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coway

IR Webzine 2017. December

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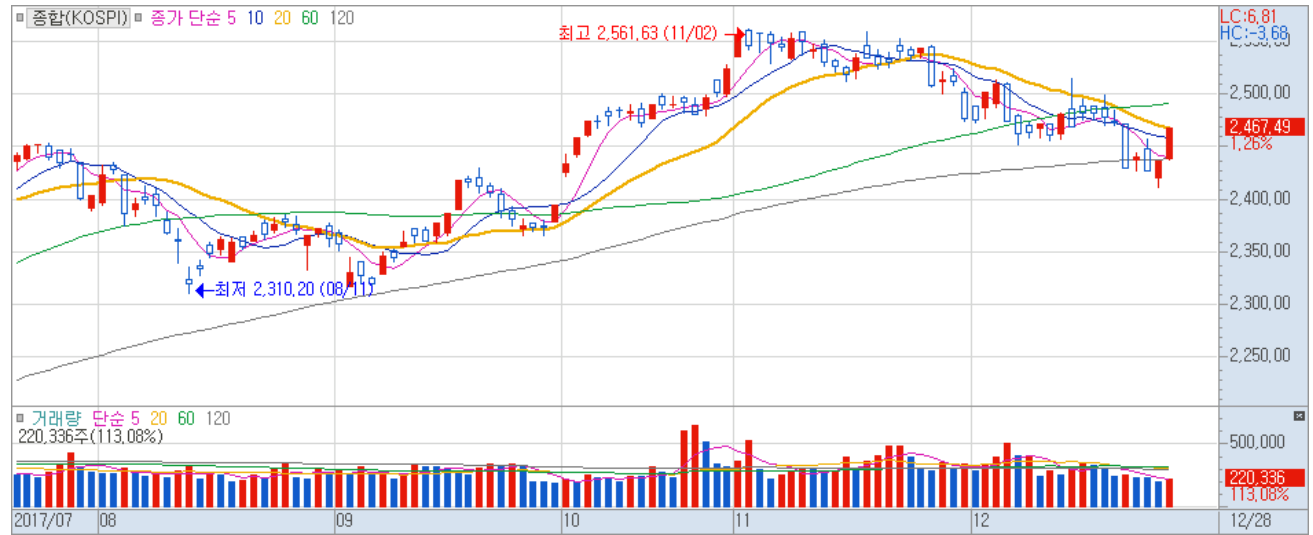
This material includes quarterly development of stock markets, stock prices and related data of Coway, financial status, operating results, and other major issues related to IR. This is aimed to provide a variety of information that could be a reference to shareholders and investors. Therefore, it cannot be the evidential material for legal responsibility regarding investment results of shareholders and investors in any case.

Market Review

Stock Market

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The KOSPI has shown a slowdown for two consecutive months by recording a slight decrease of 0.36% from the previous month to 2,467.49 points in December. In the technical aspect, it fell short of the long-term moving average line temporarily along with weak trading volume, which may symbolize a bearish market for a while.

In December, the KOSPI and KOSDAQ showed opposite results. The KOSDAQ made a rally of 3.5% from the previous month thanks to inflow of market capital and expectations on the government's market-friendly policies, while the KOSPI slightly declined due mainly to selling of foreign investors, strong Korean Won, and capital increase of shipbuilding companies. However, proactive purchasing of minority investors after ex-dividend on December 27 mitigated the fall.

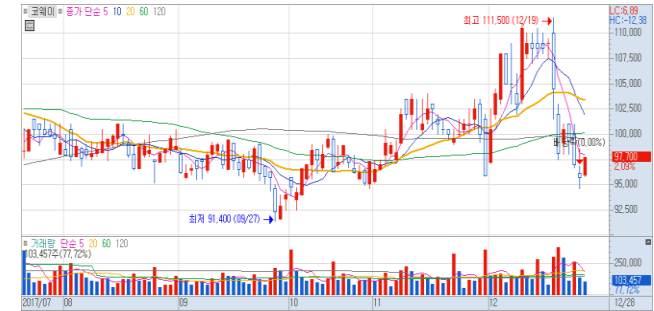
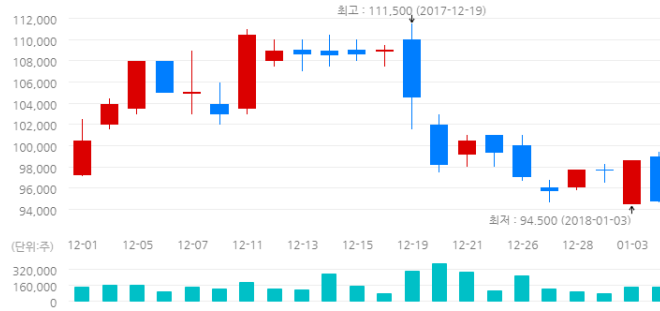
The domestic stock market is expected to bounce back in January 2018, as exports are stably increasing despite concerns on stronger-than-expected Korean Won. Moreover, investors are having higher expectations on both the earnings season and the government's economic policy.

Market Review

Stock Price

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| Classification | % change of COWAY | | | %change of KOSPI | %change of KOSPI200 |
|----------------|-------------------|-----------|--------------|------------------|---------------------|
| | Stock Price | vs. KOSPI | vs. KOSPI200 | | |
| 5 Days | -0.41 | -0.21 | -0.09 | -0.20 | -0.32 |
| 20 Days | 1.88 | 2.24 | 2.03 | -0.36 | -0.16 |
| 60 Days | 5.85 | 7.02 | 2.37 | -1.17 | 3.48 |

The stock price of Coway grew 1.88% from the previous month to KRW 97,700 in December. It surpassed the ceiling of four-month box pattern at the beginning of December, however has slipped back since the middle of month. Having resulted from a market rumor, this temporary fluctuation wasn't worth much.

Target stock price of Coway presented by analysts is on a slight rise recently. This trend comes from increasing expectations on the growth of our overseas business based on matchless competitiveness in the domestic rental market. They also believe our strategy to expand the lineup of rental products will accelerate growth. Other positive factors include high dividend propensity, quality dividend policy, and purchasing and retirement of treasury shares aimed at shareholder return.

During December, the number of shares held by foreigners decreased 441,674 shares, or 1.0%, compared with the prior month. As of the end of December, they maintained 58.71% ownership. Domestic institutional investors marked net purchasing of 399,601 shares during the same period.

| | | | |
|---|--|---|--|
| <p>43,927,090 Shares (59.36%) (as of December. 28, 2017)</p> | <p>Changes in Stock Price in December</p> <p>+1.88%</p> | <p>Changes in Shares Held by Foreigners in December</p> <p>-441,674 Shares (-1.0%)</p> | <p>Net Changes in Shares Held by Institutional Investors in December</p> <p>+399,601 Shares</p> |
|---|--|---|--|

Double change mattresses obtain the “Eco-labelling.”



Coway announced that three kinds of “double change mattresses (CMK-SL01, CMQ-SL01, CMSS-SL01) obtained the eco-labeling on December 28.

The eco-labeling system was launched in 1992 by the Korea Environmental Industry & Technology Institute with the aim of providing consumers with information on eco-friendly products and encouraging enterprises to develop and produce more eco-friendly products.

These products were highly recognized for the use of eco-friendly materials and reduction of harmful substances exposure.

Customers are able to replace mattress topper twice for free during rental period (six-year rental plan), which helps them enjoy hygienic and pleasant sleep. Going forward, Coway plans to make all mattress products obtain the eco-labeling.

Joo-hyun Baek, the head of Technology Division, said, “Coway contributes to spread eco-friendly consumption culture by managing environmental impacts in all product life cycle. We will fulfill our responsibility as an eco-friendly company to satisfy consumers, corporation, and environment.”

Participate in the 2018 CES to present the direction of future well-being home appliances

- First launch the FWSS and showcase air purifiers which was developed in collaboration with global IT companies
- Showcase smart products and services based on big data, IoT, and AI technologies



Coway plans to participate in the “2018 CES (Consumer Electronics Show) to be held in Las Vegas from January 9 to 12, 2018 with the aim of showcasing innovative smart products and differentiated customer care services, presenting a new trend of future well-being home appliances.

The CES, held in every January organized by the CTA (Consumer Technology Association), is recognized as one of the world’s top three electronics and IT shows along with MWC (Mobile World Congress) and IFA (Internationale Funkausstellung).

At the 2018 CES, Coway will install its exhibition booth with the concept of “new technology-driven changes in daily life.”

Coway will also showcase five products including FWSS (Fresh Wear Styling System) which won the “2018 CES Innovation Award” as well as water purifier, air purifier, bidet, mattress, and cosmetics products. All products adopted big data-based IoT and AI technologies which provide customers with high quality living conditions.

Particularly, the company will first display not only FWSS but also air purifiers which combine Amazon’s DRS (Dash Replenishment Service) and Apple’s Home Kit voice control platform.

Hae-sun Lee, the CEO, said, “The 2018 CES has a significant meaning in the way that our advanced products and services based on innovative technologies and big data analysis capability are fully introduced. Through the CES, we will demonstrate our competitive edge as Korea’s representative well-being home appliances maker.”

Focus on cultivating water sommeliers

- Offering researchers working at the Environmental Technology Research Institute the “Water Sommelier Training Course”
- All trainees obtained the water sommelier qualification.
- Six trainees obtained the advanced water sommelier qualification.



All 26 water researchers working at the Environmental Technology Research Institute obtained the water sommelier qualification by completing the “water sommelier training course.”

This training course, led by the Korea International Sommelier Association, was prepared to enhance Coway’s brand power as Korea’s representative water company and the professionalism of water researchers.

The researchers joined the three-stage training course in October, and then took written test, skill test, and oral test in a row in November.

20 researchers obtained the intermediate (3rd grade) license that qualifies basic sommelier, while remaining six researchers obtained the advanced (2nd grade) license that ensures the level of teaching the taste of water. Coway became the only company to have researchers with the advanced sommelier license among Korean companies.

Coway intends to expand the sommelier cultivation training course to further enhance competitiveness as a water specialty company in the future.

Sun-yong Lee, the head of Environmental Technology Research Institute, said, “This training course was designed to offer cleaner and tasty water customers. Our researchers with the sommelier qualification will play a key role in assessing the taste of water in the process of water purifier development.”

Make an agreement on “Development of Home IoT Platform-based Living Service” with Kolon Benit

- Plan to closely cooperate to jointly develop advanced customer care services that connect platforms of both companies



Coway announced on July 20 that it signed a contract aimed at developing home IoT platform-based life service with Kolon Benit.

This agreement was designed to develop customized services and search for home IoT business models to enhance the value of customers' daily lives which is a joint goal of both companies.

In accordance with the agreement, Coway plans to offer customers new experiences and values by integrating Coway's products and customer care services with Kolon Benit's home IoT platform.

In addition, two companies will focus on developing AI-based customer care services by combining daily life big data and big data analysis capability.

Coway has provided customer-tailored care services by adopting the IoT technology to water purifiers and air purifiers since 2015. In particular, Coway measures the indoor air quality of Korean homes based on the IoT platform and provides innovative services such as the provision of filters and solutions tailored to customer life patterns and living environment through big data analysis. Like this, Coway is leading the trend of IoT-based services in the industry.

Jin-hyuk Ahn, the head of ICT Strategy Office, said, "We expect to offer different levels of smart home customer care services by capitalizing on IoT technologies and service capabilities of both companies. We will strive to provide our customers with differentiated experiences and values through expanding customized services."

Launch new mattress models

- Replace hygiene topper twice and tailored topper once during rental period
- Approximately 800 independent springs help optimal sleep



Coway launched two triple-change mattress models (CMQ-SL02, CMSS-SL02) that ensure three topper changes during rental period to help maintain initial comfort.

Topper is the upper part of the mattress and determines the degree of hardness and softness. Its role is to disperse the pressure of body to ensure comfortable sleep.

These products adopt hygiene topper to the upper part. The hygiene topper is made of knit material that provides comfortable feeling to users and is easy to detach, enabling hygienic management throughout its use. In addition, topper is replaced with new ones in 18 months and 54 months (based on 6-year rental) respectively, which helps users experience new mattresses at all times.

The tailored topper is located under the hygiene topper. Users are able to choose hard type and medium type tailored topper. Replacement term is three years.

In particular, this product is designed to make about 800 independent springs fit the user's body curve for optimum sleep.

Every customer who rents these mattress is provided with the "seven-step mattress care service" guided by the Home Care Doctor every four months.

Se-yong Kim, the head of Product Strategy Division, said, "These are innovative products that actively reflect the needs of customers who want to use clean mattress at all times. In the future, we will continue to develop customer-centric mattresses with the responsibility of being the leading company in mattress rental business."

Rank the top in the home water purifier sector of the KNPS (Korean Net Promoter Score)

- Ranked the top eleven times since the first nomination in 2001
- Highly recognized for the operation of "Service Lab" and "Redcap Organization"

Coway announced on December 19 that it ranked the top in the home water purifier sector of 2017 KNPS (Korean Net Promoter Score) which was hosted by KMAC. This is the eleventh top ranking since 2001 when Coway had first put in the top.

The KNPS is an index that symbolizes the willingness of customers to recommend the products and services they experienced to others. About 10,000 consumers living in the metropolitan area and the nation's six largest cities are surveyed each year.

Coway was highly recognized in the way that it carried out a variety of activities aimed at building customer trust and service differentiation after the declaration "Coway Trust" as the management principle in 2007.

Especially, Coway has been operating the Service Lab since July this year to optimize customers' service experience. The Service Lab is focusing on analyzing customers' product and service experiences to attract their positive approach and developing differentiated services.

Moreover, Coway established the "Redcap Organization" to address emergencies and inconvenience quickly which can be occurred when CODYs meet customers. The organization is consisted of 20 experts in product, consumer damage survey, and indemnity. Issues concerning customer health and safety are immediately classified as emergency cases upon receipt and the company makes it a rule to handle them within 24 hours.

Hyun-jeong Yoon, the head of Strategic Innovation HQ, said, "It's meaningful in that Coway has been recognized for its continuous efforts to develop customer-centered services. We will continue to develop diverse customer-centered services to ensure better customer satisfaction."

Conduct the completion ceremony for the 2nd “Wi School”

- Five teams of the second session of the Wi School presented their business plans.



The completion ceremony for the second session of the Wi School, Coway’s CSV program aimed at supporting startups, was held at the head office on December 16. At the ceremony, young members presented their future business plans prepared through the Wi School courses.

The “Wi School” program was prepared to play a part in solving the youth unemployment problem, the most critical social issue today, offering systematic startup trainings and one-on-one mentoring services with respect to startup, marketing, and investment. Young people who plan to start businesses linked with Coway businesses such as environment, health, and rental item are able to seize opportunities for collaboration with Coway.

Coway’s CEO Hae-sun Lee and about 100 trainees attended the ceremony consisting of congratulatory message of the CEO, presentations on their startup business plans, and awards.

Their business plans, which have been completed through 11 regular courses of the Wi School and one-on-one mentoring program, have been evaluated fairly by the examiner panel consisting of Hae-sun Lee, Coway’s CEO, Sang-jun Kim, the head of Coway Communication Office, Young-ha Ko, the chairman of Angel Investment Association, and Seong-joo Cho, a professor in business administration at KAIST.

Five teams - “Fab Café” (emotional IoT cake tray manufacturing service), “Printing Cider” (printing budget comparison platform), “Double Gyu” (chatbot to offer tour information), “Lunart (music production outsourcing platform), “READY Y” (app service to match people interested in reports) - presented their items, of which “Lunart” became the final winner.

Jae-eui Kwon, the CEO of Lunart, said, “I was able to shape the idea thanks to practical, grounded training, and reduce the risk of trial and error through advice from experts.”

Hae-sun Lee, the CEO of Coway, said, “We are much rewarded in the way that entrepreneurs who systematically prepare for and start businesses through the Wi School are growing. We will continue to support prospective young people to start businesses with thorough preparation and understanding of business environment.”

Re-certify the “2017 Family-friendly Company Certification”



Coway announced on July 12 that it has re-certified itself to the “2017 Family-friendly Company Certification” organized by the Ministry of Gender Equality and Family.

The family-friendly certification is a system where the Ministry of Gender Equality and Family provides certificates to companies and institutions which promote family-friendly corporate culture and operate relevant programs such as supports for childbirth and childcare in an exemplar manner. Coway has developed a variety of family-friendly programs since its first certification in 2012 and has been recertified until 2020.

Coway operates a variety of welfare systems to ensure work-life balance. For example, the company has proactively improved parental leave system to help employees mitigate the burden on childbirth and childcare. In addition, Coway designated the first and third Wednesday of every month as “Family Day” to recommend employees to leave the office on time in a bid to help them spend time with their families.

Coway also provides a variety of corporate culture programs in which family members of employees can participate. The “Coway Science Camp” is held during the summer vacation to invite employees’ children, delivering the value of work and pride on their parents. The “Coway Day,” begun in 2007, is a representative corporate culture activity that invites employees’ families to take them around business sites and have a good time on a regular basis.

Dae-gon Seo, the head of Corporate Culture Team, said, “Employees’ job commitment and efficiency can be ensured when their family members are happy. We will continue to improve programs and systematic supports for better work-life balance.”

Win the Marketing Excellence Award at the ‘2017 Kotler Awards’



Coway received the “Marketing Excellent Award” at the “2017 Kotler Awards” hosted at Shilla Hotel in Jung-gu, Seoul, on December 6, proving its marketing achievements based on the identity of products and functions.

The Kotler Awards was organized to admire the philosophy of Philip Kotler, a chair-professor of Northwestern University of the U.S. who is called the father of marketing, and to explore companies that create innovative customer value based on differentiated marketing activities.

Coway was highly recognized in the way that its water purifier filter brand CIROO (Coway Intensive Reverse Osmosis) has delivered the image of clean water and brand value in an effective manner.

This brand symbolizes the feature of water purification filter by comparing the filter system with Korea’s traditional steamer. It also helps customers understand the excellence of Coway’s RO membrane filter more easily and friendly.

Yong-ju Park, the head of Marketing HQ, said, “Winning this award resulted from our creative ideas aimed at delivering the value of clean water. We will continue to implement customer-oriented marketing activities that represent Coway’s corporate philosophy.”