



July 12, 2006

To whom it may concern:

Company name: **MARUBUN CORPORATION**
Representative: Takashi Sato, CEO, Representative Director
Head office: 8-1, Odenmachi, Nihonbashi, Chuo-ku, Tokyo
Securities code: 7537 TSE, 1st section

Announcement of Issuance of Japanese yen Convertible Notes Due 2011
(Notes with Stock Acquisition Rights)

The Company, at a meeting of the Board of Directors held July 12, 2006, resolved to issue a Japanese yen Convertible Notes with Stock Acquisition Rights (*tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) with details as outlined below.

Descriptions

1. Designation of the Notes
Japanese yen Convertible Notes with Stock Acquisition Rights Due 2011 (*tenkanshasaigata shinkabu yoyakuken-tsuki shasai*), issuer Marubun Co., Ltd., (hereinafter, “Convertible Notes,” of which the notes element shall in the following be referred to as “Notes” and the warrant element as “Stock Acquisition Rights”).
2. Aggregate Principal Amount
4 billion yen
3. Issue price of the Notes
100.0 percent of principal amount (Bearer Notes of 1 million yen each)
4. Payable amount upon exchange for Stock Acquisition Rights
No payment is required.
5. Coupon rate of the Notes
The Notes shall bear no interest.
6. Payment date and issue date
July 31, 2006 (Zurich time; ditto in the following unless provided otherwise).
7. Matters concerning the offering

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Furthermore, this news release does not constitute with respect to any jurisdiction, including the United States, a solicitation for offers to buy the securities herein. The securities referred to herein must not be offered or sold in the United States unless registered, or exempt from registration, under the U.S. Securities Act of 1933, as amended. For offering the securities in the United States, an English prospectus is required to be prepared in accordance with the U.S. Securities Act of 1933, as amended. The securities referred to herein will not be offered in the United States.

(1) Offering method

Offering will be made in overseas markets (excluding the United States) mainly in Switzerland, based on individual underwriting in the full issue amount by joint lead manager and sole bookrunner Nomura Bank (Switzerland) Ltd. and joint lead manager Mitsubishi UFJ Securities International plc, London, Zurich Branch (hereinafter, generally referred to as "Managers"). Provided, however, that application for subscription shall be made by 8:00 (JST) am of the day next to the day of determination of offer terms and conditions.

(2) Offer price of the Convertible Notes

102.5 percent of the principal amount of the Notes

8. Matters concerning the Stock Acquisition Rights

(1) Share class and number of shares under the Stock Acquisition Rights

The share class for the purposes of the Stock Acquisition Rights is common stocks of the Company, with the number of shares acquirable through exercise of the Stock Acquisition Rights to be determined by dividing the total issue amount of the Notes by the conversion price indicated below in Item (3). Provided, however, that fractions less than one share resulting from Stock Acquisition Rights exercise shall be rounded down, and no cash adjustment shall be made with respect thereto. In the event that fractions of less than one trading unit result from Stock Acquisition Rights exercise, the requirement under the Company Law for the Company to purchase such fractional trading units on request shall be deemed to have been exercised, which the Company shall settle through cash payment.

(2) Aggregate number of Stock Acquisition Rights to be issued

4,000

(3) Amount payable at exercise of the Stock Acquisition Rights

- i. The amount payable for exercise of each Stock Acquisition Right shall be equivalent to the respective Notes issue price.
- ii. The initial conversion price will be determined by the representative director/president of the Company authorized by the Board of Directors, taking into account investor demand and other market trends. Provided, however, that the initial conversion price must not be less than 1.1 times the closing price noted on the Tokyo Stock Exchange for the Company's common stock on the execution date of the underwriting agreement and payment and exercise agency agreement concluded between the Company and its Managers with respect to the Convertible Notes.
- iii. The conversion price shall be adjusted according to the following formula in the event that after issuance of the Convertible Notes the Company issues or disposes own common stocks at a price below market price. For the purposes of the following calculation, the number of shares issued refers to the total number of shares of common stock issued by the Company, excluding treasury stock.

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$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of shares issued} + \frac{\text{Number of shares issued or disposed} \times \text{Issue or disposal price per share}}{\text{Market price per share}}}{\text{Number of shares issued} + \text{Number of shares issued or disposed}}$$

Moreover, appropriate adjustments will be made in other specific cases, such as split or reverse split of common stocks of the Company, or issuance of stock acquisition rights (including warrants attached to warrant notes) that enable calls for delivery of common stocks of the Company at prices below market.

(4) Increases in capital and capital reserves from share issuance due to the exercise of Stock Acquisition Rights

The capital increase that results from issuance of shares due to the exercise of Stock Acquisition Rights shall be one-half of the limit amount for capital, etc. increase provided in Article 40 of the Corporate Accounting Regulations. Fractions of less than one yen resulting from said calculation shall be rounded up. The increase in capital reserves shall be established by deducting the increase in capital from the limit amount for capital, etc. increase.

(5) Exercise period for Stock Acquisition Rights

From August 14, 2006 until July 15, 2011, end of bank business day, Zurich time. Provided, however, that (i) in case the Notes, in accordance with the provisions of Item 9.(2) and (4) below, is called for early redemption at the option of the Company or notesholders, the exercise period shall be until eight business days prior to such redemption date, end of business day (Zurich time); and (ii) in case the Notes, in accordance with the provisions of Item 9.(3) below, is bought back for cancellation, the exercise period shall be until the time of completion of delivery of the Convertible Notes to Nomura Bank (Switzerland) Ltd. for cancellation; and (iii) in case the Notes, in accordance with the provisions of Item 9.(5) below, becomes subject to an acceleration clause, the exercise period shall be until the time such acceleration clause is invoked. In any of the above cases, the Stock Acquisition Rights shall be not exercisable after July 15, 2011, and in case of reorganization, etc. (defined below) required for the Company to undergo, shall be not exercisable for a period to be specified by the Company of up to thirty days backwards within fourteen days after such event takes effects.

(6) Other terms and conditions for exercise of Stock Acquisition Rights

Stock Acquisition Rights shall not be exercisable in part.

9. Matters concerning the Notes

(1) Redemption at maturity

Redemption of the Notes shall be on July 29, 2011 (final redemption) at 100.0 percent of principal amount.

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(2) Early redemption at the option of the Company

Early redemption due to change in the taxation

In connection with payments under the Notes, in case deductions have been required of taxes and public impositions by Japan or Japan's tax authorities, and if a duty to make additional payments has arisen, or may arise, based on special provisions stipulated in the terms and conditions of the Notes, and such has been brought to the understanding of Nomura Bank (Switzerland) Ltd., the Company, having given at least thirty but not more than sixty days' advance notice to notesholders, shall on or after July 31, 2006, be able to call for early redemption of all (but not less than all) of the Notes then outstanding.

Accelerated redemption due to corporate reorganization, etc.

In case the Company undergoes reorganization (as defined below), subject to the Company implementing certain conditions stipulated in the terms and conditions of the Notes and subject to at least fourteen days' advance notice to notesholders, the Company shall be able to call for early redemption of all (but not less than all) of the Notes then outstanding at the following percentages of principal amount.

Between July 31, 2006, and July 30, 2007: 104 percent of principal amount

Between July 31, 2007, and July 30, 2008: 103 percent of principal amount

Between July 31, 2008, and July 30, 2009: 102 percent of principal amount

Between July 31, 2009, and July 30, 2010: 101 percent of principal amount

Between July 31, 2010, and July 28, 2011: 100 percent of principal amount

Corporate reorganization shall mean (i) merger (referring to a consolidation or a merger in which the Company is not the surviving entity, with such merger approved by a general meeting of shareholders of the Company); (ii) demerger (referring, with respect to the Company, to a split-off and incorporation as a new entity or split off and transfer to an existing company with the Company's obligations from the Convertible Notes transferring to the receiving entity, with such split-off approved by a general meeting of shareholders of the Company); (iii) share exchange or share transfer (*kabushiki kokan* or *kabushiki iten*) (referring to a share exchange or transfer whereby the Company becomes a fully-owned subsidiary of another Company, with such exchange or transfer of shares of the Company approved by a general meeting of shareholders of the Company); (iv) asset assignment (referring to a sale or transfer of all or substantially all of the Company's assets to another company, on terms and conditions according to which the Company's obligations under the Convertible Notes transfer to the receiving entity); and (v) other corporate reorganization procedures provided by the laws of Japan, collectively referring to procedures whereby the Company's obligations under the Notes and/or under the Stock Acquisition Rights transfer to another company. Notably, concerning above Items (i), (ii), and (iii), if no resolution by a general meeting of shareholders is required, refer to instances of resolution by the Board of Directors concerning pertinent action.

(3) Purchase and cancellation of the Notes

The Company and/or any of its Subsidiaries may at any time purchase any Notes at any price through the intermediary of any of the Managers and may hold and transfer such

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purchased Notes, subject to the regulations of the Swiss National Bank (if any). The Company and its Subsidiaries may surrender such purchased Notes to Nomura Bank (Switzerland) Ltd. for cancellation. In such case, Nomura Bank (Switzerland) Ltd. shall cancel them forthwith.

(4) Notesholders Put Option

The Noteholders shall have the option to cause the Company to redeem any Note or Notes held by them on July 31, 2009 at a redemption price of 100 per cent. of the principal amount thereof. The Noteholders may exercise such option only by depositing a Note or Notes with Nomura Bank (Switzerland) Ltd. at any time on or after July 3, 2009 and on or prior to July 17, 2009 accompanied by a written irrevocable request for redemption.

(5) Compulsory redemption in case of default, etc. on obligations

In the event of default on payment obligations under the Notes or other specific causes predetermined in the terms and conditions of the Notes, and subject to notice of Nomura Bank (Switzerland) Ltd. calling the Notes amount then outstanding due for immediate redemption, unless cause is remedied within fifteen days of receipt of said notice, or other measures as stipulated in the terms and conditions of the Convertible Notes are implemented, the Notes shall become due for immediate redemption in the full amount then outstanding and must be repaid at principal amount by the Company.

(6) Face of the Convertible Notes

The Convertible Notes shall be issued as a bearer certificate (hereinafter, "Notes Certificate"), and requests for issuance as registered notes certificate shall not be possible.

(7) Collateral or guarantee

Not applicable.

(8) Special financial provisions

Limitations exist concerning establishment of security interests.

10. Securities exchange listings

Not applicable.

11. Other provisions

There will be no stabilization transactions.

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Supplemental information

1 . Use of proceeds

(1) Use of issuance proceeds

Proceeds will be used to repay borrowings.

(2) Change in use of proceeds from previous fund raising

Not applicable.

(3) Prospective effects on financial results

Since the Convertible Notes will bear no interest, consolidated financial results will not be affected by interest expenses. An improvement in net financial expenses is expected to result from the redemption of borrowings.

2 . Dividend payments to shareholders

(1) Fundamental policy concerning dividend payment

The Company has a fundamental policy of sustained, stable profit distribution to shareholders.

(2) Criteria for dividend determination

With regard to future dividends, in accordance with the above policy, the Company is aiming to achieve incremental growth while working to increase earnings, strengthen the management base, and enhance internal retention.

(3) Dividends, etc. distributed in the last three fiscal years

	FY 3/2004	FY 3/2005	FY 3/2006
Net income per share	¥25.57	¥42.79	¥72.22
Annual cash dividends per share (Interim cash dividends per share)	¥16 (¥7)	¥19 (¥9)	¥23 (¥10)
Dividend payout ratio	62.6%	44.4%	31.8%
ROE	2.74%	4.44%	7.08%
Dividends on equity	1.66%	1.93%	2.22%

Notes:

- 1 . ROE corresponds to net profit at the end of the period divided by shareholders' equity (the mean of total shareholders' equity at the beginning and at the end of the period).
- 2 . Dividends on equity corresponds to total cash dividends for the year divided by shareholders' equity (the mean of total shareholders' equity at the beginning and at the end of the period).

3 . Other provisions

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(1) Information on potential dilution

Calculations for potential dilution have not been made since the conversion price is yet to be determined.

(2) Information on equity finance conducted during the last three years

Equity finance

Not applicable.

Share price activity over the last three fiscal years and immediately prior to issue

	FY 3/2004	FY 3/2005	FY 3/2006	FY 3/2007
Opening	¥458	¥703	¥939	¥1,751
High	¥762	¥994	¥1,949	¥1,860
Low	¥400	¥675	¥831	¥1,365
Closing	¥704	¥974	¥1,780	¥1,426
P/E ratio	27.53	22.76	24.65	-

Notes:

- 1 . Share price information for FY 3/2007 is the share price as of July 11, 2006.
- 2 . The P/E ratio corresponds to the closing price of the share at the end of the period divided by net income for the period per share.

End of document

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