July 29, 2022

To Whom It May Concern

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

Marubun Corporation (the "Company") hereby announces that it posted non-operating expenses (foreign exchange losses) in the first quarter of the fiscal year ending March 31, 2023, as follows.

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

The Company posted foreign exchange losses of 2,091 million yen in the first quarter of the consolidated fiscal year ending March 31, 2023 (April 1, 2022 – June 30, 2022). The foreign exchange losses resulted from sharp exchange fluctuations during the first quarter of the fiscal year under review. Specifically, the said losses consisted of settlement losses recorded during the 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 quarter in relation to the repayment of the foreign currency-denominated borrowings. The above amount represents foreign exchange losses as at the end of the first quarter 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 profit 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 profit 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 accounting period, while a positive impact on gross profit 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 "Summary of Consolidated Financial Statements for the Three Months Ended June 30, 2022 under Japanese GAAP" announced today.