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Industry-academia-research Cooperation-based Technology Holding Company System Improvement Plan Announced

Key Points

- ☐ Eased regulations to overcome obstacles that hinder investment and growth in industry-academia-research cooperation-based technology holding companies and subsidiary companies.
- ☐ University's excellent research capacities and technology commercialization promoted by improving the proportion of technology in-kind investment (30%) of the industry-academic cooperation foundation and the mandatory share (10%) of subsidiary companies.
- ☐ On March 16, the Ministry of Education (headed by Deputy Prime Minister and Minister of Education, Lee Ju-Ho) announced the **Industry-academia-research Cooperation-based Technology Holding Company** (hereinafter referred to as "technology holding company") **System Improvement Plan** to revitalize the commercialization of excellent technologies possessed by universities.

Reference Technology Holding Company Overview

- **(Definition)** A company which controls a third company upon holding the third company's stock for the purpose of commercializing the technology prescribed by the Presidential Decree being held by an industry-academic cooperation foundation
- **(Establishment Requirements)** Obtaining authorization of the Minister of Education in compliance with Article 36-2* of the *Industrial Education Enhancement and Industry-academia-research Cooperation Promotion Act*
 - ① Stock company, ② None of disqualification of executives, ③ Industry-academic cooperation foundation will meet the technology in-kind investment ratio (over 30%) and hold stock ownership (over 50%)

④ Securing dedicated space, ⑤ Securing at least one dedicated workforce, etc.

- **(Operation)** Making profits by establishing subsidiary companies using technologies possessed by industry-academic cooperation foundations or research institutes.

- The technology holding company was first introduced on the basis for its establishment through the revision of the *Industrial Education Enhancement and Industry-academia-research Cooperation Promotion Act* in 2007 to create a virtuous cycle system in which universities commercialize technologies and reinvest profits generated through them in research.
- The number of technology holding companies has increased every year since its first establishment, Hanyang University's technology holding company in July 2008, and as of December 2022, 80 technology holding companies are established and operated.

※ Number of holding companies : ('08)2→('10)13→('12)23→('14)35→('16)48→('18)68→('20)73→('22)80

- Until now, the number of subsidiary companies have been on a constant rise* due to active investments made by technology holding companies, and the rate of return on investment has also increased significantly, contributing to the profit generation and diversification of profit structures of universities.

* ('08)2→('10)43→('12)117→('14)203→('16)443→('18)795→('20)1,101→('22)1,478

** Compared to the recovery rate of 31% from 2012 to 2016, the recovery rate from 2017 to 2021 is 138%

- In 2021, the sales revenue of technology holding companies reached 46.8 billion won, of which 21 billion won was allocated to the Industry-academic cooperation foundation to be reinvested in promoting technology commercialization such as research activities by universities.
- In particular, Catholic University's technology holding company supported its subsidiary company to be listed on KOSDAQ in 2021, and allocated 25 billion won out of 35 billion won in profits from the sales of its stake to the industry-academic cooperation foundation.

- However, opinions have been steadily raised that excessive shareholding obligations regulated by laws and regulations acts as an obstacle to the commercialization of university technology, shrinking its investment.
- In the meantime, the Ministry of Education held extensive discussions with experts and collected opinions on how to improve the system, and plans to implement an advanced system through revision of related laws.
- The main areas of improvement are as follows.

【Improving the investment environment】

- Regulations will be improved so that the industry-academic cooperation foundation can maintain the contribution of technology in-kind ratio of more than 30% of the total capital (cash+technology) of technology holding companies at the time of the establishment so that they can actively bring external investments.
- Until now, technology holding companies have been struggling with the mandatory share ratio that they should have the stake, more than 10% of subsidiary company's; it was a big obstacle since additional costs were incurred to meet the 10% stake when the value of the subsidiary companies increased due to external investment and etc.
- Therefore, the mandatory share ratio of subsidiary companies will be revised to be complied only at the time of initial establishment so that no restrictions will be applied to the discovery of promising companies and subsequent investment.
- ※ (Current) Holding more than 10% of shares at the time of establishment of subsidiaries and after establishment of subsidiaries, a 10-year grace period in case of exceptions → (Revised) Holding more than 10% shares only at the time of establishment of subsidiaries, deletion of the grace period for exceptions.

【Create an efficient business environment for technology holding companies】

- The range of the subsidiary company* will be expanded; technology

holding companies will be allowed to incorporate subsidiary companies by buying stocks and shares, and proceed commercialization of convergence in line with the changed environment.

* (Current) Small and medium-sized enterprises (SMEs) are limited to enterprises that utilize technology owned by the university operating technology holding companies
→ (Revised) Expanding to SMEs that utilize technology owned by the university and other universities

○ The use of profit dividends by technology holding companies limited to “R&D planning work” when supporting university facilities and operating expenses among industry-academic cooperation foundation will be expanded to the entire R&D work as a whole.

○ In addition, the Ministry of Education will continue supporting the operation of technology holding companies by providing accounting manuals suitable for their characteristics and offering consulting to companies that show insufficient commercialization performance.

□ Choi Eun-hee, Director of the Office of Human Capital Policy, said, “We will improve regulations drastically by eliminating obstacles that hinder technology holding companies and subsidiary companies since the excellence of technologies of university can come through when they become commercialized and widely disseminated.”