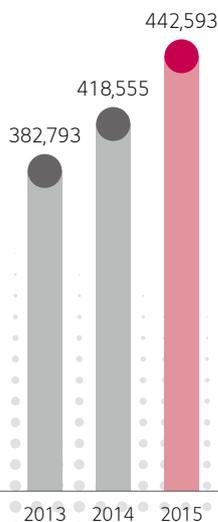


Promise with Customers

LG Innotek is taking the lead in creating customer value with its innovative technologies. We are also committed to promoting sustainability management through ceaseless R&D innovation to develop future growth engines and customer value creation based on strict quality control. These efforts allow us to seize opportunities for growth and provide differentiated values, which ultimately make us the undisputed leader in the high-tech materials and components market.

Investments in R&D

(Unit: KRW in millions)



APPROACH

At LG Innotek, the entire process of product development, from planning and designing to production, is attuned to an established R&D process. This helps ensure the timely commercialization of new technologies and products, satisfying customers with high quality. In addition, we are proactive in undertaking numerous customer value-oriented marketing activities, providing products and services that go beyond customer expectations, and promoting quality management activities.

RISK & OPPORTUNITY

The global business environment is rapidly changing and competition is becoming fiercer. Needs of end users are being diversified due to shortened product life cycle. To keep abreast of these market changes, LG Innotek has been concentrating on creating synergy through convergence of its accumulated source technologies and entering adjacent business fields.

2015 PERFORMANCE

LG Innotek launched diverse market-leading products in 2015. In particular, high-efficiency duplex power conversion technology and a variety of highly advanced automotive components contributed to bolstering our market position in the high-tech materials & components industry. We also maintained a wide range of interactive communication activities with customers, earning excellent reputations on our products.

2016 PLAN

With the aim of growing into a leading global provider of cutting-edge materials and components, we will continue to attract and retain global top-tier customers and expand the size of our business. Under the belief that quality-oriented management practices will be the basis for creating higher customer value, we will work tirelessly to develop products and services that enhance customer value.

Customer Value Creation

Customer-tailored Marketing

To become a leader in cutting-edge materials and components business, it is necessary to constantly secure global top-tier customers and expand the size of our business. To this end, we select strategic customers who will become our long-term partners and provide supports for them at the corporate level. In addition, anchored in our Customer Value Creation Structure, we thoroughly analyze customers' needs to propose tailored customer value that goes beyond providing mere satisfaction in terms of conventional factors such as price, quality and delivery. Customer value is broken down into future value, fundamental value, and competition value in consideration of the industrial characteristics and level of business maturity to propose further substantive solutions. Through this process, LG Innotek continuously creates values that enable customers to secure leading market positions and maintains long-term partnerships with them. LG Innotek conducts customer-tailored marketing strategies, therefore we don't carry out general marketing tools such as commercial, sponsor and promotion. Moreover, there is no case of prohibition of sales or dispute related to our products.

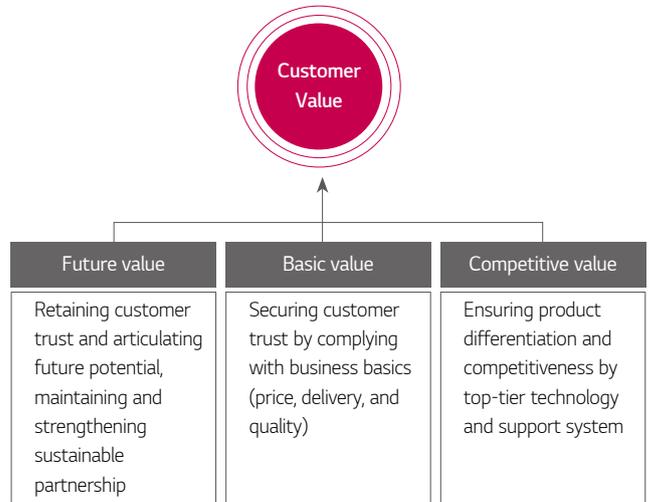
Program to Strengthen Marketing Capabilities

LG Innotek developed a proprietary program that aims to hone the marketing capabilities of the workforce and takes into account our focus on business-to-business operations. The program consists of a Marketing Core course, which focuses on marketing and sales methodologies, and a Marketing Value-up course intended for strengthening value delivering skills of marketing personnel.

Marketing Core Course: The curriculum of this course addresses core elements of the entire marketing process, from strategy development to risk management. It helps marketing personnel strengthen core capabilities regarding strategic thinking, insight, and sales expertise to raise their effectiveness in creating customer value. In addition, there is a discussion course that helps marketing personnel effectively apply actual cases to field works from diverse perspectives. This course has been expanded to cover local marketers in overseas sales branches and subsidiaries as well as the head office.

Marketing Value-up Course: This course aims to strengthen capabilities to deliver customer values. It is divided into three programs including global business manner, presentation skills and negotiation skills, which have been customized to LG Innotek. Taking this course, employees learn how to improve communication skills with customers and which is the most significant way for delivering value created on the basis of customer needs.

Customer-tailored Marketing Activities



Understanding of Customer Needs

LG Innotek listens to customer opinions to implement activities focused on creating customer value in an effective and systematic manner. We had conducted online surveys and face-to-face interviews with strategic customers from 2006 to 2014 and in-depth interviews with core customers in each business sector since 2015, through which we understood competitors' capabilities as well as their satisfaction and dissatisfaction factors. Results were shared through a workshop in which the CEO, the management, and employees from R&D, quality control, and marketing departments participated to devise improvement and execution plans. We are also monitoring customer feedback on our R&D activities, development, and process to reflect their opinions in our future product development. Furthermore, we have a year-round customer service body and marketing group that collect customer opinions and handle customer complaints.

Customer Engagement

Unveiling Market-leading Technologies and Identifying Customer Needs

LG Innotek is demonstrating its competitiveness and technologies by participating in domestic and international exhibitions, which serve as a great venue for solidifying networks with global customers and meeting new customers. Those exhibitions also give us opportunities to introduce our newly released products and technologies to end users as well as better understand needs of customers and stakeholders.

International Exhibitions

CES (Customer Electronics Show): LG Innotek has been participating in the world's largest home appliances exhibition CES every year since 2007 to understand the current industry trend and solidify the relationship with its customers. In 2016, the event was focused mainly on smart car and home network sectors, and we also promoted automotive components including LED for automobile and IoT products such as network camera. A lot of customers paid attention to our roadmap for components and products.

L&B (Light & Building) and LFI (Light Fair International): Since 2010, LG Innotek has participated in L&B and LFI exhibitions to meet customers in European and North American lighting markets. In 2015, particularly, we attended GILE (Guangzhou International Lighting Exhibition) to make inroads into the lighting market in China. Our booth showcased extensive portfolio of LED light products and technologies, including LED packages, UV LED, and IoT technologies grafted into lightings. At the L&B Exhibition in 2016, our CSP (Chip Scale Package) to coat phosphor on LED chips without packaging and visible light communication by LED light attracted much attention.

Electronica: In 2014, LG Innotek participated in Electronica, which is a leading international trade fair for the global materials and electronic components industry held biennially in Munich, Germany for the first time to meet diverse customers. In particular, we exhibited our core electronic automotive components, a general trend sweeping the exhibition in recent years. Our automotive Bluetooth and LED modules caught the attention of many visitors to the exhibition and we had a good opportunity to inform them of our new businesses.



1. Light + Building in Frankfurt
2. Electronica in Munich

Other Exhibitions: To promote our new products and develop sales channels, we are proactive in participating in many exhibitions at home and abroad. In 2015, the Company made a chance to meet new customers for ESL (Electric Shelf Label) products at the Retail's Big Show in New York and showcased cameras and LEDs for automobile at the SEMA (Specialty Equipment Market Association) Show, the world's largest car tuning and automotive components fair, held in Las Vegas.

Domestic Exhibitions

KES (Korea Electronics Show): LG Innotek has been participating in the Korea Electronics Show, the largest exhibition in its kind, every year to introduce cutting-edge materials and components. At the KES, we showcased our proprietary electronic automotive components and aftermarket products for automobile (black box and cold & hot water cup holder) and industry-leading products such as the 21 megapixel camera module with an optical image stabilizer and smart watch for children. The show served as a good venue for us to communicate with various stakeholders, allowing us to promote our corporate image and technological competitiveness.

KPCA (Korea Printed Circuit Association) Show: This is the only and biggest electronic circuits trade show in Korea, where industrial insiders gather to introduce and transfer advanced technologies and exchange useful information. As Korea's leading materials and components provider, LG Innotek has been participating in this annual event to exchange ideas with customers and industrial insiders on up-to-date technological trends. In 2016, we showcased advanced technologies for thermal PCB and embedded substrate and had personal interchange with customers and many interested persons.

Customer-tailored Roadshow

LG Innotek holds a roadshow for its unreleased products and technologies as well as products customers want to see. This activity helps us promote our technological competitiveness, develop future-oriented products and explore new markets.



1. SEMA Show in Las Vegas
2. Korea Electronics Show in Ilsan

R&D Innovation

R&D Strategies

LG Innotek has been leading next-generation source technologies in components and materials sector by focusing on developing optic solutions, substrate, electronic automotive components, and core LED components necessary for ultra-compact and high-performance products and convergence. To secure core and industry-leading technologies for main businesses, we are activating communication with customers and business units and monitoring market changes and competition regularly. New businesses are cultivated through enhancing product planning competence and collaborating with external institutions to verify technologies in advance.

Core Technology Systems for Stronger Technological Competitiveness

LG Innotek focuses on securing and managing core technologies by product category for the reinforcement of business competitiveness. In particular, by capitalizing on core technologies of each business unit which differentiate products and realize core functions and platform technologies to create synergy with other products, we are increasing customer value and our product competitiveness.

Joint R&D to Secure Future Technologies

Under the Open Innovation initiative, LG Innotek has been exploring growth engines and expanding the scope of core technologies. We have established a global R&D network by collaborating with renowned companies and research institutes in many different countries to continuously secure technological leadership. Moreover, we have signed cooperative agreements with prestigious domestic universities to implement joint R&D projects for the development of innovative technologies.

Identifying New Technology Ideas through Internal and External Networks

We pursue idea sharing and the joint technology development with overseas technology centers within the LG Group and affiliates to increase the synergy effect. Furthermore, our employees share ideas on new products and technologies through the intranet bulletin board. Incentives are provided to employees who come up with innovative and feasible ideas to encourage proactive participation of all employees. We utilize both online and offline networks to continuously discover new technology and product ideas.

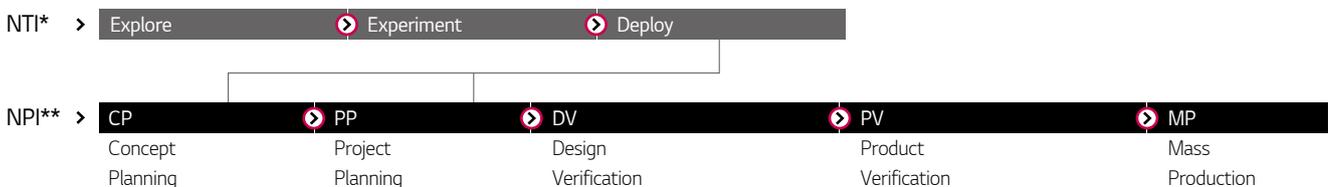
Tech Fair

LG Innotek has held the Tech Fair every year since 2008 to share technologies and ideas among research centers and business units. Major R&D performances for the year are shared through the Tech Fair. Entry products and technologies are assessed by employee juries to present awards to best performers, maximizing the synergy effect for product and technology development.

R&D Process

LG Innotek manages all processes ranging from technology and product development to production through an R&D project management system called PLM (Product Lifecycle Management). As all technology and product development processes are systematically controlled through the PLM, information on innovation and technological knowhow in R&D is efficiently shared. R&D process is operated in two aspects – NTI and NPI – and phased goals and progress are examined by the chief engineer (CE). We will continue to comprehensively manage costs and outputs of each project by phase and continuously strengthen technology and product competitiveness by capitalizing on the PLM system.

R&D Process Flowchart



* NTI (New Technology Introduction): In case of developing new technologies by LG Innotek

** NPI (New Production Introduction): In case of developing products to meet customer and market demands

Quality Management

Quality Management System

Each business unit at LG Innotek has been operating a customer-oriented quality management system based on the international quality management system standards ISO 9001 and ISO/TS 16949. Internally, rigorous quality control standards and processes have been established in order to ensure company-wide efforts for quality improvement. In addition, auditors from an Auditor Pool at each of our worksites, both at home and abroad, conduct independent internal audits to detect and correct nonconformity in our quality management systems.

The Quality Control Department at the head office applies the GQA (Global Quality Audit) program for inspections on each quality control process and system for every product at all our worksites at home and abroad, working for higher quality control practices. Furthermore, we occasionally select and dispatch experts from the head office to each business unit in order to deal with quality-related problems. In particular, we focus on preliminary inspections and making improvements from the stage of development to ensure the highest possible quality control through enhancing QCT (Quality Control Tower), Q-Gate, and diagnosis on development quality.

Internalization of Quality Management

To take quality management rooted in corporate culture, LG Innotek holds meetings in which the CEO, executives of each business unit, and quality team leaders participate on a regular basis. The meetings contribute to rectifying mistakes in quality and fundamentally removing chronic quality troubles, through

which the Company solves quality issues and realizes customer satisfaction. Since 2014, we have carried out a training on APQP (Advanced Product Quality Planning) process targeting employees in the development, manufacturing, production technology, and quality assurance departments. The training enabled employees to understand the quality system of electronic automotive components and strengthen quality management capabilities of each business unit, which also made the “quality management of automotive components” entrenched in our company. Furthermore, we host workshops regularly, giving quality leaders and employees of all business units a chance to get together and discuss how to enhance customer service and product quality.

Supporting Suppliers’ Quality Management

LG Innotek has been tightening the quality control of supplied components to guarantee the quality of all final products. We intensively inspect suppliers’ process quality, product quality, changes in the 4M (man, machine, material and method), and reliability of components. And, according to the results, we evaluate the grade of each supplier and provide tailored supports to improve their quality competitiveness. In particular, the level of suppliers’ quality control has been further upgraded since 2013 when the SQMS (Supplier Quality Management System) was launched. In 2016, we visit major suppliers to support their quality improvement and are active in listening to their opinions and requirements for shared growth in quality with them.

Vision and Strategy for Quality Management



* Q-CSI: Quality-Customer Satisfaction Index