

**SM**  
**ENTERTAINMENT**  
JAPAN

# **Business Plan and Growth Potential**

**Securities Code: 4772**

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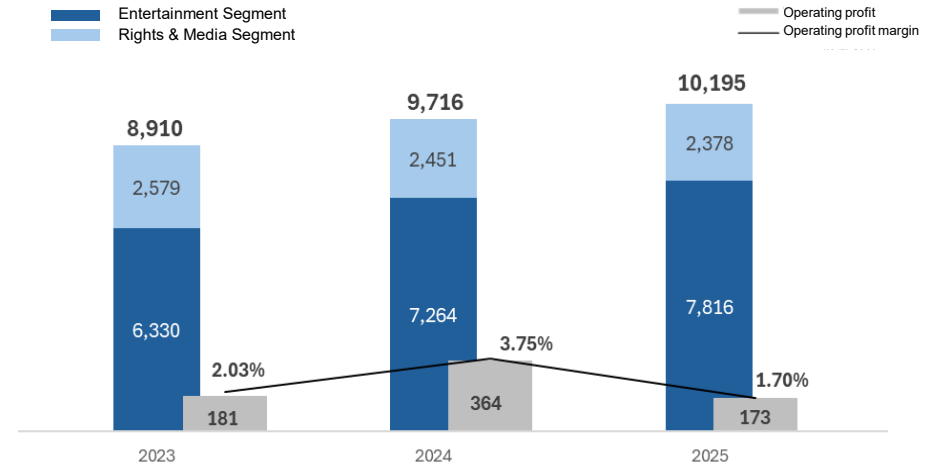
## I . Company Overview

# Company Overview

## Basic Information

<b>Company Name</b>	SM ENTERTAINMENT JAPAN Co., Ltd.
<b>Listed Market</b>	TSE Growth Market (Securities Code: 4772)
<b>Head Office</b>	Roppongi Grand Tower 21F,3-2-1 Roppongi, Minato-ku, Tokyo
<b>Representative</b>	Kim Dong-woo
<b>Start of Operations</b>	Operations commenced in Apr. 1998 (established in Dec. 1971).
<b>Capital</b>	¥50 million (as of Dec. 2025)
<b>Number of Employees</b>	104 employees (as of Dec. 2025)

## Core Businesses



### Entertainment Segment

- Concert Management - MD Business
- Proprietary Original IP Development - Music Business
- Travel Business

### Rights & Media Segment

- Rights Business - Broadcasting Business (KNTV)

# History

## Founding & Business Foundation

**1971**

Company established

**1998**

Launch of the digital content distribution business

**2000**

Listed on NASDAQ Japan

## Expansion of K-content Business

**2004**

Launch of the K-content business

**2005**

Rights Segment

**2006**

Launch of the fan club business

**2008**

Launch of the merchandising business

**2009**

Merged with a KEYEAST subsidiary  
Launch of the management business  
Launch of DATV (broadcasting business commenced)

**2014**

Equity participation in KNTV

## Integration into the SM Group

**2016**

SM Entertainment Japan made an equity investment

**2018**

Became part of the SM ENTERTAINMENT Group

**2019**

Changed company name to Stream Media Corporation Co., Ltd.

**2020**

Merged with SMEJ Co., Ltd.

**2025**

Changed company name to SM ENTERTAINMENT JAPAN Co., Ltd.

# Entertainment Segment

## Key SM ENTERTAINMENT Artists

### Key Artists



TVXQ!



SUPER JUNIOR



Girls' Generation



SHINee



EXO



Red Velvet



NCT 127



NCT DREAM



aespa



RIIZE



NCT WISH



Hearts2Hearts

# Entertainment Segment

Business Lines	Overview
Concert Management	<ul style="list-style-type: none"><li>● Exclusive domestic management rights for globally popular SM ENTERTAINMENT artists and certain actors from other agencies, with diversified operations leveraging artist IP.</li></ul>
Merchandising	<ul style="list-style-type: none"><li>● Planning and sales of artist-related merchandise through e-commerce channels and at concert and other event venues.</li><li>● Operation of event-linked pop-up stores and collaboration projects with other companies.</li></ul>
Original IP Development	<ul style="list-style-type: none"><li>● Artist development and training through Japan-optimized group lineups and proprietary production infrastructure.</li></ul>
Music	<ul style="list-style-type: none"><li>● Production and distribution of Japan-market music, including Japanese-language releases, using IP held by headquarters.</li><li>● Domestic distribution management, advertising, and promotion for imported albums released in Korea.</li></ul>
Travel	<ul style="list-style-type: none"><li>● Planning and operation of official fan tours and management of the proprietary app CONCONTOWN.</li><li>● Travel and accommodation arrangements for artists and staff in connection with concerts.</li></ul>

# Rights & Media Segment

Business Lines	Overview
Rights Business	<ul style="list-style-type: none"><li>● Acquisition of broadcasting and distribution rights for Korean dramas, films, and variety programs, with distribution to domestic broadcasters and OTT platforms.</li><li>● Diversified secondary use of video content assets, including in-house DVD production and sales.</li></ul>
Media Business (KNTV)	<ul style="list-style-type: none"><li>● Broadcasting of Korean dramas, films, K-POP, variety programs, and in-house productions through the KNTV cable channel.</li><li>● Broadcasting of premium content, including live coverage of SM artists' concerts and events.</li></ul>

# Revenue Structure by Business Segment

Composed of four core areas leveraging artist IP: live events, merchandising, music production/appearances, and licensing.

	Entertainment			Rights & Media
Business Area	[Management Business] [Concert Business]	[Merchandising Business]	[Music Business]	[Rights & Media Business]
	[Original IP]			
	Performances & Management Event Appearances Tour Packages	Merchandise & E-commerce Collaborations	Distribution, Sales, & Master Production Event Appearances & Advertising	Licensing Subtitling
Revenue	Performance Fee Ticket Sponsorship Tour-related Travel	Merchandise Sales Merchandising Royalty	Royalty Advertising Contract	Licensing Subtitling Sales Viewing Fee
Expenses	Production & Venue Personnel Travel & Accommodation	Production Outsourcing Shipping & Customs	Master Production Advertising & Promotion	Licensing Acquisition Programming Broadcast-related

## II . Prior Medium-Term Management Plan Review and Current Analysis

# Review and Results for 2023-2025

Sales expansion through proactive business rollout, alongside profitability challenges

## Review of the Previous Mid-Term Management Plan

### Financial Highlights for FY ended December 2025

Revenue  
**JPY 10,195M**

Record high / +15.8% YoY

Operating Income  
**JPY 173M**

Strategic investments completed

Net Income  
**JPY 375M**

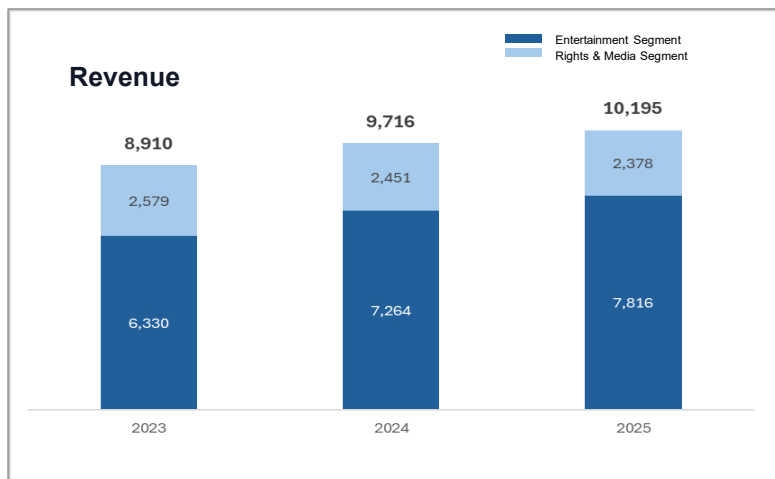
### Progress in Strengthening the Management Base

**32.6%**

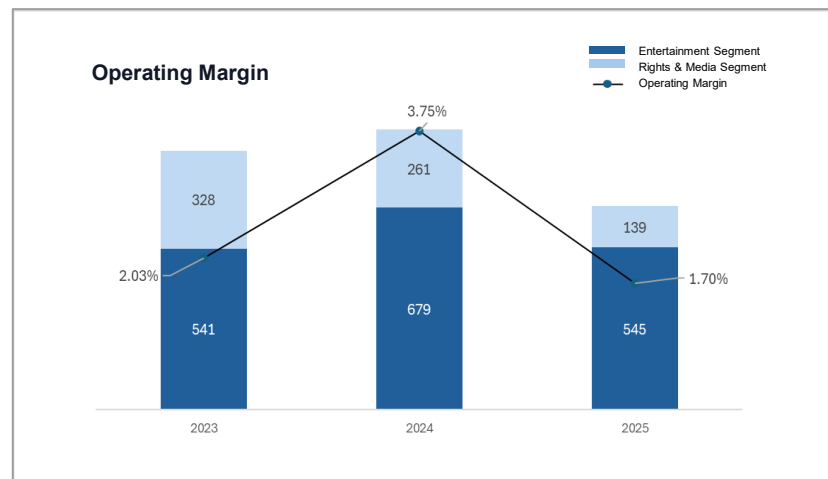
Tradable Share Ratio

Listing Maintenance Criteria Met

Through the completion of improvement measures, the TSE Growth Market listing maintenance criteria were met, reinforcing market credibility.



Revenue exceeded JPY 10 billion, reaching the largest business scale in the Company's history, but higher costs caused by foreign exchange and inflation weighed on profit.

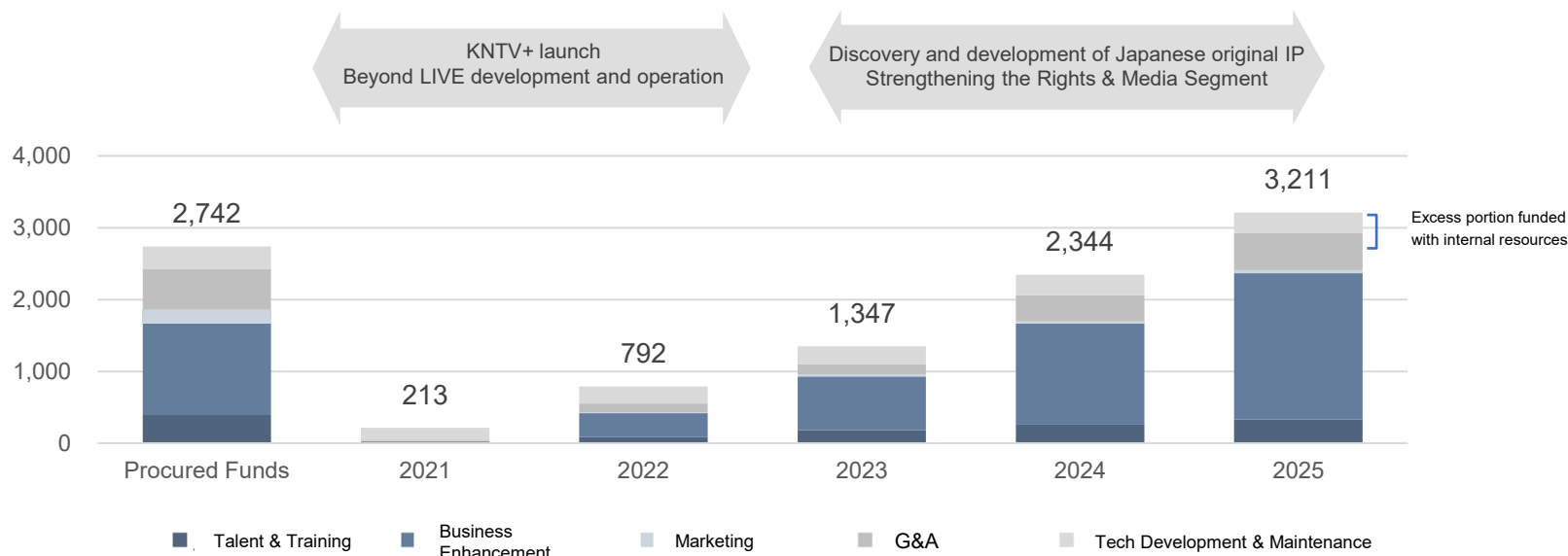


The FY2025 operating margin remained at 1.7%, highlighting the limits of the previous model that prioritized attendance scale.

# Review and Results for 2023-2025

## Funding and Investment Status

### Use of Funds Raised from NAVER and Progress Achieved



	Funds Raised	2021	2022	2023	2024	2025
■ Technology development, operation, maintenance & support	315	165	240	245	283	283
■ Operating & administrative expenses	556	16	126	141	365	520
■ Marketing	200	10	10	30	30	42
■ Strengthening existing businesses	1,275	0	330	750	1,408	2,035
■ Talent acquisition & training	391	22	86	181	258	331
<b>Total (cumulative by fiscal year)</b>	<b>2,742</b>	<b>213</b>	<b>792</b>	<b>1,347</b>	<b>2,344</b>	<b>3,211</b>

\*1 Amount excluding issuance expenses (JPY 7 million) from the paid-in amount (JPY 2.76 billion); \*2 Strengthening of existing businesses continues with separate funds.

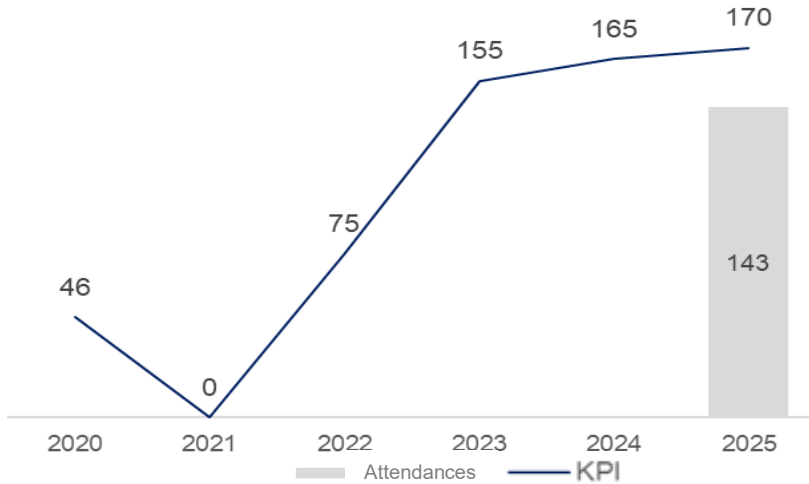
# Review and Results for 2023-2025

## Status and Review of KPIs by Division

### Entertainment Segment

#### Offline Concert Attendance

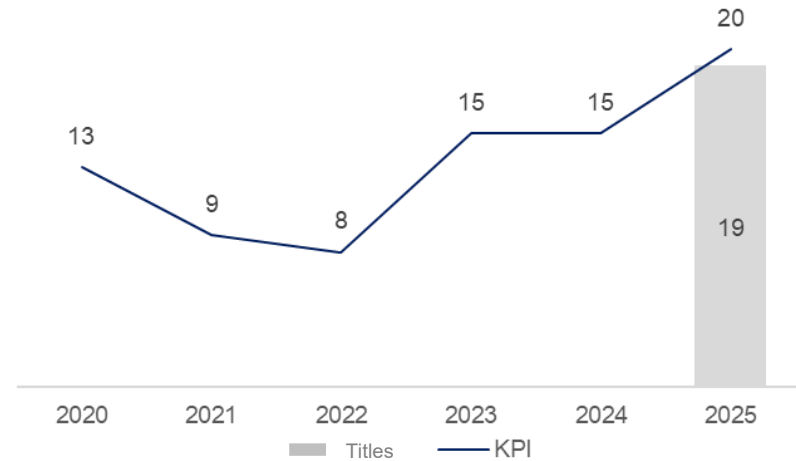
(Unit: 10K attendances)



### Rights & Media Segment

#### Number of Premium Content Titles Broadcast on KNTV

(Unit: titles)



FY ended Dec. 2023	Socioeconomic activity normalized after COVID-19. The number of large-scale concerts and attendees increased, showing a recovery toward pre-COVID levels (128 performances / approx. 1.55M attendees).
FY ended Dec. 2024	In addition to large-scale concerts drawing more than 200K attendees, non-concert businesses were expanded. Although the broadcasting business continued to face a challenging multichannel market due to the spread of OTT, 15 premium content titles were aired, helping reduce subscriber cancellations.
FY ended Dec. 2025	<b>The concert business held a total of 185 performances with approximately 1.43M attendees. Although the number of performances increased due to more solo and unit concerts, attendance fell short of the KPI target.</b>

# Current Analysis

The strong trust between fans and artists drives the pull of the SM brand.

## Overwhelming Drawing Power of Key Artists

From legacy IPs that continue to renew all-time attendance records to next-generation IPs achieving explosive growth, a multilayered portfolio has been built.

This robust fan base is the foundation that gives confidence in repeatable success for value creation originating in Japan.

### TVXQ!

TOHOSHINKI

Overwhelming track record and records



Holds the record among overseas artists for the highest number of nationwide dome tour shows and tour attendance

### NCT

NCT

Maximized attendance by group expansion



Exceptional live attendance and a massive fandom expanded through multiple units

### aespa

aespa

Explosive growth speed



Established a leading position in the Japanese market as a front-runner among fourth-generation girl groups

### RIIZE

RIIZE

A top next-generation front-runner



Popularity has become firmly established through high chart rankings immediately after debut & successful large-scale concerts.

# Current Analysis (Competitive Environment)

Gap in market share between Korea and Japan: leadership in the Korean domestic market has not yet translated into comparable dominance in the Japanese market.

## Market Size and Competitive Environment

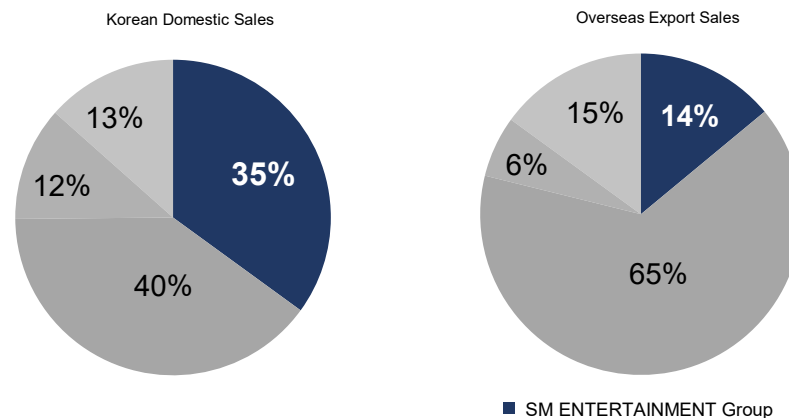
In Japan, the world's second-largest music market, the SM ENTERTAINMENT Group's share remains only 14%.

Top 10 Export Destinations for K-POP Albums in 2025

Unit: USD 10,000

Rank	2020	2024	2029 (Forecast)	Average Growth Rate
1 United States	14,866	35,158	40,074	2.7%
2 Japan	3,875	6,845	7,620	2.2%
3 United Kingdom	2,409	5,833	7,544	5.3%
4 Germany	2,632	5,646	6,349	2.4%
5 China	1,298	3,815	5,934	9.2%
6 France	1,079	2,349	2,617	2.2%
7 Canada	905	2,205	2,432	2.0%
8 Oceania	677	1,627	1,900	3.2%
9 Korea	728	1,535	1,773	2.9%
10 Italy	471	1,329	1,556	3.2%

Sales Mix of Major K-POP Agencies



Even IPs that rank highly in global sales remain low-ranked or outside the rankings in Japan.

Closing the share gap with key competitors will be the biggest driver of profit growth for the Group.

Source: (Top 10 export destinations for K-POP albums in 2025) Korea Customs Service;  
(Ratio of domestic and overseas sales by major K-POP agencies) prepared by the Company based on KIND data

# Current Analysis (Changes in the Market Environment)

Expansion of the live entertainment market and changes in fan consumption behavior

## Changes in Fans and Consumption Styles Driven by Market Maturity

### Era of artist saturation

As the market expands, the live entertainment space has entered a highly competitive stage crowded with domestic and overseas artists, intensifying competition for fan attention.

### Diversification of fan preferences

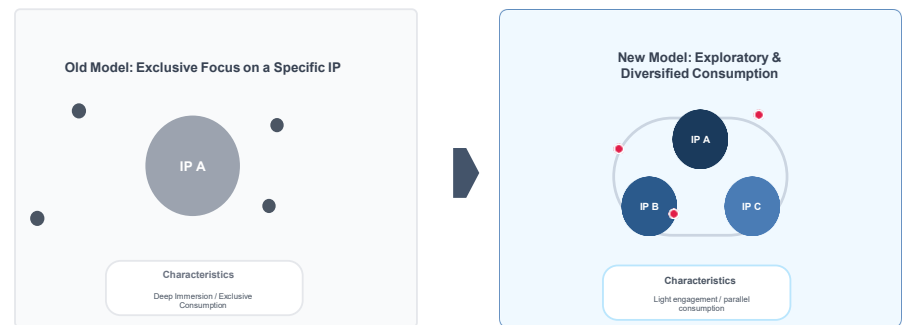
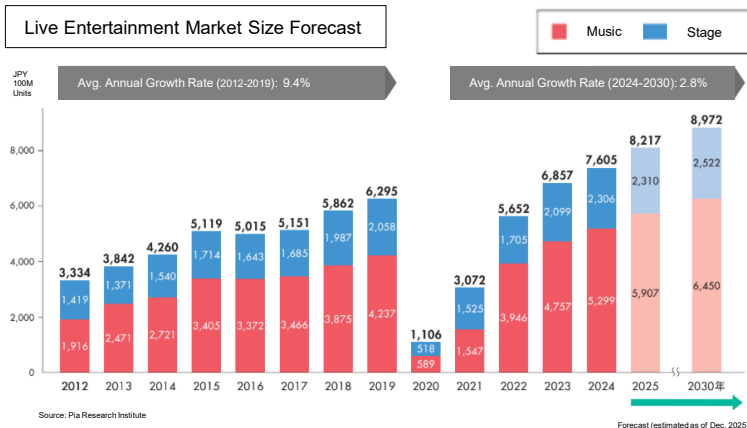
As fandoms become more sophisticated, songs and visual content are increasingly expected to meet global standards of quality.

### Greater difficulty in sustaining fan intensity

Trend cycles are accelerating and brand switching is becoming faster, making it essential to deploy strategic initiatives that both retain existing fans and attract new ones.

### Shift in fan consumption behavior

Fan behavior is moving away from deep attachment to a single IP toward a browsing, multi-group, and dispersed consumption pattern.



### III. New Medium-Term Management Plan: Policies and Targets

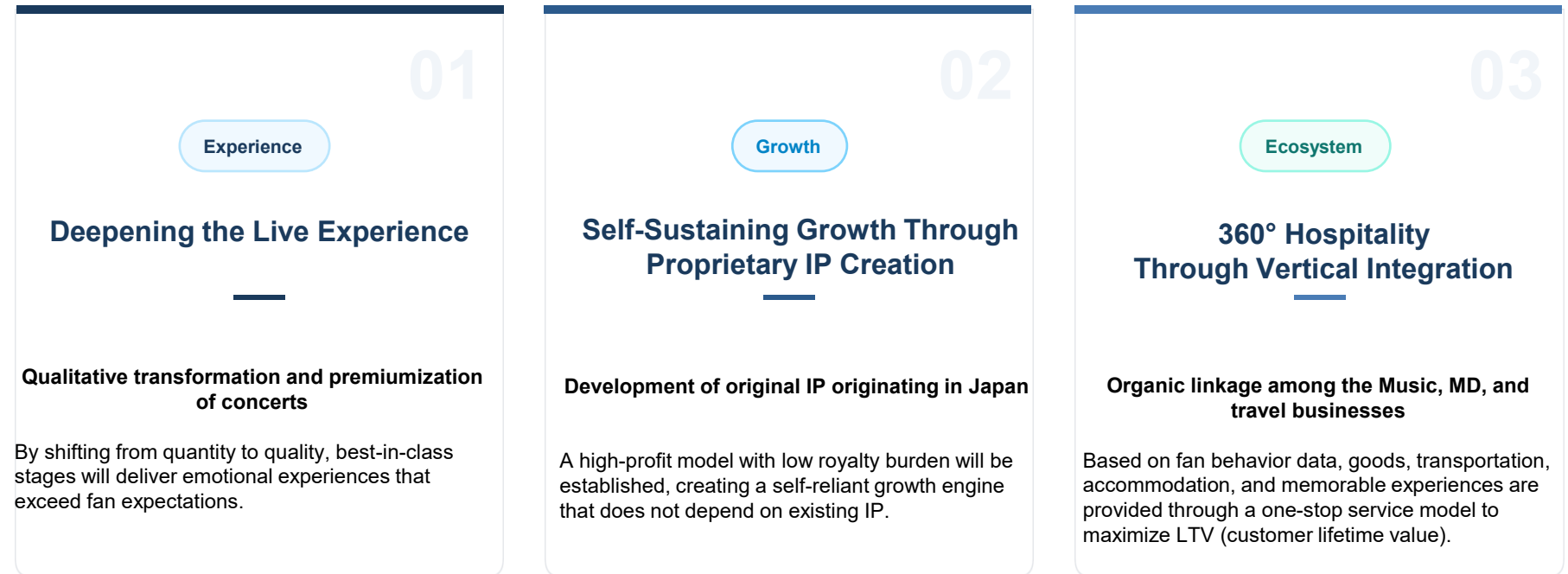
# Strategic Initiatives Under the New Mid-Term Management Plan

A strategic framework to support sustainable growth

## Three Pillars Supporting Growth

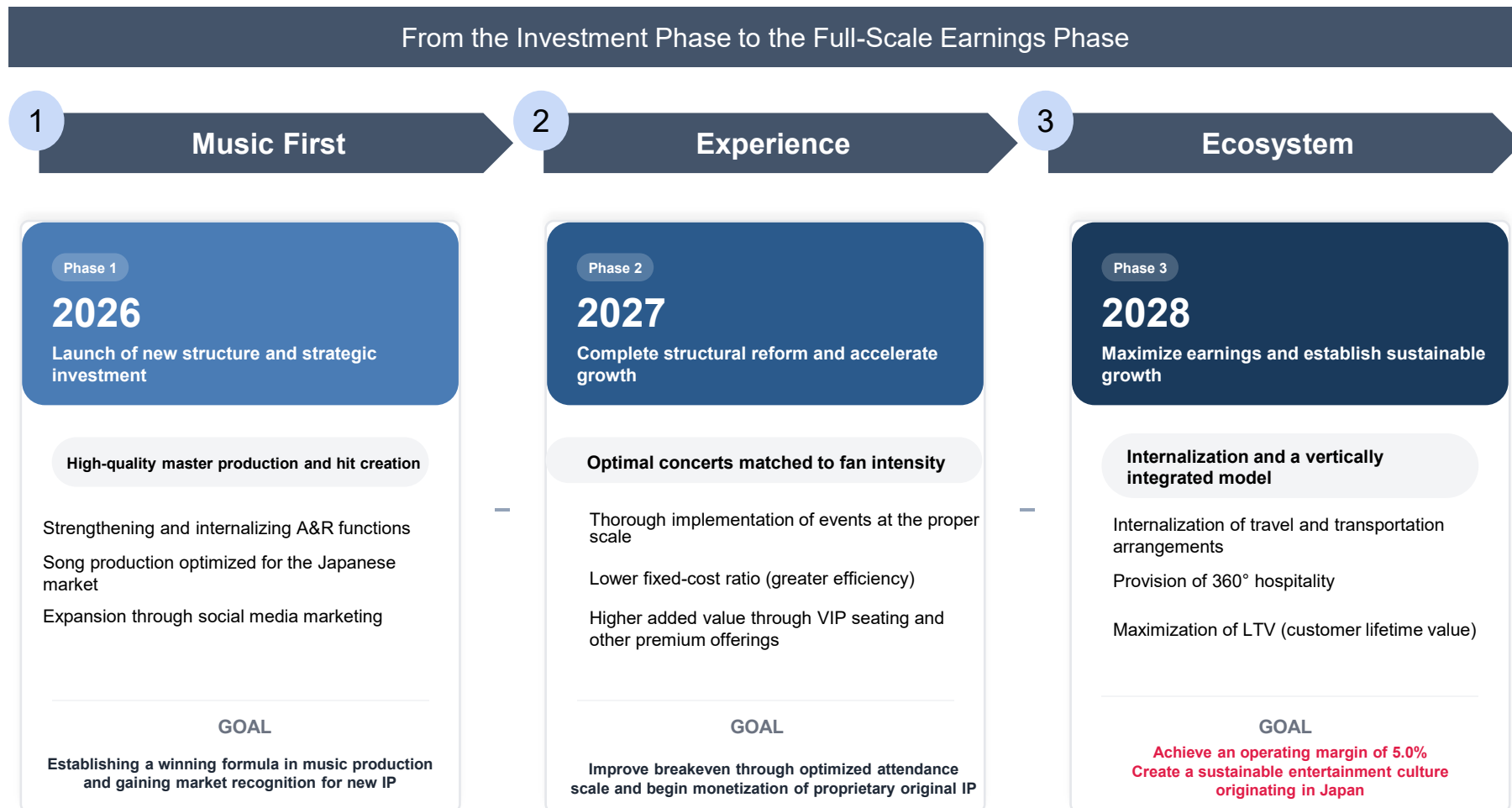
### Toward a New Landscape of Excitement Beyond Creation

Three strategic pillars to convert existing strengths into a high-profit structure



# Roadmap to a 5.0% Profit Margin

A phased profit-growth scenario through reform of the earnings structure

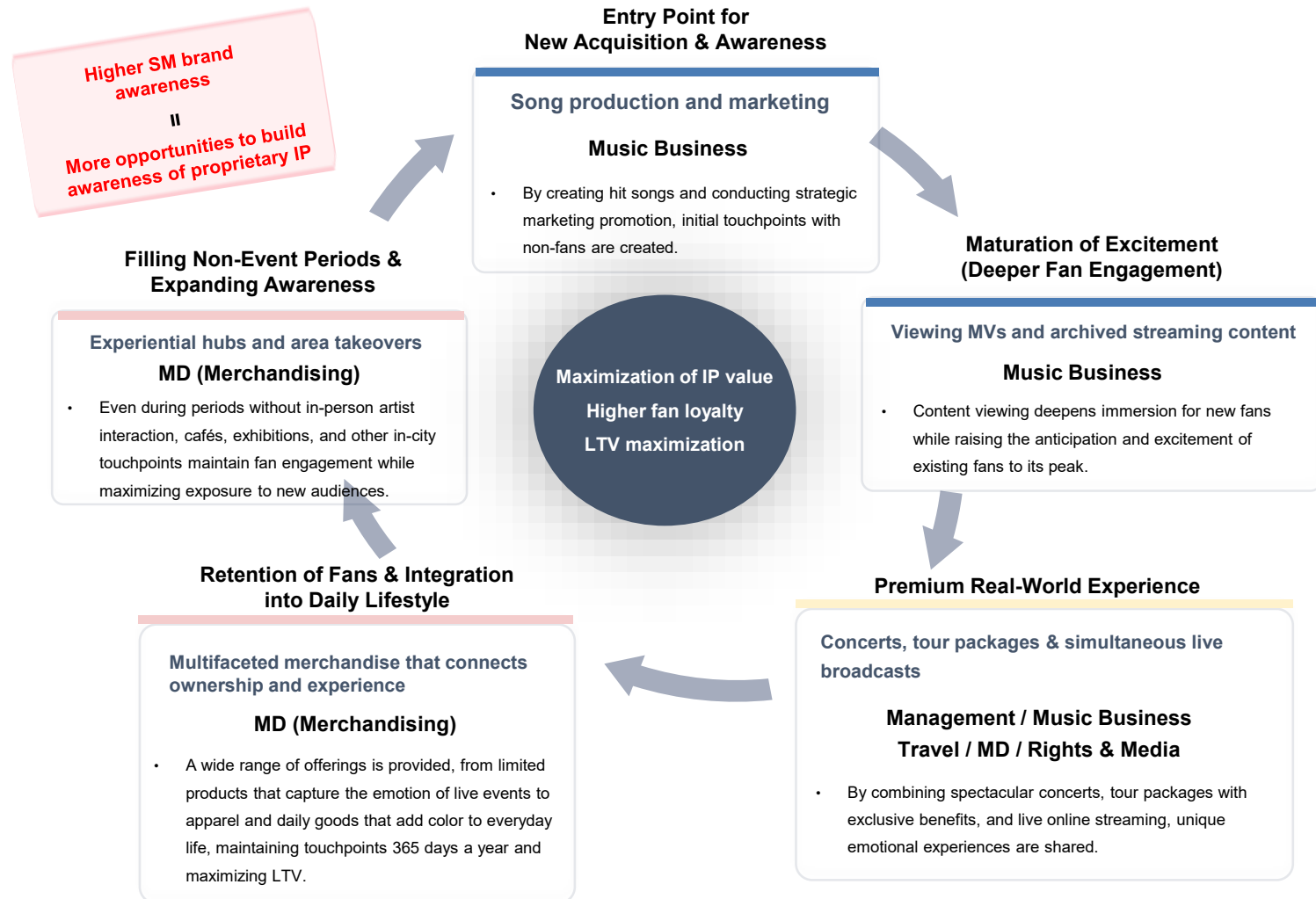


**Achieve an operating margin of 5.0%**

# Ecosystem of Fan Experience through Group Synergies

A model for maximizing LTV (customer lifetime value) through IP-centered vertical integration

An Ecosystem Designed for New Acquisition, Circulation & Retention



# Strategy for the Music Business

Specific approaches and execution measures for hit creation

## Execution Strategy for Creating Hits Originating in Japan

### Core Strategy: Music First

Value Creation Flow

Hit songs become the ignition point for improving event efficiency and retaining margins within the group, enabling a shift to a high-profit structure.

#### Hit Song Catalyst

High-quality Master Production

#### Improved Event Efficiency & Retained Margins

Stronger drawing power & internalization

#### Operating Margin 5.0%

FY2028 target achieved

#### A&R Enhancement

### Enhancement & Internalization of Production Functions

#### Quality First

- Experienced specialists from the Japanese and Korean music industries will be actively recruited. Trends and preferences in the Japanese market will be thoroughly analyzed to build an in-house A&R structure for producing songs that resonate in Japan.
- This enables company-led creative control without reliance on external outsourcing.

#### Strategic Alliance

### External Co-Creation & Alliances

#### Open Innovation

- Rather than relying solely on internal resources, alliances with leading outside producers and influential songwriters will be strengthened.
- Incorporating diverse creativity will raise song quality and improve the probability of creating hits.

#### Digital Marketing

### Marketing Innovation

#### Viral Growth

- The business will move away from conventional methods reliant on large advertising budgets and deploy a social media strategy centered on short-form video, driven by the song's own appeal, such as addictiveness and dance.
- User-generated content will be encouraged to generate organic viral expansion.

# Strategy for the Concert Business

Concert right-sizing, premiumization of the experience, and internalization of ancillary services will be advanced as an integrated strategy.

## Initiatives Toward a Dramatic Change in the Profit Structure

### Scale

#### Venue Optimization & Consolidation

A shift will be made from small venues with many performances to events of the right size based on precise demand forecasting. By reducing the number of setup and teardown cycles, profitability per performance will be maximized.

##### Expected Effect

**Dramatic reduction in the fixed-cost ratio**

### Value

#### Premiumization of the Customer Experience

Provide high-value experiences such as limited-edition merchandise and priority entry. Increase average spend per customer and secure revenue sources beyond ticket sales.

##### Expected Effect

**Improvement in customer spending and profit margins**

### LTV

#### Internalization of Travel & Accommodation Arrangements

Using the proprietary App CONCONTOWN, hotel and transportation arrangements for fan travel are internalized. This prevents fee leakage to external agencies and allows fan data to be accumulated.

##### Expected Effect

**Capture of ancillary revenue & maximization of LTV**

## Significant reduction in the breakeven point (BEP)

Break away from a structurally high-cost model and establish sustainable profitability

Target Operating Margin

**5.0%**

Earnings Structure

**Low Fixed Costs / High Added Value**

# Strategy for the Concert Business

The challenge lies in a high-cost structure and pressure on profitability caused by small venues and a large number of performances.

## Structural Issues in the Concert Business

01

### High Breakeven Point

A high ticket sell-through rate is required to cover fixed costs, leaving only thin profit margins.

02

### Direct Impact from Inflation & Yen Depreciation

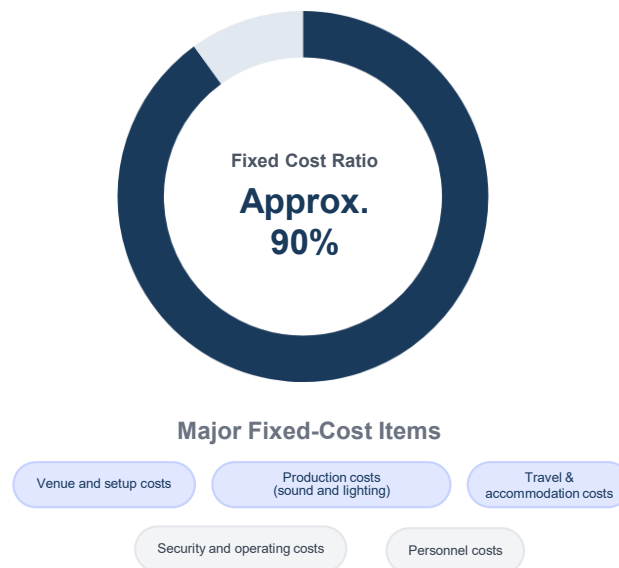
Rising labor, transport, and overseas artist invitation costs, including travel and accommodation, are placing further pressure on earnings.

03

### Opportunity Loss

Capacity is insufficient relative to demand, and despite large numbers of unsuccessful ticket applicants, the revenue opportunity is not being fully captured.

### Illustration of the Concert Cost Structure



Most costs are incurred regardless of attendance levels.

### Structural Issues in the Concert Business



Multiple performances at small venues create a structure in which setup, teardown, and travel costs are incurred for each show, making profits difficult to generate.

# Strategy for Developing Proprietary Original IP

By shifting away from the previous role of importing and managing, management stability will be enhanced through the dual engines of a strong existing earnings base and self-created IP.

## Proprietary Original IP Strategy

## Strengths of Original IP

**GPP**

Debut in January 2026



**GPP**

A high-performance girl group composed exclusively of Japanese members

**Kiepi**

**CERA**

本名 Yuzuki Cera  
誕生日 12月22日  
年齢 19歳



**RENA**

本名 Amane Rena  
誕生日 6月21日  
年齢 18歳

**Kiepi**

A virtual artist for the digital-native generation, developed by SM ENTERTAINMENT JAPAN & STUDIO REALIVE.

Scheduled to debut in Apr. 2026

### High-quality IP development leveraging the SM Group's development know-how

By adopting the proven training infrastructure and programs cultivated by SM ENTERTAINMENT over many years, artists equipped with overwhelming world-class performance skills will be launched from the moment of debut.

### Unique positioning optimized for the Japanese market

By combining K-POP's advanced performance and visual quality with the musicality and concepts of J-POP that fit the Japanese market, a distinctive market position will be established.

### Agile promotion enabled by a domestic operating base

By basing operations in Japan, management can be executed quickly and flexibly. Faster decision-making will maximize IP utilization and revenue.

Success in proprietary IP will reduce reliance on headquarters IP and significantly enhance management autonomy and profitability.

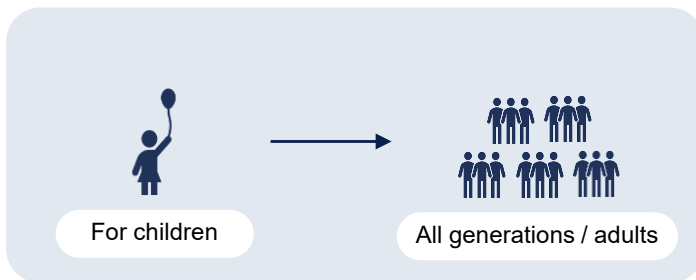
# Strategy for the MD Business

Expansion of the character business market and the normalization of fan-driven consumption

## Current Analysis of the MD Market

Changes in lifestyle have shifted characters from the role of toys to tools for self-expression and everyday enrichment. Along with the global rise of Japanese anime and the expansion of fan-driven consumption, the character business market continues to grow year by year both in Japan and overseas.

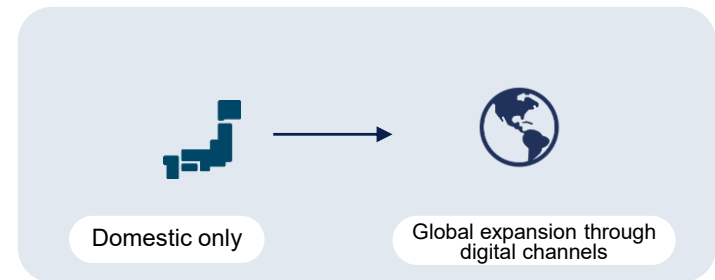
### Expansion of the Target Audience



### Expansion of the Target Audience

Evolution into items for adult self-expression & lifestyle enrichment  
Entry of adult consumers with purchasing power

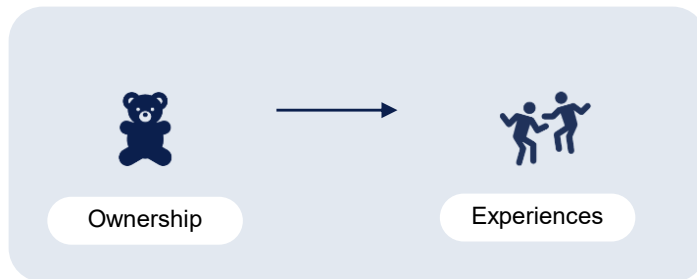
### Globalization of the Market Footprint



### Domestic and Global IP Expansion Through Social & Digital Channels

Social media-driven digital awareness expands the fan base globally.

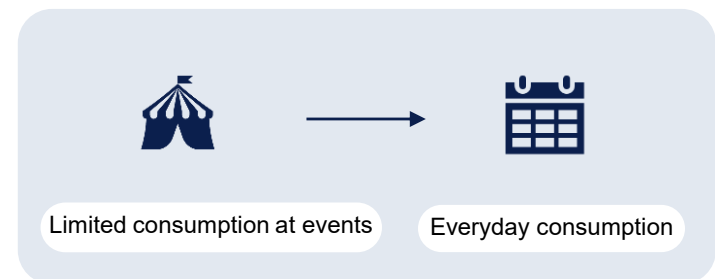
### Diversification of consumption value



### Shift in Consumption Value

Collaboration cafés, pilgrimage visits & similar experiences  
The value of sharing the same experiences as one's favorite artist

### Normalization of the purchasing cycle



### Lifestyle Integration of the Consumption Cycle

IP is permeating every aspect of daily life, including apparel and household goods.

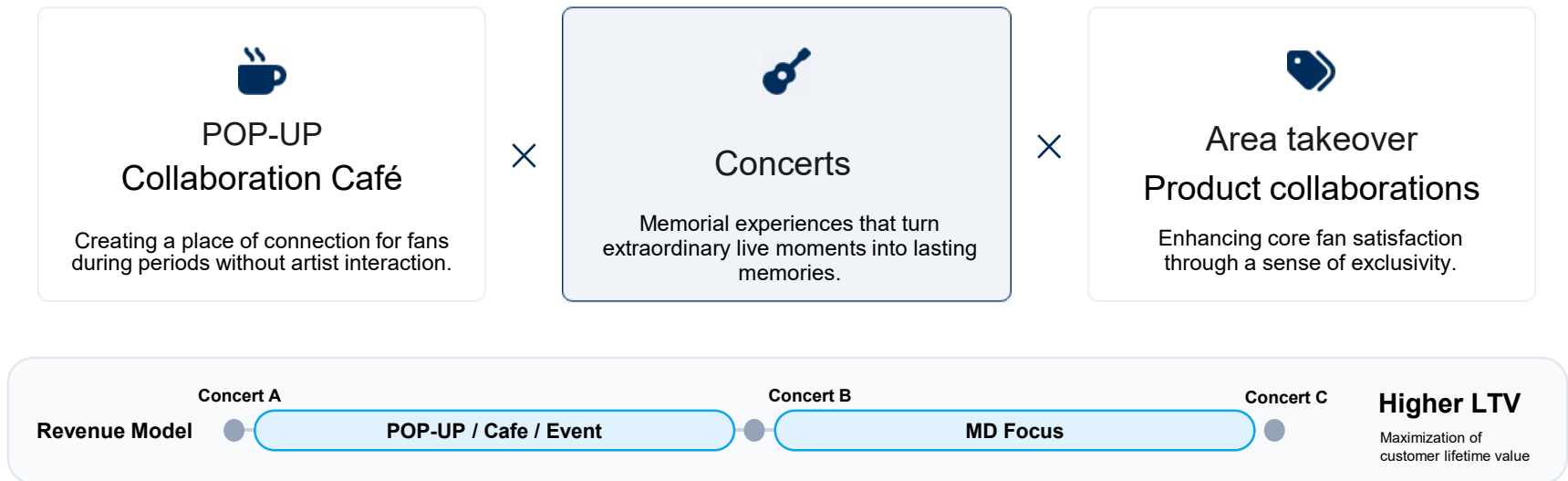
# Strategy for the MD Business

Providing the right balance of quality and frequency to coexist with both new acquisition and existing fans

## Measures to Maximize LTV

Through multiple channels, the Company fills periods without concerts while optimizing both quality and frequency to build a healthy ecosystem with limited burden. By providing experiences that go beyond merchandise sales, it achieves LTV maximization and stable earnings based on long-term relationships of trust.

### Strategic Engagement Design



## Designing Ongoing Engagement

Shifting from a concert-only, point-based model to one that maintains fan engagement even between events.

# Strategy for the Travel Business (CONCONTOWN)

By providing full-spectrum support for fan activities, latent travel demand for concerts will be converted into revenue with certainty.

## Current Market Conditions and Fan Pain Points

53%\*1

More than half of spending on fan activities goes to travel expenses (accommodation and transportation)

75.5%\*2

Fans have concerns such as reservation complexity, high hotel prices, and getting lost.



- ✓ Simplify complex fan-travel procedures through a single App.
- ✓ Arrange hotels in advance to hedge against rising accommodation costs.
- ✓ Provide peace of mind through direct venue buses and guides so there is no chance of getting lost.
- ✓ Deliver app-exclusive special experiences, including access to limited-edition merchandise.

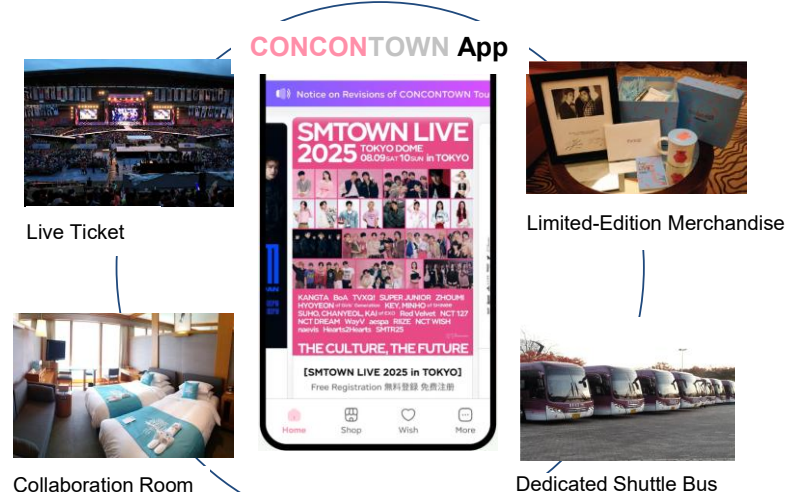
Source: Based on data from Oshi-Katsu Research Institute (\*1) and En-sail (\*2)

## About the Proprietary App

### What is CONCONTOWN?

The Company's proprietary travel app provides tour packages including concert tickets, hotels, day-of-show bus transfers, guides, participant-only commemorative gifts, and advance purchase of official merchandise for hotel pickup.

Complex concert-travel arrangements can be completed easily in a single app, providing comprehensive support for worry-free fan activities.



# Strategy for the Travel Business (CONCONTOWN)

A strategic shift from a cost center to a profit center

## Current Initiatives

CURRENT

### 01 Internalization

- ✓ Eliminate outsourced work to external travel agencies and fully cut fee leakage.
- ✓ Build and operate a direct sales system through the proprietary app CONCONTOWN.
- ✓ Improve marketing precision by accumulating fan data in-house.



Expected Impact

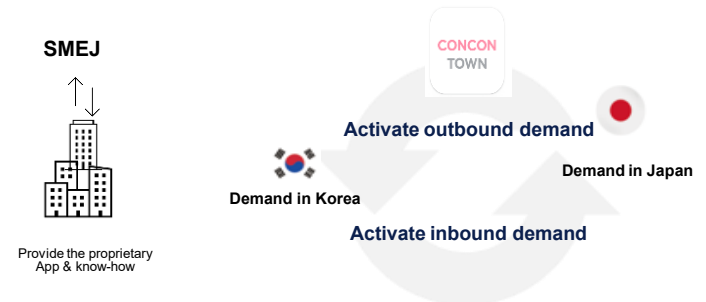
Reduction in Agency Fees (Cost Optimization)

## Future Strategy

FUTURE

### 02 External Sales / Platformization

- ✓ Open the system built by the Company as a platform to other companies. (K-POP / J-POP)
- ✓ Provide a one-stop solution combining tickets and travel packages.
- ✓ Capture inbound demand and expand globally.



Expected Impact

Establishment of a New Revenue Source (Platform Fees)

# Strategy for the Rights & Media Segment

Reducing earnings volatility and generating stable cash flow

## Key Issues and Strategies in the Rights & Media Segment

01

### Joint Business Development with Distributors Risk Management

For Korean dramas, films, and other content acquisitions, large standalone investments are avoided through co-investment and co-distribution with partners, diversifying content cost risk while securing a strong lineup.

**Diversification of Procurement Risk**

02

### Diversified Use of Existing Program Archives Asset Utilization

A hybrid model is pursued to recover initial OTT investment early while generating long-term revenue from CATV and local broadcasters; extensive archives of previously aired and produced programs are further monetized through DVDs, platform licensing, and rebroadcasts without significant new production costs.

**Maximizing Profit Margins**

03

### Cost Control and Workflow Optimization Cost Control

In operating CS channel KNTV and related businesses, programming efficiency and digitally enabled workflow reform are implemented to reduce fixed costs, lower the break-even point, and build a leaner earnings structure.

**Securing Stable Earnings**

## Establishing a Stable Earnings Base

Offsetting volatility in the Entertainment Business, including live events, and supporting the Company's overall management base.

## IV. Financial Targets and Investment Plan

# Targets for 2026-2028

A shift to a high-profit structure through portfolio optimization and concentration of resources on core businesses

## Revenue Outlook for the New Three-Year Period

In line with changes in the market environment, the business portfolio will be fundamentally optimized. By FY2028, the aim is to reach a high-quality revenue scale of JPY 10 billion centered on proprietary IP, while dramatically improving the operating margin.

### Fundamental portfolio restructuring

Strategic review of low-profit areas will be carried out, and management resources will be fully reallocated to core areas even if this requires temporary scale adjustments.

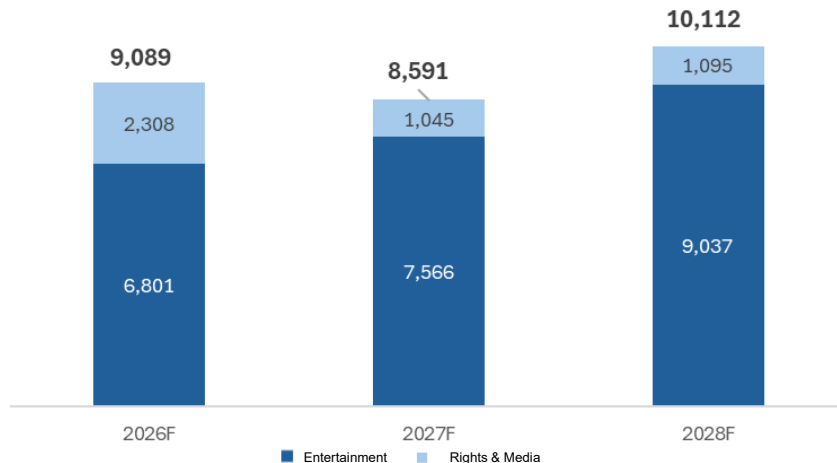
### Entertainment-led qualitative regrowth

The business model will evolve into a lean structure in which approximately 90% of the mix is entertainment, with proprietary IP driving company-wide growth.

### Full-Scale Launch of Proprietary IP (including GPP)

Dependence on external IP will be reduced and the business will shift to a high-margin model centered on proprietary IP, to be established as a major earnings pillar by 2028.

### Segment Revenue Forecast



### Strategic Insight

Low-profit areas will be streamlined and resources concentrated on core businesses.

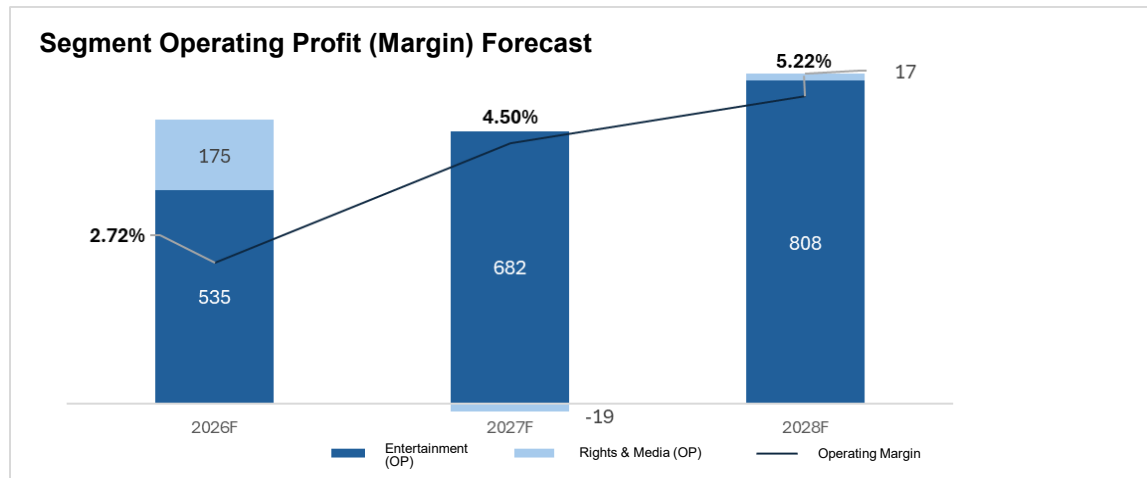
By 2028, the entertainment ratio will be raised to around 90%, completing a sustainable high-profit model at the JPY 10 billion revenue level.

# Financial Targets for 2026-2028

Gradually improve operating margin over the next three years and establish a high-profit structure with a margin above 5%.

## Operating Profit Outlook for the New Three-Year Period

Through a fundamental review of the operating structure and enhancement of value in core businesses, the operating margin will be steadily improved. By FY2028, achieving an operating margin of at least 5.0%, symbolizing the establishment of a high-profit structure, is positioned as a must-achieve target.



### 2026 (Target: 2.7%) Foundation Building

A fundamental reform of the cost structure and normalization of fixed costs will be executed to rebuild a strong earnings base for future growth.

### 2027 (Target: 4.5%) Results Realization

Portfolio optimization and profit contribution from proprietary IP will move into full swing, leading to a significant improvement in margins.

### 2028 (Target: 5.0%+) Establishing a High-Profit Structure

Growth in core businesses and completion of the vertical integration model will firmly establish the targeted high-profit structure of 5% or more.

# Refining Management KPIs

While maintaining the importance of indicators that reflect the business base, the top-priority benchmark is shifting to operating profit margin.

## Review of the Top-Priority Management Indicator

Previous Key Indicators (Old KPI)

Offline concert attendance  
Number of premium content titles aired (KNTV)



Next Top-Priority Management Indicator (New KPI)

Operating Profit Margin

### Background to the adoption of the new KPI and disclosure policy

Attendance and the number of broadcast titles are **critical leading indicators** of the Company's market competitiveness and will continue to be monitored and disclosed to ensure transparency for investors.

At the same time, in the current environment of rising external costs, the **quality of profitability** has become more important than pursuing scale. Accordingly, **operating profit margin** will be positioned as the top KPI, with a focus on maximizing underlying earnings power.

### Priority measures to improve profitability

**Execution of selective concentration:** Low-profit areas will be reduced, while resources will be concentrated on properly scaled, high-margin concerts and high-value proprietary original IP such as GPP.

**Fundamental reform of the cost structure:** Contract structures that reflect yen-depreciation risk will be adopted, and margin improvement will be pursued through more efficient production processes.

**Shift to high-profit businesses:** In the MD business, sales channels will be optimized, and in the rights business, the share of rights income will be increased through joint investment shifts.

# Investment Plan

Strategic allocation of resources for sustainable growth

## Main Investment Plan for the New Three-Year Period



### Strategic Investment

Growth Engine

60%

Focused investment in the development of proprietary original IP  
Aim to build a high-profit model through 100% ownership of rights

### Infrastructure Investment

Digital Transformation

30%

Internalization of the travel business (CONCONTOWN) and  
system development for data-driven marketing

### Human Capital Investment

Organization

10%

Recruitment of highly specialized professional talent and  
expansion of education and training programs to strengthen  
organizational capabilities

Cash flow generated from existing businesses will serve as the funding source, and priority will be placed on upfront investment to achieve sharp profit growth from FY2027 onward.

## V . Key Risks / CSR / Summary

# Latest Status of Business Risks and Countermeasures

As uncertainty in the macro environment rises, the Company is rebuilding a strong business foundation that is less dependent on external factors.

## Major Business Risks and Countermeasures

### Increase in Personnel Costs

Wage levels are rising due to staff shortages  
Higher operating, production, and personnel costs are putting pressure on earnings

### Rising Prices and Energy Costs

Venue utilities, setup materials, and transportation costs are increasing  
A broad rise in variable costs is reducing operating profit

### Historic Yen Depreciation

Biggest concern  
Continued yen depreciation against KRW and USD is sharply increasing the effective burden of invitation costs and royalties

Item	Major Risk Details (including latest trends)	Impact	Specific Countermeasures (strategic update)
Concerts	Profit decline caused by rising production costs, including labor, utilities, and materials	High	Improve efficiency through larger-scale performances and rapidly raise the ratio of domestic internalization
Artists	Revenue decline due to activity suspensions and greater difficulty securing profit because of higher invitation costs	Low	Expand proprietary Japanese original IP and run a diversified lineup not dependent on any one artist
Content	Intensifying OTT competition and rising acquisition prices for overseas content rights due to FX impact	Medium	Diversify by genre, including Greater China content, and control costs through prioritized use of works produced by group companies
Talent Acquisition	Wage increases caused by industry-wide labor shortages and the possibility of higher fixed costs from improved treatment	Medium	Improve labor conditions while promoting DX to increase efficiency and reduce labor intensity
Legal	Risk of intellectual property infringement and increasing complexity in rights-processing procedures	Low	Participate in copyright committees and similar bodies, raise awareness among personnel, and continuously strengthen management systems
Exchange Rates	<b>Rapid increase in the effective burden of invitation and production costs and royalties due to yen depreciation</b>	High	Disperse risk and costs through joint business arrangements and adjust payment timing

Note: Of the risks described in the securities report under "Business Risks," this page extracts the major risks that may affect growth realization and execution of the business plan. For other risks, please refer to the "Business Risks" section of the securities report.

# Sustainability Initiatives

Strong governance and diverse talent are the greatest engines supporting strategy execution.

## Sustainability Initiatives as a Listed Company

### Social

Society / Human Capital

#### Institutionalized Mental Care Support

A care framework with dedicated counselors has been established. Social media risks are continuously monitored to protect artists from slander and abuse.

#### Diversity & Inclusion

Global talent recruitment regardless of nationality or gender. Promotion of women in management and flexible work arrangements.

#### Next-Generation Talent Development

In addition to discovering and developing new artists through proprietary IP development projects, opportunities will be provided to young creators

### Governance

Governance / Ethics

#### Transparent Contracts and Transactions

Industry-specific opaque business practices will be eliminated, and fair and clear contractual relationships with artists and business partners will be ensured.

#### Legal Compliance

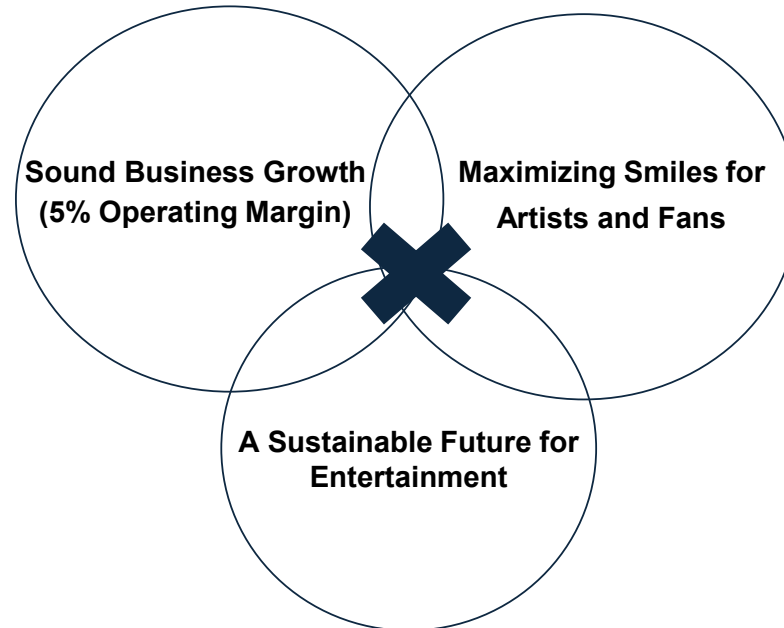
Relevant laws and regulations, including antitrust and trade-related laws, will be observed. Regular internal training will cultivate a strong compliance mindset.

#### Shareholder Returns

While prioritizing growth through strategic investment, the aim is to improve capital efficiency and deliver stable, continuous dividends backed by performance.

# Turning Moments into Lasting Value by Maximizing Experience Value for the Future

Through rigorous quality management and new value creation that enriches fans' lives, live moments are transformed into lasting memories, bringing to life a world-class future where happiness continues to grow.



## Outstanding Quality & Emotional Impact

~World-Class Excitement through Music First~

Consistently creating unforgettable experiences that exceed fan expectations through standout songs tailored to Japanese audiences and premier venues such as domes and stadiums.

## Self-Driven Growth through Proprietary Creation

~Honoring the Legacy, Building the Next 30 Years~

Bringing Japan-focused A&R in-house to accelerate original hit creation and IP development.  
Evolving into a self-directed business model with greater control over growth.

## Elevating Hospitality

~Enriching Every Fan Journey~

Music extends beyond the live venue, staying with fans from everyday moments to the end of each journey and creating lasting memories through exceptional hospitality.

## **Important Notes Regarding This Material**

- ✓ This material has been prepared by the Company solely for informational purposes and does not constitute a solicitation to buy or sell any of the Company's securities.
- ✓ This material contains forward-looking statements based on information available at the time of preparation; such statements do not guarantee future results, are subject to risks and uncertainties, and actual results may differ materially due to changes in the business environment and other factors.
- ✓ Factors that may affect actual results include, but are not limited to, domestic and international economic conditions and trends in industries relevant to the Company.
- ✓ Information in this material relating to parties other than the Company has been obtained from public sources, and the Company has not independently verified or guaranteed its accuracy, completeness, or appropriateness.

An updated version of this material is scheduled to be disclosed in March 2027.