

JFE Holdings' Downward Revisions to Financial Results Forecasts—No Immediate Impact on Rating, but JCR Will Closely Watch Future Business Trend

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on JFE Holdings, Inc. (security code: 5411)'s downward revisions to the financial results forecasts for the fiscal year ending March 2020.

- (1) JFE Holdings, Inc. (the "Company") on March 27 announced its downward revisions to the financial results forecasts for the fiscal year ending March 2020 (FY2019). Its profit attributable to owners of parent (IFRS) will be 190 billion yen in the red (previously forecasted amount: 13 billion yen in the black). The primary reason for the downward revisions is its plan to recognize an impairment loss of around 220 billion yen in total in Chiba and Keihin districts of the East Japan Works due to the reviews on domestic production operations.
- (2) The Company will optimize its production operations to keep and enhance its competitiveness in the face of significantly changing business environment. JCR sees that the initiatives will help increase its earnings capacity in the long run. Its equity capital will be impaired by the recording of a net loss, but the loss will be limited to around 10% of the ratio of equity attributable to owners of the parent as of the end of FY2018. Given this, JCR considers it is unnecessary to immediately review the Company's rating, following the downward earnings forecast revisions. Although it maintains a certain financial discipline, its financial structure will worsen for 3 fiscal years in a row. A slump in steel demand is intensifying mainly among manufacturing industries due to impact from novel coronavirus. There is a concern that the Company may take time to recover its business performance, depending on the conditions of infection expansion. JCR will monitor future business environment and trend of business performance and financial structure.

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<Reference>

Issuer: JFE Holdings, Inc.

Long-term Issuer Rating: AA- Outlook: Stable

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