

Statement of co-CEO and 25 senior managers towards SM Entertainment's largest shareholder's application for preliminary injunction and rumors of HYBE's acquisition

- We are opposed to all external hostile M&As including HYBE**
- The strategic alliance with Kakao is based on the company's decision to accelerate the implementation of the SM 3.0 strategy and has nothing to do with the management dispute claimed by the largest shareholder.**
- SM is opposed to privatization by specific shareholders/powers, and will do its best to establish a sound and transparent management structure and to protect the shareholder rights.**

This is Sung Su Lee and Young Jun Tak, co-CEO of SM Entertainment (hereinafter "SM").

We announce this statement with the will of us co-CEO and 25 senior managers of Center Leaders or higher.

On February 3, SM announced its key future strategy, "The change from Like Planning's single producing to a multi-production center/label system, SM 3.0." However, as soon as SM 3.0 was announced, there were reports of discussions on attempts to sell and acquire shares that ignores not only SM's intense concerns and efforts but also the values SM has been pursuing with the artists.

SM has about 600 employees working hard with the dream of taking the leap to a global No. 1 entertainment company, and is a company that numbers of SM artists have proudly led K-POP based on all of these efforts of everyone. Now that SM is about to make change and take another step forward as a fan and shareholder-oriented company leading the global entertainment once again through the SM 3.0 era, we, shoulder to shoulder with all executives, employees, and artists would like to clearly state that we are opposed to all hostile M&As reported recently.

The strategic partnership between SM and Kakao, announced on the 7th, is the first step of SM 3.0 to secure the future growth engine for SM's new leap forward, and we are confident that it will create strong synergy in the process of utilizing SM's IP and strengthening its global capabilities. We have also fully communicated and agreed with Kakao about the meaning of the strategic partnership SM is picturing. In the end, we would like to clarify once more the strategic alliance with Kakao is based on management judgment to accelerate the implementation of the SM 3.0 strategy and has nothing to do with the management dispute claimed by the largest shareholder.

SM has maintained a producing contract with Like Planning, a private company of former producer Soo-Man Lee, since 2004 regarding how to build and utilize the artist's IP throughout its life cycle. As the founder of SM and the pioneer of the current K-POP, SM knows better than anyone else about the former producer's capabilities and achievements so far. However, because we were well aware of that, it is also true that we were not able to recognize the problem(s) of the producing contract at an early stage, and the internal voices pointing out the problem were insignificant as well.

However, specific opinions from shareholders and stakeholders have started to be presented in earnest since last year. With the issues of not being able to proceed shareholder returns such as dividends began to raise in earnest due to the structure of having the largest shareholder alone receiving a significant portion of the business profit every year (from a minimum of 27% to a maximum of 199% from 2015 to 2021), the problem was gradually being clearly noticed internally within SM as well. And we could no longer neglect the voices of proactive interest and concern of shareholders and stakeholders who love and encourage SM and SM artists more than anyone else.

Accordingly, SM conducted an objective review of the points where the shareholders have raised the conflicts of interest issue from the beginning, and made various efforts in order to prepare for a new future. As a result, former Chief Producer Soo-man Lee notified an early termination of the contract on September 15, 2022, and the contract was terminated on December 31, 2022 by the resolution of the company's board of directors on October 14, 2022.

Even at this moment, SM has about 600 dedicated employees who come up with ideas day and night and do their best in their respective positions. We understand how intense the efforts of SM artists are. SM released more than 30 albums in 2022, and there is no part where the passion and effort of all executives and employees haven't reached in order to release such albums from internally monitoring more than 400 demo songs every week to creating a concept, and promoting it.

Dear SM shareholders and stakeholders,

We will take a new leap forward through the SM 3.0 era. Moving away from the past when all authority and honor were concentrated on one person, we will be presenting a company where experts in each field and collective intelligence will gather to grow artists together and share such joy and rewards.

SM will take each step forward to a new leap together with executives, employees and shareholders. Please continue to watch and support us. And please look forward to and continue to support the follow-up announcement of SM 3.0 business strategy to enhance fan and shareholder value.

Thank you.

Sincerely from SM Entertainment co-CEO and management