



ANNUAL REPORT 2019

Year Ended December 31, 2019

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.

The LOOK Group relocated its head office in October 2019 and has been working to improve management efficiency by consolidating domestic group companies in the new premises. 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 16 consolidated subsidiaries in Japan and overseas. In addition to building a robust business foundation domestically, we are expanding our operations globally, including in South Korea, Europe, 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.

Contents

Financial Highlights.....	2
To Our Shareholders	3
Special Topics.....	5
Brand Profile	9
Management’s Discussion and Analysis	15
Consolidated Financial Statements	17
Notes to Consolidated Financial Statements.....	23
Corporate Data.....	57

Financial Highlights

LOOK HOLDINGS INCORPORATED and Subsidiaries
For the years ended December 31, 2019 and 2018

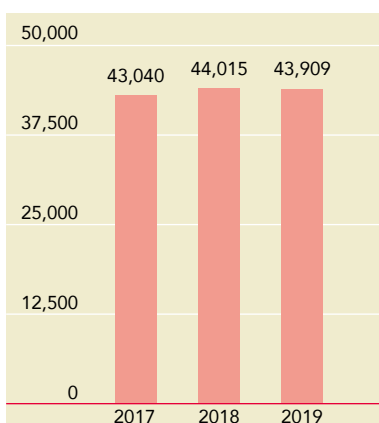
	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
At year-end:			
Total current assets	¥23,164	¥22,204	\$211,475
Total current liabilities	17,699	8,276	161,581
Short-term loans	10,890	830	99,417
Total shareholders' equity	23,438	21,675	213,976
For the year:			
Net sales	43,909	44,015	400,856
Operating income	1,642	1,657	14,999
Ordinary income	1,765	1,821	16,113
Net income attributable to owners of parent	1,953	2,166	17,837
	Yen		U.S. dollars
Per share:			
Net income	¥254.74	¥283.34	\$2.33
Cash dividends	30.00	30.00	0.27
	%		
Ratios:			
ROE	8.3	9.7	
Operating income margin	3.7	3.8	

Notes: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥109.54 to US\$1, the approximate rate of exchange at December 30, 2019.

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.

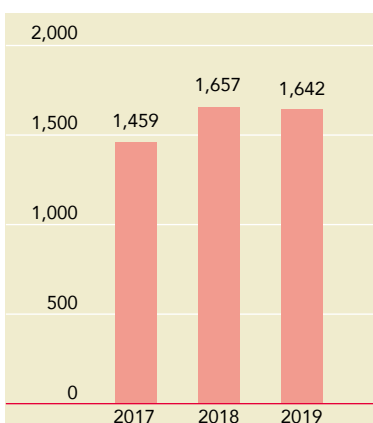
Net Sales

(Millions of yen)



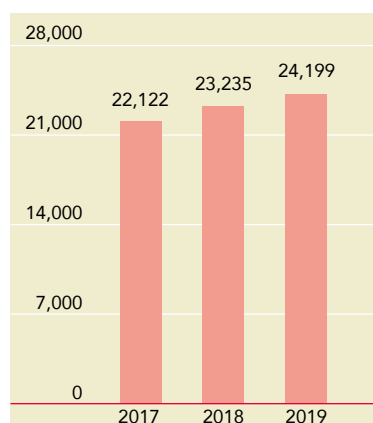
Operating Income

(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	¥43,909 million (down 0.2% year on year)
Operating income	¥1,642 million (down 0.9%)
Ordinary income	¥1,765 million (down 3.1%)
Net income attributable to owners of parent	¥1,953 million (down 9.8%)

The LOOK Group is implementing its medium-term business plan, which will end in fiscal 2023. Under the plan, we are working on the following four basic strategies: Establish a solid earnings foundation, expand the e-commerce business, actively develop new businesses, and build a stable management base. In fiscal 2023, the final year of the plan, we are targeting ordinary income of ¥3.0 billion and an ordinary margin of 6.0%.

With respect to establishing a solid earnings foundation, on July 1, 2019, we purchased all of the equity in Bisonte Italia Holding S.r.l., the owner of Il Bisonte S.p.A., which develops the Il Bisonte brand globally. Our aim here is to realize longevity and stability for the Il Bisonte business, one of the largest sources of earnings for the LOOK Group. Toward building a stable management base, we relocated our head office in October 2019. By consolidating domestic group companies in the new head office, we are striving to improve management efficiency and deliver sustainable growth for the Group.

As a result, consolidated net sales for the year totaled ¥43,909 million, down 0.2% from fiscal 2018. To compensate for declines in net sales and gross profit, we reduced selling, general, and administrative expenses. However, we incurred ¥328 million in one-time costs associated with making Bisonte Italia Holding S.r.l. into a wholly owned subsidiary (including advisory costs at the time of the equity purchase which were not planned at the beginning of the year). Accordingly, operating income decreased 0.9% year on year, to ¥1,642 million, and ordinary income slipped 3.1%, to ¥1,765 million, for an ordinary margin of

4.0%. Net income attributable to owners of parent declined 9.8%, to ¥1,953 million.

Performance by Business Segment

Apparel Business

In Japan, we faced difficult selling conditions overall for existing businesses, but the Il Bisonte brand, operated by a core business company LOOK INCORPORATED, performed well. In new businesses, we worked to develop appealing brands that help us deliver value with respect to “fashion, food, living, and beauty”—a concept promoted by the Group. These included CLAUS PORTO, a Portuguese body care and fragrance brand. As for LOOK MEMBERSHIP, a shopping point-sharing service between physical and online stores, we strove to further improve customer convenience. For example, we expanded membership coverage to include shop-in-shops in department stores, in addition to existing directly managed stores. As a result, the total number of members surpassed 500,000. Despite these actions, sales in Japan declined 7.5% year on year, to ¥25,228 million. This was due partly to the exclusion of DENHAM JAPAN INC. from the scope of consolidation in the third quarter of this fiscal year. However, operating income increased 3.0%, to ¥1,073 million, reflecting an improved gross margin and more streamlined operating expenses.

In South Korea, I.D. LOOK LTD. posted an increase in sales on the back of continued healthy performances mainly by import brands such as Sandro and Maje, as well as a significant jump in online sales, centered on I.D. LOOK Mall, our own site. Meanwhile, I.D. JOY LTD. closed unprofitable stores and opened new shops in some department stores, resulting in sales growth. Accordingly, sales in South Korea climbed 5.0%, to ¥16,762 million, and operating income jumped 35.2%, to ¥1,092 million.

In Europe, Il Bisonte S.p.A., which became a consolidated subsidiary in the year under review, engaged in wholesaling of leather goods—mainly

bags, wallets, and other accessories—in Italy and abroad. It also sold products via directly managed stores in Italy, France, and other European countries. As a result, sales in Europe for this fiscal year (sales generated from July 1, 2019—the time of consolidation—to December 31, 2019) amounted to ¥2,186 million, and operating income totaled ¥249 million.

In “Other abroad” (Hong Kong, China, and the United States), LOOK (H.K.) LTD. (based in Hong Kong) and LOOK CHINA CO., LTD. (based in Shanghai) posted healthy sales. However, the U.S. and Hong Kong subsidiaries of Il Bisonte S.p.A., which became a consolidated subsidiary on July 1, 2019, made advertising and other upfront investments associated with the new opening of directly managed stores, resulting in an overall operating loss. As a result, sales in “Other abroad” jumped 75.8%, to ¥407 million, and the operating loss was ¥45 million (compared with operating income of ¥16 million in the previous fiscal year).

Consequently, the Group’s Apparel Business segment posted a 2.6% increase in sales, to ¥44,585 million, and a 27.0% rise in operating income, to ¥2,369 million.

Production and OEM Business

LOOK MODE INC., which handles the Group’s Production and OEM Business segment, reported year-on-year sales growth thanks to an increase in OEM production outside the Group. Accordingly, sales in this segment edged up 0.5%, to ¥2,832 million, and operating income declined 3.4%, to ¥30 million.

Logistics Business

The performance of L. LOGISTICS INC., which is responsible for the Group’s Logistics Business segment, was affected by postponement of some inspection work from the end of the year to the beginning of the year in order to prepare for relocation of its logistics base in January 2020. Consequently, segment sales edged down 0.2%, to ¥1,050 million, and segment operating income fell 49.3%, to ¥12 million, due to an increase in personnel costs.

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, it reported a decrease in sales due to a decline in the number of stores. As a result, sales in this segment fell 38.7%, to ¥59 million, while the operating loss decreased to ¥24 million, from ¥41 million in fiscal 2018.

Outlook for Fiscal 2020 and Consolidated Forecasts

Under its medium-term business plan, which will

end in fiscal 2023, the Group is working 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, we made Bisonte Italia Holding S.r.l.,—a company based in Florence, Italy that develops the Il Bisonte brand globally—into a wholly owned subsidiary in July 2019. Our aim here is to realize longevity and stability for the Il Bisonte business, one of the largest sources of earnings for the LOOK Group. Meanwhile, I.D. LOOK in South Korea will continue working to broaden existing businesses, centering on core import brands.

To expand the e-commerce business, we will work to enhance operational efficiency by leveraging the relocation of our logistics base to shift to an in-house operation of our e-commerce logistics capabilities. We will also strive to continuously improve customer satisfaction by offering unique products and services for our online business that meet customers’ needs. Overseas, we will further enhance our e-commerce infrastructure in South Korea. 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 start opening stores for CLAUS PORTO, a Portuguese body care and fragrance brand, while continuing to proactively develop brands and businesses that help us deliver value with respect to “fashion, food, living, and beauty”—both in Japan and overseas. In addition, I.D. LOOK in South Korea will strive to further expand its business by developing new brands.

To build a stable management base, we will pursue customer satisfaction and contribute to 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 2020: Net sales of ¥44,000 million (up 0.2% year on year), operating income of ¥1,700 million (up 3.5%), ordinary income of ¥1,800 million (up 2.0%), and net income attributable to owners of parent of ¥1,200 million (down 38.6%).

Consolidated Forecasts

Net sales	¥44,000 million (up 0.2% year on year)
Operating income	¥1,700 million (up 3.5%)
Ordinary income	¥1,800 million (up 2.0%)
Net income attributable to owners of parent	¥1,200 million (down 38.6%)

Establish a solid earnings foundation

Promote new store openings to establish a more stable earnings structure



IL BISONTE

Opened new store in LUMINE Omiya in March 2019.



marimekko®

MARIMEKKO

Opened new store in Shibuya in November 2019.



A.P.C.

A.P.C.

Opened new store in Shibuya PARCO in November 2019.



Overseas development

I.D. LOOK LTD. took measures to expand sales of the Sandro and Maje brands.



s a n d r o
PARIS

HYUNDAI
Department Store,
Mia Store

maje

SHINSEGAE
Department Store,
Uijeongbu Store



Expand the e-commerce business

Continuously pursue customer satisfaction to expand e-commerce sales

The network of stores covered by LOOK MEMBERSHIP, a shopping point-sharing service between physical and online stores launched in 2016, surpassed 250, and the total number of members exceeded 500,000. We will continue expanding the number of target stores and the content of services to enhance customer satisfaction.

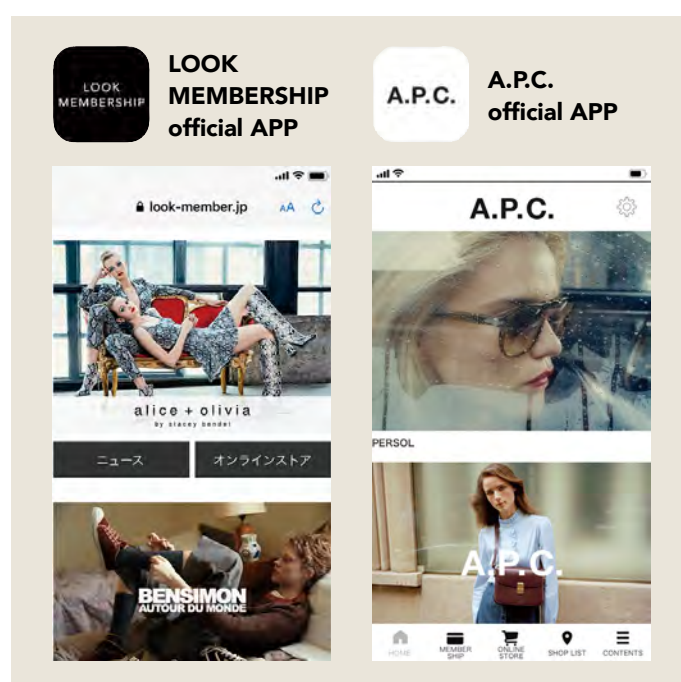
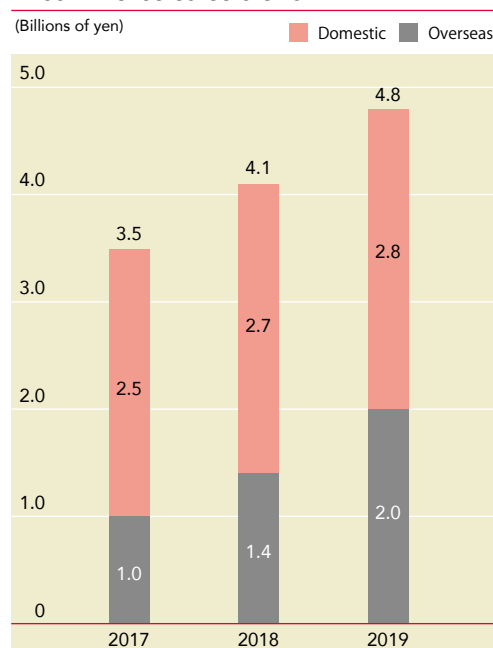
The LOOK Group places a high priority on mobile apps to improve customer convenience. In 2019, we launched new apps for LOOK MEMBERSHIP and the A.P.C. brand.

By promoting data linkage between physical and online store inventories, we seek to create a customer-friendly shopping environment. We are also steadily implementing digital marketing measures to encourage customers to visit physical stores in addition to online ones.

E-commerce sales in FY2019

E-commerce sales	FY2019 (Billions of yen)	Year on year (%)
Domestic	2.8	103%
Overseas	2.0	142%
Group total	4.8	116%

E-commerce sales trend



Actively develop new businesses

Develop new overseas businesses through M&As

In July 2019, LOOK HOLDINGS INCORPORATED acquired all of the shares of Bisonte Italia Holding S.r.l. in Italy, making it a wholly owned subsidiary.

This acquisition, the largest M&A action in our history, was designed to ensure the long-term and stable operation of our Il Bisonte business, a key part of our domestic operations, and to expand our business across the global market.

Leveraging know-how we have cultivated in Japan, we will work to expand not only our domestic business but also our operations from a global perspective.



Milano Store

Develop new appealing brands that help us deliver value with respect to “fashion, food, living, and beauty”

CLAUS PORTO



In the fall/winter season of 2019, LOOK INCORPORATED started handling the body care and fragrance brand, CLAUS PORTO.

Launched in Portugal in 1887, CLAUS PORTO is a brand of soaps, colognes, and other products influenced by decades of expertise and the contemporary formulas, inspired by the beautiful and historic towns and landscapes of its home country. It is currently sold in stores in more than 50 countries around the world.

Marimekko Kioski

In August 2019, we launched Marimekko Kioski ahead of the rest of the world. This is a new line under the Marimekko brand handled by LOOK INCORPORATED. Marimekko Kioski is a new-concept street-wear collection that reinterprets Marimekko’s iconic colors and prints. It offers a wardrobe that is not restricted by gender, with “creativity” as the keyword.



Dover Street Market Ginza (pop-up store)

Build a stable management base

Relocation and consolidation of Group head office

In October 2019, the LOOK Group relocated and consolidated its head office and domestic bases in Akasaka, Tokyo, with the aim of strengthening head office functions and improving operational efficiency.

To make our customers feel more comfortable, we have upgraded a press room and business meeting space within the new head office. By consolidating the bases of domestic Group companies and bringing together employees from different offices, we seek to inspire new levels of communication and co-create new value within the Group.



New head office building



Reception (1F)



Business meeting space (1F)



Cafeteria (2F)

Relocation of L. LOGISTICS distribution center

In January 2020, L. LOGISTICS INC. relocated its distribution center from Narashino to Funabashi.

By moving our distribution center to MFLP Funabashi II, which features state-of-the-art facilities, we will work to further streamline our logistics business and enhance our in-house e-commerce logistics capabilities with a view to broadening our e-commerce business. Our aim is to further improve the services and capabilities of our logistics business.



MFLP Funabashi II

Brand Profile

LOOK INC.



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



LOOK INC.

Alice and Olivia
BY stacey bendet

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



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.



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.



K O R E T

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



LOOK INC.

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

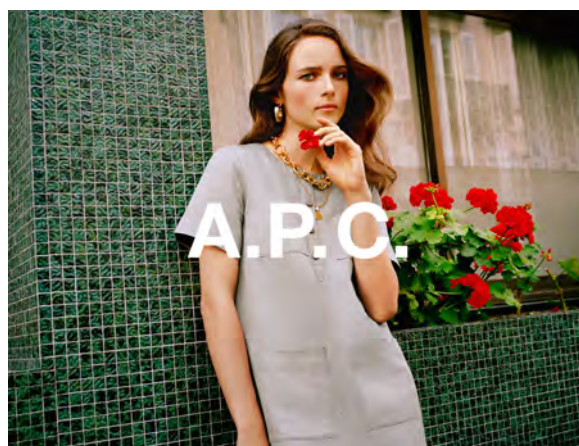
Based on the themes of elegant and feminine styling, the brand suggests dressing of various occasions for working women with a good sense of fashion.



A.P.C. JAPAN LTD.

A.P.C.

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



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, 2019, total assets amounted to ¥44,228 million, up ¥11,129 million from a year earlier. This was mainly due to an increase in goodwill stemming from our acquisition of equity in Bisonte Italia Holding S.r.l.

(2) Liabilities

Total liabilities increased ¥10,165 million from a year earlier, to ¥20,029 million, due mainly to an increase in borrowings to acquire equity in Bisonte Italia Holding S.r.l.

(3) Net assets

Total net assets were up ¥964 million from a year earlier, to ¥24,199 million. This was due primarily to an increase in retained earnings. By contrast, there was a decrease in foreign currency translation adjustments and a decrease in net unrealized gain on available-for-sale securities associated with a decline in market valuation of investment securities.

Effective the beginning of the fiscal year in review, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Figures have been adjusted retrospectively to reflect the aforementioned application for year-on-

year comparison and analysis purposes.

Cash Flows

Net cash provided by operating activities amounted to ¥998 million (compared with ¥1,759 million in the previous year). In addition to ¥3,186 million in income before income taxes, the main factors boosting cash flows were a ¥271 million decrease in notes and accounts receivable and ¥887 million in depreciation and amortization. Contrasting factors included a ¥628 million decrease in accounts payable, ¥596 million in income taxes paid, and a ¥2,093 million loss on sales of fixed assets (reported as extraordinary loss).

Net cash used in investing activities totaled ¥9,827 million (compared with ¥906 million in the previous year). Main factors included ¥11,660 million in payments for the purchase of equity in Bisonte Italia Holding S.r.l. Contrasting factors included ¥3,341 million in proceeds from the sale of property, plant, and equipment (such as land and buildings of the former head office).

Net cash provided by financing activities was ¥9,314 million (compared with ¥424 million in the previous year). Main factors included a ¥9,845 million net increase in borrowings. Contrasting factors included ¥228 million in cash dividends paid and ¥232 million in dividend payments to non-controlling interests.

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 60% 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, etc.

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) and the outbreak of infectious diseases caused by unknown viruses (such as new types of influenza and pneumonia) 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 40% of the Group's consolidated net sales. Around 80% 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, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
ASSETS			
Current assets:			
Cash and time deposits (Note 4)	¥ 6,444	¥ 6,197	\$ 58,830
Notes and accounts receivable-trade	5,140	5,319	46,924
Less: allowance for bad debts	(46)	(39)	(426)
Inventories (Note 5)	10,645	9,910	97,187
Other current assets	981	817	8,961
Total current assets	23,164	22,204	211,476
Investments and other assets:			
Investments in securities (Note 6,7)	2,539	2,848	23,185
Deferred tax assets (Note 9)	1,440	2,061	13,150
Lease deposit (Note 17)	2,429	1,760	22,182
Assets for retirement benefits (Note 10)	358	—	3,273
Goodwill	10,942	—	99,899
Other assets (Note 8,17)	611	781	5,583
Less: allowance for bad debts	(175)	(139)	(1,600)
Total investments and other assets	18,147	7,312	165,672
Property, plant and equipment :			
Buildings and structures (Note 8, 17)	3,955	4,828	36,113
Machinery and equipment (Note 17)	195	180	1,785
Tools, furniture and fixtures (Note 17)	3,862	3,855	35,258
Other	482	176	4,409
Land (Note 8)	540	1,635	4,935
	9,037	10,677	82,500
Less: Accumulated depreciation	(6,121)	(7,095)	(55,881)
Total property, plant and equipment	2,915	3,582	26,619
Total assets	¥ 44,228	¥ 33,098	\$ 403,767

The accompanying notes are an integral part of these statements.

LOOK HOLDINGS INCORPORATED

Consolidated Balance Sheets (Unaudited)
December 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
<u>LIABILITIES AND NET ASSETS</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Current liabilities:			
Short-term loans (Note 8)	¥ 10,890	¥ 830	\$ 99,417
Current installments of long-term loans (Note 8)	120	1,200	1,099
Notes and accounts payable - trade	2,651	3,234	24,208
Accounts payable - other	274	71	2,502
Accrued expenses	2,474	1,664	22,593
Income taxes payable (Note 9)	327	316	2,993
Reserve for sales returns	16	30	153
Reserve for point service	45	45	419
Asset retirement obligations (Note 11)	80	85	734
Other current liabilities	817	798	7,463
Total current liabilities	17,699	8,276	161,581
Long-term liabilities:			
Long-term loans (Note 8)	1,239	700	11,320
Liabilities for retirement benefits (Note 10)	310	252	2,838
Deferred tax liabilities (Note 9)	243	102	2,222
Asset retirement obligations (Note 11)	220	193	2,009
Other liabilities	315	338	2,880
Total long-term liabilities	2,329	1,586	21,269
Total liabilities	20,029	9,863	182,850
Net assets (Note 12):			
Shareholders' equity :			
Common stock	6,374	6,361	58,197
-Authorized : 24,000,000 shares			
-Issued : 7,689,413 shares and 7,670,613 shares at December 31, 2019 and 2018, respectively			
Capital surplus	1,655	1,637	15,117
Retained earnings	15,421	13,696	140,780
Treasury stock, at cost, 10,367 shares and 15,155 shares at December 31, 2019 and 2018, respectively	(12)	(20)	(118)
Total shareholders' equity	23,438	21,675	213,976
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities, net of tax (Note 6)	1,023	1,180	9,341
Deferred gain (loss) on derivatives under hedge accounting	2	(10)	19
Foreign currency translation adjustments	(358)	25	(3,271)
Total accumulated other comprehensive income	666	1,195	6,089
Non-controlling interests in consolidated subsidiaries	93	363	852
Total net assets	24,199	23,235	220,917
Commitments and contingencies			
Total liabilities and net assets	¥ 44,228	¥ 33,098	\$ 403,767

The accompanying notes are an integral part of these statements.

LOOK HOLDINGS INCORPORATED

Consolidated Statements of Income (Unaudited)
For the years ended December 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Net sales	¥ 43,909	¥ 44,015	\$ 400,857
Cost of sales (Note 5)	21,484	21,935	196,136
Gross profit	22,425	22,080	204,721
Selling, general and administrative expenses	20,782	20,422	189,722
Operating income	1,642	1,657	14,999
Other income (expenses)			
Interest and dividend income	174	86	1,589
Interest expenses	(100)	(19)	(915)
Rent income	13	14	127
Foreign currency exchange gain (loss), net	(47)	(1)	(432)
Loss on disposal of property, plant and equipment	(22)	(24)	(205)
Impairment loss on long-lived assets (Note 17)	(134)	(173)	(1,226)
Income from sale of prototypes	31	37	284
Gain on reversal of asset retirement obligations	7	26	64
Gain on sales of property, plant and equipment	2,093	—	19,115
Gain on sales of shares of associated companies	99	—	906
Head office relocation expenses	(530)	—	(4,844)
Provision for doubtful receivables from associated companies	(40)	—	(367)
Loss on withdrawal from the brand	(24)	—	(224)
Gain on reversal of reserve for loss from business of subsidiaries and affiliates	—	5	—
Other, net	24	69	222
Income before income taxes and non-controlling interests	3,186	1,680	29,093
Income taxes (Note 9)			
Current	491	461	4,484
Deferred	738	(976)	6,740
	1,229	(514)	11,224
Net income	1,957	2,194	17,869
Net income attributable to non-controlling interests	3	28	32
Net income attributable to owners of parent	¥ 1,953	¥ 2,166	\$ 17,837
	Yen		U.S. dollars (Note 3)
	2019	2018	2019
Per share (Note 20):			
Basic net income	¥ 254.74	¥ 283.34	\$ 2.33
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, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Net income	¥ 1,957	¥ 2,194	\$ 17,869
Other comprehensive income (loss) (Note 13):			
Net unrealized income (loss) on available-for-sale	(157)	(351)	(1,442)
Deferred gain (loss) on derivatives under hedge accounting	12	(10)	111
Foreign currency translation adjustments	(371)	(512)	(3,393)
Total other comprehensive income (loss)	(517)	(874)	(4,724)
Comprehensive income	<u>¥ 1,439</u>	<u>¥ 1,320</u>	<u>\$ 13,145</u>
			Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Comprehensive income attributable to:			
Owners of parent	¥ 1,425	¥ 1,303	\$ 13,010
Non-controlling interests	14	16	135

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, 2019 and 2018

	Millions of yen												
	Number of shares of Common stock	Shareholders' equity					Accumulated other comprehensive income						
		Common stock	Capital surplus	Retained earnings	Treasury stock	Sub-total	Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Sub-total	Non-controlling interests in consolidated subsidiaries	Total net assets	
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	
Issuance of new shares	18,800	13	13	—	—	27	—	—	—	—	—	27	
Dividends	—	—	—	(229)	—	(229)	—	—	—	—	—	(229)	
Net income attributable owners of parent	—	—	—	1,953	—	1,953	—	—	—	—	—	1,953	
Treasury stock acquired (1,212 shares)	—	—	—	—	(0)	(0)	—	—	—	—	—	(0)	
Increase arising from the share exchange	—	—	4	—	8	12	—	—	—	—	—	12	
Net changes other than shareholders' equity	—	—	—	—	—	—	(156)	12	(383)	(528)	(270)	(799)	
Total changes during the year	18,800	13	18	1,724	7	1,763	(156)	12	(383)	(528)	(270)	964	
Balance at December 31, 2019	7,689,413	¥ 6,374	¥ 1,655	¥ 15,421	¥ (12)	¥ 23,438	¥ 1,023	¥ 2	¥ (358)	¥ 666	¥ 93	¥ 24,199	

	Thousands of U.S. dollars (Note 3)												
	Number of shares of Common stock	Shareholders' equity					Accumulated other comprehensive income						
		Common stock	Capital surplus	Retained earnings	Treasury stock	Sub-total	Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Sub-total	Non-controlling interests in consolidated subsidiaries	Total net assets	
Balance at December 31, 2018	7,670,613	\$ 58,073	\$ 14,952	\$ 125,040	\$ (186)	\$ 197,879	\$ 10,774	\$ (92)	\$ 234	\$ 10,916	\$ 3,320	\$ 212,115	
Issuance of new shares	18,800	124	123	—	—	247	—	—	—	—	—	247	
Dividends	—	—	—	(2,097)	—	(2,097)	—	—	—	—	—	(2,097)	
Net income attributable owners of parent	—	—	—	17,837	—	17,837	—	—	—	—	—	17,837	
Treasury stock acquired (1,212 shares)	—	—	—	—	(5)	(5)	—	—	—	—	—	(5)	
Increase arising from the share exchange	—	—	42	—	73	115	—	—	—	—	—	115	
Net changes other than shareholders' equity	—	—	—	—	—	—	(1,433)	111	(3,505)	(4,827)	(2,468)	(7,295)	
Total changes during the year	18,800	124	165	15,740	68	16,097	(1,433)	111	(3,505)	(4,827)	(2,468)	8,802	
Balance at December 31, 2019	7,689,413	\$ 58,197	\$ 15,117	\$ 140,780	\$ (118)	\$ 213,976	\$ 9,341	\$ 19	\$ (3,271)	\$ 6,089	\$ 852	\$ 220,917	

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, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	¥ 3,186	¥ 1,680	\$ 29,093
Adjustments for:			
Depreciation	887	894	8,104
Amortization of goodwill	280	2	2,562
Impairment loss on long-lived assets	134	173	1,226
Loss on disposal of property, plant and equipment	42	24	384
Gain on sales of property, plant and equipment	(2,093)	—	(19,115)
Gain on sales of shares of associated companies	(99)	—	(906)
Loss on withdrawal from the brand	24	—	224
Interest and dividend income	(174)	(86)	(1,589)
Interest expenses	100	19	915
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivables	271	285	2,480
Increase in inventories	(229)	(943)	(2,093)
Decrease in notes and account payables	(628)	(32)	(5,736)
Decrease in accrued expenses	186	(2)	1,702
Increase in allowance for bad debts	44	5	409
Decrease in reserve for sales returns	(10)	(11)	(94)
Increase in reserve for point service	1	2	10
Decrease (increase) in assets for retirement benefits	(358)	5	(3,271)
Increase (decrease) in liabilities for retirement benefits	(70)	94	(646)
Others	26	(5)	243
Subtotal	1,522	2,107	13,902
Interest and dividend income received	172	84	1,578
Interest expenses paid	(100)	(17)	(918)
Income taxes paid	(596)	(414)	(5,443)
Net cash provided by operating activities	998	1,759	9,119
Cash flows from investing activities:			
Payments into time deposits	(210)	(661)	(1,924)
Proceeds from time deposits	361	633	3,298
Payments for purchase of property, plant and equipment	(842)	(559)	(7,689)
Proceeds from sales of property, plant and equipment	3,341	0	30,501
Payments for purchase of intangible assets	(41)	(111)	(377)
Payments for purchase of investments in securities	(2)	(2)	(26)
Proceeds from sales of investments in securities	97	—	892
Payment for acquisition of subsidiaries' interests that result in change in scope of consolidation	(11,660)	—	(106,449)
Payment for sales of subsidiaries' interests that result in changes in the scope of consolidation	(94)	—	(865)
Payments for long-term loans receivable made	(52)	(47)	(478)
Proceeds from collection of long-term loans receivable	23	14	216
Payments for lease deposit	(778)	(86)	(7,108)
Proceeds from lease deposit	96	24	878
Payments for asset retirement obligations	(34)	(6)	(313)
Payments for investments in capital	(23)	—	(216)
Other, net	(5)	(104)	(53)
Net cash used in investing activities	(9,827)	(906)	(89,713)
Cash flows from financing activities:			
Proceeds from short-term loans	12,637	830	115,373
Repayment of short-term loans	(2,952)	(100)	(26,952)
Proceeds from long-term loans	1,093	—	9,986
Repayment of long-term loans	(934)	—	(8,530)
Cash dividends paid	(228)	(228)	(2,088)
Cash dividends paid to non-controlling interests	(232)	(3)	(2,123)
Repayment to non-controlling interests	(7)	—	(66)
Purchase of treasury stock	(1)	(1)	(5)
Payment for acquisition of subsidiaries' interests that do not result in change in scope of consolidation	—	(14)	—
Repayment of lease obligations	(61)	(56)	(564)
Net cash provided by financing activities	9,314	424	85,031
Foreign currency translation adjustments on cash and cash equivalents	(84)	(73)	(769)
Net increase in cash and cash equivalents	401	1,203	3,668
Cash and cash equivalents at beginning of year	5,830	4,626	53,223
Cash and cash equivalents at end of year (Note 4)	¥ 6,231	¥ 5,830	\$ 56,891

The accompanying notes are an integral part of these statements.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

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, 2019.

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, 2019 include the accounts of the Company and its sixteen significant subsidiaries (collectively the "Group"), LOOK INCORPORATED, A.P.C. JAPAN LTD., LAISSE PASSE CO., LTD., LOOK MODE INC., L. LOGISTICS INC., FASHIONABLE FOODS INTERNATIONAL INC., Bisonte Italia Holding S.r.l., Il Bisonte S.p.A., Il Bisonte USA Inc., Il Bisonte UK Limited, Il Bisonte Asia Limited, Il Bisonte France S.a.r.l., I.D. LOOK LTD., I.D. JOY LTD., LOOK (H.K.) LTD. and LOOK CHINA CO., LTD. and the consolidated financial statements at

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

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. For the year ended December 31, 2019, Bisonte Italia Holding S.r.l. and its subsidiaries are newly consolidated because the Company acquired whole shares of Bisonte Italia Holding S.r.l. DENHAM JAPAN INC. is excluded from consolidation because the Company sold all shares of DENHAM JAPAN INC. held by the Company. 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.

There are no investments in non-consolidated subsidiaries and affiliate companies at December 31, 2019 and 2018, 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.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

(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.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

(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 three 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.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

(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) Reserve for point service

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

(15) Appropriation of retained earnings

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

(16) 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.

(17) Accounting standards issued but not yet applied

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.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

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, 2019 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥109.54=U.S.\$1, the rate of exchange on December 30, 2019. 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, 2019 and 2018 on the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Cash and time deposits	¥ 6,444	¥ 6,197	\$ 58,830
Time deposits that have maturities of over three months when acquired	(212)	(366)	(1,939)
Cash and cash equivalents	<u>¥ 6,231</u>	<u>¥ 5,830</u>	<u>\$ 56,891</u>

5. Inventories

Inventories at December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Finished goods and merchandise	¥ 9,043	¥ 9,102	\$ 82,562
Work-in-process	1,044	532	9,540
Raw materials	557	275	5,085
Total	<u>¥ 10,645</u>	<u>¥ 9,910</u>	<u>\$ 97,187</u>

Write-down of finished goods and merchandise to net realizable value are charged to cost of sales. The amount of such write-down for the years ended December 31, 2019 and 2018 were ¥4,126 million (\$37,667 thousand) and ¥3,909 million, respectively.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

6. Investments in Securities

At December 31, 2019 and 2018, book values (fair values), acquisition costs and difference of available-for-sale securities with available fair values are as follows:

Millions of yen			
2019			
	Book values	Acquisition costs	Difference
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 2,312	¥ 834	¥ 1,477
Total	¥ 2,312	¥ 834	¥ 1,477
Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 213	¥ 235	¥ (21)
Total	¥ 213	¥ 235	¥ (21)
Thousands of U.S. dollars (Note 3)			
2019			
	Book values	Acquisition costs	Difference
Securities with book values (fair values) exceeding acquisition costs:			
Equity securities	\$ 21,109	\$ 7,618	\$ 13,491
Total	\$ 21,109	\$ 7,618	\$ 13,491
Securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	\$ 1,949	\$ 2,149	\$ (200)
Total	\$ 1,949	\$ 2,149	\$ (200)
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)

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

Securities classified as available-for-sale securities for which fair values are not available at December 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Non-listed equity securities	¥ 0	¥ 108	\$ 0
Bonds	14	4	128

7. Investments in Non-consolidated Subsidiaries

Investments in non-consolidated subsidiaries at December 31, 2019 and 2018 are ¥0 million (\$0 thousand) and ¥0 million, respectively.

8. Short-term and Long-term Loans

Short-term loans at December 31, 2019 and 2018 represented bank loan, bearing average interest of 1.28 % and 1.00% per annum, respectively.

Long-term loans represented bank loan of ¥1,360 million (\$12,419 thousand) and ¥1,900 million at December 31, 2019 and 2018, bearing average interest of 0.96% and 0.57% per annum, respectively.

The annual maturities of the long-term loans (except for current installments) at December 31, 2019 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Year ending December 31,		
2021	¥ 833	\$ 7,609
2022	232	2,121
2023	31	287
2024	14	133

The annual maturities of the lease obligations (except for current installments) at December 31, 2019 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Year ending December 31,		
2021	¥ 4	\$ 40
2022	2	23
2023	—	—
2024	—	—

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

At December 31, 2019 and 2018, 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)
	2019	2018	2019
Buildings and structures	¥ 442	¥ —	\$ 4,038
Land	441	—	4,026
Intangible assets - other	18	—	165
Total	¥ 901	¥ —	\$ 8,229

Secured loans at December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Long-term loans (includes current portion of long-term loans)	¥ 389	¥ —	\$ 3,553
Total	¥ 389	¥ —	\$ 3,553

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

9. Income Taxes

Significant components of deferred tax assets and deferred tax liabilities at December 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Deferred tax assets:			
Tax loss carryforward	¥ 1,250	¥ 1,094	\$ 11,412
Impairment loss on long-lived assets	109	1,045	995
Loss on write-down of inventories	988	922	9,028
Shipped sales	—	234	—
Retirement benefit expenses	62	95	567
Asset retirement obligations	98	95	902
Allowance for bad debts	67	70	613
Inventories	55	56	508
Others	385	264	3,519
Gross deferred tax assets	3,017	3,879	27,544
Valuation allowance for tax loss carryforwards *3	(665)	—	(6,079)
Valuation allowance for total deductible temporary differences	(446)	—	(4,076)
Total valuation allowance *1	(1,112)	(1,191)	(10,155)
Total deferred tax assets	1,904	2,687	17,389
Offset with deferred tax liabilities	(464)	(626)	(4,239)
Deferred tax assets, net	1,440	2,061	13,150
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(408)	(462)	(3,731)
Inventories	—	(118)	—
Undistributed earnings of foreign subsidiaries	(152)	(115)	(1,391)
Asset retirement obligations	(28)	(24)	(259)
Assets for retirement benefits	(80)	—	(730)
Others	(38)	(7)	(350)
Gross deferred tax liabilities	(707)	(728)	(6,461)
Offset with deferred tax assets	464	626	4,239
Deferred tax liabilities, net	¥ (243)	¥ (102)	\$ (2,222)

*1 For the year ended December 31, 2019, the valuation allowance decreased by ¥79 million (\$726 thousand). This is mainly due to an increase of recoverable amount for tax loss carryforwards of the Company and its domestic subsidiaries based on expected future taxable income.

*2 The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018, hereinafter the “Partial Amendments to Tax Effect Accounting Standard”) from the beginning of the year ended December 31, 2019. Deferred tax assets are shown in the segment of investments and other assets, and deferred tax liabilities are shown in the segment of non-current liabilities. As a result, “deferred tax assets”

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

classified as “current assets” decreased by ¥1,183 million and “deferred tax assets” classified as “investments and other assets” increased by ¥1,088 million. “Other” classified as “current liabilities” decreased by ¥2 million and “deferred tax liabilities” classified as “non-current liabilities” decreased by ¥92 million at December 31, 2018.

The Company offset deferred tax assets and liabilities when the deferred tax assets and liabilities were associated with the income taxes levied on the same taxable entity. As a result, total assets decreased by ¥95 million at December 31, 2018.

*3 The Company added descriptions stated in the annotation No. 8 (excluding the total amount of valuation allowances) and No. 9 of the “Accounting Standard for Tax Effect Accounting” set forth in Paragraph 3 to 5 of the “Partial Amendments to Tax Effect Accounting Standard” as follows. The Company does not add the descriptions for the year ended December 31, 2018 in accordance with the transition provision set forth in Paragraph 7.

Tax loss carryforwards will expire as follows:

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	Total
Tax loss carryforwards	¥ 117	¥ 192	¥ 64	¥ 148	¥ 73	¥ 653	¥ 1,250
Valuation allowance	(50)	(65)	(20)	(43)	(19)	(465)	(665)
Deferred tax assets	¥ 66	¥ 127	¥ 43	¥ 104	¥ 54	¥ 188	¥ 584

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	Total
Tax loss carryforwards	\$ 1,071	\$ 1,756	\$ 592	\$ 1,353	\$ 675	\$ 5,965	\$ 11,412
Valuation allowance	(461)	(596)	(192)	(401)	(180)	(4,249)	(6,079)
Deferred tax assets	\$ 610	\$ 1,160	\$ 400	\$ 952	\$ 495	\$ 1,716	\$ 5,333

The amount of tax loss carryforwards shown in the table above is the amount obtained by multiplying the effective statutory tax rate.

The Company recognized deferred tax assets of ¥584 million (\$5,333 thousand) for tax loss carryforwards of ¥1,250 million (\$11,412 thousand) (the amount obtained by multiplying the effective statutory tax rate). The Company does not establish a valuation allowance for the tax loss carryforwards of the Company that is recoverable due to expected future taxable income.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

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, 2019 and 2018 is follows:

	2019	2018
Statutory income tax rate	30.62%	30.86%
Expenses not deducted for tax purposes	0.34	0.79
Income not credited for tax purposes	(0.11)	(0.91)
Per capita tax	1.12	2.44
Difference in statutory tax rates of subsidiaries	(2.01)	(2.67)
Special exemption of consolidated subsidiaries	(0.78)	(1.62)
Acquisition cost for associated companies' shares	3.21	—
Amortization of goodwill	2.69	—
Undistributed earnings	1.15	1.30
Reduced tax rate	0.99	(0.48)
Increase / decrease in valuation allowance	1.08	(60.39)
Other	0.28	0.05
Tax rate reflected in the consolidated statements of income	<u>38.58%</u>	<u>(30.63)%</u>

10. Employees' Pension and Retirement Benefits

1. Followings are the information of defined benefit plans at December 31, 2019 and 2018 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)
	2019	2018	2019
Liabilities for retirement benefits at beginning of year	¥ 252	¥ 152	\$ 2,305
Retirement benefit expenses	22	498	206
Benefits paid	(68)	(98)	(626)
Contribution	(384)	(300)	(3,510)
Other	130	(0)	1,190
Liabilities for retirement benefits at end of year	<u>¥ (47)</u>	<u>¥ 252</u>	<u>\$ (435)</u>

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

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

- (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)
	2019	2018	2019
Funded retirement benefit obligation	¥ 2,902	¥ 2,753	\$ 26,499
Plan assets	(2,987)	(2,546)	(27,277)
	(85)	207	(778)
Unfunded retirement benefit obligation	37	45	343
Net of liabilities and assets for retirement benefits	¥ (47)	¥ 252	\$ (435)
Liabilities for retirement benefits	¥ 310	¥ 252	\$ 2,838
Assets for retirement benefits	(358)	—	(3,273)
Net of liabilities and assets for retirement benefits	¥ (47)	¥ 252	\$ (435)

- (3) Retirement benefit expenses calculated by a simplified method is ¥22 million (\$206 thousand) and ¥498 million for the years ended December 31, 2019 and 2018, respectively.

2. The amount to be paid by the Company and consolidated subsidiaries to the defined contribution plans is ¥17 million (\$159 thousand) and ¥18 million and the paid amounts by a prepaid termination allowance plan is ¥16 million (\$152 thousand) and ¥18 million for the years ended December 31, 2019 and 2018, 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 and offices according to leasehold contracts, disposal cost of asbestos according to law or regulation at the time of dismantlement and removal of the Company and consolidated subsidiaries' buildings.

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.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

The following table provides a total asset retirement obligation for the years ended December 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Balance, beginning of year	¥ 279	¥ 270	\$ 2,547
Increase by fixed assets acquisition	84	18	768
Accretion expenses	(0)	0	(0)
Liabilities settled	(22)	(6)	(202)
Other	(40)	(3)	(370)
Balance, end of year	¥ 300	¥ 279	\$ 2,743

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

The Group does not recognize 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.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

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
(b) Cash dividends per common share	¥6
(c) Record date	December 31, 2017
(d) Effective date	March 30, 2018

The following dividends were paid during the year ended December 31, 2019 which was approved by the general meeting of shareholders held on March 28, 2019.

(a) Total dividends	¥229 million (\$2,097 thousand)
(b) Cash dividends per common share	¥30 (\$0.27)
(c) Record date	December 31, 2018
(d) Effective date	March 29, 2019

The Company carried out a share consolidation of the Company shares under which every 5 shares were consolidated into 1 share effective on July 1, 2018.

The following dividends were approved by the general meeting of shareholders held on March 27, 2020 and paid after the balance sheet date but the record date for the payment belongs to the year ended December 31, 2019.

(a) Total dividends	¥230 million (\$2,103 thousand)
(b) Dividend source	Retained earnings
(c) Cash dividends per common share	¥30 (\$0.27)
(d) Record date	December 31, 2019
(e) Effective date	March 30, 2020

(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.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

(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, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Net unrealized gain on available-for-sale securities:			
Arising during the year	¥ (211)	¥ (507)	\$ (1,929)
Reclassification adjustment	—	—	—
Before tax amount	(211)	(507)	(1,929)
Tax benefit (expense)	53	156	487
Net-of-tax amount	(157)	(351)	(1,442)
Deferred loss on derivatives under hedge accounting:			
Arising during the year	(57)	(15)	(523)
Reclassification adjustment	75	—	693
Before tax amount	18	(15)	170
Tax benefit (expense)	(6)	5	(59)
Net-of-tax amount	12	(10)	111
Foreign currency translation adjustments:			
Arising during the year	(371)	(512)	(3,393)
Reclassification adjustment	—	—	—
Before tax amount	(371)	(512)	(3,393)
Tax benefit (expense)	—	—	—
Net-of-tax amount	(371)	(512)	(3,393)
Total other comprehensive income (loss)	¥ (517)	¥ (874)	\$ (4,724)

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

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, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Due within one year	¥ 1,009	¥ 19	\$ 9,213
Due after one year	5,490	4	50,125
Total	¥ 6,499	¥ 23	\$ 59,338

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)).

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

(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, 2019 and 2018 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, 2019 and 2018

December 31, 2019	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	¥ 6,444	¥ 6,444	¥ —	\$ 58,830	\$ 58,830	\$ —
(2) Notes and accounts receivable-trade	5,140			46,924		
Less: allowance for bad debts *1	(1)			(14)		
	5,138	5,138	—	46,910	46,910	—
(3) Investments in securities:						
Available-for-sale securities	2,525	2,525	—	23,057	23,057	—
(4) Lease deposit	1,810	1,818	7	16,527	16,597	70
Total	¥ 15,918	¥ 15,926	¥ 7	\$ 145,324	\$ 145,394	\$ 70
Liabilities:						
(1) Notes and accounts payable - trade	¥ 2,651	¥ 2,651	¥ —	\$ 24,208	\$ 24,208	\$ —
(2) Short-term loans	10,890	10,890	—	99,417	99,417	—
(3) Long-term loans *2	1,360	1,364	3	12,419	12,454	35
Total	¥ 14,902	¥ 14,906	¥ 3	\$ 136,044	\$ 136,079	\$ 35
Derivative transactions *3	¥ 4	¥ 4	¥ —	\$ 40	\$ 40	\$ —

December 31, 2018	Millions of yen		
	Carrying amount	Fair value	Differences
Assets:			
(1) Cash and time deposits	¥ 6,197	¥ 6,197	¥ —
(2) Notes and accounts receivable-trade	5,319		
Less: allowance for bad debts *1	(3)		
	5,316	5,316	—
(3) Investments in securities:			
Available-for-sale securities	2,735	2,735	—
(4) Lease deposit	1,097	1,101	3
Total	¥ 15,346	¥ 15,349	¥ 3
Liabilities:			
(1) Notes and accounts payable - trade	¥ 3,234	¥ 3,234	¥ —
(2) Short-term loans	830	830	—
(3) Long-term loans *2	1,900	1,900	1
Total	¥ 5,964	¥ 5,965	¥ 1
Derivative transactions *3	¥ (18)	¥ (18)	¥ —

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

*2 Long-term loans includes current portion of long-term loans.

*3 Derivative receivables and payables are on net basis.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

(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, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Unlisted equity securities *1	¥ 14	¥ 112	\$ 128
Lease deposit *2	619	662	5,655

*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.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

(c) Projected future redemption of monetary claim and securities with maturities at December 31, 2019 and 2018

Millions of yen				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
<u>December 31, 2019</u>				
Cash and time deposits	¥ 6,444	¥ —	¥ —	¥ —
Notes and accounts receivable - trade	5,140	—	—	—
Investments in securities:				
Available-for-sale				
securities with maturities:				
Debt securities	—	12	1	—
Lease deposit	213	882	714	—
	¥ 11,797	¥ 894	¥ 716	¥ —

Thousands of U.S. dollars (Note 3)				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
<u>December 31, 2019</u>				
Cash and time deposits	\$ 58,830	\$ —	\$ —	\$ —
Notes and accounts receivable - trade	46,924	—	—	—
Investments in securities:				
Available-for-sale				
securities with maturities:				
Debt securities	—	113	15	—
Lease deposit	1,949	8,056	6,521	—
	\$ 107,703	\$ 8,169	\$ 6,536	\$ —

Millions of yen				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
<u>December 31, 2018</u>				
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	¥ —

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

(d) The annual maturities of the long-term loans at December 31, 2019 and 2018

		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
<u>December 31, 2019</u>							
Short-term loans	¥ 10,890	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans	120	833	232	31	14	128	
	¥ 11,010	¥ 833	¥ 232	¥ 31	¥ 14	¥ 128	

		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
<u>December 31, 2019</u>							
Short-term loans	\$ 99,417	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans	1,099	7,609	2,121	287	133	1,170	
	\$ 100,516	\$ 7,609	\$ 2,121	\$ 287	\$ 133	\$ 1,170	

		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
<u>December 31, 2018</u>							
Short-term loans	¥ 830	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans	1,200	—	700	—	—	—	—
	¥ 2,030	¥ —	¥ 700	¥ —	¥ —	¥ —	¥ —

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

16. Derivative Transactions

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

Currency transaction

		Millions of yen							
		2019							
		Contract/ Notional amount							
		Total		Settled over one year		Fair value		Unrealized gain (loss)	
Forward exchange contracts									
Buying:									
U.S. dollars		¥	—	¥	—	¥	—	¥	—
EUR			91		—		93		1
Total		¥	91	¥	—	¥	93	¥	1

Thousands of U.S. dollars (Note 3)				
2019				
Contract/ Notional amount				
Total	Settled over one year	Fair value	Unrealized gain (loss)	
Forward exchange contracts				
Buying:				
U.S. dollars	\$ —	\$ —	\$ —	\$ —
EUR	840	—	851	11
Total	\$ 840	\$ —	\$ 851	\$ 11

		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)

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

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

Derivative financial instruments to which hedge accounting is applied

Currency transaction

Millions of yen			
2019			
Hedged item	Contract/ Notional amount		Fair value
	Total	Settled over one year	
Forward exchange contracts			
Buying:			
Accounts payable			
U.S. dollars	¥ 1	¥ —	¥ 1
EUR	293	—	297
Total	¥ 294	¥ —	¥ 298

Thousands of U.S. dollars (Note 3)			
2019			
Hedged item	Contract/ Notional amount		Fair value
	Total	Settled over one year	
Forward exchange contracts			
Buying:			
Accounts payable			
U.S. dollars	\$ 9	\$ —	\$ 9
EUR	2,683	—	2,712
Total	\$ 2,692	\$ —	\$ 2,721

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

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

17. Impairment Loss on Long-lived Assets

Impairment loss on long-lived assets for the years ended December 31, 2019 and 2018 consisted as follows:

2019:

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

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

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 ¥134 million (\$1,226 thousand) and ¥140 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, 2019 and 2018, 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 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.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

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. Three domestic consolidated subsidiaries manage the apparel related business in Japan and ten 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, Europe, Hong Kong, China and U.S.A, and each base plans overall strategy for each brand and runs the business.

The Group's reported segments are seven segments which are four geographical segments of "Japan," "Korea," "Europe" and "Other abroad" (Hong Kong, China and U.S.A) which are based on its sales system for the apparel related business, and "Production and OEM business," "Logistics business" and "Food and beverage business."

Because Bisonte Italia Holdings S.r.l. and its subsidiaries are included in consolidation for the year ended December 31, 2019, geographical segments of "Europe" has been added.

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 Company has applied the "Partial Amendments to Tax Effect Accounting Standard" from the beginning of the year ended December 31, 2019. The Company offset deferred tax assets and liabilities when the deferred tax assets and liabilities were associated with the income taxes levied on the same taxable entity. Figures of segment assets at December 31, 2018 have been adjusted.

The reported segment information for the years ended December 31, 2019 and 2018 is summarized as follows:

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

	Millions of yen										
	2019										
	Apparel					Production and OEM	Logistics	Food and beverage	Total	Adjustments	Consolidated
	Japan	Korea	Europe	Other abroad	Total						
Net sales:											
Outside customers	¥ 25,192	¥ 16,730	¥ 907	¥ 407	¥43,237	¥ 585	¥ 26	¥ 59	¥43,909	¥ —	¥43,909
Intersegment	35	32	1,279	—	1,347	2,246	1,023	—	4,617	(4,617)	—
Total	<u>¥25,228</u>	<u>¥16,762</u>	<u>¥ 2,186</u>	<u>¥ 407</u>	<u>¥44,585</u>	<u>¥ 2,832</u>	<u>¥ 1,050</u>	<u>¥ 59</u>	<u>¥48,527</u>	<u>¥ (4,617)</u>	<u>¥43,909</u>
Segment income (loss)	<u>¥ 1,073</u>	<u>¥ 1,092</u>	<u>¥ 249</u>	<u>¥ (45)</u>	<u>¥ 2,369</u>	<u>¥ 30</u>	<u>¥ 12</u>	<u>¥ (24)</u>	<u>¥ 2,388</u>	<u>¥ (745)</u>	<u>¥ 1,642</u>
Segment assets	<u>¥12,418</u>	<u>¥11,424</u>	<u>¥ 2,257</u>	<u>¥ 565</u>	<u>¥26,665</u>	<u>¥ 758</u>	<u>¥ 491</u>	<u>¥ 45</u>	<u>¥27,962</u>	<u>¥ 16,266</u>	<u>¥44,228</u>
Others:											
Depreciation	¥ 185	¥ 372	¥ 57	¥ 9	¥ 624	¥ 4	¥ 26	¥ —	¥ 655	¥ 231	¥ 887
Impairment loss	123	3	7	—	134	—	—	—	134	—	134
Amortization of goodwill	—	—	—	—	—	—	—	—	—	280	280
Capital expenditures	263	557	16	10	848	5	32	—	886	11,655	12,542

	Thousands of U.S. dollars (Note 3)										
	2019										
	Apparel					Production and OEM	Logistics	Food and beverage	Total	Adjustments	Consolidated
	Japan	Korea	Europe	Other abroad	Total						
Net sales:											
Outside customers	\$ 229,985	\$ 152,731	\$ 8,284	\$ 3,719	\$ 394,719	\$ 5,348	\$ 247	\$ 543	\$ 400,857	\$ —	\$ 400,857
Intersegment	327	299	11,678	—	12,304	20,508	9,345	—	42,157	(42,157)	—
Total	<u>\$ 230,312</u>	<u>\$ 153,030</u>	<u>\$ 19,962</u>	<u>\$ 3,719</u>	<u>\$ 407,023</u>	<u>\$ 25,856</u>	<u>\$ 9,592</u>	<u>\$ 543</u>	<u>\$ 443,014</u>	<u>\$ (42,157)</u>	<u>\$ 400,857</u>
Segment income (loss)	<u>\$ 9,796</u>	<u>\$ 9,972</u>	<u>\$ 2,278</u>	<u>\$ (411)</u>	<u>\$ 21,635</u>	<u>\$ 280</u>	<u>\$ 113</u>	<u>\$ (222)</u>	<u>\$ 21,806</u>	<u>\$ (6,807)</u>	<u>\$ 14,999</u>
Segment assets	<u>\$ 113,369</u>	<u>\$ 104,291</u>	<u>\$ 20,612</u>	<u>\$ 5,164</u>	<u>\$ 243,436</u>	<u>\$ 6,929</u>	<u>\$ 4,488</u>	<u>\$ 417</u>	<u>\$ 255,270</u>	<u>\$ 148,497</u>	<u>\$ 403,767</u>
Others:											
Depreciation	\$ 1,693	\$ 3,400	\$ 526	\$ 86	\$ 5,705	\$ 39	\$ 244	\$ —	\$ 5,988	\$ 2,116	\$ 8,104
Impairment loss	1,131	31	64	—	1,226	—	—	—	1,226	—	1,226
Amortization of goodwill	—	—	—	—	—	—	—	—	—	2,562	2,562
Capital expenditures	2,409	5,090	154	95	7,748	49	299	—	8,096	106,405	114,501

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

	Millions of yen										
	2018										
	Apparel					Production and OEM	Logistics	Food and beverage	Total	Adjustments	Consolidated
	Japan	Korea	Europe	Other abroad	Total						
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	<u>¥ 27,274</u>	<u>¥ 15,969</u>	<u>¥ —</u>	<u>¥ 231</u>	<u>¥ 43,475</u>	<u>¥ 2,817</u>	<u>¥ 1,053</u>	<u>¥ 97</u>	<u>¥ 47,443</u>	<u>¥ (3,427)</u>	<u>¥ 44,015</u>
Segment income (loss)	<u>¥ 1,041</u>	<u>¥ 807</u>	<u>¥ —</u>	<u>¥ 16</u>	<u>¥ 1,866</u>	<u>¥ 31</u>	<u>¥ 24</u>	<u>¥ (41)</u>	<u>¥ 1,881</u>	<u>¥ (223)</u>	<u>¥ 1,657</u>
Segment assets	<u>¥ 13,270</u>	<u>¥ 10,939</u>	<u>¥ —</u>	<u>¥ 577</u>	<u>¥ 24,787</u>	<u>¥ 778</u>	<u>¥ 304</u>	<u>¥ 54</u>	<u>¥ 25,925</u>	<u>¥ 7,173</u>	<u>¥ 33,098</u>
Others:											
Depreciation	¥ 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

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Intersegment eliminations	¥ 1,545	¥ 2,041	\$ 14,106
Unallocated company-wide expenses	(2,290)	(2,265)	(20,913)
	<u>¥ (745)</u>	<u>¥ (223)</u>	<u>\$ (6,807)</u>

(2) Adjustments in segment assets are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Intersegment eliminations	¥ 9,457	¥ (963)	\$ 86,341
Unallocated company-wide assets	6,808	8,137	62,156
	<u>¥ 16,266</u>	<u>¥ 7,173</u>	<u>\$ 148,497</u>

Company-wide assets are holding company's assets.

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

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

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						
2019						
Japan	Korea	Europe	Hong Kong	China	U.S.A	Total
¥ 25,864	¥ 16,730	¥ 907	¥ 247	¥ 94	¥ 66	¥ 43,909

Thousands of U.S. dollars (Note 3)						
2019						
Japan	Korea	Europe	Hong Kong	China	U.S.A	Total
\$ 236,122	\$ 152,731	\$ 8,284	\$ 2,255	\$ 862	\$ 603	\$ 400,857

Millions of yen						
2018						
Japan	Korea	Europe	Hong Kong	China	U.S.A	Total
¥ 27,841	¥ 15,942	¥ —	¥ 163	¥ 67	¥ —	¥ 44,015

1. Geographical sales are classified by customer's location.
2. Major countries and regions belonging to "Europe" are Italy, the United Kingdom and France.

(b) Property, plant and equipment

Millions of yen						
2019						
Japan	Korea	Europe	Hong Kong	China	U.S.A	Total
¥ 1,159	¥ 1,310	¥ 394	¥ 32	¥ 0	¥ 19	¥ 2,915

Thousands of U.S. dollars (Note 3)						
2019						
Japan	Korea	Europe	Hong Kong	China	U.S.A	Total
\$ 10,585	\$ 11,964	\$ 3,599	\$ 296	\$ 0	\$ 175	\$ 26,619

Millions of yen						
2018						
Japan	Korea	Europe	Hong Kong	China	U.S.A	Total
¥ 2,400	¥ 1,181	¥ —	¥ —	¥ 0	¥ —	¥ 3,582

(c) Information by major customers

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

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										
2019										
Apparel					Production and OEM		Logistics		Food and beverage	
Japan	Korea	Europe	Other abroad	Total					Total	Adjustments
Consolidated										
Balance	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 10,942
										¥ 10,942

Thousands of U.S. dollars (Note 3)										
2019										
Apparel					Production and OEM		Logistics		Food and beverage	
Japan	Korea	Europe	Other abroad	Total					Total	Adjustments
Consolidated										
Balance	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 99,899
										\$ 99,899

Millions of yen										
2018										
Apparel					Production and OEM		Logistics		Food and beverage	
Japan	Korea	Europe	Other abroad	Total					Total	Adjustments
Consolidated										
Balance	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

- Disclosures of goodwill amortization are omitted because the information is disclosed in the reported segment information.
- As a result of acquisition of Bisonte Italia Holdings S.r.l., goodwill of ¥11,223 million (\$102,461 thousand) has arisen, and amortization of goodwill of ¥280 million (\$2,562 thousand) is recorded for the year ended December 31, 2019. Because the goodwill is related to the whole apparel business, the balance of goodwill and amortization of goodwill are included in “Adjustments”. The goodwill amount is a provisional estimate as the allocation of the acquisition cost has not been completed because the specification of identifiable assets and liabilities and their fair value estimation at the date of the business combination have not been completed.

Negative goodwill incurred by reported segments

No negative goodwill is incurred for both the years ended December 31, 2019 and 2018.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

19. Business Combinations

Business combination through acquisition

1. Overview of the business combination

(1) Name and description of the business subject to the acquired company

Name of the acquired company: Bisonte Italia Holding S.r.l.

Description of the business: Holding company of a corporate group that manufactures and sells Il BISONTE branded products

(2) Purpose of the business combination

The Company aims to achieve long-term and stable operation of the Il BISONTE business, which is currently under an exclusive import and sales contract until 2020, to further increase sales in our principal Japanese market by leveraging our planning capabilities and heightening the added value of Il BISONTE products and to expand sales in the global market by leveraging the know-how for growing the Il BISONTE business in the Japanese market.

For the reasons set out above, the Company believes that the acquisition of Bisonte Italia Holding S.r.l. will contribute to the establishment of a more stable profit structure and sustainable growth of the Group.

(3) Effective date of the business combination

July 1, 2019

(4) Legal form of the business combination

Acquisition of equity interest

(5) Name of the company after the business combination

No change

(6) Acquired equity interest ratio

100%

(7) Grounds for determining acquiring company

The Company acquired the shares of Bisonte Italia Holding S.r.l. by cash.

2. The business results of the acquired company that are included in the consolidated statement of income

From July 1, 2019 to December 31, 2019

3. The acquisition cost of the acquired company and type of consideration

The type of consideration for the acquisition: cash	¥10,523 million (\$96,069 thousand)
Total acquisition cost	¥10,523 million (\$96,069 thousand)

4. Main acquisition related cost

Advisory fees: ¥328 million (\$3,002 thousand)

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

5. Goodwill

(1) Amount of the goodwill occurred

¥11,223 million (\$102,461 thousand)

The above goodwill amount is a provisional estimate as the allocation of the acquisition cost has not been completed because the specification of identifiable assets and liabilities and their fair value estimation at the date of the business combination have not been completed.

(2) Reason for the goodwill

The goodwill is caused by excess profitability, which is expected to achieve long-term and stable earnings through the acquisition of Bisonte Italia Holding S.r.l. because the Il BISONTE business is one of the largest business of the Company in the Japanese market, and is expected to further increase sales in the Japanese market by leveraging our planning capabilities and steadily grow in the global market.

(3) Amortization method and period

Goodwill amortized on a straight-line basis over 20 years

6. The acquired assets and assumed liabilities at the date of acquisition

	Millions of yen	Thousands of U.S. dollars (Note 3)
Current assets	¥ 2,152	\$ 19,650
Non-current assets	671	6,129
Total assets	¥ 2,823	25,779
Current liabilities	¥ (2,969)	(27,106)
Non-current liabilities	(554)	(5,065)
Total liabilities	¥ (3,524)	\$ (32,171)

7. Estimated impact on consolidated financial results if the business combination had been completed at the beginning of the fiscal year

	Millions of yen	Thousands of U.S. dollars (Note 3)
Net sales	¥ 981	\$ 8,963
Operating loss	(368)	(3,361)
Ordinary loss	(371)	(3,391)
Net loss attributable to owners of parent	(397)	(3,625)

	Yen	U.S. dollars (Note 3)
Basic net loss per share	¥ (51.77)	\$ (0.47)

The above amounts reflect the difference between sales and income calculated as if the acquisition had been completed on the first day of the fiscal year and the consolidated sales and income by the acquiring company. In addition, the amounts reflect the amortization of the goodwill that occurred at the date of business combination as if the goodwill had occurred on the first day of the fiscal year.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

20. Per Share Information

The basis for the calculation of net income per share for the years ended December 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Income attributable owners of the parent	¥ 1,953	¥ 2,166	\$ 17,837
Less: Components not pertaining to common shareholders	—	—	—
Income attributable owners of the parent pertaining to common stock	¥ 1,953	¥ 2,166	\$ 17,837
Average outstanding shares of common stock during the year (shares)	7,669,805	7,646,930	7,669,805

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, 2019 and 2018.

21. Supplemental Cash Flow Information

Assets and liabilities of Bisonte Italia Holdings S.r.l. and its subsidiaries, the newly consolidated subsidiaries in 2019 by acquisition at the inception of consolidation, and net payment from the acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Current assets	¥ 2,152	\$ 19,650
Non-current assets	671	6,129
Goodwill	11,223	102,461
Current liabilities	(2,969)	(27,106)
Non-current liabilities	(554)	(5,065)
Acquisition cost of stocks	10,523	96,069
Payment for purchase of loans receivable	1,368	12,489
Foreign currency exchange loss	21	192
Cash and cash equivalents held by acquired subsidiaries	(252)	(2,301)
Net payment for acquisition of the subsidiaries	¥ 11,660	\$ 106,449

The above amount is a provisional estimate based on practical information currently available as allocation of the acquisition cost has not been completed.

LOOK HOLDINGS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
December 31, 2019 and 2018

22. Subsequent Event

Board of Directors of the Company decided to enter into the syndicated loan contract with Sumitomo Mitsui Banking Corporation acting as an arranger on February 13, 2020 and financing was carried out through the syndicated loan on February 18, 2020.

1. Purpose

By extending the maturities of the short-term loans for acquiring the whole shares of Bisonte Italia Holding S.r.l. published on June 12, 2019, the Company aimed to strengthen the medium- to long-term business base by stabilizing further its sources of funds and reducing financial costs.

2. Overview of the contract

Amount	¥8,000 million (\$73,033 thousand)
Contract date	February 13, 2020
Borrowing date	February 18, 2020
Contract term	10 years
Repayment method	Equal payments of principal and interest
Interest rate applicable	Basic interest rate plus spread
Collateral	Without collateral
Arranger	Sumitomo Mitsui Banking Corporation
Agent	Sumitomo Mitsui Banking Corporation
Participating financial institutions	Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited

Corporate Data

(As of December 31, 2019)

Company Name	LOOK HOLDINGS INCORPORATED
Date of Establishment	October 29, 1962
Tokyo Head Office	8-5-30 Akasaka, Minato-ku, Tokyo, 107-0052 Japan Tel: +81-3-6439-1700
Paid-in Capital	6,374.87 million yen
Major Business Activities	Business management of group companies and others
Number of Employees	1,554 employees (Consolidated)
Common Stock	Authorized 24,000,000 shares Issued 7,689,413 shares
Number of Shareholders	5,277
Stock Listing	Tokyo Stock Exchange, First Section
Fiscal Year-End	December
Main Financing Banks	Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd.

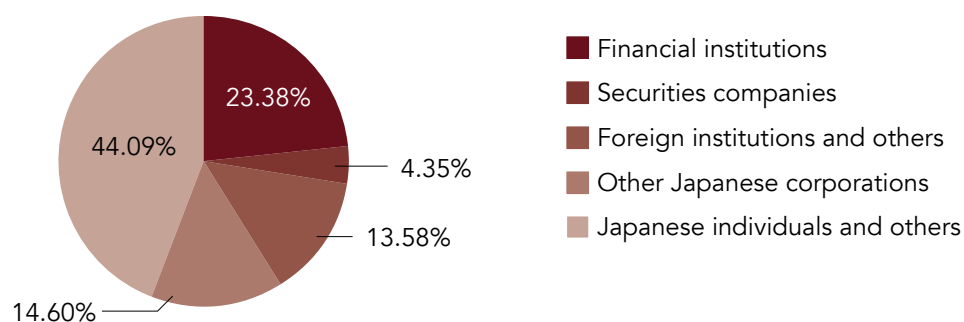
Major Shareholders

(As of December 31, 2019)

Name	Number of shares held (Thousands)	Percentage of total outstanding shares
YAGI TSUSHO LIMITED	700	9.12
Japan Trustee Services Bank, Ltd. (Trust account)	573	7.47
The Master Trust Bank of Japan, Ltd. (Trust account)	281	3.66
DFA INTL SMALL CAP VALUE PORTFOLIO	210	2.74
SUMITOMO LIFE INSURANCE COMPANY	154	2.01
Japan Trustee Services Bank, Ltd. (Trust account 5)	137	1.79
Isetan Mitsukoshi Ltd.	134	1.75
Sumitomo Mitsui Banking Corporation	130	1.70
LOOK HOLDINGS Employees' Shareholding Association	115	1.51
Norikazu Egawa	108	1.42

Note: Shareholding ratios are calculated after eliminating treasury stock (10,367 shares).

Distribution of Ownership among Shareholders



Directors, Operating Officers, and Auditors

(As of March 27, 2020)

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

Consolidated Subsidiaries

(As of June 30, 2020)

■ LOOK INC.

8-5-30 Akasaka, Minato-ku,
Tokyo, 107-0052 Japan
Tel: +81-3-6439-1650

■ FFI INC.

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

■ LOOK CHINA CO., LTD.

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

■ A.P.C. JAPAN LTD.

8-5-30 Akasaka, Minato-ku,
Tokyo, 107-0052 Japan
Tel: +81-3-5413-8300

■ I.D. LOOK LTD.

580, Gangnam-Daero,
Gang Nam-gu, Seoul, Korea
Tel: +82-2-3438-9100

■ Il Bisonte S.p.A.

Via del Parione 11,
50123 Florence, Italy
Tel: +39-055-211976

■ LOOK MODE INC.

8-5-30 Akasaka, Minato-ku,
Tokyo, 107-0052 Japan
Tel: +81-3-6439-1630

■ I.D. JOY LTD.

25, Gangnam-Daero, 132-gil,
Gangnam-gu, Seoul, Korea
Tel: +82-70-7729-6008

■ L. LOGISTICS INC.

7F MFLP FUNABASHI II,
2-6-25 Hamacho, Funabashi-shi,
Chiba, 273-0012 Japan
Tel: +81-47-435-2622

■ LOOK (H.K.) LTD.

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