

February 2023

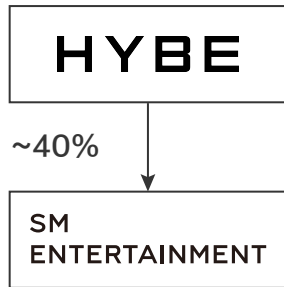
ENG.

SM's Response to HYBE's takeover attempt



HYBE's hostile M&A will reduce SM's corporate value and share price

Governance under hostile M&A



A competitor becomes the parent company, exercising 100% management rights

Interests of the major shareholder, not the entire SM shareholders are put first
A return to the wrong practice

Major potential issues (Examples)

Artist debuts and album releases

No. of new albums released by both companies exceeds the no. of optimal release times (~100 per year)
→ Risk of SM artists' being neglected

Fan platform and commerce

Entry into Weverse leading to SM's abandonment of the platform biz, and then to lower corporate value and lost commerce biz opportunities

New business

Losing new business opportunity to develop SM 3.0 strategy.
→ Such opportunity will be highly likely allotted to HYBE's 100% owned subsidiary.

Additional issues arising from structural governance issues are inevitable

Although the acquisition of SM shares is a crucial decision that requires more than KRW 1 trillion, there has been no request for data to SM for due diligence, implying that HYBE also has a governance revolving around the interests of a specific major shareholder

The synergies talked about in the market are for HYBE shareholders, not for SM shareholders



Moreover, HYBE has never clearly explained what is in 'the synergies' for SM shareholders

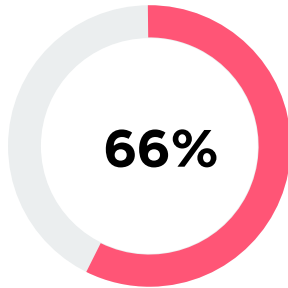
"Creating strong strategic synergies in diverse businesses"

announcement by HYBE (Feb. 10th, 2023)

All indicators point to a high monopoly risk, and this will eventually lead to the decline of K-Pop

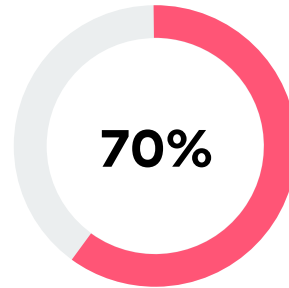
Market share of SM + HYBE combined

Based on revenue in the
Korean entertainment
agency industry



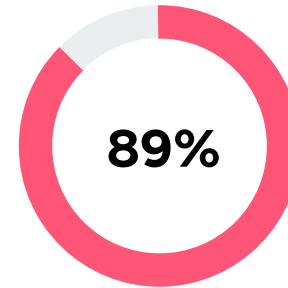
Monopoly in market size

Based on
album/music revenue



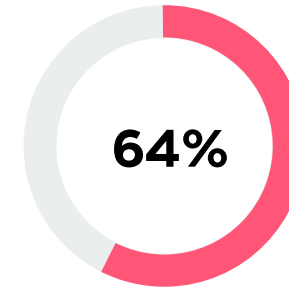
Monopoly in
album/music sales

Based on
performance revenue



Monopoly in
performance sales

Based on the number of
artists with Top 100 album sales



Monopoly in no. of artists

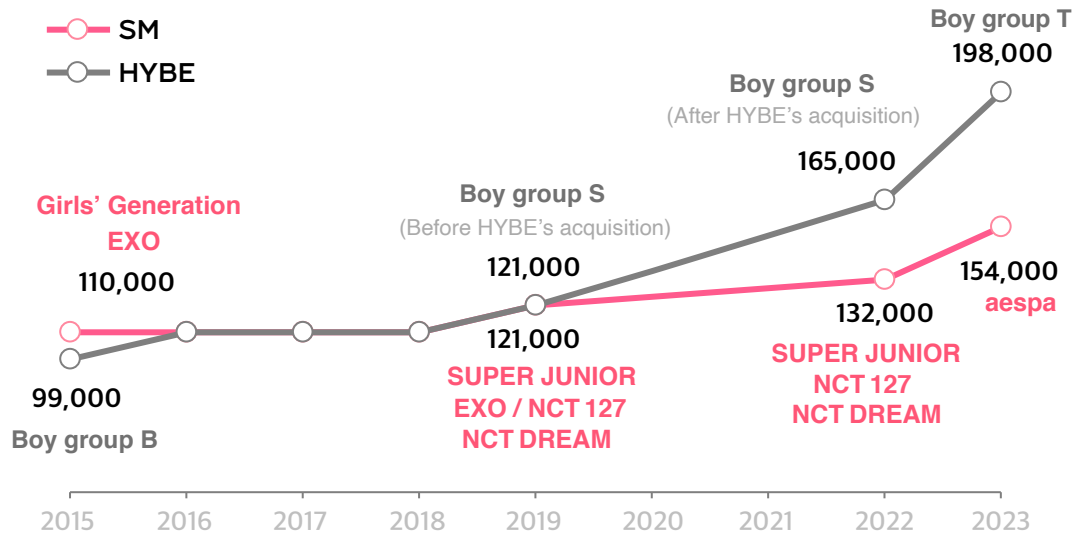
Based on revenues (domestic/overseas) of Korean entertainment agencies with market cap over KRW 50B as of Feb 10 '22 Notes: Cumulative Revenues in 3Q '22

K-Pop fans will be the biggest victims of the monopoly

Higher concert ticket prices are just one example

SM vs HYBE concert ticket price

(Based on the highest prices of domestic concert seats and standings; unit: KRW)



Girls' Generation is excluded as its special event concert ticket was KRW 99,000

"The skyrocketing concert ticket price... Did HYBE start it?"

- JTBC News, Jan. 26th, 2023

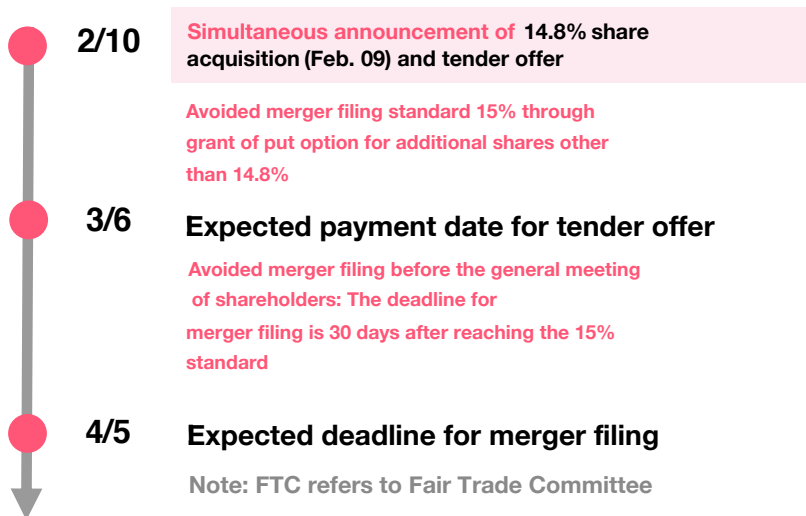
"It is now common to spend 500k Korean won when coming to Seoul to see a performance from a provincial area"

- SPOTV News, Jan. 29th, 2023

The share acquisition and tender offer revealed on the same day should be regarded as a "single event", thus they are subject to preliminary FTC review

SM's corporate value will be undermined in the process of FTC review

HYBE intentionally evaded FTC review even though share acquisition and tender offer were planned at the same time

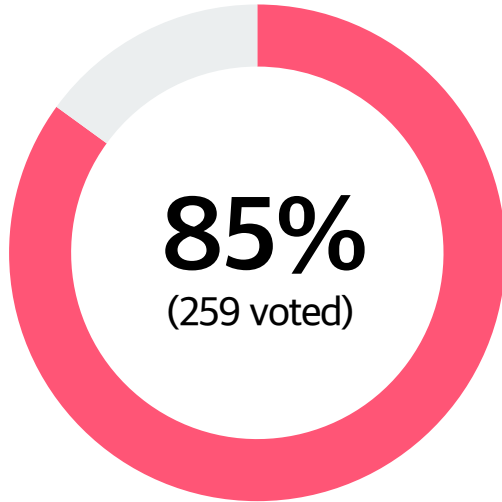


Major risks depending on FTC review

Reject	High probability of stock price plunge following massive reselling of shares
Conditional approval	Risk of SM business downsizing to comply with FTC's conditions
Review delayed	Delay in growth business implementation amid continued uncertainty

SM employees oppose a hostile takeover by HYBE

Voting result of SM's employees (via Blind)



Based on the voting by SM employees via Blind, 85% of employees oppose a hostile takeover by HYBE

Note: Blind is an anonymous community app for the workplace

**SM's Co-CEOs and executives
(25 top position holders of Center head position and above)
sincerely oppose HYBE's hostile takeover
for SM shareholders, fans, K-pop and employees.**

Please make your decision after listening to the overall strategy of "SM 3.0", which we will share with you before HYBE's tender offer application deadline (March 1)

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[SM 3.0 IP strategy] Multi 'Production Center/Label' system

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2022 earnings announcement

Scheduled

[SM 3.0 business strategy] IP monetization strategy incl. performance targets (Standalone)

Scheduled

[SM 3.0 global strategy] Global expansion (Japan, US, SEA, etc.)

[SM 3.0 investment strategy] Global music publishing, label acquisitions, fandom business, investment in metaverse, etc. incl. Group's business performance and corporate value targets

End of Presentation