amortization

Amortization of intangible assets is computed on the straight-line method over service lives of assets, which are prescribed by the Japanese corporate tax laws.

The difference between the acquisition cost and net assets acquired is shown as goodwill and amortized over its estimated effective period (within 20 years) on a straight-line basis.

(9) Income taxes

Income taxes consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

The asset and liability approach is used to recognize deferred income tax assets and liabilities for the future tax consequence of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(10) Accounting for leases

Leased assets related to finance lease transactions are depreciated on a straight-line method, with the lease periods as their useful lives and no residual value.

(11) Reserve for sales returns

Reserve for sales returns has been provided by the Company and certain consolidated subsidiaries in an amount equivalent to the gross margin of merchandise sold, which is estimated to be returned subsequent to year-end dates in order to exclude profits on such possible sales returns. In estimating the sales returns, the formula prescribed by the Japanese tax laws is applied which is primarily based on past experience.

(12) Liabilities for retirement benefits

The Company and three domestic consolidated subsidiaries have a defined contribution pension plan and a prepaid termination allowance plan as defined contribution plans as well as a corporate pension plan and a termination allowance plan as defined benefit plans. One domestic and one foreign subsidiary have a termination allowance plan as defined benefit plans. One foreign subsidiary has a defined contribution plan and a termination allowance plan as a defined benefit plan.

The Company and certain consolidated subsidiaries use a simplified method for the calculation of liabilities for retirement benefits and retirement benefit expenses. The simplified method assumes the retirement benefit obligation to be equal to the amount required for voluntary retirement at the balance sheet date for termination allowance plans and to be equal to the projected benefit obligations for corporate pension plans.

“Allowance for employees’ retirement benefits” is presented as “Liabilities for retirement benefits” from the year ended December 31, 2014.

LOOK INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
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(13) Allowance for bad debts

Allowance for bad debts is provided for future losses on defaults and computed on the past experiences and other factors after considering estimated uncollectible amounts on an individual customer bases.

(14) Allowance for environmental measures

Allowance for environmental measures is provided for future handling cost of waste at an estimated amount of disposal costs of polychlorinated biphenyl waste.

(15) Reserve for business transfer loss

Reserve for business transfer loss is provided for future losses on Tory Burch business transfer.

(16) Reserve for point service

Reserve for point service is provided for future cost generating from the utilization of points of LAISSE PASSE CO., LTD. that its customers have earned under the point service program, based on its past experience.

(17) Appropriation of retained earnings

Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

(18) Per share information

Net income per share of common stock is computed based upon the weighted-average number of shares of common stock outstanding during each year. Cash dividends per share shown for each year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years rather than those paid during the years.

**3. United States Dollar Amounts**

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts for the year ended December 31, 2014 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥120.56=U.S.\$1, the rate of exchange on December 30, 2014. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

LOOK INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
December 31, 2014 and 2013

**4. Cash and Cash Equivalents**

Cash and cash equivalents at December 31, 2014 and 2013 on the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Cash and time deposits	¥ 3,120	¥ 2,856	\$ 25,882
Time deposits that have maturities of over three months when acquired	(342)	-	(2,839)
Cash and cash equivalents	<u>¥ 2,778</u>	<u>¥ 2,856</u>	<u>\$ 23,043</u>

**5. Inventories**

Inventories at December 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Finished goods and merchandise	¥ 9,170	¥ 8,369	\$ 76,065
Work-in-process	512	518	4,248
Raw materials	307	313	2,553
Total	<u>¥ 9,990</u>	<u>¥ 9,201</u>	<u>\$ 82,866</u>

Write-down of finished goods and merchandise to net realizable value are charged to cost of sales. The amount of such write-down for the years ended December 31, 2014 and 2013 were ¥2,561 million (\$21,244 thousand) and ¥2,127 million, respectively.

**6. Advanced depreciation**

The followings are the accumulated advanced depreciation related to government subsidy directly deducted from acquisition costs of property, plant and equipment at December 31, 2014 and 2013.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Buildings and structures	¥ 7	¥ 7	\$ 66
Tools, furniture and fixtures	12	12	100
	<u>¥ 20</u>	<u>¥ 20</u>	<u>\$ 166</u>

LOOK INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
December 31, 2014 and 2013

**7. Short-term Investments and Investments in Securities**

(1) At December 31, 2014 and 2013, book values (fair values), acquisition costs and difference of available-for-sale securities with available fair values are as follows:

Millions of yen			
2014			
	Book values	Acquisition costs	Difference
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 3,016	¥ 1,004	¥ 2,012
Total	¥ 3,016	¥ 1,004	¥ 2,012

Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 53	¥ 55	¥ (2)
Bonds	199	199	-
Total	¥ 253	¥ 255	¥ (2)

Thousands of U.S. dollars (Note 3)			
2014			
	Book values	Acquisition costs	Difference
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	\$ 25,020	\$ 8,329	\$ 16,691
Total	\$ 25,020	\$ 8,329	\$ 16,691

Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	\$ 441	\$ 464	\$ (23)
Bonds	1,658	1,658	-
Total	\$ 2,099	\$ 2,122	\$ (23)

Millions of yen			
2013			
	Book values	Acquisition costs	Difference
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 3,314	¥ 1,053	¥ 2,261
Total	¥ 3,314	¥ 1,053	¥ 2,261

Securities with book values (fair values) not exceeding acquisition costs:			
Bonds	¥ 134	¥ 134	¥ -
Total	¥ 134	¥ 134	¥ -

LOOK INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
December 31, 2014 and 2013

Securities classified as available-for-sale securities for which fair values are not available at December 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Non-listed equity securities	¥ 21	¥ 16	\$ 177
Bonds	6	6	55

(2) Available-for-sale securities sold during the year ended December 31, 2013 were as follows:

	Millions of yen
Amount sold	¥ 45
Net gain on sale	37
Net loss on sale	-

There were no sales during the year ended December 31, 2014.

#### **8. Investments in Non-consolidated Subsidiaries**

Investments in non-consolidated subsidiaries at December 31, 2014 and 2013 are ¥21 million (\$177 thousand) and ¥16 million, respectively.

#### **9. Short-term and Long-term Loans**

Short-term loans both at December 31, 2014 and 2013 represented bank loan, bearing average interest of 1.48% per annum.

Long-term loans represented bank loan of ¥1,400 million (\$11,612 thousand) and ¥850 million at December 31, 2014 and 2013, bearing average interest of 0.96 % and 0.95% per annum, respectively.

The annual maturities of the long-term loans at December 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Year ending December 31,		
2016	¥ 850	\$ 7,050
2017	200	1,659
2018	-	-
2019	350	2,903

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At December 31, 2014 and 2013, assets pledged as collateral for short-term loans and long-term loans are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Buildings and structures	¥ 122	¥ 134	\$ 1,012
Land	1,132	1,132	9,391
Total	¥ 1,254	¥ 1,266	\$ 10,403

Secured loans at December 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Short-term loans	¥ 150	¥ 150	\$ 1,244
Long-term loans	1,400	850	11,612
Total	¥ 1,550	¥ 1,000	\$ 12,856

#### **10. Income Taxes**

Following the promulgation of the law “Partial Amendment of the Income Tax Act, etc.” (Act No.10 of 2014) on March 31, 2014, special reconstruction corporation tax will not be imposed from the consolidated fiscal years beginning on or after April 1, 2014. Accordingly, the effective tax rate applied to the calculation of deferred tax assets and liabilities for temporary differences expected to be resolved in the consolidated fiscal year beginning on or after January 1, 2015, were lowered from 38.01% in the prior fiscal year to 35.64%. The effect of this change is immaterial.



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Significant components of deferred tax assets and deferred tax liabilities at December 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Deferred tax assets:			
Tax losses carried-forward	¥ 1,279	¥ 1,460	\$ 10,616
Allowance for employees' retirement benefits	282	365	2,341
Loss on write-down of inventories	776	684	6,439
Impairment loss on long-lived assets	1,156	1,137	9,591
Allowance for bad debts	37	440	308
Others	1,208	964	10,024
Gross deferred tax assets	4,740	5,052	39,319
Less: Valuation allowance	(3,509)	(4,150)	(29,109)
Offset with deferred tax liabilities	(419)	(106)	(3,483)
Total deferred tax assets	810	795	6,727
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(615)	(681)	(5,106)
Asset retirement obligations	(12)	(13)	(106)
Others	(176)	(86)	(1,464)
Gross deferred tax liabilities	(804)	(781)	(6,676)
Offset with deferred tax assets	419	106	3,483
Total deferred tax liabilities	(384)	(674)	(3,193)
Deferred tax assets, net	¥ 426	¥ 120	\$ 3,534

The reconciliation of the statutory income tax rate and the tax rate reflected in the consolidated statements of income for the years ended December 31, 2014 and 2013 is follows:

	2014	2013
Statutory income tax rate	38.01%	38.01%
Expenses not deducted for tax purposes	0.86	3.48
Income not credited for tax purposes	(0.89)	(0.71)
Per capita tax	2.32	2.02
Difference in statutory tax rates of subsidiaries	(3.07)	(4.68)
Special exemption of consolidated subsidiaries	(3.47)	(2.40)
Deferred tax not recognized on consolidation entries, etc.	30.63	(13.45)
Effect of tax rate change	(0.31)	0.86
Increase / decrease in valuation allowance	(51.97)	(10.25)
Other	0.14	0.06
Tax rate reflected in the consolidated statements of income	12.25%	12.94%

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**11. Employees' Pension and Retirement Benefits**

**December 31, 2014**

1. Followings are the information of defined benefit plans at December 31, 2014 and for the year then ended.

- (1) Reconciliation of changes in liabilities for retirement benefits calculated by a simplified method

	Millions of yen	Thousands of U.S. dollars (Note 3)
Liabilities for retirement benefits at beginning of year	¥ 1,013	\$ 8,410
Retirement benefit expenses	106	885
Benefits paid	(127)	(1,055)
Contribution	(254)	(2,108)
Increase by business combination	31	259
Other	11	99
Liabilities for retirement benefits at end of year	<u>¥ 782</u>	<u>\$ 6,490</u>

- (2) Reconciliation between net of retirement benefit obligation and plan assets, and liabilities or assets for retirement benefits recognized in consolidated balance sheets

	Millions of yen	Thousands of U.S. dollars (Note 3)
Funded retirement benefit obligation	¥ 2,460	\$ 20,405
Plan assets	(2,100)	(17,426)
	359	2,979
Unfunded retirement benefit obligation	423	3,511
Net of liabilities and assets for retirement benefits	<u>¥ 782</u>	<u>\$ 6,490</u>
Liabilities for retirement benefits	¥ 782	\$ 6,490
Net of liabilities and assets for retirement benefits	<u>¥ 782</u>	<u>\$ 6,490</u>

- (3) Retirement benefit expenses calculated by a simplified method is ¥106 million (\$885 thousand).

2. The amount to be paid by the Company and consolidated subsidiaries to the defined contribution plans is ¥13 million (\$112 thousand) and the paid amounts by a prepaid termination allowance plan is ¥23 million (\$198 thousand) for the year ended December 31, 2014.

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December 31, 2013

Allowance for employees' retirement benefits at December 31, 2013 consisted of the following:

	Millions of yen
Projected benefit obligations	¥ (2,673)
Fair value of plan assets	1,659
Unfunded retirement benefit obligations	(1,013)
Allowance for employees' retirement benefits	¥ (1,013)

The Company and consolidated subsidiaries applied a simplified method in calculating its retirement benefit obligations and all severance and retirement benefit expenses are reported as service cost.

The employees' severance and retirement benefit expenses for the year ended December 31, 2013 were as follows:

	Millions of yen
Service cost	¥ 5
Severance and retirement benefit expenses	¥ 5

**12. Asset Retirement Obligations**

(1) Asset retirement obligations recognized on the consolidated balance sheet

Asset retirement obligations are associated with restoration expenses for sales shops according to leasehold contracts, disposal cost of asbestos and PCB equipment according to law or regulation at the time of dismantlement and removal of the Company and consolidated subsidiaries' buildings or machinery.

The obligations are calculated by using the lease terms as estimated period of use for restoration expenses and by using the useful lives as estimated period of use for legal disposal cost, and the yield rate of Japanese government bonds corresponding to each life time as discounted rate.

The following table provides a total asset retirement obligation for the years ended December 31, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Balance, beginning of year	¥ 219	¥ 212	\$ 1,819
Increase by fixed assets acquisition	16	39	141
Accretion expenses	1	1	8
Liabilities settled	(4)	(34)	(41)
Other	2	0	25
Balance, end of year	¥ 235	¥ 219	\$ 1,952

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(2) Asset retirement obligations not recognized on the consolidated balance sheet

The Group is not recognized the liabilities for asset retirement obligations for certain restoration expenses for its offices and sales shops because it is difficult to estimate the obligations reasonably since the period of use is not clear and there is no plan to movement.

**13. Net Assets**

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividend-in-kind) if the company has prescribed so in its articles of incorporation.

The Companies Act permits companies to distribute dividend-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Companies Act, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends.

The Companies Act provides certain limitations on the amounts available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

The following dividends were paid during the year ended December 31, 2013 which was approved by the general meeting of shareholders held on March 28, 2013.

(a) Total dividends	¥152 million
(b) Cash dividends per common share	¥4
(c) Record date	December 31, 2012
(d) Effective date	March 29, 2013

The following dividends were paid during the year ended December 31, 2014 which was approved by the general meeting of shareholders held on March 28, 2014.

(a) Total dividends	¥114 million (\$951 thousand)
(b) Cash dividends per common share	¥3 (\$0.02)
(c) Record date	December 31, 2013
(d) Effective date	March 31, 2014

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The following dividends were approved by the general meeting of shareholders held on March 27, 2015 and paid after the balance sheet date but the record date for the payment belongs to the year ended December 31, 2014.

(a) Total dividends	¥114 million (\$950 thousand)
(b) Dividend source	Retained earnings
(c) Cash dividends per common share	¥3 (\$0.02)
(d) Record date	December 31, 2014
(e) Effective date	March 30, 2015

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold.

The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.



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**14. Other Comprehensive Income**

The reclassification adjustment and the related income tax effects allocated to each component of other comprehensive income for the years ended December 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Net unrealized gain on available-for-sale securities:			
Arising during the year	¥ (251)	¥ 1,335	\$ (2,087)
Reclassification adjustment	0	-	0
Before tax amount	(251)	1,335	(2,087)
Tax benefit (expense)	65	(415)	543
Net-of-tax amount	(186)	919	(1,544)
Deferred gain on derivatives under hedge accounting:			
Arising during the year	(15)	130	(127)
Reclassification adjustment	(72)	(81)	(603)
Before tax amount	(88)	49	(730)
Tax benefit (expense)	33	(18)	277
Net-of-tax amount	(54)	30	(453)
Foreign currency translation adjustments:			
Arising during the year	671	1,228	5,573
Reclassification adjustment	-	-	-
Before tax amount	671	1,228	5,573
Tax benefit (expense)	-	-	-
Net-of-tax amount	671	1,228	5,573
Total other comprehensive income	¥ 431	¥ 2,178	\$ 3,576

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**15. Leases**

The Company and consolidated subsidiaries lease mainly information equipment, vehicles and software under finance leases.

Future lease payments for non-cancelable operating leases at December 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Due within one year	¥ 31	¥ 58	\$ 258
Due after one year	-	0	-
Total	¥ 31	¥ 58	\$ 258

**16. Financial Instruments**

(1) Conditions of financial instruments

(a) Management policy

The Company raises funds through bank borrowings for short-term operating fund, and surplus funds are invested in highly safe financial instruments. The Company uses derivatives to avoid risks mentioned below and does not enter into derivatives for speculative purposes.

(b) Financial instruments and risks

Trade notes and accounts receivable are exposed to customer's credit risk.

Short-term investments and investments in securities are mainly available-for-sale securities and equity securities held for business relations and are exposed to market fluctuation risk.

Lease deposits are deposits for leased properties and are exposed to counterparty's credit risk.

Maturities of trade notes and accounts payable are mostly within one year. Part of trade payables are denominated in foreign currency and are exposed to fluctuation risk of foreign exchange rates, and the Company uses foreign exchange contracts to hedge the risk.

Loans are mainly for financing of operating funds and loans with variable interest rate are exposed to fluctuation risk of interests.

Derivative transactions employed by the Company are foreign exchange contracts to hedge future fluctuation of foreign exchange rates of trade payables denominated in foreign currency mainly.

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(c) Financial instruments risk management

a) Credit risk

To mitigate and quickly capture the collectability issues due to bad financial condition and so on, in-charge of each operating division regularly monitors major customers' credit status, and performs due date controls and balance controls by each customer in accordance with credit control rules for controlling customer credit risk. The counterparties to derivative transactions are limited to financial institutions with high credit ratings.

b) Market risk

The Company uses a foreign exchange contract for hedging the cash flow fluctuation risk associated with trade payables and firm commitments denominated in foreign currencies, depending on foreign exchange rates.

For investments in securities, the Company regularly monitors a price and an issuer's financial condition, and continuously considers whether the Company holds the securities other than held-to-maturity bonds.

Derivative transactions are executed and controlled by accounting department in accordance with internal rules which includes authorization regulation and transaction records were reported to the Board of Directors regularly.

c) Liquidity risk

To mitigate the liquidity risk, responsible department prepares and updates a funds management plan based on the report from each department, and maintains an appropriate level of liquidity.

(d) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments are measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments which quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in note **17. Derivative Transactions** does not represent the market risk of the derivative transactions.

(2) Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences at December 31, 2014 and 2013 are as follows. Financial instruments, of which it is extremely difficult to measure the fair value, are not included. (Please see "(b) Financial instruments of which the fair value is extremely difficult to measure")

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December 31, 2014	Millions of yen			Thousands of U.S. dollars (Note 3)		
	Carrying amount	Fair value	Differences	Carrying amount	Fair value	Differences
Assets:						
(1) Cash and time deposits	¥ 3,120	¥ 3,120	¥ -	\$ 25,882	\$ 25,882	\$ -
(2) Notes and accounts receivable-trade	6,216			51,566		
Less: allowance for bad debts *1	(8)			(70)		
	6,208	6,208	-	51,496	51,496	-
(3) Short-term investments and investments in securities:						
Available-for-sale securities	3,266	3,266	-	27,097	27,097	-
(4) Lease deposit	975	975	0	8,091	8,091	0
Total	¥ 13,570	¥ 13,571	¥ 0	\$ 112,566	\$ 112,566	\$ 0
Liabilities:						
(1) Notes and accounts payable -trade	¥ 4,509	¥ 4,509	¥ -	\$ 37,401	\$ 37,401	\$ -
(2) Short-term loans	150	150	-	1,244	1,244	-
(3) Long-term loans	1,400	1,415	15	11,612	11,744	132
Total	¥ 6,059	¥ 6,074	¥ 15	\$ 50,257	\$ 50,389	\$ 132
Derivative transactions *2	¥ (2)	¥ (2)	¥ -	\$ (19)	\$ (19)	\$ -

December 31, 2013	Millions of yen		
	Carrying amount	Fair value	Differences
Assets:			
(1) Cash and time deposits	¥ 2,856	¥ 2,856	¥ -
(2) Notes and accounts receivable-trade	5,407		
Less: allowance for bad debts *1	(8)		
	5,399	5,399	-
(3) Short-term investments and investments in securities:			
Available-for-sale securities	3,449	3,449	-
(4) Lease deposit	884	881	(2)
Total	¥ 12,589	¥ 12,586	¥ (2)
Liabilities:			
(1) Notes and accounts payable -trade	¥ 4,251	¥ 4,251	¥ -
(2) Short-term loans	150	150	-
(3) Long-term loans	850	852	2
Total	¥ 5,251	¥ 5,253	¥ 2
Derivative transactions *2	¥ 102	¥ 102	¥ -

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\*1 Allowance for bad debts provided individually for notes and accounts receivable-trade are deducted.

\*2 Derivative receivables and payables are on net basis. Items that are net payables are shown in parenthesis.

(a) Fair value measurement of financial instruments

Assets:

(1) Cash and time deposits and (2) Notes and accounts receivable-trade

The fair value approximates the carrying amount because of the short maturity of these instruments.

(3) Short-term investments and investments in securities

The fair value of equity securities is calculated by quoted market prices and the fair value of debt securities is estimated based on quotes from counterparties. Please see note **7. Short-term Investments and Investments in Securities** for information by holding purpose.

(4) Lease deposit

The fair value is based on the present value calculated using a reasonably estimated time of refund of lease deposits and a reasonable discount rate.

Liabilities:

(1) Notes and accounts payable-trade and (2) Short-term loans

The fair value approximates the carrying amount because of the short maturity of these instruments.

(3) Long-term loans

The fair value is based on the present value of future cash flows of interests and principal payments discounted using the expected rate for similar loans.

Derivative transactions:

Please see note **17. Derivative Transactions** for details of derivative transactions.

(b) Financial instruments of which the fair value is extremely difficult to measure at December 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Unlisted equity securities *1	¥ 27	¥ 22	\$ 232
Lease deposit *2	833	669	6,916

\*1 Because no quoted market prices are available and the fair value is extremely difficult to measure, these are not included in above (3) Short-term investments and investments in securities.



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\*2 Because it is difficult to estimate substantive deposit terms of these lease deposits and the fair value is extremely difficult to measure, these are not included in above (4) Lease deposit.

(c) Projected future redemption of monetary claim and securities with maturities at December 31, 2014 and 2013

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
<u>December 31, 2014</u>				
Cash and time deposits	¥ 3,120	¥ -	¥ -	¥ -
Notes and accounts receivable				
-trade	6,216	-	-	-
Short-term investments and investments in securities:				
Available-for-sale				
securities with maturities:				
Debt securities	2	4	-	-
Other	-	-	-	200
Lease deposit	275	647	52	-
	¥ 9,615	¥ 651	¥ 52	¥ 200

	Thousands of U.S. dollars (Note 3)			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
<u>December 31, 2014</u>				
Cash and time deposits	\$ 25,882	\$ -	\$ -	\$ -
Notes and accounts receivable				
-trade	51,566	-	-	-
Short-term investments and investments in securities:				
Available-for-sale				
securities with maturities:				
Debt securities	22	33	-	-
Other	-	-	-	1,659
Lease deposit	2,284	5,369	438	-
	\$ 79,754	\$ 5,402	\$ 438	\$ 1,659

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Millions of yen					
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	
<u>December 31, 2013</u>					
Cash and time deposits	¥ 2,856	¥ -	¥ -	¥ -	
Notes and accounts receivable					
-trade	5,407	-	-	-	
Short-term investments and investments in securities:					
Available-for-sale					
securities with maturities:					
Debt securities	-	6	-	-	
Other	-	-	-	200	
Lease deposit	249	622	12	-	
	¥ 8,512	¥ 628	¥ 12	¥ 200	

(d) The annual maturities of the long-term borrowings at December 31, 2014 and 2013

Thousands of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
<u>December 31, 2014</u>					
Long-term borrowings	¥ -	¥ 850	¥ 200	¥ -	¥ 350

Thousands of U.S. dollars (Note 3)					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
<u>December 31, 2014</u>					
Long-term borrowings	\$ -	\$ 7,050	\$ 1,659	\$ -	\$ 2,903

Thousands of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
<u>December 31, 2013</u>					
Long-term borrowings	¥ -	¥ -	¥ 850	¥ -	¥ -

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**17. Derivative Transactions**

(1) Derivative financial instruments to which hedge accounting is not applied

(a) Currency transaction

Millions of yen				
2014				
Contract/ Notional amount				
Total	Settled over one year	Fair value	Unrealized gain (loss)	
Forward exchange contracts				
Buying:				
EUR	¥ 270	¥ -	¥ 268	¥ (2)
Total	¥ 270	¥ -	¥ 268	¥ (2)
Thousands of U.S. dollars (Note 3)				
2014				
Contract/ Notional amount				
Total	Settled over one year	Fair value	Unrealized gain (loss)	
Forward exchange contracts				
Buying:				
EUR	\$ 2,247	\$ -	\$ 2,228	\$ (19)
Total	\$ 2,247	\$ -	\$ 2,228	\$ (19)
Millions of yen				
2013				
Contract/ Notional amount				
Total	Settled over one year	Fair value	Unrealized gain (loss)	
Forward exchange contracts				
Buying:				
EUR	¥ 146	¥ -	¥ 149	¥ 2
Total	¥ 146	¥ -	¥ 149	¥ 2
Coupon swap contracts				
Changing JPY into USD	¥ 2,062	¥ 2,062	¥ 11	¥ 11
Total	¥ 2,062	¥ 2,062	¥ 11	¥ 11

1. Fair value is calculated based on the prices, which are provided by the financial institution.
2. The notional amount of coupon swap contracts which are shown in the table above does not represent the market risk of the derivative transactions.

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(b) Other

Compound financial instruments with embedded derivatives whose derivative portion cannot be separately valued are reported at fair value in aggregate. The contract amount of the compound financial instruments is ¥200 million (\$1,659 thousand) and ¥200 million, while the fair value is ¥199 million (\$1,658 thousand) and ¥134 million and revaluation losses of ¥0 million (\$0 thousand) and ¥65 million at December 31, 2014 and 2013, respectively. Changes in revaluation losses of ¥65 million (\$540 thousand) and ¥52 million are reported in the consolidated statements of income for the years ended December 31, 2014 and 2013, respectively.

(2) Derivative financial instruments to which hedge accounting is applied

		Millions of yen		
		2013		
		Contract/ Notional amount		
	Hedged items	Total	Settled over one year	Fair value
Forward exchange contracts				
Buying:				
EUR	Accounts payable	¥ 259	¥ -	¥ 88
Total		¥ 259	¥ -	¥ 88

Fair value is calculated based on the prices, which are provided by the financial institution.

The Company has no derivative financial instruments to which hedge accounting is applied at December 31, 2014.

**18. Impairment Loss on Long-lived Assets**

Impairment loss on long-lived assets for the years ended December 31, 2014 and 2013 consisted as follows:

2014:

Location	Use	Balance sheet item
Shibuya-city, Tokyo and other locations	Assets for business use	Buildings and structures Tools, furniture and equipment Long-term prepaid expenses
Meguro-city, Tokyo	Common use assets	Software

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2013:

Location	Use	Balance sheet item
Kobe-city, Hyogo and other locations	Assets for business use	Buildings and structures Tools, furniture and equipment
Meguro-city, Tokyo	Assets for business use	Machinery and equipment Tools, furniture and equipment Software

The Group identifies groups of assets on a store basis as the minimum independent cash-flow-generating unit.

Due to continuous losses in its operation or estimated losses in the future, impairment loss of ¥112 million (\$931 thousand) and ¥76 million are recognized for the above assets for business use from the book value to the recoverable value, with the difference reported as other expenses, for the years ended December 31, 2014 and 2013, respectively.

Recoverable values are calculated according to estimated net sales values, which are mainly based on real estate appraisal values.

#### **19. Commitments and Contingencies**

The Company guaranteed its subsidiary's borrowings from financial institutions. At December 31, 2014, the guarantees amounted to ¥2 million (\$18 thousand).

Also, the Company guaranteed its subsidiary's trade and lease contract. At December 31, 2014, the guarantees amounted to ¥1 million (\$16 thousand).

#### **20. Business Combination**

##### **(1) Outline**

The Company acquired 3,200 shares of LAISSE PASSE CO., LTD. which was 80% of the outstanding shares on April 1, 2014. LAISSE PASSE CO., LTD. is engaged in planning, manufacture and sale of ladies' clothes for twenties and thirties and has about 30 shops at department stores and commercial facilities across Japan. Through this business combination, the Company expects to expand the business of LAISSE PASSE CO., LTD. and enhance its profit base, and improve the value of the Group.

(2) The results of LAISSE PASSE CO., LTD. operations are included in the consolidated financial statements from April 1, 2014 to November 30, 2014.



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(3) Details of acquisition cost are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Payment for acquisition of stocks	¥ 180	\$ 1,499
Acquisition related costs such as due diligence cost, etc.	11	99
Acquisition cost of stocks	¥ 192	\$ 1,598

(4) The Company recognized goodwill of ¥92 million (\$763 thousand) and it is amortized over 5 years. Goodwill is calculated based on the projected future excess earnings through future business development of LAISSE PASSE CO., LTD.

(5) Assets and liabilities acquired on the day of the business combination is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Current assets	¥ 1,110	\$ 9,213
Non-current assets	167	1,388
Total assets	¥ 1,278	\$ 10,601
Current liabilities	¥ 920	\$ 7,637
Non-current liabilities	231	1,921
Total liabilities	¥ 1,152	\$ 9,558

(6) The following table summarizes the estimated impact on the consolidated statement of income for the year ended December 31, 2014, if it is assumed that the business combination was completed on January 1, 2014.

	Millions of yen	Thousands of U.S. dollars (Note 3)
Net sales	¥ 766	\$ 6,362
Ordinary income*	42	349
Net income	40	338

\*Ordinary income is defined as “Keijo-rieki” in the consolidated statement of income under accounting principles generally accepted in Japan. An ordinary income or loss, “Keijo-soneki” is an income or loss figure with certain adjustments made to income or loss before income taxes and minority interests.

The estimated impact is calculated as the difference between the net sales and profit and loss that has been calculated under the assumption that the business combination was completed on January 1, 2014, and those reported in the consolidated statement of income. Goodwill amortization amount is also adjusted under the assumption that goodwill recognized on January 1, 2014.

This estimated impact has not being audited by the Company’s auditors.

LOOK INCORPORATED  
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**21. Segment Information**

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

The Group engaged in planning, producing and selling apparel and its related accessories. The Company and four domestic consolidated subsidiaries manage the apparel related business in Japan and four foreign subsidiaries manage the apparel related business abroad. One domestic subsidiary manages the apparel producing and OEM business for the Group and other than for the Group. One domestic subsidiary manages the apparel distribution and storage business for the Group. The Company established local business base in Japan, Korea, Hong Kong and China, and each base plans overall strategy for each brand and runs the business.

The Group's reported segments are five segments which are three geographical segments of "Japan," "Korea" and "Other abroad" (Hong Kong and China) which are based on its sales system for the apparel related business, and "Producing and OEM business" and "Distribution business."

Segment sales, income or loss, assets, liabilities and others are calculated by accounting methods similar to those employed to prepare the accompanying consolidated financial statements. Segment income is calculated based on operating income disclosed in the consolidated statements of income. Intersegment revenue and transfer are based on arms-length transactions or manufacturing costs.

The reported segment information for the years ended December 31, 2014 and 2013 is summarized as follows:

	Millions of yen								
	2014								
	Apparel				Producing and OEM	Distribution	Total	Adjustments	Consolidated
	Japan	Korea	Other abroad	Total					
Net sales:									
Outside customers	¥ 33,337	¥ 11,012	¥ 513	¥ 44,863	¥ 679	¥ 16	¥ 45,559	¥ -	¥ 45,559
Intersegment	40	75	-	115	3,631	1,267	5,013	(5,013)	-
Total	<u>¥ 33,377</u>	<u>¥ 11,088</u>	<u>¥ 513</u>	<u>¥ 44,978</u>	<u>¥ 4,310</u>	<u>¥ 1,283</u>	<u>¥ 50,572</u>	<u>¥ (5,013)</u>	<u>¥ 45,559</u>
Segment income (loss)	<u>¥ 655</u>	<u>¥ 530</u>	<u>¥ (171)</u>	<u>¥ 1,014</u>	<u>¥ 36</u>	<u>¥ 25</u>	<u>¥ 1,076</u>	<u>¥ 101</u>	<u>¥ 1,177</u>
Segment assets	<u>¥ 20,058</u>	<u>¥ 9,699</u>	<u>¥ 884</u>	<u>¥ 30,642</u>	<u>¥ 953</u>	<u>¥ 248</u>	<u>¥ 31,845</u>	<u>¥ (838)</u>	<u>¥ 31,007</u>
Others:									
Depreciation and amortization	¥ 524	¥ 339	¥ 27	¥ 891	¥ 0	¥ 4	¥ 896	¥ -	¥ 896
Impairment loss	111	1	-	112	-	-	112	-	112
Amortization of goodwill	12	1	-	13	-	18	31	-	31
Capital expenditures	795	548	0	1,343	2	0	1,346	-	1,346

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Thousands of U.S. dollars (Note 3)									
2014									
Apparel									
	Japan	Korea	Other abroad	Total	Producing and OEM	Distribution	Total	Adjustments	Consolidated
Net sales:									
Outside customers	\$ 276,520	\$ 91,348	\$ 4,261	\$ 372,129	\$ 5,635	\$ 133	\$ 377,897	\$ -	\$ 377,897
Intersegment	332	623	-	955	30,117	10,513	41,585	(41,585)	-
Total	<u>\$ 276,852</u>	<u>\$ 91,971</u>	<u>\$ 4,261</u>	<u>\$ 373,084</u>	<u>\$ 35,752</u>	<u>\$ 10,646</u>	<u>\$ 419,482</u>	<u>\$ (41,585)</u>	<u>\$ 377,897</u>
Segment income (loss)	<u>\$ 5,436</u>	<u>\$ 4,401</u>	<u>\$ (1,419)</u>	<u>\$ 8,418</u>	<u>\$ 304</u>	<u>\$ 210</u>	<u>\$ 8,932</u>	<u>\$ 838</u>	<u>\$ 9,770</u>
Segment assets	<u>\$ 166,379</u>	<u>\$ 80,457</u>	<u>\$ 7,336</u>	<u>\$ 254,172</u>	<u>\$ 7,913</u>	<u>\$ 2,064</u>	<u>\$ 264,149</u>	<u>\$ (6,956)</u>	<u>\$ 257,193</u>
Others:									
Depreciation and amortization	\$ 4,348	\$ 2,818	\$ 231	\$ 7,397	\$ 0	\$ 36	\$ 7,433	\$ -	\$ 7,433
Impairment loss	922	9	-	931	-	-	931	-	931
Amortization of goodwill	102	14	-	116	-	149	265	-	265
Capital expenditures	6,594	4,552	0	11,146	21	3	11,170	-	11,170

Millions of yen									
2013									
Apparel									
	Japan	Korea	Other abroad	Total	Producing and OEM	Distribution	Total	Adjustments	Consolidated
Net sales:									
Outside customers	¥ 31,149	¥ 8,947	¥ 594	¥ 40,692	¥ 752	¥ 18	¥ 41,463	¥ -	¥ 41,463
Intersegment	59	77	-	136	3,769	1,345	5,251	(5,251)	-
Total	<u>¥ 31,209</u>	<u>¥ 9,024</u>	<u>¥ 594</u>	<u>¥ 40,828</u>	<u>¥ 4,522</u>	<u>¥ 1,363</u>	<u>¥ 46,714</u>	<u>¥ (5,251)</u>	<u>¥ 41,463</u>
Segment income (loss)	<u>¥ 610</u>	<u>¥ 464</u>	<u>¥ (15)</u>	<u>¥ 1,059</u>	<u>¥ (68)</u>	<u>¥ 101</u>	<u>¥ 1,092</u>	<u>¥ 94</u>	<u>¥ 1,186</u>
Segment assets	<u>¥ 18,701</u>	<u>¥ 8,335</u>	<u>¥ 866</u>	<u>¥ 27,904</u>	<u>¥ 844</u>	<u>¥ 289</u>	<u>¥ 29,037</u>	<u>¥ (612)</u>	<u>¥ 28,425</u>
Others:									
Depreciation and amortization	¥ 492	¥ 310	¥ 17	¥ 820	¥ 4	¥ 5	¥ 829	¥ -	¥ 829
Impairment loss	48	1	-	49	27	-	76	-	76
Amortization of goodwill	-	1	-	1	-	13	14	-	14
Amortization of negative goodwill	16	-	0	16	-	-	16	-	16
Capital expenditures	990	352	1	1,344	4	47	1,396	-	1,396

1. Adjustments are intersegment eliminations.
2. Segment income (loss) agrees with operating income disclosed in the consolidated statements of income.

**Related information**

**(1) Information by products and services**

Disclosures are omitted because the classification of products and services are same as the classification of the reported segments.

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(2) Geographical information

(a) Sales

Millions of yen									
2014									
	Japan		Korea		Hong Kong		China		Total
¥	34,032	¥	11,012	¥	187	¥	325	¥	45,559

Thousands of U.S. dollars (Note 3)									
2014									
	Japan		Korea		Hong Kong		China		Total
\$	282,288	\$	91,348	\$	1,560	\$	2,701	\$	377,897

Millions of yen									
2013									
	Japan		Korea		Hong Kong		China		Total
¥	31,920	¥	8,947	¥	201	¥	393	¥	41,463

Geographical sales are classified by customer's location.

(b) Property, plant and equipment

Millions of yen									
2014									
	Japan		Korea		Hong Kong		China		Total
¥	2,813	¥	1,418	¥	-	¥	3	¥	4,235

Thousands of U.S. dollars (Note 3)									
2014									
	Japan		Korea		Hong Kong		China		Total
\$	23,334	\$	11,768	\$	-	\$	30	\$	35,132

Millions of yen									
2013									
	Japan		Korea		Hong Kong		China		Total
¥	2,940	¥	1,131	¥	-	¥	5	¥	4,077

(c) Information by major customers

Disclosures are omitted because no particular customer whose sales are over 10% of sales in the consolidated statements of income exists.

**Information of impairment loss on fixed assets by reported segments**

Disclosures are omitted because the information is disclosed in the reported segment information.

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**Information of balance of goodwill and negative goodwill by reported segments**

Balance of goodwill is as follows:

		Millions of yen								
		2014								
		Apparel				Producing		Total	Adjustment	Consolidated
		Japan	Korea	Other	Total	and OEM	Distribution			
Balance		¥ 79	¥ 6	¥ -	¥ 86	¥ -	¥ 4	¥ 90	¥ -	¥ 90
		Thousands of U.S. dollars (Note 3)								
		2014								
		Apparel				Producing		Total	Adjustment	Consolidated
		Japan	Korea	Other	Total	and OEM	Distribution			
Balance		\$ 662	\$ 52	\$ -	\$ 714	\$ -	\$ 37	\$ 751	\$ -	\$ 751
		Millions of yen								
		2013								
		Apparel				Producing		Total	Adjustment	Consolidated
		Japan	Korea	Other	Total	and OEM	Distribution			
Balance		¥ -	¥ 7	¥ -	¥ 7	¥ -	¥ 22	¥ 29	¥ -	¥ 29

Disclosures of goodwill amortization are omitted because the information is disclosed in the reported segment information.

**Negative goodwill incurred by reported segments**

No negative goodwill is incurred for the year ended December 31, 2014. No material negative goodwill was incurred for the year ended December 31, 2013.

**22. Per Share Information**

The basis for the calculation of net income per share for the years ended December 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Net income	¥ 1,262	¥ 1,356	\$ 10,476
Less: Components not pertaining to common shareholders	-	-	-
Net income pertaining to common stock	¥ 1,262	¥ 1,356	\$ 10,476
Average outstanding shares of common stock during the year (shares)	38,210,835	38,225,372	38,210,835



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The basis for the calculation of diluted net income per share is not disclosed because there were no potentially dilutive common shares that were outstanding for the years ended December 31, 2014 and 2013.

**23. Supplemental Cash Flow Information**

Assets and liabilities of LAISSE PASSE CO., LTD., the newly consolidated subsidiary in 2014 by acquisition at the inception of consolidation, and net payment from the acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Current assets	¥ 1,110	\$ 9,213
Non-current assets	167	1,388
Goodwill	92	763
Current liabilities	(920)	(7,637)
Non-current liabilities	(231)	(1,921)
Minority interests	(25)	(208)
Acquisition cost of stocks	192	1,598
Cash and cash equivalents held by acquired subsidiary	(481)	(3,990)
Net proceeds from acquisition of the subsidiary	¥ 288	\$ 2,392

**24. Subsequent Event**

On January 23, 2015, the Company, TORY BURCH FAR EAST LIMITED (HK) and MITSUBISHI CORPORATION FASHION CO., LTD. agreed that the exclusive sales right of Tory Burch ladies' clothes and accessories in Japan shall be terminated on July 31, 2015, when the date of expiry of the contract.

For the year ending December 31, 2015, the sales of Tory Burch is expected to decrease by ¥2,700 million (\$22,395 thousand) compared to the previous year.

# Corporate Data

(As of December 31, 2014)

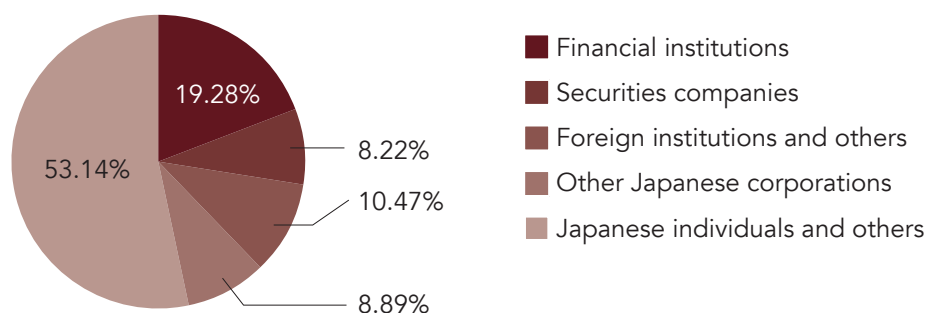
Company Name	LOOK INCORPORATED
Date of Establishment	October 29, 1962
Tokyo Head Office	2-7-7 Nakameguro, Meguro-ku, Tokyo, Japan 153-8638 Tel: +81-3-3794-9100
Paid-in Capital	6,340.93 million yen
Major Business Activities	Planning, manufacturing, and sales of apparel merchandise
Number of Employees	1,866 employees (Consolidated)
Common Stock	Authorized 120,000,000 shares Issued 38,237,067 shares
Number of Shareholders	5,500
Stock Listing	Tokyo Stock Exchange, First Section
Fiscal Year-End	December
Main Financing Banks	Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, LTD.

## Major Shareholders

(As of December 31, 2014)

Name	Number of shares held (Thousands)	Percentage of total outstanding shares
YAGI TSUSHO LIMITED	1,500	3.93
Japan Trustee Services Bank, Ltd. (Trust account)	1,239	3.25
The Master Trust Bank of Japan, Ltd. (Trust account)	1,121	2.94
SBI SECURITIES CO., LTD.	839	2.20
SUMITOMO LIFE INSURANCE COMPANY	772	2.02
Isetan Mitsukoshi Ltd.	672	1.76
Sumitomo Mitsui Banking Corporation	654	1.71
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	582	1.52
CBNY-NORGES BANK	574	1.50
GOLDMAN SACHS INTERNATIONAL	541	1.42

## Distribution of Ownership among Shareholders



## Directors, Operating Officers, and Auditors

(As of March 27, 2015)

Chairman		Takehiko Maki
President and Representative Director		Kazuhiro Tada
Senior Managing Director		Sachio Kidokoro
Managing Director		Eiji Takayama
Director	President of I.D. LOOK LTD.	Seung-Gon Cho
Director		Kazuhiko Fukuchi
Auditor (standing statutory auditor)		Hisashi Furushima
Auditor		Tooru Sugita
Auditor		Shuichi Hattori
Operating Officer	General Manager of National Brand Division/ in charge of Specialty Store Division	Yoshinobu Muranishi
Operating Officer	General Manager of Osaka Branch	Shigeki Matsuo
Operating Officer	General Manager of DC Division	Fumio Kikuya
Operating Officer	General Manager of Management Planning Department	Masaaki Saito
Operating Officer	General Manager of SCAPA Division	Haruo Shibuya
Operating Officer	General Manager of Accounting & Finance Division	Masayuki Koyama

## Consolidated Subsidiaries

(As of December 31, 2014)

### ■ A.P.C. JAPAN LTD.

2-7-7, Nakameguro, Meguro-ku,  
Tokyo, Japan 153-8638  
Tel: +81-3-6864-2603 Fax: +81-3-3710-2004

### ■ LAISSE PASSE CO., LTD.

Créateur,  
4-5, Motoyoyogi-cho, Shibuya-ku,  
Tokyo, Japan 151-0062  
Tel: +81-3-5790-7201 Fax: +81-3-5453-7016

### ■ VERA BRADLEY STYLE LTD.

2-7-7, Nakameguro, Meguro-ku,  
Tokyo, Japan 153-8638  
Tel: +81-3-3794-9322 Fax: +81-3-3710-1850

### ■ LOOK MODE INC.

2-7-7, Nakameguro, Meguro-ku,  
Tokyo, Japan 153-8638  
Tel: +81-3-3794-9300 Fax: +81-3-3794-2010

### ■ L. LOGISTICS INC.

2-3-1, Akanehama, Narashino-shi,  
Chiba, Japan 275-0024  
Tel: +81-47-455-2111 Fax: +81-47-455-2112

### ■ I.D. LOOK LTD.

580, Gangnam-Daero, Gang Nam-gu,  
Seoul, Korea  
Tel: +82-2-3438-9125 Fax: +82-2-547-8329

### ■ I.D. JOY LTD.

22, Gangnam-Daero, 136-gil, Gang Nam-gu,  
Seoul, Korea  
Tel: +82-70-7729-6008 Fax: +82-2-518-0059

### ■ LOOK (H.K.) LTD.

Rm 2211-2212 Metro Centre II  
21 Lam Hing Street, Kowloon Bay,  
Kowloon, Hong Kong  
Tel: +852-2751-8773 Fax: +852-2796-0859

### ■ LOOK CHINA CO., LTD.

FL3, BLD4, No.1151 Lianxi Rd, Pudong,  
Shanghai, China 200127  
Tel: +86-21-5039-1533 Fax: +86-21-5039-5822