

[Press Release]

SM Accelerates SM 3.0 through Strategic Partnership with Kakao

- **For robust implementation of SM 3.0 strategy, KRW 217.2 billion will be raised through issuing new shares and convertible bonds, with aggressive investments to be made**
- **Synergy will be maximized through the convergence of SM's powerful IP and Kakao's various platforms and AI technology.**

(Seoul, February 7, 2023) On February 7th, SM Entertainment, Kakao, and Kakao Entertainment agreed to form a strategic partnership across various fields and signed a tripartite partnership agreement, as well as a contract to acquire new shares and convertible bonds between Kakao and SM. With this, SM and Kakao concluded their response to the inquiry disclosure that has been ongoing since May 2021 with a happy ending, agreeing to form strategic alliance to create synergies, and committing to a comprehensive business cooperation as long-term partners.

Today, SM issued 1.23 million new common shares to Kakao through third party allotment at a price of KRW 91,000 per share (closing price as of February 3rd), raising KRW 111.9 billion, and will also issue convertible bonds to Kakao through third party allotment worth KRW 105.2 billion (conversion price of KRW 92,300 per share). Through the conversion of these convertible bonds, Kakao will be able to secure an additional 1.14 million SM common shares, becoming SM's second largest shareholder with a 9.05% stake.

Through this investment and business cooperation, the three companies have agreed to pursue mutual strategic interests by utilizing their respective strengths in business capabilities. They agreed to jointly develop K-POP artists through global auditions and promote global management businesses in overseas markets to maximize synergies. The three companies will also continue various collaborations across the music business including global production and distribution of albums and songs. By fusing SM's strong IP with Kakao's various platforms and AI technologies, SM will accelerate IP monetization, by strengthening content competitiveness and expanding global market share. SM will also contribute to the development of the domestic performance culture ecosystem and revitalization of the local economy by utilizing the Seoul Arena, which Kakao has participated in as the operator.

SM plans to use the funds to aggressively invest in global music publishing business, expansion of global business, and domestic and international label acquisitions, and other initiatives regarding the SM 3.0 strategy. This will accelerate the implementation of the SM 3.0 strategy, which was announced on February 3rd. SM co-CEOs, Sung-su Lee and Young-jun Tak, stated that "This strategic partnership with Kakao will provide SM with a strong growth engine to develop into a leading global entertainment company".