

Korea's Venture Market Posts Second-Highest Q1 Investment on Record, as New Fund Formation Hits All-Time High

KRW 3.3 trillion in new venture investment and KRW 4.4 trillion in new fund formation signal a market firmly back in growth mode

Korea's venture investment market opened 2026 on a strong note. New venture investment in the first quarter reached KRW 3.3 trillion (USD 2.2 billion), up 24.1% from the same period last year – the second-highest Q1 figure ever recorded, surpassed only by the peak of the venture boom in 2022. New venture fund formation came in at KRW 4.4 trillion (USD 2.93 billion), up 30.7% year-on-year and the highest Q1 figure on record.

The scale of the rebound is notable even against the low-interest-rate environment of 2021. Investment volume in Q1 2026 was 34.3% higher than Q1 2021, and fund formation was up 57.2% over the same comparison period – pointing to a market that has not merely recovered from its 2023 trough but moved into a new phase of growth.

When investment by comprehensive financial investment business entities – which carry a mandate to supply risk capital – is included, total growth capital flowing to small and medium-sized enterprises and venture companies in Q1 2026 exceeded KRW 5 trillion (USD 3.33 billion).

ICT services led all sectors with a 21.4% share of Q1 investment, a position it has held consistently for five consecutive years, driven in large part by rising investment in artificial intelligence. Bio and healthcare followed at 20.5%, with investment in the sector rising 85.5% year-on-year – KRW 313.9 billion above Q1 2025 – fueled by a series of large-ticket deals, including at least one exceeding KRW 100 billion or more in the quarter. Electrical, mechanical, and equipment rounded out the top three at 15.3%, with active investment across robotics, fuel cells, and aerospace.

The fastest year-on-year growth came from ICT manufacturing, which surged 99.5% - nearly doubling in a single year. Large investments in AI semiconductor companies drove the increase, with BOS Semiconductors as a representative example. Founded in 2022 and selected for MSS's Deep-Tech Incubator Project for Startup in 2023, the company – which designs AI semiconductors for mobility applications – has now attracted major investment in both 2025 and Q1 2026, reflecting the kind of trajectory the program was designed to support.

Twenty-six companies attracted investments of KRW 10 billion or more in Q1, among them ten companies located outside the greater Seoul metropolitan area. Large deals were recorded in Daejeon and Chungbuk in the bio and healthcare space, and in South Gyeongnam in electrical, mechanical, and equipment – reflecting sustained investor interest in regional companies in their respective core industries.

In South Gyeongnam, Songwol Technology – a startup founded in 2022 that manufactures aircraft and satellite components using carbon fiber and other composite materials – attracted a significant investment, continuing a trend of strong investor interest in the region's defense and aerospace sector that began in 2025.

Across all company age brackets, both investment volumes and the number of companies receiving investment increased year-on-year – with one exception. For companies up to three years old, the number of investees rose 8.9%, but the total amount invested fell 9.5%.

This reflects the broader structure of the current market rather than a withdrawal of confidence in early-stage

companies. Deep tech – which tends to attract investment at later stages – is driving the overall market, and its dominance naturally compresses the share going to very early companies. In non-deep tech sectors, by contrast, companies up to seven years old still account for over 75% of investment, with the under-three-year cohort alone representing 37.3%.

To address the relative gap in early-stage funding, MSS has designated early-stage companies as the second-largest allocation category in its 2026 Korea Fund of Funds first regular contribution round – at KRW 356.2 billion – and introduced preferential treatment for funds that commit a set proportion of capital to early-stage companies.

“The fact that both venture investment and fund formation grew sharply in Q1 2026, following a year that was already the second-best on record annually, is a very positive signal,” said Minister Han Seong-Sook. “MSS will continue expanding Korea Fund of Funds contributions and advancing regulatory improvements to attract private investment, so that promising ventures can grow into the unicorns of tomorrow.”

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