ANNUAL REPORT 2018

Year Ended December 31, 2018

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.

Going forward, we will establish a solid earnings foundation while expanding our e-commerce business and actively developing new businesses. We will also pursue business strategies and efficient management aimed at establishing a stable profit structure for further growth.

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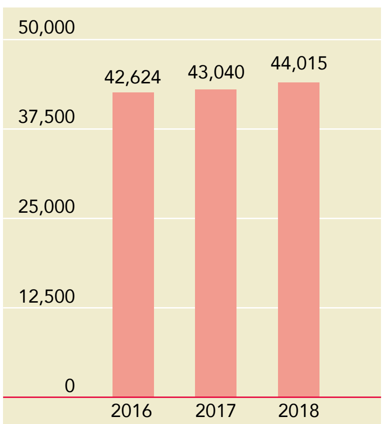
Financial Highlights

LOOK HOLDINGS INCORPORATED and Subsidiaries
For the years ended December 31, 2018 and 2017

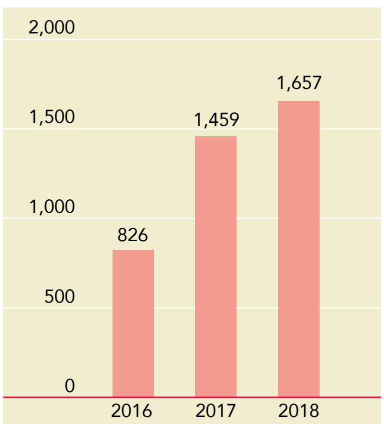
	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
At year-end:			
Total current assets	¥23,388	¥21,841	$210,669
Total current liabilities	8,279	6,096	74,577
Short-term loans	830	106	7,476
Total shareholders' equity	21,675	19,713	195,241
For the year:			
Net sales	44,015	43,040	396,468
Operating income	1,657	1,459	14,933
Ordinary income	1,821	1,747	16,406
Net income attributable to owners of parent	2,166	1,536	19,516
	Yen		U.S. dollars
Per share:			
Net income	¥283.34	¥201.29	$2.55
Cash dividends	30.00	30.00	0.27
	%		
Ratios:			
ROE	9.7	7.5	
Operating income margin	3.8	3.4	

Notes: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥111.02 to US$1, the approximate rate of exchange at December 28, 2018.
The Company carried out a consolidation of shares at the ratio of 5 shares to 1 share on July 1, 2018. Per share information has been calculated on the assumption that the said consolidation of shares was carried out at the beginning of the previous fiscal year.

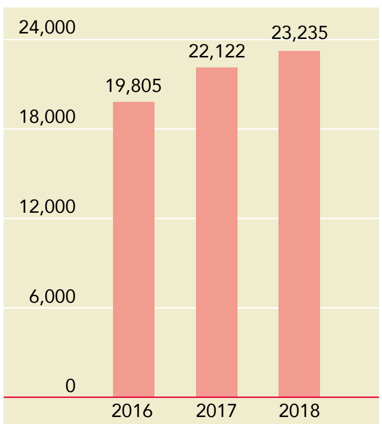
Net Sales
(Millions of yen)



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	¥44,015 million (up 2.3% year on year)
Operating income	¥1,657 million (up 13.6%)
Ordinary income	¥1,821 million (up 4.3%)
Net income attributable to owners of parent	¥2,166 million (up 41.0%)

The LOOK Group shifted to a holding company structure in January 2018 and subsequently implemented measures to further improve the efficiency of Group management. Specifically, we continued implementing the three priority strategies of our medium-term business plan, which ended 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 well-performing import brands. Regarding the e-commerce business, we effectively allocated business resources to growth areas. For example, we increased the number of brands and stores covered by LOOK MEMBERSHIP, a shopping point-sharing service between physical and online stores. As for new businesses, we commenced exclusive import and distribution of BENSIMON, a French lifestyle brand.

As a result, consolidated net sales for the year totaled ¥44,015 million, up 2.3% from fiscal 2017. Operating income increased 13.6%, to ¥1,657 million, and ordinary income rose 4.3%, to ¥1,821 million. Net income attributable to owners of parent jumped 41.0%, to ¥2,166 million.

Performance by Business Segment

Apparel Business

In Japan, we enjoyed healthy sales of Il Bisonte and Marimekko—import brands operated by core business company LOOK INCORPORATED. For Marimekko, we worked to further enhance brand value, including by renewing our flagship Omotesando store and opening a new store in the Nihombashi Takashimaya Shopping Center which opened in September 2018. For Il Bisonte, we opened a new store in Grand Front Osaka (October 2018) and otherwise pursued measures aimed at further sales expansion. In addition, we posted growth in sales of the A.P.C. brand, operated by A.P.C. JAPAN LTD. This resulted from a new store opening in Tokyo Midtown Hibiya, which opened in March 2018, as well as healthy sales of bags, wallets, shoes, and other accessories in our enhanced lineup. As for the DENHAM brand, operated by DENHAM JAPAN INC., we worked to further increase sales by opening a new store in the Shin-Marunouchi Building and shops within department stores. In the e-commerce business, we initiated efforts to centrally manage inventories of physical and online stores for some brands. We also sought to strengthen the connection between physical and online stores by introducing smartphone apps covering the DENHAM, Marimekko, and LAISSÉ PASSÉ brands. During the year, we added DENHAM and BENSIMON to brands covered by our LOOK MEMBERSHIP shopping point-sharing service. We also strove to improve customer convenience by increasing the number of stores, as well as some shops within department stores, covered by LOOK MEMBERSHIP, and we took various measures to expand our e-commerce business. As for new businesses, we commenced exclusive import and distribution of BENSIMON, a French lifestyle brand. Specifically, we opened a BENSIMON AUTOUR DU MONDE store in Daikanyama, Tokyo, in February 2018 and another in MARK IS Minato Mirai, a commercial facility in Yokohama, in August 2018. As a consequence, sales in Japan edged down 0.5% year on year, to ¥27,274 million, while operating income increased 26.8%, to ¥1,041 million.

In South Korea, I.D. LOOK LTD. posted healthy sales on the back of solid performances by Sandro, Maje, and other import brands, as well as new store openings for the A.P.C. brand and the renewal of the company's e-commerce site. Meanwhile, I.D. JOY LTD. closed unprofitable stores and opened new shops in some department stores in order to expand its sales channels. Accordingly, sales in South Korea climbed 8.2%, to ¥15,969 million, and operating income jumped 65.5%, to ¥807 million.

In "Other abroad" (Hong Kong and China), LOOK (H.K.) LTD. (based in Hong Kong) and LOOK CHINA CO., LTD. (based in Shanghai) posted healthy sales. However, increases in office relocation expenses, as well as higher selling, general, and administrative expenses stemming from increased personnel costs, had a negative impact on operating income. As a result, sales in "Other abroad" rose 4.0%, to ¥231 million, and operating income declined 27.7%, to ¥16 million.

Consequently, the Group's Apparel Business segment posted a 2.6% increase in sales, to ¥43,475 million, and a 40.0% jump in operating income, to ¥1,866 million.

Production and OEM Business

LOOK MODE INC., which handles the Group's Production and OEM Business segment, posted ¥2,817 million in sales, a 9.6% year-on-year decline due to a decrease in orders received by core company LOOK INCORPORATED. However, operating income surged 713.9%, to ¥31 million, stemming from partial reassessment of our production system to capture new orders from group business companies, as well as efficient reassignment of personnel.

Logistics Business

L. LOGISTICS INC., which is responsible for the Group's Logistics Business segment, reported a decrease in business outsourced from companies outside the LOOK Group. Consequently, segment sales declined 6.9%, to ¥1,053 million, and segment operating income fell 65.0%, to ¥24 million.

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, sales in this segment declined 29.9%, to ¥97 million, due to a decrease in the number of stores, while the operating loss increased to ¥41 million, from ¥24 million in fiscal 2017.

Outlook for Fiscal 2019 and Consolidated Forecasts

The Group has formulated its new medium-term business plan, which will end in fiscal 2023. Under the plan, we will work on the following four basic strategies:

1. Establish a solid earnings foundation
2. Expand the e-commerce business
3. Actively develop new businesses
4. Build a stable management base

To establish a solid earnings foundation, in Japan we will leverage our business portfolio, built under the previous medium-term business plan, to effectively invest management resources into the expansion of core businesses. Here, we will focus on brands offering products that are closely connected to people's lifestyles, such as Marimekko, Il Bisonte, and A.P.C. In overseas business, I.D. LOOK in South Korea will work to expand existing businesses centered on core import brands, and I.D. JOY will develop new product categories to further broaden its business.

To expand the e-commerce business, in Japan we will strive to continuously improve customer satisfaction, including by offering online-only products and services, improving inventory interfaces with physical stores, and enhancing logistics efficiency through supply chain restructuring. Overseas, we will enhance our e-commerce infrastructure by launching brand-specific sites in South Korea while upgrading our customer data system. Through these efforts, we are targeting ¥7.0 billion in Group-wide e-commerce sales by fiscal 2023.

To actively develop new businesses, we will work to develop appealing brands and businesses that help us deliver value with respect to "fashion, food, living, and beauty"—both in Japan and overseas.

To build a stable management base, we will pursue customer satisfaction and enhance lifestyle culture by further instilling our "Customer Comes First" corporate philosophy and creating new lifestyles and values. At the same time, we will foster creative human resources and co-create attractive brand values.

Through these strategies, we are targeting the following consolidated results for fiscal 2019, the first year of our new medium-term business plan: Net sales of ¥45,000 million (up 2.2% year on year), operating income of ¥1,700 million (up 2.5%), ordinary income of ¥1,900 million (up 4.3%), and net income attributable to owners of parent of ¥2,600 million (up 20.0%).

Consolidated Forecasts

Net sales	¥45,000 million (up 2.2% year on year)
Operating income	¥1,700 million (up 2.5%)
Ordinary income	¥1,900 million (up 4.3%)
Net income attributable to owners of parent	¥2,600 million (up 20.0%)

New Medium-term Business Plan 2019–2023

Four basic strategies

1. Establish a solid earnings foundation

Establish a more stable earnings structure

Enhance profitability of existing businesses

Japan
- Expand business by focusing on items closely connected to customers' lifestyles

Overseas
- South Korea I.D. LOOK LTD.: Further broaden existing businesses with focus on mainstay import brands
- I.D. JOY LTD.: Expand business by introducing new product categories under existing brands

2. Expand the e-commerce business

Increase e-commerce sales of the LOOK Group (Japan and overseas) to ¥7.0 billion by 2023

Continuously pursue customer satisfaction to expand e-commerce sales

Japan
- Offer online-only products and services
- Improve inventory interfaces with physical stores
- Rebuild supply chain to improve logistics efficiency

Overseas
- Launch brand-specific sites to enhance own e-commerce infrastructure
- Update customer data system in South Korea

3. Actively develop new businesses

Continue addressing the changing needs of customers

Japan Overseas
- Address customers' changing needs by leveraging the Group's strength "discernment" to develop appealing brands and businesses that help us deliver value with respect to "fashion, food, home, and beauty" (steadily implement this strategy based on worldwide perspective with view to M&As and business alliances)

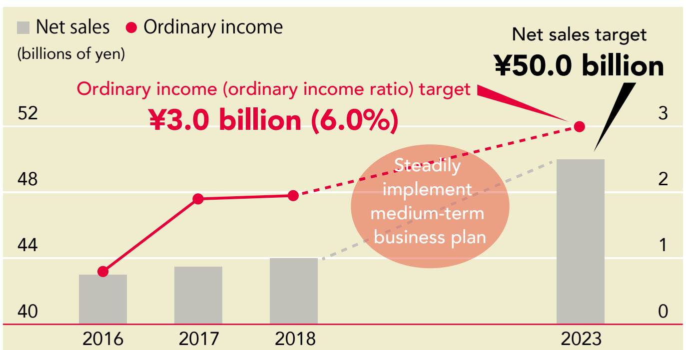
4. Build a stable management base

Utilize diverse individual attributes to co-create appealing brand value

- Further instill our corporate philosophy
  Pursue customer satisfaction and help improve lifestyle culture by creating new lifestyles and values based on "Customer Comes First" philosophy
- Foster creative human resources
  Establish environments where a diverse workforce with varying personalities and sensitivities can freely embrace challenges, regardless of age and gender, in order to foster creative human resources

Performance targets (consolidated)

Ordinary income of ¥3.0 billion by 2023

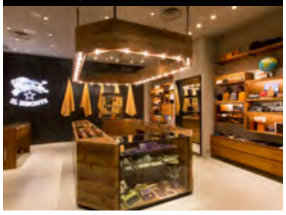


Brand Topics

Effectively invested management resources in growth areas

IL BISONTE

Opened stores in LUMINE Tachikawa in September 2018 and Grand Front Osaka in October.

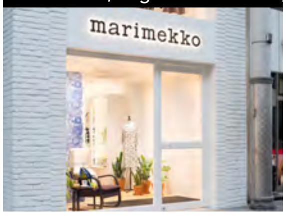

Umeda, Osaka

Newly opened in 2019

Omiya, Saitama

MARIMEKKO

Newly opened Takamatsu store in March 2018 and Nihombashi store in September.



Takamatsu, Kagawa

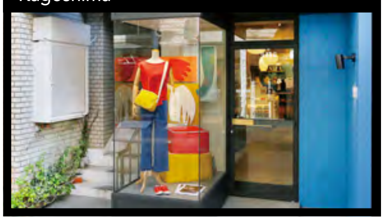
Newly opened in 2019


Kokura, Fukuoka

BENSIMON

Opened new store in MARK IS Minato Mirai in August 2018.

Newly opened in 2019


Kagoshima

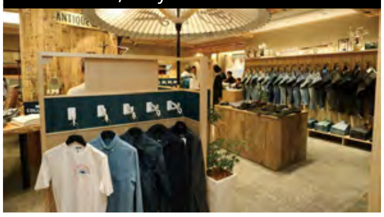
A.P.C.

Opened a new store in Tokyo Midtown Hibiya, in March 2018.

Hibiya, Tokyo

DENHAM

Opened new store in JR Nagoya Takashimaya in February 2018, followed by stores in Yokohama Takashimaya, Tokyu Kichijoji, and Shin-Marunouchi Building in March.


Marunouchi, Tokyo

Renewal and reopening of Marimekko store in Omotesando

On August 31, 2018, we reopened the global flagship Omotesando store as a new concept store. Under the new concept, the Omotesando store was refitted with a focus on Finnish nature based on the "Marimekko House" theme. We reorganized a product lineup on each floor and brought in more relevant products. This store further conveys the worldview of the brand from Finland.

Brands Celebrating Milestone Years

50 Years since Founding

During the year, we recently celebrated the 50th anniversary of the SCAPA brand, established in 1967. In conjunction with 50th Anniversary Fair events at SCAPA stores started from October 2018, we brought in several styles from our archives. We launched a jacket and skirt set in patchwork design and a double-name knitwear line in collaboration with the Jamieson's brand, which originated in the Shetland Islands of north of Scotland. In addition, we featured scarves which shows a journey from past to future by placing flowers on tartan with color gradations on the fabric.

10 Years since Founding

The DENHAM brand, founded in 2008 by internationally respected jeanmaker Jason Denham, marked its 10th anniversary milestone.

In commemoration, we held a series of events and collaborations, entitled "A Decade of DENHAM," over a 10-month period from February 2018. We also released a commemorative book and held a special exhibition at DAIKANYAMA TSUTAYA BOOKS (February 5–22, 2018), where we also held an event to interact with fans of the DENHAM brand.

Overseas development of A.P.C. brand

I.D. LOOK promoted new store openings in South Korea.

SHINSEGAE Department Store

HYUNDAI Department Store, PanGyo Store

Brand Profile

LOOK INC.

Alice and Olivia BY stacey bendet

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

IL BISONTE IL BISONTE UOMO

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

Alice+Olivia
2019SS

LOOK INC.

BENSIMON AUTOUR DU MONDE

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

Repetto PARIS

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

BENSIMON
2019SS

LOOK INC.

Marimekko
2019SS

LOOK INC.

marimekko®

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

SCAPA

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

LOOK INC.

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.

A.P.C. JAPAN LTD.

A.P.C.

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

DENHAM JAPAN INC.

DENHAM

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."

LAISSE PASSE CO., LTD.

LAISSÉ PASSÉ

LAISSÉ PASSÉ is for mature women wishing to embrace general fashion trends while retaining the DNA of elegance and cuteness. The brand features items that will satisfy such women according to their particular situation.

Début de Fiore

Based on the themes of elegant and feminine styling, the brand suggests dressing of various occasions for working women with a good sense of fashion.

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.

Financial Position

(1) Assets

At December 31, 2018, total assets amounted to ¥33,194 million, up ¥1,830 million from a year earlier. The main driving factors included a rise in goods and merchandise associated with an increase in stores and securement of merchandise due to strong sales of existing brands, as well as a rise in deferred tax assets resulting from improved earnings.

(2) Liabilities

Total liabilities increased ¥718 million from a year earlier, to ¥9,959 million, due mainly to a rise in borrowings aimed at investing in store equipment.

(3) Net assets

Total net assets were up ¥1,113 million from a year earlier, to ¥23,235 million. This was due primarily to an increase in retained earnings.

Cash Flows

Net cash provided by operating activities amounted to ¥1,759 million (compared with ¥1,484 million in the previous year). In addition to ¥1,680 million in income before income taxes, the main factors boosting cash flows were ¥894 million in depreciation and amortization and a ¥285 million decrease in notes and accounts receivable. Contrasting factors included a ¥943 million increase in inventories associated with an increase in stores and ¥414 million in income taxes paid.

Net cash used in investing activities totaled ¥906 million (compared with ¥1,200 million in the previous year). The main contributing factors included ¥559 million in payments for the purchase of property, plant and equipment, including store equipment.

Net cash provided by financing activities was ¥424 million (compared with ¥51 million used in financing activities in the previous year). The main factors included ¥729 million in proceeds from loans for investment in store equipment, as well as ¥228 million in 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 HOLDINGS INCORPORATED

Consolidated Balance Sheets (Unaudited)
December 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2018	2017	2018
Current assets:			
Cash and time deposits (Note 4)	¥ 6,197	¥ 4,971	$ 55,819
Notes and accounts receivable-trade	5,319	5,755	47,914
Less: allowance for bad debts	(39)	(64)	(357)
Inventories (Note 5)	9,910	9,224	89,265
Deferred tax assets (Note 9)	1,183	1,353	10,664
Other current assets	817	600	7,364
Total current assets	23,388	21,841	210,669
Investments and other assets:			
Investments in securities (Note 6,7)	2,848	3,353	25,657
Lease deposit (Note 17)	1,760	1,708	15,854
Assets for retirement benefits (Note 10)	—	5	—
Deferred tax assets (Note 9)	972	2	8,760
Other assets (Note 17)	781	751	7,044
Less: allowance for bad debts	(139)	(137)	(1,257)
Total investments and other assets	6,223	5,685	56,058
Property, plant and equipment :			
Buildings and structures (Note 8, 17)	4,828	4,796	43,493
Machinery and equipment (Note 17)	180	174	1,626
Tools, furniture and fixtures (Note 17)	3,855	3,834	34,731
Other	176	264	1,592
Land (Note 8)	1,635	1,665	14,735
	10,677	10,734	96,177
Less: Accumulated depreciation	(7,095)	(6,897)	(63,911)
Total property, plant and equipment	3,582	3,836	32,266
Total assets	¥ 33,194	¥ 31,364	$ 298,993

The accompanying notes are an integral part of these statements.

LOOK HOLDINGS INCORPORATED

Consolidated Balance Sheets (Unaudited)
December 31, 2018 and 2017

LIABILITIES AND NET ASSETS	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 3) 2018
Current liabilities:			
Short-term loans (Note 8)	¥ 830	¥ 106	$ 7,476
Current installments of long-term loans (Note 8)	1,200	—	10,809
Notes and accounts payable - trade	3,234	3,353	29,136
Accounts payable - other	71	55	641
Accrued expenses	1,664	1,691	14,991
Income taxes payable (Note 9)	316	275	2,855
Reserve for sales returns	30	41	271
Reserve for point service	45	43	410
Reserve for loss on business of subsidiaries and affiliates	—	5	—
Asset retirement obligations (Note 11)	85	56	769
Other current liabilities	801	468	7,219
Total current liabilities	8,279	6,096	74,577
Long-term liabilities:			
Long-term loans (Note 8)	700	1,900	6,305
Liabilities for retirement benefits (Note 10)	252	157	2,274
Deferred tax liabilities (Note 9)	194	472	1,756
Asset retirement obligations (Note 11)	193	214	1,744
Other liabilities	338	399	3,050
Total long-term liabilities	1,679	3,144	15,129
Total liabilities	9,959	9,241	89,706
Net assets (Note 12):			
Shareholders' equity :			
Common stock -Authorized : 24,000,000 shares and 120,000,000 shares at December 31, 2018 and 2017, respectively -Issued : 7,670,613 shares and 38,237,067 shares at December 31, 2018 and 2017, respectively	6,361	6,340	57,299
Capital surplus	1,637	1,631	14,752
Retained earnings	13,696	11,759	123,373
Treasury stock, at cost, 15,155 shares and 68,759 shares at December 31, 2018 and 2017, respectively	(20)	(18)	(183)
Total shareholders' equity	21,675	19,713	195,241
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities, net of tax (Note 6)	1,180	1,530	10,630
Deferred loss on derivatives under hedge accounting	(10)	—	(91)
Foreign currency translation adjustments	25	528	231
Total accumulated other comprehensive income	1,195	2,058	10,770
Non-controlling interests in consolidated subsidiaries	363	350	3,276
Total net assets	23,235	22,122	209,287
Commitments and contingencies			
Total liabilities and net assets	¥ 33,194	¥ 31,364	$ 298,993

The accompanying notes are an integral part of these statements.

LOOK HOLDINGS INCORPORATED

Consolidated Statements of Income (Unaudited)
For the years ended December 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Net sales	¥ 44,015	¥ 43,040	$ 396,468
Cost of sales (Note 5)	21,935	21,444	197,584
Gross profit	22,080	21,596	198,884
Selling, general and administrative expenses	20,422	20,137	183,951
Operating income	1,657	1,459	14,933
Other income (expenses)			
Interest and dividend income	86	71	783
Interest expenses	(19)	(22)	(177)
Rent income	14	16	133
Foreign currency exchange gain (loss), net	(1)	(30)	(13)
Loss on disposal of property, plant and equipment	(24)	(28)	(221)
Impairment loss on long-lived assets (Note 17)	(173)	(55)	(1,566)
Income from sale of prototypes	37	40	341
Gain on reversal of asset retirement obligations	26	—	238
Gain on reversal of reserve for loss from business of subsidiaries and affiliates	5	—	46
Reversal of allowance for employees' retirement benefits	—	210	—
Loss on cancellation of rental contracts	—	(17)	—
Loss on waiver of receivables	—	(51)	—
Gain on sales of property, plant and equipment	—	0	—
Other, net	69	36	638
Income before income taxes and non-controlling interests	1,680	1,627	15,135
Income taxes (Note 9)			
Current	461	323	4,161
Deferred	(976)	(232)	(8,796)
	(514)	91	(4,635)
Net income	2,194	1,536	19,770
Net income attributable to non-controlling interests	28	(1)	254
Net income attributable to owners of parent	¥ 2,166	¥ 1,536	$ 19,516

	Yen		U.S. dollars (Note 3)
	2018	2017	2018
Per share (Note 20):			
Basic net income	¥ 283.34	¥ 201.29	$ 2.55
Diluted net income	—	—	—
Cash dividends applicable to the year	30.00	30.00	0.27

The accompanying notes are an integral part of these statements.

LOOK HOLDINGS INCORPORATED

Consolidated Statements of Comprehensive Income (Unaudited)
For the years ended December 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Net income	¥ 2,194	¥ 1,536	$ 19,770
Other comprehensive income (loss) (Note 13):			
Net unrealized income (loss) on available-for-sale	(351)	330	(3,163)
Deferred loss on derivatives under hedge accounting	(10)	–	(91)
Foreign currency translation adjustments	(512)	644	(4,619)
Total other comprehensive income (loss)	(874)	975	(7,873)
Comprehensive income (loss)	¥ 1,320	¥ 2,511	$ 11,897

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Comprehensive income (loss) attributable to:			
Owners of parent	¥ 1,303	¥ 2,512	$ 11,744
Non-controlling interests	16	(1)	153

The accompanying notes are an integral part of these statements.

LOOK HOLDINGS INCORPORATED

Consolidated Statements of Changes in Net Assets (Unaudited)
For the years ended December 31, 2018 and 2017

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	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Sub-total	Non-controlling interests in consolidated subsidiaries	Total net assets
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
Issuance of new shares	116,000	20	20	–	–	40	–	–	–	–	–	40
Dividends	–	–	–	(229)	–	(229)	–	–	–	–	–	(229)
Net income attributable owners of parent	–	–	–	2,166	–	2,166	–	–	–	–	–	2,166
Treasury stock acquired (4,156 shares)	–	–	–	–	(1)	(1)	–	–	–	–	–	(1)
Change from acquisition of subsidiaries' shares	–	–	(14)	–	–	(14)	–	–	–	–	–	(14)
Net changes other than shareholders' equity	–	–	–	–	–	–	(349)	(10)	(502)	(862)	13	(849)
Share consolidation	(30,682,453)	–	–	–	–	–	–	–	–	–	–	–
Total changes during the year	(30,566,453)	20	6	1,937	(1)	1,962	(349)	(10)	(502)	(862)	13	1,112
Balance at December 31, 2018	7,670,613	¥ 6,361	¥ 1,637	¥ 13,696	¥ (20)	¥ 21,675	¥ 1,180	¥ (10)	¥ 25	¥ 1,195	¥ 363	¥ 23,235

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	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Sub-total	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at December 31, 2017	38,237,067	$ 57,115	$ 14,696	$ 105,920	$ (166)	$ 177,565	$ 13,782	$ –	$ 4,760	$ 18,542	$ 3,158	$ 199,265
Issuance of new shares	116,000	184	184	–	–	368	–	–	–	–	–	368
Dividends	–	–	–	(2,063)	–	(2,063)	–	–	–	–	–	(2,063)
Net income attributable owners of parent	–	–	–	19,516	–	19,516	–	–	–	–	–	19,516
Treasury stock acquired (4,156 shares)	–	–	–	–	(17)	(17)	–	–	–	–	–	(17)
Change from acquisition of subsidiaries' shares	–	–	(128)	–	–	(128)	–	–	–	–	–	(128)
Net changes other than shareholders' equity	–	–	–	–	–	–	(3,152)	(91)	(4,529)	(7,772)	118	(7,654)
Share consolidation	(30,682,453)	–	–	–	–	–	–	–	–	–	–	–
Total changes during the year	(30,566,453)	184	56	17,453	(17)	17,676	(3,152)	(91)	(4,529)	(7,772)	118	10,022
Balance at December 31, 2018	7,670,613	$ 57,299	$ 14,752	$ 123,373	$ (183)	$ 195,241	$ 10,630	$ (91)	$ 231	$ 10,770	$ 3,276	$ 209,287

The accompanying notes are an integral part of these statements.

LOOK HOLDINGS INCORPORATED

Consolidated Statements of Cash Flows (Unaudited)
For the years ended December 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	¥ 1,680	¥ 1,627	$ 15,135
Adjustments for:			
Depreciation and amortization	894	962	8,060
Impairment loss on long-lived assets	173	55	1,559
Loss on disposal of property, plant and equipment	24	28	221
Gain on sales of property, plant and equipment	—	(0)	—
Interest and dividend income	(86)	(71)	(783)
Interest expenses	19	22	177
Loss on waiver of receivables	—	51	—
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivables	285	(290)	2,574
Increase in inventories	(943)	(348)	(8,495)
Decrease in notes and account payables	(32)	(73)	(295)
Decrease in accrued expenses	(2)	(18)	(20)
Increase in allowance for bad debts	5	8	46
Decrease in reserve for sales returns	(11)	(5)	(105)
Increase in reserve for point service	2	38	26
Increase (decrease) in liabilities for retirement benefits	94	(345)	853
Others	3	79	27
Subtotal	2,107	1,720	18,980
Interest and dividend income received	84	71	762
Interest expenses paid	(17)	(19)	(154)
Income taxes paid	(414)	(288)	(3,737)
Net cash provided by operating activities	1,759	1,484	15,851
Cash flows from investing activities:			
Payments into time deposits	(661)	(373)	(5,957)
Proceeds from time deposits	633	435	5,703
Payments for purchase of property, plant and equipment	(559)	(1,012)	(5,036)
Proceeds from sales of property, plant and equipment	0	1	0
Payments for purchase of intangible assets	(111)	(54)	(1,001)
Payments for purchase of investments in securities	(2)	(111)	(25)
Proceeds from redemption of bond	—	3	—
Payments for long-term loans receivable made	(47)	(24)	(428)
Proceeds from collection of long-term loans receivable	14	24	131
Payments for lease deposit	(86)	(186)	(776)
Proceeds from lease deposit	24	131	225
Payments for asset retirement obligations	(6)	(34)	(62)
Other, net	(104)	0	(943)
Net cash used in investing activities	(906)	(1,200)	(8,169)
Cash flows from financing activities:			
Proceeds from short-term loans	830	1,150	7,476
Repayment of short-term loans	(100)	(1,650)	(906)
Proceeds from long-term loans	—	900	—
Repayment of long-term loans	—	(200)	—
Cash dividends paid	(228)	(189)	(2,057)
Cash dividends paid to non-controlling interests	(3)	(2)	(35)
Purchase of treasury stock	(1)	(1)	(18)
Payment for acquisition of subsidiaries' interests that do not result in change in scope of consolidation	(14)	(1)	(127)
Repayment of lease obligations	(56)	(57)	(509)
Net cash provided by (used in) financing activities	424	(51)	3,824
Foreign currency translation adjustments on cash and cash equivalents	(73)	113	(664)
Net increase in cash and cash equivalents	1,203	346	10,842
Cash and cash equivalents at beginning of year	4,626	4,279	41,672
Cash and cash equivalents at end of year (Note 4)	¥ 5,830	¥ 4,626	$ 52,514

The accompanying notes are an integral part of these statements.

1. Basis of Presenting the Financial Statements

The accompanying unaudited consolidated financial statements of LOOK HOLDINGS 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, etc. for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, May 17, 2006; final revision, March 29, 2017) 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, 2018.

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, 2018 include the accounts of the Company and its eleven significant subsidiaries (collectively the "Group"), LOOK INCORPORATED, A.P.C. JAPAN LTD., LAISSE PASSE CO., 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, 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. For the year ended December 31, 2018, VERA BRADLEY STYLE LTD. is excluded from consolidation after it merged with LOOK INCORPORATED. 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. For the year ended December 31, 2018, LAISSE PASSE CO., LTD. changed its balance sheet date from August 31 to December 31. Through the preceding year, LAISSE PASSE CO., LTD. with balance sheet date of August 31 was consolidated based on its tentative financial statement as of and for the period ended November 30, and the necessary adjustments were made in consolidation to reflect any significant transactions from December 1 to December 31. The consolidated financial statement for the year ended December 31, 2018 covers results for the 13 months ended December 31, 2018 of LAISSE PASSE CO., LTD. As a result of the change of the balance sheet date, net sales increased by ¥222 million ($2,008 thousand), operating income increased by ¥2 million ($22 thousand) and income before income taxes and non-controlling interests increased by ¥9 million ($82 thousand).

There are no investments in non-consolidated subsidiaries and affiliate companies at December 31, 2018 and 2017, 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 (Please 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

All derivatives are recognized as assets or liabilities and measured at fair value. Valuation gains or losses on hedging instruments are deferred until the gains or losses on underlying hedged items are realized as a separate component of accumulated other comprehensive income. The Company has entered into forward exchange contracts for hedging future fluctuation of a forecasted transaction denominated in foreign currency. The Company employs derivatives within estimated volume of transactions denominated in foreign currency based on internal rules which includes authorization regulation. The Company does not enter into derivatives for trading or speculative purposes.

Hedge effectiveness is assessed by comparing the accumulated change in the cash flow of the hedging instruments to the accumulated change in the cash flow of the hedged items from the inception of the hedge to the date of measurements performed.

In the event that critical terms in the hedging instruments and the hedged items can be regarded as the same and this can be assumed to establish a complete offset of cash flow movement at the time of the inception of the hedge and thereafter continuously, the assessment of effectiveness is not performed.

(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, mainly 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 filed consolidated tax returns from the year ending December 31, 2018.

(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 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) Appropriation of retained earnings

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

(17) 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.

(18) Accounting standards issued but not yet applied

1. Implementation Guidance on Tax Effect Accounting etc.

・Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018)

・Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, February 16, 2018)

(1) Overview

Accounting treatment on taxable temporary difference from subsidiary's stocks, etc. in non-consolidated financial statements and accounting treatment on recoverability of deferred tax assets in companies that qualifies as Category 1 are revised.

(2) Planned applicable date

The accounting standards are to be applied from the beginning of the year ending December 31, 2019.

(3) Impact of application of these accounting standards, etc.

The Company is currently evaluating the impact of application of these accounting standards to the consolidated financial statements.

2. Accounting Standards for Revenue Recognition etc.

・Accounting Standards for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018)

・Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

These are comprehensive accounting standards for revenue recognition and revenues are recognized based on the following five step approach:

Step 1: Identify the contracts with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when or as the entity satisfies a performance obligation

(2) Planned applicable date

The accounting standards are to be applied from the beginning of the year ending December 31, 2022.

(3) Impact of application on these accounting standards

The Company is currently evaluating the impact of application of these accounting standards to the consolidated financial statements.

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, 2018 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥111.02=U.S.$1, the rate of exchange on December 28, 2018. 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, 2018 and 2017 on the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Cash and time deposits	¥ 6,197	¥ 4,971	$ 55,819
Time deposits that have maturities of over three months when acquired	(366)	(345)	(3,305)
Cash and cash equivalents	¥ 5,830	¥ 4,626	$ 52,514

5. Inventories

Inventories at December 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Finished goods and merchandise	¥ 9,102	¥ 8,481	$ 81,986
Work-in-process	532	436	4,794
Raw materials	275	306	2,485
Total	¥ 9,910	¥ 9,224	$ 89,265

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, 2018 and 2017 were ¥3,909 million ($35,216 thousand) and ¥3,518 million, respectively.

6. Investments in Securities

At December 31, 2018 and 2017, book values (fair values), acquisition costs and difference of available-for-sale securities with available fair values are as follows:

	Millions of yen		
	2018		
	Book values	Acquisition costs	Difference
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 2,389	¥ 677	¥ 1,711
Total	¥ 2,389	¥ 677	¥ 1,711
Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 345	¥ 390	¥ (44)
Total	¥ 345	¥ 390	¥ (44)

	Thousands of U.S. dollars (Note 3)		
	2018		
	Book values	Acquisition costs	Difference
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	$ 21,524	$ 6,105	$ 15,419
Total	$ 21,524	$ 6,105	$ 15,419
Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	$ 3,115	$ 3,517	$ (402)
Total	$ 3,115	$ 3,517	$ (402)

	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)

Securities classified as available-for-sale securities for which fair values are not available at December 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Non-listed equity securities	¥ 108	¥ 108	$ 975
Bonds	4	3	43

7. Investments in Non-consolidated Subsidiaries

Investments in non-consolidated subsidiaries at December 31, 2018 and 2017 are ¥0 million ($0 thousand) and ¥0 million, respectively.

8. Short-term and Long-term Loans

Short-term loans at December 31, 2018 and 2017 represented bank loan, bearing average interest of 1.00 % and 2.95% per annum, respectively.
Long-term loans represented bank loan of ¥1,900 million ($17,114 thousand) both at December 31, 2018 and 2017, bearing average interest of 0.57% per annum.

The annual maturities of the long-term loans (except for current installments) at December 31, 2018 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Year ending December 31,		
2020	¥ —	$ —
2021	700	6,305
2022	—	—
2023	—	—

The annual maturities of the lease obligations (except for current installments) at December 31, 2018 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Year ending December 31,		
2020	¥ 19	$ 175
2021	2	19
2022	1	6
2023	—	—

At December 31, 2018 and 2017, 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)
	2018	2017	2018
Buildings and structures	¥ —	¥ 99	$ —
Land	—	1,132	—
Total	¥ —	¥ 1,231	$ —

Secured loans at December 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Long-term loans (includes current portion of long-term loans)	¥ —	¥ 1,050	$ —
Total	¥ —	¥ 1,050	$ —

9. Income Taxes

Significant components of deferred tax assets and deferred tax liabilities at December 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Deferred tax assets:			
Tax losses carried-forward	¥ 1,094	¥ 1,124	$ 9,858
Impairment loss on long-lived assets	1,045	1,021	9,418
Loss on write-down of inventories	922	950	8,311
Shipped sales	234	293	2,112
Retirement benefit expenses	95	71	865
Asset retirement obligations	95	87	857
Allowance for bad debts	70	59	631
Inventories	56	48	507
Others	264	217	2,385
Gross deferred tax assets	3,879	3,873	34,944
Less: Valuation allowance	(1,191)	(2,165)	(10,735)
Offset with deferred tax liabilities	(531)	(351)	(4,785)
Total deferred tax assets	2,156	1,356	19,424
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(462)	(582)	(4,162)
Inventories	(118)	(125)	(1,072)
Undistributed earnings of foreign subsidiaries	(115)	(93)	(1,042)
Asset retirement obligations	(24)	(21)	(225)
Others	(7)	(8)	(63)
Gross deferred tax liabilities	(728)	(831)	(6,564)
Offset with deferred tax assets	531	351	4,785
Total deferred tax liabilities	(197)	(479)	(1,779)
Deferred tax assets, net	¥ 1,958	¥ 877	$ 17,645

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, 2018 and 2017 is follows:

	2018	2017
Statutory income tax rate	30.86%	30.86%
Expenses not deducted for tax purposes	0.79	0.78
Income not credited for tax purposes	(0.91)	(0.17)
Per capita tax	2.44	2.22
Difference in statutory tax rates of subsidiaries	(2.67)	(2.33)
Special exemption of consolidated subsidiaries	(1.62)	(1.78)
Undistributed earnings	1.30	0.89
Reduced tax rate	(0.48)	(1.07)
Effect of tax rate change	—	8.63
Increase / decrease in valuation allowance	(60.39)	(33.05)
Other	0.05	0.64
Tax rate reflected in the consolidated statements of income	(30.63)%	5.62%

10. Employees' Pension and Retirement Benefits

1. Followings are the information of defined benefit plans at December 31, 2018 and 2017 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)
	2018	2017	2018
Liabilities for retirement benefits at beginning of year	¥ 152	¥ 503	$ 1,374
Retirement benefit expenses	498	15	4,491
Benefits paid	(98)	(56)	(886)
Contribution	(300)	(321)	(2,705)
Other	(0)	11	(0)
Liabilities for retirement benefits at end of year	¥ 252	¥ 152	$ 2,274

(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)
	2018	2017	2018
Funded retirement benefit obligation	¥ 2,753	¥ 2,983	$ 24,802
Plan assets	(2,546)	(2,890)	(22,934)
	207	92	1,868
Unfunded retirement benefit obligation	45	60	406
Net of liabilities and assets for retirement benefits	¥ 252	¥ 152	$ 2,274
Liabilities for retirement benefits	¥ 252	¥ 157	$ 2,274
Assets for retirement benefits	—	(5)	—
Net of liabilities and assets for retirement benefits	¥ 252	¥ 152	$ 2,274

(3) Retirement benefit expenses calculated by a simplified method is ¥498 million ($4,491 thousand) and ¥15 million for the years ended December 31, 2018 and 2017, respectively, and additional payment for retirement is ¥5 million for the year ended December 31, 2017.

2. The amount to be paid by the Company and consolidated subsidiaries to the defined contribution plans is ¥18 million ($163 thousand) and ¥15 million and the paid amounts by a prepaid termination allowance plan is ¥18 million ($163 thousand) and ¥19 million for the years ended December 31, 2018 and 2017, 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, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Balance, beginning of year	¥ 270	¥ 263	$ 2,437
Increase by fixed assets acquisition	18	40	171
Accretion expenses	0	0	0
Liabilities settled	(6)	(34)	(62)
Other	(3)	—	(33)
Balance, end of year	¥ 279	¥ 270	$ 2,513

(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, 2017 which was approved by the general meeting of shareholders held on March 30, 2017.

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

The following dividends were paid during the year ended December 31, 2018 which was approved by the general meeting of shareholders held on March 29, 2018.

(a)	Total dividends	¥229 million ($2,063 thousand)
(b)	Cash dividends per common share	¥6 ($0.05)
(c)	Record date	December 31, 2017
(d)	Effective date	March 30, 2018

The following dividends were approved by the general meeting of shareholders held on March 28, 2019 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 ($2,069 thousand)
(b)	Dividend source	Retained earnings
(c)	Cash dividends per common share	¥30 ($0.27)
(d)	Record date	December 31, 2018
(e)	Effective date	March 29, 2019

The Company carried out a share consolidation of the Company shares under which every 5 shares are consolidated into 1 share effective on July 1, 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.

The Company carried out a share consolidation of the Company shares under which every 5 shares are consolidated into 1 share effective on July 1, 2018. Number of issued shares has been reduced by 30,682,453 shares through the share consolidation.

(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.

The Company carried out a share consolidation of the Company shares under which every 5 shares are consolidated into 1 share effective on July 1, 2018. Number of treasury stock has been reduced by 57,760 shares through the share consolidation.

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, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Net unrealized gain on available-for-sale securities:			
Arising during the year	¥ (507)	¥ 465	$ (4,573)
Reclassification adjustment	—	—	—
Before tax amount	(507)	465	(4,573)
Tax benefit (expense)	156	(135)	1,410
Net-of-tax amount	(351)	330	(3,163)
Deferred loss on derivatives under hedge accounting:			
Arising during the year	(15)	—	(139)
Reclassification adjustment	—	—	—
Before tax amount	(15)	—	(139)
Tax benefit (expense)	5	—	48
Net-of-tax amount	(10)	—	(91)
Foreign currency translation adjustments:			
Arising during the year	(512)	644	(4,619)
Reclassification adjustment	—	—	—
Before tax amount	(512)	644	(4,619)
Tax benefit (expense)	—	—	—
Net-of-tax amount	(512)	644	(4,619)
Total other comprehensive income (loss)	¥ (874)	¥ 975	$ (7,873)

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, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Due within one year	¥ 19	¥ 12	$ 173
Due after one year	4	1	37
Total	¥ 23	¥ 12	$ 210

15. Financial Instruments

(1) Conditions of financial instruments

(a) Management policy

The Group raises some funds through bank borrowings, and surplus funds are invested in highly safe financial instruments. The Group 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. Trade notes and accounts payable 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 Group 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 Group are foreign exchange contracts to hedge future fluctuation of foreign exchange rates of trade payables denominated in foreign currency mainly (Please see Note 2 (6)).

(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 Group 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 Group regularly monitors a price and an issuer's financial condition, and continuously considers whether the Group 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, 2018 and 2017 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")

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2018 and 2017

December 31, 2018	Millions of yen			Thousands of U.S. dollars (Note 3)		
	Carrying amount	Fair value	Differences	Carrying amount	Fair value	Differences
Assets:						
(1) Cash and time deposits	¥ 6,197	¥ 6,197	¥ —	$ 55,819	$ 55,819	$ —
(2) Notes and accounts receivable-trade	5,319			47,914		
Less: allowance for bad debts *1	(3)			(30)		
	5,316	5,316	—	47,884	47,884	—
(3) Investments in securities:						
Available-for-sale securities	2,735	2,735	—	24,640	24,640	—
(4) Lease deposit	1,097	1,101	3	9,887	9,919	32
Total	¥ 15,346	¥ 15,349	¥ 3	$ 138,230	$ 138,262	$ 32
Liabilities:						
(1) Notes and accounts payable -trade	¥ 3,234	¥ 3,234	¥ —	$ 29,136	$ 29,136	$ —
(2) Short-term loans	830	830	—	7,476	7,476	—
(3) Long-term loans	1,900	1,900	1	17,114	17,122	8
Total	¥ 5,964	¥ 5,965	¥ 1	$ 53,726	$ 53,734	$ 8
Derivative transactions *2	¥ (18)	¥ (18)	¥ —	$ (168)	$ (168)	$ —

December 31, 2017	Millions of yen		
	Carrying amount	Fair value	Differences
Assets:			
(1) Cash and time deposits	¥ 4,971	¥ 4,971	¥ —
(2) Notes and accounts receivable-trade	5,755		
Less: allowance for bad debts *1	(3)		
	5,752	5,752	—
(3) Investments in securities:			
Available-for-sale securities	3,242	3,242	—
(4) Lease deposit	1,064	1,066	2
Total	¥ 15,031	¥ 15,033	¥ 2
Liabilities:			
(1) Notes and accounts payable -trade	¥ 3,353	¥ 3,353	¥ —
(2) Short-term loans	106	106	—
(3) Long-term loans	1,900	1,910	10
Total	¥ 5,359	¥ 5,370	¥ 10
Derivative transactions *2	¥ 6	¥ 6	¥ —

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

*2 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) 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, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Unlisted equity securities *1	¥ 112	¥ 111	$ 1,017
Lease deposit *2	662	644	5,966

*1 Because no quoted market prices are available and the fair value is extremely difficult to measure, these are not included in above (3) 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, 2018 and 2017

	Millions of yen			
December 31, 2018	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	¥ 6,197	¥ —	¥ —	¥ —
Notes and accounts receivable -trade	5,319	—	—	—
Investments in securities:				
Available-for-sale securities with maturities:				
Debt securities	—	2	1	—
Lease deposit	242	820	35	—
	¥ 11,758	¥ 823	¥ 37	¥ —

	Thousands of U.S. dollars (Note 3)			
December 31, 2018	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	$ 55,819	$ —	$ —	$ —
Notes and accounts receivable -trade	47,914	—	—	—
Investments in securities:				
Available-for-sale securities with maturities:				
Debt securities	—	27	16	—
Lease deposit	2,183	7,387	317	—
	$ 105,916	$ 7,414	$ 333	$ —

	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	—	—	—
Investments in securities:				
Available-for-sale securities with maturities:				
Debt securities	—	—	3	—
Lease deposit	257	746	60	—
	¥ 10,984	¥ 746	¥ 63	¥ —

(d) The annual maturities of the long-term loans at December 31, 2018 and 2017

	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, 2018						
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, 2018						
Long-term loans	$ 10,809	$ —	$ 6,305	$ —	$ —	$ —

	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	¥ —	¥ —

16. Derivative Transactions

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

Currency transaction

	Millions of yen			
	2018			
	Contract/ Notional amount			
	Total	Settled over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Buying:				
U.S. dollars	¥ —	¥ —	¥ —	¥ —
EUR	155	—	152	(3)
Total	¥ 155	¥ —	¥ 152	¥ (3)

	Thousands of U.S. dollars (Note 3)			
	2018			
	Contract/ Notional amount			
	Total	Settled over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Buying:				
U.S. dollars	$ —	$ —	$ —	$ —
EUR	1,402	—	1,373	(28)
Total	$ 1,402	$ —	$ 1,373	$ (28)

	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

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

Currency transaction

	Millions of yen			
	2018			
		Contract/ Notional amount		
	Hedged item	Total	Settled over one year	Fair value
Forward exchange contracts				
Buying:	Accounts payable			
U.S. dollars		¥ 44	¥ —	¥ 43
EUR		654	—	640
Total		¥ 699	¥ —	¥ 684

	Thousands of U.S. dollars (Note 3)			
	2018			
		Contract/ Notional amount		
	Hedged item	Total	Settled over one year	Fair value
Forward exchange contracts				
Buying:	Accounts payable			
U.S. dollars		$ 401	$ —	$ 396
EUR		5,900	—	5,766
Total		$ 6,301	$ —	$ 6,162

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

17. Impairment Loss on Long-lived Assets

Impairment loss on long-lived assets for the years ended December 31, 2018 and 2017 consisted as follows:

2018:

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

2017:

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

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 ¥140 million ($1,269 thousand) and ¥55 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, 2018 and 2017, respectively. Recoverable values are calculated according to estimated net sales values, which are mainly based on real estate appraisal values.

Due to continuous losses in LAISSE PASSE CO., LTD. operation or estimated losses in the future, impairment loss of ¥32 million ($297 thousand) are recognized for common use assets of LAISSE PASSE CO., LTD. from the book value to the recoverable value, with the difference reported as other expenses, for the year ended December 31, 2018. Recoverable values are calculated according to estimated net sales values, which are mainly based on real estate appraisal values.

18. Segment Information

The reported segments of the Group 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 and the Company is a holding company of the Group. Four domestic consolidated subsidiaries manage the apparel related business in Japan and four foreign subsidiaries manage the apparel related business abroad. One domestic subsidiary manages the apparel production and OEM business for the Group and other than for the Group. One domestic subsidiary manages the apparel logistics business for the Group. One domestic subsidiary manages the food and beverage 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 "Production and OEM business," "Logistics business" and "Food and beverage business."

For the year ended December 31, 2018, LAISSE PASSE CO., LTD. changed its balance sheet date from August 31 to December 31. The consolidated financial statement for the year ended December

31, 2018 covers results for the 13 months ended December 31, 2018 for LAISSE PASSE CO., LTD. Net sales for LAISSE PASSE CO., LTD. from December 1, 2017 to December 31, 2017 was ¥222 million ($2,008 thousand), operating income was ¥2 million ($22 thousand) which were included in "Japan" in the apparel related 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, 2018 and 2017 is summarized as follows:

	Millions of yen									
	2018									
	Apparel									
	Japan	Korea	Other abroad	Total	Production and OEM	Logistics	Food and beverage	Total	Adjustments	Consolidated
Net sales:										
Outside customers	¥ 27,227	¥ 15,942	¥ 231	¥ 43,401	¥ 499	¥ 17	¥ 97	¥ 44,015	¥ —	¥ 44,015
Intersegment	47	26	—	73	2,318	1,035	—	3,427	(3,427)	—
Total	¥ 27,274	¥ 15,969	¥ 231	¥ 43,475	¥ 2,817	¥ 1,053	¥ 97	¥ 47,443	¥(3,427)	¥ 44,015
Segment income (loss)	¥ 1,041	¥ 807	¥ 16	¥ 1,866	¥ 31	¥ 24	¥ (41)	¥ 1,881	¥ (223)	¥ 1,657
Segment assets	¥ 13,262	¥ 11,034	¥ 577	¥ 24,874	¥ 778	¥ 304	¥ 54	¥ 26,013	¥ 7,181	¥ 33,194
Others:										
Depreciation and amortization	¥ 243	¥ 413	¥ 1	¥ 657	¥ 2	¥ 27	¥ —	¥ 687	¥ 206	¥ 894
Impairment loss	165	7	—	172	—	—	1	173	—	173
Amortization of goodwill	1	1	—	2	—	—	—	2	—	2
Capital expenditures	278	424	0	702	0	0	—	703	57	761

	Thousands of U.S. dollars (Note 3)									
	2018									
	Apparel									
	Japan	Korea	Other abroad	Total	Production and OEM	Logistics	Food and beverage	Total	Adjustments	Consolidated
Net sales:										
Outside customers	$ 245,250	$ 143,600	$ 2,087	$ 390,937	$ 4,495	$ 162	$ 874	$396,468	$ —	$ 396,468
Intersegment	425	240	—	665	20,881	9,324	—	30,870	(30,870)	—
Total	$ 245,675	$ 143,840	$ 2,087	$ 391,602	$ 25,376	$ 9,486	$ 874	$ 427,338	$(30,870)	$396,468
Segment income (loss)	$ 9,385	$ 7,277	$ 151	$ 16,813	$ 286	$ 220	$ (370)	$ 16,949	$ (2,016)	$ 14,933
Segment assets	$ 119,463	$ 99,393	$ 5,202	$ 224,058	$ 7,017	$ 2,746	$ 490	$ 234,311	$ 64,682	$ 298,993
Others:										
Depreciation and amortization	$ 2,195	$ 3,722	$ 8	$ 5,925	$ 27	$ 244	$ —	$ 6,196	$ 1,864	$ 8,060
Impairment loss	1,487	68	—	1,555	—	—	11	1,566	—	1,566
Amortization of goodwill	10	15	—	25	—	—	—	25	—	25
Capital expenditures	2,511	3,827	0	6,338	0	0	—	6,338	517	6,855

1. (1) Adjustments in segment income (loss) are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Intersegment eliminations	¥ 2,041	$ 18,389
Unallocated company-wide expenses	(2,265)	(20,405)
	¥ (223)	$ (2,016)

Company-wide expenses are holding company's expenses that do not belong to reported segments. From the year ended December 31, 2018, the Company recorded company-wide expenses that do not belong to reported segments because of transition to a holding company structure.

(2) Adjustments in segment assets are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Intersegment eliminations	¥ (678)	$ (6,109)
Unallocated company-wide assets	7,859	70,791
	¥ 7,181	$ 64,682

Company-wide assets are holding company's assets.

2. Segment income (loss) is adjustment of operating income disclosed in the consolidated statements of income.

	Millions of yen									
	2017									
	Apparel									
	Japan	Korea	Other abroad	Total	Production and OEM	Logistics	Food and beverage	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

1. Adjustments in segment income (loss) and segment assets are intersegment eliminations. Administrative expenses of the Group are included in segment of "Japan" in the apparel related business because it is difficult to obtain the amount of administrative expenses that was incurred before transiting to a holding company structure.

2. Segment income (loss) is adjustment of 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				
2018				
Japan	Korea	Hong Kong	China	Total
¥ 27,841	¥ 15,942	¥ 163	¥ 67	¥ 44,015

Thousands of U.S. dollars (Note 3)				
2018				
Japan	Korea	Hong Kong	China	Total
$ 250,781	$ 143,600	$ 1,476	$ 611	$ 396,468

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

Geographical sales are classified by customer’s location.

(b) Property, plant and equipment

Millions of yen				
2018				
Japan	Korea	Hong Kong	China	Total
¥ 2,400	¥ 1,181	¥ –	¥ 0	¥ 3,582

Thousands of U.S. dollars (Note 3)				
2018				
Japan	Korea	Hong Kong	China	Total
$ 21,624	$ 10,642	$ –	$ 0	$ 32,266

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

(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									
	2018									
	Apparel									
	Japan	Korea	Other abroad	Total	Production and OEM	Logistics	Food and beverage	Total	Adjustments	Consolidated
Balance	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

	Thousands of U.S. dollars (Note 3)									
	2018									
	Apparel									
	Japan	Korea	Other abroad	Total	Production and OEM	Logistics	Food and beverage	Total	Adjustments	Consolidated
Balance	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

	Millions of yen									
	2017									
	Apparel									
	Japan	Korea	Other abroad	Total	Production and OEM	Logistics	Food and beverage	Total	Adjustments	Consolidated
Balance	¥ 1	¥ 1	¥ —	¥ 3	¥ —	¥ —	¥ —	¥ 3	¥ —	¥ 3

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, 2018 and 2017.

19. 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 was 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 has been 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).

20. Per Share Information

The basis for the calculation of net income per share for the years ended December 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Income attributable owners of the parent	¥ 2,166	¥ 1,536	$ 19,516
Less: Components not pertaining to common shareholders	—	—	—
Income attributable owners of the parent pertaining to common stock	¥ 2,166	¥ 1,536	$ 19,516
Average outstanding shares of common stock during the year (shares)	7,646,930	7,634,045	7,646,930

The Company carried out a share consolidation of the Company shares under which every 5 shares are consolidated into 1 share effective on July 1, 2018. Accordingly, per share information is calculated based on the assumption that the share consolidation had been carried out at the beginning of the previous year.

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, 2018 and 2017.

21. Subsequent Event

1. At the Board of Directors of the Company held on February 8, 2019, the Company resolved to sell its property, plant and equipment and to relocate its headquarters.

(1) Sales of property, plant and equipment

a. Reason

The Company decided the sales of property, plant and equipment in order to enhance management resource efficiency.

b. Detail

Location	Detail	Gain on sales	Current usage
2-722-1, 2-725-8, 2-725-18, Nakameguro, Meguro City, Tokyo	Land 1,352.93 ㎡ Buildings 5,179.69 ㎡	About ¥2,000 million (About $18,015 thousand)	Headquarters

The gain on sales represents the value obtained by deducting the book value and estimated costs to sell from the sales price.

c. Outline of the purchaser

The Company refrains from providing any outline of the purchaser in accordance with the agreement with the purchaser. There are no important matters concerning capital relationship, personal relationship and related parties transaction between the Company and the purchaser.

d. Schedule

(a) Board of Directors: February 8, 2019

(b) Date of the transfer agreement: February 9, 2019

(c) Date of the delivery: November 2019 (scheduled)

(2) Relocation of the headquarters

a. Reason

The Company decided the relocation of the headquarters in order to enhance management efficiency by consolidating the offices and to strengthen the headquarters functions by moving to a convenient location.

b. Relocation place

Aoyama-itchome building, 8-5-30, Akasaka, Minato-City, Tokyo

c. Relocation date: October 2019 (scheduled)

2. At the Board of Directors of the Company held on February 13, 2019, the Company resolved to relocate the distribution center operated by L. LOGISTICS INC., the consolidated subsidiary of the Company.

(1) Reason

The Company decided the relocation of the distribution center in order to increase operational efficiency and to improve distribution service and strengthen distribution service functions for expanding EC business.

(2) Outline of new distribution center

a. Location: Mitsui Fudosan Logistic Park Funabashi II, 2-1-53, Hama-cho, Funabashi-city, Chiba
b. Floor area: 22,779.63 ㎡
c. Relocation date: January 2020 (scheduled)
d. Type of contract: Fixed-term building lease contract (expected to start in October 2019)

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Corporate Data

(As of December 31, 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	1,557 employees (Consolidated)
Common Stock	Authorized 24,000,000 shares Issued 7,670,613 shares
Number of Shareholders	5,074
Stock Listing	Tokyo Stock Exchange, First Section
Fiscal Year-End	December
Main Financing Banks	Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd.

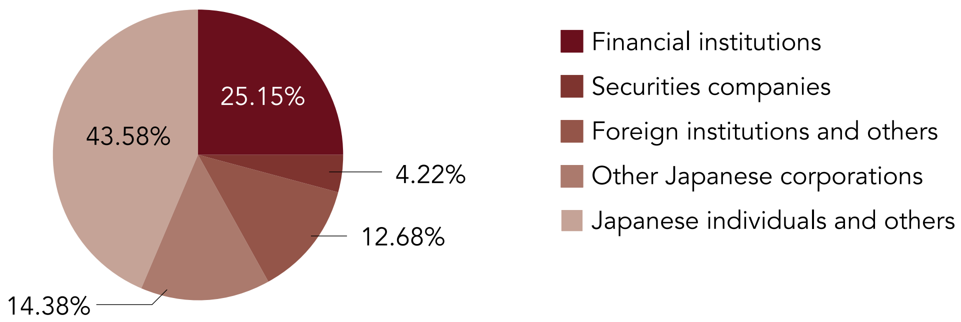
Major Shareholders

(As of December 31, 2018)

Name	Number of shares held (Thousands)	Percentage of total outstanding shares
YAGI TSUSHO LIMITED	650	8.49
Japan Trustee Services Bank, Ltd. (Trust account)	509	6.65
The Master Trust Bank of Japan, Ltd. (Trust account)	260	3.40
GOLDMAN SACHS INTERNATIONAL	234	3.06
DFA INTL SMALL CAP VALUE PORTFOLIO	201	2.63
SUMITOMO LIFE INSURANCE COMPANY	154	2.01
LOOK HOLDINGS Board Members' Shareholding Association	151	1.97
Japan Trustee Services Bank, Ltd. (Trust account 5)	138	1.81
Isetan Mitsukoshi Ltd.	134	1.76
Sumitomo Mitsui Banking Corporation	130	1.71

Note: Shareholding ratios are calculated after eliminating treasury stock (15,155 shares).

Distribution of Ownership among Shareholders



Directors, Operating Officers, and Auditors

(As of March 28, 2019)

President and Representative Director	Kazuhiro Tada
Managing Director	Eiji Takayama
Director and Operating Officer, General Manager of Management Planning Department	Masaaki Saito
Director	Haruo Shibuya
Director (External Director)	Kazuhiko Fukuchi
Director (External Director)	Kazunori Inoue
Standing Statutory Auditor	Masatoshi Nagase
Standing Statutory Auditor	Masao Sato
Auditor (External Statutory Auditor)	Toru Sugita
Auditor (External Statutory Auditor)	Nobuhisa Yamazaki
Senior Operating Officer, Chairman of I.D. LOOK LTD.	Seung-Gon Cho
Operating Officer, General Manager of Sales Personnel Division	Masayuki Koyama
Operating Officer, General Manager of Personnel & General Affairs Division	Nobuyuki Mizuno

Consolidated Subsidiaries

(As of June 30, 2019)

LOOK INC.
2-7-7, Nakameguro, Meguro-ku,
Tokyo, Japan 153-8638
Tel: +81-3-3794-9100

A.P.C. JAPAN LTD.
2-7-7, Nakameguro, Meguro-ku,
Tokyo, Japan 153-8638
Tel: +81-3-6864-2603

LAISSE PASSE CO., LTD.
Créateur, 4-5, Motoyoyogi-cho,
Shibuya-ku, Tokyo, Japan 151-0062
Tel: +81-3-5790-7201

DENHAM JAPAN INC.
3rd Floor, AK-1 Bldg.,
1-15-1 Aobadai, Meguro-ku,
Tokyo, Japan 153-0042
Tel: +81-3-3496-1086

LOOK MODE INC.
2-7-7, Nakameguro, Meguro-ku,
Tokyo, Japan 153-8638
Tel: +81-3-3794-9300

L. LOGISTICS INC.
2-3-1, Akanehama, Narashino-shi,
Chiba, Japan 275-0024
Tel: +81-47-455-2111

FFI INC.
1F 2-5-1 Azabujuban, Minato-ku,
Tokyo, Japan 106-0045
Tel: +81-3-5772-3283

I.D. LOOK LTD.
580, Gangnam-Daero,
Gang Nam-gu, Seoul, Korea
Tel: +82-2-3438-9125

I.D. JOY LTD.
14, Hakdong-ro, 5-gil,
Gang Nam-gu, Seoul, Korea
Tel: +82-70-7729-6008

LOOK (H.K.) LTD.
Rm 2211-2212 Metro Centre Ⅱ,
21 Lam Hing Street, Kowloon Bay,
Kowloon, Hong Kong
Tel: +852-2751-8773

LOOK CHINA CO., LTD.
Unit D Room 305, No.55,
Jinyu Rd, Minhang district,
Shanghai, China
Tel: +86-21-5039-1533