



The report was printed with soy-based ink on eco-friendly paper.

# Over the Rainbow

**Woongjin Coway**  
Sustainability Report 2009



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# 2009

## SUSTAINABILITY HIGHLIGHTS

CCMS

### Korean Consumption Culture Award and Certification as a Company with the Best Consumer Complaints Management System

Woongjin Coway was awarded the Korean Consumption Culture Award 2009 on November 14 in the category of consumer rights protection. The company was certified as a company with the best Consumer Complaints Management System (CCMS) by the Fair Trade Commission in July 2007 and once again in July 2009.

# 99.99%

### Anti-virus Air Purifier Filter

Woongjin Coway applied for 313 patents and 13 utility models in 2009. Woongjin Coway's Environment Technology Institute developed a filter to eliminate the airborne new influenza virus. The filter which eliminates 99.99 percent H1N1 influenza virus added a differentiated function to the company's air purifiers and highlighted technological excellence. In 2009, air purifier sales (rental + lump-sum sales) climbed by 71 percent compared to the previous year.



## HEART SERVICE

### HEART Service and Customer Value Management

Woongjin Coway introduced its HEART Service in July 2009 to implement customer value management. HEART Service consists of seven programs in three areas. In order to fulfill customer satisfaction and obtain customer trust, the field system was enhanced and an organization exclusively in charge of corporate customers was established.

## IFA + IHHS

### Overseas Business Expansion

Despite the global economic downturn, Woongjin Coway's sales for 2009 rose by 25 percent due to an increase in OEM sales. The company exhibited products at international exhibitions including the IFA and the International Home & Housewares Show, through which bridges with European distribution channels were built. Moreover, the company became the first in Korea to establish a one-stop global accreditation center in April 2009. In the meantime, Woongjin Coway was selected by the Ministry of Knowledge Economy as a World-class Product Enterprise, the first ever such achievement in the water filtration device industry.

# W\_class

### W\_class Service

In September 2009, Woongjin Coway launched its W\_class Service based on systematic customer data analysis to offer more benefits to its premium consumers. In the future, the company plans to offer more practical benefits by taking advantage of our customer-contact networks and partnerships.



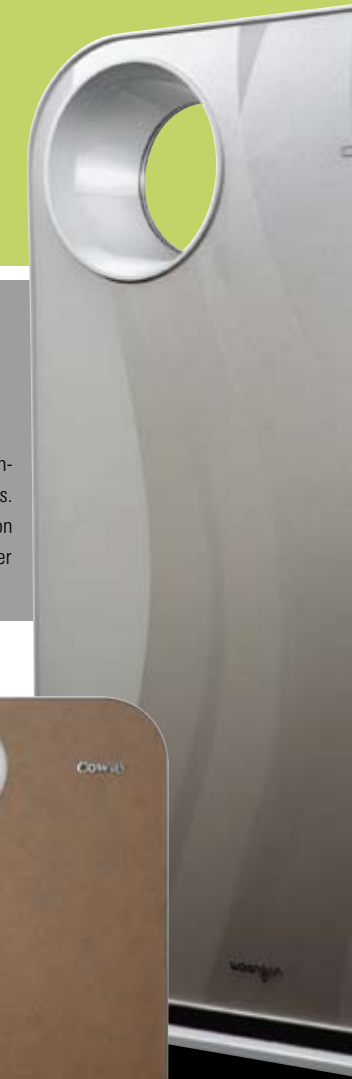
### Systematic Environment Management

In February 2009, Woongjin Coway held a launching ceremony for an initiative called the "Eco-way for low-carbon, green management." In the process of being awarded the privilege to use Carbon Footprint Labeling, Woongjin Coway was able to establish a life cycle assessment system and subsequently obtained certification for hazardous substance process management (HSPM). In June 2009, we also became the first Korean consumer electronics company to establish a greenhouse gas inventory. In February 2009, the company started to sell refurbished products, proactively practicing environment management.

## ECO-WAY

### Global Social Contribution

Woongjin Coway's social contribution activities take various forms: consideration for the environment, provision of free meals to the underprivileged, protection of children and assistance to poor countries. In 2009, the company enhanced its global social contribution activities, specifically by providing consumers with opportunities to participate in volunteer work. Since starting to drill water wells in Cambodia in 2006, the company has succeeded in drilling 460 wells in total as of 2009.



**Contact Information** Woongjin Coway strives to provide stakeholders with accurate information on its sustainability activities. Various divisions of Woongjin Coway contributed to the preparation of this Report. Led by the Corporate Communication Team and the Production Division, the Environment Technology Institute, Marketing Division and CS Division assisted with the report. Woongjin Coway will continue its efforts to provide accurate information on the company's sustainability management activities via the sustainability report. We look forward to feedback from all our stakeholders.

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# *Over the Rainbow*

**Woongjin Coway**

*Sustainability Report 2009*

# About this Report

Sustainability Report 2009

**Report Profile** | Woongjin Coway has disclosed its corporate sustainability management (CSM) performance in a transparent manner since the company began publishing its first sustainability report in 2005. Through this, Woongjin Coway's fifth sustainability report, we aim to disclose our CSM activities transparently while reflecting the opinions of our stakeholders in regard to company management.

**Reporting Period and Scope** | This Sustainability Report covers the period from January 1 to December 31, 2009. Data on activities and performance from 2007 and 2008 has been included when necessary to reference past trends, while the company's activities in 2010 are also included when deemed important. The Report describes the performance of the Woongjin Coway Seoul Office, the Environment Technology Institute, the Environment Quality Institute and the Production Factories. In the case of overseas operations and subsidiaries, general information is disclosed.

**The Latest Reporting Year and Reporting Guidelines** | This Report is written with reference to the G3 Reporting Guidelines of the Global Reporting Initiative (GRI). In particular, we have selected material issues and disclosed more information in regard to them in order to enhance interactive communications with our stakeholders. Going forward, we will continue to publish a sustainability report every year.

**Assurance** | This Report has been verified by an independent external organization. Please refer to the assurance report on pages 94-95.

**Additional Information** | Additional information is available in the company's financial reports, the Web site at [www.coway.com](http://www.coway.com), as well as in the Environmental and Social Report published by the Woongjin Group.



**Woongjin Coway was recognized as a company with Notable Status on their Communication on Progress by the United Nations Principles for Responsible Investment under the United Nations Global Compact**

—  
Woongjin Coway's Sustainability Report 2008 was evaluated as a report that shares necessary information with company stakeholders. The United Nations Principles for Responsible Investment (UNPRI) under the United Nations Global Compact (UNGC) announced on March 15, 2009 that a total of 44 companies around the world were selected as companies with Notable Status on their Communication on Progress (Companies with Notable COP) for producing a high-quality sustainability report deemed useful for an association of 32 institutional investors in 13 countries (with assets under management totaling KRW 2,400 trillion).

In Korea, three companies including Woongjin Coway were selected as part of the list. Woongjin Coway's Sustainability Report was recognized as an outstanding COP, as described according to the UNGC's ten principles in the areas of human rights, labor, the environment and anti-corruption. Woongjin Coway has provided accurate information necessary for investors and been engaged in communication with various groups of stakeholders since the company first began publishing its sustainability report in 2005.

# Material Issues

What must Woongjin Coway do to grow in a sustainable manner as a well-respected company?

Survey Period: February 25 to March 2, 2010

Subject: Woongjin Coway employees (918 persons)

► For this survey, Woongjin Coway employees were asked to pick three, four and three items, respectively, among economic, social and environmental categories.

**Woongjin Coway is communicating with its stakeholders via various channels. As part of this effort, the company identified sustainability issues on which stakeholders place priority by undertaking a reader survey, compiling research results and analyses and referencing sustainability reports of other major global companies. This year's Report has attempted to provide more information on issues deemed important in comparison to last year's report.**

## Economic Category

# 19.4%

01. Strategies and systems in place for a quick response to the changing management environment

## 535 persons

- 02. Enhance global marketing and sales [414 persons/ 15%]
- 03. Expand the company's business scope [397 persons/ 14.4%]
- 04. Undertake aggressive R&D investment [375 persons/ 13.6%]
- 05. Widen distribution and sales channels [266 persons/ 9.7%]
- 06. Implement more transparent governance and management [250 persons/ 9.1%]
- 07. Establish a contingency plan to predict and respond to a crisis [245 persons/ 8.9%]
- 08. More innovative design [163 persons/ 5.9%]
- 09. Reduce costs through diverse types of manufacturing innovation [109 persons/ 4%]

## Social Category

# 11.10%

01. <Customer> Provide better service through HEART Service

## 493 persons

- 02. <Customer> Better address customer grievances [493 persons/ 10.70%]
- 03. <Employee> Improve intra-company communications [488 persons/ 10.60%]
- 04. <Customer> Swift after-sales service [467 persons/ 10.20%]
- 05. <Customer> To enhance customer participation programs [448 persons/ 9.80%]
- 06. <Employee> To strengthen training programs to improve competencies [370 persons/ 8.10%]
- 07. <Employee> To foster key human resources [341 persons/ 7.40%]
- 08. <Social Contribution> To improve global corporate social responsibility activities [287 persons/ 6.30%]
- 09. <Business Partner> Pursue co-prosperity with business partners [270 persons/ 5.90%]
- 10. <Customer> Improve customer service call quality by making agents specialize in one category or product [261 persons/ 5.70%]
- 11. <Business Partner> Establish a department and system for fair trade [200 persons/ 4.40%]
- 12. <Customer> Upgrade customer service for VIPs such as W\_class [198 persons/ 4.30%]
- 13. <Social Contribution> Undertake corporate social responsibility activities such as Save the Yugu Stream Project [136 persons/ 3.00%]
- 14. <Employee> Promote innovation programs such as Imagination Ocean [121 persons/ 2.60%]

## Environmental Category

# 21.0%

01. Establish an environment management system

## 578 persons

- 02. Develop low-energy, high-efficiency products [492 persons/ 17.90%]
- 03. Employ eco-friendly manufacturing processes [370 persons/ 13.40%]
- 04. Produce and sell refurbished products [330 persons/ 12.0%]
- 05. Establish a greenhouse gas inventory [228 persons/ 8.30%]
- 06. Establish a green partner certification system for business partners [220 persons/ 8.00%]
- 07. Green purchasing [202 persons/ 7.30%]
- 08. Place systematic carbon control on employees and business partners [192 persons/ 7.00%]
- 09. Stage an intra-company Eco Office Campaign [142 persons/ 5.20%]

**Woongjin Coway has grown in unity and harmony with its stakeholders.**

**The 1st Green Global Leader which Fulfills its Social Responsibility**

**We will reach our ambitious goals based on the power of love and positive thinking.**

Woongjin Coway has continued to grow while pursuing closer communication with its customers, shareholders, employees and society. We believe that harmony and growth are possible only when open communication channels exist between departments and individuals and between individuals and management.

Woongjin Coway introduced the “HEART Service” in 2009, which has enabled the company to witness a rise in its net promoter score by 40 points compared to the previous year. The company also launched its “W\_class Service” to offer more benefits for its top consumers. In addition, every department of Woongjin Coway has been engaged in green management through such activities as establishing a greenhouse gas inventory and producing refurbished products, just to name a few. As a leader in environment management, we will continue to place importance on this role.

Despite the recent global economic turbulence, Woongjin Coway has reinforced its overseas business. Over the past three years, the company’s overseas business, including its cosmetics business in China, has expanded 162 percent on average. This expansion has allowed the company to win recognition for sustainable growth even in the face of risks. This Report includes the company’s management results, efforts and passion for sustainable growth as well as major issues that the company has faced. Woongjin Coway is committed to improving its management capabilities by disclosing performance of corporate sustainability management in a transparent manner and embracing opinions from various stakeholder groups.

The year 2010 marks the 30th anniversary of the Woongjin Group. In light of this auspicious milestone, Woongjin Coway will challenge itself to grow further this year based on the Group’s management philosophy of “love.” While strengthening its competencies in overseas and new businesses, Woongjin Coway will fulfill its social responsibility by implementing low-carbon, green management and expanding its social contribution.

We will keep challenging ourselves for a new ambitious goal to grow together with our customers and all other stakeholders, who have bestowed us with love and trust, based on the power of love and positive thinking. In addition, we will pursue innovation and change as a company that grows in communication with our stakeholders.

CEO **Joon-Kee Hong**



To mark its 20th anniversary in 2009, Woongjin Coway, which has grown since its establishment in 1989, declared a new vision called “The 1st Green Global Leader which Designs a Healthy Tomorrow” and selected confidence, respect, integrity, passion, speed and action and cooperation as its core values. Although management conditions were tough in 2009 due to the global economic downturn, the company declared 2009 as the initial year of customer value management and has since strived for customer satisfaction.





## Has Woongjin Coway Grown Sustainably?

### The 1st Green Global Leader

**Sustainable growth is driven by love.**

On the company's 20th anniversary in May 2009, Woongjin Coway declared its vision called "The 1st Green Global Leader which Designs a Healthy Tomorrow" and selected confidence, respect, integrity, passion, speed and action and cooperation as its core values.

KRW **1.41** trillion

**Woongjin Coway has grown for the past 20 years.** During this period, the company has explored overseas markets aggressively. As a result, the company exported finished products such as water filtration devices and air purifiers, as well as parts and filters, to 69 countries, posting USD 43.5 million in overseas sales among its total sales of KRW 1.41 trillion in 2009.

# Behind Sustainable Growth Lies “Love.”

## Management Philosophy

The core management philosophy of Woongjin Coway is Tto Tto Sarang, which means “love again and again.” The company operates its business with love for individual members of the company, its stakeholders, the communities it operates in and the world. In this respect, Tto Tto Sarang is in line with Woongjin Coway’s sustainability management, which contributes to the sustainable development of human beings and enhancement of stakeholder value. We pursue value creation and environment management to enhance stakeholder value and reinvent ourselves as a global company.

## Drive for Sustainability Management

Since 2005, Woongjin Coway has identified sustainability management issues in relevant areas and spearheaded companywide efforts to ensure sustainability management. Having already published four sustainability reports, we have laid the foundation for better sustainability management activities by communicating the outcomes of such activities to various stakeholder groups and embracing stakeholder feedback. We are committed to improving our organizations and systems to ensure better sustainability management.

### Management Philosophy: Tto Tto Sarang



**Love of Customer** This expresses Woongjin Coway’s customer-oriented approach and proactive customer service with a human touch.



**Love of Change** “Love of change” symbolizes shattering the chains of the status quo, and expresses the company’s management philosophy to pursue growth through change.



**Love of Society** This refers to holding the hands of our stakeholders and expresses the company’s magnanimous love for society.



**Love of Work** “Love of work” stands for a person who works enthusiastically with a positive attitude while seeing the essence of the work with a lofty objective and of his own volition.



**Love of Challenge** The philosophy “love of challenge” stands for the pursuit of an ultimate objective (star) by taking on challenges to achieve new goals and not resting on past achievements.



**Love of Organization** It expresses a corporate culture that emphasizes cooperation and fairness as the keys to a unified organization.

## Vision and Core Values

On the company’s 20th anniversary in May 2009, Woongjin Coway declared its vision of “The 1st Green Global Leader which Designs a Healthy Tomorrow” and selected confidence, respect, integrity, passion, speed and action and cooperation as its core values. Moreover, the company designated 2009 as the initial year of customer value management by holding the service innovation declaration ceremony. Woongjin Coway set its goal of becoming a customer service provider as a consumer electronics manufacturer and defined action plans and core values in accordance with this goal. In particular, the core values were items that gained more than 50 percent support – two-thirds of all Woongjin Coway employees – from participants of a company survey.

**Vision**

We are opening the “Eco-way” to ensure a healthy environment and happy people.

**The 1st Green Global Leader**



## Low-carbon, Green Management

Environment management, a pillar of sustainable development of humankind, is expected to assume a growing importance as demonstrated by concerted global efforts to curb global warming. In order to address this trend, Woongjin Group is aggressively implementing low-carbon, green management under the slogan “Warm Love, Cool Earth.” Woongjin Coway consolidated the foundation of environment management in 2008 by introducing Carbon Labeling Trial Certification and Green Partner Certification for partner firms. In 2009, the company started to implement a low-carbon, green management strategy, which can be epitomized as building a greenhouse gas inventory, manufacturing eco-friendly products and pursuing “eco-marketing.” In 2010, we remain devoted to growing into a respected, environmentally-friendly company that exists in harmonious balance with society.

Which Designs a Healthy Tomorrow





# Woongjin Coway has Grown Sustainably for 20 years.



From 2009, Woongjin Coway has bolstered its position as a sustainable company by focusing on green management from 2009.

## Woongjin Coway's Twenty Years as a Consumer and Household Electronics Manufacturer

Woongjin Coway is the top consumer and household electronics company in Korea. Since its establishment in 1989, we have taken the lead in expanding and advancing the market.

Having won recognition for its products and service quality both at home and abroad, Woongjin Coway started to diversify its product portfolio in the mid-1990s to become a household electronics company in a real sense. The company has extended its product lineup from water filtration appliances to air purifiers, bidets, water softeners and food waste disposers, which improve the quality of our customers' lives and preserve the environment.

In the time since its establishment, Woongjin Coway has consistently grown while maintaining transparency and ethics management principles. In 1998, we introduced a rental business model for the first time in the industry and provide before sales service by service representative called "Cody." As a result, Woongjin Coway has topped the Gallup polls in recent years in terms of market share, customer satisfaction and brand awareness. Since the mid-2000s, the company has actively made forays into the global market to become a leading global household electronics company, while strengthening our domestic position. At present, we operate five overseas subsidiaries, one branch and a logistics center in the Netherlands, and continue to increase exports and build a strong foundation for sustainable growth. In particular, from 2009, we have bolstered our position as a sustainable company by focusing on green management, thereby implementing customer value management and contributing to the sustainable development of humankind.

### General Profile

Company name	Woongjin Coway Co., Ltd.
Address	658 Yugu-ri, Yugu-eup, Gongju, South Chungcheong Province
Date of establishment	May 2, 1989
CEO	Joon-Kee Hong
Business area	Manufacturing and sales
Number of employees	1,926 persons
Overseas subsidiaries	United States, Japan, Thailand, Malaysia, China

### Financial Profile (Unit: KRW billion)

Total assets	1,270.7
Total liabilities	590
Total shareholders' equity	680.7
Capital stock	40.7
Sales	1,411.9
Operating income	204.3
Net income	153.3

### Timeline

<b>1989~2000</b>	<b>Establishment and Launch</b>
1989	Korea Coway Co. launched
1990	Entered the water filtration appliances market
1993	Established the Environment Technology Institute
1998	Began rental business for water filtration appliances
2000	Began rental business for bidets
<b>2001~2004</b>	<b>Emergence as a leader in the household electronics industry</b>
2001	Listed on the Korea Stock Exchange Began rental business for air purifiers
2003	Acquired ISO 9001 and 14001 certifications Established the Japan subsidiary
2004	Launched system kitchen business
<b>2005~2008</b>	<b>Growing into a global household electronics company</b>
2005	Established the Thailand subsidiary Opened Rental House Launched food waste disposers
2006	Established Woongjin Energy Established the Malaysia subsidiary Established the China subsidiary
2007	Designated as the European Union's RoHS testing institute Established the United States subsidiary
2008	Achieved a design award grand slam (red dot, IF, IDEA and Good Design Awards) Entered the water treatment business Woongjin Group declared a new corporate image Constructed Woongjin Coway R&D Center at Seoul National University Concluded an assignment agreement for filter & water treatment businesses with Woongjin Chemical Co., Ltd. Environment Technology Institute was designated as a Recognized Testing Laboratory from Water Quality Association (WQA) Launched payFree service

2009~	<b>Woongjin Coway's 20th Anniversary - Building a foundation for an eco-friendly, service company</b>
2009	Staged a waste battery collection campaign in partnership with the Environment Ministry and the Korea Battery Recycling Association Held launching ceremony for Eco-way for low-carbon, green management Merged with the Bidet Division of Woongjin Cuchen Declared "Service Innovation" and "HEART Service" on the occasion of the company's 20th anniversary Held launching ceremony for greenhouse gas inventory between Woongjin Coway and partner firms and signed a voluntary agreement for reduction of greenhouse gas emissions Launched W_class Service for top customers Selected as a certified company with the best Consumer Complaints Management System (CCMS) by the Fair Trade Commission for the second straight year Obtained certification from the IEC Quality Assessment System for Electronic Components Received the Prime Minister's Award in recognition of the company's contribution to eco-friendly industry and low-carbon, green management Launched an anti-virus air purifier filter against new influenza (H1N1) Woongjin Coway's water filtration appliances was selected as a World-class Product (first time in the industry)

## Organization

Woongjin Coway streamlined its organizational structure in 2009 to clarify the company's roles and responsibilities and enhance efficiency. As of February 22, 2010, the company has ten departments, three research institutes, three factories, two divisions, 63 teams and five overseas subsidiaries. In addition, for product development and brand marketing, the company divided the Product Planning Team into Brand Team 1 (water filtration devices), 2 (air purifiers and food waste processors) and 3 (bidets and water softeners) with experts dispatched to each team. Meanwhile, the number of sales branches under the management of 25 head branch offices totaled 465 as of February 2010.



## China Subsidiary

ChaoWai Soho, NO.6B, B-0921,  
ChaoWai St. ChaoYang District,  
Beijing 100020, China  
Tel. 86-400-818-8100  
www.xiongjin.cn

## Japan Subsidiary

8F, Sibanikeyuraku Bldg 1-10-13,  
Siba Minato-ku,  
Tokyo, Japan (105-0014)  
Tel.81-3-6436-5810  
www.coway.co.jp

## Thailand Subsidiary

170/84 29th FL., Ocean Tower 1  
Building, Soi Sukhumvit 16,  
Ratchadapisek Rd.,  
Klongtoey, BKK 10110 Thailand  
Tel. 66-2-661-8640  
www.coway.co.th

## Malaysia Subsidiary

Suite 6-1 & 6-2 level 6, Wisma  
UOA II NO.21 Jalan Pinang  
50450 Kuala Lumpur  
Tel. 60-3-2059-0000  
www.coway.caom.my

## United States Subsidiary

695 S Vermont Ave. #110,  
Los Angeles, CA, 90005  
Tel. 1-213-480-1600  
www.coway-usa.com

## Logistics Center (in the Netherlands)

Tupolevlaan 48,  
1119 NZ Schiphol-Rijk,  
The Netherlands  
Tel. 31-20-659-0105

## Head Office

17F, Jungang Daily News Bldg.,  
7Soonhwa-dong Jung-gu  
Seoul 100-759 Korea  
www.coway.co.kr

## Global Network

Woongjin Coway operates five overseas subsidiaries including the United States subsidiary, one logistics center in the Netherlands. These overseas subsidiaries are expected to enhance Woongjin Coway's global market position by expediting development of localized products, acquiring price competitiveness and conducting brand marketing. For 2010, the company set its overseas sales target at KRW 26 billion, up 160 percent from KRW 10 billion in 2009. The company exported finished products including water filtration appliances and air purifiers to 69 countries in 2009, posting USD 43.53 million in overseas sales.



## Malaysia



Woongjin Coway's Malaysia subsidiary is diversifying sales channels to lay a solid foundation for sustainable growth and build a strong market position through consistent customer communication.



# COMMUNICATION

## Section. 02



Section. 02

communication

## What are The Scope and Roles of Corporate Communication?

# 50%

**Woongjin Coway grows while communicating with diverse groups of stakeholders.**

We will maintain a dividend payout ratio above 50 percent, while increasing shareholder value and winning market trust.

# 190,384<sup>hrs</sup>

**Woongjin Coway strives to upgrade its human resources through training and employee development.**

In 2009, training hours at the company totaled 190,384 hours, or 222 hours per individual. Training expenses for regular workers increased from KRW 2.26 billion in 2008 to KRW 2.39 billion in 2009.

## Green Maker Madamsumer W\_class

**We pursue communication with potential customers by enriching their experience and expanding their participation.**

Woongjin Coway has diverse communication programs in place such as Green Maker (Korea's first customer experience program for college students in the areas of the environment, practical business and marketing education), Coway "Madamsumer" (a customer participation program launched to seek opinions and ideas from homemaker consumers) and W\_class (an exclusive service for the company's top consumers).

017

# Woongjin Coway Grows Together in Communication with Various Groups of Stakeholders

## Stakeholders

### Value to Shareholders

Maximization of market value  
Enhancement of investor returns  
Transparent and responsible management

### Value to Customers

Maximization of brand value  
Customer-oriented product development  
Service development with top priority placed on customer value

### Value to Society

Putting ethics management into practice  
Returning profit to the community  
Enhancing quality of life through environmental conservation efforts

### Value to Employees

Creative corporate culture  
Performance-based compensation  
Encouragement of employee self-development

### Value to Business Partners

Fostering growth and enhancing management skills  
Transparent procurement and green purchasing

## Stakeholder Communication

### 01. Customers

Woongjin Coway strives to enhance customer services, bringing a strong customer focus to all processes of our product life cycle from product development to sales, and to after-sales service. We produce and sell only the products which can improve our customers' health and quality of life. In addition, we take full responsibility for our products based on the Product Liability (PL) Act.

### 02. Shareholders and Investors

Woongjin Coway reports on the status of company management to its shareholders at the general shareholders' meeting (GSM) at which shareholders decide on key issues raised and express their views directly to management. We operate an Investor Relations (IR) team to effectively communicate with both our investors and our shareholders. Key management data relating to shareholder return should be disclosed under the Securities and Exchange Act and is thus disclosed in a timely manner via the electronic disclosure system of the Korea Exchange and the Financial Services Commission and on our IR Web site (www.cowayir.com). We strive to maximize shareholders' return and disclose management information through IR activities and abide by fair disclosure rules.

### 03. Employees

Human resources are Woongjin Coway's most important asset. In this sense, we focus on fostering communication with our employees in order to enhance their satisfaction level. The company undertakes various activities such as career management, employee grievance management and information sharing with its employees. These efforts also promote the development of the entire company. At the same time, we work to build a corporate culture to heighten the level of employee satisfaction.

### 04. Business Partners

Woongjin Coway is actively supporting its business partners to enhance their management techniques and facilitate growth. In addition, we are doing our best to enhance transparency in procurement and purchase eco-friendly products, thereby producing more environmentally-friendly products which better correspond to our customers' needs. We also try to achieve more effective cooperation with our business partners through the Coway Open Plaza (COP). We promote co-prosperity with our business partners and hold our annual Partners' Day to this end.

### 05. Government and Local Autonomous Bodies

Woongjin Coway undertakes social responsibility activities with the central government and local autonomous bodies which represent areas where the company is in operation by creating value through our business activities and serving as a faithful taxpayer. Moreover, we are trying to forge cooperative systems with these bodies to contribute to the society in a more responsible manner. We take strides to protect both society and the environment through various social contribution activities, by fulfilling our tax obligations and undertaking various types of charity work.

### 06. Non-governmental Organizations and Civil Society Organizations

Woongjin Coway is proactively communicating with not only large national non-governmental organizations (NGOs) but also civic organizations operating at the grassroots level to contribute to local communities' sustainable growth. We plan to expand communication channels with stakeholders and seek partnerships with NGOs for sustainable growth.

## Online Communication Channels

<a href="http://www.coway.co.kr">www.coway.co.kr</a>	Woongjin Coway's official Web site (Korean)
<a href="http://www.coway.com">www.coway.com</a>	Woongjin Coway's official Web site (English)
<a href="http://www.cowayir.co.kr">www.cowayir.co.kr</a>	IR Web site (for Koreans)
<a href="http://www.cowayir.com">www.cowayir.com</a>	IR Web site (for international investors)
<a href="http://water1.coway.co.kr">water1.coway.co.kr</a>	Water treatment business Web site
<a href="http://blog.coway.co.kr">blog.coway.co.kr</a>	Woongjin Coway blog
<a href="http://recruit.cody.co.kr">recruit.cody.co.kr</a>	Cody recruitment Web site
<a href="http://www.payfree.co.kr">www.payfree.co.kr</a>	Integrated customer service Web site (payFree, Community, Customer Center, W_class lounge, e-shopping mall)
<a href="http://www.enviana.com">www.enviana.com</a>	The Web site of the Environment Analysis Center

## Distribution of Economic Value

Woongjin Coway is enhancing value and growing together with various stakeholders including our shareholders, the government and local communities through payment of dividends and taxes.

### 01. Dividends

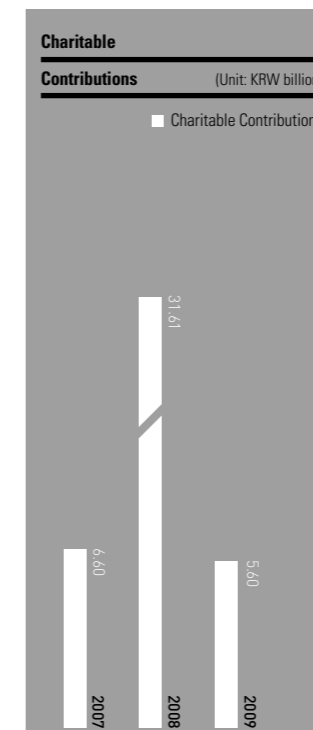
Our cash dividends in 2009 stood at KRW 76.8 billion, or 50 percent of net income. We will keep the dividend payout ratio at above 50 percent to increase shareholder value and gain market trust.

Classification	2007	2008	2009
Dividend payout ratio (%)	50	50	50
Dividend per share (KRW)	780	870	1,010
Total dividends (KRW billion)	58.1	64.8	76.8
Dividend yield (%)	2.6	3.4	2.7

### 02. Interest Expenses

Interest expenses on liabilities rose from KRW 11.3 billion in 2008 to KRW 12.5 billion in 2009, as borrowings temporarily increased due to the acquisition of business units from affiliates and stock buyback. Net interest expenses (interest expenses minus interest income) also climbed to KRW 9.41 billion in 2009, from KRW 8.05 billion in 2008.

Classification	2007	2008	2009
Interest expenses	8.01	11.35	12.53
Interest income	1.61	3.3	3.12
Net interest expenses	6.4	8.05	9.41



### 03. Employee Compensation

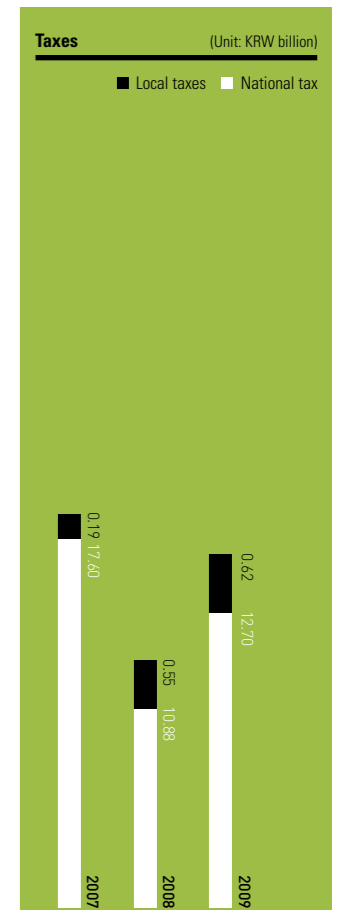
Employee compensation is largely divided into salary and benefits. In 2008, Woongjin Coway paid a total of KRW 177 billion (KRW 150.7 billion in salary and KRW 26.3 billion in benefits), up from KRW 143.7 billion in 2008.

### 04. Charitable Contributions

Woongjin Coway's charitable contributions in 2009 stood at KRW 0.56 billion, down from KRW 31.61 billion in 2008, a year which was somewhat of an anomaly due to a KRW 2.5 billion investment in the Woongjin Foundation.

### 05. Taxes

Woongjin Coway contributes to the country and local communities by paying taxes. In 2009, the company paid KRW 133.2 billion in taxes. National taxes totaled KRW 127 billion (KRW 40.2 billion in income tax, KRW 69.3 billion in value-added tax and KRW 17.5 billion in withholding tax), while local taxes stood at KRW 6.2 billion.



# We Pursue Communication with Potential Customers by Enriching their Experience and Expanding their Participation.

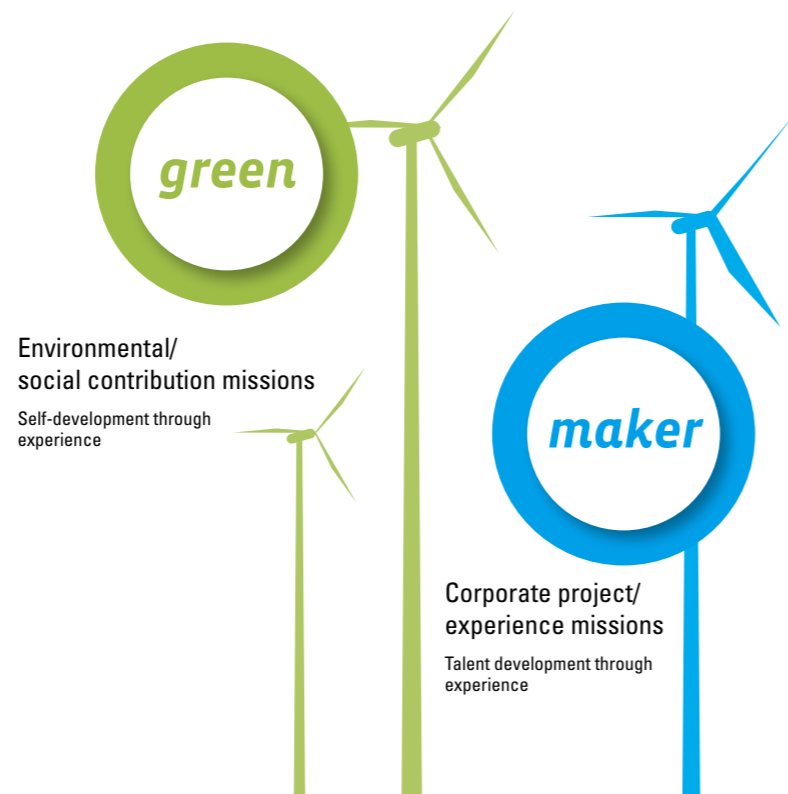


Coway Green Maker is a talent development program for college students, adopted for the first time in Korea. The program offers them with a variety of experiences in environmental issues, corporate projects, and marketing training.

## Coway Green Maker

Coway Green Maker is a talent development program for university students. The program offers participants a variety of experiences in environmental issues, corporate projects and marketing training. Launched in 2008, Coway Green Maker has been very well received among university students. One year after the program's establishment, 60 students were selected as Green Makers, despite intense competition 48:1. The 2nd Team of Green Makers was provided with a variety of activities that epitomized the slogan "The no. 1 experience-based talent development program." Participants were provided with the chance to take part in three rounds of social contribution activities and a campaign on Environment Day. They also were also given the mission of making user-created content on 'payFree' and 'HEART Services' and planning and implementing online or offline campaigns. In-depth corporate project programs were conducted in areas deemed "Green" and "Maker." Missions in the Green area were related to environment conservation or social contribution. Under the goal of self-development through experience, participants conducted volunteer work monthly for the environment and practiced Woongjin Coway's management philosophy "Tto-tto Sarang(Love and Love again)" working to build a foundation for human resources who care about others. Missions in the Maker area were related to practical corporate projects and participant experience with the aim of cultivating talent through experience programs. Woongjin employees were brought into the program as trainers, while participants regularly conducted missions resembling practical business situations.

### The Concept behind the Coway Green Maker Program



They planned and implemented projects under numerous mission topics on their own and delivered an environmental management message. Coway Green Makers are bestowed with missions on both a team and individual basis every month in exchange for reimbursement of their activities and performance-based rewards. They share "greenmakership" by participating in regular meetings, camps and in an online community ([www.greenmaker.co.kr](http://www.greenmaker.co.kr)), as well.

## Coway Madamsumer

A customer participation program called "Coway Madamsumer" was launched in 2008 to seek opinions and ideas from homemaker consumers. The word "Madamsumer" is a composite of "madam" and "consumer." Coway Madamsumers are regularly requested to provide their candid opinions on Woongjin Coway's internal decisions and marketing strategies, and participate in surveys. On the Madamsumer blog and Web site, the company has carried out online marketing activities for a full range of products and services. Furthermore, offline opportunities such as movie events and participating in environment conservation volunteer work have been offered to the participants, inspiring their loyalty to Woongjin Coway and improving their image of the company. In 2009, a total of 1,912 candidates applied for 60 Madamsumer openings following advertising and recruitment activities the company undertook in online communities, portal sites, Web sites for homemaker monitors and baby goods exhibitions. Throughout 2009, 12 monthly missions were assigned to Madamsumers to seek their opinions and ideas about Woongjin Coway's marketing activities for a full-range of products and services. The Madamsumer online community (<http://cafe.naver.com/madamsumer>) is serving as a



A customer participation program called "Coway Madamsumer" was launched in 2008 to seek opinions and ideas from homemaker consumers.



Woongjin Coway launched the W\_class Service for its premium consumers in September 2009. It is a program that the company developed based on systematic consumer data analysis to provide top consumers with greater benefits.

venue for communication between Woongjin Coway and Madamsumers. As a result, 89 percent of the 2nd team of Madamsumers expressed satisfaction with the Madamsumer activities, which is far higher than homemaker monitoring groups for other companies.

## W\_class Service

Woongjin Coway launched the W\_class Service for its premium consumers in September 2009. It is a service for consumers who spend a minimum of KRW 1 million annually for our products or services or have used at least four of our products for more than six years. These VVIPs and VIPs correspond to the top 5 percent of our customers in annual spending and their number stands at approximately 120,000. The company provides W\_class customers with services such as an exclusive call center and real-time online product-related counseling. When W\_class customers move, we re-install any Woongjin Coway products they are using free of charge. W\_class customers are also offered discount coupons that can be used at our partner firms and enable them to send 50 free text messages on our Web site. Customer participation programs and lectures are also provided. In the future, the company plans to offer more practical benefits by taking advantage of our customer-contact networks and partnerships.

### Benefits for W\_class Consumers

#### Exclusive services

- A call center exclusive to W\_class members
- Real-time online product counseling
- Bidet dissembling, cleaning and re-assembling service
- Free installation of Woongjin Coway products when
- Free after-sales service applicable to all products

#### Additional benefits

- Discount coupons
- Online W\_class lounge service

#### Customer participation program

- Eco-friendly camp
- Voluntary work at home and abroad
- Lifestyle and culture lectures

## Our People and Our Responsibility to Our Employees

### 01. Human Resources Management and Our People

Woongjin Coway stipulates "Employees' responsibility for the company" (Code of Ethics Chapter 3: Fundamental Ethics for the Management and Employees) and "Company's responsibility for employees" (Code of Ethics Chapter 4: Our Responsibilities for Woongjin Family) in Code of Ethics. In this sense, employee responsibility for the company is in line with our vision for ideal employees.

Woongjin Coway's Code of Ethics states "All employees shall uphold the company's values as Woongjin people and complete their tasks by continuously pursuing self-development and impartiality." The right people for Woongjin Coway are experts who have professional knowledge, creative ideas, perseverance, drive, strong will, passion for work and good interpersonal relationships. In return, the company provides individuals who have the aforementioned skills and talents and is capable of practicing our philosophy with opportunities to display his or her abilities on a level-playing field.

### 02. Our Responsibilities to Our Employees

Woongjin Coway respects its employees and treats them fairly based on their capabilities and performance. In addition, we strive to enhance their creativity. Woongjin Coway's responsibilities for employees can be summed as follows: First, the company must respect each and every employee as an individual as to enable them to work with a sense of ownership and feel satisfaction from their work. Second, the company must put measures in place to stimulate employee creativity and development. Third, the company must ensure fair evaluation and compensation based on an employee's capabilities and performance. Lastly, we must build a corporate culture which encourages employees' creative ideas and voluntary participation. Moreover, we prohibit child, compulsory and forced labor, as well as discrimination based on an individual's gender, race or religion.

woongjin coway

# Woongjin Coway is Committed to Talent Training and Employee Development.

01.

#### Collaborative Team Players

Individuals who value interpersonal relations and teamwork as flexible and effective team players

03.

#### Innovative Creators

People who always search for something new and have creativity and originality

02.

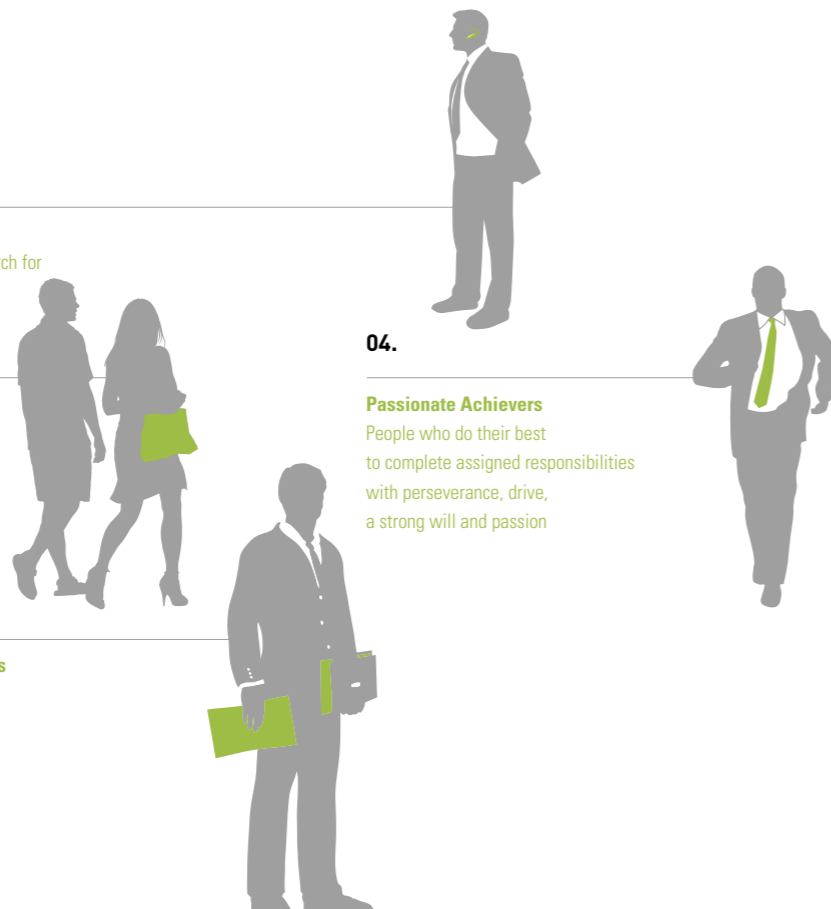
#### Education-oriented Professionals

Competent and professional people with deep expertise in a given job area

04.

#### Passionate Achievers

People who do their best to complete assigned responsibilities with perseverance, drive, a strong will and passion



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## Human Resources and Evaluation

### 01. Human Resources

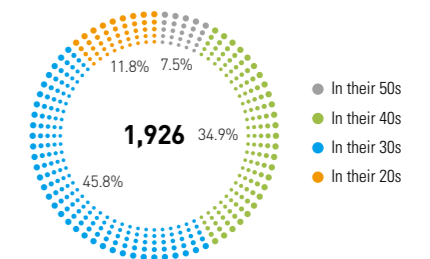
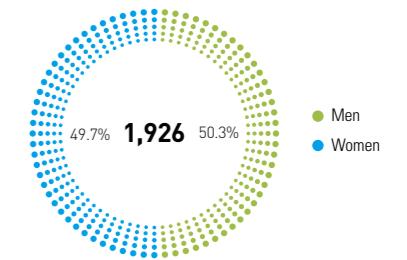
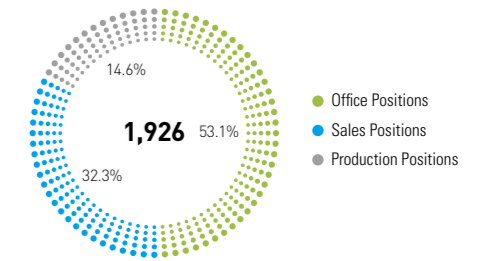
As of the end of 2009, the number of employees at Woongjin Coway stood at 1,926, up from 1,533 at the end of 2008. Among the total number of employees, 1,024 (53.1%) are working in office, research and lecturer positions, 622 (32.3%) in sales positions, and 280 (14.6%) in production positions. The proportion of female and male workers remained generally the same in 2009 compared to the previous year with 49.7% female workers and 50.3% male workers. Meanwhile, the total number of employees including non-regular workers is 3,986 (Codys are classified as freelancing income earners). Meanwhile, the turnover rate for the year was 1.22%.

### 02. Employee Evaluation

Woongjin Coway's process management system for individual employees includes a comprehensive performance management system to enhance individual performance. The company also operates a year-round coaching system to help employees develop their capabilities and ensure a fair and reasonable evaluation.

Through objective evaluation, we assist our talented employees to produce results consistently and develop their own competencies against their evaluation results.

We have adopted Management by Objectives (MBO) for individuals, which are aligned to the company's key performance indicators (KPIs). For performance evaluation, we manage each employee's process of goal management, while a competency evaluation is conducted to check whether employees are capable of implementing our philosophy and have job competency, expertise and leadership, according to an employee's ranking and job. Meanwhile, we evaluate the heads of organizations through leadership evaluations.



#### Evaluation Methods

##### Employees

#### Performance Evaluation

We help employees to manage the process of achieving their individual goals.

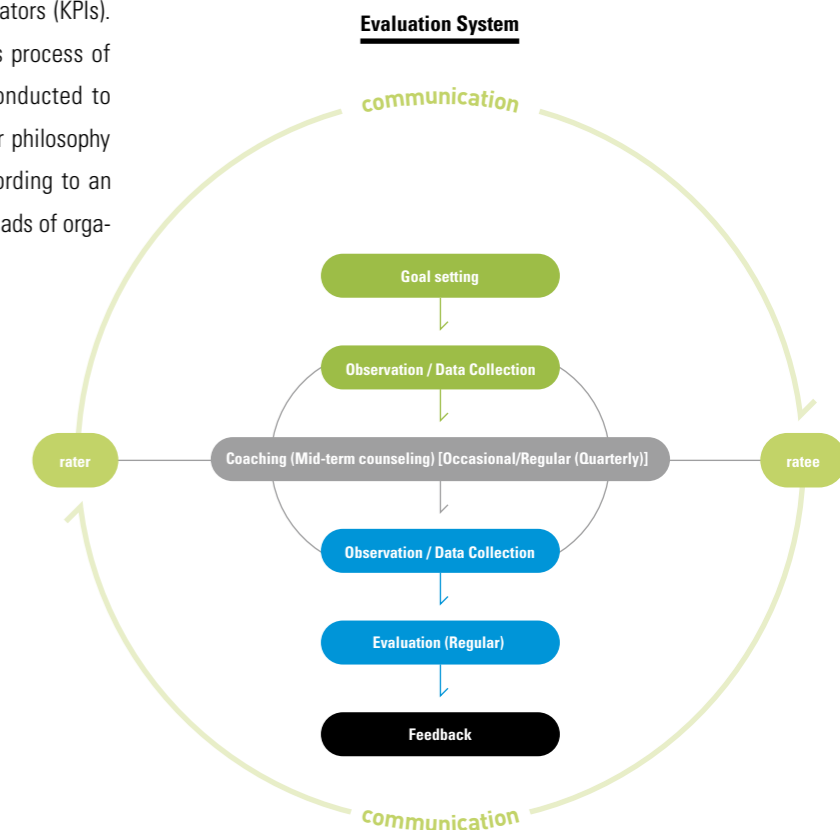
#### Competency Evaluation

We evaluate employees' personality and attitude to generate results, i.e., their fundamental capabilities, job competency and leadership competency.

##### Organization Heads

#### Leadership Evaluation

We evaluate organization heads by focusing on leadership traits such as communication and problem-solving capability.



## Compensation and Benefits

### 01. Compensation

Woongjin Coway has adopted various types of incentive pay programs to reward employees who produce exceptional work and boost their morale. The company's year-end incentive program doles out compensation based on performance and competency evaluation results of individuals and business units against sales and operating margin targets. The project-based incentive program was initiated to reward the best performing employees on projects undertaken to follow fast-changing global business trends. Woongjin Coway's retention incentive program pays key researchers based on their contribution to the company and performance in order to retain them and motivate them to develop core competencies.

### 02. Benefits

We provide a variety of benefit plans to improve our employee quality of life and generate best performance at work. Benefits can be divided into two categories: common benefits and optional benefits via a "Benefit Card."

Common Benefits	
Classification	Detail
Congratulatory & Condolence	Woongjin Coway grants employees special leaves with
Leaves and Allowances	allowances on special occasions including major family events such as weddings or the 60th birthday of their parents or grandparents.
Discounts on Woongjin Group Products	Employees can buy Woongjin Group products at discounts.
Tuition Fee Subsidy	Tuition subsidies are provided to employees with children.
Housing Loan/Interest Subsidy	Financial assistance is provided to employees to cover loan interest on a housing purchase or rent.
Refreshment Leave	Employees working for seven or twelve straight years at the company are granted a refreshment leave with an allowance.
Blueprint	Woongjin provides financial support to help employees pursue education opportunities relevant to their interests.
Maternity or Paternity Grant	New parents receive a monetary grant after the birth of a child.
Anniversary Flowers	On an employee's wedding anniversary, the company sends a bouquet/basket of flowers, a flowerpot or a pot of orchids according to the employee's choosing.
Birthday Gift	Gift certificates are provided to employees on their birthday.
Gift on National Holidays	Employees are provided with a gift on New Year's Day, Thanksgiving Day and the company's anniversary.
Car Maintenance Expenses	Car maintenance expenses are provided for employees at the assistant manager rank or higher.
Additional Benefits	Additional employee benefits include overseas training, rewards, medical checkups, books recommended by the CEO, as well as subsidies for community activities.
Optional Benefits	
Classification	Detail
Benefit Card	We provide employees with varying points depending on their period of service to the company.
Employee Stock Ownership Plan	We give employees the right to buy shares of the company depending on their period of service to the company and rank.

## Community

Woongjin Coway supports employees' community activities to ensure their happiness at work. As of December 2009, approximately 900 employees were participating in 37 communities.



Community "Blue Sea"



Community "Nine Stars" and "Extreme"

## Talent Development Program

### 01. Talent Development

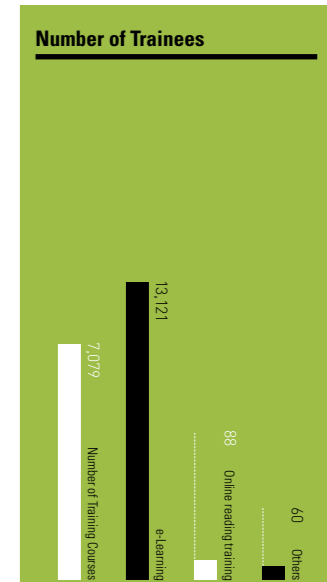
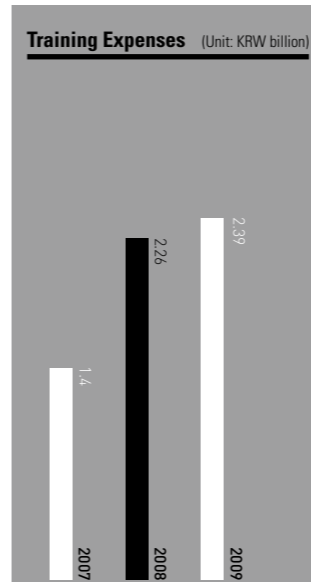
Woongjin Coway operates training sessions based on work- and field-centered action learning in order to cultivate individual capabilities and generate results. To improve the company's common core competencies, we have implemented learner-centered education programs by developing trainee-oriented courses specialized according to specific jobs and positions in connection with the group's human resource development (HRD) center.

In 2009, training hours at the company totaled 190,384 hours (129,434 hours of e-Learning and 60,636 hours of classroom training), which averaged out to 222 hours per employee.

Woongjin Coway aggressively invests in education and training, as evidenced by a dramatic increase in education and training expenses for regular workers from KRW 2.26 billion in 2008 to KRW 2.39 billion in 2009.

Key education programs are as follows: A "mentoring system" for improving the network quotient of employees; "e-Learning" and "Woongjin Advanced Abroad (WAA)" programs to upgrade employees' working-level knowledge; and the "Mensa program" and "Cynosure excellent technology competition" with the goal of enhancing researchers' skills.

There are also training programs offered for Codys.





## 02. Mini MBA

The Mini MBA provided at Woongjin Coway is a program to select and foster candidates for key talents that suit the company's vision. In 2009, the program took place from April to October for six hours every week. Participation in this program was offered to the final 17 candidates among the Highly Expected Individuals (HEI). The number of employees who completed the Mini MBA program stood at 15 in 2006, 10 in 2007, 11 in 2008 and 12 in 2009.

## 03. Woongjin Advanced Abroad (WAA)

Woongjin Advanced Abroad (WAA) is a talent development program that provides employees with opportunities for learning and development by cultivating their willingness to take on challenges. All Woongjin Coway employees are eligible to apply for this program, with each individual selected granted with an allowance of KRW 6.5 million. In 2009, four teams of employees took a training trip to Europe or the United States under the themes of male cosmetics or land restoration. The WAA was designed to promote the company's development by adopting participants' creative ideas learned during overseas trips and to offer employees with opportunities to study a subject of interest and deepen their understanding of it.

### WAA in 2009

Team Name	Training Area	Theme
Sympathy	Switzerland, Sweden and the United Kingdom	Recycling platform and bioplastics
Terroir	The United Kingdom, Germany, Croatia and France	Land restoration
Men in Makeup	The United States, Brazil and Argentina	Male cosmetics business
Power Rangers	The Netherlands, Germany and Switzerland	New alternative energy Human power

## 04. Leaders Club

In July 2008, Woongjin Coway launched its first Leaders Club by selecting 50 heads of branches with the best sales results in the first half of the year and providing the top ten-percent high performers with benefits

as a way to motivate other sales representatives. To develop a culture of energy and excitement among our sales reps, in 2009, the company expanded the scope of the reward program from branch heads to team heads. The top ten-percent high performers were sent on an overseas training trip which enabled them to visit advanced companies and experience local culture.

### Number of Leaders Club Beneficiaries

	2008	Training Area	2009	Training Area
Branch head	50persons	Toyota in Tokyo	25 persons	Australia
Team head	100persons	MK Taxi in Osaka	50 persons	Bali, Indonesia

## 05. Innovative Personnel Development

In 2008, Woongjin Coway expanded its company-wide Six-Sigma activities to office and sales workers. In 2009, five employees received their Black Belt (BB) certification while 85 employees were certified as Green Belt (GB). Additionally, nine innovation leaders who were certified as such by Woongjin Group were nurtured. The company planned to foster three financial effect analysts (FEA) who are qualified to evaluate employee performance, and nurture eight BB and 115 GB personnel in 2009. Moreover, Woongjin Coway has plans in place to form and operate learning groups including a Six-Sigma study group.



## Internal Stakeholder Communication

### 01. Employee Grievances

Employees can file grievances through online and offline channels. Online channels include the ER culture-lab, which is part of the company's groupware, and an employee's personal email which guarantees anonymity. Offline options include speaking with a guidance counselor either over the telephone or through a face-to-face interview.

The scope of counseling covers personal issues such as an individual's career development and finances, as well as organizational issues including HR and work processes. Simple grievances are resolved promptly through coordination between related departments and process improvements. More serious matters are formally referred to the Grievance Management Committee for an in-depth review before a solution is reached.

### 02. Labor-Management Council

Seamless communication regarding grievances and welfare issues is guaranteed between employees and management through regular (quarterly) and ad-hoc labor-management councils according to domestic law. In 2009, four quarterly council meetings and three ad-hoc meetings were convened through which eight items were negotiated and addressed accordingly. Five to six representatives from management and six employee representatives attended every council meeting.

Year	2007	2008	2009
Number of Councils convened	7	5	7
Number of items negotiated	11	5	8
Number of items addressed	11	5	8
Resolution rate	100	100	100



### ER Culture-Lab

#### Purpose →

An official channel of communication on the company's groupware designed to handle a wide range of employee' grievances with the purpose of fostering a progressive organizational culture and boosting employee satisfaction

#### Category →

##### Grievance handling

Anonymity is guaranteed in cases of consultation on personal matters, conflict with superiors, HR issues, company process issues, as well as environmental and organizational issues. A response is delivered to the individual within two days via phone, mail, or reply post on the Web board. Confidentiality is guaranteed in any case.

##### Consultation on legal issues

When a personal or official problem (seizure, contract, guarantee or obligation) is registered (anonymity guaranteed), a response is delivered to the person within two days via phone, mail, or reply post on the Web board. Consulting with a visiting lawyer is available when deemed necessary.





Coway Day



CEO High-Ting

## Corporate Culture

Woongjin Coway's culture can be summed up as follows: Participation, talent development, family atmosphere and customer orientation.

Woongjin Coway has built a unique corporate culture of energy and excitement, believing that only those energized and excited about their work can generate outstanding performance with their creative mindset and a willingness to take any challenges. The company's growth has been built on this organizational culture of energy and excitement that inspires creative thinking and strategy and which brings together everyone toward a shared vision. This culture of energy and excitement was able to become a corporate culture of Woongjin Coway thanks to the combination of four different cultures we value: A culture of debate, a culture of encouraging disagreement, a culture of positive thinking and a culture of cohesiveness.

The company operates diverse programs including High-Ting, Coway League and Coway Day to make Woongjin Coway a company where its employees want to work with enthusiasm and to ensure effective communication between management and general employees.

### High-Ting

The CEO and a rotating group of about 15 employees below the assistant manager level meet once a month and do volunteer activities in the morning and communication activities in the afternoon in order to promote a sense of community between the CEO and employees.

### Coway League

To boost intra-team communication, teams compete in a quiz tournament with questions about the company. The final is held at year-end with winner being awarded KRW 3 million.

### Coway Day

A program that invites employees' families to our head office and factory in order to improve their understanding about the company and provide them various programs such as a watersports event. In 2009, three rounds of such two-day events were held for 33 families (126 persons).

### The company's community Web site "LooLooLaLa"

An online community where all Woongjin Coway employees of the Seoul Office, R&D Center, production sites and sales organizations can meet and communicate with each other

#### Corporate Culture

##### Participation >

Based on employees' voluntary participation, the company keeps growing.

##### Talent Development >

We secure excellent talent and develop them for organizational and individual growth

##### Family Atmosphere >

We strive to enhance employee job satisfaction and form a warm atmosphere in which employees can gain a sense of reliability and trust.

##### Customer Orientation >

We try to fulfill customer satisfaction both internally and externally.

## Safety and Health Programs

### 01. Safety Program

The risk of industrial accidents is relatively low since most of our employees are working in an office setting. However, in case of the Yugu Factory or R&D Center, we protect employees from potential accidents with the Operation Industrial Safety & Health Committee in place there. The Yugu Factory acquired Occupational Health & Safety Assessment Series (OHSAS) 18001 certification to ensure employee safety and health. We handle issues related to the working environment, safety and health when they arise through negotiation between management and employees. At the same time, we conduct safety and health education to raise awareness among all employees. On top of our internal monitoring to ensure effective implementation of safety and health related activities, we commission a third-party inspection at the group level semiannually.

### 02. Industrial Accident Status

Woongjin Coway's accident rate has remained much lower than the averages of the past three years for both all industries and the manufacturing industry. From 2006 to the end of 2009, not one single serious accident occurred save for a few minor incidents which occurred at team building events or gatherings.

Classification	Accident rate	2007	2008	2009
Woongjin Coway		0.03%	0.11%	0.02%
All industries		0.72%	0.71%	0.51%
Manufacturing industry		1.10%	1.15%	0.77%

Accident rate=Number of the injured /Number of employees x100

Source: Korea Occupational Safety & Health Agency's Industrial Accidents Statistics (Yearly)

### 03. Health Program

Woongjin Coway provides medical check-ups to all of our employees on a regular basis. For workers at production sites, they may check their health at company-designated hospitals every year, while other employees receive health check-ups every other year. In 2009, we staged a "campaign for principled life and healthy body," which was designed to encourage healthy team dinners, smoking cessation and a lean, healthy body. As for the anti-smoking program, all executives were required to pledge to stop smoking, and Woongjin Group CEO Seok-Keum Yoon sent cigarette smoking employees a letter to persuade them to quit smoking. We also administered a survey on 871 full-time workers to identify smoking rates for employees and subjected previous smokers to a urinalysis test in December 2009.

Anti-smoking activities have been reinforced. Anti-smoking stickers are attached on walls and related materials are posted on Woongjin Net. To encourage more workers to quit smoking, we provide a bicycle worth KRW 300,000 to those who decide to kick the habit.



## How is Woongjin Coway Implementing Customer Value Management?

92.1 Points

### **Woongjin Coway is practicing ethics management.**

In October 2009, Woongjin Coway administered a satisfaction survey to 126 partner companies, with 40 percent of the content focused on the company's level of ethics. In regard to respondents' level of satisfaction with the company's level of ethics, a score of 91.9 points out of 100 was recorded in 2008 and 92.1 points in 2009.

### CCMS

#### **Woongjin Coway pursues business partnerships promoting co-prosperity and cooperation.**

With our priority placed on customer satisfaction in every aspect of business operations, we will keep creating higher customer value through a Consumer Complaints Management System (CCMS), protection of customer personal information and innovative marketing and design.

### Trust 3.0.3

#### **With the company's HEART Service, Woongjin Coway fulfills customer satisfaction and implements customer value management.**

Launched in July 2009, the HEART Service now has a detailed action program called Trust 3.0.3. Trust 3.0.3 indicates the principle that Codys (customer service agents) must arrive at their destination three minutes prior to the appointed time, pursue zero percent customer dissatisfaction and visit customers within three hours from the time they request after-sales service.

## History of Ethics Management

Woongjin Group places ethics at the center of corporate operations. Understanding the importance of ethics in management, the Group declared the principle of ethics management in October 2003, and has since established and modified the Code of Ethics to set up an ethics framework. Woongjin Coway will continue to place fair and transparent management as our top priority in corporate operations. In doing so, we will abide by the Code of Ethics in order to make Woongjin Coway an increasingly transparent company.

# We have Reinforced the Company's Ethics Management System to Grow Sustainably.

## Ethics Management Organization

Woongjin Group has Ethics Offices both at the group and subsidiary levels to ensure transparency in every corner of business activities including accounting, human resources and purchasing. Woongjin Group operates the Group Ethics Committee (role: consideration and voting) and the Group Ethics Office (role: management and voting) and operates ethics offices at each subsidiary. Ethics Regulations can largely be divided into Ethics Platform, Code of Ethics and Rules of Ethics.

History of Ethics Management	
2003.	<ul style="list-style-type: none"> <li>Launched the Ethics Regulations</li> <li>Established Ethics Management Organization</li> <li>Established the Woongjin Ethics Report Center</li> <li>Built an online ethics training system</li> </ul>
2005.	<ul style="list-style-type: none"> <li>Launched an ethics self-check program</li> </ul>
2006.	<ul style="list-style-type: none"> <li>Launched and revised the Rules of Ethics</li> <li>Encouraged business partners to practice ethics management</li> <li>Distributed a Guide to Ethics Management</li> </ul>
2007.	<ul style="list-style-type: none"> <li>Established the Disciplinary Rules and Procedures</li> </ul>
2008.	<ul style="list-style-type: none"> <li>Set up the Ethics Management Team at Woongjin Group</li> <li>Received the Presidential Award on the 13th Consumer Day from the Fair Trade Commission</li> </ul>
2009.	<ul style="list-style-type: none"> <li>Distributed posters companywide on ethics to improve employee ethics and establish an ethics management culture</li> <li>Staged a companywide campaign to sign a transparency pledge</li> <li>Revised the Code of Ethics</li> <li>Conducted online and offline ethics training according to employee job or rank</li> </ul>

## Revision of the Code of Ethics

On July 1, 2009, Woongjin Coway revised the Code of Ethics, the Rules of Ethics and the Rules on Protection and Reward of the Person Reporting a Violation to establish a system more proactive in ethics management.

01. To facilitate the practice of this Code, we specified existing provisions and added new provisions on information protection, trade with related parties, smoking cessation, information security and environmental conservation in Chapters 1, 3, 4 and 6 as follows:

	Description	→ Revision/Addition
Chapter 1: Responsibilities for Customers	Creation of customer value and protection of customer personal information	A customer information provision was added Neither customer information nor assets shall be used without the customer's prior consent.
Chapter 3: Fair Trade	Provision of a level playing field to all suppliers Prohibition of selection of related parties without verifying qualifications	A fair trade provision was added When a supplier is selected, related parties, such as an executive or an employee's family member(s), a person who has personal ties with him or her or a prior Woongjin employee, etc., shall not be selected without due verification of qualifications (open competition or comparison of estimated cost).
Chapter 4: Fundamental Principles of Employees	Upholding the right sense of value as Woongjin people Constantly pursuing self-development Performing jobs impartially	Following three provisions added - Compliance with anti-smoking rules - Management of information and security - Management of safety and risk prevention
Chapter 6: Responsibilities for Nation and Society	Contributing to society and preserving the environment by conducting business in a reasonable manner	An environment conservation provision added Woongjin shall recognize the importance of the environment, do its best to conserve it and use eco-friendly products.

02. Chapters 3, 5, 6 and 7 were revised to specify provisions on the receipt of money and advantages, set forth rules on prohibition of sexual harassment in the workplace and strengthened compliance rules.

	Description	→ Revision/Addition
Chapter 3: Receipt of Money	Prohibition of the receipt of money or gifts from business partners or other stakeholders	The following provisions were added - Ban on provisions of gift among employee - Ban on informing business partners of congratulatory or condolence events - Requirement of reporting the supervisor and returning money of KRW100,000 or higher received for congratulations or condolences
Chapter 5: Receipt of Unfair Advantage and Wrongful Act	Prohibition of the receipt of advantage, financial guarantee or loan from business partners or other stakeholders	Following provisions were added - Ban on the receipt of money for corporate events - A vehicle or a venue for corporate events shall also be regarded as money and any receipt of such a perk shall be reported to a supervisor
Chapter 6: Prevention of Sexual Harassment in the Workplace	Prevention of sexual harassment, and if a case occurs, handling the case according to regulation to prevent a similar incident from happening again	A sexual harassment prevention rule was placed - Ban on physical or verbal sexual harassment - Ban on the post of obscene materials or any act which cause sexual humiliation - Reviewing any charges, even anonymous ones of sexual harassment
Chapter 7: Rules of Compliance	Obligations and management of complying with the Rules of Ethics Disciplinary measures for ethics rule violators with penalties	A compliance rule was placed Compliance of the Rules of Ethics and obligations Protection of the person reporting violations

03. Protection of and Reward for Person Reporting a Violation: The Ethics Report Center is in operation to ensure that employees, business partners or customers can report any ethics violations. The company has complemented measures to protect individuals reporting a violation and established rules on rewarding them to facilitate reporting of ethics violations, if there is any.

	Description	→ Revision/Addition
Chapter 2: Scope of Application	Definition of the scope of application Exclusion of malicious manipulation of information on an employee's private life and anonymous complaints	Exceptions added - An act of publicizing complaints outside the company for personal benefit - When the person who tipped the company off about violations discloses his or her own identity
Chapter 3: Rules on Protecting Whistleblowers	Protection of the person reporting a violation, the person supporting reporting of the violation and commuting responsibility Penalties for individuals deliberately making false allegations	Consists of six clauses - Guarantee of the person's status in the company - Guarantee of safety - Protection from retaliation - Protection of the aide - Exemption from responsibility - Making false allegations
Chapter 4: Reward standard (requirement) and payment (enforcement) decision	Scope, standards and procedures of rewarding the person reporting a violation	Provision on reward standard (requirement) and payment (enforcement) decision added - When a complaint results in financial profit or and in the case that loss is prevented - When a complaint contributes to the culture of ethics management at the enterprise level

### Standard of Reward

Degree of Violations	Light	Serious	Very serious
Amount of Reward	Maximum KRW 500,000	Up to KRW 1 million	Up to KRW 2 million
Note	<ul style="list-style-type: none"> <li>- A reward may be granted when the complaint is validated and the person in question is disciplined with penalties.</li> <li>- The amount of reward is decided on a discretionary basis when the increased profit or reduced cost as a result of the report is impossible to calculate.</li> </ul>		

## Ethics Management Activities

### 01. Business Partner Satisfaction Survey

In October 2009, Woongjin Coway administered a satisfaction survey to 126 business partners. In the survey, on which ethics related questions accounted for 40 percent of the content, Woongjin Coway received high scores of 91.9 in 2008 and 92.1 in 2009 in terms of the level of ethics, although a relatively low score of 80.8 was recorded in 2009 in terms of the respondents' likelihood of recommending Woongjin Coway.

### 02. An Ethics Self-check Screen

In March 2007, we placed a banner of "Ethics Self-check" on the homepage of the corporate e-mail site (Woongjin Net) to enable employees to monitor their own sense of ethics.

### 03. Encouraging Business Partners to Implement Ethics Management

In the run up to New Year's Day and Korean Thanksgiving Day in 2009, Woongjin Coway's business partners were sent a notice that employees would not accept gifts for national holidays in order to prevent any possibility of corruption and bribery and to assist our business partners to join us in the company's spirit of ethics management.

### 04. Disciplinary Rules and Procedures

In May 2007, The Woongjin Group established the Disciplinary Rules and Procedures to consolidate and reinforce rules applied at the subsidiary level. The Disciplinary Rules and Procedures were devised to prevent corruption, ensure impartiality in disciplining those found guilty of misdeeds, firmly establish an ethics management culture and protect company assets and human resources.

### 05. Prevention of Sexual Harassment

In May 2007, Woongjin Group adopted a policy prohibiting sexual harassment in order to raise awareness of sexual harassment in the workplace. In addition, the Group has required every regular worker to take online sexual harassment prevention training. From January to December 2009, a total of 991 employees received this training.

### 06. A Sentence about Ethics Management Written on Employee ID Badges

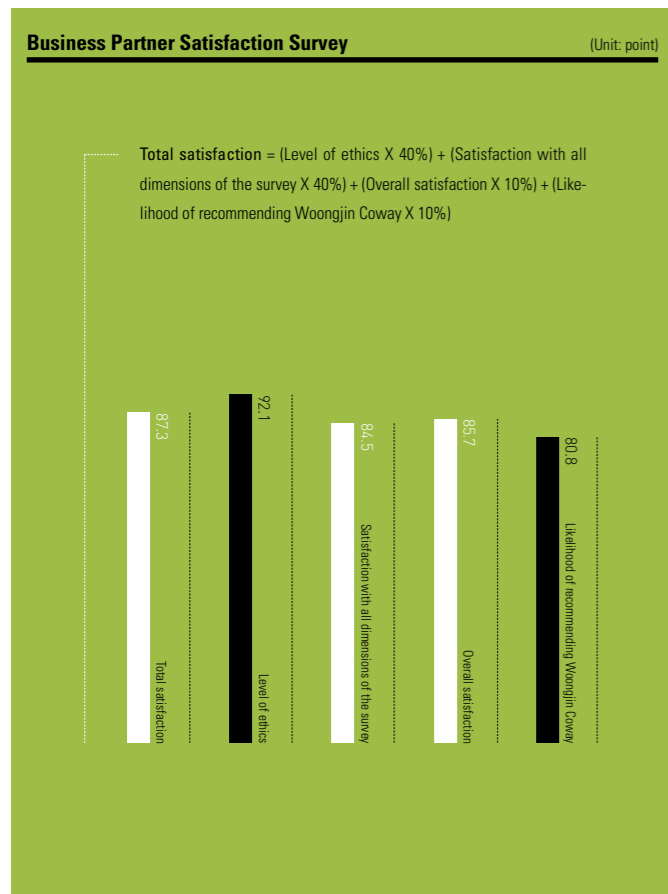
In May 2007, Woongjin Coway started to print on employee ID badges the sentence "All Woongjin Coway employees take part in transparency management by rooting out corruptive acts" to improve employee awareness of ethics management.

### 07. Ethics Management Training

To expand Clean Coway Culture companywide, Woongjin Coway has put regular and sales workers into ethics management training, which has encouraged voluntary compliance and subsequently alerted employees to the dangers of irregular or collusive dealings.

### 08. Introduction of Electronic Signature

Woongjin Coway adopted an electronic signature system and has had every sales representative register their electronic signature. In addition, to limit access to customer information, we introduced a personal identification system to all sales representatives' mobile phones.



## Information Security Regulations

On July 1, 2009, Woongjin Coway's Information Security Regulations entered into effect. We set up Information Security Committee and drafted a communications equipment security agreement, a non-disclosure agreement for individuals leaving the company and a confidentiality agreement.

The Information Security Rules describe the basics of the company's intellectual property protection process and aim to prevent any leakage of such property, thus allowing Woongjin Coway to maintain a competitive edge. These Rules are applicable to Woongjin Coway employees, business partners and visiting guests whose cooperation in order to protect Woongjin Coway's information assets.

The Information Security Committee serves as the most authoritative decision-making body in terms of information security, with the CEO, division and team heads in charge of information security participating as members.

### Information Security Organization Chart



# With HEART Service, We Fulfill Customer Satisfaction and Implement Customer Value Management.



## HEART Service

On the company's 20th anniversary in May 2009, Woongjin Coway declared its new vision: "The 1st Green Global Leader which Designs a Healthy Tomorrow," and designated 2009 as the beginning year of customer value management at the service innovation declaration ceremony.

We set our goal of becoming a customer service provider as a consumer electronics manufacturer and defined action plans according to this goal. We believe a service provider should deliver customer satisfaction in a real sense. At Woongjin Coway, HEART Service stands at the center of all measures in regard to customer satisfaction.

### What HEART stands for

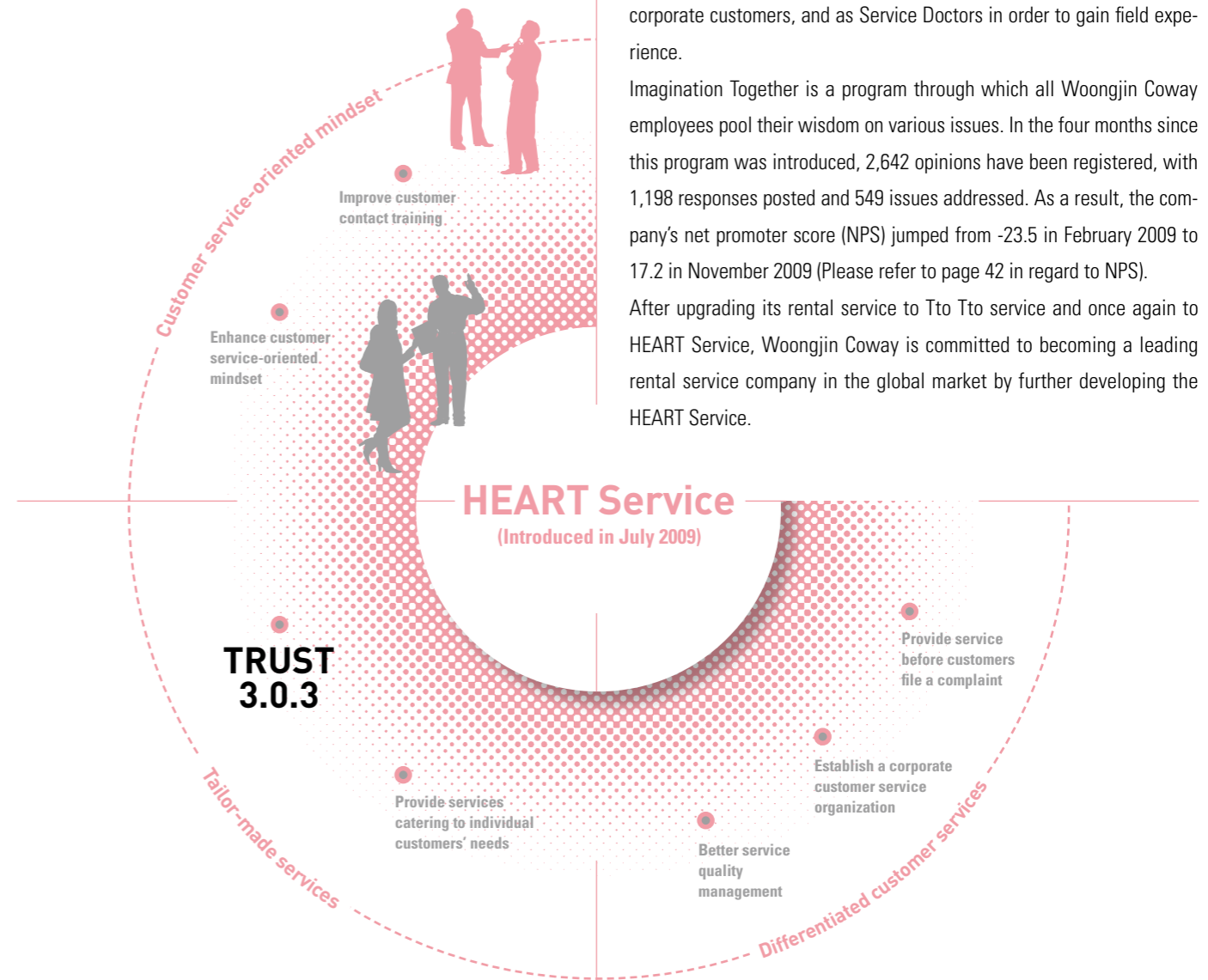
Heart	We listen to the heart of our customers.
Early	We prepare for new services earlier than customers file a complaint.
Answer	We proactively respond to the voice of our customers.
Respect	We respect customers.
Trust	We put trust before everything.

According to the results of consulting undertaken in February 2009, customers have the highest level of dissatisfaction when service representatives are not punctual and leave home in an unkempt manner. As a result, we felt the need to go back to the basics and remarkably enhance our customer service. In July 2009, the company introduced its HEART Service, an upgraded version of "Tto Tto Service," under which Codys visit customers' homes to provide any required services. The HEART Service consists of seven programs in three areas.

In addition, we launched a program called "TRUST 3.0.3" to satisfy our customers and obtain their trust. TRUST 3.0.3 indicates the principle that Codys must arrive three minutes before the appointed time, pursue zero-percent customer dissatisfaction and visit customers within three hours from the time they request after-sales service.

To enable the program to take root, the field system and backup service were enhanced and an organization exclusively in charge of corporate customers was established. As a result, TRUST 3.0.3 was established as a sort of golden rule for our customer service as the program allows us to evaluate punctuality, the time allocated to each customer and swift provision of after-sales service. To date, the program has achieved remarkable success: In November 2009, 99 percent of Codys arrived three minutes before the appointed time, a 75-percent increase from 24 percent in June 2009; while 86 percent of after-sales requests were handled within three hours in November 2009, up from 65 percent in June of the same year.

In addition, Woongjin Coway's corporate customer service organization



provides differentiated services catering to each customer. To this end, the number of Codys was increased from 500 to 1,000 at six centers and 25 branches to improve administration service and sanitation and especially, to manage large-scale corporate customers. As a result, the level of corporate customer satisfaction rose from 3.4 points in October 2008 to 4.2 points as of October 2009.

For HEART Service, we collected opinions from the field through programs including Zippy Ziggy (Know Your Colleagues and Know Yourself) and Imagination Together, and shared them at HEART Room. Zippy Ziggy is a program launched in June 2009, where the CEO, division heads and team heads serve as call center agents, Codys both for household and corporate customers, and as Service Doctors in order to gain field experience.

Imagination Together is a program through which all Woongjin Coway employees pool their wisdom on various issues. In the four months since this program was introduced, 2,642 opinions have been registered, with 1,198 responses posted and 549 issues addressed. As a result, the company's net promoter score (NPS) jumped from -23.5 in February 2009 to 17.2 in November 2009 (Please refer to page 42 in regard to NPS).

After upgrading its rental service to Tto Tto service and once again to HEART Service, Woongjin Coway is committed to becoming a leading rental service company in the global market by further developing the HEART Service.

### Seven Innovation Programs

HEART Service consists of seven innovation programs in three areas.

# Woongjin Coway has Enhanced its Customer Certification Management System.

## Responsibilities for Customers

Chapter 1 of the Woongjin Coway Code of Ethics stipulates the company's responsibilities for customers. This chapter indicates that the most effective way to increase customer value and ultimately obtain customer trust is to always respect customers' opinions and provide service and conveniences from the customer's perspective.

To this end, we will keep improving customer value by placing customer satisfaction at the center of our business operations, operating the Customer Certification Management System (CCMS), acting responsibly (i.e. protecting customer information) and pursuing innovative marketing and design. CCMS was designed to define the responsibility of all our employees to pay attention to customer complaints to prevent customer damage and improve our products and service. CCMS is implemented under seven categories including quality control, product safety, protection of information and consideration for the environment throughout the product life cycle. This System has been received well outside the company and has also served to improve Woongjin Coway's image.

### Seven Categories of CCMS

1. Quality control
2. Product safety
3. Provision of information to customers
4. Education for customers
5. Consideration for the environment throughout the product life cycle
6. Protection of customer information
7. Response to emergencies

The Fair Trade Commission has bestowed CCMS certification on companies which apply for certification and meet all the 104 standards for a period of two years. In the first-ever assessment of private sector companies' consumer complaint management, Woongjin Coway was selected as a CCMS Certified Enterprise in July 2007, winning recognition as a company that provides the highest level of customer service and satisfaction. In July 2009, the company obtained this certification once again, an acknowledgement of our excellence as an outstanding customer-oriented company and served to improve Woongjin Coway's credibility among those outside of the company.



CCMS Certification Mark



## Promotion of Customer Certification Management System

Woongjin Coway hosted the 2009 manufactured goods section workshop of the Organization of Consumer Affairs Professionals in Business (OCAP). The workshop was held in the R&D Center of Seoul National University on June 19, 2009 under the theme of Information Sharing to Prepare Measures for Press Disputes, with 20 people consisting of OCAP executives and 12 member companies including Samsung present.

In 2009, Woongjin Coway also took part in the OCAP's Claim Research Commission and Customer Satisfaction Commission, which set force efficient operation measures by sharing best practices. The Claim Research and Customer Satisfaction Commissions were attended respectively by twelve and ten companies to share each member's best practices and opinions.

In May 2009, Woongjin Coway presented its status CCMS case in front of OCAP member companies. At the OCAP Conference held in November 2009, Woongjin Coway CEO Joon-Kee Hong delivered a lecture on "Woongjin Coway's Customer-oriented Management Strategy during an Economic Downturn."

### 2009 Customer Certification Management System Activities

Classification	What	Who	When
University students' field practice	Tour of factories and R&D center	10 students from 10 consumer studies departments	Feb. 17-20, 2009
	Call Center experience	14 students from 5 consumer studies departments	Aug. 11-14, 2009
The 3rd CCMS Experience School for college students	Tour on factories and R&D Center / Call center experience / CCMS education / Mission, discussion and presentation	40 students from 8 consumer studies departments	Jan. 29-30, 2009
Woongjin Coway tour of consumer organizations and societies of consumer studies	Tour on Woongjin Coway	11 organizations and colleges	Aug. - Nov. 2009
Training on CCMS cases for universities and local civic groups	CCMS training	7 organizations and colleges	May - Nov. 2009
Support for events	Support for the OCAP Conference, etc. (8 rounds of events)	Consumer organizations and societies of consumer studies	Mar. - Dec. 2009

### Korea Consumption Culture Award 2009

Woongjin Coway was awarded the Korean Consumption Culture Award 2009 on November 14 in the category of consumer rights protection. This award is granted every year to for-profit and non-profit organizations operating in Korea which have contributed to a desirable consumption culture. Member professors and general members of the Korean Consumption Culture Association select the group of candidates, following which a judging committee determines the final winner.

Woongjin Coway was evaluated highly for its sound management philosophy and diverse activities for consumer rights protection such as tour programs for consumer organizations.

### An Woongjin Coway Employee Received the Presidential Award on the 14th Consumer Rights Day

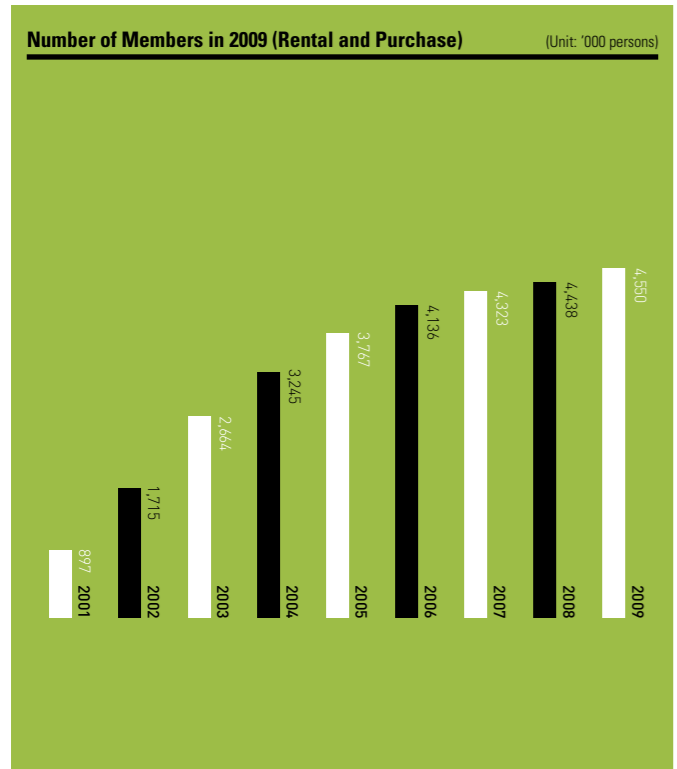
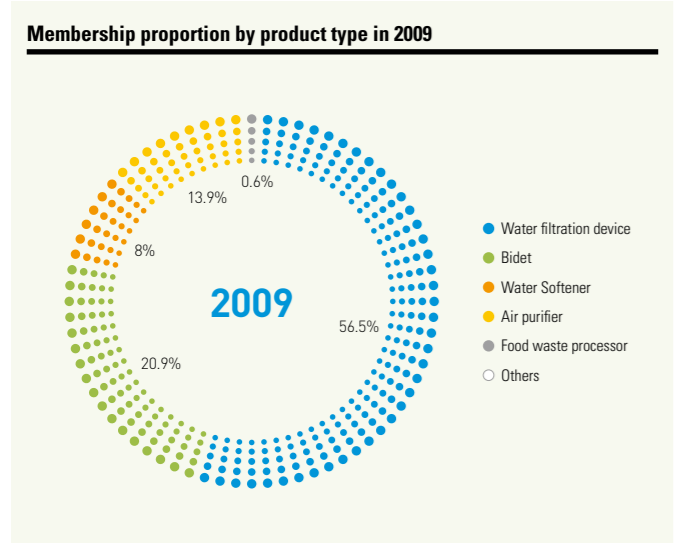
Customer Certification Management System Team Manager Yeong-Seok Kim received the Presidential Award at the 12th and 14th Consumer Rights Day for contributing to the protection of consumer rights, becoming the first private company employee to receive this award twice. This award, granted by the Fair Trade Commission and co-hosted by the Korea Consumer Agency and the Korea National Council of Consumer Organizations, is presented to individuals and organizations which have made significant contributions to consumer empowerment. During his acceptance speech, Mr. Kim said, "In order to satisfy customers, it is important to sympathize with them and resolve customer inconveniences before complaints are filed. I will keep working to improve customer rights, thus helping Woongjin Coway to maintain a customer-oriented mindset."

## Product Liability Activities

As of the end of 2009, membership accounts for all products stood at 4,510,087. Among all product types, water filtration devices accounted for the highest proportion at 56.5 percent, followed by bidets and air purifiers.

Product type	Number of accounts	Proportion
Water filtration device	2,549,428	56.5%
Bidet	945,574	20.9%
Water softener	361,397	8.0%
Air purifier	627,437	13.9%
Food waste processor	26,009	0.6%
Other	242	0.1%
<b>Total</b>	<b>4,510,087</b>	<b>100.0%</b>

+ Account : the number of Woongjin Coway products in use



## 01. Product Liability

Woongjin Coway examines every possible safety issue from the product design stage and addresses potential problems before manufacturing to prevent product defects from incurring damage to the person and property of our customers. When new products are released, the Legal Team reviews product manuals and catalogs from various aspects such as the product exterior, functions, difficulties when using and the appropriateness of the manual. In addition, we try to prevent safety problems resulting from misuse of our products by providing a contract containing details on a product and how to use it when the product is installed. Furthermore, to date there hasn't been even one violation of the Labeling and Advertising Act with regard to our labeling practices, as the Legal Team performs internal scrutiny on product labels before any product is launched.

## 02. Real-time Product Liability Incident Inquiry System

Woongjin Coway's Real-time PL Incident Inquiry System was created to share product liability (PL) accident analyses among divisions concerning product liability (PL) accidents. This system enabled the company to undertake real-time monitoring and analysis of PL incidents and prevent future PL accidents by supporting PL-related services.

In 2009, to swiftly handle PL incidents and thereby minimize customer complaints, seven PL agents were selected for each region and trained on the PL inquiry system, PL incident cases, how to address and respond to claims, and how to deal with the government ministries or agencies.

## Water Quality Testing Service

Woongjin Coway offers water quality testing services to our customers using water filtration devices. At our Environmental Analysis Center, water quality testing is performed to examine the performance and water quality of water filtration devices customers are using. The free-of-charge service is available once a year upon customer request to test water quality against ten testing criteria (turbidity, lead, cadmium, aluminum, iron, zinc, arsenic, selenium, copper and manganese).

The Environmental Analysis Center is a testing laboratory certified in 2002 by the Korea Laboratory Accreditation Scheme as the 181st accredited testing laboratory to acquire credibility for test results and quality testing systems. The Center received accreditation once again in 2004 for 75 water quality tests.

The Center was designated by the Ministry of Environment in 1996 as a drinking water testing lab (and thus is subject to an annual assessment of its testing capabilities by the National Institute of Environmental Research) and has performed quality tests of drinking water (tap water and mineral spring water), underground water (industrial and agricultural water) and bottled water. The Center was also designated by the European Union accreditation body TÜV SÜD as an official RoHS testing institute. With this accreditation, the Center also has the right to issue internationally accredited test result reports. As a result, Woongjin Coway has been able to enhance its competitiveness in the European and global market where environmental regulations have been strengthened.

### Ten Water Quality Testing Criteria

- Turbidity
- Pb
- Cd
- Al
- Fe
- Zn
- As
- Se
- Cu
- Mn

In May 2009, the Center was also certified as a testing laboratory by the Water Quality Association (WQA), an organization which represents the residential, commercial, industrial, and small community water treatment industry and is responsible for setting the standards of water treatment facilities and accrediting high-performing facilities.

The certification as the only WQA certified testing laboratory in Korea helps the Center to improve its testing capabilities and acquire infrastructure and allows Woongjin Coway to reduce costs of at least KRW 280 million annually.

In 2009, the company offered the water quality testing service to a total of 17,640 customers and let branches or local offices responsible take corrective measures for 105 inappropriate cases. Over the year, the Center performed 5,837 sample analyses for the Center's product and technology development, 715 sample analyses for resolution of problems found in the field and sample analyses for other organizations. In addition, the Center conducted 40 tests (worth KRW 280 million) on the function and safety assessment of water filtration devices, adding up to KRW 1.9 billion in total analyses for the year.





## Net Promoter Score 2009

A Net Promoter Score (NPS) is a barometer of corporate competitiveness which shows how many loyal customers a company possesses.

We administered a NPS survey to 1,582 customers from November to December 2009. The survey results indicated that the proportion of those who think it likely that they would recommend the Woongjin Coway brand (Promoters) increased while the proportion that is unlikely to recommend it (Detractors) decreased. Most of the promoters picked the "Cody Service" and "Quality product" as the reason they would recommend the Woongjin Coway brand.

More specifically, respondents said they liked the Cody Service for its reliability, convenience, kindness, professional management and punctuality, and quality product for their good design, convenience, functions and durability. Other reasons include timely after-sales service, reliability of the Woongjin Coway brand, sanitation and firsthand experience of product effects. Woongjin Coway will continue to conduct NPS surveys and acquire data needed for more proactive customer value management.

## Customer Information Protection

Woongjin Coway has done its best to prevent customers' personal information from being stolen, leaked or damaged. The online personal information of our customers is kept strictly confidential. We manage our system thoroughly to prevent personal information from being hacked or damaged by a computer virus, while computer vaccine programs are kept up-to-date and personal information is transmitted over the network using an encryption algorithm. Furthermore, the company utilizes an intrusion prevention system (IPS) to control any unauthorized access of information from outside. Only authorized personnel are allowed to access customer information and we frequently alert our employees to the importance of customer information protection.

In 2009, Woongjin Coway introduced an online program help system to ensure the protection of customer information and manage the history of employees access to customer information, thereby clarifying the responsibilities for customer information breaches that occur despite the preventive measures in place. It is mandatory for Woongjin Coway employees to receive customer information according to the process and properly discard the data afterwards.

## Improving Convenience in Customer Contact and Expansion of Call Center Service

### 01. Improved Convenience in Customer Contact

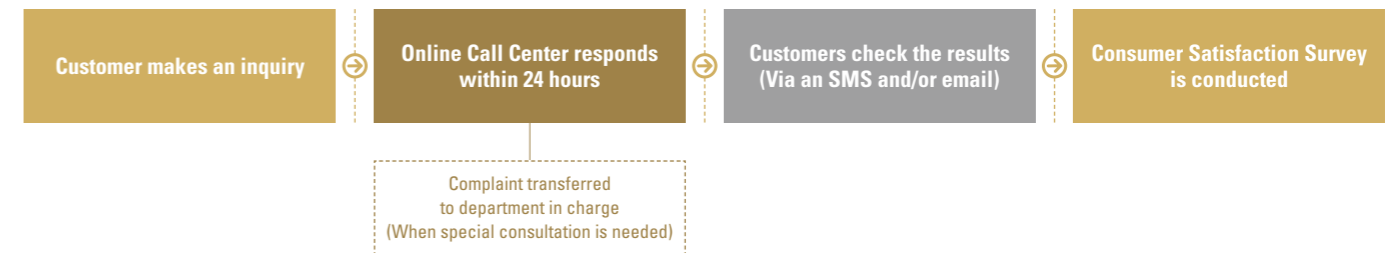
Woongjin Coway always heeds the voice of our customers through the online customer center, accessible via "Go to Customer Center" on the Woongjin Coway Web site. The online customer center was devised as a communication channel for the customer voice on such issues as inconvenience, suggestions and praises, in order to offer better customer service. We have done our utmost to respond to customer inquiries within one business day. To improve the level of customer convenience, we have offered a live chat function since September 2009 for our preferred customers in addition to our call center services and enabled our customers to request after-sales service online.

### 02. Expansion of Call Center Service

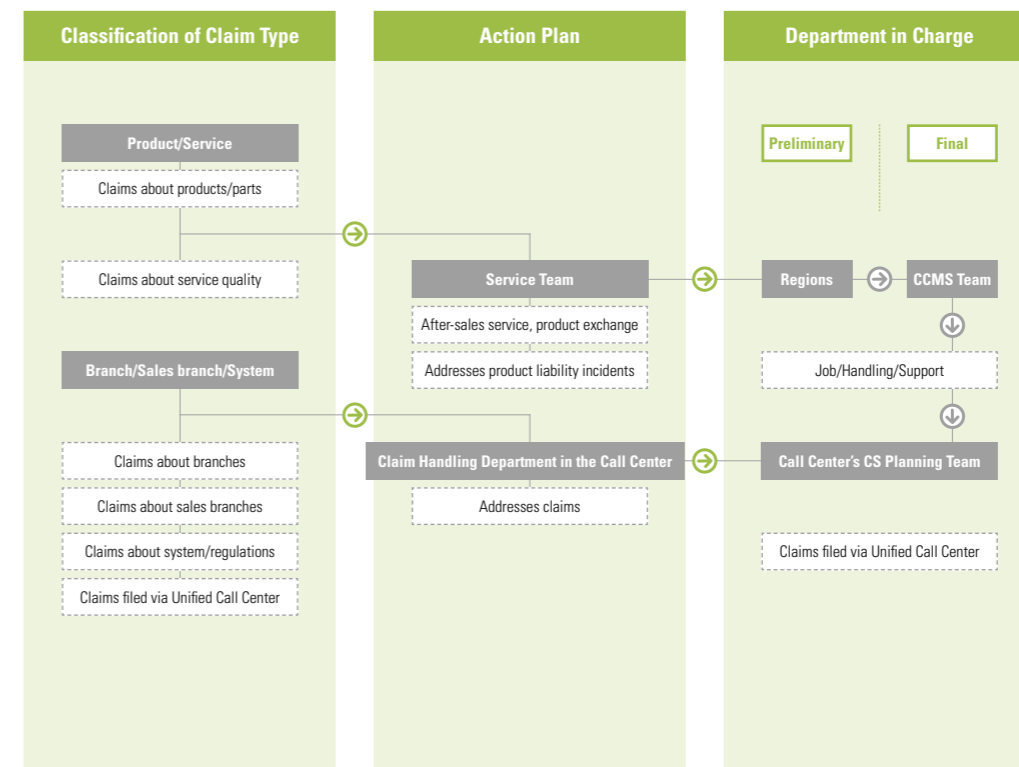
When customer complaints are filed, the call center classifies them into categories including product or part-related claims and service-related claims. The CS Planning Team then determines which action should be taken, while the Claims Team in charge of the call center checks what the claim is about. The CCMS Team controls the whole process of how complaints are addressed to ensure customer inquiries and inconveniences are fully addressed. In addition, we operate separate consulting channels for external and internal customers. For external customers, a two-step automatic response system is available to provide specialized consultations by category, while a one-step response system is available for internal customers.

The Woongjin Coway Call Center provides foreign language services at 1588-9882. The Foreign Language Service Team includes ten service agents who speak different foreign languages. On weekdays, the Call Center operates from 9 a.m. to 6 p.m. The Center handles questions about products and technical problems in Korean and foreign languages. Meanwhile, the company extended closing time of the Call Center to 10 p.m. as of August 2008 to better meet customer needs.

### Customer Inquiry Handling Process



### Claims Handling Process

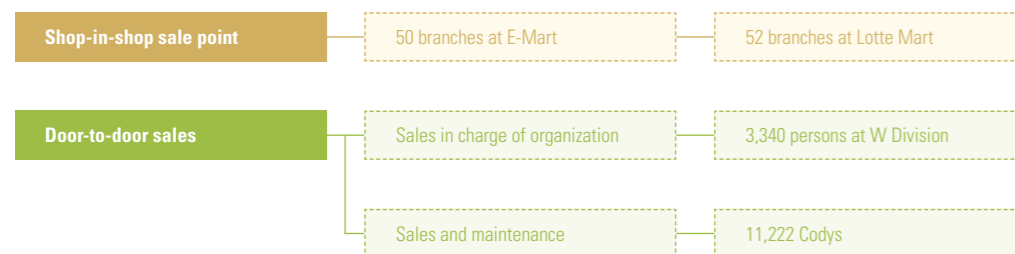


## Expansion of Sales Channels

In October 2005 Woongjin Coway opened the first Rental House in Daechi-dong, Seoul to enable our customers to experience our products and services in a more convenient way. Rental House is a specialty store which encourages customers to look around and try Woongjin Coway products and either purchase or rent them. The number of Rental Houses climbed to 94 as of the end of 2009, enhancing customer accessibility and convenience. By visiting a Rental House, customers can obtain more detailed information about all of our products that is provided through advertisement or leaflets. When selecting the location for a Rental House, we considered accessibility by public transportation and established the shop on the first floor.

In April 2007, we started to display our products at retail giant E-mart to ensure customers can easily purchase our products at a greater number of accessible venues than Rental House. As of the end of 2009, our products are stocked in a total of 50 E-mart branches, where we sell three types of water filtration devices, one air purifier and one bidet. In 2009, we also began to sell our products at 52 branches of another retail giant, Lotte Mart.

## Sales Organization

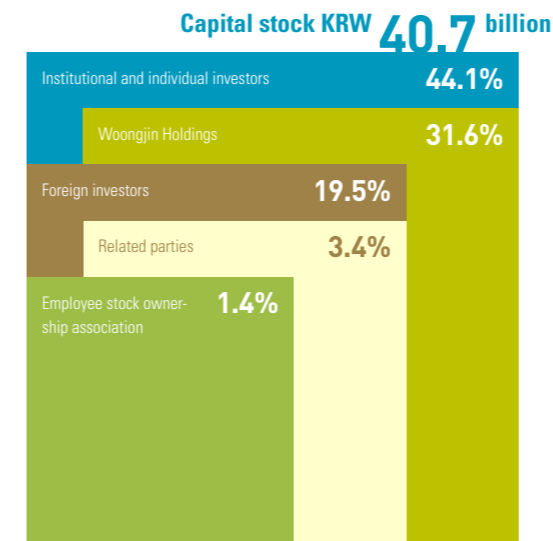


\* As of December 31, 2009

\* Division: Rental and lump-sum sales organization (including 94 Rental Houses)

# We Strive to Ensure Transparency in Management and Corporate Governance.

## Shareholding Structure



\* As of Dec. 31, 2009

## Director and Auditors

Classification	Name	Rank	Note
Standing	Joon-Kee Hong	CEO	Woongjin Coway CEO
Standing	Seok-Keum Yoon	Director	Woongjin Group CEO
Standing	In-Chan Lee	Director	Woongjin Coway Head of Overseas Sales Division
Standing	Jong-Bae Kim	Director	Woongjin Coway Head of W sales Division
Standing	Dong-Hyeon Kim	Director	Woongjin Holdings Planning Team Head
Standing	Jin Lee	Auditor	Woongjin Group Vice Chairman
Non-standing	Yi-Hwan Kim	Independent director	Korea Advertisers Association Vice President
Non-standing	Seon-Hoi Ju	Independent director	Representative lawyer of Ju Seon Hoi Law Firm
Non-standing	Tae-Mun Tak	Independent director	Bio Materials Engineering Professor at Seoul National University

\* As of 2009

## Corporate Governance

### 01. Shareholders

At present, the total number of shares outstanding stands at 77,124,796. As of the end of 2009, 31.6 percent of the shares were owned by Woongjin Holdings, 44.1 percent by foreign investors and 24.3 percent by domestic institutional investors and others (individual investors and treasury stocks). Despite a sell-off by foreign investors during the recent global financial crisis, the proportion of foreign investors' shares in Woongjin Coway increased by 2.2 percentage points from a year earlier, which we believe resulted from the company's stable growth despite the economic downturn. We will keep working hard to establish transparency in governance to maximize corporate value.

### 02. Board of Directors

Woongjin Coway's board of directors (BOD) decides on the matters defined by the laws and regulations or by the company's Articles of Incorporation. The BOD also votes on matters delegated from the general shareholders meeting, key agendas related to basic management policies and operation of the company, and carries out auditing activities. The BOD is chaired by the CEO and agenda items are voted on in the presence of a majority and passed by approval of a majority of the directors present. A total of 12 regular and temporary BOD meetings were convened during 2009, with average attendance of independent directors at 97%. Furthermore, Woongjin Coway set up a Management Committee under the BOD to strengthen the autonomy and expertise of the Board.

### 03. Composition of the Board of Directors and Remuneration

Woongjin Coway's Board of Directors, chaired by the CEO, has eight directors as its members. Among them, three are independent, making the proportion of independent directors 38 percent (25 percent or higher is mandatory under Commercial Law). These independent directors are selected at the general shareholders' meeting among candidates possessing both expertise and experience. The terms of director remuneration is set at the meeting, with the final ceiling being decided upon according to various performance indicators.

### 04. Committee under the Board of Directors

Woongjin Coway operates the Management Committee under the BOD pertaining to Article 11 of the Regulation of the Board of Directors. The Committee convenes regular meetings on the first Monday of every month, and may also call for ad-hoc meetings when deemed necessary in order to bring about a timely resolution of issues requiring prompt attention at the division in charge. The Committee is working to bring up the level of efficiency and timeliness.

### 05. Efforts by the Board of Directors to Prevent Conflict of Interest

Woongjin Coway distributes additional information for each agenda item submitted for consideration to the BOD, so as to make sure that a sufficient amount of deliberation is done beforehand. The agendas submitted for consideration are adopted through final voting and no conflict of interest regarding these agendas has been found until now.

### 06. Auditor

Woongjin Coway has one standing auditor in charge of auditing the company's business and accounting. The auditor discusses management issues at BOD meetings. In addition, the auditor is eligible to call for an temporary BOD meeting by submitting a written document that explains the reasons for convocation and may request subsidiaries to report business results if necessary.

## Improving Shareholder Value

### 01. Improving Transparency in Management & Investor Relations Activities

Woongjin Coway strives to let its present and future values reflected into the company's stock price by providing investors with accurate information in a timely manner through IR activities both at home and abroad. A presentation of management results is given on a quarterly basis to both domestic and foreign brokerage analysts and institutional investors, while investors are met at non-deal roadshows both at home and abroad on a regular basis. In addition, we provide our investors with real-time information on the company's operational and financial performance through our IR Web site.

### 02. Dividends and Stock Buyback

Woongjin Coway's dividend payout ratio remained at a high level of 50% over the past three years. That is, while the company's net profit has increased, so has dividend per share. Woongjin Coway management vows to maintain the company's principles of shareholder-friendliness including such initiatives as a shareholder-friendly dividend policy, stock buyback and retirement, proactive IR activities, profit-oriented management and pursuit of transparency in management.

## Woongjin Coway's 2009 Earnings and Business Performance

Woongjin Coway's 2009 sales and operating profit rose by 7.4 percent year-on-year to KRW 1,411.9 billion and KRW 204.3 billion, respectively. Net profit also climbed by 18.8 percent from a year earlier to KRW 153.3 billion. The high earnings results are attributable to the following reasons:

### 01. Management

Woongjin Coway acquired Woongjin Cuchen's Bidet Department, thus enabling management efficiency to improve. We predict this merger to increase operating cash flow by KRW 81.3 billion over the next five years. In addition, the number of Codys increased by 1,165, as the company divided its sales into six regions to manage branches and head branch offices in a more efficient manner.

### 02. Sales and Marketing

After the launch of HEART Service, the company's net promoter score (NPS) climbed 40 points for the first time in ten months and punctuality rose to over 95 percent.

Profit structure and customer retention rate also improved by extending the period of mandatory rental service subscription to two years. In addition, the success of the "Get One More at a Discount" program pushed up the number of rental service contracts signed in 2009 to 140,000 and extended the average period of use of product to 42 months.

As for the newly-introduced payFree service, membership exceeded 1.1 million due to an increased number and industry types of partner firms. As of the end of December 2009, the number of Korea Exchange Bank credit card subscribers and Hyundai credit card subscribers stood at 100,499 and 19,647, respectively. A total of KRW7.4 billion has been returned to payFree members.

### 03. R&D

Woongjin Coway's anti-virus air filter, which eliminates 99.99 percent of the swine influenza virus, drove up the number of air purifiers sold in 2009 by 71 percent compared to the previous year. Woongjin Group (Coway, Chemical and Kukdong Engineering and Construction) signed a Memorandum of Understanding on a membrane filtration technology for water treatment with the Korea Water Resource Corporation, Myungji University and the Korea Research Institute of Chemical Technology. The company also pursued development of products tailored to local markets. In Korea, an ice-cube water filtration device and a high-capacity water filtration device for business-use were launched. In overseas markets, new products launched included a mineral water filtration device, an under-sink water filtration system and filters catering to local markets.

### 04. Strengthening Overseas Business

Despite the global economic downturn, Woongjin Coway's overseas business posted 25 percent higher sales from a year earlier thanks to increased OEM orders. The cosmetics business at the Chinese subsidiary achieved a 100-percent year-on-year increase in sales as premium cosmetics took a sizeable portion of market share in China. The number of dealers in China also rose. In international exhibitions including the IFA and the International Home & Housewares Show, over 200 distributors visited the Woongjin Coway booth, through which bridges with European distribution channels were built.

### 05. Enhancing the Company's Status

In 2009, Woongjin Coway was presented with the Korea Advertising Award, the Best CEO Prize in the Management Grand Awards (organized by Korea Management Association Consulting) and the Korea Consumption Culture Award. Woongjin Coway's water filtration devices were selected as one of the 16 World-class Products by the Korean government. In addition, the company received the 2009 reddot Design Award and the IF Design Award.

### 06. Laying the Foundation for Green Management

Woongjin Coway, which has implemented low-carbon, green growth strategies, signed an MOU with the Ministry of Environment and the Green Start Network to foster cooperation with the Green Start Movement. For its contribution to green growth, the company was presented with the Prime Minister's Award. In regard to the company's promotion of green purchasing, 81.6 percent of the products purchased by the company as raw materials were green. Furthermore, the company took steps to carefully manage chemical substances in the workplace and in our products and voluntarily prohibited the use of chemicals banned by the European Union's RoHS Directive not only for products bound for Europe but also for those targeting the domestic market. Woongjin Coway has also introduced a unified hazardous substance management system to manage a database of all chemical substances used in the company, while the company's air purifier, a top energy saving product, won the Energy Winner Award for reducing energy costs to the tune of KRW 920 million annually.

In the process of winning the Carbon Footprint Labeling, Woongjin Coway was able to establish a life cycle assessment system and obtained certification for hazardous substance process management (HSPM) in August 2009. In June 2009, we also became the first Korean consumer electronics company to establish a greenhouse gas inventory and won a government subsidy of KRW 640 million from the Ministry of Knowledge Economy, resulting in the reduction of KRW 10 billion in environmental costs.

# We Pursue Business Partnerships which Foster Co-Prosperity and Cooperation.

## Fair Trade Compliance Office and System

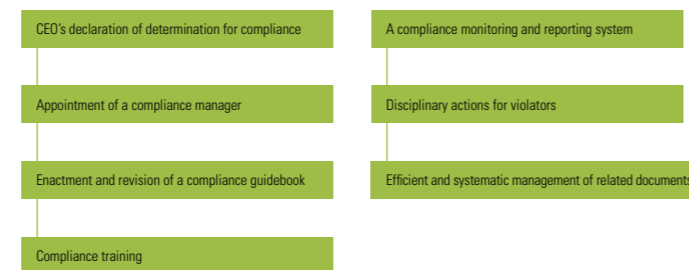
### 01. Declaration of Fair Trade Compliance

In the Code of Ethics, Woongjin Coway declares its pursuit of fair trade and win-win business partnerships by stating “We offer equal opportunities in accordance with free competition rules and pursue long-term co-prosperity by building trust and a cooperative relationship through transparent and fair trade.” To translate the principle into practice, Woongjin Coway introduced a Fair Trade Compliance Program (CP) by holding a ceremony where the company declared its will toward fair trade in August 2007. At the ceremony, all employees of Woongjin Coway pledged to pursue transparency in all decision making processes through voluntary compliance with the Fair Trade Act, enhance ethics management and internal control by strengthening fairness, and build a risk management capacity similar to that of companies in advanced countries. In November of the same year, we announced a statement of voluntary compliance reading that we would do our utmost to ensure a level playing field.

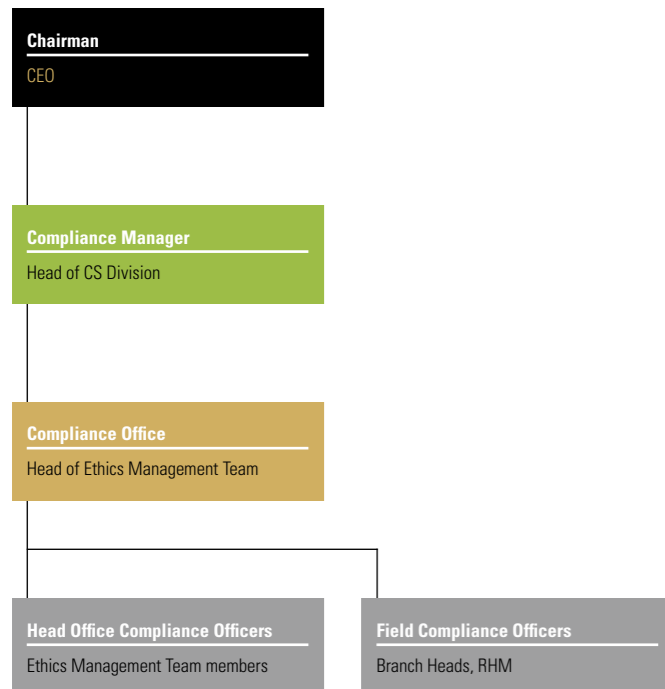
### 02. Implementation of Seven Key Elements

Woongjin Coway abides by the Compliance Program set out by the Fair Trade Commission of Korea by implementing all of the Program’s seven key elements: 1. CEO’s declaration of determination for compliance; 2. Appointment of a compliance manager; 3. Enactment and revision of a voluntary compliance guidebook; 4. Compliance training; 5. A compliance monitoring and reporting system; 6. Disciplinary actions for violators; and, 7. Efficient and systematic management of related documents. To expand the fair trade compliance program to the consumer protection domain, the company is operating the Customer Certification Management System (CCMS).

### Seven Key Elements of Compliance Program



### Fair Trade Compliance Organization



### 03. Fair Trade Compliance Office

For efficient implementation of the Compliance Program, Woongjin Coway designated the head of CS Division as the compliance manager and established a compliance office under the manager.

### 04. Clean Coway Training

To raise awareness of compliance among employees and alert them to the danger of irregular or collusive dealings, Woongjin Coway has conducted Clean Coway Training such as regular training, pre-training, post-training, and irregular training.

### Clean Coway Training

Classification	Regular Training	Pre-training	Post-training	Occasional training
Trainees	New heads of head branch offices	CL Division	CL Division	Regular workers
	New team heads	W Division	W Division	Call Center
Training Hours	19.5	17.5	12.5	39
Content	- The role of Clean Coway Managers - Rule on false examination	- The importance of member identity - Rule on false examination - Improvements of assignment and assumption of contracts - Improvements on refunds	- Ways to prevent irregular or collusive dealings focused on cases	- Understanding of Compliance Program - Consultation technique when customers ask a refund - System - Co-branding card

## Pursuit of Co-prosperity with Partner Firms

### 01. Co-prosperity Principle

Woongjin Coway pursues co-prosperity with its business partners through fair trade. We want to grow together with our partner companies from a long-term perspective, by ensuring a level playing field and building trust and cooperative relationships through fair trade.

### 02. Operating Coway Open Plaza (COP) Academy

#### February 2009

Improved the talent development evaluation system at business partners  
(Credit → Credit + Field experience)

#### April 2009

Organized three consulting-type training courses  
“Consulting on Establishing a Foundation for Cost Innovation” for 25 business partners  
“Consulting on Resolution of Six-Sigma Problems” for 25 business partners  
“Consulting on Establishing ISO9000 and 14000” for 25 business partners

#### August 2009

Conducted training on ISO14000 and W-GP Operation for all business partners

#### August 2009

Produced video clips for W-GP operation training

#### August 2009

Completed the first consulting-type training courses  
13 business partners completed “Consulting on Establishing a Foundation for Cost Innovation”  
15 business partners completed “Consulting on Resolution of Six-Sigma Problems”  
18 business partners completed “Consulting on Establishing ISO9000 and 14000”

#### August 2009

Organized six courses on quality for all business partners  
1. How to establish infrastructures for 3Jeong5S (field improvement activities) and W-GP  
2. How to implement the master data management system  
3. How to utilize the material safety data sheet management system  
4. How to establish the Failure Mode and Effect Analysis & 8 Discipline Process  
5. How to establish a statistical quality control system  
6. How to establish the system of quality function deployment

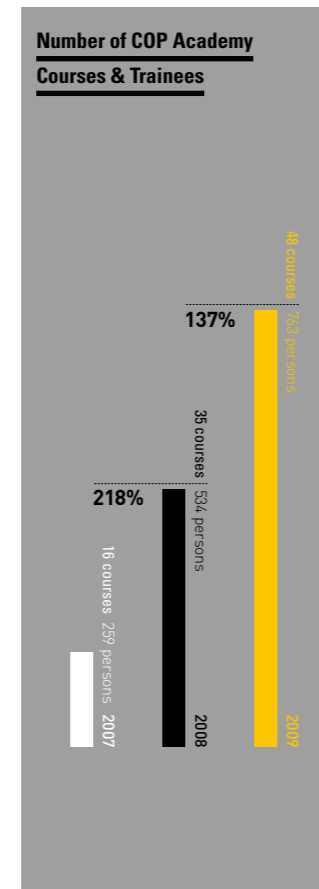
#### August 2009

Organized a course entitled “How to establish infrastructure for 3R5S and W-GP” for 60 business partners

### 03. Key Results in 2009

Woongjin Coway set out plans to foster business partners and established training systems during 2009. Through a business partner assessment system, we imposed tasks in the areas of cost, quality and the environment. We also evaluated all business partners for their quality management and environment management systems in order to classify them into categories before they were certified as Woongjin-Green Partners (W-GP). As a result, 66 companies were found to have problems. In conclusion, 49 business partners were certified as W-GPs, while consulting was provided to 20 companies lacking ISO14000 certification to help them save on consulting service fees.

Woongjin Coway performed training on requirements for ISO14000 and GP as well as GP operations. To facilitate the W-GP system, we produced a training video clip titled “Smart GP.” Group consulting training courses on the company’s total productivity system were developed to enhance GP activities and help business partners depending on their defined levels. We also provided special training on quality, developed mid- to long-term plans to foster business partners and selected top-performing business partners based on the W-GP evaluation results.



## Coway Partners' Day and Green Partnership

### 01. Coway Partners' Day

Woongjin Coway held the 5th Coway Partners' Day on December 10, 2009, with 101 business partners to reaffirm our pursuit of co-prosperity and cooperation. The annual event has been held since 2005, with CEO Joon-Kee Hong and other employees attending to express their gratitude for the hard work of all of Woongjin Coway's business partners during the preceding year and to present appreciation plaques to the top-performing partners.

### 02. Green Partnership

Woongjin Coway Green Partners are selected based on their level of eco-friendliness as well as traditional criteria of cost, quality and delivery. This certification enables us to enhance product competitiveness, respond to environmental regulations and control risks in the workplace and with our products. We offer incentives to green partners, while for those that fail to meet the requirements as green partners, various kinds of penalties are imposed. The number of green partners stands at 49 (31 were certified in 2008 and 18 in 2009).

## Plans to Consolidate Business Partner Competency in 2010

### 01. Basic Strategy

As of the present day, approximately 70 percent of business partners are exhibiting weaknesses in controlling production, quality, the environment and costs. Such weaknesses could impose a significant impact on key factors related to their global competitiveness such as quality and

### Green Purchasing Guidelines

- 01 Woongjin Coway fully grasps the high priority of purchasing eco-friendly parts and components in the procurement process.
- 02 Woongjin Coway identifies, supports and develops environmentally-conscious business partners and evaluates its partners against environmentally sensitive criteria.
- 03 Woongjin Coway clearly communicates to its partners that they must minimize their environmental footprint in management, production and service delivery.
- 04 Woongjin Coway continues to work with its partners to improve the environment.
- 05 Woongjin Coway provides guidance and resources to facilitate business partners' eco-friendly initiatives.
- 06 Woongjin Coway purchases raw materials and supplies from environmentally-friendly partners and strives to achieve co-prosperity with them.

cost competitiveness and on their core values of environmental management. To assist with the sustainable development of our business partners, Woongjin Coway will specify development strategies tailored to the characteristics of each partner and develop standard evaluation methods and maintenance models.

### 02. Plans to Improve Partner Competency

In 2010, the company will subdivide the W-GP evaluation model, which we use to assess business partners' overall management, quality management and environmental management, depending on the size of the business partner. A variety of measures tailored to each company will be provided to help them resolve fundamental problems and set goals to achieve innovation in the field. Woongjin Coway is committed to fostering global partners by operating different programs tailored to meet each partner's level.

### 03. Strategies

Based on plans to assist our business partners to improve their part manufacturing capacity, management and cost control skills, we will help partners to resolve their fundamental problems as Korean small and mid-sized companies and maintain this assistance as they improve through a W-GP field evaluation model.

### 04. Future Plans

Woongjin Coway is determined to improve the existing GP evaluation model and develop standard models tailored to companies' characteristics. A CEO Forum will also be established to lay the foundation for partners' competitiveness, while infrastructure for production systems will be established for companies which rank low in the GP evaluation. We will also help them to improve cost and quality, and to win certification from the government's productivity management system.

# CONTRIBUTION

Section. 04



Section. 04

contribution

## Where is The Value in Corporate Social Contribution?

20,600<sup>hrs</sup>

**Woongjin Coway is active in its practice of social responsibility management.**

Our social contribution activities take various forms: consideration for the environment, provision of free meals to the underprivileged, protection of children and assistance to poor countries. In 2009, the total commitment of volunteer work amounted to 20,600 hours, or 22.4 hours per employee. Since 2007, Woongjin Coway has spent an upwards of KRW 1 billion every year for the benefit of the communities it serves..

## Contribution

We have continued to conduct various types of social contribution activities from well-drilling in Cambodia to provide the local population with cleaner drinking water, supporting school soccer teams in South Africa and offering scholarships to students to providing Kongju University with scholarships, donating refurbished products to volunteer groups, and hand-knitting scarves for migrant workers' families.

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# Woongjin Coway is Implementing Social Responsibility in its Management Practices.

## An Overview of Social Contribution

### 01. Vision and Strategies for Social Contribution

Woongjin Coway is fulfilling its corporate social responsibility (CSR) driven by the vision of "Improving quality of life for a healthy future for our children." To ensure efficiency, the company has classified its CSR efforts into the following categories: environmental protection, free meals for the underprivileged, protection of children and support for poor countries.



#### Symbol and Slogan for Social Responsibility

The blue background symbolizes a stream, a target of our Clean Water Campaign, while the heart represents a fish which emphasizes the company's management philosophy of "Tto Tto Sarang (love again and again)." This is the future that Woongjin Coway envisions through its social contribution activities.

### 02. Social Contribution Organization

Woongjin Coway launched "Tto Tto Sarang Volunteers" in June 2005 to expand volunteer work previously participated in only by some members of a volunteer service community to the entire company. At present, all executives and employees at Woongjin Coway are members of the Volunteer Team. With a social contribution manager assigned, we are systematically practicing corporate citizenship.

### Social Contribution Programs

#### 01. Types

Our social contribution activities take various forms: environmental protection, provision of free meals to the underprivileged, protection of children and assistance for poor countries. The company is not simply providing financial aid, but encouraging all full-time workers to take part in various volunteer activities (except employees on foreign assignment). In 2009, the total commitment of volunteer work undertaken by Woongjin Coway amounted to 20,600 hours, or 22.4 hours per employee. Since 2007, Woongjin Coway has spent an upwards of KRW 1 billion every year for the benefit of the communities it serves.

#### Environmental protection

Save the Yugu Stream Program: One Company-One River campaign  
Other environmental programs

#### Provision of free meals to the underprivileged

Happy Friday:  
Woongjin Coway provides free lunches every Friday, distributes food and washes dishes.  
Happy Food Truck:  
The company has donated five refrigerated trucks and provides 125,000 meals per day.

#### Future of children

Coway Group Home: Woongjin Coway provides financial support, Coway products and volunteer services for Group Homes around the nation.  
Support for disabled students at Korea Woojin School  
Happiness for All, Tree of Hope: We offer a gift of hope for children from low income families

#### Assistance for poor countries

Well drilling in Cambodia  
- The company plans to drill 100 wells every year.  
- Participating in well-drilling activities together with Woongjin Coway customers  
Support for South Africa Additional activities  
- Four soccer teams and individual children

#### Additional activities

Scholarship for Kongju University  
Year-end "Happiness for All" ceremony  
Hand-knitting scarves  
Provision of refurbished products

### 02. Save the Yugu Stream Program

Woongjin Coway has undertaken diverse efforts to save and protect the Yugu Stream. Activities have included holding a ceremony to kick off the "Save the Yugu Stream Program" together with the Ministry of Environment, the Gongju City government and the Korea Green Foundation in Yugu-eup in September 2006. Woongjin Coway has planted water-purifying plants, cleaned the streamside and rewarded local residents for collecting waste such as recyclables, plastic bags and discarded tarps on the streamside. To foster environmental leaders, the company has conducted environmental training every year for local students, suggested environmentally-friendly agricultural methods and purchase the entire crop of rice harvested in the community to help it continue growing sustainably. Since 2008, the company has cleaned the Yugu Stream together with its customers, thus providing them with the opportunity to participate in our corporate social contribution activities. By 2009, Woongjin Coway spent KRW 1.5 billion for the Save the Yugu Stream Program, promoted in conjunction with the Ministry of Environment and the Gongju City government.

### 03. Happy Friday

Since February 2007, Woongjin Coway has provided free lunches and snacks for the elderly living alone near the gate to Hyochang Stadium in Seoul every Friday in partnership with the Yongsan Municipal Elderly Welfare Center. At the rain-or-shine event, Woongjin Coway employees distribute food and wash dishes.



### 04. Happy Food Truck

Since Woongjin Coway donated five "Tto Tto Sarang Happy Food Trucks" in 2007, the company has constantly performed volunteer activities in cooperation with the Food Bank. Each of the refrigerated trucks is capable of delivering 2,500 fresh meals donated by many companies and individuals to the poor. Every week 50 executives and employees of Woongjin Coway volunteer to serve meals delivered by the trucks.

### 05. Coway Group Home

Woongjin Coway has supported Group Home children throughout the country, with Codys, heads of branch offices and sales branches participating. The company's employees regularly visit Group Homes where children live together with social workers to do the laundry, prepare meals and look after the children. We have also donated our company's water filtration devices and air purifiers to improve the children's living environment.

### 06. Korea Woojin School

Woongjin Coway employees have volunteered as assistants when students with disabilities conduct experiential learning each month at the Korea Woojin School, an institute for the severely disabled located in Seongsan-dong, Seoul. We assist the students, most of whom cannot walk, to participate in experiential learning activities and Boccea, a traditional recreational sport for athletes who require a wheelchair because of physical disability.



**07. Happiness for All, Tree of Hope**

Since 2008, Woongjin Coway has operated a Matching Grant Program to offer a gift of hope at Christmas. Woongjin Coway matches an employee contribution at two times the amount. In 2009, a total of 300 children received gifts. We expect the number of participants in the program to continue to rise every year.

**08. Well-drilling in Cambodia**

In 2006, Woongjin Coway drilled 75 water wells in 26 villages near Phnom Penh, Cambodia to provide the residents with cleaner drinking water. We also dug 138 wells around the country in 2007, with Woongjin Group CEOs and about 20 employees participating in drilling activities, and 132 wells in 2008, with our customers volunteering. In this light, the company started to provide consumers with opportunities to participate in volunteer work in 2009, a year when 115 wells were completed. So far, we succeeded in drilling 460 wells. In addition to financial support at the company level, individual employees have also financed the drilling of 262 wells so far. We will continue to drill at least 100 more wells in Cambodia.

**09. Support for South Africa**

Since 2006, the company's "Coway Soccer Team" has offered uniforms and soccer balls to the Green Star Soccer Team of Philipi, the poorest area in South Africa. In 2007, we expanded our support to four soccer teams (in Philipi, Asanda, Cuza, etc.) Furthermore, 100 Woongjin Coway

employees have supported children in the country with scholarships on a one-on-one basis. In order to encourage volunteer activities, Woongjin Coway has granted employees with an excellent record of volunteer activities opportunities to visit South Africa. Under the slogan of "Five Years' Promise," Woongjin Coway will expand its soccer team support and scholarships.

**10. Scholarships for Kongju University**

Since 2003, Woongjin Coway has provided scholarships to students of Kongju University in Gongju where the Yugu Factory is located to support students having economic difficulties and as a way to nurture top-grade human resources for the future. We are providing scholarships not only for Korean students, but also for foreign students studying at Kongju University. By 2009, a total of KRW 930 million has been donated.

Classification	Domestic Scholarship	International Scholarship
When started	Second half of 2003	February 2006
Beneficiary	About 15 high-performing students	About 10 students
Amount of scholarship	KRW 100 million a year /KRW 6.24 million per person	KRW 70 million
Total	KRW 650 million for 174 students	KRW 280 million for 41 students



**11. Year-end "Happiness for All" Ceremony**

In consideration of the difficult economic conditions, Woongjin Coway has replaced a year-end ceremony with community service activities since 2008. More than 400 employees including CEO Joon-Keel Hong have visited 28 welfare centers in Seoul, cleaned the centers and repaired facilities. Moreover, in 2009, Woongjin Coway donated the money paid by other companies to benchmark our employee suggestion Web site Imagination Ocean to provide school uniforms for students from low income families. We also donated KRW 10 million to the Korea Council of Group Homes for Children and Youth, the amount saved by foregoing the company year-end ceremony, and purchased eco-friendly rice from our sister region of the "One Company-One Village" campaign. The KRW 14 million worth of rice was then donated to a social welfare organization.

**12. Donation of Refurbished Products**

Woongjin Coway has initiated a plan to provide refurbished products (water filtration devices, air purifiers and bidets returned within 15 days) to volunteer organizations. In May 2008, we donated 187 refurbished goods to "Food Bank-affiliated organizations". In February 2009, the company started to sell refurbished products in order to give customers an opportunity to purchase quality products at a discount. In doing so, we can reduce waste and thereby contribute to the environment.

**13. Hand-knitting Scarves**

In the winter season, about 150 employees participated in hand-knitting scarves as a way to reach out to migrant workers, children from multicultural families and shelter residents. Woongjin Coway employees hand-knitted scarves and delivered them to the Global Charity Association.





# ENVIRONMENT

## Section. 05



Section. 05

environment

061

## How is Woongjin Coway Implementing Environment Management?

### Carbon Balance Woongjin 2020

**Woongjin Coway practices environment management with a firm vision and philosophy.**

In this light, the Woongjin Group's "Carbon Balance Woongjin 2020" initiative was designed to offset greenhouse gas (GHG) emissions during production activities with reduced GHG emissions via the manufacture of low-carbon products. By 2020, Woongjin Group aims to halve GHG emissions in carbon dioxide equivalent from the 2005 level.

### Recycling Center

**Woongjin Coway puts the environment first throughout the product life cycle from the design and recovery stages to recycling.**

The Woongjin Coway Recycling Center located in Pocheon has evolved from being a simple product disassembly line in 2006 to a recycling line in 2008. Initially having produced a small number of refurbished products for export in 2008, the Center was reinvented as a recycling center by initiating the production of refurbished products targeted toward the domestic market in 2009.

### EDM System

**Woongjin Coway responds proactively to climate change and environmental regulations.**

In order to draw up measures to manufacture eco-friendly products, Woongjin Coway established the Environmental Issue Team in September 2006, thereby implementing the Environmental Data Management (EDM) System, which enables the company to manage energy usage and hazardous substances in real-time.

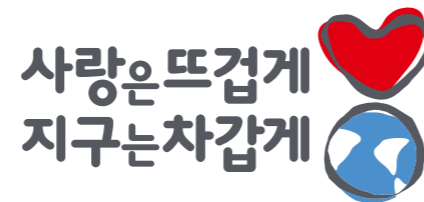
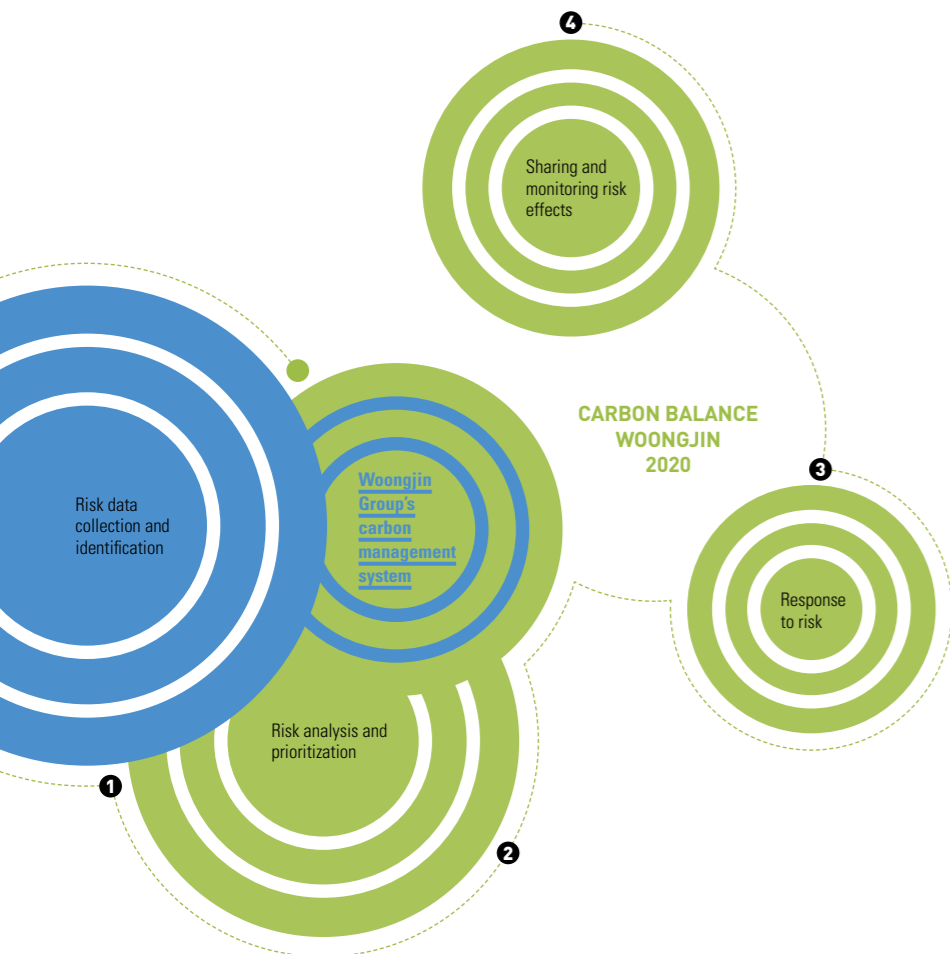


# Woongjin Coway Practice Environment Management Driven by Our Vision and Our Philosophy.

## “Warm Love, Cool Earth”

Propelled by the vision “Woongjin, a global leader that practices cool green management,” the Woongjin Group is making diverse efforts to share environmentally-friendly production methods with society and respond to climate change. In particular, during the carbon management declaration ceremony in January 2010, Woongjin Group announced its vision for, strategy of and mid- to long-term roadmap regarding carbon management. “The Woongjin Group’s Carbon Balance Woongjin 2020” initiative indicates the Group’s commitment to offsetting greenhouse gas emissions caused by production activities by reducing GHG emissions via the production of low-carbon products. By 2020, the Woongjin Group as a whole aims to halve GHG emissions in carbon dioxide equivalent compared to the 2005 level, while Woongjin Coway also plans on reducing GHG emissions by 50 percent of the level in 2009. The Woongjin Group’s environmental slogan is “Warm Love, Cool Earth,” which reflects both the Woongjin Group’s management philosophy “Tto-tto Sarang (Love and Love again)” and its commitment to environmentally aware and carbon management practices.

Carbon dioxide equivalent (CO<sub>2</sub>e) provides a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.



The slogan and logo indicate the Woongjin Group's commitment to having a passion or “the heart” for work, challenges, changes, organization, its customers and society, and to working hard with bare hands to reduce greenhouse gas emissions to cool the earth.

## Foundation for Low-carbon, Green Growth

Woongjin Coway has designated 2009 as the initial year of its environmental management plan and has since responded to increasingly important environmental issues. Through these pioneering activities, the company has built a strong base for sustainable growth.

Woongjin Coway’s three strategic missions in regard to its environmental management initiative for 2009 were in response to environmental regulations, climate change and establishment of a foundation for green growth. In particular, to enhance our capabilities to comply with Restriction of Hazardous Substances (RoHS), we obtained accreditation for Hazardous Substance Process Management (HSPM) and prepared to implement Eco-design Requirements for Energy-using Products (EuP) and Waste Electrical and Electronic Equipment (WEEE).

### RoHS

An EU Directive to restrict hazardous substances in electric and electronic products

### HSPM

Hazardous Substance Process Management is an international certification granted to a company which restricts the amounts of hazardous and toxic substances in the products they manufacture, store or dispose in compliance with the requirement. The certification is effective for three years.

### EuP

The Eco-design Requirements for Energy-using Product (EuP) Directive provides a framework for setting Eco-design requirements for specific group of products which use energy. EuP limits energy consumption and noise level.

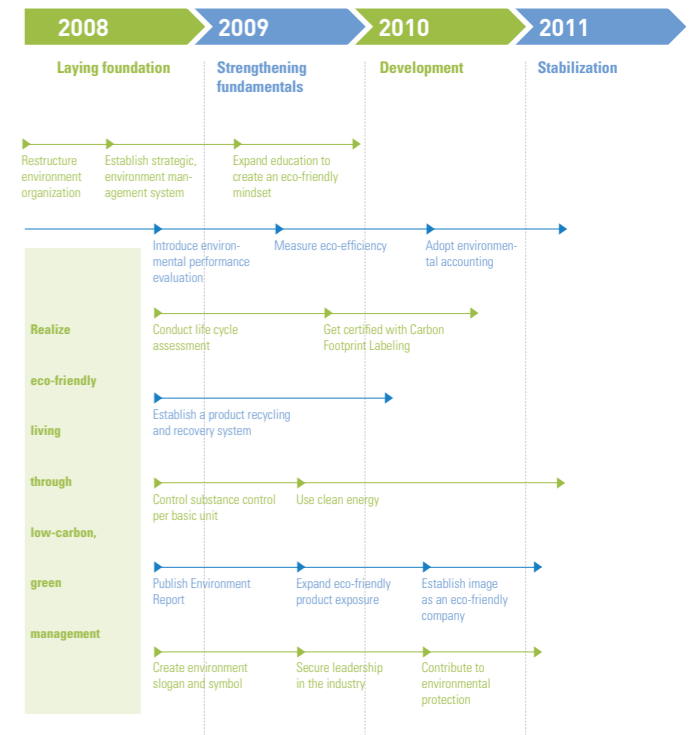
### WEEE

The Waste Electrical and Electronic Equipment (WEEE) Directive is the European Union regulation that imposes the responsibility for the disposal of waste electrical and electronic equipment on the manufacturers of such equipment.

### Hazardous Substances under Management at Woongjin Coway

Year	Number of RoHS	Substances
2008	Six RoHS	Pb, Hg, Cr6+, Cd, PBBs, PBDEs
2009	15 RoHS	six RoHS in 2008 + Antimony, Beryllium, Selenium, Barium, Nickel, Arsenic Compound, Dimethyl fumarate(DMF), Perfluorooctyl sulfonate (PFOS), Perfluorooctyle acid (PFOA)
2010	45 RoHS	15 RoHS in 2009 + Brominated flame retardants, Chlorinated flame retardants, Polyvinylchloride, all phthalate, Triethyl arsenate and 25 other substances +a (any substances that buyers request to ban)
2011	45 RoHS +a	Chlorobenzene, Flame retardants and other requests

## Mid- to long-term Roadmap to Environment Management



# Woongjin Coway Has Responded Proactively to Climate Change and Environmental Regulations.

## Low-carbon, Green Management Strategy

Environmental regulations are intensifying around the world. The Woongjin Group and Woongjin Coway have responded proactively to global environmental regulations and begun low-carbon, green management practices voluntarily in order to play an expanded role as an environmentally-friendly company.

## Task Force on Climate Change

Under the Environment Quality Institute, Woongjin Coway formed a task force on climate change whose task it is to collect information not only on existing environmental regulations including RoHS and REACH, but also on climate change risks regarding Woongjin Coway's operations both at home and abroad.

With regard to climate change risks in major advanced nations to which Woongjin Coway has already started to export or is expected to, overseas operations in these nations are collecting related data in real time and identifying palpable risks. The company is also collecting data on international environmental regulations including RoHS to set forth countermeasures. The most authoritative decision-maker within the task force is the Chief Green Officer (C-SHE-O).

## Scenario Planning

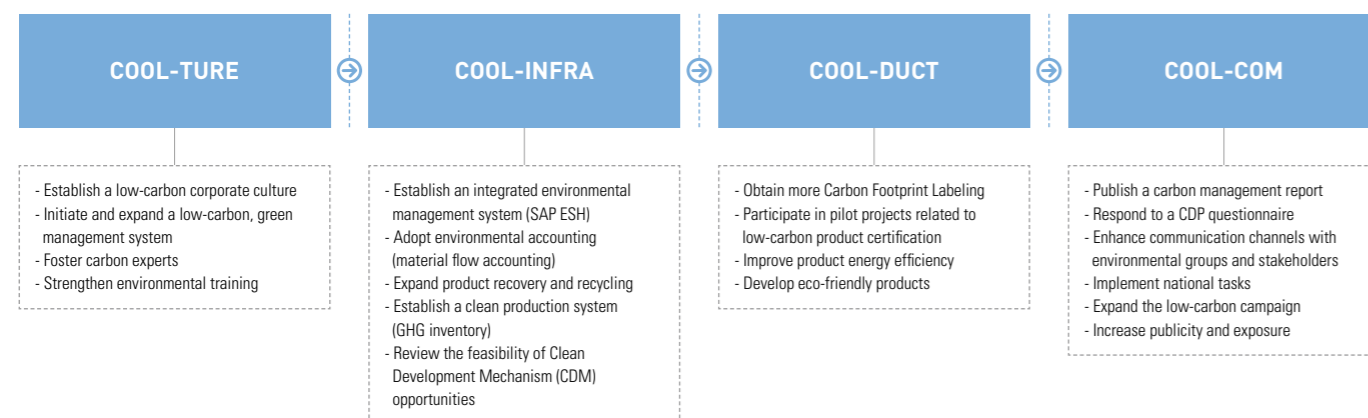
Woongjin Coway has adopted scenario planning to develop response strategies based on comprehensive analyses of potential climate change risks. Scenario planning is a strategic planning method analyzing plausible situations and problems in the future and develops optimal contingency strategies in response to them.

Using the scenario planning technique, Woongjin Coway prioritizes risks related to climate change in consideration of their direct and indirect influences, as well as the costs involved in responding to them. Although this method has been recently adopted has yet to take root firmly, it serves as a basis for systematic responses to plausible climate change risks that Woongjin Coway may face.

## Real-time Monitoring of Environmental Data and Developing Countermeasures

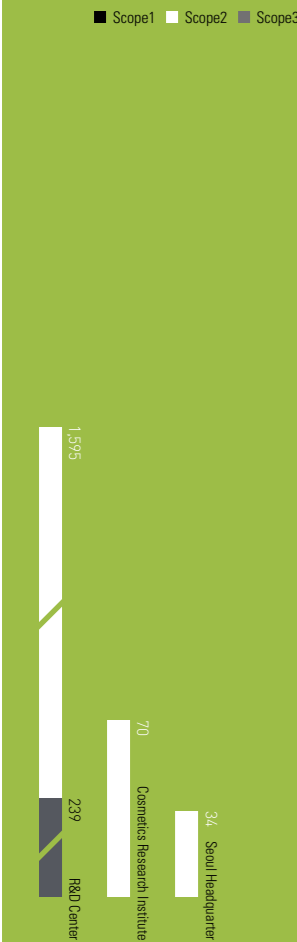
Woongjin Coway has drawn up measures to produce eco-friendly products, as the company regards customers' increasing awareness of climate change and eco-friendly products as a risk. To this end, in September 2006, the company set up its Environmental Issue Team, which subsequently led to the establishment of the Environmental Data Management System. This system enables Woongjin Coway to identify hazardous substances in parts, raw materials and packaging materials and improve them in compliance with regulations in order to develop and mass produce products which have no negative impact on humans or on the environment. We have ensured that all of our air purifier models meet Eco-design Requirements for Energy-using Products (EuP) regulations set to take effect in 2010 and checked whether the regulation is expanded to other product categories.

### Strategic Missions for Low-carbon Management at the Woongjin Group

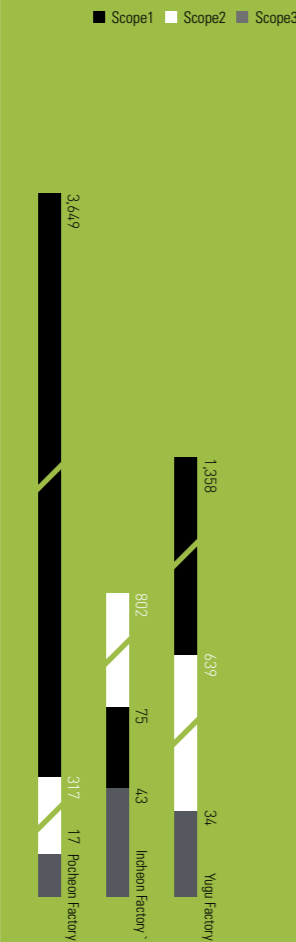


# Woongjin Coway Practices Systematic Low-Carbon, Green Management.

## Administration (Unit: tCO<sub>2</sub>e)



## Production/Recycling (Unit: tCO<sub>2</sub>e)



## Woongjin Coway's Greenhouse Gas Emissions (Scope1, Scope2, Scope3)

According to internal assurance, Woongjin Coway emitted 136,278 tons of GHGs in 2009, a jump from 4,227 tons in 2008. The surge in emissions resulted from Woongjin Coway's acquisition of Woongjin Cuchen. GHGs generated at Incheon and Pocheon factories and R-12 refrigerant emissions (See Optional Info in the exhibit below) caused during the disposal of water filtration devices at Pocheon Factory were included in this total. Woongjin Coway's net emissions (Scope 1 and Scope 2) in 2009 stood at 8,539 tons, an increase of 138 percent from 3,591 tons recorded in 2008. Carbon intensity, the amount of carbon by weight emitted per unit of energy consumed, was 0.6 ton/KRW 100 million in 2009, an increase from 0.15 ton/KRW 100 million in 2005 and 0.27 ton/KRW 100 million in 2008. However, the increase resulted from the rise in electricity use after construction of the R&D Center in 2008 and the increase in GHG emissions due to the addition of the Incheon and Pocheon factories in 2009. Carbon intensity, a measure of the relationship between economic value added and GHG emissions, helps organizations quantify the reduction in GHG emissions and compare figures between different organizations.

## Woongjin Coway Operational Boundaries

<b>Scope1</b>	<b>Stationary Combustion</b>	All facilities within the Woongjin Coway premises using fossil fuels (such as boilers) Data is not controlled
	<b>Mobile Combustion</b>	Woongjin Coway's transportation methods using fossil fuels such as forklifts and commuter buses
	<b>Process Emission</b>	Non-applicable
	<b>Fugitive Emission</b>	The most commonly reported GHGs including refrigerants for air conditioners, extinguishing agents and product assembly For items whose purchase amount is identifiable, the amount of refrigerant purchase is regarded as fugitive emissions, while emissions are calculated based on the default factor for items on which measurement is impossible.
<b>Scope2</b>	GHG emissions via the use of purchased electricity	
<b>Scope3</b>	Emissions caused by production of raw materials, product use or transportation of employees using loan vehicles (forklift or commuter bus)	
<b>Optional Information</b>	Other greenhouse gases than the six most widely used ones (CFCs, HCFCs, etc.) Optional Information: Calculate fugitive emissions of refrigerants such as HCFCs and CFCs as well as halogen extinguishing agents	

## Woongjin Coway Greenhouse Gas Emissions (2005-2009) (Unit: tCO<sub>2</sub>e)

Classification	Scope1	Scope2	Scope3	Optional	Total
2005	384	1,092	-	2,681	4,157
2006	359	1,416	-	2,708	4,483
2007	508	1,770	-	2,475	4,753
2008	611	2,980	454	182	4,227
2009	4,363	4,176	333	127,406	136,278

## Reduction in Energy Use

To cut CO<sub>2</sub> emissions which contribute to global warming, Woongjin Coway has undertaken diverse efforts to cut energy use such as requiring employees to turn off computer monitors during lunch and after office hours and lights at production lines and replacing fluorescent lights with LED lights. As a result, the company was able to reduce overall energy use in 2009 compared to 2008.

### Annual Natural Resource Usage

Classification	Unit	2006	2007	2008	2009
Electricity	kWh	2,932,644	3,709,920	4,575,190	2,866,440
Heating oil	l	91,900	-	-	-
LPG	kg	1,374	25,588	32,448	15,963
Butane	kg	300	172	156	84
Groundwater	m <sup>3</sup>	31,230	51,713	49,931	35,293
Water	m <sup>3</sup>	20,782	19,770	18,653	11,566
Kerosene	l	8,345	9,266	8,788	7,720

## Waste Disposal

Waste disposal costs at Woongjin Coway declined by 27.27 percent in 2008 from KRW 26.4 million to KRW 19.2 million in 2009. In terms of volume, it also decreased by 27.27 percent from 792m<sup>3</sup> in 2008 to 576m<sup>3</sup> in 2009. Such a decline was made possible thanks to the active recycling of packaging waste and by-products that occur during the production of water filtration devices and air purifiers.



- Launch of Eco-Way
- Launch of a GHG inventory



Ceremony for the GHG Inventory Verification Project Agreement



Implementation Project of the Integrated Environmental Management System



### Establishing a Greenhouse Gas Inventory

In August 2009, Woongjin Coway held a ceremony on the occasion of establishing a joint greenhouse gas inventory between Woongjin Coway and its business partners and another ceremony marking the company's plan to voluntarily reduce GHG emissions. Accordingly, over the next two years Woongjin Coway will provide 50 business partners with a program tailored to each company covering examining processes and facilities, identifying areas for improvement, calculating carbon emissions throughout the entire manufacturing process and offering expert development programs. This program will be expanded to all of Woongjin Coway's business partners by 2012.

Moreover, Woongjin Coway established the Supply Chain Environmental Management (SCEM) System covering all stages of manufacturing from raw materials to part and product manufacturing, each stage of the distribution process, use, and recovery and disposal of used products. Through this system, the company aims to certify green partners and evaluate them every year to encourage continuous improvement.

**A GHG Inventory:** Corporations establish a GHG inventory to identify the direct and indirect sources of all GHGs emitted through business activities within operational boundaries, then calculate and list each GHG. As the inventory contains all information on GHG emissions, companies must establish one to effectively cut their emissions.



### Carbon Disclosure Project

Woongjin Coway began to participate in the Carbon Disclosure Project (CDP) in 2009. This Global Project collects and analyzes carbon emissions data of major listed companies around the world on behalf of global institutional investors, based on the voluntary participation of investors and companies. The disclosure questionnaire consists of items mainly relevant to a company's present or future risks and opportunities related to climate change, its mid- to long-term strategies for climate change, and a plan of action to reduce its GHG emissions.

Woongjin Coway participated in CDP 2009 korea report and ranked high in Carbon Disclosure Leadership Index (CDLI).

Woongjin Coway has proactively strived to reduce GHG emissions and energy use even though it is in an industry whose carbon intensity is relatively low. In particular, the company was recognized in the consumer staple sector for its proactive response to climate change in areas such as management of GHG emissions information and reduction efforts, and for reduction of raw materials and energy use per product unit through carbon management of its business partners.

**Carbon Disclosure Project:** The Carbon Disclosure Project is an initiative jointly promoted by prestigious financial institutions around the world to collect and distribute high quality information that motivates investors, corporations and governments to take action to prevent negative consequences of climate change. Participating companies measure and disclose information on 1) present or future risks and opportunities they face due to climate change, 2) GHG emissions, 3) GHG emissions reduction target and strategies for risk minimization and opportunity creation, and 4) corporate governance related to climate change issues.

## Environmentally-friendly Activities

### 01. Empty Plate Campaign

Woongjin Coway has initiated the Empty Plate Campaign to promote “Zero Food Waste” as part its overall environmental management strategy. The campaign targeted the entire staff of the Group once again in 2009 after its initial success in 2008. Woongjin Group Vice Chairman Lee Jin delivered a special lecture and wrote a pledge together with the employees to raise awareness of the impact of leftovers on the environment, thereby encouraging more employees to participate in the campaign. Following the onset of another program called “No leftovers on Thursday” campaign, leftovers per person dropped to 9.37g in 2009 from 18.0g in 2008. The company targets 8.0g in leftovers for 2010 and plans to reduce food waste continuously.

### 02. Environmental Education

To curb climate change and reduce energy use and GHG emissions, Woongjin Coway will reinforce its low-carbon education efforts for employees, while fostering carbon experts in the company. To raise awareness of the environment, Woongjin Coway developed e-learning content related to environment management practices Woongjin Coway and provided 1,552 hours of education for 1,276 employees in total in 2009. In addition, the company conducted 2,353 hours of education for the employees of its business partners, enhancing the recognition of the importance of eco-friendly management and control of hazardous substances. Woongjin Coway also plans to hold open courses on climate change.



### 03. Eco-Cody

In November 2008, 11,000 Woongjin Coway Codys were appointed as an “Eco-Cody,” an honorary ambassador for resource circulation of the Ministry of Environment at the launching ceremony of the Waste Batteries Collection Campaign. In 2009, Eco-Codys lived up to their name by communicating with Woongjin Coway customers about the necessity of recycling waste batteries, distributing trays to them for spent battery collection and collecting waste batteries.

### 04. “Water-saving Green Bowl” Campaign

Since March 2009, Woongjin Coway has staged the “Water-saving Green Bowl” Campaign to raise awareness of limiting water use and encourage customers to participate in water conservation. The green bowls symbolize recycling and conservation of natural resources, and thus were made of recycled plastics from Woongjin Coway’s spent water filtration devices and air purifiers.

### 05. Eco-drive

Launched in July 2008, the Eco-drive Campaign has been effective in protecting the environment, saving on personal expenses and solving parking space shortages. This campaign promotes no-driving once every five days, as well as bicycling and carpooling. In addition, plans are in place to introduce eco-friendly hybrid vehicles as company cars.



# Woongjin Coway Puts the Environment First Throughout the Product Life Cycle.



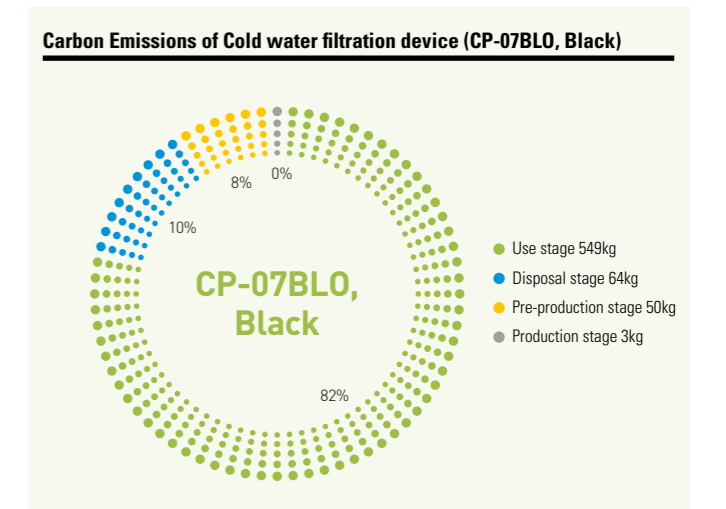
## Energy Efficiency Improvement

Woongjin Coway, a manufacturer of consumer appliances such as water filtration appliances, air purifiers and bidets, believes the company will be able to gain the upper hand in the market by differentiating itself when energy use and standby power regulations are strengthened.

Standby power refers to the electric power consumed by electronic appliances while they are switched off or in a standby mode. Saving standby power is not only about reducing power consumption of individual household electronic devices, but also reducing GHG emissions. Accordingly, in 2005, the Korean government initiated Standby Korea 2010, a policy roadmap to cut standby power to 1 watt per device. At present, the United States and other advanced nations are also reinforcing regulations on energy efficiency and standby power reduction. In addition, as consumers’ awareness of climate change increases, a growing number of consumers incorporate environmental consideration into their purchasing decisions. Woongjin Coway has charted a mid- to long-term roadmap regarding technology development by product category, and remains committed to cutting energy usage and developing products with a higher energy efficiency grade than its competitors.

### 01. Water Filtration Appliances

Woongjin Coway’s cold water filtration appliances became the first consumer appliance to win trial-basis Carbon Footprint Labeling. For the first time in the industry, two cold water filtration models – CP-07BLO(B)/(W) – and cold/hot water filtration models – CHP-06DL/U – received carbon labeling. In order to receive the certification, annual input of raw materials, energy usage for production, raw material production data of business partners and transportation and distribution data are needed. Based on these data, GHG emissions are calculated for each stage of pre-production, production, use and disposal.

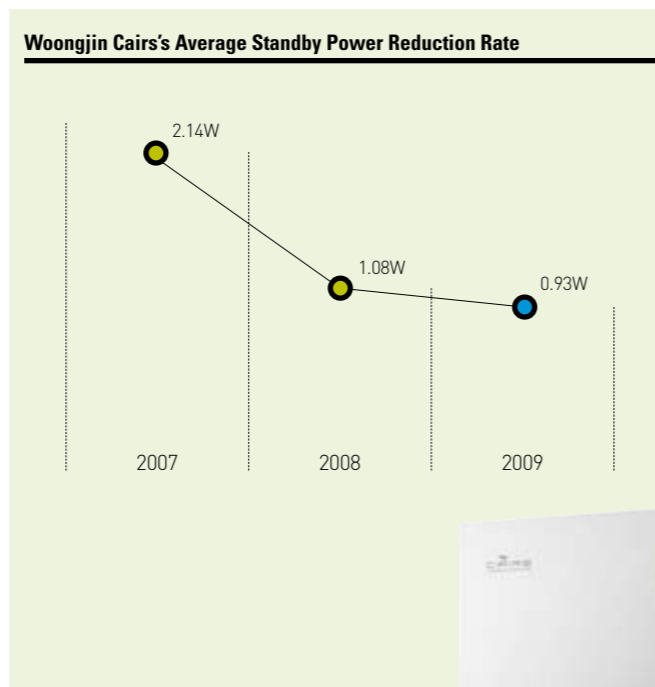


## 02. Bidets

The standby power of bidets with circuit breakers is usually higher than 1 watt. However, Woongjin Coway has succeeded in achieving standby power of lower than 1 watt by developing a switched-mode power supply (SMPS) and a circuit breaker control algorithm (applied to BA11). This achievement is expected to enable Woongjin Coway to gain the upper hand not only in the domestic but also global markets.

## 03. Air Purifiers

Woongjin Coway has also developed SMPS, sensors and power saving control algorithms for air purifiers. As these technologies have succeeded in lowering the standby power of air purifiers to below 1 watt, Woongjin Coway was selected as the top company to manufacture air purifiers with low standby power and subsequently obtained energy efficiency level 1. Woongjin Cair's AP-1207, which won the 2008 Energy Winner Award, cut electricity consumption by 2.7 W/h or 15,768W/h annually, compared to the existing model at the time, the AP-1004AH. This energy consumption reduction is equivalent to a cut in CO<sub>2</sub> emissions by 7,884kg a year.



AP-1207



BA11

## Development of Greenhouse Gas Control Technology

Woongjin Coway is committed to technology development to respond to strengthening environmental regulations and acquire competitiveness. International regulations are being shaped for refrigerants which destroy the ozone layer and cause the greenhouse effect. For example, R-134a will be banned in Europe starting from 2014, while it is still allowed in Korea. Thus, if Woongjin Coway continues to use the refrigerant, the company will not be able to export the water filtration devices to Europe. To tackle the situation, we are developing natural refrigerant and eco-friendly cooling technology to replace R-134a. Additionally, the increasing demand for air purifiers due to worsening yellow dust and air pollution is also expected to provide Woongjin Coway with a business opportunity. Recently, we developed a yellow-dust filter and an anti-bacterial filter that can screen 99.99 percent of air-borne viruses. With these products, the company will make forays into the Chinese and Japanese markets.

### ODP and GWP of Refrigerants

Types of refrigerant	ODP	GWP
R-12	1	8,100
R-13-a	0	1,300
R-600a	0	3

**Global Warming Potentials (GWP):** A measure of how much a given mass of greenhouse gas is estimated to contribute to global warming. It is a relative scale which compares the gas in question to that of the same mass of carbon dioxide.

**Ozone Depletion Potential (ODP):** The relative amount of degradation to the ozone layer a chemical substance can cause, with trichlorofluoromethane (R-11 or CFC-11) being fixed at an ODP of 1.0.

## Woongjin Coway's Low-carbon, Green Management Activities in 2009

### 2008

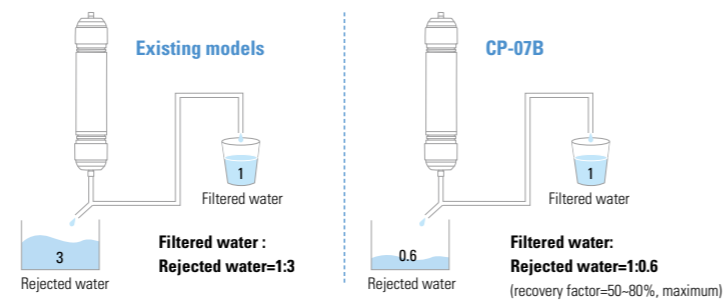
- Oct. Low-carbon, green management declaration ceremony
- Nov. Ceremony of a greenhouse gas inventory establishment

### 2009

- Jan. Obtained trial-basis Carbon Footprint Labeling
- Feb. Launch of Eco-way for low-carbon, green management
- Mar. Signed a Memorandum of Understanding on Third-party Verification of Greenhouse Gas Emissions from 2005 to 2008 (with Korea Energy Management Corporation)
- Apr. Won Carbon Footprint Labeling (CP-07BLO, Black)
- May. Awarded the Environment, Security and Health Grand Award (in the Water filtration device category)
- Jun. Third-party verification of GHG emissions completed
- Jul. Published a guideline on recycling rate calculation for representative products by product category  
Woongjin Coway-Business partner GHG inventory was selected as a national task
- Aug. Ceremony marking the joint plan of Woongjin Coway and its business partners to voluntarily reduce GHG emissions
- Sep. obtained accreditation for Hazardous Substance Process Management  
Won Carbon Footprint Labeling (CP-07BLO, WHITE), (CHP-06DL/U)  
Drew up low-carbon, green management strategies  
Set goals of voluntary GHG emission reduction and action plans  
Wrote a mid- to long-term roadmap for eco-friendly design
- Oct. Received the Prime Minister's Award in recognition of the company's low-carbon, green management (Ministry of Knowledge Economy and Ministry of Environment)  
Ranked high in Carbon Disclosure Leadership Index in the consumer staple sector  
Introduced SAP ESH integrated IT solution (environmental management system)
- Dec. Signed a voluntary agreement on recovery and recycling of plastic waste with Ministry of Environment

## High Efficiency in Natural Resources

Efficient use of natural resources generates not only environmentally-friendly effects but also cost reduction. We identified a way to improve the water flow in the pipeline of water filtration device model CP-07B and added an auto flushing function, thereby lowering the water rejection rate of R/O-type water filtration devices by more than 50 percent. The company's CP-07B model is estimated to save 5.5 tons of water per year.



## Development of Eco-friendly Packaging

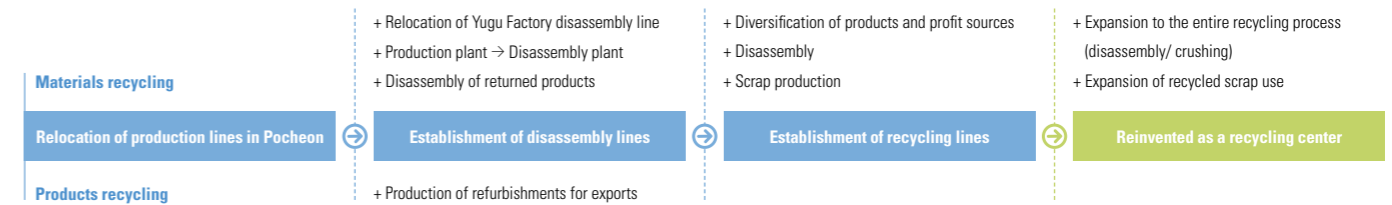
Woongjin Coway has incorporated its eco-friendly mindset into packaging, the last stage of the production process. To reduce waste, we enhanced design and production methods to minimize the use of Styro-foam. In addition, the company is fundamentally implementing environmentally-friendliness by developing eco-friendly packaging materials which are 100-percent recyclable and emit no harmful substances when incinerated or buried.

## Reduction in Expanded Poly styrene Usage through Drop Impact Analysis

Woongjin Coway has designed expanded poly styrene (EPS) using a drop impact analysis for eight air purifier models intended for export to ensure the usage of EPS is as low as possible. As a result, the company has been able to reduce EPS use by about 30 percent and save KRW 920 million. We also developed molded pulp, an eco-friendly packaging material, which is neither harmful to humans nor nature, 100 percent recyclable and emits no hazardous substances when incinerated or buried. Molded pulp offers high cushioning, hygroscopy and air permeability. As it is light, the substance can also lower shipping costs (Applicable model: bidet BA13 and air purifier AP-1008).

## Operation of a Recycling Center

The Woongjin Coway Recycling Center located in Pocheon has evolved from a simple product disassembly line in 2006 to a recycling line in 2008. Having initially produced a small number of refurbished products for export in 2008, the Center was reinvented as a recycling center and subsequently began manufacturing refurbished products which were sold in the domestic market from 2009.



### Recycling Process

Returned products are disassembled into different materials through a disassembly process.

After foreign materials are removed, plastics are then crushed, and plastic scrap is produced using ABS. The products are then separated into iron scrap and other waste and sold to recycling companies.

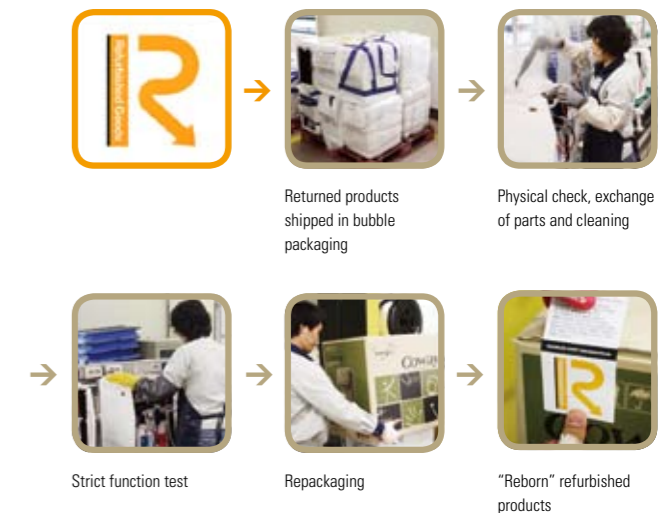
### Disassembly Process

1. Returned products are shipped
2. Refrigerants and oils from water filtration devices are retrieved
3. Products are disassembled in the reverse order of assembly
4. Foreign materials are removed
5. Plastic scrap (PP, ABS, etc.) are produced and sold
6. The products are separated into scrap and other waste and sold to recycling companies

## Refurbishment Process

Refurbished goods are items that have been returned for a number of reasons such as when a customer changes his/her mind or if scratches are found on a new product. Floor or demonstration models also qualify as refurbished products. Companies rework these items and sell them as refurbished products.

The level of quality is the same as a product that is sold as new. The advantage to the consumer is the ability to obtain the item at a lower cost and at the same time, contribute to the environment. Woongjin Coway started to produce refurbished products in 2006 for export and manufactured a total of seven models of refurbished goods in 2009 for domestic sale. The company will expand refurbishments as part of its overall environment management strategy.







## What Has Innovation and Change Brought to Woongjin Coway?

### Imagination Ocean

**Woongjin Coway draws innovation through creativity and change.**

In April 2008, the company launched Imagination Ocean, a Web site where employees can freely suggest ideas intended to improve corporate operations easily and informally. The creation of Imagination Ocean drove up employee participation in innovation activities from 41 percent in 2007 to 92 percent in 2008, while the average number of suggestions per employee also jumped from 1.5 in 2007, to 7.3 in 2008, and to 9.6 in 2009.

### Emotion & Tomorrow

**Creative changes and innovation are being made possible at production sites.**

Based on the design philosophy "Emotion & Tomorrow – Design which Creates Emotion for Tomorrow," Woongjin Coway has striven to create higher future value for its customers' emotional satisfaction to ensure that customers experience not only the company's products and services, but also a new life style, and by extension a new culture.

# Woongjin Coway draws innovation through creativity and change.

“

*“I wish the entire Woongjin Group family can share their jobs and plan for a bright future through Hanggarae. To this end, we need to learn from other divisions and companies and change the system fit in regard to each division’s characteristics or environment, while CEOs must pay closer attention to the system. ‘Tto Tto Sarang’ can be fully realized only when all employees love their own work.”*

”

WOONGJIN GROUP CEO  
**Seok-Keum Yoon**



## Hanggarae

In 2009, Woongjin Group introduced Hanggarae, an innovative method regarding the way employees work. Hanggarae means “happiness (Hang) comes (Rae) to the entire Woongjin Group family (Ga),” when employees find valuable ways to spend their time and perform their jobs happily as they praise and encourage each other. This term can also refer to tossing someone into the air to share the pleasure of winning a sports game.

The purpose of Hanggarae is to innovate the way Woongjin Coway employees work. The motto started with the adoption of visual planning, through which employees share their work with their colleagues, and later developed further when the concept was combined with mutual praise and encouragement with the end goal of producing results. Hanggarae is meant to remove wrong or inefficient business practices and reduce reporting and meetings, while filling any voids which may result with more valuable work. The Woongjin Group expects work visualization through Hanggarae to lead to increased value and the establishment of a vibrant organizational culture. For 2010, Woongjin Group has set the direction of the initiative as the pursuit of individual goals at work according to organizational goals, and performing the planned tasks and producing visible results through management of indicators and processes.

## Imagination Ocean

Launched in April 2008, Imagination Ocean provides an interesting and easy way for employees to make suggestions for work improvement and innovation. Each time an employee submits an idea into a virtual ocean of suggestions created on the Web, the person receives a shrimp (worth KRW 100). When the individual collects 10,000 shrimp, he/she will receive one dolphin (worth KRW 1 million).

A dolphin can be exchanged with a KRW 1 million travel certificate. To add a sense of fun, different grades (crewman, boatswain, captain) are awarded according to the number of shrimp accumulated. The creation of Imagination Ocean raised the employee participation rate in innovation activities from 41% in 2007 to 92% in 2008, and drove up the number of suggestions per person from 1.5 in 2007 to 7.3 in 2008 and to 9.6 in 2009. In 2009, Woongjin Coway also created Imagination Continent. Through this initiative, the division which wins the highest number of shrimp every month is eligible to stake claims on the Imagination Continent. In 2009, 110,000 suggestions were made in total. To promote the culture of suggestions and utilize Imagination Ocean as part of our

social contribution efforts, we began teaching the Imagination Ocean concept to other companies. In 2009 alone, 77 financial institutions, government-run companies and large corporations at home and abroad visited Woongjin Coway to learn the system, 11 of which have incorporated the system into their own companies and subsequently made monetary contributions after acquiring the know-how of the employee suggestion facilitation system. Woongjin Coway contributed the KRW 10 million it received in this light to social welfare organizations, which used the money to provide school uniforms for secondary school students from low-income families. We will continue to share our system with other companies and return their monetary contributions to society.

## Scenario Planning

Introduced in 2008, scenario planning is a strategic planning method in which a scenario of possible events in the future is written in order to maximize the likelihood of identifying risks and grabbing opportunities. It is the only strategic planning method which considers time as a factor. Recognizing the importance of scenario planning in 2009, Woongjin Coway informed the concept of scenario planning and shared best practices with its online community.

Scenario planning against competitors begun by the company in February 2009 led to a division head workshop, a companywide meeting, improvement of security, human resource management and customer retention, as well as technical review at the enterprise level. Scenario planning in 2010 will support the establishment of human resource infrastructure and strategic decision-making through systematic promotion, provision of training opportunities and project implementation.

## Risk Management

Operation risk management is about being prepared for operational risks resulting from changes in global conditions and strategy changes of competitors. As the first step taken to set up a risk management system, Woongjin Coway raised employee awareness of risk management by sharing best practices of scenario planning in 2009. We aim to create a risk management organization to perform risk management and obtain BS25999, the British Standard Association’s business continuity plan certificate.

## Job Eraser

Launched in 2008, the Job Eraser Campaign was designed to eliminate unnecessary steps and formalities in the work process. With 401 employees involved in the first year, the campaign resulted in a savings of 17.1 hours of work time per person. In addition to carrying out the initiative in 2009, we introduced a kind of a town hall meeting to set up an effective problem-solving model. Monitoring was reinforced to ensure swift decision-making and execution by management in order to come up with prompt corrective measures when deemed necessary.

In 2009, the campaign was completed at Head Office and “Job Eraser Day” was implemented for the CEO as a way of resolving problems efficiently and taking corrective measures immediately. These initiatives made possible an enterprise-level organization to resolve team level problems, encourage cross-division discussion and promote constant monitoring of CEO decision-making. This initiative is carried out by the order of discussions on specific issues, an analysis of problems, the suggesting of solutions, the CEO’s decisions constant monitoring.

**Design Innovation to Create Eco-friendly Products**

Based on the design philosophy "Emotion & Tomorrow – Design which Creates Emotion for Tomorrow," Woongjin Coway has striven to create higher future value for customers' emotional satisfaction to ensure that its customers experience not only the company's products and services, but also a new life style, and by extension a new culture.

Understanding the importance of researching prior design, Woongjin Coway has held a design exhibition called "De+Novation" every year as a venue at which vision may be suggested. A design forum has also been held which consists of external design experts as a way to seek diverse perspectives on design. Moreover, the company has established a global network to enhance its overall competitiveness and establish an information infrastructure. As a result, just in a single year since initiating design management, the company was honored with the Presidential Award at the 9th Korea Design Awards in the category of design management. In 2008, Woongjin Coway swept the world-renowned design awards including Germany's iF Award, the red dot Design Award and the IDEA Awards in the United States. These achievements represented the first ever design award grand slam for a Korean home wellness appliances manufacturer.

In 2009, the Presidential Council on Nation Branding selected Woongjin Coway as a consumer brand which improves the reputation of the nation. Internationally, the company has won accolades from the red dot Design Award since 2007, when the Award started to issue design certificates. Among eleven products submitted, eight obtained a design certificate, clear evidence of Woongjin Coway's global top-class design quality.



woongjin coway

sustainability report 2009

080

**Creative Change and Innovation have been Pursued at Production Sites.**

Section 06

innovation

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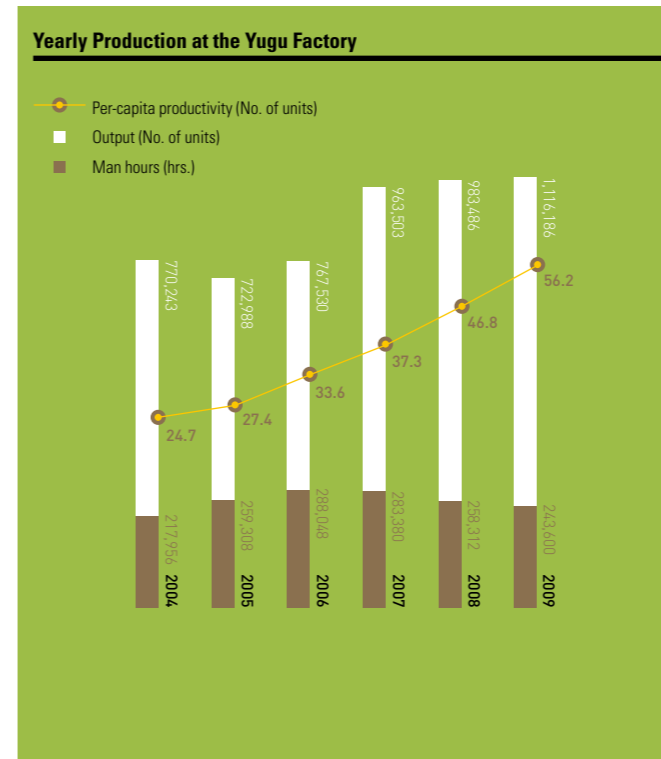
**The Yugu Factory, the Birthplace of Production Innovation**

Under the philosophy "species have to continue evolving to survive," Woongjin Coway's Yugu Factory has focused on innovative production activities.

Completed in April 1994, the factory was expanded in 1995. To make the factory the largest consumer electronics manufacturing site in the world, Woongjin Coway started construction of a filter manufacturing plant on the Yugu Factory premises in October 1997. The filter production facility is a Programmable Logic Controller-based automated facility with annual production capacity of 1.44 million units. It is the largest production facility not only in Korea, but also in the world. As of 2009, the Yugu Factory consists of nine water filtration device lines, four air purifier lines, nine filter lines and a carbon block line. The factory has a building area of 1,2859.98m<sup>2</sup> and a floor area of 20,450.79m<sup>2</sup>. The base of the factory is 40,184.80m<sup>2</sup>. For a more effective and stronger production organization, the factory has seven teams (five teams for the Yugu Factory and two teams for the Environment Quality Institute).

The factory has an annual production capacity of 1.44 million water filtration devices, 780,000 air purifiers and 16.2 million filters. Through efficient location of human resources, multi-functionality and focused production have been realized at the factory. The company spares no efforts to enhance competitiveness at the factory, with an aim of achieving zero waste, defects and breakdowns, thereby improving productivity and quality and cutting costs.

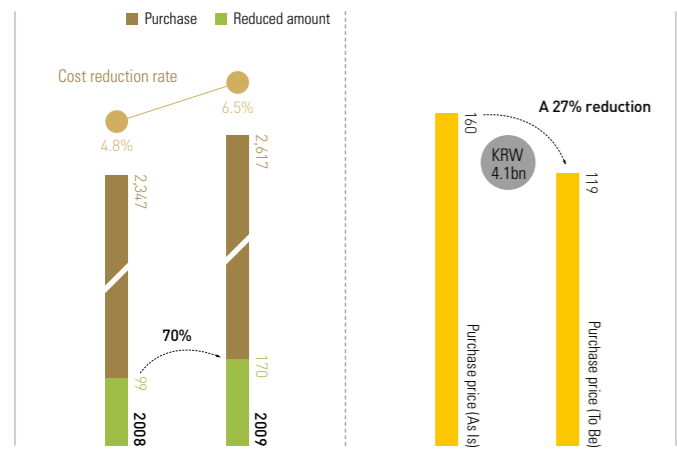
Innovation activities at the Yugu Factory include production innovation through the establishment of cell lines, fostering of individuals playing multiple roles through lean and adaptive study groups, process innovation throughout the production cycle and value engineering for material cost reduction. Since the beginning of 2010, moreover, a companywide daily "academy" has been conducted to build consensus for the need for innovation, to experience innovation and identify waste. Due to all of these innovation activities, the Yugu Factory has established innovative production lines such as conceptually new cell lines, thereby significantly improving productivity. With an aim of making the factory the global no. 1 production site, Woongjin Coway is creating a companywide culture of innovation and promoting innovative activities.



## Cost Innovation

Woongjin Coway has recently felt the need for cost-related innovation as use of raw materials jumped in line with the development of a service kit in 2009 (from 16 billion to 17.3 million units per year). Thus, the cost of parts for "HEART Service" was reduced by encouraging competition among business partners, value engineering of parts and components and process improvement. In particular, packaging was automated, while we ensured existing and new business partners use common tablet parts.

**Cost Innovation Index 2009** (Unit: KRW billion)



## Value Engineering & 3S TECH (Standardization/Simplification/Specialization)

Woongjin Coway's Yugu Factory has achieved material cost reduction through the re-designing of mass-produced parts and products.

Woongjin Coway was able to reduce costs and improve operational efficiency as the company accomplished design optimization, standardization, simplification and parts consolidation by adopting the Eliminate, Combine, Rearrange and Simplify (E CRS) technique. In particular, standardization of service parts enabled 80-percent consolidation of packaging specifications of water filtration devices and air purifiers, as well as standardized and specialized services for our customers.

Value engineering resulted in a KRW 6.1 billion reduction in material costs in 2009, while 3S TECH improved service efficiency, convenience, the company's specialties and its corporate image.

## Production Input Process Innovation

Woongjin Coway faces an increasing need to acquire capabilities of timely supply and establish processes and systems in a business environment where a large number of items must be produced in relatively small quantities, as well as one which has seen a sudden increase in exports. Accordingly, the company has established an optimal supply chain by synchronizing each stage (sales and production planning, ordering, shipment and production), extracting and performing eight key tasks and 180 small tasks in order to improve supply capacity through a stable production plan and establishment of purchase chain management.

By division, the sales division operated according to a 12-week sales plan, which enabled in-advance monitoring of supply resources (production capacity, material availability check and business partners' supply plan) in connection to the 12-week plan.

The production division established a systematic production plan, while the materials division built the "one item-one location" system, a tangible materials management and release function based on a selection list. In addition, the procurement division worked to achieve material visibility by creating purchase orders through systems rather than manually, and requiring vendors to notify the company in regard to how much they can supply when an order is received.

These activities resulted in remarkable achievements including improvement in supply capacity (the ability to supply products in only two days), utilization of material requirement planning, the establishment of an integrated resource management system using supply chain management, materials supply visibility, flexibility, one item-one location, development of key performance indicators for each area and quantification of work level. In particular, production performance improvement and loss rate decrease has saved the company KRW 1 billion a year.

## Pocheon Factory Practices Low-carbon, Green Management

In 2007, Woongjin Coway's Pocheon Factory was turned into a recycling center in order to fulfill the company's social responsibility pledges and implement refurbishing, recycling and reuse. The new concept recycling line established a system to produce 99.9 percent biosolids, scrap and non-ferrous metals in an eco-friendly manner by adopting a method of disassembling products in reverse order of assembly. The company could therefore generate profit by collecting highly-pure biosolids and treat byproducts in a standardized manner. Furthermore, the transparent disclosure of the treatment process served to improve Woongjin Coway's image.

Chlorofluorocarbons (CFCs) are one of main culprits behind global warming. The Pocheon Factory, Korea's only factory with a mechanism to recover refrigerants and oil, recovers and recycles CFCs from a frozen compressor of water filtration devices. Furthermore, a patent on the system with a high recovery rate has been applied for.

Production of refurbished products expanded from 4,400 units in 2008 to 23,743 units in 2009, and is expected to expand to 72,000 units in 2010. Refurbishments resulted in benefits including environmental protection and a reduction in the cost of scrapping rental products.

These innovative activities benefited the company in regard to reduced costs of scrapping rental products to the tune of KRW 7.5 billion a year and profits of KRW 3 billion per year from selling biosolids, while enabling Woongjin Coway to complete the cycle of product planning, production, sales, management and recovery, implement the Eco-Way initiative and improve the company's credibility among those outside the company.

At the center of Woongjin Coway's low-carbon, green management, the Pocheon Factory aims to become more energy-sufficient by building a system to convert waste resulting from production processes into energy. The factory has also made efforts to pioneer the global trend of greenhouse gas (GHG) reduction by establishing a GHG inventory, reducing the company's carbon footprint and establishing an electronic waste recycling system.

## One-stop Global Accreditation Center

Woongjin Coway established a one-stop global accreditation center for the first time in April 2009. This move was in response to the need for unified certification management companywide in order to reduce the product development period and the certification acquisition period to increase exports, meet the standards of overseas companies which placed orders on an OEM basis, and as the number of new certifications and the cost for them increase. Woongjin Coway operates a certification test ground and unified certification management system companywide, thereby saving certification costs of KRW 650 million and the time required by 30 days. In particular, Woongjin Coway has been certified as an internationally certified testing laboratory. This certification granted Woongjin Coway recognition of its testing and technological capabilities and improved the corporate image. The unified certification system has cut certification costs by KRW 150 million and contributed to an increase in exports.

# CHALLENGE

Section. 07



Section. 07

challenge

## Is Woongjin Coway Taking On New Challenges?

### 2010 Challenge 30

**Woongjin Coway's new era has begun in 2010.**

To mark the 30th anniversary of the Woongjin Group, the company has implemented a new management slogan called "2010 Challenge 30," which indicates the company's desire to challenge itself in 2010 to improve overall performance by 30 percent in each area.

# 99.99%

**Ceaseless efforts at the company's R&D facilities will help Woongjin Coway realize customer satisfaction.**

After the new influenza was found to be airborne in nature, Woongjin Coway's Environment Technology Institute started to develop a filter to eliminate this virus in the air with successful results. The filter, which eliminates 99.99 percent of the new influenza virus, has added a differentiated function to the company's air purifiers and highlighted Woongjin Coway's technological excellence.



085

# Ceaseless Efforts at Woongjin Coway R&D Facilities will Contribute to Realizing Customer Satisfaction

## Overview of R&D Facilities

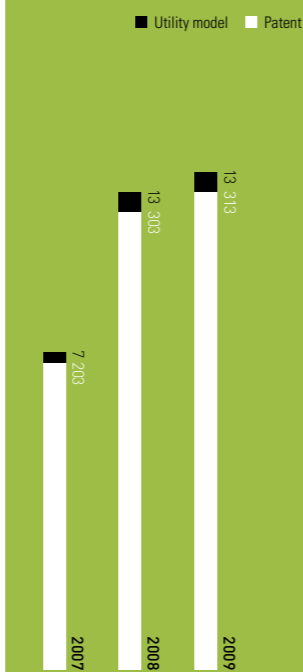
R&D facilities at Woongjin Coway place priority on improving customer conveniences rather than corporate profit. We identify customer needs and develop products to fulfill those needs. As of the end of 2009, Woongjin Coway has 195 researchers on its staff, 10 of whom hold PhDs, and 90 of whom have earned a master's degree. In 2009, the company applied for 313 patents and 13 utility models.

### R&D Investments

(Unit: KRW '000)

	Category	2007	2008	2009
Expense	Design Division	2,193,420	2,319,745	1,923,294
	Environment Technology Institute	17,045,886	22,352,969	23,419,357
	Projects	4,687,702	4,283,762	7,263,267
	Environment Quality Institute	4,123,566	5,750,610	6,046,068
	Production Division	1,992,592	2,345,775	2,803,258
	Cosmetic Research Institute		666,189	3,690,429
	<b>Sub-total</b>		<b>30,043,166</b>	<b>37,719,051</b>
Asset	Environment Technology Institute	19,213,960	15,940,126	1,557,124
	Projects	10,003,052	258,200	9,108,725
	Environment Quality Institute	1,244,160	1,464,372	493,437
	Production Division	879,488	500,808	247,136
	Cosmetic Research Institute		1,188,986	195,289
	<b>Sub-total</b>		<b>31,340,659</b>	<b>18,836,091</b>
<b>Total</b>		<b>61,383,825</b>	<b>56,555,142</b>	<b>56,747,383</b>

### Number of Patent Applications



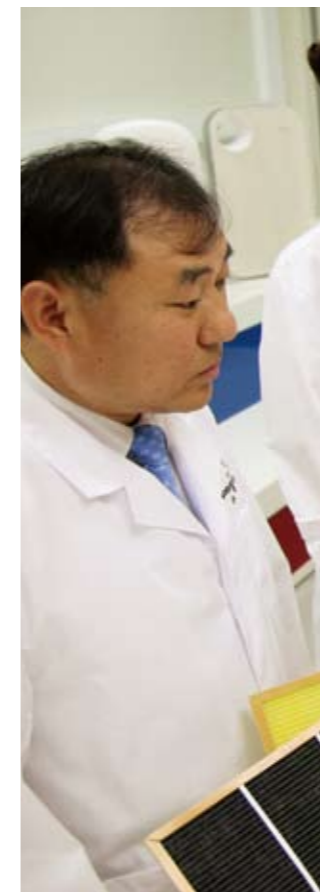
## Development of an Anti-virus Air Purifier Filter

After the new influenza was found to be airborne, Woongjin Coway's Environment Technology Institute started to develop a filter to eliminate the virus, and has seen success in this light.

The filter, which eliminates 99.99 percent of the new virus, has added a differentiated function to the company's air purifiers and highlighted the company's technological excellence.

Ginkgo leaves and sumac extracts absorb and destroy the protein on the surface of the virus. On September 30, 2009, the Influenza Virus Research Institute at Chungnam National University led by Professor Sang-Hui Seo ([www.cnuflulab.com](http://www.cnuflulab.com)) confirmed in testing that the Woongjin Coway H1N1-killing Air Purifier Filter's liquid filter eliminated 100 percent of H1N1, while the liquid-coated filter got rid of 99.99 percent of H1N1.

In 2008, Woongjin Cair's air purifier filters were verified by several institutes at overseas university for their ability to kill the avian influenza virus (Tottori University in Japan and the Chinese Veterinary Science Research Institute), influenza virus-killing function (Tsukuba University in Japan) and legionella-eliminating function (Kyoto University in Japan). In July 2009, in collaborative research with Harvard School of Public Health professor Petros Koutrakis, a renowned scholar in indoor air quality and public health, Woongjin Coway air purifiers were shown to remove 99 percent of airborne pollutants (pollen, dust, fine particles and smoke).



### Anti-influenza Virus Filter Development

**Anti-sick house syndrome filter in 2004**  
Function: Eliminating H3N2 influenza virus /  
Testing lab: Osaka Prefectural Institute of Public Health

Function Enhancement

**Filter for child health in 2007**  
Eliminating H5N1 (Chinese Veterinary Science Research Institute) / Eliminating H1N1 (Tsukuba University)

Function Enhancement

**Anti-virus filter in 2009**  
Function: Eliminating 99.99% H5N1 influenza virus /  
Testing lab: Influenza Virus Research Institute at Chungnam National University



# In 2010, Woongjin Coway will take on new challenges.

## Management Slogan "2010 Challenge 30"

Since the early 2000s, Woongjin Coway has declared a management slogan every year to effectively pursue management objectives and action plans to achieve those objectives. The management slogan sets the direction of the year's activities to ensure sustainability. The management slogan for 2009 was "GreenUp 2009," created to accomplish two goals simultaneously: eco-friendly management and growth. For 2010, Woongjin Coway's management slogan is "2010 Challenge 30." On the 30th anniversary of the Woongjin Group in 2010, Woongjin Coway will challenge itself to improve performance by 30 percent in every area.



The green, yellow and orange colors in the logo indicate Woongjin Coway's love of the environment, society and organization, and the logo expresses all three are in harmony.

## Business Goals and Strategies for 2010

In 2010, Woongjin Coway aims to post KRW 228 billion in operating income with sales of KRW 1.53 trillion. In addition, we expect the number of accounts to reach 5 million, which we believe will contribute to stable sales.

In regard to existing businesses, the company will strive to acquire new customers, increase lump-sum sales, acquire new items and recruit and retain more Codys. For Woongjin Coway's overseas business, we will enhance products for export, increase own-brand and OEM product sales, improve price competitiveness at overseas operations and identify best practices at overseas operations. As for cosmetics R&D, Woongjin Coway will enhance product competitiveness, develop eco-friendly technology and cut costs by 50 percent. Furthermore, in the water treatment business, we aim to expand our share in the domestic water treatment industry, lay the foundation for mid- to long-term growth engines and increase technological competencies.

## 2010 Strategies

Woongjin Coway aims to stabilize its operating margin and ordinary margin by managing profit and loss and logistics in a more sophisticated manner. We also plan to manage cost as well as profit and loss efficiently. To explore new markets and develop new products, Woongjin Coway will make strategic investments and invest in material and human resource infrastructures.

The company will acquire a new driving force in its water treatment business both at home and abroad, while strengthening existing competencies. As a way to improve competencies in water treatment business, an acquisition deal is underway. In addition, Woongjin Coway is considering new business areas identified as next-generation growth engines.

## Facilitation of Innovation Activities

Woongjin Coway has continued to improve upon its "Imagination Ocean" initiative, the starting point of innovation within the company. In 2010, the company will facilitate Imagination Together further in order to improve "Imagination Ocean". In particular, we will encourage employee participation through monthly programs of Imagination Together such as "Find the New Continent," which is to explore new promising business areas and growth engines. We will also adopt as themes for

the "Job Eraser Campaign" great ideas found through "Search for Hidden Pearls," an imagination search with 170,000 cumulative search results. Companywide communication will be enhanced through "Hang-garae", a bulletin board to share team and individual work.

"Scenario planning" is a core program for constant business risk management. In 2009, we wrote scenarios against competitors' market penetration and the spread of new influenza. In 2010, scenario planning will continue.

## Improving Employee Satisfaction and Risk Management

Woongjin Coway is determined to improve employee satisfaction and risk management by enhancing internal and external communication. With an aim of improving employee satisfaction, town hall meetings with the CEO will be organized once or twice a month for each region or head branch office, compensation for high-performing employees will be enhanced, and tailor-made programs for individual development will be initiated. Furthermore, employee benefits will be improved such as employee discounts for wedding consultation and widened support for communities of production and sales position employees. For better risk management, Woongjin Coway will diagnose risks, produce a risk management manual and conduct media training.

## 2010 Strategy by Business



# APPENDIX 2009

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## Summary Balance Sheets

(Unit : KRW thousand)

Category	2008	2009
Current assets	475,603,124,072	509,455,179,008
Quick assets	417,610,283,322	454,865,184,173
Inventories	57,992,840,750	54,589,994,835
Non-current assets	595,804,679,962	761,224,486,961
Investment assets	114,061,160,789	130,735,316,259
Tangible assets	356,410,921,002	418,204,135,717
Intangible assets	64,857,191,003	141,086,744,717
Other non-current assets	60,475,407,168	71,198,290,268
<b>Total assets</b>	<b>1,071,407,804,034</b>	<b>1,270,679,665,969</b>
Current liabilities	398,741,701,354	541,770,439,248
Non-current liabilities	76,034,631,500	48,230,468,529
<b>Total liabilities</b>	<b>474,776,332,854</b>	<b>590,000,907,777</b>
Capital stock	39,315,996,500	40,662,398,000
Capital surplus	108,723,904,519	141,927,705,227
Capital adjustment	6,180,975,172	31,514,185,586
Accumulated other comprehensive income	1,346,595,326	15,161,101
Retained earnings	441,063,999,663	529,587,679,450
Legal reserve	16,825,427,025	23,325,427,025
Voluntary reserve	295,076,034,595	352,976,034,595
Retained earnings before appropriations	129,162,538,043	153,286,217,830
<b>Total shareholders' equity</b>	<b>596,631,471,180</b>	<b>680,678,758,192</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,071,407,804,034</b>	<b>1,270,679,665,969</b>

## Summary Income Statements

(Unit : KRW thousand)

Category	2008	2009
Sales	1,314,402,926,953	1,411,922,316,352
Cost of goods sold	407,158,576,376	406,172,220,895
Gross profit	907,244,350,577	951,750,095,457
SG&A expenses	717,095,398,764	747,492,690,615
Operating income	190,148,951,813	204,257,404,842
Non-operating income	21,459,966,303	27,224,570,202
Non-operating expenses	26,823,671,463	28,757,587,130
Net income before income tax	184,785,246,653	202,724,387,914
Income tax expenses	55,720,577,212	49,444,874,217
Net income	129,064,669,441	153,279,513,697



# Awards and Recognition

## Awards and Certification

Name of award	Year	Number of prize or accolade	Note
IF Design award	2008	8	
	2009	1	
Red-Dot Design award	2007	1	
	2008	3	
	2009	3	
IDEA Design award	2008	7	Awarded Dann: Winners Silver
Japan Good Design	2007	2	
	2008	1	
	2009	2	
Good Design	2009	4	
PIN UP	2009	3	



BB08



reddot award  
product design



BA14



AP-1009

PIN UP  
DESIGN AWARDS

## Awards



**Korea Management Grand Prize Marketing**  
Korea Management Association Consulting (KMAC)



**Korea Brand Power Index**  
Food waste processor Clive  
Korea Management Association



**Korea Customer Satisfaction Index**  
Water filtration device, Cairis air purifier  
KMAC



**World-class Product**  
Water filtration device  
Ministry of Knowledge Economy



**Korea Consumption Culture Award 2009**  
Korean Consumption Culture Association



**Carbon Disclosure Leadership Index**  
Consumer staple category  
Carbon Disclosure Project Korea



**Prime Minister's Award for low-carbon, green management**  
Ministry of Environment, Ministry of Knowledge Economy



**Energy Winner Award**  
Green device category (AP-3008, BA11)  
Consumers Korea



**Technology Frontier Award**  
CHP-08A  
Korean Standards Association

## Certification



**CCMS Re-certified**  
Fair Trade Commission



**International Safe Transit Association (ISTA) certificate**  
ISTA



**New Excellent Technology Certificate**  
General device category  
Ministry of Knowledge Economy



**Hazardous substance process management certificate**  
Design and production of water filtration devices and air purifiers  
Korea Testing Laboratory



**Certified as standby power testing lab**  
Ministry of Knowledge Economy  
Korea Energy Management Corporation



**Certified as an accredited testing laboratory by Korea Laboratory Accreditation Scheme**  
Korean Agency for Technology and Standard under Ministry of Knowledge Economy



**Certified as an official RoHS testing institute**  
European Union TUV SUD



**WOA Certified as a testing laboratory**  
Water Quality Association

# Assurance Report

**To Readers of  
Woongjin Coway's  
Sustainability Report  
2009**

## Foreword

The Korea Management Association Registration and Assessments (KMAR) has been engaged by Woongjin Coway to verify the content of its 2008 Sustainability Report (the "Report"). The management at Woongjin Coway is responsible for the collection and presentation of information within the Report. Our responsibility is to carry out assurance activities on specific information in the verification scope stipulated below.

## Independent Assurance

With the exception of providing third party verification services, KMAR is not involved in any other Woongjin Coway business operations that are aimed at making profits in order to avoid any conflicts of interest and to maintain independence.

## Assurance Scope

Woongjin Coway described its efforts and achievements of its sustainability activities in the Report. The verification process was designed to provide readers with the following information;

### Economy Segment

We reviewed whether financial performance data have been extracted appropriately from Woongjin Coway's 2009 Financial Statements Audit Report and Annual Report as defined in the Report's performances and conclusion sectors

### Society/ Environment Segments

Review whether information included in the following segments is presented appropriately.

- Ethics Management
- Sustainability Management System
- Stakeholders (customers, employees, shareholders and business partners)
- Social Contribution
- The environment

"Presented appropriately" means that the content of the Report appropriately reflects actual data and original information and are presented in a consistent and reliable manner. For the economy segment, we based our evidence gathering procedures on reasonable assurance. It is a higher level of assurance than the limited verification in terms of characteristics and the extent of performed tasks.

## Verification Criteria

We performed the review based on our verification criteria that have been developed in accordance with the Accountability's "AA1000 Assurance Standard." We also used the International Auditing and Assurance Standards Board-issued "International Standard on Assurance Engagements (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information" as additional guidelines.

## Verification Process and Conclusion

In order to form our conclusion, KMAR undertook the steps outlined below to assess Woongjin Coway's internal processes for reviewing the sustainability reporting practices.

- Surveyed Woongjin Coway's sustainability related media information during the reporting period
- Reviewed systems and processes used in producing data
- Assessed internal documents and materials
- Interviewed a selection of executives and senior managers at Woongjin Coway in charge of disclosed activities and performances

Based on results we have obtained from material reviews, related department visits and interviews, we held several discussions with Woongjin Coway on the revision of the Report. We reviewed the Report's final version in order to confirm whether our recommendations for improvement and revisions have been reflected.

### Economic Performance

KMAR compared the Report with Woongjin Coway's 2009 Financial Statements and found that the financial data presented in the Report has been appropriately derived from 2009 Financial Statements.

### Environmental and Social Performance

KMAR observed that information contained in the "environmental and social sections" has been appropriately presented. We did not discover any significant errors.

## Further Recommendations

We hope the Report Woongjin Coway issued in 2009 will be actively used as a communication tool with stakeholders and recommend the following;

- Woongjin Coway should acquire connection between corporate management strategies and sustainability management direction
- Woongjin Coway should identify material issues through stakeholder surveys and undertake systematic analysis of the survey results

CEO **Ki-Ho Park**

*K. H. Park*

**KMAR**  
Korea Management Association  
Registrations & Assessments Inc.

## Comment from External Expert



Myoung-Chun Lee

- Professor of Advertising and Public Relations at Chung-Ang University
- Chief Director of Korean Supporters for Youth International
- President of Korean Academic Society for Public Relations

In 2009, the financial crisis which had originated in the United States spread to rest of the world, aggravating business conditions. A number of companies experienced the crisis firsthand in the rapidly changing market which ensued. It goes without saying that companies must be able to respond to unexpected changes in order to grow in a sustainable manner. In this regard, I believe Woongjin Coway is a strong company. On its 20th anniversary in 2009, the company declared the year as the initial year of customer value-based management. Unlike most companies, Woongjin Coway positioned its customers at the center of its business operations despite the tough management environment and proactively practiced customer value management. Among a number of activities, HEART Service may represent the most remarkable change for customers. In order to fulfill customer satisfaction and obtain customer trust, the field system was enhanced and an organization exclusively in charge of corporate customers was established.

Woongjin Coway's Sustainability Report 2009 shows the company's proactive efforts to communicate with its diverse stakeholder groups including, of course, its customers. This Report presents the company's performance for fiscal year 2009 and specifically shows the direction of management in 2010. Throughout 2009, Woongjin Coway implemented diverse environment management practices. The company launched Eco-way to nurture low-carbon, green management and implemented the Environmental Data Management (EDM) System, which enables the company to manage energy usage and hazardous substances. In June 2009, Woongjin Coway also became the first Korean consumer electronics company to establish a greenhouse gas inventory and won a government subsidy of KRW 640 million from the Ministry of Knowledge Economy, resulting in the reduction of KRW 10 billion in environmental costs. Furthermore, in the process of winning the privilege to use Carbon Footprint Labeling, Woongjin Coway was able to establish a life cycle assessment system and obtained certification for hazardous substance process management (HSPM).

Woongjin Coway's environment management generated substantial results in connection with product development and its production system. The company's air purifier won the Energy Winner Award for reducing energy costs, while Woongjin Coway's refurbished products offer an excellent opportunity for customers to purchase quality products at a discount and simultaneously contribute to the environment by reducing waste. We can reaffirm that Woongjin Coway's management direction is oriented towards future, in that the company has found business opportunities in environmental preservation.

Such efforts were also recognized by the company being awarded the Korea Consumption Culture Award 2009 and being recertified as a company with the best Consumer Complaints Management System. As demonstrated in this Report, Woongjin Coway challenged itself in regard to product development, production, customer service, communication with diverse stakeholder groups and global market penetration, and subsequently has achieved diverse results.

For sustainable management, companies must always heed customers' voices and remain a step ahead of customers in order to satisfy their demands. It is also important to establish systems to respond to customers' misunderstandings, complaints and unexpected emergencies. In this Report, the management slogan "2010 Challenge 30" is introduced as a slogan which indicates the company's desire to challenge itself to achieve 30-percent performance improvement in every area. I especially look forward to Woongjin Coway's keeping its promise to proactively practice love of the environment, society and organization. Through the Sustainability Report 2009, all stakeholders, including shareholders and consumers, will continue to watch the development of Woongjin Coway and encourage the company to add to its impressive record of achievement.

## GRI Index

GRI Index	Indicators	Page	Remark
<b>1</b>	<b>Strategy and Analysis</b>		
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	6, 7	
1.2	Description of key impacts, risks, and opportunities	10, 11	
<b>2</b>	<b>Organizational Profile</b>		
2.1	Name of the organization	14	
2.2	Primary brands, products, and/or service	12, 13	
2.3	Operational structure of the organization, including main divisions, operating companies subsidiaries, and joint venture Location of organization's headquarters	14	
2.4	Location of organization's headquarters	15, 102	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	15	
2.6	Nature of ownership and legal form	47	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	15	
2.8	Scale of the reporting organization	12, 14, 91	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	47	
2.10	Awards received in the reporting period	80, 94, 95	
<b>3</b>	<b>Report Parameters</b>		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	3	
3.2	Date of most recent previous report (if any)	3	
3.3	Reporting cycle (annual, biennial, etc.)	3	
3.4	Contact point for questions regarding the report or its contents	105	
3.5	Process for defining report content	3	
3.6	Boundary of the report	3	
3.7	State any specific limitations on the scope or boundary of the report	3	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	3	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report		Shown in the report if necessary
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	3	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	3	
3.12	Table identifying the location of the Standard Disclosures in the report	97-100	
3.13	Policy and current practice with regard to seeking external assurance for the report	3	
<b>4</b>	<b>Governance, Commitments, and Engagement</b>		
4.1	Governance structure of the organization	47, 48	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	47	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	47	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	48	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	48	

# GRI Index

GRI Index	Indicators	Page	Remark
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	47	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization' strategy on economic, environmental, and social topics	47	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	6, 7 88, 89	
4.9	Procedures of the highest governance body for overseeing the organization' identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principle	47, 48	
4.10	Processes for evaluating the highest governance body' own performance, particularly with respect to economic, environmental, and social performance	48	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	79	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	92, 93	
4.13	Memberships in associations (such as industry associations) and /or national/international advocacy organizations in which the organization	92, 93	
4.14	List of stakeholder groups engaged by the organization	18, 19	
4.15	Basis for identification and selection of stakeholders with whom to engage	18, 19	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	18, 19	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	18, 19	
<b>EC</b>	<b>Economic Performance</b>		
EC1	Direct economic value generated and distributed	20, 21	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change		Main businesses are influenced by seasonal factors. However, the impact of climate change is not measurable.
EC3	Coverage of the organization's defined benefit plan obligations		See business report.
EC4	Significant financial assistance received from government		No government subsidy
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	52	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	24, 25	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	56-59	
<b>EN</b>	<b>Environment</b>		
EN1	Materials used by weight or volume	67	
EN2	Percentage of materials used that are recycled input materials		Data are not collected or managed since we purchase parts and components from outside suppliers.
<b>EN</b>	<b>Energy</b>		
EN3	Direct energy consumption by primary energy source	67	
EN4	Indirect energy consumption by primary source	67	
<b>EN</b>	<b>Water</b>		
EN8	Total water withdrawal by source		No pollutants were emitted after the membrane filter manufacturing factory was transferred to Woongjin Chemical in the second half of 2008.

# GRI Index

GRI Index	Indicators	Page	Remark
<b>EN</b>	<b>Bio-diversity</b>		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Non-applicable
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		Non-applicable
<b>EN</b>	<b>Emissions, Effluents, and Waste</b>		
EN16	Total direct and indirect greenhouse gas emissions by weight	66	
EN17	Other relevant indirect greenhouse gas emissions by weight	66	
EN19	Emissions of ozone-depleting substances by weight	66	
EN20	NOx, SOx, and other significant air emissions by type and weight	66	
EN21	Total water discharge by quality and destination		No wastewater was discharged after the wastewater treatment plant ceased to operate in March 2008.
EN22	Total weight of waste by type and disposal method	67	
EN23	Total number and volume of significant spills	67	
<b>EN</b>	<b>Products and Services</b>		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	71-73	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	74	
EN	Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for		None
<b>LA</b>	<b>Labor Practice and Decent Work</b>		
LA1	Total workforce by employment type, employment contract, and region	25	
LA2	Total number and rate of employee turnover by age group, gender, and region	25	
<b>LA</b>	<b>Labor/Management Relations</b>		
LA4	Percentage of employees covered by collective bargaining agreements	29	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements		Communication between management and employees is done in case important management issues happen.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	31	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	31	
<b>LA</b>	<b>Training and Education</b>		
LA10	Average hours of training per year per employee by employee category	27	
<b>LA</b>	<b>Diversity and Equal Opportunity</b>		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	25, 47	
LA14	Ratio of basic salary of men to women by employee category		There exists no difference between male and female workers of same position.
<b>HR</b>	<b>Human Rights</b>		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening		Non-applicable
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken		Non-applicable

# GRI Index

GRI Index	Indicators	Page	Remark
<b>HR</b>	<b>Non-Discrimination</b>		
HR4	Total number of incidents of discrimination and actions taken		None
<b>HR</b>	<b>Freedom of Association and Collective Bargaining</b>		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights		Non-applicable
<b>HR</b>	<b>Child Labor</b>		
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	24	
<b>HR</b>	<b>Forced and Compulsory Labor</b>		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor	24	
<b>SO</b>	<b>Society</b>		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	56-59	
<b>SO</b>	<b>Corruption</b>		
SO2	Percentage and total number of business units analyzed for risks related to corruption		None
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures		All executives and employees received related education including education on ethics.
SO4	Actions taken in response to incidents of corruption	34-37	
<b>SO</b>	<b>Public Policy</b>		
SO5	Public policy positions and participation in public policy development and lobbying		Non-applicable
<b>SO</b>	<b>Compliance</b>		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		No monetary fines and non-monetary sanctions
<b>PR</b>	<b>Product Responsibility</b>		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	38-41	
<b>PR</b>	<b>Product and Service Labeling</b>		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	42	
<b>PR</b>	<b>Marketing Communication</b>		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	44-46	
<b>PR</b>	<b>Compliance</b>		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		No fines levied

## GRI Application Levels Table

# GRI Index

## Self-declaration of GRI G3 Application Level



**Woongjin Coway wrote the Sustainability Report 2009 based on the GRI G3 Guidelines, and has self-declared that this report meets the requirements of GRI G3 Application Level A.**

Based on a review of this Report, KMAR has independently assured that this report meets the requirements for Application Level A.

\* An organization can self-declare a "plus" (+) at each level if they have utilized external assurance.

Report Application Level	C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures	Report on : 1.1, 2.1 2.10, 3.1 3.8, 3.10 3.12, 4.1 4.4, 4.14 4.15	Report Externally Assured	Report on : Report on all criteria listed for Level C plus, 1.2, 3.9, 3.13, 4.5 4.13, 4.16 4.17	Report Externally Assured	Report on : Same as requirement for Level B
	G3 Management Approach Disclosures	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category
	G3 Performance Indicator & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of : social, economic, and environment		Report on a minimum of 20 Performance Indicators, including at least one from each of : economic, environment, human rights, labor, society and product responsibility		Respond on each core G3 and Sector Supplement Indicator with due regard to the materiality principle by either: a) reporting on the indicator or b) explaining the reason for its omission.

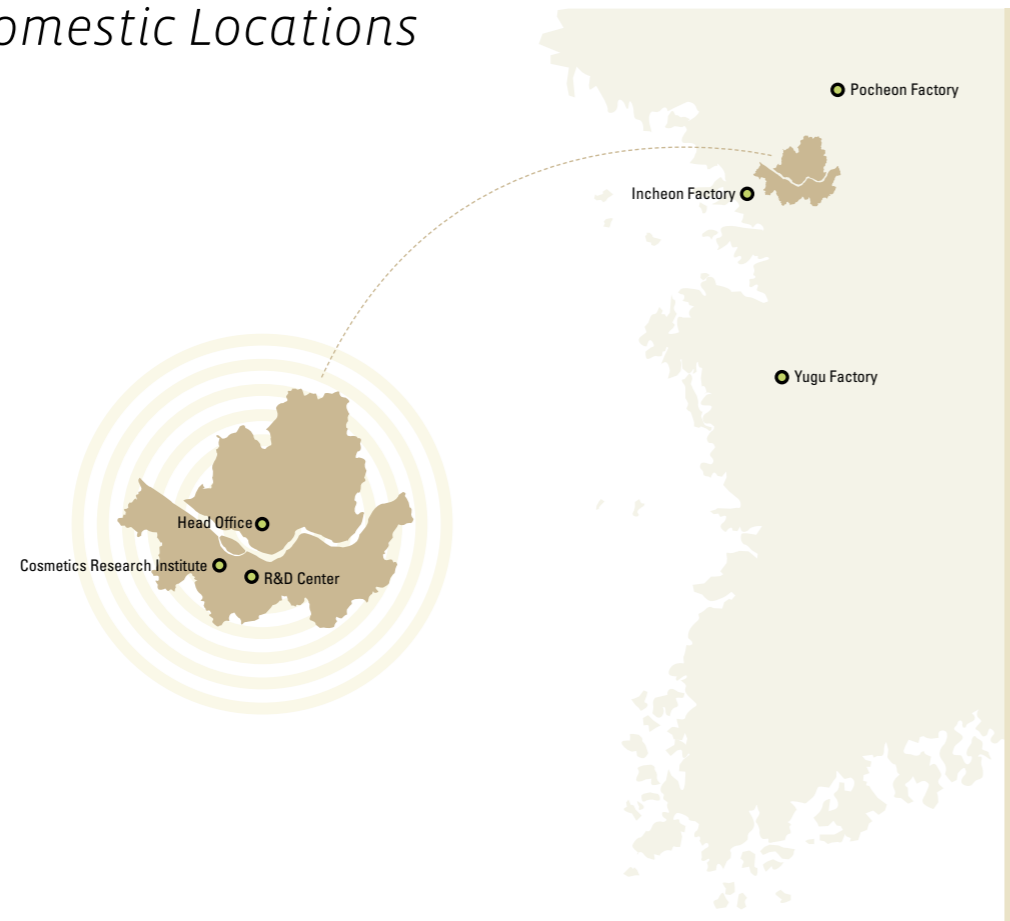


Since Woongjin Coway joined the United Nations Global Compact in June 2006, the company has abided by the organization's ten principles in the areas of human rights, labor, the environment and anti-corruption. In doing so, the company has kept growing and served as a responsible corporate citizen. This Sustainability Report features Woongjin Coway's evaluation of the present state of the company and resolution for the future.

### The Global Compact's Ten Principles

<b>Human Rights</b>	01. Businesses should support and respect the protection of proclaimed human rights; and 02. make sure that they are not complicit in human rights abuses.
<b>Labour Standards</b>	03. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 04. the elimination of all forms of forced and compulsory labor; 05. the effective abolition of child labor; and 06. the elimination of discrimination in respect of employment and occupation.
<b>Environment</b>	07. Businesses should support a precautionary approach to environmental challenges; 08. undertake initiatives to promote greater environmental responsibility; and 09. encourage the development and diffusion of environmentally friendly technologies.
<b>Anti-Corruption</b>	10. Businesses should work against corruption in all its forms, including extortion and bribery.

# Domestic Locations



### Head Office

11-17F, Jungang Daily News Bldg., 7 Sunhwa-dong, Jung-gu, Seoul 100-759 Korea  
Tel: +82-2-2172-1007

### R&D Center

Woongjin Coway R&D Center, Seoul National University Research Park,  
San 4-1 Nakseongdae-dong, Gwanak-gu, Seoul  
Tel: +82-2-870-5000

### Cosmetics Research Institute

1103-1104 JEI-Platz, 459-11 Gasan-dong, Geumcheon-gu, Seoul  
Tel: +82-2-6711-3222

### Pocheon Factory

965-1 Giji-ri, Sinbuk-myeon, Pocheon-si, Gyeonggi-do  
Tel: +82-2-2172-1007

### Yugu Factory

658 Yugu-ri, Yugu-eup, Gongju-si, Chungcheongnam-do  
Tel: +82-41-850-7805

### Incheon Factory

85B-14L, Namdong Industrial Complex, 676-16 Gojan-dong, Namdong-gu, Incheon  
Tel: +82-32-820-7019

### Woongjin Coway Web site

[www.coway.co.kr](http://www.coway.co.kr)  
Customer Center Phone Number:  
+82-1588-5100

### Woongjin Group Affiliates

- Woongjin Holdings
- Woongjin Coway
- Woongjin ThinkBig
- Woongjin Chemical
- Kukdong Engineering & Construction
- Woongjin Energy
- Woongjin Foods
- Bookxen
- Woongjin PassOne
- Rex Field Country Club
- Woongjin ST
- Woongjin Capital
- Woongjin Lucas Investment Advisory
- Woongjin Polysilicon
- Woongjin Playdoci

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# Independent auditors' report

**The Board of Directors and Stockholders  
Woongjin Coway Co., Ltd.**



We have audited the accompanying non-consolidated statements of financial position of Woongjin Coway Co., Ltd. (the "Company") as of December 31, 2009 and 2008, and the related statements of operations, appropriations of retained earnings, changes in equity and cash flows for the years then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits. We did not audit the financial statements of a subsidiary. The carrying amount of the investment in that subsidiary represents approximately 8.05% and 9.14% of the Company's total assets as of December 31, 2009 and 2008, respectively, and its equity income represents approximately 2.13% and 1.22% of the Company's income before income taxes for the years ended December 31, 2009 and 2008, respectively. These financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for this subsidiary, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of other auditors, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Woongjin Coway Co., Ltd. as of December 31, 2009 and 2008, and the results of its operations, its changes in retained earnings and equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations, changes in retained earnings and 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 non-consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those who are knowledgeable about Korean accounting principles and auditing standards and their application in practice.

*Ernst & Young Han Young*

March 5, 2010

### ERNST&YOUNG HANYOUNG

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### NOTICE TO READERS

This audit report is effective as of March 5, 2010, the auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying non-consolidated financial statements and may result in modifications to this report.

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# Balance Sheets

As of December 31, 2009 and 2008

	2009	2008
<i>Korean won in thousands</i>		
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents (Note 13)	63,721,045	76,101,910
Short-term investment assets (Notes 13 and 20)	5,494,230	5,901,688
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩51,918,324 in 2009 and ₩55,612,95 in 2008 (Notes 13, 20 and 36)	194,577,162	149,822,884
Other accounts receivable, net of allowance for doubtful accounts of ₩13,730,119 in 2009 and ₩11,273,089 in 2008 (Notes 13 and 20)	3,978,655	8,326,858
Accrued income, net of allowance for doubtful accounts of ₩1,318,777 in 2009 and ₩815,921 in 2008 (Note 20)	32,062	-
Advance payments, net of allowance for doubtful accounts of ₩8,691,528 in 2009 and nil in 2008	1,340,460	11,446,672
Prepaid expenses (Note 36) 180,005,187	162,909,252	
Deferred income tax assets (Note 21) a	5,716,383	3,101,019
Inventories (Note 26):		
Merchandise	30,289,284	36,493,386
Finished goods	24,613,553	20,778,598
Work-in-process	169,205	393,668
Raw materials	4,908,721	5,756,630
Others	232,638	245,376
	60,213,401	63,667,658
Less valuation allowance	(5,623,407)	(5,674,818)
Inventories, net	54,589,994	57,992,840
<b>Total current assets</b>	<b>509,455,178</b>	<b>475,603,123</b>
<b>Non-current assets:</b>		
Long-term investment assets (Note 5, 21)	2,103,738	3,048,699
Equity method investments (Note 6)	128,581,579	109,765,552
Long-term loans receivable, net of allowance for doubtful accounts of ₩4,399,949 in 2008 and ₩3,491,815 in 2008 (Notes 13 and 20)	-	1,246,911
Long-term guarantee deposits, net of allowance for doubtful accounts of ₩2,302,939 in 2009 and nil in 2008	44,661,417	39,176,274
Defaulted notes receivable, net of allowance for doubtful account of ₩2,959,073 in 2009 and ₩2,362,562 in 2008	654,500	-
Long-term prepaid expenses	16,572,917	17,497,917
Deferred income tax assets (Note 21)	8,463,627	3,505,386
Property, plant and equipment (Notes 7, 8 and 26)	418,204,136	356,410,921
Intangible assets (Notes 9, 21, 34)	141,086,744	64,857,191
Other non-current assets (Note 4)	895,830	295,830
	761,224,488	595,804,681
<b>Total assets</b>	<b>1,270,679,666</b>	<b>1,071,407,804</b>

*(Continued)*  
*See accompanying notes*

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2009 Financial Statements

# Balance Sheets

As of December 31, 2009 and 2008

	2009	2008
<i>Korean won in thousands</i>		
<b>Liabilities and equity</b>		
<b>Current liabilities:</b>		
Trade accounts and notes payable (Note 20)	29,220,399	34,168,108
Short-term borrowings (Notes 11 and 27)	119,715,069	107,845,795
Other accounts payable (Note 20)	103,577,575	83,662,104
Advances received	121,280,682	128,591,731
Unearned revenues	43,467	-
Withholdings	9,776,951	10,415,078
Accrued expenses	12,207,841	5,445,287
Income taxes payable (Note 21)	23,514,516	26,793,650
Provision for product warranties (Note 15)	1,765,671	1,411,512
Provision for return of goods sold (Note 15)	668,268	408,437
Current portion of long-term borrowings (Notes 11 and 27)	30,000,000	-
Current portion of bonds (Note 11 and 27)	90,000,000	-
<b>Total current liabilities</b>	<b>541,770,439</b>	<b>398,741,702</b>
<b>Non-current liabilities:</b>		
Long-term borrowings (Notes 11 and 27)	30,000,000	60,000,000
Long-term other accounts payable	24,000	-
Reserve for agent losses (Note 12)	5,594,074	5,747,457
Rental deposits received from customers	1,121,308	1,124,008
Provision for construction warranties (Note 15)	139,217	161,603
Severance and retirement benefits, net (Notes 14 and 20)	11,336,869	8,991,563
Leasehold deposits received	15,000	10,000
<b>Total non-current liabilities</b>	<b>48,230,468</b>	<b>76,034,631</b>
<b>Total liabilities</b>	<b>590,000,907</b>	<b>474,776,333</b>
<b>Equity:</b>		
Capital stock (Note 16)	40,662,398	39,315,997
Capital surplus:		
Paid-in capital in excess of par value (Notes 16, 21, 33 and 34)	97,276,688	64,146,430
Adjustment arising from equity method investments (Notes 6 and 21)	11,671,472	11,665,500
Other captal surplus (Notes 17 and 21)	32,979,546	32,911,975
	<b>141,927,706</b>	<b>108,723,905</b>
Capital adjustments:		
Treasury stock (Note 18)	(36,432,706)	-
Stock options (Notes 20 and 28)	5,167,222	6,180,975
Capital adjustment arising from equity method investments (Notes 6 and 21)	(248,702)	-
	<b>(31,514,186)</b>	<b>6,180,975</b>

*(Continued)*  
*See accompanying notes*

# Balance Sheets

As of December 31, 2009 and 2008

Korean won in thousands

	2009	2008
<b>Liabilities and equity (cont'd)</b>		
Equity (cont'd):		
Accumulated other comprehensive income:		
Gain (loss) on valuation of long-term investment securities (Notes 5, 21 and 24)	8,676	(1,091,472)
Changes of equity arising from equity method investments (Notes 6, 21 and 24)	2,000,412	4,147,361
Negative changes of equity arising from equity method investments (Note 6, 21 and 24)	(1,993,927)	(1,709,295)
	<b>15,161</b>	<b>1,346,594</b>
Retained earnings:		
Legal reserve (Note 19)	23,325,427	16,825,427
Voluntary reserve (Note 19)	352,976,035	295,076,035
Unappropriated retained earnings	153,286,218	129,162,538
	<b>529,587,680</b>	<b>441,064,000</b>
<b>Total equity</b>	<b>680,678,759</b>	<b>596,631,471</b>
<b>Total liabilities and equity</b>	<b>1,270,679,666</b>	<b>1,071,407,804</b>

See accompanying notes

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2009 Financial Statements

# Statements of Income

Years ended December 31, 2009 and 2008

Korean won in thousands, except per share amounts

	2009	2008
Sales (Note 30)	1,411,922,316	1,314,402,927
Cost of sales (Notes 30 and 31)	460,172,221	407,158,576
Gross profit	951,750,095	907,244,351
Selling and administrative expenses (Note 32)	747,492,690	717,095,399
Operating income	204,257,405	190,148,952
<b>Other income (expenses):</b>		
Interest income	3,116,811	3,295,294
Interest expense	(12,526,386)	(11,345,460)
Dividend income	401,245,97	
Rental income	502,892	546,795
Commission income	1,162,939	-
Bad debt expenses -non-trade	(1,426,090)	(1,377,106)
Loss on foreign currency transactions, net	(1,082,704)	(182,865)
Gain (loss) on foreign currency translation, net (Note 13)	(4,164,862)	10,642,774
Equity in earnings (loss) of equity method investments, net (Notes 6 and 21)	13,915,031	(1,358,860)
Loss on disposal of property, plant and equipment, net	(350,696)	(2,545,036)
Loss on inventory written off (1,461,488)	(544,602)	
Loss on disposal of long-term investments securities	(1,099,637)	-
Contributions	(560,160)	(3,160,529)
Miscellaneous income, net 2,154,507	641,292	
Others	286,425	-
	(1,533,017)	(5,363,706)
Income before income taxes	202,724,388	184,785,246
Provision for income taxes (Note 21)	49,444,874	55,720,577
Net income	153,279,514	129,064,669
<b>Earnings per share (Note 22):</b>		
Basic	2,034	1,734
Diluted	2,031	1,734

See accompanying notes



# Statements of Appropriations of Retained Earnings

Years ended December 31, 2009 and 2008

Korean won in thousands

	2009	2008
<b>Retained earnings before appropriations:</b>		
Unappropriated retained earnings carried forward from the prior year	6,704	97,869
Net income for the year	153,279,514	129,064,669
	<b>153,286,218</b>	<b>129,162,538</b>
<b>Appropriations (2009 - proposed):</b>		
Legal reserve	7,700,000	6,500,000
Other reserves	68,760,000	57,900,000
Cash dividends (Note 23)	76,825,444	64,755,834
	<b>153,285,444</b>	<b>129,155,834</b>
<b>Unappropriated retained earnings to be carried forward to the next year</b>	<b>774</b>	<b>6,704</b>

See accompanying notes

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2009 Financial Statements

# Statements of Changes in Equity

Years ended December 31, 2009 and 2008

Korean won in thousands

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
<b>As of January 1, 2008</b>	<b>39,315,997</b>	<b>113,674,391</b>	<b>4,916,689</b>	<b>519,003</b>	<b>370,056,285</b>	<b>528,482,365</b>
Cumulative effect of changes in accounting policy	-	(27,145)	-	27,145	-	-
<b>As of January 1, 2008 (as restated)</b>	<b>39,315,997</b>	<b>113,647,246</b>	<b>4,916,689</b>	<b>546,148</b>	<b>370,056,285</b>	<b>528,482,365</b>
Dividends	-	-	-	-	(58,056,954)	(58,056,954)
Net income for the year	-	-	-	-	129,064,669	129,064,669
Acquisition of business from a related party	-	(16,615,986)	-	-	-	(16,615,986)
Stock-based compensation expense	-	-	1,264,286	-	-	1,264,286
Loss on valuation of long-term investment securities	-	-	-	(1,253,632)	-	(1,253,632)
Capital surplus arising from equity method investments	-	11,692,645	-	-	-	11,692,645
Changes of equity arising from equity method investments	-	-	-	3,716,619	-	3,716,619
Negative changes of equity arising from equity method investments	-	-	-	(1,662,541)	-	(1,662,541)
<b>As of December 31, 2008</b>	<b>39,315,997</b>	<b>108,723,905</b>	<b>6,180,975</b>	<b>1,346,594</b>	<b>441,064,000</b>	<b>596,631,471</b>

(Continued)

See accompanying notes

# Statements of Changes in Equity(cont'd)

Years ended December 31, 2009 and 2008

Korean won in thousands

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
<b>As of January 1, 2009</b>	<b>39,315,997</b>	<b>108,723,905</b>	<b>6,180,975</b>	<b>1,346,594</b>	<b>441,064,000</b>	<b>596,631,471</b>
Dividends	-	-	-	-	(64,755,834)	(64,755,834)
Net income for the year	-	-	-	-	153,279,514	153,279,514
Acquisition of treasury stock	-	-	(46,400,006)	-	-	(46,400,006)
Disposal of treasury stock	-	67,571	9,967,300	-	-	10,034,871
Issuance of common shares due to merger	1,346,401	82,379,108	-	-	-	83,725,509
Acquisition of business from a related party	-	(49,248,850)	-	-	-	(49,248,850)
Stock-based compensation expense	-	-	1,590,290	-	-	1,590,290
Exercise of stock options	-	-	(2,604,043)	-	-	(2,604,043)
Gain on valuation of long-term investment securities	-	-	-	1,100,148	-	1,100,148
Capital surplus arising from equity method investments	-	5,972	-	-	-	5,972
Capital adjustments arising from equity method investments	-	-	(248,702)	-	-	(248,702)
Changes of equity arising from equity method investments	-	-	-	(2,146,949)	-	(2,146,949)
Negative changes of equity arising from equity method investments	-	-	-	(284,632)	-	(284,632)
<b>As of December 31, 2009</b>	<b>40,662,398</b>	<b>141,927,706</b>	<b>(31,514,186)</b>	<b>15,161</b>	<b>529,587,680</b>	<b>680,678,759</b>

See accompanying notes

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2009 Financial Statements

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# Statements of Cash Flows

Years ended December 31, 2009 and 2008

Korean won in thousands

	2009	2008
<b>Cash flows from operating activities:</b>		
Net income	153,279,514	129,064,669
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for severance and retirement benefits	19,355,829	12,134,753
Stock-based compensation expenses	1,590,290	1,264,286
Depreciation	128,228,881	126,499,075
Amortization of intangible assets	19,874,921	14,681,559
Bad debt expense - trade	5,982,597	15,954,392
Bad debt expenses - non-trade	1,426,090	1,377,106
Loss on valuation of inventories	-	524,172
Loss on disposal of rental assets	38,135,698	44,710,986
Gain (loss) on foreign currency translation, net	3,812,426	(9,988,135)
Loss on disposal of long-term investment securities	1,099,637	-
Equity in loss (earnings) of equity method investments, net	(13,915,031)	1,358,860
Loss on disposal of property, plant and equipment, net	350,696	2,545,036
Loss on inventory written off	1,461,488	544,602
Provision for return of goods sold	219,380	316,577
Provision for product warranties	354,159	-
Provision for construction warranties	12,132	-
Reversal of loss on valuation of inventories	(456,198)	-
Others	(286,425)	-
Miscellaneous loss, net	21,747	12,520
<b>Changes in operating assets and liabilities:</b>		
Trade accounts and notes receivable	(51,945,030)	(41,781,857)
Other accounts receivable	10,304,500	2,213,680
Prepaid expenses	(16,912,639)	(5,049,001)
Accrued income	(522,671)	(544,511)
Advance payments	10,183,114	(3,983,180)
Inventories	4,240,977	(1,284,608)
Long-term prepaid expenses	925,000	925,000
Deferred income taxes	8,339,059	13,156,021
Trade accounts and notes payable	(8,955,345)	8,394,842
Other accounts payable	17,721,349	6,545,800
Advances received	(7,311,050)	(20,820,542)
Unearned revenues	43,467	-
Withholdings	(695,391)	5,586,088
Accrued expenses	6,722,117	2,155,964
Income taxes payable	(3,300,706)	9,099,204
Long-term other accounts payable	24,000	-
Reserve for agent losses	(153,383)	31,056
Provision for construction warranties	(34,518)	-
Rental deposits received from customers	(2,700)	(12,010)
Payment of severance and retirement benefits, net	(17,565,191)	(10,826,879)
Total adjustments	158,373,276	175,740,856
<b>Net cash provided by operating activities</b>	<b>311,652,790</b>	<b>304,805,525</b>

(Continued)  
See accompanying notes

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# Statements of Cash Flows

Years ended December 31, 2009 and 2008

	<i>Korean won in thousands</i>	
	2009	2008
<b>Cash flows from investing activities:</b>		
Increase in short-term investment assets, net	(50,000)	(4,245,086)
Proceeds from disposal of long-term investment securities	3,807,002	100,000
Acquisition of long-term investments securities	-	(336,863)
Acquisition of equity method investments	(1,022,545)	(82,157,362)
Proceeds from disposal of property, plant and equipment	13,804,417	29,032,948
Acquisition of property, plant and equipment	(217,922,093)	(171,061,174)
Proceeds from disposal of intangible assets	33,772	-
Acquisition of intangible assets	(6,233,809)	(4,530,458)
Refund of long-term guarantee deposits	18,082,427	11,923,372
Payment of long-term guarantee deposits	(23,450,393)	(12,691,264)
Acquisition of business unit (63,139,551)	(21,080,312)	
Others, net	(54,734)	(26,432)
Net cash used in investing activities	(276,145,507)	(255,072,631)
<b>Cash flows from financing activities:</b>		
Drawdown of short-term borrowings	745,684,306	680,346,715
Repayment of short-term borrowings	(764,258,185)	(664,514,328)
Proceeds from current portion of bonds	70,000,000	-
Proceeds from long-term borrowings	-	60,000,000
Proceeds from government subsidy	-	82,000
Redemption of current portion of bonds	-	(20,000,000)
Proceeds from disposal of treasury stock	7,452,400	-
Acquisition of treasury stock (46,400,006)	-	
Payment of dividends	(64,755,834)	(58,056,954)
Others, net	(10,000)	-
Net cash used in financing activities	(52,287,319)	(2,142,567)
<b>Increase of cash and cash equivalents due to merger</b>	<b>4,399,171</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(12,380,865)</b>	<b>47,590,327</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>76,101,910</b>	<b>28,511,583</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>63,721,045</b>	<b>76,101,910</b>

*See accompanying notes*

woongjin coway

2009 Financial Statements

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# Notes to Financial Statements

December 31, 2009 and 2008

## 1. Corporate information

Woongjin Coway Co., Ltd. (the "Company") was incorporated on May 2, 1989 under the laws of the Republic of Korea to engage in the manufacture and sales or rental of water purifiers and home appliances, construction of waste disposal facilities and other related business. The Company listed its common shares at the Korea Exchange ("KRX") on August 7.

As the result of a merger and several increases in paid-in capital, the capital stock of the Company as of December 31, 2009 amounts to ₩40,662 million. In addition, the Company had previously retired 4,200,000 shares of treasury stock through the appropriation of retained earnings. As a result, the number of shares common stock outstanding amounting to 77,124,796 shares with a face value of ₩38,562 million differs from the face value and number of shares issued as recorded in the statement of financial position as of December 31, 2009.

As of December 31, 2009, the majority stockholder of the Company is Woongjin Holdings Co., Ltd., with a shareholding of 32.74%, and Woongjin Chemical Co., Ltd., Woong Jin Coway (Shenyang) Living Goods Co., Ltd., Woong jin Coway USA Inc. and Woong Jin Coway (M) Sdn Bhd. are subsidiaries of the Company.

## 2. Summary of significant accounting policies

### Basis of financial statement preparation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea ("Korean GAAP"). 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 non-consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. In the event of any differences in interpreting the non-consolidated financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

The non-consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the Republic of Korea, including Statements of Korea Accounting Standards ("SKAS") 1 to 23, and the summary of significant account policies used for the preparation of the financial statements are as follows:

### Adoption of revised Statements of Korea Accounting Standards ("SKAS")

The Company has adopted the revised SKAS 5 Amendments. Property, Plant and Equipment for the current year. The adoption of this revised standard did not have any effect on the Company's non-consolidated financial statements as the Company chose not to revalue any of its existing property, plant and equipment.

### Revenue recognition

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of goods have passed to the buyer upon delivery of goods sold and rental revenue is recognized on an accrual basis over the rental period. Other revenue is recognized when the revenue has been earned, the amount of revenue can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to the Company.

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## **2. Summary of significant accounting policies (cont'd)**

### **Cash equivalents**

Highly liquid deposits and marketable securities with original maturities of three months or less, and which have no significant risk of loss in value by interest rate fluctuations, are considered as cash equivalents.

### **Allowance for doubtful accounts**

The Company provides an allowance for doubtful accounts in consideration of the estimated losses that may arise from non-collection of its receivables. The estimate of losses, if any, is based on a review of the aging and current status of the outstanding receivables.

### **Inventories**

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the moving-average method. Perpetual inventory system is used to record inventories, in which inventories are adjusted to physical inventory counts that are performed at the end of the year. When a decline in the value of an inventory indicates that its cost exceeds net realizable value, a valuation loss will be recognized to write the inventory down to its net realizable value. The loss on valuation is recognized in cost of sales which amounted to nil and ₩524,172 thousand, as of December 31, 2009 and 2008, respectively.

In the event of an increase in the net realizable value of previous written down inventory, the amount of the write-down is reversed to the extent of the original write-down amount so that the new carrying amount is the lower of cost and the revised net realizable value. The Company has made any reversal of write-down which amounted to ₩456,198 thousand and nil for the years ended December 31, 2009 and 2008.

### **Investments in securities**

Investments in securities within the scope of SKAS 8 Investments in Securities are classified as either trading, held-to-maturity or available-for-sale securities, as appropriate, and are initially measured at cost, including incidental expenses, with cost being determined using the moving average method. The Company determines the classification of its investments after initial recognition, and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Securities that are acquired and held principally for the purpose of selling them in the near term are classified as trading securities. Debt securities which carry fixed or determinable payments and fixed maturity are classified as held-to-maturity if the Company has the positive intention and ability to hold to maturity. Securities that are not classified as either trading or held-to-maturity are classified as available-for-sale securities.

After initial measurement, available-for-sale securities are measured at fair value with unrealized gains or losses being recognized directly in equity as other comprehensive income. Likewise, trading securities are also measured at fair value after initial measurement, but with unrealized gains or losses reported as part of net income. Held-to-maturity securities are measured at amortized cost after initial measurement. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount.

The fair value of trading and available-for-sale securities that are traded actively in the open market (marketable securities) is measured at the closing price of those securities at the statement of financial position date. Non-marketable equity securities are measured at cost subsequent to initial measurement if their fair values cannot be reliably estimated. Non-marketable debt securities are carried at a value using the present value of future cash flows discounted using an appropriate interest rate which reflects the issuer's credit rating announced by a public independent credit rating agency.

## **2. Summary of significant accounting policies (cont'd)**

### **Investments in securities (cont'd)**

If the application of such measurement method is not feasible, estimates of fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting business in similar industries.

Trading securities are classified as current assets. Available-for-sale and held-to-maturity securities are classified as long-term investments, except that securities maturing within one year or that are certain to be disposed of within one year from the balance sheet date are classified as short-term investments.

The Company recognizes an impairment loss on its investments in securities if there is objective evidence that the securities are impaired. The impairment loss is charged to statement of income.

### **Equity method investments**

Investments in entities over which the Company has control or significant influence are accounted for using the equity method.

Under the equity method of accounting, the Company's initial investment in an investee is recorded at acquisition cost. Subsequently, the carrying amount of the investment is adjusted to reflect the Company's share of income or loss of the investee in the statement of income and share of changes in equity that have been recognized directly in the equity of the investee in the related equity account of the Company on the non-consolidated statement of financial position. If the Company's share of losses of the investee equals or exceeds its interest in the investee, it suspends recognizing its share of further losses. However, if the Company has other long-term interests in the investee, it continues recognizing its share of further losses to the extent of the carrying amount of such long-term interests.

Negative goodwill represents the excess of the Company's share in the net fair value of the investee's identifiable assets and liabilities over the cost of the investment. Negative goodwill is recorded to the extent of the fair value of acquired non-monetary assets and recognized as income using the straight-line method over the remaining weighted-average useful life of those acquired non-monetary assets. The amount of negative goodwill in excess of the fair value of acquired nonmonetary assets is recognized as income immediately.

The Company's share in the investee's unrealized profits and losses resulting from transactions between the Company and its investee are eliminated.

In translating the financial statements of foreign investees into Korean won, assets and liabilities are translated at the exchange rate on the statements of financial position date and income and expenses are translated at the average exchange rate for the period. All resulting exchange differences are recognized as foreign currency translation adjustments in other comprehensive income within equity.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation.

Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which enhance the value or extend the useful life of the related assets are capitalized.

Depreciation of property, plant and equipment is provided using the straight-line method over the estimated useful life of the assets as follows:

## 2. Summary of significant accounting policies (cont'd)

### Property, plant and equipment (cont'd)

	<b>Years</b>
Buildings	25 - 40
Structures	7 - 25
Machinery and equipment	2 - 12
Vehicles	5 - 10
Tools	2 - 6
Furniture and fixtures	2 - 20
Research facility	3
Rental assets	3 - 5

### Intangible assets

Intangible assets of the Company consist of goodwill, industrial property rights and other intangible assets, which are stated at cost less accumulated amortization. Amortization is recognized as an expense based on the straight-line method over the estimated useful life of 5 to 10 years for goodwill and industrial property rights and 5 years for all other intangible assets.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are expensed in the period in which they are incurred.

### Impairment of assets

When the recoverable amount of an asset is less than its carrying amount due to obsolescence, physical damage or abrupt decline in the market value of the asset, the decline in value, if material, is deducted from the carrying amount and recognized as an asset impairment loss in the current year.

A previously recognized impairment loss for an impaired asset is reversed if the recoverable amount during the reporting period exceeds its carrying amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

The Company recorded no impairment loss or reversal of impairment loss for the years ended December 31, 2009 and 2008.

### Government subsidy

Government subsidy, which is used for the acquisition of certain assets, is accounted for as a deduction from the acquisition cost of the acquired assets. Such subsidy amount is offset against the depreciation or amortization of the acquired assets during such assets' useful life. Government subsidy, which is required to be repaid, is recorded as a liability in the statements of financial position. Government subsidy with no repayment obligation, which is used to purchase a designated asset or to develop a certain technology, is presented as a deduction of the related asset and is amortized against the depreciation or amortization expense of the related asset. Government subsidy, contributed to compensate for specific expenses, is offset against the related expenses as incurred.

### Severance and retirement benefits

In accordance with the Employee Retirement Benefit Security Act ("ERBSA") and the Company's employee benefits policy, employees terminating their employment with at least one year of service are entitled to severance and retirement benefits, based on the rates of pay in effect at the time of termination, years of service and certain other factors. The provision is determined based on the amount that would be payable assuming all employees were to terminate their employment as of the reporting date.

## 2. Summary of significant accounting policies (cont'd)

### Severance and retirement benefits (cont'd)

The Company's severance and retirement benefits are partly funded through an insurance plan with Samsung Fire & Marine Insurance Co., Ltd. Up to March 1999, the Company had previously prepaid a portion of its severance and retirement benefits obligation to the National Pension Service ("NPS"). The insurance deposits and prepayments are presented as a deduction from the provision for severance and retirement benefits.

### Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is used only for expenditures for which the provision was originally recognized. If the effect of the time value of money is material, provisions are stated at present value.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability is disclosed, but not recognized when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

### Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, and are classified as current or non-current, respectively, based on the classification of the related asset or liability in the statements of financial position. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

### Foreign currency translation

Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made. The year-end exchange rate used were ₩1,167.60: US\$1 and ₩1,257.50: US\$1, ₩1,674.28: EUR1 and ₩1,776.22: EUR1, ₩12.6282: JPY1 and ₩13.9289: JPY1 and ₩35.02: THB1 and ₩36.11: THB1, as of December 31, 2009 and 2008, respectively, for statements of financial position items.

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the appropriate exchange rates on the statements of financial position date. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations.

### Share-based payment transactions

For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity at the fair value of the goods or services received or the equity instruments granted over the vesting period. For cash-settled share-based payment transactions, the Company measures the goods or services acquired and the liability incurred at the fair value of the liability, and re-measures the fair value of the liability at each reporting date, with any changes in value recognized in profit or loss for the period.

## 2. Summary of significant accounting policies (cont'd)

### **Share-based payment transactions (cont'd)**

For share-based payment transactions in which the terms of the arrangement provide the supplier of goods or services with a choice of whether the Company settles the transaction in cash or by issuing equity instruments, the Company accounts for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the Company has incurred a liability to settle in cash (or other assets), or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

Share-based payment transactions implemented before the effective date of SKAS 22 are accounted in accordance with Korea Financial Accounting Standards Interpretation 39-35 Accounting for Stock Options.

### **Per share amounts**

Basic earnings per share are computed by dividing net income by the weighted-average number of common shares outstanding during the year. Diluted earnings per share are calculated by dividing net income by the weighted-average number of common shares outstanding during the year plus the weighted-average number of common shares that would have been outstanding assuming the conversion of all dilutive potential common shares.

## 3. The effect of adoption Korea International Financial Reporting Standards ("K-IFRS")

The Company is required to adopt K-IFRS from the financial year of 2011. The Company is in the process of preparation for the implementation of K-IFRS as of the reporting date. The Company has organized a Task Force Team ("TFT") to oversee and manage all matters concerning the Company's K-IFRS implementation, and provided K-IFRS trainings to all affected employees. Reports on the status of the Company's K-IFRS implementation are made regularly to management by the TFT. The table below presents the Company's major activities and their preparation plan and current status of the Company's K-IFRS implementation project.

<b>Activity</b>	<b>Preparation plan and current status</b>
Managing K-IFRS TFT and analysis of effect of adoption K-IFRS	<ul style="list-style-type: none"> <li>- The Company organized the TFT on April 2009.</li> <li>- The Company completed 1st stage of identification of main accounting differences from May 2009 to July 2009 with the collaboration of an external advisor.</li> <li>- The Company completed 2-1 stage of IFRS policy making and accounts classification from September 2009 to October 2009 with the collaboration of an external advisor.</li> <li>- The Company completed 2-2 stage of preparation of proforma financial statements from November 2009 to December 2009 with the collaboration of an external advisor.</li> <li>- The Company plans to determine the effect of adoption of K-IFRS and prepare its first K-IFRS beginning statement of financial position during 2010.</li> </ul>
K-IFRS trainings for employees	From January 2008 to December 2009: <ul style="list-style-type: none"> <li>(1) Training for working-level employees by workshop, study group and outsourced training</li> <li>(2) Training of specific effect of adoption K-IFRS for related departments</li> <li>(3) Frequently reporting to Board of Directors and management</li> <li>(4) Preparing qualification system for employees in finance and accounting departments</li> </ul>
Modification of accounting system	The Company analyzed the scope of accounting system modification and engaged an external advisor to modify its consolidation accounting information system. The modification is still in progress as of December 31, 2009.

## 3. The effect of adoption Korea International Financial Reporting Standards ("K-IFRS") (cont'd)

The table below describes the major areas that are expected to give rise to a significant impact on the Company's financial statements based on the K-IFRSs that are effective as of December 31, 2009.

	<b>K-IFRS</b>	<b>K-GAAP</b>
<b>Consideration for impairment of receivables</b>	1. BtoC receivable : considering the cumulative collection experience for the past 3 years 2. Receivable of water treatment unit, BtoB receivable and receivables from overseas customers : considering the cumulative collection experience for the past 3 years, bankruptcy rate or collection rate for each segment 3. Receivable to subsidiaries and related parties: considering elapsed years since incorporation and impairment of equity, etc.(specific identification of recognition for impaired receivables)	1. BtoC receivable : cumulative collection experience 2. Receivable from water treatment, BtoB receivable, receivable from overseas customers: considering the credit rating of customers and 1% fixed allowance for overseas receivables 3. Receivables from subsidiaries and related parties : considering impairment of equity and trends of profit and loss, etc. 4. Other receivables: 1% fixed allowance
<b>Amortization of goodwill and useful life</b>	Goodwill is not subject to amortization and impairment test is performed at least once every financial year.	Goodwill is amortized for reasonable periods within 20 years.
<b>Accounting treatment for guarantees provided</b>	1. Measurement of the value of guarantees provided is required for financial guarantee contracts. 2. The value of guarantees provided is measured according to the rates applied by institutional guarantee providers such as Seoul Guarantee Insurance Company. 3. The value of guarantees provided is to be recognized during the period of financial guarantee contract.	1. Financial guarantee contracts to subsidiaries and related parties are not recognized, but are disclosed in the financial statements.

The areas mentioned above are not exhaustive, and additional areas may be identified in the future as a result of further assessment. In addition, it may be impractical to identify the specific impact of all major differences.

## 4. Restricted deposits

Restricted deposits as of December 31, 2009 and 2008 consist of the following (Korean won in thousands):

	<b>Financial institution</b>	<b>2009</b>	<b>2008</b>	<b>Description</b>
Long-term financial instruments	Shinhan Bank	10,500	10,500	Security deposit for bank overdraft facility

## 5. Long-term investment assets

The balances of long-term investment assets of the Company as of December 31, 2009 and 2008 are presented as follows (Korean won in thousands):

	2009	2008
<b>Available-for-sale securities (Equity securities)</b>		
Marketable	11,124	956,085
Non-marketable	1,670,773	1,670,773
	1,681,897	2,626,858
<b>Held-to-maturity securities (Debt securities)</b>	421,841	421,841
	<b>2,103,738</b>	<b>3,048,699</b>

Available-for-sale equity securities as of December 31, 2009 and 2008 consist of the following (Korean won in thousands):

	2009					Impairment loss		
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (*2)	Up to 2008	2009
< Marketable securities >								
Tong Yang Investment Bank Co., Ltd.	927	0.0008%	1	11,124	11,124	11,123	-	-
			1	11,124	11,124	11,123	-	-
< Non-marketable securities >								
McScience Inc.	6,000	5.90%	1,133,760	(*1)	1,133,760	-	-	-
Nextelecom Co., Ltd.	11,000	1.20%	98,516	-	98,516	-	-	-
Kirin Music Publishing Co., Ltd.	51,868	12.06%	96,500	-	96,500	-	-	-
Korea Water Purifier Industry Cooperative	53	3.33%	5,300	-	5,300	-	-	-
Academy Infra Corp.	15,773	7.84%	165,100	-	1	-	165,099	-
Kwang Myung SG Co., Ltd.	4,000	4.00%	1,434,640	-	1	-	1,434,639	-
OpenSolution Co., Ltd.	250	0.05%	22,093	-	1	-	22,092	-
Korea Culture promotion Inc.	5,000	1.25%	25,000	-	1	-	24,999	-
Construction Guarantee			<b>336,693</b>	-	<b>336,693</b>	-	-	-
			<b>3,317,602</b>	-	<b>1,670,773</b>	-	<b>1,646,829</b>	-
			<b>3,317,603</b>	<b>11,124</b>	<b>1,681,897</b>	<b>11,123</b>	<b>1,646,829</b>	-

	2008					Impairment loss		
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)(*2)	Up to 2007	2008
< Marketable securities >								
Woongjin Holdings Co., Ltd.	121,856	0.24%	2,339,635	950,477	950,477	(1,389,158)	-	-
Tong Yang Investment Bank Co., Ltd.	927	0.0008%	1	5,608	5,608	5,607	-	-
			2,339,636	956,085	956,085	(1,383,551)	-	-
< Non-marketable securities >								
McScience Inc.	6,000	5.90%	1,133,760	(*1)	1,133,760	-	-	-
Nextelecom Co., Ltd.	11,000	1.20%	98,516	-	98,516	-	-	-
Kirin Music Publishing Co., Ltd.	51,868	12.06%	96,500	-	96,500	-	-	-
Korea Water Purifier Industry Cooperative	53	3.33%	5,300	-	5,300	-	-	-
Academy Infra Corp.	15,773	7.84%	165,100	-	1	-	165,099	-
Kwang Myung SG Co., Ltd.	4,000	4.00%	1,434,640	-	1	-	1,434,639	-
OpenSolution Co., Ltd.	250	0.05%	22,093	-	1	-	22,092	-
Korea Culture promotion Inc.	5,000	1.25%	25,000	-	1	-	24,999	-
Construction Guarantee			<b>336,693</b>	-	<b>336,693</b>	-	-	-
			<b>3,317,602</b>	-	<b>1,670,773</b>	-	<b>1,646,829</b>	-
			<b>5,657,238</b>	<b>956,085</b>	<b>2,626,858</b>	<b>(1,383,551)</b>	<b>1,646,829</b>	-

## 5. Long-term investment assets (cont'd)

(\*1) In assessing the fair value of these non-marketable equity investments, the Company could not obtain sufficient information to perform a reliable estimation of the fair value of the investments. Therefore, investment in these equity securities were recorded at acquisition cost except when there was objective evidence that the equity securities were impaired where impairment losses were recognized.

(\*2) Gain or loss on valuation of long-term investment securities amounting to ₩8,676 thousand (2008: ₩(1,091,472) thousand) recognized in other comprehensive income as of December 31, 2009 represents the difference between acquisition cost and fair value of the investments of ₩11,123 thousand (2008: ₩(1,383,551) thousand), net of the related tax effects.

Held-to-maturity debt securities as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009				Impairment loss	
	Maturity	Acquisition cost	Amortized cost	Book value	Up to 2008	2009
Government bonds	Within 5 years	421,840	421,840	421,840	-	-
Subordinated bonds	Within 5 years	2,450,000	2,450,000	1	2,449,999	-
		<b>2,871,840</b>	<b>2,871,840</b>	<b>421,841</b>	<b>2,449,999</b>	-

	2008				Impairment loss	
	Maturity	Acquisition cost	Amortized cost	Book value	Up to 2007	2008
Government bonds	Within 5 years	421,840	421,840	421,840	-	-
Subordinated bonds	Within 5 years	2,450,000	2,450,000	1	2,449,999	-
		<b>2,871,840</b>	<b>2,871,840</b>	<b>421,841</b>	<b>2,449,999</b>	-

## 6. Equity method investments

Investments in equity securities accounted for using the equity method as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009			
	Ownership(%)	Acquisition cost	Proportionate net asset	Book value
Coway Japan Corporation	49.00%	4,345,364	(17,208,855)	1
Woong Jin USA Inc.	35.00%	395,176	-	1
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	100.00%	5,970,197	23,016,367	22,788,397
Woong Jin Coway (Thailand) Co., Ltd.	99.99%	886,986	(6,770,525)	1
Woong Jin Coway (M) Sdn Bhd.	70.00%	906,885	(3,730,375)	1
Woong Jin Coway USA Inc.	100.00%	12,251,800	4,163,707	3,485,093
Woongjin Chemical Co., Ltd.	40.08%	83,179,907	107,505,769	102,308,085
		<b>107,936,315</b>	<b>106,976,088</b>	<b>128,581,579</b>

## 6. Equity method investments (cont'd)

2008				
	Ownership (%)	Acquisition cost	Proportionate net asset value	Book value
Coway Japan Corporation	49.00%	4,345,364	(16,888,490)	1
Woong Jin USA Inc.	35.00%	395,176	-	1
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	100.00%	5,970,197	10,658,496	10,385,818
Woong Jin Coway (Thailand) Co., Ltd.	99.99%	886,986	(5,768,022)	1
Woong Jin Coway (M) Sdn Bhd.	70.00%	906,885	(3,491,814)	1
Woong Jin Coway USA Inc.	100.00%	6,476,650	1,333,481	1,432,396
Woongjin Chemical Co., Ltd.	40.08%	82,157,362	103,376,440	97,947,334
		<b>101,138,620</b>	<b>89,220,091</b>	<b>109,765,552</b>

The summary of financial position of the investees as of December 31, 2009 and 2008, and the results of their operations for the years then ended, are presented as follows (Korean won in thousands):

2009				
	Total assets	Total liabilities	Sales	Net income (loss)
Coway Japan Corporation (*)	9,750,569	44,870,680	9,756,992	(3,578,993)
Woong Jin Coway (Shenyang) Living Goods Co., Ltd. (*)	33,691,303	10,674,936	41,569,496	13,376,306
Woong Jin Coway (Thailand) Co., Ltd. (*)	2,909,194	9,679,719	4,525,193	(1,340,842)
Woong Jin Coway (M) Sdn. Bhd. (*)	15,298,241	20,627,348	10,809,026	(558,359)
Woong Jin Coway USA, Inc. (*)	11,329,838	7,166,131	9,594,031	(2,475,647)
Woongjin Chemical Co., Ltd.	620,741,739	353,577,178	803,174,786	10,182,466
	<b>693,720,884</b>	<b>446,595,992</b>	<b>879,429,524</b>	<b>15,604,931</b>

2008				
	Total assets	Total liabilities	Sales	Net income (loss)
Coway Japan Corporation (*)	11,783,894	46,250,201	7,423,926	(8,754,091)
Woong Jin Coway (Shenyang) Living Goods Co., Ltd. (*)	25,421,505	14,763,009	20,983,169	2,378,493
Woong Jin Coway (Thailand) Co., Ltd. (*)	3,461,046	9,229,068	4,216,065	(1,772,922)
Woong Jin Coway (M) Sdn. Bhd. (*)	12,750,755	17,739,061	6,726,413	(2,339,764)
Woong Jin Coway USA, Inc. (*)	11,142,999	9,809,518	6,069,165	(3,629,032)
Woongjin Chemical Co., Ltd.	581,733,001	323,832,253	850,267,309	2,188,321
	<b>646,293,200</b>	<b>421,623,110</b>	<b>895,686,047</b>	<b>(11,928,995)</b>

(\*) Audited financial statements of these investees were not available as of the Company's audited financial statements date and therefore unaudited financial statements signed by the investees' management were used in applying the equity method.

Due to the differences indentified between the accounting policies adopted by Woong Jin Coway (Shenyang) Living Goods Co., Ltd. and those of the Company, the Company made adjustments to the investee's financial statements. The details of the adjustments are as follows (Korean won in thousands):

## 6. Equity method investments (cont'd)

	Reporting date	Net assets before adjustments	Adjustments	Net assets after adjustments	Proportionate net assets value
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	<b>Dec. 31, 2009</b>	<b>24,450,847</b>	<b>(1,434,480)</b>	<b>23,016,367</b>	<b>23,016,367</b>

The changes in carrying amount of negative goodwill for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

2009				
	Jan.1, 2009	Additions/(disposals)	Amortization	Dec.31, 2009
Woongjin Chemical Co., Ltd.	(5,353,140)	-	213,608	(5,139,532)

2008				
	Jan.1, 2008	Additions/(disposals)	Amortization	Dec.31, 2008
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	(345,918)	345,918	-	-
Woongjin Chemical Co., Ltd.	-	(6,803,021)	1,449,881	(5,353,140)
	<b>(345,918)</b>	<b>(6,457,103)</b>	<b>1,449,881</b>	<b>(5,353,140)</b>

The elimination of unrealized (gains) or losses arising from inter-company transactions for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

2009			
	Inventories	Provisions	Total
Coway Japan Corporation	(223,657)	1,269,834	1,046,177
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	(1,157,926)	929,956	(227,970)
Woong Jin Coway (Thailand) Co., Ltd.	(333,783)	-	(333,783)
Woong Jin Coway (M) Sdn Bhd.	(1,052,458)	-	(1,052,458)
Woong Jin Coway USA, Inc.	(903,186)	224,572	(678,614)
Woongjin Chemical Co., Ltd.	(58,152)	-	(58,152)
	<b>(3,729,162)</b>	<b>2,424,362</b>	<b>(1,304,800)</b>

2008			
	Inventories	Provisions	Total
Coway Japan Corporation	(318,783)	1,269,834	951,051
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	(1,014,984)	742,306	(272,678)
Woong Jin Coway (Thailand) Co., Ltd.	(422,942)	-	(422,942)
Woong Jin Coway (M) Sdn Bhd.	-	-	-
Woong Jin Coway USA, Inc.	(977,624)	1,076,540	98,916
Woongjin Chemical Co., Ltd.	(75,966)	-	(75,966)
	<b>(2,810,299)</b>	<b>3,088,680</b>	<b>278,381</b>



## 6. Equity method investments (cont'd)

The details of changes in carrying amount of equity method investments for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009				
	Jan. 1, 2009	Acquisition (disposals)	Equity in earnings (loss) of investee	Others (*1)	Dec. 31, 2009
Coway Japan Corporation	1	-	-	-	1
Woong Jin USA, Inc.	1	-	-	-	1
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	10,385,818	-	14,054,384	(1,651,805)	22,788,397
Woong Jin Coway (Thailand) Co., Ltd.	1	-	-	-	1
Woong Jin Coway (M) Sdn Bhd. (*2)	1	-	(226,960)	226,960	1
Woong Jin Coway USA, Inc. (*3)	1,432,396	5,775,150	(3,317,201)	(405,252)	3,485,093
Woongjin Chemical Co., Ltd.	97,947,334	1,022,545	4,312,942	(974,736)	102,308,085
	<b>109,765,552</b>	<b>6,797,695</b>	<b>14,823,165</b>	<b>(2,804,833)</b>	<b>128,581,579</b>

(\*1) Others refer to net changes in equity method investments due to the dividends received from the investees and share of changes in capital surplus, capital adjustments, other comprehensive income or retained earnings of the investees arising from equity method during the year ended December 31, 2009.

(\*2) As the carrying amount of investment in Woong Jin Coway (M) Sdn Bhd. fell below zero, the application of equity method of accounting was suspended. The Company recognized further share of losses amounting to ₩226,960 thousand in current operations as the share of changes in equity decreased during the year of 2009 and recognized further share of losses amounting to ₩908,134 thousand in current operations as an allowance in long-term loans receivable from Woong Jin Coway (M) Sdn Bhd. Since the date of suspension of application of equity method, the Company has recognized further share of losses amounting to ₩4,399,949 thousand out of total share of losses amounting to ₩4,782,834 thousand as an allowance in long-term loans receivable as of December 31, 2009

(\*3) During the year ended December 31, 2009, the Company increased its investment in Woong Jin Coway USA Inc. through a debt-to-equity swap.

	2008				
	Jan. 1, 2008	Acquisition (disposals)	Equity in earnings (loss) of investee	Others	Dec. 31, 2008
Coway Japan Corporation	1	-	-	-	1
Woong Jin USA, Inc.	1	-	-	-	1
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	5,651,572	-	1,897,199	2,837,047	10,385,818
Woong Jin Coway (Thailand) Co., Ltd.	1	-	-	-	1
Woong Jin Coway (M) Sdn Bhd.	1	-	-	-	1
Woong Jin Coway USA, Inc.	3,951,388	-	(3,398,564)	879,572	1,432,396
Woongjin Chemical Co., Ltd.	-	82,157,362	2,251,077	13,538,894	97,947,334
	<b>9,602,964</b>	<b>82,157,362</b>	<b>749,712</b>	<b>17,255,513</b>	<b>109,765,552</b>

## 6. Equity method investments (cont'd)

The details of changes of equity arising from equity method investments for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009			
	Jan. 1, 2009	Net changes	Other	Dec. 31, 2009
Coway Japan Corporation	86,574	-	-	86,574
Woong Jin Coway (Shenyang) Living Goods Co., Ltd. (*1)	3,096,977	(1,741,696)	-	1,355,281
Woong Jin Coway (Thailand) Co., Ltd.	17,286	-	-	17,286
Woong Jin Coway (M) Sdn Bhd. (*2)	(576,987)	-	226,960	(350,027)
Woong Jin Coway USA, Inc.	946,524	(405,253)	-	541,271
Woongjin Chemical Co., Ltd. (*1)	(1,132,308)	(511,593)	-	(1,643,901)
	<b>2,438,066</b>	<b>(2,658,542)</b>	<b>226,960</b>	<b>6,484</b>

(\*1) Deferred income tax effect was deducted from the current year adjustment for Woong Jin Coway (Shenyang) Living Goods Co., Ltd. and Woongjin Chemical Co., Ltd.

(\*2) As of December 31, 2009, application of equity method of accounting has been suspended for the investment in Woong Jin Coway (M) Sdn Bhd. The Company recognized further share of losses amounting to ₩226,960 thousand in current operations due to the decrease in share of changes in equity during 2009.

	2008		
	Jan. 1, 2008	Net changes	Dec. 31, 2008
Coway Japan Corporation	86,574	-	86,574
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	259,930	2,837,047	3,096,977
Woong Jin Coway (Thailand) Co., Ltd.	17,286	-	17,286
Woong Jin Coway (M) Sdn Bhd.	(46,754)	(530,233)	(576,987)
Woong Jin Coway USA, Inc.	66,952	879,572	946,524
Woongjin Chemical Co., Ltd.	-	(1,132,308)	(1,132,308)
	<b>383,988</b>	<b>2,054,078</b>	<b>2,438,066</b>

The details of changes in capital surplus adjustment arising from equity method investments for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009		
	Jan. 1, 2009	Net changes	Dec. 31, 2009
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	(27,145)	5,972	(21,173)
Woongjin Chemical Co., Ltd.	11,692,645	-	11,692,645
	<b>11,665,500</b>	<b>5,972</b>	<b>11,671,472</b>

## 6. Equity method investments (cont'd)

	2008		
	Jan. 1, 2008	Net changes	Dec. 31, 2008
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	(27,145)	-	(27,145)
Woongjin Chemical Co., Ltd.	-	11,692,645	11,692,645
	<b>(27,145)</b>	<b>11,692,645</b>	<b>11,665,500</b>

As of December 31, 2009 and 2008, the unrecognized losses of the respective investees from which the application of the equity method of accounting has been suspended are as follows (Korean won in thousands):

	2009	2008
Coway Japan Corporation	(16,162,677)	(15,937,440)
Woong Jin Coway (Thailand) Co., Ltd.	(7,104,308)	(6,190,965)
Woong Jin Coway (M) Sdn Bhd.	(382,884)	1
	<b>(23,649,869)</b>	<b>(22,128,404)</b>

The market value of investment of a listed investee as of December 31, 2009 and 2008 is as follows (Korean won in thousands):

	2009		2008	
	Market value	Book value	Market value	Book value
Woongjin Chemical Co., Ltd.	218,604,540	102,308,084	113,314,391	97,947,333

## 7. Government posted value of land owned

The book value of the Company-owned land and the value of land officially announced by the Korean government for tax administration purposes as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

Land included in:	Book value		Publicly announced value	
	2009	2008	2009	2008
Property, plant and equipment				
-Factory land in Yoo-gu	24,242,031	6,577,670	16,080,184	3,197,269
-Rental building land in Ga-san	7,878,788	7,878,788	8,050,170	7,918,200
	<b>32,120,819</b>	<b>14,456,458</b>	<b>24,130,354</b>	<b>11,115,469</b>

## 8. Property, plant and equipment

Detail of property, plant and equipment as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009				
	Cost	Accumulated depreciation	Government subsidiary	Accumulated impairment loss	Net book value
Land	32,120,819	-	-	-	32,120,819
Buildings	19,486,911	(1,767,896)	-	-	17,719,015
Structures	860,488	(391,446)	-	-	469,042
Machinery and equipment	11,236,925	(3,182,014)	-	-	8,054,911
Tools	57,608,724	(26,791,292)	(53,300)	-	30,764,132
Research facility	8,827,124	(4,769,962)	-	-	4,057,162
Rental assets	558,837,912	(256,155,061)	-	(5,564,150)	297,118,701
Furniture and fixtures	69,975,789	(49,906,731)	-	-	20,069,058
Vehicles	433,884	(172,840)	-	-	261,044
Construction-in-progress	7,570,252	-	-	-	7,570,252
	<b>766,958,828</b>	<b>(343,137,242)</b>	<b>(53,300)</b>	<b>(5,564,150)</b>	<b>418,204,136</b>

	2008				
	Cost	Accumulated depreciation	Government subsidiary	Accumulated impairment loss	Net book value
Land	14,456,459	-	-	-	14,456,459
Buildings	11,951,681	(1,308,494)	-	-	10,643,187
Structures	493,552	(312,332)	-	-	181,220
Machinery and equipment	8,072,921	(2,071,881)	-	-	6,001,040
Tools	43,700,164	(17,612,172)	(69,700)	-	26,018,292
Research facility	6,164,901	(2,846,375)	-	-	3,318,526
Rental assets	542,392,482	(256,156,300)	-	(7,784,495)	278,451,687
Furniture and fixtures	59,246,632	(43,335,377)	-	-	15,911,255
Vehicles	489,706	(151,245)	-	-	338,461
Construction-in-progress	1,090,794	-	-	-	1,090,794
	<b>688,059,292</b>	<b>(323,794,176)</b>	<b>(69,700)</b>	<b>(7,784,495)</b>	<b>356,410,921</b>

## 8. Property, plant and equipment (cont'd)

Changes in the net book value of property, plant and equipment for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009						
	Jan. 1, 2009	Increase by merger	Additions	Disposals / impairment loss	Depreciation	Transfers	Dec. 31, 2009
Land	14,456,459	14,826,915	2,185,135	-	-	652,310	32,120,819
Buildings	10,643,187	6,613,220	922,010	-	(459,402)	-	17,719,015
Structures	181,220	297,236	-	-	(79,114)	69,700	469,042
Machinery and equipment	6,001,040	1,512,457	771,900	(36,881)	(1,111,405)	917,800	8,054,911
Tools	26,087,992	405,925	11,397,803	(1,907)	(9,326,741)	2,254,360	30,817,432
(Government subsidy)	(69,700)	-	-	-	16,400	-	(53,300)
Research facility	3,318,526	98,437	1,623,151	(7,615)	(1,995,326)	1,019,989	4,057,162
Rental assets	278,451,687	-	178,547,820	(51,885,977)	(107,994,829)	-	297,118,701
Furniture and fixtures	15,911,255	383,087	11,195,207	(340,181)	(7,195,440)	115,130	20,069,058
Vehicles	338,461	14,356	9,500	(18,249)	(83,024)	-	261,044
Construction-in-progress	1,090,794	239,180	11,269,567	-	-	(5,029,289)	7,570,252
	<b>356,410,921</b>	<b>24,390,813</b>	<b>217,922,093</b>	<b>(52,290,810)</b>	<b>(128,228,881)</b>	<b>-</b>	<b>418,204,136</b>

	2008						
	Jan. 1, 2008	Additions	impairment loss	Disposals / Depreciation	Transfers	Dec. 31, 2008	
Land	12,652,116	244,155	-	-	1,560,188	14,456,459	
Buildings	22,716,388	-	(11,569,594)	(503,607)	-	10,643,187	
Structures	3,961,026	-	(1,804,181)	(415,437)	(1,560,188)	181,220	
Machinery and equipment	13,512,759	657,382	(7,869,553)	(1,358,372)	1,058,825	6,001,040	
Tools	17,482,774	11,460,414	(41,135)	(6,841,198)	4,027,137	26,087,992	
(Government subsidy)	-	(82,000)	-	12,300	-	(69,700)	
Research facility	1,761,249	1,484,645	(41,088)	(1,479,972)	1,593,692	3,318,526	
Rental assets	291,591,620	147,944,553	(52,620,753)	(108,463,732)	-	278,451,687	
Furniture and fixtures	23,523,491	2,492,538	(2,825,338)	(7,365,436)	86,000	15,911,255	
Vehicles	53,411	375,000	(6,329)	(83,621)	-	338,461	
Construction-in-progress	1,453,961	6,402,487	-	-	(6,765,654)	1,090,794	
	<b>388,708,795</b>	<b>170,979,174</b>	<b>(76,777,971)</b>	<b>(126,499,075)</b>	<b>-</b>	<b>356,410,921</b>	

## 9. Intangible assets

Details of intangible assets as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009		
	Cost	Accumulated amortization	Net book value
Goodwill	136,954,850	(37,022,374)	99,932,476
Industrial property rights	199,821	(137,925)	61,896
Others	53,779,129	(16,546,717)	37,232,412
Construction-in-progress	3,859,960	-	3,859,960
	<b>194,793,760</b>	<b>(53,707,016)</b>	<b>141,086,744</b>

## 9. Intangible assets (cont'd)

	2008		
	Cost	Accumulated amortization	Net book value
Goodwill	47,739,290	(23,107,856)	24,631,434
Industrial property rights	212,572	(123,532)	89,040
Others	50,895,586	(10,758,869)	40,136,717
	<b>98,847,448</b>	<b>(33,990,257)</b>	<b>64,857,191</b>

Changes in the net book value of intangible assets for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009						
	Jan. 1, 2009	Increase by	Additions	Amortization	Transfers	Disposals	Dec. 31, 2009
Goodwill (*1)	24,631,434	89,215,560	-	(13,914,518)	-	-	99,932,476
Industrial property rights	89,040,932	-	(24,522)	-	(3,554)	61,896	
Others	40,136,717	709,694	2,300,099	(5,935,881)	73,750	(51,967)	37,232,412
Construction-in-progress	-	-	3,933,710	-	(73,750)	-	3,859,960
	<b>64,857,191</b>	<b>89,926,186</b>	<b>6,233,809</b>	<b>(19,874,921)</b>	<b>-</b>	<b>(55,521)</b>	<b>141,086,744</b>

(\*1) Goodwill increased due to merger originated from the difference between fair value of the net assets of the merged entity and cost of merger.

	2008						
	Jan. 1, 2008	Additions	Amortization	Transfers	Disposals	Dec. 31, 2008	
Goodwill	33,032,461	957,011	(9,358,038)	-	-	24,631,434	
Industrial property rights	119,185	-	(30,125)	-	(20)	89,040	
Others	40,229,954	4,530,458	(5,293,396)	682,200	(12,499)	40,136,717	
Construction-in-progress	682,200	-	-	(682,200)	-	-	
	<b>74,063,800</b>	<b>5,487,469</b>	<b>(14,681,559)</b>	<b>-</b>	<b>(12,519)</b>	<b>64,857,191</b>	

## 10. Research and development costs

Research and development costs incurred and charged to operations for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousand):

	Selling and administrative expenses		Cost of sales	
	2009	2008	2009	2008
Research and development costs	7,352,561	6,905,324	534,662	415,000

## 11. Borrowings

Short-term borrowings as of December 31, 2009 and 2008 consist of the following (Korean won in thousands):

Financial institution	Description	Annual interest rate as of		
		Dec. 31, 2009	2009	2008
KKookmin Bank	Purchase loans	-	-	15,095,521
Shinhan Bank	Purchase loans	5.72%	59,574,416	29,962,067
Woori Bank	Purchase loans	5.20%	26,027,776	34,083,271
Hana Bank	Purchase loans	5.32%	17,767,497	8,704,936
SC First Bank Korea	Purchase loans	4.99%	10,095,554	-
Korea Exchange Bank	Purchase loans	5.01%	6,249,826	-
Korea Development Bank	Working capital loans	-	-	20,000,000
			<b>119,715,069</b>	<b>107,845,795</b>

Long-term borrowings including bonds of the Company as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
Working capital loans (long-term borrowings) Bonds	60,000,000	60,000,000
	90,000,000	
	150,000,000	60,000,000
Less current portion of long-term borrowings	(30,000,000)	-
Less current portion of bonds	(90,000,000)	-
	<b>30,000,000</b>	<b>60,000,000</b>

The terms of interest and principal repayments of the long-term borrowings as of December 31, 2009 are as follows (Korean won in thousands):

	Description	Annual interest rate in 2009	Amounts	Maturity	Terms of Interest payment	Terms of principal payment
Long-term borrowings	Working capital loans	4.18%	30,000,000	Feb. 28, 2010	Monthly payment	Lump-sum at maturity
		4.32%	30,000,000	Feb. 28, 2011	"	"
Private non-guaranteed bonds	22th	5.27%	20,000,000	Mar. 02, 2010	Quarterly payment	"
	23th	5.17%	20,000,000	Apr. 16, 2010	"	"
	24th	5.67%	50,000,000	Oct. 14, 2011	"	"
			<b>150,000,000</b>			

## 12. Reserve for agent losses

In accordance with the contract between the Company and its sales agents, the Company provides a reserve by deducting a certain portion of commission fees payable to its sales agents to account for any unfavorable events that may result in losses to be absorbed by the Company due to the business conduct of the sales agents. All actual losses incurred are deducted against the reserve originally recognized.

## 13. Monetary assets denominated in foreign currencies

Monetary assets denominated in foreign currencies as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009		2008	
	Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets:				
Cash and cash equivalents	USD 3,875,806	4,525,391	USD 1,137,988	1,431,019
	EUR 1,674,004	2,802,751	EUR 104,009	184,743
	JPY 3,000,019	37,885	JPY 653	9
Short-term loans receivable	USD 2,610,000	3,047,436	USD 2,610,000	3,282,075
	JPY 170,000,000	2,146,794	JPY 170,000,000	2,369,613
Trade accounts and notes receivable	USD 22,824,792	26,650,227	USD 24,291,378	30,546,408
	JPY 579,709,125	7,320,683	JPY 486,008,984	6,774,431
	THB 132,207,303	4,629,900	THB 141,307,303	5,102,607
	EUR -	-	EUR 480,536	853,538
Other accounts receivable	USD 368,695	430,488	USD 517,860	651,209
	EUR -	-	EUR 48,900	86,857
Long-term loans receivable	USD 3,768,370	4,399,949	USD 3,768,370	4,738,726
Total	USD 33,447,663	32,325,596	USD 32,325,596	
	EUR 1,674,004	633,445	EUR 633,445	
	JPY 752,709,144	656,009,637	JPY 656,009,637	
	THB 132,207,303	55,991,504	THB 141,307,303	56,021,235

Gain on foreign currency translation for the years ended December 31, 2009 and 2008 amounted to ₩21,757 thousand and ₩10,754,048 thousand, respectively. Loss on foreign currency translation for the years ended December 31, 2009 and 2008 amounted to ₩4,189,619 thousand and ₩111,274 thousand, respectively.

## 14. Severance and retirement benefits

Changes in net carrying amount of severance and retirement benefits for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
As of January 1,	27,351,459	21,889,736
Payments during the year	(13,866,684)	(6,673,030)
Provision during the year	19,355,829	12,134,753
Succeeded from merger	862,380	
Transfer from related parties	4,106,001	-
	<b>37,808,985</b>	<b>27,351,459</b>
Presented net of:		
Insurance deposits	(26,436,652)	(18,328,692)
Accumulated prepayments to the NPS	(35,464)	(31,204)
As of December 31,	<b>11,336,869</b>	<b>8,991,563</b>

## 15. Provisions

Changes in the carrying amount of provisions for the year ended December 31, 2009 are as follows (Korean won in thousands):

Provision for:	Jan. 1, 2009	Increase by merger	Provisions	Utilization / Reversal	Dec. 31, 2009
Product warranties (*1)	1,411,512	-	354,159	-	1,765,671
Return of goods sold (*1)	408,436	40,453	219,379	-	668,268
Construction warranties (*2)	161,603	-	12,132	(34,518)	139,217
	1,981,551	40,453	585,670	(34,518)	2,573,156

(\*1) The Company recognized the estimated liability to repair or replace products sold with one year warranty as provision for product warranties and recognized the estimated liability for the return of goods sold within 10 months after sales of goods as a provision for return of goods sold as of December 31, 2009.

(\*2) The provision for construction warranties was recognized as a result of the acquisition of water treatment business unit from Woongjin Chemical Co., Ltd in 2008.

## 16. Capital stock

Details of capital stock of the Company as of December 31, 2009 and 2008 are as follows:

Number of shares authorized : 200,000,000 shares  
 Par value per share : 500  
 Number of common shares outstanding : 77,124,796 shares in 2009 and 74,431,993 shares in 2008

There is no change in capital stock of the Company during the year ended December 31, 2008 and details of changes in capital stock of the Company during the year ended December 31, 2009 are as follows (Korean won in thousands):

	Number of shares issued	Common stock	Paid-in capital in excess of par value
As of January 1/December 31, 2008	74,431,993	39,315,997	108,723,905
As of January 1, 2009	74,431,993	39,315,997	108,723,905
- Increase due to merger	2,692,803	1,346,401	82,379,108
- Others	-	-	(49,175,307)
As of December 31, 2009	77,124,796	40,662,398	141,927,706

The Company had previously retired 4,200,000 shares of treasury stock through the appropriation of retained earnings. As a result, the number of shares common stock outstanding amounting to 77,124,796 shares with a face value of ₩38,562,398 thousand differs from the face value and number of shares issued as recorded in the non-consolidated statements of financial position of December 31, 2009.

## 17. Other capital surplus

Other capital surplus consists of gain on disposal of treasury stock as of December 31, 2009.

## 18. Treasury stock

The Company acquired and disposed of its treasury stock through managing specified money trust during the year ended December 31, 2009 and the treasury stock amounting to ₩36,432,706 thousand are recorded as capital adjustments as of December 31, 2009.

## 19. Retained earnings

Appropriated retained earnings of the Company as of December 31, 2009 and 2008 are as follows (Korean won in thousands)

	2009	2008
Appropriated:		
Legal reserve (*1)	21,755,427	15,255,427
Business development reserve (*2)	1,570,000	1,570,000
Business rationalization reserve	16,228	16,228
Voluntary reserve	352,959,807	295,059,807
	<b>376,301,462</b>	<b>311,901,462</b>

(\*1) In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of paid-in capital. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

(\*2) In accordance with the Korean Corporate Income Tax Law, the amount appropriated at the annual ordinary stockholders' meeting as a business development reserve can be deducted in the calculation of excess retained earnings for corporate income tax reporting purposes. The reserve may only be used to offset a deficit, if any, or may be transferred to capital without a reversal of the tax benefit. Effective from December 2001, such reserve is no longer required by the revised Tax Incentives Limitation Law ("TILL").

## 20. Related party disclosures

The related parties of the Company and nature of their relationship with the Company are as follows:

Company name	Parent company	Relationship with the Company
Woongjin Holdings Co., Ltd.	N/A	Ultimate parent
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	The Company	Subsidiary
Woong Jin Coway USA Inc.	The Company	Subsidiary
Woongjin Chemical Co., Ltd.	The Company	Subsidiary
Woong Jin Coway (M) Sdn Bhd.	The Company	Subsidiary

Significant transactions with related parties for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009		2008	
	Sales and other	Purchases and other	Sales and other	Purchases and other
Woongjin Holdings Co., Ltd.	31,090	60,209,069	18,199	18,006,314
Woongjin Chemical Co., Ltd.	3,933,832	25,034,079	22,189,871	36,007,151
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	1,482,911	-	3,601,060	-
Woong Jin Coway USA Inc.	3,539,425	-	5,370,413	-
Woong Jin Coway (M) Sdn Bhd.	2,632,867	-	5,398,514	-
Coway Japan Corporation	1,721,112	1,010,078	2,223,360	-
Woong Jin Coway (Thailand) Co., Ltd.	1,370,630	-	1,802,761	-
Woong Jin Coway (Hongkong) Co., Ltd.	206,418	-	1,381,758	-
Woongjin Energy Co., Ltd.	266,622	-	111,265	-
Woongjin Thinkbig Co., Ltd.	89,379	670,788	113,967	919,636
Woongjin Capital Co., Ltd.	2,867	-	2,876	-
Woongjin Happyall Co., Ltd. (*1)	107,425	82,708,365	253,027	131,011,320
Rexfield Country Club	23,273	552,932	18,446	378,360
Woongjin Foods Co., Ltd.	28,214	4,226,011	46,205	3,853,103
Woongjin Cuchen Co., Ltd.	357,298	28,143,400	1,362,879	62,583,458
Booxen Co., Ltd.	8,423	22,718,653	11,153	21,033,748
Woongjin ST Co., Ltd.	867,334	4,779,861	2,569	376,837
Kukdong Construction Co., Ltd.	5,278,996	-	1,911,470	3,014,080
Woongjin Passone Co., Ltd.	62,095	413,481	36,074	-
Woongjin Polysilicon Co., Ltd.	6,110	-	1,572	-
Woongjin Homecare Co., Ltd. (*1)	20,548	255	-	-
	22,036,869	230,466,972	45,857,439	277,184,007

## 20. Related party disclosures (cont'd)

Outstanding balances with related parties as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009		2008	
	Receivables	Payables	Receivables	Payables
Woongjin Holdings Co., Ltd.	1,509,135	11,813,934	6,817	3,147,232
Woongjin Chemical Co., Ltd.	33,976	904,343	39,979	1,723,348
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	5,183,952	-	7,216,374	-
Woong Jin Coway USA Inc.	6,124,697	-	8,971,166	-
Woong Jin Coway (M) Sdn Bhd.	18,727,306	-	17,150,232	-
Coway Japan Corporation	10,035,319	66,457	9,601,380	-
Woong Jin Coway (Thailand) Co., Ltd.	7,659,125	-	7,042,263	-
Woong Jin Coway (Hongkong) Co., Ltd.	1,834,586	-	1,781,271	-
Woongjin Energy Co., Ltd.	-	-	326,681	-
Woongjin Thinkbig Co., Ltd.	5,894	69,204	11,869	68,843
Woongjin Happyall Co., Ltd. (*1)	-	-	55,889,544	12,825,073
Rexfield Country Club	4,305,037	67,851	4,305,037	46,200
Woongjin Foods Co., Ltd.	253,407,823	1,500	316,880	-
Woongjin Cuchen Co., Ltd.	-	-	752,148	5,819,690
Booxen Co., Ltd.	115,471	2,034,165	-	2,027,664
Kukdong Construction Co., Ltd. (*2)	1,642,043	10,000	2,070,529	-
Woongjin ST Co., Ltd.	-	1,333,095	-	36,168
Woongjin Passone Co., Ltd.	-	18,874	-	-
Woongjin Homecare Co., Ltd. (*1)	175,783	7,721	-	-
	<b>57,352,577</b>	<b>16,733,467</b>	<b>115,166,790</b>	<b>26,011,098</b>

(\*1) Woongjin Happyall Co., Ltd. was merged into Woongjin Holdings Co., Ltd., by disposing of its CS.DR business unit to the Company and spun off its other business to Woongjin Homecare Co., Ltd during the year ended December 31, 2009.

(\*2) As Kukdong Construction Co., Ltd. acquired Woongjin Ceramic Co., Ltd. and Woongjin Construction Co., Ltd., during the year ended December 31, 2008, all their related transactions and amounts of receivables and payables were included in the amounts disclosed.

Short-term loans receivable from directors and employees as of December 31, 2009 and 2008 amounted to ₩300,000 thousand and ₩250,000 thousand, respectively.

Allowance for doubtful accounts recognized related to all receivables from related parties amounted to ₩15,244,842 thousand as of December 31, 2009.

## 20. Related party disclosures (cont'd)

As of December 31, 2009, there are no guarantees provided by related parties to the Company. Details of guarantee provided to related parties as of December 31, 2009 are as follows (Korean won in thousands):

Guaranteed	Guarantee provided to amount	Description of guarantee
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	USD 3,250,000	General loans
Woong Jin Coway (Thailand) Co., Ltd.	USD 2,000,000	General loans
Woong Jin Coway (M) Sdn Bhd.	USD 3,240,000	General loans
Coway Japan Corporation	JPY 3,184,000,000	General loans
Woongjin Coway Employee Stock Ownership Association	<b>38,165,300</b>	Personal loans
	USD 8,490,000	
	JPY 3,184,000,000	
	<b>38,165,300</b>	

There are no assets pledged as collateral by the Company on behalf of related parties as of December 31, 2009.

Key management personnel include standing directors and outside directors who have the authority and responsibilities for planning, operation and control of the business of the Company. Compensation for key management personnel for the years ended December 31, 2009 and 2008 is as follows (Korean won in thousands):

	2009	2008
Salaries	2,820,298	2,021,244
Severance and retirement benefits (*1)	1,387,595	859,906
Stock options (*2)	7,956,849	4,670,707
	<b>12,164,742</b>	<b>7,551,857</b>

(\*1) For standing directors and outside directors, total accrued costs of severance and retirement benefits for these directors as of December 31, 2009 and 2008 amounted to ₩391,017 thousand and ₩287,746 thousand, respectively.

(\*2) Stock options represent the cumulative compensation expenses for stock options granted to key management personnel as of December 31, 2009. During the years ended December 31, 2009 and 2008, stock-based compensation expense for key management personnel amounted to ₩1,356,421 thousand and ₩946,415 thousand, respectively.

## 21. Income taxes

For the year ended December 31, 2009, the Company is subject to corporate income taxes, including resident surtax, at the aggregate rates of 12.1% (11% from 2010 and thereafter) on taxable income of up to ₩200,000 thousand and 24.2% (22% from 2012 and thereafter) on taxable income in excess of ₩200,000 thousand.

The major components of provision for income taxes for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
Current income taxes	41,127,388	42,564,556
Change in deferred income taxes arising from temporary differences	(5,387,638)	11,773,078
Current and deferred income taxes recognized directly to equity	13,705,124	1,382,943
Provision for income taxes	<b>49,444,874</b>	<b>55,720,577</b>

A reconciliation of provision for income taxes applicable to income before income taxes at the Korea statutory tax rate to provision for income taxes at the effective income tax rate of the Company is as follows (Korean won in thousands):

	2009	2008
Income before income taxes	202,724,388	184,785,247
Tax at the statutory income tax rate of 12.1% and 24.2% (2008: 12.1% and 27.5%)	49,035,102	50,785,143
Adjustments:		
Expenses not deductible for tax purposes	24,383,870	799,873
Deferred tax assets not recognized	(22,726,820)	1,667,336
Recognition of previously unrecognized		
deferred income taxes	(1,161,994)	
Adjustments of beginning balance of temporary differences	-	(487,470)
Tax credit	(98,812)	(638,042)
Special tax for rural development	5,808	12,668
Additional payment of income taxes	335,263	2,858,917
Others	(327,543)	722,152
Provision for Income taxes at the effective income tax rate of 24.39% (2008: 30.15%)	<b>49,444,874</b>	<b>55,720,577</b>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax reporting purposes. Significant changes in cumulative temporary differences and deferred income tax assets and liabilities for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

## 21. Income taxes (cont'd)

	2009					
	As of Jan. 1, 2009	Net changes	As of Dec. 31, 2009	Deferred income taxes recognized	Current	Non-current
< Deductible temporary differences >						
Short-term investment assets	70,310	-	70,310	-	-	-
Accrued interest income	1,438	-	1,438	-	-	-
Advanced receipts	100,778,615	(6,480,009)	94,298,606	22,820,263	22,820,263	-
Inventory reserve	5,674,818	(51,411)	5,623,407	1,360,864	1,360,864	-
Accrued expenses	5,138,115	1,449,406	6,587,521	1,594,180	1,594,180	-
Provision for return of goods sold	408,437	259,831	668,268	161,721	161,721	-
Provision for warranties	1,411,512	354,159	1,765,671	427,292	427,292	-
Allowances for doubtful accounts	68,635,013	13,853,622	82,488,635	19,962,250	19,962,250	-
Loss on foreign currency translation	111,274	4,075,345	4,186,619	1,013,162	1,013,162	-
Government subsidy (current)	61,138	12,194	73,332	17,746	17,746	-
Bad debt expenses	853,820	103,850	957,670	231,756	31,756	-
Depreciation (rental assets)	826,944	(277,401)	549,543	120,900	-	120,900
Depreciation (general)	2,570	-	2,570	-	-	-
Impairment losses on rental assets	7,784,495	(2,220,345)	5,564,150	1,224,113	-	1,224,113
Intangible assets	268,848	(104,070)	164,778	36,251	-	36,251
Severance and retirement benefits	19,296,672	7,731,183	27,027,855	5,946,128	-	5,946,128
Equity method investments	11,727,153	3,662,642	15,389,795	-	-	-
Long-term Investment securities	5,883,988	(1,337,988)	4,546,000	474,740	-	474,740
Allowances for doubtful accounts (equity in loss of equity method investments)	3,718,955	(3,718,955)	-	-	-	-
Goodwill (water treatment business Unit)	18,217,776	(4,124,780)	14,092,996	3,100,459	-	3,100,459
Goodwill (Woongjin Happyall)	-	50,511,641	50,511,641	11,112,561	-	11,112,561
Government subsidy (non-current)	69,700	99,280	168,980	37,176	-	37,176
Provision for repair of defects	161,603	(22,386)	139,217	30,628	-	30,628
Suspense payment	-	1,457,564	1,457,564	320,664	-	320,664
Deferred assets	29,048	-	29,048	-	-	-
Miscellaneous Losses	54,521	-	54,521	-	-	-
Others	4,200	(4,200)	-	-	-	-
	<b>251,190,964</b>	<b>65,229,172</b>	<b>316,420,135</b>	<b>69,992,853</b>	<b>47,589,234</b>	<b>22,403,619</b>
< Taxable temporary differences >						
Accrued interest income	-	32,062	32,062	7,759	7,759	-
Prepaid expenses	156,278,766	16,695,724	172,974,490	41,859,827	41,859,827	-
Gain on foreign currency translation	10,754,048	(10,732,291)	21,757	5,265	5,265	-
Equity method investments	15,789,971	15,680,974	31,470,945	6,201,566	-	6,201,566
Appropriated retained earnings for treasury stock	3,230,000	(3,230,000)	-	-	-	-
Provision for advance depreciation (Woongjin Cuchen)	-	7,872,697	7,872,697	1,731,993	-	1,731,993
Provision for temporary depreciation (Woongjin Cuchen)	-	812,019	812,019	178,644	-	178,644
Provision for temporary depreciation	69,700	(16,400)	53,300	11,726	-	11,726
Insurance deposits	18,328,692	8,107,960	26,436,652	5,816,063	-	5,816,063
Goodwill (Woongjin Cuchen)	-	84,754,782	84,754,782	-	-	-
Goodwill	6,258,934	(4,694,200)	1,564,734	-	-	-
	<b>210,710,111</b>	<b>115,283,327</b>	<b>325,993,438</b>	<b>55,812,843</b>	<b>41,872,851</b>	<b>13,939,992</b>
Deferred income taxes recognized:						
Deferred income tax assets	55,331,446	-	55,331,446	69,992,853	47,589,234	22,403,619
Deferred income tax liabilities	(48,725,041)	-	(48,725,041)	(55,812,843)	(41,872,851)	(13,939,992)
	<b>6,606,405</b>			<b>14,180,010</b>	<b>5,716,383</b>	<b>8,463,627</b>

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## 21. Income taxes (cont'd)

	2008					
	As of Jan. 1, 2008	Net changes	As of Dec. 31, 2008	Deferred income taxes recognized	Current	Non-current
< Deductible temporary differences >						
Short-term investment assets	54,825	15,485	70,310	-	-	-
Accrued interest income	1,438	-	1,438	-	-	-
Advanced receipts	118,145,989	(17,367,374)	100,778,615	24,388,425	24,388,425	-
Inventory reserve	5,150,646	524,172	5,674,818	1,373,306	1,373,306	-
Accrued expenses	3,839,957	1,298,158	5,138,115	1,243,424	1,243,424	-
Provision for return of goods sold	91,859	316,578	408,437	98,842	98,842	-
Provision for warranties	2,828,542	(1,417,030)	1,411,512	341,586	341,586	-
Allowances for doubtful accounts	58,054,262	10,580,751	68,635,013	16,609,673	16,609,673	-
Loss of foreign currency translation	-	111,274	111,274	26,928	26,928	-
Government subsidy (current)	-	61,138	61,138	14,795	14,795	-
Bad debt expenses	6,023,906	(5,170,086)	853,820	206,624	206,624	-
Depreciation (rental assets)	1,102,377	(275,433)	826,944	181,928	-	181,928
Depreciation (general)	2,570	-	2,570	-	-	-
Impairment losses on rental assets	10,440,625	(2,656,129)	7,784,495	1,712,589	-	1,712,589
Intangible assets	603,756	(334,908)	268,848	59,147	-	59,147
Severance and retirement benefits	14,571,349	4,725,323	19,296,672	4,245,268	-	4,245,268
Equity method investments	13,942,406	(2,215,253)	11,727,153	-	-	-
Long-term Investment securities	4,276,768	1,607,220	5,883,988	769,097	-	769,097
Allowances for doubtful accounts (equity in loss of equity method investments)	1,080,150	2,638,806	3,718,955	-	-	-
Goodwill (water treatment business Unit)	-	18,217,776	18,217,776	4,007,911	-	4,007,911
Government subsidy (non-current)	-	69,700	69,700	15,334	-	15,334
Provision for repair of defects	-	161,603	161,603	35,553	-	35,553
Deferred assets	29,048	-	29,048	-	-	-
Miscellaneous Losses	54,521	-	54,521	-	-	-
Others	26,650	(22,450)	4,200	1,016	1,016	-
	<b>240,321,644</b>	<b>10,869,319</b>	<b>251,190,964</b>	<b>55,331,446</b>	<b>44,304,620</b>	<b>11,026,826</b>
< Taxable temporary differences >						
Accrued interest income	44,270	(44,270)	-	-	-	-
Prepaid expenses	150,624,404	5,654,362	156,278,766	37,819,461	37,819,461	-
Gain on foreign currency translation	-	10,754,048	10,754,048	2,602,480	2,602,480	-
Equity method investments	-	15,789,971	15,789,971	3,473,794	-	3,473,794
Appropriated retained earnings for treasury stock	3,230,000	-	3,230,000	781,660	781,660	-
Provision for temporary depreciation	-	69,700	69,700	15,334	-	15,334
Insurance deposits	14,108,807	4,219,885	18,328,692	4,032,312	-	4,032,312
Goodwill	8,712,038	(2,453,103)	6,258,934	-	-	-
	<b>176,719,519</b>	<b>33,990,592</b>	<b>210,710,111</b>	<b>48,725,041</b>	<b>41,203,601</b>	<b>7,521,440</b>
Deferred income taxes recognized:						
Deferred income tax assets	18,379,483	55,331,446	73,710,929	11,026,826	-	-
Deferred income tax liabilities	-	(48,725,041)	(48,725,041)	(7,521,440)	-	-
	<b>18,379,483</b>			<b>6,606,405</b>	<b>3,101,019</b>	<b>3,505,386</b>

Details of the amount of deductible (taxable) temporary differences arising from unrecognized deferred income tax assets (liabilities) as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
Equity in loss of equity method investments (*1)	15,389,795	11,727,153
Equity in earnings of equity method investments (exclusion of dividend income from gross revenue)	(3,282,010)	-
Allowances for doubtful accounts (equity in loss of equity method investments)	-	3,718,955
Goodwill (*2)	(86,319,515)	(6,258,934)
Long-term investment securities	2,388,092	2,388,092
Others	157,888	157,888
	<b>(71,665,750)</b>	<b>11,733,153</b>

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## 21. Income taxes (cont'd)

(\*1) Deferred income tax assets arising from deductible temporary differences from equity method investments were not recognized as it is not probable that the Company will be able to realize those deductible temporary differences in future periods.

(\*2) The Company did not recognize the related deferred income tax, as the amortization expense is not deductible according to the Corporate Income Tax Law.

Details of deferred income taxes charged (credited) directly to equity for the years ended December 31, 2009 and 2008 are as follows

(Korean won in thousands):

	2009			2008		
	Before-tax amount	Income taxes recognized directly to equity	Deferred income tax assets (liabilities)	Before-tax amount	Income taxes recognized directly to equity	Deferred income tax assets (liabilities)
Goodwill arising from acquisition of business	(81,357,327)	(13,890,701)	17,898,612	(18,217,776)	(4,007,911)	4,007,911
Gain on disposal of treasury stock	89,143	21,573	(21,573)	-	-	-
Capital surplus arising from equity method investments	14,963,425	(5,972)	(3,291,954)	14,990,571	3,297,926	(3,297,926)
Capital adjustment arising from equity method investments	(318,848)	(70,147)	70,147	-	-	-
Gain (loss) on valuation of long-term investment securities	11,123	294,526	(2,447)	(1,607,220)	(353,589)	292,079
Changes of equity arising from equity method investments	2,090,304	89,892	(89,892)	-	-	-
Negative changes of equity arising from equity method investments	(2,457,591)	(144,295)	463,664	(1,451,677)	(319,369)	319,369
	<b>(66,979,771)</b>	<b>(13,705,124)</b>	<b>15,026,557</b>	<b>(6,286,102)</b>	<b>(1,382,943)</b>	<b>1,321,433</b>

## 22. Per share amounts

The Company's per share amounts for the years ended December 31, 2009 and 2008 are computed as follows:

### Basic earnings per share

	2009	2008
Net income	153,279,513,697	129,064,669,441
Weighted-average number of shares of common stock outstanding (*1)	75,348,868	74,431,993
Basic earnings per share	<b>2,034</b>	<b>1,734</b>

(\*1) As there is no change in the number of shares during 2008, and the weighted-average number of shares of common stock outstanding as of December 31, 2008 was equal to the number of common shares issued. Calculation of weighted-average number of shares of common stock outstanding as of December 31, 2009 is as follows:

## 22. Per share amounts (cont'd)

	2009		
	Number of shares outstanding	Days	Weighted number of shares outstanding
Beginning of the year	74,431,993	181	13,472,190,733
Increase by merger	77,124,796	16	1,233,996,736
Acquisition of treasury stock (*)	76,208,661	120	9,145,039,270
Exercise of stock options	76,064,796	48	3,651,110,208
		365	27,502,336,947
Weighted-average number of shares of common stock outstanding			<b>75,348,868</b>

(\*) Number of shares outstanding is derived from averaging all treasury stock transactions within a period of 120 day from July 17, 2009 to November 13, 2009.

Diluted earnings per share for the year ended December 31, 2008 are equal to basic earnings per share as the Company's potential dilutive shares are anti-dilutive. Diluted earnings per share for the year ended December 31, 2009 is computed as follows:

### Diluted earnings per share

	2009
Net income attributable to common stock	153,279,513,697
Share-based compensation expense Net income attributable to common stock adjusted for the effect of dilution	153,279,513,697
Weighted-average number of shares of common stock outstanding	75,348,868
Adjustment for assumed exercise of stock options	137,274
Weighted-average number of shares of common stock outstanding adjusted for the effect of dilution	75,486,142
Diluted earnings per share	<b>2,031</b>

## 23. Dividends

The 2008 dividends were approved at the ordinary stockholders' meeting held on March 20, 2009 and the 2009 dividends will be proposed for stockholders' approval at the annual ordinary stockholders' meeting to be held on March 19, 2010.

Details of dividends declared for the years ended December 31, 2009 and 2008 are as follows

(Korean won in thousands, except for dividend per share):

	2009	2008
Dividend per share (A)	1,010	870
Number of shares (B)	76,064,796	74,431,993
Dividends (A x B)	<b>76,825,444</b>	<b>64,755,834</b>

The dividend payout ratio for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
Dividends (A)	76,825,444	64,755,834
Net income (B)	153,279,514	129,064,669
Dividend payout ratio (A / B)	<b>50.12%</b>	<b>50.17%</b>

## 23. Dividends (cont'd)

The dividend yield ratio for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Dividend per share (A)	1,010	870
Market value per share at year-end date (B)	38,400	26,650
Dividend yield ratio (A/B)	<b>2.63%</b>	<b>3.26%</b>

## 24. Comprehensive income

The details of comprehensive income for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
Net income	153,279,514	129,064,669
Other comprehensive income (loss): Gain (loss) on valuation of available-for-sale securities (Income tax effect: current year ₩(294,526) thousand, prior year: ₩353,588 thousand)	1,100,148	(1,253,632)
Changes in equity arising from equity method investments (Income tax effect: current year ₩(89,892) thousand, prior year: nil)	(2,146,949)	3,716,619
Negative changes in equity arising from equity method investments (Income tax effect: current year ₩144,295 thousand, prior year: ₩319,369 thousand)	(284,632)	(1,662,541)
Comprehensive income	151,948,081	129,865,115

## 25. Supplementary cash flow information

Significant transactions not involving cash flows for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
Acquisition of an equity method investment through a debt-for-equity swap	5,775,150	-
Reclassification of construction-in-progress to each class of property, plant and equipment	5,103,040	6,765,654
Transfer of current portion of long-term borrowings	30,000,000	-
Disposal of treasury stock through exercise of stock options	10,056,443	-

## 26. Insurance

Details of insured inventories and property, plant and equipment as of December 31, 2009 are as follows (Korean won in thousands):

Description	Insured assets	Insurance company	Coverage amount
Fire and other insurance	Property, plant and equipment and Inventories	Samsung Marins & Fire	146,384,544

In addition, the Company maintains product liability insurance, employee's group insurance, fidelity insurance and vehicle insurance as of December 31, 2009.

## 27. Commitments and contingencies

As of December 31, 2009, the Company has five pending lawsuits as a defendant with total claims against the Company amounting to ₩191,282 thousand. Among these lawsuits, a claim relating to severance and retirement benefits amounting to ₩151,474 thousand was closed as the court dismissed the appeal of the plaintiff on January 22, 2010. Another claim amounting to ₩1,188 thousand was closed as the plaintiff withdrew the suit on January 21, 2010. The outcomes of the other three pending cases with claims totaling ₩38,620 cannot presently be determined as of December 31, 2009. As of December 31, 2009, the details of available credit lines of the Company with various banks and financial institutions are as follows (Korean won in thousands):

Credit provider	Limit	Description of credit line
Shinhan Bank and five others	212,000,000	Purchase Loan
Korea Development Bank and another	90,000,000	General borrowings
	90,000,000	Private equity bonds
Meritz Investment Bank and another	50,000,000	Commercial paper
Korea Exchange Bank	3,000,000	Electronic promissory note
Hana Bank and two others	USD 10,600,000	Lines of credit (sight)

The Company has provided two blank promissory notes issued to Korea Development Bank as security in connection with a refinancing borrowing arrangement of Woongjin Chemical Co., Ltd. as of December 31, 2009.

## 28. Share-based payment transactions

The details of stock options granted by the Company as of December 31, 2009 are as follows:

	1st grant	2nd grant	3rd grant	4th grant	5th grant
Granted shares	440,000	150,000	50,000	185,000	330,000
Remaining shares	230,000	120,000	-	185,000	330,000
Grant date	2006.03.13	2006.08.01	2006.09.28	2008.03.21	2009.3.20
Exercise price	27,050	20,780	22,970	28,690	27,480
Vesting condition	Remain in service for a period of 2 years	Remain in service for a period of 2 years	Remain in service for a period of 2 years	Remain in service for a period of 2 years	Remain in service for a period of 3 years
Exercisable period	2008.3.13~2013.3.12	2008.8.1~2013.7.31	2008.9.28~2013.9.27	2010.3.21~2015.3.20	2012.3.20~2016.3.19

The changes in shares of stock options during the year ended December 31, 2009 are as follows:

	1st grant	2nd grant	3rd grant	4th grant	5th grant
Outstanding as of January	1, 2009	440,000	150,000	50,000	185,000
Granted during 2009	-	-	-	-	330,000
Exercised during 2009	(210,000)	(30,000)	(50,000)	-	-
Outstanding as of December 31, 2009	230,000	120,000	-	185,000	330,000
Exercisable as of December 31, 2009	230,000	120,000	-	-	-

The exercise prices of stock options are in range from ₩20,780 to ₩28,690 and the weighted average remaining maturity of stock options are 4.78 years as of December 31, 2009. The fair value of stock options is estimated at the date of grant by using the Black-Scholes option pricing model. The assumptions used under the Black-Scholes option pricing model for all grants made are as follows:

## 28. Share-based payment transactions (cont'd)

	1st grant	2nd grant	3rd grant	4th grant	5th grant
Stock price	28,500	21,700	22,800	23,594	25,543
Exercise price per share	27,050	20,780	22,970	28,690	27,480
Expected volatility	34.39%	33.35%	32.86%	44.66%	45.30%
Expected life of option	5 years	5 years	5 years	5 years	5 years
Expected dividend per share	208	208	208	780	870
Risk-free interest rate	5.12%	4.86%	4.67%	5.23%	4.15%

The share-based compensation expense recognized for the year ended December 31, 2009 is as follows:

	1st grant	2nd grant	3rd grant	4th grant	5th grant	Total
Cumulative share-based compensation expense up to 2008	4,313,077	1,042,345	337,060	488,492	-	6,180,974
Share-based compensation expense during 2009	-	-	-	586,191	1,004,099	1,590,290
Unrecognized share-based compensation expense	-	-	-	683,889	2,610,658	3,294,547
	<b>4,313,077</b>	<b>1,042,345</b>	<b>337,060</b>	<b>1,758,572</b>	<b>3,614,757</b>	<b>11,065,811</b>
Recognized share-based compensation expense	4,313,077	1,042,345	337,060	1,074,683	1,004,099	7,771,264
Exercise of stock options	(2,058,514)	(208,469)	(337,060)	-	-	(2,604,043)
<b>Stock options as of Dec. 31, 2009</b>	<b>2,254,563</b>	<b>833,876</b>	<b>-</b>	<b>1,074,683</b>	<b>1,004,099</b>	<b>5,167,221</b>

## 29. Value added information

In accordance with SKAS 21 Preparation and Presentation of Financial Statements, the "value added" items as defined by the standard, which are required to be disclosed by the Company for the years ended December 31, 2009 and 2008, are as follows (Korean won in thousands):

	Cost of sales		Selling and administrative expenses		Depreciation of rental assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Labor costs	16,084,839	13,945,623	150,847,189	123,248,054	-	-	166,932,028	137,193,677
Severance and retirement benefits	1,077,632	1,191,601	18,278,197	10,943,152	-	-	19,355,829	12,134,753
Employee benefits	2,210,748	1,740,458	26,349,593	20,565,913	-	-	28,560,341	22,306,371
Rent	106,655	36,570	36,700,729	32,540,787	-	-	36,807,384	32,577,357
Depreciation	7,307,319	4,501,882	12,926,733	13,533,462	107,994,829	108,463,731	128,228,881	126,499,075
Taxes and dues	32,764	36,570	1,504,647	1,623,635	-	-	1,537,411	1,660,205
	<b>26,819,957</b>	<b>21,452,704</b>	<b>246,607,088</b>	<b>202,455,003</b>	<b>107,994,829</b>	<b>108,463,731</b>	<b>381,421,874</b>	<b>332,371,438</b>

## 30. Segment information

The Company has two main reportable business segments; rental division and product sales division. The following table presents the financial information of the Company by business segments for the years ended December 31, 2009 and 2008 (Korean won in thousands):

	2009			2008		
	Rental	Product sales	Others	Rental	Product sales	Others
Sales	1,197,020,387	172,222,550	42,679,379	1,156,275,579	129,268,834	28,858,513
Cost of sales	(336,801,796)	(96,655,687)	(26,714,738)	(323,271,122)	(71,675,350)	(12,212,103)
<b>Gross profit</b>	<b>860,218,591</b>	<b>75,566,863</b>	<b>15,964,641</b>	<b>833,004,457</b>	<b>57,593,484</b>	<b>16,646,410</b>

## 31. Cost of sales

The cost of sales for the years ended December 31, 2009 and 2008 are made up of the following (Korean won in thousands):

	2009		2008	
	Cost of merchandise sold	Cost of finished goods sold	Cost of merchandise sold	Cost of finished goods sold
Beginning inventories	32,564,595	19,672,503	37,535,385	12,535,164
Cost of finished goods or merchandise purchased	103,175,314	281,117,707	112,385,788	190,548,157
Transfer from other account:	262,643,077	580,333,390	233,477,421	335,504,564
Total	398,382,986	881,123,600	383,398,594	538,587,886
Transfer to other accounts	(327,652,954)	(805,066,529)	(315,812,622)	(482,261,409)
Ending inventories	(27,055,833)	(23,075,583)	(32,564,595)	(19,672,503)
Cost of goods sold	<b>43,674,199</b>	<b>52,981,488</b>	<b>35,021,377</b>	<b>36,653,974</b>

## 32. Selling and administrative expenses

Selling and administrative expenses recognized for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
Salaries (Note 29)	150,847,189	123,248,054
Severance and retirement benefits (Notes 14, 20 and 29)	18,278,197	10,943,152
Stock-based compensation expense (Notes 20 and 28)	1,590,290	1,264,286
Sales commission	229,496,263	258,064,162
Sales promotion	21,013,748	20,126,515
Employee benefits (Note 29)	26,349,593	20,565,913
Travel	4,595,548	3,479,622
Communications	13,718,659	10,207,494
Entertainment	809,235	789,011
Conference	2,496,693	1,970,830
Education and training	6,459,353	6,657,646
Supplies	25,931,396	18,063,147
Books and publishing	1,185,107	1,141,967
Advertisements	39,902,659	38,152,346
Water, electricity and gas	1,045,160	686,762
Rent (Note 29)	36,700,729	32,540,787
Taxes and dues (Note 29)	1,504,647	1,623,635
Insurance	625,429	390,664
Transportation 1,678,237	2,568,484	
Fees and commissions	71,327,704	61,956,850
Repairs and maintenance	3,104,844	4,234,311
Vehicles	12,343	29,990
Depreciation (Notes 8 and 29)	12,926,733	13,533,462
Samples	306,312	300,953
Amortization (Note 9)	19,801,685	14,677,864
Research and development costs (Note 10)	7,352,561	6,905,324
Bad debt expenses	5,982,597	15,954,392
Loss on disposal of rental assets	38,135,698	44,710,986
Provision for product warranties (Note 15) 354,159		
Compensation for customers	3,947,790	2,294,790
Provision for construction warranties (Note 15)	12,132	12,000
	<b>747,492,690</b>	<b>717,095,399</b>

### 33. Acquisition and transfer of business

On January 1, 2009, the Company acquired the CS.DR business unit that install and manage rental assets such as water purifier, water softener and bidet from Woongjin Happyall Co., Ltd. The summarized statement of financial position of the acquired business unit as of December 31, 2009 are as follows (Korean won in thousands):

	Dec. 31, 2009
<b>Assets</b>	
Current assets	724,686
Quick assets	575,914
Inventories	148,772
Non-current assets	5,021,047
Property, plant and equipment	4,043,758
Others	977,289
<b>Total assets</b>	<b>5,745,733</b>
<b>Liabilities</b>	
Current liabilities	193,041
Non-current liabilities	12,654,561
<b>Total liabilities</b>	<b>12,847,602</b>
<b>Net liabilities</b>	<b>(7,101,869)</b>

The assets acquired and liabilities assumed were measured at the recorded book value of the financial statements of Woongjin Happyall Co., Ltd. at the date of acquisition on January 1, 2009.

The purchase consideration the Company paid to acquire the division was ₩56,037,683 thousand and the difference between the purchase consideration and net liabilities assumed amounted to ₩63,139,551, before tax effects. The amount net of income taxes was offset by paid-in capital in excess of par value in capital surplus.

### 34. Merger

On April 24, 2009, the Company entered into a contract of merger with Woongjin Cuchen Co., Ltd. (the "merged entity") and the Board of Directors approved the merger on May 28, 2009. The Company merged with Woongjin Cuchen Co., Ltd. on January 1, 2009 and the details of the merger are as follows (Korean won in thousands):

- (1) The main business of the merged entity is manufacturing and sales of bidet, and the Chief Executive Officer of the entity was Jun Ki Hong.
- (2) The Company issued 0.243884 common share (par value of ₩500) for every one share of the merged entity's common share (par value of ₩500) and the consideration for the odd-lot shares was satisfied by cash payment amounting to ₩37,548 thousand to the stockholders.
- (3) All assets and liabilities of the merged entity as of June 30, 2009 were succeeded by the Company at fair value following the Korea Financial Accounting Standards -Accounting standards for merger and acquisition.
- (4) The details of increase in capital surplus and other comprehensive income due to the merger on January 1, 2009 are as follows (Korean won in thousands):

### 34. Merger (cont'd)

	Amount
Succession of assets	51,957,893
Succession of liabilities	57,352,732
<b>Succession of net liabilities</b>	<b>(5,394,839)</b>
Amounts of issued common shares (*1)	83,746,173
Goodwill before adjustment of cash paid	89,141,012
Cash paid due to merger	37,548
Merger directly attributable costs	37,000
<b>Goodwill on merger</b>	<b>89,215,560</b>

(\*1) Common shares issued due to the merger were 2,692,803 shares and the issue price per share was ₩31,100 (par value of ₩500).

(5) The details of increase in capital surplus due to the merger are as follows (Korean won in thousands):

	Amount
Succession of net liabilities	(5,394,839)
Goodwill before adjustment of cash paid	89,141,012
Stock issue costs	(20,663)
Capital stock issued	(1,346,401)
<b>Increase in capital surplus (paid-in capital in excess of par value)</b>	<b>82,379,108</b>

(6) The statements of financial position of the merged entity as of June 30, 2009 and December 31, 2008 and statements of operations of the merged entity for the six months ended June 30, 2009 and the year ended December 31, 2009, are summarized as follows (Korean won in thousands):

A. Statements of financial position based on book values

	Jun. 30, 2009	Dec. 31, 2008
<b>Assets:</b>		
Quick assets	19,717,387	28,743,631
Inventories	1,843,421	14,369,542
Investment assets	2,987,004	2,060,239
Property, plant and equipment, net	23,562,076	28,682,601
Intangible assets	710,625	806,633
Other non-current assets	122,676	336,100
	48,943,189	74,998,746
<b>Liabilities:</b>		
Current liabilities	56,783,064	72,898,880
Non-current liabilities	<b>2,301,661</b>	<b>3,207,138</b>
	59,084,725	76,106,018
<b>Equity:</b>		
Common stock	5,523,109	5,523,109
Capital surplus	1,870,385	1,870,385
Accumulated other comprehensive income	4,227,118	3,480,354
Accumulated deficit	(21,762,148)	(11,981,120)
	(10,141,536)	(1,107,272)
<b>Total liabilities and equity</b>	<b>48,943,189</b>	<b>74,998,746</b>

### 34. Merger (cont'd)

#### B. Statements of operations

	Six months ended Jun 30, 2009	Year ended Dec. 31, 2008
Sales	29,530,270	59,327,573
Cost of sales	23,647,129	45,179,946
Gross profits	5,883,140	14,147,626
Selling and administrative expenses	1,991,412	1,515,953
Operating income	3,891,728	12,631,673
Other income	755,946	382,209
Other expenses	1,850,359	2,113,376
Income before income taxes	2,797,315	10,900,506
Profit from income taxes	-	1,321,918
Income from continuing operation	2,797,315	12,222,424
Loss from discontinuing operation after tax	(12,578,344)	(24,390,937)
<b>Net loss</b>	<b>(9,781,028)</b>	<b>(12,168,511)</b>

### 35. Operating results of the final interim period (unaudited)

Summary of operating results for the three months ended December 31, 2009 and 2008 are as follows

(Korean won in thousands except per share amounts):

	(Unaudited)	
	Three months ended December 31,	
	2009	2008
Sales	371,409,958	340,263,231
Cost of sales	122,430,392	109,458,581
Gross profit	248,979,556	230,804,650
Operating income	57,114,470	48,192,431
Income before income taxes	53,115,032	55,055,287
Net income	40,331,976	37,633,128
Basic earnings per share (Korean won)	531	506

### 36. Normal business operating cycle and liquidity classification

The Company classifies its account receivables and account payables in accordance with its normal business operating cycle. Receivables with maturities of more than one year from the reporting date which were classified as current assets as of December 31, 2009 are as follows (Korean won in thousands):

	Within one year	Over one year	Description
Prepaid expenses	9,550,595	21,707,810	Cost of rental
	46,669,307	100,693,184	Sales commissions
	1,384,291	-	Others
Trade account and note receivables	4,778,147	33,833,021	Receivable from export sales
	207,884,318	-	Others
	<b>270,266,658</b>	<b>156,234,015</b>	

### 37. Financial statement approval

The non-consolidated financial statements of the Company for the year ended December 31, 2009 was approved by the Board of Directors on February 19, 2010.

## Internal control over financial reporting review report

### The Chief Executive Officer Woongjin Coway Co., Ltd.



We have reviewed the accompanying management's report on the operations of the internal control over financial reporting ("ICFR") of Woongjin Coway Co., Ltd. (the "Company") as of December 31, 2009. The Company's management is responsible for the design and operations of its ICFR, including the reporting of its operations. Our responsibility is to review management's ICFR report and issue a report based on our review. Management's report on the operations of the ICFR of the Company states that "Based on the assessment results, I believe that the Company's ICFR, as of December 31, 2009, is effectively designed and operating, in all material respects, in conformity with the Best Practice Guideline."

We conducted our review in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management's report on the operations of the ICFR. A review includes the procedures of obtaining an understanding of the ICFR, inquiring as to management's report on the operations of the ICFR and performing a review of related documentation within limited scope, if necessary.

A company's ICFR consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with accounting principles generally accepted in the Republic of Korea. However, because of its inherent limitations, the ICFR may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the ICFR on future periods are subject to the risk that ICFR may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

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

We conducted our review of the ICFR in existence as of December 31, 2009, and we did not review the ICFR subsequent to December 31, 2009. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit for Stock Companies, and may not be appropriate for other purposes or for other users.

*Ernst & Young*

March 5, 2010

# Report on the Operations of the Internal Control over Financial Reportion

To the Board of Directors and Internal Auditor(Audit Committee) of Woongjin Coway Company

I, as the Internal Control over Financial Reporting(“ICFR”) Officer of woongjin Coway Company (“the Company”), assessed the effectiveness of the design and operation of the Company’s ICFR for the year ending December 31, 2009.

The Company’s management, including myself, is responsible for designing and operating an ICFR. I assessed the design and operational effectiveness of the ICFR in the prevention and detection of an error or fraud which may cause a misstatement in the preparation and disclosure of reliable financial statements. I followed the Best Practice Guideline for ICFR to evaluate the effectiveness of the ICFR design and operation.

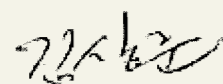
Based on the assessment results, I believe that the Company’s ICFR, as of December 31, 2009, is effectively designed and operation, in all material respects, in coonformity with the Best Practice Guideline for ICFR.

<Attachment>

Detail of significant deficiencies and remediation plans

February 2, 2010

Kim, Sang-Joon  
Name, ICFR OFFICER




Hong Joon-Kee  
Name, Chief Executive Officer or President




READER  
FEEDBACK

SURVEY



Woongjin Coway strived to provide accurate information on the company’s sustainability management activities to stakeholders. The company will make sustainability reports more credible. We look forward to feedback from all our stakeholders.



**Woongjin Coway strived to provide accurate information on the company's sustainability management activities to stakeholders. The company will make sustainability reports more credible. We look forward to feedback from all our stakeholders.**

**1. Please indicate your stakeholder group:**

- |  |  |   |                                   |
|--|--|---|-----------------------------------|
| <input type="checkbox"/> Employee                  | <input type="checkbox"/> Shareholder                 | <input type="checkbox"/> Financial institution          | <input type="checkbox"/> Customer |
| <input type="checkbox"/> Business partner          | <input type="checkbox"/> Non-government organization | <input type="checkbox"/> Local resident                 | <input type="checkbox"/> Academia |
| <input type="checkbox"/> Government representative | <input type="checkbox"/> Media                       | <input type="checkbox"/> Other (                      ) |                                   |

**2. Is this Report useful in understanding Woongjin Coway's sustainability management activities?**

- |   |  |                                |                                     |                                |
|---|--|--------------------------------|-------------------------------------|--------------------------------|
| <input type="checkbox"/> Very much useful | <input type="checkbox"/> Little bit useful | <input type="checkbox"/> So-so | <input type="checkbox"/> Not useful | <input type="checkbox"/> Never |
|---|--|--------------------------------|-------------------------------------|--------------------------------|

**3. Please indicate your interests (you may select multiple answers):**

- |  |  |   |  |
|--|--|---|--|
| <input type="checkbox"/> CEO Message                           | <input type="checkbox"/> Material issue survey results | <input type="checkbox"/> Corporate overview               | <input type="checkbox"/> Ethics management |
| <input type="checkbox"/> Stakeholder communication             | <input type="checkbox"/> Environment management        | <input type="checkbox"/> Social contribution              | <input type="checkbox"/> Corporate culture |
| <input type="checkbox"/> Talent development/ Employee benefits |  | <input type="checkbox"/> Customer satisfaction management | <input type="checkbox"/> 2009 Performance  |
| <input type="checkbox"/> Co-prosperity with business partners  | <input type="checkbox"/> R&D                           | <input type="checkbox"/> Innovation activities            | <input type="checkbox"/> 2010 Plan         |

**4. Please indicate the level of your satisfaction:**

Clear and easy-to-understand words are used.

◀ Dissatisfied ① ② ③ ④ ⑤ Satisfied ▶

This Report provides useful information on major issues

◀ Dissatisfied ① ② ③ ④ ⑤ Satisfied ▶

This Report is viewed as trustworthy

◀ Dissatisfied ① ② ③ ④ ⑤ Satisfied ▶

This Report is designed reader-friendly and easy-to-understand

◀ Dissatisfied ① ② ③ ④ ⑤ Satisfied ▶

**5. If you have any suggestions on this Report, please specify.**

Thank you for taking this survey.

Please return this survey through one of the below methods;

Address: Corporate Communication Team, Woongjin Coway, 17F, Jungang Daily News Bldg., 7 Sunhwa-dong, Jung-gu, Seoul 100-759 Korea, Fax: +82-2-773-2911, e-Mail: i4375@coway.co.kr