

4Q25
CEO Message

Script

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SM ENTERTAINMENT CO., Ltd.

Hello, this is Cheol-hyuk Jang, CEO of SM Entertainment.

Before I begin the CEO Message, I would like to briefly highlight some of our artists' recent activities and achievements.

- **NCT DREAM** achieved their 10th consecutive million-seller with their 6th mini album 'Beat It Up.' Their world tour, 'THE DREAM SHOW,' also reached a significant milestone of 100 performances. Through expanded touring that includes major dome venues across Asia, they continue to steadily strengthen their global drawing power.
- **aespa** further scaled up their global tour, successfully completing their Japan arena tour and confirming performances at Tokyo Dome and Kyocera Dome this year. These results reaffirm their solid local fanbase and ticket power. In addition, aespa continued to expand their presence through appearances on Amazon Music Live stages in North America.
- **RIIZE** successfully performed at one of the leading U.S. music festivals, 'Austin City Limits Music Festival,' and went on to hold the North American leg of their first world tour, 'RIIZING LOUD.' They also surpassed 1 billion cumulative views on their official YouTube channel, recording meaningful digital achievements and continuing to broaden their global fan engagement.
- **NCT WISH** launched their first solo concert tour, 'INTO THE WISH: Our WISH,' attracting an exceptional level of audience turnout and global response for a rookie group. The tour kicked off in Korea, drawing a total of 24,000 attendees, and the concert was live-streamed to 130 theaters worldwide, confirming strong global fan interest. They have also rapidly expanded local fan engagement through appearances on major Japanese music programs.
- In addition, our legacy IPs—including **TVXQ**, **Super Junior**, and **EXO**—continued to demonstrate unwavering brand power through albums, tours, and fan meetings, reinforcing the stability and sustainability of our IP portfolio..

Going forward, we will continue to pursue global expansion of our key IPs while

ensuring balanced performance between rookie and legacy artists, further strengthening the foundation of our IP portfolio over time.

With that, I will now move on to the CEO message.

Hello, this is Young Jun Tak, Co-CEO of SM Entertainment.

I would like to begin by discussing two key elements of ***SM NEXT 3.0*** strengthening our production organization and the status of our new IP pipeline.

SM NEXT 3.0 is a strategy focused not on short-term scale expansion or speed-driven growth, but on building a sustainable growth structure. While the K-pop industry remains in a growth phase, it also faces structural challenges, including rising production costs, intensifying global competition, and changes in the environment surrounding artists and fans. In this context, we believe that maintaining a balance between growth, profitability, and long-term IP competitiveness is more important than ever. Our multi-creative system under ***SM NEXT 3.0*** was designed based on this recognition.

By operating creative organizations more independently, we aim to enhance decision-making speed and autonomy, while simultaneously improving production efficiency and content quality. Over the long term, we expect this system to establish a reproducible production structure that enables more stable and predictable outcomes across IP planning and production.

These changes to our production system are closely linked to our new IP strategy, with the SMTR25 project serving as a representative example. Based on the IP development know-how accumulated since SM 3.0, SMTR25 has focused on enhancing initial IP completeness through content and fan engagement even prior to debut. Through initiatives such as the growth-oriented variety content *'Reply High School,'* produced in collaboration with *eggiscoming*, along with proprietary content releases and pre-debut fan communication, we are experimenting with a differentiated incubation approach. Rather than pursuing a "fast debut" as the primary objective, our goal is to introduce IPs that are sufficiently prepared for both the market and fans.

These changes in our production organization and new IP strategy represent a structural effort to enhance the quality of growth by strengthening SM's IP competitiveness.

I will now hand over to CEO Cheol-hyuk Jang to continue with our discussion on 'global expansion' and 'AI strategy.'

Building on the production organization and IP strategy outlined by Co-CEO Tak, I would now like to discuss our global expansion strategy and AI-driven technology advancement.

Under ***SM NEXT 3.0***, our approach to global expansion prioritizes sustainability and efficiency over speed. As mentioned earlier, while the K-pop market continues to grow, global competition is becoming increasingly intense. Rather than applying a uniform expansion strategy across all regions, we are pursuing a more segmented approach—leveraging strategic partnerships and tailoring our expansion by IP characteristics and local market conditions. By utilizing our partners' networks and local expertise, we aim to respond more flexibly to changing market environments while efficiently distributing risks and resources. This represents not a retreat from global expansion, but a refinement of our approach to maximize execution efficiency and performance visibility throughout the expansion process.

AI-based technology strategy is another key pillar of ***SM NEXT 3.0***. AI is not intended to replace creativity, but to serve as a tool to enhance production efficiency and decision-making. By applying AI across the content production process, we aim to reduce time and costs, while leveraging data analysis to deepen our understanding of fans and markets, enabling more sophisticated decision-making. We plan to gradually expand AI utilization across our business, always guided by its contribution to strengthening our core competencies.

SM NEXT 3.0 is not a radical strategy designed to deliver immediate results. Rather, it builds upon the foundation of SM 3.0 and represents a refined strategy aimed at generating sustainable performance over time. We will continue to execute our strategy with a focus on long-term IP lifecycle expansion and brand

value growth, while maintaining a balance between scale and profitability. We remain committed to transparently sharing our execution progress with the market and to delivering sustainable growth that enhances shareholder value.

Thank you for your attention.