

SM Entertainment Issues Statement Regarding HYBE's Attempt to Interfere with SM's KRW 63.5 billion Share Buyback and Retirement

HYBE has come under fire for attempting to sabotage SM Entertainment's KRW 63.5 billion share buyback and retirement plan to enhance shareholder value. On the morning of February 27, SM held a board meeting to approve the signing of a share buyback trust agreement worth KRW 63.5 billion, in addition to the company's previously announced plan to increase the amount of shareholder return through the adoption of a target capital structure. Under its SM 3.0-based business plan SM had planned to use the estimated KRW 63.5 billion in production royalties that would have been paid to the former majority shareholder Soo-man Lee over the next three years, to repurchase and retire treasury stock.

However, the share buyback trust agreement for the benefit of all shareholders has been delayed as HYBE has been pressuring the financial company which was to process the buyback. In response, SM has issued a statement calling on HYBE's management to stop interfering with SM's shareholder return plan.

The following is SM's statement on HYBE's interference with SM's shareholder return plan.

1. SM followed three announcements of the SM 3.0 strategy with announcements of a new financial strategy and an expanded shareholder return plan, to consistently pursue its management policy to increase total shareholder return and not just serve specific shareholders.
2. However, HYBE, which became SM's majority shareholder by acquiring shares from the former majority shareholder Soo-man Lee, is interfering with SM's shareholder return plan to share profits equitably among all shareholders, forcing SM to regress into a company that only serves its majority shareholder.
3. HYBE's management team is repeating the mistakes made by the former majority shareholder of SM by denying the existence of a "hostile M&A" against SM, trying to appease SM shareholders, internal members, fans, and artists, and criticizing SM management.
4. In a statement issued upon completing the acquisition of former Executive Producer Soo-man Lee's shares on February 22, HYBE CEO Ji-won Park stated, "SM Entertainment will move forward as a company with exemplary corporate governance and a company that prioritizes shareholder rights." Nevertheless, HYBE's opposition to the share buyback and retirement plan to benefit SM shareholders only proves that this hostile M&A is "of HYBE, by HYBE, and for HYBE."
5. SM's Board and management have the duty and responsibility to commit to a shareholder return plan for every shareholder, not just the majority shareholder with a 14.8% stake. We request that HYBE stop demanding SM serve only the majority shareholder or opposing for opposition's sake, but instead present HYBE's plan to increase shareholder value.