

# Stream Media Corporation <sup>(4772)</sup> **Fiscal Year Ended December 31, 2023** **Financial Results**

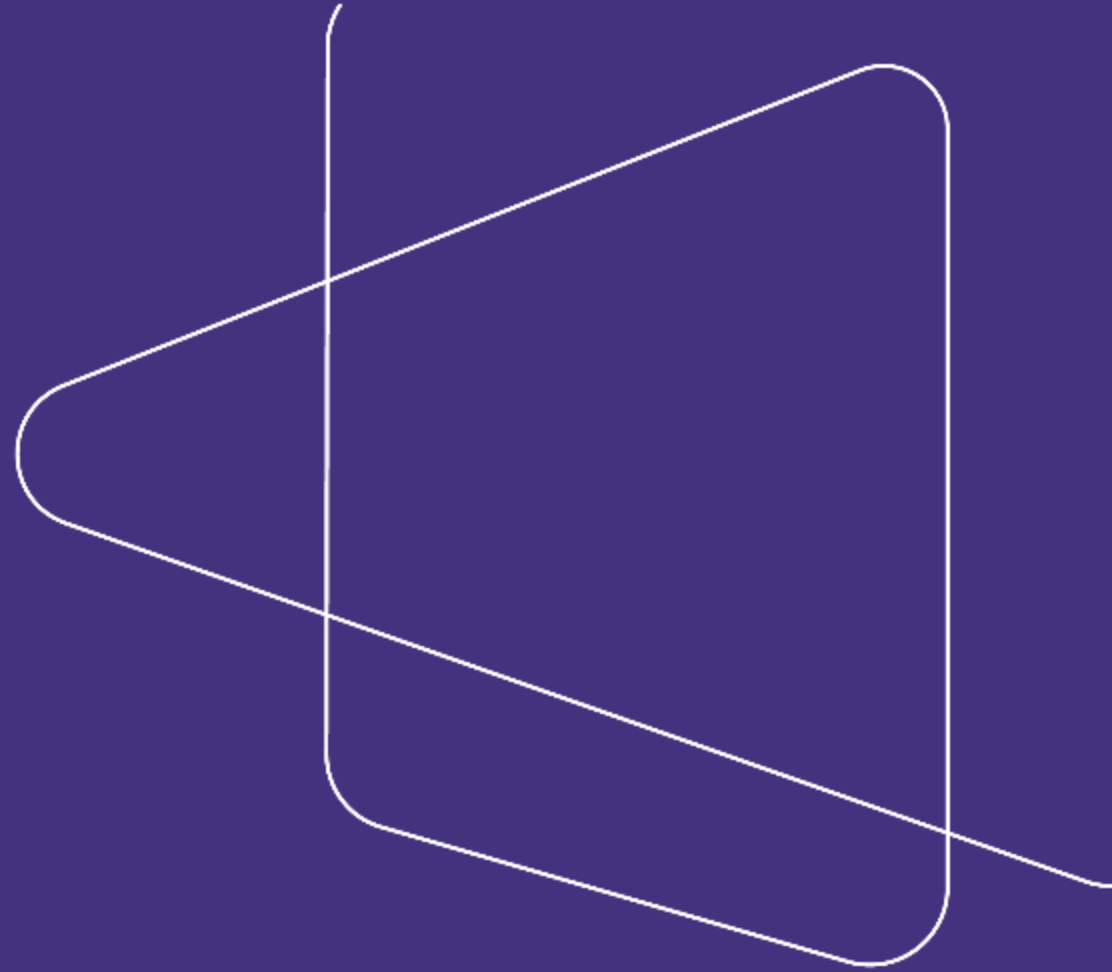
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In the event of any discrepancy between this document and the Japanese original, the latter shall prevail.

## Stream Media Corporation (SMC) Financial Results for the Fiscal Year Ended December 31, 2023

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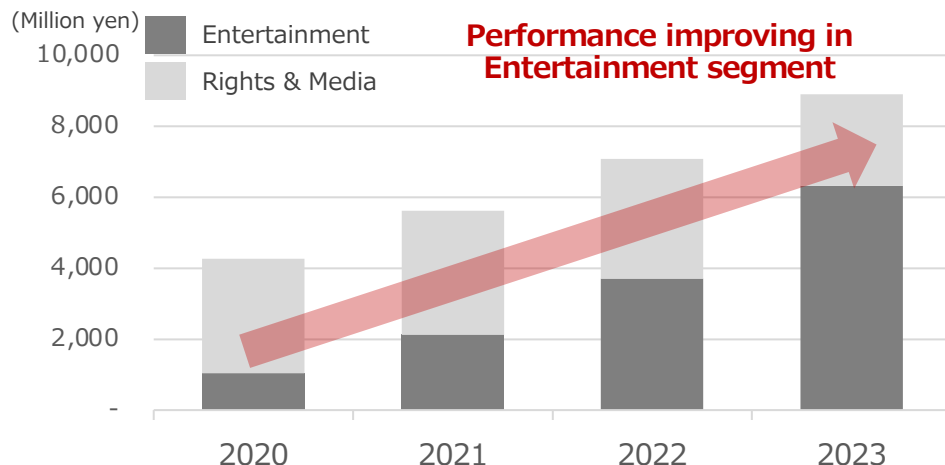
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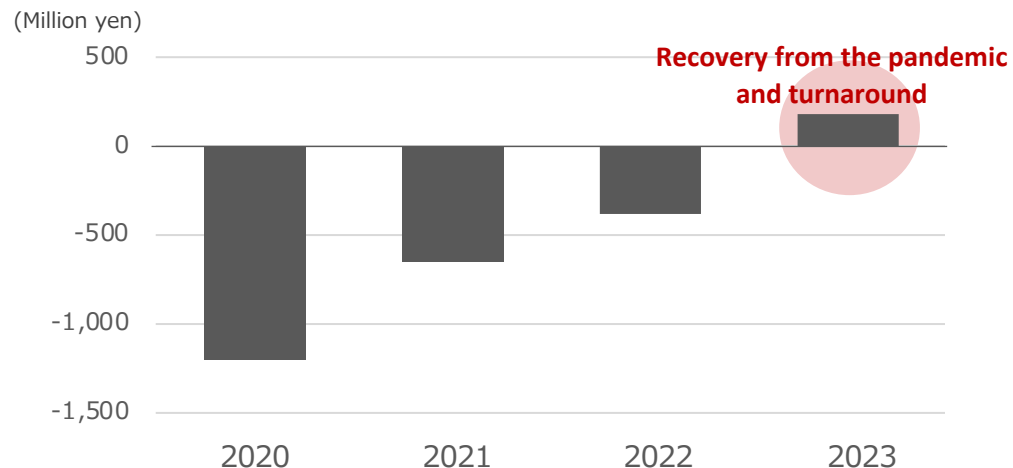
# Business Results for the Fiscal Year Ended December 31, 2023

# Full-year FY2023 business results

## Quarterly net sales



## Quarterly operating income



## Results by segment (cumulative)

(units: million yen)

	Net sales	YoY	Operating income	YoY	YoY comparison
<b>FY2023 Business Results</b>	<b>8,910</b>	<b>+1,832 (+25.9%)</b>	<b>181</b>	<b>+562</b>	<b>Both net sales and operating profit increased because of the recovery of our Entertainment business, despite the reduction of sales in the rights and media segment</b>
<b>Entertainment</b>	<b>6,330</b>	<b>+2,618 (+70.5%)</b>	<b>541</b>	<b>+468 (+635.2%)</b>	Large-scale concerts and events are held as frequently as before the pandemic and attendance doubled YoY (from 750K to 1.55M)
<b>Rights &amp; Media</b>	<b>2,579</b>	<b>-781 (-23.2%)</b>	<b>328</b>	<b>+180 (+121.0%)</b>	<b>Unplanned profit accrued in the Rights business from an increase in sales of archived titles</b> Deconsolidation of a subsidiary (Beyond Live Corporation) in the previous fiscal year caused approx. JPY200M difference in net sales YoY.

\*Calculation method : Concert sales=(Ticket sales)-(Production cost)

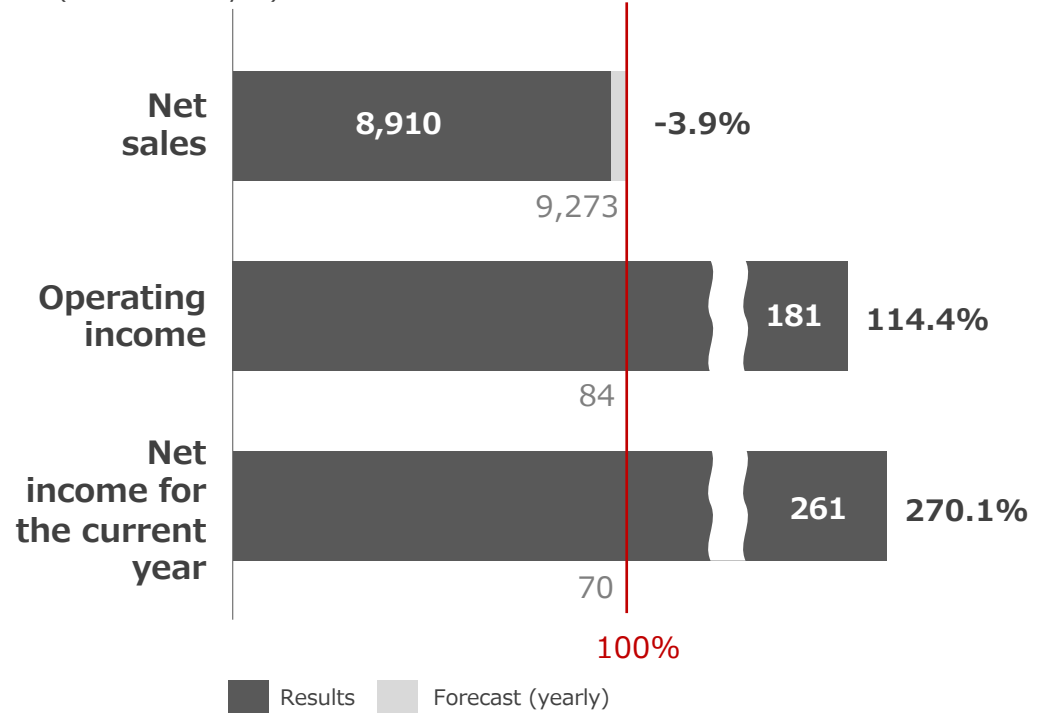
\*Archived titles : Titles whose rights have already been owned by the SMC

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**As concerts were performed as planned, Entertainment segment's performance improved greatly. The earnings of Rights business were greater than initially planned as our archived titles were sold.**

## ■ FY2023 financial forecast and progress

(units: million yen)



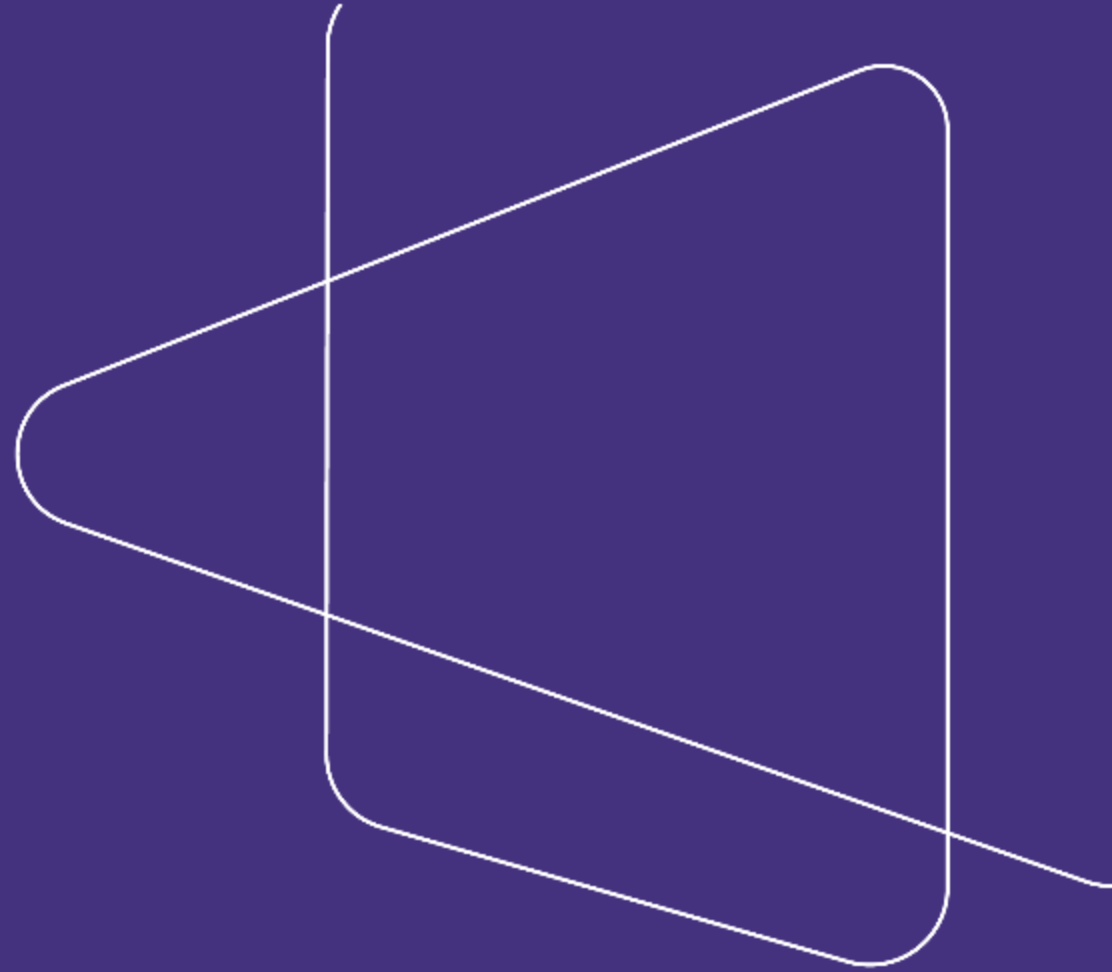
## ■ Business topics for full-year FY2023

- Net sales recorded 8.91 billion yen (-3.9% v. forecast), and operating profit was 181 million yen for the current consolidated fiscal year (+114.4% v. forecast).
- For the Entertainment business, **a total of 128 concerts were held, attracting approximately 1.55M people.**
  - Group NCT's stadium concerts drew nearly 220K people in four days. TVXQ! and aespa's concert tours each attracted more than 200K people.
- The date of the debut of NCT WISH, our new artist that gained wide recognition from an audition program broadcast on Nippon Television, Hulu, etc., is confirmed.\*
- For the Rights business, **our archived titles were delivered in large lots to OTT service operators.** Additionally, sales to terrestrial, BS and CS broadcasting increased as well.
- KNTV strengthened its premium K-POP content, achieving the largest net increase of subscribers since the channel's establishment in December. On an annual level, however, it has failed to reach the forecast number of subscribers.

\* NCT New TEAM (tentative name) will be NCT WISH hereinafter.



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# Highlights of the Fiscal Year Ended December 31, 2023

# 1. Highlights for Entertainment segment

Aside from the normalization of concerts and other existing businesses, our artists grew more popular domestically through greater exposure in TV shows and commercials. The debut of a new IP has been announced and we are seeking to improve our artist lineup.

Enhancement of the existing business model

## ■ Concert Business

- Revision of ticket prices in accordance with the increased cost of producing concerts

## ■ Merchandise Business

- Opening pop-up stores that generate profits regardless of the presence of live concerts



Pop-up space,  
NCT@XYZ  
@Harajuku (Sep~Nov)

## ■ Concert Business

220K attendees



200K attendees



A total of 128 live shows, attracting approx. 1.55M audience

## ■ Music Business

Oricon weekly No.1



NCT DREAM  
「Best Friend Ever」

## ■ New IP

Pre-debut of NCT WISH

Finished pre-debut tour of 24 performances in 9 cities nationwide



## ■ Non-music Business



YUTA (NCT 127)  
Starred in terrestrial drama  
*Play It Cool, Guys*  
@TV Tokyo (4/14~late June)



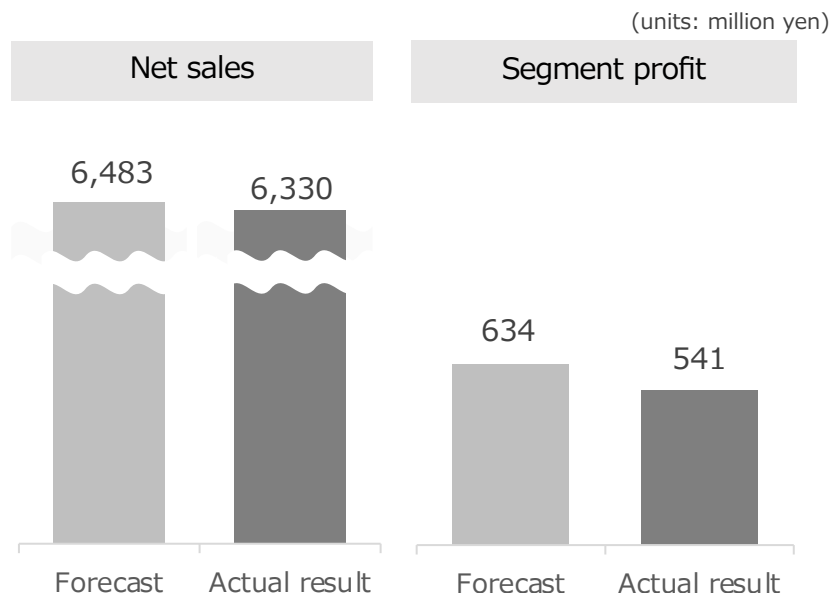
NCT 127  
Campaign model  
Otsuka Pharmaceutical's  
*BODY MAINTÉ*

Business portfolio expansion

# 1. Results of Entertainment segment

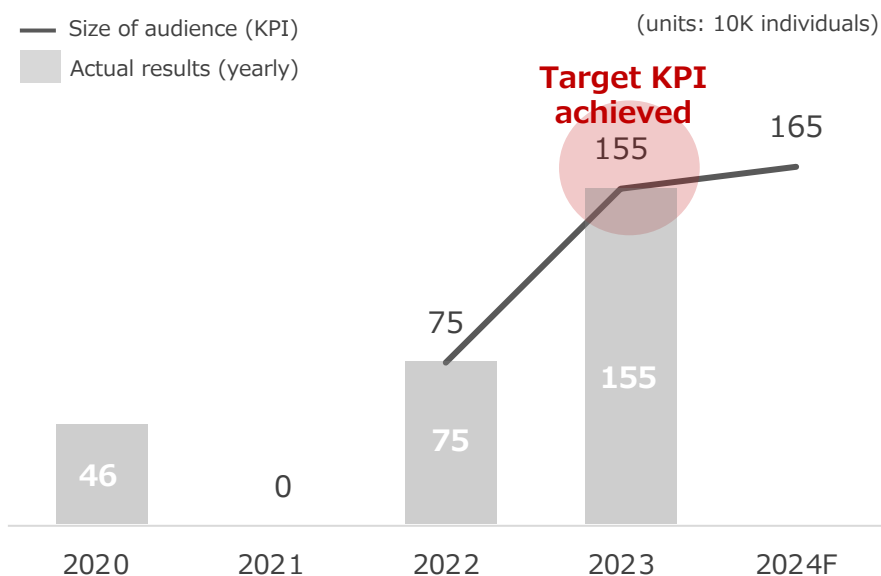
In FY2023, concerts were held all year round as planned and as a result, we attracted a total of approx. 1.55M audience and we achieved our KPI targets. Net sales and profit were slightly below initial forecasts due to reasons such as an increase in concert production expenses and investment in the development of new IP.

## ■ Financial results



- Although concerts were held as planned, **due to an increase in concert production expenses, the sales target for Concert business was not met.** However, **with large-scale concerts, sales of MD went strong.**
- Relatively low-priced events like fan meetings and showcases were held to promote upcoming major performances.
- Net sales fell short of expectations due to the delay of events in the fan club operation for other artists (actors, etc.)
- **Advanced investment in Japan original IP development** has led to costs exceeding the initial budget

## ■ KPIs and actual results (Size of audience)



- SMC held a total of 128 performances, including large-scale concerts, and attracted approximately 1.55M attendance
  - TVXQ! LIVE TOUR 2023 ~CLASSYC~ **300K people**
  - NCT DREAM TOUR 'THE DREAM SHOW2: In A DREAM' **120K people**
  - aespa LIVE TOUR 2023 'SYNK : HYPER LINE' **200K people**
  - NCT STADIUM LIVE 'NCT NATION : To The World' **220K people**, etc.

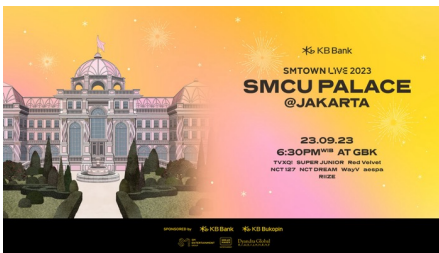


# 2. Highlights for Rights & Media segment

Starting this year, KNTV has strengthened its lineup with premium K-POP content, aiming to attract not only drama fans but also new K-POP fans. Despite the challenges in acquiring rights for new releases due to price increases in Korean dramas, sales of archive content have been strong.

### ■ K-POP content broadcast on KNTV

- **Achieved subscriber acquisition through the enhancement of premium K-POP content**, including live broadcasts of events such as SMTOWN LIVE hosted by the SM Ent. group.
- In 2023, SMC achieved KPI targets by broadcasting 17 titles of premium K-POP content.



SMTOWN LIVE 2023 : SMCU PALACE@JAKARTA with KB Bank



2023 TVXQ! concert [20&2]



NCT 127 3RD TOUR 'NEO CITY : SEOUL - THE UNITY'



Several EOY award ceremonies such as 2023 SBS Entertainment Awards

### ■ Highlights of Rights business

- **Positive factors such as large-lot transaction with a new OTT business operators generated a great deal of unplanned operating profit.**



The World of the Married (original title) ©JTBC studios & Jcontentree corp



Secret Royal Inspector & Joy (original title) © STUDIO DRAGON CORPORATION

- Due to intense competition and soaring prices for acquiring rights to Korean dramas, SMC focused our investments on historical dramas and variety shows produced by the group to target strong domestic fan bases.



Synk Road by aespa ©2022-2023 Wavve, SM Culture & Contents Co., Ltd. All Rights Reserved.

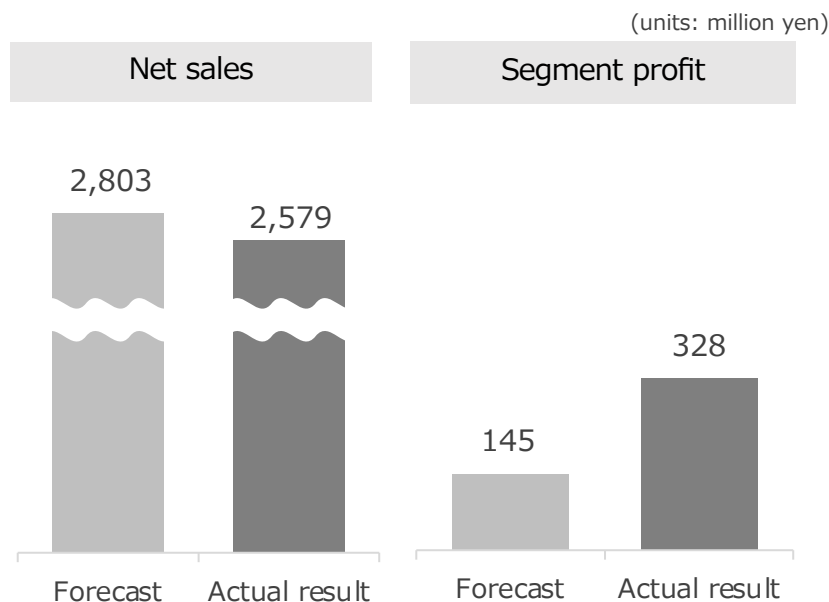


Joseon Attorney: A morality (original title) ©2023 MBC

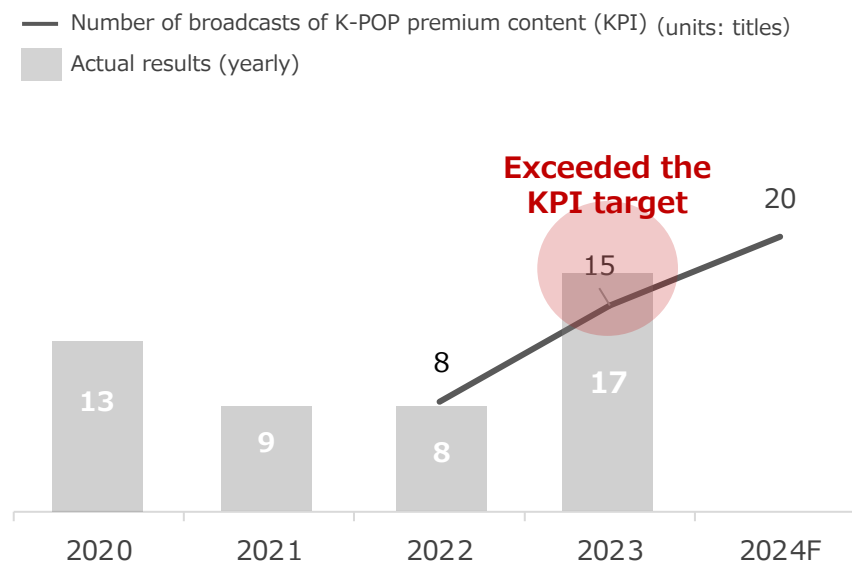
## 2. Results of Rights & Media segment

At KNTV, we aired 17 premium K-POP content titles, resulting in a net increase in subscribers compared to the start of FY2023, but fell short of expectations for the full year. However, in the Rights business, strong sales of archived titles led to profits exceeding the forecast.

### ■ Financial results



### ■ KPIs and actual results for KNTV



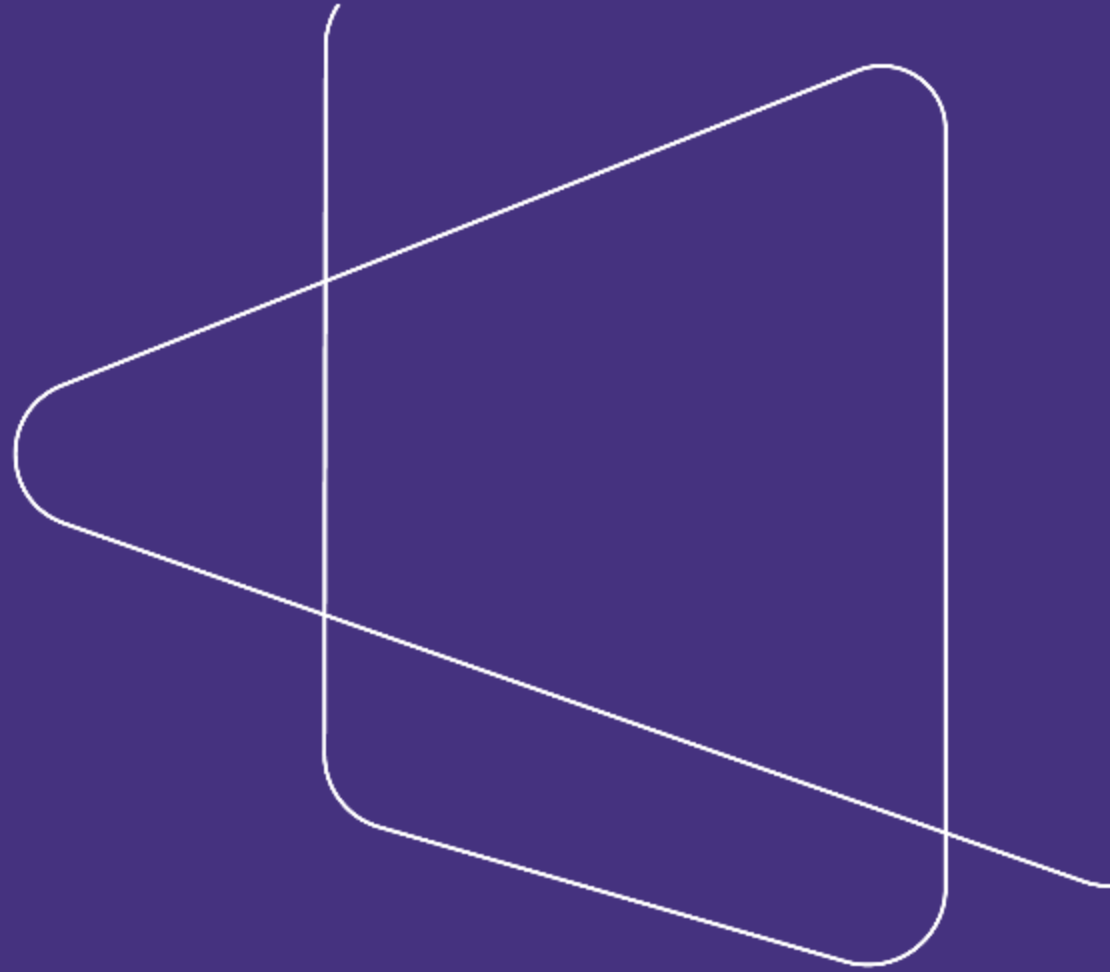
- Despite the shrinking TV broadcast market, in December, KNTV achieved its highest net increase in subscribers since its inception.
- However, due to fluctuating subscription numbers each month due to programming, both net sales and segment profit decreased for the full year.
- In the Rights business, amid challenging conditions for acquiring new releases, **significant profits were generated through large-scale delivery of high-margin archived titles to an OTT platform.**

- **Acquired subscribers through the strengthening of premium K-POP content**, including live broadcasts of events like SMTOWN LIVE organized by the SM Ent. group.
- Concert broadcasting rights are challenging to acquire due to high cost but leveraging group synergy allowed for an efficient scheduling.



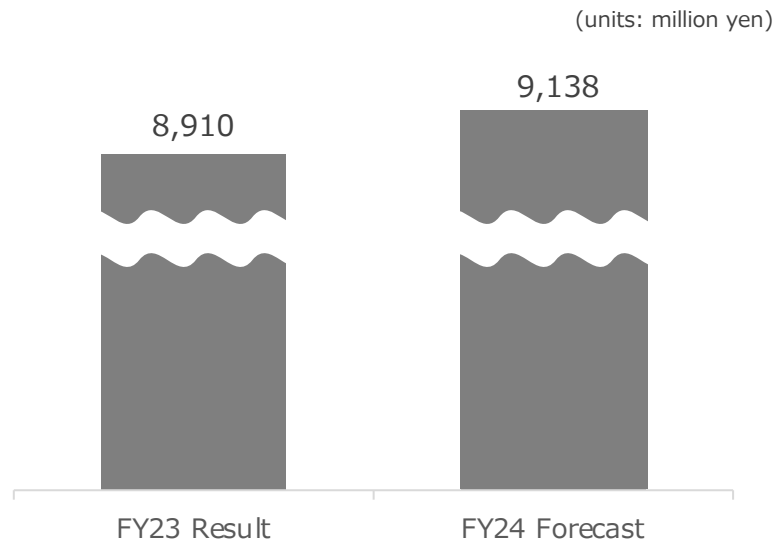
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# FY2024 Outlook

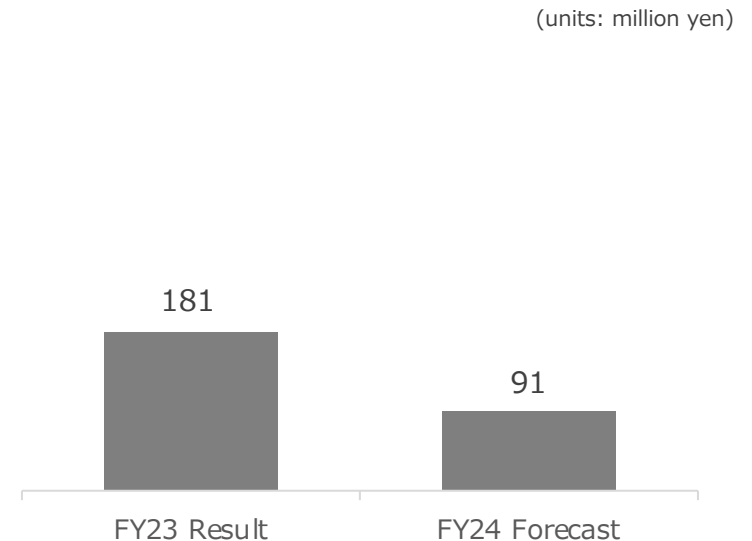


For FY2024, we anticipate a decrease in operating income due to investments in new projects within the Entertainment business, aimed at medium to long-term growth.

## ■ Net sales



## ■ Operating income

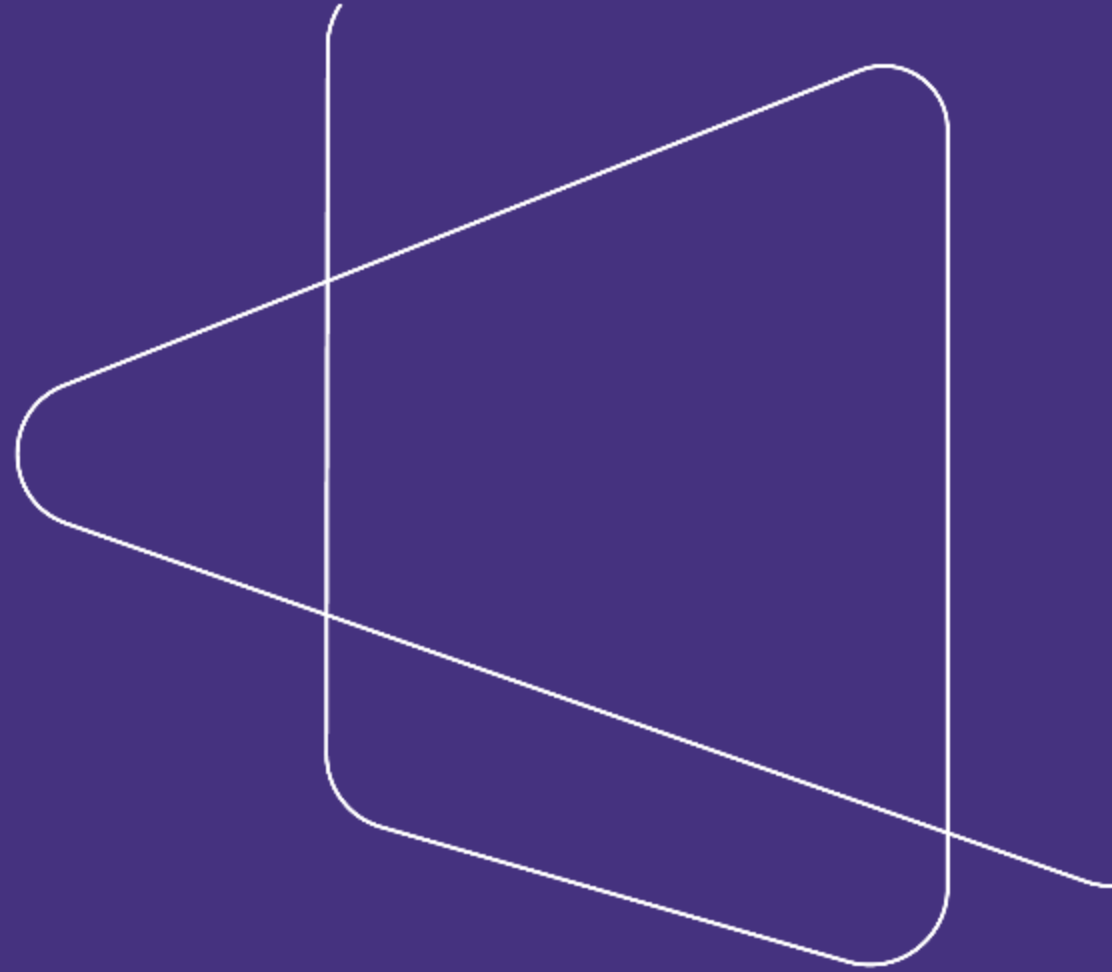


- In the Entertainment segment, we target to attract 1.65M attendees for concerts.
- **Anticipating revenue growth in the Entertainment segment** as fan meetings for other artists that were delayed in FY2023, along with **sales from new projects**, are expected to commence.
- KNTV will further strengthen the lineup of premium K-POP content and air for a net increase in annual subscribers.

- In the Rights business, due to the absence of plans for new OTT entrants or large-scale transactions, forecasts for FY2024 is being conservatively formulated.
- **Investment in the new Entertainment project**, which is to cast, develop, and systemize Japan's original IPs, **is essential**. Therefore, a decrease in segment profits in the Entertainment segment is expected.

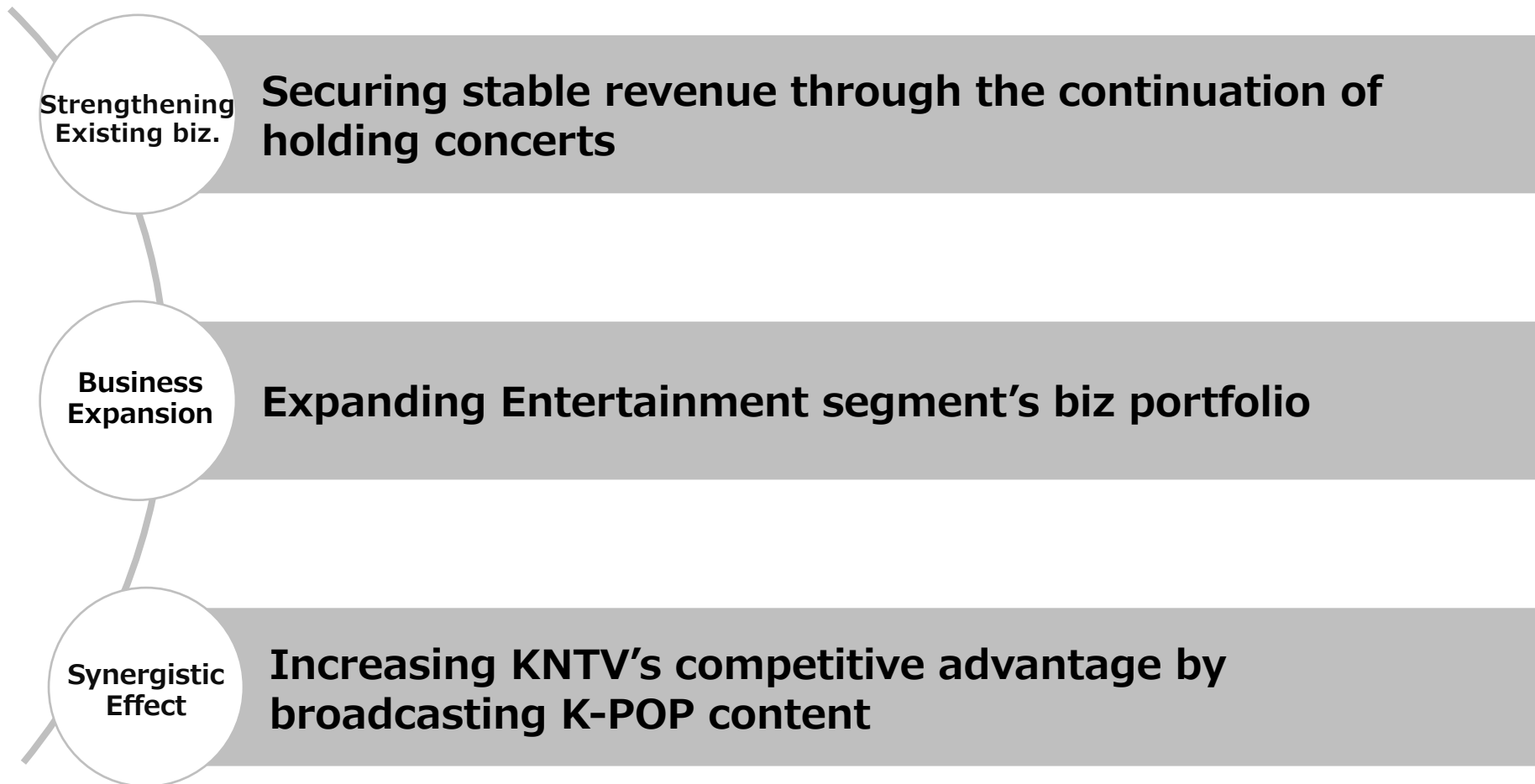


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# Future Direction of our Business

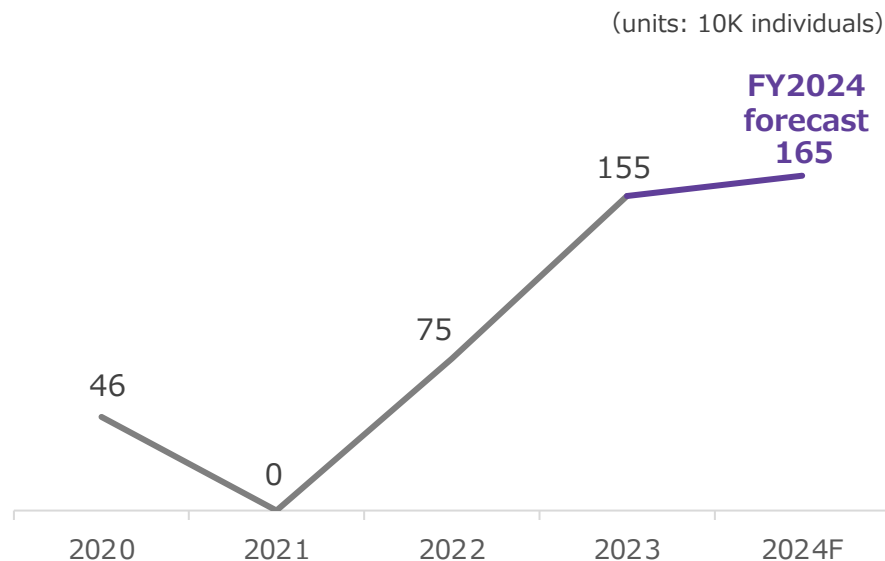
We will continue to solidify our performances in existing operations while investing in future growth initiatives such as the development of new IPs.



# 1. FY2024 forecast for the Concert business

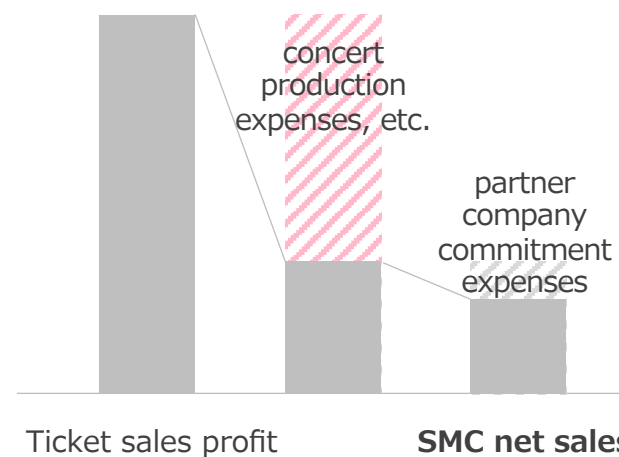
For FY2024, we anticipate attracting 1.65 million attendees and maintaining sales volume to support business expansion into new areas.

## ■ Size of audience KPI



- In FY2023, we achieved a total audience of 1.55 million across all 128 performances. For FY2024, we anticipate exceeding this with an audience size of 1.65 million.
- **Two new artists debut in Japan are scheduled in FY2024 and potential successes of other new IPs are also reflected.**

## ■ Revenue recognition method for Concert business



Note: The graphs are intended to facilitate an understanding of the forecasts and do not exactly show actual percentages

- The ongoing rise in production costs due to labor shortages and inflation continues made an increase in the size of audience to have feeble impact on our performance.
- **In the future, we will improve our revenue structure by developing original Japanese IPs and expanding derivative business such as MD.**

# 1. Entertainment | Major events

We are planning numerous large-scale performances including NCT 127's Tokyo, Nagoya, and Osaka Dome tour, as well as several pop-up stores. Additionally, the official debut of our new artist, NCT WISH, has been announced and their future activities will be focused on Japan.



**NCT127**  
@Tokyo Dome, etc.  
(6 performances from Jan to Mar)



**SUPER JUNIOR**  
@Saitama Super Arena  
(2 performances in Jan)



**NCT WISH**  
Official Debut in February  
Release of 1st SINGLE *WISH*



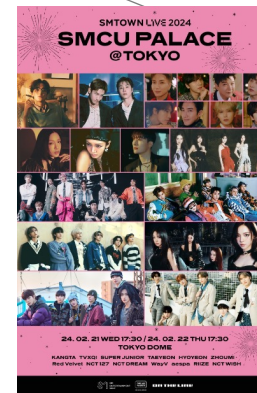
**TAEMIN (SHINee)**  
@Nippon Budokan  
(3 performances in Mar)



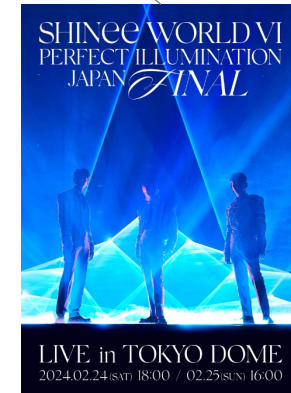
**NCT127**  
Pop-up store *NCT 127 POP-UP STORE*  
@SHIBUYA109 (Jan)



**RIIZE**  
Pop-up store *RIIZE UP@TOKYO*  
@Shibuya (Jan)



**SMTOWN LIVE**  
@Tokyo Dome  
(2 performances in Feb)  
After approx. 1.5 years



**SHINee**  
@Tokyo Dome  
(2 performances in Feb)



## 2. Strengthening Entertainment portfolio

We will strengthen the lineup of SM artists and endeavor to reform our business structure through the development of original Japanese IPs. We will expand our business portfolio utilizing artist IPs and aim to increase revenue sources.

### ■ Expansion of artist IP



NCT WISH, whose debut was confirmed through a survival audition program broadcasted on Nippon TV, Hulu, etc., successfully completed a nationwide pre-debut tour. **NCT WISH is scheduled to release their debut single in February 2024.** Many domestic activities are planned for the upcoming period.



RIIZE has been attracting attention even before their Japan debut with regular appearances on NHK programs, hosting solo pop-up stores at Shibuya Miyashita Park, and becoming the Japanese ambassador for a cosmetics brand. **RIIZE is scheduled to debut in Japan in 2024.**

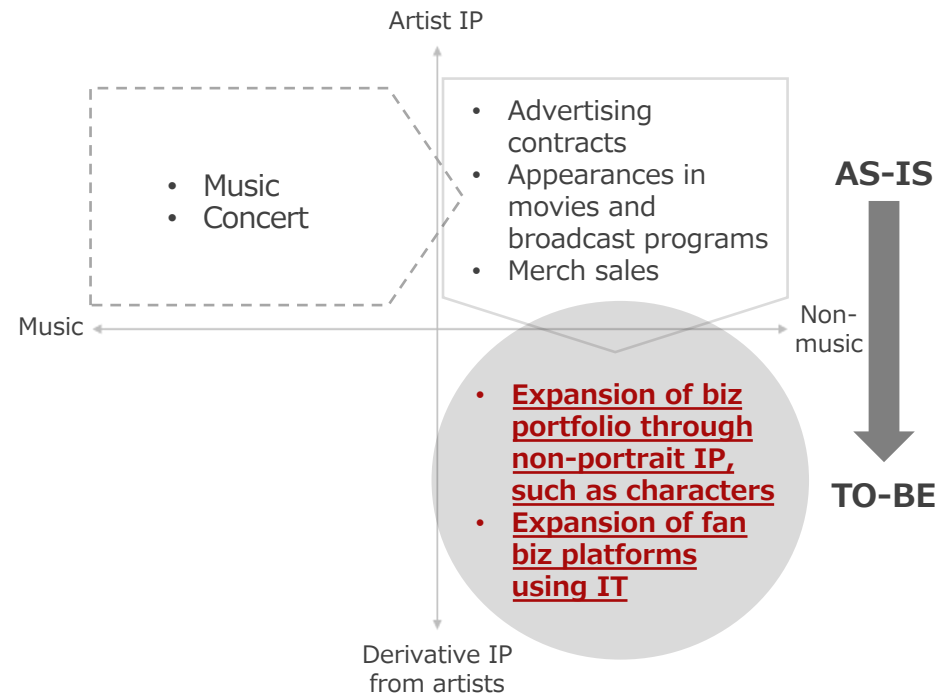


### Casting and developing of Japan's original IPs

- Leveraging our experience and expertise in the domestic management of artists and the partnerships established in these activities to cast and develop our original artists.
  - Building a trainee system through auditions and casting
  - Develop new artists and build a training system
- We aim to reduce our reliance on the Group artists by developing Japanese original IPs
- **Reform the revenue structure by strengthening our independent business model**

### ■ Expansion of business portfolio

In FY2023, we have begun increasing our media exposure through TV appearances such as commercials, dramas, and variety shows, as well as participating in domestic events and festivals. In the upcoming period, we will expand our lineup and further expand the utilization scope of our IPs.



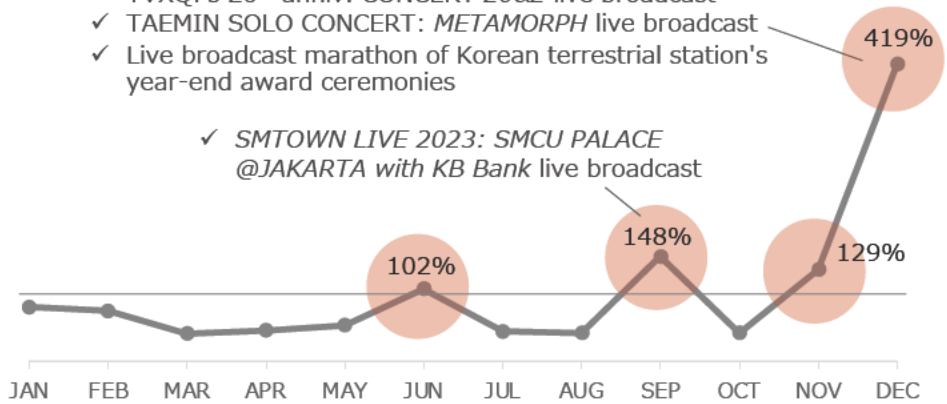
### 3. Increasing KNTV's competitive advantage through K-POP content

At KNTV, we will further strengthen the lineup of premium K-POP content, including concerts organized by the SM Ent. Group. We will continue to focus on attracting new subscribers and preventing cancellations.

#### ■ Strengthening business synergy through enhanced curation of K-POP content

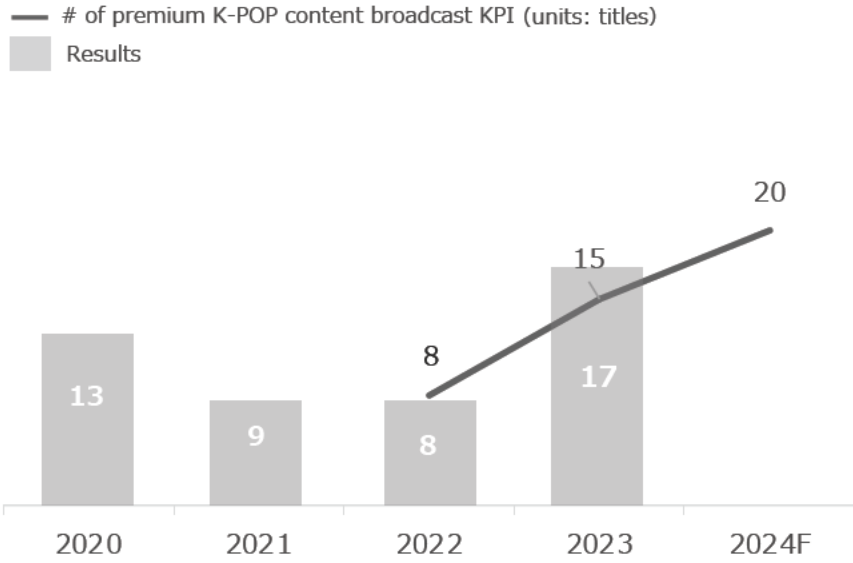
- A total of 17 titles of premium K-POP content were broadcasted in FY2023
- Particularly in December, live broadcasts of year-end music awards ceremonies on Korean terrestrial channels and SM Ent. artists' concerts in Korea resulted in the highest number of new subscribers since the inception, confirming the attractiveness of premium K-POP content in terms of audience acquisition.
- Monthly trend of new subscribers for KNTV in 2023

- ✓ TVXQ!'s 20<sup>th</sup> anniv. CONCERT 20&2 live broadcast
- ✓ TAEMIN SOLO CONCERT: *METAMORPH* live broadcast
- ✓ Live broadcast marathon of Korean terrestrial station's year-end award ceremonies
- ✓ *SMTOWN LIVE 2023: SMCU PALACE @JAKARTA with KB Bank* live broadcast



Note: The percentages are calculated based on the average monthly number of new subscribers in 2023

#### ■ KPI for KNTV's broadcast of premium K-POP content



- We will continue to expand the lineup of killer content to attract new subscribers and prevent cancellations.
- FY2024 Q1's premium K-POP content programme:
  - SHINee KEY 2024 KEYLAND ON : AND ON live broadcast (1/28)
  - SUPER JUNIOR-L.S.S. concert in Korea live broadcast (2/4)
  - SMTOWN LIVE 2024: SMCU PALACE@TOKYO live broadcast (2/22)

## ■ Termination of the Grace Period for Ceasing to be a Substantial Surviving Company due to a Merger, etc.

Due to factors such as the size and profitability of SMEJ at the time of the merger in August 2020, which were larger than our company's, there was a need for a substantive assessment of continued viability from the perspective of impeding healthy corporate restructuring. Therefore, a grace period was entered into concurrently with the merger.

Having met criteria akin to those for a new listing, including ensuring substantive continuity, including independence as a listed company, strengthening governance, and enhancing accounting transparency, approval for delisting was obtained from the Tokyo Stock Exchange on June 15th.

## ■ Establishment of the Corporate Governance Prosecution team

The Corporate Governance Prosecution team was established on August 1 to elevate our high governance level, which is expected of a listed company, even after the conclusion of the grace period review mentioned above.

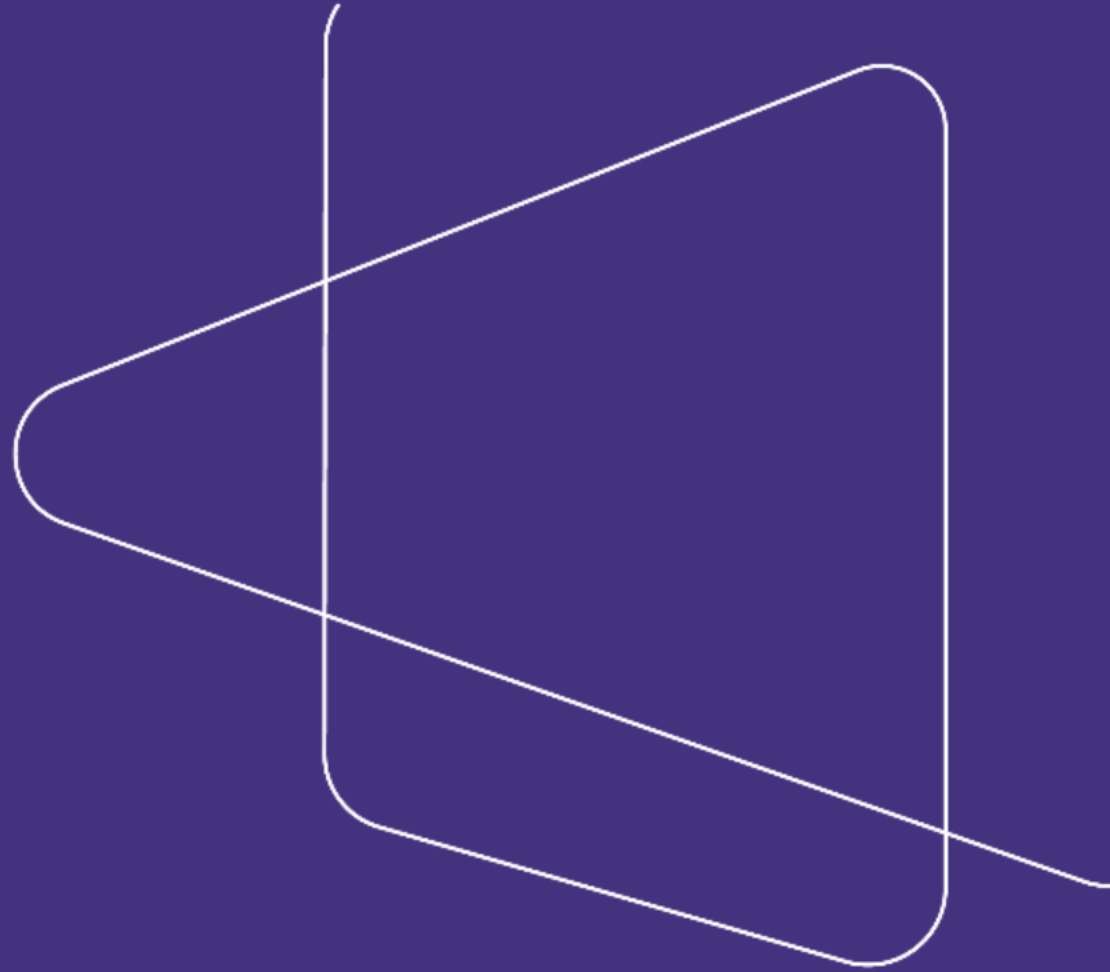
We are now considering transitioning to the Standard or Prime Market, aiming to enhance corporate governance, maximize corporate value, and protect minority shareholders.

## ■ Termination of the 'everyising' service, a karaoke app

The karaoke app 'everyising,' operated by our consolidated subsidiary EVERYSING JAPAN Co., Ltd., was discontinued on November 6<sup>th</sup>, 2023. The service was terminated due to continued losses; thus this action is expected to contribute to an improvement in consolidated performance from FY2024 onwards.



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# Appendix

## ■ Net sales (cumulative, by fiscal year)

(units: million yen)

Segment	2021				2022				2023				YoY comparison
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Entertainment	480	1,076	1,472	2,124	277	1,279	2,972	3,712	2,001	3,405	5,507	6,330	+2,618
Rights & Media	1,048	1,840	2,709	3,498	892	1,810	2,528	3,360	746	1,458	1,992	2,579	-781
<b>Company overall</b>	<b>1,529</b>	<b>2,917</b>	<b>4,183</b>	<b>5,631</b>	<b>1,174</b>	<b>3,094</b>	<b>5,506</b>	<b>7,078</b>	<b>2,747</b>	<b>4,864</b>	<b>7,499</b>	<b>8,910</b>	<b>+1,832</b>

## ■ Operating income (cumulative, by fiscal year)

(units: million yen)

Segment	2021				2022				2023				YoY comparison
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Entertainment	-141	-141	-198	-161	-55	-12	138	73	235	363	596	541	+523
Rights & Media	31	65	115	40	66	146	177	148	115	271	293	328	+180
Company-wide costs	-115	-229	-357	-491	-126	-262	-405	-561	-153	-339	-493	-656	-95
<b>Company overall</b>	<b>-233</b>	<b>-320</b>	<b>-466</b>	<b>-648</b>	<b>-124</b>	<b>-147</b>	<b>-118</b>	<b>-381</b>	<b>188</b>	<b>276</b>	<b>366</b>	<b>181</b>	<b>+484</b>

※Differences between the sum total of all segments and company overall results are included as Others.

[Warning Regarding these Presentation Materials]

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We look forward to your continued patronage and support  
in the future.**