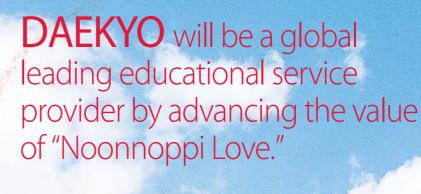
We are advancing for a future







Daekyo was established in 1976 and has been leading Korea's educational service market ever since by modestly practicing "Noonnoppi Love" for customers and society. The term noonnoppi, Korean for "eye level," represents our learner-oriented educational methods. In addition, we are aiming for diverse educational services suitable for a globalized and diversified social structure.

Our operations in 2008 can be divided into two major sectors: Noonnoppi and new business, with a special focus on overseas expansion. We have been advancing towards a more far-reaching and sustainable business by leveraging our unrivaled capabilities to develop home tutoring solutions, textbooks, learning programs and business know-how are all outstanding.

We are implementing innovative and people-oriented policies as well as fostering a more cooperative corporate culture in 2009. Our forward progress will be boosted by our development of new educational contents, laying the foundation for life-long learning and accelerating the convergence of online and offline programs.

All Daekyo employees are committed to achieving the sale goal: provide life-long educational services that add value to people's lives and become a global leader in the knowledge-based information society by offering world-class educational services.

We are advancing for a BRAND POVER













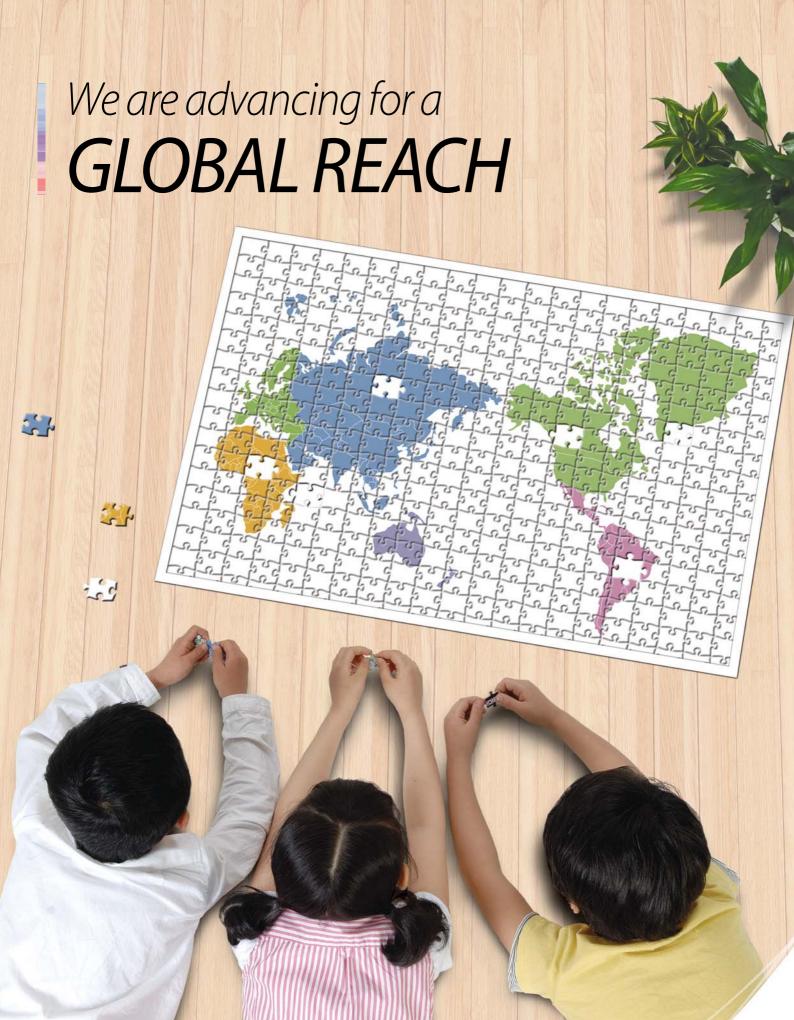


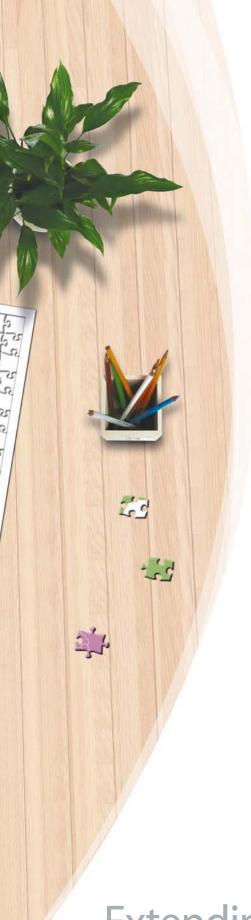


We are providing premium educational services tailored to individual abilities under the corporate motto of "Noonnoppi Love, Noonnoppi Education." Guided by our singular philosophy and customer-first principle, we have been recognized for our excellent capabilities and value in the market for a long time.

- Our Noonnoppi Education was selected as the No.1 brand in the "worksheet with tutoring" segment for the eleventh consecutive year in the 2009 Korea Brand Power Index (K-BPI), sponsored by the Korea Management Association Consulting (KMAC).
- We are one of the Children's Cognitive Ability Enhancement Service providers in the voucher program started by the Korean Ministry of Health, Welfare, and Family Affairs as a community service in July 2007. For this project, we newly developed the Noonnoppi Creative Reading program, which helps children improve their reading abilities in step with their individual stages of cognitive development.
- Meanwhile, Daekyo has received the grand prize for four consecutive years in the Educational Brand Awards by Parents, sponsored by the Women Newspaper, and we were ranked first in the Brand Olympics, sponsored by the Institute for Industrial Policy Studies. We have also won the grand prize for five straight years in the Brand of the Year, co-sponsored by the Korea Economic Daily and the Korean Consumers' Forum, and we have topped the National Brand Competitiveness Index (NBCI), measured by the Korea Productivity Center, for each of the past two years. Our excellence in education services will be widely recognized in 2009 as well.

... Creating Future Value





We are expanding our business abroad by **establishing local** branch offices in the US, Hong Kong, China, Asia Pacific and Southeast Asia. Importantly, our integrated brand **E.nopi** for **overseas business** boasts high competitiveness in the global markets.

- We are leveraging know-how gained in the domestic Korean market for more than thirty years to expand into overseas markets and gain recognition as a world-class educational service provider.
- For the US and other English-speaking countries, we have developed localized tutoring materials such as E.nopi-MATH, E.nopi-KOREAN and E.nopi-ENGLISH. In 2009, we will keep fostering our overseas business with even better educational services.

... Extending Future Opportunities

We are advancing for a DIVERSE POTENTIAL







Daekyo achieved sales of 143 billion won in new business in 2008, thanks to rapid growth across the board. New business represented 17 percent of total sales. Our new businesses are expected to grow more than 26 percent in sales and profit in 2009 and will evolve into future growth engines.

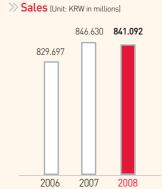
Online Noonnopi practice lessons were launched as a pilot program in 2008. Subscribers to the new-concept service use a dedicated terminal with 7" LCD, which delivers Noonnopi contents in digital form. Student answers to practice quizzes are delivered to the teacher in real time, making this a mixed online/offline system that manages lessons scientifically and systematically. The Noonnoppi Korean, mathematics, English and Chinese character programs can be studied in a fun and interesting way by children between preschool (age 5 on) and third grade. This next-generation version of Noonnoppi adds value to the brand and raises the competitiveness of the series.

Daekyo also became heavily involved in an education program initiated by the Korean government. In 2006, the Ministry of Health, Welfare, and Family Affairs launched Dream Start as a customized service that supports the growth and development of students in low-income communities. We applied the extensive educational service know-how acquired from running Noonnoppi over the years to upgrade Dream Start. We pinpointed the development levels of individual age groups and then devised ways and cultivate the potential of these children from low-income families. Daekyo has signed a cooperative agreement to use Noonnoppi products to help disadvantaged children grow up as healthy and happy members of the social mainstream.

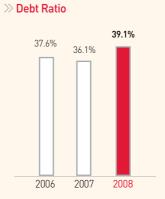
In addition to the above brands, we will also focus on strengthening the competitiveness of other product lines such as Gongbu wa rac, the online learning program supported by video-on-demand for middle school students; Edupia, Korea's top-rated e-learning portal website; After-School Classes, the coverage of which will be expanded from computer skills to include English, Chinese, Statement, Science; Soluny, a program that teaches small group debate; G-CAMP and Calritz, the advanced individualized clinic institutes; and Futurekids, which teaches problem-solving in a project-type format.

... Discovering Future Business

		1	(Unit: KRW in millions)
	2008	2007	2006
Assets	731,320	882,440	839,344
Liabilities	205,697	234,245	229,528
Stockholders' Equity	525,623	648,195	609,816
Sales	841,092	846,630	829,697
Gross Profit	170,100	190,875	178,522
Operating Income	57,210	78,518	63,932
Net Income	21,177	48,111	51,451
Operating Profit Rate to Sales	6.8%	9.2%	7.7%
Net Profit Rate to Sales	2.5%	5.7%	6.2%
Return On Equity (ROE)	4.4%	7.6%	8.8%
Debt Ratio	39.1%	36.1%	37.6%







Daekyo, with over 30 years' experience, has set the goal of two trillion won in annual revenue and an operating margin of fifteen percent by 2010. To this end, we will develop new growth engines while enhancing the competitiveness of existing businesses.

VISION 2010
"World-class Education and Culture Company"

Two Trillion Won in Annual Sales and Operating Margin of 15.0% by 2010

- Recover lost market share by reinforcing the Noonnoppi business
- Diversify distribution channels
- Draw up comprehensive marketing and competition strategies

- Upgrade growth strategies for newly launched businesses
- Redefine business portfolio based on the selective focus of resources
- Expand overseas presence and investment

- Expand beyond educational services (e.g. into culture-related areas)
- Step up investment in promising new businesses
- Implement aggressive growth strategies
- · Actively pursue partnerships and acquisitions



With constant change and innovation, Daekyo will make broad and significant progress toward the better future.

Founded in 1976, Daekyo has written a new chapter in educational services for children during the past three decades and grown into a top-tier educational service company in Korea. Our success was attributable to our devoted employees and the great support of our shareholders.

"Noonnoppi Love," a core Daekyo value, is a singular educational philosophy centered on learners, not educators. It also represents the determination to create a healthy company and society and to grow together.

We will establish an integrated marketing strategy and secure future growth engines by focusing on promising new businesses as well as further expand the market share of the Noonnoppi business. On top of that, we are determined to realize two trillion won in annual sales revenue with an operating margin of fifteen percent by 2010.

Daekyo aims to transition to global player with sustainable growth potential. This will be accomplished by following the management philosophy of gyohak sangjang, which means that students and educators must grow together. We are exploring overseas markets to find profitable new businesses that will continue to deliver steady performances. In addition, we will reinforce the competitiveness in our flagship educational service business and promising new businesses, while entering into cultural segments that can create synergy.

Daekyo will implement knowledge management, innovative management, and ethical management along with growth. We are committed to fulfilling our social responsibilities by widening our support for scholarship programs, education, academic pursuits and literature. Our sponsorship of women's badminton and soccer teams also encourages the public to stay healthy and helps to foster a more balanced development of sports in Korea.

I want to thank you all for the support and interest that you have shown in us over the years and I look forward to growing with you further in the future.

Young-Joong Kang Founder & Chairman We will focus our attention on change and on strengthening our market

leadership.



To Our Valued Shareholders and Customers:

The world is experiencing a severe economic downturn, but we at Noonnoppi Daekyo consider this to be an opportunity to change and improve rather than simply a crisis to be overcome. Thus, we have started out 2009 under the banner of "Passionate New 30? Explain!, Managing for Customer Value Innovation." In this spirit, we will work to raise the Noonnoppi brand vale, strengthen our market position and make 2009 the beginning of our ascent to global prominence.

The spring of 2009 marks the starting point of our transition. We are looking at an opportunity for new growth, and we will meet your expectations and trust by carrying out the following tasks in the coming year:

First, we will increase the enrollment of preschoolers, who represent the foundation for business expansion. We will restore the competitiveness of our mainstay products (Noonnoppi Math, Noonnoppi Korean, Noonnoppi English), which in turn will make our entire business more competitive.

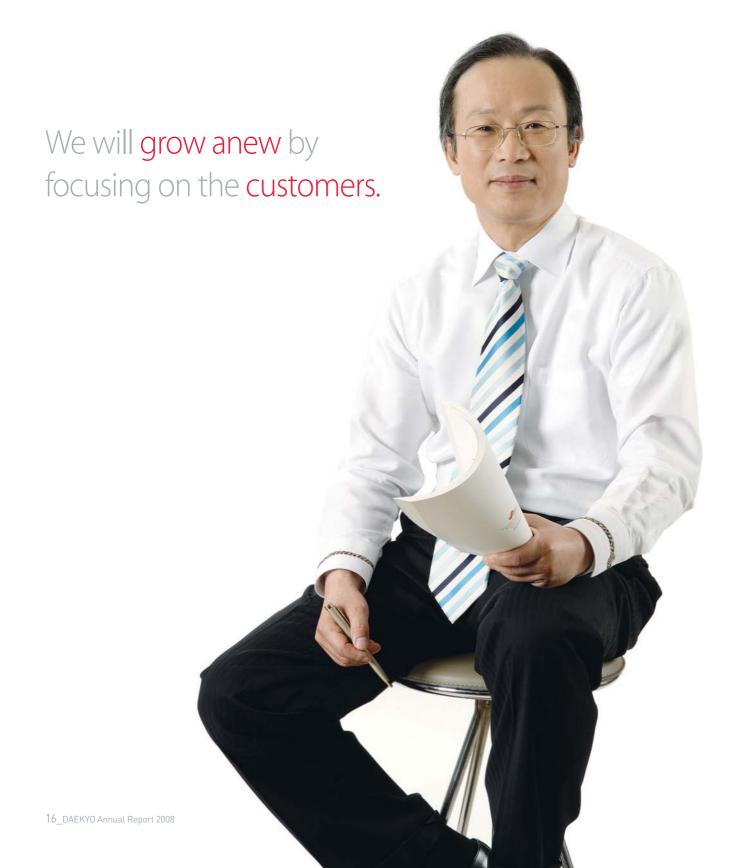
Second, we will diversify the study channels available to our students, including the Noonnoppi Learning Center, Noonnoppi Yes Class, Study Hall, and e-Learning programs. New learning models will be developed as well to maximize sales revenue.

Third, we will upgrade our education and marketing activities in order to improve customer services. Moreover, we will practice our Noonnoppi philosophy towards customers through our various community service efforts. In this way, our corporate social responsibility will be fulfilled as Korea's leading provider of extracurricular study programs. Of course, we remain committed to achieving results that meet the expectations of our organizational members and customers alike.

Stated objectives without follow up action are meaningless. All the people working in the Noonnoppi Division will bring together their individual and organizational competencies to create new value and new opportunities for this business in 2009. Daekyo will stand tall in the global market by exhibiting a "win-win" mindset.

In closing, I ask for your continued interest and support as we write a new chapter in the Noonnoppi success story.

Myung-Kyu ParkVice President & CEO



We experienced a difficult year in 2008. The financial crisis that erupted in the United States cause business to slump in Korea as well as in the rest of the world. Most companies posted lower performance figures in 2008 than they did during the previous year. At Daekyo, too, new memberships were sluggish and overall growth slowed. We were unable to reach our original performance targets.

The Korean economic difficulties and market slump notwithstanding, we aim to show a profit by growing new business areas in 2009. We have adopted a sense of crisis, realizing that we face dire consequences if our business is unprofitable. Our main focus has been set on customer satisfaction so that we will be standing tall as a successful enterprise when the market turns around in the future. In 2009, we will aggressively apply knowledge management under the philosophy of "learners and teachers growing together." Innovations for greater speed and higher quality will allow us to achieve our customer-centered management goals and general profit for overall operations.

To this end, we will first implement management innovations for improving products and services. We will overcome the disadvantages of being a latecomer to new business segments and emerge as the market leader by making product quality our top priority.

Second, we will acquire a support system that delivers our products and services faster to the customers. We cannot expect to satisfy our customers with our services, no matter how good they are, if they are not provided with precision and speed. Therefore, we will establish complete and tightly integrated channels and infrastructure linking the company and the customers necessary to ensure their satisfaction.

Third, we will optimally combine the two roles provided by excellent products, standardized services and a support system that satisfies customers quickly. I will remain in close communication with organizational members to maximize results, and intra-organizational communication will flow in all directions so that our competencies can be leveraged to the full. We will make sure that our communication channels remain open at all times.

New business will be the growth engine for Daekyo in 2009. We will maximize the growth and profitability of our new lines and firm up the business models for each one, laying the foundation for profit making. We will implement innovations to improve products and services and provide the infrastructure for rapid business support. Smooth communication will also be ensured so that all our objectives are met for the year.

Tae - Young Park Vice President & CEO

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Young-Joong Kang (Chairman of the Board of Directors/ Group Chairman, Executive) [1]

B.S. in Agricultural Chemistry, Konkuk University M.A. in Educational Administration, Yonsei Univ. Graduate School of Education Chairman, Daekyo Group (Current) Director, Federation of Korean Industries (FKI) (Current) President, Badminton World Federation (BWF) (Current) Chairman of the Organizing Committee for the 38th World Scout Conference and 10th World Scout Youth Forum (Current) 14th President, Korea Scout Association (Current) President, BongAhm Foundation (Current)

Myung-Kyu Park (CEO, Executive) [2]

B.S. in Agricultural Engineering, Gyeongsang National University MBA, KAIST

M.A. in HRD Studies, Graduate School of Human Resources Development, Chung-Ang University Concurrent Head, Research Ctr., HRD Ctr., Product Development Ctr.

Concurrent Head, Education Research Ctr., Education Marketing Div. Concurrent, Daekyo R&D Center, Daekyo Schoolbook Business Div.

Noonnoppi Business CEO, Daekyo Co., Ltd. (Current)

Tae-Young Park (CEO, Executive) [3]

B.S. in French Literature, Seoul National University MBA, Helsinki School of Economics SK/Oasis Records Strategic Planning Director/CFO, Daekyo Co., Ltd. New Business CEO, Daekyo Co., Ltd. (Current)

Jong-Cheon Yoon (Managing Director, Executive) [4]

B.S. in Agricultural Chemistry, Konkuk University Shinpoong Metal Co., Ltd. / Kirin Co., Ltd. Director, Clover Plastics Corporation CEO, Daekyo Co., Ltd. CEO, Alphome E&C Corp. Director, Daekyo Book Center (Current) CEO, Daekyo Holdings Co., Ltd. (Current) Head, Business Support Div. Daekyo Co., Ltd. (Current)

Myung-Woan Noh (Director, Executive) [5]

B.A. in History, Soongsil University Seoul National University CFO Academy Innovation Management Team head, Daekyo Co., Ltd. Marketing Strategy Team head, Daekyo Co., Ltd. Strategic Planning Director/CFO, Daekyo Co., Ltd. Seoul Gangnam Education Center Head, Daekyo Co., Ltd. (Current)





Soo-Wan Park (CFO, Executive) [6]

B S. in Mechanics, Inha University
Hyundai Motor Company
Strategic Planning Team head, Daekyo Co., Ltd.
CFO, Daekyo D&S Co., Ltd. (Current)
CFO, Daekyo Holdings Co., Ltd. (Current)
Investment Strategy Director, Daekyo Co., Ltd. (Current)
Strategic Planning Director/CFO, Daekyo Co., Ltd. (Current)

Yoon-Hee Chung (Director, Non-executive) [7]

B.S. in Mechanics, Sungkyunkwan University MBA, Wharton School of the University of Pennsylvania Samsung Aerospace/Samsung Electronics CEO, Daekyo Holdings Co., Ltd. (Current)

Jung-Kyoo Park (Outside director, Non-executive) [8]

Seoul National University Business School Director, Securities Supervisory Board (now FSS) CEO, Hyundai Investment Consulting Co., Ltd. Certified Public Accountant (Current)

Ji-Won Kang (Outside director, Non-executive) [9]

B.A. in Political Science, Seoul National University Prosecutor, Seoul District Prosecutor's Office First Chairman, National Youth Commission Attorney at law (Current) Co-chair, Korea Manifesto Center (Current) Publisher of monthly youth magazine, Keunbawui Eolgul (Current)

Jeong-Tak Kim (Outside Director, Non-executive) [10]

Ph.D. in Journalism, University of Missouri
Journalist, JoongAng Daily/Dong-A Broadcasting System
Visiting editorial writer, Segye Daily
Visiting commentator, Korea Broadcasting System
Commissioner, Seoul City Urban Planning Committee
Director, College of Journalism and Mass Communication,
Sungkyunkwan University
Professor, Sungkyunkwan University (Current)







Duties and Authorities

— The Board of Directors makes decisions on management, company affairs, and other issues defined by statute and Daekyo by-laws. The Board is responsible for ensuring that members fulfill their duties. It has the authority to convene shareholders' meetings, draw up and change mid-/long-term business plans, and make final decisions on primary investments. The Board can also request information on major management issues and check their development.

Operation

— The Board convenes regular and special meetings. Regular Board meetings are held once a month, usually on the second or third Monday. At least seven days prior to each meeting, all directors and Audit Committee members are provided with the time, venue and agenda. This procedure can be omitted if there is a unanimous consent of directors and Audit Committee members. At these meeting, a quorum, defined as at least 50% of the directors, is necessary to conduct the official business of the Board. Decisions are made by the majority vote of the quorum. Any director who has special interest in the topic to be discussed cannot participate in the voting.

Formation and Activities

— Daekyo's Board of Directors consists of ten directors, among which seven are inside and three are outside. Two of the three outside directors are non-executive. In 2008, a total of thirteen Board meetings were convened and forty two issues were discussed.

Outside Directors

— There are a total of 3 outside directors, In 2008, Jeong-gyu Park, Ji-won Kang and Jeong-tak Kim served as our outside directors. The outside directors participated in Board activities with an annual attendance rate of 81.5 percent.

Committees

Daekyo's Board of Directors operates five committees, including the Audit Committee. The Audit Committee is comprised of the three outside directors. Our four registered directors serve on the administrative committees such as the Investment Policy Committee and Compensation Committee. The Audit Committee is responsible for auditing Daekyo's accounting and financial affairs by statute, and has the authority to request any related information and inspect the financial status of the company. In 2008, the five committees 59 meetings, where 138 issues were resolved.

Emphasis on Transparency and Ethical Management

Recognizing that corporate governance is a major determining factor in company valuation for global investors, Daekyo is closely observing all facets of corporate rules and regulations. While the company's board makes important management decisions, its senior executives, managers, and employees are expected to contribute to good governance through self-monitoring and sound practices. The company thus emphasizes transparency in governance and ethical behavior in practice. Daekyo has emphasized the "Three Cs' - Code of conduct, Compliance checks, Consensus by ethics education - in management and operations.

Code of Ethics

— Daekyo has adopted a Code of Ethics to maintain the highest possible workplace standards. We believe that the company and its employees should strive for shareholder as well as stakeholder value creation by pursuing excellence in developing quality products, delivery of services to customers, and overall management and operations. The Code is written to help the company in its ongoing efforts to emerge as a prestigious global education service provider.

Compliance

— Daekyo has installed an operational system to ensure that all it business activities comply fully with the company's own internal rules and public laws and regulations.

The Code of Ethics pledges to:

- Put the customer first and satisfy all customers.
- Win the confidence of shareholders through the practice of sound management principles, employing proper operational processes and procedures, and ensuring full transparency in management.
- Maximize shareholder value through steady and profitable business growth, as well as building competitive strength.
- Respect the individuality of each employee and evaluate his/her performance fairly on the basis of creative competence, capability and contribution to the company.
- Promote co-prosperity with business partners by ensuring mutual trust and guaranteeing fairness and transparency in all transactions and procedures.
- Encourage employees to share ideas with management and motivate them to work voluntarily with management toward a common objective.
- Contribute to the community and national prosperity, cultivating talent and advancing the education industry through fair competition and the fulfillment of corporate citizenship.



Korea's No.1 Education Brand

Our flagship education brand 'Noonnoppi' was selected as the No.1 brand in the worksheet with tutoring sector for 11 consecutive years by the K-BPI (Korea Brand Power Index) sponsored by the Korea Management Association Consulting (KMAC). With the corporate motto of Noonnoppi Love and Noonnoppi Education, Daekyo has established an advanced learning system and is providing individualized and premium education services.

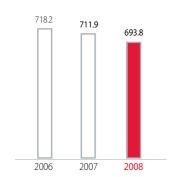
The Noonnoppi business is Daekyo's flagship division. It is one of the largest and most established membership tutoring brands in Korea.

Noonnoppi members receive tutoring textbooks and materials every week, and Noonnoppi tutors regularly visit them at home for one-on-one tutoring sessions. By adopting the worksheet with tutoring system, our Noonnoppi programs effectively provide customers with learner-centered knowledge, information and learning services. Daekyo has greatly invested in nurturing talented and skilled tutors. Moreover, exceeding 200 researchers are striving to develop advanced educational materials, and we are operating systematic evaluation methods.

As of the end of 2008, the Noonnoppi division operated 449 regional sales offices and contracted with 10,800 Noonnoppi tutors, boasting the largest business volume among the weekly home tutoring service providers in Korea. Also, more than 1 million subscribers are taking over 2 million subject, the greatest level in Korea. In 2008, it recorded 693.8 billion won in sales and 74.4 billion won in operating profit. We plan to boost operating profit by reducing costs and upgrading our competitiveness.

Noonnoppi Business Sales Revenue

(Unit: Billion of Korean Won)





— Daekyo has been improving the management efficiency in collaboration with McKinsey & Company, of which the CRM system and ERP system will serve as significant foundations for providing customers with advanced educational services and offering effective tools to employees for work process innovation.

As the market competition is intensifying, we are implementing strategies to differentiate the company from competitors by upgrading existing products, developing new programs and adjusting products to the changing education environments using our vast contents. In addition, we are utilizing information and communication technologies to improve customer satisfaction. For example, Daekyo's IT-based CRM system allows Daekyo parents to check their kids' progress, test results and fee payment status anytime. We are also increasing the number of services delivered through a mobile platform and will expand the learning management system, which plans and adjusts each Daekyo kid's program according to changing needs.



We are also taking the lead in the Voucher program of the Ministry of Health and Welfare.

Daekyo was selected as a nationwide service provider for the Children's Cognitive Ability Enhancement Service in 2008 as well as 2009. The Ministry started the Voucher program in July 2007 as a social welfare service that includes the supply of books and one-on-one reading guidance to children under 6 years old in families with income of less than 3.9 million won per month for every four members. It also provides the parents with reading information and methods on how to guide them. For the revitalization of this program, the Ministry of Health & Welfare is supporting 20,000~27,000 won a month to Voucher service recipients.

Daekyo developed a new brand, 'Noonnoppi Creative Reading.'

With respect to this service, Daekyo developed and launched a new product, 'Noonnoppi Creative Reading.' As a singular customized reading program for individuals, it helps children enhance their language and thinking ability according to cognitive development level. For more effective service, it also provides specialized psychology tests for them in advance.

The Noonnoppi Creative Reading contains our heart and will to foster children's creativity through reading. It consists of 150 books, 11 workbook sets and 197 educational instrument sets to be committed to stirring up children's imagination.



We are getting ready for the future with singular ideas and market leadership.

In 2008, we have laid a solid foundation for sustainable growth in Noonnoppi business by reinforcing brand competitiveness and service system and creating new growth engines. We also endeavored to develop various and differentiated educational materials, and secure an advanced learning system for kids. The customer relationship management system was further upgraded and overseas businesses were vitalized during the same period.

The company has set the goal of achieving 715 billion won in sales and a net increase of 132,000 subjects in 2009. To accomplish this goal, we will focus on implementing four strategies and their sub tasks.

First, we will lay a foundation for innovative membership management system through taking up the concept of consultation into our programs and integrating online and offline service systems. We will also give our priority to increasing the tutors' value by recruiting skilled tutors and benefiting them.

Second, we will support individual branches to achieve qualitative growth, and innovate on their work processes by transferring Noonnoppi mobile works to them

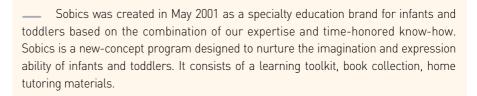
Third, we will nurture talented tutors through improving our introductory training system for the beginners and fostering in-house trainers.

Fourth, we will actively engage in marketing activities and focus on launching new services, expanding distribution channels and creating synergy effects with new businesses

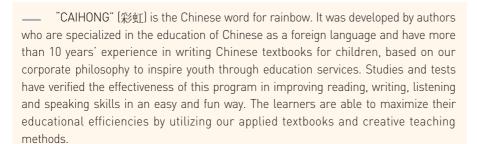




A New-Concept Educational Program for Infants and Toddlers



- Sobics division is responsible for the development and sales of quality products. The nationwide sales network consists of 40 direct-run offices and 11 representative agencies through which our 4,000-member sales force conducts door-to-door sales. As the market competition is growing fiercer, the Sobics division is boosting competitiveness by strengthening the sales network, upgrading existing products, developing new products and enhancing employee training.
- Sobics division operates 6 regional education centers and 17 dispatch teams, and manages some 200 Sobics tutors and 7,500 Sobics infant and toddler members.
- In 2009, we will achieve sales of 37 billion won in the Sobics business. To this end, we will enhance the recognition of Sobics brand, attract new subscribers and continuously expand the business as well as provide quality education services.



— CHAIHONG Division sales came to 31.1 billion won in 2008, up 46.9% year on year. Members totaled around 53,000, and teachers numbered 1,100, making this program the biggest in the Korean market for Chinese language learning. The 2009 goals are 34.8 billion won in sales and 60,000 registered members.

— The Division administered the Young Chinese Test (YCT) to 8,000 persons in 2007. The number has grown since then and is expected to reach 10,000 in 2009. Daekyo's 2007 performance was recognized by an award of excellence in April 2008 from the PRC National Office for Teaching Chinese as a Foreign Language 中国国家汉语国际推广领导小组办公室,which oversees the Chinese Proficiency Test (HSK). Each summer, the CAIHONG Chinese language program also organizes a Chinese culture trip for 250-300 Korean students.



Premium Chinese Language Program





The Highest Quality Online Educational Contents

— The brand name 'Gongbuwarac' literally means 'pouring study' or 'hugging study' in Korean language. It is our online educational service business which was opened in January 2007. Gongbuwarac provides online educational services to students from elementary to middle schools. In 2008, the division achieved sales of 6 billion won and 67.000 chargeable memberships. The targets for 2009 were arranged to 15 billion won in sales and 77,000 chargeable memberships.

— Recently, the educational service market is rapidly growing backed by the government's policies for revitalizing e-learning education including the expansion of special-purpose high schools and English education. And the convergence of e-learning services and high technology has accelerated the market growth. According to these market changes, our Gongbuwarac division will also develop new programs fulfilling customer needs.

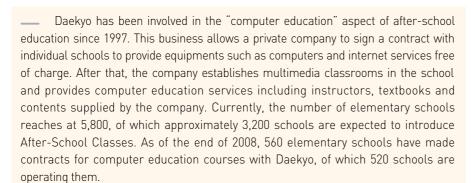
— Our Gongbuwarac division operates e-learning website and sells or leases our education contents to companies, institutions and private academies. In 2008, we entered into contracts for offering online education contents with major companies including LG Telecom, SK Telecom, Hanhwa Non-Life Insurance and First Fire & Marine Insurance and had tie-ups with SK Broadband for IPTV and PMP package product sales.



Korea's Leading E-learning Site

Edupia started off in 2000 with the task of creating a second Noonnoppi legend as 'the leading player in the online education market.' Edupia has grown to be the nation's biggest education portal site, with over 1.77 million members.

— This website provides three-dimensional and high quality online and offline linked e-learning educational services through our joint parent-teacher tailored system. It includes audio-visual learning system, homework service and troubleshooting counselors as well our community centered on the various clubs and blogs. Edupia, the heart of Daekyo's e-business, has swept various Web Awards and has established itself as the best portal site in the nation. As the frontrunner, we will continue to grow, stay a step ahead of the competition by constantly changing and taking on every challenge.



— Furthermore, we are planning to expand the English Classes throughout the nation to meet increasing demands for English education services which were stirred from the policy changes of new government. Daekyo intends to establish and operate about 100 English Classes in the nation and expects to achieve sales of more than 7.2 billion won in 2009 from this business.

Daekyo has set the After-School Class sales target at 58 billion won in sales and over 700 contracted schools for 2009. To this end, we will devote all the strength to improving sales network, engaging in advanced strategies and developing efficient after-school curriculums. In addition, we will expand the operation of Computer Classes and English Classes throughout the nation to realize sales of 80 billion won in 2010, and actively seek out new potential businesses such as essay writing class.

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The Leader in After-School Classes





A Special Program for Children to Enhance Thinking Ability

Soluny is a small-group reading and debate program that helps children develop the ability to think and convey to others what they have learned. Soluny was born out of Daekyo's learner-oriented education philosophy. Many prominent schools overseas have introduced forum-style education services, which have helped to nurture leadership skills from childhood. Soluny's participatory education method and support of specialized instructors will also develop children's abilities so that they can grow into future leaders.

Soluny was incorporated into the new business division in February 2007, and since then we have focused on expanding the business, enhancing customer relationships and upgrading the Soluny brand through a variety of marketing activities. We have also recruited and trained tutors specialized in reading and essays, and secured enough tutors through operating independent online and offline learning academies. In 2008, moreover, the new History Forum was launched to cultivate a correct understanding of Korean and world history through debate and reasoning. A total of 6,000 students signed up for the course in its first year. As a result, as of the end of 2008, about 1,000 private tutors are working in the Soluny business, which posted sales of 16.7 billion won and 21,443 memberships.

In December 2008, we launch a newly developed Intermediate Essays program, which is aimed at middle school students and will expand the Soluny customer base. The program will strengthen the image of a brand specialized in reading and essays. Promotional events will also be held for prospective customers to improve brand recognition.





— G-CAMP means "a fun place to learn," suggesting "a lively and self-motivating learning space." and the name "G" (知) is the Chinese character for "knowledge." This is an integrated brand that consists of G-CAMP Class, an academy specializing in middle school English and Math education; and Calritz, an English language school.

In 2008, G-CAMP brought in revenue of over 3.1 billion won, thanks to continuous improvement and efforts to solidify our place in the market. At the end of 2008, total enrollment reached 17,039 students, including 16,930 in G-CAMP Class and 109 in Calritz.

— G-CAMP is an online academy that diagnoses the student's weaknesses and them prescribes effective methods for addressing them. The student's studies are reinforced through practice. This is a new-concept learning academy that can tailor the lessons to fit specific levels and individual needs. Targets for G-CAMP in 2009 include 3.5 billion won in sales, 143 schools and 18,900 students. For the Calritz program we aim to attract 175 students. We will make significant progress in the coming year by reviewing new business models as well as strengthening the competitive edge of existing businesses.





Efficient Blending of On/Off-line English and Math Education

Futurekids, which is headquartered in the United States, was established in 1983 and is now a franchise brand providing course curriculum and curriculum development to 65 countries worldwide. Our company has concluded a license franchise agreement with Futurekids, giving us exclusive business rights in Korea for ten years. The advantage of Futurekids is a curriculum that can be adapted for use in a variety of businesses and a 'Problem Solving Project' education system that helps students develop their conversation, debate and public speaking skills.

In 2008, we recorded revenue of 2.2 billion won and as of the end of last year, there were 1,821 students studying at our 16 learning centers. Even in 2009, we will engage in aggressive marketing with the goal to satisfy our students by carrying out the restructuring of curriculums. We have set the Futurekids sales target at 2.6 billion won in sales and a net gain in operating income, and will develop this business as a Korean-style learning business item.

FUTUREKIDS®

Creative Thinking Education Based on Problem-Solving Projects





Textbooks and Reference Books Business

According to the reorganization of curriculum in primary and middle schools across the country in 2009, Daekyo has completed its 1st verification of a total of 3 types of school textbooks including 2 types of math textbooks and an English textbook, and they were released in 2009 and are in use. At the same time, we are creating distinctive, highly competitive materials that cover special topics for niche markets. Thus, we are confident of assembling the product line that will make us the future market leader.

— Our reference books business began in 1997 with a collection of problems for primary school children. Today we offer 127 volumes in sixteen series for primary school and 82 volumes in nineteen series for middle school students. Teachers link these tailored materials for students in primary and middle school to work done in class. Our superb sale force and distribution network covers more than 100 exclusive agents and major bookstores around the country.

Educational R&D Institute

— The Daekyo Educational R&D Institute was established in 1985 and specializes in the development of educational services. The Institute continues to develop more-advanced quality control systems and customer-centered educational programs and became the first R&D institute in the educational service industry to be ISO 9001 certified in 2008. This distinction has helped to bolster its leadership position.

The Korea Education Test Center and Daekyo Counseling Center are attached to the Daekyo Educational R&D Institute. KETC operates the Korea Science Olympiad for Gifted Students, develops tools for psychological assessment and researches, offers testing services and researches learning evaluation methods. Psychological test and counseling services are offered at the Daekyo Counseling Center. The R&D Institute also runs the ACT (American College Test), and develops middle school textbooks (for Korean, English, mathematics, sociology, and science etc.)

Daekyo's overseas operations serve two main segments: the Noonnoppi Education for Korean children living outside Korea and the E.nopi Education for local children. For the globalization of Noonnoppi Education, the most authoritative brand that contains its singular know-how cumulated for the past 30 years, the company is expanding the business

into the world by establishing local subsidiaries, franchises and joint ventures.



Building Our Brands in the World

The Americas

Daekyo penetrated into the American market in 1991 with the establishment of the LA subsidiary, and merged 3 local subsidiaries in 2007 for a more efficient management. We have three branches in the East, the West and the Mid-west regions. The branch in the Mid-west region opened in 2008 and will be operated as an independent business unit. We have been selected as a service provider for SES (Supplemental Educational Services) by the US government and have been providing E.nopi products to US public and private schools for their after school use. Also Daekyo America is expediting the franchise business expansions for Canadian, Central and South American market.

China

— Our operations in China started in 1997 with the establishment of Hongkong subsidiary. Now we are expanding the business through establishing joint ventures with world-renowned multinational companies since 2006, and services are being targeted at Chinese users. This market is all the more attractive because as yet no single player dominates the education services sector.

Southeast Asia

Daekyo paved the way for entry into the Southeast Asian markets as it supplied educational materials to local service provider in Singapore in 2000. Since then, we have established subsidiaries and franchises in Malaysia, Philippines and Indonesia and are expanding our presence in the local markets. Daekyo is gaining confidence and accumulating know-how by successfully operating the business in local education markets in Southeast Asia.

Asia-Pacific and Other Regions

— Daekyo entered the New Zealand market in 2000 and moved into Australia and the UK in 2002, Germany in 2005, Thailand in 2006 and Vietnam in 2007. We are not just entering new markets directly and then hiring local staff to run the business. Instead, we are diversifying our approaches by forming joint venture partnerships with major local players.

E. nopi, the Brand for Overseas Markets

E.nopi-MATH, first released in April 2003, not only brings out potential in children through mathematics, but also broadens and deepens their range of thinking. The program reflects the eight math courses in the US recommended by the National Council of Teachers of Mathematics (NCTM). In 2006, the Ohio State University mathematics faculty edited and revised the program, enhancing its effectiveness still more. Now, E.nopi-MATH is firmly established as a world-class training material for math students around the world. (Website: www.enopi.com)

Sharing the Know-how and Knowledge of Individuals

Laying the foundation for knowledge management

The master plan for Daekyo's knowledge management activities was reported to the chairman and top management in September 2007. Then a task force was organized and the necessary staff members were assembled to determine the current state of knowledge management and decide on the right direction going forward. The Community of Practice (COP) pilot program was launched to raise people's understanding of and participation in knowledge management prior to the construction of the new knowledge management system.

Our pilot program for knowledge management

Ten Daekyo divisions (Noonnoppi, New Business, etc.) and thirteen communities took part in COP activities between March and December 2008. After passing through the preliminary and regular rounds, the final six communities competed against one another in the "Gyohak sangjang Festival." Various activities were performed with the goals of achieving a manual for standardized management of members, a certified business qualification ratio of more than 90 percent, a 1 percent increase in the new membership rate and a 1-1.5 percent reduction in the membership cancellation rate. During the period of community activities, individual work competencies improved with more than 150 instances of new knowledge and work know-how being registered. The sharing of knowledge among our people raised our competitiveness and generated new kinds of value for higher customer satisfaction. In 2009, a new apparatus will be in place to conduct knowledge management systematically and effectively. The COP program will be implemented even more aggressively to raise the competitiveness and competencies of all organizational members, fostering an organizational culture that is committed to new value generation.

Motivations for efficient operation

Our knowledge management operation division is designing an effective exercise plan to motivate all employees to participate in the knowledge management effort voluntarily, which includes overseas training programs, an effective evaluation system and a variety of compensation methods. And we will continue to communicate with spot employees and tutors through training, marketing and events. Other motivation programs such as CEO sponsorship will be delivered to them.

Reinforcement of Effectiveness of Sales Support System

Integration of companywide strategies and IT infrastructure

Daekyo has acquired enterprise architecture (EA) by launching DREAMS 2.0, an integrated IT infrastructure. And now we are able to immediately support the following tasks after upgrading the systems for sales support division.

First, it enables us to rapidly introduce new businesses and expand mainstay businesses. By doing so, we can develop new products to meet rapidly changing customer needs and adopt other businesses with new-concept approaches.

Second, we are able to establish and implement advanced marketing strategies to accommodate market changes and customer needs. The system processes data that can help marketers to carry out new marketing strategies for satisfying consumers.

Third, the diverse data generated by the system facilitate analysis and the establishment of countermeasures. All individual data are organized to assist management in devising accurate strategies and making decisions.

As a result, DREAMS 2.0 enables us to integrate our companywide business strategies and the infrastructure of information technology sector. We are now better equipped to formulate the proper business strategies and to secure future growth engines in line with the rapidly changing market environment.

Business Innovation through the R-Project

Upgrading ways of businesses and creating customer value

Daekyo organized the R-Project team in February 2007 to innovate on the Noonnoppi business into specialized educational service sector beyond educational materials. The R-Project is expected to generate our competitive edges and increase customer value. To achieve this, we established a new business rule, a new vision and the direction of innovation for the business, and have been carried out pilot tests through 6 branches.

New Business Rules for the Innovation of Customer Value

- 1. We will provide customers with a wide range of selection by launching multi service models.
- 2. We will provide customized services meeting the characteristics of customers.
- 3. We will expand our services into the areas of in-depth consultations.
- 4. We will specialize in the 3 dimensionally restructured services by specialty area of tutors.
- 5. We will train tutors to be education consultants.
- 6. We will integrate in-house educational services and contents for the management of lifelong learning.
- 7. We will maximize synergetic effect by linking up Noonnoppi and new businesses.
- 8. We will transform the spaces at each branch to be centered on customer services.

The purpose of new business rules is to expand our Noonnoppi business into the comprehensive educational consultation business. To this end, we will foster our Noonnoppi tutors as specialized educational consultants, and transform the spaces of each branch into not a mere office spaces but a learning center where customers are able to be provided a variety of educational services. Consequently, we aim to differentiate ourselves from competitors through integrating our existing rich educational contents with the support system.

Performance in 2008 and the future plans

Daekyo aims to be a world-class provider of educational and culture-related services. To this end, we sought to improve five key areas in 2008: (1) the organizational culture, (2) customer relationship management, (3) regional marketing, (4) instructor deployment models and (5) education division operating models. The rollout of these improvements was begun in April.

The directly-run Learning Centers were adopted as part of the effort to upgrade our education division operating models. These new institutions expanded customers' choices, with major changes in the old system of home visits once a week. Now, the customers can either visit the center or have a center representative call on them. They can also have lessons twice a week, instead of just once. Special courses are offered to accommodate needs in specific regional markets; new events are organized for members, and meetings are arranged for students' parents. Thus, the value of the service has been improved and customer satisfaction has been raised.

One more thing, the Learning Centers give customers a much wider course selection. In addition to Noonnoppi, they can sign up for such new offerings as Futurekids, E-nopi Math, and Gongbu wa rac (an on-line education portal for junior-high students).

Business innovation in 2009 will focus on the directly-run Learning Centers and the online practice lessons. About 400 new directly-run learning centers will be opened and additional services will be offered to address the needs of specific regional markets. These will include learning assessment and counseling as well as a steady stream of new products. In November 2008, meanwhile, we launched Noonnippi Korean, Math, English and Chinese character courses for children between preschool (5 years and older) and third grade. In 2009, we will expand the online practice lessons related to these programs. We will establish Daekyo as the educational service market leader by carefully managing members' studies, and adopting new learning models based on innovations for the directly-run learning centers and online practice lesson programs.

Building Trust with Customers, Society and Employees

Based on the strong commitment of our all executives and employees to implement ethical and transparent management, Daekyo is engaging in a wide variety of efforts to build a healthy, clean and energetic corporate culture. We are also winning infinite confidence from customers and society. To further practice advanced management system and evolve as a global leading educational service provider, we have enacted Daekyo's code of ethics and are making it our criteria of work and value judgment.

>> Progress of Ethical Management

- Daekyo declared the Code of Ethics in January 2004.
- Our COO released a letter on the subject of 'At the Time of Practicing Ethical Management,' and the company conducted education ethical management through the website in April 2004. An interactive communication channel, 'Open Voice' was also installed.
- All executives discussed the plans to uproot dishonest behaviors at the management strategy meeting in May 2004.
- Our COO released a special letter for the prohibition of weekend work and dishonest behaviors in June 2004.
- A TF team was organized to exterminate dishonest behaviors and cyber education course on self-examination was introduced in July 2004.
- The company conducted cyber education on ethical management to newcomers and experienced employees in October 2004.
- The website for ethical management was opened in September 2007.

Nurturing Talented People with Creative Thinking and Challenging Spirit

Reinforcement of education infra to nurture talented human resources

Daekyo provides all employees with opportunities to develop themselves by operating a learning website with its Human Resource Development Center. In addition, Daekyo Educational R&D Institute provides a wide range of educational information including education theories, and shares research and statistical data to enable them acquire recent market trend. We also support them to foster their capabilities by delivering expert knowledge they need in the business.

Establishment of Direction for Mid-Long Term Talent Promotion Strategy

For the development of talent capacity, you need to take a gradual approach according to the capacity of an organization. For this purpose, Daekyo has established the direction of mid-long term talent development strategy, and is giving everything we have to become a world-class education & culture corporation living up to its reputation after 5 or 10 years.



Won the grand prize at the Korea HRD Awards

Our HRD Center won the grand prize at the 6th Korea HRD Awards in February 2008. The HRD Awards was introduced to nurture talented people and contribute to the development of domestic HRD sector, and it has presented awards by selecting excellent educational programs, educational institutes, training centers and solutions. Daekyo HRD Center was recognized its superiority of equipments and facilities which took into account practicability, convenience and the latest training techniques.

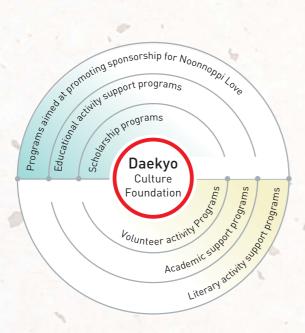
Daekyo Culture Foundation

Creating a heart-warming society full of love and sharing

Founded in 1992, Daekyo Culture Foundation has conducted various social contribution activities for the communities. Our major activities include scholarship programs to provide more educational opportunities, academic supports to organizations and individuals devoting themselves for public interest, award programs and competition events to motivate children and younger people to realize their dreams.







- * Scholarship programs : We support talented people who can contribute to the nation and society.
- * Educational activity support programs : We are creating an educational environment that is full of affection and enthusiasm.
- * Literary activity support programs : We identify and support writers who can give hope and dreams to children.
- * Academic support programs : We support academic research for the interests of society.
- *Volunteer activity programs : We are making efforts to create a brighter society where people live in harmony and share their happiness.
- Programs aimed at promoting sponsorship for Noonnoppi Love : We give little ones big hopes for the future.

Public Service Activities

Giving back part of corporate profits to society

Daekyo performs its role as a responsible and upright corporate citizen, returning part of profits to society through diverse CSR programs such as the Noonnoppi Love Community Service Team, Daekyo Culture Foundation, World Youth & Culture Foundation, sports activities, Safe Kids Korea, Scouts, childcare, and support for multicultural families. These activities are helping to improve the quality of life for all people in society.

Support for children in multicultural families is provided in cooperation with the Daekyo Culture Foundation and Noonnoppi Love Community Service Team. Volunteers visit the homes of 500 of these children and provide free lessons. Fifty of them are given free lessons in Korean language and culture at the local Daekyo learning center, helping them to grow up as productive members of Koran society.

Daekyo Childcare Centers

Daycare centers have been established for the children of Daekyo employees and Noonnoppi instructors, helping to improve their ability to do their jobs while ensuring their families are safe and well cared for. Qualified daycare professionals from local universities are commissioned to work in the centers, which use creative education programs to ensure top quality daycare services. Branches are currently in operation in Busan (Haeundae district), Ulsan, East Daegu, and Daejeon.



Daekyo's Contribution Results

(Unit: KRW in millions)

2008	2007	2006	2005	2004
39,209	64,514	74,604	87,168	101,294
2,750	20,907	1,797	3,038	2,695
	39,209	39,209 64,514	39,209 64,514 74,604	39,209 64,514 74,604 87,168

Noonnoppi Love Community Service Team

Sharing love with communities

Founded in June 2000, the Noonnoppi Love Community Service Team consists of around 10,000 members in 26 local branches nationwide. They lay aside a part of their monthly wage to actively engage in social contribution activities.

The Noonnoppi Love Community Service Team has voluntarily provided free educational services to children with autism since 2004, and about 140 children are currently benefitting from our services. In addition, Team volunteers conduct traffic safety campaigns directed at children, assist families in which grandparents are caring for the children, give free lessons to children at the daycare centers and to children in low-income families, and visit elders living alone at home or in nursing homes.

A special "sisterhood relation" has been established between Daekyo and farming communities in Gangwon Province. Noonnoppi Love volunteers help with the rice planting, plant trees, take free portraits of the elders in the community, take the children from the local primary school on field trips to Seoul, organize friendly soccer matches, and donate books to the school.

Our Noonnoppi Love is delivered to not only domestic sponsoring organization but also overseas. All staff members of the local branch in Indonesia visited an orphanage and delivered rice, daily necessities and school supplies for children.







Safe Kids Korea

Taking the head in preventing children's safety concerns

Daekyo founded the 'Safe Kids Korea' in joint cooperation with Citizen's Coalition for Safety to prevent children's safety concerns in 2001, and since then, we have been supporting major programs. We started this from the desire to deliver a big hope for our children to grow up brightly and safely in consideration of our presence that the death rate from children's safety concerns are four to five times higher than developed nations among OECD members.

Daekyo and the Safe Kids Korea are holding 'Children's Traffic Safety Campaign' throughout the year since 2002. More than 10,000 advisors for children's safety and Noonnoppi Love Community Service Team members are voluntarily participating in the campaign. They regularly distribute 'Mommy's Hand' made in the shape of a yellow plastic hand with the letters, 'STOP', and 'Children's Traffic Safety Pocketbook' containing details of traffic safety, and provide guidance to children through practical education of a safe way to cross the street on an actual road.



Sports Activities

Interacting with the World through Sports

Daekyo sponsors a women's badminton team and women's soccer team to help promote physical fitness in Korea, encourage the balanced development of sports in society, and cultivate women's athletic skills. The accomplishments of these women athletes on the world stage also bring pride to all Koreans.

The Noonnoppi Women's Badminton Team was established in 1997 with Atlanta Olympics gold medalist Soo-hyun Bang as one of the charter members. The team also developed Kyung-min Ra, who rose to world champion in mixed doubles. Noonnoppi won two of the three team competitions held in Korea in 2008. Team members also entered four international events, garnering two 1st-place finishes, one 2nd-place finish and three 3rd-place finishes in the singles and doubles competitions. Their performance was the best of any Korean company-sponsored women's badminton squad. In addition, the team supports various international competitions and the Little House of Jesus.

The Daekyo Kangaroos Women's Soccer Team was established in 2002 and now nine of the players are also on the National Team. In 2008, the Kangaroos were Spring League Champions, and the players have helped to cultivate Koran women's soccer internationally by competing against Shanghai SVA from China and Kobe INAC from Japan. Soccer clinics are held for primary school students every year, and Noonnoppi courses are provided free of charge to the girls on soccer teams at 24 primary schools around the country. Team buses were also donated to primary schools in 2008, and the team delivers charcoal briquettes (for heating) to the homes of low-income senior citizens at the end of each year.









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1. 2008 Performance

- The business results for FY08 are as follows:

			1		(unit : KF	W in billions)
	2008	2008		2007		
	Amount	%	Amount	%	Amount	%
Sales	841.1	100.0	846.6	100.0	829.7	100.0
Worksheet with tutoring	745.6	88.6	764.9	90.4	761.9	91.8
Others	95.5	11.4	81.7	9.6	67.8	8.2
Cost of sales	671.0	79.8	655.8	77.5	651.2	78.5
Gross profit	170.1	20.2	190.9	22.5	178.5	21.5
Selling & administrative expenses	112.9	13.4	112.4	13.3	114.6	13.8
Operating income	57.2	6.8	78.5	9.3	63.9	7.7
Non-operating income & expense	-18.0	-2.1	-14.0	-1.7	10.7	1.3
Income from continuing operations before tax	39.2	4.7	64.5	7.6	74.6	9.0
Net income	21.2	2.5	48.1	5.7	51.5	6.2

^{*}For convenience in comparing the performance year to year, the 2006 and 2007 data for Sobics School, which was spun off in 2007, are not included.

The business environment has been uncertain in the midst of a server economic downturn. Therefore, Daekyo adopted a mid-/long-term vision in 2008 that stresses profitability and growth. Various programs were launched to this end, including a campaign to achieve 2 million Noonnoppi subscribers. Sales in 2008 amounted to W841.1 billion, down 0.7 percent (W5.5 billion) from figure a year earlier.

Sales for the main business line, Noonnoppi, showed net gains for each of the last four months of 2008, boosted by the adoption of the voucher program and by the stock grant incentive system offered to top performing employees and tutors during the second half of 2008. However, the waning competitiveness of major products caused the number of beginning-level subscribers to drop and program expansion to slow during the first half. As a result, Noonnoppi sales for 2008 were 2.6 percent (W18.2 billion) lower than they were a year earlier.

Meanwhile, after-school tutoring sales were 30.8 percent higher than in 2007, but the lackluster performances of Soluny, Sobics and Gongbuwarac caused sales from the new product lines to rise just 8 percent (W10.6 billion) year on year. These products, wherefore, did not contribute significantly to overall sales growth.

Rising international prices for materials drove up production costs, and sales commissions were also raised in 2008, causing operating profit to drop 27.1 percent (W21.3 billion) year on year to W57.2 billion. Net profit for the year totaled W21.1 billion, down 55.9 percent (26.9 billion) from the year before. The drop in net profit resulted from the lower operating profit, subsidiaries' losses on using equity method, and a valuation loss related to a ELS financial product.

The six domestic subsidiaries (including Fermatedu, Daekyo Bookscan and Daekyo Book Center) collectively reflected W18.4 billion in losses on using equity method. Operational losses at Fermatedu increased after some new business lines failed and the entrance examination format for foreign language high schools was changed. Net losses for Daekyo Bookscan increased from the obsolete inventories discarded when the publishing unit was handed over and from a write-down of nonperforming receivables. Those net losses had the greatest influence on the company's losses on using equity method.

However, Fermatedu withdrew from the money-losing new businesses last year and underwent a major

restructuring, to include the appointment of a new CEO. In 2009, the subsidiary will focus its competencies on what it does best: the academy business. This should result in a steady revenue stream, while efforts will be made to develop new growth engines such as an English language program that can elevate brand recognition. Daekyo Bookscan has stepped up a multifaceted online marketing campaign that includes the opening of a price comparison site. The book database is also being expanded (500,000 titles in-house and a tie-up with the Daekyo Book Center) to increase book sales.

These self-rescue efforts by the subsidiaries should lower the total loss on using equity method by about W15 billion to just W3 billion in 2009.

2. Financial Status & Funding

- The financial status for Daekyo during the past three fiscal years is as follows:

(unit : KRW in billions)

	2008	2008		2007		
	Amount	%	Amount	%	Amount	%
Total assets	731.3	100.0	882.4	100.0	839.3	100.0
- Current assets	206.1	28.2	222.8	25.3	205.1	24.4
- Non-current assets	525.2	71.8	659.6	74.7	634.2	75.6
Total liabilities	205.7	28.1	234.2	26.5	229.5	27.3
- Current liabilities	137.8	18.8	129.2	14.6	122.9	14.6
- Non-current liabilities	67.9	9.3	105.1	11.9	106.6	12.7
Total shareholders' equity	525.6	71.9	648.2	73.5	609.8	72.7
- Capital stock	52.1	7.1	52.1	5.9	52.1	6.2
- Capital surplus	71.8	9.8	72.3	8.2	71.7	8.5
- Capital Adjustment	-38.9	-5.3	-12.3	-1.4	-2.5	-0.3
- Other comprehensive changes	73.2	10.0	167.3	19.0	149.0	17.8
- Retained earnings	367.4	50.2	368.8	41.8	339.5	40.4

- Total assets at the end of 2008 stood at W731.3 billion, down 17.1 percent (W151.1 billion) from a year earlier as a result of valuation losses from securities under equity method and shares held in the Shinhan Financial Group. However, the financial structure remained solid, with a debt-to-equity ratio of just 39.13 percent and a current ratio of 149.59 percent.
- The current net cash position is strong, and the company does not require funding (such as bank loans or bond issuance) from outside sources.

3. Other Notes (Major Business Activities in 2008 and Operational Plans for 2009)

Despite the lackluster performance results, we worked hard on achieving a new growth surge in 2008. Everything did not work out as planned, but the R-Project was implemented to change the business model for education, the main business, from "push" to "pull" to secure core competitiveness. The V-Project, meanwhile, was launched to establish a future-oriented growth portfolio. These projects reveal the company's strategic direction over the mid-/long term.

In addition, Noonnoppi's share of the infant/toddler market increased, laying the groundwork for securing a front-running position in future markets. The vouchers and

"Dream Start" programs provide a new channel in cooperation with the government, which will serve as a

MANAGEMENT'S DISCUSSION & ANALYSIS



springboard for new growth as well.

In Korea, families continue to spend more for private education even though their overall household budgets have decreased. The recent economic downturn has caused some to cut back on extracurricular education, but any drop in demand is expected to be mainly in the high-priced institute and private tutoring segments. The adverse effect has been limited on the widespread market for low-cost or mid-range practice test programs with a weekly home visit tutoring. (According to a survey by the Ministry of Education, the readership of these practice programs was 10 percent higher in 2008 than in 2007.)

On the other hand, the effect of the global economic crisis on Korea has been greater than what was initially expected, and the timing of economic recovery is unclear. The education business has been more resistant to the economic downturn than other industries until now, but some adverse effects are inevitable. However, Daekyo employees are passionately working to turn the crisis into new opportunity, believing in the saying "You can fly a kite on windy days."We have established the following plans for 2009 and are now working furiously to implement them:

First, we aim to strengthen the market dominance of Noonnoppi.

As mentioned above, we opened the door for innovative change by switching the business model from "push" to "pull." Daekyo programs will be differentiated from the competition through the new electronic practice tests and mobile phone channels being introduced in 2009. The channel expansion, to include learning centers for young children (LC/YC*), changes how subscribers are managed, and a new management model has been sought. We will aggressively pursue the infant/toddler market, provide marketing support to suit regional requirements, and expand the evaluation services. The resulting increase in customer value should bolster Daekyo's market position.

These efforts are designed to bring us out of the slump that has persisted since our going public in 2004. Nonnoppi's 2009 sales target is set at W715 billion, up 3 percent (W21.2 billion) from the 2008 figure. Operating profit in 2009 is expected to reach W77.7 billion, a 4.3 percent (W3.2 billion) improvement year on year, made possible by profitable growth in the independent/franchised academy business, lower production costs, and a better revenue structure. The target operating margin is 10.9 percent, and efforts will be made to develop Noonnoppi into the company "cash cow."

* LC: Learning center, YC: Yes Class

Second, we will increase the sales of new business lines.

The new businesses achieved W142.7 billion in sales during 2008, an 8 percent improvement over the previous year. Importantly, the revenue structures for strategically important lines (Sobics, After-school class, Caihong) were improved, putting them into the black. In 2009, we will remain faithful to the philosophy of "educators and students growing together," implementing a knowledge management program to build the infrastructure to provide rapid support and raise service quality. Operational innovation activities will be implemented to enhance intra-organizational communication. As a result, we expect our new businesses to achieve an annual growth rate of 26.1 percent (W37.3 billion) to total W180 billion without fail. At the same time, we will work to ensure that all new business lines are profitable in the coming year.

Third, we will nurture future growth businesses aggressively.

We celebrated the 32nd anniversary of Daekyo in July 2008, and on this occasion announced our vision for future growth. The new President Lee Myung-bak administration has initiated "autonomy and competition" into the public education system, prompting us to focus on untapped business areas. We have identified six areas for future growth: (1) middle school entrance examinations, (2) public education, (3) adult education, (4) global services (5) English language programs, and (6) online programs, and six task forces are now working on developing them. Higher profitability from Noonnoppi in the future and sales growth of the new businesses will enable us to launch these six future growth engines successfully.

Fourth, we are cultivating an "innovative corporate culture."

Close and open communication among all organizational members is helping to foster a creative and innovative corporate culture. A companywide knowledge management program has been adopted to enable all parties to find and share knowledge from individuals as well as organizational units. This helps to raise productivity and turn knowledge into valuable assets, which in turn can elevate corporate value.

We will work hard in 2009 to achieve excellent results, which will boost share prices for the benefit of shareholders and enable the company again being paying out a hefty dividend.

INDEPENDENT AUDITORS' REPORT

To Shareholders and the Board of Directors of Daekyo Co., Ltd.:

We have audited the accompanying non-consolidated balance sheets of Daekyo Co., Ltd. (the "Company") as of December 31, 2008 and 2007, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the years then ended, all 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 conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and 2007, and the results of its operations, the changes in its retained earnings and 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 financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized 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 financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

Seoul, Korea March 9, 2009



This report is effective as of March 9, 2009, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2008 AND 2007

		(in thousands of Korean won)
	2008	2007
Assets		
Current assets		
Cash and cash equivalents (Note 8)	₩ 60,542,806	₩ 67,670,719
Short-term financial instruments (Notes 3, 8 and 17)	21,469,747	58,418,960
Short-term investment securities (Note 4)	55,039,298	44,277,964
Trade accounts receivable, net	32,989,520	23,486,235
Other accounts receivable, net	2,712,142	3,324,674
Short-term loans	1,928,872	1,974,786
Accrued income	413,885	2,838,692
Advanced payments	1,911,256	2,130,913
Prepaid expenses	1,409,436	1,832,101
Deferred income tax assets (Note 16)	5,909,897	1,609,315
Inventories, net (Note 6)	21,778,298	15,277,876
Total current assets	206,105,157	222,842,235
Non-current assets		
Long-term financial instruments (Notes 3 and 17)	2,440,000	2,500
Long-term loans	5,724,254	8,446,145
Long-term investment securities (Note 4)		
Investment securities accounted for using the equity method	161,600,748	292,525,126
(Notes 5 and 17)	24,912,051	35,068,133
Other investment assets	7,253,231	6,337,025
Property and equipment, net (Note 6)	202,377,296	200,041,766
Intangible assets, net (Note 7)	67,141,976	62,585,031
Non-current guarantee deposits	53,765,502	54,592,455
Total non-current assets	525,215,058	659,598,181
Total assets	₩ 731,320,215	₩ 882,440,416

NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2008 AND 2007

	(in thousands of Korean v			
	2008	2007		
Liabilities and shareholders' equity				
Current liabilties				
Trade accounts payable	₩ 12,032,352	₩ 6,713,274		
Other accounts payable	18,320,372	16,422,277		
Accrued expenses	39,102,380	38,028,836		
Withholdings	6,526,812	7,627,021		
Advances received	50,880,480	47,177,181		
Income tax payable	10,086,895	12,528,465		
Provision for returns	834,110	680,815		
Total current liabilities	137,783,401	129,177,869		
Long-term liabilities				
Long-term accrued expenses	4,891,465	5,031,472		
Long-term accounts payable	3,000,000	3,000,000		
Long-term deposits received	14,959,473	12,105,469		
Provision for mileage	156,796	108,829		
Accrued severance benefits, net of payment to National Pension Fund				
of $\ensuremath{\mbox{W}}$ 892,294 thousand in 2008 and $\ensuremath{\mbox{W}}$ 1,103,614 thousand in 2007,				
and severance insurance deposits for employees of ₩ 45,169,167				
thousand in 2008 and ₩ 43,987,750 thousand in 2007(Note 2)	23,182,487	22,396,567		
Deferred income tax liabilities (Note 16)	21,723,504	62,425,179		
Total long-term liabilities	67,913,725	105,067,516		
Total liabilities	205,697,126	234,245,385		
Shareholders' equity				
Capital stock (Note 9)	52,064,920	52,064,920		
Capital surplus (Note 10)	71,859,653	71,127,450		
Treasury stock (Note 11)	(40,536,283)	(12,293,466)		
Stock options (Note 12)	1,567,960	-		
Gain on valuation of available-for-sale securities (Note 4)	81,346,878	168,589,429		
Loss on valuation of available-for-sale securities (Note 4)	(9,634,304)	(502,869)		
Changes in equity using the equity method (Note 5)	1,579,909	666,681		
Negative changes in equity using the equity method (Note 5)	(82,141)	(283,360)		
Retained earnings (Note 13)	367,456,497	368,826,246		
Total shareholders' equity	525,623,089	648,195,031		
Total liabilities and shareholders' equity	₩ 731,320,215	₩ 882,440,416		

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(in thousands of Korean won, except for net income per share)

		except for net income per snare)
	2008	2007
Sales (Note 19)	₩ 841,092,31	4 ₩ 846,630,204
Cost of sales [Note 19]	670,991,96	655,755,294
Gross profit	170,100,35	190,874,910
Selling and administrative expenses [Note 24]	112,890,31	2 112,357,370
Operating income	57,210,03	78,517,540
Non-operating income		
Interest income	6,694,32	23 7,275,742
Dividend income	4,823,46	4,999,115
Reversal of allowance for doubtful accounts		- 22,220
Foreign exchange gains	180,76	56 1,131
Gain on disposal of property and equipment	2,14	1,125,909
Gain on foreign currency translation	572,83	35 117,902
Gain on valuation of investment securities accounted for using the		
equity method (Note 5)	114,78	39 235,050
Gain on disposal of short-term investment securities	1,479,62	9,782,559
Gain on disposal of long-term investment securities	297,85	55 1,371,637
Gain on disposal of investment securities accounted for using the		
equity method (Note 5)		- 70,185
Others	376,19	72 1,043,214
	14,541,98	26,044,664





FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(in thousands of Korean won, except for net income per share)

		except for net income per snare)
	2008	2007
Non-operating expenses		
Foreign exchange losses	17,915	20,707
Loss on foreign currency translation	211,500	125,433
Donations	2,750,900	20,907,044
Other bad debt expenses	223,350	199,381
Loss on valuation of inventories	340,432	1,660,935
Loss on valuation of investment securities accounted for using the		
equity method (Note 5)	18,363,339	8,106,336
Loss on valuation of short-term investment securities (Note 4)	6,203,879	_
Loss on disposal of property and equipment	2,352	292
Loss on removal of property and equipment	37,593	7,069,332
Loss on impairment of intangible assets (Note 7)	2,956,476	304,928
Loss on disposal of investment securities accounted for using the		
equity method (Note 5)	₩ -	₩ 149,810
Others	1,434,974	1,504,382
	32,542,710	40,048,580
Income before income tax -continuing operations	39,209,317	64,513,624
Income tax expense - continuing operations (Note 16)	18,032,757	14,117,295
Net income - continuing operations	21,176,560	50,396,329
Loss on discontinued operations (Note 21)	-	2,285,631
Net income	₩ 21,176,560	₩ 48,110,698
Net income per common share - continuing operations (Note 18)	₩ 210	₩ 493
Net income per common share (Note 18)	₩ 210	₩ 467

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	(in thousands of Korea				
		2008		2007	
Unappropriated retained earnings					
Unappropriated retained earnings carried over from prior year	₩	5,531,123	₩	4,093,397	
Interim dividends (Note 14)		(8,056,210)		(7,182,874)	
Net income		21,176,560		48,110,698	
		18,651,473		45,021,221	
Appropriations					
Reserve for financial structure improvement		-		-	
Voluntary reserve		17,000,000		25,000,000	
Cash dividends (Note 14)		342,674		14,490,098	
		17,342,674		39,490,098	
Unappropriated retained earnings to be carried forward					
to subsequent year	₩	1,308,798	₩	5,531,123	

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY



(in thousands of Korean won)

								(in thousa	nds of Korean won)
		Capital stock		Capital surplus	ac	Capital Ijustments	Accumulated other comprehensive income	Retained earnings	Total
Balance at January 1, 2007	₩	52,064,920	₩	71,723,241	₩	(2,472,637)	₩ 149,016,721	₩ 339,483,972	₩ 609,816,217
Accumulated effect of changes in									
accounting policy				(1,138,178)			1,138,178		
Capital after adjustment		52,064,920		70,585,062		[2,472,637]	150,154,900	339,483,972	609,816,217
Dividends								(11,585,551)	(11,585,551)
Balances after appropriations		52,064,920		70,585,062		(2,472,627)	150,154,900	327,898,421	598,230,667
Interim dividends		-		-		-	-	(7,182,874)	(7,182,874)
Net income		-		-		-	-	48,110,698	48,110,698
Acquisition of treasury stock		-		-		(9,820,829)	-	-	(9,820,829)
Gain on disposal of treasury stock Gain on valuation of available-for-		-		542,388		-	-	-	542,388
sale securities Loss on valuation of available-for-		-		-		-	19,772,622	-	19,772,622
sale securities Changes in equity using the equity		-		-		-	(296,680)	-	[296,680]
method Negative changes in equity using		-		-		-	(58,254)	-	(58,254)
the equity method						_	(1,102,706)	_	(1.102.706)
Balance at December 31, 2007	₩	52,064,920	₩	71,127,450	₩	[12,293,466]	₩ 168,469,881	₩ 368,826,246	₩ 648,195,031
			•	,,	•	(:=,=:=,:==,			
Balance at January 1, 2008 Accumulated effect of changes in	₩	52,064,920	₩	72,265,629	₩	(12,293,466)	₩ 167,331,703	₩ 368,826,246	₩ 648,195,031
accounting policy		-		(1,138,178)		-	1,138,178	-	-
Capital after adjustment		52,064,920		71,127,450		[12,293,466]	168,469,881	368,826,246	648,195,031
Dividends		-		-		-	-	(14,490,098)	(14,490,098)
Balances after appropriations		52,064,920		71,127,450		[12,293,266]	168,469,881	354,336,148	633,704,933
Interim dividends		-		-		-	-	(8,056,210)	(8,056,210)
Net income		-		-		-	-	21,176,560	21,176,560
Increase of other capital surplus		-		732,203		-	-	-	732,203
Acquisition of treasury stock		-		-		(28,242,817)	-	-	(28,242,817)
Increase of stock options		-		-		1,567,960	-	-	1,567,960
Gain on valuation of available-for-									
sale securities		-		-		-	(87,242,551)	-	(87,242,551)
Loss on valuation of available-for-									
sale securities		-		-		-	(9,131,435)	-	(9,131,435)
Changes in equity using the equity method		-		-		-	913,228	-	913,228
Negative changes in equity using									
the equity method		-		-		-	201,219	-	201,219
Balance at December 31, 2008	₩	52,064,920	₩	71,859,653	₩	(38,968,323)	₩ 73,210,342	₩ 367,456,497	₩ 525,623,089

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

			(in thous	ands of Korean won)
		2008		2007
Cash flows from operating activities				
Net income	₩	21,176,560	₩	48,110,698
Additions of expenses not involving cash outflows				
Depreciation		9,562,878		11,219,455
Amortization of intangible assets		32,455,150		30,717,293
Provision for severance benefits		15,005,395		12,255,611
Loss on valuation of investment securities accounted for using the				
equity method		18,363,339		8,106,336
Loss on disposal of property and equipment		2,352		292
Loss on removal of property and equipment		37,593		6,402,732
Loss on impairment of intangible assets		2,956,476		304,928
Loss on valuation of inventories		340,432		1,660,935
Bad debt expenses		1,115,162		-
Other bad debt expenses		223,350		199,381
Commissions		1,252,127		-
Loss on foreign currency translation		211,500		5,717
Salaries and wages (stock options)		1,567,960		-
Loss on valuation of short-term investment securities		6,203,879		-
Loss on disposal of investment securities accounted for using the				
equity method		-		149,810
Loss on discontinued operations		-		521,854
Miscellaneous losses		652		11,234
		89,298,245		71,555,579
Deduction of items not involving cash inflows				
Gain on valuation of investment securities accounted for using the				
equity method		114,789		235,050
Gain on foreign currency translation		572,835		4,573
Gain on disposal of property and equipment		2,140		1,125,909
Gain on disposal of short-term investment securities		1,479,625		9,782,559
Gain on disposal of long-term investment securities		297,855		1,371,637
Gain on disposal of investment securities accounted for using the		ŕ		, ,
equity method		-		70,185
Reversal of allowance for doubtful accounts		_		22,220
		2,467,244		12,612,133
		,		,, 9





FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

		(in thousands of Korean won)
	2008	2007
Changes in operating assets and liabilities related to operating activities		
Increase in trade accounts receivable	₩ (10,618,447)	₩ (150,641)
Decrease (increase) in accrued income	2,424,807	(530,986)
Decrease (increase) in other accounts receivable	389,181	(2,171,684)
Decrease (increase) in advanced payments	219,658	(1,237,147)
Decrease (increase) in prepaid expenses	422,664	(412,569)
Decrease (increase) in inventories	(6,840,854)	4,764,403
Increase in deferred income tax assets	(4,300,582)	(648,037)
Increase (decrease) in trade accounts payable	5,319,078	(7,120,057)
Increase in other accounts payable	1,898,094	934,588
Increase (decrease) in accrued expenses	1,073,543	(1,804,700)
Increase (decrease) in withholdings	(1,100,209)	1,053,357
Increase in advances received	3,703,299	4,956,044
Increase (decrease) in income tax payable	(2,441,570)	8,063,104
Increase in provision for returns	153,295	159,034
Payment of severance benefits	(13,249,379)	(18,056,779)
Increase in severance insurance deposits	(1,181,416)	(1,624,221)
Decrease in contributions to the National Pension Fund	211,321	320,107
Increase (decrease) in long-term deposits received	2,854,004	(274,260)
Decrease in long-term accrued expenses	(140,007)	(803,563)
Increase (decrease) in deferred income tax liabilities	3,132,451	(2,273,533)
Increase in provision for mileage	47,967	108,829
	(18,023,102)	(16,748,711)
Net cash provided by operating activities	89,984,459	90,305,433
Cash flows from investing activities		
Cash inflows from investing activities		
Proceeds from disposal of short-term financial instruments	58,418,960	53,057,783
Proceeds from disposal of trading securities	47,296,566	61,687,638
Proceeds from disposal of available-for-sale securities	3,462,835	6,513,298
Proceeds from disposal of long term financial instruments	2,500	-
Collection of short-term loans	1,981,625	5,093,276
Collection of long-term loans	2,023,545	1,720
Proceeds from non-current guarantee deposits	16,338,045	20,580,813
Proceeds from other investment assets	95,348	3,120
Proceeds from disposal of property and equipment	2,140	3,904,833
Proceeds from disposal of intangible assets	-	234,876
	129,621,564	151,077,357

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	(in thousands of Korea			
	2008	2007		
Cash outflows from investing activities				
Acquisition of short-term financial instruments	₩ 21,108,412	₩ 54,914,950		
Acquisition of trading securities	71,973,910	51,000,000		
Acquisition of available-for-sale securities	3,256,958	-		
Acquisition of investment securities accounted for using the equity method	6,245,818	7,279,079		
Extension of short-term loans	-	107,144		
Extension of long-term loans	595,765	2,818,503		
Payments for non-current guarantee deposits	16,152,691	18,762,995		
Acquisition of other investment assets	1,326,022	6,000		
Acquisition of property and equipment	11,938,353	22,185,157		
Acquisition of intangible assets	40,906,882	33,921,990		
Acquisition of long-term financial instruments	2,440,000	-		
	175,944,811	190,995,818		
Net cash used in investing activities	[46,323,247]	(39,918,461)		
Cash flows from financing activities				
Cash inflows from financing activities				
Disposal of treasury stock	-	5,829,762		
Cash outflows from financial activities				
Cash dividends	22,546,308	18,768,424		
Acquisition of treasury stock	28,242,817	15,108,204		
	(50,789,125)	(33,876,628)		
Net cash used in financing activities	(50,789,125)	[28,046,866]		
Net increase (decrease) in cash and cash equivalents	(7,127,913)	22,340,106		
Cash and cash equivalents - beginning of the year	67,670,719	45,330,613		
Cash and cash equivalents - end of the year (Note 20)	₩ 60,542,806	₩ 67,670,719		
Cash and cash equivalents - end of the year (Note 20)	₩ 60,542,806	₩ 67,670,7		

See accompanying notes to non-consolidated financial statements.



FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. GENERAL

Daekyo Co., Ltd. (the "Company") was incorporated in December 1986 under the Commercial Code of the Republic of Korea to provide educational services for children. The Company changed its name from Daekyo Munhwa Co., Ltd. to Daekyo Co., Ltd. in January 1991.

As of December 31, 2008, the Company's shareholders for common stock are as follows:

Name of shareholder	Number of shares owned	Percentage of ownership (%)
Daekyo Holdings Co., Ltd.	46,171,200	54.5
Daekyo Culture Foundation	2,978,420	3.5
Kang, Young Jung	2,073,440	2.4
Others	33,479,790	39.6
	84,702,850	100.00

On February 3, 2004, the Company offered its shares for public ownership by listing its common shares on the Korean Stock Exchange, and the Company's capital is \$\foware\text{52,064,920}\$ thousand (common stock - \$\foware\text{42,351,425}\$ thousand and preferred stock - \$\foware\text{97,713,495}\$ thousand) through several paid-in capital increase and free issue of new shares. The Company resolved stock spilt (£<5,000 to \$\foware\text{500}\$) at the board of directors and general meeting of shareholders on July 21, 2008 and September 5, 2008, respectively, that was effected on October 8, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, changes in shareholders' equity or cash flows, is not presented in the accompanying financial statements.

Implementation of the Statements of Korean Accounting Standards ("SKAS")

The Company prepared its non-consolidated financial statements as of December 31, 2008 in accordance with the existing Korea Financial Accounting Standards and SKAS. The Company's accounting policies have not been changed since the preparation of the non-consolidated financial statements for the year ended December 31, 2007 except for changes due to the application of amended SKAS No.15. Certain reclassifications and changes of presentation have been made in the prior year's non-consolidated financial statements according to SKAS No. 15. Such reclassifications and changes of presentation have no effect on previously reported net assets and net income.

The financial statements in 2008 were approved by the board of directors on March 9, 2009.

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

Revenue Recognition

Sales of products are recognized when delivered, and revenues from construction contracts are recognized using the percentage-of-completion method.

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Allowance for Doubtful Accounts

The Company sets up allowance for doubtful accounts for account receivable and bonds based on past experience, taking into account current collection trends.

Reserve for Returns

Reserve for returns is estimated and provided. The related estimated cost of goods sold is deducted from sales and cost of goods sold, respectively.

Inventories

Inventories are stated at cost being determined by the moving-average method. The Company maintains perpetual inventory method, which is adjusted through physical count. If deterioration, obsolescence and damage occur, the inventories are impaired. If the net realizable value of inventories is less than its cost, inventories are adjusted to the net realizable value. Valuation loss incurred, which is the difference between the quantity on the inventory list and the quantity physically counted, is recorded as a contra inventory account and added to the cost of sale.

Valuation of Securities (Excluding Equity Securities Accounted for Using the Equity Method)

Securities are recognized initially at cost, which includes the market value of the consideration given to acquire them and incidental expenses. If the market value of the consideration given is not available, the acquisition cost is measured at the best estimates of its fair value. When the Company disposes of securities, the gross average method is used to calculate the realized profit or loss.

At acquisition, the Company classifies securities into one of the three categories: trading, held-to-maturity or available-for-sale. Trading securities are classified under current assets, whereas available-for-sale securities and held-to-maturity securities are classified under non-current assets, except for those whose maturity dates or whose likelihood of being disposed of are within one year from the balance sheet date, which are classified under current assets.

Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sales securities are also valued at fair value, with unrealized holding gains or losses recognized in cumulative other comprehensive income (loss), until the securities are sold or if the securities are determined to be impaired and the lump-sum cumulative amount of cumulative other comprehensive income (loss) is reflected in current operations.

Investment Securities Accounted for Using the Equity Method

Equity securities held for investment in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. If the cost of the acquisition exceeded the acquirer's interest in the fair value of the identifiable assets and liabilities at the date of acquisition, the difference is amortized over the period during which future economic benefits are expected to flow to the enterprise. However, if the cost of the acquisition is less than the acquirer's interest in the fair value of the identifiable assets and liabilities, [1] the difference that relates to expectations of future losses and expenses that are identified in the acquirer's plan for the acquisition is recognized as income in the income statement when the future losses and expenses are recognized, [2] the difference not exceeding the fair values of acquired identifiable non-monetary assets is recognized as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable or amortizable assets, and [3] the difference in excess of the fair values of acquired identifiable non-monetary assets is immediately recognized as income.

The Company's share in the net income or net loss of investees is reflected in current operations. Changes in the retained earnings, capital surplus or other capital accounts of investees are accounted for as an adjustment to retained earnings or to related capital accounts.

The Company's portion of profits and losses resulting from inter-company (not subsidiary company) transactions that are recognized in assets, such as inventories and fixed assets, are eliminated and charged to equity securities accounted for using the equity method. However, unrealized profits and losses resulting from sales of assets from the Company to investee are eliminated in full.

For overseas affiliates whose financial statements are prepared in foreign currencies, assets and liabilities are translated at the exchange rate at the balance sheet date, shareholder's equity is translated at the historical exchange rate and the items in the statement of income



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are translated at the weighted average exchange rate for the reporting period. Net translation adjustments are recorded as a component of shareholders' equity.

Property and Equipment and Related Depreciation

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

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method for buildings and structures, and the declining-balance method for other property and equipment over the estimated useful lives of the related assets as described below.

	Useful lives (Years)
Buildings	40 - 60 years
Structures	3 - 40 years
Machinery	4 years
Vehicles	2 - 5 years
Tools	2 - 6 years
Equipment	2 - 17 years

Routine maintenance and repairs are charged to current operations as incurred. Betterments and renewals, which enhance the value of the assets over their recently appraised value, are capitalized.

The Company assesses the potential impairment of property and equipment when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. The carrying value of the assets is reduced to the estimated realizable value and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets is recorded in current operations up to the cost of the assets, net of accumulated depreciation before impairment.

Intangibles Assets and Amortization Method

Intangible assets are recorded at the production cost or purchase cost, plus incidental expenses. Intangible assets are amortized using the straight-line method over the estimated useful lives as follows:

	Useful lives (Years)
Goodwill	5 years
Industrial property rights	5 - 10 years
Development costs	4 years
Intellectual property rights	5 years
Franchise	5 years
Right to use donated assets	1 - 4 years
Software	4 years

Development costs, directly relating to a new technology or new products of which the estimated future benefits are probable, are capitalized as intangible assets.

If the recoverable amount of intangible asset becomes less than its carrying amount as a result of obsolescence, sharp decline in market value or other causes of impairment, the carrying amount of an intangible asset is adjusted to its recoverable amount and the reduced amount is recognized as impairment loss. If the recoverable amount of a previously impaired intangible asset exceeds its carrying amount in subsequent periods, an amount equal to the excess is recorded as reversal of impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years.

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Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the exchange rates in effect at the balance sheet date ($\mbox{$\set}1257.50$ to US\$1.00, $\mbox{$\set}1393.89$ to $\mbox{$\set}100.00$, $\mbox{$\set}1038.31$ to Canadian \$1.00, $\mbox{$\set}727.21$ to NZ\$1.00, $\mbox{$\set}162.25$ to HK\$1.00, $\mbox{$\set}870.00$ to AUS\$1.00, $\mbox{$\set}1817.65$ to GBP1.00, $\mbox{$\set}1776.22$ to EUR1.00 and $\mbox{$\set}875.54$ to SG\$1.00 at December 31, 2008), 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, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

The Company has made deposits to the National Pension Fund in accordance with the National Pension Funds Law. The use of the deposit is restricted to the payment of severance benefits. Accordingly, accrued severance benefits in the accompanying balance sheet are presented net of these deposits.

Accrued severance benefits are funded through a group severance insurance plan and are presented as a deduction from accrued severance benefits.

Long-Term Accrued Expenses

The Company entered into contracts with freelance instructors to manage its educational service members. In accordance with the contracts, the Company pays instructors a certain amount based on cumulative cash collection amounts from its educational service members during the period of the contract. Long-term accrued expenses represent the amount which would be payable assuming all instructors were to terminate their contracts as of the balance sheet date.

Provisions

A provision is a liability of uncertain timing or amount and is recognized when all of the following conditions are met:

- (1) The Company has a present obligation (legal or constructive) as a result of a past event
- (2) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- (3) A reliable estimate can be made of the amount of the obligation.

Income Tax Expense and Deferred Income Tax Assets (liabilities)

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets or liabilities. In addition, current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity in the same or different period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets or liabilities for financial reporting and according to the expected reversal date of the specific temporary difference if they are not related to an asset or liability for financial reporting, including deferred tax assets related to carry forwards. Deferred tax assets and liabilities in the same current or non-current classification are offset if these relate to income tax levied by the same tax jurisdictions.



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Continuing Operation's Income per Share and Income per Share

The Company's continuing operation's income per share and income per share for the years ended December 31, 2008 and 2007 are calculated by dividing continuing operations' income by the weighted average number of shares outstanding for the years ended December 31, 2008 and 2007.

3. RESTRICTED FINANCIAL INSTRUMENTS

Long-term financial instruments amounting to £<2,440,000 thousand (2007: £<2,500 thousand represent key money deposits required to maintain checking accounts and accordingly, withdrawal of these deposits is restricted) as collateral in connection with guarantees on affiliated companies as of December 31, 2008. Short-term financial instruments amounting to £<1,538,863 thousand (2007: £<3,534,073 thousand) were provided as collateral in connection with guarantees on affiliated companies and others as of December 31, 2008.

4. INVESTMENT SECURITIES

(1) The Company's short-term investment securities as of December 31, 2008 and 2007 consist of the following (Unit: Korean Won in thousands):

	2008	2007
Government and public bonds	13,490	2,146,594
Beneficiary certificates	55,025,808	42,131,370
	55,039,298	44,277,964

Among the government and public bonds above, securities with maturities of less than one year or securities which are almost certain to be disposed of are classified as current assets. The beneficiary certificates are classified as current assets because the certificates mature within one year or are almost certain to be disposed of within one year.

Beneficiary certificates were valuated at fair value. Gain and loss on valuation of available-for-sale securities, net of deferred income tax as of December 31, 2008 was accounted for as accumulated other comprehensive income (loss).

The Company accounted difference of ELS's fair value against acquisition cost as gain on valuation of short-term investment securities in non-operating income.

(2) The Company's long-term investment securities as of December 31, 2008 and 2007 consist of the following (Unit: Korean Won in thousands):

Available-for-sale securities	2008	2007
Marketable equity securities	161,025,968	286,431,069
Government and public bonds	24,780	5,594,057
Convertible bonds	500,000	500,000
Money invested (*1)	50,000	-
	161,600,748	292,525,126

(*1) The Company has invested money for Pajoo Publisher Cooperative.

Government bonds and convertible bonds are classified as held-to-maturity securities. The maturities of these securities as of December 31, 2008 and 2007 are within 5 years.

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(3) The Company's marketable equity securities classified as available-for-sale as of December 31, 2008 consist of the following (Unit: Korean Won in thousands):

		2008					
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Fair value	Carrying value		
Marketable equity securities							
Shinhan Financial Group Co., Ltd.	5,409,397	1.365	57,897,360	160,659,091	160,659,091		
CJ Home Shopping Corp.	9,004	0.078	655,373	353,857	353,857		
Inzi Controls Co., Ltd.	6,000	0.066	67,503	13,020	13,020		
			58,620,236	161,025,968	161,025,968		

The investments in marketable equity securities were valuated at fair value. Gain on valuation of available-for- sale securities, net of deferred income tax as of December 31, 2008, was accounted for as accumulated other comprehensive income.

The Company loaned 37,000 shares (Shinhan Financial Group Co., Ltd) to others by loan transaction with Korea Securities Depository as of December 31, 2008.

(4) The Company's marketable equity securities classified as available-for-sale as of December 31, 2007 consist of the following (Unit: Korean Won in thousands):

		2007				
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Fair value	Carrying value	
Marketable equity securities						
Shinhan Financial Group Co., Ltd.	5,344,397	1.460	54,690,402	285,925,239	285,925,239	
CJ Home Shopping Corp.	9,004	0.078	655,373	471,810	471,810	
Inzi Controls Co., Ltd.	6,000	0.066	67,503	34,020	34,020	
			55,413,278	286,431,069	286,431,069	

The investments in marketable equity securities were valuated at fair value. Gain on valuation of available for sale securities, net of deferred income tax as of December 31, 2007, was accounted for as accumulated other comprehensive income.

(5) Among the above short-term and long-term investment securities, \;\text{\psi}89,894 thousand and \;\text{\psi}345,302 thousand are recognized as interest income relating to debt securities including government bonds for the years ended December 31, 2008 and 2007, respectively.



FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

5. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD

(1) Investment securities accounted for using the equity method as of December 31, 2008 consist of the following: (Unit: Korean Won in thousands):

tilousalius).						
	2008					
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Market or net asset value	Carrying value	
Daekyo Bookscan Co., Ltd. (Former:						
Daekyo Bertelsmann Korea Co.,						
Ltd.)	1,007,467	100.00	9,665,550	1,754,655	1,575,892	
Daekyo America, Inc.	535	66.54	2,605,622	2,571,961	2,427,856	
Daekyo Hong Kong Co., Ltd.	2,272,727	47.89	250,000	516,325	498,179	
Beijing Daekyo Co., Ltd.	-	100.00	445,142	471,665	471,665	
Daekyo Book Center Co., Ltd.	304,338	90.54	3,183,800	465,480	465,480	
Interesting Creative Co., Ltd.	64,738	20.00	680,000	-	-	
Daekyo EOL Co., Ltd.	12,210	56.53	842,490	157,387	157,387	
Daekyo Malaysia Sdn. Bhd.	1,940,988	100.00	599,793	131,101	92,420	
Sanghai Daekyo Co., Ltd.	-	100.00	274,843	416,190	362,588	
Daekyo Bertelsmann						
Educational Service Limited	524,000	50.00	657,419	-	-	
Fermatedu Co., Inc.	480,000	51.00	26,564,000	5,936,476	14,986,885	
Child-Care Consortium (*1)	1,600	16.44	1,728,068	863,963	863,963	
The First CS Academy Co.,Ltd.	200,000	50.00	1,000,000	599,896	599,896	
Daekyo Sobics Co., Ltd.	502,300	83.72	2,511,500	1,959,242	1,959,242	
P.T Daekyo Indonesia	719,000	99.58	679,508	473,475	450,598	
•			51,687,735	16,317,816	24,912,051	

^(*1) Although its ownership percentage is less than 20%, the Company has applied the equity method since 2007 because it is able to exercise significant influence over the operating and financial policies of the investees

The financial statements as of December 31, 2008 are not audited. In order to ensure the credibility of the financial statements of those subsidiaries, the Company has performed the following procedures to determine the reliability of the provisional financial statements and identified no significant errors in the investees' financial statements:

- a. Obtained the signature of the chief executive officer and internal auditor of the equity method investee asserting that the unaudited and unreviewed financial statements are accurate;
- b. Checked whether the major transactions identified by the Company, including public disclosures, were appropriately reflected in the unaudited and unreviewed financial statements;
- c. Checked the material accounting issues and solution discussed between the external auditor and the equity method investee;
- d. Performed an analytical review on the potential difference between unaudited financial statements and audited financial statements.

The Company acquired shares of Daekyo Bookscan Co., Ltd. (Former: Daekyo Bertelsmann Korea Co., Ltd.), Daekyo Book Center Co., Ltd. and P.T Daekyo Indonesia in 2008.

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(2) Investment securities accounted for using the equity method as of December 31, 2007 consist of the following: (Unit: Korean Won in thousands):

,	2007					
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Market or net asset value	Carrying value	
Daekyo Bookscan Co., Ltd.						
(Former: Daekyo Bertelsmann						
Korea Co., Ltd.)	307,467	60.59	4,165,550	2,042,936	1,339,889	
Daekyo America, Inc. (*1)	535	66.54	2,605,622	1,984,284	1,920,614	
Daekyo Hong Kong Co., Ltd.	2,272,727	47.89	250,000	279,414	270,343	
Beijing Daekyo Co., Ltd.	-	100.00	445,142	386,379	386,379	
Daekyo Book Center Co., Ltd.	276,138	82.15	2,901,800	2,635,240	2,635,246	
Interesting Creative Co.,Ltd.	64,738	20.00	680,000	-	-	
Daekyo EOL Co., Ltd.	12,210	56.53	842,490	173,504	173,504	
Daekyo Malaysia Sdn. Bhd.	1,940,988	100.00	599,793	252,009	239,379	
Sanghai Daekyo Co., Ltd.	-	100.00	274,843	283,414	269,321	
Daekyo Bertelsmann						
FEducational Service Limited	483,000	50.00	591,939	263,280	263,280	
Fermatedu Co., Inc.	480,000	51.00	26,564,000	10,842,912	23,396,706	
Child-Care Consortium (*2)	1,600	16.44	1,728,068	863,963	863,963	
The First CS Academy Co., Ltd.	200,000	50.00	1,000,000	957,310	957,310	
Daekyo Sobics Co., Ltd.	502,300	83.72	2,511,500	2,262,775	2,262,685	
P.T Daekyo Indonesia	297,000	99.00	281,170	89,940	89,514	
			45,441,917	23,317,360	35,068,133	

^(*1) Daekyo America, Inc. merged with Daekyo USA on December 31, 2007.

The Company used non-audited financial statements when applying the equity method of accounting. The Company performed additional procedures to obtain reliance on the financial statements not audited by an external auditor.

The Company calculated the loss on disposal of investment securities accounted for using the equity method amounting to \\dagger 444,428 thousand due to non-reciprocal transfer of securities of Yanbian Daekyo Co., Ltd. Also, as Daekyo Book Center Co., Ltd. has issued new shares to be purchased during 2007, the Company calculated the loss on disposal of investment securities accounted for using the equity method amounting to \dagger 105,382 thousand due to difference between paid-in capital and increase in the investor's share of net assets of the investee. In addition, the Company calculated the increase on negative change in equity using the equity method amounting to \dagger 1,138,178 thousand due to difference between reduction of capital and decrease in the investor's share of net assets of the investee, as Daekyo Bertelsmann Korea Co., Ltd. has reduced it shares by 292,533 shares without any refund during 2007. As it is required to comply with SKAS No. 15, such difference was recognized as additional paid-in-capital

The Company acquired shares of The First CS Academy Co., Ltd., Daekyo Sobics Co., Ltd. and P.T Daekyo Indonesia in 2007.

^(*2) Although its ownership percentage is less than 20%, the Company has applied the equity method since 2007 because it is able to exercise significant influence over the operating and financial policies of the investees





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(3) The details of investment securities accounted for using the equity method as of December 31, 2008 consist of the following (Unit: Korean Won in thousands):

	2008						
	Acquisition cost	Retained earnings	Gain (loss) on valuation	Capital adjustment	Others (*)	Carrying value	
Daekyo Bookscan Co., Ltd. (Former:							
Daekyo Bertelsmann Korea Co.,							
Ltd.)	9,665,550	(1,672,190)	(6,169,645)	(35,881)	(211,942)	1,575,892	
Daekyo America, Inc.	2,605,622	(723,420)	(151,200)	696,854	-	2,427,856	
Daekyo Hong Kong Co., Ltd.	250,000	(39,207)	114,789	172,597	-	498,179	
Beijing Daekyo Co., Ltd.	445,142	(3,824)	(70,915)	101,262	-	471,665	
Daekyo Book Center Co., Ltd.	3,183,800	(725,597)	(2,257,732)	459,043	(194,034)	465,480	
Interesting Creative Co., Ltd.	680,000	(680,000)	-	-	-	-	
Daekyo EOL Co., Ltd.	842,490	(668,986)	(16,117)	-	-	157,387	
Daekyo Malaysia Sdn. Bhd.	599,793	(309,160)	(151,954)	(46,259)	-	92,420	
Sanghai Daekyo Co., Ltd.1	274,843	25,379	(27,459)	89,825	-	362,588	
Daekyo Bertelsmann							
Educational Service Limited	657,419	(313,777)	(343,642)	-	-	-	
Fermatedu Co., Inc.	26,564,000	(3,167,294)	(8,409,821)	-	-	14,986,885	
Child-Care Consortium	1,728,068	(864,105)	-	-	-	863,963	
The First CS Academy Co., Ltd.	1,000,000	(42,690)	(357,414)	-	-	599,896	
Daekyo Sobics Co., Ltd.	2,511,500	(248,815)	(303,443)	-	-	1,959,242	
P.T Daekyo Indonesia	679,508	(185,240)	(103,996)	60,326	-	450,598	
	51,687,735	(9,618,926)	(18,248,549)	1,497,767	(405,976)	24,912,051	

^(*) In case there was any change in interest ownership due to an increase of shares of the subsidiaries, the difference between the amount caused from that change and an acquisition cost was recognized as additional paid-in capital.

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(4) The details of investment securities accounted for using the equity method as of December 31, 2007 consist of the following (Unit: Korean Won in thousands):

			2	2007		
	Acquisition cost	Retained earnings	Gain (loss) on valuation	Capital adjustment	Dividends	Carrying value
Daekyo Bookscan Co., Ltd. (Former:						
Daekyo Bertelsmann Korea Co.,						
Ltd.)	4,165,550	1,580,622	(3,253,375)	(1,152,908)	-	1,339,889
Daekyo America, Inc.	2,605,622	(376,680)	(308,186)	(142)	-	1,920,614
Daekyo Hong Kong Co., Ltd.	250,000	(7,638)	26,302	1,679	-	270,343
Beijing Daekyo Co., Ltd.	445,142	(90,401)	17,094	14,544	-	386,379
Yanbian Daekyo Co., Ltd.	166,390	(110,727)	-	(11,235)	(44,428)	-
Daekyo Book Center Co., Ltd.	2,901,800	1,110,466	(1,205,426)	(66,212)	(105,382)	2,635,246
Interesting Creative Co., Ltd.	680,000	(680,000)	-	-	-	-
Daekyo EOL Co., Ltd.	842,490	(771,879)	102,893	-	-	173,504
Daekyo Malaysia Sdn. Bhd.	599,793	(393,699)	16,481	16,804	-	239,379
Sanghai Daekyo Co., Ltd.1	274,843	(31,412)	5,437	20,453	-	269,321
Daekyo Bertelsmann						
Educational Service Limited	591,939	(328,660)	-	-	-	263,280
Fermatedu Co., Inc.	26,564,000	(507,710)	(2,659,585)	-	-	23,396,706
Child-Care Consortium	1,728,068	(798,114)	(136,176)	-	70,185	863,963
The First CS Academy Co., Ltd.	1,000,000	-	(42,690)	-	-	957,310
Daekyo Sobics Co., Ltd.	2,511,500	-	(248,815)	-	-	2,262,685
P.T Daekyo Indonesia	281,170.	-	(185,240)	(6,416)	-	89,514
	45,608,307	(1,405,832)	(7,871,286)	(1,183,433)	(79,625)	35,068,133

(5) Changes in the differences between the initial acquisition costs and the Company's initial proportionate ownership in the net book value of the investee for the years ended December 31, 2008 and 2007 are as follows (Unit: Korean Won in thousands):

	2008				
	Beginning balance	Increase (decrease)	Amortization (reversal)	Ending balance	
Daekyo Bookscan Co., Ltd. (Former:					
Daekyo Bertelsmann Korea Co., Ltd.)	(703,047)	-	(524,284)	(178,763)	
Daekyo America, Inc.	13,505	-	2,026	11,479	
Fermatedu Co., Inc.	12,553,794	-	3,503,384	9,050,410	
	11,864,252	-	2,981,126	8,883,126	

	2007				
	Beginning balance	Increase (decrease)	Amortization (reversal)	Ending balance	
Daekyo Bookscan Co., Ltd. (Former:					
Daekyo Bertelsmann Korea Co., Ltd.)	(1,693,691)	-	(990,644)	(703,047)	
Daekyo America, Inc.	-	13,505	-	13,505	
Fermatedu Co., Inc.	16,057,178	-	3,503,384	12,553,794	
	14,363,487	13,505	2,512,740	11,864,252	



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(6) The elimination of unrealized gains or losses relating to the valuation of equity method investments as of December 31, 2008 and 2007 are as follows (Unit: Korean Won in thousands):

	2008	2007
Daekyo America, Inc.	155,584	77,174
Sanghai Daekyo Co., Ltd.	53,601	14,093
Daekyo Malaysia Sdn. Bhd.	38,681	12,630
P.T Daekyo Indonesia	22,878	425
Daekyo Hong Kong Co., Ltd.	18,146	9,070
	288,890	113,392

(7) Condensed financial information of the affiliates as of and for the year ended December 31, 2008 is as follows (Unit: Korean Won in thousands):

	Assets	Liabilities	Net assets	Sales	Net income (loss)	
Daekyo Bookscan Co., Ltd. (Former:						
Daekyo Bertelsmann Korea Co.,						
Ltd.)	6,545,587	4,790,932	1,754,655	4,136,766	(6,590,358)	
Daekyo America, Inc.	6,503,927	2,638,642	3,865,285	3,967,857	105	
Daekyo Hong Kong Co., Ltd.	2,639,555	1,561,407	1,078,148	1,304,066	282,862	
Beijing Daekyo Co., Ltd.	1,020,809	94,568	926,241	543,927	(70,915)	
Daekyo Book Center Co., Ltd.	6,772,472	6,258,354	514,118	9,862,424	(1,629,863)	
Daekyo EOL Co., Ltd.	616,838	338,425	278,413	2,116,132	317,871	
Daekyo Malaysia Sdn. Bhd.	641,706	510,606	131,100	590,902	23,195	
Sanghai Daekyo Co., Ltd.	475,301	59,111	416,190	1,026,307	20,773	
Fermatedu Co., Inc.	27,047,043	15,406,895	11,640,148	38,980,162	(8,665,977)	
The First CS Academy Co., Ltd.	1,515,418	315,627	1,199,791	2,525,614	(684,882)	
Daekyo Sobics Co., Ltd.	2,752,652	412,327	2,340,325	4,723,196	(302,901)	
P.T Daekyo Indonesia.	588,939	114,583	474,356	310,434	(137,903)	

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6. PROPERTY AND EQUIPMENT

(1) Changes in property and equipment for the year ended December 31, 2008 are as follows (Unit: Korean Won in thousands):

	2008						
	Land	Buildings	Structures	Machinery	Vehicles		
Beginning balance	65,770,085	123,236,760	2,772,120	-	174,081		
Acquisition / Capitalized costs	1,883,219	4,385,393	123,688	-	169,191		
Disposal	-	-	-	-	-		
Depreciation	-	(3,710,813)	(84,378)	-	(128,924)		
Others (transfer)	-	-	-	-	-		
Ending balance	67,653,304	123,911,340	2,811,430		214,348		
Accumulated depreciation	_	28,379,376	488,202	468,200	956,561		
Accumulated impairment	-	-	-	-	-		
	Tools	Equipment	Other	Construction-in- progress	Total		
Beginning balance	-	7,817,639	271,081	-	200,041,766		
Acquisition / Capitalized costs	-	4,941,380	256,707	178,755	11,938,353		
Disposal	-	(39,944)	-	-	(39,944)		
Depreciation	-	(5,638,764)	-	-	(9,562,879)		
Others (transfer)	-	-	-	-	-		
Ending balance	-	7,080,311	527,788	178,755	202,377,296		
Accumulated depreciation	28,256	76,325,683			106,646,278		
Accumulated impairment	-	5,975	-	-	5,975		

(2) Changes in property and equipment for the year ended December 31, 2007 are as follows (Unit: Korean Won in thousands):

	2007						
	Land	Buildings	Structures	Machinery	Vehicles		
Beginning balance	57,525,506	95,454,775	2,544,182	-	292,366		
Acquisition / Capitalized costs	3,250,797	2,120,615	515,911	-	91,304		
Disposal	(609,895)	(6,727,283)	(213,665)	-	(4,124)		
Depreciation	-	(3,766,406)	(74,308)	-	(205,465)		
Others (transfer)	5,603,677	36,155,059	-	-	-		
Ending balance	65,770,085	123,236,760	2,772,120	-	174,081		
Accumulated depreciation		24,668,563	403,825	468,200	857,254		
Accumulated impairment	-	-	-	-	-		
	Tools	Equipment	Other	Construction-in- progress	Total		
Beginning balance	-	11,560,118	213,081	30,904,494	198,494,531		
Acquisition / Capitalized costs	-	4,768,648	-	11,437,882	22,185,157		
Disposal	-	(1,556,981)	(70,000)	-	(9,181,948)		
Depreciation	[9]	(7,173,267)	-	-	(11,219,455)		
Others (transfer)	-	219,121	128,000	(42,342,376)	(236,519)		
Ending balance	_	7,817,639	271,081		200,041,766		
Accumulated depreciation	28,256	71,144,737			97,570,835		
Accumulated impairment	-	5,975	-	-	5,975		



(3) As of December 31, 2008, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, approximates $\frac{1}{2}$ 122,471,440 thousand (2007: $\frac{1}{2}$ 107,700,503 thousand).

(4) As of December 31, 2008, the Company's inventories and property, plant and equipment are insured as follows (Unit: Korean Won in thousands):

2007	Details
141,818,289 2,000,000 15,703,981	Insurance against fire and other casualty losses
	141,818,289 2,000,000

In addition, the Company is insured against casualty losses relating to its vehicles and donated assets, over which the Company holds the right to use for a certain period.

7. INTANGIBLE ASSETS

(1) The Company's intangible assets as of December 31, 2008 consist of the following (Unit: Korean Won in thousands):

	2008							
	Goodwill	Industrial property rights	Right to use Donated assets	Development costs	Intellectual property rights	Software	Franchise	Total
Beginning balance	3,251,725	121,336	25,513,717	31,478,137	106,099	2,048,596	65,421	62,585,031
Acquisition	3,716,000	35,229	-	21,282,165	-	69,560	-	25,102,954
Transfer	-	-	16,117,745	(4,408,879)	-	4,408,879	-	16,117,745
Disposal	-	-	-	-	-	-	-	-
Amortization	(1,326,502)	(49,790)	(17,549,251)	(11,078,532)	(106,099)	(2,279,555)	(65,421)	(32,455,150)
Impairment	(147,975)	-	-	(1,214,353)	-	(1,594,148)	-	(2,956,476)
Others	-	-	-	(1,252,127)	-	-	-	(1,252,127)
Ending balance	5,493,248	106,775	24,082,211	34,806,411		2,653,332	-	67,141,977
Accumulated amortization	4,579,517	621,539	49,555,743	57,374,912	3,215,362	7,094,856	356,844	122,798,773
Accumulated								
impairment loss	301,642	-	-	4,892,278	142,523	1,892,191	-	7,228,633

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(2) The Company's intangible assets as of December 31, 2007 consist of the following (Unit: Korean Won in thousands):

	2007							
	Goodwill	Industrial property rights	Right to use Donated assets	Development costs	Intellectual property rights	Software	Franchise	Total
Beginning balance	4,568,368	155,854	20,733,930	31,439,721	289,171	2,887,676	136,790	60,211,510
Acquisition	19,000	41,777	19,988,368	14,077,850	-	168,243	-	34,295,238
Transfer	-	-	-	(1,422,158)	-	1,274,208	-	(147,950)
Disposal	-	-	-	(17,791)	-	(217,085)	-	(234,876)
Amortization	(1,233,640)	(76,295)	(15,208,581)	(11,879,890)	(183,072)	(2,064,446)	(71,369)	(30,717,293)
Impairment	(102,003)	-	-	(202,924)	-	-	-	(304,927)
Others	-	-	-	(516,671)	-	-	-	(516,671)
Ending balance	3,251,725	121,336	25,513,717	31,478,137	106,099	2,048,596	65,421	62,585,031
Accumulated amortization Accumulated	3,474,978	571,748	32,006,492	47,016,638	3,109,263	5,155,118	291,423	91,625,660
impairment loss	153,667	-	-	3,677,924	142,523	298,043	-	4,272,157

8. MONETARY ASSETS DENOMINATED IN FOREIGN CURRENCIES

Monetary assets denominated in foreign currencies as of December 31, 2008 and 2007 are as follows (Unit: Korean Won in thousands):

	20	2008			2007	
	Korean Won equivalent	Foreign	currencies	Korean Won equivalent	Foreig	n currencies
Cash and cash	684,204	USD	544,099	208,330	USD	222,053
equivalents	72,864	HKD	449,087	1	HKD	2
	2,424	NZD	3,333	1	NZD	2
	7	AUD	8	7	AUD	8
	1,466	GBP	806	1,489	GBP	795
	941	EUR	530	-	EUR	-
	15,234	SGD	17,400	7,606	SGD	12,326
Short-term						
financial						
instruments	18,863	USD	15,000	13,810	USD	15,000
Total	796,003			231,244		

9. CAPITAL STOCK

(1) Capital stock

The details of capital stock as of December 31, 2008 are summarized below.

The number of authorized shares of common stock	Par value	Type of stock	The number of issued share of common stock	Amount of capital stock (In thousand won)
150,000,000 shares	5,000 won	Common stock	84,702,850 shares	42,351,425
1,942,699 shares	5,000 won	Preferred stock (*1)	19,426,990 shares	9,713,495

^(*1) If the dividend ratio of common stock exceed that of preferred stock, that is, 9% determined by a board of directors, the preferred stock is eligible to equally share on the additional dividend.



The Company resolved stock spilt (₩5,000 to £<500) at the board of directors and general meeting of shareholders on July 21, 2008 and September 5, 2008, respectively, that was effected on October 8, 2008.

10. CAPITAL SURPLUS

(1) Other capital surplus arose from the disposal of treasury stock which was acquired for the purpose of M&A. This capital surplus is not available for the payment of cash dividends, but may be used to offset losses on disposal of treasury stock, may be transferred to capital stock or may be used to reduce any accumulated deficit.

11. TREASURY STOCK

As of December 31, 2008, the Company holds treasury stock consisting of 4,834,380 shares of common stock and 2,353,280 shares of preferred stock.

12. STOCK OPTIONS

[1] The stock options granted all employees to purchase the Company's stock are summarized as follows:

	Description
The date of first announcement about stock options	Aug. 11, 2008
Granted shares	Common stock: 615,448 shares
	Preferred stock: 107,429 shares
Exercise price (*1)	A standard price of common stock x (1- Discount rate)
	A standard price of preferred stock x (1- Discount rate)
Exercisable period	Jan. 19, 2009 ~ Jan. 28, 2009

^[*1] The standard price of common stock and preferred stock are ₩4,800 and ₩2,810. The minimum of discount rate is 20% and the maximum of discount rate is 100%

The total compensation amount is expensed and the same amount is accounted for as stock options (paid-in capital)

As stock options for 552,645 shares of common stock and 103,130 shares of preferred stock were exercised, the treasury stocks were granted and it resulted in 500,700 thousand of loss on disposal of treasury stock.

13. RETAINED EARNINGS

(1) Retained earnings as of December 31, 2008 and 2007 are as follows (Unit: Korean Won in thousands):

2008	2007	
32,300,000	32,300,000	
316,505,025	291,505,025	
348,805,025	323,805,025	
	32,300,000 316,505,025	

(2) The Company is required by Korean Commercial Code to appropriate as a legal reserve a minimum of 10% its cash dividends until such reserve equals 50% of its issued stock. The reserve is not available for the payment of cash dividends but may be transferred to capital stock or used to offset accumulated deficit, if any

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007



Details of cash dividends and dividend payout ratio for the years ended December 31, 2008 and 2007 are as follows (Unit: Korean Won): [1]Interim dividends

	2	2008		007
	Common stock	Preferred stock	Common stock	Preferred stock
Par value per share [*1]	500	500	500	500
Dividend ratio	16%	16%	14%	14%
Dividend per share [*1]	80	80	70	70
Number of shares Outstanding (*1)	82,553,775	82,553,775	83,895,500	18,716,990
Amount of dividends	6,604,302	6,604,302	5,872,685	1,310,189
	thousand	thousand	thousand	thousand

^(*1) Due to the common and preferred stock-split during 2008, the closing price, dividend, and the weighted average number of shares are presented based on \\$\text{\fom}500\$.

(2) Year-end dividends

	20	008	2007	
	Common stock	Preferred stock	Common stock	Preferred stock
Par value per share [*1]	500	500	500	500
Dividend ratio	-	4%	28%	30%
Dividend per share [*1]	-	20	140	150
Number of shares outstanding [*1]	79,868,470	17,133,710	83,810,350	18,377,660
Amount of dividends	-	342,674	11,733,449	2,756,649
		thousand	thousand	thousand

^(*1) Due to the common and preferred stock-split during 2008, the closing price, dividend, and the weighted average number of shares are presented based on \\$\text{\fom}500\$.

(3) Dividend payout ratio

	2008	2007
Total dividends	8,398,884 thousand	21,672,972 thousand
Net income	21,176,560 thousand	48,110,698 thousand
Dividend payout ratio	39.66%	45.05%

(4) Dividend yield ratio

	2	2008		007
	Common stock	Preferred stock	Common stock	Preferred stock
Market price as of balance				
sheet date [*1 & *2]	4,854	2,814	9,085	5,323
Dividend per share [*2]	80	100	210	220
Dividend yield ratio	1.65%	3.55%	2.31%	4.13%

^(*1) The closing price before dividend is determined by an arithmetical average of the closing price in an open market from the basic day to the last week.

^(*2) Due to the common and preferred stock-split, the closing price and dividend per share for 2007 are presented based on \w500.



FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

15. COMPREHENSIVE INCOME STATEMENT

The details of comprehensive income for the years ended December 31, 2008 and 2007 are as follows (Unit: Korean Won in thousands):

	20	08		2007
Net income		21,176,560		48,110,698
Accumulated other comprehensive income (loss):				
Gain on valuation of available-for-sale securities				
(tax effect: \pm 40,959,342 thousand in 2008 and				
₩7,499,960 thousand in2007)	(87,242,551)		19,772,622	
Loss on valuation of available-for-sale securities				
(tax effect: ₩2,874,784 thousand in 2008				
₩112,534 thousand in 2007)	(9,131,435)		(296,680)	
Changes in equity arising on application of				
the equity method (*1)	913,228		(58,254)	
Negative changes in equity arising on				
application of the equity method [*1]	201,219	(95,259,539)	(1,102,706)	18,314,982
Comprehensive income		(74,082,979)		66,425,680

^(*1) Regarding the changes in equity using the equity method and negative changes in equity using the equity method, the Company did not recognize deferred income tax assets (liabilities) since the probability of its realization is uncertain.

16. INCOME TAX

[1] Income tax expense for the years ended December 31, 2008 and 2007 is computed as follows (Unit: Korean Won in thousands):

	2008	2007
Current income tax	19,200,888	13,577,106
Changes in deferred tax assets (liabilities) of		
temporary differences	(45,002,257)	7,266,384
Deferred tax deducted to shareholders' equity	43,834,126	(7,387,426)
Tax credit deducted to shareholders' equity	-	(205,733)
Total income tax expense	18,032,757	13,250,331
Income tax expense of continuing operations	18,032,757	14,117,295
Income tax benefits of discontinuing operations	-	(866,964)
Net income of continuing operations before income tax	39,209,317	64,513,624
Effective tax rate		
(Income tax expense of continuing operations / Net		
income of continuing operations before income tax)	45.99%	21.88%

(2) The differences between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea are as follows (Unit: Korean Won in thousands):

	2	2008		07
	Temporary differences	Permanent differences	Temporary differences	Permanent differences
Addition	201,907,183	11,193,560	46,430,237	5,237,439
Deduction	38,827,982	141,655,150	40,155,578	1,498,372
Net reconciliation	163,079,201	(130,461,590)	6,274,659	3,739,067

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(3) Changes in temporary differences for the years ended December 31, 2008 and 2007 are as follows (Unit: Korean Won in thousands):

	2008			
	January 1, 2008	Difference	Increase (Decrease)	December 31, 2008
Long-term accrued service fee payable	5,031,472	-	(140,007)	4,891,465
Accrued income	(2,838,692)	-	2,424,807	(413,885)
Interest income (MMF)	(79,859)	-	(31,363)	(111,222)
Valuation of marketable securities	(5,070,666)	-	-	(5,070,666)
Accrued severance benefits	42,763,541	-	1,352,731	44,116,272
Severance insurance expenses	(42,763,542)	-	(1,352,730)	(44,116,272)
Allowance for doubtful accounts	5,091,538	(201,273)	756,452	5,646,717
Depreciation	385,467	(36,749)	209,677	558,395
Equity method investments	9,778,715	(110,728)	18,248,551	27,916,538
Accrued expenses (remuneration)	3,305,606	-	(1,453,121)	1,852,485
Reserve for returned goods	680,815	-	153,295	834,110
Accrued expenses (mileage)	108,829	-	47,967	156,796
Impairment of intangible assets	1,660,730	-	14,658,11	3,126,541
Inventories	19,061	(19,061)	-	-
Foreign exchange gains	-	263	(361,598)	(361,335)
Gain on valuation of available-for-sale				
securities	(231,843,531)	-	146,411,990	(85,431,541)
Gain on valuation of equity-method				
investments	754,857	-	(225,2625)	(1,497,768)
Others	2,400,635	-	(2,400,635)	=
Accumulated temporary difference	(210,615,024)	(367,548)	163,079,202	[47,903,370]

	2007			
	January 1, 2007	Difference	Increase (Decrease)	December 31, 2007
Long-term accrued service fee payable	5,835,035	-	(803,563)	5,031,472
Accrued income	(2,307,706)	-	(530,986)	(2,838,692)
Interest income (MMF)	(51,328)	-	(28,531)	(79,859)
Valuation of marketable securities	(5,070,666)	-	-	(5,070,666)
Accrued severance benefits	42,549,739	-	213,802	42,763,541
Severance insurance expenses	(42,363,530)	-	(400,012)	(42,763,542)
Allowance for doubtful accounts	4,950,098	-	141,440	5,091,538
Bad debt expense	290,408	-	(290,408)	-
Depreciation	313,148	(174,107)	246,426	385,467
Equity method investments	1,799,770	72,461	7,906,484	9,778,715
Accrued expenses (remuneration)	2,490,000	-	815,606	3,305,606
Reserve for returned goods	521,781	-	159,034	680,815
Accrued expenses (mileage)	236,591	-	(127,762)	108,829
Impairment of intangible assets	2,687,602	-	(1,026,872)	1,660,730
Inventories	19,061	-		
Deferred income taxes deducted from			-	19,061
shareholders' equity	(204,980,163)	-	(26,863,368)	(231,843,531)
Gain on valuation of equity-method				
investments	-	-	754,857	754,857
Others	2,400,635	-	-	2,400,635
Accumulated temporary difference	(190,679,525)	(101,646)	(19,833,853)	(210,615,024)



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(4) Changes in deferred tax assets and liabilities for the years ended December 31, 2008 and 2007 are as follows (Unit: Korean Won in thousands):

		2000		
January 1 2008	Increase	December 31, 2008	Current	Non-current
1,383,655	(307,533)	1,076,122	-	1,076,122
(780,640)	680,480	(100,160)	(100,160)	-
(21,961)	(4,955)	(26,916)	(26,916)	-
(1,394,433)	278,886	(1,115,547)	-	(1,115,547)
11,759,974	(2,054,394)	9,705,580	-	9,705,580
(11,759,974)	2,054,394	(9,705,580)	-	(9,705,580)
1,400,173	(33,667)	1,366,506	1,366,506	-
106,004	16,843	122,847	-	122,847
2,689,147	3,452,491	6,141,638	-	6,141,638
909,042	(460,741)	448,301	448,301	-
187,223	14,632	201,855	201,855	-
29,928	4,567	34,495	-	34,495
456,699	231,140	687,839	-	687,839
5,242	(5,242)	-	-	-
-	(87,443)	(87,443)	(87,443)	
(63,756,971)	45,335,465	(18,421,506)	4,107,754	(22,529,260)
207,586	(537,095)	(329,509)	-	(329,509)
660,175	(660,175)	-		
(57,919,131)	47,917,653	(10,001,478)	5,909,897	(15,911,375)
2,896,733	-	5,812,129		5,812,129
(60,815,864)	-	(15,813,607)	5,909,897	(21,723,504)
	1,383,655 (780,640) (21,961) (1,394,433) 11,759,974 (11,759,974) 1,400,173 106,004 2,689,147 909,042 187,223 29,928 456,699 5,242 - (63,756,971) 207,586 660,175 (57,919,131) 2,896,733	2008 Increase 1,383,655 (307,533) (780,640) 680,480 (21,961) (4,955) (1,394,433) 278,886 11,759,974 (2,054,394) (11,759,974) 2,054,394 1,400,173 (33,667) 106,004 16,843 2,689,147 3,452,491 909,042 (460,741) 187,223 14,632 29,928 4,567 456,699 231,140 5,242 (5,242) - (87,443) (63,756,971) 45,335,465 207,586 (537,095) 660,175 (660,175) (57,919,131) 47,917,653 2,896,733 -	2008 Increase 2008 1,383,655 (307,533) 1,076,122 (780,640) 680,480 (100,160) (21,961) (4,955) (26,916) (1,394,433) 278,886 (1,115,547) 11,759,974 (2,054,394) 9,705,580 (11,759,974) 2,054,394 (9,705,580) 1,400,173 (33,667) 1,366,506 106,004 16,843 122,847 2,689,147 3,452,491 6,141,638 909,042 (460,741) 448,301 187,223 14,632 201,855 29,928 4,567 34,495 456,699 231,140 687,839 5,242 (5,242) - - (87,443) (87,443) (63,756,971) 45,335,465 (18,421,506) 207,586 (537,095) (329,509) 660,175 (660,175) - (57,919,131) 47,917,653 (10,001,478) 2,896,733 - 5,812,129	January 1 2008 Increase December 31, 2008 Current 1,383,655 (307,533) 1,076,122 - (780,640) 680,480 (100,160) (100,160) (21,961) (4,955) (26,916) (26,916) (1,394,433) 278,886 (1,115,547) - 11,759,974 (2,054,394) 9,705,580 - (11,759,974) 2,054,394 (9,705,580) - 1,400,173 (33,667) 1,366,506 1,366,506 106,004 16,843 122,847 - 2,689,147 3,452,491 6,141,638 - 909,042 (460,741) 448,301 448,301 187,223 14,632 201,855 201,855 29,928 4,567 34,495 - 456,699 231,140 687,839 - 5,242 (5,242) - - - (87,443) (87,443) (87,443) (63,756,971) 45,335,465 (18,421,506) 4,107,754

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	2007				
	January 1 2007	Increase	December 31, 2007	Current	Non-current
Long-term accrued service fee payable	1,604,635	(220,980)	1,383,655	-	1,383,655
Accrued income	(634,619)	(146,021)	(780,640)	(780,640)	-
Interest income (MMF)	(14,115)	(7,846)	(21,961)	(21,961)	-
Valuation of marketable securities	(1,394,433)	-	(1,394,433)	-	(1,394,433)
Accrued severance benefits	11,701,178	58,796	11,759,974	-	11,759,974
Severance insurance expenses	(11,649,971)	(110,003)	(11,759,974)	-	(11,759,974)
Allowance for doubtful accounts	1,361,277	38,896	1,400,173	1,400,173	-
Bad debt expense	79,862	(79,862)	-	-	-
Depreciation	86,116	19,888	106,004	-	106,004
Equity method investments	494,937	2,194,210	2,689,147	-	2,689,147
Accrued expenses (remuneration)	684,750	224,292	909,042	909,042	-
Reserve for returned goods	143,490	43,733	187,223	187,223	-
Accrued expenses (mileage)	65,063	(35,135)	29,928	-	29,928
Impairment of intangible assets	739,090	(282,391)	456,699	-	456,699
Inventories	5,242	-	5,242	5,242	-
Deferred income taxes deducted from shareholders' equity	(56,369,545)	(7,387,426)	(63,756,971)	(89,764)	(63,667,207)
Gain on valuation of equity-method investments	-	207,586	207,586	-	207,586
Others	660,175	-	660,175	-	660,175
Accumulated temporary difference	(52,436,868)	(5,482,263)	(57,919,131)	1,609,315	(59,528,446)
Equity method investments	1,112,613	-	2,896,733	-	2,896,733
Deferred income tax assets (liabilities)	(53,549,480)		(60,815,864)	1,609,315	(62,425,179)

 $[\]ensuremath{[*1]}$ The realization of the temporary differences on equity method investments is uncertain.

17. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2008, the Company has credit agreements with Woori Bank amounting to \\25,000,000\) thousand for the corporate purchase card.

(2) As of December 31, 2008, the Company provides guarantees amounting to 43,960,000 thousand for certain lessees in relation to the lessees' guarantee deposits and also guarantees amounting to US\$15,000 for YTC (Chinese Test for Young Learners) in relation to business guarantee deposits. Seoul Guarantee Insurance has provided the Company with a guarantee for performance and others up to 46,92,432 thousand as of December 31, 2008.

(3) The Company shall pay a certain percentage of sales as royalties to Two Hands Media Co., Ltd. relating to the use of intellectual property rights over 'Noon-no-pi Math'. Based on this contract, the Company paid \(\psi_2,072,077\) thousand and \(\psi_2,192,800\) thousand to Two Hands Media Co., Ltd. in 2008 and 2007, respectively.

(4) The Company entered into contracts with free-lance instructors to manage its educational service members. In accordance with the contracts, the Company pays instructors a certain percentage of monthly cash collections from its educational service members. Expenses in relation to these contracts amounted to $\pm 353,722,434$ thousand (2007: $\pm 356,846,503$ thousand) for the year ended December 31, 2008.

[5] On March 30, 2005, the Company acquired 75% ownership in Bertelsmann Korea Co., Ltd., after which this investee changed its name to

^(*2) The tax effect of accumulation temporary differences when corresponding temporary differences are expected to be reversed or realized.



Daekyo Bookscan Co., Ltd. As committed by the Company, if the said investee incurs cumulative losses totaling 44,000,000 thousand, its shareholdings in the investee may be reduced to 50% and if the said cumulative losses exceed 44,000,000 thousand, the Company must exercise its preemptive rights to purchase the investee's new shares for up to 43,000,000 thousand. Should the investee be eventually liquidated, the Company will shoulder all liquidation costs.

(6) Daekyo Bookscan Co., Ltd. did an unequal curtailment of capital (₩2,900,000 thousand, 292,533 shares) without compensation for the reduction of accumulated deficit in 2007, and the ratio of shareholding of the Company became 60.59%. During 2008, the Company acquired additional shares amounting to ₩5,500,000 thousand which increases the ownership to 100%.

(7) The Company has been providing a financial guaranty amounting to 17,500,000 RMB (\(\frac{\pmathbb{W}}{3}\),221,575 thousand for Bertelsmann Shanghai Management so Daekyo Bertelsmann Education Service Ltd. could expand their markets in China and manage the business well for that region.

18. EARNINGS PER SHARE

(1) The weighted-average number of common stocks outstanding is 82,581,632 shares and 84,147,380 shares in 2008 and 2007, respectively. A stock split during 2008 has affected the computation of the weighted average number of common stocks outstanding for 2007 and 2008.

The weighted-average number of common stocks outstanding in 2008 is calculated as follows (Unit: Korean Won in thousands except per share amount):

	Number of shares issued	Number of days outstanding	Weighted number of shares
Issued common stocks	84,702,850	365	30,916,540,250
Treasury stock	(4,834,380)		(774,244,710)
Common stocks outstanding	79,868,470		30,142,295,540
			365 days
The weighted average number of shares			82,581,632

(2) The weighted-average number of preferred stocks outstanding is 18,303,447 shares and 18,677,010 shares in 2008 and 2007, respectively. A stock split during 2008 has affected the computation of the weighted average number of stocks outstanding for 2007 and 2008.

The weighted-average number of preferred stocks outstanding in 2008 is calculated as follows (Unit: Korean Won in thousands except per share amount):

	Number of shares issued	Number of days outstanding	Weighted number of shares
Issued preferred stocks	19,426,990	365	7,090,851,350
Treasury stock	(2,353,280)		(410,093,080)
Preferred stocks outstanding	17,073,710		6,680,758,270
			365 days
The weighted average number of shares			18,303,447

(3) The net income for common stocks and preferred stocks for the years ended December 31, 2008 and 2007 is as follows (Unit: Korean

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Won in thousands):

	2008	2007
Net income	21,176,560	48,110,698
Net income for preferred stocks	(3,818,888)	(8,803,033)
Net income for common stocks	17,357,672	39,307,665

The net income for preferred stocks for the years ended December 31, 2008 is calculated as follows (Unit: Korean Won in thousands):

Dividends for preferred stocks	17,073,710* (₩ 500*9%)	768,317
Surplus for the preferred stocks	₩16,814,161 thousand (*)	
after dividends	*[18,303,447/(82,581,632+18,303,447)]	3,050,571
Net income of the preferred stocks		3,818,888

^(*) The computation was based on 9% of common stock and preferred stock as dividend.

(4) The earning per common share for the years ended December 31, 2007 and 2006 is as follows (Unit: Korean Won in thousands, except per share amount):

	2008	2007
Net income for common shares	17,357,672	39,307,665
The weighted average number	82,581,632	84,147,380
Earning per common share	210	467

(5) The earnings per share for preferred stocks for the years ended December 31, 2008 and 2007 is as follows (Unit: Korean Won in thousands except per share amount):

	2007	2006
Net income for preferred stocks	3,818,888	8,803,033
The weighted average number	18,303,447	18,677,010
Earning per preferred share	209	471



FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

19. RELATED PARTY TRANSACTIONS

(1) The Company's ultimate parent company is Daekyo Holdings Co., Ltd.

(2) Significant transactions, which occurred in the normal course of business with affiliated companies for the years ended December 31, 2008 and 2007, are as follows (Unit: Korean Won in thousands):

	2008		20	07
	Sales	Purchases	Sales	Purchases
Parent company				
Daekyo Holdings Co., Ltd.	533,789	1,772,628	1,488	-
Subsidiaries				
Daekyo Book Center Co., Ltd.	161,685	676,927	1,345,498	1,593,907
Daekyo EOL Co., Ltd.	2,505	2,295,608	749	3,134,572
Daekyo Bertelsmann Korea Co., Ltd.	432,548	9,321,521	-	2,489,579
Daekyo America, Inc.	591,793	-	272,660	616
P.T Daekyo Indonesia	149,045	-	51,793	-
Daekyo Hong Kong Co., Ltd.	358,974	-	132,087	-
Beijing Daekyo Co., Ltd.	259,846	-	213,244	-
Sanghai Daekyo Co., Ltd.	129,204	-	139,473	-
Daekyo Malaysia Sdn. Bhd.	327,885	-	148,500	-
Fermatedu Co., Inc.	477,718	913	891,089	562,849
The First CS Academy Co., Ltd.	-	2,207,272	-	1,477,498
Daekyo Sobics Co., Ltd.	138,283	232,665	1,017,242	1,370
Other related parties	2,120,050	83,907,194	1,748,322	61,783,273
	5,683,325	100,414,728	5,962,145	71,043,664

(3) The related account balances outstanding as of December 31, 2007 and 2006 are as follows (Unit: Korean Won in thousands).

	20	08	2007	
	Receivables	Payables	Receivables	Payables
Parent company				
Daekyo Holdings Co., Ltd.	136	680,783	182	155,250
Subsidiaries				
Daekyo Book Center Co., Ltd.	1,596,827	136,703	1,475,411	130,230
Daekyo EOL Co., Ltd	-	1,691	355	2,756
Daekyo Bertelsmann Korea Co., Ltd.	185,052	237,896	278,098	312,874
Daekyo America, Inc.	207,442	-	107,551	-
P.T Daekyo Indonesia	-	-	27,652	-
Daekyo Hong Kong Co., Ltd.	203,660	-	50,126	-
Beijing Daekyo Co., Ltd.	140,948	10,000	111,872	10,000
Sanghai Daekyo Co., Ltd.	49,303	-	44,754	-
Daekyo Malaysia Sdn. Bhd.	411,085	-	174,912	-
Fermatedu Co., Inc.	1,154,918	-	912,487	-
The First CS Academy Co., Ltd.	-	252,499	-	361,487
Daekyo Sobics Co., Ltd.	808,288	778,048	1,001,758	1,005,762
Other related parties	8,414,151	13,919,615	10,236,743	8,212,034
	13,171,810	16,017,234	14,421,901	10,190,393

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(4) The compensation costs to key management (directors and internal auditors who have significant control and responsibilities on the Company's operation and business) for the years ended December 31, 2008 and 2007 are summarized below (Unit: Korean Won in thousands).

	2008	2007
Salaries	3,672,711	4,049,928
Post-retirement benefit [*1]	1,056,511	438,783
	4,729,222	4,488,711

^(*1) Estimated amount of accrued severance benefits for key management as of December 31, 2008 and 2007. Provision for severance benefits for key management are \W717,307 thousand and \W667,283 thousand, respectively.

20. STATEMENTS OF CASH FLOWS:

Significant transactions not affecting cash flows for the years ended December 31, 2008 and 2007 are as follows (Unit: Korean Won in thousands):

	2008	2007
Current maturities of long-term loans	1,666,574	
3	· ·	
Current maturities of available-for-sale securities	2,814,464	2,157,232
Reclassification of the construction-in-progress to land,		
buildings and others	-	42,342,376
Reclassification of the development costs to software,		
equipments and others	5,287,207	3,407,562
Reclassification of the initial throw-in equipment to right to use		
donated assets	313,816	19,923,304

The cash on statements of cash flows is cash and cash equivalents on the balance sheets.

21. LOSS ON DISCONTINUED OPERATIONS:

(1) On April 30, 2007, the board of directors approved the transfer of Sobics school business and Sobics institution business ("Sobics business segment") to Daekyo Sobics Co., Ltd., for the concentration on the Noonnoppi Education business, which is the Company's main business.

As of April 30, 2007, the total assets and liabilities of the Sobics business segment are $\[mu]$ 31,901,018 thousand and $\[mu]$ 3345,988 thousand, respectively. Operating loss amounting to $\[mu]$ 31,230,259 thousand, loss on inventory removal amounting to $\[mu]$ 3451,146 thousand, impairment loss on development costs and loss on inventory obsolescence amounting to $\[mu]$ 329,947 thousand are included in the loss on discontinued operations. Relating to the loss on discontinued operations amounting to $\[mu]$ 32,231,428 thousand, the income tax effect is $\[mu]$ 3613,643 thousand.

(2) On April 30, 2007, the board of directors approved the transfer of Sobics library business ("Library business segment") to Daekyo Book Center Co., Ltd., for the concentration on the Noonnoppi Education business, which is the Company's main business.

As of April 30, 2007, the total assets and liabilities of the Library business segment are $\mbox{$W$}$ 34,481,068 thousand and $\mbox{$W$}$ 33,661,322 thousand, respectively. Relating to the loss on discontinued operations amounting to $\mbox{$W$}$ 3921,166 thousand, the income tax effect is $\mbox{$W$}$ 3253,320 thousand.





FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

22. VALUE ADDED INFORMATION

Value added information for the years ended December 31, 2008 and 2007 are as follows (Unit: Korean Won in thousands):

	2008	2007
Salaries	119,072,858	119,070,664
Provision for severance benefits	15,005,395	12,255,611
Employee benefits	27,417,272	26,238,480
Rental charges	16,339,778	16,093,753
Depreciation	9,562,878	11,219,455
Taxes and dues	2,022,408	1,896,073
	189,420,589	186,774,036

23. CONDENSED FINANCIAL INFORMATION FOR THE FOURTH QUARTER PERIOD:

Condensed financial information (based on unaudited financial statements) for the fourth quarter period ended December 31, 2008 and 2007 is as follows (In thousands, except per share amounts)

Description	2008. 4Q	2007. 4Q	
Sales	211,626,438	209,996,128	
Cost of sales	172,844,573	167,748,927	
Operating income	7,960,515	10,759,444	
Net loss	7,403,547	6,170,520	
Net loss per common share	73	60	

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

24. SELLING AND ADMINISTRATIVE EXPENSES:

The Company's selling and administrative expenses for the years ended December 31, 2008 and 2007 consist of the following (Unit: Korean Won in thousands):

	2008	2007
Salaries and wages	14,213,653	15,466,470
Severance benefits	1,407,167	2,596,753
Employee benefits	5,350,946	5,176,788
Travel	201,051	407,791
Communication	673,649	597,894
Utilities	997,500	958,838
Taxes and dues	1,828,628	1,697,737
Rental	127,144	109,783
Depreciation	5,876,787	6,033,166
Repairs	931,473	751,355
nsurance	563,042	463,712
Entertainment	391,714	511,272
Advertising	43,539,386	39,345,430
=reight	2,005,108	1,909,887
Commissions	26,012,567	27,475,119
Research and development	397,619	236,572
Bad debt	1,115,162	-
Supplies	475,017	293,829
Publication	1,423,371	857,725
Fraining	1,094,138	1,287,470
/ehicles maintenance	255,418	145,957
Broadcasting within the firm related expenses	470,681	468,252
Amortization expenses on intangible assets	3,539,070	5,565,507
Miscellaneous	21	63
	112,890,312	112,357,370

INDEPENDENT ACCOUNTANT'S REVIEW REPORT ON INTERNAL ACCOUNTING CONTROL SYSTEM ("IACS")

English Translation of a Report Originally Issued in Korean

To the Representative Director of Daekyo Co., Ltd.

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of Daekyo Co., Ltd. (the "Company") as of December 31, 2008. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2008, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2008, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, objective of which is to obtain a lower level of assurance than an audit, of the Management's Report in all material respects. A review includes obtaining an understanding of a company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

A company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. 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 of IACS 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 the Management's Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

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

Daloitte Anjin Luc

REPORT ON THE OPERATIONS OF THE INTERNAL ACCOUNTING CONTROL SYSTEM

To the Board of Directors and Auditors of Daekyo Co., Ltd.

I, as the Internal Accounting Control Officer ("IACO") of Daekyo Co., Ltd. ("the Company"), assessed the status of the design and operations of the Company's Internal Accounting Control System ("IACS") for the year ended December 31, 2008.

The Company's management including IACO is responsible for designing and operating 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 misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. 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, 2008, in all material respects, in accordance with the IACS standards.

Daloitte Anjin Luc

STOCK INFORMATION

IR Activities in 2008

Conference for earning release

- At end of quarter (April, July, October and February 2009)
- Presented quarterly operating performances

Overseas non-deal road show

- From April 7 to 11 (London and Edinburg) by Korea Investment & Securities
- Visited foreign shareholders, analysts and institutions
- Presented operating performances and overall business status

Participation in the IR Conferences

- Korea Corporate Day sponsored by Macquarie (from January $30\ \mathrm{to}\ 31$)
- Global Investors Conference sponsored by Samsung Securities (from May 8 to 8)
- GTI Asia Education Day by Citi Group (from June 24 to 25)

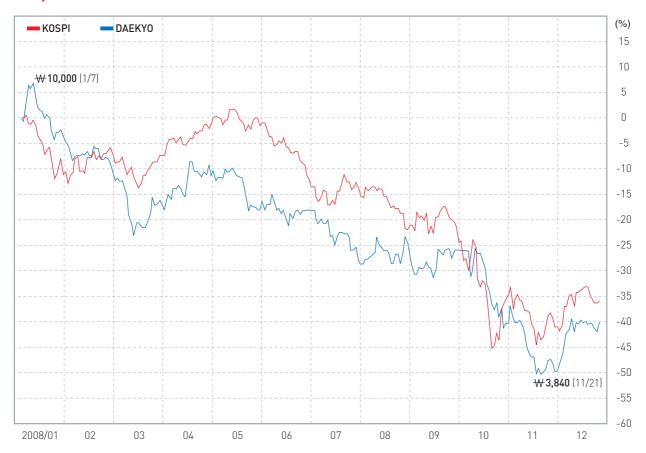
Ownership Structure (common stock, as of Dec. 31, 2008)



STOCK INFORMATION

V

Yearly Share Price



Major Investment Indices (common Stock)

*84,702,850	8,470,285	8,470,285
10,000 / 3,840	115,500 / 75,000	93,500 / 65,400
203	4,671	4,930
49.3 / 18.9	24.7 / 16.0	18.9 / 13.2
5,437	54,466	52,426
1.8 / 0.7	2.1 / 1.4	1.8 / 1.2
80	2,100	1,800
39.7	45.05	36.68
	203 49.3 / 18.9 5,437 1.8 / 0.7 80	10,000 / 3,840

^{*} Daekyo's stock had split 10-for-1 at September 5, 2008

History

1975		2000	
January	- The founder opened Jong-am Class	January	- Singapore franchise opened
1976		June	- Noonnoppi Love Team created
July	- Korea Gongmoon Math Center opened	July October	Edupia.com, an Internet education portal, openedDaekyo receives Grand Prize in the service sector from
	- Notea Congritoon Matti Center Opened	october	Korea Standards Association
1986		November	- New Zealand franchise opened
December	- Daekyo Co., Ltd. founded	December	- Daekyo receives Grand Prize in Customer Satisfaction
1987			category from KMA
September	- Daekyo membership exceeded the 100,000 mark	2001	
1989	sacrye manuscremp encocada die 100,000 man	April	- Daekyo Network Co., Ltd. renamed into Daekyo Holdings
July	- Daekyo held the first Math Olympiad for Children	December	- Daekyo joins "1%Club" of Federation of Korean
1000			Industries
1990			- Safe Kids Korea founded as part of Corporate Social
February	- Daekyo Publishing Co., Ltd. founded		Responsibility Program
1991		2002	
February	- Daekyo Educational R&D Institute established	February	- UK franchise opened
	- Daekyo membership exceeded the 500,000 mark		- Edupia.com membership exceeds the one million mark
August	- L.Abased Daekyo America founded	May	- Calritz Language Schools opened
1992		July	- Australia franchise opened - Daekyo Japan Inc. established
January	- Daekyo Culture Foundation established	August September	- Yanbian Human Resources Training School established
	Buckyo outture i outlantion established	September	- Sobics, a brand for infants/toddlers, developed
1993		October	- Beijing Daekyo Skills Learning Co., Ltd. established
June	- Daekyo membership surpassed the one million mark	November	- Kangaroos women's soccer team formed
September	- Daekyo Network Co, Ltd. launched	December	- Philippine franchise opened
October	- Noonnoppi Awards for Children's Books established	2003	
1995		April	- E. nopi, Daekyo's overseas brand, launched
December	- Daekyo moved to Noonnoppi Boramae Center, the new	7	- Hawail franchise opened
	headquarters building	May	- Soluny (English language forum/reading forum)
1997			launched
	Deslaw Handrag has founded	June	- Malaysia franchise opened
March	- Daekyo Hongkong Inc. founded - Noonnoppi Women's Badminton Team formed	August September	- Shanghai & Daekyo Consulting Co., Ltd. established - Edupia.com membership exceeds the 1.5 million mark
May	- Daekyo Canada founded	September	- Tianjin office of Shanghai & Daekyo Consulting Co., Ltd.
October	- Yong-in Distribution Center constructed		opened
1000		October	- Indonesia franchise opened
1999		December	- Daekyo USA founded
March	- Noonnoppi brand ranked 1st in the brand power survey by Korea Management Association	2004	
June	- Noonnoppi Math, selected as a Long-Lived Hit Product by KMA	February June	- Daekyo listed on the Korea Stock Exchange - Sobics Headquarters launched
	 Noonnoppi membership surpasses the two million mark 	2005	
		May	- Chairman Young-joong Kang assumed Chairman-ship
			of Badminton World Federation
		Combonelia	- Edupia.com membership breaks the 2 million mark
		September	- CAIHONG Chinese launched

2006			
January	 Noonnoppi, CAIHONG Chinese and Futurekids receives Grand Prize in the Parents' Choice of Educational Brand Awards sponsored by the Women's Newspaper 	May	 CAIHONG Chinese membership exceeded 50,000 persons Established a local branch in Indonesia
March	- Noonnoppi ranked first in brand power (K-BPI) for eighth consecutive year	June	- Daekyo Sobics Launched - Established the Bongam Institute, an educational
May	- Daekyo won Grand Prize in Korea's Most Trusted		foundation
	Company Awards co-hosted by the Korea Economic	July	- Opened the first Noonnoppi Learning Center
	Daily and Korean Consumers' Forum	August	- Opened the Daekyo Vietnam (Franchise)
	- Noonnoppi, chosen as one of the best brands by women	October	- Grand Opening of Daekyo HRD Center
luke	in a survey conducted by the Women's Newspaper	December	 Moved the head office from Noonnoppi Boramae Center to Noonnoppi Sadang Center
July	 - Daekyo wins fourth Korean Educational Industry Award from the Ministry of Education and Human Resources 		to Noonhoppi Sadang Center
	Development (Noonnoppi, CAIHONG Chinese and	2008	
	Sobics	January	- CAIHONG gets top prize as "Parents Preferred
	- Daekyo celebrates 30th anniversary	,	Education Brand"
	- Fermatedu Co., Ltd. acquired	February	- Daekyo gets top prize in "Outstanding Education
	- Daekyo wins Korea Great Workplace Award from the		Facility" category at the Korea HRD Awards
	Korea Economic Daily and Eltech Trust Management	March	- Daekyo Call Center ranked 1st on the Korea Service Quality
	Institute		Index by Korea Management Association Consulting
	- Gongbuwarac studio and website opened	April	- Daekyo named "top-performing YCT administrator in
August	 Daekyo stroke a deal on the Public Education Program of the US's California Education District 		Korea" for 2007 by 中国国家汉语国际推广领导小组。 办公室
September	- Sobics Mungo, Korea's biggest bookstore, opened	May	- G-CAMP Class selected as 2008 Korea Power Brand by
September	- Daekyo tops Korean Customer Satisfaction Index (KCSI)	May	Korea Management Association Consulting
	of KMA		- Daekyo honored for 5th straight year at 2008 Korea
	- Daekyo wins Grand Prize in Women-Chosen Good		Consumers' Most Trusted Corporation Awards, held by
	Company Awards sponsored by Women's Newspaper		Korea Consumers Forum
	- Noonnoppi and Soluny win Grand Prize in Brand of the	June	- CAIHONG gets 2008 Education Management Grand
	Year Awards co-hosted by Korea Economic Daily and		Prize in Foreign Language Practice Lesson category,
	Korean Consumers' Forum		sponsored by Chosun Ilbo
October	- Noonnoppi wins Grand Prize in the 6th Best Women-	Cantanahan	- Soluny History Forum held
	friendly Company Awards of Womantimes	September	- Daekyo Singapore opened (as franchise)
	 Noonnoppi Education tops Education Services category in National Brand Competitiveness Index (NCBI), 		 - 2008 Brand Grand Prize goes to Noonnoppi (5th year) and CAIHONG, sponsored by Korea Economic Daily and
	compiled by Korea Productivity Center		Korea Consumers' Forum
November	- Daekyo wins Prime Minister Prize and Excellent CEO	October	- Daekyo wins Good Company Prize (4th year in a row) at
	Prize at Korea Innovative Company Awards		11th annual Korean Women Consumers' Choice
	- Soluny ad wins Excellence Prize in Broadcasting		Awards, sponsored by Women Newspaper
	category at Korea Advertising Awards		- Daekyo and Hana Bank sign agreement to jointly run
December	- Gongbuwarac, a on-line junior-high education site,		Daejeon Childcare Center
	launched	November	- Daekyo honored at 16th Customer Satisfaction
2007			Management Awards, by Korea Management Association
	Name and CAHLONG Objects of Court District	Desember	Consulting
January	- Noonnoppi and CAIHONG Chinese win Grand Prize at Parents' Education Brand Awards, organized by	December	 Contract for Dream Start program signed with Ministry of Health, Welfare, and Family Affairs
	Women's Newspaper		or readil, Wedare, and raffing Atlants
	- Daekyo, selected as official Korean administrator of	2009	
	Chinese Test for Young Learners (YCT)	February	- Educational R&D Institute opens Daekyo Counseling
February	- Daejeon Noonnoppi Center opened		Center
March	- Reorganized the outfit into Noonnoppi business division	March	- Noonnoppi ranked first in brand power (K-BPI) for
	and new business division for responsible management		eleven consecutive year



Daekyo Holdings (www.edaekyo.net)

Daekyo Holding is the holding company of Daekyo group. Its major business includes the efficient investments in subsidiaries, and development, investment, merger & acquisition of promising new businesses.

Daekyo D&S (www.daekyodns.co.kr)

Daekyo D&S is a company specializing in real-estate development and asset management. The company is expanding its business areas from building management into the operation of golf courses.

Daekyo CNS (www.daekyocns.com)

Daekyo CNS provides comprehensive IT services such as system integration (SI), system management (SM), IT consulting and IT infra services.

Daekyo ENC (www.kids17.net)

Daekyo ENC provides high-tech video contents suitable for the multimedia age through the only cable channel for children & toddlers, Daekyo Children's TV and the digital satellite broadcasting, KIDS SKY. It also provides learning programs of various genres and intends to strategically engage in video-related businesses.

Daishin Leisure

Daishin Leisure was established in 2005 by Daekyo CNS for the purpose of operating leisure business. It pursues the creation of eco-friendly cultural spaces with various composite leisure facilities, and is developing a leisure spot that can be loved by people from all over the world.

Gangwon Deep Sea Water

Gangwon Deep Sea Water was established to enter the environment & biotechnology related sector and health & leisure business. The company is engaging in research, development, manufacturing and sales of deep sea water products and considering Therasophia (sea water treatment facility) business.

Daekyo Publishing (www.daekyobook.co.kr)

Daekyo Publishing, a specialty publishing company for children's books, contributes to their emotional and intelligent development. It leads the way in an ever-changing educational environment, and is cultivating a proper educational principle and genuine publishing culture through good books instilled with substantial knowledge and bright dreams.

Daekyo Culture Foundation (www.dkculture.org)

The Daekyo Culture Foundation was established on December 27. 1991, based on the wishes of Daekyo Inc. and its subsidiaries to create a sound education and culture environment by returning profits to society and to create healthy families and a healthy society.

World Youth & Culture Foundation

The World Youth & Culture Foundation was established in 2007 to support sports, culture and arts programs for children everywhere. The purpose is to ensure that all children can freely exercise their right to a basic education.

Bong-Ahm Educational Foundation : Gyoenggi Academy of Foreign Languages (GAFL) [www.gafl.hs.kr]

The Bong-Ahm Educational Foundation (GAFL) was established on June 16, 2008 for the purpose of "cultivating global leaders who can shape the future." In steep with this goal, the Foundation runs the GAFL. The know-how and infrastructure of Daekyo, the nation's foremost private education institution, are now being applied to rank the GAFL among the world's top seven high schools by 2017. The GAFL, which offers three majors, has a student body of 1,035 and a faculty of more than 70.

Bong-Ahm Educational Foundation: Korea Cyber University (KCU) (www.kcu.ac)

The Bong-Ahm Educational Foundation (KCU) was established on October 31, 2009 to operate KCU, which was converted to a university from life-long institution in October 2008. The goal is to cultivate new knowledge from around the world as a lifetime learning program with ubiquitous access. KCU currently has fourteen departments, enrolls more than 6,600 students, and operates a U-Learning Center as well as eight university research institutes.

Daekyo bookscan. Co., ltd (www.bookscan.co.kr)

Daekyo Booksan promotes reading in Korea by providing high quality books at the lowest prices. The company operates an online shopping site (www.bookscan.co.kr), Customer Center (1588-1949), and international comic book shopping mall (www.comicstorm.co.kr)

Daekyosobics. Co., ltd (www.daekyosobic.co.kr)

Daekyosobics has advanced the quality of education at Korean daycare centers by designing specialized education programs that develop infants' imaginations and abilities to express themselves. The company trains qualified teachers for those programs and runs its own SOBICS SCHOOL as well. Plans now call for expanding into music and cultural programs.

Daekyo Book Center

The Daekyo Book Center not only sells books but also serves as a cultural center and place to relax. Various entertainment performances and special events for children are offered; the sales floor space is expansive [8,250 m²] and the book selection is massive.

DaeKyo Education OnLine, Inc. (www.daekophone.com)

Daekyo EOL provides one-on-one lessons in English or Chinese conversation with native speakers via the telephone or internet videophone. The company also publishes books and provides courses for corporate customers. Thorough customer management and speedy services result in a unique and sophisticated system for teaching foreign language conversation.

The First CS Academy Co., Ltd. (www.firstcs.co.kr)

The First CS Academy serves as an HRD center for the Daekyo Group and provides consultant services corporate clients. This subsidiary has the know-how and licensed specialists to consult on customer satisfaction and human resources issues and to offer customized solutions. It is also equipped with the latest training facilities. The vision today is to be the "world's best customer satisfaction & human resources consultancy that takes customers' customers into account." To this end, the First CS Academy pioneers new changes and innovations.

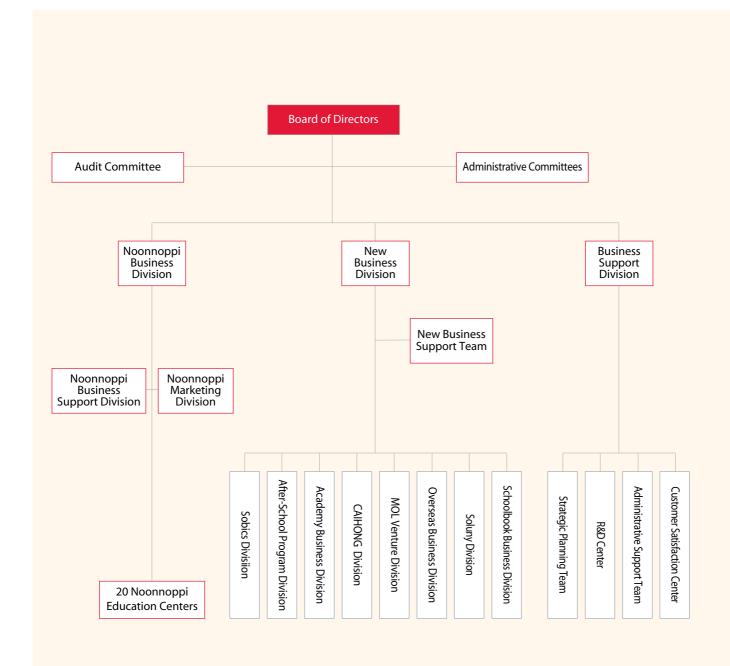
Fermatedu Co., Inc. (www.Fermat.co.kr)

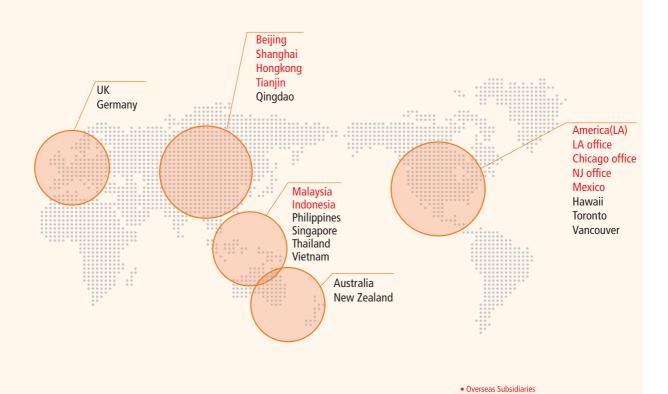
Fermatedu operates 60 franchises, including 20 directly-run branches nationwide, and an e-learning service to prepare students to take the entrance examinations for attending Korea's foreign language high schools, independent high schools and self-regulated private high schools. The incomparable program contents foster thinking that is creative, logical and integrative with the aim of cultivating rare talent that can excel in various academic competitions or in special programs for the gifted.

Daekyo EOL

Daekyo EOL Inc. was founded in July of 2002. It is an Internet-based education company providing one-on-one lessons in English and Chinese conversation using telephone and video over the internet and publishing books regarding both English and Chinese conversation skills. Daekyo EOL has opened this business, based on Daekyo's online and offline experiences, and it also takes a sophisticated care of customers of all ages, from infants to adults, through Learning Management System (LMS). Moreover, the company has been expanding its business area not only for business-to-customer (B2C) but also business-to-business (B2B).







Descriptions	Company Name	Daekyo's Ownership(%)
	Daekyo America Inc.	66.5
	DBES Limited.	50.0
	Daekyo Hongkong Co.,Ltd.	47.9
Overseas Subsidiaries	Beijing Daekyo Co.,Ltd.	100.0
	Shanghai Daekyo Co.,Ltd.	100.0
	Daekyo Malaysia Sdn.Bhd.	100.0
	P.T Daekyo Indonesia.	99.6

Franchises

