

Dear HYBE shareholders,

Looking back, 2021 was a very meaningful year for all of us. HYBE, having turned a new leaf as a publicly traded company, has passionately and determinedly pushed ahead with its call to shift the existing paradigms of the music industry.

I write this today, my first letter to our shareholders, to step back and reflect with you on where HYBE has been, where we are now, and share details on where HYBE is going in the future.

From HYBE's beginnings to the present day

HYBE didn't find its success all at once or by chance. From its founding in 2005 as Big Hit Entertainment to today, HYBE has always taken the tides of change into consideration to stay one step ahead throughout our 17-year journey.

As we all know, HYBE began as a small artist management company, and while the business may have been small, our ambitions were anything but. **Our goal was to harness the power of focusing on the fans who support us - not on but off the stage - and thereby ensure both our company and our artists can grow and, ultimately, contribute to the growth of the music industry itself.**

BTS debuted to the world in 2013, and while most of the members of the group were in their teens at the time, we were partners in this shared vision. As artists, the members of the group also understood how to express the concerns of their generation frankly and with courage. And the people who would become our fans were the ones who also recognized how much that sincerity is worth. BTS was able to climb to become a 21st-century pop icon thanks to all those stepping stones that ARMY, a fandom like no other in the world, had built up for them.

In 2019, HYBE expanded its business model to **encompass the label, solutions, and platform sectors, announcing it would become the world's greatest entertainment lifestyle platform company.** After this declaration, people began to ask if we were no longer an artist management company. To get right to the answer, **the essence of HYBE is still music, artists, and fans. That is where HYBE started, and that is what HYBE's core will remain.**

With our core focus so clear, HYBE is now expanding without hesitation and without limitations. We are heading headfirst into expanding our labels division to showcase a more diverse group of artists and higher quality music, our solutions division to create a more diverse set of experiences for fans to rightfully enjoy, and our platforms division to ensure seamless and varied communication between fans and artists.

Naturally, there are times when venturing into untrodden territory can be unsettling, but **HYBE believes its purpose and whole reason for being a company is to press on into the future by advancing what is possible and never settle for the present.**

Thanks to these efforts, **HYBE is seeing continuous, significant growth of both sales and operating profits,** and because it is **the right combination of organic and inorganic growth,** that growth is all the more significant. In

in addition to maturing as a company externally, **the company has built a more streamlined corporate structure and had a more fruitful year by separating the responsibilities of the CEO and chair of the board, establishing a decision-making process centered around the board of directors, and through mergers and splits.**

	4Q 2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021
Sales revenue	310,661	178,334	278,610	341,032	457,950
Operating profit	53,984	22,770	28,010	65,577	73,891
Operating profit margin (%)	17.8%	12.8%	10.1%	19.2%	16.1%
Adjusted operating profit	53,570	22,634	29,346	66,983	87,223
Adjusted EBITDA	60,172	29,730	43,672	86,469	105,456
Net income	26,104	17,244	20,259	49,481	53,851

(millions in KRW)

I am so proud of these achievements and, on behalf of the company, I would like to take this letter as an opportunity to thank the many people who made them possible. It is because of the combined efforts of the fans, who are an essential force behind HYBE's growth, the employees, who apply themselves to their work passionately and with a sense of ownership, and the shareholders, who have supported the company and are quick to point out where we need to improve, that all of this was possible.

We plan to make 2022 a year that holds both stability and growth for HYBE based on the lessons we have learned along the way from our successes and failures.

HYBE's plan for 2022

With its multi-label system, our **label** division will spare no effort in supporting each artist's individuality and unique philosophy to help them pursue their dreams. More specifically, this year alone, HYBE has at least **three new groups debuting in multiple continents not only in Korea but also in the U.S. and Japan**, leveraging business capabilities that we have accumulated. This is the sophisticated global pipeline strategy that global top entertainment companies use and in terms of K-Pop industry, HYBE will be the first to implement. We will solidify our prominent position in global music market and **show the world the true value of our production and management capabilities.**

Beyond existing areas like artist-related merchandising and content, our **solutions** division is proceeding to **break into new areas such as original stories, games, and NFTs.** We are also working on **services that embody the true value of HYBE's fan-centric model** and which also parallel the constantly evolving ways that content is consumed and the

rapid changes in technology.

Last, our **platform** division. After a huge amount of time and effort, we plan to launch Weverse 2.0 sometime in the first half of the year. **By integrating Naver's V LIVE service, communication between fans and artists will be livelier,** and we are planning to **add a new dimension to our content and services** to provide a richer, seamless experience for the fans.

Now that I have shared our plan for the year, I would also like to discuss with our shareholders **the essence of HYBE and the direction we plan to take moving forward.**

The origin of HYBE: Labels

Music has an immense influence on our lives. It sparks joy in our everyday life, gives us comfort, moves us, and helps us to discover what we value. That is why fans want music that suits them and artists who speak for them. It is for this reason that **HYBE has built a multi-label system and respects the diversity and independence of each label within.**

BTS, who has risen to become one of the most popular groups in the world, **and many other artists at HYBE, like SEVENTEEN, TOMORROW X TOGETHER, ENHYPEN, fromis_9, and ZICO,** are leading active careers and finding their way into the hearts of fans. HYBE is now also working with **world-class artists such as Justin Bieber, Ariana Grande, and J Balvin** through its acquisition of **Ithaca Holdings** in 2021.

Within each label, talented, industry-leading producers, each with their own philosophies and expertise, like PLEDIS Entertainment's Han Sung Soo, SOURCE MUSIC's So Sung Jin, ADOR's Min Hee Jin, KOZ ENTERTAINMENT's ZICO and **Big Machine Label Group's Scott Borchetta** are creating and polishing new gems and shining a light on the future of the music industry.



We believe it is important that HYBE be a leader of change in the global music industry itself so that the independence of each of its labels and the diversity of their artist lineups can lead to visible achievements in the global market at opportune times.

As such, we are in the process of setting up the necessary organizational infrastructure with HYBE AMERICA and HYBE JAPAN to support the continued success of HYBE artists in the major global markets. To give an idea of some of the achievements HYBE artists made in the Korean, US, and Japanese markets in 2021:

- Artists under HYBE occupied the number one spot on the Billboard Hot 100, the bellwether for the global music market, for 22 out of the 52 weeks of the year
- SEVENTEEN, TOMORROW X TOGETHER, and ENHYPEN's albums continue to perform well in the North American market, having hit 13th, 5th, and 11th place on the Billboard 200 chart, respectively
- Albums by HYBE artists accounted for 26% of total sales on Oricon's combined chart of the top 100 albums of 2021, the most credible indicator of album performance in Japan
- In the Japanese market, BTS topped the annual Oricon album chart—the first time an overseas artist has done so since Michael Jackson did 37 years ago—SEVENTEEN was fifth in Oricon's annual rankings, and TOMORROW X TOGETHER and ENHYPEN both achieved a number one on the weekly Oricon Albums Chart

Moving forward, HYBE plans to continuously improve the diversity and quality of the music with business strategies that take into account the unique characteristics of each major market.

The joy permeating fans' daily life: Solutions

The main source of revenue in the entertainment industry has typically come from artists releasing albums, holding concerts and, in part, selling related merchandise. For this reason, the artists' active participation was essential to the field as a whole.

We at HYBE began to question this approach. That is because we felt an artist's purpose is to make good music and put on enjoyable performances and we thought it more important that their time—a precious limited resource—be focused on that. At the same time, we sought to overcome the inability of the previous inflexible business model to fully meet the diverse multitude of fans' needs dictated by the changes that come with each generation and era.

As solutions to those doubts, HYBE sought to widen the fan bases by making strategic use of social media like YouTube and Twitter to promote the artists and their music and found ways to allow the artists to participate indirectly by expanding into business opportunities centered around artist IP.

HYBE is now ready to take the next step with its solutions division. With the rapid pace of change in technology **once again comes a change in the way fans interact with artists and the music. Interactive communication and the connections it leads to are increasingly important in the metaverse era** and the **originality** of the services and content provided to fans not offline but through digital platforms is becoming more crucial by the day. We are also seeing an ever-increasing trend of people communicating in virtual worlds using NFTs, an application of blockchain technology.

With the new businesses in HYBE's solutions division—the **original story business (OSB) and the game and NFT businesses**—we aim to keep ourselves ahead of the curve and always focused on the fans.

We believe our OSB, centered around HYBE's self-produced story content, will be the root of all sorts of different creations that will take all different forms, beginning with webtoons and web novels. Earlier this year, we successfully published multiple webtoon and web novel series based on artist IP, with a combined total of 70 million views just four weeks after their release. Going forward, we plan to develop the business further by building up multiple storylines through a combination of webtoons, animated movies, and live action films.

We also believe the video game industry will play a key role in the entertainment business as well as the emerging metaverse. With that in mind, over the past three years we've created games in collaboration with third-party companies by granting them access to our artist IP and produced a rhythm game through our acquisition of Superb.

HYBE has now taken things one step further and established a division to create our own games in-house: HYBE IM, short for Interactive Media, has a vision to create content that facilitates two-way communication between artists and fans, as well as among fans themselves. The organization consists of some 80 of the most renowned creators in the industry and gives us the ability to plan, develop, and operate our own games. HYBE is developing their first in-house game with a targeted release date of June this year: a casual mobile game featuring character management that BTS fans and light gamers worldwide will enjoy. **We are working hard to be able to launch this game with which to expand the fan experience yet again.**

Our NFT business, a collaboration with Dunamu, is also going smoothly. **We have now established a joint venture in the US, and an NFT marketplace and products will be launched mid-year.**

Where content was once consumed via LP and, later, cassette tape, CD, streaming, and video, we believe the next extension will be to NFT. Our NFT ecosystem will seek to support and invigorate fan communities by widening the channel through which fans engage with artists while at the same time is expected to safeguard the value of HYBE artists' IP, shielding fans and artists alike from illegal copies of goods.

I am well aware of worries within the market that HYBE's new pursuits come at the cost of neglect toward its core business. **We are investing more of our time and resources into our labels and their creative energy than anywhere else, and we are constantly expanding our business with the music, the artists, and the fans as our main priority. The basis for our company will not change.**

Fans and artists in one place: Platforms

At its core, HYBE is a **music- and artist-centric content company** and has grown continuously thanks to its **fandom business**. The final pillar of our accelerating growth is our platform business, which we have been in since 2019. The purpose of our platform business is to provide a space for artists to communicate with fans via the Weverse platform. Weverse has played an important role in HYBE's steady growth during the pandemic, giving HYBE a chance to keep in constant contact with fans, with achievements like:

- The MAU, or monthly active users, averaged about 6.8 million in the fourth quarter, representing a 45% increase year over year
- The total value of all payments made in 2021 more than doubled from the previous year
- The Weverse community, which launched with three artists in 2019, now plays host to 41 artists in 2022
- There was a total of 4,442 posts from all artists at the end of 2020, increasing to a total of 17,142 at the end of 2021
- The 970,000 posts from fans at the end of 2020 increased to 2.32 million by the end of 2021

2022 will see another massive leap forward for Weverse when the existing service combines with the power of Naver's V LIVE. Weverse 2.0 will go beyond a simple merger of the two platforms, significantly improving the ease of use and launching a variety of additional new services. Our ultimate goal is to create **an advanced, more comprehensive platform in connection with our new businesses** we are investing our resources in.

HYBE's future

The main takeaway for HYBE as we enter the third year of the pandemic is how important it is for our company to provide, without interruption, the experiences and content that fans crave. We realized that it was becoming less effective to ideologically align our company as being either in the content business or the tech business and that every division has to fully internalize their capacity to use technology.

Fortunately, HYBE was able to foresee the importance of providing the fan experience through online platforms and was steadily preparing for this scenario even before the pandemic began. Even once it started, we navigated the market globally and with unprecedented agility. This is what allowed us to make sure our artists were able to keep up with their promotions and communicate with fans and ensured continuous growth for the company.

HYBE's mission statement is, "We believe in music." That means our company believes in the infinite power and possibilities of music. If we settled for defining music only in the narrowest sense of the word and allowed our mindset to stay stuck in the way the music industry was originally set up to work, we wouldn't be the HYBE we are today.

This year marks the reopening of HYBE in earnest. We have set out to prove in no uncertain terms how we are expanding upon the fan experience found in our game, story, and NFT businesses as we continue to advance the Weverse platform. As a powerhouse for unique music and artist IP, we will also widen the gap between us and the competition in the Korean, US, and Japanese markets.

Finally, we resolve to further strengthen and diversify the expertise of the board so that the shareholders' opinions and interests are properly reflected in the company's decision-making process. We expect our soon-to-be newly appointed non-executive directors—a female environmental expert and an academic expert in robot technology—to act as catalysts to that end. We ask our shareholders for their support in this matter as well.

Moreover, we will strive to **establish and manage policies like those for both mid- to long-term shareholder returns**

and various ESG initiatives that allow us to give back to society and become a sustainable company.

We still have plenty to learn, and plenty challenges ahead of us. But we will move forward one step at a time with the belief in the power of music. Thank you again to the shareholders who have supported us in everything we have achieved so far, and I hope you continue to come along with us into the future.

March 15, 2022

Jiwon, Park
Chief Executive Officer
HYBE Co., Ltd.