JFE Holdings, Inc.

JFE Engineering – Business Briefing
Summary of Q&A Session on November 25, 2025

Participant:

Compared with the past segment profit level of around ¥10 billion, current profit is about ¥20 billion. What are the key drivers behind this improvement?

JFE:

We believe the main factors are operational efficiency gains from vertical integration within Group companies, expansion of business domains through M&A, and active investments in the recycling and power generation businesses.

Participant:

What will contribute to achieving segment profit of ¥42 billion in the final year of the Eighth Medium-Term Business Plan?

JFE:

Improvement in profitability of overseas businesses, as well as contributions from the monopile business and the recycling business, both of which were invested in under the Seventh Medium-Term Business Plan.

Participant:

There have been instances of losses in overseas businesses in the past. How will you increase the ratio of overseas sales while managing risks?

JFE:

In line with our long-term vision, we aim to increase the proportion of overseas business by 2035, but we are not targeting a 50% share of sales. We will maintain strict risk management and avoid taking orders beyond our organizational capability. Senior management also participates directly in the review of order proposals. With rigorous risk management, loss-making projects can be avoided.

Participant:

While sales have doubled from 2012 to 2024, profit has not grown at the same pace. How do you view this gap, and what are your expectations for future sales and profit?

JFE:

The largest factor is that our European subsidiary faced headwinds such as Brexit, COVID-19, and the Ukraine crisis. Although sales increased, losses were incurred. In addition, the monopile foundation manufacturing business faced delays in order placement, requiring us to maintain the factory and fixed costs. These are the two major causes. Steadily recouping investments in the recycling business will also be an important part of the strategy to achieve ¥42 billion in fiscal 2027.

Participant: What was the purpose of acquiring Sumitomo Chemical Engineering?

JFE:

Through the acquisition of Mitsui E&S Plant Engineering (now JFE Project One, JPO), chemical plants were added to our energy-related portfolio, expanding our business domains. In overseas energy projects, the combined resources of both companies enabled us to pursue new projects. The plant fields in which JPO and Sumitomo Chemical Engineering (now JFE Plant Technology, JPT) specialize, such as chemical supply systems for semiconductor plants, do not overlap. To further expand our portfolio and generate future synergies, we moved forward with the acquisition of Sumitomo Chemical Engineering.

Participant: Losses were seen in Europe in fiscal 2022. Has this continued to affect results?

JFE:

Large projects received prior to fiscal 2021 were impacted by COVID-19 and the Ukraine crisis, leading to losses recorded in fiscal 2022. Some impact on profit and loss continues today.

Participant:

Can you explain the profit composition of Waste to Resource, Carbon Neutrality, and Infrastructure? And what will the composition look like when segment profit reaches ¥42 billion under the Eighth Medium-Term Business Plan?

JFE:

In fiscal 2024, Infrastructure and WtR accounted for roughly half each, while Carbon Neutrality was effectively zero due to the monopile foundation manufacturing business. In fiscal 2027, we expect sales from monopile foundation manufacturing, so Carbon Neutrality will contribute to earnings.

Participant:

You mentioned efforts to reform corporate culture. What issues are you trying to address?

JFE:

In the past, inadequate project risk analysis led to an “order-first mindset,” which resulted in profit deterioration. We want to build a culture where sharing failures and horizontal learning become routine. Engagement and turnover are not worse than peers, but we believe there is still room for improvement.

Participant:

Profit margins in the EPC industry are not high, partly due to inflation. Are current orders being secured at a sufficient level of profitability?

JFE:

Domestically, more customers are now accepting escalation clauses. Overseas, conditions were tough around the start of the Ukraine crisis due to lump-sum contracts*1, but there is now an increase in cost-plus-fee*2 projects. We intend to pursue these types of contracts going forward.

Participant:

In fields such as the environment and energy, steel use is limited. How do you view independence from the parent company?

JFE:

We are entrusted with managing the engineering business, so our focus is on improving the profitability and corporate value of the JFE Engineering Group.

Participant:

Of the ¥100 billion segment profit targeted for fiscal 2035, what portion will come from O&M businesses?

JFE:

Currently, they account for about half of sales. We envision that more than half of the ¥100 billion in fiscal 2035 will come from operation-type businesses.

*1: A contract in which the total construction amount is fixed. Unless the design changes, the contract price remains unchanged even if actual costs differ from the estimate.

*2: A contract in which actual construction costs plus the contractor's profit and expenses (fees) are paid.

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