

Future, Pantech

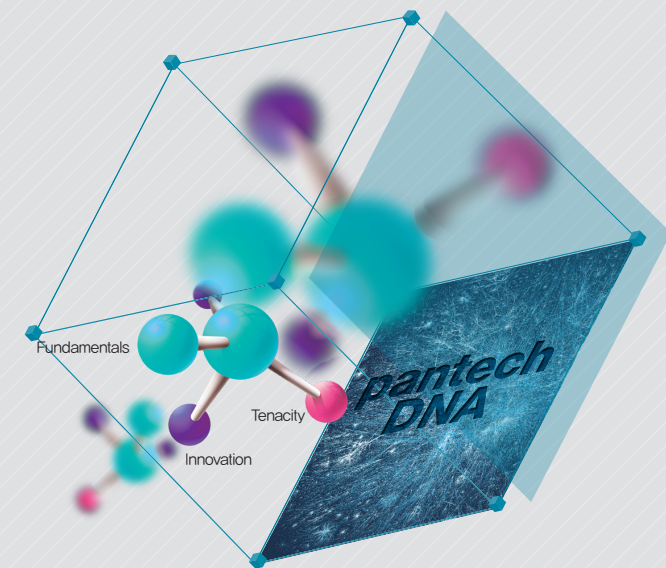
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VEGA IRON

the World's No.1 Zero-Bezel with the Slim Unibody Design



Innovation

Innovation is what it is all about

Disclosures on Management Approach

Economic DMA



Endless Innovation and Audacity are Pantech's Driving Forces.

The keyword for Pantech as robust player is innovation. What drove Pantech that made sustainable growth driven by selection, concentration and exclusive technologies is the challenging spirit and passion. Pantech wishes to be evaluated by customers with integrity based on endless technological innovation and tenacity. Pantech will make another leap forward to realize the corporate mission 'to raise conveniences in the lifestyle of the mankind through a wide usage of technologies.'



750

Accumulated Sales of Smartphones
(Unit: 10,000 Units)

Profits will be maximized through the selection and concentration strategies for LTE smartphones, thus generating a strong economic performance and improving the user convenience.



2,627

R&D Investments in 2012
(Unit: KRW 100 Million)

Our technological competitiveness will be strengthened through continued investment in R&D, patent management and investment in researchers, while suggesting premium stylish products embodying Pantech's identity.



955

Designs Registered at Home and Abroad
(Unit: No. of Cases)

Being fully aware the importance of technologies and designs, Pantech will continue to manage intellectual property rights for designs through patent application and registration.



1. Future, Pantech



Pantech's Commitment

Pantech is to become a leader of the global mobile communications industry with thorough and differentiated strategies as well as endless R&D. Conditions for sustainable growth ranging from R&D and marketing to design will be created for us to become a renowned enterprise in the Intelligent Mobile Device (IMD).



1.1 Creation of Sustainable Growth Conditions

1.1.1 Maximizing the Profit Generation through Selection and Concentration

Economic performance is generated to the maximum extent through selection and concentration of major products catering to latest trends. The accumulated smartphone sales exceeded 7.5 million units as of 2012-end by focusing on LTE mobile phones starting from 2011 as Pantech grows into a company specialized in the Intelligent Mobile Device (IMD). In particular, the uploading speed to respond to competitions for an edge in service quality has been achieved through VoLTE and multi-carriers, while data capacity buildup technologies have been commercialized and second strategic models are explored. As a result of such endeavors, the accumulated sales of 4G LTE phones as of March 2012 exceeded one million units.

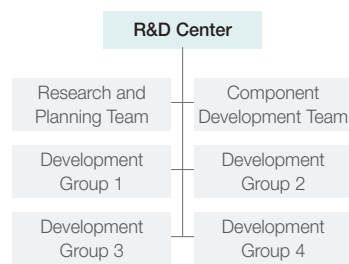
1.1.2 Elastically Responding to Market Changes

Field-focused thorough management, training on distribution and expansion of sales channels are underway to promptly respond to changes in the communications market. Key branches are fostered to gain prompt and accurate information on field responses towards Pantech's mobile phones, and seminars on new products are conducted for operators or dealers prior to the product launch. Professional workforce is developed and employees' marketing capacities are strengthened through various forms of practice-oriented training including on/offline training, policy and practice training, and seminars in a bid to sophisticate marketing activities. Moreover, as a result of efforts to diversify sales channels including large-scale sales outlets and subsidiaries amid the diversified unlock phones and commercial expansion of phones provided by Mobile Virtual Network Operators (MVNO), revenues of KRW 2,254.4 billion were recorded in 2012.

1.1.3 Diversifying Overseas Business Portfolios Driven by LTE Smartphone

Pantech has expanded business opportunities and diversified portfolios in the U.S. and Japan where Pantech has been engaged in stable operations while actively responding to changes in the global landscape. Diversification of portfolios is in place beyond the existing LTE smartphone market to include tablet PC, data device, messaging and specialized feature phone. In AT&T in North America, Pantech plans to strengthen the sales of LTE smartphone and tablet PC, and also in the new Quick Messaging Device (QMD) and feature phone markets. With Verizon in North America, Pantech plans to further solidify the positioning in the market with a higher quality as a reference device maker by inheriting leadership in the data device previously established with LTE smartphone. In Japan, meanwhile, Pantech expects to continuously push forward business feasibility with Softbank and NTT Docomo along with sales of LTE smartphone and feature phones to KDDI. Its global market opportunities will scale up driven by investment through preemptive development of products, innovative product planning and diverse portfolios.

Pantech's R&D Unit



1.2 Technologies and Style

1.2.1 Preemptive Technological Development

Pantech aspires to become 'Pantech loved and respected by customers' with technological values highly recognized by customers, generating values continuously focusing on technological development. Under the leadership of five R&D centers, Pantech has selected key initiatives for technology development and conducted technology development accordingly by preemptively securing technologies, responding to new market needs and making preemptive responses to the development quality. In 2012, Pantech wrote a guideline to conduct operations for key technology initiatives and figured out market trends. Accordingly, Pantech seeks to strengthen product differentiation and competitiveness by selecting and developing initiatives for commercialization.

1.2.2 Expansion of R&D Investment and Patent Management

Continuous investment has been made in technologies through R&D investment and expansion of research workforce. In 2012, the total R&D expenditures of Pantech amounted to KRW 262,690 million, taking up 11.7 % of total revenues. Moreover, out of total employees, researchers amounted to 1,464, or 56.5%, maintaining a balanced portion of researchers. Pantech has applied for 10,117 patents in Korea and 2,167 patents abroad, reaping a rapid growth driven by technological prowess and dramatic investments in technology development. Furthermore, 2,740 patents have been registered in Korea along with 638 patents registered abroad, and Pantech will continue to intensify its technological competitiveness through continuous expansion in investment.

R&D Cost and Researchers

	2010	2011	2012
R&D Cost (KRW Million) ¹⁾	223,338	267,545	262,690
R&D Cost against Revenues (%) ²⁾	11.6	9.0	11.7
Researchers (No. of People) ³⁾	1,102	1,257	1,464

2012 R&D Achievements

Date of Development	Title of Researches	Trademark
March, 2012	Development an open market handset in Turkey, Europe	Mini E
May, 2012	Application of the world's first new platform of MSM8960 Dual-core	IM-A830S/K/L
September, 2012	Quad-LTE(APQ8064 + MDM9615)	IM-A850S/K/L
October, 2012	Embedding the KDDI's first MSM8960 Dual-core and KDDI LTE function Development of a handset embedded with the world's first IR-based motion sensing function	PTL21
November, 2012	Application of LTE (MSM8960) Application of 3D sound exclusive for the dual speaker effects	P9090

* Details of R&D achievements are available on p.24 of the 2012 Business Report (<http://www.pantech.co.kr/pantech/pantechfinancial.do>)

¹⁾ Total R&D expenditure:
Total amount of development cost, SG&A, and manufacturing cost. Technology adoption fees included

²⁾ Formula:
R&D cost/sales volume X100
Based on the consolidated financial statement written according to K-IFRS(Korea International Financial Reporting Standards)

³⁾ Workforce of R&D Center and Technology Division

Status of Design and Trademark in 2012

(Unit: No. of Cases)

Type	Design (Domestic and International)	Trademark (Domestic and International)
Issued	1,065	674
Registered	995	450

Awarded the Main Prize at the Red Dot Design Award

Flex



The Red Dot Design Award is one of the world's top three design awards along with IF of Germany and IDEA of the U.S.

VEGA Watch, a Concept Phone



Kim Myeong-gyu's concept phone, VEGA Watch developed through a project titled 'Imagining the 2014 Design Concept for a Stylish Smartphone' marking the 10th year of the design community

1.2.3 Design Management System

Since functions of smartphones are more difficult to differentiate due to the usage of the uniform OS(Android) and embedment of a large LCD, Pantech strives to make differentiated designs while being fully aware of the importance of technologies and design. Beyond a stylish design, colors and design identity of the brand VEGA are clearly reflected to propose a premium style to customers. Moreover, Pantech works on managing intellectual property rights for design by applying for and registering trademarks and designs.

1.2.4 Design Process

Product planning starts from defining a design concept. Not only hardware in the design process but also design of products to be launched is previously considered to reflect the needs of stakeholders for the product design. This is due to Pantech's design philosophy to provide mobile phones that are different from others'. This effort led to designing an improved soft grip of a simple and visual oval curve where the full HD large screen stands out from VEGA No.6 launched in January 2013.

1.2.5 Differentiation in Design

Mobile phones have become more differentiated with upgrades of hardware and distinctive elements of user experiences or software. Accordingly, it has become critical to acutely respond to design trends. Pantech frequently holds a meeting titled 'Think Plus' for differentiation in design, and each participant's thoughts are shared with all the designers through brainstorming on design.

Moreover, 'Discovery Day' is held for inspirations for design in daily life from household appliances and furniture easily accessed by customers that use mobile phones. Trends are discovered and markets are looked into at a time and in a place designers want so that they can better read the market. As a result of such efforts, a unique design with a three-dimensional sense for 'Flex', a slim-type LTE smartphone launched in North America gained the Main Prize at the 2012 Red Dot Design Award.

1.2.6 Operation of the Design Community

Seeking to develop excellent designers and explore new ideas, Pantech has operated a design community for the internship program for college students. The design community provides training for a year by exploring such students with huge potentials. Since 2004, 20 or so students have been selected, and in 2012 marking the 10th anniversary of the program, 200 designers have been fostered in total. Fresh and creative ideas of the 20-somethings imbue a new breeze to the design of Pantech's mobile phones.



2. Brand 'VEGA' & 'Pantech'



Pantech's Commitment

Pantech believes a brand is showing a strong commitment to customers. Trust and differentiated values will be offered to customers through systematic brand strategies.

Brand Logo



Pantech's brand logo of VEGA is a communications device brand through its simple and modern image designed to adequately convey the image as a cutting-edge brand.

2.1 VEGA, the brightest star in the SKY

Pantech attempted for a transformation with the brand VEGA, carrying on the traditions of SKY, the popular premium brand, in 2012. VEGA as a premium brand that drove the growth of smartphone of Pantech 2011 is equipped with latest specifications and functions, offering better values to customers. As a core brand that carries on innovation and the premium image, Pantech will drive sustainable growth and develop into a brand that endlessly provides values to users.

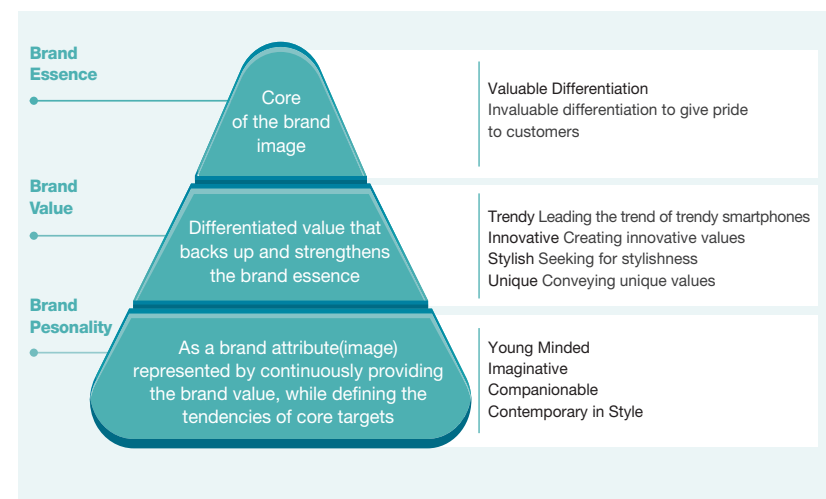
2.1.1 Brand Vision and Strategies

VEGA's brand vision, 'Be its Pride' embodies Pantech's willingness to listen to VOC, understand customers and enable customers to take pride driven by invaluable uniqueness of the brand. Pantech has initiated a single brand strategy with VEGA at the center since 2011 to effectively achieve the goal. In 2013, the VEGA brand essence was designated as 'Valuable Differentiation' accompanied by specific strategies to be fostered as a premium brand. Moreover, activities have unfolded to strategically strengthen the brand image by publishing the Brand Book and the Manual Book for Visual Identity Renewal.

2.1.2 Brand Identity System

Pantech realigned the brand identity for VEGA in 2012, and established the Brand Identity System to seek for systematic brand management. By doing so, brand roles are clarified and consistent and systematic brand management is underway. A consistent single identity expresses not only ads and services but also product planning and production. Pantech will ensure that users have the top pride by differentiating the brand of VEGA that is valuable to customers.

Brand Strategy Hierarchy



2.1.3 Brand Communication

Brand awareness, preference, recognition and customer needs are analyzed and evaluated through the annual brand positioning diagnosis. Analysis results are actively reflected from the product planning stage. Moreover, the product information website of Pantech (www.ivega.co.kr) has been realigned so that users can access it via all devices including smartphone, tablet PC and PC in order to convenience communication with customers. Through social network services including Twitter and Facebook, information on smartphone is offered, thus expanding brand communication channels with stakeholders.

2.2 PANTECH as the Global Brand

Efficient localization marketing takes place to enhance its comparatively weak brand competitiveness vis-à-vis major phone makers in major markets including North America and Japan, while securing its exclusive differentiated competitiveness in the global market. While VEGA is used in Korea and SKY in China, its brand has been Pantech in overseas markets. In North America, Pantech has attached 'Mobile' to the Pantech logo along with the launch of smartphone for a successful landing as a mobile phone maker since 2013. As such, its passionate brand marketing has unfolded abroad.

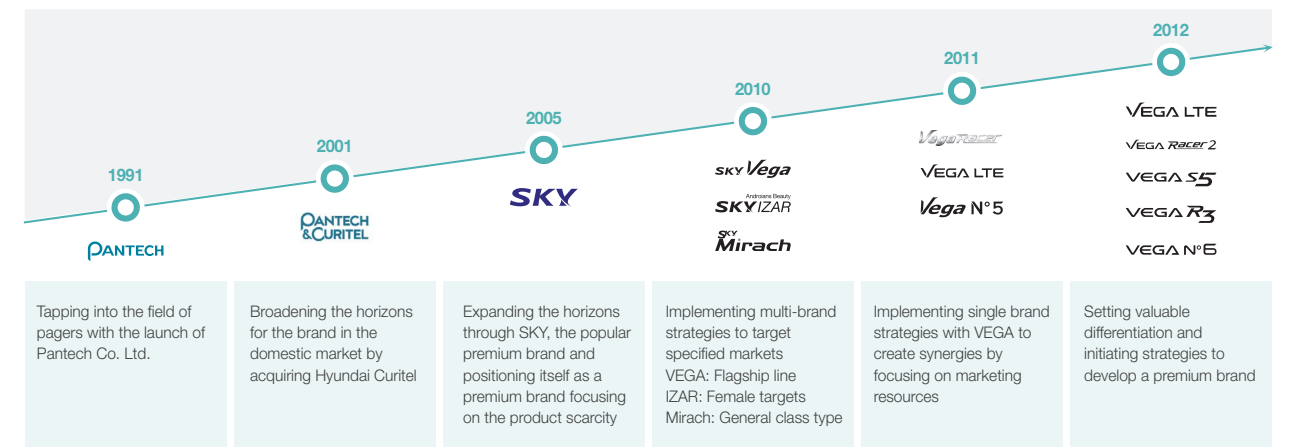
In Japan, meanwhile, Pantech strives to enhance consumers' awareness so that consumers find its brand more familiar. Pantech provides the experience zone where consumers can experience Pantech's smartphone as well as TV commercials. Pantech will continue to raise its brand prestige through active brand activities in countries of strategic significance, thus making endless challenges and innovation to grow into a global mobile brand.

Global Brand Logo



The global brand logo for Pantech implies Pantech's willingness to position as a premium brand through state-of-the-art technologies and beautiful designs.

Brand History



Tapping into the field of pagers with the launch of Pantech Co. Ltd.	Broadening the horizons for the brand in the domestic market by acquiring Hyundai Curitel	Expanding the horizons through SKY, the popular premium brand and positioning itself as a premium brand focusing on the product scarcity	Implementing multi-brand strategies to target specified markets VEGA: Flagship line IZAR: Female targets Mirach: General class type	Implementing single brand strategies with VEGA to create synergies by focusing on marketing resources	Setting valuable differentiation and initiating strategies to develop a premium brand
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