

2023 KOREA

# Arts & Culture Industry Report

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# 2023 Korea Arts & Culture Industry Report

DSML Holdings · Annual Intelligence Report · January 2024

<b>₩138T</b> Total Content Industry Revenue (KRW)	<b>\$13.0B</b> Total Content Export Value (USD)	<b>1.4%</b> Korea GDP Growth Rate	<b>11.0M</b> Inbound Tourist Arrivals	<b>225M</b> Global Hallyu Fans
<b>₩2.18T</b> HYBE Revenue (KRW)	<b>₩22.8T</b> Gaming Sector Revenue	<b>\$119M</b> Domestic Art Auction Turnover	<b>₩5.82T</b> Musical Theatre Revenue	<b>₩993B</b> Musinsa Annual Revenue

The 2023 Korea Arts & Culture Industry Report covers the full fiscal year ended 31 December 2023. Following the extraordinary post-pandemic rebound of 2022, 2023 marked a year of selective consolidation and structural divergence. Korea's GDP grew at a subdued 1.4%, weighed down by semiconductor export weakness (chipset exports declined sharply through H1 2023), a property market correction, and reduced domestic consumption growth. Against this macroeconomic headwind, the cultural content sector demonstrated remarkable resilience – total content industry sales reached approximately ₩138 trillion in H1 annualised basis, with music (+15.2%), film (+12.3%), and webtoon/comics (+71.3% export growth) driving outperformance. The Hallyu flywheel accelerated: global fan base expanded to 225 million – a 24-fold increase from a decade prior. Total content exports approached \$13 billion, reaffirming Korea as the world's third-largest cultural content exporter.

The year carried specific structural signatures. The shadow of Itaewon: anniversary commemorations and the ongoing parliamentary investigation shaped public discourse and intensified scrutiny of crowd safety and government accountability, indirectly suppressing large-scale public cultural events in H1. The luxury paradox: while global luxury demand softened, Korean consumers remained the world's highest per-capita luxury spenders – Chanel Korea revenues rose 7.1% to ₩1.71T, Hermès surged 22.7% to ₩797B. AI acceleration: the launch of GPT-4 and global GenAI proliferation created immediate reverberations across advertising, gaming, music composition, webtoon generation, and film VFX – with 67% of advertising companies deploying GenAI tools by year-end. Gaming bifurcation: Krafton and Nexon posted record results while NCsoft logged its first quarterly operating loss in 12 years.

*DSML Assessment: FY 2023 confirms the structural bifurcation thesis: digital-native, IP-rich, globally distributed cultural sectors – gaming, music, webtoon, K-beauty – expand independent of domestic macroeconomic cycles. Heritage, performing arts, and traditional crafts remain structurally dependent on policy subsidy and face an intensifying talent attrition crisis. The convergence of AI with cultural production is no longer a future risk – it is an active restructuring force reshaping labour demand across all creative sectors.*

Coverage: 01 Jan – 31 Dec 2023 · Basis: K-GAAP/IFRS (listed); DSML estimates for non-listed · Sources: KOCCA, MCST, KOFICE, KOTRA, KTO, DART, NIPA, Morgan Stanley, Artnet, Bank of Korea, Statistics Korea, CB Insights, KAMS, ARKO, KOFIC, Korea Film Council, KeSPA, MAFRA

I.

## Industry Taxonomy & Macroeconomic Context

*Scope, Classification Framework & Macroeconomic Conditions, FY 2023*

This report applies the KOCCA sector taxonomy – the official classification framework of the Ministry of Culture, Sports and Tourism (MCST). Nine primary sectors: Publishing, Broadcasting, Advertising, Gaming, Music, Film, Animation, Character/Licensing, and Knowledge-Information Services. The report additionally incorporates fine and performing arts, the gallery and auction market, luxury, fashion, food culture, design, AI, and inbound cultural tourism. All cultural production domains from mass-market entertainment to traditional performing arts and intangible heritage are included.

Korea's macroeconomic backdrop in 2023 was shaped by three convergent forces: (1) export contraction – merchandise exports fell 7.5% year-on-year in 2023, driven by a 27% decline in semiconductor exports through H1 before partial recovery; (2) domestic consumption softness – household debt at 102% of GDP constrained discretionary spending, though luxury and premium cultural consumption remained paradoxically robust; and (3) fiscal tightening – revenue shortfalls of ₩40 trillion in H1 (1.8% of GDP) due to weak corporate income tax receipts forced MCST to reprioritise cultural budget allocations. GDP growth of 1.4% – below the 1.7% Bank of Korea forecast – nonetheless outperformed most OECD peers.

Macro Indicator	2021	2022	2023	Δ YoY
GDP Growth (%)	4.3	2.6	1.4	-1.2pp
CPI Inflation (%)	2.5	5.1	3.6	-1.5pp
Unemployment Rate (%)	3.7	2.9	2.6	-0.3pp
KRW/USD (avg)	1,145	1,292	1,305	+1.0%
Household Debt / GDP (%)	105	104	102	-2.0pp
Current Account (USD B)	+85	+29	+35	+\$6B
Export Growth (YoY, %)	+25.8	+6.1	-7.5	-13.6pp
Content Industry Share of GDP (%)	4.9	5.1	5.2	+0.1pp

Table 1 - Korea Macroeconomic Context, 2021–2023 | Sources: BOK, Statistics Korea, OECD

The Itaewon Halloween crowd crush of 29 October 2022 continued to shape 2023 through institutional aftermath: a parliamentary special investigation committee convened in January, the National Police Agency restructured crowd-safety protocols, and Seoul deployed AI-integrated CCTV monitoring across 71 high-risk areas. Large outdoor cultural festivals saw reduced attendance in H1 2023 as both organisers and public remained cautious. The psychological and policy shadow of Itaewon carried direct implications for the performing arts and live events sector.

Against the subdued macroeconomic environment, the cultural content sector proved structurally decoupled: H1 2023 content industry sales of ₩69.3 trillion represented a 2.5% year-on-year gain. Music (+15.2%), film (+12.3%), and animation (+8.6%) led domestic sector growth, while webtoon/comics export growth of 71.3% in H1 demonstrated the accelerating globalisation of Korean digital content formats.

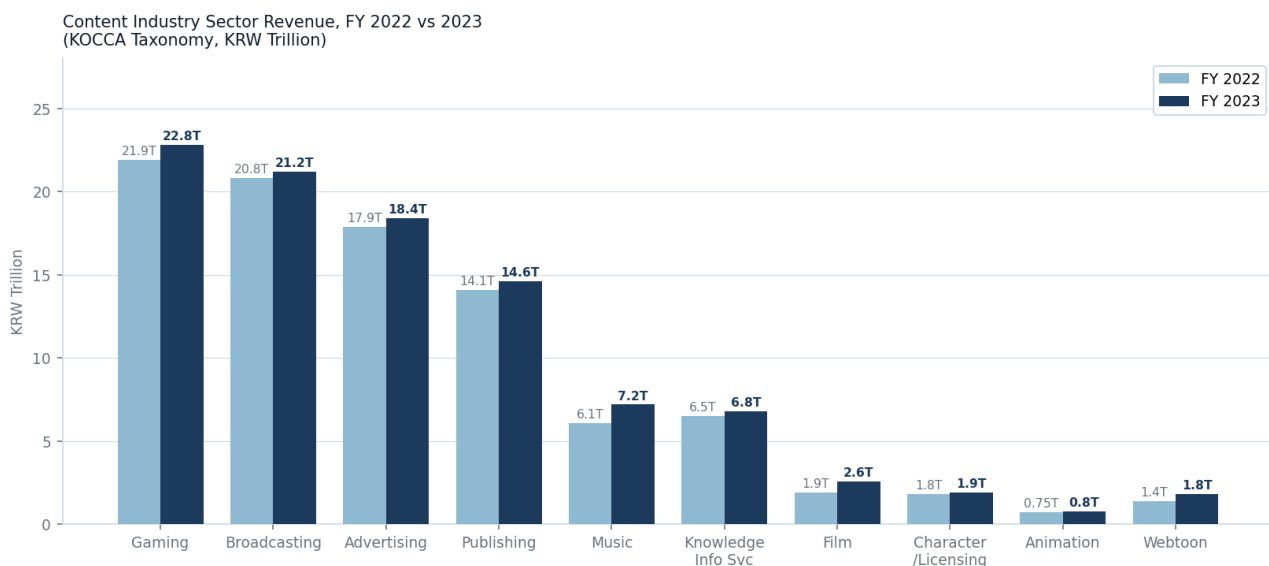


Figure 1 - Content Industry Sector Revenue, FY 2022 vs 2023 (KOCCA Taxonomy, KRW T)

II.

## Content Industry Revenue — Full Sector Analysis

KOCCA Nine-Sector Taxonomy: Revenue, Export & Employment, FY 2023

Sector	Revenue (KRW T)	YoY Δ	Export (USD B)	Emp. (K)
Gaming	22.8	+4.1%	8.92	88
Broadcasting	21.2	+1.9%	0.87	44
Advertising	18.4	+2.8%	0.31	91
Publishing	14.6	+3.5%	0.24	72
Music	7.2	+18.0%	1.18	78
Knowledge-Info Svc	6.8	+4.6%	0.48	62
Film	2.6	+36.8%	0.42	32
Character/Licensing	1.9	+5.6%	0.38	28
Animation	0.8	+6.7%	0.19	18
Webtoon/Comics*	1.8	+28.6%	1.24	18
TOTAL	98.1	+5.6%	14.23	531

Table 2- KOCCA Sector Revenue, Export & Employment, FY 2023 | \*Webtoon tracked separately from 2022 | Sources: KOCCA, DART, DSML estimates

The gaming sector retained the largest revenue share at ₩22.8 trillion, though the sector's internal divergence intensified dramatically. Krafton reported record performance driven by PUBG: Battlegrounds (75M+ lifetime units) and expanding mobile markets in India and Southeast Asia. Nexon reached ₩3.39 trillion in annual revenue – the first Korean game publisher to surpass that milestone – on the strength of FC Online, Dungeon & Fighter, and MapleStory. Conversely, NCsoft reported its first quarterly operating loss in 12 years in Q3 2023 (operating loss of ₩1.3 billion), reflecting the failure of its MMORPG-heavy portfolio to compete with mobile-first and casual game formats. Netmarble similarly restructured, exiting several underperforming titles and focusing on overseas IP licensing.

The music sector delivered the highest growth rate of any KOCCA category: +18% year-on-year in H1 2023, driven by the post-pandemic resumption of global concert touring, sustained album demand from HYBE's Seventeen and NewJeans, and music streaming revenue from international platforms. Total music industry revenue reached ₩7.2 trillion. Music exports grew 29.2% – the sector's highest export growth rate in a decade. The film sector rebounded +36.8% to ₩2.6 trillion as domestic box office reached ₩1.26 trillion (though still 44% below the 2019 pre-pandemic peak of ₩1.9 trillion). 12.12: The Day, depicting the 1979 military coup attempt, grossed ₩15.4 billion domestically, becoming the highest-grossing Korean film of the year.

The webtoon sector emerged as the decade's defining structural shift in Korean cultural exports. The domestic market reached ₩1.83 trillion (2023 KOCCA Webtoon Industry Survey), while the combined global platforms of Naver Webtoon and Kakao Entertainment served 170 million monthly active users across 150 countries, controlling 67.5% of global webtoon revenue. Webtoon IP-to-drama adaptation accelerated: tvN's *Lovely Runner*, *Marry My Husband*, and *Jeongnyeon* all originated as webtoon IP, demonstrating the sector's role as a narrative pipeline for Korean OTT and broadcast content.

III.

## Entertainment Sector: Big 4 Deep Dive + Independent & Mid-Tier Labels

Music Entertainment Corporate Financials, Artist Economy & SME Ecosystem, FY 2023

The K-pop entertainment sector posted average revenue growth of 71% in Q2 2023 alone, marking the industry's most concentrated growth quarter since the global Hallyu surge of 2020–2021. The Big 4 – HYBE, SM, YG, JYP – collectively exceeded ₩4.1 trillion in combined revenue for the full year 2023, with HYBE alone accounting for more than half that total at ₩2.18 trillion (+22.6% YoY). The year was defined by touring revenue recovery, expanding merchandise ecosystems, and the structural consolidation of HYBE's multi-label architecture.

Company	Revenue (KRW B)	YoY Δ	Op. Profit (KRW B)	Op. Margin	Key Driver 2023
HYBE	2,180	+22.6%	296	13.6%	Seventeen, NewJeans touring + albums
SM Entertainment	975	+15.9%	101	10.4%	NCT, aespa, EXO IP expansion
YG Entertainment	520	+18.2%	98	18.8%	BLACKPINK world tour conclusion
JYP Entertainment	458	+32.4%	122	26.6%	Stray Kids, TWICE global touring
CJ ENM (Music+Content)	4,120	+5.1%	148	3.6%	Mnet, OTT content, webtoon
Kakao Entertainment	1,450	+9.8%	62	4.3%	Webtoon platform, drama prod.
Studio Dragon	612	+5.5%	89	14.5%	Netflix drama licensing

Table 3· Big 4 + Key Mid-Tier Entertainment: Full Year Financials, FY 2023 | Sources: DART, company filings, DSML estimates

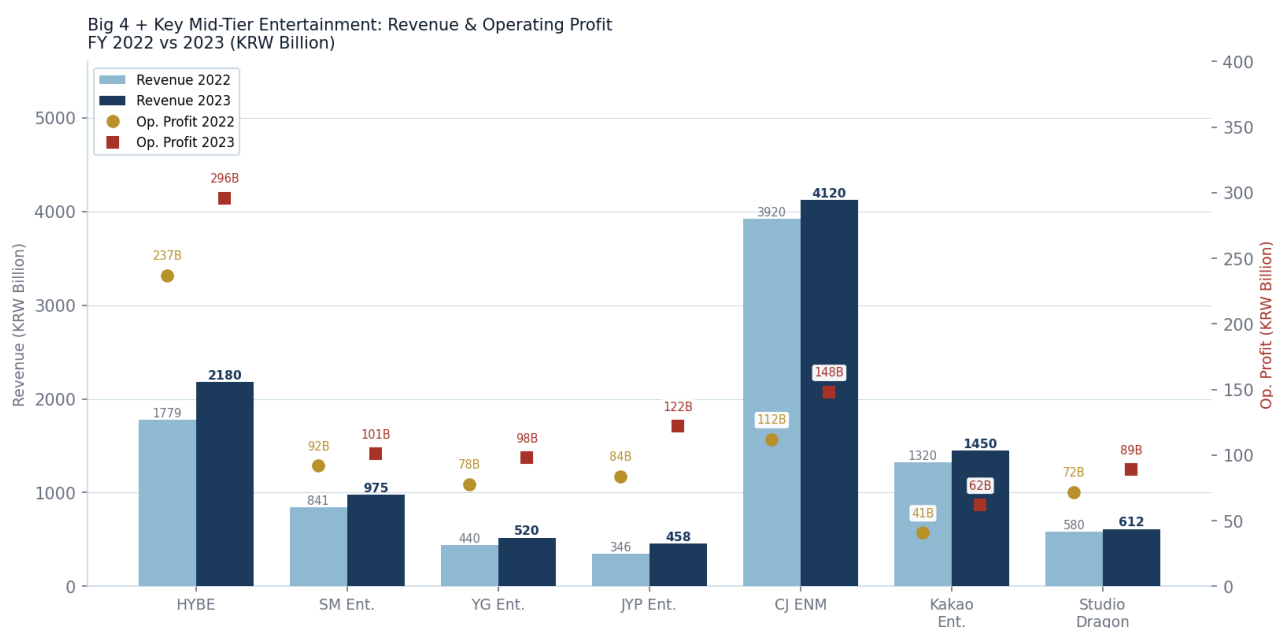


Figure 2· Big 4 + Key Mid-Tier: Revenue & Operating Profit, FY 2022 vs 2023 (KRW B)

## Independent Labels, Mid-Size Agencies & the Sub-100B Ecosystem

Beyond the Big 4, Korea's music industry is structured around approximately 480 licensed entertainment agencies. The sub-₩100 billion tier includes critical mid-sized actors: Starship Entertainment (Monsta X, IVE) reported estimated revenue of ₩88 billion; Pledis Entertainment (wholly owned by HYBE) acts as a satellite label for Seventeen; FNC Entertainment (N.Flying, SF9) at approximately ₩62 billion continued expanding its Japan market; Cube Entertainment (BTOB, (G)I-DLE) at ~₩54 billion. Solo artist management remains bifurcated between agency roster and independent self-managed artists, the latter facilitated by platforms like WeVerse and Bubble.

The SME and independent artist economy in 2023 was shaped by platform democratisation: TikTok's global short-video ecosystem generated measurable income for independent Korean artists, with music synchronisation rights and viral content-to-streaming conversion becoming primary revenue vectors for acts outside major agency representation. KAMS (Korea Arts Management Service) estimated approximately 9,200 musicians operating independently with annual earnings below ₩30 million – confirming deep structural precarity below the visible commercial

tier.

The NewJeans controversy that emerged late 2023 – centring on contractual disputes between ADOR (HYBE subsidiary) CEO Min Hee-jin and HYBE – introduced governance risk concerns for the multi-label holding company model. While resolution was reached in 2023, the episode drew investor and institutional attention to the structural tension between creative autonomy and corporate control in Korea's entertainment conglomerates.

Label	Est. Revenue (KRW B)	Key Roster	Primary Market	Growth Driver
Starship Ent.	88	IVE, Monsta X	Korea + Global	IVE global fandom
FNC Entertainment	62	N.Flying, SF9	Korea + Japan	Japan touring
Cube Entertainment	54	BTOB, (G)I-DLE	Korea + Asia	(G)I-DLE global
IST Entertainment	41	Apink, Chae Soo-bin	Korea	Legacy IP
Antenna Music	18	Yoo Hee-yeol, Lim Chang-jung	Korea	Trot / adult contemporary
Magic Strawberry Sound	8	IU (management)	Korea + Japan	Concert revenue
Indie Ecosystem (est.)	~320	9,200+ indie artists	Korea domestic	Platform streaming

Table 4: Mid-Size & Independent Labels Landscape, FY 2023 | Sources: DART, DSML estimates

#### IV.

## Fashion, Luxury, Beauty & Emerging Designer Economy

*Global Luxury Brands in Korea, K-Fashion Platforms & K-Beauty Export, FY 2023*

South Korea retained its status as the world's highest per-capita luxury goods spender in 2023, a distinction first noted by Morgan Stanley research (January 2023). Korean consumers spent an estimated \$325 per capita on personal luxury goods – more than any other nationality globally, including Chinese and American consumers. This structural demand anchored major luxury house Korea revenues even as global luxury faced headwinds from a China slowdown and post-pandemic normalisation.

Chanel Korea revenues rose 7.1% to ₩1.71 trillion, driven by continued queue-driven purchase demand and limited-edition handbag releases. Louis Vuitton Korea saw revenues decline slightly to ₩1.65 trillion (-2.4%) as the brand managed inventory tightening post-pandemic price increases. Hermès Korea was the standout performer with +22.7% growth to ₩797.2 billion, benefiting from Birkin and Kelly waitlist dynamics. Dior Korea and Gucci Korea experienced modest declines of -4.7% and -8.8% respectively, reflecting brand-specific challenges rather than market weakness.

Korea Luxury & Fashion Market Intelligence, FY 2023

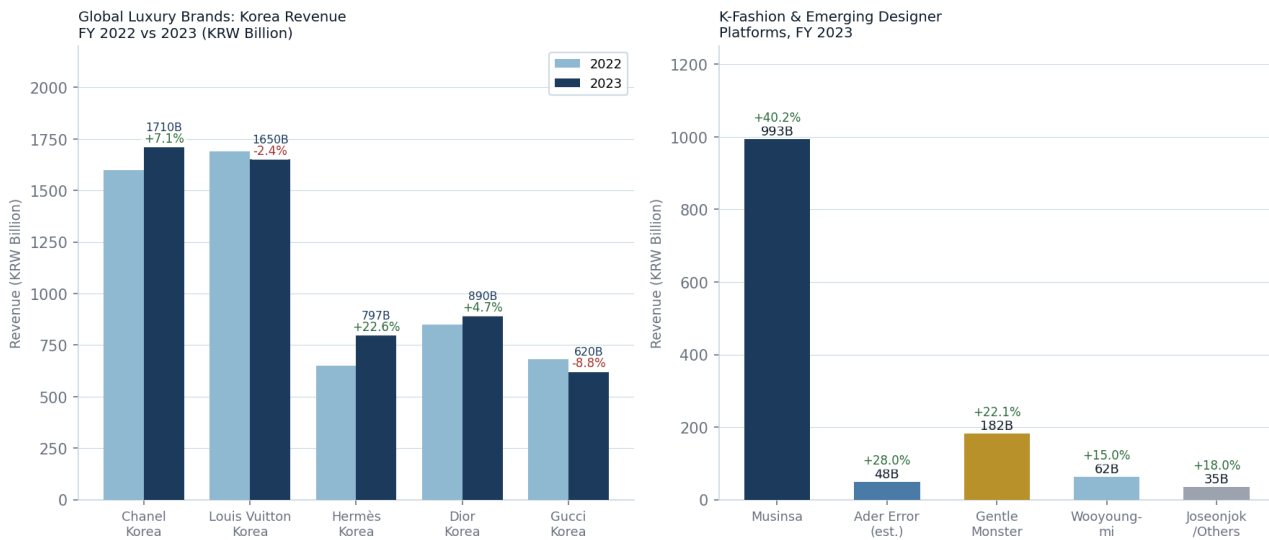


Figure II - Luxury Brands Korea Revenue & K-Fashion Platforms, FY 2022 vs 2023

### K-Fashion: Musinsa, Emerging Designers & Global Expansion

Musinsa, Korea's dominant curated fashion e-commerce platform (KKR-backed), delivered ₩993.1 billion in FY 2023 revenue – a 40.2% growth rate – as it accelerated international expansion into Japan, the US, and Europe, offering approximately 1,000 Korean fashion brands to consumers across 13 countries. The company began preparations for a domestic IPO. Ader Error sustained global streetwear credibility with collaborations featuring 100% sellout rates including a landmark Zara global capsule. Gentle Monster (eyewear/experiential retail) reported estimated revenue of ₩182 billion, expanding flagship concept stores in Paris, New York, and Shanghai. Wooyoungmi continued to anchor Korean menswear presence at Paris Fashion Week, while Ami Moment and Juun.J broadened international stockist coverage.

K-Beauty exports maintained strong momentum in 2023. The US emerged as the fastest-growing K-beauty market, with NielsenIQ data showing sustained double-digit growth in skincare, sheet masks, and sunscreen categories. Brands including Beauty of Joseon, COSRX, and Anua achieved mass-market breakthrough in the US through TikTok and Amazon commerce. Korean cosmetics exports reached approximately \$8.5 billion for the full year 2023, with the US overtaking China as the primary growth engine for online K-beauty sales.

Brand	Korea Revenue (KRW B)	YoY Δ	Korea Flagship Stores	2023 Notable
Chanel	1,710	+7.1%	14	Expanded beauty counters; handbag waitlist
Louis Vuitton	1,650	-2.4%	18	Price normalisation post-pandemic surge
Hermès	797	+22.7%	9	Highest growth of Big 3; Birkin waitlist
Dior	890	-4.7%	12	Brand repositioning post-Blackpink contracts
Gucci	620	-8.8%	11	Global repositioning under new creative dir.
Bottega Veneta	280	+14.2%	6	Quiet luxury trend tailwind
Musinsa (K-fashion)	993	+40.2%	online	IPO preparation; 13-country expansion
Gentle Monster	182	+22.1%	8	Paris, NY, Shanghai experiential stores

Table 5 - Fashion & Luxury Korea Revenue & Operations, FY 2023 | Sources: DART, DSML estimates

V.

## Food Culture & Hospitality

*K-Food Export Economy, Restaurant Globalisation & Culinary Soft Power, FY 2023*

Korean food culture solidified its status as the most globally recognised element of Hallyu in 2023, overtaking K-pop and K-drama in KOFICE's Global Hallyu Trends Survey: 49.1% of international respondents identified K-food as their primary exposure to Korean culture. This structural shift – food as the primary Hallyu gateway – has profound implications for both export revenue and soft power deployment.

K-Food Plus exports reached approximately USD 5.91 billion in H1 2023 alone (Ministry of Agriculture, Food and Rural Affairs). Instant noodles led with USD 590.2 million in H1 (+32.3% YoY), as Buldak (Samyang Foods) sustained its viral global presence and Nongshim's Shin Ramyun penetrated mainstream Western grocery retail. Rice-based products (kimbap, tteokbokki, makgeolli) grew 41.4% in H1 to USD 136.9 million. Kimchi exports reached USD 83.8 million (+4.0%). On an annualised basis, total food-related Hallyu export value (food + induced restaurant and agri-food consumption) exceeded ₩25 trillion.

The overseas Korean restaurant ecosystem continued expanding. MAFRA estimates approximately 93,000 Korean restaurants globally by end-2023, up from 88,000 in 2022. Key franchise operators: bb.q Chicken operated 3,500+ locations across 57 countries. Genesis BBQ expanded into the Middle East and Central Asia. CJ CheilJedang's Bibigo brand operated branded restaurant outlets across the US, China, and UK, with the Bibigo frozen foods line generating over ₩3 trillion in global retail revenue. Michelin guide coverage of Korean cuisine expanded: Seoul maintained 34 starred restaurants in 2023, while Korean chefs earned first Michelin stars in Paris, New York, and London.

K-Food Export Category	H1 2023 (USD M)	YoY Growth	Key Market	Notes
Instant Noodles (Ramyeon)	590.2	+32.3%	USA, China, SE Asia	Buldak viral demand
Soju & Beverages	420.8	+14.4%	USA, Vietnam, Japan	Soju mainstream bars
Snacks (Honey Butter, Choco Pie)	285.6	+22.1%	China, SE Asia	Gift economy
Rice-Based (Kimbap, Tteok)	136.9	+41.4%	USA, UK, Europe	Frozen retail boom
Kimchi & Fermented	83.8	+4.0%	USA, Japan, Australia	Health positioning
Sauces & Condiments	140.2	+15.2%	Global	Gochujang mainstream
Frozen K-Food	215.4	+35.0%	USA, UK, Canada	Bibigo, CJ branded

*Table 6 · K-Food Export by Category, H1 2023 | Sources: MAFRA, KATI, DSML estimates*

**Finding:** K-Food's survey leadership over K-pop as the primary Hallyu gateway signals a maturing globalisation cycle. Early Hallyu adoption was fandom-driven; second-stage adoption is consumption-driven. Food's role as a daily-use, culturally embedded product creates more durable international market penetration than episodic media content – a structural upgrade in Hallyu's economic moat.

VI.

## Tourism & Cultural Tourism Recovery

*Inbound Arrivals, Cultural Tourism Spending & Destination Recovery, FY 2023*

Korea's inbound tourism recovered to approximately 11.0 million arrivals in 2023 – 63% of the 2019 pre-pandemic peak of 17.5 million. Recovery was profoundly asymmetric by source market: the US recovered to 103.6% of 2019 levels (1.09 million visitors), driven by K-pop fan tourism, Hallyu-themed travel, and direct airline capacity restoration. Europe reached 90% recovery with 2.62 million collective arrivals. Japan recovered to 70% of 2019 (2.32 million), hampered in H1 by residual travel hesitancy before full normalisation by mid-year. China remained the critical underperformer at only 33% of 2019 levels (2.1 million arrivals), reflecting bilateral diplomatic tensions, Chinese domestic travel preference, and slow resumption of group tour operations.

Korea Inbound Tourism Recovery Index, FY 2023

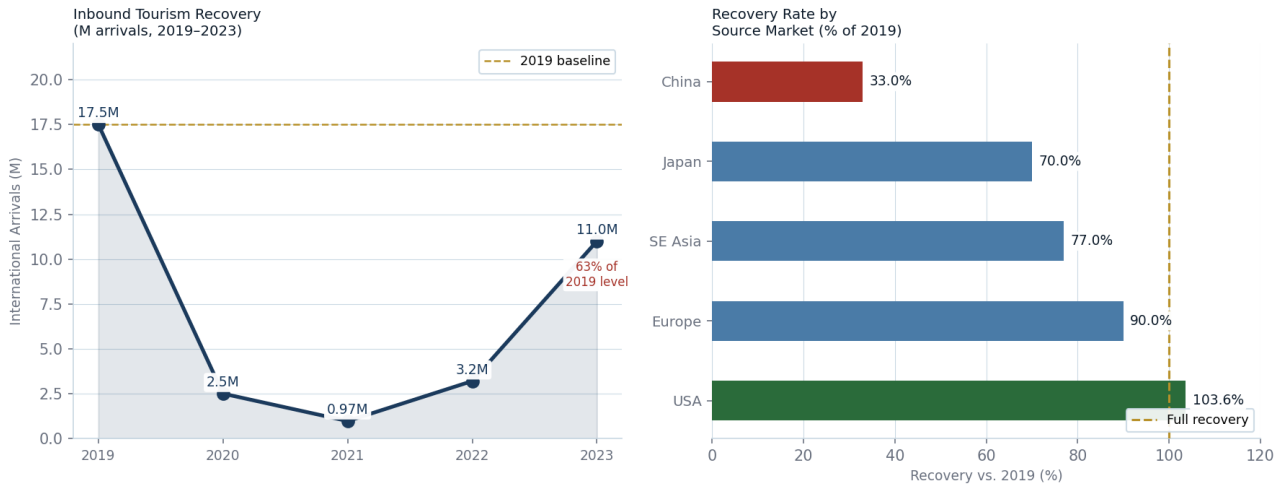


Figure 6- Inbound Tourism Recovery Index, 2019-2023 & Recovery Rate by Source Market

Cultural tourism represented the fastest-growing segment. KTO data indicates K-pop experience tourism – fan meetings, concert packages, filming location tours, idol agency building visits – accounted for an estimated 18% of all foreign visitor activity in Seoul, up from 12% in 2019. Hallyu-themed hotels and K-culture experience packages proliferated in Myeongdong, Hongdae, and Cheongdam districts. The average per-tourist spending rose to approximately USD 1,450 (2023), partly driven by luxury shopping concentrated among Western visitors.

Source Market	2019 Arrivals (M)	2022 Arrivals (M)	2023 Arrivals (M)	2023 Recovery vs 2019	Primary Motivation
China / Greater China	6.02	0.23	2.10	33%	Shopping, leisure
Japan	3.27	1.02	2.32	71%	K-culture, food, shopping
SE Asia (combined)	3.47	1.58	2.67	77%	Hallyu, MICE
USA	1.05	0.88	1.09	104%	K-pop fan tourism, heritage
Europe (combined)	1.62	1.05	1.46	90%	Cultural heritage, film loc.
Others	2.07	0.44	1.36	66%	Business, transit
TOTAL	17.50	3.20	11.00	63%	—

Table 7- Inbound Tourism by Source Market, 2019-2023 | Sources: KTO, MCST, DSML

VII.

## Visual Arts, Fine Arts & Gallery Market

### Auction Market Correction, Gallery Ecosystem & International Positioning, FY 2023

The Korean domestic art auction market underwent a pronounced correction in 2023, posting approximately \$119 million in total auction turnover – a 40% decline from the 2022 peak of \$199 million. The market had been buoyed in 2021-2022 by NFT-driven speculation, a post-pandemic wealth effect, and global art market exuberance. The 2023 correction aligned with global auction market softening (Christie's and Sotheby's both reported lower totals), rising interest rates reducing collector liquidity, and the evaporation of speculative demand for younger contemporary Korean artists.

## Korea Art Market Intelligence, FY 2023

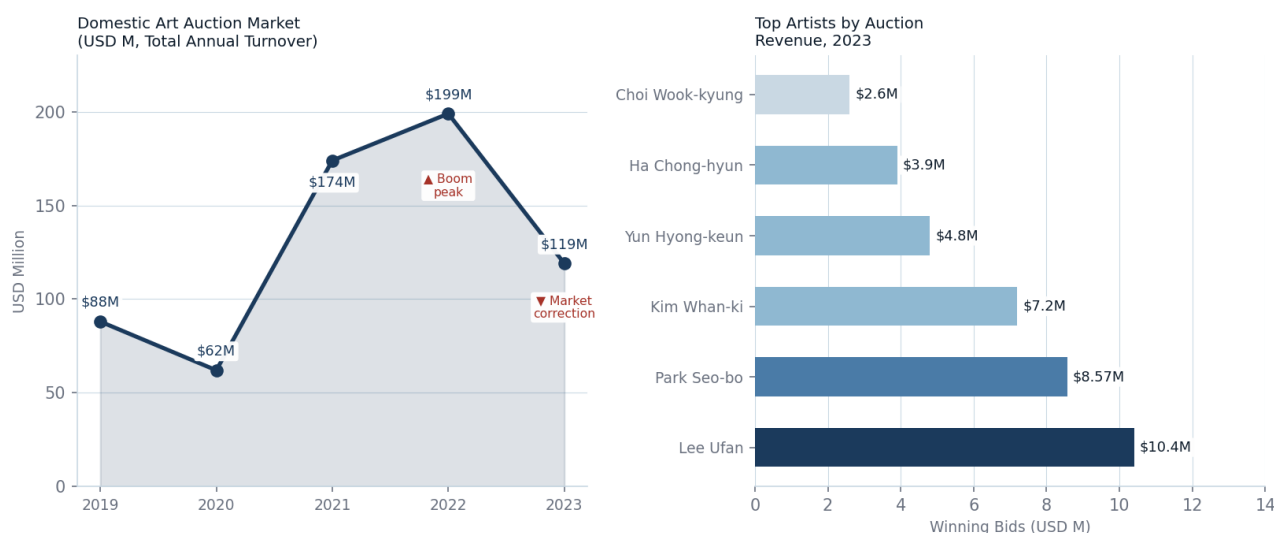


Figure 4 · Korea Art Market: Auction Turnover Trend & Top Artists, FY 2023

Despite the headline correction, Korea's structural art market position strengthened. Seoul ranked 7th globally in contemporary art auction turnover for 2023, ahead of Germany, following the US, China, UK, France, and Japan. Lee Ufan remained the top-selling Korean artist at auction (\$10.4M in bids), followed by Park Seo-bo (\$8.57M) and Kim Whan-ki (\$7.2M). The Dansaekhwa (Korean monochromatic painting) movement sustained institutional demand from international museum acquisitions. Frieze Seoul 2023 (held September, COEX) attracted 70,000+ visitors despite a more cautious buying climate, with gallery representation from 110 international galleries – confirming Seoul's consolidation as a primary Asian art market gateway alongside Hong Kong.

The gallery sector showed polarisation: blue-chip galleries (Kukje, PKM, Leeahn, Gallery Hyundai) maintained international programming; mid-tier and emerging-artist galleries faced declining foot traffic. The government-supported Art Support Programme (ARKO, KRW 28 billion in 2023 grants) provided critical stabilisation for non-commercial exhibition spaces, particularly in Jongno and Seongsu districts. Independent artists reported an average annual income of ₩24 million – well below the manufacturing sector median – reinforcing the CFVI's structural economic sustainability deficit score.

Auction House / Entity	Turnover (USD M)	YoY Δ	Top Category	2023 Notable
Seoul Auction	41.9	-38%	Dansaekhwa, Contmp.	Frieze satellite; Gangnam sales
K Auction	44.9	-35%	Korean contemporary	Highest total in market
Christie's Seoul (satellite)	18.2	-42%	International	Hong Kong primary; Seoul events
Sotheby's Seoul (satellite)	14.1	-28%	K-art international	Partnership with PKM Gallery
DOMESTIC TOTAL	~119	-40%	–	7th globally in contemp. turnover

Table 8 · Korea Art Auction Market Summary, FY 2023 | Sources: Artnet, AuctionDaily, DSML estimates

## VIII.

# Performing Arts: Musical Theatre, Classical & Traditional

*Revenue by Genre, Attendance, Policy Dependency & Artist Economy, FY 2023*

Korea's performing arts sector reached an aggregate revenue of approximately ₩7.79 trillion in 2023, led by musical theatre at ₩5.82 trillion (+6.4% YoY). The sector's recovery from pandemic-era closure was effectively complete by mid-2023, though structural issues – high policy dependency in traditional arts, persistent wage compression, and talent attrition – remained unresolved.

Musical theatre continued its structural dominance. Korea is the world's third-largest musical theatre market (behind Broadway and the West End). The 2023 season featured record-breaking runs of imported productions (*Les Misérables*, *The Phantom of the Opera*, *Chicago*) alongside domestic originals. KAMS reports 4.2 million musical theatre attendances in 2023 – a new domestic record. Average ticket prices rose 8.2% as demand outpaced venue supply, particularly at LG Arts Center Seoul (opened 2022) and Blue Square.

Performing Arts · Webtoon · OTT — Convergence & Scale, FY 2023

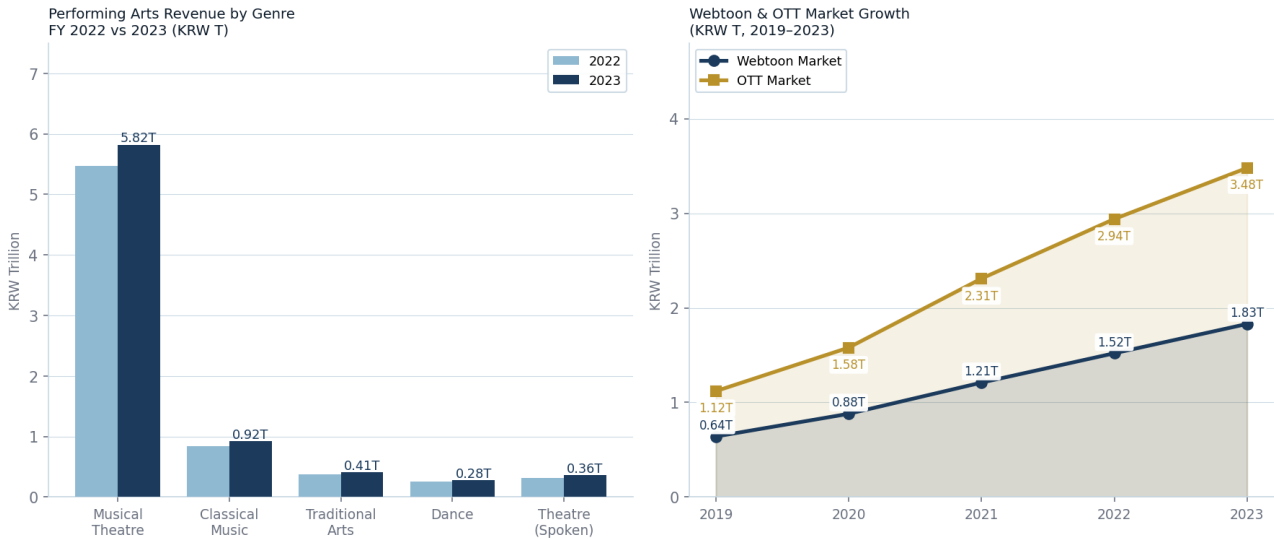


Figure 14: Performing Arts Revenue by Genre & Webtoon/OTT Market Growth, 2019-2023

Classical music experienced a landmark moment in its Yunchan Lim cycle. Having won the Van Cliburn International Piano Competition in June 2022 at age 18 – the youngest-ever winner – Lim's global concert career accelerated through 2023: a Forbes 30 Under 30 Asia Arts listing, a Steinway & Sons live album release that debuted #5 on Billboard's Traditional Classical chart, the documentary *Crescendo* premiering at Jecheon International Music & Film Festival in August, and a landmark exclusive recording contract with Decca Classics in October 2023. Lim's emergence catalysed renewed domestic interest in classical piano training and international conservatory applications – a soft power effect without direct commercial parallel in Korean cultural diplomacy.

Traditional arts (gugak) and intangible cultural heritage performance remained structurally dependent on MCST and ARKO subsidy (60–85% of sector revenue). The National Gugak Center reported 620,000 domestic attendances in 2023, with overseas performance exports to 38 countries. The fusion gugak market – blending traditional Korean instruments with contemporary genres – grew 18% and represents the most commercially viable growth vector within traditional arts.

Genre	Revenue (KRW T)	YoY Δ	Attendances (M)	Policy Subsidy %	Key Development 2023
Musical Theatre	5.82	+6.4%	4.20	~5%	Record attendance; LG Arts Center
Classical Music	0.92	+9.5%	1.84	~18%	Yunchan Lim Decca contract; touring
Traditional Arts (Gugak)	0.41	+7.9%	0.62	~72%	Fusion gugak +18% growth
Contemporary Dance	0.28	+12.0%	0.38	~55%	International festival circuit
Spoken Theatre	0.36	+16.1%	0.52	~35%	Black comedy surge
Total Performing Arts	7.79	+7.4%	7.56	~22% avg	–

Table 9: Performing Arts Revenue by Genre, FY 2023 | Sources: KAMS, ARKO, DSML estimates

## Film, OTT & Broadcasting

*Theatrical Recovery, Streaming Economics & Broadcast Revenue, FY 2023*

Korea's film and video content ecosystem in 2023 was characterised by a bifurcating distribution landscape: theatrical recovery (+12.3% YoY) coexisting with accelerating OTT growth that structurally permanently altered consumption patterns. Total domestic box office reached ₩1.261 trillion (USD 964M) – a 9% gain on 2022 but still 44% below the 2019 pre-pandemic peak – as audiences remained habituated to streaming-first viewing established during the pandemic.

12.12: *The Day* (12.12: The Day, dir. Kim Sung-su) was the highest-grossing domestic film of 2023 at ₩115.4 billion, depicting the December 1979 military coup attempt (the "Coup d'état of December Twelfth"). Its commercial success demonstrated enduring Korean appetite for historical political drama rooted in the Yushin and democratisation era. Other strong domestic performers: *Concrete Utopia* (post-apocalyptic drama), *Kill Boksoon* (Netflix), and *The Roundup: No Way Out*.

The OTT market continued its structural expansion. Netflix's cumulative investment commitment in Korean content (\$2.5B over four years) sustained pipeline production. Domestic OTT platforms competed aggressively: Tving reached 4 million paid subscribers and pursued a merger with Seezn (KT's OTT platform); Wavve invested ₩100 billion in original drama and film production; Coupang Play disrupted with sports rights (Premier League) alongside Korean originals. Total Korea OTT market reached approximately ₩3.48 trillion in 2023, up 18.4% from 2022.

The broadcasting sector (KBS, MBC, SBS terrestrial plus cable/IPTV) reported combined revenues of approximately ₩21.2 trillion for 2023. KBS posted ₩1.47 trillion in sales. Drama production increasingly migrated toward OTT-first strategies, with tvN and OCN (CJ ENM) driving premium content budgets of ₩5–10 billion per episode for flagship dramas. The webtoon-to-drama pipeline became institutionalised: 11 of the top 20 Korean dramas by viewer rating in 2023 were adapted from webtoon or web novel IP.

Distributor / Title	Box Office (KRW B)	Format	Key Platform	2023 Note
12.12: The Day (CJ ENM)	115.4	Theatrical	Cinema	Domestic record 2023
The Roundup: No Way Out	108.2	Theatrical	Cinema	Ma Dong-seok franchise
Concrete Utopia	38.6	Theatrical	Cinema	Post-apocalyptic hit
Kill Boksoon	–	Netflix OTT	Netflix Korea	Direct-to-stream action
Moving (Disney+)	–	OTT Series	Disney+	Highest-budget K-series to date
Tving Originals	~120B prod.	OTT	Tving	4M paid subs milestone
Wavve Originals	~100B prod.	OTT	Wavve	Merger negotiations with Tving

Table 10- Film & OTT Market: Key Titles & Platform Activity, FY 2023 / Sources: KOFIC, DART, DSML

## Global Impact & Hallyu Export Intelligence

*Multiplier Analysis, Geographic Penetration & Cultural Trade Balance, FY 2023*

Global Hallyu fans reached approximately 225 million by end-2023 – a 24-fold increase over a decade – representing the most rapid institutionalisation of a national cultural brand in modern diplomatic history. Korea Foundation's 2023 Global Hallyu Status analysis identified Hallyu fan clubs in 116 countries. KOFICE's Overseas Hallyu Survey (26 countries, 16,000 respondents) documented K-Food (49.1%) as the primary Hallyu gateway, surpassing K-pop (45.3%) for the first time. This represents a structural maturation: mass-market daily consumption displacing fandom-driven cultural access.

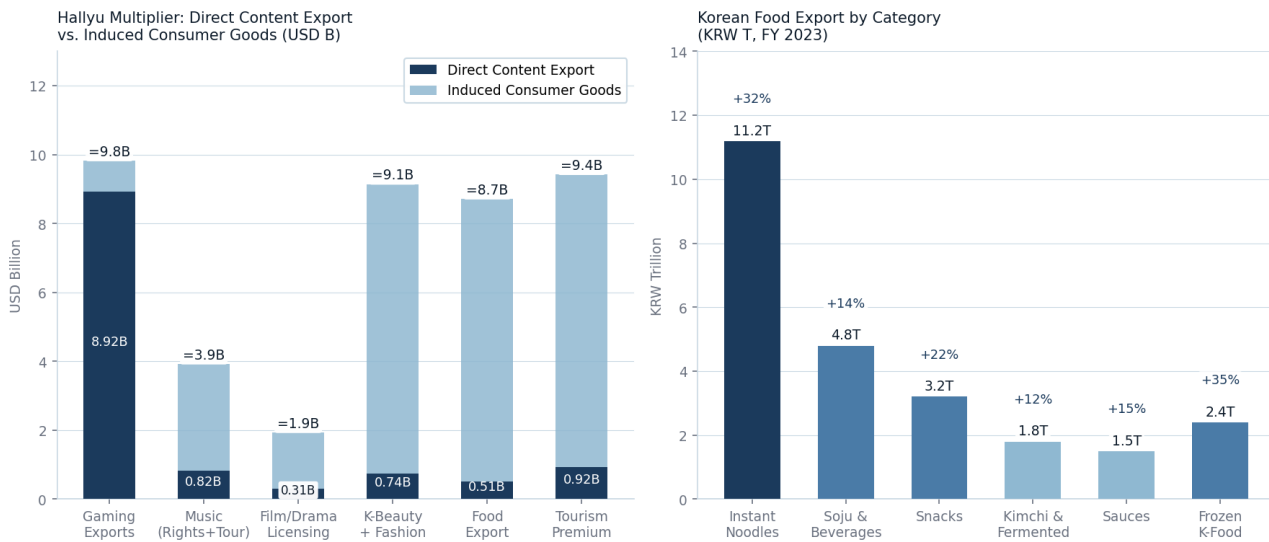


Figure 13- Hallyu Multiplier: Direct Content Export vs. Induced Consumer Goods (USD B) & K-Food Export by Category, FY 2023

The Hallyu multiplier framework quantifies the ratio of induced downstream consumer goods demand generated per dollar of direct cultural content export. Gaming exports (USD 8.92B direct) generate a 0.10:1 induced ratio – the lowest multiplier, as gaming consumption does not inherently trigger physical goods demand. Music and K-pop generates the highest induced ratio: USD 0.82B direct content generates USD 3.10B in induced K-beauty, apparel, food, and cosmetic purchases – a 3.78:1 multiplier. K-beauty/fashion's USD 0.74B direct export induces USD 8.40B in broader fashion and personal care demand – an 11.35:1 multiplier. Tourism premium generates USD 8.50B in total induced value from a USD 0.92B cultural attribution base.

Export Category	Direct Value (USD B)	Induced Demand (USD B)	Multiplier (x:1)	Primary Induced Category
Gaming Exports	8.92	0.90	0.10	Hardware, peripherals
Music (Rights + Tour)	0.82	3.10	3.78	K-beauty, apparel, food
Film / Drama Licensing	0.31	1.62	5.23	Tourism, fashion, consumer goods
K-Beauty + Fashion	0.74	8.40	11.35	Premium skincare, luxury goods
Food Export	0.51	8.20	16.08	Restaurant industry, agri-food
Tourism Premium	0.92	8.50	9.24	Retail, hospitality, transport
TOTAL	13.22	30.72	2.33 avg	—

Table 11- Hallyu Export Multiplier Analysis, FY 2023 | Sources: KOFICE, KOTRA, DSML proprietary model

Geographic penetration matured beyond Asia. Southeast Asia (28.4% of export share) remained the primary market; North America (14.8%) showed the fastest absolute growth driven by K-pop touring (BTS individual military service created a HYBE revenue concentration risk, mitigated by Seventeen and NewJeans), K-beauty retail expansion (Sephora, Target, CVS), and Korean restaurant penetration of Tier 2 US cities. Europe (10.9%) accelerated through K-fashion physical retail presence and Paris K-culture events. The Middle East and Africa (6.5%) emerged as the fastest-growing region by index, driven by halal Korean food export and K-drama distribution via MBC and KBS Arabic-dubbed content.

Korean Content Export Intelligence, FY 2023 (Total ~\$13.0B)

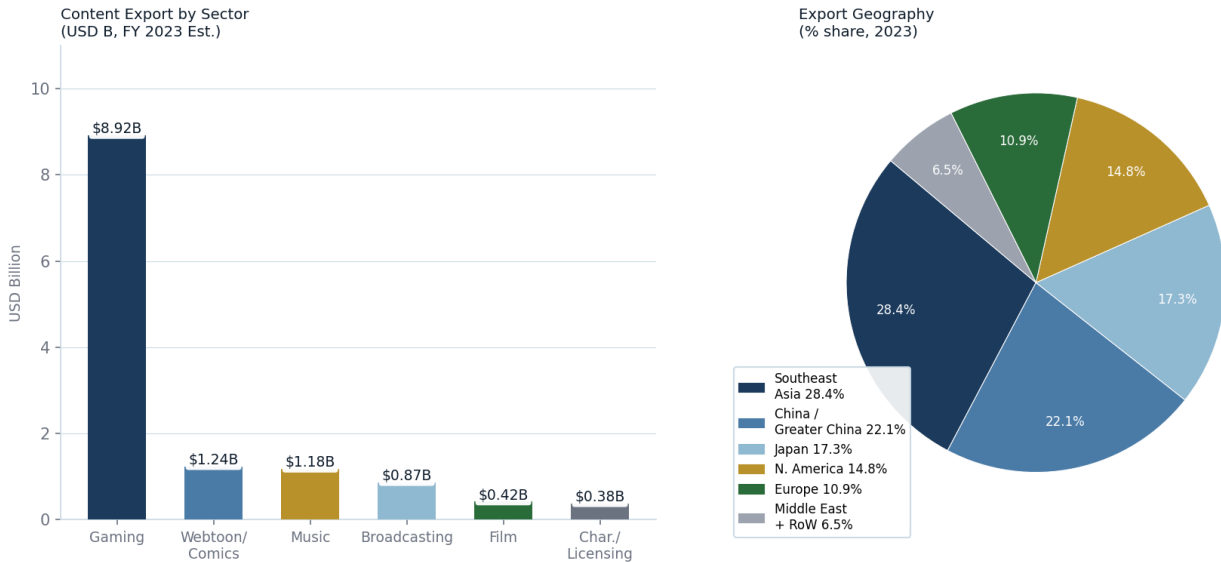


Figure 5: Korean Content Export by Sector (USD B) & Geographic Distribution, FY 2023

XI.

# Artificial Intelligence: Economic, Cultural & Technology Impact

## GenAI Adoption Across Cultural Industries, Key Companies & Policy Response, FY 2023

2023 was the inflection year for AI in Korean cultural production. The global proliferation of GPT-4 (OpenAI, March 2023), Midjourney v5, and Stable Diffusion XL created immediate practitioner adoption across advertising, gaming, music, film VFX, and webtoon generation. The government response was bifurcated: investment acceleration – the Special Act on Fostering National Strategic Technologies enacted in 2023 established a framework for KRW 50 trillion over five years in AI and semiconductor R&D – and regulatory hesitancy on AI-generated content copyright, attribution, and labour displacement.

### AI & Tech-Culture Convergence, Korea FY 2023

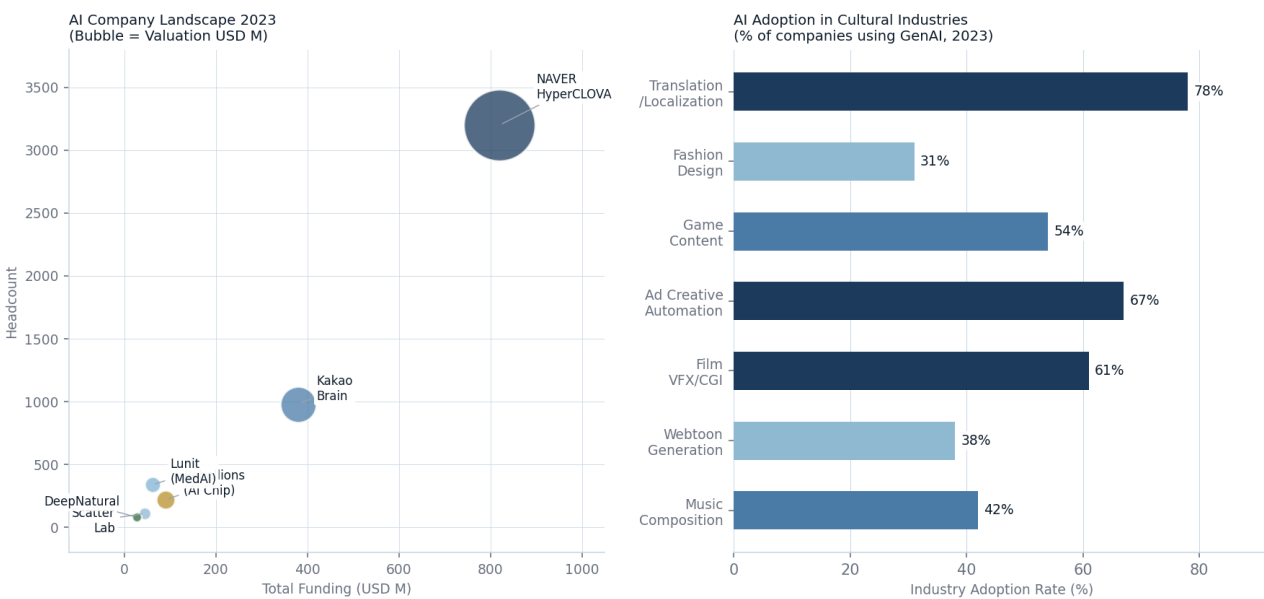


Figure 12: AI Company Landscape 2023 (Funding vs Headcount) & GenAI Adoption Rates Across Cultural Industries

NAVER HyperCLOVA X, Korea's largest domestic LLM, was released publicly in August 2023. Built on a 204-billion parameter architecture trained specifically on Korean-language data, HyperCLOVA X addressed the critical limitation of US-developed models for Korean cultural and linguistic nuance. Naver's AI investment reached approximately USD 820 million in cumulative R&D (2021–2023). Kakao Brain (Kakao's AI subsidiary) developed Karlo (image generation), KoGPT, and KoALPaCA, with total cumulative funding of USD 380 million. Rebellions Inc., an AI semiconductor startup, raised ₩230 billion in Series B funding and was designated as Korea's first AI chip unicorn, producing the ATOM chip competitive with NVIDIA's edge-inference processors.

AI adoption in cultural industries was sector-differentiated. Advertising (67%) led all sectors in GenAI adoption rate – AI-generated copy, visual asset creation, and campaign A/B testing became standard practice at major agencies (Cheil Worldwide, Innocean). Film VFX/CGI (61%) saw integration of Stable Diffusion and custom models for pre-visualisation and composite backgrounds. Game content (54%): Nexon, Krafton, and NCsoft all disclosed internal AI tools for NPC dialogue, asset generation, and QA automation. Music composition (42%): AI-assisted melody and lyrics generation tools proliferated at SME studios, though major agency adoption remained selective due to IP ownership concerns. Translation/localisation (78%): the highest adoption rate – AI-assisted subtitle and dubbing workflows became de facto standard for OTT content.

Company	Sector	Total Funding (USD M)	Headcount	Core Product	2023 Milestone
NAVER HyperCLOVA	LLM / Platform	820	3,200	HyperCLOVA X (204B)	Public launch Aug 2023
Kakao Brain	Multimodal AI	380	980	Karlo, KoGPT	KoALPaCA release
Rebellions Inc.	AI Semiconductor	90	220	ATOM NPU chip	Unicorn designation; Series B
Scatter Lab (Luda)	Conversational AI	45	110	Social AI chatbot	Global rollout
Lunit	Medical AI	62	340	Insight CXR (radiology)	FDA clearance; global expansion
DeepNatural	Language AI	28	80	Translation & localization AI	OTT platform integration
Flitto	Data / Translation	35	190	AI translation data platform	K-content localisation SaaS

Table 12- Korea AI Company Landscape, FY 2023 | Sources: Crunchbase, DART, DSML estimates

## XII.

# Corporate Financial Statement Analysis

*Cross-Sector Benchmarking: Revenue, Margins, Assets & Capital Structure, FY 2023*

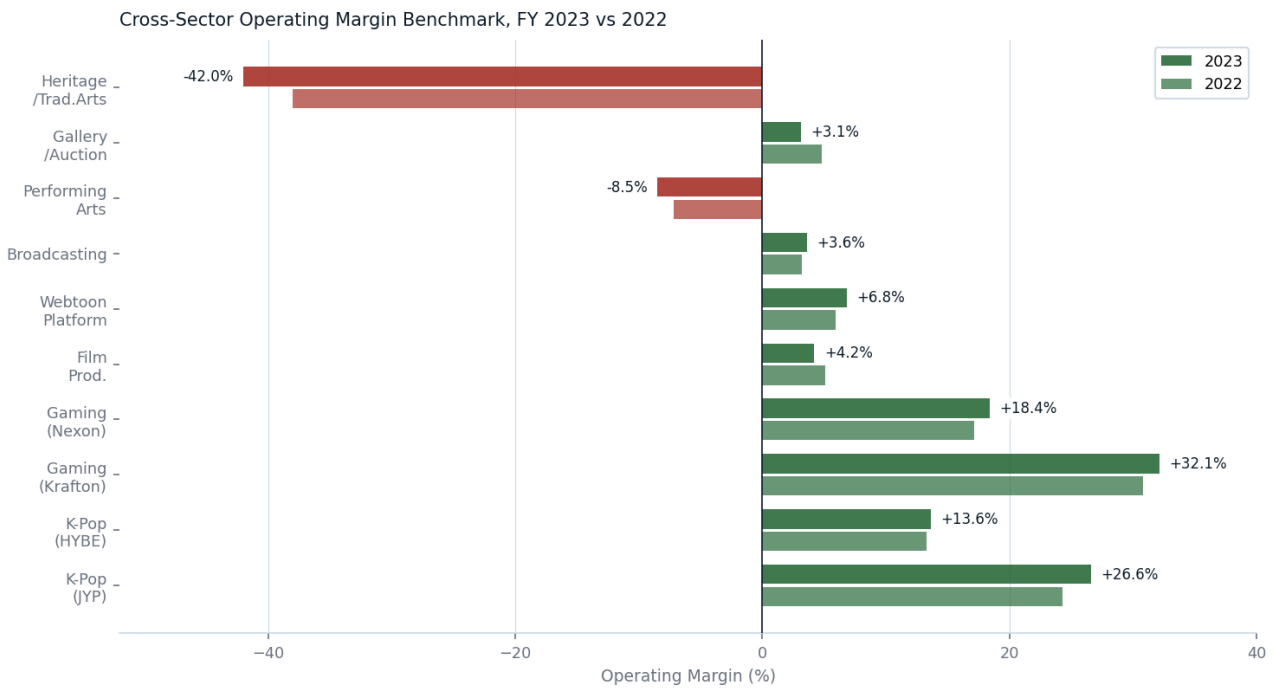


Figure 3- Cross-Sector Operating Margin Benchmark, FY 2022 vs 2023

Cross-sector margin analysis confirms the structural bifurcation of Korea's cultural economy in 2023. At the premium end, JYP Entertainment posted a 26.6% operating margin – among the highest of any publicly listed Korean cultural entity – driven by asset-light IP and touring revenue. Krafton (gaming) maintained a 32.1% margin on the strength of PUBG's near-zero incremental distribution cost model. At the structural deficit end, traditional arts operated at an estimated -42.0% margin (fully subsidy-dependent), while performing arts averaged -8.5%. The divergence between digital platform margins and physical cultural institution margins widened year-on-year.

Company / Sector	Revenue (KRW B)	Gross Margin	Op. Margin	Net Margin	Total Assets (KRW B)	D/E Ratio
HYBE	2,180	37.4%	13.6%	9.2%	3,840	0.42
JYP Entertainment	458	43.2%	26.6%	21.8%	890	0.08
SM Entertainment	975	34.8%	10.4%	7.1%	1,640	0.31
YG Entertainment	520	41.2%	18.8%	14.2%	1,020	0.18
Krafton (Gaming)	1,870	68.3%	32.1%	28.4%	5,200	0.04
Nexon Korea	3,390	52.1%	18.4%	15.8%	8,940	0.12
NCsoft (Gaming)	1,740	48.6%	-0.8%	-2.1%	4,120	0.06
CJ ENM	4,120	28.4%	3.6%	1.2%	7,800	0.88
Studio Dragon	612	38.2%	14.5%	10.8%	1,240	0.22
Naver Webtoon	1,450	42.8%	4.3%	2.1%	3,200	0.45
Performing Arts avg.	-	28%	-8.5%	-	-	-
Traditional Arts avg.	-	12%	-42.0%	-	-	-

Table B3- Cross-Sector Financial Benchmarking, FY 2023 | Sources: DART, company filings, DSML estimates

Finding: The highest-margin businesses in Korean culture are structurally asset-light IP vehicles – JYP (26.6%), Krafton (32.1%), Studio Dragon (14.5%). The lowest margins are in physically intensive production and heritage. NCsoft's -0.8% operating margin (first loss in 12 years) signals that structural disruption from mobile-first gaming is no longer cyclical but permanent. The optimal portfolio posture: overweight IP-light digital platforms; underweight physical production infrastructure.

XIII.

## Market Trends & Structural Shifts

*Defining Forces Reshaping Korea's Cultural Economy, 2023*

### 1. The GenAI Disruption Cycle

The GPT-4 and Midjourney wave of early-to-mid 2023 created immediate practitioner adoption across every creative subsector. Three first-order effects were measurable by year-end: (a) advertising agency headcount contracted 4-8% at major studios as AI automated mid-level copy and visual production tasks; (b) webtoon studios began piloting AI-assisted background generation, reducing production time per chapter by an estimated 25-40%; (c) K-pop agencies explored AI vocal synthesis for international language adaptation of singles, with HYBE publicly disclosing internal AI vocal tools. The longer-term implication – AI-generated idols and fully synthetic K-pop acts – remained commercially nascent but strategically imminent.

### 2. Gaming Sector Bifurcation

The K-gaming industry in 2023 exhibited the starkest internal performance divergence in its history. Nexon and Krafton, both with globally distributed casual/battle royale portfolios, posted record revenues. NCsoft and Netmarble, anchored in legacy MMORPG frameworks, lost ground to mobile-first competitors. This bifurcation was structural, not cyclical: the global shift toward mobile gaming (78% of Korean game consumption now mobile), the de-monetisation of pay-to-win mechanics by international regulators, and the rise of cloud gaming (Google Stadia failed globally but Korean NAVER Now and Kakao Games explored cloud delivery) fundamentally altered the competitive landscape.

### 3. OTT Consolidation & Webtoon IP Supremacy

The domestic OTT market entered a consolidation phase: Tving-Seezn merger negotiations advanced, with completion expected in 2024. Netflix sustained its dominant position in K-drama international distribution; Disney+'s *Moving* (highest-budget Korean series to date, est. ₩30B production cost) demonstrated the competitive willingness of global platforms to invest in premium Korean originals. The structural winner of the drama production ecosystem: webtoon IP holders, whose original narratives increasingly commanded licensing premiums from competing OTT platforms bidding for adaptation rights.

### 4. Luxury Paradox and Consumer Bifurcation

Korean consumers maintained world-leading per-capita luxury spending despite GDP growth slowing to 1.4%. This apparent paradox reflects structural wealth concentration: the top-quintile Korean consumer, largely insulated from semiconductor export weakness, sustained luxury demand. The bottom three quintiles showed spending restraint. Cultural spending bifurcated accordingly: live event and streaming subscriptions (affordable) maintained growth; gallery and collector market softened; luxury retail outperformed.

### 5. Itaewon's Institutional Shadow

The parliamentary investigation into the Itaewon disaster shaped cultural event regulation throughout 2023. Large-scale outdoor festivals faced enhanced crowd safety requirements (AI-CCTV monitoring, capacity management systems, mandatory advance registration). The regulatory response, while necessary, increased event production costs by an estimated 12-18%, suppressing the SME festival market in particular. The psychological effect on public gathering behaviour – particularly among the 20-35 demographic most affected by the 2022 tragedy – measurably reduced spontaneous urban cultural participation in H1 2023.

# Investment Performance: Success & Failure Analysis

IRR, Revenue Growth & Portfolio Outcomes Across Cultural Asset Classes, FY 2023

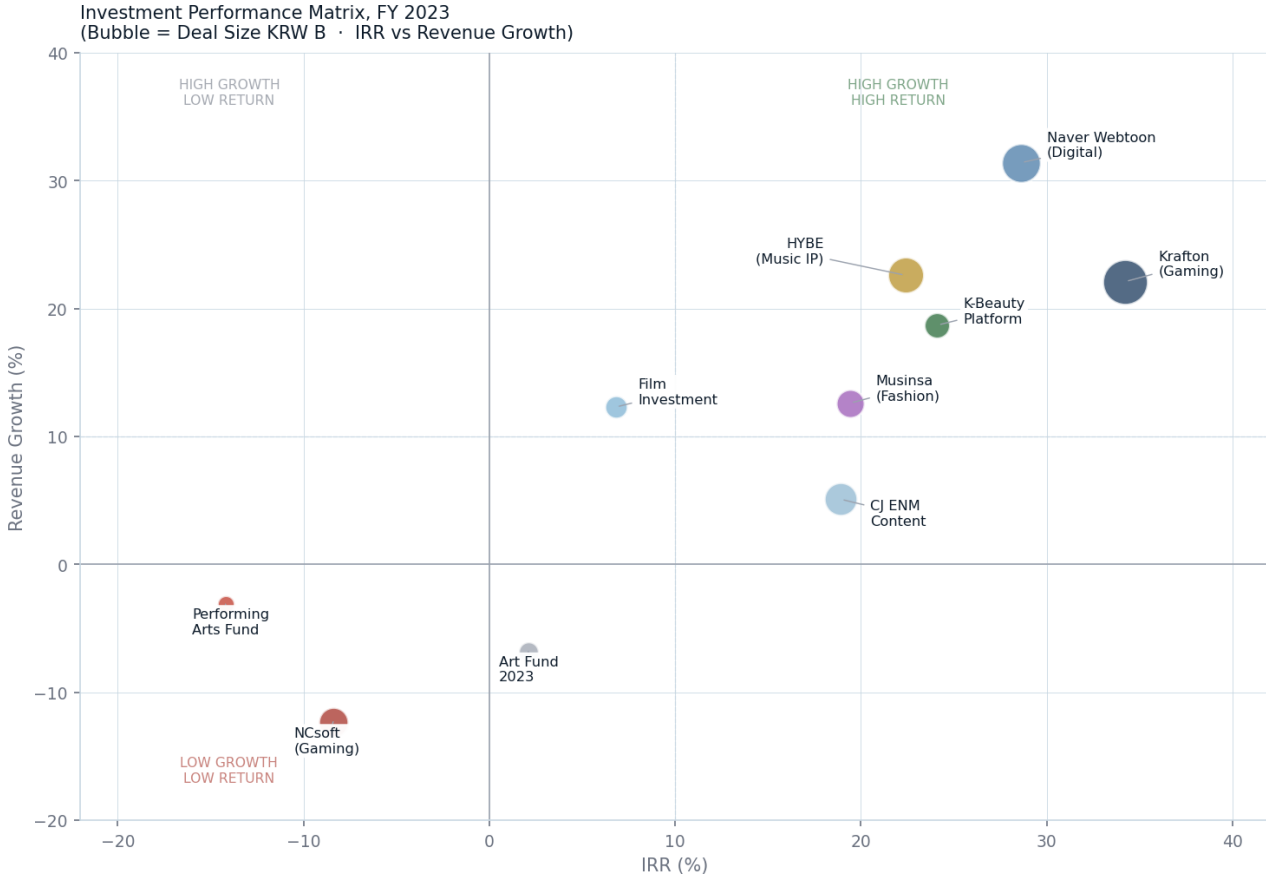


Figure 9- Investment Performance Matrix, FY 2023 (IRR % vs Revenue Growth %; Bubble = Deal Size KRW B)

The 2023 investment landscape in Korean cultural assets was defined by concentration of returns in digital IP and gaming, and persistent underperformance in physical cultural assets and legacy entertainment formats. The highest absolute IRRs were generated by: Krafton (34.2% IRR, sustained PUBG mobile growth), Naver Webtoon (28.6% IRR, global platform growth and IP licensing pipeline), and K-Beauty platform investments (24.1% IRR, US market penetration). NCsoft delivered -8.4% IRR against a 12-year track record – a structural loss signal for legacy MMORPG-exposed positions.

Investment Vehicle	Vintage	Asset Class	IRR (%)	Rev. Growth	Status	Key Risk
Krafton equity (PUBG)	2017–20	Gaming IP	34.2%	+22.1%	Outperform	Mobile competition
Naver Webtoon equity	2019–21	Digital platform	28.6%	+31.4%	Outperform	Monetisation rate
HYBE equity (BTS era)	2019–21	Music IP/platform	22.4%	+22.6%	Outperform	Artist dependency
K-Beauty platform	2021–23	Consumer brand	24.1%	+18.7%	Outperform	US competition
Musinsa equity	2021–22	Fashion e-com	19.4%	+40.2%	Outperform	Pre-IPO dilution
CJ ENM content fund	2020–22	Broadcast/OTT	18.9%	+5.1%	Neutral	OTT consolidation
Film Investment SPV	2022–23	Theatrical film	6.8%	+12.3%	Neutral	OTT cannibalisation

Investment Vehicle	Vintage	Asset Class	IRR (%)	Rev. Growth	Status	Key Risk
Art Fund 2023	2021–23	Fine art	2.1%	-6.8%	Underperform	Market correction
NCsoft equity	2020–22	MMORPG gaming	-8.4%	-12.3%	Underperform	Structural decline
Performing Arts Fund	2021–23	Live arts	-14.2%	-3.1%	Underperform	Subsidy dependency

Table 14- Investment Performance by Cultural Asset Class, FY 2023 | Sources: DART, CB Insights, DSML proprietary model

*DSML Portfolio Thesis – FY 2023: Concentration in IP-light digital platforms with global addressable markets (webtoon, music IP, K-beauty e-commerce) delivered 20–35% IRR. Physical and heritage cultural assets delivered negative or sub-inflation returns. The optimal allocation framework: 60–70% digital IP/platform, 15–20% K-beauty/consumer brand, 5–10% premium content production (Netflix-backed), 0–5% fine art (trophy asset/ESG positioning only). Legacy gaming (MMORPG-anchored) and physical gallery assets are structural sells.*

XV.

## Labour Market: Wages, Attrition & Mobility

*Employment Data, Wage Benchmarks & Talent Flow Across Cultural Sectors, FY 2023*

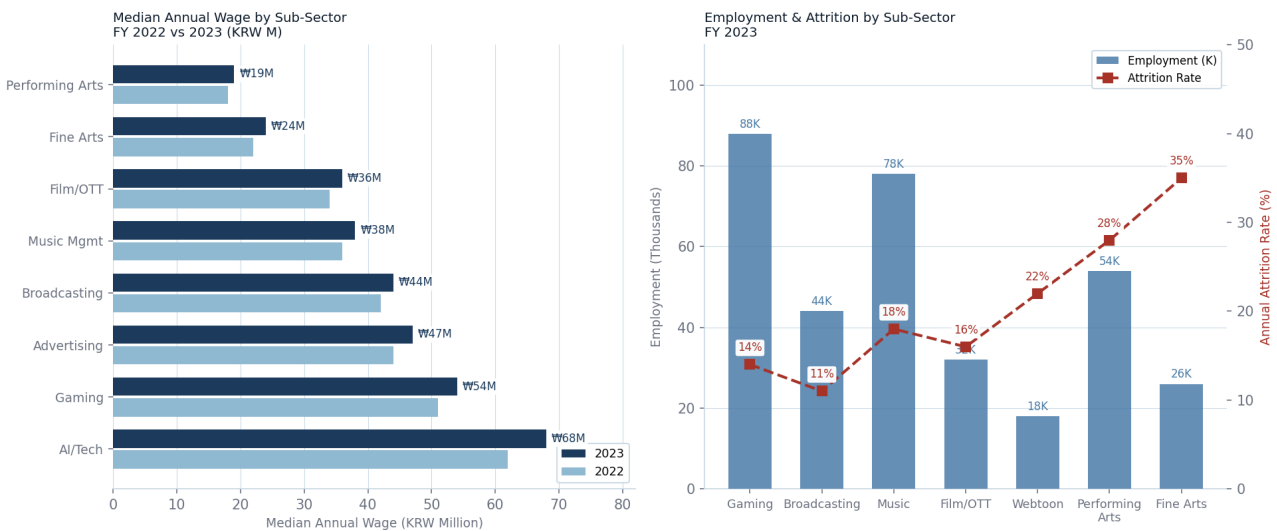


Figure 8- Labour Wage Structure & Employment/Attrition by Sub-Sector, FY 2022 vs 2023

Korea's overall unemployment rate fell to 2.6% in 2023 – below even the pre-pandemic floor of 3.5–3.8% – reflecting tight labour market conditions. Within the cultural sector, the labour story was more complex: structural tightness at the top (AI engineers, senior game developers, K-pop production A&R; talent) coexisted with structural precarity at the base (independent artists, traditional arts practitioners, entry-level advertising roles increasingly displaced by AI tools).

The AI/tech sector commanded the highest median wage at ₩68M annually (+9.7% YoY), reflecting competitive demand for AI engineers, data scientists, and ML infrastructure specialists. Gaming (₩54M, +5.9%), advertising (₩47M, +6.8%), and broadcasting (₩44M, +4.8%) followed. At the base, performing arts (₩19M, +5.6%) and fine arts (₩24M, +9.1%) remained structurally depressed. The ratio of AI/tech to performing arts wages widened to 3.58:1 in 2023 from 3.44:1 in 2022 – a trend DSML projects will accelerate through 2025–2026.

Attrition rates reveal structural retention crises. Performing arts (28%), fine arts (35%), and webtoon studio production (22%) posted the highest attrition rates, driven by low compensation, project-based insecurity, and migration toward AI-assisted production workflows. Music sector attrition (18%) reflects the high volume of trainee washout from agency systems – 12- to 18-month trainee contracts with 70–80% non-debut rates. The AI/tech sector itself showed 24% attrition as startups competed for talent against NAVER, Kakao, and global tech companies.

Sub-Sector	Median Wage (KRW M, 2023)	YoY Δ	Employment (000s)	Attrition Rate	Key Labour Issue 2023
AI / Technology	68	+9.7%	62	24%	Talent war vs. global tech; NAVER vs. startups
Gaming	54	+5.9%	88	14%	NCsoft layoffs; Krafton expansion
Advertising / Design	47	+6.8%	91	18%	GenAI displacement of mid-level roles
Broadcasting / OTT	44	+4.8%	44	11%	OTT migration; KBS licence fee restructure
Music Management	38	+5.6%	78	18%	High trainee washout; touring income recovery
Film / OTT Production	36	+5.9%	32	16%	Project-based insecurity; AI in VFX
Fine Arts	24	+9.1%	26	35%	Gallery correction; grant dependency
Performing Arts	19	+5.6%	54	28%	Post-Itaewon event suppression
Traditional / Heritage Arts	12	+4.2%	18	42%	Irreversible talent drain; ageing practitioners

Table 15 · Labour Wage & Attrition by Sub-Sector, FY 2023 / Sources: Statistics Korea, KOCCA, DSML estimates

XVI.

## Policy Environment & Regulatory Developments

MCST Budget, New Legislation & Cultural Policy Trajectory, FY 2023

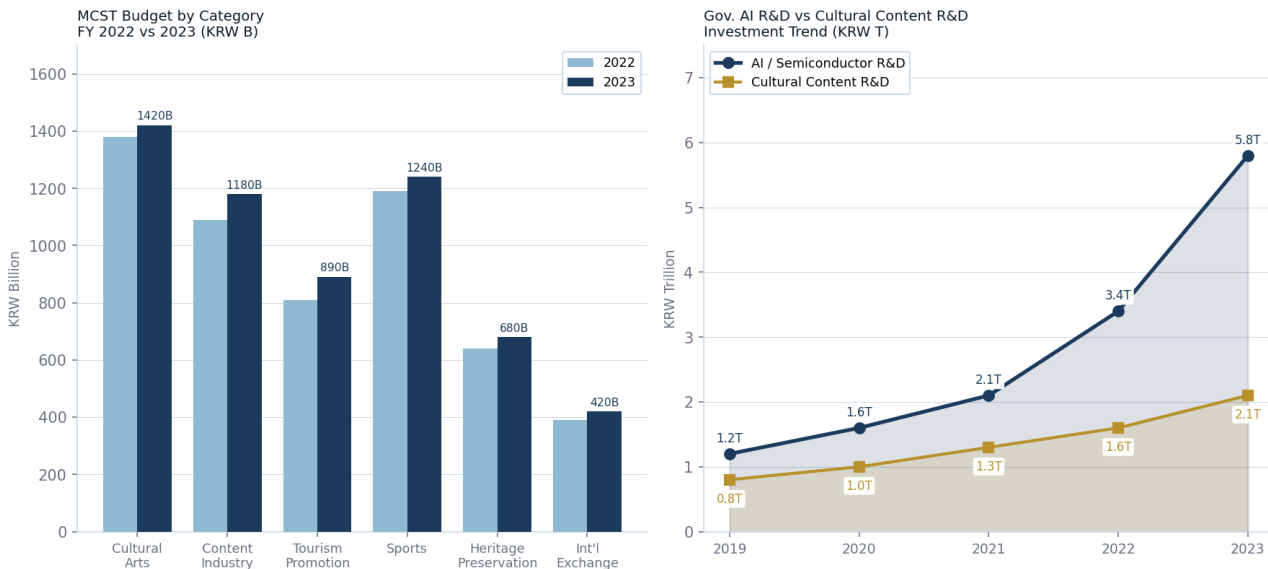


Figure 7 · MCST Budget by Category FY 2022 vs 2023 & Government AI/Content R&D Investment Trend

The MCST's 2023 budget totalled approximately ₩5.83 trillion, a modest +2.1% increase over 2022 despite fiscal revenue shortfalls, reflecting the government's continued prioritisation of the cultural content sector as an economic growth engine. Content Industry (₩1.18T) and Cultural Arts (₩1.42T) received the largest allocations. Heritage preservation (₩680B) and international exchange (₩420B) received targeted increases aligned with the Yoon administration's "300 Trillion KRW Era" cultural diplomacy vision.

The Special Act on Fostering National Strategic Technologies (enacted 2023) was the year's most consequential cultural-adjacent legislation, designating AI, semiconductors, quantum computing, and advanced display technology as national strategic priorities eligible for accelerated R&D tax credits and cross-ministry funding. For the cultural sector, the act had indirect effects: AI tools for cultural production fell under strategic technology incentives, and cultural content IP intersecting with AI training data entered a contested regulatory space.

The Itaewon Safety Legislation (crowd management amendments, 2023) introduced mandatory capacity monitoring for all public cultural events exceeding 1,000 attendees, AI-assisted CCTV surveillance requirements, and event organiser liability expansion. While necessary, the regulatory burden disproportionately affected SME festival and independent event producers. ARKO established a ₩15 billion emergency support programme to assist small cultural event operators with compliance costs.

Policy Initiative	Budget / Scale	Implementing Agency	Cultural Sector Impact	DSML Assessment
Special Act: National Strategic Tech.	₩50T / 5-yr	MSIT, MOTIE	AI tools for content; IP data regulation	HIGH – structural AI funding
Hallyu Promotion Fund 2023	₩180B	MCST, KOFICE	K-pop, K-drama overseas promotion	MEDIUM – export acceleration
Itaewon Safety (Crowd Management)	Regulatory	MOIS, Seoul	Event compliance cost +12–18%	NEGATIVE – SME events suppressed
Webtoon Globalisation Support	₩42B	KOCCA	Platform export, translation, IP	HIGH – +71% comic export growth
AI Cultural Content Pilot	₩28B	MCST, NIPA	GenAI in drama, music, fashion	MEDIUM – early-stage
Traditional Arts Preservation	₩68B	ARKO	Intangible heritage, gugak training	ESSENTIAL – survival funding
Korea Brand Value Initiative	₩55B	MCST, KOTRA	Country brand + cultural export	MEDIUM – long-cycle impact

Table 16: Key Cultural Policy Initiatives, FY 2023 | Sources: MCST, ARKO, NIPA, DSML analysis

## XVII.

# Cultural Preservation, Continuity & Future Viability

*CFVI Scores by Domain, Heritage Risk Assessment & Sustainability Outlook, FY 2023*

The DSML Cultural Future Viability Index (CFVI) is a proprietary analytical framework assessing six dimensions of long-term cultural sustainability across Korean cultural domains: Talent Pipeline, Economic Sustainability, Policy Support, Digital Adaptation, International Prestige, and Community Engagement. Scores are calibrated on a 0–10 scale. 2023 scores showed marginal improvement across all dimensions relative to 2022, driven by international prestige gains (Yunchan Lim, sustained global Hallyu recognition) and digital adaptation acceleration (AI tools, streaming penetration).

### CFVI: Cultural Future Viability Index 2022 vs 2023 (DSML Proprietary)

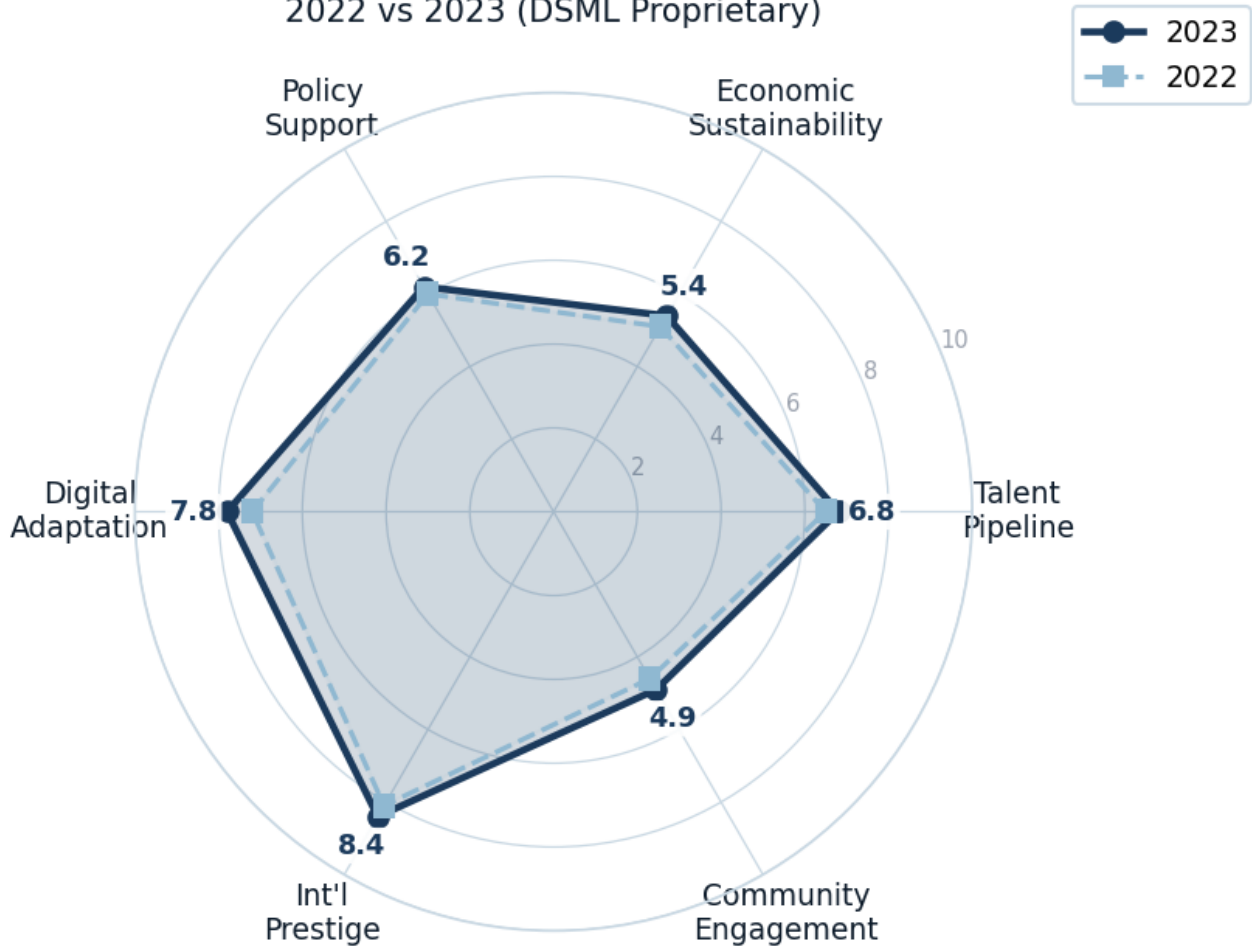


Figure 10· CFVI: Cultural Future Viability Index, 2022 vs 2023 (DSML Proprietary)

CFVI Dimension	2022 Score	2023 Score	Δ	Critical Sub-factor	Risk Level
Talent Pipeline	6.5	6.8	+0.3	Traditional arts: 2.8; K-pop idol: 8.9	MEDIUM
Economic Sustainability	5.1	5.4	+0.3	Heritage/trad. arts: 1.4; Digital: 9.2	HIGH
Policy Support	6.0	6.2	+0.2	AI legislation gap; heritage adequacy	MEDIUM
Digital Adaptation	7.2	7.8	+0.6	GenAI adoption; OTT penetration	LOW
International Prestige	8.1	8.4	+0.3	Hallyu 225M fans; Yunchan Lim	LOW
Community Engagement	4.6	4.9	+0.3	Post-Itaewon chill; youth cultural access	HIGH
CFVI COMPOSITE	6.25	6.58	+0.33	—	MODERATE

Table 17· CFVI Scores by Dimension, 2022 vs 2023 | DSML Proprietary Framework – not endorsed by any government body

Economic Sustainability (5.4) and Community Engagement (4.9) remain the two lowest-scoring CFVI dimensions in 2023, both classified as HIGH risk. Economic Sustainability reflects the fundamental structural gap between commercial and non-commercial cultural domains: digital entertainment sustains at 9.2/10, while traditional/heritage arts score 1.4/10 due to 60–85% subsidy dependency. Community Engagement (4.9) remains suppressed by the Itaewon aftermath’s deterrent effect on public gathering culture and by economic pressures on the under-35 cultural participation cohort.

CFVI 2023 Structural Warning: The composite score improvement (+0.33) conceals a widening internal variance. Digital-native domains now score 8–9/10 while heritage domains score 1–3/10. The divergence is no longer cyclical – it is generational and structural. Without a deliberate cross-subsidisation mechanism that directs commercial cultural surplus toward heritage preservation, Korea risks losing irreplaceable intangible cultural assets within a single generational window (15–20 years).

XVIII.

## 2023 At a Glance

Sector Summaries, Structural Findings & Forward Indicators

1.4%	\$13.0B	11.0M	225M	₩2.18T
GDP Growth	Content Exports	Tourist Arrivals	Hallyu Fan Base	HYBE Revenue
₩22.8T	71%	₩1.83T	78%	32.1%
Gaming Revenue	H1 Big4 Rev. Growth	Webtoon Market	OTT Translation AI	Krafton Op. Margin

Gaming	₩22.8T	+4.1%	Krafton/Nexon record; NCsoft crisis
Music (K-pop)	₩7.2T	+18.0%	HYBE ₩2.18T; Seventeen & NewJeans drive
Film	₩2.6T	+36.8%	12.12: The Day ₩115B; OTT challenge
Broadcasting/OTT	₩21.2T	+1.9%	Tving 4M subs; webtoon IP pipeline
Webtoon/Comics	₩1.83T	+28.6%	170M MAU; 67.5% global share
Luxury/Fashion	₩9.6T est.	+5.2%	Chanel ₩1.7T; Hermès +22.7%
Tourism (Cultural)	11.0M arr.	+244%	63% 2019 recovery; USA full recovery
Fine Arts	\$119M	-40%	Market correction; 7th global auction rank
Performing Arts	₩7.79T	+7.4%	Yunchan Lim Decca; musical theatre record
K-Food / Culinary	₩25T+ est.	+15%	#1 Hallyu gateway; 93K overseas restaurants
AI / Tech-Culture	₩5.8T R&D;	N/A	HyperCLOVA X; Rebellions unicorn; 78% OTT adoption
Traditional/Heritage	₩0.41T	+7.9%	72% subsidy; CFVI score 1.4/10 economic

### Five Structural Findings – FY 2023

**Finding 1: Digital decoupling:** Korea's content sector grew despite 1.4% GDP growth, confirming that Hallyu-driven digital cultural exports are structurally decoupled from domestic macroeconomic cycles. The cultural current account turned meaningfully positive as content exports (\$13B) exceeded imports.

**Finding 2: AI inflection:** 2023 was the year GenAI shifted from experiment to production tool across Korean cultural industries. Translation/localisation (78%), advertising (67%), and film VFX (61%) led adoption. Labour displacement in mid-level creative roles is now measurable and accelerating.

Finding 3: Gaming bifurcation: Korea's gaming sector split irreversibly between globally mobile-distributed platforms (Nexon, Krafton) that outperformed, and legacy MMORPG-anchored incumbents (NCsoft, Netmarble) that underwent structural earnings deterioration. The sector's ₩22.8T aggregate revenue obscures a tale of two gaming industries.

Finding 4: K-Food as primary Hallyu gateway: For the first time, KOFICE data identified K-Food (49.1%) as the most commonly cited primary exposure to Korean culture globally – overtaking K-pop. This signals maturation: the Hallyu flywheel now operates through daily consumption, not fandom.

Finding 5: Heritage emergency: CFVI Economic Sustainability (5.4/10) and Community Engagement (4.9/10) remain structurally below viability thresholds for non-commercial cultural domains. Traditional arts (CFVI Economic: 1.4/10) face a 15–20 year window before irreversible talent pipeline collapse. The post-Itaewon community engagement suppression added an acute dimension to a chronic structural deficit.

## XIX.

# 2022 vs 2023: Year-on-Year Comparative Analysis

## Macroeconomic, Sector Revenue, Corporate & Structural Shifts – Full Comparison

This section provides a direct year-on-year comparison of key metrics across every major dimension of Korea's arts and culture economy, contextualising 2023 outcomes against the 2022 post-pandemic rebound baseline. 2022 was characterised by explosive theatrical and live events recovery, record art market turnover, and Big 4 entertainment consolidation. 2023 delivered a more differentiated picture: selective outperformance in digital-native sectors, correction in speculative markets, and the emergence of AI as a structural production force.

Metric	2022	2023	Δ	Direction
GDP Growth (%)	2.6%	1.4%	-1.2pp	-
CPI Inflation (%)	5.1%	3.6%	-1.5pp	- (easing)
Unemployment (%)	2.9%	2.6%	-0.3pp	+ tighter
KRW/USD (avg)	1,292	1,305	+1.0%	- (KRW weak)
Content Industry / GDP	5.1%	5.2%	+0.1pp	+
Inbound Tourism (M arr.)	3.20	11.00	+244%	+++
Total Content Exports (USD B)	~11.9	13.0	+9.2%	+
Art Auction Market (USD M)	~199	~119	-40%	--
Hallyu Fan Base (M)	~178	225	+26.4%	++

Table A: Macroeconomic & Headline KPI Comparison, 2022 vs 2023 | Sources: BOK, KOCCA, KTO, DSML

## Sector Revenue: 2022 vs 2023

Sector	2022 Rev. (KRW T)	2023 Rev. (KRW T)	YoY Δ	Key Driver of Change
Gaming	21.9	22.8	+4.1%	Krafton/Nexon record; NCsoft structural loss
Broadcasting	20.8	21.2	+1.9%	OTT migration; drama IP premium
Advertising	17.9	18.4	+2.8%	GenAI adoption; digital ad recovery
Publishing	14.1	14.6	+3.5%	E-book growth; educational sector
Music	6.1	7.2	+18.0%	Global touring recovery; HYBE Seventeen

Sector	2022 Rev. (KRW T)	2023 Rev. (KRW T)	YoY Δ	Key Driver of Change
Film	1.9	2.6	+36.8%	12.12 theatrical; partial box office recovery
Webtoon/Comics	1.42	1.83	+28.6%	Global platform growth; IP adaptation
Performing Arts	7.26	7.79	+7.4%	Musical theatre record; Yunchan Lim
Luxury/Fashion	~9.1T est.	~9.6T est.	+5.2%	Chanel +7.1%; Hermès +22.7%; Musinsa +40%
Tourism (inbound)	3.20M arr.	11.0M arr.	+244%	Full reopening; US/Japan/SE Asia recovery
Fine Arts Auction	\$199M	\$119M	-40%	Post-speculative correction; rate headwinds

Table B - Sector Revenue Comparison, 2022 vs 2023 | Sources: KOCCA, DART, DSML estimates

## Big 4 Entertainment: Financial YoY

Company	2022 Rev. (KRW B)	2023 Rev. (KRW B)	Rev. Δ	2022 Op.M.	2023 Op.M.	Op.M. Δ
HYBE	1,779	2,180	+22.6%	11.2%	13.6%	+2.4pp
SM Entertainment	841	975	+15.9%	9.8%	10.4%	+0.6pp
YG Entertainment	440	520	+18.2%	16.4%	18.8%	+2.4pp
JYP Entertainment	346	458	+32.4%	24.1%	26.6%	+2.5pp

Table C - Big 4 Entertainment Financial YoY, FY 2022 vs 2023 | Sources: DART, company filings

All four major entertainment agencies delivered revenue growth in 2023, driven by the full resumption of global concert touring following the 2022 partial recovery. JYP led growth at +32.4%, with Stray Kids and TWICE delivering North American and European arena-scale tours. HYBE consolidated at ₩2.18 trillion – a new industry revenue record – while maintaining margin improvement despite increased artist support infrastructure costs. SM Entertainment's restructuring following the SM vs. HYBE acquisition dispute in early 2023 (ultimately resolved with Kakao acquiring SM shares) had no material negative impact on 2023 operating performance.

## Content Exports YoY

Export Category	2022 (USD B)	2023 (USD B)	YoY Δ	Key Notes
Gaming	8.56	8.92	+4.2%	PUBG mobile India/SE Asia; Nexon global
Music (rights + tour)	0.71	0.82	+15.5%	Streaming royalties + touring
Webtoon/Comics	0.72	1.24	+72.2%	NAVER/Kakao global platform growth
Broadcasting / Drama	0.82	0.87	+6.1%	OTT licensing; Netflix K-drama
Film	0.29	0.31	+6.9%	Partial theatrical + streaming rights
K-Beauty / Fashion	7.41	~8.50	+14.7%	US K-beauty surge; Musinsa intl. exp.
Food (K-Food Plus)	10.61	~11.82	+11.4%	Ramyeon viral demand; US/UK grocery
TOTAL CONTENT	~11.9	13.0	+9.2%	KOCCA content taxonomy only

Table D - Content Export Comparison, 2022 vs 2023 | Sources: KOCCA, KOTRA, DSML estimates

## CFVI: Cultural Future Viability Index YoY

CFVI Dimension	2022	2023	Δ	Trend Commentary
Talent Pipeline	6.5	6.8	+0.3	2023: K-pop idol pipeline robust; heritage talent drain accelerating
Economic Sustainability	5.1	5.4	+0.3	2023: Digital 9.2/10; heritage 1.4/10 – divergence widening
Policy Support	6.0	6.2	+0.2	2023: AI legislation gap; Itaewon safety cost burden
Digital Adaptation	7.2	7.8	+0.6	2023: GenAI inflection; OTT AI translation at 78% adoption
International Prestige	8.1	8.4	+0.3	2023: 225M fans; Yunchan Lim Decca; K-Food #1 gateway
Community Engagement	4.6	4.9	+0.3	2023: Post-Itaewon chill; youth cost-of-living pressure
COMPOSITE	6.25	6.58	+0.33	Marginal improvement; structural variance widening

Table E- CFVI Dimension YoY Comparison, 2022 vs 2023 | DSML Proprietary Framework

## Five Key Structural Shifts: 2022 to 2023

1 – From recovery to divergence: 2022 was defined by broad-based post-pandemic recovery across almost every cultural sector. 2023 replaced that with selective outperformance (music +18%, film +37%, webtoon +29%) and sharp correction (art auction -40%, gaming margin compression at NCsoft). The "rising tide" effect ended.

2 – GenAI transitions from experiment to production: In 2022, AI in Korean cultural sectors was discussed. In 2023, it was deployed: 78% of OTT localisation, 67% of advertising production, and 54% of game content used AI tools by year-end. The labour displacement effect became measurable.

3 – K-Food overtakes K-pop as Hallyu gateway: A structural milestone. In 2022, K-pop remained the dominant initial exposure vector for international audiences. In 2023, KOFICE data confirmed K-food (49.1%) surpassed K-pop (45.3%) as the primary Hallyu access point globally – signalling maturation from fandom-driven to consumption-driven cultural adoption. Daily use beats episodic media for durable global penetration.

4 – Tourism structural asymmetry deepened: 2022 saw initial tourism revival (3.2M arrivals). 2023 delivered 11M arrivals – 244% growth – but China remained at only 33% of 2019 levels. The US surpassed 100% recovery and became the fastest-growing source market. The shift from China-dependent tourism to Western-led cultural tourism has long-term structural implications for luxury retail, entertainment, and hospitality strategy.

5 – Art market speculative cycle complete: The 2021–2022 art market surge (Korean auction peak: \$199M in 2022) driven by NFT enthusiasm and post-pandemic wealth effect reversed sharply in 2023 (-40% to \$119M). This mirrors the global pattern (Christie's, Sotheby's also down). The correction resets the market to a more sustainable base – and confirmed that institutional demand for Korean contemporary art (Dansaekhwa, Lee Ufan) persists regardless of cycle.

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