

Basic Policy for Corporate Governance

Mission Statement

With the Mission Statement of “Each day with renewed commitment, we create new value through packaging,” Fuji Seal International, INC. (hereinafter referred to as the “Company”) Group aims to attain sustainable growth and enhancement of corporate value over the mid- to long-term basis for all stakeholders including shareholders

Basic Concept concerning Corporate Governance

The Company complies with all the principles of Corporate Governance Code.

We recognize strengthening of corporate governance as an important management issue, which is a system to make transparent, fair and prompt decisions and decisive in consideration of standpoints of shareholders, customers, employees, partners, societies, etc.

System for Corporate Governance

The Company has chosen to be a company with nominating committee from the following viewpoints and has established three committees under the Board of Directors, which are Nominating Committee, Remuneration Committee and Audit Committee, of which majority of each are outside directors.

- (1) Strengthening of corporate governance over the management of the Group as a whole*
- (2) Enhancement of transparency of management to shareholders and investors*
- (3) Clarification of roles between business operations by each business unit and Group management, and enhancement of efficiency and quality of Group strategies*
- (4) Realization of a wider ranging of strategies and acceleration of response to changes through utilization of outside directors*

1. Securing of the Rights and Equal Treatment of Shareholders

- (1) *The Company strives to prepare an environment where the rights of shareholders are substantially secured and where shareholders can appropriately exercise their rights.*
- (2) *The Company recognizes general shareholders meeting as a place for constructive dialogue with shareholders and strives to ensure shareholders can appropriately exercise their voting rights.*

[1] In order to ensure that shareholders can review agendas of the general shareholders meeting in a sufficient manner, we dispatch convocation notice at least three weeks prior to the date of general shareholders meeting and also promptly disclose information ahead of dispatch through the websites of the Company, Tokyo Stock Exchange, etc.

[2] From the view point that general shareholders meeting is a place for dialogue with shareholders, we take care to ensure increase of shareholder attendance and we avoid days crowded with other companies' general shareholders meetings.

[3] We provide necessary information so that shareholders can make appropriate decisions at the general shareholders meeting.

[4] While we have participated in the Electronic voting Platform to ensure that all the shareholders, including those who do not attend the general shareholders meeting, can appropriately exercise their voting rights, we strive to improve the environment further.

[5] We accept questions from shareholders by e-mail before the general shareholders meeting.

[6] English translation of the summary of the convocation notice is available on our website.

- (3) *In the event of a considerable number of negative votes at a general shareholders meeting, we analyze the reasons and causes and take necessary measures.*
- (4) *We secure the equality of all shareholders.*

As regards the rights of minority shareholders, we have made it possible for them to exercise their rights smoothly through stipulations of the method of exercising rights in the Rules for Handling Shares, etc.

- (5) *The Company provides sufficient explanations of the basic strategy with respect to its capital policy, because it may have a significant effect on shareholders returns.*

Amid a business environment that is rapidly changing and intensifying, Fuji Seal International has sought to raise corporate value by achieving sustained growth.

Last year, the Fuji Seal Group (hereinafter referred to as "FSG") celebrated the 120th anniversary of its founding, and its new mid-term management plan (a three-year plan ending in March 2021) has been positioned as a three-year period to build a foundation for the next 60 years of growth and development.

The Company will further strengthen the competitiveness of its current businesses globally, and strive to deepen and expand its business activities with customers by enhancing its ability to solve problems and increasing the speed of its response.

The Company considers the following to be its most important management challenges: 1) returning profits to shareholders based on Company performance and 2) continuing to increase the shareholder returns in a sustained manner. To that end, the Company will accelerate investment for continued growth, through such means as utilizing internal reserves, developing technologies that will make the Group even more competitive, and training personnel and creating mechanisms to enable the Group to solve problems faster.

The Company aims to achieve a mid-term minimum payment ratio target of 20% on a consolidated basis, and aims to increase the dividend per share in a stable and sustained manner. To raise long-term corporate value, the Company takes a flexible approach to the acquisition and disposal of treasury stock while also considering necessary capital investments, funding requirements for mergers and acquisitions, and raising capital efficiency.

In the new mid-term business plan, ROE is added as a target with an awareness of capital costs, with the aim of achieving double-digit. At the same time, we will manage the ROIC internally.

When implementing a capital policy which has a large impact on existing shareholder returns, such as capital increase and MBO, we promptly disclose its purpose, necessity and adequacy, and provide sufficient explanations according to need.

- (6) *When introducing anti-takeover measures, we examine its necessity and reasonableness rigorously, secure appropriate procedures and provide sufficient explanation to shareholders.*

Under the current circumstances, we have no plan to introduce anti-takeover measures. The Company believes continuing sustainable growth and enhancing corporate value will enable us to meet the expectations of shareholders.

- (7) *The Company's basic policy is not to hold stock unless we examine the mid- to long-term economic rationality and future outlook, and judge that it will contribute to the sustainable growth and the improvement of our corporate value over the mid- to long-term.*

The Company has established holding standards (including amount standards). Once a year, the Board of Directors evaluates and reviews individual stockholdings, including the appropriateness of holding purposes, benefits, risks, and the relationship between capital costs. With respect to the exercise of voting rights, we implement upon a comprehensive judgement in viewpoints of

[1] enhancement of shareholder value and corporate value of an invested company; and

[2] whether the Company's or FSG's mid- or long-term economic value will increase.

At the same time, we conduct fixed-point observations to determine whether or not there are any events that may affect the exercise of voting rights (i.e., impairment of corporate value) and examine the details of each exercise.

- (8) *With respect to transactions with related parties, in order to ensure the Company's interests as well as the common interests of shareholders will not be harmed, we establish appropriate procedures and we make monitoring based on such procedures and also we disclose such procedures.*

Any transaction with conflict of interests set forth in the Companies Act is made subject to approval of the Board of Directors under the Companies Act and Rules of Board of Directors.

In order to grasp the transactions with conflict of interests by directors and operating officers, the existence, etc. of transactions between directors and operating officers and their close relatives (within the second degree of kinship,) and FSG is checked regularly with each officer once per year.

2. Stakeholders other than Shareholders

- (1) *The Company recognizes cooperation with various stakeholders is important and strives to penetrate the importance through the management philosophy and basic management policy inside and outside the Company.*
- (2) *FSG has established Code of Ethics (Fuji Seal Group Code of Ethics), and in the Code of Conduct, we described guidelines for smooth cooperation with stakeholders other than shareholders as well as for daily business activities for the purpose of respecting their interests.*

In fiscal 2017, we reviewed the overall Code of Ethics and expanded its content, including respect for human rights, diversity management, and environmental conservation.

The Code of Ethics is made available at all times through in-house intranet.

Also, We deliver Compliance Cards to officers and employees of FSG including those of overseas in order to enable each employee to understand the policy and conduct properly.

On May 12 every year, during the event of anniversary of foundation, we hold anniversary events and family festivals at each business site to give opportunities for employees and their family members(people they trust and respect each other in their life) to get familiar with the Company's value and policies.

- (3) *FSG actively and proactively works on sustainability in terms of society, environment, etc.*

Recognizing that environmental issues are an important issue for all humankind, FSG aims to contribute to a bright future and a comfortable global environment by creating and taking on new challenges that take environmental aspects into consideration.

In keeping with our focus on "people-friendly and earth-friendly packaging," we work on efficient reduction of resources and energy, environment-friendly products, packages easy to use in the aging society, labels with explanations which are easy to read, etc. Our customers have been launching such products in market that are jointly developed by us and our partners.

Also, for students who are interested in packaging, Fuji Seal Packaging Education and Scholarship Foundation provides support and grants for development of human resources engaged in research and development, making contributions to social, environmental and other issues.

- (4) *FSG promotes personnel system which is irrespective of nationality, gender and age.*

FSG is committed to "diversity management", which makes the most of diverse human resources and provides opportunities for employees to fully demonstrate their abilities.

In Japan, Americas, ASEAN, and Europe, women are promoted to senior members and participate in management.

In Japan, we are making efforts with the objective of threefold increase of human resources of female leaders who will be the candidates for the management within three years.

We think that our slogan "heated discussion on creation" can be further activated by promoting the diversity of human resources, including women's further active participation.

- (5) *The Company has a whistle-blower system in place which allows employees to make an internal report regarding illegal act, etc. without suffering from any disadvantages.*

In order to detect compliance-related problems at an early stage and respond appropriately, we have established a whistle-blower system for consultation and reporting of doubtful conduct (including external lawyers and the Group Internal Audit Office).

The whistle-blower system ensures strict confidentiality and prohibits unfavorable treatment of whistleblowers. The status of reporting is regularly reported to the Compliance Committee, the Board of Directors, and the Audit Committee.

- (6) *The Company has a defined contribution pension plan. Accordingly, although employees themselves manage the reserve funds, we also provide employees with training on asset management of defined contribution pension plan in light of the impact on the asset formation of employees.*

3. Disclosure of information

- (1) *The Company discloses financial information as well as non-financial information, such as management strategies, management issues, risks and corporate governance, in accordance with laws and regulations in an appropriate manner, and also discloses information not required by laws and regulations to the extent possible on a timely and fair basis.*

[1] We disclose our management philosophy, management strategy and mid-term plan in our website, financial information, etc.

[2] We disclose our basic policy for corporate governance in our website and in corporate governance report.

[3] We disclose policies concerning decision on directors' remuneration, etc. in our notice of convocation of general shareholders meeting, annual securities report, corporate governance report, etc.

The Company has established a Remuneration Committee, and it decides the remuneration for each individual member of directors and operating officers. The Remuneration Committee mainly decides the remuneration policy of each director and operating officer, items of individual remuneration and evaluation of the company performance goal and individual performance goal of each operating officer related to performance-based bonus of them.

[4] We have established a Nominating Committee, which makes decisions on the contents of proposals for the appointment and dismissal of directors based on the standards for appointment.

Outside director: We have established independence standards, and the reasons for the election are described in the notice of convocation of general shareholders meeting.

Internal director: We described the standards for appointment in the notice of convocation of general shareholders meeting. The Nominating Committee, which is attended by outside directors, plays a central role in the appointment.

Also, we provide opportunities for internal directors and candidates for next-generation to interview with outside directors several times per year.

[5] We prepare notice of convocation of general shareholders meeting, flash reports and financial reporting to disclose our management strategies, mid-term plans, etc. English version of the convocation notice and flash reports are stated in our website.

- (2) *The Company takes appropriate measures to ensure the appropriate auditing of external accounting auditors.*

The Audit Committee receives reports on the status and plan of audits from external accounting auditors (the report of implementation status biannually (May and December), and the plan annually (June)), and assesses the adequacy of the quality and remuneration levels of external accounting auditors. The Audit Committee also checks whether the external accounting auditors have independence and expertise through discussions on approval.

In order to ensure the proper auditing of external accounting auditors, the Company ensures coordination with related departments, such as audit schedules, audit systems, direct interviews with management, audit committees, accounting departments, and internal audit departments.

4. Responsibilities of the Board of Directors

The Company decided that the number of directors of the Board of Directors is to be 15 persons or less, and for the purpose of strengthening of corporate governance, at least one third of the directors are to be independent, outside directors.

As regards independent outside directors, the Company has set independence standards (described in the notice of convocation of general shareholders meeting), and elects persons who meet the standards and have knowledge and experiences in a variety of fields.

Each of such directors provides advice and supervision on the Company's management system based on abundant experiences and professional standpoints and also expresses opinions from viewpoints of shareholders and other stakeholders.

Each outside director maintains close cooperation with the Management.

- (1) *The Company has a system in place where active discussions are made on management strategies and plans by the Board of Directors, including outside directors, under an established management philosophy and where their duties as well as responsibilities and obligations are fulfilled.*

- (2) *The Board of Directors discusses and makes decisions with respect to matters described in laws and regulations as well as in the articles of incorporation, and other important matters of the Group companies, such as basic policies concerning the Company's management strategies, plans, etc.*

The Board of Directors receives reports on the status of execution of policies decided as well as on management issues and support prompt and decisive decision making by the senior management members.

Also, rules for authorities of directors and operating officers of each company are prepared not only in Japan but also by overseas Group companies, and consistency among them is reviewed on a regular basis.

- (3) *The Company reports progress of mid-term plan decided and approved by the Board of Directors at the financial results briefing held biannually.*
- (4) *The Company appropriately oversees succession plans of Chief Executive Officer, etc.*

The Company requires each of the directors and operating officers to present candidates as their successors once per year, and it is mainly led by Nominating Committee with participation of outside directors. Also, practice of management philosophy and development of successors are included in the evaluation of directors and operating officers. In addition to self-evaluation, evaluations are implemented by outside directors once per year. As a part of development of successors, operating officers attends the Board of Directors meeting.

- (5) *Evaluation, election and removal of directors and operating officers are made based on election standards of directors and with objectivity independent of operations mainly led by Remuneration Committee and Nominating Committee composed of all the outside directors and Chief Operating Officer.*
- (6) *The Remuneration Committee decides remunerations of directors and operating officers, based on basic policies and in consideration of duties, job responsibilities, management environment of the Company, etc. The remuneration system includes performance-linked remuneration to provide incentives.*
- (7) *The Board of Directors appropriately establishes and controls risk management systems*

FSG has established Group Compliance Committee and Internal Control Committee (J-SOX Committee) for the purposes of compliance, internal controls over financial reporting, etc. to prevent occurrence of risks in advance and to work on risk management.

(8) *The Company decided that the Audit Committee members are independent outside directors only, and chairperson of the Audit Committee is elected by mutual vote of such outside directors.*

The Audit Committee fulfills its responsibilities and obligations, such as auditing on execution of duties by directors, election and removal of outside accounting auditors and execution of authorities relating to audit remunerations, in a position independent from the execution of operations. The Group Internal Audit Office which supports duties of the Audit Committee is also made to be an organization independent from the execution of operations.

(9) *The concurrent posts of other corporations shall be within a reasonable scope, and such status and the attendance records to the Board of Directors meeting are disclosed in the notice of convocation of general shareholders meeting.*

(10) *The Company strives to enhance the effectiveness of the Board of Directors through discussions with outside directors at the Board of Directors, the Audit Committee, the Nominating Committee and the Remuneration Committee. The Board of Directors is composed of directors with a wealth of knowledge, experience, and skills in a variety of fields, both in Japan and overseas, and takes into consideration the diversity of the board so that it can effectively deliberate and judge and fully exercise its functions as a whole.*

We have implemented the questionnaires of self-assessment by internal and outside directors in May 2016, which are compiled by an external organization. The result of the last year self-assessment which highly assessed were that the composition of the Board of Directors which ensured the diversity, the frequency of the Board of Directors meetings and the atmosphere enabling the free discussion.

Based on the analysis of the results of questionnaires, the Company made a step to reduce the quantity of materials for the Board of Directors meetings, improve the quality of information and make the discussion more about its policy and strategy.

In fiscal 2017, we secured time for discussions on the new mid-term management plan, and also discussed the overall revision of the Group Rules. We were also working to clarify the content of the agenda for approval. In addition, we were working to improve the operation of the Board of Directors so that we can efficiently and thoroughly deliberate on the items to be reported. For example, we focused on the points of the items to be reported, and we are also expanding the materials for periodic reporting outside the actual meetings of the Board of Directors.

In order to further enhance the effectiveness of the Board of Directors, we will continue to make efforts for further improvement.

(11) *For ensuring unfettered and constructive discussions in the Board of Directors, with respect to operation of meetings of the Board of Directors, we strive to revitalize their deliberations through provision and distribution of referential materials and information in advance, prior decisions on schedule, venue, etc.*

A system capable of providing information necessary for deliberations by directors, including outside directors, in a timely manner, is prepared led and is assumed the responsibilities by FSI's corporate planning department, which is also the secretariat of the Board of Directors.

(12) *The Group Internal Audit Office gathers and provides information needed by the Audit Committee for their duties.*

Also, the Audit Committee secures that it requires persons other than their committee members to attend their meeting on as needed basis to hear their reports and opinions and those Audit Committee members can make demands, such as advance payments for expenses, etc. for execution of their duties based on the Companies Act.

(13) *With respect to new outside directors, we recommend them to participate in outside seminars and we bear such expenses. We also provide information of the contents of the mid-term management plan and the status of progress, including the organization, businesses and finances of FSG. Also, with respect to each of the directors and operating officers, for the purpose of their self-development, etc., we recommend them to participate in outside seminars and we bear such expenses based on demand, etc. from directors and operating officers and based on internal rules.*

5. Dialogue with Shareholders

(1) *We promote constructive dialogue with shareholders.*

[1] *For the purpose of dialogue with shareholders and investors, we have established IR department directly under Chief Executive Officer and it makes responses in collaborations with concerned divisions.*

[2] *CEO directly explains to shareholders and investors at the biannual results briefings meeting regarding mid-term plan, and we ensure opportunities to directly hear opinions of shareholders and investors through question and answer sessions. In addition to financial results briefings, we also hold individual interviews and small meetings with CEO and CFO.*

[3] *In order to ensure individual shareholders hold our shares on a mid- to long-term basis, we implement briefing meetings for individual investors.*

[4] *Opinions of shareholders and investors are fed back to directors, operating officers and senior management members 4 times per year.*

[5] *When having dialogue with shareholders and investors, we attend to management of insider information by focusing on mid- to long-term growth strategies.*

(2) *The Company implements shareholder identification survey as the needs arise to strive to grasp the shareholder composition and to serve IR activities.*

(3) *Formulation and disclosure of management strategies and plans*

In the new mid-term management plan (a three-year plan ending in the fiscal year ending March 2021), the Company discloses consolidated sales, operating profit margin, and ROE as the management indicators to be targeted, and explains concrete measures to achieve these targets, including the allocation of resources, including CAPEX, R&D investment, and human resource investment, through financial results briefings and other means.