

CJ CheilJedang Corporation

Non-Consolidated Financial Statements

December 31, 2009 and 2008

CJ CheilJedang Corporation
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December 31, 2009 and 2008

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Report of Independent Auditors

To the Shareholders and Board of Directors of
CJ CheilJedang Corporation

We have audited the accompanying non-consolidated statements of financial position of CJ CheilJedang Corporation (the 'Company') as of December 31, 2009 and 2008, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and the 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 P.T. Cheil Jedang Indonesia and certain other subsidiaries, the investments in which are reflected in the accompanying financial statements using the equity method of accounting. The investments in these subsidiaries represent 11% of the Company's total assets as of December 31, 2009 (2008: 8%) and the equity in their net gain on valuation of equity-method investments represents ₩74,691 million for the year ended December 31, 2009 (2008: ₩39,587 million). The financial statements of these subsidiaries were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for these subsidiaries, is based solely on the reports of the other auditors.

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

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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 CheilJedang Corporation as of December 31, 2009 and 2008, 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.

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
March 8, 2010

This report is effective as of March 8, 2010, 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 CheilJedang Corporation
Non-Consolidated Statements of Financial Position
December 31, 2009 and 2008

(in thousands of Korean won)

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	₩ 151,602,608	₩ 13,875,545
Short-term investments (Note 3)	248,552,330	7,907,328
Trade accounts and notes receivable, net of allowance for doubtful accounts (Note 4)	207,569,055	246,761,251
Other accounts and notes receivable, net of allowance for doubtful accounts	67,030,685	60,984,069
Inventories, net of allowance for inventory valuation (Note 5)	400,544,506	567,438,015
Short-term deferred income tax assets (Note 21)	-	19,444,749
Short-term derivative assets (Note 15)	11,888,224	28,288,856
Guarantee deposit	6,730,268	14,376,376
Prepaid expenses and other current assets	14,988,877	18,767,234
Total current assets	<u>1,108,906,553</u>	<u>977,843,423</u>
Property, plant and equipment, including revalued portion, net of accumulated depreciation (Note 8)	2,193,067,748	2,097,343,034
Long-term available-for-sale securities (Note 6)	30,822,402	15,195,707
Equity-method investments (Note 7)	570,561,379	524,323,958
Intangible assets, net of accumulated amortization (Note 9)	11,815,679	13,247,394
Long-term derivatives (Note 15)	16,904,251	29,636,675
Long-term guarantee deposits	57,414,939	52,872,297
Long-term loans receivable	29,464,086	32,390,299
Other non-current assets	9,622,487	9,492,581
Total assets	<u>₩ 4,028,579,524</u>	<u>₩ 3,752,345,368</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts and notes payable	₩ 157,186,390	₩ 171,285,289
Other accounts and notes payable	231,489,581	267,710,039
Short-term borrowings (Note 10)	433,344,781	640,975,222
Current portion of long-term debts (Notes 11 and 12)	358,036,730	154,440,887
Accrued expenses	86,236,650	75,169,712
Income taxes payable	13,703,285	18,723,303
Short-term derivative liabilities (Note 15)	18,572,335	35,671,479
Short-term deferred income tax liabilities (Note 21)	1,553,816	-
Other current liabilities	39,178,105	26,689,915
Total current liabilities	<u>1,339,301,673</u>	<u>1,390,665,846</u>
Long-term debts, net of current maturities (Notes 11 and 12)	619,120,374	540,845,884
Accrued severance benefits, net (Note 13)	27,046,301	26,854,756
Long-term deferred income tax liabilities (Note 21)	216,099,872	200,274,007
Long-term derivative liabilities	-	3,722,759
Long-term accrued expense	-	728,107
Total liabilities	<u>2,201,568,220</u>	<u>2,163,091,359</u>

CJ CheilJedang Corporation
Non-Consolidated Statements of Financial Position
December 31, 2009 and 2008

<i>(in thousands of Korean won)</i>	2009	2008
Commitments and contingencies (Note 14)		
Shareholders' equity		
Capital stock (Notes 1 and 16)		
Common stock	₩ 60,203,220	₩ 56,383,440
Preferred stock	8,202,830	11,195,255
Capital surplus		
Paid-in capital in excess of par value	714,203,776	689,833,576
Capital adjustments		
Treasury stock (Note 18)	(23,111,085)	(2,931,717)
Stock option compensation (Note 19)	6,172,065	15,440,101
Capital adjustments on equity-method investments	(59,959,496)	(59,959,496)
Loss on disposal of treasury stock	(788,932)	-
Other cumulative comprehensive income		
Gain on valuation of available-for-sale securities (Note 6)	312,462	-
Loss on valuation of available-for-sale securities (Note 6)	(469,976)	(426,414)
Gain on valuation of equity-method investments	96,567,003	121,515,384
Loss on valuation of equity-method investments	(9,669,283)	(3,187,294)
Loss on valuation of derivative instruments	(5,533,168)	(10,244,629)
Gain on revaluation of property, plant and equipment	741,092,962	730,007,908
Retained earnings	299,788,926	41,627,895
Total shareholders' equity	<u>1,827,011,304</u>	<u>1,589,254,009</u>
Total liabilities and shareholders' equity	<u>₩ 4,028,579,524</u>	<u>₩ 3,752,345,368</u>

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

CJ CheilJedang Corporation
Non-Consolidated Statements of Income
Years ended December 31, 2009 and 2008

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

	2009	2008
Sales (Note 23)		
Domestic	₩ 3,590,482,371	₩ 3,296,062,819
Export	248,249,933	198,815,514
	<u>3,838,732,304</u>	<u>3,494,878,333</u>
Cost of sales (Note 23)	2,707,103,741	2,385,713,573
Gross profit	<u>1,131,628,563</u>	<u>1,109,164,760</u>
Selling, general and administrative expenses (Note 24)	869,725,493	847,516,131
Operating income	<u>261,903,070</u>	<u>261,648,629</u>
Non-operating income		
Interest and dividend income	10,148,584	9,409,289
Foreign exchange gain	61,223,628	30,665,142
Gain on foreign currency translation (Note 20)	63,588,449	36,782,018
Gain on valuation of equity-method investments (Note 7)	101,361,622	51,785,222
Gain on disposal of property, plant and equipment (Note 8)	6,201,948	50,994,301
Gain on settlement of derivative instruments	150,100,703	301,549,467
Gain on valuation of derivative instruments (Note 15)	13,086,833	73,037,542
Reversal of allowance for doubtful accounts	-	1,332,957
Others	11,872,947	44,371,506
	<u>417,584,714</u>	<u>599,927,444</u>
Non-operating expenses		
Interest expenses	59,643,100	62,151,095
Foreign exchange loss	56,368,057	173,366,388
Loss on foreign currency translation (Note 20)	6,750,264	100,043,205
Loss on valuation of equity-method investments (Note 6)	34,628,024	78,065,247
Loss on disposal of equity-method investments	-	2,642,506
Loss on settlement of derivative instruments	121,866,601	300,071,775
Loss on valuation of derivative instruments (Note 15)	26,480,151	50,032,077
Loss on disposal of trade accounts receivable (Note 4)	14,398,503	14,202,888
Donations	18,828,769	25,395,719
Others	11,948,693	12,824,618
	<u>350,912,162</u>	<u>818,795,518</u>
Income before income taxes	328,575,622	42,780,555
Income tax expense (Note 21)	56,436,510	17,414,483
Net income	<u>₩ 272,139,112</u>	<u>₩ 25,366,072</u>
Basic earnings per share (Note 22)	<u>₩ 20,150</u>	<u>₩ 1,969</u>
Diluted earnings per share (Note 22)	<u>₩ 20,063</u>	<u>₩ 1,961</u>

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

CJ CheilJedang Corporation
Non-Consolidated Statements of Appropriations of Retained Earnings
Years ended December 31, 2009 and 2008
(Dates of Appropriations: March 26, 2010 and February 27, 2009
for the years ended December 31, 2009 and 2008, respectively)

<i>(in thousands of Korean won)</i>	2009	2008
Retained earnings before appropriations		
Unappropriated retained earnings carried over from the prior year	₩ 500,000	₩ 500,000
Net income	<u>272,139,112</u>	<u>25,366,072</u>
	<u>272,639,112</u>	<u>25,866,072</u>
Transfer from discretionary reserve		
Reserve for research and human resource development	<u>4,333,333</u>	<u>2,333,333</u>
Appropriation of retained earnings		
Legal reserve	4,743,457	1,397,808
Cash dividends	47,434,566	13,978,081
Reserve for research and human resource development	<u>224,294,422</u>	<u>12,323,516</u>
	<u>276,472,445</u>	<u>27,699,405</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 CheilJedang Corporation
Non-Consolidated Statements of Changes in Shareholders' Equity
Years ended December 31, 2009 and 2008

<i>(in thousands of Korean won)</i>	Capital stock	Capital surplus	Capital adjustments	Other cumulative comprehensive income	Retained earnings	Total
Shareholders' equity at January 1, 2008	₩67,578,695	₩689,833,576	₩(55,503,875)	₩ (10,946,948)	₩16,261,823	₩ 707,223,271
Stock compensation	-	-	8,150,941	-	-	8,150,941
Loss on valuation of available-for-sale securities, net	-	-	-	(413,749)	-	(413,749)
Capital adjustments on equity-method investments	-	-	(98,178)	-	-	(98,178)
Gain on valuation of equity-method investments, net	-	-	-	133,302,930	-	133,302,930
Loss on valuation of derivative instruments, net	-	-	-	(14,285,186)	-	(14,285,186)
Revaluation of property, plant and equipment	-	-	-	730,007,908	-	730,007,908
Net income	-	-	-	-	25,366,072	25,366,072
Shareholders' equity at December 31, 2008	<u>₩67,578,695</u>	<u>₩689,833,576</u>	<u>₩(47,451,112)</u>	<u>₩ 837,664,955</u>	<u>₩41,627,895</u>	<u>₩1,589,254,009</u>
Shareholders' equity at January 1, 2009	₩67,578,695	₩689,833,576	₩(47,451,112)	₩ 837,664,955	₩ 41,627,895	₩1,589,254,009
Cash dividends	-	-	-	-	(13,978,081)	(13,978,081)
Retained earnings after appropriations	67,578,695	689,833,576	(47,451,112)	837,664,955	27,649,814	1,575,275,928
Changes due to merger	824,855	24,296,541	(25,067,537)	(56,167)	-	(2,308)
Exercise of stock options	2,500	73,659	3,230,160	-	-	3,306,319
Acquisition of treasury stock	-	-	(3,082)	-	-	(3,082)
Stock compensation	-	-	2,270,393	-	-	2,270,393
Payment of long-term incentives	-	-	(10,724,071)	-	-	(10,724,071)
Loss on valuation of available-for sale securities, net	-	-	-	(118,304)	-	(118,304)
Loss on valuation of equity-method investments, net	-	-	-	(16,222,643)	-	(16,222,643)
Gain on valuation of derivative instruments, net	-	-	-	4,711,461	-	4,711,461
Change on revaluation of assets	-	-	-	(3,679,302)	-	(3,679,302)
Others	-	-	57,801	-	-	57,801
Net income	-	-	-	-	272,139,112	272,139,112
Shareholders' equity at December 31, 2009	<u>₩68,406,050</u>	<u>₩714,203,776</u>	<u>₩(77,687,448)</u>	<u>₩822,300,000</u>	<u>₩299,788,926</u>	<u>₩1,827,011,304</u>

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

CJ CheilJedang Corporation
Non-Consolidated Statements of Cash Flows
Years ended December 31, 2009 and 2008

<i>(in thousands of Korean won)</i>	2009	2008
Cash flows from operating activities		
Net income	₩ 272,139,112	₩ 25,366,072
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	97,337,245	89,194,372
Provision for severance benefits	22,719,558	25,397,958
Bad debts expense	10,485,673	1,545,772
Stock based compensation	2,270,393	8,744,588
Loss (gain) on valuation of inventories	(556,510)	1,354,386
Loss from inventory obsolescence	21,014,692	23,680,524
Loss (gain) on foreign currency translation, net	(56,838,185)	63,261,187
Loss on disposal of equity-method investments	-	2,642,506
Loss (gain) on valuation of equity-method investments, net	(66,733,598)	26,280,025
Gain on disposal of property, plant and equipment, net	(3,678,873)	(50,394,628)
Gain on settlement of derivative instruments, net	(28,234,102)	(1,477,692)
Loss (gain) on valuation of derivative instruments, net	13,393,318	(23,005,465)
Deferred income taxes	32,293,159	(6,074,150)
Others, net	2,077,817	(1,745,702)
Changes in operating assets and liabilities		
Decrease (increase) in trade accounts and notes receivable	41,809,386	(89,272,858)
Decrease (increase) in other accounts and notes receivable	(11,462,744)	7,651,226
Decrease (increase) in guarantee deposits	7,006,123	(11,035,116)
Decrease (increase) in inventories	148,927,720	(249,023,044)
Increase (decrease) in trade accounts and notes payable	(34,249,776)	42,657,026
Increase (decrease) in other accounts and notes payable	(38,201,053)	110,520,681
Increase (decrease) in withholdings	10,313,185	(11,696,637)
Increase (decrease) in accrued expenses	10,762,363	(4,315,726)
Increase (decrease) in income taxes payable	(4,168,817)	4,566,809
Payment of severance benefits	(21,147,074)	(18,330,069)
Others, net	(7,907,920)	(7,100,566)
Net cash provided by (used in) operating activities	<u>419,371,092</u>	<u>(40,608,521)</u>

CJ CheilJedang Corporation
Non-Consolidated Statements of Cash Flows
Years ended December 31, 2009 and 2008

<i>(in thousands of Korean won)</i>	2009	2008
Cash flows from investing activities		
Acquisition of available-for-sale securities	₩ (5,503,051)	₩ (3,405,918)
Increase in financial instruments	(241,113,249)	(3,654,332)
Decrease in long-term loans receivable	2,926,213	7,823,407
Proceeds from disposal of equity-method investments	-	1,746,215
Proceeds from disposal of property, plant and equipment	17,199,030	70,692,548
Acquisition of property, plant and equipment	(180,724,126)	(239,779,202)
Acquisition of intangible assets	(3,225,063)	(1,916,167)
Acquisition of equity-method investments	(21,400,018)	(18,868,366)
Settlement of derivative instruments	29,191,044	(12,860,185)
Others	(3,045,342)	(10,301,877)
Net cash used in investing activities	<u>(405,694,562)</u>	<u>(210,523,877)</u>
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(192,884,403)	291,390,747
Proceeds from long-term debts	482,117,535	363,426,148
Repayment of current maturities of long-term debts	(154,440,887)	(402,191,856)
Acquisition of treasury stock	(3,082)	-
Exercise of stock options	3,054,146	-
Payment of dividends	(13,978,081)	-
Net cash provided by financing activities	<u>123,865,228</u>	<u>252,625,039</u>
Net cash increase due to merger	<u>185,305</u>	<u>-</u>
Net increase in cash and cash equivalents	137,727,063	1,492,641
Cash and cash equivalents		
Beginning of the year	13,875,545	12,382,904
End of the year	<u>₩ 151,602,608</u>	<u>₩ 13,875,545</u>

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

CJ CheilJedang Corporation

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

1. The Company

CJ CheilJedang Corporation (the "Company") was incorporated on September 1, 2007, through the split-off of the manufacturing business segment of CJ Corporation. The Company's stocks are publicly traded, and all issued and outstanding shares are listed on the Korean Stock Exchange. The Company has 18 plants and is engaged in manufacturing and selling refined sugar, wheat flour, animal feeds, food seasonings, medicines and processed meat. The Company has 19 overseas subsidiaries in Asia, South America, Europe and in the United States as of December 31, 2009.

Under its Articles of Incorporation, the Company is authorized to issue 50 million shares of capital stock with a par value per share of ₩5,000. As of December 31, 2009, 13,681,210 shares are issued and outstanding.

As of December 31, 2009, the Company's major shareholder is CJ Corporation, which owns 32.26% of the outstanding shares, including preferred shares.

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 accompanying 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 non-consolidated financial statements.

Revenue Recognition

Revenue is the gross inflow of economic benefits arising in the ordinary course of the Company's activities and is measured as the fair value of the consideration received or receivable for the sale of goods and services in the said ordinary course of the Company's activities. Revenue is shown as net of value-added tax, sales discounts and sales returns. The Company recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow into the Company.

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Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of goods are transferred to the buyer.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks, and financial instruments with original maturity of three months or less. These financial instruments are readily convertible into cash without significant transaction costs and bear low risks from changes in value due to interest rate fluctuations.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts and notes receivable. Allowances are calculated based on the estimates made through a reasonable and objective method.

Inventories

The quantities of inventories are determined using the perpetual method and periodic inventory count, while the costs of inventories are determined using the moving-weighted average method, except for materials in transit which are stated at actual cost as determined by the specific identification method. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense. Replacement cost is used for the estimate of net realizable value of raw materials. If, however, the circumstances which caused the valuation loss cease to exist, the valuation loss is reversed up to the original carrying amount before valuation. The said reversal is deducted from cost of sales.

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.

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Notes to Non-Consolidated Financial Statements
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Equity-method Investments

Investees over which the Company can exercise significant influence should reflect any changes in equity after the initial purchase date. Under the equity method, the Company records changes in its proportionate ownership in the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investee. All other changes in equity should be accounted for under other comprehensive income and expense.

Property and Equipment, and Related Depreciation

Land is measured at fair value and property, plant and equipment, except land, are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use.

An increase as a result of a revaluation is credited directly to equity under other accumulated comprehensive income and expense. However, the decrease as a result of a revaluation is deducted directly from equity under other accumulated other comprehensive income and expense to the extent of any balance existing in the revaluation surplus in respect of that asset and the residual is recognized as profit or loss.

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

	Estimated Useful Lives
Buildings and structures	4 - 30 years
Machinery and equipment	3 - 8 years
Gardens	4 - 30 years

Expenditures incurred after the acquisition or completion of assets is 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 the following estimated useful lives:

	Estimated Useful Lives
Goodwill	5 - 10 years
Industrial property rights	5 - 10 years

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share in the net identifiable assets of the acquired subsidiary or associate at the date of acquisition.

CJ CheilJedang Corporation
Notes to Non-Consolidated Financial Statements
December 31, 2009 and 2008

Impairment of Assets

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or an abrupt decline in the market value of the asset, the said decline in value is deducted from the book value to agree with recoverable amount and is recognized as an asset impairment loss for the period. When the recoverable value subsequently exceeds the book value, the impairment amount is recognized as gain for the period to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment. Reversal of impairment of goodwill is not allowed.

Stock and Bond Issuance Costs

Stock issuance costs are charged directly to paid-in capital in excess of par value. Bond issuance costs are charged directly to bond issuance price and accounted for as increase in discount on bonds or decrease in premium on bonds.

Discounts on Bonds

Discounts on bonds are amortized using the effective interest method over the maturity of the bonds and the amortized current portion is recorded as bond interest expense.

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 date of statement of financial position, 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 date of statement of financial position.

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.

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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.

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 date of statement of financial position and at settlement date. The change in fair value is recognized as an expense.

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.

Government Grants

Government grants received, which are to be repaid, are recorded as liability, while grants without obligation to be repaid are offset against cost of assets purchased with such grants. Grants received for a specific purpose are offset against the specific expense for which it was granted, and other grants are recorded as a gain for the period.

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3. Short-term Investments

Short-term investments as of December 31, 2009 and 2008, consist of the following:

<i>(In thousands of Korean won)</i>	2009	2008
Passbook accounts ¹	₩ 682,073	₩ 1,427,322
Time deposits ¹	246,545,000	3,000,000
Short-term loans receivable	158,766	3,239,891
Available-for-sale securities	1,166,491	240,115
	<u>₩ 248,552,330</u>	<u>₩ 7,907,328</u>

¹ As of December 31, 2009, passbook accounts are subject to withdrawal restrictions in relation to government-sponsored research, and ₩2,545 million of time deposit is subject to withdrawal restrictions related to the Company's agreement with a bank to promote the Company's products.

4. Accounts and Notes Receivable

On September 21, 2007, the Company entered into an agreement with Kookmin Bank to transfer the trade accounts receivable from certain selected 3,448 customers amounting to ₩367,995 million, and for asset securitization pursuant to the Asset Securitization Law in Korea. The Company transferred trade accounts receivable and in return, received ₩240,000 million in cash and subordinated beneficiary certificates amounting to ₩127,995 million, which are recorded as trade accounts and notes receivable. As a result of the above asset securitization, the Company recorded ₩14,399 million of loss on disposal of trade accounts receivable as non-operating expense for the year ended December 31, 2009.

5. Inventories

Inventories as of December 31, 2009 and 2008, consist of the following:

<i>(In millions of Korean won)</i>	2009	2008
Finished goods and merchandise	₩ 133,612	₩ 170,154
Semi-finished goods and work-in-process	26,119	44,114
Raw materials and supplies	103,984	214,142
Stored goods	8,797	10,600
Materials-in-transit	130,836	131,788
	<u>403,348</u>	<u>570,798</u>
Less: Allowance for inventory valuation	(2,804)	(3,360)
	<u>₩ 400,544</u>	<u>₩ 567,438</u>

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Inventories are insured against fire and other casualty losses for up to ₩454,987million as of December 31, 2009.

6. Long-Term Available-For-Sale Securities

Long-term available-for-sale securities as of December 31, 2009 and 2008, consist of the following:

<i>(in thousands of Korean won)</i>	Detail	2009			2008
		Acquisition Cost	Fair Value or Net Book Value	Recorded Book Value	Recorded Book Value
Marketable investments	(1)	₩ 7,073,656	₩ 6,405,145	₩ 6,405,145	₩ 1,278,975
Non-marketable investments	(2)	11,713,215	527,839,508	9,679,820	1,542,345
Other investments	(3)	14,737,437	13,690,129	14,737,437	12,374,387
		<u>₩ 33,524,308</u>	<u>₩547,934,782</u>	<u>₩ 30,822,402</u>	<u>₩ 15,195,707</u>

(1) Marketable investments

Marketable investments as of December 31, 2009 and 2008, consist of the following:

<i>(in thousands of Korean won)</i>	Number of Shares Owned	Percentage of Ownership (%)	2009		2008	
			Acquisition Cost	Fair Value	Recorded Book Value	Recorded Book Value
A-Motion Co., Ltd.	5,137	0.01	₩ 200,001	₩ 4,264	₩ 4,264	₩ 2,286
Shinhan Financial Group Co.,Ltd.	147	0.00	6,027	6,350	6,350	-
KT Corporation	130,653	0.05	5,095,467	5,108,532	5,108,532	-
Neuralstem Inc.	615,309	1.91	1,772,161	1,285,999	1,285,999	1,276,689
			<u>₩ 7,073,656</u>	<u>₩6,405,145</u>	<u>₩6,405,145</u>	<u>₩ 1,278,975</u>

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(2) Non-marketable investments

Non-marketable investments as of December 31, 2009 and 2008, consist of the following:

<i>(in thousands of Korean won, except number of shares and percentage of ownership)</i>	2009				2008	
	Number of Shares Owned	Percentage of Ownership (%)	Acquisition Cost	Market Value or Net book Value	Recorded Book Value	Recorded Book Value
Samsung Life Insurance Co., Ltd.	959,151	4.80	₩ 776,468	₩522,995,450	₩ 776,468	₩ 776,468
Samsung Lions Co., Ltd.	29,999	15.00	149,995	-	-	-
Nature & Human Co., Ltd.	31,840	15.86	159,200	175,858	159,200	159,200
Bioholdings Co., Ltd.	9,286	3.57	250,000	-	-	-
Dream CIS Co., Ltd.	3,120	3.10	100,050	-	-	-
Ginseng Science Inc.	19,900	0.49	9,950	48,861	9,950	9,950
KPX Biotech Co., Ltd. ¹ (Formerly Ace Biotech Inc.)	5,652	0.62	100,000	39,543	100,000	100,000
Ezmedicom Inc. ¹	80,000	0.35	200,000	46,659	200,000	200,000
Incheon Development Co., Ltd.	685	2.85	14,800	16,024	14,800	14,800
Pharmtech Holdings Co., Ltd.	68,640	1.99	200,000	-	-	-
The Korea Economic Daily Co., Ltd. ¹	2,872	0.02	40,600	18,179	40,600	40,600
Jebun Industry Co., Ltd.	39,792	18.88	227,215	795,782	227,215	227,215
Korea Alcohol Sales Co., Ltd.	2,172	0.60	11,553	43,700	11,553	11,553
Julynet Co., Ltd.	28,014	15.30	1,333,350	-	-	-
Sang-yeon Tech Co., Ltd.	2	0.00	1,889	1,889	1,889	1,889
Eland Retail. Ltd (Formerly New Core Co., Ltd.)	133	0.00	670	2,112	670	670
Join Co., Ltd.	86,000	3.26	2,150,000	925,300	2,150,000	-
Haitai Confectionery & Foods Co., Ltd	426,000	3.68	5,987,475	2,730,151	5,987,475	-
Total			<u>₩11,713,215</u>	<u>₩527,839,508</u>	<u>₩9,679,820</u>	<u>₩1,542,345</u>

The fair values of non-marketable equity securities could not be reliably estimated. Accordingly, these equities are presented at their acquisition cost.

¹As of December 31, 2009, the net asset values of the investments 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 the future.

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(3) Other investments

Other investments as of December 31, 2009 and 2008, consist of the following:

(in thousands of Korean won)

	2009			2008
	Acquisition Cost	Market Value or Net book Value	Recorded Book Value	Recorded Book Value
Investments in partnerships	₩ 81,500	₩ 103,624	₩ 81,500	₩ 1,071,500
Investments in private equity fund	14,655,737	13,586,313	14,655,737	11,302,687
Others	200	192	200	200
	<u>₩14,737,437</u>	<u>₩13,690,129</u>	<u>₩14,737,437</u>	<u>₩12,374,387</u>

Valuation Loss on Available-For-Sale Securities

For the years ended December 31, 2009 and 2008, the changes in valuation gain (loss) on long-term available-for-sale securities are as follows:

<i>(in millions of Korean won)</i>	2009				2008		
	January 1, 2009	Changes due to merger	Valuation Amount	December 31, 2009	January 1, 2008	Valuation Amount	December 31, 2008
Short-term available-for-sale securities	₩ (11,074)	₩ -	₩ (52,366)	₩ (63,440)	₩ -	₩ (11,074)	₩ (11,074)
A-Motion Co., Ltd.	(28,872)	-	1,543	(27,329)	(12,665)	(16,207)	(28,872)
Shinhan Financial Group Co.,Ltd.	-	1,777	(139)	1,638	-	-	-
KT Corporation	-	385,425	(74,601)	310,824	-	-	-
Neuralstem Inc.	(386,468)	-	7,261	(379,207)	-	(386,468)	(386,468)
	<u>₩(426,414)</u>	<u>₩387,202</u>	<u>₩(118,302)</u>	<u>₩(157,514)</u>	<u>₩(12,665)</u>	<u>₩(413,749)</u>	<u>₩(426,414)</u>

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7. Equity-Method Investments

Equity-method investments as of December 31, 2009, 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
Superfeed Co., Ltd.	2,428,630	99.99	₩ 12,169,243	₩ 18,064,014	₩ 17,366,711
CJ MD1 Co., Ltd.	40,000	100.00	200,000	(646,694)	-
Shindongbang CP Corporation	2,991,624	99.72	79,436,681	41,056,473	70,882,120
Samho F&G Corp.	16,714,090	46.51	19,994,908	11,659,031	19,404,880
Hasunjung General Food Co., Ltd.	90,000	100.00	33,183,311	23,568,370	33,244,080
CJ Liaocheng Biotech Co., Ltd.	-	100.00	47,225,960	131,182,575	129,765,362
CJ Do Brasil Ind. Com. Prod. Alim. Ltda.	-	99.99	57,707,125	41,141,978	40,768,060
CJ America Inc.	156	100.00	19,732,715	16,474,338	15,581,101
CJ China Ltd.	299	99.66	157,890	7,527,352	8,086,381
P.T. Cheil Jedang Indonesia	102,224	99.99	97,869,072	168,304,301	164,418,416
CJ Qingdao Foods Co., Ltd.	-	100.00	16,906,391	(307,611)	-
CJ Beijing Beverage Co., Ltd.	-	100.00	14,949,363	10,833,664	10,789,500
CJ Europe GmbH.	-	100.00	150,338	3,941,796	3,946,292
Annie Chun's Inc.	2,390,383	100.00	11,164,151	(1,089,113)	505,827
CJ Pacific Corp.	5	100.00	56,620	1,512,040	1,512,040
CJ Nutracon Pty. Ltd.	7,500,000	100.00	5,391,100	4,167,987	4,106,236
Liaocheng Lantian Cogenerations Plant Co., Ltd.	-	100.00	9,708,468	11,774,696	11,217,346
Beijing Ershang CJ Food Co., Ltd.	-	49.00	5,076,782	6,969,339	6,969,339
CJ Omni Inc.	1,977	87.05	6,958,804	5,473,545	6,646,770
CJ International Trading Co., Ltd.	-	100.00	564,180	4,197,514	4,197,514
CJ Pharma Research India Pvt. Ltd.	-	100.00	1,573,390	1,216,168	1,216,168
CJ&Hacl Foodtech Co., Ltd.	-	47.39	14,854,113	12,863,348	12,863,348
CJ Toyota Tsusho Philippines Inc.	3,019,966	52.94	7,632,450	7,073,888	7,073,888
Total			<u>₩ 462,663,055</u>	<u>₩ 526,958,999</u>	<u>₩ 570,561,379</u>

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Equity-method investments as of December 31, 2008, 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
Samyang Oil Co., Ltd.	3,778,784	99.99	₩ 18,981,276	₩ 27,552,412	₩ 27,222,889
Superfeed Co., Ltd.	2,428,630	99.99	12,169,243	19,249,135	18,843,846
CJ MD1 Co., Ltd.	40,000	100.00	200,000	824,032	824,451
Shindongbang CP Corporation	2,991,624	99.72	79,436,681	33,771,306	70,805,801
Samho F&G Corp.	16,714,090	46.51	19,994,908	9,885,099	18,772,632
Hasunjung General Food Co., Ltd.	90,000	100.00	33,183,311	26,780,301	37,791,193
CJ Liao Cheng Biotech Co., Ltd.	-	100.00	47,225,960	104,238,920	104,295,110
CJ Do Brasil Ind. Com. Prod. Alim. Ltda.	-	99.99	57,707,125	40,328,918	40,363,464
CJ America Inc.	289	100.00	19,732,715	11,464,143	9,449,614
CJ China Ltd.	299	99.66	157,890	6,844,581	6,812,774
P.T. Cheil Jedang Indonesia	102,224	99.99	97,869,072	130,394,191	130,205,745
CJ Qingdao Foods Co., Ltd.	-	100.00	16,906,391	5,163,167	5,226,761
CJ Beijing Beverage Co., Ltd.	-	100.00	14,949,363	16,990,898	16,990,898
CJ Ord River Sugar Pty., Ltd.	575,369,100	52.53	9,954,132	-	-
CJ Europe Gmbh.	-	100.00	150,338	2,890,104	2,670,009
Annie Chun's Inc.	2,031,825	84.99	7,767,001	66,795	2,451,605
CJ Pacific Corp.	5	100.00	56,620	1,574,316	1,574,316
CJ Nutracon Pty. Ltd.	7,500,000	100.00	5,391,100	2,781,224	2,781,224
Liaocheng Lantian Cogenerations Plant Co., Ltd.	-	100.00	9,708,468	5,775,308	5,775,308
Beijing Ershang CJ Food Co., Ltd.	-	49.00	5,076,782	7,310,598	7,310,598
CJ Omni Inc.	1,977	87.05	6,958,804	4,645,813	6,405,650
CJ International Trading Co., Ltd.	-	100.00	564,180	2,519,741	2,519,741
CJ Pharma Research India Pvt. Ltd.	-	100.00	1,573,390	1,472,393	1,472,393
CJ&Hacl Foodtech Co., Ltd.	-	38.11	4,483,697	3,757,936	3,757,936
Total			<u>₩470,198,447</u>	<u>₩466,281,331</u>	<u>₩524,323,958</u>

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Changes in goodwill (negative goodwill) for the year ended December 31, 2009, are as follows:

(in thousands of Korean won)

Investee	January 1, 2009	Increase (Decrease)	Amortization (Reversal)	December 31, 2009
Shindongbang CP Corporation	₩ 37,240,295	₩ -	₩ 7,093,389	₩ 30,146,906
Samho F&G Corp.	9,253,733	-	1,276,377	7,977,356
Hasunjung General Food Co., Ltd.	11,080,732	-	1,385,092	9,695,640
Annie Chun's Inc.	2,384,810	-	789,870	1,594,940
CJ Omni Inc.	1,759,837	-	586,612	1,173,225
CJ&Hacl Foodtech Co., Ltd.	-	106,650	106,650	-
Total	₩ 61,719,407	₩ 106,650	₩ 11,237,990	₩ 50,588,067

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

(in thousands of Korean won)

Investee	January 1, 2008	Increase (Decrease)	Amortization (Reversal)	December 31, 2008
Shindongbang CP Corporation	₩ 44,333,685	₩ -	₩ 7,093,390	₩ 37,240,295
Samho F&G Corp.	10,530,110	-	1,276,377	9,253,733
Hasunjung General Food Co., Ltd.	12,465,823	-	1,385,091	11,080,732
CJ Qingdao Foods Co., Ltd.	(82,973)	-	(82,973)	-
CJ Beijing Beverage Co., Ltd.	(101,249)	-	(101,249)	-
CJ Cambodia Co., Ltd.	9,389	-	9,389	-
Annie Chun's Inc.	2,190,356	1,369,955	1,175,501	2,384,810
CJ Omni Inc.	2,346,450	75,790	662,403	1,759,837
Total	₩ 71,691,591	₩ 1,445,745	₩ 11,417,929	₩ 61,719,407

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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, 2009 and 2008, are as follows:

(in thousands of Korean won)

Investee	2009	2008
Samyang Oil Co., Ltd.	₩ -	₩ (329,523)
Superfeed Co., Ltd.	(697,303)	(405,289)
CJ MD1 Co., Ltd.	56,447	419
Shindongbang CP Corporation	(321,259)	(205,800)
Samho F&G Corp.	(231,507)	(366,200)
Hasunjung General Food Co., Ltd.	(19,930)	(69,840)
CJ Liaocheng Biotech Co., Ltd.	(1,417,213)	56,190
CJ Do Brasil Ind. Com.Prod.Alim.Ltda.	(373,918)	34,546
CJ America Inc.	(893,237)	(2,014,529)
CJ China Ltd.	559,029	(31,807)
P.T. Cheil Jedang Indonesia	(3,885,885)	(188,446)
CJ Qingdao Food Co., Ltd.	(1,787,737)	63,594
CJ Europe GmbH.	4,496	(220,095)
CJ Beijing Beverage Co., Ltd.	(44,164)	-
CJ Nutracon Pty., Ltd.	(61,751)	-
Liaocheng Lantian Cogenerations Plant Co., Ltd.	(557,350)	-
Total	<u>₩ (9,671,282)</u>	<u>₩ (3,676,780)</u>

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The changes in the book values of equity-method investments for the year ended December 31, 2009, are as follows:

(in thousands of Korean won)

Investee	January 1, 2009	Gain (loss) on valuation of Equity-method Investments	Other Increase (Decrease)	December 31, 2009
Samyang Oil Co., Ltd.	₩ 27,222,889	₩ (1,961,157)	₩ (25,261,732)	₩ -
Superfeed Co., Ltd.	18,843,846	(1,477,135)	-	17,366,711
CJ MD1 Co., Ltd.	824,451	(824,451)	-	-
Shindongbang CP Corporation	70,805,801	76,319	-	70,882,120
Samho F&G Corp.	18,772,632	1,030,455	(398,207)	19,404,880
Hasunjung General Food Co., Ltd.	37,791,193	(4,527,168)	(19,945)	33,244,080
CJ Liaocheng Biotech Co., Ltd.	104,295,110	36,672,235	(11,201,983)	129,765,362
CJ Do Brasil Ind. Com. Prod. Alim. Ltda.	40,363,464	(8,560,753)	8,965,349	40,768,060
CJ America Inc.	9,449,614	7,484,807	(1,353,320)	15,581,101
CJ China Ltd.	6,812,774	1,876,880	(603,273)	8,086,381
P.T. Cheil Jedang Indonesia	130,205,745	42,707,717	(8,495,046)	164,418,416
CJ Qingdao Foods Co., Ltd.	5,226,761	(5,332,565)	105,804	-
CJ Beijing Beverage Co., Ltd.	16,990,898	(5,445,937)	(755,461)	10,789,500
CJ Europe GmbH.	2,670,009	1,514,918	(238,635)	3,946,292
Annie Chun's Inc.	2,451,605	(5,447,258)	3,501,480	505,827
CJ Pacific Corp.	1,574,316	55,287	(117,563)	1,512,040
CJ Nutracon Pty. Ltd.	2,781,224	599,242	725,770	4,106,236
Liaocheng Lantian Cogenerations Plant Co., Ltd.	5,775,308	6,442,335	(1,000,297)	11,217,346
Beijing Ershang CJ Food Co., Ltd.	7,310,598	192,430	(533,689)	6,969,339
CJ Omni Inc.	6,405,650	681,333	(440,213)	6,646,770
CJ International Trading Co., Ltd	2,519,741	2,027,664	(349,891)	4,197,514
CJ Pharma Research India Pvt. Ltd.	1,472,393	(329,496)	73,271	1,216,168
CJ&Hacl Foodtech Co., Ltd.	3,757,936	(438,212)	9,543,624	12,863,348
CJ Toyota Tsusho Philippines Inc.	-	(283,892)	7,357,780	7,073,888
Total	<u>₩524,323,958</u>	<u>₩ 66,733,598</u>	<u>₩ (20,496,177)</u>	<u>₩ 570,561,379</u>

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

(in thousands of Korean won)

Investee	January 1, 2008	Gain (loss) on valuation of Equity-method Investments	Other Increase (Decrease)	December 31, 2008
Samyang Oil Co., Ltd.	₩ 11,259,212	₩ 1,013,349	₩ 14,950,328	₩ 27,222,889
Superfeed Co., Ltd.	19,815,297	(5,564,653)	4,593,202	18,843,846
CJ MD1 Co., Ltd.	383,900	440,551	-	824,451
Shindongbang CP Corporation	76,074,932	(35,801,489)	30,532,358	70,805,801
Samho F&G Corp.	15,245,950	(1,209,485)	4,736,167	18,772,632
Hasunjung General Food Co., Ltd.	32,725,686	(1,109,941)	6,175,448	37,791,193
CJ Liaocheng Biotech Co., Ltd.	50,044,462	28,147,303	26,103,345	104,295,110
CJ Do Brasil Ind. Com. Prod. Alim. Ltda.	59,951,074	(22,969,726)	3,382,116	40,363,464
CJ America Inc.	4,098,440	2,668,257	2,682,917	9,449,614
CJ China Ltd.	4,469,204	708,259	1,635,311	6,812,774
P.T. Cheil Jedang Indonesia	87,409,862	14,863,736	27,932,147	130,205,745
CJ Qingdao Foods Co., Ltd.	168,290	(1,836,141)	6,894,612	5,226,761
CJ Beijing Beverage Co., Ltd.	10,128,916	35,129	6,826,853	16,990,898
CJ Ord River Sugar Pty., Ltd.	-	(1,968,736)	1,968,736	-
CJ Europe Gmbh.	1,147,308	1,004,579	518,122	2,670,009
CJ Cambodia Co., Ltd.(Preferred)	4,354,584	-	(4,354,584)	-
Annie Chun's Inc.	3,222,254	(2,478,608)	1,707,959	2,451,605
CJ Pacific Corp.	1,029,324	178,024	366,968	1,574,316
CJ Nutracon Pty. Ltd.	2,487,442	136,248	157,534	2,781,224
Liaocheng Lantian Cogenerations Plant Co., Ltd.	7,642,088	(4,472,876)	2,606,096	5,775,308
Beijing Ershang CJ Food Co., Ltd.	5,069,414	39,261	2,201,923	7,310,598
CJ Omni Inc.	5,627,766	(497,011)	1,274,895	6,405,650
CJ International Trading Co., Ltd	564,180	2,550,526	(594,965)	2,519,741
CJ Pharma Research India Pvt. Ltd.	-	(128,327)	1,600,720	1,472,393
CJ&Hacl Foodtech Co., Ltd.	-	(28,254)	3,786,190	3,757,936
Total	₩402,919,585	₩ (26,280,025)	₩147,684,398	₩524,323,958

CJ CheilJedang Corporation
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Gain or loss on equity-method investments recorded under other cumulative comprehensive income for the year ended December 31, 2009, consist of the following:

<i>(in thousands of Korean won)</i>	2009				
	January 1, 2009	Valuation Amount	Included in Earnings	Changes due to merger	December 31, 2009
Gain on valuation of equity-method investments	₩ 121,515,384	₩ (9,740,654)	₩ -	₩ (15,207,727)	₩ 96,567,003
Loss on valuation of equity-method investments	(3,187,294)	(6,481,989)	-	-	(9,669,283)
	<u>₩ 118,328,090</u>	<u>₩(16,222,643)</u>	<u>₩ -</u>	<u>₩ (15,207,727)</u>	<u>₩ 86,897,720</u>

Gain or loss on equity-method investments recorded under other cumulative comprehensive income for the year ended December 31, 2008, consisted of the following:

<i>(in thousands of Korean won)</i>	2008			
	January 1, 2008	Valuation Amount	Included in Earnings	December 31, 2008
Gain on valuation of equity-method investments	₩ 13,764,813	₩ 107,750,571	₩ -	₩ 121,515,384
Loss on valuation of equity-method investments	(28,739,653)	25,518,222	34,137	(3,187,294)
	<u>₩ (14,974,840)</u>	<u>₩ 133,268,793</u>	<u>₩ 34,137</u>	<u>₩ 118,328,090</u>

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Financial information of significant investees as of and for the year ended December 31, 2009, follows:

(in thousands of Korean won)

Investee	2009			
	Assets	Liabilities	Sales	Net income (loss)
Superfeed Co., Ltd.	₩ 31,701,218	₩ 13,636,430	₩ 39,441,492	₩ (1,185,172)
CJ MD1 Co., Ltd.	16,175,202	16,821,896	88,822,861	(1,470,726)
Shindongbang CP Corporation	115,206,734	74,035,310	121,783,845	7,305,565
Samho F&G Corp.	54,570,371	29,506,608	100,555,290	4,669,510
Hasunjung General Food Co., Ltd.	33,589,658	10,021,288	28,654,798	(3,191,987)
CJ Liaocheng Biotech Co., Ltd.	240,552,655	109,370,080	231,466,514	38,145,638
CJ Do Brasil Ind. Com. Prod.Alim.Ltda.	199,650,131	158,508,153	120,608,818	(8,152,289)
CJ America Inc.	58,612,964	42,138,626	147,689,262	6,363,515
CJ China Ltd.	176,146,068	168,593,793	382,108,657	1,290,302
P.T. Cheil Jedang Indonesia	505,541,669	337,237,207	499,394,194	46,405,201
CJ Qingdao Foods Co., Ltd.	26,748,738	27,056,349	53,696,689	(5,576,582)
CJ Beijing Beverage Co., Ltd.	17,154,916	6,321,252	10,020,666	(5,401,774)
CJ Europe GmbH.	82,617,901	78,676,105	262,627,381	1,290,326
Annie Chun's Inc.	6,717,977	7,807,090	19,707,382	(1,272,291)
CJ Pacific Corp.	1,512,040	-	74,809,530	55,287
CJ Nutracon Pty. Ltd.	24,481,337	20,313,350	10,075,104	660,993
Liaocheng Lantian Cogenerations Plant Co., Ltd.	40,387,110	28,612,414	32,654,565	6,999,686
Beijing Ershang CJ Food Co., Ltd.	19,259,453	5,036,270	27,519,180	392,716
CJ Omni Inc.	8,774,710	2,487,193	15,766,315	1,456,502
CJ International Trading Co., Ltd.	4,758,572	561,058	7,254,304	2,027,664
CJ Pharma Research India Pvt. Ltd.	1,240,571	24,403	309,570	(329,496)
CJ&Hacl Foodtech Co., Ltd.	33,754,541	6,611,063	-	(699,661)
CJ Toyota Tsusho Philippines Inc.	15,556,841	2,195,052	-	(536,241)

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

(in thousands of Korean won)

Investee	2008			
	Assets	Liabilities	Sales	Net income (loss)
Samyang Oil Co., Ltd.	₩50,364,270	₩ 22,809,519	₩54,993,728	₩ 856,863
Superfeed Co., Ltd.	38,440,431	19,190,472	52,284,684	(5,458,140)
CJ MD1 Co., Ltd.	13,532,685	12,708,653	86,340,995	469,116
Shindongbang CP Corporation	118,008,405	84,142,547	98,831,776	(28,846,306)
Samho F&G Corp.	56,515,484	35,265,193	99,864,966	532,965
Hasunjung General Food Co., Ltd.	44,607,530	17,827,229	43,880,118	344,990
CJ Liaocheng Biotech Co., Ltd.	220,883,655	116,644,735	153,304,852	28,079,015
CJ Do Brasil Ind. Com. Prod.Alim.Ltda.	180,207,667	139,878,749	107,806,846	(22,979,985)
CJ America Inc.	63,170,977	51,706,834	106,052,188	1,847,412
CJ China Ltd.	216,953,699	210,086,456	402,018,918	899,679
P.T. Cheil Jedang Indonesia	568,652,132	438,257,816	446,273,876	17,013,735
CJ Qingdao Foods Co., Ltd.	36,293,669	31,130,502	44,240,995	(2,444,557)
CJ Beijing Beverage Co., Ltd.	25,963,280	8,972,381	9,216,474	(66,119)
CJ Ord River Sugar Pty., Ltd.	737,972	10,555,887	-	-
CJ Europe GmbH.	106,775,366	103,885,262	248,635,501	887,215
Annie Chun's Inc.	5,659,336	5,580,744	15,247,524	(1,467,676)
CJ Pacific Corp.	1,642,135	67,819	35,467,735	220,407
CJ Nutracon Pty. Ltd.	19,981,677	17,200,453	14,820,753	5,645
Liaocheng Lantian Cogenerations Plant Co., Ltd.	42,550,587	36,775,279	20,410,698	(4,472,876)
Beijing Ershang CJ Food Co., Ltd.	19,832,405	4,912,773	23,958,477	80,125
CJ Omni Inc.	8,698,331	3,361,640	10,021,469	164,079
CJ International Trading Co., Ltd.	2,904,207	384,467	4,776,853	1,520,260
CJ Pharma Research India Pvt. Ltd.	1,480,682	8,290	-	(128,327)
CJ&Hacl Foodtech Co., Ltd.	9,885,563	25,090	-	(69,453)

Market value information of an investee as of December 31, 2009 and 2008, follows:

(in thousands of Korean won)

Investee	2009		2008	
	Market Value	Recorded Book Value	Market Value	Recorded Book Value
Samho F&G Corp.	₩ 17,382,654	₩ 19,404,880	₩ 9,025,609	₩ 18,772,632

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8. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2009 and 2008, and the changes in the accounts for the years ended December 31, 2009 and 2008, consist of the following:

<i>(in millions of Korean won)</i>	2009					
	Land	Buildings and structures	Machinery and equipment	Construction - in-progress	Others	Total
Balance at January 1, 2009	₩ 1,414,877	₩ 312,797	₩ 235,639	₩ 128,452	₩ 5,578	₩ 2,097,343
Acquisition	657	60,160	49,464	69,499	943	180,723
Changes due to merger	19,861	2,423	3,196	670	24	26,174
Transfer	36,976	35,912	15,438	(88,326)	-	-
Disposal	(8,065)	(6,014)	(4,033)	-	(125)	(18,237)
Depreciation	-	(23,457)	(67,664)	-	(1,559)	(92,680)
Others	-	(123)	(197)	71	(6)	(255)
Balance at December 31, 2009	<u>₩ 1,464,306</u>	<u>₩ 381,698</u>	<u>₩ 231,843</u>	<u>₩ 110,366</u>	<u>₩ 4,855</u>	<u>₩ 2,193,068</u>

<i>(in millions of Korean won)</i>	2008					
	Land	Buildings and structures	Machinery and equipment	Construction - in-progress	Others	Total
Balance at January 1, 2008	₩ 477,563	₩ 269,739	₩ 193,264	₩ 80,466	₩ 5,454	₩ 1,026,486
Gain on revaluation	935,907	-	-	-	-	935,907
Acquisition	14,712	55,176	96,491	71,849	1,551	239,779
Transfer	856	15,074	7,836	(23,862)	96	-
Disposal	(14,161)	(5,255)	(718)	-	(164)	(20,298)
Depreciation	-	(21,718)	(61,400)	-	(1,359)	(84,477)
Others	-	(219)	166	-	(1)	(54)
Balance at December 31, 2008	<u>₩ 1,414,877</u>	<u>₩ 312,797</u>	<u>₩ 235,639</u>	<u>₩ 128,453</u>	<u>₩ 5,577</u>	<u>₩ 2,097,343</u>

As of December 31, 2009, the Company's land amounting to ₩130,000 million is pledged as collateral for long-term debt (Note 12).

In 2008, the Company sold the land and buildings of its SuWon plant to Hwa-sung Bongdam PFV Corp. for ₩68,332 million, from which a gain on disposal of ₩48,118 million was recorded as non-operating income.

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As of December 31, 2009, depreciable assets are insured against fire and other casualty losses, contingent business interruption losses, director and officer liability losses, and product liability losses for up to ₩1,633,054 million, ₩682,951 million, ₩50,000 million and ₩6,658 million, respectively.

As of December 31, 2009, the value of land based on the posted price issued by the Korean tax authority amounted to ₩877,610 million (2008: ₩842,450 million).

As of December 31, 2009, construction-in-progress consists mainly of costs incurred in the construction of the Osong plant.

9. Intangible Assets

The details of the changes in intangible assets for the years ended December 31, 2009 and 2008, are as follows:

<i>(in thousands of Korean won)</i>	2009		
	Goodwill	Industrial Property Rights	Total
Balance at January 1, 2009	₩ 6,895,127	₩ 6,352,267	₩ 13,247,394
Acquisition	-	3,225,063	3,225,063
Disposal	-	(127)	(127)
Amortization	<u>(3,362,054)</u>	<u>(1,294,597)</u>	<u>(4,656,651)</u>
Balance at December 31, 2009	<u>₩ 3,533,073</u>	<u>₩ 8,282,606</u>	<u>₩ 11,815,679</u>
Accumulated amortization	<u>₩ 14,500,932</u>	<u>₩ 11,054,594</u>	<u>₩ 25,555,526</u>

<i>(in thousands of Korean won)</i>	2008		
	Goodwill	Industrial Property Rights	Total
Balance at January 1, 2008	₩ 10,570,678	₩ 5,478,082	₩ 16,048,760
Acquisition	-	1,916,167	1,916,167
Disposal	-	(700)	(700)
Amortization	<u>(3,675,551)</u>	<u>(1,041,282)</u>	<u>(4,716,833)</u>
Balance at December 31, 2008	<u>₩ 6,895,127</u>	<u>₩ 6,352,267</u>	<u>₩ 13,247,394</u>
Accumulated amortization	<u>₩ 11,138,878</u>	<u>₩ 9,760,379</u>	<u>₩ 20,899,257</u>

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Amortization of intangible assets is charged to the following accounts:

<i>(in thousands of Korean won)</i>	2009	2008
Production costs	₩ 4,167	₩ -
Selling and administrative expenses	4,652,484	4,716,833
	<u>₩ 4,656,651</u>	<u>₩ 4,716,833</u>

The Company recognized research and development costs of ₩51,985 million (2008: ₩51,684 million) as expense for the year ended December 31, 2009.

10. Short-Term Borrowings

Short-term borrowings as of December 31, 2009 and 2008, consist of the following:

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)	2009	2008
Bank overdraft facilities	-	₩ -	₩ 16,482,713
General short-term loan	3.5 - 4.0	14,175,000	173,010,000
Usance financing	1.35 - 6.12	419,169,781	451,482,509
		<u>₩ 433,344,781</u>	<u>₩ 640,975,222</u>

As of December 31, 2009, the Company has bank overdraft agreements of up to a maximum of ₩91,000 million with five banks, including Woori Bank.

11. Debentures

Debentures outstanding as of December 31, 2009 and 2008, consist of the following:

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)	2009	2008
Non-guaranteed public bonds	4.6 - 5.5	₩ 250,000,000	₩ -
Bonds payable in foreign currency ¹	4.4 - 6.5	268,548,000	289,225,000
		518,548,000	289,225,000
Less: Discounts		(2,448,404)	(2,820,003)
Less: Current maturities		(93,255,190)	-
		<u>₩ 422,844,406</u>	<u>₩ 286,404,997</u>

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¹ In order to reduce the impact of changes in exchange rates and interest rates on future cash flows, the Company enters into foreign currency and interest rate swap contracts. As of December 31, 2009, an unrealized loss of ₩4,861 million resulting from these swap contacts was recorded as other cumulative comprehensive income (Note 15).

12. Long-term Borrowings

Long-term borrowings as of as of December 31, 2009 and 2008, consist of the following:

<i>(in thousands of Korean won)</i>	Annual Interest Rates (%)	2009	2008
Local currency loans			
Korea Exchange Bank	5.02	₩ 50,000,000	₩ 150,000,000
Shinhan Bank	5.00 - 5.01	150,000,000	150,000,000
Kookmin Bank ¹	5.69	21,379,650	-
Nong Hyup Bank	4.00	5,000,000	-
Foreign currency loans (Won equivalent)			
Woori Bank	0.70 - 2.10	119,648,620	94,332,896
Nong Hyup Bank	1.55 - 2.09	9,591,767	8,349,675
Kookmin Bank	0.74 - 2.31	77,280,437	-
The Korea Development Bank	0.70 - 2.12	28,157,034	6,199,203
		<u>461,057,508</u>	<u>408,881,774</u>
Less: Current maturities		<u>(264,781,540)</u>	<u>(154,440,887)</u>
		<u>₩ 196,275,968</u>	<u>₩ 254,440,887</u>

¹ A certain portion of the Company's land as of December 31, 2009, is pledged as collateral for the above long-term debt (Note 8).

In order to hedge the impact of fluctuations in interest rates of local currency loans amounting to ₩200,000 million, the Company has entered into interest rate swap contracts and recorded ₩672 million as loss on valuation of derivative instruments under other cumulative comprehensive income for the year ended December 31, 2009.

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Maturities of long-term loans outstanding as of December 31, 2009, excluding discounts are as follows:

<i>(in thousands of Korean won)</i> Year of maturity	Loans	Debentures	Total
2011	₩ 175,140,000	₩ 185,586,143	₩ 360,726,143
2012	250,000,000	7,126,550	257,126,550
2013	-	3,563,275	3,563,275
	<u>₩ 425,140,000</u>	<u>₩ 196,275,968</u>	<u>₩ 621,415,968</u>

13. Accrued Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2009 and 2008, consist of the following:

<i>(In thousands of Korean won)</i>	2009	2008
Balance at beginning of the year	₩ 83,579,408	₩ 74,142,124
Provision for severance benefits	24,338,835	27,767,353
Changes due to merger	704,912	-
Actual severance payments	21,147,074	18,330,069
	<u>87,476,081</u>	<u>83,579,408</u>
Less : Cumulative deposits to National Pension Fund	(437,594)	(498,191)
Severance insurance deposits	(59,992,186)	(56,226,461)
Balance at end of the year	<u>₩ 27,046,301</u>	<u>₩ 26,854,756</u>

As of December 31, the Company estimates severance payable to all employees to be ₩87,476 million (2008: ₩83,579 million) and records the corresponding amount as accrued severance benefits.

Also, the Company funded 69% (2008: 67%) of severance payable through severance insurance deposits with three insurance companies including Samsung Life Insurance Co., Ltd.

14. Commitments and Contingencies

As of December 31, 2009, the Company has corporate purchase card agreements with a credit of up to ₩44,000 million with two banks, including Industrial Bank of Korea.

As of December 31, 2009, the Company has trade notes receivable discounting facilities with two Korean banks, including Shinhan Bank, with a combined limit of up to ₩240,000 million and collateral loan facilities on accounts receivables for up to ₩215,000 million with four Korean banks, including Woori Bank. Also the Company has general loan agreements for up to ₩245,200 million with five financial institutions, including Nonghyup.

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As of December 31, 2009, the Company is a party to various legal claims and proceedings amounting to ₩5,938 million as the plaintiff and ₩5,311 million as defendant. The Company's management believes that, although the outcome of these cases is uncertain, the ultimate resolution of these cases will not have a material adverse effect on the operations or financial position of the Company.

As of December 31, 2009, the Company has technical assistance agreements with certain companies requiring payment for use of the technology or from sales of products manufactured using such technology. Total royalty fees incurred for the year ended December 31, 2009, with respect to these agreements amounted to approximately ₩6,220 million.

As of December 31, 2009, the Company has banker's usance borrowing agreements of up to a maximum of ₩1,333,983 million with 16 banks, including Woori Bank.

As of December 31, 2009, one blank check is held as a collateral by Korea Agricultural Trade Corporation to guarantee certain contractual obligations.

As of December 31, 2009, in connection with performance guarantees, the Company is provided with payment guarantees of ₩4,555 million from Seoul Guarantee Insurance Company. The Company's export is insured up to ₩49,541 million by Korea Export Insurance Corporation.

15. Derivative Instruments

Derivative instruments as of December 31, 2009 and 2008, consist of the following:

	2009				
	Trading		Hedge		Other
<i>(In thousands of Korean won)</i>	Valuation gain	Valuation loss	Valuation gain	Valuation loss	comprehensive income ¹
Commodity futures	₩ 8,145,098	₩ (57,563)	₩ -	₩ -	₩ -
Commodity option	4,833,276	(1,530,588)	-	-	-
Foreign currency forward	43,772	(2,493,413)	-	-	-
Foreign currency option	64,687	(1,831,727)	-	-	-
Foreign currency swap	-	-	-	(20,566,860)	2,956,734
Interest rate swap	-	-	-	-	3,082,370
	<u>₩13,086,833</u>	<u>₩ (5,913,291)</u>	<u>₩ -</u>	<u>₩(20,566,860)</u>	<u>₩ 6,039,104</u>

¹The ₩4,711 million, net of tax, was recorded as other cumulative comprehensive income.

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	2008				
	Trading		Hedge		Other
<i>(In thousands of Korean won)</i>	Valuation gain	Valuation loss	Valuation gain	Valuation loss	comprehensive income ¹
					₩
Commodity futures	₩ 890,813	₩ (7,678,560)	₩ -	₩ -	-
Commodity option	4,418,900	(22,195,416)	-	-	-
Foreign currency forward	14,353,735	(11,215,382)	-	-	-
Foreign currency option	6,878,855	(1,273,438)	-	-	-
Foreign currency swap	-	-	44,137,959	(5,312,000)	(9,189,284)
Interest rate swap	2,357,280	(2,357,281)	-	-	(9,516,807)
	<u>₩28,899,583</u>	<u>₩(44,720,077)</u>	<u>₩ 44,137,959</u>	<u>₩ (5,312,000)</u>	<u>₩(18,706,091)</u>

¹The ₩14,285 million, net of tax, was recorded as other cumulative comprehensive income.

As of December 31, 2009, the Company is provided with payment guarantees of US\$ 10,000 thousand for futures trading from Bank of America (BOA) in relation to the above futures contracts.

The Company applies cash flow hedge accounting and is exposed to fluctuations in cash flows up to July 8, 2011. Total other cumulative comprehensive income recognized under the cash flow hedge amounts to ₩7,094 million, of which ₩2,697 million is expected to be recognized as income within 12 months from December 31, 2009.

16. Capital Stock

Under its Articles of Incorporation, the Company is authorized to issue 50 million shares of capital stock with a par value of ₩5,000 per share. As of December 31, 2009, 12,040,644 shares of common stock and 1,640,566 preferred stock are issued and outstanding. Also the Company may, among the authorized number of shares, issue 10 million shares of non-voting, cumulative and participating preferred stock. The Board of Directors of the Company may decide on the dividend rate of preferred shares if the shares are issued at a dividend rate of greater than 9% of the par value.

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The preferred stock the Company has issued as of December 31, 2009, consists of:

	Preferred Stock	Third-preferred Stock
Number of shares issued	1,327,433	313,133
Voting rights	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 deciding the paying out of preferred dividends.
Maturity Date	No maturity	Conversion to common stock on January 1, 2010. However, if certain amounts of dividends are not paid out before the maturity date, the maturity is extended.
Dividends	Non-participating, non-cumulative and entitled to receive dividends of more than 1% of par value than common share	Participating and cumulative
Minimum dividend rate (annual)	-	9%

The Company is authorized to issue to investors, other than current shareholders, convertible debentures and debentures with warrants with face values of up to ₩250 billion each. The convertible debentures are assigned to common stock and preferred stock by ₩125 billion each.

The Company may grant option to purchase shares of common stock to key employees or directors who have contributed or are expected to contribute to the management and technological innovation of the Company with the approval of shareholders. The grant limit of the option is 15% of outstanding shares. However, within 10% of outstanding shares, the option may be granted with the Board of Directors' approval.

The 598,485 shares of second preferred stock were converted into common stock on March 11, 2009. Accordingly, common stock increased by ₩2,992 million, while preferred stock decreased by ₩2,992 million.

The Company issued 164,971 shares of common stock upon merging with its subsidiary, Samyang Oil Co., Ltd., and 500 shares of common stock through exercise of stock options.

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17. Dividends

		2009	2008
Number of shares eligible for dividends	Common stock	11,895,072	11,265,567
	Preferred stock	1,326,309	1,326,310
	Second-preferred stock	-	597,863
	Third-preferred stock	312,405	312,405
Dividend rate	Common stock	70.00%	20.00%
	Preferred stock	71.00%	21.00%
	Second-preferred stock	-	29.00%
	Third-preferred stock	70.00%	29.00%
Dividend amount (in millions of Korean won)	Common stock	₩ 41,633	₩ 11,265
	Preferred stock	₩ 4,708	₩ 1,393
	Second-preferred stock	-	₩ 867
	Third-preferred stock	₩ 1,093	₩ 453
Dividend payout ratio (Dividend / Net income)		17.43%	55.11%
Dividend yield ratio (Dividend share / Market price)	Common stock	1.70%	0.56%
	Preferred stock	5.85%	2.19%
	Second-preferred stock	-	0.87%
	Third-preferred stock	1.70%	1.01%

18. Treasury Stock

As of December 31, 2009, the Company holds 145,572 common shares and 1,852 preferred shares as treasury stock and intends to dispose of the remaining treasury shares depending on the market conditions.

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19. Stock Option Plan

On September 1, 2007, the Company assumed certain stock options which have been granted before September 1, 2007 and outstanding as of September 1, 2007. On February 29, 2008 and March 9, 2009, the Company granted its employees stock options to purchase its shares at a pre-determined exercise price. Details of stock options 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	March 9, 2009
Options transferred ¹	2,516	10,730	19,111	11,507	14,615	46,500	-	-
Options granted	-	-	-	-	-	-	86,000	16,500
Exercised	740	4,516	1,184	2,855	3,345	19,000	-	-
Forfeited	-	-	-	-	-	-	-	-
Options outstanding								
as of December 31, 2009	1,776	6,214	17,927	8,652	11,270	27,500	86,000	16,500
Exercise price per share	₩ 40,000	₩58,000	₩ 41,000	₩69,000	₩71,000	₩120,000	₩ 277,000	₩136,000
Exercise period from the								
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	4~10 years

¹ Options transferred represents number of granted options not yet exercised as of September 1, 2007.

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

The compensation expense related to stock options was ₩2,270,393 thousand for the year ended December 31, 2009, while the estimated compensation expense for the periods thereafter is ₩5,821,942 thousand.

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	March 9, 2009
Risk-free interest rates	5.10%	6.37%	4.69%	4.56%	4.12%	4.93%	5.09%	4.57%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years	5 years	5 years
Expected stock price volatility	70.60%	66.18%	54.81%	38.48%	35.73%	36.34%	56.59%	71.66%
Expected forfeiture rate	1.00%	1.00%	1.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Additionally, the Company has granted stock incentives based on a three years performance of the management and officers of the Company from January 1, 2007. The Company paid the incentives with cash on the maturity date.

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20. Assets and Liabilities Denominated in Foreign Currencies

As of December 31, 2009 and 2008, assets and liabilities denominated in foreign currencies and related gains and losses on foreign currency translation, are as follows:

(only Korean won in thousands)

Account	2009				2008	
	Foreign Currencies	Korean Won equivalent	Translation Gain	Translation Loss	Korean Won equivalent	
Assets						
Trade accounts and notes receivable	AU\$	-	₩ -	₩ -	₩ -	₩ 4,785
	EUR	70,131	117,419	-	8,638	555,654
	JPY	359,106,551	4,534,869	-	148,807	5,135,488
	US\$	19,104,284	22,306,162	-	474,351	22,576,389
		26,958,450	-	631,796	28,272,316	
Other accounts and notes receivable	CNY	581,038	99,392	-	17	83,646
	EUR	146,921	245,987	-	6,457	243,320
	INR	293,279	7,355	-	168	5,352
	JPY	30,948,367	390,822	-	250	596,645
	THB	451,482	15,811	-	45	33,810
	US\$	40,836,760	47,681,001	-	4,166,134	43,690,986
		48,440,368	-	4,173,071	44,653,759	
Short-term loans receivable	EUR	880	1,473	-	165	10,973
	JPY	159,746	2,017	-	848	12,702
	US\$	12,656	14,777	-	340	101,200
		18,267	-	1,353	124,875	
Others	CNY	1,502,635	257,041	3,086	14,255	351,638
	EUR	1,927	3,227	59	132	14,895
	INR	2,715,087	68,094	38	70	76,113
	JPY	3,623,372	45,757	2,587	7,243	31,983
	SG\$	557,210	463,191	26,167	40,269	100,765
	THB	1,065,086	37,299	104	276	67,885
	US\$	2,964,377	3,461,206	1,422	658,043	9,386,306
		4,335,815	33,463	720,288	10,029,585	

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Account	Foreign Currencies	2009			2008	
		Korean Won equivalent	Translation Gain	Translation Loss	Korean Won equivalent	
Liabilities						
Trade accounts and notes payable	CHF	55,141	₩ 62,112	₩ -	₩ 560	₩ -
	AU\$	1,693,676	1,769,993	19,769	5,027	-
	EUR	706,801	1,183,383	24,719	1,858	522,035
	JPY	275,683,093	3,481,381	82,253	-	1,255,979
	US\$	10,556,791	12,326,109	114,584	10,933	6,881,365
			<u>18,822,978</u>	<u>241,325</u>	<u>18,378</u>	<u>8,659,379</u>
Debentures	US\$	148,774,860	173,709,527	13,485,000	110,140	286,404,997
			<u>173,709,527</u>	<u>13,485,000</u>	<u>110,140</u>	<u>286,404,997</u>
Long-term borrowings	US\$	62,915,033	73,459,593	8,057,850	28,850	54,440,887
			<u>73,459,593</u>	<u>8,057,850</u>	<u>28,850</u>	<u>54,440,887</u>
Short-term borrowings	CNY	-	-	-	-	48,235
	CHF	779,460	878,007	29,070	-	-
	EUR	13,408,118	22,448,944	1,168,033	-	16,402,965
	GBP	243,300	456,852	36,104	-	-
	JPY	150,553,454	1,901,219	106,748	-	967,694
	US\$	337,003,047	393,484,758	14,415,092	1,009,006	434,063,615
			<u>419,169,780</u>	<u>15,755,047</u>	<u>1,009,006</u>	<u>451,482,509</u>
Other accounts and notes payable	CHF	90,987	102,490	103	-	-
	EUR	749,110	1,254,220	32,793	-	2,852,062
	INR	191,260	4,797	-	-	-
	JPY	143,692,086	1,814,572	50,548	-	170,569
	US\$	8,330,165	9,726,301	95,357	28,532	13,609,296
		<u>12,902,380</u>	<u>178,801</u>	<u>28,532</u>	<u>16,631,927</u>	
Accrued expenses	CNY	134,993	23,092	1,599	-	22,880
	EUR	-	-	-	-	257,552
	INR	-	-	-	-	832
	JPY	-	-	-	-	652,341
	GBP	-	-	-	-	121
	US\$	928,047	1,083,588	2	-	219,323
			<u>1,106,680</u>	<u>1,601</u>		<u>1,153,049</u>
Current portion of long-term debts	US\$	217,945,748	254,473,455	25,835,362	28,850	54,440,887
			<u>254,473,455</u>	<u>25,835,362</u>	<u>28,850</u>	<u>54,440,887</u>
Total				<u>₩ 63,588,449</u>	<u>₩ 6,750,264</u>	

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21. Income Tax

Income tax expense for the years ended December 31, 2009 and 2008, consists of the following:

<i>(in thousands of Korean won)</i>	2009	2008
Current income taxes	₩ 24,353,057	₩ 23,488,633
Deferred income taxes	32,660,124	195,287,913
Deferred income taxes charged directly to equity	(366,965)	(201,362,063)
Others	(209,706)	-
Income tax expense	<u>₩ 56,436,510</u>	<u>₩ 17,414,483</u>

Reconciliation between net income before tax and income tax expense for the years ended December 31, 2009 and 2008, follows:

<i>(in thousands of Korean won)</i>	2009	2008
Net income before tax	<u>₩ 328,575,622</u>	<u>₩ 42,780,555</u>
Income tax based on statutory rate	79,491,100	11,733,853
Adjustments		
Non-taxable income	(16,367,023)	(170,007)
Non-deductible expense	6,477,432	7,340,442
Tax credit	(9,700,945)	(4,814,153)
Effect of the change in tax rates	(539,716)	3,305,526
Others	(2,924,338)	18,822
Income tax expense	<u>₩ 56,436,510</u>	<u>₩ 17,414,483</u>
Effective tax rate	17.18%	40.71%

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Deferred income tax assets and liabilities from tax effect of temporary differences including available tax credit carryforwards as of December 31, 2009, are as follows:

(in thousands of Korean won)

	Accumulated Temporary Differences			
	Beginning Balance	Merger	Increase (Decrease)	Ending Balance
I. Deferred tax arising from temporary differences				
Special reserves appropriated for tax purposes	₩ (10,666,667)	₩ -	₩ (32,666,666)	₩ (43,333,333)
Deferred foreign exchange loss	211,973	-	-	211,973
Losses on investments	(54,125,511)	-	(66,603,760)	(120,729,271)
Allowance for doubtful accounts	7,925,801	-	9,945,770	17,871,571
Loss on valuation of inventories	3,360,330	-	(556,510)	2,803,820
Severance benefits	4,336,374	-	(4,336,374)	-
Depreciation	3,501,103	-	175,493	3,676,596
Gain on valuation of derivative instruments	(23,115,134)	-	(2,317,507)	(25,432,641)
Interest income	(385,310)	-	(1,236,310)	(1,621,620)
Loss on impairment of available-for-sale securities	2,694,030	-	-	2,694,030
Government subsidy	270,000	-	500,000	770,000
Goodwill	22,486,774	-	(8,432,540)	14,054,234
Valuation on foreign currency translation	63,261,187	-	(88,115,894)	(24,854,707)
Others	6,293,775	6,937,935	(8,089,497)	5,142,213
	26,048,725	6,937,935	(201,733,795)	(168,747,135)
II. Temporary differences directly related to shareholders' equity	(980,595,344)	(19,315,866)	30,149,550	(969,761,660)
	₩ (954,546,619)	₩ (12,377,931)	₩ (171,584,245)	₩ (1,138,508,795)

(in thousands of Korean won)

	Deferred Income Tax Asset (Liability)					
	Beginning Balance	Merger	Increase (Decrease)	Ending Balance	Current	Non-Current
I. Deferred tax arising from temporary differences						
Special reserves appropriated for tax purposes	₩ (2,346,667)	₩ -	₩ (7,186,666)	₩ (9,533,333)	₩ -	₩ (9,533,333)
Deferred foreign exchange loss	51,298	-	-	51,298	51,298	-
Equity losses on investments	2,920,049	-	(2,447,395)	472,654	-	472,654
Allowance for doubtful accounts	1,902,568	-	2,406,877	4,309,445	4,154,689	154,756
Loss on valuation of inventory	813,200	-	(134,676)	678,524	678,524	-
Severance benefits	954,002	-	(954,002)	-	-	-
Depreciation	770,243	-	38,608	808,851	-	808,851
Gain on valuation derivative of instruments	(5,593,863)	-	(560,836)	(6,154,699)	(6,154,699)	-
Interest income	(93,245)	-	(299,187)	(392,432)	(392,432)	-
Gain on disposal of property, plant and equipment	-	-	-	-	-	-
Loss on impairment of available-for-sale securities	592,687	-	-	592,687	-	592,687
Government subsidy	59,400	-	110,000	169,400	-	169,400
Goodwill	5,132,606	-	(1,855,159)	3,277,447	2,040,675	1,236,772
Valuation of foreign currency translation	15,309,207	-	(21,324,046)	(6,014,839)	(6,014,839)	-
Others	1,589,142	-	(86,677)	1,502,465	4,082,968	(2,580,503)
	22,060,627	-	(32,293,159)	(10,232,532)	(1,553,816)	(8,678,716)
II. Temporary differences directly related to shareholders' equity	(202,889,885)	(4,164,306)	(366,965)	(207,421,156)	-	(207,421,156)
	₩ (180,829,258)	₩ (4,164,306)	₩ (32,660,124)	₩ (217,653,688)	₩ (1,553,816)	₩ (216,099,872)

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Deferred income tax assets and liabilities from tax effect of temporary differences including available tax credit carryforwards as of December 31, 2008, are as follows:

(in thousands of Korean won)

	Accumulated Temporary Differences			
	Beginning Balance	Merger	Increase (Decrease)	Ending Balance
I. Deferred tax arising from temporary differences				
Special reserves appropriated for tax purposes	₩ (13,000,000)	₩ -	₩ 2,333,333	₩ (10,666,667)
Deferred foreign exchange loss	211,973	-	-	211,973
Losses on investments	(80,405,536)	-	26,280,025	(54,125,511)
Allowance for doubtful accounts	12,765,221	-	(4,839,420)	7,925,801
Loss on valuation of inventories	2,005,944	-	1,354,386	3,360,330
Severance benefits	4,708,864	-	(372,490)	4,336,374
Depreciation	821,031	-	2,680,072	3,501,103
Gain on valuation of derivative instruments	(6,224,458)	-	(16,890,676)	(23,115,134)
Interest income	(515,017)	-	129,707	(385,310)
Gain on disposal of property, plant and equipment	(6,959,340)	-	6,959,340	-
Loss on impairment of available-for-sale securities	2,837,932	-	(143,902)	2,694,030
Government subsidy	2,550,049	-	(2,280,049)	270,000
Goodwill	30,919,315	-	(8,432,541)	22,486,774
Valuation on foreign currency translation	-	-	63,261,187	63,261,187
Others	18,173,501	-	(11,879,726)	6,293,775
	<u>(32,110,521)</u>	<u>-</u>	<u>58,159,246</u>	<u>26,048,725</u>
II. Tax credit carryforwards	<u>279,786</u>	<u>-</u>	<u>(279,786)</u>	<u>-</u>
III. Temporary differences directly related to shareholders' equity	<u>(5,555,715)</u>	<u>-</u>	<u>(975,039,629)</u>	<u>(980,595,344)</u>
	<u>₩ (37,386,450)</u>	<u>₩ -</u>	<u>₩ (917,160,169)</u>	<u>₩ (954,546,619)</u>

(in thousands of Korean won)

	Deferred Income Tax Asset (Liability)					
	Beginning Balance	Merger	Increase (Decrease)	Ending Balance	Current	Non-Current
I. Deferred tax arising from temporary differences						
Special reserves appropriated for tax purposes	₩ (3,575,000)	₩ -	₩ 1,228,333	₩ (2,346,667)	₩ -	₩ (2,346,667)
Deferred foreign exchange loss	58,293	-	(6,995)	51,298	51,298	-
Equity losses on investments	2,453,541	-	466,508	2,920,049	2,920,049	-
Allowance for doubtful accounts	3,510,436	-	(1,607,868)	1,902,568	1,747,812	154,756
Loss on valuation of inventory	551,635	-	261,565	813,200	813,200	-
Severance benefits	1,294,937	-	(340,935)	954,002	-	954,002
Depreciation	225,783	-	544,460	770,243	-	770,243
Gain on valuation derivative of instruments	(1,711,726)	-	(3,882,137)	(5,593,863)	(5,593,863)	-
Interest income	(141,630)	-	48,385	(93,245)	(93,245)	-
Gain on disposal of property, plant and equipment	(1,913,819)	-	1,913,819	-	-	-
Loss on impairment of available-for-sale securities	780,431	-	(187,744)	592,687	-	592,687
Government subsidy	701,263	-	(641,863)	59,400	-	59,400
Goodwill	8,502,813	-	(3,370,207)	5,132,606	2,040,675	3,091,931
Valuation of foreign currency translation	-	-	15,309,207	15,309,207	15,309,207	-
Others	4,997,713	-	(3,408,571)	1,589,142	2,249,616	(660,474)
	<u>15,734,670</u>	<u>-</u>	<u>6,325,957</u>	<u>22,060,627</u>	<u>19,444,749</u>	<u>2,615,878</u>
II. Tax credit carryforwards	<u>251,807</u>	<u>-</u>	<u>(251,807)</u>	<u>-</u>	<u>-</u>	<u>-</u>
III. Temporary differences directly related to shareholders' equity	<u>(1,527,822)</u>	<u>-</u>	<u>(201,362,063)</u>	<u>(202,889,885)</u>	<u>-</u>	<u>(202,889,885)</u>
	<u>₩ 14,458,655</u>	<u>₩ -</u>	<u>₩ (195,287,913)</u>	<u>₩ (180,829,258)</u>	<u>₩ 19,444,749</u>	<u>₩ (200,274,007)</u>

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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 ₩122,682 million temporary difference resulting from earnings arising from equity method investments as the Company does not expect cash inflows, such as proceeds from the disposal of, or receipts of dividends from the equity method investments within the foreseeable future.

Deferred income taxes charged directly to the shareholders' equity are as follows:

	2009		2008	
	Temporary Difference	Deferred Tax	Temporary Difference	Deferred Tax
<i>(in thousands of Korean won)</i>				
Gain on valuation of available-for-sale securities	₩ 13,388	₩ (88,130)	₩ (530,448)	₩ 116,699
Loss on valuation of available-for-sale securities	(54,617)	11,055	(5,573,183)	1,532,625
Loss on valuation of derivative instruments	6,039,103	(1,327,642)	(13,132,908)	2,888,279
Gain on revaluation of land	(4,717,054)	1,037,752	935,907,574	(205,899,666)
Loss on disposal of treasury stock	(1,040,808)	(251,876)	-	-
	<u>₩ 240,012</u>	<u>₩ (618,841)</u>	<u>₩916,671,035</u>	<u>₩(201,362,063)</u>

The gross balances of deferred tax assets and liabilities are as follows:

	2009		2008	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
<i>(in thousands of Korean won)</i>				
Current	₩ 11,008,154	₩ (12,561,970)	₩ 25,131,857	₩ (5,687,108)
Non - current	3,435,120	(219,534,992)	5,623,019	(205,897,026)

22. Earnings Per Share

Basic earnings per share is computed by dividing net income allocated to common stock by the weighted average number of common shares outstanding during the year. Net income allocated to common stock is computed by subtracting dividend to preferred stock.

Diluted earnings per share is computed by dividing diluted net income as adjusted by adding back the after-tax amount of interest expense on any convertible debt and dividends on any convertible preferred stock, by the weighted average number of common shares and diluted securities outstanding during the year.

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Basic earnings per share and diluted earnings per share for the years ended December 31, 2009 and 2008, are calculated as follows:

Basic earnings per share

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

	2009	2008
Net income	₩ 272,139	₩ 25,366
Adjustments		
Dividends for preferred stock	(5,802)	(2,302)
Undeclared participating preferred stock dividend	<u>(27,208)</u>	<u>(882)</u>
Net income available for common stock	239,129	22,182
Weighted average number of shares of common stock ¹	<u>11,867,223</u>	<u>11,265,567</u>
Basic earnings per share	<u>₩ 20,150</u>	<u>₩ 1,969</u>

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

	Number of shares	No. of days	Weighted average
Beginning balance	11,276,688	365	4,115,991,120
Treasury stock	(11,124)	365	(4,060,260)
Transfer second-preferred stock to common stock	598,485	365	218,447,025
Treasury stock	(624)	365	(227,760)
Issuance due to merger	164,971	122	20,126,462
Treasury stock	(164,964)	122	(20,125,608)
Exercise of stock options	500	93	46,500
Exercise of stock options	31,140	43	<u>1,339,020</u>
			<u>4,331,536,499</u>

Weighted average number of shares of common stock for 2009
4,331,536,499 ÷ 365 days = 11,867,223 shares

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Diluted earnings per share

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

	2009	2008
Net income available for common stock	₩ 239,129	₩ 22,181
Adjustment		
Dividends for second-preferred stock converted to common stock	<u>6,280</u>	<u>-</u>
Net income available for common stock and common equivalent stock	245,409	22,181
Weighted average number of shares of common stock and common stock equivalents ¹	<u>12,231,784</u>	<u>11,309,508</u>
Diluted earnings per share	<u>₩ 20.063</u>	<u>₩ 1.961</u>

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

	Number of shares	Number of days	Weighted number of shares
Third-preferred Stock	313,133	365	114,293,545
Unexercised stock options	39,199	365	14,307,635
Exercised stock options	121	273	33,033
Exercised stock options	13,265	334	4,430,510
			<u>133,064,723</u>

Weighted average number of shares of common stock for 2009
133,064,723 ÷ 365 days = 364,561 shares

The numbers of non-dilutive potential common stock as of December 31, 2009, are as follows:

	Shares to be issued	Conditions
Share options granted on February 29, 2008	86,000	Exercise price of ₩277,000 per share
Share options granted on March 9, 2009	16,500	Exercise price of ₩136,000 per share

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23. Related Party Transactions

The parent company of the Company is CJ Corporation, and the subsidiaries and equity method investees of the Company as of December 31, 2009, are as follows:

Local subsidiaries

CJ MD1 Co., Ltd., Shindongbang CP Corporation, Samho F&G Corp.,
 Superfeed Co., Ltd., Dondonfarm Co., Ltd. Hasunjung General Food Co.,Ltd.

Foreign subsidiaries

CJ America, Inc., CJ Europe GmbH, PT.CJ. Indonesia, CJ Liaocheng Biotech Co., Ltd.,
 CJ China, Ltd., CJ Qingdao Foods Co., Ltd.,
 CJ Beijing Beverage Co., Ltd., CJ Do Brasil Ind. Com. Prod. Alim. Ltda., CJ Nutracon Pty., Ltd,
 Liaocheng Lantian Cogenerations Plant Co., Ltd., CJ International Asia Pte. Ltd.

Equity method investees

Annie Chun's Inc., CJ Pacific Corp., CJ Omni Inc., CJ International Trading Co., Ltd.,
 CJ Pharma Research India Pvt. Ltd., CJ&Hacl Foodtech Co., Ltd.,
 CJ Toyota Tsusho Philippines Inc.

Significant transactions with related parties for the years ended December 31, 2009 and 2008, and the related receivables and payables as of December 31, 2009 and 2008, are as follows:

	Sales		Purchases		Accounts Receivable		Accounts Payable	
	2009	2008	2009	2008	2009	2008	2009	2008
<i>(in thousands of Korean won)</i>								
Parent companies	₩ 501,168	₩ 448,174	₩17,101,319	₩ 15,277,389	₩ 55,802	₩ 179,153	₩ 1,554,574	₩ 1,366,083
Subsidiaries	172,570,080	140,621,909	594,135,820	362,878,420	83,704,837	98,649,522	124,292,577	101,892,695
Equity-method investees	1,888,966	4,088,557	46,034,980	36,806,000	399,692	230,022	60,482	1,298,802
Other associates	243,286,973	269,198,024	321,957,931	317,466,792	77,223,634	67,834,515	88,210,304	44,410,731
Total	<u>₩418,247,187</u>	<u>₩414,356,664</u>	<u>₩979,230,050</u>	<u>₩732,428,601</u>	<u>₩161,383,965</u>	<u>₩166,893,212</u>	<u>₩214,117,937</u>	<u>₩148,968,311</u>

The Company has recorded allowance for doubtful accounts amounting to ₩1,583 million on the above accounts receivable.

For the year ended December 31, 2009, the Company recorded salaries of ₩40,169 million and stock compensation expenses of ₩2,270 million as key management compensation.

Key management includes directors and executive officers who have the authority and responsibility in the planning, directing and control of the Company operations.

CJ CheilJedang Corporation
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The Company provided guarantees to indebtedness of related parties as of December 31, 2009 and 2008, as follows:

<i>(in thousands of Korean won)</i> Guarantee	Financial institutions	Loan amounts		Guarantee amounts	
		2009	2009	2008	2009
Annie Chun's Inc.	BOA	₩ 5,254,200	₩ 3,143,750	₩ 5,254,200	₩ 3,143,750
CJ America Inc.	BOA and others	10,508,400	12,575,000	26,854,800	26,407,500
CJ Beijing Beverage Co., Ltd.	Hana Bank and other	2,544,240	4,625,540	2,544,240	4,625,540
CJ China Ltd.	BOA and others	124,333,054	137,977,633	152,789,801	164,190,220
CJ Do Brasil Ind. Com. Prod. Alim. Ltda	Export-Import Bank of Korea and others	128,355,436	97,740,750	130,690,636	97,740,750
CJ Europe GmbH.	Korea Exchange Bank and other	12,866,952	14,104,963	16,742,800	17,762,200
CJ International Asia Pte. Ltd.	Bank of Development and others	19,292,255	3,131,175	58,380,000	12,575,000
CJ Liaocheng Biotech Co., Ltd.	Export-Import Bank of Korea and others	81,440,100	94,312,500	100,107,600	125,452,150
CJ Nutracon Pty. Ltd.	Korea Exchange Bank and other	19,918,088	16,061,070	22,483,957	16,773,600
CJ Omni Inc.	BOA	1,167,600	2,515,000	2,568,720	2,766,500
CJ Qingdao Food Co., Ltd.	BOA	3,502,800	19,876,340	3,502,800	20,612,700
Liaocheng Lantian Congeneration Plant Co.,Ltd.	Bank of Development	17,514,000	18,862,500	17,514,000	18,862,500
PT Cheil Jedang Indonesia	Export-Import Bank of Korea and other	192,070,200	260,774,100	204,913,800	260,774,100
PT CJ Superfeed	Export-Import Bank of Korea and others	28,022,400	30,180,000	28,022,400	30,180,000
CJ Guiyang Feed Co., Ltd.	Hana Bank	-	628,750	-	628,750
CJ Beijing Bakery Co., Ltd.	BOA and other	8,935,598	9,669,875	-	9,669,875
CJ Tianjin Feed Co., Ltd.	Hana Bank	-	1,131,750	8,935,598	1,131,750
CJ Shenyang Feed Co., Ltd.	BOA	-	2,713,685	-	2,766,500
CJ Zhengzhou Feed Co., Ltd.	Woori Bank	-	892,825	-	892,825
CJ Harbin Feed Co., Ltd.	Hana Bank	-	754,500	-	754,500
CJ Vina Agri Co., Ltd.	Citi Bank	-	4,847,663	-	7,419,250
CJ Bakery Inc.	BOA	5,838,000	6,287,500	5,838,000	6,287,500
CJ Tur Yem Sanayi Ve Ticaret A. S	Korea Exchange Bank	-	1,776,220	-	1,776,220
Total		<u>₩661,563,323</u>	<u>₩744,583,089</u>	<u>₩787,143,352</u>	<u>₩833,193,680</u>

In addition to the above guarantees, the Company provided performance guarantees to PT Cheil Jedang Indonesia, PT CJ Superfeed, PT CJ Feed Jombang and CJ Do Brasil Ind. Co. Prod. Alim. Ltda. amounting to ₩5,838 million, ₩4,087 million, ₩1,751 million and ₩1,751 million, respectively.

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24. Selling, General and Administrative Expenses

<i>(in thousands of Korean won)</i>	2009		2008	
Salaries	₩	166,072,625	₩	149,647,773
Provision for severance benefits		16,986,223		18,001,799
Employee benefits		24,082,052		19,485,257
Travel expense		19,858,763		22,782,107
Rent		13,531,392		13,128,703
Depreciation		26,931,961		22,935,008
Taxes and dues		13,000,880		11,783,790
Commission service charges		232,830,343		224,306,072
Advertising expense		43,905,160		51,879,716
Sales promotion expense		68,961,197		70,074,543
Transportation expense		129,588,977		124,170,180
Research expense		24,072,556		30,728,760
Expenses for company events		29,504,271		28,289,250
Stock compensation expense		2,223,319		8,538,235
Others		58,175,774		51,764,938
	₩	<u>869,725,493</u>	₩	<u>847,516,131</u>

25. Supplementary Information for Computation of Value Added

<i>(in thousands of Korean won)</i>	<u>Cost of Sales</u>		<u>Selling, general and administrative expenses</u>		<u>Others</u>	
	2009	2008	2009	2008	2009	2008
	Wage and salaries	₩ 64,533,407	₩ 64,076,208	₩166,072,625	₩149,647,773	₩ 1,262,338
Provision for severances benefits	5,733,335	7,218,066	16,986,223	18,001,799	137,958	178,093
Employee benefits	12,743,350	13,408,843	24,082,052	19,485,257	197,287	144,368
Rent	8,175,253	7,839,706	13,531,392	13,128,703	-	-
Depreciation and amortization	65,752,800	61,542,531	31,584,445	27,651,841	-	-
Taxes and dues	5,606,339	5,464,122	13,000,880	11,783,790	50,887	38,964
Total	<u>₩162,544,484</u>	<u>₩ 159,549,476</u>	<u>₩265,257,617</u>	<u>₩239,699,163</u>	<u>₩ 1,648,470</u>	<u>₩ 1,441,248</u>

CJ CheilJedang Corporation
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26. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the years ended December 31, 2009 and 2008, are as follows:

<i>(in thousands of Korean won)</i>	2009	2008
Reclassification of construction in-progress to property, plant and equipment	₩ 88,393,690	₩ 23,862,078
Reclassification of current maturities of long-term debts	383,996,054	158,105,858
Increase of other cumulative comprehensive income due to gain on revaluation	4,717,054	935,907,574
Decrease of other cumulative comprehensive income due to valuation and disposal of available-for-sale securities	(41,229)	(530,448)
Increase(decrease)of other cumulative comprehensive income due to valuation of derivative instruments	6,039,103	(18,706,091)
Increase(decrease)of other cumulative comprehensive income due to valuation of equity-method investments	(16,222,643)	133,302,930
Reclassification of current portion of long-term prepaid expenses	1,201,265	1,200,098
Conversion of preferred stocks to common stock	2,992,425	-
Increase in current assets due to merger	14,955,369	-
Increase in non-current assets due to merger	37,479,872	-
Increase in current liabilities due to merger	22,935,448	-
Increase in non-current liabilities due to merger	4,430,127	-
Increase in capital stock due to merger	824,855	-
Increase in additional paid-in due to merger	24,296,837	-
Increase in treasury stock due to merger	25,067,537	-

CJ CheilJedang Corporation
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27. Segment Information

A summary of information on the Company's operations by business segment as of and for the years ended December 31, 2009 and 2008, are as follows:

Financial Data by Business Segment

	2009					Total
	Processed Foods	Food & Industrial Ingredients	Bio and Pharmaceuticals	Animal Feeds	Others	
<i>(in millions of Korean won)</i>						
Sales						
Sales to unassociated customers	₩1,370,558	₩1,576,026	₩ 338,240	₩ 545,082	₩ 8,826	₩3,838,732
Inter-segment sales	88,333	-	-	-	-	88,333
	<u>₩1,458,891</u>	<u>₩1,576,026</u>	<u>₩ 338,240</u>	<u>₩ 545,082</u>	<u>₩ 8,826</u>	<u>₩3,927,065</u>
Operating profit	<u>₩ 136,088</u>	<u>₩ 107,941</u>	<u>₩ 204</u>	<u>₩ 15,751</u>	<u>₩ 7,945</u>	<u>₩ 267,929</u>
Property plant and equipment & intangible assets	₩1,201,476	₩ 738,147	₩ 97,590	₩ 166,106	₩ 1,565	₩2,204,884
Depreciation and amortization	<u>₩ 43,320</u>	<u>₩ 36,071</u>	<u>₩ 8,683</u>	<u>₩ 9,197</u>	<u>₩ 66</u>	<u>₩ 97,337</u>

	2008					Total
	Processed Foods	Food & Industrial Ingredients	Bio and Pharmaceuticals	Animal Feeds	Others	
<i>(in millions of Korean won)</i>						
Sales						
Sales to unassociated customers	₩1,294,836	₩1,339,278	₩ 384,478	₩ 460,088	₩ 16,199	₩3,494,879
Inter-segment sales	90,291	-	-	-	-	90,291
	<u>₩1,385,127</u>	<u>₩1,339,278</u>	<u>₩ 384,478</u>	<u>₩ 460,088</u>	<u>₩ 16,199</u>	<u>₩3,585,170</u>
Operating profit	<u>₩ 116,474</u>	<u>₩ 74,231</u>	<u>₩ 43,280</u>	<u>₩ 19,216</u>	<u>₩ 15,208</u>	<u>₩ 268,409</u>
Property plant and equipment & intangible assets	₩1,151,047	₩ 723,448	₩ 127,327	₩ 106,503	₩ 2,266	₩2,110,591
Depreciation and amortization	<u>₩ 36,575</u>	<u>₩ 33,899</u>	<u>₩ 9,990</u>	<u>₩ 8,602</u>	<u>₩ 128</u>	<u>₩ 89,194</u>

Reconciliation of Operating Profit

<i>(in millions of Korean won)</i>	2009	2008
Business segment operating profit	₩ 267,930	₩ 268,409
Inter-segment revenues	<u>6,027</u>	<u>6,760</u>
Operating profit per statements of income	<u>₩ 261,903</u>	<u>₩ 261,649</u>

CJ CheilJedang Corporation
Notes to Non-Consolidated Financial Statements
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28. Last Quarter Financial Information

A summary of information on the Company's operations for the three-month periods ended December 31, 2009 and 2008, follows:

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

	2009		2008	
Sales	₩	882,202	₩	873,062
Operating profit		23,032		52,309
Net income(loss)		41,456		(57,068)
Basic earnings (loss) per share		1,560		(5,066)
Diluted earnings (loss) per share		1,553		(5,066)

29. Comprehensive Income

Comprehensive income for the years ended December 31, 2009 and 2008, consists of:

(in thousands of Korean won)

	<u>2009</u>	<u>2008</u>
Net income	₩ 272,139,112	₩ 25,366,072
Other cumulative comprehensive income		
Gain on valuation of available-for-sale securities, net of tax of ₩(-)88,130 thousand	(74,742)	-
Loss on valuation of available-for-sale securities, net of tax of ₩11,055 thousand (2008: ₩116,699 thousand)	(43,562)	(413,749)
Gain on valuation of equity-method investments	(9,740,654)	107,750,571
Loss on valuation of equity-method investments	(6,481,989)	25,552,359
Gain on valuation of derivative instruments, net of tax of ₩- (2008: ₩1,532,625 thousand)	-	(4,040,557)
Loss on valuation of derivative instruments, net of tax of ₩(-)1,328,603 thousand (2008: ₩2,888,279 thousand)	4,711,461	(10,244,629)
Loss on revaluation of land, net of tax of ₩1,037,752 thousand (2008: ₩(-)205,899,666 thousand)	(3,679,302)	730,007,908
Comprehensive income	<u>₩ 256,830,324</u>	<u>₩ 873,977,975</u>

CJ CheilJedang Corporation
Notes to Non-Consolidated Financial Statements
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30. Merger

On July 20, 2009, the Board of Directors approved the Company's merger with Samyang Oil Co., Ltd, a subsidiary. Details of the merger are as follows:

Profile of acquired company

Samyang Oil Co., Ltd. was incorporated in 1978 to manufacture and sell oil food products. As of the date of merger, par value of capital stock of Samyang Oil Co., Ltd. was ₩18,896 million, and the Company owned 99.99% of the shares issued and outstanding.

Merger accounting

The book values of the assets and liabilities of the merged subsidiary as of the merger date were used in the consolidation into the Company. The difference between the net asset value and merger consideration was recorded as other capital surplus.

Details of merger

The date of merger contract	June 15, 2009
The date of approval	July 20, 2009
Approved by	Board of directors ¹

¹ As the merger is classified as small-sized, the approval of the Board of Directors has the same effect as that of the shareholders.

Condensed financial statements

The statements of financial position of CJ CheilJedang Corporation and Samyang Oil Co., Ltd. as of December 31, 2008, are as follows:

<i>(in millions of Korean won)</i>	CJ CheilJedang Corporation	Samyang Oil Co., Ltd.
Quick assets	₩ 410,405	₩ 10,807
Inventories	567,438	2,561
Investments	606,817	11,699
Property, plant and equipment	2,097,343	25,070
Intangible assets	13,247	8
Other non-current assts	57,095	219
Total Assets	₩ 3,752,345	₩ 50,364
Current liabilities	₩ 1,390,665	₩ 18,248
Non-current liabilities	772,426	4,562
Total liabilities	2,163,091	22,810
Capital stock	67,579	18,895
Capital surplus	689,834	2,594
Capital adjustments	(47,451)	-
Other cumulative comprehensive income	837,664	8,948
Retained earnings	41,628	(2,883)
Total shareholders' equity	1,589,254	27,554
Total liabilities and shareholders' equity	₩ 3,752,345	₩ 50,364

CJ CheilJedang Corporation
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The statements of income of CJ CheilJedang Corporation and Samyang Oil Co., Ltd. for the year ended December 31, 2008, are as follows:

<i>(in millions of Korean won)</i>	CJ CheilJedang Corporation	Samyang Oil Co., Ltd.
Sales	₩ 3,494,878	₩ 54,994
Cost of sales	2,385,713	50,949
Gross profit	1,109,165	4,045
Selling, general and administrative expenses	847,516	3,391
Operating profit	261,649	654
Non-operating income	599,927	409
Non-operating expenses	818,796	206
Income before income taxes	₩ 42,780	₩ 857
Net income	₩ 25,366	₩ 857

The statements of financial position of CJ CheilJedang Corporation and Samyang Oil Co., Ltd. as of September 1, 2009, the date of merger, are as follows:

<i>(in millions of Korean won)</i>	CJ CheilJedang Corporation¹	Samyang Oil Co., Ltd.
Quick assets	₩ 549,028	₩ 12,463
Inventories	430,429	2,492
Investments	654,543	11,088
Property, plant and equipment	2,112,897	26,173
Intangible assets	11,422	-
Other non-current assts	58,324	219
Total Assets	₩ 3,816,643	₩ 52,435
Current liabilities	₩ 1,139,997	₩ 22,935
Non-current liabilities	991,465	4,430
Total liabilities	2,131,462	27,365
Capital stock	67,579	18,896
Capital surplus	689,834	2,594
Capital adjustments	(42,831)	-
Other cumulative comprehensive income	858,230	15,151
Retained earnings	112,369	(11,571)
Total shareholders' equity	1,685,181	25,070
Total liabilities and shareholders' equity	₩ 3,816,643	₩ 52,435

¹The statement of financial position for CJ CheilJedang Corporation is as of June 30, 2009.

CJ CheilJedang Corporation
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The statements of income of CJ CheilJedang Corporation and Samyang Oil Co., Ltd. for the period from January 1, 2009 to September 1, 2009, the date of merger, are as follows:

<i>(in millions of Korean won)</i>	CJ CheilJedang Corporation¹	Samyang Oil Co., Ltd
Sales	₩ 1,903,821	₩ 35,275
Cost of sales	1,364,642	34,934
Gross profit	539,179	341
Selling, general and administrative expenses	418,524	1,830
Operating profit	120,655	(1,489)
Non-operating income	228,094	170
Non-operating expenses	241,823	7,369
Income before income taxes	₩ 106,926	₩ (8,688)
Net income	₩ 84,719	₩ (8,688)

¹The statement of income for CJ CheilJedang Corporation is for six-month period ended June 30, 2009.

31. Preparation for IFRS Adoption

The Company is required to prepare its financial statements in accordance with the Korean International Financial Reporting Standards (K-IFRS) starting 2011, based on the roadmap on the adoption of international Reporting Standards announced in March 2007. In this regard, the Company organized a task force for its K-IFRS adoption and has appointed external consultants to help in the adoption.

32. Approval of financial statements

The December 31, 2009 financial statements of the Company were approved by the Board of Directors on March 8, 2010.

32. Subsequent Event

On January 1, 2010, the Company issued 313,133 shares of common stock due to the third-preferred stock's conversion into common stock. As a result, common stock increased, while preferred stock equity decreased by ₩1,566 million each.

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

To the President of
CJ CheilJedang Corporation

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of CJ CheilJedang Corporation (the "Company") as of December 31, 2009. 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, 2009, the Company's IACS has been designed and is operating effectively as of December 31, 2009 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, 2009, and we did not review management's assessment of its IACS subsequent to December 31, 2009. 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
March 8, 2010

Report of the Operations of the Internal Accounting Control System

To the Board of Directors and Audit Committee of
CJ CheilJedang Corporation

I, as the Internal Accounting Control Officer (“IACO”) of CJ CheilJedang 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, 2009.

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 any misstatements of 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 standard for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2009, in all material respects, in accordance with the IACS standards.

February 8, 2010

Chung Seung-Wook
Internal Accounting Control System Officer

Kim Jin-Soo
Chief Executive Officer