



LOCK & LOCK

4Q12 Earnings Release & 2013 Guidance



February 7, 2013



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1. 4Q12 Preliminary Earnings

Sales edged down 1% YoY to W119bn, operating profit dropped 39% YoY to W11.5bn.

China sales went up 15% YoY to W59bn (+13% YoY on RMB terms) whereas Korea sales fell 16% to W34.3bn.

[Unit: Wmm]	2011	2011	2012	QoQ	YoY
	4Q	3Q	4Q		
Sales	119,657	128,878	118,990	-8%	-1%
%	100%	100%	100%		
COGS	61,995	66,632	67,867	2%	9%
%	52%	52%	57%		
Gross Profit	57,662	62,246	51,123	-18%	-11%
%	48%	48%	43%		
Operating Profit	18,861	19,036	11,536	-39%	-39%
%	16%	15%	10%		
Pretax income	18,778	21,675	15,334	-29%	-18%
%	16%	17%	13%		
Net Profit	13,934	17,153	11,568	-33%	-17%
%	12%	13%	10%		

※ Based on recently revised K-IFRS accounting

1. 4Q12 Preliminary Earnings – Sales & OP Highlights

- Sales slightly edged down YoY to W119bn.
 - Korea domestic sales decreased 16% YoY to W34.3bn. Again, sales through TV shopping remained particularly weak.
 - China sales came in at W59bn (+15% YoY or +13% YoY growth in RMB). Sales remained brisk across all distribution channels.
- Operating profit fell 39% YoY to W11.5bn (OPM: 10%)
 - In order to boost our operating efficiency in the North America market, we have decided to switch from direct sales model to indirect one. We were able to find a proper local sales partner sooner than expected, which expedited the transfer of works. As a result, we had to add a total of W4.3bn (including W1.5bn obsolete inventory in the US planned to be expensed out in 2013) to COGS.
 - Adjusted operating profit excluding this additional cost was W15.8bn, slightly surpassing our guidance of W15.3bn (adjusted OPM: 13%). Despite sluggish sales and discounted sales of obsolete inventory, we reached our OP target on the back of corporate-wide efforts to improve profitability. Also, we have reduced cost burden for 2013 by preemptively taking care of risks remaining at the US entity.
- Recently revised K-IFRS accounting classifies loss from inventory write-off as a COGS item and the rest as non-operating items. Operating profit was W15.3bn based on the pre-revision standard (OPM: 13%).

[Unit: Wmm]	2011	2012	YoY
	4Q	4Q	
Payroll	11,247	11,868	6%
Advertising	1,378	796	-42%
Transportation	4,267	4,271	0%
Rent	4,095	4,619	13%
Sales Commission	5,353	4,551	-15%
Others	12,462	13,482	8%
Operating Expenses	38,801	39,587	2%

※ Based on K-IFRS

[Unit: Wmm]	2011	2012	YoY
	4Q	4Q	
Other Operating profit	2,225	5,907	165%
Gain on Foreign currency translations	-975	5,683	-683%
Gain Foreign currency transactions	2,590	308	-88%
Others	611	-84	-114%
Other Operating loss	5,317	2,090	-61%
Loss on Foreign currency translations	-684	1,439	-310%
Loss Foreign currency transactions	2,913	319	-89%
Others	3,088	332	-89%
Net Other Operating profit	-3,092	3,817	-223%

※ Based on K-IFRS

2. 2H12 Inventory Clearance

(Wmn)		Value	% total	Sold at discount	Written off	% sold
Inventory at end-Jun 2012		134,231	100%			
	Finished products/merchandise	86,159	64%			
Obsolete inventory		10,395	8%	9,215	1,180	89%
Regional breakdown	Korea	6,068	58%	5,648	420	93%
	China	2,185	21%	2,185	0	100%
	SEA	1,046	10%	1,046	0	100%
	ROW	1,096	11%	335	760	31%
Monthly sales	Sep			1,200		
	Oct			2,760		
	Nov			2,740		
	Dec			2,515		
Inventory at end-Dec 2012		107,872	100%			
	Finished products/merchandise	66,398	62%			
	Obsolete inventory	0	0%			

※ Inventory turnover days (period end-basis) fell to 77 days (vs 98 days in 2011) backed by corporate-wide efforts including supply chain management

(Wmn)	4Q11	1Q12	2Q12	3Q12	4Q12
Inventory at period end	127,245	124,466	134,231	124,723	107,872
Finished products/merchandise	84,414	80,936	86,127	81,588	66,398

3. 2013 Management Target

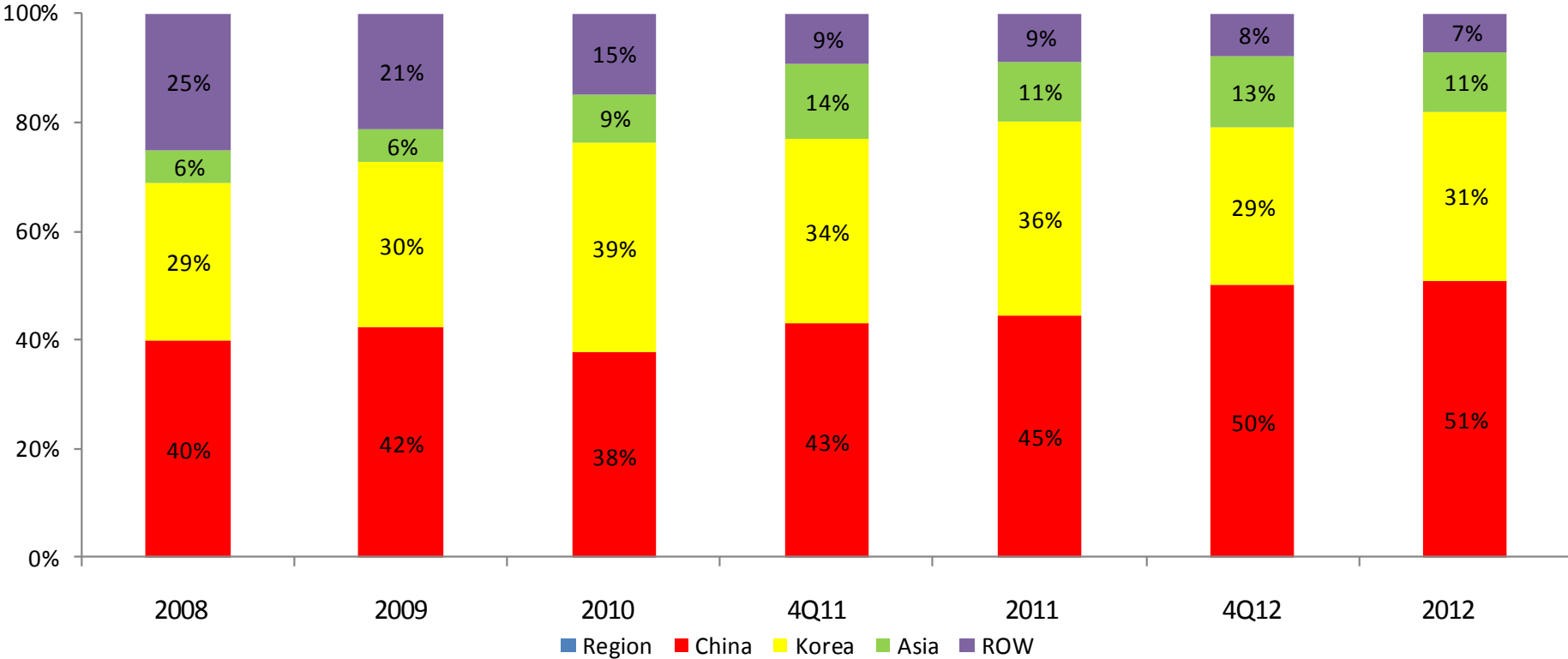
Entity-wise sales breakdown

(Wmn)	2012	% total	YoY	2013F	% total	YoY
Korea	163,833	31%	-17%	164,000	29%	0%
China	260,572	51%	23%	312,000	55%	20%
SE Asia	55,875	11%	24%	72,500	11%	30%
ROW	28,145	7%	27%	18,500	5%	-34%
Total	508,425	100%	7%	567,000	100%	12%

- China: Solid growth likely to persist on expanding product categories (infant dinnerware, etc.) and geographical sales coverage
- Korea: Targeting flattish sales growth by recovering sales through TV shopping channel
- SE Asia (including export sales): Growth trend expected to continue on rising demand and expanding geographical sales coverage
- ROW: Sales decrease likely due to the change in the North America sales model
- OPM: Expecting 16%+ (2%p+ improvement from 2012)

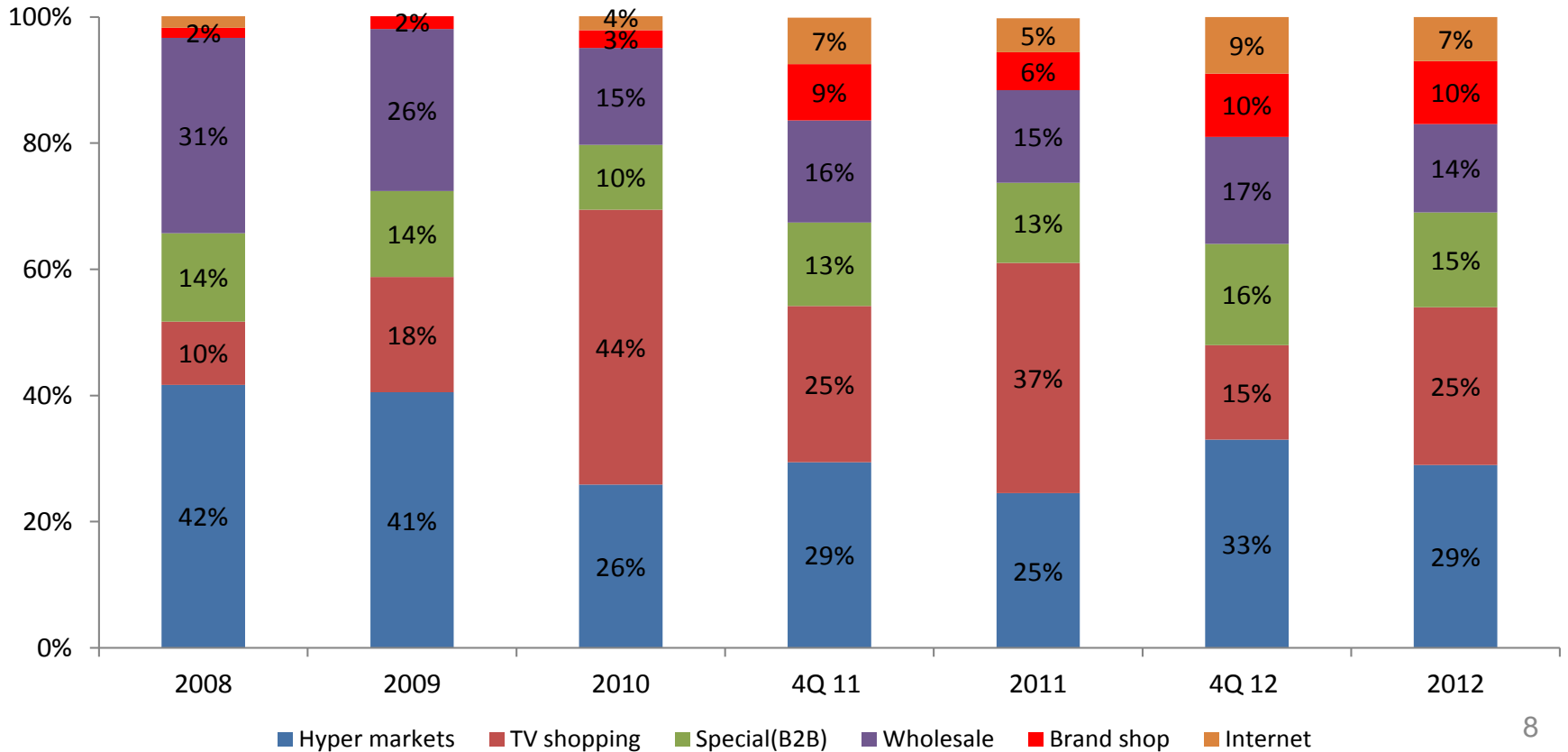
4. Sales Breakdown by Region

Region	2008	2009	2010	4Q 11	2011	4Q 12	2012
China	40%	42%	38%	43%	45%	50%	51%
Korea	29%	30%	39%	34%	36%	29%	31%
Asia	6%	6%	9%	14%	11%	13%	11%
ROW	25%	21%	15%	9%	9%	8%	7%



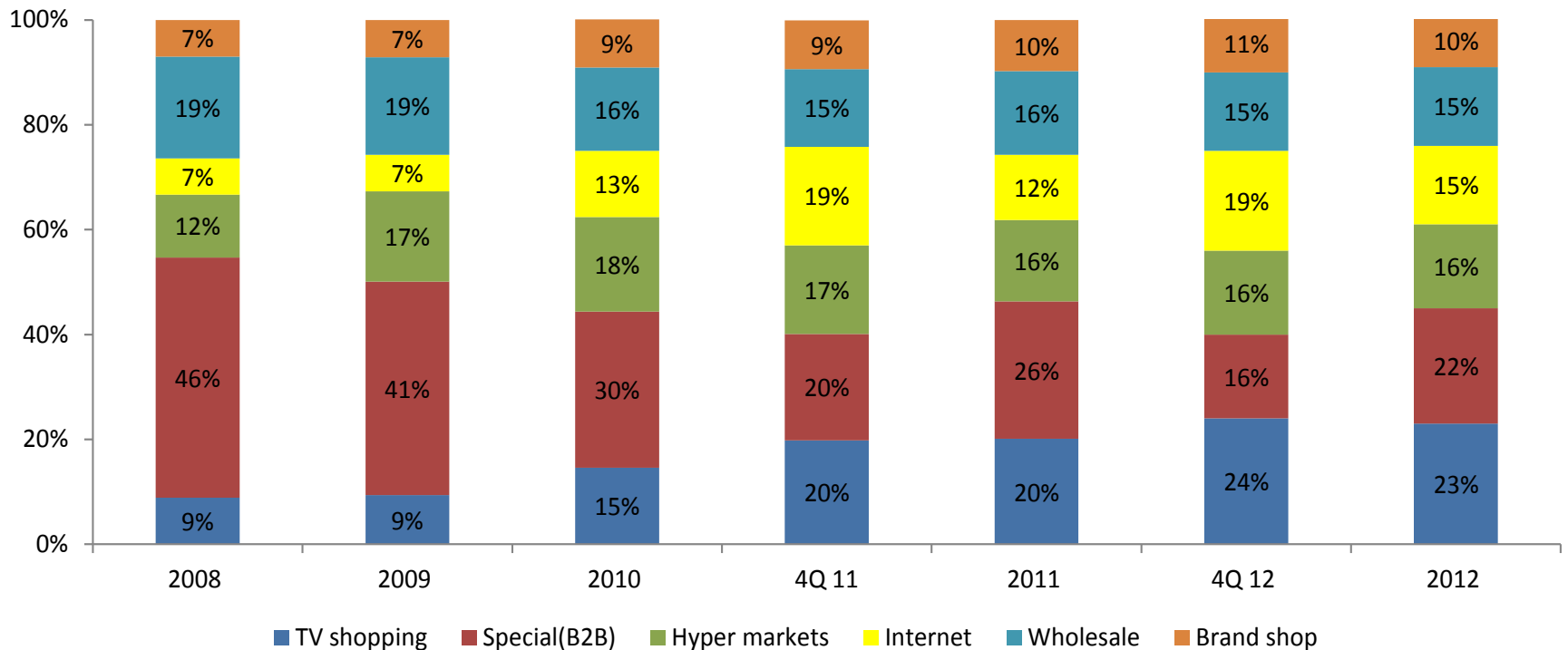
5. Sales Breakdown by Channel – Korea

	2008	2009	2010	4Q 11	2011	4Q 12	2012
Hyper markets	42%	41%	26%	29%	25%	33%	29%
TV shopping	10%	18%	44%	25%	37%	15%	25%
Corporates	14%	14%	10%	13%	13%	16%	15%
Wholesale	31%	26%	15%	16%	15%	17%	14%
Brand shop	2%	2%	3%	9%	6%	10%	10%
Internet	8%	7%	4%	7%	5%	9%	7%



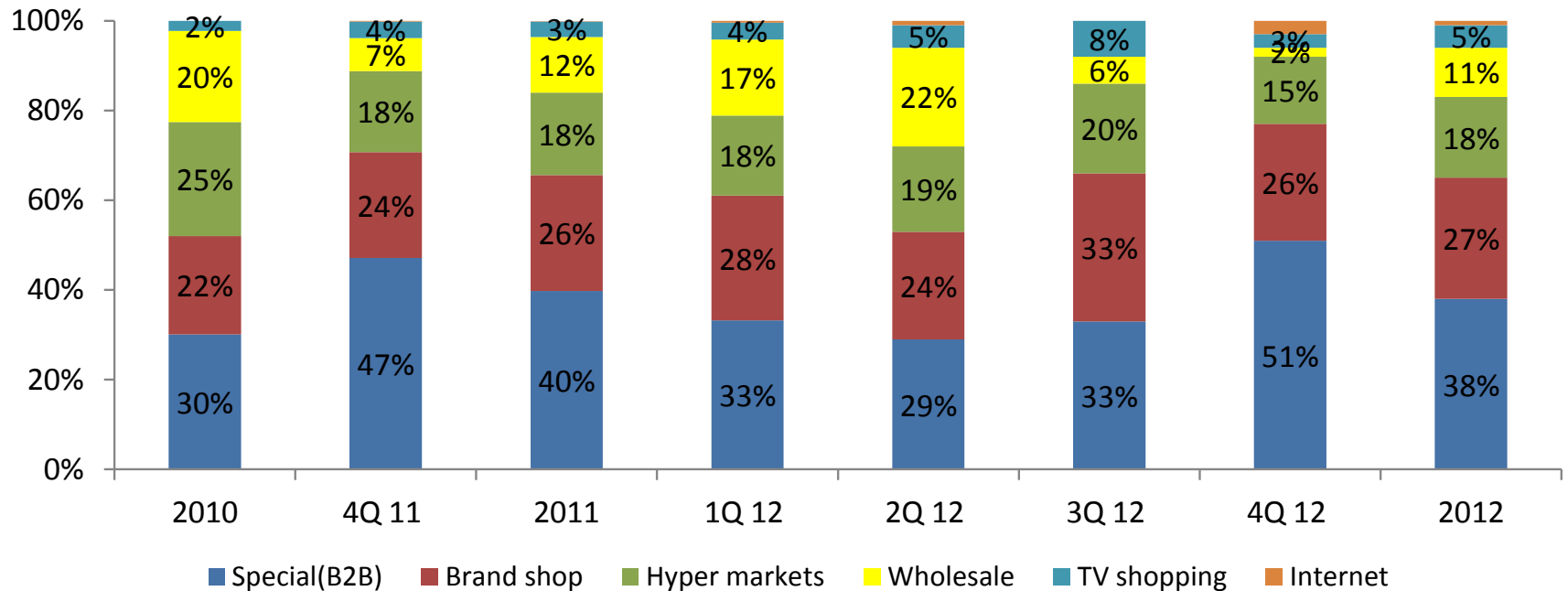
5. Sales Breakdown by Channel – China

	2008	2009	2010	4Q 11	2011	4Q 12	2012
TV shopping	9%	9%	15%	20%	20%	24%	23%
Corporates	46%	41%	30%	20%	26%	16%	22%
Hyper markets	12%	17%	18%	17%	16%	16%	16%
Internet	7%	7%	13%	19%	12%	19%	15%
Wholesale	19%	19%	16%	15%	16%	15%	15%
Brand shop	7%	7%	9%	9%	10%	11%	10%



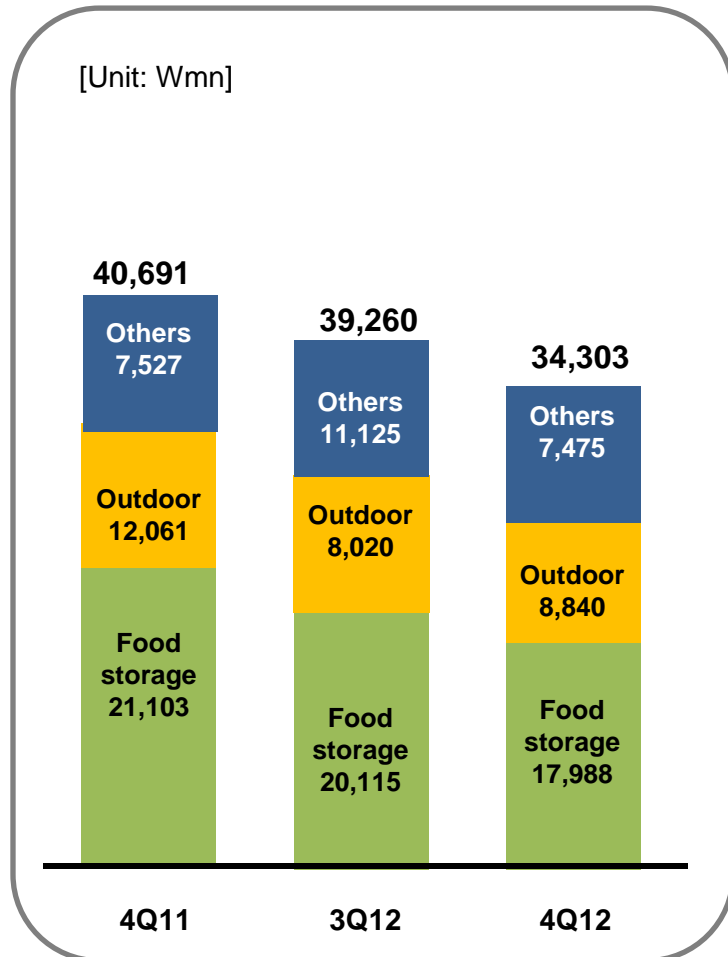
5. Sales Breakdown by Channel – Southeast Asia

	2010	4Q 11	2011	1Q 12	2Q 12	3Q 12	4Q 12	2012
Corporates	30%	47%	40%	33%	29%	33%	51%	38%
Brand shop	22%	24%	26%	28%	24%	33%	26%	27%
Hyper markets	25%	18%	18%	18%	19%	20%	15%	18%
Wholesale	20%	7%	12%	17%	22%	6%	2%	11%
TV shopping	2%	4%	3%	4%	5%	8%	3%	5%
Internet	0%	0%	0%	0%	1%	0%	3%	1%



6. Sales Breakdown by Product Category – Korea

The sales of food storage container and outdoor fell 14.8% YoY and 26.7% YoY to W18bn and W8.8bn, respectively. Kitchen/living/cookware sales decreased slightly YoY to W7.5bn.



■ Food storage containers

Bisfree (premium plastic) sales rose 7.4% YoY to W8bn (2012 total W39.7bn or +47% YoY growth). *Silby* (ceramic) sales dropped 73% to W800mn.

■ Outdoor

Hot&Cool (thermos) sales fell 34% YoY to W4.7bn.

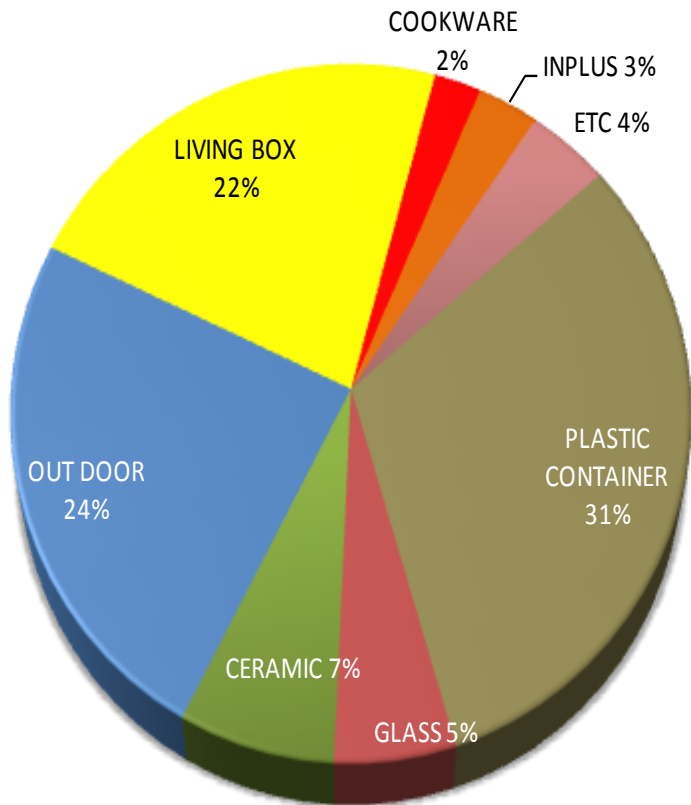
■ Others (kitchen/living/cookware, etc.)

Living Box (household goods containers made of fabric) sales decreased 48% YoY to W2.4bn

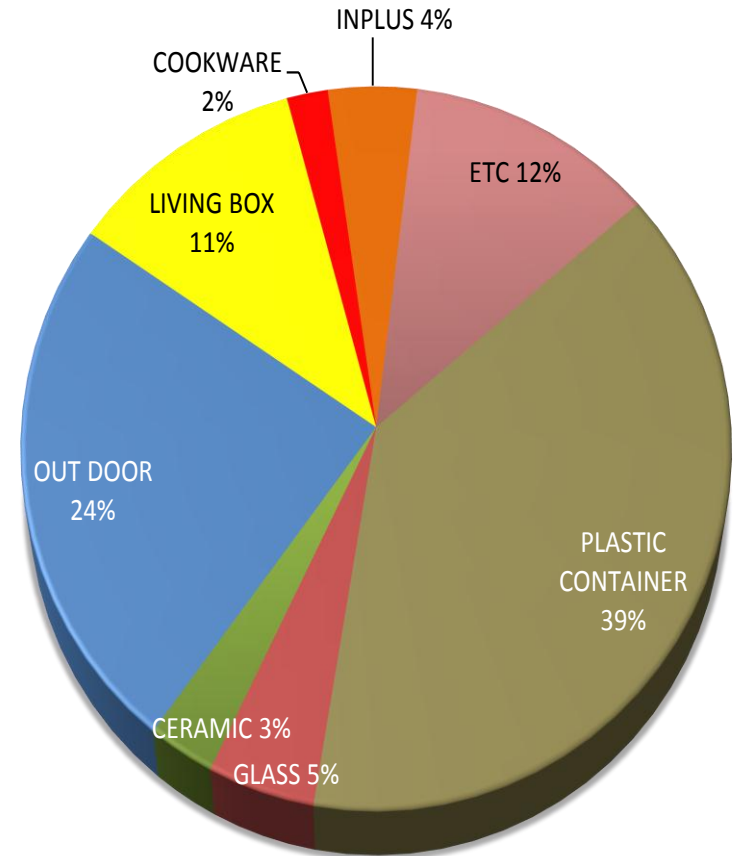
※ Excluding exports

6. Sales Breakdown by Product Category – Korea

[2011]



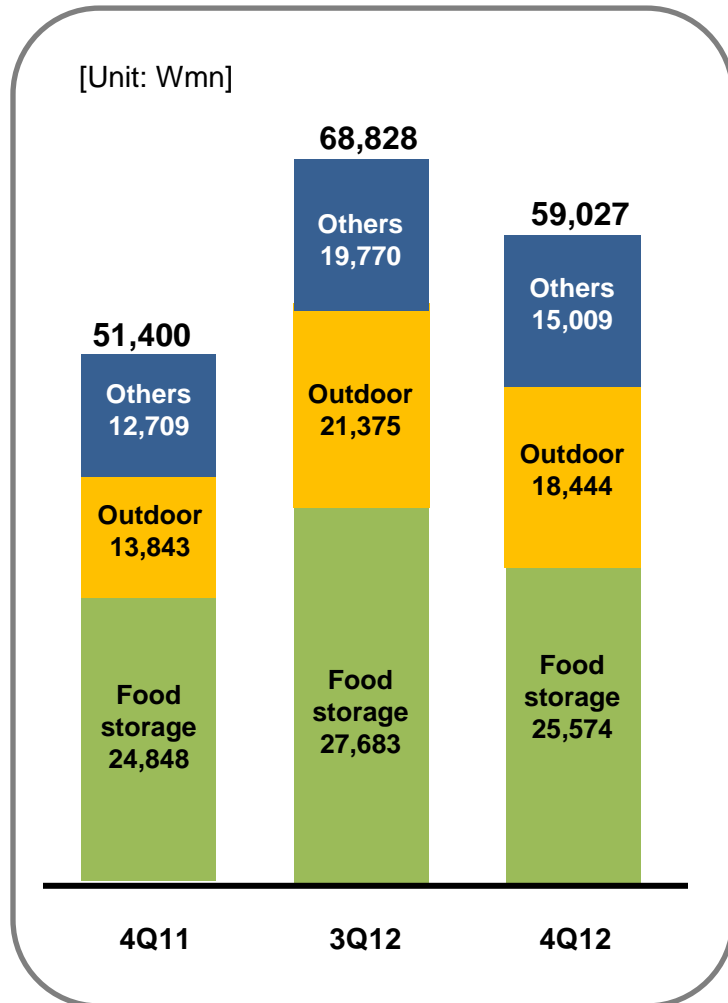
[2012]



※ Based on 2012 Korea domestic sales

6. Sales Breakdown by Product Category – China

The sales of food storage container, outdoor and kitchen/living/cookware increased 3% YoY, 33% YoY, 18% YoY to W25.6bn, W18.4bn and W15bn, respectively.



■ Food storage containers

Glass container sales grew 24% YoY to W16.2bn (2012 total W61.3bn or +43% YoY growth) on brisk sales across all distribution channels.

■ Outdoor

Hot&Cool (thermos) sales rose 87% YoY to W11.6bn on seasonal demand (2012 total W30.5bn or +124% YoY growth).

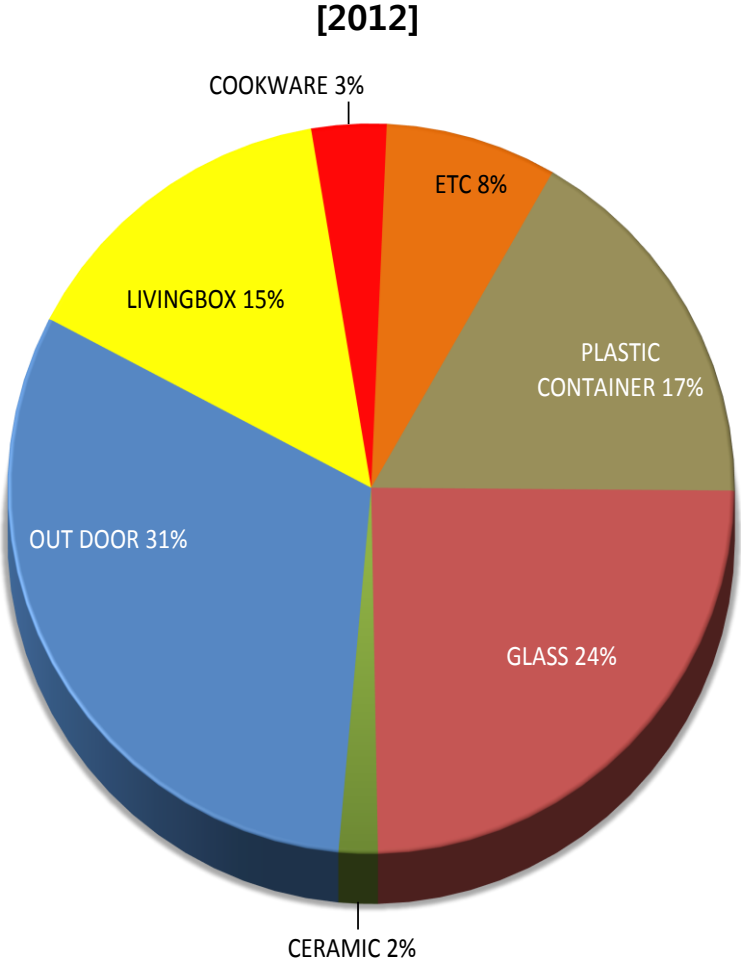
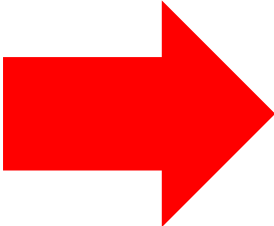
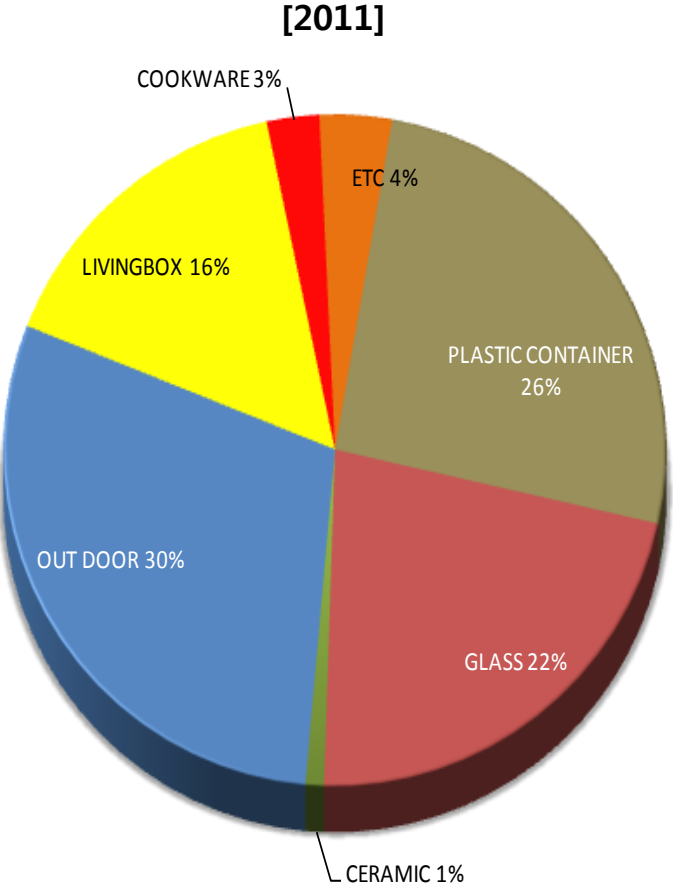
■ Others (kitchen/living/cookware, etc.)

Living Box (household goods containers made of fabric) sales grew 10% YoY to W8.5bn on solid demand from TV shopping and Internet (2012 total W36.7bn or +20% YoY growth).

Cookplus (cookware) sales surged 106% YoY to W2.3bn on strong demand from TV shopping, wholesale and corporate customers (2012 total W8.3bn or +67% YoY growth).

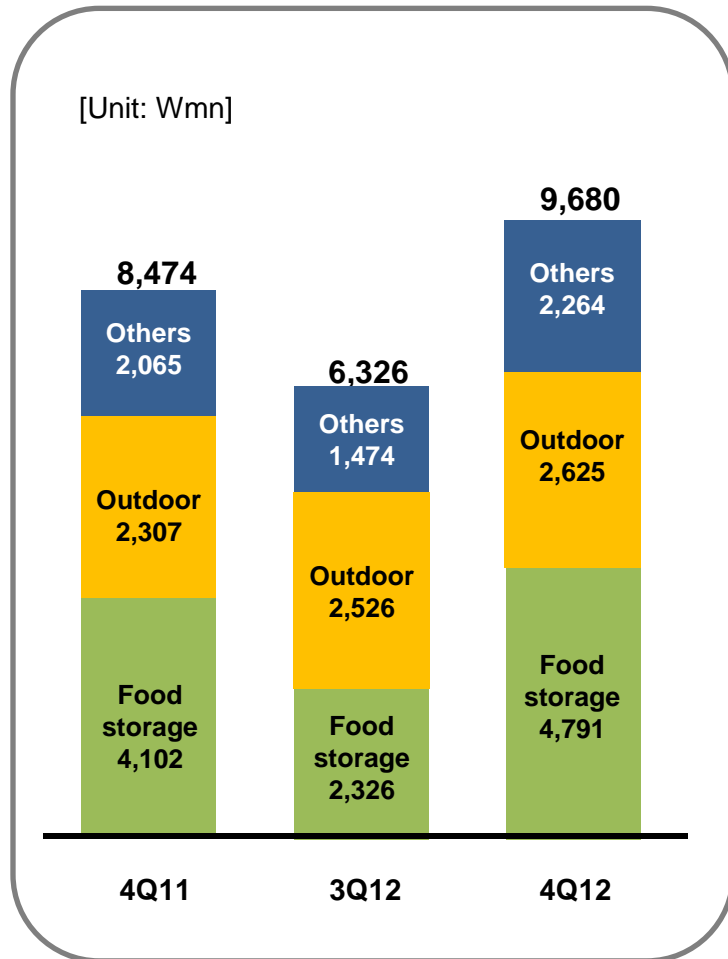
※ Small home appliances have increasingly become major merchandise, representing 11% of total sales through TV shopping (eg. *Huplus* electric massager, *Eco Fryer* no-oil fryer).

6. Sales Breakdown by Product Category – China



6. Sales Breakdown by Product Category – Southeast Asia

The sales of food storage container, outdoor and kitchen/living/cookware increased 17% YoY, 14% YoY, 10% YoY to W4.8bn, W2.6bn and W2.3bn, respectively.



■ Food storage containers

Both *Classic* (regular plastic) and glass containers enjoyed brisk sales. *Classic* sales were particularly strong through TV shopping channel.

■ Outdoor

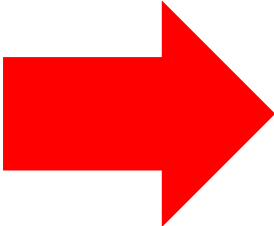
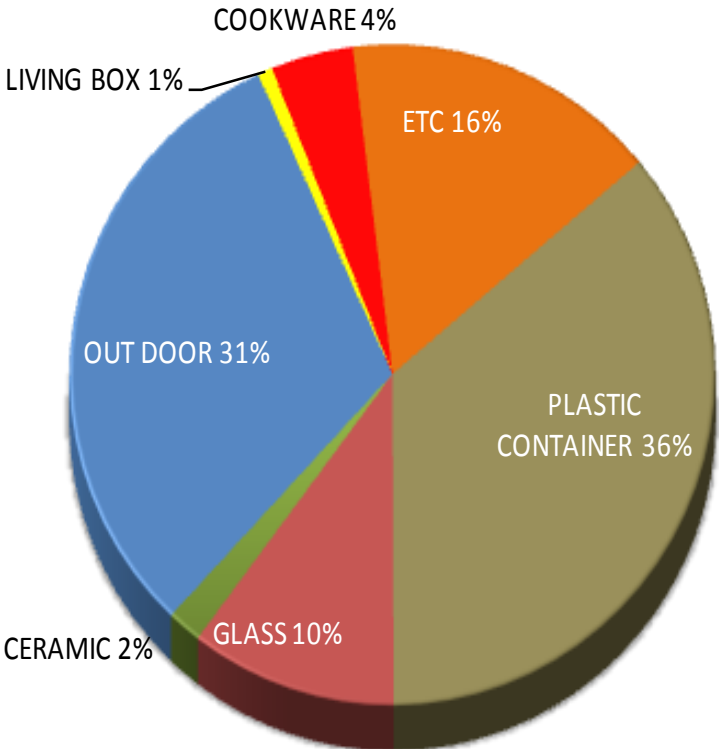
Hot&Cool (thermos) sales grew 14% YoY to W2.6bn on demand from brand shops, department stores and corporate customers. In Indonesia, *Bisfree Aqua* (premium plastic water bottle) sales growth accelerated.

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

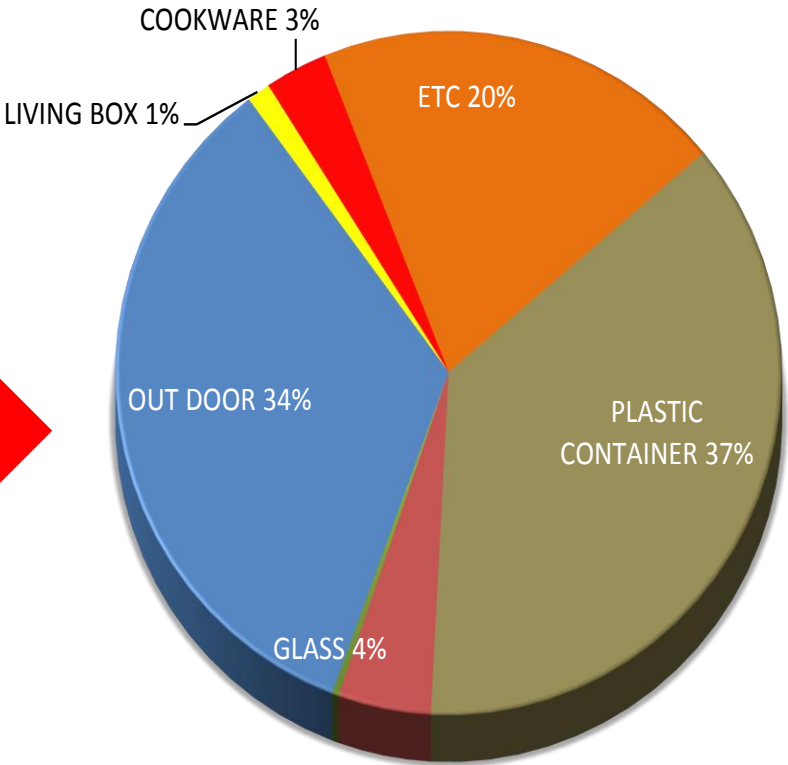
Growth trend continued for newly introduced products such as *inplus* (household goods containers made of plastic), *Eco Mug* and ceramic dinnerware.

6. Sales Breakdown by Product Category – Southeast Asia

[2011]



[2012]



7. Summary Financials – Balance Sheet

[Unit: Wmn]

Descriptions	2012	2011	Increase/ Decrease
Current Assets	397,065	438,641	-41,576
Quick Assets	271,404	289,317	-17,914
Inventories	107,872	127,246	-19,374
Other Current Assets	17,789	22,078	-4,289
Non-Current Assets	352,151	282,784	69,367
Investments	12,475	7,833	4,642
Property&Equipment	286,597	232,977	53,620
Intangible Assets	14,240	10,870	3,370
Deferred Tax Assets	5,398	6,762	-1,364
Other Non-Current Assets	33,440	24,342	9,099
TOTAL ASSETS	749,216	721,425	27,791
Current Liabilities	130,561	123,176	7,385
Non-Current Liabilities	31,037	35,535	-4,498
TOTAL LIABILITIES	161,599	158,711	2,888
Capital Stock	27,500	27,500	0
Additional Paid-in and Other Capital	314,809	314,683	126
Capital Adjustment	-19,116	-14,087	-5,029
Accumulated Other Comprehensive Income	-14,898	9,358	-24,256
Earned Surplus	279,178	225,058	54,119
External Shareholder's Equity	145	201	-57
TOTAL EQUITY	587,617	562,714	24,904
TOTAL LIABILITIES & EQUITY	749,216	721,425	27,791

※ Based on K-IFRS

7. Summary Financials – Income Statement

[Unit: Wmn]

Descriptions	4Q 12	4Q 11	Increase/ Decrease
Sales	118,990	119,657	-667
Cost of Goods Sold	67,867	59,248	8,619
Gross Profit	51,123	60,409	-9,286
Selling and Administrative Expenses	39,587	38,801	786
Operating Income	11,536	21,609	-10,073
Other Operating Profit and Loss	3,817	-3,092	-725
Financial Profit and Loss and the rest	-18	261	-279
Income and Loss Before Income Taxes	15,335	18,778	-3,443
Income Tax Expenses	3,766	4,844	-1,078
Net Income	11,569	13,934	-2,365

※ Based on recently revised K-IFRS accounting which classifies other operating profit and loss as non-operating items.