

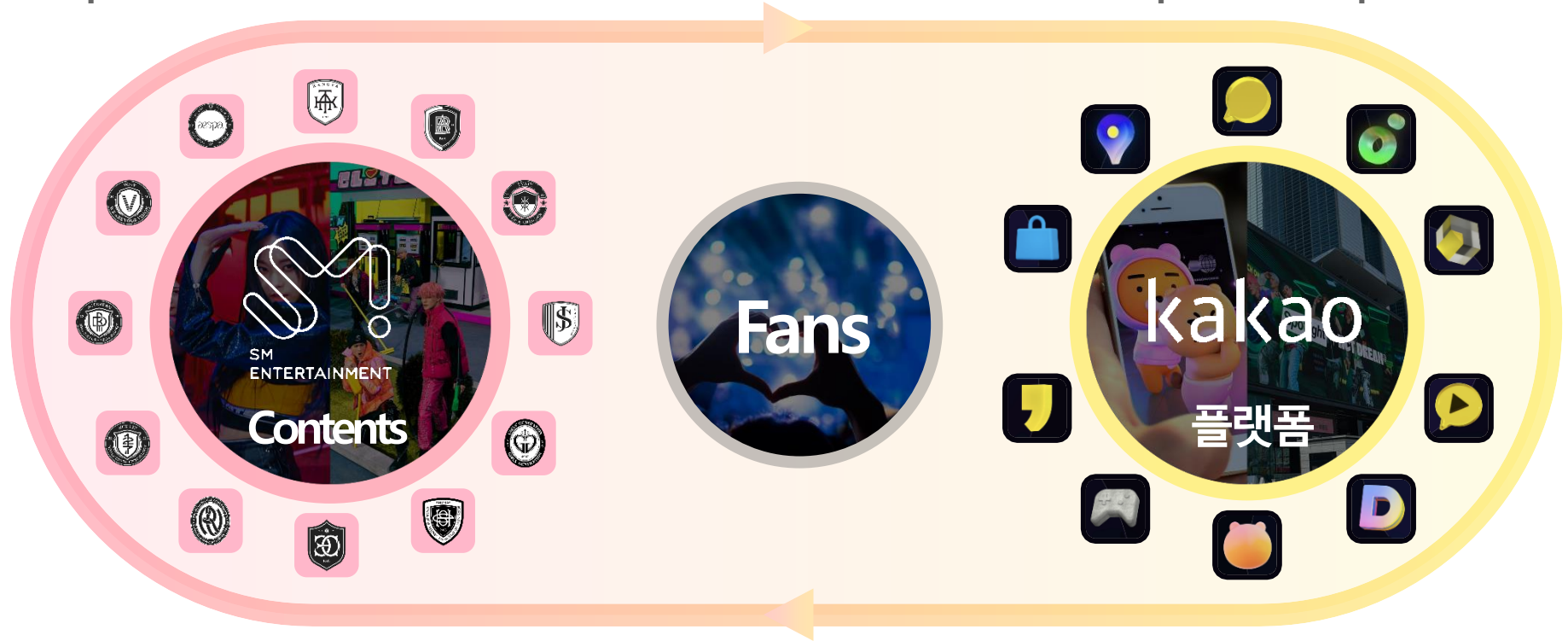
February 2023

ENG.

Strategic partnership with Kakao from the perspective of shareholders/fans

SM x Kakao partnership leads to synergies of contents and platform creating a virtuous cycle

“Infinite expansion” of SM’s IP contents centered on fans, based on the platform capabilities of Kakao



SM and Kakao partnership is closely in line with the implementation of SM 3.0.

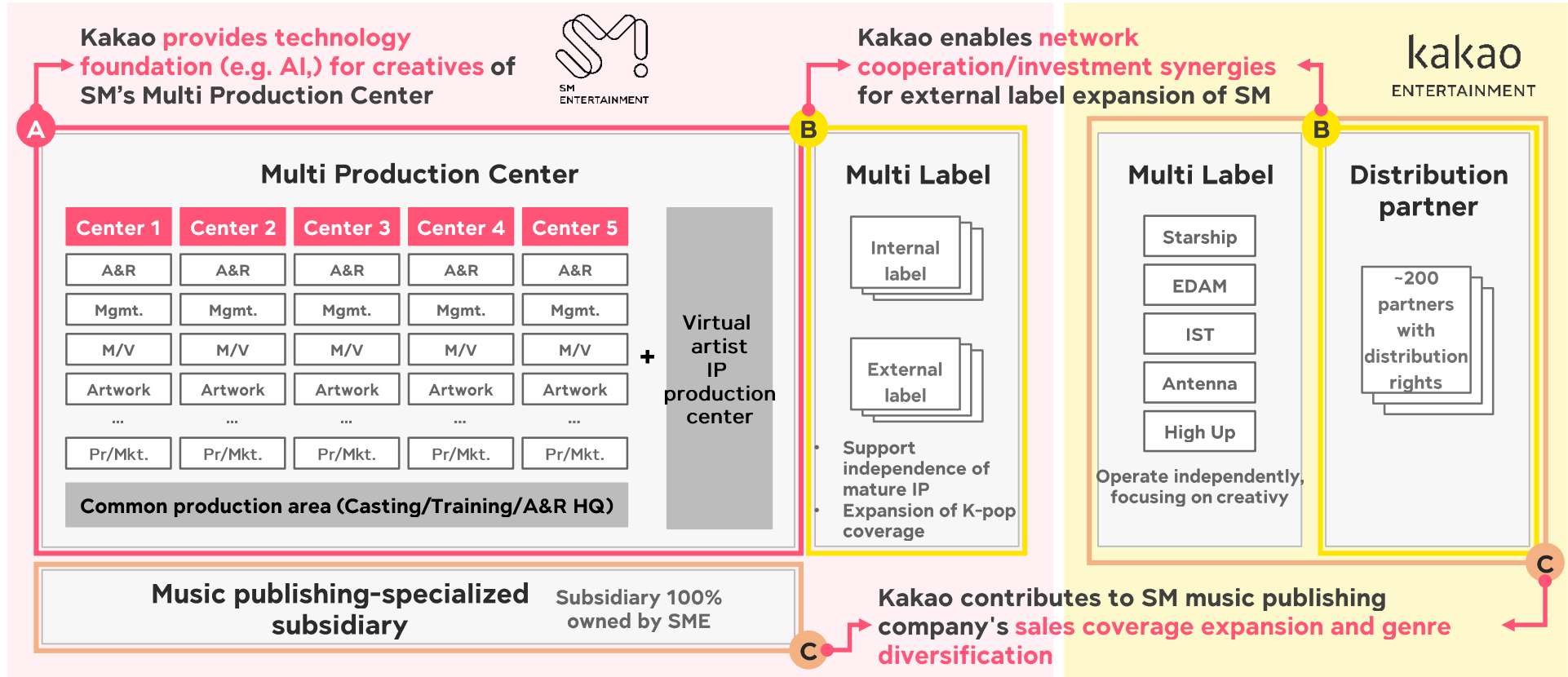


1 IP strategy	Expand IP lineup under the multi label system	<ul style="list-style-type: none">• Collaboration of both companies' labels• Technological support for SM's multi production center• Contribute to network expansion and joint investments in producing/publishing business for SM market leadership
2 Business strategy	Strengthen competitiveness in album/track distribution Diversify IP monetization model Internalize integrated fan platform	<ul style="list-style-type: none">• Utilize Kakao's album/track distribution platform and customer channels to help maximize profits across SM's music business areas• Expand content coverage of SMCU IP based on the story/video production pipeline• Evolution of "Beyond Contents" using Kakao's tech, characters, and commerce
3 Global strategy	Expand global coverage based on the virtuous cycle of IP-platform	<ul style="list-style-type: none">• Operate an integrated entity and establish a JV to increase the business feasibility/influence of SM in major global markets• Support IP expansion based on Kakao's global platform
4 Investments and new tech Partnership	Fan platforms, virtual artists, etc.	<ul style="list-style-type: none">• Upgrade fan platform functions integrating Kakao technology• Proactively respond to and jointly invest in future technologies such as AI and metaverse

1 IP strategy

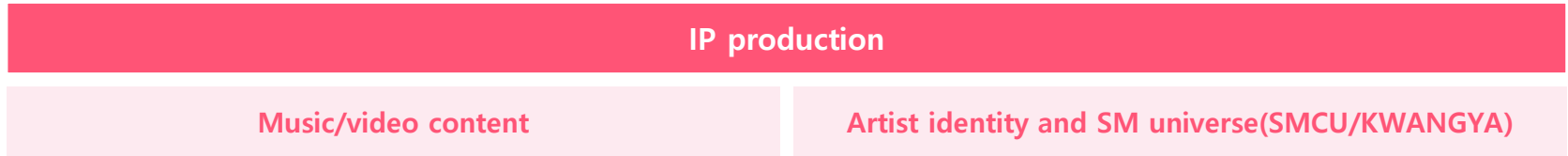
Kakao is the best partner to accomplish the SM 3.0 Multi-Production strategy

Tech cooperation on IP production; network cooperation/investment synergies for label/publishing business expansion






Profitability of SM's IP will increase leveraging the Kakao platform

Expansion of content coverage through strengthened music business competitiveness and diversified media mix based on original IP

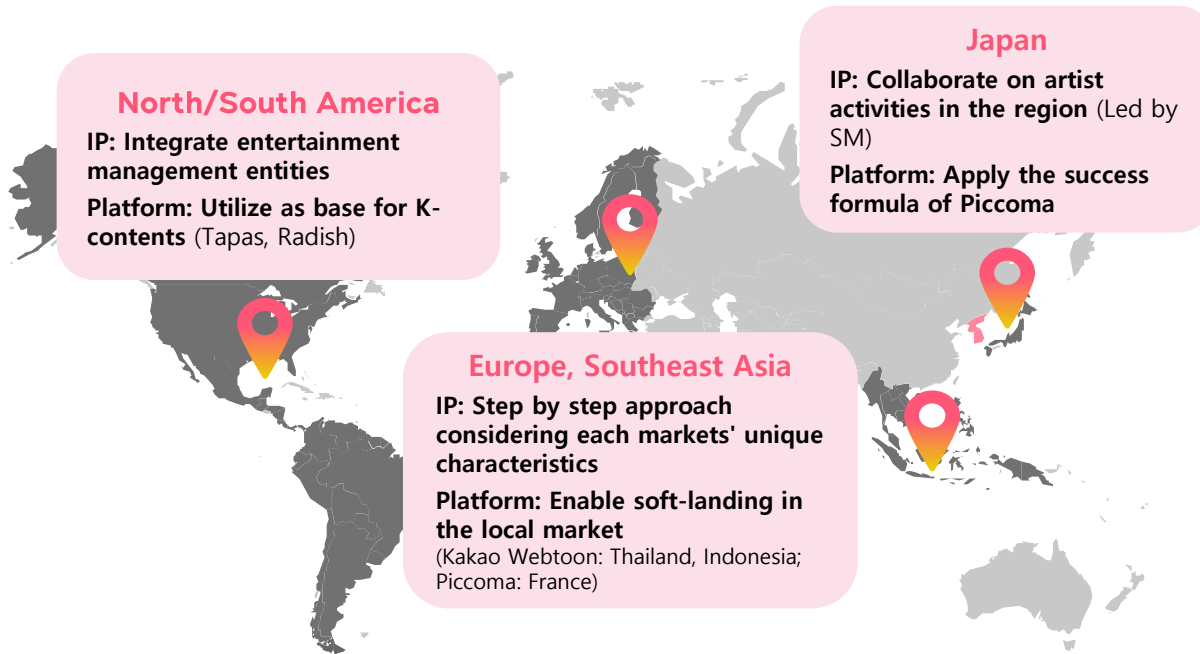


kakao

Strengthen Music Biz	Expand IP	Beyond Contents
"Expand influence in all areas of the music business"	"Diversify contents based on SM IP/universe"	"Original tech/characters enabling more immersive/engaging experience for fans"
<p>kakao Major music distributor ENTERTAINMENT Many potential biz opportunities leveraging the largest number of partnerships in the industry</p> <p>Melón Major music streaming platform Partnership in music/ticket sales and marketing</p> <p>Seoul Arena Korea's first arena specialized in music performances Partnership in producing live content and securing venues</p> <p>cafe Korea's first official fan cafe service Extensive fandom data in place with potential usability</p>	<p></p> <p>Webtoon/Webnovel platform with high global penetration which can contribute to SM universe</p> <p>Production infra for 25+ drama/movie prod. per year</p> <p>Easy collaboration with many top-tier creatives Director Jongbin Yoon, Director Wooseok Shin, Screenwriter Eunhee Kim, Screenwriter Eunkyung Kang, PD Wonseok Kim</p> <p>Trend-leading entertainment and advertisement production capabilities</p> <p>Owns network for entertainment show appearances and collaboration with commercial subsidiaries: 1theK <Look Me Up>, DdeunDdeun <Just an Excuse>, OOTB <Jeongwaja: Changing Majors>, etc.</p>	<p></p> <p>Reinforce competitiveness SM's fandom platforms through the development capabilities of Kakao</p> <p></p> <p>Utilize Kakao Friends and Kakao Commerce e.g. artist collaboration with Ryan & Choonsik Dance, MD partnership</p>

We will achieve successful global expansion of SM by establishing a virtuous cycle of IP-platform with Kakao

Cooperation plan for global expansion (Preliminary)

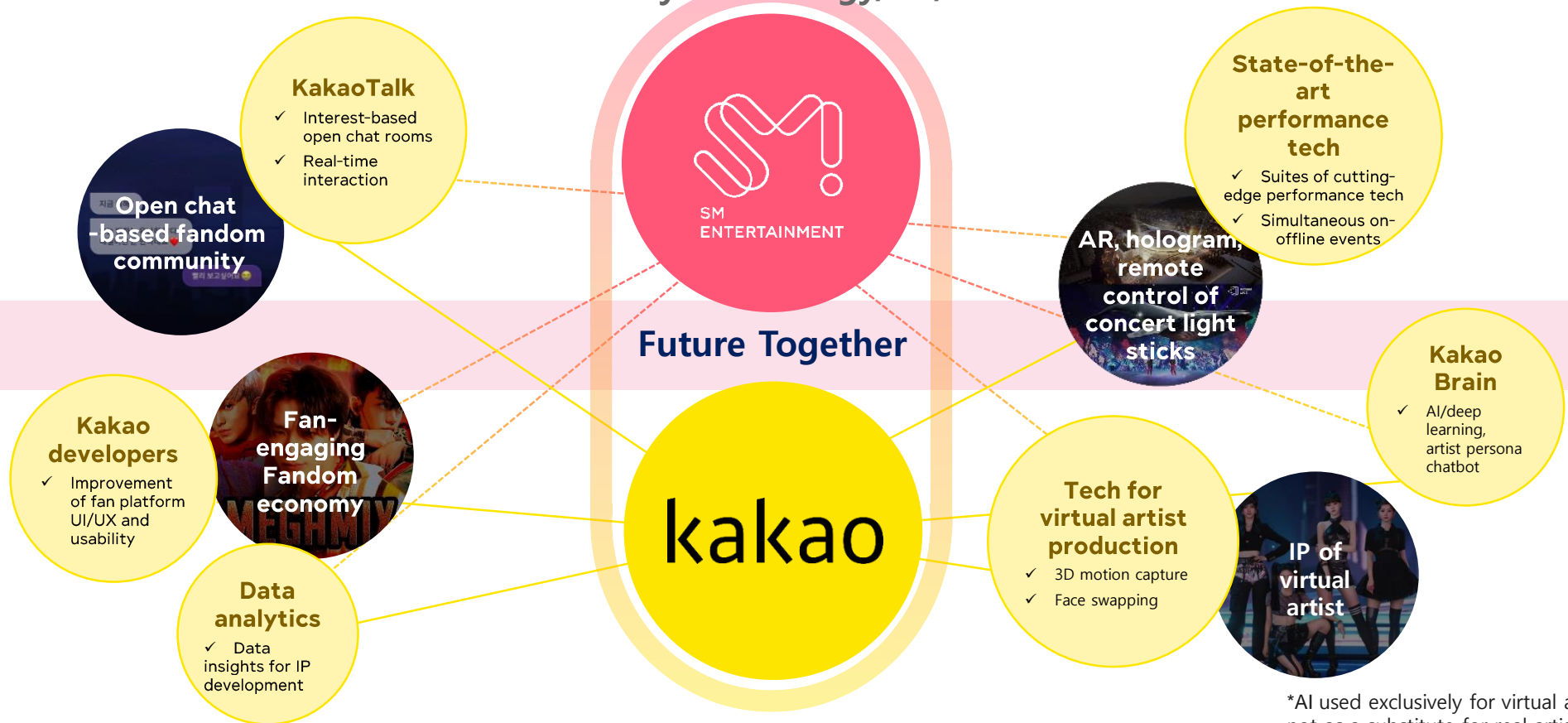


Global IP biz	Provide comprehensive support for overseas debuts & activities of artists from both companies
	Implement the plan to establish a JV for discovering and nurturing global artists
	Increase efficiency/effectiveness of global business through integrating the operations of the two companies
Platform biz	Leverage the Kakao content platforms to accelerate global expansion
	Upgrade and globalize fan platforms based IT capabilities of Kakao

4 Partnership in investments and new technologies

We will build a true “Next Level” SM Universe with Kakao

Innovative fandom experience based on Kakao’s technologies such as connectivity technology, AI, and metaverse

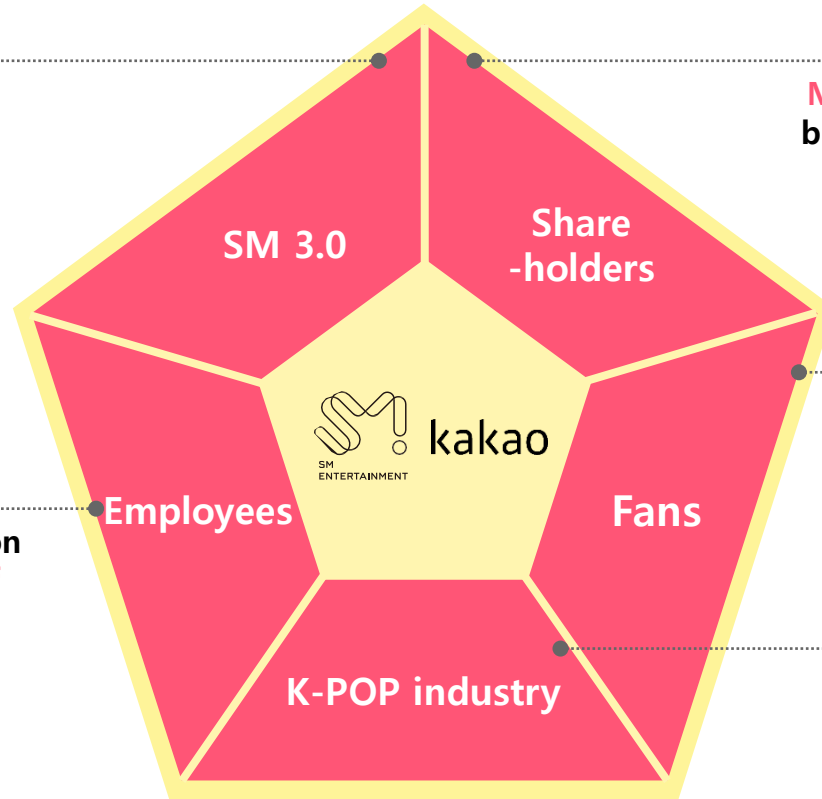


*AI used exclusively for virtual artists, not as a substitute for real artists

SM's management is confident that partnership with Kakao is the best decision for all stakeholders

Accomplish mid- to long-term IP and monetization strategies that SM has envisioned

Maximize corporate value based on business synergies between the two companies



Pursue SM's operational direction supported by more than 85% of employees

Maintain the SM identity fulfilling numerous fans' wishes

Expand the horizon of K-pop through convergence with technology and entertainment

Thank you

