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Unrivaled Position
in **Online Trading**

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DAISHIN SECURITIES

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Daishin Securities, flagship company of the Daishin Group, is one of the leading brokerage houses in Korea. The Daishin Group is a specialized business conglomerate dedicated to financial services.

Since its inception in 1962, the Company has provided quality



financial services, including personalized and professional customer service that today's

sophisticated investors demand. By practicing a conservative

investment strategy, the Company has been able to produce



consistent returns for both its customers

and its shareholders. Moreover, by taking the initiative to embrace

new technology and innovative ideas, the Company has secured a

leading position in key strategic sectors. One such sector is online

trading, whose explosive growth has taken many experts by



surprise. As online trading is

fast changing the way people invest, and is certain to reshape the

financial industry's landscape, the Company is strengthening its

efforts to maintain this opportunity to dominate the future of

securities trading in Korea.

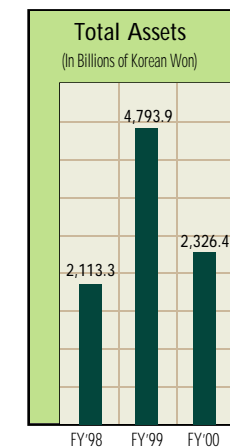
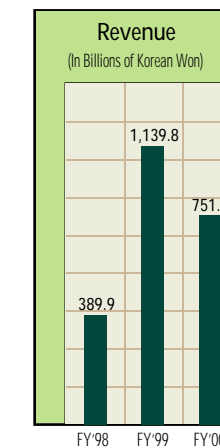
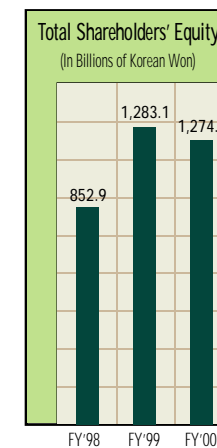
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FINANCIAL HIGHLIGHTS

FOR YEARS ENDED MARCH 31, 2001 AND 2000	In Millions of Korean Won		In Thousands of U.S. Dollars	
	2001(FY'00)	2000(FY'99)	2001(FY'00)	2000(FY'99)
Results of Operations				
Revenue	W 751,201	W 1,139,757	\$ 565,663	\$ 858,251
Expenses	617,282	641,898	464,821	483,357
Net Earnings(Loss)	87,293	337,119	65,733	253,855
Financial Position				
Total Assets	2,326,442	4,793,917	1,751,839	3,609,877
Total Liabilities	1,051,924	3,510,834	792,111	2,643,700
Total Shareholders' Equity	1,274,518	1,283,083	959,727	966,177
Earnings per Share (In Korean Won, U.S. Dollars)	1,363	7,246	1.03	5.46

* Korean Won amounts are translated into U.S.Dollars solely for the reader's convenience at the rate of W1,328.0 to US \$1.00, the prevailing exchange rate on March 31, 2001.





LETTER TO SHAREHOLDERS

Dear shareholders

Fiscal year 2000 was a momentous year in the 40-year history of Daishin Securities. The Company established an unrivaled position of leadership in an increasingly strategic market, the online market, because of a commitment to aggressively move forward made by the Company several years ago.

In 1998, when a financial crisis of unprecedented magnitude paralyzed the Korean economy - particularly the financial sector-the Company staked its survival and its future on information technology (IT)-based trading. While most of our peers focused on downsizing their operations, Daishin Securities-fully convinced that computer-assisted trading will shape the future of the securities market-undertook a series of bold yet well-calculated measures to secure a head start in that potentially strategic area. We upgraded the IT department to the division level; expanded the IT budget; scouted outstanding hardware and software talent; and geared all business operations, including marketing, toward online trading.

Daishin's market **leadership** attributed to being pioneers of online trading

These daring measures began to produce results sooner than expected. By FY 2000, the Company had captured the largest market share in online trading, a feat that has been repeated for the past three years. Our market leadership can be attributed to the fact that Daishin was first in the industry to introduce an online trading service. But over the past two years, the number of trading firms offering online trading services has jumped fivefold, reflecting the industry's fast-growing realization of the market potential. Bigger and better-financed competitors have leveraged their business networks to expand their customer base, while smaller ones have slashed commissions to unrealistic levels. But it takes more than a these quick fixes to become a market leader: it takes a winning service or product made possible by careful planning, decisive action, ample investment, and steadfast dedication. That winning service is CYBOS2002, the industry's most advanced and popular online trading system.

Daishin Securities has high expectations for a leadership position in online trading: the market has been growing at a rate unimaginable over the past few years and will continue to grow at a similar rate for the next few years. Online trading volume grew 184% in 2000, with an incredible 8,430% rise in the past two years. In 2000, online trading accounted for 65% of total stock trading volume, surpassing that for the U.S., Japan, or other advanced nations. Many experts believe that the figure will continue to grow; some even anticipate a day when all securities trading will be done online. Given such a promising outlook, the Company expects its position to be strongly challenged by its peers. As the competition intensifies, the Company will do everything in its power to maintain its market dominance.

In addition to online trading, Daishin Securities excelled in other key sectors in fiscal year 2000. The Company had the largest share in the KOSDAQ, futures, and options markets. The Company ranked fifth in terms of total stock volume brokered for the Korean Stock Exchange.

Due to harsh market conditions, income performance suffered. The U.S. economy, led by an overvalued IT industry, slid into a contraction phase. In reaction to this weakened U.S. market, the Korean economy suffered a noticeable drop in facility investment and consumer demand. To make matters worse, the ever-influential Hyundai Group was tangled in a liquidity crisis, while the Daewoo problem remained unsolved. This unexpected development quickly chilled the stock market which continued to decline through the end of the year. The bearish world market had a direct result on the income performance of all securities houses in Korea. Some suffered a huge loss, while many contented themselves with marginal profits. Daishin Securities was among the few that managed to record a sizable net income, posting W119.8 billion. Though somewhat weaker than the previous year's figure, this net income performance underlined the fact that Daishin Securities has what it takes to improve upon its competitiveness and prosper in an increasingly aggressive market.

The new fiscal year looks to be more challenging. The world is becoming more integrated and competitive as traditional barriers fall. To keep pace with this global trend, the Korean financial industry continues to undergo a drastic restructuring, which involves strategic mergers or even business closures. Moreover, foreign players armed with powerful know-how and enormous capital are increasing their market presence; large investment firms are expanding their operations to include securities trading; and online trading startups are further fueling the commission war.

Daishin Securities will meet this challenging environment as another growth opportunity. The strong teamwork of its staff, armed with the industry-leading IT infrastructure, has pulled the Company through the dark times of the IMF-prescribed hardship. Having overcome this challenge of unprecedented magnitude, the Company is now confident of its ability to realize its vision: to become a world-class brokerage house. With this goal in mind, the Company has adopted an objective of maximizing profitability by solidifying the management infrastructure. To this end, it has drawn up the following action plans:

- Direct management resources and energies to expand into new markets and to consolidate the competitiveness of its core areas;
- Build market trust by increasing management transparency;
- Promote field experts while continuing to abolish work procedures or customary practices that hinder innovation; and
- Strengthen the role of customers in business management by incorporating and encouraging more customer feedback into the decision-making process.

Daishin Securities has survived the nation's worst financial crisis in the history, and we will redirect our efforts to realize the management objective for fiscal year 2001. By enacting each of the above-listed plans, we will progress toward our vision of becoming a world-class securities brokerage company. We are confident we will enhance shareholder value through improved results next year and all of us look forward to your continued support during the upcoming time of challenge.

Thank you,



Hye Moon, Yang
Chairman



SPECIAL SECTION

A look at Daishin's dominance of online trading

Daishin Securities is the de facto standard of online trading in Korea. The Company was the first to computerize its trading operations and to introduce an online trading service. It is no surprise that, for the past few years, the Company has been an unrivaled market leader in online trading, the fastest-growing sector in the

Korean securities industry. Its head start in online trading has been an important factor in its market dominance; as online trading depends upon computerized systems, and much of this success is due to the industry's most advanced home trading system-CYBOS.

THE SYSTEM

CYBOS is not only an online trading system but also a virtual branch system: it offers home users the same trading services and the same information access as those available at branch offices. In fact, CYBOS is the same computer system used by Company traders and analysts. CYBOS was first introduced in 1997, when online trading was still more or less just an idea to its industry peers. The online trading system has since gone through many upgrades and improvements and has now become the premier trading system in Korea.

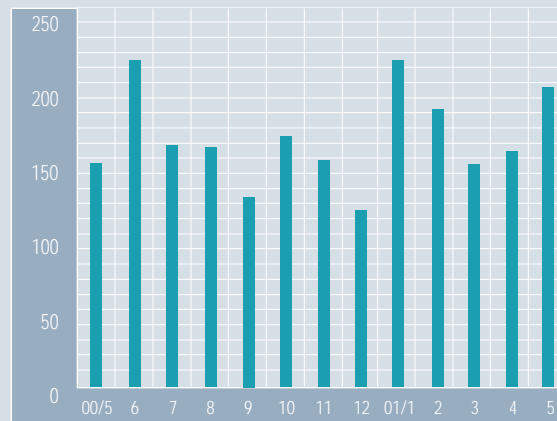
As of March, 2001, CYBOS handled more than 30% of the industry's total online trading volume and accounted for more than 70% of Daishin Securities' total trading volume. The superiority of CYBOS became public in April 1999 when Stockpia, - a well-respected, university-run evaluation site - selected CYBOS as the best trading system in Korea. This coveted endorsement was repeated in the following year.

THE ACHIEVEMENTS

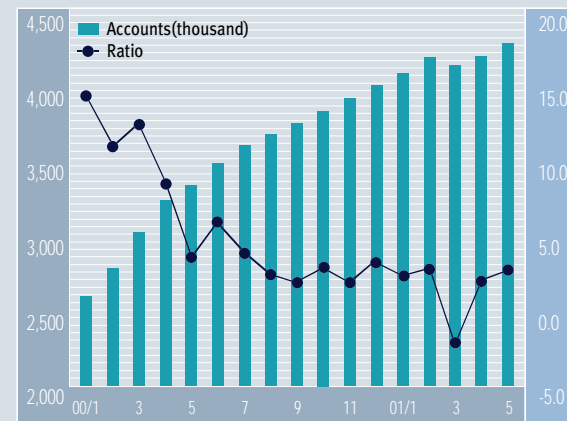
Some of the more important achievements provided by CYBOS are:

- the securities industry's most advanced home trading system, as acknowledged by the media and market watchers;
- the largest market share in online stock trading for the past three consecutive years;
- an unrivaled 50% market share in online futures and options trading, and
- an increase in Daishin Securities' overall stock brokerage market share, rising from 7% to 10% in just two years.

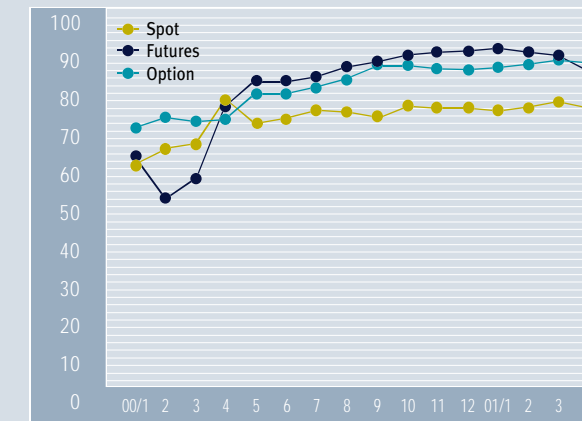
Online stock brokerage (industry)



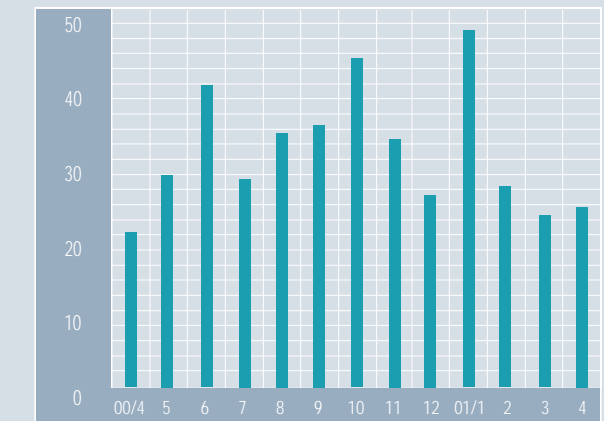
Growth of online trading accounts (industry)



Ratio of online trading to total trading at Daishin Securities



Daishin Securities' online trading volume



CYBOS handles over **30%** of the industry's total **online trading**

THE MARKET

Online trading is the fastest-growing sector in the Korean securities industry. As of January, 2001, online trading volume stood at W1,939 trillion-which was up 184% from the previous year, with a dramatic 8,430% rise in just two years.

Online trading also grew in proportion to the total volume of stocks traded. Stocks traded online accounted for 65% of the total volume in 2000, compared to 25.4% for the previous year. In comparison, the ratio was under 40% for the U.S., the most advanced securities trading market in the world. The number of online trading accounts increased from 25% to 45% during the same period. Many experts predict that upwards of 90% of stock trading will be done online by 2003; this suggests that the online trading will dominate the whole stock trading market.

A LIST OF FIRSTS

Daishin Securities has virtually written the history of online trading in Korea, as the following list affirms.

- Korea's first computerized system for stock trading (1975)
- The industry's first online buy/sell order placement system (1980)
- The industry's first ARS investment information system (1987)
- The industry's first VAN service (1990)
- Korea's first one-account system (1996)
- The industry's first futures/options home trading system (1997)
- The first among the Big Five to introduce a Web-based home trading system (1998)
- The industry's first PDA-based trading system (1999)
- The industry's first charts-exclusive site (2000)
- The industry's first electronic payment system based on securities trading accounts (2000)

THE STRENGTHS

CYBOS encompasses a broad range of strengths for **online trading**



COMPREHENSIVE

CYBOS is a comprehensive system, which offers:

- diverse contents, including various types of real-time stock-related information, a vast database available for search, and a powerful, easy-to-use search engine - all of which allow users to make more informed and timely investment decisions;
- a single-account trading system that allows users to trade not only stocks but also futures, options, bonds, and other investment vehicles within a single interface; and
- portfolio information at a glance, including charts that show various real-time-based stock information.

EFFICIENT

CYBOS is efficient in that it offers:

- a basket ordering system for multiple accounts;
- instant confirmation of account transactions; and
- a 100 Mbps LAN connection.

ACCESSIBLE

CYBOS is accessible, offering:

- diverse networks that support access for users of mobile phones, PDAs, and high-speed modems; and
- a simultaneous accessibility of up to 100,000 connections, the largest capacity in the industry.

RELIABLE

CYBOS is reliable in that it uses:

- the world's most advanced 128-bit encryption technology; and
- the "hot standby back-up" system, which provides service in the event of possible failure in one of the eight servers

CONVENIENT

CYBOS is convenient, as it offers:

- automated stop-loss trading;
- fund transfers to bank accounts; and
- most user friendly, as selected by online traders

CUSTOMER-ORIENTED

CYBOS is thoroughly customer-oriented, as it:

- makes various stock related information available for day trading; and
- enables real-time, online communications, by linking users to consultants and research analysts.

EXPANDABLE

CYBOS is designed to suit each user's preferences, by allowing them to:

- create custom menus and add toolbars; and
- save screen information with a click of the mouse.

THE ENDORSEMENTS

As the industry's best and most popular home trading system, CYBOS has received numerous endorsements from respected media, local, and overseas sources. Some of the more noteworthy are listed here.

- Selected by FIA of Hong Kong as Korea's best online trading system
- Named "Top Product of the Year" by 28 domestic media in 2000
- Rated best for the past two consecutive years by Stockpia, Korea's leading online trading system ratings agency.
- Termed "Korea's leading Internet-based trading firm" by ING Bearing of the U.S.
- Ranked first in brand power in a Yahoo Korea-conducted survey of Korean Internet users
- Received the Best e-Commerce Award from Korea e-Commerce Association in 1999 and 2000
- Received Internet Top Award from Korea Management Association in 1999 and 2000

Daishin securities expects to be a **dominant force** in this **increasingly** competitive market

THE VISION

The long-term prospects for online trading in Korea are bright. Online trading is expected to make up as much as 90% of total securities trading by 2003 - a level that was unimaginable just a few years ago. People will be able to open securities trading accounts from the comfort of home or office, with 24-hour online trading soon available. Day trading is expected to grow rapidly, thanks to the convenience and ease of online trading. But above all, the landscape of the securities industry will drastically change. Only those with a firm online business base will survive in this increasingly competitive market, and Daishin Securities expects to be a dominant force in this sector.

DOMESTIC OPERATIONS



The economy's performance
can be attributed to
the government-led restructuring

ECONOMIC REVIEW AND FORECAST

1. Economic Review

In 2000 the Korean economy ascended steadily through the third quarter, averaging 10% in growth; in the final quarter, it turned sharply downward to 4.6%. Consumption, facilities investment, and exports, which had been fueling robust growth, began to contract noticeably in the fourth quarter, as uncertainties surrounding the government-led industry restructuring loomed larger, world oil prices continued to escalate, and the U.S. economy began to show signs of slowing. As a result, the Korean economy ended the year with an averaged GDP growth rate of 8.8%.

Consumption grew a relatively healthy 6.2%, led by the 9.9% growth posted in the private sector during the first half-year. Facilities investment, despite a sluggish construction sector, expanded markedly, hovering in the 30% growth range during the first three quarters on the strength of a booming telecommunications sector. Prices remained somewhat stable through May, thanks mainly to falling exchange rates and a stable supply of produce; then they began to rise with increasing world oil prices and the bustling economy. The overall price rise for the year was 2.3%, which exceeded the previous year's 0.8%. Imports, in keeping with the robust economy and rising oil prices, grew 35.6% to US\$162.0 billion. Exports increased 21.7% to US\$175.5 billion on the back of semiconductors and computers sold in the U.S. and Asian markets, creating a positive trade balance of US\$11.8 billion. The strong export performance yielded a surplus of US\$11.0 billion in current account. Capital accounts, reflecting foreign investors' growing presence in the economy, stood at US\$11.7 billion in surplus - dwarfing the previous year's US\$2 million. The nation's year-end foreign currency reserves amounted to US\$96.2 billion, US\$22.1 more than the previous year; total foreign debts decreased slightly to US\$136.3 billion.

Interest rates remained mostly unchanged in the first five months, reflecting an ample market liquidity and the resolution of a thorny problem involving the redemption of Daewoo paper. But as liquidity became an issue for some large corporations, the financial industry adopted a conservative investment strategy, which decreased the yield rates of government and blue-chip bonds, although the yield of second-rate securities remained unchanged. The three-year government bond yield rate averaged 8.3%. Won-dollar rates remained relatively stable till November of 2000, hovering in the W1,110 to W1,140 range. In November, however, the rates climbed sharply - fueled by world oil prices, the slowing economy, and a weakening Japanese yen - to end the year at W1,220.

REVIEW OF OPERATIONS

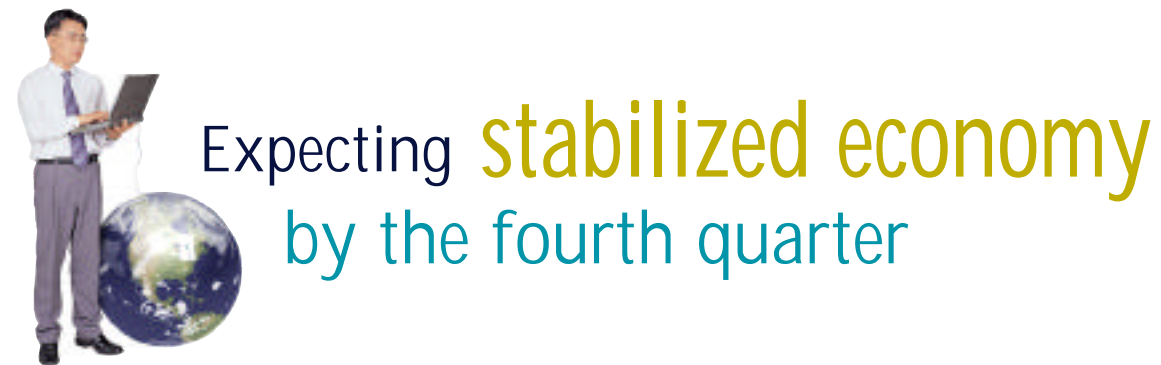
In the year 2000, the Korean economy exhibited a slower growth trend:

it maintained a steady, ascending movement up to the end of the third quarter, averaging 10% in growth, and then turned sharply downward, bringing down the rate to 4.6% for the following quarter.



2. Economic Forecast

The Korean economy is forecast to continue its decline in 2001, as domestic and overseas difficulties persist. The GDP growth rate is expected to be only about 3.7%, a 5.1% point decrease from 2000. Shrinking facilities investment, sluggish construction, and lagging consumer demand will combine to slow the economy. However, exports will continue to lead economic growth; if the U.S. economy succeeds in making a soft landing, the Korean economy could rebound in the fourth quarter. The nation's current account, however, is expected to exceed the 2001 figure and register US\$13.0 billion in surplus; imports, pinched by falling consumption, are projected to decline relative to exports. The yield of government bonds is expected to remain in the 6.5% range, reflecting less-than-encouraging economic forecasts and the government's low interest rate policy. The Won-dollar exchange rate, in the face of a weak yen and an unstable financial industry, is expected to be somewhat volatile in the first half of 2001. The second half, however, should see the rate stabilize in the W1,260 range toward the year-end on the back of an improving trade balance and a recovering yen.



2000 STOCK MARKET PERFORMANCE

The Korean stock market, despite improving performance among listed companies and a growing net flow of foreign capital, continued its downward movement due largely to an unstable financial market, a looming bubble theory, and a weak supply-and-demand structure.

KOSPI, the market indicator, kicked off the year at a high of 1059.04 points, but soon headed downward in a market correction, dropping to 828 points by the end of February. The indicator continued to fall as maturing beneficiary certificates fueled fears of supply overrunning demand; other factors included the two interest rate increases by the U.S. Federal Reserve Board and the previously mentioned bubble theory. The indicator dropped 11.63% in April alone. Moreover, the capital market was shaken by rumors about the Hyundai Group's liquidity problem and Saehan Group's workout decision; in the U.S., NASDAQ, a growing influence on the Korean market, continued its rapid drop. In reaction to issues such as these, the indicator dipped to 655.93 points, its lowest level in the first half, at the end of May.

Coming into the second half of the year, the indicator bounced back to 851.47 on the strength of foreigners' intensive buying of semiconductor-related stocks, the south-north peace talks, the nomination of Ford Motor Company as the possible buyer of the troubled Daewoo Motors, and the government's market stabilization package. The rebound, however, failed to overcome a price-manipulation scandal and negative economic forecasts. The indicator further retreated in the face of falling semiconductor prices, Ford's pullout of the Daewoo talks and Hyundai Construction's liquidity problem - just to name a few factors. After reaching a yearly low of 500.60 points on December 22 in response to a NASDAQ fall, the indicator ended the year at 504.62 points, a 52.4% drop from the outset of the year. Analysts foresee another difficult year for the securities industry in 2001. As the contraction continues in both the world and the Korean economies, the stock market is expected to remain sluggish, with the indicator fluctuating in the 470-to-700 point range.

BROKERAGE

Daishin Securities' stock brokerage performance reflected the unfavorable environment of the stock market. Total stock brokerage amount reached W193.2 trillion as of the end of fiscal year 1999, a market share of 9.5%. This amount represents a 20% decrease from the previous year's W242.4 trillion. The amount also put the Company in the fifth place in the industry. Individual investors, however, still contributed to an overwhelming portion of the total volume, reflecting the Company's competitive edge as well as its strategy in the retail market. In particular, the Company's industry-leading Cybos2001 made such a composition possible. As individual investors constitute a fast-growing market, Daishin Securities' position in the potentially lucrative market looks promising.

Daishin CYBOS 2002 has been always on the forefront of online trading



ONLINE TRADING

Despite the overall uncertain investment mood of the stock market, the online trading market in Korea continued its robust growth in 2000, once again securing the title of being the largest in the world in terms of proportion to total trading volume. More than 55% of total stock volume was traded on-line, more than double the ratio for the previous year. The total volume traded on-line during the year was tallied at W1,348.1 trillion, a 183% increase over the previous year which was a remarkable growth year for online trading. The Company's online trading performance continued to be unrivaled.

Total online trading volume amounted to W500 trillion, accounting for over 37% of total market volume and more than the combined total of the two runner-ups. The company's online trading averaged 80% of total stocks traded and 90% of total futures and options traded. During the year in review, Daishin Securities introduced CYBOS WRAP, a fully-automated total asset management account. Programmable to suit individual investment needs, this new product offers the optimum asset allocation strategy. In two months of its rollout, the account attracted some W50 billion funds.

DEALING

The Company's securities dealing performance was hit by the bearish stock market. As the end of fiscal year 2000, total equity holdings were tallied at W57.1 billion, a big contrast to W204.6 billion the year before. Stock trading loss amounted to W68.9 billion. The bond market, in contrast, thrived on the back of the steady decline of interest rates. The yield on 3-year government bonds maintained a downward movement that continued through the year, falling from 9.00% to 6.31% at the year-end. Total trading volume soared over three-fold to W2,268 trillion. The decline of interest rates, however, benefited only government bonds. Corporate bonds, in general, still bore the stigma of the sluggish stock market and were thus abandoned by institutional investors. In step of this dichotomous trend, the Company employed a buy-and-hold strategy on short-term government bond, while reducing corporate bond holdings. As a result, the Company's year-end bond holdings stood at W124.9 billion, compared to W348.6 billion for the previous year, and bond trading gains amounted to W12.5 billion.

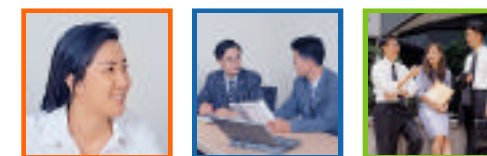


Daishin continues to corner
the **futures and options market** due to
state-of-the-art trading systems

FUTURES & OPTIONS

In fiscal year 2000, the Korean futures and options market continued its robust growth, albeit at a rate less than the year before. The total volume of futures and options traded during the year grew 183% over the year. KOSPI, the market indicator, however, suffered a setback, reflecting the sluggish stock market performance: the indicator declined from 108.0 at the outset of the year to 62.75 at the year-end. Regardless of the market situation, the Company maintained its unchallenged position in both markets. Total futures traded amounted to W389.6 trillion, which represented a market share of 21.45%, while total options volume amounted to W4.7 billion, representing 12.60% in market share. Net derivatives trading gain reached a healthy W2.6 billion, considering the challenging market environment. The solid lead in market share can be attributed to the Company's large investments in facilities and human resources. First-rate derivatives specialists have been secured with industry-best terms and state-of-the-art trading systems installed. In particular, its online futures and options trading system continued to corner the market with an overwhelming market share. As a result, investors, both individual and institutional, have come to place their confidence in the Company's online trading leadership.

Daishin aims to maintain a **top rank** on IPOs



UNDERWRITING

In 2000, the nation's capital market experienced impressive growth, particularly in the first half. Overall, some W70 trillion was raised through stock and bond issues, more than double the average figure of W30 trillion prior to the 1997 crisis. The slowdown of the U.S. economy and rising liquidity fears in the second, however, substantially contracted the heretofore robust market. Still the Company's underwriting performance stood at 2,531.5 billion, which was a slight rise compared to the previous figures thanks to its aggressive business promotion. In terms of amount, the Company ranked 6th in the industry. The Company's Initial Public Offering (IPO) Team still maintained the No. 1 position in its specialty. During the past two years, the Team underwrote 21 start-up's IPO, which represented 16.1% in market share, the highest in the industry. This stellar performance can be attributed to the Team's industry-leading ability to predict expected share value. The Team aims to list 20 more new businesses in the new fiscal year. In fiscal 2000, the Company underwrote or lead-managed the capital raisings of 55 businesses including household names such as POSCO and Korea Telecom. Underwriting or lead-managing bond issues also generated related business, amounting to W10.4 billion in fee income. The brighter side is that the prospects for bond underwriting business look encouraging. The economy is expected to turn around in the second half of 2001, and the government is determined to shore up the securities market. Moreover, once the on-going restructuring of the financial industry is completed, the credibility of the industry will improve and foreign investors will be willing to invest. Preparing for a market upturn, the Company will concentrate on developing new services and products in the areas of ABS issuance and corporate restructuring-related consulting. As an authorized government bond dealer, the Company will further step up its underwriting operations and solidify its dominant position in the bond market.

INVESTMENT PRODUCTS

In sharp contrast to the two previous years, the year 2000 saw a rapid drop in the popularity of mutual funds and beneficiary certificates. Sensing a worsening investment climate, individual investors abandoned the once-popular indirect investment vehicles as fast as they embraced them a few years ago. The Daewoo crisis had initially shattered the euphoria held by individual investors who had discovered the benefits of mutual funds and beneficiary certificates. Then, incessant rumors surrounding the Hyundai Group, compounded by gloomy economic forecasts, further put off individual investors. Facing such harsh market conditions, the Company made all-out efforts to maintain its customer base by developing innovative products designed to meet increasingly sophisticated customer needs. A clear leader in beneficiary certificates, the Company introduced various tax-saving investment products. As a result, the total holdings of investment products as of the end of fiscal 2000 stood at W2,573 billion, slightly less than the previous year, a laudable performance considering the adverse environment. Of the total, bond-type beneficiary certificates accounted for 72.6%. As the economy is widely expected to recover in the second half of 2001, it is very likely investors will renew their interest in indirect investment products.

INTERNATIONAL OPERATIONS

Daishin Securities' overseas network consists of a subsidiary in Hong Kong and a business office in Tokyo, Japan. The Company also is actively establishing business channels in the Americas and Europe. In addition to the traditional brokerage service, the Company manages domestic businesses' overseas investment and provides foreign investors' with various direct investment-related services. To provide more investment opportunities, the Company is in the process of making its award-winning CYBOS service available in English. Once the new service is completed, foreign investors will be able to take advantage of CYBOS' vast database and wide range of convenient and cut-rate investment services.

Another development was that the Korean stock markets moved in sync with the U.S. markets counterparts. To this development the Company responded by closely monitoring the movements of the U.S. markets and formulating investment strategies on a regular basis.



Looking ahead to the future expansion providing more investment opportunities

DAISHIN INTERNATIONAL (HONG KONG) LTD.

Daishin International (Hong Kong) manifests the Company's goal to establish a firm presence in Asian markets. In 1998 when downsizing was the mantra for the Korean financial industry, the Company expanded its Asian presence by upgrading the Hong Kong office to the subsidiary level. Korean stock brokerage is one of the major income sources as a growing number of Taiwanese investors as well as Hong Kong investors is interested in the new investment opportunities now available in this country. In the new fiscal year, the subsidiary plans to reach investors in other Asian nations. Though a weak U.S. economy, a weakening Japanese yen and an increasing competition from domestic securities firms are sure to cut into the subsidiary's brokerage commission performance, the coming English service of CYBOS is expected to more than compensate for the cut. Combining brokerage commissions and income from other financial services, the Hong Kong subsidiary is projecting a healthy profit for fiscal 2001.

DAISHIN SECURITIES CO., LTD (TOKYO OFFICE)

It was the first business presence created by a Korean securities house in the Japanese capital. The Company's Tokyo office promotes Korean investment among Japanese institutional investors by providing them with in-depth information on the Korean economy and capital markets. Moreover, by arranging the establishment of venture and IT-themed funds for investing in Korea's promising start-ups and listing Korean businesses on the Japanese stock markets, the Tokyo office contributes to increasing economic ties between the two countries. The office has played an integral role in attracting Sumitomo Life's equity investment in the Company. To better arrange for the direct investment of Japanese capital in promising Korean start-ups, the office plans to strengthen its ties with local venture capital firms. As the joint hosting of the 2002 World Cup Soccer Game is sure to bring the two countries closer to each other, the investment environment of the Korean market will be more favorable for Japanese investors.

FINANCIAL SECTION



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MANAGEMENT DISCUSSION & ANALYSIS

FOR THE YEAR ENDED MARCH 31, 2001

OVERVIEW

In 2000, the Korean stock market was volatile despite the improving performance of listed companies and a growing foreign investors interest, as a bubble theory gained momentum and the financial market remained unstable. The market index, which began the year at a yearly high of 1059.04 point, dropped to a yearly low of 500.60 point on December 22, ending the year at 504.62 point, a 52.4% drop from the beginning of the year.

During the year, the market fluctuated in sync with the Nasdaq more than before, saw foreigners' net investment amount to W11 trillion which was more than the total purchases of the past four years combined, and institutional investors participation declined. Another noteworthy development was that cyber trading expanded rapidly on the back of falling brokerage fees and a fast-growing use of the Internet and other means of online trading.

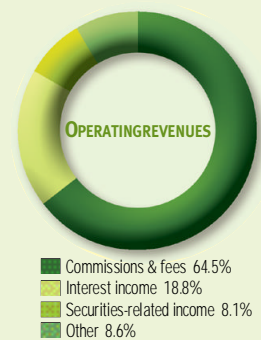
INCOME ANALYSIS

Due mainly to the less-than robust performance of the stock market and the growth of cyber trading, net income for fiscal 2000 came to W87.3 billion, W249.8 billion less than the year before which was an exceptionally good year for securities trading.

The reduction in net income stemmed from a decrease in operating income. Fiscal 2000 operating revenues amounted to W751.2 billion, W388.6 billion or 34.1% less than the previous year.

To review operating revenues by item, commission and fee income amounted to W484.2 billion, W368.1 billion less than the previous year, accounting for 64.5% of total operating revenues. The corresponding figure for the previous year was 74.8%. Brokerage commissions, which came to W250.2 billion, led the decrease, reflecting an industry-wide trend brought about by, as mentioned earlier, the growing use of cyber trading and the overall depressed mood of stock investors.

Although interest income rose 7.6% over the previous year to W140.9 billion, securities-related income fell by W84.8 billion to W61.3 billion, another reflection of the market mood.



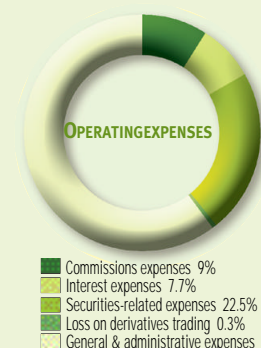
OPERATING REVENUES

	2001 (FY'00)		2000 (FY'99)		change
	amount	ratio	amount	ratio	
Commissions & fees	484.2	64.5	852.3	74.8	-368.1
Interest income	140.9	18.8	131.0	11.5	9.9
Securities-related income	61.3	8.1	146.1	12.8	-84.8
Other	64.8	8.6	10.4	0.9	54.4
Total	751.2	100.0	1,139.8	100.0	-388.6

Note: Securities-related income includes securities valuation and trading gains, dividends, and other related income

Operating expenses, on the other hand, decreased by W24.6 billion or 3.8% to W617.3 billion.

Of operating expense items, all except for general & administrative expenses decreased over the year. Commission expenses dropped by W32.6 billion to W55.5 billion, interest expenses by W20.7 billion to W47.3 billion, and securities-related expenses by W22.3 billion



OPERATING EXPENSES

	2001 (FY'00)		2000 (FY'99)		change
	amount	ratio	amount	ratio	
Commissions expenses	55.5	9	88.1	13.7	-32.6
Interest expenses	47.3	7.7	68.0	10.6	-20.7
Securities-related expenses	138.8	22.5	161.1	25.1	-22.3
Loss on derivatives trading	2.1	0.3	6.8	1.1	-4.7
General & administrative expenses	373.5	60.5	317.9	49.5	55.6
Total	617.2	100.0	641.9	100.0	-24.7

Note: Securities-related expenses include loss from valuation and sale of securities

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE YEAR ENDED MARCH 31, 2001

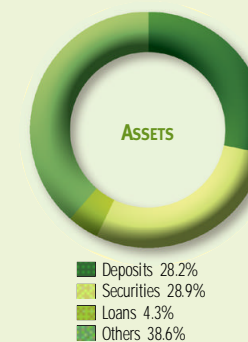
to 138.8 billion. General & administrative expenses, on the other hand, rose by W55.6 billion to W373.5 billion. This increase stemmed mostly from credit expenses of bad debt allowances which rose by W67.7 billion to W104.6 billion. This rise, in turn, is due to the write-offs of loan loss provisions against the loans made to Songchon Construction, Daishin Life Insurance, and Daishin Factoring.

ASSETS

Total assets as of the end of fiscal 2000 stood at W2,326.4 billion, W2,467.5 billion less than the year before. For the FY 2000, deposits decreased by about W2 trillion to W654.8 billion, contributing mostly to the reduction in assets. As a result, the ratio of deposits to total assets dropped from 55.4% in the previous year to 28.2% at the end of fiscal 2000.

Securities amounted to W673.3 billion, W528.2 billion less than the year before. The ratio to asset, however, increased slightly from 25.2% to 28.9%, as a result of the sharp drop in deposits.

The drop in deposits also pushed the ratio of other assets, which consist mostly of fixed assets, from 16.0% to 38.6%.



ASSETS

	2001 (FY'00)		2000 (FY'99)		change
	amount	ratio	amount	ratio	
Deposits	654.8	28.2	2,654.1	55.4	-1,999.3
Securities	673.3	28.9	1,201.5	25.1	-528.2
Loans	100.8	4.3	168.7	3.5	-67.9
Others	897.5	38.6	769.6	16.0	127.9
Total assets	2,326.4	100.0	4,793.9	100.0	2,467.5

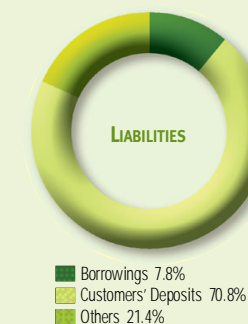
Note:

Deposits: Cash and bank deposits, Deposits, Long-term deposits
 Securities: Trading securities, Investment securities
 Loans: Loans, Long-term loans
 Loan loss provisions were included in Others

LIABILITIES

Liabilities decreased W2,458.9 billion over the year to W1,051.9 billion, similar to assets in terms of the amount of decrease. Customers' deposits led the decrease, shrinking by W1,362.7 billion to 744.5 billion. The bearish stock market caused customer deposits for brokerage to drop. Likewise, there were no customer deposits for subscriptions for fiscal year 2000, whereas this item registered W1,080.2 billion in the previous year.

Borrowings contracted by W944.1 billion to W82.0 billion. Bank borrowings and borrowings from KSFC dropped by W500.00 billion and W547.5 billion, respectively.



LIABILITIES

	2001 (FY'00)		2000 (FY'99)		change
	amount	ratio	amount	ratio	
Borrowings	82.0	7.8	1,059.6	30.2	-977.6
Customers' Deposits	744.5	70.8	2,107.2	60.0	-1,362.7
Others	225.4	21.4	344.0	9.8	-118.6
total	1,051.9	100.0	3,510.8	100.0	-2,458.9

Note: Borrowings includes call money, Short-term borrowings

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**To the Shareholders and Board of Directors of
Daishin Securities Co., Ltd.:**

We have audited the accompanying balance sheet of Daishin Securities Co., Ltd. as of March 31, 2001 and the related statements of income, appropriations of retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of March 31, 2000, which are presented for comparative purposes, were audited by San Tong Accounting Corporation whose report dated May 27, 2000 expressed unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. In our opinion, the 2001 financial statements referred to above present fairly, in all material respects, the financial position of Daishin Securities Co., Ltd. as of March 31, 2001, and the results of its operations, changes in its retained earnings and its cash flows for the year then ended in conformity with financial accounting standards in the Republic of Korea (see Note 2).

Without qualifying our opinion, we draw attention to Note 1 to the financial statements. The operations of the Company have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these significant uncertainties on the financial position of the Company as of the balance sheet date cannot presently be determined and, accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties.

As explained in Note 17 to the financial statements, in 2001, total revenues earned by the Company from affiliated companies amounted to W39,095 million and total charges of affiliated companies amounted to W171,375 million. As of March 31, 2001, receivables from and payables to affiliated companies amounted to W141,006 million and W13,483 million, respectively.

As explained in Note 20 to the financial statements, in 2001, the Company took follow-up actions on the results of the periodic inspection of the Financial Supervisory Commission ("FSC") which recommended the dismissal of the chairman of board of directors and the chief director and the reprimand of the chief director, vice-president and others concerning the granting of fund assistance to affiliated companies.

As explained in Note 21 to the financial statements, Daishin Life Insurance Co., Ltd., an affiliated company, has received a management improvement order from the FSC on April 13, 2001. As of March 31, 2001, the Company has long-term loans receivables from Daishin Life Insurance Co., Ltd. amounting to W70,000 million for which an allowance for doubtful accounts of W14,000 million has been provided as of that date. However, additional losses on these loans may be incurred for the foreseeable future. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. The procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries and jurisdictions. Accordingly, this report and the accompanying financial statements are not intended for use by those who are not informed about Korean accounting principles or auditing standards and their application in practice.

Seoul, Korea,
April 24, 2001

	Korean won (In millions)	
	2001	2000
ASSETS		
CURRENT ASSETS:		
Cash and bank deposits (Notes 3 and 6)	W 9,793	W 759,356
Korea Securities Finance Corporation deposits (Note 3)	644,918	1,877,431
Trading securities (Notes 4 and 6):	366,275	849,882
Call loans (Note 17)	5,000	92,000
Broker's loans, less allowance for doubtful accounts of W452 million in 2001 and W202 million in 2000	11,580	29,204
Short-term loans, less allowance for doubtful accounts of W588 million in 2001 and W92 million in 2000	3,870	366
Accounts receivable from customers, less allowance for doubtful accounts of W2,040 million in 2001 and W2,461 million in 2000	31,777	48,168
Accrued income receivable, less allowance for doubtful accounts of W1,476 million in 2001 and W704 million in 2000	28,188	38,769
Other current assets (Note 17)	13,529	11,792
Total current assets	1,114,930	3,706,968
Non-current assets:		
Investment securities, less allowance for doubtful accounts of W30,982 million in 2001 and W5,056 million in 2000 (Notes 7, 11 and 17)	276,077	346,554
Long-term deposits (Note 3)	96	17,345
Long-term loans receivable, less allowance for doubtful accounts of W14,139 million in 2001 and W335 million in 2000 (Notes 17 and 23)	65,206	46,471
Guarantee deposits (Note 17)	58,146	52,706
Investment real estate (Note 8)	19,955	15,908
Other investment assets	11,833	8,940
Tangible fixed assets (Note 9):		
Land	290,004	209,390
Buildings	251,522	183,513
Vehicles	817	885
Furniture and equipment	139,448	108,439
Construction in progress	27,739	15,190
Others	876	876
	710,406	518,293
Less: Accumulated depreciation (Note 10)	(85,186)	(59,485)
	625,220	458,808

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

BALANCE SHEETS

FOR THE YEAR ENDED MARCH 31, 2001

	Korean won (In millions)	
	2001	2000
Advances for customers, less allowance for doubtful accounts of W117,700million in 2001 and W100,893 million in 2000 (Note 11)	W 182,350	W 192,170
Collective fund for default loss (Note 2)	6,330	5,448
Dishonored bonds and bills receivable, less allowance for doubtful accounts of W283 million in 2001 and W283 million in 2000	173	173
Deferred income tax assets (Notes 2 and 16)	25,195	6,767
Less: Present value discount account (Notes 2 and 11)	(59,069)	(64,341)
Total non-current assets	1,211,512	1,086,949
Total assets	W 2,326,442	W 4,793,917
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Call money (Note 12)	W 70,000	W -
Short-term borrowings (Note 12)	12,032	1,059,562
Bonds sold under reverse repurchase agreements	33,428	7,170
Customers' deposits (Note 17)	774,515	2,107,242
Income tax payable	10,423	86,702
Dividends payable (Note 15)	57,402	113,481
Accrued expenses (Note 17)	8,700	12,712
Other current liabilities	52,503	91,154
Total current liabilities	1,019,003	3,478,023
LONG-TERM LIABILITIES:		
Allowance for guarantees	22,483	16,985
Accrued severance indemnities, net of payments to National Pension Fund of W2,089 million in 2001 and W2,398 million in 2000 and individual severance deposits of 29,836million in 2001 and 13,642 million in 2000(Note 2)	10,438	15,825
Total long-term liabilities	32,921	32,810
Total liabilities	1,051,924	3,510,833

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

BALANCE SHEETS

FOR THE YEAR ENDED MARCH 31, 2001

	Korean won (In millions)	
	2001	2000
SHAREHOLDERS' EQUITY:		
Capital stock (Note 13)	W 373,932	W 373,932
Capital surplus	610,364	610,364
Retained earnings:		
Legal reserve (Notes 2 and 13)	55,695	49,955
Reserve for loss on securities transactions (Note 2)	48,105	45,217
Voluntary reserve	180,000	150,000
Unappropriated retained earnings (Net income of W87,293 million in 2001 and W337,119 million in 2000)	31,966	45,171
Capital adjustment (Notes 2 and 14)	(25,544)	8,444
Total shareholders' equity	1,274,518	1,283,083
Total liabilities and shareholders' equity	W 2,326,442	W 4,793,917
FOOTNOTES:		
Securities in custody (Notes 2, 5)	W 10,536,015	W 11,721,522
Negotiable certificate of deposits in custody (Notes 2)	15,334	-
Guarantees of bonds (Notes 2)	130,348	233,434

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

STATEMENTS OF INCOME

FOR THE YEAR ENDED MARCH 31, 2001

	Korean won (In millions, except per share amounts)	
	2001	2000
OPERATING REVENUES:		
Commissions received (Note 17)	W 484,224	W 852,250
Interest income (Note 17)	140,928	130,995
Dividend income (Note 17)	7,422	3,777
Distribution income	8,247	41,811
Gain on sale of trading securities	39,297	85,387
Gain on valuation of trading securities	6,323	15,101
Gain on derivatives transactions	2,607	7,658
Others	62,153	2,778
	751,201	1,139,757
OPERATING EXPENSES:		
Commission expenses	55,539	88,130
Interest expenses	47,336	67,974
Loss on sale of trading securities	99,318	148,733
Loss on valuation of trading securities	39,530	12,325
Loss on derivatives transactions	2,105	6,788
General and administrative expenses (Notes 17 and 22)	373,454	317,948
	617,282	641,898
OPERATING INCOME	133,919	497,859
NON-OPERATING INCOME (EXPENSES):		
Gain(loss) on disposal of tangible fixed assets, net	745	(635)
Gain(loss) on disposal of investment securities, net	(8,202)	21,769
Valuation loss using equity method, net	(931)	(8,877)
Gain(loss) on valuation of investment in stock market stabilization fund	(13,677)	17,859
Gain(loss) on foreign currency transactions, net	-	(2,644)
Gain(loss) on foreign exchange translation, net	(72)	(29)
Rental income (Note 17)	9,638	7,668
Reversal of impairment loss on investment securities	1,567	-
Impairment loss on investment securities (Note 7)	(1,869)	(13,358)
Gain on recovery of write-offs	223	16
Donations	(2,114)	(14,449)
Other, net	533	(678)
	(14,159)	6,642
ORDINARY INCOME	119,760	504,501
EXTRAORDINARY ITEMS, NET:		
Accidental loss	W -	W (11)
INCOME BEFORE INCOME TAXES	119,760	504,490
INCOME TAX EXPENSE (Note 16)	32,467	167,371
NET INCOME	W 87,293	W 337,119
ORDINARY INCOME PER COMMON SHARE (Note 2)	W 1,363	W 7,246
NET INCOME PER COMMON SHARE (Note 2)	W 1,363	W 7,246

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

STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 2001

	Korean won (In millions)	
	2001	2000
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Unappropriated retained earnings carried over from prior years	W 45,170	W 5,153
Cumulative effect on prior years of accounting changes	-	(45,912)
Adjustments to investment securities using the equity method (Note 7)	(4,367)	-
Loss on prior period error corrections	(112)	-
Net income	87,293	337,119
	127,984	296,360
TRANSFER FROM VOLUNTARY RESERVES AND OTHERS:		
Reserve for loss on securities transactions	3,343	16,312
	131,327	312,672
APPROPRIATIONS:		
Legal reserve (Notes 2 and 13)	5,740	11,348
Reserve for loss on securities transactions (Notes 2 and 13)	6,231	32,676
Dividends (Note 15)	57,390	113,478
Voluntary reserve	30,000	110,000
	99,361	267,502
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	W 31,966	W 45,170

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2001

	Korean won (In millions)			
	2001		2000	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	W	87,293	W	337,119
Adjustment to reconcile net income to net cash provided by (used in)operating activities:				
Provision for doubtful accounts, net		47,305		34,177
Provision for guarantees, net		11,607		-
Provision for severance indemnities		16,145		7,421
Depreciation		27,591		20,089
Loss on valuation of trading securities		39,529		12,325
Loss on disposal of trading securities, net		60,021		63,346
Gain on derivatives transaction, net		(502)		(870)
Gain on valuation of trading securities		(6,323)		(15,101)
(Gain)loss on disposal of tangible fixed asset, net		(745)		635
Impairment loss on investment securities, net		302		13,358
Interest income from present value discount		-		(10,381)
Gain on disposal of investment securities, net		8,203		(21,769)
Valuation loss using equity method		931		8,877
(Gain)loss on valuation of investment in stock market stabilization fund		13,677		(17,859)
Changes in assets and liabilities resulting from operations:				
(Increase) decrease in trading securities		390,380		(170,853)
(Increase) decrease in accounts receivable from customers		16,514		(34,761)
(Increase) decrease in accrued income receivable		9,711		(18,790)
(Increase) decrease in other current assets		(18,428)		29,363
Increase in deferred income tax assets		(16,701)		(15,069)
Increase (decrease) in customers' deposits		(1,362,727)		1,660,137
Increase (decrease) in income tax payable		(76,275)		86,700
Increase in investment securities		(17,028)		(53,822)
Severance indemnity payments		(5,646)		(7,291)
Others, net		1,322,695		(1,970,576)
		547,529		(63,595)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities				
Proceeds from disposal of tangible fixed assets		14,265		7,997
Collection of short-term loans		23,170		-
Collection of long-term deposits		19,989		-
Others		21,479		-
		78,903		7,997
Cash outflows from investing activities				
Payment of long-term deposits		2,738		1,695
Additions to long-term loans receivable		37,052		27,693
Payment of guarantee deposits		12,014		14,823
Additions to investment real estate		10,830		-
Acquisition of tangible fixed assets		207,523		95,814
Others		34,556		2,632
		304,713		142,657

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2001

	Korean won (In millions)			
	2001		2000	
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities				
Proceeds from short-term borrowings	W	8,825,628	W	1,045,559
Proceeds from issuance of common stock		-		215,924
Proceeds from call money		30,160,600		-
Other		7,335,933		11,393
		46,322,161		1,272,876
Cash outflows from financing activities				
Payment of call money		30,090,600		200,100
Repayment of current portion of subordinated long-term debt		20,000		158,958
Repayment of short-term borrowings		9,873,158		-
Others		7,409,714		31,074
		47,393,472		390,132
NET INCREASE (DECREASE) IN CASH		(749,563)		684,488
CASH, AT THE BEGINNING OF THE YEAR		759,356		74,868
CASH, AT THE END OF THE YEAR	W	9,793	W	759,356
TRANSACTIONS NOT INVOLVING CASH				
Allowance for possible losses on advances charged to beginning deficit	W	-	W	24,121
Transfer of investment real estate to tangible fixed assets		6,679		6,776
Transfer of long-term liabilities to current liabilities		-		20,000
Increase in loss on valuation of investment securities		41,858		-
Transfer of present value discount of loans to allowance for possible loans losses		24,406		-
Transfer of allowance for possible guarantees losses to allowance for possible loans losses		6,110		-
Transfer of construction in progress to buildings		5,443		-

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

1. GENERAL:

Daishin Securities Co., Ltd. (the "Company") was incorporated as Samrak Securities Co., Ltd. on July 27, 1962, under the Commercial Code of the Republic of Korea, to engage in the securities business operations, including brokerage transactions, trading and underwriting of securities and other related business activities. The Company changed its corporate name to Daishin Securities Co., Ltd. on April 22, 1975 and has been listed on the Korea Stock Exchange since October 1, 1975. The Company's capital stock as of March 31, 2001 amounted to W373,932 million and its primary shareholders are Yang Hoi Moon (8.22 percent) and Daishin Life Insurance Co., Ltd.(7.42%). The Company has 96 branches and 1 foreign field corporation in addition to its head office in Seoul.

Beginning in 1997, Korea and other countries in the Asia Pacific region experienced a severe contraction in substantially all aspects of their economies. This situation is commonly referred to as the 1997 Asian Financial crisis. In response to this situation, the Korean government and the private sector began implementing structural reforms to historical business practices. Through early 2000, it was widely accepted that the economic situation had stabilized, but not fully recovered from the 1997 crisis.

The Korean economy is currently experiencing additional difficulties, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The banking industry is currently undergoing forced consolidations and significant uncertainty exists with regard to the availability of short-term financing during the coming year. The Company may be either directly or indirectly affected by the situation described above.

The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares its statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with accounting principles generally accepted in other countries. Accordingly, these financial statements are not intended for use by those who are not informed about Korean accounting principles and practices.

The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the statutory Korean language financial statements. Some supplementary information included in the statutory Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying financial statements.

Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates and the resulting translation gains and losses are reflected in current operations.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on outstanding loans and accounts receivable (broker's loans, receivables, accrued income, short and long-term loans, advances for customers, dishonored bonds and bills receivable) at the end of the period based on management's evaluation of the collectibility of individual receivables and in accordance with the securities accounting standards of the Securities and Futures Commission ("SFC") of Korea. These standards require that all loans should be classified as normal, precautionary, substandard, doubtful and loss based on a number of factors, including the financial position, the repayment ability of the borrower and overdue status of loans.

The details of classification of loans, and corresponding allowance provided as of March 31, 2001 and 2000, are as follows:

	Korean won (In millions)			
	2001		2000	
	Loans	Allowance	Loans	Allowance
Normal	W 85,188	W 426	W 220,264	W 971
Precautionary	139,503	2,790	128,900	2,675
Substandard	231,688	46,338	35,529	7,014
Doubtful	11,749	8,811	-	-
Loss	109,295	109,295	99,367	99,367
	577,422	W 167,660	484,060	W 110,027
Present value discount account	(59,069)		(64,341)	
Total	W 518,353		W 419,719	

Restructuring of loans

Loans, whose contractual terms are modified in a troubled debt restructuring due to mutual agreements such as commencement of reorganization, court mediation and workout plans, are accounted for at the present value of expected future cash flows, if book value of the loans differs from the present value. The difference between book value and present value is offset against the allowance for possible loan losses, and then any remaining amounts are charged to operations as bad debt expense. The difference between book value of a loan and its present value is recorded as present value discount, which is presented as a deduction from the loan. The present value discount is amortized over the remaining maturity using the effective interest rate method, and the amortization amount is recorded as interest income.

Valuation of Trading Securities

Trading securities purchased for short-term investment purposes are recorded at acquisition cost plus any incidental expenses. However, if the fair value of trading securities differs from book value determined using the individual moving averaged method, trading securities are adjusted to fair value and the valuation gain or loss is reflected in current operations.

Bonds under Resale or Repurchase Agreements

Bonds purchased under resale agreement are recorded as loans, and bonds sold under repurchase agreements are recorded as borrowings, when the Company purchases or sells securities under resale or repurchase agreements.

Valuation of Investment Securities

Equity securities held for investment (excluding those accounted for using the equity method discussed in the next paragraph) that are not actively traded (unlisted security) are stated at acquisition cost, as determined by the moving average method. Actively quoted (listed) securities, including those traded over-the-counter, are stated at fair value, with the resulting valuation gain or loss reported as a capital adjustment within shareholders' equity. If the fair value of a listed equity security or the net equity value of an unlisted security held for investment declines compared to acquisition cost and is not expected to recover (impaired investment security), the carrying value of the equity security is adjusted to fair value or net equity value, with the resulting valuation loss charged to current operations. If the net equity value or fair value subsequently recovers, in the case of an unlisted security, the increase in value is recorded in current operations, up the amount of the previously recognized impairment loss, and in the case of a listed security, the increase in value is recorded in capital adjustment within shareholders' equity.

Equity securities held for investment that are in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. The Company's share in the net income or net loss of investees is reflected in current operations. Changes in the retained earnings, capital surplus or other capital accounts of investees are accounted for as an adjustment to retained earnings or to capital adjustment.

The investment in the Stock Market Stabilization Fund (SMSF) is stated at fair value with the valuation gain or loss credited or charged to current operations. The stocks distributed by SMSF are recorded as trading or securities held for investment at fair value and treated as a return of investment. Cash distributed by SMSF as dividends or as a return of investment equity are also treated as a return of investment.

Debt securities held for investment are classified as either held-to-maturity investment debt securities or available for sale investment debt securities at the time of purchase. Held-to-maturity debt securities are stated at acquisition cost, as determined by the moving average method. When the face value of a held-to-maturity investment debt security differs from its acquisition cost, the effective interest method is applied to amortize the difference over the remaining term of the security. Available-for-sale investment debt securities are stated at fair value, with the resulting valuation gain or loss reported as a capital adjustment within shareholder equity. However, if the fair value of a held-to-maturity or an available-for-sale investment debt security declines compared to the acquisition cost and is not expected to recover (impaired investment security), the carrying value of the debt security is adjusted to fair value, with the resulting valuation gain or loss charged to current operations. If the fair value of the security subsequently recovers, in the case of a held-to-maturity debt security, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, and in the case of an available-for-sale debt security, the increase in value is recorded in capital adjustments within shareholders' equity.

Derivatives Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge, based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting, differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk are reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

Tangible Fixed Assets

Tangible fixed assets are stated at cost except for the effects of revaluation made in accordance with the Asset Revaluation Law of Korea. Major renewals and betterment are capitalized and expenditures for repairs and maintenance are charged to expense as incurred. In addition, interest expense and other financing charges for borrowings (that were used for the manufacture, purchase, or construction of fixed assets) incurred prior to the completion of the asset are capitalized as part of the cost of such assets. The amount of capitalized interest in 2000 was W983 million. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Assets	Years
Buildings	40
Vehicles	5
Furniture and equipment	5

Collective Fund for Default Loss

In accordance with the provisions of Article 95 of the Korea Securities and Exchange Law, the Company has deposited special reserve funds equal to 1/100,000 of the volume of securities transaction, 15/10,000,000 of volume of stock price index futures with the Korea Stock Exchange ("KSE") to compensate for any default loss.

Accrued Severance Indemnities

Severance indemnities are accrued in accordance with Company regulations, which provide that employees with more than one year of service are entitled to receive severance indemnities, based on length of service and rate of pay, upon termination of their employment. Accrued severance indemnities which would be payable, assuming that all eligible employees were to resign as of March 31, 2001 and 2000, amounted to W42,364 million and W31,864 million, respectively. Actual payment of severance indemnities amounted to W5,646 million in 2001 and W7,291 million in 2000.

The Company has purchased severance benefits insurance which meets the funding requirement for tax purposes, and made deposits with Daishin Life Insurance Co., Ltd. Withdrawal of these deposits, with a balance of W29,836 million and W13,642 million as of March 31, 2001 and 2000, respectively, is restricted to the payment of severance benefits. As the beneficiary of severance insurance deposits has been changed from the Company to its employees, the individual severance insurance deposits are presented as a deduction from the accrued severance benefits.

Before April 1999, the Company and the employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by netting the receivable against the severance payment. Such receivables, totaling W2,089 million and W2,398 million as of March 31, 2001 and 2000, respectively, are presented as a deduction from accrued severance benefits. Since April 1999, according to a revision in the National Pension Law, the Company and the employees each pay 4.5 percent of monthly pay.

Reserve for Loss on Securities Transactions

In accordance with the provisions of Article 40 of the Korea Securities and Exchange Law, the Company has reserved 2/100,000 (1/10,000 in 2000) of the consignment sales value of stocks and beneficiary certificates traded, 2/1,000,000 (1/100,000 in 2000) of the total sales value of corporate bond traded, 6/1,000,000 (3/100,000 in 2000) of the consignment sales value of futures and option traded and 60/100 of the excess of gains on trading and valuation of securities, and gains on option trading over losses on trading and valuation of securities, and losses on option trading during the year as a reserve for losses on securities transactions. From April 1999, reserve for loss on securities transactions is presented in the balance sheet as a component of retained earnings while it has been presented as a liability in the preceding year in conformity with the revised financial accounting standards in the Republic of Korea. The reserve for losses on securities transactions can only be used to offset losses incurred from securities transactions. However, the reserve for losses on securities transactions not used over 3 years or approved by Financial Supervisory Commission ("FSC") is reversed.

Income Tax Expense

The Company recognizes deferred income tax. Accordingly, income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax debits (credits).

Ordinary Income Per Common Share and Net Income Per Common Share

Ordinary income per common share and net income per common share are computed by dividing ordinary income (after deduction of tax effect) and net income, respectively, after deduction of expected dividends on preferred stock, by the weighted average number of common shares (48,786,400 shares in 2001 and 40,962,219 shares in 2000) outstanding during the year.

3. RESTRICTED DEPOSITS:

Restricted due from banks in local currency and foreign currencies as of March 31, 2001 and 2000 are as follows:

	Korean won (In millions)	
	2001	2000
KSFC deposits	W 644,918	W 1,877,431
Long-term deposits	96	46
Collective fund for default loss	6,331	5,449
Total	W 651,345	W 1,882,926

Korea Securities Finance Corporation ("KSFC") deposits are maintained by the Company with KSFC for the payment of customers' deposits. Long-term deposits consist of guarantee deposits for checking accounts and severance insurance deposits. Collective fund for default loss is special reserve funds for the Korean Stock Exchange and KSFC to compensate for any loss from default of trade contracts in the securities market and to pay the deposits of stock investors.

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MARCH 31, 2001

4. TRADING SECURITIES:

Trading securities owned by the Company as of March 31, 2001 and 2000 consist of the following:

	Korean won (In millions)			
	2001		2000	
Stocks	W	57,147	W	204,578
Korean government and public bonds		66,616		168,320
Domestic Korean corporate bonds		58,320		177,859
Beneficiary certificates		159,209		261,131
Negotiable commercial papers		24,700		37,700
Stocks in foreign currencies		-		-
Bonds in foreign currencies		282		294
Total	W	366,275	W	849,882

Stocks and beneficiary certificates are valued to fair value as of March 31, 2001 and 2000 and trading debt securities are valued using the closing yields of bonds on the balance sheet dates announced by the Korea Securities Dealers Association.

5. SECURITIES IN CUSTODY:

Securities in custody consist of securities deposited by customers as collateral for margin loan transactions and securities and certificates of deposits held by the Company on behalf of its customers. Securities in custody as of March 31, 2001 and 2000 are as follows:

	Korean won (In millions)			
	2001		2000	
Trustor securities in custody	W	7,780,582	W	8,912,631
Saver securities in custody		70,001		63,043
Beneficiary securities in custody		2,682,606		2,712,979
Others		2,826		32,869
Total	W	10,536,015	W	11,721,522

6. ASSETS DENOMINATED IN FOREIGN CURRENCIES:

Assets denominated in foreign currencies at March 31, 2001 and 2000 consist of the following:

Description	Foreign currency		Korean won (In millions)	
	2001	2000	2001	2000
ASSETS				
Deposits	US\$ 26,435.48	US\$ 415,977.99	W 35	W 461
	JPY 1,760,431	JPY 6,230,504	18	65
			53	526
Stock in foreign currency	US\$ 1.40	US\$ 3.75	-	-
Bonds in foreign currency	US\$ 215,500	US\$ 265,000	283	294
			W 336	W 820

The US dollar equivalent of foreign currencies other than US dollars was computed based on the prevailing exchange rate at the balance sheet date.

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MARCH 31, 2001

7. INVESTMENT SECURITIES:

Investment securities as of March 31, 2001 and 2000 consist of the following:

	Korean won (In millions)			
	2001		2000	
Investment equity securities	W	32,091	W	21,178
Investments in capital		45,816		113,663
Corporate bonds		145,687		135,345
Beneficiary certificates		-		2,000
Equity investments in affiliates		52,483		74,368
	W	276,077	W	351,610

(1) Investment equity securities owned by the Company at March 31, 2001 and 2000 consist of the following:

Investees	Korean won (In millions)			
	2001		2000	
	Acquisition cost	Book value	Acquisition cost	Book value
Listed:				
Sinho Paper Manufacturing Co.	W 556	W 151	W 556	W 151
Sinwon Co.	16,979	2,869	-	-
Chungnam Spinning Co.	3,450	1,884	-	-
Daishin Mutual Fund	800	661	-	-
Unlisted:				
Korea Securities Co.	14,780	14,780	6,987	6,987
Home TV Internet Co.	1,800	1,800	1,800	1,800
Yunik C&C Co.	1,500	1,500	1,500	1,500
Korea Securities Depository	1,027	1,027	1,027	1,027
Korea Management Consulting				
And Credit Rating Co.	1,440	1,440	1,440	1,440
Ecomaister Co.	1,250	1,250	1,250	1,250
Daehan Investment Trust Co.	5,575	-	5,575	-
Korea Investment Trust Co.	4,651	-	4,651	-
Hyundai Investment Trust & Securities Co.	2,122	-	2,122	1,779
E-gamenet, Gamenet Co.	1,000	1,000	1,000	1,000
Others	4,742	3,729	5,509	4,244
	W 61,672	W 32,091	W 33,417	W 21,178

Listed investment equity securities such as mutual funds and Korea Investor's Service, Inc. are stated at fair value and the difference between book value and fair value is recorded as a capital adjustment.

Unlisted investment equity securities are stated at cost using the moving average method. Korea Investment Trust Co., Daehan Investment Trust Co. and Hyundai Investment Trust & Securities Co. have each incurred a capital deficiency and their respective net equity value is not expected to recover. Therefore, the equity securities have been adjusted, with the resulting investment securities impairment loss charged to current operations.

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MARCH 31, 2001

(2) Investment in capital as of March 31, 2001 and 2000 consist of the following:

Investees	Korean won (In millions)			
	2001		2000	
	Acquisition cost	Book value	Acquisition cost	Book value
Investments in capital:				
The Stock Market Stabilization Fund	W 67,418	W 43,166	W 105,898	W 95,323
Korea Stock Exchange	2,650	2,650	2,740	2,740
Others	-	-	15,600	15,600
	W 70,068	W 45,816	W 124,238	W 113,663

Investment in capital are stated at cost using the moving average method except for the Stock Market Stabilization Fund. The Stock Market Stabilization Fund is valued at the Company's share in the investee's net assets and the difference between book value and the Company's share in the investee's net assets is reflected in current operations.

The change in the Company's portion of an investee's net equity resulting from a change in an investee's net equity is recorded in the non-operating income, retained earnings and capital adjustments (See Note 2).

(3) Corporate bonds as of March 31, 2001 and 2000 consist of the following:

Investees	Korean won (In millions)			
	2001		2000	
	Acquisition cost	Book value	Acquisition cost	Book value
Private placement corporate bonds:				
Daishin Factoring Co. CB	W 21,700	W 21,700	W 11,700	W 11,700
Sinwon Co. CB	-	-	16,524	16,524
Kohap Co. CB	15,851	15,851	16,148	16,148
Midopa Co. CB	8,173	8,173	10,450	10,450
Bank of Junbuk	10,396	10,396	10,396	10,396
Songchon Construction Co. CB	55,000	55,000	-	-
Jindo Co. CB	10,564	10,564	7,896	7,896
Sinho Paper Manufacturing Co. CB	2,713	2,713	1,797	1,797
Others	16,534	16,534	13,036	13,036
Guaranteed corporate bonds:				
Chungnam Spinning Co.	9,300	9,300	19,000	19,000
Kapul Spinning Co.	8,777	8,777	8,777	8,777
Kohap Co.	8,000	8,000	8,000	8,000
Namsun Aluminum Co.	4,757	4,757	4,800	4,800
Kapul Co.	4,500	4,500	4,500	4,500
Sinkwang Industry Co.	-	-	6,898	6,898
Others	404	404	479	479
	176,669	176,669	140,401	140,401
Less: allowance of doubtful accounts		(30,982)		(5,056)
		W 145,687		W 135,345

Corporate bonds, whose contractual terms are modified in a troubled debt restructuring due to mutual agreements, are accounted for at the present value of expected future cash flows, if book value of the loan differs from the present value. An allowance for corporate

NOTES TO FINANCIAL STATEMENTS

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bonds valued at present value is established in accordance with the securities accounting standards of the Securities and Futures Commission ("SFC") of Korea (See Note 2).

(4) Beneficiary certificates as at March 31, 2001 consist of the following:

Investees	Korean won (In millions)			
	2001		2000	
	Acquisition cost	Book value	Acquisition cost	Book value
Global Hitech.	W -	W -	W 2,000	W 2,000
Others	1,859	-	3,453	-
	W 1,859	W -	W 5,453	W 2,000

Beneficiary certificates are stated at fair value and the difference between book value and fair value is recorded as a capital adjustment (See Note 2).

(5) Equity investments in affiliates as at March 31, 2001 and 2000 consist of the following:

Investees	Percentage of Ownership	Korean won (In millions)			
		2001		2000	
		Acquisition cost	Book value	Acquisition cost	Book value
Daishin Investment Trust Management Co., Ltd.	80.00%	W 24,877	W 33,257	W 24,877	W 28,538
Daishin Factoring Co., Ltd.	33.25%	20,805	9,625	20,805	19,189
Daishin Life Insurance Co., Ltd.	9.95%	14,355	-	10,642	-
Daishin Economic Research Institute	99.00%	4,950	4,950	4,950	4,950
Daishin International Hong Kong Ltd.	100.00%	1,784	1,784	1,784	1,784
Daishin Information & Communication Co., Ltd.	9.18%	10,755	2,722	10,755	19,481
Daishin Development & Finance Co., Ltd.	0.67%	209	145	135	424
		W 77,735	W 52,483	W 73,948	W 74,368

In accordance with the revised financial accounting standards, equity investments in affiliated companies in which the Company holds over 20 percent ownership of outstanding equity are stated using the equity method. The change in the Company's portion of an investee's net equity resulting from a change in an investee's net equity is recorded in the non-operating income, retained earnings and capital adjustments (See Note 2).

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8. INVESTMENT REAL ESTATE:

Investment in real estate as of March 31, 2001 and 2000 consist of the following:

	Korean won (In millions)			
	2001		2000	
Land	W	17,133	W	19,906
Buildings		2,821		5,002
	W	19,954	W	15,908

9. INSURED ASSETS:

As of March 31, 2001, property, plant and equipment are insured for W99,085 million with SSangyong Fire & Marine Insurance Co. In addition, the Company carries comprehensive automobile insurance for its vehicles, directors' general insurance for W2,000 million, and deposit insurance for W1,151,354 million.

10. ACCUMULATED DEPRECIATION OF TANGIBLE FIXED ASSETS:

Accumulated depreciation of tangible fixed assets as of March 31, 2001 and 2000 is as follows:

	Korean won (In millions)			
	2001		2000	
Land	W	13,838	W	7,987
Vehicles		534		437
Furniture and equipment		69,938		50,185
Others		876		876
	W	85,186	W	59,485

11. PRESENT VALUE DISCOUNT ACCOUNTS:

Present value discount accounts as of March 31, 2001 consist of the following (Unit: Won in millions):

Description	Discount rate (%)	Loans		Present value discounts
Corporate bonds:				
Private placement corporate bonds	10.00-30.00	W	37,162	W 6,540
Guaranteed corporate bonds	10.50-11.50		9,257	459
			46,419	6,999
Advance for customers	8.50-16.80		139,749	52,070
		W	186,168	W 59,069

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2001

12. BORROWINGS:

Borrowings as of March 31, 2001 and 2000 are as follows:

Description	Financial institution	Annual interest rate(%)	Korean won (In millions)			
			2001		2000	
Call money	KSFC	4.0-6.5	W	70,000	W	-
Short-term borrowings:						
Bank loans	Korea First Bank and others	5.00-6.25		-		500,000
Borrowings from KSFC	KSFC	4.0-5.5		12,032		559,562
Subordinated current portion of long-term debts	Chohung Bank	9.2		-		25,351
			W	82,032	W	1,079,562

13. SHAREHOLDERS' EQUITY:

(1) Capital stock

Issued and outstanding at March 31, 2001					
Authorized shares	Par value	Description	Shares	Amount	
200,000,000	W 5,000	Common stock	48,786,400	W	243,932 million
	5,000	Preferred stock	26,000,000		130,000 million

Paid-in capital in excess of par value is accounted for as a capital surplus which may be used to offset a future deficit or be transferred to capital, but not for distribution as cash dividends.

The Company has issued not time-fixed, non-cumulative, participating and non-voting preferred stock which is eligible to receive cash dividends at a dividend rate 1 percent more than the dividends declared in any year for common stock.

(2) Reserve for loss on securities transactions

In accordance with the Korea Securities and Exchange Law, the Company has appropriated a reserve for loss on securities transactions from retained earnings (see Note 2).

(3) Legal reserve

The Company is required by the Korean Commercial Code to appropriate from retained earnings a minimum amount equal to 10 percent of cash dividends to be designated as a legal reserve until the legal reserve reaches 50 percent of the aggregate par value of issued capital stock.

(4) Reduction in the accumulated deficit within the previous 2 years prior to the current year are as follows:

Korean won (In millions)			
	Date of shareholders' approval		
Voluntary reserve	May 30, 1998	W	4,709
Legal reserve	May 30, 1998		36,202
Other reserve	May 30, 1998		2,429
		W	43,340

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2001

14. CAPITAL ADJUSTMENTS :

Capital adjustments as of March 31, 2001 and 2000 consist of the following:

	Korean won (In millions)	
	2001	2000
(In millions)		
Loss on valuation of investment securities (see Note 7)	W (25,545)	W -
Gain on valuation of investment equity securities (see Note 7)		8,444
	W (25,545)	W 8,444

15. DIVIDENDS:

(1) The Company's dividends proposed for 2001 are as follows:

	Shares	Par value	Dividend rate	Korean won (In millions)	
Common stock	48,786,400	W 5,000	15%	W	36,590
Preferred stock	26,000,000	W 5,000	16%		20,800
				W	57,390

Dividends payable at balance sheet date includes W12 million prior years' unpaid dividends.

(2) In 2001, the dividends to net income and to year-end stock price ratios are as follows:

Dividends	Net income	Dividends to net income ratio
W 57,390million	W 87,293 million	65.74%

	Dividend per share	Stock price	Dividend per share to stock price ratio
Common stock	W 750	W 9,700	7.73%
Preferred stock	W 800	W 4,800	16.67%

16. INCOME TAX EXPENSE AND DEFERRED INCOME TAX:

The Company is subject to Korean corporation income tax at 16 percent of the first W100 million of taxable income and 28 percent of the excess. Added to this is resident surtax of 10 percent of the corporate income tax. The effective tax rate considering deferred income tax is 27.11 percent in 2001 and 33.18 percent in 2000 due mainly to tax adjustment of allowance for doubtful accounts for tax return purposes. Income taxes expense considering deferred income taxes is as follows:

Description	Korean won (In millions)	
	2001	2000
Income tax currently payable	W 50,895	W 137,529
Changes in deferred income taxes due to:		
Temporary differences	(18,428)	(753)
Deduction of capital surplus and retained earnings	-	30,595
	(18,428)	29,842
Income tax expense	W 32,467	W 167,371

NOTES TO FINANCIAL STATEMENTS

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In 2001 and 2000, the differences between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea are as follows:

Description	Korean won (In millions)	
	2001	2000
Income before income tax	W 119,760	W 504,490
Permanent differences	(21,371)	(37,794)
Temporary differences	65,086	80,798
	43,715	547,494
Tax loss carried over	-	(99,334)
Taxable income	W 163,476	W 448,160

The changes in accumulated temporary differences in 2001 and 2000 are as follows:

Description	Korean won (In millions)	
	2001	2000
Beginning of year, net	W 16,717	W (58,826)
Changes in the current year, net	65,086	80,798
End of year, net	W 81,803	W 21,972

Deferred income tax assets as of March 31, 2001 and 2000 are computed as follows:

Description	Korean won (In millions)	
	2001	2000
Accumulated temporary differences, net	W 81,803	W 21,972
Statutory tax rate (%)	X 30.8	X 30.8
Deferred income tax assets	W 25,195	W 6,767

When each temporary difference reverses in the future, it will result in a decrease (increase) of taxable income and income tax payable. Deferred income tax assets are recognized only when it is probable the tax benefits from temporary differences will be realized in the future. As of March 31, 2001, the Company believes the deferred income tax assets of W25,195 million can be realized in the future. Additionally, the Company believes average ordinary income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. Accordingly, the Company has recognized deferred income tax assets

NOTES TO FINANCIAL STATEMENTS

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17. RELATED PARTY TRANSACTIONS:

Significant transactions with related parties in 2001 and 2000 are as follows:

Related party	Description	Korean won (In millions)	
		2001	2000
Daishin Investment Trust Management Co., Ltd.	Brokerage commissions on beneficiary certificates	W 19,111	W 40,625
	Rental income	102	66
	Dividends	-	3,600
	Deposits for rent	886	886
	Customers' deposits	-	157
	Accrued commissions	3,150	-
Daishin Factoring Co., Ltd.	Rental income	-	9
	Debentures guarantee commissions	-	204
	Interest commissions	8,435	-
	Corporate bonds	21,700	11,700
	Commercial papers	11,000	20,000
	Customer' deposits	-	5
	Accrued interest receivables	4,512	-
Daishin Life Insurance Co., Ltd.	Rental income	1,750	1,153
	Interest income	9,573	-
	Purchase of land and buildings	146,160	-
	Long-term loans	70,000	35,000
	Call loans	-	65,000
	Guarantee for rent	1,245	2,188
	Insurance deposits for accrued severance benefits	28,678	13,642
	Deposits for rent	10,313	2,865
	Accrued interest	721	-
	Unearned income	638	-
Daishin Economic Research Institute	Rental income	110	98
	General and administrative Expenses	7,149	3,738
	Customer' deposits	-	3
	Accounts payable	520	541
	Deposits for rent	956	964
Daishin Information & Communication Co., Ltd.	Rental income	15	8
	Debentures guarantee commissions	-	37
	General and administrative Expenses	1,544	3,470
	Purchases of tangible fixed assets	16,522	20,188
	Customers' deposits	-	3
	Accounts payable	20	-
	Deposits for rent	151	175

In 2001, total revenues earned by the Company from affiliated companies were W39,095 million and total charges of affiliated companies were W171,375 million in 2001. As of March 31, 2001, receivables from and payables to affiliated companies amounted to W141,006 million and W13,483 million, respectively.

18. CONTINGENCIES AND COMMITMENTS:

- (1) The Company has provided guarantees amounting to W130,348 millions for the issuers on redemption of bonds as of March 31, 2001
- (2) Promissory notes: As of March 31, 2001, the Company has provided KSFC with promissory notes, 3 blank notes and a W228,135 million note, as collateral for borrowings and securities selling financing.

19. PENDING LITIGATION:

Certain customers of the Company have filed a lawsuit against the Company claiming the repurchase of beneficiary certificates, return of customers' deposits and compensation for damage from discretionary transaction of securities, which amount to W6,382 million. The management of the Company believes that the ultimate resolution of the litigation will not materially affect the Company's financial position.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2001

20. FOLLOW-UP ACTIONS TO THE PERIODICAL INSPECTION OF FSC:

In 2001, the Company took follow-up actions on the results of the periodic inspection of the FSC which recommended the dismissal of the chairman of board of directors and the chief director and the reprimand of the chief director, vice-president and others concerning the granting of fund assistance to affiliated companies.

21. LONG-TERM LOANS TO DAISHIN LIFE INSURANCE CO., LTD.:

Daishin Life Insurance Co., Ltd. ,an affiliated company, has received a management improvement order from the FSC on April 13, 2001. As of March 31, 2001, the Company has long-term loans receivable from Daishin Life Insurance Co., Ltd. amounting to W70,000 million for which an allowance for doubtful accounts of W14,000 million has been provided as of that date. However, additional losses on these loans may be incurred for the foreseeable future. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

22. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses in 2001 and 2000 are as follows:

	Korean won (In millions)	
	2001	2000
Salaries	W 34,196	W 28,110
Provision for severance indemnities	16,145	7,421
Other employee benefits	91,063	142,894
Computer system operating expenses	23,169	13,141
Rental expenses	5,115	3,316
Commissions	23,121	21,562
Entertainment expenses	1,951	3,276
Advertising expenses	9,058	16,806
Depreciation	27,591	20,089
Research and study expenses	-	25
Training expenses	678	587
Credit loss expenses	104,623	36,955
Provision for allowances for guarantees	16,443	-
Taxes and dues	3,468	6,764
Other	16,833	17,002
	W 373,454	W 317,948

23. CONTRIBUTIONS TO EMPLOYEE WELFARE AND SOCIETY:

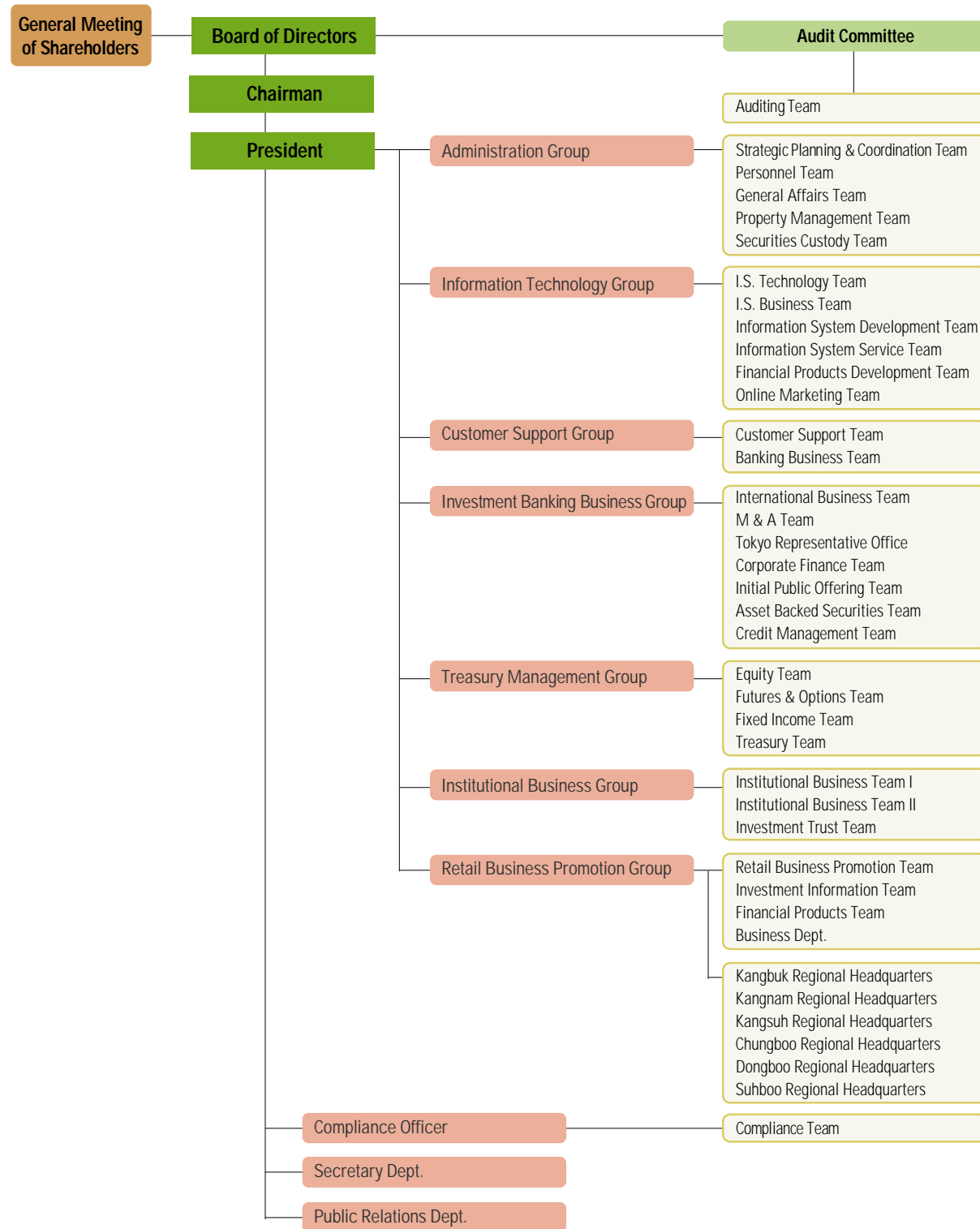
The Company gives support to its employees for housing loans, educational service fees and others. The Company paid W91,063 million for employee welfare and donated to Songchon Cultural Foundation W2,114 million for the year ended March 31, 2001. In addition, the Company's long-term loans to employees for housing amounted to W3,199 million as of March 31, 2001.

24. SUPPLEMENTARY INFORMATION FOR COMPUTATION OF VALUE ADDED:

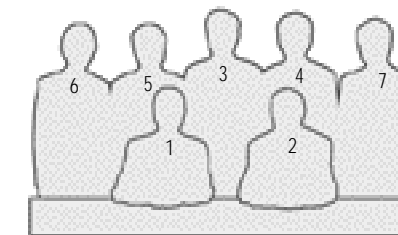
The accounts and amounts needed for calculation of value added in 2001 and 2000 are as follows:

	Korean won (In millions)	
	2001	2000
Ordinary income	W 119,760	W 504,501
Labor costs	141,403	178,425
Rent	5,115	3,316
Taxes and dues	3,468	6,764
Depreciation	27,591	20,089
	W 297,337	W 713,095

ORGANIZATION CHART



BOARD OF DIRECTORS



- 1 Chang Soon, Yoo** Chairman of DERI
- 2 Jae Bong, Yang** Honorary Chairman of the Daishin Group
- 3 Hye Moon, Yang** Chairman of the Daishin Group
- 4 Dae Song, Kim** Daishin Securities CEO & President
- 5 Young Ho, Ra** DERI CEO & President
- 6 Chung Nam, Ro** DITM CEO & President
- 7 Seong Moon, Cho** DFC CEO & President

INTRODUCTION TO DAISHIN AFFILIATES

DAISHIN INVESTMENT TRUST MANAGEMENT CO., LTD. (DITM)

Daishin Investment Trust Management Company is a rising asset management company backed by W30 billion in capital and a 13-year history. Its operation range includes investment advisory, investment trust management, asset management services for securities firms. Under a new management following the financial crisis of late 1997, the company has gone through an extensive restructuring and has since been turning in a promising profit performance. Attracted by its growth potential, Sumitomo Life of Japan invested in the company's future by taking a 20% equity stake in 1999.

DAISHIN ECONOMIC RESEARCH INSTITUTE (DERI)

Daishin Economic Research Institute has firmly established itself as a well-respected institution producing economic and stock related information. Daishin Group's think tank with some 60 first-rate professionals, the institute conducts a wide range of research projects and financial advisory services including financial consulting for domestic and multinational companies. With an industry-leading database of economic and financial information, the institute develops various models for portfolio investment, index projection, and optimum asset operation. These models serve as the main tools in formulating the Daishin affiliates' management strategy and as the basis of consulting services conducted on behalf of institutional investors.

DAISHIN FACTORING CO., LTD. (DFC)

Daishin Factoring is fast emerging as a new force in Korea's secondary finance market. Its services include notes factoring, accounting and management consulting, and consumer financing. Having weathered one of the nation's worst financial crises, DIC is now focusing more on consumer financing, a relatively new market with great growth potential, just like the one booming in Japan. Also, leaner and wiser, the financing company is better at adapting itself to the ever-changing market environment as well as preparing itself for future challenge. Keeping in step with a market trends, the Company relocated itself last year to the so-called "Venture Valley" south of Seoul. By being closer to Korea's fast-rising hi-tech venture industry, the Company aims to grow with the future of Korean industry by providing promising start-ups with financing and management consulting services.

DAISHIN SONGCHON FOUNDATION (DSF)

Daishin Songchon Foundation is the first charitable institution of its kind founded by a financier. Established in 1990 by the Daishin Group founder, Jae Bong Yang, the Foundation practices Chairman Yang's business philosophy of putting business profits back into community. DSF first began its charity endeavor by providing children of employees with scholarships and expanded its activities to other community-related social services. Included in its recent returning-profit-to-society activity is W500 million pledged to the Chonnam National University Hospital to subsidize operations for needy children with harelips. To date, 239 operations have been performed, giving the children and their parents a new face to smile about. The foundation has been highly praised for continuing its contribution and social services even through the Group's difficult moments caused by a recession in the financial industry. Embodying and practicing the high humanitarian standards of the Founder and his beloved Group, DSF defines the realm of good corporate citizenry.

CORPORATE INFORMATION

Head Office

34-8, Yoido-dong, Youngdungpo-ku, Seoul 150-010, Korea
Tel. 82-2-769-2000 / Fax. 82-2-769-2810

Established

June 20, 1962

Domestic Network

154 branches(March, 2001)

Number of Employees

2,160

Common Stock

W374 billion

Total Shareholders' Equity

W1,274.5 billion

Overseas Network

Daishin International (Hong Kong) Ltd.:
22nd Floor, St George's Bldg. 2 Ice House Street, Hong Kong

Tokyo Representative Office:

6F, Shinmitsuke Bldg. 3-6, Tamachi Ichigaya Shinjuku-ku, Tokyo, Japan

Affiliates

Daishin Economic Research Institute(DERI)
34-8, Yoido-dong, Youngdungpo-ku, Seoul 150-010, Korea

Daishin Investment Trust Management Co., Ltd.(DITM)
34-8, Yoido-dong, Youngdungpo-ku, Seoul 150-010, Korea

Daishin Factoring Co., Ltd.(DFC)
642-9, Yuksam-dong, Kangnam-ku, Seoul 135-080, Korea

Daishin Songchon Foundation(DSF)
3-1, Jungang-dong, Naju City, Chonnam