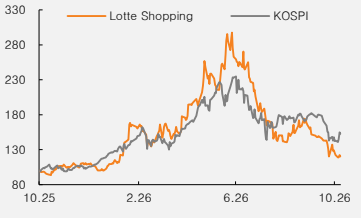
MIRAE ASSET Securities

Equity Research
October 30, 2026

(Initiate)	**Buy**
Target price	**W119,000**
Current price (10/29/26)	W82,300
Upside	44.6%

OP (26F, Wbn)	789
Consensus OP (26F, Wbn)	778
EPS growth (26F, %)	463.1
Market EPS growth (26F, %)	278.0
P/E (26F, x)	8.0
Market P/E (26F, x)	5.4
KOSPI	5,937.66
Market cap (Wbn)	2,328
Shares (mn)	28
Free float (%)	40.9
Foreign ownership (%)	14.9
Beta (12M)	0.45
52-week low (W)	64,100
52-week high (W)	203,500

(%)	1M	6M	12M
Absolute	-19.3	-38.7	24.1
Relative	-6.6	-30.9	-14.7



Mirae Asset Securities Co., Ltd.

Nami Kim
nami.kim@miraeasset.com

023530 KS · Retail

Lotte Shopping

Department stores lead earnings growth as the drag from other businesses eases

Initiate coverage with Buy rating and TP of W119,000

We initiate coverage of Lotte Shopping with a Buy rating and target price of W119,000. We expect earnings growth to be driven by: 1) operating leverage in department stores as domestic fashion sales recover and foreign shopper traffic rises; 2) increased customer traffic in the hypermarket business following Homeplus store closures; and 3) a shift toward higher-margin products and improved cost efficiency in the home shopping division. We derived our target price by applying a P/B of 0.22x (the average multiple since the release of 4Q25 results confirmed a return to profitability) to 2Q26 BPS of W540,925.

Department stores: Fashion recovery and foreign shoppers drive profit growth

Department store profit growth is accelerating as a recovery in domestic fashion sales (45% of revenue) is joined by rising sales to foreign shoppers. Domestic fashion sales grew 12% YoY in 2Q26, while sales to foreign shoppers surged 92% YoY in 1Q26 (5.2% of total sales) and 108% YoY in 2Q26 (7.1%). Key stores, particularly the flagship Myeongdong store (foreign shopper sales mix: 29%) and the Busan branches (9.4%), are driving the surge in foreign customer traffic. Notably, this growth reflects solid demand for K-fashion and unique brand offerings rather than FX effects alone.

Hypermarkets: Easing competition improves same-store profitability

Lotte Mart is seeing tangible benefits from Homeplus store closures. Same-store sales (SSS) grew 0.7% YoY overall in 2Q26 but rose 4–5% at stores near affected Homeplus locations, compared with a 2% decline at stores outside those competitive areas. If newly acquired customers continue shopping at Lotte Mart, the higher sales base should persist even after growth rates normalize, improving fixed-cost absorption. We expect the hypermarket business to return to an operating profit in 3Q26 and post full-year operating profit of W20.1bn, vs. a W7bn loss in 2025.

Home shopping: Product mix changes strengthen underlying profitability

Home shopping profitability is improving as the business gives more airtime to health supplements and beauty products and improves cost control. In 2Q26, the division's net revenue increased 3.3% while operating profit surged 62.7%, lifting OP margin from 5.3% to 8.3%. For 2026, we forecast home shopping operating profit to rise to W77.1bn (+W32.1bn YoY), accounting for 13% of the increase in consolidated operating profit. Our 2H26 forecast of W30.8bn (W15bn in 3Q26F and W15.8bn in 4Q26F) assumes narrower YoY margin improvement (vs. the 9.8% OP margin recorded in 1H26). Higher ad earnings and narrower losses at Lotte On should provide additional support.

(Dec.)	2024	2025	2026F	2027F	2028F
Revenue (Wbn)	13,987	13,738	14,323	14,827	15,268
OP (Wbn)	473	547	789	875	966
OP margin (%)	3.4	4.0	5.5	5.9	6.3
NP (Wbn)	-968	52	290	340	409
EPS (W)	-34,219	1,822	10,262	12,017	14,454
ROE (%)	-7.7	0.3	1.9	2.2	2.6
P/E (x)	-	39.8	8.0	6.8	5.7
P/B (x)	0.1	0.1	0.2	0.1	0.1
Dividend yield (%)	7.0	5.5	5.6	5.6	5.6

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

Analysts who prepared this report are registered as research analysts in Korea but not in any other jurisdiction, including the US. Please see analyst certifications and important disclosures & disclaimers in Appendix 1 at the end of the report.

Valuation

We initiate coverage of Lotte Shopping with a Buy rating and target price of W119,000. Our investment case rests on three factors. First, department stores, which we estimate will contribute 85% of 2026 consolidated operating profit, should deliver double-digit profit growth on strong spending by both foreign and domestic shoppers. Second, the hypermarket business should benefit from Homeplus store closures, swinging from an operating loss of W7bn in 2025 to a profit of W20.1bn in 2026. Third, non-department-store businesses, including other/consolidation adjustments, should account for 31% of the projected increase in 2026 operating profit. As such, we see the firm's diversified businesses shifting from a drag on earnings to a source of growth. Our target price is based on a P/B of 0.22x and 2Q26 BPS of W540,925.

Table 1. Lotte Shopping: TP calculation

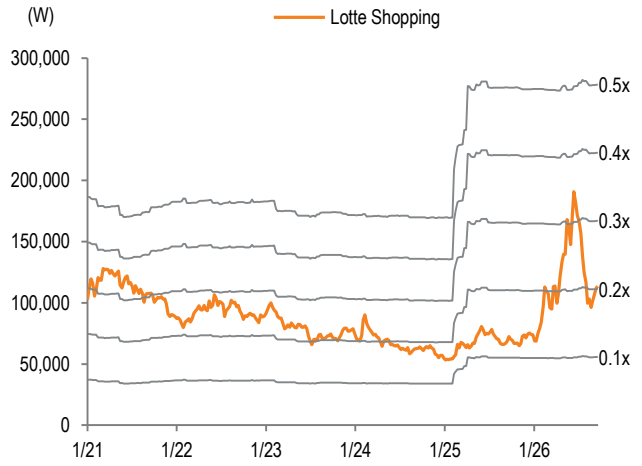
	Value	Notes
2Q26 equity attr. to owners of the parent (Wbn)	15,302.1	As of end-Jun. 2026; consolidated basis
BPS (W)	540,925	28.289mn shares
Target P/B (x)	0.22	Avg. P/B calculated using month-end closing prices from Feb. through Sep. 2026 and the Oct. 26 close, each divided by 2Q26 BPS; period begins with the 4Q25 results announcement on Feb. 6, 2026
TP (W)	119,000	
Current price (W)	81,400	Oct. 26 closing price
Current P/B (x)	0.15	
Upside (%)	46.2	
(Ref.) 2026F EPS (W)	10,262	Implied P/E: 7.9x

Source: Mirae Asset Securities Research

We believe P/B is a more appropriate valuation metric for Lotte Shopping than P/E. Net debt, including lease liabilities, stands at around W12tr (roughly four times the W3.1tr recorded in 2011) following increased investment since 2021. With revalued assets also accounting for a substantial share of the asset base, valuations based on enterprise value produce implied equity values that are highly sensitive to capital structure assumptions, making peer comparisons less reliable. P/E also has a limited usefulness because asset revaluations and impairment losses make net profit volatile. Net profit attributable to owners of the parent swung from a W968bn loss in 2024 to a profit in 2025, and we forecast it to reach W290.3bn in 2026. Simply put, EPS for any single year can be driven more by non-operating and asset-related gains and losses than by the direction of operating profit.

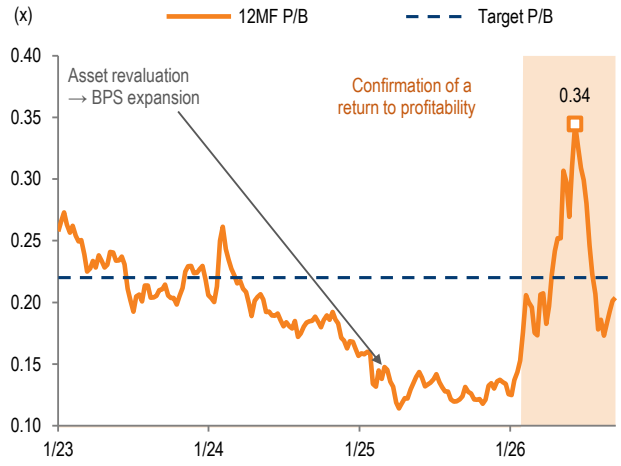
Lotte Shopping has a substantial net asset base, bolstered by W7.7tr in revaluation surplus. We derive our target price by applying a P/B of 0.22x to 2Q26 BPS of W540,925 (based on 2Q26 equity attributable to owners of the parent of W15,302.1bn and 28.289mn shares). The multiple is the average P/B based on month-end share prices from the Feb. 6 announcement of 4Q25 results through September, plus the Oct. 26 closing price, using 2Q26 BPS throughout. YoY operating profit growth turned positive after declines of 28% in 2Q25 and 16% in 3Q25, reaching 55% in 4Q25, 71% in 1Q26, and 121% in 2Q26. Full-year net profit attributable to owners of the parent swung to positive territory in 2025. Our approach reflects the land revaluation in BPS while using the market's valuation since the earnings recovery became evident as the benchmark for the target multiple. We expect continued profit growth in both department stores and other businesses, as well as improving cash flow, to support a recovery to that valuation level.

Figure 1. Lotte Shopping: 12-month forward P/B band chart



Notes: Based on Bloomberg consensus; weekly data; BPS increased following the land revaluation at end-2024
Source: Bloomberg, Mirae Asset Securities Research

Figure 2. Lotte Shopping: 12-month forward P/B (target P/B of 0.22x)



Notes: Based on Bloomberg consensus; weekly data; shading indicates the period after the 4Q25 results announcement (Feb. 6, 2026); the target P/B is the rounded avg. of the Feb.–Sep. month-end closing prices and the Oct. 26 closing price, each divided by 2Q26 BPS (unrounded average: 0.221x).
Source: Bloomberg, Mirae Asset Securities Research

The key to a P/B valuation is how much profit a company can generate from its assets. Lotte Shopping holds substantial land and buildings whose book values reflect revaluation, meaning that a low share price relative to book value alone is not enough to establish investment appeal. Department store margins are rising on SSS growth, while home shopping profitability is improving through product mix changes and cost control. If these trends continue, we believe the valuation discount applied for low returns on assets could narrow.

In the past, losses in other businesses offset profit growth at department stores. In 2026, we expect businesses outside department stores (including other/consolidation adjustments) to account for 31% of the increase in consolidated operating profit, with hypermarkets and Lotte Cultureworks both turning profitable. This would mean better returns from existing assets without major asset sales or further revaluations, weakening a key justification for the stock's low P/B.

Our target P/B of 0.22x is consistent with our outlook for improving asset returns. It does not assume a full recovery across all non-department-store businesses or the completion of major asset disposals. A further valuation re-rating would require either the domestic hypermarket business to sustain annual profitability despite the reopening of Homeplus's 67 remaining stores or net debt to fall meaningfully after operating cash flow covers investment and lease payments. With lease-inclusive net debt still substantial at around W11.97tr as of end-2Q26, converting earnings growth into cash flow will be key. The Oct. 29 decision to sell the Busan Centum City store is part of the company's strategy to exit less profitable stores and concentrate investment on key locations. We expect the sale proceeds to help reduce net debt to some extent.

Earnings outlook

We forecast consolidated net revenue to rise from W13.74tr in 2025 to W14.32tr in 2026 and W14.83tr in 2027. SSS growth and increased spending by foreign shoppers at department stores, together with reduced competition in hypermarkets, should offset weakness in some businesses, including Lotte Himart. We expect operating profit to rise from W547bn in 2025 to W789.4bn (+44.3% YoY) in 2026 and W875.4bn (+10.9% YoY) in 2027, with OP margin improving from 4.0% in 2025 to 5.5% in 2026 and 5.9% in 2027. Our forecast assumes continued profit growth in 2H26, with operating profit of W446.5bn (following W342.9bn in 1H26).

We assume foreign shoppers will account for 7% of department store sales in 2026 and 8.8% in 2027 as the increase in foreign shopper sales seen at the flagship Myeongdong store spreads to other key stores, including in Busan. With sales to Korean customers also growing, we assume a gradual increase in the foreign shopper sales mix.

Table 2. Lotte Shopping: Annual earnings (Wbn)

	2025	2026F	2027F	2028F
Net revenue	13,738	14,323	14,827	15,268
Department stores	3,339	3,612	3,833	3,995
Hypermarkets	5,471	5,696	5,841	5,965
E-commerce	109	107	110	114
Lotte Home Shopping	902	928	957	984
Lotte Cultureworks	434	501	521	537
Lotte Himart	2,300	2,261	2,316	2,386
Lotte Super	1,226	1,254	1,286	1,324
Other/consolidation adj.	(44)	(35)	(36)	(38)
OP	547	789	875	966
OP margin (%)	4.0	5.5	5.9	6.3
Department stores	504	670	723	765
Hypermarkets	(7)	20	30	50
E-commerce	(29)	(24)	(15)	(9)
Lotte Home Shopping	45	77	84	91
Lotte Cultureworks	(11)	7	4	9
Lotte Himart	10	(8)	(3)	7
Lotte Super	8	3	8	10
Other/consolidation adj.	27	44	44	44
Pretax profit	83	478	574	691
NP attributable to owners	52	290	340	409
EPS (W)	1,823	10,262	12,017	14,454

Note: 2025 OP is based on reported results and reflects consolidation adjustments.
Source: Company data, Mirae Asset Securities Research estimates

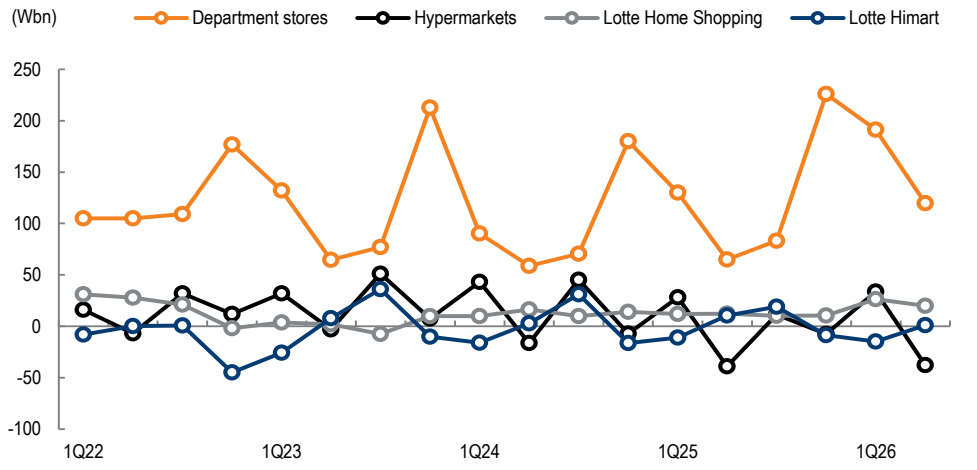
Table 3. Lotte Shopping: Quarterly and annual earnings (Wbn)

	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	2024	2025	2026F	2027F
Net revenue	3,457	3,350	3,410	3,522	3,581	3,485	3,552	3,704	13,987	13,738	14,323	14,827
Department stores	806	816	765	952	872	891	827	1,022	3,319	3,339	3,612	3,833
Hypermarkets	1,487	1,295	1,334	1,355	1,526	1,330	1,410	1,431	5,576	5,471	5,696	5,841
E-commerce	28	27	23	32	27	26	22	31	120	109	107	110
Lotte Home Shopping	228	231	211	232	232	239	218	239	925	902	928	957
Lotte Cultureworks	86	92	128	128	125	106	138	132	452	434	501	521
Lotte Himart	529	594	652	524	497	591	633	540	2,357	2,300	2,261	2,316
Lotte Super	305	309	314	299	306	313	315	320	1,296	1,226	1,254	1,286
Other/consolidation adj.	(13)	(14)	(16)	(1)	(3)	(11)	(10)	(11)	(58)	(44)	(35)	(36)
OP	148	41	131	228	253	90	159	287	473	547	789	875
OP margin (%)	4.3	1.2	3.8	6.5	7.1	2.6	4.5	7.7	3.4	4.0	5.5	5.9
Pretax profit	45	(24)	(15)	78	180	19	82	196	(1,021)	83	478	574
NP attributable to owners	16	(20)	(57)	112	128	(3)	49	116	(968)	52	290	340

Notes: 4Q25 and 2025 OP are based on reported results; 4Q pretax profit includes year-end impairment losses and other non-operating gains/losses.
Source: Company data, Mirae Asset Securities Research estimates

For 2026, we forecast operating profit at W670.2bn for department stores, W77.1bn for home shopping, and W20.1bn for hypermarkets. Our 2H26 forecasts for these businesses are W359.3bn, W30.8bn, and W24.1bn, respectively. We expect full-year operating losses of W23.7bn for e-commerce and W8.2bn for Lotte Himart, with the latter reflecting weak demand for large appliances amid the sluggish property market. We estimate operating profit at W6.5bn for Lotte Cultureworks and W3.4bn for Lotte Super. In short, we expect profit growth in core businesses alongside narrower losses in some other operations, although some businesses should remain in the red.

Figure 3. Lotte Shopping: OP by business



Source: Company data, Mirae Asset Securities Research

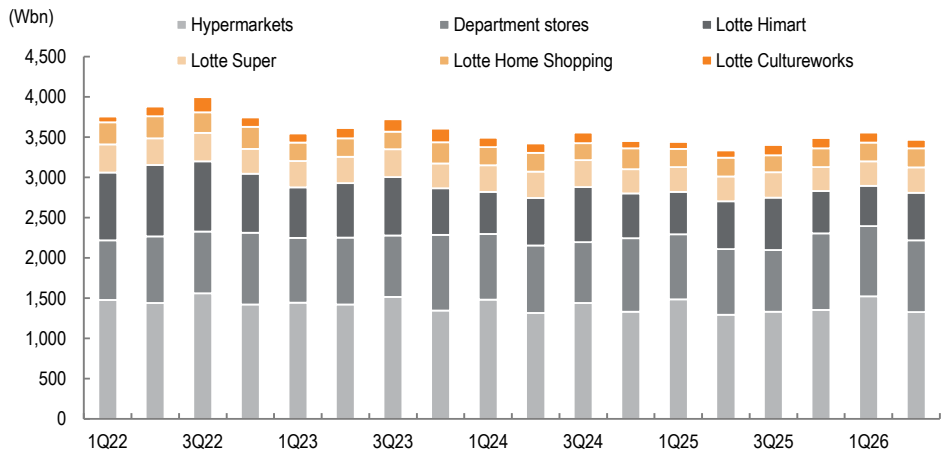
We forecast 2026 consolidated operating profit to increase by W242.4bn YoY. Of this, department stores should contribute W166bn and home shopping W32.1bn, together accounting for around 82%. The rest of the expected increase reflects improvements in other/consolidation adjustments (+W16.9bn), hypermarkets (+W27.1bn), Lotte Cultureworks (+W17.1bn), and e-commerce (+W5.6bn), partly offset by declines at Lotte Himart (-W17.9bn) and Lotte Super (-W4.6bn). Other/consolidation adjustments contributed around W10–12bn per quarter in 1H26. Notably, non-department store businesses account for 25% of the expected profit increase in 2026, or 31% including other/consolidation adjustments, confirming their shift from a drag on earnings to a positive contributor. However, with the pace of recovery differing across businesses, sustained consolidated operating profit growth depends first and foremost on department stores and home shopping maintaining their earnings levels.

We forecast net profit attributable to owners of the parent to rise from W51.6bn in 2025 to W290.3bn in 2026. This reflects higher operating profit and a narrowing of other non-operating losses from W179.3bn to W37.2bn. We conservatively assume equity-method gains will decline from W164.3bn in 2025 to W139.1bn in 2026.

In 1H26, pretax profit was W199.6bn and net profit attributable to owners of the parent was W125.4bn. In 2Q26, however, net profit attributable to non-controlling interests reached W17.5bn against consolidated net profit of W14.6bn, leaving a W2.8bn net loss attributable to owners of the parent. From 2H26 onward, we assume net profit attributable to owners of the parent will represent 80% of consolidated net profit, close to the historical levels of 70% in 2025 and 79% in 1H26. This share requires quarterly review, as it can vary with the allocation of profits and losses at Lotte Home Shopping (non-controlling interest: 46.5%), Lotte Himart (34.7%), and overseas subsidiaries.

Net profit may also fluctuate with interest expenses, gains/losses from development projects, and year-end impairment charges. Rather than interpreting the entire increase in net profit as recurring growth in core operations, investors should distinguish the portion of subsidiary earnings attributable to non-controlling interests and assess operating profit alongside financial gains/losses and equity-method gains/losses.

Figure 4. Lotte Shopping: Revenue mix by business



Source: Company data, Mirae Asset Securities Research

Lotte Shopping (023530 KS)

Income statement (summarized)

(Wbn)	2025	2026F	2027F	2028F
Revenue	**13,738**	**14,323**	**14,827**	**15,268**
Cost of revenue	**7,075**	**7,322**	**7,580**	**7,805**
GP	**6,663**	**7,001**	**7,247**	**7,463**
SG&A expenses	**6,116**	**6,212**	**6,372**	**6,497**
OP (adj.)	**547**	**789**	**875**	**966**
OP	**547**	**789**	**875**	**966**
Non-operating profit	**-464**	**-311**	**-301**	**-275**
Net financial income	-465	-420	-386	-386
Net income from associates	164	139	124	124
Pretax profit	83	478	574	691
Income tax	10	114	149	180
Profit from continuing operations	74	365	425	511
Profit from discontinued operations	0	0	0	0
NP	**74**	**365**	**425**	**511**
Attributable to owners	52	290	340	409
Attributable to minority interests	22	74	85	102
Total comprehensive income	**-14**	**504**	**425**	**511**
Attributable to owners	-10	399	340	409
Attributable to minority interests	-4	105	85	102
EBITDA	1,603	1,894	1,958	2,020
FCF	1,072	1,075	965	1,016
EBITDA margin (%)	11.7	13.2	13.2	13.2
OP margin (%)	4.0	5.5	5.9	6.3
Net margin (%)	0.4	2.0	2.3	2.7

Balance sheet (summarized)

(Wbn)	2025	2026F	2027F	2028F
Current assets	**5,195**	**5,866**	**5,993**	**6,168**
Cash & equivalents	572	1,004	969	996
AR & other receivables	647	681	703	724
Inventory	1,458	1,534	1,585	1,631
Other current assets	2,518	2,648	2,736	2,816
Non-current assets	**32,715**	**33,261**	**33,574**	**33,908**
Investments in associates	1,474	1,550	1,602	1,649
PP&E	24,063	24,359	24,666	24,974
Intangible assets	788	725	639	583
Total assets	**37,910**	**39,127**	**39,567**	**40,076**
Current liabilities	**9,990**	**11,557**	**11,746**	**11,918**
AP & other payables	2,499	2,628	2,716	2,796
Short-term financial liabilities	5,352	6,679	6,705	6,729
Other current liabilities	2,139	2,249	2,324	2,393
Non-current liabilities	**11,054**	**10,274**	**10,284**	**10,292**
Long-term financial liabilities	8,500	7,643	7,643	7,643
Other non-current liabilities	2,554	2,632	2,641	2,650
Total liabilities	**21,044**	**21,832**	**22,029**	**22,210**
Equity attributable to owners	**15,185**	**15,467**	**15,677**	**15,956**
Capital stock	141	141	141	141
Capital surplus	3,574	3,574	3,574	3,574
Retained earnings	7,441	7,598	7,808	8,087
Minority interests	**1,681**	**1,829**	**1,861**	**1,910**
Shareholders' equity	**16,866**	**17,296**	**17,538**	**17,865**

Cash flow statement (summarized)

(Wbn)	2025	2026F	2027F	2028F
Operating cash flow	**1,724**	**1,749**	**1,639**	**1,690**
NP	74	365	425	511
Non-cash income/expenses	1,621	1,417	1,288	1,289
Depreciation	980	996	997	997
Amortization	76	108	85	56
Other	565	312	205	235
Chg. in working capital	46	51	76	69
Chg. in AR & other receivables	132	-15	-15	-14
Chg. in inventory	20	-72	-51	-47
Chg. in AP & other payables	0	26	21	19
Income tax	-17	-84	-149	-180
Cash flow from investing activities	**-871**	**-729**	**-461**	**-447**
Chg. in PP&E	-623	-660	-674	-674
Chg. in intangible assets	-46	-11	0	0
Chg. in financial assets	-403	-154	-104	-95
Other	202	97	317	322
Cash flow from financing activities	**-1,742**	**-642**	**-1,213**	**-1,216**
Chg. in financial liabilities	-956	467	26	24
Chg. in equity	0	0	0	0
Dividends	-195	-169	-183	-183
Other	-591	-940	-1,056	-1,056
Chg. in cash	**-983**	**432**	**-35**	**27**
Beginning balance	1,555	572	1,004	969
Ending balance	572	1,004	969	996

Key valuation metrics/ratios

	2025	2026F	2027F	2028F
P/E (x)	39.8	8.0	6.8	5.7
P/CF (x)	1.2	1.3	1.4	1.3
P/B (x)	0.1	0.2	0.1	0.1
EV/EBITDA (x)	9.4	8.2	7.9	7.7
EPS (W)	1,822	10,262	12,017	14,454
CFPS (W)	59,905	62,981	60,548	63,638
BPS (W)	536,921	546,889	554,309	564,166
DPS (W)	4,000	4,600	4,600	4,600
Dividend payout ratio (%)	153.7	35.7	30.6	25.4
Dividend yield (%)	5.5	5.6	5.6	5.6
Revenue growth (%)	-1.8	4.3	3.5	3.0
EBITDA growth (%)	0.9	18.1	3.4	3.2
OP growth (%)	15.6	44.3	10.9	10.4
EPS growth (%)	TTB	463.1	17.1	20.3
AR turnover (x)	27.1	31.7	31.5	31.4
Inventory turnover (x)	9.2	9.6	9.5	9.5
AP turnover (x)	11.8	12.0	11.9	11.9
ROA (%)	0.2	0.9	1.1	1.3
ROE (%)	0.3	1.9	2.2	2.6
ROIC (%)	2.1	2.6	2.5	2.7
Debt-to-equity ratio (%)	124.8	126.2	125.6	124.3
Current ratio (%)	52.0	50.8	51.0	51.8
Net debt-to-equity ratio (%)	67.6	65.6	64.7	63.1
Interest coverage ratio (x)	0.9	1.6	2.1	2.3

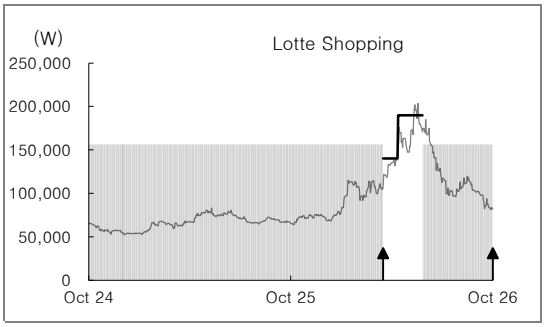
Source: Company data, Mirae Asset Securities Research estimates

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
Lotte Shopping (023530)	10/30/26	Buy	119,000
	06/26/26	No Coverage	
	05/12/26	Buy	190,000
	04/15/26	Buy	140,000



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.
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	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