

Inspiring your Tomorrow

DAEKYO ANNUAL REPORT 2017





Contents

INTRODUCTION

CEO Message	— 05
Vision & Strategy	— 07
Board of Directors	— 08
Financial Highlights	— 09

OPERATING REVIEW

2017 Business Performance	— 10
DAEKYO In Press	— 11
Business Overview	— 12
Daekyo Group Structure	— 15
Daekyo CSR	— 16
CSR Strategy	— 17
Corporate Social Responsibility	— 18

SUSTAINABILITY REVIEW

Consolidated Statements of Financial Position	— 20
Consolidated Statements of Profit or Loss	— 22
Consolidated Statements of Comprehensive Income	— 23
Consolidated Statements of Changes in Equity	— 24
Consolidated Statements of Cash Flows	— 26

INVESTOR INFORMATION

Investor Information	— 28
----------------------	------

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

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

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

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

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

From self-directed education for the gifted to a smart-learning platform, Daekyo has transformed itself into a company propelling creative innovation and change further than any other company.

Daekyo takes the path to the future and makes it much brighter and better, instead of merely settling with the present trendline, through advanced and bold thinking in contemplation of new educational paradigms.



Dear Shareholders,

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

While the global economy showed growth in 2017 overall, security issues, such as war and terrorism, appeared as obstacles for growth. Despite favorable export, Korea faced market anxiety and reduced consumption due to the North Korean nuclear issue and disputes with China surrounding THAAD. While the Korean education market is under confusion, due to introduction of various policies for nurturing creative-convergent human resources, consumers' consumption patterns are being diversified, posing difficulty in corporate management.

Facing such a challenging business environment, we continued to find ways to overcome the difficulties. However, while Noonoppi and Caihong continued to achieve No. 1 in each area, it did not make as much growth as expected. Also, overseas business division and publication/media businesses did not see visible outcome. There were, however, some positive changes that suggest our growth. Despite a weaker sales in 2017 compared to the previous year, we saw increasing operating profit.

2017 was a meaningful year where we established cornerstones for the future of each business division. Noonoppi business division reinforced product identity and marketing plan, leading to positive changes such as increase in members' learning period and multi-subject enrollment, as well as stability in drop rate. In Caihong business division, launching of 'Caihong Video-on,' which combines the advantage of online and offline learning, gained meaningful market response. As for the media division, 'Eye Level Traumwelt,' a children's complex cultural facility which also serves as a broadcasting center, was built in Paju, establishing the foundation for producing professional contents.

Also, 'Midas Hotel & Resort' as well as 'KidsJAM,' an academic program for kids, were launched, advancing to blue chip businesses for the future.



Dear esteemed shareholders,

Just as last year, market environment for 2018 will not likely be overly favorable to the company. However, we will not be overcome. In fact, in order to cope with such changes, we will 'think differently' and 'challenge with different methods.'

The management direction of Daekyo for 2018 is to 'Make the core upright.'

We aim to complete the frame for sustainable growth by 'targeting the core of growth' and expanding the core as new engine for growth.' In order to achieve this, each of our business division will focus more on 'core drivers' that lead to growth in 2018.

The Noonnoppi Business Sector will focus on 'core absorption' by 'recovering learning service capability.'

Each brand, including Noonnoppi, Caihong, and Soluny, will maximize its unique service capability to utmost level. Also, we will focus on innovating education services and studying Smart learning in order to complete more developed service model. Furthermore, we will establish an organic system that connects Noonnoppi, Caihong, and Soluny in order to create synergy among each brand.



The Media Business Sector will focus on 'establishing core' by 'reinforcing contents and acquiring foundation for growth.'

Sobics will enhance service channels and obtain digital contents to become a stronger publication brand for the Fourth Industrial Revolution. Video business sector will service contents customized to each platform, and reinforce the awareness on 'Eye Level Traumwelt,' aiming to create stable profit structure.



The Overseas Business Sector will expand domestically proven core capabilities to the global market by 'expanding and focusing on the target markets.'

We will practice offensive management plan by expanding target markets and lowering franchise entrance barrier. We will also solidify brand value by reinforcing local marketing, making a leap as a global top-tier education franchise company.



We have confidence that our upright core value for the year will return as greater outcome in the era of the Fourth Industrial Revolution. We ask for your unwavering encouragement and support for the efforts of Daekyo that will continue this year. Let prosperity and happiness overflow in your households.

Thank you very much.

Su-Wan Park Daekyo CEO



VISION 2020

The vision of **Daekyo** is to become **world's most professional holistic education business**.

World's



Based on the reputation as Korea's No.1 education business, make a leap as world's most competitive education company

Most Professional



Provide highest level of professional service through various education methods such as self-led learning and Smart learning

Holistic Education Business



Grow as the best social education business that provide holistic education providing intellectual, ethical, and physical lessons.

2018 STRATEGY

FOCUS ON KEY VALUE DRIVERS

Realize sustainable growth through change and innovation by “**actively targeting the core of growth**” and “**expanding new engines for growth**”

Noonnoppi

Core absorption

Realize sustainable growth by focusing on core drivers

Media

Establish core

Identify and enhance core drivers critical for growth

Overseas

Core expansion

Achieve global expansion with growth realization model

Company-wide

Create core

Continuously review and identify new engine for growth

Board of Directors' Organization

Daekyo's board of directors has a total of eight members as of the end of March 2018, which is composed of three internal directors, three outside directors, and one non-executive director. The board of directors reaches resolutions on matters designated by law or the articles of association, matters delegated from the general shareholders' meetings, and important matters on work execution and basic management policies, and supervises the execution of directors' work. A total of 14 meetings were held in 2017, introducing and processing 20 agendas. A total of three committees, which are Policy Deliberation Committee, Human Resources Performance Committee, and CS Management Committee, and an audit committee are operated within the board of directors for efficient management. Efforts will be made to maximize shareholder profits and enhance the corporate value of Daekyo through continuing to engage in transparent and faithful decision-making.



Internal Director
Young-Joong Kang

- Daekyo Founder & Chairman (Current)
- Chairman and Founder of World Youth and Culture Foundation (Current)



Internal Director
Su-Wan Park

- Daekyo Representative Director (Current)
- COO of Daekyo Holdings
- CFO of Daekyo D&S



Internal Director
Dong-Soo Park

- Head of Daekyo Media Business Sector (Current)
- Executive officer in charge of contents business at KT Media Business HQ



Internal Director
Ho-Jun Kang

- Head of Daekyo Overseas Business HQ (Current)
- Head of Daekyo Business Contribution Office (Current)
- Head of Daekyo America



Outside Director
Hong-Hee Cho

- Advisor of Kim & Lee LLC (Current)
- Commissioner of Seoul Regional Tax Office



Outside Director
Won-Gil Woo

- SBS Media Holdings Adviser (Current)
- SBS Representative Director and President



Outside Director
Sang-Wook Kwak

- Advising attorney at Law Firm In (Current)
- Inspection member at Board of Audit and Inspection of Korea



Other Non-executive Director
Seon-Wu Gwon

- Daekyo Holdings COO (Current)
- Daekyo Head of Business Strategy Division
- Daekyo Head of Financial Strategy Division

Financial Highlights

Consolidated Statement

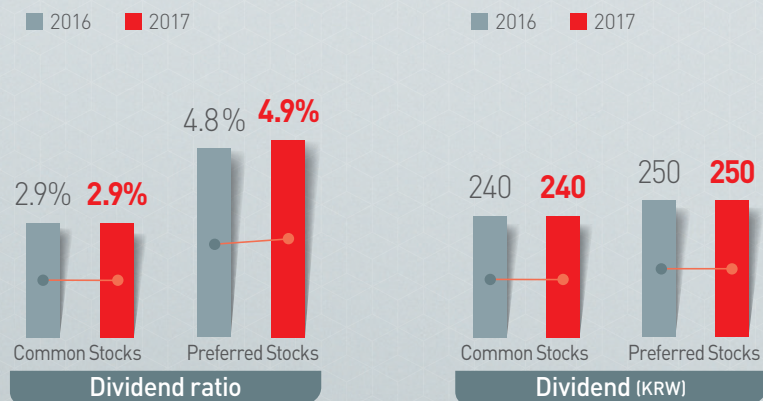
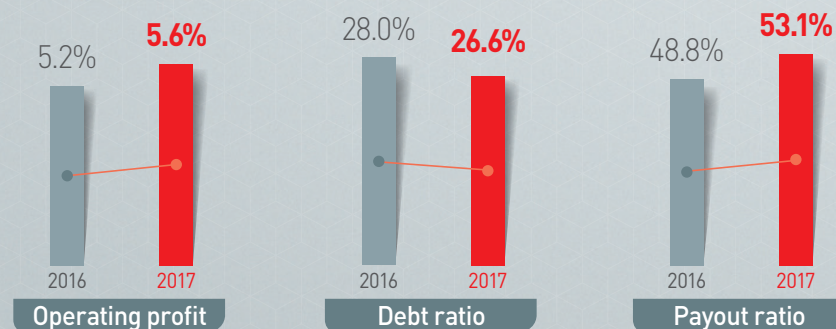
Summary Statement of Financial Position (Unit: KRW 100 million)			
	2016	2017	YoY
Assets	8,481	8,571	+1.1%
Liabilities	1,853	1,802	-2.8%
Equity	6,628	6,769	+2.1%

Condensed Income Statement (Unit: KRW 100 million)			
	2016	2017	YoY
Sales	8,207	8,122	-1.0%
Operating Profit	428	455	+6.2%
Net Income	418	416	-0.4%
Equity Ownership of Controlling Firm	426	417	-1.9%
Non-controlling Interest	-8	-1	-
Net income per share (KRW)	472	466	-1.3%

Financial Statements

Summary Statement of Financial Position (Unit: KRW 100 million)			
	2016	2017	YoY
Assets	8,100	8,221	+1.5%
Liabilities	1,489	1,470	-1.2%
Equity	6,611	6,751	+2.1%

Condensed Income Statement (Unit: KRW 100 million)			
	2016	2017	YoY
Sales	7,598	7,568	-0.4%
Operating Profit	455	471	+3.4%
Net Income	445	407	-8.5%
Net income per share (KRW)	479	454	-5.2%



*The operation profit rate and debt rate is based on the consolidated financial statement and the dividend payout ratio is based on the (separate) financial statement.

2017 Business Performance

(Unit: KRW 100 million)

Category		Sales		Operating Profit	
Daekyo	Noonnoppi	6,125		429	
	Caihong	549		51	
	Soluny	253	7,568	7	471
	Media Business Division	410		-7	
	Others	231		-9	
Consolidated subsidiary companies	Domestic Subsidiary Companies	428	674	2	-23
	Overseas Subsidiary Companies	246		-25	
Consolidation Adjustments, Etc.		-120		7	
Total			8,122		455



Opened 'Midas Hotel&Resort • Kids JAM'

On May 12th, 2017, Daekyo opened its Midas Hotel&Resort near Bukhangang, Cheongpyeong-myeon, Gapyeong-gun, Gyeonggi-do. Midas Hotel&Resort, which consists of 5 floors and 72 rooms. Guests are able to relax by the Bukhangang and enjoy the scenery.

Also, 'Kids JAM,' a premium kids' academy containing educational contents of Daekyo is available at the Midas Hotel&Resort. Kids JAM, an activity center which develops children's brain, body and emotion in an integrated manner, provides premium kids' contents that encompass Daekyo's know-hows on education.



Brand power of 'Noonnoppi' ranks No.1 in Korea for 19 consecutive years



'Noonnoppi', Daekyo's major educational service brand, was selected as No.1 elementary education service sector in '2017 Brand Power of Korean Industries (K-BPI)' by Korean Management Association Consulting.

Daekyo's 'Noonnoppi' ranked No.1 not only in elementary education service sector but also in kid

education service for 8 consecutive years, solidifying its status as Korea's major education brand.

Launched 'Eye Level Traumwelt'



On October 28th, 2017, Daekyo launched 'Eye Level Traumwelt', a complex family cultural space for children.

Eye Level Traumwelt provides programs customized for children which provides programs customized for children as well as performance and events such as

recitals, musical, and concert for all families to make fun memories.

The lot area of 6,657m² (approximately 2,000 pyeong) allows various programs to be provided at two of the three story buildings - the main complex as well as the annex - with an additional indoor multipurpose hall with 400 seats for various performance and exhibitions.

Noonnoppi Business

Noonnoppi and Caihong, No. 1 in brand power

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

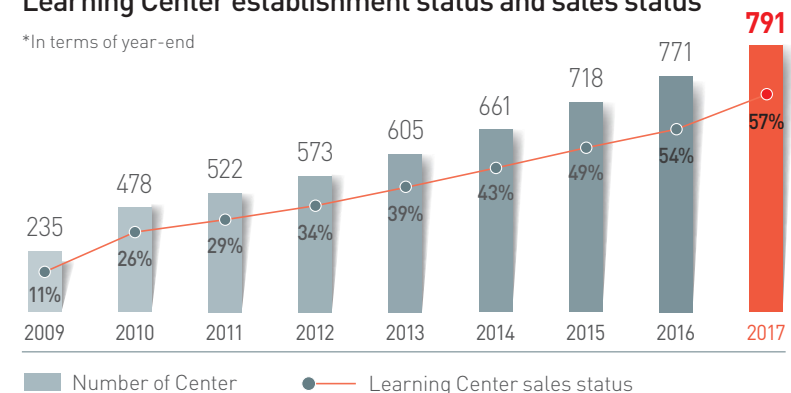
NOONNOPPI

Noonnoppi

'Noonnoppi education' is a learning system customized to individuals and capabilities where learning materials are determined based on education level of individuals regardless of official grade. One-on-one management by professional teachers in arithmetic/language, systematic evaluation system, and industry's first 'Smart learning service' provides optimal learning effect. Apart from visited learning, various learning channels, including Noonnoppi learning center, a visited self-led learning center, YES CLASS, First Class, and communication learning, enhance children's learning competitiveness.

Learning Center establishment status and sales status

*In terms of year-end



CAIHONG

Caihong

CAIHONG is a one-on-one home visit learning program that pairs an expert instructor with professional materials. The program develops intonation, listening, speaking, reading and writing skills for students learning Chinese for the first time. Systematic and professional customized management is provided from kids to adult-level students using storybooks, Junior, Senior, Biz, HSK preparation, Caihong Hanzi, Caihong ideo-on programs.



Soluny

Soluny, a reading and logical thinking program, is a 'small-sized reading and debate' learning which helps students to think on their own and express the thoughts into speaking and writing. It consists of reading, critical thinking, history, economic forum, and elementary/middle-level reading and critical thinking, and is conducted in group classes centering on reading and debate activities. A brand which enhances background knowledge through rich reading as well as leadership and creativity through small-sized debate learning, the program currently operates 600 home schools in Korea.

Media Business

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



Sobics

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



Daekyo Kids TV

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



Daekyo Baby TV

Daekyo Baby TV is Korea's first channel for babies, consisting of programs customized to the perspectives of babies. It provides contents that consider developmental characteristics of standard childcare curriculum designed by Ministry of Education. Channels are scheduled with 3-5 minutes of episodes, considering attention span of babies, according to time blocks that consider their life patterns.

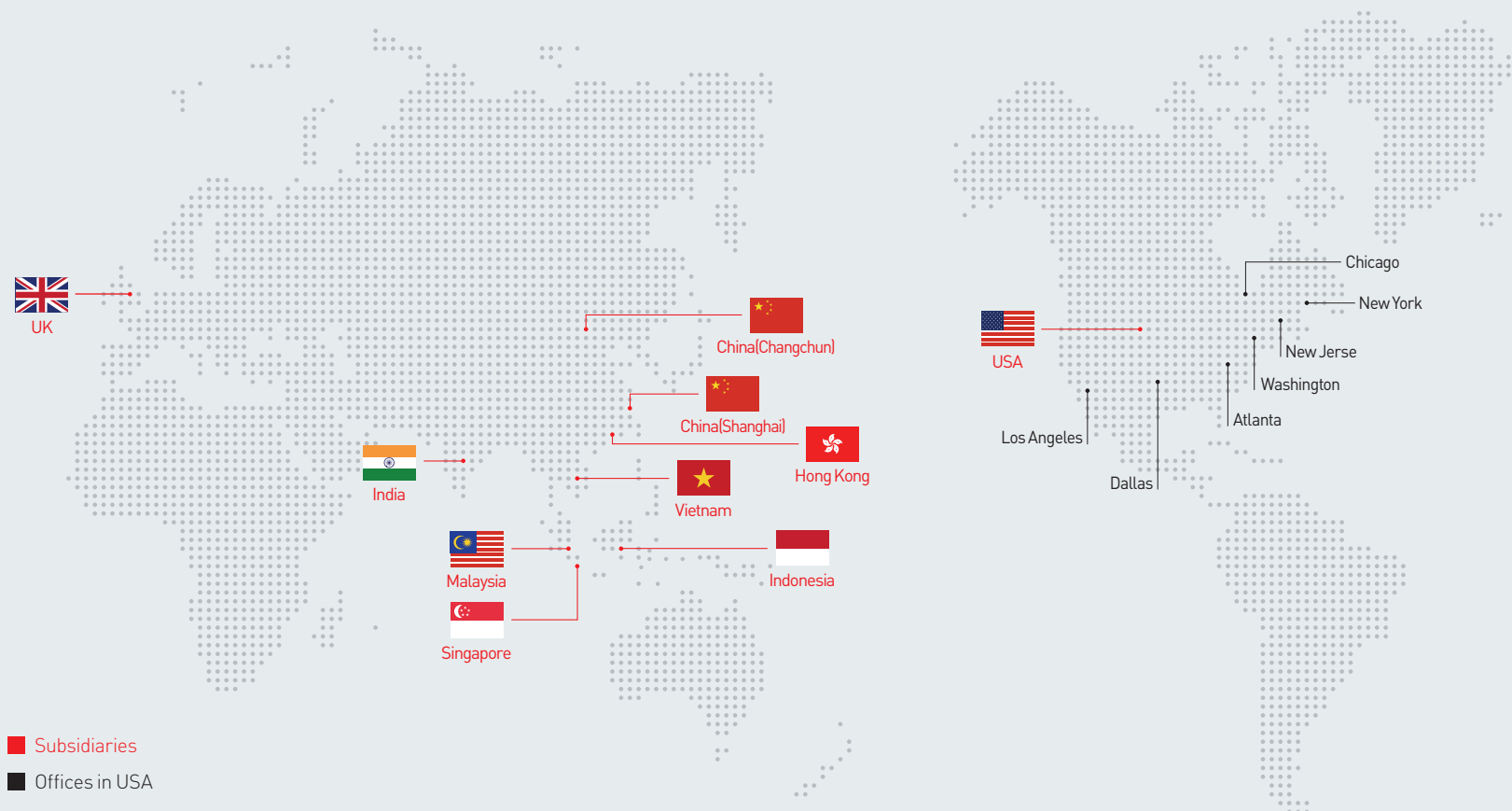


Business Overview

Overseas Business

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

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



Daekyo Group Structure



Founded in **April 30th, 2001** (Spinoff from Daekyo)

Share by **Young-joong Kang**, Group Chairman : **81.99%** (Common shares)

54.5%

Daekyo

Education Service



90.1%

Daekyo D&S

Real Estate Development and Leisure Business



80.3%

Daekyo CNS

Information System (IT) Business



62.2%

Gangwon Deep Sea Water

Development and Production of Deep Sea Water



Domestic subsidiaries (2)

[% : Equity ratio]

99.9%

Daekyo Educamp

- Childcare / After-school program
consignment business

98.6%

Daekyo Edupia

- Academy business
- Online education business

Overseas subsidiaries (10)

[% : Equity ratio]

50.1%

Daekyo America

47.9%

Daekyo Hong Kong

100.0%

Daekyo Malaysia

100.0%

Shanghai Daekyo

100.0%

Changchun Daekyo

69.8%

Daekyo Indonesia

70.0%

Daekyo Singapore

100.0%

Daekyo Vietnam

100.0%

Daekyo India

100.0%

Daekyo UK

Daekyo seeks to perform the role of a bridgehead by leading sustainable management as a company capable of attaining new heights for more than 100 years by enhancing corporate value through management that considers not only financial performance, but also non-financial aspects, such as ethics, environment, and social issues. As such, Daekyo is broadening its CSR in various sectors and social perspectives, and is actively fulfilling its core duties.

The company is strategically implementing CSR activities by utilizing the diverse core competencies possessed by the group. Daekyo is making efforts to become a sustainable company by implementing social contribution projects in four sectors through selection and concentration, through utilizing the human resources pool made available through a national network, technical skills, business and management know-how, and educational contents, which is the most important core capability of Daekyo.

Education

- Noonnoppi Education Awards
- Global Education Forum
- Education Talent Sharing
- Daekyo Eye Level School
- Daekyo MUN Camp
- Global Transportation Safety Campaign
- Global Leader Cultivation (Bongam Educational Foundation)
- Scholarship support

Local Community

- One company, one village support activity (trip for parents, music concerts visiting your neighborhood, etc.)
- Social Impact Bond (SIB)
- Support of national multicultural family support center
- Children protection service, Dream Start
- Support of children in socially disadvantaged class

Culture and Arts

- Noonnoppi Children's Literature Exhibition
- Daekyo International 3D Symposium
- Noonnoppi Dream Project
- Chorus Korea
- Saturday Mothers Talk Show

Sports

- Sponsor for Juvenile Sports (Daekyo Noonnoppi Football League for aged 7 to 18, Children's Football Festival, etc.)

Charity Group

- Noonnoppi Love Charity Group
- Noonnoppi Family Charity Group

MISSION - Pursue happy live for humankind through education

SLOGAN - Create a virtuous future society coexisting by education

Value system

World's best
education service

Customer satisfaction

Transparent, ethical,
reliable management

Human-centered

Value the basics

Lead the future

Core capability CSR

- Expand the Company's major CSR activities, enhance existing CSR activities
- Identify CSV projects using value chain

Strategic CSR

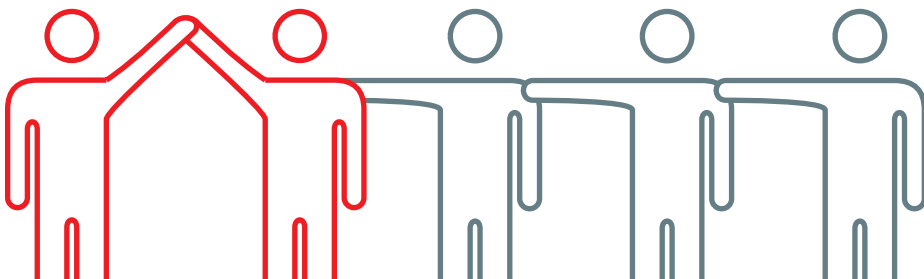
- Support and enhance business through CSR
- Develop partnership program for accompanied growth (government, local governments, NPO, schools, etc.)

Shareholder communication

- Publish CSR report centering on stakeholders
- Expand communication channels for stakeholders

CSR Internalization

- Establish CSR education and mindset for domestic and foreign officers and employees
- Revitalize volunteering and notation by members
- Support development of the Group's major programs
- Communicate with internal stakeholders



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

Education Talent Sharing



970

Mentee participation
(accumulated)

The education talent sharing campaign is a specialized education charity program that was started in 2012 and operates in the form of matching an institution that requires education (mentee) and an appropriate person for such needs (mentor). This program is composed of education mentoring and music mentoring, supporting the dreams and hopes of children needing educational support (mentee: elementary school students from children's welfare institutions (regional children's center, children fostering facilities, common dwelling facilities, etc.), mentor : officers or employees of Daekyo, Noonnoppi teachers, music teachers of group subsidiaries)

Satisfaction with activities is very high since the mentors voluntarily select to engage in the charity activities and to share their own talents where needed. The ongoing support by various specialists in the education and music sectors is one of the biggest advantages of the education talent sharing program of Daekyo.

Daekyo MUN Camp



11

The number of countries
taking part

Daekyo MUN camp is a part of the Daekyo Eye Level School business that conforms to the global education trend of nurturing creative talents, which is a research program where students visit and participate in MUN (Model United Nations) as a representative of each country. The purpose is to invite outstanding elementary school students of underdeveloped countries so that they may grow into influential global leaders in the world, and in 2015, students from six countries participated for six days by visiting Korea, engaging in various activities such as 'Understanding UN,' 'Gyeonggi Academy of Foreign Language,' and lectures. In 2016 and 2017, we expanded the scale to include around 100 students from 11 countries to discuss national issues together and had a time of promoting harmony and communication through cultural and physical activities designed to develop intellectual, ethical, and physical skills.

Noonnoppi Love Volunteer Corps



6,340

The number of
volunteers

The purpose of Noonnoppi Love Volunteer Corps is for the company to become a practitioner of the Noonnoppi Love and Noonnoppi Education management philosophy while fulfilling social responsibilities as a company through systematic and voluntary charity activities of its employees and officers.

Since its foundation in 2000, the Volunteer Corps is continuing to extended helping hands to those requiring assistance, such as underprivileged children, the disabled, and the elderly living alone, and is contributing to the vitalization of voluntary charity activities in local society in a further systematic and organizational way through the Noonnoppi branches that are spread around the nation.

Its major programs include Daekyo Eye Level School and MUN Camp for cultivating global talents, Noonnoppi Dream Project, and sponsoring the multicultural badminton competition.

SUSTAINABILITY REVIEW

Consolidated Statements of Financial Position	__ 20
Consolidated Statements of Profit or Loss	__ 22
Consolidated Statements of Comprehensive Income	__ 23
Consolidated Statements of Changes in Equity	__ 24
Consolidated Statements of Cash Flows	__ 26

Consolidated Statements of Financial Position

Daekyo Co., Ltd. and Subsidiaries

December 31, 2016 and 2015

* (in Korean won)

	2017	2016
Asset		
Current assets		
Cash and cash equivalents	60,251,798,959	96,847,068,258
Financial deposits	20,688,270,244	12,121,398,451
Trade receivables	21,354,580,944	22,111,470,948
Other receivables	43,395,784,718	41,088,006,818
Financial assets at fair value through profit or loss	51,799,310,135	74,272,304,685
Derivative financial instruments	665,544,419	45,421,937
Available-for-sale financial assets	103,810,029,072	72,905,569,910
Inventories	16,077,010,855	20,115,480,766
Other current assets	4,178,718,312	4,041,559,742
	322,221,047,658	343,548,281,515
Non-current assets held for sale	-	3,544,206,750
Non-current assets		
Financial deposits	-	300,000,000
Long-term other receivables	9,047,789,414	11,079,941,679
Available-for-sale financial assets	161,564,480,707	149,403,008,832
Investments in associates	17,070,564,749	6,595,105,227
Property, plant and equipment	190,747,027,330	190,863,369,097
Investment properties	120,301,293,091	102,189,687,798
Intangible assets	35,921,936,259	40,249,056,113
Other non-current assets	223,339,984	366,311,508
	534,876,431,534	501,046,480,254
Total assets	848,138,968,519	848,138,968,519

Consolidated Statements of Financial Position

* (in Korean won)

	2017	2016
Liabilities		
Current liabilities		
Trade payables	8,893,795,885	9,969,681,040
Derivative financial instruments	193,705,899	1,065,085,697
Other payables	69,781,081,449	77,029,698,421
Borrowings	19,929,837,195	18,774,144,852
Income tax payable	6,273,929,274	6,359,802,084
Provisions	482,371,342	567,806,966
Other current liabilities	46,163,726,751	47,128,785,234
	151,718,447,795	160,895,004,294
Non-current liabilities		
Other payables	10,952,134,552	9,585,919,505
Borrowings	8,200,717,029	9,460,350,244
Net defined benefit liability	8,796,328,695	5,281,342,941
Deferred tax liabilities	497,386,934	119,648,054
	28,446,567,210	24,447,260,744
Total liabilities	180,165,015,005	185,342,265,038
Equity		
Share capital	52,064,920,000	52,064,920,000
Reserves	72,720,242,871	72,514,886,266
Other components of equity	(79,861,427,413)	(74,918,987,086)
Accumulated other comprehensive income	53,452,808,387	52,289,828,801
Accumulated other comprehensive income relating to the non-current asset held for sale	-	1,257,107,559
Retained earnings	572,213,321,630	551,632,229,562
Equity attributable to owners of the Parent Company	670,589,865,475	654,839,985,102
Non-controlling interest		
Non-controlling interest	6,342,598,712	7,956,718,379
Total equity	676,932,464,187	662,796,703,481
Total liabilities and equity	857,097,479,192	848,138,968,519

Consolidated Statements of Profit or Loss

Daekyo Co., Ltd. and Subsidiaries

Years Ended December 31, 2017 and 2016

* (in Korean won)

	2017	2016
Sales	812,203,103,598	820,717,373,381
Cost of sales	651,339,590,134	654,713,696,850
Gross profit	160,863,513,464	166,003,676,531
Selling and administrative expenses	115,378,593,639	123,156,826,326
Operating profit	45,484,919,825	42,846,850,205
Other income	29,710,519,144	29,552,731,535
Other expenses	21,810,050,780	20,442,410,233
Share of profit of associates	594,520,526	865,216,300
Financial income	2,018,002,725	1,930,181,518
Financial costs	1,535,084,658	1,148,086,800
Profit before income tax	54,462,826,782	53,604,482,525
Income tax expense	12,843,983,573	11,814,039,080
Profit for the year	41,618,843,209	41,790,443,445
Profit for the year attributable to:		
Owners of the Parent Company	41,740,965,066	42,557,838,536
Non-controlling interests	(122,121,857)	(767,395,091)
Basic earnings per share		
attributable to the equity holders		
of the Parent Company:		
Basic earnings per share for ordinary shares	466	472
Basic earnings per share for preferred shares	465	471
Diluted earnings per share		
attributable to the equity holders		
of the Parent Company:		
Diluted earnings per share for ordinary shares	466	470
Diluted earnings per share for preferred shares	455	470

Consolidated Statements of Comprehensive Income

Daekyo Co., Ltd. and Subsidiaries

Years Ended December 31, 2017 and 2016

* (in Korean won)

	2017	2016
Profit for the year	41,618,843,209	41,790,443,445
Other comprehensive income, net of tax:		
Items that will not be reclassified to profit or loss		
Remeasurements of the net defined benefit liability	563,999,661	(2,581,226,162)
Items that may be subsequently reclassified to profit or loss		
Changes in the fair value of available-for-sale financial assets	1,526,946,281	2,035,022,822
Other comprehensive income relating to the non-current asset held for sale	(1,671,720,870)	1,430,607,270
Currency translation differences	(702,180,502)	(122,000,633)
Share of other comprehensive income of associates	70,447,759	(1,073,839,883)
Other comprehensive income for the year, net of tax	(212,507,671)	(311,436,586)
Total comprehensive income for the year	41,406,335,538	41,479,006,859
Total comprehensive income for the year is attributable to:		
Owners of the Parent Company	42,213,397,745	41,812,783,377
Non-controlling interest	(807,062,207)	(333,776,518)

Consolidated Statements of Changes in Equity

Daekyo Co., Ltd. and Subsidiaries

Years Ended December 31, 2017 and 2016

* (in Korean won)

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

Consolidated Statements of Changes in Equity

* [in Korean won]

	Attributable to owners of the Parent Company						Non-controlling interest	Total equity
	Share capital	Reserves	Other components of equity	Accumulated other comprehensive income	Accumulated other comprehensive relating to the non-current asset held for sale	Retained earnings		
Balance at January 1, 2017	52,064,920,000	72,514,886,266	(74,918,987,086)	52,289,828,801	1,257,107,559	551,632,229,562	7,956,718,379	662,796,703,481
Comprehensive income (loss)								
Profit (loss) for the year	-	-	-	-	-	41,740,965,066	(122,121,857)	41,618,843,209
Changes in the fair value of available-for-sale financial assets	-	-	-	1,452,916,982	-	-	74,029,299	1,526,946,281
Currency translation differences	-	-	-	(360,385,155)	-	-	(341,795,347)	(702,180,502)
Remeasurement of net defined benefit liability	-	-	-	-	-	566,560,652	(2,560,991)	563,999,661
Share of other comprehensive income of associates	-	-	-	70,447,759	-	-	-	70,447,759
Reclassification relating to the non-current asset held for sale and others	-	-	-	-	(1,257,107,559)	-	(414,613,311)	(1,671,720,870)
Transactions with owners								
Dividends	-	-	-	-	-	(12,768,742,350)	-	(12,768,742,350)
Interim dividends	-	-	-	-	-	(8,957,691,300)	-	(8,957,691,300)
Dividends of subsidiaries	-	-	-	-	-	-	(891,420,847)	(891,420,847)
Issuance of shares of subsidiaries	-	(154,307,373)	-	-	-	-	84,363,387	(69,943,986)
Acquisition of treasury share	-	-	(6,809,672,900)	-	-	-	-	(6,809,672,900)
Disposal of treasury share	-	359,663,978	1,178,998,944	-	-	-	-	1,538,662,922
Stock options	-	-	688,233,629	-	-	-	-	688,233,629
Balance at December 31, 2017	52,064,920,000	72,720,242,871	(79,861,427,413)	53,452,808,387	-	572,213,321,630	6,342,598,712	676,932,464,187

Consolidated Statements of Cash Flows

Daekyo Co., Ltd. and Subsidiaries

Years Ended December 31, 2017 and 2016

* (in Korean won)

	2017	2016
Cash flows from operating activities		
Cash generated from operations	104,027,306,650	90,801,405,997
Dividends received	3,875,688,570	4,642,167,563
Interest received	1,783,207,938	1,550,286,933
Interest paid	(1,033,623,877)	(963,470,428)
Income tax paid	(15,706,436,415)	(10,277,260,740)
Net cash inflow from operating activities	92,946,142,866	85,753,129,325
Cash flow from investing activities		
Decrease in financial deposits	11,801,957,835	7,799,624,763
Proceeds from disposal of available-for-sale financial assets	178,575,135,529	121,439,407,092
Proceeds from disposal of non-current assets held for sale	2,744,184,250	331,750,000
Decrease in other receivables	7,413,746,926	7,123,493,842
Proceeds from disposal of investments in associates	1,212,000,000	348,000,000
Proceeds from disposal of property, plant and equipment	2,329,391,940	289,642,415
Grants from governments	179,224,707	-
Increase in financial deposits	(20,083,477,693)	(11,156,373,310)
Acquisition of available-for-sale financial assets	(205,492,695,196)	(130,233,478,630)
Increase in other receivables	(7,746,670,118)	(9,640,963,478)
Investments in associates	(11,000,000,000)	(3,892,500,000)
Acquisition of property, plant and equipment	(47,075,856,046)	(34,615,239,918)
Acquisition of intangible assets	(14,353,760,685)	(12,327,992,469)
Decrease in cash due to business acquisition	(815,181,294)	-
Net cash outflow from investing activities	(102,311,999,845)	(64,534,629,693)

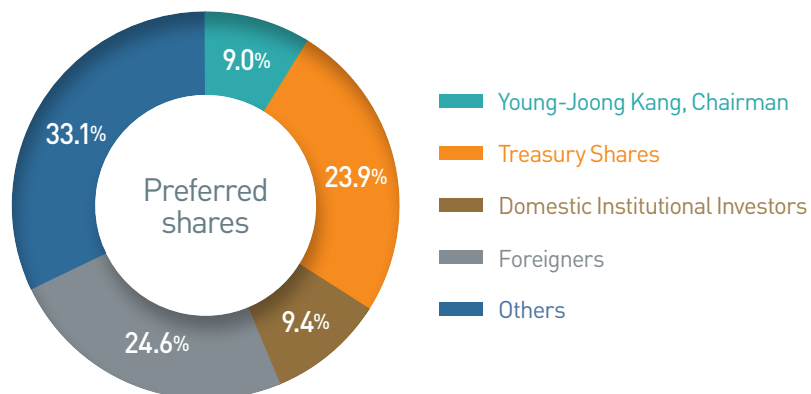
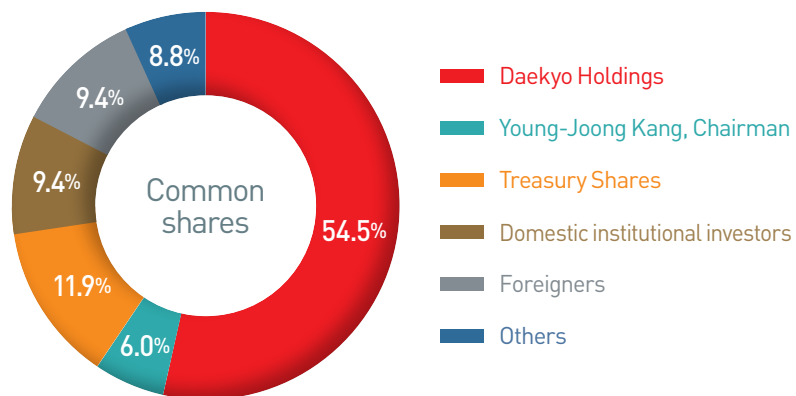
Consolidated Statements of Cash Flows

* (in Korean won)

	2017	2016
Cash flows from financing activities		
Disposal of treasury shares	557,182,496	1,220,421,160
Issuance of shares of subsidiaries	84,363,387	978,509,508
Proceeds from borrowings	6,302,428,000	23,769,968,639
Acquisition of treasury shares	(6,809,672,900)	(4,188,410,220)
Dividends of subsidiaries	(891,420,847)	(987,867,026)
Dividends paid	(21,726,433,650)	(21,808,216,980)
Repayments of borrowings	(3,791,767,834)	(24,471,292,405)
Net cash outflow from financing activities	(26,275,321,348)	(25,486,887,324)
Net decrease in cash and cash equivalents	(35,641,178,327)	(4,268,387,692)
Cash and cash equivalents at the beginning of the year	96,847,068,258	101,204,520,321
Exchange losses on cash and cash equivalents	(954,090,972)	(89,064,371)
Cash and cash equivalents at the end of the year	60,251,798,959	96,847,068,258



Shareholder Composition



Common Stock

Issued : 84,702,850 shares (excluding treasury stock)

Preferred Stock

Issued : 19,426,990 shares (excluding treasury stock)

Listings

February 3, 2004 Listed on the Korea Stock Exchange.

Independent Auditors

Samil Price water house Coopers

Head Office

23, Boramae-ro 3-gil, Gwanak-gu, Seoul, Korea(08708)

Telephone: 82 (2) 829-0626

URL: <http://www.daekyo.com>

For questions about this report

Contact IR Dept.

Telephone: 82 (2) 829-0626

Facsimile: 82 (70) 4275-0717

E-mail: sunghye.oh@daekyo.co.kr

suhyun_park@daekyo.co.kr