

INTEGRATED REPORT



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2020



Fuji Seal International, INC.

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Issued in August 2020



Mission Statement / Slogan

FSG Mission Statement

**EACH DAY
WITH RENEWED COMMITMENT
WE CREATE
NEW VALUE
THROUGH PACKAGING**

FSG Slogan

**We call creation a “dream”
We call challenges to creation “courage”
We call a heated discussion on creation “trust”**

Our Vision

**To always be the customers' first choice as partner,
we provide differentiated products and services
by comprehending customers' needs for packaging.**

Our Course of Action

Changing along with changes

■ Editorial Policy

In 2020, there have been even greater changes than normal in the environment surrounding business, society, our personal lives, politics, and within each country. In the hope of further enhancing the understanding of all stakeholders, who together support our growth, we have created an Integrated Report for the first time.

In this Integrated Report, we have compiled a variety of information mainly on our corporate philosophy, which we have honored since our establishment, and our corporate culture, which we have built over time, as well as materiality issues that have been identified this time, initiatives for ESG, financial information, and non-financial information.

We are aware, as always, of our values and experience, based on which we have caught the chance from change throughout our history, and continue to act based on them. We will also continue to be a growing company that is needed by our stakeholders. We appreciate any feedback from inside and outside the company and hope to rely on your continued support.

■ Report Scope

Fuji Seal International, INC. and its consolidated subsidiaries

■ Period Covered

The contents of this report are mainly based on our activities in FY2019 (April 1, 2019–March 31, 2020). However, some activities conducted before and after the above period are also presented as necessary.

■ Cautions regarding Our Future Prospects

Our views and prospects presented in this report are based on various assumptions. We do not promise or guarantee the achievement of the planned figures or the realization of the measures in the future.

■ Positioning of the Integrated Report

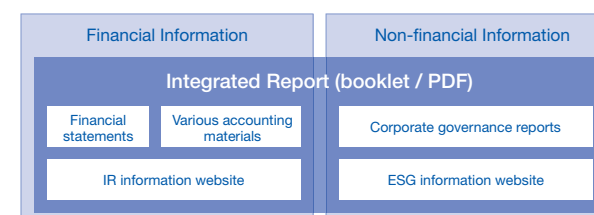
To further improve your understanding of our Group, please also refer to our websites listed below.

<IR Information>

<http://www.fujiseal.com/jp/ir/index.html>

<ESG Information>

<http://www.fujiseal.com/jp/esg/index.html>



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Advances in the Value Creation of the Fuji Seal Group

Changing along with changes

The Fuji Seal Group was founded as a wooden products manufacturer 124 years ago. As the container trends in society shifted from wooden barrels to bottles, cans, and plastic bottles, we switched our business to a packaging business, including the development of shrink sleeve labels, in the 1950s. Our corporate philosophy is that we are always attentive to the voices of our customers, so that we can package their important products, addressing their needs and challenges, and propose and develop possible solutions in accordance with changes in the times and containers. We have maintained this philosophy since our establishment.

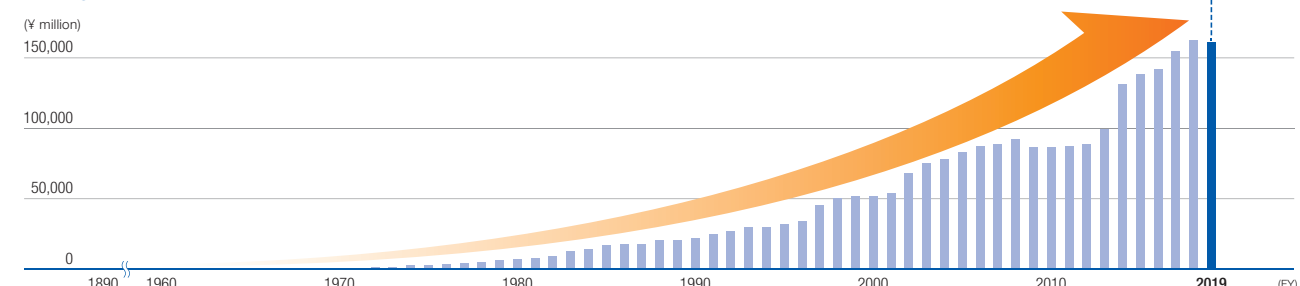


History of Our Business

The value required of packaging material has changed with the changes in logistics and containers. Soy sauce, Japanese sake, and wine used to be distributed in barrels, and then in glass bottles. Currently, more convenient containers, such as PET bottles and flexible containers, are used for their logistics.

Our mission is not only to ensure product quality and safety through packaging, but also to provide product descriptions, including the necessary legal descriptions, with the use of packaging. Our mission also includes expressing the attractiveness of products with excellent designs and delivering the important messages of our customers' products. We also believe that it is our mission to offer a variety of valuable packaging materials to our customers and consumers and for logistics. The basis of our business activities is to continue to respond quickly to market and social trends and "changing along with changes."

Changes in net sales



History of Our Business		1897	1950s	1960s	1970s	1980s	1990s	2000s	2010s	2020		
Changes in logistics	Face-to-face sales (retail stores / shops)					Self-service sales (supermarkets / convenience stores)		Non-store sales (catalogues, etc.)			New changes E-commerce sales, etc.	
	Barrels	Glass bottles		Cans		PET bottles		Flexible containers			New containers	
Changes in businesses	Faucets (woodworking)	Shrink cap seals (packaging)		Shrink sleeve label business (packaging materials and equipment)			Self-adhesive label business (packaging materials)		Pouch business (packaging materials and equipment)		Self-adhesive label business (label applicators)	
	Establishment	Change of business		Overseas expansion / Expansion of domestic business bases			100th anniversary of establishment		Transition into a holding company structure		Expansion of businesses and business bases in Japan, the Americas, Europe, and ASEAN	Toward the creation of new value
Company history	1897	Late 1950s		1970s			1997		2003		2004	
	Established as a manufacturer of wooden faucets for barrels.	Developed shrink sleeve labels. Began system sales through the design and manufacture of automatic label applicators, which formed the basis of our business activities.		Established companies in the Americas and Europe to collect information on overseas markets and expanded our business bases in Japan and overseas.			Began over-the-counter trading of stocks at the 100th anniversary of the company's establishment to increase corporate value.		Went public on the First Section of the Tokyo Stock Exchange.		Adopted a committee system (to improve corporate governance and increase management transparency). Adopted a holding company structure, with the company name changed to Fuji Seal International (to speed up management decision-making in all operating regions, centered on Japan, the Americas, Europe, and ASEAN, and strengthen the company's global management strategy).	



Providing Valuable Packaging Materials All over the World under Our Corporate Philosophy, “Changing along with Changes”

Shigeko Okazaki President and CEO

Solid mission statement and power of action to adapt to every change

When we reformed the company structure around 10 years ago, we discussed renewing our mission statement with the following idea: “Each day with renewed commitment, we create new value through packaging.” Despite considering various ideas, we reached the conclusion that this mission statement most accurately described the Fuji Seal Group. This was because we believed that our mission of continuing to provide packaging materials with diverse values to our customers and consumers and for logistics remained the same.

We think that one of these diverse values is to ensure product quality and safety. For instance, shrink sleeve labels can protect the contents of products from deterioration by blocking light. Moreover, one of the important values provided by us is to add excellent decoration to products to express their attractiveness and deliver the important messages of our customers’ products.

While we embrace such a solid mission statement and overall mission, we believe that the basis of our business activities is to “changing along with changes.” We are facing various changes, including changes in product contents, in logistics modes, and in retail stores. The ability to quickly recognize every change in the markets and society and respond quickly is the strength of the Fuji Seal Group.

Improving the creativity of individual employees with a growth strategy with the keyword “Plus One”

In the Fuji Seal Group Mid-term Management Plan (FY2018–2020), the keyword of our growth strategy is “Plus One.” As the size of the company increases, there is an increasing number of young employees who do not know the history of the Fuji Seal Group, and there are now more employees overseas than in Japan. Under these circumstances, we puzzled about how to spread our mission statement that says,

“Each day with renewed commitment, we create new value through packaging,” to employees. Even though we convey our mission statement every day, there will always be some employees who do not know what it really means. If the mission statement is not understood by employees, it is no better than a hanging scroll decorating the office. To make it easier for employees to understand, we created the keyword “Plus One,” which means that employees are encouraged to create one thing new. This keyword will help overseas employees understand the real intent of our mission statement.

We also clarified what “Plus One” meant in our four businesses, four business regions, and four business categories so that individual employees can decide whether they are creating one thing new in their work.

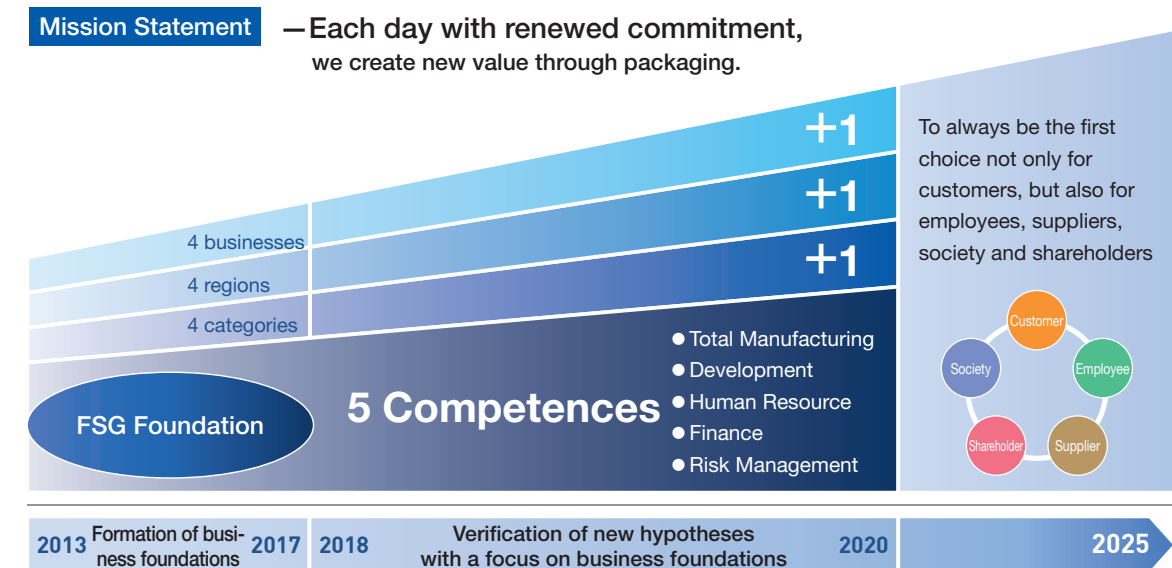
Acquiring five real competences to grow to the next level

As five foundations for company growth, we focus on the following five competences: Total manufacturing competence, development competence, human resource competence, financial competence, and risk management competence. In various unexpected situations, what competences should we have in addition to the basic competence? In terms of financial competence, for instance, it may be better in some cases not to try to handle all operations, including entrusting some processes to more specialized companies, than to achieve

self-sufficiency in every aspect. I believe that it is a real financial competence to propose a new approach based on a hypothesis while following the conventional approach. This is also applied to human resource competence. The real human resource competence is that employees have the motivation both to protect conventional businesses and to take on challenges in new fields.

In FY2020, the final year of the Mid-term Management Plan, we aim to realize a growth strategy with the keyword “Plus One” and these five competences to go on to the next Mid-term Management Plan.

Actively disseminating information on our long-term initiatives for the environment



What had a great impact in FY2019 was the marine plastic issue, which attracted international attention. The Fuji Seal Group has been ahead of the times in conducting research and development on what should be done to reuse used packaging materials more efficiently, accumulating the relevant technology and know-how over many years. We have listened to our customers and developed various packaging materials that contribute to the environment, and they are currently used worldwide. These products include perforated shrink sleeve labels, convenient for separate collection, and biomass-based labels made partly from plant-derived materials, which contribute to the reduction of CO₂ emissions. We have challenged and accomplished down gauge solution (20µm) which no one has achieved, and then it could lead to "Reduce".

Our products have continued to be selected by customers who cast a stern eye on corporate social responsibility. This fact proves that the Fuji Seal Group is a company that continues to fulfill its social responsibility. For us it is natural to engage in ESG initiatives through our businesses and contribution to a sustainable society. During FY2019, I realized that we needed to disseminate the value of our packaging materials and services in this situation, where the fixed image of plastic products is predominant.

Ensuring that all employees of the Group will continue to take pride in their work and grow through work

.....

One of the efforts to disseminate information on the Group is to issue this Integrated Report. We pay close attention to our stakeholders, such as customers, suppliers, local communities, and shareholders, and especially to our employees and their family members. The packaging materials offered by us are supporters that make their contents look better. In this sense, for many decades, we have rarely publicized our packaging materials and introduced them to the public. However, I came to think that being supporters was not enough to encourage individual employees to continue to work with pride in their jobs. I then wanted all employees working at the Fuji Seal Group, from the sales staff who make direct contact with customers to the factory staff, as well as their family members, to really know that we produce valuable products that are of use to society. This is also our cherished belief in promoting ESG-oriented management, and a challenging issue.



I also hope that employees will grow themselves through various experiences within the Fuji Seal Group, including interaction between factory staff members in Japan and overseas to learn new skills from each other, and the utilization of their knowledge in their new workplaces and local communities. I believe that it is one of our most important roles in society to secure stable employment and provide opportunities for employees to grow and take on new challenges.

Further bolstering risk management with diversity as a driving force

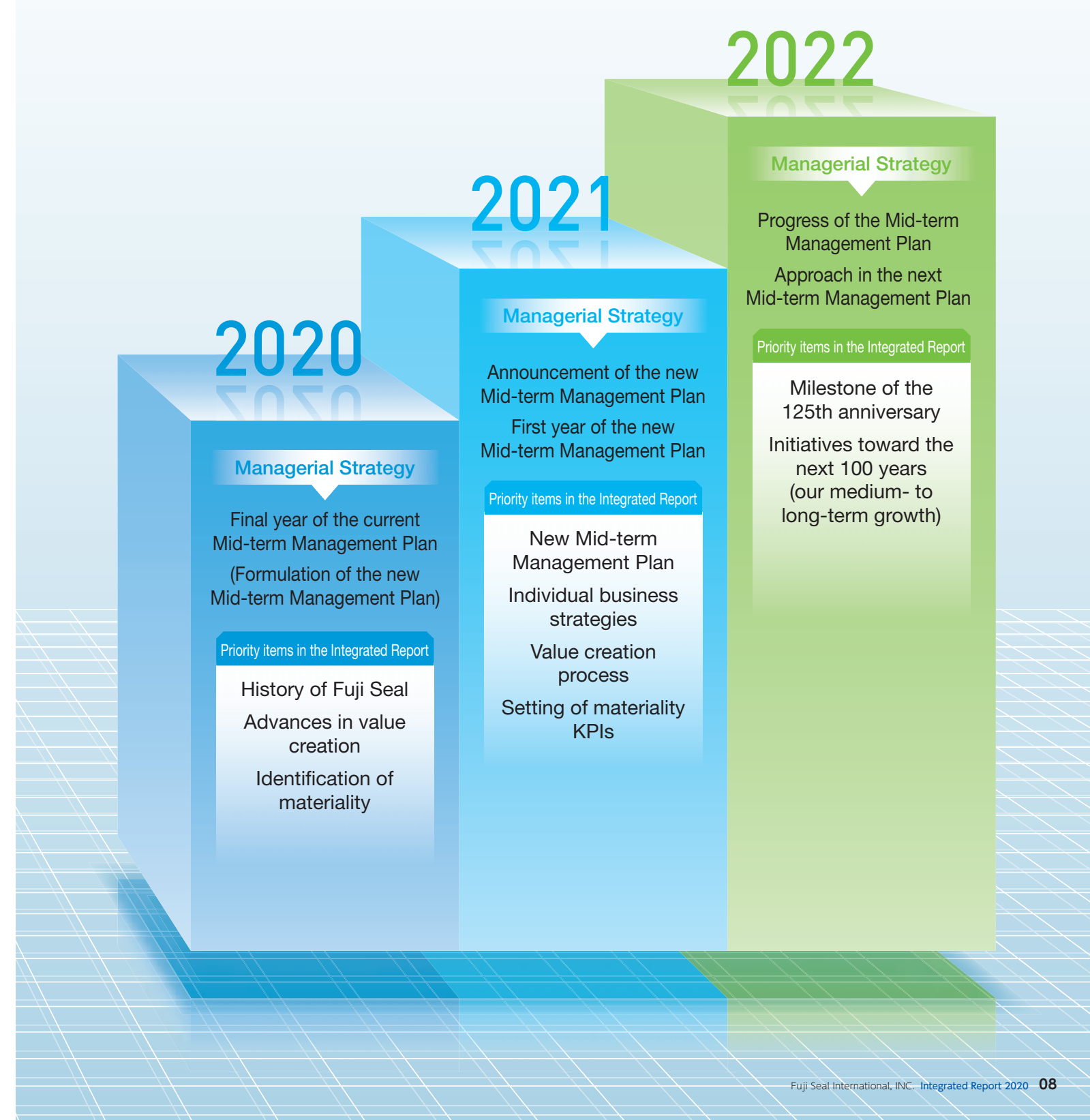
.....

The most important item on our newly established risk map is the leakage of customer information. The wealth of information that we have accumulated is one of our great strengths, and its efficient use enables us to make satisfactory proposals to customers and gain their trust. Meanwhile, it is also true that such information is at risk of being leaked. Accordingly, we have set up a project team and discussed with outside experts for a year about how to implement and bolster risk management. Currently, the next-generation members are beginning to create a new risk map suitable for them.

This initiative is being promoted mainly by global personnel. New ideas come from conversations between people with diverse values and backgrounds. Accordingly, "diversity" is my favorite word, and I am convinced that it has become a driving force for us to adapt to changes.

Three-year Schedule for the Integrated Report

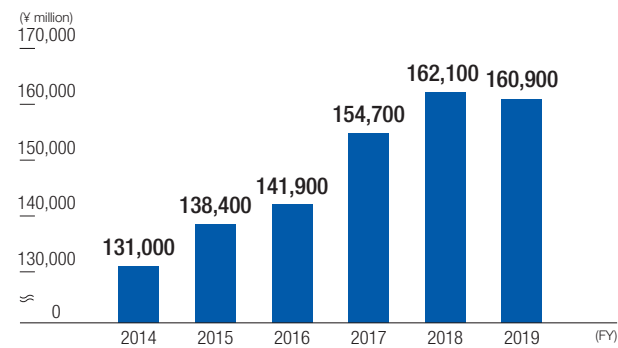
The following are the contents of the Integrated Report over three years, with FY2020 being the first year. We would like you to not only see the current company situation but also see the company, changing while following conventional business practices, in the medium to long term.



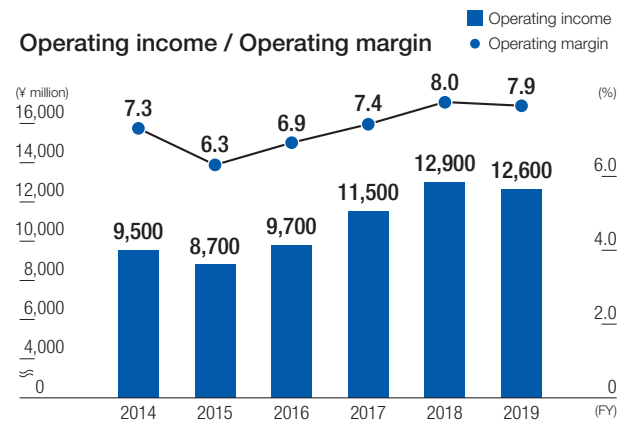
Performance Highlights

Financial Highlights

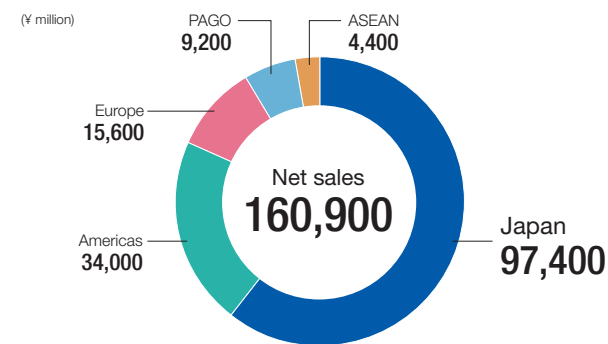
Net sales



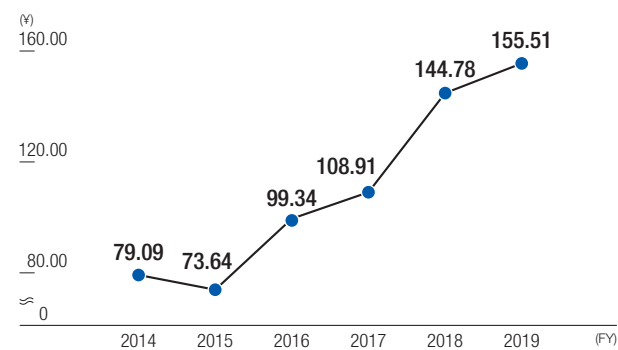
Operating income / Operating margin



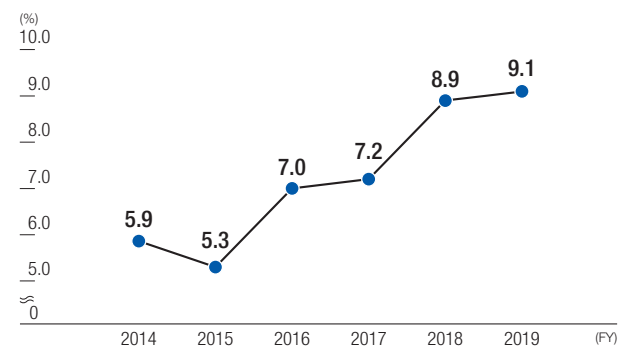
Sales by business segment (FY2019)



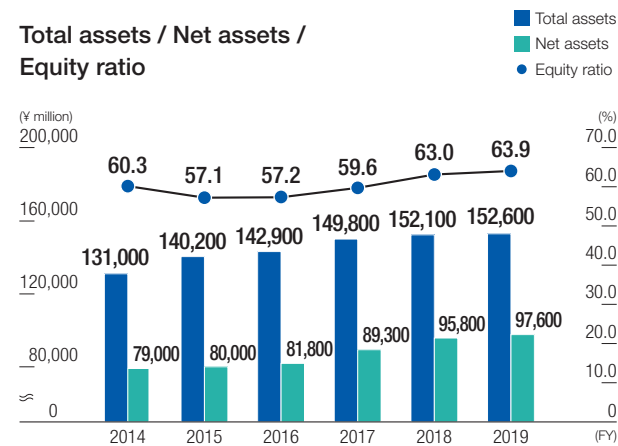
Net income per share



Return on equity (ROE)

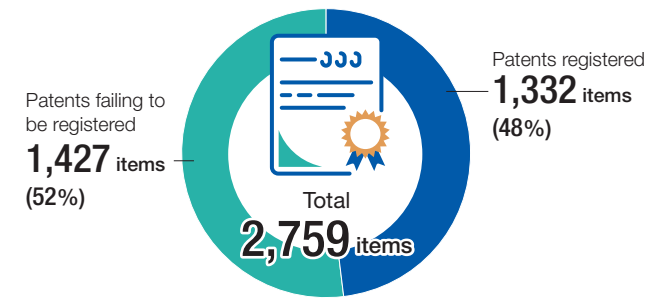


Total assets / Net assets / Equity ratio



Non-financial Highlights

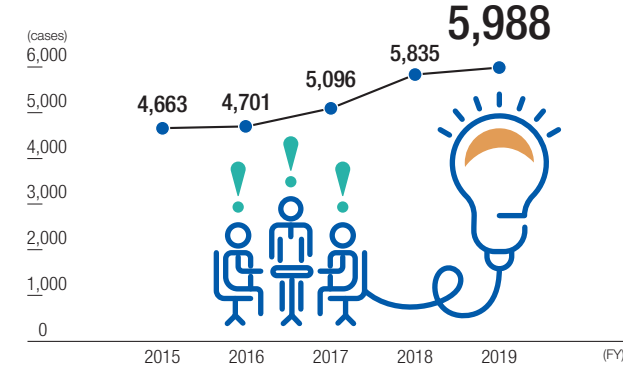
No. of patents registered <accumulation from 1973> (as of the end of March 2020)



No. of patents held (in Japan / overseas) (as of the end of March 2020)



No. of suggestions (KAIZEN TEIAN)^{*1}



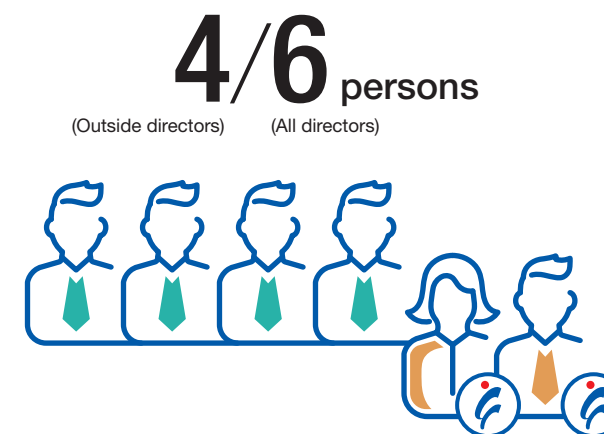
*1: See page 30.

Implementation rate of Family Festivals^{*2} (as of the end of March 2020)



*2: See page 35.

Outside directors (as of the end of March 2020)



Diversity (as of the end of March 2020)

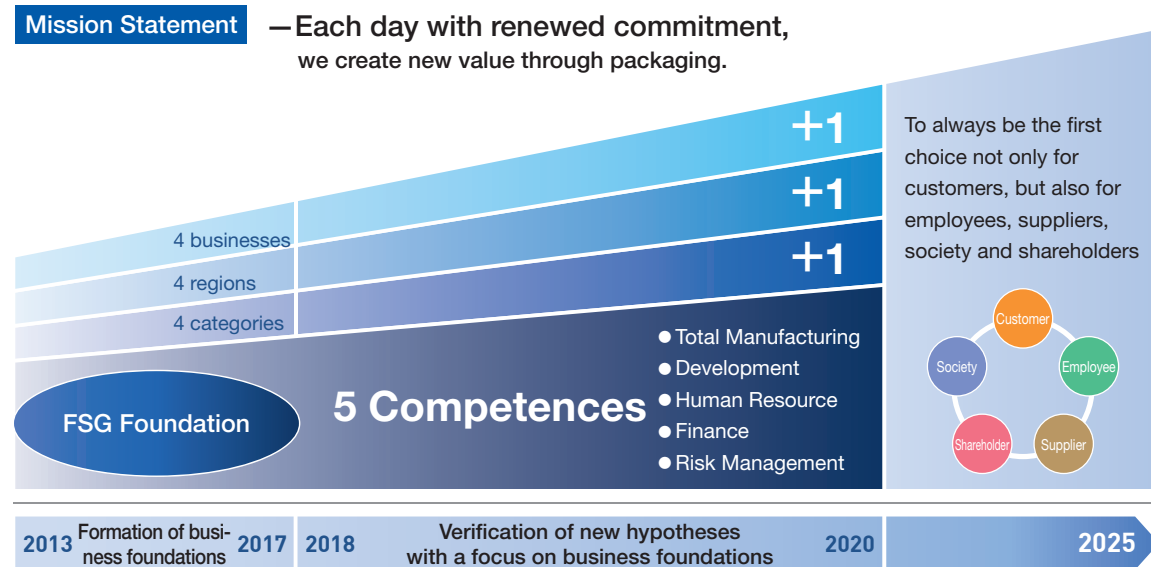


Mid-term Management Plan

Current Mid-term Management Plan (FY2018–2020)

Celebrating the 120th anniversary of our establishment in 2017, we formulated a three-year mid-term management plan in 2018 to make a new start for our growth for the next 60 years.

To continue to be the world's No.1 packaging company selected by five types of stakeholders—continuously growing customers, employees, suppliers, society, and shareholders—we have set our ideal goal of growth based on the following three policies.



01 Five Competences

(Total manufacturing / Development competence / Human resource competence / Financial competence / Risk management competence)

In order for us to keep growing globally, it will become increasingly important to adapt quickly to diversified economic conditions, accelerating market trends, and the speed of customer change.

To respond to these changes, we have focused on the formulation of five competences, which serve as the foundations of Fuji Seal. We have then strengthened these competences to make them more stable.

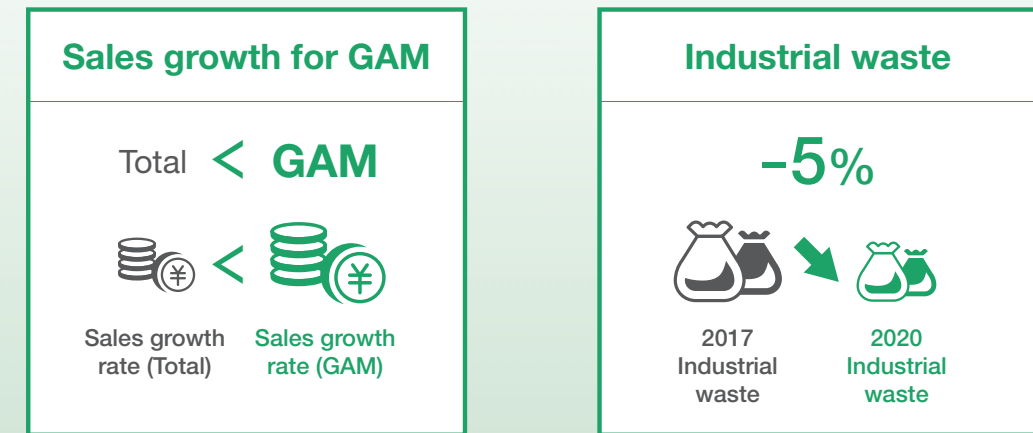
02 Plus One

We are carrying out the verification of a new hypothesis of adding “Plus One” in our existing four businesses, four business regions, and four business categories in tune with growing customers and changing markets, in order to take on new challenges.

- To further enhance our business model:
Add “Plus One” in the existing four businesses (shrink sleeve labels, self-adhesive/pressure sensitive labels, spouted pouches, and machinery).
- To further enhance our business model:
Add “Plus One” in new regions that our customers have already moved into.
- To further enhance our business model:
Add “Plus One” in the pharmaceutical and chemical fields as our new focus areas.

03 ESG-oriented Management Policy

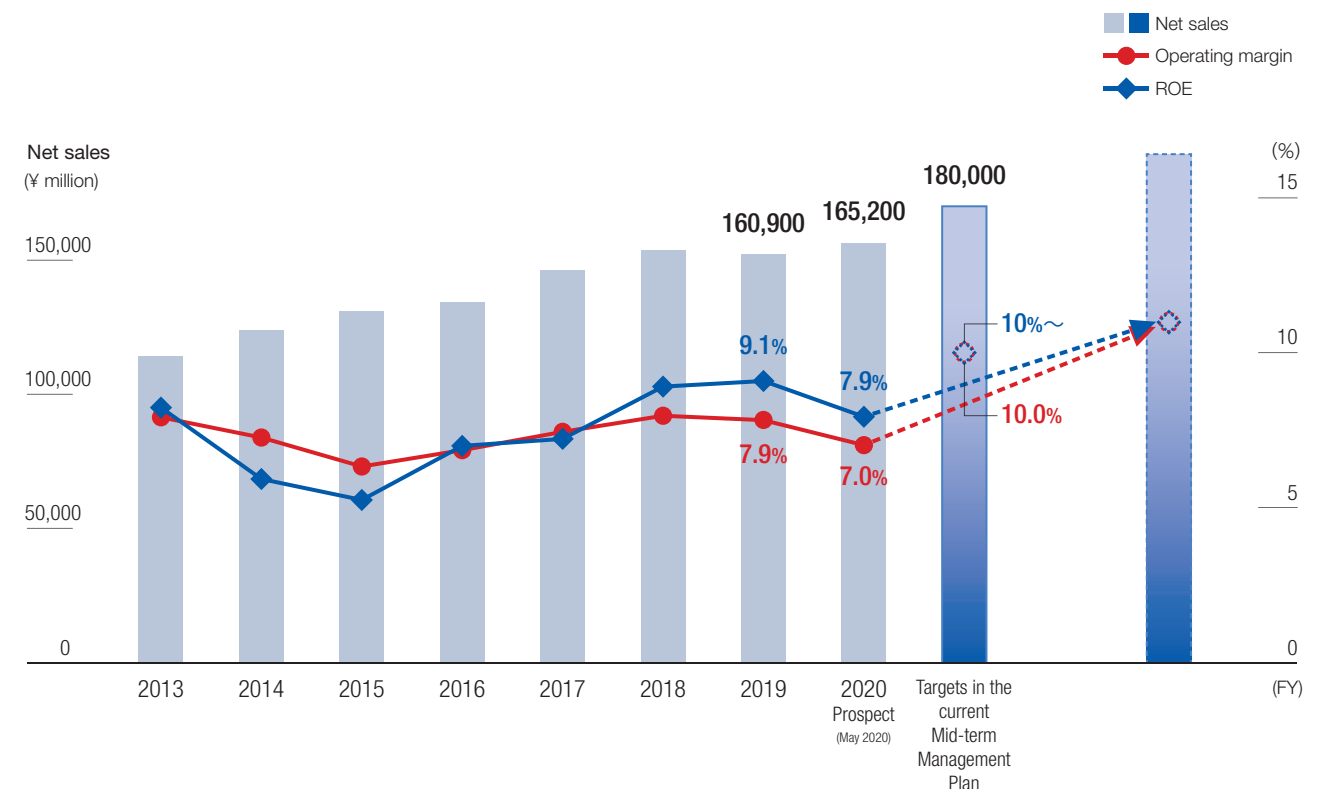
To continue to be the world's No.1 packaging company selected by five types of important stakeholders—customers, employees, suppliers, society, and shareholders—we have set ESG-related goals to promote ESG initiatives.



* GAM: Customer who takes the global lead on ESG

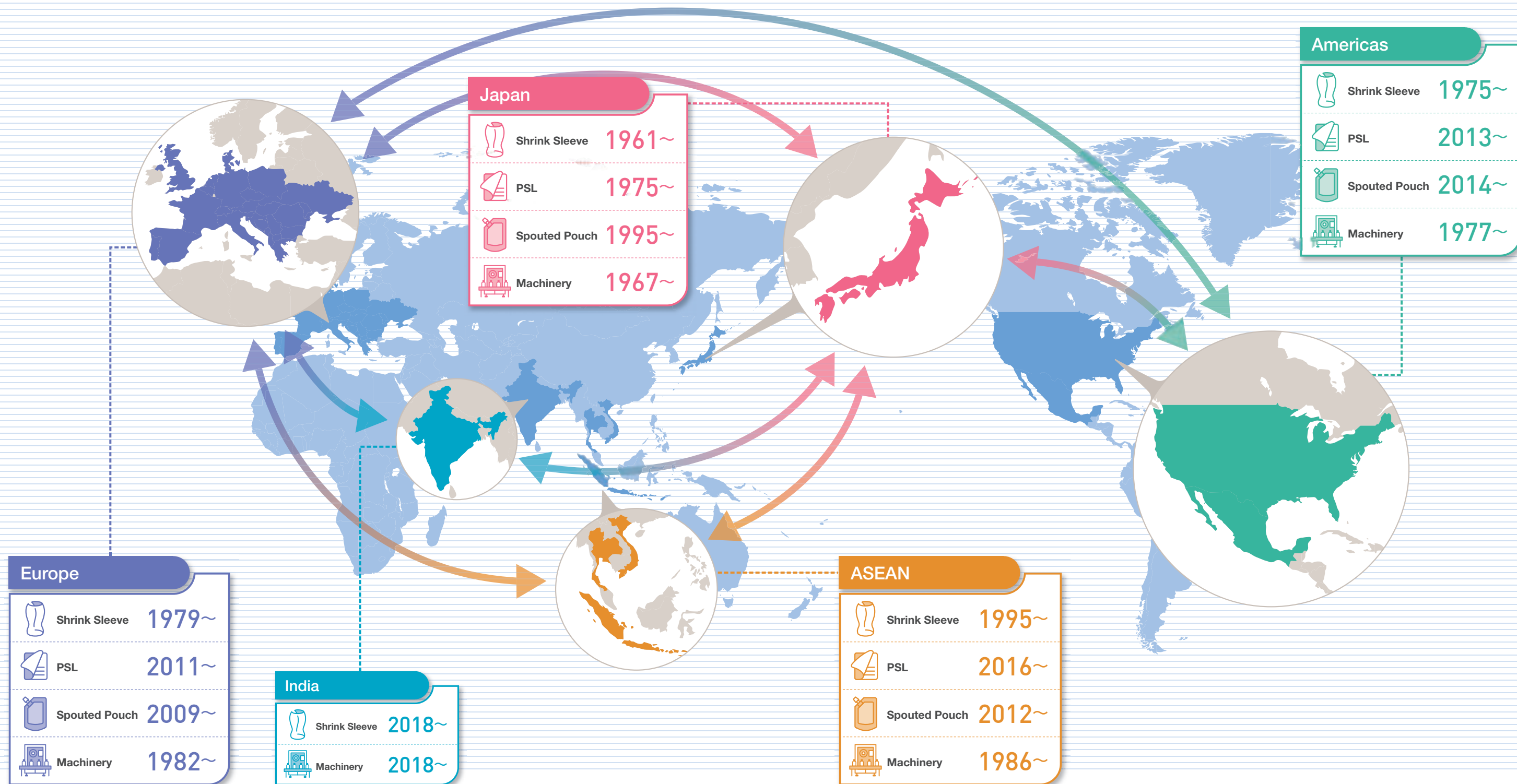
We think that if an increase in sales to GAM, which takes a progressive approach to ESG issues, exceeds an increase in the company's entire sales, this will lead to the further promotion of ESG management.

Our managerial goal is to increase corporate value through continuous business growth. Although we have set numerical targets of 180 billion yen in consolidated sales and 10% in operating margin, it seems difficult at this moment for us to achieve these targets. However, in aiming for continuous growth under the current circumstances, we are making the Mid-term Management Plan from FY2021.



We have continued creation based on live information from global markets and customers.

We began production and sales in the Americas 45 years ago and in Europe 41 years ago, when our sales in Japan were two billion yen and five billion yen, respectively. We have been doing business while directly experiencing and valuing the culture of each market and listening directly to the voices of local customers. For instance, we have appreciated accuracy and subtlety in Japan, functionality in the Americas, and good design in Europe. Believing that we can offer new and differentiated proposals by accumulating such experiences, we have promoted global business expansion. To further encourage growth in direct business with customers who lead the industry globally or in their respective countries, we have laid out the framework for the development, sales, and production of packaging solutions, not limited to shrink sleeve labels. It is our dream and vision to make ourselves recognized as our customers' best partner at all times.



Global Business Expansion

Liquid laundry detergent becoming condensed Packed in compact bottles, then packaged with full shrink labels, and ...



2007

In 2007, Unilever launched the condensed liquid laundry detergent "Persil" in the U.K. It was packed in a compact bottle and packaged with a full shrink label. Its design attracted customer attention at retail stores and contributed to its sales growth. This propelled the adoption of full shrink labels for laundry detergents and softeners.

Europe

2012

A laser cutting machine that can partially cut a shrink label was developed. This technology helped full shrink labels to be adopted for UD bottles.

2018

Environmentally friendly, perforated shrink sleeve labels were marketed overseas.

ASEAN

2008

2012

2019

The laser cutting technology spread.

Japan

2010

An increase in fragrances led to a rise in the adoption of self-adhesive labels for product differentiation and function description purposes at retail stores.

The use of large-capacity refill pouches with a cap, which are easy to pour and able to be stocked, became common.

2012

Shrink sleeve labels even fit Universal Design (UD) Bottles that are easy to hold and pour.

2014

Gel ball-type laundry detergent and detergent with "one-hand push" packaging enabling measurement with one hand were launched.

2019

Americas

2010

2012

Full shrink labels printed with pearl ink were adopted in Mexico.

2019

Environmentally friendly, perforated shrink sleeve labels were marketed overseas. The laser cutting technology enabled containers with a handle to be decorated with a shrink sleeve label.

Sources: photos taken by Fuji Seal; various company websites
* Product image for illustration purposes only

Highlights by Business Segment

Shrink Sleeve Labels

In 1961, Fuji Seal developed shrink sleeve labels before the rest of the world.

Shrink sleeve labels are made of materials that shrink when heat is applied to enable a perfect fit to containers of any shape or material. Currently used worldwide, our unique shrink sleeve labels are adopted for containers of various shapes and materials, including PET bottles. Product containers designed to be completely covered by a label can increase the appeal of products. We also focus on labels with a light-shielding function, which contribute to the preservation of product quality, and on environmentally friendly labels, such as those made of biomass, recycled, circular, and super-thin materials.

When the Tylenol Murders occurred in the U.S. in 1982, our shrink cap seals were adopted as tamper-resistant caps. Thus, our packaging materials contributed to the safety and security of consumers. In 2020, even under COVID-19, we are working to ensure the stable production and continuous supply of our products, believing that the packaging business is an essential business. We contribute to society by supplying to consumers reliable packaging materials with printed on display items.



Self-adhesive Labels / Pressure Sensitive Labels Spreading PAGO's* technology to Japan, the Americas, and ASEAN

Used for a wide range of products in various industries, self-adhesive labels are a packaging material essential to social life.

In 1975, we started our self-adhesive label business in Japan, resulting in the proposal of two solutions for packaging to our customers: shrink sleeve labels and self-adhesive labels. Since then, we have been involved in the development of self-adhesive labels, including those with printed on display items and with decoration and other functions, in cooperation with our customers. We have also worked together with suppliers to develop processing technology for label base materials and gluing agents as well as printing technology, and have continued to supply various products to the market.

Realizing the universal importance of recent environmental issues, we aim to contribute to the global environment by engaging in manufacturing and product development from an environmentally friendly perspective.

In 2011, we began the global expansion of the self-adhesive label business based on our accumulated technology, knowledge, and experience. Starting in Europe, we have expanded production and sales sites in North and Central America and ASEAN. Gaining new technologies for decoration and processing through this business expansion, we have expanded into new fields, such as pharmaceuticals, chemicals, and automotive industries. In 2020, we developed promotional pressure sensitive labels adapted to the recycling process before the rest of the world. These labels can be easily peeled off both by hand and in the automated recycling process.

* PAGO Holding AG joined the Fuji Seal Group in 2012.



Highlights by Business Segment

Spouted Pouches

Spouted pouches are flexible packaging materials that are substitutes for conventional solid containers in the beverages, home personal care, and medical fluid diet markets. The Fuji Seal Group has been involved in the commercialization of spouted pouches since the late 1990s, and we have kept an eye on their possibilities, such as usability and environmental friendliness. For beverages, we introduced a spouted pouch line system, in which after pouches, spouts, and caps are supplied separately, the spouts and caps are welded to pouches on a filling line, in cooperation with various filling business operators. We have assisted our customers by helping to speed up production lines, reducing material storage space, and improving transport efficiency. We have also developed easy-to-open, easy-to-use, and environmentally friendly packages from the perspective of consumers. In the medical fluid diet field, we have established spouted-retort packaging technology. Currently, our spouted-retort pouches have been widely adopted even for fluid diet products for oral intake and enteral administration. We have many discussions with our customers to realize the functions they require and pursue unique convenience from the user's perspective, thereby helping to reduce the workload of medical and nursing care professionals. In the pouch market for home personal care, we took the initiative in developing refill pouches, including refill pouches for shampoo and hand soap and multiple refill pouches for large-capacity laundry detergent. In particular, recognized for their environmental and user friendliness, Fuji Pouches and air-in-film bottles were launched in Japan in 2016 and in the U.S. in 2020, respectively.



Packaging Machinery

The largest strength of our machinery is that it is designed based on perfect appreciation of the characteristics of packaging labels and containers. Another strength is that we can provide comprehensive solutions as well as the machinery itself as value for customers to address customer issues related to packaging.

Our first sale of machinery dates back to 1967, when cap seal applicators were launched. We have subsequently developed label applicators to expand our share of the shrink sleeve label market and have also expanded the machinery business in line with this. Since then, we have improved our production and service networks (two production sites in Japan and four production sites overseas + two service sites) and have expanded our product lineup, including shrink sleeve labelers, which are our leading products, self-adhesive/pressure sensitive labelers, spouted pouch equipment, and cartoning machines, through mutual technological deployment among group companies. Through these efforts, we have matured, developing overseas markets and building trusted relationships with our customers.

To attain these results, we have been involved in developing machines, while at the same time listening attentively to customer needs and flexibly responding to social and market changes. This is the part of our corporate culture that we still cherish the most even more than 50 years after the sale of the initial machine.

1970s Business expansion from Japan to the U.S.

- A sealing function was added to our machines to enhance product marketability. <CBA300>
- Our machines were adopted overseas for the first time. (American Kraft Co.)



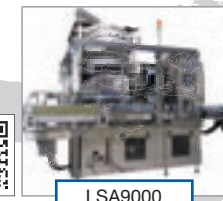
1980s Full-scale entry into the beverage industry

- One-way glass bottles were launched in the beverage industry (a shift from returnable bottles). <LSA700>
- The poisonous tampering of OTC cold medicine containers, which occurred in the U.S., led to the use of tamper-proof sealing caps to ensure safety (according to U.S. FDA regulations). <CBA600>



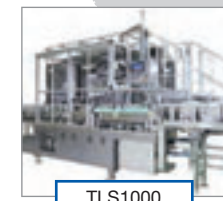
1990s Response to PET bottle trends and full-scale entry into the European market

- Beverage container trends shifted from glass bottles to PET bottles. <LSA9000>
- Intersleeve B.V. (the Netherlands) joined the Fuji Seal Group.
- Osaka Automatic Machine Manufacturing Co., Ltd. joined the Fuji Seal Group (with cartoning machines being added to our lineup).



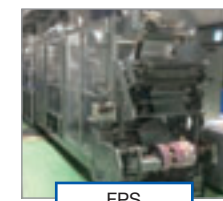
2000s Response to high-speed production lines and development of spouted pouch equipment

- PET bottle shapes were diversified and production lines were speeded up (1,080 bottles/min).
- Operation of spouted pouch equipment and spouted pouch production line engineering began. <SPM>



2010s Focus on environmentally friendly products and expansion of product portfolio

- Response to down-gauged labels (20 μm) <TLS1000>
- Machines for Fuji Pouches were developed to meet the need for refills and their compactification.
- PAGO Holding AG joined the Fuji Seal Group (with self-adhesive/pressure sensitive labelers being added to our lineup).
- Full-scale entry into the Asian market (business bases established in Thailand, Vietnam, and India)



We will continue to be involved in developing environmentally friendly machines to provide our customers with a wide range of solutions and win their trust and thus contribute to society.

Identification of Materiality

Materiality for the Fuji Seal Group

Purposes of identifying materiality

The Fuji Seal Group (FSG) is a company that provides society and consumers with happiness, and reassurance through the development of people-friendly packaging materials, and hopes to continue to be such a company. At the same time, we are responsible for supplying packaging for products essential to society both at ordinary times and during emergencies.

To continue to be a company that resolves ESG issues with packaging materials and is needed by stakeholders, we are involved every day in ensuring the safety and security of

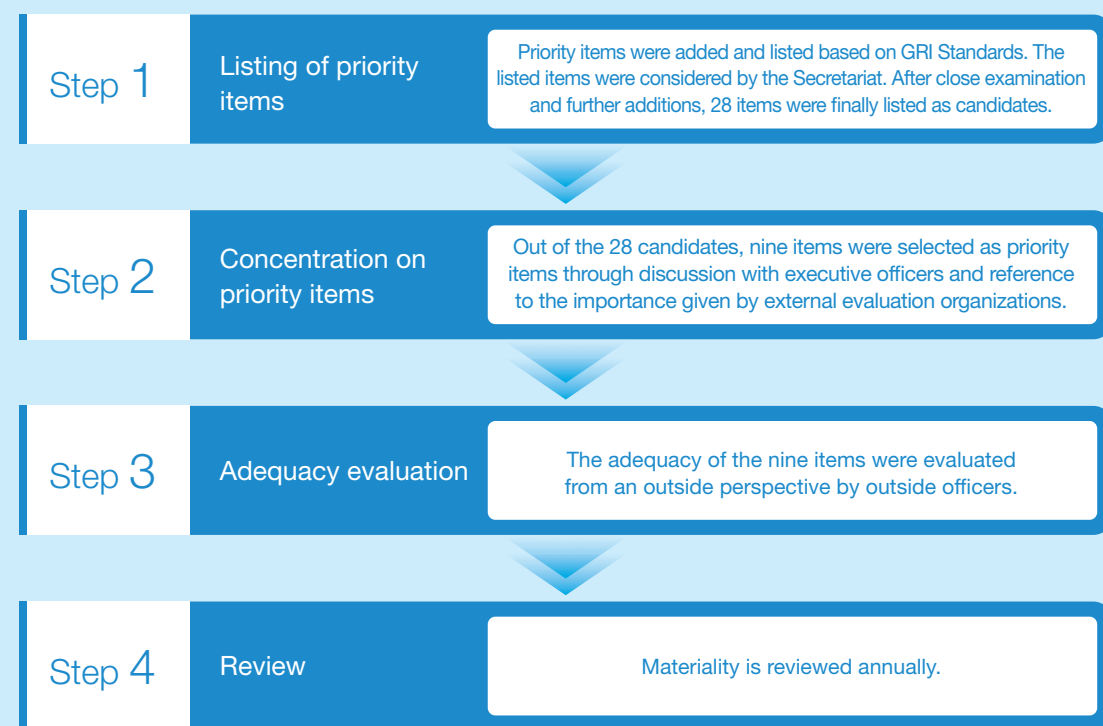
products and addressing environmental issues with a focus on resource recycling and waste reduction. We are also tackling many social issues, such as occupational safety and diversity, that companies should address in conducting business activities.

As a leading company in the packaging industry, we have identified priority issues (materiality) that we should address, determining what issues have an impact on society and therefore should be resolved quickly.

Materiality identification process

To identify materiality, we listed a broad range of issues, referring to well-known international guidelines for materiality. These issues were considered by staff members from business divisions deeply involved with each stakeholder and from corporate divisions that see the whole Group from a wider perspective. The results of consideration of these issues were placed on a matrix that presents their importance levels for stakeholders and for the Fuji Seal Group to set their respective priorities.

To determine their priority levels from an objective perspective, we absorbed the views of four outside directors and finally selected nine materiality issues, which were approved by the Board of Directors. We will incorporate these materiality issues into the next Mid-term Management Plan and set specific numerical targets to address them on a Group-wide basis.










Nine materiality issues determined

Target stakeholders	Materiality	Reason for selection	Sustainable Development Goals (SDGs)
Employees Suppliers Shareholders Society Customers	Development of people-friendly packaging materials	FSG aims to be a company that provides value to society through packaging and continues to be needed by society. We believe that it is important that individual employees are able to realize their contribution to society by developing and providing people-friendly packaging materials for customers and carry out product development and production with sense of pride.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Employees Suppliers Shareholders Society Customers	Development of environmentally friendly products	FSG acknowledges that it is an important issue common to all humankind to manufacture environmentally friendly products in an environmentally friendly manner. We will therefore develop environmentally friendly products and achieve the environment-related goals of FSG as well as of our customers through our business activities.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND
Employees Suppliers Shareholders Society Customers	Sustainable growth	FSG believes that the growth of employees who share its values is fundamental to the sustainable growth of the company. To promote their growth, we will establish and improve a business system and related environment that ensure a safe and healthy life for employees by actively introducing advanced technology. We also provide opportunities for employees to develop themselves under a fair and equitable evaluation system so that they can continue to make use of their abilities. It is our desire to continue to be a business partner that keeps growing together with our suppliers and customers.	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES
Employees Suppliers Shareholders Society Customers	Speedy launch of newly developed products	The strength of FSG is to be able to develop packaging materials and equipment for them together. The source of skills that support our strength is the ability to satisfy customer demands by combining various technologies and to evaluate and verify what we have done. This ability enables us to realize the short-term launch of newly developed products.	6 CLEAN WATER AND SANITATION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 17 PARTNERSHIPS FOR THE GOALS
Employees Suppliers Shareholders Society Customers	Creation of next-generation businesses	FSG is involved every day in creating new packaging materials according to changes in containers and logistics modes, and we endeavor to keep up with evolutions in the packaging market. As an example, we put to practical use 20 μm-thick packaging materials and biomass-based film before the rest of the world. It is essential for us to create new-generation businesses, taking advantage of our strengths, along with technological evolution.	11 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND
Suppliers Customers	Fair and transparent transactions	FSG places emphasis on conducting reliable transactions with suppliers and customers. We believe that it is important to engage in fair and transparent transactions by comprehensively selecting business partners in consideration of their product prices as well as their quality control system, quality assurance system, experience, abilities, achievements, and social aspects.	8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Employees Suppliers Customers	Promotion of information security measures	FSG protects and properly manages information provided by customers and suppliers and employees' personal information. We also believe that it is important to eliminate the risk of cyberattacks for business continuity.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Employees Suppliers Shareholders Society Customers	Open dialogue with stakeholders	FSG promotes increasing engagement with stakeholders through disclosing non-financial information in addition to financial information. We believe that it is particularly important and useful to clarify mutual expectations, boost mutual trust through dialogue, and respond to their expectations.	17 PARTNERSHIPS FOR THE GOALS
Suppliers Customers Society	Stable supply (including BCP)	FSG is engaged in businesses positioned as essential businesses, such as beverages, HPC (home personal care), and medical care. Since products in these businesses are essential to social life, we believe that it is our social responsibility to ensure a stable supply of these products both at ordinary times and during emergencies.	6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Fuji Seal Group's ESG History

What is required of ESG practitioners changes over time. Our customers are always responsible for ESG compliance and take the lead on ESG. To continue doing business with these customers, the Fuji Seal Group is required to continue to implement ESG-oriented management. We have developed together with our customers, suppliers, and employees.

	~1990	~2000	~2010	~2020	2020
<p>E Environment</p> <p>Realization through products</p> <ul style="list-style-type: none"> ■ No waste containers ■ Reduction of material use ■ Recycle ■ Waste reduction ■ Reduction of transport costs ■ Reduction of CO₂ emissions 	<p>Change from direct printing to the use of shrink sleeve labels leading to the standardization of containers, resulting in the reduction of container inventory</p> <p>PET bottles + Shrink sleeve labels</p> <p>Development of non-PVC film: OPS for PET shrink sleeve labels</p> <p>Customer productivity increased due to high-speed labelers</p> 	<p>Containers and Packaging Recycling Act: Transparent bottles + Shrink sleeve labels + Development of perforated labels</p> <ul style="list-style-type: none"> ● De-label tack ● Off-mold label <p>Release paper-free heat-sensitive adhesive labels</p> <p>Cap seals made of biodegradable film adopted for processed foods</p> <p>Development of high-speed stretch labelers and shrink sleeve labelers leading to increased productivity</p> <p>Development of a roll feeder system: Reduction of carton boxes to be used for shipping and productivity improvement at customers</p> 	<p>Drinkable yogurt: Standardized containers + Shrink sleeve labels</p> <p>Environmentally friendly labels: Biodegradable labels, recycled PET labels, low-density labels, white PET labels, olefin labels (Europe)</p> <p>Reusable plastic cartons + Containers</p> <p>Energy-saving heaters</p> <p>Multiple refill pouches helping to reduce plastic use</p> <p>Plastic-saving container pouches</p> <p>World's fastest pouch system helping to increase productivity</p> 	<p>System for the industry's thinnest 20 μm-labels</p> <p>Recycled PET wrap-around labels with a thickness of 18 μm</p> <p>Shrink function leading to the standardization of containers for compact detergent</p> <p>Metal beverage bottles (standardization of bottles leading to inventory reduction)</p> <p>Shrink cardboard helping to reduce plastic use</p> <p>Fuji Pouch®</p> <p>Non-box packaging with the use of a booklet</p> <p>Dry steam shrink tunnel contributing to the reduction of CO₂ emissions</p> <p>RecShrink™ labels recyclable with PET bottles into bottles</p> 	
<p>S Social</p> <p>Realization through products</p> <ul style="list-style-type: none"> ■ Display of necessary information ■ Safety and security ■ Easy to read ■ Easy to open ■ Light-weight / Easy to hold ■ Easy to dispose of ■ CSR activities 	<p>Sealing cap seals at retail stores</p> <p>Outer shrink wrap for cup-type instant noodles + Film opener tacks</p> <p>Tylenol Murders: Safety cap seals (Americas)</p> <p>Glico Morinaga case: Tamper-proof seals (Japan)</p> <p>Cap seals for home-delivered milk</p> <p>Universal-design containers + Shrink sleeve labels</p> <p>Shrink hangers for infusion bottles</p> <p>Beverage promotional label applicators</p> <p>Business (Suntory Boss jackets)</p> 	<p>Development of thermal insulation labels (Japan, Americas, Europe)</p> <p>Pouches for fluid diets</p> <p>Over-wrapping for eyedroppers (response to product poisoning)</p> <p>Packaging for button cells</p> <p>Improvement of environments for primary food filling</p> 	<p>Security pressure sensitive labels for pharmaceuticals</p> <p>Establishment of an all-in contract system, including filling processing</p> <p>Fluid diet pouches for PEG feed</p> <p>Labels with a light-shielding function enabling the extension of expiration dates</p> <p>Universal-design containers for detergent + Shrink sleeve labels</p> 	<p>Frozen food labels for food loss reduction</p> <p>Label applicators with a position regulation function leading to container waste reduction</p> <p>Wider space for display with the use of a booklet</p> 	
<p>G Governance</p> <ul style="list-style-type: none"> ■ Human resource development ■ Management transparency ■ Corporate compliance 	<p>Renewal of the mission statement and slogan</p> <p>Length-of-service award program</p> <p>Employee stock ownership</p> <p>Company's founding anniversary event</p> <p>Birthday cards (for employees and their family members)</p> <p>Suggestion System (KAIZEN TEIAN award)</p> <p>TQM event</p>	<p>Renewal of the Code of Ethics</p> <p>1st International Manufacturing Conference (global standard initiatives for production)</p> <p>ISO-9000: Business bases in Japan and overseas</p> <p>ISO-14000</p>	<p>Listed on the First Section of the Tokyo Stock Exchange</p> <p>Committee system adopted</p> <p>Ratio of outside directors: 30-40%</p> <p>Whistle-blower system</p> <p>Creation of a risk map</p> <p>Compliance Committee / Card distribution</p> <p>Privacy mark</p>	<p>Audit Committee (all outside directors)</p> <p>Recovery from the earthquake due to a solid supply chain / Supply responsibility</p> <p>Ratio of outside directors: 40-50%</p>	<p>Adopted as a constituent stock of the MSCI Japan Empowering Women Index (WIN)</p> <p>Acquisition of an environmental rating</p> <p>Ratio of outside directors: 66% (as of June 23, 2020)</p>



• Environmental Policy

We acknowledge that environmental issues are an important issue for all humankind. To contribute to a bright future and a comfortable global environment, we established an environmental policy in 2008. Since then, we have created and taken on new challenges to protect our environment.

Group Environmental Policy

[Environmental Philosophy]
Fuji Seal Group ("FSG") acknowledges that environmental issues are an important issue for all humankind. Therefore FSG commits to contribute to a bright future and a comfortable global environment by creating and taking on new challenges to protect our environment.

[Environmental Policy]
FSG aims to develop and produce environmental friendly products through the production of shrink labels, pressure sensitive labels, spouted pouches, and packaging machinery. FSG also conducts corporate activities by involving all employees to create awareness and to manage environmental effects, such as reducing the amount of industrial waste, waste liquids, incinerators, and exhaust gases. To manage environmental effects, FSG sets out the following key aims and principles:

1. FSG shall assess the environmental impact caused by its operational business activities, products and services and shall implement the following principles to achieve sustainable improvement to protect our environment.
 - 1) Improve, innovate and strengthen product development that enables FSG to reduce environmental impact.
 - 2) Contribute and participate to a recycling-based society by promoting the "3R's of waste" (Reduce, Reuse, Recycle) to customers and suppliers.
 - 3) Make effective use of resources, reduce emissions and minimize waste through the innovation of manufacturing technologies.
 - 4) Reduce CO₂ emissions by introducing energy-saving equipment and by effective use of the management index for energy saving.
 - 5) Promote proper management and reduction of the use of environmental hazardous chemical substances.
2. FSG shall comply with applicable environment-related laws, regulations and stakeholder requirements.
3. FSG shall establish objectives and targets to promote environmental management and review them as necessary and continually evaluate achievable environmental performance.
4. FSG shall inform all employees and contractors of this FSG Environmental Policy, and promote their environmental activities.
5. This environmental policy shall be made public.

Established: January 1, 2008
Revised: April 1, 2018

• Environment Management System

We have implemented environmental initiatives in our business activities at the Group level and the regional level through mutual cooperation in accordance with the Environmental Policy under the direction of the CEO.

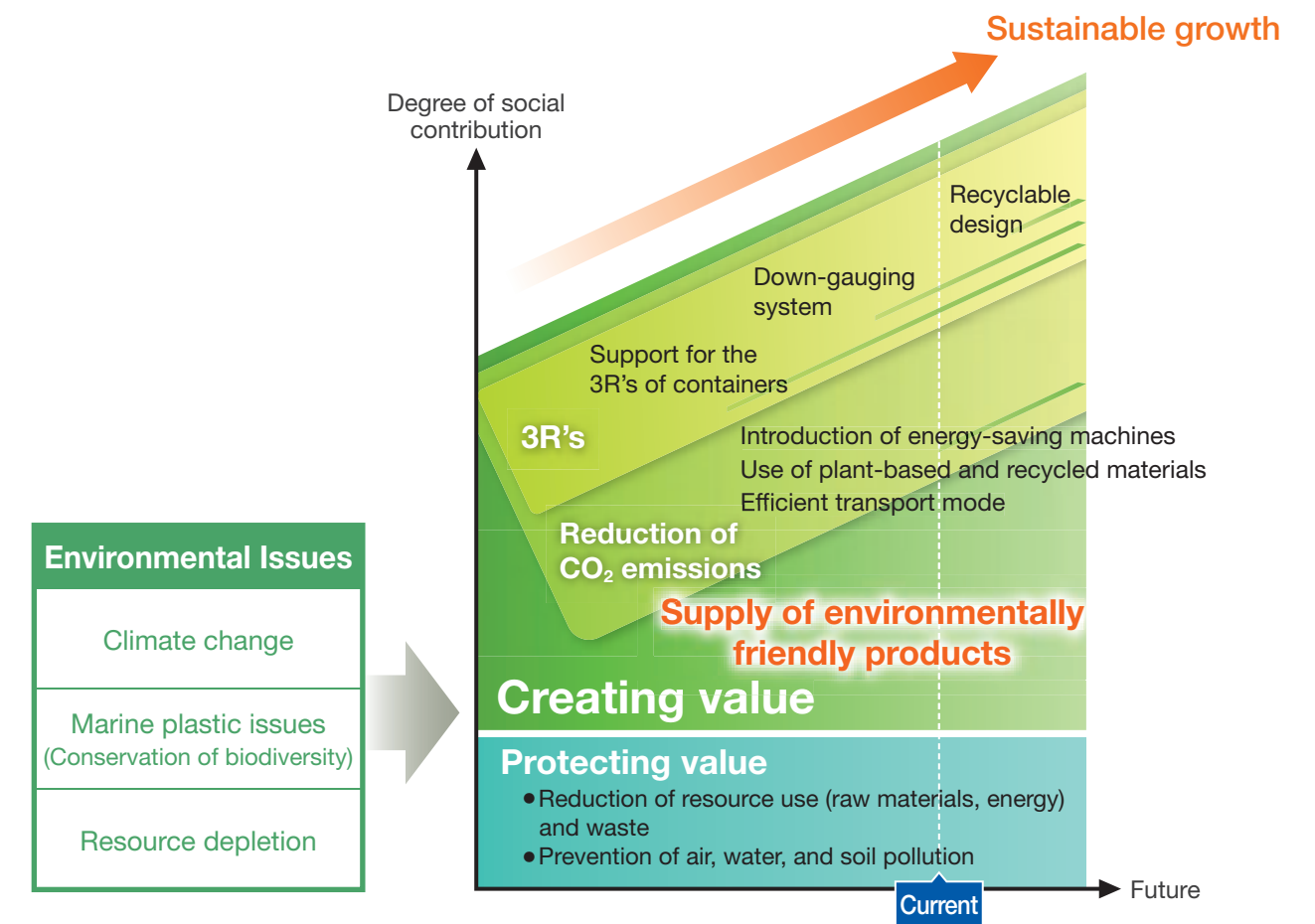
In May 2018, we formulated and announced our ESG-oriented management policy, including the reduction of waste and CO₂ emissions, in the current Mid-term Management Plan, recognizing ESG-oriented management as one of our high priority issues.

In FY2019, the executive officers in charge of each business region and the executive officer in charge of manufacturing and development reported their own initiatives at the Board of Directors' meeting, which were discussed there. We also launched an environment project under the direct control of the CEO to strengthen the environmental initiatives on a Group-wide basis.

• FSG Environmental Vision

We recognize climate change, marine plastic, and resource depletion issues as important environmental issues. To resolve these issues, we are mainly committed to the creation of value based on our actions aimed at protecting value, centered on efforts to reduce the environmental burden in manufacturing

processes. We believe that a specific action to create value is to develop and supply environmentally friendly products. With this action, the Fuji Seal Group will be able to make the greatest contribution to its customers and consumers and achieve sustainable growth.



* Please see page 12 for environment KPIs related to the FSG Environmental Vision.
* Please see the "Non-financial Information" at the end of this report and the "Environmental Report" on our website for our initiatives related to "Reduction of resource use (raw materials, energy) and waste" and "Prevention of air, water, and soil pollution."
[Description of the term]
3R's: 'Reduce' (reduction of resource use), 'Reuse' (promotion of reuse) and 'Recycle' (regeneration)

VOICE

Voice from a staff member in charge of the environment

In May 2019, the Environment PJ was established to strengthen our environmental initiatives on a Group-wide basis. Although environmental initiatives have been promoted by individual group companies, it is not easy to collect information from all companies and put ideas together as a group under the circumstances where environmental regulations and environment-related trends vary by region. We are seeking a way to proceed with our environmental initiatives on a Group-wide basis, while adding new elements to the conventional initiatives and approach. The Environment PJ is currently involved in developing guidelines for environmental initiatives and disclosing environmental information. We are also promoting specific efforts related to recycling, partly through support from in-house staff members, suppliers, customers, and recyclers. I think that it is very rewarding to be able to contribute to the sustainability of our company and society through these efforts.



Nao Kamikage
Environmental Promotion Project,
Corporate Planning Group,
Fuji Seal International, INC.

❖ FSG's Environmentally Friendly Products

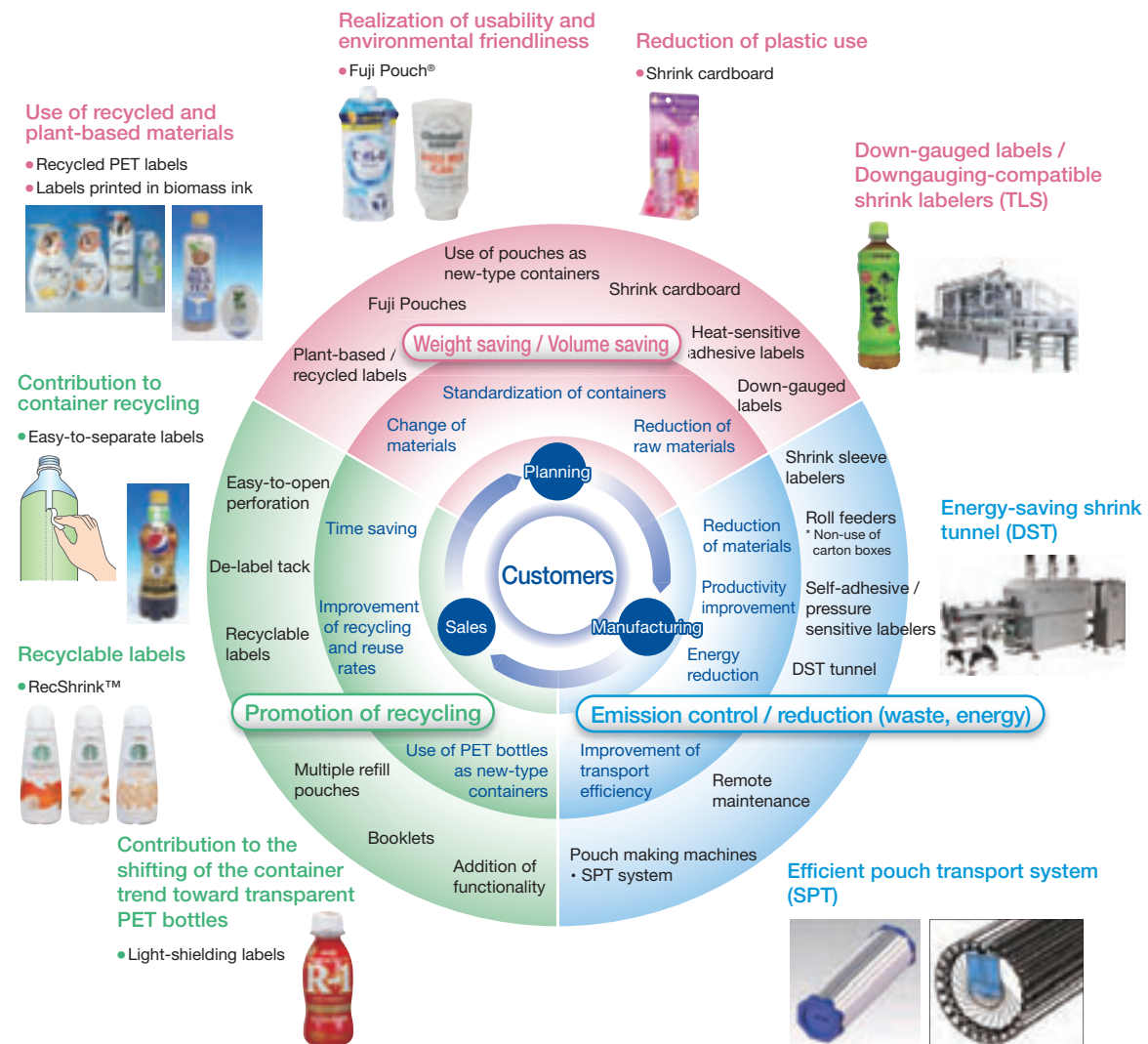
Creation of value: Provision of environmentally friendly products

We have provided solutions for customers' issues for many years, with a focus on all business processes, including creation (development), production (manufacturing), and sales (marketing). We realize that we are now further required to identify potential problems and work with our customers and suppliers to resolve them by gaining a better understanding of each customer's business cycle, from planning to manufacturing and sales, as well as of their current products. This also

applies to the resolution of environment-related issues. The following chart shows the path that we have traced while identifying and addressing various environmental issues, such as weight and volume saving, emission control and reduction, and promotion of recycling, in individual business processes.

We will continue to contribute to society by continuously providing environmentally friendly solutions.

Environmentally friendly solutions with a focus on customers' business processes



Creation (Development)

- Promoting material change towards environmentally friendly materials by using recycled and biomass-based materials and paper
- Reducing raw materials by using down-gauged labels and pouches
- Reducing waste containers by standardizing containers with the use of functional labels

Production (Manufacturing)

- Reducing materials by optimizing packaging forms and reducing CO₂ emissions by improving transport efficiency
- Increasing the productivity of label applicators and controlling the generation of waste and CO₂ by reducing energy consumption

Sales (Marketing)

- Enhancing functionality so that consumers can easily recycle containers and packaging materials

❖ Disclosure of Environmental Information and External Evaluation

We strive to collect and disclose environmental information and data on a global scale to enhance the understanding of our stakeholders on FSG's initiatives for the environment. As part of the initiatives, since 2019, we have published on our website an Environmental Report, which introduces our efforts to protect the environment, and an ESG Data Book, which shows various environmental data, including our CO₂ emissions and water usage.

We also disclose this data to environmental platforms such as Sedex, EcoVadis, and CDP. By reviewing our initiatives

through evaluation by these environmental and ESG surveys, we are able to understand the strong and weak points of our initiatives in order to further improve them.

The following are the status of information disclosure, in particular, on climate change, and the results of external evaluations. We are currently tackling climate change issues with the aim of reducing the greenhouse gas emissions (per unit of sales) of the entire Group by 6% compared to 2017 by 2023. We will further clarify the initiatives, checking them against our environmental vision and business plan.

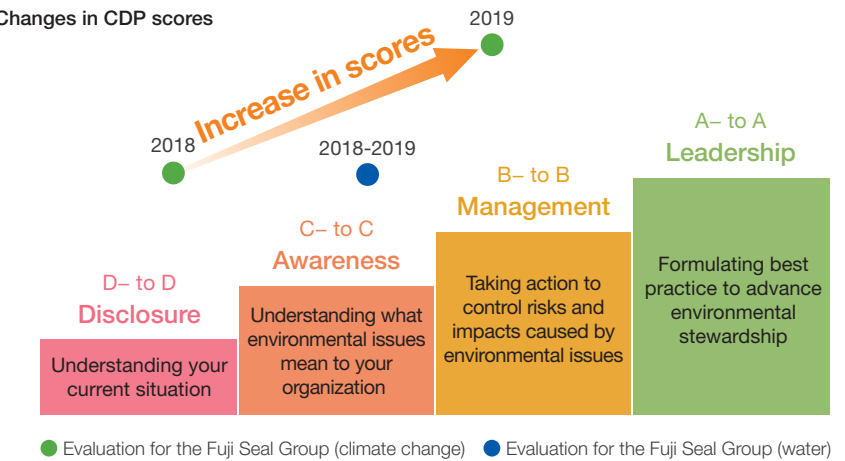
Business Operator Classification Evaluation System based on periodical reports under the Energy Saving Act

In the Business Operator Classification Evaluation System of the Ministry of Economy, Trade and Industry, Fuji Seal International, INC. has been certified as class S, the highest rank in the system, as an excellent business operator excelling in energy saving, for four consecutive years from 2016, when the system started.

Carbon Disclosure Project "CDP"

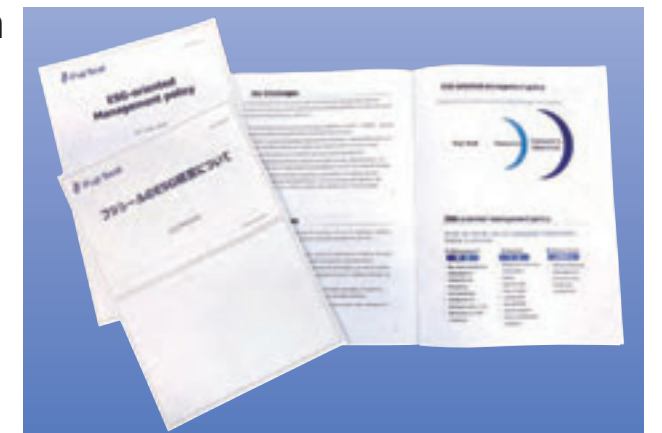
Fuji Seal International, INC. was rated "B- (management level)" in the CDP Climate Change Report 2019 issued by CDP, an international NPO that provides a global system for disclosing environmental information. Our score increased this time due to the strengthening of our environmental initiatives and information disclosure on environmental management. We plan to further enhance our environmental efforts.

Changes in CDP scores



❖ Environment-related Education

We have provided environment-related education through orientation training for new employees, division-based training for staff in the production, development, and material procurement divisions, and ISO-14001 training at business bases subject to ISO certification. In addition, we began ESG-related training targeting all employees in FY2019 to deepen their understanding of ESG and promote ESG initiatives in each division. We also issue ESG-related booklets approximately twice a year—once each in the first and second half of the year—to promote understanding of the significance and importance of ESG initiatives and the company-wide ESG policy and to introduce concrete activities related to ESG. Briefing sessions on ESG are also held by the head of each division.



Human Resource Development

Since its establishment, the Fuji Seal Group has focused on the belief that the growth of employees leads to the development of its business and industry, recognizing employees as one of its most important assets. Under its slogan, it helps to foster the creativity of employees.

FSG Slogan

We call creation a “dream”

We call challenges to creation “courage”

We call a heated discussion on creation “trust”

Holding of the FSG Values Seminar

The Fuji Seal Group organizes and holds the FSG Values Seminar aimed at spreading understanding of its mission statement and values. The first seminar was held at the Osaka Head Office in 2009, which was attended by 50 employees selected from group companies in Japan, Europe, the Americas, and ASEAN. In the seminar, an executive manager served as a lecturer to share his experiences and what he had learned about FSG's mission statement and values. In a group discussion, participants discussed how to take action after understanding the values. This seminar provides an opportunity for participants to engage in discussion with other employees beyond business regions and divisions, apart from daily operations. This leads to raising the awareness of partici-

pants as well as spreading FSG's values throughout each division even after the completion of the seminar.

While our corporate mission changes with the times and in different environments, FSG's values are common to the entire Group and serve as a course of action for employees to follow when making decisions and as the basis for them to review their behavior. These values are inherited by employees in all business regions through the seminar, so that individual employees with more than 50 different nationalities can fulfill the corporate mission and act according to FSG's values.

The seminar has been held at each overseas business base since 2018. The content of the seminar is improved through discussion with the staff in charge in the business regions of Europe and the Americas.

VOICE

Voice from the Secretariat of the FSG Values Seminar

In 2017 I had the opportunity to join the Value Seminar in Osaka, and as part of FSI HR team, to partly present some topics during this day.

To be together with Fuji Seal global key members to discuss many important Fuji Seal topics was interesting and inspiring for me. Therefore, I was very pleased to be able to, together with local Senior Management, conduct from 2018 onwards, more local versions of the Value Seminar in both Europe and US, for local key members.

As we are a global company, it is important that members at all of our locations understand deeply our Fuji Seal values and to get better connected with each other to create together even more added value for the company.

I learned that the Fuji Seal message is applicable for all Fuji Seal colleagues, doesn't matter where your location or what your language is, our values and contribution for the company have everywhere the same meaning and importance.



Marieke Sauer-Ploegmakers
Fuji Seal International, Inc.
Senior Manager,
Global Human Resource

Human resources project for the development of next-generation management

Under circumstances where there is a major shift in the industrial structure and the business environment, it is said that the day has finally come for managerial power to determine the life or death of a company. For our company, it is becoming more difficult than ever to steer company management because as the size of the business increases, it becomes necessary to respond to increasingly complex environments. In these difficult times, company operations focused on developing next-generation leaders who will shape the future of the company are becoming more important in expanding our global business operations in Japan, Europe, the Americas, and ASEAN and keeping on winning in the future. Accordingly, we have started the Next-generation Management Development Program with the aim of identifying personnel who can be management members in the Fuji Seal Group and in each business region and continuing to foster them.

<Duties of personnel selected for the Next-generation Management Development Program>

- To actively work on developing the competence required by the company
- To make self-help efforts toward the improvement of their English skills, accounting skills, and logical thinking skills (Learning and growing independently)
- To accept job assignments aimed at expanding their job categories and enhancing their expertise

<Purpose of introducing restricted stock>

We provide key employees in our company and our subsidiaries with an incentive to contribute to the sustainable improvement of the medium- to long-term corporate value of the Group and have them hold stock in the company. By doing so, we raise their awareness of participation in management to further promote value sharing with our shareholders.



Discussion at the Next-generation Management Development Program

Birthday cards

Since the time of our founding, when we had only a few employees, we have recognized the contributions of employees and the family members who support them by giving a signed birthday cards as well as other gifts such as birthday cakes. In FY2019, we gave employees and their family members in Japan and overseas a birthday card with a message written by the President herself to deliver her dream and what the company aims to be. A book card was also enclosed with the birthday card to reinforce our belief in the importance of self-education.

Length-of-service awards

We annually hold an award ceremony for long-serving employees, targeting employees who have been working for the company for 10, 15, and 20 consecutive years, on May 12, the company's anniversary.

The award ceremony is held during the company's founding anniversary event (Family Festival) held in May. In the ceremony, the relevant employees are recognized for their long-standing contributions to the growth of the Fuji Seal Group in front of their family members and colleagues. The length-of-service award ceremony, which is one of the events with a long history, provides an important opportunity for us to appreciate their contribution to the company and convey our expectations for their future performance.

Suggestion System (KAIZEN TEIAN)

Fuji Seal implements the Suggestion System (KAIZEN TEIAN), through which a wide range of ideas are collected from employees to commend excellent ideas. These ideas include improvements to daily operations, measures to improve the work environment, and inspirations for new products. This system was established to reflect our expectation that more employees will continue to strive to achieve greater creativity in their work, while always trying to identify problems without being satisfied with the present situation, and taking action independently to resolve them as well as committing themselves to daily operations.

Although the year 2020 marks the 35th anniversary of the system, the number of suggestions from employees has been increasing yearly. In FY2019, approximately 6,000 suggestions were submitted by employees, the number of which exceeded the total number of employees.

Since 2018, the intellectual property division has joined in the operation of the system, with the aim of reforming the system so that excellent ideas will lead directly to the development of Fuji Seal's business. In the newly reformed system, ideas suggested by employees are rolled out to various other divisions, and ideas related to patent applications and know-how management are examined, protected, and used on a company-wide basis as intellectual property that contributes to the company's business.

The Suggestion System will continue to evolve as a system that encourages employees to make courageous and creative suggestions, a system through which individual employees can change the company with their ideas and develop the company with their action.



Award ceremony of the Suggestion System

Development of people-friendly packaging materials

Fuji Seal develops and provides people-friendly packaging materials, such as easy-to-hold products, light-weight products, and easy-to-read products.

We have so far strived through trial and error to resolve

various customer issues. Although we have suffered numerous failures during this process, we have worked with determination to resolve the issues and overcome these failures. We believe that this has enabled our products to be widely adopted in various industries.

Shrink Sleeve Labels

Wider space for display and sealing function

Tamper-proof shrink sleeve labels were adopted for a new type of light-weight and shatter-proof bottles.

These light-weight and shatter-proof containers are not only easy for the user to hold and pour, but also contribute to the reduction of greenhouse gas emissions. The wider space for display makes it easier to read a display on a label. Moreover, perforated labels are easy to peel off, enabling the easy separation of labels.



Self-adhesive / Pressure Sensitive Labels

Easy-to-read display

Booklet-type labels with a wider space for display can provide a great deal of information. They serve not only as descriptions of new products but also as package leaflets which are hard to lose.



Spouted Pouches

Easier to open

Spouted pouches with easier-to-open caps were developed, so that they can be easily opened even by those who are weak-handed or do not have enough finger strength. These pouches are well received by our customers (consumers).

- Display of necessary information
- Safety and security
- Easy to read
- Easy to open
- Light-weight / Easy to hold
- Easy to dispose of



• Safety, Health, and Accident Prevention

The Fuji Seal Group places top priority on the safety and health of employees. We plan and take safety, health and accident prevention measures in a responsible manner to continue to ensure the safety and health of employees at each company and work site.

Safety, health and accident prevention management system

In each business region, an executive officer is responsible for safety, health, and accident prevention, and, at each company and factory, a Safety, Health and Accident Prevention Committee is established. In addition, information on minor incidents on-site is shared among the Group in order to take preventive measures.

We have also built a system in which, in the case of a labor accident and a fire, similar potential sites are promptly checked in all business regions and preventive measures are rolled out. We enhance our efforts to learn from past failures and to accumulate and standardize know-how about preventing accidents. We also take thorough measures to share information between the COO (Chief Operating Officer), who is responsible for overseeing safety, health, and accident prevention within the

Fuji Seal Group, and the staff in each business region and each business segment and, in particular, to comply with laws, regulations, and internal rules, including auditing BCP.

Installation of imitative risk experience facilities

Imitative risk experience facilities are installed at factories in Japan, where subjects can actually experience the risk of being involved in a labor accident. These facilities are set up so that employees can experience potential risks in the workplace to learn the importance of safety physically and mentally, thereby improving their ability to prevent labor accidents from occurring and foresee potential risks.

Employees experience these imitative risks when joining the company as well as on a regular basis to raise their safety awareness.



Safety education training at the imitative risk experience facility in the Nabari Factory



Inside the facility



Imitative risk experience facility

• Fuji Seal Foundation

Fuji Seal Foundation was founded by Masaaki Fujio, the founder of Fuji Seal International, INC., in 2005.

Foundation Prospectus

Fuji Seal Foundation was established to contribute to the development of the economy and industry in Japan and throughout the world by promoting the functional and display roles of product packaging, while nurturing human resources and encouraging and supporting research and development.



Founder **Masaaki Fujio**
Fuji Seal International, INC.

We started the scholarship program in FY2006 to provide scholarships to university and graduate students in Japan and international students. Since then, we have supported more than 400 students. We also began providing scholarships to local students overseas and supporting the Asia Student Package Design Competition (ASPaC) in FY2017 and FY2018, respectively.

What we have conveyed through this program is that we live to develop ourselves, we support others to help them succeed, and we create new value in society to grow with society. This is based on our belief that the basis of social contribution lies in the growth of people and that it is delightful to help people grow.

To help students grow, we have learned, discussed, and considered together the importance and fascination of packaging, its functionality such as protection, storage, safety, and convenience as well as wrapping, and its display role as a medium conveying a product's appeal to consumers. Some of our ideas related to these themes have been showcased at various events.



FY2019 scholarship acceptance ceremony of Fuji Seal Foundation

In FY2019, we also started the research grant program that provides funds to researchers studying packaging-related themes. The themes that we supported in the first year include the development of new packaging materials, initiatives against plastic pollution in the environment, and the use of packaging for marketing purposes.

• CSR Activities

The Fuji Seal Group provides active support for various CSR activities conducted voluntarily by local communities and employees.

● U.S.

Providing funding to various organizations

In January 2020, the Christmas Fund Raising Committee of American Fuji Seal donated funds, collected through its activities conducted in November and December 2019, to 10 charitable organizations.

The 10 organizations include an organization supporting veterans, Bethany Haven, which is a transitional shelter for homeless men, women and children, a homeless shelter, New Life Center, which supports mothers with infants, One Bridge to HOPE, which is a shelter for women requiring treatment after being released from jail, and an organization conducting a backpack program for providing food assistance to students in need.



● Indonesia

Offering food to children at an orphanage

The company's founding anniversary event was held at PT. Fuji Seal Packaging Indonesia in May, which is the month of fasting called Ramadan.

Since people are allowed to eat after sunset even during Ramadan, the event was held in the evening.

In line with the strong desire of local employees for doing good in this period, we invited local children from the nearby orphanage and enjoyed dinner together.



Corporate Governance

Corporate Governance System

The Company transitioned to a “Company with Nominating Committee, etc.” (then called “Company with Committees”) as early as 16 years ago in June 2004. Even now, there are only 77 companies in Japan with this type of committee system (as of March 31, 2020).

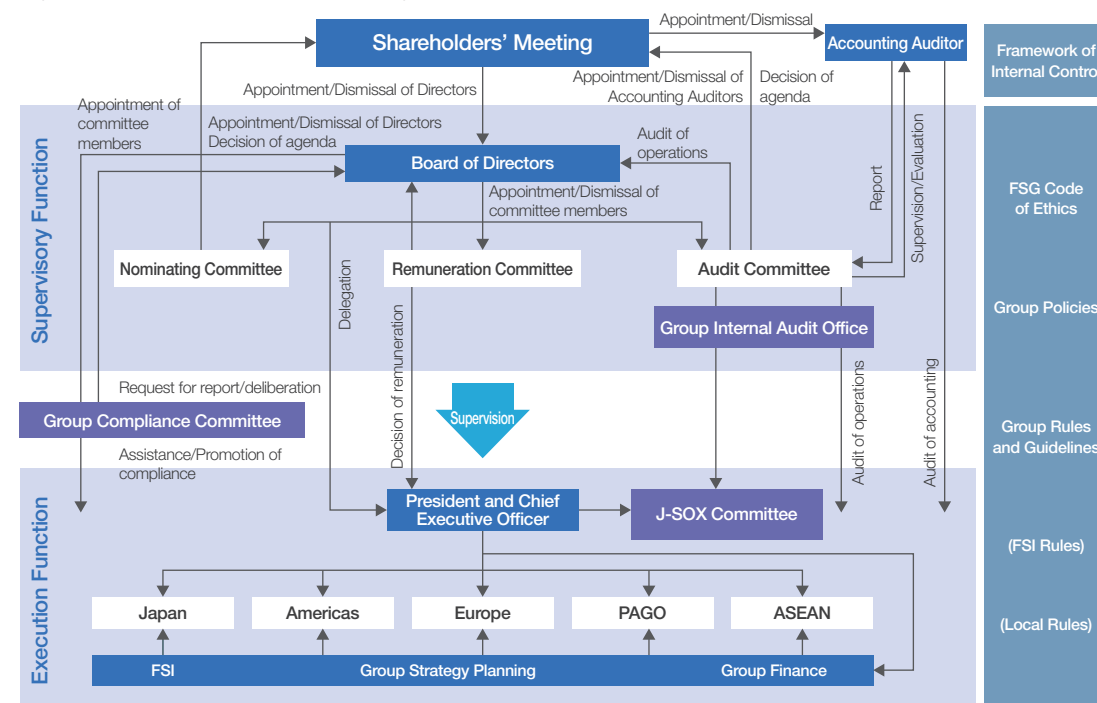
The purposes for adopting the system are as follows: (1) Strengthen the governance of the Group as a whole; (2) Improve the transparency of management for shareholders and investors; (3) Clarify the business execution roles of each Group company and the Group’s management, and improve the efficiency and quality of the Group’s strategy; and (4) Implement strategies with a broader perspective by making active use of the abilities of outside directors while increasing the speed of change.

The Nominating Committee considers and makes decisions

on the appointment and dismissal of director and executive officer candidates in light of the standards for appointment with the aim of contributing to the establishment of appropriate management systems for the Group. The Remuneration Committee considers and decides the basic remuneration and incentives and evaluation items on the remuneration of directors and executive officers with the aim of making the Group’s management more transparent. The Nominating Committee and the Remuneration Committee are composed of the Chief Executive Officer (Chairperson) and four outside directors.

The Audit Committee has been established to secure legitimate, appropriate and efficient operations of the Group, which means operations based on the annual policy and medium- to long-term management policy. The Audit Committee is composed of four outside directors.

Fuji Seal Group: Corporate Governance System



Structure of the Board of Directors

The Board of Directors is composed of six Directors including four Independent Outside Directors, giving consideration to diversity. The Internal Directors have extensive and diversified experience such as management in general including management strategy, responsibility for Group companies, and operation of overseas businesses.

Meanwhile, the Outside Directors have abundant experience and insights as: a manager of a holding company, an

education-related professional, an attorney-at-law, a certified public accountant, a person responsible for safety and disaster prevention as well as manufacturing centered on the field of technology and development, and a top manager of a listed company. Of the six Directors, one is female. While the nationality of all Directors is Japanese, the Board of Directors comprises Directors with abundant and extensive knowledge, and a broad range of experience and capabilities, such as business experience in foreign countries.

Evaluation of the Effectiveness of the Board of Directors

The Board of Directors holds four regular meetings annually and additional extraordinary meetings when needed. In FY2019, five meetings were held, and all Directors attended every meeting of the Board of Directors.

One Board of Directors’ meeting of the Company takes two days, in principle, for intensive and thorough deliberations. In FY2019, the meetings took nine days in total, and over 51 hours were spent on discussions and deliberations. Additionally, 19 written resolutions were made, which are deemed to have been resolved by the Board of Directors in accordance with the provisions of Article 370 of the Companies Act and Article 22 of the Articles of Incorporation of the Company. Furthermore, a meeting of the Board of Directors was held in September 2019 in the United States, including a visit to two plants and conducting market research.

In order to assess the effectiveness of the Board of Directors, the Company also conducts a self-evaluation survey by an external organization and discussions at the Board of Directors. After discussions at the Board of Directors in March 2020, the Company conducted a survey of all directors in March and April. In the survey, open opinions on seven issues such as strategy, implementation, risk and crisis management and open general comments were gathered.

As a result, while it was assessed that a certain level of effectiveness had been secured, several issues were pointed out and proposals for improvement were made in terms of the frequency and methods of performance monitoring; tireless deliberations and dissemination to the various workplaces concerning corporate ethics, corporate culture and compliance; quality and methods regarding “Dialogues with stakeholders”; and the methods of operation of Board of Directors’ meetings. Based on these assessments and indications, the Company will continue its efforts for further improvement of the effectiveness of the Board of Directors.

Risk Management

Risk Management and Compliance

The Fuji Seal Group has established the “Group Risk Management Regulations.”

These Regulations require the entire Group and each business regional section to formulate action plans and continue its efforts by establishing its own risk management system and preparing a “Risk Map” every year. At the same time, an emergency contact network has been also prepared by the entire Group in case of the occurrence of an unexpected event likely to have a serious impact on management.

As to compliance, the Company has established the Fuji Seal Group (FSG) Code of Ethics, and delivers Compliance Cards to all officers and employees as part of their training. Through these initiatives, the Company makes it clear that it expects officers and employees to not only abide by laws and ordinances as well as internal rules but also this code of ethics in accordance with the Company’s corporate ethics.

Furthermore, the Company holds “Group Compliance Committee Meetings” periodically to determine themes concern-

Remuneration of Directors and Executive Officers

The remuneration of directors and executive officers are deliberated and decided by the Remuneration Committee.

The remunerations of directors and executive officers are decided based on each individual’s personal history, career, duties and job responsibilities, taking into consideration the Company’s business performance and management environment.

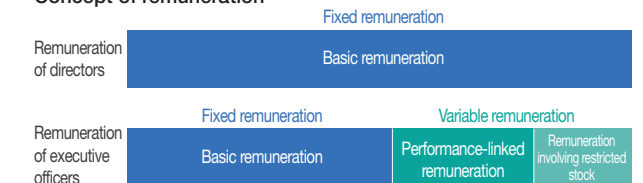
The remuneration of directors is composed of fixed remuneration only, and the amount to be paid is decided based on the basic policy, and dependent on whether the position is full-time or part-time, and the content of the person’s job responsibility as a director.

The remuneration of executive officers comprises the basic remuneration and performance-linked remuneration.

The basic remuneration is fixed according to duties and job responsibilities whereas performance-linked remuneration is determined depending on the performance of the section for which each executive officer is responsible. The ratio of performance-linked remuneration to the total amount of remuneration varies from 0% to approximately 30%.

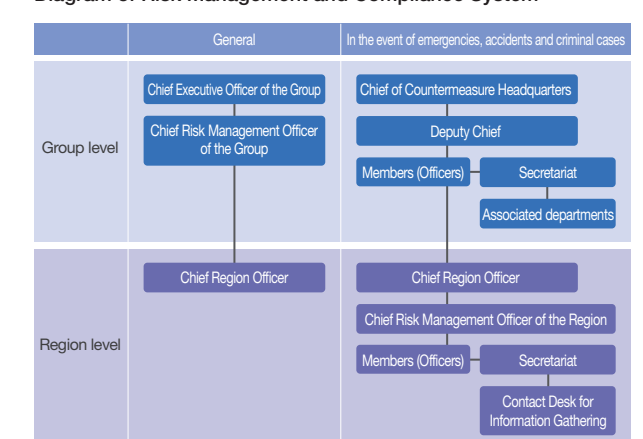
In 2004, the Company introduced invariable items such as infiltration of philosophy and variable items such as performance-linked indices to the remuneration, which also includes qualitative items such as environmental response and human development in addition to quantitative items. Furthermore, in FY2017, remuneration involving restricted stock was introduced as a medium- to long-term incentive with the aim of sharing the same sense of value with our shareholders and improving corporate value on a sustainable basis.

Concept of remuneration



ing compliance and initiatives, implements awareness-raising activities, and planning and reporting. The officers of the Group are signatories to the Compliance Declaration.

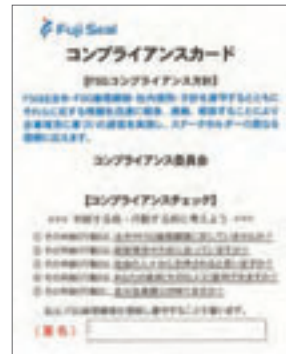
Diagram of Risk Management and Compliance System



Whistle-blower System

The Fuji Seal Group has a whistle-blowing system in place which allows employees to lodge a direct internal report (Consultation Hotline) of doubtful conduct in order to detect compliance-related problems at an early stage and respond appropriately. As a consultation and reporting desk, not only internal windows (including the Group Internal Audit Office) but also external lawyers and external specialist companies are available for reporting.

The Consultation Hotline ensures strict confidentiality and prohibits unfavorable treatment of whistle-blowers. The status of reporting is regularly reported to the Compliance Committee, the Board of Directors, and the Audit Committee to improve the compliance and risk management of the Group.



Compliance Card



Compliance posters used in Europe

Family Festival

The Company believes that the philosophy of corporate governance must penetrate not only the management team but also each employee. Awareness-raising activities are held by making the most of every possible opportunity so that employees will be able to understand the mission statement and the basic policy, and take appropriate action.

One example of such activities is the "Family Festival," which the Fuji Seal Group holds on the anniversary of the Company's foundation at each business location in Japan and abroad by inviting employees and their families.

This Family Festival dates back to 1985, when a party was held concurrently with the establishment of the "Fuji Seal Employees Shareholding Association." This festival serves as an opportunity for the employees' families to know and understand the Company's concept, history, products, workplaces and colleagues, not just to deepen friendships.

Furthermore, the Compliance Card that employees always

carry contains this phrase: "Can you explain that judgment (action) of yours to your family (loved ones)?" This phrase means that the Company believes it is important to continue a style of open management that can be explained to one's family and supported by one's family.



Family Festival at SxS Center in May 2019



Family Festival in France in May 2019



Family Festival in Poland in May 2019

Management (as of June 23, 2020)

Fumio Kato
 Outside Director
 Independent Director
 Date of birth: May 7, 1948

Brief history:
 April 1972: Joined Tomen Corporation
 May 1998: Joined Zoshinkai Publishers Inc.
 April 2005: Representative Director and President, Zoshinkai Publishers Inc.
 June 2012: Director, Fuji Seal International, INC. (to date)
 October 2013: Chairman of the Board of Education, Shizuoka Prefecture
Important concurrent position:
 Corporate Auditor of Fuji Seal, Inc.
 Number of years since first appointed as an Outside Director: 8

Hiroumi Shioji
 Outside Director
 Independent Director
 Date of birth: January 28, 1957

Brief history:
 April 1987: Registered as attorney-at-law
 April 1991: Established Shioji Law Office
 Director, Shioji Law Office (to date)
 June 2015: Director, Fuji Seal International, INC. (to date)
Important concurrent position:
 Director of Shioji Law Office
 Outside Auditor, Tachibana Eletech Co., Ltd.
 Number of years since first appointed as an Outside Director: 5

Tatsundo Maki
 Outside Director
 Independent Director
 Date of birth: September 14, 1972

Brief history:
 April 1997: Joined Asahi & Co. (currently, KPMG AZSA LLC)
 April 2000: Registered as a Certified Public Accountant
 April 2009: Representative Partner, SCS Global LLC (to date)
 June 2017: Director, Fuji Seal International, INC. (to date)
Important concurrent position:
 Representative Partner, SCS Global LLC
 Representative Director, SCS Global Consulting KK
 Number of years since first appointed as an Outside Director: 3

Yuichi Seki
 Outside Director
 Independent Director
 Date of birth: June 28, 1953

Brief history:
 April 1978: Joined Kobe Steel, Ltd.
 June 2011: Senior Managing Director, General Manager of the Technical Development Group, Kobe Steel, Ltd.
 June 2012: Executive Vice President and Representative Director, OSAKA Titanium technologies Co., Ltd.
 June 2014: President and Representative Director, OSAKA Titanium technologies Co., Ltd.
 June 2019: Director, Fuji Seal International, INC. (to date)
Important concurrent position:
 None
 Number of years since first appointed as an Outside Director: 1

Shigeko Okazaki
 Date of birth: April 5, 1957

Brief history:
 August 1990: Joined Fuji Seal International, INC.
 December 1999: General Manager of Corporate Planning Department, Fuji Seal International, INC.
 January 2001: General Manager of Corporate Planning Center, Fuji Seal International, INC.
 June 2002: Director, Fuji Seal International, INC.
 June 2004: Director and Executive Officer, Fuji Seal International, INC.
 June 2006: Director and Executive Officer (in charge of Corporate Planning), Fuji Seal International, INC.
 March 2007: President and Representative Director, Fuji Seal Europe S.A.S.
 June 2007: Director and Executive Officer, Fuji Seal International, INC. (in charge of Corporate Planning and Europe Operations)
 March 2008: Director, President and Executive Officer, Fuji Seal International, INC.
 June 2020: Director, President and CEO, Fuji Seal International, INC. (to date)
Important concurrent position:
 President and Representative Director, Soho KK

Masayuki Shirokawa
 Date of birth: February 20, 1963

Brief history:
 March 1985: Joined Fuji Seal International, INC.
 September 1998: General Manager of Europe Sales Division, Fuji Seal Europe Ltd.
 January 2000: General Manager of Sales Division, American Fuji Seal, Inc.
 October 2011: Vice President, American Fuji Seal, Inc.
 June 2014: Executive Officer, Fuji Seal International, INC. (in charge of the Americas Operations)
 Representative Director and President, American Fuji Seal, Inc.
 June 2018: Director and Executive Officer, Fuji Seal International, INC.
 March 2020: Director, Fuji Seal Packaging (Thailand) Co., Ltd. (to date)
 June 2020: Director and Chief Operating Officer, Fuji Seal International, INC. (to date)
Important concurrent position:
 Director, Fuji Seal Packaging (Thailand) Co., Ltd.

	Field	Item
Standards for Appointment of Directors The Nominating Committee appoints candidates for directors based on the Standards for Appointment of Directors as shown below:	Base	Practice of mission statement / Awareness of participation / Detection of changes
	Formulation of strategies	Show one's vision / Build and decide strategies / Capability of setting goals
	Implementation of challenges	Capability of implementation and practice / Capability of analyzing problems / Capability of detecting risks / Leadership
	Leadership	Capability of responding to changes / Challenging spirit
	Humanity	Internal reputation / External reputation / Winning trust
	Experience and knowledge	Achievements in developing new business fields / Achievements / Expertise and experience

Name	Title
Takeshi Kyogane	Executive Officer (in charge of Self-adhesive Label Division)
Koji Arima	Executive Officer (in charge of Information Systems)
Shingo Sakurai	Executive Officer (in charge of Machinery Division)
Akikazu Yada	Executive Officer (in charge of the Americas Operations)
Atsumi Kikuchi	Executive Officer (in charge of Human Resources and IR)

Name	Title
Hiroyuki Usui	Executive Officer (in charge of Europe Operations)
Kosuke Matsuzaki	Executive Officer (in charge of Japan Operations)
Satoru Kawasaki	Executive Officer (in charge of ASEAN Operations)
Masahisa Fukuda	Executive Officer (in charge of Spouted Pouch Division)
Fumiaki Takahashi	Executive Officer (in charge of Finance and Risk Management)

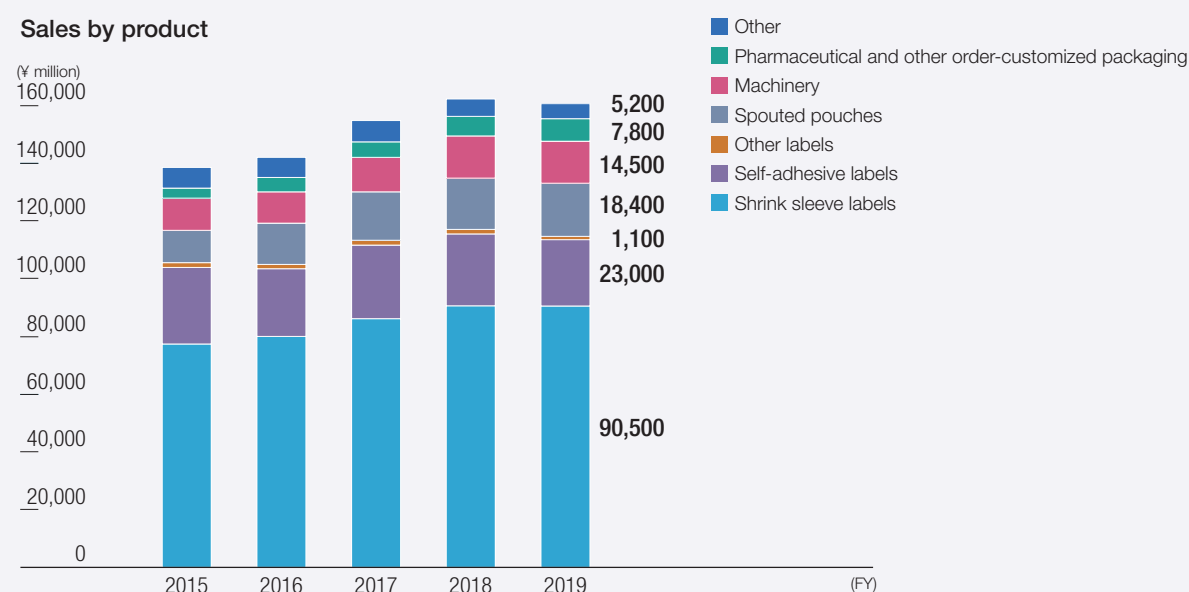
Consolidated Financial Results for FY2019 (Profit and Loss)

In FY2019, the business environment surrounding the Group was slightly difficult due to bad summer weather and the impact of typhoons in Japan, and recessions in Europe.

In early 2020, with the spread of the coronavirus disease (COVID-19) around the globe, corporate activities and outings were restricted, and the Japanese economy was also significantly impacted. While current economic conditions show a sharp deterioration on a global basis, the impact on

the Group's business performance varies significantly depending on the region and business segment.

The financial results of the Group in FY2019 were as follows: Net sales decreased 0.8% year on year to ¥160,925 million, operating income dropped 2.7% year on year to ¥12,634 million, ordinary income fell 2.9% year on year to ¥12,901 million, and net income attributable to owners of the parent was ¥8,808 million, a year-on-year decrease of 6.7%.



Cash Flows

Cash and cash equivalents at the end of FY2019 were ¥11,342 million, an increase of ¥3,376 million from a year earlier.

● Cash flows from operating activities

Net cash provided by operating activities was ¥19,086 million (compared with net cash of ¥10,470 million provided in the previous fiscal year). The main items contributing to increases in cash were the posting of income before income taxes of ¥12,573 million, depreciation and amortization of ¥8,160 million, and a ¥1,258 million decrease in inventory. The main item reducing cash (or refund) was ¥3,951 million in income taxes paid.

● Cash flows from investing activities

Net cash used in investing activities amounted to ¥9,316 million (compared with net cash of ¥7,449 million used in the previous fiscal year). This was primarily attributable to cash outflows of ¥6,420 million for the purchase of tangible fixed assets and ¥2,589 million for the purchase of shares in subsidiaries resulting in a change in scope of consolidation from Fuji Seal Packaging (Thailand) Co., Ltd. becoming a consolidated subsidiary.

● Cash flows from financing activities

Net cash used in financing activities was ¥6,400 million (compared with net cash of ¥2,715 million used in the previous fiscal year). This was due mainly to a decrease in borrowings of ¥731 million, purchase of treasury stock of ¥3,523 million and cash dividends paid of ¥1,818 million.

Mid-term Management Plan

Improve corporate value through continuous business growth. This is the management goal of the Group.

In the Mid-term Management Plan (a three-year period from FY2018 to FY2020), the Company has set the goals of its management indicators to be consolidated net sales of ¥180,000 million, operating margin of 10% and two-digit ROE. Concurrently, considering the balance of the portfolios of the Group by region and by segment, the Company has

endeavored to achieve the targets of ratio of overseas sales at 60% (39.4% in FY2019) and the ratio of sales of non-shrink sleeve labels (the composition ratio of business other than shrink sleeve labels) at 50% (43.7% in FY2019) towards FY2025. Although FY2020 is the final year of the Mid-term Management Plan, it is difficult for the moment to achieve these targets of consolidated net sales and operating margin.

Dividends

Under a business environment which has been changing more quickly and more drastically than ever, the Company has endeavored to improve corporate value by realizing continuous growth. Top priority is given to continuing to increase distribution of profits concurrently with the return of profits to shareholders according to the consolidated business performance in each fiscal term.

Based on the above-mentioned policy, the dividend policy of the Company is as follows:

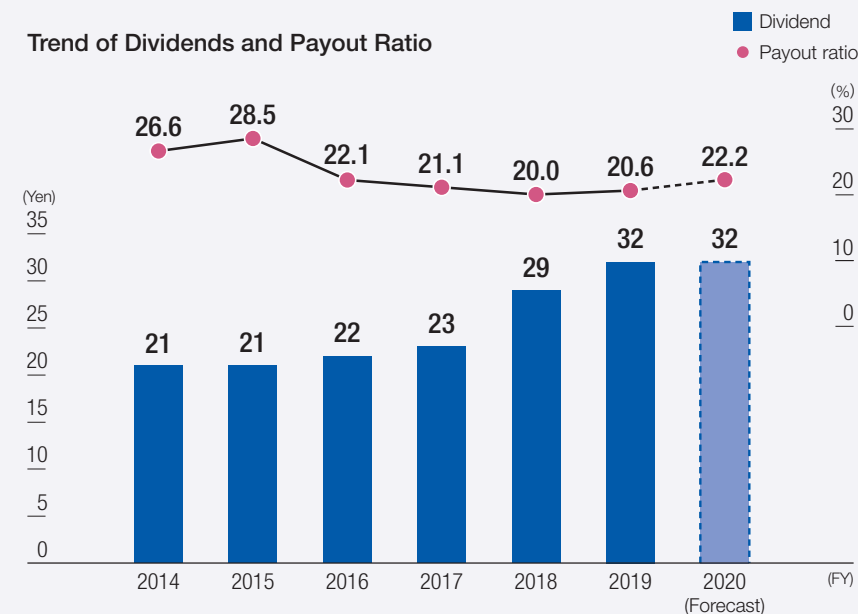
- Investments for continuous growth (technical development, human resource development, capital expenditure and M&A)
- Continuous and stable increase in the dividends per share
- Consolidated payout ratio targeted at 20%
- Build a stable financial base in preparation for unforeseen emergencies and implement flexible acquisition and disposition of treasury stock (to improve capital efficiency).

While the management environment surrounding the Group became significantly uncertain in FY2019 due to the spread of COVID-19, net income attributable to owners of the parent increased compared with the previous fiscal year.

It was resolved at the Board of Directors' meeting held on May 20, 2020 that the year-end dividend for FY2019 would be 16 yen per share as initially forecast considering the financial results for the current fiscal year. As a result, the total amount of the full-year dividend including the interim dividend (16 yen per share) would be 32 yen per share which would make the consolidated payout ratio 20.6%.

With respect to the full-year dividend for FY2020, the Company will pay 32 yen per share, the same amount as in FY2019 considering the above-mentioned basic dividend policy despite the severe business environment. As a consequence, the estimated consolidated payout ratio for FY2020 will be 22.2%.

Trend of Dividends and Payout Ratio



Summary of Consolidated Financial Results (1)

Fiscal year	2014	2015	2016	2017	2018	2019
Net sales (million yen)	131,008	138,488	141,977	154,724	162,189	160,925
YoY growth (%)	8.3	5.7	2.5	9.0	4.8	-0.8
Gross profit (million yen)	26,142	25,898	26,999	29,494	31,710	31,289
YoY growth (%)	2.2	-0.9	4.3	9.2	7.5	-1.3
Operating income (million yen)	9,546	8,792	9,763	11,505	12,986	12,634
YoY growth (%)	-0.6	-7.9	11.0	17.8	12.9	-2.7
Operating margin (%)	7.3	6.3	6.9	7.4	8.0	7.9
Ordinary income (million yen)	10,054	8,400	9,993	10,998	12,542	12,901
YoY growth (%)	0.1	-16.4	19.1	10.1	14.0	2.9
Ordinary income to net sales ratio (%)	7.7	6.1	7.0	7.1	7.7	8.0
Net income (million yen)	4,486	4,187	5,659	6,204	8,259	8,808
YoY growth (%)	-17.1	-6.7	35.2	9.6	33.1	6.7
Net income to net sales ratio (%)	3.4	3.0	4.0	4.0	5.1	5.5
Net income per share (yen)	79.09	73.64	99.34	108.91	144.78	155.51
Net assets (million yen)	79,035	80,069	81,834	89,344	95,897	97,639
Total assets (million yen)	131,036	140,294	142,945	149,804	152,131	152,694
Equity ratio (%)	60.3	57.1	57.2	59.6	63.0	63.9
Return on equity (ROE) (%)	5.9	5.3	7.0	7.2	8.9	9.1
Net assets per share (yen)	1,392.15	1,405.42	1,436.43	1,566.53	1,681.01	1,757.22
Sales by product	(Million yen)					
Shrink sleeve labels	74,264	77,353	79,971	86,120	90,584	90,581
(Composition ratio)	56.7%	55.9%	56.3%	55.7%	55.9%	56.3%
Self-adhesive labels	26,570	26,508	23,449	25,472	24,878	23,034
(Composition ratio)	20.3%	19.1%	16.5%	16.5%	15.3%	14.3%
Other labels	1,435	1,654	1,485	1,673	1,565	1,199
(Composition ratio)	1.1%	1.2%	1.0%	1.1%	1.0%	0.7%
Spouted pouches	7,579	11,189	14,285	16,773	17,749	18,492
(Composition ratio)	5.8%	8.1%	10.1%	10.8%	10.9%	11.5%
Machinery	11,318	11,147	10,953	12,103	14,612	14,543
(Composition ratio)	8.6%	8.0%	7.7%	7.8%	9.0%	9.0%
Pharmaceutical and other order-customized packaging	—	3,470	4,871	5,207	6,774	7,805
(Composition ratio)	—	2.5%	3.4%	3.4%	4.2%	4.9%
Other	9,840	7,165	6,960	7,373	6,025	5,268
(Composition ratio)	7.5%	5.2%	4.9%	4.8%	3.7%	3.3%

* "Pharmaceutical and other order-customized packaging" prior to FY2015 were included in "Other."

Segment Information

(Million yen)

Sales by business segment		2014	2015	2016	2017	2018	2019
Japan		74,777	80,684	87,380	93,592	97,310	98,707
(Sales to external customers)		(73,069)	(79,183)	(86,170)	(92,342)	(96,030)	(97,454)
Americas		23,498	28,885	29,206	32,874	34,879	34,134
(Sales to external customers)		(23,467)	(28,565)	(28,816)	(32,130)	(34,050)	(34,075)
Europe		17,576	15,336	14,736	17,168	20,260	18,311
(Sales to external customers)		(15,651)	(13,300)	(13,075)	(15,192)	(17,352)	(15,626)
PAGO		16,690	15,719	11,947	12,450	11,094	9,701
(Sales to external customers)		(16,558)	(15,386)	(11,543)	(11,857)	(10,513)	(9,298)
ASEAN		2,376	2,052	2,393	3,208	4,347	4,623
(Sales to external customers)		(2,261)	(2,052)	(2,371)	(3,201)	(4,243)	(4,470)
Intersegment elimination		-3,911	-4,190	-3,687	-4,570	-5,703	-4,553
Operating income by business segment							
Japan		7,613	9,003	9,323	10,016	9,903	9,482
Americas		2,098	2,054	2,443	3,129	3,083	3,084
Europe		714	-1,494	-643	-711	38	186
PAGO		-801	-933	-1,346	-942	-87	-265
ASEAN		-116	25	23	-47	23	205
Intersegment elimination		39	137	-36	61	24	-58
Foreign Exchange rates applied to overseas subsidiaries	USD (yen)	105.79	121.10	108.78	112.16	110.44	109.03
	EUR (yen)	140.35	134.31	120.26	126.70	130.35	122.03
	CHF (yen)	115.56	—	—	—	—	—

Summary of Consolidated Financial Results (2)

Fiscal year	2014	2015	2016	2017	2018	2019
(Profitability)						
Return on equity (ROE)	5.9%	5.3%	7.0%	7.2%	8.9%	9.1%
Return on assets (ROA)	8.0%	6.2%	7.1%	7.5%	8.3%	8.5%
(Safety)						
Current ratio	166.7%	141.2%	148.3%	160.8%	170.7%	173.4%
Fixed assets to fixed liability ratio	72.3%	79.2%	75.2%	71.3%	66.9%	65.1%
Debt equity ratio (times)	0.16	0.22	0.23	0.16	0.15	0.12
*Interest coverage ratio (times)	136.6	74.0	142.6	120.5	78.8	288.8
Cash flows (million yen)						
Cash flows from operating activities	9,498	10,853	15,185	11,879	10,470	19,086
Cash flows from investing activities	-8,540	-15,149	-10,584	-8,388	-7,449	-9,316
Cash flows from financing activities	-2,296	3,140	-1,570	-4,954	-2,715	-6,400
Capital expenditure (million yen)	10,326	15,856	9,961	8,747	7,965	7,771
Breakdown of capital expenditure (million yen)						
Japan	4,417	8,585	6,959	5,609	4,592	4,839
Americas	3,420	2,000	1,026	1,619	1,769	626
Europe	1,654	3,379	1,432	1,024	1,149	1,434
PAGO	464	1,946	340	295	301	430
ASEAN	369	111	318	123	99	488
Depreciation and amortization (million yen)	6,305	7,222	8,549	9,234	8,836	8,160
Breakdown of depreciation and amortization (million yen)						
Japan	2,583	2,886	4,337	4,589	4,403	4,092
Americas	1,642	2,517	2,488	2,644	2,544	2,301
Europe	1,132	879	1,016	1,261	1,183	1,048
PAGO	832	784	542	555	517	523
ASEAN	126	174	188	210	213	220
Research and development (million yen)	2,469	2,515	2,343	2,187	2,120	2,539
Number of employees	3,746	4,001	4,253	4,478	4,703	5,719

* Interest coverage ratio = Cash flows from operating activities / Interest paid (The amount of interest paid as stated in the consolidated cash flow statement is used.)

Consolidated Balance Sheet

(Million yen)

As of March 31	2014	2015	2016	2017	2018	2019
Assets:						
Current assets:	64,051	66,489	71,980	77,261	82,777	85,264
Cash and deposits	7,908	7,747	12,373	8,929	10,392	11,832
Notes and accounts receivable	30,465	32,533	33,791	38,348	39,790	41,510
Electronically recorded monetary claims	3,861	4,641	6,405	8,120	8,431	8,451
Merchandise and finished products	7,394	6,926	7,506	7,423	9,614	9,154
Work in process	2,639	2,758	2,682	3,931	3,683	3,492
Raw materials and supplies	6,270	6,022	5,441	6,188	6,707	7,135
Deferred tax assets	960	1,004	1,053	1,098	—	—
Other	4,666	5,028	2,937	3,421	4,300	3,957
Allowance for doubtful accounts	-115	-172	-212	-200	-144	-270
Noncurrent assets:	66,984	73,805	70,965	72,542	69,354	67,429
Tangible fixed assets:	56,251	62,954	59,567	59,331	55,606	57,853
Buildings and structures	18,177	22,327	23,254	23,581	23,206	23,166
Machinery, equipment and vehicles	25,124	27,843	26,717	24,618	22,991	22,563
Land	7,069	6,969	5,409	5,459	5,402	6,203
Other	5,879	5,813	4,186	5,672	4,005	5,920
Intangible assets:	1,555	1,646	1,657	1,547	1,410	1,538
Consolidated adjustment account / Goodwill	78	47	—	—	—	203
Other	1,476	1,598	1,657	1,547	1,410	1,335
Investments and other assets	9,176	9,204	9,741	11,663	12,338	8,037
Liabilities:						
Current liabilities:	38,416	47,100	48,552	48,059	48,483	49,162
Notes and accounts payable	14,468	15,685	14,696	13,767	11,778	13,321
Electronically recorded monetary obligations	5,366	5,418	7,793	10,618	12,979	12,308
Short-term borrowings	4,130	10,275	7,612	8,687	8,408	7,192
Current portion of long-term debt	1,260	1,480	750	—	1,850	2,427
Income taxes payable	1,575	1,123	1,441	1,382	1,155	759
Accrued bonuses	1,120	1,230	1,414	1,620	1,566	1,559
Other current liabilities	10,495	11,887	14,844	11,983	10,745	11,594
Long-term liabilities:	13,583	13,124	12,558	12,400	7,751	5,891
Corporate bonds	5,000	5,000	—	—	—	—
Long-term debt	2,230	1,050	5,300	5,300	3,450	1,207
Net defined benefit liabilities	3,125	3,664	3,893	4,372	1,996	2,460
Other	3,228	3,410	3,365	2,728	2,305	2,222
Total Liabilities	52,000	60,225	61,110	60,460	56,234	55,054
Net Assets:						
Shareholders' equity:						
Common stock	5,990	5,990	5,990	5,990	5,990	5,990
Capital surplus	6,233	6,302	6,302	6,462	6,525	6,572
Retained earnings	60,575	63,566	6,302	72,953	79,786	86,776
Treasury stock	-3,301	-3,164	-3,165	3,104	-3,083	-6,586
Total shareholders' equity	69,497	72,694	77,128	82,301	89,218	92,752
Accumulated other comprehensive income:						
Unrealized gain on available-for-sale securities	1,136	795	1,146	1,598	1,630	1,362
Deferred gain or loss on hedge	-12	3	—	-1	-5	—
Foreign currency translation adjustments	9,651	7,784	4,934	5,522	3,947	2,603
Remeasurements of defined benefit plans	-1,237	-1,208	-1,374	-76	1,106	921
Total accumulated other comprehensive income	9,538	7,374	4,706	7,042	6,679	4,887
Total Net Assets	79,035	80,069	81,834	89,344	95,897	97,639
Total Liabilities and Net Assets	131,036	140,294	142,945	149,804	152,131	152,694

Consolidated Statements of Income and Comprehensive Income

(Million yen)

Fiscal year	2014	2015	2016	2017	2018	2019
Net sales	131,008	138,488	141,977	154,724	162,189	160,925
Cost of sales	104,865	112,590	114,977	125,230	130,478	129,635
Gross profit	26,142	25,898	26,999	29,494	31,710	31,289
Selling, general and administrative expenses	16,596	17,105	17,235	17,988	18,724	18,654
Operating income	9,546	8,792	9,763	11,505	12,986	12,634
Non-operating income:	667	667	531	140	148	388
Interest income	33	70	10	15	19	21
Dividend income	36	36	41	49	54	64
Foreign exchange gain	—	—	—	—	—	16
Equity in earnings of affiliates	322	407	375	—	—	200
Other	274	153	104	75	74	85
Non-operating expenses:	159	1,059	301	647	592	121
Interest expenses	64	151	111	112	101	62
Foreign exchange loss	15	876	174	128	153	—
Equity in loss of affiliates	—	—	—	390	233	—
Other	79	32	15	15	104	59
Ordinary income	10,054	8,400	9,993	10,998	12,542	12,901
Extraordinary gains	2,201	3,313	361	232	870	777
Extraordinary losses	4,518	4,098	672	2,066	1,559	1,105
Income before income taxes	7,738	7,615	9,683	9,164	11,853	12,573
Income taxes – current	3,472	3,111	4,122	4,405	4,188	3,744
Income taxes – deferred	-221	316	-99	-1,446	-593	20
Net income attributable to owners of the parent	4,486	4,187	5,659	6,204	8,259	8,808
Other comprehensive income	3,631	-2,163	-2,667	2,335	-363	-1,791
Comprehensive income	8,118	2,024	2,991	8,540	7,895	7,017

Consolidated Statements of Cash Flows

(Million yen)

Fiscal year	2014	2015	2016	2017	2018	2019
Cash flows from operating activities	9,498	10,853	15,185	11,879	10,470	19,086
Cash flows from investing activities	-8,540	-15,149	-10,584	-8,388	-7,449	-9,316
Cash flows from financing activities	-2,296	3,140	-1,570	-4,954	-2,715	-6,400
Effect of exchange rate changes on cash and cash equivalents	60	-19	-36	-379	-122	7
Net increase (decrease) in cash and cash equivalents	-1,278	-1,174	2,994	-1,842	182	3,376
Cash and cash equivalents at beginning of period	9,085	7,807	6,632	9,626	7,784	7,966
Cash and cash equivalents at end of period	7,807	6,632	9,626	7,784	7,966	11,342

Dividends

Fiscal year	2014	2015	2016	2017	2018	2019
Cash dividend per share (yen)	21	21	22	23	29	32
Total dividends (million yen)	1,196	1,195	1,253	1,311	1,654	1,794
Consolidated net sales (million yen)	131,008	138,488	141,977	154,724	162,189	160,925
Consolidated net income (million yen)	4,486	4,187	5,659	6,204	8,259	8,808
Net income per share (yen)	79.09	73.64	99.34	108.91	144.78	155.51
Consolidated payout ratio	26.6%	28.5%	22.1%	21.1%	20.0%	20.6%
Average number of shares outstanding during the period	56,729,900	56,871,348	56,971,564	56,973,829	57,045,725	56,642,827

* Effective January 1, 2017, the Company conducted a two-for-one stock split, and the related items have been adjusted accordingly.

Environment						
		Unit	FY2017	FY2018	FY2019	
Environmental management	ISO-14001 (Certificate of Environment Management System)	Production facilities	Number	7	8	9
	Total amount of energy used		MWh	344,298	411,247	398,166
Energy ¹	Electric power consumption	Absolute volume	MWh	146,982	171,826	169,152
		Japan	MWh	51,189	52,217	50,005
		Americas	MWh	48,515	70,890	71,842
		Europe	MWh	42,618	41,991	40,530
		ASEAN	MWh	4,660	6,728	6,775
		Amount of fuel used	Absolute volume	MWh	197,316	239,422
	Japan	MWh	119,599	125,505	116,638	
	Americas	MWh	29,117	48,170	48,447	
	Europe	MWh	46,860	62,285	60,061	
	ASEAN	MWh	1,740	3,462	3,868	
Energy-to-sales intensity		MWh/million yen	2.36	2.47	2.39	
Water ²	Quantity of water intake		m ³	328,248	306,310	273,909
	Type	Drinking water	m ³	258,345	238,731	205,964
		Groundwater	m ³	34,649	41,870	46,634
		Industrial water	m ³	35,254	25,709	21,311
	Recycled water		m ³	2,450	2,440	2,440
	Quantity of water used		m ³	151,630	168,612	124,905
Quantity of drainage ³		m ³	176,618	137,698	149,004	
Greenhouse gases ¹	Total emissions (scope 1 and scope 2)		t-CO ₂	133,072	149,416	141,122
	Scope 1 ⁴		t-CO ₂	45,737	47,640	45,596
	Scope 2 ⁴		t-CO ₂	87,335	101,776	95,526
	Total emission-to-sales intensity		t-CO ₂ /million yen	0.91	0.90	0.85
Waste ⁵	Total volume of waste ⁶		t	22,914	23,094	23,258
	Material recycling volume ⁷		t	5,469	6,992	5,683
Environment-friendly goods	Ratio of adoption of environment-friendly goods ⁸		%	21%	23%	24%

*1. Scope of measurement for FY2017: (Japan) All plants; (Americas) Bardstown Plant only; (Europe) All plants except for the Netherlands Plant and PAGO Italia Plant; (ASEAN) Vietnam Plant only
 Scope of measurement for FY2018 and 2019: (Japan) All plants; (Americas) All plants; (Europe) All plants except for PAGO Italia Plant; (ASEAN) Vietnam Plant and Indonesia Plant
 *2. Scope of measurement: (Japan) All plants; (Americas) All plants; (Europe) All plants except for PAGO Italia Plant; (ASEAN) Vietnam Plant and Indonesia Plant
 *3. The quantity of drainage at facilities with no drain meters is considered the same as the quantity of water intake.
 *4. Both scope 1 and scope 2 indicate the quantity of greenhouse gas (GHG) derived from energy. The figures for FY2019 show the values verified by a third-party organization. The numbers were recalculated retroactively to FY2017 because the calculation method was revised for the third-party verification.
 *5. Scope of measurement: (Japan) All packaging materials plants; (Americas) All packaging materials plants; (Europe) All packaging materials plants; (ASEAN) All packaging materials plants
 *6. Subjects of total volume of waste: Plastics, ink, solvents and paper
 *7. Valuable waste is stated as material recycling volume and includes some waste to be recycled.
 *8. Environment-friendly goods: Goods for which recycled materials and biomass are applied in the shrink sleeve label business in Japan, and plastic volume reduction packaging materials

Society							
		Unit	FY2017	FY2018	FY2019		
Diversity	Total number of employees		persons	5,785	6,234	6,298	
		Ratio by gender	Men	%	71.0	70.1	69.3
			Women	%	29.0	29.9	30.7
	Ratio by age	In their 10s and over	%	25.4	28.0	27.4	
		In their 30s and over	%	54.7	53.3	52.5	
		In their 50s and over	%	19.9	18.7	20.1	
	Japan	Number of employees		persons	2,202	2,256	2,313
		Turnover rates	Men	%	1.6	2.4	2.6
			Women	%	0.5	0.9	1.1
		Administrative position	Men	%	94.0	93.5	93.0
Women			%	6.0	6.5	7.0	
Americas		Number of employees		persons	1,142	1,234	1,149
	Turnover rates	Men	%	11.8	10.3	10.3	
		Women	%	3.2	4.5	3.1	
	Administrative position	Men	%	81.0	80.4	80.4	
Women		%	19.0	19.6	19.6		
Europe	Number of employees		persons	1,501	1,462	1,415	
	Turnover rates	Men	%	16.4	15.4	13.5	
		Women	%	6.0	3.9	3.3	
	Administrative position	Men	%	86.1	85.8	84.8	
Women		%	13.9	14.2	15.2		
ASEAN	Number of employees		persons	940	1,282	1,421	
	Turnover rates	Men	%	14.8	11.8	14.7	
		Women	%	5.7	5.5	7.0	
	Administrative position	Men	%	56.1	52.0	49.6	
Women		%	43.9	48.0	50.4		
Human rights	Incidents of discrimination		cases	0	0	0	
	Human rights-related complaints		cases	1	0	0	
	Lodgment, response and solution of human rights-related complaints		cases	1	0	0	
	Child labor and forced labor		cases	0	0	0	

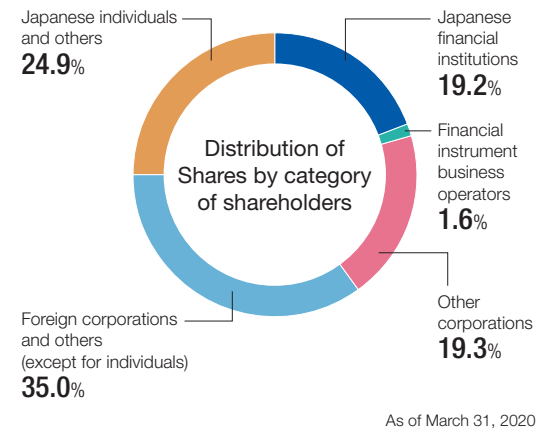
* Includes affiliated companies.

Corporate Governance						
		Unit	FY2017	FY2018	FY2019	
Board of Directors ⁹	Composition of the Board of Directors		persons	8	9	8
	Outside Directors		%	50.0	44.4	50.0
	Female Directors		%	12.5	11.1	12.5
	Number of Board of Directors' meetings held		times	5	5	5
	Number of days on which the Board of Directors' meetings were held		days	9	9	9
	Ratio of presence at Board of Directors' meetings		%	100.0	100.0	100.0
Committees ⁹	Composition of the Nominating Committee		persons	5	5	5
	Outside Directors		%	80.0	80.0	80.0
	Number of Nominating Committee meetings held		times	8	7	9
	Composition of the Remuneration Committee		persons	5	5	5
	Outside Directors		%	80.0	80.0	80.0
	Number of Remuneration Committee meetings held		times	7	5	3
	Composition of the Audit Committee		persons	4	4	4
	Outside Directors		%	100.0	100.0	100.0
Number of Audit Committee meetings held		times	6	6	6	

*9. The period is from after the general meeting of shareholders to the next, excluding so-called "deemed resolutions."

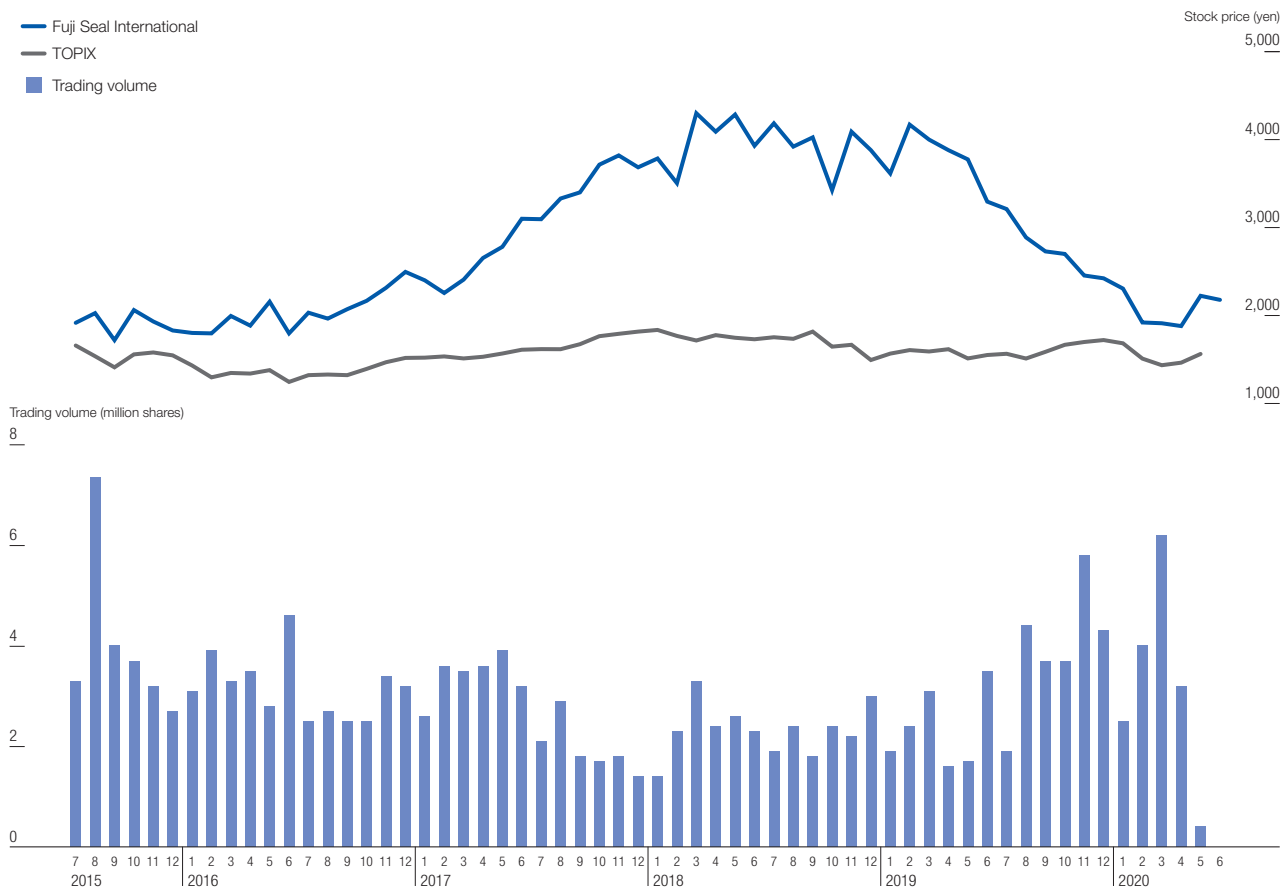
As of March 31, 2020

Shareholders and Share Information	
Stock code	7864
Company name	FUJI SEAL INTERNATIONAL, INC.
Established	October 1958
Date on which the Company went public	December 25, 2003 (First Section, the Tokyo Stock Exchange) October 28, 1997 (JASDAQ)
Type of business	Other manufacturing
Shares listed on	Tokyo Stock Exchange
Book closing	March 31
Interim dividend payment	Yes
Share trading unit	100 shares
Number of shares outstanding	60,161,956 (as of March 31, 2020)
Number of shareholders	12,296 (as of March 31, 2020)



As of March 31, 2020

Trend of Stock Price and Trading Volume



Company Information

Company name	Fuji Seal International, INC.
Establishment	October 18, 1958 (Founded in 1897) * On October 1, 2004, the company name was changed from Fuji Seal, Inc. as the Company adopted the holding company system.
Common stock	5.99 billion yen (As of March 31, 2020)
Consolidated net sales	160.925 billion yen (for the year ended March 31, 2020)
Representative	Shigeko Okazaki, President and CEO
Main businesses	As a holding company, the Company is responsible for formulating and promoting management strategies of the Fuji Seal Group as a whole, auditing the management of the Group companies, and other management. * The Fuji Seal Group is a global provider of packaging solutions as a system which include packaging machinery and services for shrink sleeve labels, self-adhesive labels and spouted pouches.
Number of employees	34 (Total number of employees of the Group companies on a consolidated basis: 5,719) (As of March 31, 2020)
Head office	Tokyo Head Office: 1-9-1 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan Telephone: +81-3-5208-5900 Osaka Head Office: 4-1-9 Miyahara, Yodogawa-ku, Osaka 532-0003, Japan Telephone: +81-6-6350-1002

As of March 31, 2020

Principal Shareholders

Name	Address	Number of shares held (thousand)	Ratio of ownership to total number of shares outstanding (except for treasury stock) (%)
Soho KK	Toyonaka City, Osaka	6,240	11.2
Fuji Seal Foundation	4-1-9 Miyahara, Yodogawa-ku, Osaka	4,800	8.6
Goldman, Sachs & Co. Reg (Standing proxy: Goldman Sachs Securities)	200 West Street, New York, NY, USA (Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo)	4,634	8.3
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	3,381	6.1
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT (Standing proxy: Citibank, N.A., Tokyo Branch)	7TH FLOOR, 155 WELLINGTON STREET WEST TORONTO, ONTARIO, CANADA, M5V 3L3	1,818	3.3
Shigeko Okazaki	Toyonaka City, Osaka	1,801	3.2
The Master Trust Bank of Japan, Ltd. (Retail trust account 820079255)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	1,800	3.2
Hiroko Fujio	Toyonaka City, Osaka	1,784	3.2
JP MORGAN CHASE BANK 385632 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Tower A, 2-15-1 Konan, Minato-ku, Tokyo)	1,676	3.0
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	1,671	3.0
Total	-	29,610	53.3

Notes:

- Of the above-mentioned number of shares held, the number of shares held in the trust business is as follows:
The Master Trust Bank of Japan, Ltd. (Trust account): 1,425 thousand
Japan Trustee Services Bank, Ltd. (Trust account): 3,352 thousand
Those shares consist of 3,367 thousand shares for investment trusts, 175 thousand shares for pension trusts, and 1,235 thousand shares for other trusts.
- The number of treasury shares held by the Company is 4,597 thousand, which is not indicated in the above table of principal shareholders.
- Considering that the representative of Soho KK is Shigeko Okazaki, the voting rights held by Soho KK are substantially perceived as united with those held by her. Therefore, the largest shareholder of the Company is Shigeko Okazaki.
- Matthews International Capital Management, LLC (hereinafter, "Matthews International"), for which an amendment to the Substantial Shareholding Report dated September 10, 2019 became available for public inspection, is not included in the principal shareholders above because the Company could not confirm as of March 31, 2020 the number of shares substantially held by Matthews International on September 3, 2019. For reference, the content of the said amendment to the Substantial Shareholding Report is shown below.

Name	Address	Number of shares held (thousand)	Ratio of ownership to total number of shares outstanding (except for treasury stock) (%)
Matthews International Capital Management, LLC	Suite 550, Four Embarcadero Center, San Francisco, CA 94111, USA	2,376	3.9

- A Substantial Shareholding Report dated March 18, 2020 which became available for public inspection indicates that Burgundy Asset Management Ltd. (hereinafter, "Burgundy Asset") held the following number of shares as of March 13, 2020. However, the Company could not confirm such number of shares substantially held by Burgundy Asset as of March 31, 2020. Therefore, Burgundy Asset is not included in the principal shareholders above. For reference, the content of the said Substantial Shareholding Report is shown below.

Name	Address	Number of shares held (thousand)	Ratio of ownership to total number of shares outstanding (except for treasury stock) (%)
Burgundy Asset Management Ltd.	Suite 4510, 181 Bay Street, Toronto, ON M5J 2T3, Canada	3,049	5.1