

**Agenda of SK hynix's  
Annual General Meeting of Shareholders  
for the 74<sup>th</sup> Fiscal Year**



March 2022

## **【Annual General Meeting of Shareholders for the 74<sup>th</sup> Fiscal Year】**

**Date:** March 30, 2022, 10:00AM KST

**Venue:** SUPEX Hall within SUPEX Center at the Company's Head Office,  
2091 GyeongChung-DaeRo, Bubal-eub, Icheon-si, Gyeonggi-do, Korea

### Shareholders' Meeting Agenda

○ **Agenda No. 1: Approval of the Financial Statements for the 74<sup>th</sup> Fiscal Year**

(2021.1.1~2021.12.31)

- Consolidated Revenue KRW 43.0 Tr. (YoY +35%), Operating Profit KRW 12.4 Tr. (YoY +148%)
- Annual Cash Dividend per Share: KRW 1,540 (YoY +32%)

○ **Agenda No. 2: Approval of amendments to the Articles of Incorporation**

○ **Agenda No. 3: Approval of the Granting of Stock Options**

- 1 Recipient: Executive Director Oh, Jong Hoon (total 6,757 shares granted)

○ **Agenda No. 4: Approval of Stock Options Granted**

- 33 Recipients: Unregistered Directors (total 188,703 shares granted)

○ **Agenda No. 5: Election of Executive Directors**

5-1. (Candidate: Kwak, Noh-Jung)

5-2. (Candidate: Noh, Jongwon)

○ **Agenda No. 6: Election of Independent Director** (Candidate: Ha, Yung Ku)

○ **Agenda No. 7: Election of Audit Committee Member** (Candidate: Ha, Yung Ku)

○ **Agenda No. 8: Approval of the Ceiling Amount of Remuneration for Directors**

- KRW 20 Bn.

## 【Agenda NO. 1】 Approval of the Financial Statements for the 74<sup>th</sup> Fiscal Year

- **Proposed Annual Cash Dividend: KRW 1,540 per Share (Total Dividends paid KRW 1,058.9 Bn.)**
  - Board's decision on Cash Dividend for FY2021 of KRW 1,540 per share was decided and disclosed on Jan 28, 2022 as follows:  
<https://englishdart.fss.or.kr/dsbh001/main.do?rcpNo=20220128800164>
  - FY2021 Dividend was decided based on our Dividend Policy for 『FY2019 to FY2021』 disclosed on Jan 31, 2020 as follows.  
<https://englishdart.fss.or.kr/dsbh001/main.do?rcpNo=20200131800967>

※ FY2019~FY2021 Dividend Policy

Annual Cash Dividend for the Fiscal Year is determined at 『Fixed Dividend per share of KRW 1,000 + 5% of Annual Free Cash Flow (Additional Dividend based on earnings results)』

- **Our renewed shareholder return policy for the next 3 years is disclosed as follows on approval of the Board:**
  - Disclosure dated Jan 28, 2022 as follows:  
<https://englishdart.fss.or.kr/dsbh001/main.do?rcpNo=20220128800195>

※ FY2022~FY2024 Shareholder Return Policy

- Use 50% level of Free Cash Flow generated over 3 years as resource for Shareholder Return.
- Annual Fixed Dividend of KRW 1,200 per share (increase by 20% from prior policy) + 5% of Annual Free Cash Flow
- Start Quarterly Dividend (subject to approval of Agenda No. 2)

- **Independent Auditors' Opinion: "Fair"**
- **We disclosed our FY2021 Audit Report with Independent Auditors' Opinion both in its Korean and English versions on Mar 11, 2022, and can be found on our corporate website.**

- Audit Report disclosure (DART Corporate Disclosure website):  
<https://dart.fss.or.kr/dsaf001/main.do?rcpNo=20220311800845&dcmNo=8452968>
- SK hynix website:  
[https://www.skhynix.com/ir/UI-FR-IR12\\_T3/](https://www.skhynix.com/ir/UI-FR-IR12_T3/)

## 【Agenda NO. 2】 Approval of amendments to the Articles of Incorporation

### ○ Purpose of amending Articles of Incorporation

- Global Bonds are not subject to electronic registration as per relevant law and regulations, thus exclusion clause added to the Articles.
- Amendment to allow for payment of Quarterly Dividends as per Capital Market & Financial Investment Business Act.

Present	Amended
<p><b>Article 15-2. Electronic Registration of Rights to be indicated on Bonds, Subscription Warrants</b></p> <p>The Company shall electronically register rights to be indicated on bonds and subscription warrants in the electronic register instead of issuing bonds or subscription warrants.</p>	<p><b>Article 15-2. Electronic Registration of Rights to be indicated on Bonds, Subscription Warrants</b></p> <p>The Company shall electronically register rights to be indicated on bonds and subscription warrants in the electronic register instead of issuing bonds or subscription warrants. <u>However, the electronic registration may not be required, where electronic registration is not mandatory under the law and regulations.</u></p>
<p><b>Article 54. Interim Dividend</b></p> <p>(1) The Company may pay interim dividends under the Commercial Act to its shareholders whose names appear in the list of shareholders at AM 00:00, July 1 (hereinafter referred to as the “record date”). Interim dividend shall be paid in cash, shares, or any other property. &lt;Amended March 23, 2012&gt;</p> <p>(2) Interim dividend referred to in subsection 1 above shall be paid by a resolution of the Board of Directors; provided, however, that the specific method or limitation of such Interim dividends shall be made in accordance with the Commercial Act or other acts related to such Interim dividend.</p> <p>(3) If any new shares have been issued prior to the record date specified in subsection 1 above following the commencement date of the current fiscal year (including as a result of capitalization of reserves, stock dividends, requests for conversion of convertible bonds to the capital stock and the exercise of warrant with respect to</p>	<p>&lt;Deleted&gt;</p>

bonds with warrant), such new shares shall be deemed to have been issued at the end of the immediately preceding fiscal year with respect to interim dividends hereunder.

(4) With respect to interim dividends, the same dividend rate as applicable to common shares shall also apply to different classes of shares under Article 8-2 hereof. <Amended March 23, 2012>

(5) The provision of Article 53 shall be apply mutatis mutandis to the case of the Interim Dividend.

<Newly inserted>

#### **Article 54-2. Quarterly Dividends**

① Company may pay quarterly dividends by cash under the Capital Market & Financial Investment Business Act to its shareholders whose names appear in the list of shareholders on the last day of the third, sixth & ninth month respectively of each fiscal years.

② Quarterly dividends referred to in subsection 1 above shall be paid by a resolution of the Board of Directors; provided, however, that the specific method and limitation on the amount shall comply with relevant laws and regulations, including Capital Market & Financial Investment Business Act and the Commercial Act.

③ If any new shares have been issued prior to the respective record dates specified in subsection 1 above following the commencement date of the current fiscal year (including as a result of capitalization of reserves, stock dividends, requests for conversion of convertible bonds to the capital stock and the exercise of warrant with respect to bonds with warrant), such new shares shall be deemed to have been issued at the end of the immediately preceding quarter with respect to quarterly dividends hereunder.

④ With respect to quarterly dividends, Article 10-3 shall not apply and Paragraphs (3) of this Article shall prevail.

	<p>⑤ With respect to payment of quarterly dividends, the same dividend rate as applicable to common shares shall be applied to the different class of shares under these Articles.</p> <p>⑥ The provision of Article 53 shall apply, mutatis mutandis, with respect to the quarterly dividends.</p>
<p>&lt;Newly inserted&gt;</p>	<p><b>Addendum (Effective from March 30, 2022)</b></p> <p><b>Article 1. Effective Date</b>  These Articles of Incorporation shall come into effect on March 30, 2022.</p>

## 【Agenda NO. 3】 Approval of the Granting of Stock Options

- In order to maximize corporate value through the alignment of management interest with those of shareholders, and link management compensation with long-term corporate value by granting Stock Options to Executive Director who is charged with key roles.
- Recipient of Stock Options

Name	Position	Subscription Rights	
		Share type	No. of Shares
Oh, Jong Hoon	Executive Director (VP & Head of US R&D)	Common shares	<b>6,757</b>

- Details of Stock Options

	Details	Reference
Grant Method	Treasury Shares or the difference between the exercise price of stock option and the market price of such shares in cash or treasury shares	Articles of Incorporation Article 10-2. ③ <sup>1</sup>
Grant Date	March 30, 2022	
No. of Stock Options Granted	6,757 Common shares	In the case of Recipient's resignation from office within 2 years of the Stock Option Grant date, the granted Stock Options will be canceled.
Exercise Period	March 31, 2024 ~ March 30, 2027	Exercise period of 3 years after Vesting period of 2 years

<sup>1</sup> Article 10-2. Stock Option

③ The shares to be issued upon the exercise of stock option (in case the Company pays the difference between the exercise price of stock option and the market price of such shares in cash or treasury shares, the shares which shall be the basis of the calculation of such differences) shall be common shares or different classes of shares in registered form, which shall be determined in the resolution pursuant to paragraph 1.

<p>Exercise Price &amp; Terms</p>	<p style="text-align: center;"><b>KRW 127,410</b></p> <ul style="list-style-type: none"> <li>- The above Exercise Price is calculated based on a grant date of Feb 23, 2022 for reference purpose only. It will be recalculated &amp; fixed based on the grant date of Mar 30, 2022 on approval at the AGM.</li> <li>- In the case of alteration of share value through new share issue, dividend payment through shares, increase in capital, share split, M&amp;A etc., the Exercise Price and/or Number of Shares issued can be altered as per the Stock Option Grant contract or Board ruling.</li> </ul>	<p>The Exercise Price is calculated by Trading volume weighted average share price<sup>2</sup> on the date prior to the granting of the plan</p>
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<sup>2</sup> (prior 2 month Weighted average + prior 1 month Weighted average + prior 1 week Weighted average)

## 【Agenda NO. 4】 Approval of Stock Options Granted

- In order to maximize corporate value through the alignment of management interest with those of shareholders, and link management compensation with long-term corporate value by granting Stock Options to key executives who are charged with key roles.
- The Board of Directors on February 23, 2022 approved stock options to the following 33 recipients (Unregistered Directors) who fulfill the below requirements.
  1. Key Executives who have substantial impact on Corporate Value enhancement
  2. Talent within our business area possessing 'S' level capacity

Disclosure: <https://dart.fss.or.kr/dsaf001/main.do?rcpNo=20220224000003>

### ○ Stock Option Recipients (33 Unregistered Directors)

Name	Position	Subscription Rights	
		Share type	No. of Shares
Jin, Kyo Won	President	Common shares	13,342 shares
Kwak, Noh-Jung	President & Chief Safety, Product & Production Officer	Common shares	11,773 shares
Noh, Jongwon	President & Chief Business Officer	Common shares	11,773 shares
Kim, Dong Sub	President and Head of Communication & External Affairs	Common shares	9,712 shares
Cha, Seon Yong	VP & Head of R&D	Common shares	7,848 shares
Park, Jung Sik	VP & Head of Quality & Reliability Assurance	Common shares	7,848 shares
Choi, Jung Dal	VP & Head of NAND Development	Common shares	7,848 shares
Ahn, Hyun	VP & Head of Solution Development	Common shares	7,848 shares
Jong-Hwan, Kim	VP & Head DRAM Development	Common shares	7,063 shares
Song, Hyun-Jong	VP & Head of Digital Transformation	Common shares	6,333 shares

Song, Changrock	VP & Head of CIS Business	Common shares	5,415 shares
Kim, Yoon-Wook	VP & Head of Sustainability Management	Common shares	5,392 shares
Kim, Yongsik	VP & Head of Manufacturing Technology	Common shares	5,297 shares
Hong, S. Hoo	VP & Head of Package & Test	Common shares	5,297 shares
Shin, Sang-Kyu	VP & Head of Corporate Culture	Common shares	5,297 shares
Choi, Joon	VP & Head of Marketing	Common shares	5,297 shares
Kim, Jinhyock	VP & Head of Corporate Strategy & Planning	Common shares	4,709 shares
Kim, Woo-Hyun	VP & Head of Finance	Common shares	4,709 shares
Kim, Seonghan	VP & Head of Procurement	Common shares	4,709 shares
Kim, Joo-Seon	VP & Head of SK Hynix Greater America	Common shares	4,709 shares
Lee, Sang-Rak	VP & Head of Sales	Common shares	4,709 shares
Lee, Sang-Hwa	VP & Head of Wuxi Fab	Common shares	4,709 shares
Choi, Jun Gi	VP & Head of Icheon Fab	Common shares	4,709 shares
Kim, Hyeongsoo	VP & Head of Safety Health Environment	Common shares	4,261 shares
Kim, Choon Hwan	VP & Head of Cheongju Fab	Common shares	4,238 shares
Park, Kyung	VP & Head of Memory Systems R&D	Common shares	4,238 shares
Lee, Byung-Ki	VP & Head of R&D Process	Common shares	3,139 shares
Cho, Ju-Hwan	VP & Head of DRAM Design	Common shares	3,139 shares
Son, Seok-Woo	VP & Head of Facility & Infra	Common shares	2,825 shares
Jin, Ilsup	VP & Head of R&D TD	Common shares	2,747 shares
Kim, Kihyun	VP & Head of SK Hynix Greater China	Common shares	2,590 shares
Na, Myung-Hee	VP & Head of RTC	Common shares	2,590 shares
Lee, Kang-Wook	VP & Head of Package Development	Common shares	2,590 shares
Total			<b>188,703 shares</b>

○ **Details of Stock Options**


	Details	Reference
Grant Method	<b>Treasury Shares or the difference between the exercise price of stock option and the market price of such shares in cash or treasury shares</b>	Articles of Incorporation Article 10-2. ③ <sup>3</sup>
Grant Date	<b>March 30, 2022</b>	The stock options were approved at the Board meeting held on Feb 23, 2022. The agenda is proposed for approval at the 74 <sup>th</sup> AGM, and if agenda is not approved at the AGM, the granted Stock Options will be canceled.
No. of Stock Options Granted	<b>188,703 shares</b>	In the case of Recipient's resignation from office within 2 years of the Stock Option Grant date, the granted Stock Options will be canceled.
Exercise Period	<b>March 31, 2024 ~ March 30, 2027</b>	Exercise period of 3 years after Vesting period of 2 years
Exercise Price & Terms	<b>KRW 127,410</b>  - The above Exercise Price is calculated based on a grant date of Feb 23, 2022 for reference purpose only. It will be recalculated & fixed based on the grant date of Mar 30, 2022 on approval at the AGM. - In the case of alteration of share value through new share issue, dividend payment through shares, increase in capital, share split, M&A etc., the Exercise Price and/or Number of Shares issued can be altered as per the Stock Option Grant contract or Board ruling.	The Exercise Price is calculated by Trading volume weighted average share price <sup>4</sup> on the date prior to the granting of the plan

<sup>3</sup> Article 10-2. Stock Option

③ The shares to be issued upon the exercise of stock option (in case the Company pays the difference between the exercise price of stock option and the market price of such shares in cash or treasury shares, the shares which shall be the basis of the calculation of such differences) shall be common shares or different classes of shares in registered form, which shall be determined in the resolution pursuant to paragraph 1.

<sup>4</sup> (prior 2 month Weighted average + prior 1 month Weighted average + prior 1 week Weighted average)

**【Agenda NO. 5-1】 Election of Executive Director (Candidate Kwak, Noh-Jung)**

	<b>KWAK, NOH-JUNG</b>
	<ul style="list-style-type: none"> <li>◆ Position: Executive Director / New appointment</li> <li>◆ Date of Birth: Nov 6, 1965</li> <li>◆ Education: Korea University, Ph.D. in Materials Engineering</li> <li>◆ Term: 3 years (Article 29 of the Articles of Incorporation<sup>5</sup>)</li> </ul>
Board Attendance	<ul style="list-style-type: none"> <li>◆ New appointment</li> </ul>
Professional Experience	<ul style="list-style-type: none"> <li>◆ SK hynix President &amp; Chief Safety, Product &amp; Production Officer ('21-)</li> <li>◆ SK Hynix EVP &amp; Head of Manufacturing Technology ('19-)</li> <li>◆ SK hynix SVP &amp; Head of Cheongju Fab ('17-)</li> <li>◆ SK hynix VP &amp; Head of D&amp;T Technology ('15-)</li> <li>◆ SK hynix VP &amp; Head of Process Technology ('14-)</li> </ul>
Others	-

○ **Reason for Recommending Candidate:**

- The candidate currently serves as our Chief Safety, Product & Production Officer, and is responsible for integrated management of Development & Production functions along with Safety & Health responsibilities. In particular, we expect that the candidate will be able to fulfill responsibilities in connection to the recent importance placed on workplace safety, contributing to the company's sustainable growth and development.

○ **Relationship with Largest shareholder: None**


○ **Transaction with the Company in the Past Three Years: None**

○ **Taxes in Arrears, Management of Insolvent Companies, Statutory Reasons for Disqualification: None**

<sup>5</sup> Article 29. Term of Office of Director

(1) The term of office of a director shall expire upon the time of the closing of the third ordinary general meeting of shareholders to be convened after his/her inauguration.

**【Agenda NO. 5-2】 Election of Executive Director (Candidate Noh, Jongwon)**

	<b>NOH, JONGWON</b>
	<ul style="list-style-type: none"> <li>◆ Position: Executive Director / New appointment</li> <li>◆ Date of Birth: Nov 29, 1975</li> <li>◆ Education: Seoul National University, M.S. in Technology Management, Economics &amp; Policy Program</li> <li>◆ Term: 3 years (Article 29 of the Articles of Incorporation<sup>6</sup>)</li> </ul>
Board Attendance	<ul style="list-style-type: none"> <li>◆ New appointment</li> </ul>
Professional Experience	<ul style="list-style-type: none"> <li>◆ SK hynix President &amp; Chief Business Officer ('21~)</li> <li>◆ SK hynix Head of Corporate Support ('20~)</li> <li>◆ SK hynix Head of Corporate Strategy &amp; Planning ('18~)</li> <li>◆ SK Telecom Head of PM &amp; Unicorn Labs ('16~)</li> <li>◆ SK C&amp;C Head of Corporate Development ('14~)</li> </ul>
Others	-

○ **Reason for Recommending Candidate:**

- The candidate serves as President & Chief Business Officer of SK hynix, with responsibilities over customer and market trends to strategically deal with management environment changes. With responsibilities for future growth drivers and improving implementation of our Financial Story, we expect the candidate to contribute to enhancing corporate value.

○ **Relationship with largest shareholder: None**

○ **Transaction with the Company in the Past Three Years: None**


○ **Taxes in Arrears, Management of Insolvent Companies, Statutory Reasons for Disqualification: None**

<sup>6</sup> Article 29. Term of Office of Director

(1) The term of office of a director shall expire upon the time of the closing of the third ordinary general meeting of shareholders to be convened after his/her inauguration.

**【Agenda NO. 6】 Election of Independent Director (Candidate Ha, Yung Ku)**

**【Agenda NO. 7】 Election of Audit Committee Member (Candidate Ha, Yung Ku)**

	<b>HA, YUNG KU</b>
	<ul style="list-style-type: none"> <li>◆ Position: Independent Director / Re-election</li> <li>◆ Date of Birth: Nov 26, 1953</li> <li>◆ Education: Northwestern University, Kellogg School (M.B.A., '81)</li> <li>◆ Term: 3 years (Article 29 of the Articles of Incorporation<sup>7</sup>)</li> </ul>
Board Attendance	◆ Board/Committee attendance: 100%('21), 100%('20), 100%('19)
Professional Experience	<ul style="list-style-type: none"> <li>◆ SK hynix, Board Chair ('21~)</li> <li>◆ Mirae Asset Management, Board Chair ('19~)</li> <li>◆ Korea Federation of Banks, Chairman ('14~'17)</li> <li>◆ Citigroup Korea, Chairman &amp; CEO ('04~'14)</li> </ul>
Others	◆ SK hynix Independent Director ('19~)

○ **Reason for Recommending Candidate:**

- The Candidate is a finance expert with experiences as CEO of Citigroup Korea & Chairman of the Korea Federation of Banks. With deep and wide-ranging experience in domestic and global economies, we expect the candidate to contribute to Board and Audit Committee operations, thus recommend him to the position of Independent Director and member of the Audit Committee.

○ **Relationship with largest shareholder: None**

○ **Transaction with the Company in the Past Three Years: None**

○ **Taxes in Arrears, Management of Insolvent Companies, Statutory Reasons for Disqualification: None**

※ Reference: Number of SK hynix Audit Committee members

	Before appointment	After appointment
Audit Committee members	4	4

<sup>7</sup> Article 29. Term of Office of Director

(1) The term of office of a director shall expire upon the time of the closing of the third ordinary general meeting of shareholders to be convened after his/her inauguration.

**【Agenda NO. 8】 Approval of the Ceiling Amount of Remuneration for Directors**

	75 <sup>th</sup> Fiscal Year (2022)
No. of Directors (No. of Independent Directors)	10 (6)
Ceiling Amount of Remuneration	KRW 20 Bn.

- **The 75<sup>th</sup> Fiscal Year(2022) Ceiling Amount of Remuneration for Directors reflects the increase in number of Executive Directors from 3 to 4 and their respective ranks\*, on review of which the Compensation committee proposed for the Ceiling Amount to be raised to KRW 20 Billion.**

\* 1 Vice Chairman and 3 Presidents

- **The 74<sup>th</sup> Fiscal Year(2021) Remuneration paid out does not include Executive Directors' bonus payments resulting from the sound management results\* achieved in 2021. This Executive Directors' bonus for 2021 will be paid and included in the Remuneration paid out in 75<sup>th</sup> Fiscal Year(2022).**

\* Record-high Revenue of KRW 43 Trillion, Operating Profit increased YoY 148% to KRW 12.4 Trillion

- **Compared to other top companies by order of market capitalization listed on the KOSPI, our Ceiling Amount of Remuneration and Compensation per Executive is not high in respect of total asset size. By paying just and sufficient compensation to Executives where there is creation of value, and to attract top talent as a leading global memory company, we aim to set the Ceiling Amount of Remuneration for Directors at KRW 20 billion for the 75<sup>th</sup> Fiscal Year of 2022.**

※ 74<sup>th</sup> FY(2021) Ceiling Amount of Remuneration & Actual Remuneration paid

		74 <sup>th</sup> Fiscal Year (2021)
No. of Directors (No. of Independent Directors)		9 (6)
Ceiling Amount of Remuneration		KRW 12 Bn.
Actual Remuneration paid (%)		KRW 5.329 Bn. (44.4%)
	Independent Directors	KRW 0.704 Bn.
	Executive Directors	KRW 4.625 Bn.

## [Appendix A] Independent Auditors' Opinion on Consolidated Financial Statements



### Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of  
SK hynix Inc.

#### Opinion

We have audited the accompanying consolidated financial statements of SK hynix Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

#### Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Fair value measurement of financial assets related to the Group's investments to KIOXIA Holdings Corporation presented as long-term investment assets

#### *Reasons why the matter was determined to be a key audit matter*

The Group has equity investment in a special purpose entity ("SPC1") and convertible bonds ("SPC2") in relation to investments in KIOXIA Holding Corporation ("KIOXIA") with total amount of ₩ 6,347,537 million, which represents 6.58% of consolidated total assets as at December 31, 2021, and the Group recognized ₩371,972 million as gain on valuation of the financial assets for the year ended December 31, 2021 with respect to the investments. The financial assets are non-listed and measured at the fair value using significant unobservable inputs; therefore, the financial assets are classified to Level 3 of the fair value.

1

Samil PricewaterhouseCoopers, 100 Hangang-daero, Yongsan-gu, Seoul 04386, Korea, www.samil.com

The fair value of SPC1 and SPC2 was measured in consideration of the profit-sharing agreement between investors based on the estimated equity value of KIOXIA, a non-public company, and the Group used an independent external expert for the fair value measurement.

The carrying amount of the financial assets is material in the consolidated financial statements and the selection of the valuation techniques that will be applied in the fair value measurement, assumptions and estimates of inputs that have significant impacts on the fair value measurement involve the Group management's judgement. Accordingly, we determined the fair value measurement of the financial assets as a key audit matter.

*How our audit addressed the Key Audit Matter*

We performed the following audit procedures, including the use of auditor's experts.

- Obtained an understanding and evaluated the Group's accounting policy, process and internal controls including management's review and approval in relation to the fair value measurements of the financial assets.
- Evaluated the competence and independence of external specialist used by management.
- Reviewed the relevant contracts to understand the investment conditions related to the financial asset investment and reviewed whether it is appropriately reflected in management's valuation details.
- Assessed the appropriateness of the valuation technique used in the fair value estimates by management.
- Assessed the reasonableness of key assumptions applied in fair value estimates of SPC1, SPC2 and equity value of KIOXIA.
- Performed a lookback analysis by comparing the estimation of prior year to actual results to review whether estimates include optimistic assumptions.
- Reviewed the consistency of the sales growth rate, operating profit margin rate and capital expenditure forecasts applied in the equity value measurement of KIOXIA with the past growth and market conditions.
- Evaluated the results of a sensitivity analysis on the discount rates and permanent growth rate performed by management to assess the impact of changes in key assumptions on the fair value measurement.

(2) Appropriateness of machinery's depreciation starting point

*Reasons why the matter was determined to be a key audit matter*

The Group's property, plant and equipment amount to ₩53,034,270 million, of which the machinery accounts for ₩33,941,706 million. Regarding the recognition of depreciation expenses for machinery, the Group starts depreciating machinery when the acquisition and installation of the machinery is complete, and it is ready for its intended use. During the current year ended December 31, 2021, the Group has started to depreciate the machinery amounting to ₩10,373,227 million after determining that the machinery is ready for its intended use.

The size of the investment in machinery that the Group makes annually for the maintenance and expansion of production plants is significant and the effect of depreciation amount on the consolidated financial statements is significant depending on the determination when it is ready for its intended use. Accordingly, we determined the appropriateness of depreciation starting point as a key audit matter.

#### *How our audit addressed the Key Audit Matter*

We performed the following audit procedures.

- Obtained an understanding on the Group's policy, process and internal controls in relation to the determination on when to start depreciation of the machinery
- Evaluated the Group's internal controls in relation to the determination on when the machinery is ready for its intended use and when its depreciation begins including the machinery transferred from construction-in-progress
- Assessed internal controls for identifying and reviewing the reasons for assets remaining as assets under constructions for long time
- Inspected evidence documents used by the Group in determining the depreciation starting point of the machinery
- Observed and made inquiries on operations status of key production facilities invested during the current year
- Made inquiries on when certain construction-in-progress is expected to be ready for its intended use and start depreciation and reviewed the relevant evidence documents

#### **Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Si-Chang, Choi, Certified Public Accountant.

*Samil PricewaterhouseCoopers*

Seoul, Korea

March 11, 2022

This report is effective as of March 11, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

## [Appendix B] Independent Auditors' Opinion on Separate Financial Statements



### Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of  
SK hynix Inc.

#### Opinion

We have audited the accompanying separate financial statements of SK hynix Inc. (the Company), which comprise the separate statements of financial position as at December 31, 2021 and 2020, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as of December 31, 2021, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 11, 2022 expressed an unqualified opinion.

#### Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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(1) Fair value measurement of financial assets related to the Company's investments to KIOXIA Holdings Corporation presented as long-term investment assets

*Reasons why the matter was determined to be a key audit matter*

The Company holds equity investment in a special purpose entity ("SPC1") and convertible bonds ("SPC2") in relation to investments in KIOXIA Holding Corporation ("KIOXIA") with total amount of ₩6,347,537 million, which represents 7.47% of total assets as at December 31, 2021, and the Company recognized ₩371,972 million as gain on valuation of the financial assets for the year ended December 31, 2021 with respect to the investments. The financial assets are non-listed and measured at the fair value using significant unobservable inputs; therefore, the financial assets are classified to Level 3 of the fair value.

The fair value of SPC1 and SPC2 was measured in consideration of the profit-sharing agreement between investors based on the estimated equity value of KIOXIA, a non-public company, and the Company used an independent external expert for the fair value measurement.

The carrying amount of the financial assets is material in the separate financial statements and the selection of the valuation techniques that will be applied in the fair value measurement, assumptions and estimates of inputs that have significant impact on the fair value measurement involve the Company management's judgement. Accordingly, we determined the fair value measurement of the financial assets as a key audit matter.

*How our audit addressed the Key Audit Matter*

We performed the following audit procedures, including the use of auditor's experts.

- Obtained an understanding and evaluated the Company's accounting policy, process and internal controls including management's review and approval in relation to the fair value measurements of the financial assets
- Evaluated the competence and independence of external specialist used by management
- Reviewed the relevant contracts to understand the investment conditions related to the financial asset investment and reviewed whether it is appropriately reflected in management's valuation details
- Assessed the appropriateness of the valuation technique used in the fair value estimates by management
- Assessed the reasonableness of key assumptions applied in fair value estimates of SPC1, SPC2 and equity value of KIOXIA
- Performed a lookback analysis by comparing the estimation of prior year to actual operating results to review whether KIOXIA equity value measurement includes any optimistic assumptions
- Reviewed the consistency of the sales growth rate, operating profit margin rate and capital expenditure forecasts applied in the equity value measurement of KIOXIA with market conditions
- Evaluated the results of sensitivity analysis on the discount rates and permanent growth rate performed by management to assess the impact of changes in key assumptions on the fair value measurement

(2) Appropriateness of machinery's depreciation starting point

*Reasons why the matter was determined to be a key audit matter*

The company's property, plant and equipment amount to ₩35,870,163 million, of which the machinery accounts for ₩ 20,937,126 million. Regarding the recognition of depreciation expenses for machinery, the Company starts depreciating machinery when the acquisition and installation of the machinery is complete, and it is ready for its intended use. During the current year ended December 31, 2021, the Company has started to depreciate the machinery amounting to ₩ 8,677,889 million after determining that the machinery is ready for its intended use.

The size of the investment in machinery that the Company makes annually for the maintenance and expansion

of production plants is significant and the effect of depreciation amount on the separate financial statements is significant depending on the determination when it is ready for its intended use. Accordingly, we determined the appropriateness of depreciation starting point as a key audit matter.

#### *How our audit addressed the Key Audit Matter*

We performed the following audit procedures.

- Obtained an understanding on the Company's policy, process and internal controls in relation to the determination on when to start depreciation of the machinery
- Evaluated the Company's internal controls in relation to the determination on when the machinery is ready for its intended use and when its depreciation begins including the machinery transferred from construction-in-progress
- Assessed internal controls for identification and reviewing the reasons for assets remaining as assets under constructions for long time
- Inspected evidence documents used by the Company in determining the depreciation starting point of the machinery
- Observed and made inquiries on operations status of key production facilities invested during the current year
- Made inquiries on when certain construction-in-progress is expected to be ready for its intended use and start depreciation and reviewed the relevant evidence documents

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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*Samuel PricewaterhouseCoopers*

Seoul, Korea

March 11, 2022

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