

TO BE GLOBAL LEADER

The Vision at LG Chem_ On April 1, 2001, LG Chem was repositioned to focus solely on chemicals, with the spin-off of LG Chem Investment (currently LG Corp & LG Life Sciences) and LG Household & Healthcare. Ki-Ho No was newly appointed to serve as CEO and fundamentally new approaches were adopted. For example, the Corporate Operating Committee (COC) has become the most important decision-making body.

Today, LG Chem is embracing a new vision that defines all operational plans and strategies, and the corporate culture as well. This vision will be the impetus for taking LG Chem to the top of the global ranks.

THE LG CHEM VISION IS:

"To be a global leader, exceeding customer expectations through advanced technologies and innovative solutions, and earning the trust of stakeholders."

To achieve global leadership, the company will:

- ___ have the best people, who operate according to world standards
- ___ lead globally in businesses with high future growth potential
- ___ deliver superior value to diverse domestic and overseas investors

By "advanced technologies and innovative solutions" the company means:

- ___ continuously innovating to develop and deliver advanced technologies and materials as well as superior solutions

- ___ delivering value to customers by anticipating their needs and exceeding their expectations

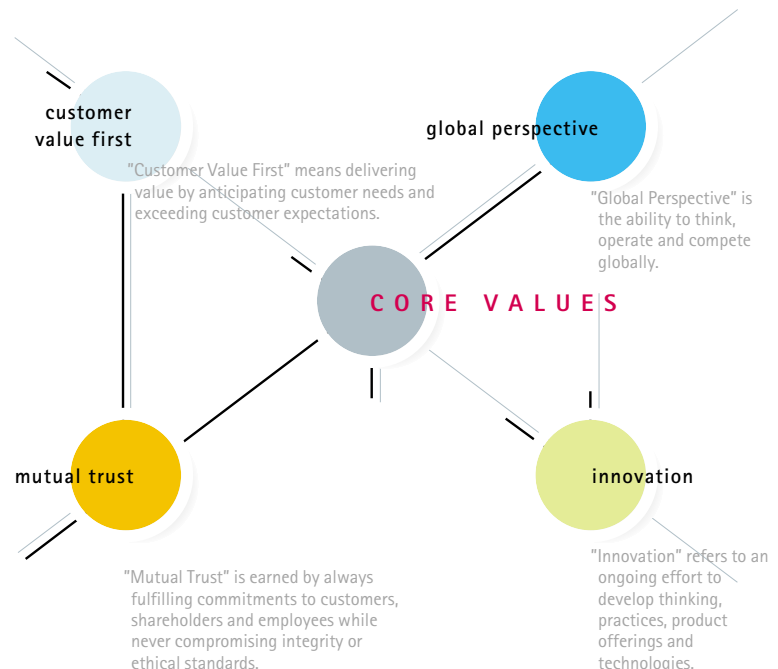
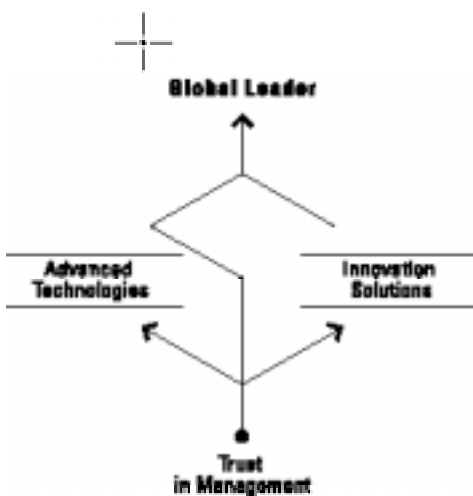
To earn stakeholder trust, LG Chem will

- ___ operate with credibility and transparency to be the preferred partner for customers, shareholders and employees alike
- ___ respect employees and provide them with an exciting workplace for personal growth and accomplishment

CORE VALUES

LG Chem management believes corporate transformation can be achieved when all employees share the same core values and act accordingly. Therefore, the company's four main values have been defined as Customer Value First, Innovation, Mutual Trust, and Global Perspective.

VISION



NO.1 LG & MID-/LONG-TERM OBJECTIVES

In addition to the established corporate vision, "No.1 LG" has become a new yardstick for measuring performance. This concept refers to building upon a corporate culture of openness and leadership to become one of the world's best through resolute determination and the will to win. The initial goal is to be one of Asia's three foremost chemical companies, while joining the Global Top Three will be the long-term aim.

Factors determining "No.1 LG" status include market-recognized value at the subsidiary level. In other words, value is measured in market prices. Market dominance, the indicator of market leadership for each division, is the way to assess the degree to which "No.1 LG" has been achieved. This "No.1 LG" can be seen as an extension of the corporate vision.

Effort must be exerted simultaneously on three fronts for "No.1 LG" to become a reality.

First, targets for being the best must be set and strategies must be implemented continuously to reach these targets. To make this happen, the company will undertake bold restructuring, acquire other companies, invest aggressively in R&D and provide exceptional compensation packages to employees. Market leading product lines will be sought out and cultivated, and globalization will be steadily pursued, focusing on these market-leading products. The company must also engage in Six Sigma activities to take productivity and efficiency to the next level.

Second, first-rate people are required to cultivate market leading business lines. These are people who are passionate about being the best and who can exhibit the necessary talent to achieve the desired results. In return, they are to receive compensation commensurate with their contributions.

Third, a "No.1" corporate culture must be developed as the platform for a "No.1 LG." This means a "trustworthy corporate culture," where employees resolutely adhere to the basics and principles, and organizational members share information transparently. It has to be an "open corporate culture" that empowers people at all organizational levels to make decisions freely and maintains a constant communication flow centered on the field. The company must also foster a "performance-oriented corporate culture" that offers all employees equal opportunities, thoroughly assesses individual results and offers compensation accordingly.

To be the best in the business, LG Chem aims to achieve an operating profit margin of 12.5% on annual sales of ₩15 trillion by 2008.

OPERATIONAL STRATEGY

LG Chem will expand investment in information and electronic materials as well as new business lines for the future. In 2003,

total sales by division broke down as for chemicals & polymers, 55%; industrial materials, 33%; and information & electronic materials, 12%. The projected portfolio in 2008 will be 43% for chemicals & polymers, 29% for industrial materials, 25% for information & electronic materials and 3% for new product lines. This target will be achieved by taking the following steps:

The Chemicals & Polymers Business Unit will pursue a strategy of integration and economy of scale. PVC and ABS sales will be increased by focusing on the vast Chinese market with tremendous potential for further growth.

The Industrial Materials Business Unit will strengthen marketing and R&D capabilities, concentrating heavily on developing distinctive new products and value-added items.

On the other hand, the Information & Electronic Materials Business Unit will strive to be first in the industry to introduce the latest product concepts. To cultivate new business lines, IT materials know-how will be applied more vigorously among business units and alliances will be formed with outside companies.

Importantly, LG Chem will develop six globally competitive product lines into world market leaders—polarizers, ABS, artificial marble, rechargeable batteries, surface materials and PVC. To be "top-tier," a business must rank among the Global Top Three in terms of both market share and profitability.

LG Chem's polarizers, ABS and artificial marble lines already rank among the top three in world market share. By 2008, the company aims to hold either the highest or second highest share of the world market for all six product lines mentioned above. Annual sales from these market-leading lines are expected to reach ₩6.1 trillion, or 40% of total sales, by 2008.

MEETING CORPORATE OBLIGATIONS TO SOCIETY

In 2002, LG Chem adopted Responsible Care (RC), a voluntary initiative promoting environmental protection and safety within the global chemical industry. The program addresses all areas of operation and is committed to a continuing effort to improve the responsible management of chemicals. The program results and goals are reported to the public to help educate people on safety within the chemical industry. As a result, the industry image is enhanced.

In other words, RC is not only concerned about human health and lives; it is a pledge to customers and society as a whole. LG Chem's involvement in RC marks a change in direction for the company. Addressing environmental protection and safety issues is no longer solely the responsibility of selected organizational units. Rather, all organizational members participate in the effort to improve the company's environmental track record.