October 28, 2022

To Whom It May Concern

Company MARUBUN CORPORATION
Representative Toru Iino
CEO and Representative Director
(Securities Code:7537 TSE, Prime Market)
Contact Toshihiro Shibuya
Manager, Corporate Planning Dept.
(Tel: +81-3-3639-3010)

Notice of Posting of Non-operating Expenses (Foreign Exchange Losses)

Marubun Corporation (the "Company") hereby announces that it expects to post non-operating expenses (foreign exchange losses) in the first six months of the consolidated fiscal year ending March 31, 2023. Details are as follows.

(1) Posting of non-operating expenses (foreign exchange losses)

The Company expects to post foreign exchange losses of 1,400 million yen in the second quarter of the consolidated fiscal year ending March 31, 2023 (July 1, 2022 – September 30, 2022). As a result, foreign exchange losses for the first six months of the consolidated fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023) are expected to amount to 3,500 million yen.

The said losses are attributable to settlement losses recorded during the second quarter, which was associated with the repayment of foreign currency-denominated borrowings in connection with foreign exchange netting, and revaluation losses recorded at the end of the second quarter in relation to the foreign currency-denominated borrowings, against the backdrop of the sharp devaluation of the yen during the second quarter.

The above amount represents foreign exchange losses as at the end of the first six months of the fiscal year ending March 31, 2023, and it is subject to change depending on the condition of the foreign exchange markets in the future.

(Note)

The Company engages in business transactions mainly in foreign currencies and uses the same currency for purchasing and sales in most cases based on foreign exchange netting. For transactions involving different currencies for purchasing and sales, we hedge risks by using forward exchange contracts. In foreign exchange netting, payment for purchases and collection of sales proceeds are made in foreign currencies, and differences occur in due dates between payment and collection in most cases. Accordingly, we borrow money in the same currency to deal with such differences. In this manner, a series of transactions including payment of proceeds, collection, borrowing and repayment are completed in the same currency, with no conversion into yen. Under the accounting standards, on the other hand, all foreign currency-denominated transactions, including those that require no conversion into yen, need to be converted into yen in individual phases of transactions. In foreign exchange netting, when there is misalignment in months for purchasing and sales, gross operating income may be positively affected by a weakening yen, while non-operating expenses (foreign exchange losses) may be generated. A strong yen, to the contrary, may cause negative impact on gross operating income and generate non-operating income (foreign exchange gains). When a transaction period spans two accounting periods amid a weak yen, however, non-operating expenses (foreign exchange losses) associated with foreign currency-denominated obligations are recorded in the current fiscal period, while a positive impact on gross operating income may surface in the following quarter or later.

(2) Impact on financial results

The posting of non-operating expenses (foreign exchange losses) described above is reflected in the "Notice of Revision of Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023" announced today.