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Press Release

September 20, 2004

September 20 News Article in the Seoul Economic Daily Concerning Accounting Misconduct by Hynix Semiconductor Inc.

The following is a response to the September 20 news article by Seoul Economic Daily that the Financial Supervisory Service found, through its own investigation, the size of the accounting misreporting by Hynix Semiconductor Inc. that had been carried over from Hyundai Electronics Industries Co. to be significantly larger than what the government prosecutors have found.

The Financial Supervisory Service was informed by Korea Deposit Insurance Corporation of potential accounting violations by Hynix Semiconductor Inc. for the accounting periods from 1996 to 1999. Based on this information, the Financial Supervisory Service completed an investigation of the company's accounting for the fiscal years from 1999 to 2003 and whether the company's outside auditor engaged in negligent audit. The investigation found that the misreporting mostly took place in the past and that it had already been appropriately resolved.

The investigation found that the company overstated the size of its fixed assets by treating certain expense items as assets for construction-in-progress and took out depreciation expenses and losses from asset impairment. The company was also found to have improperly deferred certain selling and administrative expenses into the future years.

Total Cumulative Misreported Amount

(In KRW, billions)			
1999	2000	2001	2002
1,979.9	1,848.4	1,280.1	738.9

For the fiscal year 2003, the company was also found to have improperly reported correction of errors totaling KRW568.1 billion from the previous fiscal year by misapplying the correction items or by making incorrect footnote entries in the company's financial statements. But since the company corrected all of past errors and neither overstated its assets nor understated its liabilities in the balance sheet, the financial statements beginning with the fiscal year 2004 will not be affected in any way by the past misreporting.



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The Audit Review Committee of the Financial Supervisory Service convened on September 17 to review the accounting matters concerning Hynix Semiconductor Inc. as well as possible audit negligence by the company's outside auditor. The Securities and Futures Commission is expected to announce the final findings of the matter and actions to be taken against Hynix Semiconductor Inc. on September 22.

Please forward questions, comments, or suggestions regarding this press release to the Accounting Supervision Department II (Tel: +82-2-3786-7303), Financial Supervisory Service.