LOOK
HOLDINGS INC.

ANNUAL REPORT 2017

Year Ended December 31, 2017

LOOK HOLDINGS INCORPORATED

LOOK Group Corporate Profile

Adhering to its 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.

In January 2018, the LOOK Group transitioned to a holding company structure. Going forward, we will implement measures to further enhance the efficiency of Group operations and, guided by our corporate philosophy of the "Customer Comes First," we will deliver sustained growth and stable earnings in order to further strengthen our corporate value.

The LOOK Group now encompasses LOOK HOLDINGS INCORPORATED (the parent company) and eleven 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.

We will also grow revenues from our existing businesses, expand our e-commerce business, and actively develop new businesses to increase competitiveness and earning power.

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Financial Highlights

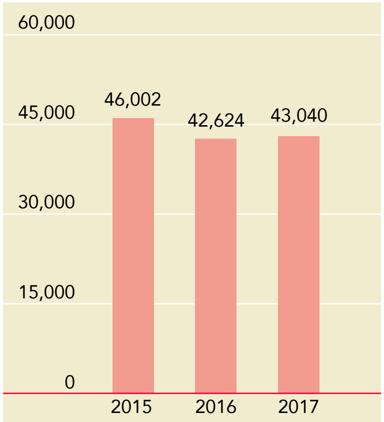
LOOK HOLDINGS INCORPORATED and Subsidiaries
For the years ended December 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
At year-end:			
Total current assets	¥21,841	¥20,088	$193,290
Total current liabilities	6,096	6,774	53,954
Short-term loans	106	597	938
Total shareholders' equity	19,713	18,368	174,454
For the year:			
Net sales	43,040	42,624	380,894
Operating income	1,459	826	12,916
Ordinary income	1,747	964	15,462
Net income attributable to owners of parent	1,536	256	13,599
	Yen		U.S. dollars
Per share:			
Net income	¥40.26	¥6.73	$0.37
Cash dividends	6.00	5.00	0.05
	%		
Ratios:			
ROE	7.5	1.3	
Operating income margin	3.4	1.9	

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥113 to US$1, the approximate rate of exchange at December 29, 2017.

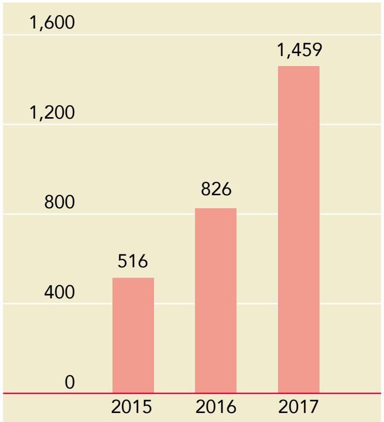
Net Sales

(Millions of yen)



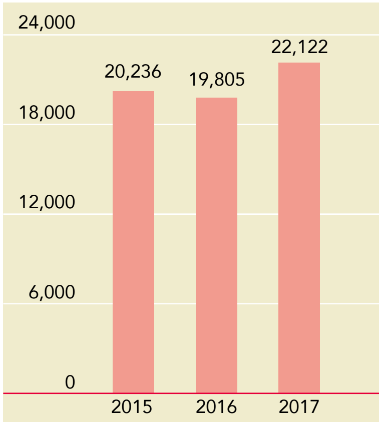
Operating Income

(Millions of yen)



Total Net Assets

(Millions of yen)



To Our Shareholders

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

Performance Overview

Consolidated Results

Net sales	¥43,040 million (up 1.0% year on year)
Operating income	¥1,459 million (up 76.5%)
Ordinary income	¥1,747 million (up 81.1%)
Net income attributable to owners of parent	¥1,536 million (up 498.0%)

In the year under review, the Group continued to implement the three priority strategies that form its medium-term business plan, ending in December 2018. These strategies—increase the profitability of existing businesses, expand the e-commerce business, and actively develop new businesses—aim to establish a stable earnings foundation.

In our existing businesses, we promoted a policy of store opening for mainstay import brands and focused on improving the precision of merchandising of original brands. Regarding the e-commerce business, we took a variety of measures to promptly achieve a 10% sales ratio. These included expanding brands and stores covered by LOOK MEMBERSHIP—a shopping point-sharing service between physical and online stores. As for new businesses, we commenced sales of filage, an original brand for adult women, in March 2017.

As a result, consolidated net sales for the year totaled ¥43,040 million, up 1.0% from fiscal 2016. Operating income jumped 76.5%, to ¥1,459 million, and ordinary income surged 81.1%, to ¥1,747 million. Net income attributable to owners of parent rocketed 498.0%, to ¥1,536 million.

Performance by Business Segment

Apparel Business

In Japan, we enjoyed healthy sales of KEITH, an original brand operated by LOOK INCORPORATED, on the back of successful ongoing efforts to enhance our planning precision. We also improved sales of Il Bisonte and Marimekko— import brands centered on directly managed stores—thanks to initiatives including new store openings. In addition, we maintained steady sales of the A.P.C. brand, operated by A.P.C. JAPAN LTD., following efforts to reinforce its lineup of bags, wallets, and other small leather goods, as well as to strengthen e-commerce sales. As for the DENHAM brand, operated by DENHAM JAPAN INC., we worked on a business expansion strategy that included promotion of new store openings such as “GINZA SIX”, a complex in Ginza, Tokyo. We also worked to further enhance the value of various brands—including Repetto and A.P.C., which celebrated their 70th and 30th anniversaries, respectively—by selling commemorative items and hosting anniversary events. In the e-commerce business, we sought to further enhance customer convenience, including by adding A.P.C. to brands covered by LOOK MEMBERSHIP in February 2017. In addition to these initiatives, we continued a policy of business selection and concentration from the previous year.

As a consequence, we achieved a significant year-on-year increase in profit despite a decrease in domestic sales. Specifically, sales in Japan rose 0.9%, to ¥27,400 million, as operating income soared 284.4%, to ¥821 million.

In South Korea, I.D. LOOK LTD. posted healthy sales of import brands Sandro and Maje. I.D. LOOK also benefited from the full-year contribution of the A.P.C. brand, launched in September 2016, leading to a year-on-year sales increase. However, operating income declined due to a decrease in the gross margin ratio associated with higher sales of import brands, as well as increased selling, general, and administrative expenses related to new store openings. Meanwhile, I.D. JOY LTD. reported higher sales and operating income thanks to a reassessment of its existing stores. Accordingly, sales in South Korea climbed 6.5%, to ¥14,763 million, and operating income rose 3.3%, to ¥488 million.

In “Other abroad” (Hong Kong and China), LOOK (H.K.) LTD. (based in Hong Kong) posted year-on-year growth in revenue and earnings owing to healthy store sales. Meanwhile, LOOK CHINA CO., LTD. (based in Shanghai) has concentrated on the e-commerce business since July 2016. Although sales declined as a result, the company’s profitability improved dramatically. As such, sales in “Other abroad” declined 5.3%, to ¥222 million, but the company posted operating income of ¥23 million, compared with an operating loss of ¥32 million in fiscal 2016.

Consequently, the Group’s Apparel Business segment posted a 1.5% increase in sales, to ¥42,387 million, and a 104.0% jump in operating income, to ¥1,332 million.

Production and OEM Business

LOOK MODE INC., which handles the Group’s Production and OEM Business segment, posted a year-on-year drop in sales due to a decrease in production volume for the Group’s apparel offerings. This was despite an increase in OEM business sales. As a consequence, sales in this segment were down 13.1%, to ¥3,115 million, and operating income fell 94.5%, to ¥3 million.

Logistics Business

L. LOGISTICS INC., which is responsible for the Group’s Logistics Business segment, worked to enhance operational efficiency, including by bringing the logistics operations for the DENHAM brand in-house in September 2017. However, due to shrinking business volumes, segment sales fell 7.0%, to ¥1,131 million. By contrast, operating income climbed 17.6%, to ¥69 million, benefiting from the integration of physical distribution bases in August 2016 and other effects.

Food & Beverage Business

FFI INC. (FASHIONABLE FOODS International), which represents the Group’s Food & Beverage Business segment, sells Italian gelato under the Gelateria Marghera brand. In the year under review, segment sales decreased 4.9%, to ¥138 million. However, due to the efforts of reduction in sales costs, operating losses shrank to ¥24 million, from ¥31 million in fiscal 2016.

Outlook for Fiscal 2018 and Consolidated Forecasts

Consolidated Forecasts

Net sales	¥45,000 million (up 4.6% year on year)
Operating income	¥1,600 million (up 9.6%)
Ordinary income	¥1,800 million (up 3.0%)
Net income attributable to owners of parent	¥1,600 million (up 4.1%)

To achieve further growth, the LOOK Group is seeking to further expedite its management-related decision-making and build a Group operational structure that facilitates agile and flexible management decisions. To this end, we transitioned to a holding company structure at the beginning of January 2018. In the future, we are determined to take action aimed at further improving the Group’s business efficiency.

In fiscal 2018, the final year of our medium-term business plan, we will continue implementing the plan’s three priority strategies. With respect to existing businesses in Japan, we will continue to effectively direct managerial resources to initiatives such as the promotion of new store openings for Marimekko and Repetto (operated by LOOK INCORPORATED), A.P.C. (operated by A.P.C. JAPAN LTD.), and DENHAM (operated by DENHAM JAPAN INC.). We will also establish a stable earnings foundation. In the e-commerce business, we will utilize data accumulated through LOOK MEMBERSHIP to provide more personalized services to all our customers. At the same time, we will expand the number of brands and stores covered by LOOK MEMBERSHIP to further improve convenience for customers. As for new businesses, in the spring of 2018, we began to exclusively import and distribute BENSIMON, a French lifestyle brand, and opened a BENSIMON AUTOUR DU MONDE store in Daikanyama, Tokyo. Overseas, in South Korea, we will strive to bolster sales, including by opening new stores for the A.P.C. brand as well as launching DENHAM stores to be handled by I.D. LOOK LTD. In China, LOOK CHINA CO., LTD. (based in Shanghai) will focus on growing its e-commerce business in an ongoing effort to expand sales.

For fiscal 2018, the LOOK Group forecasts consolidated net sales of ¥45,000 million, up 4.6% year on year. We also anticipate operating income of ¥1,600 million (up 9.6%), ordinary income of ¥1,800 million (up 3.0%), and net income attributable to owners of parent of ¥1,600 million (up 4.1%).

Active Development of New Businesses

LOOK INCORPORATED commenced exclusive imports and distribution of BENSIMON, a French lifestyle brand. Accordingly, we opened "BENSIMON AUTOUR DU MONDE", the first flagship store in Japan offering mainly BENSIMON products, in Tokyo's Daikanyama area on February 24, 2018.

BENSIMON
AUTOUR DU MONDE

Brand Overview

Serge Bensimon and his younger brother, Yves Bensimon, inspired by a worldview of military surplus items, established the BENSIMON brand in 1975. The shoes designed in 1978 named "Tennis", have become a fashion staple for all generations, regardless of season, even 40 years on. The BENSIMON brand has continued expanding and now includes the iconic tennis shoe, quality ready-to-wear collections and rare and beautiful home collections of items gathered from all over the world. The two brothers have worked tirelessly to expand this multi-faceted brand and continue to promote this unique lifestyle concept.

Brands Celebrating Milestone Years

70 Years since Founding

Repetto, initially designed as a brand of ballet shoes in 1947, celebrated its 70th anniversary in 2017. To commemorate this milestone, we held a 70th anniversary event at the BISTRO MARX in Ginza, Tokyo on October 12, 2017. The semi-custom-order service, Atelier Repetto, which is exclusively available at the Ginza flagship store in Japan was exhibited at this event to fully express the world of Repetto.

30 Years since Founding

A.P.C.

The A.P.C. brand, established by Jean Touitou in 1987, celebrated its 30th anniversary in 2017. To celebrate this event, we created a book based on the extensive archive of historical materials from before the founding to the present day of A.P.C. We also held a presentation to mark the release of the book at DAIKANYAMA T-SITE GARDEN GALLERY in Tokyo from October 14 to 22, 2017. During that period, we exhibited real archives of materials introduced in the book and launched a "capsule collection" made in commemoration of the brand's 30th anniversary.

5 Years in Japan

Alice + Olivia, the lifestyle brand from New York, was introduced to Japan in 2012 and marked its 5th anniversary last year. On October 19, 2017, we celebrated the brand's 5th anniversary by hosting an exciting event that presented a world of Alice + Olivia at TRUNK (HOTEL) in Shibuya. This lively event was attended by Stacey Bendet (CEO and Creative Director of the brand) along with a performance by Mia Moretti (DJ), Margot (violinist) and Trina Merry (body painting artist) from New York.

Activate and Increase Sales of Existing Brands

Enhanced brand value and profitability through a new store opening policy

MARIMEKKO

We opened new stores at LUMINE Tachikawa in March 2017, followed by SEIBU Ikebukuro (Interior section) in April and LUMINE Yokohama in September.


Tachikawa, Tokyo


Ikebukuro, Tokyo

Yokohama

Newly opened in 2018

Takamatsu

DENHAM

We opened new stores at TAKASHIMAYA Shinjuku Store in March 2017, followed by GINZA SIX in April, TAKASHIMAYA Osaka Store and VIORO Fukuoka in September.


Shinjuku, Tokyo


Ginza, Tokyo


Osaka


Fukuoka

Newly opened in 2018


Marunouchi, Tokyo

ALICE + OLIVIA

In April 2017, we opened a store in Shinsaibashi, Osaka.


Shinsaibashi, Osaka

IL BISONTE

In March 2017, we opened new stores in Miyazaki and Oita.


Miyazaki


Oita

A.P.C.

In March 2017, we opened a store in Oita.

Oita

Newly opened in 2018


Hibiya, Tokyo

Overseas Business

Promotion of Measures to Expand Sales in South Korea

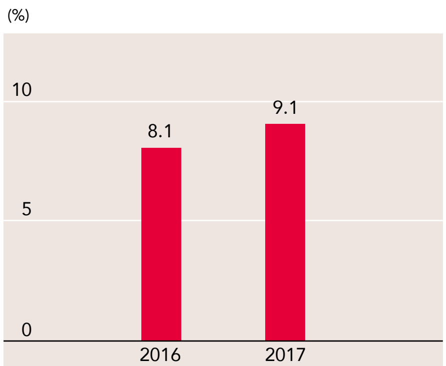
I.D. LOOK posted strong sales, including brands such as Sandro and Maje.

Expand the E-Commerce Business

Strengthen connections between physical and online stores

LOOK MEMBERSHIP is a shopping point-sharing service launched in October 2016. Throughout the year, we sought to improve customer convenience, including by adding A.P.C. to the brands covered by LOOK MEMBERSHIP in February 2017. Thanks to these efforts, we increased the number of customers engaging in "e-commerce and physical store purchases" and "purchases of multiple brands" thereby delivering synergistic benefits for both physical and online stores. We will continue boosting sales actively by increasing the number of brands covered by the membership while enhancing customer convenience.

Breakdown of the Group's domestic apparel e-commerce sales



Brand Profile

LOOK INC.

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

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

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

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

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.

Bensimon is based on a unique lifestyle vision that combines the very best in fashion, home interiors, and design from France.

BENSIMON

SCAPA

A brand from the fashion capital of Antwerp offering quality, elegance, and timeless fashion, with a focus on silhouettes and coordinates.

filage

Clothes that fit seamlessly "into the life of a woman." Filage offers clothing for women who become more attractive through various experiences in their career, personal life and personal style.

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.

KORET

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

MARIMEKKO
SPRING/SUMMER 2018

A.P.C. JAPAN LTD.

A.P.C.

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

DENHAM

DENHAM JAPAN INC.

Founded in Amsterdam in 2008, DENHAM was established by an internationally respected jeanmaker, Jason Denham. The premium denim is the center of the brand under the concept of “THE TRUTH IS IN THE DETAILS” and “HONOURING TRADITION, WHILE DESTROYING CONVENTIONS”.

LAISSÉ PASSÉ

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

Début de Fiore

The styling of this brand highlights the delicate beauty of elegant femininity. Début de Fiore embraces all scenarios—daytime, nighttime, and even party time.

HARYU
since 1986

Based on the concept of mode elegance, the brand's keyword is "ladylike."
Casual but coordinated to suggest a subtle underlying femininity.

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 2017, ended December 31, 2017, the LOOK Group reported consolidated net sales of ¥43,040 million, up ¥416 million from the previous fiscal year. Main factors for the rise included healthy sales in South Korea and the full-year contribution of the sales of DENHAM JAPAN, which became a consolidated subsidiary in April 2016. This contrasted with the downward effect on net sales caused by discontinuation of brands.

Gross profit rose ¥713 million year on year, to ¥21,596 million, due to an improvement in the gross margin ratio owing mainly to an increase in sales contributed by directly managed stores.

Selling, general, and administrative (SG&A) expenses edged up ¥80 million from the previous year, to ¥20,137 million. Main factors included the full-year operation of DENHAM JAPAN.

Financial Position

At December 31, 2017, total assets amounted to ¥31,364 million, up ¥2,428 million from a year earlier. Main factors included an increase in goods and merchandise associated with an increase in stores, as well as a rise in deferred tax assets resulting from improved earnings.

Total liabilities increased ¥111 million from a year earlier, to ¥9,241 million, due mainly to a rise in borrowings aimed at investing in store equipment.

Total net assets were up ¥2,316 million from a year earlier, to ¥22,122 million. This was due primarily to an increase in retained earnings and fluctuation of foreign currency translation adjustment.

Cash Flows

Net cash provided by operating activities amounted to ¥1,484 million. In addition to ¥1,627 million in income before income taxes, the main factor boosting cash flows was ¥962 million in depreciation and amortization. Contrasting factors included a ¥348 million increase in inventories and a ¥345 million decrease in net defined retirement benefit liability.

Net cash used in investing activities totaled ¥1,200 million. Main factors included ¥1,012 million in payments for purchase of tangible fixed assets including store equipment.

Net cash provided by financing activities was ¥51 million. This was mainly due to cash dividends paid.

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 65% 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.

(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 35% 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 Control Manual," "Inspection Control Regulations," "Quality Labeling Control Regulations" and others 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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2017	2016	2017
Current assets:			
Cash and time deposits (Note 4)	¥ 4,971	¥ 4,703	$ 43,996
Notes and accounts receivable-trade	5,755	5,272	50,937
Less: allowance for bad debts	(64)	(53)	(570)
Inventories (Note 5)	9,224	8,547	81,633
Deferred tax assets (Note 9)	1,353	937	11,982
Other current assets	600	680	5,312
Total current assets	21,841	20,088	193,290
Investments and other assets:			
Investments in securities (Note 6,7)	3,353	2,773	29,680
Lease deposit (Note 17)	1,708	1,641	15,122
Assets for retirement benefits (Note 10)	5	—	46
Other assets (Note 9,17)	754	907	6,677
Less: allowance for bad debts	(137)	(134)	(1,213)
Total investments and other assets	5,685	5,188	50,312
Property, plant and equipment :			
Buildings and structures (Note 8, 17)	4,796	4,667	42,448
Machinery and equipment (Note 17)	174	183	1,540
Tools, furniture and fixtures (Note 17)	3,834	3,413	33,936
Other	264	249	2,337
Land (Note 8)	1,665	1,626	14,737
	10,734	10,140	94,998
Less: Accumulated depreciation	(6,897)	(6,480)	(61,042)
Total property, plant and equipment	3,836	3,659	33,956
Total assets	¥ 31,364	¥ 28,935	$ 277,558

The accompanying notes are an integral part of these statements.

LOOK INCORPORATED

Consolidated Balance Sheets (Unaudited)
December 31, 2017 and 2016

LIABILITIES AND NET ASSETS	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 3) 2017
Current liabilities:			
Short-term loans (Note 8)	¥ 106	¥ 597	$ 938
Current installments of long-term loans (Note 8)	—	200	—
Notes and accounts payable - trade	3,353	3,314	29,681
Accounts payable - other	55	138	489
Accrued expenses	1,691	1,678	14,969
Income taxes payable (Note 9)	275	235	2,436
Reserve for sales returns	41	47	370
Reserve for point service	43	3	387
Reserve for loss on business of subsidiaries and affiliates	5	1	45
Asset retirement obligations (Note 11)	56	60	496
Other current liabilities	468	496	4,143
Total current liabilities	6,096	6,774	53,954
Long-term liabilities:			
Long-term loans (Note 8)	1,900	1,000	16,814
Liabilities for retirement benefits (Note 10)	157	503	1,397
Deferred tax liabilities (Note 9)	472	234	4,184
Asset retirement obligations (Note 11)	214	203	1,897
Other liabilities	399	414	3,538
Total long-term liabilities	3,144	2,355	27,830
Total liabilities	9,241	9,130	81,784
Net assets (Note 12):			
Shareholders' equity :			
Common stock	6,340	6,340	56,114
-Authorized : 120,000,000 shares			
-Issued : 38,237,067 shares both at December 31, 2017 and 2016			
Capital surplus	1,631	1,631	14,439
Retained earnings	11,759	10,413	104,064
Treasury stock, at cost, 68,759 shares and 65,062 shares at December 31, 2017 and 2016, respectively	(18)	(17)	(163)
Total shareholders' equity	19,713	18,368	174,454
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities, net of tax (Note 6)	1,530	1,200	13,540
Foreign currency translation adjustments	528	(117)	4,677
Total accumulated other comprehensive income	2,058	1,082	18,217
Non-controlling interests in consolidated subsidiaries	350	354	3,103
Total net assets	22,122	19,805	195,774
Commitments and contingencies (Note 18)			
Total liabilities and net assets	¥ 31,364	¥ 28,935	$ 277,558

The accompanying notes are an integral part of these statements.

LOOK INCORPORATED

Consolidated Statements of Income (Unaudited)
For the years ended December 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Net sales	¥ 43,040	¥ 42,624	$ 380,894
Cost of sales (Note 5)	21,444	21,741	189,772
Gross profit	21,596	20,883	191,122
Selling, general and administrative expenses	20,137	20,056	178,206
Operating income	1,459	826	12,916
Other income (expenses)			
Interest and dividend income	71	54	636
Interest expenses	(22)	(22)	(200)
Rent income	16	8	143
Foreign currency exchange gain (loss), net	(30)	(52)	(272)
Loss on disposal of property, plant and equipment	(28)	(44)	(255)
Impairment loss on long-lived assets (Note 17)	(55)	(360)	(489)
Income from sale of prototypes	40	36	358
Reversal of allowance for employees' retirement benefits	210	―	1,862
Loss on cancellation of rental contracts	(17)	―	(157)
Loss on waiver of receivables	(51)	―	(459)
Gain on sales of property, plant and equipment	0	2	0
Cooperation money income for brand operation	―	66	―
Loss on withdrawal from the brand	―	(26)	―
Other, net	36	(37)	322
Income before income taxes and non-controlling interests	1,627	526	14,405
Income taxes (Note 9)			
Current	323	272	2,866
Deferred	(232)	5	(2,055)
	91	278	811
Net income	1,536	247	13,594
Net income attributable to non-controlling interests	(1)	(9)	(5)
Net income attributable to owners of parent	¥ 1,536	¥ 256	$ 13,599

	Yen		U.S. dollars (Note 3)
	2017	2016	2017
Per share (Note 20):			
Basic net income	¥ 40.26	¥ 6.73	$ 0.36
Diluted net income	-	-	
Cash dividends applicable to the year	6.00	5.00	0.05

The accompanying notes are an integral part of these statements.

LOOK INCORPORATED

Consolidated Statements of Comprehensive Income (Unaudited)
For the years ended December 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Net income	¥ 1,536	¥ 247	$ 13,594
Other comprehensive income (loss) (Note 13):			
Net unrealized income (loss) on available-for-sale	330	(158)	2,925
Foreign currency translation adjustments	644	(391)	5,705
Total other comprehensive income (loss)	975	(549)	8,630
Comprehensive income (loss)	¥ 2,511	¥ (302)	$ 22,224

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Comprehensive income (loss) attributable to:			
Owners of parent	¥ 2,512	¥ (279)	$ 22,236
Non-controlling interests	(1)	(22)	(12)

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, 2017 and 2016

Millions of yen

		Shareholders' equity					Accumulated other comprehensive income				
	Number of shares of Common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Sub-total	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Sub-total	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at December 31, 2015	38,237,067	¥ 6,340	¥ 1,631	¥ 10,302	¥ (17)	¥ 18,258	¥ 1,357	¥ 261	¥ 1,619	¥ 359	¥ 20,236
Dividends	–	–	–	(114)	–	(114)	–	–	–	–	(114)
Net income attributable owners of parent	–	–	–	256	–	256	–	–	–	–	256
Treasury stock acquired (2,004 shares)	–	–	–	–	(0)	(0)	–	–	–	–	(0)
Change in the scope of consolidation	–	–	–	(31)	–	(31)	–	–	–	–	(31)
Net changes other than shareholders' equity	–	–	–	–	–	–	(157)	(379)	(536)	(4)	(541)
Total changes during the year	–	–	–	110	(0)	110	(157)	(379)	(536)	(4)	(431)
Balance at December 31, 2016	38,237,067	6,340	1,631	10,413	(17)	18,368	1,200	(117)	1,082	354	19,805
Dividends	–	–	–	(190)	–	(190)	–	–	–	–	(190)
Net income attributable owners of parent	–	–	–	1,536	–	1,536	–	–	–	–	1,536
Treasury stock acquired (3,697 shares)	–	–	–	–	(1)	(1)	–	–	–	–	(1)
Net changes other than shareholders' equity	–	–	–	–	–	–	329	646	976	(3)	972
Total changes during the year	–	–	–	1,345	(1)	1,344	329	646	976	(3)	2,316
Balance at December 31, 2017	38,237,067	¥ 6,340	¥ 1,631	¥ 11,759	¥ (18)	¥ 19,713	¥ 1,530	¥ 528	¥ 2,058	¥ 350	¥ 22,122

Thousands of U.S. dollars (Note 3)

		Shareholders' equity					Accumulated other comprehensive income				
	Number of shares of Common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Sub-total	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Sub-total	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at December 31, 2016	38,237,067	$ 56,114	$ 14,439	$ 92,154	$ (153)	$ 162,554	$ 10,622	$ (1,042)	$ 9,580	$ 3,137	$ 175,271
Dividends	–	–	–	(1,689)	–	(1,689)	–	–	–	–	(1,689)
Net income attributable owners of parent	–	–	–	13,599	–	13,599	–	–	–	–	13,599
Treasury stock acquired (3,697 shares)	–	–	–	–	(10)	(10)	–	–	–	–	(10)
Net changes other than shareholders' equity	–	–	–	–	–	–	2,918	5,719	8,637	(34)	8,603
Total changes during the year	–	–	–	11,910	(10)	11,900	2,918	5,719	8,637	(34)	20,503
Balance at December 31, 2017	38,237,067	$ 56,114	$ 14,439	$ 104,064	$ (163)	$ 174,454	$ 13,540	$ 4,677	$ 18,217	$ 3,103	$ 195,774

The accompanying notes are an integral part of these statements.

LOOK INCORPORATED

Consolidated Statements of Cash Flows (Unaudited)

For the years ended December 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	¥ 1,627	¥ 526	$ 14,405
Adjustments for:			
Depreciation and amortization	962	888	8,516
Impairment loss on long-lived assets	55	360	489
Loss on disposal of property, plant and equipment	28	44	254
Gain on sales of property, plant and equipment	(0)	(2)	(0)
Interest and dividend income	(71)	(54)	(636)
Interest expenses	22	22	200
Loss on withdrawal from the brand	―	26	―
Loss on waiver of receivables	51	―	459
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivables	(290)	(32)	(2,571)
Decrease (increase) in inventories	(348)	358	(3,085)
Decrease in notes and account payables	(73)	(386)	(647)
Increase (decrease) in accrued expenses	(18)	44	(168)
Increase (decrease) in allowance for bad debts	8	(1)	72
Increase (decrease) in reserve for sales returns	(5)	7	(48)
Increase (decrease) in reserve for point service	38	(11)	344
Decrease in liabilities for retirement benefits	(345)	(144)	(3,059)
Others	79	(209)	703
Subtotal	1,720	1,436	15,228
Interest and dividend income received	71	54	634
Interest expenses paid	(19)	(22)	(170)
Income taxes paid	(288)	(153)	(2,552)
Net cash provided by operating activities	1,484	1,315	13,140
Cash flows from investing activities:			
Payments into time deposits	(373)	(400)	(3,302)
Proceeds from time deposits	435	402	3,854
Payments for purchase of property, plant and equipment	(1,012)	(843)	(8,957)
Proceeds from sales of property, plant and equipment	1	2	6
Payments for purchase of intangible assets	(54)	(124)	(482)
Payments for purchase of investments in securities	(111)	(2)	(983)
Proceeds from redemption of bond	3	―	32
Payments for long-term loans receivable made	(24)	(35)	(219)
Proceeds from collection of long-term loans receivable	24	12	216
Payments for lease deposit	(186)	(137)	(1,647)
Proceeds from lease deposit	131	322	1,162
Payments for asset retirement obligations	(34)	(201)	(307)
Payments for business acquisition (note 22)	―	(575)	―
Other, net	0	1	0
Net cash used in investing activities	(1,200)	(1,579)	(10,627)
Cash flows from financing activities:			
Proceeds from short-term loans	1,150	1,834	10,177
Repayment of short-term loans	(1,650)	(1,758)	(14,602)
Proceeds from long-term loans	900	650	7,965
Repayment of long-term loans	(200)	(500)	(1,770)
Cash dividends paid	(189)	(113)	(1,673)
Cash dividends paid to non-controlling interests	(2)	(2)	(23)
Purchase of treasury stock	(1)	(0)	(10)
Payment for acquisition of subsidiaries' interests that do not result in change in scope of consolidation	(1)	(1)	(6)
Capital contribution from non-controlling interests	―	19	―
Repayment of lease obligations	(57)	(55)	(510)
Net cash provided by (used in) financing activities	(51)	73	(452)
Foreign currency translation adjustments on cash and cash equivalents	113	(16)	1,008
Net increase (decrease) in cash and cash equivalents	346	(207)	3,069
Cash and cash equivalents at beginning of year	4,279	4,471	37,872
Cash and cash equivalents of newly consolidated subsidiaries	―	15	―
Cash and cash equivalents at end of year (Note 4)	¥ 4,626	¥ 4,279	$ 40,941

The accompanying notes are an integral part of these statements.

LOOK INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

December 31, 2017 and 2016

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, 2017.

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, 2017 include the accounts of the Company and its twelve significant subsidiaries (collectively the "Group"), LOOK Split Preparation Company, A.P.C. JAPAN LTD., LAISSE PASSE CO., LTD., VERA BRADLEY STYLE LTD., DENHAM JAPAN INC., LOOK MODE INC., L. LOGISTICS INC., FASHIONABLE FOODS INTERNATIONAL 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, 2016 include the accounts of the Company and its twelve significant subsidiaries, A.P.C. JAPAN LTD., LAISSE PASSE CO., LTD., VERA BRADLEY STYLE LTD., DENHAM JAPAN INC., LOOK MODE INC., L. LOGISTICS INC., FASHIONABLE FOODS INTERNATIONAL INC., I.D. LOOK LTD., I.D. JOY LTD., MAISON DE SARAH LTD., LOOK (H.K.) LTD. and LOOK CHINA CO., LTD. For the year ended December 31, 2017, LOOK Split Preparation Company is newly established to transit to a holding company structure through an absorption-type split. MAISON DE SARAH LTD. is excluded from consolidation after it merged with I.D. LOOK LTD. 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, 2017 and 2016, 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 7).

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 non-controlling interests.

(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.

(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 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.

(7) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is mainly computed on the declining-balance method, while the straight-line method is applied to leasehold improvements and structures purchased after April 1, 2016, 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.

(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 expenses for internal use computer software are deferred and amortized by the straight-line method over the estimated useful lives of 5 years.

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.
The Company applied the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) from the year ended December 31, 2017.
Because the Company submitted an application for consolidated tax returns during the year ended December 31, 2017 and consolidated tax returns will be filed from the year ending December 31, 2018, the Company applied the accounting treatment based on the consolidated taxation system in accordance with the Practical Solution for Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1) (ASBJ Practical Tax Force No. 5, January 16, 2015) and the Practical Solution for Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2) (ASBJ Practical Tax Force No. 7, January 16, 2015).

(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 two foreign subsidiaries 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.

(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 point service

Reserve for point service is provided for future cost generating from the utilization of points based on its past experience.

(16) Reserve for loss on business of subsidiaries and affiliates

Reserve for loss on business of subsidiaries and affiliates is provided for the losses estimated based on consideration of the financial conditions of subsidiaries and affiliates.

(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, 2017 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥113.00=U.S.$1, the rate of exchange on December 29, 2017. 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.

4. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2017 and 2016 on the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Cash and time deposits	¥ 4,971	¥ 4,703	$ 43,996
Time deposits that have maturities of over three months when acquired	(345)	(423)	(3,055)
Cash and cash equivalents	¥ 4,626	¥ 4,279	$ 40,941

5. Inventories

Inventories at December 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Finished goods and merchandise	¥ 8,481	¥ 7,809	$ 75,055
Work-in-process	436	403	3,862
Raw materials	306	335	2,716
Total	¥ 9,224	¥ 8,547	$ 81,633

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, 2017 and 2016 were ¥3,518 million ($31,135 thousand) and ¥3,000 million, respectively.

6. Investments in Securities

At December 31, 2017 and 2016, book values (fair values), acquisition costs and difference of available-for-sale securities with available fair values are as follows:

	Millions of yen		
	2017		
	Book values	Acquisition costs	Difference
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 3,241	¥ 1,066	¥ 2,174
Total	¥ 3,241	¥ 1,066	¥ 2,174
Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 1	¥ 1	¥ (0)
Total	¥ 1	¥ 1	¥ (0)

	Thousands of U.S. dollars (Note 3)		
	2017		
	Book values	Acquisition costs	Difference
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	$ 28,688	$ 9,440	$ 19,248
Total	$ 28,688	$ 9,440	$ 19,248
Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	$ 7	$ 7	$ (0)
Total	$ 7	$ 7	$ (0)

	Millions of yen		
	2016		
	Book values	Acquisition costs	Difference
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 2,717	¥ 1,006	¥ 1,711
Total	¥ 2,717	¥ 1,006	¥ 1,711
Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 53	¥ 55	¥ (2)
Total	¥ 53	¥ 55	¥ (2)

Securities classified as available-for-sale securities for which fair values are not available at December 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Non-listed equity securities	¥ 108	¥ 0	$ 958
Bonds	3	6	28

7. Investments in Non-consolidated Subsidiaries

Investments in non-consolidated subsidiaries at December 31, 2017 and 2016 are ¥0 million ($0 thousand) and ¥0 million, respectively.

8. Short-term and Long-term Loans

Short-term loans at December 31, 2017 and 2016 represented bank loan, bearing average interest of 2.95 % and 1.66% per annum, respectively.
Long-term loans represented bank loan of ¥1,900 million ($16,814 thousand) and ¥1,200 million at December 31, 2017 and 2016, bearing average interest of 0.57 % and 0.71% per annum, respectively.

The annual maturities of the long-term loans (except for current installments) at December 31, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Year ending December 31,		
2019	¥ 1,200	$ 10,619
2020	700	6,195
2021	—	—
2022	—	—

The annual maturities of the lease obligations (except for current installments) at December 31, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Year ending December 31,		
2019	¥ 55	$ 491
2020	18	164
2021	2	20
2022	1	6

At December 31, 2017 and 2016, 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)
	2017	2016	2017
Buildings and structures	¥ 99	¥ 104	$ 881
Land	1,132	1,132	10,020
Total	¥ 1,231	¥ 1,236	$ 10,901

Secured loans at December 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Short-term loans	¥ —	¥ 500	$ —
Long-term loans (includes current portion of long-term loans)	1,050	1,050	9,292
Total	¥ 1,050	¥ 1,550	$ 9,292

9. Income Taxes

Significant components of deferred tax assets and deferred tax liabilities at December 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Deferred tax assets:			
Tax losses carried-forward	¥ 1,124	¥ 1,298	$ 9,947
Retirement benefit expenses	71	177	633
Loss on write-down of inventories	950	801	8,415
Impairment loss on long-lived assets	1,021	1,058	9,040
Allowance for bad debts	59	75	530
Shipped sales	293	352	2,594
Asset retirement obligations	87	85	770
Inventories	48	50	430
Others	217	215	1,923
Gross deferred tax assets	3,873	4,113	34,282
Less: Valuation allowance	(2,165)	(2,700)	(19,163)
Offset with deferred tax liabilities	(351)	(470)	(3,113)
Total deferred tax assets	1,356	942	12,006
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(582)	(483)	(5,157)
Undistributed earnings of foreign subsidiaries	(93)	(79)	(830)
Inventories	(125)	(117)	(1,110)
Asset retirement obligations	(21)	(21)	(186)
Others	(8)	(5)	(71)
Gross deferred tax liabilities	(831)	(706)	(7,354)
Offset with deferred tax assets	351	470	3,113
Total deferred tax liabilities	(479)	(236)	(4,241)
Deferred tax assets, net	¥ 877	¥ 705	$ 7,765

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, 2017 and 2016 is follows:

	2017	2016
Statutory income tax rate	30.86%	33.06%
Expenses not deducted for tax purposes	0.78	1.55
Income not credited for tax purposes	(0.17)	(0.45)
Per capita tax	2.22	6.84
Difference in statutory tax rates of subsidiaries	(2.33)	(7.83)
Special exemption of consolidated subsidiaries	(1.78)	(2.41)
Undistributed earnings	0.89	4.26
Reduced tax rate	(1.07)	(2.43)
Effect of tax rate change	8.63	6.74
Increase / decrease in valuation allowance	(33.05)	10.25
Other	0.64	3.34
Tax rate reflected in the consolidated statements of income	5.62%	52.92%

10. Employees' Pension and Retirement Benefits

1. Followings are the information of defined benefit plans at December 31, 2017 and 2016 and for the years then ended.

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Liabilities for retirement benefits at beginning of year	¥ 503	¥ 647	$ 4,457
Retirement benefit expenses	15	249	135
Benefits paid	(56)	(104)	(501)
Contribution	(321)	(294)	(2,846)
Other	11	5	106
Liabilities for retirement benefits at end of year	¥ 152	¥ 503	$ 1,351

(Note) The liabilities for retirement benefits and assets for retirement benefits are reported on a net basis.

(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)
	2017	2016	2017
Funded retirement benefit obligation	¥ 2,983	¥ 2,820	$ 26,399
Plan assets	(2,890)	(2,402)	(25,581)
	92	418	818
Unfunded retirement benefit obligation	60	85	533
Net of liabilities and assets for retirement benefits	¥ 152	¥ 503	$ 1,351
Liabilities for retirement benefits	¥ 157	¥ 503	$ 1,397
Assets for retirement benefits	(5)	—	(46)
Net of liabilities and assets for retirement benefits	¥ 152	¥ 503	$ 1,351

(3) Retirement benefit expenses calculated by a simplified method is ¥15 million ($135 thousand) and ¥249 million and additional payment for retirement is ¥5 million ($45 thousand) and ¥11 million for the years ended December 31, 2017 and 2016, respectively.

2. The amount to be paid by the Company and consolidated subsidiaries to the defined contribution plans is ¥15 million ($140 thousand) and ¥14 million and the paid amounts by a prepaid termination allowance plan is ¥19 million ($171 thousand) and ¥21 million for the years ended December 31, 2017 and 2016, respectively.

11. Asset Retirement Obligations

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

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, 2017 and 2016:

	Millions of yen				Thousands of U.S. dollars (Note 3)	
	2017		2016		2017	
Balance, beginning of year	¥	263	¥	221	$	2,337
Increase by fixed assets acquisition		40		48		363
Accretion expenses		0		1		0
Liabilities settled		(34)		(201)		(307)
Increase by change in estimation		—		30		—
Other		—		164		—
Balance, end of year	¥	270	¥	263	$	2,393

(Note) The asset retirement obligations for Osaka branch of ¥164 million was recognized because the Board of Directors resolved the movement of the branch and the reasonable estimation of the obligation became possible for the year ended December 31, 2016.

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

The Group does 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.

12. 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 are 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, 2016 which was approved by the general meeting of shareholders held on March 30, 2016.

(a)	Total dividends	¥114 million
(b)	Cash dividends per common share	¥3
(c)	Record date	December 31, 2015
(d)	Effective date	March 31, 2016

The following dividends were paid during the year ended December 31, 2017 which was approved by the general meeting of shareholders held on March 30, 2017.

(a)	Total dividends	¥190 million ($1,689 thousand)
(b)	Cash dividends per common share	¥5 ($0.04)
(c)	Record date	December 31, 2016
(d)	Effective date	March 31, 2017

The following dividends were approved by the general meeting of shareholders held on March 29, 2018 and paid after the balance sheet date but the record date for the payment belongs to the year ended December 31, 2017.

(a)	Total dividends	¥229 million ($2,027 thousand)
(b)	Dividend source	Retained earnings
(c)	Cash dividends per common share	¥6 ($0.05)
(d)	Record date	December 31, 2017
(e)	Effective date	March 30, 2018

(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.

13. Other Comprehensive Income (Loss)

The reclassification adjustment and the related income tax effects allocated to each component of other comprehensive income (loss) for the years ended December 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Net unrealized gain on available-for-sale securities:			
Arising during the year	¥ 465	¥ (252)	$ 4,122
Reclassification adjustment	—	—	—
Before tax amount	465	(252)	4,122
Tax benefit (expense)	(135)	94	(1,197)
Net-of-tax amount	330	(158)	2,925
Foreign currency translation adjustments:			
Arising during the year	644	(391)	5,705
Reclassification adjustment	—	—	—
Before tax amount	644	(391)	5,705
Tax benefit (expense)	—	—	—
Net-of-tax amount	644	(391)	5,705
Total other comprehensive income (loss)	¥ 975	¥ (549)	$ 8,630

14. 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, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Due within one year	¥ 12	¥ 30	$ 107
Due after one year	1	－	5
Total	¥ 12	¥ 30	$ 112

15. Financial Instruments

(1) Conditions of financial instruments

(a) Management policy

The Company raises some funds through bank borrowings, 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.

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 and trade payables are exposed to liquidity risk. 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.

(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 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 the accounting department in accordance with internal rules which includes authorization regulation and transaction records are 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.

(2) Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences at December 31, 2017 and 2016 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")

	Millions of yen			Thousands of U.S. dollars (Note 3)		
December 31, 2017	Carrying amount	Fair value	Differences	Carrying amount	Fair value	Differences
Assets:						
(1) Cash and time deposits	¥ 4,971	¥ 4,971	¥ —	$ 43,996	$ 43,996	$ —
(2) Notes and accounts receivable-trade	5,755			50,937		
Less: allowance for bad debts *1	(3)			(29)		
	5,752	5,752	—	50,908	50,908	—
(3) Short-term investments and investments in securities:						
Available-for-sale securities	3,242	3,242	—	28,694	28,694	—
(4) Lease deposit	1,064	1,066	2	9,420	9,442	22
Total	¥ 15,031	¥ 15,033	¥ 2	$ 133,018	$ 133,040	$ 22
Liabilities:						
(1) Notes and accounts payable -trade	¥ 3,353	¥ 3,353	¥ —	$ 29,681	$ 29,681	$ —
(2) Short-term loans	106	106	—	938	938	—
(3) Long-term loans	1,900	1,910	10	16,814	16,910	96
Total	¥ 5,359	¥ 5,370	¥ 10	$ 47,433	$ 47,529	$ 96
Derivative transactions *3	¥ 6	¥ 6	¥ —	$ 59	$ 59	$ —

	Millions of yen		
December 31, 2016	Carrying amount	Fair value	Differences
Assets:			
(1) Cash and time deposits	¥ 4,703	¥ 4,703	¥ —
(2) Notes and accounts receivable-trade	5,272		
Less: allowance for bad debts	(3)		
	5,269	5,269	—
(3) Short-term investments and investments in securities:			
Available-for-sale securities	2,771	2,771	—
(4) Lease deposit	1,018	1,021	3
Total	¥ 13,761	¥ 13,765	¥ 3
Liabilities:			
(1) Notes and accounts payable -trade	¥ 3,314	¥ 3,314	¥ —
(2) Short-term loans	597	597	—
(3) Long-term loans *2	1,200	1,206	6
Total	¥ 5,111	¥ 5,118	¥ 6
Derivative transactions *3	¥ 8	¥ 8	¥ —

*1 Allowance for bad debts provided individually for notes and accounts receivable-trade are deducted.
*2 Long-term loans includes current portion of long-term loans.
*3 Derivative receivables and payables are on net basis.

(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 quoted market prices or quotes from counterparties. Please see note **6. 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 **16. Derivative Transactions** for details of derivative transactions.

(b) Financial instruments of which the fair value is extremely difficult to measure at December 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Unlisted equity securities *1	¥ 111	¥ 6	$ 986
Lease deposit *2	644	623	5,702

*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.

*2 Because it is extremely 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, 2017 and 2016

	Millions of yen			
December 31, 2017	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	¥ 4,971	¥ —	¥ —	¥ —
Notes and accounts receivable -trade	5,755	—	—	—
Short-term investments and investments in securities:				
Available-for-sale securities with maturities:				
Debt securities	—	—	3	—
Lease deposit	257	746	60	—
	¥ 10,984	¥ 746	¥ 63	¥ —

	Thousands of U.S. dollars (Note 3)			
December 31, 2017	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	$ 43,996	$ —	$ —	$ —
Notes and accounts receivable -trade	50,937	—	—	—
Short-term investments and investments in securities:				
Available-for-sale securities with maturities:				
Debt securities	—	—	28	—
Lease deposit	2,279	6,604	537	—
	$ 97,212	$ 6,604	$ 565	$ —

	Millions of yen			
December 31, 2016	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	¥ 4,703	¥ —	¥ —	¥ —
Notes and accounts receivable -trade	5,272	—	—	—
Short-term investments and investments in securities:				
Available-for-sale securities with maturities:				
Debt securities	3	—	2	—
Lease deposit	249	723	45	—
	¥ 10,228	¥ 723	¥ 48	¥ —

(d) The annual maturities of the long-term loans at December 31, 2017 and 2016

	Millions 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	Due after five years
December 31, 2017						
Long-term loans	¥ —	¥ 1,200	¥ 700	¥ —	¥ —	¥ —

	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	Due after five years
December 31, 2017						
Long-term loans	$ —	$ 10,619	$ 6,195	$ —	$ —	$ —

	Millions 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	Due after five years
December 31, 2016						
Long-term loans	¥ 200	¥ —	¥ 1,000	¥ —	¥ —	¥ —

16. Derivative Transactions

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

Currency transaction

	Millions of yen			
	2017			
	Contract/ Notional amount			
	Total	Settled over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Buying:				
U.S. dollars	¥ 69	¥ –	¥ 69	¥ (1)
EUR	490	–	498	7
Total	¥ 560	¥ –	¥ 567	¥ 6

	Thousands of U.S. dollars (Note 3)			
	2017			
	Contract/ Notional amount			
	Total	Settled over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Buying:				
U.S. dollars	$ 616	$ –	$ 611	$ (5)
EUR	4,345	–	4,409	64
Total	$ 4,961	$ –	$ 5,020	$ 59

	Millions of yen			
	2016			
	Contract/ Notional amount			
	Total	Settled over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Buying:				
U.S. dollars	¥ 82	¥ –	¥ 81	¥ (1)
EUR	628	–	638	9
Total	¥ 711	¥ –	¥ 719	¥ 8

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

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

The Company had no derivative financial instruments to which hedge accounting was applied at December 31, 2017 and 2016.

17. Impairment Loss on Long-lived Assets

Impairment loss on long-lived assets for the years ended December 31, 2017 and 2016 consisted as follows:

2017:

Location	Use	Balance sheet item
Yokohama-city, Kanagawa and other locations	Assets for business use	Buildings and structures Tools, furniture and equipment

2016:

Location	Use	Balance sheet item
Setagaya-city, Tokyo and other locations	Assets for business use	Buildings and structures Machinery and equipment Tools, furniture and equipment Long-term prepaid expenses
Osaka-city, Osaka and other locations	Common use assets	Buildings and structures Tools, furniture and equipment Software, Trademark right
LAISSE PASSE CO., LTD. Shibuya-city, Tokyo	―	Goodwill

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 ¥55 million ($489 thousand) and ¥147 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, 2017 and 2016, respectively.

The impairment loss for common use assets for the year ended December 31, 2016 was mainly the impairment charge against Osaka branch’s fixed assets and recoverable cost of ¥172 million which was recognized because the Board of Directors held on March 22, 2016 resolved the movement of the branch and reported as other expenses.

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

As a result of revising the future profitability projections made at the time of the stock acquisition, the Company recorded an impairment charge against the goodwill of ¥39 million and were reported as other expenses for the year ended December 31, 2016.

18. Commitments and Contingencies

The Company does not guarantee its subsidiary's borrowings from financial institutions at December 31, 2017.

19. 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 has not started its business. 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. One domestic subsidiary manages the food and drink business, which manufactures and sells gelatos. 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 six 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," "Distribution business" and "Food and drink 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, 2017 and 2016 is summarized as follows:

	Millions of yen									
	2017									
	Apparel									
	Japan	Korea	Other abroad	Total	Producing and OEM	Distribution	Food and drink	Total	Adjustments	Consolidated
Net sales:										
Outside customers	¥ 27,353	¥ 14,739	¥ 222	¥ 42,315	¥ 483	¥ 103	¥ 138	¥ 43,040	¥ −	¥ 43,040
Intersegment	47	24	−	71	2,631	1,028	−	3,731	(3,731)	−
Total	¥ 27,400	¥ 14,763	¥ 222	¥ 42,387	¥ 3,115	¥ 1,131	¥ 138	¥ 46,772	¥(3,731)	¥ 43,040
Segment income (loss)	¥ 821	¥ 488	¥ 23	¥ 1,332	¥ 3	¥ 69	¥ (24)	¥ 1,381	¥ 77	¥ 1,459
Segment assets	¥ 19,341	¥ 11,019	¥ 555	¥ 30,916	¥ 827	¥ 313	¥ 43	¥ 32,101	¥ (737)	¥ 31,364
Others:										
Depreciation and amortization	¥ 470	¥ 460	¥ 1	¥ 931	¥ 3	¥ 27	¥ −	¥ 962	¥ −	¥ 962
Impairment loss	50	3	−	54	−	−	1	55	−	55
Amortization of goodwill	1	1	−	3	−	−	−	3	−	3
Capital expenditures	501	426	0	927	1	0	−	929	−	929

	Thousands of U.S. dollars (Note 3)									
	2017									
	Apparel									
	Japan	Korea	Other abroad	Total	Producing and OEM	Distribution	Food and drink	Total	Adjustments	Consolidated
Net sales:										
Outside customers	$ 242,064	$ 130,439	$ 1,971	$ 374,474	$ 4,283	$ 913	$ 1,224	$ 380,894	$ −	$ 380,894
Intersegment	421	215	−	636	23,288	9,100	−	33,024	(33,024)	−
Total	$ 242,485	$ 130,654	$ 1,971	$ 375,110	$ 27,571	$ 10,013	$ 1,224	$ 413,918	$(33,024)	$ 380,894
Segment income (loss)	$ 7,269	$ 4,320	$ 206	$ 11,795	$ 35	$ 617	$ (217)	$ 12,230	$ 686	$ 12,916
Segment assets	$ 171,163	$ 97,515	$ 4,916	$ 273,594	$ 7,326	$ 2,777	$ 387	$ 284,084	$ (6,526)	$ 277,558
Others:										
Depreciation and amortization	$ 4,163	$ 4,071	$ 9	$ 8,243	$ 27	$ 246	$ −	$ 8,516	$ −	$ 8,516
Impairment loss	450	32	−	482	−	−	7	489	−	489
Amortization of goodwill	12	15	−	27	−	−	−	27	−	27
Capital expenditures	4,437	3,777	0	8,214	7	0	−	8,221	−	8,221

	Millions of yen									
	2016									
	Apparel									
	Japan	Korea	Other abroad	Total	Producing and OEM	Distribution	Food and drink	Total	Adjustments	Consolidated
Net sales:										
Outside customers	¥ 27,615	¥ 13,934	¥ 235	¥ 41,784	¥ 554	¥ 140	¥ 145	¥ 42,624	¥ —	¥ 42,624
Intersegment	39	(69)	—	(30)	3,029	1,076	0	4,076	(4,076)	—
Total	¥ 27,654	¥ 13,864	¥ 235	¥ 41,754	¥ 3,583	¥ 1,216	¥ 145	¥ 46,700	¥(4,076)	¥ 42,624
Segment income (loss)	¥ 213	¥ 472	¥ (32)	¥ 653	¥ 70	¥ 59	¥ (31)	¥ 751	¥ 75	¥ 826
Segment assets	¥ 17,928	¥ 9,877	¥ 547	¥ 28,353	¥ 913	¥ 293	¥ 40	¥ 29,600	¥ (664)	¥ 28,935
Others:										
Depreciation and amortization	¥ 449	¥ 406	¥ 1	¥ 857	¥ 2	¥ 28	¥ —	¥ 888	¥ —	¥ 888
Impairment loss	326	32	1	359	—	—	0	360	—	360
Amortization of goodwill	18	1	—	19	—	—	—	19	—	19
Capital expenditures	611	559	1	1,171	1	0	—	1,173	—	1,173

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.

(2) Geographical information

(a) Sales

Millions of yen				
2017				
Japan	Korea	Hong Kong	China	Total
¥ 28,078	¥ 14,739	¥ 162	¥ 59	¥ 43,040

Thousands of U.S. dollars (Note 3)				
2017				
Japan	Korea	Hong Kong	China	Total
$ 248,484	$ 130,438	$ 1,441	$ 531	$ 380,894

Millions of yen				
2016				
Japan	Korea	Hong Kong	China	Total
¥ 28,455	¥ 13,934	¥ 140	¥ 94	¥ 42,624

Geographical sales are classified by customer’s location.

(b) Property, plant and equipment

Millions of yen 2017				
Japan	Korea	Hong Kong	China	Total
¥ 2,520	¥ 1,315	¥ 1	¥ 0	¥ 3,836

Thousands of U.S. dollars (Note 3) 2017				
Japan	Korea	Hong Kong	China	Total
$ 22,307	$ 11,642	$ 7	$ 0	$ 33,956

Millions of yen 2016				
Japan	Korea	Hong Kong	China	Total
¥ 2,373	¥ 1,283	¥ 1	¥ ―	¥ 3,659

(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.

Information of balance of goodwill and negative goodwill by reported segments

Balance of goodwill is as follows:

	Millions of yen 2017									
	Apparel									
	Japan	Korea	Other abroad	Total	Producing and OEM	Distribution	Food and drink	Total	Adjustments	Consolidated
Balance	¥ 1	¥ 1	¥ ―	¥ 3	¥ ―	¥ ―	¥ ―	¥ 3	¥ ―	¥ 3

	Thousands of U.S. dollars (Note 3) 2017									
	Apparel									
	Japan	Korea	Other abroad	Total	Producing and OEM	Distribution	Food and drink	Total	Adjustments	Consolidated
Balance	$ 16	$ 16	$ ―	$ 32	$ ―	$ ―	$ ―	$ 32	$ ―	$ 32

	Millions of yen 2016									
	Apparel									
	Japan	Korea	Other abroad	Total	Producing and OEM	Distribution	Food and drink	Total	Adjustments	Consolidated
Balance	¥ 3	¥ 3	¥ ―	¥ 6	¥ ―	¥ ―	¥ ―	¥ 6	¥ ―	¥ 6

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 both the years ended December 31, 2017 and 2016.

20. Per Share Information

The basis for the calculation of net income per share for the years ended December 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Income attributable owners of the parent	¥ 1,536	¥ 256	$ 13,599
Less: Components not pertaining to common shareholders	—	—	—
Income attributable owners of the parent pertaining to common stock	¥ 1,536	¥ 256	$ 13,599
Average outstanding shares of common stock during the year (shares)	38,170,225	38,172,719	38,170,225

The basis for the calculation of diluted net income per share is not disclosed because there is no potentially dilutive common shares that are outstanding for the years ended December 31, 2017 and 2016.

21. Supplemental Cash Flow Information

Acquired assets when DENHAM JAPAN INC. acquired the DENHAM THE JEANMAKER JAPAN business in 2016 and net payment from the acquisition were as follows:

	Millions of yen
Current assets	¥ 406
Non-current assets	169
Acquisition cost of the business	575
Cash and cash equivalents	—
Net payment for acquisition of the business	¥ 575

22. Subsequent Event

Business Combinations

Transaction under common control

The 55th general meeting of shareholders held on March 30, 2017 approved the absorption-type company split contract. On January 1, 2018, the Company executed the absorption-type split (the Company is the splitting company) and the Company's trade name was changed to "LOOK HOLDINGS INCORPORATED".

1. Overview of the transaction

(1) Name and description of the business subject to the transaction

Name of the business: Apparel related business of the Company

Description of the business: Planning and sales business of ladies' clothes

(2) Effective date of absorption-type split

January 1, 2018

(3) Method of the split

The split is an absorption-type split in which the Company is the splitting company and the newly established company as a wholly-owned subsidiary, the LOOK Split Preparation Company is the succeeding company.

(4) Name of the succeeding company

LOOK INCORPORATED (The trade name was changed from "LOOK Split Preparation Company" at January 1, 2018) (wholly-owned subsidiary of the Company)

(5) Other

The Company decided to transit to a holding company structure to speed up the decision making, to establish a group management structure for prompt and flexible management judgment and to grow further. And the Company intends to develop human resources for future management through operating a subsidiary and will continue to improve the corporate value of the Group.

2. Outline of accounting treatment

This transaction will be recorded as a transaction under common control, based on the Accounting Standard for Business Combinations (ASBJ Statement No.21, September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, September 13, 2013).

Change of share unit number and consolidation of shares

The Board of Directors held on February 13, 2018 resolved to amend the Articles of Incorporation for changing the share unit number and to propose the change in the share unit number, the consolidation of shares of the Company and the amendment of the Articles of Incorporation to the Company's 56th general meeting of shareholders held on March 29, 2018, and the shareholders' meeting approved the proposal.

1. Change of share unit number

(1) Purpose of the change

The Company has decided to change the share unit number from 1,000 shares to 100 shares, in light of the objective of unifying the share unit number at 100 shares by October 1, 2018, which was set forth in the Action Plan for the Consolidation of Trading Units announced by Japanese stock exchanges.

(2) Desription of the change

The Company has scheduled to change the share unit number from 1,000 to 100 at July 1, 2018.

2. Consolidation of shares

(1) Purpose of the consolidation

As discussed in 1. above, in changing the share unit number from 1,000 shares to 100 shares, the Company decided to carry out a share consolidation of the Company shares under which every 5 shares will be consolidated into 1 share, in order to maintain the stock price level per share unit at appropriate level which was set by the Tokyo Stock Exchange (between ¥50 thousand ($442) and ¥500 thousand ($4,425)) by taking a mid to long term change in the Company's stock price into consideration.

(2) Description of the consolidation

(i) Class of shares consolidated Common shares

(ii) Consolidation ratio

On July 1, 2018, shares held by shareholders recorded in the latest register of shareholders at June 30 (actually June 29), 2018 will be consolidated at the ratio of 5 shares to 1 share.

(iii) Number of shares reduced through consolidation

Outstanding shares before consolidation (at December 31, 2017)	38,237,067 shares
Number of shares reduced through consolidation	30,589,654 shares
Issued shares after consolidation	7,647,413 shares

Note: "Number of shares reduced through consolidation" and "Issued shares after consolidation" are a theoretical number obtained by the multiplication of the aggregate number of the issued shares before consolidation and the consolidation ratio.

(3) Total number of authorized shares to be issued at the effective date

The total number of authorized shares will decrease at the same rate as that of consolidation ratio.

Total number of authorized shares to be issued before consolidation (at December 31, 2017)	120,000,000 shares
Total number of authorized shares to be issued after consolidation	24,000,000 shares

3. Schedule of key events

(1) Board of directors meeting	February 13, 2018
(2) General meeting of shareholders	March 29, 2018
(3) Effective date of change in share unit number	July 1, 2018 (Scheduled)
(4) Effective date of consolidation of shares	July 1, 2018 (Scheduled)

Note: Although the effective date of the change in share unit number and consolidation of shares are scheduled to be July 1, 2018 as mentioned above, the trading unit at the Tokyo Stock Exchange will be changed from 1,000 shares to 100 shares on June 27, 2018 because of the book-entry procedures following the trades of shares.

4. Effect on per share information

Per share information, assuming that the aforementioned share consolidation is performed at the beginning of the year ended December 31, 2016 is as follows:

	Yen		U.S. dollars (Note 3)
	2017	2016	2017
Net assets per share	¥ 2,852.09	¥ 2,547.83	$ 25.24
Net income attributable to owners of parent per share	201.29	33.66	1.78

The diluted net income per share is not disclosed because there were no potentially dilutive common shares that are outstanding for the years ended December 31, 2017 and 2016.

Restricted stock compensation plan

The Board of Directors held on February 13, 2018 resolved to introduce the restricted stock compensation plan (hereinafter, “the Plan”) and the 56th general meeting of shareholders held on March 29, 2018 approved the proposal of introducing the Plan.

(1) Purpose

The Plan is for the Company’s directors other than the outside directors (hereinafter, “eligible directors”) with the objectives of offering incentives to achieve sustained improvement of the corporate value of the Company and sharing more of that value with shareholders.

(2) Overview of the Plan

The eligible directors shall pay in as property contributed in kind all the monetary compensation claims paid from the Company based on the Plan, and receive the issuance or disposal of common shares of the Company. Based on the Plan, the total amount of the monetary compensation claims to be paid to the eligible directors shall be ¥60 million ($531 thousand) or less (not including the amount paid as salary as employees) per year. The specific payment timing and allotment for each of the eligible directors will be decided by the Board of Directors.

The total number of common shares of the Company newly issued to the eligible directors or disposed of by the Company under the Plan shall be 180,000 shares or less per year. (Regarding the Company's common shares, in the event of the conduct of a share split or a share consolidation, after the effective date of such events in proportion to the share split (including allotment of shares without contribution) or share consolidation, adjustments will be made in the total number of common shares within a reasonable scope as necessary.) On July 1, 2018, 5 shares of the Company will be consolidated into 1 share, therefore, the total number of common shares of the Company newly issued or disposed of by the Company under the Plan shall be 36,000 shares or less per year.

The amount to be paid in per share shall be the amount determined by the Board of Directors within the scope that will not be particularly advantageous to the eligible directors who will receive the common shares, based on the closing price of the common shares of the Company in the First Section of the Tokyo Stock Exchange market on the business day immediately prior to the date of each resolution of the Board of Directors (in the case that the transaction has not been established on that day, the closing price on the most recent trading day preceding that day). When the Company's shares are to be issued or disposed of under this Plan, the Company and the eligible directors shall conclude an agreement for allotment of restricted shares with the following contents: (i) the eligible directors must not, for a fixed period (hereinafter, "the restriction period"), transfer, create a security interest on, or otherwise dispose of the common shares of the Company and (ii) in the case of occurrence of specified event(s), the Company shall acquire the common shares at no cost, etc. In order to prevent the eligible directors from transferring, creating a security interest on, or otherwise disposing of the common stock allotted during the restriction period, the common stock will be managed in dedicated accounts opened by eligible directors at Nomura Securities Co., Ltd.

Under the Plan, in addition to the eligible directors, the Company pays compensation to the executive officers of the Company and the directors and executive officers of the Company's subsidiaries as well for delivering a similar restricted stocks, upon approval of the Board of Directors.

(3) Revision of the compensation amount for directors

In accordance with setting compensation of the eligible directors under the Plan to an amount not to exceed ¥60 million ($531 thousand) per year, as aforementioned, the amount of compensation for directors in cash will revise the previously approved amount of no more than ¥300 million

($2,655 thousand) per year into the amount of no more than ¥240 million ($2,124 thousand) per year (of which, amount of compensation for outside directors shall not exceed ¥30 million ($265 thousand) per year) and the amount of compensation is totaled to ¥300 million ($2,655 thousand) or less per year. The compensation in cash does not include the amount paid as salary as employees.

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Corporate Data

(As of July 1, 2018)

Company Name	LOOK HOLDINGS 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	6,361.34 million yen
Major Business Activities	Business management of group companies and others
Number of Employees	1,643 employees (Consolidated) (As of December 31, 2017)
Common Stock	Authorized 24,000,000 shares Issued 7,670,613 shares
Number of Shareholders	4,467 (As of December 31, 2017)
Stock Listing	Tokyo Stock Exchange, First Section
Fiscal Year-End	December
Main Financing Banks	Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd.

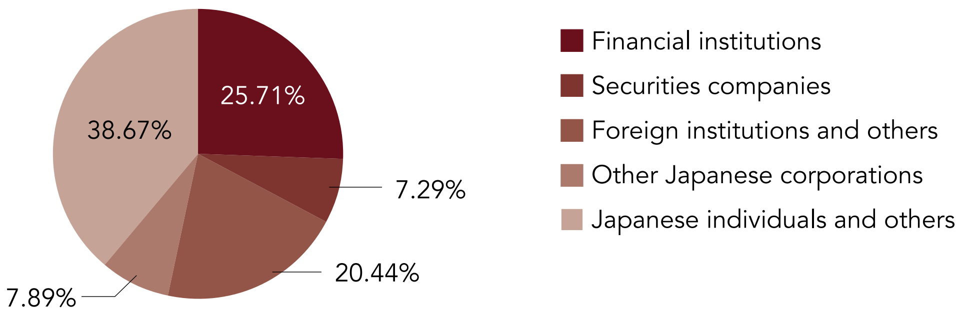
Major Shareholders

(As of December 31, 2017)

Name	Number of shares held (Thousands)	Percentage of total outstanding shares
Japan Trustee Services Bank, Ltd. (Trust account)	2,944	7.71
GOLDMAN SACHS INTERNATIONAL	2,122	5.56
YAGI TSUSHO LIMITED	1,200	3.14
The Master Trust Bank of Japan, Ltd. (Trust account)	969	2.54
Nomura Securities Co., Ltd.	908	2.38
SUMITOMO LIFE INSURANCE COMPANY	771	2.02
JAPAN SECURITIES FINANCE CO., LTD.	734	1.92
BARCLAYS CAPITAL SECURITIES LIMITED	728	1.91
LOOK HOLDINGS Board Members' Shareholding Association	701	1.84
Japan Trustee Services Bank, Ltd. (Trust account 5)	679	1.78

Note: Shareholding ratios are calculated after eliminating treasury stock (68,759 shares).

Distribution of Ownership among Shareholders



Directors, Operating Officers, and Auditors

(As of July 1, 2018)

Chairman and Representative Director		Takehiko Maki
President and Representative Director		Kazuhiro Tada
Managing Director		Eiji Takayama
Director and Operating Officer	General Manager of Management Planning Department	Masaaki Saito
Director (External Director)		Kazuhiko Fukuchi
Director (External Director)		Kazunori Inoue
Standing Statutory Auditor		Masatoshi Nagase
Auditor (External Statutory Auditor)		Toru Sugita
Auditor (External Statutory Auditor)		Shuichi Hattori
Senior Operating Officer, Chairman of I.D. LOOK LTD.		Seung-Gon Cho
Operating Officer	General Manager of Sales Personnel Division	Masayuki Koyama

Consolidated Subsidiaries

(As of July 1, 2018)

LOOK INC.
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Tokyo, Japan 151-0062
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