

Annual Report 2002

For the year ended March 31, 2002



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Korean Dream....

DAISHIN SECURITIES

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Corporate Profile

Daishin Securities, a flagship company of the Daishin Group, is one of the leading brokerage houses in Korea.

Since its inception in 1962, Daishin Securities strives to provide quality financial services and to meet the various needs of its clients. Based on its client driven management principles, the company has been able to yield consistent returns for both its customers and shareholders with a conservative investment strategy. By taking the initiative to embrace new technology and innovative ideas, the company has strengthened its position as a leader in key strategic sectors.

Daishin Securities, which has established its position as the undisputed leader in online trading, is making constant efforts to provide customers with quality services while enhancing asset quality and profitability and strengthening management for shareholders.

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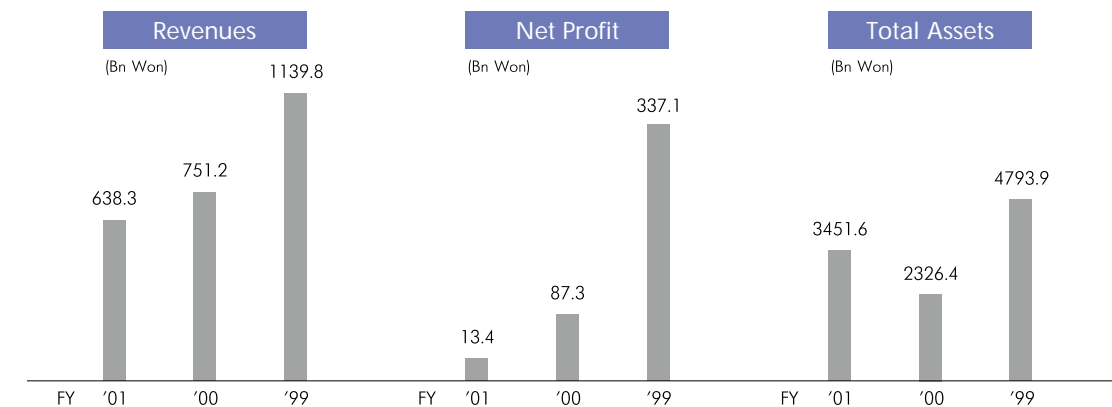
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Financial Highlights

For the years ended March 31, 2002 and 2001

	In Millions of Korean Won		In Thousands of U.S. Dollars	
	2002FY01	2001FY00	2002FY01	2001FY00
Results of Operations				
Revenues	638,316	751,201	481,239	566,090
Expenses	648,099	617,282	488,615	465,171
Net Profit (Losses)	13,431	87,293	15,378	65,782
Key Financial Position				
Total Assets	3,451,631	2,326,442	2,602,255	1,753,159
Total Liabilities	2,216,518	1,051,924	1,665,826	792,708
Total shareholders' equity	1,235,113	1,274,519	936,429	960,451
Earnings per Share				
Earnings per share(In Korean Won and U.S. Dollar)	180	1,167	0.14	0.88

Note) Korean Won amounts are translated into U.S. Dollars solely for the reader's convenience at the rate of ₩1,327.0 to U.S.\$1.00, the prevailing exchange rate on March 30, 2001



Letter to Shareholders



Dear shareholders,

The FY 2001 was unfortunately marred by a bevy of unforeseen and unprecedented disasters and accidents throughout the world which ultimately contributed to the plight of the global economy. Despite efforts by several countries to revitalize the global economy as well as Korea's own nationwide efforts to revive its domestic economy, the constant state of concern and vigilance concerning terrorism in lieu of the attacks on September 11, 2001 ultimately weighed down the growth of the global economy. The outlook, however, for Korea's economy in 2002 is quite rosy with an expected increase in exports, a surge in domestic economy activity due to a recovery in consumer confidence, and the expected ripple effects from co-hosting the 2002 FIFA World Cup.

Currently, the international financial industry is mobilizing to re-center its focus on the securities sector. With the increased raising of funds and interest in the securities market, the importance of the securities industry grows day by day.

With its keen perception of these new trends in the financial industry, Daishin Securities has consolidated its position as one of the leading securities brokerages in Korea. The company has strengthened itself by investing in businesses which are now emerging as leaders in their fields and constantly preparing itself for the changing market. As a result, the company has continued to maintain its standing as an innovator of online trading while being ranked first in the derivatives market. These outstanding performances were the direct result of the incessant efforts of our employees to be innovative and to take advantage of the rapidly changing market as well as the deep interest and support of our shareholders.

Based on these efforts and the recovery of the domestic economy, Daishin Securities currently ranks amongst brokerages fifth in sales with 157.8173 trillion won (7.89 % in M/S), first in futures and options with 309.2874 trillion won in futures and 11.535 trillion won in options in FY 2001. In the primary market, the company reported underwriting of corporate bonds worth 2,733.2 billion won in FY 2001.

Letter to Shareholders

The company recorded 638.3 billion won in operating revenues, 648.1 billion won in operating expenses, 71.7 billion won in non-operating revenues, 37.2 billion won in non-operating expenses, and 24.7 billion won in pre-tax profits in FY 2001, which are worse than figures from the previous fiscal year. This drop off in performance is mainly attributed to the effect of some non operating variables such as a large reserve for losses to clean up some bad assets along with the slump of the KOSDAQ and a reduction in commission rate. The company still paid a 10% dividend per common stock and a 11% dividend per preferred stock, ultimately paying a total of 38.7 billion won which was more than the net income they had earned this year. Hereafter, the company will make every effort to maximize shareholders' gains and to keep the value of the stock high with the dividend exceeding public interest rates by establishing transparent management with strong fiscal decision making ability, improving profitability and developing programs for stock holders including a repurchase fund and the retiring of shares.

Change is imperative for the survival and development of companies, especially in brokerage houses which face difficult times due to aggressive M&A tactics. During these tough situations, the employees and management of Daishin securities will use their collective talents and abilities to form an organized and cohesive unit. The company's most firm commitment is to reach new levels of transparent management and profitability. To attain these goals:

First, Daishin Securities will continue to establish strong and transparent management.

In FY 2001, through the hard work of its employees and executives, the company was able to remove all possibilities of losses which were obstacles in raising the net earnings and stock price of the company. In FY 2002, the company will further establish itself as a strong and sound securities firm while continuing to win the confidence of the market.

Second, Daishin Securities will realize customer and stockholder satisfaction.

Based on new management and profit orientated marketing techniques, the company will strive to satisfy customers and stockholders by putting their priorities first and providing them with quality service.

Third, Daishin Securities will aggressively diversify their profit sources.

In addition to the brokerage business, the company will provide more efficient asset management services as well as develop new profit sources to further reinforce their position as a market leader.

Fourth, Daishin Securities will diversify its financial expertise in order to become a specialized financial service company.

Even under the worst market conditions, the employees and executives of the company will protect customers' assets and always provide quality financial assistance.

All of the employees of Daishin Securities promise their customers to do whatever is necessary to accomplish the above goals and further establish itself as a leading securities company.

I wish to express my thanks to the customers and stockholders for their constant and sincere interest and patronage, and I wish them every bit of happiness.



Hye Moon, Yang
Chairman of the Daishin Group

Interview with CEO



Dae Song, Kim
Daishin Securities CEO & President

expected to post large net profits and a breakthrough 20% ROE in FY 2002 as new losses are not likely to occur. In FY 2002, the company' goal is to post 644.6 billion won in operating revenues and 252.2 billion won in net income before taxes.

Q: What is Daishin Securities' present financial conditions?

A: Daishin Securities has been very financially stable. At the end of FY 2001, the capital adequacy ratio of the company was 414.5%, far exceeding the 150% required by the Korea Financial Supervisory Service, and the net operating capital to liabilities ratio rose to 131%. In particular, the company was able to post a negative figure in net borrowings at the end of FY 2001 while maintaining a stable earnings structure with abundant retained earnings. The beneficiary certificates which were sold to our clients were not damaged significantly by the Daewoo situation or losses related to the CBO funds maturing from April 2002. However, since revenues from commission still represents 60% of total operating revenues, the company is promoting profit diversification.

Q: Your thoughts on business performance in FY 2001 and some goals for FY 2002?

A: The company achieved 638.3 billion won in operating revenues and 13.4 billion won in net income in FY 2001. Net income reduced sharply because the company reserved 227.5 billion won for the losses incurred by loans extended to Songchon Construction, Daishin Life Insurance, and Daishin Factoring in order to strengthen the foundation of the company by establishing transparent management and a strong financial base. However, the company is

Q: What are some of the strong points of Daishin Securities?

A: Daishin Securities has two strong points. First is Korea's best online trading system, CYBOS 2002 which is not simply a HTS, but an intelligent online trading system. The system has allowed Daishin Securities to perform well in the online trading market as well as new markets such as the KOSDAQ and the future and options market. At the end of December 2001, the company ranked top in online futures and options trading posting the 31.9% M/S in online futures trading and 12.2% M/S in online options trading. Since the Korean stock market is expected to be bullish based on improving financial sentiments and a recovering economy, the company is expected to post even more drastic revenue growth in online trading.

The other strong point of the company is its excellent efficiency in its management. Excluding gains related to marketable securities, the operating revenues to operating expenses ratio of the company was 145.4% at the end of January 2002, second in the securities industry. In the meantime, among 7 large local brokerage houses, the company ranked second in brokerage income per branch, recording 3.1 billion won, and ranked first in brokerage income per capita posting 150 million won at the end of January 2002.

Q: How do you feel about the rise in foreign investment in Daishin Securities?

A: I feel it is incredibly desirable. Companies where foreigners' stakes exceed 50% such as Samsung Electronics, POSCO, Kookmin Bank, and Hyundai Motor Company are all profitable companies with strong management. These companies are all considered to be blue chip investments in Korea with superior market status and high profitability. At the end of FY 2001, foreigners' stake in Daishin Securities rose to 36.5%, a significant growth from the 14% in the previous fiscal year primarily because of the elimination of bad debt, reinforcement of corporate soundness, and the increasing possibility of high dividends on strong earnings growth. As the company is expected to sustain strong growth based on increased profitability and the strengthening of transparent management, foreigners' stake in the company can be expected to rise to the level of other core blue chip companies.

Q: Management policy and strategy for FY 2002?

A: Our management policy and strategy in FY 2002 is to reach new levels of transparent management and to heighten profitability. To obtain these goals, Daishin securities will establish transparent management by reinforcing

Interview with CEO

risk management skills and conducting aggressive IR activities. Moreover, the company will make every effort to secure the highest profitability by establishing systems of efficient marketing and stable financial structures. Simultaneously, the company will aim to satisfy all the needs of its clients, stockholders and employees.

The first key management strategy of the company is to consolidate its core abilities. After having built Korea's best trading system, Daishin Securities now aims to provide customized service for each of its clients through its CRM and PFM service systems. Plans also include stabilizing the CYBOS system when it is opened to the ECN market and the options market of individual stocks, and also plans on developing a new HTS within 2002 to make further inroads into foreign markets.

The second strategy is to integrate both domestic and international corporate financial services to maximize the efficiency of our corporate finance services and to further strengthen are international finance team. The international business team will provide stronger brokerage services of stocks, futures, and options for foreign institutional investors and overseas Koreans as well as continue to expand overseas

networks which currently only exist in Asia. The international finance team will concentrate its efforts on overseas finance for KSE and KOSDAQ listed companies and the sale of securities issued by state run corporations. The M&A team plans to continue its activity in both domestic and international merger and acquisitions as well as continue in privatizing state-run corporations.

The third strategy to maximize profits is to develop new financial instruments in order to open up new markets as the development and sales of derivatives will be allowed to occur in domestic brokerage houses starting in July 2002. By simultaneously developing new products while strengthening current corporate finance and derivative products, companies will provide customers with a vast array of services which will help nurture sales growth. The company also plans on regulating market activities and placing further emphasis on the role of online trading offices in order to reinforce communication with customers. At the same time, the company will attract floating customers through the regular marketing activities against financial institution-linked accounts.

The last key management strategy is to reinforce various sectors including the



investment support service to provide research materials and to introduce advanced investment methods, the asset portfolio service through the sale of diverse financial instruments, and the risk management service. The efforts to increase our customers' profits will lead to the improvement of profitability and management efficiency of the company.

In conclusion, Daishin Securities will further consolidate its leading position in revenues and marketing through reasonable investments in investment bank and derivatives related businesses. Thereafter, the company will make utmost efforts to grow into a world-class investment bank.

Q: On Daishin Securities' plan to maximize shareholders' profits?

A: As Daishin Securities completed its work to be recognized as a "clean company" in FY 2001, it continues to further maximize

stockholders' profits by moving to a stockholder-orientated transparent management system.

More specifically, to maximize stockholders' profits and to aggressively manage the stock price of the company, Daishin Securities will retire treasury stocks after purchasing them at a fixed ratio of net profit every half year. The retirement under Article 189 of the Securities Transaction Law will increase stockholders' profits by reducing outstanding shares, and thereby, raising EPS. In addition, the company will maintain overall financial stability, raise customers' deposits, and increase its revenues by being more active in investment banking and fixed income business related to corporate bonds, ABS, MBS, issuance of bonds, and M&A brokerage.

For Mutual Success in the New Millennium Look East and you will Find Daishin

Securities market has become one of the fastest growing sectors in Korean financial markets. Daishin securities expects to be a dominant force in this growing market.



Domestic Operations

Economic Review & Forecast

Economic Review

In FY 2001, despite the cyclic recession following the depression of the IT economy in the USA and the economic shock following the terrorist attack on American on September 11, 2001, the Korean economy quickly escaped from recession with the help of expansionary monetary and fiscal policies at home and abroad. The domestic economy recovered thanks to the consumption and construction sectors in the last quarter of 2001 after having hitting lows in the third quarter. Korea posted a yearly GDP growth rate of 3.0% in 2001 while export and facility investment remained sluggish.

When analyzing contributions to real GDP growth in the last quarter of 2001, we see that facility investment contributed -0.3% pts. while domestic consumption contributed 4.5% pts., 3.1% pts. in private consumption and 1.6% pts. in construction investment. This demonstrates that, despite the aggravation of external climates, the favorable tone in the domestic consumption shows that the government's measures to stimulate the economy prevented Korea's economy from falling into a deep recession.

When breaking down the individual contributions of various sectors to economic growth in 2001, we see that rates of the service and construction sectors rose to 56.8% and 14.5% in 2001 from 42.6% and 4.0% in 2000 while that of the manufacturing sector dropped sharply from 55.0% in 2000 to 19.1% in 2001.

In conclusion, the domestic economy, despite the shock of terrorist attacks on American on September 11, 2001, outperformed expectations. However, Korea's GDP growth in 2001 was highly dependent on domestic demand orientated activities like private consumption and construction investment, and it must revive the manufacturing sector by encouraging facility investments by

companies in order to return the economy to a more healthy and vibrant state.

Economic Forecast

The favorable trend in domestic demand-orientated economic activities, especially in construction and private consumption which was spurred by low interest rates and expansionary fiscal policies is expected to continue to lead growth in the first half of 2002. As exports and facility investments begin to recover in the second quarter of 2002, the domestic economy should again enjoy accelerated growth with strong momentum.

Private consumption is anticipated to extend to non-durable goods due to improvements in consumer confidence following the recovery of the economy while consumption of durable goods including automobiles and home appliances is forecast to continue due to the rise in asset value and the drop of the special excise tax. Moreover, considering such factors as the disappearance of the Korea discount by the paradigm shift in the Korean economy, restructuring effects, stronger corporate earnings momentum, the undervalued Korean stock market, and the upgrading of Korea's sovereign rating, the Korean stock market should continue to be bullish and is expected to contribute to the expansion of consumption.

Besides the increasing use of credit cards, the economic effects of the 2002 FIFA World Cup and the 5 day work week are expected to further contribute to increase in consumption. If, however, the fiscal and monetary policy of the government turn to neutrality from expansion in the second quarter of 2002, the current growth of consumption will naturally slow down. Furthermore the increasing burden on household debts caused by a rise in interest rates is expected to hurt the increasing trend of consumption in the second half of 2002.

In the meantime, the construction sector which helped fuel the economy will continue its performance due to comparatively low interest rates and a fiscal expansionary policy of the government which includes the extension of investment in SOC since 2001.

Declining exports and facility investment, considered to be obstacles in the full recovery of the

Domestic Operations

Korean economy, are expected to recover after the second quarter of 2002 and to accelerate the revival of the economy.

Exports are expected to bottom out in the second quarter of 2002. In 2001, the sluggish IT sector was chiefly responsible for the reduction in exports(-12.7% YoY), accounting for 7.9% of the reduction in the export growth rate. After the bottoming out in third quarter of 2001, however, the IT sector began to recover with the rise of export prices in semiconductors and LCDs. The IT sector is likely to fully recover when the US economy recovers, which is expected to happen in the second half of 2002 with unemployment dropping, inventory being adjusted and production increasing, and a subsequent increase in the exports of Korean companies should follow.

In 2002, factors such as the upgrading of the sovereign rating, the 2002 FIFA World Cup, the drop of a special excise tax, the continued growth of private consumption, and the 5 day work week are expected to fuel the growth of the economy. The possibility of a double drop in the US economy, political uncertainty caused by elections, the unsettled Middle East situation and the rise of oil prices are also considered to be possible negative factors on economic growth.

Economic Forecast for 2002

(in USD100 million, %)

	2001					2002				
	1/4	2/4	3/4	4/4	Year	1/4	2/4(F)	3/4(F)	4/4(F)	Year
GDP Growth	3.7	2.9	1.9	3.7	3.0	5.7	6.0	6.5	6.4	6.0
Private Consumption	1.5	4.1	4.8	6.6	4.3	8.4	6.8	6.2	6.4	6.9
Construction Investment	1.5	1.1	8.2	10.7	5.8	10.1	8.1	4.9	3.7	6.3
Facility Investment	-8.4	-11.2	-15.7	-3.1	-9.8	3.2	6.1	11.6	15.8	9.0
Export	2.2	-11.6	-19.8	-19.6	-12.7	-11.0	-11.0	8.9	21.6	10.7
Import	-1.8	-13.4	-15.5	-17.1	-12.1	-11.6	11.2	21.5	27.5	11.5
Current Balance	27.7	37.6	10.3	10.5	86.2	17.1	25.0	15.0	17.0	74.1
Consumer Price	3.7	5.0	4.3	3.3	4.1	2.5	2.8	3.5	4.1	3.2
Yield on 3 year TB	5.8	6.4	5.2	5.3	5.7	6.1	6.3	6.7	7.2	6.6

Note: F-forecast figures, Current Balance indicated in USD100 million

Stock Market Performance and Outlook

2001 Stock Market Performance

In 2001, the KOSPI fluctuated between 460 and 700 points. Despite the bearish trends of stock markets of other advanced countries including the US and several European countries, the Korean stock market, amid concerns over a prolonged recession, was still able to close 37.5% up from the start of the year due to the recovery of the domestic economy.

The KOSPI ranged from 500P to 600P in the first half of 2001.

With the increase of foreign investors' net buying following the cut of interest rates by the FRB, the KOSPI rebounded in January and April to show a short-term rally going over 600 points. The KOSPI then dropped below 500 points due to the fall of the US stock market, increased concerns about the Japanese economy, the liquidity problem of Hyundai Engineering & Construction, and sharp rises in FX and interest rates.

The Korean stock market has started a full scale rally since the terrorist attacks on America on September 11, 2001.

In the second half of 2001, the Korean stock market posted its yearly low of 468.76P due to the shock of September 11. However, with the expectations of an economic recovery, the KOSPI turned bullish to rise to 700P. Continued foreign investors' net buying on the expectation of the recovery of the semiconductor industry, positive opinions of Korea's restructuring efforts, and the upgrading of the sovereign rating, as well as the steady inflow of capital to the stock market, pulled up the KOSPI by the end of 2001.

2002 Stock Market Outlook

The Korean stock market has started a long-term rally.

Spurred by the stable growth of the economy and the increase of corporate profits, the Korean stock market has started a long term rally following the trend of the GDP. The KOSPI, after going through correction in the second quarter of 2002, is expected to break through the 1,000P line in the second half and to reach about 1,150P in the last quarter with strong growth in corporate earnings and



exports.

The long term rally started last year and continued until the middle of April 2002 with the KOSPI reaching 940P levels due to institutional investors' aggressive buying spree countering the net selling of foreign investors since February. Due to price burdens following a sixth month rally and uncertainty clouding the recovery of the US economy, the stock market has started to go through corrections since mid April.

After correction in the second quarter, a full-scale rally is expected to begin.

The KSE-listed companies posted a record high 10 trillion won in net income in the first quarter of 2002 due to the recovery of the domestic economy. Though total sales reduced slightly due to the drop in operating revenues of the financial sector and the profit oriented management of companies, operating, ordinary, and net incomes rose 2.36%, 110.59%, and 167.26%, respectively with the rise of semiconductor prices, the improvement of corporate profitability, and the low interest rate trend.

As economic climates that contributed to the improvement of corporate profitability are gradually

changing, corporate performances in the second quarter are not expected to reach the levels that they had in the last quarter. Semiconductor prices are declining while interest rates are rising. Moreover, as the won-dollar FX rate is dropping, the price competitiveness of exports are weakening. With the US economy recovering more slowly than expected, Korea's exporting is expected to return to its previous levels in the second half of 2002, causing corrections in the KOSPI to continue until the beginning of the third quarter.

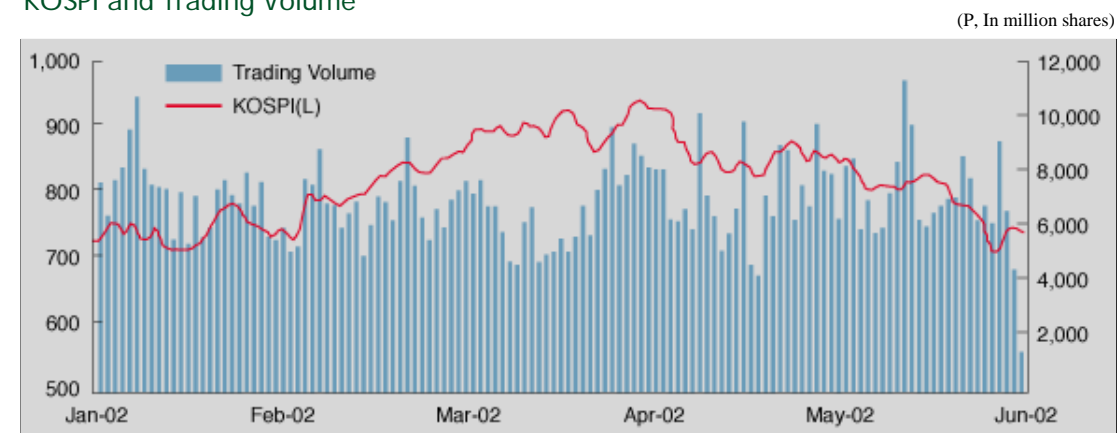
The stocks which are sensitive to the economy and exports are promising.

Electronics, banking, and the securities sectors, which are all sensitive to the economy, and the chemical sector which is tied to exporting, and the communication sector is expected to improve significantly and looks promising for investment purposes. In the second quarter, investors can buy good stocks at low prices preparing for a full-scale rally expecting to start in the second half of 2002.

Key Stock Market Indicators

	1st quarter, 2001	2nd quarter, 2001	3rd quarter, 2001	4th quarter, 2001	1st quarter, 2002
KOSPI(quarter end)	523.22	595.13	479.68	693.7	895.58
(Growth, %)	(3.6)	(13.7)	(-19.4)	(44.6)	(29.1)
Market Capital(trillion Won)	190.94	219.95	174.53	255.80	336.46
KOSDAQ(quarter end)	68.43	76.87	51.64	72.21	92.73
(Growth, %)	(30.14)	(12.33)	(-32.82)	(39.83)	(28.41)
Market Capital(trillion Won)	38.19	45.35	32.82	51.81	71.83

KOSPI and Trading Volume



(P, In million shares)

Domestic Operations

Brokerage

In FY 2001, excluding market securities, Daishin Securities ranked 5th in brokerage with 157.8 trillion won in sales which correlated to a 7.89% in market share. The trade value in brokerage slightly declined as the whole stock market turnover was reduced due to transaction centered on larger-sized but low-priced stocks and as newly established brokerage houses took advantage of easy entry into the market and took a part of the market share. In FY 2002, the company is expected to earn sales of 227.2 trillion won in the brokerage business with the help of the bullish market.

Online Trading

In FY 2001, the total trade value in online trading of the Korean stock market was 2,434.2 trillion won, a 25.5% increase over the previous fiscal year due to an explosive increase in futures and options trading. In FY 2001, the value in online trading of stocks, futures, and options accounted for 52.3% of total trade value, up 5.7% from 46.6% in FY 2000. In FY 2001, Daishin Securities was the leader in online trading with the trade value of 444.2 trillion won or a market share of 18.2%, with 129.2 million won in stock trading(9.8% M/S), 301.9 trillion won in futures (29.1% in M/S), and 11.2 trillion won in options (14.5% in M/S)

Online trading has accounted for over 80% of the total stock trading volume and about 90% of futures and options trading volume for the company since 2000. The company had a total of 1,000 trillion won in online trading from April 1997, when online trading was first introduced, to October 2001. The company is poised to be a leader in online trading as it entered the HTS market prior to rival companies, constructed a superior trading system with credibility, flexibility and accessibility with a powerful user interface, provided useful information such as research materials from the Daishin Economic Research Institute through large Internet portals such as Yahoo, and standardized online trading rules as a leader of the local online trading market. Online trading customers and volume are further expected to increase due to lower transaction costs, easier access to information, quicker execution of orders, and easier trading system strengthened by the MTS(Mobile Trading System). The e-Biz team reinforced the stability of the system by building an perfect back up system, reducing the load on the network and each server, decreasing the network line costs, and securing necessary transmission bandwidth in case of explosive unexpected increases in data.

Dealing

In the first half of FY 2001, given the prolonged recession of the global economy and the worsening of local market climates, Daishin Securities managed marketable stocks on the basis of risk management strategies such as the reduction of marketable stockholdings, the reduction of trading volume, and short term transactions. In the second half of FY 2001, the company chose a profit-orientated marketable stock management strategy in order to increase its stockholdings based on expectations of a recovery in the domestic economy. In FY 2001, the company posted 375.4 billion won in the trading of marketable stocks and posted a 25.3 billion won ordinary loss on the trading of marketable stocks. During the same period, the company increased marketable stockholdings to 112.6 billion won, up 55.5 billion won from the previous fiscal year, because of the expected increase in the rise of stock prices after the recovery of the economy.

Taking advantage of steady drops in interest rates, the company posted a 2,570 million won gain in transactions of marketable bonds through the public and government bond market as well as some short term management in the futures market. The company ranked high in the treasury bond market by taking over 4% of the treasury bonds of 13 trillion won issued in FY 2001.

In FY 2002, the company plans on managing some straight bonds only for the short term in order to take advantage of a possible rise in interest rates because of the recovery in the economy. It further plans on diversifying its profit sources with a strategic investment in callable bonds. To get an advantage in the OTC market of derivatives which is going to be introduced in the second half of 2002, the company will try to find an opportunity for ultra short term trading of derivatives as well as hedge a spot position.



Futures and Options

FY 2001 saw an explosive growth in the trading volume of the futures market due to a reduction in the margin from 10 million won to 5 million won as well as news of problems with Hynix Semiconductor, Daewoo Motors, Hyundai Investment Trust Company, and terrorist attacks on America. Total and daily trading volumes reached levels of 31.5 million contracts and 128,058 contracts up 60.1% and 58% respectively compared to the previous year. Individual investor's increased interest due to a reduction of the margin from 10 million won to 5 million won and a diversification of order types fueled trading in the options market helping post 823,289,608 contracts, up 324.8% from FY 2000, while total trading capital was at 47 trillion 344.2 billion won, a 184.8% increase when compared to FY 2000.

Daishin Securities could post trade values of 316 trillion won in futures trading, with 8 trillion won coming from futures dealing and 308 trillion won coming from futures brokerage, and record sales valuing 11.5 trillion won in options trading by focusing on the risk management of derivatives, the maximization of profit per contract, and the securing of stable profits through a strict investment policy observance.

Underwriting

In FY 2001, the issuance of new bonds was valued at 228 trillion won in the local bond market, an increase of 22 trillion won from the year before. The issuance of special and corporate bonds also saw drastic increases of 25 trillion and 19 trillion won respectively. The issuance of money stabilization bonds decreased by 21 trillion won due to the government measures to stabilize currency while still maintaining low interest rates.

FY 2001 saw 563 issues of corporate bonds valued at 37.6 trillion won with Daishin Securities being responsible for the underwriting of 37 issues valued at 2,733.2 billion won or a 7.2% market share.

In FY 2002, the supply of government and public bonds is expected to reduce as the issuance of deposit insurance bonds was discontinued at the end of 2001. Furthermore, corporate bands which

Domestic Operations

are expected to mature in FY 2002 are valued at no more than 33 trillion won, a 40% decrease from 2001, and as the issuance of corporate bonds is expected to be limited, the corporate finance team plans to maintain its market position through aggressive marketing activities.

The ABS team of the company, with vast experience and expertise in dealing with bad assets through ABS issuance, issued NPL-based securities for the first time to local banks in Korea, participated in the issuance of KAMCO's special bond backed securities three times, and managed the second Primary CBO issuance to raise funds for about 200 small and medium sized companies. In addition, the team succeeded in raising funds for the construction of Line 1 of the Taejeon City Railway through ABS issuance, which was the first ABS issuance of a public project for a regional government. In FY 2002, when the business structure around ABS is expected to change drastically, the team has already begin to brainstorm new financial vehicles for fund raising.

While the IPO market in FY 2001 saw 166 newly listed companies, the investigation passing rate saw a decline due to the application of more strict rules. Even with 343 companies applying for investigation to be listed, only 210 companies, or 61% were able to pass. In order to account for these strict guidelines, the company will try to minimize its risks in the market by identifying sound companies through meticulous research and accurate forecasts. In FY 2002, the company plans to raise its market share in the IPO market to 6.7% by managing the IPOs of 10 companies valued at 70 billion won.

M&A

FY 2001 saw an incredible flurry of activity in the M&A market due to general restructuring, expansion of the privatization market of government corporations, aggressive entry into the M&A brokerage market by accounting and law firms, and the restructuring efforts of conglomerate affiliates.

In FY 2001, the M&A team of Daishin Securities succeeded in M&A consulting for Vivien and Namnam and played a leading role in the establishment and management of Korea's largest private M&A fund of 10 billion won in cooperation with SBFK(Soft Bank Finance Korea).

In FY 2002, with the privation of government-run corporations, the aggressive selling of re-capitalized companies which are currently under meditation or under court jurisdiction, and the brisk mergers and acquisitions between venture firms, the company will further accelerate its growth in the M&A field by aggressively taking part in privatization of government corporations, reinforcing cooperation with CRCs, and identifying companies either among the KOSDAQ or those companies who issued primary CBO that may be potential M&A clients and targets.

Investment Products

The investment product market was relatively inactive as demand for such financial products such as beneficiary certificates and mutual funds, while having been popular for individual investors during the bear market, decreased drastically. The financial product team attempted to increase the customer base through the development of beneficiary certificates of various types including pension-type, wrap account-type, and tax favor-type certificates. At the end of March 2002, the company owned financial products valued at 2.41 won among which bond type beneficiary certificates accounted for 1.24 trillion won or 61%. In FY 2002 wit the recovery of the stock market, the company will increase its financial product holdings.

International Business

At the end of 2000, shareholdings in the Korean stock market by foreigners accounted for 36.6%, the largest percentage in history. This aggressive investment pattern by foreigners in the Korean stock market was caused by expectations for recovery for the global economy and especially the rapid restoration of the Korean economy. While recovery for the US economy is still plagued by uncertainty, the Korean economy seems to be on its way to stable growth as shown by the steady upgrading of Korea's sovereign rating by major international rating companies.

The international business team of Daishin Securities performed remarkably in FY 2001 posting 2,416.1 billion won in equity trade values. This explosive growth of 294% compared to the previous year was largely due to company's innovative online trading system. While Daishin Securities' current base of activity lies mainly in Asia, the company does plan on expanding further overseas with new branch offices. The company also plans on increasing the quality of research provided to its clients as well increasing investment choices for its clients with arbitrage, derivatives, and stocks.

Daishin Securities Hong Kong

Daishin Securities Hong Kong, which began as a representative satellite office in 1998, was eventually converted into a local corporation as part of an effort to strengthen international business in Asia's financial center and has enjoyed steady growth. Recently becoming profitable in FY 2001, Daishin Securities Hong Kong is expected to continue its surge in FY 2002 by targeting institutional investors throughout Asia. With the stable growth of the Korean economy, Daishin Securities Hong Kong is expected to play an even larger role in the Asian marketplace. Despite harsh competition, Daishin Securities Hong Kong's decision to provide an English version of their CYBOS 2002 online trading system has been key. With transactions steadily increasing, Daishin Securities also plans on turning to other profit sources including investment banking and brokerage in FY 2002.



Tokyo Representative Office

The Tokyo office is responsible for providing information to Japanese investors interested in investment opportunities in the Korean stock market and is also responsible for connecting Korean venture capital firms with Japanese capital. While FY 2001 saw a decrease in Japanese investment in the Korean market due to the recession of the Japanese economy, a surge in the Japanese economy is expected. When Korea is included in the MSCI World Index, a benchmark index of Japanese Institutional investors, large amounts of Japanese capital from pension funds is expected to be injected into the Korean market.

A Look at Daishin's Soundness of Financial Position

Daishin securities has consolidated its financial position as the soundest securities company in Korea.

MD & A | Report of Independent Public Accountants | Balance Sheet | Statement of Income
Statement of Appropriation of Retained Earnings | Statement of Cash Flows | Notes to Financial Statements



Management's Discussion and Analysis

Overview

In 2001, the Korean stock market fluctuated immensely due to worries of prolonged recession and conflicting predictions on the future of Korea's economic performance. Though the KOSPI hit a low due largely to the unforeseen and unprecedented terrorist attacks on America, it closed at 693.70P, up 33.2% from the beginning of the year with the help of low interest rates, expectations of recovery for the economy, strong investment by foreigners based on the perception that the Korean market was undervalued and the upgrading of the credit ratings of various banks and Korea's sovereign rating after restructuring.

The capital and trading volume of the market increased by 69.6 trillion won and 166 million shares as compared to 2000. Daily average trading capital, however, dropped 23.2% to 1,997.4 billion won from the previous fiscal year as low priced stocks like Hynix Semiconductor and some banks were traded heavily, lowering the trade value, operating revenues, and net income of the company.

Key Stock Market Indicators

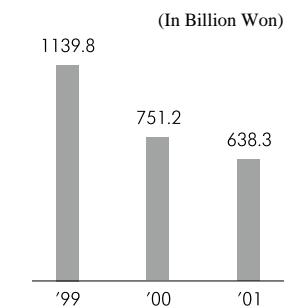
	Dec. 28, 2001	Dec. 26, 2000	Dec. 28, 1999
KOSPI (P)	693.70	504.62	1,028.07
Market Capital (Tn. Won)	255.8	186.2	349.5
Trading Volume (Mn. Shares)	473.2	307.0	278.5
Daily Trading Capital (Bn. Won)	1,997.4	2,602.0	3,481.6

Income Analysis

Operating Revenues

The company posted 638.3 billion won in operating a revenues, a drop of 15% from FY 2000, due to the reduction of commission income because of the drastic increase of online trading and the bearish trend of the stock market. Commission income decreased 74.5 billion won to 409.7 billion won while interest income dropped 25.7 billion won from FY 2000 to 115.2 billion won. Stock related income including valuation gains of marketable securities and dividend income decreased by 14.0 billion won to 47.3 billion won from 61.3 billion won during the previous fiscal year as the company managed marketable securities extremely conservatively by reducing their overall marketable securities holdings. Income from other sources increased 1.3 billion won to 66.1 billion won with the help of gains on transactions of derivatives.

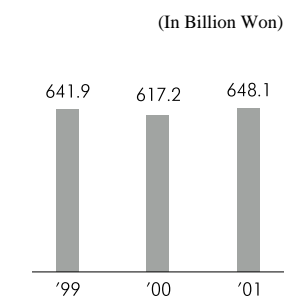
Daishin Securities' high dependency on commission income was obvious with it accounting for 64.2% of total revenues. Interest income, stock related income, and other income accounted for 18.0%, 7.4%, and 10.4% respectively. The reduction of marketable securities holdings eventually led to the 7.5 billion won decrease in stock related income as gains on transaction of marketable securities naturally fell.



	2002 (FY01)		2001 (FY00)		Growth
	Bn. Won	%	Bn. Won	%	
Commission Income	409.7	64.2	484.2	64.5	-74.5
Interest Income	115.2	18.0	140.9	18.8	-25.7
Stock-related Income	47.3	7.4	61.3	8.1	-14.0
Other Income	66.1	10.4	64.8	8.6	1.3
Total	638.3	100.0	751.2	100.0	-112.9

Operating Expenses

Despite a sharp drop of commission and interest expenses, operating expenses rose 5.0% to 648.1 billion won in FY 2001 due to a drastic increase in selling and administrative expenses. Though commission expenses, interest expenses, and stock-related expenses decreased by 13.2 billion, 8.3 billion, and 52.7 billion won respectively, an increase of 101.0 billion in selling and administrative expenses rose overall operating expenses. Administrative expenses increased sharply as the company raised reserves for loan losses to 227.5 billion won, a 106.5 billion won increase over FY 2000 in order to strengthen overall financial structure. By clearing bad loans to Songchon Construction, Daishin Life Insurance, and Daishin Factoring, the company has prepared itself for a bright and profitable future.

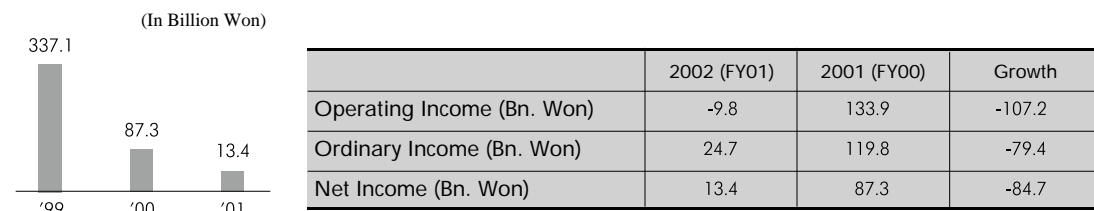


	2002 (FY01)		2001 (FY00)		Growth
	Bn. Won	%	Bn. Won	%	
Commission Expenses	42.3	6.5	55.5	9.0	-13.2
Interest Expenses	39.0	6.0	47.3	7.7	-8.3
Stock-related Expenses	86.2	13.3	138.8	22.5	-52.6
Loss on Transaction of Derivatives	6.1	1.0	2.1	0.3	4.0
Selling and Administrative Expenses	474.5	73.2	373.5	60.5	101.0
Total	648.1	100.0	617.2	100.0	30.9

Management's Discussion & Analysis

Net Income

Net income for the year dropped 84.6% to 13.4 billion won from 87.3 billion won the previous fiscal year due to a decline in operating revenues and bad debts which cost 227.5 billion won. Though net income dropped contrary to expectations, the clearing of bad debts and assets had laid the foundation for a drastic improvement of operational performance in FY 2002.



	2002 (FY01)	2001 (FY00)	Growth
Operating Income (Bn. Won)	-9.8	133.9	-107.2
Ordinary Income (Bn. Won)	24.7	119.8	-79.4
Net Income (Bn. Won)	13.4	87.3	-84.7

Financial Position

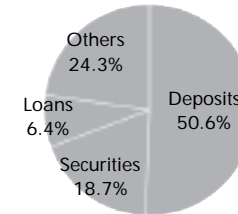
Assets

Despite a decline in fixed assets of 107.0 billion won, total assets increased by 1,125.2 billion won to 3,451.6 billion won helped by the increase in current assets of 1,232.2 billion won. Current assets increase were spurred by deposits which increased by 639.6 billion won increasing the deposit to total asset ratio to 50.6% from the 28.2% levels of FY 2000.

Securities holdings decreased by 29.0 billion won to 644.4 billion won due to the conservative management of marketable securities. The securities holdings to total assets ratio dropped to 18.7% from 28.9% due to the increase in total assets following deposit increases.

The other assets to total assets ratio dropped from 38.6% to 24.3% in FY 2001 because of the increase in deposits, current assets, reserves for loan losses, and the decrease in other fixed assets.

Total Assets



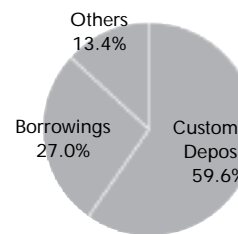
	2002 (FY01)		2001 (FY00)		Growth (%)
	Bn. Won	%	Bn. Won	%	
Deposits	1,746.1	50.6	654.7	28.2	1,091.4
Securities	644.4	18.7	673.3	28.9	-28.9
Loans	220.6	6.4	100.8	4.3	119.8
Others	840.5	24.3	897.6	38.6	-57.1
Total Assets	3,451.6	100.0	2,326.4	100.0	1,125.2

Note:

- Deposits: cash and bank deposits + other deposits + long-term savings
- Securities: marketable securities + investment securities
- Loans: loans + long-term loans receivable
- Allowance for losses is included in others

Liabilities

Liabilities increased 1,157.6 billion won to 2,216.5 billion won due to sharp increases in customers' deposits, call money, and short term borrowings. Call money and short term borrowings used as short term capital rose 628.6% and 635.8% to 510.0 billion won and 88.5 billion won respectively while customers' deposits rose 77.3% to 1,320.2 billion won mainly because of an activation of the stock market. Fixed assets were at a record 72 billion won, a 118.7% increase compared to FY 2000.



	2002 (FY01)		2001 (FY00)		Growth
	Bn. Won	%	Bn. Won	%	
Borrowings	598.5	27.0	82.0	7.8	516.5
Customers' Deposits	1,320.2	59.6	744.5	70.8	575.7
Others	297.8	13.4	225.4	21.4	72.4
Total	2,216.5	100.0	1,051.9	100.0	1,164.6

Note: Borrowings include call money and short-term borrowings

Report of Independent Public Accounts

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

We have audited the accompanying non-consolidated balance sheet of Daishin Securities Co., Ltd. as of March 31, 2002 and 2001, and the related non-consolidated 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

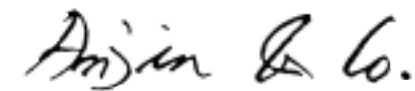
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daishin Securities Co., Ltd. as of March 31, 2002 and 2001 and the results of its operations, the changes in retained earnings and its cash flows for the years then ended, in conformity with financial accounting standards in the Republic of Korea (see Note 2).

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which states that the operations of the Company have been affected, and may continue to be affected for the foreseeable future, by the general unstable economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these uncertainties on the financial position of the Company as of the balance sheet date cannot presently be determined.

As explained in Note 19 to the financial statements, in 2002 and 2001, the total revenues earned by the Company from affiliated companies amounted to ₩ 30,320 million and ₩ 39,095 million,

respectively, and the total charges of affiliated companies amounted to ₩ 32,519 million and ₩ 171,375 million, respectively. As of March 31, 2002 and 2001, receivables from affiliated companies amounted to ₩ 144,625 million and ₩ 141,006 million, respectively, and payables to affiliated companies amounted to ₩ 14,268 million and ₩ 13,483 million, respectively. Daishin Life Insurance Co. Ltd., an affiliated company, was officially designated as an insolvent financial company by the Financial Supervisory Commission ("FSC") on July 12, 2001. Consequently, the management of Daishin Life Insurance Co., Ltd. has been suspended and Daishin Life Insurance Co., Ltd. is in the process of being sold by the financial manager dispatched by the FSC. As of March 31, 2002, the Company has long-term loans receivable from Daishin Life Insurance Co., Ltd. amounting to ₩70,000 million for which an allowance for doubtful accounts of ₩52,500 million has been provided as of that date.

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



Seoul, Korea,
April 19, 2002

Balance Sheets

AS OF MARCH 31, 2002 AND 2001

	Korean won (In millions)	
	2002	2001
ASSETS		
CURRENT ASSETS:		
Cash and bank deposits (Notes 3 and 6)	₩ 461,542	₩ 9,793
Korea Securities Finance Corporation deposits (Note 3)	1,284,532	644,918
Trading securities (Notes 4 and 6):	343,638	366,275
Call loans (Note 19)	-	5,000
Broker's loans, less allowance for doubtful accounts of ₩1,540 million in 2002 and ₩452 million in 2001	124,151	11,580
Short-term loans, less allowance for doubtful accounts of ₩12,822 million in 2002 and ₩588 million in 2001	4,635	3,870
Accounts receivable from customers, less allowance for doubtful accounts of ₩3,619 million in 2002 and ₩2,040 million in 2001	99,893	31,777
Accrued income receivable, less allowance for doubtful accounts of ₩1,737 million in 2002 and ₩1,476 million in 2001	24,748	28,188
Other current assets (Note 19)	3,941	13,529
Total current assets	2,347,080	1,114,930
NON-CURRENT ASSETS:		
Investment securities, less allowance for doubtful accounts of ₩98,061 million in 2002 and ₩30,982 million in 2001 (Notes 7, 11 and 19)	202,652	276,077
Long-term deposits (Note 3)	91	96
Long-term loans receivable, less allowance for doubtful accounts of ₩52,813 million in 2002 and ₩14,139 million in 2001 (Notes 19 and 23)	24,723	65,206
Guarantee deposits (Note 19)	55,447	58,146
Investment real estate (Note 8)	19,962	19,955
Other investment assets	13,794	11,833
Tangible fixed assets (Note 9):		
Land	290,402	290,004
Buildings	300,945	251,522
Vehicles	925	817
Furniture and equipment	173,718	139,448
Construction in progress	175	27,739
Others	876	876
	767,041	710,406
Less: Accumulated depreciation (Note 10)	(117,640)	(85,186)
	649,401	625,220
Advances for customers, less allowance for doubtful accounts of ₩104,877 million in 2002 and ₩117,700 million in 2001 (Note 11)	96,851	182,350
Less: Present value discount account (Notes 2 and 11)	(32,771)	(59,069)
Collective fund for default loss (Note 3)	8,182	6,330
Dishonored bonds and bills receivable, less allowance for doubtful accounts of ₩23,742 million in 2002 and ₩283 million in 2001	2,781	173
Deferred income tax assets (Note 18)	63,438	25,195
Total non-current assets	1,104,551	1,211,512
Total assets	₩ 3,451,631	₩ 2,326,442

	Korean won (In millions)	
	2002	2001
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Call money (Note 12)	₩ 510,000	₩ 70,000
Short-term borrowings (Note 12)	88,531	12,032
Bonds sold under repurchase agreements	44,718	33,428
Customers' deposits (Note 19)	1,320,219	774,515
Income tax payable	34,899	10,427
Dividends payable (Note 16)	38,709	57,402
Accrued expenses (Note 19)	9,466	8,700
Other current liabilities	97,981	52,499
Total current liabilities	2,144,523	1,019,003
LONG-TERM LIABILITIES:		
Allowance for guarantees	54,301	22,483
Accrued severance indemnities, net of payments to National Pension Fund of ₩1,889 million in 2002 and ₩2,089 million in 2001 and individual severance deposits of ₩36,712 million in 2002 and ₩29,836 million in 2001 (Note 2)	17,694	10,438
Total long-term liabilities	71,995	32,921
Total liabilities	2,216,518	1,051,924
SHAREHOLDERS' EQUITY:		
Capital stock (Note 14)	₩ 373,932	₩ 373,932
Capital surplus	610,364	610,364
Retained earnings:		
Legal reserve (Note 14)		
Reserve for loss on securities transactions	38,907	48,105
Voluntary reserve	180,000	180,000
Unappropriated retained earnings (Net income of ₩13,432 million in 2002 and ₩87,293 million in 2001)	3,415	31,966
Capital adjustment (Note 15)	(31,070)	(25,544)
Total shareholders' equity	1,235,113	1,274,518
Total liabilities and shareholders' equity	₩ 3,451,631	₩ 2,326,442
FOOT NOTES:		
Securities in custody (Note 5)	₩ 11,601,890	₩ 10,536,015
Negotiable certificate of deposits in custody	25,000	15,334
Guarantees of bonds	84,330	130,348
Deposits in foreign currency on exchanges	172	-
Receivable charge-offs	1,016	1,055

The accompanying notes are an integral part of these statements.

Statements of Income

FOR THE YEARS ENDED MARCH 31, 2002 AND 2001

	Korean won (In millions, except per share amounts)	
	2002	2001
OPERATING REVENUES:		
Commissions received (Note 19)	₩ 409,692	₩ 484,224
Interest income (Note 19)	115,218	140,928
Dividend income (Note 19)	7,075	7,422
Distribution income	167	8,247
Gain on sale of trading securities	31,800	39,297
Gain on valuation of trading securities	8,287	6,323
Gain on derivatives transactions	5,155	2,607
Others	60,922	62,153
	638,316	751,201
OPERATING EXPENSES:		
Commission expenses	42,335	55,539
Interest expenses	39,048	47,336
Loss on sale of trading securities	58,904	99,318
Loss on valuation of trading securities	27,288	39,530
Loss on derivatives transactions	6,054	2,105
General and administrative expenses (Notes 19 and 22)	474,470	373,454
	648,099	617,282
OPERATING INCOME (LOSS)	(9,783)	133,919
NON-OPERATING INCOME (EXPENSES):		
Gain (loss) on disposal of tangible fixed assets, net	(45)	745
Loss on disposal of investment securities, net	(18,843)	(8,202)
Valuation gain (loss) using the equity method, net	2,824	(931)
Gain (loss) on valuation of investment in stock market stabilization fund	50,569	(13,677)
Loss on foreign exchange translation, net	-	(72)
Rental income (Note 19)	12,600	9,638
Reversal of impairment loss on investment securities	-	1,567
Impairment loss on investment securities (Note 7)	-	(1,869)
Gain on recovery of write-offs	109	223
Donations	(470)	(2,114)
Other, net	(12,262)	533
	34,482	(14,159)
ORDINARY INCOME	24,699	119,760
EXTRAORDINARY ITEMS, NET:	₩ -	₩ -
INCOME BEFORE INCOME TAX	24,699	119,760
INCOME TAX EXPENSE (Note 18)	11,267	32,467
NET INCOME	₩ 13,432	₩ 87,293
ORDINARY INCOME (LOSS) PER COMMON SHARE (Note 2)	₩ (18)	₩ 1,363
NET INCOME (LOSS) PER COMMON SHARE (Note 2)	₩ (18)	₩ 1,363

The accompanying notes are an integral part of these statements.

Statements of Retained Earnings

FOR THE YEARS ENDED MARCH 31, 2002 AND 2001

	Korean won (In millions)	
	2002	2001
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Unappropriated retained earnings carried over from prior years	₩ 31,966	₩ 45,170
Adjustments to investment securities using the equity method (Note 7)	(8,619)	(4,367)
Loss on prior period error corrections	-	(112)
Net income	13,432	87,293
	36,779	127,984
TRANSFER FROM VOLUNTARY RESERVES AND OTHERS:		
Reserve for loss on securities transactions	9,199	3,343
	45,978	131,327
APPROPRIATIONS:		
Legal reserve (Note 14)	3,869	5,740
Reserve for loss on securities transactions (Note 14)	-	6,231
Dividends (Note 16)	38,694	57,390
Voluntary reserve	-	30,000
	42,563	99,361
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩ 3,415	₩ 31,966

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

FOR THE YEARS ENDED MARCH 31, 2002 AND 2001

	Korean won (In millions)	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 13,432	₩ 87,293
Addition of expenses not involving cash outflows:		
Loss on disposal of trading securities	58,904	99,318
Loss on valuation of trading securities	27,288	39,530
Loss on derivatives transaction	6,054	2,105
Provision for possible loan losses	187,326	104,623
Depreciation	32,878	27,591
Loss on disposal of tangible assets	63	275
Loss on investment securities impairment	-	1,868
Loss on disposal of investment securities	19,733	11,690
Loss on valuation using the equity method	1,786	7,621
Loss on valuation of investment in Stock Market Stabilization Fund	-	13,677
Provision for guarantees	40,200	16,443
Provision for severance indemnities	19,203	16,146
	393,435	340,887
Deduction of revenues not involving cash inflows:		
Gain on disposal of trading securities	31,800	39,297
Gain on valuation of trading securities	8,287	6,323
Gain on derivatives transaction	5,155	2,607
Gain on disposal of tangible assets	18	1,020
Gain on valuation using the equity method	4,610	6,691
Transfer from reserve for possible loan losses	58,539	57,318
Amortization of present value discount	6,511	-
Gain on disposal of investment securities	891	3,488
Reversal of investment securities impairment loss	-	1,566
Gain on valuation of investment in Stock Market Stabilization Fund	50,569	-
Reversal of allowance for possible losses on acceptances and guarantees	2,383	4,835
	168,763	123,145
Changes in assets and liabilities resulting from operations:		
Decrease (increase) in deposits	(639,614)	1,232,513
Decrease (increase) in trading securities	(49,534)	390,380
Decrease (increase) in loans	(108,659)	104,373
Increase in short-term loans	(12,999)	(3,999)
Decrease (increase) in receivables	(69,695)	16,514
Decrease in accrued income	3,179	9,711
Decrease (increase) in advance payments	9,679	(3,728)
Decrease (increase) in prepaid expenses	(92)	1,983
Decrease in other current assets	-	7
Decrease (increase) in investment securities	24,908	(17,028)
Decrease (increase) in advances for customers	77,146	(7,644)
Increase in deferred income tax assets	(38,243)	(18,428)
Increase (decrease) in customers' deposits	575,704	(1,362,727)
Increase (decrease) in accrued income tax	24,472	(76,275)
Increase (decrease) in accrued expenses	766	(4,012)

	Korean won (In millions)	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in withholding income tax	₩ (3,739)	₩ (1,362)
Increase (decrease) in unearned income	(901)	627
Decrease in other current liabilities	(5)	(1,379)
Decrease in deposits of insurance for severance and retirement benefits	(6,876)	(16,194)
Increase in national pension fund for severance and retirement benefits	201	308
Payment of severance indemnities	(5,271)	(5,646)
Others	(900)	501
	(220,473)	238,494
	17,631	543,529
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities		
Proceeds from disposal of tangible fixed assets	1,258	14,264
Collection of long-term deposits	1,528	19,987
Collection of long-term loans	3,091	4,513
Refund of guarantees	6,398	6,574
Proceeds from sale of investment real estate	-	6,783
Proceeds from disposal of other investment asset	28	1,942
Others	28	1,671
	12,331	55,734
Cash outflows from investing activities		
Payment of long-term deposits	1,523	2,738
Extension of long-term loans	1,282	37,052
Payment of guarantees	3,699	12,014
Acquisition of investment real estate	7	10,830
Acquisition of other investment asset	1,990	4,835
Acquisition of tangible fixed assets	58,362	207,523
Others	1,880	2,552
	68,743	277,544
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities		
Proceeds from short-term borrowings	₩ 76,498	₩ -
Proceeds from rent deposits	24,018	26,941
Proceeds from call money	440,000	70,000
Others	39,505	38,582
	580,021	135,523
Cash outflows from financing activities		
Payment of accounts payable	19,440	16,586
Repayment of current portion of subordinated long-term debt	-	20,000
Repayment of short-term borrowings	-	1,047,529
Payment of dividends	57,386	113,469
Others	12,665	9,221
	89,491	1,206,805
NET INCREASE (DECREASE) IN CASH	451,749	(749,563)
CASH, AT THE BEGINNING OF THE YEAR	9,793	759,356
CASH, AT THE END OF THE YEAR	₩ 461,542	₩ 9,793

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

MARCH 31, 2002 AND 2001

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, 2002 amounted to ₩373,932 million and its primary shareholders are Yang Hoi Moon (8.22 percent) and Daishin Life Insurance Co., Ltd.(7.42%). The head office of the Company is in Seoul and has 97 domestic branches, an overseas branch in Tokyo and a foreign subsidiary in Hong Kong.

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.

The Korean economy continues to experience 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 consolidation and uncertainty exists with regard to the continued availability of financing. 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:

Basis of Non-Consolidated Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares statutory 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 generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. Certain information included in the 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.

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

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 (₩1,326.40 to US \$ 1.00 at March 31, 2002) 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, or 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 the classification of loans and the corresponding allowance provided as of March 31, 2002 and 2001 are as follows:

Korean won (In millions)

	2002		2001	
	Loans	Allowance	Loans	Allowance
Normal	₩ 248,159	₩ 1,241	₩ 85,188	₩ 426
Precautionary	70,169	1,403	139,503	2,790
Substandard	46,890	9,378	231,688	46,338
Doubtful	209,250	175,220	11,749	8,811
Loss	111,969	111,969	109,294	109,295
	686,437	₩ 299,211	577,422	₩ 167,660
Present value discount account	(32,771)		(59,069)	
Total	₩ 653,666		₩ 518,353	

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 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 any remaining amounts are charged to operations as bad debt expense. The difference between the 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 current operations up the amount of the previously recognized impairment loss and any excess is recorded in capital adjustment.

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

Notes to Financial Statements

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 current operations up to the amount of the previously recognized impairment loss and any excess is recorded as capital adjustment.

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 is 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 assets revalued upward 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. 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 deposits special reserve funds equal to 1/100,000 of the volume of securities transaction and 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, 2002 and 2001 amount to ₩56,295 million and ₩ 42,364 million, respectively. Actual payment of severance indemnities amounted to ₩ 5,271 million and ₩5,646 million in 2002 and 2001, respectively.

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 ₩36,712 million and ₩29,836 million as of March 31, 2002 and 2001, 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 its 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 ₩1,889 million and ₩2,089 million as of March 31, 2002 and 2001, 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 its employees each pay 4.5 percent of monthly pay.

Reserve for Loss on Securities Transactions

Since the Korea Securities and Exchange Law was revised on January 26, 2002, the Company need not reserve the amount for loss on securities transactions, which is used to offset losses incurred from securities transactions. 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 taxes. 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 2002 and 2001) outstanding during the year.

3. RESTRICTED DEPOSITS:

Restricted due from banks in local currency and foreign currencies as of March 31, 2002 and 2001 are as follows:

	Korean won	
	2002	2001
KSFC deposits	₩1,284,532	₩ 644,918
Long-term deposits	91	96
Surety guarantee	1	1
Collective fund for default loss	8,182	6,330
Total	₩1,292,806	₩ 651,345

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.

4. TRADING SECURITIES:

Trading securities owned by the Company as of March 31, 2002 and 2001 consist of the following:

	Korean won	
	2002	2001
Stocks	₩ 112,609	₩ 57,147
Korean government and public bonds	97,464	66,616
Domestic Korean corporate bonds	39,705	58,320
Beneficiary certificates	74,572	159,209
Negotiable commercial papers	19,000	24,700
Bonds in foreign currencies	288	283
Total	₩ 343,638	₩ 366,275

Notes to Financial Statements

Stocks and beneficiary certificates are valued to fair value as of March 31, 2002 and 2001 and trading debt securities are valued using the closing yields of bonds at 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, 2002 and 2001 are as follows:

	Korean won	
	2002	2001
Trustor securities in custody	₩ 9,587,820	₩ 7,780,582
Saver securities in custody	194,582	70,001
Beneficiary securities in custody	1,814,589	2,682,606
Others	4,899	2,826
	₩11,601,890	₩10,536,015

6. ASSETS DENOMINATED IN FOREIGN CURRENCIES:

Assets denominated in foreign currencies as of March 31, 2002 and 2001 consist of the following:

Description	Foreign currency		Korean won (In millions)	
	2002	2001	2002	2001
Assets:				
Deposits	US\$ 14,281.68	US\$ 26,435.48	₩ 19	₩ 35
	JPY 1,013,736	JPY 1,760,431	10	18
			29	53
Stock in foreign currency	US\$ -	US\$ 1.40	-	-
Bonds in foreign currency	US\$ 2,500,000	US\$ 215,500	288	283
			₩ 317	₩ 336

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

7. INVESTMENT SECURITIES:

Investment securities as of March 31, 2002 and 2001 consist of the following:

	Korean won (In millions)	
	2002	2001
Investment equity securities	₩ 39,660	₩ 32,091
Investments in capital	77,960	45,816
Corporate bonds	41,250	145,687
Equity investments in affiliates	42,816	52,483
Others	966	-
	₩ 202,652	₩ 276,077

(1) Investment equity securities owned by the Company as of March 31, 2002 and 2001 consist of the following:

Investees	2002		2001	
	Acquisition cost	Book value	Acquisition cost	Book value
Listed:				
Sinho Paper Manufacturing Co.	₩ 556	₩ 119	₩ 556	₩ 151
Sinwon Co.	20,481	5,223	16,979	2,869
Chungnam Spinning Co.	4,214	4,024	3,450	1,884
Unlisted:				
Korea Securities Co.	14,780	14,780	14,780	14,780
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
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.	2,129	-	2,129	-
Others	17,893	9,937	6,535	5,390
	₩ 75,856	₩ 39,660	₩ 61,672	₩ 32,091

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

(2) Investments in capital as of March 31, 2002 and 2001 consist of the following:

Investees	2002		2001	
	Acquisition cost	Book value	Acquisition cost	Book value
Investments in capital:				
The Stock Market Stabilization Fund	₩ 24,491	₩ 75,060	₩ 67,418	₩ 43,166
Korea Stock Exchange	2,650	2,650	2,650	2,650
Others	250	250	-	-
	₩ 27,391	₩ 77,960	₩ 70,068	₩ 45,816

Investments 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).

Notes to Financial Statements

(3) Corporate bonds as of March 31, 2002 and 2001 consist of the following:

Investees	2002		2001	
	Acquisition cost	Book value	Acquisition cost	Book value
Private placement corporate bonds:				
Daishin Factoring Co. CB	₩ 10,000	₩ 10,000	₩ 21,700	₩ 21,700
Kohap Co. CB	15,851	15,851	15,851	15,851
Midopa Co. CB	7,112	7,112	8,173	8,173
Bank of Junbuk	-	-	10,396	10,396
Songchon Construction Co. CB	55,000	55,000	55,000	55,000
Jindo Co. CB	-	-	10,564	10,564
Sinho Paper Manufacturing Co. CB	2,713	2,713	2,713	2,713
Others	11,776	11,776	16,535	16,535
	102,452	102,452	140,932	140,932
Guaranteed corporate bonds:				
Chungnam Spinning Co.	9,300	9,300	9,300	9,300
Kapul Spinning Co.	-	-	8,777	8,777
Kohap Co.	8,000	8,000	8,000	8,000
Namsun Aluminum Co.	4,757	4,757	4,757	4,757
Kapul Co.	4,500	4,500	4,500	4,500
Others	-	-	403	403
	26,557	26,557	35,737	35,737
	129,009	129,009	176,669	176,669
Less: allowance of doubtful accounts		(87,759)		(30,982)
		₩ 41,250		₩ 145,687

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 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) Equity investments in affiliates as of March 31, 2002 and 2001 consist of the following:

	Percentage of Ownership	2002		2001	
		Acquisition cost	Book value	Acquisition cost	Book value
Daishin Investment Trust Management Co., Ltd.	80.00%	₩ 25,080	₩ 33,493	₩ 24,000	₩ 3,257
Daishin Factoring Co., Ltd.	33.25%	20,805	-	20,805	9,625
Daishin Life Insurance Co., Ltd.	9.95%	14,355	-	14,355	-
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	2,464	10,755	2,722
Daishin Development & Finance Co., Ltd.	0.67%	208	125	208	145
		₩ 77,937	₩ 42,816	₩ 76,857	₩ 52,483

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).

(5) Other investment securities as of March 31, 2002 and 2001 consist of the following:

	2002		2001	
	Acquisition cost	Book value	Acquisition cost	Book value
Songchon Construction Co. CP	₩ 11,241	₩ 11,241	₩ -	₩ -
Daewoo Motor Co. CP	27	27	-	-
	11,268	11,268	-	-
Less:				
Allowance for doubtful account	-	(10,302)	-	-
	₩ 11,268	₩ 966	₩ -	₩ -

(6) Loss on valuation of investment securities as of March 31, 2002 and 2001 consist of the following:

	Korean won (In millions)	
	2002	2001
Equity securities	₩ (22,695)	₩ (16,080)
Stocks of affiliated company	(8,375)	(9,465)
	₩ (31,070)	₩ (25,545)

8. INVESTMENT REAL ESTATE:

Investment in real estate as of March 31, 2002 and 2001 consist of the following:

	Korean won (In millions)	
	2002	2001
Land	₩ 17,133	₩ 17,133
Buildings	2,829	2,822
	₩ 19,962	₩ 19,955

9. INSURED ASSETS:

As of March 31, 2002, property, plant and equipment are insured for ₩113,012 million with SSangyong Fire & Marine Insurance Co. In addition, the Company carries comprehensive automobile insurance for its vehicles, directors' general insurance for ₩5,000 million, system error for ₩3,000 million and deposit insurance for ₩996,570 million.

10. ACCUMULATED DEPRECIATION OF TANGIBLE FIXED ASSETS:

Accumulated depreciation of tangible fixed assets as of March 31, 2002 and 2001 is as follows:

	Korean won (In millions)	
	2002	2001
Land	₩ 21,338	₩ 13,838
Vehicles	656	534
Furniture and equipment	94,769	69,938
Others	877	876

Notes to Financial Statements

11. PRESENT VALUE DISCOUNT ACCOUNTS:

(1) Present value discount accounts as of March 31, 2002 consist of the following (Unit: Won in millions):

Korean won (In millions)

Description	Discount Rate (%)	Loans	Present value discounts
Corporate bonds:			
Private placement corporate bonds	9.00~10.00	₩ 17,859	₩ 2,306
Guaranteed corporate bonds	10.50	4,757	128
		22,616	2,434
Advance for customers	8.50~16.80	77,833	30,337
		₩ 100,449	₩ 32,771

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

Korean won (In millions)

Description	Discount Rate (%)	Loans	Present value discounts
Corporate bonds:			
Private placement corporate bond	10.00~30.00	₩ 37,162	₩ 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
		₩ 186,168	₩ 59,069

12. BORROWINGS:

Borrowings as of March 31, 2002 and 2001 are as follows:

Korean won (In millions)

Description	Financial institution	Annual interest rate (%)	2002	2001
Call money	KSFC and others	4.1	₩ 510,000	₩ 70,000
Short-term borrowings: Borrowings from KSFC	KSFC	3.0~5.5	88,531	12,032
			₩ 598,531	₩ 82,032

13. ALLOWANCE FOR ACCEPTANCES AND GUARANTEES:

(1) The classification of Allowance for Acceptances and Guarantees as of March 31, 2002 is as follows (Unit : Won in millions):

Korean won (In millions)

	Normal	Precautionary	Substandard	Estimated Doubtful	Loss	Total
Confirmed acceptance and guarantees	₩ -	₩ 1,488	₩ 7,817	₩ 56,468	₩ -	₩ 65,773
Percentage	-	-	20%	75% or over	100%	82.5%
Allowance for acceptances and guarantees	₩ -	₩ -	₩ 1,563	₩ 52,738	₩ -	₩ 54,301

(2) The classification of Allowance for Acceptances and Guarantees as of March 31, 2001 is as follows (Unit : Won in millions):

Korean won (In millions)

	Normal	Precautionary	Substandard	Doubtful	Estimated Loss	Total
Confirmed acceptance and guarantees	₩ -	₩ -	₩ 112,413	₩ -	₩ -	₩ 112,413
Percentage	-	-	20%	75% or over	100%	20%
Allowance for acceptances and guarantees	₩ -	₩ -	₩ 22,483	₩ -	₩ -	₩ 22,483

14. SHAREHOLDERS' EQUITY:

(1) Capital stock

Issued and outstanding at March 31, 2002

Authorized shares	Par value	Description	Shares	Amount
200,000,000	₩ 5,000	Common stock	48,786,400	₩ 243,932 million
	5,000	Preferred stock	26,000,000	130,000 million
			74,786,400	₩ 373,932 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.

15. CAPITAL ADJUSTMENT

Capital adjustment as of March 31, 2002 and 2001 consists of the following:

Korean won (In millions)

	2002	2001
Loss on valuation of investment securities (see Note 7)	₩ (31,070)	₩ (25,544)

Notes to Financial Statements

16. DIVIDENDS:

(1) The Company's dividends proposed for 2002 are as follows:

	Shares	Par value	Dividend rate	Korean won (In millions)
Common stock	48,786,250	5,000	10%	₩ 24,393
Preferred stock	25,999,983	5,000	11%	14,301
				₩ 38,694

Dividends payable includes ₩16 million prior years' unpaid dividends.

(2) In 2002, the dividends to net income and to year-end stock price ratios are as follows:

Dividends	Net income	Dividends to net income ratio
38,693 million	13,432 million	288%

	Dividend per share	Stock price	Dividend per share to stock price ratio
Common stock	₩ 500	₩ 27,000	1.85%
Preferred stock	₩ 550	₩ 12,400	4.44%

17. DERIVATIVE INSTRUMENTS:

The financial derivatives as of March 31, 2002 and 2001 are as follows:

Type	2002		2001	
	Gain	Loss	Gain	Loss
Index forwards	₩ 3,759	₩ 3,077	₩ 2,003	₩ 1,647
Index options	555	452	235	158
CD Interest forwards	841	2,526	369	301
	₩ 5,155	₩ 6,055	₩ 2,607	₩ 2,106

18. INCOME TAX EXPENSE AND DEFERRED INCOME TAXES:

The Company is subject to Korean corporation income tax at 16 percent of the first ₩100 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 taxes is 45.60 percent and 27.11 percent in 2002 and 2001, respectively, due mainly to tax adjustment of allowance for doubtful accounts for tax purposes. Income tax expense considering deferred income taxes is as follows:

Description	Korean won (In millions)	
	2002	2001
Income tax currently payable	₩ 41,139	₩ 50,895
Changes in deferred income taxes due to:		
Temporary differences	(29,871)	(18,428)
Income tax expense	₩ 11,267	₩ 32,467

In 2002 and 2001, 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)	
	2002	2001
Income before income tax	₩ 24,699	₩ 119,760
Permanent differences	(7,525)	(21,371)
Temporary differences	116,434	65,086
Taxable income	₩ 133,608	₩ 163,475

The changes in accumulated temporary differences in 2002 and 2001 are as follows:

Description	Korean won (In millions)	
	2002	2001
Beginning of year, net	₩ 81,803	₩ 16,717
Changes in the current year, net	131,794	65,086
End of year, net	₩ 213,597	₩ 81,803

Deferred income tax assets as of March 31, 2002 and 2001 are computed as follows:

Description	Korean won (In millions)	
	2002	2001
Accumulated temporary differences, net	₩ 213,597	₩ 81,803
Statutory tax rate (%)	29.7	30.8
Deferred income tax assets	₩ 63,438	₩ 25,195

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, 2002, the Company believes the deferred income tax assets of ₩ 63,438 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.

19. RELATED PARTY TRANSACTIONS:

Significant transactions with related parties in 2002 and 2001 are as follows:

Related party	Description	Korean won (In millions)	
		2002	2001
Daishin Investment Trust Management Co., Ltd.	Brokerage commissions on beneficiary certificates	₩ 11,971	₩ 19,111
	Dividends	2,400	-
	Rental income	110	102
Daishin Investment Trust Management Co., Ltd.	Accrued commissions	1,567	3,150
	Customers' deposits	72	-
	Deposits for rent	886	886
Daishin Factoring Co., Ltd.	Purchase of land and buildings	1,480	-
	Rental income	977	-
	Interest commissions	2,520	8,435
	Corporate bonds	10,000	21,700
	Commercial papers	-	11,000
	Dishonored bills receivable	26,065	-
Accrued interest receivables	1,074	4,512	

Notes to Financial Statements

Korean won (In millions)			
Related party	Description	2002	2001
Daishin Life Insurance Co., Ltd.	Rental income	1,713	1,750
	Interest income	10,156	9,573
	Purchase of land and buildings	-	146,160
	Long-term loans	70,000	70,000
	Guarantee for rent	1,386	1,245
	Insurance deposit for accrued severance benefits	27,005	28,678
	Deposits for rent	8,524	10,313
	Accrued interest	1,098	721
Daishin Economic Research Institute	Unearned income	-	638
	Customers' deposits	4	-
	Rental income	119	110
	General and administrative Expenses	6,503	7,149
	Accounts payable	-	520
Daishin Information & Communication Co., Ltd.	Accrued expenses	245	-
	Deposits for rent	956	956
	Rental income	13	15
	Interest income	175	-
	General and administrative Expenses	8,270	1,544
	Purchases of tangible fixed Assets	16,266	16,522
	Corporation bond	3,408	-
	Accrued interest receivables	86	-
	Deposits for rent	6	151
	Accrued expenses	30	-
Daishin Development & Finance	Customers' deposits	3,546	-
	Accounts payable	-	20
	Interest income	167	-
	Accounts receivable	2,937	-

In 2002 and 2001, the total revenues earned by the Company from affiliated companies amounted to ₩30,320 million and ₩39,095 million, respectively, and the total charges of affiliated companies amounted to ₩32,519 million and ₩171,375 million, respectively. As of March 31, 2002 and 2001, receivables from affiliated companies amounted to ₩144,625 million and ₩141,006 million, respectively, and payables to affiliated companies amounted to ₩14,268 million and ₩13,483 million, respectively. Daishin Life Insurance Co. Ltd., an affiliated company, was officially designated as an insolvent financial company by the Financial Supervisory Commission ("FSC") on July 12, 2001. Consequently, the management of Daishin Life Insurance Co., Ltd. has been suspended and Daishin Life Insurance Co., Ltd is in the process of being sold by the financial manager dispatched by the FSC. As of March 31, 2002, the Company has long-term loans receivable from Daishin Life Insurance Co., Ltd. amounting to ₩70,000 million for which an allowance for doubtful accounts of ₩52,500 million has been provided as of that date.

20. CONTINGENCIES AND COMMITMENTS:

(1) The Company has provided government and public bond (face value of ₩4,020 million) and listed shares (market value of ₩42,480 million) as collateral for reserve for future transaction to Korea Stock Exchange. Additionally, the Company has pledged bonds amounting to ₩12,000 million as collateral for bonds under resale agreement.

(2) The Company has provided guarantees amounting to ₩84,330 million for the issuers on redemption of bonds as of March 31, 2002.

(3) Promissory notes:

As of March 31, 2002, the Company has provided KSFC with promissory notes, 3 blank notes and a ₩9,974 million note, as collateral for borrowings and securities transactions.

21. 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 damages from discretionary transaction of securities, which amount to ₩8,849 million. The management of the Company believes that the ultimate resolution of the litigation will not materially affect the Company's financial position.

22. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses in 2002 and 2001 are as follows:

	Korean won (In millions)	
	2002	2001
Salaries	₩ 39,930	₩ 34,196
Provision for severance indemnities	19,202	16,145
Other employee benefits	66,958	91,063
Computer system operating expenses	28,903	23,169
Rent	6,049	5,115
Commissions	21,034	23,121
Entertainment	1,999	1,951
Advertising	8,647	9,058
Depreciation	32,878	27,591
Research	39	-
Training	489	678
Bad debts written off	187,326	104,623
Provision for allowances for guarantees	40,199	16,443
Taxes and dues	3,741	3,468
Other	17,076	16,833
	₩ 474,470	₩ 373,454

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 ₩66,958 million for employee welfare for the year ended March 31, 2002. In addition, the Company's long-term loans to employees for housing amounted to ₩1,890 million as of March 31, 2002.

24. SUPPLEMENTARY INFORMATION FOR COMPUTATION OF VALUE ADDED:

The accounts and amounts needed for calculation of value added in 2002 and 2001 are as follows:

	Korean won (In millions)	
	2002	2001
Ordinary income	₩ 24,699	₩ 119,760
Labor costs	126,089	141,403
Rent	6,049	5,115
Taxes and dues	3,741	3,468
Depreciation	32,878	27,591
	₩ 193,456	₩ 297,337

CEOs & Presidents



Dae Song, Kim
Daishin Securities CEO & President

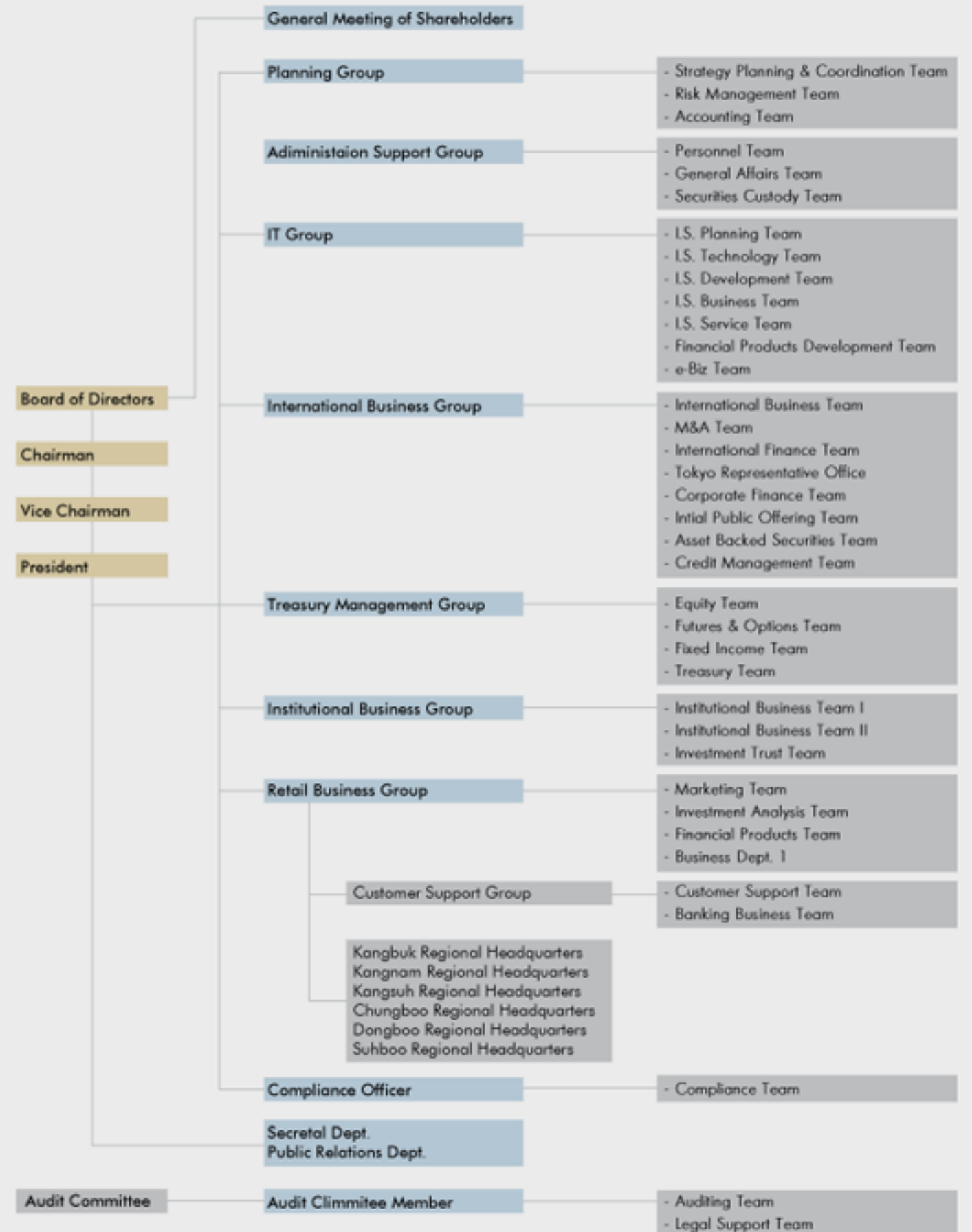
Young Ho, Ra
DERI CEO & President

Chung Nam, Ro
DITM CEO & President

Chang Soon, Yoo
Chairman of DERI

Hye Moon, Yang
Chairman of the Daishin Group

Organization Chart



Daishin Investment Trust Management

Daishin Investment Trust Management Co., Ltd., established originally as Daishin Investment Advisory in August 1988, is a specialized asset management company providing services such as investment consulting, investment trust management, and asset management for securities investment companies. Using its systematic risk management organization and its strategic marketing system in order to seek stability in a rapidly changing investment environment, Daishin Investment Trust Management Co., Ltd is constantly seeking to develop new financial products to meet their customer's needs. The company provides quality asset management services by combining general asset management with system integration, evaluation, accounting and internationalized manpower.

In addition, the company returned to more analytic financial techniques with the development of DAISY2002, a system trading tool for superb asset management. Despite difficult market conditions, the company posted a 5.7 billion won net income and paid a 10% dividend in FY 2001. The company has also successfully extended its scope of business by succeeding in attracting the Korea Active Fund, an overseas investment fund.

34-8 Yoido-dong, Youngdeungpo-gu, Seoul 150-010, Korea

Daishin Economic Research Institute

Under continuously changing market conditions, Daishin Economic Research Institute is engaged in research activities specialized in finance and securities. 70 excellent researchers have contributed to Daishin Securities' top ranking in online trading by providing research about domestic and international trends, stock market conditions, companies, and investment strategies.

By developing diverse systems to help investors make quick investment decisions while trading online, the Daishin Economic Research Institute has made Daishin Securities a pioneer and leader of online trading. In addition, the asset management systems provided by the Daishin Economic Research Institute have allowed individual investors to distribute assets to make strategic investment decisions and portfolios and to manage risks.

Daishin Economic Research Institute's knowledge management systems have improved and maximized the potential of each of its researchers. The institution plans on continuing as a provider of excellent research on financial consulting and engineering focused on finance and securities by reinforcing its position as a creative think tank.

34-8 Yoido-dong, Youngdeungpo-gu, Seoul 150-010, Korea

Daishin Songchon Foundation

Daishin Songchon Foundation (Chairman: Jae-Bong, Yang, honorary chairman of Daishin Securities) was established as the first cultural foundation in the securities industry on July 20, 1990 under the policy of "returning corporate profits to society."

The foundation which was first established with Chairman Yang's own capital of 100 million won has grown into a large foundation with 14.4 billion won in capital with steady investments from Daishin group affiliates. Initially, the foundation provided scholarships and research support for poor academic organizations, but in 1996 it expanded its services by providing financial support for operations for poor harelip patients.

Since its establishment, the foundation has endowed 1,431.82 million won in scholarships and aided various academic organizations with 134.50 million won. The foundation has also assisted in the operations of 366 harelip patients.

Daishin Songchon Foundation aims to further extend its service to promote its cornerstone policy of "returning corporate profits to society."

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Established

June 20, 1962

Number of Domestic Branches

97 (at the end of March 2002)

Employees

2,063

Common Stocks

374.0 billion won

Total Shareholders' Equity

1,235.1 billion won

Overseas Network

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Tel) 852-2877-8661, Fax) 852-2596-0488

Tokyo Representative Office

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