

# Corporate Risk Stance and Exchange Rate Pass-Through\*

Uraku Yoshimoto, Yokohama National University

This paper examines the heterogeneity of exchange rate pass-through (ERPT) across Japanese exporting firms by introducing a firm's exchange rate risk stance—a latent attribute reflecting managerial recognition of, and response to, FX risk—as an additional determinant of pass-through behavior. We extend the standard framework in which ERPT is governed by the imported-input share and market share, and model risk stance as modifying the effective sensitivity of marginal cost to exchange rate movements. We quantify firms' FX risk stance by applying a dictionary-based text analysis to the risk-related narrative sections of Japanese annual security reports, constructing three stance indicators that capture exposure-emphasizing, unmanaged, and managed orientations from co-occurrence patterns of FX, risk, damage, hedging, and sensitivity vocabularies. Industry-level time-varying ERPTs are estimated via a state-space approach and matched to firms through segment sales weights. After residualizing each stance indicator on observable firm characteristics, we find that the residual risk stance is positively and significantly associated with firm-level ERPT. The result indicates that firms more attentive to FX risk face systematically higher pass-through, providing textual evidence consistent with the view that exchange rate risk management is an active firm-level choice rather than a mechanical consequence of structural attributes.

Keyword: Exchange rate pass-through; Firm heterogeneity; Textual analysis; Risk disclosure; Japanese exporters  
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