

CJ Corp.

Interim Financial Statements

June 30, 2005 and 2004

CJ Corp.
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June 30, 2005 and 2004, and December 31, 2004

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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, 2005, and the related non-consolidated statements of income and cash flows for the three-month and six-month periods ended June 30, 2005 and 2004, 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 interim 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, 2004, 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 January 29, 2005. These financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2004, presented herein for comparative purposes, is consistent, in all material respects, with the above audited balance sheet as of December 31, 2004.

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As discussed in Note 26 to the accompanying non-consolidated financial statements, the Company had sales of ₩120,583 million to, and purchases of ₩237,932 million from, subsidiaries and affiliated companies within the CJ Group during the six-month period ended June 30, 2005. Related accounts receivable and accounts payable as of June 30, 2005, amounted to ₩57,382 million and ₩82,195 million, respectively.

As discussed in Note 23 to the accompanying non-consolidated financial statements, the Company changed its accounting policy regarding the tax effects of the temporary differences directly charged to shareholders' equity in accordance with the Statement of Korean Financial Accumulating Standard No. 16, *Deferred Income Taxes*, which became effective January 1, 2005. As a result of this change, the amounts of capital adjustments and deferred tax assets are lower by ₩21,471 million, from the ones that would have been reported using the previous accounting principle.

Accounting principles and review standards and their application in practice vary among countries. The accompanying 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 financial statements are for use by those who are informed about Korean accounting principles or review standards and their application in practice.

Seoul, Korea
July 22, 2005

<p>This report is effective as of July 22, 2005, 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.</p>
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CJ Corp.
Non-Consolidated Balance Sheets
June 30, 2005 and December 31, 2004
(Unaudited)

<i>(in thousands of Korean won)</i>	2005	2004
Assets		
Current assets		
Cash and cash equivalents (Note 3)	₩ 18,375,665	₩ 16,208,293
Short-term financial instruments (Note 3)	5,572,264	4,971,082
Short-term available-for-sale securities (Note 4)	-	263
Trade accounts and notes receivable, net of allowance for doubtful accounts (Note 5)	30,822,397	31,154,864
Other accounts and notes receivable, net of allowance for doubtful accounts (Note 5)	46,348,144	45,280,903
Inventories, net (Note 6)	282,836,348	251,713,238
Guarantee deposits	11,889,973	14,993,587
Current portion of long-term loans receivable (Note 7)	698,586	107,070
Short-term deferred income tax assets (Note 23)	3,153,579	2,307,680
Prepaid expenses and other current assets	<u>14,864,751</u>	<u>9,946,060</u>
Total current assets	414,561,707	376,683,040
Property, plant and equipment, including revalued portion, net of accumulated depreciation (Note 8)	952,940,387	969,657,971
Long-term available-for-sale securities (Note 12)	98,366,113	89,145,201
Equity-method investments (Note 13)	1,048,555,572	1,136,311,580
Intangible assets, net of accumulated amortization (Note 9)	6,234,400	7,018,766
Long-term financial instruments and other assets (Note 3, 7, 10, 11)	102,719,290	90,609,173
Long-term deferred income tax assets (Note 23)	<u>17,702,760</u>	<u>36,794,806</u>
Total assets	<u>₩2,641,080,229</u>	<u>₩2,706,220,537</u>

CJ Corp.
Non-Consolidated Balance Sheets
June 30, 2005 and December 31, 2004
(Unaudited)

<i>(in thousands of Korean won)</i>	2005	2004
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts and notes payable	₩ 114,700,129	₩ 120,416,794
Other accounts and notes payable	99,966,794	148,086,717
Short-term borrowings (Note 14)	347,517,759	167,984,850
Current portion of long-term debts (Note 15)	223,719,637	178,000,293
Accrued expenses	39,580,707	44,474,149
Income taxes payable	22,562,263	52,141,133
Other current liabilities	<u>38,256,757</u>	<u>51,423,474</u>
Total current liabilities	886,304,046	762,527,410
Long-term debts, net of current maturities (Note 15)	193,446,888	285,439,589
Accrued severance benefits, net (Note 16)	<u>36,041,455</u>	<u>32,676,818</u>
Total liabilities	<u>1,115,792,389</u>	<u>1,080,643,817</u>
Commitments and contingencies (Note 17)		
Shareholders' equity		
Capital stock (Note 1)		
Common stock	120,134,635	119,974,635
Preferred stock	27,615,840	27,182,510
Capital surplus		
Paid-in capital in excess of par value (Note 1)	230,093,140	226,176,360
Other capital surplus (Note 8)	635,695,394	635,706,881
Retained earnings (Note 19)		
(Net income of ₩73,852,983 thousand for the six-month period ended June 30, 2005)	592,953,941	566,412,798
Capital adjustments		
Treasury stock (Note 20)	(74,300,776)	(26,461,996)
Gain on valuation of available-for-sale securities, net (Notes 4 and 12)	2,384,125	1,110,716
Gain (Loss) on valuation of equity-method investments, net (Note 13)	(14,061,893)	71,027,705
Loss on valuation of derivative instruments (Note 18)	(39,678)	(122,811)
Stock option compensation (Note 21)	<u>4,813,112</u>	<u>4,569,922</u>
Total shareholders' equity	<u>1,525,287,840</u>	<u>1,625,576,720</u>
Total liabilities and shareholders' equity	<u>₩2,641,080,229</u>	<u>₩2,706,220,537</u>

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

See Report of Independent Accountants

CJ Corp.
Non-Consolidated Statements of Income
Three-month and Six-month Periods ended June 30, 2005 and 2004
(Unaudited)

<i>(In thousands of Korean won)</i>	Three months		Six months	
	2005	2004	2005	2004
Sales (Note 26)				
Domestic	₩526,992,680	₩553,796,607	₩1,073,645,088	₩1,104,479,518
Export	64,021,193	74,680,883	126,727,175	148,070,277
	591,013,873	628,477,490	1,200,372,263	1,252,549,795
Cost of sales (Note 26)	390,486,865	433,690,586	805,841,930	849,672,240
Gross profit	200,527,008	194,786,904	394,530,333	402,877,555
Selling, general and administrative expenses (Note 22)	155,201,657	159,808,237	301,140,664	305,535,070
Operating profit	45,325,351	34,978,667	93,389,669	97,342,485
Non-operating income				
Interest and dividend income	3,816,452	6,298,663	5,158,750	9,717,661
Foreign exchange gain	4,138,223	6,074,190	10,748,059	11,133,454
Gain on foreign currency translation (Note 25)	-	-	8,741,730	12,001,614
Gain on valuation of equity-method investments (Note 13)	2,171,906	13,381,860	14,493,072	54,357,125
Gain on disposal of available-for-sale securities	53,118	340,116	53,118	796,607
Gain on disposal of property, plant and equipment (Note 8)	12,537,009	43,371,834	12,572,157	43,391,743
Gain on settlement of derivative instruments (Note 18)	604,247	3,439,528	3,308,765	4,610,226
Gain on valuation of derivative instruments (Note 18)	11,077,458	11,139,022	4,757,888	9,041,136
Gain on valuation of debentures	-	3,624,644	-	3,624,644
Others	5,518,360	3,499,587	8,095,179	8,140,488
	39,916,773	91,169,444	67,928,718	156,814,698

CJ Corp.
Non-Consolidated Statements of Income
Three-month and Six-month Periods ended June 30, 2005 and 2004
(Unaudited)

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

	Three months		Six months	
	2005	2004	2005	2004
Non-operating expenses				
Interest expenses	₩ 6,951,028	₩ 6,294,071	₩ 13,223,222	₩ 12,512,762
Loss on disposal of trade accounts receivable (Note 5)	2,435,078	2,487,185	4,883,566	4,877,320
Other bad debt expenses	98,174	11,274,884	98,174	26,929,172
Foreign exchange loss	780,902	881,163	3,496,142	2,492,750
Loss on foreign currency translation (Note 25)	3,026,145	3,924,623	5,925,797	1,060,826
Loss on valuation of equity-method investments	11,883,059	6,925,070	20,025,917	16,068,945
Loss on disposal of available-for-sale securities	239,632	10,334	239,726	46,594
Loss on disposal of property, plant and equipment	4,081,458	387,360	4,145,242	392,437
Loss on settlement of derivative instruments (Note 18)	799,677	41,624	1,304,708	1,278,749
Loss on valuation of derivative instruments (Note 18)	-	3,778,478	2,699,638	6,503,201
Loss on valuation of debentures	1,557,005	-	1,993,654	-
Others	4,450,565	2,877,363	6,990,379	14,667,225
	36,302,723	38,882,155	65,026,165	86,829,981
Net income before income taxes	48,939,401	87,265,956	96,292,222	167,327,202
Income tax expenses (Note 23)	10,579,173	24,101,754	22,439,239	39,706,960
Net income	38,360,228	63,164,202	73,852,983	127,620,242
Basic earnings per share (Note 24)	₩ 1,348	₩ 2,214	₩ 2,579	₩ 4,623
Diluted earnings per share (Note 24)	₩ 1,326	₩ 2,180	₩ 2,537	₩ 4,486

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
Three-month and Six-month Periods ended June 30, 2005 and 2004
(Unaudited)

<i>(In thousands of Korean won)</i>	<u>Three months</u>		<u>Six months</u>	
	2005	2004	2005	2004
Cash flows from operating activities				
Net income	₩ 38,360,228	₩ 63,164,202	₩ 73,852,983	₩ 127,620,242
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization	22,652,116	25,409,143	45,155,864	50,954,860
Provision for severance benefits	5,811,539	8,671,096	9,439,555	12,850,556
Bad debt expense	346,558	157,505	1,943,239	806,558
Loss (gain) on disposal of available-for-sale securities, net	186,514	(329,782)	186,608	(750,013)
Loss on valuation of inventories	53,090	338,414	915,506	1,107,079
Loss from inventory obsolescence	3,246,287	3,536,457	6,955,197	6,930,628
Loss (gain) on foreign currency translation, net	3,042,884	3,924,623	(2,799,194)	(10,940,788)
Loss (gain) on valuation of equity-method investments, net	9,711,153	(6,456,790)	5,532,845	(38,288,180)
Gain on disposal of property, plant and equipment, net	(8,455,551)	(42,984,474)	(8,426,915)	(42,999,306)
Loss (gain) on settlement of derivative instruments, net	195,430	(3,397,904)	(2,004,057)	(3,331,477)
Gain on valuation of derivative instruments, net	(11,077,458)	(7,360,544)	(2,058,250)	(2,537,935)
Deferred income taxes	1,348,062	545,226	(3,235,990)	(5,401,021)
Other bad debt expenses	98,174	11,274,884	98,174	26,929,172
Others	2,266,509	(2,809,522)	3,463,776	(1,999,599)
Changes in operating assets and liabilities				
Decrease (increase) in trade accounts and notes receivable	4,980,403	(33,040,455)	(5,242,039)	(51,274,752)
Decrease (increase) in other accounts and notes receivable	2,887,332	1,543,494	(2,569,182)	(19,476,065)
Decrease (increase) in guarantee deposits	(1,277,131)	5,691,325	(2,463,393)	4,434,489
Increase in inventories	(37,787,247)	(3,885,626)	(38,999,362)	(22,004,420)
Decrease (increase) in trade accounts and notes payable	(35,087,548)	(7,902,679)	(5,678,734)	(3,834,156)
Increase (decrease) in other accounts and notes payable	5,102,371	17,691,474	(48,835,629)	(5,617,515)
Increase (decrease) in withholdings	(4,420,317)	(6,766,998)	6,076,295	(22,437,671)
Increase in accrued expenses	(2,148,186)	(36,107,567)	(3,592,291)	(5,948,354)
Increase (decrease) in income taxes payable	(19,255,482)	18,480,772	(29,578,870)	37,743,152
Payment of severance benefits	(7,311,508)	(5,621,893)	(15,149,650)	(9,750,436)
Others	(31,021,099)	(1,764,966)	(14,438,719)	(9,772,146)
Net cash provided by (used in) operating activities	<u>(57,552,877)</u>	<u>1,999,415</u>	<u>(31,452,233)</u>	<u>13,012,902</u>

CJ Corp.
Non-Consolidated Statements of Cash Flows
Three-month and Six-month Periods ended June 30, 2005 and 2004
(Unaudited)

<i>(In thousands of Korean won)</i>	Three months		Six months	
	2005	2004	2005	2004
Cash flows from investing activities				
Proceeds from disposal of available-for-sale securities	₩ 1,568,197	₩ 361,101	₩ 1,568,373	₩ 1,788,589
Acquisition of available-for-sale securities	(3,729,565)	(3,333,444)	(5,215,515)	(3,979,559)
Decrease in financial instruments	-	7,903,000	-	13,055,500
Increase in financial instruments	(144,162)	(7,732,227)	(601,182)	(12,818,126)
Dividend income from equity-method investments	-	11,001	38,255,444	7,933,157
Proceeds from disposal of property, plant and equipment	41,443,199	71,604,436	41,510,875	72,005,187
Acquisition of property, plant and equipment	(30,207,447)	(34,557,904)	(60,737,875)	(46,366,140)
Acquisition of intangible assets	-	(373,664)	-	(407,600)
Acquisition of equity-method investments	(18,415,365)	(89,400,289)	(20,540,499)	(172,464,401)
Settlement of derivative instruments	(210,145)	19,474,269	4,378,612	21,344,122
Others	(7,075,233)	(768,479)	(7,579,854)	(2,778,542)
Net cash used in investing activities	<u>(16,770,521)</u>	<u>(36,812,200)</u>	<u>(8,961,621)</u>	<u>(122,687,813)</u>
Cash flows from financing activities				
Proceeds from short-term borrowings	211,568,622	195,207,374	364,812,885	307,687,954
Repayment of short-term borrowings	(90,048,975)	(156,436,118)	(183,299,659)	(331,873,573)
Proceeds from long-term debt	29,781,277	42,532,492	75,855,939	205,863,017
Repayment of long-term debt	-	(4,339,194)	-	(4,339,194)
Repayment of current maturities of long-term debt	(39,480,317)	(43,376,079)	(123,651,509)	(76,085,870)
Payment of dividends	-	-	(47,311,841)	(47,294,496)
Issuance of common stock due to exercise stock warrants	-	-	-	60,274,419
Issuance of common stock due to exercise stock option	1,139,500	390,519	1,419,967	390,519
Issuance of preferred stock due to exercise stock warrants	2,295,394	349,343	2,594,225	349,343
Acquisition of treasury stock	(37,366,887)	-	(47,838,781)	-
Net cash provided by financing activities	<u>77,888,614</u>	<u>34,328,337</u>	<u>42,581,226</u>	<u>114,972,119</u>
Net increase(decrease) in cash and cash equivalents	3,565,216	(484,448)	2,167,372	5,297,208
Cash and cash equivalents				
Beginning of the period	14,810,449	20,508,593	16,208,293	14,726,937
End of the period	<u>₩ 18,375,665</u>	<u>₩ 20,024,145</u>	<u>₩ 18,375,665</u>	<u>₩ 20,024,145</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, 2005 and December 31, 2004
(Unaudited)

1. The Company

CJ Corp. (the "Company") was incorporated in 1953 under the Commercial Code of the Republic of Korea to manufacture and sell refined sugar. The Company has subsequently expanded its business lines and, as of June 30, 2005, the Company is engaged in manufacturing and selling of refined sugar, wheat flour, animal feeds, food seasonings, medicines and processed meat.

삭제됨: 1. The Company:

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

Under its Articles of Incorporation, the Company is authorized to issue 100 million shares of capital stock with a par value per share of ₩5,000, which includes 20 million shares of cumulative, participating preferred stock that are non-voting and entitled to a minimum cash dividend at 9% of par value. The non-cumulative, non-voting preferred stock issued on or before February 27, 1997, is entitled to an additional cash dividend at 1% of par value over common stock. As of June 30, 2005, 24,026,927 shares of common stock and 5,523,168 shares of preferred stock are issued and outstanding.

As of June 30, 2005, 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	17.81
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, 2005, warrants to purchase 86,666 shares of preferred stock were exercised at ₩30,000 per share, resulting to an additional paid-in capital in excess of par value of ₩2,160 million, net of stock issuance cost.

During the six-month period ended June 30, 2005, stock options to purchase 6,700, 6,800 and 18,500 shares of common stock, granted on August 14, 2001, April 27, 2002 and March 11, 2003, respectively, were exercised at ₩40,000 per share, ₩58,000 per share, ₩41,000 per share, respectively, resulting to a total additional paid-in capital in excess of par value of ₩1,757 million, net of stock issuance cost.

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(Unaudited)

As of June 30, 2005, warrants to purchase 528,333 shares of preferred stock at ₩30,000 per share were vested and outstanding.

The Company has a stock option plan under which options to purchase shares of common stock may be granted to key employees up to a maximum of 15% of issued shares with the approval of shareholders, of which up to 10% of issued shares may be granted through a resolution of the Board of Directors. On August 14, 2001, April 27, 2002, March 11, 2003, April 8, 2004 and March 8, 2005, stock options were granted to 56, 59, 65, 63 and 74 employees and directors, respectively (Note 21).

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 non-consolidated financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, or cash flows, is not presented in the accompanying non-consolidated financial statements.

Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards ("SKFAS"), which will gradually replace the existing financial accounting standards established by the Korean Financial and Supervisory Board. SKFAS No. 10, 12 and 13 became effective on January 1, 2004. And as SKFAS No. 15 through No. 17 became applicable to the Company in January 1, 2005, the Company adopted these statements in its financial statements as of and for the six-month period ended June 30, 2005.

Accounting Estimates

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

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CJ Corp.
Notes to Non-Consolidated Financial Statements
June 30, 2005 and December 31, 2004
(Unaudited)

Cash and Cash Equivalents, and Short-term Financial Instruments

Cash and cash equivalents include cash on hand and in bank accounts, with original maturities of three months or less. Investments which are readily convertible into cash within four to 12 months of purchase are classified in the balance sheet as short-term financial instruments. The cost of these investments approximates fair value.

Allowance for Doubtful Accounts

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

Inventory Valuation

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

Property, Plant and Equipment and Related Depreciation

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

	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 to be unlikely. The carrying value of the assets is reduced to the estimated realizable value by recording an impairment loss charged to current operations and presenting it as a reduction from the said carrying value. However, any recovery of the impaired assets is recorded in current operations up to the carrying amount of the asset before impairment.

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CJ Corp.
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(Unaudited)

Maintenance and Repairs

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

Intangible Assets

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

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.

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

Securities

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

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

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

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

Equity-Method Investments

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

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

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

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

Some of the equity-method investments are accounted for based on the unaudited or unreviewed financial statements of the investee since audit or review procedures for these investee 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.

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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 while the amortization of premiums on debentures is deducted from interest expense.

Long-Term Receivables and Payables

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

Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards.

Deferred income tax assets and liabilities are computed on such temporary differences by applying statutory tax rates applicable to the years when such differences are expected to be reversed. Tax assets related to tax credit and exemptions are recognized to the extent of the Company's certain taxable income.

The balance sheet distinguishes the current and non-current portions of the deferred tax assets and liabilities, whose balances are offset against each other.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the rates prevailing at the balance sheet date and resulting translation losses and gains are recognized in current operations. As of June 30, 2005, the exchange rate for the U.S. dollar was US\$1 : ₩1,024.4.

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, 2005, approximately 49.2% 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.

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

Earnings Per Share

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

Derivative Instruments

The Company utilizes derivative instruments to reduce its exposure to fluctuations in the purchase price of raw materials and foreign currency exchange rates. Rights or obligations arising from derivative instruments are recorded as assets or liabilities at fair value on an accrual basis. Gains or losses on valuation of derivative instruments are recognized in current operations. In case of cash flow hedges, unrealized holding gains and losses are recorded as capital adjustments in the balance sheet.

Government Grants

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

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

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3. Cash and Cash Equivalents, and Short-Term Financial Instruments

Cash and cash equivalents, and short-term financial instruments as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(In thousands of Korean won)</i>	Annual Interest Rates (%)			
	2005	2005	2004	
Cash and cash equivalents				
Cash on hand and in banks	-	₩ 400,182	₩	-
Passbook accounts	0 - 0.1	16,145,483		16,208,293
Money Market Fund	3.23	<u>1,830,000</u>		<u>-</u>
		<u>₩ 18,375,665</u>	<u>₩</u>	<u>16,208,293</u>
Short-term financial instruments				
Passbook accounts	1.0	₩ 5,572,264	₩	4,971,082
Installment and time deposits	4.7	100,000		100,000
Other financial instruments	-	<u>21,000</u>		<u>21,000</u>
		5,693,264		5,092,082
Less : Portions classified as non-current (Note 10)		<u>(121,000)</u>		<u>(121,000)</u>
		<u>₩ 5,572,264</u>	<u>₩</u>	<u>4,971,082</u>

As of June 30, 2005, bank deposits amounting to ₩5,593,264 thousand are subject to withdrawal restrictions in relation to government-sponsored research and development projects and checking account.

4. Short-Term Available-For-Sale Securities

There are no short-term available-for-sale securities as of June 30, 2005. As of December 31, 2004, short-term available-for-sale securities consisted of government and public bonds amounting to ₩263 thousand.

For the six-month period ended June 30, 2005, 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 January 1, 2005	Valuation Amount	Amount Included in Current Operations	Balance as of June 30, 2005
Government and public bonds	<u>₩ 7</u>	<u>₩ -</u>	<u>₩ 7</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, 2005 and December 31, 2004, are as follows:

<i>(in thousands of Korean won)</i>	2005	2004
Trade accounts and notes receivable	₩ 31,621,400	₩ 32,113,907
Less: Allowance for doubtful accounts	<u>799,003</u>	<u>959,043</u>
	<u>₩ 30,822,397</u>	<u>₩ 31,154,864</u>
Other accounts and notes receivable	₩ 48,727,679	₩ 47,562,264
Less : Allowance for doubtful accounts	<u>2,379,535</u>	<u>2,281,361</u>
	<u>₩ 46,348,144</u>	<u>₩ 45,280,903</u>

The Company regularly sells to several financial institutions certain accounts receivable primarily from product sales to foreign countries, subject to limited recourse. Receivables are excluded from the balance sheets under these arrangements and outstanding as of June 30, 2005, amounted to ₩24,583 million (December 31, 2004: ₩20,562 million).

On November 29, 2004, the Company entered into an agreement with Kookmin Bank to sell trade accounts receivable from certain selected 4,041 customers amounting to ₩ 244,436 million, outstanding as of October 31, 2004, for asset securitization pursuant to the Asset Securitization Law in Korea. The above trade accounts receivable sold initially shall be replaced with trade accounts receivable from the above certain selected customers at every subsequent month end on an ongoing basis through October 2007. As of June 30, 2005, the Company has sold trade accounts receivable of ₩239,165 million from certain selected 4,041 customers, and in return, received ₩210,000 million in cash and subordinated beneficiary certificates amounting to ₩26,474 million, which are recorded as long-term available-for-sale securities (Note 12). As a result of the above asset securitization, the Company recorded ₩4,846 million of loss on disposal of trade accounts receivable as non-operating expense for the six-month period ended June 30, 2005.

6. Inventories

Inventories as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in thousands of Korean won)</i>	2005	2004
Finished goods and merchandise	₩ 99,348,191	₩ 100,469,040
Semi-finished goods and work in-process	27,517,827	24,311,441
Raw materials and supplies	80,718,338	69,650,481
Materials-in-transit	<u>76,167,498</u>	<u>58,245,412</u>
	283,751,854	252,676,374
Allowance for inventory valuation	<u>(915,506)</u>	<u>(963,136)</u>
	<u>₩ 282,836,348</u>	<u>₩ 251,713,238</u>

Inventories are insured against fire and other casualty losses up to ₩181,430 million (December 31, 2004: ₩173,819 million) as of June 30, 2005.

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7. Long-Term Loans and Short-Term Loans Receivable

Long-term and short-term loans receivable as of June 30, 2005 and December 31, 2004, consist of the following :

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)		
	2005	2005	2004
Loans to employee stock ownership association	-	₩ 40,733,246	₩ 38,865,062
Others	0.0 - 9.0	<u>6,777,651</u>	<u>1,604,564</u>
		47,510,897	40,469,626
Current portion of long-term loans receivable		<u>(698,586)</u>	<u>(107,070)</u>
Long-term portion of loans receivable		<u>₩ 46,812,311</u>	<u>₩ 40,362,556</u>

8. Property, Plant and Equipment

Property, plant and equipment as of June 30, 2005 and 2004, and the changes in the accounts for the six-month periods then ended, consist of the following:

Six-month period ended June 30, 2005:

<i>(in thousands of Korean won)</i>	2005				
	Land	Buildings	Structures	Machinery	Vehicles
Balance at January 1, 2005	₩473,418,613	₩244,577,725	₩ 25,823,176	₩114,776,786	₩ 1,150,430
Acquisition	1,526,693	125,341	24,182	3,930,880	383,970
Transfer	8,653,179	23,744,265	12,120,983	20,098,915	-
Disposal	(11,108,662)	(14,843,038)	(8,896)	(1,879,647)	(73,526)
Depreciation	-	(9,103,059)	(1,486,904)	(16,426,584)	(277,582)
Balance at June 30, 2005	<u>₩472,489,823</u>	<u>₩244,501,234</u>	<u>₩ 36,472,541</u>	<u>₩120,500,350</u>	<u>₩ 1,183,292</u>

<i>(in thousands of Korean won)</i>	2005				
	Equipment	Others	Construction-in-progress	Machinery in transit	Total
Balance at January 1, 2005	₩ 56,820,654	₩ 2,896,524	₩ 50,194,063	₩ -	₩ 969,657,971
Acquisition	3,164,488	103,725	51,478,596	-	60,737,875
Transfer	7,187,072	-	(71,804,414)	-	-
Disposal	(5,118,928)	(51,264)	-	-	(33,083,961)
Depreciation	(16,980,917)	(96,452)	-	-	(44,371,498)
Balance at June 30, 2005	<u>₩ 45,072,369</u>	<u>₩ 2,852,533</u>	<u>₩ 29,868,245</u>	<u>₩ -</u>	<u>₩952,940,387</u>

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Six-month period ended June 30, 2004:

<i>(in thousands of Korean won)</i>	2004				
	Land	Buildings	Structures	Machinery	Vehicles
Balance at January 1, 2004	₩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				
	Equipment	Others	Construction- in-progress	Machinery in transit	Total
Balance at January 1, 2004	₩ 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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Property, plant and equipment as of June 30, 2005 and 2004, and the changes in the accounts for the three-month periods then ended, consist of the following:

Three-month period ended June 30, 2005:

<i>(in thousands of Korean won)</i>	2005				
	Land	Buildings	Structures	Machinery	Vehicles
Balance at April 1, 2005	₩479,306,179	₩240,664,046	₩ 25,097,143	₩109,838,199	₩ 1,185,744
Acquisition	1,389,048	15,646	19,882	2,087,065	209,718
Transfer	2,850,114	23,178,823	12,117,415	18,697,602	-
Disposal	(11,055,518)	(14,843,038)	(8,896)	(1,879,647)	(73,526)
Depreciation	-	(4,514,243)	(753,003)	(8,242,869)	(138,644)
Balance at June 30, 2005	<u>₩472,489,823</u>	<u>₩244,501,234</u>	<u>₩ 36,472,541</u>	<u>₩120,500,350</u>	<u>₩ 1,183,292</u>

<i>(in thousands of Korean won)</i>	2005				
	Equipment	Others	Construction- in-progress	Machinery in transit	Total
Balance at April 1, 2005	₩ 50,135,387	₩ 2,882,943	68,783,905	₩ -	₩ 977,893,546
Acquisition	1,608,343	48,831	24,828,914	-	30,207,447
Transfer	6,900,620	-	(63,744,574)	-	-
Disposal	(5,096,376)	(30,649)	-	-	(32,987,650)
Depreciation	(8,475,605)	(48,592)	-	-	(22,172,956)
Balance at June 30, 2005	<u>₩ 45,072,369</u>	<u>₩ 2,852,533</u>	<u>29,868,245</u>	<u>₩ -</u>	<u>₩ 952,940,387</u>

Three-month period ended June 30, 2004:

<i>(in thousands of Korean won)</i>	2004				
	Land	Buildings	Structures	Machinery	Vehicles
Balance at April 1, 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>

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<i>(in thousands of Korean won)</i>	2004				
	Equipment	Others	Construction- in-progress	Machinery in transit	Total
Balance at April 1, 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>

During six-month period ended June 30, 2005, the Company sold its land and building in Seochodong with book values of ₩10,081 million and ₩14,784 million, respectively, resulting in a gain on disposal of land ₩12,404 million and loss on disposal of building ₩3,984 million, reported as non-operating income and expense.

As of June 30, 2005, certain portions of the Company's property, plant and equipment are pledged as collaterals for bank loans up to a maximum of ₩23,000 million (Note 15).

As of June 30, 2005, depreciable assets are insured against fire and other casualty losses, and business interruption losses up to ₩1,130,641 million and ₩215,203 million, respectively.

As of June 30, 2005, the value of land based on the posted price issued by the Korean tax authority amounted to ₩646,129 million (December 31, 2004: ₩531,179 million).

In accordance with the Asset Revaluation Law, the Company revalued a substantial portion of its property, plant and equipment on January 1, 1978, 1980, 1982, 1995 and October 1, 1998. As of June 30, 2005, the remaining revaluation increment of ₩615,805 million, net of revaluation tax, credits to deferred foreign currency translation losses and transfer to capital stock, was credited to other capital surplus, a component of shareholders' equity.

As of June 30, 2005, construction-in-progress consists mainly of costs incurred in the transfer of the Company's Pusan the first factory to Yangsanugok industrial complex.

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9. Intangible Assets

Changes in intangible assets for the six-month periods ended June 30, 2005 and 2004, are as follows:

		2005			
<i>(In thousands of Korean won)</i>		Goodwill	Intellectual Property Rights	Development Costs	Total
Balance at January 1, 2005	₩	920,539	₩ 2,640,425	₩ 3,457,802	₩ 7,018,766
Amortization		<u>(309,078)</u>	<u>(299,298)</u>	<u>(175,990)</u>	<u>(784,366)</u>
Balance at June 30, 2005	₩	<u>611,461</u>	<u>₩ 2,341,127</u>	<u>₩ 3,281,812</u>	<u>₩ 6,234,400</u>
Accumulated amortization	₩	<u>2,649,315</u>	<u>₩ 6,670,118</u>	<u>₩ 12,823,307</u>	<u>₩ 22,142,740</u>
Accumulated impairment	₩	<u>-</u>	<u>₩ -</u>	<u>₩ 7,067,863</u>	<u>₩ 7,067,863</u>

		2004			
<i>(In thousands of Korean won)</i>		Goodwill	Intellectual Property Rights	Development Costs	Total
Balance at January 1, 2004	₩	1,553,693	₩ 2,700,118	₩ 5,677,056	₩ 9,930,867
Acquisition		-	407,517	83	407,600
Disposal		-	(160)	-	(160)
Amortization		<u>(311,077)</u>	<u>(421,901)</u>	<u>(1,398,629)</u>	<u>(2,131,607)</u>
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>
Accumulated amortization	₩	<u>2,038,160</u>	<u>₩ 5,914,259</u>	<u>₩ 11,826,609</u>	<u>₩ 19,779,028</u>
Accumulated impairment	₩	<u>-</u>	<u>₩ -</u>	<u>₩ 7,067,863</u>	<u>₩ 7,067,863</u>

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Changes in intangible assets for the three-month periods ended June 30, 2005 and 2004, are as follows:

<i>(In thousands of Korean won)</i>	2005			
	Goodwill	Intellectual Property Rights	Development Costs	Total
Balance at April 1, 2005	₩ 766,000	₩ 2,489,758	₩ 3,457,802	₩ 6,713,560
Amortization	(154,539)	(148,631)	(175,990)	(479,160)
Balance at June 30, 2005	<u>₩ 611,461</u>	<u>₩ 2,341,127</u>	<u>₩ 3,281,812</u>	<u>₩ 6,234,400</u>
Accumulated amortization	<u>₩ 2,649,315</u>	<u>₩ 6,670,118</u>	<u>₩ 12,823,307</u>	<u>₩ 22,142,740</u>
Accumulated impairment	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 7,067,863</u>	<u>₩ 7,067,863</u>

<i>(In thousands of Korean won)</i>	2004			
	Goodwill	Intellectual Property Rights	Development Costs	Total
Balance at April 1, 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>
Accumulated amortization	<u>₩ 2,038,160</u>	<u>₩ 5,914,259</u>	<u>₩ 11,826,609</u>	<u>₩ 19,779,028</u>
Accumulated impairment	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 7,067,863</u>	<u>₩ 7,067,863</u>

The amortization expense of intangible assets for the six-month periods ended June 30, 2005 and 2004, is recorded as :

Account	2005	2004
<i>(In thousands of Korean won)</i>		
Selling, general and administrative expenses	<u>₩ 784,366</u>	<u>₩ 2,131,607</u>

The amortization expense of intangible assets for the three-month periods ended June 30, 2005 and 2004, is recorded as :

Account	2005	2004
<i>(In thousands of Korean won)</i>		
Selling, general and administrative expenses	<u>₩ 479,160</u>	<u>₩ 865,669</u>

The Company expensed research and development costs of ₩23,656 thousand (June 30, 2004: ₩23,971 thousand) for the six-month period ended June 30, 2005.

The Company expensed research and development costs of ₩12,353 thousand (June 30, 2004: ₩12,583 thousand) for the three-month period ended June 30, 2005.

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10. Long-Term Financial Instruments and Other Assets

Long-term financial instruments and other assets as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in thousands of Korean won)</i>	2005	2004
Long-term financial instruments (Note 3)	₩ 121,000	₩ 121,000
Long-term prepaid expenses	5,183,074	-
Long-term trade receivables (Note 11)	65,396	131,280
Long-term loans receivable (Note 7)	46,812,311	40,362,556
Long-term guarantee deposits	<u>50,555,588</u>	<u>50,025,986</u>
	102,737,369	90,640,822
Less: Allowance for doubtful accounts	<u>(18,079)</u>	<u>(31,649)</u>
	<u>₩ 102,719,290</u>	<u>₩ 90,609,173</u>

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

As of June 30, 2005, 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>₩ 65,396</u>	<u>₩ 7,000</u>	<u>₩ 58,396</u>

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12. Long-Term Available-For-Sale Securities

Long-term available-for-sale securities as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in thousands of Korean won)</i>	Details	2005			2004
		Acquisition Cost	Market Value or Net Book Value	Recorded Book Value	Recorded Book Value
Marketable investments	(1)	₩ 18,133,441	₩ 22,165,310	₩ 22,165,310	₩ 20,368,128
Non-marketable Investments	(2)	49,854,008	861,525,487	47,554,392	43,662,843
Other investments	(3)	29,090,804	29,288,184	28,646,411	25,114,230
		<u>₩ 97,078,253</u>	<u>₩ 912,978,981</u>	<u>₩ 98,366,113</u>	<u>₩ 89,145,201</u>

(1) Marketable investments

Marketable investments as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in thousands of Korean won)</i>			2005			2004
	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	0.70	₩13,944,006	₩15,290,210	₩15,290,210	₩14,446,998
Hotel Shilla Co., Ltd.	50,000	0.13	430,004	373,500	373,500	313,500
ShinDongBang Corp.	903,000	12.61	3,759,431	6,501,600	6,501,600	5,607,630
			<u>₩18,133,441</u>	<u>₩22,165,310</u>	<u>₩22,165,310</u>	<u>₩20,368,128</u>

As of June 30, 2005, 60,000 shares of Samsung Corporation were provided as collateral to guarantee the fulfillment of certain construction contracts.

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(2) Non-marketable investments

Non-marketable investments as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in thousands of Korean won)</i>	2005			2004		
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Net book Value	Recorded Book Value	Recorded Book Value
Samsung Everland Co., Ltd.	58,823	2.35	₩5,180,472	₩36,639,440	₩ 5,180,472	₩ 5,180,472
Samsung Life Insurance Co., Ltd.	1,902,800	9.51	1,540,386	784,722,881	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	13,036,296	12,152,182	12,152,182
Unicham Co., Ltd.	-	-	-	-	-	1,033,105
Enbiogenesis Co., Ltd.	31,840	15.86	159,200	154,369	159,200	159,200
A Brain Co., Ltd.	171,428	14.29	1,183,235	885,614	885,614	926,230
Julynet Co., Ltd.	28,014	15.30	1,333,350	-	-	-
Bioholdings Co., Ltd. ¹	9,286	3.57	250,000	68,073	250,000	250,000
Naturobiotech Co., Ltd. ¹	24,537	7.92	144,004	26,171	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
Ligen Biotech 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. ¹	5,652	1.23	100,000	38,998	100,000	100,000
Ezmedicom Inc. ¹	80,000	0.38	200,000	13,264	200,000	200,000
Gen Exel Inc. ¹	165,000	1.63	495,000	102,972	495,000	495,000
Korea CATV Yong- Dong Broadcast ¹	95,500	2.82	1,671,250	537,699	1,671,250	1,671,250
e-Farm Co., Ltd.	5,161	1.99	150,000	13,006	13,006	13,006
Incheon Development Co., Ltd. ¹	685	2.85	14,800	2,534	14,800	14,800
The Korea Economic Daily Co., Ltd. ¹	2,872	0.05	40,600	15,109	40,600	40,600
Jebun Industry Co., Ltd.	39,792	18.88	227,215	520,160	227,215	227,215
Korea Alcohol Sales Co., Ltd.	2,172	0.60	11,553	42,990	11,553	11,553
PPI Co., Ltd.	2	0.00	1,889	1,889	1,889	1,889
New Core Co., Ltd.	1	0.00	11	11	11	11
CJ Lion Corp.	190,000	19.00	5,856,992	5,912,327	5,912,327	5,912,327
CJ Entertainment, Ltd.	399	99.75	258,100	216,902	258,100	258,100
CJ Pacific Corp.	5	100.00	56,620	750,133	56,620	56,620
CJ Chengdu Feed Co., Ltd.	-	100.00	1,798,440	1,305,380	1,798,440	1,798,440
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	1,916,208
CJ Guiyang Feed Co., Ltd.	-	100.00	1,385,880	1,385,880	1,385,880	1,385,880
CJ Nanjing Feed Co., Ltd.	-	100.00	2,324,200	2,324,200	2,324,200	2,324,200
CJ Tur Yem VE Ticaret Anonim Sirketi	-	99.99	2,217,055	2,217,055	2,217,055	2,217,055
CJ Beijing Bakery Co., Ltd.	-	100.00	1,347,450	1,347,450	1,347,450	-
CJ Tianjin Feed Co., Ltd.	-	100.00	2,101,470	2,101,470	2,101,470	-
CJ Harbin Feed Co., Ltd.	-	100.00	1,516,350	1,516,350	1,516,350	-
			<u>₩49,854,008</u>	<u>₩861,462,877</u>	<u>₩47,554,392</u>	<u>₩43,662,843</u>

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¹ As of June 30, 2005, the net asset values of certain investments, including Bioholdings Co., Ltd., have declined below their acquisition costs. However, the Company did not adjust their carrying values to their net asset values as their net asset values are likely to recover in subsequent periods.

As of June 30, 2005, investments in 12 affiliated companies, including CJ Chengdu Feed Co., Ltd., over which the Company exercises significant control and influence, were not valued using the equity method due to the immateriality of their asset values.

(3) Other investments

Other investments as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in thousands of Korean won)</i>	2005				2004	
	Number of Shares Owned	Percentage of Ownership	Acquisition Cost	Net book Value	Recorded Book Value	Recorded Book Value
Investments in partnership Subordinated beneficiary certificates	-	-	₩ 2,304,000	₩ 2,485,790	₩ 1,858,200	₩ 1,908,200
Others	-	-	26,473,604	26,473,604	26,473,604	22,891,363
			313,200	328,790	314,607	314,667
			<u>₩29,090,804</u>	<u>₩29,288,184</u>	<u>₩28,646,411</u>	<u>₩25,114,230</u>

For the six-month period ended June 30, 2005 and for the year ended December 31, 2004, 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)

	2005				2004			
	Balance at January 1, 2005	Valuation Amount	Included in Earnings	Balance at June 30, 2005	Balance at January 1, 2004	Valuation Amount	Included in Earnings	Balance at December 31, 2004
Marketable stocks	₩ 2,351	₩ 613	₩ -	₩ 2,964	₩ -	₩ 2,351	₩ -	₩ 2,351
Other	-	-	-	-	780	-	780	-
	<u>₩ 2,351</u>	<u>₩ 613</u>	<u>₩ -</u>	<u>₩ 2,964</u>	<u>₩ 780</u>	<u>₩ 2,351</u>	<u>₩ 780</u>	<u>₩ 2,351</u>

Valuation Loss on Available-For-Sale Securities

(in millions of Korean won)

	2005				2004			
	Balance at January 1, 2005	Valuation Amount	Included in Earnings	Balance at June 30, 2005	Balance at January 1, 2004	Valuation Amount	Included in Earnings	Balance at December 31, 2004
Marketable stocks	₩ (116)	₩ 75	₩ -	₩ (41)	₩ (2,969)	₩ 2,853	₩ -	₩ (116)
Other	(1,124)	204	381	(539)	(1,124)	-	-	(1,124)
	<u>₩ (1,240)</u>	<u>₩ 279</u>	<u>₩ 381</u>	<u>₩ (580)</u>	<u>₩ (4,093)</u>	<u>₩ 2,853</u>	<u>₩ -</u>	<u>₩ (1,240)</u>

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13. Equity-Method Investments

Equity-method investments as of June 30, 2005, 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
CJ Morningwell Co., Ltd. (Morningwell Co., Ltd.)	1,292,000	62.96	₩ 4,652,141	₩ 10,474,030	₩ 10,225,126
CJ Food System Co., Ltd.	5,592,220	59.63	43,038,582	51,025,614	48,325,929
CJ Foodville Co., Ltd.	3,000,000	84.83	15,000,000	19,640,491	19,626,611
Haechandle Co., Ltd.	228,000	50.00	52,999,984	31,252,499	46,241,732
CJ Development Co., Ltd.	5,287,465	99.87	58,259,716	79,277,827	68,473,253
CJ Systems Co., Ltd.	521,333	52.13	2,727,562	7,563,888	3,998,961
CJ Entertainment Inc.	6,556,101	36.78	39,434,492	64,240,951	64,276,094
CJ Media Inc.	3,399,181	58.06	51,404,414	19,902,549	19,715,692
CJ Home Shopping Co., Ltd.	2,473,171	29.99	231,570,000	82,775,638	232,306,896
CJ Music Co., Ltd. (CJ Media Line Inc.)	4,394,640	88.30	6,942,732	2,047,527	2,047,527
CJ Investment & Securities Co., Ltd.	14,663,718	31.88	81,038,721	-	-
Preference share CJ Investment & Securities Co., Ltd.	3,152,696	20.64	8,502,821	8,502,821	8,502,821
CJ Venture Capital Co., Ltd.	1,800,000	90.00	18,000,000	7,867,256	7,867,256
Enprari Co., Ltd.	1,240,209	27.76	6,201,046	4,003,175	3,943,950
CJ MD1 Co., Ltd. (MD1 Co., Ltd.)	40,000	100.00	200,000	1,786,691	1,817,748
Samyang Oil Co., Ltd.	3,778,784	99.99	18,981,276	14,288,353	15,777,039
Superfeed Co., Ltd.	1,128,728	99.99	5,669,733	15,285,035	17,270,573
CJ Olive Young Co., Ltd.	1,210,000	50.00	6,050,000	3,327,373	3,302,770
CJ Internet Co., Ltd.	3,609,500	16.23	57,656,044	22,785,635	49,950,286
Hanil Pharmaceutical Ind. Co., Ltd.	4,341,963	49.34	23,215,764	20,804,448	22,371,929
ShinDongBang CP Corporation	2,968,182	98.94	78,966,936	-	59,045,560
CJ America Inc.	156	100.00	11,573,855	1,121,550	166,580
CJ China Ltd.	299	99.67	157,890	2,917,196	2,794,065
CJ Philippines Inc.	764,400	70.00	2,477,386	5,833,860	5,837,921
P.T. Cheil Jedang Superfeed (P.T. CJS)	2,500	20.83	2,073,500	1,230,897	1,230,897
P.T. Cheil Jedang Indonesia (P.T. CJI)	102,224	100.00	97,869,072	135,133,262	133,934,200

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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
CJ Qingdao Food Co., Ltd.	-	77.20	₩ 9,652,091	₩ 8,505,583	₩ 7,850,160
CJ Ord River Sugar Pty., Ltd.	130,000,020	20.00	1,583,920	1,521,863	1,503,753
CJ Vina Agri Co., Ltd.	-	100.00	5,748,934	5,540,558	5,539,109
CJ Europe GmbH.	-	100.00	150,338	965,149	840,282
Lee Entertainment L.L.C.	150,735,911	99.36	147,862,055	140,228,125	140,235,644
CJ Cambodia Co., Ltd.	50	50.00	3,129,288	1,198,103	1,226,269
CJ Japan Corp.	4,000	100.00	405,048	1,114,873	1,091,001
CJ Liaocheng Biotech Co., Ltd.	-	100.00	21,270,900	19,464,008	19,464,008
CJ Beijing Beverage & Foods Co., Ltd.	-	85.90	13,056,834	12,505,295	12,108,325
Stock warrants of CJ Home Shopping	517,241	-	33,430,000	9,645,605	9,645,605
			<u>₩1,160,953,075</u>	<u>₩813,777,728</u>	<u>₩1,048,555,572</u>

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

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Equity-method investments as of December 31, 2004, 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
CJ Morningwell Co., Ltd. (Morningwell Co., Ltd.)	1,292,000	62.96	₩ 4,652,141	₩ 10,266,583	₩ 9,850,346
CJ Food System Co., Ltd.	5,592,220	59.63	43,038,582	25,836,056	49,296,056
CJ Foodville Co., Ltd.	3,000,000	84.83	15,000,000	20,759,386	20,775,185
Haechandle Co., Ltd.	228,000	50.00	52,999,984	30,387,843	47,013,446
CJ Development Co., Ltd.	5,287,465	99.87	58,259,716	79,423,740	69,051,386
CJ Systems Co., Ltd.	521,333	52.13	2,727,562	7,068,609	3,861,461
CJ Entertainment Inc.	6,556,101	36.78	39,434,492	108,175,667	66,652,989
CJ Media Inc.	3,399,181	58.06	51,404,414	19,485,524	19,155,394
CJ Home Shopping Co., Ltd.	2,473,171	30.00	231,570,000	147,153,675	216,100,497
CJ Music Co., Ltd. (CJ Media Line Inc.)	2,588,640	50.21	6,000,000	1,676,479	1,676,479
CJ Investment & Securities Co., Ltd.	14,663,718	31.88	81,038,721	-	-
Preference share CJ Investment & Securities Co., Ltd.	3,152,696	20.64	8,502,821	8,502,821	8,502,821
CJ Venture Capital Co., Ltd.	3,600,000	90.00	18,000,000	7,637,615	7,637,615
Enprari Co., Ltd.	1,240,209	27.76	6,201,046	4,668,143	4,608,918
CJ MDI Co., Ltd. (MDI Co., Ltd.)	40,000	100.00	200,000	1,784,787	1,816,091
Samyang Oil Co., Ltd.	3,778,784	99.99	18,981,276	12,337,556	14,059,387
Superfeed Co., Ltd.	1,128,728	99.99	5,669,733	14,866,999	17,424,074
CJ Olive Young Co., Ltd.	1,210,000	50.00	6,050,000	3,730,629	3,716,451
CJ Internet Co., Ltd.	2,309,500	10.48	44,584,112	23,903,325	40,704,007
Hanil Pharmaceutical Ind. Co., Ltd.	4,341,963	49.34	23,215,764	39,077,667	21,937,437
ShinDongBang CP Corporation	2,847,101	94.90	76,480,000	41,282,965	59,443,699
CJ America Inc.	156	100.00	11,573,855	4,434,494	3,719,035
CJ China Ltd. (CJ HongKong Ltd.)	299	99.67	157,890	3,009,574	2,444,891
CJ Philippines Inc.	764,400	70.00	2,477,386	5,671,813	5,667,469
P.T. Cheil Jedang Superfeed (P.T. CJS)	2,500	20.83	2,073,500	1,336,946	1,336,946
P.T. Cheil Jedang Indonesia (P.T. CJJ) ¹	102,224	100.00	97,869,072	182,756,858	178,974,050
CJ Qingdao Food Co., Ltd.	-	85.90	9,652,091	9,269,225	8,828,314
CJ Ord River Sugar Pty., Ltd.	130,000,020	20.00	1,583,920	2,319,816	2,289,632
CJ Vina Agri Co., Ltd.	-	100.00	5,748,934	4,875,078	4,875,078
CJ Europe GmbH.	-	100.00	150,338	1,045,228	902,684
Lee Entertainment L.L.C.	150,735,911	99.36	147,862,055	200,394,348	200,394,348
CJ Cambodia Co., Ltd.	50	50.00	3,129,288	1,298,327	1,335,881
CJ Japan Corp.	4,000	100.00	405,048	573,293	573,293
CJ Liaocheng Biotech Co., Ltd.	-	100.00	17,232,000	17,232,000	17,232,000
CJ Beijing Beverage & Foods Co., Ltd.	-	85.90	13,056,834	13,032,143	12,494,111
Stock warrants of CJ Home Shopping	517,241	-	33,430,000	11,960,109	11,960,109
			<u>₩1,140,412,575</u>	<u>₩1,067,235,321</u>	<u>₩1,136,311,580</u>

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

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Changes in goodwill (negative goodwill) for the six-month period ended June 30, 2005, 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.	₩ 12,172	₩ -	₩ 6,086	₩ 6,086
Haechandle Co., Ltd.	16,682,727	-	1,607,367	15,075,360
CJ Development Co., Ltd.	20,572	-	10,286	10,286
CJ Entertainment Inc.	306,532	-	306,532	-
CJ Media Inc.	(259,271)	-	(32,409)	(226,862)
CJ Home Shopping Co., Ltd.	154,481,064	-	4,983,261	149,497,803
Samyang Oil Co., Ltd.	1,932,843	-	322,140	1,610,703
Superfeed Co., Ltd.	2,557,075	-	426,179	2,130,896
ShinDongBang CP Corporation	65,613,854	-	3,546,695	62,067,159
CJ Internet Co., Ltd.	27,898,831	-	734,178	27,164,653
Hanil Pharmaceutical Ind. Co., Ltd.	1,776,479	-	208,998	1,567,481
CJ Qingdao Food Co., Ltd.	(378,436)	-	(53,122)	(325,314)
CJ Beijing Beverage & Foods Co., Ltd.	(461,795)	-	(64,825)	(396,970)
CJ Ord River Sugar Pty., Ltd.	(30,184)	-	(12,074)	(18,110)
CJ Europe GmbH.	(1,617)	-	(809)	(808)
CJ Cambodia Co., Ltd.	37,555	-	9,389	28,166
Stock warrants of CJ Home Shopping	11,960,109	-	2,314,504	9,645,605
	<u>₩282,148,510</u>	<u>₩ -</u>	<u>₩ 14,312,376</u>	<u>₩267,836,134</u>

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

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

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Information relating to the elimination of unrealized gains and losses arising from transactions with equity-method investees during the six-month period ended June 30, 2005 and year ended December 31, 2004, are as follows:

<i>(in thousands of Korean won)</i>	2005			2004		
	Current Assets	Property, Plant and Equipment, and Intangible Assets	Total	Current Assets	Property, Plant and Equipment, and Intangible Assets	Total
CJ Morningwell Co., Ltd. (Morningwell Co., Ltd.)	₩ (248,904)	₩ -	₩ (248,904)	₩ (416,237)	₩ -	₩ (416,237)
CJ Food System Co., Ltd.	(2,705,771)	-	(2,705,771)	(1,548,547)	-	(1,548,547)
CJ Foodville Co., Ltd.	(13,880)	-	(13,880)	15,799	-	15,799
Haechandle Co., Ltd.	(86,127)	-	(86,127)	(57,124)	-	(57,124)
CJ Development Co., Ltd.	-	(10,814,860)	(10,814,860)	-	(10,392,926)	(10,392,926)
CJ Systems Co., Ltd.	-	(3,564,927)	(3,564,927)	-	(3,207,148)	(3,207,148)
CJ Entertainment Inc.	35,143	-	35,143	29,364	-	29,364
CJ Media Inc.	40,005	-	40,005	(70,859)	-	(70,859)
CJ Home Shopping Co., Ltd.	33,455	-	33,455	(2,240)	-	(2,240)
Enprani Co., Ltd.	(59,225)	-	(59,225)	(59,225)	-	(59,225)
Samyang Oil Co., Ltd.	(122,017)	-	(122,017)	(211,012)	-	(211,012)
Superfeed Co., Ltd.	(145,358)	-	(145,358)	-	-	-
CJ Olive Young Co., Ltd.	(24,603)	-	(24,603)	(14,178)	-	(14,178)
CJ MDI Co., Ltd. (MD1 Co., Ltd.)	31,057	-	31,057	31,304	-	31,304
ShinDongBang CP Corporation	17,976	-	17,976	-	-	-
CJ America Inc.	(954,970)	-	(954,970)	(715,459)	-	(715,459)
CJ China Ltd	(123,131)	-	(123,131)	(564,683)	-	(564,683)
CJ Philippines Inc.	4,061	-	4,061	(4,344)	-	(4,344)
P.T. Cheil Jedang Indonesia (P.T. CJI)	(1,199,062)	-	(1,199,062)	(3,782,808)	-	(3,782,808)
CJ Qingdao Food Co., Ltd.	(330,109)	-	(330,109)	(62,475)	-	(62,475)
CJ Vina Agri Co., Ltd.	(1,449)	-	(1,449)	-	-	-
CJ Europe GmbH	(124,059)	-	(124,059)	(140,927)	-	(140,927)
Lee Entertainment L.L.C.	7,519	-	7,519	-	-	-
CJ Japan Corp.	(23,872)	-	(23,872)	-	-	-
CJ Beijing Beverage & Foods Co., Ltd.	-	-	-	(76,237)	-	(76,237)
	<u>₩(5,993,321)</u>	<u>₩ (14,379,787)</u>	<u>₩(20,373,108)</u>	<u>₩ (7,649,888)</u>	<u>₩ (13,600,074)</u>	<u>₩(21,249,962)</u>

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The changes in the book values of equity-method investments for the six-month period ended June 30, 2005, 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
CJ Morningwell Co., Ltd. (Morningwell Co., Ltd.)	₩ 9,850,346	₩ 374,780	₩ -	₩ 10,225,126
CJ Food System Co., Ltd.	49,296,057	(437,902)	(532,226)	48,325,929
CJ Foodville Co., Ltd.	20,775,185	(1,090,918)	(57,656)	19,626,611
Haechandle Co., Ltd.	47,013,446	1,228,368	(2,000,082)	46,241,732
CJ Development Co., Ltd.	69,051,385	(578,132)	-	68,473,253
CJ Systems Co., Ltd.	3,861,461	137,500	-	3,998,961
CJ Entertainment Inc.	66,652,989	552,831	(2,929,726)	64,276,094
CJ Media Inc.	19,155,393	692,030	(131,731)	19,715,692
CJ Home Shopping Co., Ltd.	216,100,498	5,690,446	10,515,952	232,306,896
CJ Investment & Securities Co., Ltd.	-	-	-	-
Preference share CJ Investment & Securities Co., Ltd.	8,502,821	-	-	8,502,821
CJ Venture Capital Co., Ltd.	7,637,615	158,019	71,622	7,867,256
Enprari Co., Ltd.	4,608,918	(664,968)	-	3,943,950
CJ Music Co., Ltd. (CJ Media Line Inc.)	1,676,478	(798,669)	1,169,718	2,047,527
Samyang Oil Co., Ltd.	14,059,388	1,717,651	-	15,777,039
Superfeed Co., Ltd.	17,424,073	(153,500)	-	17,270,573
CJ Olive Young Co., Ltd.	3,716,451	(413,681)	-	3,302,770
CJ MD1 Co., Ltd. (MD1 Co., Ltd.)	1,816,091	1,657	-	1,817,748
ShinDongBang CP Corporation	59,443,700	(159,483)	(238,657)	59,045,560
CJ Internet Co., Ltd.	40,704,007	529,511	8,716,768	49,950,286
Hanil Pharmaceutical Ind, Co., Ltd.	21,937,437	431,068	3,424	22,371,929
CJ Liaocheng Biotech Co., Ltd.	17,232,000	-	2,232,008	19,464,008
CJ America Inc.	3,719,036	(3,338,770)	(213,686)	166,580
CJ China Ltd.	2,444,890	403,229	(54,054)	2,794,065
CJ Philippines Inc.	5,667,469	769,184	(598,732)	5,837,921
P.T. Cheil Jedang Superfeed (P.T. CJS)	1,336,946	97,899	(203,948)	1,230,897
P.T. Cheil Jedang Indonesia (P.T. CJI)	178,974,050	(8,326,709)	(36,713,141)	133,934,200
CJ Qingdao Food Co., Ltd.	8,828,314	(659,263)	(318,891)	7,850,160
CJ Beijing Beverage & Foods Co., Ltd.	12,494,111	(173,272)	(212,514)	12,108,325
CJ Ord River Sugar Pty., Ltd.	2,289,632	(693,281)	(92,598)	1,503,753
CJ Vina Agri Co., Ltd.	4,875,078	1,051,484	(387,453)	5,539,109
CJ Europe GmbH.	902,684	72,064	(134,466)	840,282
Lee Entertainment L.L.C.	200,394,348	(138,078)	(60,020,626)	140,235,644
CJ Japan Corp.	573,293	585,353	(67,645)	1,091,001
CJ Cambodia Co., Ltd.	1,335,881	(84,789)	(24,823)	1,226,269
Stock warrants of CJ Home Shopping	11,960,109	(2,314,504)	-	9,645,605
	<u>₩1,136,311,580</u>	<u>₩ (5,532,845)</u>	<u>₩(82,223,163)</u>	<u>₩1,048,555,572</u>

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The changes in the book values of equity-method investments for the year ended December 31, 2004, were 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
CJ Morningwell Co., Ltd. (Morningwell Co., Ltd.)	₩ 12,544,150	₩ (2,693,804)	₩ -	₩ 9,850,346
CJ Food System Co., Ltd.	50,044,180	216,244	(964,368)	49,296,056
CJ Foodville Co., Ltd.	21,239,275	(693,296)	229,206	20,775,185
Haechandle Co., Ltd.	47,507,718	1,504,686	(1,998,958)	47,013,446
CJ Development Co., Ltd.	62,436,449	6,614,937	-	69,051,386
CJ Systems Co., Ltd.	2,585,118	1,276,343	-	3,861,461
CJ Entertainment Inc.	43,082,999	6,185,674	17,384,316	66,652,989
CJ Media Inc.	12,318,591	(4,131,370)	10,968,173	19,155,394
CJ Home Shopping Co., Ltd.	216,059,286	3,851,781	(3,810,570)	216,100,497
CJ Music Co., Ltd. (CJ Media Line Inc.)	3,325,819	(1,625,532)	(23,808)	1,676,479
CJ Investment & Securities Co., Ltd.	-	-	-	-
Preference share CJ Investment & Securities Co., Ltd.	-	-	8,502,821	8,502,821
CJ Venture Capital Co., Ltd.	9,927,996	(2,278,054)	(12,327)	7,637,615
Enprani Co., Ltd.	5,071,381	(462,463)	-	4,608,918
CJ MDI Co., Ltd. (MDI Co., Ltd.)	1,356,192	459,899	-	1,816,091
Samyang Oil Co., Ltd.	26,224,586	4,360,257	(16,525,456)	14,059,387
Superfeed Co., Ltd.	-	(147,208)	17,571,282	17,424,074
CJ Olive Young Co., Ltd.	4,355,043	(638,592)	-	3,716,451
CJ Internet Co., Ltd.	-	(2,994,942)	43,698,949	40,704,007
Hanil Pharmaceutical Ind, Co., Ltd.	-	(1,278,327)	23,215,764	21,937,437
ShinDongBang CP Corporation	-	(16,961,693)	76,405,392	59,443,699
CJ Lion Corp.	-	291,234	(291,234)	-
CJ America Inc.	9,779,647	(5,287,111)	(773,501)	3,719,035
CJ China Ltd. (CJ HongKong Ltd.)	2,586,551	273,932	(415,592)	2,444,891
CJ Philippines Inc.	5,780,106	1,307,311	(1,419,948)	5,667,469
P.T. Cheil Jedang Superfeed (P.T. CJS)	-	1,882,223	(545,277)	1,336,946
P.T. Cheil Jedang Indonesia (P.T. CJI)	220,923,554	40,027,883	(81,977,387)	178,974,050
CJ Qingdao Food Co., Ltd.	26,031,514	(1,437,820)	(15,765,380)	8,828,314
Beijing CJ Foods Co., Ltd.	1,014,749	-	(1,014,749)	-
CJ Ord River Sugar Pty., Ltd.	2,509,552	20,048	(239,968)	2,289,632
CJ Vina Agri Co., Ltd.	4,638,115	854,308	(617,345)	4,875,078
CJ Europe GmbH.	686,695	251,656	(35,667)	902,684
Lee Entertainment L.L.C.	74,004,530	13,899,118	112,490,700	200,394,348
CJ Cambodia Co., Ltd.	1,890,609	(349,243)	(205,485)	1,335,881
CJ Japan Corp.	-	190,454	382,839	573,293
CJ Liaocheng Biotech Co., Ltd.	-	-	17,232,000	17,232,000
CJ Beijing Beverage & Foods Co., Ltd.	-	97,732	12,396,379	12,494,111
Stock warrants of CJ Home Shopping Co., Ltd.	16,640,264	(4,680,155)	-	11,960,109
	<u>₩ 884,564,669</u>	<u>₩ 37,906,110</u>	<u>₩ 213,840,801</u>	<u>₩ 1,136,311,580</u>

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Gain or loss on equity-method investments recorded as capital adjustments as of June 30, 2005 and December 31, 2004, are as follows:

(in millions of Korean won)

	2005			2004				
	Balance at January 1, 2005	Valuation Amount	Included in Earnings	Balance at June 30, 2005	Balance at January 1, 2004	Valuation Amount	Included in Earnings	Balance at December 31, 2004
Gain on valuation of equity-method investments	₩ 165,815	₩(70,742)	₩ -	₩ 95,073	₩ 46,927	₩122,693	₩ 3,805	₩ 165,815
Loss on valuation of equity-method investments	(94,787)	(14,348)	-	(109,135)	(18,049)	(76,738)	-	(94,787)
	<u>₩ 71,028</u>	<u>₩(85,090)</u>	<u>₩ -</u>	<u>₩ (14,062)</u>	<u>₩ 28,878</u>	<u>₩ 45,955</u>	<u>₩ 3,805</u>	<u>₩ 71,028</u>

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Financial information of significant investee companies as of and for the periods ended June 30, 2005 and December 31, 2004, follows:

<i>(in millions of Korean won)</i>	2005			
	Assets	Liabilities	Sales	Net income
CJ Morningwell Co., Ltd. (Morningwell Co., Ltd.)	₩ 60,564,133	₩43,928,909	₩40,827,287	₩ 333,541
CJ Food System Co., Ltd.	213,582,741	128,005,969	295,466,717	1,177,114
CJ Foodville Co., Ltd.	87,569,755	64,416,496	71,933,432	(1,235,122)
Haechandle Co., Ltd.	109,192,241	46,687,243	87,018,533	5,701,627
CJ Development Co., Ltd.	411,970,023	332,589,070	103,076,446	235,893
CJ Systems Co., Ltd.	38,758,174	24,249,429	58,078,550	950,023
CJ Entertainment Inc.	296,003,430	121,347,233	52,722,851	2,977,813
CJ Media Inc.	93,437,616	59,158,492	36,179,859	945,151
CJ Home Shopping Co., Ltd.	431,478,878	155,466,314	218,824,545	35,069,880
CJ Music Co., Ltd. (CJ Media Line Inc.)	3,230,300	911,404	776,143	(904,521)
CJ Investment & Securities Co., Ltd.	485,723,583	155,216,989	49,818,011	(15,495,170)
CJ Venture Capital Co., Ltd.	8,878,481	137,085	507,981	175,576
Enprari Co., Ltd.	37,243,564	22,823,700	25,411,672	(1,785,831)
CJ MD1 Co., Ltd. (MD1 Co., Ltd.)	7,980,089	6,193,398	24,940,099	1,904
Samyang Oil Co., Ltd.	55,661,390	41,371,823	34,401,377	1,950,963
Superfeed Co., Ltd.	26,008,376	10,721,933	18,004,120	418,075
CJ Olive Young Co., Ltd.	20,269,086	13,614,341	12,733,941	(806,474)
CJ Internet Co., Ltd.	155,921,305	15,502,599	40,701,984	7,940,455
Hanil Pharmaceutical Ind, Co., Ltd.	55,078,663	12,913,601	27,510,667	1,294,994
ShinDongBang CP Corporation	59,643,705	62,715,864	45,509,421	3,405,353
CJ America Inc.	36,299,727	35,178,177	24,135,586	(3,094,111)
CJ China Ltd.	86,174,536	83,257,339	121,318,065	(38,322)
CJ Philippines Inc.	13,267,882	4,933,796	13,196,268	1,277,964
P.T. Cheil Jedang Superfeed (P.T. CJS)	47,128,034	41,219,727	39,315,624	(11,460)
P.T. Cheil Jedang Indonesia (P.T. CJI)	505,209,724	370,076,333	182,876,068	(9,233,555)
CJ Qingdao Food Co., Ltd.	18,206,400	7,193,812	11,622,432	(627,737)
CJ Ord River Sugar Pty., Ltd.	21,696,255	14,086,939	1,917,491	(3,551,504)
CJ Vina Agri Co., Ltd.	10,485,644	4,945,086	12,605,773	778,360
CJ Europe GmbH.	33,298,137	32,332,988	49,825,145	111,629
Lee Entertainment L.L.C.	141,168,232	31,954	-	(83,638)
CJ Cambodia Co., Ltd.	7,469,090	5,072,884	1,259,587	(150,734)
CJ Japan Corp.	58,084,215	56,969,342	5,308,909	609,225
CJ Liaocheng Biotech Co., Ltd.	59,680,467	40,216,458	-	-
CJ Beijing Beverage & Foods Co., Ltd.	16,256,673	1,699,291	601,304	(327,607)

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<i>(in millions of Korean won)</i>	2004			
	Assets	Liabilities	Sales	Net income (loss)
CJ Morningwell Co., Ltd. (Morningwell Co., Ltd.)	₩57,513,011	₩41,211,327	₩77,738,410	₩(3,898,763)
CJ Food System Co., Ltd.	195,925,481	111,672,815	557,242,940	2,228,020
CJ Foodville Co., Ltd.	77,066,794	52,678,414	112,534,814	(922,532)
Haechandle Co., Ltd.	97,517,828	36,714,291	174,206,988	9,425,182
CJ Development Co., Ltd.	377,017,876	297,872,816	240,543,551	7,904,500
CJ Systems Co., Ltd.	33,480,402	19,921,680	96,516,673	3,466,200
CJ Entertainment Inc.	284,913,908	105,556,999	118,415,302	19,087,878
CJ Media Inc.	74,267,059	40,706,200	56,526,384	(7,105,032)
CJ Home Shopping Co., Ltd.	400,419,510	195,014,735	411,778,604	45,701,277
CJ Music Co., Ltd. (CJ Media Line Inc.)	3,721,264	382,168	629,932	(1,131,012)
CJ Investment & Securities Co., Ltd.	341,152,753	94,591,859	92,238,532	(52,877,579)
CJ Venture Capital Co., Ltd.	8,622,784	136,545	1,777,094	(2,504,221)
Enprari Co., Ltd.	34,731,143	18,525,448	48,724,487	2,332,682
CJ MD1 Co., Ltd. (MD1 Co., Ltd.)	9,057,076	7,272,289	50,201,700	428,595
Samyang Oil Co., Ltd.	36,382,470	24,043,866	110,335,865	5,699,872
Superfeed Co., Ltd.	23,021,180	8,152,812	20,446,462	278,996
CJ Olive Young Co., Ltd.	15,796,550	8,335,331	20,362,196	(1,248,867)
CJ Internet Co., Ltd.	133,156,087	10,930,930	141,386,472	(14,309,522)
Hanil Pharmaceutical Ind, Co., Ltd.	54,768,520	13,907,640	36,870,779	(1,744,160)
ShinDongBang CP Corporation	71,922,548	78,424,061	295,929,588	21,248,511
CJ America Inc.	30,299,249	25,974,649	57,067,839	(5,169,230)
CJ China Ltd.	85,655,402	82,645,829	310,073,662	681,575
CJ Philippines Inc.	13,163,279	5,727,947	30,781,265	1,468,239
P.T. Cheil Jedang Superfeed (P.T. CJS)	42,879,645	36,633,266	113,223,828	(644,979)
P.T. Cheil Jedang Indonesia (P.T. CJI)	500,471,483	318,447,861	519,401,995	41,620,297
CJ Qingdao Food Co., Ltd.	16,625,512	5,802,112	22,259,769	(2,268,568)
CJ Ord River Sugar Pty., Ltd.	24,669,022	13,070,467	12,921,453	2,911
CJ Vina Agri Co., Ltd.	9,474,384	4,605,643	23,737,956	15,330,692
CJ Europe GmbH.	44,271,674	43,283,690	150,673,541	318,066
Lee Entertainment L.L.C.	201,672,050	32,559	-	13,926,230
CJ Cambodia Co., Ltd.	7,555,554	4,958,962	1,898,012	593,226
CJ Japan Corp.	65,895,803	65,322,509	17,981,452	695,516
CJ Liaocheng Biotech Co., Ltd.	51,114,181	36,948,892	-	-
CJ Beijing Beverage & Foods Co., Ltd.	15,854,636	683,953	-	-

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Market value information of investee companies as of June 30, 2005 and December 31, 2004, follows:

<i>(in millions of Korean won)</i>	2005		2004	
	Market Value	Recorded Book Value	Market Value	Recorded Book Value
CJ Food System Co., Ltd.	₩ 36,349,430	₩ 48,325,929	₩ 25,836,056	₩ 49,296,056
CJ Entertainment Inc.	103,258,591	64,276,094	108,175,667	66,652,989
CJ Home Shopping Co., Ltd.	192,907,338	232,306,896	147,153,675	216,100,497
CJ Internet Co., Ltd.	38,621,650	49,950,286	23,903,325	40,704,007
Hanil Pharmaceutical Ind, Co., Ltd.	49,064,182	22,371,929	39,077,667	21,937,437
	<u>₩420,201,191</u>	<u>₩417,231,134</u>	<u>₩344,146,390</u>	<u>₩394,690,986</u>

14. Short-Term Borrowings

Short-term borrowings as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)		
	2005	2005	2004
Bank overdraft facilities	6.20 - 7.60	₩ 1,575,938	₩ 1,751,314
General term loans	Libor+1.35	46,363,500	-
Usance financing	1.43 - 3.97	199,578,321	154,233,536
Notes discounted	3.45 - 3.65	<u>100,000,000</u>	<u>12,000,000</u>
		<u>₩ 347,517,759</u>	<u>₩ 167,984,850</u>

As of June 30, 2005, the Company has bank overdraft agreements up to a maximum of ₩86,000 million with several Korean banks.

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15. Long-Term Debts

Long-term debts as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in thousands of Korean won)</i>	2005		2004	
Foreign currency loans (Won equivalent) ¹	₩	172,184,291	₩	171,179,908
Debentures ²		<u>244,982,234</u>		<u>292,259,974</u>
		417,166,525		463,439,882
Less: Current maturities		<u>(223,719,637)</u>		<u>(178,000,293)</u>
	₩	<u>193,446,888</u>	₩	<u>285,439,589</u>

¹ Long-term debts denominated in foreign currencies as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)		
	2005	2005	2004
Woori Bank	1.18 - 3.71	₩ 114,836,018	₩ 111,210,510
Shinhan Bank	1.21 - 3.49	55,859,769	54,125,458
Hana Bank and others	1.23 - 1.34	<u>1,488,504</u>	<u>5,843,940</u>
		₩ <u>172,184,291</u>	₩ <u>171,179,908</u>

² Debentures outstanding as of June 30, 2005 and December 31, 2004, consist of the following :

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)		
	2005	2005	2004
Public bonds	4.86 - 5.58	₩ 146,491,041	₩ 144,497,387
Private bonds	-	-	50,000,000
Bonds payable in foreign currency ¹	2.41	<u>97,728,000</u>	<u>97,728,000</u>
		244,219,041	292,225,387
Less : Unamortized discounts		(990,948)	(1,424,328)
Add : Long-term accrued interests		<u>1,754,141</u>	<u>1,458,915</u>
		₩ <u>244,982,234</u>	₩ <u>292,259,974</u>

¹ On June 7, 2002, the Company entrusted 304,222 shares of Samsung Life Insurance Co., Ltd. to Woori Bank and issued foreign notes to a foreign Special Purpose Vehicle (the "SPV"), which was granted the exchange option to buy the entrusted shares of Samsung Life Insurance Co., Ltd. from the trust bank. The SPV 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.

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

Foreign Notes

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

Foreign Bonds

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

The Company has recognized the SPV's issuance of the foreign bonds to foreign investors in the Company's accounts. Interest expense is calculated using the effective interest method with the interest for the redemption premium recognized as long-term accrued interest payable and added to debentures. Interest expense of ₩295,226 thousand for the six-month period ended June 30, 2005, was recognized as long-term accrued interest payable.

In order to hedge the impact of fluctuations in interest rates with regard to the above foreign bonds, the Company has entered into interest rate swap contracts with two foreign banks and recorded ₩1,994 million of valuation loss on interest rate swap in non-operating income for the six-month period ended June 30, 2005 (Note 18).

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, 2005, excluding discounts and long-term accrued interests on debentures, are as follows:

(In thousands of Korean won)

Year of maturity	Foreign		Total
	Currency Loans	Debentures	
2006.7.1 ~ 2007.6.30	<u>₩ 47,326,036</u>	<u>₩ 146,491,041</u>	<u>₩ 193,817,077</u>

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16. Accrued Severance Benefits

Changes in accrued severance benefits as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in thousands of Korean won)</i>	2005	2004
Accrued severance benefits	₩ 73,434,141	₩ 76,960,884
Less : Funded portion		
Severance insurance fund	(36,147,641)	(42,546,842)
National Pension Fund	<u>(1,245,045)</u>	<u>(1,737,224)</u>
Unfunded portion	<u>₩ 36,041,455</u>	<u>₩ 32,676,818</u>

17. Commitments and Contingencies

As of June 30, 2005, the Company is contingently liable for guarantees of indebtedness of related companies amounting to approximately ₩381,386 million. In addition, as of June 30, 2005, the Company provided guarantees of contract fulfillment for related companies in the amount of ₩4,098 million (Note 26).

As of June 30, 2005, the Company has credit agreements with Shinhan Bank and two other financial institutions to pay for goods and services provided by its suppliers with its exclusive purchase card up to a maximum of ₩150,000 million.

The Company is a party to various legal claims and proceedings amounting to ₩414 million as plaintiff and ₩12,230 million as defendant, all of which are pending as of June 30, 2005. 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. And related to this lawsuit, the Company recorded under non-operating expenses ₩42,014 million, ₩23,204 million and ₩7,498 million for the years ended December 31, 2002, 2003 and 2004, respectively.

As of June 30, 2005, the Company has technical assistance agreements with certain companies. Total royalty fees incurred for the six-month period ended June 30, 2005, with respect to these agreements amounted to approximately ₩2,046 million (June 30, 2004: ₩2,054 million).

As of June 30, 2005, the Company has banker's usance borrowing agreements up to a maximum of ₩804,666 million with several Korean banks.

As of June 30, 2005, a promissory note and a check totaling ₩3,188 million, and one blank note were provided to financial institutions as collaterals for bank loans and guarantee for the fulfillment of certain contracts.

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18. Derivative Instruments

Derivative instruments as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in thousands of Korean won)</i>			Account	2005	2004
Commodity	Balance Sheet	Other accounts and notes			
Futures		receivable	₩ 257,626	₩ 681,662	
		Other accounts and notes payable	743,934	-	
	Income Statement	Gain on settlement	46,640	15,800	
		Gain (loss) on valuation	(486,308)	681,662	
Currency Forward	Balance Sheet	Derivative instruments assets	1,566,982	-	
	Income Statement	Gain on settlement	394,675	8,929,935	
		Loss on valuation	(1,566,982)	-	
Currency swap	Income Statement	Gain on settlement	-	28,387	
Call option	Income Statement	Gain on settlement	-	36,346	
Interest rate swap	Balance Sheet	Derivative instruments liabilities	9,325,027	11,083,456	
	Income Statement	Gain (loss) on settlement	1,562,742	(3,634,826)	
		Gain (loss) on valuation	4,111,540	(4,234,469)	

As of June 30, 2005, the Company has 3,568 futures contracts to hedge the fluctuation of the purchase price of raw materials. For the six-month period ended June 30, 2005, the Company recognized a gain of ₩258 million and loss of ₩744 million from the valuation of futures contracts. As of June 30, 2005, the Company is provided with guarantees of payment of us \$12,900 thousand of guarantee deposits for futures trading from two financial institutions in relation to the above futures contracts.

As of June 30, 2005, the Company has forward exchange contracts involving selling amounts of ₩257 million to hedge against currency risk on foreign currency assets and liabilities. For the six-month period ended June 30, 2005, the Company recognized a net loss from the valuation of forward exchange contracts amounting to ₩257 million.

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As of June 30, 2005, the Company has currency option contracts. The valuation of the currency option contracts is summarized as follows:

<i>(In thousands of Korean won)</i>	<u>Fair Value</u>		<u>Gain (loss) on valuation charged to current operation</u>	
	<u>Call</u>	<u>Put</u>		
Woori Bank	₩ -	₩ (1,357,330)	₩	(1,357,330)
Citibank Korea	119,274	(85,030)		34,244
CALYON	-	13,430		13,430
Total	<u>₩ 119,274</u>	<u>₩ (1,428,930)</u>	<u>₩</u>	<u>(1,309,656)</u>

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

The Company has entered into three interest rate swap contracts with financial institutions to hedge against the impact of fluctuations in interest rates with regard to long-term debts. Swap contracts outstanding as of June 30, 2005, are as follows:

<i>(in millions of Korean won)</i>	<u>Outstanding contract amount</u>		<u>Gain (loss) on valuation charged to current operations</u>		<u>Gain (loss) on valuation charged to shareholders' equity</u>	
	<u>Trading</u>	<u>Hedging</u>	<u>Trading</u>	<u>Hedging</u>	<u>Trading</u>	<u>Hedging</u>
Deutsche Bank	₩ -	₩ 46,364	₩ -	₩ -	₩ -	₩ (40)
Woori Bank	290,880	-	2,118	-	-	-
Citibank Korea and others	-	100,000	-	1,994	-	-
	<u>₩ 290,880</u>	<u>₩ 146,364</u>	<u>₩ 2,118</u>	<u>₩ 1,994</u>	<u>₩ -</u>	<u>₩ (40)</u>

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19. Retained Earnings

Retained earnings as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in thousands of Korean won)</i>	2005	2004
Legal reserve ¹	₩ 71,525,966	₩ 66,794,782
Reserve for improvement of financial structure ²	6,709,860	6,709,860
Reserve for business rationalization ³	54,804,727	54,804,727
Reserve for research and human resource development ³	377,188,492	275,172,642
Reserve for export losses ³	720,000	720,000
Reserve for overseas market development ³	1,100,000	1,100,000
Reserve for loss on disposal of treasury stock	<u>6,551,913</u>	<u>6,551,913</u>
	518,600,958	411,853,924
Retained earnings before appropriations	<u>74,352,983</u>	<u>154,558,874</u>
	<u>₩ 592,953,941</u>	<u>₩ 566,412,798</u>

¹ The Korean Commercial Code requires the Company to appropriate as a legal reserve, an amount equal to a minimum of 10% of annual cash dividends declared, until the reserve equals 50% of capital stock. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

² The Regulation for Securities Issuance and Disclosure requires the Company to appropriate as a reserve for improvement of financial structure an amount equal to at least 50% of the net extraordinary gain on disposal of property, plant and equipment and 10% of net earnings for each year until the shareholders' equity equals 30% of total assets. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any. As of June 30, 2005, 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, 2005.

³ Pursuant to Korean tax laws, the Company is allowed to claim a tax deduction in determining taxable income for the amounts of retained earnings appropriated as reserves for research and human resource development, export losses and overseas market development. These amounts are not available for dividends until used for the specified purposes or reversed.

20. Treasury Stock

As of June 30, 2005, the Company has acquired 307,000 shares of its own non-voting preferred stock and 1,199,630 shares of its own common stock as authorized by the Board of Directors. The treasury stock is recorded as a capital adjustment and will be sold depending on stock market conditions.

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21. Stock Option Plan

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

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

	Date of the grant				
	August 14, 2001	April 27, 2002	March 11, 2003	April 8, 2004	March 8, 2005
Options granted	48,000	95,600	134,300	77,800	94,100
Exercised quantity	25,700	10,000	18,500	-	-
Forfeited quantity	1,000	-	1,300	3,800	1,400
Options outstanding	21,300	85,600	114,500	74,000	92,700
Exercise price ¹	₩40,000	₩58,000	₩41,000	₩69,000	₩71,000
Exercise period from the date of the grant ²	2~9 years	2~9 years	2~9 years	2~9 years	2~9 years

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

² The options can be fully vested in two years from the date of the grant. The compensation expense related to stock options was ₩739 million for the six-month period ended June 30, 2005. In addition, accumulated compensation expense as of June 30, 2005, is ₩5,714 million, while the estimated compensation expense for the periods thereafter is ₩1,984 million.

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

	Date of the grant				
	August 14, 2001	April 27, 2002	March 11, 2003	April 8, 2004	March 8, 2005
Risk-free interest rates	5.10%	6.37%	4.69%	4.56%	4.12%
Expected stock price volatility	70.60%	66.18%	54.81%	38.48%	35.73%
Expected life	3 years	3 years	3 years	3 years	3 years
Expected right extermination rate	1%	1%	1%	5%	5%

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22. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the six-month periods ended June 30, 2005 and 2004, consist of the following:

<i>(In thousands of Korean won)</i>	2005	2004
Commission and service charge	₩ 68,591,989	₩ 70,040,602
Salaries	56,497,566	52,017,986
Transportation expenses	48,059,819	52,204,574
Sales promotion expenses	21,191,357	19,271,325
Depreciation expense for tangible assets	18,773,208	19,127,332
Advertising expenses	18,548,046	20,292,827
Research expenses	10,233,898	11,830,974
Employee benefits	9,949,698	8,536,222
Expenses for company events	7,906,724	9,740,467
Provision for severance benefits	6,768,982	8,783,881
Travel expenses	6,173,534	6,303,942
Taxes and dues	3,856,463	3,457,904
Rent	3,530,268	2,673,126
Bad debt expenses	1,943,238	806,558
Amortization expense for intangible assets	784,367	2,131,607
Stock compensation expenses	677,983	866,839
Others	<u>17,653,524</u>	<u>17,448,904</u>
	<u>₩ 301,140,664</u>	<u>₩ 305,535,070</u>

23. Income Tax Expenses

The statutory income tax rate applicable to the Company including resident surcharges, is approximately 27.5% for the six-month period ended June 30, 2005.

Income tax expenses for the six-month periods ended June 30, 2005 and 2004, consist of the following:

<i>(In thousands of Korean won)</i>	2005	2004
Current income taxes	₩ 25,827,902	₩ 45,107,981
Deferred income taxes	18,093,475	(5,401,021)
Income taxes charged to other capital surplus	<u>(21,482,138)</u>	<u>-</u>
Income tax expenses	<u>₩ 22,439,239</u>	<u>₩ 39,706,960</u>

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The changes in deferred income tax assets for the six-month periods ended June 30, 2005 and 2004, are as follows:

<i>(In thousands of Korean won)</i>	2005	2004
Deferred income tax assets, beginning balance	₩ 39,102,486	₩ 28,464,722
Increase (decrease) in deferred tax assets		
due to temporary differences and tax credits	<u>(18,246,147)</u>	<u>5,401,021</u>
Deferred income tax assets, ending balance	<u>₩ 20,856,339</u>	<u>₩ 33,865,743</u>

The reconciliations between income before income taxes and taxable income for the six-month periods ended June 30, 2005 and 2004, are as follows:

<i>(In thousands of Korean won)</i>	2005	2004
Income before income taxes	₩ 96,292,222	₩ 167,327,202
Add (deduct):		
Increase (Decrease) due to permanent differences	12,963,019	(30,364,436)
Increase due to temporary differences	<u>12,280,637</u>	<u>21,605,800</u>
Taxable income	<u>₩ 121,535,878</u>	<u>₩ 158,568,566</u>

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Components of deferred income tax assets and liabilities as of June 30, 2005, are as follows:

<i>(in thousands of Korean won)</i>	Current	Non-Current
Loss on valuation of investments in equity securities	₩ -	₩41,071,349
Allowance for doubtful accounts	652,800	-
Severance benefits	-	1,192,503
Provision for loss from lawsuits	2,753,790	-
Loss on impairment of available-for-sale securities	-	13,347,951
Special reserves appropriated for tax purposes	(916,667)	(2,704,166)
Accrued interest income	(157,609)	-
Gain on disposal of property, plant and equipment	-	(5,741,456)
Income taxes charged to other capital surplus	-	(21,470,651)
Others	821,265	(7,992,770)
	<u>₩ 3,153,579</u>	<u>₩17,702,760</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 accordance with the SKFAS No. 16, *Deferred Income Taxes*, which became effective January 1, 2005, the Company changed its accounting principle for the tax effects of temporary differences which were directly charged to shareholders' equity. As a result of this change, the amounts of capital adjustments and deferred tax assets were lower by ₩21,471 million, from the ones that would have been reported using the previous accounting principle.

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24. 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>	2005	2004
Net income	₩ 73,852,983	₩ 127,620,242
Adjustments:		
Dividends for preferred stock	(4,385,355)	(4,535,331)
Undeclared participating preferred stock dividend	<u>(9,418,281)</u>	<u>(18,304,829)</u>
Net income available for common stock	60,049,347	104,780,082
Weighted average number of shares of common stock	<u>23,285,801</u>	<u>22,665,911</u>
Earnings per share	<u>₩ 2,579</u>	<u>₩ 4,623</u>

Diluted earnings per share

<i>(In thousands of Korean won, except earnings per share)</i>	2005	2004
Net income available for common stock	₩ 60,049,347	₩ 104,780,082
Adjustments:		
Dividends for convertible preferred stock	-	8,088,412
Compensation expense related to stock option	<u>113,432</u>	<u>-</u>
Net income available for common stock and common equivalent stock	60,162,779	112,868,494
Weighted average number of shares of common stock and common stock equivalents	<u>23,716,916</u>	<u>25,158,238</u>
Diluted earnings per share	<u>₩ 2,537</u>	<u>₩ 4,486</u>

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25. Assets and Liabilities Denominated in Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies as of June 30, 2005 and December 31, 2004, are as follows:

<i>(in thousands of Korean won)</i>		2005				2004	
Account	Foreign Currencies	Korean won (Equivalent)	Translation Gain	Translation Loss	Korean won (Equivalent)		
Assets							
Cash on hand and in banks	US\$	362,016.59	₩ 370,850	₩ 16,739	₩ -	₩ -	-
Trade accounts and notes receivable	AUD	356,899.50	278,831	1,803	6,363	369,220	369,220
	EUR	1,239,026.00	1,533,518	100,510	132,164	1,372,631	1,372,631
	GBP	6,884.50	12,741	61	-	27,435	27,435
	JPY	89,041,712.00	825,657	6,936	397	1,146,376	1,146,376
	SGD	-	-	-	-	85,008	85,008
	US\$	17,104,346.93	17,521,693	597,567	606,410	20,101,773	20,101,773
			20,172,440	706,877	745,334	23,102,443	23,102,443
Other accounts and notes receivable	GBP	597.28	1,105	2	-	1,208	1,208
	US\$	25,166,975.92	25,781,050	47,190	1,756,161	17,784,713	17,784,713
			25,782,155	47,192	1,756,161	17,785,921	17,785,921
Short-term loans receivable	JPY	496,800.00	4,607	-	607	5,959	5,959
	US\$	189,350.38	193,971	2,477	10,851	101,111	101,111
			198,578	2,477	11,458	107,070	107,070
Others	EUR	3,479.37	4,306	16	-	4,125	4,125
	GBP	25,775.90	47,703	183	4	80,189	80,189
	JPY	3,045,469.00	28,240	-	18	19,404	19,404
	US\$	539,948.68	553,123	6,845	30	478,046	478,046
			633,372	7,044	52	581,764	581,764

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<i>(in thousands of Korean won)</i>		2005			2004	
Account	Foreign Currencies	Korean won (translated)	Translation Gain	Translation Loss	Korean won (translated)	
Liabilities						
Trade accounts and notes payable	CHF	-	₩ -	₩ -	₩ -	₩ 3,927
	EUR	57,792.00	71,528	4,748	-	350,173
	JPY	27,673,241.00	256,606	26,657	1,121	507,025
	US\$	1,451,013.47	1,486,418	34,933	27,287	7,422,113
		<u>1,814,552</u>	<u>66,338</u>	<u>28,408</u>		<u>8,283,238</u>
Short-term borrowings	JPY	5,007,978,185.00	46,437,479	4,087,343	-	-
	US\$	194,752,383.49	199,504,342	504,290	2,611,317	154,233,536
		<u>245,941,821</u>	<u>4,591,633</u>	<u>2,611,317</u>		<u>154,233,536</u>
Other accounts and notes payable	CNY	1,700.00	210	30	-	214
	EUR	82,985.90	102,710	5,741	129	83,987
	GBP	-	-	-	-	29,131
	JPY	18,796,893.00	174,298	888	64	670,734
	US\$	2,790,096.74	2,858,175	53,815	31,118	3,208,530
		<u>3,135,393</u>	<u>60,474</u>	<u>31,311</u>		<u>3,992,596</u>
Accrued expenses	EUR	305.83	379	363	396	435
	JPY	15,083,592.00	139,866	11,246	-	147,641
	US\$	8,941,306.24	9,159,474	1,299,789	9,850	9,487,034
		<u>9,299,719</u>	<u>1,311,398</u>	<u>10,246</u>		<u>9,635,110</u>
Current portion of long-term debts	US\$	121,884,278.78	124,858,255	1,699,928	365,755	128,000,293
Long-term debts	US\$	46,198,785.55	47,326,036	231,630	365,755	43,179,615
Total			<u>₩ 8,741,730</u>	<u>₩ 5,925,797</u>		

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26. Related Party Transactions

Significant transactions with related parties for the six-month periods ended June 30, 2005 and 2004, and the related receivables and payables as of June 30, 2005 and December 31, 2004, are as follows:

<i>(in thousands of Korean won)</i>	Sales		Purchases		Accounts Receivable		Accounts Payable	
	2005	2004	2005	2004	2005	2004	2005	2004
CJ Morningwell Co., Ltd. (Morningwell Co., Ltd.)	₩ 5,702,971	₩ 4,428,322	₩ 31,085,674	₩ 25,526,260	₩ 393,851	₩ 407,724	₩17,270,225	₩13,742,845
CJ Home Shopping Co., Ltd.	1,555,705	1,697,033	3,483,529	5,192,663	2,104,148	3,117,783	781,096	703,857
ShinDongBang CP Corporation	8,391	33,979,189	4,476,252	16,189,026	4,146	1,843	906,205	-
CJ Systems Co., Ltd.	1,590,519	2,003,391	9,472,945	10,851,174	2,086,215	474,086	1,261,606	8,355,390
CJ Development Co., Ltd.	737,174	215,611	17,790,164	11,272,234	319,146	145,282	9,526,574	13,055,841
CJ Food System Co., Ltd.	47,155,259	47,732,694	44,998,190	29,671,529	17,338,035	16,441,646	15,380,579	20,910,024
CJ Media Inc.	91,292	81,818	585,127	445,000	18,424	84,403	109,816	698,500
CJ GLS Co., Ltd.	3,604,905	4,933,563	53,257,819	57,125,966	214,152	145,045	16,912,938	18,855,286
CJ Investment & Securities Co., Ltd.	274,837	463,718	54,055	-	39,219	23,268	-	260,613
CJ CGV Co., Ltd.	948,851	242,895	197,227	1,043,109	1,117,447	760,154	46,709	173,080
CJ Music Co., Ltd. (CJ Media Line Inc.)	2,367	1,027	3,361	3,220	8	366	-	7,546
CJ Entertainment Inc.	276,274	312,054	271	306,519	280,996	622,576	-	2,041
CJ Investment Trust Management Co., Ltd.	18,839	6,370	-	-	6,606	2,040	-	-
CJ Foodville Co., Ltd.	6,886,021	1,543,651	513,051	453,912	3,676,182	3,956,704	96,989	91,184
CJ Cable Net Co., Ltd. (Yang-Chon Cable TV Co., Ltd.)	328,285	-	10,000	-	160,868	317,425	-	-
Hanil Food Mart Co., Ltd.	8,209	32,023	-	952	342	332	-	-
Joy Rent A Car Inc.	9,378	104,507	363,568	305,243	-	89	66,973	69,768
Haechandle Co., Ltd.	1,107,746	975,275	71,058	252,592	206,426	264,435	-	104,141
Samyang Oil Co., Ltd.	3,162,626	2,768,670	23,725,055	33,886,236	2,166	25,724	4,008,329	8,109,977
Superfeed Co., Ltd.	2,907,274	-	8,721,316	-	680,043	723,672	2,507,923	3,619,169

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<i>(in thousands of Korean won)</i>	Sales		Purchases		Accounts Receivable		Accounts Payable	
	2005	2004	2005	2004	2005	2004	2005	2004
CJ MD1 Co., Ltd.								
(MD1 Co., Ltd.)	₩ 205,792	₩ 87,217	₩ 20,975,693	₩20,161,802	₩ 26,638	₩ 8,974	₩ 3,921,945	₩ 3,546,488
CJ Olive Young Co., Ltd.	267,239	204,677	1,405	-	2,444	56,038	2	1,693
CJ Telenix Co., Ltd.	76,478	65,212	196,001	75,564	24,831	22,741	-	-
CJ Philippines Inc.	194,308	241,468	-	-	176,669	426,187	-	-
CJ China Ltd.	4,334,286	2,623,733	6,128,993	3,496,723	3,052,811	3,465,105	1,690,313	1,208,649
P.T. Cheil Samsung								
Indonesia (P.T. CSI)	-	7,933,143	-	2,119,642	-	-	-	-
P.T. Cheil Jedang								
Superfeed (P.T. CJS)	3,564,948	406,567	-	411,417	3,275,947	912,268	-	-
P.T. Cheil Jedang								
Indonesia (P.T. CJI)	15,590,840	5,417,460	8,539,685	12,067,763	11,297,167	17,476,276	2,576,106	1,079,594
P.T. Super Unggas Jaya	71,708	17,503	-	-	71,708	73,066	-	-
CJ Liaocheng								
Biotech Co., Ltd.	-	-	-	-	-	36,750	-	-
CJ America Inc.	12,097,666	7,405,444	819,766	646,592	6,579,284	6,835,541	2,851,203	469,287
CJ Nutracon Inc.	-	-	-	-	-	6,993	94,805	59,583
CJ Qingdao								
Food Co., Ltd.	618,639	831,982	200,892	165,423	1,313,670	1,566,800	4,597	-
CJ Europe GmbH.	5,797,994	4,074,163	722,359	1,112,751	2,480,965	1,784,811	1,068,915	434,255
CJ Vina Agri Co., Ltd.	104,986	327,753	-	-	105,262	317,938	-	-
CJ Japan Corp.	830,881	115,082	1,522,182	1,147,920	150,694	154,272	583,510	64,435
Others	450,034	363,136	16,521	23,470	175,361	25,517	527,803	12,801
	<u>₩120,582,722</u>	<u>₩131,636,351</u>	<u>₩237,932,159</u>	<u>₩233,954,702</u>	<u>₩57,381,871</u>	<u>₩60,683,874</u>	<u>₩82,195,161</u>	<u>₩95,636,047</u>

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The Company provided guarantees of indebtedness of related parties as of June 30, 2005 and December 31, 2004, as follows:

<i>(in thousands of Korean won)</i>						
Guarantee	Financial institutions	Loan amounts		Guarantee amounts		
		2005	2005	2004	2005	2004
P.T. Cheil Jedang Indonesia (P.T. CJ)	Korea Development Bank and others		₩166,174,191	₩162,812,753	₩173,756,800	₩224,890,670
CJ China Ltd.	BOA and others	61,405,609		70,798,866	71,708,000	88,723,000
CJ Chengdu Feed Co., Ltd.	Hana Bank	717,080		730,660	717,080	730,660
CJ Shenyang Feed Co., Ltd.	Woori Bank	614,640		626,280	614,640	626,280
CJ Qingdao Foods Co., Ltd.	Hana Bank	2,561,000		-	2,561,000	-
CJ Qingdao Feed Co., Ltd.	Woori Bank	512,200		521,900	512,200	521,900
CJ Zhengzhou Feed Co., Ltd.	Woori Bank	727,324		741,098	727,324	741,098
CJ Liaocheng Biotech Co., Ltd.	Export-Import Bank of Korea	32,780,800		26,095,000	32,780,800	26,095,000
CJ Beijing Beverage Co., Ltd	Hana Bank	1,024,400		-	1,024,400	-
CJ Nanjing Feed Co., Ltd	Woori Bank	870,740		-	870,740	-
CJ Philippines Inc.	BOA and others	3,433,789		3,868,323	3,892,720	3,966,440
CJ Cambodia Co., Ltd.	Export-Import Bank of Korea	4,746,045		4,801,480	4,746,045	4,801,480
CJ Vina Agri Co., Ltd.	Citibank Korea and others	2,321,290		3,359,992	5,224,440	5,323,380
CJ Japan Corp.	Shinhan Bank and others	20,029,002		25,301,789	20,029,002	25,301,789
CJ America Inc.	Korea Exchange Bank	8,714,571		8,215,750	10,244,000	10,438,000
CJ Nutracon Inc.	Woori Bank	6,146,400		5,740,900	6,146,400	6,262,800
CJ Europe GmbH	Korea Exchange Bank and others	8,101,854		-	12,376,801	14,229,604
CJ Ord River Sugar Pty., Ltd.	Korea Exchange Bank	4,285,014		2,438,891	4,609,800	4,471,300
CJ Tur Yem VE Ticaret Anonim Sirketi	HSBC	430,248		-	1,843,920	-
ShinDongBang CP Corporation	Woori Bank		20,000,000	40,000,000	27,000,000	52,500,000
			<u>₩345,596,197</u>	<u>₩356,053,682</u>	<u>₩381,386,112</u>	<u>₩469,623,401</u>

In addition to the above guarantees, as of June 30, 2005, the Company provided guarantees of fulfillment of futures contracts for CJ OrdRiver Sugar Pty., Ltd. amounting to approximately ₩4,098 million.

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27. Supplementary Information for Computation of Value Added

The accounts and amounts included in manufacturing costs 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, 2005 and 2004, are as follows:

<i>(In thousands of Korean won)</i>	Manufacturing Costs		Selling, general and administrative expenses		Others		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	Wage and salaries	₩23,854,135	₩24,446,414	₩56,497,566	₩52,017,986	₩ 179,512	₩ 178,171	₩ 80,531,213
Provision for severances benefits	2,641,299	4,030,395	6,768,982	8,783,881	29,274	36,280	9,439,555	12,850,556
Employee benefits	7,028,443	7,357,711	9,949,698	8,536,222	40,788	39,099	17,018,929	15,933,032
Rent	3,125,678	2,832,909	3,530,268	2,673,126	750	-	6,656,696	5,506,035
Depreciation and amortization	25,569,629	29,695,406	19,557,574	21,258,939	28,661	515	45,155,864	50,954,860
Taxes and dues	2,035,695	2,340,614	3,854,762	3,457,904	7,210	10,395	5,897,667	5,808,913
	<u>₩64,254,879</u>	<u>₩70,703,449</u>	<u>₩100,158,850</u>	<u>₩96,728,058</u>	<u>₩ 286,195</u>	<u>₩ 264,460</u>	<u>₩164,699,924</u>	<u>₩167,695,967</u>

28. Supplemental Cash Information

Significant transactions not affecting cash flows for the six-month periods ended June 30, 2005 and 2004, are as follows:

<i>(In thousands of Korean won)</i>	2005	2004
Reclassification of construction-in-progress to property, plant and equipment	₩ 71,804,414	₩ 18,723,793
Reclassification of current maturities of long-term debts	171,325,785	144,398,957
Changes in capital adjustments from the valuation of available-for-sale securities and equity-method investments	85,982,455	99,016,810

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29. Employee Benefits

Building on its “Only One” philosophy, 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 tuition fees

30. Environmental Standards and Policies

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

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

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31. Cultivation of Professional Human Resources and Professional Training

The Company has various programs for manpower development and training.

The details of the various programs are as follows :

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

The Company plans to spend approximately ₩6,050 million during the year ended December 31, 2005 with respect to such programs.

32. Segment information

A summary of information on the Company's operations by business segment as of June 30, 2005 and 2004, and for the six-month periods then ended, follows:

Financial Data by Business Segment

<i>(in millions of Korean won)</i>	<u>2005</u>				
	<u>Processed Foods</u>	<u>Biotechnology</u>	<u>Animal Feeds</u>	<u>Others</u>	<u>Total</u>
Sales					
Sales to unaffiliated customers	₩ 773,458	₩ 192,919	₩ 143,690	₩ 90,305	₩ 1,200,372
Inter-segment sales	<u>1,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,681</u>
	<u>₩ 775,139</u>	<u>₩ 192,919</u>	<u>₩ 143,690</u>	<u>₩ 90,305</u>	<u>₩ 1,202,053</u>
Operating profit	<u>₩ 72,786</u>	<u>₩ 14,122</u>	<u>₩ 6,893</u>	<u>₩ (145)</u>	<u>₩ 93,656</u>
Property, plant and equipment, and intangible assets	<u>₩ 618,006</u>	<u>₩ 260,945</u>	<u>₩ 48,482</u>	<u>₩ 31,742</u>	<u>₩ 959,175</u>
Depreciation and amortization	<u>₩ 27,761</u>	<u>₩ 11,977</u>	<u>₩ 3,212</u>	<u>₩ 2,205</u>	<u>₩ 45,155</u>

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<i>(in millions of Korean won)</i>	2004					
	Processed Foods	Food Stuffs	Animal Feeds	Fine Chemicals	Others	Total
Sales						
Sales to unaffiliated customers	₩ 360,607	₩ 498,301	₩ 151,120	₩ 175,383	₩ 67,139	₩ 1,252,550
Inter-segment sales	<u>-</u>	<u>2,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,809</u>
	<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>
Property, plant and equipment, 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>

Reconciliation of Operating Profit

<i>(in millions of Korean won)</i>	2005	2004
Business segment operating profit	₩ 93,656	₩ 97,560
Inter-segment revenues	<u>266</u>	<u>218</u>
Operating income per statements of income	<u>₩ 93,390</u>	<u>₩ 97,342</u>

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