Trade Commissioner Service

South Korea Gaming Market Report

August 2021

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1. Executive Summary

1. Executive Summary

- The 4th largest market globally, the Korean gaming market offers ample opportunities for Canadian companies looking to expand there
- Some of the most popular titles in Korea include games developed by overseas studios, although localization and typically local publishing partners are required to successfully penetrate the market
- The Korean gaming industry continues to grow as well as it has prior to the COVID-19 pandemic
  - In Korea, mobile gaming is king as local companies actively develop and release mobile games not only for domestic audiences but global ones as well
  - PC gaming remains massively popular due to widespread accessibility to PC bangs (PC rooms), an abundance of games, and popularity of e-sports
  - The popularity of console gaming is also rising and is expected to increase its market share as sales of consoles, such as the Sony PlayStation and Nintendo Switch, go up
- All age groups and both men and women enjoy gaming, and this trend has been boosted further recently by social distancing regulations
- The most popular kinds of games include online RPGs, shooters, and RTSs, while sports games are mostly limited to soccer

2. Market Overview

2.1. Highlights

- Based on overall revenue, Korea is the world's 4th largest gaming market
  - 3rd largest in APAC, after China and Japan

- Global market share of the overall Korean gaming industry was at 6.2% in 2019
  - By category, Korea holds a 12.5% market share for PC games, 9.1% market share for mobile, and 1.3% market share for console

- Korea's gaming market reached a market value of CAD 19.57bn *(KRW 17.90tn)* in 2020, up 9.2% from the previous year
  - Estimated to grow to CAD 19.96bn *(KRW 18.27tn)* in 2021

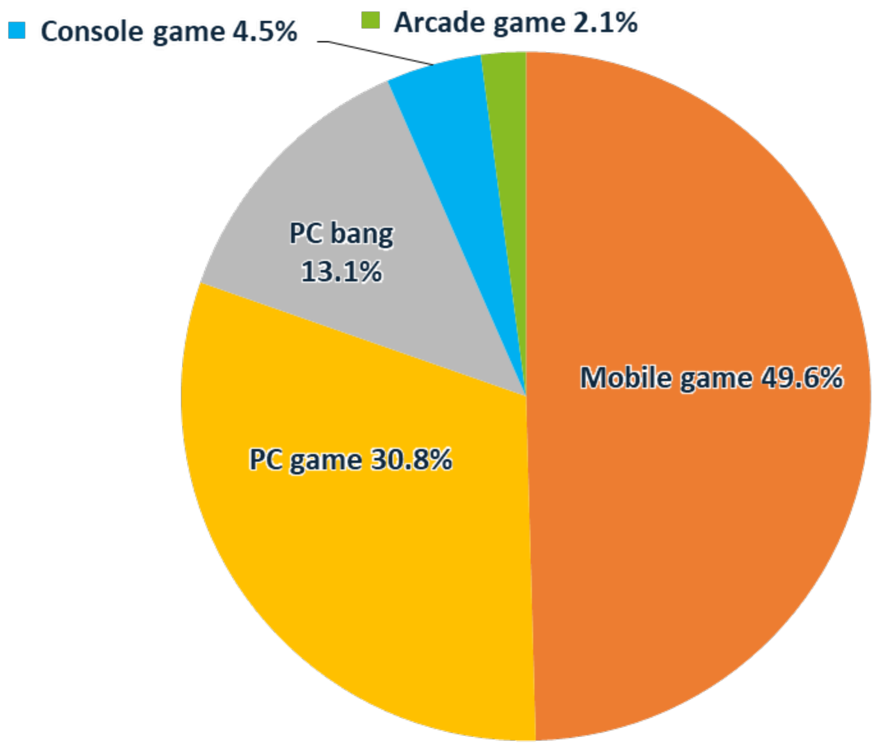
Source: 2020 White Paper on Korean Games, Korea Creative Content Agency

2.1. Highlights

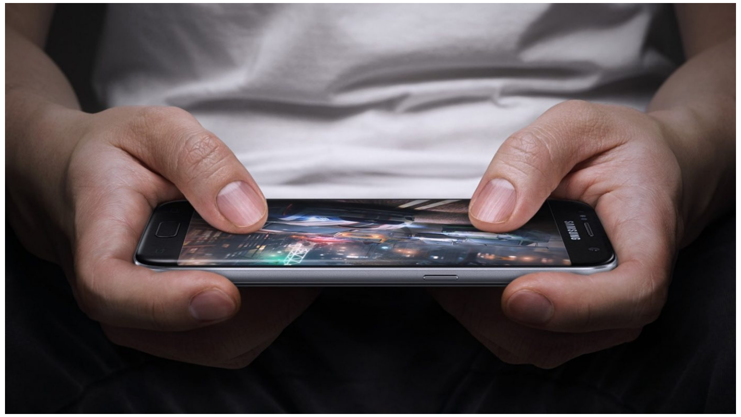
- Mobile is the most popular platform, followed by PC, console, arcade, and VR
  - In 2020, 55.8% of Korea's total population played mobile video games
  - Korea has the highest smartphone penetration rate in the world, with 94.1% of the population owning a smartphone

- The Korean market is dominated by the 3 Ns – Netmarble, NC Soft and Nexon
  - Other players include Pearl Abyss, Com2us and NHN

2.2. Distribution of the gaming market by category



Source: Korea Creative Content Agency, 2019



2.3. Most popular mobile game titles in Korea

1.	CookieRun Kingdom	*RPG*	6.	Lineage M	*RPG*
2.	ODIN Valhalla Rising	*RPG*	7.	제2의나라 Cross Worlds	*RPG*
3.	Nexus The Kingdom of the Winds	*RPG*	8.	Lineage II	*RPG*
4.	기적의검	*RPG*	9.	Rise of Kingdoms	*RTS*
5.	三國志 전략판	*RTS*	10.	Kartrider Rush+	*Racing*

Source: Gevolution, July 2021

**Based on revenue and number of downloads on Google Play, Apple App Store, and One Store.*

2.4. Most popular PC game titles in Korea

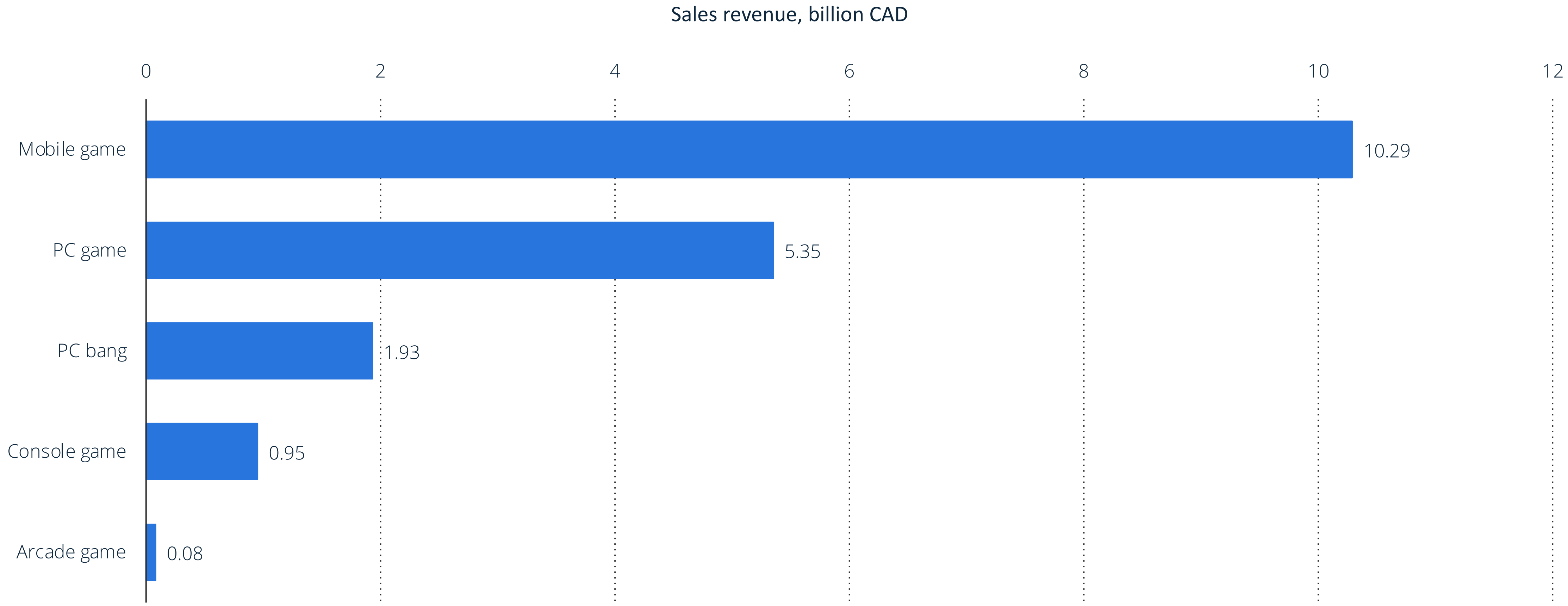
1.	League of Legends	*RTS*
2.	Sudden Attack	*FPS*
3.	PlayerUnknown's Battlegrounds	*FPS*
4.	EA Sports FIFA Online 4	*Sports*
5.	Overwatch	*FPS*
6.	Lost Ark	*RPG*
7.	StarCraft	*RTS*
8.	MapleStory	*RPG*
9.	Aion	*RPG*
10.	Dungeon & Fighter	*RPG*

**Based on a random sampling of 4,000 out of 10,000 monitored PC bangs in Korea and time spent playing.*

Source: Gametrics, June 2021

3. Facts, Figures & Trends

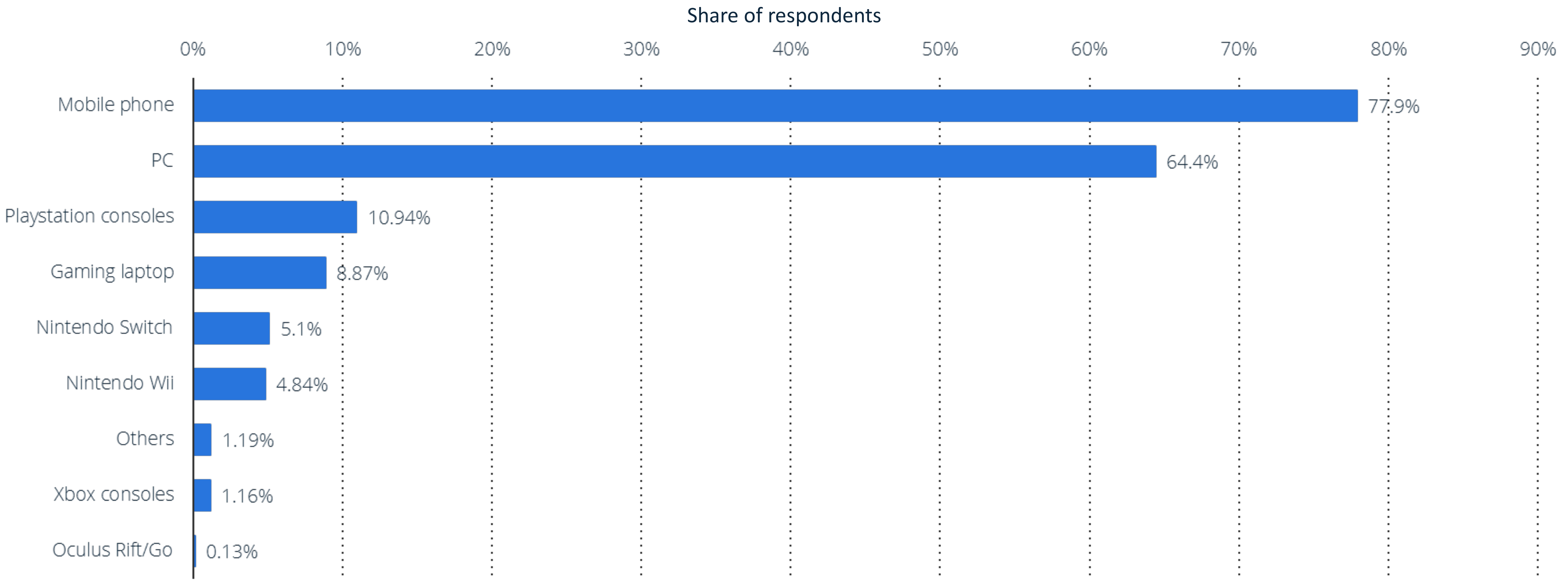
3.1. Sales distribution of the gaming market by category (2020)



*Estimated figures

Source: 2020 White Paper on Korean Games, Korea Creative Content Agency

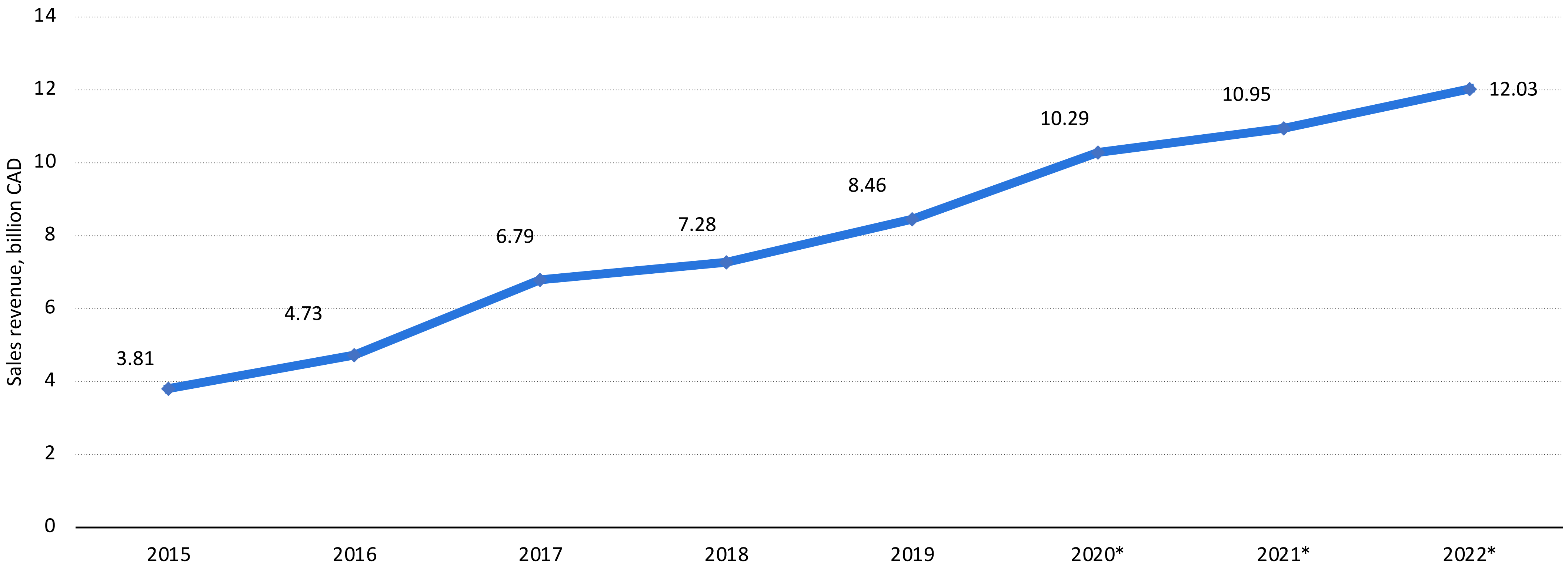
3.2. Gaming devices used among online gamers in Korea



Source: Rakuten Insights, 2020

3.3. Sales revenue of mobile gaming market

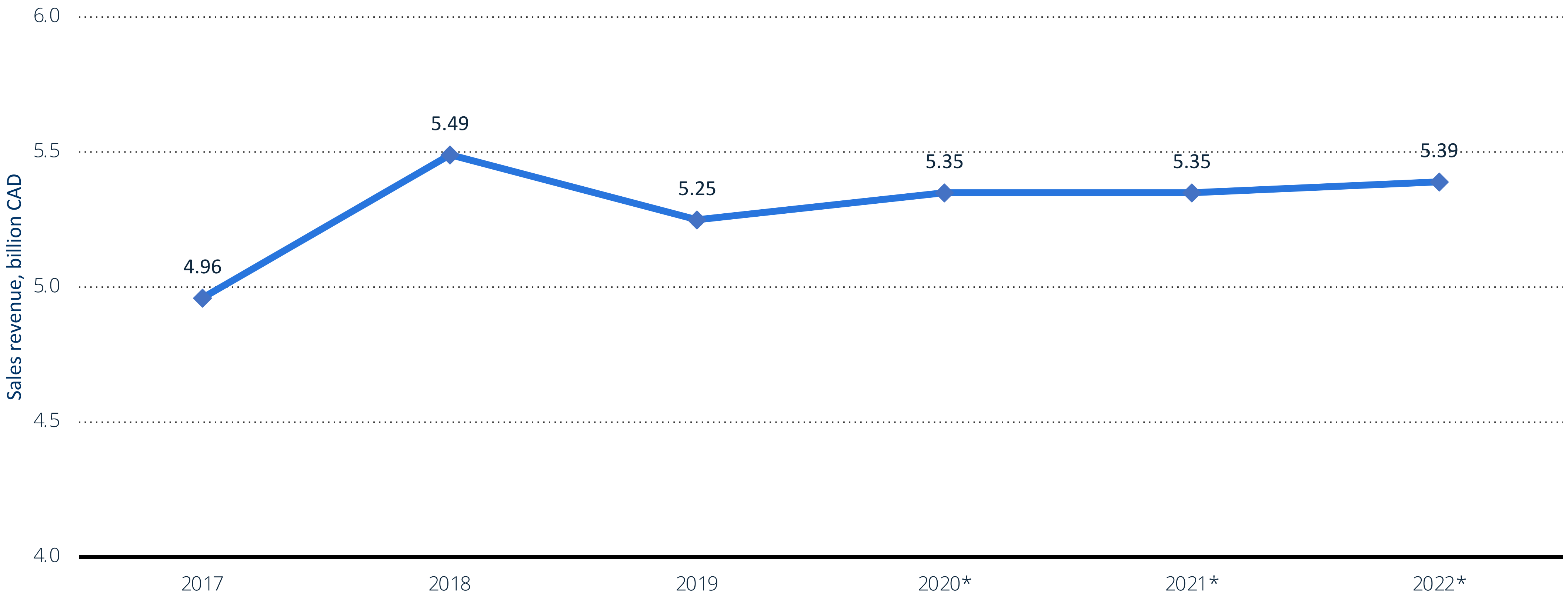
Mobile game sales increased by nearly 80% from 2016 to 2019 and increased by 22% from 2019 to 2020



Source: Korea Creative Content Agency

3.4. Sales revenue of PC gaming market

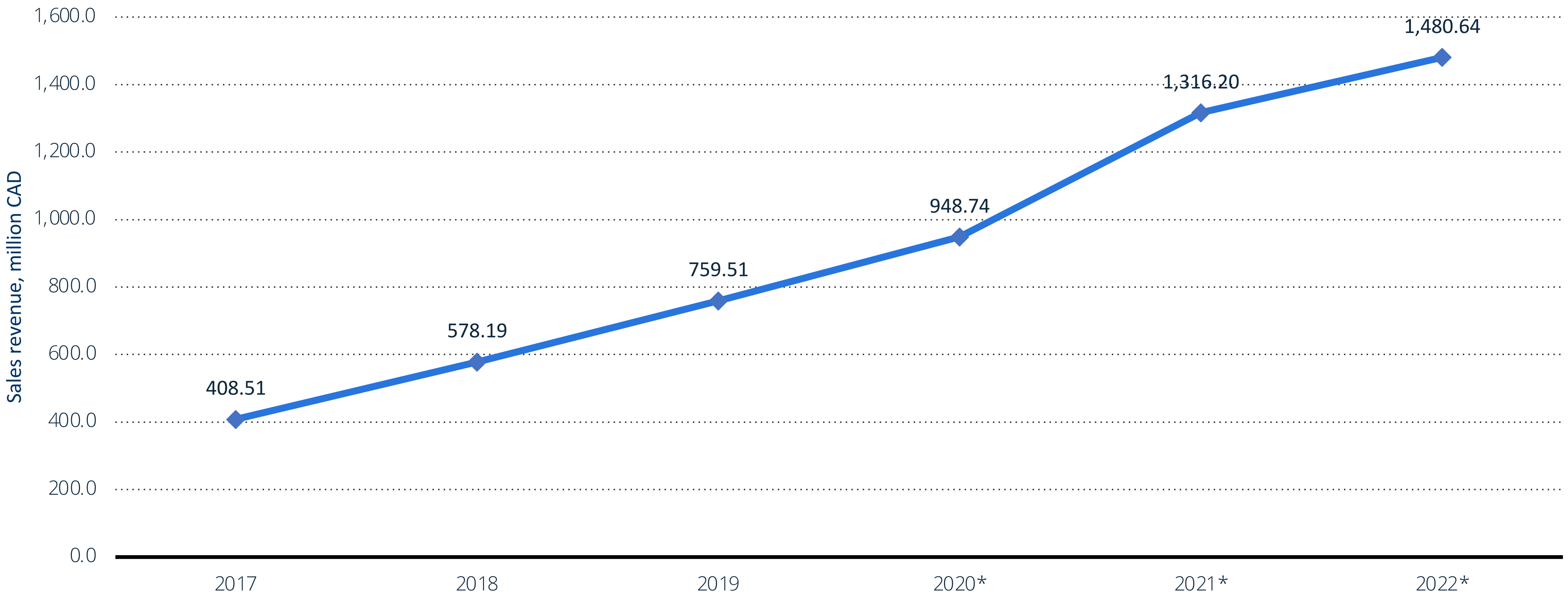
The PC market has been fairly stable



Source: Korea Creative Content Agency

3.5. Sales revenue of console gaming market

Console game sales increased by approximately 86% from 2017 to 2019 and is expected to experience high growth in the coming years



Source: Korea Creative Content Agency

3.6. Gamer demographics

- People in the 10-19 age group play the most video games, followed by people aged 20-29
  - The 10-19 age group favor mobile gaming first and PC gaming second
  - The 20-29 age group prefer PC gaming more than other age groups
  - Console gaming is most favored by the 30-39 age group

- Video games are popular among both men and women
  - Men who are 20-29 play games more than other age groups
  - Women who are 10-19 play more than other age groups
  - Men and women enjoy mobile gaming an equal amount
  - Men prefer PC and console games

Source: 2020 Game User Survey, Korea Creative Content Agency

3.7. Game preferences by platform

- For mobile:
  - Men prefer role-playing, while women prefer puzzle games

Men

RPG

Women

Puzzle

  - Popularity of card games increase as people get older

3.7. Game preferences by platform

- For PC:
  - Men prefer shooting, while women prefer role-playing games

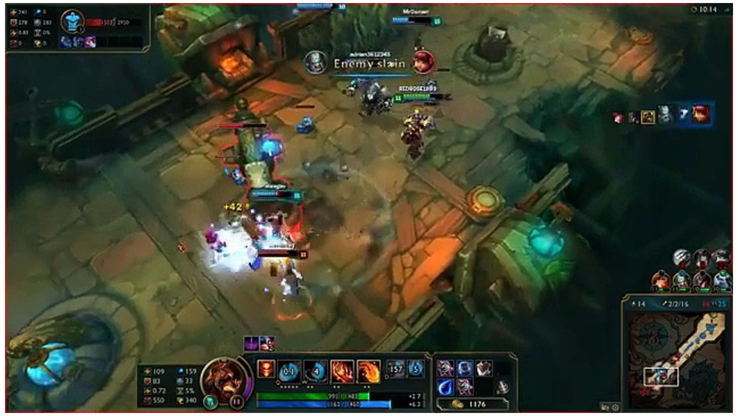
Men

Shooting

Women

RPG

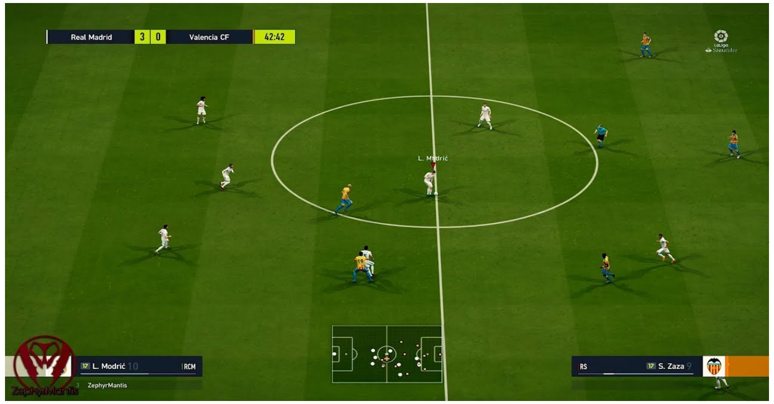
  - Popularity of racing and RTS (*e.g., League of Legends)* decline as people get older



3.7. Game preferences by platform

- For console:
  - While both men and women prefer role-playing, men favor MMORPG *(e.g., Black Desert)* and women favor tactical RPG *(e.g., Super Robot Wars)*

  - Popularity of sports and racing games increase as people get older



3.8. E-sports in Korea

- E-sports in Korea first kicked off in the late 1990s and rapidly gained momentum due to the popularity of *Starcraft*

- A combination of strong Internet infrastructure and accessibility to PC bangs led to the rise in popularity of PC gaming

- Most popular E-sports in 2021:
    1. League of Legends
    2. Overwatch
    3. PUBG
    4. Arena of Valor
    5. FIFA Online 4
    6. Starcraft: Brood War

3.9. Game regulations in Korea

- The "shutdown law" prohibits children under the age of 16 from playing online games from 12:00am to 6:00am

- In-game "loot box" regulations require companies to disclose the probability of receiving randomized loot box items

- Games must be rated by the GRAC (Game Rating and Administration Committee) prior to local distribution

3.10. Samsung & LG

- Korean conglomerates, Samsung and LG, are major players for gaming hardware, with both offering high-performance gaming monitors under the following lineups:
  - Samsung – Odyssey
  - LG – UltraGear

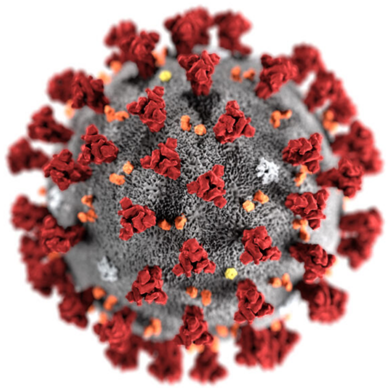
- Both companies released VR headsets – Samsung Gear VR and LG 360 VR – in 2016, but these have since been discontinued

4. Impact of COVID-19

4.1. Impact of COVID-19 on the gaming industry

- The gap between Korea's 3 biggest players – Netmarble, NC Soft and Nexon – and the rest has widened
  - Growth in operating profit from 2019 to 2020:

NC Soft	+72%
Netmarble	+34%
Nexon	+18%



- Approximately 10% of PC bangs went out of business due to COVID-19
  - PC bangs were heavily impacted due to COVID-19 business operating restrictions
  - Sales of personal PCs increased by approximately 20% in Q1 2020 as more people opted to game from home rather than PC bangs
  - COVID-19 restrictions have skewed projected outlooks for the PC bang market

4.2. Impact of COVID-19 on time spent gaming

- Overall, Koreans spent more time playing video games during the COVID-19 pandemic

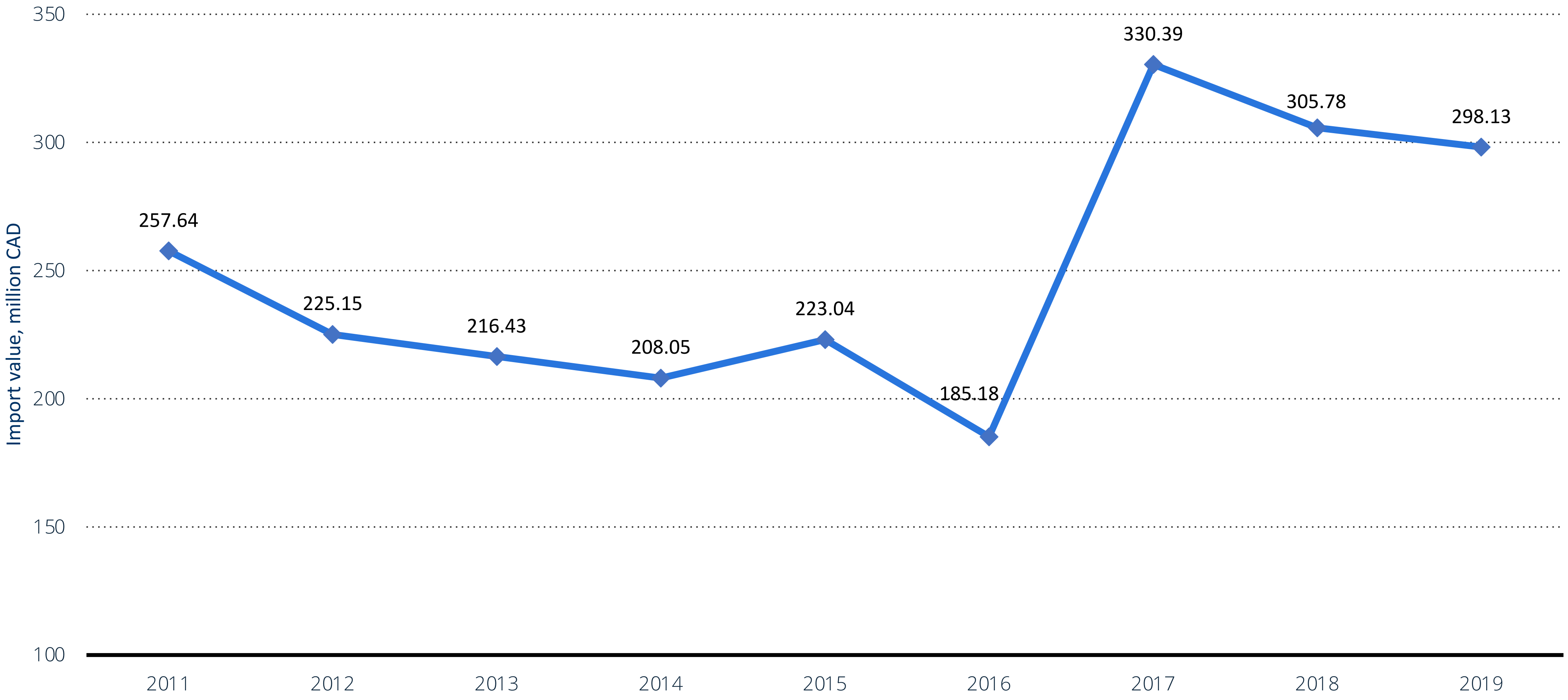
Mobile	+47.1%
PC	+45.6%
Console	+41.0%

- Arcade gaming saw the largest decline in time spent gaming during the pandemic
  - 32.3% of gamers said they spent less time at arcades
  - COVID-19 social distancing restrictions contributed to the decline in numbers as less people visited arcades

Source: Korea Creative Content Agency & Gallup Korea

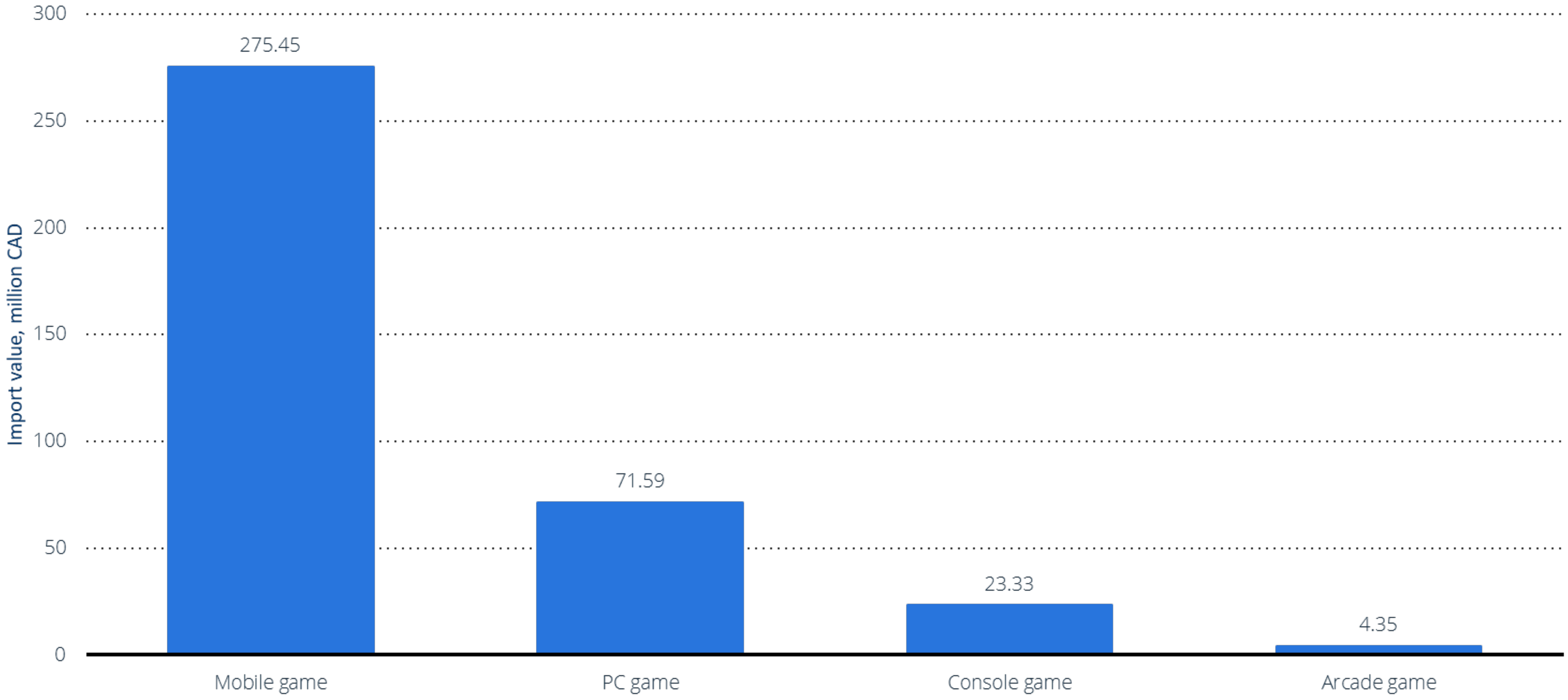
5. Game Imports & Exports

5.1. Import value of the Korean gaming market, 2011-2019



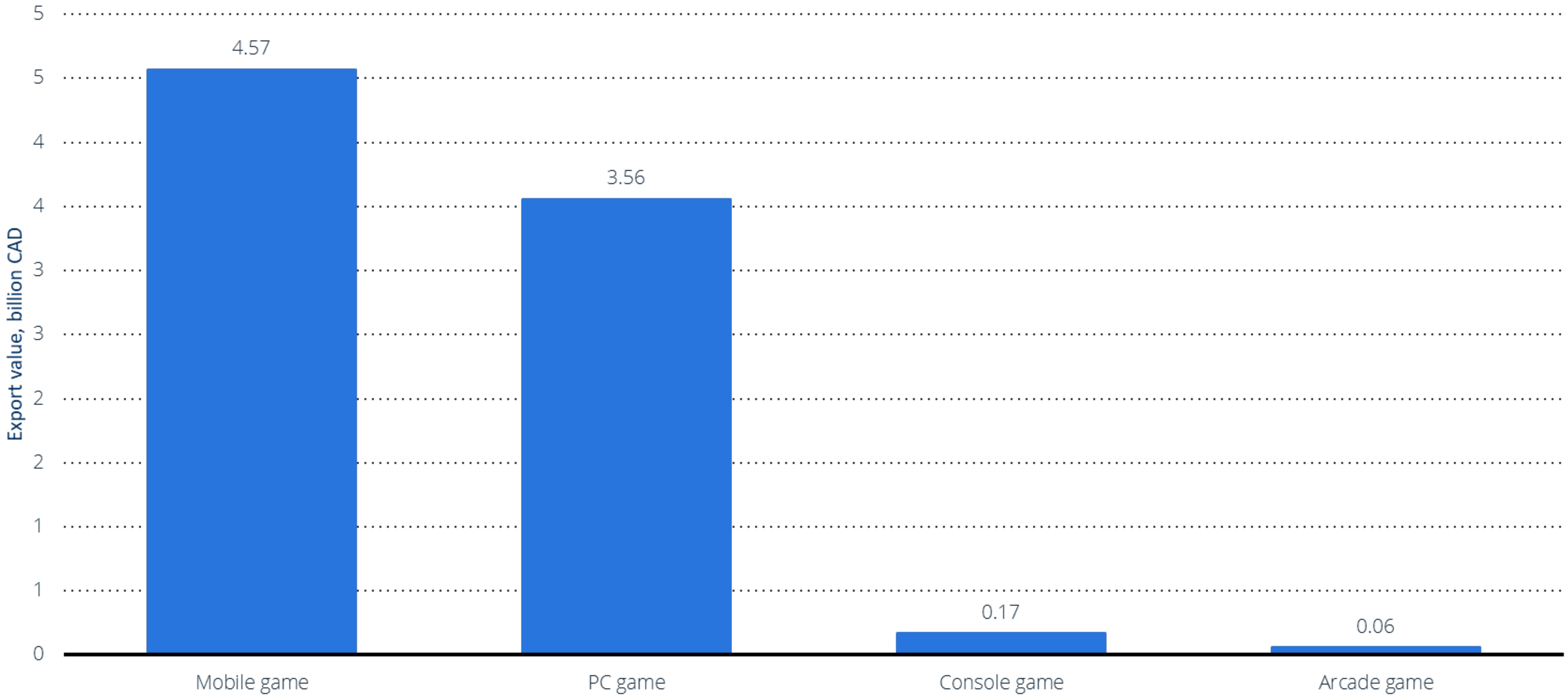
Source: Korea Creative Content Agency

5.2. Gaming imports' value in 2019 by platform



Source: Korea Creative Content Agency

5.3. Gaming exports' value in 2019 by platform



Source: Korea Creative Content Agency

6. SWOT Analysis

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Strengths

- Development and popularity of mobile and PC video games
- High smartphone penetration and ownership of high-end phones
- Proportionate number of male and female gamers in population
- Massive popularity of e-sports

Opportunities

- Korean companies are open and seek opportunities with overseas partners to further develop mobile and PC game portfolios
- Access to resources to develop cutting-edge games with high-end specs
- Rising popularity of console gaming in the domestic market along with local companies' interest in developing console games could bring opportunities for overseas developers

Weaknesses

- Relatively small market for arcade gaming
- Low popularity of sport games outside of *FIFA Online*
- Full localization required and over-reliance on local publishers for domestic market
- Large-scale companies increasing market share due to COVID-19

Threats

- Resources (and often partners) required to localize games properly
- Stiff competition with local companies in mobile and PC markets
- Potential to be overshadowed by large corporates
- In some cases, government regulations

7. Company Profiles

7.1. Korea's Big 3 – Nexon, NC Soft, Netmarble

	Market Capitalization	Revenue (2020)	Notable Games	Subsidiaries
NEXON	CAD 33.95bn	CAD 3.34bn	• FIFA Mobile • MapleStory • Vindictus • DomiNations	• Neople Inc • Ngine Studios • Nexon America • Big Huge Games (US)
nc	CAD 25.15bn	CAD 2.64bn	• Lineage • Guild Wars • Aion • Blade & Soul	• ArenaNet (US) • Ntreev Soft • NC Japan
netmarble	CAD 12.58bn	CAD 2.83bn	• Marvel: Future Fight • Seven Knights • Lineage 2: Revolution	• Hybe Corporation • Jam City (US) • Kabam (CA) • Kung Fu Factory (US)

**Revenue figures taken from each company's financial statements*

7.2. Krafton & Smilegate

KRAFTON

- Established in 2018
- IPO expected in Q3 2021

<u>Market Capitalization</u>

Est. CAD 6.29bn *(pre-IPO)*

<u>Revenue (2020)</u>

CAD 1.89bn

<u>Notable Games</u>

- PlayerUnknown's Battlegrounds *(developer)*
- Tera
- Mini Golf King

<u>Subsidiaries</u>

- Bluehole Studio
- PUBG Studio
- RisingWings

Smilegate®

- Established in 2002

<u>Market Capitalization</u>

Company is unlisted

<u>Revenue (2020)</u>

CAD 1.10bn

<u>Notable Games</u>

- CrossFire
- Lost Ark
- Epic Seven

<u>Subsidiaries</u>

- Smilegate Megaport
- Smilegate RPG

7.3. DoubleU Games & Com2us

- Established in 2012
- Focuses on developing casino-type games

Market Capitalization

CAD 1.27bn

Notable Games

- DoubleU Casino
- Take5 Slots
- Hello Vegas

Revenue (2020)

CAD 719.20mn

Subsidiaries

- DoubleDown Interactive

- Established in 1998
- Acquired by GameVil in 2013*

Market Capitalization

CAD 1.67bn

Notable Games

- Summoners War: Lost Centura
- Summoners War: Sky Arena
- Super Action Hero

Revenue (2020)

CAD 556.06mn

Subsidiaries

- Out of the Park Developments
- Day7 Games

7.4. Kakao Games & Pearl Abyss

kakaogames

- Established in 2013
- Subsidiary of Korean IT giant, Kakao

Market Capitalization

CAD 8.18bn

Revenue (2020)

CAD 541.25mn

Notable Games

- PlayerUnknown's Battleground *(publisher)*
- Elyon
- Friends Racing

Subsidiaries

- XLGames
- Action Square
- Zinny Labs

PEARL ABYSS

- Established in 2010
- *Crimson Desert* set to be released in winter 2021

Market Capitalization

CAD 4.02bn

Revenue (2020)

CAD 534.13mn

Notable Games

- Black Desert
- Black Desert Mobile
- Shadow Arena

Subsidiaries

- CCP Games

7.5. Gravity & Webzen

GRAVITY

- Established in 2000
- Subsidiary of GungHo Online Entertainment

Market Capitalization

CAD 886.20mn

Revenue (2020)

CAD 443.37mn

Notable Games

- Ragnarok Online
- ROSE Online
- Paper Man

Subsidiaries

- Neo Cyon
- Gravity Interactive

WEBZEN

- Established in 2000
- Uses a "free-to-play" business model

Market Capitalization

CAD 1.17bn

Revenue (2020)

CAD 321.24mn

Notable Games

- MU ArchAngel
- Shot Online
- Pooltime

Subsidiaries

- YMIR Entertainment
- Flux

7.6. Neowiz & Gamevil

NEOWIZ

- Established in 1997
- Operates gaming portal, *Pmang*

Market Capitalization

CAD 854.49mn

Revenue (2020)

CAD 316.32mn

Notable Games

- Brave Nine
- Metal Unit
- Jump Arena

Subsidiaries

- GameOn
- ACTSoft

GAMEVIL

- Established in 2000
- Acquired Com2us in 2013 for CAD 81.68mn

Market Capitalization

CAD 263.67mn

Revenue (2020)

CAD 145.08mn

Notable Games

- Arcana Tactics
- NOM
- Skipping Stone

Subsidiaries

- Com2us

8. Useful Links

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Exhibitions

- G-Star Korea
  - https://www.gstar.or.kr/eng
- Game Convention Seoul
  - http://gamecon.or.kr/en/main.asp
- PlayX4
  - https://www.playx4.or.kr/intro/intro.php

Associations

- K-Games (Korea Association of Game Industry)
  - http://www.kgames.or.kr/index-eng/
- KGDA (Korea Game Developers Association)
  - http://kgda.or.kr/