

CJ CORP.  
(FORMERLY CHEIL JEDANG CORPORATION)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2002 and 2001

1. The Company:

CJ Corp. (the "Company") (Formerly Cheil Jedang Corporation) was incorporated in 1953 under the laws of the Republic of Korea to manufacture and sell refined sugar. The Company expanded its business lines and, as of December 31, 2002, the Company is engaged in manufacturing and selling of refined sugar, wheat flour, animal feeds, food seasonings, medicines, processed meat and other household products.

On October 17, 2002, the Company changed its name from Cheil Jedang Corporation to CJ Corp. pursuant to the resolution of the shareholders.

The Company's stock is publicly traded and all issued and outstanding shares are listed on the Korean Stock Exchange.

Under its Articles of Incorporation, the Company is authorized to issue 100,000,000 shares of capital stock (par value ₩5,000), which includes 20,000,000 shares of cumulative, participating preferred stock that are non-voting and entitled to a minimum cash dividend (9% of par value). The non-cumulative, non-voting preferred stock issued on or before February 27, 1997 is entitled to an additional cash dividend (1% of par value) over common stock. As of December 31, 2002, 22,403,856 shares of common stock and 5,384,837 shares of preferred stock were issued and outstanding.

As of December 31, 2002, the major shareholders of the Company, including preferred shareholders, and their respective shareholdings, are as follows :

<u>Shareholder</u>	<u>Number of Shares</u>	<u>Percentage of Ownership (%)</u>
Lee, Jay-Hyun	5,263,184	18.94
CJ GLS Co., Ltd.	160,091	0.58

In addition, the Company is authorized to issue convertible debentures and debentures with stock purchase options free from any preemptive rights of shareholders up to ₩500,000 million each. The Company is authorized to issue depository receipts free from any preemptive rights of shareholders up to 25% of shares of capital stock issued. Also, the Company is authorized to issue capital stock through the exercise of stock options, or general public subscription, or through the sale to domestic and foreign financial institutions for urgent fund raising. Such issuance is also free from any preemptive rights of shareholders.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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1. The Company, Continued:

During the year ended December 31, 2002, warrants to purchase 379,204 shares of common stock were exercised at ₩22,415 per share and the Company recorded additional paid-in capital in the amount of ₩6,596 million, net of stock issuance cost.

As of December 31, 2002, warrants to purchase 1,568,872 shares of common stock at ₩38,448 per share, and 666,667 shares of common stock at ₩30,000 per share, were outstanding and vested (see Note 14).

The Company has a stock option plan under which options to purchase shares of common stock may be granted to key employees up to a maximum of 15% of issued shares by the approval of shareholders, of which up to 10% of issued shares may be granted by the resolution of the board of directors. On August 14, 2001 and April 27, 2002 stock options were granted to 56 and 59 employees and directors, respectively (see Note 20).

2. Summary of Significant Accounting Policies:

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements in accordance with Financial Accounting Standards of the Republic of Korea are summarized below.

Basis of Financial Statement Presentation -

The Company maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with financial accounting standards generally accepted in the Republic of Korea. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations and cash flows, is not presented in the accompanying financial statements.

Continued;

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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2. Summary of Significant Accounting Policies, Continued:

Cash, Cash Equivalents and Short-term Financial Instruments -

Cash and cash equivalents include cash on hand and in bank accounts, with original maturities of three months or less. Investments, which are readily convertible into cash within four to twelve months of purchase are classified in the balance sheet as short-term financial instruments. The cost of these investments approximates fair value.

Marketable Securities -

Marketable securities held for short-term cash management purposes are stated at fair value. Changes in fair value are recorded in current operations.

Allowance for Doubtful Accounts -

The Company provides an allowance for doubtful accounts and notes receivable based on the aggregate estimated collectibility of the receivables.

Inventory Valuation -

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the moving-average method, except for materials in-transit, which are stated at actual cost as determined using the specific identification method.

Continued;

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

2. Summary of Significant Accounting Policies, Continued:

Property, Plant and Equipment and Related Depreciation -

Property, plant and equipment are stated at cost, except for certain assets subject to upward revaluation in accordance with the Asset Revaluation Law of Korea. The revaluation presents production facilities and other buildings at their depreciated replacement cost, and land at the prevailing market price, as of the effective date of revaluation. The revaluation increment, net of revaluation tax, is first applied to offset accumulated deficit and deferred foreign exchange losses, if any. The remainder may be credited to other capital surplus or transferred to common stock. A new basis for calculating depreciation is established for revalued assets (see Note 8).

Depreciation is computed using the straight-line method, based on the estimated useful lives of the assets as described below.

	<u>Estimated Useful Lives-years</u>
Buildings and structures	8 - 30
Machinery and equipment	4 - 8
Vehicles	4
Tools, furniture and others	3 - 6
Garden	4 - 30

The Company capitalizes interest cost incurred on borrowings used to finance the cost of constructing property, plant and equipment (see Note 8).

Maintenance and Repairs -

Routine maintenance and repairs are charged to expense as incurred. Expenditures, which enhance the value or extend the useful life of the related assets, are capitalized.

Continued;

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

2. Summary of Significant Accounting Policies, Continued:

Intangible Assets -

Intangible assets are stated at cost, net of depreciation calculated using the straight-line method based on the estimated useful lives of the assets, as follows:

	<u>Estimated Useful Lives - Years</u>
Goodwill	5
Intellectual property rights	5 - 10
Capitalized development costs	1

Research costs are charged to expense as incurred. Development costs incurred for new products or technologies, which can be clearly identified and measured and which have probable future economic benefits, are capitalized. Other development costs are recognized in the period incurred as normal development expenses. Capitalized development costs are amortized using the straight-line method within one year from the initial commercial sales of new product or utilization of such technology.

Investments in Equity Securities -

- Equity-method investments

Investments in business entities in which the Company has control or the ability to exercise significant influence over the operating and financial policies, are accounted for using the equity method of accounting.

Continued;

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

2. Summary of Significant Accounting Policies, Continued :

Investments in Equity Securities, Continued -

Under the equity method, the original investment is recorded at cost and adjusted by the Company's share of the net book value of the investee with a corresponding charge to current operations, to a separate component of shareholders' equity, or to retained earnings, depending on the nature of the underlying change in the net book value. All significant unrealized profits included in inventories and property, plant and equipment resulting from intercompany transactions are fully eliminated.

Differences between the investment account and corresponding capital account of the investee at the date of acquisition of the investment are recorded as part of investments and are amortized over 5 to 20 years using the straight-line method. However, differences, resulting from additional investments made after the Company has gained control in its subsidiaries, are reported in a separate component of shareholders' equity, and are not included in the determination of the results of operations.

Assets and liabilities of the Company's foreign investees are translated at current exchange rates at the end of the period, while income and expense are translated at average rates for the period. Adjustments resulting from the translation process are reported in a separate component of shareholders' equity, and are not included in the determination of the results of operations.

Some of the equity-method investments are accounted for based on the unaudited or unreviewed financial statements of the investees, since the audit or review procedures for these entities have not yet been completed as of the date of this audit report.

- Fair-value investments

Investments in marketable equity securities (other than equity-method investments) are stated at market value. Unrealized holding gains and losses are reported in a separate component of shareholders' equity and are not included in the determination of the results of operations.

Continued;

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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2. Summary of Significant Accounting Policies, Continued :

Investments in Equity Securities, Continued -

- Cost-method investments

Investments in non-marketable equity securities (other than equity-method investments) are stated at cost except for the unrecoverable decline in the Company' s share of the underlying book value of the investee. Such declines are recorded in current operations, and subsequent recoveries are also recorded in current operations up to the original acquisition cost of the investment.

Investments in Debt Securities -

Investments in debt securities are stated at cost. The difference between the acquisition cost and face value of held-to-maturity debt securities is amortized using the effective interest rate method.

Stock and Debenture Issuance Cost -

Stock issuance costs are charged directly to paid-in capital in excess of par value. Debenture issuance costs are recorded as a reduction of the proceeds from the issuance of debentures.

Discounts and Premiums on Debentures -

Discounts and premiums on debentures represent the difference between the issue price and par value of debentures. Discounts and premiums on debentures are amortized over the redemption period of the related debentures using the effective interest rate method. The amortization of discount on debentures is recorded as interest expense and the amortization of premiums on debentures is deducted from interest expense.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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2. Summary of Significant Accounting Policies, Continued :

Government Grants -

Government grants received for the development of certain technologies are recorded as accrued income, and offset against relevant development costs when incurred.

Accrued Severance Benefits -

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Company, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

As of December 31, 2002, approximately 59% of the accrued severance benefits are funded through an employee severance insurance plan with life insurance companies to guarantee the retirement grants of employees. The amounts funded under this insurance plan are classified as a deduction from accrued severance benefits liability. Subsequent accruals are to be funded at the discretion of the Company.

In accordance with the National Pension Act, a certain portion of the accrued severance benefits is deposited with the National Pension Fund and deducted from the accrued severance benefits liability. The contributed amount shall be refunded from the National Pension Fund to employees on their retirement.

Foreign Currency Translation -

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the rates prevailing at the balance sheet date (in the case of U.S. Dollars, US\$1:₩1,200.40) and resulting translation losses and gains are recognized in current operations.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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2. Summary of Significant Accounting Policies, Continued :

Income Tax Expense -

The Company has adopted the deferred method of accounting for income taxes. Under this method, the future tax effects of temporary differences between the financial and tax bases of assets and liabilities are reflected in the balance sheet.

Long-Term Receivables and Payables -

Long-term receivables and payables that have no stated interest rate or whose interest rate is different from the market rate are recorded at their present values. The difference between the nominal value and present value of the long-term receivables and payables is amortized using the effective interest rate method with interest income or expenses adjusted accordingly.

Earnings Per Share -

Earnings per share is computed based on earnings available to common shareholders, using the weighted average number of common shares outstanding during the year.

Derivative Instruments -

The Company utilizes derivative instruments to reduce its exposure to fluctuations in the purchase price of raw materials and foreign currency exchange rates. Rights or obligations derived from derivative instruments are recorded as assets or liabilities at fair value on an accrual basis. Gains or losses on valuation of derivative instruments are recognized in current operations.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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2. Summary of Significant Accounting Policies, Continued :

Application of the Statements of Korean Financial Accounting Standards -

The Korean Accounting Standards Board ("KASB") has published a series of Statements of Korean Financial Accounting Standards ("SKFAS"), which will gradually replace the existing financial accounting standards established by the Korean Financial and Supervisory Board. SKFAS No. 2 through No. 9 become effective for the Company on January 1, 2003 and earlier adoption of all provisions of each statement is permitted. The Company opted an early adopting of SKFAS No. 6, "Events Occurring After the Balance Sheet Date", for the fiscal year 2002. Under the previous accounting method, the balance sheet of the Company reflected the proposed appropriation of retained earnings, which would be approved by the shareholders' meeting subsequent to the balance sheet date. However, in accordance with SKFAS No. 6, the balance sheet of the Company no longer reflects the proposed appropriation of retained earnings, which will be approved subsequent to the balance sheet date. Accordingly, the dividend approved at the shareholders' meeting subsequent to the balance sheet date was not recorded in the accompanying non-consolidated balance sheets, which would have been recorded as a liability in the balance sheets under the previous accounting method. As a result, the shareholders' equity (liability) of the Company in the accompanying non-consolidated balance sheets as of December 31, 2002 and 2001 is ₩34,516 million and ₩20,491 higher greater (lower) than that which would have been reported under the previous accounting method. The comparative non-consolidated financial statements as of and for the year ended December 31, 2001 has been restated to comply with SKFAS No. 6 and this restatement had no effect on the previously reported net income, ordinary income, earnings per share and ordinary income per share.

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3. Cash and Cash Equivalents and Short-term Financial Instruments:

Cash and cash equivalents and short-term financial instruments as of December 31, 2002 and 2001 consist of the following:

	Annual Interest	Thousands of Won	
	Rates (%)	2002	2001
<u>Cash and cash equivalents</u>			
Cash on hand and in banks	-	₩ 104	₩ 4,253
Passbook accounts	0.5 - 1.0	17,653,449	23,868,370
Money market fund	4.44	1,000,000	-
		₩ 18,653,553	₩ 23,872,623
		=====	=====

Short-term financial instruments

Passbook accounts	1.0 - 1.5	₩ 2,513,079	₩ 1,106,660
Installment and time deposits	6.0 - 8.5	6,322,500	10,226,100
Trust deposits	5.53	1,790,947	1,385,218
Other financial instruments	-	29,500	37,600
		10,656,026	12,755,578
Less : portions classified as non-current (Note 10)		(229,500)	(3,455,318)
		₩ 10,426,526	₩ 9,300,260
		=====	=====

As of December 31, 2002 and 2001, bank deposits of ₩5,192,578 thousand and ₩11,573,078 thousand are pledged as collateral for various bank loans and are subject to restrictions on withdrawal (see Notes 13 and 14).

4. Marketable Securities:

Marketable securities as of December 31, 2002 and 2001 consist of the following:

	Thousands of Won	
	2002	2001
Equity investments	₩ 2,858,781	₩ 3,189,549
Government and public bonds	46	417
	₩ 2,858,827	₩ 3,189,966
	=====	=====

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5. Accounts and Notes Receivable:

Accounts and notes receivable and their allowance for doubtful accounts as of December 31, 2002 and 2001 are as follows:

	Thousands of Won	
	2002	2001
Trade accounts and notes receivable	₩ 69,468,806	₩ 80,034,788
Less: Allowance for doubtful accounts	2,929,220	4,789,215
	₩ 66,539,586	₩ 75,245,573
	=====	=====
Other accounts and notes receivable	₩ 27,052,413	₩ 36,852,919
Less : Allowance for doubtful accounts	171,683	-
	₩ 26,880,730	₩ 36,852,919
	=====	=====

On an ongoing basis, the Company sells to several financial institutions certain accounts receivable primarily from product sales to foreign countries, subject to limited recourse. Amounts excluded from the balance sheets under these arrangements and outstanding as of December 31, 2002 and 2001 were ₩17,770 million and ₩21,830 million, respectively.

On December 6, 2001, the Company entered into an agreement with Kookmin Bank to sell trade accounts receivable from certain selected 2,805 customers amounting to ₩172,956 million outstanding as of October 31, 2001 for asset securitization pursuant to the Asset Securitization Law in Korea. The above trade accounts receivable sold initially shall be replaced with trade accounts receivable from the above certain selected customers at every subsequent month-end on an ongoing basis through November 2004.

As of December 31, 2002, the Company has sold trade accounts receivable of ₩180,507 million from certain selected 2,765 customers and received ₩120,000 million in cash and subordinated beneficiary certificates which are recorded in the investments account at ₩58,702 million.

As a result of the above asset securitization, the Company recorded ₩8,534 million of loss on disposal of trade accounts receivable as non-operating expenses for the year ended December 31, 2002.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

6. Inventories:

Inventories as of December 31, 2002 and 2001 consist of the following:

	Thousands of Won	
	2002	2001
Finished goods and merchandise	₩ 92,143,498	₩ 99,823,805
Semi-finished goods and work in-process	15,146,291	17,545,779
Raw materials and supplies	56,952,195	63,768,395
Materials in-transit	72,264,468	60,663,861
	₩ 236,506,452	₩ 241,801,840
	=====	=====

Inventories are insured against fire and other casualty losses up to ₩199,833 million as of December 31, 2002.

7. Short-Term and Long-Term Loans:

Short-term and long-term loans as of December 31, 2002 and 2001 consist of the following :

	Annual	Thousands of Won	
	Interest Rates (%)	2002	2001
Loans to employee stock ownership association	-	₩ 38,766,278	₩ 42,613,253
Loans to related parties (Note 25)	-	-	2,431,183
Others	0.0 - 8.0	2,394,236	1,602,580
		41,160,514	46,647,016
Current portion of long-term loans		(100,000)	(2,707,663)
		₩ 41,060,514	₩ 43,939,353
		=====	=====

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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8. Property, Plant and Equipment:

Property, plant and equipment as of December 31, 2002 and 2001 consist of the following:

	Thousands of Won	
	2002	2001
Buildings and structures	₩ 386,286,802	₩ 362,668,971
Machinery and equipment	381,613,381	373,072,928
Vehicles	4,682,641	5,061,827
Tools, furniture and others	231,184,116	203,702,799
	1,003,766,940	944,506,525
Less : Accumulated depreciation	(531,779,401)	(470,010,992)
	471,987,539	474,495,533
Land	531,902,410	554,894,606
Construction in-progress	28,274,905	33,879,684
	₩ 1,032,164,854	₩ 1,063,269,823

As of December 31, 2002, certain portions of the Company's property, plant and equipment are pledged as collateral for various bank loans up to a maximum of ₩90,405 million (see Notes 13 and 14).

As of December 31, 2002, depreciable assets are insured against fire and other casualty losses, and business interruption losses up to ₩832,620 million and ₩71,280 million, respectively.

As of December 31, 2002 and 2001, the value of land based on the posted price issued by the Korean tax authority amounted to ₩473,823 million and ₩487,572 million, respectively.

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8. Property, Plant and Equipment, Continued:

In accordance with the Asset Revaluation Law (see Note 2), effective January 1, 1978, 1980, 1982, 1995 and October 1, 1998, the Company revalued a substantial portion of its property, plant and equipment. As of December 31, 2002, the remaining revaluation increment of ₩615,877 million, net of revaluation tax, credits to deferred foreign currency translation losses and transfer to capital stock, was credited to other capital surplus, a component of shareholders' equity. In addition, corporate income tax of ₩469 million, which resulted from the sale of the revalued property during 2002, were offset against revaluation increment.

Interest costs of ₩625 million and ₩1,535 million were capitalized for the years ended December 31, 2002 and 2001, respectively.

9. Intangible Assets:

Intangible assets, net of accumulated amortization, as of December 31, 2002 and 2001 consist of the following:

	Thousands of Won	
	2002	2001
Goodwill	₩ 1,590,832	₩ 2,030,221
Intellectual property rights	3,068,572	3,518,239
Capitalized development costs	9,384,258	8,440,148
Others	-	267
	₩ 14,043,662	₩ 13,988,875

Capitalized development costs and its related amortization, and research costs in 2002 and 2001 were as follows :

	Thousands of Won	
	2002	2001
Development costs :		
Beginning balance	₩ 8,440,148	₩ 3,938,231
Development costs capitalized	7,336,509	7,343,358
Amortization	(6,392,399)	(2,841,441)
Ending balance	9,384,258	8,440,148
Research costs (expensed)	₩ 26,556,845	₩ 26,711,172

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10. Long-Term Financial Instruments and Other Assets:

Long-term financial instruments and other assets as of December 31, 2002 and 2001 consist of the following:

	Thousands of Won	
	2002	2001
Long-term financial instruments (Note 3) ₩	229,500	₩ 3,455,318
Long-term trade receivables (Note 11)	398,880	1,390,519
Long-term loans (Note 7)	41,060,514	43,939,353
Long-term guarantee deposits	35,544,524	33,673,094
Long-term purchased option (Note 16)		29,682,316
15,296,807		
Less: Allowance for doubtful accounts	(80,075)	(163,822)
	₩ 106,835,659	₩ 97,591,269

11. Long-Term Receivables and Payables, and Valuation at Present Value:

As of December 31, 2002, accounts, including current maturities, which are valued at present value under rescheduled payment and long-term installment transactions, are as follows:

	Accounts	Millions of Won	
		Face value	Discount
	Present value		
Long-term installment transactions	Long-term debt (Note 14)	₩ 4,519	₩ 358 ₩ 4,161
Rescheduled payment plans	Long-term trade receivables (Note 10)	565	166 ₩ 399
		₩ 5,084	₩ 524 ₩ 4,560



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12. Investments:

Investments as of December 31, 2002 and 2001 consist of the following (in thousands of Korean Won):

	Detail	2002		2001	
		Acquisition Cost	Market Value or Net Book Value	Recorded Book Value	Recorded Book Value
Equity-method investments	(1)	₩ 915,024,401	₩ 690,296,791	₩ 816,206,902	₩ 844,918,038
Fair-value investments	(2)	37,218,666	23,179,046	23,179,046	26,374,344
Cost-method investments	(3)	41,675,425	609,562,867	41,525,430	39,451,542
Other investments	(4)	154,286,328	142,429,644	142,644,423	179,777,035
		₩ 1,148,204,820	₩ 1,465,468,348	₩ 1,023,555,801	₩ 1,090,520,959

(1) Equity-method investments

Equity-method investments as of December 31, 2002 consist of the following (in thousands of Korean Won, except for the number of shares owned and percentage information):

	2002				
	Number of Shares Owned	Percentage of Ownership	Acquisition Cost	Market Value or Net Book Value	Recorded Book Value
Morningwell Co., Ltd.	1,292,000	41.25	₩ 4,652,141	₩ 18,151,375	₩ 15,875,455
CJ Food System Co., Ltd.	5,592,220	59.63	43,038,582	58,159,088	54,870,689
CJ Foodvill Co., Ltd.	3,000,000	85.30	15,000,000	20,573,154	20,544,611
Haechandle Co., Ltd.	228,000	50.00	52,999,984	26,509,466	49,578,297
CJ Development Co., Ltd.	5,287,465	99.87	58,259,716	66,693,179	58,207,914
CJ Systems Co., Ltd.	521,333	52.13	2,727,562	3,858,842	1,313,157
CJ Entertainment Inc.	5,691,060	39.69	28,967,495	57,764,259	41,109,601
CJ Media Inc.	1,016,276	81.62	38,451,891	11,482,894	13,158,821
CJ Home Shopping Co., Ltd.	2,473,171	30.00	231,570,000	104,615,133	220,535,320
CJ Investment & Securities Co., Ltd.	14,663,718	31.88	81,038,721	4,377,303	19,371,730
Dream Discovery Co., Ltd.	3,600,000	90.00	18,000,000	13,414,882	13,414,882

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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12. Investments, Continued:

(1) Equity-method investments, Continued

	2002				
	Number of Shares Owned	Percentage of Ownership	Acquisition Cost	Market Value or Net Book Value	Recorded Book Value
Enprari Co., Ltd.	1,240,209	27.76	₩ 6,201,046	₩ 5,258,766	₩ 5,199,541
Dream Music Co., Ltd.	1,200,000	81.63	6,000,000	4,849,082	4,849,082
Samyang Oil & Feed Co., Ltd.	4,907,512	99.99	24,650,886	17,020,000	24,650,886
CJ Olive Young Co., Ltd.	1,210,000	50.00	6,050,000	5,953,597	6,050,000
CJ America Inc.	156	100.00	11,573,855	10,697,848	10,676,780
CJ HongKong Ltd.	299	100.00	157,890	2,435,256	1,912,309
CJ Philippines Inc.	764,400	70.00	2,477,386	4,878,924	4,878,924
P.T. Cheil Jedang Superfeed (P.T. CJS)	2,500	20.83	2,073,500	-	-
P.T. Cheil Jedang Indonesia (P.T. CJI)	1,500	10.00	1,248,450	1,406,701	1,406,701
P.T. Cheil Samsung Indonesia (P.T. CSI)	1,047,939,950	91.76	96,620,622	161,343,388	158,141,022
CJ Qingdao Food Co., Ltd.	-	62.96	5,488,725	9,035,652	8,561,397
Beijing CJ Foods Co., Ltd.	-	53.36	5,838,497	925,117	962,626
CJ Ord River Sugar Pty., Ltd.	130,000,020	20.00	1,583,920	1,977,162	1,898,684
CJ Vina Agri Co., Ltd.	-	100.00	4,497,834	2,796,967	2,796,967
CJ Europe GmbH.	-	100.00	150,338	373,958	375,643
Lee Entertainment L.L.C.	165,735,911	99.36	162,576,072	73,581,474	73,627,429
CJ Cambodia Co., Ltd.	-	50.00	3,129,288	2,163,324	2,238,434
			<u>₩915,024,401</u>	<u>₩ 690,296,791</u>	<u>₩ 816,206,902</u>

Continued;

CJ CORP.  
(FORMERLY CHEIL JEDANG CORPORATION)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

12. Investments, Continued:

(1) Equity-method investments, Continued

Equity-method investments as of December 31, 2001 consist of the following (in thousands of Korean Won, except for the number of shares owned and percentage information):

	2001				
	Number of Shares Owned	Percentage of Ownership	Acquisition Cost	Market Value or Net Book Value	Recorded Book Value
Morningwell Co., Ltd.	1,292,000	41.25	₩ 4,652,141	₩ 15,325,842	₩ 11,276,462
CJ Food System Co., Ltd.	5,592,220	60.13	43,038,582	51,168,813	60,037,753
CJ Foodvill Co., Ltd.	3,000,000	85.30	15,000,000	17,788,049	17,788,049
Haechandle Co., Ltd.	228,000	50.00	52,999,984	24,959,237	51,280,669
CJ Development Co., Ltd.	5,287,465	99.87	58,259,716	66,086,441	59,225,139
CJ Systems Co., Ltd.	521,333	52.13	2,727,562	3,267,724	43,077
CJ Entertainment Inc.	5,691,060	65.74	28,967,495	30,068,875	34,053,800
CJ Media Inc.	1,016,276	81.62	38,451,891	10,802,049	14,117,099
CJ Home Shopping Co., Ltd.	2,473,171	30.00	231,570,000	88,910,497	219,499,005
CJ Futures Inc.	3,418,350	85.46	21,081,750	17,899,761	17,913,809
CJ Investment & Securities Co., Ltd.	14,663,718	31.88	81,038,721	16,935,441	50,118,271
Dream Discovery Co., Ltd.	3,600,000	81.82	18,000,000	12,164,832	12,164,832
Enprari Co., Ltd.	4,467,365	100.00	22,336,829	19,361,474	19,361,477
Dream Music Co., Ltd.	1,200,000	81.63	6,000,000	4,565,822	4,565,822
CJ America Inc.	156	100.00	11,573,855	10,604,303	10,583,235
CJ HongKong Ltd.	299	100.00	157,890	1,931,220	1,796,790
CJ Philippines Inc.	764,400	70.00	2,477,386	3,697,625	3,697,625
P.T. Cheil Jedang Superfeed (P.T.CJS)	2,500	20.83	2,073,500	-	-
P.T. Cheil Jedang Indonesia (P.T.CJI)	1,500	10.00	1,248,450	-	-
P.T. Cheil Samsung Indonesia (P.T.CSI)	1,047,939,950	91.76	96,620,622	158,959,850	152,234,352
CJ Qingdao Food Co., Ltd.	-	62.96	5,488,725	9,280,521	9,915,728
Beijing CJ Foods Co., Ltd.	-	53.36	5,838,497	1,332,223	1,407,242
CJ Ord River Sugar Pty., Ltd.	130,000,020	20.00	1,583,920	1,877,264	1,428,159
CJ Vina Agri Co., Ltd.	-	100.00	4,497,834	3,361,862	3,361,862
CJ Europe GmbH.	-	100.00	150,338	131,586	131,632
Lee Entertainment L.L.C.	165,735,911	99.36	162,576,072	85,746,503	85,885,675
CJ Cambodia Co., Ltd.	-	50.00	3,129,288	2,937,720	3,030,474
			₩921,541,048	₩ 659,165,534	₩ 844,918,038

Continued;

CJ CORP.  
(FORMERLY CHEIL JEDANG CORPORATION)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

12. Investments, Continued:

(1) Equity-method investments, Continued

Changes in goodwill (negative goodwill) for the year ended December 31, 2002 are as follows:

	2002			
	Balance at Beginning of Year	Increase (Decrease)	Amortization (Reversal)	Balance at End of Year
Morningwell Co., Ltd.	₩ (3,899,076)	₩ -	₩ (1,949,538)	₩ (1,949,538)
CJ Food System Co., Ltd.	8,369,294	-	3,899,397	4,469,897
Haechandle Co., Ltd.	26,326,927	-	3,214,734	23,112,193
CJ Development Co., Ltd.	63,225	-	14,217	49,008
CJ Systems Co., Ltd.	22,102	-	6,447	15,655
CJ Entertainment Inc.	3,984,925	-	1,226,131	2,758,794
CJ Media Inc.	3,315,047	-	1,684,448	1,630,599
CJ Home Shopping Co., Ltd.	184,380,624	-	9,966,520	174,414,104
CJ Futures Inc.	14,048	(9,365)	4,683	-
CJ Investment & Securities Co., Ltd.	33,182,830	-	18,188,403	14,994,427
P.T.Cheil Samsung Indonesia (P.T.CSI)	(689,140)	-	(233,025)	(456,115)
CJ Qingdao Food Co., Ltd.	(35,034)	-	171,654	(206,688)
Beijing CJ Foods Co., Ltd.	75,019	-	37,510	37,509
CJ Ord River Sugar Pty., Ltd.	(449,105)	-	(370,626)	(78,479)
CJ Europe GmbH.	46	-	(1,639)	1,685
Lee Entertainment L.L.C.	139,310	-	93,355	45,955
CJ Cambodia Co., Ltd.	92,754	-	17,645	75,109
	<u>254,893,796</u>	<u>(9,365)</u>	<u>35,970,316</u>	<u>218,914,115</u>
Stock Warrants				
CJ Home Shopping	25,975,000	-	4,667,368	21,307,632
	<u>₩ 280,868,796</u>	<u>₩ (9,365)</u>	<u>₩ 40,637,684</u>	<u>₩ 240,221,747</u>

Continued;

CJ CORP.  
(FORMERLY CHEIL JEDANG CORPORATION)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

12. Investments, Continued:

(1) Equity-method investments, Continued

Changes in goodwill (negative goodwill) for the year ended December 31, 2001 are as follows:

	2001			
	Balance at Beginning of Year	Increase (Decrease)	Amortization (Reversal)	Balance at End of Year
Morningwell Co., Ltd.	₩ (5,848,614)	₩ -	₩ (1,949,538)	₩ (3,899,076)
CJ Food System Co., Ltd.	(1,092,312)	13,361,002	3,899,396	8,369,294
Haechandle Co., Ltd.	29,541,660	-	3,214,733	26,326,927
CJ Development Co., Ltd.	84,966	-	21,741	63,225
CJ Systems Co., Ltd.	28,549	-	6,447	22,102
CJ Entertainment Inc.	5,211,055	-	1,226,130	3,984,925
CJ Media Inc.	7,890,368	-	4,575,321	3,315,047
CJ Home Shopping Co., Ltd.	194,347,144	-	9,966,520	184,380,624
Dream Line Inc.	83,848,473	(63,731,577)	20,116,896	-
CJ Futures Inc.	757,084	-	743,036	14,048
CJ Investment & Securities Co., Ltd.	51,371,234	-	18,188,404	33,182,830
P.T. Cheil Samsung Indonesia (P.T. CSI)	(922,165)	-	(233,025)	(689,140)
CJ Qingdao Food Co., Ltd.	(289,600)	137,207	(117,359)	(35,034)
Beijing CJ Foods Co., Ltd.	110,961	-	35,942	75,019
CJ Ord River Sugar Pty., Ltd.	-	(561,381)	(112,276)	(449,105)
CJ Europe GmbH.	(1,593)	-	(1,639)	46
Lee Entertainment L.L.C.	232,665	-	93,355	139,310
CJ Cambodia Co., Ltd.	-	92,754	-	92,754
	<u>365,269,875</u>	<u>(50,701,995)</u>	<u>59,674,084</u>	<u>254,893,796</u>
Stock Warrants				
CJ Home Shopping	30,642,367	-	4,667,367	25,975,000
Convertible Bonds				
CJ Food System	11,466,418	(10,510,883)	955,535	-
	<u>₩ 407,378,660</u>	<u>₩ (61,212,878)</u>	<u>₩ 65,296,986</u>	<u>₩ 280,868,796</u>

Continued;

CJ CORP.  
(FORMERLY CHEIL JEDANG CORPORATION)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

12. Investments, Continued:

(1) Equity-method investments, Continued

Information relating to the elimination of unrealized gains and losses arising from transactions with equity-method investees as of December 31, 2002 and 2001 are as follows:

	2002			2001		
	Current Assets	Property, Plant and Equipment, and Intangible Assets	Total	Current Assets	Property, Plant and Equipment, and Intangible Assets	Total
Morningwell Co., Ltd.	₩ (326,382)	₩ -	₩ (326,382)	₩ (150,302)	₩ -	₩ (150,302)
CJ Food System Co., Ltd.	(1,582,470)	-	(1,582,470)	(685,734)	-	(685,734)
CJ Foodville Co., Ltd.	(28,543)	-	(28,543)	-	-	-
Haechandle Co., Ltd.	(43,361)	-	(43,361)	(5,495)	-	(5,495)
CJ Development Co., Ltd.	-	(8,534,272)	(8,534,272)	-	(6,924,947)	(6,924,947)
CJ Systems Co., Ltd.	-	(2,561,340)	(2,561,340)	-	(3,246,749)	(3,246,749)
CJ Entertainment Inc.	24,237	-	24,237	-	-	-
CJ Media Inc.	45,328	-	45,328	-	-	-
CJ Home Shopping Co., Ltd.	(4,092)	-	(4,092)	-	-	-
Enprani Co., Ltd.	(59,225)	-	(59,225)	-	-	-
CJ America Inc.	(21,068)	-	(21,068)	(21,068)	-	(21,068)
CJ HongKong Ltd.	(522,947)	-	(522,947)	(134,431)	-	(134,431)
P.T. Cheil Samsung Indonesia (P.T. CSI)	(2,746,251)	-	(2,746,251)	(3,321,654)	-	(3,321,654)
CJ Qingdao Food Co., Ltd.	(267,567)	-	(267,567)	(31,716)	-	(31,716)
	₩(5,532,341)	₩(11,095,612)	₩(16,627,953)	₩ (4,350,400)	₩ (10,171,696)	₩(14,522,096)

Continued;

CJ CORP.  
(FORMERLY CHEIL JEDANG CORPORATION)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

12. Investments, Continued:

(1) Equity-method investments, Continued

The changes in the book values of equity-method investments for the year ended December 31, 2002 are as follows:

	2002			
	Balance at Beginning of Year	Earnings from Equity -method Investments	Other Increase (Decrease)	Balance at End of Year
Morningwell Co., Ltd.	₩ 11,276,462	₩ 4,598,993	₩ -	₩ 15,875,455
CJ Food System Co., Ltd.	60,037,753	2,009,232	(7,176,296)	54,870,689
CJ Foodville Co., Ltd.	17,788,049	2,756,562	-	20,544,611
Haechandle Co., Ltd.	51,280,669	297,575	(1,999,947)	49,578,297
CJ Development Co., Ltd.	59,225,139	(1,017,225)	-	58,207,914
CJ Systems Co., Ltd.	43,077	1,261,098	8,982	1,313,157
CJ Entertainment Inc.	34,053,800	1,311,385	5,744,416	41,109,601
CJ Media Inc.	14,117,099	(958,278)	-	13,158,821
CJ Home Shopping Co., Ltd.	219,499,005	3,476,611	(2,440,296)	220,535,320
CJ Futures Inc.	17,913,809	1,558,445	(19,472,254)	-
CJ Investment & Securities Co., Ltd.	50,118,271	(30,853,066)	106,525	19,371,730
Dream Discovery Co., Ltd.	12,164,832	219,967	1,030,083	13,414,882
Enprani Co., Ltd.	19,361,477	(632,176)	(13,529,760)	5,199,541
Dream Music Co., Ltd.	4,565,822	283,260	-	4,849,082
Han-Byuck No. 2 Investment Partnership	8,800,000	579,103	(9,379,103)	-
Samyang Oil & Feed Co., Ltd.	-	-	24,650,886	24,650,886
CJ Olive Young Co., Ltd.	-	-	6,050,000	6,050,000
CJ America Inc.	10,583,235	1,150,136	(1,056,591)	10,676,780
CJ HongKong Ltd.	1,796,790	286,394	(170,875)	1,912,309
CJ Philippines Inc.	3,697,625	2,091,022	(909,723)	4,878,924
P.T. Cheil Jedang Indonesia (P.T. CJI)	-	1,687,254	(280,553)	1,406,701

Continued;

CJ CORP.  
(FORMERLY CHEIL JEDANG CORPORATION)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

12. Investments, Continued:

(1) Equity-method investments, Continued

	2002			
	Balance at Beginning of Year	Earnings from Equity -method Investments	Other Increase (Decrease)	Balance at End of Year
P.T. Cheil Samsung				
Indonesia (P.T.CSI)	₩ 152,234,352	₩ 21,572,585	₩ (15,665,915)	₩ 158,141,022
CJ Qingdao Food Co., Ltd.	9,915,728	(1,658,440)	304,109	8,561,397
Beijing CJ Foods Co., Ltd.	1,407,242	(477,895)	33,279	962,626
CJ Ord River Sugar Pty., Ltd.	1,428,159	297,131	173,394	1,898,684
CJ Vina Agri Co., Ltd.	3,361,862	(47,061)	(517,834)	2,796,967
CJ Europe Gmbh.	131,632	220,130	23,881	375,643
Lee Entertainment L.L.C.	85,885,675	(4,394,215)	(7,864,031)	73,627,429
CJ Cambodia Co., Ltd.	3,030,474	(536,418)	(255,622)	2,238,434
	853,718,038	5,082,109	(42,593,245)	816,206,902
Stock Warrant				
CJ Home Shopping	25,974,999	(4,667,367)	-	21,307,632
	₩ 879,693,037	₩ 414,742	₩ (42,593,245)	₩ 837,514,534

The changes in the book values of equity-method investments for the year ended December 31, 2001 are as follows:

	2001			
	Balance at Beginning of Year	Earnings from Equity -method Investments	Other Increase (Decrease)	Balance at End of Year
Morningwell Co., Ltd.	₩ 7,655,348	₩ 3,621,114	₩ -	₩ 11,276,462
CJ Food System Co., Ltd.	44,447,883	(644,582)	16,234,452	60,037,753
CJ Foodville Co., Ltd.	15,000,000	2,362,856	425,193	17,788,049
Haechandle Co., Ltd.	52,145,776	1,132,474	(1,997,581)	51,280,669
CJ Development Co., Ltd.	66,972,311	(7,791,908)	44,736	59,225,139
CJ Systems Co., Ltd.	2,807,187	(2,802,037)	37,927	43,077

Continued;



CJ CORP.  
(FORMERLY CHEIL JEDANG CORPORATION)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

12. Investments, Continued:

(1) Equity-method investments, Continued

	2001			
	Balance at Beginning of Year	Earnings from Equity -method Investments	Other Increase (Decrease)	Balance at End of Year
CJ Entertainment Inc.	₩ 30,447,013	₩ 3,625,880	₩ (19,093)	₩ 34,053,800
CJ Media Inc.	14,332,371	(2,866,692)	2,651,420	14,117,099
CJ Home Shopping Co., Ltd.	227,680,540	(3,094,795)	(5,086,740)	219,499,005
Dream Line Inc.	153,524,124	(25,677,556)	(127,846,568)	-
CJ Futures Inc.	16,835,612	1,085,076	(6,879)	17,913,809
CJ Investment & Securities Co., Ltd.	64,890,604	(14,937,285)	164,952	50,118,271
Dream Discovery Co., Ltd.	18,000,000	(2,469,883)	(3,365,285)	12,164,832
Enprani Co., Ltd.	-	(2,975,351)	22,336,828	19,361,477
Dream Music Co., Ltd.	6,000,000	179,407	(1,613,585)	4,565,822
CJ America Inc.	8,819,802	3,231,098	(1,467,665)	10,583,235
CJ HongKong Ltd.	1,450,274	321,754	24,762	1,796,790
CJ Philippines Inc.	3,921,836	(522,035)	297,824	3,697,625
P.T. Cheil Samsung Indonesia (P.T.CSI)	126,782,826	17,355,143	8,096,383	152,234,352
CJ Qingdao Food Co., Ltd.	6,891,227	1,230,939	1,793,562	9,915,728
Beijing CJ Foods Co., Ltd.	1,997,908	(672,790)	82,124	1,407,242
CJ Ord River Sugar Pty., Ltd.	1,583,920	(77,185)	(78,576)	1,428,159
CJ Vina Agri Co., Ltd.	4,497,834	(1,881,769)	745,797	3,361,862
CJ Europe GmbH.	150,338	29,713	(48,419)	131,632
Lee Entertainment L.L.C.	82,938,254	(3,960,469)	6,907,890	85,885,675
CJ Cambodia Co., Ltd.	2,068,408	(257,656)	1,219,722	3,030,474
	961,841,396	(36,456,539)	(80,466,819)	844,918,038
Stock Warrants				
CJ Home Shopping	31,089,923	(5,114,924)	-	25,974,999
Convertible Bonds				
CJ Food System	17,592,617	(955,535)	(16,637,082)	-
	₩1,010,523,936	₩ (42,526,998)	₩ (97,103,901)	₩ 870,893,037

Continued;

CJ CORP.  
(FORMERLY CHEIL JEDANG CORPORATION)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

12. Investments, Continued:

(1) Equity-method investments, Continued

The following equity-method investments as of December 31, 2002 are accounted for based on the unaudited or unreviewed financial statements of the investees.

	Expected Closing Date	2002		Net Book Value After Adjustment
		Net Book Value Before Adjustment	Adjustment	
Dream Discovery Co., Ltd.	December 31, 2002	₩ 14,905,425	₩ -	₩ 14,905,425
Dream Music Co., Ltd.	December 31, 2002	5,940,125	-	5,940,125
Beijing CJ Foods Co., Ltd.	December 31, 2002	3,417,816	(1,684,024)	1,733,792
CJ America Inc.	December 31, 2002	10,697,848	-	10,697,848
CJ Philippines Inc.	December 31, 2002	8,046,998	(1,077,105)	6,969,893
CJ Ord River Sugar Pty., Ltd.	December 31, 2002	9,885,810	-	9,885,810
CJ Vina Agri Co., Ltd.	December 31, 2002	2,796,967	-	2,796,967
CJ Europe GmbH.	December 31, 2002	373,958	-	373,958
CJ Cambodia Co., Ltd.	December 31, 2002	4,326,647	-	4,326,647
Lee Entertainment L.L.C.	December 31, 2002	21,448,973	52,609,033	74,058,006
		₩ 81,840,567	₩ 49,847,904	₩ 131,688,471

Continued;

CJ CORP.  
(FORMERLY CHEIL JEDANG CORPORATION)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

12. Investments, Continued:

(1) Equity-method investments, Continued

The following equity-method investments as of December 31, 2001 are accounted for based on the unaudited or the unreviewed financial statements of the investees.

	Expected Closing Date	2001		Net Book Value After Adjustment
		Net Book Value Before Adjustment	Adjustment	
CJ Food System Co., Ltd.	December 31, 2002	₩ 87,066,317	₩ -	₩ 87,066,317
Haechandle Co., Ltd.	December 31, 2002	49,918,475	-	49,918,475
CJ Entertainment Inc.	December 31, 2002	45,742,461	-	45,742,461
Dream Line Inc.	December 31, 2002	218,422,598	-	218,422,598
Dream Music Co., Ltd.	December 31, 2002	5,593,132	-	5,593,132
CJ America Inc.	December 31, 2002	10,604,303	-	10,604,303
CJ HongKong Ltd.	December 31, 2002	1,931,220	-	1,931,220
CJ Philippines Inc.	December 31, 2002	6,573,472	(1,291,150)	5,282,322
CJ Qingdao Food Co., Ltd.	December 31, 2002	14,770,711	(31,060)	14,739,651
Beijing CJ Foods Co., Ltd.	December 31, 2002	4,585,184	(2,088,420)	2,496,764
CJ Ord River Sugar Pty., Ltd.	December 31, 2002	9,386,318	-	9,386,318
CJ Vina Agri Co., Ltd.	December 31, 2002	3,361,862	-	3,361,862
CJ Europe GmbH.	December 31, 2002	131,586	-	131,586
Lee Entertainment L.L.C.	December 31, 2002	22,443,690	63,855,127	86,298,817
CJ Cambodia Co., Ltd.	December 31, 2002	5,875,441	-	5,875,441
		₩ 486,406,770	₩ 60,444,497	₩ 546,851,267

Continued;

CJ CORP.  
(FORMERLY CHEIL JEDANG CORPORATION)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

12. Investments, Continued:

(2) Fair-value investments

Fair-value investments as of December 31, 2002 and 2001 consist of the following (in thousands of Korean Won, except for the number of shares owned and percentage information):

			2002		2001	
	Number of Shares Owned	Percentage of Ownership	Acquisition Cost	Market Value or Net book Value	Recorded Book Value	Recorded Book Value
Samsung Corporation	1,759,280	1.10	₩ 21,819,664	₩ 11,259,392	₩ 11,259,392	₩ 12,807,558
Samsung Electro- Mechanics Co., Ltd.	75,169	0.10	1,158,217	3,269,852	3,269,852	3,292,402
Samsung Techwin Co., Ltd.	517,992	0.61	4,600,993	2,952,554	2,952,554	2,149,667
Samsung Heavy Industries Co., Ltd.	285,119	0.12	1,697,383	1,154,732	1,154,732	1,070,622
Hotel Shilla Co., Ltd.	686,117	1.72	5,900,660	3,259,056	3,259,056	5,831,995
Samsung Fine Chemicals Co., Ltd.	86,626	0.34	1,872,726	1,273,402	1,273,402	1,212,764
Haitai Stores Co., Ltd.	7,946	0.11	158,931	6,516	6,516	9,336
Hanshin Construction Co., Ltd.	249	0.03	4,432	1,052	1,052	-
Ures Corp.	318	-	5,660	2,490	2,490	-
			₩ 37,218,666	₩23,179,046	₩ 23,179,046	₩ 26,374,344

As of December 31, 2002 and 2001, unrealized holding losses on fair-value investments amounted to ₩14,040 million and ₩10,834 million, respectively, which were recorded as gain on valuation of investments, a separate component of shareholders' equity.

As of December 31, 2002, 60,000 shares of Samsung Corporation were provided as collateral for the guarantee of the fulfillment of certain construction contracts.

Continued;

CJ CORP.  
(FORMERLY CHEIL JEDANG CORPORATION)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

12. Investments, Continued:

(3) Cost-method investments

Cost-method investments as of December 31, 2002 and 2001 consist of the following (in thousands of Korean Won, except for the number of shares owned and percentage information):

	2002			2001		
	Number of Shares Owned	Percentage of Ownership	Acquisition Cost	Market Value or Net book Value	Recorded Book Value	Recorded Book Value
Samsung Petrochemical Co., Ltd.	502,175	9.70	₩ 9,646,746	₩ 26,054,200	₩ 9,646,746	₩ 9,646,746
Samsung Everland Co., Ltd.	20,800	0.83	4,887,692	10,152,463	4,887,692	4,887,692
Samsung Life Insurance Co., Ltd.	1,902,800	9.51	1,540,386	548,307,859	1,540,386	1,540,386
Samsung Lions Co., Ltd.	29,999	15.00	149,995	-	-	-
JoongAng Ilbo	382,519	14.71	12,152,182	15,127,780	12,152,182	12,152,182
Unicham Co., Ltd.	140,000	10.00	1,400,000	1,033,100	1,400,000	1,400,000
Enbiogenesis Co., Ltd.	31,840	15.86	159,200	147,890	159,200	159,200
A Brain Co., Ltd.(*)	179,290	14.29	1,237,500	862,941	1,237,500	1,237,500
Julynet Co., Ltd.(*)	28,014	15.30	1,333,350	328,857	1,333,350	1,333,350
Dream Life Co., Ltd.	26,341	11.29	199,935	117,850	199,935	199,935
Bioholdings Co., Ltd.(*)	18,572	3.57	500,000	71,152	500,000	500,000
Naturobiotech Co., Ltd.	24,537	8.71	144,004	64,964	144,004	144,004
Dream CIS Co., Ltd.(*)	3,120	4.05	100,050	19,983	100,050	100,050
Pharmtechholdings Co., Ltd.(*)	68,640	1.99	200,000	35,998	200,000	200,000
Eugen Bio Inc.(*)	66,667	1.56	200,001	23,943	200,001	200,001
Ginseng Science Inc.	1,990	0.49	9,950	6,215	9,950	9,950
Ace Biotech Inc.	5,652	1.29	100,000	63,307	100,000	100,000
Ezhospital Inc.(*)	80,000	0.88	200,000	20,588	200,000	200,000
Gen Exel Inc.(*)	165,000	1.63	495,000	124,341	495,000	495,000
Korea CATV Yong- Dong Broadcast(*)	95,500	2.82	1,671,250	488,450	1,671,250	1,671,250
e-Farm Co., Ltd.(*)	5,161	3.44	150,000	19,882	150,000	150,000

Continued;

CJ CORP.  
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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

12. Investments, Continued:

(3) Cost-method investments, Continued

	2002			Market Value		2001
	Number of Shares Owned	Percentage of Ownership	Acquisition Cost	Net book Value	Recorded Book Value	Recorded Book Value
We Can Media Co., Ltd.	-	-	₩ -	₩ -	₩ -	₩ 100,000
Incheon Development Co., Ltd.(*)	685	2.85	14,800	2,961	14,800	14,800
The Korea Economic Daily Co., Ltd.	5,744	0.05	40,600	20,050	40,600	40,600
Jebun Industry Co., Ltd.	39,792	18.88	227,215	520,158	227,215	227,225
Korea Alcohol Sales Co., Ltd.	2,172	0.60	11,553	34,746	11,553	11,553
MD1 Co., Ltd.	40,000	100.00	200,000	200,000	200,000	-
Myanmar Cheil Jedang Co.,Ltd.	10,640	100.00	2,415,408	2,799,541	2,415,408	2,415,408
CJ Entertainment, Ltd.	399	100.00	258,100	339,290	258,100	258,100
CJ Pacific Corp.	5	100.00	56,620	600,470	56,620	56,620
CJ Japan Corp.	4,000	100.00	405,048	405,048	405,048	-
CJ Chengdu Feed	-	100.00	1,568,840	1,568,840	1,568,840	-
			₩ 41,675,425	₩609,562,867	₩ 41,525,430	₩ 39,451,542

(\* ) As of December 31, 2002, although the Company's share of the underlying net book value of these investees have declined below their acquisition cost, the Company did not recognize any impairment loss because the Company estimated that such declines are recoverable.

Continued;

CJ CORP.  
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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

12. Investments, Continued:

(4) Other investments

Other investments as of December 31, 2002 and 2001 consist of the following (in thousands of Korean Won, except for the number of shares owned and percentage information):

	2002			2001		
	Number of Shares Owned	Percentage of Ownership	Acquisition Cost	Market Value or Net book Value	Recorded Book Value	Recorded Book Value
Investments in Partnership Securities Market	-	-	₩ 3,354,000	₩ 3,148,996	₩ 3,354,000	₩ 12,154,000
Stabilization Fund	-	0.47	1,286,816	1,766,528	1,766,528	3,162,274
Stock Warrants	517,241	6.27	33,430,000	21,307,632	21,307,632	25,974,999
Convertible Bonds	-	-	57,500,000	57,500,000	57,500,000	75,005,556
Subordinated Beneficiary Certificates	-	-	58,702,312	58,702,312	58,702,312	63,466,714
Others	-	-	13,200	4,176	13,951	13,492
			₩154,286,328	₩142,429,644	₩142,644,423	₩179,777,035
			=====	=====	=====	=====

13. Short-Term Borrowings:

Short-term borrowings as of December 31, 2002 and 2001 comprise the following:

	Annual Interest Rates (%)	Thousands of Won	
	2002	2002	2001
Bank overdraft facilities	7.44 - 8.29	₩ 3,143,225	₩ 5,565,464
General term loans	3M ¥ LIBOR+1.5 3M LIBOR+0.9	68,649,500	70,000,000
Usance financing	1.65 - 4.34	168,456,874	176,635,186
Notes discounted	-	-	4,500,000
		₩ 240,249,599	₩ 256,700,650
		=====	=====

Certain bank deposits and property, plant and equipment are pledged as collateral for the above loans (see Notes 3 and 8).

CJ CORP.  
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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

14. Long-Term Debt:

Long-term debt as of December 31, 2002 and 2001 consists of the following:

	Reference	Thousands of Won	
		2002	2001
Won currency loans	(A)	₩ 7,078,369	₩ 13,912,491
Foreign currency loans in Won equivalent	(B)	168,654,971	360,612,073
Debentures	(C)	<u>475,774,479</u>	<u>561,020,025</u>
		651,507,819	935,544,589
Less: Current maturities		<u>(406,629,834)</u>	<u>(564,680,479)</u>
		₩ 244,877,985	₩ 370,864,110
		=====	=====

(A) Won currency loans as of December 31, 2002 and 2001 consist of the following :

	Annual Interest Rates (%)	Thousands of Won	
		2002	2001
Korea Development Bank	-	₩ -	₩ 434,000
National Agricultural Cooperative Federation	3.0 - 6.87	687,280	970,000
Korea Technology Banking Corp.	-	-	370,000
Woori Bank	5.4 - 5.5	2,202,000	2,970,000
Korea Lease Financing Co., Ltd.	11.01	27,665	61,215
Bank of America and others	3.17 - 3.30	4,519,446	9,875,332
Less : Unamortized discounts		<u>(358,022)</u>	<u>(768,056)</u>
		₩ 7,078,369	₩ 13,912,491
		=====	=====

Continued;



CJ CORP.  
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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

14. Long-Term Debt, Continued:

(B) Long-term debt denominated in foreign currencies as of December 31, 2002 and 2001 consists of the following:

	Annual Interest		Thousands of U.S. Dollars	
	Rates (%)			
	2002	2002	2001	
Korea Exchange Bank (ASIA) Finance Ltd.	-	\$ -	\$ 95,007	
Korea Development Bank	2.15 - 2.665	2,209	2,258	
Woori Bank	LIBOR+0~1.0 1.485~4.61	53,536	71,898	
Kookmin Bank	LIBOR+0.075~0.1 1.885~3.1	26,939	51,155	
Shinhan Bank	LIBOR+0.75~0.11 1.8~3.1	19,729	24,472	
Hana Bank and others	LIBOR-0.34 LIBOR+0.075~0.1 1.505~3.1	<u>38,133</u>	<u>27,165</u>	
		\$ 140,546	\$ 271,955	
		=====	=====	
Korean Won equivalent (in thousands)		₩ 168,654,971	₩ 360,612,073	
		=====	=====	

Continued;

CJ CORP.  
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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

14. Long-Term Debt, Continued:

(C) Debentures outstanding as of December 31, 2002 and 2001 consist of the following :

	Annual Interest	
	Rates (%)	Thousands of Won
	<u>2002</u>	<u>2002</u> <u>2001</u>
Public bonds, payable through		
2003	7.00 ~ 9.00	₩ 280,000,000    ₩ 365,000,000
Private bonds	7.10 ~ 7.30	100,000,000      180,000,000
Bonds with stock warrants(*)	-	-                    20,000,000
Bonds payable		
in foreign currency(**)	2.41	99,042,886                    -
Less : Unamortized discounts		(3,581,056)                  (3,979,975)
Add : Long-term accrued interests		<u>312,649</u> -
		₩ 475,774,479    ₩ 561,020,025
		=====

(\*) Bonds with warrants in the amount of ₩20,000 million that was issued on March 10, 2000 was fully repaid during the year ended December 31, 2002.

(\*\*) On June 7, 2002, the Company has entrusted 304,222 shares of Samsung Life Insurance Co., Ltd. to Woori Bank and has issued foreign notes to a foreign Special Purpose Vehicle (the "SPV"), which has been granted the exchange option to buy the entrusted shares of Samsung Life Insurance Co., Ltd. from the trust bank. The SPV has issued bonds with rights to exchange them for the entrusted shares of Samsung Life Insurance Co., Ltd. to foreign investors based on its exchange option.

Continued;

CJ CORP.  
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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

14. Long-Term Debt, Continued:

The terms of the foreign notes and foreign bonds are as follows:

Foreign Notes

- Issuer : CJ Corp.
- Investor : Foreign Special Purpose Vehicle
- Face Value : US\$ 80,000,000
- Issue Price : US\$ 79,200,000 (1% discount)
- Maturity : June 7, 2006
- Interest : 2.41% per year in arrears
- Repayment : Repayment at 102.38% of face value on June 7, 2006. The investor may call for early repayment with prior notice on June 7, 2005.

Foreign Bonds

- Issuer : Foreign Special Purpose Vehicle
- Investor : Foreign Investors
- Face Value : US\$ 80,000,000
- Issue Price : US\$ 80,000,000
- Maturity : June 7, 2006
- Interest : 2.41% per year in arrears
- Repayment : Repayment at 102.38% of face value on June 7, 2006. The investor may call for early repayment with prior notice on June 7, 2005.
- Exchange Exercise Price : One Samsung Life Insurance Share/₩325,000 of Face Value
- Exchange Exercise Period : On or after September 7, 2002 through May 23, 2006.
- Exchange Rate : ₩1,235.9/US\$ 1.00

The Company has recognized the issuance of the foreign bonds to foreign investors by the SPV as the Company's accounts. Interest expense is calculated using the effective interest method and the interest for the redemption premium is recognized as long-term accrued interest payable which is added to debentures. Interest expenses of ₩312,649 thousand were recognized as long-term accrued interest payable for the year ended December 31, 2002.

In order to hedge the impact of fluctuations in interest rates with regard to the above foreign bonds, the Company has entered into an interest rate swap contract with CITI Bank and recorded ₩1,315 million of valuation loss on interest rate swap in non-operating expenses for the year ended December 31, 2002 (see Note 16).

Continued;

CJ CORP.  
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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

14. Long-Term Debt, Continued:

Certain bank deposits and property, plant and equipment are pledged as collateral for the above long-term debt (see Notes 3 and 8).

Maturities of long-term debt outstanding as of December 31, 2002, excluding discounts and long-term accrued interests on debentures are as follows:

	Thousands of Won			
	Won Currency Loans	Foreign Currency Loans	Debentures	Total
2004	₩ 2,202,425	₩ 45,511,695	₩ 50,000,000	₩ 97,714,120
2005	873,640	840,448	50,000,000	51,714,088
2006	33,320	-	99,042,886	99,076,206
	₩ 3,109,385	₩ 46,352,143	₩ 199,042,886	₩ 248,504,414
	=====	=====	=====	=====

15. Accrued Severance Benefits:

Accrued severance benefits as of December 31, 2002 and 2001 consist of the following:

	Thousands of Won	
	2002	2001
Accrued severance benefits	₩ 80,523,778	₩ 81,716,987
Less : Funded portion		
Severance insurance fund	(47,652,652)	(46,896,154)
National Pension Fund	(3,247,444)	(4,353,943)
Unfunded portion	₩ 29,623,682	₩ 30,466,890
	=====	=====

CJ CORP.  
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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

16. Commitments and Contingencies:

As of December 31, 2002, the Company is contingently liable for guarantees of indebtedness of related companies approximating ₩390,106 million. In addition, as of December 31, 2002, the Company provided guarantees of contract fulfillment for related companies in the amount of ₩126,103 million (see Note 25).

As of December 31, 2002, the Company has entered into technical assistance agreements with certain companies. Total royalty fees incurred for the years ended December 31, 2002 and 2001 with respect to these agreements amounted to approximately ₩3,184 million and ₩3,301 million, respectively.

As of December 31, 2002, the Company has entered into lease agreements with Korea Lease Financing Co., Ltd., which have been recognized as direct financing leases. The lease agreements are summarized as follows (in millions of Korean Won):

<u>Accounts</u>	<u>Acquisition Cost (Millions of Won)</u>	<u>Depreciation Expense Charged to 2002 Operations(*) (Millions of Won)</u>
Machinery and equipment	₩       8,384 =====	₩       - =====

(\*) The acquisition cost of the above machinery and equipment had been fully depreciated by the end of 2001.

Scheduled future lease payments, net of interest, under these arrangements, which are included in long-term debt, are as follows (in thousands of Korean Won):

<u>Period</u>	<u>Total Lease Payments</u>	<u>Amount Representing Interest</u>	<u>Obligations Under Direct Financing Leases</u>
2003	₩       409,720 =====	₩       11,969 =====	₩       397,751 =====

Continued;

CJ CORP.  
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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

16. Commitments and Contingencies, Continued:

As of December 31, 2002, the Company has entered into 6,874 futures contracts to hedge the fluctuation of the purchase price of raw materials. For the year ended December 31, 2002, the Company recognized gain of ₩5,320 million and loss of ₩1,137 million from the valuation of futures contracts. As of December 31, 2002, the Company is provided with guarantees of payment of \$10,800 thousand of guarantee deposits for futures trading from three financial institutions in relation with the above futures contracts.

As of December 31, 2002, the Company has entered into three forward exchange contracts (buying amounts of US\$1,419 thousand and JPY 3,000,000 thousand, and selling amounts of ₩31,770,148 thousand) to hedge currency risk on foreign currency assets and liabilities. For the year ended December 31, 2002, the Company recognized gain of ₩773 million, charged to current operations, from the valuation of forward exchange contracts.

As of December 31, 2002, the Company has entered into an interest rate swap contract with CITI Bank to hedge the impact of fluctuations in interest rates with regard to foreign notes. The unsettled contract amount was ₩99,043 million as of December 31, 2002, and the Company recognized loss of ₩1,315 million from the valuation of the interest rate swap for the year ended.

As of December 31, 2002, the Company is a party to various legal claims and proceedings amounting to ₩2,590 million as plaintiff and ₩2,187 million as defendant, all of which are pending as of December 31, 2002. The Company's management believes that, although the outcome of these matters is uncertain, the ultimate resolution of these matters will not have a material adverse effect on the operations or financial position of the Company.

Continued;

CJ CORP.  
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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

16. Commitments and Contingencies, Continued:

As of December 31, 2002, the Company is a defendant in a lawsuit in a U.S. district court for an alleged violation of U.S. Anti-Trust Laws regarding the Company's sale of MSG and Hexane in the United States of America. The Company accrued a provision for potential loss of ₩42,014 million arising from the settlement of the case, which was recorded in non-operating expenses in the accompanying non-consolidated financial statements for the year ended December 31, 2002.

As of December 31, 2002, the Company has entered into bank overdraft facility agreements up to a maximum of ₩86,000 million with several Korean banks.

As of December 31, 2002, the Company has entered into banker's usance borrowing agreements up to a maximum of ₩825,875 million with several Korean banks.

As of December 31, 2002, four promissory notes and checks totaling ₩5,572 million, and four blank notes and checks were provided to financial institutions as collateral for bank loans and for the fulfillment of certain contracts.

In 2001, the Company disposed of 350,000 common shares of Samsung Electronics Co., Ltd. with a call option spread agreement with two financial institutions. The agreement entitles the Company to receive from counter parties, on the expiration date, the amounts, if any, by which the settlement price exceed the strike price in exchange for the risk premium paid on the date of trade. The settlement price is determined based on the average monthly closing price of Samsung Electronics Co., Ltd. for the six months or twelve months up to and including the expiration date, but is less than the upper strike price.

Continued;



CJ CORP.  
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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

16. Commitments and Contingencies, Continued:

The following table presents the terms of the above agreements:

	<u>Salomon Brothers International Limited</u>	<u>Bank of America N.A.</u>
Trade date	March 21, 2001	April 12, 2001
Number of shares (options)	150,000	200,000
Initial price per share	₩ 191,714.29	₩ 188,429
Strike price	₩ 191,714.29	₩ 188,429
Upper strike price	₩ 287,571.43	₩ 282,643.50
Premium rate per share	Quarterly of 2.41%	Quarterly of 1.70%
Expiration date	March 21, 2003	April 12, 2004

The risk premium was paid on the date of trade and is amortized quarterly to interest expense over the agreement period. The fair value of the call option was calculated using the Black-Scholes model and recorded in other non-current asset (Note 10). Gains on the option are included in the carrying amounts of the relative assets and are recognized as non-operating income.

In response to the generally unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The Company may be either directly or indirectly affected by these generally unstable economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

17. Retained Earnings:

Retained earnings as of December 31, 2002 and 2001 consist of the following:

	<u>Reference</u>	<u>Thousands of Won</u>	
		<u>2002</u>	<u>2001</u>
Legal reserve	(A)	₩ 58,613,717	₩ 56,564,627
Reserve for improvement of financial structure	(B)	6,709,860	6,709,860
Reserve for business rationalization	(C)	54,804,727	50,832,591
Reserve for research and human resource development	(D)	91,685,301	78,835,301
Reserve for export losses	(D)	4,110,000	6,370,000
Reserve for overseas market development	(D)	<u>2,127,333</u>	<u>2,760,667</u>
		218,050,938	202,073,046
Retained earnings before appropriations		<u>107,746,759</u>	<u>36,944,819</u>
		₩ 325,797,697	₩ 239,017,865
		=====	=====

(A) The Korean Commercial Code requires the Company to appropriate as a legal reserve, an amount equal to a minimum of 10% of annual cash dividends declared, until the reserve equals 50% of capital stock. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

(B) The Regulation for Securities Issuance and Disclosure requires the Company to appropriate as a reserve for improvement of financial structure an amount equal to at least 50% of the net extraordinary gain on disposal of property, plant and equipment and 10% of net earnings for each year until the shareholders' equity equals 30% of total assets. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any. As of December 31, 2002, the Company need not appropriate an additional amount as a reserve for improvement of financial structure because the shareholders' equity exceeds 30% of total asset as of December 31, 2002.

Continued;

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

17. Retained Earnings, Continued:

- (C) Until the year 2001, pursuant to the Tax Reduction and Exemption Control Law, the Company had been required to appropriate, as a reserve for business rationalization, an amount equal to the exemption of income taxes resulting from investment tax credits and certain deductions from taxable income. Due to revisions made to the Korean tax laws during 2002, such reserve is no longer required.
- (D) Pursuant to Korean tax laws, the Company is allowed to claim a tax deduction in determining taxable income for the amounts of retained earnings appropriated as reserves for research and human resource development, export losses and overseas market development. These amounts are not available for dividends until used for the specified purposes or reversed.

18. Dividends:

For the year ended December 31, 2002, a cash dividend of ₩34,516,149 thousand (Common stock : 25%, Preferred stock : 26%, New type of preferred stock : 25%) is proposed and shall be approved during the general shareholders meeting on February 28, 2003.

Dividend propensity is approximately 32.18% and 38.26% as of December 31, 2002 and 2001, respectively.

19. Treasury Stock :

As of December 31, 2002, the Company has acquired 307,000 shares of its own non-voting preferred stock under the authorization of the Board of Directors. The treasury stock is recorded as a capital adjustment and will be sold subject to stock market conditions.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

20. Stock Option Plan :

The Company has a stock option plan that provides for granting stock purchase options to employees or directors who have contributed or are expected to contribute to the management and technological innovation of the Company.

A summary of the terms of the stock options granted is as follows.

	Date of the grant	
	August 14, 2001	April 27, 2002
Options outstanding	47,000	95,600
Exercise price(*)	₩ 40,000	₩ 58,000
Exercise period from the date of the grant(**)	2~9 years	2~9 years

(\*) The exercise price can be adjusted in case of the issuance of new shares, stock dividends, stock splits, or stock merger.

(\*\*) The options can be fully vested in two years from the date of the grant.

The fair value of each option grant was estimated using the Black-Scholes option-pricing model based on the date of the grant and on the following assumptions.

	Date of the grant	
	August 14, 2001	April 27, 2002
Risk-free interest rates	5.10%	6.37%
Expected stock price volatility	70.60%	66.18%
Expected life	3 years	3 years

The compensation expense related to stock options was ₩1,127 million for the year ended December 31, 2002. In addition, accumulated compensation expense as of December 31, 2002 and estimated compensation expense for the years thereafter is ₩1,285 million and ₩1,646 million, respectively.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

21. Selling, General and Administrative Expenses:

Selling, general and administrative expenses for the years ended December 31, 2002 and 2001 consist of the following:

	Thousands of Won	
	2002	2001
Salaries	₩ 108,136,465	₩ 93,448,203
Provision for severance benefits	16,828,963	13,761,926
Employee benefits	19,573,085	12,692,466
Travel expense	11,601,761	10,812,650
Commission & service charge	84,347,402	75,620,253
Depreciation expense for tangible assets	35,632,526	23,611,671
Amortization expense for intangible assets	7,763,102	4,186,175
Advertising expense	43,478,071	34,009,398
Sales promotion expense	35,366,173	33,936,070
Transportation expense	92,168,123	87,594,216
Bad debt expense	449,676	5,031,955
Research expense	20,965,650	16,664,319
Event expense	15,144,192	8,696,889
Stock compensation expense	1,010,813	157,509
Others	41,326,190	39,693,277
	₩ 533,792,192	₩ 459,916,977

CJ CORP.  
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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

22. Income Tax Expense:

The statutory income tax rate applicable to the Company including resident surtax, is approximately 29.7% for the year ended December 31, 2002.

Income tax expense for the years ended December 31, 2002 and 2001 consists of the following:

	Thousands of Won	
	2002	2001
Current income taxes	₩ 49,910,759	₩ 5,993,627
Deferred income taxes	(3,820,245)	12,892,218
Deferred income taxes charged to (deducted from) other capital surplus (see Note 8)	(468,648)	1,702
Income tax expense	₩ 45,621,866	₩ 18,887,547
	=====	=====

Continued;

CJ CORP.  
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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

22. Income Tax Expense, Continued:

The changes in deferred tax assets for the years ended December 31, 2002 and 2001 are as follows:

	Thousands of Won	
	2002	2001
Beginning deferred tax assets	₩ 41,864,881	₩ 53,979,174
Increase (Decrease) in deferred tax assets		
due to temporary difference and tax credit	3,820,245	(12,114,293)
Ending deferred tax assets	₩ 45,685,126	₩ 41,864,881
	=====	=====

The following table reconciles the expected amounts of income tax expense based on statutory rates to the actual amounts of taxes recorded by the Company:

	Thousands of Won	
	2002	2001
Income before taxes	₩ 152,892,598	₩ 72,447,043
Statutory tax rate	29.7%	30.8%
Expected taxes at statutory rate	45,409,102	22,313,689
Tax credit	(6,236,159)	(3,870,391)
Others, net	6,448,923	444,249
Actual taxes	₩ 45,621,866	₩ 18,887,547
	=====	=====
Effective tax rate	29.8%	26.1%
	=====	=====

Continued;

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

22. Income Tax Expense, Continued:

Components of deferred income taxes as of December 31, 2002 are as follows (in thousands of Korean Won):

	<u>Beginning balance</u>	<u>Increase (Decrease)</u>	<u>Ending balance</u>
Deferred tax assets			
Depreciation expenses	2,910,658	(166,816)	2,743,842
Loss on investments in equity securities	42,971,364	(790,244)	42,181,120
Allowance for doubtful accounts	1,228,126	(491,409)	736,717
Severance benefits	1,193,856	-	1,193,856
Tax credit carry-forwards	2,344,449	(2,344,449)	-
Accrued lawsuit loss	-	12,478,158	12,478,158
Others	<u>1,104,398</u>	<u>1,128,737</u>	<u>2,233,135</u>
Total deferred tax assets	<u>51,752,851</u>	<u>9,813,977</u>	<u>61,566,828</u>
Deferred tax liabilities			
Special reserves appropriated for tax purposes	(4,613,598)	834,570	(3,779,028)
Amortization of research and development expenses	(2,506,724)	1,446,544	(1,060,180)
Accrued interest income	(1,980,612)	(2,180,607)	(4,161,219)
Gain on valuation of derivative instruments	(728,548)	(4,700,248)	(5,428,796)
Others	<u>(58,488)</u>	<u>(1,393,991)</u>	<u>(1,452,479)</u>
Total deferred tax liabilities	<u>(9,887,970)</u>	<u>(5,993,732)</u>	<u>(15,881,702)</u>
Net deferred tax assets	₩ 41,864,881	₩ 3,820,245	₩ 45,685,126
	=====	=====	=====

The Company periodically assesses its ability to recover deferred tax assets. In the event of a significant uncertainty regarding the Company's ultimate ability to recover such assets, a valuation allowance is recorded to reduce the asset to its estimated net realizable value.



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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

23. Earnings Per Share:

Earnings per share and diluted earnings per share are calculated as follows :

Basic earnings per share

	Thousands of Won	
	2002	2001
Net income	₩ 107,270,732	₩ 53,559,496
Adjustments :		
Dividends for preferred stock	(6,511,329)	(3,972,410)
Undeclared participating preferred stock dividend	(13,442,982)	(6,228,118)
Net income available for common stock	87,316,421	43,358,968
Weighted average number of shares of common stock	22,375,255	21,884,533
Earnings per share in Korean Won	₩ 3,902	₩ 1,981

Diluted earnings per share

	Thousands of Won	
	2002	2001
Net income available for common stock	₩ 87,316,421	₩ 43,358,968
Adjustment :		
Dividends for convertible preferred stock	-	3,538,032
Net income available for common stock & common equivalent stock	87,316,421	46,897,000
Weighted average number of shares of common stock & common equivalent stock	23,115,709	24,114,888
Diluted earnings per share in Korean Won	₩ 3,777	₩ 1,945

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

24. Foreign Currency Translation:

As of December 31, 2002 and 2001, assets and liabilities denominated in foreign currencies and related gains and losses on foreign currency translation are as follows:

Account	Thousands of Won					
	Foreign Currencies	2002			2001	
		Korea Won (translated)	Translation Gain	Translation Loss	Korea Won (translated)	
<b>Assets</b>						
Trade accounts and notes receivable	AUD	511,028.00	₩ 347,361	₩ 2,617	₩ 515	₩ 304,852
	USD	11,791,514.78	14,154,535	9,541	132,720	36,087,443
	JPY	51,835,026.00	525,021	8,241	-	732,830
	EU	1,376,387.97	1,730,615	59,782	-	675,279
			16,757,532	80,181	133,235	37,800,404
Short-term loan	USD	-	-	-	-	1,105,083
Other accounts and notes receivable	USD	698,876.22	838,931	21	3,803	5,573,750
	CHF	1,723,750	1,490,716	29,045	-	-
	CN	8,100,000.00	1,174,662	-	58,077	1,297,782
	GBP	2,104.29	4,051	181	-	4,304
			3,508,360	29,247	61,880	6,875,836
Long-term loan	USD	-	-	-	-	1,326,100
Others	GBP	25,116.65	48,350	337	-	50,632
	JPY	811,617.00	8,221	48	-	115,427
	USD	333,161.11	399,926	26	6,458	479,922
			456,497	411	6,458	645,981
<b>Liabilities</b>						
Trade accounts and notes payable	USD	697,457.16	837,227	5,853	3,363	2,286,279
	JPY	721,192.00	7,305	72	714	670,028
	GBP	20,300.00	39,078	-	296	-
	EU	3,423.00	4,304	-	86	1,876
			887,914	5,925	4,459	2,958,183
Short-term borrowings	USD	155,268,911.11	186,384,801	1,583,707	1,314,981	176,508,756
	JPY	5,000,000,000.00	50,643,500	-	211,000	-
	EU	62,092.80	78,073	-	2,407	126,430
			237,106,374	1,583,707	1,528,388	176,635,186

Continued;

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

24. Foreign Currency Translation, Continued:

Account	Thousands of Won					
	2002					2001
	Foreign Currencies	Korea Won (translated)	Translation Gain	Translation Loss	Korea Won (translated)	
Other accounts and notes payable	USD	37,768,463.31	₩ 45,337,263	₩ 32,497	₩ 619	₩ 14,041,429
	EU	1,223.74	1,539	-	63	174,950
	GBP	377,700.00	727,080	1,659	164	4,516
	FRF	-	-	-	-	2,129
	JPY	42,461,131.00	430,076	-	7,864	85,654
			<u>46,495,958</u>	<u>34,156</u>	<u>8,710</u>	<u>14,308,678</u>
Accrued expenses	USD	1,295,033.12	1,554,558	68,124	10,069	7,357,678
	JPY	62,700,392.00	635,073	-	2,090	-
	EU	2,784,187.28	3,500,726	2,319	4,702	883
	AUD	-	-	-	-	6
			<u>5,690,357</u>	<u>70,443</u>	<u>16,861</u>	<u>7,358,567</u>
Current portion of long-term debt	USD	101,885,061.91	122,302,828	9,202,570	64,037	292,658,323
Long-term debt	USD	38,613,914.22	46,352,143	1,737,224	64,037	67,953,750
Total				₩ 12,743,864	₩ 1,888,065	

**CJ CORP.**  
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**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**December 31, 2002 and 2001**

**25. Related Party Transactions:**

Significant transactions with related parties for the years ended December 31, 2002 and 2001 and the related receivables and payables as of December 31, 2002 and 2001 are as follows:

	Thousands of Won							
	Sales		Purchases		Receivable		Payable	
	2002	2001	2002	2001	2002	2001	2002	2001
CJ Systems Co., Ltd.	₩ 2,036,210	₩ 1,785,788	₩ 27,934,637	₩ 48,749,221	₩ 316,161	₩ 166,856	₩6,251,439	₩10,314,293
CJ Futures Inc.	22,787	22,006	16,271	35,973	1,114	10,276	1,279	-
CJ Development Co., Ltd.	388,682	1,552,395	33,728,724	23,526,853	222,945	278,917	12,164,519	9,075,896
CJ Food System Co., Ltd.	125,957,536	101,626,918	103,632,414	104,541,929	945,014	615,690	17,133,819	20,033,780
CJ Media Inc.	921,108	398,233	1,850,690	1,519,500	29,824	50,105	1,178,100	580,250
CJ GLS Co., Ltd.	7,954,852	7,634,764	99,258,058	95,094,220	360,697	180,557	15,785,451	10,360,758
CJ Investment & Securities Co., Ltd.	8,578,855	5,965,839	-	360,278	13,443,260	5,446,575	-	-
Dream Line Inc.	-	877,171	-	16,495	-	70,509	-	4,350,730
CGV Co., Ltd.	272,751	364,570	613,696	185,160	30,144	72,900	1,006,650	881,944
Dream Music Co., Ltd.	3,981	758	-	101,203	2,467	-	-	-
CJ Entertainment Inc.	300,157	131,620	10,668	35,920	117,093	67,398	800,000	800,000
CJ Investment Trust Management Co., Ltd.	42,864	19,091	-	-	-	-	-	-
Dream Discovery Co., Ltd.	-	101	-	-	-	-	-	-
CJ Foodvill Co., Ltd.	1,644,100	1,837,316	-	420	133,230	96,415	-	462
Yang-Chon Cable TV Co., Ltd.	7,957	40	1,500	-	2,504	-	-	-
I39 Co., Ltd.	88,749	250,799	1,252,778	1,777,880	-	32,780	-	59,149
Ecline Co., Ltd.	-	313	-	4,641	-	-	-	290
Hanil Food Mart Co., Ltd.	37,199	9,430	-	-	3,414	-	-	-
Korea CATV Gyeong-Nam Broadcast	11,029	15,829	-	-	1,263	-	-	-
Look TV Co., Ltd.	-	482	-	-	-	-	-	-
Korea CATV Ma-San Broadcast	6,909	2,525	-	-	1,557	-	-	-
Joy Rent A Car Inc.	6,219	14,001	548,631	466,912	-	-	62,956	80,206
Haechandle Co., Ltd.	1,875,424	1,432,550	194,650	235,432	403,680	131,994	3,447	34,367
Cheil Teleservice Co., Ltd.	37,218	7,293	5,200	-	1,930	-	1,320	-
Enprani Co., Ltd.	1,535,955	1,678,286	1,842,614	1,175,682	235,883	527,491	1,502,117	707,029
Dream X.net Co., Ltd.	-	4,056	-	19,000	-	-	-	4,950

Continued;

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

25. Related Party Transactions, Continued :

	Thousands of Won							
	Sales		Purchases		Receivable		Payable	
	2002	2001	2002	2001	2002	2001	2002	2001
CJ Philippines Inc.	₩ 509,084	₩ 1,123,855	₩ -	₩ -	₩ 454,672	₩ 228,473	₩ -	₩ -
CJ Hong Kong Ltd.	4,777,647	10,612,088	5,198,637	16,501,277	814,499	116,475	934,966	3,391,684
P.T. Cheil Samsung Indonesia (P.T. CSI)	17,182,644	37,182,053	6,848,012	6,352,630	5,074,123	10,490,637	763,214	564,096
P.T. Cheil Jedang Superfeed (P.T. CJS)	1,194,081	159,132	-	-	207,549	159,132	-	-
P.T. Cheil Jedang Indonesia (P.T. CJI)	5,753,845	6,291,773	20,307,792	14,758,469	1,466,409	1,180,229	1,537,159	1,210,729
P.T. Super Unggas Jaya	62,761	39,783	-	-	60,020	39,783	-	-
Morningwell Co., Ltd.	7,692,169	8,643,655	57,586,492	55,290,295	272,656	843,652	18,256,266	16,152,985
CJ Home Shopping Co., Ltd.	14,828,500	8,831,294	2,764,576	215,660	1,278,790	409,199	1,540,356	111,598
CJ America Inc.	27,607,306	31,334,538	1,654,892	3,026,166	6,126,319	6,246,322	1,214,400	413,936
CJ Nutracon Inc.	-	604,552	11,616,145	7,353,236	-	-	5,149,985	954,946
CJ Qingdao Food Co., Ltd.	7,284,594	5,498,314	-	-	-	464,690	-	-
Beijing CJ Foods Co., Ltd.	-	-	-	-	1,621,628	1,679,705	-	-
CJ Europe GmbH.	3,306,695	1,892,960	1,649,775	337,993	704,362	648,445	334,637	85,120
Myanmar Cheil Jedang Co., Ltd.	-	96,572	-	-	-	-	-	-
CJ Cambodia Co., Ltd.	-	272,334	-	-	-	153,828	-	-
CJ Vina Agri Co., Ltd.	334,297	-	-	47,470	-	-	-	-
Total	₩ 242,264,165	₩ 238,215,077	₩ 378,516,852	₩ 381,729,915	₩ 34,333,207	₩30,409,033	₩85,622,080	₩80,169,198

In addition to the above transactions, loans to related parties as of December 31, 2002 and 2001 are as follows :

	Annual interest rates (%)		Thousands of Won	
	2002	2001	2002	2001
CJ Philippines Inc.	-	-	₩ -	₩ 1,105,083
CJ Cambodia Co., Ltd.	-	-	₩ -	1,326,100
			₩ -	₩ 2,431,183

Continued;

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

25. Related Party Transactions, Continued :

The Company provided guarantees of indebtedness of related parties as of December 31, 2002 and 2001 as follows:

Guarantee	Financial institutions	Thousands of Won			
		Loan amounts		Guarantee amounts	
		2002	2001	2002	2001
Beijing CJ Foods Co., Ltd.	Korea Exchange Bank	₩ 9,603,200	₩ 10,608,800	₩ 9,603,200	₩ 10,608,800
P.T.Cheil Samsung Indonesia	Korea Development Bank & Others	169,054,210	261,996,373	234,894,950	297,953,575
CJ Europe GmbH.	Korea Exchange Bank	13,454,083	3,396,142	32,691,333	5,863,000
CJ Hong Kong Ltd.	BOA & Others	43,376,454	24,368,414	60,020,000	35,804,700
P.T.Super Unggas Jaya	Export-Import Bank of Korea	3,001,000	6,630,500	3,001,000	6,630,500
P.T Cheil Jedang Indonesia	Export-Import Bank of Korea	15,905,300	24,599,155	15,905,300	24,599,155
CJ Vina Agri Co., Ltd.	CITI Bank & Others	2,993,798	4,650,633	6,122,040	4,773,960
CJ Qingdao Food Co., Ltd.	-	-	-	-	14,587,100
CJ Philippines Inc.	BOA	1,947,049	1,776,974	2,160,720	2,386,980
CJ Nutracon Inc.	-	-	7,956,600	-	7,956,600
CJ Cambodia Co., Ltd.	Export-Import Bank of Korea	4,801,600	-	4,801,600	-
CJ America Inc.	Woori Bank	11,102,500	-	19,206,400	-
CJ Ord River Sugar Pty., Ltd.	Korea Exchange Bank	-	-	1,699,316	-
		₩ 275,239,194	₩ 345,983,591	₩ 390,105,859	₩ 411,164,370

In addition to the above guarantees, as of December 31, 2002, the Company provided guarantees of fulfillment of futures contracts for P.T. Cheil Samsung Indonesia and CJ OrdRiver Sugar Pty., Ltd. amounting to approximately ₩126,103 million.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

26. Supplementary Information for Computation of Value Added:

The accounts and amounts included in cost of sales, and selling, general and administrative expenses, and other accounts which are needed for the computation of value added for the years ended December 31, 2002 and 2001 are as follows:

	Millions of Won	
	2002	2001
Wages and salaries	₩ 155,849	₩ 143,791
Provision for severance benefits	24,089	21,670
Employee benefits	33,008	25,609
Rent	9,437	8,642
Depreciation and amortization	101,631	96,278
Taxes and dues	11,500	11,980
	₩ 335,514	₩ 307,970

27. Environmental Standards and Policies :

The Company takes the lead in environment protection in all aspects of its corporate activities and makes an effort to be an "Environment - friendly Corporation" through an environment - friendly management.

In detail, the Company operates waste treatment facilities for its own use and utilizes cleaning fuel to reduce pollution. The Company has actively provided safe working conditions for all employees at all times and at all places.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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28. Employee Benefits :

Building on its philosophy of “Only One,” the Company provides a specific benefit policy for employees in addition to the basic employee benefits.

The details of the Company’s employee benefits are as follows :

Items	Description
Support for employee property accumulation	Allots preferably a portion of newly issued shares to the employee stock ownership association.
Living support	Individual pension plans to support comfortable life upon retirement. Academic tuition support.

29. Cultivation of Professional Human Resources and Professional Training :

The Company has various programs for employee development and training.

The details of the various programs are as follows :

	Description
Leadership development	Improvement of leadership
IT basic course	Improvement of information technology ability
MBA course	Upbringing specialist
Executive manager development Next-generation manager development CJ-Management Academy	Improvement of managerial ability

Total expenses incurred during the year ended December 31, 2002 with respect to such programs amounted to approximately ₩5,525 million.



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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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30. Segment information :

A summary of information on the Company's operations by business segment at December 31, 2002 and 2001, and for the years then ended, is as follows (in millions of Korean Won):

Financial Data by Business Segments -

	2002					Total
	Processed Foods	Food Stuffs	Animal Feeds	Fine Chemistries	Others	
Sales						
Sales to unaffiliated customers	₩ 636,862	₩ 830,897	₩ 272,241	₩ 362,953	₩ 167,580	₩ 2,270,533
Inter-segment sales	-	7,460	-	-	-	7,460
	₩ 636,862	₩ 838,357	₩ 272,241	₩ 362,953	₩ 167,580	₩ 2,277,993
Operating profit	₩ 55,221	₩ 72,693	₩ 23,606	₩ 31,471	₩ 14,531	₩ 197,522
Tangible & intangible assets	₩ 392,412	₩ 391,376	₩ 87,615	₩ 138,666	₩ 36,140	₩ 1,046,209
Depreciation	₩ 33,637	₩ 35,874	₩ 7,744	₩ 19,995	₩ 4,381	₩ 101,631
2001						
	Processed Foods	Food Stuffs	Animal Feeds	Fine Chemistries	Others	Total
Sales						
Sales to unaffiliated customers	₩ 611,702	₩ 854,185	₩ 264,034	₩ 372,449	₩ 208,555	₩ 2,310,925
Inter-segment sales	-	11,837	-	-	-	11,837
	₩ 611,702	₩ 866,022	₩ 264,034	₩ 372,449	₩ 208,555	₩ 2,322,762
Operating profit	₩ 49,925	₩ 70,681	₩ 21,549	₩ 30,398	₩ 17,021	₩ 189,574
Tangible & intangible assets	₩ 381,530	₩ 427,700	₩ 87,366	₩ 139,951	₩ 40,712	₩ 1,077,259
Depreciation	₩ 30,886	₩ 33,496	₩ 6,200	₩ 22,932	₩ 2,764	₩ 96,278

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS, Continued  
December 31, 2002 and 2001

30. Segment information, Continued :

	Millions of Won	
	2002	2001
<u>Reconciliation of Operating profit -</u>		
Business segment operating profit	₩ 197,522	₩ 189,574
Inter-segment revenues	647	965
Operating profit per statements of income	₩ 196,875	₩ 188,609

31. Significant Changes in Operations :

In 2002, the Company sold its HBC division (assets of ₩ 3,321 million and liabilities of ₩ 235 million) to CJ Olive Young Co., Ltd. and recorded ₩1,762 million as gain on disposal of business division in non-operating income.

32. Reclassification of 2001 Amounts :

Certain amounts in the 2001 financial statements have been reclassified to conform to the 2002 presentation. These reclassifications had no effect on the previously reported net income or shareholders' equity.