



## CEO Message

Dear valued LG Innotek stakeholders,

LG Innotek is always committed to fulfilling its social responsibility and implementing diverse activities to realize its sustainability management vision "Right Promise, Better Tomorrow." We make a concerted effort not only to operate our businesses environmentally and ethically but also to create a great workplace where employees are able to work in safe environments and respected with their values.

### **Sustainable growth comes from securing business competitiveness.**

While all our business activities are indissolubly linked with sustainability management, the most fundamental element is securing business competitiveness. The essence of our businesses consists in supporting our customers to achieve striking performances in the market. Therefore, we believe the basic corporate social responsibility at LG Innotek is to consistently enhance the competitive edge of our products with an insight into customer value, through which we meet customer needs, solve their pain points, and ultimately deliver differentiated values. To fulfill the commitment, we will focus on innovating our business competitiveness and accelerating the development and cultivation of new business opportunities in the coming year. Inspection on competitiveness in existing businesses and innovation throughout the value chain will be implemented to ensure higher operational efficiency and productivity. Efforts for securing new growth engines will continue as well.

### **We will be more sincere and dedicated to fulfilling our social responsibility.**

LG Innotek will adopt stricter internal criteria to environmental management beyond just complying with regulations in order to join the global efforts for solving environmental issues. Our commitment to environment will be stiffened from the stage of research and development, the initial point of a product, by developing and adopting eco-friendly materials and expanding low-power product design. In addition, we will do our utmost to conform to basics and principles to ensure safety and finally build a accident-free workplace. On top of that, we will also be dedicated to winning stakeholders' trust by implementing Jeong-Do management, expanding activities for co-prosperity with suppliers, abiding by fair transactions, and actively communicating with local communities.

### **We ask for your relentless interest in and support to LG Innotek's progress toward a sustainable future.**

Stakeholders' invariable support as well as internal innovation is a prerequisite to becoming a sustainable company which is undisturbed by any changes. We will continue to be proactive in communicating with stakeholders, listening to their voices, and reflecting feedbacks to our business activities. Please give us your continuous interest and support.

President and CEO, Jong-Seok Park



## Mission and Vision

LG Innotek's innovative technologies will take you to a safe, convenient and enjoyable future.



### **Inside your life!**

#### **Inside your life**

The word "Inside" captures LG Innotek's business characteristics as a components and materials maker, while "your life" communicates its commitment to making life safe, happy and convenient for end users.

#### **Creating the Future with Innovative Technologies**

Our mission "Creating the Future with Innovative Technologies" represents the essence of LG Innotek that is committed to making human lives safer, happier, and more convenient through technologies for ultra-slim, ultra-compact, highly efficient, high-performance, and highly emotional products.

#### **A Pioneering Materials and Components Company Leading Customer Value**

LG Innotek's vision, which reflects the mid- to long-term future of its businesses, is to become a pioneering materials and components company leading customer value. "Leading Customer Value" means the consistent production of outstanding products based upon core technologies, while "Pioneering" signifies our leadership in the current trends.

#### **New Challenges, Proactive Execution, Pursuit of Perfection**

The core values are the ways of thinking and acting shared by LG Innotek's entire workforce for accomplishing its mission and vision. In order to become a pioneering materials and components company leading customer value, "New Challenges, Proactive Execution, and Pursuit of Perfection" should first be established.

## Our Businesses

**LG Innotek is a cutting-edge materials and components maker leading customer value.**

LG Innotek has been pioneering cutting-edge materials and components technologies since the establishment in 1970. With six business areas of mobile, automotive, LED, display, semiconductor, and IoT, we are leading the development of related industries ranging from materials and devices to components and modules, growing together with our client companies. The Company operates 10 production subsidiaries and 9 sales bases at home and abroad to target new global markets. It is also focusing on developing innovative technologies and market leading products by building on R&D Campus in Korea and R&D Center in Japan. In 2015, our sales stood at KRW 6.14 trillion, representing a compound annual growth rate of 8 percent since 2011. With a stable and sustainable business portfolio, LG Innotek is spearheading the creation of customer value.

### Corporate Profile

Establishment	August 22, 1970
CEO	Jong-Seok Park
Main Business	Electric and electronic components
Website	www.lginnotek.com

### 4 Major Business Units

**Optics Solution Business Unit:** LG Innotek supplies ultra-slim and ultra-high definition camera modules for smartphones and tablet PCs throughout the world. The scope of their applications is expanding to wearable devices, security camera modules, and smart TVs.

**Substrate & Material Business Unit:** We are taking the lead in developing semiconductor substrate, photomask, and touch window which are core parts of smartphones, tablet PCs, laptop computers, and LCD & OLED.

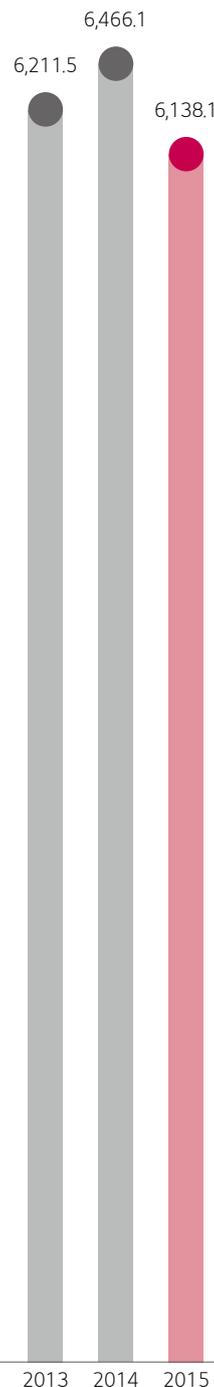
**Automotive Components & Electronics Business Unit:** LG Innotek has introduced motors, sensors, communication modules, power modules, camera modules, and LED light modules for automobile, contributing to a safer and more convenient world. Our advanced technologies are also extended to cultivating promising products such as power for automobile, wireless charger, and thermoelectric module. We are also leading the IoT market by producing parts for power supply devices and digital network appliances that can control various IT equipment such as TV and computer and communicate wireless data.

**LED Business Unit:** LG Innotek supplies LED chips and packages, the key components of eco-friendly LED lights, to domestic and foreign electric lighting companies. We are also developing new LED markets for automobile, air purifier, and water purifier.

### Sales

(Unit: KRW in billions)

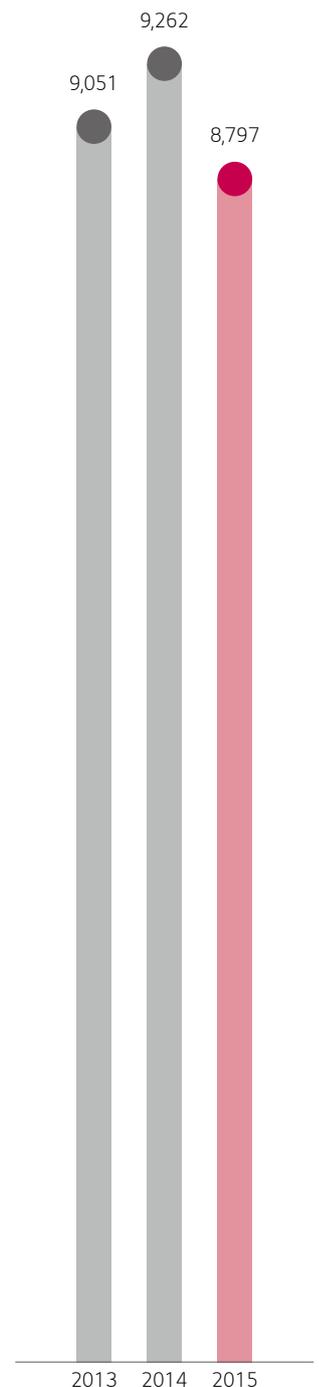
**6,138.1**



### No. of Employees

(Unit: persons)

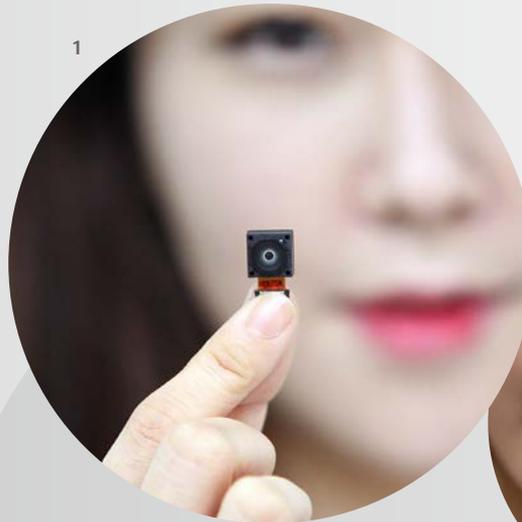
**8,797**



※ Domestic worksites as of the 2015 business report

## Development of Market Leading Products

A company can be sustainable when it achieves the fundamental goal of creating economic value. LG Innotek strives to make sustainable development for the Company and society, with its excellent product competitiveness.



1. 135 degrees wideangle camera module
2. Glass-integral finger scan module
3. Wireless charging pad for smart phone equipped with 15W wireless power transmitter module
4. Ultra slim pulse rate sensor module



### APPROACH

With a goal of laying the foundation for evolving into one of global top five players and securing a high value-added business portfolio, LG Innotek is focusing on strengthening competitiveness of existing businesses and cultivating new growth engines.

### 2015 PERFORMANCE

LG Innotek enhanced its business capabilities and global competitiveness in automotive components and camera module sectors, while liquidating marginal sectors such as ODD motor and lead frame to secure stable financial structure.

### RISK & OPPORTUNITY

The restructuring is underway in the global LED business due to a downturn of profitability. However, the global LED market is expected to grow by more than 6 percent annum thanks to increasing demands. Introduction of LED in automobile and UV businesses will also be activated. In the automotive sector, demands for convergence-based electronic automotive components for smart car and green car are sharply growing thanks to increasing needs for eco-friendliness, safety, and convenience. LG Innotek, with a variety of products and sophisticated technologies, is well poised to actively respond to these market changes.

### 2016 PLAN

Our focus in 2016 will be on sharpening competitiveness in automotive components and camera module sectors and improving business portfolio. As for automotive components sector, we will continue to accelerate the convergence of technologies accumulated in the mobile and display markets and products. Camera module sector aims to maintain its global top position through expanding clients in Greater China region and launching new applications. In addition, we will continue to liquidate marginal sectors and develop new growth engines.

A company cannot be sustainable unless it 'creates economic value' which is the fundamental goal of every business. This is because high economic value of companies is essential to contribute to social and environmental development, and that, in turn, becomes the foundation for business growth. Therefore, companies should continuously keep an eye on market changes and seize business opportunities to develop growth engines. Based on its excellent product competitiveness, LG Innotek has been maintaining the global No. 1 position in the camera module sector with a high demand from leading clients all over the world.

### Camera Module

As of 2015, LG Innotek has maintained the No. 1 position in the global camera module market. After its advance into the mobile phone camera module market in 2004, it took just a single year for the Company to develop the world's thinnest 6.4mm-thin two million-pixel auto-focus camera module. In 2007, LG Innotek came under the spotlight in the global market when it successfully developed five million-pixel auto-focus camera module, equivalent to a digital camera. In keeping with the rapidly growing smart phone market, the Company has continued to develop new products with a great success: eight million-pixel auto-focus camera module in 2009; Korea's first eight million-pixel OIS (Optical Image Stabilizer) auto-focus camera module in 2011; and ultra-thin 13 million-pixel OIS auto-focus camera module in 2013. In 2014, LG Innotek surprised the world when it launched, for the first time in the world, 5.9mm ultra-thin 16 million-pixel OIS auto-focus camera module. In particular, newly developed rear dual camera module in 2015 provides users with more experiences.



#### GLOBAL TOP TIER

##### CAMERA MODULE

- OIS
- 16 million pixels
- 5.9mm ultra-thin
- True-to-life color sense
- High-quality image shooting in the dark

We are also focusing on developing new growth engines to grow in a sustainable manner without being affected by any challenge. The electronic automotive components business is being nurtured as a future growth engine considering the trend of electronic and green vehicle. As for the LED business, we are concentrating our capabilities on the lighting and automobile sectors which are growing rapidly. LG Innotek will also prepare the era of Internet of Things (IoT) and lead the market in the future as well.

"Camera modules manufactured by LG Innotek are being applied not only to smart phones but also to various sectors such as vehicle components, smart TVs, wearable devices, robot vacuum cleaners, smart refrigerators, and security cameras."



Based on the strengths of its camera modules' outstanding performance and quality, as proven in the smart phone market, LG Innotek is expanding its business portfolio to various sectors. The Company is entering the markets for home appliances including smart TVs and robot vacuum cleaners and security cameras, while proactively catching up with trends in the market for front/rear cameras for vehicles. Additionally, we expect to see more potential in the wearable device market, which is a newly-emerging area where ultra mini-sized camera modules will play a pivotal role. Looking ahead, LG Innotek will continue to stay one step ahead of the competition, while constantly introducing innovative camera module products so that it can solidify its presence in the global market.

## Electronic Automotive Components

Growing market demands for eco-friendly, safe and convenient products in the automobile industry ushered in the era of smart cars and green cars. This market trend is predicted to accelerate the convergence of the automobile industry with IT technologies, rapidly tracking the electrification of vehicles and turning them into more than a mere means of transportation to become a new lifestyle source which provides various services and contents catering to people's needs. In tandem with the growing importance of motor, telecommunication, and camera module as the core components to safe driving, it is highly likely to trigger competition and alliances among global carmakers, electronics makers, and automotive component makers.

### Smart Car Market Size

(Unit: KRW in trillions)



※ Source: GSMA

Initiating researches on automotive components in 2005, LG Innotek has made the most of its 40 years of source technologies in materials & components to proactively respond to market changes. Based on the technological knowhow it has accumulated in the ultra-compact, ultrathin and light products developed along with its electronic components for smartphones, LG Innotek products have earned an enviable reputation around the world. Equipped with an extensive components lineup for electric cars, premium cars as well as general cars, we provide customers with tailored products. Motors and communication modules, our flagship products, have made a full-scale advance into the global market while proactively responding to growing green and smart car components markets. Based on our own core technologies, we are also entering the automotive camera and LED markets and winning meaningful orders.

This achievement is attributable to our quality-oriented management practices under the slogan "Quality dictates the business" and also credited to our consistent efforts to establish a customer-oriented management system – from R&D and production to quality control and marketing – for electronic automotive components. Going forward, LG Innotek will take advantage of its source technologies to create synergy for converging and modularizing different products with the aim of accelerating growth in the global electronic automotive components market. As of the end of 2015, new orders exceeded KRW 6 trillion thanks to efforts for securing customers across the globe. Moreover, we completed a new plant in Mexico to meet the needs of customers in North America and the automotive components production lines are under construction in China and Poland. LG Innotek will continue to respond to customer requirements and expand its production bases in the global market.

## LED LIGHTING

In the global lighting market, LED lights have been replacing incandescent bulbs in many countries at a rapid pace and this trend seems to be accelerated in the future. In fact, 27 European countries have been phasing out incandescent bulbs from the market since 2009 in accordance with the EU's energy conservation policy, and production and import of electric bulbs have been banned in these countries since September 2012. Australia banned the use of incandescent bulbs since 2011 and the U.S. also phased out these bulbs until 2014. Korea has joined the trend by setting its goal in 2011 at replacing 60 percent of all lights nationwide with LED lights by 2020 under the slogan "LED Lights 2060." Particularly, LED lights will replace all the lighting in the public sector by 2020.

### Global LED Market Size

(Unit: KRW in trillions)



※ Source: Strategies Unlimited

LG Innotek has seen steady growth in LED business since its entry into the market in 2000. In October 2010, we completed the Paju plant with a monthly production capacity of 2.2 billion LED chips, one of the world's largest LED chip production plants. It has helped us achieve cost competitiveness and generate synergies through vertically integrated LED production process, which ranges from LED chips and modules to driver solutions for lights and wireless light controlling solutions.

Furthermore, our eco-system provides power supplier, heat protection device, and bulb and downlight module on a custom-made basis. This helps ensure the highest possible customer satisfaction with a significantly shorter product development period and enhanced operational efficiency. In addition, LG Innotek has secured leading global competitiveness in high-power LEDs as well as middle-power LEDs, a popular indoor light source. We are also expanding LED package and module lineup to include special lighting categories, such as indoor and outdoor lighting, car lights, and UV (ultraviolet ray) lights by converging our market-leading electronic component and LED light technologies. LG Innotek will make full use of its LED source technologies accumulated over the past 14 years and competitiveness to develop the world's top LED products and consolidate its leadership in the global market.

### IoT (Internet of Things)

IoT refers to the intelligent infrastructure which connects all objects or "things" to the Internet and enables communication and information exchanges between different objects, or between people and objects. This network, which currently connects mobile and wearable devices to humans, is expected to be used to connect diverse application services such as smart home, smart car, smart building, smart factory and even smart city. World-leading research organizations predict that we will see an era of hyper-connectivity by 2020, with more than 30 billion objects being connected to the Internet.

IoT, which is regarded as the next-generation driver of growth, provides values to customers in the form of "sensing information – analyzing/delivering information – providing services." Three key elements in IoT are sensing technology, wired/wireless communications & network infrastructure technology, and service interface technology.

First, sensing technology is used for gathering information from tangible objects and surroundings through radar, location, motion, and image sensors as well as traditional temperature, humidity, heat, gas, and illumination sensors. As these sensors are developing into smart sensors with built-in information processing capacity and integrating various features, we can extract more intelligent and sophisticated information.

Second, the wired/wireless communications & network infrastructure technology refers to communications networks such as Wi-Fi, Bluetooth, and 3G/4G/LTE which transfer the sensed information to people or objects.

Third, the service interface technology takes charge of interface with application services where people, objects, and services are connected together and perform specific features. After information is sensed and transferred, this technology identifies, extracts, processes, and stores the information by using big data to turn it into meaningful data.

IoT is still in its inception, and therefore there are many experimental concepts and areas that need further development. However, as a next-generation industry with great potential, it will serve as a growth engine business that can jumpstart information technology one step ahead beyond the home appliances, computer, mobile device sectors. In light of this trend, LG Innotek is expanding its businesses to communications modules, network cameras, and vehicle cameras in the home appliance and automotive sectors based on its competitiveness in communications/network technologies and camera module manufacturing. Additionally, the Company is actively preparing for the era of Internet of Things by developing promising sensor modules that play a pivotal role in IoT.

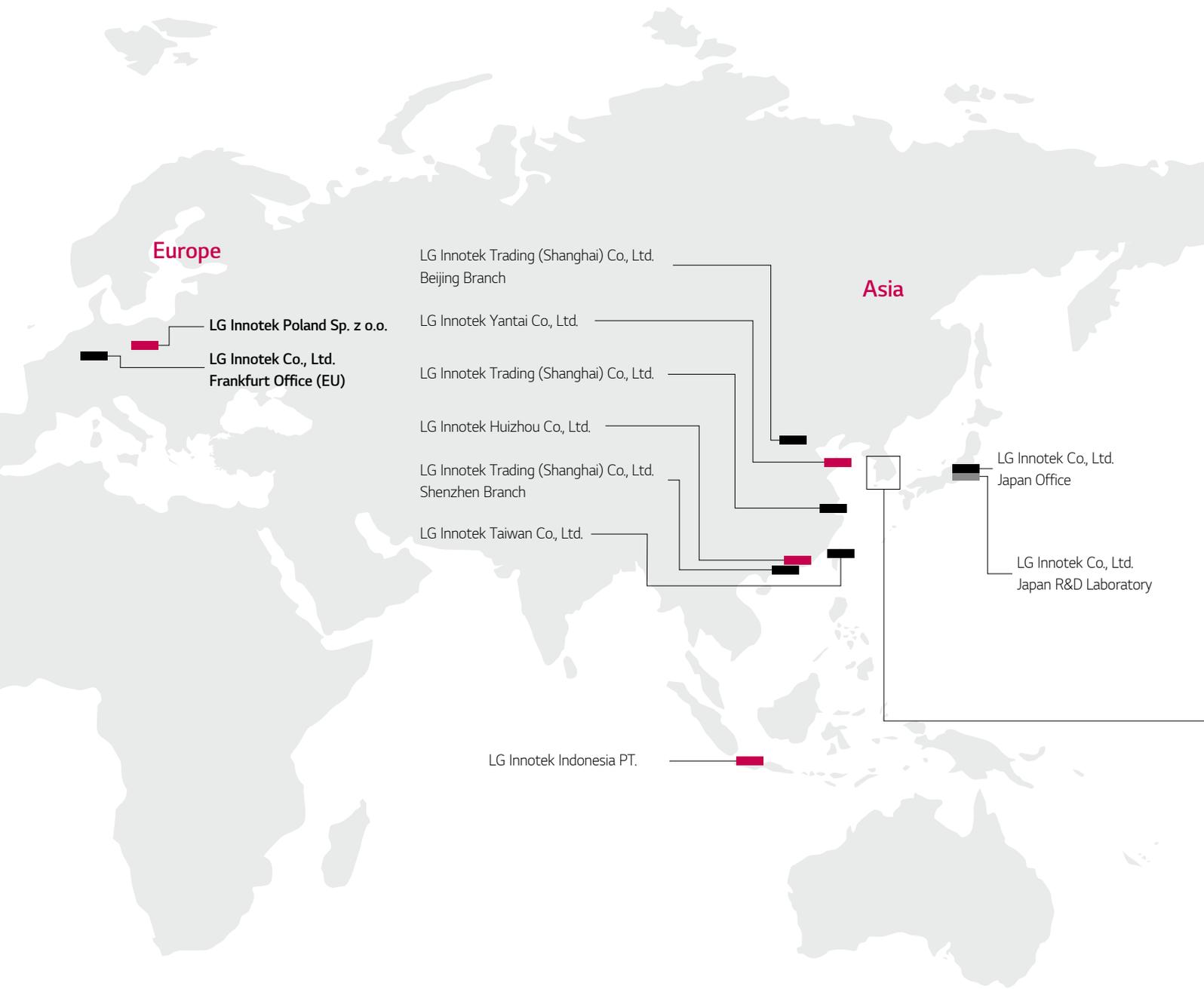


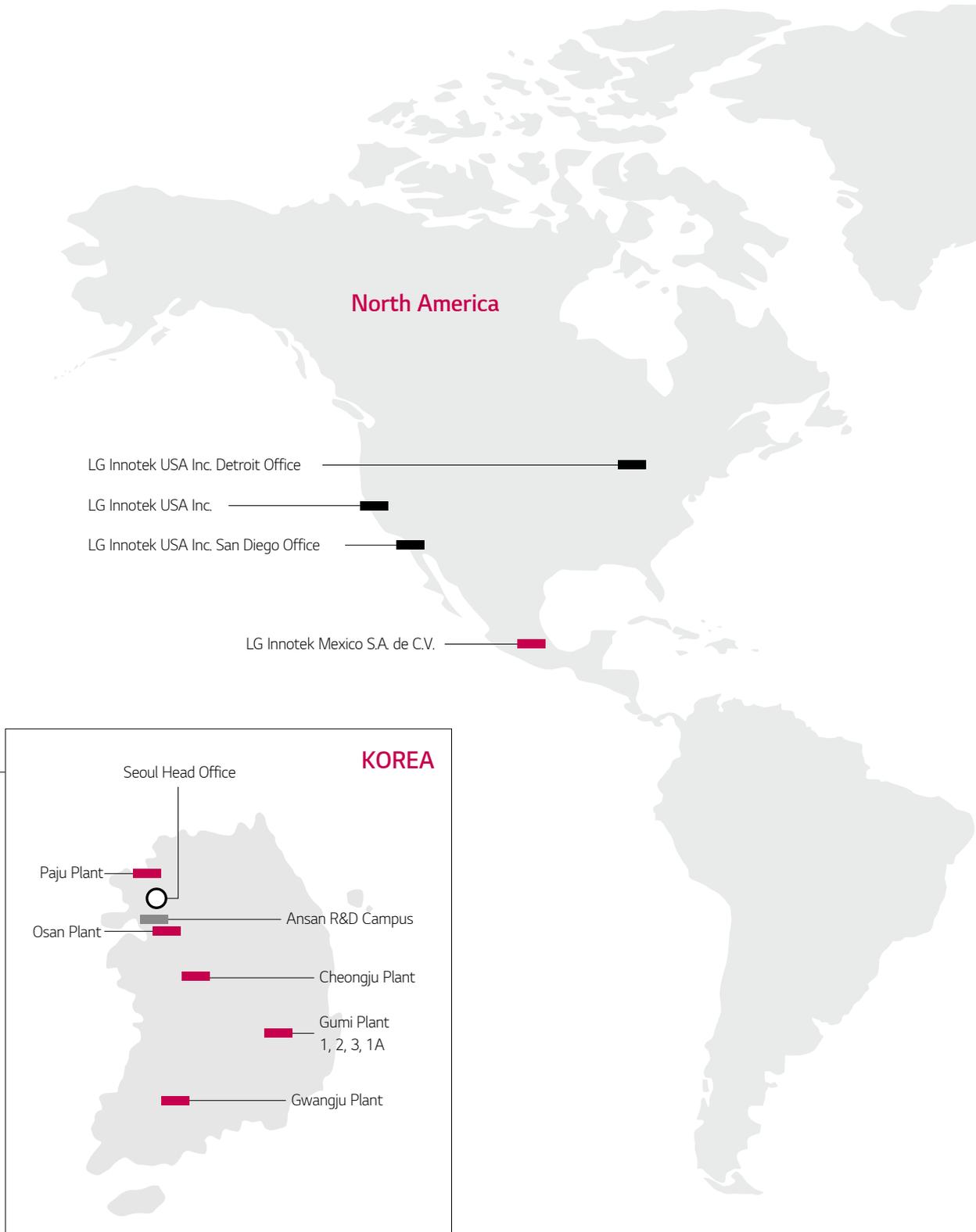
Electronic Shelf Label (ESL) exhibited at the 2015 New York Retail's Big Show

# Global Network

(As of the end of April 2016)

■ Production Subsidiaries   ■ Sales Subsidiaries/Offices   ■ R&D Campus & Center





## CSR Vision and System

LG Innotek conducts various sustainability management activities to realize its CSR vision.

### CSR Vision

LG Innotek's CSR vision is "Right Promise, Better Tomorrow." We pursue better tomorrow for everyone and sustainable future by building trust with stakeholders through a variety of CSR activities. To this end, LG Innotek is making a concerted effort to fulfill its responsibility as a global corporate citizen and stick to its promise.

### CSR System

LG Innotek is proactive in conducting activities for CSR risk management, CSR change management, stakeholder communication, and LG's unique social contribution to realize its CSR vision. In addition, to ensure sustainability throughout the value chain, we encourage each department, ranging from R&D and procurement to production and marketing, to approach tasks from a CSR perspective.

### CSR Risk Management

In accordance with the Code of Conduct of Electronic Industry Citizenship Coalition (EICC), LG Innotek monitors CSR risk management practices at every domestic and overseas worksite in the fields of labor and human rights, business ethics, environment, and health and safety. And we consistently carry out monitoring activities to prevent and remedy possible imperfections. In March 2016, we conducted self-diagnosis at five domestic worksites and four overseas production subsidiaries in Yantai and Huizhou in China, Indonesia, and Poland. There was no severe risk, while we have continued corrective activities for some insufficient factors. Since May 2015, the LG CSR checklist, LG's in-house risk management tool, has been implementing. Meanwhile, in August 2013, we instituted behavioral guidelines to our suppliers to help them participate in CSR practices and, in 2014, provided the CSR Clinic program to suppliers to enhance their CSR activities. In June 2016, we plan to conduct self-diagnosis for top 100 companies in sales among 1st-tier business partners and visit 10 companies for on-site CSR supports.

#### CSR Risk Management

- Self-diagnosis and improvement activities at worksites
- CSR risk management of suppliers
- Response to external requirements

#### CSR Change Management

- Operation of decision-making support system
- Core CSR target management
- Employee education and cultivation of experts

#### Communication with Stakeholders

- Collection of stakeholder opinions
- Publication of sustainability report
- CSR campaign and promotion



#### R&D

Development of products to contribute to society and businesses



#### Procurement

Ethical procurement and supply chain management



#### Production

Worksite where human rights and environment are protected



#### Marketing

Encouraging eco-friendly and ethical consumption

### CSR Change Management

The CSR Committee was established to deliberate and share information on internal and external sustainability issues. The results have been reflected in our business strategies. Particularly, the Committee has been contributing to upgrading the level of our sustainability management by diagnosing major issues, monitoring practices, and remedying imperfections. Moreover, with the awareness of the importance of CSR issues, LG Innotek amended the BOD rules in April 2014 to mandate a regular report on CSR issues to the BOD. In reality, major CSR issues were reported to the BOD in October 2014. In 2013, we educated all employees on the concept and necessity of CSR and this program has been offering to new employees. The CSR education is also adopted to expatriates cultivation course and procurement staff job training course from 2016.

### Communication with Stakeholders

LG Innotek communicates with stakeholders through diverse channels to identify their areas of interest and rapidly respond to them. We answer clients' inquiries and requests regarding CSR activities throughout the year and keep abreast of the latest trends in sustainability management by collecting information from surveys and interviews with domestic and overseas CSR assessment organizations and NGOs. Internally, web and mobile based corporate magazine and corporate intranet play a role as communication channels for sharing CSR activities.

### LG's Unique Social Contribution

Our social contribution activities have been focused on helping adolescent and marginalized people. With the aim of implementing more systematic and substantial activities, we have promoted a new social contribution program in which all employees take part under the theme "Happiness" from 2015. This program provides beneficiaries with consistent and practical supports beyond just one-time donations and activities.

### Performances and Future Plans

LG Innotek has been certified for the Dow Jones Sustainability Index (DJSI) Korea for six consecutive years since 2010 in recognition of sincere efforts for CSR activities. We will continue to create synergy in sustainability management by capitalizing on organic cooperation within the Company and to win higher trust of stakeholders through active communication.

