



De Facto Standard...

- Jul. 27, 1962** _ Established as Sam-Lark Securities
- Aug. 8, 1968** _ Renamed as Chung-Bo Securities
- Apr. 22, 1975** _ Renamed as Daishin Securities
- Oct. 1,** _ Listed on the Korea Stock Exchange
- Aug. 25, 1984** _ Established Tokyo Representative Office
- Sep. 22,** _ Established Daishin Economic Research Institute
- Mar. 6, 1985** _ Signed capital alliance with W.I.C.O., Hong Kong
- Apr. 12,** _ Signed capital alliance with Yamaichi Securities, Japan
- May. 28,** _ Relocated Headquarters to Yoido, Seoul
- Mar. 24, 1988** _ Established Daishin Investment Consulting Co.
- Nov. 11, 1991** _ Established Hong Kong Representative Office
- Jul. 1, 1996** _ Renamed Daishin Investment Consulting Co., an affiliate, as Daishin Investment Trust Management Co.
- Nov. 23,** _ Introduced 'One-Card System' for the first time in Korea.
- Apr. 12, 1997** _ Launched online trading service (VT100, DOS version of CYBOS)
- Jan. 30, 1998** _ Established Daishin International (Hong Kong)
- Jun. 9,** _ Introduced internet trading for the first time in Korea
- Aug. 31, 1999** _ Increased capital through strategic alliance with Sumitomo Life Insurance
- Nov. 3,** _ Increased capital
- Sep. 16, 2002** _ Retired treasury stocks (200,000 shares, common)
- Jan. 13, 2003** _ Completed purchase of 1 million treasury stocks
- Mar. 19,** _ Completed purchase of additional 1 million treasury stocks
- Mar. 25,** _ Sold 1,235,200 treasury shares to ESOP trust
- Jul. 21,** _ Selected as one of 50 Dividend Index stocks (KODI)
- Sep. 4,** _ Registered as insurance sales agent financial institution
- Dec. 1,** _ Selected as a Corporate Governance Index stock
- Dec. 23,** _ Completed purchase of additional 1 million treasury stocks
- Dec. 26,** _ Completed disaffiliation of Daishin Life Insurance
- Mar. 25, 2004** _ Sold 758,000 treasury shares to ESOP trust

Brief History

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Daishin Securities' 2004 Annual Report may contain forward-looking statements provided to assist in the understanding of anticipated future financial performance. However, such performance involves risks and uncertainties that may cause actual results to differ materially from those expressed in forward-looking statements. The term 'the Company' or 'Daishin' used here without any other qualifying description will refer to 'Daishin Securities Co., Ltd.'



Corporate Profile

As a specialized financial institution, Daishin Securities has been at the forefront of the securities industry in Korea since its inception in 1962.

The company has continued to thrive, despite radical change and severe competition in the domestic financial industry in recent years. In the face of such adversity, Daishin has paved the way for transparent management, eliminated its bad assets, and established a rigorous risk management system.

On the strength of sound financial structure and high profitability, Daishin Securities is today emerging as the first name in the domestic financial industry. Moreover, by continuing to provide value-added services based on financial expertise, the company is confident of taking its place alongside the global industry leaders.

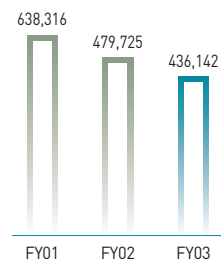
Financial Highlight

For the years ended on March 31, 2003 and 2004

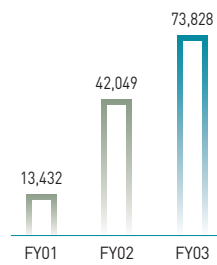
	Millions of Korean Won		Thousands of U.S. Dollars	
	FY03 March 2004	FY02 March 2003	FY03 March 2004	FY02 March 2003
Operating revenues	₩ 436,142	₩ 479,725	\$ 378,169	\$ 382,892
Operating expenses	324,877	409,705	281,693	327,005
Operating income	111,265	70,020	96,475	55,886
Ordinary income	103,318	55,595	89,585	44,373
Net income	73,828	42,049	64,015	33,561
Total assets	2,298,010	2,578,307	1,992,552	2,057,871
Total liabilities	989,294	1,356,426	857,794	1,082,629
Total shareholders' equity	1,308,716	1,221,881	1,134,758	975,242
Earnings per Share (KRW and US\$)	992	547	0.86	0.44

Note) Translated into U.S. Dollars at rate of ₩1,153.30/USD and ₩1,252.90/USD, respectively, the prevailing rates on March 31, 2004 and March 31, 2003.

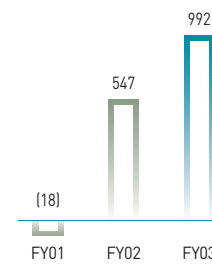
Operating Revenue
[Millions of KRW]



Net Income
[Millions of KRW]



Earnings per Share
[KRW]



Awards

Date	Awarded by	Award
Oct. 25, 1999	CommerceNet Korea	1999 Korea e-Commerce, Grand Prize
Nov. 24,	Korea Management Association	1999 KMA Internet Commerce Financial Service, Grand Prize
Dec. 2,	CCPA	1999 Global Customer Preference Securities Sector, Grand Prize
Sep. 27, 2000	KMA	2000 KMA Internet Commerce Financial Service, Grand Prize
Nov. 8,	MoIC	2000 MoIC New Media, Minister's Grand Prize
Dec. 13,	The Chosun Ilbo	2nd Chosun Ilbo e-Commerce Technology, Grand Prize
Sep. 20, 2001	KMA	2001 KMA Internet Commerce Financial Service, Grand Prize
Oct. 15,	Maeil Business Newspaper	Korea EC Award
Oct. 17,	Korea Standard Association	Korea Service Quality – Securities Sector, 1st Prize
Oct. 16, 2002	KMA	2002 Korea Customer Satisfaction – Securities Sector, 1st Prize
Oct. 18,	KMA	2002 KMA Internet Commerce Financial Service, Grand Prize
Nov. 27,	MoCIE	6th Korea e-Business Award, Excellence
Jul. 30, 2003	The Korea Economic Daily	e-Finance Festival Award, Deputy Prime Minister's Prize
Sep. 3,	KMA	Korea Customer Satisfaction – Securities Sector, 1st Prize
	e-Daily	HTS Users' Satisfaction, 1st Customer Satisfaction
Nov. 14,	The Korea Economic Daily	Korea Customer Forum 2003 Brand – Securities Sector, Grand Prize
Jan. 16, 2004	Maeil Business Newspaper	6th Best Securities Companies, Grand Prize
Mar. 10,	Maeil Business Newspaper	9th Best Financial Products, Grand Prize
Mar. 26,	Korea Stock Exchange	Good Compliance Member Award



Letter to Shareholders

Dear shareholders,

I would like to take this opportunity to express on behalf of the company my deepest appreciation for your unwavering support and encouragement. Looking back, FY2003 was a year of change both at home and abroad. War in Iraq and terrorism around the world led to increased global tension and unrest, while widespread outbreaks of SARS, BSE and avian influenza increased uncertainties in the international community.

In Korea, economic growth slowed, largely due to sluggish retail spending, while high consumer loan delinquencies and unemployment added to concerns over economic stability. In spite of the unfavorable environment, the Korean stock market gradually recovered on the back of an improving global economy, high export growth to BRIC countries (Brazil, Russia, India and China), improving performance in the corporate sector, and foreign equity investment that accounted for more than 40% of the market value.

The financial landscape in Korea is changing now more rapidly than ever. Deregulation and the relentless advance of information technology are speeding the integration of global economies and increasing competition from overseas financial institutions. Moreover, competition among domestic financial firms is intensifying with the trend towards universal banking and industry consolidation through merger and acquisition. Nevertheless, at Daishin Securities outstanding profitability and stability over the past year strengthened our position as a major force in the industry.

In FY2003, we achieved significant improvements in profit-oriented management and management transparency, both of which we have emphasized in recent years. We were selected among the top fifty companies listed on the Korea Stock Exchange for our outstanding record in dividends and corporate governance. Underlining our status in the industry, Daishin was the sole securities firm named among the fifty companies. In addition, having long set the standard for online trading in Korea, in April we became the first domestic securities company to enter the global market when we signed a contract to supply our CYBOS2004 online trading system to Polaris Securities of Taiwan. We also received a number of prestigious awards during the year, including the Grand Prize for the Best Securities Company and Financial Products from the Maeil Business News, the Grand Prize in the e-Finance Festival from Hankyung, and the First Prize for Customer Satisfaction and Good Compliance from the Korea Management Association. For those successes, I would like to thank our shareholders for continuous encouragement and support as well as all of our employees for remarkable performance throughout the year.

Our financial performance in FY2003 was also notable, with operating revenues amounting to ₩436 billion. Operating expenses totaled to ₩325 billion, while non-operating revenues and non-operating expenses were ₩33 billion and ₩41 billion respectively. Pre-tax income was ₩103 billion, with net income after tax amounting to ₩74 billion won. In recognition of the support of our shareholders, which was crucial to our strong performance under unfavorable conditions, we paid a dividend of ₩650 per common share and ₩700 per preferred share. The total dividend amounted to ₩49 billion or 67% of net income. Moreover, FY2003 marked the sixth consecutive year in which we paid a dividend, a record unmatched by any other domestic securities company. Our efforts to maintain the highest profitability in the industry and maximum return to our shareholders will continue in FY2004.

In the year ahead, corporate restructuring and mergers look set to alter dramatically the domestic financial landscape. Nevertheless, at Daishin we are relishing the challenge. Already, industry deregulation has enabled us to diversify our operations and pave the way for continued growth and improved profitability. Our management goal is to emerge as the nation's first name in securities through strengthened credibility and profit-oriented management.

To achieve our goals in FY2004, we will continue to implement our four management principles of fostering staff development, expanding profit-oriented management, reinforcing transparent management, and nurturing a corporate spirit that will serve as the springboard for industry-leading competitiveness. We will also make every effort to maximize returns for clients, as we know that only with their continued confidence can we prosper. Lastly, we will reinforce profit-oriented management and establish a business model that allows us to operate profitably regardless of market conditions.

All of us at Daishin Securities are committed to accomplishing management's goals and to become the nation's number one securities company. In doing so, we look forward to growing with our customers and shareholders and to creating profit for both. Finally, I offer once again my sincere thanks for your encouragement and support and wish you every success and happiness.

Thank you.



Chairman of Daishin Group **Yang, Hye Moon**

Interview with the CEO

Q: How have you achieved superior asset quality and outstanding financial structure?

A: For the past couple of years, the company has endeavored to strengthen its financial structure by continuously accumulating allowances for bad assets. Meeting global standard of financial soundness and management transparency, the company's reformed financial structure is paving the way for improved profitability. Our coverage ratio as of the end of March 2004 stood at 87.4%, which is one of the highest among all financial institutions in Korea. Our efforts have succeeded in winning investors' confidence, with holdings by foreign investors increasing to 30% from around 10% at the end of FY2000. At this point, we are well positioned to challenge for leadership of the domestic securities industry.

Q: What are the company's strategies to become an industry leader?

A: A leading company sets the industry standard. In the securities industry, a leading company is one that provides investors with financial services that maximize their profits. To achieve that, Daishin Securities is focusing on training and education for employees and upgrading its on-line trading system. Our brokerage professionals are upgrading their professional skills in order to provide investors with the best financial services and to maximize their return on investment. In on-line trading, our CYBOS Trader system is the benchmark for the industry. In addition to providing a quick and accurate user-friendly trading environment, CYBOS Trader offers premium services including trading strategies and programs for investors. The company will make every effort to become the leader in the industry with an advanced business model.



Kim, Dae Song Daishin Securities CEO & President

Q: What are management's goals for FY2004?

A: Our efforts to become the leading domestic securities company will be accelerated this year. We want ultimately to provide the best quality service to our clients and to maximize our profit. Management goal for FY2004 is to establish the company as the representative securities firm in Korea by maintaining investors' confidence and strengthening profit-oriented management. To be more specific, we will maintain our lead in brokerage and derivatives and strengthen the competitiveness of its institutional banking and dealing. We will also introduce wrap account and equity-linked securities products to increase customer deposits and expand sales of financial products, which will help establish stable income sources. Our goal is to build a revenue structure that will create profitable income in almost any business environment or market condition.

Q: As CEO, what is your comment to shareholders?

A: In FY2003, we paid an increased cash dividend of ₩650 per common share and ₩700 per preferred share to shareholders. Daishin Securities is the sole securities firm among the top five domestic companies to have paid a dividend for six consecutive years. We will do our best to maintain that policy of consistently high dividends. The benefits of our profit-oriented management will be passed on directly to our shareholders via our transparent management. Personally, I will continue to do my best to improve the company in order to satisfy our clients, our shareholders, and our employees. Our shareholders are firmly at the center of my management philosophy and efforts.

大塚証券
Daishin Group



De Facto Standard: Management Solutions

The company's financial structure has never been as strong as it is now and its profitability over the past several years has been among the best in the industry. The company also possesses with the most efficient management in the industry.

Profit-oriented Management

The rapid changes in the financial industry and severe competition in the securities industry over the past several years have had little effect on the company's growth. On the contrary, against a background of rapid change, the company has eliminated bad assets, introduced a strict risk management system, reinforced profit-oriented management, and made management more transparent.

The company's financial structure has never been as strong as it is now and its profitability over the past several years has been among the best in the industry. The company also possesses with the most efficient management in the industry. As of the end of March 2004, Daishin boasted the industry's highest operating revenues to operating expenses ratio of 129.4% and lowest SG&A expenses over sales of 85.7%. The company's sound financial structure is also illustrated by its coverage ratio of 87.4%, capital adequacy ratio of 898.0%, and assets-to-liabilities ratio of 202.5%.

Management Transparency

Daishin is the first and only domestic securities company to have been recognized as a Good Corporate Governance Company. In addition, the Korea Stock Exchange named the company a Good Compliance Member.

Daishin is also the only company among the top five domestic securities houses to have paid a dividend for six consecutive years. As a result, in FY2003 the company was listed in the Korea Stock Exchange Dividend Index 50. In terms of dividend, the company sets the standard for the domestic securities industry.

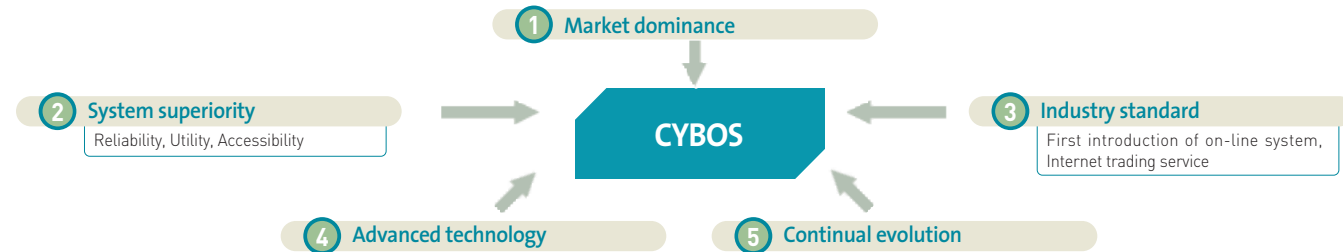
		FY98	FY99	FY00	FY01	FY02	FY03
Dividend per Share (won)	Common	500	1,500	750	500	500	650
	Preferred	550	1,550	800	550	550	700
Dividend Yield (%)	Common	3.7	8.8	7.3	1.9	3.3	3.8
	Preferred	5.9	12.3	13.4	4.4	7.6	7.4
Dividend Payout Ratio (%)		46.4	33.7	65.7	288.1	90.9	66.5



De Facto Standard: IT Solutions

Standing for “Cyber Business Oriented Service”, CYBOS is the company’s unique online stock trading system. Using CYBOS, clients at home or at work are able to feel as if they are in one of our branches. Since December 2002, the upgraded version of CYBOS 2004 has met clients’ online trading needs with its distinctive, advanced, and user-friendly features.

Success Factors



CYBOS 2004 System

Futures & Options Strategy Wizard

With our Futures & Options Strategy Wizard, a beginner as well as a more experienced trader can easily establish a personal trading strategy. The Wizard helps to set up a trading scenario and strategy from start to finish according to various market conditions and displays profit and loss in each case.

Real-finder Pro

In addition to 410 basic functions, Real-finder Pro provides a multi-time condition function for position traders and day traders, a powerful and flexible multi-logic computing function, and a sequential search function. The unique pattern analysis of the sequential search function is especially useful for picking stocks. Real-finder Pro also provides alarm and notification functions that allow users to monitor market changes immediately.

Quick Stock Order

CYBOS users can quickly buy, sell, change or cancel orders with just a few clicks of a mouse, which is particularly useful for day traders. The system automatically adjusts a trader's balance to the corresponding number of stocks and features a function to sell automatically when a stock reaches a predetermined price.

CYBOS 2006

Based on the feedback received from clients, we have steadily upgraded CYBOS 2004. By the end of 2004, we plan to release a major upgrade, CYBOS 2006, which will offer users additional refinements and new features.

CYBOS 2006 will be a global trading system operating 24 hours a day 365 days a year and supporting various languages. The system will include new products such as asset management products, wrap accounts, and corporate pension products. Moreover, the advanced technology of CYBOS 2006, which will include component basis development, integrated middleware, and AS3, will allow our clients to customize their on-line trading to the full.



De Facto Standard: Risk Management

The effectiveness of risk management in assuring a company's sound financial structure and stability is a measure of its competitiveness. Acknowledging the need for rigorous risk management, in December 1997 we launched the Daishin Executive Information System (EIS), becoming the first domestic securities company to introduce systematic risk management at board level.

Strict Risk Management

The effectiveness of risk management in assuring a company’s sound financial structure and stability is a measure of its competitiveness. Acknowledging the need for rigorous risk management, in December 1997 we launched the Daishin Executive Information System (EIS), becoming the first domestic securities company to introduce systematic risk management at board level. Companywide, since June 2002 we have operated the Daishin-Total Risk Information System (DS-TRIS), which is based on the KRM risk management system. Enabling real-time risk assessment, the DS-TRIS is an advanced integrated risk management system that incorporates new risk management standards such those proposed under Basel II.

Risk Management Organization and Policy

The Risk Management Committee is responsible for the company’s overall risk management activities in lieu of the board of directors. The Committee’s duties include organization, systemization, and supervision of risk management. It is also charged with the tasks of formulating strategy, and legislating and amending regulations.

The Committee oversees risk management teams that are responsible for the practical application of risk management by project and division. A sub-committee comprising staff from each department within the company is also responsible for risk management.

The Committee consistently upgrades all aspects of risk management and is currently preparing an integrated asset management system to cope with the rapidly changing financial environment. It is also extending the scope of its activities from risk measurement and avoidance to effective distribution of resources and risk-adjusted performance evaluation in an effort to foster a culture of risk awareness within the company.

Integrated Risk Management System

Risks	Risk Analysis Tools	Risk Management System	Risk Management Organization	
Market Risk	VaR (Value at Risk) Simulation Stress Test	KRM DS-TRIS DS-TRIS for Simulation	Risk Management Team	Risk Management Committee
Credit Risk	Credit Exposure Group Exposure	EIS (Executive Information System)	Risk Management Team	
Liquidity Risk	Liquidity Gap		Treasury Team	
Management Risk	Separation of front office and back office Prior and constant monitoring		Risk Management Team	
Legal Risk	Constant and regular auditing		Auditing Team/ Legal Support Team Compliance Team	



Review of Operation

Retail Business

Market Background

In recent years, increasing activity of foreign investors in the domestic market has reduced the retail market share of local securities firms. With the severe competition forcing securities companies to cut commission rates, companies lacking strong retail operations or diversified revenue sources face a struggle to survive. In response to the challenging environment, the industry as a whole is seeking new sources of profitable income and innovating products such as asset management products, wrap accounts, and equity-linked securities.

Daishin's retail brokerage performance (FY2003)

[April 1, 2003 to March 31, 2004]

	Stocks	Futures	Options
(KRW billions)	110,791	413,126	14,231

Business Strategy for FY2004

Value-added services for maximum customer profit

At Daishin, our ultimate goal is to maximize our customers' profits. The unmatched quality of our IT services is core to achieving that aim. Our CYBOS2004 online trade system, which we have continually upgraded, provides our clients with various investment tools and trading functions. Our Real Finder recommends stocks according to investment strategy, while our CYBOS Trader devises strategies by stock type and systematically handles automated orders. Our integrated, value-added system also contributes to sustainable returns for customers and improved profitability of the company by enabling us to enhance commission rates.

The quality of the training provided to our brokers also benefits our customers. Training received by our brokers extends well beyond the fundamentals of equity analysis, technical analysis and consulting; the advanced training related to financial products and equity-linked securities is of the same standard as that of our analysts. As a result, our clients enjoy truly expert financial advice.

Enhanced customer relations and marketing

With the increasing use of the Internet for trading stocks and managing finances, we are making sure that we maintain close communication with our clients via online channels. We encourage our brokers to remain in close and regular contact with their clients through e-mail and messenger services for real-time communication. We are also strengthening relationships with clients offline by holding seminars and conferences related to trading skills and equity analysis.

We have also upgraded our marketing, which is now based on careful segmentation of customer groups. For established clients, our focus is improving investment profitability and stability through portfolio restructuring. To attract new clients, we market the benefits of innovative products such as bancassurance products, wrap accounts, equity linked securities, and OTC derivative products. Targeting corporate customers, we promote integrated financial services including corporate finance, M&As, and working capital investment through organic marketing and specialized consulting.

Product diversification

Product diversification has better enabled us to meet clients' needs and expand our revenue sources. With the inauguration of bancassurance sales, for example, we can offer greater convenience to clients and reap the benefits of synergy through the combination of securities and insurance sales. In addition, our newly created customer asset management team offers various advanced financial products such as wrap accounts that provide clients with a wide range of options when managing their investments. The team is also developing unique equity-linked securities and OTC derivative financial products.

Institutional Business

Our Institutional Business Group provides institutional investors with services like stock brokerage, sales and management of futures, options, and beneficiary certificates, program trading, and treasury stock trading. The Group's major clients are pension funds and financial institutions such as investment trust companies, banks, and insurance companies.

Despite fierce competition from affiliated to conglomerate-affiliated securities firms, who enjoy a captive market from clients within their group, Daishin Securities boasts a significant market share and outstanding profitability in institutional business. Our success is thanks largely to the capability of our institutional brokers, whose expertise is based on ongoing education and training programs. With the support of the Economic Research Institute and Information System Business Group, our institutional brokers are able to offer a quality service surpassing that of both domestic and overseas competitors.

To cope with ongoing reductions in brokerage commissions and intensifying competition, in 2004 we plan to differentiate our marketing by customer groups. We are also developing advanced derivative products and strengthening research activities in close cooperation with our Economic Research Institute. The support provided by our Information System Business Group is also critical to upgrading our services. Our CYBOS Trader provides institutional investors with an effective program - trading solution as well as timely market analysis and stock picks. Backed by over forty years of experience in partnering institutional investors, we are confident that enhanced marketing and improved services will see us continue to raise profitability in the year ahead.

Investment Banking Business

Globally, investment banking is dominated by a handful of major players that include CITI Group, Merrill Lynch, and CSFB, who hold a combined market share of about 70%. The remaining 30% of the market is shared among a large number small- and medium-sized companies and boutique firms. The importance of investment banking is illustrated in the operating revenue breakdown of major securities firms in the United States, where the competition is most intense. At major U.S. securities companies, corporate finance accounts for the largest portion of total operating revenues (49%), followed by dealing (22%), brokerage (14%), asset management (7%), and sales of funds (3%). In the Korean market, however, brokerage is the most important source of operating revenues (63%) with corporate finance accounting for only 6% of revenue.

In line with the global expansion of investment banking, and our aim to lead the domestic market, in August 2000 we combined our corporate finance and international business operations to form the Investment Banking Business Group. The Group's areas of operation range from traditional corporate financing (corporate bonds and rights offerings) and IPOs to derivatives (ABS and foreign currency derivatives), international financing, international project financing, and M&As (including corporate restructuring and privatization). The Group is also renowned for its specialized consulting services. Some of the Group's major achievements to date include lead-managing the merger of KGI Securities and participating in the privatization of KT (formerly Korea Telecom), the sale of non-performing loans for KAMCO, and Primary CBO issues for some 190 venture companies.

International Business

The net buy of ₩13.8 trillion by foreign investors in 2003 was the largest since the opening of the Korean stock market in 1992. Despite unfavorable domestic conditions, including financial difficulties at credit card companies and a major accounting fraud at the SK Group, economic turnaround in the U.S. and Japan, robust economic growth in China and low interest rates boosted the earnings of domestic exporters. These factors triggered a rise in the market that eventually saw the Korea Stock Exchange record an annual gain of 57.3% to March 31, 2004. Foreign investment was a major factor, with foreign holdings increasing to 40.4% of total market value. At the end of April 2004, the market entered a consolidation phase, due to concerns in the U.S. about interest rate increases, oil price hikes, economic slowdown in China, and continued trouble in Iraq. However, it looks unlikely to be sustained in the long-term as the market remains relatively undervalued.

Equity sales by the International Business Group decreased slightly in FY2003 to about ₩650 billion. However, we expect new services such as an on-line trading system and special funds for foreign investors, KOSPI derivatives, and HTS (Home Trading System) for domestic investors to trade U.S. stocks will enhance its performance. With an extended range of services and the trust of our clients, we are confident that the contribution of international business to the company's earnings will improve steadily in the coming year.

Daishin Securities Hong Kong

Located in Asia's financial heartland, Daishin Securities Hong Kong is the company's gateway to the world. With differentiated services and unique IT solutions for overseas clients, Daishin Securities Hong Kong has performed profitably since FY2001. It is continuing to expand its local client base rapidly, backed by its steadily improving reputation with institutional investors.

Tokyo Representative Office

The main business of our Tokyo office is attracting Japanese institutional investment to promising Korean companies and the Korean stock market. The Tokyo office played a central role in attracting equity investment by Sumitomo Life Insurance in Daishin Investment Trust Management, one of our subsidiaries, in 1999. Its recent focus has been on establishing a fund exclusively for Japanese institutional investment in the Korean stock market.



Treasury Management

Our Treasury Management Group comprises the Equity Team, Fixed Income Team, Futures & Options Team, and Treasury Team. The Group is maximizing its return on the basis of strict risk management principles and development of effective treasury management skills.

In fiscal year 2003, the Group recorded profit of ₩23.9 billion, a 71.50% yield on investment that outperformed the KOSPI by 7.13 percentage points. The Group achieved its remarkable performance largely thanks to strategic asset allocation based on accurate corporate and market analysis and strict risk management, as opposed to passive, index-linked portfolio management.

As one of the primary dealers in government bonds, our Fixed Income Team led the market, allocating ₩2.7 trillion of government bonds and ₩4.3 trillion won of monetary stabilization bonds in FY2003. The Team traded ₩10.4 trillion in the secondary market and ₩30.0 trillion in the OTC market. As a result of its excellent performance and growing reputation, the Team was selected to manage the issue of local government bonds and national housing bonds. In 2004, we plan to maximize profit by adopting a more aggressive policy along with stepped up training for brokers throughout our nationwide network.



Information Technology

A Trading System for Customer Profit

CYBOS 2004 (Active and strategic trader)

As a result of continuous system improvement and software upgrade, the integrated trading platform developed by our Information Technology Group stands apart from the trading systems of our competitors. The combination of our CYBOS Trader, Real Finder, and Magic Order forms an effective trading environment that enables brokers to implement personalized trading strategies. We now continue developing the system to enable the majority of our clients to create their own customized trading strategies.

CYBOS Trader (Unique system trading program)

CYBOS Trader is an analysis tool employing a system-trading program developed during two years of collaboration between Daishin Securities and the Daishin Economic Research Institute. CYBOS Trader provides a unique system-trading solution that meets the needs of the most sophisticated investors. Through continuous development of CYBOS Trader, we aim to set the global standard for technical analysis tools used in on-line trading.

From domestic standard to global standard

Our Information Technology Group is both a pioneer and a market leader in Home Trading Systems. With global standard quality control and improved infrastructure, the IT Group has been awarded CMMI-Level3 certification and is planning to develop its competitiveness in international financial markets. The Group provides 24-hour 356-day service for foreign investors who use our multi-language service and direct trading system for foreign currency denominated securities trading.

Differentiated total asset management system

The changing market environment requires securities companies to improve their asset management to maximize clients' profitability. At Daishin, we are developing an investment management system for new products such as wrap accounts, OTC derivative financial products, and corporate pension products.

Integrated account management

Aided by our Economic Research Institute, we are developing an integrated account management system that combines clients' financial accounts into a single account from which they can manage a wide variety of transactions. Using the Daishin Hanaro service, clients can combine equity accounts, bank accounts, and accounts for other financial products. Moreover, they can reinvest the cash balance of their account in high-interest-bearing financial products and settle credit card bills and other payments without engaging in withdrawal or transfer.



Financial Section

Management's Discussion & Analysis

Overview

The Korean economy in 2003 experienced a noticeable fall in domestic demand and economic slowdown due to rising household debt and credit card delinquencies, as well as the negative implications of an accounting scandal at SK Networks (formerly SK Global) and a liquidity crisis at LG Card. However, signs of recovery began to emerge during the latter part of the year, driven by export expansion and the U.S.-led global economic recovery.

Management's Discussion & Analysis

In line with the strong earnings momentum provided by exporters and the positive outlook for the global economy, foreign investors aggressively accumulated blue chip stocks, driving up the Korean stock market. Accordingly, the KOSPI soared 66.4% to stand at 880.5 points on March 31, 2004 compared to 529.1 points on April 1, 2003. The KOSDAQ rose 16.5% to stand at 434.2 points on March 31, 2004 from 372.7 points at April 1, 2003. Despite the bullish stock market, annual stock turnover edged up a mere 1.7% to 861.6 trillion won in FY2003 due mainly to retail investors' lethargic participation.

Stock Transaction Turnover

	Trillions of Korean Won			
	FY01	FY02	FY03	% YoY
KSE	602.1	609.2	600.9	-1.4
KOSDAQ	398.3	237.7	260.7	9.7
Total	1,000.4	846.9	861.6	1.7

In contrast to foreign investors, domestic individual and institutional investors steadily reduced their position in the Korean stock market. Heavily dependent upon domestic investors for commission income, securities companies' inevitable lowering of brokerage commission rates resulted in deteriorating profitability.

Despite the competitive business environment, the Company sustained its leadership in online stock trading due to its superior online trading system and IT infrastructure. In addition, the Company secured first mover's advantage and solidified its leading position in the KOSDAQ, index futures and options markets. Overall, the Company's solid financial structure, superior asset quality and flexible cost structure underpinned a satisfactory performance.

Analysis of Operating Performance

Operating Revenues

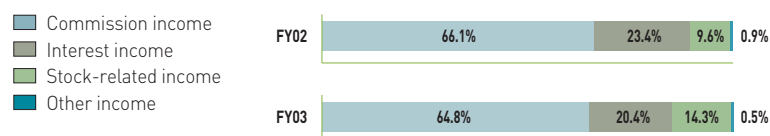
Operating revenues continued to decline, primarily due to decreasing stock transactions by domestic investors and lowered commission rates. In FY2003 commission income, traditionally the most important source of operating revenues, accounted for 64.8% of total operating revenues. However, reduced commission rates, a decline in customers' deposits, and lower interest rates saw commission income slip 10.8% and interest income fall 20.9% over the previous year.

	Billions of Korean Won		
	FY02	FY03	% YoY
Commission income	316.9	282.7	-10.8
Interest income*	112.3	88.8	-20.9
Stock-related income	46.2	62.2	34.7
Other income	4.4	2.4	-44.4
Operating revenues	479.7	436.1	-9.1

* Interest income includes gains on customers' deposits

On the other hand, the bullish stock market boosted stock-related income significantly, largely from gains on sales of trading securities. Overall, despite the reduction in operating revenue, the Company effectively lowered its dependency on commission income and diversified its income sources.

Operating Revenues Breakdown



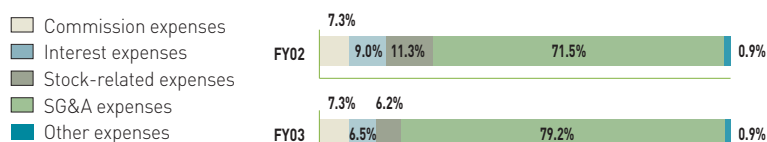
Operating Expenses

The Company has been flexible in adjusting its cost structure in tandem with stock market movements. In FY2003, while the Company suffered from reduced operating revenues, its operating income improved substantially, with its operating margin jumping 10.9% points to 25.5% from 14.6% in FY2002. Meanwhile, operating expenses were cut by 20.7% over the previous year. In line with the reduction in commission income and falling market interest rates, both commission expenses and interest expenses declined. In addition, the bullish stock market helped to reduce stock-related expenses.

Management's Discussion & Analysis

	Billions of Korean Won			
	FY01	FY02	FY03	% YoY
Commission expenses	42.3	29.8	23.8	-20.2
Interest expenses	39.0	36.8	21.1	-42.7
Stock-related expenses	86.2	46.5	20.3	-56.3
SG&A expenses	474.5	292.8	257.2	-12.1
Other expenses	6.1	3.9	2.4	-36.5
Operating expenses	648.1	409.7	324.9	-20.7

Operating Expenses Breakdown



More importantly, SG&A expenses, accounting for about 80% of operating expenses, dropped more than 12% YoY. The Company's flexible cost control measures enabled it to link salaries, its most important cost factor, to revenues. For the Company, 50% of salaries, including commission expenses, are variable costs. In addition, the Company's established, state-of-the-art online trading system and IT infrastructure allowed it to maintain leadership in online trading with minimal operating expenses. Separately, with the Company having improved its asset quality by setting aside provisions for bad assets, credit losses shrunk substantially.

	Billions of Korean Won			
	FY01	FY02	FY03	% YoY
Salaries & employee benefit	126.1	132.2	126.9	-4.0
IT system operating expenses	28.9	29.8	25.8	-13.3
Miscellaneous expenses	21.0	21.7	18.6	-14.5
Advertising expenses	8.6	7.8	7.0	-9.1
Depreciation expenses	32.9	35.2	33.9	-3.7
Credit loss expenses	227.5	34.3	15.0	-56.3
Other expenses	29.5	31.8	30.0	-5.7
SG&A expenses	474.5	292.8	257.2	-12.1

Despite falling operating revenues, operating income surged 58.9% to 111.3 billion won in FY2003 compared to 70.0 billion won in FY2002 on the back of a substantial improvement in operating margin.

Net Income & Dividend

In FY2003, non-operating revenues remained relatively stable. Non-operating expenses, meanwhile, fell due to reduced loss on valuation of stock market stabilization fund investments and securities reduction loss. As a result, pre-tax income almost doubled to 103.3 billion won in FY2003 from 55.6 billion won in FY2002. Accordingly, net income jumped 75.6% YoY to 73.8 billion won last fiscal year.

The Company has not only done its best to maximize shareholders' value but has also returned profits to shareholders by paying an annual cash dividend. In FY2003, the Company raised the dividend per share by 30% to 650 won from 500 won in FY2002. The Company is also the sole major domestic securities companies to have paid a cash dividend for six consecutive fiscal years.

		FY98	FY99	FY00
Dividend per share (won)	Common	500	1,500	750
	Preferred	550	1,550	800
Dividend yield (%)	Common	3.7	8.8	7.3
	Preferred	5.9	12.3	13.4
Dividend payout ratio (%)		46.4	33.7	65.7
		FY01	FY02	FY03
Dividend per share (won)	Common	500	500	650
	Preferred	550	550	700
Dividend yield (%)	Common	1.9	3.3	3.8
	Preferred	4.4	7.6	7.4
Dividend payout ratio (%)		288.1	90.9	66.5

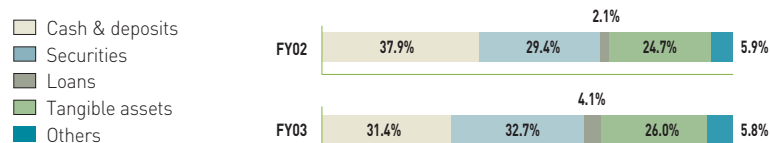
Analysis of Financial Conditions

Assets

Total assets decreased by 280.3 billion won, or 10.9% YoY, to 2,275.3 billion won in FY2003. The reduction was primarily due to falling year-end balances in cash and bank deposits as well as customers' deposits. Accordingly, in FY2003 the proportion of total assets accounted for by cash and deposits declined to 31.4%, while that of securities increased to 32.7%.

	Billions of Korean Won		
	FY02	FY03	% YoY
Cash & deposits	977.7	720.8	-26.3
Securities	759.3	752.2	-0.9
Loans	54.3	93.3	71.8
Tangible assets	635.9	598.3	-5.9
Others	151.2	133.4	-11.8
Total assets	2,578.3	2,298.0	-10.9

Assets Breakdown

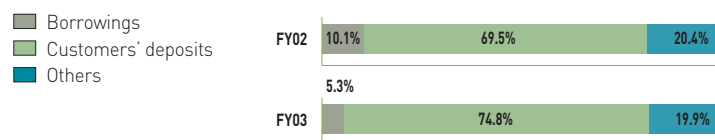


Liabilities & Shareholders' Equity

Total liabilities stood at 989.3 billion won at the end of March 2004, a reduction of 25.0% over the previous year. Borrowings and customers' deposits fell 60.8% and 19.2% respectively. In line with its efforts to enhance financial soundness, the Company reduced its interest-bearing debt-to-equity ratio to 4.0% in FY2003 from 10.6% in FY2002.

	Billions of Korean Won		
	FY02	FY03	% YoY
Borrowings	133.1	52.2	-60.8
Customers' deposits	916.0	740.2	-19.2
Others	269.1	196.9	-26.8
Total liabilities	1,318.2	989.3	-25.0

Liabilities Breakdown



Total shareholders' equity edged up 3.9% YoY, totaling 1,308.7 billion won, on the back of an increase in retained earnings and a reduction in loss on valuation of available-for-sale securities. In addition, the Company's retention ratio rose 13.0 percentage points from 237.0% in FY2002 to 250.0% in FY2003.

	Billions of Korean Won		
	FY02	FY03	% YoY
Paid-in-capital	373.9	373.9	0.0
Capital surplus	610.4	610.7	0.0
Retained earnings	319.8	355.3	11.1
Capital adjustments	-44.0	-31.1	-29.2
Total shareholders' equity	1,260.1	1,308.7	3.9

Asset Quality

The Company currently enjoys a solid financial structure and superior asset quality. Its financial structure is stronger than ever and its profitability over the past several years has been among the best in the industry. At the end of March 2004, the Company's operating margin of 25.5% was the highest among major domestic securities companies. The quality of the Company's assets and its solid financial structure are also illustrated by a coverage ratio of 87.4%, capital adequacy ratio of 898.0%, and liabilities-to-equity ratio of 75.6% in FY2003.

	%		
	FY02	FY03	Change
Coverage ratio	86.7	87.4	+0.8%p
Capital adequacy ratio	594.4	898.0	+303.6%p
Liabilities-to-equity ratio	104.6	75.6	-29.0%p

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

(English Translation of a Report Originally Issued in Korean)

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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. (the "Company") as of March 31, 2004 and 2003, and the related non-consolidated statements of income, proposed appropriations of retained earning and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daishin Securities Co., Ltd. as of March 31, 2004 and 2003 and the results of its operations, the changes in retained earning and its cash flows for the years then ended, in conformity with financial accounting standards in the Republic of Korea (see Note 2).

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which states that the operations of the Company may be directly or indirectly affected by the economic conditions in the Republic of Korea and the impact of the implementation of structural reforms.

As explained in Note 2, the Company prepared its financial statements as of March 31, 2004 in accordance with the Statements of Korea Accounting Standard ("SKAS") No. 2 through No. 9, effective from April 1, 2003. For comparative purposes, certain accounts in the balance sheet as of March 31, 2003 and in the statement of income for the year then ended were reclassified. Such reclassification had no effect on the income for the year ended March 31, 2003 or net equity as of March 31, 2003.

As explained in Note 16 to the financial statements, in 2004 and 2003, the total revenues earned by the Company from affiliated companies amounted to ₩8,214 million and ₩21,897 million, respectively, and the total charges of affiliated companies amounted to ₩10,422 million and ₩12,654 million, respectively. As of March 31, 2004 and 2003, receivables from affiliated companies amounted to ₩35,830 million and ₩136,541 million, respectively, and payables to affiliated companies amounted to ₩5,186 million and ₩8,783 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 16, 2004



Notice to Readers

This report is effective as of April 16, 2004, 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, 2004 AND 2003)

	Millions of Korean Won	
	2004	2003
ASSETS		
CURRENT ASSETS:		
Cash and bank deposits	₩ 46,544	₩ 125,266
Korea Securities Finance Corporation deposits (Note 3)	674,265	852,444
Trading securities (Notes 4 and 18)	561,243	547,440
Broker's loans, less allowance for doubtful accounts of ₩496 million in 2004 and ₩339million in 2003	91,924	53,115
Short-term loans, less allowance for doubtful accounts of ₩833million in 2004 and ₩833million in 2003	7	11
Accounts receivable from customers, less allowance for doubtful accounts of ₩3,607 million in 2004 and ₩6,145 million in 2003	39,854	37,902
Accrued income receivable, less allowance for doubtful accounts of ₩1,160 million in 2004 and ₩1,973 million in 2003	12,615	15,288
Other current assets (Note 17)	9,138	11,956
Total current assets	1,435,590	1,643,422
NON-CURRENT ASSETS:		
Investment securities, less allowance for doubtful accounts of ₩47,898 million in 2004 and ₩54,208 million in 2003 (Notes 6 and 10)	143,095	157,617
Long-term deposits (Note 3)	41	41
Long-term loans receivable, less allowance for doubtful accounts of ₩5,669 million in 2004 and ₩67,087 million in 2003 (Note 17)	5,152	7,544
Guarantee deposits (Note 3)	50,873	50,658
Investment real estate (Note 7)	11,072	11,072
Other investment assets	11,475	11,584
Tangible fixed assets (Note 8):		
Land	289,661	294,327
Buildings	305,390	308,569
Vehicles	1,109	1,136
Furniture and equipment	165,439	176,269
Construction in progress	-	90
Others	-	876
Less: Accumulated depreciation (Note 9)	761,599 (163,279)	781,267 (145,391)
	598,320	635,876

NON-CONSOLIDATED BALANCE SHEETS

(AS OF MARCH 31, 2004 AND 2003)

(Continued)

	Millions of Korean Won			
	2004		2003	
Advances for customers, less allowance for doubtful accounts of ₩96,601 million in 2004 and ₩110,065 million in 2003 (Note 10)	₩	41,316	₩	63,202
Collective fund for default loss (Note 3)		10,130		9,152
Dishonored bonds and bills receivable, less allowance for doubtful accounts of ₩23,121 million in 2004 and ₩23,121 million in 2003		2,711		2,711
Deferred income tax assets (Note 16)		-		9,484
Less: Present value discount account (Notes 2 and 10)		(11,765)		(24,056)
Total non-current assets		862,420		934,885
Total assets	₩	2,298,010	₩	2,578,307
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Call money (Note 11)	₩	40,400	₩	79,900
Short-term borrowings (Note 11)		11,804		53,249
Bonds sold under repurchase agreements		78,091		94,021
Customers' deposits (Note 17)		740,160		916,002
Income tax payable		8,041		543
Dividends payable (Note 2)		30		19
Accrued expenses (Note 17)		9,776		6,990
Other current liabilities (Note 17)		98,711		143,947
Total current liabilities		987,013		1,294,671
LONG-TERM LIABILITIES:				
Deferred income tax liabilities (Note 16)		945		-
Accrued severance indemnities, net of payments to National Pension Fund of ₩22 million in 2004 and ₩1,677 million in 2003 and individual severance deposits of ₩2,643 million in 2004 and ₩37,763 million in 2003 (Note 2)		1,336		23,544
Total long-term liabilities		2,281		23,544
Total liabilities		989,294		1,318,215

NON-CONSOLIDATED BALANCE SHEETS

(AS OF MARCH 31, 2004 AND 2003)

(Continued)

	Millions of Korean Won	
	2004	2003
SHAREHOLDERS' EQUITY:		
Capital stock (Note 12)	₩ 373,932	₩ 373,932
Capital surplus	610,651	610,364
Retained earnings:		
Legal reserve (Note 12)	63,386	59,565
Reserve for loss on securities transactions	19,453	38,907
Voluntary reserve	180,000	180,000
Retained earnings (Note 2)	92,417	41,306
(Net income of ₩73,828 million in 2004 and ₩42,049 million in 2003)		
Capital adjustment (Note 13)	(31,123)	(43,982)
Total shareholders' equity	1,308,716	1,260,092
Total liabilities and shareholders' equity	₩ 2,298,010	₩ 2,578,307
FOOT NOTES:		
Securities in custody (Note 5)	₩ 10,573,717	₩ 8,813,304
Negotiable certificate of deposits in custody	33,750	10,000
Guarantees of bonds	-	-
Deposits in foreign currency on exchanges	7	-
Receivable charge-offs	23,315	979

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

(FOR THE YEARS ENDED MARCH 31, 2004 AND 2003)

	Millions of Korean Won			
	2004		2003	
OPERATING REVENUES:				
Commissions received (Note 17)	₩	282,713	₩	316,911
Interest income (Note 17)		56,383		104,389
Dividend income (Note 17)		6,547		6,195
Distribution income		1,416		494
Gain on sale of trading securities		37,096		12,916
Gain on valuation of trading securities		17,162		26,583
Gain on customers' deposits		32,406		7,881
Gain on derivatives transactions		2,419		3,994
Others		-		362
		436,142		479,725
OPERATING EXPENSES:				
Commission expenses		23,795		29,811
Interest expenses		21,093		36,831
Loss on sale of trading securities		18,695		42,490
Loss on valuation of trading securities		1,616		3,969
Loss on derivatives transactions		2,445		3,851
General and administrative expenses (Notes 17 and 20)		257,233		292,753
		324,877		409,705
OPERATING INCOME (LOSS):		111,265		70,020
NON-OPERATING INCOME (EXPENSES):				
Gain (loss) on disposal of tangible fixed assets, net		3,500		(2,561)
Gain (loss) on disposal of available-for-sale securities, net		3,215		(623)
Valuation gain (loss) using the equity method, net		2,540		3,044
Gain (loss) on valuation of investment in stock market stabilization fund		-		(19,077)
Gain (loss) on foreign exchange translation, net		-		(1)
Rental income (Note 17)		13,641		14,704
Reversal of impairment loss on investment securities		-		-
Impairment loss on investment securities (Note 6)		(9,629)		(16,799)
Gain on recovery of write-offs		149		120
Donations		(102)		(128)
Other, net		(21,261)		6,896
		(7,947)		(14,425)

NON-CONSOLIDATED STATEMENTS OF INCOME

(FOR THE YEARS ENDED MARCH 31, 2004 AND 2003)

(Continued)

	Millions of Korean Won			
	2004		2003	
ORDINARY INCOME:	₩	103,318	₩	55,595
EXTRAORDINARY ITEMS, NET:		-		-
INCOME BEFORE INCOME TAX:		103,318		55,595
INCOME TAX EXPENSE (Note 16):		29,490		13,546
NET INCOME:	₩	73,828	₩	42,049
ORDINARY INCOME (LOSS) PER COMMON SHARE (Note 2)	₩	992	₩	547
NET INCOME (LOSS) PER COMMON SHARE (Note 2)	₩	992	₩	547

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF PROPOSED APPROPRIATIONS OF RETAINED EARNINGS

(FOR THE YEARS ENDED MARCH 31, 2004 AND 2003)

	Millions of Korean Won			
	2004		2003	
RETAINED EARNINGS BEFORE APPROPRIATIONS:				
Unappropriated retained earnings carried over from prior years	₩	18,589	₩	3,416
Retirement of treasury stock		-		(4,159)
Net income		73,828		42,049
		92,417		41,306
TRANSFER FROM VOLUNTARY RESERVES AND OTHERS:				
Reserve for loss on securities transactions		19,453		19,453
		111,870		60,759
APPROPRIATIONS:				
Legal reserve (Note 12)		4,914		3,821
Loss on disposal of treasury stock		-		138
Dividends		49,127		38,211
Voluntary reserve		40,000		-
		94,041		42,170
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩	17,829	₩	18,589

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

(FOR THE YEARS ENDED MARCH 31, 2004 AND 2003)

	Millions of Korean Won	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 73,828	₩ 42,049
Addition of expenses not involving cash outflows:		
Loss on disposal of trading securities	18,695	42,490
Loss on valuation of trading securities	1,616	3,969
Loss on derivatives transaction	2,445	3,851
Provision for possible loan losses	14,993	34,274
Depreciation	33,918	35,206
Loss on disposal of tangible assets	461	2,604
Loss on investment securities impairment	9,629	16,799
Loss on disposal of investment securities	79	860
Loss on valuation of investment in Stock Market Stabilization Fund	-	19,077
Provision for severance indemnities	12,388	14,461
	94,224	173,591
Deduction of revenues not involving cash inflows:		
Gain on disposal of trading securities	37,096	12,916
Gain on valuation of trading securities	17,162	26,583
Gain on derivatives transaction	2,419	3,994
Gain on disposal of tangible assets	3,961	43
Gain on valuation using the equity method	2,540	3,044
Amortization of present value discount	3,758	2,135
Gain on disposal of investment securities	3,294	237
Gain on valuation of reserve for claims of customers' deposits	32,406	7,881
Reversal of allowance for possible losses on acceptances and Guarantees	-	363
	102,636	57,196

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

(FOR THE YEARS ENDED MARCH 31, 2004 AND 2003)

(Continued)

	Millions of Korean Won	
	2004	2003
Changes in assets and liabilities resulting from operations:		
Decrease in deposits	₩ 210,586	₩ 439,969
Decrease (increase) in trading securities	20,142	(210,762)
Decrease (increase) in loans	(38,966)	72,237
Decrease in short-term loans	4	16,612
Decrease (increase) in receivables	(2,255)	59,609
Decrease in accrued income	3,063	9,224
Decrease (increase) in advance payments	663	(6,080)
Decrease (increase) in prepaid expenses	(129)	350
Decrease (increase) in other current assets	2,284	(2,284)
Decrease (increase) in investment securities	21,339	(12,967)
Decrease in advances for customers	5,942	16,830
Decrease in dishonored bills received	-	690
Decrease in deferred income tax assets	10,428	53,955
Decrease in customers' deposits	(175,841)	(404,217)
Increase (decrease) in accrued income tax	7,498	(34,355)
Increase in accounts payable	3,396	-
Increase (decrease) in accrued expenses	2,786	(2,476)
Increase in withholding income tax	2,778	815
Decrease in unearned income	(5)	(93)
Decrease in other current liabilities	-	(4)
Decrease (increase) in deposits of insurance for severance and retirement Benefits	35,121	(1,051)
Decrease in national pension fund for severance and retirement Benefits	1,655	212
Payment of severance indemnities	(71,371)	(7,772)
Cash decrease of derivatives transactions	(26)	-
	39,092	(11,558)
	104,508	146,886
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities		
Proceeds from disposal of tangible fixed assets	13,000	207
Collection of long-term deposits	-	50
Collection of long-term loans	1,882	2,906
Refund of guarantees	11,265	17,853
Proceeds from sale of investment real estate	-	6,617
Proceeds from disposal of other investment asset	1,157	4,405
Others	4	34
	27,308	32,072

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

(FOR THE YEARS ENDED MARCH 31, 2004 AND 2003)

(Continued)

	Millions of Korean Won	
	2004	2003
Cash outflows from investing activities		
Payment of guarantees	11,481	13,063
Acquisition of investment real estate	-	3
Acquisition of other investment asset	1,047	2,195
Acquisition of tangible fixed assets	5,861	22,175
Others	982	1,003
	19,371	38,439
	7,937	(6,367)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities		
Proceeds from rent deposits	₩ 9,750	₩ 26,065
Proceeds from call money	-	-
Proceeds from bonds sold under reserve resale agreements	-	49,303
Proceeds from accounts payable	-	30,600
Proceeds from deposits received for margin accounts	1,236	2,022
Disposal of treasury stock	12,823	18,676
	23,809	126,666
Cash outflows from financing activities		
Payment of accounts payable	41,150	47,547
Payment of call money	39,500	430,100
Repayment of short-term borrowings	41,446	35,282
Payment of bonds sold under reserve resale agreements	15,930	-
Payment of dividends	38,199	38,690
Repayment of deposits received for margin accounts	1,809	3,976
Repayment of rent deposits	19,434	13,244
Acquisition of treasury stock	17,508	34,622
	214,976	603,461
	(191,167)	(476,795)
NET INCREASE (DECREASE) IN CASH	(78,722)	(336,276)
CASH, AT THE BEGINNING OF THE YEAR	125,266	461,542
CASH, AT THE END OF THE YEAR	₩ 46,544	₩ 125,266

See accompanying notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

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, 2004 amounted to ₩373,932 million and its primary shareholders is Yang Hoi Moon (8.25 percent). The head office of the Company is in Seoul and has 121 domestic branches, an overseas branch in Tokyo and a foreign subsidiary in Hongkong.

In common with other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices including corporate governance. The Company may be either directly or indirectly affected by these economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results of operations 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 Company prepared its financial statements as of March 31, 2004 in accordance with the Statements of Korea Accounting Standard ("SKAS") No. 2 through No. 9, effective from April 1, 2003. Major changes compared with the standards applied in preparing the financial statements of the Company as of March 31, 2003 are as follows:

SKAS	Major changes	Before application	After application
No. 6 Subsequent Event	Appropriation amount is not reflected in retained earning	<ul style="list-style-type: none"> Retained earnings after appropriation 	<ul style="list-style-type: none"> Retained earnings before appropriation
No. 8 Investments in Securities	. Classification	<ul style="list-style-type: none"> Investments are classified into marketable securities (current assets) and investment securities (non-current assets) at the time of purchase 	<ul style="list-style-type: none"> Investments are classified into short-term investment securities (current assets) and long-term investment securities (non-current assets) based on the maturities and disposal plan within one year SKAS No. 8 is not applied to the investment accounted for using the equity method.
	. Accounting for gain or loss on valuation of marketable securities	<ul style="list-style-type: none"> Gain or loss on valuation of marketable securities is recorded in current operations 	<ul style="list-style-type: none"> Accounting for valuation is dependent on whether the investments are securities held for trading, available-for-sale securities or held-to-maturity securities (see Note 2 - Investments in securities).

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

(1) As the new accounting policy on SKAS No. 8 "Investment in securities" was applied in current year, gain(loss) on valuation of investment in stock market stabilization fund was recognized on capital adjustments. Net income was decreased by ₩10,283 million. The Company did not restate the previous financial statements.

(2) As the new accounting policy on SKAS No. 6 "Subsequent Event" was applied in current year, the Company replaced appropriated retained earnings with unappropriated earnings. Retained earnings and capital adjustments were increased by ₩38,348 million and decreased by ₩138 millions, respectively. And, dividends payable were decreased by ₩38,211 million.

For comparative purposes, the financial statements as of March 31, 2003 and for the year then ended were restated.

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 (₩1,153.60 to US \$ 1.00 at March 31, 2004) prevailing at the balance sheet dates and the resulting translation gains and losses are reflected in current operations.

Allowance for Doubtful Accounts

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

The details of the classification of loans and the corresponding allowance provided as of March 31, 2004 and 2003 are as follows:

	Millions of Korean Won			
	2004		2003	
	Loans	Allowance	Loans	Allowance
Normal	₩ 100,315	₩ 501	₩ 101,020	₩ 505
Precautionary	19,590	392	27,848	557
Substandard	31,285	12,146	40,457	15,665
Doubtful	93,394	85,826	152,266	135,746
Loss	80,520	80,520	111,300	111,299
	325,104	₩ 179,385	432,891	₩ 263,772
Present value discount account	(11,765)		(24,056)	
Total	₩ 313,339		₩ 408,835	

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

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.

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.

Securities other than those Accounted for Using the Equity Method

Classification of Securities

At acquisition, the Company classifies securities into one of the three categories; trading, held-to-maturity or available-for-sale. Trading securities are those that were acquired principally to generate profits from short-term fluctuations in prices. Held-to-maturity securities are those with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Available-for-sale securities are those not classified as either held-to-maturity or trading securities. Trading securities are classified as short-term investment securities, whereas available-for-sale and held-to-maturity securities are classified as long-term securities, except for those whose maturity dates or whose likelihood of being disposed of are within one year from balance sheet date, which are classified as short-term investment securities.

Valuation of Securities

Securities are recognized initially at cost, which includes the market price of the consideration given to acquire them and incidental expenses. If the market price of the consideration is not reliably determinable, the market prices of the securities purchased are used as the basis for measurement. If neither the market prices of the consideration given nor those of the acquired securities are available, the acquisition cost is measured at the best estimates of its fair value.

After initial recognition, held-to-maturity securities are stated at amortized cost. The difference between their acquisition costs and face values of held-to-maturity securities is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sales securities are also valued at fair value, with unrealized gains or losses included in capital adjustments, until the securities are sold or if the securities are determined to be impaired and the lump-sum cumulative amount of capital adjustments are included in current operations. However, available-for-sales securities that are not traded in an active market and whose fair values cannot be reliably estimated are accounted for at their acquisition costs. For those securities that are traded in an active market, fair values refers to those quoted market prices, which are measured as the closing price at the balance sheet date. The fair value of non-marketable securities are measured at the discounted future cash flows by using the discount rate that appropriately reflects the credit rating of issuing entity assessed by a publicly reliable independent credit rating agency. If application of such measurement method is not feasible, estimates of the fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting similar business in similar industries.

Securities are evaluated at each balance sheet date to determine whether there is any objective evidence of impairment loss. When any such evidence exists, unless there is a clear counter-evidence that recognition of impairment is unnecessary, the Company estimates the recoverable amount of the impaired security and recognizes any impairment loss in current operations. The amount of impairment loss of the held-to-maturity security or non-marketable equity security is measured as the difference between the recoverable amount and the carrying amount. The recoverable amount of held-to maturity security is the present value of expected future cash flows discounted at the securities' original effective interest rate.

For available-for-sale debt or equity security, the amount of impairment loss to be recognized in the current period is determined by subtracting the amount of impairment loss of debt or equity security already recognized in prior period from the amount of amortized cost in excess of the recoverable amount for debt security or the amount of the acquisition cost in excess of the fair value for equity security.

If the realizable value subsequently recovers, in case of a security stated at fair value, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, while for the security stated at amortized cost or acquisition

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

cost, the increase in value is recorded in current operation, so that its recovered value does not exceed what its amortized cost would be as of the recovery date if there had been no impairment loss.

When transfers of securities between categories are needed because of changes in an entity's intention and ability to hold those securities, such transfer is accounted for as follows: trading securities cannot be reclassified into available-for-sale and held-to-maturity securities, and vice versa, except when certain trading securities lose their marketability. Available-for-sale securities and held-to-maturity securities can be reclassified into each other after fair value recognition. When held-to-maturity security is reclassified into available-for-sale security, the difference between the book value and fair value is reported in capital adjustments. Whereas, in case available-for-sale security is reclassified into held-to-maturity securities, the difference is reported in capital adjustments and amortized over the remaining term of the securities using the effective interest method.

Investment Securities Using the Equity Method

Investments in equity securities of 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 change in the Company's portion of an investee's net equity resulting from a change in an investee's net equity is reflected in the Company's net income (loss), retained earnings and capital adjustments, in accordance with the causes of the change which consist of the investees' net income (loss), changes in retained earnings and changes in capital surplus and capital adjustments.

Derivatives Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging

derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

Tangible Fixed Assets

Tangible fixed assets are stated at cost except for the assets revalued upward in accordance with the Asset Revaluation Law of Korea. Major renewals and betterment are capitalized and expenditures for repairs and maintenance are charged to expense as incurred. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

ASSETS	YEARS
Buildings	40
Vehicles	5
Furniture and equipment	5

Collective Fund for Default Loss

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

(MARCH 31, 2004 AND 2003)

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 as of March 31, 2004 and 2003 amount to ₩4,001 million and ₩62,984 million, respectively. Actual payment of severance indemnities amounted to ₩71,371 million and ₩7,772 million in 2004 and 2003, respectively.

The Company has purchased severance benefits insurance, which meets the funding requirement for tax purposes, and made deposits with Green Cross Life Insurance Co., Ltd. Withdrawal of these deposits, with a balance of ₩2,643 million and ₩37,763 million as of March 31, 2004 and 2003, 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.

In accordance with the National Pension Act, as of March 31, 2004 and 2003, accrued severance benefits of approximately ₩22 million and ₩1,667million, respectively, are deposited with the National Pension Fund and shown as a deduction from accrued severance benefits. The contributed amount shall be refunded from the National Pension Fund to employees and directors on their retirement.

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).

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 (47,422,288 shares in 2004 and 48,278,061 shares in 2003, respectively) outstanding during the year.

Reclassification

For comparative purposes, certain accounts in the balance sheet as of March 31, 2003 and in the statement of income for the year then ended were reclassified. Such reclassification had no effect on the income for the year ended March 31, 2003 or net equity as of March 31, 2003.

3. RESTRICTED DEPOSITS:

Restricted due from banks in local currency and foreign currencies as of March 31, 2004 and 2003 are as follows:

	Millions of Korean Won	
	2004	2003
KSFC deposits	₩ 674,265	₩ 852,444
Long-term deposits	41	41
Surety Guarantee	1	1
Collective fund for default loss	10,130	9,152
Total	₩ 684,437	₩ 861,638

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.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

4. TRADING SECURITIES:

Trading securities owned by the Company as of March 31, 2004 and 2003 consist of the following:

	Millions of Korean Won	
	2004	2003
Stocks	₩ 38,836	₩ 77,056
Korean government and public bonds	433,221	295,966
Domestic Korean corporate bonds	33,687	45,558
Beneficiary certificates	31,499	110,860
Negotiable commercial papers	24,000	18,000
Total	₩ 561,243	₩ 547,440

Acquisition cost of Korean government and public bonds and domestic Korean corporate bonds excluded the amount of accrued interest on bonds(₩7,310 million and ₩6,370 million as of March 31, 2004 and 2003, respectively). Stocks and beneficiary certificates are valued to fair value as of March 31, 2004 and 2003. Trading debt securities are valued using the average of earning rage 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, 2004 and 2003 are as follows:

	Millions of Korean Won	
	2004	2003
Trustor securities in custody	₩ 8,804,523	₩ 7,119,695
Saver securities in custody	83,387	97,795
Beneficiary securities in custody	1,670,312	1,587,842
Others	15,495	7,972
Total	₩ 10,573,717	₩ 8,813,304

6. INVESTMENT SECURITIES:

Investment securities as of March 31, 2004 and 2003 consist of the following:

	Millions of Korean Won	
	2004	2003
Investment equity securities	₩ 40,813	₩ 40,897
Investments in capital	12,934	37,312
Corporate bonds	55,074	72,589
Beneficiary certificate	40,707	20,158
Equity investments in affiliates	41,438	40,842
Others	27	27
Total	₩ 190,993	₩ 211,825

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

(1) Investment equity securities owned by the Company as of March 31, 2004 and 2003 consist of the following:

Investees	Millions of Korean Won			
	2004		2003	
	Acquisition Cost	Book value	Acquisition Cost	Book value
Listed:				
Sinwon Co.	₩ 12,835	₩ 501	₩ 12,835	₩ 1,091
KP Chemical	1,460	937	1,460	695
Kabool Co., Ltd	-	-	10	10
Namsun Aluminum Co.	1,377	412	1,377	905
Sinho Paper Manufacturing Co.	556	65	556	32
Chungnam Spinning Co.	3,064	380	3,064	1,042
Taechang Company LTD.	7,309	322	7,309	431
Daishin Information & Communication Co., Ltd.(*1)	10,755	931	10,755	945
Daishin Development & Financial co., Ltd.(*1)	196	67	209	71
Hynix Semiconductor Inc.	320	1,287	-	-
	37,872	4,902	37,575	5,222
Unlisted:				
Korea Securities Co.	14,780	14,780	14,780	14,780
Home TV Internet Co.	-	-	1,800	1,800
Dong Sung Co., Ltd.	2,652	2,652	-	-
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	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.	380	380	500	500
Korea Securities Computer Corp.	291	291	291	291
Others (*2)	31,596	5,521	6,017	6,017
	61,986	35,911	35,675	35,675
	₩ 99,858	₩ 40,813	₩ 73,250	₩ 40,897

(*1) Those are reclassified as available-for-sale securities from equity investments in affiliates in accordance with the initial application of Statements of Korea Accounting Standards (SKAS) No.8 "Investments in Securities"

(*2) Others included the impairment losses on equity securities and petty sum of equity securities.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

(2) Investments in capital as of March 31, 2004 and 2003 consist of the following:

Investees	Millions of Korean Won			
	2004		2003	
	Acquisition Cost	Book value	Acquisition Cost	Book value
Investments in capital:				
The Stock Market Stabilization Fund [*1]	₩ -	₩ 10,283	₩ 53,489	₩ 34,412
Korea Stock Exchange	2,650	2,650	2,650	2,650
Others [*2]	1	1	250	250
	₩ 2,651	₩ 12,934	₩ 56,389	₩ 37,312

(*1) As the new accounting policy on SKAS No. 8 "Investment in securities" was applied in current year, gain(loss) on valuation of investment in stock market stabilization fund was recognized on capital adjustments. Net income was decreased by ₩10,283 million. The Company did not restate the previous financial statements. The Company received ₩40,799 million including amount invested amounting to ₩27,171 million as an investment and profits. The Company recognized return of investments in capital(₩27,171 million), realization of gain(loss) reflection from the former term(₩7,241 million), and realization of capital adjustments reflection(₩6,387 million).

(*2) Others investments in capital was appraised by acquisition cost.

(3) Corporate bonds as of March 31, 2004 and 2003 consist of the following:

Investees	Millions of Korean Won			
	2004		2003	
	Acquisition Cost	Book value	Acquisition Cost	Book value
Private placement corporate bonds: [*1]				
Daishin Factoring Co. CB	₩ 10,000	₩ 10,000	₩ 10,000	₩ 10,000
Kohap Co. CB	15,716	15,716	15,851	15,851
Chungnam Spinning Co. CB	-	-	4,845	4,845
Others	3,024	3,024	4,879	4,879
	28,740	28,740	35,575	35,575

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

	Millions of Korean Won			
	2004		2003	
	Acquisition Cost	Book value	Acquisition Cost	Book value
Investees				
Guaranteed corporate bonds:				
Chungnam Spinning Co. [*2]	1,415	1,415	9,300	9,300
Kohap Co.	7,041	7,041	7,041	7,041
Namsun Aluminum Co.	2,178	2,178	2,373	2,373
Kabool Co.Ltd	15,177	15,177	15,177	15,177
Others	523	523	3,123	3,123
	26,334	26,334	37,014	37,014
	55,074	55,074	72,589	72,589
Less: allowance of doubtful accounts		(47,892)		(54,202)
		W 7,182		W 18,387

[*1] 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].

[*2] The Company recognized long-term loans receivable amounting to ₩7,073 millions in connection with commencement of recognition in current year.

(4) Equity investments in affiliates as of March 31, 2004 and 2003 consist of the following:

	Millions of Korean Won					
	Investees	Percentage of Ownership	2004		2003	
			Acquisition Cost	Book value	Acquisition Cost	Book value
Daishin Investment Trust Management Co., Ltd. [*1]	81.00%	W 25,080	W 34,704	W 25,080	W 34,108	
Daishin Factoring Co., Ltd.	33.25%	20,805	-	20,805	-	
Daishin Life Insurance Co., Ltd. [*2]	9.95%	-	-	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	
		W 52,619	W 41,438	W 66,974	W 40,842	

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

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.

(*1) Gain on equity method valuation amounted to ₩2,540 million and ₩3,044 million in 2004 and 2003, respectively.

(*2) Daishin Life Insurance Co., Ltd. was declared bankrupt on December 26, 2003 [See Note 2].

(5) Other investment securities as of March 31, 2004 and 2003 consist of the following:

	Millions of Korean Won			
	2004		2003	
	Acquisition Cost	Book value	Acquisition Cost	Book value
Daewoo Motor Co. CP	₩ 27	₩ 27	₩27	₩ 27

(6) Loss on valuation of investment securities as of March 31, 2004 and 2003 consist of the following:

	Millions of Korean Won	
	2004	2003
Equity securities	₩ (25,492)	₩ (22,406)
Stocks of affiliated company	-	(9,947)
Investments in capital	10,283	-
Stocks of affiliated company	708	158
	₩ (14,501)	₩ (32,195)

7. INVESTMENT REAL ESTATE:

Investment in real estate as of March 31, 2004 and 2003 consist of the following:

	Millions of Korean Won	
	2004	2003
Land	₩ 11,072	₩ 11,072

8. INSURED ASSETS:

As of March 31, 2004, property, plant and equipment are insured for ₩114,047 million with Ssangyong Fire & Marine Insurance Co. In addition, the Company carries comprehensive automobile insurance for its vehicles, system error for ₩3,000 million and deposit insurance for ₩838,810 million.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

(MARCH 31, 2004 AND 2003)

9. ACCUMULATED DEPRECIATION OF TANGIBLE FIXED ASSETS:

Accumulated depreciation of tangible fixed assets as of March 31, 2004 and 2003 is as follows:

	Millions of Korean Won			
	2004		2003	
Building	₩	36,067	₩	28,935
Vehicles		650		499
Furniture and equipment		126,562		115,080
Others		-		877
	₩	163,279	₩	145,391

10. PRESENT VALUE DISCOUNT ACCOUNTS:

(1) Present value discount accounts as of March 31, 2004 consist of the following (Unit: Won in millions)

Description	Discount Rate (%)	Loans		Present value discounts	
Corporate bonds:					
Sungwon Corporation	9.0	₩	1,333	₩	132
Dasan Electron Co., Ltd.	10.0		691		133
Namsun Aluminum Co.	10.5		2,178		48
			4,202		313
Advance for customers					
Nasan Co., Ltd.	12.0		8,756		2,052
Nasan Construction Co., Ltd.	12.0		18,231		7,589
Donghae Pulp Co., Ltd.	10.5		4,578		1,069
Others	8.5~13.0		6,569		742
			38,134		11,452
		₩	42,336	₩	11,765

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

(2) Present value discount accounts as of March 31, 2003 consist of the following (Unit: Won in millions):

Description	Discount Rate (%)	Loans	Present value discounts
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
		<u>7,603</u>	<u>1,013</u>
Advance 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
		<u>65,709</u>	<u>23,043</u>
		<u>₩ 73,312</u>	<u>₩ 24,056</u>

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

(MARCH 31, 2004 AND 2003)

11. BORROWINGS:

Borrowings as of March 31, 2004 and 2003 are as follows:

Description	Financial institution	Annual interest rate (%)	Millions of Korean Won	
			2004	2003
Call money	Korea Investment & Securities Co., Ltd. and others	3.85~4.00	₩ 40,400	₩ 79,900
Short-term borrowings: Borrowings from KSFC	KSFC	4.00	11,804	53,249
			₩ 52,204	₩ 133,149

12. 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	₩ 243,932 million
	₩ 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 of 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, 2004.

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

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

(2) Reserve for loss on securities transactions

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

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

The Company repurchased treasury stock of 1,000 thousand shares in for ₩17,508,116 thousand through a resolution of the meeting of Board of Directories for employee stock ownership association in current year. The Company sold treasury stock of 293,760 shares and contributed 465,060 shares to employee stock ownership association on March 25, 2004, therefore the Company hold treasury stock of 1,006,070 shares(₩16,621,810 thousand), are recorded as a capital adjustment.

13. CAPITAL ADJUSTMENT

Capital adjustment as of March 31, 2004 and 2003 consists of the following:

	Millions of Korean Won	
	2004	2003
Treasury Stock (Note 12)	₩ (16,622)	₩ (11,649)
Loss on sales of treasury stock	-	(138)
Loss on valuation of investment securities (Note 6)	(14,501)	(32,195)
	₩ (31,123)	₩ (43,982)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

14. DERIVATIVE INSTRUMENTS:

(1) The Company's dividends proposed for 2004 are as follows:

	Shares	Par Value	Dividend rate	Millions of Koreans Won
Common stock	47,580,231	₩ 5,000	13%	₩ 30,927
Preferred stock	25,999,996	₩ 5,000	14%	₩ 18,200
				₩ 49,127

(2) In 2004 the dividends to net income and to year-end stock price ratios are as follows:

Dividend	Net income	Dividends to net income ratio
₩ 49,127 million	₩ 73,828 million	67%

	Dividend Per Share	Stock price	Dividend per share to stock price ratio
Common stock	₩ 650	₩ 16,700	3.89%
Preferred stock	₩ 700	₩ 8,530	8.21%

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

15. DERIVATIVE INSTRUMENTS:

The financial derivatives as of March 31, 2004 and 2003 are as follows:

Type	Millions of Korean Won			
	2004		2003	
	Gain	Loss	Gain	Loss
Index forwards	₩ 1,351	₩ 1,093	₩ 3,773	₩ 3,426
Index options	61	45	3	3
CD Interest forwards	1,007	1,307	218	422
	₩ 2,419	₩ 2,445	₩ 3,994	₩ 3,851

16. 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 28.54 percent and 24.36 percent in 2004 and 2003, 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	
	2004	2003
Income tax currently payable	₩ 19,062	₩ -
Changes in deferred income taxes due to: temporary differences	10,428	13,546
Income tax expense	₩ 29,490	₩ 13,546

In 2004 and 2003, 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	
	2004	2003
Income before income tax	₩ 103,318	₩ 55,595
Permanent differences	(24,588)	(12,508)
Temporary differences	(14,504)	(63,701)
Taxable income	₩ 64,226	₩ (20,614)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

(MARCH 31, 2004 AND 2003)

The changes in accumulated temporary differences in 2004 and 2003 are as follows:

Description	Millions of Korean Won			
	2004		2003	
Beginning of year, net	₩	31,931	₩	162,531
Changes in the current year, net		(35,111)		(130,600)
End of year, net	₩	(3,180)	₩	31,931

Deferred income tax assets as of March 31, 2004 and 2003 are computed as follows:

Description	Millions of Korean Won			
	2004		2003	
Accumulated temporary differences, net	₩	(3,180)	₩	31,931
Statutory tax rate (%)		29.7		29.7
Deferred income tax assets(liabilities)	₩	(945)	₩	9,484

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

17. RELATED PARTY TRANSACTIONS:

Significant transactions with related parties in 2004 and 2003 are as follows:

Related Party	Description	Millions of Korean Won	
		2004	2003
Daishin Investment Trust Management Co., Ltd.	Brokerage commissions on beneficiary certificates	₩ 3,483	₩ 6,823
	Dividends	1,994	2,430
	Rental income	130	120
	Disposition of other assets	350	-
	Non-operating income	195	-
	Accrued commissions	454	1,187
	Customers' deposits	309	169
	Deposits for rent	1,772	886
	Daishin Factoring Co., Ltd.	Rental income	-
Interest commissions		1,326	2,533
Corporate bonds		10,000	10,000
Dishonored bills receivable		25,375	25,375
Accrued interest receivables		-	1,074
Daishin Economic Research Institute	Rental income	140	129
	General and administrative expenses	6,617	7,006
	Disposition of other assets	310	-
	Non-operating income	86	-
	Accrued expenses	504	432
	Deposits for rent	1,195	956
Daishin Information & Communication Co., Ltd.	Rental income	10	10
	Interest income	-	333
	General and administrative expenses	3,805	5,648
	Deposits for rent	6	6
	Accrued expenses	-	298
	Customers' deposits	72	-
Daishin Development & Finance	Interest income	4	73
	Accounts receivable	-	460

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

(MARCH 31, 2004 AND 2003)

Related Party	Description	Millions of Korean Won	
		2004	2003
Daishin Champs Elysees Hwit	Rental income	₩ 896	₩ -
	Deposits for rent	600	-
Yang, Young-ae	Deposits for rent	728	-
Yang, Hoi-Gum			

In 2004 and 2003, the total revenues earned by the Company from affiliated companies amounted to ₩8,214 million and ₩12,453 million, respectively, and the total charges of affiliated companies amounted to ₩10,422 million and ₩12,654 million, respectively, and the total disposition assets with the Company from affiliated companies amounted to ₩660 million in 2004. As of March 31, 2004 and 2003, receivables from affiliated companies amounted to ₩35,830 million and ₩38,096 million, respectively, and payables to affiliated companies amounted to ₩5,186 million and ₩2,747 million, respectively.

On December 26, 2003, Daishin Life Insurance Co., Ltd. was excluded from affiliated companies due to a decree of bankruptcy. As of March 31, 2002, the revenues earned by Company from Daishin Life Insurance Co., Ltd. amounted to ₩9,444 million. The receivables and payables to Daishin Life Insurance Co., Ltd. amounted to ₩98,445 million and ₩6,036 million, respectively.

18. CONTINGENCIES AND COMMITMENTS:

(1) The Company has provided government and public bond (face value of ₩29,800 million) and listed shares (market value of ₩23,940 million) as collateral for reserve for future transaction to Korea Stock Exchange.

(2) Promissory notes:

As of March 31, 2004, the Company has provided KSFC with promissory notes, 4 blank notes and a ₩1,186,367 million note, as collateral for borrowings and securities transactions.

19. PENDING LITIGATION:

(1) Certain customers of the Company have filed a lawsuit against the Company claiming the repurchase of beneficiary certificates, return of customers' deposits and compensation for damages from discretionary transaction of securities, which amount to ₩3,543 million. The management of the Company believes that the ultimate resolution of the litigation will not materially affect the Company's financial position.

(2) As of March 31, 2004, the Company entered into daily overdraft agreements with banks with the aggregate limit of ₩138,000 million.

(3) The Company contributed ₩20,350 million to Korea Deposit Insurance Corporation in connection with approval and registration to new business in accordance with Action on the Structural Improvement of the Financial Industry.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENT

[MARCH 31, 2004 AND 2003]

20. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses in 2004 and 2003 are as follows:

	Millions of Korean Won			
	2004		2003	
Salaries	₩	52,533	₩	49,230
Provision for severance indemnities		12,388		14,461
Other employee benefits		1,973		68,517
Computer system operating expenses		25,811		29,772
Rent		5,330		6,022
Commissions		18,597		21,746
Entertainment		894		1,692
Advertising		7,048		7,752
Depreciation		33,918		35,206
Research		5		1
Training		440		419
Bad debts written off		14,993		34,273
Taxes and dues		4,917		5,108
Others		18,386		18,554
	₩	257,233	₩	292,753

21. CONTRIBUTIONS TO EMPLOYEE WELFARE AND SOCIETY:

The Company gives support to its employees for housing loans, educational service fees and others. The Company paid ₩61,973 million and ₩68,517 million for employee welfare for the year ended March 31, 2004 and 2003. In addition, the Company's long-term loans to employees for housing amounted to ₩402 million as of March 31, 2004.

22. SUPPLEMENTARY INFORMATION FOR COMPUTATION OF VALUE ADDED:

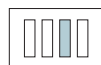
The accounts and amounts needed for calculation of value added in 2004 and 2003 are as follows:

	Millions of Korean Won			
	2004		2003	
Ordinary income	₩	103,318	₩	55,595
Labor costs		126,894		132,208
Rent		5,330		6,022
Taxes and dues		4,917		5,108
Depreciation		33,918		35,206
	₩	274,377	₩	234,139

23. APPROVAL OF FINANCIAL STATEMENTS:

The board of directors will approve the financial statements for submission to general shareholders' meeting on April 16, 2004.

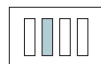
CEO & Presidents



Yang, Hye Moon
Chairman of the Daishin Group



Kim, Dae Song
Daishin Securities CEO & President

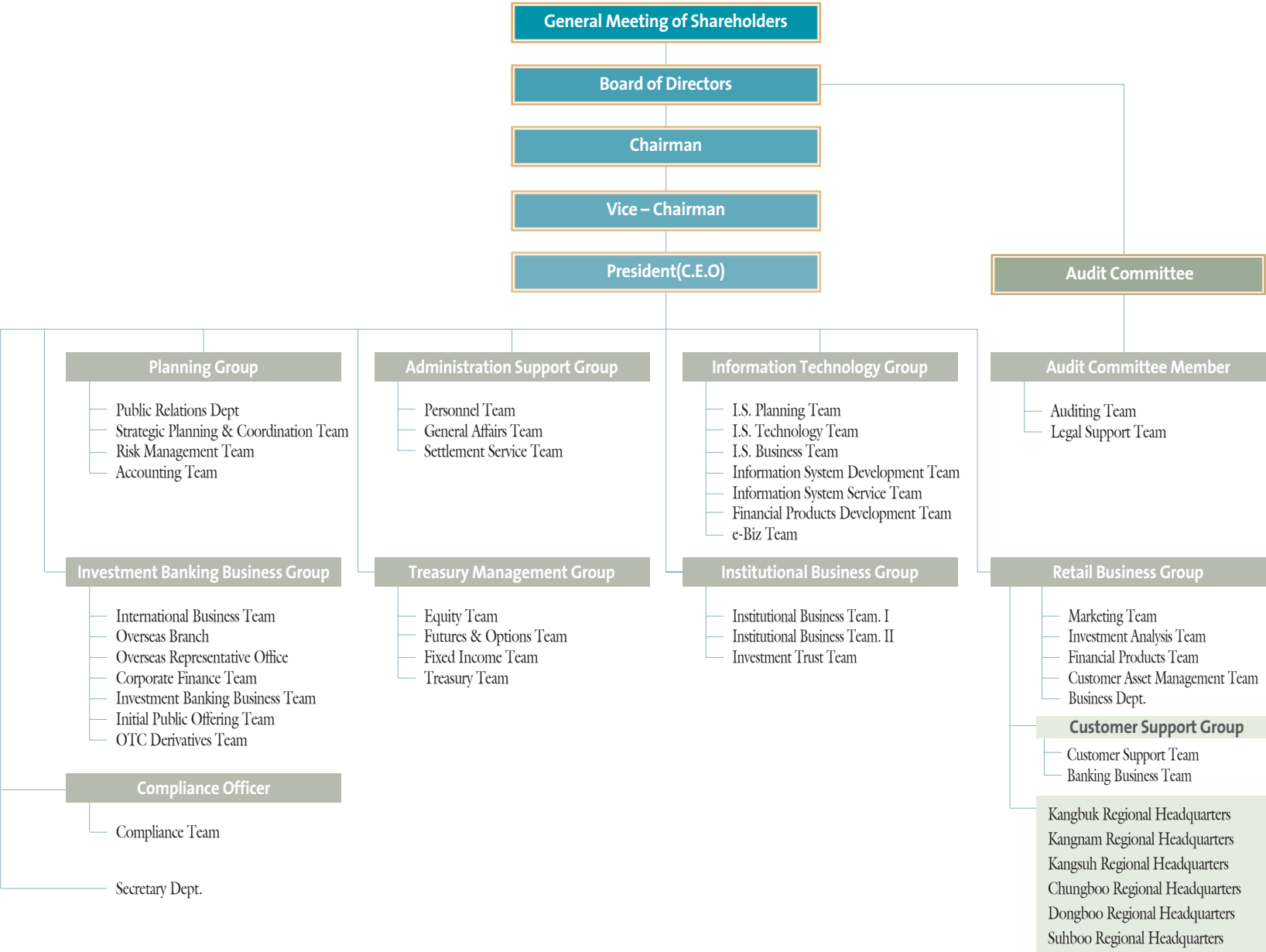


Ra, Young Ho
DERI CEO & President



Ro, Chung Nam
DITM CEO & President

Organization Chart



Introduction to Daishin Affiliates

Daishin Investment Trust Management

Established as Daishin Investment Advisory in March 1988, Daishin Investment Trust Management is a specialized asset management company providing services such as investment trust management, investment consulting, overseas investment consulting, and mutual fund management.

The company raised its global profile in October 1988, when it registered as an investment consulting company with the U.S. Securities and Exchange Commission, and in August 1999, increased its capital through an alliance with Sumitomo Life Insurance.

The company's close cooperation with Daishin Securities and the Daishin Economic Research Institute enables it to provide the highest quality integrated financial services. It is setting the standard in the domestic investment trust management industry and gaining the trust of customers by providing high returns based on responsible and effective risk management.

Daishin Economic Research Institute

The Daishin Economic Research Institute specializes in finance and securities research. Its seventy outstanding researchers have contributed to Daishin Securities' top ranking in online trading by providing clients with timely analysis on domestic and international economies, companies in the Daishin Universe, stock market forecasts, and investment strategies.

By developing systems to help investors make rapid investment decisions while trading online, the Daishin Economic Research Institute has helped Daishin Securities pioneer and lead domestic online trading. In addition, the asset management systems provided by the Daishin Economic Research Institute allow individual investors to structure their portfolios based on strategic investment decisions and effective risk management.

The Daishin Economic Research Institute is achieving its aim of becoming a creative think tank, leading the advance of the financial industry by providing quality research related to the economy and the market as well as consulting and financial engineering services.

Corporate Information

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ESTABLISHED

June 20, 1962

NUMBER OF DOMESTIC BRANCHES

122 (end of March 2004)

EMPLOYEES

2,006

PAID-IN CAPITAL

373.9 billion won

TOTAL SHAREHOLDERS' EQUITY

1,308.7 billion won

OVERSEAS NETWORK

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