# Invest KOREA

February 2024

## **INVEST KOREA SUMMIT 2023**

# 투자신고식 Bridging the World with Vibrant Korea

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Foreign Direct Investment in South Korea Hits All-Time Highs for Both Pledges and Arrivals in 2023

Korea's Future Car Industry, Continual Growth by Actively Responding to Domestic and Global Changes Gyeongnam National Aerospace Industrial Complex, Korea's Biggest Aerospace Industry Cluster Dividend Distribution under the Korean Commercial Code

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# **Economic Trends**

Here's a look at Korea's major economic indicators that provide an overview of the country's recent economic developments.

## Summary and Assessment\*

- The Korean economy has shown a slight slowdown in domestic demand, yet there is a gradual softening in the downturn, led by the semiconductor industry.
- Consumption and investment are both decelerating, largely influenced by persistent high interest rates.
- Goods consumption continues its downward trend, while service consumption maintains a low growth trend.
- With high inventory levels, equipment investment demand is sluggish, while the com pounded decrease in construction orders received is also slowing the growth in construction investment
- The slowdown in domestic demand is also leading to a deceleration in both employment growth and inflation.
- Inflation has likewise slowed, mirroring the weakness in domestic demand.
- However, exports are exhibiting a recovery, serving a pivotal function in mitigating the economic slowdown.
- Boosted by the growing demand for AI servers, semiconductor exports significantly increased, and automobile exports also showed a positive trend.
- Additionally, the declines in manufacturing, excluding semiconductors and automobiles, is gradually easing.

<sup>\*</sup>All growth figures are on a year-on-year basis unless otherwise noted. This document is an English translation of the original Korean version; the Korean version takes precedence in case of any ambiguities or discrepancies.

- Economic Activity: Despite the dampening of domestic demand due to persist high interest rates, the economic slowdown shows signs of easing, primarily in the semiconductor industry.
- In November, all-industry production increased by 2.5%, with a notable surge in semiconductor production.
  - Industrial production (5.3%) sustained its recovery, driven by a 42.4% surge in semiconductors, spurred by both base effects and a rising demand for AI server-related semiconductors.
  - \* Although automobiles  $(2.5\% \rightarrow 2.0\%)$ , which had seen high growth, experienced a lessened contraction, suggesting a general easing across diverse industries.
- Conversely, services production (1.9%), which is closely tied to domestic demand, has remained at a low growth rate, led by accommodation and food services (-3.3%) and wholesale and retail trade (-1.5%). Moreover, on a seasonally adjusted month-on-month basis, there was a slight deceleration with decreases observed in both October (-0.9%) and November (-0.1%).
- The average capacity utilization rate in the manufacturing industry saw a slight increase of 71.9%, while the inventory-to-shipment ratio fell to 114.3% from the previous month's 123.2%, indicating a recovery.
  - In terms of the three-month moving average, which excludes the effect of quarterly seasonality, the inventory-to-shipment ratio  $(120,1\% \rightarrow 117.0\%)$  also showed a modest decline.
  - Export shipments (17.2%) surged, while domestic shipments (0.0%) stagnated, implying that the manufacturing industry's recovery is export-driven, rather than fueled by domestic demand.
- Industries tied to domestic demand show signs of some stagnation, while exports are maintaining a recovery trend led by the semiconductor industry.
  - Industries such as services that are closely linked to domestic demand continued slow growth, influenced by high interest rates. -Semiconductor exports (21.8%) rebounded propelled by rising demand for AI server-related semiconductors. Automobile exports (17.9%) also saw a significant increase, driven by eco-friendly vehicles, bolstering export recovery.
  - \* However, as automobile supply was achieved more through inventory depletion than production expansion, the growth in automobile production has somewhat decelerated.
  - Reflecting the divergence between domestic demand and export conditions, the business sentiment on future tendency for domestic manufacturing firms showed a declining trend, whereas that for export-oriented firms continued a mild upward trajectory.

- **Consumption:** The decline in goods consumption moderated largely due to temporary factors, but persistent high interest rates continue to dampen consumer spending.
- In November, the contraction in goods consumption was temporarily lessened, mainly due to the base effect and discount events.
  - Sales in department stores (-2.2%  $\rightarrow$  8.2%) and large retail stores (0.2%  $\rightarrow$  6.5%) saw substantial increases sue to the base effect from the dampened consumer confidence following the Itaewon tragedy in 2022.
  - Passenger car sales (-5.3%  $\rightarrow$  4.8%) rose, spurred by promotional discounts and new model releases, resulting in a corresponding shift in consumer goods inventory (7.6%  $\rightarrow$  0.2%) towards a decrease.
  - Due to these temporary factors, the decline in retail sales (-4.5%  $\rightarrow$  -0.3%) lessened; however, with sustained high interest rates, the downturn in goods consumption persists.
- Service consumption exhibited a gradual deceleration in growth.
  - Services production recorded a low growth rate of 1.9%, led by accommodation and food services (-3.3%) and wholesale and retail trade (-1.5%)
  - Its seasonally adjusted month-on-month growth rate fell by 0.1%, indicating a slowdown in service consumption.
- Meanwhile, the CCSI (97.2 → 99.5), slightly increased in December, influenced by factors such as falling market interest rates.
- Equipment Investment: Equipment investment remains subdued overall due to high semiconductor inventories and persistent high interest rates.
- In November, equipment investment (-9.9% → -11.9%) continued a huge decrease, primarily in semiconductor-related investments.

Despite improvements in semiconductor production and shipments, the sustained high level of semiconductor inventories led to an expanded decrease in special industrial machinery (-21.0% → -23.9%), which is heavily tied to semiconductor investments.
Following the termination of the excise tax reduction, automobiles (-15.1% → -18.0%) exhibited a huge drop, continuing the slump in transport equipment (-4.4% → -3.6%).

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- Leading indicators, such as import value, are decreasing,
   Provide a signaling that investment conditions remain constrained.
  - Orders received for special industrial machinery shifted from growth (14.3%) to a sharp decline (-23.1%). December saw a continued decrease in machinery imports (-10.3%) from the previous month, centered on semiconductor manufacturing equipment (-24.5%), pointing to a potential ongoing slump in equipment investment.
  - Meanwhile, there are some positive signs for future equipment investment: domestic machinery orders received (16.6%  $\rightarrow$  17.0%) exhibited an increase led by medical and precision measurement control equipment (188.0%  $\rightarrow$  249.5%), which is heavily linked to AI-related semiconductors.
- Construction Investment: Construction investment growth is decelerating, with a continued sluggishness in related leading indicators.
- November saw a reduced growth of 1.4% in the value of construction completed (constant) from the previous month's 3.5%, a decline attributable to weak construction orders received since 2023.
  - The consecutive decreases in construction orders received (four quarters) and housing starts (seven quarters) were manifested as a deceleration in the growth trend of the value of construction completed.
  - Residential construction, which had been showing a favorable trend, experienced a reduced growth due to the sequential completion of projects and the downturn in the volume of new starts.
  - Furthermore, as the civil engineering sector (-2.6%) shifted towards a decline, construction investment showed an overall contraction.
- The weakness in leading indicators suggests a likely continuation of the slowing growth of construction investment.
  - Construction orders received (-29.5%) plummeted, reflecting worsening business conditions due to rising costs.
  - \* Even when seasonally adjusted (10.3 trillion won), it substantially falls short of the last five years' monthly average (15.2 trillion won).
  - The area if building permits (-13.3%) continued to decline, while that of building starts (6.5%) increased for the first time in 15 months. However, the three-month moving average still reflects a significant drop (-20.2%).

- **Prices:** Inflation is gradually decelerating amid ongoing domestic demand weakness.
- December's headline inflation rate slowed to 3.2%, lower than the previous month's 3.3%, with an easing of price increases across various categories.

- The slowdown in demand, influenced by high interest rates, led to reduced inflation rates in major industries, such as services (2.8%), and industrial products (2.1%), with the exception of agricultural products (15.7%).

Concerns over the slowdown in global crude oil demand and increased US oil supply contributed to a drop in international oil prices, exerting downward pressure on overall price levels.
\* Dubai oil price (\$/barrel): (Oct.) 89.8 → (Nov.) 83.6 → (Dec.) 77.3

• Furthermore, core inflation (excl. food and energy) also saw a slight decrease  $(2.9\% \rightarrow 2.8\%)$ , indicating a gradual slowdown in the underlying inflation trend.

- Concurrently, the expected inflation rate, as reflected in financial market asset prices, is gradually increasing.

\* Expected inflation rate (10-year government bond yield, %): (Oct.) 2.9  $\rightarrow$  (Nov.) 2.7  $\rightarrow$  (Dec.) 2.5

Canadian coffee chain Tim Hortons to add 2 new outlets in Korea Canadian coffee brand Tim Hortons said on Jan. 24 that it added two new outlets in S. Korea in January amid a strong response from local consumers since it began operations a month ago.

Tim Hortons opened the first and second stores in Sinnonhyeon and Seolleung, southern Seoul, on Dec. 14, 2023 and Dec. 28, 2023, respectively, with an aim to open 150 outlets here within five years.

The third and fourth outlets are near Sungnyemun, or Namdaemun, in central Seoul and Seoul National University in southern Seoul according to the company statement. The first two outlets in S. Korea performed better than Tim Hortons stores in other Asian countries by selling more than 300,000 donuts and over 100,000 cups of coffee in the past month, a company spokesperson said.

S. Korea is the seventh Asian country to which the Canadian company advanced after China, India, Pakistan, the Philippines, Thailand and Singapore, she said.

Tim Hortons said it decided to enter S. Korea due to its vibrant coffee culture, where coffee consumption per person is almost threefold the global average.

#### Trade & Commerce

Korean bakery exports hit record high in 2023 on strong demand in U.S., China

#### Korean car exports hit a record high in 2023

#### Korea, Britain launch talks to improve bilateral FTA

S. Korea's bakery exports reached an alltime high in 2023 as Korean-style baked goods gain increasing popularity across the world, including the United States and China, data showed on Jan. 21.

According to the Korea Customs Office, S. Korea's bakery exports reached a record high of 1.9 billion in 2023, more than doubling from 2013.

By country, bakery exports to the U.S. accounted for the largest at 24 percent, followed

S. Korea's automobile exports hit a record high of over USD 70 billion in 2023, despite domestic and international challenges including the U.S. Inflation Reduction Act (IRA). Automobiles ranked first among all export items amid a slump in semiconductors, leading to an improved export and trade balance in the country.

According to data from the Ministry of Trade, Industry and Energy on Jan. 16, the country's automobile exports totaled USD

S. Korea's industry ministry said on Jan. 23 it has launched the first round of talks with Britain to discuss ways to improve their bilateral free trade agreement (FTA).

The meeting focused on updating the latest global trade norms in areas, including the digital industry and supply chains, according to the Ministry of Trade, Industry and Energy.

S. Korea and Britain implemented the FTA

by China at 18 percent, Japan at 7 percent, the Netherlands at 4 percent, and Australia at 4 percent.

Bakery exports to the U.S., in particular, surged by 36 percent last year from a year ago, surpassing those to China.

Exports to the Netherlands and Australia also increased by 77 percent and 23 percent, respectively. Until 2022, the top export destinations were China, the U.S., Japan, Taiwan, and Vietnam in order.

70.9 billion in 2023, up 31.1 percent from a year ago. The number of eco-friendly vehicles exported during the year was up 31.3 percent from the previous year to 729,000, and the export value was up 50.3 percent to USD 24.2 billion, both record highs.

By region, exports to North America rose by 44.7 percent to USD 37 billion compared to the previous year, and those to the European Union (EU) recorded a 32.9 percent increase to USD 10.8 billion.

in January 2021 following London's departure from the European Union.

The two countries will also share opinions on establishing "future-oriented" and "strategic" trade relationships encompassing sectors that include clean energy, it added.

The second round of negotiations will be held in London in March, according to the ministry.

#### Korea's manufacturing sector to improve as chips, smartphones resurge

S. Korea's manufacturing industry is expected to see substantial improvement, driven by the resurgence of chips, smartphones, and other information and communication technology (ICT) sectors, an analysis showed on Jan. 21.

According to the Professional Survey Index (PSI) data released by the Korea Institute for Industrial Economics & Trade (KIET), the manufacturing status index stood at 102 in January, continuing the upward trend for six consecutive months.

Although the domestic demand index

remained below 100 for two consecutive months at 98, both export and production indices have increased, to 106 and 108 respectivelv.

Sustainoble Growth

with Innovative Korea

Sectors with indices surpassing 100 in January are semiconductors (145), mobile phones (118), home appliances (107), shipbuilding (106), and bio-health (117).

The chip industry is anticipated to see a continued upward trend as shipment increases and inventory decreases, coupled with a sustained high factory operating rate, following improved demand.

#### **Government & Policy**

Korea to invest USD 472 bn for semiconductor mega cluster	S. Korean President Yoon Suk Yeol said on Jan. 15 that the country is "building the world's largest semiconductor mega cluster that will run through southern Gyeonggi Province." "We are aiming to invest KRW 622 tril- lion (USD 472 billion), which will create 3 million quality jobs over the next 20 years," Yoon said during a policy debate held at Sungkyunkwan University's Natural Sciences Campus in Suwon, Gyeonggi Province, the third in a series of debates on livelihood issues. The Korean government announced a plan	for a 'semiconductor mega cluster' in 2023, which is expected to be completed in 2047 with the investment of KRW 622 trillion from Samsung Electronics Co., SK hynix Inc. and other companies. The plan also designated Pangyo, Suwon, and Pyeongtaek as the three main hubs for semiconductor research and development (R&D) and education. The government expects the semiconductor mega cluster to generate KRW 650 trillion in production while nurturing talent and secur- ing innovative technologies centered around these hub cities.
Korea to invest KRW 3 tln in robot industry by 2030	S. Korea's industry ministry unveiled a plan on Jan. 16 to invest KRW 3 trillion (USD 2.3 billion) in the robot sector with private business- es by 2030, with a goal of supplying 1 million robots to local industries. The plan for intelligence robots will focus on securing 80 percent of key robot parts locally by 2030, compared with the current estimate of 44 percent, according to the Ministry of Trade, Industry and Energy.	regulations to pave the way for the development of the robot industry, and foster 15,000 experts, it added. Through such efforts, S. Korea aims to de- ploy 1 million robots across various sectors of society, encompassing the agriculture, logistics, defense and medical fields. The plan will aim to increase the size of the local robot industry to KRW 20 trillion in 2030, compared with KRW 5.6 trillion tallied in 2021,

The country will also promptly lift around 50

compared with KRW 5.6 trillion tallied in 2021, it said.

# Korea's Future Car Industry, Continual Growth by Actively Responding to Domestic and Global Changes

orea is accelerating the transition to future vehicles by actively responding to the global trend of retiring internal combustion engines and participating in the race to develop autonomous driving technologies. In 2023, Korea broke the record by exporting vehicles worth USD 70.9 billion, beating the previous record<sup>1</sup> by 30%, by exporting high value-added eco-friendly vehicles<sup>2</sup>. In 2020, Korea ranked 7th in the world for readiness to introduce autonomous vehicles (KPMG, 2020). Trends such as electrification and autonomous driving technologies are boosting the market for electrical and electronic components and software in the automotive sector and creating new business opportunities, which in turn requiring businesses to develop and secure technologies. Korea is actively responding to these changes in the industrial landscape and to the expanding global competition, thereby enhancing its global competitiveness in the future car industry.

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# Status of Korea's Future Vehicle (Eco-Friendly and Autonomous Vehicles) Market

#### Korea's Exports of Eco-Friendly Vehicles Hit a New Record in 2023

In 2023, Korea's car exports set a new record, led by the growth of eco-friendly vehicles. With a strong momentum in eco-friendly vehicle exports, particularly in the North American and European Union (EU) markets, the export value of eco-friendly vehicles in 2023 increased by 50.5% year-on-year to USD 24.2 billion, accounting for a substantial 34.2% share of the total car exports. The export volume also increased by 31.3% year-on-year to 728,779 units, accounting for 26.3% of the entire car exports. As of 2022, Korea holds a competitive position in the global market, ranking 3rd in BEVs, 8th in PHEVs, 5th in HEVs in terms of export competitiveness.

<sup>1.</sup> USD 54.1 billion in 2022 (KITA)

<sup>2.</sup> Battery Electric Vehicles (BEVs), Plug-in Hybrid Electric Vehicles (PHEVs), Hybrid Electric Vehicles (HEVs), and Fuel Cell Electric Vehicles (FCEVs).

<sup>3.</sup> The Society of Automotive Engineers (SAE) defines Level 3 as conditional automation, Level 4 as high automation, and Level 5 as full automation.

In general, vehicles at Levels 3 and above are classified as autonomous vehicles.

<sup>4.</sup> New Deal Industries Analysis Report (Korea Eximbank, December 2020)

<sup>5.</sup> Frost & Sullivan (2022)



#### Korea's Exports of Eco-Friendly Vehicles: Export Value

\*Source: Korea International Trade Association (KITA), Korea Automobile & Mobility Association (KAMA), Korea Automobile Importers & Distributors Association (KAIDA), and Ministry of Trade, Industry and Energy (MOTIE)

## The Korean Market Expected to Thrive Along with the Global Autonomous Vehicle Market

The global autonomous driving industry is currently in its infancy, anticipating a substantial growth with the advent of Level 3<sup>3</sup> in 2025. The market for fully autonomous vehicles led by commercial sector vehicles is expected to grow around 2030<sup>4</sup>. The global autonomous vehicle (Level 3 and 4) market is projected to reach USD 1.1 trillion in 2035, growing at a compound annual growth rate (CAGR) of 41% from USD 7.1 billion in 2020. In terms of sales volume<sup>5</sup>, the market is anticipated to grow from 14,350 units in 2021 to 694,254 units in 2025 and 2,087,036 units in 2028. Korea's autonomous vehicle market is expected to reach KRW 26.2 trillion in 2035, growing rapidly at a CAGR of about 40% from KRW 150.9 billion in 2020.

#### Outlook of the Global Autonomous Vehicle Market





\*Source: Autonomous Vehicles, Navigant Research, Frost&Sullivan, and Korea Institute of Science and Technology Information (KISTI) (2016)

#### Korea's Ambitious Future Vehicle Transition Goals and the Government's Support

In line with the global effort of carbon neutrality, Korea has set the registration and production targets for eco-friendly vehicle by considering the calls of the global community and domestic environment, while supporting the rapid transition to future vehicles and mobility innovations. Considering the nation's upward adjusted Nationally Determined Contributions (NDCs) (October 2021), Korea introduced more ambitious targets to roll out 4.5 million zero-emission vehicles by 2030 (including 3.62 million EVs and 0.88 million hybrid vehicles) by adjusting the original target of 3.85 million vehicles (3 million EVs and 0.85 million FCEVs)<sup>6</sup>. The government aims to increase the registration of eco-friendly vehicles from 7.85 million to 8.5 million by 2030, in an effort to reduce the country's carbon emissions by 37.8% from 2018 levels. In September 2022, the government announced the strategy to rise as the world's top three automotive powerhouses by 2030, which includes targets of producing 3.3 million EVs and achieving a global market share of 12%. In addition, the government issued guidelines for temporarily permitting autonomous driving of Levels 3 and above (allowed from February 2016) in October 2022 and plans to refine the system for commercializing

#### Korean Government's Major Policies and Legislation on Future Vehicles

Туре	Description
2022 Action Plan for Distribution of Eco-Friendly Vehicles (Feb. 2022)	<ul> <li>(Targets) Strengthening of the 2030 zero-emission vehicle registration target from 3.85 million to</li> <li>4.5 million in accordance with Korea's upgraded NDCs</li> <li>* Raised targets for zero-emission vehicles to 3.62 million EVs (raised from 3 million) and 0.88 million FCEVs (raised from 0.85 million) by 2030, while maintaining the target for hybrid vehicles at 4 million</li> </ul>
Global Top Three Automotive Powerhouses Strategy (Sep. 2022)	• <b>(Targets)</b> Global production of 3.3 million EVs and achieving 12% global market share by 2030, Investment of over KRW 95 trillion in the automotive industry from 2022 to 2026, and Training of 30,000 future vehicle experts by 2030
Mobility Innovation Roadmap (Sep. 2022)	<ul> <li>(Commercialization) Launching of Level 4 buses and shuttles by 2025 and Level 4 passenger cars by 2027</li> <li>(Regulations) System development for Level 4 by 2024 for the commercialization of Level 4 in 2027</li> <li>(Infrastructure) Establishment of real-time communication infrastructure for roads nationwide         (about 110,000km) by 2030, and development by 2027 in congested areas such as urban centers</li> </ul>
Special Act on Future Vehicles (enacted in Jan., effective from Jul. 2024))	<ul> <li>(Scope Definition) Inclusion of software in the scope of future vehicle technologies and parts by considering the characteristics of future vehicles defined as software defined vehicles (SDV)</li> <li>(Support) Support for building core competencies for competitive future vehicles such as technology development, commercialization, and standardization</li> <li>(Special Regulations) Inclusion of special regulations to promote investment in Korea's future vehicle industry and strengthen the supply chain</li> </ul>

\*Source: Ministry of Trade, Industry and Energy (MOTIE), Ministry of Land, Infrastructure and Transport (MOLIT), Ministry of Environment (MOE)

<sup>6.</sup> The target of distributing 4 million HEVs was maintained.

year, to achieve a market share of 23.9% in the American eco-friendly vehicle market.

Korean automakers are also joining the race for partnerships and technology development to grasp opportunities in the autonomous driving market. Hyundai and Kia acquired autonomous driving software 42dot (August 2022), and Motional, established as an autonomous driving joint venture with Aptiv (March 2020), saw its global ranking rise among autonomous driving technology developers<sup>9</sup>. Motional plans to roll out robotaxis in major US cities in 2024, and RideFlux, a startup developing autonomous driving technology, is focused on commercializing Level 4, including demonstrating its Level 4 autonomous driving car-sharing technology in Jeju Island (November 2023). In addition, Hyundai and Kia announced a roadmap to strengthen software technology by applying Over-the-Air (OTA) software updates to all new cars by 2025 and investing a total of KRW 18 trillion by 2030 (September 2022).

Korea is striving to join the world's top-tier of future vehicle makers by flexibly transitioning to future vehicles and expanding industry boundaries. The Korean future vehicle market is expected to continue its growth with join effort of dedicated support from the government and adaptable strategy against surrounding environment from the management.

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\* The opinions expressed in this article are the author's own and do not reflect the views of KOTRA.

Level 4. According to the Mobility Innovation Roadmap (September 2022), the government plans to introduce Level 4 buses and shuttles by 2025 and roll out Level 4 passenger cars by 2027. To commercialize Level 4 by 2027, the government plans to prepare related systems by 2024 and build real-time communication infrastructure on about 110,000 kilometers of roads nationwide by 2030. Moreover, Korea enacted the Special Act on Future Vehicles<sup>7</sup> in January 2024 to include software as a core technology for future vehicles and laid grounds for promoting foreign investment (Article 26, paragraph 1).

# Korean Automakers' Strategies to Lead the Future Vehicle Market

Despite concerns over the slowdown of the global EVs market, Hyundai Motor Company and Kia Motors plan to maintain their existing mid- to long-term global production and sales targets8, while Renault Korea and KG Mobility began building eco-friendly vehicle production lines, further expanding the nation's capacity to supply eco-friendly vehicles. In response to the recent calls for carbon regulations and supply chain management in developed countries, Korean players are building systems to better respond to strengthened regulations. Amid growing interests in life cycle assessment (LCA) designed to evaluate a vehicle's environmental impacts over its entire life cycle, Hyundai plans to manage carbon emission targets for new vehicles by collecting and managing the LCA data of newly-launched vehicles worldwide. In addition, following the enactment of the Inflation Reduction Act (IRA) in the United States (August 2022), Hyundai and Kia responded by strengthening the sales (and leasing) of commercial EVs, and are planning and reviewing production at their manufacturing plants in the US. In 2023, Hyundai and Kia sold 278,122 units of EVs in the US, up 52.3% from the previous

7. Special Act for the Successful Transition and Ecosystem Development of the Future Vehicle Parts Industry

 (Hyundai and Kia) Production of 3.64 million EVs by 2030, (Hyundai) sales of 2 million EVs by 2030, (Kia) sales of 1.6 million EVs worldwide by 2030
 Automated Driving Systems Ranking Released by Guidehouse Insights: (2019) Hyundai Motor Company – 15th, (2020) Motional – 6th, (2021) Motional – 6th, (2023) Motional – 5th

# **Invest KOREA Market Place**

Invest KOREA Market place (IKMP) is an online business matching platform available on Invest KOREA's website with information on approximately 300 Korean companies seeking to partner with foreign investors. This month, we introduce some outstanding companies in Korea's ICT industry

Investment Requirement		Company Profile		
Amount	USD 25 million	Patents and Certificates	The company has registered 1 patent for a wireless power transmission system for optimal power transmission and an optimal resonant frequency control method for the system, and 6 patents are pending.	
Investment Structure	Equity Investment, Joint Venture	Financial Performance	(Sales in 2022) USD 0.1 million	

Investment Highlights

#### Autonomous truck market

More than 30% of all accidents in transportation involve tires, with more than 400,00 truck accidents occurring in the U.S. alone in 2022. However, real-time data analysis technology for the safety of truck tires, which is a major factor in the cause of accidents, is yet to be commercialized. Truck tires are consumables with an average price of USD 700, which is much more expensive than regular passenger car tires, and unlike commercial vehicles, trucks require 12- to 16-inch tires, and the average tire life cycle is as short as 6 to 12 months, which makes them expensive to maintain.

#### • Tire profile data analysis system-based autonomous driving operation solution

The company has developed an autonomous driving and logistics truck tire safety management system that measures tire's state and road surface infrastructure information in real time through intelligent tire sensors and analyzes them by Al. Through the design of tire of tire sensors that can identify problems of tires and road infrastructure, which are the causes of traffic accidents in autonomous vehicles, it is possible to secure the data and infrastructure necessary for autonomous driving, and based on these data, the company has developed a tire management system to the commercialization level. Until now, air pressure has been a tire safety indicator, but a new indicator for tire safety is soon to be completed by combining a three-axis acceleration sensor, air pressure, and temperature data.



sor weight - 25g

Distance - Max. 250mm

er – 100mW

Certification - FCC

BANF tire profile system



ONFLEX (7kW, 14kW) A stand-alone slow charger, AC 5Pin compatible with all models



OCTOFLEX Kiosk Charger (Shared) A multiplex EV charging platform that can control up to 20 units from one main kiosk

Invest	ment Requirement	Company Profile		
Amount	USD 7 million	Patents and Certificates	Patent registration and application for mobile charger for electric transportation device, outlet and mobile charger for electric transportation device	
Investment Structure	Equity Investment, Joint Venture, M&A	Financial Performance	(Sales in 2022) USD 5.01 million	

#### Investment Highlights

• Global electric vehicle penetration expected to reach 230 million units by 2030, with the charger market growing together.

As eco-friendly electric vehicles are rapidly increasing around the world, the charger market is also growing fast. The International Energy Agency predicts that the number of electric vehicles will reach about 230 million around the world by 2030, so the current market is in the early stages, and explosive growth is expected in the next few years.

#### Separated charging fee billing technology, globally certified communication protocol technology

Due to the increase in the demand for chargers with the expansion of electric vehicles worldwide, preempting the market early will provide an opportunity for securing remarkable sales. The company has developed its own electric vehicle charger, equipped with the technology and competitiveness accordingly. In addition, through the development of EV Flex(a technology that allows anyone who can install a charger to generate revenue (charging)) and the development of charging system technology that is automatically linked to KEPCO's billing server, the company is operating a business that can generate stable profits not only for the company but also for parking lots participating in the company's operating platform.

# **Industry Trends**

Invest KOREA provides provides an overview of Korea's monthly industry trends based on the latest data available from the Ministry of Economy and Finance and the Korea Institute for Industrial Economics and Trade. Figures are subject to change and may be updated for accuracy by the respective organizations.

#### **All Industries**

Korea's industrial activities increased by 0.5 percent in November 2023, reaffirming that the industry is recovering, driven by manufacturing production and exports.

#### **Monthly Industrial Activity Trends**

Subject	All industries	Mining & manufacturing	Service	Retail sales	Equipment investment	Construction completed
Monthly Change (%)	0.5	3.3	<b>Δ0.1</b>	1.0	Δ2.6	۵4.1

Manufacturing and mining production rose by 3.3 percent in November as the growing demands for high-performance semiconductors led to strong gains in semiconductors (12.8 percent) and machinery and equipment (8 percent). Service sector output was flat amidst gains in wholesale and retail sales (1.0 percent) and slow financial services ( $\triangle 0.7$  percent), transportation and warehousing ( $\triangle 1.4$  percent), and leisure ( $\triangle 3.1$  percent). Retail sales increased as sales of semi-durable goods declined ( $\triangle 0.4$  percent), but sales of durable goods (2.6 percent) and non-durable goods (0.6 percent) grew. Investment in capital equipment declined on a monthly basis, with machinery [computer office equipment, etc.] ( $\triangle 1.5$  percent) and transportation equipment [aircraft, etc.] ( $\triangle$ 5.7 percent) declining together. Construction investment decreased in construction projects ( $\triangle$ 3 percent) due to year-end move-ins, and civil engineering projects fell ( $\triangle$ 7.3 percent) due to poor performance of plant construction. The cyclical change in the coincident index fell for the sixth consecutive month due to a significant drop in completed construction projects, but the decline slowed on a monthly basis ( $\triangle 0.1$  percent). Recently, the Korean economy has seen a gradual recovery driven by manufacturing production and exports, but upside and downside factors coexist. On the production side, the recent improvement in exports, recovery in key industries such as semiconductors and shipbuilding, and stabilization of international oil prices are positive, but uncertainty over the pace of recovery in major economies, geopolitical tensions, and supply chain risks are weighing on the economy. On the consumption and investment side, the recent slowdown in inflation, widespread expectations of an end to monetary tightening next year, and investment cooperation with major countries resulting from active summit diplomacy are upside factors, while household debt, real estate PF risks and sluggish construction orders are downside factors.

#### **Trends by Industry**

#### **Automotive**

Strong Sales of Finished Cars in November Drove Exports to Surpass USD 6 Billion for the First Time in Five Months

Domestic consumption ended the falling trend in November with a 1.2 percent year-on-year increase driven by the effect of new model releases and strong SUV sales. November exports rose by 17 percent year-on-year as exports of finished vehicles reached USD 6 billion for the first time in five months since June. Production increased by 2.8 percent year-on-year in October, driven by increases in high value-added vehicles, including SUVs and EVs.

#### **General machinery**

Production Slowed Further in October, and Exports Rose for Eight Straight Months

Production in October fell by 13.3 percent year-on-year and 8.3 percent month-on-month as domestic consumption remained sluggish despite solid export growth. Despite slow exports to the EU and the Middle East, November exports rose by 14.1 percent from a year ago, led by a strong increase in exports to the United States. In October, imports continued to decline for the fourth consecutive month, falling by 0.8 percent year-on-year, as the lengthened slowdown in the manufacturing sector dampened capital investment.

#### Shipbuilding

#### Production and Shipments Declined in November Due to Base Effect and Capacity Utilization Rate Fall

In November, cumulative orders (year-on-year) won by China, Japan and Korea amounted to 22 million CGT (-5.0 percent), 4.3 million CGT (-22.3 percent), and 9.6 million CGT (-41.0 percent), respectively, with Korea continuing to receive selective orders. Production increased, resulting in cumulative deliveries of 8 million CGT in November, up 7.1 percent from a year ago. In October, production decreased by 4.1 percent year-on-year and capacity utilization rate fell by 13.2 percent from a year ago, due to the capacity expansion of major shipbuilders and the base effect of high utilization rate in the same month last year. Exports rose by 38.5 percent in November as orders placed since 2021 at higher prices were delivered. Imports decreased by 2.4 percent in October, reflecting strong imports of ship engines and slow imports of ships and ship parts.

#### Steel

#### October Production Grew Month-on-Month, Exports Plummeted on Falling Unit Prices

Steel production increased by 26.3 percent year-on-year in October, despite sluggish demands for steel bars, due to the base effect of the previous year's production disruptions. Exports in November fell by 11.1 percent yearon-year due to the impact of high export unit prices in the previous year, along with continued sluggishness of China's real estate market and weak domestic consumption in major customers such as the US, EU, and Japan. In October, imports decreased by 0.3 percent year-on-year due to a wider decline of imports from Japan and falling unit prices.



#### **Oil refining**

#### Exports Started Declining in November on Lower Unit Prices Despite Growing Volume

October production rose by 5.5 percent year-on-year with Korean refineries increasing their capacity utilization rates. In November, exports fell by 4.4 percent year-onyear due to lower unit prices.

#### Semiconductor

Semiconductor Industry Shows Signs of Ending the Decline

In October, the semiconductor production index was 142, up 14.7 percent year-on-year, but down 11.4 percent month-on-month. November exports reached USD 9.5 billion, the second-best record in 2023, up 12.9 percent from a year ago. The recent increase in semiconductor exports is believed to be the effect of production cuts by semiconductor manufacturers.

#### Wireless communication devices

#### November Exports Grew by 8.4 Percent Year-on-Year as Global ICT Recovery Begins in Full Swing

The global markets of semiconductors and ICT products such as smartphones, computers, and servers are expected to begin recovering in full-scale from Q1 2024, after sharply shrinking from Q3 2023. In October, production fell by 22.2 percent year-on-year and shipments declined by 14.2 percent, while capacity utilization decreased by 22.7 percent and inventories fell by 12.4 percent. Imports saw a year-on-year decrease of 10.4 percent in October, led by strong imports of smartphone parts.

#### Display

## Exports Continued Increasing Based on the Growth of Global High-Value-Added Panel Market

Despite the LCD production cuts, production decline in October was slower than expected due to the effect of new smartphone releases. In November, panel exports increased by 5.9 percent with the expansion of the global high-value-added panel market, enabling exports to grow for four straight months.

\* Please note that the latest data available in Statistics Korea are for the previous month in the case of exports and the month prior to the previous one for production.

15

170,400 04 -0.95 3,501,600 06 -0.96 40 0.2 -0.97 Foreign Direct

# Foreign Direct Investment in South Korea Hits All-Time Highs for Both Pledges and Arrivals in 2023

Thanks to robust performance of the semiconductor, battery and transportation industries, as well as joint public-private efforts toward creating the world's largest semiconductor mega cluster and nurturing advanced industries, foreign direct investment in S. Korea reached a record high last year in terms of both pledges and arrivals. Read on to find out more. According to the Ministry of Trade, Industry and Energy (MOTIE) on Jan. 4, 2024, foreign direct investment (FDI) pledges to S. Korea increased 7.5 percent year-on-year in 2023 to hit an all-time high on the back of robust performance of the chip, battery and transportation industries.

S. Korea, which is Asia's No. 4 economy, received USD 32.7 billion worth of FDI commitments in 2023, compared with USD 30.4 billion tallied a year earlier, and the amount of investment that actually arrived in S. Korea also set a fresh high of USD 18.7 billion, which was up 3.4 percent on-year. In a statement, the ministry said, "The investment will not only help S. Korea expand its exports but also create quality jobs and reinvigorate the local economy."

Despite the poor performance of FDI in the global economy in 2023, S. Korea was able to weather the storm thanks to heavy investments in the country's high-tech industries as well as materials, parts and equipment sectors. In addition, strengthened public-private partnerships and the government's commitment to create a more favorable environment for investors also contributed to the remarkable achievement.

By industry, FDI pledged to the manufacturing sector suffered a slight decline of 4.5 percent from the previous year, marking USD 11.9 billion. Meanwhile, FDI pledges to the service sector grew by 7.3 percent from the previous year to USD 17.8 billion, driven by investment from Saudi Arabia's sovereign wealth fund and large financial and insurance companies.

By country, investment from the European Union (EU) decreased by 17 percent year-on-year to USD 6.2 billion due to the base effects of large investments in 2022. However, Korea enjoyed a sharp increase in FDI from countries like France (USD 1.2 billion in FDI with a 448 percent increase), which hosted summit meetings with Korean President Yoon Suk Yeol in 2023. If FDI from the EU is combined with FDI from the United Kingdom (USD 3.6 billion), FDI from major European countries totaled USD 9.8 billion, a year-on-year increase of 21.6 percent.

However, FDI from the United States and Japan slid year on-year to USD 6.1 billion (-29.4 percent) and USD 1.3 billion (-14.7 percent), respectively, due to the base effects of large investments in 2022. With respect to FDI from the US, large investment projects were declared through other countries offering lower tax rates or in countries where joint ventures were located, resulting in a slightly lower reported amount. Investment flows from Greater China reached USD 3.1 billion (year-on-year increase of 65.6 percent), returning to the level before 2022, as FDI from Greater China significantly decreased during the COVID-19 pandemic.

Meanwhile, FDI in S. Korea contracted from USD 26.9 billion in 2018 to USD 23.3 billion in 2019, and further, to USD 20.7 billion in 2020 before turning around to growth in 2021 to USD 29.5 billion. This was followed by an increase to USD 30.5 billion in 2022, logging the third consecutive year of growth.

**By Grace Park** Investment PR Team, Invest KOREA Korea Trade-Investment Promotion Agency (KOTRA)



Source: Press Release, Jan. 5, 2024, Ministry of Trade, Industry and Energy, Yonhap News Agency, Korea Development Institute

# Gyeongnam National Aerospace Industrial Complex, Korea's Biggest Aerospace Industry Cluster

The Gyeongnam National Aerospace Industrial Complex is a national industrial complex being established in Gyeongnam Province where 68.6% (USD 3.5 billion)\* of Korea's total aerospace industry output is generated. Construction began in April 2019 and the lots are currently for sale, with construction scheduled for completion in October 2024. Spanning across 1,596,710m<sup>2</sup>, the Complex is divided into two zones: Jinju (793,369m<sup>2</sup>) and Sacheon (803,341m<sup>2</sup>). The Complex, with a focus on the aerospace industry will be home to companies specializing in new metal and mechanical processes and new bio and chemical processes.

(Unit: m<sup>2</sup>)

#### • Title: Gyeongnam National Aerospace Industrial Complex

 $\boldsymbol{\cdot}$  Location: Jeongchon-myeon, Jinju and Yonghyeon-myeon, Sacheon

• Area

	Total area	Industrial facilities	Supporting facilities	Public facilities	Green area
Jinju	793,369	503,088	22,622	168,740	98,919
Sacheon	803,341	595,087	24,683	107,769	75,802
Total	1,596,710	1,098,175	47,305	276,509	174,721

Gyeongnam is home to two major aerospace companies, Hanwha Aerospace and Korea Aerospace Industries (KAI) that produce aircraft engines, military aircraft, high-tech aviation parts such as auxiliary systems, nano-fusion materials, intelligent production machinery, mechanical materials and parts, shipbuilding and offshore plants, and automotive parts. Given this fact, the Bank of Korea report noted that most of the companies operating in the region are benefiting from the synergistic effects produced from their close link with the aerospace industry, which emerged as Gyeongnam's flagship industry.

In addition, the National Assembly passed the 'Special Act on the Establishment and Operation of the Korea Aerospace Administration' in January, and the agency will be installed in Sacheon as early as May. Operating under the Ministry of Science and ICT, KASA is the central administrative agency that will oversee the nation's aerospace policy research and development and the promotion of the aerospace industry. KASA's establishment will help the Complex attract various businesses and research centers in the aerospace industry.

Based on these strengths, Gyeongnam Province is building infrastructure to specialize in and boost the aerospace industry through the establishment of the Specialized Aerospace Industrial Complex, the Aviation MRO Complex, the UAV Industry Cluster, and the National Innovation Cluster, and is also focusing on the next stage by forming the Multi-purpose Aerospace City Construction Preparation Team.

Initially, the sales of lots were slow due to the current business climate impeding investment and the high sales prices compared to those of nearby general industrial complexes. However, the Complex is expected to attract more tenants, considering that Gyeongnam Province has announced the designation of five areas including aerospace, nuclear power, and hydrogen as high-tech industries from this year and the investment of some KRW 1.7 trillion won in 45 related projects. The final decision to establish KASA in the region will also help boost sales.

Source: (Text/photo) Korea Aerospace Industries Association, Korea Industrial Complex Corporation,



When a foreign investor acquires a domestic company, should he/she file a report on business combination?

Every month, Invest KOREA provides answers to some frequently asked questions submitted by foreign-invested companies in Korea and potential investors.

When a foreign investor acquires a domestic company, should he/she file a report on business combination?

When a foreign investor meets the criteria of a "company required to report its business combination", he/she shall report its business combination in the same manner as a domestic company under Article 12 of the Monopoly Regulation and Fair Trade Act. Since any business combination that restricts competition is prohibited, all cases of business combination should be examined, in principle. However, in order to reduce unnecessary burden on corporations and raise administrative efficiency, the reporting requirement is imposed only on business combinations meeting certain criteria in terms of size.



#### Companies required to report their business combination

- Reporting company (foreign investor): A company whose total assets or sales are KRW 300 billion or more
- Merged company (domestic company): A company whose total assets or sales are KRW 30 billion or more (A business combination by a company whose total assets or sales are KRW 30 billion or more of another company whose total assets or sales are KRW 300 billion or more is also subject to the reporting requirement. The total assets or sales of a company that retains the status of a subsidiary both before and after the business combination should be added.)

#### • Business combinations required to be reported

- Acquisition of stocks: Where a company acquires 20% or more (or 15% or more in the case of a listed corporation) of the total number of stocks (excluding non-voting stocks) issued by another company (including in the case when it becomes the largest shareholder by acquiring the stocks of that company additionally)
- Concurrent holding of executive position: Where an executive officer of a large company concurrently holds an executive office position in another company
- Merger: In the case of a merger of a company
- Acquisition of business: In the case of acquisition of a business by transfer
- Participation in company establishment: Where a company becomes the largest shareholder by participating in the establishment of a new company

\* When the total assets or sales of a foreign investor are not less than KRW 300 billion, its business combination can be reported after it is executed. It should be noted, however, when the total assets or sales of a foreign investor is not less than KRW 2 trillion, its business combination should be reported before the execution of the business combination (prohibition of execution). Even when a prior report is required for a business combination, a delegated agency including a foreign exchange bank can receive a notification of foreign investment.

(It does not violate the prohibition of execution.)

Call

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# **Foreign Investment Policy**

### **FDI Incentives**

The Roles of FDI Foreign direct investment offers various internal and external economic benefits, including securing stable foreign capital in the long term, creating jobs, transferring advanced technology and management techniques, and joining the global value chain, all of which contribute to potential economic growth.

Korea seeks to upgrade its industrial structure by attracting FDI in new growth engines and hightech industries, while focusing national policy on boosting technology transfer by promoting Korea as a global hub for foreign-invested companies through the establishment of regional headquarters and R&D centers, and by expanding the domestic production infrastructure for core material and components in key industries.



The Korean government provides various incentives to foreign investment accompanying high value-added business and job creation effects. These incentives serve as a catalyst for foreign direct investment.

#### IN) DETAIL

#### Korea's Incentive Policies for FDI Attraction

The criteria for granting incentives were revised to give priority on job creation effects and employment. The government will enhance support to foreign-invested companies which make Korea their regional hub by investing in R&D centers or establishing local headquarters. For customized support, the government will expand the eligibility for cash grants to high-tech industries and considerably increase relevant budgets.

[Ministry of Trade, Industry and Energy, Jan. 22, 2019]

With the amendment of the law, where a foreign-invested company reinvests its unappropriated retained earnings in the construction of new or additional factory, the amount proportional to the foreign investment ratio shall be recognized as foreign investment. (p.022) . [Ministry of Trade, Industry and Energy. Aug. 5, 2020]

\* Visa screening guidelines, etc. may change where related laws are amended.

## **3** Summary of FDI Incentives



Foreign-invested companies operating in new growth engine industries with technology essential for upgrading the domestic industrial structure and strengthening international competitiveness, or those located in a foreign investment zone, are granted reduction/exemption of customs duties and local tax. In addition, income tax is reduced or exempted for foreign engineers and employees prescribed by the relevant law.



Foreign-invested companies which operate in new growth engine industries prescribed by law or material and components industries, create jobs, or make an investment in an R&D facility in a new growth engine industry are eligible to receive a cash grant for purposes prescribed by the relevant law.



In order to attract quality foreign investment, the government has designated foreign investment zones (FIZ), free trade zones (FTZ), and free economic zones (FEZ), which offer reduced rent, tax reduction/ exemption, and location support, among other incentives.



Foreign-invested companies can receive employment and training subsidies depending on their contribution to the national economy in regard to job creation, technology transfer, and factory location. In regard to foreign investments that meet certain requirements, lease and sale of state and public property is permitted, and rent reduction or exemption is also granted.

For further inquiries, please contact the Investment Consulting Center



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# Experience Korea

# **KOREA Unique Venue**

#### Discover the unique beauty of diverse regions throughout Korea

Every month, in cooperation with the Korea Tourism Industry (KTO), Invest KOREA features one unique region in Korea as an ideal venue for corporate meetings, international conventions, and incentive travels. Read on to find out more on the KTO's Korea Unique Venue initiatives and plan your next visit to Korea!

#### What is KOREA UNIQUE VENUE?

The MICE industry is celebrated as the "golden industry without limits" of the 4th Industrial Revolution Era. With the growth of this industry, MICE venues are increasing in variety. Nowadays, corporations and institutions, which have preferred large scale convention centers in the past, are increasingly seeking out special places and experiences, or "unique venues" that showcase traditional local cultures and regional characteristics.

The Korea Tourism Organization regularly selects and promotes such unique venues that can be found all throughout the country—places with a distinct Korean charm that captivate its visitors. After various studies and evaluations on the suitability of the purpose, scale, and size of various events and meetings, the KTO has selected 39 of Korea's unique venues to fit your various needs.

These 39 "KOREA Unique Venues," which demonstrate the special characteristics of its respective region, are bound to add color to your events and provide visitors with experiences and memories beyond expectations. Korea's doors are wide open for you to experience the country's culture and beauty to their fullest.

# Incentives for **Organizers**

## Subjects of incentive support for international meetings (event hosting/global PR and event hosting support)

#### **Common Conditions:**

- 1. Meetings hosted by international organizations or members of the international organizations, or legal entities & groups which are part of international organizations that fulfill ALL of the following conditions.
- Foreigners from at least 5 or more countries shall participate in the meetings.
- Total number of meetings participants shall be at least 300 or more and foreign participants shall be at least 100 or more.
- The duration of the meetings shall be at least 3 days or longer.
- 2. Meetings hosted by legal entities & groups which are not a part of international organizations that fulfill ALL of the following conditions.
- Among the meeting participants, total number of foreign participants shall be at least 150 or more.
- The duration of the meetings shall be at least 2 days or longer.
- . . . . .

#### Subjects of incentive support for corporate meetings/incentive tours

- Common Conditions:
  - 1. Visitors should stay in Korea for at least 2 days or longer.
  - \* "NOT" applicable for hobby clubs, fan clubs, religious organizations, government officials' groups, and/or student groups.
  - 2. Among the participants, total number of foreign participants shall be at least 10 or more.

#### Additional Conditions:

- 1. Incentive Tour: Incentive Tour Groups (as performance awards), with sponsoring corporations paying for all of tour related expenses for visiting Korea.
- 2. Corporate meetings: Groups of people who are visiting Korea for meetings hosted by specific corporations for the express purpose of meetings or travels
- \* Meetings with at least 4 hours or longer shall be included in the official schedule.

For further details, please visit the K-MICE website at https://k-mice.visitkorea.or.kr.





K-MICE

## **Nurimaru APEC House**



**BUSAN** 

Nurimaru APEC House was built for the 13th APEC Leaders' Meeting, which was held in 2005. Currently utilized as an international convention center, it is a great piece of architecture where tradition, modernity and nature's beauty coexist harmoniously. With its top-of-the-line equipment and facilities, Nurimaru APEC House is the best place to hold international conferences, international academic seminars, banquets, outdoor exhibitions, and performances.

#### **Venue & Rental Information**

- · Address: 116 Dongbaek-ro, Haeundae-gu, Busan, Korea
- · Phone Number: +82-51-744-3140
- · Homepage: https://www.busan.go.kr/nurimaru/english.jsp
- · Inquiries: +82-51-740-7369/skpark@bexco.co.kr
- Major Events Held in Recent Years: The 8th FEALAC FMM (Forum for East Asia-Latin America Cooperation Foreign Ministers' Meeting) (2017) / ASEAN-Republic of KOREA Commemorative Summit Luncheon, The 1st Mekong-Republic of KOREA Summit (2019)

#### **Other Major Event Held in Recent Years**

- Name of the Event: The 3rd Working Committee Meeting of Metropolitan and Provincial Council Chairs Association of Korea (2022) / Meeting
- Date of the Event: 2022.3.17
- Name of the Event: The 3rd Working Committee Meeting of Metropolitan and Provincial Council Chairs Association of Korea. Together with the event, provincial council chairpersons of 17 metropolitan and provincial areas were appointed as honorary ambassadors of World Expo 2030, Busan, Korea.
- Participants & Number of Participants: 50 Korean provincial council chairpersons

Organization, "2022 KOREA Unique Venue"



# SpringCloud, Leading the Scalability of Autonomous Driving

#### About the Company

Founded in 2017, SpringCloud is a venture-certified and Innobiz-certified company that has been selected as a K-Global 300 company and a Super Gap Mobility provider. It is composed of a representative who developed Korea's first 360-degree surround-view parking system and 30 autonomous driving developers. The company's products include Opera Kit, Korea's first in-wheel-based autonomous driving platform, an autonomous driving full stack, 100% unmanned robot buses, and Tasio providing autonomous driving services. Most notably, SpringCloud is developing an open-source tool chain needed for testing the performance of autonomous driving, and it is the first company in Korea to commercially service autonomous shuttle buses and obtain a GS certification for its autonomous driving software.

#### Background

Autonomous driving is being applied to various types of mobility, ranging from cars to robots, ships, and agricultural machinery, and is also used for providing various services include shuttles, shipping, delivery, and robot taxis. Developing autonomous driving software for these purposes is an extensive project that is very costly and time-consuming, not to mention that verifying the stability is essential. To tackle these difficulties, SpringCloud is developing an open autonomous driving solution and is developing the key cognitive technologies for autonomous driving using its own IP. More specifically, SpringCloud is developing a solution to enable 100% unmanned driving at low-speed in designated sections, and the goal is to combine autonomous driving solutions with Tasio to apply it to various mobility applications. The company is also engaged in R&D partnership with numerous global players to seek opportunities in the global market.

#### **About the Product**

Opera Kit, the first product of SpringCloud, is open autonomous driving mobility and chassis platform for developing purpose-based vehicles (PBVs) for autonomous driving mobility services. SpringCloud provides the chassis platform as well as other resources for vehicle developers. The product consists of 1) an in-wheel-based chassis platform 2) autonomous driving sensors and systems, and 3) open source-based autonomous driving software. It is currently used for developing and educating mobility vehicle control and autonomous driving technologies at universities and research centers, as well as in autonomous driving competitions. Several mobility companies are taking interest in Opera Kit for their multiverse projects aimed at providing autonomous driving experiences and demonstration. The second product is Opera AD kit, an autonomous driving solution composed of multiple autonomous driving sensors and autonomous driving computers, and includes a full stack of software for autonomous driving. SpringCloud's autonomous driving full stack is based on Autoware, an open-source autonomous driving platform. It incorporates sensor fusion dynamic object future prediction and cognition modules built with SpringCloud's AI technologies and assessment modules and control modules designed by reflecting Korea's roads environment and scenarios. SpringCloud is providing the full stack to various customers looking to extend the performance of autonomous driving by applying it to autonomous trams and driving shuttles. The third product is Tasio, an integrated autonomous driving control platform. It provides driving status information, abnormality monitoring, maps, payments, and various additional services for autonomous mobility. Most notably, Tasio, based on a wide range of functions used for providing autonomous shuttle services and analyzing the data of multiple autonomous vehicles, succeeded in attracting numerous customers in Korea.

#### Competitive Edge and Business Strategy

SpringCloud's greatest competitiveness lies in its main autonomous driving technologies and the management's expertise, know-how, and lab-to-market capabilities in the field. The company has also been hailed as one of the leaders in autonomous mobility services in Korea (noted for its achievements in Seoul, Sejong, Daegu, Gunsan, Gyeongnam and others). As Korea's only provider of open autonomous driving mobility and solutions, SpringCloud is expanding the market by building developer groups and partnering with other developers. It is creating loyal customers and strong references based on its solid R&D and commercialization strategies, which are essential for commercializing autonomous driving technologies. To that end, SpringCloud is committed to developing autonomous driving software technologies and finding viable markets and customers for product commercialization. SpringCloud aims to gradually expand the education market, develop competitive solutions based on the market, and attract automakers, automotive electronics producers, and parts manufacturers as customers. It is also focused on expanding the market for services such as Robobus and delivery within geofenced sections that can be 100% unmanned at low speeds. Rather than being satisfied with its No. 1 position in the Korean market, SpringCloud is looking to go global by partnering with global players.

#### **Future Plans**

- Rainbow. Continued market expansion for open mobility solutions
- Technology leadership as an Autoware premium member
- Successful IPO in the first half of 2025
- Business expansion for rolling out 100% driverless Robobus in 2024
- Partnership (MoU) with domestic and global players

#### Korean partners

- XYZ Corp.: https://www.epnc.co.kr/news/articleView. html?idxno=227607
  - Collaboration in robot projects (robot coffee machines, ice cream machines, etc.)
- 2) Woojin Industrial Systems Co., Ltd.: https://kr.aving.

net/news/articleView.html?idxno=1689256

- Collaboration for the development and supply of low-floor autonomous buses
- Marine Drone Tech: https://kr.aving.net/news/article View.html?idxno=1690575
  - Collaboration for marine cleaning and drone control technology
- 4) Manna Controlled Environment Agriculture: https:// blog.naver.com/kips1214/222882198200
  - Collaboration for development of smart farming (cultivation) technology
- 5) Daeshin Urban Development: https://blog.naver.com/ kips1214/223032650029
  - Multiverse Planet (Showcasing content and services of the future to visitors)

#### Overseas partners

- 1) Tier IV, Japan: https://maily.so/jeonggyu/posts/5c0f5162
- 2) dSpace, Germany: https://www.itbiznews.com/news/ articleView.html?idxno=67822
- Innoviz Technologies, Israel: https://www.news2day. co.kr/article/20210806500304
- 4) Pix Moving, US: https://blog.naver.com/ cyrano74/222777687734
- 5) EasyMile, France: https://www.viva100.com/main/ view.php?key=20210317010004858





# Dividend Distribution under the Korean Commercial Code

#### I. Overview of Dividend Payment under the Korean Commercial

"Dividend distribution" means a company's payment of profits that it earned from business activities to its shareholders under the Korean Commercial Code (the "KCC") and is important to shareholders in terms of return on investment as well as to the company itself in terms of business policy. The KCC classifies dividends paid by a joint-stock company into regular dividends and interim dividends depending on when such dividends are paid.<sup>1</sup> Regular dividends are paid once a year by a resolution of the ordinary general meeting of shareholders ("GMS") (or the board of directors, "BOD") (Article 462 of the KCC). On the other hand, interim dividends may be paid by a company that settles accounts once a year in the event its articles of incorporation ("AOI") provides that it may pay dividends to those who are shareholders on a reference date which falls within the period of account settlement and selected by a resolution of the BOD (Article 462-3 of the KCC).

#### **II. Dividend Distribution Process**

In general, payment of cash dividends is subject to the following process:<sup>2</sup>

(1) Prior review and preparation

- Before deciding whether to pay dividends, a company confirms its net income and voluntary reserves for the current year, reviews whether there are any distributable profits, and determines the amount of dividends to be paid (for more information on the calculation of distributable profits, please refer to Section III).

<sup>1.</sup> The Financial Investment Services and Capital Markets Act (the "FSCMA") provides for an exception for listed companies to pay dividends on a quarterly basis to its shareholders as of the end of three, six, and nine months from the first day of the fiscal year in accordance with its AOI.

<sup>2.</sup> Under the KCC, dividends can be paid not only in cash but also in stock or in-kind. Dividends in stock and dividends in-kind are the same as regular dividends in the sense that they are funded by distributable profits. The only difference is the type of assets that shareholders receive as dividends.

<sup>3.</sup> Regarding dividends of listed companies, it was pointed out that the previous practice that the shareholders listed in the shareholders registry as of the end of the fiscal year are determined to be eligible to receive dividends is not consistent with the global standards. Thus, the Ministry of Justice stated in its administrative interpretation of Article 354 of KCC in January 2023 that a company may set a reference date for dividends to be a date after the date of the GMS by separating the reference date for voting rights and the reference date for dividends. In other words, a company may determine the amount of dividends at the GMS in March, decide which shareholders are eligible for dividends in early April, and then pay dividends.

Sustainoble Growth

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(2) Decision on shareholders eligible to receive dividends<sup>3</sup>

- To determine which shareholders are eligible to receive dividends, a company sets a reference date and publically announces it in newspapers or on its website in accordance with the method of public announcement set forth in the AOI two weeks prior to the reference date. However, a company whose reference date is specified in the AOI (generally, providing that the shareholders listed in the shareholders registry as of the end of the fiscal year are eligible for dividends) may skip public announcement (Article 354(4) of the KCC).

#### (3) Approval of the BOD/GMS

- In principle, a company pays regular dividends once the GMS approves the statement of appropriation of retained earnings that was approved by the BOD. However, if its AOI provides that the BOD shall approve the financial statements for a fiscal year, it may pay regular dividends by a resolution of the BOD (Articles 462(2) and 449-2 of the KCC).

- If a company settles accounts once a year and its AOI provides that it may pay dividends within such year to those who are shareholders on a reference date selected by a resolution of the BOD, the company is allowed to pay interim dividends. When the basis for interim dividends is provided for in the AOI, the BOD may resolve to pay dividends in accordance with the AOI (Article 462-3 of the KCC).

#### (4) Dividend payment

- A company is required to pay dividends within one (1) month from the resolution of regular dividend by the GMS/ BOD or the resolution of interim dividend (Article 464-2 of the KCC). However, if a company's GMS or BOD determines the dividend payment date otherwise, the company shall pay dividends on such date.

#### **III. Calculation of Distributable Profits**

#### 1. Overview

Hefty dividends may cause corporate assets to be taken out of the company excessively and therefore undermine its creditors' interests and violate the principle of capital adequacy. In order to protect creditors, the KCC limits profit distribution by a joint stock company utilizing surplus (through dividend distribution or purchase of treasury stock) to its distributable profits.

#### 2. Calculation of Distributable Profits

#### (1) Regular Dividends

Distributable profits that may be paid as regular dividends are calculated by deducting the following items from the net assets on the balance sheet: (i) the amount of capital; (ii) the total amount of capital reserve and earned surplus reserve accumulated within the applicable fiscal year; (iii) the amount of earned surplus reserves to be accumulated in the fiscal year; and (iv) unrealized profits (gains from valuation of assets or liabilities) prescribed by the Presidential Decree (Article 462(1) of the KCC). The amounts stated in items (i), (ii) and (iii) are deducted from distributable profits in order to reserve them to the company as the debtor's liability property. Deduction of item (iv), i.e., unrealized profits, was introduced

in the amendment to the KCC in 2011. Since the International Financial Reporting Standards ("IFRS") was introduced, corporate assets are no longer valued at the acquisition cost but at fair value, and this means that, under the new standards, unrealized valuation gains recorded on a company's books may be included in distributable profits although they have not been realized. If such unrealized gains are included in the distributable profits, this may result in excessive dividends and reduction of the company's net assets. Deduction of item (iv) seems to have been introduced to prevent this risk.

#### (2) Interim Dividends

The fund source to pay interim dividends from are different from distributable profits within which regular dividends are paid in the sense that interim dividends are distributed during a fiscal year. The amount that may be utilized for interim dividends are calculated by deducting the following items from the net assets on the balance sheet of the immediately preceding fiscal year: (i) the amount of capital in the immediately preceding fiscal year; (ii) the total amount of capital reserve and earned surplus reserve accumulated in the immediately preceding fiscal year; (iii) the amount determined to be distributed or paid as profit at the ordinary GMS in the immediately preceding fiscal year; and (iv) the amount of the earned surplus reserve to be accumulated in the fiscal year during which interim dividend is paid (Article 462-3(1) of the KCC). Unlike the calculation of the distributable profits within which regular dividends are paid, the unrealized profits prescribed by Presidential Decree are not deducted.

As such, the limit on interim dividends is based on the distributable profits as of the end of the immediately preceding fiscal year, and thus does not reflect the situation of the current fiscal year. If there is a risk that a company's net assets on the balance sheet of the current fiscal year would fall short of the sum of items (i) through (iv) above, which are used to calculate distributable profits for regular dividends, the company shall not pay interim dividends. If a company has paid interim dividends while its net assets on the balance sheet of the current fiscal year fall short of the sum of the above amounts, the directors shall jointly and severally compensate the company for the difference (or the dividend amount, if the dividend is less than the difference), unless the directors prove that they have not breached duty of care in determining that there was no such risk (Article 462-3(3) and (4) of the KCC).

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\* The opinions expressed in this article are the author's own and do not reflect the views of KOTRA.

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