



# LOCK & LOCK

2Q 16 Earnings Release

**2 Aug 2016**

This document has been prepared by Lock & Lock, Co., Ltd. This document contains forward-looking statements, which are subject to risks, uncertainties, and assumptions. This document is being presented solely for your information and is subject to change without notice. No representation or warranty, expressed or implied, is made and no reliance should be placed on the accuracy, actuality, fairness, or completeness of the information presented.

## 2Q 16 Preliminary Earnings

[Unit: Wmm]	2015	2015	2016	QoQ	YoY
	2Q	1Q	2Q		
<b>Sales</b>	104,454	104,008	101,781	-2.1%	-2.6%
%	100.0%	100.0%	100.0%		
<b>COGS</b>	56,372	54,234	52,269	-3.6%	-7.3%
%	54.0%	52.1%	51.4%		
<b>Gross Profit</b>	48,082	49,773	49,512	-0.5%	3.0%
%	46.0%	47.9%	48.6%		
<b>Sg&amp;A Expenses</b>	38,413	35,880	35,213	-1.9%	-8.3%
%	36.8%	34.5%	34.6%		
<b>Operating Profit</b>	9,668	13,893	14,299	2.9%	47.9%
%	9.3%	13.4%	14.0%		
<b>Pretax income</b>	9,212	13,635	13,575	-0.4%	47.4%
%	8.8%	13.1%	13.3%		
<b>Net Profit</b>	3,877	8,465	9,930	17.3%	156.1%
%	3.7%	8.1%	9.8%		

## 2Q 16 Preliminary Earnings – Sales & Profit Highlights

- Total sales have been down 2.6% YoY to W101.8bn.
  - USA QVC sales and some exports of June was carried forward to the next Month(Total US\$ 5.1Million)**
  - China domestic sales decreased 10.7% YoY to W44.2bn.  
(Beijing branch was sales down because of return stock from the warehouse on Homeshopping.) (We made the switch from direct sales to a wholesaler on consignment.)  
Internet channel sales increased 2.7% YoY(JD.COM order was slowdown in April due to safety stock.)
  - Korea domestic sales increased 0.8% YoY to W29.4bn.(Internet sales increased)  
Korea export sales increased 11.0% YoY to W17.7bn(US QVC Homeshopping sales increased)
  - Southeast Asia regional sales increased 15.3% YoY to W9.3bn.(Vietnam domestic sales increased 38.2% YoY)
- Operating profit increased 47.9% YoY to W14.3bn (14.0% OPM)

[Unit: Wmm]	2015	2016	YoY
	2Q	2Q	
Payroll	10,673	11,368	6.5%
Advertising	1,765	1,192	-32.5%
Transportation	2,471	2,643	7.0%
Rent	3,547	3,793	6.9%
Sales Commission	3,994	2,098	-47.5%
Others	15,963	14,118	-11.6%
<b>Operating Expenses</b>	<b>38,413</b>	<b>35,213</b>	-8.3%

※ Based on K-IFRS

[Unit: Wmm]	2015	2016	YoY
	2Q	2Q	
<b>Other Operating profit</b>	<b>3,430</b>	<b>1,441</b>	-58.0%
Gain on Foreign currency translations	791	-936	-218.3%
Gain Foreign currency transactions	2,061	1,768	-14.2%
Others	578	609	5.3%
<b>Other Operating loss</b>	<b>4,499</b>	<b>2,321</b>	-48.4%
Loss on Foreign currency translations	2,301	-594	-125.8%
Loss Foreign currency transactions	1,400	1,416	1.1%
Others	797	1,500	88.1%
<b>Net Other Operating profit</b>	<b>-1,069</b>	<b>-881</b>	-17.6%

※ Based on K-IFRS

# Summary Financials – Balance Sheet

[Unit: Wmm]

Descriptions	2015	2016 1H	Increase/ Decrease
Current Assets	367,062	333,651	33,411
Quick Assets	220,297	199,204	21,093
Inventories	135,362	122,880	12,483
Other Current Assets	11,403	11,568	-165
Non-Current Assets	389,407	385,121	4,287
Investments	45,172	46,101	-929
Property&Equipment	289,815	285,851	3,964
Intangible Assets	10,060	9,344	716
Deferred Tax Assets	5,520	5,899	-379
Other Non-Current Assets	38,840	37,926	914
<b>TOTAL ASSETS</b>	<b>756,470</b>	<b>718,772</b>	<b>37,698</b>
Current Liabilities	110,896	71,810	39,086
Non-Current Liabilities	5,644	5,699	-54
<b>TOTAL LIABILITIES</b>	<b>116,540</b>	<b>77,509</b>	<b>39,032</b>
Capital Stock	27,500	27,500	0
Additional Paid-in and Other Capital	314,809	314,809	0
Capital Adjustment	-23,371	-23,371	0
Accumulated Other Comprehensive Income	-8,482	-14,699	6,217
Earned Surplus	329,394	336,943	-7,548
External Shareholder's Equity	80	82	-2
<b>TOTAL EQUITY</b>	<b>639,930</b>	<b>641,263</b>	<b>-1,333</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>756,470</b>	<b>718,772</b>	<b>37,698</b>

※ Based on K-IFRS

# Summary Financials – Income Statement

[Unit: Wmm]

Descriptions	2015 2Q	2016 2Q	Increase/ Decrease
Sales	104,454	101,781	-2,673
Cost of Goods Sold	56,372	52,269	-4,103
Gross Profit	48,082	49,512	1,430
Selling and Administrative Expenses	38,413	35,213	-3,201
Operating Income	9,668	14,299	4,631
Other Operating Profit and Loss	-1,069	-881	188
Financial Profit and Loss and the rest	612	157	-455
Income and Loss Before Income Taxes	9,212	13,575	4,363
Income Tax Expenses	5,335	3,645	-1,690
<b>Net Income</b>	<b>3,877</b>	<b>9,930</b>	<b>6,053</b>

※ Based on K-IFRS

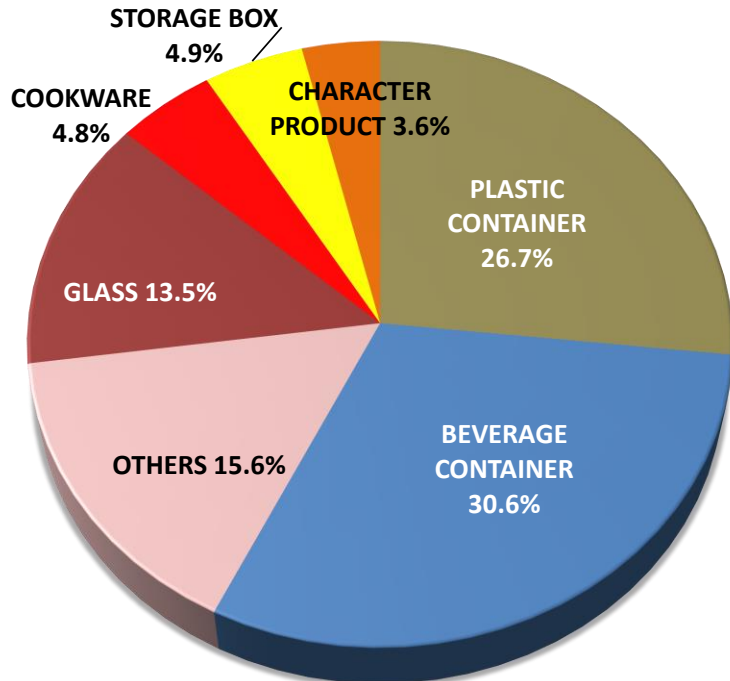
# Sales Breakdown by Region

Region	2012	2013	2014	2Q 15	2015	1Q 16	2Q 16
China	51.0%	55.0%	45.0%	47.4%	46.7%	41.6%	43.4%
Korea	31.0%	26.0%	33.0%	27.9%	27.4%	26.4%	28.9%
Asia	11.0%	12.0%	14.0%	15.5%	15.3%	13.6%	15.7%
ROW	7.0%	7.0%	8.0%	9.2%	10.7%	18.5%	12.0%

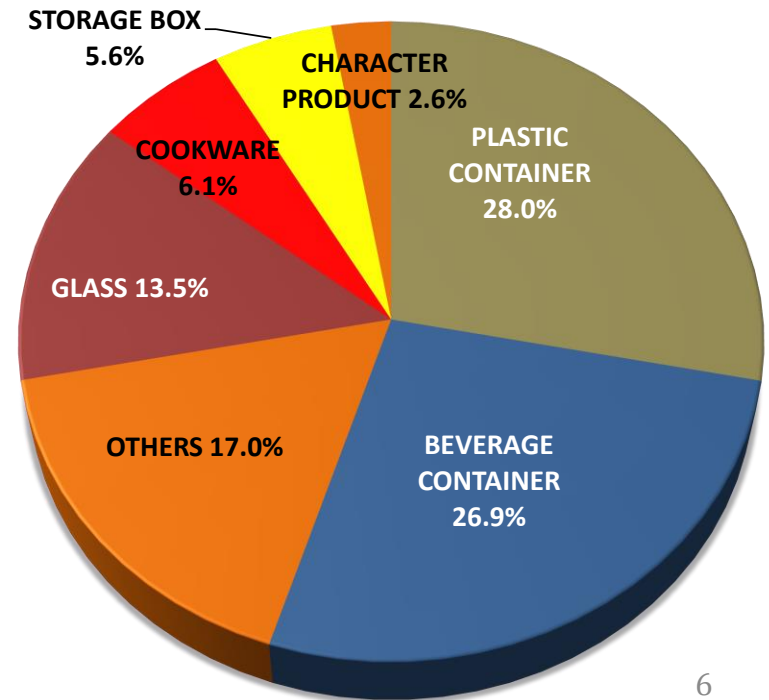
※ KOREA: Domestic sales application

# Sales Breakdown by Product

[2015]

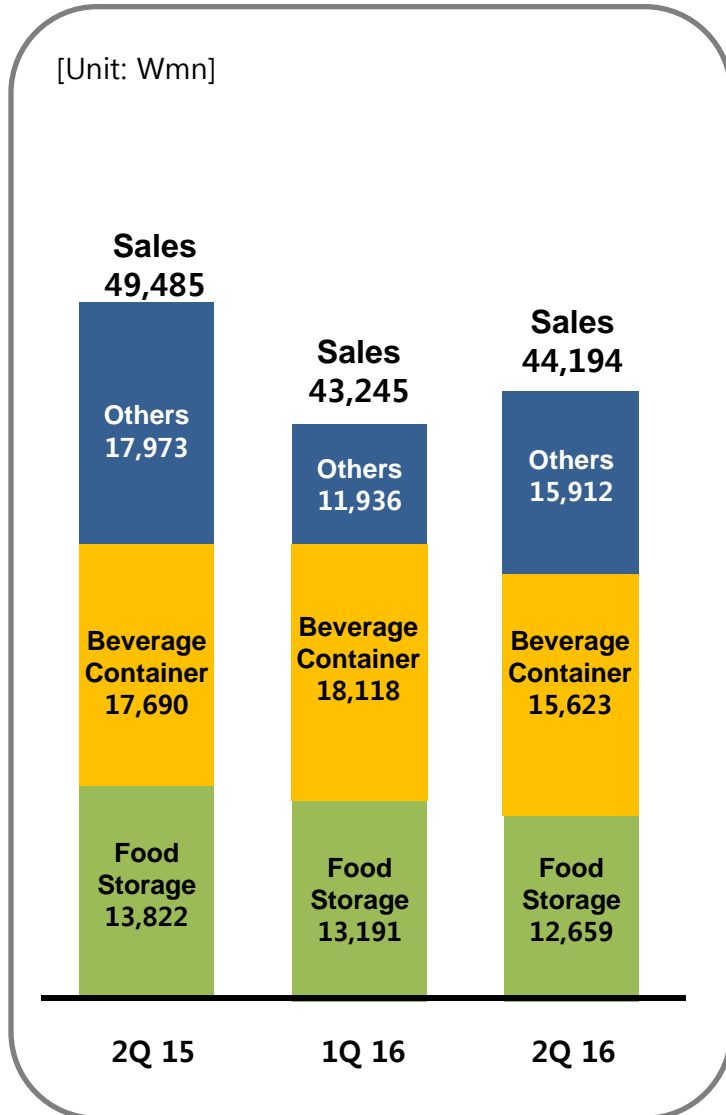


[2016 2Q]



# China – Sales Analysis

Food storage sales decreased 8.4% YoY to W12.7bn and beverage container sales decreased 11.7% YoY to W15.6bn, while others (kitchen/ living/cookware) sales have been down 11.5% YoY to W15.9bn.



## ■ Food storage

Plastic container sales decreased 4.7% YoY to W5.0bn.

Glass container sales decreased 8.5% YoY to W7.6bn.

## ■ Beverage container

Plastic bottle sales fell 20.1% YoY to W8.2bn.

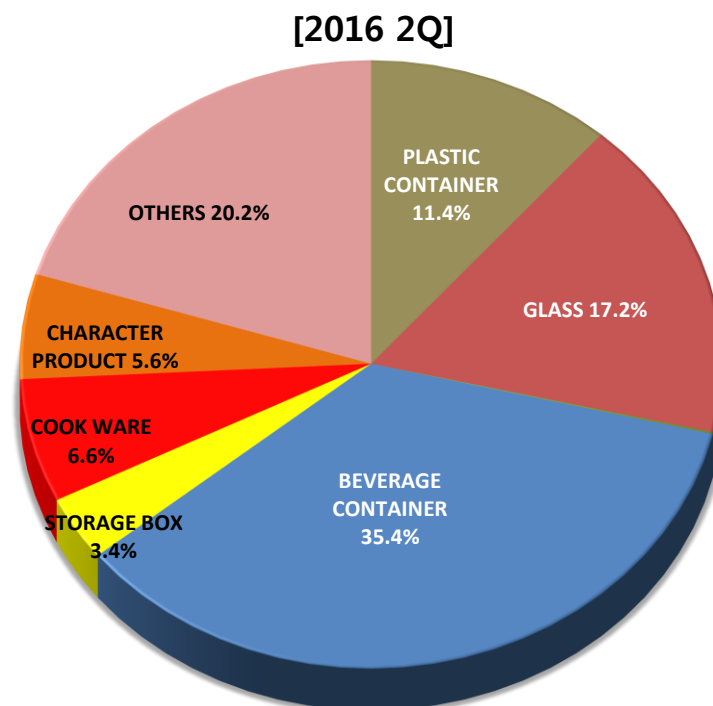
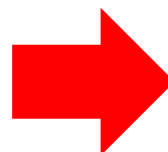
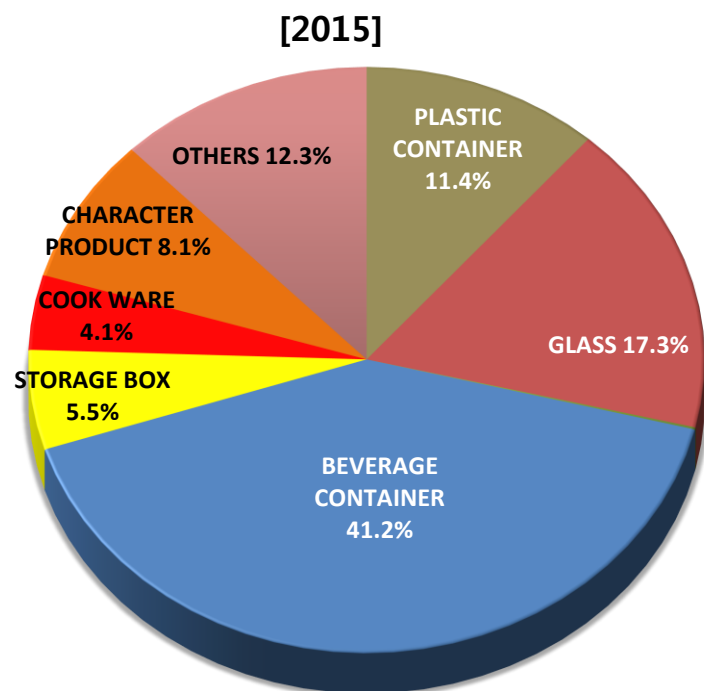
Thermal bottle sales increased 6.1% YoY to W7.0bn.

## ■ Others (kitchen/living/cookware, etc.)

Cookware sales increased 75.5% YoY to W2.9bn.

Livingbox sales decreased 60.6% YoY to W1.5bn.

# China – Sales by Product & Channel

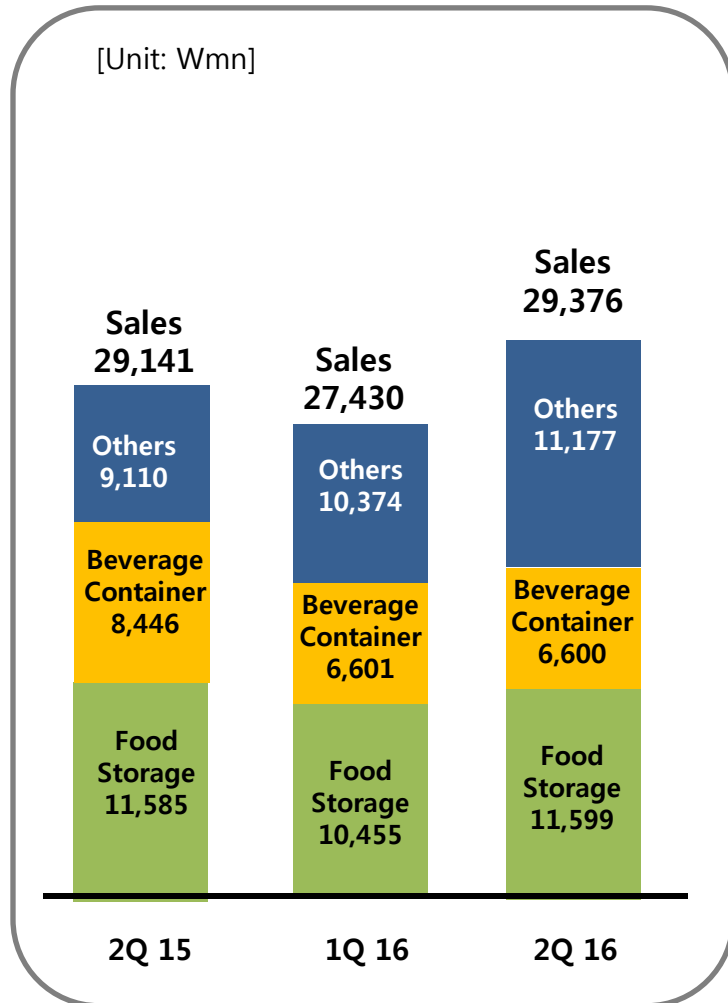


Division	2013	2014	1Q 15	2Q 15	2015	1Q 16	2Q 16
TV shopping	22.0%	21.0%	9.6%	9.6%	7.3%	3.8%	3.8%
Special(B2B)	23.0%	18.0%	17.1%	16.1%	15.9%	16.3%	13.7%
Internet	17.0%	19.0%	28.6%	32.7%	31.8%	32.6%	31.4%
Wholesale	16.0%	20.0%	23.2%	23.2%	20.0%	16.2%	16.8%
Hyper markets	15.0%	11.0%	14.4%	12.0%	13.6%	15.3%	13.4%
Brand shop	7.0%	11.0%	7.0%	6.3%	11.4%	15.8%	20.9%



# Korea – Sales Analysis

Food storage sales increased 0.1% YoY to W11.6bn and beverage container sales decreased 21.9% YoY to W6.6bn. others (kitchen/living/cookware) sales increased 22.7% YoY to 11.2bn.



## ■ Food storage

Plastic container sales decreased 2.1% YoY to W1.6bn.

Premium plastic container sales increased 3.7% YoY to W3.1bn.

Glass container sales decreased 52.3% YoY to W1.5bn.

## ■ Beverage containers

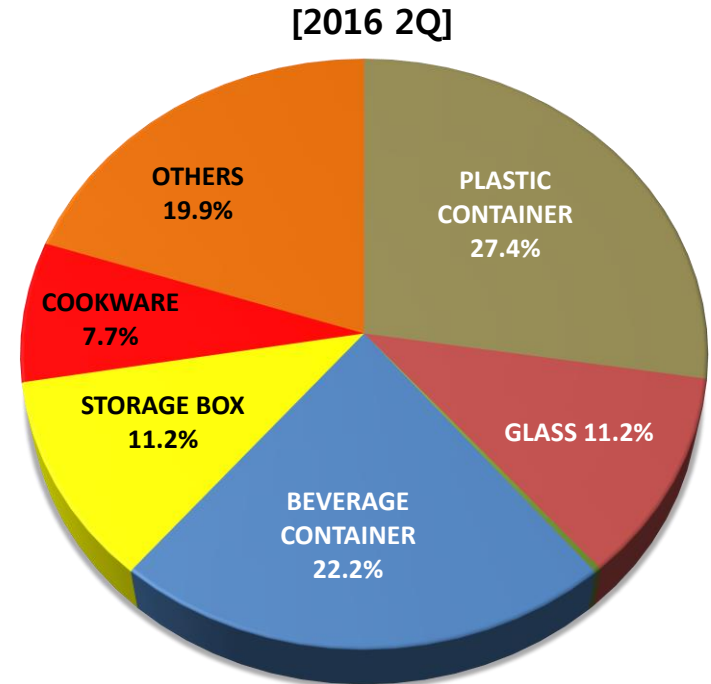
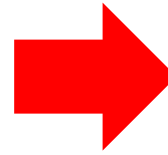
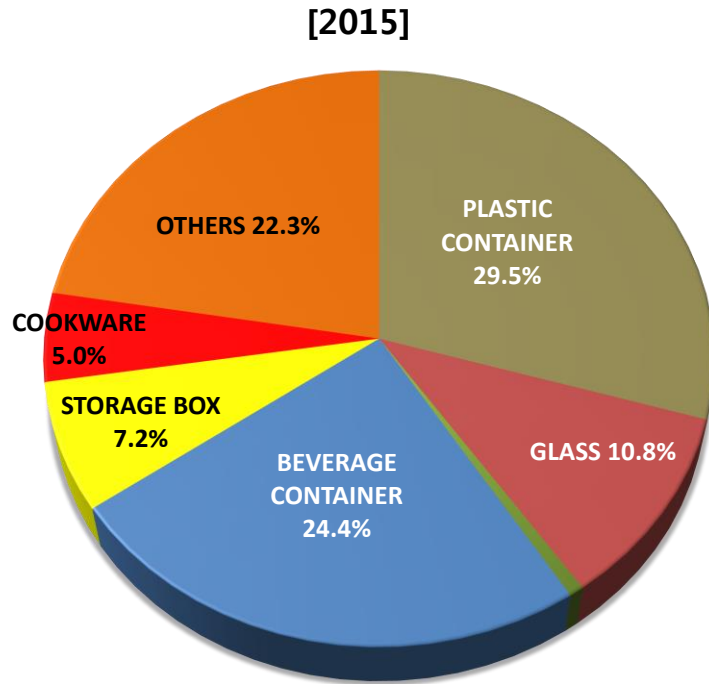
Thermal bottle sales decreased 10.0% YoY to W1.9bn.

## ■ Others (kitchen/living/cookware, etc.)

Plastic organizer box sales decreased 16.5% YoY to W2.5bn.

Cookware sales increased 60.8% YoY to W2.3bn.

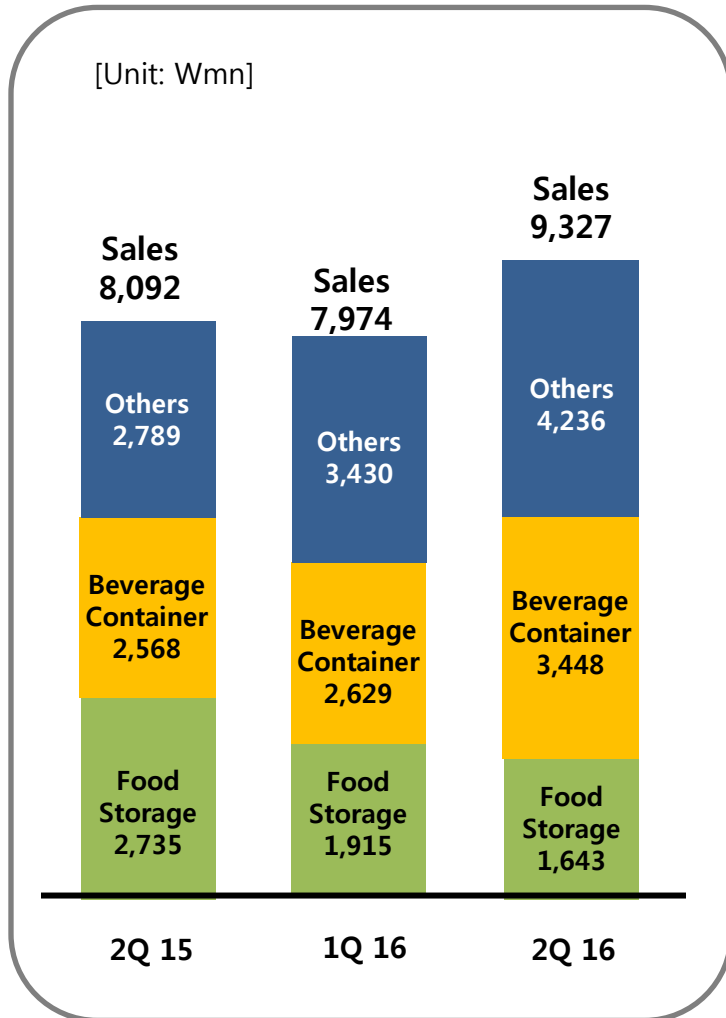
# Korea – Sales by Product & Channel



Division	2013	2014	1Q 15	2Q 15	2015	1Q 16	2Q 16
Hyper markets	30.0%	27.9%	31.4%	30.2%	30.0%	27.3%	31.2%
TV shopping	18.0%	20.8%	11.2%	15.4%	12.0%	12.6%	10.4%
Wholesale	15.0%	15.3%	15.9%	18.3%	16.1%	15.2%	12.3%
Special(B2B)	14.0%	11.3%	14.1%	10.6%	12.4%	13.7%	9.9%
Brand shop	12.0%	9.9%	12.6%	11.4%	13.3%	13.1%	18.1%
Internet	11.0%	13.4%	14.7%	14.1%	16.2%	18.1%	18.1%

# Southeast Asia – Sales Analysis

Food storage sales decreased 39.9% YoY to W1.6bn, beverage container sales increased 34.3% to YoY W3.4bn, others(kitchen/living/cookware) sales increased 51.9% YoY to W4.2bn.



## ■ Food storage

Plastic container sales decreased 49.5% YoY to W0.9bn.

Glass container sales decreased 26.4% YoY to W0.5bn.

## ■ Beverage container

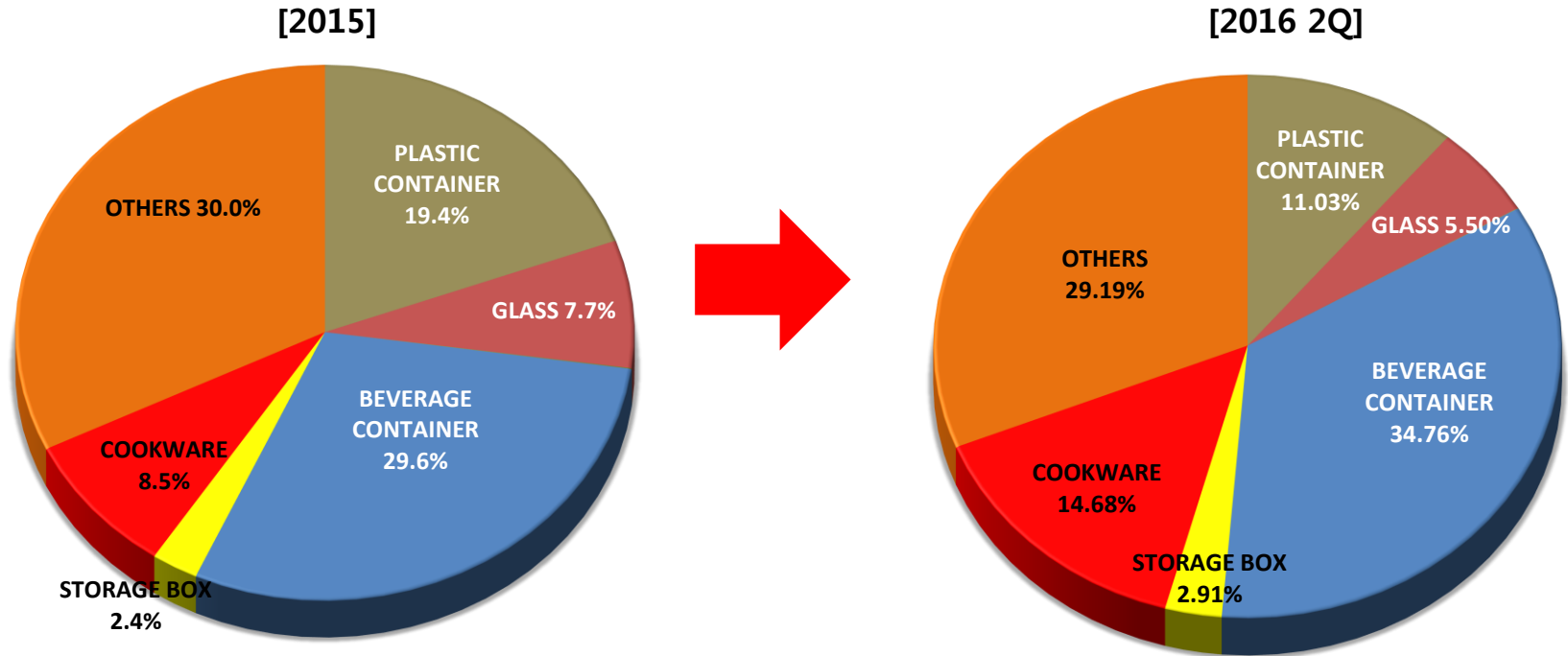
Plastic bottle sales decreased 8.9% YoY to W1.3bn.

Thermal bottle sales increased 67.6% YoY to W1.2bn.

## ■ Others (kitchen/living/cookware, etc.)

Cookware sales increased 158.3% YoY to W1.5bn.

# Southeast Asia – Sales by Product & Channel



Division	2013	2014	1Q 15	2Q 15	2015	1Q 16	2Q 16
Special(B2B)	45.0%	45.6%	33.3%	39.9%	41.3%	34.1%	46.2%
Brand shop	26.0%	24.6%	42.0%	36.1%	36.3%	34.3%	26.3%
Hyper markets	15.0%	12.5%	9.9%	9.0%	9.5%	13.0%	16.2%
Wholesale	7.0%	12.7%	12.4%	11.0%	10.0%	15.2%	9.1%
TV shopping	4.0%	3.4%	1.6%	3.3%	2.3%	0.0%	0.0%
Internet	3.0%	1.2%	0.9%	0.7%	0.6%	3.3%	2.2%