

CJ Corporation

(Formerly CJ Corp.)

Non-Consolidated Financial Statements

December 31, 2008 and 2007

**CJ Corporation
(Formerly CJ Corp.)
Index
December 31, 2008 and 2007**

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Report of Independent Auditors

To the Shareholders and Board of Directors of
CJ Corporation (Formerly CJ Corp.)

We have audited the accompanying non-consolidated balance sheets of CJ Corporation (formerly CJ Corp., the "Company") as of December 31, 2008 and 2007, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of CJ GLS Co., Ltd. and certain other subsidiaries, the investments in which are reflected in the accompanying financial statements using the equity method of accounting. The investments in those subsidiaries represent 31% and 10% of the Company's total assets as of December 31, 2008 and 2007, respectively. These financial statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for the subsidiaries, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of CJ Corporation as of December 31, 2008 and 2007, and the results of its operations, the changes in its retained earnings, the changes in its shareholders' equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Samil PricewaterhouseCoopers

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

Seoul, Korea
February 19, 2009

This report is effective as of February 19, 2009, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

CJ Corporation
(Formerly CJ Corp.)
Non-Consolidated Balance Sheets
December 31, 2008 and 2007

(in thousands of Korean won)

	2008	2007
Assets		
Current assets		
Cash and cash equivalents (Note 3)	₩ 247,377,132	₩ 42,258,005
Short-term investments (Note 3)	350,095,009	-
Other accounts receivable	3,742,000	2,013,604
Accrued revenues	8,179,260	29,769
Short-term derivative assets	31,966,502	-
Short-term deferred income tax assets (Note 17)	1,349,651	1,622,441
Prepaid expenses and other current assets	1,985,279	2,126,868
Total current assets	<u>644,694,833</u>	<u>48,050,687</u>
Property and equipment, including revalued portion, net of accumulated depreciation (Note 6)	81,046,537	82,947,385
Long-term available-for-sale securities (Note 4)	37,365,968	15,118,851
Equity-method investments (Note 5)	1,898,611,171	2,003,964,125
Intangible assets, net of accumulated amortization (Note 7)	517,173	602,966
Long-term deferred income tax assets (Note 17)	-	4,048,946
Long-term derivative assets	111,827,795	-
Long-term loans receivable and other assets	7,066,496	4,681,496
Total assets	<u>₩ 2,781,129,973</u>	<u>₩ 2,159,414,456</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Other accounts payable	₩ 12,566,255	₩ 2,538,289
Current portion of long-term debts (Note 8)	133,923,750	-
Accrued expenses	9,666,122	7,260,627
Income taxes payable	89,321,574	31,609,057
Other current liabilities	3,068,314	1,884,286
Total current liabilities	<u>248,546,015</u>	<u>43,292,259</u>
Long-term debts, net of current maturities (Note 8)	535,413,580	387,023,866
Accrued severance benefits, net (Note 9)	870,912	1,550,549
Long-term deferred income tax liabilities (Note 17)	15,101,831	-
Long-term derivative liabilities	-	10,498,779
Long-term accrued expense	489,747	69,072
Total liabilities	<u>800,422,085</u>	<u>442,434,525</u>

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Non-Consolidated Balance Sheets
December 31, 2008 and 2007

<i>(in thousands of Korean won)</i>	2008	2007
Commitments and contingencies (Note 10)		
Shareholders' equity		
Capital stock (Note 12)		
Common stock	₩ 137,715,430	₩ 137,662,875
Preferred stock	19,062,185	19,062,185
Capital surplus		
Paid-in capital in excess of par value (Note 12)	973,240,584	972,740,773
Other capital surplus	629,900,551	635,187,558
Capital adjustments		
Treasury stock (Note 14)	(215,681,006)	(229,329,392)
Stock option compensation (Note 15)	3,159,795	1,893,466
Loss on capital reduction	-	(492,657,853)
Capital adjustment on equity-method investments	(118,763,764)	(97,623,797)
Other capital adjustments (Note 15)	3,011,736	906,564
Other cumulative comprehensive income		
Gain on valuation of available-for-sale securities, net (Note 4)	213,621	2,856,538
Gain on valuation of equity-method investments, net (Note 5)	33,922,285	41,105,534
Loss on valuation of derivative instruments, net (Note 11)	(20,073,576)	(9,652,997)
Retained earnings (Note 13)	<u>535,000,047</u>	<u>734,828,477</u>
Total shareholders' equity	<u>1,980,707,888</u>	<u>1,716,979,931</u>
Total liabilities and shareholders' equity	<u>₩ 2,781,129,973</u>	<u>₩ 2,159,414,456</u>

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

CJ Corporation
(Formerly CJ Corp.)
Non-Consolidated Statements of Income
Years ended December 31, 2008 and 2007

(in thousands of Korean won)

	2008	2007
Operating income		
Gain on valuation of equity-method investments (Note 5)	₩ 115,939,089	₩ 94,325,877
Royalty revenue	22,726,485	-
Rental revenue	8,510,583	14,604,259
Dividend income	1,307,518	3,305,116
Sales	-	1,861,156,536
	<u>148,483,675</u>	<u>1,973,391,788</u>
Operating expense		
Loss on valuation of equity-method investments (Note 5)	110,006,786	98,834,114
Cost of sales	-	1,199,544,943
Selling, general and administrative expenses	32,026,178	511,972,694
	<u>142,032,964</u>	<u>1,810,351,751</u>
Operating profit	<u>6,450,711</u>	<u>163,040,037</u>
Non-operating income		
Interest income	12,905,068	3,192,470
Foreign exchange gain	11,029,340	6,336,717
Gain on disposal of available-for-sale securities	-	3,295,993
Gain on disposal of equity-method investments (Note 5)	417,764,174	-
Gain on disposal of property and equipment	-	1,365,578
Gain on settlement of derivative instruments	-	20,585,285
Gain on valuation of derivative instruments (Note 11)	169,317,550	4,346,100
Others	177,157	26,342,596
	<u>611,193,289</u>	<u>65,464,739</u>

CJ Corporation
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Non-Consolidated Statements of Income
Years ended December 31, 2008 and 2007

(in thousands of Korean won, except per share amounts)

Non-operating expenses		
Interest expenses	₩ 25,052,048	₩ 55,560,356
Loss on disposal of		
trade accounts receivable	-	6,117,097
Foreign exchange loss	1,175,440	9,830,328
Loss on foreign currency		
translation (Note 16)	169,317,550	4,346,100
Donations	11,565,305	25,345,777
Loss on disposal of		
available-for-sale securities	-	38,643
Loss on disposal of		
equity-method investments	-	638,151
Loss on disposal of property and		
equipment	-	586,239
Loss on settlement of		
derivative instruments	-	14,595,267
Loss on retirement of debentures		
and borrowings	-	737,836
Others	174,557	28,768,397
	<u>207,284,900</u>	<u>146,564,191</u>
Net income before income tax	410,359,100	81,940,585
Income tax expense (Note 17)	117,529,677	43,887,140
Net income	<u>₩ 292,829,423</u>	<u>₩ 38,053,445</u>
Basic earnings per share (Note 18)	<u>₩ 11,390</u>	<u>₩ 1,651</u>
Diluted earnings per share (Note 18)	<u>₩ 11,386</u>	<u>₩ 1,637</u>

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

CJ Corporation
(Formerly CJ Corp.)
Non-Consolidated Statements of Appropriations of Retained Earnings
Years ended December 31, 2008 and 2007
(Dates of Appropriations: February 27, 2009 and February 29, 2008
for the years ended December 31, 2008 and 2007, respectively)

<i>(in thousands of Korean won)</i>	2008	2007
Retained earnings before appropriations		
Unappropriated retained earnings carried over from the prior year	₩ 500,000	₩ 500,000
Cumulative effect of equity-method (Note 5)	-	(7,263,597)
Net Income	<u>292,829,423</u>	<u>38,053,445</u>
	<u>293,329,423</u>	<u>31,289,848</u>
Transfer from discretionary reserve		
Reserve for research and human resource development	<u>-</u>	<u>461,868,005</u>
Appropriation of retained earnings (Note 13)		
Cash dividends		
(Common stock: 30% in 2008)		
(First series preferred stock: 31% in 2008)		
(Second series preferred stock: 39% in 2008)		
(Third series preferred stock: 39% in 2008)	42,659,913	-
Reduction on capital	-	492,657,853
Discretionary reserve	<u>250,169,510</u>	<u>-</u>
	<u>292,829,423</u>	<u>492,657,853</u>
Unappropriated retained earnings carried forward to subsequent year	<u>₩ 500,000</u>	<u>₩ 500,000</u>

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

CJ Corporation
(Formerly CJ Corp.)
Non-Consolidated Statements of Changes in Shareholders' Equity
Years ended December 31, 2008 and 2007

<i>(in thousands of Korean won)</i>	Capital stock	Capital surplus	Capital adjustments	Other cumulative comprehensive income	Retained earnings	Total
Shareholders' equity, January 1, 2007	₩182,014,595	₩ 1,107,376,410	₩ (357,060,621)	₩ (71,616,856)	₩ 750,089,996	₩ 1,610,803,524
Cumulative effect of accounting changes	-	52,676,064	(124,408,203)	71,732,139	-	-
Issuance of common stock due to exercise of stock options	648,710	9,633,717	(2,474,183)	-	-	7,808,244
Investments in kind	41,640,450	636,266,076	-	-	-	677,906,526
Changes in capital surplus due to merger	-	(491,012)	-	-	-	(491,012)
Changes in capital surplus due to split-off	(67,578,695)	(197,532,924)	191,826,204	22,057,157	-	(51,228,258)
Loss on capital reduction	-	-	(492,657,853)	-	-	(492,657,853)
Stock compensation expenses	-	-	1,848,807	-	-	1,848,807
Capital adjustment on equity-method investments	-	-	(33,023,843)	-	-	(33,023,843)
Acquisition of treasury stock	-	-	(861,320)	-	-	(861,320)
Gain on valuation of available-for -sale securities, net	-	-	-	2,161,409	-	2,161,409
Gain on valuation of equity-method investments, net	-	-	-	16,911,022	-	16,911,022
Loss on valuation of derivative instruments, net	-	-	-	(6,935,796)	-	(6,935,796)
Net income	-	-	-	-	38,053,445	38,053,445
Cash dividends	-	-	-	-	(46,051,367)	(46,051,367)
Changes of retained earnings due to equity-method investments	-	-	-	-	(7,263,597)	(7,263,597)
Shareholders' equity, December 31, 2007	<u>₩ 156,725,060</u>	<u>₩ 1,607,928,331</u>	<u>₩ (816,811,012)</u>	<u>₩ (34,309,075)</u>	<u>₩ 734,828,477</u>	<u>₩ 1,716,979,931</u>

CJ Corporation
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Non-Consolidated Statements of Changes in Shareholders' Equity
Years ended December 31, 2008 and 2007

<i>(in thousands of Korean won)</i>	Capital stock	Capital surplus	Capital adjustments	Other cumulative comprehensive income	Retained earnings	Total
Shareholders' equity, January 1, 2008	₩ 156,725,060	₩1,555,252,267	₩(719,187,215)	₩ (10,638,658)	₩734,828,477	₩1,716,979,931
Cumulative effect of accounting changes	-	52,676,064	(97,623,797)	44,947,733	-	-
Issuance of common stock due to exercise of stock options	52,555	499,811	(191,290)	-	-	361,076
Donation of treasury stock	-	(5,287,007)	13,648,386	-	-	8,361,379
Capital reduction	-	-	492,657,853	-	(492,657,853)	-
Stock compensation expenses	-	-	3,562,791	-	-	3,562,791
Capital adjustment on investments	-	-	(21,139,967)	-	-	(21,139,967)
Loss on valuation of available-for-sale securities, net	-	-	-	(2,642,917)	-	(2,642,917)
Loss on valuation of equity-method investments, net	-	-	-	(7,183,249)	-	(7,183,249)
Loss on valuation of derivative instruments, net	-	-	-	(10,420,579)	-	(10,420,579)
Net income	-	-	-	-	292,829,423	292,829,423
Shareholders' equity, December 31, 2008	<u>₩ 156,777,615</u>	<u>₩1,603,141,135</u>	<u>₩ (328,273,239)</u>	<u>₩ 14,062,330</u>	<u>₩535,000,047</u>	<u>₩1,980,707,888</u>

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

CJ Corporation
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Non-Consolidated Statements of Cash Flows
Years ended December 31, 2008 and 2007

<i>(in thousands of Korean won)</i>	2008	2007
Cash flows from operating activities		
Net income	₩ 292,829,423	₩ 38,053,445
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	3,138,841	61,386,862
Provision for severance benefits	1,387,098	16,214,438
Bad debt expense	-	1,811,267
Stock compensation expenses	3,983,465	4,828,152
Gain on disposal of available-for-sale securities, net	-	(3,257,350)
Loss from inventory obsolescence	-	13,075,716
Loss on foreign currency translation	169,317,550	4,346,100
Loss (gain) on valuation of equity-method investments, net	(5,932,303)	4,508,237
Loss (gain) on disposal of equity-method investments	(417,764,174)	638,151
Gain on disposal of property and equipment, net	-	(779,339)
Gain on settlement of derivative instruments, net	-	(5,990,018)
Gain on valuation of derivative instruments	(169,317,550)	(4,346,100)
Deferred income taxes	27,418,570	3,468,210
Others	5,937,664	1,367,952
Changes in operating assets and liabilities		
Increase in trade accounts and notes receivable	-	(60,899,569)
Decrease (increase) in other accounts receivable	(1,728,396)	4,300,162
Increase in accrued revenues	(8,149,492)	(48,913)
Increase in guarantee deposits	-	(102,449,146)
Increase in inventories	-	(2,598,581)
Decrease in trade accounts and notes payable	-	(5,288,991)
Increase in other accounts payable	696,936	19,475,132
Increase in accrued expenses	2,405,495	19,655,403
Increase (decrease) in income taxes payable	59,851,090	(20,139,313)
Payment of severance benefits	(464,114)	(9,882,471)
Dividends from equity-method investments	13,266,787	12,214,100
Others	(229,263)	(21,513,336)
Net cash used in operating activities	<u>(23,352,373)</u>	<u>(31,849,800)</u>

CJ Corporation
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Non-Consolidated Statements of Cash Flows
Years ended December 31, 2008 and 2007

<i>(in thousands of Korean won)</i>	2008	2007
Cash flows from investing activities		
Proceeds from disposal		
of available-for-sale securities	20,941,721	8,403,958
Acquisition of available-for-sale securities	(36,582,266)	(1,720,172)
Decrease in financial instruments	-	7,124,374
Increase in financial instruments	(350,095,009)	(6,153,622)
Proceeds from disposal of		
equity-method investments	561,605,697	-
Acquisition of equity-method investments	(76,514,113)	(138,363,675)
Proceeds from disposal of property and equipment	-	3,023,077
Acquisition of property and equipment	(1,152,200)	(70,392,461)
Others	(2,432,740)	45,795,680
Net cash provided by (used in) investing activities	<u>115,771,090</u>	<u>(152,282,841)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	4,901,893	671,975,831
Repayment of short-term borrowings	(4,901,893)	(576,078,137)
Proceeds from long-term debts	112,339,334	284,152,663
Repayment of current maturities		
of long-term debts	-	(127,036,382)
Payment of dividends	-	(46,051,367)
Issuance of common stock		
due to exercise of stock options	361,076	7,807,470
Acquisition of treasury stock	-	(861,320)
Net cash provided by financing activities	<u>112,700,410</u>	<u>213,908,758</u>
Decrease in cash due to split-off	-	(20,391,796)
Net increase in cash and cash equivalents	<u>205,119,127</u>	<u>9,384,321</u>
Cash and cash equivalents		
Beginning of the year	42,258,005	32,873,684
End of the year	<u>₩ 247,377,132</u>	<u>₩ 42,258,005</u>

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

**CJ Corporation
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Notes to Non-Consolidated Financial Statements
December 31, 2008 and 2007**

1. The Company

CJ Corporation (the "Company") was incorporated in 1953 under the Commercial Code of the Republic of Korea to manufacture and sell refined sugar. On September 1, 2007, the Company executed the split-off of its investment and manufacturing divisions, becoming a holding company managing investments.

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

As of December 31, 2008, capital stock amounts to ₩156,778 million and its majority shareholder is Mr. Lee Jae Hyun, who owns 38.07% of the outstanding shares.

On February 29, 2008, the Company changed its name to CJ Corporation.

2. Summary of Significant Accounting Policies

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

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language(Hangul) in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that confirm with financial accounting standards and accounting principles in the Republic of Korea may not confirm 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 financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The following is a summary of significant accounting policies followed by the Company in the preparation of its financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

In 2008, the Company adopted the following new Statements of Korean Financial Accounting Standards (SKFAS) issued by the Korea Accounting Standards Board:

- SKFAS No. 15, *Equity Method (As Revised)*
- SKFAS No. 20, *Related Party Disclosures (As Revised)*

Cash and Cash Equivalents, and Short-Term Financial Instruments

Cash and cash equivalents include cash on hand, cash in banks, and highly liquid temporary cash investments 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 carrying amount of these investments approximate fair value.

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Investments in Securities

Costs of securities are determined using the moving-weighted average method. 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 equity securities of companies, over which the Company exercises a significant control or influence, are recorded using the equity method of accounting. Trading securities are classified as current assets while available-for-sale securities and held-to-maturity securities are classified as long-term investments, excluding those securities that mature or are certain to be disposed of within one year, which are then classified as current assets.

Held-to-maturity securities are measured at amortized cost while available-for-sale and trading securities are measured at fair value. However, non-marketable securities, classified as available-for-sale securities, are carried at cost when the fair values are not readily determinable.

Gains and losses related to trading securities are recognized in the income statement, while unrealized gains and losses of available-for-sale securities are recognized under other comprehensive income and expense. Realized gains and losses of available-for-sale securities are recognized in the income statement.

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.

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Property and Equipment

Property and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. It also includes the present value of the estimated cost of dismantling and removing the asset, and restoring the site after the termination of the asset's useful life, provided it meets the criteria for recognition of provisions.

Property and equipment are stated net of accumulated depreciation calculated using straight-line method based on the following estimated useful lives:

	Estimated useful Lives
Buildings	8-30 years
Structures	4-30 years
Vehicle	4 years
Tools, furniture and others	3-6 years

Expenditures incurred after the acquisition or completion of assets are capitalized if they enhance the value of the related assets over their recently appraised value or extend the useful life of the related assets. Routine maintenance and repairs are charged to expense as incurred.

Intangible Assets

Intangible assets are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. Intangible assets are stated net of accumulated amortization calculated using straight-line method based on using the following estimated useful lives:

	Estimated useful Lives
Intellectual property rights	5-10 years

Impairment of Assets

The Company assesses the potential impairment of assets when there is evidence the events or changes in circumstances have made the recovery of an asset's carrying value unlikely. The carrying value of the asset is reduced to its 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 asset is recorded in current operations and should not exceed the carrying amount of the asset before impairment.

Stock and Debenture Issuance Cost

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

Discounts and Premiums on Debentures

Discounts on debentures are amortized over the term of the debentures using the effective interest rate method. Amortization of the discount is recorded as part of interest expense.

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Income Tax and Deferred Income Tax

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operating loss to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity.

Translation of Assets and Liabilities Denominated in Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the rates of exchange in effect at the balance sheet date, and the resulting translation gains and losses are recognized in current operations.

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.

The Company has partially funded the accrued severance benefits through severance insurance deposits with an insurance company. Deposits made by the Company are recorded as deductions from accrued severance benefits. The excess portion of deposits over accrued severance benefits is recorded as other investments.

In addition, the Company deposits certain portion severance benefits to National Pension Service according to National Pension Law. The deposit amount is recorded as deduction from accrued severance benefits.

Derivatives

All derivative instruments are accounted for at their fair value according to the rights and obligations associated with the derivative contracts. The resulting changes in fair value of derivative instruments are recognized either under the income statement or shareholders' equity, depending on whether the derivative instruments qualify as a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument purchased with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment that is attributable to a particular risk. The resulting changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized under the shareholders' equity under accumulated other comprehensive income and expense.

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Share-based Payments

In case of equity-settled share-based payment, the fair value of the goods or employee services received in exchange for the grant of the options is recognized as an expense and a capital adjustment. If the fair value of goods or employee services cannot be estimated reliably, the fair value is estimated based on the fair value of the equity granted.

For cash-settled share-based payment, the fair value of the obligation the Company will assume is determined by the fair value of the goods or employee services received in exchange for the grant of the options. Until the liability is settled, the Company is required to measure the fair value at balance sheet date and at settlement date. The change in fair value is recognized as an expense.

Share-based payment transactions with an option for the parties to choose between cash and equity settlement are accounted for based on the substance of the transaction.

Provisions and Contingent Liabilities

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

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

Cash and cash equivalents, and short-term financial instruments as of December 31, 2008 and 2007, consist of the following:

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)		
	2008	2008	2007
Cash and cash equivalents			
Checking accounts	-	₩ 56,502	₩ 16,919
Passbook accounts	5.8 - 6.8	60,043,875	-
Money market deposit account	3.5	37,554,674	42,241,086
Money market trust	3.7 - 6.7	83,396,302	-
Money market fund	5.3	10,027,556	-
Cash management account	6.8	20,005,136	-
Certificate of deposit	4.6 - 6.3	36,293,087	-
		<u>₩ 247,377,132</u>	<u>₩ 42,258,005</u>

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Short-term Financial instruments

Passbook accounts	7.2	₩ 100,000,000	₩ -
Certificate of deposit	6.7 - 6.9	250,095,009	-
Other financial instruments	-	<u>5,500</u>	<u>5,500</u>
		350,100,509	5,500
Less: Portions classified as non-current (Note 10)		<u>(5,500)</u>	<u>(5,500)</u>
		<u>₩ 350,095,009</u>	<u>₩ -</u>

As of December 31, 2008, all amounts of long-term financial instruments are restricted for maintaining checking accounts.

4. Long-Term Available-For-Sale Securities

Long-term available-for-sale securities as of December 31, 2008 and 2007, consist of the following:

<i>(in thousands of Korean won)</i>	Detail	2008			2007
		Acquisition Cost	Market Value or Net Book Value	Recorded Book Value	Recorded Book Value
Marketable investments	(1)	₩ 3,759,430	₩ 3,404,310	₩ 3,404,310	₩ 7,070,490
Non-marketable investments	(2)	28,332,664	319,885,443	28,961,658	8,048,361
Other investments	(3)	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>
		<u>₩ 37,092,094</u>	<u>₩328,289,753</u>	<u>₩ 37,365,968</u>	<u>₩ 15,118,851</u>

The Company disposed of all convertible debentures of CJ Engineering & Construction Corporation in 2008.

(1) Marketable investments

Marketable investments as of December 31, 2008 and 2007, consist of the following:

(in thousands of Korean won, except number of shares and percentage of ownership)

	2008				2007
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Recorded Market Value	Recorded Book Value
SAJO Haepyo Corporation (formerly SAJO O&F Corporation)	903,000	12.61	<u>₩ 3,759,430</u>	<u>₩ 3,404,310</u>	<u>₩ 3,404,310</u>
					<u>₩ 7,070,490</u>

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(2) Non-marketable investments

Non-marketable investments as of December 31, 2008 and 2007, consist of the following:

<i>(in thousands of Korean won, except number of shares and percentage of ownership)</i>	2008			2007		
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Market Value or Net book Value	Recorded Book Value	Recorded Book Value
Samsung Everland Co., Ltd. ³	58,823	2.35	₩ 5,180,472	₩ 45,896,952	₩ 5,180,472	₩ 5,180,472
Samsung Life Insurance Co., Ltd. ³	639,434	3.20	517,645	230,146,916	517,645	517,645
Korea CATV Yong-Dong Broadcast ²	95,500	2.82	1,671,250	2,300,244	2,300,244	2,300,244
Dream Hub PFV Co., Ltd. ³	2,000,000	1.00	10,000,000	9,838,637	10,000,000	50,000
CJ Lion ³	190,000	19.00	2,563,290	5,362,268	2,563,290	-
Joongang Ilbo ^{1,3}	364,552	16.68	8,400,007	26,340,426	8,400,007	-
				₩319,885,44		
Total			₩28,332,664	3	₩28,961,658	₩ 8,048,361

The Company acquired the shares of CJ Lion and Joongang Ilbo from its subsidiary, CJ Engineering & Construction Corporation, in 2008.

- ¹ The Company has a combined direct and indirect interest of over 20% in this investment, including the interest in this investment of a subsidiary, CJ Engineering & Construction Corporation. As of December 31, 2008, this investment was not valued using the equity method of accounting due to not having any significant influence on this investment.
- ² The Company evaluated fair value of the stocks of Korea CATV Yong-Dong Broadcast based on the discounted cash flow method as of December 31 2007, in accordance with Financial Supervisory Service's Accounting Implementation Guide [2006-5].
- ³ Other non-marketable securities are evaluated based on the acquisition cost due to the immeasurability of their fair value.

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(3) Other investments

Other investments as of December 31, 2008 and 2007, consist of the following:

(in thousands of Korean won)

	2008		2007	
	Annual Interest Rates (%)	Acquisition Cost	Recorded Book Value	Recorded Book Value
Subordinated bonds of Woori Bank	7.80	₩ 5,000,000	₩ 5,000,000	₩ -

For the years ended December 31, 2008 and 2007, the changes in valuation gain or loss on long-term available-for-sale securities are as follows:

Valuation Gain on Available-For-Sale Securities

(in millions of Korean won)

	2008				2007			
	January 1, 2008	Valuation Amount	Included in Earnings	December 31, 2008	January 1, 2007	Valuation Amount	Change due to split-off	December 31, 2007
Marketable stocks	₩ 2,401	₩ (2,401)	₩ -	₩ -	₩ 2,381	₩ 20	₩ -	₩ 2,401
Non-marketable stocks	456	35	-	491	-	456	-	456
	<u>₩ 2,857</u>	<u>₩ (2,366)</u>	<u>₩ -</u>	<u>₩ 491</u>	<u>₩ 2,381</u>	<u>₩ 476</u>	<u>₩ -</u>	<u>₩ 2,857</u>

Valuation Loss on Available-For-Sale Securities

(in millions of Korean won)

	2008				2007			
	January 1, 2008	Valuation Amount	Included in Earnings	December 31, 2008	January 1, 2007	Valuation Amount	Change due to split-off	December 31, 2007
Marketable stocks	₩ -	₩ (277)	₩ -	₩ (277)	₩ (19)	₩ 2	₩ 17	₩ -
Others	-	-	-	-	(216)	1,684	(1,468)	-
	<u>₩ -</u>	<u>₩ (277)</u>	<u>₩ -</u>	<u>₩ (277)</u>	<u>₩ (235)</u>	<u>₩ 1,686</u>	<u>₩ (1,451)</u>	<u>₩ -</u>

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5. Equity-Method Investments

Equity-method investments as of December 31, 2008, consist of the following:

*(in thousands of Korean won,
except number of shares
and percentage of ownership)*

Investee	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	Net Book Value	Recorded Book Value
CJ CheilJedang Corporation	4,413,707	39.14	₩812,086,961	₩312,791,309	₩810,719,421
CJ Freshway Corporation (formerly CJ Food System Co., Ltd.)	5,592,220	51.94	43,038,582	39,042,996	37,169,894
CJ Foodville Co., Ltd.	12,273,236	95.81	61,060,357	50,840,760	50,595,107
CJ Engineering & Construction Corporation (formerly CJ Development Co., Ltd.)	8,915,707	99.92	107,774,480	139,168,645	123,962,405
CJ Systems Co., Ltd.	621,333	62.12	5,616,562	20,095,740	14,212,306
CJ Entertainment Inc.	3,000,000	100.00	160,603,021	116,493,465	116,365,142
CJ Media Inc.	9,374,499	50.14	87,469,216	56,416,337	56,421,330
CJ Home Shopping Co., Ltd.	4,400,901	39.99	370,886,404	186,524,728	300,923,968
CJ Venture Capital Co., Ltd.	1,800,000	90.00	18,000,000	10,011,344	10,011,344
CJ GLS Co., Ltd.	2,098,342	36.52	64,497,304	55,594,680	60,801,944
CJ Olive Young Co., Ltd.	6,720,000	100.00	40,365,600	23,126,738	23,125,465
CJ Internet Co., Ltd.	6,259,500	27.46	107,095,388	57,251,681	100,545,385
CJ CGV Co., Ltd.	8,257,000	40.05	69,833,544	78,186,069	78,187,469
M-net Media Corp.	16,106,084	33.25	51,177,123	10,790,415	14,246,148
CJ Properties Co., Ltd.	2,000,000	100.00	10,000,000	9,136,681	9,136,681
Lee Entertainment L.L.C	-	99.36	50,130,328	90,364,342	90,364,342
CJ Japan Corp.	4,000	100.00	405,048	1,974,215	1,822,820
CJ Global Holdings Ltd.	44,318,275	100.00	29,191,357	(5,100,702)	-
			<u>₩2,089,231,275</u>	<u>₩1,252,709,443</u>	<u>₩1,898,611,171</u>

The Company has suspended the application of the equity method of accounting for CJ Global Holdings Ltd. because its recorded book value was reduced to zero due to its accumulated losses. Unrecognized loss of this investment amounts to ₩5,101 million as of December 31, 2008.

In 2008, the Company sold all of its investments in CJ bakery Inc. and CJ Beijing bakery Co., Ltd. to CJ Foodville Co., Ltd., a subsidiary, and also sold all of its investments in CJ Sports to CJ Internet Co., Ltd.

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In addition, the Company disposed of all shares of CJ Investment & Securities Co., Ltd. to Hyundai Mipo Dockyard.Co., Ltd., and recognized ₩417,764 million in gain on disposal of equity-method investments.

Equity-method investments as of December 31, 2007, consisted of the following:

*(in thousands of Korean won,
except number of shares
and percentage of ownership)*

Investee	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	Net Book Value	Recorded Book Value
CJ CheilJedang Corporation	4,413,707	39.14	₩ 812,086,961	₩ 276,807,898	₩ 816,593,173
CJ Freshway Corporation (formerly CJ Food System Co., Ltd.)	5,592,220	52.00	43,038,582	36,527,143	34,921,534
CJ Foodville Co., Ltd.	12,273,236	95.81	61,060,357	79,699,478	79,571,020
CJ Engineering & Construction corporation (formerly CJ Development Co., Ltd.)	6,915,707	99.90	87,774,480	77,488,226	60,110,684
CJ Systems Co., Ltd.	621,333	62.12	5,616,562	15,947,650	11,322,820
CJ Entertainment Inc.	3,000,000	100.00	160,603,021	112,776,977	112,776,977
CJ Media Inc.	9,374,499	50.17	87,469,216	73,025,872	72,953,986
CJ Home Shopping Co., Ltd.	4,400,901	40.00	370,886,404	191,211,690	315,580,951
CJ Investment & Securities Co., Ltd.	64,168,033	59.69	149,541,695	117,540,394	117,541,525
CJ Venture Capital Co., Ltd.	1,800,000	90.00	18,000,000	7,167,804	7,167,804
CJ GLS Co., Ltd.	2,098,342	37.05	64,497,304	54,648,849	62,275,168
CJ Olive Young Co., Ltd.	2,610,000	50.00	13,050,000	6,865,323	6,865,357
CJ Internet Co., Ltd.	5,709,500	25.08	97,731,823	48,917,776	95,100,210
CJ CGV Co., Ltd.	7,571,631	36.73	59,998,597	65,933,458	65,945,228
M-net Media Corp.	16,106,084	33.25	51,177,123	30,268,056	33,637,830
CJ Sports Co., Ltd.	372,400	100.00	1,862,000	555,079	555,079
Lee Entertainment L.L.C	-	99.36	74,317,032	90,171,269	90,171,269
CJ Japan Corp.	4,000	100.00	405,048	3,034,599	3,007,211
CJ Bakery Inc.	2,900,000	100.00	2,707,121	(6,654,566)	-
CJ Beijing Bakery Co., Ltd.	-	100.00	3,374,200	(186,001)	-
CJ Global Holdings Ltd.	44,318,275	100.00	29,191,357	17,866,299	17,866,299
			<u>₩2,194,388,883</u>	<u>₩1,299,613,273</u>	<u>₩2,003,964,125</u>

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Changes in goodwill (negative goodwill) for the year ended December 31, 2008, are as follows:

<i>(in thousands of Korean won)</i>					
Investee	January 1, 2008	Increase (Decrease)	Amortization (Reversal)		December 31, 2008
CJ CheilJedang Corporation	₩ 478,997,894	₩ -	₩ 23,949,895	₩	455,047,999
CJ Media Inc.	(138,378)	-	(138,378)		-
CJ Home Shopping Co., Ltd.	124,581,503	-	9,966,520		114,614,983
CJ GLS Co., Ltd.	7,626,319	-	2,419,055		5,207,264
CJ Internet Co., Ltd.	46,182,224	-	2,886,389		43,295,835
M-net Media Corp.	3,906,481	-	450,748		3,455,733
	<u>₩ 661,156,043</u>	<u>₩ -</u>	<u>₩ 39,534,229</u>	<u>₩</u>	<u>621,621,814</u>

In 2008, the Company recorded the differences between the acquisition costs and the Company's proportionate share in the net book value of the investees amounting to ₩21,140 million resulting from additional investments in eight subsidiaries, including CJ Olive Young Co., Ltd., as capital adjustment on equity-method investments.

Changes in goodwill (negative goodwill) for the year ended December 31, 2007, were as follows:

<i>(in thousands of Korean won)</i>						
Investee	January 1, 2007	Increase (Decrease)	Amortization (Reversal)	Decrease due to split-off		December 31, 2007
CJ CheilJedang Corporation	₩ -	₩ 478,997,894	₩ -	₩ -	₩	478,997,894
CJ Media Inc.	(282,556)	-	(144,178)	-		(138,378)
CJ Home Shopping Co., Ltd.	134,548,023	-	9,966,520	-		124,581,503
CJ GLS Co., Ltd.	10,045,374	-	2,419,055	-		7,626,319
Samyang Oil Co., Ltd.	644,282	-	429,521	(214,761)		-
Superfeed Co., Ltd.	852,359	-	568,239	(284,120)		-
Shindongbang CP Corporation	51,427,075	-	4,728,927	(46,698,148)		-
CJ Internet Co., Ltd.	49,068,612	-	2,886,388	-		46,182,224
Samho F&G Corp.	11,806,487	-	850,918	(10,955,569)		-
M-net Media Corp.	4,282,104	-	375,623	-		3,906,481
Hasunjung General Food Co., Ltd.	-	13,850,914	923,394	(12,927,520)		-
CJ Qingdao Food Co., Ltd.	(165,945)	-	(55,315)	110,630		-
CJ Beijing Beverage & Foods Co., Ltd.	(234,910)	-	(99,911)	134,999		-
CJ Cambodia Co., Ltd.	9,388	-	-	(9,388)		-
Annie Chun's Inc.	3,091,865	-	601,006	(2,490,859)		-
CJ Omni Inc.	-	2,933,064	391,076	(2,541,988)		-
	<u>₩265,092,158</u>	<u>₩ 495,781,872</u>	<u>₩ 23,841,263</u>	<u>₩ (75,876,724)</u>	<u>₩</u>	<u>661,156,043</u>

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Information relating to the elimination of unrealized gains and losses arising from transactions with equity-method investees as of December 31, 2008 and 2007, are as follows:

<i>(in thousands of Korean won)</i>	2008			2007		
	Current Assets	Property and Equipment, and Intangible Assets	Total	Current Assets	Property and Equipment, and Intangible Assets	Total
CJ CheilJedang Corporation	₩(3,267,471)	₩ (9,889,069)	₩(13,156,540)	₩ (308,208)	₩ -	₩ (308,208)
CJ Freshway Corporation (formerly CJ Food System Co., Ltd.)	(820,356)	(1,052,746)	(1,873,102)	(454,933)	(1,150,676)	(1,605,609)
CJ Foodville Co., Ltd.	(245,653)	-	(245,653)	(128,458)	-	(128,458)
CJ Engineering & Construction Corporation (formerly CJ Development Co., Ltd.)	-	(15,206,240)	(15,206,240)	-	(17,377,542)	(17,377,542)
CJ Systems Co., Ltd.	-	(5,883,434)	(5,883,434)	-	(4,624,830)	(4,624,830)
CJ Media Inc.	4,993	-	4,993	66,492	-	66,492
CJ Home Shopping Co., Ltd.	(48,895)	(166,848)	(215,743)	(45,394)	(166,848)	(212,242)
CJ Entertainment Inc.	(128,323)	-	(128,323)	-	-	-
CJ Investment & Securities Co., Ltd.	-	-	-	1,131	-	1,131
CJ Olive Young Co., Ltd.	(1,273)	-	(1,273)	34	-	34
CJ Internet Co., Ltd.	(2,131)	-	(2,131)	210	-	210
CJ CGV Co., Ltd.	1,400	-	1,400	11,770	-	11,770
M-net Media Corp.	-	-	-	(536,707)	-	(536,707)
CJ Japan Corp.	(151,395)	-	(151,395)	(27,388)	-	(27,388)
	<u>₩(4,659,104)</u>	<u>₩ (32,198,337)</u>	<u>₩(36,857,441)</u>	<u>₩(1,421,451)</u>	<u>₩ (23,319,896)</u>	<u>₩(24,741,347)</u>

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The changes in the book values of equity-method investments for the year ended December 31, 2008, are as follows:

<i>(in thousands of Korean won)</i>		Earnings from		
Investee	January 1, 2008	Equity- method Investments	Other Increase (Decrease)	December 31, 2008
CJ CheilJedang Corporation	₩ 816,593,173	₩ (27,612,503)	₩ 21,738,751	₩ 810,719,421
CJ Freshway Corporation (formerly CJ Food System Co., Ltd.)	34,921,534	1,976,772	271,587	37,169,893
CJ Foodville Co., Ltd.	79,571,020	(21,821,870)	(7,154,043)	50,595,107
CJ Engineering & Construction Corporation (formerly CJ Development Co., Ltd.)	60,110,684	57,749,829	6,101,892	123,962,405
CJ Systems Co., Ltd.	11,322,820	2,889,486	-	14,212,306
CJ Entertainment Inc.	112,776,977	3,166,191	421,974	116,365,142
CJ Media Inc.	72,953,986	(16,713,566)	180,910	56,421,330
CJ Home Shopping Co., Ltd.	315,580,951	1,672,247	(16,329,230)	300,923,968
CJ Investment & Securities Co., Ltd.	117,541,525	14,422,688	(131,964,213)	-
CJ Venture Capital Co., Ltd.	7,167,804	2,303,867	539,673	10,011,344
CJ GLS Co., Ltd.	62,275,168	(4,570,929)	3,097,705	60,801,944
CJ Olive Young Co., Ltd.	6,865,357	1,933,885	14,326,223	23,125,465
CJ Internet Co., Ltd.	95,100,210	3,970,855	1,474,320	100,545,385
CJ CGV Co., Ltd.	65,945,228	7,912,124	4,330,117	78,187,469
M-net Media Corp.	33,637,830	(20,392,904)	1,001,222	14,246,148
CJ Sports Co., Ltd	555,079	(316,288)	(238,791)	-
CJ Properties Co., Ltd.	-	(712,427)	9,849,108	9,136,681
Lee Entertainment L.L.C.	90,171,269	16,800,326	(16,607,252)	90,364,343
CJ Japan Corp.	3,007,211	1,140,819	(2,325,210)	1,822,820
CJ Global Holdings Ltd.	17,866,299	(17,866,299)	-	-
	<u>₩2,003,964,125</u>	<u>₩ 5,932,303</u>	<u>₩(111,285,257)</u>	<u>₩1,898,611,171</u>

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The changes in the book values of equity-method investments for the year ended December 31, 2007, were as follows:

<i>(in thousands of Korean won)</i>	Earnings from				
Investee	January 1, 2007	Equity- method Investments	Other Increase (Decrease)	Decrease due to split-off	December 31, 2007
CJ CheilJedang Corporation.	₩ -	₩ 2,565,712	₩814,027,461	₩ -	₩ ,593,173
CJ Freshway Corporation. (formerly CJ Food System Co., Ltd.)	37,860,708	863,776	(3,802,950)	-	34,921,534
CJ Foodville Co., Ltd.	71,586,331	7,984,689		-	79,571,020
CJ Engineering & Construction Corporation (formerly CJ Development Co., Ltd.)	86,776,221	(18,421,034)	(8,244,503)	-	60,110,684
CJ Systems Co., Ltd.	1,800,336	7,432,405	2,090,079	-	11,322,820
CJ Entertainment Inc.	135,549,234	(22,790,903)	18,646	-	112,776,977
CJ Media Inc.	53,137,916	(6,786,533)	26,602,603	-	72,953,986
CJ Home Shopping Co., Ltd.	289,968,282	1,554,049	24,058,620	-	315,580,951
CJ Investment & Securities Co., Ltd.	100,328,583	46,337,614	(29,124,672)	-	117,541,525
CJ Venture Capital Co., Ltd.	6,201,554	880,918	880,918	-	7,167,804
CJ GLS Co., Ltd.	65,454,721	(2,035,770)	(1,143,783)	-	62,275,168
CJ Music Co., Ltd.	12,740,436	443,932	(13,184,368)	-	-
Samyang Oil Co., Ltd.	9,233,733	1,785,520	137,656	(11,156,909)	-
Superfeed Co., Ltd.	23,478,354	(1,096,037)	-	(22,382,317)	-
CJ Olive Young Co., Ltd.	3,822,677	(899,538)	3,942,218	-	6,865,357
CJ MD1 Co., Ltd.	2,444,886	(336,529)	(1,700,000)	(408,357)	-
Shindongbang CP Corporation	63,352,045	14,173,401	56,871	(77,582,317)	-
CJ Internet Co., Ltd.	92,929,316	3,513,694	(1,342,800)	-	95,100,210
CJ CGV Co., Ltd.	64,731,778	4,473,689	(3,260,239)	-	65,945,228
Samho F&G Corp.	16,306,882	(1,511,729)	127,716	(14,922,869)	-
M-net Media Corp.	28,547,860	(11,053,477)	16,143,447	-	33,637,830
CJ Sports Co., Ltd	410,762	(902,390)	1,046,707	-	555,079
Hasunjung General Food Co., Ltd.	-	(363,644)	33,093,290	(32,729,646)	-
CJ Liaocheng Biotech Co., Ltd.	27,171,402	(1,792,369)	11,572,568	(36,951,601)	-
CJ Do Brasil Ind. Com. Prod. Alim. Ltda.	44,138,692	(5,151,432)	17,852,210	(56,839,470)	-
CJ America Inc.	-	473,485	4,128,826	(4,602,311)	-
CJ China Ltd.	2,917,565	860,228	30,050	(3,807,843)	-
P.T. Cheil Jedang Indonesia	101,413,673	(3,510,601)	1,104,410	(99,007,482)	-

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Investee	Earnings from					December 31, 2007
	January 1, 2007	Equity- method Investments	Other Increase (Decrease)	Decrease due to split-off		
CJ Qingdao Food Co., Ltd.	₩ 5,354,779	₩ (3,007,880)	₩ 197,452	₩ (2,544,351)	₩	-
CJ Beijing Beverage & Foods Co., Ltd.	10,522,638	(1,010,070)	477,443	(9,990,011)		-
CJ Ord River Sugar Pty., Ltd.	2,035,713	(680,859)	88,019	(1,442,873)		-
CJ Europe GMBH.	831,692	196,088	55,904	(1,083,684)		-
Lee Entertainment L.L.C.	103,176,643	(432,120)	(12,573,254)	-		90,171,269
CJ Japan Corp.	2,096,434	770,313	140,464	-		3,007,211
CJ Cambodia Co., Ltd. –Preferred stock	-	(879,239)	5,408,271	(4,529,032)		-
Annie Chun's Inc.	4,725,535	(1,052,689)	12,819	(3,685,665)		-
CJ Pacific Corp.	944,585	16,364	10,602	(971,551)		-
CJ Beijing Bakery Co., Ltd.	1,621,282	(2,128,837)	507,555	-		-
CJ Nutracon Pty.	4,752,273	(1,391,635)	204,675	(3,565,313)		-
Liaocheng Lantian Cogenerations Plant Co., Ltd.	8,854,450	(1,577,387)	375,143	(7,652,206)		-
CJ Global Holdings Ltd.	25,46	(9,112,027)	1,516,762	-		17,866,299
Beijing Ershang CJ Food Co., Ltd.	-	(94,851)	5,115,223	(5,020,372)		-
CJ Omni Inc.	-	(814,534)	6,790,911	(5,976,377)		-
CJ International Trading Co., Ltd.	-	-	564,180	(564,180)		-
	<u>₩1,512,681,535</u>	<u>₩ (4,508,237)</u>	<u>₩903,207,564</u>	<u>₩ (407,416,737)</u>		<u>₩2,003,964,125</u>

Gain and loss on equity-method investments recorded as other cumulative comprehensive income for the years ended December 31, 2008 and 2007, are as follows:

(in millions of Korean won)

	2008				2007			
	January 1, 2008	Valuation Amount	Included in Earnings	December 31, 2008	January 1, 2007	Valuation Amount	Decrease due to split-off	December 31, 2007
Gain on valuation of equity-method investments	₩ 69,490	₩ 24,346	₩ 7,785	₩ 86,051	₩ 65,009	₩ 10,951	₩ 6,470	₩ 69,490
Loss on valuation of equity-method investments	(28,384)	(23,744)	-	(52,129)	(63,944)	5,960	(29,600)	(28,384)
	<u>₩ 41,106</u>	<u>₩ 602</u>	<u>₩ 7,785</u>	<u>₩ 33,922</u>	<u>₩ 1,065</u>	<u>₩(16,911)</u>	<u>₩(23,130)</u>	<u>₩ 41,106</u>

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Financial information of significant investees as of and for the year ended December 31, 2008, is as follows:

<i>(in thousands of Korean won)</i>	2008				
	Investee	Assets	Liabilities	Sales	Net income (loss)
CJ CheilJedang Corporation	₩2,756,349,683	₩1,957,191,516	₩3,494,878,333	₩ 25,366,072	
CJ Freshway Corporation (formerly CJ Food System Co., Ltd.)	210,748,894	135,584,309	677,228,450	3,891,434	
CJ Foodville Co., Ltd.	301,262,055	248,198,644	587,703,218	(22,653,557)	
CJ Engineering & Construction Corporation (formerly CJ Development Co., Ltd.)	590,106,185	450,830,179	182,026,781	37,077,399	
CJ Systems Co., Ltd.	75,411,233	43,060,524	128,318,936	6,415,013	
CJ Entertainment Co., Ltd.	230,917,879	114,424,414	140,176,792	3,815,864	
CJ Media Inc.	270,844,287	158,330,077	159,045,388	(33,494,658)	
CJ Home Shopping Co., Ltd.	940,458,967	474,050,577	542,419,521	29,109,050	
CJ Venture Capital Co., Ltd.	11,682,439	558,724	3,438,790	2,559,851	
CJ GLS Co., Ltd.	321,612,272	169,387,742	630,505,146	(5,808,744)	
CJ Olive Young Co., Ltd.	50,005,208	26,878,470	71,031,917	1,935,193	
CJ Internet Co., Ltd.	262,550,129	54,029,237	193,606,695	25,160,148	
CJ CGV Co., Ltd.	479,829,439	284,622,317	358,776,386	20,047,479	
M-net Media Corp.	124,023,896	91,571,745	118,535,379	(61,768,270)	
CJ Properties Co., Ltd.	9,616,261	479,580	-	(712,428)	
Lee Entertainment L.L.C.	90,954,413	4,844	17,213,841	16,890,621	
CJ Japan Corp.	100,009,893	98,035,678	50,236,005	1,264,827	
CJ Global Holdings Ltd.	264,039,927	269,140,629	421,837,873	(23,892,300)	

In 2008, CJ CheilJedang Corporation, CJ Foodville Co., Ltd. and CJ Home Shopping Co., Ltd. have revalued their land after adopting the revised SKFAS No.5, Property, plant and Equipment, as revised. However, the Company adjusted the revalued amounts of these investees to the acquisition cost in applying the equity-method accounting.

Effect of the adjustment above for the year ended December 31, 2008, is as follows:

<i>(in thousands of Korean won)</i>	Net Equity		Net Equity
	Investee	Before Adjustment	Adjustment
CJ CheilJedang Corporation	₩ 1,589,254,009	₩ (790,095,842)	₩ 799,158,167
CJ Foodville Co., Ltd.	61,246,794	(8,183,383)	53,063,411
CJ Home Shopping Co., Ltd.	497,331,768	(30,923,378)	466,408,390

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Financial information of significant investees as of and for the year ended December 31, 2007, was as follows:

<i>(in thousands of Korean won)</i>	2007				
	Investee	Assets	Liabilities	Sales	Net income (loss)
CJ CheilJedang Corporation	₩ 2,197,278,564	₩ 1,490,055,293	₩ 1,002,840,555	₩ 16,261,823	
CJ Freshway Corporation (formerly CJ Food System Co., Ltd.)	196,012,752	125,761,513	612,828,166	553,734	
CJ Foodville Co., Ltd.	278,700,032	195,516,261	497,235,683	8,831,092	
CJ Engineering & Construction Corporation (formerly CJ Development Co., Ltd.)	512,554,643	434,989,351	178,983,583	(14,174,784)	
CJ Systems Co., Ltd.	64,135,122	38,462,129	155,480,526	5,358,213	
CJ Entertainment Co., Ltd.	231,383,016	118,606,039	129,856,664	(22,790,903)	
CJ Media Inc.	268,489,125	122,927,325	153,271,102	(15,062,416)	
CJ Home Shopping Co., Ltd.	888,584,823	410,500,045	518,809,174	31,647,667	
CJ Investment & Securities Co., Ltd.	836,988,765	640,057,307	237,771,776	72,706,419	
CJ Venture Capital Co., Ltd.	8,165,576	201,349	1,830,382	978,799	
CJ GLS Co., Ltd.	263,490,466	115,971,895	519,394,519	595,339	
CJ Olive Young Co., Ltd.	33,300,666	19,570,020	53,722,894	(1,808,440)	
CJ Internet Co., Ltd.	229,217,433	34,133,756	159,776,628	25,791,296	
CJ CGV Co., Ltd.	438,709,766	259,193,017	320,465,664	12,148,447	
M-net Media Corp.	173,313,096	82,281,981	62,892,777	(34,546,033)	
CJ Sports Co., Ltd	2,339,761	1,784,682	1,260,930	(902,390)	
Lee Entertainment L.L.C.	90,755,246	.	.	(434,919)	
CJ Japan Corp.	55,996,200	52,961,601	27,934,920	747,801	
CJ Bakery Inc.	7,813,067	14,467,633	4,030,139	(2,809,463)	
CJ Beijing Bakery Co., Ltd.	6,179,727	6,365,728	4,084,787	(2,314,838)	
CJ Global Holdings Ltd.	212,899,691	195,033,392	384,024,881	(5,959,583)	

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Market value information of investees as of December 31, 2008 and 2007, is as follows:

<i>(in thousands of Korean won)</i>	2008		2007	
	Investee	Market Value	Recorded Book Value	Market Value
CJ ChilJedang Corporation	₩ 801,087,821	₩ 810,719,421	₩1,306,457,272	₩ 816,593,173
CJ Freshway Corporation (formerly CJ Food System Co., Ltd.)	24,661,690	37,169,893	46,974,648	34,921,534
CJ Home Shopping Co., Ltd.	173,615,544	300,923,968	230,607,212	315,580,951
CJ Internet Co., Ltd.	72,610,200	100,545,385	91,922,950	95,100,210
CJ CGV Co., Ltd.	118,075,100	78,187,469	97,674,040	65,945,228
M-net Media Corp.	19,166,240	14,246,148	99,052,417	33,637,830
	<u>₩1,209,216,595</u>	<u>₩1,341,792,284</u>	<u>₩1,872,688,539</u>	<u>₩ 1,361,778,926</u>

6. Property and Equipment

Property and Equipment as of December 31, 2008 and 2007, and the changes in the accounts for the years then ended, consist of the following:

<i>(in thousands of Korean won)</i>	2008			
	Land	Buildings	Structures	Vehicles
Balance at January 1, 2008	₩ 41,052,392	₩ 40,478,567	₩ 893,968	₩ 64,293
Acquisition	-	155,000	-	-
Depreciation	-	(2,529,036)	(182,983)	(39,342)
Balance at December 31, 2008	<u>₩ 41,052,392</u>	<u>₩ 38,104,531</u>	<u>₩ 710,985</u>	<u>₩ 24,951</u>

<i>(in thousands of Korean won)</i>	2008		
	Equipment	Construction-in-progress	Total
Balance at January 1, 2008	₩ 270,919	₩ 187,246	₩ 82,947,385
Acquisition	719,375	277,825	1,152,200
Transfer	18,020	(18,020)	-
Transfer to intangible assets	-	(108,870)	(108,870)
Depreciation	(192,817)	-	(2,944,178)
Balance at December 31, 2008	<u>₩ 815,497</u>	<u>₩ 338,181</u>	<u>₩ 81,046,537</u>

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<i>(in thousands of Korean won)</i>	2007				
	Land	Buildings	Structures	Machinery	Vehicles
Balance at January 1, 2007	₩ 518,689,822	₩ 282,257,976	₩ 40,617,130	₩ 171,920,608	₩ 2,024,444
Acquisition	-	670,607	3,245	42,008	1,000,536
Transfer	104,600	11,544,410	845,537	21,526,004	46,500
Disposal	(197,138)	(102,796)	(420,945)	(1,146,755)	(17,183)
Depreciation	-	(14,606,659)	(2,098,826)	(27,736,680)	(622,877)
Decrease due to split-off	(477,544,892)	(239,083,163)	(38,052,173)	(164,492,421)	(2,367,127)
Others	-	(201,808)	-	(112,764)	-
Balance at December 31, 2007	<u>₩ 41,052,392</u>	<u>₩ 40,478,567</u>	<u>₩ 893,968</u>	<u>₩ -</u>	<u>₩ 64,293</u>

<i>(in thousands of Korean won)</i>	2007			
	Equipment	Others	Construction- in-progress	Total
Balance at January 1, 2007	₩ 34,855,460	₩ 2,965,471	₩ 32,852,907	₩1,086,183,818
Acquisition	9,915,375	54,000	58,706,690	70,392,461
Transfer	3,487,157	-	(37,554,208)	-
Transfer to intangible assets	-	-	(1,522,707)	(1,522,707)
Disposal	(75,446)	(210,208)	(83,835)	(2,254,306)
Depreciation	(12,930,591)	(86,829)	-	(58,082,462)
Decrease due to split-off	(34,968,070)	(2,722,434)	(52,211,601)	(1,011,441,881)
Others	(12,966)	-	-	(327,538)
Balance at December 31, 2007	<u>₩ 270,919</u>	<u>₩ -</u>	<u>₩ 187,246</u>	<u>₩ 82,947,385</u>

As of December 31, 2008, the Company has insurance for depreciable assets and directors' and officers' liability amounting to ₩70,738 million and ₩10,000 million, respectively.

As of December 31, 2008, the value of land based on the posted price issued by the Korean tax authority amounted to ₩57,537 million.

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7. Intangible Assets

The details of the changes in intangible assets for the years ended December 31, 2008 and 2007, are as follows:

		2008	
		Intellectual Property Rights	
<i>(in thousands of Korean won)</i>			
Balance at January 1, 2008		₩	602,966
Acquisition			108,870
Amortization			(194,663)
Balance at December 31, 2008		₩	<u>517,173</u>
Accumulated amortization		₩	<u>721,369</u>
		2007	
		Goodwill	Intellectual Property Rights
		Total	
<i>(in thousands of Korean won)</i>			
Balance at January 1, 2007	₩	14,215,177	₩ 4,419,294
Acquisition			1,583,778
Disposal			(170,284)
Amortization		(2,450,367)	(854,033)
Decrease due to split-off		(11,795,861)	(4,375,789)
Balance at December 31, 2007	₩	<u>-</u>	₩ 602,966
Accumulated amortization	₩	<u>-</u>	₩ 526,706

The amortization expense of intangible assets for the years ended December 31, 2008 and 2007, is allocated to selling, general and administrative expenses.

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8. Long-Term Debts

Long-term debts as of December 31, 2008 and 2007, consist of the following:

<i>(in thousands of Korean won)</i>		2008		2007
Loans payable ¹	₩	268,476,250	₩	200,305,700
Debentures ²		<u>400,861,080</u>		<u>186,718,166</u>
		669,337,330		387,023,866
Less: Current maturities		<u>(133,923,750)</u>		<u>-</u>
	₩	<u>535,413,580</u>	₩	<u>387,023,866</u>

¹ Long-term loans payable as of December 31, 2008 and 2007, consist of the following:

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)		2008		2007
Foreign currency loans (Won equivalent)					
Kookmin Bank	5.02 - 5.11	₩	268,476,250	₩	200,305,700
Less: Current maturities			<u>(133,923,750)</u>		<u>-</u>
		₩	<u>134,552,500</u>	₩	<u>200,305,700</u>

In order to hedge the impact of fluctuations in fair value of the loans amounting to ₩268,476 million, the Company has entered into interest rate swap contracts and recorded ₩12,380 million of loss on valuation of derivatives under other cumulative comprehensive income for the year ended December 31, 2008.

² Debentures outstanding as of December 31, 2008 and 2007, consist of the following:

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)		2008		2007
Floating Rate Notes					
149 th Floating rate notes	5.63	₩	251,500,000	₩	187,640,000
150 th Floating rate notes	4.24		<u>150,900,000</u>		<u>-</u>
			402,400,000		187,640,000
Less: Unamortized discounts			<u>(1,538,920)</u>		<u>(921,834)</u>
		₩	<u>400,861,080</u>	₩	<u>186,718,166</u>

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The 149th floating rate notes, with the face value of US\$ 200 million and with the interest payable semiannually, have been issued in the Eurodollar market and listed at the London Stock Exchange.

In order to hedge the impact of fluctuations in fair value of certain foreign floating rate notes amounting to ₩402,400 million, the Company has entered into foreign exchange rate swap contracts and recorded ₩7,693 million of loss on valuation of derivatives under other comprehensive income for the year ended December 31, 2008.

With regard to foreign floating rate notes, the Company has an agreement requiring the debt rate to be below 300% in the financial statements and EBITDA to be more than 2.5 times of interest expenses.

Maturities of long-term debts outstanding as of December 31, 2008, excluding discounts and long-term accrued interests on debentures, are as follows:

(in thousands of Korean won)

Year of maturity	Loans	Debentures	Total
2010	₩ -	₩ 150,900,000	₩ 150,900,000
2011	134,552,500	-	134,552,500
2012	-	251,500,000	251,500,000
	<u>₩ 134,552,500</u>	<u>₩ 402,400,000</u>	<u>₩ 536,952,500</u>

9. Accrued Severance Benefits

Accrued severance benefits as of December 31, 2008 and 2007, consist of the following:

(in thousands of Korean won)

	2008	2007
Accrued severance benefits	₩ 4,977,987	₩ 3,987,810
Less: Funded portion		
Severance insurance fund	(4,094,106)	(2,421,619)
National Pension Fund	<u>(12,969)</u>	<u>(15,642)</u>
Unfunded portion	<u>₩ 870,912</u>	<u>₩ 1,550,549</u>

As of December 31, 2008, the Company funded 82.2% (2007: 60.7%) of severance payable through severance insurance deposits with Samsung Fire & Marine Insurance Co., Ltd.

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10. Commitments and Contingencies

As of December 31, 2008, the Company has loan agreement amounting to ₩25,000 million with three banks including Woori Bank, and has a general foreign currency loan agreement amounting to US\$ 215,500,000 with Kookmin Bank.

As of December 31, 2008, in connection with international business zone development in the Yongsan-gu area in Seoul, the Company is provided with performance guarantees from Seoul Guarantee Insurance Company.

11. Derivatives

Details of the changes in valuation gain or loss on derivatives for the years ended December 31, 2008 and 2007, are as follows:

2008 <i>(in thousands of Korean won)</i>	Trading		Hedge		Other comprehensive income ¹
	Valuation gain	Valuation loss	Valuation gain	Valuation loss	
Interest rate swap	₩ -	₩ -	₩ -	₩ -	₩ (28,338,953)
Foreign currency swap	-	-	169,317,550	-	-
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 169,317,550</u>	<u>₩ -</u>	<u>₩ (28,338,953)</u>

¹The ₩20,074 million, net of tax, was charged to other cumulative comprehensive income.

2007 <i>(in thousands of Korean won)</i>	Trading		Hedge		Other comprehensive income ¹
	Valuation gain	Valuation loss	Valuation gain	Valuation loss	
Interest rate swap	₩ -	₩ -	₩ -	₩ -	₩ (13,314,479)
Foreign currency swap	-	-	4,346,100	-	-
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 4,346,100</u>	<u>₩ -</u>	<u>₩ (13,314,479)</u>

¹The ₩9,653 million, net of tax, was charged to other accumulative comprehensive income.

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12. Capital Stock

The Company is authorized to issue 100 million shares with the par value per share of ₩5,000. As of December 31, 2008, the Company has issued 27,543,086 common shares of stocks and 3,812,437 preferred shares.

	Preferred stock	2nd series preferred stock	3rd series preferred stock
Numbers of shares	2,260,223	1,019,041	533,173
Voting right	No voting rights	No voting rights. However, if these shares are not paid out prior to common stock, voting rights are granted until the next general shareholders' meeting declaring dividends on preferred shares.	No voting rights. However, if these shares are not paid out prior to common stock, voting rights are granted until the next general shareholders' meeting declaring dividends on preferred shares.
Maturity date	Perpetual	Convertible to common stock on January 1, 2009. If the dividends are not paid before the maturity date, the period is extended.	Convertible to common stock on January 1, 2009. If the dividends are not paid before the maturity date, the period is extended.
Dividends	Non-participating, non-cumulative, and paying 1% more than common stock annually	Participating, cumulative	Participating, cumulative
Minimum dividend rate (Annual)	-	9%	9%

The Company has issued 10,511 common shares of stock due to the exercise of certain stock options in 2008. The Company has recognized the additional paid-in capital of ₩500 million.

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13. Retained Earnings

Retained earnings as of December 31, 2008 and 2007, consist of the following:

<i>(in thousands of Korean won)</i>	2008	2007
Legal reserve	₩ 79,869,424	₩ 79,869,424
Reserve for improvement of financial structure	6,709,860	6,709,860
Reserve for business rationalization	54,804,727	54,804,727
Reserve for research and human resource development	69,473,899	524,789,992
Reserve for export losses	720,000	720,000
Reserve for overseas market development	1,100,000	1,100,000
Reserve for loss on disposal of treasury stock	<u>28,992,714</u>	<u>35,544,626</u>
	241,670,624	703,538,629
Retained earnings before appropriations	<u>293,329,423</u>	<u>31,289,848</u>
	<u>₩ 535,000,047</u>	<u>₩ 734,828,477</u>

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.

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 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.

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		2008	2007
Number of shares eligible for dividends	Common stock	24,089,360	23,854,199
	Preferred stock	2,259,106	2,259,106
	Second series preferred Stock	1,018,407	1,018,406
	Third series preferred Stock	532,495	532,496
Dividend rate	Common stock	30.0%	-
	Preferred stock	31.0%	-
	Second series preferred Stock	39.0%	-
	Third series preferred Stock	39.0%	-
Dividend per share	Common stock	₩ 1,500	-
	Preferred stock	₩ 1,550	-
	Second series preferred Stock	₩ 1,950	-
	Third series preferred Stock	₩ 1,950	-
Dividend payout ratio (Dividend amount / Net income)		14.6%	-
Dividend yield ratio (Dividend per share / Market price)	Common stock	3.8%	-
	Preferred stock	10.4%	-
	Second series preferred Stock	5.3%	-
	Third series preferred Stock	5.8%	-

14. Treasury Stock

As of December 31, 2008, the Company holds 3,453,726 common shares with a book value of ₩215,576 million and 2,429 preferred shares with a book value of ₩105 million as treasury stock. The treasury stock is recorded as a capital adjustment and will be sold depending on stock market conditions.

In 2008, the Company donated 224,650 common shares of treasury stock to CJ Donors Camp and CJ Culture Foundation, and deducted losses on disposal of treasury stock amounting to ₩5,287 million from other capital surplus.

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15. Stock Option Plan

The Company has a stock option plan that provides for the granting of 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 follows:

	Date of the grant						
	August 14, 2001	April 27, 2002	March 11, 2003	April 8, 2004	March 8, 2005	March 13, 2006	February 29, 2008
Options granted	48,000	95,600	134,300	77,800	94,100	56,900	230,000
Exercised quantity	40,515	70,805	85,979	45,083	46,416	-	-
Forfeited quantity	1,000	-	1,300	4,600	10,200	4,500	-
Transferred quantity due to split-off	2,516	10,730	19,111	11,507	14,615	46,500	-
Options outstanding	3,969	17,955	31,737	18,396	23,877	5,900	230,000
Exercise price per share ¹	₩ 40,000	₩ 58,000	₩ 41,000	₩ 69,000	₩ 71,000	₩ 120,000	₩ 70,000
Exercise period from the date of the grant	2~9 years	2~9 years	2~9 years	2~9 years	2~9 years	2~9 years	4~10 years

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

The compensation expenses recognized in 2008 and thereafter are as follows:

	Date of the grant						
	August 14, 2001	April 27, 2002	March 11, 2003	April 8, 2004	March 8, 2005	March 13, 2006	February 29, 2008
Prior to 2008	₩ 827,204	₩ 2,104,165	₩1,657,544	₩1,469,078	₩1,700,566	₩ 1,285,295	₩ -
During 2008	-	-	-	-	-	18,920	1,438,698
Thereafter	-	-	-	-	-	-	5,408,007
	₩ 827,204	₩ 2,104,165	₩ 1,657,544	₩ 1,469,078	₩1,700,566	₩ 1,304,215	₩ 6,846,705

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

	Date of the grant						
	August 14, 2001	April 27, 2002	March 11, 2003	April 8, 2004	March 8, 2005	March 13, 2006	February 29, 2008
Risk-free interest rates	5.10%	6.37%	4.69%	4.56%	4.12%	4.93%	5.09%
Expected stock price volatility	70.60%	66.18%	54.81%	38.48%	35.73%	36.34%	66.64%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years	5 years
Expected forfeiture rate	1%	1%	1%	6%	6%	6%	6%

The Company introduced long-term incentive plans for its executives based on a three-year management performance criteria and has made a provision for the estimated incentive cost for the accrued period. The estimated amount of the incentive has been recognized as long-term liability of ₩490 million and other capital adjustments of ₩3,012 million.

16. Assets and Liabilities Denominated in Foreign Currencies

As of December 31, 2008, assets and liabilities denominated in foreign currencies and related gains and losses on foreign currency translation, are as follows:

<i>(in thousands of Korean won)</i>	Account	2008			
		Foreign Currencies	Korean won equivalent	Translation Gain	Translation Loss
Long-term borrowings	US\$ 213,500,000	₩ 268,476,250	₩ -	₩ 68,170,550	
Debts	US\$ 320,000,000	402,400,000	-	101,147,000	
		<u>₩ 670,876,250</u>	<u>₩ -</u>	<u>₩ 169,317,550</u>	

17. Income Tax

Income tax expense for the years ended December 31, 2008 and 2007, consists of the following:

<i>(in thousands of Korean won)</i>	2008	2007
Current income taxes	₩ 90,111,107	₩ 40,418,930
Deferred income taxes	<u>32,334,849</u>	<u>(10,531,281)</u>
	122,445,956	29,887,649
Deferred income taxes charged to equity	<u>(4,916,279)</u>	<u>13,999,491</u>
Income tax expense	<u>₩ 117,529,677</u>	<u>₩ 43,887,140</u>

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The following table reconciles the expected amount of income tax expense based on statutory rates to income tax expense for the years ended December 31, 2008 and 2007:

<i>(in thousands of Korean won)</i>	2008	2007
Net income before tax	₩ 410,359,100	₩ 81,940,585
Expected tax at statutory rate	₩ 112,817,953	₩ 22,502,861
Adjustments		
Non-taxable income	(1,244,911)	(740,783)
Non-deductible expense	7,287,886	18,122,242
Additional payment of Income Taxes	-	4,838,012
Tax credit	(1,464,539)	(859,440)
Effect of the changes in tax rates	131,354	-
Others	1,934	24,248
Income tax expense	₩ 117,529,677	₩ 43,887,140
Effective tax rate	28.64%	53.56%

Changes in the temporary differences and related deferred tax assets and liabilities as of and for the year ended December 31, 2008, are as follows:

	Temporary Differences			Deferred tax assets (liabilities)	
	Beginning Balance	Increase (decrease)	Ending Balance	Beginning Balance	Ending Balance
Deferred tax arising from temporary differences					
Equity-method investments	₩104,626,373	₩ (92,038,623)	₩ 12,587,750	₩ 23,017,802	₩ 2,769,305
Provision for severance benefits	763,600	(763,600)	-	209,990	-
Interest income	248,138	(8,104,654)	(7,856,516)	68,238	(1,906,736)
Accrued expenses	-	261,190	261,190	-	63,208
Loss on impairment of available-for-sale securities	31,383,415	(31,383,415)	-	8,630,439	-
Special reserves for loss on disposal of treasury stock	(35,516,811)	6,524,097	(28,992,714)	(9,767,123)	(6,378,397)
Investments in kind	2,579,520	(2)	2,579,518	709,368	567,494
Others	13,461,845	2,661,125	16,122,970	2,961,606	3,621,365
	117,546,080	(122,843,882)	(5,297,802)	25,830,320	(1,263,761)
Accumulated Deficit	5,899,785	(3)	5,899,782	1,622,441	1,297,952
Temporary differences directly related to shareholders' equity	(32,254,880)	(31,414,716)	63,669,596)	(8,870,092)	(13,786,371)
Total	₩ 91,190,985	₩(154,258,601)	₩(63,067,616)	₩ 18,582,669	₩(13,752,180)

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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.

The Company did not recognize the income tax effect of a ₩14,301 million temporary difference resulting from earnings arising from equity method as the Company does not expect cash flows, such as proceeds from the disposal of, or receipts of dividends from the equity-method investments, within foreseeable future.

The gross balances of deferred tax assets and liabilities as of December 31, 2008, are as follows :

(in thousands of Korean won)

	Current	Non-current
Deferred tax assets	₩ 3,310,978	₩ 7,493,281
Deferred tax liabilities	(1,961,327)	(22,595,112)
	<u>₩ 1,349,651</u>	<u>₩ (15,101,831)</u>

Deferred income taxes charged directly to the shareholders' equity as of December 31, 2008 and 2007, are as follows:

(in thousands of Korean won)

	2008	2007
Gain on valuation of available-for-sale securities	₩ (3,311,059)	₩ 945,136
Loss on valuation of available-for-sale securities	(355,120)	78,126
Gain on equity-method investments	26,807,203	(2,454,193)
Loss on equity-method investments	20,977,826	(5,768,903)
Loss on valuation of derivative instruments	(12,704,134)	2,283,555
Loss on disposal of treasury stock	(7,425,581)	2,138,573
	<u>₩ 23,989,135</u>	<u>₩ (2,777,706)</u>

Deferred tax assets and liabilities are calculated based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities by applying enacted tax rates in effect in the years which the difference is expected to reverse. The enacted income tax rates are 24.2% and 22% for 2009 and thereafter, respectively. Accordingly, deferred tax assets and liabilities as of December 31, 2008, are lower by ₩184,043 thousand and ₩3,775,458 thousand, respectively, compared to the amount calculated using the statutory tax rate of 27.5% for 2008.

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18. Earnings Per Share

Earnings per share and diluted earnings per share for the years ended December 31, 2008 and 2007, are calculated as follows:

Basic earnings per share

(in millions of Korean won,

except number of shares and earnings per share)

	2008	2007
Net income	₩ 292,829	₩ 38,053
Adjustments		
Dividends for preferred stock	(5,828)	(698)
Undeclared participating preferred stock dividend	<u>(15,174)</u>	<u>(1,625)</u>
Net income attributable to common stock	271,827	35,730
Weighted average number of common stock outstanding ¹	<u>23,864,396</u>	<u>21,637,815</u>
Basic earnings per share (in Korean won)	<u>₩ 11,390</u>	<u>₩ 1,651</u>

¹ The calculation of weighed average number of shares of common stock is as follows:

	Number of shares	Number of Days	Weighted number of shares
Beginning balance	23,854,199	366	8,730,636,834
Stock options exercised	10,511	-	2,384,127
Disposal of treasury stock	224,650	6	<u>1,347,900</u>
			<u>8,734,368,861</u>

Weighted average number of shares of common stock for 2008 :

8,734,368,861/366 days = 23,864,396 shares

Weighted average number of shares of common stock for 2007:

7,897,802,566/365 days = 21,637,815 shares

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Diluted earnings per share

(in millions of Korean won,

except number of shares and earnings per share)

	2008	2007
Net income attributable to common stock	₩ 271,827	₩ 35,730
Adjustment		
Convertible preferred stock dividend	<u>-</u>	<u>2,323</u>
Diluted income attributable to common stock	271,827	38,053
Weighted average number of		
common stock for diluted earnings per share ²	<u>23,873,296</u>	<u>23,242,831</u>
Diluted earnings per share (in Korean won)	<u>₩ 11.386</u>	<u>₩ 1.637</u>

² The calculation of weighed average number of shares of common stock equivalents is as follows:

	Number of shares	Number of Days	Weighted number of shares
Exercised stock options			
granted on August 14, 2001	1,122	366	410,652
Exercised stock options			
granted on March 11, 2003	7,778	366	<u>2,846,863</u>
			<u>3,257,515</u>

Weighted average number of shares of common stock equivalents for 2008:

$$3,257,515/366 \text{ days} = 8,900 \text{ shares}$$

Weighted average number of shares of common stock equivalents for 2007:

$$585,830,760/365 \text{ days} = 1,605,016 \text{ shares}$$

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19. Related Party Transactions

As of December 31, 2008, the subsidiaries of the Company are as follows:

Local companies

CJ CheilJedang Corporation, CJ Home Shopping Co., Ltd., CJ Freshway Corporation (formerly CJ Food System Co.), Ltd., CJ Internet Co., Ltd., CJ CGV Co., Ltd., CJ Engineering & Construction Corporation (formerly CJ Development Co., Ltd.), CJ Systems Co., Ltd., CJ Media Inc., CJ Venture Capital Co., Ltd., CJ Foodville Co., Ltd., CJ Hellovision Co.,Ltd. (formerly CJ CableNet Co., Ltd.), CJ Telenix Co., Ltd., CJ MD1 Co., Ltd., Samyang Oil Co., Ltd., CJ PowerCast Inc., CJ TVN, M-net Media Corp., CJ Olive Young Co., Ltd., CJ Hellovision Haewoondae/Kijang Broadcasting Co. Ltd. (formerly CJ CableNet Haewoondae/Kijang Broadcasting Co. Ltd.), Shindongbang CP Corporation, CJ Joycube Co., Ltd., CJ IG Co., Ltd., Traumhaus Co., Ltd., Samho F&G Corp., Primuscinema, Superfeed Co., Ltd., Dondonfarm Co., Ltd., Anypark Co., Ltd., CJ N City Co., Ltd., CJ Entertainment Inc., CJ Venture Investment No. 6 Broadcast Fund, CJ Venture Investment No. 9 Cinema Fund, CJ Hellovision Dreamcity Broadcasting Co.,Ltd (formerly Dreamcity Media Co., Ltd), Sun TV Co., Ltd., Broadband Solutions Inc., Hasunjung General Food Co., Ltd., CJ Properties Co., Ltd, CJ Hellovision Youngram Broadcasting Co. Ltd., (formerly Youngram Cable television Network Co., Ltd), CJ Hellovision Chungnam Broadcasting Co. Ltd., (formerly Chungnam Cable TV Broadcasting Corporation) CJ Hellovision Joong-Ang Broadcasting Co. Ltd., (formerly CJ CableNet Joong-Ang Broadcasting Co., Ltd.), CJ Hellovision Geum-Jeong Broadcasting Co. Ltd., (formerly CJ CableNet Geum-Jeong Co., Ltd)

Foreign companies

CJ America, Inc., Lee Entertainment L.L.C., CJ Europe GMBH., CJ Ord River Sugar Pty, Ltd., PT C.J. Indonesia, PT C.J. Superfeed, PT Superunggas Jaya, PT CJ Feed Jombang, CJ Philippines, Inc., CJ Vina Agri Co., Ltd., CJ China Ltd., CJ Qingdao Foods Co., Ltd., CJ Beijing Beverage Co., Ltd., CJ Japan Corp., CJ Liaocheng Biotech Co., Ltd., CJ Media Japan Corp, CJ Internet Japan Corp., CJ Do Brasil Ind. Com. Prod. Alim.Ltda., Liaocheng Lantian Cogeneration Plant Co., Ltd., CJ Global Holdings Ltd, CJ Nutracon, Pty, Ltd.,

Significant transactions with related parties for the years ended December 31, 2008 and 2007, and the related receivables and payables as of December 31, 2008 and 2007, are as follows:

(in thousands of
Korean won)

	Sales		Purchases		Accounts Receivable		Accounts Payable	
	2008	2007	2008	2007	2008	2007	2008	2007
Associated companies	₩ 28,755,488	₩180,489,751	₩1,494,177	₩229,963,467	₩3,351,555	₩1,993,874	₩10,411,779	₩1,614,086
Equity-method investees	4,961,027	5,212,061	2,098	86,346,742	299,135	-	2,421	-
Others	84,620	3,670,918	409,989	4,918,910	-	-	36,835	-
Total	₩ 33,801,135	₩189,372,730	₩1,906,264	₩321,229,119	₩3,650,690	₩1,993,874	₩10,451,035	₩1,614,086

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For the years ended December 31, 2008 and 2007, the key management compensation consists of:

<i>(in thousands of Korean won)</i>	2008		2007	
Salaries	₩	7,288,683	₩	12,821,262
Stock compensation expenses		3,983,465		4,828,152
	₩	<u>11,272,148</u>	₩	<u>17,649,414</u>

The Company provided guarantees to indebtedness of related parties as of December 31, 2008 and 2007, as follows:

<i>(in thousands of Korean won)</i>	Financial institutions	Loan amounts		Guarantee amounts	
Guarantee	2008	2008	2007	2008	2007
CJ Tur Yem Sanayi Ve Ticaret A.S.	Citi Bank Korea	₩ 5,328,660	₩ -	₩ 5,328,660	₩ -
CJ Sheny ang Feed Co., Ltd.	Citi Bank Korea	6,781,698	-	12,683,801	-
CJ Bakery Inc.	Woori Bank	-	4,691,000	-	4,691,000
		<u>₩ 12,110,358</u>	<u>₩ 4,691,000</u>	<u>₩ 18,012,461</u>	<u>₩ 4,691,000</u>

20. Supplementary Information for Computation of Value Added

The accounts and amounts included in cost of sales and selling, general and administrative expenses, which are needed for the computation of value added for the years ended December 31, 2008 and 2007, are as follows:

<i>(In thousands of Korean won)</i>	Cost of Sales		Selling, general and administrative expenses		Total	
	2008	2007	2008	2007	2008	2007
Wage and salaries	₩ -	₩47,029,322	₩11,655,126	₩ 99,013,947	₩ 11,655,126	₩146,043,269
Provision for severances						
benefits	-	5,976,079	1,387,098	10,238,359	1,387,098	16,214,438
Employee benefits	-	8,498,671	1,312,468	11,858,528	1,312,468	20,357,199
Rent	-	3,573,472	85,148	4,780,010	85,148	8,353,842
Depreciation and amortization	-	39,999,782	3,138,841	21,387,080	3,138,841	61,386,862
Taxes and dues	-	4,068,173	803,926	6,569,513	803,926	10,637,686
	₩ -	<u>₩109,145,499</u>	<u>₩18,382,607</u>	<u>₩153,847,437</u>	<u>₩ 18,382,607</u>	<u>₩ 262,992,936</u>

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21. Supplemental Cash Information

Significant transactions not affecting cash flows for the years ended December 31, 2008 and 2007, are as follows:

<i>(in thousands of Korean won)</i>	2008	2007
Reclassification of construction in-progress to property, plant and equipment	₩ 126,890	₩ 39,076,915
Increase of non-trade payables due to acquisition of available-for-sale securities	9,331,030	-
Reclassification of current maturities of long-term debts	133,923,750	102,357,931
Increase(decrease) of other cumulative comprehensive income due to disposition of available-for-sale securities	(2,642,917)	2,161,409
Increase(decrease) of other cumulative comprehensive income due to valuation of equity-method investments	601,835	(16,112,821)
Decrease of capital adjustments due to valuation of equity-method investments	(21,139,967)	(33,023,843)
Decrease of current assets due to split-off	-	590,361,194
Decrease of non-current assets due to split-off	-	1,619,340,441
Decrease of current liabilities due to split-off	-	888,540,847
Decrease of non-current liabilities due to split-off	-	642,375,334
Decrease of equity due to split-off	-	67,578,695
Increase of loss on capital reduction due to split-off	-	492,657,853
Increase of equity-method investments due to split-off	-	134,179,661
Increase of capital stock due to investment in kind	-	41,640,450
Increase of paid-in capital in excess of par value due to split-off	-	636,266,850

22. 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
<ul style="list-style-type: none"> · Support for employees' personal property accumulation 	<ul style="list-style-type: none"> · Allots a portion of newly issued shares to the employee stock ownership association.
<ul style="list-style-type: none"> · Living support 	<ul style="list-style-type: none"> · Individual pension plans to support a comfortable life upon retirement. · Support for tuition fees

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23. Cultivation of Professional Human Resources and Professional Training

The Company has various programs for human resources development and training.

The details of the various programs are as follows:

Type of Program	Description
<ul style="list-style-type: none"> • Leadership Development • IT basic course • MBA course • Executive manager development • Next-generation manager development • CJ-Management Academy 	<ul style="list-style-type: none"> • Improvement of leadership • Improvement of information technology ability • Developing specialists • Improvement of managerial ability

24. Comprehensive Income

Comprehensive income for the years ended December 31, 2008 and 2007, consists of:

<i>(in thousands of Korean won)</i>	<u>2008</u>	<u>2007</u>
Net income	₩ 292,829,423	₩ 38,053,445
Other cumulative comprehensive income		
Gain on valuation of available-for-sale securities, net of tax of ₩945,136 thousand (2007: (-)₩180,423 thousand)	(2,365,923)	475,660
Loss on valuation of available-for-sale securities, net of tax of ₩78,126 thousand (2007: (-)₩639,422 thousand)	(276,994)	1,685,749
Gain on valuation of equity-method investments, net of tax of (-)₩2,454,193 thousand (2007: ₩2,910,964 thousand)	16,561,337	(1,497,840)
Loss on valuation of equity-method investments, net of tax of (-)₩5,768,903 thousand (2007: ₩8,103,438 thousand)	(23,744,586)	23,408,862
Gain on valuation of derivative instruments, net of tax of (-)₩803,078 thousand for 2007	-	2,009,539
Loss on valuation of derivative instruments, net of tax of ₩2,283,555 thousand (2007: ₩4,608,012 thousand)	(10,420,579)	(8,945,335)
Comprehensive income	<u>₩ 272,582,678</u>	<u>₩ 55,190,080</u>

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25. Change in accounting policy

In accordance with amendment on *SKFAS No. 15, Equity Method*, the Company reclassified the differences between the purchase price and the Company's proportionate ownership in the net book value of the investee arising from additional purchase of equity-method securities from other cumulative comprehensive income to capital adjustments. The December 31, 2007 balance sheet, presented herein for comparative purposes, has been restated to conform with the requirements of Statement of Korean Financial Accounting Standards No. 1. As a result, as of December 31, 2008, and 2007, other cumulative comprehensive income increased by ₩66,088 million and ₩44,948 million, respectively, capital surplus increased by ₩52,676 million each, and capital adjustments decreased by ₩118,764 million and ₩97,624 million, respectively.

26. Event Subsequent to Balance Sheet Date

On February 16, 2009, the Company issued 151st debenture with a face value of ₩100,000 million, as approved by the Board of Directors on January 14, 2009.

27. Approval of Financial Statements

The December 31, 2008 financial statements of the Company were approved by the Board of Directors on February 10, 2009.

**Report of Independent Accountants'
Review of Internal Accounting Control System**

To the President of
CJ Corporation

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of CJ Corporation (the "Company") as of December 31, 2008. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2008, the Company's IACS has been designed and is operating effectively as of December 31, 2008 in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2008, and we did not review management's assessment of its IACS subsequent to December 31, 2008. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers
February 19, 2009

Report of the Operations of the Internal Accounting Control System

To the Board of Directors and Audit Committee of
CJ Corporation

I, as the Internal Accounting Control Officer (“IACO”) of CJ Corporation (“the Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2008.

The Company’s management including the IACO is responsible for designing and operating the IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause misstatements to the financial statement, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purpose. I, as the IACO, applied the IACS standards to assess the design and operations of the IACS.

Based on the assessment on the operations of the IACS, in all material respects, the design and operations of the Company’s IACS were effective as of December 31, 2008, in accordance with the IACS standards.

February 9, 2009

Seong Yong-Jun
Internal Accounting Control System Officer

Ha Dae-Joong
Chief Effective Officer and President