SECTOR UPDATE

2026. 8. 24

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Shipbuilding/Machinery Weekly

Is Japan's shipbuilding revival a threat?

- The Newbuilding Price Index remained unchanged w-w last week. Prices of large containerships fell for a third week running. The Secondhand Price Index climbed 1pt w-w.
- The ClarkSea Index, which represents vessel earnings, rose 6.9% w-w to USD44,655/day. While oil tanker indicators put in strong performances, bulk-carrier indicators remained mixed.
- This week, we assess the implications of Japan's efforts to re-enter the LNG carrier market.

WHAT'S THE STORY?

Japan's attempted shipbuilding revival no material threat to Korea

Japan's Namura Shipbuilding has announced plans to invest up to JPY100b through 2035 to construct a large new dry dock focused primarily on LNG carrier (LNGC) construction—the first such facility in Japan since 2017. Namura has traditionally focused on bulk carriers, oil tankers, and LPG carriers. Its order backlog currently comprises 91% bulk carriers and 9% LPG carriers.

Meanwhile, Japan's public-private investment roadmap, unveiled in June, calls for the acquisition of LNGC construction technology and explicitly targets domestic construction of 3-5 LNGCs *pa* from 2035. Namura's investment aligns with this roadmap. Other Japanese shipbuilders, including Imabari Shipbuilding and Kawasaki Heavy Industries, are also expected to participate in the national push to rebuild Japan's LNGC construction capabilities.

In our view, however, Japan's return to is unlikely to significantly challenge Korea's position. First, success is far from assured. The key structural constraints Korean shipbuilders face in competing with China—shortages of skilled labor and high labor costs—also apply to Japan. Second, Korean shipbuilders have long cultivated superior design efficiency and operational excellence, making it difficult for newcomers to compete on price. Third, Japan lags technologically in high-value-added vessels. Japanese shipbuilders have remained heavily focused on bulk carriers, leaving a prolonged gap in expertise in advanced vessel types.

(Continued on the next page)

Performance

(%)	1W	3M	YTD
KSOE	-9.7	-17.1	-14.7
HD Hyundai Heavy	-10.7	-32.8	-11.4
Samsung Heavy	-9.4	-31.5	-16.3
Hanwha Ocean	-12.5	-31.5	-25.9
HD Hyundai Marine Solution	-0.2	-19.2	1.7
HD Hyundai Electric	-10.2	-38.6	-7.7
HD Construction Equipment	-16.0	-30.6	18.5
HD Hyundai	-11.0	-25.5	11.7
Doosan Bobcat	-12.2	-14.7	0.7
KAI	-11.0	-22.2	14.2
LIG D&A	-14.4	-24.5	64.4
Hanwha Aerospace	-7.3	-13.5	14.1
Hyosung Heavy	-6.9	-31.2	53.7
LS Electric	-9.3	-32.9	102.0

Valuation summary

(x, %)	P/B	P/E	ROE
KSOE	1.6	7.8	22.4
HD Hyundai Heavy	4.1	16.4	27.9
Samsung Heavy	3.6	17.2	22.8
Hanwha Ocean	3.4	17.7	21.1
HD Hyundai Marine Solution	9.4	24.9	40.2
HD Hyundai Electric	9.5	25.6	42.5
HD CE	1.2	11.1	16.0
HD Hyundai	1.4	6.5	22.8
Doosan Bobcat	0.7	10.1	7.5
KAI	6.1	35.2	18.4
LIG D&A	8.7	37.7	25.6
Hanwha Aerospace	4.9	26.7	nm
Hyosung Heavy	8.3	32.9	28.7
LS Electric	11.4	54.6	22.7

Note: 2026 estimates
Source: Samsung Securities estimates

Samsung Securities

As of late July, Japan accounted for just 5% the global shipbuilding market by order value (8% by tonnage), with tankers and bulk carriers making up 65% of its backlog. While the country holds a relatively strong 19% share of the bulk carrier segment, its share of all other vessel types—including LNGCs—is below 10%. Notably, Japanese shipyards have not built an LNGC since 2019, underscoring the significant and prolonged gap in their LNGC capabilities.

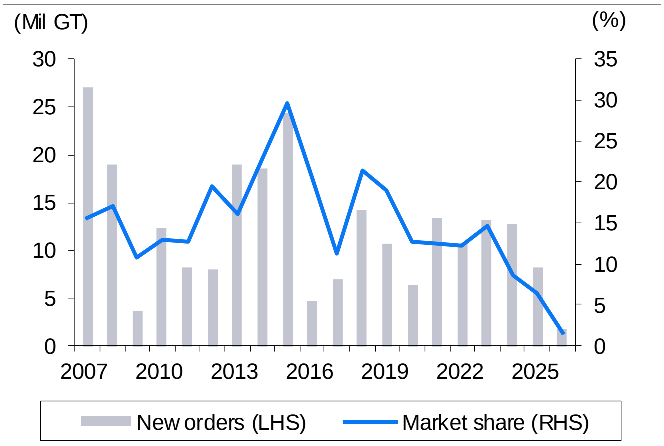
Even if Japan succeeds in re-entering the LNGC market, it will take years to acquire the necessary technology, cultivate skilled labor, and establish a proven track record in vessel performance. Rather than viewing Japan's push as a threat, we see it as a sign of the country's long-term confidence in the industry. Importantly, the countries now seeking to expand their shipbuilding presence—notably Japan and the US—are advanced economies facing chronic labor constraints, rather than low-cost emerging economies. This reinforces our view that Korea's current leadership in global shipbuilding is sustainable.

Japan: Shipbuilding order backlog and market share

	Order backlog		Market share (%)
	Order backlog (USDb)	Share (%)	
Tankers	5.7	18.6	5.3
Bulk carriers	14.3	46.7	19.4
LPG carriers	2.2	7.2	6.6
Containerships	5	16.3	2.9
Offshore	0.2	0.7	0.2
Other	3.1	10.1	2.5
Total	30.6		4.6

Source: Clarksons

Japan: Shipbuilding new orders and global market share



Source: Clarksons

Industry news

HD Hyundai Electric develops 420 kV eco-friendly high-voltage circuit breaker: HD Hyundai Electric has developed a SF_6-free 420 kV environmentally friendly circuit breaker, making it the first Korean company to achieve this milestone. Globally, General Electric (US) and Hitachi Energy (Japan) are the only others to offer this technology. HD Hyundai Electric now has a full lineup of eco-friendly circuit breakers, covering voltages of 72.5 kV, 145 KV, 170 kV, and 420 kV.

LS Electric signs deal to supply power distribution systems for Bloom Energy: LS Electric has signed a USD3.4m contract with US-based Bloom Energy to supply power distribution systems, according to media reports. These systems will be used in Bloom Energy's data center construction project in Wyoming, US, with delivery scheduled for 1H27.

HD Group abandons plan to form JV with India's CSL: HD Korea Shipbuilding & Offshore Engineering (HD KSOE) and India's state-owned Cochin Shipyard Limited (CSL) have terminated their exploration of establishing a JV to build a ship block fabrication plant. The two parties had signed an MOU last year. HD Group's entry into the Indian market continues, regardless of this discontinuation. Key equipment supply, design, and technical support to CSL remain ongoing. Plans to build a shipyard in India are also actively being advanced.

HD Group looking to acquire US shipyard: Media reports indicate that HD Group is looking to acquire a US shipyard, with potential targets narrowed down to two or three sites in San Diego, California, and along the Gulf Coast of Texas. Notably, HD KSOE established its US subsidiary, HD Hyundai USA, in 1H. The US government is planning to allow shipyards that have invested in US infrastructure to build a portion of vessels awarded under US contracts overseas.

LIG Defense & Aerospace employees indicted in defense corruption case: Two LIG D&A employees have been indicted on charges of bribery and related offenses. They allegedly offered approximately KRW320m and preferential subcontractor recommendation to an official at the Defense Acquisition Program Administration in exchange for assistance in securing contracts. The company issued a statement expressing regret over the allegations but denied any connection between the implicated official and the electronic warfare systems development project, dismissing media reports that suggested such influence as unfounded.

Hanwha Engine opens medium-speed engine plant in Changwon: Hanwha Engine has commissioned a dedicated facility in Changwon to produce four-stroke medium-speed engines (also known as auxiliary engines). The new plant will span approximately 8,264 m^2. Historically, the firm has focused primarily on two-stroke low-speed engines used for ship propulsion.

HD Hyundai Heavy Industries nears first submarine export contract: HD Hyundai Heavy Industries is poised to sign a formal contract with the Peruvian Navy for the construction of next-generation submarines, according to Korean media reports. The shipbuilder signed a design contract with Peru last year. Meanwhile, the company has strengthened its partnership with Peru's state-owned SIMA Peru S.A., following the launch of a joint-built amphibious support ship.

Hanwha Ocean clears key hurdle in Thai Frigate bid: The Royal Thai Navy has stated that engine damage observed on previously delivered frigates from Hanwha Ocean is unrelated to the shipbuilder according to Thai media. The navy attributed the issue instead to potential defects in the engines themselves or inadequate post-delivery maintenance. The engines in question were manufactured by Germany's MTU. This clarification significantly mitigates a key reputational and contractual risk in Hanwha Ocean's ongoing bid for Thailand's new frigate program.

Shipbuilding weekly indices

	This week	A week ago		Vs end-2025	
	Aug 21, 2026	Aug 14, 2026	Chg (%)	End-2025	Chg (%)
New building prices (USDm)					
Overall (indexed)	186.25	185.64	0.3	184.7	0.9
Bulkers (Capesize)	76.0	76.0	0.0	75.0	1.3
Tankers (VLCC)	131.0	131.0	0.0	128.0	2.3
Tankers (51,000 DWT PCs)	52.0	52.0	0.0	49.0	6.1
Containerships (22,000 TEU)	231.5	233.0	-0.6	235.0	-1.5
Containerships (13,000 TEU)	150.5	150.5	0.0	145.5	3.4
LNG carriers (174,000m³)	248.5	248.5	0.0	248.0	0.2
Secondhand prices (USDm)*					
Overall	214.0	213.0	0.5	191.1	12.0
Bulkers (Capesize)	72.5	71.5	1.4	66.0	9.8
Tankers (VLCC)	157.0	157.0	0.0	120.0	30.8
Tankers (51,000 DWT PCs)	48.0	48.0	0.0	43.0	11.6
Daily charter rates (USD)**					
Bulkers (Capesize, eco)	37,250	36,500	2.1	24,850	49.9
Bulkers (Capesize, non-eco)	34,500	33,100	4.2	23,850	44.7
Tankers (VLCC, eco)	119,000	117,500	1.3	65,500	81.7
Tankers (VLCC, non-eco)	103,750	103,750	0.0	58,000	78.9
Freight rate index					
ClarkSea Index (USD/day)	44,655	41,789	6.9	29,856	49.6
BDI	2,841	2,863	-0.8	1,877	51.4
WS (based on Saudi route)	578	453	27.6	58	904.3
CCFI	1,822	1,847	-1.4	1,147	58.9
SCFI	3,410	3,355	1.6	1,656	105.9
Energy prices***					
Natural gas (USD/mil BTU)	2.8	2.8	1.1	4.0	-29.5
Oil (USD/bbl)	88.3	82.4	7.2	57.4	53.8
MGO-HSFO (USD/tonne)	578.0	591.8	-2.3	262.8	120.0
VLSFO-HSFO (USD/tonne)	157.5	205.8	-23.5	71.8	119.5

Note: *Based on 5-year-old vessels;
**1-year charters;
***Based on WTI spot (oil) and Henry Hub (natural gas) prices
Source: Clarksons, Bloomberg, Samsung Securities

Share performances and valuations

Shipbuilding: Share performance and valuations

(%)	Share performance				2026 valuation		
	1 week	1 month	3 months	Ytd	P/B (x)	P/E (x)	ROE
HD KSOE*	-9.7	-1.3	-17.1	-14.7	1.6	7.8	22.4
HD Hyundai Heavy Industries*	-10.7	-1.4	-32.8	-11.4	4.1	16.4	27.9
Samsung Heavy Industries*	-9.4	-6.5	-31.5	-16.3	3.6	17.2	22.8
Hanwha Ocean*	-12.5	0.0	-31.5	-25.9	3.4	17.7	21.1
HD Hyundai Marine Solution*	-0.2	-1.2	-19.2	1.7	9.4	24.9	40.2
Yangzijiang	3.0	20.8	25.9	36.8	2.6	9.0	31.2
CSSC Holdings	0.8	2.0	-12.3	1.3	1.6	13.1	12.6
CSSC Offshore	-2.2	1.7	-14.7	-10.1	n/a	n/a	n/a
ST Engineering	-2.6	2.4	-5.2	26.8	11.3	31.6	37.7
Seatrium	0.5	2.9	-3.6	-0.5	1.0	13.6	7.8
Mitsubishi	-7.6	1.0	-0.9	2.4	5.1	46.2	11.6
Kawasaki	-8.6	-4.9	-12.4	25.4	2.8	23.4	12.7

Note: *Samsung Securities estimates
Source: Bloomberg, Samsung Securities estimates

Machinery: Share performance and valuations

(%)	Share performance				2026 valuation		
	1 week	1 month	3 months	Ytd	P/B (x)	P/E (x)	ROE
HD Hyundai Electric*	-10.2	-9.2	-38.6	-7.7	9.5	25.6	42.5
HD Construction Equipment*	-16.0	-8.3	-30.6	18.5	1.2	11.1	16.0
HD Hyundai*	-11.0	-1.2	-25.5	11.7	1.4	6.5	22.8
Doosan Bobcat*	-12.2	-8.2	-14.7	0.7	0.7	10.1	7.5
KAI*	-11.0	-12.4	-22.2	14.2	6.1	35.2	18.4
LIG D&A*	-14.4	3.9	-24.5	64.4	8.7	37.7	25.6
Hanwha Aerospace*	-7.3	21.2	-13.5	14.1	4.9	26.7	nm
Hyosung Heavy*	-6.9	3.4	-31.2	53.7	8.3	32.9	28.7
LS Electric*	-9.3	-1.5	-32.9	102.0	11.4	54.6	22.7
Lockheed Martin	-7.4	9.6	5.7	16.5	12.1	18.5	81.5
Raytheon	-5.9	7.7	18.6	14.5	4.1	29.0	14.4
Siemens	-1.3	3.4	4.4	17.2	3.3	24.9	13.5
Caterpillar	-3.3	-6.9	-5.9	44.5	17.7	30.5	64.3
Komatsu	-3.2	9.6	13.3	41.3	1.9	17.7	11.2
Kubota	-1.4	-1.9	0.4	22.4	1.1	12.2	9.0

Note: *Samsung Securities estimates
Source: Bloomberg, Samsung Securities estimates

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