

INVESTMENT
OPPORTUNITIES
IN KOREA

Cultural Content



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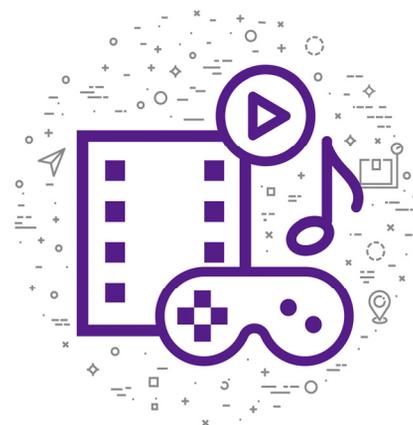
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* Figures on the report show the likely adjustment of average yearly currency rates from Korean Won (KRW) to the US dollar (USD). A rate adjustment is adopted particularly reflecting the recent average market variations to eliminate the valuation effects arising from movements in exchange rates in case when the data expressed shows an annual growth rate on the paper.

* Rate adjusted figures are rounded off, but the sum is correct down or up to the decimal when the rounded values are not equal to the adjustment.



1 Industry Trends

Definition and Classification

- The cultural content industry refers to the industry related to the production, distribution, and consumption of cultural products that create economic value based on human emotions, creativity, and imagination.
 - According to relevant Korean laws, the cultural content industry is defined as the industry that provides services related to the planning, development, manufacturing, production, distribution, and consumption of cultural commodities.
 - Cultural commodities refer to tangible or intangible goods and services, or combinations of such goods and services, that create economic added value and cultural factors including artistic value, creativity, amusement, leisure, and popularity.
 - The cultural content industry is also referred to as the cultural industry, content industry, creative industry, and media and entertainment industry.
- The cultural content industry mainly includes publishing, music, games, broadcasting, films, cartoons, animation, characters, advertising, knowledge information, and content solutions.
 - The definition and scope of the industry have constantly been evolving according to the changing media environment and have a wide scope as it combines various elements of culture, commodities, and industry.

1.1 Market Trends in Korea

- According to the Three Major Innovative Strategies for Content Industry jointly announced by the Ministry of Culture, Sports and Tourism and the Ministry of Science and ICT in September 2019, the cultural content industry of Korea posted USD 108.2 billion in sales and USD 9.55 billion in exports and created 654,000 jobs in 2018. The industry sales annually increased by 5.8% on average for five years from 2014 to 2018, with exports growing by 16% and employment rising by 1.5% during the same period.
- Publishing added the largest amount to the total sales of the industry in 2017, accounting for 18%, while exports were led by games, which made up 67% of the total export amount.
 - The music industry has the largest number of companies involved, representing 34% of all companies operating in the industry, followed by publishing with 24%, games with 12%, and knowledge information with 8%.

Market Trends of Cultural Content Industry in Korea

Category	No. of business entities	No. of employees	Sales (USD million)	Value added (USD million)	Value added ratio(%)	Exports (USD 1,000)	Imports (USD 1,000)	Trade balance (USD 1,000)
Publishing	25,829	184,794	18,354	7,790	42.4	220,951	264,110	-43,159
Cartoons	7,172	10,397	957	383	40	35,262	6,570	28,692
Music	36,066	77,005	5,133	1,807	35.2	512,580	13,831	498,749
Games	12,937	81,932	11,622	5,125	44.1	5,922,998	262,911	5,660,087
Films	1,409	29,546	4,859	1,541	31.7	40,726	43,162	-2,436
Animation	492	5,161	588	197	33.5	144,870	7,604	137,266
Broadcasting	1,054	45,337	15,956	5,924	37.1	362,403	110,196	252,207
Advertising	7,234	65,159	14,514	4,511	31.1	93,230	322,178	-228,948
Characters	2,261	34,778	10,543	4,138	39.3	663,853	172,489	491,365
Knowledge information	9,149	82,470	13,301	5,970	44.9	616,061	736	615,325
Content solutions	1,872	28,268	4,290	1,725	40.2	201,508	569	200,939
Total	105,475	644,847	100,117	39,111	39.1	8,814,441	1,204,355	7,610,086

Sources: Korea Creative Content Agency (KOCCA) 2019, 2018 Content Industry Statistics (2017 figures)

- Sales of the knowledge information industry increased the fastest over the past five years, followed by music, games, characters, and films.

Sales Growth in the Cultural Content Industry (2014–2018)

(Unit: USD million)

Category	2014	2015	2016	2017	2018 ^e	CAGR
Publishing	18,710	18,640	18,873	18,863	19,130	0.6%
Cartoons	777	836	887	984	1,052	7.9%
Music	4,187	4,522	4,824	5,275	5,901	9.0%
Games	9,062	9,745	9,901	11,944	12,663	8.9%
Films	4,149	4,646	4,777	4,994	5,080	5.3%
Animation	509	555	615	605	593	4.1%
Broadcasting	14,337	14,962	15,751	16,399	17,428	5.0%
Advertising	12,485	13,124	14,355	14,917	15,649	5.8%
Characters	8,227	9,162	10,057	10,836	11,166	8.0%
Knowledge information	10,310	11,217	12,235	13,670	14,999	9.8%
Content solutions	3,540	3,919	4,166	4,409	4,591	6.7%
Total	86,293	91,328	96,441	102,896	108,252	5.8%

Sources: KOCCA (2019), 2018 Content Industry Statistics / Second Half of 2018 and Annual Content Industry Trend Analysis

- The game industry recorded the highest average annual growth rate of 24.7% in exports over the past five years, exceeding the entire cultural content industry's 17.1% growth rate.

Exports of the Cultural Content Industry (2014–2018)

(Unit: USD 1,000)

Category	2014	2015	2016	2017	2018 ^e	CAGR
Publishing	247,268	222,736	187,388	220,951	248,991	1.2%
Cartoons	25,562	29,354	32,482	35,262	40,345	12.1%
Music	335,650	381,023	442,566	512,580	564,173	13.9%
Games	2,973,834	3,214,627	3,277,346	5,922,998	6,391,612	24.7%
Films	26,380	29,374	43,894	40,726	41,607	13.9%
Animation	115,652	126,570	135,622	144,870	173,077	10.7%
Broadcasting	336,019	320,434	411,212	362,403	399,783	5.5%
Advertising	76,407	94,508	109,804	93,230	98,923	7.7%
Characters	489,234	551,456	612,842	663,853	733,341	10.7%
Knowledge information	479,653	515,703	566,412	616,061	644,097	7.7%
Content solutions	167,860	175,583	188,495	201,508	214,831	6.4%
Total	5,273,519	5,661,368	6,008,063	8,814,441	9,550,780	17.1%

Sources: KOCCA (2019), 2018 Content Industry Statistics / Second Half of 2018 and Annual Content Industry Trend Analysis

- The publishing industry hired the largest number of workers, accounting for 28% of all employees working in the entire cultural content industry as of 2017. The advertising segment experienced the steepest growth in the number of employees in the past five years.

Number of Employees in the Cultural Content Industry (2014–2018)

(unit: persons)

Category	2014	2015	2016	2017	2018 ^e	CAGR
Publishing	191,033	190,277	185,001	184,794	184,027	-0.9%
Cartoon	10,066	10,003	10,127	10,397	10,399	0.8%
Music	77,637	77,490	78,393	77,005	78,560	0.3%
Games	87,281	80,388	73,993	81,932	84,880	-0.4%
Films	29,646	30,100	28,974	29,546	29,268	-0.3%
Animation	4,505	4,728	5,142	5,161	5,172	3.6%
Broadcasting	41,397	42,378	43,662	45,337	46,986	3.2%
Advertising	46,918	52,971	65,118	65,159	65,833	9.2%

Category	2014	2015	2016	2017	2018 ^e	CAGR
Characters	29,039	30,128	33,323	34,778	35,375	5.1%
Knowledge information	75,142	77,809	80,396	82,470	84,788	3.1%
Content solutions	23,795	25,656	27,374	28,268	28,327	4.5%
Total	616,459	621,928	631,503	644,847	653,615	1.5%

Sources: KOCCA (2019), 2018 Content Industry Statistics / Second Half of 2018 and Annual Content Industry Trend Analysis

1.2 Industrial Competitiveness

▶ Strengths of the cultural content industry

- The cultural content industry, a key industry in the era of the Fourth Industrial Revolution that focuses on interactions between humans and technology, is in sync with the recent consumption trend of valuing experiences and sharing.
 - As of recent, consumers are going beyond just purchasing products, and are now choosing to buy products with stories and meaningful experiences associated with them.
 - In the cultural content industry, stories and experiences constitute both input and output at the same time, and these resources quickly reach the public through social media.
- Window effect and linkage effect
 - Cultural content can evolve into various cultural products and create new values and revenues, instead of being confined to a particular genre, thereby producing a “one-source, multi-use” (OSMU) effect in Korea.
 - This industry has widespread economic ripple effects on other industries, including manufacturing and tourism, as well as sociocultural effects such as raising the country’s reputation in the international community.
 - Recently, the industry has given rise to intellectual property-based business models using formats and trademark rights, instead of depending on cultural products that are based mainly on copyrights for revenue.
- Reduced market uncertainty and cultural discount
 - Traditionally, the cultural content industry has been viewed as a high-risk high-return industry where it is difficult to predict market demand and success. However, market uncertainty is decreasing as demand prediction is becoming more sophisticated with big data analysis and the use of other tools.

- Generally, cultural products tend to lose some or much of their value or utility when they are sold in other cultures because of language barriers and differences in customs and historical backgrounds. However, factors of cultural discount are weakening thanks to the emergence of global platforms, including YouTube and Netflix, and the impact of long-tail demand.

► The industry’s profile and growth potential in Korea and overseas

- Korea has the seventh largest cultural content market in the world, with an estimated USD 61 billion in 2018.

Size of Cultural Content Markets

(Unit: USD billion)

Ranking	Country	2017	2018	2019	2020	2021	2022	CAGR
1	US	817	852	886	918	946	973	3.6%
2	China	246	272	294	314	333	351	7.4%
3	Japan	182	186	191	195	200	204	2.4%
4	Germany	103	106	108	111	113	115	2.1%
5	UK	97	101	105	108	111	114	3.3%
6	France	72	74	76	77	79	81	2.2%
7	Korea	57	61	64	68	72	76	5.8%
8	Canada	54	57	59	61	63	65	3.7%
9	Brazil	45	48	51	54	56	59	5.5%
10	Italy	40	42	44	46	48	49	4.1%

Sources: KOCCA (2019), An Analysis of 2018 Global Content Markets

- The global status of Korea’s cultural content industry is mirrored by the influence and value of “*Hallyu*,” or the so-called “Korean Wave.”
 - The power of the music industry, globally known as K-pop, culminated in the rise of Korean global superstars such as BTS.
 - * In 2018 and the first half of 2019, three of the BTS’s albums, including *Love Yourself: Tear*, *Love Yourself: Answer*, and *Map of the Soul: Persona*, reached the top of Billboard Hot 200.
 - ** BTS also made an appearance on the CBS talk show, *The Late Show*, in May 2019 and performed at the Ed Sullivan Theater, where the Beatles made their US debut.



Sources: BTS on *The Late Show with Stephen Colbert* (CBS Twitter)

- Korean films have maintained a market share of over 50% in Korea since 2010 and are also gaining popularity in overseas markets as they have been consistently recognized at major international film festivals.
 - * Director Bong Joon-ho's *Parasite* won the Palme d'Or at the 2019 Cannes Film Festival.
- The broadcasting industry, the trailblazer of Hallyu, has been exporting Korean TV shows, known as K-dramas, in East Asia. K-dramas have been popular not only in Asia but also in other parts of the world for more than 20 years.
- The game industry of Korea, known as the mecca of massively multiplayer online role-playing games (MMORPGs), has been leading the global game market by launching globally popular games such as the *Kingdom of the Winds and Lineage*. The reputation of the Korean game industry has been further raised in the international market with the release of *Battlegrounds* in 2018.
- In the animation and characters industry, *Baby Shark* by Pinkfong garnered 10 billion views on YouTube, and *Miniforce X* of SAMG Animation reached 100 million paid video-on-demand (VOD) views in just two months after it was released in China in 2018. In 2019, *Miniforce X* aired on CCTV-14 Child became the most-watched show among other shows broadcast at the same time.

▶ A bridge that connects to China's cultural content market

- The rise and growing demand of the Chinese cultural content industry
 - China, the world's second-largest cultural content market after the US, is forecast to grow at a pace of around 7% in 2020 and beyond.
 - The growth of the Chinese economy will likely lead to rising demand for cultural content, thereby resulting in the market's expansion.
- Popularity of Korean cultural content in the Chinese market
 - The Chinese market turns to the Korean cultural content market to secure

high-quality content in a short period of time, thereby creating structural factors that increase demand.

- Over the past years, Chinese companies have been either buying Korean content or formats or directly investing in Korean companies to acquire popular cultural content.
- Korea, the gateway to the Chinese market
 - The Chinese government's regulations make it difficult for foreign companies to establish a business or directly invest in the Chinese market.
 - Investment in Korea can serve as a bridge to the Chinese market as long as the Chinese cultural content market continues to grow and the demand for Korean cultural content remains steady.

1.3 Promising Fields in Korea

▶ Content IP-based industries

- Recently, the cultural content industry has been diversifying its portfolio by utilizing story-based intellectual property (IP).
 - The industry is transcending the boundaries of individual industries, such as broadcasting and film industries, amid changing consumption patterns and digitization fueled by media convergence and integration.
 - NCSOFT, a South Korean game developer, invested not only in Jaedam Media and Lezhin Comics, which are web-toon planning and distribution companies, but also in MerryChristmas Inc., a film distribution company.
 - Recently, the cultural content industry has been witnessing the formation of a convergence business ecosystem that develops source stories; creates content based on stories from cartoons, broadcasting, films, and games; and distributes them through various platforms.
- Popular content IP is utilized in the service sector and the traditional manufacturing sector, including food, fashion, and tourism.
 - *Pororo*, *Robocar Poli*, and other popular cartoon characters are creating more added value by launching drinks, toys, clothing brands, etc., or by working with theme parks and kids' cafes through a transfer of IP rights.
 - Companies have launched products featuring K-pop stars such as EXO Jjajang Ramen, TVXQ Chocolate, and SHINee Soda.
 - The widespread use of content IP, including broadcast, games, and music, has led to the emergence of fan club items, which are also known as "goods," in Korea.

▶ Cultural technology (CT) service industry

- The Development of computer graphics (CG) and visual effects (VFX), the technological backbone of cultural content
 - In the past, exports of film and other motion picture industry outputs were mostly finished products, but today, technological services account for an increasing portion of the exports.
 - Korea has globally competitive cultural technologies, including CG and VFX, and the growth potential of related industries is increasing as more CG-based film and video content are produced both in Korea and in other places.
 - Demand for special effects will also likely increase as the 52 hour-workweek system is in place in Korea and there are more accident prevention efforts in filming sets.

Exports of the Korean Film Industry

(Unit: USD)

	2013	2014	2015	2016	2017
Exports	59,459,856	63,084,427	55,500,500	101,090,140	118,788,879
- Finished works	37,071,445	26,380,475	29,374,098	43,893,537	40,726,157
- Services	22,388,411	36,703,952	26,126,402	57,196,603	78,062,722

Sources: Korean Film Council (KOFIC) 2018, The Annual Report of the Korean Film Industry

- Emergence of strong CG/VFX companies and rising investments from Korea and abroad
 - Korean companies equipped with robust technology have emerged, including Dexter Studios, the special effects producer for the Korean movie *Along with the Gods*.
 - The film distributor Next Entertainment World Co., Ltd (NEW) launched “eNgine,” a subsidiary specializing in Visual Effect (VFX) industry, thereby adding momentum to numerous investments from Korean companies flowing into the industry.
 - Investments also came in from foreign CG/VFX companies such as ScanLine VFX, the special effects provider for *Avengers*, which established a Korean branch.

▶ Story industries

- Story industries that plan and create stories, which are the underlying asset for cultural content, take on an increasingly important role.
 - There is a growing demand for high-quality stories that can be combined with content IP and cultural technology to create added value.

- Investments enable story industries, including cartoons (web-toons) and web novels, to go global.
 - Web-toons and web novels are popular sources of stories for films, dramas, and games. Recently, Korean web-toon and web novel copyrights are actively traded in China and other overseas markets.
 - * Growing business in the ASEAN market (entry into LINE Webtoon and other platforms, and exportation of works)
 - * Performance in the US market (Lehjin Comics surpassed USD 9 million sales in 2018)

▶ Multi-channel network (MCN) and creator-related industries

- Amid the transformation of the media industry landscape, one-person media on YouTube and other platforms are gaining popularity.
 - The young generation is taking advantage of MCN to create and distribute new content, thereby creating a new market for the content apart from the conventional markets, including TV and cable channels.
 - DIA TV is an online creators' network set up by CJ E&M for video producing, copyright management, and providing studios.
- Expansion and globalization of the entertainment industry
 - The industry is quickly expanding as kids' YouTube channels, such as Boram Tube, and popular channels created by adults, including Grand Library and YangDing, gain millions of subscribers.
 - Global platforms, including YouTube, are expected to serve as an important tool in speeding up the globalization of Korean culture and related industries.

2 Foreign Direct Investment Trends

2.1 Foreign Direct Investment Status

▶ Foreign direct investment in the culture and entertainment industry

- Each year, approximately USD 200 million of foreign direct investment (FDI) in over 50 cases flow in the cultural content industry, which is classified as FDI in the culture and entertainment industry within the service sector.
- FDI is mainly comprised of large corporations such as publishing, films, broadcasting, games, and entertainment.
 - In the cultural content industry, most companies are small, and productions are finished in Korea. For this reason, FDI figures for the industry are often smaller than the FDI amounts based on standards for FDI in the manufacturing sector.

- FDI has been steadily brought in through purchases of stocks in some film and broadcasting companies.

Breakdown of FDI in the Culture and Entertainment Industry

(Unit: Case(s), USD 1,000)

Year	2017				2018			
	First Half		Second Half		First Half		Second Half	
Category	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Culture and entertainment	30	131,610	25	107,898	18	100,570	31	117,780
Culture and broadcasting	12	3,868	11	34,590	16	60,473	21	87,463
Publication of books, magazines, and other publications	3	535	2	3,240	3	3,194	4	25,405
Production and distribution of motion pictures, videos, and broadcasting programs	7	2,453	9	31,350	8	51,839	10	55,899
Audio publishing and original master recording	1	230	0	0	4	3,815	7	6,159
TV broadcasting	1	650	0	0	1	1,625	0	0
Leisure, sports, and entertainment	18	127,742	14	73,308	2	40,097	10	30,317

Sources: Ministry of Trade, Industry and Energy (MOTIE) 2018; FDI Statistics, KOCCA (2019); Second Half of 2018 and Annual Content Industry Trend Analysis

2.2 Major Success Cases of Major Foreign-Invested Companies

▶ Netflix

- Decisive factors for investment
 - Netflix, the No. 1 video content distributor in the US, invests directly in the production of marketable content instead of collecting available content to ensure high-quality over its competitors.
 - Although Korea's well-developed online platforms make it relatively easy for Netflix to enter the Korean market, the Korean market for paid video services is still in its infancy and is dominated by local platforms. As a result, Netflix faced barriers in providing its content.
 - To penetrate the Korean market, Netflix decided to invest directly in the Korean cultural content market so that it could get involved as early as the content production stage, with an objective to acquire the exclusive right to distribute the content as a "Netflix Original."
- Advantages of direct investment in Korea
 - Since Netflix's arrival in early 2016, it has been becoming more accessible and influential.

- The company takes full advantage of Korea's relatively lower production cost to produce high-quality content, thereby enriching its content portfolio and paving the way to expand its business not only in the Korean market but also globally.
- With a huge potential consumer base created by Hallyu, Korea can act as a test bed where companies can assess their chance of success in other East Asian markets. In addition, Korea can be a bridge to the Chinese market, which is not easily accessible to some foreign companies for various reasons.
- Netflix's investments
 - Since Netflix was launched in Korea, it has invested approximately USD 130 million in content production up until the first half of 2019.
 - The company financed the entire production cost of USD 50 million for *Okja*, a 2017 action-adventure movie.
 - The company invested in the production of the 2018 web TV program *Busted*.
 - The company produced 2019 TV shows, including *Kingdom and Love Alarm*.

▶ Huayi Brothers

- Decisive factors for investment
 - Chinese media group Huayi Brothers invested USD 20 million and USD 38 million in Sim Entertainment and HB Entertainment, respectively, in 2016.
 - For the investment, the group acquired a 30% stake in Sim Entertainment and became the largest shareholder, which changed the company name to "Huayi Brothers Korea."
 - In 2016, the demand for cultural content was growing rapidly in China, and Chinese media companies began actively investing in major Korean content producers instead of importing Korean content to meet the fast-rising demand in China.
 - Chinese content companies needed to secure a stable supply of high-quality content through takeovers of Korean content companies or acquisitions of stakes in these companies, as well as acquire knowledge about production.
- Advantages of investing in Korea
 - Investors can secure a stable supply of high-quality content at a relatively low cost.
 - Investors can increase their influence in the Korean market by distributing Chinese content if necessary.
- Huayi Brothers' investments
 - The company invested approximately USD 8 million in the Korean film producer MerryChristmas Inc. to purchase a 75% stake and turned the Korean company into its subsidiary in 2018.

- In 2019, the company purchased stocks in E-Land World in a strategic equity investment, financed marketing campaigns involving actors and actresses that have a contract with the company, and took part in media commerce activities.

3 Policy and Locations

3.1 Key Policies and Incentives

▶ The Korean government's presentation of three major innovative strategies for the promotion of the content industry (September 2019)

- Vision: To strategically innovate the country with the power of content and culture
- 2022 policy objectives for the cultural content industry
 - Sales: (2019) USD 114.06 billion → (2022) USD 139.78 billion (22.5% ↑)
 - Exports: (2019) USD 10.36 billion → (2022) USD 13.42 billion (29.5% ↑)
 - Jobs: (2019) 662,000 → (2022) 700,000 (5.7% ↑)
 - Immersive content* sales: (2019) USD 2.54 billion → (2022) USD 10.45 billion
 - * Immersive content includes augmented reality (AR), virtual reality (VR), mixed reality (MR), full ultra-high definition (Full UHD), hologram, media façades, projection mapping, etc.
 - Exports of Hallyu-related consumer goods: (2019) USD 3.65 billion → (2022) USD 5.0 billion
 - Number of companies with USD 9 million sales or more: (2019) 1,700 → (2022) 2,000
- 3 Action plans and 10 major tasks

1 To support the growth of innovative companies with increased policy loans

- ① "Content Venture Fund" creation
 - The government plans to raise, within the culture account of the fund of funds, USD 4.08 million over the next three years until 2022. The fund aims to offer support mainly to marginalized genres in the planning and development phase.
- ② Expansion of loan guarantees for content companies
 - The government will increase loan guarantees customized exclusively for content companies and expand general loan guarantees for companies operating in the content industry in phases. In total, USD 6.72 million in loan guarantees will be offered.

2 To secure future growth engines by developing leading immersive content

- ③ Immersive content innovation project targeting public services, industry, and science and technology
 - (Public services) Create college educational content using holograms, and VR and develop VR-based medical surgery simulation programs.

- (Industry and science and technology) Provide AR manual updates, and develop AR microscopes, etc.
 - ④ Experience-based cultural tourism content development and experience program space setups
 - Create spaces for immersive cultural experiences at major cultural tourism attractions, and set up immersive content experience halls at national and public museums, and national art galleries.
 - ⑤ Support for market-led production of killer content
 - Develop 5G content focusing on three key areas, including immersive media, immersive communication, and immersive life, and integrate immersive technology into Hallyu-leading industries, including games, music, and dramas.
 - ⑥ Strengthened foundation for industrial growth by supporting individual corporations and HR development
 - Develop core technologies for AR devices, including ultra-lightweight devices and wide-angle lenses, and establish overseas strategic strongholds for immersive content.
- ③ Lead the growth of related industries with new Hallyu**
- ⑦ Support for promising content companies and key factors affecting exports
 - Create a content export hub and a package support program to promote exports, and conduct in-depth surveys on local companies and regulations in emerging markets.
 - ⑧ Increased support for Hallyu-based marketing campaigns of related industries (including consumer goods and tourism)
 - Launch Mokoji Korea to introduce the Korean lifestyle and products overseas, and organize more flagship Hallyu events such as KCON.
 - ⑨ Improvement of Hallyu industry infrastructure (including stronger protection of intellectual property and promotion of a fair business environment)
 - Implement strict crackdowns on overseas websites violating copyrights, and strengthen the protection of K-brands.
 - ⑩ Cultural foundation expansion for sustainable Hallyu
 - Encourage more elementary schools and high schools in other countries to teach the Korean language as part of their school curriculums, expand the department of Korean language in other countries' colleges, send more Korean instructors overseas, and launch the Korean Culture Academy to be handled by overseas Korean Cultural Centers.

▶ Major financial support programs of the Korean government

● Fund of funds

- The government will invest in cultural content production funds, which will be managed by Korea Venture Investment Corp., thereby reducing risks through indirect investment and ensuring the independence of Korea Venture Investment Corp. in investment decisions.
- Culture and motion picture accounts can set up feeder funds that will invest exclusively in the content industry.
- The government formed 85 investment cooperatives (funds) in which it invested a total of USD 5.53 million from 2006 to 2018.
- The cooperatives have raised USD 1,917.93 million, which was invested in films, performing arts, games, music, animation, characters, and dramas.

- The Ministry of Culture, Sports and Tourism (MCST) invested USD 1.2 million in 2018 to set up seven feeder funds worth USD 2.2 million in total, including the game fund, animation and characters fund, job creation fund, overseas market expansion fund, valuation-linked fund, corporation promotion fund, and the Korea-Asia fund (ASEAN-ROK Cooperation Fund).
- Completion guarantee program
 - Under the program, a completion guarantor company guarantees to financial institutions that the content will be completed and delivered to the distribution company within a set production period and budget.
 - The MCST signed an agreement with Korea Technology Finance Corp. (KOTEC) under which the MCST contributes a fixed amount of funds each year. KOTEC then uses the funds from the MCST and banks to issue partial guarantees for up to 95% of the loan to content producers.
- Valuation of content
 - There is no fixed price or criteria on which the content's future value can be determined, which poses the biggest obstacle to making brisk investments and loans to the industry and invigorating transactions.
 - Valuation of content aims to perform an overall assessment of the content currently under production to determine the business feasibility, including both the completion and commercial success, and subsequently matching the content to an investment or a loan from a financial institution.
 - A content valuation report provides investors and financial institutions with the content's marketability and risk data, which they can use when making investments or loan decisions.
- Interest subsidy for cultural content
 - The subsidy is intended to help the Korean content industry raise its competitiveness by offering low-interest funds to superior content and qualified companies.
 - Since 2018, content companies have been exempted from interest payment if they obtain a guarantee issued by the Korea Credit Guarantee Fund (KODIT) and Korea Technology Finance Corp. (KOTEC).

3.2 Major Locations

▶ Cultural content companies in the Seoul and Gyeonggi area

- More than 90% of cultural content companies are located in Seoul and the neighboring Gyeonggi Province as the companies rely heavily upon human resources.

- Location selection is also heavily influenced by the availability of qualified human resources for production, distribution, and infrastructure and by markets and consumers that are concentrated in these areas.
- Different genres are choosing different locations to benefit from the government incentives for the promotion of regional cultural industries.
 - The distribution of filmmakers and game companies in Busan, broadcasting companies in Goyang, and animation companies in Bucheon and Chuncheon result in the integration of related industries in different regions.
- The government plays a significant role in forming cultural industrial complexes, cultural industry promotional zones, cultural industry promotion facilities, etc., to create synergistic effects by attracting cultural content companies and achieving the integration of related industries.

Cultural Industrial Complexes

Region	Major target businesses	Location	Area
Cheongju	Edutainment, content	201-31, Naedeok 2-dong, Sangdang-gu, Cheongju-si	50,637 m ²
Chuncheon	Animation	Hyeonam-ri and Geumsan-ri, Seo-myeon, Chuncheon-si	186,849 m ²

Cultural Industry Promotional Zones

Region	Major target businesses	Location	Area
Busan	Films, videos, games	U-dong, Haeundae-gu (Centum City area)	343,959 m ²
Daegu	Games, mobile content, characters, new media content	Daemyeong-dong, Nam-gu (the former Keimyung University site)	117,666 m ²
Daejeon	High-tech videos (films, games)	Doryong-dong, Yuseong-gu (part of Expo Park)	388,570 m ²
Bucheon	Cartoons, animation	Sang-dong, Wonmi-gu (nearby the Visual Culture Complex)	600,263 m ²
Jeonju	Korean style, videos	Jungnosong-dong, Gyo-dong, Pungnam-dong, Gosa-dong, Wansan-gu (Information Image Venture Town, Hanok Village, Film Street)	472,138 m ²
Cheonan	Cultural design	Munhwa-dong, Daeheung-dong, Seonghwang-dong, Oryong-dong, Wonseong-dong (nearby Cheonan Station)	306,782 m ²
Jeju	Digital videos, mobile content	Ido 2-dong (nearby Jeju City Hall)	127,657 m ²
Incheon	Next-generation immersive content	Dohwa-dong, Nam-gu	263,164 m ²
Goyang	Broadcasting videos (shows, films, animation, games)	Office district around Janghang-dong (nearby La Festa and Western Dom)	664,710 m ²

Region	Major target businesses	Location	Area
Seongnam	Game industry, Internet Protocol television (IPTV) industry	Seohyeon-dong and Jeongja-dong, Bundang-gu	1,246,82 m ²
Andong	Videos, crafts, performances, exhibitions	Junggu-dong and Seogu-dong	512,581 m ²

▶ Hub City of Asian Culture (HCAC)

- Gwangju Metropolitan City is a designated cultural industry investment promotion zone according to the Special Act on the Development of Asian Cultural Hub City.
- The Act provides a legal framework that allows national and public properties to be rented or sold to companies operating in the Investment Promotion Zone and allows loans and financial support to be provided to the properties.

3.3 Conditions of Location and Benefits for the Cultural Content Industry

- Given that the industry depends extensively on creativity and imagination, geographical location is relatively less important.
- According to the Framework Act on the Promotion of Cultural Industries, tenant companies in the above-mentioned complexes, zones, and facilities can be exempted from charges and receive favorable treatment when obtaining business approvals and licenses, as well as tax benefits.

Type	Concept	Benefits	Location
Cultural Industrial Complexes	Cultural industrial complexes are designated and developed under laws relating to industrial location and development, which is an aggregate of land, buildings, and facilities created to help companies, colleges, research institutes, and individuals to take part in research and development, technology training, information exchanges, joint manufacturing, etc., related to cultural industries.	<ul style="list-style-type: none"> ▪ Exemption from five charges (including the expenses incurred in creating forest replacement resources, farmland conservation charge, etc.) ▪ Approvals and licenses (34 types including public water supply and sewage projects, river works and road construction projects, and occupation and private use thereof) ▪ Tax benefits (exemption from acquisition tax and registration tax, 50% reduction of property tax, etc.) 	<ul style="list-style-type: none"> ▪ Cheongju (March 2002) ▪ Chuncheon (January 2008)
Cultural Industry Promotional Zones	Cultural industry promotional zones have high concentrations of companies, colleges, research institutes, etc., compared to other areas. This is mainly for the encouragement and promotion of business activities, research and development, human resource training, joint production, etc., of companies, colleges, research institutes, etc., related to the cultural industries by clustering them.	<ul style="list-style-type: none"> ▪ Exemption from four charges (including the expenses incurred in creating forest replacement resources) ▪ Approvals and licenses (nine types including public water supply and sewage projects, river works and road construction projects, and occupation and private use thereof) 	<ul style="list-style-type: none"> ▪ Busan, Daegu, Daejeon, Bucheon, Jeonju, Cheonan, Jeju (February 2008) ▪ Incheon, Goyang (December 2008)

Type	Concept	Benefits	Location
Cultural Industry Promotion Facilities	Cultural industry promotion facilities collectively attract and support activities of business operators engaged in cultural industries in their activities.	<ul style="list-style-type: none"> ▪ Exemption from seven charges (including the development charge and charge for large-scale buildings) ▪ Tax benefits (exemption from acquisition tax and registration tax, 50% reduction of property tax, etc.) 	<ul style="list-style-type: none"> ▪ Cultural Content Center, Sangam-dong, Seoul (March 2007)

4 Potential Partners

4.1 List of Related Companies

Company	Major products	Website	Location
CJ E&M	Broadcasting, films (production), music, performances, animation, games	www.cjenm.com	66, Sangamsan-ro, Mapo-gu, Seoul
CGV	Films (theaters)	www.cgv.co.kr	434, World Cup buk-ro, Mapo-gu, Seoul
Megabox	Films (theaters)	www.megabox.co.kr	156, Dosan-daero, Gangnam-gu, Seoul
NEW	Films (distribution)	www.its-new.co.kr	726, Eonju-ro, Gangnam-gu, Seoul
SM Entertainment	Music, entertainment, broadcasting	www.smtown.com	648, Samseong-ro, Gangnam-gu, Seoul
YG Entertainment	Music, entertainment, broadcasting	www.ygfamily.com	3, Huiujeong-ro 1-gil, Mapo-gu, Seoul
JYP Entertainment	Music, entertainment, broadcasting	www.jype.com	205, Gangdong-daero, Gangdong-gu, Seoul
Big Hit Entertainment	Music, entertainment, broadcasting	www.bighitcorp.com	42, Teheran-ro 108-gil, Gangnam-gu, Seoul
Nexon	Games, characters	www.nexon.com	7, Daewangpangyo-ro 256beon-gil, Bundang-gu, Seongnam-si, Gyeonggi-do
NCSoft	Games, characters	www.ncsoft.com	12, Daewangpangyo-ro 644beon-gil, Bundang-gu, Seongnam-si, Gyeonggi-do
PUBG	Games	pubg.game.daum.net	12, Seocho-daero 38-gil, Seocho-gu, Seoul
ICONIX	Animation, characters	www.iconix.co.kr	64, Pangyo-ro 255beon-gil, Bundang-gu, Seongnam-si, Gyeonggi-do

Company	Major products	Website	Location
Funny Flux	Animation, characters	www.funnyflux.kr	#601, 330, Seongam-ro, Mapo-gu, Seoul
SAMG Animation	Animation, characters	samg.net	413, Bongeunsa-ro, Gangnam-gu, Seoul
Smart Study	Animation, characters	www.smartstudy.co.kr	5F, 94, Myeongdal-ro, Seocho-gu, Seoul
TUBAn	Animation, characters	tubaani.com	1, Gyeonghuigung 1-gil, Jongno-gu, Seoul
ROI Visual	Animation, characters	roivisual.com	5, Hakdong-ro 30-gil, Gangnam-gu, Seoul
EMK Entertainment	Musicals	www.emkmusical.com	6, Jahamun-ro 4-gil, Jongno-gu, Seoul
OD Company	Musicals	www.odmusical.com	20, Dogok-ro 37-gil, Gangnam-gu, Seoul
CJES Culture	Performing arts producer	www.cjesculture.com	47, Teheran-ro 25-gil, Gangnam-gu, Seoul
MBC	Broadcasting content	www.imbc.com	267, Seongam-ro, Mapo-gu, Seoul
KBS	Broadcasting content	www.kbs.co.kr	13, Yeouigongwon-ro, Yeongdeungpo-gu, Seoul
SBS	Broadcasting content	www.sbs.co.kr	161, Mokdongseo-ro, Yangcheon-gu, Seoul
JTBC	Broadcasting content	jtbc.join.com	48-6, Sangamsan-ro, Mapo-gu, Seoul
Dexter Studio	VFX	dexterstudios.com	75, Maebongsan-ro, Mapo-gu, Seoul
WYSIWYG Studio	VFX	www.wswgstudios.com	20, Eonju-ro 170-gil, Gangnam-gu, Seoul

4.2 List of Related Associations

Name	Website	Roles
Korean Film Producers Association	www.kfpa.net	Ensure the safety of the film industry and rationalize the production of films
Korean Film Archive	www.koreamovie.or.kr	Protect the welfare and rights of workers in the film industry
The Korean Film Actors Association	www.kfaa.kr	Protect the rights and promote the welfare of actors and actresses
Korea Scenario Writers Association	www.scenario.or.kr	Protect the rights of writers
Korea Broadcasters Association	www.kba.or.kr	Promote the development of broadcasting culture

Name	Website	Roles
Korea Broadcasting Image Production Association	www.kipa21.com	Improve the production and supply of broadcasting programs
Korea TV & Radio Writers Association	www.ktrwa.or.kr	Protect the copyright and other rights of TV and radio writers
Korea Independent PD Association	www.indiepd.org	Contribute to the development of the broadcasting video industry environment
Korean Producers and Directors Association	www.kpda.co	Promote the freedom of speech and the development of broadcasting culture
Korea Cable TV Association	www.kcta.or.kr	Create more sophisticated content
Korea Music Content Association	www.kmcia.or.kr	Promote the development of the Korean music content industry
Korea Music Copyright Association	www.komca.or.kr	Protect the rights of music copyright holders
The Korean Society of Composers, Authors, and Publishers	www.koscap.or.kr	Protect the rights of music copyright holders
Recording Industry Association of Korea	www.riak.or.kr	Protect the rights of record producers
Federation of Korean Music Performers	www.fkmp.kr	Protect the rights of music performers
Korea Entertainment Producer's Association	www.kepa.net	Conserve Korea's pop culture heritage
Korea Entertainment Management Association	www.cema.or.kr	Protect the rights of pop culture artists
Korea Game Industry Association	www.gamek.or.kr	Enhance the status of the game industry
Korea Association of Boardgame Industry	www.boardgame.or.kr	Promote the development of Korea's board game industry
Korea Game Developers Association	www.kgda.or.kr	Protect the rights of workers in the game industry
The Korea Amusement Industry Association	www.gamekorea.or.kr	Encourage the establishment of a healthy gaming culture
Korea e-Sports Association	www.e-sports.or.kr	Manage e-sports athletes and provide fan services
Korea Cartoon Publishers Association	www.koreacpa.or.kr	Support cartoons publishing and the development of cartoon art
Korea Cartoonists Association	www.cartoon.or.kr	Promote the development of cartoon art and culture
Korea Animation Producers Association	www.koreaanimation.or.kr	Improve the quality and promote the spread of animated films
Korea Independent Animation Filmmakers Association	www.kiafa.org	Establish the status of independent animated films and support the growth of the industry
Korea Culture Contents Licensing Association	www.kocla.org	Protect intellectual property rights in Korea and promote licensing

Name	Website	Roles
Korean Publishers Association	www.kpa21.or.kr	Protect the freedom of the press and realize the mission of the publishing culture
Korea Publisher Society	www.kopus.org	Promote the freedom of the press and the cultural and industrial development
Korea Publishing Marketer Conference	www.kpmac.net	Explore and establish the best practices in publishing businesses and transactions
Korea Electronic Publishing Association	www.kepa.or.kr	Promote the growth of electronic publishing industry
Korea Fashion Industry Association	www.koreafashion.org	Promote the globalization of the Korean fashion industry



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