

# Success Stories

Major Corporate Case Study

Foreign Corporate Success Stories  
Appendix

# Invest KOREA



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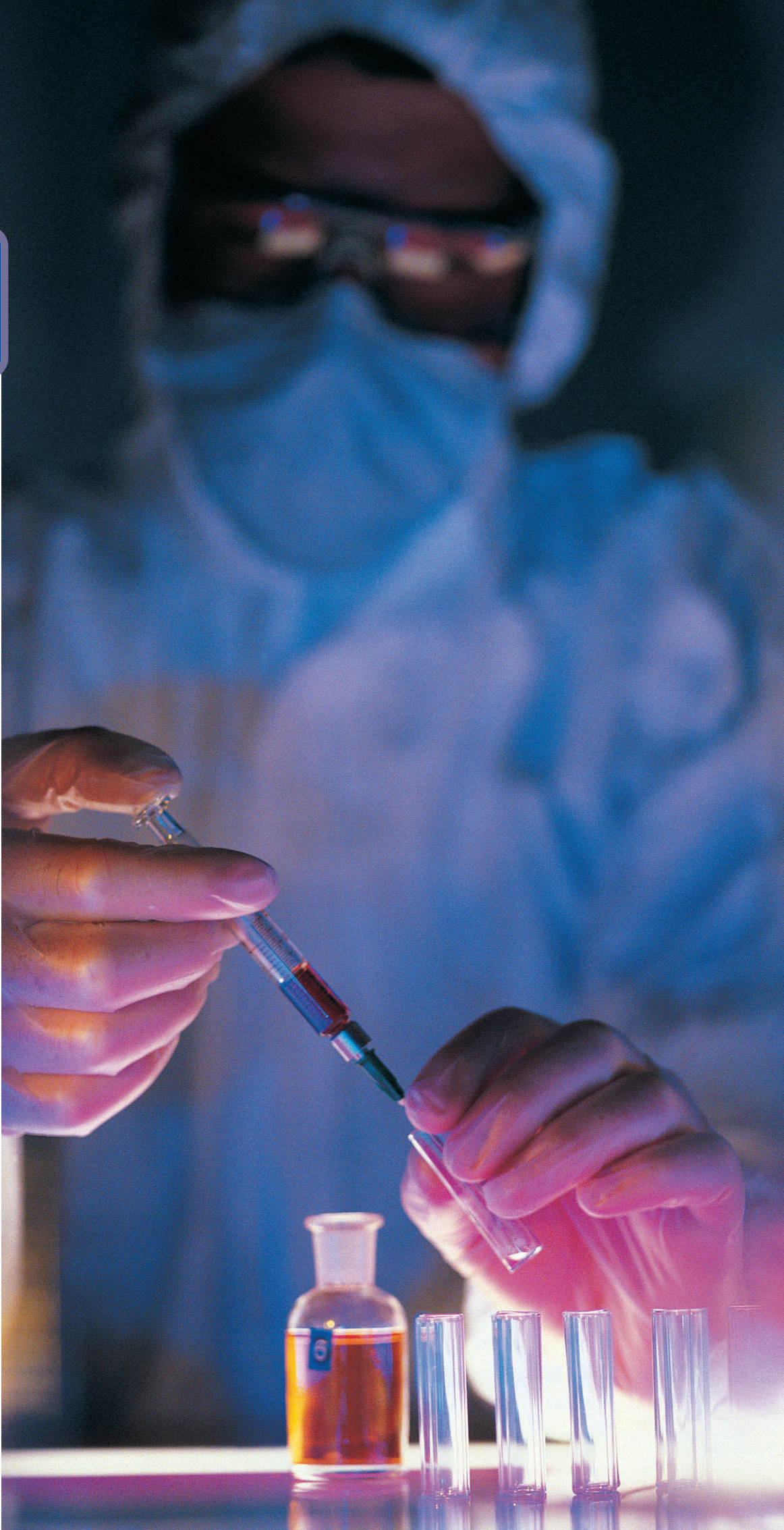
# Success Stories

Major Corporate Case Study

 **BASF**

I

Foreign Corporate Success Stories



# 01. BASF Korea

## Corporate Overview

**History.** Korea and BASF have enjoyed a progressive working relationship over the course of half a century. BASF made a commitment to Korea in 1954 following the Korean War when Korean industrial development was in its infancy. BASF Styrenics Korea Ltd., formerly Hyosung BASF Co., was founded as a 50/50 joint venture in 1980.

**Brief Overview.** In Korea, BASF Company Ltd. currently operates world-scale production facilities at six sites in Yeosu, Ulsan, Gunsan and Ansan. BASF has considerably expanded its operations in Korea, and invested in a total of 1.5 billion euro from 1990 and 2005. It has a workforce of more than 1,500 employees and posted sales of US\$1.7 billion in 2004.

BASF is committed to the development of the chemical industry in Korea while enhancing the environment, transferring advanced managerial techniques, and introducing an innovative corporate culture to Korea.

## Marked Accomplishments

**Acquisitions.** The Company demonstrated its belief in the long-term development of the Korean economy by aggressively investing throughout the Asian financial crisis. (Other JVs were also bought out.) BASF bought out the 50 percent share of Hanwha Chemical Corp. in their joint venture, Hanwha-BASF Urethane Ltd. for US\$82 million in December 1997. BASF also bought the lysine business from Daesang Corp. in March 1998. It was the biggest foreign takeover of a Korean business unit since Korea entered the International Monetary Fund assistance program in November 1997.

**Sales.** BASF Korea recorded a sales revenue totalling US\$1,712 million in 2004, which accounted for 27 percent of the group's sales in the Asia-Pacific region. Its sales increased 42 percent over the previous year. BASF Korea, in general, exports more than 50 percent of its total sales. Within the BASF group, the Korean company is recognized as one of the most successful foreign investments with the highest growth rates.

Table 1. BASF Korea Sales

[Unit: US\$ million]

	2002	2003	2004
Sales	990.7	1,643.9	1,711.7
Operating profit	32.9	76.9	80.1
Net profit	2.1	40.1	41.7

**New Facilities.** With a capacity of 140,000 tons per annum, BASF Korea's Yeosu plant, which came on-stream in August 2003, is truly world-scale in size. The company also acquired a 320,000 ton-per annum styrene facility at Ulsan, formerly owned by SK Evertec,

as part of an ongoing effort by BASF to integrate its styrene production processes. At the company's Kunsan lysine complex, BASF Korea built the country's first vitamin B2 plant. Completed in October 2003, the plant is designed to meet American standards for medical supplies production and is scheduled to produce 3,000 tons of vitamin B2 annually.

*Exports.* 60 percent of BASF's locally produced products is now exported. BASF Korea was awarded the "Silver Tower Order of Industrial Service Merit" by the Korea government in 2004, BASF considers Korea to be its Asian production hub.

*Workforce.* BASF's investment with its erstwhile partners had always been successful and BASF board members responsible for the Asian region have always stressed the dedication of the Korean workers, their level of education and industriousness. The head office of BASF is convinced of the capacity of the Korean workforce in general, which refers to workers in both the manufacturing and the administrative and managerial divisions. Out of 1,500 employees, only four are from Germany, the mother country of the company. "Koreans are very efficient at running their plants. The negative side of Korea is the high labor costs, but the quality of Korean workers is unbeatable and far outweighs the negative effects of high labor costs," says Mr. Dietrich von Hanstein, a former president of BASF Korea's Corporate high service Unit.

*Awards.* The celebration for the 50th anniversary of BASF's entry into Korea was held in Seoul, in August 2004. Also this year, Dr. Jurgen Hambrecht, Chairman of the Board of Executive Directors of BASF was awarded the Sungrye Medal by the government of the Republic of Korea. This is the greatest award for diplomatic service merit bestowed by Korea on industry leaders. The award recognizes BASF's long-term presence in Korea, as well as its contribution towards strengthening commercial ties between Germany and Korea.

BASF supplies the highest quality of products at competitive prices to domestic and overseas customers, and its vigorous export activities in Korea doubtlessly help rake in foreign currency. BASF believes that Korea will play an important and successful role in its strategy of expanding its operations in the Asia Pacific region.



## 02. Samsung-Tesco (Homeplus)

### Corporate Overview

*History.* Samsung Corporation ventured into the retail business in March 1994. However, the opening of its first three retail stores coincided with the financial crisis in 1997 and resulted in a loss of US\$200 million. Though various counter measures, such as the restructuring of the business and the downsizing of the organization, were put into effect, it was concluded that retaining the retail business would require the help of foreign investors.

The resultant merger was between Samsung and British retailer Tesco PLC in 1999. The British retailer invested US\$220 million which enabled Samsung Company to clear out all debts and rehire all of 1,137 workers who were laid off in 1998. This breakthrough strategy

gained Samsung-Tesco a subsequent investment of US\$170 million to dominate the market. The company was also given access to advanced management skills and IT technology to further enhance its competitiveness. The company has so far invested US\$705 million for its expansion.

## Marked Accomplishments

**Production and Sales.** The company has become the fastest growing retailer in Korea and is ranked the second largest discount store chain to emerge in the past five years. It now has 30 hypermarkets and two Super Express stores. Homeplus accounts for 25 percent of Tesco's overall global sales. The company outsources products from 2,600 local suppliers and carries approximately 140,000 products.

Table 2. Samsung-Tesco Sales

[Unit: US\$ million]

	2002	2003	2004
Sales	1,809.9	2,545.6	2,650.8
Operating profit	40.8	95.1	99.0
Net profit	32.6	39.4	41.1

## Future Development

**Foundations for Future Growth.** In 2003, Samsung-Tesco launched into the supermarket sector with its Super Express chain seen as the major area of future expansion. This year, it acquired 12 Aram Mart shops based in Busan. The deal is composed of three compact hypermarkets and nine supermarkets. This acquisition is expected to double Samsung Tesco's number of supermarkets and sales. By 2008, it hopes to achieve a network of 165 Super Express Stores.

The company has a Quality Control Research Center that enforces strict requirements and trains local Korean workers with the necessary skills for its implementation.

**Plans.** The company plans to open a new Homeplus discount department store in a hotel to be built in Cheonju. It will rent 26,450 square meters of the hotel basement for the next 20 years. If the plan materializes, Homeplus would become the first major retailer to have a store located inside a hotel. Tesco PLC aims to further extend its ownership and is planning to buy an additional 10 percent of Homeplus equity in attempt to increase its share to 99 percent during the course of the next seven years.

**Competitive Edge.** As Patrick Medley, a retail expert from IBM Business Consulting Services, commented, Samsung Tesco Homeplus did an "excellent job" in making their stores an attractive place to shop and in enabling shopping to become a fun experience rather than a tedious and tiresome one. Entertainment factors, and the culturally-rich and service-oriented environment are what distinguishes the Homeplus outlets as unique and valuable shopping venues for its customers.



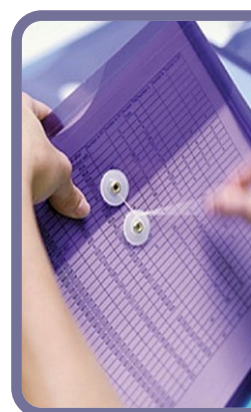
### 03. Allianz Life Korea

#### Corporate Overview

*History.* Allianz entered the South Korean life insurance market in 1999 through the acquisition of Jeil Life (First Life), forming Allianz Life Korea. Since then the Korean subsidiary has undergone a massive transformation to make it more competitive against the major players. Allianz Life Korea is the second largest foreign invested company in Korea. With over 1.3 million customers it is the largest foreign company in the Korean life insurance market and the fourth largest overall.

*Appeal of the South Korean Market.* As the sixth largest life insurance market in the world,

the prospects for growth are promising for foreign-invested players such as Allianz, with Korea predicted to replace Japan as the country with the world's most aged population. Moreover, the deregulation of the corporate market, to be implemented in December 2005, will open a new market area, as many of the large companies will opt to outsource their pension management schemes.



## Marked Accomplishments

**Community outreach.** Through unique corporate activities and promotions such as “Korean of the Year” and donations to the Korean Child Protection Fund, Allianz Life Korea leads the insurance industry in terms of contribution to society and has been awarded the “Excellent Service Quality Company Certificate” from the Ministry of Commerce, Industry and Energy.

## Future Development

**Development.** Since entering the market, Allianz Life Korea has pursued an aggressive strategy of challenging and gaining market share from the “big three” Korean insurance companies – Samsung Life, Korea Life and Kyobo Life – who together held 68.8 percent of the market in 2004. Allianz Life Korea's market share has grown from an initial level of 3.4 percent in 1999, to over 5 percent in 2004. The company is also challenging the big players by expanding their Korean operations into non-life markets. In 2000 Allianz acquired a 12 percent stake in Hana Bank, and the following year the two formed an asset management joint venture – Hana Allianz ITMC.

**Strategy.** Allianz is attempting to diversify its market presence in South Korea while also expanding and optimizing the use of its various sales channels. An increasing portion of its revenue is expected to come from the newer businesses of bancassurance (in a partnership with Hana Bank) and corporate insurance, as well as the asset management business. Allianz is determined to concentrate on developing three key areas of their organization: sales, communication and human resources.

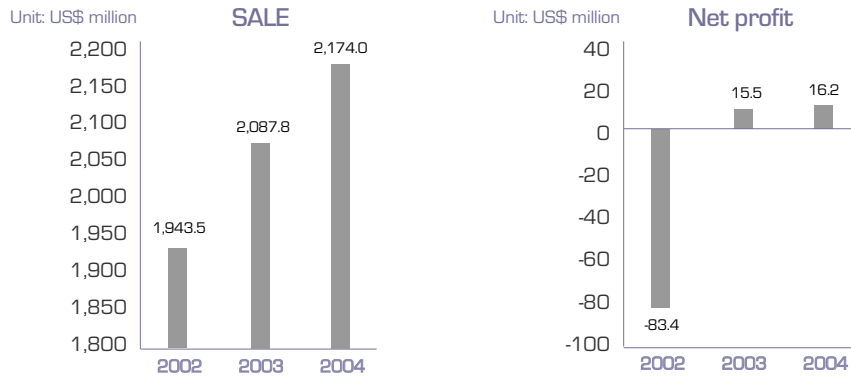
**Sales Channels.** The company has 10,000 Allianz advisors, 350 professional advisors and 380 corporate agents stationed in five regional sales head-offices, 39 branch offices, 304 sub-branch offices and 13 professional advisor branches. The professional advisors have been introduced to target higher-income groups, while the corporate agents deal with the expanding corporate segment. In 2001 Allianz opened a state-of-the-art call center combining customer service, telemarketing and cyber marketing.

Table 3. Allianz Life Korea Sales

[Unit: US\$ million]

	2002	2003	2004
Sales	1,943.5	2,087.8	2,174.0
Net profit	-83.4	15.5	16.2

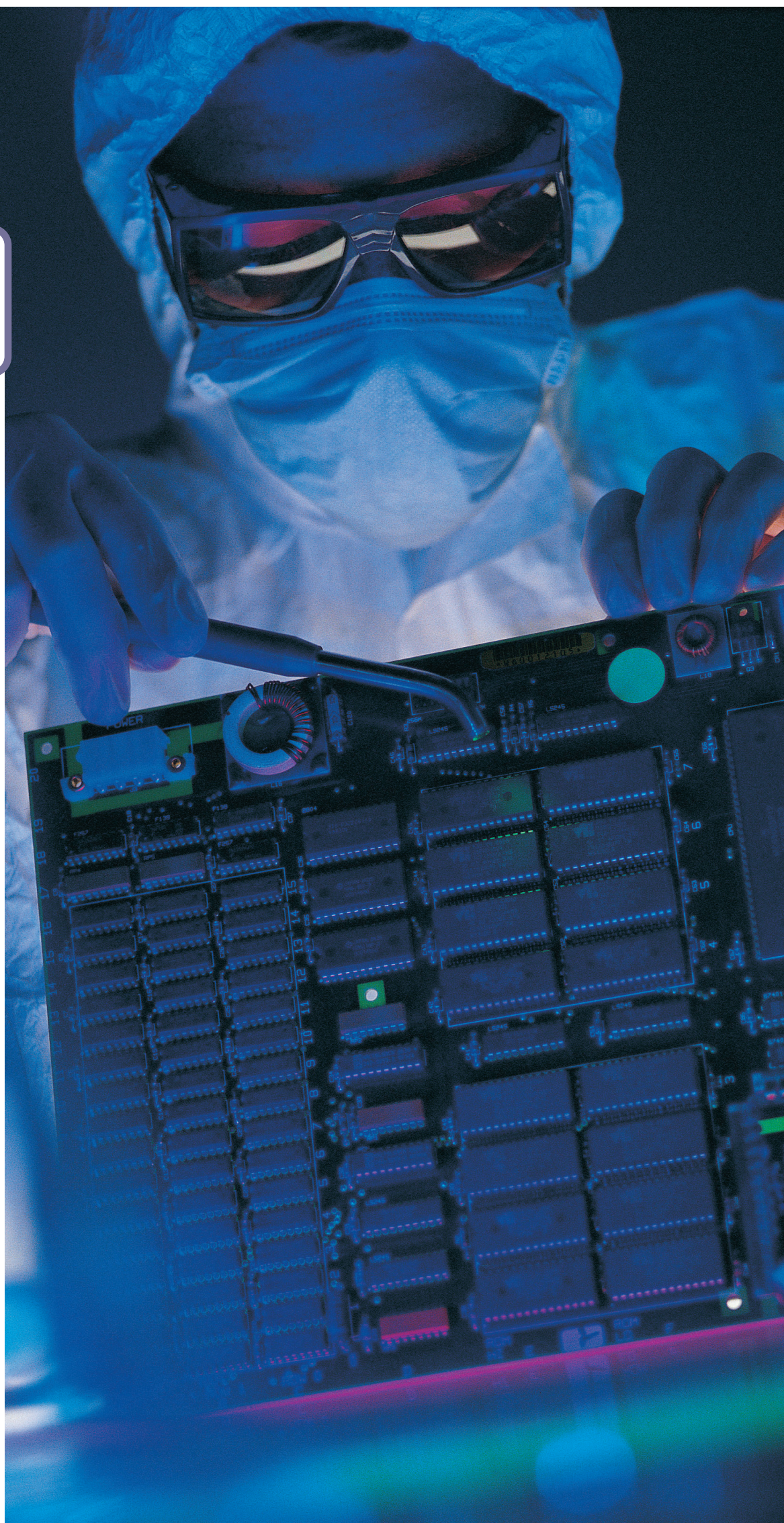
[ Allianz Life Korea Sales and Net Profit ]



Allianz Life Korea is also looking to focus increasingly on the Point-of-Sales (POS) business strategy, initiating a new POS system in 2002. This reflects Allianz's determination to wean the sales force away from selling through relationships (family and friends) and to win clients through an ability to meet specific consumer needs.

*Investing in the Organization.* The landmark call center that opened in 2001 is evidence of the attempt to provide a more coordinated and integrated marketing effort. Allianz also claims that its sales force are receiving five times the training that they did just three years ago. In an effort to improve the internal communications and functioning of the firm, the company has invested in a US\$70 million financial software system from SAP, the first of its kind in Korea. Allianz has also signed a 10-year contract with IBM Korea in which Allianz will outsource the provision of servers and storage as well as management of data and disaster recovery centers.

**FAIRCHILD**  
SEMICONDUCTOR



## 04. Fairchild Korea Semiconductor

### Corporate Overview

**History.** Fairchild Korea Semiconductor Co., Ltd was created on April 14th, 1999 through the acquisition of the power semiconductor division of Samsung Electronics Co., Ltd by Fairchild Semiconductor International (FSI), the leading American semiconductor manufacturer, for US\$450 million. The Bucheon plant, which was bought in this acquisition, manufactures semiconductor products that are used for power control and power protection applications in computers, radios, televisions, pagers, cellular phones and even automotive and industrial control systems. Currently 2,000 people are employed by Fairchild Korea Semiconductor Co., Ltd.

**Investment.** In November 2000, the company invested US\$80 million to open a new fourth (D-line) at the wafer fabrication facility to meet market demand. The new six-inch line manufactures power devices that include MOSFET and IGBT discrete products, standard IC, SPS and motor analog ICs for the global market especially in China, Taiwan, Singapore, Germany, and the United States.

In 2002, it opened a new 16,400 square meter warehouse facility in Hwaseong City, Gyeonggi Province. The first fully automated warehouse, equipped with an auto storage retrieval system, serves as the core of the company's product distribution service to customers in Northeast Asia. It distributes the products manufactured in Bucheon and has a handling capacity of 150,000 shipments each quarter. The accessibility to the customer's facilities strengthened the company's commitment to afford the excellent customer service. The amount invested added up to US\$13 million, including the land, building and equipment.

In the same year, Fairchild announced the opening of a Package and Technology Knowledge Center which aims to research new packaging materials to improve thermal and mechanical performance, as well as developing new assembly techniques.

### Marked Accomplishments

**Production and Sales.** The Fairchild Korea Semiconductor Company recorded annual sales of US\$559 and US\$581 in 2003 and 2004 respectively. It accounted for about 40 percent of its total sales, making it one of the largest business units of Fairchild Semiconductor International. The company plays a vital role in light of the expanding Chinese market.



Table 4. Fairchild Korea Semiconductor Sales

[Unit: US\$ million]

	2002	2003	2004
Sales	553.8	558.7	581.7
Operating profit	60.8	93.6	97.4
Net profit	46.6	80.6	84.0

The company's operation earned top marks in an overall quality evaluation of the multinational's major production units worldwide, specifically in areas such as product quality, customer satisfaction and quality control.

***Commitment to Environmental Protection.*** The company's efforts to contribute to preserve the environment was awarded a certificate from the Ministry of Environment. The commendations achieved for meeting the highest safety and environmental standards include: designation as an environment-friendly company; ISO 14001 and KOSHA 18001 certified; voluntary energy reduction; superior water quality management; and participation in local environmental activities.

## Future Development

***Foundations for Future Growth.*** The company's facility includes a Power Device Division that offers customers design and technical support, together with the world-class manufacturing operation.

***Plans.*** The management now focuses on defining deliverables for the supply chain management (SCM) system using i2 technology, a US-based global leader in SCM solutions. Full implementation of Manufacturing Execution System (MES) is expected to be completed this year. MES is a system capable of managing the collective production process efficiently by providing the necessary information for optimizing production, from the acceptance of orders to the completion of production.



## 05. IBM Korea

### Corporate Overview

*History.* IBM Korea is the nation's first and largest information technology provider established in 1967 as the wholly owned IBM subsidiary. The company, which was named the most widely admired foreign firm in Korea in a 2002 survey, employs 2,476 people in its 16 local business offices. It also has 11 joint ventures. Its business portfolio is composed not only of hardware and software solutions, but also consulting and services.

Initially, IBM worked alongside the government in its drive to achieve industrialized status. This inevitably led to the increase in demand for computers and information technology in

the business sector whose companies turned to IBM for assistance. With the diversification of Korea's economy, IBM's clientele has increased and now includes service providers such as banks and airlines.

In July 2002, IBM acquired PwC (PricewaterhouseCoopers Consulting) to boost its consulting capabilities. IBM Korea is now capable of responding to the customers' demands with more flexibility. The continuous effort to expand its consulting division has been a move to meet the changing business environments as information technology has become closely integrated into the business process itself.

## Marked Accomplishments

**Sales and Exports.** In 2004, IBM Korea recorded a sales figure of US\$770 million and a net profit of US\$48.6 million. Since 1987, IBM Korea exported domestic products worth more than US\$1.5 billion on average to overseas IBM branches, shipments that significantly contributed to improving the trade balance of Korea.

**Table 6. IBM Korea Sales**

[Unit: US\$ million]

	2002	2003	2004
Sales	318.0	739.8	770.4
Operating profit	123.5	93.7	97.6
Net profit	83.6	46.6	48.6

**Awards.** As a token of national recognition for its continued contribution, IBM Korea has received various honorable awards. The awards include "Best Foreign Corporation" in a non-manufacturing area by the Korea Justice Institute of the Citizens' Coalition for Economic Justice in 2002, "Ministry of Information and Communication Award" for excellent SI in 2002, "Digital Knowledge Management Award" in 2002, "Best Human Resources Development Award" at the 1st Korea Ethical Management Grand Prix" in 2003 and so on.

**On-demand Businesses.** The Company adopted the so-called "on-demand" strategy which is the convergence of technologies and businesses in order to make companies flexible and responsive to the market. In this regard, it forged 16 agreements with domestic companies which included industry leaders such as Kookmin Bank, Korea's biggest lender, Korean Air, the nation's no.1 airline and the top Internet firm, NHN.

The "on-demand" business innovation service offered by IBM Korea is an end-to-end service, encompassing the full range from consulting to hardware, software and services. Its business network is made up of a consulting arm (IBM Business Consulting Services), a technology service arm (IBM Global services), and hardware and software providers (IBM Systems & Technology Group, IBM Software Group), which work in close collaboration with its business headquarters interacting with customers through its units, each specialized in different industry sectors.

## Future Development

*Plans.* To speed up the on-demand business, IBM Korea plans to set up a universal management infrastructure (UMI) center which will be equipped with the latest software. It will be the fourth UMI center located in the Asia-Pacific region following Japan, Australia, and Singapore.

As for the system business, the flagship products p5 and i5 servers loaded with the POWER5 processor and DS6000/8000 will be launched this year in the market.

*IBM Korea's Edge.* The key strengths of the company are the market and technological knowledge assets gained from decades of experience. Having access to IBM's worldwide network of resources allows the company to possess a technological edge in areas such as server, storage and other hardware components, software solutions in database, collaborative system and system management.



ODFJELL



## 06. Odfjell Terminals Korea

### Corporate Overview

**History.** Odfjell Terminals Korea Co., Ltd. was established on November 15th, 2002 through Odfjell ASA's acquisition of 50 percent of Korea Petrochemical Industry Company (KPIC). Odfjell ASA, a Norway-based company, is a leading company in the global market of transporting and storing chemicals as well as other related logistical services. It owns 90 ships trading both globally and regionally and has a worldwide network of chemical tank terminals with a storage total capacity of 2.5 million cubic meters (cbm). The Company also owns and operates tank containers.

Through its acquisition with KPIC, Odfjell gained a newly completed tank terminal in the Onsan district of the southeastern city of Ulsan, including 39 tanks with a total storage capacity of 109,500 cubic meters and ownership of the 16 hectares of land on which the terminal is located. The total capitalization of the terminal is 31 billion won (US\$26 million), and Odfjell's first-stage investment was US\$12.5 million.

**Strategic Location.** The new terminal in Ulsan has placed the Company in a strategic location in the most important petrochemical distribution and transshipment hub in Northeast Asia. This has also contributed to the cutting of operational costs incurred through the downtime of its massive ocean-going tankers.

### Marked Accomplishments

**Converting Potential to Meet Demands.** Odfjell saw the potential of the Ulsan facility which was originally intended for domestic use, by converting it into a multipurpose facility. Parts of the terminal have been renovated to facilitate the handling of more and more specialized products in efforts to cater to a wider clientele. Additional efforts to meet customer demands have been made, including a facility for the safe handling of phenol, a chemical that can poison upon contact, as well as a drumming area which will enable international clientele to break cargoes from the United States and transfer them into containers for forwarding to Japan and into drums for China. Last year, around 10,000 drums per month were filled in its three loading stations.

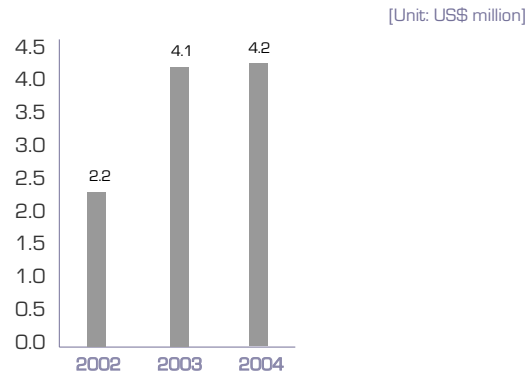
Table 6. Odfjell Terminals Korea Sales

[Unit: US\$ million]

	2002	2003	2004
Sales	2.2	4.1	4.2



### [ Odfjell Terminals Korea Sales ]



**Regulatory Improvements.** The successful initiative of Rob Meijboom, President and CEO of Odfjell Terminals Korea, in lifting the ban on entering the Ulsan harbor during night hours has also permitted the day-and-night ship-to-ship transfer of chemicals within the port. Large displacement vessels have also been permitted. Adjustments have been made to the size regulations which previously restricted ships of over 20,000 dwt (deadweight tonnes), to allow for vessels of 40,000 dwt to berth.

**Government's Effort.** The Odfjell investment is among the first successes of the Korean government's plan to attract regional operations of multinational corporations in the areas of research and development or logistics. The Ulsan Ministry of Maritime Affairs and Fisheries invested 7.3 billion won (US\$6.2 million) of its own funds to build facilities for night-time port entries and exits as requested by Odfjell. The opening of the terminal will allow for the expansion of business from major customers such as Dow Chemical and BP in Korea.

## Future Development

**Plans.** The company's management are hoping to develop the remaining six hectares available for development to offer additional services to clients. It hopes to receive the license to blend chemicals for it has already secured contracts with three clients for chemical blending.

Continual efforts at expansion and additional services to meet customer demands coincide with Odfjell's company strategy to own and operate storage facilities at important chemical distribution centers around the world.



## 07. Rockwell-Samsung Automation

### Corporate Overview

*History.* Rockwell Automation was formed in 1996 through the merger of the automation divisions of Allen-Bradley, Rockwell International and Reliance. Allen-Bradley had established its first liaison office in Korea in 1985 and proceeded to create two joint ventures.

Rockwell and Reliance established their offices in Korea in 1991. In 1996 these three organizations merged and previous joint ventures, which had drained resources rather than contributed to profit growth, were dissolved, resulting in a rapid growth of sales.

In 2002 Rockwell acquired the mechatronics control division of Samsung Electronics in the area of automation, which had previously been manufacturing Rockwell products as a sub-contractor. The approach came from Samsung Electronics management as the contractual relationship developed and Samsung continued to refine its core competences.

## Marked Accomplishments

In 2003, Rockwell-Samsung's sales were the second largest in the Rockwell Automation Asia Pacific Group, after China, and were growing at 20 percent per annum. Rockwell moved its entire small controller production unit to Korea after the merger and now supplies the world with this core product. Korea is therefore the global business headquarters for this product division. "What was most attractive was the talented people with knowledge and skills," according to David Johnson, the head of Rockwell-Samsung Automation. The combination of Samsung's strong brand power and Rockwell Automation's global network became what Rockwell describes as "the legend of successful M&A in Korea."

*Production and sales.* Sales increased from US\$9 million to US\$115 million in 2003 and US\$120 million in 2004. Sales are expected to grow even more rapidly as new products developed in Korea are launched in the market.

Table 7. Rockwell-Samsung Automation Sales

[Unit: US\$ million]

	2002	2003	2004
Sales	39.3	115.0	119.7
Operating profit	0.0	7.9	8.2
Net profit	-1.0	3.9	4.1

## Future Development

*Foundations for Future Growth.* Rockwell-Samsung Automation plans to invest US\$6-7 million mainly in R&D. Like many foreign investors, the company sees a 12- to 18-month focus on R&D as the core of the company's future. Rockwell was first attracted to Korea because of the speed of product development and of getting from idea to market compared with the U.S.A.

The company plans to build on this core competency. Rockwell sees itself as having a considerable future role in modernizing the Korean industry and pacing the leading edge of the auto and electronics industry. Korea's survival in the future rests heavily on the degree to which Korea's industry adopts "technology-driven manufacturing innovations and supply integration," according to Scott Summerville, president of Rockwell Automation Asia Pacific. Rockwell sees itself as helping extend the life span and global competitiveness of Korea's industries.

Rockwell believes that “Information is power.” As Scott Summerville stated, “This is a very important point because Korea has built leadership in information communication technology, which provides the opportunity for innovation in manufacturing.” This will further reduce the costs of manufacturing in Korea and lower the pressure to move manufacturing off-shore.

*Rockwell-Samsung Automation’s Edge.* Rockwell-Samsung is continuing to build an automation edge in Korea, and in December 2004, created further synergy with POSCON, the engineering division of POSCO, as a way to share experiences, know-how and products in steel engineering. Rockwell-Samsung believes that further win-win deals which will contribute to the growth of its business – such as the original acquisition and the strategic cooperation MOU with POSCON – are indeed feasible.





## 08. Merck Korea

### Corporate overview

*History.* With a tradition of over three hundred years, Merck is the oldest pharmaceutical and chemical company in the world. The history of Merck in Korea began in 1985 when the company opened a branch office in Seoul to market its high-quality chemicals. The company remained stable throughout the 1997 Asian financial crisis, and achieved a five-fold increase in sales after 1998.

While over half of Merck Korea's business in Korea is related to Liquid Crystal (LC) mixtures used in Liquid Crystal Displays (LCD), its pharmaceutical, pigment, electronic chemical, analytic/reagent and life science products divisions are all successful.

The German-based Merck Group operates in 48 countries worldwide. Merck has a 69 percent global market share of the global market for Liquid Crystal (LC) mixtures and is an important supplier to LC consumers in Korea.

### Marked Accomplishments

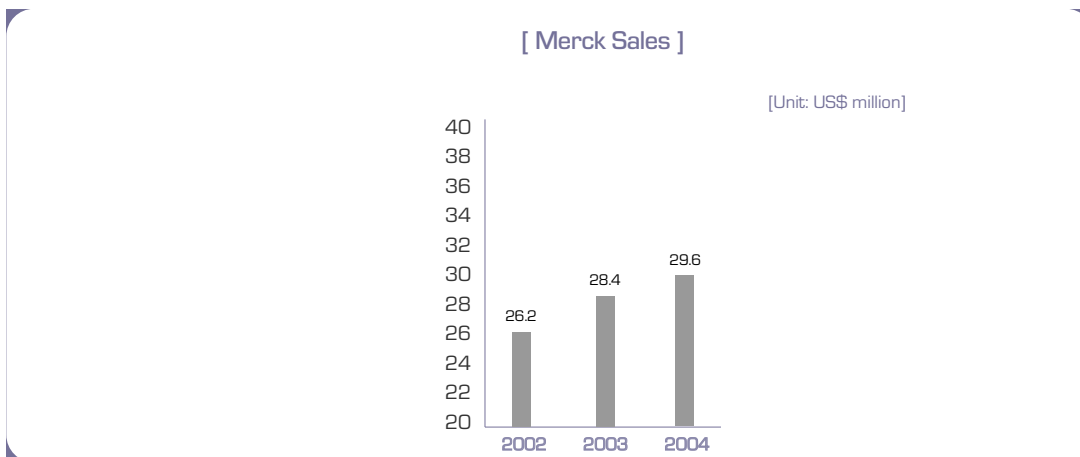
*Production.* The Company launched its Korean pharmaceutical operation in 1999, focusing initially on treatments for cardiovascular disease. Merck currently runs facilities for the liquid crystal mixture development and production in its Poseung Technical Center in Pyeongtaek, Gyeonggi Province. When it opened the Poseung Technical Center, it received full support from the local government to obtain the necessary approvals for constructing the building and starting production within a short time.

*Sales.* The sales in the year 2004 rose to US\$29.6 million. Operating profit results were up by 0.2 percent. Merck's local market share of liquid crystal mixtures exceeds 60 percent, some of its major clients being LG.Philips LCD and Samsung Electronics. More than 95 percent of the world's production of liquid crystal display panels is in East Asia, with Korea, Taiwan, Japan leading the way. The three countries are currently providers for large liquid crystal screens, with Korea controlling 42 percent of the market, followed by Taiwan at 40 percent and Japan at 18 percent.

Table 8. Merck Korea Sales

[Unit: US\$ million]

	2002	2003	2004
Sales	26.2	28.4	29.6



**Merck in Korea.** Considering the rapid growth of the LCD market, it is essential to fulfil the customer's needs with speedy development of innovative and reliable products. Since MAT (Merck Advanced Technology) R&D established its operation in May 2002, the company has been able to provide a one-stop service to meet these requirements and to proceed with a well-timed introduction of new LC singles into mixture development.

Internally, initial R&D for liquid crystals has been successfully transferred into one of Merck's core technologies. Also, with 100 years of experience, a number of LC mixtures developed by MAT R&D have already been qualified by Korean TFT customers for a range of applications. But this was only possible with the strong teamwork between the fully-qualified local R&D staff members, who are entirely dedicated to the Korean TFT market, and Merck scientists from other R&D labs in Germany, Japan and the U.K.

## Future development

**Plans.** Merck's expansion will be planned in line with the developing needs of the Korean market. In addition, its oral diabetic treatment is licensed out and locally manufactured by its partner. Its pharmaceutical treatments presently focus on the areas of metabolism, cardiology and in the future will include oncology.

Merck sees Korea as an extremely dynamic country, especially in high technology areas like LCD and the semiconductor industry where the company has core competencies. Merck's R&D in Korea benefits from the high level of market pull for its innovations as well as a highly creative scientific community and a pool of superbly skilled personnel. To meet customer expectations, its R&D capability in Korea is an integral part of an R&D network.



## 09. LG · Philips

### Corporate Overview

*History.* Philips became one of the largest foreign corporate investors in Korea with the signing of a record-breaking US\$1.6 billion investment with LG during the financial crisis of 1997. LG.Philips LCD and LG.Philips Displays are such successful joint ventures of Royal Philips and LG that, within a year of their formation, the LCD division posted sales of US\$474 million and became leading global producers of Thin Film Transistor Liquid Crystal Displays (TFT-LCDs) and Cathode Ray Tubes (CRTs), respectively. LG.Philips LCD's TFT-LCD technology is used in various flat screen applications such as wall-hanging TVs and PC and notebook monitors. LG.Philips Display's CRTs are used to produce Colour Picture Tubes (CPTs) for TV sets and Colour Display Terminals (CDTs) for computer monitors. The success of the joint venture between these two companies was brought about by the combination of the strengths of Royal Philips and LG Group, coupled with efforts to propel themselves to become the leaders in their product categories.

## Marked Accomplishments

**Record Breaking Success.** LG.Philips LCD was created in 1999 and since then, it has consistently broken many of the industry's records. In October 2000, the company became the first to ship over 1 million 15.1-inch TFT-LCD monitors. It also produced its four millionth 15.1-inch TFT-LCD monitor in October 2001, approximately four years after its first shipment in 1997. In that same month, the company introduced 29-inch high definition television units, the largest of its kind. Also in 2001, the company produced 3.2 million LCD for monitors, setting an annual record for this segment as well. The company exports 95 percent of its production, to countries like Taiwan, China and Japan.

LG.Philips Displays was created later in 2001. This was a merger of Philips and LG's TV divisions, partly in recognition that the product itself has a limited future life cycle, and therefore the global consolidation made sense. The company has 34 factories around the world and records annual sales of over US\$5 billion. It is the world's largest supplier of television and monitor tubes, with two new factories in Mexico and the Czech Republic. Today, one out of four television sets or computer monitors has a LG.Philips Displays tube inside. The company seeks to increase the rate to one out of three by the end of 2005. While the company moves to adjust its existing industrial infrastructure to be more cost-efficient by shifting production to manufacturing facilities in low cost countries, LG.Philips Displays remains very much committed to the Korean market in the long term.

Table 9. LG Philips LCD Sales

[Unit: US\$ million]

	2002	2003	2004
Sales	2,966.0	6,775.0	7,054.8
Operating profit	235.9	1,375.7	1,432.6
Net profit	243.5	1,388.1	1,445.4

As a result, Philips derives a larger proportion of its global sales from Korea than any other investor, except Fairchild Semiconductor.

## Future Development

LG.Philips LCD is planning to build an additional industrial site for its parts suppliers in an area near the Paju display cluster in the northwestern Gyeonggi province. An additional 120,000-pyong (one pyong equals 3.3 square meters) industrial site in Hwangji Industrial Complex in Yonchon will be created about 35 kilometers from the Paju site. LG.Philips LCD has secured a 100,000-pyong site for 7-Future, the second seventh-generation LCD line, adjacent to where 7-1 is being built, to meet growing global demand for flat screen panel based TVs and monitors as consumer preferences rapidly shift away from bulkier cathode ray tube based products. The creation of this industrial site will expand LG.Philips LCD's Paju display cluster to 1.3 million pyong. LG.Philips LCD said in March 2005 that it plans to transform Paju into the world's largest flat-panel display cluster by injecting a total of 25 trillion won in the next 10 years.

The image shows a close-up of several interlocking metal gears. The gears are rendered in a monochromatic blue color scheme, with some highlights and shadows that give them a three-dimensional appearance. In the upper right corner, there is a white rectangular box with rounded corners and a thin blue border. Inside this box, the word "DELPHI" is written in a bold, black, sans-serif font.

**DELPHI**

## 10. Delphi Korea

### Corporate Overview

*History.* Delphi entered Korea in 1984 as a joint venture between General Motors Corporation and Daewoo Group. Delphi Automotive System Inc. was spun off from the GM group in 1999 and became a partial owner of Delphi Korea. With a rapidly developing Korean auto market, Delphi employs approximately 4,400 persons for its six joint ventures: Korea Delphi Automotive Systems Co. Ltd, Delkor Corp., Shin Sung Packard Co. Ltd., KDS Co. Ltd., Daesung Electric Co. Ltd., and Delphi Diesel Systems Korea Ltd., and a wholly-owned subsidiary, Delphi Sungwoo Corp. In the late 1990s, Delphi was caught by the collapse of Daewoo Motors for which it was a major supplier but the company was

committed to Korea and to supporting its local customers. With such a commitment, it achieved a sales amount of US\$1.1 billion in 2004. Delphi Korea's strategy for success is to carefully observe market trends to "catch the wave" in a timely fashion while focusing on building a diverse client base and staying close to the clients' needs.

## Marked Accomplishments

**Production.** Delphi manufactures many technology-intensive products in Korea, including airbags, converters, compressors, heater assemblies, steering systems, generators, valves, batteries, power and signal distribution systems, A/C system modules, condensers, and fuel injectors. Delphi also helps to drive further development of the Korean automobile industry through key technology transfer and the continued localization of key management positions and talent.

Delphi Korea's latest focus rests on helping automakers reduce lead time in getting new models to the market, especially in meeting the increasing demand and popularity of sport utility vehicles (SUVs). The company provides its clients with a common rail fuel injection (CRFI) system, which allows the OEMs to produce diesel-engines that meet the increasingly tougher emission standards worldwide. The CRFI system enables Delphi Korea to put itself in an excellent position for both the upcoming domestic SUV market and a wide export market in Europe and in other parts of the world.

Table 10. Delphi Korea Sales

[Unit: US\$ million]

	2002	2003	2004
Sales	137.4	187.2	194.9
Operating profit	13.1	8.6	8.9
Net profit	11.1	8.8	9.1

**Technical Center.** Although it is unusual to establish two technical centers in the same country, Korea's contribution to the region's total sales – amounting to US\$1.1 billion out of US\$2.7 billion in 2004 – as well as the presence of highly talented Korean engineers led Delphi Korea to open its second Korean technical center in July 2004. Delphi invested in an excess of US\$40 million to open the center, located in the province of Yong-in. A team of 240 engineers and support personnel are focusing on developing gasoline and diesel engine management systems for its customers. Delphi's other Korean technical center is located in Munmak, Gangwon province.

**Exports.** After Daewoo Motor Co. filed for bankruptcy, Delphi Korea diversified its client base and expanded the business it had with other Korean carmakers. The company now supplies a full range of OEMs. While the prime concern of Delphi Korea has been the Korean market, more emphasis will be placed on the overseas market in the future.

**Labor Harmony.** Delphi Sungwoo, a wholly-owned subsidiary of Delphi Korea, initially faced difficulties in the area of labor-management relations. The company was successful in

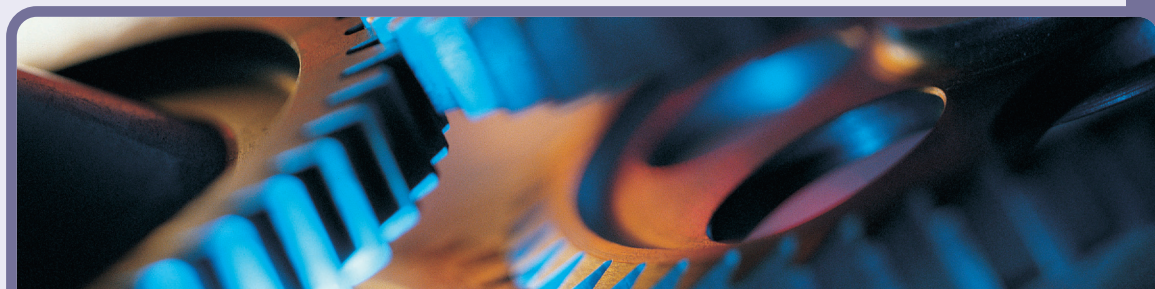
overcoming this difficulty by continuously engaging in contact with employees and offering educational programs to build mutual trust. As a result, Delphi Sungwoo was acknowledged as having one of the best industrial relations of any company in 2002 and Gangwon Province awarded it the grand prize in its “Best New Labor Relations Culture Competition” in 2004.

*Developing Human Resources.* From the beginning, Delphi’s Asia/Pacific division focused on hiring and training Korean engineers to foster significant engineering and technology transfers as part of the Delphi group’s global investment strategy. But Delphi Korea is no longer at a merely receiving end but develops its own technology and in some cases, exports them to other Delphi locations around the world.

## Future Development

*Plans.* Delphi Korea will continue to maintain its high product quality while aptly responding to the growing market pressure to lower cost through adapting the cost-efficient “lean-production method.”

Delphi Korea’s deep and strong relationship with its diverse client base and its relentless efforts to respond to new market trends in providing value-solutions has allowed Delphi Korea to grow into a formidable presence in the Korean automotive industry.





# 11. DuPont Korea

## Corporate Overview

*History.* DuPont first entered the Korean market in 1977 and currently has 380 employees in Seoul, Ulsan and Gyeonggi. In the mid-1980s, DuPont Korea began investing directly into high-tech production and began supplying basic materials for major industries based on local production. DuPonts delivers science-based solutions to areas such as food and nutrition, health care, apparel, safety and security, construction, electronics and transportation. In 2004, the company recorded sales of 580 billion won (US\$506 million) in the Korean market.

## Marked Accomplishments

*Production and Sales.* Korea is one of the top five countries in respect of DuPont's sales growth. Among the 70 countries in which the company has offices, sales figures in the Asian market are rapidly increasing, with an annual growth rate of 20 percent. DuPont Korea posted a sales growth of 30 percent in 2003 which can be attributed to the expansion of Korea's main industries such as automobiles and electronics. The expansion created opportunities for DuPont to provide materials to the companies in such industries.

A new manufacturing plant in Ulsan was recently inaugurated, which is expected to develop high-technology and leading edge products. DuPont officials conveyed that the benefits of investing in Ulsan include an excellent industrial infrastructure, high educational level and skilled manpower. In addition, they are encouraged by Ulsan's positive attitude towards foreign investment.

*Alliances with Local Companies.* A 50-50 joint venture was entered into force in 2004 with Cheil Industries Inc., a subsidiary of Samsung Group. The joint venture was signed to produce non-stick flexible copper clad laminate (FCCL). A production line will be established this year in Gumi, North Gyeongsang province for US\$15 million. DuPont will provide the technology and market products overseas, while Cheil Industries will market them in Korea.

Thanks to its continuous efforts in improving quality and protecting the environment, Dupont Korea acquired ISO 9002 in 1994 and ISO 14001 in 1999.

*Community outreach.* In order to help improve the quality of life and increase the vitality of communities in which the company operates, the Dupont Community Fund was established. Since its creation in 1990, it has funded more than US\$3 million for programs



and projects that contributed to society's well-being, economic success and environment protection.

DuPont Korea employees actively participate in donations for the less fortunate and victims of natural disasters. They have also volunteered for the Seoul Baby's Reception Home since 1999. Furthermore, the company was honored by Ulsan Forest for Life in recognition of the DuPont Ulsan plant's contribution in protecting the local environment in 2003.

Dupont Korea strongly believes that being an ethical company directly benefits business and ethical compliance is the responsibility of top management and leaders.

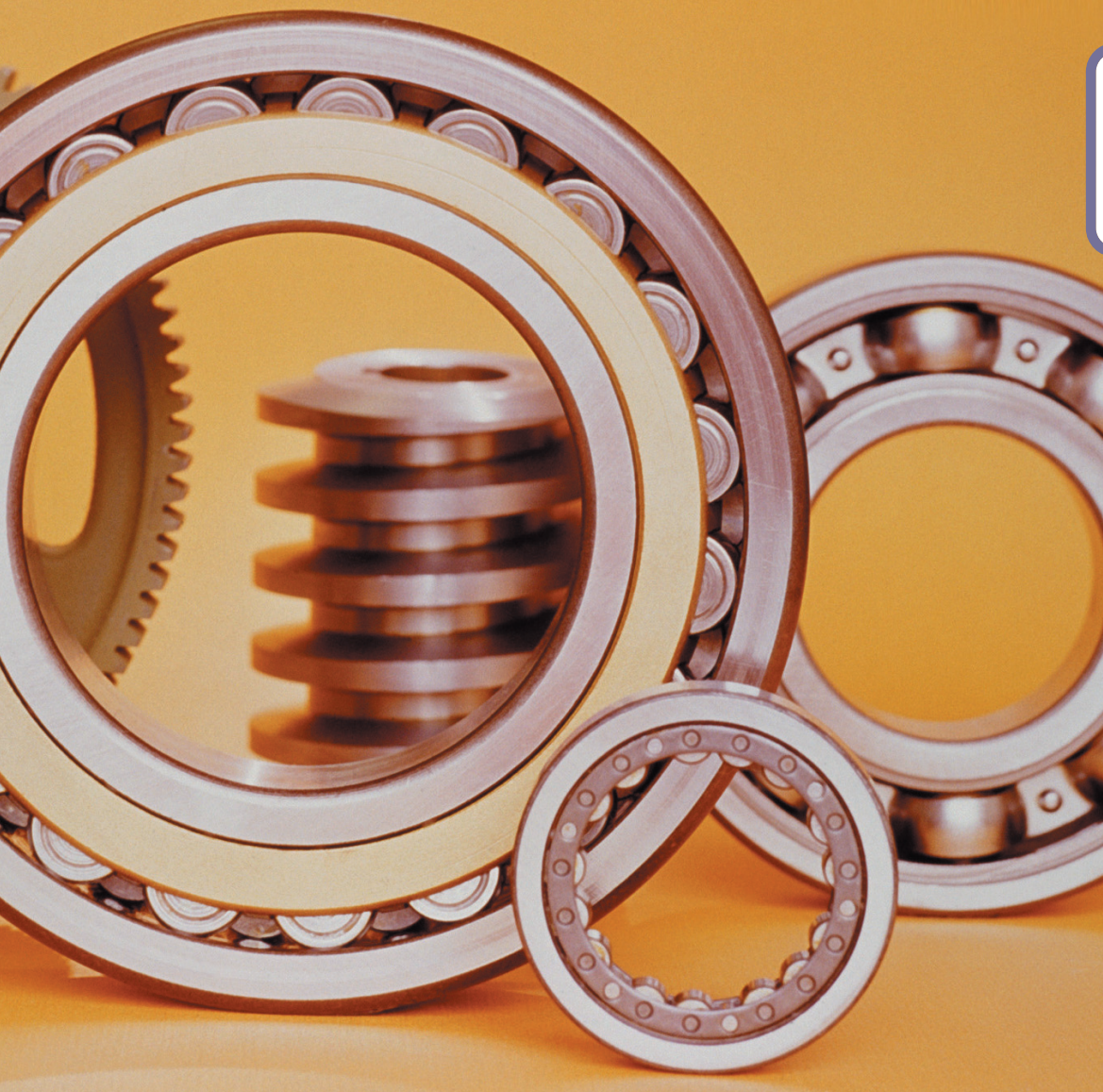
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## Future Development

*Foundations for Future Growth.* An agreement to build a US\$12 million manufacturing facility in the Gyeonggi province was signed between DuPont and the Korean government in May 2005. This will allow the company to create new selective barrier technologies and drive new applications worldwide. In addition, this initiative furthers DuPont's objectives to better address the market needs of the Asia Pacific region.

*Future Plans.* DuPont is currently pursuing a strategy to recreate itself from a chemical industry-based to a biotechnology-based company. It is now currently working on a joint project with the U.S. Department of Energy on a bio-refinery project, which will test a process that will provide fuels and chemicals from a corn plant. Dupont Korea, one of the top five countries where DuPont's sales are growing fast, is expected to successfully adopt the strategy.

*DuPont Korea's Edge.* One major factor for the company's growth is persistent research and development. A new R&D technical center, based within the Korea Institute of Science and Technology (KIST) in Seoul will open to support the fast-growing electronics industry in Asia. By improving its ability to closely collaborate with universities, the government and industries in Korea, DuPont Korea will be able to more rapidly advance materials science. The company believes that partnership and innovation are critical in enabling the development of a next-generation application and also bringing closer a more successful future for its customers.



## 12. FAG Bearings Korea

### Corporate Overview

*History.* FAG Kugelfischer Group first entered the Korean market through its joint venture with Hanwha Machinery Bearings Corp., worth 325 billion won (US\$232 million), in 1998. The joint venture agreement, in which FAG acquired a 70 percent stake in FAG Hanwha Bearings Corp., allowed Hanwha group to restructure its financial structure while facilitating FAG's entry into the Asian market.

At the end of 2003, as part of its business restructuring measures, Hanwha sold off its remaining 30 percent stake in FAG Hanwha Bearings to its German partner FAG and the group was renamed FAG Bearings Korea. Hanwha group will continue to streamline non-flagship business sectors in a bid to focus on its core fields of business.

## Marked Accomplishments

**Production and Sales.** The partnership structure of FAG Hanwha Bearings effectively combined the expertise required for the development of greater precision and cutting edge technologies required for precision bearings of automobiles, electronics, machinery and automation industries. In 2004, the sales of SUV- and RV-oriented taper rolling bearings were the most successful, increasing 8.4 percent from the same period in 2003, to 400 billion won (US\$ 349 million).

In FAG's Jungju factory, 260 employees contributed to the US\$87 million increase in sales by developing ultra-precision bearings to be used in cars and personal electronics. The LUK-run Jungju factory established in 2003, was originally intended for the production of transmission shock absorbers for automobiles. It was expected that this would result in US\$25 million in sales.

FAG Bearings Korea's sales in the past three years have shown a consistent increase. In 2004 in particular, sales exhibited a 20 percent increase. Schaeffler Group's CEO Maria Elizabeth Schaeffler explains that this is due to the high level of education found in Korea as well as the hard working workforce found in Korean enterprises.

Table 11. FAG Bearings Korea Sales

[Unit: US\$ million]

	2002	2003	2004
Sales	290.8	309.5	370.8

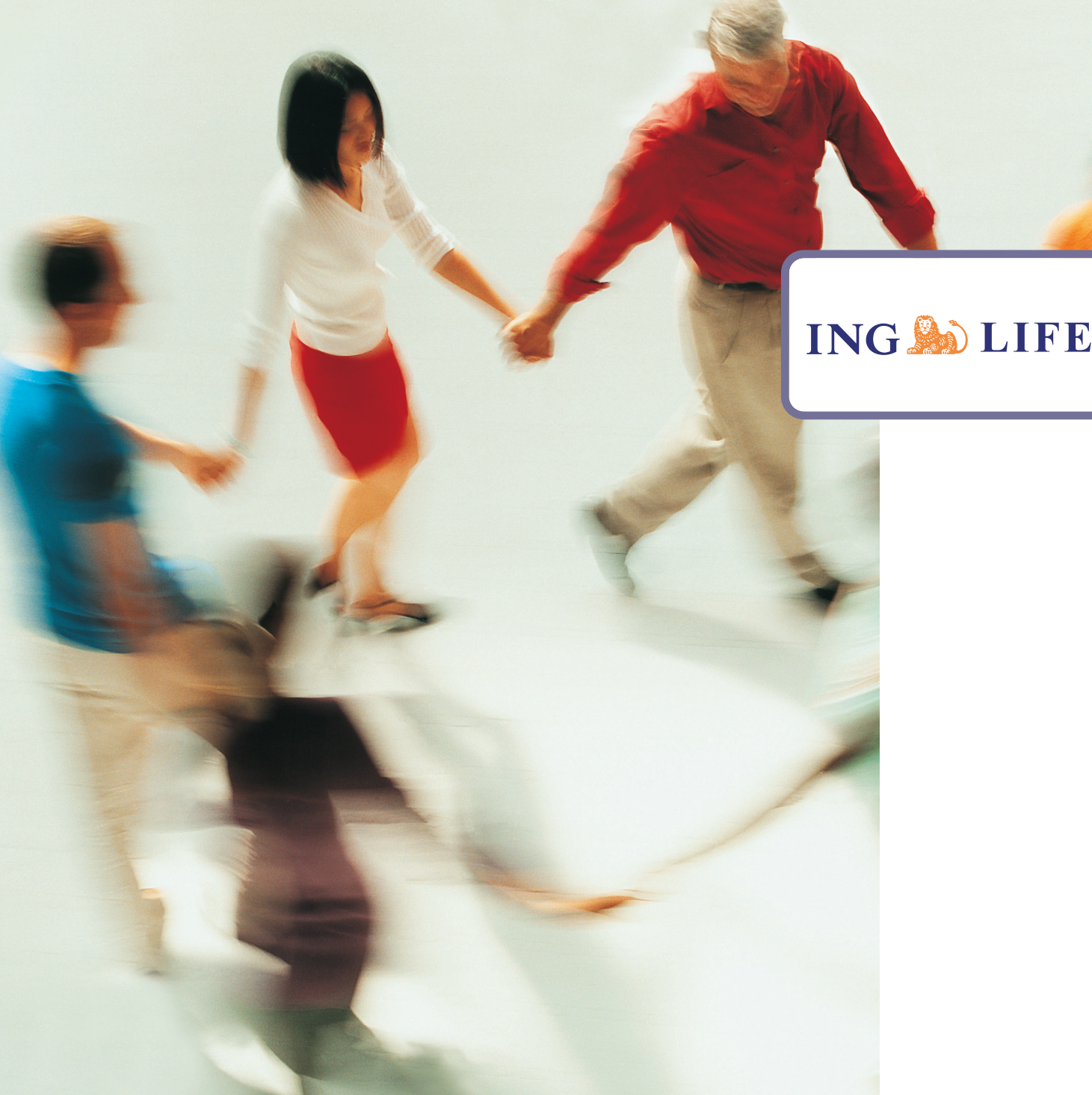
With four factories in Korea, FAG Bearings manufactures 65 percent of domestic bearing products and 80-90 percent of the automotive domestic bearing market is possessed by FAG Bearings. Currently FAG Bearings Korea is the number one bearing company in Korea.

**Awards and Recognition.** FAG's commitment to quality and efforts to preserve the environment has been acknowledged through the awarding of the certification, QS 9000 certification which is the quality standard of the America's "big three automobile" makers, ISO 9001 and ISO 14001. FAG has also made remarkable progress after a period of rocky labor-management relations by keeping its promise of rewarding employees according to productivity, contributing to a sharp increase in productivity and employee satisfaction.

## Future Development

**Plans.** Following the success of sales in 2004, FAG Bearings Korea will attempt to drive up production by focusing on automotive and industrial bearings production companies. The Schaeffler Group, of which FAG is a subsidiary, announced recently that 20 million euros (US\$ 24.9 million) will be invested in building a R&D center in Ansan, specializing in valve controls and parts, as part of efforts to place Korea as the Asian R&D hub.

Through continuous investment, R&D and quality improvement, the company intends to expand production of general bearings for automobiles, and agricultural machinery to top notch special bearings for mobile equipment, semiconductor equipment, and more.



ING  LIFE

## 13. ING Life Korea

### Corporate Overview

*History.* The Dutch life insurance company's success in Korea has been a paragon for other foreign companies that have attempted to enter the Korean market. In 1989, ING Life was one of the first foreign insurance companies to enter the Korean insurance market and has shown remarkable growth, following the lead of the Big three – Samsung Life Insurance, Korea Life Insurance and Kyobo Life Insurance – that in 2004 accounted for 68.8 percent of the local life insurance market. However, the most noteworthy aspect of ING's success in Korea has been its self-sustained performance, which has been achieved without taking over any local insurers in order to strengthen its position.

## Marked Accomplishments

**Formula for Success.** ING Life's success in the Korean life insurance market has been defined by its ability to perceive liability gaps and the diverse, complex needs that arise from Korea's underdeveloped welfare system to cater beyond conventional insurance products. The company's strategy has been to tap into the unconventional areas that exceed the customers' expectations to create a perfect portfolio, including Variable Universal, Critical Illness Insurance, Insurance packages for children, and long term medical care. ING Life's differentiated services include ING Life's face to face channel, bancassurance and direct marketing channels such as tele-marketing and internet sales.

ING Life became one of the most successful insurance companies in posting US\$1.41 billion in premium income in 2004 and a 2.6 percent growth in new business. Its market share rose from 0.9 percent to 4.9 percent during the period of 2000-2004. ING Life is also planning to double the current number of financial consultants from the current figure of 4,846 by 2010. In September 2004, ING Group agreed to take over a 49 percent share of KB Life, the insurance arm of Kookmin bank in a joint venture move.

Table 12. ING Life's Insurance Sales

[Unit: US\$ million]

	2002	2003	2004
Sales	600.5	1,564.2	1,628.8
Operating profit	46.0	119.8	124.7
Net profit	31.4	86.4	90.0

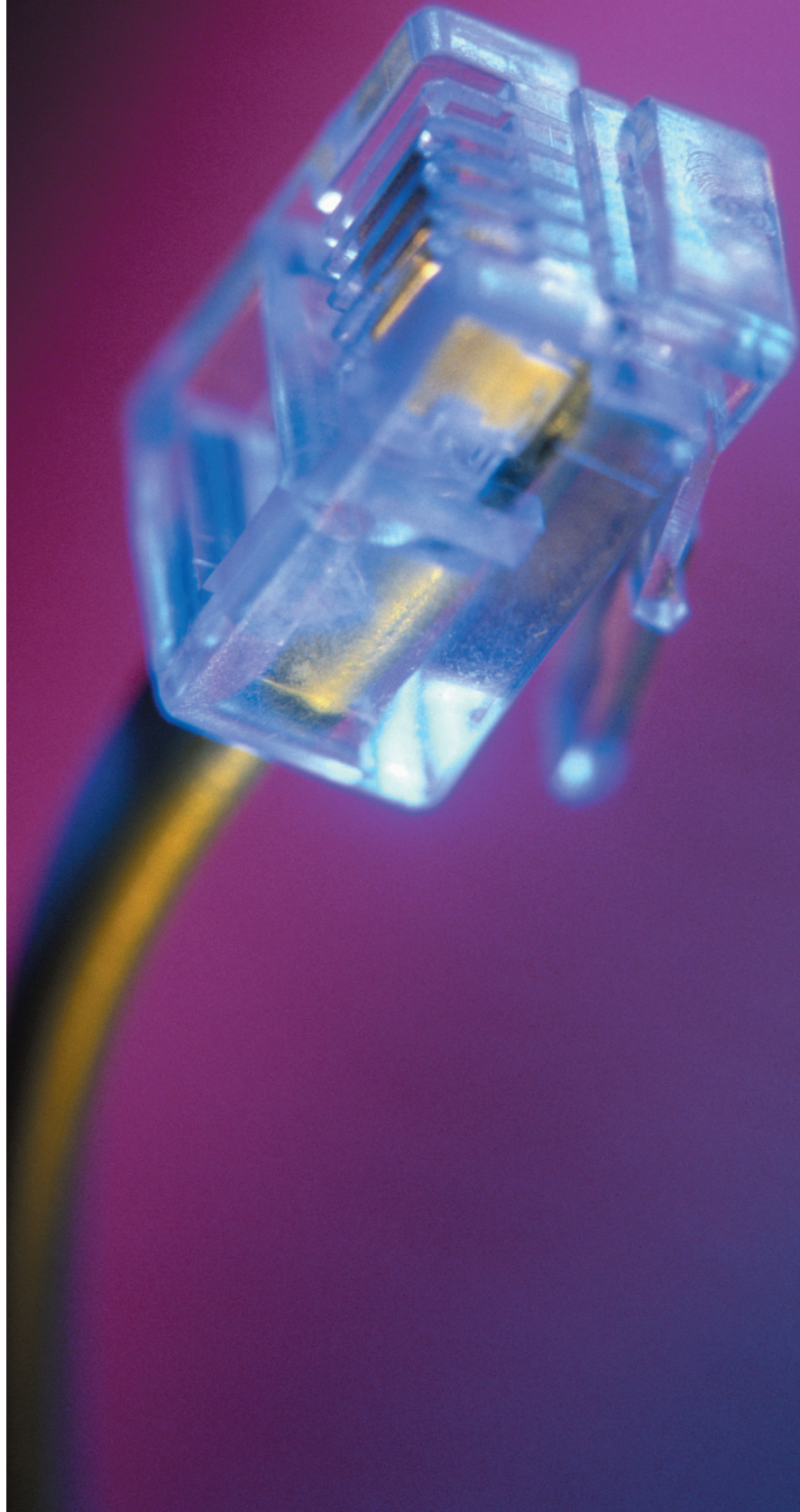
**Soft Measures.** ING Life's marked accomplishments stretch beyond its ordinary business cycles. ING Life announced at the end of 2004 that it would invest 110 billion won (US\$ 100 million) in financing public infrastructure projects in 2005. The specific details of the actual investments, which are to be implemented through consultation with the Ministry of Finance and Economy, were not announced, but was viewed in a positive light in its contribution to job creation and an effort to revive the stagnant economy.

ING Life also became the first non-Korean company in the life insurance industry to sponsor Korean athletes in an international event, with its agreement to exclusively sponsor Korea's professional football teams over the next four years. It will finance 2 billion won (US\$2 million) and become one of the main sponsors of the AFC Championships League.

## Future Development

*Plans.* ING Life's long-term strategy is geared towards the achievement of becoming the third largest insurance company in Korea within the next five years. Strategies which aim towards the realization of this goal include new products such as mortgage loans. Other products such as Variable Universal products – hybrid products combining insurance with investment which will allow customers seeking to gain higher returns – will be offered in the second quarter of 2005.

Though the Korean government has put the implementation of the second stage of bancassurance – the combining of bank and insurance – on hold, it has not deterred ING Life from continuing talks with a number of banks. Bancassurance first began in August 2003, when ING Group who, at the time, held a 3.87 percent share in Kookmin Bank agreed to sell insurance products through Kookmin bank in a joint venture project. Currently customers can buy ING Life insurance products at Kookmin Bank and HSBC.



# 14. Sun Microsystems Korea

## Corporate Overview

*History.* Sun Microsystems first set foot in Korea in 1985 to promote their vision that “The Network is the Computer.” In 1990, Sun Microsystems became Sun Microsystems Korea and began its development and sales of systems solutions. This involved the construction of sustainable networks as well as the supply of hardware, software, services and support solutions. Focusing especially on Sun Fire services, they offer a variety of server products, storage products, workstations and open network computing. In the process of expanding their business in Korea, Sun Microsystems have partnered with 500 local companies.

Sun Microsystems Korea, until now, is working to transform the formerly product-oriented companies into more solutions-oriented ones. They offer various infrastructure solutions including data centres, storage and web services.

## Marked Accomplishments

*Sales.* The company earned US\$176 million in sales and US\$7.3 million in net profit in 2004. In comparison to 2003, a huge growth in operating profit and net profit was recorded in 2004. In an effort to achieve further growth in 2005, Sun Microsystems Korea will attempt to produce even more advanced solutions through various partnerships with domestic communications companies and solutions enterprises. The Company will attempt to further penetrate the interface market by focusing on aspects of the unix server of the Sunfire series. The company has already secured major client companies such as Samsung Group, Kookmin Bank and POSCO and plans to double its presence within the interface market.

Table 13. Sun Microsystems Korea Sales [Unit: US\$ million]

	2002	2003	2004
Sales	227.1	169.4	176.4
Operating profit	-0.5	2.4	2.5
Net profit	-1.6	7.0	7.3

## Future Development

*Foundations for Future Growth.* In April 2003, Sun Microsystems opened a new Java research and development center at the ASEM Tower in Samseong-dong, Seoul. The center’s central focus is on developing Java programming language for software to run on a variety of emerging mobile devices and the internet. Scott McNealy, the company’s CEO

stated that he plans to invest a total of US\$50 million in the research center over the next four years, the biggest foreign investment by a foreign IT company since 2003. This R&D center is expected to become the Asian research hub to develop Java technology that will be used to develop a variety of software for mobile devices. Investments have expanded in the Korean market due to its world class IT infrastructure and mobile technology.

In 2005, Sun Microsystems struck a major deal with KT (Korea Telecom) to provide operations infrastructure and services. Sun Microsystems will work with KT to power the carrier's next generation operations infrastructure. The aim is to develop a Broadband convergence Network (BcN) management system. With decades of telecommunications experience, powerful hardware and software, Sun Microsystems is hoping to forge further relations with key members of the telecommunications industry.

Through strategic alliances with domestic software companies, Sun Microsystems Korea will focus on making Sun's solutional know-how and technical skill more publicly known. The company also plans to support domestic companies through other strategic alliances which will involve the cooperation of technical abilities and manpower in areas ranging from common marketing to general operations.



## 15. GM Daewoo Auto & Technology

### Corporate Overview

*History.* GM-Daewoo Auto & Technology was Korea's 25th largest company in 2004 as defined by sales. It produces passenger cars, engines and transmissions. GM-Daewoo has five manufacturing facilities in Korea as well as an assembly facility in Vietnam. In 2004, the company sold over 900,000 vehicles with exports to more than 140 countries.

Daewoo Motors was rescued from the bankruptcy of the Daewoo Group, when the creditors sold the company to a consortium formed by General Motors (44.5 percent), Suzuki (14.9 percent), the Shanghai Automotive Industry Corporation (SAIC, 10.6 percent)

and Korea Development Bank and other creditors (30 percent) and became GM Daewoo Auto & Technology Company on October 17, 2002.

Daewoo offered GM the chance to acquire Korea's third largest automaker at a time when GM wanted to increase its presence in the Asia/Pacific region in general and saw in Daewoo a strategic opportunity to achieve its vision of becoming a major car company in Northeast Asia. Accordingly exports from Korea are as important as serving the local market creating a win-win situation for the company and Korea.

The terms of the sale were the investment of \$400 million by General Motors and partners and \$197 million by the creditors in exchange for Daewoo's Changwon and Kunsan plant as well as the design, engineering, R&D, sales, marketing, administrative and other supports in Incheon. However the Bupyeong plant in Incheon became a separate entity – Daewoo Incheon Motor – which GM Daewoo is expected to acquire in due course.

## Marked Accomplishments

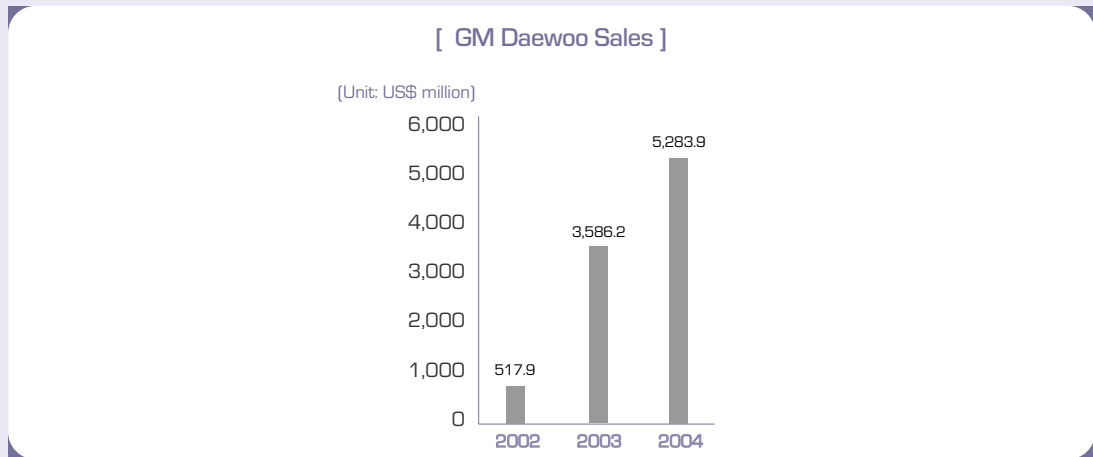
***Production and Sales.*** Since the takeover, GM Daewoo has greatly increased its production and sales and also improved its quality and productivity. By 2004, GM-Daewoo had showed a remarkable growth in sales, displaying a sales figure of \$6 million, almost double that of 2003. High productivity has been the result of the single production line which produces multiple models at lower costs, the use of cutting edge automation as well as an automated parts supply system.

***Export Growth.*** With such efficiency in their production plants, GM Daewoo rose to the top in export ranking among the GM group of companies, emerging as a strong player in the group.

Rapid export growth was achieved by using Daewoo's pre-existing infrastructure in conjunction with GM's global network to market and export cars under the Daewoo brand in Europe, Oceania and Korea. GM Daewoo exported 561,946 units by the end of third quarter of 2004, a 108 percent rise from the same period in the previous year and 183 percent rise from the year before that. In terms of export distribution channels, its exports reached 140 countries in North America, Europe and other areas of the world, boosting the company's status as the strategic technology base in Asia for the GM group within just two years. Projected exports for 2005 will be 900,000 units.

***Market Share and Penetration.*** GM Daewoo has become a strategic manufacturing base for GM's Asia/Pacific market. It has penetrated markets in which tariffs on imported cars is high, such as in Thailand and in China, by exporting parts and giving licenses to local GM businesses to manufacture or create their own products.

In pursuing the export of semi-finished cars as well as parts, GM Daewoo has been able to expand its export market.



In the domestic market, GM Daewoo's share is also showing signs of a rapid recovery. The company's aggressive marketing bore fruitful results in pushing its market share up almost 3 percent from 20.9 percent upon launch in 2002 to 23.8 percent by September 2004, despite a depressed domestic market.

## Future Development

**Foundations for Future Growth.** GM Daewoo is currently in the process of developing a new generation of SUV, namely, the "S3X" with the aim of expanding domestic sales with its launch in 2006.

The company is currently concentrating on R&D for new models, totalling in five models introduced to the market thus far. GM Daewoo is putting in efforts to strengthen its presence in the small and compact car market as well. It built a factory in Changwon to produce engines of a wider size range. This required that GM-Daewoo increase its employees by almost 50 percent. GM's acquisition was regarded with some suspicion by the union, but the labor-management relations in what was once a troubled company have been excellent.

**Projects.** GM Daewoo announced a large investment plan amounting to 1,740 billion won (\$1,654 million) in March 2004 for future product development for the next two to three years. This is the biggest investment announcement in the entire GM group history. The specifics of the budget includes: SUV development, full size car development, capitalization expenditure for Bupyeong plant's manufacturing equipment, new compact-car model development and technology development for acquisition of Daewoo Power Train. This investment plan effectively declared GM-Daewoo's intention to the top carmaker in the Korean market.

**GM Daewoo's Edge.** As a result GM-Daewoo is considered to be one of Korea's most successful joint ventures, in which the quality of Korean production techniques has been reaffirmed with the appointment of a Korean from Daewoo as regional production head. Nick Reilly, the CEO described the long term vision of the company as making the company sustainable for the next 50 years.



# II

## Appendix



## Foreign Investment in Korea 2004

Foreign Direct Investment(FDI) has played an important role in the Korean economy. It helped Korea recover from the 1997 currency crisis. It also has boosted the country's exports and contributed to a major upgrading of its technology. FDI gave impetus to a badly needed restructuring of Korea's financial sector as well as enhancing a new openness and transparency in its economy.

As of end 2004, the FDI in Korea calculated on an arrival basis, recorded a 97.4 percent increase over the previous year's total. The total number of foreign invested companies in Korea topped over 15,000 contributing to the remarkable increase in production and the creation of many new jobs.

By region and country, the United States and Japan, lead in the total value of investments, followed by China, the Netherlands and the U.K. The U.S. investment alone in 2004 was valued at US\$ 4,725 million, Japanese companies also invested substantially in Korea. The Japanese investment was valued at US\$ 2,249 million. And China's US\$ 1,165 million investment in Korea was an outstanding result compared to that of the previous year.

By industry and business, 48.6 percent of all investments have invested in manufacturing and 48 percent have invested in the service industry. Finance / Insurance was the largest investment sector valued at US\$ 3,211 million, followed by Electricity / Electronics at US\$ 2,944 million, Chemical engineering at US\$ 1,377 million, Wholesale / Retail (Distribution) at US\$ 1,126 million, and Transport machinery at US\$ 907 million.

## Foreign Investment by Region and Country

(Unit : cases, US\$ million)

CLASSIFI- CATION	2002		2003		2004		CUMULATIVE (1962-2004)	
	CASE	VALUE	CASE	VALUE	CASE	VALUE	CASE	VALUE
International Organization	1	-	-	-	-	-	117	272
<b>America</b>	<b>594</b>	<b>4,860</b>	<b>568</b>	<b>1,842</b>	<b>674</b>	<b>5,206</b>	<b>7,601</b>	<b>40,303</b>
U.S.A	494	4,500	453	1,240	553	4,725	6,547	32,260
Canada	32	261	36	73	44	224	342	3,217
Bermuda	9	6	8	6	11	35	128	1,624
Cayman Islands	9	43	23	301	25	189	127	2,162
Virgin Islands	39	31	27	166	31	26	304	718
Others	11	18	21	55	10	6	153	322
<b>Asia</b>	<b>1,421</b>	<b>2,269</b>	<b>1,484</b>	<b>1,486</b>	<b>1,749</b>	<b>4,284</b>	<b>16,950</b>	<b>30,538</b>
Japan	474	1,404	495	541	552	2,249	8,274	15,509
Singapore	48	146	45	236	76	376	530	3,106
Hong Kong	86	234	62	55	69	88	744	1,901
Malaysia	70	210	36	417	42	167	609	6,661
China	442	249	522	50	597	1,165	4,221	1,687
Taiwan	28	9	35	15	32	17	334	736
Others	273	17	289	172	381	222	2,238	937
<b>EU (25 countries)</b>	<b>266</b>	<b>1,680</b>	<b>283</b>	<b>3,062</b>	<b>366</b>	<b>3,005</b>	<b>3,804</b>	<b>30,682</b>
Germany	68	284	68	370	95	484	1,020	6,060
U.K.	36	115	55	871	62	642	636	3,474
France	39	111	43	150	54	180	526	3,450
Belgium	9	73	13	1,347	17	179	120	2,501
Netherlands	43	451	40	161	60	1,309	699	11,830
Ireland	10	23	14	15	15	30	154	1,420
Others	61	624	50	149	63	182	649	1,948
Other regions	159	293	262	78	315	275	1,741	2,095
<b>Total</b>	<b>2,441</b>	<b>9,102</b>	<b>2,597</b>	<b>6,468</b>	<b>3,104</b>	<b>12,770</b>	<b>30,213</b>	<b>103,890</b>

## Foreign Investment by Industry and Business

(Unit : cases, US\$ million)

CLASSIFI- CATION	2002		2003		2004		CUMULATIVE (1962-2004)	
	CASE	VALUE	CASE	VALUE	CASE	VALUE	CASE	VALUE
Agricultural, Livestock, Fishery, Mining	7	16	18	6	6	1	216	417
<b>Manufacturing</b>	<b>582</b>	<b>2,336</b>	<b>586</b>	<b>1,697</b>	<b>689</b>	<b>6,211</b>	<b>11,258</b>	<b>45,943</b>
Food	32	48	31	42	31	118	631	3,783
Agricultural, Livestock, Fishery, Mining	32	56	24	14	19	7	625	873
Paper, Lumber	15	52	9	36	7	20	222	2,536
Chemical Engineering	72	141	76	689	67	1,377	1,734	8,329
Medicine	9	45	6	16	19	167	252	965
Non-metallic minerals	16	65	22	41	15	116	424	2,031
Metals	26	507	32	150	42	105	702	2,304
Machinery & Equipment	73	220	88	242	102	358	1,624	4,370
Electricity, Electronics	188	517	193	298	272	2,944	3,140	15,013
Transport machinery	71	588	62	121	76	907	900	4,934
Other manufacturing	48	96	43	47	39	91	1,004	802
<b>Service</b>	<b>1,777</b>	<b>5,132</b>	<b>1,918</b>	<b>4,132</b>	<b>2,330</b>	<b>6,126</b>	<b>17,371</b>	<b>52,166</b>
Wholesale, Retail (Distribution)	1,108	587	1,224	947	1,549	1,126	11,091	15,679
Food, Lodging	90	815	91	211	100	53	815	5,365
Transportation, Warehouse(Logistics)	54	417	63	116	72	372	596	1,756
Communication	16	68	16	505	14	44	201	1,389
Finance, Insurance	166	1,023	157	1,650	135	3,211	1,239	14,552
Real estate, Rental	41	566	69	336	85	264	376	3,162
Business Service	207	273	223	279	289	475	2,415	3,294
Cultural, Entertainment	38	362	25	24	38	470	270	5,256
Public, Other services	57	1,021	50	64	48	110	368	1,712
<b>Electricity, Gas, Water supply Construction</b>	<b>42</b>	<b>1,618</b>	<b>42</b>	<b>633</b>	<b>45</b>	<b>433</b>	<b>476</b>	<b>5,364</b>
Electricity, Gas, Water supply	6	1,099	3	91	21	405	73	3,002
Construction	36	519	39	542	24	29	403	2,363
<b>Total</b>	<b>2,408</b>	<b>9,102</b>	<b>2,564</b>	<b>6,468</b>	<b>3,070</b>	<b>12,770</b>	<b>29,321</b>	<b>103,890</b>

## Fortune 500 in Korea by Country

### U.S.A.

 3M	 ABBOTT LABORATORIES	 ACCENTURE	 ALCOA	 ALTRIA GROUP	 AMERICAN EXPRESS
 AMERICAN INTERNATIONAL GROUP	 AMR	 ANHEUSER-BUSCH	 AT&T	 AT&T WIRELESS SERVICES	 BANK OF AMERICA CORP.
 BANK ONE CORP.	 BOEING	 BRISTOL-MYERS SQUIBB	 CATERPILLAR	 CENDANT	 CHEVRONTExACO
 CHUBB	 CIGNA	 CISCO SYSTEMS	 CITIGROUP	 COCA-COLA	 COCA-COLA ENTERPRISES
 COMPUTER SCIENCES	 COSTCO WHOLESALE	 DEERE	 DELL	 DELPHI	 DELTA AIR LINES
 DOW CHEMICAL	 DUPONT	 EASTMAN KODAK	 EL PASO	 ELECTRONIC DATA SYSTEMS	 ELI LILLY
 EMERSON ELECTRIC	 EXXON MOBIL	 FEDERATED DEPARTMENT STORES	 FEDEX	 FLEETBOSTON FINANCIAL	 FORD MOTOR
 GENERAL ELECTRIC	 GENERAL MOTORS	 GEORGIA-PACIFIC	 GOLDMAN SACHS GROUP	 GOODYEAR TIRE & RUBBER	 HEWLETT PACKARD
 HONEYWELL INTERNATIONAL	 INTEL	 INTERNATIONAL BUSINESS MACHINES	 INTERNATIONAL PAPER	 J.C.PENNEY	 J.P.MORGAN CHASE & CO.
 JOHNSON & JOHNSON	 JOHNSON CONTROLS	 KIMBERLY-CLARK	 LEAR	 LEHMAN BROTHERS HOLDINGS	 LOCKHEED MARTIN
 MANPOWER	 MARSH & MCLENNAN	 MASCO	 MAY DEPARTMENT STORES	 MCDONALD'S	 MCI
 MERCK	 MERRILL LYNCH	 METLIFE	 MICROSOFT	 MORGAN STANLEY	 MOTOROLA
 NEW YORK LIFE INSURANCE	 NORTHROP GRUMMAN	 PEPSICO	 PFIZER	 PROCTOR & GAMBLE	 PRUDENTIAL FINANCIAL

## U.S.A.



## JAPAN



## FRANCE



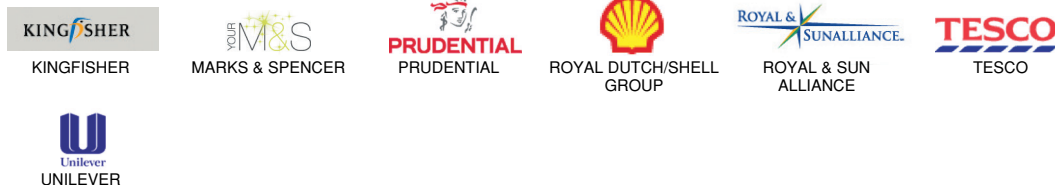
## GERMANY



## BRITAIN



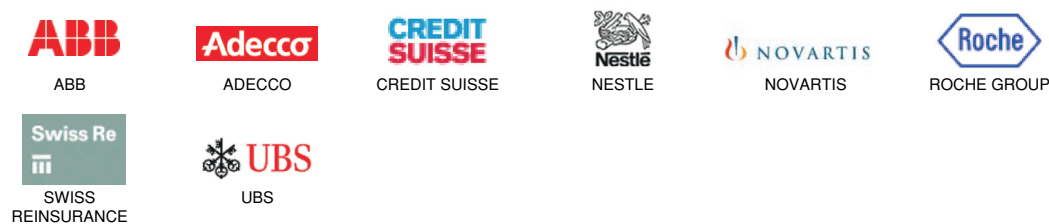
## BRITAIN



## NETHERLANDS



## SWITZERLAND



## CHINA



## CANADA



## AUSTRALIA

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BHP BILLITON



NATIONAL AUSTRALIA  
BANK



NEWS CORP



TELSTRA

## SWEDEN

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ELECTROLUX



L.M. ERICSSON



VOLVO

## FINLAND

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NOKIA



STORA ENSO



UPM-KYMMENE

## ITALY

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BANCA INTESA



TELECOM ITALIA

## DENMARK

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A.P. MOLLER-  
MAERSK GROUP

## SINGAPORE

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FLEXTRONICS  
INTERNATIONAL

## Fortune 500 in Korea by Industry

### AEROSPACE AND DEFENSE



BAE SYSTEMS



BOEING



BOMBARDIER



EADS



HONEYWELL INTERNATIONAL



LOCKHEED MARTIN



NORTHROP GRUMMAN



RAYTHEON



THALES GROUP



UNITED TECHNOLOGIES

### AIRLINES



AIR FRANCE GROUP



AMR



BRITISH AIRWAYS



DELTA AIR LINES



JAPAN AIRLINES SYSTEM



LUFTHANSA GROUP



UAL

### BANKS, COMMERCIAL & SAVINGS



ABN AMRO HOLDING



BANCA INTESA



BANK OF AMERICA CORP.



BANK OF CHINA



BANK OF NOVA SCOTIA



BANK ONE CORP.



BARCLAYS



BAYERISCHE LANDESBANK



BNP PARIBAS



CHINA CONSTRUCTION BANK



CITIGROUP



COMMERZBANK



CREDIT AGRICOLE



CREDIT SUISSE



DEUTSCHE BANK



FLEETBOSTON FINANCIAL



FORTIS



HSBC HOLDINGS



INDUS. & COMMERCIAL BANK OF CHINA



J.P. MORGAN CHASE & CO.



MITSUBISHI TOKYO FINANCIAL GROUP



MIZUHO FINANCIAL GROUP



NATIONAL AUSTRALIA BANK



SOCIETE GENERALE



SUMITOMO MITSUI FINANCIAL GROUP



TORONTO-DOMINION BANK



UBS



UFJ HOLDINGS



WACHOVIA CORP.

## BEVERAGES

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ANHEUSER-BUSCH



COCA-COLA



COCA-COLA  
ENTERPRISES



DIAGEO

## BUILDING MATERIALS, GLASS

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AKZO NOBEL



ASAHI KASEI



BASF



BAYER



DOW CHEMICAL



DUPONT



LAFARGE



MITSUBISHI  
CHEMICAL



SAINT-GOBAIN

## COMPUTER SERVICES & SOFTWARE

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ACCENTURE



COMPUTER SCIENCES



ELECTRONIC  
DATA SYSTEMS



MICROSOFT

## COMPUTERS, OFFICE EQUIPMENT

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CANON



DELL



FUJITSU



HEWLETT-PACKARD



INTERNATIONAL  
BUSINESS MACHINES



RICOH



SEIKO EPSON



SUN  
MICROSYSTEMS



XEROX

## DIVERSIFIED FINANCIALS

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AMERICAN  
EXPRESS



GENERAL  
ELECTRIC



MARSH & MCLENNAN

## DIVERSIFIED OUTSOURCING SERVICES

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ADECCO



MANPOWER

## ELECTRONICS, ELECTRICAL EQUIPMENT



ABB



ELECTROLUX



EMERSON ELECTRIC



HITACHI



MATSUSHITA  
ELECTRIC INDUSTRIAL



MITSUBISHI  
ELECTRIC



NEC



ROYAL PHILIPS  
ELECTRONICS



SANYO ELECTRIC



SHARP



SIEMENS



SONY



SUMITOMO  
ELECTRIC INDUSTRIES



TOSHIBA



TYCO  
INTERNATIONAL



WHIRLPOOL

## ENERGY



EL PASO



SUEZ

## ENGINEERING, CONSTRUCTION



BOUYGUES



TAISEI

## ENTERTAINMENT



BERTELSMANN



NEWS CORP



TIME WARNER



VIACOM



VIVENDI UNIVERSAL



WALT DISNEY

## FOOD AND DRUG STORES



AEON



CARREFOUR



HUTCHISON  
WHAMPOA



TESCO

## FOOD CONSUMER PRODUCTS

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## FOOD SERVICES

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## FOREST & PAPER PRODUCTS

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## GENERAL MERCHANDISERS

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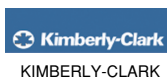
## HEALTH CARE

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## HOUSEHOLD & PERSONAL PRODUCTS

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## INDUSTRIAL & FARM EQUIPMENT



ALSTOM



CATERPILLAR



DEERE



MITSUBISHI HEAVY INDUSTRIES



THYSSEN KRUPP

## INSURANCE



AEGON



ALLIANZ



AMERICAN INTERNATIONAL GROUP



CHUBB



CNP ASSURANCES



ING GROUP



METLIFE



MITSUI SUMITOMO INSURANCE



MUNICH RE GROUP



NEW YORK LIFE INSURANCE



PRUDENTIAL



PRUDENTIAL FINANCIAL



ROYAL & SUN ALLIANCE



SWISS REINSURANCE

## MAIL, PACKAGE, FREIGHT DELIVERY



DEUTSCHE POST



FEDEX



NIPPON EXPRESS



TPG



UNITED PARCEL SERVICE

## METALS



ALCAN



ALCOA



CORUS GROUP



JFE HOLDINGS



NIPPON STEEL

## MINING, CRUDE-OIL PRODUCTION



BHP BILLITON

## MOTOR VEHICLES & PARTS



## NETWORK, OTHER COMMUNICATIONS EQUIPMENT



## PETROLEUM REFINING



## PHARMACEUTICALS



## PUBLISHING, PRINTING

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DAI NIPPON  
PRINTING



LAGARDERE  
GROUPE



TOPPAN PRINTING

## RAILROADS

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KINTETSU

## SCIENTIFIC, PHOTO, CONTROL EQUIPMENT

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EASTMAN KODAK



FUJI PHOTO FILM

## SECURITIES

---



GOLDMAN SACHS  
GROUP



LEHMAN BROTHERS  
HOLDINGS



MERRILL LYNCH



MORGAN STANLEY

## SEMICONDUCTORS, OTHER COMPONENTS

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FLEXTRONICS  
INTERNATIONAL



INTEL

## SHIPPING

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A.P.MOLLER-MAERSK  
GROUP



NIPPON YUSEN

## SPECIALTY RETAILERS

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## TELECOMMUNICATIONS

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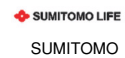
## TOBACCO

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## TRADING

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## UTILITIES

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## MISCELLANEOUS

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# Success Stories

Major Corporate Case Study

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