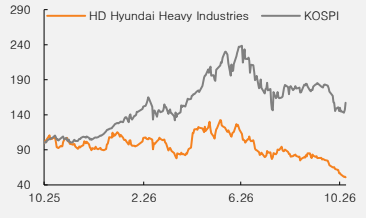
MIRAE ASSET Securities

Equity Research
October 29, 2026

(Maintain)	**Buy**
Target price	▼ **W570,000**
Current price (10/28/26)	W285,500
Upside	99.6%

OP (26F, Wbn)	4,003
Consensus OP (26F, Wbn)	3,979
EPS growth (26F, %)	73.3
Market EPS growth (26F, %)	278.0
P/E (26F, x)	10.5
Market P/E (26F, x)	5.9
KOSPI	6,012.44
Market cap (Wbn)	29,966
Shares (mn)	105
Free float (%)	30.6
Foreign ownership (%)	14.1
Beta (12M)	0.62
52-week low (W)	285,500
52-week high (W)	745,000

(%)	1M	6M	12M
Absolute	-35.4	-57.2	-51.9
Relative	-26.0	-52.7	-67.9



Mirae Asset Securities Co., Ltd.

Joohee Kim
joohee.kim@miraeasset.com

329180 KS · Shipbuilding

HD Hyundai Heavy Industries

Easing uncertainties vs. lack of catalysts

3Q26 review: OP misses consensus by 8%; underlying performance still solid

For 3Q26, HD Hyundai Heavy Industries (HD HHI) reported revenue of W5.75tr (-9.1% QoQ, +30.2% YoY) and operating profit of W899.2bn (-13.5% QoQ, +61.4% YoY), missing the consensus estimates by 4% and 8%, respectively. Three factors reduced operating profit by more than W100bn relative to its normalized level: 1) 14 fewer working days QoQ (profit impact: -W50bn); 2) the 6% QoQ decline in the USD/KRW rate (-W45bn); and 3) bonus and incentive expenses. Commercial shipbuilding OP margin declined 3.1%p QoQ to 14.7%, but solid margins in the offshore (33.3%) and engines/machinery (24.2%) divisions limited the decline in company-wide OP margin to 0.8%p QoQ.

Key uncertainties largely resolved; fewer pressures expected in 4Q26

We believe key uncertainties surrounding FX rates, wage negotiations, and offshore earnings have largely dissipated. After the remaining one-off labor expenses are recognized in 4Q26, commercial shipbuilding OP margin should benefit from the continued shift toward higher-priced orders. Orders secured in 2024 or later should account for 78% of large-vessel revenue in 2027 (up from 51% currently), supporting an OP margin above 19% in 2028. We estimate one-off payments under the wage and collective bargaining agreement at W230–250bn, reflecting a settlement of W11.5mn plus 200% of base pay per employee. Because estimated settlement costs have already been accrued across quarters, the additional expense depends on how much the final settlement exceeds the amount previously assumed. Assuming a prior estimate of around W200bn, the incremental cost would be W30–50bn. Management indicated that approximately 75% of the additional costs had already been recognized in 3Q26, leaving a smaller burden for 4Q26. Meanwhile, management indicated that the lower USD/KRW rate reduced 3Q26 operating profit by W45bn, consistent with our estimated OP margin impact of -0.8%p. Additional hedging since end-2Q26, when the hedge ratio stood at 45%, should reduce FX sensitivity going forward.

Even excluding W18bn in change order gains, offshore OP margin would have reached 28.6% in 3Q26 (vs. 33.3% reported), suggesting that the Trion and Ruya projects are delivering higher-than-expected profitability. With their completion rates estimated at 90% and 44%, respectively, at end-3Q26, earnings visibility remains solid through 1H27.

Maintain Buy, but lower TP to W570,000

We maintain our Buy rating on HD HHI and retain it as our sector top pick, but we lower our target price by 28.8% to W570,000 (from W800,000). We cut our target P/E for commercial shipbuilding by 30% to 11.2x (from 16x), reflecting weaker LNG carrier orders and pricing amid China's growing market share, which has reduced visibility on earnings growth in the business. We also lowered our target P/E for naval shipbuilding from 25x to 13.4x, in line with Japanese peers, reflecting weaker visibility on US combatant vessel orders. The stock appears undervalued at a 2028F P/E of 6.8x and P/B of 1.9x, but a lack of catalysts is deepening the valuation discount. In the near term, securing engine orders to fill production capacity could support a valuation re-rating.

(Dec.)	2024	2025	2026F	2027F	2028F
Revenue (Wbn)	14,486	17,581	24,523	26,306	27,890
OP (Wbn)	705	2,038	4,003	4,884	5,687
OP margin (%)	4.9	11.6	16.3	18.6	20.4
NP (Wbn)	622	1,415	2,856	3,794	4,415
EPS (W)	7,001	15,702	27,209	36,146	42,060
ROE (%)	11.4	18.8	27.9	30.8	30.1
P/E (x)	41.1	32.4	10.5	7.9	6.8
P/B (x)	4.5	5.7	2.7	2.2	1.9
Dividend yield (%)	0.7	1.1	4.2	6.0	7.4

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent
Source: Company data, Mirae Asset Securities Research estimates

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Table 1. 3Q26 review (Wbn, %, %p)

	3Q25	2Q26	3Q26P			Growth	
			Preliminary	Mirae Asset Securities	Consensus	YoY	QoQ
Revenue	4,418	6,332	5,754	6,031	6,018	30.2	-9.1
OP	557	1,040	899	1,004	979	61.4	-13.5
OP margin (%)	12.6	16.4	15.6	16.7	16.3	3.0	-0.8
Pretax profit	571	1,156	475	1,039	1,001	-16.8	-58.9
NP	431	822	354	789	753	-17.8	-56.9

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent
Source: Company data, WISEfn, Mirae Asset Securities Research estimates

Table 2. Earnings forecast revisions (Wbn, %)

	Previous		Revised		% chg.		Notes
	26F	27F	26F	27F	26F	27F	
Revenue	24,743	26,278	24,523	26,306	-0.9	0.1	
OP	4,077	4,871	4,003	4,884	-1.8	0.3	
Pretax profit	4,415	4,991	3,879	4,992	-12.1	0.0	3Q26 FX losses of W610bn
NP	3,270	3,793	2,856	3,794	-12.7	0.0	
EPS (W)	31,154	36,140	27,209	36,146	-12.7	0.0	

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent
Source: Company data, Mirae Asset Securities Research estimates

Table 3. HD HHI: Quarterly and annual earnings (Wbn, %)

		1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26P	4Q26	2025	2026F	2027F	2028F
Revenue	Total	3,823	4,147	4,418	5,193	5,916	6,332	5,754	6,521	17,581	24,523	26,306	27,890
	Shipbuilding	2,743	2,850	3,055	3,815	4,560	4,978	4,399	5,242	12,463	19,179	21,216	22,134
	Commercial	2,575	2,623	2,684	3,465	4,278	4,677	4,142	4,890	11,347	17,987	19,879	20,706
	Naval	168	227	371	350	282	301	257	352	1,116	1,192	1,337	1,428
	Offshore	159	246	281	553	458	377	380	309	1,239	1,524	1,074	936
	Engines/machinery	901	1,029	1,060	801	879	952	951	970	3,791	3,752	4,017	4,820
	Other	19	23	22	24	20	25	24		88	68		
YoY	Total	27.9	6.8	22.4	29.6	54.8	52.7	30.2	25.6	21.4	39.5	7.3	6.0
	Shipbuilding	27.3	0.4	17.3	26.2	66.2	74.7	44.0	37.4	17.3	53.9	10.6	4.3
	Offshore	41.4	55.3	60.0	172.8	188.0	53.3	35.3	-44.2	90.9	23.0	-29.5	-12.8
	Engines/machinery	28.2	18.9	30.9	5.8	-2.5	-7.5	-10.3	21.1	20.9	-1.0	7.1	20.0
OP	Total	434	471	557	575	905	1,040	899	1,159	2,038	4,003	4,884	5,687
	Shipbuilding	355	337	397	437	713	851	646	853	1,526	3,063	3,752	4,171
	Commercial	330	310	346	414	678	833	608	822	1,400	2,941	3,606	3,995
	Naval	26	27	51	23	34	18	39	31	126	122	146	176
	Offshore	9	37	1	97	87	60	127	63	143	336	83	40
	Engines/machinery	142	184	220	147	185	236	230	243	693	894	1,048	1,477
	Other	-72	-87	-60	-106	-79	-108	-104		-325	-290		
OP margin (%)	Overall	11.3	11.4	12.6	11.1	15.3	16.4	15.6	17.8	11.6	16.3	18.6	20.4
	Shipbuilding	13.0	11.8	13.0	11.4	15.6	17.1	14.7	16.3	12.2	16.0	17.7	18.8
	Commercial	12.8	11.8	12.9	11.9	15.9	17.8	14.7	16.8	12.3	16.4	18.1	19.3
	Naval	15.2	11.9	13.8	6.4	12.2	6.0	15.0	8.8	11.3	10.2	10.9	12.3
	Offshore	5.3	15.0	0.2	17.5	18.9	15.9	33.3	20.4	11.5	22.1	7.8	4.3
	Engines/machinery	15.7	17.9	20.8	18.4	21.1	24.8	24.2	25.0	18.3	23.8	26.1	30.6
Pretax profit		376	280	571	574	1,056	1,156	475	1,192	1,801	3,879	4,992	5,809
Tax		92	69	140	84	283	334	121	286	385	1,023	1,198	1,394
NP attributable to owners of the parent		284	211	431	490	774	822	354	906	1,415	2,856	3,794	4,415

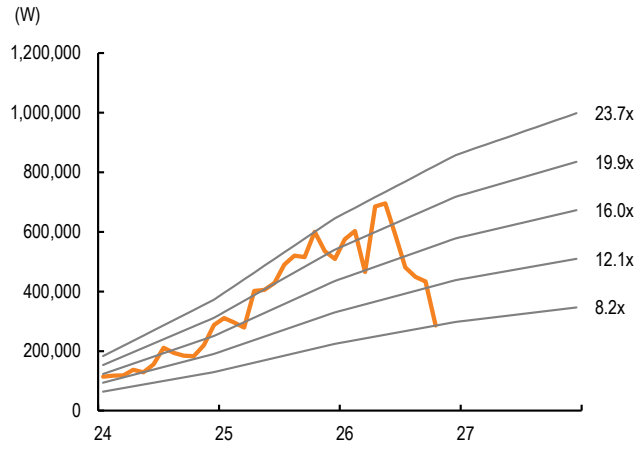
Source: Company data, Mirae Asset Securities Research

Table 4. HD HHI: TP calculation (SOTP) (Wbn, x, %)

	Segment/item	OP	Tax rate	Multiple	Value	Notes
Operating value	Shipbuilding	4,171			36,266	
	Commercial	3,995	23.00%	11.2	34,452	16x previously
	Naval	176	23.00%	13.4	1,814	Japanese peer avg.; 25x previously
	Offshore	40	23.00%	11.2	344	In line with commercial shipbuilding multiple; 15x previously
	Engines/machinery	1,477	23.00%	16.0	18,195	Gas engine peer avg.; 20x previously
	Total				**54,805**	
Other	Net cash				5,072	End-3Q26
	Non-controlling interests				0	
	Total				**5,072**	
Fair value					59,877	
No. of shares (mn)					104.9	
TP (W)					**570,000**	
CP (W)					285,500	
Upside (%)					99.6	
Implied P/E (x)					13.6	
EPS (W)					42,060	2028F

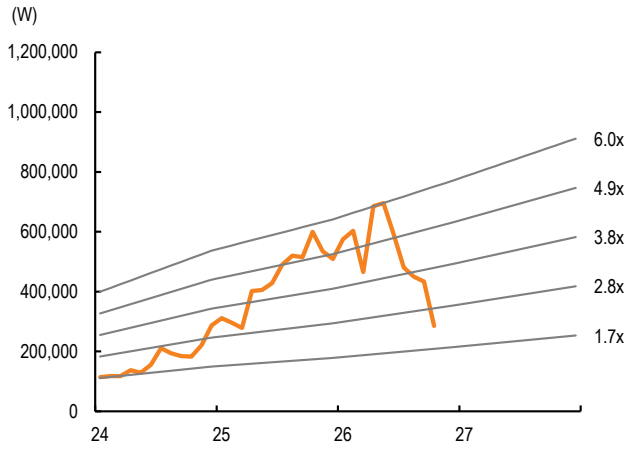
Source: Mirae Asset Securities Research

Figure 1. HD HHI: 12-month forward P/E band chart



Source: FnGuide, Mirae Asset Securities Research

Figure 2. HD HHI: 12-month forward P/B band chart



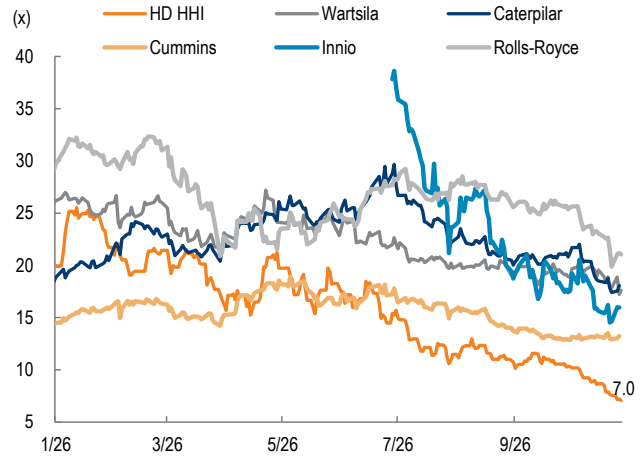
Source: FnGuide, Mirae Asset Securities Research

Table 5. Global peer group: Key valuation metrics (Wbn, x, %)

Country	Company	Market cap	P/E				EV/EBITDA				P/B				ROE			
			FY0	FY1	FY2	FY3	FY0	FY1	FY2	FY3	FY0	FY1	FY2	FY3	FY0	FY1	FY2	FY3
Korea	HD HHI	29,966	12.0	9.6	8.2	7.0	16.6	5.8	5.0	4.3	2.8	2.5	2.1	1.7	30.1	29.3	28.2	27.0
	Hanwha Ocean	16,087	7.8	8.9	8.8	7.7	18.0	8.8	8.2	7.3	2.1	2.0	1.6	1.4	32.3	25.3	20.2	19.0
	HD KSOE	17,092	5.0	4.5	3.8	3.3	3.2	1.5	1.3	1.2	1.2	1.1	0.9	0.7	25.7	26.3	25.8	24.9
	SHI	14,529	24.9	15.3	9.8	8.0	14.0	8.6	6.3	5.3	3.0	2.8	2.1	1.7	13.4	20.0	24.7	23.9
	Daehan Shipbuilding	1,415	4.6	4.8	4.6	4.1	3.9	2.1	2.0	1.7	1.2	1.1	0.9	0.7	34.3	24.4	20.8	19.6
	Avg.	15,818	10.8	8.6	7.0	6.0	11.1	5.3	4.5	4.0	2.1	1.9	1.5	1.3	27.2	25.1	23.9	22.9
Japan	Mitsubishi	101,588	28.5	27.1	23.2	19.7	17.4	15.1	12.9	11.2	3.8	3.5	3.1	2.8	14.4	13.2	14.1	14.4
	Kawasaki	16,064	15.1	15.3	13.4	12.0	13.8	9.3	8.6	7.8	2.0	1.8	1.6	1.6	14.8	13.0	12.8	13.4
	Namura	2,478	12.0	11.3	10.4	8.4	4.1	5.0	4.4	3.6	2.1	-	-	-	19.7	18.2	-	-
	Avg.	40,043	18.5	17.9	15.6	13.4	11.8	9.8	8.6	7.5	2.6	2.6	2.4	2.2	16.3	14.8	13.5	13.9
China	CSSC	51,008	16.3	12.5	9.3	7.7	-	6.1	4.6	3.9	1.7	1.6	1.4	1.2	14.5	13.2	15.7	16.8
	Yangzijiang	34,183	20.2	19.4	10.4	7.1	-	14.1	8.3	5.9	12.4	7.9	4.7	3.0	67.7	50.1	47.2	41.8
	Hengli	19,676	10.0	8.9	7.8	7.3	-	6.5	5.8	5.4	3.0	2.5	2.2	1.9	32.2	31.4	29.9	27.7
	Avg.	34,956	15.5	13.6	9.2	7.4	-	8.9	6.2	5.1	5.7	4.0	2.7	2.0	38.1	31.6	31.0	28.8
US	General Dynamics	128,481	21.7	20.9	19.1	17.5	16.1	14.5	13.4	12.5	3.6	3.4	3.2	3.0	17.8	17.3	17.5	17.7
	Huntington Ingalls	14,833	18.5	15.1	13.4	11.6	13.7	12.8	11.1	9.9	2.1	2.0	1.9	1.7	13.0	13.8	14.3	14.9
	Avg.	71,657	20.1	18.0	16.3	14.6	14.9	13.7	12.3	11.2	2.8	2.7	2.6	2.4	15.4	15.6	15.9	16.3

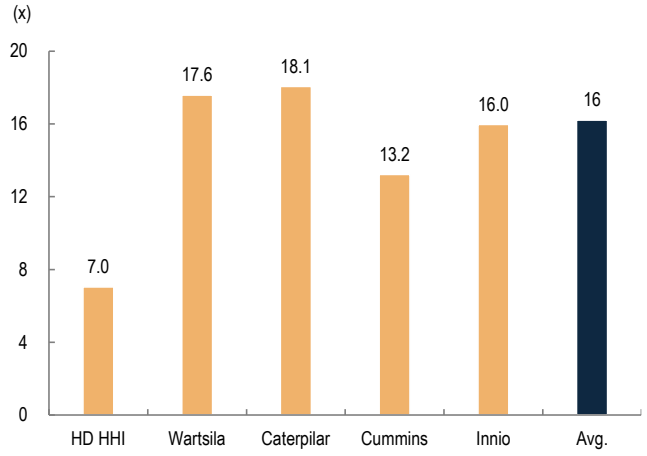
Source: Bloomberg, Mirae Asset Securities Research

Figure 3. Global peer group: 24MF P/E trends



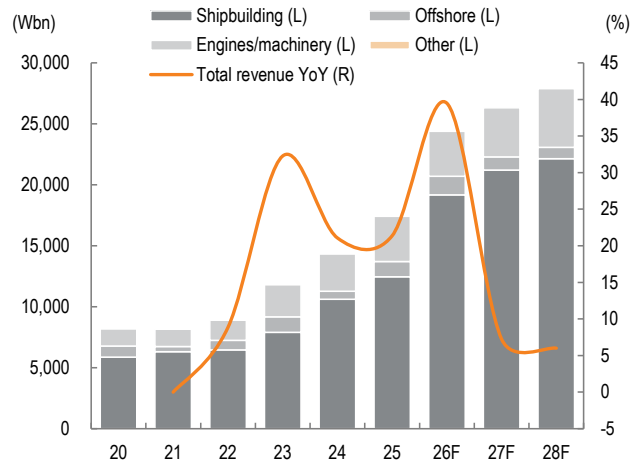
Source: Bloomberg, Mirae Asset Securities Research

Figure 4. Global peer group: 24MF P/E



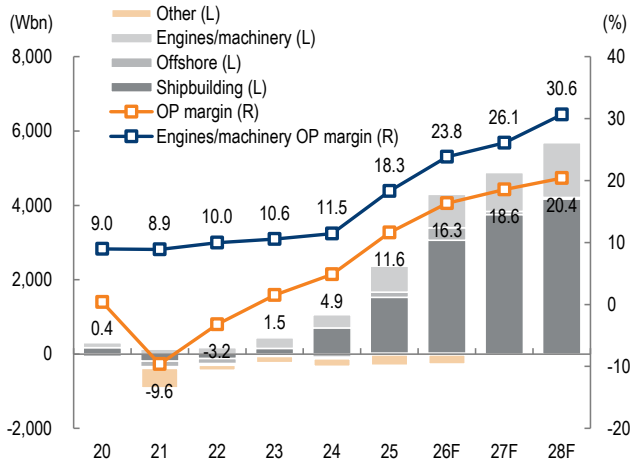
Source: Bloomberg, Mirae Asset Securities Research

Figure 5. HD HHI: Annual revenue and growth



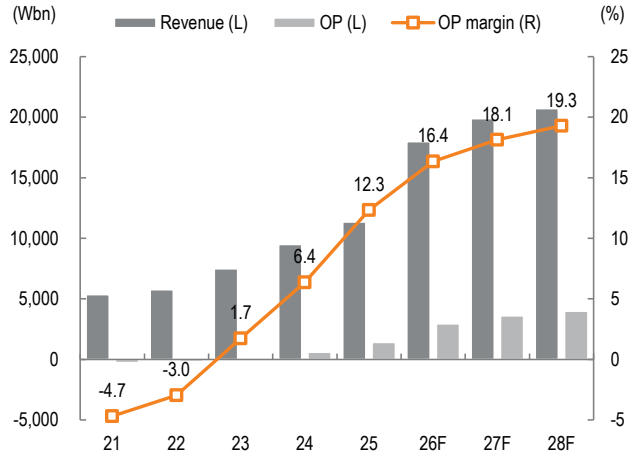
Source: Company data, Mirae Asset Securities Research estimates

Figure 6. HD HHI: Annual OP and OP margin



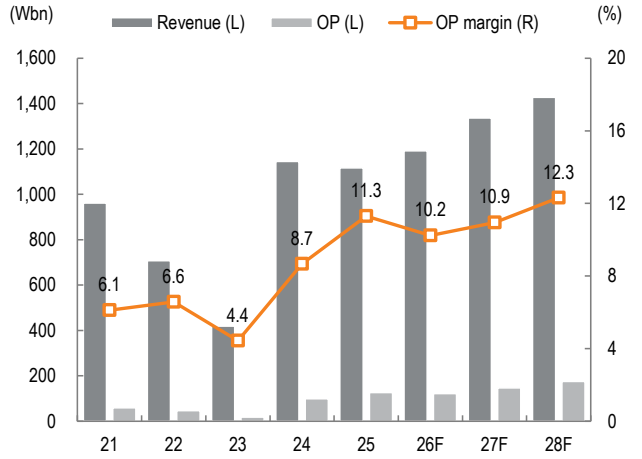
Source: Company data, Mirae Asset Securities Research estimates

Figure 7. HD HHI: Commercial shipbuilding revenue, OP, and OP margin



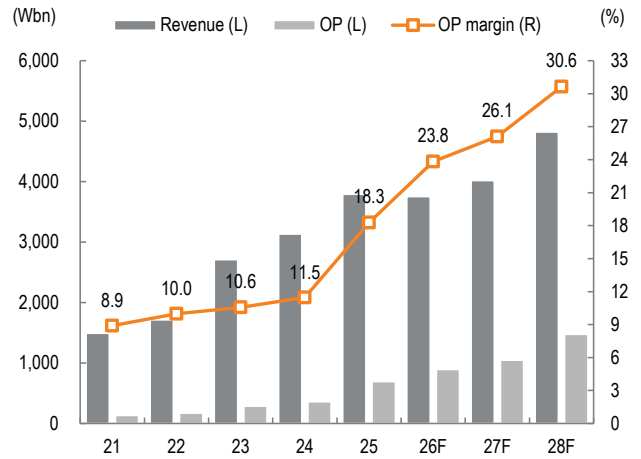
Source: Company data, Mirae Asset Securities Research estimates

Figure 8. HD HHI: Naval shipbuilding revenue, OP, and OP margin



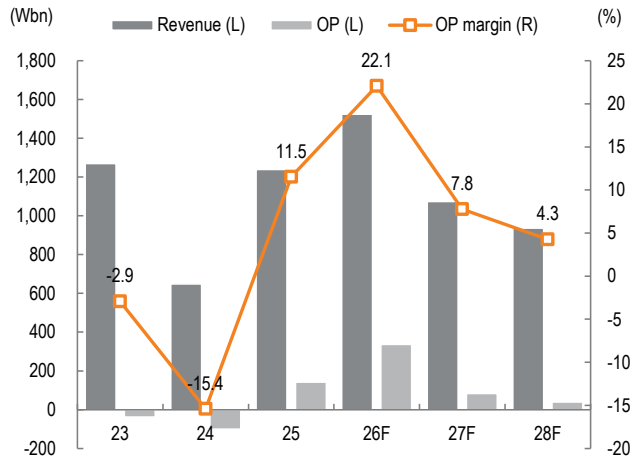
Source: Company data, Mirae Asset Securities Research estimates

Figure 9. HD HHI: Engines/machinery revenue, OP, and OP margin



Source: Company data, Mirae Asset Securities Research estimates

Figure 10. HD HHI: Offshore revenue, OP, and OP margin



Source: Company data, Mirae Asset Securities Research estimates

HD Hyundai Heavy Industries (329180 KS)

Income statement (summarized)

(Wbn)	2025	2026F	2027F	2028F
Revenue	**17,581**	**24,523**	**26,306**	**27,890**
Cost of revenue	**14,616**	**19,388**	**20,205**	**20,907**
GP	**2,965**	**5,135**	**6,101**	**6,983**
SG&A expenses	**927**	**1,132**	**1,217**	**1,295**
OP (adj.)	**2,038**	**4,003**	**4,884**	**5,687**
OP	**2,038**	**4,003**	**4,884**	**5,687**
Non-operating profit	**-237**	**-124**	**108**	**122**
Net financial income	8	47	62	93
Net income from associates	-4	1	0	0
Pretax profit	1,801	3,879	4,992	5,809
Income tax	385	1,023	1,198	1,394
Profit from continuing operations	1,415	2,856	3,794	4,415
Profit from discontinued operations	0	0	0	0
NP	**1,415**	**2,856**	**3,794**	**4,415**
Attributable to owners	1,415	2,856	3,794	4,415
Attributable to minority interests	0	0	0	0
Total comprehensive income	**1,582**	**2,880**	**3,794**	**4,415**
Attributable to owners	1,582	2,880	3,794	4,415
Attributable to minority interests	0	0	0	0
EBITDA	2,371	4,418	5,313	6,121
FCF	2,998	2,732	1,841	4,169
EBITDA margin (%)	13.5	18.0	20.2	21.9
OP margin (%)	11.6	16.3	18.6	20.4
Net margin (%)	8.0	11.6	14.4	15.8

Balance sheet (summarized)

(Wbn)	2025	2026F	2027F	2028F
Current assets	**14,980**	**18,797**	**21,368**	**24,567**
Cash & equivalents	1,870	3,899	4,424	6,742
AR & other receivables	1,680	1,816	2,144	2,255
Inventory	2,017	2,146	2,395	2,519
Other current assets	9,413	10,936	12,405	13,051
Non-current assets	**11,183**	**11,369**	**11,583**	**11,719**
Investments in associates	305	329	329	329
PP&E	8,781	9,054	9,246	9,333
Intangible assets	161	170	159	149
Total assets	**26,163**	**30,166**	**32,951**	**36,286**
Current liabilities	**15,333**	**17,422**	**17,920**	**18,824**
AP & other payables	2,417	3,035	3,125	3,287
Short-term financial liabilities	857	1,403	1,428	1,476
Other current liabilities	12,059	12,984	13,367	14,061
Non-current liabilities	**1,489**	**1,580**	**1,585**	**1,595**
Long-term financial liabilities	1,341	1,394	1,394	1,394
Other non-current liabilities	148	186	191	201
Total liabilities	**16,821**	**19,002**	**19,505**	**20,419**
Equity attributable to owners	**9,342**	**11,164**	**13,446**	**15,867**
Capital stock	525	525	525	525
Capital surplus	5,130	5,130	5,130	5,130
Retained earnings	2,394	4,192	6,474	8,895
Minority interests	**0**	**0**	**0**	**0**
Shareholders' equity	**9,342**	**11,164**	**13,446**	**15,867**

Cash flow statement (summarized)

(Wbn)	2025	2026F	2027F	2028F
Operating cash flow	**3,510**	**3,385**	**2,451**	**4,679**
NP	1,415	2,856	3,794	4,415
Non-cash income/expenses	945	1,063	1,300	1,466
Depreciation	315	393	408	413
Amortization	18	22	21	20
Other	612	648	871	1,033
Chg. in working capital	1,158	-160	-1,508	98
Chg. in AR & other receivables	-82	-85	-319	-95
Chg. in inventory	-329	-129	-249	-124
Chg. in AP & other payables	37	437	65	118
Income tax	-51	-455	-1,198	-1,394
Cash flow from investing activities	**-2,040**	**418**	**-450**	**-424**
Chg. in PP&E	-497	-651	-610	-510
Chg. in intangible assets	-24	-32	-10	-10
Chg. in financial assets	-1,081	-107	-94	-171
Other	-438	1,208	264	267
Cash flow from financing activities	**-860**	**-1,795**	**-1,486**	**-1,947**
Chg. in financial liabilities	-1,082	599	26	47
Chg. in equity	2,088	0	0	0
Dividends	-334	-1,058	-1,512	-1,994
Other	-1,532	-1,336	0	0
Chg. in cash	**612**	**2,029**	**525**	**2,318**
Beginning balance	1,258	1,870	3,899	4,424
Ending balance	1,870	3,899	4,424	6,742

Key valuation metrics/ratios

	2025	2026F	2027F	2028F
P/E (x)	32.4	10.5	7.9	6.8
P/CF (x)	19.4	7.6	5.9	5.1
P/B (x)	5.7	2.7	2.2	1.9
EV/EBITDA (x)	21.7	6.1	4.9	3.9
EPS (W)	15,702	27,209	36,146	42,060
CFPS (W)	26,187	37,337	48,535	56,031
BPS (W)	89,148	106,509	128,248	151,313
DPS (W)	5,661	12,000	17,000	21,000
Dividend payout ratio (%)	40.1	44.1	47.0	49.9
Dividend yield (%)	1.1	4.2	6.0	7.4
Revenue growth (%)	21.4	39.5	7.3	6.0
EBITDA growth (%)	134.5	86.3	20.3	15.2
OP growth (%)	188.9	96.5	22.0	16.4
EPS growth (%)	124.3	73.3	32.8	16.4
AR turnover (x)	12.5	16.7	15.8	14.9
Inventory turnover (x)	10.0	11.8	11.6	11.4
AP turnover (x)	8.9	9.8	9.1	9.0
ROA (%)	6.2	10.1	12.0	12.8
ROE (%)	18.8	27.9	30.8	30.1
ROIC (%)	27.8	49.2	47.7	50.0
Debt-to-equity ratio (%)	180.1	170.2	145.1	128.7
Current ratio (%)	97.7	107.9	119.2	130.5
Net debt-to-equity ratio (%)	-20.2	-28.6	-27.9	-38.7
Interest coverage ratio (x)	21.1	49.2	60.4	69.0

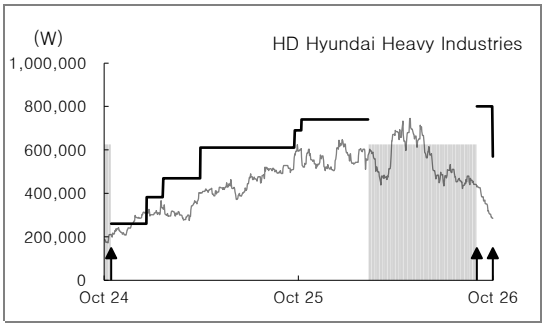
Source: Company data, Mirae Asset Securities Research estimates

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
HD Hyundai Heavy Industries (329180)	10/29/26	Buy	570,000
	09/29/26	Buy	800,000
	03/10/26	No Coverage	
	11/04/25	Buy	740,000
	10/22/25	Buy	690,000
	04/28/25	Buy	610,000
	02/17/25	Buy	470,000
	01/17/25	Buy	383,000
	11/11/24	Buy	260,000



Stock ratings		Sector ratings	
Buy	Expected 12-month return: +20% or greater	Overweight	Expected to outperform the market over 12 months
Hold	Expected 12-month return: Greater than -10% and less than +10%	Neutral	Expected to perform in line with the market over 12 months
Sell	Expected 12-month return: -10% or less	Underweight	Expected to underperform the market over 12 months

As of May 12, 2025, the Trading Buy rating category has been removed from our investment rating system.
Stocks expected to deliver a 12-month return between +10% and less than +20% may be rated either Buy or Hold at the discretion of the research analyst.

Rating and TP history: Share price (─), TP (▬), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (♦)
* Our investment rating is a guide to the expected return of the stock over the next 12 months.
* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.
* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.
* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution	89.66%	0%	9.77%	0.57%
Investment banking services	92.86%	0%	7.14%	0%

* Based on recommendations in the last 12-months (as of September 30, 2026)

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Mirae Asset Securities International Network

Mirae Asset Securities Co., Ltd. (Seoul)
One-Asia Equity Sales Team
Mirae Asset Center 1 Building
26 Eulji-ro 5-gil, Jung-gu, Seoul 04539
Korea

Tel: 82-2-3774-2124

Mirae Asset Securities (HK) Ltd.
Units 8501, 8507-8508, 85/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong SAR
Tel: 852-2845-6332

Mirae Asset Securities (UK) Ltd.
41st Floor, Tower 42
25 Old Broad Street,
London EC2N 1HQ
United Kingdom

Tel: 44-20-7982-8000

Mirae Asset Securities (USA) Inc.
810 Seventh Avenue, 37th Floor
New York, NY 10019
USA

Tel: 1-212-407-1000

Mirae Asset Wealth Management (Brazil) CCTVM
Rua Funchal, 418, 18th Floor, E-Tower Building
Vila Olimpia
Sao Paulo - SP
04551-060
Brazil
Tel: 55-11-2789-2100

PT. Mirae Asset Sekuritas Indonesia
District 8, Treasury Tower Building Lt. 50
Sudirman Central Business District
Jl. Jend. Sudirman, Kav. 52-54
Jakarta Selatan 12190
Indonesia
Tel: 62-21-5088-7000

Mirae Asset Securities (Singapore) Pte. Ltd.
6 Battery Road, #11-01
Singapore 049909
Republic of Singapore

Tel: 65-6671-9845

Mirae Asset Securities (Vietnam) LLC
7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3911-0633 (ext.110)

Mirae Asset Securities Mongolia UTsK LLC
#406, Blue Sky Tower, Peace Avenue 17
1 Khoroo, Sukhbaatar District
Ulaanbaatar 14240
Mongolia

Tel: 976-7011-0806

Mirae Asset Investment Advisory (Beijing) Co., Ltd
2401B, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699

Beijing Representative Office
2401A, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699 (ext. 3300)

Shanghai Representative Office
38T31, 38F, Shanghai World Financial Center
100 Century Avenue, Pudong New Area
Shanghai 200120
China

Tel: 86-21-5013-6392

Ho Chi Minh Representative Office
7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3910-7715

Mirae Asset Capital Markets (India) Pvt Ltd
1st Floor, Tower 4, Equinox Business Park,
LBS Marg, Off BKC, Kurla (West), Mumbai - 400 070
India

Tel: 91-22-62661300 / 48821300