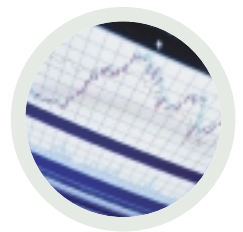




DAISHIN

2003
ANNUAL
REPORT





Founded in 1962, Daishin Securities is the leading securities company in Korea.

The company is trying hard to satisfy investors' various needs and supply them with best quality of integrated financial services. Besides, it is developing the risk management system and a variety of earning sources in order to become one of the most competent powers in the industry.

Based on the world best quality of cyber-trading system, the company is overwhelmingly dominant in the domestic cyber trading market, especially in futures and options market as well as the Kosdaq.

The company has been making a great deal of efforts to become a **"Clean Company"** by constantly reducing non-performing assets and securing management transparency. As a result, it has earned the reputation as a trustworthy company in the securities market, and the corporate recognition has been greatly improved.

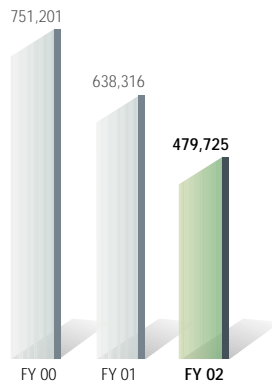
Getting out of reckless market share competition, the company will reinforce transparent management and solidify profit-oriented management aiming to be the best company leading the securities industry. In addition, it will be continuing to proceed with management policy for maximizing all the values of the company, the customers, and the shareholders.

Financial Highlights

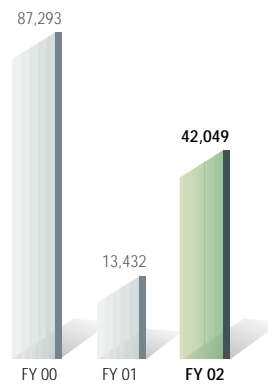
For the years ended on March 31, 2002 and 2003 (in millions of Korean Won)

	Millions of Korean Won		Thousands of U.S. Dollars	
	FY 02 March 2003	FY 01 March 2002	FY 02 March 2003	FY 01 March 2002
Operating revenues	₩ 479,725	₩ 638,316	\$ 382,892	\$ 509,471
Operating expenses	409,705	648,099	327,005	517,279
Operating income	70,020	(9,783)	55,886	(7,808)
Ordinary income	55,595	24,699	44,373	19,713
Net income	42,049	13,432	33,561	10,721
Total assets	2,578,307	3,451,631	2,057,871	2,754,913
Total liabilities	1,356,426	2,216,518	1,082,629	1,769,110
Total shareholders' equity	1,221,881	1,235,113	975,242	985,803
Earnings per Share (KRW and US\$)	547	(18)	0.44	(0.01)

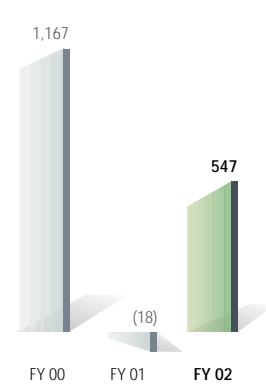
Note) Korean Won amounts are translated into U.S. Dollars solely for the reader's convenience at the rate of ₩1,252.90 to US\$1.00, the prevailing exchange rate on March 31, 2003



Operating revenues
(Millions of KRW)



Net income
(Millions of KRW)



Earnings per share
(KRW)

Letter To Shareholders



Dear shareholders,

On behalf of all of us at Daishin Securities, I would like to thank you for your support and encouragement over the past year. Fiscal year 2002 was a challenging year. Amid the languished global economy, the Iraq war sent oil prices on an upward spiral while revelations of fraudulent accounting shook investor confidence. Against this backdrop, the Korean economy and the equity market found it difficult to emerge from a slump.

Nevertheless, there were some bright spots. Korea successfully co-hosted the 2002 World Cup while the Korean football squad advanced to the semi-finals, boosting national pride and promoting a sense of unity. Improving profitability on the corporate front and an upgrade in the sovereign rating also came as heartening news.

Much uncertainty still looms. The global economy is not yet out of the woods and the North Korean nuclear issue remains unresolved.

Along with the gaining pace of mergers and consolidation that is reshaping the global financial industry, the securities sector has emerged as an important barometer of a country's wealth.

Securities firms are playing an increasingly prominent role; they act as a window of financing for the corporate world, redistribute corporate earnings to investors, and provide a means of personal wealth management. With a proactive stance, Daishin Securities has upheld a firm presence in the market amid the dynamic environment and the changing industry landscape. Last year was the 40th anniversary of our founding. To mark the occasion, we formulated a new vision and drew up a blueprint for our future growth and development.

Daishin Securities enjoys a leading position in all of its business segments with a high level of competitiveness. Our achievements are a testimony to the tireless efforts of everyone at Daishin Securities. Driven by a strong sense of ownership and responsibility, we embrace challenges and look upon them as new opportunities. Most importantly, our accomplishments would not have been possible without the invaluable support and continuous encouragement from our shareholders.

Looking at our results for FY 2002, we were among the top performers in the brokerage segment. Daishin Securities recorded 128.87 trillion won in equities trading value, representing a 7.58% market share. Our trading value amounted to 380.58 trillion won for an 8.68% in the futures market, and 16.53 trillion won for a 6.10% market share in the options market. Turning to the primary market, we underwrote and helped to arrange bond issues worth 2.13 trillion won. With 479.7 billion won in operating revenue, 30 billion won in non-operating revenue, and 44.4 billion won in non-operating expense, pre-tax income was recorded at 55.6 billion won and net income at 42.0 billion won. Despite a bearish market and fierce competition, bottom-line earnings more than doubled compared to FY 2001 and our results were among the best in the industry, although the figures fell short of our initial target owing to various non-operating factors. We distributed a dividend of 500 won per share (common stock basis), paying out total dividends of 38.2 billion won. As we move forward, we remain dedicated to maximizing value for our shareholders by maintaining a profit-oriented approach and a high payout ratio. Proactive attitude and the ability to respond to any challenges are imperative to survival in the face of heightened volatility and intensifying competition. Securities industry reforms are being highlighted and the proliferation of Bancassurance is blurring the boundaries between the different financial sectors. Standing at the crossroad, we are preparing ourselves to flexibly adapt to the evolving environment with a future-oriented perspective. In line with our stance, our management objective for the year ahead is "maximizing corporate

potential through transparent management." To reach our goal, we have mapped out a 4-point plan.

First, Daishin Securities will foster human resources. A pool of skilled and knowledgeable employees is an important source of competitiveness that will enable us to provide optimal services to our clients and implement our customer-first principle.

Second, Daishin Securities will reinforce its profit-oriented approach. We will further strengthen our focus on actual results and proceed with rational management to maximize profitability.

Third, Daishin Securities will take steps to further enhance management transparency. Through strict attention to compliance issues, transparent management, and stringent internal controls, we will strive to uphold our image as a trustworthy company.

Fourth, Daishin Securities will heighten the sense of ownership among its staff. By creating a corporate culture that promotes responsibility and a strong sense of ownership, we will provide a setting in which everyone is encouraged to strive for the common goal of enhancing corporate value.

Daishin Securities will spare no effort to attain our goal and to stand at the forefront of the domestic securities industry. In closing, I would like to once again express my appreciation to our shareholders for the unending support and patronage.

Yang, Hye Moon
Chairman of the Daishin Group



Interview with CEO



Kim, Dae Song
Daishin Securities CEO & President

Q How are the recent businesses?

A Brokerage operations generate a steady stream of revenues. In particular, commissions on derivatives brokerage are rapidly growing in tandem with the expanding futures and options market. It has emerged as a clean company following the cleanup of non-performing assets, which has made an important contribution to winning the trust of investors both at home and abroad.

Q What are the company's competitive edges?

A Its foremost strength lies with the advanced cyber trading system. Our CYBOS 2004 ensures speedy and seamless service, and has added functions such as a customized order system. An efficient cost structure is another notable strength. Daishin stands above its domestic peers, with an operating leverage of 129.6%. Of commission income, SG&A accounts for 81.6%, the lowest level in the industry. In addition, it maintains a healthy financial structure. In FY 2002, the capital adequacy ratio was recorded at 594.4%, far surpassing the 150% recommended guideline set by the FSC. Our ratio of assets to liabilities was also high at 163.1%.

Q What are the major management strategies?

A It is committed to enhancing value for our shareholders, clients, and employees. While our shareholder-oriented approach is evident in our dividend payout and share buyback / cancellation, we offer an optimal cyber trading system and a wide spectrum of financial services to satisfy diverse client needs. Additionally, we have introduced an ESOP for our employees.

Q What are the plans to improve service for clients?

A Our cutting-edge cyber trading system provides clients with an optimal trading environment. This is complemented by our extensive nationwide network and customer service centers. Also, ceaseless training empowers our employees with superior analytical skills that enable delivery of useful market information.

Q Any comment to shareholders?

A Our shareholder-oriented approach is evident in our dividend policy. Only Daishin Securities has continued to pay out dividends over the past five years. Also, in September 2002, the company proceeded with retiring 200,000 shares. We will maintain a high payout ratio and continue with efforts to maximize value for our shareholders.

Our Vision

DAISHIN Securities will always meet
the customers' Financial Satisfaction & Happiness

MAIN STRATEGY

- Asset oriented operation
- Integrated & specialized financial services
- New market development superior online trading system
- Maximization of competitiveness & corporate value
- Innovative management for customer satisfaction

The
Leading
Company

The Best
Company

The
Cleanest
Company

Economy & Stock Market Analysis

Economic Review & Forecast

Overview of 2002 : Despite the downturn in the IT cycle, global economic weakness, and the fallout from the terrorist attack on September 11, 2001, the domestic economy emerged from a slump in 2002 spurred by monetary and fiscal stimulus. GDP expanded by 6.3%, with consumption and construction leading the way in the first half of the year and exports driving growth in the latter half. Consumption peaked in the second quarter and then slowed from the second half due to Iraq war concerns and government measures to douse real estate speculation. Exports, however, were unscathed by war uncertainties and continued to show firm growth throughout the year.

Nominal GDP amounted to 596 trillion won, increasing by 8.1% compared to 2001. In US dollar terms, nominal GDP reached \$476.6 billion, for a higher growth rate of 11.5% owing to the Korean won's appreciation against the US dollar (by 3.1% on year average basis). The economy's dependence on the agriculture/fisheries and mining sectors diminished, whereas the opposite was true for services and construction. Agriculture/fisheries accounted for 4.0% of GDP while mining and manufacturing represented 29.6% (versus 4.3% and 30.9%, respectively, in 2001). On the other hand, services comprised 44.6% of GDP and construction, 8.5% (versus 43.4% and 8.3%, respectively, in 2001).

Outlook for 2003 : The Korean economy witnessed a brisk recovery after passing through the cyclical trough in the third quarter of 2001. However, momentum started to fade entering the first quarter of 2003 as geopolitical risks (Iraq war and North Korean nuclear issue) coupled with the sluggish U.S. economy weighed down consumption and investment.

We expect to see a temporary correction within the expansionary phase of the 8th cycle through the first half of 2003. With uncertainties clearing from the second half, consumption and investment sentiment should improve. Along with reviving consumer spending, the global economy is expected to regain pace, which implies potentially stronger exports. Overall, GDP is forecast to expand by 4.5% in 2003.

Looking at the year ahead, the exogenous risk factors include uncertainties about the US economy and financial markets, impact of the Iraq war on oil prices, and the outbreak of the severe acute respiratory syndrome (SARS). There will also be pressure on the domestic front arising from inflation concerns, a possible current account deficit, North Korean nuclear threat, household credit delinquency, credit card bonds, labor issues, and potential repercussions of the government's reform drive.

On the other hand, several factors shed a positive light. They include monetary easing across the globe, tax cuts in the US, fiscal stimulus packages, sustained economic growth in China and the subsequently favorable impact on domestic exports to China. At home, the government is expected to introduce measures to stimulate the economy such as interest rate cuts and expanded fiscal spending.

Stock Market Performance and Outlook

Overview of 2002 : The year 2002 was a challenging year for the Korean stock market. Although the continuation of the run-up that came after the September 11 terror strike drove up the KOSPI to a peak of 943.54 in April, the market was mired in a downward spiral for the remainder of the year. Share prices were hit by the weakness spilling over from the US, where investor confidence was jolted by the accounting debacles of Enron and WorldCom, Iraq

war concern, weakening corporate earnings, the lingering IT slump, and worries that the US economy may slip into a double-dip recession. The situation was aggravated by unfavorable domestic developments. The overheated real estate market showed signs of cooling and mounting household debt triggered fears of a possible surge in personal credit delinquencies. There was a short-lived rally toward the year's end on low price merit and the rebound in the

Economy & Stock Market Analysis

US stock market. But on the whole 2002 was a tough year, with the stock market being overshadowed by deteriorating economic fundamentals and war uncertainties.

Outlook for 2003 : Geopolitical risks will continue to sway the stock market environment in 2003. Other factors that should have a bearing include the economic conditions and corporate governance. Revelations of fraudulent accounting by SK Global not only spawned doubts over corporate transparency, but also triggered a liquidity squeeze by highlighting the credit card bond problem.

First of all, Iraq war related anxieties cast a cloud over the stock market through the first quarter of 2003. Elimination of this uncertainty could spark a short-term rally in the second quarter. But even with a quick end to the war, there is the matter of financing the reconstruction of Iraq. Further, there could be resistance to the formation of a global economic order led by the US, and this may lead to trade conflicts. Once the Iraq issue is resolved, attention will turn to the North Korean nuclear threat,

which will have a significant impact on the domestic stock market. The US-South Korea summit scheduled for May is likely to provide important clues as to how the nuclear standoff will unfold.

Secondly, lingering skepticism over accounting transparency should burden share prices through the second quarter. Thirdly, the economic prospects are rather dim. Consumer spending will likely remain weak in the first half of the year, and exports may lose steam due to the emergence of structural risks of the US economy and the SARS effect.

Lifting of war uncertainties is expected to send share prices climbing in the second quarter. However, a correction will likely ensue till July owing to the North Korean nuclear threat, the economic downswing, and corporate governance issues. The KOSPI is forecast to move in the range of 500–650 points during the first six months of the year. The stock market is expected to turn upward from the end of the third quarter, buoyed by hopes for an economic rebound and corporate earnings recovery. The KOSPI may rise beyond the 800 mark in the middle of the fourth quarter.

Stock Market Outlook for 2003

	1H 2003		2H 2003	
	1 Q	2 Q	3 Q	4 Q
Market environment (fundamental)	- Clouded by uncertainties	- Easing war anxieties - Subsequent emergence of concerns about the economy and North Korea nuclear issue	- Concerns about North Korea, economy, and credit card bonds - Economic recovery	- Economic recovery - Emerging uncertainties about 2004
Market direction	- After correction	- Rebound followed by correction	- Appreciation from end of 3Q followed by correction	- Appreciation at a slower pace
	Fall (***) Rise (*)	Fall (**)	Correction (*)	Rise (**)

Note : * denotes the extent of rise or fall.

Whether or not geopolitical risks are mitigated should determine the stock market volatility in the first half of 2003, thus stocks that are noteworthy include beneficiaries of declining oil prices as well as stocks related to the war or reconstruction of Iraq. Also

recommended are counters that would benefit from economy-boosting measures. With a rally expected from the end of the third quarter, the electronics and financial sectors should offer attractive upside potential.

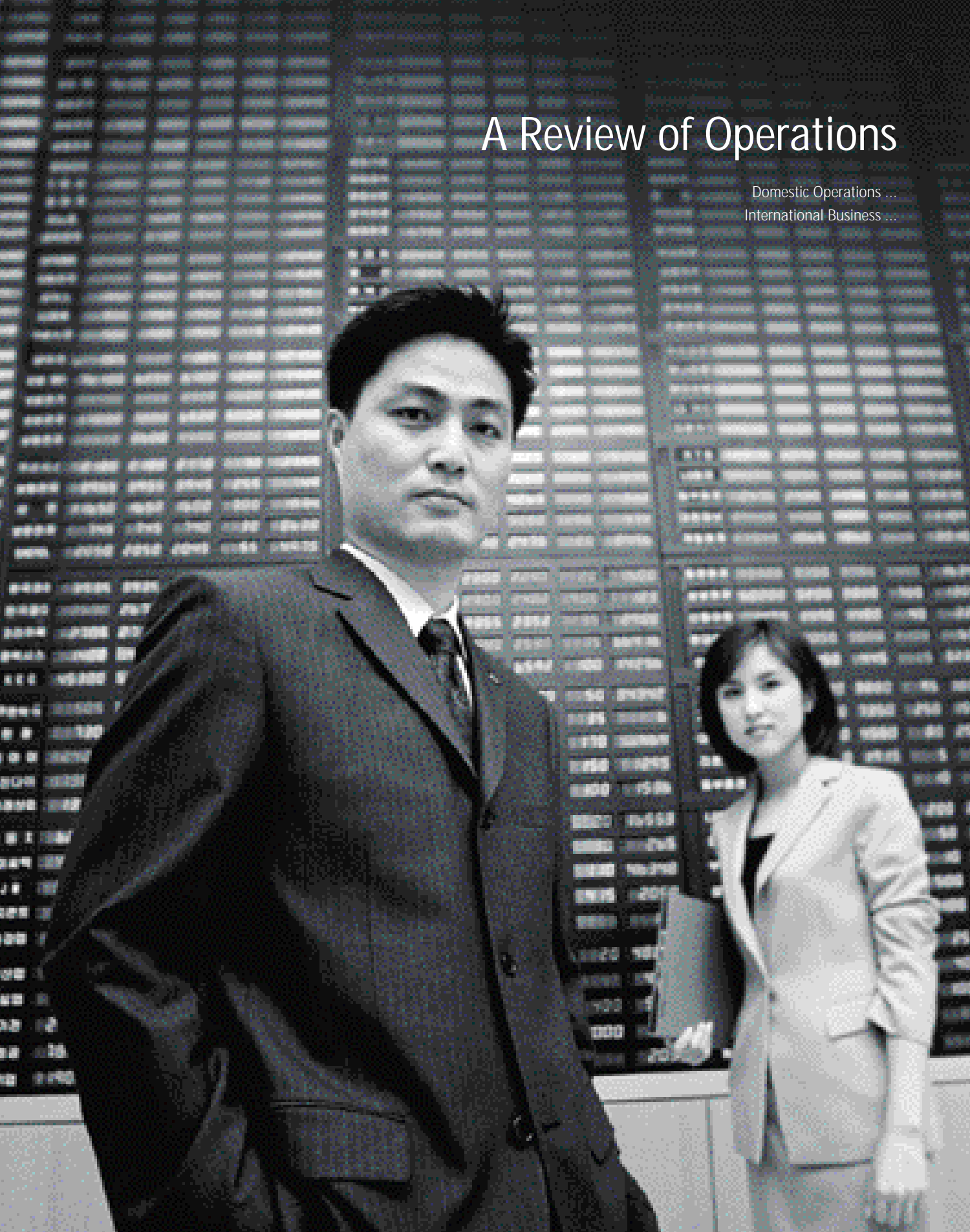
A Review of Operations



Daishin Securities has upheld
a firm presence in the market amid
the dynamic environment
and the changing industry landscape.

A Review of Operations

Domestic Operations ...
International Business ...



Domestic Operations

Brokerage & Online Trading

The combined trading value of stocks, futures and options amounted to 6,321.8 trillion won, representing a 51.1% increase from 2001 (4,185.0 trillion won). Of the total amount, online transactions comprised 3,293.5 trillion won, for a growth of 50.4% from 2001 (2,189.5 trillion won). Online trading value as a percentage of total trading value steadily climbed until 2001 (1.9% in 1998, 19.0% in 1999, 46.6% in 2000, 52.3% in 2001). The figure edged down to 52.1% in 2002 in tandem with the shrinking portion of equity trades conducted online.

Going forward, steady online trading growth is anticipated led by the large brokers, with continued development of online transaction systems, enhanced services, and commission rate reductions. Low transaction fees, easy access to information, swift execution, and the convenient mobile trading system (MTS) should all contribute to expanding the online trading population. Brokers are likely to adopt more aggressive marketing strategies in the face of growing competition, which in turn implies greater benefits for the clients.

Daishin Securities has been a dominant force in the online trading market and has played a vital role in advancing cyber trading in Korea. Since 2000, online transactions as a share of total transactions has exceeded 80% for stocks and hovered at about 90% for futures and options. The company is preparing to emerge as a world-class securities company by building on its 40 years of accumulated know-how, early establishment of IT infrastructure, and development of proprietary technology. Daishin Securities' prowess in online trading is manifested in CYBOS2004. The most widely used trading system by fund managers, analysts and retail investors, CYBOS2004 can support daily concurrent users of 50,000–60,000.

CYBOS2004 has been highly recognized both in Korea and abroad. It has been cited as the best online trading system by the media, overseas evaluation agencies as well as consumer groups. Daishin Securities has received the most accolades in the securities industry every year since the explosive growth of online trading in 1999.

The focus in year 2003 will be on creating high added value for our product offerings such as the integrated middleware INFOWAY and securing additional sources of income in addition to established global standard programs of CYBOS2004 and Cybos Trader. Amid the convergence of the global financial markets, we will strive to establish our systems and products and provide consulting services based on in-house technology, with the aim of securing a firm footing on the international scene. The year 2003 will mark the beginning of Daishin Securities' emergence as the world's leading Internet company.

Along with the development aspect, we will strive to advance educational contents, both online and offline, in order to maximize the functionality of the trading system. We intend to provide all sales personnel with training enabling them to provide educational services to our clients anytime, anywhere. The anticipated benefits are stronger employee-client relations and manifestation of the phrase "once a client, always a client."

Dealing

Fixed Income : Daishin Securities has steadfastly upheld its position as the leading primary dealer in the domestic fixed income securities market since 1999. Through market making and underwriting of government bonds, the Company has played an important role in evolving the government bond market in Korea. Daishin Securities has also strengthened its presence in the secondary market despite intensifying competition. Additionally, an aggressive investment strategy helped the company realize considerable gains from proprietary trading, amid low interest rates and a strong bond market.

Daishin Securities will strive to retain its status as the leading primary dealer of government bonds through active underwriting, open market transactions, and market making. The company will

A Review of Operations

also extend its influence through proprietary trading by assuming positions primarily in benchmark government bonds. The ideal approach to bond dealing appears to be adopting a buy-and-hold strategy focused on government bonds. At the same time, we will also pursue prudent risk management with the use of futures contracts to prepare for the possibility of a temporary hike in interest rates which may transpire if concerns resurface regarding North Korea's nuclear program or credit card bonds.

Equities : Due to the tough market condition in 2001, equity dealing business recorded operating loss of 9.3 billion won despite the excellent performance in KOGAS. In KOGAS alone, the Company earned 23.1 billion won worth operating profit. Compared to average balance of 132.8 billion won throughout the year, the company reduced its equity balance down to 85.6 billion won.

The stock market is expected to rebound in the early part of the second quarter backed by the end of the war in Iraq and abating risk related to the North Korean nuclear standoff. There may be some fluctuation depending on how fast the economy picks up, but an upward trend is foreseen from the third quarter. A liquidity-driven rally is anticipated in the first half of 2003, which should be followed by a fundamental rally in the second half fueled by a revitalizing economy.

Based on the above, we will maintain an interest in stocks that are undervalued relative to their intrinsic value and have sustainable earnings-generating ability. Depending on the IT business cycle, we plan to overweight cyclicals including semiconductors, electronics, and components from the middle of the second quarter.

Futures & Options

The company's total futures and options trading value reached 389.9 trillion won and 16.5 trillion won, respectively in fiscal year 2002. The company conducted risk management based on strict guidelines and adherence to ceilings and developed and upgraded short-term trading techniques and risk management methods. As a result, The company continued posting significant market shares in both market as it held a 8.89% market share in futures market and a 6.10% in options, achieving stable and superior return per contract at the same time.

In 2003, the company will flexibly adjust trading volume and monthly gains to attain performance targets. With advanced short-term trading techniques and continuous training and education on derivatives, the company is confident to promote stable returns through internal risk management in futures and options market.

Underwriting

The Korean financial markets remained listless in 2002, weighed by internal and external uncertainties as well as a weak economy. Along with the sliding stock market, the primary market for securities shrank by 12.66% from 99.37 trillion won in 2001 to 86.79 trillion won in 2002. However, the downward trend of interest rates combined with increased consumer spending more than trebled the issuance of non-conventional bonds, particularly credit card company bonds. The emergence of private consumption as a major economic driver should continue to have considerable influence over the financial markets.

The corporate finance team helps companies raise capital through the issuance of bond and equity securities. In the market for new corporate bond issues, Daishin secured a 5.4% market share in FY 2002 to rank as the 7th place (excluding the Korea Development Bank). Daishin successfully lead managed the bond issuance for prominent companies such as Korean Hydro & Nuclear Power

Company, Korea East-West Power Company, Hyundai Motor, and Shinsegae. In the area of non-conventional bonds, Daishin took part in the issuance of ABS for Daejeon Metropolitan Rapid Transit Corp. and was involved in the issuance of card loan-backed securities that raised 1.5 trillion won for Kookmin Credit Card and KEB Card. We also arranged the ABS issue for Hyundai Petrochemical.

The end of the war in Iraq has cleared much uncertainty, while the expected pickup in private consumption should spur recovery of the domestic economy. Nevertheless, risk factors still linger including repercussions from the SK Global accounting fraud and the North Korean nuclear standoff. While difficulties lie ahead, we also see new opportunities such as the opening of over-the-counter derivatives trading to securities firms and the market for ELS bonds.

In IPO market, with applicants for KOSDAQ listing subject to more stringent approval criteria, the approval rate declined. A total of 271 companies submitted applications in 2002, of which 138 were passed. This represents an approval rate of 45%, which is 21% lower compared to 2001. All in all, 122 (1.12 trillion won) were newly registered in 2002 and Daishin's market share was 1.6% (18.2 billion won). Given the unclear prospects for the stock market, the IPO market is expected to be slow in the first half of 2003.

However, IPO activity should pick up in the second half of the year as the economy passes through the cyclical trough. Especially, we expect the KSE listing and transfer to the KSE from the KOSDAQ to be activated in mid-size enterprises engaged in IT and biotechnology. Thus, we will continuously make efforts finding healthy and promising IPO candidates and strengthen due diligence to minimize market making risk in 2003. We expect the 2003 IPO market to reach 1.01 trillion won and aim to double the market share to 3.3%.

Investment Products

In FY02, short-term investment prevailed due to economic uncertainties at home and abroad. In addition, the introduction of new asset management law and Bancassurance started to abolish the barriers among different financial industries; the competition between financial institutions became even fiercer.

Customers' credit for financial institutions dropped sharply due to the crunch in SK Global and some credit card companies. In addition, the concerns for probable restructuring in investment trust companies in the latter half reduced the overall market deposits. Amid this, the company has been reducing both internal and external risks by systematic risk management and improving profitability to strengthen its overall competitiveness.

As of March 31 in 2003, the company sold financial instruments amounting to 1,641.9 billion won, which include 852.5 billion won of bond-type beneficiary certificate, 682.3 billion won of equity/mixed-type beneficiary certificate, and 107.1 billion won of mutual fund. In 2003, the company will work on systematic marketing strategy according to the short to long-term plans, and also work on reinforcing the selling competence through the development of customer-oriented system and continuous financial instruments education on employees.

A Review of Operations

International Business

Foreign investors decreased their holdings of Korean equities over the past year, amid the risk posed by the North Korea nuclear issue as well as the prolonged global stock market declines led by the U.S. As a portion of total market capitalization on the Korea Stock Exchange, foreign ownership accounted for 35.6% as of the end of March 2003, down from the record high 36.6% recorded a year earlier. During the first four months of 2003, foreign net selling amounted to 1.76 trillion won. The selling has tapered entering May, with efforts to resolve the North Korea nuclear threat and President Roh, Moo-hyun's visit to the U.S. FY2002 was a year of impressive growth for Daishin Securities' international business. The strategy of incorporating our online trading system into our international operations bore fruit as international stock brokerage volume last year expanded by a hefty 124% year-on-year to reach 5.41 trillion won. This growth trend should be sustained with continued efforts to enhance our trading system and services tailored to foreign investors' needs. Despite overseas institutional investors' preference for foreign securities firms, we believe there is demand for our services and will make every effort to capitalize on these opportunities. Going forward, we will offer a wider range of services to our international clients including arbitrage trading and derivative products. This will help diversify our sources of revenue, which at present is mostly derived from stock brokerage activities. We will also maintain our role as a bridge connecting overseas investors to the Korean market and help local businesses attract foreign capital.

Daishin Securities Hong Kong

Daishin Securities Hong Kong serves to reinforce our international operating activities in the financial heart of Asia and pave the way for further expansion overseas. Having posted its first profit in FY 2001, Daishin Securities Hong Kong should see sustained growth in the coming years. Although competition is intensifying, we are confident in our ability to strengthen our foothold with differentiated services and solutions.

Tokyo Representative Office

The Tokyo representative office facilitates Japanese investors' participation in the Korean market and assists Korean venture businesses that are vying to attract Japanese capital. In 1999, the office played an important role in arranging Sumitomo Life Insurance's equity participation in Daishin Investment Trust Management, a subsidiary of Daishin Securities. Another major accomplishment was in April 2000, when it played a vital part in setting up Japan's first fund dedicated to investing in Korean IT since the currency crisis.

Financial Section

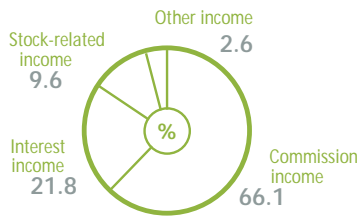
The company is preparing to emerge as a world-class securities company by building on its 40 years of accumulated know-how, early establishment of IT infrastructure, and development of proprietary technology.





Management's Discussion & Analysis

Earnings



Operation revenues breakdown (%)

Operating revenues

The company's total operating revenues decreased by 24.8% YoY to 479.7 billion won in FY02. This is mainly due to the decrease in the commission income, the company's major income source, resulted from the reduction in the overall trading value in the last fiscal year compared to FY01.

While the trading value in the KSE remained almost the same at 609 trillion won in FY02, that in the KOSDAQ plummeted by more than 40% YoY. All in all, the total trading value in the Korean stock markets contracted by 15.3% YoY to 847 trillion won in FY02.

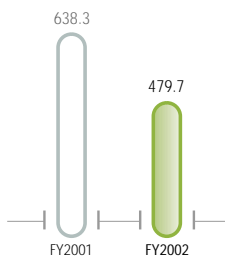
Trading value (Trillions of Korean won)

	FY01	FY02	% YoY
	Apr '01 ~ Mar '02	Apr '02 ~ Mar '03	
KSE	602.1	609.2	1.2%
KOSDAQ	398.3	237.7	-40.3%
Total	1,000.4	846.9	-15.3%

Commission income decreased by 22.6% to 316.9 billion won accounting for 66.1% of operating revenues. The reduction in the commission income is mainly affected by the reduction in the overall trading value, resulted from the lethargic market condition. Relatively, contribution by the commissions from transaction of derivatives including index futures and options increased and accounted for 25% of the total commission income.

Interest income (including gain on customers' deposits) decreased 2.5% YoY to 112.3 billion won. Stock-related income also decreased slightly by 2.3% YoY to 46.2 billion won.

Operating Revenues (Billions of Korean Won)



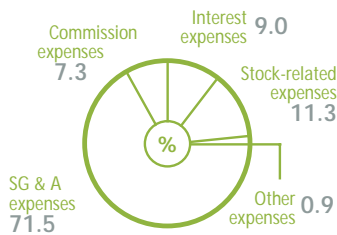
	FY01	FY02
Commission income	409.7	316.9
Interest income	115.2	112.3
Stock-related income	47.3	46.2
Other income	66.1	4.3
Total	638.3	479.7

Management's Discussion & Analysis

Operating expenses

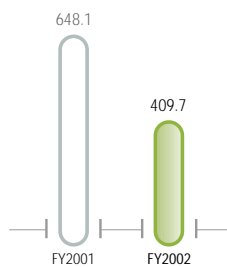
The operating expenses in FY02 plummeted 36.8% to 409.7 billion won due to a great deal of reduction in SG&A expenses. The contraction in the balance in trading securities and conservative risk management due to the sluggish stock market condition reduced the stock-related expenses by 46.1% YoY to 46.5 billion won.

SG&A expenses accounted for the largest 71.5% in total operating expenses. Aided by the sharp decrease in credit loss expenses, SG&A expenses decreased by 38.3% YoY to 292.8 billion won in FY02. In line with the completion of "Clean" of the financial structure in the company for the last two fiscal years, bad debts such as credit loss expenses and provision for allowances for payment guarantees decreased by 193.2 billion won, reducing overall SG&A expenses.



Operating expenses breakdown (%)

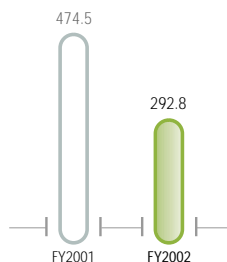
Operating expenses (Billions of Korean Won)



	FY01	FY02
Commission expenses	42.3	29.8
Interest expenses	39.0	36.8
Stock-related expenses	86.2	46.5
Other expenses	6.1	3.8
SG&A expenses	474.5	292.8
Total	648.1	409.7

On the other hand, salaries and employee benefits went up 4.8% YoY to 132.2 billion won. The company sold 5.6 billion won worth of treasury stocks to the employees for free in line with the introduction of ESOP system in the company, which was accounted as salaries.

SG&A (Billions of Korean Won)

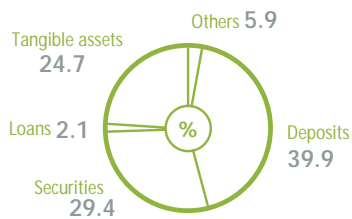


	FY01	FY02
Salaries & employee benefits	126.1	132.2
Computer system operation expenses	28.9	29.8
Miscellaneous commissions	21.0	21.7
Advertising expenses	8.6	7.8
Depreciation	32.9	35.2
Credit loss expenses & others	227.5	34.3
Others	29.5	31.8
Total	474.5	292.8

Net income

As the reduction in operating expenses (36.8%) outpaced that in operating revenues (24.8%), the company's operating income turned to the black at 70.0 billion won in FY02 compared to 9.8 billion won loss in the previous fiscal year. In the non-operating income & loss accounts, all in all, the company lost 14.4 billion won. Even though it earned 14.7 billion won for the rental income and 3.0 billion won for the gain from equity method valuation, the company recorded loss of 19.0 billion won for loss on valuation of investment in stock market stabilization fund. As a result, ordinary income grew by 125.1% to 55.6 billion won while the company saw no extraordinary income or loss. The company's FY02 net income increased by 213.1% YoY to 42.0 billion won.

Financial position



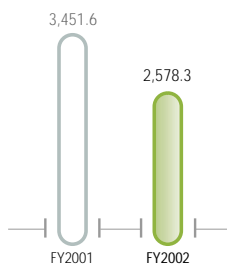
Assets breakdown (%)

Assets

Total assets decreased by 873.3 billion won, or 25.3% YoY to 2,578.3 billion won in FY02. This was largely due to the sharp 44.0% reduction in cash and bank deposits as well as deposits which in sum accounted for 50.6% of total assets in FY01. The proportion of cash and bank deposits and deposits in total assets, thus, contracted to 37.9% in FY02.

While tangible assets remained almost the same, securities holdings increased by 17.8% to 759.3 billion won.

Assets (Billions of Korean Won)

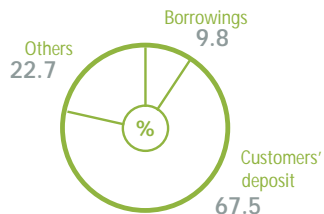


	FY01	FY02
Deposits	1,746.1	977.7
Securities	644.4	759.3
Loans	143.1	54.3
Tangible assets	649.4	635.9
Others	268.7	151.2
Total assets	3,451.6	2,578.3

Note) - Deposits : cash and bank deposits + other deposits + long-term savings
 - Securities : marketable securities + investment securities
 - Loans : loans + long-term loans receivable

Management's Discussion & Analysis

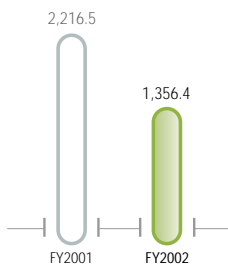
Liabilities and Shareholders' equity



Liabilities breakdown (%)

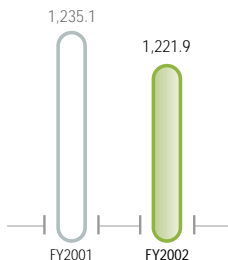
The largest are the customers' deposits in liabilities. The proportion of customers' deposits in total liabilities slightly decreased to 35.5% in FY02 from 38.2% in FY01. The 30.6%, or 404.2 billion won reduction in customers' deposits came mainly from the decrease in the subscribers' deposits by 272.1 billion won.

The reduction in borrowings was even more dramatic. From 598.5 billion won (27.0% of total liabilities), short-term borrowings decreased 77.8% YoY to 133.1 billion won. Its proportion to total liabilities reduced to 5.2%. Other liabilities remained almost flat, and all in all, total liabilities decreased by 38.8% from 2,216.5 billion won previous year to 1,356.4 billion won in FY02.



Liabilities (Billions of Korean Won)

	FY01	FY02
Borrowings	598.5	133.1
Customers' deposit	1,320.2	916.0
Others	297.8	307.3
Total liabilities	2,216.5	1,356.4



Shareholders' equity (Billions of Korean Won)

	FY01	FY02
Paid-in capital	373.9	373.9
Capital surplus	610.4	610.4
Retained earnings	281.9	281.4
Capital adjustment	(31.1)	(43.8)
Total shareholders' equity	1,235.1	1,221.9

On September 16 in 2002, the company implemented a share buyback program with retained earnings. A total of 200,000 shares were bought and subsequently retired. As such, while there was no change in paid-in capital, the number of outstanding common shares decreased to 48,586,400 from 48,786,400.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

English Translation of a Report Originally Issued in Korean

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**Deloitte
Touche
Tohmatsu**

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

We have audited the accompanying non-consolidated balance sheets of Daishin Securities Co., Ltd. as of March 31, 2003 and 2002, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the years 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.

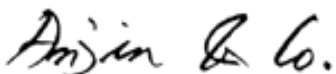
We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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, 2003 and 2002 and the results of its operations, 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).

As explained in Note 19, in 2003 and 2002, the total revenues earned by the Company from affiliated companies amounted to ₩21,897 million and ₩30,320 million, respectively, and the total charges of affiliated companies amounted to ₩12,654 million and ₩32,519 million, respectively. As of March 31, 2003 and 2002, receivables from affiliated companies amounted to ₩136,541 million and ₩144,625 million, respectively, and payables to affiliated companies amounted to ₩8,783 million and ₩14,268 million, respectively.

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 18, 2003



Notice to Readers

This report is effective as of April 18, 2003, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

NON-CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2003 AND 2002

	Millions of Korean Won	
	2003	2002
ASSETS		
CURRENT ASSETS :		
Cash and bank deposits (Notes 3 and 6)	₩ 125,266	₩ 461,542
Korea Securities Finance Corporation deposits (Note 3)	852,444	1,284,532
Trading securities (Notes 4 and 6)	547,440	343,638
Broker's loans, less allowance for doubtful accounts of ₩339 million in 2003 and ₩1,540 million in 2002	53,115	124,151
Short-term loans, less allowance for doubtful accounts of ₩833 million in 2003 and ₩12,822 million in 2002	11	4,635
Accounts receivable from customers, less allowance for doubtful accounts of ₩6,145 million in 2003 and ₩3,619 million in 2002	37,902	99,893
Accrued income, less allowance for doubtful accounts of ₩1,973 million in 2003 and ₩1,737 million in 2002	15,288	24,748
Other current assets (Note 19)	11,956	3,941
Total current assets	1,643,422	2,347,080
NON-CURRENT ASSETS :		
Investment securities, less allowance for doubtful accounts of ₩54,208 million in 2003 and ₩98,061 million in 2002 (Notes 7, 11 and 19)	157,617	202,652
Long-term deposits (Note 3)	41	91
Long-term loans, less allowance for doubtful accounts of ₩67,087 million in 2003 and ₩52,813 million in 2002 (Notes 19 and 23)	7,544	24,723
Guarantee deposits (Note 19)	50,658	55,447
Investment in real estate (Note 8)	11,072	19,962
Other investment assets	11,584	13,794
Tangible fixed assets (Note 9) :		
Land	294,327	290,402
Buildings	308,569	300,945
Vehicles	1,136	925
Furniture and equipment	176,269	173,718
Construction in progress	90	175
Others	876	876
	781,267	767,041
Less : Accumulated depreciation (Note 10)	(145,391)	(117,640)
	635,876	649,401
Advances for customers, less allowance for doubtful accounts of ₩110,065 million in 2003 and ₩104,877 million in 2002 (Note 11)	63,202	96,851
Collective fund for default loss (Note 3)	9,152	8,182
Dishonored bonds and bills receivable, less allowance for doubtful accounts of ₩23,121 million in 2003 and ₩23,742 million in 2002	2,711	2,781
Deferred income tax assets (Note 18)	9,484	63,438
Less : Present value discount (Notes 2 and 11)	(24,056)	(32,771)
Total non-current assets	934,885	1,104,551
Total assets	₩ 2,578,307	₩ 3,451,631

(continued)

NON-CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2003 AND 2002

	Millions of Korean Won	
	2003	2002
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES :		
Call money (Note 12)	₩ 79,900	₩ 510,000
Short-term borrowings (Note 12)	53,249	88,531
Bonds sold under repurchase agreements	94,021	44,718
Customers' deposits (Note 19)	916,002	1,320,219
Income tax payable	543	34,899
Dividends payable (Note 16)	38,229	38,709
Accrued expenses (Note 19)	6,990	9,466
Other current liabilities	143,948	97,981
Total current liabilities	1,332,882	2,144,523
LONG-TERM LIABILITIES :		
Allowance for guarantees	-	54,301
Accrued severance indemnities, net of payments to National Pension Fund of ₩1,677 million in 2003 and ₩1,889 million in 2002 and individual severance deposits of ₩37,763 million in 2003 and ₩36,712 million in 2002 (Note 2)	23,544	17,694
Total long-term liabilities	23,544	71,995
Total liabilities	1,356,426	2,216,518
SHAREHOLDERS' EQUITY :		
Capital stock (Note 14)	₩ 373,932	₩ 373,932
Capital surplus	610,364	610,364
Retained earnings:		
Legal reserve (Note 14)	63,386	59,565
Reserve for loss on securities transactions	19,453	38,907
Voluntary reserve	180,000	180,000
Unappropriated retained earnings (Net income of ₩42,049 million in 2003 and ₩13,432 million in 2002)	18,589	3,415
Capital adjustment (Note 15)	(43,843)	(31,070)
Total shareholders' equity	1,221,881	1,235,113
Total liabilities and shareholders' equity	₩ 2,578,307	₩ 3,451,631
FOOT NOTES :		
Securities in custody (Note 5)	₩ 8,813,304	₩ 11,601,890
Negotiable certificate of deposits in custody	10,000	25,000
Guarantees of bonds	-	84,330
Deposits in foreign currency on exchanges	-	172
Receivable charge-offs	979	1,016

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED MARCH 31, 2003 AND 2002

Millions of Korean Won (Except per share amounts)

	2003	2002
OPERATING REVENUES :		
Commissions received (Note 19)	₩ 316,911	₩ 409,692
Interest income (Note 19)	104,389	115,218
Dividend income (Note 19)	6,195	7,075
Distribution income	494	167
Gain on sale of trading securities	12,916	31,800
Gain on valuation of trading securities	26,583	8,287
Gain on customers' deposits	7,881	-
Gain on derivatives transactions	3,994	5,155
Others	362	60,922
	479,725	638,316
OPERATING EXPENSES :		
Commission expense	29,811	42,335
Interest expense	36,831	39,048
Loss on sale of trading securities	42,490	58,904
Loss on valuation of trading securities	3,969	27,288
Loss on derivatives transactions	3,851	6,054
General and administrative expenses (Notes 19 and 22)	292,753	474,470
	409,705	648,099
OPERATING INCOME (LOSS)	70,020	(9,783)
NON-OPERATING INCOME (EXPENSES) :		
Loss on disposal of tangible fixed assets, net	(2,561)	(45)
Loss on disposal of investment securities, net	(623)	(18,843)
Valuation gain using the equity method, net	3,044	2,824
Gain (loss) on valuation of investment in Stock Market Stabilization Fund	(19,077)	50,569
Loss on foreign exchange translation, net	(1)	-
Rental income (Note 19)	14,704	12,600
Impairment loss on investment securities (Note 7)	(16,799)	-
Gain on recovery of write-offs	120	109
Donations	(128)	(470)
Other, net	6,896	(12,262)
	(14,425)	34,482
ORDINARY INCOME	55,595	24,699
EXTRAORDINARY ITEMS	-	-
INCOME BEFORE INCOME TAX	55,595	24,699
INCOME TAX EXPENSE (Note 18)	13,546	11,267
NET INCOME	42,049	13,432
ORDINARY INCOME (LOSS) PER COMMON SHARE (Note 2)	547	(18)
NET INCOME (LOSS) PER COMMON SHARE (Note 2)	547	(18)

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

FOR THE YEARS ENDED MARCH 31, 2003 AND 2002

	Millions of Korean Won	
	2003	2002
RETAINED EARNINGS BEFORE APPROPRIATIONS :		
Unappropriated retained earnings carried over from prior years	₩ 3,415	₩ 31,966
Adjustments to investment securities using the equity method (Note 7)	-	(8,619)
Net income	42,049	13,432
	45,464	36,779
TRANSFER FROM VOLUNTARY RESERVES AND OTHERS :		
Reserve for loss on securities transactions	19,453	9,199
	64,917	45,978
APPROPRIATIONS :		
Legal reserve (Note 14)	3,821	3,869
Loss on disposal of treasury stock	138	-
Retirement of treasury stock	4,159	-
Dividends (Note 16)	38,210	38,694
	46,328	42,563
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩ 18,589	₩ 3,415

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2003 AND 2002

	Millions of Korean Won			
	2003		2002	
CASH FLOWS FROM OPERATING ACTIVITIES :				
Net income	₩	42,049	₩	13,432
Addition of expenses not involving cash outflows :				
Loss on disposal of trading securities		42,490		58,904
Loss on valuation of trading securities		3,969		27,288
Loss on derivatives transaction		3,851		6,054
Provision for possible loan losses		34,274		187,326
Depreciation		35,206		32,878
Loss on disposal of tangible assets		2,604		63
Loss on investment securities impairment		16,799		-
Loss on disposal of investment securities		860		19,733
Loss on valuation using the equity method		-		1,786
Loss on valuation of investment in Stock Market Stabilization Fund		19,077		-
Provision for guarantees		-		40,200
Provision for severance indemnities		14,461		19,203
		173,591		393,435
Deduction of revenues not involving cash inflows :				
Gain on disposal of trading securities		12,916		31,800
Gain on valuation of trading securities		26,583		8,287
Gain on derivatives transaction		3,994		5,155
Gain on disposal of tangible assets		43		18
Gain on valuation using the equity method		3,044		4,610
Transfer from reserve for possible loan losses		-		58,539
Amortization of present value discount		2,135		6,511
Gain on disposal of investment securities		237		891
Gain on valuation of investment in Stock Market Stabilization Fund		-		50,569
Gain on valuation of reserve for claims of customers' deposits		7,881		-
Reversal of allowance for possible losses on acceptances and guarantees		363		2,383
		57,196		168,763
Changes in assets and liabilities resulting from operations :				
Decrease (increase) in deposits	₩	439,969	₩	(639,614)
Increase in trading securities		(210,762)		(49,534)
Decrease (increase) in loans		72,237		(108,659)
Decrease (increase) in short-term loans		16,612		(12,999)
Decrease (increase) in receivables		59,609		(69,695)
Decrease in accrued income		9,224		3,179
Decrease (increase) in advanced payments		(6,080)		9,679
Decrease (increase) in prepaid expenses		350		(92)

(continued)

NON-CONSOLIDATED CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2003 AND 2002

	Millions of Korean Won	
	2003	2002
Changes in assets and liabilities resulting from operations(continued) :		
Increase in other current assets	(2,284)	-
Decrease (increase) in investment securities	(12,967)	24,908
Decrease in advances for customers	16,830	77,146
Decrease in dishonored bills received	690	-
Decrease (increase) in deferred income tax assets	53,955	(38,243)
Increase (decrease) in customers' deposits	(404,217)	575,704
Increase (decrease) in accrued income tax	(34,355)	24,472
Increase (decrease) in accrued expenses	(2,476)	766
Increase (decrease) in withholding income tax	815	(3,739)
Decrease in unearned income	(93)	(901)
Decrease in other current liabilities	(4)	(5)
Decrease in deposits of insurance for severance and retirement benefits	(1,051)	(6,876)
Increase in National Pension Fund for severance and retirement benefits	212	201
Payment of severance indemnities	(7,772)	(5,271)
Others	-	(900)
	(11,558)	(220,473)
	146,886	17,631
CASH FLOWS FROM INVESTING ACTIVITIES :		
Cash inflows from investing activities		
Proceeds from disposal of tangible fixed assets	₩ 207	₩ 1,258
Collection of long-term deposits	50	1,528
Collection of long-term loans	2,906	3,091
Refund of guarantees	17,853	6,398
Proceeds from sale of investment real estate	6,617	-
Proceeds from disposal of other investment asset	4,405	28
Others	34	28
	32,072	12,331
Cash outflows from investing activities		
Payment of long-term deposits	-	1,523
Extension of long-term loans	-	1,282
Payment of guarantees	13,063	3,699
Acquisition of investment real estate	3	7
Acquisition of other investment asset	2,195	1,990
Acquisition of tangible fixed assets	22,175	58,362
Others	1,003	1,880
	38,439	68,743
	(6,367)	(56,412)

(continued)

NON-CONSOLIDATED CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2003 AND 2002

	Millions of Korean Won	
	2003	2002
CASH FLOWS FROM FINANCING ACTIVITIES :		
Cash inflows from financing activities		
Proceeds from short-term borrowings	₩ -	₩ 76,498
Proceeds from rent deposits	26,065	24,018
Proceeds from call money	-	440,000
Proceeds from bonds sold under resale agreements	49,303	11,290
Proceeds from accounts payable	30,600	21,130
Proceeds from deposits received for margin accounts	2,022	7,085
Disposal of treasury stock	18,676	-
	126,666	580,021
Cash outflows from financing activities		
Payment of accounts payable	47,547	19,440
Payment of call money	430,100	-
Repayment of short-term borrowings	35,282	-
Payment of dividends	38,690	57,386
Repayment of deposits received for margin accounts	3,976	5,216
Repayment of rent deposits	13,244	7,449
Acquisition of treasury stock	34,622	-
	603,461	89,491
	(476,795)	490,530
NET INCREASE (DECREASE) IN CASH AND BANK DEPOSITS	(336,276)	451,749
CASH AND BANK DEPOSITS, AT THE BEGINNING OF THE YEAR	461,542	9,793
CASH AND BANK DEPOSITS, AT THE END OF THE YEAR	₩ 125,266	₩ 461,542

See accompanying notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2003 AND 2002

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, 2003 amounted to ₩373,932 million and its primary shareholders are Yang, Hye Moon (8.25 percent) and Daishin Life Insurance Co., Ltd. (7.45%). The head office of the Company is in Seoul and has 115 domestic branches, an overseas branch in Tokyo and a foreign subsidiary in Hongkong.

In response to general unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, 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 Company may be either directly or indirectly affected by these general unstable economic conditions and the reform program described above. The accompanying financial statements reflect management's 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 (₩1,252.90 to US\$1.00 at March 31, 2003) 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.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2003 AND 2002

The details of the classification of loans and the corresponding allowance provided as of March 31, 2003 and 2002 are as follows:

	Millions of Korean Won			
	2003		2002	
	Loans	Allowance	Loans	Allowance
Normal	₩ 101,020	₩ 505	₩ 248,159	₩ 1,241
Precautionary	27,848	557	70,169	1,403
Substandard	40,457	15,665	46,890	9,378
Doubtful	152,266	135,746	209,250	175,220
Loss	111,300	111,299	111,969	111,969
	₩ 432,891	₩ 263,772	₩ 686,437	₩ 299,211
Present value discount	(24,056)		(32,771)	
Total	₩ 408,835		₩ 653,666	

Restructuring of loans

Loans, whose contractual terms are modified in a troubled debt restructuring due to mutual agreements such as commencement of reorganization, court mediation and workout plans, are accounted for at the present value of expected future cash flows, if book value of the loans differs from the present value. The difference between book value and present value is offset against the allowance for possible loan losses, and 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,

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

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

Debt securities held for investment are classified as either held-to-maturity investment debt securities or available for sale investment debt securities at the time of purchase. Held-to-maturity debt securities are stated at acquisition cost, as determined by the moving average method. When the face value of a held-to-maturity investment debt security differs from its acquisition cost, the effective interest method is applied to amortize the difference over the remaining term of the security. Available-for-sale investment debt securities are stated at fair value, with the resulting valuation gain or loss reported as a capital adjustment within shareholders' 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 :

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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 that would be payable assuming that all eligible employees were to resign amount to ₩62,984 million and ₩56,295 million as of March 31, 2003 and 2002, respectively. Actual payment of severance indemnities amounted to ₩7,772 million and ₩5,270 million in 2003 and 2002, 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 ₩37,763 million and ₩36,712 million as of March 31, 2003 and 2002, 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 ₩1,677 million and ₩1,889 million as of March 31, 2003 and 2002, 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 to the Fund.

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 in accordance with the previous laws should be reversed for 3 years except for offsetting a future deficit or capitalization.

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).

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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 (48,278,061 shares in 2003 and 48,786,400 shares in 2002, respectively) outstanding during the year.

3. RESTRICTED DEPOSITS :

Restricted due from banks in local currency and foreign currencies as of March 31, 2003 and 2002 are as follows :

	Millions of Korean Won	
	2003	2002
KSFC deposits	₩ 852,444	₩ 1,284,532
Long-term deposits	41	91
Surety guarantee	1	1
Collective fund for default loss	9,152	8,182
Total	₩ 861,638	₩ 1,292,806

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, 2003 and 2002 consist of the following :

	Millions of Korean Won	
	2003	2002
Stocks	₩ 77,056	₩ 112,609
Korean government and public bonds	295,966	97,464
Domestic Korean corporate bonds	45,558	39,705
Beneficiary certificates	110,860	74,572
Negotiable commercial papers	18,000	19,000
Bonds in foreign currencies	-	288
Total	₩ 547,440	₩ 343,638

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Acquisition cost of Korean government and public bonds and domestic Korean corporate bonds excluded the amount of accrued interest on bonds (₩6,370 million and ₩3,272 million as of March 31, 2003 and 2002, respectively). Stocks and beneficiary certificates are valued to fair value as of March 31, 2003 and 2002. Trading debt securities are valued using the average of earning rate[s1m1] from rating agency.

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, 2003 and 2002 are as follows :

	Millions of Korean Won	
	2003	2002
Trustor securities in custody	₩ 7,119,695	₩ 9,587,820
Saver securities in custody	97,795	194,582
Beneficiary securities in custody	1,587,842	1,814,589
Others	7,972	4,899
	₩ 8,813,304	₩ 11,601,890

6. ASSETS DENOMINATED IN FOREIGN CURRENCIES :

Assets denominated in foreign currencies as of March 31, 2003 and 2002 consist of the following :

Description	Foreign currencies		Millions of Korean Won	
	2003	2002	2003	2002
Assets :				
Deposits	US\$ 518.13	US\$ 14,281.68	₩ 1	₩ 19
	JPY 2,040,146	JPY 1,013,736	21	10
	CHF 625.00	-	1	-
			23	29
Bonds in foreign currency	-	US\$ 250,000	-	288
			₩ 23	₩ 317

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

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7. INVESTMENT SECURITIES :

Investment securities as of March 31, 2003 and 2002 consist of the following :

	Millions of Korean Won	
	2003	2002
Investment equity securities	₩ 39,881	₩ 39,660
Investments in capital	37,312	77,960
Corporate bonds	18,387	41,250
Beneficiary certificate	20,158	-
Equity investments in affiliates	41,858	42,816
Others	21	966
	₩ 157,617	₩ 202,652

(1) Investment equity securities owned by the Company as of March 31, 2003 and 2002 consist of the following :

Investees	Millions of Korean Won			
	2003		2002	
	Acquisition cost	Book value	Acquisition cost	Book value
Listed :				
Sinho Paper Manufacturing Co.	₩ 556	₩ 32	₩ 556	₩ 119
Sinwon Co.	24,580	1,091	20,481	5,223
Chungnam Spinning Co.	3,064	1,042	4,214	4,024
Taechang Company Ltd.	7,309	431	7,559	748
KP Chemical	1,460	695	-	-
Kabool Co.Ltd.	4,255	10	-	-
Namsun Aluminium Co.	1,377	905	-	-
	42,601	4,206	32,810	10,114
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
Ecomaister Co.	1,250	1,250	1,250	1,250
Songchon Construction Co., Ltd.	4,835	4,835	-	-
Micro Science Tech Co., Ltd.	675	675	675	675
IGLOO Security, Inc.	3,000	3,000	3,000	3,000
KIDB Co., Ltd.	500	500	500	500
Korea Securities Computer Corp.	291	291	291	291
Others	20,328	6,017	18,223	4,723
	49,986	35,675	43,046	29,546
	₩ 92,587	₩ 39,881	₩ 75,856	₩ 39,660

Others included various petty sum of equity securities and the Company has recognized impairment loss on these investment securities.

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(2) Investments in capital as of March 31, 2003 and 2002 consist of the following :

Investees	Millions of Korean Won			
	2003		2002	
	Acquisition cost	Book value	Acquisition cost	Book value
Investments in capital :				
The Stock Market Stabilization Fund	₩ 53,489	₩ 34,412	₩ 24,491	₩ 75,060
Korea Stock Exchange	2,650	2,650	2,650	2,650
Others	250	250	250	250
	₩ 56,389	₩ 37,312	₩ 27,391	₩ 77,960

Investments in capital are stated at cost using the moving average method except for the Stock Market Stabilization Fund, which is valued at the Company's share in the investee's net assets. The difference between book value and the Company's share in the investee's net assets is reflected in current operations. The change in the Company's portion of an investee's net equity resulting from a change in an investee's net equity is recorded in the non-operating income, retained earnings and capital adjustments (See Note 2).

(3) Corporate bonds as of March 31, 2003 and 2002 consist of the following :

Investees	Millions of Korean Won			
	2003		2002	
	Acquisition cost	Book value	Acquisition cost	Book value
Private placement corporate bonds :				
Daishin Factoring Co. CB	₩ 10,000	₩ 10,000	₩ 10,000	₩ 10,000
Kohap Co. CB	15,851	15,851	15,851	15,851
Songchon Construction Co. CB	-	-	55,000	55,000
Chungnam Spinning Co. CB	4,845	4,845	4,845	4,845
Others	4,879	4,879	16,756	16,756
	35,575	35,575	102,452	102,452
Guaranteed corporate bonds :				
Chungnam Spinning Co.	9,300	9,300	9,300	9,300
Kohap Co.	7,041	7,041	8,000	8,000
Namsun Aluminum Co.	2,373	2,373	4,757	4,757
Kabool Co.Ltd	15,177	15,177	4,500	4,500
Others	3,123	3,123	-	-
	37,014	37,014	26,557	26,557
	72,589	72,589	129,009	129,009
Less : allowance of doubtful accounts		(54,202)		(87,759)
		18,387		41,250

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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, 2003 and 2002 consist of the following:

	2003 Percentage of ownership	Millions of Korean Won			
		2003		2002	
		Acquisition cost	Book value	Acquisition cost	Book value
Daishin Investment Trust					
Management Co., Ltd.	81.00%	₩ 25,080	₩ 34,107	₩ 25,080	₩ 33,493
Daishin Factoring Co., Ltd.	33.25%	20,805	-	20,805	-
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.	7.45%	10,755	945	10,755	2,464
Daishin Development & Finance Co., Ltd.	0.67%	208	72	208	125
		₩ 77,937	₩ 41,858	₩ 77,937	₩ 42,816

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, 2003 and 2002 consist of the following :

	Millions of Korean Won			
	2003		2002	
	Acquisition cost	Book value	Acquisition cost	Book value
Songchon Construction Co. CP	₩ -	₩ -	₩ 11,241	₩ 11,241
Daewoo Motor Co. CP	27	27	27	27
	27	27	11,268	11,268
Less :				
Allowance for doubtful account	-	(6)	-	(10,302)
	₩ 27	₩ 21	₩ 11,268	₩ 966

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(6) Loss on valuation of investment securities as of March 31, 2003 and 2002 consist of the following :

	Millions of Korean Won	
	2003	2002
Equity securities	₩ (22,248)	₩ (22,695)
Stocks of affiliated company	(9,946)	(8,375)
	₩ (32,194)	₩ (31,070)

8. INVESTMENT IN REAL ESTATE :

Investment in real estate as of March 31, 2003 and 2002 consist of the following :

	Millions of Korean Won	
	2003	2002
Land	₩ 11,072	₩ 17,133
Buildings	-	2,829
	₩ 11,072	₩ 19,962

9. INSURED ASSETS :

As of March 31, 2003, property, plant and equipment are insured for ₩116,272 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 ₩870,018 million.

10. ACCUMULATED DEPRECIATION OF TANGIBLE FIXED ASSETS :

Accumulated depreciation of tangible fixed assets as of March 31, 2003 and 2002 is as follows :

	Millions of Korean Won	
	2003	2002
Building	₩ 28,935	₩ 21,338
Vehicles	499	656
Furniture and equipment	115,080	94,769
Others	877	877
	₩ 145,391	₩ 117,640

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11. PRESENT VALUE DISCOUNT :

(1) Present value discount as of March 31, 2003 consists of the following (Unit : Won in millions) :

Description	Discount rate (%)	Loans	Present value discount
Corporate bonds :			
Sungwon Corporation	10.0	₩ 1,600	₩ 128
Kia Steel Co., Ltd.	10.0	1,589	539
Dasan Electron Co., Ltd.	10.0	691	184
Miju Steel Mfg.Co., Ltd.	10.5	1,351	89
Namsun Aluminum Co.	10.0	2,372	73
		7,603	1,013
Advances for customers			
Jindo Co., Ltd.	10.0	3,381	2,794
Dainong Co., Ltd.	11.0	11,868	3,826
Nasan Co., Ltd.	12.0	8,756	2,690
Nasan Construction Co., Ltd.	12.0	18,231	8,729
Donghae Pulp Co., Ltd.	10.5	4,578	1,317
Etronics Corp.	10.0	5,848	1,997
Others	8.5~13.0	13,047	1,690
		65,709	23,043
		₩ 73,312	₩ 24,056

(2) Present value discount as of March 31, 2002 consists of the following (Unit : Won in millions) :

Description	Discount rate (%)	Loans	Present value discount
Corporate bonds :			
Chungnam Spinning Co.	10.0	₩ 4,845	₩ 837
Shinho Paper Manufacturing Co.	10.0	2,713	458
Sungwon Corporation	10.0	1,600	262
Midopa Co.	9.0	7,112	107
Kia Steel Co., Ltd.	10.0	1,589	642
Namsun Aluminum Co.	10.5	4,757	128
		22,616	2,434
Advance for customers			
Shinwon Construction Co., Ltd.	16.0	13,764	7,884
Dainong Co., Ltd.	11.0	14,035	3,342
Nasan Co., Ltd.	12.0	8,756	3,260
Nasan Construction Co., Ltd.	12.0	18,231	9,747
Donghae Pulp Co., Ltd.	10.5	4,578	1,542
Etronics Corp.	10.0	5,848	2,255
Others	8.5~13.0	12,621	2,306
		77,833	30,336
		₩ 100,449	₩ 32,771

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12. BORROWINGS :

Borrowings as of March 31, 2003 and 2002 are as follows :

		Millions of Korean Won			
Description	Financial institution	Annual interest rate(%)	2003	2002	
Call money	PLUS Asset Management Co., Ltd. and others	4.1~4.5	₩ 79,900	₩ 510,000	
Short-term borrowings :					
Borrowings from KSFC	KSFC	1.26~4.5	₩ 53,249	₩ 88,531	
			₩ 133,149	₩ 598,531	

13. ALLOWANCE FOR ACCEPTANCES AND GUARANTEES :

The classification of allowance for acceptances and guarantees as of March 31, 2003 is as follows (Unit : Won in millions) :

	Normal	Precautionary	Substandard	Doubtful	Estimated 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

14. SHAREHOLDERS' EQUITY :

(1) Capital stock

Authorized shares	Par value	Issued and outstanding at March 31, 2003		
		Description	Shares	Amount
200,000,000	₩ 5,000	Common stock	48,586,400	₩ 243,932million
	5,000	Preferred stock	26,000,000	130,000 million
			74,586,400	₩ 373,932 million

On September 16, 2002, the Company retired its treasury stock of 200 thousand shares through a resolution at the general meeting of shareholders held on May 25, 2002. Due to the retirement of the treasury stock, per share of issued shares is ₩5,021 as of March 31, 2003.

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.

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The Company has issued non 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

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 in accordance with the previous laws should be reversed for 3 years except for offsetting a future deficit or capitalization (see Note 2).

(3) Legal reserve

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

(4) Treasury Stock

The Company repurchased treasury stock of 2,000 thousand shares for ₩30,463,000 thousand through a resolution at the meeting of Board of Directories for employee stock ownership association. The Company sold treasury stock of 864,640 shares and contributed 370,560 shares to employee stock ownership association on March 24, 2003.

15. CAPITAL ADJUSTMENT

Capital adjustment as of March 31, 2003 and 2002 consists of the following :

	Millions of Korean Won	
	2003	2002
Treasury stock (Note 14)	₩ (11,649)	₩ -
Loss on valuation of investment securities (Note 7)	(32,194)	(31,070)
	₩ (43,843)	₩ (31,070)

16. DIVIDENDS :

(1) The Company's dividends proposed for 2003 are as follows :

	Shares	Par value	Dividend rate	Millions of Korean Won
Common stock	47,821,506	₩ 5,000	10%	₩ 23,910
Preferred stock	26,000,000	₩ 5,000	11%	14,300
				₩ 38,210

Dividends payable includes ₩19 million prior years' unpaid dividends.

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(2) In 2003, the dividends to net income and year-end stock price ratios are as follows :

Dividends	Net income	Dividends to net income ratio
₩ 38,211 million	₩ 42,049 million	91%

	Dividend per share	Stock price	Dividend per share to stock price ratio
Common stock	₩ 500	₩ 14,350	3.48%
Preferred stock	₩ 550	₩ 6,210	8.86%

17. DERIVATIVE INSTRUMENTS :

The financial derivatives as of March 31, 2003 and 2002 are as follows :

Type	Millions of Korean Won			
	2003		2002	
	Gain	Loss	Gain	Loss
Index forwards	₩ 3,773	₩ 3,426	₩ 3,759	₩ 3,077
Index options	3	3	555	452
CD interest forwards	218	422	841	2,526
	₩ 3,994	₩ 3,851	₩ 5,155	₩ 6,055

18. INCOME TAX EXPENSE AND DEFERRED INCOME TAXES :

The Company is subject to Korean corporation income tax at 15 percent of the first ₩100 million of taxable income and 27 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 24.36 percent and 45.60 percent in 2003 and 2002, 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	Millions of Korean Won	
	2003	2002
Income tax currently payable	₩ -	₩ 41,139
Changes in deferred income taxes due to:		
temporary differences	13,546	(29,872)
Income tax expense	₩ 13,546	₩ 11,267

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In 2003 and 2002, the differences between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea are as follows :

Description	Millions of Korean Won	
	2003	2002
Income before income tax	₩ 55,595	₩ 24,699
Permanent differences	(12,508)	(7,525)
Temporary differences	(63,694)	116,434
Taxable income	₩ (20,607)	₩ 133,608

The changes in accumulated temporary differences in 2003 and 2002 are as follows :

Description	Millions of Korean Won	
	2003	2002
Beginning of year, net	₩ 162,531	₩ 81,803
Changes in the current year, net	(130,600)	131,794
End of year, net	₩ 31,931	₩ 213,597

Deferred income tax assets as of March 31, 2003 and 2002 are computed as follows :

Description	Millions of Korean Won	
	2003	2002
Accumulated temporary differences, net	₩ 31,931	₩ 213,597
Statutory tax rate (%)	29.7	29.7
Deferred income tax assets	₩ 9,484	₩ 63,438

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, 2003, the Company believes the deferred income tax assets of ₩9,484 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.

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19. RELATED PARTY TRANSACTIONS :

Significant transactions with related parties in 2003 and 2002 are as follows :

Related party	Description	Millions of Korean Won	
		2003	2002
Daishin Investment Trust Management Co., Ltd.	Brokerage commissions on beneficiary certificates	₩ 6,823	₩ 11,971
	Dividends	2,430	2,400
	Rental income	120	110
	Accrued commissions	1,187	1,567
	Customers' deposits	169	72
	Deposits for rent	886	886
Daishin Factoring Co., Ltd.	Purchase of land and buildings	-	1,480
	Rental income	3	977
	Interest income	2,533	2,520
	Corporate bonds	10,000	10,000
	Dishonored bills receivable	25,375	26,065
	Accrued interest	1,074	1,074
Daishin Life Insurance Co., Ltd.	Rental income	1,484	1,713
	Interest income	7,961	10,156
	Long-term loans	70,000	70,000
	Guarantee deposits	1,473	1,386
	Insurance deposit for accrued severance benefits	25,899	27,005
	Deposits for rent	6,036	8,524
	Accrued interest	1,073	1,098
	Customers' deposits	-	4
Daishin Economic Research Institute	Rental income	129	119
	General and administrative expenses	7,006	6,503
	Accrued expenses	432	245
	Deposits for rent	956	956

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2003 AND 2002

Related party	Description	Millions of Korean Won	
		2003	2002
Daishin Information & Communication Co., Ltd.	Rental income	₩ 10	₩ 13
	Interest income	333	175
	General and administrative Expenses	5,648	8,270
	Purchases of tangible fixed Assets	-	16,266
	Corporate bonds	-	3,408
	Accrued interest	-	86
	Deposits for rent	6	6
	Accrued expenses	298	30
	Customers' deposits	-	3,546
Daishin Development & Finance	Interest income	73	167
	Accounts receivable	460	2,937

In 2003 and 2002, the total revenues earned by the Company from affiliated companies amounted to ₩ 21,897 million and ₩ 30,320 million, respectively, and the total charges of affiliated companies amounted to ₩12,654 million and ₩32,519 million, respectively. As of March 31, 2003 and 2002, receivables from affiliated companies amounted to ₩136,541 million and ₩144,625 million, respectively, and payables to affiliated companies amounted to ₩8,783 million and ₩14,268 million, respectively. As of March 31, 2002, the Company has long-term loans from Daishin Life Insurance Co., Ltd. amounting to ₩70,000 million for which an allowance for doubtful accounts of ₩66,500 million has been provided.

20. CONTINGENCIES AND COMMITMENTS :

(1) The Company has provided government and public bonds (face value of ₩43,265 million) and listed shares (market value of ₩40,380 million) as collateral for reserve for future transaction to Korea Stock Exchange. Additionally, the Company has pledged bonds amounting to ₩24,000 million as collateral for bonds under resale agreement.

(2) Promissory notes :

As of March 31, 2003, the Company has provided KSFC with promissory notes, 4 blank notes and a ₩1,197,251 million note, as collateral for borrowings and securities transactions.

21. PENDING LITIGATION :

Certain customers of the Company have filed 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 ₩6,765 million. The management of the Company believes that the ultimate resolution of the litigation will not materially affect the Company's financial position.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2003 AND 2002

22. GENERAL AND ADMINISTRATIVE EXPENSES :

General and administrative expenses in 2003 and 2002 are as follows :

	Millions of Korean Won	
	2003	2002
Salaries	₩ 49,230	₩ 39,930
Provision for severance indemnities	14,461	19,202
Other employee benefits	68,517	66,958
Computer system operating expenses	29,772	28,903
Rent	6,022	6,049
Commissions	21,746	21,034
Entertainment	1,692	1,999
Advertising	7,752	8,647
Depreciation	35,206	32,878
Research	1	39
Training	419	489
Bad debts written off	34,273	187,326
Provision for allowances for guarantees	-	40,199
Taxes and dues	5,108	3,741
Others	18,554	17,076
	₩ 292,753	₩ 474,470

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 ₩68,517 million for employee welfare for the year ended March 31, 2003. In addition, the Company's long-term loans to employees for housing amounted to ₩958 million as of March 31, 2003.

24. SUPPLEMENTARY INFORMATION FOR COMPUTATION OF VALUE ADDED :

The accounts and amounts needed for calculation of value added in 2003 and 2002 are as follows :

	Millions of Korean Won	
	2003	2002
Ordinary income	₩ 55,595	₩ 24,699
Labor costs	132,208	126,089
Rent	6,022	6,049
Taxes and dues	5,108	3,741
Depreciation	35,206	32,878
	₩ 234,139	₩ 193,456

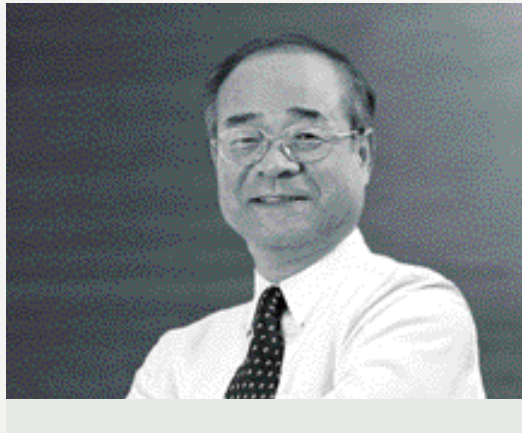
CEO & Presidents

The company has been making a great deal of efforts to become a “Clean Company” by constantly reducing non-performing assets and securing management transparency.

Yang, Hye Moon
Chairman of the Daishin Group



Kim, Dae Song
Daishin Securities CEO & President

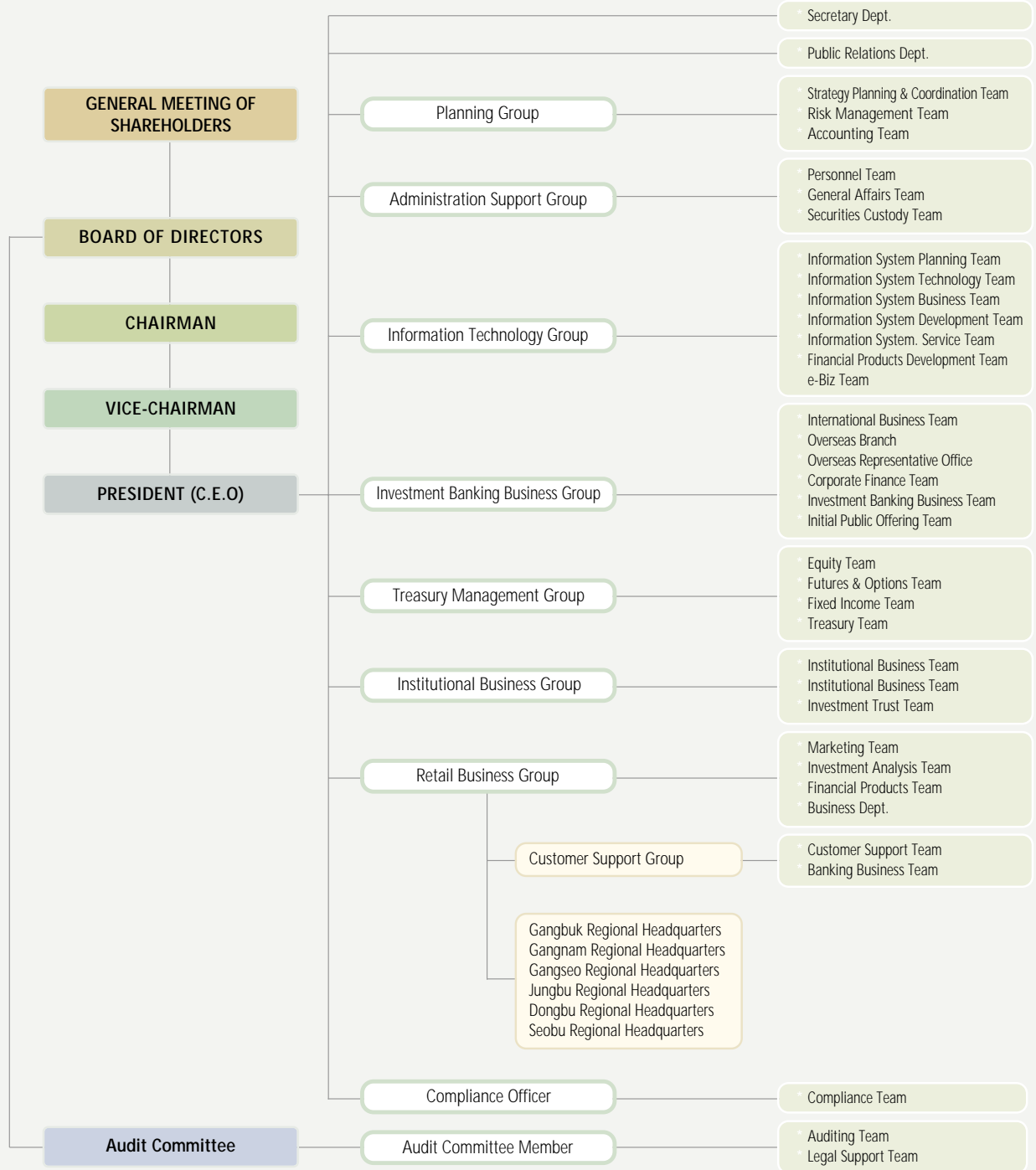


Ra, Young Ho
DERI CEO & President



Ro, Chung Nam
DITM CEO & President

Organization Chart



Introduction to Daishin Affiliates

>> DAISHIN INVESTMENT TRUST MANAGEMENT

Daishin Investment Trust Management Co., Ltd. (DITM) is a specialized asset management company providing investment trust management, investment advisories, overseas investment advisories, and asset management for securities investment companies. It was originally established as Daishin Investment Advisory in March 1988. In October 1988, DITM was registered with the SFC. It attracted capital from internationally recognized Sumitomo Life Insurance in August 1999. To ensure stability in a rapidly changing investment environment, DITM has in place a systematic risk management framework and an independent compliance officer system directly under the control of the CEO. The company is constantly seeking to develop new financial products to meet customer needs. It returned to more analytical financial techniques with the development of DAISYS2002, a system trading tool for superior asset management. Despite challenging market conditions, DITM posted 3.8 billion won in net income and paid an 8% dividend in FY 2002. The company has contracts with 35 domestic sales companies for fund marketing and has extended its business scope by attracting the Korea Active Fund, an overseas investment fund.

34-8 Yoido-dong, Youngdungpo-gu, Seoul 150-884, 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 asset 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 institute 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 thick tank.

34-8 Yoido-dong, Youngdungpo-gu, Seoul 150-884, Korea

>> DAISHIN SONGCHON FOUNDATION

The Songchon Foundation was the first purely cultural foundation to be established by a Korean securities company. Headed by Mr. Yang Jae-bong (honorary chairman of the Daishin Group), the foundation has been guided by the underlying principle of returning wealth to society throughout its 13-year history since 1990. The foundation's roots can be traced back to the Songchon Scholarship Program started in 1976. Initially launched with a 100 million won donation from Mr. Yang Jae-bong, the foundation's assets have now ballooned to 14 billion won thanks to contributions from Daishin affiliates. At the onset, the foundation provided scholarships to underprivileged students and grants to academic/research organizations. The scope of giving was broadened in 1996 with the addition of financial assistance for those who could not afford the cleft lip surgery. In 1997, the foundation launched a campaign to aid child-headed households in conjunction with Gwangju Broadcasting (in which the foundation has stake) and has committed 20 million won annually to this endeavor.

As of the end of last year, the foundation has given 1.57 billion won in scholarships to 2,273 students and 145 million won in academic grants. A total of 360 children have received surgery for cleft lip, restoring smiles to the faces of the children and their families. The foundation remains committed to the principle of returning wealth to the community. We will continue to reach out to the underprivileged while striving to promote high ethical and moral standards.

3-1 Joongang-dong, Naju-shi, Jeollanam-do, Korea

Corporate Information

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Tel 82-2-769-2000, Fax 82-2-769-2810
www.daishin.co.kr

>> ESTABLISHED

June 20, 1962

>> NUMBER OF DOMESTIC BRANCHES

113 (as of the end of March 2003)

>> EMPLOYEES

2,045

>> PAID-IN CAPITAL

373.9 billion won

>> TOTAL SHAREHOLDERS' EQUITY

1,221.9 billion won


>> OVERSEAS NETWORK

▪ Daishin Securities Hong Kong

22nd Fl., St. George's Bldg., 2 Ice House Street, Hong Kong
Tel 852-2877-8661, Fax 852-2596-0488

▪ Tokyo Representative Office

6th Fl., Shinmitsuke Bldg., 3-6 Tamachi Ichigaya Shinjuku-ku, Tokyo, Japan
Tel 81-3-3269-3783, Fax 81-3-3269-3794

 **Daishin Securities Co., Ltd.**

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