

**Statement from SM Entertainment's Co-CEOs and Management Team (25 senior executives above the Head of each Center) on the Largest Shareholder's Injunction and the Rumored Acquisition by HYBE**

- We oppose all hostile M&A attempts by external parties including HYBE
- The strategic partnership with Kakao was a corporate decision to accelerate the execution of the SM 3.0 strategy and is unrelated to a management rights dispute despite such claims by the largest shareholder
- SM opposes privatization of the company by certain shareholders/factions and will make every effort to establish sound and transparent governance and protect shareholder rights.

Hello, This is Sung-su Lee and Young-jun Tak, Co-CEOs of SM Entertainment.

We are issuing this statement on behalf of the Co-CEOs and the 25 senior executives above the Head of each Center.

On February 3, SM announced its core strategy for the future, 'SM 3.0,' a transition from production by a single individual to a multi-production center/label system. However, as soon as this new vision and future was announced, it was disclosed that a share sale and acquisition attempt that disregards not only SM's hard work and efforts but also the values that SM has been pursuing with its artists was under discussion.

SM is a company with approximately 600 employees who work with the goal of making SM the world's No. 1 entertainment company. Thanks to their hard work, many of our artists have proudly led the way in K-POP. With SM 3.0, SM is on the verge of transitioning into a fan and shareholder-centered company that is once again leading global entertainment. As such, our employees and artists will stand together to oppose hostile M&A by any external party.

SM's strategic partnership with Kakao, announced on February 7, is the first step in securing future growth engines for SM's new leap forward through SM 3.0. We are confident that it will create strong synergies by utilizing SM's IP and strengthening our global capabilities. We have been in full communication and agreement with Kakao on the implications of the strategic partnership that SM envisioned. We would like to reiterate that the strategic partnership with Kakao is a business decision to accelerate the execution of the SM 3.0 strategy and has nothing to do with a management rights dispute despite such claims by the largest shareholder.

SM has maintained a production agreement with Like Planning, a company owned personally by former producer Soo-man Lee, since 2004, to build and utilize artist IP throughout its lifecycle. As the founder of SM and a pioneer in making K-POP what it is today, SM knows better than anyone the former producer's capabilities and what he has accomplished to date. However, it's also true that because we know him so well, we didn't recognize the problems with the production agreement early on, with only few people pointing them out internally.

Last year, shareholders and stakeholders began to voice their opinions in earnest. Once they pointed out the issue of shareholder returns including dividends being minimized due to the structure in which

the largest shareholder alone received a significant portion of the operating profit each year (ranging from 27% to 199% from 2015 to 2021), SM gradually realized these problems. We could no longer ignore the strong interest and concerns of our shareholders and stakeholders, who have loved and encouraged SM and its artists more than anyone else.

In response, SM conducted a full and objective review of the conflict of interest issues raised by our shareholders and made various efforts to prepare for a new future. As a result, former Executive Producer Soo-man Lee was notified of the early termination of his contract on September 15, 2022, and his contract was terminated on December 31, 2022, by resolution of our Board of Directors on October 14, 2022.

At SM, we have approximately 600 employees who are working day and night to develop new ideas and dedicating themselves to the best of their abilities in their respective positions. We are aware that SM artists work very hard. SM has released 30 albums in 2022, and we are reviewing more than 400 demos every week for these releases. Every step, from the concept of the album to its promotion, is made possible by the passion and efforts of our employees.

To our shareholders and stakeholders,

With the SM 3.0 era, we will begin a new leap forward. Moving past the days when all the power and honor was concentrated in one person, we will show you how experts in each field can use collective intelligence and come together to develop artists and share the joy and rewards.

SM will stand with our employees and shareholders in every step of this new leap forward. We ask for your continued interest and support. Please also look out for the subsequent announcements of the SM 3.0 strategy to enhance fan and shareholder value.

Thank you.

SM Entertainment Co-CEOs and Management Team