

*Inspiring your Tomorrow*

# DAEKYO ANNUAL REPORT 2016



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This report contains forward-looking information such as corporate strategies, predictions, goals, plans, and intentions. This information is based on past business performance, current business conditions, and future possibilities, but it may be different from actual results due to different risk factors and uncertainties.



As a company broadening its reach into the world, Daekyo endeavors to offer **true educational services** that are the hopes and dreams of global citizens.

Daekyo firmly believes that the concept of education involves a 'noble duty of teaching and enlightening.' Daekyo, which has sowed the seeds of education in various countries around the world so that everyone can realize their new hopes and dreams through learning, has now taken a bold step further towards its dream of becoming a global educational power.

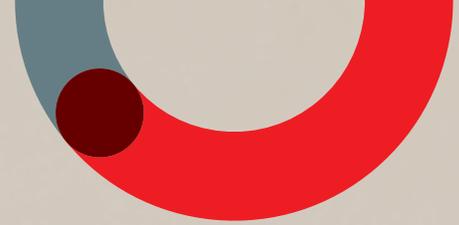
Daekyo will become a company that grows further and broader with a vision and innovative spirit that is centered on education.

Daekyo creates the future  
with **a pioneering and innovative spirit**  
by overcoming fear at unfamiliarity  
and the unknown.

From self-directed education for the gifted to a smart-learning platform, Daekyo has transformed itself into a company propelling creative innovation and change further than any other company. Daekyo takes the path to the future and makes it much brighter and better, instead of merely settling with the present trendline, through advanced and bold thinking in contemplation of new educational paradigms.



# Daekyo at a Glance



## Noonnoppi Business Sector

**673,421,181,204 won**

The Noonnoppi Business Sector is composed of 'Noonnoppi,' the iconic brand in the weekly tutoring market and 'Caihong,' a program for learning Chinese. Ever since introducing an education system providing a one-on-one learning management system tailored to individual abilities, the first of such in Korea, while breaking free from the present education method of cramming knowledge into students and using generic textbooks, the brand is enjoying high brand awareness by continuously expanding sectors within the education industry.

- **2017.03.** Noonnoppi, named No. 1 brand in K-BPI for 19 consecutive years in the elementary education service sector
- **2017.01.** Noonnoppi and Caihong wins the Education Brand Award as chosen by parents
- **2015.08.** Opening of 700th Noonnoppi learning Center

## Media Business Sector

**64,645,706,448 won**

The Media Business Sector operates 'Daekyo Baby TV,' 'Daekyo Children's TV,' a comprehensive children's edutainment channel, 'Soluni,' a reading and essay writing program, and 'Sobics,' a brand selling and managing complete book collections. The purpose of this sector is to improve debate and essay writing aptitude through various contents and to assist in fostering proper reading habits.

- **2016.11.** Daekyo Baby TV, delivers the first infant and baby specializing channel in Korea
- **2010.03.** Soluni, attains No. 1 in the reading and debating learning sector for the 12th K-BPI
- **1993.03.** Daekyo Children's TV, obtains permission as the first children's cable TV in Korea

## Domestic Subsidiaries

**57,210,731,670 won**

Domestic subsidiaries include Daekyo Educamp and Daekyo Edupia. Daekyo Educamp has further strengthened its competitiveness in specialized consignment-based education for public education, such as children's institutions and elementary schools, and Daekyo Edupia is solidifying its brand image as a comprehensive education company that operates business aspects related to educational institutions, e-learning education, and life-long education.

- **2016.12.** Daekyo Educamp, establishes subsidiaries DK Busan Co., Ltd. and DK Ulsan Co., Ltd.
- **2013.06.** Daekyo Edupia, selected as 'Out standing Product with Customer Value' by Fermat KMI Consulting Inc.

## Overseas Subsidiaries

**24,255,209,411 won**

Daekyo is expanding its overseas business by establishing ten overseas subsidiaries and franchises for the globalization of Noonnoppi education, which is the essence of educational know-how that is rooted in 30 years of tradition. Based on the global brand known as 'Eye Level,' Daekyo will enhance its status as a global educational service company in overseas markets.

- **2015.11.** Daekyo Vietnam wins the governmental award in the 3rd Korea's Top Companies
- **2014.10.** Daekyo America selected in Top 100 franchise brands as selected by Franchise Times in the United States
- **2012.07.** Daekyo America opens 'Eye Level Hub,' a new office building
- **2010.09.** Daekyo Hong Kong wins "Top 10 P-Mark Educational Institution Award" as selected by Peegaboo Website & Magazine



Noonnoppi Business

Media Business

Domestic Subsidiaries

Overseas Subsidiaries

# CEO's Letter



**Greetings to all shareholders,**

**On behalf of all of our dedicated executives and employees,  
I'd like to offer my sincerest appreciation for your continued encouragement  
and support for Daekyo over the past year.**

The global economy in 2016 showed an expansion of a business climate that is shrouded in uncertainty due to the inauguration of the new government administration in the US as well as the circumstances surrounding Brexit, and reduced trade volume based on strengthened global protective trade policies and slowdown of growth in China and emerging nations. In terms of the domestic economy, the domestic consumption cliff symptom has further intensified due to heightened political instability and crisis in the shipping and shipbuilding industries. The education industry is facing fiercer competition more than ever due to the severe stagnation in domestic consumption and further reduction in market size. Despite facing such a challenging business environment, Daekyo has been able to attain growth for two consecutive years by repeatedly undergoing company-wide change and innovation. The Noonnoppi business further reinforced its foundation in consideration of the future through achieving development by focusing on its core aspects and enhancing the internal stability of its customized learning programs. The Caihong business was able to further augment its unrivaled status in the Chinese education service sector for children to adults while simultaneously bolstering public trust by hosting all three major Chinese language tests, including the HSK. On the other hand, the market size for the book publication and distribution sector has reduced due to pressure coming from the economic recession, and as a result, companies other than the few leading entities could not avoid generating poor performance.

The Media Business Sector of the company sought to leverage the crisis into a foothold for innovation, even after facing difficulties such as a drop-off in sales. Efforts were made to recover market competitiveness by diversifying products, services, and sales channels conforming to the transformed educational curriculum. Moreover, customer engagement channels have expanded by launching Daekyo Baby TV, the first channel specializing in babies and infants in Korea. The company was able to expand overseas strategic markets by procuring a stable growth base in the Indian market and the UK where new subsidiaries have entered, and to solidify the differentiated competitiveness of Noonnoppi by strengthening customized support centering around the global training center and localization strategy through a system verified in Korea.

As a result of redoubled efforts made together by all executives and employees, the company was able to achieve meaningful results of attaining growth for two consecutive years continuing from 2015. It was a remarkable year for taking a major step towards making a significant change in quality in all business sectors.

# CEO's Letter

## Dear esteemed shareholders,

Just as last year, this year's market environment will not likely be overly favorable to the company. Many institutions such as the International Monetary Fund are forecasting the economic growth rate of Korea to be in the 2% range. The competition for survival will become fiercer and the industrial environment, with weakening factors such as a decrease in school-aged population, will not likely improve.

In 2017, Daekyo seeks to concentrate on creating differentiated customer values and developing its original competitiveness in order to sustain its growth momentum by overcoming such an opaque business environment.

### **The Noonnoppi Business Sector will continue its growth based on the spread of unrivaled Noonnoppi values.**

The tailored support and core activities to create results will be further strengthened in order to maintain and develop the competitiveness of teachers, the core of Noonnoppi, at the highest level in the industry. Moreover, Noonnoppi customer values will be enhanced by providing individually customized solutions that maximize the learning effect while expanding the customers' right to choose by procuring individual competitiveness of various channels.

### **The Media Business Sector will solidify its business foundation by constructing a new business model.**

This Sector will expand its customer base by providing differentiated learning experiences through creatively utilizing strategic assets, such as various contents and services. Moreover, the potential as a new educational channel will be realized by combining exhibitions, broadcasting, and educational contents.

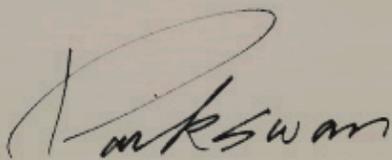
### **For overseas business pursuits, success models will be expanded to allow the company to evolve as a top tier global company.**

The company will construct a success model with the new center in mind by focusing on strategic markets, such as China. I am confident that the company can continue to firmly enhance its brand value in major markets around the world through expanded choices and heightened concentration.

## Dear shareholders,

If the year 2016 was a year of attaining new levels of growth through change and innovation, the year of 2017 will be synonymous with accelerating growth in full-scale based on accumulated results and solidified foundation. The company will uncover opportunities through change without failing to embrace the trend of the Fourth Industrial Revolution, which is the current buzzword for future business. The market will provide the company with more opportunities once converging EduTech, a service demanded by the present market and end users, with the core assets of Daekyo, based on accumulated know-how stemming from extensive experience in the industry. I kindly ask for your unflinching support and encouragement for Daekyo's energetic endeavors that will continue this year, and I hope that enduring happiness and health will fill your households.

Thank you.



**Su-Wan Park** Daekyo CEO

# About the Board

The Board performs the role of an advanced board of directors, maximizing corporate value through transparent and responsible management.

## Board of Directors' Organization

Daekyo's board of directors has a total of eight members as of the end of March 2017, which is composed of four internal directors, three outside directors, and one non-executive director. The board of directors reaches resolutions on matters designated by law or the articles of association, matters delegated from the general shareholders' meetings, and important matters on work execution and basic management policies, and supervises the execution of directors' work. A total of 15 meetings were held in 2016, introducing and processing 22 agendas. A total of three committees, which are the Policy Deliberation Committee, Human Resources Performance Committee, and CS Management Committee, and an audit committee are operated within the board of directors for efficient management. Efforts will be made to maximize shareholder profits and enhance the corporate value of Daekyo through continuing to engage in transparent and faithful decision-making.

	<p><b>Young-Joong Kang</b></p> <ul style="list-style-type: none"> <li>• Daekyo Founder &amp; Chairman (Current)</li> <li>• Chairman and Founder of World Youth and Culture Foundation (Current)</li> </ul>		<p><b>Su-Wan Park</b></p> <ul style="list-style-type: none"> <li>• Daekyo Representative Director (Current)</li> <li>• COO of Daekyo Holdings</li> <li>• CFO of Daekyo D&amp;S</li> </ul>		<p><b>Yeong-Wan Cho</b></p> <ul style="list-style-type: none"> <li>• Daekyo Representative Director (Current)</li> <li>• Daekyo Representative Director</li> <li>• Daekyo CNS Representative Director</li> </ul>		<p><b>Tae-Won Son</b></p> <ul style="list-style-type: none"> <li>• Daekyo Director of Overseas Business Division (Current)</li> <li>• Daekyo Director of Global Commercial center</li> </ul>
	<p><b>Hong-Hee Cho</b></p> <ul style="list-style-type: none"> <li>• Advisor of Kim &amp; Lee LLC (Current)</li> <li>• Commissioner of Seoul Regional Tax Office</li> </ul>		<p><b>Dong-Seong Myeong</b></p> <ul style="list-style-type: none"> <li>• Senior Partner of Shin&amp;Kim (Current)</li> <li>• Head of Seoul Central District Prosecutors' Office</li> </ul>		<p><b>Won-Gil Woo</b></p> <ul style="list-style-type: none"> <li>• SBS Media Holdings Adviser (Current)</li> <li>• SBS Director</li> </ul>		<p><b>Seon-Wu Gwon</b></p> <ul style="list-style-type: none"> <li>• Daekyo Holdings Executive Director (Current)</li> <li>• Daekyo Head of Business Strategy Division</li> <li>• Daekyo Head of Financial Strategy Division</li> </ul>

## Committees within the board of directors

### Policy Deliberation Committee

Su-Wan Park, Yeong-Wan Cho, Tae-Won Son

Engages in a review of agendas submitted to the board of directors regarding the management and policies having a significant effect on the management of the company

### Human Resources Performance Committee

Su-Wan Park, Yeong-Wan Cho, Tae-Won Son

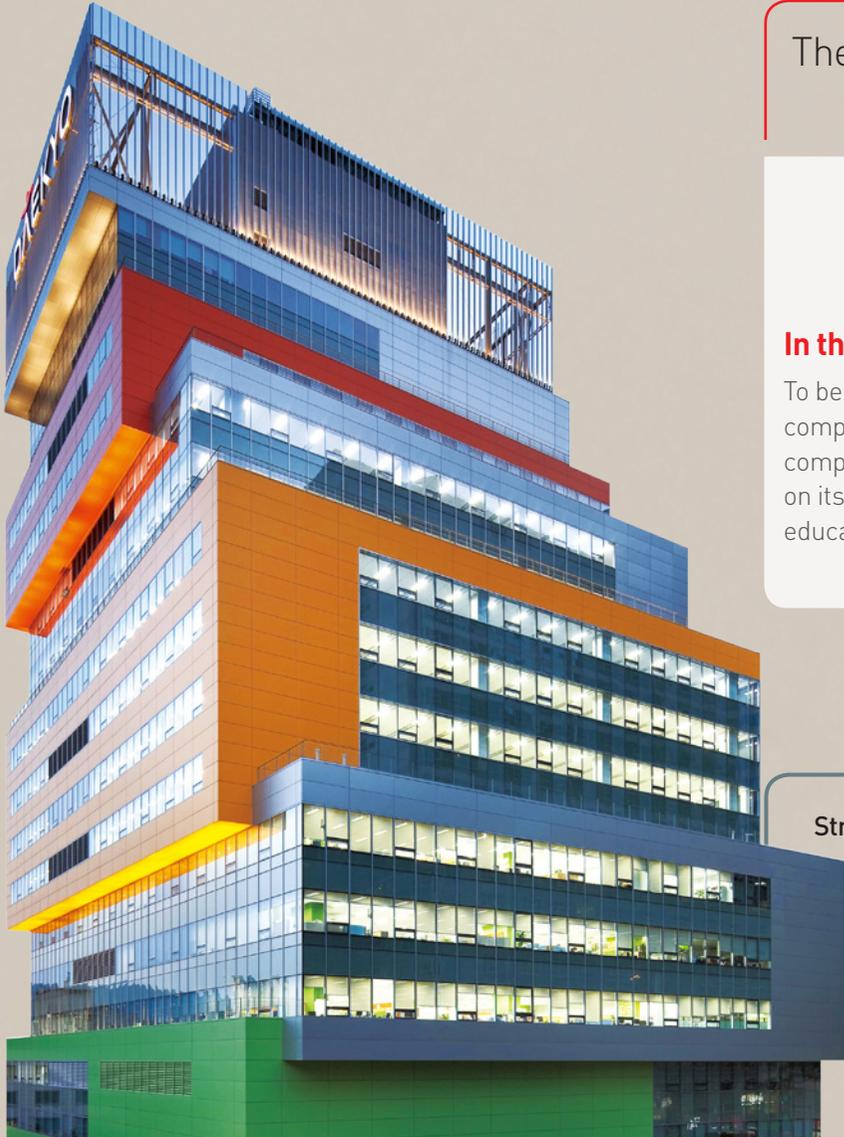
Engages in deliberating and resolving issues relating to personnel matters of executives, the HR system of the company, and the establishment and management of the organizational performance targets of the company

### CS Management Committee

Su-Wan Park, Yeong-Wan Cho, Tae-Won Son

Engages in deliberating and resolving issues relating to CS (customer satisfaction)

# Vision and Mission



## VISION 2020

The vision of Daekyo Co., Ltd. is to become one of **the best companies specializing in comprehensive education in the world**



### In the World

To become one of the most competitive educational companies in the world based on its status as the leading education company in Korea;



### Most Specialized

To provide specialized services of the highest level through various educational methods, such as self-directed learning and smart learning;



### Comprehensive Education Company

To grow into one of the best social education companies by providing comprehensive education of knowledge, integrity, and physical training.

### 2017 Management Direction

Strengthening of original competitiveness

Creation of customer values on a different level

Establishment of a culture for capably executing matters related to the particular field

# Financial Highlights

## Consolidated Statement

Summary Statement of Financial Position		in billions of KRW	
	2015	2016	Variation (rate)
Assets	821	848	+3.4%
Liabilities	177	185	+4.9%
Equity	644	663	+2.9%

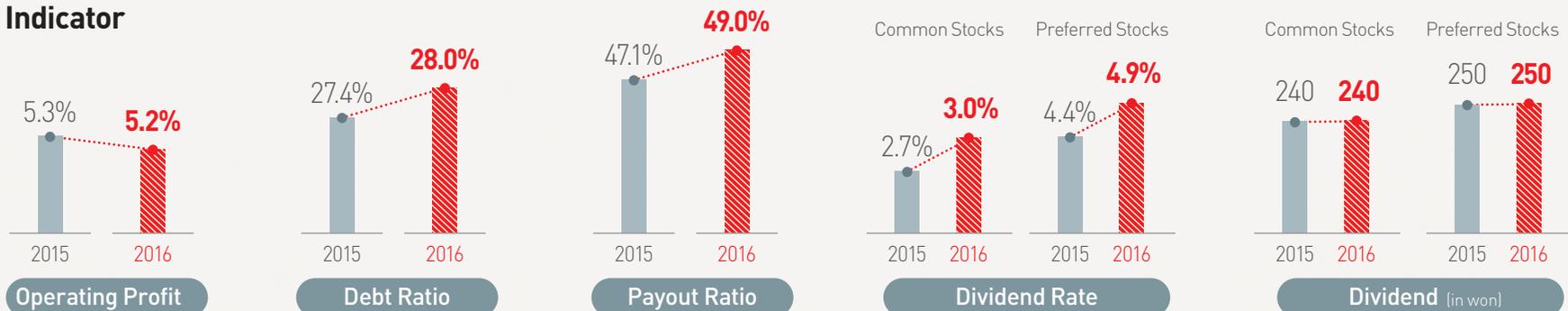
Condensed Income Statement		in billions of KRW	
	2015	2016	Variation (rate)
Sales	813	821	+0.9%
Operating Profit	43	43	-0.5%
Net Income	46	42	-9.3%
Equity Ownership of Controlling	45	43	-5.3%
Non-controlling Interest	1	-1	-
Net Income per Share	492 won	472 won	-20 won

## Financial Statements

Summary Statement of Financial Position		in billions of KRW	
	2015	2016	Variation (rate)
Assets	781	810	+3.8%
Liabilities	140	149	+6.1%
Equity	641	661	+3.2%

Condensed Income Statement		in billions of KRW	
	2015	2016	Variation (rate)
Sales	750	760	+1.3%
Operating Profit	46	46	-1.1%
Net Income	47	45	-4.5%
Net Income per Share	512 won	479 won	-33 won

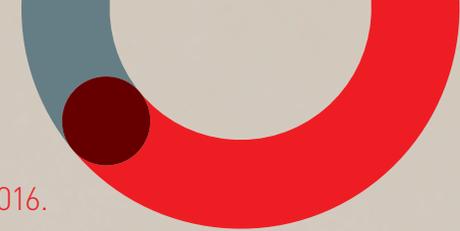
## Key Indicator



\*The operation profit rate and debt rate is based on the consolidated financial statement and the dividend payout ratio is based on the [separate] financial statement.

# Daekyo In Press

We bring you uplifting news about Daekyo's efforts on the global stage in 2016.



## Daekyo, Selected as the 'Most Respected Company in Korea' for Seven Consecutive Years

2017.02.21.



Daekyo has been selected as the 'most respected company in Korea' by Korea Management Association Consulting for seven consecutive years. The 'most respected company in Korea' is bestowed on the company that is most respected in each sector by comprehensively evaluating performance in innovation, financial soundness, product and service quality, customer satisfaction level, social contribution level, and reliability of a company. Daekyo has never lost the top rank in every year after being first selected as No. 1 in the education service sector in 2011. Daekyo has been acknowledged for its achievements of leading the practice of sharing through education, based on performance in innovation continuously providing the value of new education to customers embedded with Daekyo's management philosophy, 'development through learning and teaching.'

## Daekyo's 'Caihong Confucius Institute,' Selected as Official Host for HSK in Korea

2016.03.04.



The 'Caihong Confucius Institute' of Daekyo has been selected to host the HSK in Korea and also the Certificate for Teachers of Chinese to Speakers of Other Languages through an agreement with 'Hanban,' an institution affiliated with the Ministry of Education of China. Caihong Confucius

Institute, which was selected as the HSK hosting agency in Korea, provides a written and speaking test every month from this May. In addition, Daekyo has been qualified to host the Certificate for Teachers of Chinese to Speakers of Other Languages and has been acknowledged as the institution hosting all three major Chinese language tests along with the existing Chinese language exams for youth. This will become an opportunity for Caihong to establish a solid foothold as Korea's iconic education brand.

## Daekyo, Opens '2016 Daekyo MUN Camp' a Global Talent Cultivation Project

2016.08.11.



Daekyo has held the '2016 Daekyo MUN Camp (2016 Daekyo Model United Nations Camp),' which is a global talent cultivation project, at Gyeonggi Academy of Foreign Languages, where approximately 70 elementary students from nine countries

participated. Beneficial programs were provided, such as lectures from leaders invited from various sectors and mock UN competitions, where students of various nationalities gathered in one place. Daekyo was able to continuously provide the universal value of 'education' to children from different cultures and having different world views.

## Daekyo, Selected as 'Outstanding Institution for Sponsoring Culture and Arts'

2016.11.23.

Daekyo has been certified as an outstanding institution sponsoring culture and arts at the '2016 Culture&Art Excellence Sponsor Award Ceremony.' Daekyo has created an environment for culture and arts by continuously carrying out culture and arts businesses such as 'Daekyo International Sculpture Symposium,' 'Noonnoppi Children's Literature Exhibition,' and 'Chorus Korea' through the Daekyo Culture Foundation and World Youth and Culture Foundation. Moreover, Daekyo has held 'Saturday Mother's Talk Show' where parents and children can enjoy cultural contents together, and provided the 'Noonnoppi Dream Project' to enable the development of children of the socially underprivileged class and multicultural families possessing talents in arts and sports, thus, is helping students, the leaders of the future, to foster their dreams.



# Business Performance

in billions of KRW

Category		Sales	Operating Profit
Daekyo	Noonnoppi	615	35
	Caihong	59	6
	Media Business Division	64	1
	Others	22	3
Consolidated Subsidiary Companies	Domestic Subsidiary Companies	57	3
	Overseas Subsidiary Companies	24	-4
Consolidation Adjustments, Etc.		-20	-1
<b>Total</b>		<b>821</b>	<b>43</b>



# Business Overview 01

## Noonnoppi Business

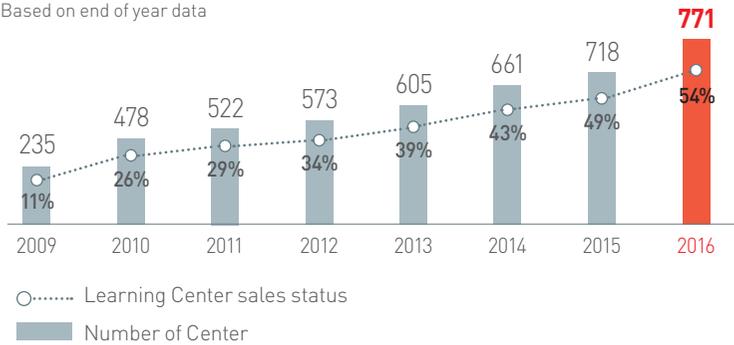
### Noonnoppi and Caihong, No. 1 in brand power

The company leads the development of world education and culture based on the 'Noonnoppi education philosophy' of respecting individual personalities and abilities while thinking at the level of learners.

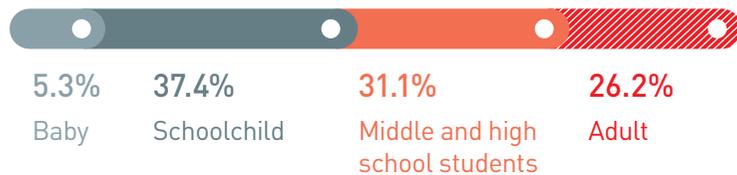


### Learning Center establishment status and sales status

\*Based on end of year data



### Proportion of Caihong members



## NOONNOPPI

Noonnoppi motivates learners and develops creativity through learning processes where learners find themselves. It produces optimal learning effects by providing one-on-one education management by instructors specialized in math or language, organized evaluation system, and smart learning services. In addition to home tutoring education, various education channels, such as Noonnoppi Learning Center, which encourages self-directed learning, YES CLASS and Firstclass.

## CAIHONG

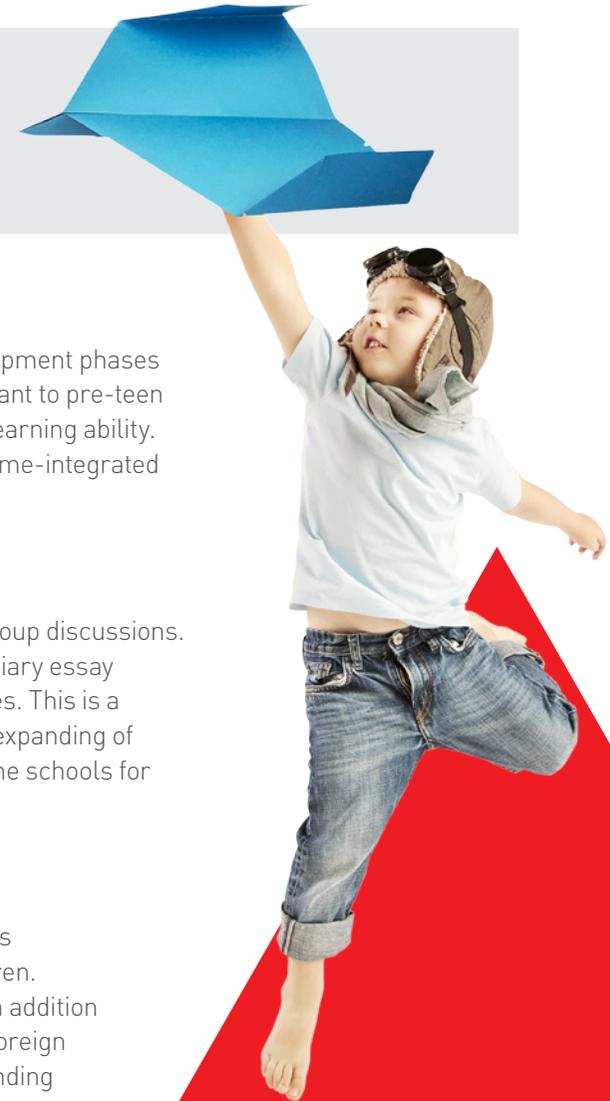
CAIHONG is a one-on-one home visit learning program that pairs an expert instructor with professional materials. The program develops all 4 language skills: intonation, listening, speaking, reading and writing. In addition, CAIHONG textbooks can be customized to learner group by Junior, Senior, Biz, or HSK.

# Business Overview 02



## Media Business

The Media Business of Daekyo is delivering customer value in diverse fields, including publishing, distribution, reading club and broadcasting, targeting from children to adults. It is taking the lead in the digital media era and providing the best contents platforms that serve the fast changing market environment.



### Sobics

Sobics, a luxe education brand, markets 40 types of volumes and series tailored to the development phases of children. Sobics tutor gives a child a one-on-one set test to guide children through their infant to pre-teen phrase, and culture them an excellent reading habit as well as character building and basic learning ability. Moreover, the company operates the 'Integrated Reading' program, which is a systematic theme-integrated learning program.



### Soluny

The Soluni Forum is a premium learning system in which learners engage in small, select group discussions. This program is composed of reading, essay writing, history, economic forums, and intermediary essay writing courses, and proceeds through group study focusing on reading and debating activities. This is a brand that cultivates leadership and creativity through small-group debating activities while expanding of background knowledge through in-depth reading. Currently there are approximately 600 home schools for Soluni throughout the country.



### Daekyo Kids TV

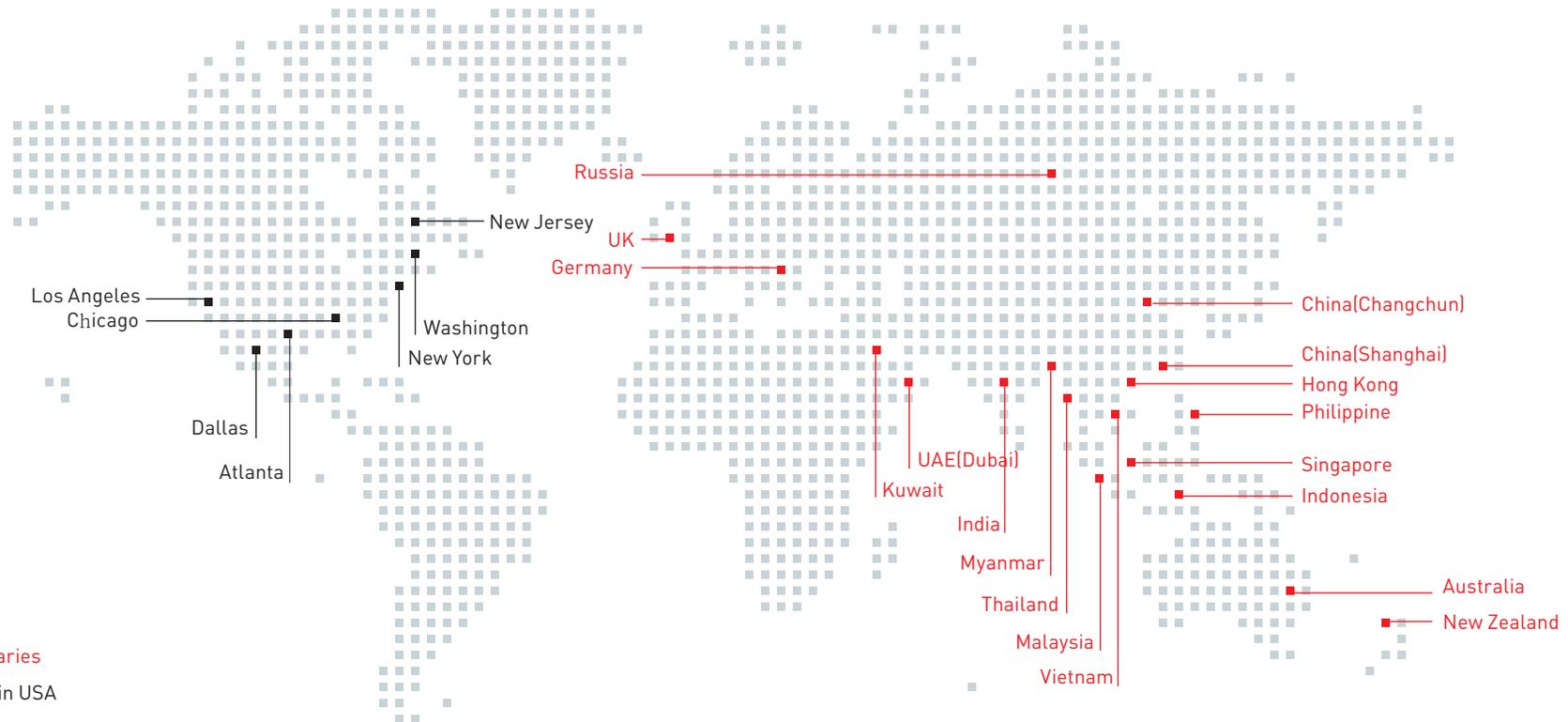
Daekyo Kids TV is the first children's cultural channel. It is a comprehensive form of children's edutainment which manufactures and supplies interesting and beneficial programs for children. The N-SCREEN service is being expanded to the web and mobile in line with the smart era, in addition to cable, satellite, and IPTV. The company is currently obtaining domestic business rights of foreign contents and is proceeding with OSMU, such as the character licensing business with outstanding self-produced contents, and in particular, is expanding its business sectors into the business of experiencing character-based exhibitions and musical performance business.

# Business Overview 03

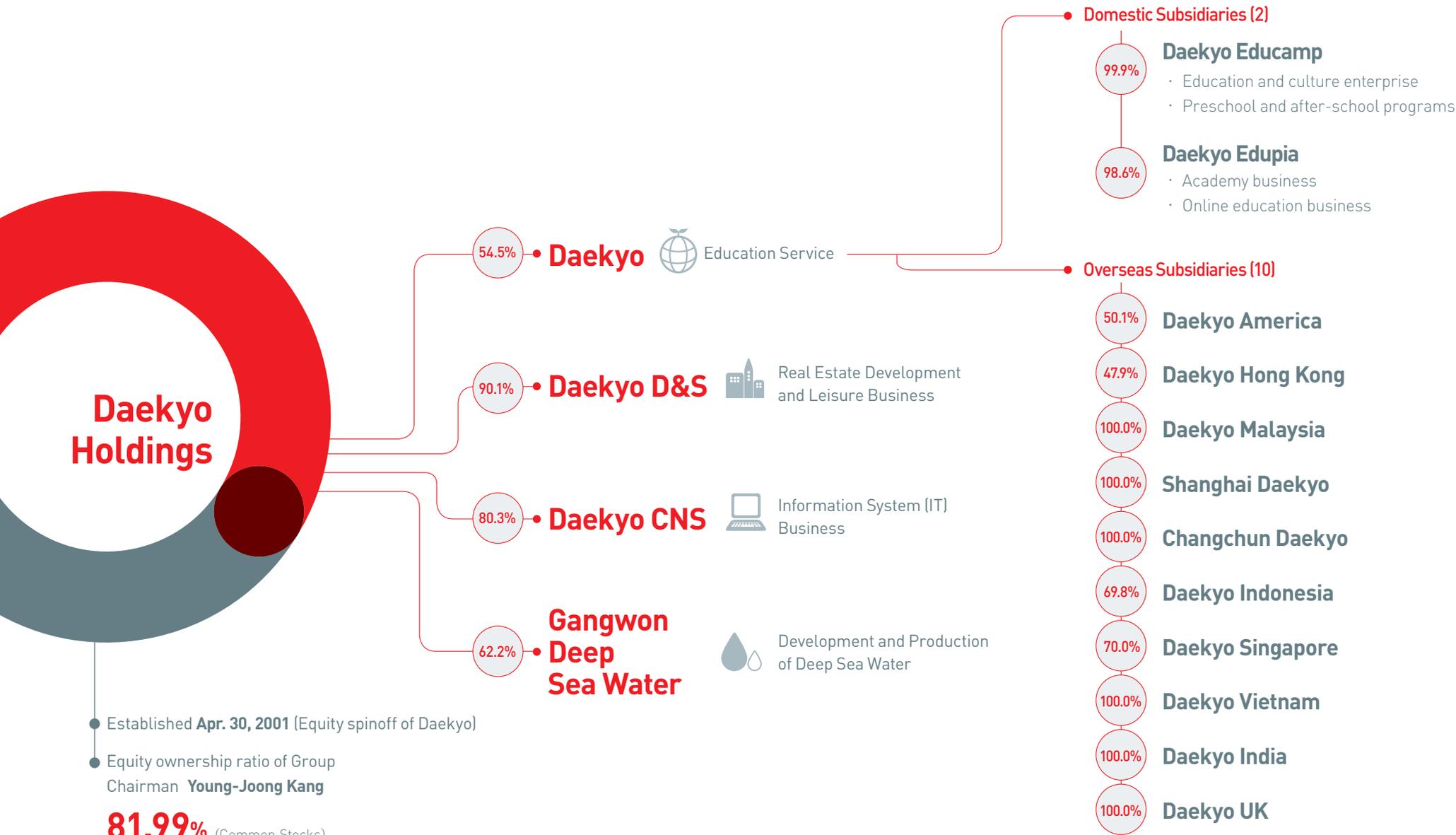
## Overseas Business

### Daekyo's advanced knowhow for educational service is spreading throughout the world

Eye Level is Daekyo's overseas education business that operates in the form of a learning center. Daekyo is rapidly emerging as a leading educational service brand on the world stage, based on its educational philosophy of 'Noonnoppi (At the eye level of children)' with its local corporate offices in the US (New York, New Jersey, LA, Chicago, Dallas, Washington, and Atlanta), China (Shanghai and Changchun), Hong Kong, Malaysia, Indonesia, Singapore, Vietnam, India, UK. In addition, the company has entered Australia, New Zealand, Germany, the Philippines, the UK, Thailand, India, UAE (Dubai), Kuwait, Russia, and Myanmar with foreign franchises.



# Daekyo Group Structure



● Established **Apr. 30, 2001** (Equity spinoff of Daekyo)

● Equity ownership ratio of Group Chairman **Young-Joong Kang**

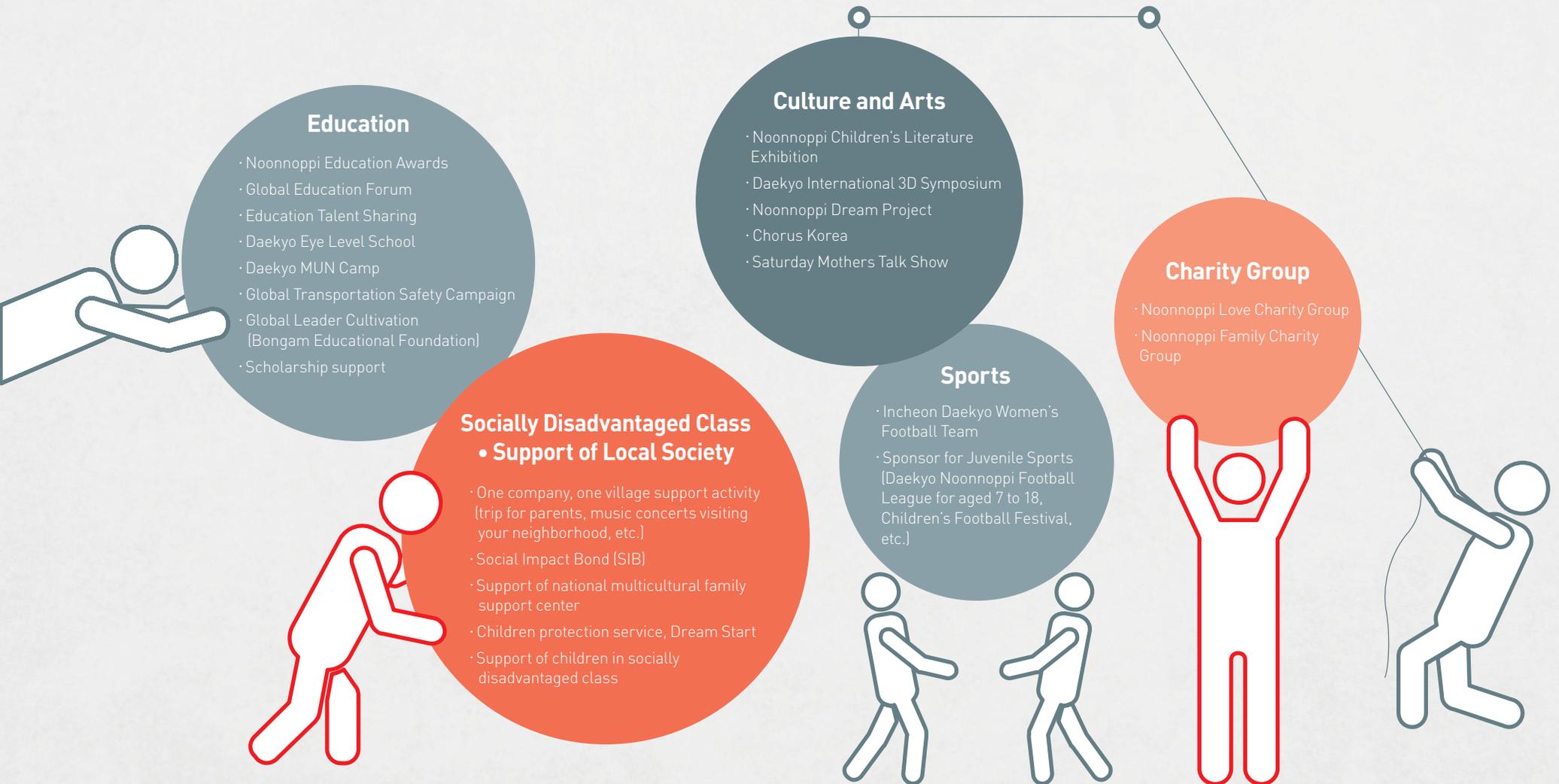
**81.99%** (Common Stocks)

\*% : Equity Ratio

\*As of the end of March 2016

# Daekyo CSR

Daekyo seeks to perform the role of a bridgehead by leading sustainable management as a company capable of attaining new heights for more than 100 years by enhancing corporate value through management that considers not only financial performance, but also non-financial aspects, such as ethics, environment, and social issues. As such, Daekyo is broadening its CSR in various sectors and social perspectives, and is actively fulfilling its core duties. The company is strategically implementing CSR activities by utilizing the diverse core competencies possessed by the group. Daekyo is making efforts to become a sustainable company by implementing social contribution projects in four sectors through selection and concentration, through utilizing the human resources pool made available through a national network, technical skills, business and management know-how, and educational contents, which is the most important core capability of Daekyo.

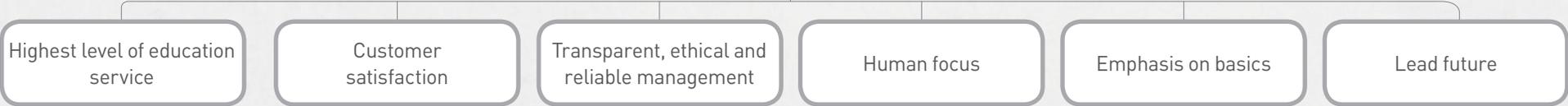


# CSR Mid-to-Long Term Strategic Direction

**MISSION**  
Pursuit of a happy life of humanity through education

**SLOGAN**  
Realization of a healthy future society through education

**Value system**



**Core competences CSR**

- Expansion of social contribution activities representative of the company, advancement of existing social contribution activities
- Search for CSV business utilizing value chain

**Strategic CSR**

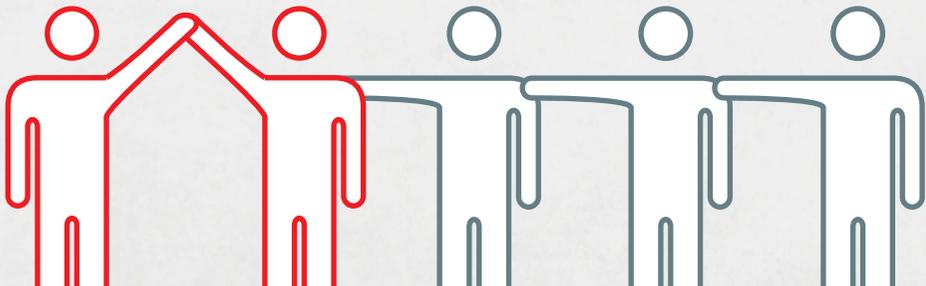
- Support and expansion of business through CSR
- Development of joint growth partnership program (national government, local government, NPO, schools, etc.)

**Communication with interested parties**

- Publication of CSR report focusing on interested parties
- Expansion of communication channels with interested parties

**CSR Internalization**

- Establishment of spirit and education for CSR for executives and employees inside and outside of the country
- Vitalization of participation of members in charity activities and donation
- Support for discovery of representative programs of the group
- Communication with internal interested parties



# Corporate Social Responsibility

Daekyo leads a corporate culture of sharing, going above and beyond its journey of hope for 40 years.



757

Mentee participation  
(cumulative)



9

The number of  
countries taking part



6,523

The number of  
volunteers

## Education Talent Sharing

The education talent sharing campaign is a specialized education charity program that was started in 2012 and operates in the form of matching a mentor with a mentee once a request is made by a mentee needing education. This program is composed of education mentoring and music mentoring, which supports the dreams and hopes of children needing educational support (mentee: elementary school students from children's welfare institutions (regional children's center, children fostering facilities, common dwelling facilities, etc.), mentor: executives or employees of Daekyo, Noonoppi teachers, music teachers of group subsidiaries) Satisfaction with activities is very high since the mentors voluntarily select to engage in the charity activities and to share their own talents where needed. The ongoing support by various specialists in the education and music sectors is one of the biggest advantages of the education talent sharing program of Daekyo.

## Daekyo MUN Camp

This camp is a part of the Daekyo Eye Level School business that conforms to the global education trend of nurturing creative talents, which is a research program where students visit and participate in MUN (Model United Nations) as a representative of each country. The purpose is to invite outstanding elementary school students of underdeveloped countries so that they may grow into influential global leaders in the world, and in 2015, students from six countries participated for six days by visiting Korea, engaging in various activities such as 'Understanding UN,' 'Gyeonggi Academy of Foreign Language,' and 'lectures.' In 2016, we expanded the scale to include students from 9 countries, including Korea, to discuss national issues together.

## Noonoppi Love Volunteer Corps

The purpose is for the company to become a practitioner of the Noonoppi Love and Noonoppi Education management philosophy while fulfilling social responsibilities as a company through systematic and voluntary charity activities of its employees and Number of volunteers. The company is continuing to extended helping hands to those requiring assistance, such as underprivileged children, the disabled, and the elderly living alone, and is contributing to the vitalization of voluntary charity activities in local society in a further systematic and organizational way through the Noonoppi branches that are spread around the nation.

The representative programs include Daekyo Eye Level School and MUN Camp for cultivating global talents, Noonoppi Dream Project, and sponsoring the multicultural badminton competition.

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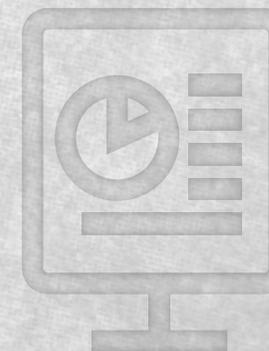
# Consolidated Statements of Financial Position

Daekyo Co., Ltd. and Subsidiaries

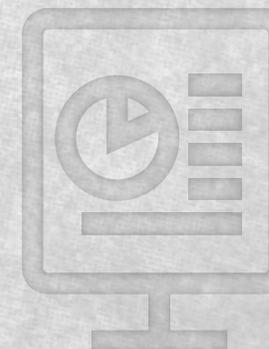
December 31, 2016 and 2015

\* in Korean won

	2016	2015
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	96,847,068,258	101,204,520,321
Financial deposits	12,121,398,451	8,742,262,378
Trade receivables	22,111,470,948	21,885,581,597
Other receivables	41,088,006,818	35,777,649,284
Financial assets at fair value through profit or loss	74,272,304,685	85,405,262,775
Derivative financial instruments	45,421,937	261,466,124
Available-for-sale financial assets	72,905,569,910	47,860,777,645
Inventories	20,115,480,766	22,532,454,651
Other current assets	4,041,559,742	5,062,654,951
	343,548,281,515	328,732,629,726
Non-current assets held for sale	3,544,206,750	-
<b>Non-current assets</b>		
Financial deposits	300,000,000	300,000,000
Long-term other receivables	11,079,941,679	15,090,649,069
Available-for-sale financial assets	149,403,008,832	150,644,259,894
Investments in associates	6,595,105,227	4,694,064,238
Property, plant and equipment	190,863,369,097	160,632,518,903
Investment property	102,189,687,798	108,884,721,653
Intangible assets	40,249,056,113	50,492,704,333
Deferred tax assets	-	819,263,411
Other non-current assets	366,311,508	352,258,547
	501,046,480,254	491,910,440,048
<b>Total assets</b>	848,138,968,519	820,643,069,774



	2016	2015
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables	9,969,681,040	10,258,504,427
Derivative financial instruments	1,065,085,697	71,052,705,058
Other payables	77,029,698,421	254,363,946
Borrowings	18,774,144,852	5,100,000,000
Income tax payable	6,359,802,084	5,427,803,522
Provisions	567,806,966	658,940,506
Other current liabilities	47,128,785,234	53,012,395,870
	<u>160,895,004,294</u>	<u>145,764,713,329</u>
<b>Non-current liabilities</b>		
Other payables	9,585,919,505	6,698,083,668
Borrowings	9,460,350,244	23,204,076,846
Net defined benefit liability	5,281,342,941	999,401,619
Deferred tax liabilities	119,648,054	-
	<u>24,447,260,744</u>	<u>30,901,562,133</u>
<b>Total liabilities</b>	<b>185,342,265,038</b>	<b>176,666,275,462</b>
<b>Equity</b>		
Share capital	52,064,920,000	52,064,920,000
Share premium	72,514,886,266	71,347,042,554
Other components of equity	(74,918,987,086)	(73,278,036,516)
Accumulated other comprehensive income	52,289,828,801	51,714,109,601
"Accumulated other comprehensive income relating to the non-current asset held for sale"	1,257,107,559	-
Retained earnings	551,632,229,562	533,460,489,924
<b>Equity attributable to owners of the Parent Company</b>	<b>654,839,985,102</b>	<b>635,308,525,563</b>
<b>Non-controlling interest</b>		
Non-controlling interest	7,956,718,379	8,668,268,749
<b>Total equity</b>	<b>662,796,703,481</b>	<b>643,976,794,312</b>
<b>Total liabilities and equity</b>	<b>848,138,968,519</b>	<b>820,643,069,774</b>



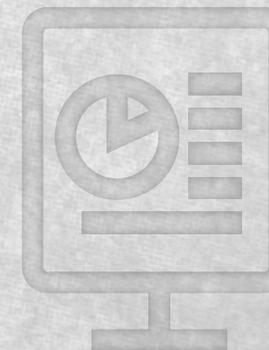
# Consolidated Statements of Profit or Loss

Daekyo Co., Ltd. and Subsidiaries

Years Ended December 31, 2016 and 2015

\* in Korean won

	2016	2015
<b>Sales</b>	<b>820,717,373,381</b>	<b>813,207,844,495</b>
<b>Cost of sales</b>	<b>654,713,696,850</b>	<b>648,794,372,244</b>
<b>Gross profit</b>	166,003,676,531	164,413,472,251
Selling and administrative expenses	123,156,826,326	121,368,935,456
<b>Operating profit</b>	<b>42,846,850,205</b>	<b>43,044,536,795</b>
Other income	29,552,731,535	31,314,580,333
Other expenses	20,442,410,233	16,615,067,156
Share of profit of associates	865,216,300	335,184,992
Finance income	1,930,181,518	3,199,322,538
Finance costs	1,148,086,800	1,221,276,852
<b>Profit before income tax</b>	<b>53,604,482,525</b>	<b>60,057,280,650</b>
Income tax expense	11,814,039,080	13,996,998,831
<b>Profit for the year</b>	<b>41,790,443,445</b>	<b>46,060,281,819</b>
<b>Profit for the year attributable to:</b>		
Owners of the Parent Company	42,557,838,536	44,798,395,277
Non-controlling interests	(767,395,091)	1,261,886,542
<b>Basic earnings per share</b>		
<b>attributable to the equity holders</b>		
<b>of the Parent Company:</b>		
Basic earnings per share for ordinary shares	472	492
Basic earnings per share for preferred shares	471	495
<b>Diluted earnings per share</b>		
<b>attributable to the equity holders</b>		
<b>of the Parent Company:</b>		
Diluted earnings per share for ordinary shares	470	491
Diluted earnings per share for preferred shares	470	494



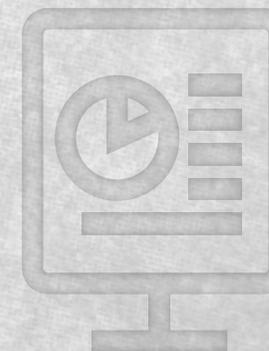
# Consolidated Statements of Comprehensive Income

Daekyo Co., Ltd. and Subsidiaries

Years Ended December 31, 2016 and 2015

\* in Korean won

	2016	2015
<b>Profit for the year</b>	<b>41,790,443,445</b>	<b>46,060,281,819</b>
<b>Other comprehensive income, net of tax:</b>		
Items that will not be reclassified to profit or loss		
Remeasurements of the net defined benefit liability	(2,581,226,162)	(251,235,259)
Items that may be subsequently reclassified to profit or loss		
Changes in the fair value of available-for-sale financial assets	2,035,022,822	(14,127,812,971)
Other comprehensive income relating to the non-current asset held for sale	1,430,607,270	-
Currency translation differences	(122,000,633)	254,842,151
Share of other comprehensive income of associates	(1,073,839,883)	1,246,704,349
<b>Other comprehensive income for the year, net of tax</b>	<b>(311,436,586)</b>	<b>(12,877,501,730)</b>
<b>Total comprehensive income for the year</b>	<b>41,479,006,859</b>	<b>33,182,780,089</b>
<b>Total comprehensive income for the year is attributable to:</b>		
Owners of the Parent Company	41,812,783,377	32,904,760,463
Non-controlling interest	(333,776,518)	278,019,626



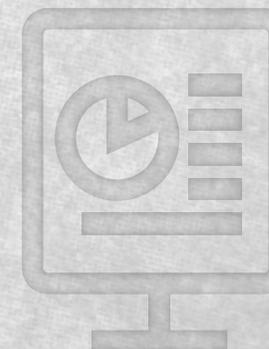
# Consolidated Statements of Changes in Equity

Daekyo Co., Ltd. and Subsidiaries

Years Ended December 31, 2016 and 2015

\* in Korean won

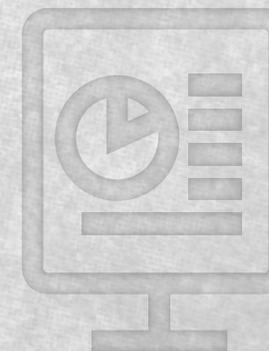
	Attributable to owners of the Parent Company								
	Notes	Share capital	Share premium	Other components of equity	Accumulated other comprehensive income	Accumulated other comprehensive relating to the non-current asset held for sale	Retained earnings	Non-controlling interest	Total Equity
<b>Balance at January 1, 2015</b>		<b>52,064,920,000</b>	<b>69,921,480,844</b>	<b>(66,434,186,074)</b>	<b>63,356,763,492</b>		<b>- 510,023,812,830</b>	<b>11,895,215,282</b>	<b>640,828,006,374</b>
<b>Comprehensive income (loss)</b>									
Profit for the year		-	-	-	-	-	44,798,395,277	1,261,886,542	46,060,281,819
Changes in the fair value of available-for-sale financial assets		-	-	-	(12,969,456,863)	-	-	(1,158,356,108)	(14,127,812,971)
Currency translation differences		-	-	-	80,098,623	-	-	174,743,528	254,842,151
Remeasurement of net defined benefit liability		-	-	-	-	-	(250,980,923)	(254,336)	(251,235,259)
Share of other comprehensive income of associates		-	-	-	1,246,704,349	-	-	-	1,246,704,349
<b>Transactions with owners</b>									
Dividends	41	-	-	-	-	-	(11,949,312,860)	-	(11,949,312,860)
Interim dividends	41	-	-	-	-	-	(9,161,424,400)	-	(9,161,424,400)
Dividends of subsidiaries		-	(250,491,472)	-	-	-	-	(5,105,720,747)	(5,356,212,219)
Issuance of shares of subsidiaries		-	(497,121,904)	-	-	-	-	1,600,754,588	1,103,632,684
Acquisition of treasury share	29	-	-	(15,781,019,830)	-	-	-	-	(15,781,019,830)
Disposal of treasury share	29	-	2,173,175,086	8,562,679,384	-	-	-	-	10,735,854,470
Stock options	28	-	-	374,490,004	-	-	-	-	374,490,004
<b>Balance at December 31, 2015</b>		<b>52,064,920,000</b>	<b>71,347,042,554</b>	<b>(73,278,036,516)</b>	<b>51,714,109,601</b>		<b>- 533,460,489,924</b>	<b>8,668,268,749</b>	<b>643,976,794,312</b>



## Attributable to owners of the Parent Company

\* in Korean won

Notes	Share capital	Share premium	Other components of equity	Accumulated other comprehensive income	Accumulated other comprehensive relating to the non-current asset held for sale	Retained earnings	Non-controlling interest	Total Equity
<b>Balance at January 1, 2016</b>	<b>52,064,920,000</b>	<b>71,347,042,554</b>	<b>(73,278,036,516)</b>	<b>51,714,109,601</b>	-	<b>533,460,489,924</b>	<b>8,668,268,749</b>	<b>643,976,794,312</b>
<b>Comprehensive income (loss)</b>								
Profit for the year	-	-	-	-	-	42,557,838,536	(767,395,091)	41,790,443,445
Changes in the fair value of available-for-sale financial assets	-	-	-	1,990,174,416	-	-	44,848,406	2,035,022,822
Currency translation differences	-	-	-	(159,301,733)	-	-	37,301,100	(122,000,633)
Remeasurement of net defined nefit liability	-	-	-	-	-	(2,577,881,918)	(3,344,244)	(2,581,226,162)
Share of other comprehensive income of associates	-	-	-	(1,073,839,883)	-	-	-	(1,073,839,883)
Reclassification relating to the non-current asset held for sale and others	-	-	-	(181,313,600)	1,257,107,559	-	354,813,311	1,430,607,270
<b>Transactions with owners</b>								
Dividends	41	-	-	-	-	(12,781,724,980)	-	(12,781,724,980)
Interim dividends	41	-	-	-	-	(9,026,492,000)	-	(9,026,492,000)
Dividends of subsidiaries	-	(1,892,984)	-	-	-	-	(985,974,042)	(987,867,026)
Issuance of shares of subsidiaries	-	370,309,318	-	-	-	-	608,200,190	978,509,508
Acquisition of treasury share	29	-	(4,188,410,220)	-	-	-	-	(4,188,410,220)
Disposal of treasury share	29	-	799,427,378	2,532,537,816	-	-	-	3,331,965,194
Stock options	28	-	-	14,921,834	-	-	-	14,921,834
<b>Balance at December 31, 2016</b>	<b>52,064,920,000</b>	<b>72,514,886,266</b>	<b>(74,918,987,086)</b>	<b>52,289,828,801</b>	<b>1,257,107,559</b>	<b>551,632,229,562</b>	<b>7,956,718,379</b>	<b>662,796,703,481</b>



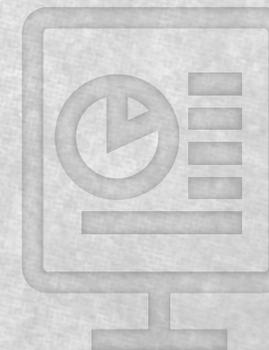
# Consolidated Statements of Cash Flows

Daekyo Co., Ltd. and Subsidiaries

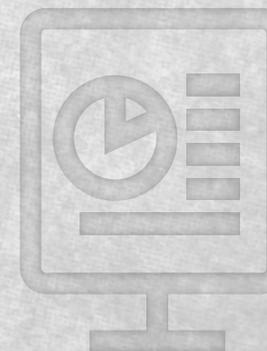
Years Ended December 31, 2016 and 2015

\* in Korean won

	2016	2015
<b>Cash flows from operating activities</b>		
Cash generated from operations	90,801,405,997	67,880,565,714
Dividends received	4,642,167,563	2,834,685,596
Interest received	1,550,286,933	2,561,839,352
Interest paid	(963,470,428)	(1,189,501,827)
Income tax paid	(10,277,260,740)	(19,802,016,610)
<b>Net cash inflow from operating activities</b>	<b>85,753,129,325</b>	<b>52,285,572,225</b>
<b>Cash flows from investing activities</b>		
Decrease in financial deposits	7,799,624,763	17,873,268,983
Proceeds from disposal of available-for-sale financial assets	121,439,407,092	155,762,012,513
Proceeds from disposal of non-current assets held for sale	331,750,000	-
Decrease in other receivables	7,123,493,842	13,170,412,525
Proceeds from disposal of investments in associates	348,000,000	-
Proceeds from disposal of property, plant and equipment	289,642,415	166,486,842
Grants from governments	-	634,473,890
Increase in financial deposits	(11,156,373,310)	(20,994,459,528)
Acquisition of available-for-sale financial assets	(130,233,478,630)	(137,225,820,555)
Increase in other receivables	(9,640,963,478)	(12,037,793,370)
Investments in associates	(3,892,500,000)	(360,000,000)
Acquisition of property, plant and equipment	(34,615,239,918)	(17,349,565,365)
Acquisition of intangible assets	(12,327,992,469)	(16,500,969,768)
<b>Net cash outflow from investing activities</b>	<b>(64,534,629,693)</b>	<b>(16,861,953,833)</b>



	2016	2015
<b>Cash flows from financing activities</b>		
Disposal of treasury share	1,220,421,160	7,937,422,211
Issuance of shares of subsidiaries	978,509,508	1,103,632,684
Proceeds from borrowings	23,769,968,639	13,865,763,034
Acquisition of treasury share	(4,188,410,220)	(15,781,019,830)
Dividends of subsidiaries	(987,867,026)	(5,356,212,219)
Dividends paid	(21,808,216,980)	(21,110,737,260)
Repayments of borrowings	(24,471,292,405)	(22,600,729,623)
<b>Net cash outflow from financing activities</b>	<b>(25,486,887,324)</b>	<b>(41,941,881,003)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,268,387,692)</b>	<b>(6,518,262,611)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>101,204,520,321</b>	<b>107,436,922,494</b>
Exchange gains on cash and cash equivalents	(89,064,371)	285,860,438
<b>Cash and cash equivalents at the end of the year</b>	<b>96,847,068,258</b>	<b>101,204,520,321</b>



# Investor Information

## Common Stock:

Issued : 84,702,850 shares (excluding treasury stock)  
 Number of Stockholders : 5,962

## Preferred Stock:

Issued : 19,426,990 shares (excluding treasury stock)  
 Number of Stockholders : 2,434

## Listings:

February 3, 2004 Listed on the Korea Stock Exchange.

## Independent Auditors:

Samil Price water house Coopers

## Head Office

23, Boramae-ro 3-gil, Gwanak-gu, Seoul, Korea(08708)  
 Telephone: 82 2 829 0626  
 URL: <http://www.daekyo.com>

## For questions about this report:

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 Telephone: 82 2 829 0626  
 Facsimile: 82 70 4275 0717  
 E-mail: [investorrelations@daekyo.co.kr](mailto:investorrelations@daekyo.co.kr)

## Shareholder Composition

