

CJ Corp.

Interim Financial Statements

June 30, 2004 and 2003

CJ Corp.
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June 30, 2004 and 2003, and December 31, 2003

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Report of Independent Accountants

To the Shareholders and Board of Directors of
CJ Corp.

We have reviewed the accompanying non-consolidated balance sheet of CJ Corp. (the "Company") as of June 30, 2004, and the related non-consolidated statements of income and cash flows for the three-month periods and six-month periods ended June 30, 2004 and 2003, expressed in Korean won. These interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. These standards require that we plan and perform our review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying non-consolidated financial statements are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea.

We have audited the non-consolidated balance sheet of CJ Corp. as of December 31, 2003, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those non-consolidated financial statements in our audit report dated February 4, 2004. These financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2003, presented herein for comparative purposes, is consistent, in all material respects, with the above audited balance sheet as of December 31, 2003.

SAMIL PRICEWATERHOUSECOOPERS

As discussed in Note 25 to the accompanying non-consolidated financial statements, the Company had sales of ₩131,636 million to, and purchases of ₩233,955 million from, subsidiaries and affiliated companies within the CJ Group for the six-month period ended June 30, 2004. Related accounts receivable and accounts payable as of June 30, 2004 amounted to ₩87,444 million and ₩73,665 million, respectively.

Accounting principles and review 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 review 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 knowledgeable about Korean accounting principles or review standards and their application in practice.

Seoul, Korea
July 23, 2004

This report is effective as of July 23, 2004, the review report date. Certain subsequent events or circumstances, which may occur between the review 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 review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

CJ Corp.
Non-Consolidated Balance Sheets
June 30, 2004 and December 31, 2003
(Unaudited)

<i>(In thousands of Korean won)</i>	2004	2003
Assets		
Current assets		
Cash and cash equivalents (Note 3)	₩ 20,024,145	₩ 14,726,937
Short-term financial instruments (Note 3)	3,989,079	4,220,953
Short-term available-for-sale securities (Note 4)	110,505,343	42,982,983
Trade accounts and notes receivable, net of allowance for doubtful accounts (Notes 5 and 25)	31,674,296	48,323,308
Other accounts and notes receivable, net of allowance for doubtful accounts (Note 5)	55,891,497	33,762,039
Inventories, net (Note 6)	292,602,360	278,635,647
Guarantee deposits	1,972,053	6,406,543
Current portion of long-term loans (Note 7)	240,022	39,270
Prepaid expenses and other current assets	<u>22,463,374</u>	<u>33,870,298</u>
Total current assets	539,362,169	462,967,978
Property, plant and equipment, including revalued portion, net of accumulated depreciation (Note 8)	943,432,082	974,895,076
Long-term available-for-sale securities (Note 12)	90,613,955	98,265,920
Equity-method investments (Note 13)	998,660,536	884,564,669
Intangible assets, net of accumulated amortization (Note 9)	8,206,700	9,930,867
Long-term financial instruments and other assets (Notes 7 and 10)	85,782,390	102,242,587
Deferred income tax assets (Note 22)	<u>33,865,743</u>	<u>28,464,722</u>
Total assets	<u>₩ 2,699,923,575</u>	<u>₩ 2,561,331,819</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts and notes payable (Note 25)	₩ 102,965,857	₩ 106,804,392
Other accounts and notes payable	96,672,748	100,629,821
Short-term borrowings (Note 14)	305,523,381	331,884,420
Current portion of long-term debt (Note 15)	200,504,092	136,967,474
Accrued expenses	43,369,098	49,368,276
Income taxes payable	44,454,289	6,711,137
Other current liabilities	<u>52,188,845</u>	<u>74,755,548</u>
Total current liabilities	845,678,310	807,121,068
Long-term debt, net of current maturities (Note 15)	364,148,356	315,408,442
Accrued severance benefits (Note 16)	<u>39,040,657</u>	<u>31,050,819</u>
Total liabilities	<u>₩ 1,248,867,323</u>	<u>₩ 1,153,580,329</u>

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CJ Corp.
Non-Consolidated Balance Sheets
June 30, 2004 and December 31, 2003
(Unaudited)

<i>(In thousands of Korean won)</i>	2004	2003
Commitments and contingencies (Note 17)		
Shareholders' equity		
Capital stock (Note 1)		
Common stock	₩ 119,912,135	₩ 112,019,280
Preferred stock	26,982,515	26,924,185
Capital surplus		
Paid-in capital in excess of par value (Note 1)	224,450,538	171,219,323
Other capital surplus (Note 8)	635,768,266	635,768,266
Retained earnings (Note 18)	539,974,166	459,648,419
(Net income ₩127,620,242 thousand for the six-month period ended June 30, 2004)		
Capital adjustments		
Treasury stock (Note 19)	(26,461,996)	(26,461,996)
Loss on valuation of available-for-sale securities, net (Notes 4 and 12)	(13,201,822)	(3,313,591)
Gain on valuation of equity-method investments, net (Note 13)	(60,250,277)	28,878,330
Stock option compensation (Note 20)	4,024,887	3,262,890
Loss on valuation of derivative instruments (Note 17)	<u>(142,160)</u>	<u>(193,616)</u>
Total shareholders' equity	<u>1,451,056,252</u>	<u>1,407,751,490</u>
Total liabilities and shareholders' equity	<u>₩ 2,699,923,575</u>	<u>₩ 2,561,331,819</u>

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

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CJ Corp.
Non-Consolidated Statements of Income
For the Three-month and six-month periods ended June 30, 2004 and 2003
(Unaudited)

<i>(In thousands of Korean won)</i>	three-months		six-months	
	2004	2003	2004	2003
Sales (Note 25)				
Domestic	₩553,796,607	₩522,298,075	₩1,104,479,518	₩1,019,095,942
Export	74,680,883	74,940,030	148,070,277	158,994,051
	<u>628,477,490</u>	<u>597,238,105</u>	<u>1,252,549,795</u>	<u>1,178,089,993</u>
Cost of sales (Note 25)	<u>433,690,586</u>	<u>405,297,024</u>	<u>849,672,240</u>	<u>796,314,371</u>
Gross profit	194,786,904	191,941,081	402,877,555	381,775,622
Selling, general and administrative expenses (Note 21)	<u>159,808,237</u>	<u>153,831,899</u>	<u>305,535,070</u>	<u>294,044,671</u>
Operating income	<u>34,978,667</u>	<u>38,109,182</u>	<u>97,342,485</u>	<u>87,730,951</u>
Non-operating income				
Interest and dividend income	6,298,663	7,829,676	9,717,661	11,755,054
Foreign exchange gain	6,074,190	20,851,802	11,133,454	4,104,216
Gain on foreign currency translation (Note 24)	-	11,671,685	12,001,614	12,836,452
Gain on valuation of equity-method investments (Note 13)	6,456,790	12,422,584	38,288,180	21,338,777
Gain on disposal of property, plant and equipment (Note 8)	43,371,834	33,188,080	43,391,743	33,272,094
Gain on valuation of derivative instruments	14,763,666	5,266,611	12,665,780	6,819,928
Gain on settlement of derivative instruments	3,439,528	3,462,792	4,610,226	3,554,995
Others	3,839,703	2,421,855	8,937,095	19,827,209
	<u>₩ 84,244,374</u>	<u>₩ 97,115,085</u>	<u>₩ 140,745,753</u>	<u>₩ 113,508,725</u>

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CJ Corp.
Non-Consolidated Statements of Income
For the Three-month and six-month periods ended June 30, 2004 and 2003
(Unaudited)

*(In thousands of Korean won,
except basic and diluted earnings
per share)*

	three-months		six-months	
	2004	2003	2004	2003
Non-operating expenses				
Interest expenses	₩ 6,294,071	₩10,135,774	₩ 12,512,762	₩21,161,771
Loss on disposal of trade accounts receivable (Note 5)	2,487,185	2,101,859	4,877,320	4,276,254
Foreign exchange loss	881,163	5,492,260	2,492,750	7,039,580
Loss on foreign currency translation (Note 24)	3,924,623	-	1,060,826	1,254,531
Loss on disposal of property, plant and equipment	387,360	131,334	392,437	347,927
Loss on valuation of derivative instruments	3,778,478	3,625,784	6,503,201	6,119,505
Loss on settlement of derivative instruments	41,624	7,822,814	1,278,749	5,692,924
Other bad debt expenses (Note 12)	11,274,884	-	26,929,172	-
Others (Note 17)	2,887,697	17,145,105	14,713,819	18,123,622
	31,957,085	46,454,930	70,761,036	64,016,114
Net income before income taxes	87,265,956	88,769,337	167,327,202	137,223,562
Income tax expense (Note 22)	24,101,754	19,023,762	39,706,960	28,986,541
Net income	₩ 63,164,202	₩ 69,745,575	₩127,620,242	₩108,237,021
Basic earnings per share (Note 23)	₩ 2,214	₩ 2,588	₩ 4,623	₩ 3,978
Diluted earnings per share (Note 23)	₩ 2,180	₩ 2,532	₩ 4,486	₩ 3,910

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

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CJ Corp.
Non-Consolidated Statements of Cash Flows
For the Three-month and six-month periods ended June 30, 2004 and 2003
(Unaudited)

<i>(In thousands of Korean won)</i>	three-months		six-months	
	2004	2003	2004	2003
Cash flows from operating activities				
Net income	₩63,164,202	₩69,745,575	₩127,620,242	₩108,237,021
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	25,409,143	25,962,144	50,954,860	50,536,649
Provision for severance benefits	8,671,096	8,017,299	12,850,556	13,176,673
Loss on valuation of inventories	338,414	-	1,107,079	680,383
Loss from inventory obsolescence	3,536,457	2,608,706	6,930,628	4,960,010
Loss (gain) on foreign currency translation, net	3,924,623	(11,945,486)	(10,940,788)	(11,628,733)
Gain on valuation of equity-method investments	(6,456,790)	(12,422,584)	(38,288,180)	(21,338,777)
Gain on disposal of property, plant and equipment, net	(42,984,474)	(33,056,746)	(42,999,306)	(32,924,167)
Gain on valuation of derivative instruments, net	(10,985,188)	(1,640,827)	(6,162,579)	(700,423)
Deferred income taxes	545,226	(6,676,451)	(5,401,021)	(11,369,478)
Loss (gain) on settlement of derivative instruments, net	(3,397,904)	4,360,022	(3,331,477)	2,137,929
Other bad debt expenses	11,274,884	-	26,929,172	-
Others	642,845	1,901,825	1,681,590	(12,016,425)
	53,682,534	46,853,477	120,950,776	89,750,662

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CJ Corp.**Non-Consolidated Statements of Cash Flows****For the Three-month and six-month periods ended June 30, 2004 and 2003****(Unaudited)**

<i>(In thousands of Korean won)</i>	three-months		six-months	
	2004	2003	2004	2003
Changes in operating assets and liabilities				
Increase in trade accounts and notes receivable	₩(33,040,455)	₩(10,365,911)	₩(51,274,752)	₩(23,885,334)
Decrease (increase) in other accounts and notes receivable	1,543,494	15,386,900	(19,476,065)	(4,638,420)
Increase in inventories	(3,885,626)	(24,786,277)	(22,004,420)	(27,246,624)
Increase (decrease) in guarantee deposits	5,691,325	(1,170,667)	4,434,489	487,794
Increase (decrease) in trade accounts and notes payable	(7,902,679)	(8,227,585)	(3,834,156)	7,131,569
Increase (decrease) in other accounts and notes payable	17,691,474	9,013,743	(5,617,515)	(1,466,712)
Increase in accrued expenses	(36,107,567)	24,008,592	(5,948,354)	385,253
Increase (decrease) in income taxes payable	18,480,772	1,845,799	37,743,152	(3,934,857)
Payment of severance benefits	(5,621,893)	(6,796,553)	(9,750,436)	(9,606,158)
Others	(8,531,964)	12,237,014	(32,209,817)	(5,573,846)
Net cash provided by operating activities	<u>1,999,415</u>	<u>57,998,532</u>	<u>13,012,902</u>	<u>21,403,327</u>
Cash flows from investing activities				
Proceeds from disposal of short-term available-for-sale securities	20,985	109,725	330,890	109,725
Acquisition of short-term available-for-sale securities	(10,360)	(135,875)	(346,370)	(135,875)
Decrease in financial instruments	7,903,000	71,386,719	13,055,500	89,856,031
Increase in financial instruments	(7,732,227)	(66,985,090)	(12,818,126)	(86,146,363)
Proceeds from disposal of property, plant and equipment	71,604,436	10,191,167	72,005,187	11,089,172
Acquisition of property, plant and equipment	(34,557,904)	(42,275,842)	(46,366,140)	(62,208,562)
Proceeds from disposal of long-term available-for-sale securities	340,116	7,838,238	1,457,699	32,683,033
Acquisition of long-term available-for-sale securities	(3,302,099)	(13,075,210)	(3,302,299)	(26,329,110)
Acquisition of equity-method investments	(89,400,289)	(1,251,224)	(172,464,401)	(1,251,224)
Increase in long-term financial instruments and other assets	1,597,939	(1,337,083)	4,006,857	(3,002,685)
Dividend income from equity-method investments	11,001	947	7,933,157	9,439,505
Others	16,713,202	(2,719,854)	13,820,233	10,929,381
Net cash used in investing activities	<u>(36,812,200)</u>	<u>(38,253,382)</u>	<u>(122,687,813)</u>	<u>(24,966,972)</u>

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CJ Corp.
Non-Consolidated Statements of Cash Flows
For the Three-month and six-month periods ended June 30, 2004 and 2003
(Unaudited)

<i>(In thousands of Korean won)</i>	<u>three-months</u>		<u>six-months</u>	
	2004	2003	2004	2003
Cash flows from financing activities				
Proceeds from short-term borrowings	₩195,207,374	₩255,025,273	₩307,687,954	₩443,215,833
Repayment of short-term borrowings	(156,436,118)	(130,411,022)	(331,873,573)	(211,134,764)
Proceeds from long-term debt	42,532,492	39,329,288	106,315,317	96,516,922
Repayment of long-term debt	(4,339,194)	(3,297,606)	(4,339,194)	(3,560,266)
Repayment of current maturities of long-term debt	(43,376,079)	(198,856,259)	(76,085,870)	(253,376,734)
Payment of dividends	-	-	(47,294,496)	(34,516,149)
Issuance of bonds payable	-	-	99,547,700	-
Issuance of common stock due to exercise of stock option	390,519	-	390,519	-
Issuance of common stock due to exercise of stock warrants	-	-	60,274,419	-
Issuance of preferred stock due to exercise of stock warrants	349,343	-	349,343	-
Acquisition of treasury stock	-	(621,984)	-	(21,839,709)
Net cash provided by (used in) financing activities	<u>34,328,337</u>	<u>(38,832,310)</u>	<u>114,972,119</u>	<u>15,305,133</u>
Net increase (decrease) in cash and cash equivalents	(484,448)	(19,087,160)	5,297,208	11,741,488
Cash and cash equivalents				
Beginning of the period	<u>20,508,593</u>	<u>49,482,201</u>	<u>14,726,937</u>	<u>18,653,553</u>
End of the period	<u>₩ 20,024,145</u>	<u>₩ 30,395,041</u>	<u>₩ 20,024,145</u>	<u>₩ 30,395,041</u>

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

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CJ Corp.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and December 31, 2003
(Unaudited)

1. The Company

CJ Corporation. (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 to include manufacturing and selling 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 of 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 of 1% of par value over common stock. As of June 30, 2004, 23,982,427 shares of common stock and 5,396,503 shares of preferred stock were issued and outstanding.

As of June 30, 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	17.91
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 six-month period ended June 30, 2004, warrants to purchase 1,568,871 shares of common stock and 11,666 shares of preferred stock were exercised at ₩38,448 per share and ₩30,000 per share, respectively, resulting to an additional paid-in capital of ₩52,721 million, net of stock issuance cost.

During the six-month period ended June 30, 2004, stock options to purchase 9,500 and 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 and of ₩510 million, net of stock issuance cost.

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CJ Corp.
Notes to Non-Consolidated Financial Statements
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(Unaudited)

As of June 30, 2004, warrants to purchase 655,000 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 or directors up to a maximum of 15% of issued shares with 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 20).

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its interim 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 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 financial statements.

Accounting Estimates

The preparation of the 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 the aggregate estimated collectibility of the receivables.

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(Unaudited)

Inventory Valuation

Inventories are stated at the lower of cost or market. Cost is determined using the moving-average method, except for materials in-transit, which are stated at actual cost as determined using the specific identification method. If the net realizable value of inventory is less than its cost, the carrying amount is adjusted to the net realizable value.

Property, Plant and Equipment and Related Depreciation

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

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

	Estimate 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 unlikely. The carrying value of the assets is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets would be recorded in current operations up to the cost of the assets, net of accumulated depreciation before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

Maintenance and Repairs

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

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CJ Corp.
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(Unaudited)

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.

	Estimate 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.

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, and available-for-sale securities and held-to-maturity securities are classified as long-term investments, except those securities mature or are certain to be disposed of within one year are 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, which are reported in a separate component of shareholders' equity as capital adjustments, 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 included in current operations.

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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 either 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.

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 has 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 exchange rates, at balance sheet date 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 were not yet completed as of the date of this review 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.

Government Grants

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

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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 June 30, 2004, approximately 51% of the accrued severance benefits are funded through an employee severance insurance plan with life insurance companies to guarantee the retirement grants of employees. The amounts funded under this insurance plan are classified as a deduction from accrued severance benefits liability. Subsequent accruals are to be funded at the discretion of the Company.

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

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the rates prevailing at the balance sheet date (in the case of U.S. dollar, US\$1:₩1,152.5) and resulting translation losses and gains are recognized in current operations.

Income Tax Expense

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

Long-Term Receivables and Payables

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

Earnings Per Share

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

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.

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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 June 30, 2004 and December 31, 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	-	₩ 202,609	₩	1,000
Passbook accounts	0.1	<u>19,821,536</u>	<u>14,725,937</u>	
		<u>₩ 20,024,145</u>	<u>₩ 14,726,937</u>	
Short-term financial instruments				
Passbook accounts	0.1	₩ 3,889,079	₩	4,120,953
Installment and time deposits	7.0	200,000		200,000
Other financial instruments	-	<u>21,000</u>	<u>26,500</u>	
		4,110,079		4,347,453
Less : Non-current portion (Note 10)		<u>(121,000)</u>	<u>(126,500)</u>	
		<u>₩ 3,989,079</u>	<u>₩ 4,220,953</u>	

As of June 30, 2004, bank deposits amounting to ₩3,910,079 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 are pledged as collateral with various bank loans.

4. Short-Term Available-For-Sale Securities

Short-term available-for-sale securities as of June 30, 2004 and December 31, 2003 consist of the following:

<i>(In thousands of Korean won)</i>	2004	2003
Subordinated beneficiary certificate (Note 5)	₩ 110,205,343	₩ 42,982,759
Corporate bonds	<u>300,000</u>	<u>224</u>
	<u>₩ 110,505,343</u>	<u>₩ 42,982,983</u>

For the six-month period ended June 30, 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 June 30, 2004
Government and public bonds	<u>₩ 26</u>	<u>₩ -</u>	<u>₩ (26)</u>	<u>₩ -</u>

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5. Accounts and Notes Receivable

Accounts and notes receivable and their allowance for doubtful accounts as of June 30, 2004 and December 31, 2003 are as follows:

<i>(In thousands of Korean won)</i>	2004	2003
Trade accounts and notes receivable	₩ 33,558,313	₩ 50,198,069
Less: Allowance for doubtful accounts	<u>1,884,017</u>	<u>1,874,761</u>
	<u>₩ 31,674,296</u>	<u>₩ 48,323,308</u>
Other accounts and notes receivable	₩ 56,019,729	₩ 33,785,871
Less : Allowance for doubtful accounts	<u>128,232</u>	<u>23,832</u>
	<u>₩ 55,891,497</u>	<u>₩ 33,762,039</u>

On an ongoing basis, the Company sells to several financial institutions certain accounts receivable primarily from product sales to foreign countries, subject to limited recourse. Amounts excluded from the balance sheets under these arrangements and outstanding as of June 30, 2004 and December 31, 2003 were ₩14,847 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 as of October 31, 2001 for asset securitization pursuant to the Asset Securitization Law in Korea. The above trade accounts receivable sold initially shall be replaced with trade accounts receivable from the above certain selected customers at every subsequent month end on an ongoing basis through November 2004. As of June 30, 2004, the Company has sold trade accounts receivable of ₩202,813 million from certain selected 2,765 customers, and received ₩120,000 million in cash and subordinated beneficiary certificates amounting to ₩80,785 million, which are recorded as short-term available-for-sale securities (Note 4). As a result of the above asset securitization, the Company recorded ₩4,303 million of loss on disposal of trade accounts receivable as non-operating expense for the six-month period ended June 30, 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 expired. As a result of the above asset securitization, the Company recorded ₩80 million of loss on disposal of trade accounts receivable as non-operating expense for the six-month period ended June 30, 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, again 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 2004. As of June 30, 2004, the Company has sold trade accounts receivable of ₩60,324 million from certain selected 1,574 customers, and in return, received ₩30,300 million in cash and subordinated beneficiary certificates amounting to ₩29,420 million, which are recorded as short-term available-for-sale securities (Note 4). As a result of the above asset securitization, the Company recorded ₩494 million of loss on disposal of trade accounts receivable as non-operating expense for the six-month period ended June 30, 2004.

6. Inventories

Inventories as of June 30, 2004 and December 31, 2003 consist of the following:

<i>(In thousands of Korean won)</i>	2004	2003
Finished goods and merchandise	₩ 100,006,750	₩ 103,715,527
Semi-finished goods and work in-process	21,339,755	21,995,919
Raw materials and supplies	88,525,170	77,799,143
Materials in-transit	83,837,764	76,119,638
Allowances for inventory valuation	<u>(1,107,079)</u>	<u>(994,580)</u>
	<u>₩ 292,602,360</u>	<u>₩ 278,635,647</u>

Inventories are insured against fire and other casualty losses up to ₩193,214 million and ₩187,050 million as of June 30, 2004 and December 31, 2003, respectively.

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7. Long-Term Loans

Long-term loans as of June 30, 2004 and December 31, 2003 consist of the following :

<i>(In thousands of Korean won)</i>	Annual Interest Rates (%)		
	2004	2004	2003
Loans to employee stock ownership association	-	₩ 39,418,612	₩ 38,859,987
Others	0.0 - 8.0	<u>2,021,572</u>	<u>2,011,678</u>
		41,440,184	40,871,665
Current portion of long-term loans		<u>(240,022)</u>	<u>(39,270)</u>
		<u>₩ 41,200,162</u>	<u>₩ 40,832,395</u>

8. Property, Plant and Equipment

Property, plant and equipment as of June 30, 2004 and 2003, and the changes in the accounts for the six-month periods then ended, consist of the following:

Six-month period ended June 30, 2004:

<i>(in thousands of Korean won)</i>	2004				
	Land	Buildings	Structures	Machinery and Equipment	Vehicles
Balance at December 31, 2003	₩479,032,878	₩263,516,557	₩27,311,886	₩116,551,160	₩ 1,356,485
Acquisition	3,862,170	2,058,030	36,326	129,470	419,744
Transfer	3,249,871	764,993	916,021	11,237,909	-
Disposal	(24,719,627)	(3,528,857)	(204,384)	(459,565)	(52,453)
Depreciation	-	(9,544,948)	(1,654,746)	(18,983,985)	(392,055)
Balance at June 30, 2004	<u>₩461,425,292</u>	<u>₩253,265,775</u>	<u>₩26,405,103</u>	<u>₩108,474,989</u>	<u>₩ 1,331,721</u>

<i>(in thousands of Korean won)</i>	2004				
	Tools, Furniture and Other	Garden	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	5,511,425	63,903	33,708,866	576,206	46,366,140
Transfer	2,554,999	-	(18,723,793)	-	-
Disposal	(17,120)	(23,875)	-	-	(29,005,881)
Depreciation	(18,151,723)	(95,796)	-	-	(48,823,253)
Balance at June 30, 2004	<u>₩ 61,529,973</u>	<u>₩ 2,806,841</u>	<u>₩27,616,182</u>	<u>₩ 576,206</u>	<u>₩ 943,432,082</u>

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Six-month period ended June 30, 2003:

<i>(in thousands of Korean won)</i>	2003				
	Land	Buildings	Structures	Machinery And Equipment	Vehicles
Balance at December 31, 2002	₩531,902,410	₩257,741,690	₩29,660,620	₩101,568,925	₩ 1,047,629
Acquisition	313,660	890,760	122,821	384,748	778,416
Transfer	6,157,844	22,208,168	1,256,137	23,027,414	80,687
Disposal	(70,145,531)	(5,783,451)	(1,224,468)	(263,549)	(1)
Depreciation	-	(9,388,486)	(1,663,071)	(19,113,785)	(348,436)
Balance at June 30, 2003	<u>₩468,228,383</u>	<u>₩265,668,681</u>	<u>₩28,152,039</u>	<u>₩105,603,753</u>	<u>₩ 1,558,295</u>

<i>(in thousands of Korean won)</i>	2003				
	Tools, Furniture and Other	Garden	Construction In-Progress	Machinery in Transit	Total
Balance at December 31, 2002	₩ 78,694,595	₩ 2,804,125	₩28,274,905	₩ 469,955	₩1,032,164,854
Acquisition	5,652,742	71,084	53,937,830	56,501	62,208,562
Transfer	4,235,651	191,315	(56,764,890)	(474,674)	(82,348)
Disposal	(709,246)	(38,759)	-	-	(78,165,005)
Depreciation	(16,402,926)	(100,240)	-	-	(47,016,944)
Balance at June 30, 2003	<u>₩ 71,470,816</u>	<u>₩ 2,927,525</u>	<u>₩25,447,845</u>	<u>₩ 51,782</u>	<u>₩ 969,109,119</u>

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Property, plant and equipment as of June 30, 2004 and 2003, and the changes in the accounts for the three-month periods then ended, consist of the following:

Three-month period ended June 30, 2004:

<i>(in thousands of Korean won)</i>	2004				
	Land	Buildings	Structures	Machinery and Equipment	Vehicles
Balance at March 31, 2004	₩479,230,366	₩258,744,101	₩27,161,887	₩109,901,632	₩ 1,300,042
Acquisition	3,664,681	1,986,832	27,626	64,470	290,533
Transfer	3,249,871	543,593	208,528	8,481,751	-
Disposal	(24,719,626)	(3,225,788)	(165,470)	(439,684)	(52,453)
Depreciation	-	(4,782,963)	(827,468)	(9,533,180)	(206,401)
Balance at June 30, 2004	<u>₩461,425,292</u>	<u>₩253,265,775</u>	<u>₩26,405,103</u>	<u>₩108,474,989</u>	<u>₩ 1,331,721</u>

<i>(in thousands of Korean won)</i>	2004				
	Tools, Furniture and Others	Garden	Construction In-Progress	Machinery in Transit	Total
Balance at March 31, 2004	₩ 65,929,266	₩ 2,828,979	₩16,365,136	₩ 576,206	₩ 962,037,615
Acquisition	3,692,009	36,414	24,795,339	-	34,557,904
Transfer	1,060,550	-	(13,544,293)	-	-
Disposal	(5,801)	(11,141)	-	-	(28,619,963)
Depreciation	(9,146,051)	(47,411)	-	-	(24,543,474)
Balance at June 30, 2004	<u>₩ 61,529,973</u>	<u>₩ 2,806,841</u>	<u>₩27,616,182</u>	<u>₩ 576,206</u>	<u>₩ 943,432,082</u>

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Three-month period ended June 30, 2003:

<i>(in thousands of Korean won)</i>	2003				
	Land	Buildings	Structures	Machinery and Equipment	Vehicles
Balance at March 31, 2003	₩531,699,675	₩256,778,750	₩29,002,818	₩106,395,644	₩ 1,499,118
Acquisition	313,660	380,519	71,946	185,094	208,885
Transfer	6,157,844	19,061,696	1,140,457	8,952,974	40,643
Disposal	(69,942,796)	(5,783,451)	(1,224,468)	(152,836)	-
Depreciation	-	(4,768,833)	(838,714)	(9,777,123)	(190,351)
Balance at June 30, 2003	<u>₩468,228,383</u>	<u>₩265,668,681</u>	<u>₩28,152,039</u>	<u>₩105,603,753</u>	<u>₩ 1,558,295</u>

<i>(in thousands of Korean won)</i>	2003				
	Tools, Furniture and Other	Garden	Construction In-Progress	Machinery in Transit	Total
Balance at March 31, 2003	₩ 73,319,519	₩ 2,763,726	₩26,150,970	₩ 195,850	₩1,027,806,070
Acquisition	2,985,899	43,715	38,029,623	56,501	42,275,842
Transfer	3,517,450	191,315	(38,732,748)	(200,569)	129,062
Disposal	(10,272)	(20,598)	-	-	(77,134,421)
Depreciation	(8,341,780)	(50,633)	-	-	(23,967,434)
Balance at June 30, 2003	<u>₩ 71,470,816</u>	<u>₩ 2,927,525</u>	<u>₩25,447,845</u>	<u>₩ 51,782</u>	<u>₩ 969,109,119</u>

During the six-month period ended June 30, 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 June 30, 2004, certain portions of the Company's property, plant and equipment are pledged as collateral with bank loans up to a maximum of ₩53,000 million (Notes 15).

As of June 30, 2004, depreciable assets are insured against fire and other casualty losses, and business interruption losses up to ₩1,150,863 million and ₩191,296 million, respectively.

As of June 30, 2004, the value of land based on the posted price issued by the Korean tax authority amounted to ₩460,909 million.

In accordance with the Asset Revaluation Law (Note 2), the Company revalued a substantial portion of its property, plant and equipment on several dates including January 1, 1978, 1980, 1982, 1995 and October 1, 1998. As of June 30, 2004, the remaining revaluation increment of ₩615,877 million, net of revaluation tax, credits to deferred foreign currency translation losses and transfer to capital stock, was credited to other capital surplus, a component of shareholders' equity.

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9. Intangible Assets

The details of the changes in intangible assets for the six-month periods ended June 30, 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	-	407,517	83	407,600
Disposal	-	(160)	-	(160)
Amortization	(311,077)	(421,901)	(1,398,629)	(2,131,607)
Balance at June 30, 2004	<u>₩ 1,242,616</u>	<u>₩ 2,685,574</u>	<u>₩ 4,278,510</u>	<u>₩ 8,206,700</u>
	2003			
<i>(In thousands of Korean won)</i>	Goodwill	Intellectual Property Rights	Development Costs	Total
Balance at December 31, 2002	₩ 1,590,832	₩ 3,068,572	₩ 9,384,258	₩ 14,043,662
Acquisition (*)	68,000	85,733	2,685,539	2,839,272
Disposal	-	-	-	-
Amortization	(265,311)	(415,713)	(2,838,681)	(3,519,705)
Balance at June 30, 2003	<u>₩ 1,393,521</u>	<u>₩ 2,738,592</u>	<u>₩ 9,231,116</u>	<u>₩ 13,363,229</u>

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

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The details of the changes in intangible assets for the three-month periods ended June 30, 2004 and 2003 are as follows:

<i>(In thousands of Korean won)</i>	2004			
	Goodwill	Intellectual Property Rights	Development Costs	Total
Balance at March 31, 2004	₩ 1,398,155	₩ 2,524,169	₩ 4,776,381	₩ 8,698,705
Acquisition	-	373,581	83	373,664
Disposal	-	-	-	-
Amortization	(155,539)	(212,176)	(497,954)	(865,669)
Balance at June 30, 2004	<u>₩ 1,242,616</u>	<u>₩ 2,685,574</u>	<u>₩ 4,278,510</u>	<u>₩ 8,206,700</u>

<i>(In thousands of Korean won)</i>	2003			
	Goodwill	Intellectual Property Rights	Development Costs	Total
Balance at March 31, 2003	₩ 1,527,310	₩ 2,939,357	₩ 9,483,999	₩ 13,950,666
Acquisition (*)	-	5,455	1,401,818	1,407,273
Disposal	-	-	-	-
Amortization	(133,789)	(206,220)	(1,654,701)	(1,994,710)
Balance at June 30, 2003	<u>₩ 1,393,521</u>	<u>₩ 2,738,592</u>	<u>₩ 9,231,116</u>	<u>₩ 13,363,229</u>

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

The amortization expense of intangible assets for the six-month periods ended June 30, 2004 and 2003 is allocated to :

Account	2004	2003
<i>(In thousands of Korean won)</i>		
Selling, general and administrative expenses	<u>₩ 2,131,607</u>	<u>₩ 3,519,705</u>

The Company expensed research and development costs of ₩23,971 thousand and ₩18,580 thousand for the six-month periods ended June 30, 2004 and 2003, respectively.

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10. Long-Term Financial Instruments and Other Assets

Long-term financial instruments and other assets as of June 30, 2004 and December 31, 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)		363,854		385,428
Long-term loans (Note 7)		41,200,162		40,832,395
Long-term guarantee deposits		44,372,826		42,161,683
Long-term purchased option		-		18,806,554
Less: Allowance for doubtful accounts		<u>(275,452)</u>		<u>(69,973)</u>
	₩	<u>85,782,390</u>	₩	<u>102,242,587</u>

11. Long-Term Receivables and Valuation at Present Value

As of June 30, 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>₩ 389,920</u>	<u>₩ 26,066</u>	<u>₩ 363,854</u>

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12. Long-Term Available-For-Sale Securities

Long-term available-for-sale securities as of June 30, 2004 and December 31, 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)	₩ 14,374,010	₩ 16,119,348	₩ 16,119,348	₩ 11,404,872
Non-marketable investments	(2)	38,330,499	1,028,360,548	35,395,069	32,498,018
Other investments	(3)	53,367,400	40,185,531	39,099,538	54,363,030
		<u>₩ 106,071,909</u>	<u>₩1,084,665,427</u>	<u>₩ 90,613,955</u>	<u>₩ 98,265,920</u>

(1) Marketable investments

Marketable investments as of June 30, 2004 and December 31, 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 Corporation	1,124,280	0.01	₩13,944,006	₩15,852,348	₩15,852,348	₩11,130,372
Hotel Shilla Co., Ltd.	50,000	0.13	430,004	267,000	267,000	274,500
			<u>₩14,374,010</u>	<u>₩16,119,348</u>	<u>₩16,119,348</u>	<u>₩11,404,872</u>

As of June 30, 2004, 60,000 shares of Samsung Corporation were provided as collateral to the guarantee the fulfillment of certain construction contracts.

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(2) Non-marketable investments

Non-marketable investments as of June 30, 2004 and December 31, 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	₩43,902,576	₩ 5,180,472	₩ 5,180,472
Samsung Life Insurance Co., Ltd.	1,902,800	9.51	1,540,386	954,392,788	1,540,386	1,540,386
Samsung Lions Co., Ltd.	29,999	15.00	149,995	-	-	-
JoongAng Ilbo	382,519	14.71	12,152,182	14,682,378	12,152,182	12,152,182
Unicham Co., Ltd.	140,000	10.00	1,400,000	1,033,105	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	-	-	-
Dream Life Co., Ltd.	26,341	11.29	199,935	-	-	-
Bioholdings Co., Ltd. (*)	9,286	3.57	250,000	68,073	250,000	250,000
Naturobiotech Co., Ltd. (*)	24,537	8.71	144,004	64,299	144,004	144,004
Dream CIS Co., Ltd.	3,120	4.05	100,050	-	-	-
Pharmtechholdings Co., Ltd.	68,640	1.99	200,000	35,998	35,998	35,998
Eugen Bio Inc.	46,726	0.78	200,001	27,062	27,062	27,062
Ginseng Science Inc.	1,990	0.49	9,950	24,886	9,950	9,950
Ace Biotech Inc. (*)	5,652	1.23	100,000	48,782	100,000	100,000
Ezmedicom Inc. (Ezhospital Inc.) (*)	80,000	0.38	200,000	13,264	200,000	200,000
Gen Exel Inc. (*)	165,000	1.63	495,000	99,662	495,000	495,000
Korea CATV Yong- Dong Broadcast (*)	95,500	2.82	1,671,250	498,936	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, except number of shares owned and percentage of ownership)	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.	685	2.85	₩ 14,800	₩ 16,000	₩ 14,800	₩ 14,800
The Korea Economic Daily Co., Ltd. (*)	5,744	0.05	40,600	19,229	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	0.60	11,553	17,796	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	-
Myanmar Cheil Jedang Co., Ltd.	10,640	100.00	2,415,408	2,665,446	2,415,408	2,415,408
CJ Entertainment, Ltd.	399	100.00	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	-	100.00	1,568,840	1,305,380	1,568,840	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	-
			<u>₩ 38,330,499</u>	<u>₩ 1,028,360,548</u>	<u>₩ 35,395,069</u>	<u>₩ 32,498,018</u>

As of June 30, 2004, investments in eight affiliated companies over which the Company exercises significant control and influence, including Myanmar Cheil Jedang Co., Ltd., were not valued using the equity method, due to the immateriality of their asset values.

(*) As of June 30, 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.

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(3) Other investments

Other investments as of June 30, 2004 and December 31, 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	-	-	₩ 3,354,000	₩ 3,980,010	₩ 2,908,200	₩ 2,908,200
Securities market stabilization fund	-	-	-	-	-	1,440,629
Convertible bonds	-	-	50,000,000	36,176,804	36,176,804	50,000,000
Others			13,400	28,717	14,534	14,201
			<u>₩53,367,400</u>	<u>₩ 40,185,531</u>	<u>₩39,099,538</u>	<u>₩54,363,030</u>

During the six-month period ended June 30, 2004, the difference between the acquisition cost and the estimated fair value of convertible bonds issued by CJ Investment & Securities Co., Ltd. was recorded as unrealized valuation loss on available-for-sale securities in capital adjustments.

Also, during the six-month period ended June 30, 2004, the Company recognized bad debt allowance for accrued interest income from the above convertible bond amounting to ₩26,929 million.

For the six-month period ended June 30, 2004 and for the year ended December 31, 2003, the changes in valuation gain or loss on long-term available-for-sale securities included in capital adjustments 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 June 30, 2004	Balance at January 1, 2003	Valuation Amount	Included in Earnings	Balance at December 31, 2003
Marketable stocks	₩ -	₩ 1,908	₩ -	₩ 1,908	₩ 2,112	₩ -	₩ 2,112	₩ -
Other	780	-	780	-	-	780	-	780
	<u>₩ 780</u>	<u>₩ 1,908</u>	<u>₩ 780</u>	<u>₩ 1,908</u>	<u>₩ 2,112</u>	<u>₩ 780</u>	<u>₩ 2,112</u>	<u>₩ 780</u>

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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 June 30, 2004	Balance at January 1, 2003	Valuation Amount	Included in Earnings	Balance at December 31, 2003
Marketable stocks	₩ (2,969)	₩ 2,806	₩ -	₩ (163)	₩(16,151)	₩ 3,972	₩ (9,210)	₩ (2,969)
Other	(1,124)	(13,823)	-	(14,947)	-	(1,124)	-	(1,124)
	<u>₩ (4,093)</u>	<u>₩(11,017)</u>	<u>₩ -</u>	<u>₩ (15,110)</u>	<u>₩(16,151)</u>	<u>₩ 2,848</u>	<u>₩ (9,210)</u>	<u>₩ (4,093)</u>

13. Equity-Method Investments

Equity-method investments as of June 30, 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	₩ 11,821,645	₩ 11,405,408
CJ Food System Co., Ltd.	5,592,220	59.63	43,038,582	27,345,956	49,513,320
CJ Foodville Co., Ltd.	3,000,000	85.30	15,000,000	19,964,374	19,980,173
Haechandle Co., Ltd.	228,000	50.00	52,999,984	29,498,099	47,731,068
CJ Development Co., Ltd.	5,287,465	99.87	58,259,716	76,542,788	65,948,322
CJ Systems Co., Ltd.	521,333	52.13	2,727,562	6,068,094	4,041,494
CJ Entertainment Inc.	5,691,060	37.04	28,967,495	81,382,158	44,044,158
CJ Media Inc.	3,399,181	58.06	51,404,414	22,653,653	22,264,191
CJ Home Shopping Co., Ltd.	2,473,171	30.00	231,570,000	73,329,520	211,881,783
CJ Music Co., Ltd	1,200,000	81.63	6,000,000	2,809,261	2,809,261
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	9,272,328	9,272,328
Enprari Co., Ltd.	1,240,209	27.76	6,201,046	4,880,280	4,821,055
MD1 Co., Ltd.	40,000	100.00	200,000	1,570,687	1,601,991
Samyang Oil & Feed Co., Ltd.	4,907,512	99.99	24,651,010	25,616,925	30,644,088
CJ Olive Young Co., Ltd.	1,210,000	50.00	6,050,000	4,052,657	4,038,479
CJ Internet Co., Ltd.	2,309,500	10.86	44,584,112	27,944,950	41,392,256

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<i>(In thousands of Korean won, except number of shares owned and percentage of ownership)</i>	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Market Value or Net Book Value	Recorded Book Value
Hanil Pharmaceutical Ind, Co., Ltd.	4,341,963	49.34	23,215,764	36,559,328	22,347,699
CJ America Inc.	156	100.00	11,573,855	8,179,842	7,464,383
CJ China Ltd. (CJ HongKong Ltd.)	299	100.00	157,890	2,557,644	1,992,961
CJ Philippines Inc.	764,400	70.00	2,477,386	5,381,998	5,377,654
P.T. Cheil Jedang Superfeed	2,500	20.83	2,073,500	1,973,365	1,973,365
P.T. Cheil Jedang Indonesia	1,500	10.00	1,248,450	1,337,231	1,337,231
P.T. Cheil Samsung Indonesia	1,047,939,950	91.76	96,620,622	177,214,899	173,320,546
CJ Qingdao Food Co., Ltd.	-	85.90	22,708,925	25,847,764	24,750,875
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	2,318,606	2,276,349
CJ Vina Agri Co., Ltd.	-	100.00	5,748,934	4,846,003	4,846,003
CJ Europe GmbH.	-	100.00	150,338	1,193,134	1,049,781
Lee Entertainment L.L.C.	165,735,911	99.36	162,576,072	71,135,110	71,135,110
CJ Cambodia Co., Ltd.	-	50.00	3,129,289	1,693,105	1,740,047
CJ Japan Corp.	4,000	100.00	405,048	362,570	362,570
CJ Liaocheng Biotech Co., Ltd.	-	100.00	17,232,000	17,232,000	17,232,000
KD Partners.	-	73.00	76,480,000	74,731,645	74,736,865
Stock Warrants CJ Home Shopping	517,241	6.27	33,430,000	14,312,973	14,312,973
			<u>₩1,141,995,273</u>	<u>₩ 872,645,341</u>	<u>₩ 998,660,536</u>

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

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

<i>(In thousands of Korean won, except number of shares owned and percentage of ownership)</i>	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 Foodville Co., Ltd.	3,000,000	85.30	15,000,000	21,266,430	21,239,275
Haehandle 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 China Ltd. (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 (P.T. CJS)	2,500	20.83	2,073,500	-	-
P.T. Cheil Jedang Indonesia (P.T. CJI)	1,500	10.00	1,248,450	1,325,210	1,325,210
P.T. Cheil Samsung Indonesia (P.T. CSI)	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 Warrnats CJ Home Shopping Co., Ltd.	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 six-month period ended June 30, 2004 are as follows:

<i>(In thousands of Korean won)</i>	Balance at Beginning of Period	Increase (Decrease)	Amortization (Reversal)	Balance at End of Period
CJ Food System Co., Ltd.	₩ 24,345	₩ -	₩ 6,086	₩ 18,259
Haechandle Co., Ltd.	19,897,460	-	1,607,367	18,290,093
CJ Development Co., Ltd.	34,790	-	3,554	31,236
CJ Systems Co., Ltd.	7,827	-	3,914	3,913
CJ Entertainment Inc.	1,532,663	-	613,065	919,598
CJ Media Inc.	(53,849)	(324,088)	(59,334)	(318,603)
CJ Home Shopping Co., Ltd.	164,447,584	-	4,983,260	159,464,324
Samyang Oil & Feed Co., Ltd.	5,986,486	-	748,311	5,238,175
CJ Internet Co., Ltd.	-	29,203,815	1,460,191	27,743,624
Hanil Pharmaceutical Ind, Co., Ltd.	-	(309,551)	(15,478)	(294,073)
P.T.Cheil Samsung Indonesia (P.T.CSI)	(223,090)	-	(111,545)	(111,545)
CJ Qingdao Food Co., Ltd.	(1,076,125)	-	(117,948)	(958,177)
CJ Ord River Sugar Pty., Ltd.	(54,331)	-	(12,074)	(42,257)
CJ Europe GmbH.	(3,234)	-	(808)	(2,426)
CJ Cambodia Co., Ltd.	56,331	-	9,389	46,942
KD Partners	-	5,495	275	5,220
Stock Warrants				
CJ Home Shopping Co., Ltd.	16,640,264	-	2,327,290	14,312,974
	<u>₩207,217,121</u>	<u>₩28,575,671</u>	<u>₩ 11,445,515</u>	<u>₩224,347,277</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				
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 June 30, 2004 and December 31, 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.	(1,048,547)	-	(1,048,547)	(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.	-	(10,625,702)	(10,625,702)	-	(8,741,357)	(8,741,357)
CJ Systems Co., Ltd.	-	(2,030,513)	(2,030,513)	-	(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)
Samyang Oil & Feed Co., Ltd.	(211,012)	-	(211,012)	-	-	-
CJ Olive Young Co., Ltd.	(14,178)	-	(14,178)	-	-	-
MD1 Co., Ltd.	31,304	-	31,304	-	-	-
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.	(138,712)	-	(138,712)	(224,201)	-	(224,201)
CJ Europe GmbH	(140,927)	-	(140,927)	-	-	-
	<u>₩(7,149,888)</u>	<u>₩(12,656,215)</u>	<u>₩(19,806,103)</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 six-month period ended June 30, 2004 are as follows:

<i>(In thousands of Korean won)</i>	Balance at Beginning of Period	Earnings from Equity- method Investments	Other Increase (Decrease)	Balance at End of Period
Morningwell Co., Ltd.	₩ 12,544,150	₩(1,138,742)	₩ -	₩ 11,405,408
CJ Food System Co., Ltd.	50,044,180	170,649	(701,509)	49,513,320
CJ Foodville Co., Ltd.	21,239,275	(1,259,102)	-	19,980,173
Haechandle Co., Ltd.	47,507,718	2,222,899	(1,999,549)	47,731,068
CJ Development Co., Ltd.	62,436,449	3,511,873	-	65,948,322
CJ Systems Co., Ltd.	2,585,118	1,456,376	-	4,041,494
CJ Entertainment Inc.	43,082,999	2,361,884	(1,400,725)	44,044,158
CJ Media Inc.	12,318,591	(1,006,925)	10,952,525	22,264,191
CJ Home Shopping Co., Ltd.	216,059,286	(496,312)	(3,681,191)	211,881,783
CJ Venture Capital Co., Ltd.	9,927,996	202,821	(858,489)	9,272,328
Enprani Co., Ltd.	5,071,381	(250,326)	-	4,821,055
CJ Music Co., Ltd.	3,325,819	(516,558)	-	2,809,261
Samyang Oil & Feed Co., Ltd.	26,224,586	4,191,066	228,436	30,644,088
CJ Olive Young Co., Ltd.	4,355,043	(316,564)	-	4,038,479
MDI Co., Ltd.	1,356,192	245,799	-	1,601,991
CJ Internet Co., Ltd.	-	(2,641,988)	44,034,244	41,392,256
Hanil Pharmaceutical Inc, Co., Ltd.	-	(783,118)	23,130,817	22,347,699
CJ America Inc.	9,779,647	(1,945,127)	(370,137)	7,464,383
CJ China Ltd. (CJ HongKong Ltd.)	2,586,551	(478,624)	(114,966)	1,992,961
CJ Philippines Inc.	5,780,106	474,852	(877,304)	5,377,654
P.T Cheil Jedang Superfeed	-	2,655,030	(681,665)	1,973,365
P.T. Cheil Jedang Indonesia (P.T. CJI)	1,325,210	(41,507)	53,528	1,337,231
P.T. Cheil Samsung Indonesia (P.T.CSI)	219,598,344	35,920,798	(82,198,596)	173,320,546
CJ Qingdao Food Co., Ltd.	26,031,514	(251,160)	(1,029,479)	24,750,875
Beijing CJ Foods Co., Ltd.	1,014,749	-	-	1,014,749
CJ Ord River Sugar Pty., Ltd.	2,509,552	57,608	(290,811)	2,276,349
CJ Vina Agri Co., Ltd.	4,638,115	458,274	(250,386)	4,846,003
CJ Europe GmbH.	686,695	427,194	(64,108)	1,049,781
Lee Entertainment L.L.C.	74,004,530	(71,496)	(2,797,924)	71,135,110
CJ Cambodia Co., Ltd.	1,890,609	(82,797)	(67,765)	1,740,047
CJ Japan Corp.	-	(41,059)	403,629	362,570
CJ Liaocheng Biotech, Co., Ltd.	-	-	17,232,000	17,232,000
KD Partners	-	(2,420,247)	77,157,112	74,736,865
Stock Warrants CJ Home Shopping Co., Ltd.	16,640,264	(2,327,291)	-	14,312,973
	<u>₩884,564,669</u>	<u>₩38,288,180</u>	<u>₩75,807,687</u>	<u>₩998,660,536</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.	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.	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
MD1 Co., Ltd.	-	1,156,192	200,000	1,356,192
CJ America Inc.	10,676,780	(882,917)	(14,216)	9,779,647
CJ China Ltd.				
(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				
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>

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Gain or loss on equity-method investments recorded in capital adjustments as of June 30, 2004 and December 31, 2003 are as follows:

(in millions of Korean won)

	2004			2003				
	Balance at January 1, 2004	Valuation Amount	Included in Earnings	Balance at June 30, 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	₩(15,769)	₩ -	₩ 31,158	₩ 44,280	₩2,647	₩ -	₩ 46,927
Losses on valuation of investment securities using equity method	(18,049)	(73,359)	-	(91,408)	(8,855)	(9,194)	-	(18,049)
	<u>₩ 28,878</u>	<u>₩(89,128)</u>	<u>₩ -</u>	<u>₩ (60,250)</u>	<u>₩ 35,425</u>	<u>₩(6,547)</u>	<u>₩ -</u>	<u>₩ 28,878</u>

14. Short-Term Borrowings

Short-term borrowings as of June 30, 2004 and December 31, 2003 consist of the following:

(In thousands of Korean won)	Annual Interest Rates (%)			
	2004	2004	2003	
Bank overdraft facilities	6.43	₩ 10,847	₩ 1,969,904	
General term loans	-	-	131,491,000	
Usance financing	1.40 - 2.16	195,512,534	150,423,516	
Notes discounted	3.90 - 3.98	<u>110,000,000</u>	<u>48,000,000</u>	
		<u>₩ 305,523,381</u>	<u>₩ 331,884,420</u>	

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15. Long-Term Debt

Long-term debt as of June 30, 2004 and December 31, 2003 consists of the following:

<i>(In thousands of Korean won)</i>	Reference	2004	2003
Won currency loans	(A)	₩ -	₩ 1,198,841
Foreign currency loans (Won equivalent)	(B)	271,249,570	253,289,914
Debentures	(C)	<u>293,402,878</u>	<u>197,887,161</u>
		564,652,448	452,375,916
Less: Current maturities		<u>(200,504,092)</u>	<u>(136,967,474)</u>
		<u>₩ 364,148,356</u>	<u>₩ 315,408,442</u>

(A) Won currency loans as of June 30, 2004 and December 31, 2003 consist of the following :

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

(B) Long-term debt denominated in foreign currencies as of June 30, 2004 and December 31, 2003 consists of the following:

<i>(In thousands of Korean won)</i>	Annual Interest Rates (%)		
	2004	2004	2003
ABN	1.41	₩ 53,201,500	₩ 55,980,000
Korea Development Bank	1.29	-	563,511
Woori Bank	1.18 - 1.90	137,822,116	105,572,681
Kookmin Bank	1.22	509,489	3,624,250
Shinhan Bank	1.21 - 1.95	61,550,612	50,069,207
Hana Bank and others	1.19 - 1.34	<u>18,165,853</u>	<u>37,480,265</u>
		<u>₩ 271,249,570</u>	<u>₩ 253,289,914</u>

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(C) Debentures outstanding as of June 30, 2004 and December 31, 2003 consist of the following :

<i>(In thousands of Korean won)</i>	Annual Interest Rates (%)		
	2004	2004	2003
Public bonds	4.68 - 5.58	₩ 146,459,165	₩ 50,000,000
Private bonds	7.30	50,000,000	50,000,000
Bonds payable in foreign currency	2.41	97,644,191	98,805,825
Less : Unamortized discounts		(1,860,669)	(1,794,099)
Add : Long-term accrued interests		<u>1,160,191</u>	<u>875,435</u>
		<u>₩ 293,402,878</u>	<u>₩ 197,887,161</u>

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, 2002 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 expense of ₩284,756 thousand for the six-month period ended June 30, 2004 was recognized as long-term accrued interest payable.

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

Maturities of long-term debt outstanding as of June 30, 2004, excluding discounts and long-term accrued interests on debentures, are as follows:

(In thousands of Korean won)

Period Ended June 30	Foreign		Total
	Currency Loans	Debentures	
2005	₩ 150,504,092	₩ 50,000,000	₩ 200,504,092
2006	120,745,478	97,644,191	218,389,669
2007	-	146,459,165	146,459,165
	<u>₩ 271,249,570</u>	<u>₩ 294,103,356</u>	<u>₩ 565,352,926</u>

16. Accrued Severance Benefits

Accrued severance benefits as of June 30, 2004 and December 31, 2003 consist of the following:

(In thousands of Korean won)

	2004	2003
Accrued severance benefits	₩ 83,946,166	₩ 79,829,143
Less : Funded portion		
Severance insurance fund	(42,794,581)	(46,362,451)
National Pension Fund	<u>(2,110,928)</u>	<u>(2,415,873)</u>
Unfunded portion	<u>₩ 39,040,657</u>	<u>₩ 31,050,819</u>

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17. Commitments and Contingencies

As of June 30, 2004, the Company is contingently liable for guarantees of indebtedness of related companies amounting to approximately ₩488,028 million. In addition, as of June 30, 2004, the Company provided guarantees of contract fulfillment for related companies in the amount of ₩125,911 million (Note 25).

As of June 30, 2004, the Company has technical assistance agreements with certain companies. Total royalty fees incurred for the six-month periods ended June 30, 2004 and 2003 with respect to these agreements amounted to approximately ₩2,054 million and ₩1,361 million, respectively.

As of June 30, 2004, the Company has entered into 4,409 futures contracts to hedge the fluctuation of the purchase price of raw materials. For the six-month period ended June 30, 2004, the Company recognized a gain of ₩2,949 million and loss of ₩1,684 million from the valuation of futures contracts. As of June 30, 2004, the Company is provided with guarantees of payment of \$12,900 thousand of guarantee deposits for futures trading from three financial institutions in relation to the above futures contracts.

As of June 30, 2004, the Company has forward exchange contracts involving buying amounts of ₩438 million and selling amounts of ₩1,016 million, to hedge against currency risk on foreign currency assets and liabilities. For the six-month period ended June 30, 2004, the Company recognized a net gain from the valuation of forward exchange contracts amounting to ₩767 million which was charged to current operations.

As of June 30, 2004, the Company has currency option contracts. The valuation of the currency option contracts is summarized as follows:

<i>(In thousands of Korean won)</i>	Fair Value		Gain (loss) on valuation charged to current operation	
	Call	Put		
CITI Bank	<u>₩ 3,016,433</u>	<u>₩ 965,788</u>	<u>₩ 4,472,338</u>	<u>₩ (11,889)</u>

The fair value of the currency option contracts was calculated using the option pricing model.

The Company entered into two cross currency swap agreements with financial institutions to hedge against currency and interest rate risk on its foreign currency debt in 2003, terminated the contract during the three-month period ended March 31, 2004, and recorded gain on settlement of derivative instruments of ₩1,493 million.

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The Company has entered into seven 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 June 30, 2004 are as follows:

<i>(in thousands of Korean won)</i>	Counterparty	Outstanding contract amount		Gain (loss) on valuation charged to current operations		Gain (loss) on valuation charged to shareholders' equity
		Trading	Hedging	Trading	Hedging	
Deutsche	₩	-	₩ 53,202	₩ -	₩ -	₩ (142)
CALYON and others		-	92,200	-	(84)	-
Woori Bank		100,000	-	127	-	-
CITI and other		-	100,000	-	(3,541)	-
BOA		115,250	-	(341)	-	-
ABN		115,250	-	(115)	-	-
		<u>₩ 330,500</u>	<u>₩ 245,402</u>	<u>₩ (329)</u>	<u>₩ (3,625)</u>	<u>₩ (142)</u>

As of June 30, 2004, the Company is a party to various legal claims and proceedings amounting to ₩3,647 million as plaintiff and ₩11,359 million as defendant, all of which are pending as of June 30, 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 ₩9,690 million, which were recorded in non-operating expenses for the year ended December 31, 2003 and for the six-month period ended June 30, 2004, respectively.

As of June 30, 2004, the Company has bank overdraft facility agreements up to a maximum of ₩86,000 million with several banks.

As of June 30, 2004, the Company has banker's usance borrowing agreements up to a maximum of ₩779,447 million with several banks.

As of June 30, 2004, four promissory note and a check totaling ₩3,438 million, and two blank notes were provided to financial institutions as collateral for bank loans and for the fulfillment of certain contracts.

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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 6 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 six-month period ended June 30, 2004.

In common with certain other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices, including corporate governance. The Company may be either directly or indirectly affected by these volatile economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results of operations of the Company. Actual results may differ materially from management's current assessment.

18. Retained Earnings

Retained earnings as of June 30, 2004 and December 31, 2003 consist of the following:

<i>(In thousands of Korean won)</i>	Reference	2004	2003
Legal reserve	(A)	₩ 66,794,782	₩ 62,065,332
Reserve for improvement of financial structure	(B)	6,709,860	6,709,860
Reserve for business rationalization	(C)	54,804,727	54,804,727
Reserve for research and human resource development	(C)	275,172,642	163,857,629
Reserve for export losses	(C)	720,000	1,850,000
Reserve for overseas market development	(C)	1,100,000	1,494,000
Reserve for loss on disposal of treasury stock	(C)	<u>6,551,913</u>	<u>-</u>
		411,853,924	290,781,548
Retained earnings before appropriations		<u>128,120,242</u>	<u>168,866,871</u>
		<u>₩ 539,974,166</u>	<u>₩ 459,648,419</u>

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

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(B) The Regulation for Securities Issuance and Disclosure requires the Company to appropriate as a reserve for improvement of financial structure an amount equal to at least 50% of the net extraordinary gain on disposal of property, plant and equipment and 10% of net earnings for each year until the shareholders' equity equals 30% of total assets. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any. As of June 30, 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 assets as of June 30, 2004.

(C) 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.

19. Treasury Stock

As of June 30, 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.

20. Stock Option Plan

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

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

	<u>Date of the grant</u>			
	<u>August 14, 2001</u>	<u>April 27, 2002</u>	<u>March 11, 2003</u>	<u>April 8, 2004</u>
Options outstanding	47,000	95,600	134,300	77,800
Exercise price (*)	₩ 40,000	₩ 58,000	₩ 41,000	₩ 69,000
Exercise period from the date of the grant (**)	2~9 years	2~9 years	2~9 years	2~9 years

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

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

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

	<u>Date of the grant</u>			
	<u>August 14, 2002</u>	<u>April 27, 2003</u>	<u>March 11, 2003</u>	<u>April 8, 2004</u>
Risk-free interest rates	5.10%	6.37%	4.69%	4.56%
Expected stock price volatility	70.60%	66.18%	54.81%	38.48%
Expected life	3 years	3 years	3 years	3 years

The compensation expense related to stock options was ₩930 million for the six-month period ended June 30, 2004. In addition, accumulated compensation expense for the six-month period ended June 30, 2004 and estimated compensation expense for the periods thereafter are ₩4,193 million and ₩1,903 million, respectively.

21. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the six-month periods ended June 30, 2004 and 2003 consist of the following:

<i>(In thousands of Korean won)</i>	2004	2003
Salaries	₩ 52,017,986	₩ 51,340,899
Provision for severance benefits	8,783,881	8,574,665
Employee benefits	8,536,222	8,266,011
Travel expenses	6,303,942	5,330,954
Commission and service charge	70,040,602	57,771,501
Depreciation expense for tangible assets	19,127,332	16,484,990
Amortization expense for intangible assets	2,131,607	3,519,706
Advertising expenses	20,292,827	24,130,004
Sales promotion expenses	19,271,325	21,085,532
Transportation expenses	52,204,574	49,441,094
Rent	2,673,126	4,000,277
Taxes and dues	3,457,904	7,559,067
Bad debt expenses	806,558	-
Research expenses	11,830,974	12,327,665
Expenses for company events	9,740,467	11,938,640
Stock compensation expenses	866,839	892,101
Others	<u>17,448,904</u>	<u>11,381,565</u>
	<u>₩ 305,535,070</u>	<u>₩ 294,044,671</u>

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22. Income Tax Expenses

The statutory income tax rate applicable to the Company including resident surcharges, is approximately 29.7% for the year ended June 30, 2004.

Income tax expenses for the six-month periods ended June 30, 2004 and 2003 consist of the following:

<i>(In thousands of Korean won)</i>	2004	2003
Current income taxes	₩ 45,107,981	₩ 40,356,019
Deferred income taxes	<u>(5,401,021)</u>	<u>(11,369,478)</u>
Income tax expenses	<u>₩ 39,706,960</u>	<u>₩ 28,986,541</u>

The changes in deferred income tax assets for the six-month periods ended June 30, 2004 and 2003 are as follows:

<i>(In thousands of Korean won)</i>	2004	2003
Deferred income tax assets, beginning balance	₩ 28,464,722	₩ 45,685,126
Increase (decrease) in deferred tax assets due to temporary differences and tax credits	<u>5,401,021</u>	<u>(11,369,478)</u>
Deferred income tax assets, ending balance	<u>₩ 33,865,743</u>	<u>₩ 34,315,648</u>

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

<i>(In thousands of Korean won)</i>	2004	2003
Income before taxes	₩ 167,327,202	₩ 137,223,562
Statutory tax rate	<u>29.7%</u>	<u>29.7%</u>
Expected taxes at statutory rate	49,696,179	40,755,398
Tax credit	(2,502,309)	(2,584,376)
Others, net	<u>(7,486,910)</u>	<u>(9,184,481)</u>
Actual taxes	<u>₩ 39,706,960</u>	<u>₩ 28,986,541</u>
Effective tax rate	<u>23.7%</u>	<u>21.1%</u>

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Components of deferred income taxes as of June 30, 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	₩ (2,032,000)	₩ 418,728
Loss on valuation of investments in equity securities	43,016,020	(2,374,391)	40,641,629
Allowance for doubtful accounts	405,507	7,609,849	8,015,356
Severance benefits	1,192,503	-	1,192,503
Provision for loss from lawsuits	747,068	2,609,478	3,356,546
Others	<u>3,024,731</u>	<u>(398,141)</u>	<u>2,626,590</u>
Total deferred income tax assets	<u>₩ 50,836,557</u>	<u>₩ 5,414,795</u>	<u>₩ 56,251,352</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)	67,662	(41,575)
Accrued interest income	(6,582,447)	(1,876,906)	(8,459,353)
Gain on valuation of derivative instruments	(3,625,930)	2,188,324	(1,437,606)
Gain on disposal of property, plant and equipment	(5,721,724)	(19,732)	(5,741,456)
Others	<u>(3,081,630)</u>	<u>(369,822)</u>	<u>(3,451,452)</u>
Total deferred income tax liabilities	<u>(22,371,835)</u>	<u>(13,774)</u>	<u>(22,385,609)</u>
Net deferred income tax assets	<u>₩ 28,464,722</u>	<u>₩ 5,401,021</u>	<u>₩ 33,865,743</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%, which will be applied to calculate deferred income taxes for fiscal years beginning on or after January 1, 2005. As a result of this change, net income for the six-month period ended June 30, 2004 and deferred income tax assets as of June 30, 2004, decreased by ₩2,709 million, respectively.

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23. 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	₩ 127,620,242	₩ 108,237,021
Adjustments :		
Dividends for preferred stock	(4,535,331)	(3,255,665)
Undeclared participating preferred stock dividend	<u>(18,304,829)</u>	<u>(17,218,441)</u>
Net income available for common stock	104,780,082	87,762,915
Weighted average number of shares of common stock	<u>22,665,911</u>	<u>22,063,149</u>
Earnings per share	<u>₩ 4,623</u>	<u>₩ 3,978</u>

Diluted earnings per share

<i>(In thousands of Korean won, except earnings per share)</i>	2004	2003
Net income available for common stock	₩ 104,780,082	₩ 87,762,915
Adjustment :		
Dividends for convertible preferred stock	<u>8,088,412</u>	<u>-</u>
Net income available for common stock and common equivalent stock	112,868,494	87,762,915
Weighted average number of shares of common stock & common stock equivalents	<u>25,158,238</u>	<u>22,444,665</u>
Diluted earnings per share	<u>₩ 4,486</u>	<u>₩ 3,910</u>

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24. Foreign Currency Translation

As of June 30, 2004 and December 31, 2003, assets and liabilities denominated in foreign currencies and related gains and losses on foreign currency translation are as follows:

*(Korean won amounts
in thousand)*

Account	Foreign Currencies	2004			2003	
		Korea Won (translated)	Translation Gain	Translation Loss	Korea Won (translated)	
Assets						
Trade accounts and notes receivable	AU\$	166,806.50	132,851	₩ -	₩ 5,907	₩ 183,982
	US\$	17,932,311.95	20,666,990	44,524	247,762	23,401,597
	JPY	60,880,380.00	647,786	544	723	381,476
	EUR	1,122,622.11	1,564,554	4,293	30,307	1,851,540
	GBP	-	-	-	-	72,039
	SG\$	-	-	-	-	17,890
		<u>23,012,181</u>	<u>49,361</u>	<u>284,699</u>	<u>25,908,524</u>	
Short-term loan	JPY	699,200.00	7,440	246	-	9,270
	US\$	72,956.67	84,083	-	1,246	-
			<u>91,523</u>	<u>246</u>	<u>1,246</u>	<u>9,270</u>
Other accounts and notes receivable	USD	14,848,820.57	17,113,266	99,341	283,529	6,585,372
	CHF	1,150,000.00	1,048,076	51,854	-	1,108,807
	CNY	8,100,000.00	1,128,897	-	103,842	1,172,232
	EUR	208,000.00	289,881	-	1,726	56,411
	JPY	-	-	-	-	18,510
	GBP	626.56	1,306	-	16	713
		<u>19,581,426</u>	<u>151,195</u>	<u>389,113</u>	<u>8,942,045</u>	
Others	GBP	21,931.00	45,702	-	380	70,111
	JPY	1,852,938.00	19,716	310	-	37,040
	US\$	1,715,800.02	1,977,460	-	36,251	565,410
			<u>2,042,878</u>	<u>310</u>	<u>36,631</u>	<u>672,561</u>
Liabilities						
Trade accounts and notes payable	US\$	299,252.77	344,889	3,833	243	2,298,539
	JPY	3,753,800.00	39,942	664	-	396,295
	EUR	12,500.00	17,421	125	-	68,514
			<u>402,252</u>	<u>4,622</u>	<u>243</u>	<u>2,763,348</u>
Short-term borrowings	US\$	169,567,026.33	195,425,998	2,456,316	281,689	192,299,866
	JPY	-	-	-	-	89,568,000
	EUR	62,092.80	86,536	862	70	46,650
		<u>195,512,534</u>	<u>2,457,178</u>	<u>281,759</u>	<u>281,914,516</u>	

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in thousand)

Account	Foreign Currencies	2004			2003	
		Korea Won (translated)	Translation Gain	Translation Loss	Korea Won (translated)	
Other accounts and notes payable	US\$	3,074,929.27	3,543,856	63,884	14,864	3,316,807
	EUR	163,659.50	144,466	5,227	61	87,291
	GBP	46,683,525.00	60,754	622	-	-
	CHF	-	-	-	-	182,230
	JPY	29,154.30	496,727	2,789	2,180	782,234
	AU\$	22,056.00	17,567	118	-	-
		<u>4,263,370</u>	<u>72,640</u>	<u>17,105</u>		<u>4,368,562</u>
Accrued expenses	US\$	8,852,426.38	10,202,421	81,006	17,916	667,408
	JPY	62,583,592.00	665,908	6,974	19,160	700,686
	EUR	305.83	426	881	962	460
		<u>10,868,755</u>	<u>88,861</u>	<u>38,038</u>		<u>1,368,554</u>
Current portion of long-term debt	US\$	130,589,233.97	<u>150,504,092</u>	<u>4,818,237</u>	<u>5,996</u>	<u>135,768,633</u>
	US\$	58,606,488.08	67,543,978	1,580,464	5,996	61,541,281
Long-term debt	JPY	5,000,000,000.00	53,201,500	2,778,500	-	55,980,000
			<u>120,745,478</u>	<u>4,358,964</u>	<u>5,996</u>	<u>117,521,281</u>
Total			<u>₩12,001,614</u>	<u>₩1,060,826</u>		

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25. Related Party Transactions

Significant transactions with related parties for the six-month periods ended June 30, 2004 and 2003 and the related receivables and payables as of June 30, 2004 and December 31, 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
Shin Dong Bang Corp.	₩33,979,189	₩ -	₩16,189,026	₩ -	₩18,364,747	₩ -	₩ 442,380	₩ -
CJ Systems Co., Ltd.	2,003,391	1,849,910	10,851,174	11,948,191	200,977	67,908	2,523,293	10,343,766
CJ Development Co., Ltd.	215,611	311,273	11,272,234	24,074,740	93,279	402,068	3,956,533	7,213,878
CJ Food System Co., Ltd.	47,732,694	61,068,075	29,671,529	49,081,748	16,876,455	99,469	22,115,940	11,428,200
CJ Media Inc.	81,818	251,262	445,000	695,000	27,116	52,552	407,000	588,842
CJ GLS Co., Ltd.	4,933,563	4,500,582	57,125,966	55,044,222	955,250	913,746	17,881,120	17,437,629
CJ Investment & Securities Co., Ltd.	463,718	4,550,041	-	88,940	27,146,718	22,396,435	-	-
CGV Co., Ltd.	242,895	469,239	1,043,109	167,682	500,205	425,265	93,411	841,169
CJ Music Co., Ltd.	1,027	378	3,220	1,215	-	-	511	601
CJ Entertainment Inc.	312,054	144,489	306,519	4,680	-	166,817	-	1,798,525
CJ Investment Trust Management Co., Ltd.	6,370	15,900	-	-	1,628	4,209	-	-
CJ Foodville Co., Ltd.	1,543,651	2,061,421	453,912	242,908	1,001,031	961,047	80,477	77,135
Yang-Chon Cable TV Co., Ltd.	-	3,329	-	10,000	-	-	-	-
Ecline Co., Ltd.	16,514	21,590	-	-	-	-	-	-
Hanil Food Mart Co., Ltd.	32,023	85,885	952	-	707	4,459	-	-
Samyang Oil & Feed Co., Ltd.	2,768,670	4,277,150	33,886,236	8,473,918	1,296,555	374,351	6,520,945	5,410,288
Korea CATV Gaya Broadcast	3,431	60,382	3,000	10,000	-	266,824	-	12,145
Yang-Chon Lelay Broadcasting	248,664	-	-	-	134,331	-	-	-
Korea CATV Gyeong-Nam Broadcast	5,795	7,418	4,000	10,000	105,224	104,304	-	-
Korea CATV Ma-San Broadcast	3,246	3,887	-	-	-	856	-	-
Joy Rent A Car Inc.	104,507	25,311	305,243	288,173	-	-	26,500	48,396

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<i>(in thousands of Korean won)</i>	<u>Sales</u>		<u>Purchases</u>		<u>Accounts Receivable</u>		<u>Accounts Payable</u>	
	2004	2003	2004	2003	2004	2003	2004	2003
Haechandle Co., Ltd.	₩ 975,275	₩ 1,109,957	₩ 252,592	₩ 86,219	₩ 131,857	₩ 124,511	₩ 159,640	₩ 28,940
Cheil Teleservice Co., Ltd.	65,212	43,530	75,564	7,400	22,513	25,721	1,320	1,267
MD1 Co., Ltd	87,217	64,976	20,161,802	20,721,871	8,965	3,872	3,716,547	3,579,122
CJ Olive Young Co., Ltd.	204,677	131,597	-	-	75,300	47,827	-	-
CJ Japan Corp.	115,082	36,236	1,147,920	771,002	108,031	15,003	359,194	195,544
CJ Philippines Inc.	241,468	93,832	-	-	237,302	633,151	-	-
CJ China Ltd. (CJ Hong Kong Ltd.)	2,623,733	2,152,154	3,496,723	3,366,642	1,959,813	3,109,914	673,675	1,210,499
P.T. Cheil Samsung Indonesia (P.T. CSI)	7,933,143	2,562,058	2,119,642	4,455,697	4,728,740	218,048	5,321	852,614
P.T. Cheil Jedang Superfeed (P.T. CJS)	406,567	645,565	411,417	-	401,571	-	-	63,731
P.T. Cheil Jedang Indonesia (P.T. CJI)	5,417,460	3,548,389	12,067,763	10,419,409	1,764,125	807,960	949,545	1,396,635
P.T. Super Unggas Jaya	17,503	-	-	-	17,288	-	-	-
Morningwell Co., Ltd.	4,428,322	3,911,037	25,526,260	28,596,575	389,789	651,221	11,405,593	19,315,003
CJ Home Shopping Co., Ltd.	1,697,033	4,335,646	5,192,663	3,312,742	2,930,041	4,895,952	1,209,410	441,397
CJ America Inc.	7,405,444	9,349,238	646,592	84,379	4,636,098	6,114,225	334,074	1,075
CJ Nutracon Inc.	-	-	-	4,959,416	-	-	48,846	74,570
CJ Qingdao Food Co., Ltd.	831,982	2,412,866	165,423	-	1,734,672	1,822,800	95,515	-
CJ Europe GmbH.	4,074,163	1,666,913	1,112,751	765,784	1,579,746	2,176,551	657,703	380,431
CJ Vina Agri Co., Ltd.	327,753	619,704	-	-	-	-	-	-
Others	85,486	7,848	16,470	10,000	13,605	2,535	282	22,000
Total	₩131,636,351	₩112,399,068	₩233,954,702	₩227,698,553	₩87,443,679	₩46,889,601	₩73,664,775	₩82,763,402

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The Company provided guarantees of indebtedness of related parties as of June 30, 2004 and December 31, 2003 as follows:

(in thousands of
Korean won)

Guarantee	Financial institutions	Loan amounts		Guarantee amounts	
		2004	2003	2004	2003
CJ Chengdu Feed Co., Ltd.	Hana Bank	₩ 806,750	₩ 838,460	₩ 806,750	₩ 838,460
CJ Shenyang Feed Co., Ltd.	Woori Bank	691,500	359,340	691,500	718,680
CJ Qingdao Feed Co., Ltd.	Woori Bank	576,250	-	576,250	-
CJ Zhengzhou Feed Co., Ltd.	Woori Bank	818,275	-	818,275	-
P.T.Cheil Samsung Indonesia	Korea Development Bank & Others	198,231,033	130,099,516	232,537,500	179,653,700
CJ Europe GmbH.	Korea Exchange Bank	1,811,834	32,101,124	13,937,183	46,579,986
CJ China Ltd. (CJ Hong Kong Ltd.)	BOA & Others	72,861,050	76,120,190	97,962,500	83,846,000
P.T. Cheil Jedang Indonesia	Export-Import Bank of Korea	10,718,250	14,313,710	10,718,250	14,313,710
CJ Vina Agri Co., Ltd.	CITI Bank & Others	3,847,045	6,081,231	5,877,750	6,108,780
CJ Philippines Inc.	BOA	2,839,760	4,224,641	4,379,500	4,551,640
CJ Nutracon Inc.	Shinhan Bank	5,762,500	5,390,100	6,915,000	7,186,800
CJ Cambodia Co., Ltd.	Export-Import Bank of Korea	5,301,500	5,509,880	5,301,500	5,509,880
CJ America Inc.	Woori Bank	11,425,885	4,024,608	11,525,000	11,978,000
CJ Japan Corp.	Shinhan Bank	26,600,655	11,195,962	26,600,655	11,195,962
CJ Ord River Sugar Pty., Ltd.	Korea Exchange Bank	4,380,710	2,690,917	4,380,710	4,933,349
Shin Dong Bang Corp.	Woori Bank & Others	65,000,000	-	65,000,000	-
		<u>₩ 411,672,997</u>	<u>₩ 292,949,679</u>	<u>₩ 488,028,323</u>	<u>₩ 377,414,947</u>

In addition to the above guarantees, as of June 30, 2004, the Company provided guarantees of fulfillment of futures contracts for P.T. Cheil Samsung Indonesia and CJ OrdRiver Sugar Pty., Ltd. amounting to approximately ₩125,911 million.

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26. 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 six-month periods ended June 30, 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	₩24,446,414	₩23,289,615	₩52,017,986	₩51,340,899	₩ 178,171	₩1,147,020	₩ 76,642,571
Provision for severances benefits	4,030,395	4,424,533	8,783,881	8,574,665	36,280	177,475	12,850,556	13,176,673
Employee benefits	7,357,711	7,123,580	8,536,222	8,266,011	39,099	264,238	15,933,032	15,653,829
Rent	2,832,909	2,554,840	2,673,126	2,024,008	-	36,448	5,506,035	4,615,296
Depreciation and amortization	29,695,406	30,025,436	21,258,939	20,004,696	515	506,517	50,954,860	50,536,649
Taxes and dues	2,340,614	2,230,205	3,457,904	2,987,298	10,395	47,791	5,808,913	5,265,294
	<u>₩70,703,449</u>	<u>₩69,648,209</u>	<u>₩96,728,058</u>	<u>₩93,197,577</u>	<u>₩ 264,460</u>	<u>₩2,179,489</u>	<u>₩167,695,967</u>	<u>₩165,025,275</u>

27. Supplemental Cash Information

Significant transactions not affecting cash flows for the six-month periods ended June 30, 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	₩ 18,723,793	₩ 57,714,238
Reclassify current maturities of long-term debt	144,398,957	130,600,318
Changes in capital adjustments from the valuation of available-for-sale securities and equity-method investments	99,016,810	6,709,522

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28. Environmental Standards and Policies

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

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

29. 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 preferably 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 academic tuition fees

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30. Cultivation of Professional Human Resources and Professional Training

The Company has various programs for employee development and training.

The details of the various programs are as follows :

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

The Company plans to spend approximately ₩5,548 million during the year ended December 31, 2004 with respect to such programs.

31. Segment information

A summary of information on the Company's operations by business segment at June 30, 2004 and 2003, and for the six-month periods 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	₩ 360,607	₩ 498,301	₩ 151,120	₩ 175,383	₩ 67,139	₩ 1,252,550
Inter-segment sales	-	2,809	-	-	-	2,809
	<u>₩ 360,607</u>	<u>₩ 501,110</u>	<u>₩ 151,120</u>	<u>₩ 175,383</u>	<u>₩ 67,139</u>	<u>₩ 1,255,359</u>
Operating profit	<u>₩ 28,025</u>	<u>₩ 38,943</u>	<u>₩ 11,744</u>	<u>₩ 13,630</u>	<u>₩ 5,218</u>	<u>₩ 97,560</u>
Tangible and intangible assets	<u>₩ 382,460</u>	<u>₩ 347,538</u>	<u>₩ 60,790</u>	<u>₩ 128,982</u>	<u>₩ 31,869</u>	<u>₩ 951,639</u>
Depreciation and amortization	<u>₩ 17,713</u>	<u>₩ 17,005</u>	<u>₩ 3,535</u>	<u>₩ 10,556</u>	<u>₩ 2,146</u>	<u>₩ 50,955</u>

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CJ Corp.
Notes to Non-Consolidated Financial Statements
June 30, 2004 and December 31, 2003
(Unaudited)

<i>(in millions of Korean won)</i>	2003					
	Processed Foods	Food Stuffs	Animal Feeds	Fine Chemistries	Others	Total
Sales						
Sales to unaffiliated customers	₩ 349,012	₩ 432,819	₩ 141,046	₩ 192,852	₩ 62,361	₩ 1,178,090
Inter-segment sales	<u>-</u>	<u>2,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,806</u>
	<u>₩ 349,012</u>	<u>₩ 435,625</u>	<u>₩ 141,046</u>	<u>₩ 192,852</u>	<u>₩ 62,361</u>	<u>₩ 1,180,896</u>
Operating profit	<u>₩ 25,991</u>	<u>₩ 32,441</u>	<u>₩ 10,504</u>	<u>₩ 14,361</u>	<u>₩ 4,644</u>	<u>₩ 87,941</u>
Tangible and intangible assets	<u>₩ 378,151</u>	<u>₩ 368,674</u>	<u>₩ 80,770</u>	<u>₩ 129,982</u>	<u>₩ 24,895</u>	<u>₩ 982,472</u>
Depreciation and amortization	<u>₩ 17,745</u>	<u>₩ 16,735</u>	<u>₩ 3,724</u>	<u>₩ 10,571</u>	<u>₩ 1,762</u>	<u>₩ 50,537</u>

Reconciliation of Operating profit

<i>(in millions of Korean won)</i>	2004	2003
Business segment operating profit	₩ 97,560	₩ 87,941
Inter-segment revenues	<u>218</u>	<u>210</u>
Operating income per statements of income	<u>₩ 97,342</u>	<u>₩ 87,731</u>

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