

CJ Corp.

Non-Consolidated Financial Statements

December 31, 2004 and 2003

CJ Corp.
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December 31, 2004 and 2003

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Report of Independent Auditors

To the Shareholders and Board of Directors of
CJ Corp.

We have audited the accompanying non-consolidated balance sheets of CJ Corp. (the "Company") as of December 31, 2004 and 2003, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of CJ Entertainment, Ltd. and certain other subsidiaries, the investments in which are reflected in the accompanying financial statements using the equity method of accounting. The investments in those subsidiaries represent 12% of the Company's total assets as of December 31, 2004, and the equity in their net income represent 21% of the Company's net income before income taxes for the year the ended. These statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for the subsidiaries, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of CJ Corp. as of December 31, 2004 and 2003, and the results of its operations, the changes in its retained earnings and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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Without qualifying our opinion, we draw your attention to the following matters.

As discussed in Note 27 to the accompanying non-consolidated financial statements, the Company had sales of ₩225,268 million to, and purchases of ₩461,418 million from, subsidiaries and affiliated companies within the CJ Group during the year ended December 31, 2004. Related accounts receivable and accounts payable as of December 31, 2004, amounted to ₩60,684 million and ₩95,636 million, respectively.

As discussed in Note 34 to the accompanying non-consolidated financial statements, the Company spun off its Home and Personal Care Division and established the new company, CJ Lion Corporation, a 100% owned subsidiary, on December 1, 2004, in accordance with the resolution of Board of Directors dated August 10, 2004. On December 31, 2004, the Company sold its 81% ownership in CJ Lion Corporation to Lion Corporation, a Japanese corporation for ₩36,629 million in accordance with the Share Purchase Agreement between the Company and CJ Lion Corporation dated September 15, 2004, and consequently recognized ₩11,424 million as gain on disposal of the equity method investments. As of December 31, 2004, the Company owned 19% ownership in CJ Lion Corporation.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.

Seoul, Korea
January 29, 2005

This report is effective as of January 29, 2005, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

CJ Corp.
Non-Consolidated Balance Sheets
December 31, 2004 and 2003

(in thousands of Korean won)

	2004	2003
Assets		
Current assets		
Cash and cash equivalents (Note 3)	₩ 16,208,293	₩ 14,726,937
Short-term financial instruments (Note 3)	4,971,082	4,220,953
Short-term available-for-sale securities (Note 4)	263	42,982,983
Trade accounts and notes receivable, net of allowance for doubtful accounts (Notes 5 and 27)	31,154,864	48,323,308
Other accounts and notes receivable, net of allowance for doubtful accounts (Note 5)	45,280,903	33,762,039
Inventories, net (Note 6)	251,713,238	278,635,647
Guarantee deposits	14,993,587	6,406,543
Current portion of long-term loans receivable (Note 7)	107,070	39,270
Prepaid expenses and other current assets	<u>9,946,060</u>	<u>52,676,852</u>
Total current assets	374,375,360	481,774,532
Property, plant and equipment, including revalued portion, net of accumulated depreciation (Note 8)	969,657,971	974,895,076
Long-term available-for-sale securities (Note 12)	89,145,201	98,265,920
Equity-method investments (Note 13)	1,136,311,580	884,564,669
Intangible assets, net of accumulated amortization (Note 9)	7,018,766	9,930,867
Long-term financial instruments and other assets (Note 10)	90,609,173	83,436,033
Deferred income tax assets (Note 25)	<u>39,102,486</u>	<u>28,464,722</u>
Total assets	<u>₩ 2,706,220,537</u>	<u>₩ 2,561,331,819</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts and notes payable (Note 27)	₩ 120,416,794	₩ 106,804,392
Other accounts and notes payable	148,086,717	100,629,821
Short-term borrowings (Note 14)	167,984,850	331,884,420
Current portion of long-term debt (Note 15)	178,000,293	136,967,474
Accrued expenses	44,474,149	49,368,276
Income taxes payable	52,141,133	6,711,137
Other current liabilities	<u>51,423,474</u>	<u>74,755,548</u>
Total current liabilities	762,527,410	807,121,068
Long-term debts, net of current maturities (Note 15)	285,439,589	315,408,442
Accrued severance benefits, net (Note 16)	<u>32,676,818</u>	<u>31,050,819</u>
Total liabilities	<u>1,080,643,817</u>	<u>1,153,580,329</u>

CJ Corp.
Non-Consolidated Balance Sheets
December 31, 2004 and 2003

<i>(in thousands of Korean won)</i>	2004	2003
Commitments and contingencies (Note 17)		
Shareholders' equity		
Capital stock (Note 1)		
Common stock	₩ 119,974,635	₩ 112,019,280
Preferred stock	27,182,510	26,924,185
Capital surplus		
Paid-in capital in excess of par value (Note 1)	226,176,360	171,219,323
Other capital surplus (Note 8)	635,706,881	635,768,266
Retained earnings (Note 19)	566,412,798	459,648,419
(Net income ₩154,058,874 thousand in 2004 and ₩168,366,871 thousand in 2003)		
Capital adjustments		
Treasury stock (Note 21)	(26,461,996)	(26,461,996)
Gain (Loss) on valuation of available-for-sale securities, net (Notes 4 and 12)	1,110,716	(3,313,591)
Gain on valuation of equity-method investments, net (Note 13)	71,027,705	28,878,330
Loss on valuation of derivative instruments (Note 18)	(122,811)	(193,616)
Stock option compensation (Note 22)	<u>4,569,922</u>	<u>3,262,890</u>
Total shareholders' equity	<u>1,625,576,720</u>	<u>1,407,751,490</u>
Total liabilities and shareholders' equity	<u>₩ 2,706,220,537</u>	<u>₩ 2,561,331,819</u>

The accompanying notes are an integral part of these non-consolidated financial statements.

CJ Corp.
Non-Consolidated Statements of Income
Years ended December 31, 2004 and 2003

<i>(in thousands of Korean won, except per share amounts)</i>	2004	2003
Sales (Note 27)		
Domestic	₩ 2,246,284,737	₩ 2,097,211,894
Export	<u>298,082,387</u>	<u>308,296,297</u>
	2,544,367,124	2,405,508,191
Cost of sales (Note 27)	<u>1,755,494,420</u>	<u>1,624,314,900</u>
Gross profit	788,872,704	781,193,291
Selling, general and administrative expenses (Note 23)	<u>636,815,105</u>	<u>595,648,810</u>
Operating profit	<u>152,057,599</u>	<u>185,544,481</u>
Non-operating income		
Interest and dividend income	13,889,664	21,949,991
Foreign exchange gain	37,567,413	13,572,428
Gain on foreign currency translation (Note 24)	34,317,371	2,275,606
Gain on valuation of equity-method investments (Note 13)	37,906,110	42,410,970
Gain on disposal of equity-method investments (Note 34)	14,214,355	-
Gain on disposal of available-for-sale securities	796,607	19,560,271
Gain on disposal of property, plant and equipment (Note 8)	43,516,998	33,691,933
Gain on settlement of derivative instruments (Note 18)	23,688,116	7,537,809
Gain on valuation of derivative instruments (Note 18)	6,117,158	7,331,581
Gain on valuation of debentures (Note 15)	5,502,613	-
Others	<u>15,060,132</u>	<u>11,967,464</u>
	₩ 232,576,537	₩ 160,298,053
Non-operating expenses		
Interest expense	₩ 27,222,326	₩ 37,013,118
Loss on disposal of trade accounts receivable (Note 5)	12,642,262	9,762,248
Other bad debt expenses (Note 12)	29,594,247	-
Foreign exchange loss	6,291,501	10,152,006
Loss on foreign currency translation (Note 24)	2,751,584	11,935,774
Loss on disposal of available-for-sale securities	1,738,809	4,954,245
Loss on impairment of available-for-sale securities (Note 12)	44,606,000	2,107,270
Loss on disposal of property, plant and equipment	1,160,526	959,797
Loss on valuation of derivative instruments (Note 18)	9,669,965	6,460,300
Loss on settlement of derivative instruments (Note 18)	18,312,474	10,027,995
Others	<u>20,117,563</u>	<u>38,647,109</u>
	<u>174,107,257</u>	<u>132,019,862</u>
Net income before income taxes	210,526,879	213,822,672
Income tax expense (Note 25)	<u>56,468,005</u>	<u>45,455,801</u>
Net income	<u>₩ 154,058,874</u>	<u>₩ 168,366,871</u>
Basic earnings per share (Note 26) (in Korean won)	<u>₩ 5,478</u>	<u>₩ 6,216</u>
Diluted earnings per share (Note 26) (in Korean won)	<u>₩ 5,366</u>	<u>₩ 6,047</u>

The accompanying notes are an integral part of these non-consolidated financial statements.

CJ Corp.**Non-Consolidated Statements of Appropriations of Retained Earnings**

Years ended December 31, 2004 and 2003

(Date of appropriations: February 28, 2005 and February 27, 2004
for the years ended December 31, 2004 and 2003, respectively)

<i>(in thousands of Korean won)</i>	2004	2003
Retained earnings before appropriations		
Unappropriated retained earnings carried over		
from prior year	₩ 500,000	₩ 500,000
Net income	<u>154,058,874</u>	<u>168,366,871</u>
	<u>154,558,874</u>	<u>168,866,871</u>
Transfers from voluntary reserves (Note 19)		
Reserve for research and human resource development	2,766,667	2,600,000
Reserve for export loss	-	1,130,000
Reserve for overseas market development	<u>-</u>	<u>394,000</u>
	<u>2,766,667</u>	<u>4,124,000</u>
Appropriations (Note 19)		
Legal reserve	4,731,184	4,729,450
Reserve for losses on sale of treasury stock	-	6,551,913
Cash dividends (Note 20)	47,311,841	47,294,495
(Common stock : 33% in 2004 and 35% in 2003)		
(First series preferred stock : 34% in 2004 and 36% in 2003)		
(Second series preferred stock : 33% in 2004 and 35% in 2003)		
Reserve for research and human resource development	<u>104,782,516</u>	<u>113,915,013</u>
	<u>156,825,541</u>	<u>172,490,871</u>
Unappropriated retained earnings carried over to subsequent year	<u>₩ 500,000</u>	<u>₩ 500,000</u>

The accompanying notes are an integral part of these non-consolidated financial statements.

CJ Corp.
Non-Consolidated Statements of Cash Flows
Years Ended December 31, 2004 and 2003

<i>(in thousands of Korean won)</i>	2004	2003
Cash flows from operating activities		
Net income	₩ 154,058,874	₩ 168,366,871
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	102,140,546	106,334,235
Provision for severance benefits	21,187,134	20,800,793
Loss (gain) on disposal of available-for-sale securities, net	942,202	(14,606,026)
Loss on valuation of inventories	963,136	994,580
Loss from inventory obsolescence	16,127,017	12,213,532
Gain (loss) on foreign currency translation, net	(31,565,787)	9,660,168
Loss on impairment of available-for-sale securities	44,606,000	2,107,270
Gain on disposal of equity-method investments	(14,214,355)	-
Gain on valuation of equity-method investments	(37,906,110)	(42,410,970)
Gain on disposal of property, plant and equipment, net	(42,356,472)	(32,732,136)
Gain (loss) on settlement of derivative instruments, net	(5,375,642)	2,490,186
Loss (gain) on valuation of derivative instruments, net	3,552,807	(871,281)
Deferred income taxes	(10,699,150)	17,220,404
Gain on valuation of debentures	(5,502,613)	-
Other bad debt expenses	29,594,247	-
Others	720,308	5,316,689
Changes in operating assets and liabilities		
Decrease in trade accounts and notes receivable	26,315,971	19,307,900
Increase in other accounts and notes receivable	(16,184,633)	(5,046,872)
Increase in guarantee deposits	(134,339)	(2,058,828)
Increase in inventories	(2,964,117)	(55,421,514)
Increase in trade accounts and notes payable	19,118,268	465,506
Increase (decrease) in other accounts and notes payable	47,602,282	(2,031,162)
Increase (decrease) in withholdings	(30,801,877)	25,687,760
Decrease in accrued expenses	(4,245,278)	(59,893,820)
Increase (decrease) in income taxes payable	45,429,997	(37,407,304)
Payment of severance benefits	(25,256,698)	(21,632,020)
Others	(10,043,725)	(4,200,950)
Net cash provided by operating activities	<u>275,107,993</u>	<u>112,653,011</u>

CJ Corp.
Non-Consolidated Statements of Cash Flows
Years Ended December 31, 2004 and 2003

<i>(in thousands of Korean won)</i>	2004	2003
Cash flows from investing activities		
Proceeds from disposal of available-for-sale securities	₩ 17,270,420	₩ 77,661,932
Acquisition of available-for-sale securities	(13,914,013)	(7,279,009)
Decrease in financial instruments	89,801,500	202,659,603
Increase in financial instruments	(90,546,130)	(196,351,030)
Proceeds from disposal of equity-method investments	36,628,970	-
Dividends on equity-method investments	7,933,157	9,439,305
Reduction in capital stock of equity-method investments		
by payments of cash	14,714,017	-
Proceeds from disposal of property, plant and equipment	73,464,113	114,547,697
Acquisition of property, plant and equipment	(139,565,284)	(121,537,540)
Acquisition of intangible assets	(819,282)	(5,234,438)
Acquisition of equity-method investments	(185,143,398)	(20,471,298)
Settlement of derivative instruments	28,765,486	12,872,138
Others	<u>(7,519,130)</u>	<u>(6,290,497)</u>
Net cash provided by (used in) investing activities	<u>(168,929,574)</u>	<u>60,016,863</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	409,350,209	548,227,681
Repayment of short-term borrowings	(560,297,922)	(463,728,670)
Proceeds from long-term debt	258,895,065	285,181,618
Repayment of long-term debt	(91,076,384)	(83,291,427)
Repayment of current maturities of long-term debt	(137,039,419)	(406,629,834)
Payments of dividends	(47,294,496)	(34,516,149)
Issuance of common stock through the exercise		
of stock warrants	60,274,419	-
Issuance of common stock through the exercise of stock options	944,519	-
Issuance of preferred stock due to exercise of stock warrants	1,546,946	-
Acquisition of treasury stock	<u>-</u>	<u>(21,839,709)</u>
Net cash used in financing activities	<u>(104,697,063)</u>	<u>(176,596,490)</u>
Net increase (decrease) in cash and cash equivalents	1,481,356	(3,926,616)
Cash and cash equivalents		
Beginning of the year	<u>14,726,937</u>	<u>18,653,553</u>
End of the year	<u>₩ 16,208,293</u>	<u>₩ 14,726,937</u>

The accompanying notes are an integral part of these non-consolidated financial statements.

CJ Corp.
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

1. The Company

CJ Corp. (the "Company") was incorporated in 1953 under the Commercial Code of the Republic of Korea to manufacture and sell refined sugar. The Company has subsequently expanded its business lines and, as of December 31, 2004, the Company is engaged in manufacturing and selling of refined sugar, wheat flour, animal feeds, food seasonings, medicines, processed meat and other household products.

삭제됨: 1. The Company:

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 million shares of capital stock with a par value per share of ₩5,000, which includes 20 million shares of cumulative, participating preferred stock that are non-voting and entitled to a minimum cash dividend at 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 at 1% of par value over common stock. As of December 31, 2004, 23,994,927 shares of common stock and 5,436,502 shares of preferred stock are issued and outstanding.

As of December 31, 2004, the major shareholders of the Company, including preferred shareholders, and their respective shareholdings are as follows :

Shareholder	Number of Shares Owned	Percentage of Ownership
Lee, Jay-Hyun	5,263,184	17.88%
CJ GLS Co., Ltd.	160,091	0.54%

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.

During the year ended December 31, 2004, warrants to purchase 1,568,871 shares of common stock and 51,665 shares of preferred stock were exercised at ₩38,448 per share and ₩30,000 per share, respectively, resulting to an additional paid-in capital in excess of par value of ₩53,719 million, net of stock issuance cost.

During the year ended December 31, 2004, stock options to purchase 19,000 and 3,200 shares of common stock, granted on August 14, 2001 and April 27, 2002, respectively, were exercised at ₩40,000 per share and ₩58,000 per share, respectively, resulting to an additional paid-in capital in excess of par value of ₩1,238 million, net of stock issuance cost.

CJ Corp.
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As of December 31, 2004, warrants to purchase 615,000 shares of preferred stock at ₩30,000 per share were vested and outstanding.

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, April 27, 2002, March 11, 2003 and April 8, 2004 stock options were granted to 56, 59, 65 and 63 employees and directors, respectively (Note 22).

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below.

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. 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. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

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, or cash flows, is not presented in the accompanying non-consolidated financial statements.

Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board 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 became effective on January 1, 2003 and the Company adopted these standards in its financial statements covering periods beginning on or after this date. And as SKFAS No. 10, No. 12 and 13 became applicable to the Company in January 1, 2004, the Company adopted these statements in its financial statements as of and for the year ended December 31, 2004.

CJ Corp.
Notes to Non-Consolidated Financial Statements
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Accounting Estimates

The preparation of the non-consolidated financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

Cash and 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 12 months of purchase are classified in the balance sheet as short-term financial instruments. The cost of these investments approximates fair value.

Allowance for Doubtful Accounts

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

Inventory Valuation

Inventories are stated at the lower of cost or market value. Cost is determined using the moving - average method, except for materials in transit which are stated at actual cost as determined by the specific identification method. If the net realizable value of inventory is less than its cost, a contra inventory account representing the valuation loss, is presented to reduce the inventory to its net realizable value. The said valuation loss ceased to exist, causing the market value to rise above the carrying amount, the valuation loss is reserved limited to the original carrying amount before valuation. The said reversal is a deduction from cost of sales.

During 2004, the Company changed its method of accounting for loss from inventory valuation and obsolescence from recording them in selling, general and administrative expenses to cost of sales, to conform to the SKFAS No. 10. The effect of this change was an increase in the cost of sales for 2004 by ₩17,110 million. The financial statements as of and for the year ended December 31, 2003 have been retroactively restated for the change, which resulted in an increase in cost of sales for 2003 of ₩13,292 million. This retroactive application of the new accounting method has no effect on the previously reported shareholders' equity, ordinary profit and net income.

CJ Corp.
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Property, Plant and Equipment and Related Depreciation

The cost of property plant, and equipment includes purchase costs or manufacturing costs, incidental costs directly related to preparing the premises and equipment for use. Property plant, and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method, based on the estimated useful lives of the assets as described below.

	Estimated useful Lives
Buildings and structures	8-30 years
Machinery and equipment	4-8 years
Vehicles	4 years
Tools, furniture and others	3-6 years
Garden	4-30 years

The Company assesses the potential impairment of property plant, and equipment when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. The carrying value of the assets is reduced to the estimated realizable value by recording an impairment loss charged to current operations and presenting it as a reduction from the said carrying value. However, any recovery of the impaired assets is recorded in current operations up to the carrying amount of the asset before impairment.

Maintenance and Repairs

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

Intangible Assets

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

	Estimated useful Lives
Goodwill	5 years
Intellectual property rights	5-10 years
Capitalized development costs	1 year

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 the new product or utilization of such technology.

CJ Corp.
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

The Company assesses the potential impairment of intangible assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. The carrying value of the assets is reduced to the estimated realizable value by recording an impairment loss charged to current operations and presenting it as a reduction from the said carrying value. However, any recovery of the impaired assets is recorded in current operations up to should not exceed the carrying amount of the asset before impairment.

Securities

Investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Investments in business entities in which the Company has a control or the ability to exercise a significant influence over the operating and financial policies are classified as equity-method investments. Trading securities are classified as current assets; while available-for-sale securities and held-to-maturity securities are classified as long-term investments, except those securities that will mature or are certain to be disposed of within one year which are then classified as current assets.

Cost is measured at the market value upon acquisition, including incidental costs, and is determined using the average cost method.

Available-for-sale securities are stated at fair value, while non-marketable equity securities are stated at cost. Non-marketable debt securities are stated at fair value, as evaluated by independent credit assessment institutions. Unrealized holding gains and losses on available-for-sale securities are reported in a separate component of shareholders' equity as capital adjustments, which are to be included in current operations upon the disposal or impairment of the securities. In the case of available-for-sale debt securities, the difference between the acquisition cost after amortization using the effective interest rate method and the fair value is reported in capital adjustments.

Impairment resulting from the decline in realizable value below the acquisition cost net of amortization is changed to current operations.

Equity-Method Investments

In the stand-alone financial statements of the Company, investments in business entities in which the Company has a control or the ability to exercise a significant influence over the operating and financial policies are accounted for using the equity method of accounting.

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

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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 five to 20 years using the straight-line method. However, differences which occur from additional investments made after the Company obtains 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, while income and expenses 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 investee since audit or review procedures for these investee are not yet completed as of the date of this audit report.

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.

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.

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.

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 and resulting translation losses and gains are recognized in current operations. As of December 31, 2004, exchange was for U.S. dollar is US\$1:₩1,043.8.

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Accrued Severance Benefits

Employees and directors with at least 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, 2004, approximately 55% 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.

Earnings Per Share

Basic earnings per share are calculated by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is calculated using the weighted-average number of common shares outstanding adjusted to include the potentially dilutive effect of convertible preferred stock, stock warrants and stock options.

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 arising 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. In case of cash flow hedges, unrealized holding gains and losses are recorded as capital adjustments in the balance sheet.

Government Grants

The Company recognizes government grants or customers' donations, which are to be redeemed, as liabilities. The government grants or customers' donations, which are intended to be used for the acquisition of certain assets, are deducted from the cost of the acquired assets. Before the acquisition of the assets specified by the grant or donation, the amounts are recognized as a deduction from the account under which the asset to be acquired is to be recorded, or from the other assets acquired as a temporary investment of the grant or donation received.

The government grants or customers' donations, contributed to compensate for specific expenses, are offset against the related expenses. Other government grants or customers' donations, for which the use or purpose is not specified, are recorded as gains from assets contributed, and are recognized in current operations.

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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, 2004 and 2003, consist of the following:

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)			
	2004	2004	2003	
Cash and cash equivalents				
Cash on hand and in banks	-	₩ -	₩	1,000
Passbook accounts	0 - 0.1	<u>16,208,293</u>	<u>14,725,937</u>	
		<u>₩ 16,208,293</u>	<u>₩ 14,726,937</u>	
Short-term financial instruments				
Passbook accounts	1.0	₩ 4,971,082	₩	4,120,953
Installment and time deposits	4.7	100,000		200,000
Other financial instruments	-	<u>21,000</u>	<u>26,500</u>	
		5,092,082		4,347,453
Less : Portions classified as non-current (Note 10)		<u>(121,000)</u>	<u>(126,500)</u>	
		<u>₩ 4,971,082</u>	<u>₩ 4,220,953</u>	

As of December 31, 2004, bank deposits amounting to ₩4,992,082 thousand are subject to withdrawal restrictions in relation to government-sponsored research and development projects and checking account. As of December 31, 2003, bank deposits amounting to ₩4,147,453 thousand were pledged as collateral with various bank loans.

4. Short-Term Available-For-Sale Securities

Short-term available-for-sale securities as of December 31, 2004 and 2003, consist of the following:

<i>(in thousands of Korean won)</i>	2004	2003
Subordinated beneficiary certificate	₩ -	₩ 42,982,759
Government and public bonds	<u>263</u>	<u>224</u>
	<u>₩ 263</u>	<u>₩ 42,982,983</u>

For the year ended December 31, 2004, the changes in valuation loss on short-term available-for-sale securities included in capital adjustments are as follows:

<i>(in thousands of Korean won)</i>	Balance as of December 31, 2003	Valuation Amount	Amount Included in Current Operations	Balance as of December 31, 2004
Government and public bonds	<u>₩ 26</u>	<u>₩ 7</u>	<u>₩ 26</u>	<u>₩ 7</u>

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5. Accounts and Notes Receivable

Accounts and notes receivable and their allowance for doubtful accounts as of December 31, 2004 and 2003, are as follows:

<i>(in thousands of Korean won)</i>	2004	2003
Trade accounts and notes receivable	₩ 32,113,907	₩ 50,198,069
Less: Allowance for doubtful accounts	<u>959,043</u>	<u>1,874,761</u>
	<u>₩ 31,154,864</u>	<u>₩ 48,323,308</u>
Other accounts and notes receivable	₩ 47,562,264	₩ 33,785,871
Less : Allowance for doubtful accounts	<u>2,281,361</u>	<u>23,832</u>
	<u>₩ 45,280,903</u>	<u>₩ 33,762,039</u>

The Company regularly sells to several financial institutions certain accounts receivable primarily from product sales to foreign countries, subject to limited recourse. Amounts which are excluded from the balance sheets under these arrangements and still outstanding as of December 31, 2004 and 2003, are ₩20,562 million and ₩18,756 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 were be replaced with trade accounts receivable from the above certain selected customers at every subsequent month end on an ongoing basis through November 2004. In November 2004, the said trust agreement was terminated. As a result of the above asset securitization, the Company recorded ₩7,871 million of loss on disposal of trade accounts receivable as non-operating expense for the year ended December 31, 2004.

On December 31, 2003 the Company entered into a trust agreement with Woori Bank to trust trade accounts receivable amounting to ₩80,254 million, outstanding as of December 20, 2003, for asset securitization, and sold trade accounts receivable of ₩76,000 million. The Company received cash and subordinated beneficiary certificates in return. In June 2004, the said trust agreement was terminated. As a result of the above asset securitization, the Company recorded ₩73 million of loss on disposal of trade accounts receivable as non-operating expense for the year ended December 31, 2004.

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On March 24, 2004, the Company entered into an agreement with Kookmin Bank to sell trade accounts receivable from certain selected 1,574 customers amounting to ₩ 53,299 million, outstanding as of February 29, 2004, for asset securitization pursuant to the Asset Securitization Law in Korea. The above trade accounts receivable sold initially were replaced with trade accounts receivable from the above certain selected customers at every subsequent month end on an ongoing basis through October 2004. In August 2004, the said agreement was terminated. As a result of the above asset securitization, the Company recorded ₩532 million of loss on disposal of trade accounts receivable as non-operating expense for the year ended December 31, 2004.

On November 29, 2004, the Company entered into an agreement with Kookmin Bank to sell trade accounts receivable from certain selected 4,041 customers amounting to ₩ 244,436 million, outstanding as of October 31, 2004, 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 October 2007. As of December 31, 2004, the Company has sold trade accounts receivable of ₩234,151 million from certain selected 1,574 customers, and in return, received ₩210,000 million in cash and subordinated beneficiary certificates amounting to ₩22,891 million, which are recorded as long-term available-for-sale securities (Note 12). As a result of the above asset securitization, the Company recorded ₩4,134 million of loss on disposal of trade accounts receivable as non-operating expense for the year ended December 31, 2004.

6. Inventories

Inventories as of December 31, 2004 and 2003, consist of the following:

<i>(in thousands of Korean won)</i>	2004	2003
Finished goods and merchandise	₩ 100,469,040	₩ 103,715,527
Semi-finished goods and work in-process	24,311,441	21,995,919
Raw materials and supplies	69,650,481	77,799,143
Materials in-transit	58,245,412	76,119,638
Allowances for inventory valuation	(963,136)	(994,580)
	<u>₩ 251,713,238</u>	<u>₩ 278,635,647</u>

Inventories are insured against fire and other casualty losses up to ₩173,819 million (2003 : ₩187,050 million) as of December 31, 2004.

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7. Long-Term and Short-Term Loans Receivable

Long-term and short-term loans receivable as of December 31, 2004 and 2003, consist of the following:

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)		
	2004	2004	2003
Loans to employee stock ownership association	-	₩ 38,865,062	₩ 38,859,987
Others	0.0 - 9.0	<u>1,604,564</u>	<u>2,011,678</u>
		40,469,626	40,871,665
Current portion of long-term loans receivable		<u>(107,070)</u>	<u>(39,270)</u>
		<u>₩ 40,362,556</u>	<u>₩ 40,832,395</u>

8. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2004 and 2003, and the changes in the account for the years then ended, consist of the following:

<i>(in thousands of Korean won)</i>	2004				
	Land	Buildings	Structures	Machinery	Vehicles
Balance at December 31, 2003	₩ 479,032,878	₩ 263,516,557	₩ 27,311,886	₩ 116,551,160	₩ 1,356,485
Acquisition	4,159,911	3,426,286	238,876	694,631	578,105
Transfer	14,945,842	9,863,678	2,920,709	39,761,527	39,938
Disposal	(24,720,018)	(12,919,610)	(1,318,835)	(3,821,439)	(20,115)
Depreciation	-	(19,309,186)	(3,329,460)	(38,409,093)	(803,983)
Balance at December 31, 2004	<u>₩ 473,418,613</u>	<u>₩ 244,577,725</u>	<u>₩ 25,823,176</u>	<u>₩ 114,776,786</u>	<u>₩ 1,150,430</u>

<i>(in thousands of Korean won)</i>	2004				
	Equipment	Others	Construction-in-progress	Machinery in transit	Total
Balance at December 31, 2003	₩ 71,632,392	₩ 2,862,609	₩ 12,631,109	₩ -	₩974,895,076
Acquisition	14,263,399	302,935	115,313,853	587,288	139,565,284
Transfer	9,603,602	13,312	(77,148,608)	-	-
Disposal	(2,298,165)	(93,465)	(602,291)	(587,288)	(46,381,226)
Depreciation	<u>(36,380,574)</u>	<u>(188,867)</u>	<u>-</u>	<u>-</u>	<u>(98,421,163)</u>
Balance at December 31, 2004	<u>₩ 56,820,654</u>	<u>₩ 2,896,524</u>	<u>₩ 50,194,063</u>	<u>₩ -</u>	<u>₩969,657,971</u>

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<i>(in thousands of Korean won)</i>	2003				
	Land	Buildings	Structures	Machinery	Vehicles
Balance at					
December 31, 2003	₩531,902,410	₩257,741,690	₩29,660,620	₩101,568,925	₩ 1,047,629
Acquisition	1,032,778	1,406,030	499,878	3,015,179	944,800
Transfer	16,363,405	29,503,901	1,884,988	54,899,136	80,687
Disposal	(70,265,715)	(6,230,719)	(1,395,092)	(3,127,918)	(3,260)
Depreciation	-	(18,904,345)	(3,338,508)	(39,804,162)	(713,371)
Balance at					
December 31, 2004	<u>₩479,032,878</u>	<u>₩263,516,557</u>	<u>₩27,311,886</u>	<u>₩116,551,160</u>	<u>₩ 1,356,485</u>

<i>(in thousands of Korean won)</i>	2003				
	Equipment	Others	Construction in-progress	Machinery in transit	Total
Balance at					
December 31, 2003	₩ 78,694,595	₩ 2,804,125	₩ 28,274,905	₩ 469,955	₩1,032,164,854
Acquisition	15,615,034	151,519	98,817,221	55,101	121,537,540
Transfer	12,052,141	201,815	(114,461,017)	(525,056)	-
Disposal	(698,360)	(94,497)	-	-	(81,815,561)
Depreciation	(34,031,018)	(200,353)	-	-	(96,991,757)
Balance at					
December 31, 2004	<u>₩ 71,632,392</u>	<u>₩ 2,862,609</u>	<u>₩ 12,631,109</u>	<u>₩ -</u>	<u>₩ 974,895,076</u>

In 2004, the Company sold its land in Yongsan with a book value of ₩24,103 million to Sunjin C.M.C. Co., Ltd. at ₩67,280 million, resulting in a gain on disposal ₩43,177 million, which is reported as non-operating income.

As of December 31, 2004, certain portions of the Company's property, plant and equipment are pledged as collateral for various bank loans up to a maximum of ₩23,000 million (Notes 14 and 15).

As of December 31, 2004, depreciable assets are insured against fire and other casualty losses, and business interruption losses up to ₩1,056,705 million and ₩191,296 million, respectively.

As of December 31, 2004, the value of land based on the posted price issued by the Korean tax authority amounted to ₩531,179 million (2003 : ₩475,345 million).

In accordance with the Asset Revaluation Law, several dates including 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, 2004, the remaining revaluation increment of ₩615,816 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.

As of December 31, 2004, construction in-progress consists mainly of costs incurred in the transfer of the Company's Pusan the first factory to Yangsanugok industrial complex.

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9. Intangible Assets

The details of the changes in intangible assets for the years ended December 31, 2004 and 2003, are as follows:

<i>(in thousands of Korean won)</i>	2004			
	Goodwill	Intellectual Property Rights	Development Costs	Total
Balance at				
December 31, 2003	₩ 1,553,693	₩ 2,700,118	₩ 5,677,056	₩ 9,930,867
Acquisition	-	819,199	83	819,282
Disposal	(12,000)	-	-	(12,000)
Amortization	(621,154)	(878,892)	(2,219,337)	(3,719,383)
Balance at				
December 31, 2004	₩ 920,539	₩ 2,640,425	₩ 3,457,802	₩ 7,018,766
Accumulated amortization	₩ 2,340,237	₩ 6,371,251	₩ 12,647,317	₩ 21,358,805
Accumulated impairment	₩ -	₩ -	₩ 7,067,863	₩ 7,067,863
	2003			
<i>(in thousands of Korean won)</i>	Goodwill	Intellectual Property Rights	Development Costs	Total
Balance at				
December 31, 2003	₩ 1,590,832	₩ 3,068,572	₩ 9,384,258	₩ 14,043,662
Acquisition ¹	503,000	477,893	4,253,545	5,234,438
Disposal	-	(4,755)	-	(4,755)
Amortization	(540,139)	(841,592)	(7,960,747)	(9,342,478)
Balance at				
December 31, 2004	₩ 1,553,693	₩ 2,700,118	₩ 5,677,056	₩ 9,930,867
Accumulated amortization	₩ 1,727,083	₩ 5,492,359	₩ 10,427,980	₩ 17,647,422
Accumulated impairment	₩ -	₩ -	₩ 7,067,863	₩ 7,067,863

¹ The amount of acquisition includes the amount transferred from other accounts such as construction-in-progress.

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The amortization expense of intangible assets for the years ended December 31, 2004 and 2003, is allocated to the following account:

Account	2004	2003
<i>(in thousands of Korean won)</i>		
Selling, general and administrative expenses	₩ 3,719,383	₩ 9,342,478

The Company expensed research and development costs of ₩48,169 thousand (2003 : ₩39,254 thousand) for the year ended December 31, 2004.

10. Long-Term Financial Instruments and Other Assets

Long-term financial instruments and other assets as of December 31, 2004 and 2003, consist of the following:

<i>(in thousands of Korean won)</i>	2004	2003
Long-term financial instruments (Note 3)	₩ 121,000	₩ 126,500
Long-term trade receivables (Note 11)	131,280	420,732
Long-term loans receivable (Note 7)	40,362,556	40,832,395
Long-term guarantee deposits	50,025,986	42,161,683
Less: Allowance for doubtful accounts	(31,649)	(105,277)
	<u>₩ 90,609,173</u>	<u>₩ 83,436,033</u>

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

As of December 31, 2004, accounts, including current maturities, which are valued at present value under rescheduled payment plans and long-term installment transactions are as follows:

<i>(in thousands of Korean won)</i>	Accounts	Face value	Discount	Present value
Rescheduled payment plans	Long-term trade receivables (Note 10)	<u>₩ 131,280</u>	<u>₩ 8,000</u>	<u>₩ 123,280</u>

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12. Long-Term Available-For-Sale Securities

Long-term available-for-sale securities as of December 31, 2004 and 2003, consist of the following:

<i>(in thousands of Korean won)</i>	Detail	2004			2003
		Acquisition Cost	Market Value or Net Book Value	Recorded Book Value	Recorded Book Value
Marketable investments	(1)	₩ 18,133,441	₩ 20,368,128	₩ 20,368,128	₩ 11,404,872
Non-marketable Investments	(2)	46,398,338	831,637,501	43,662,843	32,498,018
Other investments	(3)	25,558,763	25,706,003	25,114,230	54,363,030
		<u>₩ 90,090,542</u>	<u>₩ 877,711,632</u>	<u>₩ 89,145,201</u>	<u>₩ 98,265,920</u>

(1) Marketable investments

Marketable investments as of December 31, 2004 and 2003, consist of the following:

<i>(in thousands of Korean won)</i>	2004			2003		
	Number of Shares Owned	Percentage of Ownership	Acquisition Cost	Market Value or Net book Value	Recorded Book Value	Recorded Book Value
Samsung Corporation	1,124,280	0.01	₩13,944,006	₩14,446,998	₩14,446,998	₩11,130,372
Hotel Shilla Co., Ltd.	50,000	0.13	430,004	313,500	313,500	274,500
ShinDongBang Corp.	903,000	12.61	3,759,431	5,607,630	5,607,630	-
			<u>₩18,133,441</u>	<u>₩20,368,128</u>	<u>₩20,368,128</u>	<u>₩11,404,872</u>

As of December 31, 2004, 60,000 shares of Samsung Corporation were provided as collateral for the guarantee of the fulfillment of certain construction contracts.

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(2) Non-marketable investments

Non-marketable investments as of December 31, 2004 and 2003, consist of the following:

<i>(in thousands of Korean won, except number of shares owned and percentage of ownership)</i>	2004			2003		
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Market Value or Net book Value	Recorded Book Value	Recorded Book Value
Samsung Everland Co., Ltd.	58,823	2.35	₩5,180,472	₩35,146,457	₩5,180,472	₩5,180,472
Samsung Life Insurance Co., Ltd. ¹	1,902,800	9.51	1,540,386	759,324,428	1,540,386	1,540,386
Samsung Lions Co., Ltd.	29,999	15.00	149,992	-	-	-
JoongAng Ilbo	382,519	14.71	12,152,182	13,732,958	12,152,182	12,152,182
Unicham Co., Ltd.	140,000	10.00	1,400,000	1,039,861	1,033,105	1,033,105
Enbiogenesis Co., Ltd.	31,840	15.86	159,200	154,369	159,200	159,200
A Brain Co., Ltd.	179,290	14.29	1,237,500	926,230	926,230	926,230
Julynet Co., Ltd.	28,014	15.30	1,333,350	-	-	-
Bioholdings Co., Ltd. ¹	9,286	3.57	250,000	68,073	250,000	250,000
Naturobiotech Co., Ltd. ¹	24,537	7.92	144,000	28,768	144,004	144,004
Dream CIS Co., Ltd.	3,120	4.05	100,050	21,994	-	-
Pharmtechholdings Co., Ltd.	68,640	1.99	200,000	35,998	35,998	35,998
Ligen Biotech Inc. (Eugen Bio Inc.)	46,726	0.45	200,000	27,062	27,062	27,062
Ginseng Science Inc.	1,990	0.49	9,950	24,886	9,950	9,950
Ace Biotech Inc. ¹	5,652	1.23	100,000	38,998	100,000	100,000
Ezmedicom Inc. (Ezhospital Inc.) ¹	80,000	0.35	200,000	13,264	200,000	200,000
Gen Exel Inc. ¹	165,000	1.63	495,000	102,972	495,000	495,000
Korea CATV Yong- Dong Broadcast ¹	95,500	2.82	1,671,250	537,699	1,671,250	1,671,250
e-Farm Co., Ltd.	5,161	1.99	150,000	13,006	13,006	13,006

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(in thousands of Korean won)	2004				2003	
	Number of Shares Owned	Percentage of Ownership	Acquisition Cost	Market Value or Net book Value	Recorded Book Value	Recorded Book Value
Incheon Development Co., Ltd. ¹	685	2.85	₩ 14,800	₩ 2,534	₩ 14,800	₩ 14,800
The Korea Economic Daily Co., Ltd.	5,744	0.05	40,600	15,109	40,600	40,600
Jebun Industry Co., Ltd.	39,792	18.88	227,215	520,160	227,215	227,215
Korea Alcohol Sales Co., Ltd.	2,172	0.6	11,553	42,990	11,553	11,553
PPI Co., Ltd. (Pyong-hwa Plastic Industrial Co., Ltd.)	2	-	1,889	1,889	1,889	1,889
New Core Co., Ltd.	1	-	11	11	11	-
CJ Lion Corp.	190,000	19.00	5,912,327	5,912,327	5,912,327	-
Myanmar Cheil Jedang Co., Ltd.	-	-	-	-	-	2,415,408
CJ Entertainment, Ltd.	399	99.75	258,100	216,902	258,100	258,100
CJ Pacific Corp.	5	100.00	56,620	750,133	56,620	56,620
CJ Japan Corp.	-	-	-	-	-	405,048
CJ Chengdu Feed Co., Ltd.	-	100.00	1,798,440	1,534,980	1,798,440	1,568,840
CJ Shenyang Feed Co., Ltd.	-	100.00	1,791,000	1,791,000	1,791,000	1,791,000
CJ Qingdao Feed Co., Ltd.	-	100.00	1,769,100	1,769,100	1,769,100	1,769,100
CJ Zhengzhou Feed Co., Ltd.	-	100.00	1,916,208	1,916,208	1,916,208	-
CJ Guiyang Feed Co., Ltd.	-	100.00	1,385,880	1,385,880	1,385,880	-
CJ Nanjing Feed Co., Ltd.	-	100.00	2,324,200	2,324,200	2,324,200	-
CJ Tur Yem VE Ticaret Anonim Sirketi	-	99.99	2,217,055	2,217,055	2,217,055	-
			<u>₩46,398,338</u>	<u>₩831,637,501</u>	<u>₩ 43,662,843</u>	<u>₩ 32,498,018</u>

¹ As of December 31, 2004, the net asset values of certain investments, including Bioholdings Co., Ltd., have declined below their acquisition costs. However the Company did not adjust their carrying values to their net asset values, as their net asset values are likely to recover in subsequent periods.

As of December 31, 2004, investments in eight affiliated companies over which the Company exercises significant control or influence, including CJ Pacific Corp., were not valued using the equity method, due to the immateriality of their asset values.

During the year ended December 31, 2004, Myanmar Cheil Jedang Co., Ltd. was liquidated, while CJ Japan Corp., which was classified as a long-term available-for-sale security in 2003 due to insignificant asset values, was reclassified as an equity-method investment as its asset value became material.

CJ Corp.
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(3) Other investments

Other investments as of December 31, 2004 and 2003, consist of the following:

<i>(in thousands of Korean won)</i>	2004				2003	
	Number of Shares Owned	Percentage of Ownership	Acquisition Cost	Market Value or Net book Value	Recorded Book Value	Recorded Book Value
Investments in partnership	-	-	₩ 2,354,000	₩ 2,485,790	₩ 1,908,200	₩2,908,200
Securities market stabilization fund	-	-	-	-	-	1,440,629
Convertible bonds ¹	-	-	-	-	-	50,000,000
Subordinated beneficiary certificates	-	-	22,891,363	22,891,363	22,891,363	-
Others	-	-	313,400	328,850	314,667	14,201
			<u>₩25,558,763</u>	<u>₩25,706,003</u>	<u>₩25,114,230</u>	<u>₩54,363,030</u>

¹ For the year ended December 31, 2004, the Company recognized loss on impairment of available-for-sale securities amounting to ₩44,606 million in relation to the convertible bonds issued by CJ Investment & Securities Co., Ltd. The Company also recognized bad debt allowance of ₩26,182 million for accrued interest income from the above convertible bond amounting to ₩29,291 million. After the recognition of impairment loss and bad debt allowance, the remaining balance of ₩5,394 million of convertible bond and ₩3,109 million of accrued interest income were converted into preferred stock and reclassified as an equity-method investment.

For the years ended December 31, 2004 and 2003, the changes in valuation gain or loss on long-term available-for-sale securities are as follows:

Valuation Gain on Available-For-Sale Securities

(in millions of Korean won)

	2004				2003			
	Balance at January 1, 2004	Valuation Amount	Included in Earnings	Balance at December 31, 2004	Balance at January 1, 2003	Valuation Amount	Included in Earnings	Balance at December 31, 2003
Marketable stocks	₩ -	₩ 2,351	₩ -	₩ 2,351	₩ 2,112	₩ -	₩ 2,112	₩ -
Other	780	-	780	-	-	780	-	780
	<u>₩ 780</u>	<u>₩ 2,351</u>	<u>₩ 780</u>	<u>₩ 2,351</u>	<u>₩ 2,112</u>	<u>₩ 780</u>	<u>₩ 2,112</u>	<u>₩ 780</u>

Valuation Loss on Available-For-Sale Securities

(in millions of Korean won)

	2004				2003			
	Balance at January 1, 2004	Valuation Amount	Included in Earnings	Balance at December 31, 2004	Balance at January 1, 2003	Valuation Amount	Included in Earnings	Balance at December 31, 2003
Marketable stocks	₩ (2,969)	₩ 2,853	₩ -	₩ (116)	₩(16,151)	₩ 3,972	₩ (9,210)	₩ (2,969)
Other	(1,124)	-	-	(1,124)	-	(1,124)	-	(1,124)
	<u>₩ (4,093)</u>	<u>₩ 2,853</u>	<u>₩ -</u>	<u>₩ (1,240)</u>	<u>₩(16,151)</u>	<u>₩ 2,848</u>	<u>₩ (9,210)</u>	<u>₩ (4,093)</u>

CJ Corp.
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13. Equity-Method Investments

Equity-method investments as of December 31, 2004, consist of the following:

(in thousands of Korean won, except number of shares owned and percentage of ownership)	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Market Value or Net Book Value	Recorded Book Value
Morningwell Co., Ltd.	1,292,000	62.96	₩ 4,652,141	₩ 10,266,583	₩ 9,850,346
CJ Food System Co., Ltd.	5,592,220	59.63	43,038,582	25,836,056	49,296,056
CJ Foodville Co., Ltd.	3,000,000	84.83	15,000,000	20,759,386	20,775,185
Haechandle Co., Ltd.	228,000	50.00	52,999,984	30,387,843	47,013,446
CJ Development Co., Ltd.	5,287,465	99.87	58,259,716	79,423,740	69,051,386
CJ Systems Co., Ltd.	521,333	52.13	2,727,562	7,068,609	3,861,461
CJ Entertainment Inc.	6,556,101	36.78	39,434,492	108,175,667	66,652,989
CJ Media Inc.	3,399,181	58.06	51,404,414	19,485,524	19,155,394
CJ Home Shopping Co., Ltd.	2,473,171	30.00	231,570,000	147,153,675	216,100,497
CJ Media Line Inc. ¹	2,588,640	50.21	6,000,000	1,676,479	1,676,479
CJ Investment & Securities Co., Ltd.	14,663,718	31.88	81,038,721	-	-
Preference share CJ Investment & Securities Co., Ltd.	3,152,696	20.64	8,502,821	8,502,821	8,502,821
CJ Venture Capital Co., Ltd.	3,600,000	90.00	18,000,000	7,637,615	7,637,615
Enprari Co., Ltd.	1,240,209	27.76	6,201,046	4,668,143	4,608,918
MD1 Co., Ltd.	40,000	100.00	200,000	1,784,787	1,816,091
Samyang Oil Co., Ltd. ¹	3,778,784	99.99	18,981,276	12,337,556	14,059,387
Superfeed Co., Ltd. ¹	1,128,728	99.99	5,669,733	14,866,999	17,424,074
CJ Olive Young Co., Ltd.	1,210,000	50.00	6,050,000	3,730,629	3,716,451
CJ Internet Co., Ltd.	2,309,500	10.48	44,584,112	23,903,325	40,704,007
Hanil Pharmaceutical Ind. Co., Ltd.	4,341,963	49.34	23,215,764	39,077,667	21,937,437
ShinDongBang CP Corporation	2,847,101	94.90	76,480,000	41,282,965	59,443,699
CJ America Inc.	156	100.00	11,573,855	4,434,494	3,719,035
CJ China Ltd. (CJ HongKong Ltd.)	299	99.67	157,890	3,009,574	2,444,891
CJ Philippines Inc.	764,400	70.00	2,477,386	5,671,813	5,667,469
P.T. Cheil Jedang Superfeed (P.T. CJS)	2,500	20.83	2,073,500	1,336,946	1,336,946
P.T. Cheil Jedang Indonesia (P.T. CJJ) ¹	102,224	100.00	97,869,072	182,756,858	178,974,050
CJ Qingdao Food Co., Ltd.	-	85.90	9,652,091	9,269,225	8,828,314
CJ Ord River Sugar Pty., Ltd.	130,000,020	20.00	1,583,920	2,319,816	2,289,632
CJ Vina Agri Co., Ltd.	-	100.00	5,748,934	4,875,078	4,875,078
CJ Europe GmbH.	-	100.00	150,338	1,045,228	902,684
Lee Entertainment L.L.C.	150,735,911	99.36	147,862,055	200,394,348	200,394,348
CJ Cambodia Co., Ltd.	50	50.00	3,129,288	1,298,327	1,335,881
CJ Japan Corp.	4,000	100.00	405,048	573,293	573,293
CJ Liaocheng Biotech Co., Ltd.	-	100.00	17,232,000	17,232,000	17,232,000
CJ Beijing beverage & foods Co., Ltd.	-	85.90	13,056,834	13,032,143	12,494,111
Stock warrants of CJ Home Shopping	517,241	-	33,430,000	11,960,109	11,960,109
			<u>₩1,140,412,575</u>	<u>₩1,067,235,321</u>	<u>₩1,136,311,580</u>

¹ During 2004, Samyang Oil & Feed Co., Ltd. was split into Samyang Oil Co., Ltd and Superfeed Co., Ltd., while P.T. Cheil Samsung Indonesia merged with P.T. Cheil Jedang Indonesia. Also, CJ Music Co., Ltd. merged with CJ Media Line Inc. and Beijing CJ Foods Co., Ltd., was liquidated.

The Company discontinued the equity method of accounting for its investments in CJ Investments & Securities Co., Ltd., an equity method investee, since the book value of the investments decreased below zero.

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Equity-method investments as of December 31, 2003, consist of the following:

(in thousands of Korean won, except number of shares owned and percentage of ownership)	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Market Value or Net Book Value	Recorded Book Value
Morningwell Co., Ltd.	1,292,000	62.96	₩ 4,652,141	₩ 12,718,800	₩ 12,544,150
CJ Food System Co., Ltd.	5,592,220	59.63	43,038,582	32,714,487	50,044,180
CJ Foodvill Co., Ltd.	3,000,000	85.30	15,000,000	21,266,430	21,239,275
Haechandle Co., Ltd.	228,000	50.0	52,999,984	27,688,135	47,507,718
CJ Development Co., Ltd.	5,287,465	99.87	58,259,716	71,143,016	62,436,449
CJ Systems Co., Ltd.	521,333	52.13	2,727,562	5,261,565	2,585,118
CJ Entertainment Inc.	5,691,060	37.04	28,967,495	112,682,988	43,082,999
CJ Media Inc.	1,208,676	54.76	40,451,889	12,318,462	12,318,591
CJ Home Shopping Co., Ltd.	2,473,171	30.00	231,570,000	130,583,429	216,059,286
CJ Music Co., Ltd.	1,200,000	81.63	6,000,000	3,325,819	3,325,819
CJ Investment & Securities Co., Ltd.	14,663,718	31.88	81,038,721	-	-
CJ Venture Capital Co., Ltd.	3,600,000	90.00	18,000,000	9,927,996	9,927,996
Enprari Co., Ltd.	1,240,209	27.76	6,201,046	5,130,606	5,071,381
MD1 Co., Ltd.	40,000	100.00	200,000	1,356,192	1,356,192
Samyang Oil & Feed Co., Ltd.	4,907,512	99.99	24,651,010	20,238,100	26,224,586
CJ Olive Young Co., Ltd.	1,210,000	50.00	6,050,000	4,355,043	4,355,043
CJ America Inc.	156	100.00	11,573,855	10,427,489	9,779,647
CJ HongKong Ltd.	299	100.00	157,890	2,743,591	2,586,551
CJ Philippines Inc.	764,400	70.00	2,477,386	5,787,379	5,780,106
P.T. Cheil Jedang Superfeed	2,500	20.83	2,073,500	-	-
P.T. Cheil Jedang Indonesia	1,500	10.00	1,248,450	1,325,210	1,325,210
P.T. Cheil Samsung Indonesia	1,047,939,950	91.76	96,620,622	224,653,009	219,598,344
CJ Qingdao Food Co., Ltd.	-	85.90	22,708,925	27,331,840	26,031,514
Beijing CJ Foods Co., Ltd.	-	53.36	5,838,497	1,014,749	1,014,749
CJ Ord River Sugar Pty., Ltd.	130,000,020	20.00	1,583,920	2,563,893	2,509,552
CJ Vina Agri Co., Ltd.	-	100.00	5,748,934	4,638,115	4,638,115
CJ Europe GMBH.	-	100.00	150,338	689,929	686,695
Lee Entertainment L.L.C.	165,735,911	99.36	162,576,072	74,004,530	74,004,530
CJ Cambodia Co., Ltd.	-	50.00	3,129,289	1,834,278	1,890,609
Stock warrants of CJ Home Shopping	517,241	6.27	33,430,000	16,640,264	16,640,264
			<u>₩969,125,824</u>	<u>₩844,365,344</u>	<u>₩884,564,669</u>

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Changes in goodwill (negative goodwill) for the year ended December 31, 2004, are as follows:

<i>(in thousands of Korean won)</i>	Balance at Beginning of Year	Increase (Decrease)	Amortization (Reversal)	Balance at End of Year
CJ Food System Co., Ltd.	₩ 24,345	₩ -	₩ 12,173	₩ 12,172
Haechandle Co., Ltd.	19,897,460	-	3,214,733	16,682,727
CJ Development Co., Ltd.	34,790	-	14,218	20,572
CJ Systems Co., Ltd.	7,827	-	7,827	-
CJ Entertainment Inc.	1,532,663	-	1,226,131	306,532
CJ Media Inc.	(53,849)	(324,089)	(118,667)	(259,271)
CJ Home Shopping Co., Ltd.	164,447,584	-	9,966,520	154,481,064
Samyang Oil Co., Ltd.	5,986,486	(2,983,254)	1,070,389	1,932,843
Superfeed Co., Ltd.	-	2,983,254	426,179	2,557,075
CJ Internet Co., Ltd.	-	29,367,191	1,468,360	27,898,831
Hanil Pharmaceutical Ind, Co., Ltd.	-	2,089,975	313,496	1,776,479
P.T.Cheil Samsung Indonesia (P.T.CSI)	(223,090)	-	(223,090)	-
CJ Qingdao Food Co., Ltd.	(1,076,125)	526,619	(171,070)	(378,436)
CJ Beijing beverage & foods Co., Ltd.	-	(526,619)	(64,824)	(461,795)
CJ Ord River Sugar Pty., Ltd.	(54,331)	-	(24,147)	(30,184)
CJ Europe GmbH.	(3,234)	-	(1,617)	(1,617)
CJ Cambodia Co., Ltd.	56,331	-	18,776	37,555
ShinDongBang CP Corporation Stock warrants of CJ Home Shopping Co., Ltd.	-	70,933,896	5,320,042	65,613,854
	<u>16,640,264</u>	<u>-</u>	<u>4,680,155</u>	<u>11,960,109</u>
	<u>₩207,217,121</u>	<u>₩102,066,973</u>	<u>₩ 27,135,584</u>	<u>₩282,148,510</u>

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Changes in goodwill (negative goodwill) for the year ended December 31, 2003, are as follows:

<i>(in thousands of Korean won)</i>	Balance at Beginning of Year	Increase (Decrease)	Amortization (Reversal)	Balance at End of Year
Morningwell Co., Ltd.	₩ (1,949,538)	₩ -	₩(1,949,538)	₩ -
CJ Food System Co., Ltd.	4,469,897	-	4,445,552	24,345
Haechandle Co., Ltd.	23,112,193	-	3,214,733	19,897,460
CJ Development Co., Ltd.	49,008	-	14,218	34,790
CJ Systems Co., Ltd.	15,655	-	7,828	7,827
CJ Entertainment Inc.	2,758,794	-	1,226,131	1,532,663
CJ Media Inc.	1,630,599	-	1,684,448	(53,849)
CJ Home Shopping Co., Ltd.	174,414,104	-	9,966,520	164,447,584
CJ Investment & Securities Co., Ltd.	14,994,427	-	14,994,427	-
Samyang Oil & Feed Co., Ltd.	7,483,109	-	1,496,623	5,986,486
P.T.Cheil Samsung Indonesia (P.T.CSI)	(456,115)	-	(233,025)	(223,090)
CJ Qingdao Food Co., Ltd.	(206,688)	(921,109)	(51,672)	(1,076,125)
Beijing CJ Foods Co., Ltd.	37,509	-	37,509	-
CJ Ord River Sugar Pty., Ltd.	(78,479)	-	(24,148)	(54,331)
CJ Europe GMBH.	(1,594)	-	1,640	(3,234)
Lee Entertainment L.L.C.	45,955	-	45,955	-
CJ Cambodia Co., Ltd.	75,109	-	18,778	56,331
Stock warrants of				
CJ Home Shopping Co., Ltd.	21,307,632	-	4,667,368	16,640,264
	<u>₩247,701,577</u>	<u>₩ (921,109)</u>	<u>₩ 39,563,347</u>	<u>₩207,217,121</u>

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Information relating to the elimination of unrealized gains and losses arising from transactions with equity-method investees as of December 31, 2004 and 2003, are as follows:

<i>(in thousands of Korean won)</i>	2004			2003		
	Current Assets	Property, Plant and Equipment, and Intangible Assets	Total	Current Assets	Property, Plant and Equipment, and Intangible Assets	Total
Morningwell Co., Ltd.	₩ (416,237)	₩ -	₩ (416,237)	₩ (174,650)	₩ -	₩ (174,650)
CJ Food System Co., Ltd.	(1,548,547)	-	(1,548,547)	(448,428)	-	(448,428)
CJ Foodville Co., Ltd.	15,799	-	15,799	(27,155)	-	(27,155)
Haechandle Co., Ltd.	(57,124)	-	(57,124)	(77,877)	-	(77,877)
CJ Development Co., Ltd.	-	(10,392,926)	(10,392,926)	-	(8,741,357)	(8,741,357)
CJ Systems Co., Ltd.	-	(3,207,148)	(3,207,148)	-	(2,684,274)	(2,684,274)
CJ Entertainment Inc.	29,364	-	29,364	-	-	-
CJ Media Inc.	(70,859)	-	(70,859)	53,978	-	53,978
CJ Home Shopping Co., Ltd.	(2,240)	-	(2,240)	(7,954)	-	(7,954)
Enprani Co., Ltd.	(59,225)	-	(59,225)	(59,225)	-	(59,225)
MD1 Co., Ltd.	31,304	-	31,304	-	-	-
Samyang Oil Co., Ltd.	(211,012)	-	(211,012)	-	-	-
CJ Olive Young Co., Ltd.	(14,178)	-	(14,178)	-	-	-
CJ America Inc.	(715,459)	-	(715,459)	(647,842)	-	(647,842)
CJ China Ltd (CJ HongKong Ltd.)	(564,683)	-	(564,683)	(157,040)	-	(157,040)
CJ Philippines Inc.	(4,344)	-	(4,344)	(7,273)	-	(7,273)
P.T. Cheil Samsung Indonesia (P.T. CSI)	(3,782,808)	-	(3,782,808)	(4,831,575)	-	(4,831,575)
CJ Qingdao Food Co., Ltd.	(62,475)	-	(62,475)	(224,201)	-	(224,201)
CJ Europe GmbH	(140,927)	-	(140,927)	-	-	-
CJ Beijing Beverage & Foods Co., Ltd.	(76,237)	-	(76,237)	-	-	-
	<u>₩ 7,649,888</u>	<u>₩ (13,600,074)</u>	<u>₩(21,249,962)</u>	<u>₩ (6,609,242)</u>	<u>₩ (11,425,631)</u>	<u>₩(18,034,873)</u>

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The changes in the book values of equity-method investments for the year ended December 31, 2004, are as follows:

<i>(in thousands of Korean won)</i>	Balance at Beginning of Year	Earnings from Equity- method Investments	Other Increase (Decrease)	Balance at End of Year
Morningwell Co., Ltd.	₩ 12,544,150	₩ (2,693,804)	₩ -	₩ 9,850,346
CJ Food System Co., Ltd.	50,044,180	216,244	(964,368)	49,296,056
CJ Foodville Co., Ltd.	21,239,275	(693,296)	229,206	20,775,185
Haechandle Co., Ltd.	47,507,718	1,504,686	(1,998,958)	47,013,446
CJ Development Co., Ltd.	62,436,449	6,614,937	-	69,051,386
CJ Systems Co., Ltd.	2,585,118	1,276,343	-	3,861,461
CJ Entertainment Inc.	43,082,999	6,185,674	17,384,316	66,652,989
CJ Media Inc.	12,318,591	(4,131,370)	10,968,173	19,155,394
CJ Home Shopping Co., Ltd.	216,059,286	3,851,781	(3,810,570)	216,100,497
CJ Media Line Inc.	3,325,819	(1,625,532)	(23,808)	1,676,479
CJ Investment & Securities Co., Ltd.	-	-	-	-
Preference share CJ Investment & Securities Co., Ltd.	-	-	8,502,821	8,502,821
CJ Venture Capital Co., Ltd.	9,927,996	(2,278,054)	(12,327)	7,637,615
Enprani Co., Ltd.	5,071,381	(462,463)	-	4,608,918
MD1 Co., Ltd.	1,356,192	459,899	-	1,816,091
Samyang Oil Co., Ltd.	26,224,586	4,360,257	(16,525,456)	14,059,387
Superfeed Co., Ltd.	-	(147,208)	17,571,282	17,424,074
CJ Olive Young Co., Ltd.	4,355,043	(638,592)	-	3,716,451
CJ Internet Co., Ltd.	-	(2,994,942)	43,698,949	40,704,007
Hanil Pharmaceutical Ind, Co., Ltd.	-	(1,278,327)	23,215,764	21,937,437
ShinDongBang CP Corporation	-	(16,961,693)	76,405,392	59,443,699
CJ Lion Corp.	-	291,234	(291,234)	-
CJ America Inc.	9,779,647	(5,287,111)	(773,501)	3,719,035
CJ China Ltd. (CJ HongKong Ltd.)	2,586,551	273,932	(415,592)	2,444,891
CJ Philippines Inc.	5,780,106	1,307,311	(1,419,948)	5,667,469
P.T. Cheil Jedang Superfeed (P.T. CJS)	-	1,882,223	(545,277)	1,336,946
P.T. Cheil Jedang Indonesia (P.T. CJI)	220,923,554	40,027,883	(81,977,387)	178,974,050
CJ Qingdao Food Co., Ltd.	26,031,514	(1,437,820)	(15,765,380)	8,828,314
Beijing CJ Foods Co., Ltd.	1,014,749	-	(1,014,749)	-
CJ Ord River Sugar Pty., Ltd.	2,509,552	20,048	(239,968)	2,289,632
CJ Vina Agri Co., Ltd.	4,638,115	854,308	(617,345)	4,875,078
CJ Europe GmbH.	686,695	251,656	(35,667)	902,684
Lee Entertainment L.L.C.	74,004,530	13,899,118	112,490,700	200,394,348
CJ Cambodia Co., Ltd.	1,890,609	(349,243)	(205,485)	1,335,881
CJ Japan Corp.	-	190,454	382,839	573,293
CJ Liaocheng Biotech Co., Ltd.	-	-	17,232,000	17,232,000
CJ Beijing beverage & foods Co., Ltd.	-	97,732	12,396,379	12,494,111
Stock warrants of CJ Home Shopping Co., Ltd.	16,640,264	(4,680,155)	-	11,960,109
	<u>₩ 884,564,669</u>	<u>₩ 37,906,110</u>	<u>₩ 213,840,801</u>	<u>₩ 1,136,311,580</u>

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The changes in the book values of equity-method investments for the year ended December 31, 2003 are as follows:

<i>(in thousands of Korean won)</i>	Balance at Beginning of Year	Earnings from Equity- method Investments	Other Increase (Decrease)	Balance at End of Year
Morningwell Co., Ltd.	₩ 15,875,455	₩4,658,600	₩(7,989,905)	₩12,544,150
CJ Food System Co., Ltd.	54,870,689	(3,508,903)	(1,317,606)	50,044,180
CJ Foodville Co., Ltd.	20,544,611	694,664	-	21,239,275
Haechandle Co., Ltd.	49,578,297	(69,191)	(2,001,388)	47,507,718
CJ Development Co., Ltd.	58,207,914	4,228,535	-	62,436,449
CJ Systems Co., Ltd.	1,313,157	1,271,961	-	2,585,118
CJ Entertainment Inc.	41,109,601	4,989,452	(3,016,054)	43,082,999
CJ Media Inc.	13,158,821	(2,935,565)	2,095,335	12,318,591
CJ Home Shopping Co., Ltd.	220,535,320	206,773	(4,682,807)	216,059,286
CJ Investment & Securities Co., Ltd.	19,371,730	(16,467,515)	(2,904,215)	-
CJ Venture Capital Co., Ltd. (Dream Discovery Co., Ltd.)	13,414,882	(3,565,331)	78,445	9,927,996
Enprani Co., Ltd.	5,199,541	(128,160)	-	5,071,381
CJ Music Co., Ltd. (Dream Music Co., Ltd.)	4,849,082	(1,523,263)	-	3,325,819
Samyang Oil & Feed Co., Ltd.	24,650,886	3,226,710	(1,653,010)	26,224,586
CJ Olive Young Co., Ltd.	6,050,000	(2,604,957)	910,000	4,355,043
MDI Co., Ltd.	-	1,156,192	200,000	1,356,192
CJ America Inc.	10,676,780	(882,917)	(14,216)	9,779,647
CJ HongKong Ltd.	1,912,309	666,152	8,090	2,586,551
CJ Philippines Inc.	4,878,924	1,312,172	(410,990)	5,780,106
P.T. Cheil Jadang Uperfeed	-	-	-	-
P.T. Cheil Jedang Indonesia (P.T. CJI)	1,406,701	121,280	(202,771)	1,325,210
P.T. Cheil Samsung Indonesia (P.T.CSI)	158,141,022	55,117,020	6,340,302	219,598,344
CJ Qingdao Food Co., Ltd.	8,561,397	160,488	17,309,629	26,031,514
Beijing CJ Foods Co., Ltd.	962,626	(335,499)	387,622	1,014,749
CJ Ord River Sugar Pty., Ltd.	1,898,684	(7,346)	618,214	2,509,552
CJ Vina Agri Co., Ltd.	2,796,967	829,591	1,011,557	4,638,115
CJ Europe GMBH.	375,643	220,150	90,902	686,695
Lee Entertainment L.L.C.	73,627,429	589,376	(212,275)	74,004,530
CJ Cambodia Co., Ltd.	2,238,434	(342,131)	(5,694)	1,890,609
Stock warrants of CJ Home Shopping Co., Ltd.	21,307,632	(4,667,368)	-	16,640,264
	<u>₩837,514,534</u>	<u>₩42,410,970</u>	<u>₩4,639,165</u>	<u>₩884,564,669</u>

CJ Corp.
Notes to Non-Consolidated Financial Statements
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Gain or loss on equity-method investments recorded in capital adjustments as of December 31, 2004 and 2003, are as follows:

(in millions of Korean won)

	2004				2003			
	Balance at January 1, 2004	Valuation Amount	Included in Earnings	Balance at December 31, 2004	Balance at January 1, 2003	Valuation Amount	Included in Earnings	Balance at December 31, 2003
Gains on valuation of investment securities using equity method	₩ 46,927	₩122,693	₩ 3,805	₩ 165,815	₩ 44,280	₩2,647	₩ -	₩ 46,927
Losses on valuation of investment securities using equity method	(18,049)	(76,738)	-	(94,787)	(8,855)	(9,194)	-	(18,049)
	<u>₩ 28,878</u>	<u>₩ 45,955</u>	<u>₩ 3,805</u>	<u>₩ 71,028</u>	<u>₩ 35,425</u>	<u>₩(6,547)</u>	<u>₩ -</u>	<u>₩ 28,878</u>

The following equity-method investments as of December 31, 2004, were accounted for based on the unaudited or unreviewed financial statements of the investees.

(in thousands of Korean won)	Expected Closing Date	Net Book Value Before Adjustment	Adjustment	Net Book Value After Adjustment
Enprari Co., Ltd.	March 15, 2005	₩ 16,815,148	₩ -	₩ 16,815,148
Hanil Pharmaceutical Ind, Co., Ltd.	March 15, 2005	40,860,880	-	40,860,880
CJ Development Co., Ltd.	March 15, 2005	79,527,055	-	79,527,055
CJ Philippines Inc.	March 15, 2005	8,108,713	(406,123)	7,702,590
CJ America Inc.	March 15, 2005	4,434,494	-	4,434,494
CJ Qingdao Food Co., Ltd.	March 15, 2005	11,030,751	(240,470)	10,790,281
CJ Beijing beverage & foods Co., Ltd.	March 15, 2005	15,794,300	-	15,794,300
CJ Ord River Sugar Pty., Ltd.	March 15, 2005	11,599,081	-	11,599,081
CJ Vina Agri Co., Ltd.	March 15, 2005	5,114,442	(239,364)	4,875,078
CJ Cambodia Co., Ltd.	March 15, 2005	2,596,653	-	2,596,653
CJ Liaocheng Biotech Co., Ltd.	March 15, 2005	17,232,000	-	17,232,000
		<u>₩ 213,113,517</u>	<u>(885,957)</u>	<u>₩ 212,227,560</u>

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The following equity-method investments as of December 31, 2003 were accounted for based on the unaudited or unreviewed financial statements of the investees.

<i>(in thousands of Korean won)</i>	Expected Closing Date	Net Book Value Before Adjustment	Adjustment	Net Book Value After Adjustment
CJ Music Co., Ltd. (Dream Music Co., Ltd.)	March 15, 2004	₩ 4,929,128	₩ (855,000)	₩ 4,074,128
CJ America Inc.	March 15, 2004	10,427,489	-	10,427,489
CJ Philippines Inc.	March 15, 2004	9,120,184	(852,499)	8,267,685
CJ Qingdo Food Co., Ltd.	March 15, 2004	32,282,123	(465,196)	31,816,927
Beijing CJ Food Co., Ltd.	March 15, 2004	2,647,024	(745,249)	1,901,775
CJ Vina Agri Co., Ltd.	March 15, 2004	4,638,115	-	4,638,115
CJ Cambodia Co., Ltd.	March 15, 2004	3,668,556	-	3,668,556
		<u>₩ 67,712,619</u>	<u>₩ (2,917,944)</u>	<u>₩ 64,794,675</u>

14. Short-Term Borrowings

Short-term borrowings as of December 31, 2004 and 2003, consist of the following:

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)		
	2004	2004	2003
Bank overdraft facilities	5.93 - 7.55	₩ 1,751,314	₩ 1,969,904
General term loans	-	-	131,491,000
Usance financing	2.13 - 3.055	154,233,536	150,423,516
Notes discounted	3.6	<u>12,000,000</u>	<u>48,000,000</u>
		<u>₩ 167,984,850</u>	<u>₩ 331,884,420</u>

As of December 31, 2004, the Company has bank overdraft agreements up to a maximum of ₩76,000 million with several Korean banks.

CJ Corp.
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15. Long-Term Debts

Long-term debts as of December 31, 2004 and 2003, consists of the following:

<i>(in thousands of Korean won)</i>	2004	2003
Won currency loans ¹	₩ -	₩ 1,198,841
Foreign currency loans (Won equivalent) ²	171,179,908	253,289,914
Debentures ³	<u>292,259,974</u>	<u>197,887,161</u>
	463,439,882	452,375,916
Less: Current maturities	<u>(178,000,293)</u>	<u>(136,967,474)</u>
	<u>₩ 285,439,589</u>	<u>₩ 315,408,442</u>

¹ Won currency loans as of December 31, 2004 and 2003, consist of the following :

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)		
	2004	2004	2003
Bank of America	-	<u>₩ -</u>	<u>₩ 1,198,841</u>

² Long-term debts denominated in foreign currencies as of December 31, 2004 and 2003, consist of the following:

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)		
	2004	2004	2003
ABN AMRO	-	₩ -	₩ 55,980,000
Korea Development Bank	-	-	563,511
Woori Bank	1.18 - 1.90	111,210,510	105,572,681
Kookmin Bank	-	-	3,624,250
Shinhan Bank	1.21 - 1.95	54,125,458	50,069,207
Hana Bank and others	1.19 - 1.34	<u>5,843,940</u>	<u>37,480,265</u>
		<u>₩ 171,179,908</u>	<u>₩ 253,289,914</u>

CJ Corp.
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³ Debentures outstanding as of December 31, 2004 and 2003, consist of the following :

<i>(in thousands of Korean won)</i>	Annual Interest		
	Rates (%)		
	2004	2004	2003
Public bonds, payable through	4.86 - 5.58	₩ 144,497,387	₩ 50,000,000
Private bonds	7.30	50,000,000	50,000,000
Bonds payable in foreign currency ¹	2.41	97,728,000	98,805,825
Less : Unamortized discounts		(1,424,328)	(1,794,099)
Add : Long-term accrued interests		<u>1,458,915</u>	<u>875,435</u>
		<u>₩ 292,259,974</u>	<u>₩ 197,887,161</u>

¹ 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.

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, 2003 through May 23, 2006.
- Exchange Rate : ₩1,235.9/US\$ 1.00

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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 ₩583,480 thousand were recognized as long-term accrued interest payable for the year ended December 31, 2004.

In order to hedge the impact of fluctuations in interest rates with regard to the above foreign bonds, the Company has entered into interest rate swap contracts with two foreign banks and recorded ₩5,503 million of valuation gain on interest rate swap in non-operating income for the year ended December 31, 2004 (Note 18).

Certain property, plant and equipment are pledged as collateral for the above long-term debts (Notes 8).

Maturities of long-term debt outstanding as of December 31, 2004, excluding discounts and long-term accrued interests on debentures are as follows:

(in thousands of Korean won)

Year of maturity	Foreign		Total
	Currency Loans	Debentures	
2006	₩ 43,179,615	₩ 147,728,000	₩ 190,907,615
2007	-	94,497,387	94,497,387
	<u>₩ 43,179,615</u>	<u>₩ 242,225,387</u>	<u>₩ 285,405,002</u>

16. Accrued Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2004 and 2003 consist of the following:

(in thousands of Korean won)

	2004	2003
Accrued severance benefits	₩ 76,960,884	₩ 79,829,143
Less : Funded portion		
Severance insurance fund	(42,546,842)	(46,362,451)
National Pension Fund	<u>(1,737,224)</u>	<u>(2,415,873)</u>
Unfunded portion	<u>₩ 32,676,818</u>	<u>₩ 31,050,819</u>

CJ Corp.
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17. Commitments and Contingencies

As of December 31, 2004, the Company is contingently liable for guarantees of indebtedness of related companies amounting to approximately ₩469,623 million. In addition, as of December 31, 2004, the Company provided guarantees of contract fulfillment for related companies in the amount of ₩4,175 million (Note 27).

As of December 31, 2004, the Company has credit agreements with Shinhan bank and other financial institutions to pay for goods and services provided by its suppliers with its exclusive purchase card up to a maximum of ₩120,000 million.

As of December 31, 2004, the Company is a party to various legal claims and proceedings amounting to ₩1,174 million as plaintiff and ₩13,494 million as defendant, all of which are pending as of December 31, 2004. 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.

In 2002, the Company became 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. This lawsuit was settled on July 10, 2003 in the amount of US\$ 42 million, of which ₩42,014 million and ₩8,096 million were recorded in non-operating expenses for the year ended December 31, 2002 and 2003, respectively. Moreover, the Company recognized a loss of ₩12,593 million arising from the partial settlement of the law suit filed by other parties in 2003 and made a provision for further potential losses of ₩2,515 million and ₩7,498 million, which were recorded in non-operating expenses for the year ended December 31, 2004 and 2003, respectively.

As of December 31, 2004, the Company has technical assistance agreements with certain companies. Total royalty fees incurred for the year ended December 31, 2004 with respect to these agreements amounted to approximately ₩4,452 million (2003 : ₩4,096 million).

As of December 31, 2004, the Company has banker's usance borrowing agreements up to a maximum of ₩788,576 million with several Korean banks.

As of December 31, 2004, a promissory note and a check totaling ₩3,188 million, and two blank notes were provided to financial institutions as collateral for bank loans and for the fulfillment of certain contracts.

In 2001, the Company disposed of 200,000 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 excess amounts, if any, of the settlement price over 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. common share for the six or 12 months before and including the expiration date, but is less than the upper strike price. This agreement was settled on April 12, 2004, the expiration date, and gain on settlement of derivative instrument of ₩36 million was recorded as non-operating income for the year ended December 31, 2004.

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18. Derivative Instruments

Derivative instruments as of December 31, 2004 and 2003, consist of the following:

<i>(in thousands of Korean won)</i>		Account	2004	2003	
Commodity Futures	Balance Sheet	Other accounts and notes receivable	₩ 681,662	₩ -	
		Other accounts and notes payable	-	1,789,145	
	Statements Income	Gain (loss) on settlement	15,800	(3,500)	
		Gain (loss) on valuation	681,662	(1,789,145)	
Currency Forward	Balance Sheet	Derivative instruments assets	-	715,987	
	Statements Income	Gain (loss) on settlement	8,929,935	(2,055,451)	
		Gain (loss) on valuation	-	373,839	
Currency swap	Balance Sheet	Derivative instruments liabilities	-	2,212,580	
	Statements Income	Gain (loss) on settlement	28,387	(833,708)	
		Gain (loss) on valuation	-	(1,386,387)	
Call option	Balance Sheet	Derivative instrument assets	-	18,806,554	
	Statements Income	Gain (loss) on settlement	36,346	227,473	
		Gain (loss) on valuation	-	3,275,336	
Interest rate swap	Balance Sheet	Derivative instruments assets	-	253,716	
		Derivative instruments liabilities	11,083,456	-	
	Statements Income	Gain (loss) on settlement	(3,634,826)	175,000	
		Gain (loss) on valuation	(4,234,469)	397,638	
	Total	Balance Sheet	Other accounts and notes receivable	681,662	-
			Derivative instruments assets	-	19,776,257
Total	Balance Sheet	Other accounts and notes payable	-	1,789,145	
		Derivative instruments liabilities	11,083,456	2,212,580	
	Statements Income	Gain (loss) on settlement	5,375,642	(2,490,186)	
		Gain (loss) on valuation	(3,552,807)	871,281	

As of December 31, 2004, the Company has 3,779 futures contracts to hedge the fluctuation of the purchase price of raw materials. For the year ended December 31, 2004, the Company recognized a gain of ₩2,094 million and loss of ₩1,412 million from the valuation of futures contracts. As of December 31, 2004, the Company is provided with guarantees of payment of \$17,000 thousand of guarantee deposits for futures trading from three financial institutions in relation to the above futures contracts.

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The Company has entered into five interest rate swap contracts with financial institutions to hedge against the impact of fluctuations in interest rates with regard to long-term debt. Swap contracts outstanding as of December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	Outstanding contract amount		Gain (loss) on valuation charged to current operations		Gain (loss) on valuation charged to shareholders' equity	
	Trading	Hedging	Trading	Hedging	Trading	Hedging
Deutsche	₩ -	₩ 50,604	₩ -	₩ -	₩ -	₩ (123)
Woori Bank	308,760	-	(1,122)	-	-	-
CSFB and other	-	100,000	-	(5,503)	-	-
BOA	104,380	-	1,355	-	-	-
ABN AMRO	104,380	-	1,036	-	-	-
	<u>₩ 517,520</u>	<u>₩ 150,604</u>	<u>₩ 1,269</u>	<u>₩ (5,503)</u>	<u>₩ -</u>	<u>₩ (123)</u>

19. Retained Earnings

Retained earnings as of December 31, 2004 and 2003, consist of the following:

<i>(in thousands of Korean won)</i>	2004	2003
Legal reserve ¹	₩ 66,794,782	₩ 62,065,332
Reserve for improvement of financial structure ²	6,709,860	6,709,860
Reserve for business rationalization ³	54,804,727	54,804,727
Reserve for research and human resource development ³	275,172,642	163,857,629
Reserve for export losses ³	720,000	1,850,000
Reserve for overseas market development ³	1,100,000	1,494,000
Reserve for loss on disposal of treasury stock	<u>6,551,913</u>	<u>-</u>
	411,853,924	290,781,548
Retained earnings before appropriations	<u>154,558,874</u>	<u>168,866,871</u>
	<u>₩ 566,412,798</u>	<u>₩ 459,648,419</u>

¹ 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.

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- ² 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, 2004, 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, 2004.
- ³ 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.

20. Dividends

For the year ended December 31, 2004, a cash dividend of ₩47,311,841 thousand (Common stock : 33%, First series preferred stock : 34%, Second series preferred : 33%) is proposed and shall be approved during the general shareholders' meeting on February 28, 2005

Dividend propensity is approximately 30.71% (2003 : 28.09%) as of December 31, 2004.

21. Treasury Stock

As of December 31, 2004, the Company has acquired 307,000 shares of its own non-voting preferred stock and 550,000 shares of its own common 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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22. 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	March 11, 2003	April 8, 2004
Options granted	48,000	95,600	134,300	77,800
Exercised quantity	19,000	3200	-	-
Forfeited quantity	1,000	-	1,300	800
Options outstanding	28,000	92,400	133,000	77,000
Exercise price ¹	₩ 40,000	₩ 58,000	₩ 41,000	₩ 69,000
Exercise period from the date of the grant ²	2~9 years	2~9 years	2~9 years	2~9 years

¹ The exercise price can be adjusted in case of the issuance of new shares, stock dividends, stock splits, or stock merger.

² The options can be fully vested in two years from the date of the grant. The compensation expense related to stock options was ₩1,712 million for the year ended December 31, 2004. In addition, accumulated compensation expense as of December 31, 2004 and estimated compensation expense for the years thereafter is ₩4,975 million and ₩1,091 million, respectively.

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

	Date of the grant			
	August 14, 2002	April 27, 2003	March 11, 2003	April 8, 2004
Risk-free interest rates	5.10%	6.37%	4.69%	4.56%
Expected stock price volatility	70.60%	66.18%	54.82%	38.48%
Expected life	3 years	3 years	3 years	3 years
Expected right extermination rate	1%	1%	1%	2%

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23. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended December 31, 2004 and 2003 consist of the following:

<i>(in thousands of Korean won)</i>	2004	2003
Salaries	₩ 100,634,518	₩ 101,411,553
Provision for severance benefits	14,354,500	13,914,268
Employee benefits	17,420,874	16,426,816
Travel expenses	13,405,024	11,167,604
Depreciation expense for tangible assets	38,458,697	34,615,290
Commission and service charge	146,532,894	123,288,863
Advertising expenses	46,101,798	42,456,390
Sales promotion expenses	50,165,029	45,841,058
Transportation expenses	106,622,510	102,955,910
Research expenses	24,891,218	26,508,489
Expenses for company events	20,868,913	20,517,523
Amortization expense for intangible assets	3,719,383	9,342,478
Stock compensation expenses	1,592,664	1,810,298
Others	<u>52,047,083</u>	<u>45,392,270</u>
	<u>₩ 636,815,105</u>	<u>₩ 595,648,810</u>

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24. Foreign Currency Translation

As of December 31, 2004 and 2003, assets and liabilities denominated in foreign currencies and related gains and losses on foreign currency translation, are as follows:

<i>(in thousands of Korean won)</i>		2004				2003	
		Foreign Currencies	Korean won (translated)	Translation Gain	Translation Loss	Korean won (translated)	
Assets							
Trade accounts and notes receivable	AUD	454,167	₩ 369,220	₩ 1,048	₩ 9,281	₩ 183,982	
	EUR	964,631	1,372,631	1,976	12,968	1,851,540	
	GBP	13,656	27,435	-	358	72,039	
	JPY	113,270,390	1,146,376	1,368	905	381,476	
	SGD	133,362	85,008	-	-	17,890	
	US\$	19,258,261	20,101,773	15,594	797,739	23,401,597	
		<u>23,102,443</u>	<u>19,986</u>	<u>821,251</u>	<u>25,908,524</u>		
Other accounts and notes receivable	CHF	-	-	-	-	1,108,807	
	CNY	-	-	-	-	1,172,232	
	EUR	-	-	-	-	56,411	
	GBP	601	1,208	3	-	713	
	JPY	-	-	-	-	18,510	
	US\$	17,038,430	17,784,713	447	1,478,030	6,585,372	
		<u>17,785,921</u>	<u>450</u>	<u>1,478,030</u>	<u>8,942,045</u>		
Short-term loans receivable	JPY	588,800	5,959	-	97	9,270	
	US\$	96,867	101,111	-	8,729	-	
		<u>107,070</u>	<u>-</u>	<u>8,826</u>	<u>9,270</u>		
Others	EUR	2,899	4,125	85	-	-	
	JPY	1,917,280	19,404	207	5	37,040	
	US\$	457,987	478,046	88	21,657	565,410	
	GBP	39,915	80,189	-	1,341	70,111	
		<u>581,764</u>	<u>380</u>	<u>23,003</u>	<u>672,561</u>		

CJ Corp.
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<i>(in thousands of Korean won)</i>		2004			2003	
		Foreign Currencies	Korean won (translated)	Translation Gain	Translation Loss	Korean won (translated)
Liabilities						
Trade accounts and notes payable	CHF	4,260	3,927	-	-	68,514
	EUR	246,088	350,173	5,028	4,513	-
	JPY	50,097,839	507,025	3,736	478	396,295
	US\$	7,110,666	7,422,113	91,432	7,913	2,298,539
			<u>8,283,238</u>	<u>100,196</u>	<u>12,904</u>	<u>2,763,348</u>
Short-term borrowings	EUR	-	-	-	-	46,650
	JPY	-	-	-	-	89,568,000
	US\$	147,761,579	154,233,536	12,912,951	16,972	192,299,866
			<u>154,233,536</u>	<u>12,912,951</u>	<u>16,972</u>	<u>281,914,516</u>
Other accounts and notes payable	CNY	1,700	214	26	-	182,230
	EUR	59,023	83,987	349	844	87,291
	GBP	14,500	29,131	379	-	-
	JPY	66,273,514	670,734	2,277	791	782,234
	US\$	3,073,894	3,208,530	144,700	710	3,316,807
			<u>3,992,596</u>	<u>147,731</u>	<u>2,345</u>	<u>4,368,562</u>
Accrued expenses	EUR	306	435	-	90	460
	JPY	14,587,999	147,641	-	1,520	700,686
	US\$	9,088,938	9,487,034	1,037,100	386,643	667,408
			<u>9,635,110</u>	<u>1,037,100</u>	<u>388,253</u>	<u>1,368,554</u>
Current portion of Long-term debts	US\$	122,629,137	128,000,293	15,957,782	-	135,768,633
			<u>128,000,293</u>	<u>15,957,782</u>	<u>-</u>	<u>135,768,633</u>
Long-term debts	JPY	-	-	-	-	55,980,000
	US\$	41,367,710	43,179,615	4,140,795	-	61,541,281
			<u>43,179,615</u>	<u>4,140,795</u>	<u>-</u>	<u>117,521,281</u>
Total				<u>₩34,317,371</u>	<u>₩ 2,751,584</u>	

CJ Corp.
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25. Income Tax Expense

The statutory income tax rate applicable to the Company including resident surcharges, is approximately 29.7% for the year ended December 31, 2004.

Income tax expense for the years ended December 31, 2004 and 2003, consists of the following:

*(in thousands of Korean won,
except earnings per share)*

	2004	2003
Current income taxes	₩ 67,167,155	₩ 28,235,397
Deferred income taxes	(10,637,764)	17,220,404
Income taxes charged to other capital surplus	<u>(61,386)</u>	<u>-</u>
Income tax expense	<u>₩ 56,468,005</u>	<u>₩ 45,455,801</u>

The changes in deferred income tax assets for the years ended December 31, 2004 and 2003 are as follows:

*(in thousands of Korean won,
except earnings per share)*

	2004	2003
Beginning deferred income tax assets	₩ 28,464,722	₩ 45,685,126
Increase (decrease) in deferred tax assets due to temporary differences and tax credits	<u>10,637,764</u>	<u>(17,220,404)</u>
Ending deferred income tax assets	<u>₩ 39,102,486</u>	<u>₩ 28,464,722</u>

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:

(in thousands of Korean won)

	2004	2003
Income before taxes	₩ 210,526,879	₩ 213,822,672
Statutory tax rate	<u>29.7%</u>	<u>29.7%</u>
Expected taxes at statutory rate	62,526,483	63,505,334
Tax credit	(11,750,554)	(9,006,190)
Others, net	<u>5,692,076</u>	<u>(9,043,343)</u>
Actual taxes	<u>₩ 56,468,005</u>	<u>₩ 45,455,801</u>
Effective tax rate	<u>26.82%</u>	<u>21.3%</u>

CJ Corp.
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Components of deferred income taxes as of December 31, 2004, are as follows:

<i>(in thousands of Korean won)</i>	Beginning balance	Increase (Decrease)	Ending balance
Deferred income tax assets			
Depreciation expenses	₩ 2,450,728	₩ (2,205,753)	₩ 244,975
Loss on valuation of investments in equity securities	43,016,020	(10,831,374)	32,184,646
Allowance for doubtful accounts	405,507	(212,710)	192,797
Severance benefits	1,192,503	-	1,192,503
Provision for loss from lawsuits	747,068	2,006,722	2,753,790
Loss on impairment of available-for-sale securities	620,748	12,727,275	13,348,023
Others	<u>1,273,799</u>	<u>(325,032)</u>	<u>948,767</u>
Total deferred income tax assets	<u>49,706,373</u>	<u>1,159,128</u>	<u>50,865,501</u>
Deferred income tax liabilities			
Special reserves appropriated for tax purposes	(3,250,867)	(3,300)	(3,254,167)
Amortization of research and development expenses	(109,237)	83,083	(26,154)
Accrued interest income	(6,582,447)	6,493,262	(89,185)
Gain on valuation of derivative instruments	(3,625,930)	3,625,930	-
Others	<u>(7,673,170)</u>	<u>(720,339)</u>	<u>(8,393,509)</u>
Total deferred income tax liabilities	<u>(21,241,651)</u>	<u>9,478,636</u>	<u>(11,763,015)</u>
Net deferred income tax assets	<u>₩ 28,464,722</u>	<u>₩ 10,637,764</u>	<u>₩ 39,102,486</u>

The Company periodically assesses its ability to recover deferred income 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 assets to its estimated net realizable value.

In 2004 and 2003, the statutory income tax rate applicable to the Company, including resident tax surcharges, was 29.7%. Effective 2005, the statutory income tax rate applicable to the Company will be reduced to 27.5%, and will be applied to calculate deferred income taxes for fiscal years beginning on or after January 1, 2005. As a result of this change, deferred income tax assets as of December 31, 2004, have decreased by ₩3,128 million.

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26. Earnings Per Share

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

Basic earnings per share

<i>(in thousands of Korean won, except earnings per share)</i>	2004	2003
Net income	₩ 154,058,874	₩ 168,366,871
Adjustments :		
Dividends for preferred stock	(8,627,711)	(9,050,248)
Undeclared participating preferred stock dividend	<u>(19,162,557)</u>	<u>(22,827,595)</u>
Net income available for common stock	126,268,606	136,489,028
Weighted average number of shares of common stock	<u>23,052,015</u>	<u>21,957,642</u>
Basic earnings per share (in Korean won)	<u>₩ 5,478</u>	<u>₩ 6,216</u>

Diluted earnings per share

<i>(in thousands of Korean won, except earnings per share)</i>	2004	2003
Net income available for common stock	₩ 126,268,606	₩ 136,489,028
Adjustment :		
Dividends for convertible preferred stock	<u>9,957,429</u>	<u>-</u>
Net income available for common stock and common equivalent stock	136,226,035	136,489,028
Weighted average number of shares of common stock and common stock equivalents	<u>25,389,228</u>	<u>22,571,570</u>
Diluted earnings per share (in Korean won)	<u>₩ 5,366</u>	<u>₩ 6,047</u>

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27. Related Party Transactions

Significant transactions with related parties for the years ended December 31, 2004 and 2003, and the related receivables and payables as of December 31, 2004 and 2003, are as follows:

<i>(in thousands of Korean won)</i>	Sales		Purchases		Accounts Receivable		Accounts Payable	
	2004	2003	2004	2003	2004	2003	2004	2003
Morningwell Co., Ltd.	₩9,984,427	₩9,132,769	₩47,727,413	₩61,744,437	₩ 407,724	₩ 651,221	₩13,742,845	₩19,315,003
CJ Home Shopping Co., Ltd.	4,511,693	10,185,146	9,855,758	8,303,131	3,117,783	4,895,952	703,857	441,397
ShinDongBang CP Corporation	7,301,509	-	2,733,698	-	1,843	-	-	-
CJ Systems Co., Ltd.	4,410,702	3,652,857	22,193,216	25,763,121	474,086	67,908	8,355,390	10,343,766
CJ Development Co., Ltd.	1,225,101	668,196	36,691,926	39,992,013	145,282	402,068	13,055,841	7,213,878
CJ Food System Co., Ltd.	92,915,579	112,572,244	59,073,426	99,930,383	16,441,646	99,469	20,910,024	11,428,200
CJ Media Inc.	293,142	345,089	1,840,902	1,812,711	84,403	52,552	698,500	588,842
CJ GLS Co., Ltd.	8,105,492	9,599,418	115,684,127	113,228,920	145,045	913,746	18,855,286	17,437,629
CJ Investment & Securities Co., Ltd.	7,895,809	9,741,697	-	103,967	23,268	22,396,435	260,613	-
CJ CGV Co., Ltd.	2,655,194	1,425,590	714,512	311,320	760,154	425,265	173,080	841,169
CJ Media Line Inc.	3,147	1,224	7,210	5,041	366	-	7,546	601
CJ Entertainment Inc.	701,455	510,935	12,595	6,212	622,576	166,817	2,041	1,798,525
CJ Investment Trust Management Co., Ltd.	16,030	27,667	-	-	2,040	4,209	-	-
CJ Foodvill Co., Ltd.	3,756,827	3,611,606	902,914	668,963	3,956,704	961,047	91,184	77,135
Yang-Chon Cable TV Co., Ltd.	734,080	16,989	18,000	10,000	317,425	-	-	-
Hanil Food Mart Co., Ltd.	59,397	131,093	1,960	3,845	332	4,459	-	-
Joy Rent A Car Inc.	110,715	184,924	660,678	582,097	89	-	69,768	48,396
Haechandle Co., Ltd.	2,129,177	2,417,405	443,628	179,968	264,435	124,511	104,141	28,940
Samyang Oil Co., Ltd.	4,762,719	8,691,878	67,224,730	36,500,807	25,724	374,351	8,109,977	5,410,288

CJ Corp.
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<i>(in thousands of Korean won)</i>	Sales		Purchases		Accounts Receivable		Accounts Payable	
	2004	2003	2004	2003	2004	2003	2004	2003
Superfeed Co., Ltd.	₩ 2,354,467	₩ -	₩11,426,107	₩ -	₩ 723,672	₩ -	₩ 3,619,169	₩ -
MD1 Co., Ltd	225,890	144,223	42,479,119	41,474,904	8,974	3,872	3,546,488	3,579,122
CJ Olive Young Co., Ltd.	535,726	304,938	1,539	-	56,038	47,827	1,693	-
CJ Telenix Co., Ltd.	162,234	139,824	256,996	41,428	22,741	25,721	-	1,267
CJ Philippines Inc.	481,814	621,080	-	-	426,187	633,151	-	-
CJ China Ltd. (CJ Hong Kong Ltd.)	5,935,860	4,875,960	10,848,066	8,666,534	3,465,105	3,109,914	1,208,649	1,210,499
P.T. Cheil Samsung Indonesia (P.T. CSI)	-	16,267,681	-	7,909,859	-	11,489,469	-	852,614
P.T. Cheil Jedang Superfeed (P.T. CJS)	1,507,072	1,509,164	-	-	912,268	-	-	63,731
P.T. Cheil Jedang Indonesia (P.T. CJI)	30,909,539	9,086,548	24,319,974	22,867,840	17,476,276	2,823,922	1,079,594	1,396,635
P.T. Super Unggas Jaya	73,066	35,934	-	-	73,066	35,934	-	-
CJ Liao Cheng Biotech	36,750	-	-	-	36,750	-	-	-
CJ America Inc.	22,000,282	22,529,130	1,336,407	1,170,937	6,835,541	6,114,225	469,287	1,075
CJ Nutracon Inc.	6,993	-	-	9,675,763	6,993	-	59,583	74,570
CJ Qingdao Food Co., Ltd.	1,769,413	5,087,196	425,078	-	1,566,800	1,822,800	-	-
CJ Europe GMBH.	5,711,756	4,773,849	1,850,558	1,532,997	1,784,811	2,176,551	434,255	380,431
CJ Vina Agri Co., Ltd.	725,583	713,281	-	-	317,938	-	-	-
CJ Japan Corp.	1,036,681	41,618	2,615,285	1,686,920	154,272	15,003	64,435	195,544
Others	222,282	527,853	71,875	150,616	5,517	374,519	12,801	34,145
	<u>₩225,267,603</u>	<u>₩239,575,006</u>	<u>₩461,417,697</u>	<u>₩484,324,734</u>	<u>₩60,683,874</u>	<u>₩60,212,918</u>	<u>₩95,636,047</u>	<u>₩82,763,402</u>

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The Company provided guarantees for the indebtedness of related parties as of December 31, 2004 and 2003, as follows:

<i>(in thousands of Korean won)</i> Guarantee	Financial institutions	Loan amounts		Guarantee amounts		
		2004	2004	2003	2004	2003
PT Cheil Samsung Indonesia	Korea Development Bank & Others		₩ -	₩130,099,516	₩ -	₩179,653,700
PT Cheil Jedang Indonesia	Export-Import Bank of Korea	162,812,753		14,313,710	224,890,670	14,313,710
CJ China Ltd. (CJ HongKong Ltd.)	BOA & Other	70,798,866		76,120,190	88,723,000	83,846,000
CJ Chengdu Feed Co., Ltd.	Hana Bank	730,660		838,460	730,660	838,460
CJ Shenyang Feed Co., Ltd.	Woori Bank	626,280		359,340	626,280	718,680
CJ Qingdao Feed Co., Ltd.	Woori Bank	521,900		-	521,900	-
CJ Zhengzhou Feed Co., Ltd.	Woori Bank	741,098		-	741,098	-
CJ Liaocheng Biotech Co., Ltd.	Export-Import Bank of Korea	26,095,000		-	26,095,000	-
CJ Philippines Inc.	BOA & Other	3,868,323		4,224,641	3,966,440	4,551,640
CJ Cambodia Co., Ltd.	Export-Import Bank of Korea & Other	4,801,480		5,509,880	4,801,480	5,509,880
CJ Vina Agri Co., Ltd.	CITI Bank & Others	3,359,992		6,081,231	5,323,380	6,108,780
CJ Japan Corp.	Shinhan Bank & Other	25,301,789		11,195,962	25,301,789	11,195,962
CJ America Inc.	Korea Exchange Bank	8,215,750		4,024,608	10,438,000	11,978,000
CJ Nutracon Inc.	Woori Bank	5,740,900		5,390,100	6,262,800	7,186,800
CJ Europe GmbH	Korea Exchange Bank & Other	-		32,101,124	14,229,604	46,579,986
CJ Ord River Sugar Pty., Ltd.	Korea Exchange Bank	2,438,891		2,690,917	4,471,300	4,933,349
ShinDongBang CP Corporation	Woori Bank & Other	40,000,000		-	52,500,000	-
		<u>₩356,053,682</u>		<u>₩292,949,679</u>	<u>₩469,623,401</u>	<u>₩377,414,947</u>

In addition to the above guarantees, as of December 31, 2004, the Company provided guarantees of fulfillment of futures contracts for CJ OrdRiver Sugar Pty., Ltd. amounting to approximately ₩4,175 million.

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28. Supplementary Information for Computation of Value Added

The accounts and amounts included in cost of sales and selling, general and administrative expenses, and in others, which are needed for the computation of value added for the years ended December 31, 2004 and 2003, are as follows:

<i>(In thousands of Korean won)</i>	Cost of Sales		Selling, general and administrative expenses		Others		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
Wage and salaries	₩ 47,948,002	₩44,480,677	₩100,634,518	₩101,411,553	₩ 332,592	₩1,651,321	₩148,915,112	₩147,543,551
Provision for severances benefits	6,784,494	6,677,692	14,354,500	13,914,268	48,140	208,833	21,187,134	20,800,793
Employee benefits	14,083,324	13,623,006	17,420,874	16,426,816	72,264	378,615	31,576,462	30,428,437
Rent	5,789,775	5,116,982	5,908,942	4,000,277	-	71,568	11,698,717	9,188,827
Depreciation and Amortization	59,961,437	61,776,398	42,178,080	43,957,768	1,029	600,069	102,140,546	106,334,235
Taxes and dues	4,779,363	5,031,097	8,018,247	7,559,067	15,622	83,045	12,813,232	12,673,209
	<u>₩139,346,395</u>	<u>₩136,705,852</u>	<u>₩188,515,161</u>	<u>₩187,269,749</u>	<u>₩ 469,647</u>	<u>₩2,993,451</u>	<u>₩328,331,203</u>	<u>₩326,969,052</u>

29. Supplemental Cash Information

Significant transactions not affecting cash flows for the years ended December 31, 2004 and 2003, are as follows:

<i>(in thousands of Korean won)</i>	2004	2003
Transfer to property, plant and equipment from construction in-progress	₩ 77,148,608	₩ 114,986,073
Reclassification of current maturities of long-term debts	178,000,293	136,967,474
Transfer to short-term available-for-sale securities from long-term available-for-sale securities	-	40,201,284
Changes in capital adjustments from the valuation of available-for-sale securities and equity-method investments	46,573,683	4,178,997
Spin-off of Home and Personal Care Division	28,614,274	-
Conversion of investment of convertible bond and accrued revenue	8,502,821	-

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30. 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 employees’ personal property accumulation	• Allots a portion of newly issued shares to the employee stock ownership association.
• Living support	• Individual pension plans to support a comfortable life upon retirement. • Support for tuition fees

31. Environmental Standards and Policies

The Company takes the lead in environment protection and preservation in all aspects of its corporate activities. It also makes an effort to be an ‘environment-friendly corporation’ through an environment-friendly management as embodied in its Environment Report which contains its environmental preservation activities which include recycling, pollution elimination, and research and development on environmental management.

Also, the Company is KOSHA 18001-certified which means it has implemented excellent health and safety policies and measures.

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32. Cultivation of Professional Human Resources and Professional Training

The Company has various programs for manpower development and training.

The details of the various programs are as follows:

Type of Program	Description
• Leadership Development	• Improvement of leadership
• IT basic course	• Improvement of information technology ability
• MBA course	• Developing specialists
• Executive manager development	
• Next-generation manager development	• Improvement of managerial ability
• CJ-Management Academy	

Total expenses incurred during the year ended December 31, 2004, with respect to such programs amounted to approximately ₩8,697 million.

33. Segment information

A summary of information on the Company's operations by business segment at December 31, 2004 and 2003, and for the years then ended, is as follows:

Financial Data by Business Segment

<i>(in millions of Korean won)</i>	2004					
	Processed Foods	Food Stuffs	Animal Feeds	Fine Chemistries	Others	Total
Sales						
Sales to unaffiliated customers	₩ 728,950	₩ 975,041	₩ 332,196	₩ 365,039	₩ 143,141	₩ 2,544,367
Inter-segment sales	-	7,100	-	-	-	7,100
	<u>₩ 728,950</u>	<u>₩ 982,141</u>	<u>₩ 332,196</u>	<u>₩ 365,039</u>	<u>₩ 143,141</u>	<u>₩ 2,551,467</u>
Operating profit	<u>₩ 43,564</u>	<u>₩ 58,695</u>	<u>₩ 19,853</u>	<u>₩ 21,816</u>	<u>₩ 8,554</u>	<u>₩ 152,482</u>
Property plant and equipment & intangible assets	<u>₩ 384,366</u>	<u>₩ 367,138</u>	<u>₩ 74,884</u>	<u>₩ 116,383</u>	<u>₩ 33,906</u>	<u>₩ 976,677</u>
Depreciation and amortization	<u>₩ 35,370</u>	<u>₩ 32,827</u>	<u>₩ 7,744</u>	<u>₩ 22,098</u>	<u>₩ 4,402</u>	<u>₩ 102,141</u>

CJ Corp.
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<i>(in millions of Korean won)</i>	2003					
	Processed Foods	Food Stuffs	Animal Feeds	Fine Chemistries	Others	Total
Sales						
Sales to unaffiliated customers	₩ 712,343	₩ 877,860	₩ 293,823	₩ 387,326	₩ 134,156	₩ 2,405,508
Inter-segment sales	<u>-</u>	<u>6,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,454</u>
	<u>₩ 712,343</u>	<u>₩ 884,314</u>	<u>₩ 293,823</u>	<u>₩ 387,326</u>	<u>₩ 134,156</u>	<u>₩ 2,411,962</u>
Operating profit	<u>₩ 58,857</u>	<u>₩ 73,065</u>	<u>₩ 24,277</u>	<u>₩ 32,002</u>	<u>₩ 11,085</u>	<u>₩ 199,286</u>
Property plant and equipment & intangible assets	<u>₩ 399,274</u>	<u>₩ 342,638</u>	<u>₩ 63,785</u>	<u>₩ 144,013</u>	<u>₩ 35,116</u>	<u>₩ 984,826</u>
Depreciation and amortization	<u>₩ 37,385</u>	<u>₩ 34,432</u>	<u>₩ 7,836</u>	<u>₩ 22,696</u>	<u>₩ 3,985</u>	<u>₩ 106,334</u>

Reconciliation of Operating profit

<i>(in millions of Korean won)</i>	2004	2003
Business segment operating profit	₩ 152,482	₩ 199,286
Inter-segment revenues	<u>424</u>	<u>533</u>
Operating profit per statements of income	<u>₩ 152,058</u>	<u>₩ 198,753</u>

34. Spin off Home and Personal Care Division and disposal of the shares

On December 1, 2004, the Company spun off its Home and Personal Care Division and established the new company, CJ Lion Corporation, a 100% owned subsidiary, in accordance with the resolution of Board of Directors dated August 10, 2004. On December 31, 2004, the Company sold its 81% ownership in CJ Lion Corporation to Lion Corporation, a Japanese corporation for ₩36,629 million in accordance with the Share Purchase Agreement between the Company and CJ Lion Corporation dated September 15, 2004, and consequently recognized ₩11,424 million as gain on disposal of the equity method investments. As of December 31, 2004, the Company has 19% ownership in CJ Lion Corporation.

CJ Lion Corporation has a paid in capital of ₩5,000 million and 1 million shares issued and outstanding. It manufactures and sells detergent, soap and toothpaste products.

CJ Corp.
Notes to Non-Consolidated Financial Statements
December 31, 2004 and 2003

Selected information of the Home and Personal Care Division as of November 30, 2004 and December 31, 2003, and for the eleven-month period ended November 30, 2004 and the year ended December 31, 2003, follows:

<i>(in millions of Korean won)</i>	As of December 31, 2003		As of November 30, 2004	
Assets	₩	48,763	₩	41,514
Sales		162,708		142,505
Operating profit		2,665		2,031

35. Three-Month Period Information

Financial information for the three-month periods ended December 31, 2004 and 2003, are as follows:

(in millions of Korean won, except for per share amounts which are in Korean won)

	Three-Month Period Ended December 31, 2004	Three-Month Period Ended December 31, 2003
Sales	586,236	569,487
Operating profit	1,997	36,434
Net income	15,697	335
Basic earnings per share	548	11
Diluted earnings per share	540	11

36. Approval of Financial Statement

The financial statements as of and for the year ended December 31, 2004 will be approved by the Board of Directors on February 3, 2005.

37. Reclassification of prior year financial statement presentation

Certain amounts in the financial statements as of and for the year ended December 31, 2003 have been reclassified to conform to the December 31, 2004 financial statement presentation. These reclassifications had no effect on previously reported net income or shareholders' equity.