

## ■ LG Corp. U.S.A.

LG Corp. U.S.A. is a 100% subsidiary of LG Corporation and owns land in New Jersey, U.S., and is currently constructing a U.S. HQ building to operate real property lease business in the future.

### <Major subsidiary companies>

#### 1. LG Electronics

The business HQ which is the reported sector of LG Electronics is a strategic business unit which provides mutually different products and services. Each business is separately operated with mutually different technology and marketing strategies. Major products by each business HQ currently manufactured and distributed as of the end of the reporting period are as follows, and the details and major financial state of the businesses in the 14<sup>th</sup> and the 15 term were prepared based on the organization of the 16<sup>th</sup> (2017).

Business Sector	Abbreviation	Major types of manufactured and distributed products
Home Appliance & Air Solution	H&A	Refrigerator, washer, home air condition, business air condition, microwave, vacuum cleaner, etc.
Home Entertainment	HE	TV, monitor, PC, Audio, Video, etc.
Mobile Communications	MC	Mobile terminal, etc.
Vehicle Components	VC	Automobile parts, etc.
LG Innotek (Ltd.) and its subsidiaries	Innotek	LED, Camera module, Substrate material, motor/sensor, etc.
Other sectors	Others	Display material, solar energy, etc.

#### A. Summary Financial State by Business Sectors

##### (1) Revenue and operating profit by business sectors

(Unit: 100-million KRW, %)

Business sector	Classification	16 <sup>th</sup>		15th		14 <sup>th</sup>	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
H&A	Revenue	192,260	31.3%	172,782	31.2%	165,881	29.3%
	Outside customer revenue	192,071	31.3%	172,730	31.2%	165,832	29.3%
	Inside customer revenue	189	0.0%	52	0.0%	49	0.0%
	Operating profit	14,891	60.3%	13,176	98.5%	9,515	79.8%
HE	Revenue	186,737	30.4%	174,255	31.5%	173,976	30.8%
	Outside customer revenue	186,547	30.4%	174,158	31.5%	173,904	30.8%
	Inside customer revenue	190	0.0%	97	0.0%	72	0.0%
	Operating profit	15,667	63.5%	12,374	92.5%	573	4.8%
MC	Revenue	116,663	19.0%	120,239	21.7%	143,996	25.5%
	Outside customer revenue	116,657	19.0%	120,225	21.7%	143,993	25.5%
	Inside customer revenue	6	0.0%	14	0.0%	3	0.0%
	Operating loss	(7,172)	-29.1%	(12,181)	-91.1%	(483)	-4.1%
VC	Revenue	34,891	5.7%	27,730	5.0%	18,324	3.2%
	Outside customer revenue	34,891	5.7%	27,730	5.0%	18,324	3.2%

	Inside customer revenue	-	0.0%	2	0.0%	-	0.0%
	Operating profit (loss)	(1,011)	-4.1%	(632)	-4.7%	50	0.4%
Innotek	Revenue	76,414	12.4%	57,546	10.4%	61,381	10.9%
	Outside customer revenue	67,470	10.9%	46,681	8.4%	48,121	8.6%
	Inside customer revenue	8,944	1.5%	10,865	2.0%	13,260	2.3%
	Operating profit	2,965	12.0%	1,048	7.8%	2,237	18.8%
Others	Revenue	23,808	3.9%	20,510	3.7%	19,822	3.5%
	Outside customer revenue	16,327	2.7%	12,148	2.2%	14,916	2.6%
	Inside customer revenue	7,481	1.2%	8,362	1.5%	4,906	0.9%
	Operating profit (loss)	(655)	-2.6%	(407)	-3.0%	31	0.3%
Internal Transaction	Revenue	(16,810)	-2.7%	(19,392)	-3.5%	(18,290)	-3.2%
	Outside customer revenue	-	0.0%	-	0.0%	-	0.0%
	Inside customer revenue	(16,810)	-2.7%	(19,392)	-3.5%	(18,290)	-3.2%
	Operating profit	-	0.0%	-	0.0%	-	0.0%
Total	Revenue	613,963	100.0%	553,670	100.0%	565,090	100.0%
	Outside customer revenue	613,963	100.0%	553,670	100.0%	565,090	100.0%
	Inside customer revenue	-	0.0%	-	0.0%	-	0.0%
	Operating profit	24,685	100.0%	13,378	100.0%	11,923	100.0%

[Inside ( ) is a negative (-) amount.]

Note 1) This was prepared based on the Consolidated Financial Statement and the revenue between sectors were processed in accounting according to the terms and conditions of transaction between the independent parties.

Note 2) The expenses that clearly belong to each sector were accounted for each sector, and the expenses for which the sector was not clear were appropriately distributed based on the principle of distribution (amount of revenue, number of persons, etc.)

Note 3) Other sectors include the sales sectors that do not meet the requirement of a reported sector and the departments that carry out support activities for the sales sector and R&D activities.

Note 4) The 14<sup>th</sup> term of LG Electronics is 2015, 15<sup>th</sup> term is 2016 and 16<sup>th</sup> term is 2017 to continue in the same way.

## (2) Assets and Debts by Business Sectors

(Unit: 100-million KRW, %)

Business sector	End of 16 <sup>th</sup> term				End of 15 <sup>th</sup> term				End of 14 <sup>th</sup> term			
	Asset	Ratio	Debt	Ratio	Asset	Ratio	Debt	Ratio	Asset	Ratio	Debt	Ratio
H&A	136,712	33.2%	85,590	32.2%	123,862	32.7%	81,291	33.2%	113,754	31.3%	75,598	32.4%
HE	120,921	29.3%	104,179	39.2%	111,316	29.4%	103,500	42.2%	105,910	29.2%	105,590	45.3%
MC	54,420	13.2%	59,433	22.4%	59,287	15.7%	55,549	22.7%	77,441	21.3%	60,425	25.9%
VC	28,116	6.8%	29,522	11.1%	23,404	6.2%	22,321	9.1%	16,834	4.6%	14,731	6.3%
Innotek	58,775	14.3%	39,267	14.8%	43,237	11.4%	25,452	10.4%	39,143	10.8%	21,493	9.2%
Other and removing inside trading, etc.	13,266	3.2%	(52,518)	-19.7%	17,447	4.6%	(43,128)	-17.6%	10,057	2.8%	(44,533)	-19.1%
Total	412,210	100.0%	265,473	100.0%	378,553	100.0%	244,985	100.0%	363,139	100.0%	233,304	100.0%

[Inside ( ) is a negative (-) amount.]

Note 1) Assets and Debts in each sector are before removing internal trading among sectors.

Note 2) The assets and debts that clearly belong to each sector were directly accounted for the sector, and the assets and debts whose sectors are unclear were distributed appropriately according to the standard

of distribution (amount of revenue, number of persons, etc.)

Note 3) The standard of distribution was changed in the 15<sup>th</sup> term, so the assets and debts by sectors at the end of the 14<sup>th</sup> term was re-prepared.

- MC (Mobile Communications)

(1) Characteristics of the Industry

MC Sector manufactures and sells relevant smart devices in the mobile industry centered on mobile communication terminals, tablets, and wearable products. Currently, while smart phone has heavy weight in the mobile industry, the importance of design, contents and services is emphasized along with the core competition elements centered on OS, HW, and UX (User Experience). Further, the prospect is that the IoT and convergence areas such as smart home, smart car and wearable devices for which a market is actively being formed connected to VR (Virtual Reality) and AR (Augmented

Reality) will emerge as new engines of growth.

## (2) Prospect for Growth

Low growth trend also in the future is expected as the market is clearly entering a maturity stage due to increase in the replacement cycle and the smart phone distribution rate especially in the advanced markets, but the prospect is that the demand for LTE smart phones for distribution will be comparably good especially in growing markets. Demand is expected to increase not only for smart phones but for new devices when the introduction of new technology such as AI (Artificial Intelligence) and 5G accelerates along with the form factor innovation based on P-OLED in the future. On the other hand, the growth trend of the tablet market is gradually slowing down due to the increased distribution of large screen smart phones (Phablet).

## (3) Characteristics of business cycles

Mobile communications depend highly on export, and are closely impacted by exchange rates and global business cycles. As to seasonal characteristics, demand increases the most in 4Q due to special demand during Christmas season, and tends to relatively decrease in the first half. Recently, there have also been phenomena of demand changes by the timing and cycles of strategic premium products by the companies occupying top positions in terms of market share ratio.

## (4) Domestic and international market situation

While Apple and Samsung continue to maintain premium position in the market, the global position of Chinese companies equipped with competitive price and improved product competitiveness is also gradually improving, and some Chinese companies are strengthening brand and technology investment to expand into luxury products and advanced markets.

<Tendency in market share ratio of major products>

Product	2017	2016	2015	Remarks
Mobile terminal	2.5%	2.6%	3.1%	Global market share ratio (based on amount)

Note) Based on the material presented in Strategy Analytics

## (5) Competitiveness of the company

The company focuses on the product differentiation based on excellent HW capacity, and continues to generate diverse products that customers would want to use. In the case of smart phones, it provides differentiated multi-media experiences along with creative and attractive designs while going along with the trend, and attempts to improve the customer experience by applying innovative ideas of its own for the features frequently used by customers in daily lives. Not only smart phones, but it closely cooperates with Google as core partner in diverse future mobile fields. It plans to focus on the future core technology R&D for developing the next generation products, and continue to strengthen product leadership in smart phones and new smart device fields.

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