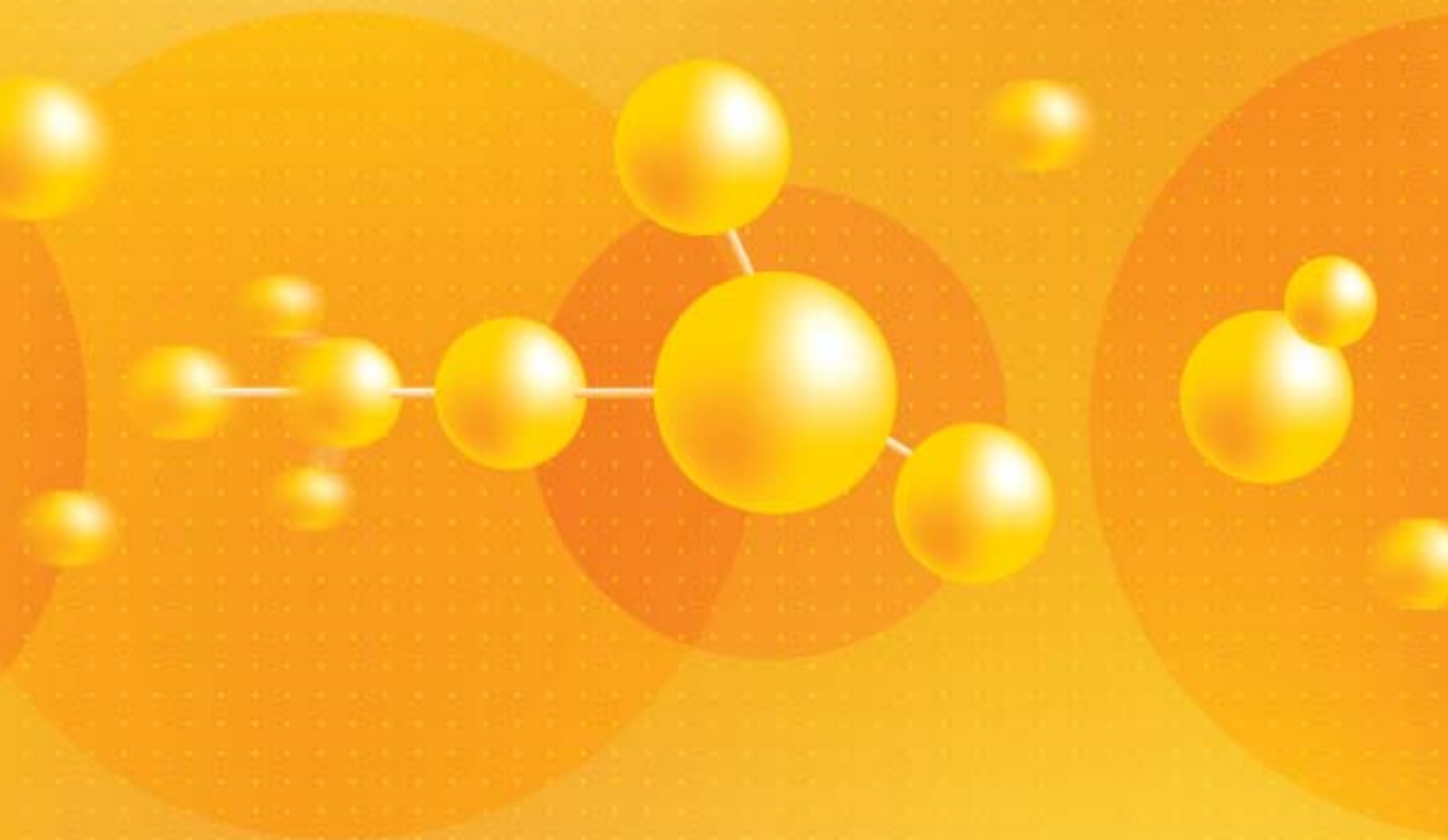


**BEYOND
THINKING**

BEYOND YOUR THINKING, THERE'S OUR FAST MOVEMENT.

fast



The world changes rapidly. So does the future of a company. At LG Chem, competitiveness is a vital force that energizes us to grow. We are unsparing in our investment in research activities and talented individuals who can lead in their fields. Actually, that's what most of our employees love to do.

Vision & Strategy

In 2001, LG Chem made a restart when LG Group-wide restructuring began with spin off of subsidiaries by specialized business. Accordingly, we reset strategies and value under the new vision: to become one of the industry's Global Top 5 by 2010. Incorporating goals of previous years, this renewed vision is directed to overall management restructuring and honing excellence to a higher level.

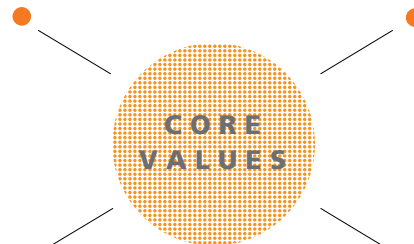
Vision

We exceed customer expectations through advancing technologies, innovating solutions, and earning stakeholders' trust, ultimately to become a leader in the global industry.



CUSTOMER VALUE FIRST
We deliver value by anticipating customer needs and exceeding customer expectations

MUTUAL TRUST
We always fulfill our commitments to customers, shareholders and employees, never compromising our integrity and ethical standards



INNOVATION
We constantly strive to innovate: advancing our thinking, behaviors, product offerings and technologies

GLOBAL PERSPECTIVE
We think, operate and compete globally

In Pursuit of "No.1 LG"

Currently, the "No. 1 LG" vision has been a guiding principle in our actions. It calls for rekindling our fervor to venture to be the best in the chemical world. In the short term, our vision is set at becoming one of the industry's Top 3 in Asia, and then one of the Global Top 5 by 2010.

Strategies for the "No.1 LG" Vision

Steadily Resetting the "No. 1 LG" Strategies : Strength in R&D, globalization, and innovation practices, such as Six Sigma initiatives, is a powerful vehicle that moves our product quality to the top lines in the global market. Thus, we steadily reset the "No. 1 LG" strategies, which then become common practice in our daily operations.

Cultivating "No.1 Human Resource" : At LG Chem, capable employees are referred to those who think ahead and act with creative minds to reach their goals with inexhaustible passion. With our performance-based incentives and rewards, our employees mobilize resources to perform to their fullest potential in building their career path.

Enriching "No.1 Corporate Culture" : The "No. 1 LG" objectives take firm roots in the ground of a rich corporate culture. Within the culture of trust, openheartedness, and aspiration fueled by performance-based incentives, our employees grow and flourish.

Mid-to-Long-Term Goals and Strategies

In the mid-to-long term, our sales goal is set at ₩15 trillion and operating profit margin 11% by 2008. To achieve these goals, we put greater value in products, reinforce competence in already-established businesses, and seize and capitalize on opportunities from emerging businesses.

Reinforcing Business Capability in Existing Core Businesses

In the Chemicals and Polymers Company, PVC and ABS business will be speeded up in the Chinese market, increase the economy of scale and improve vertical integration. The Industrial Materials Company empowers capability in research, development, and marketing, to create new-concept products packed with high value. The Information and Electronic Materials Company focuses on next-generation technology and products to facilitate global competitiveness in the coming years.

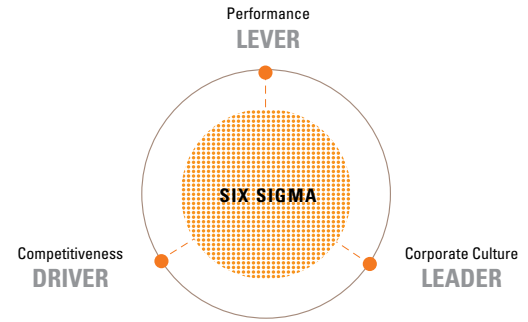
Identifying and Developing New Businesses

Through the convergence of research and technological resources old and new, we select new business items demonstrating high growth possibilities, such as flexible display and clean energy. We pour our all-out energies into developing the selected business items, turning them into high value-added products or solutions, and commercializing them ahead of others in the market.

Adding Greater Value in Product Lines

LG Chem tries to deliver what customers truly look for in the market before others. To this end, the Chemicals and Polymers Company revolutionizes production processes and develops new value-added products. The Industrial Materials Company presents one-of-a-kind products with unique and differentiated design and function through utilizing new materials. The Information and Electronic Materials Company concentrates on inventing breakthroughs that can set it apart from competitors.

Innovation



In 1999, LG Chem adopted Six Sigma for securing product leadership. Since then, the Six Sigma initiatives have been expanded across the Company to strengthen sustainable competitiveness. The Six Sigma initiatives mobilized in everyday performance have driven us toward becoming the world's leading chemical company.

Competitiveness Driver

In the first phase, the Six Sigma initiatives were practiced in conjunction with Total Productivity Management (TPM), an innovation tool applied to improve on-site operations. These efforts enhanced competitiveness and productivity. The second phase Six Sigma initiatives followed near the end of 2002 were started with more emphasis on R&D, sales, and customer services that brought great improvement in product quality, business process, and customer satisfaction.

Performance Lever

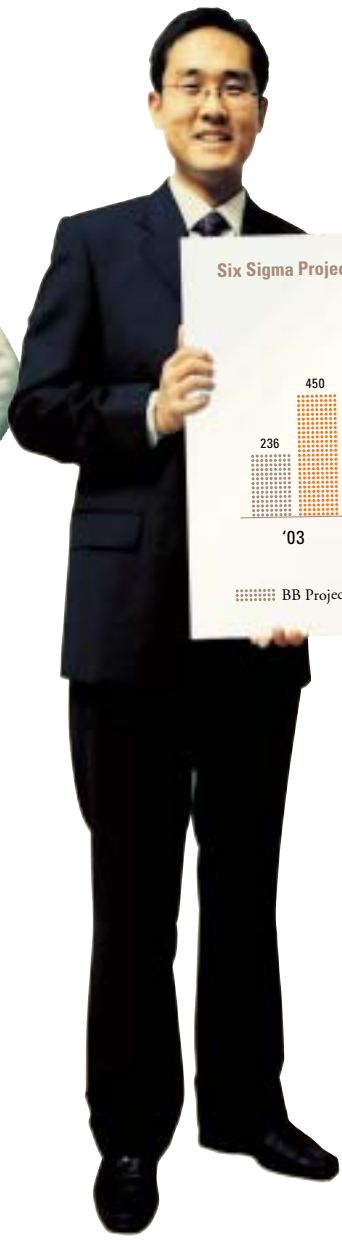
In 2004, one-quarter of our office workers joined various Six Sigma projects and generated nearly ₩187 billion worth. Notably, Six Sigma projects carried out in R&D, sales, and management areas have more than doubled over the previous year, showing that 70% of total projects were involved with non-manufacturing areas. In 2005, the Six Sigma initiatives will be reinforced by Tear Down for Redesign (TDR), another tool of innovation that employs total redesign for old ways of thinking and acting. The Company aims to generate more than 40% of operating profit from innovation results.

Corporate Culture Leader

The Six Sigma initiatives and innovation activities became a part of daily work routines, dramatically improving both corporate culture and employee performance. In 2004, three-quarters of our office workers acquired Green Belt (GB) certificate and 350 employees achieved Black Belt and Master Black Belt certificate. By 2005 the entire workforce will acquire the GB certificate and 350 employees the Black Belt and Master Black Belt certificates.



“ The Six Sigma initiatives have been expanded across the Company to strengthen sustainable competitiveness. ”

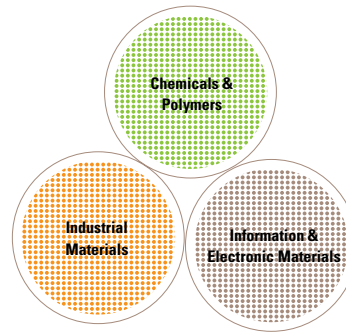


Sustainable Growth

LG Chem pursues stable and sustainable growth, hoping to thrive no matter what the business climate may bring. The Company empowers its growth engine through converging corporate resources, constantly modifying its business portfolio, and focusing more on competitive and lucrative products, while cultivating human resources for global leadership.



Business Structure



Constant Modifying Business Portfolio

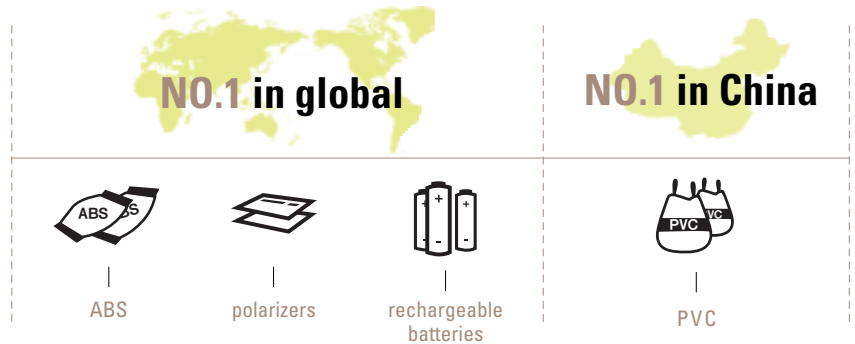
Our business portfolio has steadily been modified through selection and concentration of projects. We pour our all-out energy into identifying more growth-promising, highly competitive, and profitable businesses, while refocusing on those already established as lucrative. By 2008, the portion of businesses with a high competitive edge will be increased to 39% from the present 31%, with sales taking up 10% of the Company's total sales. Currently, the Chemicals and Polymers, Industrial Materials, and Information and Electronic Materials Companies gear up together in an effort to transform our business portfolio to be more future-oriented, hitech, and lucrative, thus to secure sustainable growth in the future.

Cultivating High-Competitive Businesses

At LG Chem, we have intensified investment, competitiveness, and market leadership in the four business areas, such as rechargeable batteries, polarizers, PVC, and ABS, all of which have high competitiveness in the global market. As a result, sales of rechargeable batteries and polarizers in the global market ranked fourth and second, respectively. The competitiveness of these businesses will be further enhanced to place sales in the first rank by 2008. The target for sales of ABS is to achieve the first rank in the global market by 2006, and for PVC to reach the first rank in the Chinese market by 2008. To achieve these goals, new China-based plants will be built for VCM and EDC, each a major feedstock of PVC. At the same time, the Company plans to expand PVC and ABS production facilities while looking for new production sites to form the second LG Chem's Chinese manufacturing base.

High-Competitive Business

2008 →



Identifying Growth-Promising Businesses

In 2004, LG Chem decided to cultivate four business areas as a growth engine; flexible display, clean energy, high-performance film, and new catalyst and manufacturing processes. Deepening its excellence in research and development in the related areas, the Company seeks business partnerships and alliances as well as joint research activities worldwide for the convergence of technological resources. The Company will accelerate early commercialization of new technology-based businesses and mass production supported through business incubation.

Fostering Global Leaders

Cultivation of talented individuals and supporting them to become leaders in their fields is prerequisite for sustainable growth. For those who deepen their expertise with a firm vision, act with liberal hearts, and welcome challenges in building their careers, there's LG Chem. The door is open wide regardless of age, gender, or borders.

Inasmuch as we provide a resourceful, creative, and flexible working environment, we offer our employees special promotion and reward, various reeducation programs, and ample welfare benefits. It is to encourage them to realize their personal and professional goals.

Competitiveness grows out from human resources. To sufficiently vie with multinationals, we cultivate employees with various reeducation programs, categorized largely into these three: intensive human power incubation (HPI), general education for entire employees, and special culture change

education. The HPI is an intensive CEO-to-be leadership development program. It is designed to discover highly-capable employees and deepen their professionalism. General education programs available to all employees include job training and specialist programs diversified by position and responsibilities, foreign language programs, and infotech and e-learning programs. The culture change programs aim to freshen up our corporate culture through the sharing of ideas and insights, the fresh perspectives essential to achieve the "No. 1 LG Chem" objectives.

“ By 2008, the portion of businesses with a high competitive edge will be increased to 39%. ”

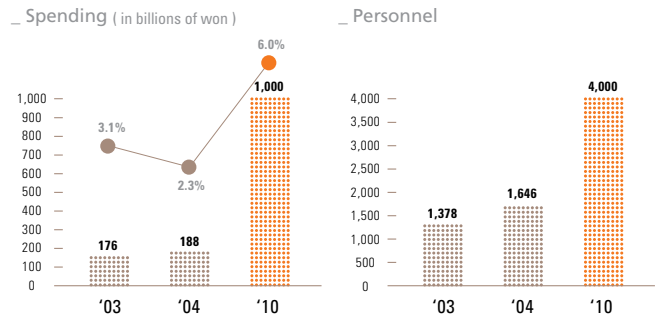
R&D

Capturing what the future holds and driving the growth engine at full speed, LG Chem emphasizes reinforcing R&D capabilities accompanied by proactive investment in securing human and R&D resources, sharpening technological edge, and globalization.



Jong-Kee Yeo
President & CTO

R&D Investment



R&D Strategies

IT industries have been burgeoned in hybridization of digital and other cutting edge technologies. The growing demand for high-end chemicals and high-performance industrial materials ensures a steady growth of related businesses.

In response to the latest development of IT business, R&D effort at LG Chem goes to innovating IT-related technology and materials centered on flexible display, flat-panel lighting device, mid-to-large-capacity rechargeable batteries for e-bike and Hybrid Electric Vehicle (HEV), fuel cell, etc.

By anticipating the upcoming trends in the IT business, LG Chem is proactive and unsparing in investing in hybridization of new technologies and products, including display components and materials, solar cell, and bio-catalyst.

R&D Achievements in 2004

LG Chem marked 2004 a banner year of completing master plans to start new businesses and future growth engines.

In the field of display, LG Chem developed and commercialized high-performance optical filters for Plasma Display Panel (PDP) and core material for the Organic Light Emitting Diode (OLED) technology. As for the clean energy business, the Company won \$4.6 million for research and development of the HEV battery from the United States Advanced Battery Consortium (USABC). This provided a favorable position for tapping into the US automotive market. In the petrochemical business, noteworthy achievements include cost reduction and productivity improvement in producing vinyl chloride monomer (VCM) through innovating manufac-



Jin-Nyoung Yoo
Executive Vice President
LG Chem Research Park

turing processes. In the field of industrial materials, Heatrix, a new floor heating system with a remarkable energy-saving feature, has been developed and launched in the market.

R&D Empowerment

The number of employees involved in R&D will be increased from 1,646 in 2004 to 4,000 by 2010. The present R&D budget, amounting to ₩188 billion, will be increased to 6% of total sales. At the same time, the Company will continue to pool R&D resources by securing professionals involved in electricity, electronics, informatics, and physics.

In an effort to reinforce the technological platform, a nanotech center will be established to advance nanotech-

biotech hybrid technologies, while expanding R&D areas with FAB, thin film production, and circuit technologies.

LG Chem plans to form a global R&D network in strategic regions, such as the US, China, Russia, and Japan. LG Chem will establish overseas R&D centers to expedite the development of high-performance polymers and flat-panel display components. Under localization policies, employees are recruited from those regions and reeducated. In addition, the Company secures core professionals from across the world and strengthens the R&D network through promoting alliances and partnership.

Research Facilities	Key Research & Development Areas	Location
Corporate R&D	Core technology platforms (catalysis, process, analysis, modeling & simulation, adhesive, coating) New business (semiconductor materials, organic microelectronics, optical materials, functional materials, etc)	Daedeok
Battery Research Institute	High-performance lithium ion batteries (LiLB, LiPB)	Daedeok
Battery Tech Center	Lithium ion batteries development & spec-in	Daedeok, Ochang, Seoul
Information & Electronic Materials Research Institute	Optical materials for displays, PCB materials, digital imaging materials, phosphors, color photoresists for LCD	Daedeok
Industrial Materials Research Institute	High-performance industrial materials, decorative materials, industrial films	Cheongju, Daedeok
Petrochemical Product & Process Research Institute	Specialty chemicals, polymers, acrylates	Yeosu, Naju, Daedeok
Polyolefin Research Institute	Polyolefin resins, metallocene catalyst	Daedeok, Daesan
Performance Polymers Research Institute	High-performance ABS & ASA, functional latex resins	Yeosu, Daedeok
Technology Intelligence Center	Intellectual property, technology intelligence, and IT services	Daedeok
Maryland Satellite Lab	Polymer processing modeling	Maryland, USA
Compact Power Inc.	Electric vehicle lithium battery module	Colorado, USA
Design Center	Design for construction, interior, surface, automotive materials	Seoul
Tech Center	Technical service for petrochemical product	Daedeok, China, USA, Japan, Europe

Environmental Management



LG Chem has renewed its environmental management on the basis of the Responsible Care Program, a collection of global environment conservation initiatives driven voluntarily by chemical companies to take greater responsibility for the safety and health of nature and people. LG Chem makes every effort to minimize pollutant emission and accidents, improve working conditions, and reduce energy consumption, faithfully following the United Nations Framework Convention on Climate Change.

Environmental Management Goals

LG Chem practices and achieves environmental management goals under a long-term master plan which has been reset phase by phase, aiming ultimately to achieve zero pollutant emission. With the first phase successfully completed in 1999, the second phase, scheduled for 2001 to 2006, is directed to the reduction of wastewater and wastes from the source of origin and of energy consumption by 50%, 40%, and 18%, respectively. To reach these goals, the Company is accelerating the development of alternative energy resources, new manufacturing processes, and wastes treatment technology in line with activating energy saving practices.

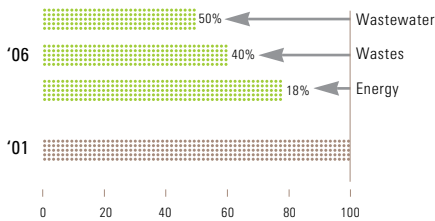
Environment and Safety Management System

At LG Chem, responsibility for caring for the environment and community has been instilled in the minds and actions of all employees. For instance, LG Chem has acquired ISO 14001, OHSAS 18001, and KOSHA 18001 certificates. To check whether the standards of environment & safety and health certificates are practiced thoroughly after acquisition, a biannual in-house audit and an annual post-acquisition inspection are held.

To ensure safety and health in workplaces, nature, and the community, environment & safety education takes place regularly in each company and periodic environmental safety diagnosis is carried out by the head office and each company. An environmental impact survey is conducted prior



2nd Step Goal _2002-2006



to starting new projects and businesses, manufacturing facility construction or expansion, and changing production processes. The "RC committee (Responsible Care)" demands rigorous observance of quality, health, and safety management. The committee takes charge of maximizing the use of resources, in compliance with outside requirements related to environment & safety, public health, and natural resources issues.

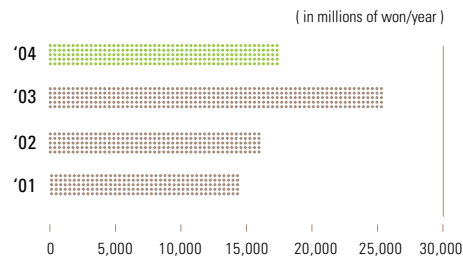
Environment and Safety Management Performance

At LG Chem, use of natural resources and energy, pollutant emission, and environmental impact on air, soil, and water are assessed throughout the life cycle of the product from manufacturing stage to disposal. This life cycle assessment (LCA), an effective tool for measuring environmentally-friendly features, is now applied to all products.

LG Chem has striven to deliver eco-products that exceed customer requirements and the EU environment preservation regulations. As a result, 25 kinds of LG Chem products acquired the Eco-Label that informs the public of the Company's atmospheric management standards. In building materials, 10 kinds of products acquired the Healthy Building Material (HB) Mark, which ensures clean air features in interior spaces.

LG Chem voluntarily signed the agreement with the Ministry of Environment for the reduction of hazardous chemical substances. The Company strives to the utmost to reduce the total volume of hazardous chemical substances discharged from manufacturing to disposal. At the same time,

Environmental Investment by Year



the Company's transparent management and renewed strategies have upgraded business performance standards.

As for health concerns, LG Chem computerized the Health Promotion System (HPS) that integrates employees' health check, working conditions, MSDS, etc. The HPS data facilitates improvements in the employee health services and health management policy decisions.

Social Outreach

For years, LG Chem has carried out social contribution activities that have been well received by the public, helping to balance the usual unfavorable public perception of a chemical company. Social outreach includes 'Mobile Chemistry Lab.,' 'Chemistry Camp,' 'Chemical Frontier Festival,' 'Junior Engineering Achievement,' and other special events, all appealing to like-minded children and grownups, as well as helping to cultivate science-loving talent and boost science and engineering in Korea.