

February 2023

ENG.

**SM 3.0 :**

**IP 전략 - 멀티 '제작센터 / 레이블' 체계**

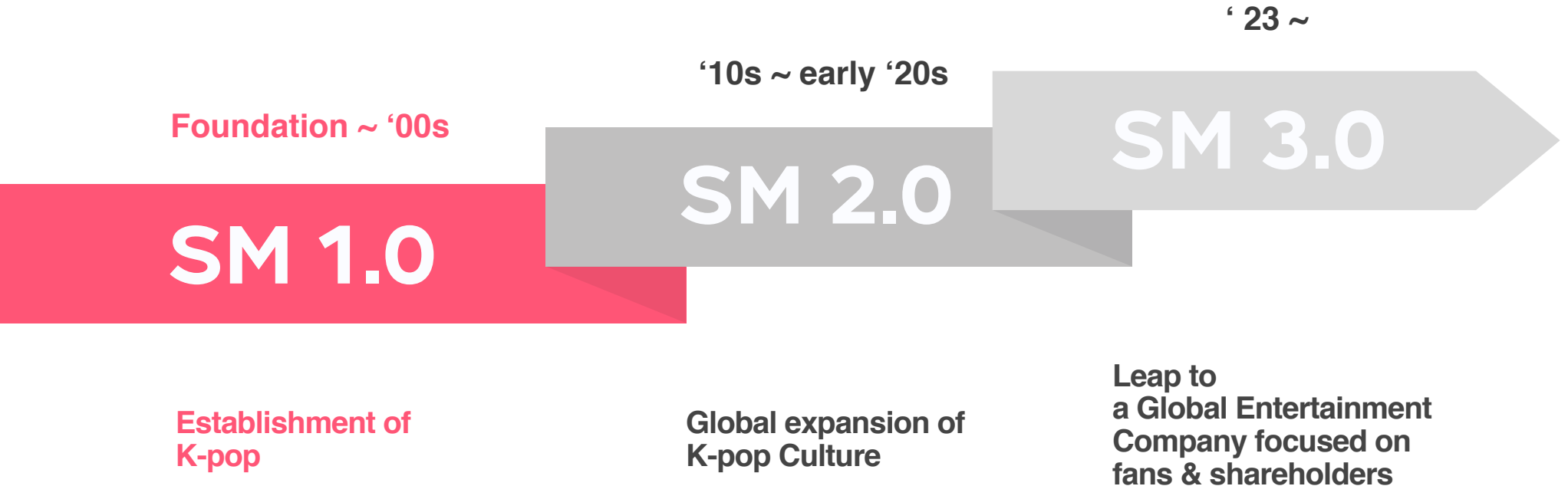
**Producing Strategy -**

**Multi 'Production Center / Label' System**

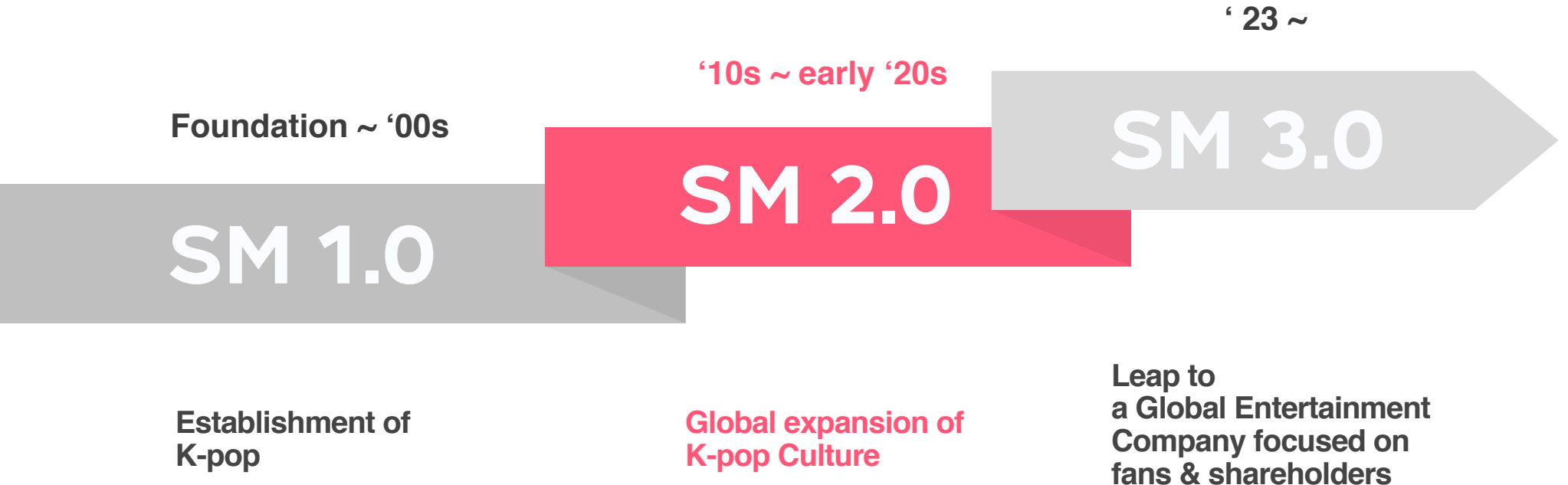
The Future of Culture Technology



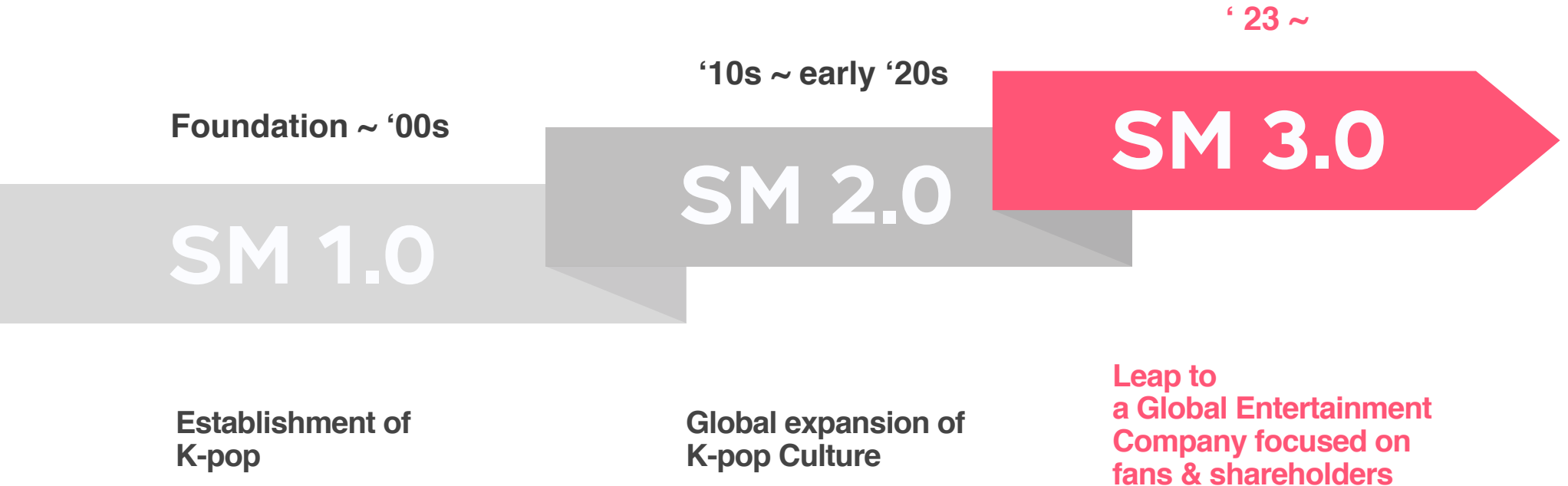
# the Past & Beyond



# the Past & Beyond



# the Past & Beyond



# SM 3.0, the Future : 4 Key Growth Strategies

'23 ~

**SM 3.0**

Leap to a global entertainment company focused on fans & shareholders

**1**

[IP Strategy] Multi 'Production Center / Label' System

**2**

[Business Strategy] IP Monetization (Music Streaming, IP license, etc.)

**3**

[Global Strategy] Global Expansion (Japan, US, South-East Asia, etc.)

**4**

[Investment Strategy] Global Music Publishing, Label Acquisitions, Fandom Business, Investment in Metaverse, etc.

# Purpose of Multi 'Production Center / Label' System



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## **Secure sustainability** of business by systematization of production

Formation of Multi Production Center and internal / external Labels and Systematization of production process

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## **Reinforce IP creation capability and guarantee timeliness by expanding** producing capacity

Establishment of independent production / core functions in 5 Production Centers & reinforce autonomous decision-making

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## **Expand music coverage** by ensuring creative autonomy

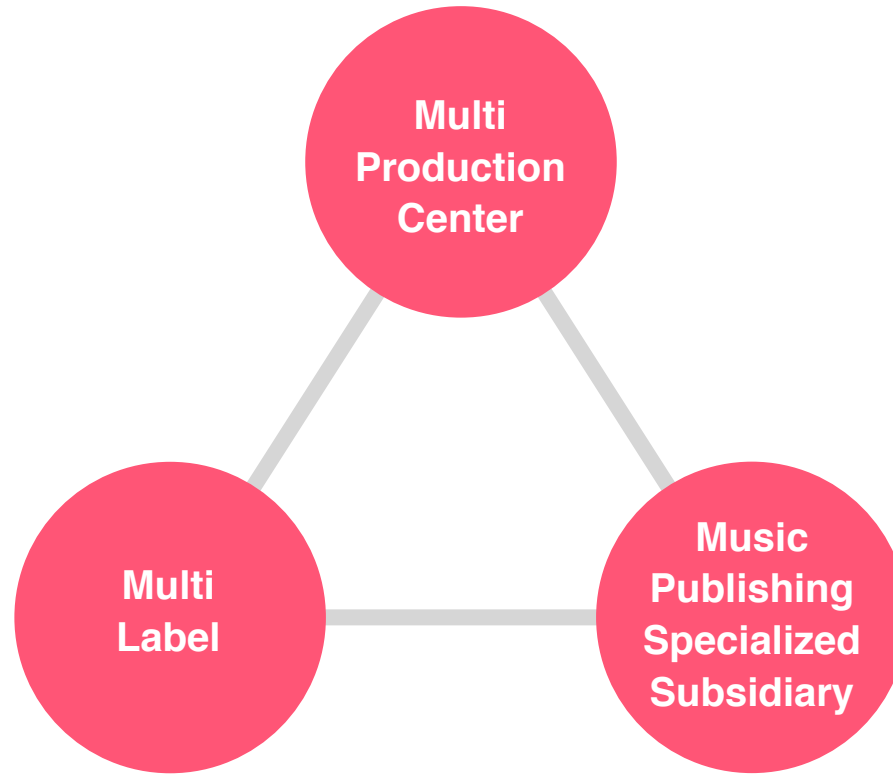
Giving autonomy to production center & establishment / acquisition and operation of independent internal/external labels

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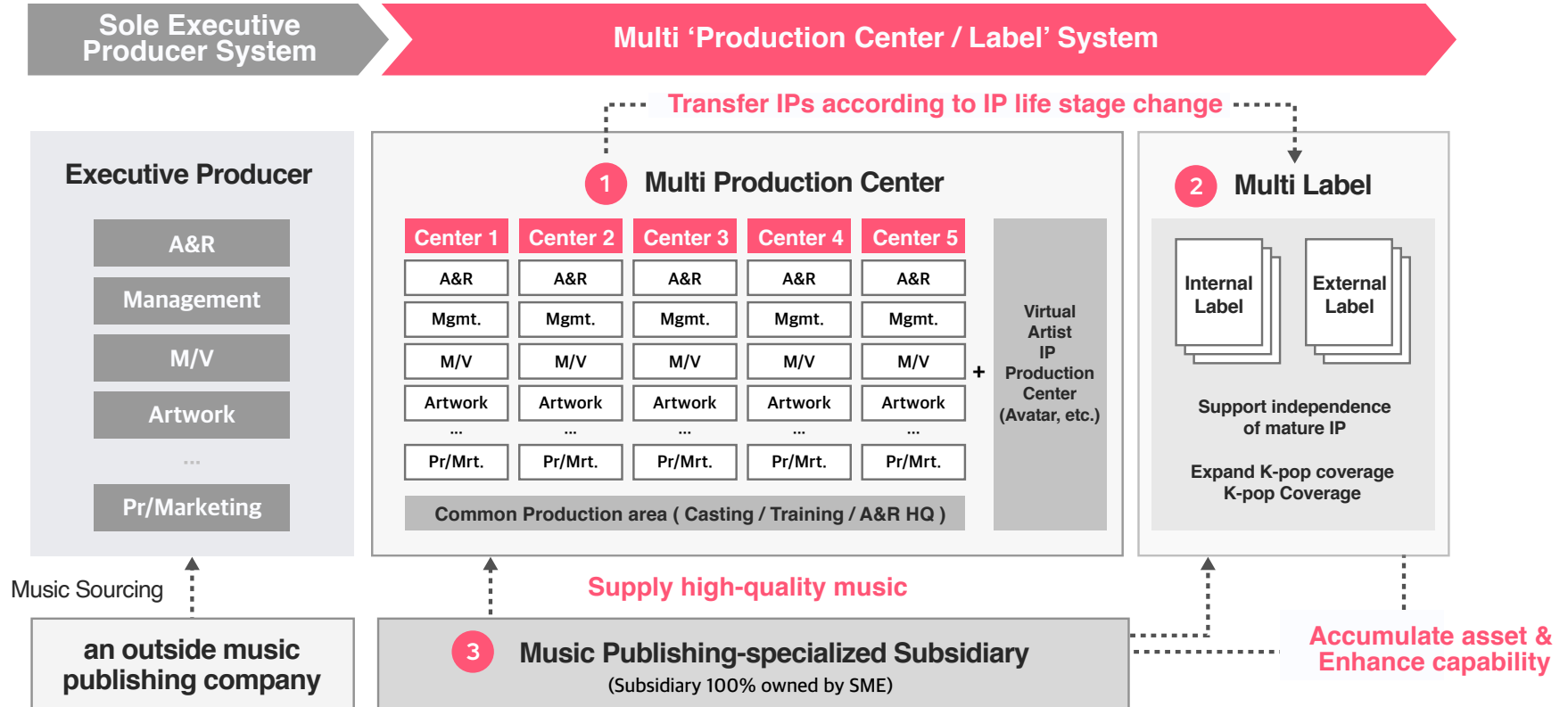
## **Business Operation focused on performance** via resource management based on IP's life-stage

Separation of IP operator for each stage / Alignment of responsibility and authority / Adoption of performance-based compensation

# 3 Key Changes



# 3 Key Changes : Multi Production Center, Multi Label, Music Publishing-specialized Subsidiary

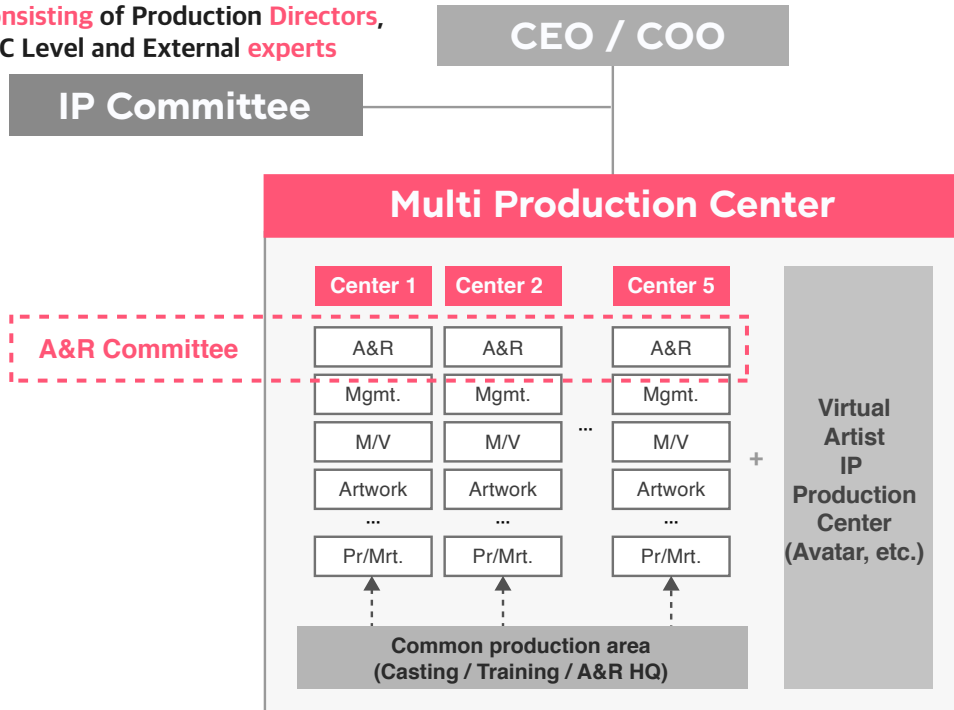




# Multi Production Center for Sustainable Business Performance

Establish Multi Production Centers for artists, and align authority and responsibility

Consisting of Production Directors, C Level and External experts



## Establish Multi Production Center for artists

- Independently make decisions based on responsibility about business performance
- Enhance specialty on its own IPs & cost efficiency

## Manage A&R Committee

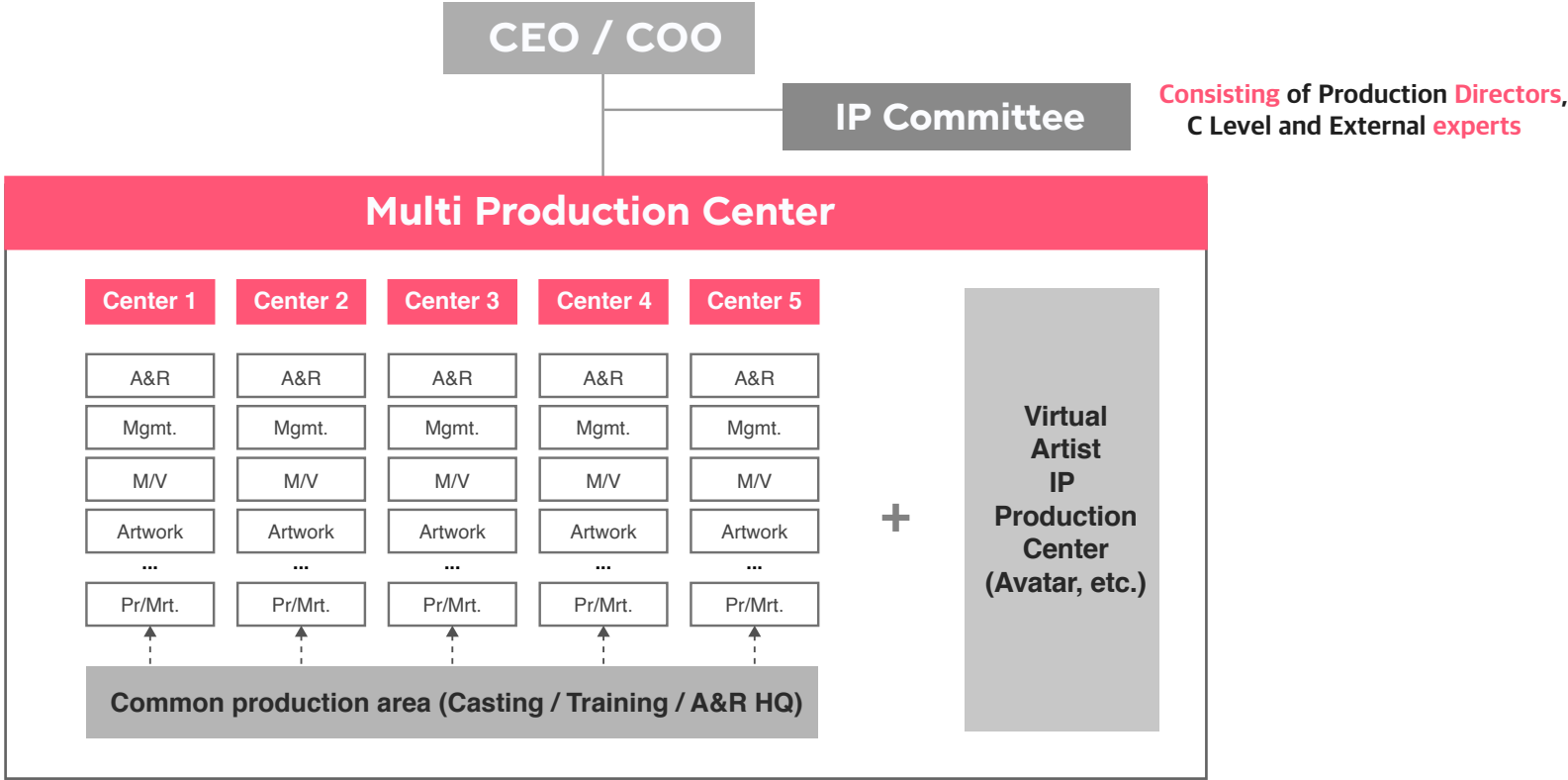
- Consist of specialists in A&R HQ and A&R manager of each Center (A&R HQ: Collect/approve/manage global music)
- Maintain SM Standard based on agreement with each Center

## Manage IP throughout its life stage via IP Committee

- B Plan new artist concepts in pre-debut stage and transfer sequentially to the Production Center
- Aim for new artist planning/management based on the deep understanding of the market and fans

# Multi Production Center for Sustainable Business Performance

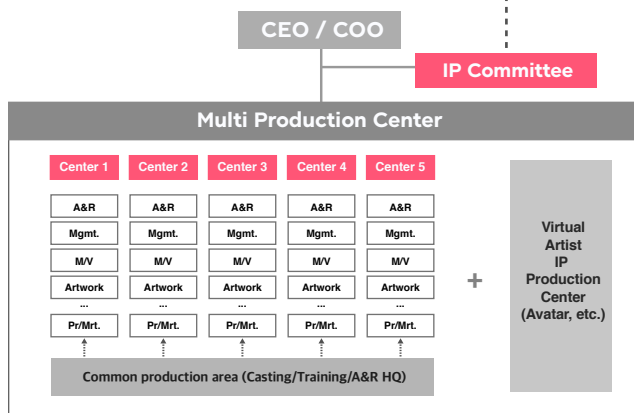
Establish Multi Production Centers for artists, and align authority and responsibility



# Multi Production Center for Sustainable Business Performance

Establish Multi Production Centers for artists, and align authority and responsibility

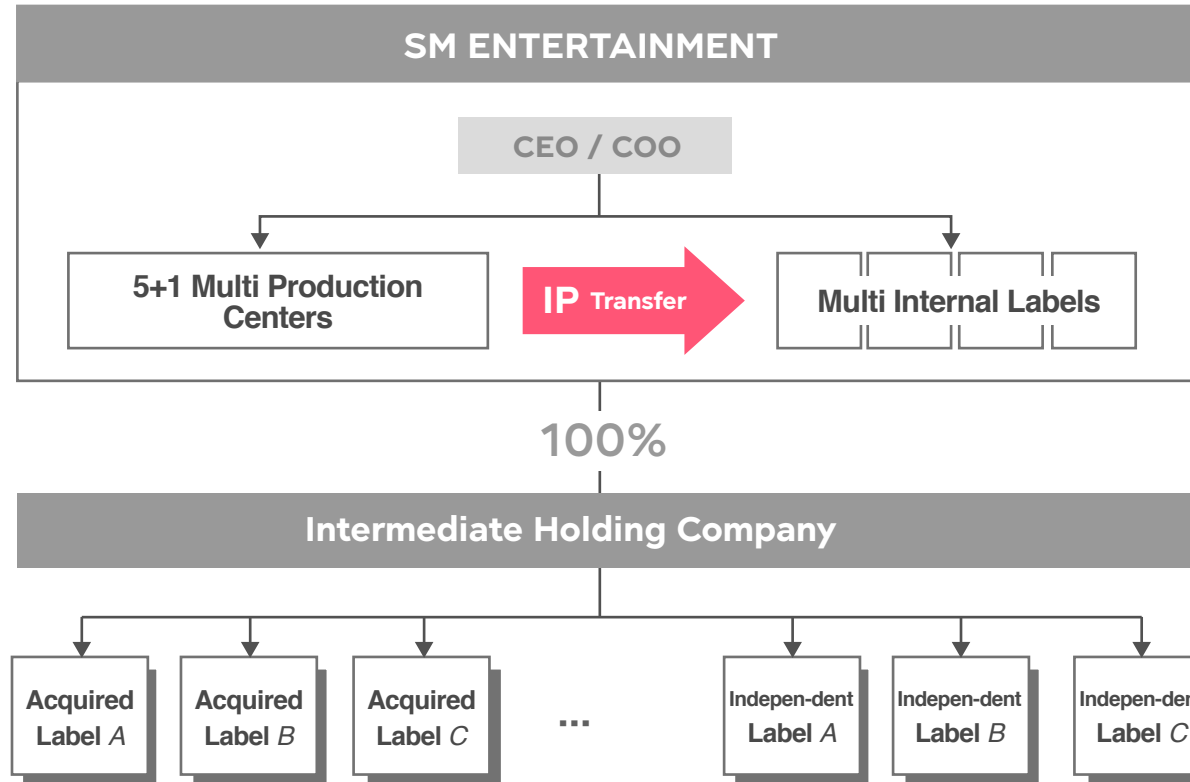
Consisting of Production Directors ,  
C Level and External experts



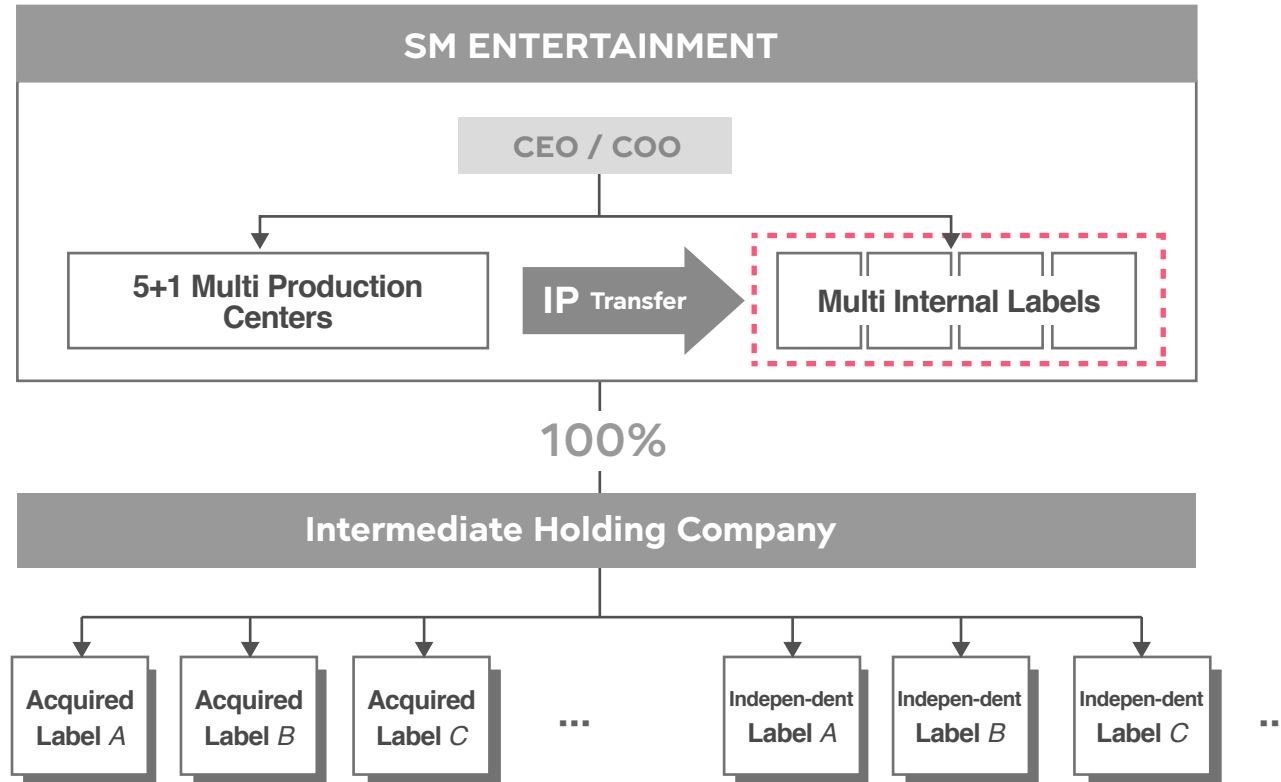
## IP Committee

- Consisting of Production Center Directors / C Level / External Experts
- Discuss the management of IP throughout its life stage, from debut to maturity  
(Key agenda: new artist concept planning, independence of internal labels, etc.)
- IP planning and management based on deep understanding of the market and fans

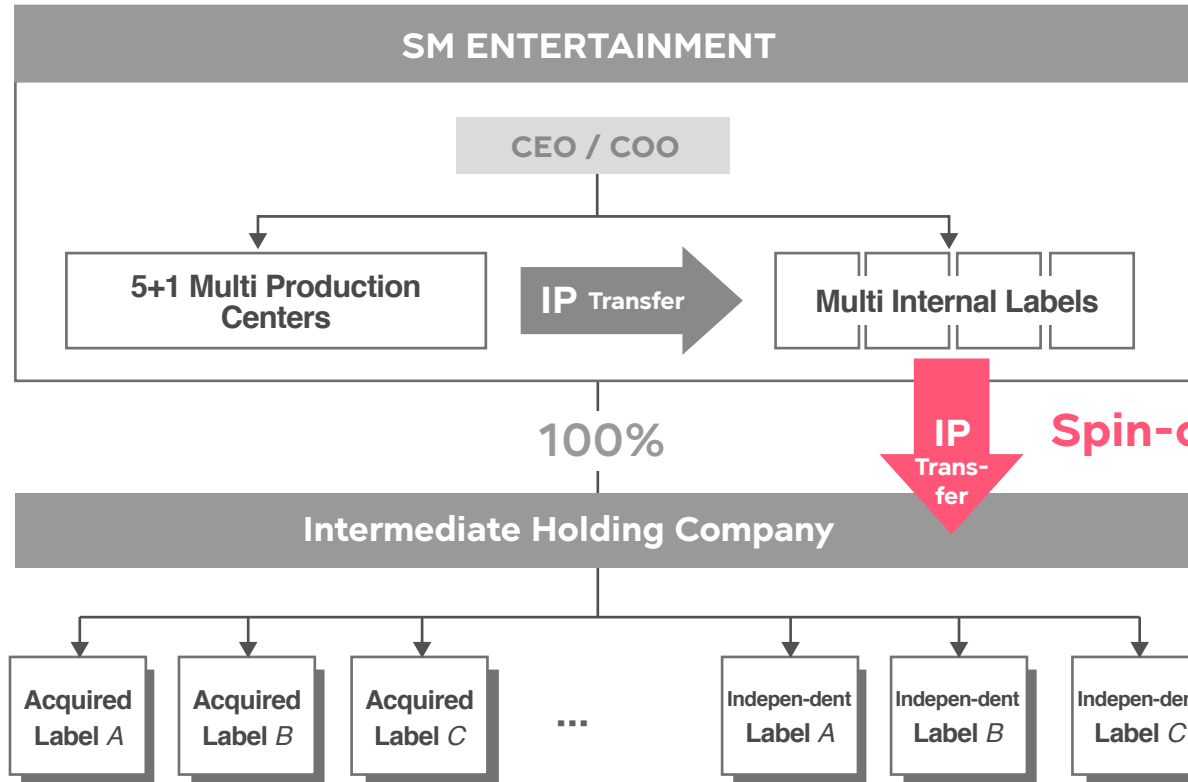
# Multi Label for Maximization of IP Profitability



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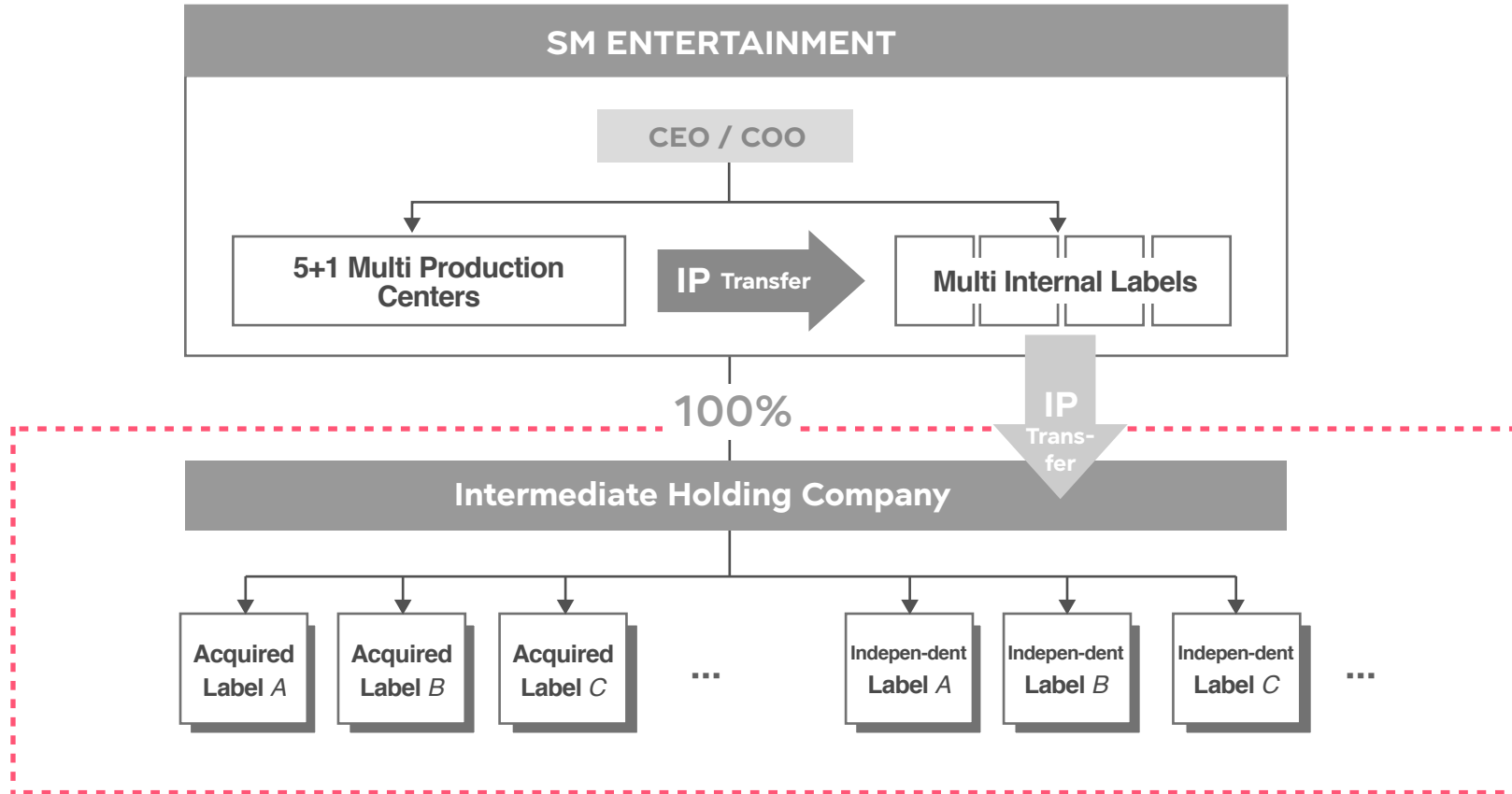


# Multi Label for Maximization of IP Profitability

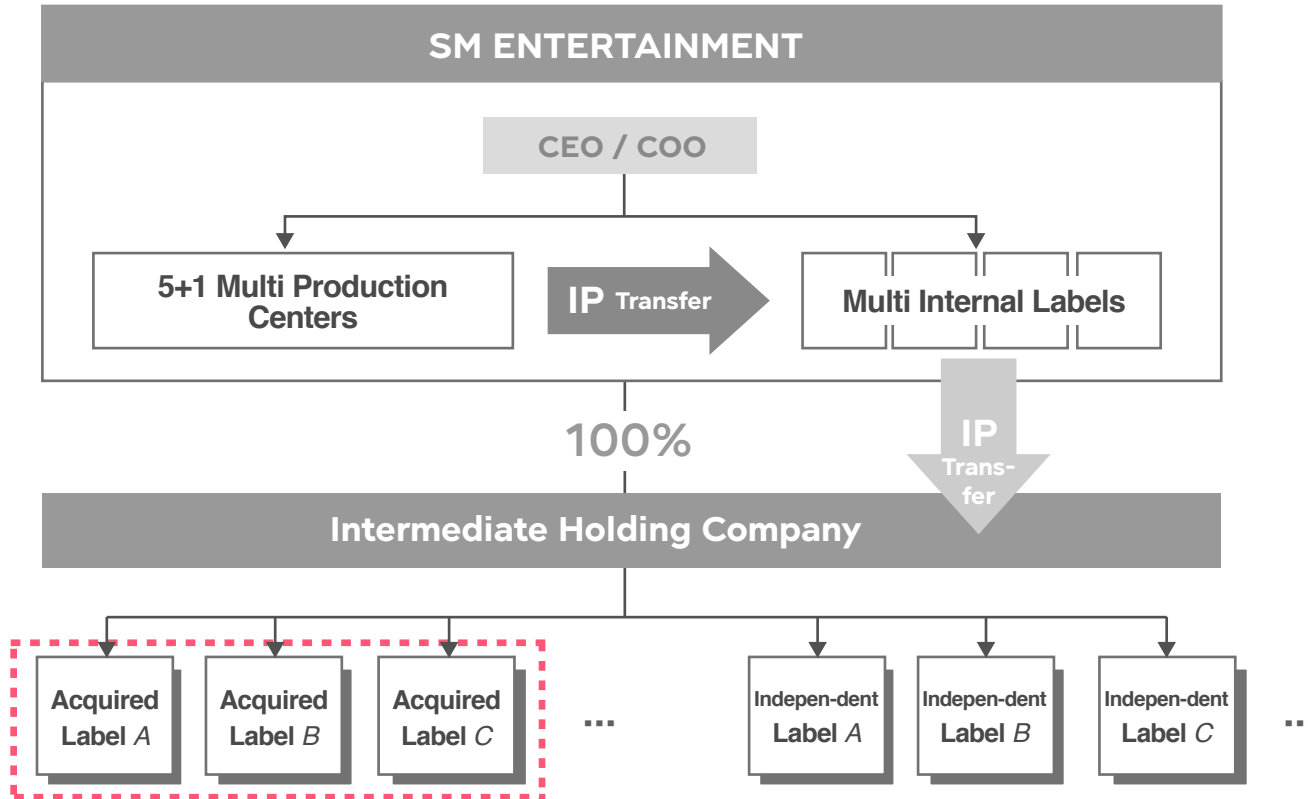


Spin out Internal Label and convert to Independent Label as a separate entity

# Multi Label for Maximization of IP Profitability



# Multi Label for Maximization of IP Profitability



Acquire labels : Expand the music genre spectrum to R&B, Hip-hop, etc.



# SM Music Publishing - specialized Subsidiary

Existing  
A&R competitiveness



Largest network  
of songwriters (producers)  
/ publishers / lyricists

Create high-quality music  
via "SM Songwriting Camp"

+

Music establish a publishing -  
specialized subsidiary  
(100% owned by SME)



Publishing agreement with  
global songwriters  
(producers) / lyricists

Sub-publishing agreement with  
global music publishing companies

Management of songwriters  
(producers) / lyricists

▶

Provide high - quality music  
through new Production  
Center / Label system



Preoccupy high - quality  
music

Reserve music  
for IP volume increase

# Target Business Indicators

## Expected IP Production

	SM 2.0	SM 3.0
IP Debut Cycle	1 team per 3.5 years	2+ teams per year
Album Sales	31 albums per year	40+ albums per year
IP Release Delay Rate	25%	5% or less

SM 2.0 : As of 2022, the IP debut cycle is calculated by averaging the cycles of the 2 most recent two boy/girl groups

## 2023 IP release plan

3 new artist teams + 1 (solo artist) debut  
 Release of 41 music albums (31 albums in 2022)  
 Sales target: 18 million copies a year (14 million copies in 2022)

Artist debuts		# of Albums released
-	1Q	7
New girl group Project Leader : Sung Su Lee	2Q	12
Virtual Artist Project Leader : Jun Young Park	3Q	12
NCT TOKYO (tentative name) Project Leader : Young Jun Tak	4Q	10

# Next Steps (To be continued)

Strategic direction for the transition to SM 3.0 to be announced sequentially

1

[IP Strategy] 'Multi Production Center / Label' System

2

[Business Strategy] IP Monetization (Music Streaming, IP license, etc.)

2nd Presentation  
(expected in February)

3

[Global Strategy] Global Expansion (Japan, US, South-East Asia, etc.)

4

[Investment Strategy] Global Music Publishing, Label Acquisitions, Fandom Business, Investment in Metaverse, etc.

3rd Presentation  
(expected in March)

# Succession and Advancement of SM legacy

“ ... the talented successors will manage the business very well with ease, as the line-up of SM artists for concerts and activities in the global market is now fully prepared and the production system, built over 25 years, is being well managed. As a major shareholder, I humbly accede to the request of minority shareholders to retire ...

...

hope the board members of SM ENTERTAINMENT CO., Ltd. will establish a strategy for the next 50 years to become a global entertainment company. ”

(Quote from The Hankook Ilbo, 2022.09.16)

# End of Presentation

The Future of Culture Technology

