The First M Story

“LEADING SOLUTION, LEADING SUSTAINABILITY”
Contents

Top Management Messages

Memory of LS Mtron

2009 Sustainability Management Overview
- SM Materiality Analysis
- Establishment of SM Steering Wheel
- Stakeholder Identification and Engagement

Six Sustainability Management Focus Areas
- Main Achievements and Commitments in Each Focus Area

Miracle of LS Mtron

Company Profile
- Corporate Governance
- Management Ethics

Introduction of Business
- Machinery Division
- Component Division

Moving of LS Mtron

Focus Areas
- Integrated Sustainability Management
- Economic & Social Value Creation
- Community Investment & Development (Corporate Philanthropic Activities)
- Green Management
- Employee Value Enhancement
- Integrated Risk Management

Milestone of LS Mtron

Appendix
- Summary of Financial Information
- Quantitative Performance Index
- Global Network
- GRI Index Table
- Statement of The Third Party Assurance
LS Mtron’s first Sustainability Management (SM) Report

As a global corporate citizen providing industrial machinery and high technology components, we became aware of various economic, social and environmental demands and opportunities, and thus established an Integrated Sustainability Management System as an important part of our management strategy for 2009. We aim to actively respond to demands and expectations of our stakeholders, introduce a Sustainable Business Model and create corporate values by producing this report. We are to publish a SM report every year.

Reporting Principles

We hope that this report become an efficient communication channel with various stakeholders. Hence, the SM Steering Group put in place reporting principles as well as data collection and management principles, and shared them with employees in charge of SM at the SM Steering Wheel.

• Writing Principles
We used the following 5 principles in producing this report.

<table>
<thead>
<tr>
<th>Contents</th>
<th>Creation of appropriate items for disclosure document</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment</td>
<td>Clear statement of commitments to stakeholders</td>
</tr>
<tr>
<td>Comparability</td>
<td>Presentation of quantitative results that can be comparably analyzed</td>
</tr>
<tr>
<td>Credibility</td>
<td>Collection of data through clear reporting system</td>
</tr>
<tr>
<td>Communication</td>
<td>Enhancement of stakeholders understanding and accessibility</td>
</tr>
</tbody>
</table>

• Data Collection and Management Principles
1. Appropriateness : data should be relevant to stakeholder needs
2. Understandability : data should be understandable by all stakeholders
3. Accessibility : data system should allow timely data collection by employees in charge

• SM : Sustainability Management
The abbreviation SM used in this report stands for Sustainability Management.

Reporting Principles for the SM Report 2009

• Topic Selection Criteria
This report focuses on important SM areas that we identified by materiality analysis. It contains our achievements and future plans in each of these Focus Areas.

• Period and Scope
- Period : This report covers our activities during the period January 1 2009 to December 31 2009 (fiscal year 2009) and future plans for 2010. It also includes our performance from July 1 2008 when LS Mtron was separated due to LS Group’s transformation into a holding company and partially contains our activities to March 2010.
- Scope : This report contains our activities at the head office and 4 business sites in Korea with 1,472 employees and it partially covers overseas subsidiaries and branch offices. We are to expand the scope to cover all of our overseas business sites in the future.

• Reporting and Data Collection Methodology
This report was created in accordance with our own SM reporting framework and the G3 Guidelines of the GRI(Global Reporting Initiative). The SM Steering Wheel took charge of writing this report and collecting necessary data.

• Third Party Assurance
All information and reporting process of this report were assured by an independent external assurance provider. The assurance statement can be found at the end of this report.
Creating green and comfortable world
INNOVATIVE TECHNOLOGY PARTNER
L. S. Moran “Happy Together”
LEADING SOLUTION
LEADING SUSTAINABILITY

LS Mtron provides technology for the human-nature connection.
INNOVATIVE TECHNOLOGY PARTNER

LS Mtron guides you to dream a better tomorrow.
“Sustainability management enables us to respond to expectations and demands of various stakeholders and deal with social, environmental and ethical risks. Moreover, it holds the key to business success and opportunities to achieve it in the next 100 years.”

OUR ROLE AND RESPONSIBILITY AS A TRUE CORPORATE CITIZEN
Our sustainability management is never limited to reactive response to stakeholder needs and expectations. It is focused on such underlying values as win-win partnership and mutual growth and based on our full awareness of increasing roles and responsibilities that we need to fulfill as a corporate citizen. While our top priority in 2009 was to lay the foundation for sustainable management, our business divisions today are now ready to translate it into action. We are to put social, environmental and ethical values first in our efforts to become a leading company and seek mutually-beneficial growth together with our important stakeholders including Customers, Employees, Local communities, Business partners, and Earth and Ecology.

LEADERSHIP FOR SUSTAINABLE DEVELOPMENT
Sustainable development doesn’t come overnight. We believe that top executives with far-sighted perspectives and in-depth understanding of sustainable management are the most critical prerequisite in bringing about this fundamental change to our management environment. This is why we set up the Sustainable Management Steering Group, a company-wide sustainability management consultative body, and hold bimonthly meetings on a regular basis to discuss how to respond to core managerial issues in sustainability management. By doing so, we make sure that our employees make their voices heard in building sustainability management into our entire business activities. We also aim to further evolve our decision-making process based on all year-round dialogue with stakeholders so that we can incorporate their opinions into our daily operations.

CREATION OF STAKEHOLDER VALUES
In today’s business environment, we are faced with increasing responsibilities to meet and growing demand for stakeholder engagement. On the flip side of these mounting pressures, however, we see a chance to actively communicate with our stakeholders and create values on a variety of issues. We believe that this can be a good starting point of initiating sustainable development. Our aim in publishing this report is to build open communication channels with a wide range of stakeholders. This Sustainability Management Report, the first such report from LS Mtron, contains our future initiatives and major sustainability management issues. Moreover, it illustrates our achievements and future plans in detail for each issue addressed, giving a clear view to readers of those changes brought about through stakeholder engagement. We believe that economic values are organically related with social and environmental values. With this belief in mind, we will endeavor to maximize social and environmental values in everything we do as a company and make valuable contributions to our economy.

Thank You.

Cha-Yol Koo, Chairman
LEADING SOLUTION, LEADING SUSTAINABILITY
“Sustainability management is not just a natural course of action for us as a company but itself is a critical strategy that will determine our survival in the future.”

Q. WHAT IS THE BACKGROUND AND SIGNIFICANCE OF YOUR SUSTAINABILITY MANAGEMENT?
The most outstanding change in the global business environment would be that we are dealing with fundamentally different stakeholders today. Such fundamental changes in the level of expectations and demands of stakeholders are clearly demonstrated in increasing demand for sustainability management and corporate social responsibility. If you fail to be quick in responding to this emerging trend, you will lose your ground and disappear in the end. In 2009, we started enterprise-wide sustainability management initiatives and set our vision of becoming Innovative Technology Partner. We are pleased and proud to say that, despite the global financial crisis and economic difficulties last year, we were able to post continuous growth, create jobs, and contribute to local economies directly and indirectly. In addition, our efforts to help employees develop their capacities and increase investments on R&D activities led to quality products and improved customer satisfaction. We will not stop here and strive to build sustainability into our corporate DNA by listening to stakeholders and incorporating their opinions into our management practices.

Q. WHAT ARE THE FOCUS AREAS OF YOUR SUSTAINABILITY MANAGEMENT AND CORE ELEMENTS OF ITS ACTION FRAMEWORK?
We identified focus areas that are material both in terms of stakeholder interest and impact on business through stakeholder dialogue and internal/external environment analysis last year. Out of 180 issues, we selected 6 focus areas (Integrated Sustainability Management, Economic and Social Value Creation, Community Involvement and Development, Green Management, Employee Value Enhancement, and Integrated Risk Management) and 23 corresponding core managerial issues. We also set up the Sustainability Management Steering Group, a company-wide sustainability management consultative body, to take the initiatives and make progress in putting SM into action.

One of the most important key factors for successful sustainability management is top executives’ leadership, eagerness and proactive participation. Our top management including myself, is aware of the importance of sustainability management and will do our best to make our business and management practices more sustainable. In particular, we will make sure that our organization structure and business process are organically intertwined with each and every business activity that we perform so that our employees can deal with Sustainability Management issues as part of their daily jobs and make achievements continuously.

Q. WHAT ARE THE KEY DIRECTIONS AND GOALS FOR YOUR 2010 SUSTAINABILITY MANAGEMENT?
In 2009, we focused on building a basic framework for integrated sustainability management in order to make our value chain more sustainable and our products more environmentally friendly. In 2010, our top priority is to carry out sustainability management across the entire enterprise and improve stakeholder satisfaction in every business division. We identified our primary stakeholders as Customers, Employees, Business partners, Local communities, and Earth and Ecology and our secondary stakeholders as Central and Local governments, Shareholders and Investors. We are currently creating diverse online and off-line communication channels with stakeholders in every aspect of our business activities. I believe true sustainability management starts with building trustworthy relationships with stakeholders. Every sustainability management activity at LS Mtron will be based on dialogue and consultation with stakeholders. I am confident that it will make our corporate culture healthy and open-minded and result in sustainable performance and new business opportunities.

Q. WHAT ARE THE FEATURES AND SIGNIFICANCE OF YOUR SUSTAINABILITY MANAGEMENT REPORT?
Our first Sustainability Management Report is differentiated in that it redefines our responsibilities based on analysis of expectations and demands of various stakeholders, presents detailed improvements to be made for each managerial issue, and offers practical guidelines for future Sustainability Management activities. The most outstanding feature is that this report shows our specific commitments to sustainability management in a concrete manner, based on progress that we made on core managerial issues and reestablishment of our responsibilities, rather than briefing our past achievements matter-of-factly. This report will help our stakeholders to figure out how issues of their interest have been and will be addressed in the future. The target audience of this report is ‘you’ as a reader. I hope that readers of this report would be able to appropriately evaluate our activities for Leading Solution, Leading Sustainability that we are so sincerely and passionately devoted to. I would like to ask for your continued support and interest.

Thank you.

Jae-Seol Shim, President and CEO
Memory of LS Mtron

We keep in our heart the heavenly smile of our children.

LS Mtron, a company that places tremendous value on nature and humans and the world where we live, is now embarking on the future.

2009 Sustainability Management Overview
- SM Materiality Analysis
- Establishment of SM Steering Wheel
- Stakeholder Identification and Engagement

Six Sustainability Management Focus Areas
- Main Achievements and Commitments in Each Focus Area
2009 Sustainability Management Overview

Sustainability Management Materiality Analysis

We started building our own sustainability management system in 2009 and carried out materiality analysis in 6 steps. LS Mtron made a SM-related managerial issue pool in accordance with national and global CSR(Corporate Social Responsibility) and Sustainability standards, guidelines and regulations. Moreover, we conducted analysis of internal and external business environments to identify our primary stakeholders and SM managerial issues. We also analyzed those identified SM managerial issues in terms of stakeholder interest and impact on our business and finalized 6 SM Focus Areas and 23 managerial issues. This materiality analysis process to identify LS Mtron’s primary SM focus areas and key managerial issues provided the fundamental bedrock of our SM system.

Step 1
Setting up SM Issues Pool

- Analyze domestic and international standards and guidelines
  → SM issue list-up

Step 2
Analyzing Internal and External Business Environment

- Analyze our capability to respond to these issues and frequency of issue occurrence
- Analyze how competitors and leading companies respond to their SM issues
  → Identify stakeholders and SM issues

Step 3
Assessment of Stakeholders’ Interests

- Stakeholder survey and dialogue
- Website analysis
- Media analysis
- Feedback from the external SM specialists

Materiality Matrix

In order to identify 6 Focus Areas, we assessed SM issues that were selected by analyzing internal/external business environments(Step 2) in terms of interest of stakeholders(Step 3) and potential impact on business(Step 4). These 6 Focus Areas represent SM issues that should be addressed on a company-wide level and our SM report primarily dealt with them, offering sufficient information to stakeholders.
Step 4
Assessment of Impact on Our Business

- Review by employees and top management
- Review by outside experts
- Analyze industry and management trends of competitors and leading companies both at home and abroad
- Analyze KPIs
- Analyze domestic and international Socially Responsible Investment (SRI) trends

Step 5
Identification of LS Mtron’s Focus Areas

- Establish the SM Steering Wheel (identify 6 focus areas and 23 managerial issues)

Step 6
Establishment of Integrated Sustainability Management System

- Establish role & responsibility and set targets & commitments in each focus area
- Build SM reporting system and work on reporting

Internal and external data collection period: January 1~December 1, 2009 (same as the reporting period)

Establishment of SM Steering Wheel (Identification of LS Mtron’s 6 focus areas and 23 managerial issues)

LS Mtron operates the SM Steering Wheel as a company-wide sustainable development direction and managing tool. In 2009, we identified 6 SM focus areas and 23 managerial issues and established targets, commitments and action plans of each focus area and issue. The SM Steering Wheel is operated on a yearly basis. It is reviewed and modified every year through materiality analysis.
We strive to create close relationships with various stakeholders and satisfy their changing expectations and demands in every place we do business. We identify customers, employees, business partners, local communities, and earth and ecology as primary stakeholders, and central/local governments, NGOs, shareholders, and investors as secondary stakeholders. In particular, we set up a 5-stage process for stakeholder communication to listen to their voices and carry out materiality analysis. We also have regular communication channels both online and offline with stakeholders in order to incorporate their ideas into our business activities.
Main Stakeholder Engagement Activities 2009

Customers: Event for Buyers in the Air-conditioning Division

Employees: Meeting to Promote Labor’s Participation and Cooperation in Management and Mutual Cooperation

Employees: Dialogue with CEO

Business Partners: Meeting in the Automotive Component Division

Earth/Ecology: Meeting with the Urban Environment Committee of Local Agenda21 for Anyang City

Customers: Customer Event in the Tractor Division

We collect opinions of stakeholders through regular communication and dialogue processes. At the same time, we endeavor to find managerial issues and to integrate them in our management actions. In the future, we will emphasize and enhance communication process with stakeholders. In order to achieve this, we will encourage various stakeholders to participate more in the process of SM reporting, thereby increasing reliability of the report contents.

Expectations and Demands of Shareholders

Customers
- Emphasize Customer satisfaction and responsibility (quality, product liability, customer safety)
- Active communication and disclosure of complete information
- Encourage customer participation in business and managerial activities

Employees
- Improvement of working environment (ESH, labor-management relations, human rights, labor practices)
- Competency development of employees / Work & Life Balance
- Participation, Communication and information requests

Business Partners (Supply Chain)
- Improvement through win-win business partnerships
- Risk Management / Fair-Trade

Local communities
- Dialogue and communication
- Participation in and development of local communities / social contribution
- Direct and indirect community economic development

Earth/Ecology
- Manage environmental impact of products and manufacturing process
- Actions for climate change and greenhouse gas emission reduction
- Emphasize environmentally friendly products and services

Central/Local governments
- Transparent tax payments
- Disclosure of truthful and transparent corporate information
- Support of and participation in government policies and regulations

NGOs
- Active response to social and environmental demands and concern (Corporate governance, Environment Management, Human rights and labor practices Social contribution, Management Ethics, Information Disclosure)

Shareholders/Investors
- Risk Management / Maximize shareholder value
- Responsible Management / Business Ethics
- Transparent and reliable disclosure of company information
Six Sustainability Management Focus Areas

In 2009, we promoted various activities in each department and site in the 6 SM focus areas that were selected by materiality analysis. Based on the continuity and completion of these activities, improvement targets and commitments for 2010 were chosen.

Integrated Sustainability Management
We strive to become a company that fully meets its social responsibilities. To achieve this goal, we are to incorporate SM into our entire management practices in a strategic manner and ensure integrated performance management in operating our SM system and offer the greatest-possible values to core stakeholders including our customers.

Main achievements in 2009
• Establishment of SM system
• Establishment of SM Principles and Action Guidelines
• Selection of working/manager-level employees in charge of SM and identification of corresponding roles
• Definition of Roles & Responsibilities for all focus areas
• Development of SM self-diagnosis model

Main goals for 2010
• Management of SM system
• Management of SM Steering Group and Sustainability Report Editorial Meeting
• More communication with core stakeholders
• SM training for executives and employees
• Operation of self-diagnosis and performance disclosure

Economic and Social Value Creation
We became aware that our business activities are closely related to interaction with the domestic economy and communities. By promoting managerial innovation together with internal and external stakeholders, customer satisfaction and quality enhancement, a win-win relation is established with business partners. We are to strive to create sustainable values.

Main achievements in 2009
• Securing competences to carry out innovation activities
• Expansion of innovation activities into business partners
• Conclusion of fair trade agreements with subcontracting companies
• Creation of LS Mtron Win-Win Cooperation Fund of ¥10 billion
• Quality-Partner system with business partners
• Continuous promotion of customer satisfaction activities

Main goals for 2010
• Verification and strict monitoring of innovation performance
• Diffusion of innovation activities into sales and marketing areas
• Enhancing SM evaluation and management of business partners
• Expansion of Win-Win partnership program
• Regular communication with business partners
• Maintaining and operating quality management system
• Improvement of customer communication

Community Involvement & Development
We aim to make this world a better place filled with love. We will fulfill our social responsibilities as a company, proactively carry out social giving activities to ensure mutual growth with local communities where we do business and encourage our employees to take part in our corporate philanthropic initiatives voluntarily.

Main achievements in 2009
• Establishment of Managerial framework for social contribution
• Mapping out strategy for corporate philanthropy
• Promotion of social giving activities and creation of DB of relevant information
• Establishment of communication channel for local communities

Main goals for 2010
• Promotion of social giving activities abroad
• Communication with local communities
• Performing social giving activities in Korea
• Performance disclosure of corporate philanthropic activities
Green Management

We continuously develop SM methods and related environmental regulations to become a fully responsible and sustainable business entity. Along with this, we respond to climate change and develop environmentally friendly products to be a global environmentally friendly leader in high-tech component and industrial product business.

Main achievements in 2009
- Establishment of Green Management Policy
- Acquisition of Carbon Footprint Certification Label (Air-Conditioning: Heat Pump)
- Establishment of environmentally friendly design process for products Certification of Integrated ESH Management system
- Designation by the government as Green Business (Jeonju site)
- Establishment of Green Management investment & development process

Main goals for 2010
- Set up greenhouse gas inventory (domestic)
- Improvement of HR system to secure quality talents
- Appointment of local employee as head of overseas subsidiary (LSTA)
- Establishment of the labor-management committee
- Establishment of integrated risk management issues
- Improvement of chemical substance management and safety training at all employee levels

Employee Value Enhancement

We consider employees as important stakeholders and sources of corporate value creation and as such, aim to provide them with a safe and decent place to work, establish fair policies and rules for outstanding human resources, and encourage continuous competency development and participation in dialogue, offering them with the basis for sustainable development.

Main achievements in 2009
- Improvement of HR system to secure quality talents
- Appointment of local employee as head of overseas subsidiary (LSTA)
- Competency development and management of training programs for executives and employees
- Establishment of the labor-management committee
- Establishment of international labor standard compliance process
- Offering health programs for employees

Main goals for 2010
- Improvement of HR policy for overseas employees (domestic and overseas subsidiaries)
- Nurturing competent talents (mid-and long-term training)
- Strengthening management processes in accordance with international labor regulations
- Improving of chemical substance management and safety training at all employee levels

Integrated Risk Management

We have established the Integrated Risk Management System to respond to the Sustainability management issues as the risk, not to mention financial risks. We plan to strive for a greater financial performance by visualizing risks and losses for stakeholders and value opportunities for them.

Main achievements in 2009
- Identification of Integrated Risk Issues
- Establishment of Integrated Risk Management System and Process
- Constant risk management activities

Main goals for 2010
- Identification and analysis of integrated risk management issues
- Enhancement of Integrated Risk Management
- Training of executives and employees and establishment of communication plans
- Promote risk response activities on a constant and mid-term basis

We will fully commit ourselves to these goals and present comparable results.
Quantitative Data in 6 Focus Areas 2009

Integrated Sustainability Management

<table>
<thead>
<tr>
<th>Selection of managerial issues in each Focus Area</th>
<th>23</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of SM Steering Group meetings</td>
<td>3</td>
</tr>
<tr>
<td>No. of participants in SM Steering Group Meetings</td>
<td>20 teams/31 persons</td>
</tr>
<tr>
<td>No. of training sessions of Sustainability Report Editorial Committee</td>
<td>5</td>
</tr>
</tbody>
</table>

Economic and Social Value Creation

<table>
<thead>
<tr>
<th>Creation of economic values through innovation activities</th>
<th>₩16.8 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Management Innovation tasks carried out 1)</td>
<td>98</td>
</tr>
<tr>
<td>No. of key employees related to innovation activities</td>
<td>79</td>
</tr>
<tr>
<td>No. of innovation activity suggestions made by employees</td>
<td>16 per person</td>
</tr>
<tr>
<td>No. of theme tasks completed by quality circles</td>
<td>113</td>
</tr>
<tr>
<td>No. of meetings with business partners for regular communication 2)</td>
<td>15</td>
</tr>
<tr>
<td>Investment in win-win programs with business partners</td>
<td>₩940 million</td>
</tr>
<tr>
<td>No. of supported innovation activities of business partners</td>
<td>17</td>
</tr>
<tr>
<td>No. of ethical management diagnosis carried out (survey of business partners)</td>
<td>183 companies</td>
</tr>
<tr>
<td>Reductions in quality factor failure cost</td>
<td>₩2.6 billion</td>
</tr>
<tr>
<td>Production sites with quality management certification (ISO 9001, ISO/TS 16949) (%) (incl. overseas subsidiaries)</td>
<td>88% (7/8)</td>
</tr>
<tr>
<td>Loss rate due to customer dissatisfaction (loss amount due to customer dissatisfaction ÷ sales x 100)</td>
<td>0.48%</td>
</tr>
<tr>
<td>No. of meetings with customers for regular communication 3)</td>
<td>18</td>
</tr>
</tbody>
</table>

1) Including all innovation activities such as Big Y, 6 Sigma, LPS, VE, etc.
2) Meetings and business presentations with business partners
3) Customer interviews, customer satisfaction events, etc.

Community Involvement & Development

| Development of and participation in local communities(social giving activities) | ₩260 million |

Green Management

<table>
<thead>
<tr>
<th>ESH Management System(ISO 14001, OHSAS 18001)-certified business sites 1</th>
<th>100% (4/4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in Green manufacturing process 2</td>
<td>₩650 million</td>
</tr>
<tr>
<td>Amount of direct, indirect greenhouse gas emissions</td>
<td>87,551 t-CO2</td>
</tr>
<tr>
<td>Water reuse rate</td>
<td>55%</td>
</tr>
<tr>
<td>Waste recycling rate</td>
<td>74%</td>
</tr>
</tbody>
</table>

1) Regarding 4 domestic production sites (Jeonju, Jeongeup, Anyang, Indong)
2) Green manufacturing investments cover improvements made in air/water quality and manufacturing process
### Employee Value Enhancement

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total No. of executives and employees (domestic)</td>
<td>1,472</td>
</tr>
<tr>
<td>No. of newly hired employees (male/female)</td>
<td>167 (145/22)</td>
</tr>
<tr>
<td>Female executives and employees</td>
<td>48 (3.3%)</td>
</tr>
<tr>
<td>Handicapped employees</td>
<td>35 (2.4%)</td>
</tr>
<tr>
<td>No. of locally hired employees</td>
<td>833</td>
</tr>
<tr>
<td>No. of hours spent on competency development by executives and employees per year</td>
<td>145 hours/person</td>
</tr>
<tr>
<td>No. of participants in ethical management training</td>
<td>916</td>
</tr>
<tr>
<td>No. of industrial accidents</td>
<td>2 (0.127%)</td>
</tr>
<tr>
<td>No. of unionized employees</td>
<td>611 (41.5%)</td>
</tr>
<tr>
<td>No. of collaborative meetings held for improvement of labor-management relations</td>
<td>53</td>
</tr>
</tbody>
</table>

* Excluding part-time and expatriate workers
1) No. of employees at overseas subsidiaries and branch offices except for Korean business sites
2) Committee meetings to improve participation and collaboration, labor-management working-level meetings, and occupational safety and health committee

### Financial Performance (Unit: KRW million)

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>691,514</td>
</tr>
<tr>
<td>Operating profit</td>
<td>33,288</td>
</tr>
<tr>
<td>Net loss</td>
<td>4,215</td>
</tr>
<tr>
<td>EBITDA</td>
<td>71,143</td>
</tr>
</tbody>
</table>

### Creation and Distribution of Financial Values

**Created Value**

- Sale: 691,514
- Non-operating income: 32,492
- Products and service expenses\(^1\): (524,858)
- Other expenses\(^2\): (56,578)
- Depreciation costs, etc.\(^3\): (37,855)

**Total Created financial values\(^4\)**: 104,715

**Distributed Value**

- Labor costs (Executives and employees)\(^5\): 88,045
- Tax & Public Dues (Government)\(^6\): 3,824
- Donations (Local communities): 117
- Cost of capital (Creditors): 12,729

**Total Distributed financial value**: 104,715

### Research funds

- 1,587

### Development expenses

- 5,208

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1) Expenses for all products and services of company business
2) Non-operating expenses excluding interest expenses and donations
3) Total depreciation costs and amortization of intangible assets included in cost of sales and expenses for sales administration
4) Created financial values exclude purchase and service expenses of business partners
5) Salary + Retirement Payment + Benefits
6) Tax & Public Charges + Corporate Tax
Miracle of LS Mtron

We tell people about nature’s wonder.

LS Mtron, reviving the meaning of a fertile land, transforms nature’s wonder, conveyed through the wind, into living convenience.
Company Profile

LS Mtron was established in July 2008, when it was separated from the LS Cable, with an aim to strengthen its global competitiveness and core competencies in the fields of industrial machines and high-end components. We are to offer differentiated solutions to customers through excellent technology and quality. We contribute to society with our transparent and environment-friendly management and evolve into a company that grows together with customers and earns respect from society.

Our Corporate Vision

After the establishment of LS Mtron, we recognized the need to build a new corporate culture and declared our own corporate vision which would motivate our employees to be united as one and move towards common goals. All of our employees are to grow LS Mtron into a global company by sharing clear vision for the future and creating our own unique corporate image and also to fulfill their roles as a responsible member of the global community.

Declaration : LS Mtron is to pursue convenience and comfort for our customers and create a new future in the energy and environment fields.
Details : Create future and provide a wide range of quality values to customers
- Better and easier life : Tractor
- Clean air : Air conditioning
- Convenient life : Electronic/Automotive component, Electronic circuit materials, Injection Molding
- Focus on new business areas and environmental protection : energy and environment
Be a partner who helps customers make their dream come true with innovative creativity and reliable technology.

Core Values
- Trust and cooperation with customers
- Trust and respect among colleagues
- Drastic goals
- Positive attitude and confidence
- Powerful management execution
- Commitment to task
- Ownership and perseverance

Core Capabilities
- Most cost effective technology of the highest standard
- Advanced technology
- Leading provider of customer demand and market trends
- Ability to deal with the challenges promptly
- Establishing the culture of continuous innovation
- Understanding of global markets and customers
- Customer-leading initiative
- Differentiated values

Global Human Resources
- Professional + Craftsmanship
  - Continual self-development
- Open
  - Positive acceptance
  - Receptive to change
- Dynamic
  - Business process reengineering / Process innovation
  - Prompt decision making and strong execution

Organizational Structure

* Organization chart as of January 2010
Company Overview (as of December 31, 2009)

- Name of company: LS Mtron, Co., Ltd.
- Type of business: manufacturing business
- Address of head office: LS Tower 11th Floor, 1026-6 Hogye-dong, Dongan-gu Anyang-si, Gyeonggi-do
- Date of establishment: July 1, 2008
- CEO: Cha-Yol Koo, Jae-Seol Shim
- Total No. of employees: 3,618 (including invested companies)

2009 Management Highlights

- Business area
  - Machinery (Tractor, Air-conditioning, Injection molding, Special business)
  - Components (Electronic component, Injection molding, Ultra capacitors)
- Total sales: W1,1146 trillion (including invested companies)
- Total assets: W790.4 billion
- Capital: W443.3 billion, Capital adequacy ratio: 56%
- Debts: W347.1 billion, Debt to Equity Ratio: 78%
- Main exporting markets: China, USA, Europe, and Southeast Asia

Tractor Sales Subsidiary Set in the U.S.
Through direct sales to the US tractor market, the greatest tractor market of the world, we secured stability and growth at the same time and established a tractor sales subsidiary in the US in January 2009. With this, the company will strive to improve its brand image and make it to the top 5 in the North American market.

Win-Win Cooperation Agreement Signed with Business Partners
With signing the “win-win cooperation agreement” with small-to-mid-sized enterprises in March 2009, we provided the basis for improved partnerships with business partners through the agreement with Joelleubok-do, Jeon Buk Bank and Korean Technology Finance Corporation, we established a one-stop financial support system.

Winning the President’s Award in the National Quality Circle Contest
As a result of constant innovation activities, our Yong-Amy(Lava) Quality Circle of the Injection Molding Division won the Korean President Award as an improvement example in the Machinery and Metal Division of the National Quality Circle Contest.

Acquisition of Carbon Footprint Certification Label
Our Gas-Heat Pump (GHP) has obtained the Carbon Footprint Certification Label for the first time in the world in the air conditioning industry. It uses city gas and other clean energy sources to offer heating and cooling functions to offices and buildings. The company went through the strict examination process to earn the certification.

Labor-Management Win-Win Cooperation
Winning the Prime Minister’s Award
We won the Prime Minister’s Award for win-win labor management cooperation in December 2009. This award recognizes our efforts of creating a new labor management culture and the company will endeavor to set up a win-win labor-management culture in the future.

Ground-Breaking Ceremony for Tractor Factory in Qingdao, China
With an aim to post W3,000 billion in sales in the Chinese market and W1 trillion in total tractor sales by 2015, we held an ground-breaking ceremony of our tractor production facility in Qingdao, China. With the completion of the factory in Qingdao, China, we will put in place the basis for diversifying manufacturing facilities and global sourcing and marketing.

LS Mtron Corporate VisionDeclared in March 2009, we declared our own corporate vision to celebrate our new start and grow into a global company. The vision includes common goals, core values, core competencies and global talents which need to be shared across the company.

Sputtering FCCL the Prestigious Jang Yeong Sil Awards
Our development of the sputter type FCCL model name: LS-FLEX as Korea’s first and the world’s 3rd company, was awarded with the Jang Yeong Sil Award, which is the highest award in the field of technology presented by the Korea Industrial Technology Association.

LS Group Win-Win Cooperation and Fair Trade Agreement Ceremony
In October 2009, the “LS Win-Win Partnership and Fair Trade Ceremony” was held in the presence of representatives of 7 commercial affiliates and business partners. Together with financial institutions, we created the “credit support and equipment operating fund” worth W31 billion and a win-win fund worth W6 billion.

LS Mtron has set a new standard in the air conditioning industry. It uses city gas and other clean energy sources to offer heating and cooling functions to offices and buildings. The company went through the strict examination process to earn the certification.

Plus Model Tractor Winning the Good Design Award
The Plus-Model of the Agricultural Tractor Division received the Good-Design Award. It was also awarded with the Australian Design Award and would be recognized in Australia as well as in Korea. The Plus-model is leading the tractor design field on the global stage.
Corporate Governance

LS Group was transformed into a holding company on July 1, 2008 in a bid to raise management efficiency of its commercial affiliates and achieve a more stable responsibility management system of business divisions. LS Cable was split into LS Corporation, the existing holding company, and LS Mtron Ltd., and LS Cable Ltd., the newly created commercial affiliates. Accordingly, legal and financial independence is now strengthened while each business is with the appropriate decision making system and organizational culture. Currently, the holding company possesses 100% of LS Mtron’s shares and LS Mtron is not listed on the stock market.

Board of Directors

LS Mtron’s Board of Directors is the highest decision-making body within the company. The directors fulfill the duty of care as a manager in good faith in conformity with commercial laws. The board of directors consists of 3 inside directors and 1 auditor.

Six board of directors meetings were held in 2009, where 14 matters were deliberated including the mid-term strategy for 2009, tractor investment in China and establishment of the Shenzhen branch. The average participation rate was 91%, and the compensation for board members is provided within the limits of compensation for directors in conformity with the regulations.

Organization of Board of Directors

<table>
<thead>
<tr>
<th>Classification</th>
<th>Name</th>
<th>Gender</th>
<th>Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inside directors</td>
<td>Cha-Yol Koo</td>
<td>male</td>
<td>CEO&amp;chairman and chairman of the board</td>
</tr>
<tr>
<td></td>
<td>Jae-Seol Shim</td>
<td>male</td>
<td>President, CEO</td>
</tr>
<tr>
<td></td>
<td>Ki-Won Nam</td>
<td>male</td>
<td>Director, CFO</td>
</tr>
<tr>
<td>Auditor</td>
<td>Soo-Hong Lee</td>
<td>male</td>
<td>Auditor</td>
</tr>
</tbody>
</table>

Stockholder

LS Corp. holds 100% of LS Mtron’s stocks (9,000,000 shares of common stocks), as of the end of 2009 with no preferred stock issued.

List of Stockholders

<table>
<thead>
<tr>
<th>Stockholder</th>
<th>Type of stock</th>
<th>Number of shares</th>
<th>Value</th>
<th>Stockholding ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>LS Corp.</td>
<td>Registered common stock</td>
<td>9,000,000</td>
<td>45,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

SM Management and Responsibilities

We established a SM system for promotion and integrated management of SM. In 2010, the SM Committee established by the board of directors and managers has been up and running at the highest decision-making level. The board of directors in charge of the SM Committee complies with the SM principles and management regulations. (Integrated SM system on pages 35, 56)

Establishment of Advanced Decision-Making Process

Being fully aware that the board of directors’ proper decision making leads to corporate sustainability, we strive to establish an advanced governance system that enables stakeholder communication and participation.

In 2008, the on-site meetings turned into a regular communication channel to improve participation of and cooperation among employees, along with operational training and on-site ESH management training. In 2010, plans are underway to expand the communication channels with stakeholders; for a future IPO, while policies and systems are expanded and strengthened, e.g. operation of a candidate recommendation committee and selection of an auditor.
Management Ethics

In 2009, we established Management Ethics as the main driver of our ethical management. Various activities unfolded to inspire the ethical awareness among employees by the management ethics training with the display of ethical advertisement on the company’s intranet and organization of practical programs to enhance the execution capacity based on ex-post evaluation and monitoring. Management ethics will be propagated continuously down the road while keeping pace with the further upgraded corporate SM initiative and the corporate ethical culture.

LS Mtron’s Management Ethics Guideline

LS Mtron’s Management Ethics Statement:
Focus Areas
To improve sustainable growth and corporate values, we have, with regards to the decision-making of employees, cultivated human ethical consciousness to fulfill the vision of becoming an Innovative Technology Partner by forging transparent and fair stakeholder relations.

Programs and Activities

<table>
<thead>
<tr>
<th>Title</th>
<th>Details</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethics Counseling</td>
<td>Ethical problems (conflict, dilemma) and corporate ethics problems are discussed and solution presented</td>
<td>Corporate cyber training</td>
</tr>
<tr>
<td>Office</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simnungsing (Whistle</td>
<td>Opportunities to propose, criticize LS Mtron’s managerial activities</td>
<td>Complaints received and Happy Call in operation</td>
</tr>
<tr>
<td>Blowing)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clean Company</td>
<td>Voluntarily reporting all unavoidable giving and taking</td>
<td>Reporting and sending -off measures</td>
</tr>
</tbody>
</table>

Efforts to Promote Expansion and Participation of Business Partners

In the name of the CEOs, LS Mtron publishes an official document about management ethics in the sales system directed to its business partners and firmly insists on the observation of the company’s management ethics. Furthermore, our management ethics levels are evaluated by our business partners every year and, the results are transformed into action plans to inspire and promote the ethical awareness of employees.

Internal Control Activities

To strengthen our corporate ethics and act in conformity with business processes, various internal control activities are performed. With an electronic tendering system of the sales department, effectiveness and transparency are secured. Regular internal control activities are performed in each business and functions of the corporation by an audit, processes are improved and business risks mitigated in advance.

Responses to Management Ethics Violations

Upon violation of Management Ethics, the violation acts thereof are reported by the stakeholders under due procedure. The solution is confirmed and forwarded through Happy Call of the management ethics Executive Office. Violations are, according to the internal regulation of the employee’s corporation, subject to disciplinary punishment.

LS Mtron’s Management Ethics web-site:
http://ethics.lsmtron.co.kr/rule/law.asp

Management Ethics Expansion and Prevention of Unethical Behaviors

Enforcement of Management Ethics Training for Employees
To raise the awareness of management ethics and improve execution abilities for the establishment of the global management system, management ethics training for employees was underway. In 2 training sessions, 916 employees completed the Management Ethics training (including training on the spread of the Code of Ethics); in addition, Management Ethics education was organized for our (including its affiliates) 73 new and existing employees.

Stronger Enterprise-wide Expansion and Employee Participation
To promote ethical awareness, postings on ethics are regularly posted along with e-ethical messages. As such, various ethics cases and messages are shared for employees to practice management ethics.

LS Mtron’s Management Ethics web-site:
http://ethics.lsmtron.co.kr/rule/law.asp
Introduction of Business

Tractor

Best technology for the world’s farm We tout the key technologies and the expansion of overseas marketing through continuous research and development as the world-class brand for agricultural machinery.

LS Mtron’s Tractor Division is capable of producing over 20,000 tractors per year. With a high-tech manufacturing facility and the world’s best quality and design, we not only secure customers of the Korean market, but also grow continuously with high speed by more than 30% in overseas markets. LS Mtron’s tractor, which is known as a high quality brand in medium and small-size tractors on the global market, experiences a continuous growth on high-end markets in North America and Europe. Recently, we released PLUS Models with 60 to 100 HP and compete with prominent tractor companies. Additionally, there is the Sub-compact tractor with 25 HP. We cater to various demands of customers as a powerful tractor company both in our name and reality.

Machinery Division

LS Mtron’s tractors pushing automated farming and industrial farming ahead, world-class air-conditioning system with the top technology and injection molding machines, our Leading Special Business Division for global defense industry – they all lead to a more convenient life.

Our industrial machines show our desire to create a better world with even more convenience and effectiveness. We believe in the machinery that makes your life happier.

Air Conditioning

Pleasant and healthy rooms during all 4 seasons with environmentally friendly high-tech technologies. From Turbo Freezer for nuclear power plants to individual heating, cooling systems; LS Mtron leads the freezing, air conditioning industry by various freezing, air conditioning systems.

As a leading company in refrigerating, air conditioning, we provide total solutions of air conditioning systems and fan coil units, cooling tower, thermo-hygrostats, etc. besides Turbo freezer, absorption chiller-heater and air conditioner. Based on all accumulated technology and experience, a freezer with the largest capacity in Korea and a high pressure 2 level Turbo Freezer were developed. In addition, with the development of the environmentally friendly R-410A GHP, the company takes the lead in the development of eco-friendly products and creates a new future in the field of energy-environment. Recently, through the acquisition of the ASME, ‘N’Stamp certification, where the highest quality is demanded, LS Mtron was able to raise reliance globally. Furthermore, it provided the Motor City Project (Dubai), the largest area cooling system of the middle east, with a 2,500 RT Turbo Freezer and was acknowledged for quality and technology. We focus on the development of high efficiency, large-capacity products while improving their global competitiveness.
Creating green and comfortable world

INNOVATIVE TECHNOLOGY PARTNER

Injection Molding

Injection molding machines that mold the dream of a convenient future and beautiful environment. LS Mtron's injection molding machine is a large molding machine with precision and quick cycle times, high efficiency, and eco-friendliness. It is acknowledged for its quality and technical capability.

Our Molding System Division is leading the industry in Korea and manufactures 30 to 4,500 ton injection molding machines based on 40 years of history and technical expertise. Electromotive molding machines of 30-550 tons adopted a new control method to manufacture precision molding products at a higher speed; compared to the existing hydraulic machines, and the products are energy-efficient and eco-friendly. By continuous development, we provide customers with ultra large molding machines with new molding methods (Tandem Mold, Multi Material) and precision forming Hybrid molding machines. Release of a molding system with integrated Hi-Cycle forming technology and automated network control systems is planned for the future. Furthermore, as a future growth factor, we expand our business areas from injection molding to special molding machines, robots, molding, etc. to provide a total solution and become a powerful global corporation in the field of molding.

Special Business

Our Leading Special Business Division for global defense industry. Military combat vehicles like tanks, armed vehicles and self-propelled artillery support loads of 13 to 55 tons receive power from the engine, and provide traction power. Therefore, the vehicles are able to provide a smooth ride on various rough grounds. Caterpillars are the core products to ensure mobility for combat vehicles. Our caterpillars take the lead of the global defense industry.

We started the domestic development of caterpillars in 1975, and have been providing the Korean military for over 30 years with products with leading technology. Corresponding to the variety of needs of the customer, new caterpillars are designed and manufactured. Presently, various caterpillars are not only used in Korea, but also exported to many countries of the world. According to the current trend, newly developed caterpillar that are light weighted and highly durable are found on the market. The quality of our products is well acknowledged worldwide.
Component Division

Limitless possibilities are found in our small and lightweight components. Smaller, lighter and more convenient components rule the world. High-tech electronics, connectors in information technology devices, various circuit boards and lithium-ion batteries, FCCL, rubber hose for automobiles, energy storage new generation devices-ultra capacitors, etc. are now the bases for the electronic and information technology industries. Our numerous core components accompany us every day.

Electronic Components

Alpha and omega of the future ubiquitous era and generation. We manufacture core high-tech components like connector, antenna, etc. for TFT-LCD/PDP for mobile phones.

We provide solutions for mobile phone and FPD connector with accumulated technology and expertise. The B2B (Board to Board) connector for mobile phones is a product of high quality in conformity with various standards. FPC connector for mobile phones are a high-end product, which reflects the leading technical capacity of LS Mtron. Furthermore, FPD connectors have the advantage of a minimized structure by injection molding and are delivered to major corporations around the world. Antennas have an infinite market (RFID, HSDPA, mobile, homenet, WiBro DMB). LS Mtron concentrates on promoting existing technologies and capabilities combined with LS Mtron’s materials and adhesive technologies.

Electronic Circuit Materials

Core technology for division of electronic circuits, batteries and display. Based on our core technologies, electrodeposited-plating, sputtering, coating & laminating, foils, special copper foils and films for electronic circuits were developed and manufactured. With this, we contribute to producing high-tech devices and multi-functions.

With the growth of the electronic industry (mobile phones, notebooks, HEV secondary battery, the market of battery foils, special foils for mobile phones and displays as well as special foils for semiconductor package and special copper foil has expanded. We have expanded our capacity with 6μm battery foil, 9μm foils and carrier foils under 3μm, etc. Based on the foil manufacturing technology, the company has become a global player for battery foils and special copper foils. Sputtering type FCCL (Flexible Copper Clad Laminate) is the core material for mobile phones, displays, etc. As the first in Korea and the third in the world, We have succeeded in the mass production and sales. Our FCCL provides a variety of line-up; including double-sided coated and semi-additive products.
Automotive Component

Automotive Rubber Hose that ensures excellent safety. We manufacture a variety of hoses for high and low pressure with excellent technology and high-tech equipment installed in an vehicle to transmit hydrodynamics or oil pressure. Our automotive rubber hoses ensure high quality and safety and provide customers around the world with reliable services.

The Automotive Component Division of LS Mtron currently offers various automotive hoses like the Brake Hose Power Steering Hose and general hoses, etc. To respond to the technical change of eco-friendly and high-efficiency vehicles, the ultralow Brake Hose was developed. To satisfy the EURO V standards, the first CAC (Charged-Air Cooler) Hose Line in Korea was expanded to lead the market. Since branching out in 1998, the company has supplied not only to domestic vehicle companies, like Renault Samsung, Hyundai-Kia, and GM Daewoo, but also abroad in China, India, Iran, etc. At present, it is Tier 1 supplier for global automotive manufacturers such as GM Chrysler.

Ultra Capacitor (UC)

Our Ultra capacitor is a next-generation excellent energy storage device that leads the energy market. Ultra capacitors can be used at a temperature range of -40 to 65 degrees Celsius in power backup, auxiliary power and momentary and peak power compensation.

LSUC is mainly used in UPS and various electronic devices, wind power, hybrid busses and fuel cell vehicles, etc. Areas of usage are continuously expanded from energy efficient products to new generation renewable energy sources. Our Ultra Capacitor primarily cares about the environment with not only the manufacturing process including raw material of UC, but also the design of the product that is eco-friendly.
Moving of LS Mtron

A small step changes the world

A small step of every individual creates huge strides for the human race. LS Mtron is cheering on the small moves that change the world.

Our Sustainability Management Focus Areas

- Integrated Sustainability Management
- Economic and Social Value Creation
- Community Involvement and Development
- Green Management
- Employee Value Enhancement
- Integrated Risk Management

Definitions and explanations of reporting for 6 Focus Areas and 23 Managerial Issues

We established a Managerial Framework and Action Framework for each of the 6 focus areas and consider the SM initiatives with mid and long-term perspectives. The Managerial Framework consists of our Statement of the Focus Area, Mid-term Key Managerial Issues, Mid-term Roadmap, Operation Principles and Action Guideline and Action Structure.

Within the Action Framework, 23 managerial issues have their own Issue Code, their performances evaluated and action plans continuously established. Each managerial issue requires a different target and period depending on its characteristics and the content behind it.

Issue Code of Focus Areas
- Integrated Sustainability Management : IS
- Economic and Social Value Creation
- Management Innovation Activities : IA
- Sustainable Value-chain Management & Win-Win Business Partnership : SP
- Customer Satisfaction & Quality Management : CS
- Community Involvement & Development : CD
- Green Management : GM
- Employee Value Enhancement : EV
- Integrated Risk Management : RM

Performance evaluation and action plan for each Managerial Issue(Achievements / Targets and Commitments)

● : Policy and system, or issues that were achieved within the reporting period
○ : Policy and system, or issues that were Partially Achieved within the reporting period and are planned to be achieved in the following year
☐ : Strengthen capabilities, communication, monitoring, etc. Issues that were raised throughout the year and need continuous initiatives.
Integrated Sustainability Management

- Establishment of Integrated Sustainability Management Framework
- Establishment of Roles & Responsibilities of Each Focus Area
- Enhancement of Employee Awareness about SM

Operation of SM Steering Group

We have been operating the SM Steering Group meeting bimonthly for company-wide SM initiatives and helping sustainability take its firm root in the organizational culture. In 2009, all the steering group members from 20 different teams took and completed 3 discussion and training sessions on SM.

Employee Dialogue and Stakeholder Communication

We held regular dialogue with employees on SM as a part of our stakeholder communication activities in 2009. Through employee group discussions for each team and company-wide employee survey via the intranet, we had an opportunity to understand the expectations and needs of our employees and to set up our SM directions.
Integrated Sustainability Management

Managerial Framework

Our Statement of the Focus Area
We strive to become a company that fully meets its social responsibilities. To achieve this goal, we are to incorporate SM into our entire management practices in a strategic manner and ensure integrated performance management in operating our SM system and offer the greatest-possible values to core stakeholders including our customers.

Mid-term Key Managerial Issues
- Operating the integrated SM framework connected to key management strategies
- Embodiment of the Roles and Responsibilities in key teams in charge of the main areas
- Enhancing SM-related action competences among employees and integrating SM into practices

Action Structure
The SM Steering Group is to manage Integrated Sustainability Management systematically. The SM Steering Group is under the supervision of the SM Committee and supported by the SM Executive Office. The SM Steering Group sets strategic action plans for the 6 SM focus areas to manage related data for SM report and etc.

Operation Principles and Action Guideline
To maximize the corporate sustainable value and improve the company’s position on the global market, we actively apply Sustainability Management into our entire business practices. Therefore, the SM PDCA Cycle was established to lead Sustainability Management domestically and globally and for us to be fully respected by stakeholders.

Mid-term Roadmap
“Integrated Sustainability Management to build a Sustainable Value-Chain”

We aim to strengthen the corporate sustainable value chain and environmentally friendly product portfolio through the Integrated Sustainability Management System. Under the goal, LS Mtron will focus on enhancing the employee awareness of SM in practice and employee competency development as integrated sustainability management infrastructure in 2010.
As the Business Management & Planning team leader in charge of our overall SM, I am putting a lot of efforts in the corporate expansion of SM as an integrated part of corporate culture. These efforts result from the identification of core managerial issues through analysis of stakeholders’ expectations and demands, leading to core improvement. No doubt, we can support the development and strengthen the global competitiveness of our Sustainability. We will continue to do our best in various focus areas.

Sang-Min Lee, Team Leader | Business Management & Planning Team
Establishment of Integrated Sustainability Management Framework

Integrated Sustainability Management is one of the 6 focus areas. SM Principles and Action Codes as well as a business system were established for smooth operation of the framework. | SM : Sustainability Management, SM |

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SM Principles and Action Guidelines

**I. Purpose**
These SM Principles and Action Guidelines cover the basic principles to initiate our SM system. Under these principles and codes, our objective is to provide customers and stakeholders with the best value as the global leader in the machinery and components business.

**II. Integrated Sustainability Management System**

1. Establishment of Policies
   1.1 Integrated Sustainability Management Framework
   The SM Committee is the highest decision-making group in the management level. The SM Steering Group and Issue Sub-Committees are in charge of various actions for each Sustainability Management issue.
   1.2 Stipulation of Related Policies
   All Operation Policies and Action Guideline and systems related to SM, and all policies for each issue have to be stipulated and actively propagated.
   1.3 Regular Review and Improvement
   All established policies related to SM should be regularly reviewed by each division annually. Amendment is required if modification and complementation are necessary.

2. Regular Diagnosis and Monitoring
   We follow the global standards of SM and carry out one regular diagnosis every year and monitor through the SM Steering Group year-round.

3. Strengthening of SM Trainings and Awareness Building
   SM training program is planned every year for SM expansion and consensus building.

4. SM Report System
   The person in charge of corporate SM focus areas and managerial issues, regularly reports the activities and improvements to the SM Steering Group for core evaluation.

**III. Communication with Stakeholders and Keeping the Commitment**

1. Stakeholders Dialogue and Regular Communication
   With communication channels and dialogue plans throughout the year, opportunities for further communication are created. SM focus areas are reviewed, initiative directions set up, focus areas added and amended, and reports created.

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Establishment of SM Framework

For the focus areas and managerial issues that result from the core evaluation in 2009, we have established a framework. Our SM framework consists of the SM Steering Group, SM Executive Office, and SM Report Editorial Meeting. For an effective operation of the action team, the SM Steering Group consists of the team leader and 1 employee of each division. In alternating months, SM related issues are inspected under the supervision of the employee in charge. Furthermore, the Board of Directors and Managers are the highest decision makers (SM Committee) for SM-related matters through performance inspection and the authorization of core decisions.

The SM Executive Office performs the Corporate Integrated Managerial Abilities and consists of a team leader and one person in charge. The SM Report Editorial Meeting is established for the SM report writing after the SM activities are performed. It works under the supervision of the SM Steering Group and is regularly operated from November to February of the following year.

The SM framework sets up the interactive relation between business divisions, research and overseas corporations according to the Roles & Responsibilities of each division of the focus areas. It actually covers all duties directly connected with our performance, like customer response, local community involvement, workplace safety, development of eco-friendly items and improvement of manufacturing, etc.

* SM Principles and Action Guidelines (Full Version) : Please go to www.lsmtron.com
Our Sustainability Management: Operational Structure

Establishment of SM Action Framework

We established an annual action framework for the systematic SM initiatives and report. This process of the annual SM action framework is largely divided into: Stakeholders Dialogue, SM Initiative, Diagnosis and Assessment.

Stakeholders Dialogue Process

Stakeholder Dialogues are regularly organized in 2 sessions every year to cater to stakeholders’ expectations and demands from the first session and to provide commitment to the stakeholders in the second session. The SM diagnosis and assessment model specialized for LS Mtron was made in conformity with international standards and guidelines. Any new issues related to SM arising at home and abroad are added to the model after being checked by the SM Executive Office. Results of the SM assessment and stakeholder dialogues are reflected on focus areas and managerial issues of the SM Steering Wheel annually.

SM Initiative and Daily Management Process

The SM initiative is operated according to the results and goals of the focus areas and managerial issues by Roles & Responsibilities or each team. In alternating months, performance sharing and direction of improvement activities are decided and implemented. Each division and each supporting business department quarterly reports on Continuous Activity performance in writing. From November of each year, the Reporting System is established to check the SM Report for errors. Through the SM Steering Group, actions on each issue are shared and discussions about future improvement initiatives are held.

Stakeholder Dialogue Process and Annual SM Action Plan

<table>
<thead>
<tr>
<th>Activities</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder Dialogue Process</td>
<td>Review Focus Issues</td>
<td>Dialogue Planning</td>
<td>Stakeholder Dialogue (The First Session) (Identifying Stakeholders' expectations and demands)</td>
<td></td>
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<tr>
<td>SM Initiative and Daily Management Process</td>
<td>SM Steering Group Operation (Steering Group Meetings on alternating months)</td>
<td>Daily Business Initiative (Quarterly Performance reports)</td>
<td>Sustainability Report Editorial Meeting</td>
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</tbody>
</table>
IS2

Establishment of Roles & Responsibilities of Each Focus Area

For SM Initiatives, we established our Roles & Responsibilities according to the focus areas and clearly identified the responsible division. In charge of divisions on the Board Level Commitment is the SM Steering Group, which regularly evaluates activities and performances.

<table>
<thead>
<tr>
<th>Focus areas</th>
<th>Managerial Commitment</th>
<th>Core Roles &amp; Responsibilities</th>
<th>Board Level Commitment/ Responsible Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated Sustainability (IS)</td>
<td></td>
<td>Establishment of Integrated Sustainability Management Framework</td>
<td>Chief Financial Officer/ SM Executive Office</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Management of roles &amp; responsibilities of each focus area</td>
<td></td>
</tr>
<tr>
<td>Management &amp; Innovation Activities (IA)</td>
<td></td>
<td>Operation of Integrated Innovation Initiative System</td>
<td>Chief Strategy Officer/ Innovation Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customized Innovation Initiatives</td>
<td></td>
</tr>
<tr>
<td>Economic and Social Value Creation</td>
<td></td>
<td>Operation of Win-Win Partnership System</td>
<td>Chief Purchasing Officer/ Corporate Collaboration &amp; Prosperity Team</td>
</tr>
<tr>
<td>Customer Satisfaction &amp; Quality Management (CQ)</td>
<td></td>
<td>Operation of Quality Management System</td>
<td>Chief Technology Officer/ Quality Management Team</td>
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<tr>
<td></td>
<td></td>
<td>Strengthening Continuous Quality Competitiveness</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Communicating with Customers</td>
<td></td>
</tr>
<tr>
<td>Community Involvement &amp; Development (CD)</td>
<td></td>
<td>Establishment of Community Involvement &amp; Development Strategies</td>
<td>Chief Labor Officer/ Business Support Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Operation of Community Involvement &amp; Development Programs</td>
<td></td>
</tr>
<tr>
<td>Green Management (GM)</td>
<td></td>
<td>Operation of Green Management System</td>
<td>Chief Labor Officer/ Environment Safety Team</td>
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<tr>
<td></td>
<td></td>
<td>Response to Climate Change</td>
<td></td>
</tr>
<tr>
<td>Employee Value Enhancement (EV)</td>
<td></td>
<td>Developing environmentally friendly products</td>
<td>Chief Labor Officer/ Human Resource Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Operation of advanced ESH business sites</td>
<td></td>
</tr>
<tr>
<td>Integrated Risk Management (RM)</td>
<td></td>
<td>Advanced Human Resources Management System</td>
<td>Chief Financial Officer/ SM Executive Office</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employee Competency Development</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employee Participation and Communication</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employee Safety and Health</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Introduction of the Integrated Risk Management System</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employee Training and Strong Risk Response</td>
<td></td>
</tr>
</tbody>
</table>

Stakeholders Dialogue
It is to expand the scope of stakeholder communication to collect expectations and demands of various stakeholders. The first step consists of listening to stakeholders’ opinions, and the second, of announcing our commitment. We aim to integrate into its SM Action Framework as many opinions as possible.

SM Diagnosis and Assessment
We established SM Diagnosis and Assessment model and process. To collect performance evaluation and realization plan and to look for continuous improvements and weak points of each issue, the SM Integrated Diagnosis and Assessment Model was developed in 2009. The SM diagnosis and performance evaluation is to be carried out every November starting from 2010 and published in the SM report.
IS3

Enhancement of Employee Awareness about SM

We believe that the main driver of integrated management of SM is our employees’ proper understanding about SM and reflecting it on their work. We seek to strengthen systematic training and monitoring systems for consensus building among our employees and stronger capacity building.

Our SM 3T System

We established the SM 3T System to strengthen SM performance capacities of employees and to reflect business systems to increase performance capabilities.

Education (Training)

- Training to strengthen awareness and capacities
  - 1st step : General corporate education
  - 2nd step : Customized education by divisions, issues (Ethic/Environment/Local community Involvement/Win-Win)
  - 3rd step : Support education at overseas subsidiaries and SM investor education

Evaluation (Testing)

- Reflecting systemic evaluations on the SM training
- Conducting employees’ SM perception and immersion surveys, etc.
- Evaluating the SM level of overseas corporations and investors

Diagnosis and Monitoring (Tracking)

- Establishment of diagnosis process of each SM performance level
- Development of SM Integrated Diagnosis Model
- SM Reflection of corporate managerial diagnosis processes
- Reflection of individual or team goals/KPI

SM Corporate Training Initiative

Road map

We have established the roadmap for the enterprise-wide expansion of SM. In 2010, we will focus on greater employee awareness and consensus building on paving the way for SM.

Training on Stronger SM Capacity Building

To emphasize the SM Steering Group’s performance capability that leads our SM, monthly SM Workshop has been held since 4th quarter of 2009.

2010 Action Plans – IS3

Enhancement of Employee Awareness about SM

We believe that stronger capacity building and motivation through consensus building on SM among employees is the key success factor for SM. To this end, our customized courses for each step, duty, and issue will be up and running every year. Under the goal to expand the enterprise-wide awareness and consensus building on SM in 2010, our training courses for both office and technical employees will pave the way to motivate them towards SM and further boost their capacity building.
Economic and Social Value Creation

- Management Innovation Activities
- Sustainable Value-Chain Management & Win-Win Business Partnership
- Customer Satisfaction and Quality Management

Mtron 6 Festival
We held the Mtron 6 Festival in 2009 to share best innovation practices. It offered a good opportunity to our employees, affiliated companies, business partners and invested companies to celebrate one another’s achievements. By rewarding high-performers and engaging employees in innovation activities, we were able to lay the groundwork for an innovation culture.

Quality-Partner Selection
To ensure sustainable mutual growth with business partners, we selected top-performing suppliers as Quality-Partners. These companies were given certificates and their achievements were acknowledged. We aim to put more focus on our Q-Partners and offer various programs to them to create a virtuous cycle of mutual growth.

Quality Innovation Conference
We held the Quality Innovation Conference to share successes and failures of quality improvement and Voices of Customers. This event reminded our employees of the importance of product quality and customers once again. We pledge to pursue the best available customer satisfaction through continuous quality improvement initiatives.
Management Innovation Activities

Managerial Framework

Our Statement of the Focus Area
We aim to move beyond conventional ways of doing business and push ahead with customized innovation activities that are customer, practice and performance-oriented. All of our employees are to share innovative ways of thinking to respond to change and open a new future and become key drivers in creating economic and social values by putting in place a sustained innovation culture.

Mid-term Key Managerial Issues
• Establishment of an integrated system to strengthen innovative capabilities
• Economic value creation by developing custom-made Innovative Activities

Operation Principles and Action Guideline
We plan to nurture customized key talents in all function areas where we offer values to customers and bring about fundamental changes to the way we do business based on the philosophy to remove wastage. Each and every one of our employees ceaselessly endeavors to realize our vision by utilizing their capacities to create economic and social values.

Mid-term Roadmap
We plan to nurture customized key talents in all function areas where we offer values to customers and bring about fundamental changes to the way we do business based on the philosophy to remove wastage. Each and every one of our employees ceaselessly endeavors to realize our vision by utilizing their capacities to create economic and social values.

Action Structure
Our innovation initiatives are led by the Innovation Team within the Strategic Planning Division. We also have dedicated units or employees for innovation activities in each division, ensuring enterprise-wide consistency of our innovation initiatives.
Action Framework

2009 Achievements

<table>
<thead>
<tr>
<th>Issue Code</th>
<th>Managerial Issues</th>
<th>Related Activities</th>
<th>Achievements</th>
<th>Department In Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>IA1</td>
<td>Operation of Integrated Innovation Initiative System</td>
<td>Build LS Mtron 6, the customized management innovation model</td>
<td>●</td>
<td>Innovation Team</td>
</tr>
<tr>
<td>IA1</td>
<td>Operation of Integrated Innovation Initiative System</td>
<td>Promote innovative talents and obtain in-house capabilities to carry out innovation initiatives</td>
<td>○</td>
<td>Innovation Team</td>
</tr>
<tr>
<td>IA1</td>
<td>Operation of Integrated Innovation Initiative System</td>
<td>Operate innovation initiative units and facilitate communication</td>
<td>○</td>
<td>Innovation Team</td>
</tr>
<tr>
<td>IA2</td>
<td>Customized Innovation Initiatives</td>
<td>Customized Innovation Initiatives</td>
<td>●</td>
<td>Innovation Team</td>
</tr>
</tbody>
</table>
| IA2        | Customized Innovation Initiatives     | - Carry out LPS  
- Ensure in-house capacity for 6 Sigma  
- Strengthen VE capacity  
- Promote innovation activities in business sites | ○            | Innovation Team      |

*Partially Achieved issues in 2009 will be selected as Action Plans 2010 and continuity of SM Initiative maintained.

2010 Targets & Commitments

<table>
<thead>
<tr>
<th>Issue Code</th>
<th>Managerial Issues</th>
<th>Related Activities</th>
<th>Targets</th>
<th>Department In Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>IA1</td>
<td>Operation of Integrated Innovation Initiative System</td>
<td>Build on in-house methodology to carry out innovation activities</td>
<td>○</td>
<td>Innovation Team</td>
</tr>
<tr>
<td>IA1</td>
<td>Operation of Integrated Innovation Initiative System</td>
<td>Operate innovation initiative units and facilitate communication</td>
<td>○</td>
<td>Innovation Team</td>
</tr>
<tr>
<td>IA1</td>
<td>Operation of Integrated Innovation Initiative System</td>
<td>Promote innovative talents and obtain in-house capabilities to carry out innovation initiatives</td>
<td>○</td>
<td>Innovation Team</td>
</tr>
<tr>
<td>IA1</td>
<td>Operation of Integrated Innovation Initiative System</td>
<td>Assess innovation performance and improve monitoring activities</td>
<td>○</td>
<td>Innovation Team</td>
</tr>
<tr>
<td>IA2</td>
<td>Customized Innovation Initiatives</td>
<td>Expand innovation initiatives into sales and marketing areas</td>
<td>○</td>
<td>Innovation Team</td>
</tr>
<tr>
<td>IA2</td>
<td>Customized Innovation Initiatives</td>
<td>Focus innovation activities on supporting financial performance-related tasks</td>
<td>○</td>
<td>Innovation Team</td>
</tr>
<tr>
<td>IA2</td>
<td>Customized Innovation Initiatives</td>
<td>Customized Innovation Initiatives</td>
<td>Throughout the year</td>
<td>Innovation Team</td>
</tr>
</tbody>
</table>
| IA2        | Customized Innovation Initiatives     | - Generate results for LPS tasks  
- Generate results for 6 Sigma tasks  
- Expand VE tasks  
- Promote innovation activities in business sites | ○       | Innovation Team      |

*IA : Management Innovation Activities

I feel responsible and proud as well as a person in charge of economic and social value creation, one of our SM Focus Areas at LS Mtron. Innovation activities which began with the establishment of our company are now taking their firm root. In 2009, our employees did their best to create innovative values with innovative mindset no matter where they were involved, whether it be sales, manufacturing facility or customer response, pushing ahead with the “Crisis Management”. Our top priority in 2010 will be to further expand the scope of our innovation initiatives, focusing on major tasks that we selected to bring about “innovation in generating results”. I am confident that those capabilities that have been built up will make their way forward and make 2010 a year of “Taking-Off” and also serve as a main driving force behind our SM initiatives.

Hyun-Kyu Park, Manager | Innovation Team
We developed our own unique innovation activity model which we dubbed as LS Mtron 6 in 2008. This model is to present innovation methodology specific to different needs of each division and corresponding innovation standards. The ultimate goal of our innovation initiatives is to ensure business sustainability and realize our corporate vision.

LS Mtron 6 sets out target areas and driving principles in carrying out innovation as 3P (Process, Product, and People) and 3S (Simple, Speed, and Smart) respectively. Based on these criteria, we aim to take innovation initiatives such as 6 Sigma, cost innovation and on-site innovation, catering to issues faced in each division.

**Promote Key Talents and Secure In-house Initiative Capacity**

Promoting key talents and securing in-house initiative capacities is an essential part of operating innovation initiatives in an integrated manner. We continue to support our business divisions so that they can perform innovation tasks on their own by developing training courses and materials for innovation talents and linking the innovation training system with the enterprise-level education system.

**LS Mtron 6 Model**

We created LS Mtron 6, an operation system to set directions for company-wide innovation initiatives, to put 8 diverse business divisions under one innovation capability framework. This integrated system will be further complemented by improving employee training, talent promotion programs and communication systems in a way to meet specific requirements of each business division.

### Establishment of Mtron 6

**Direction of Promotion of Innovative People**

**Achievements of Innovation Talent Promotion by Initiative Area**

<table>
<thead>
<tr>
<th>Initiative area</th>
<th>Related Activities and results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LPS</strong></td>
<td>• 41 sessions of TPS education for all employees (1,317 persons)</td>
</tr>
<tr>
<td></td>
<td>• 6 practical training sessions for employees and team leaders (90 persons)</td>
</tr>
<tr>
<td></td>
<td>• 12 education sessions for employees at the Chinese branch office (833 persons)</td>
</tr>
<tr>
<td></td>
<td>• 52 improvement tasks achieved (including business partners)</td>
</tr>
<tr>
<td><strong>6 Sigma</strong></td>
<td>• MBB^1-BB^2-GB^3 education and relevant tasks carried out in the first and second half of the year</td>
</tr>
<tr>
<td></td>
<td>• 3 for MBB, 33 for BB and 36 for GB (accumulated No. of trained employees)</td>
</tr>
<tr>
<td><strong>VE</strong> (Cost Reduction)</td>
<td>• VE^5 BB education and related tasks performed</td>
</tr>
<tr>
<td><strong>On-site Innovation</strong></td>
<td>• 113 themes carried out by quality circles</td>
</tr>
<tr>
<td></td>
<td>• 2 quality circle contests organized</td>
</tr>
<tr>
<td></td>
<td>• The President’s Award received at the National Quality Circle Contest</td>
</tr>
</tbody>
</table>

1) TPS : Toyota Production System  
2) MBB : Master Black Belt  
3) BB : Black Belt  
4) GB : Green Belt  
5) VE : Value Engineering
Promote Innovative Activity Communication

We carry out various communication activities to build consensus of innovation initiatives among employees in addition to our efforts to develop innovation talents. In particular, Management By Walking Around and open communication meetings that are held each month, enable CEOs to look around business site themselves, collect and solve difficulties as an innovative leader and be able to share top management dedication to innovation with all employees. Furthermore, to better understand innovative methods and activities, Innovative News about directions of innovative activities, system and recent innovative activities in each division is published every week and shared through our innovation portal.

2010 Action Plans - IA1
Operation of Integrated Innovation Initiative System

We are to consolidate our Integrated Innovation Initiative System by promoting communication and developing necessary infrastructure on a constant basis.

<table>
<thead>
<tr>
<th>Initiative Area</th>
<th>Promote Communication</th>
<th>Develop Infrastructure for Integrated Innovation Initiative System Constantly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation strategy</td>
<td>- Remove non-added value business</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Unity field and office (experience-oriented education)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Promote motivation and satisfaction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- FESTIVAL/division/quality</td>
<td></td>
</tr>
<tr>
<td>Expected benefits</td>
<td>- Continuously develop of innovative methods</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Develop of new methods LPUS Sigma, VE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Develop of custom-made tool for problem solving</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Promote high performers and obtain capability</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Re-examine communication system</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Find and promote LS Mtron’s Change Management Programs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Promote unification of field and office</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Increase employee satisfaction with events</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Develop a problem-solving type of 6 Sigma KL1, and MKE2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Promote innovative employees (office works, 186 persons 23%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Change Management for continuous innovation</td>
<td></td>
</tr>
</tbody>
</table>

IA2

Customized Innovation Initiatives

Customized innovation initiatives are to apply innovation methodology that meets specific requirements of respective business divisions. They also mean that the Innovation Team at the head office will strive to come up with customized responses when business divisions require. Our innovation initiative goal for 2010 is to ‘make our innovation activities more value-oriented’ and ‘facilitate customized innovation initiatives’.

Development of LPS (LS Mtron Production System)

In 2009, all 1,317 employees of LPS received education in 41 sessions and a special CEO lecture was held to spread and share the ideology of the company’s Management Innovation with all employees. Afterwards, we offered 12 training session for 833 employees at our Chinese subsidiary. We also provided similar training to 14 of our business partners in order to ensure that we share one single philosophy of innovation. In addition, we were able to nurture 21 improvement experts who carried out 52 innovation tasks, improving both financial and non-financial performance of our company.

Achievements of LPS Development

- 41 TPS training sessions(1,317 persons) to educate all employees
- 6 Experience Education sessions of executives and team leaders (90 persons)
- Establishment of common corporate rate innovative principles
- Expansion of base of voluntary participation
- Achievement of an increased production capacity without further investments
- 12 training sessions for the Chinese subsidiary (833 persons)
- Promotion of 21 KE experts
- Accomplishment of 52 Improvement Tasks (including business partners)

Training of 21 Improvement Experts

The first LPS improvement expert KE (Kaizen Expert) training was carried out in a classroom of Bokjijong in Jeonju on Sep.15th. On this day, those who completed 3rd theoretical training and field practice with excellent grades were acknowledged. As Kaizen Experts, they will be a leader for Innovative Activities in their respective division.
Expand Innovation Activities into Overseas Subsidiaries

With expansion of LPS training at the Chinese subsidiary, our innovative philosophy was shared and a basis created to develop local improvement experts. The 2S activity, which took place in China since the second half of 2009, brought about systemic field management and improved multifunctional performance.

Cost Innovation

To establish a Win-Win Model with business partners that secures survival costs, innovative methods of CR, CDM, VE activities are transmitted. Especially in 2009, we aimed to put more focus on VE in CR activities to pursue cost innovation. To train VE experts, systematic training and a Belt system are being established at the moment.

Achievements of Cost Innovation Initiatives

<table>
<thead>
<tr>
<th>Core Activities</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>• VE subject development at Jeonju site (tractor, air conditioner, molding)</td>
<td>• Financial results</td>
</tr>
<tr>
<td>• VE for new and existing products and Business Partner CDM activity</td>
<td>• CR Ａ2.7 billion</td>
</tr>
<tr>
<td>• CR activity to reduce sales reduction</td>
<td>• Non-financial results</td>
</tr>
<tr>
<td>activities cost related to business plans</td>
<td>• Training of 5 VE experts</td>
</tr>
<tr>
<td>- reduction by 6.4% to 13,000 articles</td>
<td>• Set a basis for cost</td>
</tr>
</tbody>
</table>

1) CDM : Cost Development / Design / Down Method
2) CR : Cost Reduction

Establishment of a Promotion System for Cost Innovation Experts

Cost Innovation focuses on strengthening VE and we created a systemic training and Belt system, which is being implemented to train cost innovation experts.

Build In-House Capacity for Six Sigma

LS Mtron introduced 6 Sigma and laid the foundations for the philosophy of Mtron 6. To ensure capabilities of 6 Sigma, activities were promoted (Officer Big Y, 6 Sigma tasks, promotion of talents), and high performers (3 MBB, 33 BB 33, and 36 GB) were trained before Dec. 2009 and 26 Big Y, 157 Belt cases were carried out.

Initiative Results for 6 Sigma Capability Insurance

Main Activities Achievements

- 10 Officer Big Y tasks - Financial results were carried out - Ｍ10.5 billion
- Completion of 25 BB, - Non-financial results and 5 GB tasks - Additional 32 Belt experts were trained

Officer Big Y

Consisting of officers, this annual activity strives to solve core issues of business divisions. In 2009, there was one problem-solving activity in each of the 8 business divisions and 2 in the central research department.

6 Sigma Unit Tasks

6 Sigma Unit Tasks are to bring about improvements on a unit product level or manufacturing process level. Core talents in each business division are required to concentrate on specific improvement issues for 6 months. A total of 30 such tasks were completed in 2009.

Training and Promotion of Key Talents

6 Sigma operates the Belt Certification System. Each belt provides employees who meet Belt Certification requirements with incentives such as activity bonus. In 2009, a total of 32 employees were certified. (MBB : 3, BB : 14, GB : 15)
On-site Innovation Activities

On-site Innovative Activity is an Innovative Activity of all employees with the goal of reducing on-site wastage by promoting proposal activities, group activities, and 3 points 5S activities. In 2009, 113 themes were addressed by quality circles and 16 proposals were produced per employee.

Achievements of On-site Innovation Activities

<table>
<thead>
<tr>
<th>Core Activities</th>
<th>Initiative Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>113 themes carried out by quality circles</td>
<td>16 proposals per person per year</td>
</tr>
<tr>
<td>2 quality circle contests held</td>
<td>Increased participation rates: 90% achieved</td>
</tr>
<tr>
<td>A new proposal system started</td>
<td></td>
</tr>
</tbody>
</table>

Quality Circle Contest

We organize 2 Quality Circle Contests (one in the first half and the other in the second half) to select the best field improvement team and improvement tasks. In 2009, out of 113 initiated quality circle activities, 8 were selected to represent each business division through rigorous preliminary examinations. They competed in the Quality Circle Contest and top-performers were awarded.

Awarding the Best Proposal-maker

To encourage our employees to keep up with the never-ending changes of Innovation of the smallest things, a system was established to award the best proposal-makers. Those who produce quality proposals and the highest number of proposals are awarded based on yearly evaluations. We posted 16 proposals per employee in 2009 and the number of proposals is increasing every year.

LS Mtron Group Awarded with the President Award at the National Quality Circle Contest

As a result of continuous Field Innovative Activities, the “Yong-Am(Lava) Quality Circle” of the Injection Molding Division was awarded with the President Award at the national competition. This is attributable to continuous innovation activities taking place in our company, where 58 quality circles complete more than 100 innovation themes every year. In addition to such quality circle activities, we produce some 9,200 proposals and carry out 3Points 5S initiatives to harmonize field and office activities every year.

2010 Action Plans - IA2

Customized Innovation Initiatives

Advance Our Customized Innovation Initiatives

In 2010, we plan to focus on sales and marketing which produced less than satisfactory results in our innovation activities to ensure that customized innovation initiatives are expanded and sustained. We also aim to make sure that innovation activities are led to substantial improvement in financial performance by building relevant methodology based on our experiences and knowledge accumulated through previous innovation activities.

Expected Benefits

- Strengthen sales capabilities through sales and marketing innovations
- Increase office productivity through Innovative Activities of support division/ Inspire Innovative Mindset
- Visualize innovation performance of invested companies
- 2S activity -> immediate practice, improvement tasks

LS Mtron Group Awarded with the President Award at the National Quality Circle Competition

As a result of continuous Field Innovative Activities, the “Yong-Am(Lava) Quality Circle” of the Injection Molding Division was awarded with the President Award at the national competition. This is attributable to continuous innovation activities taking place in our company, where 58 quality circles complete more than 100 innovation themes every year. In addition to such quality circle activities, we produce some 9,200 proposals and carry out 3Points 5S initiatives to harmonize field and office activities every year.
Managerial Framework

Our Statement of the Focus Area
We are to create a cooperative relationship that seeks mutual growth with business partners by building trust and collaboration through transparent and fair trade and obtaining competitive capabilities (Quality, Cost, Delivery and SM) that will ensure a sustained existence in the global market.

Mid-term Key Managerial Issues
- Maintain long-term relationships by strengthening business partner risk management system
- Create economic and social values by establishing business partner infrastructure
- Establish trustworthy relations with business partners through continuous communication

Operation Principles and Action Guideline
We are fully aware that to ensure global competitiveness, roles of business partners and mutual collaboration are necessary factors and therefore we established management policies accordingly. The company intends to lay the basis for growth by strengthening advanced purchasing capacities, and promoting and supporting business partners continuously and systematically.

Mid-term Roadmap
We are to improve competitiveness by strengthening Win-Win Partnership Infrastructure and established a medium-term Roadmap to ensure ‘Win-Win’ Partnership that pursues continuous growth and profits.

Action Structure
We put the Corporate Collaboration & Prosperity Division under direct control of the CEO to ensure speedy decision-making of purchasing issues with business partners when we established our SM system. In addition, the previous integrated purchasing unit was restructured into the Corporate Collaboration & Prosperity Team so that we could support and promote business partners in a more integrated manner.
While reviewing how and where we can help business partners improve their competitiveness, we were able to realize the importance of win-win partnership once again. In 2009, we created LS Win-Win Partnership fund working with financial institutions and local governments to offer liquidity support to our business partners and help them ensure financial stability amid economic difficulties. We also put plenty of efforts into promoting competitiveness of our business partners, expanding our company-wide innovation activities (LPS) into these partnering companies. Our goals for 2010 are to build diverse communication channels and develop programs to listen to business partners and integrate their opinions into our management and also to lay the foundation for mutual growth between us and our business partners by setting up a virtuous cycle of win-win cooperation.

Geun-Bung Jeong, Team Leader | Corporate Collaboration & Prosperity Team

SP1: Operation of Win-Win Partnership System
- Make fair-trade agreements with subcontractors

SP2: Establishment of Business Partners' Management Infrastructure
- Create the Win-Win Partnership Division and its operation framework
- Select 18 Quality Partners and hold signboard hanging ceremonies
- Win-Win Partnership Program - LS Mtron’s Win-Win Partnership fund : ₩100 billion
- Conclude fair trade agreements with subcontractors
- Conduct joint R&D projects
- Encourage business partners to participate in LS Mtron’s Innovative Activity (LPS)
- Meetings to share achievements of innovation activities

SP3: Communicating with Business Partners
- Carrying opinion surveys of business partners within the integrated purchasing system on a regular basis and build communication channels to brief them of our business partner-related policies

Partially Achieved issues in 2009 will be selected as Action Plan of 2010 and continuity of SM Initiative maintained.

**2010 Targets & Commitments**

<table>
<thead>
<tr>
<th>Issue Code</th>
<th>Managerial Issues</th>
<th>Related Activities</th>
<th>Targets</th>
<th>Department In Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP1</td>
<td>Operation of Win-Win Partnership System</td>
<td>Apply SM evaluation factors in assessing and managing business partners (improve effectiveness of the Quality Partner system)</td>
<td>Throughout the year</td>
<td>Corporate Collaboration &amp; Prosperity Team</td>
</tr>
<tr>
<td>SP2</td>
<td>Establishment of Business Partners' Management Infrastructure</td>
<td>Win-Win Partnership Program - Offer training to business partners to improve their competitiveness - Create purchase-conditional R&amp;D cooperation funds - Expand joint innovative activities - Improve settlement conditions - Independent research program and performance-sharing program on a semi-annual basis</td>
<td>Quarterly</td>
<td>Corporate Collaboration &amp; Prosperity Team</td>
</tr>
<tr>
<td>SP3</td>
<td>Communicating with Business Partners</td>
<td>Build and utilize regular communication channels with business partners Take opinions from business partners constantly and improve our reactions to issues raised</td>
<td></td>
<td>Corporate Collaboration &amp; Prosperity Team</td>
</tr>
</tbody>
</table>
SP1

Operation of Win-Win Partnership System

We recognize our subcontractors as ‘partners’ to seek growth together and are deeply interested in improving their competitiveness as we believe that this will help us to be globally competitive in return. In particular, our Q-Partner system is to focus our support on top performing business partners and promote them as competitive global SMEs.

Fair Trade Agreement with Subcontractors

We made an agreement for win-win partnership and fair subcontract transactions to ensure mutual cooperation with our business partners and promote fairness in subcontracting transactions under the supervision of the Fair Trade Commission in October, 2009. Under the agreement, we promised to support and operate various programs and initiatives including compliance of regulations to promote mutual competitiveness and growth, fairness in selecting and managing business partners, prevention of unfair transactions, financial support for business partners, improvement in subcontract settlement conditions, technology support, quality improvement and technology protection, and support for employee training and education.

Innovate Purchasing Process for Business Partners

By introducing a new on-line purchasing system in 2009, we were able to get rid of irregularities that were found in previous ways of purchasing, improve transparency and fairness and significantly shorten cycle time from order to delivery. We were also able to break down communication barriers with business partners by ensuring that relevant information is shared real time.

In order to ensure speedy settlements for our business partners, we introduced the ‘electronic payment system’ where we pay by cash, not by bill. We also introduced the semi-monthly payment system for those companies who supply more often than others to help them deal with their management finances more conveniently.

Revision of Policies to Assess and Manage Business Partners

We consider expanding SM initiatives into our business partners as top priority in our company-wide SM activities. Our existing policies to assess and manage business partners cover those whose transactions with us are over ¥300 million and the No. of delivery is over 10 annually and we added SM related requirements in February of 2010. This will make sure that business partners who are more willing and proactive in taking SM initiatives are treated differently and those top-performing companies will be given priority to participate in our win-win partnership programs, further encouraging them to adopt SM agenda.

Quality-Partner System

Significance of the System

- Quality - Company-level quality that includes not just product quality but also quality of company fundamentals(Q/C/D), finances and organizational structures
- Partner - LS Mtron’s business partner

Purpose of the System

As we believe that our competitiveness comes from competitiveness of our business partners, we are to promote high-achieving business partners as strategic partners by supporting them preferentially and assist low performers in making improvements based on fair evaluations of their performance.
Evaluation Standard
- Quality/Cost/Delivery
- Cooperation/Innovative Tasks
- Business Management Infrastructure
- Support For Secondary Business Partners
- Performance Of Sustainable Management

Efforts for Fair Trade
We provided Certified Professional in Supply Management (CPSM) program to employees in charge to secure the continuity of supply-chain management as well as to promote global-level purchasing experts. There has been no single violation of fair trade agreements since 2009. We are to double our efforts to build fair trade culture based on Win-Win Partnership, fair trade agreements and Q-Partner program.

2010 Action Plans - SP1 Operation of Win-Win Partnership System
Making the Q-Partner System More Effective
We are to motivate our business partners to grow capacities themselves to respond to changing business environments and global corporate trends by giving higher scores to SM-related activities in evaluating their performance. In addition, we are to disclose evaluation results, which will encourage them to take the initiative and find improvements to be made. In particular, outstanding business partners and Q-Partners will be qualified for special promotion and support programs, which will help them grow their sustainable competitiveness. In 2010, our plan is to introduce Q-Platinum Partners, further differentiating these top-notch companies from existing Q-Gold Partners.

We also aim to create a virtuous cycle of win-win cooperation where companies strive to be competitive voluntarily by providing differentiated programs to Q-Partners and working together with all of our business partners.

SP2
Establishment of Business Partners’ Management Infrastructure
We support our business partners in carrying out joint customized innovation activities, training sessions and consultations in order to strengthen business fundamentals that will ensure our sustained existence in the competitive global market. Our aim is to strengthen global competitiveness of LS Mtron and our business partners by building trustworthy relationships and enhancing win-win partnership programs continuously.

Win-Win Partnership Fund
The global financial crisis hit us as well and some of our business divisions saw their sales decline rapidly, which resulted in difficulties in related business partners. We created the Win-Win Partnership Fund worth 10 billion in March together with banks, credit guarantee funds and local governments. Its purpose was to provide emergency management funds at favorable interest rates that were lower than market interest rates to those business partners who had difficulties with taking out loans. As a result of our proactive support, we were able to create consensus not just among beneficiary companies but also other business partners as well and eventually this facilitated win-win partnership activities between us and our suppliers including proposals for win-win cooperation programs, participation in collaboration activities and joint innovation activities. We shared accomplishments of such activities in a meeting with business partners in December and top-performing companies were awarded and recognized. These business partners promised to push ahead with innovation activities together with LS Mtron continuously.
Business Partners’ Management Capacity Building Programs

Providing LPS Innovative Consulting (for 14 business partners between Sep. and Nov. 2009)

We offered 3-month consulting services to business partners after selecting 25 improvement tasks to be tackled based on the 3 point 2S activities. We dispatched 10 KEs to business partners to work on improvement tasks together with an aim to maximize performance. As a result, we saw 3 point 2S activities improve by 1~2 levels on average and a 60 percent increase in product quality and a 26 percent up in productivity in improvement tasks. We are currently working to improve such services by analyzing performance and failure factors of respective business partners and the result will be incorporated in our 2010 plans.

Feedback from Business Partners about innovative consulting program

- Increased teamwork and solidarity among employees, improvement in overall corporate psyche
- Continuous innovation activities expected as employees’ mindset changed with their active participation
- Improved productivity expected as facility cleaning and inspection would lead to less failures and removal of wastage
- Innovation activities helped employees recognize their importance, have more ownership in business management and learn how to expand first-level innovations to factory-wide and company-wide initiatives

Advanced Supply Infrastructure

Improve Evaluation Criteria

We developed ways to motivate business partners by setting criteria upon which we can distribute our supply needs based on results of evaluations of business partner capacity.

Share our Differentiated Supply Needs Distribution Policy Which is Based on Objective Evaluations

We briefed our business partners on changes in our evaluation criteria of their capacities and our supply needs distribution policy through communication channels including cooperation meetings and presentations, encouraging them to do more and participate.

2010 Action Plans - SP2

Establishment of Business Partners’ Management Infrastructure

Plan to realize Win-Win Partnership Program in 2010

<table>
<thead>
<tr>
<th>Category</th>
<th>Directions and Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>• Link business partners with our on-line program</td>
</tr>
<tr>
<td></td>
<td>• Academy (management, innovation, sustainable management)</td>
</tr>
<tr>
<td></td>
<td>• Promote innovative partner experts : Q-partner education system</td>
</tr>
<tr>
<td></td>
<td>• Support education on patents</td>
</tr>
<tr>
<td>Management Capacity Support</td>
<td>• Expand business partners’ Innovation Activity : 3 sessions of LPS consulting, 30 participating companies</td>
</tr>
<tr>
<td></td>
<td>• Voluntary research</td>
</tr>
<tr>
<td></td>
<td>• Information consulting for the enhancement of partner product’s management system</td>
</tr>
<tr>
<td>Financial Support</td>
<td>• Additional implementation of existing funds</td>
</tr>
<tr>
<td></td>
<td>• Shorten the subcontract payment due date : 60days → 45days</td>
</tr>
<tr>
<td></td>
<td>• Expansion in payment frequency : once/month → twice/month</td>
</tr>
<tr>
<td></td>
<td>• Create purchase-conditional R&amp;D cooperation funds, offer W6 billion worth of support in 2010</td>
</tr>
<tr>
<td></td>
<td>• financially support business partners’ R&amp;D activities</td>
</tr>
<tr>
<td>Advance Supply Infrastructure</td>
<td>• Put outstanding business partners such as Q-Partners first in giving opportunities to develop new products</td>
</tr>
<tr>
<td></td>
<td>• collaboration in national projects, purchase-conditional new product development</td>
</tr>
<tr>
<td></td>
<td>• Determine incentives and penalties based on fair evaluations</td>
</tr>
</tbody>
</table>

Training

① In order to support business partners in developing employee capacities, we linked our in-house online training programs (some 800 courses) to the “business partner e-leaning main banner” within the integrated purchasing system.
② Management Academy : Our lecturers with expertise in respective fields teach management know-how of overall corporate management issues (including SM experts and other outside experts).

Purchase Conditional R&D Cooperation Funds to Offer Financial Support

We are to make W20 billion funds together with the government (matching share ratio 2:1 between the government and LS Mtron) in March to find new business partners and promote outstanding ones with excellent R&D capabilities. The aim is to offer up-front investment funds to business partners to help them develop new technology and products and obtain competitiveness which will result in win-win partnership.
SP3

Communicating with Business Partners

We are to have continuous and regular communication with business partners to incorporate their expectations and demands in our SM initiatives. In 2010, we plan to pursue communication with business partners as a managerial issue, building various communication channels both online and off-line.

Business Partner Committee

We value partnership with our suppliers and this is why we are operating Business Partner Committees where representatives from business partners participate in each business division. Their role is to let our top management know about suppliers' difficulties or necessary support and to share information within themselves, contributing to improving product quality and global competitiveness.

Operation of Regular Communication channels (On/Off line)

We use various on/off line communication channels to listen to our business partners. On a company-wide level, our focus of communication is to promote win-win management with our business partners and to gather their VOC to set directions of our business partner support. On a division level, our aim is to enhance win-win competitiveness and our communication efforts are more customized to specific division needs, sharing and discussing issues to be tackled in committee meetings and presentation meetings.

Communication Channel Operation Process

<table>
<thead>
<tr>
<th>Type</th>
<th>Communication Channel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Division/Meeting level</td>
<td>Business presentation</td>
</tr>
<tr>
<td>- Committee meetings</td>
<td>Quarterly - Business Plan Information Session / VOC - Sharing of pending issues and gathering of VOC</td>
</tr>
<tr>
<td>- VOC gathering</td>
<td>Identify needs of &quot;win-win&quot; program (Quarterly / LB Mtron (Organizer))</td>
</tr>
<tr>
<td>- Association of companies newly relocated to Jeonju</td>
<td>- Meetings with business partners to share achievements - Mtron6 Festival</td>
</tr>
</tbody>
</table>

Examples of Proposals Made by Business Partners

Request for Injection Molding Ordering System Improvement

- Web-van Process Improvement : (Provide Warehouse Information by Model) : We share warehouse information based on supply-demand plans and support process to make integrated delivery statements based on model numbers. We also support business partners in writing work-order reports by using content-specific printing options.

Improving Tractor Supply / Demand Plan Information Sharing Process : We are improving process and information to integrate and share our tractor supply/demand plans based on production plans. We aim to make the sharing process more rapid and accurate by adopting automatic information output and sharing process.

CDM (Cost Development / Design / Down Method) Activities : We work together with business partners to improve cost competitiveness. We explore new ideas and apply them to new product planning, design, and mass production. The improvements are equally shared between us and our business partners.
Customer Satisfaction and Quality Management

Managerial Framework

Our Statement of the Focus Area
Under our management motto to become “a company that is together with customers,” we will do our utmost to gain trust and satisfaction from customers by catering to customer needs and providing the highest-quality services by improving our products and services.

Mid-term Key Managerial Issues
- Maximize customer satisfaction under customer-oriented management
- Create economic and social values through stronger competitiveness in product quality
- Strengthen communication with customers and improve ties with them

Operation Principles and Action Guideline
Our top priority will be on customers by actively securing the competitiveness in our product quality and continuously strengthening communications with our customers to provide products and services that satisfy them.

“Customer-oriented Management”

Ensure Constant Quality Competitiveness + Strengthen Customer Communication

Considering customers as our top priority and providing products and services fulfilling their expectations and needs, we will do our utmost to gain trust and satisfaction from customers.

Mid-term Roadmap
We selected stronger product quality competitiveness and enhancement of customer communication as our core CS Managerial Issues. To this end, we identified mid-term issues, and accordingly strive to manage the SM system with our top priority on customers and the environment.

Action Structure
We have the Quality Management Team under our Corporate Technology Development Division to secure product competitiveness and systematically operate activities to enhance ties with customers.
In 2009, the SM Steering Group posed us questions on what our stakeholders expect and want from us. In particular, we deeply felt that listening to the voice of our core stakeholders as our customers leads to minimizing corporate financial and non-financial risks. We will continue to strengthen communication with our customers through various channels, e.g. quality assessment sessions, and division-specific CS surveys, etc.

Kyung-Seok Song, Manager | Quality Management Team

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### Action Framework

#### 2009 Achievements

<table>
<thead>
<tr>
<th>Issue Code</th>
<th>Managerial issues</th>
<th>Related Activities</th>
<th>Achievements</th>
<th>Department In Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>CS1</td>
<td>Operation of Quality Management System</td>
<td>Announcing the 2009 quality management standards</td>
<td>✔</td>
<td>Quality Management Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Implementing the quality management system</td>
<td>✔</td>
<td>Quality Management Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ISO 9001, ISO / TS 16949 System</td>
<td>✔</td>
<td>Quality Management Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Quality management system – ERP</td>
<td>✔</td>
<td>Quality Management Team</td>
</tr>
<tr>
<td>CS2</td>
<td>Strengthening Continuous Quality Competitiveness</td>
<td>Quality Innovation activity : Goal setting for failure costs</td>
<td>✔</td>
<td>Quality Management Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>/continuous monitoring</td>
<td>✔</td>
<td>Quality Management Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Organizing the 2009 Quality Innovation conference</td>
<td>✔</td>
<td>Quality Assurance Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business Partner quality management sessions /Improvement in case assessment</td>
<td>✔</td>
<td>Corporate Collaboration &amp; Prosperity Team</td>
</tr>
<tr>
<td>CS3</td>
<td>Communicating with Customers</td>
<td>Customer information management</td>
<td>✔</td>
<td>Sales Team, CS Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- CRM (Customer relationship management)</td>
<td>✔</td>
<td>Quality Assurance Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- VOC Management (Voice of Customers)</td>
<td>✔</td>
<td>Sales Team, CS Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer satisfaction-related events (13 events including product launch shows)</td>
<td>✔</td>
<td>Planning Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Continuous efforts for further customer satisfaction</td>
<td>✔</td>
<td>Planning Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- On line customer support / Response system and education</td>
<td>✔</td>
<td>Planning Team</td>
</tr>
</tbody>
</table>

#### 2010 Targets & Commitments

<table>
<thead>
<tr>
<th>Issue Code</th>
<th>Managerial issues</th>
<th>Related Activities</th>
<th>Targets</th>
<th>Department In Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>CS1</td>
<td>Operation of Quality Management System</td>
<td>Setting a system for quality management system assessment</td>
<td>October</td>
<td>Quality Management Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ISO 9001 quality management certification (LSAE)</td>
<td>November</td>
<td>Quality Management Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Establishing a system to foster talents on quality</td>
<td>Throughout</td>
<td>Quality Management Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>/conducting training on quality</td>
<td>the year</td>
<td>Quality Management Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Realigning the quality cooperation system for business partners</td>
<td>August</td>
<td>Quality Management Team</td>
</tr>
<tr>
<td>CS2</td>
<td>Strengthening Continuous Quality Competitiveness</td>
<td>Goal setting for failure costs/continuous monitoring</td>
<td>✔</td>
<td>Quality Assurance Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Establishing a global quality management system</td>
<td>✔</td>
<td>Sales Team, CS Team</td>
</tr>
<tr>
<td>CS3</td>
<td>Communicating with Customers</td>
<td>Continuing on with business-specific CS activities</td>
<td>Throughout</td>
<td>Quality Assurance Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Collecting and sharing major business-specific VOC</td>
<td>November</td>
<td>Sales Team, CS Team</td>
</tr>
</tbody>
</table>

*CS : Customer Satisfaction and Quality Management*
CS1

Operation of Quality Management System

We operate a systematic quality management system and perform continuous quality improvement activities in each division to provide products and services that satisfy our customers. Under our slogan, “Quality is the only way to survive”, all our employees strive to secure the top-notch competitiveness in product quality.

Operation of Quality Management System

Proclamation of Our Quality Policies
In December 2008, we established and proclaimed our corporate quality policies and use them as guidelines in our employees’ quality management activities. By additionally formulating business-specific quality policies, we have maximized our customized quality management activities.

Quality Policy
It is policy of LS Mtron to recognize customers as fundamental base, and do its best to get an impression from its customer by providing superior and customer satisfactory products and services to its customers.
To achieve this, all staffs are committed to performing following responsibilities and obligations:
- The Quality is our top priority and we will achieve top quality competitiveness by participating in consistent innovation.
- We will fulfill and understand the Quality Management System of the company.
- We will observe the principles and basics and achieve Zero Customer Dissatisfaction by consistent improvements.

In order to fulfill Quality Policies smoothly, head of Quality Management and Quality Assurance Division will be independent of cost price and deadline for payment and will maintain and improve quality system by having authority and responsibility as an agent of Quality Management.

Operation of the Customized Quality Management System
We operate the quality management system according to international standards and maintain certifications from official institutions.

2010 Action Plans – CS1 Operation of Quality Management System

Establishment of Quality Management System (QMS) Assessment
For continuous improvement of the quality management system in the operation level, we established a system which can assess the status quo any time.

Development of Promotion Program for Quality People (~May)
A program to foster talents on quality was developed to upgrade our quality management and continuously foster them.

Achievement of LSAE* ISO 9001 Quality Management System Certification (~November)

Operation of Quality Training Program (~December)

- 4 Basic courses / 6 Expert courses

Buildup of the Business Partner Quality Cooperation System (~August)
We evaluate our partner companies’ cooperation system on quality and resolve problems in conjunction with the Korean Standards Association (KSA).

Quality Information Management
We utilize various quality information for our quality improvement activities while we gather, analyze and manage all quality-related data with an ERP system to achieve systematic quality management. Furthermore, CS and customer dissatisfaction data are published to raise efficiency of customer satisfaction activities.
CS2

Strengthening Continuous Quality Competitiveness

We are conducting various activities within the quality improvement system to secure continuous quality competitiveness. In 2009, we achieved the cost saving worth KRW 2.6 billion through improvement in failure costs for quality factors. Quality Innovation Platform and regular Business Partner Meetings were organized to promote and upgrade quality awareness and management capability.

Quality Innovation Activities

Quality as Our Management Goal
We established quality failure costs (customer dissatisfaction, internal failures) to ensure product quality, and monitor achievements regularly.

[Mid-term Goal of Quality Failure Costs]

Quality Improvement Activities
We strive to reduce quality failure costs in all our stages from product development to service. To achieve this goal, new product quality assurance activities, 6 Sigma activity, quality circle activities and TFT activities to improve chronic failures have been underway.

[2009 Core Improvement Activities]

<table>
<thead>
<tr>
<th>Business Division</th>
<th>Title of Improvement Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tractor</td>
<td>Improvement of Hydraulic clutch pack stuck of Plus model</td>
</tr>
<tr>
<td>Air-conditioning</td>
<td>Establishment of the LS GHP quality trust evaluation system</td>
</tr>
<tr>
<td>Tractor/ Air-conditioning</td>
<td>Improvement of GHP &amp; tractor components trust TFT</td>
</tr>
<tr>
<td>Electronic components</td>
<td>Improvement of quality management capability TFT</td>
</tr>
</tbody>
</table>

Quality Innovation Platform
We implemented the Quality Innovation Platform in 2008. Quality goals and quality improvement results of each business division are shared among all employees. The best division is awarded while strengthening the quality innovation awareness.

Under this platform, all our employees improve their awareness of quality management capability, share customer VOC, and experience the quality level of customer demand directly, and therefore strive to improve quality.

2010 Action Plans – CS2 Strengthening Continuous Quality Competitiveness

Establishing a global quality management system (ongoing)
We established and supplemented a global quality management system by benchmarking both internal and external organizations’ excellent quality management programs.
Communicating with Customers

We actively communicate with our customers to identify their needs and explore and provide services they want, striving to raise our customer value.

Customer Information Management

IN4CRM Operation
While operating IN4CRM for customer management, we safely protect all information on our customers. Moreover, upon perusal of customer information archives to provide prompt services, we do so under thorough management supervision according to our internal corporate regulations. In 2009, there was no complaint on customer information protection and loss.

VOC Management
We consider all claims or suggestions of customers as important and established the Voice of Customer (VOC) to manage and reflect them on our business. Also, various channels like telephone, internet, e-mail, fax and cable have been underway. On the website, customers can directly contact a division they want, and find the contact information of those in charge. We have fully utilized VOC to improve direct usage of products and service. In particular, in the case of VOC on product quality, we have visited and interviewed customers once a year and gathered information accordingly. This information was shared with all employees including the Board of Directors at the Quality Innovation Platform.

Customer Satisfaction Activities

Activities for Customers
We have organized various events for customers in each division to promote communication with customers. In addition, it provides customers with excellent information about new products and core technologies by participating in exhibitions and seminars. Regulations on product sales, advertising, public relations, sponsorship and marketing are in conformity with laws and there was no violation in 2009.

[2009 Tracks of Major Events]

<table>
<thead>
<tr>
<th>Division</th>
<th>Name of Event</th>
<th>Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporation</td>
<td>Participated in the 2009 LS T-Fair</td>
<td>Sep.</td>
</tr>
<tr>
<td></td>
<td>Participated in the Korea Agricultural Machinery Exhibition</td>
<td>Apr.</td>
</tr>
<tr>
<td></td>
<td>Organized meetings for vendors and dealers from Southeast Asia</td>
<td>Jul.</td>
</tr>
<tr>
<td></td>
<td>Organized training on tractors for engineers at the National Agricultural Cooperative Federation</td>
<td>Feb.</td>
</tr>
<tr>
<td>Air-conditioning</td>
<td>Organized the customer demonstration of R410A GHP</td>
<td>Nov.</td>
</tr>
<tr>
<td></td>
<td>Organized the demonstration of 2nd stage turbo refrigerators</td>
<td>Sep.</td>
</tr>
<tr>
<td></td>
<td>Participated in the Febrava Freezing &amp; Air Conditioning exhibition in Brazil</td>
<td>Sep.</td>
</tr>
<tr>
<td></td>
<td>Organized events to invite major domestic and overseas buyers</td>
<td>Jun.</td>
</tr>
<tr>
<td></td>
<td>Organized the Korea International Air Conditioning and Heating</td>
<td>Mar.</td>
</tr>
<tr>
<td>Automotive</td>
<td>Participated in Shanghai Automobile Exhibition</td>
<td>Apr.</td>
</tr>
<tr>
<td>components</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronic</td>
<td>Participated in Japan JPCA Exhibition</td>
<td>Jun.</td>
</tr>
<tr>
<td>circuit materials</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2009 LS T-Fair (on new products and technologies)
Online Support System
Our each division has its own website on which detailed information about products and technologies can be obtained. Customers are provided with quick and accurate services.

Customer Response Training
Being aware the rapidly changing customer demands, we have organized the Customer Response Training to improve our response to customers. In May, in the Tractor Division, the Customer Response Training was performed for CS employees, and in March 2009, a corporate business division competitiveness workshop was held by our CEO.

2010 Action Plans – CS3
Communicating with Customers

Continued Development of Customer Satisfaction Activities of Each Division (~Dec.)
Our existing customer communication channels have been maintained and various events and training actively performed to continuously develop customer satisfaction activities suitable for the characteristics of each division.

Collecting/Sharing of Voice of Customer (VOC) of Core Business Division (Nov.)
We pay visits to our customers, collect and share the VOC among our employees. Directions for improvement are set through analysis.
Community Involvement & Development (Corporate Philanthropic Activities)

- Establishment of Community Involvement & Development Strategies
- Operation of Community Involvement & Development Programs

Local Community Arts and Sports Supporting Activities

For improvement in public health and healthy communities, we have organized Sports Supporting Activities, like bicycle parades, and set the foundation to develop sports. Furthermore, we put all our efforts in supporting community involvements, like Jeonju International Film Festival and other international events to expand the cultural basis of the local communities.

Share Love Volunteering

Our Sarang Nanumhoe (sharing love) visits many institutions for the disabled, etc. and performs necessary renovation and repairs. Here, we work together with handicapped people who are in need of loving hands. Additionally, through various events, various volunteer activities are performed, which might be small, but offer a lot of love.
Community Involvement & Development (Corporate Philanthropic Activities)

Managerial Framework

Our Statement of the Focus Area
We aim to make this world a better place filled with love. We will fulfill our social responsibilities as a company, proactively carry out social giving activities to ensure mutual growth with local communities where we do business and encourage our employees to take part in our corporate philanthropic initiatives voluntarily.

Mid-term Key Managerial Issues
• Promote national and international community contribution programs
• Strengthen performance management system and information sharing
• Reinforce communication with local communities

Operation Policies and Action Guideline
Regarding the promotion of Community Involvement and Development, we have established a strategic direction and set up a community contribution management principle for genuine performance of activities. We want to become an acknowledged corporation through continuous participation in community issues.

Mid-term Road Map
We will strengthen the Initiative Capacity for a strategic CD gradually, and plan to expand programs step by step. First, we will establish foundation for CD activities for them to flourish among employees.

A company that makes a better world for us to live together

Action Structure
The Business Support Team under our head office manages the CD by selecting a CD representative in each division. According to organization rules and capacities, people in charge are assigned and volunteers from employees gathered to expand CD efforts.
### Action Framework

#### 2009 Achievements

<table>
<thead>
<tr>
<th>Issue Code</th>
<th>Managing issues</th>
<th>Related Activities</th>
<th>Related Activities</th>
<th>Department in charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD1</td>
<td>Establishing the CD Managerial Framework</td>
<td>🌟</td>
<td>Business Support Team</td>
<td></td>
</tr>
<tr>
<td>CD1</td>
<td>Establishing strategies of CD</td>
<td>🌟</td>
<td>Business Support Team</td>
<td></td>
</tr>
<tr>
<td>CD1</td>
<td>Establishing the CD Action Team</td>
<td>🌟</td>
<td>Business Support Team</td>
<td></td>
</tr>
<tr>
<td>CD1</td>
<td>Designing communication channels for beneficiaries in local communities</td>
<td>🌟</td>
<td>Business Support Team</td>
<td></td>
</tr>
</tbody>
</table>

| CD2        | Conducting CD activities | 🌟 | Business Support Team |
| CD2        | - Enhancement of local community welfare | 🌟 | Business Support Team |
| CD2        | - Development of culture, arts and sports | 🌟 | Business Support Team |
| CD2        | - Volunteer work of employees | 🌟 | Business Support Team |
| CD2        | - Nurturing of talents | 🌟 | Business Support Team |
| CD2        | Building CD database and related budgets and activities | 🌟 | Business Support Team |

*Partially Achieved issues in 2009 will be selected as the 2010 Action Plans and continuity of SM Initiative maintained.*

#### 2010 Targets & Commitments

<table>
<thead>
<tr>
<th>Issue Code</th>
<th>Managing issues</th>
<th>Related Activities</th>
<th>Targets</th>
<th>Department in charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD1</td>
<td>Establishing CD Action Team in each division</td>
<td>The first half year</td>
<td>Business Support Team</td>
<td></td>
</tr>
<tr>
<td>CD1</td>
<td>Sharing CD management and national and international practices</td>
<td>🌱</td>
<td>Business Support Team</td>
<td></td>
</tr>
<tr>
<td>CD2</td>
<td>Practicing continuity in CD (Continued from 2009)</td>
<td>Throughout the year</td>
<td>Business Support Team</td>
<td></td>
</tr>
<tr>
<td>CD2</td>
<td>Practicing the CD of new overseas businesses</td>
<td>The second half year</td>
<td>Business Support Team</td>
<td></td>
</tr>
<tr>
<td>CD3</td>
<td>Communicating with Local Communities</td>
<td>Once a year</td>
<td>Business Support Team</td>
<td></td>
</tr>
</tbody>
</table>

*CD : Community involvement & Development (Corporate Philanthropic Activities)*

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I am very happy to be in charge of CD. I will make efforts to maintain CD activities, thus creating an even better world. I have aggressively conducted CD activities in 2009 and focused especially on culture, arts and sports. I feel proud because Jeonju International Film Festival was sponsored by our company, which was an international event. In addition, I decided to perform activities that build up win-win partnerships for NGOs and companies. In 2010, I will set up specific action plans for CD foundation of our company, more actively conduct current CD activities and promote CD in the global level. I will do my best to accomplish corporate social responsibilities of LS Mtron.

**Kyung-Tae Lee, Manager | Business Support Team**
CD1

Establishment of Communities Involvement & Development Strategies

After analyzing demands and needs of the communities, we established five strategies for CD and achieved such activities under these balanced strategies. In 2010, we plan to actively implement the global CD strategies, along with the existing local development strategies.

5 Mid and Long-term Strategies for CD

We have established five strategies for mid and long-term development based on the interests of stakeholders of the local communities. Our programs have been in operation under clear directions and expected results to create corporate values and produce genuinely fruitful contribution activities.

2010 Action Plans - CD1

Establishment of Community Involvement & Development Strategies

Formation of CD Action Team
In 2009, we established a managerial framework of corporate CD. In 2010, we plan to complete our customized programs of corporate community involvement and to develop them for each division, depending on its characteristic, size and competency and further to organize corporate-level volunteering teams for CD.

Internal/External Results Reporting System
We further promote CD Performance Disclosure for corporate social reputation by operating volunteer work programs for social welfare. A reporting and disclosure system is up and running, e.g. corporate official websites, sustainable development reports. We also promote the employee participation in CD projects.

Initiative Directions for Five Strategies

<table>
<thead>
<tr>
<th>Five Strategies</th>
<th>Action</th>
<th>Focus for Volunteer Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of local community</td>
<td>Supporting low-income households</td>
<td>Supporting low-income households and welfare development of underdeveloped local communities.</td>
</tr>
<tr>
<td>welfare</td>
<td></td>
<td>Strengthening relationships and contributing to local community development through ‘One Company One Village’ programs</td>
</tr>
<tr>
<td>Culture/Art/Sports Development</td>
<td>Supporting local communities’</td>
<td>Supporting local communities’ culture/art/sports fundamentals for improvement of quality of life</td>
</tr>
<tr>
<td></td>
<td>culture/art/sports fundamentals</td>
<td>locally and internationally</td>
</tr>
<tr>
<td>Employees’ everyday volunteer</td>
<td>Promoting sustainable</td>
<td>Promoting sustainable implementation of volunteer works for CD. Promote self-motivated</td>
</tr>
<tr>
<td>works</td>
<td>implementation of volunteer</td>
<td>participation of employees.</td>
</tr>
<tr>
<td></td>
<td>works for CD.</td>
<td></td>
</tr>
<tr>
<td>Supporting for Next Generation</td>
<td>Scholarships for outstanding</td>
<td>Scholarships for outstanding people as well as students from families in need for building a</td>
</tr>
<tr>
<td></td>
<td>people as well as students from</td>
<td>more prosperous future with next-generation talents</td>
</tr>
<tr>
<td></td>
<td>families in need for building a</td>
<td></td>
</tr>
<tr>
<td></td>
<td>more prosperous future with</td>
<td></td>
</tr>
<tr>
<td></td>
<td>next-generation talents</td>
<td></td>
</tr>
<tr>
<td>Global development for</td>
<td>Fulfilling responsibilities as</td>
<td>Fulfilling responsibilities as a global market participant as well as promoting national brands</td>
</tr>
<tr>
<td>developing regions</td>
<td>a global market participant as</td>
<td>of Korea by supporting life fundamentals, human rights and education in underdeveloped countries</td>
</tr>
<tr>
<td></td>
<td>well as promoting national</td>
<td></td>
</tr>
<tr>
<td></td>
<td>brands of Korea by supporting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>life fundamentals, human</td>
<td></td>
</tr>
<tr>
<td></td>
<td>rights and education in</td>
<td></td>
</tr>
<tr>
<td></td>
<td>underdeveloped countries</td>
<td></td>
</tr>
</tbody>
</table>
Operation of Communities Involvement & Development Programs

Based on five community involvement strategies, we promote our business and brand images through continuous participation and involvement activities since 2009, such as involvement in local welfare (‘One Company One Village’, ‘One Company One School’, art / culture / sports), and put all efforts for global community involvement and development projects in 2010.

Wanju Chudong Village Supporting Programs
We support families in need in cooperation with Chudong Village in Wanju, North Jeolla Province, and throw a “good village event” twice a year. Along with this, we participate in activities such as direct food sales markets, farm experiences, village clean-up with locals, etc. We also support diverse events for further development of Chudong Village, our sisterhood village.

Employees’ Usu-ri Charity Fund (Donation of a portion rounded off from monthly income)
We support children and senior citizens in need with monthly aids from LS Mtron Usu-ri (donation of a portion rounded off from monthly income) charity fund and hold charity events like briquette delivery and kimchi-making day during winter. In our kimchi-making day event, family members of our employees also participate and share the happiness of volunteering. We are expanding the opportunities of sharing to further increase the participation of employees.

Interview : Head of Chudong Village
I am very happy about the One Company One Village campaign of LS Mtron. The village becomes more prosperous with environmental improvement thanks to the support of LS Mtron. Along with this, LS Mtron’s "good village event" is highly welcomed by village people. We will further make efforts to make a good collaboration model of company and local communities.

Support of Culture/Arts/Sports Development
We actively support various events and activities in culture/arts/sports to help improve local society’s cultural development and quality of life. Especially in North Jeolla Province where the company is located, the Jeonju International Film Festival and Jeonju Sori Festival are supported every year. Furthermore, we do our best to help improve sports and health conditions of Korea by sponsoring cycling events.
The One Company One School (Bong Dong Elementary School) campaign

We support students at Bong Dong Elementary School in Wanju in North Jeolla Province under our scholarship programs both for students and alumni. LS Mtron Life Building’s swimming pool is open for students and they love it. Along with this, we are running diverse support programs for sports activities and clubs to promote talents.

We recognize the importance of educating talented local people, and make greater efforts for this.

Employee Volunteering

<table>
<thead>
<tr>
<th>Name of Program</th>
<th>Schedule</th>
<th>Major Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sarang Nanumhoe’s Support for Da-Ae Community, a center for the disabled</td>
<td>Monthly</td>
<td>Employee volunteering</td>
</tr>
<tr>
<td></td>
<td>Regularly</td>
<td>Jaayingyun (black noodle) Day/Offering food and fruits</td>
</tr>
<tr>
<td></td>
<td>Regularly</td>
<td>Supporting for wall painting / Construction and maintenance for electric facilities</td>
</tr>
<tr>
<td></td>
<td>Regularly</td>
<td>Plowing support</td>
</tr>
<tr>
<td>Local Environment Protection</td>
<td>Regularly</td>
<td>The One Company One River campaign and cleaning of areas around business sites</td>
</tr>
</tbody>
</table>

Supporting Da-Ae Community

Our in-house volunteering club, Sarang Nanumhoe (sharing love) visits Da-Ae Community, a local welfare organization for the disabled every year and contributes to the local society through diverse activities like wall-painting, facility construction, Jaayingyun (black noodle) for people in need.

People participating in these activities feel highly satisfied and naturally spread the precious volunteering opportunities to other colleagues.

Interview:

Jeonju Business Support Team, Jang-Ho Maeng

Through the Da-Ae communities, I realized how fulfilling it is to help and give to others. Honestly, at first, I did not feel like going when my colleagues suggested to volunteer. But after I went there once, I felt so good and happy. When I saw people who manage the Da-Ae community who are not even as well off as me, I looked back upon my life. This volunteer activity makes me feel happy and satisfied about my life and makes me further do my best in my everyday life.

Fostering Future Talents

<table>
<thead>
<tr>
<th>Name of Program</th>
<th>Schedule</th>
<th>Major Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>The One Company One School campaign</td>
<td>Jan. ~ Feb.</td>
<td>Scholarship for students and alumni</td>
</tr>
<tr>
<td>Factory invitation for students</td>
<td>Feb. ~ Jul.</td>
<td>Sponsorship for school events and activities</td>
</tr>
<tr>
<td>Hankyung TV World Finance Conference</td>
<td>May</td>
<td>Sponsoring Hankyung TV World Finance Conference</td>
</tr>
<tr>
<td>Mail Business Newspaper’s World Knowledge Forum</td>
<td>October</td>
<td>Sponsoring Mail Business Newspaper’s World Knowledge Forum</td>
</tr>
<tr>
<td>Scholarship for overseas college students</td>
<td>November</td>
<td>Qingdao Engineering College, Shandong Architecture College (China, 40 students)</td>
</tr>
</tbody>
</table>

The One Company One River campaign

We support students at Bong Dong Elementary School in Wanju in North Jeolla Province under our scholarship programs both for students and alumni. LS Mtron Life Building’s swimming pool is open for students and they love it. Along with this, we are running diverse support programs for sports activities and clubs to promote talents.

We recognize the importance of educating talented local people, and make greater efforts for this.

Swimming lessons for kids

Love Sharing Volunteering

Donation of goods

Scholarship awards
## 2010 Action Plans - CD2 Operation of Community Involvement & Development Programs

### Major Social Contribution Activities

<table>
<thead>
<tr>
<th>Name of Program</th>
<th>Schedule</th>
<th>Major Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Welfare Improvement</td>
<td>January</td>
<td>Charity fund for people in need</td>
</tr>
<tr>
<td></td>
<td>Monthly</td>
<td>Social welfare program, e.g. donation of a portion rounded off from monthly income</td>
</tr>
<tr>
<td></td>
<td>Regularly</td>
<td>The One Company One Village campaign</td>
</tr>
<tr>
<td>Culture/Art/Sports Activities</td>
<td>April</td>
<td>Jeonju International Film Festival</td>
</tr>
<tr>
<td></td>
<td>April</td>
<td>Hi-Seoul Cycling Festival</td>
</tr>
<tr>
<td></td>
<td>April</td>
<td>Support for Korea Cycle Federation</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>Jeonju Sori Festival</td>
</tr>
<tr>
<td>Employee volunteering</td>
<td>Regularly</td>
<td>Sarang Nanumhoi’s support for Da-Ae Community (a center for the disabled)</td>
</tr>
<tr>
<td>Fostering Future Talents</td>
<td>May</td>
<td>Hankyung TV’s World Finance Conference</td>
</tr>
<tr>
<td></td>
<td>October</td>
<td>Maeil Business Newspaper’s World Knowledge Forum</td>
</tr>
<tr>
<td></td>
<td>Regularly</td>
<td>The One Company One School campaign and scholarships for Chinese students</td>
</tr>
<tr>
<td>Global Development of Impoverished regions</td>
<td>Second half year</td>
<td>LS Mtron’s Happy Together Campaign</td>
</tr>
<tr>
<td></td>
<td>Twice a year</td>
<td>LS Mtron’s support for university students volunteering abroad</td>
</tr>
</tbody>
</table>

### Development Plans for the Least Developed World

1. **Objectives**
   - To select countries where regional development and fostering of children in least developed countries and conduct social charity activities
   - To conduct global charity activities befitting our corporate mission and prestige to leap into a global leading company

2. **Global Charity Activities**
   - Construction of a child welfare center in Cambodia: consisting of a childcare center and youth training center (computer usage, English skills and arts & sports)
   - Regional development projects: with the top priority on projects desperately required by the locals

3. **Partnership Agencies**
   - Good Neighbors International

![LS Mtron “Happy Together”](image-url)
Green Management

- Operation of Green Management System
- Responses to Climate Change
- Developing Environmentally Friendly Products
- Operation of Advanced ESH Business Sites

Designation as a Green Company

Our Jeonju site was acknowledged as a green company for our achievements: reduction in use of natural resources and energy and improvement in environmentally friendly product development, etc. With self-regulated green management system, our environmentally friendly efforts will continue and, actively implement our green activities.

Acquisition of Carbon Footprint Certification Label

With our Gas Heat Pump (GHP), we were designated as the first air conditioning company in the world to acquire the Carbon Footprint Certification Label. Based on this achievement, we strive to expand our lineup of environmentally friendly certified products, and actively participate in the reduction of greenhouse gases with higher energy efficiency to respond to climate change.
Green Management

Managerial Framework

Our Statement of the Focus Area
We continuously develop SM methods and related environmental regulations to become a fully responsible and sustainable business entity. Along with this, we respond to climate change and develop environmentally friendly products to be a global environmentally friendly leader in high-tech component and industrial product business.

Action Structure
We have Environment Safety Team of our head office under our support to unfold enterprise-wide strategic green management, and the team is established for each business site for close-knit support for each site. In addition, close collaboration with related departments raises our business efficiency.

Mid-term Roadmap
We have selected 3 important issues for creating opportunities of low-carbon green growth paradigm as well as for risk management under stricter international and domestic regulations, and promotes the following 8 core activities continuously.

Mid-term Key Managerial Issues

- Respond to climate change by reducing greenhouse gas emissions
- Develop environmentally friendly products and Green Business areas
- Operate advanced ESH business sites

Green Management Policy
We recognize Green Management as a core strategic part of our business, respecting values of nature, life and future generations. We seek to be a leading SM company respected by the community and the industrial machinery and components sectors.

1. Continuous improvement and information disclosure
We operate under internally strict standards as well as related domestic and international regulations, develop continuously improvement activities and regularly disclose information therein.

2. Reducing greenhouse gas emissions and developing environmentally friendly products
We minimize the use of hazardous substances and reduce greenhouse gas emissions as well as expand development and purchase of environmentally friendly and safe products.

3. Building safe and healthy environment as well as preventing hazards
We prevent hazards in business activities and make efforts to promote safe and healthy working environment, as well as employees health conditions.

4. Win-win green management and corporate social responsibility
We support win-win green management for local communities and business partners and actively fulfill corporate social responsibility with transparent management activities.
2009 was the year to re-build mid/long-term fundamentals for core issues including green management policy establishment, earning ESH management system certifications (ISO 14001 & OHSAS 18001) for domestic businesses and for our original green management culture. In 2010, we promise to continuously make efforts to strengthen our management competency against climate change and environmentally friendly product development, by mainly focusing on building the greenhouse gas emissions inventory and introducing green design process as well as improving activities for fundamental environment protection and healthcare system for employees.

2009 Achievements

<table>
<thead>
<tr>
<th>Issue Code</th>
<th>Managerial Issues</th>
<th>Related Activities</th>
<th>Achievements</th>
<th>Department in Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>GM1</td>
<td>Operation of Green Management System</td>
<td>Establishing Green Management Policy / Establishing core environmental management issues and control system</td>
<td>●</td>
<td>Environment Safety Team</td>
</tr>
<tr>
<td>GM2</td>
<td>Responses to Climate Change</td>
<td>Greenhouse gas emission status assessment / Fostering specialized workforce in climate change responses</td>
<td>●</td>
<td>Environment Safety Team</td>
</tr>
<tr>
<td>GM3</td>
<td>Developing Environmentally Friendly Products</td>
<td>Establishing environmentally friendly product design standards</td>
<td>●</td>
<td>Environment Safety Team</td>
</tr>
<tr>
<td>GM4</td>
<td>Operation of Advanced ESH Business Sites</td>
<td>Certification for integrated ESH corporate management</td>
<td>●</td>
<td>Environment Safety Team</td>
</tr>
</tbody>
</table>

2010 Targets & Commitments

<table>
<thead>
<tr>
<th>Issue Code</th>
<th>Managerial Issues</th>
<th>Related Activities</th>
<th>Targets</th>
<th>Department in Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>GM2</td>
<td>Response to Climate Change</td>
<td>Developing products with Carbon Footprint Certification Label</td>
<td>October</td>
<td>Environment Safety Team</td>
</tr>
<tr>
<td>GM3</td>
<td>Developing Environmentally Friendly Products</td>
<td>Introducing the environmentally friendly products design process</td>
<td>The first half year</td>
<td>Environment Safety Team/ Technology Management Team</td>
</tr>
<tr>
<td>GM4</td>
<td>Operation of Advanced ESH Business Sites</td>
<td>Building the ESH management for overseas subsidiaries</td>
<td>The first half year</td>
<td>Environment Safety Team</td>
</tr>
</tbody>
</table>

Choong-Sik Kim, Manager | Environment Safety Team
Environmental Impact of Business Activities

We procure various parts, raw materials, energy and water in the process of manufacturing electronic parts and industrial machinery. We strive for process improvement and stronger R&D to minimize the environmental impact of these business activities.

**INPUT**
- Raw Materials
  - Copper: 13,338 ton
  - Synthetic resins: 860 ton
- Energy
  - Electricity: 171,644 Mwh
  - Diesel fuel: 2,289,840 L
  - Gasoline: 154,080 L
  - LNG: 2,626,704Nm³
- Water
  - Industrial Water: 422,374 ton
  - Residential Water: 65,953 ton
  - Ground Water: 34,878 ton

**OUTPUT**
- Air
  - Dust: 5,634 kg
- Water Quality
  - Waste Water: 708,937 ton
  - COD: 567 kg
  - SS: 583 kg
- Waste
  - General Industrial Waste: 3,346 ton
  - Hazardous Waste: 146 ton
  - Recycling waste: 2,673 ton

COD: Chemical Oxygen Demand
SS: Suspended Solids
GM2

Responses to Climate Change

We are fully aware that climate change resulting from greenhouse gas emissions is a global issue. Therefore, we looked into the 2009 greenhouse gas emissions status of business sites, and plan to set goals to establish the greenhouse inventory and mid and long-term goals for reduction for domestic sites by 2010, and overseas subsidiaries by 2011.

Management of Climate Change Responses

Our greenhouse gas emissions reduction is in effect at the worksite but also in a product itself. To reduce greenhouse gas at the worksite, we seek for improvement by energy consumption assessments and benchmarks to constantly increase energy efficiency. Additionally, to reduce greenhouse gas emissions during the use of the product by customers, we consider energy efficiency as an important design factor in a product.

Current Status of Greenhouse Gas Emissions

Our investigation into its domestic business' greenhouse gas emissions rate showed that indirect greenhouse gas emissions resulting from the electricity usage (83%) took a major part of the total emissions rate. Besides, the usage of LNG used as the fuel source for boilers, gas heaters, etc. was the stationary combustion (6%), and the fugitive emissions from the refrigerant assembly process (9%) were other pollution sources. Thus, We are implementing reduction projects for each division. On the other hand, we plan to even more thoroughly investigate into certain parts of greenhouse gas emissions, such as chemical reactions in operational process or business trips of employees. We also plan to build and verify a greenhouse gas emissions inventory project for further corporate level greenhouse gas emissions reduction.

Results of Climate Change Response

Stronger Energy Efficiency and Refrigerant Management

The total energy consumption level of LS Mtron is 41,472TOE. Most of the energy used comes from the indirect energy of electricity (36,914TOE). For direct energy sources, we use LNG, the clean energy, 100% except for some cases where diesel is used for tractor testing.

We have cut our greenhouse gas emissions and fuel use by investing in new boilers for business and changing outdated boiler models in dormitory. We have continuously made efforts to improve energy efficiency by changing degraded steam traps and cutting energy usage with saving-the-energy campaigns. Especially for the Jeongeup site, we saved 3,833 Mwh of electricity in 2009 through diverse activities including process improvement, and management of the appropriate temperature level etc.

Furthermore, we have conducted energy tests for the Jeongeup site in 2009 to find a solution for other high energy-consuming factories, and plans to test Jeonju site in 2010. We have minimized refrigerant waste and usage by investing in high-speed refrigerant charge and recovery machines in product assembly and testing of processes, and plan to further increase investment in related fields. LS Mtron also contributes to greenhouse gas emissions reduction through conference calls and video conferences to minimize unnecessary business trips.

Carbon Footprint Certification Label and Development of Recycling Turbo-heat Pump

We have achieved the Carbon Footprint Certification Label, thanks to our efforts to observe Green Growth and to develop and supply environmentally friendly products. The Gas Heat Pump (GHP) is the world’s first air conditioning product to achieve this certification. In addition, we developed a large size Turbo Heat Pump usable for large-size power plant waste heat recovery for the first time in Korea. As such, we are expected to play a leading role not only in greenhouse gas reduction but also in expanded usage of renewable energies in collaboration fields.

2010 Action Plans - GM2

Responses to Climate Change

1. Building Greenhouse Gas Emissions Inventory and Reduction Goal Setting
   For 4 domestic business sites (Jeonju, Jeongeup, Anyang, and Indong), implementation of greenhouse gas inventory and 3rd party verification was undertaken. Mid-long term goals for potential reduction rate were set through assessment

2. Further Activities to Reduce Greenhouse Gas Emissions (e.g. raise energy efficiency rate)
   Efficiency management for high energy consuming processes and facilities such as refrigerator, heat exchanger, etc. Improvement of degraded steam trap, investment in refrigerant recovery devices, etc.

3. Development of High Energy-efficient Products
   Acquisition of Carbon Footprint Certification Label
GM3
Developing Environmentally Friendly Products

We have expanded the development of environmentally friendly products to minimize the environmental footprint. The product development process includes an environmental review process in addition to the standard process of design. We will continue to develop a better environmentally friendly design process.

Our Definition of Environmentally Friendly Product

We categorize environmentally friendly products into: resources saving (reduction in usage of natural resources, improvement in recycling), reduction of hazardous substances (no use of hazardous substances, reduction of pollutants), reduction of greenhouse gas emissions (increases in energy efficiency and refrigerant environment), other environment impact reduction (reduction in packing materials). Such classification is applied to our green product development strategies and green design standards.

Achievements of Environmentally Friendly Product Development

Green Business Expansion

We focus on the development of environmentally friendly products and each business division to go green. In particular, Ultra Capacitor (UC) acknowledged as a future key growth element, and next-generation energy storing devices widely used in hybrid bus, wind power, UPS hybrid heavy equipment, and extra strategic devices known for their large output, long life, have been more widely used. Moreover, we continue to conduct joint researches with related companies to commercialize module products to be applied to hybrid cars and develop hybrid excavators, while developing the world’s first-of-its-kind 3 voltage EDLC. As such, we are heatedly competing with our Japanese counterparts that take up 90% of the market as of now. Also we develop green business like Air-conditioning system, secondary cell copper foil, car components for the green car and renewable energy (waste heat collection, ice storage, geothermal heat, solar heat, etc.).
Environmentally Friendly Product Development

We accelerated the speed of our environmentally friendly product development to deal with environmental issues like depletion of the ozone layers and greenhouse effect, not to mention the consumer’s convenience and safety. We consider the energy usage efficiency improvements and decrease in greenhouse gas emissions as our top priority in developing products that use energy (Air-conditioner, Tractor and Injection Molding machine, etc.).

So, we reaped various achievements in 2009 by launching air conditioning products where high-efficiency compressions and heat exchangers were designed and applied, and the green tractors (Plus Model) with lower fuel consumption with the installation of direct injection-type engines, and by improving the performance and expanding the model lineup of electromotive molding machine. Also, in the Electrical Components, Electrical Circuit Materials and Automotive Components Division, we reinforce raw material selection process and business partner supply management process, and actively comply with hazardous substances regulations including RoHS, ELV and REACH.

Achievements of Environmentally Friendly Products

<table>
<thead>
<tr>
<th>Business Division</th>
<th>Direction of Product Development</th>
<th>Major Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air-Conditioning</td>
<td>• Consolidation of Energy efficient (COP) and refri</td>
<td>• Certification in high-efficiency :</td>
</tr>
<tr>
<td></td>
<td>erant environmental friendliness</td>
<td>Absorption chiller-heater</td>
</tr>
<tr>
<td></td>
<td>• Development of new environmentally friendly</td>
<td>Waste energy : Turbo Heat Pump</td>
</tr>
<tr>
<td></td>
<td>products: hybrid chiller-heater, new regenerated</td>
<td>Carbon Footprint Certification Label</td>
</tr>
<tr>
<td></td>
<td>energy (waste heat collection, ice storage, heat, sun energy)</td>
<td>: GHP (Gas Heat Pump)</td>
</tr>
<tr>
<td>Tractor</td>
<td>• Reduction of the pollutant emission (TIER 4 Response) and increase the engine efficiency</td>
<td>• TIER 3 Response and high efficiency and direct jet-type engine: Plus Model</td>
</tr>
<tr>
<td></td>
<td>• Development of new environmentally friendly products : hybrid tractor</td>
<td></td>
</tr>
<tr>
<td>Injection Molding</td>
<td>• Increase in the energy efficiency and decrease the</td>
<td>• Electromotive/ hybrid molding machine</td>
</tr>
<tr>
<td></td>
<td>pollutant emissions (noises/waste)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Development of new environmentally friendly products : machines with new molding methods</td>
<td></td>
</tr>
<tr>
<td>Electronic components / Electronic circuit material / Automotive components</td>
<td>• Restriction in use of hazardous substances</td>
<td>• RoHS, ELV, REACH regulation response</td>
</tr>
<tr>
<td>Products for Green business</td>
<td>• New generation energy storage device and products with new regenerating energy</td>
<td>• Expansion of halogen free products</td>
</tr>
<tr>
<td></td>
<td>- UC, copper foil for 2nd battery, environmentally friendly air conditioning system</td>
<td>• Environmentally friendly automotive components: CAC (Charged Air Cooler) hose</td>
</tr>
<tr>
<td></td>
<td>• Products for Green Car</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Hybrid car electric/hydraulic automotive hose, hybrid tractor</td>
<td></td>
</tr>
</tbody>
</table>

2010 Action Plans - GM3 Developing Environmentally Friendly Products

1. Management of Environmentally Friendly Product Design Process
   Conduct training on policy and development power of environmentally friendly products by experts
2. Re-establishment of Response Processes According to Product Environmental Regulations
   Re-establish Response to international regulations (REACH, EuP etc.) and domestic regulations (environmental guarantee, waste water treatment charge)
3. Support for Environment Improvement of Business Partners
   Strengthen the process of selecting and evaluating (the environmental diagnosis)
GM4

Operation of Advanced ESH Business Sites

We identify the critical environmental footprint and risks by integrating the ESH management systems in all our business sites nationwide, and have implemented continued improvement activities, accordingly. We plan to achieve mid-and long-term goals on major ESH indicators under our “Green Management Policy” and expand the scope of our integrated system management to our overseas sites.

Enterprise-wide ESH Management System

In 1997 before we were spun off, our Anyang site acquired the ISO14001 certification. Since then, we sought to establish the ESH management system throughout our enterprise, resulting in the ESH management system certification for all our sites nationwide (Jeonju, Jeongeup, Anyang and Indong). In 2009, we integrated the ESH management system for all our sites nationwide including the head office in a bid to establish the enterprise-wide ESH management basis and enhance cross-site management capacity, while strengthening our internal diagnosis to strengthen our system execution capacity.

Furthermore, we establish the ESH management system and regular analysis for ESH risk management for overseas subsidiaries, which will enable us to manage a global integration system at the end of the day. Moreover, our on-line ESH system is up and running to maximize the management efficiency of the ESH management system and transparency in the relevant information. We also plan to renovate the integrated information system covered under our greenhouse gas management and environment regulation response processes.

Establishment of ESH Management System

<table>
<thead>
<tr>
<th>Category</th>
<th>ISO14001</th>
<th>OHSAS18001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>First date of certification</td>
<td>Integrated certification date</td>
</tr>
<tr>
<td>Head office</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Anyang</td>
<td>1997.01</td>
<td>2009.8</td>
</tr>
<tr>
<td>Jeonju</td>
<td>1997.02</td>
<td>2009.02</td>
</tr>
<tr>
<td>Jeongeup</td>
<td>2003.10</td>
<td>2004.09</td>
</tr>
</tbody>
</table>

* We implement the annual diagnosis for the domestic and overseas sites.

Environmentally Friendly Process Management

We strive to minimize the pollutant emissions and reduce hazardous substances and Ozone Depleting Substances (ODS) by improving the process and prevention facilities and modifying the raw materials used in order to minimize the environmental footprint in the production process.

Our efficient management of waste water re-use enables the continued increases in the waste water re-use rate, leading to reduction in waste water discharges and the original water usage. Not only that, our efforts for process improvement in reduction of origins of wastes are underway along with preservation of natural resources through re-use of waste scraps and recycling of wastes. In addition, we conduct reviews on eco-friendliness (environmental pollutant emissions, usage of new chemicals, setup of hazardous machinery and equipment and the excess of greenhouse gas emissions) in the investment review phase so that we could reduce the environmental overload and comply with relevant laws.

Reduction in Usage of Natural Resources

Having figured out the importance of how the usage of natural resources impacts the environment in our environmental impact evaluation, we have improved our efforts to reduce the usage of resources. In particular, we successfully reduced the usage of natural resources by replacing the copper raw materials with the copper scraps 100% that are used for the Jeongeup site. Thanks to our efforts in the industrial water usage reduction and waste water re-use systems to achieve our goal to discharge no waste water by 2012, we ended up reusing 287,528 tons of water in 2009 (that is, the waste water re-use rate of 69%).

Furthermore, our process improvement has been driven by enterprise-wide proposal management system, so we ended up reducing loss of raw materials driven by our activities to fundamentally reduce wastes.

Management of Pollutant Emissions

We are engaged in various activities to reduce the emissions of air pollutants, water pollutants and wastes and comply with due legal standards, thus improving the
process and prevention facilities and modifying the raw materials used. Our internal criteria stringently set the targets that are 50% less than those of legal ones, and emissions fees are waived for all our sites nationwide as of 2009.

In 2009, we used ozone layer depleting materials (HCHC-22, HCFC-123) as refrigerants for some products in the production phase of the refrigerating heat exchanger (28ton). However, we are reducing its use by adopting HFC-type refrigerants and minimizing the leakage in the middle of processing by utilizing a refrigerant recovery system.

We lead efforts in reduction and reuse of waste by 3 R activities (Reduce, Reuse, Recycle) and implement stricter waste management by improving the waste yard facility and establishing the garbage separation movement. Along with this, we operate under practical guidance of waste management companies. In 2009, the recycling rate was 74%, and we promise to increase this further in the near future.

In 2009, there was no single violation case of environmental regulations thanks to our diverse activities. The Jeonju site was also selected as outstanding Green Company of 2009 based on its successful outcome in resource and energy efficiency and environmentally friendly product development.

Environment Protection Activities for Local Community
We promote the “One Company for One River” campaign to protect the local environment, and actively participate in solving local environmental problems by local community activities like Local Agenda 21.

Environmentally Friendly Investment and Management
To satisfy rising demands of environment safety and external stakeholders, we realize continuous investments and management. To further solve the problem of pollutants and hazardous factors, environmentally friendly products are developed and gradually established.

### Investment in Environment, Safety and Health Facilities

<table>
<thead>
<tr>
<th>Investment section</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air</td>
<td>380,700</td>
</tr>
<tr>
<td>Climate change</td>
<td>125,500</td>
</tr>
<tr>
<td>Waste</td>
<td>72,000</td>
</tr>
<tr>
<td>Safety and health</td>
<td>77,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>655,200</strong></td>
</tr>
</tbody>
</table>

Environmental safety management costs are not inclusive.

2010 Action Plans - GM4
Operation of Advanced ESH Business Sites

1. ESH Management System for Overseas Subsidiaries
   ESH management system for overseas subsidiaries and regular check-ups

2. Reinforcing activities for reduction of pollutant emission
   To maximize waste-reduction and waste recovery system, reduce pollutant use and further invest in waste reduction programs and activities
Employee Value Enhancement

- Advanced Human Resources Management System
- Employee Competency Development
- Employee Participation and Communication
- Employee Safety and Health

Enterprise-wide Mentoring Activities

We offer a wide range of mentoring activities to help new recruits adjust to the corporate culture early. Seniors are to provide not just practical advice but also affectionate encouragement to these new comers to give them the best possible start in their new jobs.

Our Labor-Management Win-Win Partnership Recognized with the Prime Minister’s Award

We strived to establish win-win labor-management partnership and advance it further in 2009 and such efforts were acknowledged with the Prime Minister’s Award. We aim to build mutually-cooperative and sustainable labor-management relationships through sincere dialogue and various communication channels.
Employee Value Enhancement

Managerial Framework

Our Statement of the Focus Area
We consider employees as important stakeholders and sources of corporate value creation and as such, aim to provide them with a safe and decent place to work, establish fair policies and rules for outstanding human resources, and encourage continuous competency development and participation in dialogue, offering them with the basis for sustainable development.

Mid-term Key Managerial Issues
• Upgrade our human resources system to global standards
• Achieve competitiveness by strengthening constant employee competency development
• Build trust labor management by encouraging employee participation
• Improve employee safety and health

Operation Principles and Action Guideline
Creating confidence among employees, the corporation, and communities, is the basic principle of LS Mtron’s Employee Value Enhancement. With this principle in mind, we are to build a sustainable high-performance organization by giving our employees sufficient opportunities to grow and deploying a performance-oriented system based on responsibility and discretion.

Mid-term Roadmap
Our top priority since the establishment has been to build our own appropriate corporate culture and secure talented employees. In an bid to support expanding business areas, we are to focus on establishing an advanced HR system, a win-win labor-management partnership and a global network of talents.

Action Structure
To promote employee values, we operate the Human Resource Team and the Environment Safety Team under Support Division Leadership. The Human Resource Team is overseeing 3 functions: HR functions for employee recruitment, evaluation, and compensation; training function for competency and leadership development; and labor-management function for harmonized labor-management relationship. The Environment Safety Team is supervising health and safety matters to ensure a safe and healthy working environment for employees.
We are to grow global-minded talents who focus on continuous self-development, possess professional expertise, understand partners with openness and without any fears of change, and take the initiative and pursue continued improvement in what they do. In order to do this, we aim to enhance employee values by offering fair and objective evaluation and rewards schemes and nurturing talents in a systemic manner. In addition, we are committed to giving growth opportunities as well as responsibilities and discretion powers to our employees and creating a motivating working environment.

Hyun-Yong Yang, Manager | Human Resource Team
Advanced Human Resources Management System

We aim to advance our HR system to hire talented people and give them opportunities to fully utilize their abilities. We focused on improving our HR scheme to grow next-generation leaders and candidates for top management positions. Our goal in 2010 is to set HR policies for overseas subsidiaries and branches and recruit talents from around the world.

LS Mtron’s Global Human Resources

LS Mtron is to secure and grow global high performer who have top expertise in their respective field, understand others with an open-minded attitude and take the initiative and seek continuous improvements in what they do.

Our Talent Promotion Scheme

(Top executive candidates and Next-generation leaders)

We have a systemic talent promotion scheme which is differentiated by position category to secure capable talents as early as possible. Its basic principles are as follows:
- Promote talents associated with business strategies
- Find and promote high performer as early as possible
- Promote talents with clear goals and purposes
- Promote talents fit for specific positions by offering systemic training opportunities

Based on those principles, top executive candidates are selected, nurtured and examined on a company-wide level and they are further classified into management executives and professional research fellows. Next-generation leaders are categorized into executives’ successor candidates, functional specialists and Global Expert Candidates (G.E.C) and they are managed by the HR Promotion Committee of business group. We produced more than 10 such leaders in 2009 and our plan for 2010 is to have more than 10 top executive candidates across the company and more than 3 next-generation leaders in each division.

HR System

Recruitment

To hire competent people in Korea, we hold a campus recruiting once a year. In 2009, 132 university graduates were hired. Our overseas recruitment covers North America, Japan, China and other important regions around the world.

Assessment System (SPCM*)

Our employee assessment system is performed on all employees across the company and consists of achievement assessment and capacity assessment. First, achievement assessment starts with the establishment of an index (KPI) for effective accomplishments of business strategies, and of continuous communication between assessors and assesses. Competence assessment is to present our core values, define specified job capacities in each job category and thereby induce substantial behavior changes.

* SPCM: Strategic Performance & Competency Management

Reward

Our reward system consists of “fixed pay” which is based on employees’ potential and their expected capacities and “variable pay” which is determined by their performance. Fixed salary is applied equally to every employee in the same level, and those who make outstanding achievements are additionally rewarded according to their external and internal achievements. Salary level for the newly employed is higher than the legal minimum wage level both in overseas and domestic sites, regardless of gender difference.

Retaining Competent High Performer

We are supporting people with high achievements and Innovative Activities through various systems so that they can perform even better. In the case of outstanding overseas employees, they are invited to work in Korean sites, and those with outstanding achievements and innovative activities are rewarded with incentives and other compensations.
Diversity and Equal Opportunities

We deeply recognize the importance of diversity and equal opportunity in enhancing employee values. This is a fundamental factor in building an advanced HR system and we do not discriminate our employees in recruitment, evaluation and compensation on grounds of gender, nationality, age, religion and physical disabilities. There were no such reports of discrimination in 2009.

As of December 2009, female employees and handicapped employees accounted for 3.3% (48 people) and 2.4% (35) of total respectively. In January of 2009, we produced the first-ever locally hired head of overseas subsidiary in LSTA (our sales subsidiary in the U.S.) in a bid to go global further. We are to improve our management and business process proactively down the road to ensure diversity and equal opportunity to global standards.

Employee Benefits System

We have various benefit programs for improvement of life and work of employees. They include National Pension, health insurance, industrial accident insurance and unemployment insurance, as well as a wide range of financial support for medical payment, tuition, mortgage loans, family events and leisure activity.

2010 Action Plans - EV1 Advanced Human Resources Management System

Our goal for 2010 is to complete the advanced HR system which was introduced in 2009. Based on this achievement, we are to take a step further as a company.

- Establish global standards by linking HR systems between domestic and overseas subsidiaries
- Build a network to secure global talents in order to expand overseas markets and improve employee capacities
- Support system for sustainable business growth based on advanced HR education programs.
- Establish an advanced system to respond to changing management and labor environments.

Employee Competency Development

We recognize our employees as a fundamental foundation to offer the best quality technology and services to customers and support their sustained growth and performance. While our focus in 2009 was on setting directions for leadership and providing job training, that will be shifting to improving leaders’ capacity through advanced promotion course and company-wide leadership training and developing employees’ language skills to respond to the global business environment.

Our HR Philosophy

Our HR philosophy starts with individual employees. We support our employees so that they would be able to satisfy customers with top-notch technology and services, stand on their own to realize their dreams and seek mutual growth and respect among one another.

Basics of Nurturing Talents

At LS Mtron, we aim to become a top global company with the management philosophy of “Together with Customers”. We firmly believe that the foundation of corporate management is ‘activities by humans for humans’. Based on deep affections for human beings, we are to grow our employees into capable talents who can fully meet their responsibilities within their organization.

As such, we make sure that talent development starts with individuals and our employees can satisfy customers with top-notch technology and services, stand on their own to realize their dreams, seek mutual growth and respect among one another, willingly focus on their self-development, and enjoy a rewarding personal life and become affectionate and passionate about their work life as well. To meet these goals, we are to spare no efforts in making individual employees “take the initiative in nurturing talents” and the company “lay the ground for developing talents.”

Education Support System

Education Credit System

We set compulsory courses and credits which should be achieved at each job level. By doing so, we aim to give each employee an equal chance for education and support their self-improvement. Each employee received some 145 hours of education and financial supports worth W1.02 million in Korea in 2009 (including online education).

No. Of Achieved Credits at Each Job Level

<table>
<thead>
<tr>
<th>Category</th>
<th>Assistant Manager</th>
<th>Manager</th>
<th>Deputy General Manager</th>
<th>General Manager</th>
<th>Executive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieved</td>
<td>2.4/7.4</td>
<td>7.4</td>
<td>6.8</td>
<td>7.8</td>
<td>6.2</td>
<td>3.4</td>
</tr>
</tbody>
</table>

1 credit = 6 hours of concentrated education
Human Resources Promotion System

Our promotion system has the following hierarchy: Assistant(Ⅳ), Assistant Manager(Ⅲ), Manager/Deputy General Manager(Ⅱ), General Manager(Ⅰ), Executive. The human Resources Promotion System is operated to urge the recruit/deputy to promote to Self Leader, division head/deputy head to Emerging Leader, head to team leader and executive to Business Leader.

<table>
<thead>
<tr>
<th>Position</th>
<th>Value</th>
<th>Leadership</th>
<th>Duty</th>
<th>Global</th>
<th>Ex.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>New</td>
<td>High Performer</td>
<td>Common</td>
<td>Specialty</td>
</tr>
<tr>
<td>I</td>
<td></td>
<td></td>
<td>LS Leader</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>Organization Development Program</td>
<td>New General Manager</td>
<td>Mid-long Term Course</td>
<td></td>
<td></td>
</tr>
<tr>
<td>III</td>
<td>Open (New Entry)</td>
<td>New Manager</td>
<td>Job Competency Course Module (Ⅲ)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV</td>
<td></td>
<td>New Assistant Manager</td>
<td>Emerging Leader</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Talent Development Program

Leadership Training

To promote leaders with management abilities, a leader award was established and a “Leadership pipeline” set up, including activity indices and training for each stage.

Leadership Pipeline

- Establish mid and long-term visions for the corporation
- Promote personal leadership capabilities and achievements from each division

- Establish corporate strategies to ensure business stability
- Set strategic goals and facilitate their achievement to produce results in their respective position

High Performer Education

We support mid and long-term education programs such as MBA and nighttime graduate school for high performers including managers and those in higher positions. In case of overseas degree programs, total tuition is funded by LS Mtron, and beneficiaries are mandated to work for LS Mtron in predetermined periods of time.

Development of New Employees

We offer systemic training programs to new recruits for up to one year after they join LS Mtron. The purpose is to help them adjust to the organization and be a better performer as early as possible.

Training Program

- Training Of Vision Establishment 2days
- Work Smart Training 3days
- Mentoring Coaching 2days
- Mentor-pairings And Mentoring 3months
- Overseas Corporation 1week
- Office Training 3days
- LS Group Training 2weeks
- Promote Entry-level Training 1week
- Correspondence Learning 3months

Job Training

We make various efforts to strategically utilize internal training processes and external programs to promote global-level human resources. To grow top-level experts, the curriculum includes programs like planning, finance, purchase, sales, etc. There are also special courses for R&D researchers.

Global Education

Foreign language programs are provided for building further competency in global markets including the US and China. We provide global education programs such as intensive English/Chinese courses (mid-term courses), and are to offer intensive Chinese/Russian courses (long-term courses) for potential expatriate employees starting from 2010.
2010 Action Plans - EV2 Employee Competency Development

Mid and long-term courses / Global education schedule
- Selection and confirmation of trainees: ~ end of Feb
- Training / Education: throughout the year
- Announcement of actual results / completion: Nov

<table>
<thead>
<tr>
<th>Type</th>
<th>Name of Program</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-term</td>
<td>Korea MBA</td>
<td>LS Future Center (9 months)</td>
</tr>
<tr>
<td>Long-term</td>
<td>Intensive English</td>
<td>LS Future Center (4 weeks)</td>
</tr>
<tr>
<td></td>
<td>Intensive Chinese</td>
<td>LS Future Center (4 weeks)</td>
</tr>
<tr>
<td></td>
<td>Chinese/Human</td>
<td>LS Future Center (10 weeks)</td>
</tr>
</tbody>
</table>

Leadership capacity improvement plans
- Jan.: Leadership toolkit for new team leaders
- Mar.- Apr.: Leadership training programs
- Aug.: Diagnosis of team leader leadership and identification of improvements to be made
- Sep.- Oct.: Company-wide leadership competency building programs for team leaders

Strengthening global competency of employees: business sites run their respective Chinese courses

EV3
Employee Participation and Communication

We are running systems and activities to satisfy our internal stakeholders, employees, as well as external stakeholders. We are to build various participation channels to encourage active communication among employees and improve employee satisfaction by creating a corporate culture where our employees can strike the right balance between their personal and work life.

Management and Monitoring System

We carry out regular reviews of employee-related policies and systems with our employees to find improvements to be made and to ensure that they are fair and reasonable. We also manage employee activities and performance on a permanent basis so that we could identify their expectations and demands in a timely manner. We are to enhance such monitoring activities to further upgrade our working environment and build trust between the company and employees starting from 2010.

Employee Satisfaction Survey

Our Joint Labor-Management Committee conducts an employee satisfaction survey of technical workers and organizational capacity survey of office employees and researchers every year in a bid to measure their level of satisfaction. By doing so, we aim to find and address any problems or complaints in our business sites and create a vibrant and motivating workplace for our employees. We make sure that survey questions are valid and analysis of the results is accurate. For those items where employee satisfaction increased, we set them as a benchmark to be followed across the enterprise and for those items where satisfaction level declined, we ensure that their fundamental reasons are identified and addressed to prevent recurrence of such issues.

Notification of Changes

We are mandated by the Collective Agreement to notify and consult with the labor union or concerned parties when union members are transferred or moved to other departments or major changes take place in business sites such as factory relocation or disposal of facilities. Notices are given on the corporate bulletin board, through personal e-mail or written appointments.

Employee Participation and Communication Reinforcement

Facilitate Company-wide Employee Communication Channels

We build various communication channels to incorporate opinions of our employees into business operation and resolve issues together. We operate diverse communication channels from participation and cooperation promotion meetings which are held regularly according to the Collective Agreement to year-round communication channels that are available both online and off-line.

Communication Channel

<table>
<thead>
<tr>
<th>Corporate Policy</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collective Agreement clause 20</td>
<td>Participation and cooperation promotion meeting across the company and in respective business sites (on a quarterly basis)</td>
</tr>
<tr>
<td>Article 5 of the Employee Participation and Business Partnership related Regulation</td>
<td>Establish and operate Grievance Resolving Committee (on a constant basis)</td>
</tr>
<tr>
<td>Joint Labor-Management Committee</td>
<td>Address employee complaints and issues to be improved (on a monthly basis)</td>
</tr>
<tr>
<td>CEO workplace management</td>
<td>Direct conversation between CEO and employees</td>
</tr>
<tr>
<td>Cyber whistle-blowing</td>
<td>Reports of unreasonable practices and labor activities to be improved</td>
</tr>
<tr>
<td>Labor-Management Committee meeting</td>
<td>Labor-Management Committee meeting in respective business sites (on a quarterly basis)</td>
</tr>
</tbody>
</table>
CEO Seminar
Our CEO plays an important role of disseminating messages about our corporate vision, current management status and talent promotion continuously in monthly meetings and training sessions for new recruits and existing employees. This helps us put a vibrant communication culture in place and build trust between top management and employees.

Mentoring System
Our mentoring system is to offer new employees the best possible start in their new jobs and opportunities to grow capacities. The mentoring system consists of 3 stages: mentor-pairing → mentoring activities → mentoring closing. During the mentoring pairing ceremony, we provide more systematic mentoring programs through diverse activities including CEO’s special lecture, mentor-mentee connection event and mentor-mentee education.

Flowers Bouquet Message for New Employees
To raise satisfaction of new employees and loyalty to the company, the CEO communicates with families of new employees by sending them a message of gratitude with a flower basket 1 week before their first workday.

Labor-Management Relationship Improvement
We guarantee the freedom of assembly and collective bargaining. The of LS Mtron was established in July 2008. As of March 2010, the association has 611 members (39.9% of total employees) who possess granted rights to vote and to make decisions. We are eager to establish win-win partnership between labor and management and our efforts to establish and advance mutually-beneficial labor-management relations were recognized with the Prime Minister’s Award in December 2009

Labor-Management Relations Improvement Channels and Achievements 2009

<table>
<thead>
<tr>
<th>Type</th>
<th>Cooperation</th>
<th>Number Of Meetings</th>
<th>Core Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company-wide</td>
<td></td>
<td>4</td>
<td>Improving benefit system</td>
</tr>
<tr>
<td>Partipation and Cooperation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotion Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor Management Working-level Committee</td>
<td></td>
<td>4</td>
<td>Providing various facilities for business trips</td>
</tr>
<tr>
<td>Social Contribution Committee</td>
<td></td>
<td>1</td>
<td>Labor-Management Kindo-making events</td>
</tr>
<tr>
<td>Participation and Cooperation Promotion Meeting</td>
<td></td>
<td>4</td>
<td>Providing dormitory leisure rooms</td>
</tr>
<tr>
<td>Labor-Management Meeting</td>
<td></td>
<td>12</td>
<td>More shuttle buses for commuters</td>
</tr>
<tr>
<td>Sites</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Safety/Healthcare Committee</td>
<td></td>
<td>4</td>
<td>Increasing the number of medical institutions for health check-up and check-up items</td>
</tr>
<tr>
<td>Industrial Safety Manager Meeting</td>
<td></td>
<td>12</td>
<td>Strengthening safety training</td>
</tr>
<tr>
<td>Jangju Area/Meeting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor-Management Meeting</td>
<td></td>
<td>4</td>
<td>Offering continuous expert training regarding facility equipment peration</td>
</tr>
<tr>
<td>Industrial Safety and Healthcare Committee</td>
<td></td>
<td>4</td>
<td>Increasing the number of medical institutions for health check-up and check-up items</td>
</tr>
<tr>
<td>Total Number of Meetings</td>
<td></td>
<td>53</td>
<td></td>
</tr>
</tbody>
</table>

Observing International Labor Law
We make the best efforts to further establish human and labor rights for every employee at domestic and international business sites, in conformity with international standards, including child labor and forced labor regulations. In order to achieve this, we comply with SM Principles and operation principles, along with ILO labor standards. There has been no violation of regulations for the year 2009. Furthermore, we build various programs and systems for opinion-sharing, including labor-management relations, online bulletin boards and dedicated committees.

2010 Action Plans - EV3
Employee Participation and Communication

Labor-management Relationship Improvement
We maintain stable labor-management relations by reporting changes of HR management: for example, employees are transferred, appointed as expatriate workers or moved to other department, in advance to the Labor-Management Relations Committee, in compliance with collective agreements and regulations in 2010. Furthermore, the company promises to make its best efforts for stable employment and job security.

Developing Direct Channels Between Management and Employees
We develop direct communication channels between managers and employees by implementing meetings directed by the CEO and division directors on a quarterly basis.

Improving Grievance Resolution System
We are to publish regulations and procedures for complaint resolution on our corporate website bulletin board so that all of our employees could understand the process easily and make easy use of it. In addition, we aim to make sure that every employee can make their voices heard freely and make improvements through diverse systems including labor union.

Build Process to Report and Address ILO Violations
We actively follow domestic/international labor-related recommendations, and regulations as well as ILO regulations for sustainable management. Our priority in 2010 is to clearly stipulate our compliance with ILO regulations and prohibition of forced labor and child labor in our rules of employment so that all employees can share the same view on these issues. In addition, we are to make sure that we abide by local laws and regulations in our overseas business sites.
EV4

Employee Safety and Health

We put employee safety and health first in everything we do and we consider such safety and health issues a critical factor in carrying out our business. We also embark on a wide range of activities to make our business sites accident-free and improve employee health. Our goal for 2010 is to upgrade safety training at all employee levels to prevent work-related accidents and improve chemical substance management system.

Ensuring Safety and Health Together

We provide regular labor-management meetings to enhance safety and health of our employees where both parties put their heads together to discuss related issues. The Occupational Safety and Health Committee inspections and on-site joint inspections are carried out to examine safety and health issues and make necessary improvements in our business sites. We also hold Non-disaster Day events and risk forecasting training sessions to reduce potential hazards in those sites continuously. Especially the Jeonju site publishes case reports of improvements achieved in dealing with hazard factors every year. It reported 159 successful hazard prevention cases in 2009. Along with this, we operate the Environment and Safety Assessment System, where the Environment Safety Team evaluates environment safety performance of each department and team, and awards top performers every month.

Our plan for 2010 is to manage risk factors in manufacturing process more precisely by utilizing various analytical techniques including video monitoring and also gradually expand hazard forecasting training to overseas subsidiaries.

Safety Training and Promotion of Manpower

To share information on environment safety with all employees, we publish an environment safety newsletter every month. In addition, our on-line ESH system disseminates the latest training materials to employees constantly. We also run diverse training courses to improve their awareness of safety. In particular, those employees who operate environment facilities and hazardous devices and thus are critical in ensuring environment safety are classified as environmental safety specialists and we make sure they are trained and certified so that they can deal with safety risks properly. In 2010, we plan to offer concentrated education courses to site supervisors and environment safety committee members who are on-site environment safety leaders to further improve employees’ awareness of environment safety.

Promotion of Healthcare of Employees

We perform general and special medical check-ups for employees and comprehensive check-ups for employees over 35 and their spouses. For those diagnosed with specific medical conditions, we support them in managing their health appropriately by offering regular medical consultations and internal medical check-ups. We also provide customized health management programs by running health promotion schemes such as anti-smoking campaigns and managing personal health information in the corporate online ESH system.

Additionally, to prevent musculoskeletal disorders which are found more frequently with the increasing average age of employees, we improve the working environment and develop various stretching methods, encouraging employees to practice them on a company-wide level. We installed physical therapy devices in the corporate health management room and offer regular medical consultations by professional musculoskeletal practitioners as well.

2010 Action Plans - EV4

Employee Safety and Health

1. Improve management system for chemical substances
Re-establishing GHS-based chemical substances management system

2. Improve safety management levels in Overseas Subsidiaries
Offering hazard forecast training, stretching methods and safety training materials to overseas subsidiaries

3. Improve safety education by job levels
Training performed by management supervisors and Environmental Safety Specialist Committee
Integrated Risk Management

- Introduction of the Integrated Risk Management System and Risk Issues Identification
- Employee Training and Strong Risk Response

Training on the International Law

We held a training session on the international law at the LS Tower in October. Topics covered include overseas business, strategic purchase, business planning, international finance, overseas C/S, etc. 30 people in charge of international business and those interested attended and learned about risks found in agreements on international business and case studies.

Private-public joint firefighting drill

We also held a joint fire drill together with the related firefighting department to improve the reaction efficiency upon a real fire, aiming to prevent a fire by adopting an early control system. We plan to conduct activities to prevent fire and improve our acute fire prevention actions.
Integrated Risk Management

Managerial Framework

Our Statement of the Focus Area
We have established the Integrated Risk Management System to respond to the sustainability management issues as the risk, not to mention financial risks. We plan to strive for a greater financial performance by visualizing risks and losses for stakeholders and value opportunities for them.

Mid-term Key Managerial Issues
- Conduct financial and non-financial risk* investigation and periodic reviews
- Build the response manual of the Integrated Risk Management System and on each issue
- Build the staff training and risk response culture

*non-financial risk : SEE(Social, Environmental, Ethical) Risk

Action Structure
We strive to overcome the loss of execution ability and impossibility of corporate internalization, derived from conducting risk management by one special division through departmentalizing the risk management, adopting and conducting under the corporate sustainability management system. We regularly discuss risk response issues through the corporate SM Steering Group, vest the responsibility to each division and build a managing and monitoring system.

Mid-term Roadmap

We plan to stipulate regulations and policies on the establishment of the Integrated Risk Management System and establish the training plans for each risk issue in 2010. Moreover, LS Mtron will focus on identifying various risk scenarios for each risk issue and developing risk management manuals and guidelines in 2011. Finally, we will expand such efforts for integrated risk management to overseas subsidiaries by 2012.

Operation Principles and Action Guideline
Under our sustainability management principles and integrated risk management policies, we minimize legal and ethical risks through our regular risk management activities, while incorporating our risk responses and management into our single corporate culture through systematic identification and integrated responses for financial and nonfinancial risk management issues on an annual basis. We also search for scenarios for each risk management issue, establish scenario-specific response manuals, and conduct training according to such manuals under the goal towards business continuity and stability.
We went off with the existing general risk management system to construct the risk management system which can respond to the risk issues more actively in our daily work. We will break away from the existing legal, financial risk responses like ESH, consider the nonfinancial risks as significantly as ethical, social, environmental risk and other serious risk issues for the Sustainable Improvement of our corporate and individual interest, which we will manage constantly under our Integrated Management System.

Jae-Sang Shin, Manager | Business Management & Planning Team
RM1

Introduction of the Integrated Risk Management System and Risk Issues Identification

To promote Corporate SM, we grouped the Integrated Risk Management into the focus areas. We put great efforts in the systematic response of risk issues, which each division responded individually before. Risk issues are analyzed so that employees can naturally respond to them during everyday duties.

Establishment of Integrated Risk Management System

We discuss risk issues periodically through the SM Steering Group, and stipulate those in Sustainable Management and Managerial Framework, invest responsibility to each executive divisions, and put great effort to construct a system that can be managed and monitored. In particular, core SM issues are identified, in addition to the financial risks like exchange rate, interest rate, raw materials price change, global financial crisis as the risk management issues. We strive to construct an Integrated Risk Management System which the General SM can be linked to. In the future, we will make financial performances by minimizing the negative impacts on the persons related and business, and visualizing the risk cost and chance values.

Integrated Risk Identification and Response System

<table>
<thead>
<tr>
<th>Category</th>
<th>Operational &amp; Financial Risks</th>
<th>Mid Term Managerial Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated Sustainability Management</td>
<td>Response Performance in 2009</td>
<td>Insufficiency of overseas subsidiaries SM system regarding SM</td>
</tr>
<tr>
<td>Economic and Social Value Creation</td>
<td>Establishment of SM reporting structure</td>
<td>Expansion of SM principles and diffusion of their application and training</td>
</tr>
<tr>
<td>Community Involvement and Development</td>
<td>Establishement of environment impact assessment process in facility investment</td>
<td>Strengthening financial risk response system</td>
</tr>
<tr>
<td>Green Management</td>
<td>Establishement of ESH committee and related training programs</td>
<td>Establishment of Community involvement volunteers</td>
</tr>
<tr>
<td>Employee Enhancement</td>
<td>Expand employee dialogue and communication channels</td>
<td>Setting up greenhouse gas inventory</td>
</tr>
<tr>
<td>Integrated Risk Management</td>
<td>Identifying nonfinancial risk issues and establishment of risk management system</td>
<td>Establishement of response system to global climate change agreement</td>
</tr>
<tr>
<td>Other Risks</td>
<td>Strengthening training program for increased awareness of employee ethical mind</td>
<td>Strengthening response of regulations of financial market (CDP/carbon disclosure project participation)</td>
</tr>
</tbody>
</table>

Integrated Risk Response Process

- Identification of major risks and regular reviews (annual)
- Analysis of the issue-specific business impact and opportunities
- Identification of causes for risks and searching for issue-specific scenarios
- Setup of response manuals and regular monitoring
- Constant response activities and trainings and drills
- Strategic cooperation and decision-making in response directions through SM Steering Group
- Corporate governance
- Improvement and response activities of each department
Employee Training and Strong Risk Response

We offer a wider variety of responses to operational risks identified as Managerial Issues including key techniques and information leakage, legal risk management in contracts, environmental safety accidents, etc. Not only financial risks but also various other elements that have a negative influence on business activities will be identified and responses planned in order to continuously expand activities for business stability and stakeholder satisfaction.

Risk Response Activities through the Crisis Management Committee

Crisis Management Committees for each business site are established to avoid possible environmental and safety accidents. Crisis Management Committees are created for each type of accident and divided into accident inspection of each responsible institution, restoration support and accident prevention.

Key Technique Leakage Prevention
In conformity with the corporate safety regulations, security management aimed at all corporate members (new/resigned employees, Business Partners, visitors) has been up and running. Furthermore, our employees are divided into security levels and managed accordingly. There is a separate category for people responsible for core duties and important duties, to prevent confidential information leakage on corporate foundation or technologies, when they change their jobs or resign, which could seriously harm our management and profits.

Customer & Personal Information Leakage Prevention
All our employees and our Business Partners sign the confidential pledge on leakage prevention of customer and private information and work in conformity with these regulations.

Maintain Occupational Security Like Document Safety
Various documents are divided and managed according to their importance within the Enterprise Security Management. Along with this, the internet real-name financial transaction system was established and external mail or messenger services blocked and monitored. The Security Management Division implements security education and security monitoring twice a year.

Public Announcement of Financial Information
To secure transparent accounting standards, we have prepared in advance for the International Financial Reporting Standards (IFRS), which will be adopted in 2011, while striving to respond to the global management flow with trustworthiness for our stakeholders. For a fair trade basis among commercial affiliates, the transfer pricing decision processes were also settled.

ESH-related Risk Prevention
We hold corporate Environmental Safety Subcommittees and analyze serious external environment security accidents to prevent possible accidents. Also, emergency trainings are performed regularly, and employees are advised to react in case of environmental, safety or fire accidents, as well as preparations made for all different kind of situations. Especially in 2009, a Corporate Response Organization was created to minimize the damage affected by H1N1, as well as activity guideline education, regular worksite disinfection and establishing a heat sensor facility to effectively prevent the spread of the virus.

Business Legal Risk Prevention
The Legal Team was created to prevent mistakes, which occur due to the lack of business understanding. Upon concluding various agreements, all kinds of necessary regulation education are provided.

Present Responses and Plans for Internal and External Regulations
We provide efforts for continuous monitoring and response to observe international and domestic regulations to become a sincere global corporate citizen with ethical and social responsibility. There were no violations of the regulations in 2009, due to our continuous observation of internal/external regulations on domestic human rights including ILO clauses, labor agreements, and environment agreement including climate change, customer protection, product safety and responsibility, public relations, marketing, ethics and fair trade, and occupational safety and health.
Milestone of Mtron

A compass towards a wider world

We hope that children’s laughter could reach out to the world afar.

Summary of Financial Information
Quantitative Performance Indicators
Global Network
GRI Index Table
Statement of the Third Party Assurance
### Summary of Financial Information

#### Short profit and loss calculation

<table>
<thead>
<tr>
<th>Subject</th>
<th>2nd period</th>
<th>1st period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sales turnover</td>
<td>691,513,670,825</td>
<td>301,573,953,765</td>
</tr>
<tr>
<td>2. cost of sales</td>
<td>557,031,347,577</td>
<td>247,819,679,538</td>
</tr>
<tr>
<td>4. Costs for sales and administration</td>
<td>101,194,668,465</td>
<td>53,802,911,777</td>
</tr>
<tr>
<td>5. Business profits (loss)</td>
<td>33,287,654,783</td>
<td>(48,637,550)</td>
</tr>
<tr>
<td>6. Non-operating revenue</td>
<td>32,492,181,094</td>
<td>35,414,613,052</td>
</tr>
<tr>
<td>7. Non-operating expenses</td>
<td>69,424,823,699</td>
<td>67,938,808,570</td>
</tr>
<tr>
<td>8. Net loss before Corporate Tax</td>
<td>3,644,987,822</td>
<td>1,538,075,242</td>
</tr>
<tr>
<td>9. Corporate Tax Expenses</td>
<td>570,224,441</td>
<td>(9,634,477,962)</td>
</tr>
<tr>
<td>11. Loss per share</td>
<td>468</td>
<td>2,549</td>
</tr>
</tbody>
</table>

#### Short Balance Sheet

<table>
<thead>
<tr>
<th>Subject</th>
<th>2nd period</th>
<th>1st period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Li. Liquid Assets</td>
<td>329,223,496,469</td>
<td>298,010,792,073</td>
</tr>
<tr>
<td>Quick Assets</td>
<td>231,176,871,041</td>
<td>187,011,638,396</td>
</tr>
<tr>
<td>Inventory</td>
<td>98,046,625,428</td>
<td>110,999,153,677</td>
</tr>
<tr>
<td>II. Non-current Assets</td>
<td>461,136,890,170</td>
<td>469,153,918,417</td>
</tr>
<tr>
<td>Investment Assets</td>
<td>126,265,135,322</td>
<td>139,531,655,981</td>
</tr>
<tr>
<td>Tangible Assets</td>
<td>279,921,046,999</td>
<td>269,609,959,619</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>35,026,744,792</td>
<td>47,608,446,588</td>
</tr>
<tr>
<td>Other Non-current Assets</td>
<td>19,923,963,426</td>
<td>12,403,856,229</td>
</tr>
<tr>
<td>Total Assets</td>
<td>790,360,386,639</td>
<td>767,164,710,490</td>
</tr>
<tr>
<td>Li. Current Liabilities</td>
<td>306,309,095,350</td>
<td>273,989,437,530</td>
</tr>
<tr>
<td>II. Long-term Liabilities</td>
<td>40,837,248,298</td>
<td>41,866,885,368</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>347,146,343,648</td>
<td>315,856,322,898</td>
</tr>
<tr>
<td>I. Capital</td>
<td>45,000,000,000</td>
<td>45,000,000,000</td>
</tr>
<tr>
<td>II. Capital Surplus</td>
<td>426,255,349,484</td>
<td>426,255,349,484</td>
</tr>
<tr>
<td>II. Other Cumulative Comprehensive Income</td>
<td>1,079,937,977</td>
<td>2,991,393,214</td>
</tr>
<tr>
<td>IV. Deficit</td>
<td>29,121,244,479</td>
<td>22,398,355,106</td>
</tr>
<tr>
<td>Total Capital</td>
<td>443,214,042,991</td>
<td>451,308,387,592</td>
</tr>
<tr>
<td>Total Liabilities and Capital</td>
<td>790,360,386,639</td>
<td>767,164,710,490</td>
</tr>
</tbody>
</table>

### Quantitative Performance Indicators

#### Economic and Social Value Creation

<table>
<thead>
<tr>
<th>Sales and Social Value</th>
<th>Unit: KRW billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>430.0</td>
</tr>
<tr>
<td>Business Profits</td>
<td>16.4</td>
</tr>
</tbody>
</table>

#### Sales by Division

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales and Social Value</th>
<th>Unit: KRW billion, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia - excluding China</td>
<td>176.9</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>31.9</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>22.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>691.5</td>
<td></td>
</tr>
</tbody>
</table>

#### Sales by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales and Social Value</th>
<th>Unit: KRW billion, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>554.4</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>39.5</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>22.2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>691.5</td>
<td></td>
</tr>
</tbody>
</table>

#### Tax and Dues

<table>
<thead>
<tr>
<th>Tax and Dues</th>
<th>Unit: KRW million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Tax</td>
<td>570</td>
</tr>
<tr>
<td>Taxes and Dues</td>
<td>3,254</td>
</tr>
<tr>
<td>Total</td>
<td>3,824</td>
</tr>
</tbody>
</table>

#### Government Subsidies

We received direct and indirect government subsidies worth KRW 7.88 billion (KRW 4.15 billion in 2009, KRW 1.54 billion after 2009, and KRW 2.19 billion for technology expenses redemption) on our national policy researches. The net national subsidies for 2009 amount to KRW 1,538,075,242 (estimated under proportionate division of the national policy research period).

#### Domestic Membership

The Federation of Korean Industries
Korea Chamber of Commerce and Industry
Korean Refrigeration and Air-conditioning Industry Association
Korea City Gas Association
Korea Agricultural Machinery Industry Cooperative
Korea Defense Industry Association
Korea Printed Circuit Association
Korean Association of Environmentally Friendly Enterprises
Korea Industrial Safety Association
Korea Plastic Processing Machine Industry Cooperatives
### Employee Value Enhancement

#### Employees by Type of Work

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number</th>
<th>Rate</th>
<th>Permanent / Temporary (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>801</td>
<td>54.4%</td>
<td>98.3%</td>
</tr>
<tr>
<td>Functional</td>
<td>616</td>
<td>41.9%</td>
<td></td>
</tr>
<tr>
<td>Temporary</td>
<td>55</td>
<td>3.7%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Total</td>
<td>1,472</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

1) Excluding dispatched employees

#### Age of Employees

<table>
<thead>
<tr>
<th>Age</th>
<th>Number</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>103</td>
<td>7.0%</td>
</tr>
<tr>
<td>30</td>
<td>557</td>
<td>37.8%</td>
</tr>
<tr>
<td>40</td>
<td>443</td>
<td>30.1%</td>
</tr>
<tr>
<td>50</td>
<td>356</td>
<td>24.2%</td>
</tr>
<tr>
<td>60</td>
<td>13</td>
<td>0.9%</td>
</tr>
<tr>
<td>Total</td>
<td>1,472</td>
<td>100%</td>
</tr>
</tbody>
</table>

#### Retired Employees by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Number</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeonju</td>
<td>38</td>
<td>43.1%</td>
</tr>
<tr>
<td>Jeongeup</td>
<td>13</td>
<td>14.8%</td>
</tr>
<tr>
<td>Anyang</td>
<td>20</td>
<td>22.7%</td>
</tr>
<tr>
<td>Indong</td>
<td>3</td>
<td>3.4%</td>
</tr>
<tr>
<td>Research</td>
<td>7</td>
<td>8.0%</td>
</tr>
<tr>
<td>Head Office</td>
<td>7</td>
<td>8.5%</td>
</tr>
<tr>
<td>Total</td>
<td>88</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

#### Employees by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Number</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeonju</td>
<td>814</td>
<td>55.3%</td>
</tr>
<tr>
<td>Jeongeup</td>
<td>167</td>
<td>11.3%</td>
</tr>
<tr>
<td>Anyang</td>
<td>237</td>
<td>16.1%</td>
</tr>
<tr>
<td>Indong</td>
<td>80</td>
<td>5.4%</td>
</tr>
<tr>
<td>Research</td>
<td>79</td>
<td>5.4%</td>
</tr>
<tr>
<td>Head Office</td>
<td>95</td>
<td>6.5%</td>
</tr>
<tr>
<td>Total</td>
<td>1,472</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

#### Employees by Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>1,424</td>
<td>96.7%</td>
</tr>
<tr>
<td>Female</td>
<td>48</td>
<td>3.3%</td>
</tr>
<tr>
<td>Total</td>
<td>1,472</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

#### Employees of the Handicapped

<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-handicapped</td>
<td>1,437</td>
<td>97.6%</td>
</tr>
<tr>
<td>Handicapped</td>
<td>35</td>
<td>2.4%</td>
</tr>
<tr>
<td>Total</td>
<td>1,472</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

### Green Management

#### Classification Unit Total

1) At the Jeonju site, main raw materials are not included due to incompletion in analysis.

2) Water supply sources that are influenced mainly by the intaking water, are water systems of Han River, Mankyung River, Nakdong River, etc.

3) Anyang and Indong sites have a joint prevention facility and are therefore excluded from the Reuse Quantity Calculation.

Misc.) In 2009, there was no outflow of hazardous substances, and no stipulation on the waste treatment waste in the Basel Convention.

#### Green Gas Emission and Energy Use

<table>
<thead>
<tr>
<th>Classification</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhouse</td>
<td>t-CO2</td>
<td>87,551</td>
</tr>
<tr>
<td>Energy Consumption</td>
<td>TOE</td>
<td>4,558</td>
</tr>
<tr>
<td>Quantity</td>
<td>TOE</td>
<td>36,914</td>
</tr>
</tbody>
</table>

#### Labor Costs

<table>
<thead>
<tr>
<th>Type</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>66,361</td>
</tr>
<tr>
<td>Severance payments</td>
<td>6,946</td>
</tr>
<tr>
<td>Benefits</td>
<td>14,738</td>
</tr>
<tr>
<td>Education and Training</td>
<td>1,796</td>
</tr>
<tr>
<td>Total</td>
<td>89,841</td>
</tr>
</tbody>
</table>
HEAD OFFICE
1026-6 Hogye-dong Dongan-gu Anyang-si Gyeonggi-do 431-848 Korea
Tel : +82-31-689-8270 / Fax : +82-31-689-8279

JEONJU SITE
778 Jeonju 3 Industrial Complex Yongnam-ri, Bongdong-eup, Wanju-gun Jeollabuk-do 565-904 Korea
Tel : +82-63-279-5114 / Fax : +82-63-279-5954

JEONGEUP SITE
938 Jeongeup 3 Industrial Complex Taegok-ri, Buk-myeon, Jeongeup-si Jeollabuk-do 560-812 Korea
Tel : +82-63-530-4114 / Fax : +82-63-530-4118

ANYANG SITE
555 Hogye-dong, Dongan-gu, Anyang-si Gyeonggi-do 431-831 Korea
Tel : +82-31-450-8114

INDONG SITE
643 Jinyeong-dong, Gumi-si Gyeongsangbuk-do 730-735 Korea
Tel : +82-54-469-7710 / Fax : +82-54-469-7055

R&D CENTER
555 Hogye-dong Dongan-gu Anyang-si Gyeonggi-do 431-831 Korea
Tel : +82-31-450-8114
Overseas Subsidiaries

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Tiruvallur Taruk, Tiruvallur District, Tamil Nadu State, India
Tel.: +91-44-2769-3333
### GRI Index Table

<table>
<thead>
<tr>
<th>Profile Disclosure</th>
<th>Description</th>
<th>Location</th>
<th>Coverage</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
<td>1.1 Statement from the most senior decision-maker of the organization</td>
<td>CEO Message / 2009 Materiality</td>
<td>16-13</td>
<td></td>
</tr>
<tr>
<td>Analysis</td>
<td>1.2 Description of key impacts, risks, and opportunities</td>
<td>Risk Management</td>
<td>16-21, 96</td>
<td></td>
</tr>
<tr>
<td><strong>Profiles of Organization</strong></td>
<td>2.1 Name of the organization</td>
<td>Company Profile</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.2 Primary brands, products, and/or services</td>
<td>Company Profile</td>
<td>27, 30-33</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures</td>
<td>Global Networks</td>
<td>26, 102-103</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.4 Location of organization’s headquarters</td>
<td>Company Profile</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report</td>
<td>Global Networks</td>
<td>27, 102-103</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.6 Nature of ownership and legal form</td>
<td>Corporate Governance</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)</td>
<td>Company Profile / Appendix</td>
<td>27, 100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.8 Scale of the reporting organization</td>
<td>Company Profile / Performance Data</td>
<td>27, 100-101</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.9 Significant changes during the reporting period regarding size, structure, or ownership</td>
<td>Corporate Governance</td>
<td>27, 28</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.10 Awards received in the reporting period</td>
<td>Corporate Governance</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td><strong>Report</strong></td>
<td>3.1 Reporting period</td>
<td>Reporting Principles</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Parameters</td>
<td>3.2 Date of most recent previous report</td>
<td>LS Monr’s First SM Report</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.3 Reporting cycle</td>
<td>Reporting Principles</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.4 Contact point for questions regarding the report or its contents</td>
<td>Reporting Principles, Materiality Analysis</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.5 Process for determining report content</td>
<td>Reporting Principles</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.6 Boundary of the report</td>
<td>Reporting Principles</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.7 State any specific limitations on the scope or boundary of the report</td>
<td>Reporting Principles</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations</td>
<td>Reporting Principles</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.9 Data measurement techniques and the basis of calculations</td>
<td>Reporting Principles</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement</td>
<td>LS Monr’s First SM Report</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report</td>
<td>LS Monr’s First SM Report</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.12 Table identifying the location of the Standard Disclosures in the report</td>
<td>GRI Index Table</td>
<td>104-107</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.13 Policy and current practice with regard to seeking external assurance for the report</td>
<td>Statement of the third party assurance</td>
<td>108-109</td>
<td></td>
</tr>
<tr>
<td><strong>Governance, Commitments, and Engagement</strong></td>
<td>4.1 Governance structure of the organization</td>
<td>Corporate Governance</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.2 Indicate whether the Chair of the highest governance body is also an executive officer</td>
<td>Corporate Governance</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.</td>
<td>Corporate Governance</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body</td>
<td>Corporate Governance</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization’s performance</td>
<td>Corporate Governance</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided</td>
<td>Corporate Governance</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization’s strategy on economic, environmental, and social topics</td>
<td>Corporate Governance</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation</td>
<td>Corporate Governance / Integrated sustainability management</td>
<td>28, 40-41</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.9 Procedures of the highest governance body for overseeing the organization’s identification and management of economic, environmental, and social performance</td>
<td>Corporate Governance / Integrated sustainability management</td>
<td>28, 40-41</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.10 Processes for evaluating the highest governance body’s own performance, particularly with respect to economic, environmental, and social performance</td>
<td>Corporate Governance / Integrated sustainability management</td>
<td>28, 40-41</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization</td>
<td>Green Management Policy / Climate Change Response</td>
<td>74-75</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses</td>
<td>Appendices</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.13 Memberships in associations (such as industry associations and/or national/international advocacy organizations in which the organization participates)</td>
<td>Appendix</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.14 List of stakeholder groups engaged by the organization</td>
<td>2009 Sustainability Overview</td>
<td>16-19</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.15 Basis for identification and selection of stakeholders with whom to engage</td>
<td>2009 Sustainability Overview</td>
<td>16-19</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group</td>
<td>2009 Sustainability Overview</td>
<td>16-19</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting</td>
<td>2009 Sustainability Overview</td>
<td>16-19</td>
<td></td>
</tr>
</tbody>
</table>
### Economic Disclosure on Management Approach

<table>
<thead>
<tr>
<th>Economic Disclosure</th>
<th>Description</th>
<th>Location</th>
<th>Coverage Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Performance</td>
<td>Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments</td>
<td>2009 SM Performance Data/Appendix</td>
<td>25, 100</td>
</tr>
<tr>
<td>EC1</td>
<td>Financial implications and other risks and opportunities for the organization’s activities due to climate change</td>
<td>Green Management - Climate Change Response/ Risk Identification</td>
<td>77, 96</td>
</tr>
<tr>
<td>EC2</td>
<td>Coverage of the organization’s defined benefit plan obligations</td>
<td>Employee Value Enhancement - Retirement fund to be introduced in 2010</td>
<td>85</td>
</tr>
<tr>
<td>EC3</td>
<td>Significant financial assistance received from government</td>
<td>Economic and Social Value Creation/Appendix</td>
<td>100</td>
</tr>
<tr>
<td>EC4</td>
<td>Change of ratio of standard entry level wage compared to local minimum wage at significant locations of operation</td>
<td>Employee Value Enhancement - Guarantee legal minimum wages</td>
<td>86</td>
</tr>
<tr>
<td>EC5</td>
<td>Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation</td>
<td>Economic and Social Value Creation/Appendix</td>
<td>100</td>
</tr>
<tr>
<td>EC6</td>
<td>Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation</td>
<td>Employee Value Enhancement - Hire of local employees as head of the U.S. corporation in 2009, global HR regulations to be set in 2010</td>
<td>87</td>
</tr>
<tr>
<td>EC7</td>
<td>Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement</td>
<td>Community Involvement &amp; Development</td>
<td>69-71</td>
</tr>
<tr>
<td>EC8</td>
<td>Understanding and describing significant indirect economic impacts, including the extent of impacts</td>
<td>Economic and Social Value Creation/Build the basis of win-win cooperation with business partners, strengthen their innovation capacity, carry out joint R&amp;D activities, and train employees</td>
<td>55-56</td>
</tr>
<tr>
<td>EC9</td>
<td></td>
<td>Community Involvement &amp; Development</td>
<td>69-71</td>
</tr>
</tbody>
</table>

### Environmental Disclosure on Management Approach

<table>
<thead>
<tr>
<th>Environmental Disclosure</th>
<th>Description</th>
<th>Location</th>
<th>Coverage Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials EN1</td>
<td>Materials used by weight or volume</td>
<td>Green Management - Volume of raw materials consumed</td>
<td>76, 101</td>
</tr>
<tr>
<td>EN2</td>
<td>Percentage of materials used that are recycled input material</td>
<td>Green Management - Volume of copper consumed</td>
<td>76, 80</td>
</tr>
<tr>
<td>Energy EN3</td>
<td>Direct primary energy consumption by primary source</td>
<td>Green Management - Direct primary energy consumption by primary source</td>
<td>76-77, 101</td>
</tr>
<tr>
<td>EN4</td>
<td>Indirect energy consumption by primary source</td>
<td>Green Management - Indirect energy consumption</td>
<td>76-77, 101</td>
</tr>
<tr>
<td>EN5</td>
<td>Energy saved due to conservation and efficiency improvements</td>
<td>Green Management - Energy consumption</td>
<td>76-77, 101</td>
</tr>
<tr>
<td>EN6</td>
<td>Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives</td>
<td>Green Management - Acquisition of Carbon</td>
<td>77</td>
</tr>
<tr>
<td>EN7</td>
<td>Initiatives to reduce indirect energy consumption and reductions achieved</td>
<td>Green Management - Climate Change Response Achievement</td>
<td>77</td>
</tr>
<tr>
<td>Water EN8</td>
<td>Total water withdrawn by source</td>
<td>Green Management - Water usage</td>
<td>76, 101</td>
</tr>
<tr>
<td>EN9</td>
<td>Water sources significantly affected by withdrawal of water</td>
<td>Green Management - Appendix</td>
<td>101</td>
</tr>
<tr>
<td>EN10</td>
<td>Percentage and total volume of water recycled and reused</td>
<td>Green Management - Corporate Greenhouse gas Emission</td>
<td>22, 77, 101</td>
</tr>
<tr>
<td>Biodiversity EN11</td>
<td>Identification and status of land owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas</td>
<td>Not Applicable</td>
<td>N/A</td>
</tr>
<tr>
<td>EN12</td>
<td>Identification of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas</td>
<td>Not Applicable</td>
<td>N/A</td>
</tr>
<tr>
<td>EN13</td>
<td>Number of IUCN Red List species with habitats in areas affected by operations, by level of extinction</td>
<td>Not Applicable</td>
<td>N/A</td>
</tr>
<tr>
<td>Emissions EN16</td>
<td>Total direct and indirect greenhouse gas emissions by weight</td>
<td>Green Management - Corporate Greenhouse gas Emission</td>
<td>22, 77, 101</td>
</tr>
<tr>
<td>EN17</td>
<td>Other relevant indirect greenhouse gas emissions by weight</td>
<td>Green Management - Plan to establish Greenhouse</td>
<td>76, 101</td>
</tr>
<tr>
<td>EN18</td>
<td>Initiatives to reduce greenhouse gas emissions and reductions achieved</td>
<td>Green Management - Climate Change Response/ Risk Identification</td>
<td>77</td>
</tr>
<tr>
<td>EN19</td>
<td>Emissions of ozone-depleting substances by weight</td>
<td>Green Management - Emission of Ozone-depleting substances</td>
<td>101</td>
</tr>
<tr>
<td>EN20</td>
<td>Green Management - Use of Ozone-depleting substances</td>
<td>Green Management - Emission of Air Pollutants</td>
<td>101</td>
</tr>
<tr>
<td>EN21</td>
<td>Water discharge by quality and destination</td>
<td>Green Management - Waste Water Discharge</td>
<td>76, 101</td>
</tr>
<tr>
<td>EN22</td>
<td>Total weight of wastes by type and disposal method</td>
<td>Green Management - Waste Discharge and Recycling Rate</td>
<td>83-81</td>
</tr>
<tr>
<td>EN23</td>
<td>Total number and volume of significant spills</td>
<td>Green Management - No relevant case</td>
<td>101</td>
</tr>
<tr>
<td>EN24</td>
<td>Weight of transported, imported, exported, or treated waste shipped internationally</td>
<td>Green Management - No relevant case</td>
<td>101</td>
</tr>
<tr>
<td>EN25</td>
<td>Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization’s discharge of water and waste</td>
<td>Not Applicable (this index is rather irrelevant with our business in terms of directindirect impact given the characteristics of this industry)</td>
<td>N/A</td>
</tr>
<tr>
<td>Products and Services EN26</td>
<td>Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation</td>
<td>Green Management - Waste process of environmentally friendly products and development of environmentally friendly products</td>
<td>76-79</td>
</tr>
<tr>
<td>EN27</td>
<td>Percentage of products sold and their packaging materials that are reclaimed by category</td>
<td>Green Management - Climate Change Response Achievement (Conference call and others)</td>
<td>77</td>
</tr>
</tbody>
</table>

### Compliance

| Compliance EN28          | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations | Green Management - No case of violation                                                           | 81, 97             |

### Transport

| Transport EN29           | Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations, and transporting members of the workforce | Green Management - Climate Change Response Achievement (Conference call and others) | 77                 |

### Overall

| Overall EN30             | Total environmental protection expenditures and investments by type            | Green Management - Environment Safety Investment Sum                                             | 22, 81             |
## Profile Disclosure

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>Description</th>
<th>Location</th>
<th>Coverage Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Disclosure on Management Approach</td>
<td><strong>LA1</strong> Total workforce by employment type, employment contracts by employee category and business site</td>
<td>Employee Value Enhancement - Employees</td>
<td>101</td>
</tr>
<tr>
<td></td>
<td><strong>LA2</strong> Number and rate of employee turnover by age group, gender, and region</td>
<td>Employee Value Enhancement - Employees</td>
<td>101</td>
</tr>
<tr>
<td></td>
<td><strong>LA3</strong> Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations</td>
<td>Employee Value Enhancement - Wellness system</td>
<td>87</td>
</tr>
<tr>
<td></td>
<td><strong>LA4</strong> Percentage of employees covered by collective bargaining agreements</td>
<td>Employee Value Enhancement - No. of unionized employees</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td><strong>LA5</strong> Minimum notice period regarding operational changes, including whether it is specified in collective agreements</td>
<td>Employee Value Enhancement - Minimum notification period in case of changes</td>
<td>89</td>
</tr>
<tr>
<td></td>
<td><strong>LA6</strong> Total number of incidents of discrimination and actions taken</td>
<td>Employee Value Enhancement - Equal opportunities</td>
<td>90~91</td>
</tr>
<tr>
<td></td>
<td><strong>LA7</strong> Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region</td>
<td>Employee Value Enhancement - No. of industrial accidents</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td><strong>LA8</strong> Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases</td>
<td>Employee Value Enhancement - Health promotion and safety training, talent promotion and health programs</td>
<td>91</td>
</tr>
<tr>
<td></td>
<td><strong>LA9</strong> Health and safety topics covered in forums of employee associations with trade unions</td>
<td>Employee Value Enhancement - Occupational Safety and Health Committee Operation</td>
<td>90~91</td>
</tr>
<tr>
<td></td>
<td><strong>LA10</strong> Average hours of training per year per employee provided to full-time employees that are not provided to temporary or part-time employees, gender, and region (No. and percentage of retired employees)</td>
<td>Employee Value Enhancement - Training hours, expenses and completion by employee category</td>
<td>87</td>
</tr>
<tr>
<td></td>
<td><strong>LA11</strong> Programs for skills management and lifelong learning that help monitor and advise on operational health and safety programs</td>
<td>Employee Value Enhancement - Training for leadership, high performers, and job skills and global life-long education</td>
<td>88~89</td>
</tr>
<tr>
<td></td>
<td><strong>LA12</strong> Percentage of employees receiving regular performance and career development reviews</td>
<td>Employee Value Enhancement - Employee Performance Assessment System (operate SPCM System)</td>
<td>86</td>
</tr>
<tr>
<td></td>
<td><strong>LA13</strong> Percentage of total workforce representing minority group membership, and other indicators of diversity</td>
<td>Employee Value Enhancement - Corporate Governance, Employees (male/ female, handicapped)</td>
<td>28, 101</td>
</tr>
<tr>
<td></td>
<td><strong>LA14</strong> Ratio of basic salary of men to women by employee category</td>
<td>Employee Value Enhancement - Same ratio within the same employee category</td>
<td>80</td>
</tr>
<tr>
<td>Human Rights Disclosure on Management Approach</td>
<td><strong>HR1</strong> Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening</td>
<td>Not Applicable: lack of process to figure our related data</td>
<td>84~85</td>
</tr>
<tr>
<td></td>
<td><strong>HR2</strong> Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken</td>
<td>Economic and Social Value Creation - Business Partner assessment and establishment of related specifications concerning aspects of human rights that are relevant to non-ethical activities</td>
<td>84~85</td>
</tr>
<tr>
<td></td>
<td><strong>HR3</strong> Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to non-ethical activities</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Non-discrimination</td>
<td><strong>HR4</strong> Total number of incidents of discrimination and actions taken</td>
<td>Employee Value Enhancement - Diversity and equal opportunity, Complaints Management Committee and on-line Sinmungo or compliant reporting system</td>
<td>87, 89</td>
</tr>
<tr>
<td>Freedom of Association and Collective Bargaining</td>
<td><strong>HR5</strong> Operations identified in which the right to exercise freedom of association and collective bargaining may be at risk</td>
<td>Employee Value Enhancement - Guarantee of freedom of association and negotiation</td>
<td>90</td>
</tr>
<tr>
<td>Child Labor</td>
<td><strong>HR6</strong> Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor</td>
<td>Employee Value Enhancement - Operate the Grievance Resolving Committee (comply with ILO labor regulations and build management process)</td>
<td>90</td>
</tr>
<tr>
<td>Forced and Compulsory Labor</td>
<td><strong>HR7</strong> Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor</td>
<td>Employee Value Enhancement - Operate the Grievance Resolving Committee (comply with ILO labor regulations and build management process)</td>
<td>90</td>
</tr>
<tr>
<td>Security Practices</td>
<td><strong>HR8</strong> Percentage of security personnel trained in the organization’s policies or procedures concerning aspects of human rights that are relevant to non-ethical activities</td>
<td>Not Applicable: N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Indigenous Rights</td>
<td><strong>HR9</strong> Total number of incidents of violations involving rights of indigenous people and actions taken</td>
<td>Not Applicable: N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Community Disclosure on Management Approach</td>
<td><strong>SO1</strong> Nature, scope, and effectiveness of any programs and practices assessing and managing the impacts of operations on communities, including entering, operating, and exiting</td>
<td>Community Involvement &amp; Development - Action framework, various social-giving activity programs</td>
<td>66~67</td>
</tr>
<tr>
<td>Corruption</td>
<td><strong>SO2</strong> Percentage and total number of business units assessed for risks related to corruption</td>
<td>Not Applicable: lack of process to figure out related data</td>
<td>66~71</td>
</tr>
<tr>
<td></td>
<td><strong>SO3</strong> Percentage of employees trained in organization’s anti-corruption policies and procedures</td>
<td>Management Ethics - Company-wide Ethics Management Education (including ethics regulations)</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td><strong>SO4</strong> Actions taken in response to incidents of corruption</td>
<td>Management Ethics - Disciplinary measures in conformity with internal regulations</td>
<td>29</td>
</tr>
<tr>
<td>Public Policy</td>
<td><strong>SO5</strong> Public policy positions and participation in public policy development and lobbying</td>
<td>Not Applicable: N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Anti-Competitive Behavior</td>
<td><strong>SO7</strong> Total number of legal actions for anticompetitive behavior, and trust, and monopoly practices and their outcomes</td>
<td>Economic and Social Value Creation - Anti-trust violation</td>
<td>55, 97</td>
</tr>
<tr>
<td>Compliance</td>
<td><strong>SO8</strong> Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations</td>
<td>Economic and Social Value Creation - No fair trade violation</td>
<td>55, 97</td>
</tr>
<tr>
<td>Profile Disclosure</td>
<td>Description</td>
<td>Location</td>
<td>Coverage Reference</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------</td>
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<td>--------------------</td>
</tr>
<tr>
<td>Customer Health and Safety</td>
<td>PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.</td>
<td>Economic and Social Value Creation: Efforts to improve product safety Green Management: Design process of environmentally friendly products</td>
<td>61, 78</td>
</tr>
<tr>
<td></td>
<td>PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.</td>
<td>Economic and Social Value Creation: no violations</td>
<td>61, 97</td>
</tr>
<tr>
<td>Product and Service Labeling</td>
<td>PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.</td>
<td>Green Management: acquisition of Carbon Footprint Certification Label</td>
<td>77</td>
</tr>
<tr>
<td></td>
<td>PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.</td>
<td>Economic and Social Value Creation: no violations</td>
<td>62, 97</td>
</tr>
<tr>
<td></td>
<td>PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.</td>
<td>Economic and Social Value Creation - Customer satisfaction activity programs</td>
<td>62, 93</td>
</tr>
<tr>
<td>Marketing Communications</td>
<td>PR6 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.</td>
<td>Economic and Social Value Creation - Customer satisfaction activities</td>
<td>62, 97</td>
</tr>
<tr>
<td></td>
<td>PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.</td>
<td>Economic and Social Value Creation: no violations</td>
<td>62, 97</td>
</tr>
<tr>
<td>Customer Privacy</td>
<td>PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.</td>
<td>Economic and Social Value Creation - IN4CRM operation, no violations</td>
<td>62, 97</td>
</tr>
<tr>
<td>Compliance</td>
<td>PR9 Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.</td>
<td>No violations</td>
<td>97</td>
</tr>
</tbody>
</table>

GRI Application Level
Our "Sustainability Report 2009" contains each of the criteria to qualify for GRI-G3 Application level A+ and therefore, we make a self-declaration Level A+ for this report. We did not apply the GRI G3 Sector Supplements to this report as the requirements cover only a small portion of our business activities.

The entire report contents and reporting process were reviewed by an independent external assurance provider.
It is very welcome to see this first report from LS Mtron addressing sustainability. While some of the largest Korean companies have been reporting on sustainability for a number of years, it is unusual for a medium sized company to do so. This demonstrates leadership not just in a Korean context, but also from a global perspective.

The LS Mtron sustainability report contains a comprehensive presentation of the structure and operations of the company. This is vital to a proper appreciation of the context within which LS Mtron addresses sustainability. It is too often omitted from sustainability reports. The bulk of the report is structured around a series of six issues: sustainability management, social and economic value, community involvement, the environment, employees and risk management. It is very helpful that the identification of these issues was based on stakeholder consultation and a materiality analysis. This means that the report focuses, as it should, on the most material issues.

The section for each issue systematically covers the management approach, achievements, targets and an action framework for each of the sub-issues that stakeholders identified.

The report also provides a GRI Index, which means that the overall coverage of key areas of sustainability performance can be assessed.

INTEGRATED SUSTAINABILITY MANAGEMENT
The management approach to sustainability issues appears to be conscientious and rigorous. This demonstrates the seriousness with which LS Mtron is tackling the sustainability agenda. The integration or embeddedness of the management of sustainability is described in detail.

Overall, the management of sustainability appears to be built into the governance of the organisation through the Sustainability Management Steering Group.

ECONOMIC AND SOCIAL VALUE CREATION
The economic and social section deals with some key stakeholders, including customers and suppliers. The way the core business and sustainability have been thought about as a whole is impressive. The focus on innovation is a good example.

The company’s need to make use of innovation and the need for employees to receive recognition for their innovations have both been clearly recognised; as a result individual promotion is linked to innovation. However it would have been helpful to have some more specific examples and descriptions of the innovations that were produced and an account of how something is determined to be an innovation.

It is also welcome to see the way in which the company works constructively with its customers and its suppliers or business partners. The interdependence of the company on its stakeholders is clearly recognised. For example, issues of real concern to suppliers, such as the speed with which they are paid have been addressed. Particularly in a time of economic difficulty, this represents very good practice.

COMMUNITY INVOLVEMENT & DEVELOPMENT
The report sets out the areas of community activities which LS Mtron supports and the involvement of employees in a number of projects. However it would be useful to see further detail of these activities, such as the number of employees participating and the number of hours donated and in what way the company supported employees in their volunteering.

GREEN MANAGEMENT
The report covers most of the key environmental issues you would expect to see from a manufacturing company of this nature. It is particularly encouraging to see a concern not only for eco-products but an emphasis on the design phase of new products with the environment in mind. However it would be very helpful to see a more detailed breakdown of environmental performance, including:

· Total energy consumed and carbon dioxide produced and their objective verification
· The nature of the pollutants produced
· The level of environment-related incidents
· The comparative performance of the different plants
· The environmental characteristics of eco-products, and the penetration of such products into the overall portfolio.

The management of sustainability will also depend on the development of quantitative targets for issues such as carbon dioxide and energy use. Future reports should disclose these.

EMPLOYEE VALUE ENHANCEMENT
The report demonstrates a strong focus on training and employee development. It is also helpful to see some analysis of diversity of the workforce, in terms of gender and disability as well as data on pay and benefits.

However it would be very valuable to disclose the results of the employee surveys and to understand which issues were of interest to the workforce. While the company
provides considerable employee medical support, in relation to occupational health and safety, it would also be useful to see the rates of accidents, sickness and other health and safety data.

INTEGRATED RISK MANAGEMENT
It is extremely interesting to see the way in which sustainability issues are being integrated into the general company risk register. This should ensure that sustainability issues are considered as business issues, rather than as an optional extra.

It is also good to see matters such as transfer pricing and confidentiality being considered in a sustainability report alongside commercial issues such as business continuity and operational risks.

CONCLUSION
It is welcome to see that the extent of stakeholder engagement for 2010 is expected to grow. This is one of the main foundations for any sustainability report. This should be supported by further characterisation of each stakeholder group, so that the number, nature and size of Mtron’s suppliers, for example, is clear.

While it is understandable, in a first report, to focus primarily on the management of sustainability, a more detailed account of some of the areas of performance with quantitative indicators, as suggested above, will be needed for the future.
It will also be important to be clear precisely which parts of the business are being covered by the report. Over time, it would be useful to see the entire company covered by the report, at least in relation to some key issues.

Future reports might also address in some way the challenges which working at the forefront of technology can bring. One of these is the proper handling of emerging technologies, such as nanotechnology. Considerable care needs to be taken in order to make use of such technologies for maximum benefit and minimum harm.
Another issue which may grow in significance is the conditions for workers at Mtron’s suppliers.
Overall this is a remarkably thorough first report. I look forward to seeing LS Mtron’s reports develop over time.

This statement is based on a detailed analysis of LS Mtron’s 2009 Sustainability Management Report, supported by enquiries concerning the company and of those involved in the preparation of the report. It has been informed by AA1000 APS.
The First M Story
"LEADING SOLUTION, LEADING SUSTAINABILITY"