

INTEGRATED REPORT



INTEGRATED REPORT

2022

REPORT

[Our Credo]

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

[Our Slogan]

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

[Our Vision -To Be-]

Sustainable and profitable growth
in the packaging industry

Our Value to People and the Planet

Our proactive impact to realize
the Regenerative Society

Generate “Waku-Waku”
– No growth without “Waku-Waku” –

[Guideline for Action]

Changing along with changes

[Our Mission]

**Fuji Seal will impact to realize
the Circular Society that brings peace and
happiness to all through packaging**

Editorial Policy

The year 2022 marks the 125th anniversary of the establishment of the Fuji Seal Group (hereinafter, “FSG”). We hope to share the joy of celebrating this important milestone not only with all FSG employees but also with all stakeholders of FSG, and we also extend our deepest gratitude to them. Amid the unlikelihood that the COVID-19 pandemic will end soon, the Russian invasion of Ukraine has added to uncertainty for the future, undermining global stability and causing a serious energy shortage. Even under such circumstances, we will grow our businesses together with our employees and devote positive efforts to ESG disclosure with a view to fulfilling our vision.

Integrated Report 2022 features the 125th anniversary and our commitment to the environment, and carries interviews with the CEO, the COO, the CFO, and outside directors in order to share the views and hopes of those management team members and show how the Board of Directors has maintained its transparency and fairness.

We hope that this Integrated Report will help all stakeholders deepen their understanding of FSG. We are determined to grow to be a company that contributes to realizing a sustainable society toward the next 100 years. We appreciate any feedback from you, whether you are inside or outside the Company, and look forward to your continued support.

■ Scope of Reporting

Fuji Seal International, Inc. and its consolidated subsidiaries

■ Period Covered

Mainly FY2021 (April 1, 2021 to March 31, 2022), with some events and activities before and after the period mentioned as necessary

■ Previous Integrated Report

Issued in August 2021

■ Reporting Cycle

One year (the next Integrated Report scheduled to be issued in August 2023)

■ Inquiries about This Report

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■ Referenced Guidelines

GRI Sustainability Reporting Standards
IIRC International Integrated Reporting Framework

■ Information Modifications Due to M&A

None

■ Changes to Important Items

None

■ Positioning of the Integrated Report

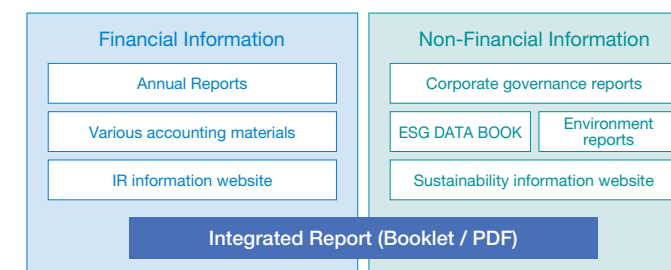
Please also refer to our websites listed below for further understanding of our Group.

<IR Information> <https://www.fujiseal.com/en/ir/>

<Sustainability Information> <https://www.fujiseal.com/en/csr/>

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To become indispensable. With a strong will, stepping towards the next 100 years.

“Changing along with changes” to pass the baton to the next generation

This year, the Fuji Seal Group (hereinafter, “FSG”) is celebrating the 125th anniversary of its founding. I would like to take this opportunity to express my deepest gratitude to our customers, business partners, and shareholders for their continued support. I also feel grateful that I can celebrate this anniversary together with employees working in Japan and abroad.

At work, we always tell ourselves that our predecessors laid the foundation we inherited to become the FSG we are today. However, what have we built ourselves? We have yet to create something that the next generation will be able to say, “It was because of our seniors that we are here today”, and we must not forget that feeling.

I believe that to create a legacy that can be handed down for the next 100 years, we must practice our Guideline for Action: “Changing along with changes.” An example towards achieving this is our goal of “Plus One” in the existing four businesses, four regions, and four categories, set in our previous Medium-Term Management Plan. Instead of focusing our business only in developed countries, we have also set our sights on emerging economies where new trends are accelerating, which include expanding into the Indian market. In addition, we began taking on a series of new initiatives, such as establishing a foothold in the pharmaceutical field despite the hurdles to be faced, and are providing machinery systems that include packaging materials, production technology, and services. While taking on challenges that may lead to greater businesses in the future, we must also have a courage to close businesses that no longer fit the times for the benefit of the next generation.

“Changing along with changes” can entail investment, while at other times may be accompanied by pain. If we do nothing and maintain the status quo, we would probably be all right for a few years, and we won't be blamed or provoke anger at our heavy investment, but it would only postpone the issue. I hope that when the younger generation sees us, they will learn from the example we are setting, and that it will result in the power to change the next 10 or 20 years.



岡崎 志子

Shigeko Okazaki
Director, Representative Executive Officer,
Chairperson, and CEO

Over 35 years of the “Idea Bank” Program, an initiative to be closer to the FSG we aim to be.

We place great importance on our “Idea Bank”, which has been implemented for over 35 years in Japan, as an initiative to materialize Our Credo “Each day with renewed commitment, we create new value through packaging” and our Guideline for Action “Changing along with changes.”

My father, and the founder of Fuji Seal International, Inc., Masaaki Fujio, said the following about people: “People we want = Those who can identify and solve issues on their own. People whose presence does not make a difference = Those who act on issues that have already been identified. People who should not be here = Those who do nothing even when faces with challenges.” My interpretation of this is that those who are capable of finding and solving problems on their own are those who have a clear vision of who they aim to become, and are aware of the gap between that vision and where they stand.

Those we want are those that to attain this goal find issues in their daily work, think of solutions, and make proposals to resolve them. FSG receives suggestions from each individual employee and takes responsibility for implementing those considered exceptional proposals. This is what we call the “Idea Bank” Program. We receive approximately 6,000 proposals a year, even more than the number of all our employees. It's simple: the more ideas that come from the people who know the field best, the better decisions management can make. Until now, the program had only been implemented in Japan, but on the occasion of FSG's 125th anniversary, we have decided to expand it overseas as well. I am very happy to be able to witness the “Idea Bank” applied throughout the Fuji Seal Group, as it had been a long-awaited desire, and I am excited (Waku-Waku) when I imagine many future dreams will come true.

In addition, “hypothetical proposals” have always been a part of our corporate culture to keep changing by identifying issues and solving challenges to become a better company. In business, there is no clear-cut answer like “1 + 1 = 2”. Whether it is a request from a customer or an internal policy, there are several ways to correctly answer, and we must determine which one is best. At the same time, I often demand employees to, “Bring a plan A, B, and C”. Considering more than one proposal enables us to examine and discuss different angles. If there was a straightforward solution for a job, only

the smartest would be the first to find it, leaving regular people, including us, behind. However, there is no correct answer, which makes business so interesting and at FSG, we value the spirit of taking on challenges, no matter how many times we may fail.

Accumulated Experience Always Helps

Before the COVID-19 pandemic, I used to have the opportunity to have lunch with new employees after their entrance ceremony, and we would often talk about the difference between school and work. In Japanese schools, you pay tuition for your own sake, and as long as you get a grade of at least 60%, you can advance to the next level. In a company, on the other hand, a score of 60% or 80% is not enough; customers will not buy your product unless it is 100% and if it does not sell, you do not get paid. Therefore, if you have an idea, you must not wait for it to reach the 60% level of perfection, but share it as soon as possible, even if it is only at 30% or 40%. Using that foundation, everyone will improve it from technical, cost, design, and other perspectives to bring it closer to 100%. This leads to “hypothetical proposals”, “Bring a plan A, B, and C,” and eventually to the “Idea Bank”.

In particular, I hope that young employees experience various things, including those they are not good at. Even if you think you are good at something, there is always someone who can do it better. Ultimately, the most important thing in the business world is the ability to make decisions. When you have to decide which direction to go, forward or backward, left or right, the various successes and failures you have experienced up to that point will always help. To begin with, it can be scary to make decisions based on little experience. I too hope to gain more experience in the future.

Although there seems to be an increasing number of companies that allow side jobs these days, I have always encouraged our employees to multitask and be involved in more than one project, in part, to overcome roadblocks like the lingering COVID-19 pandemic. I personally prefer to work on various projects simultaneously rather than telling myself “Okay, this job is finished, let's move on to the next.” By doing so this allows us to find the link between things that, at first glance, would appear to be unrelated and open new possibilities. In my private life, I move whenever I hit a standstill; after living in the same place for 10 years, I get an itch, and start to look for somewhere new (laughs). For me, changing the layout, my personal belongings, and living



environment works well as it provides me with a source of inspiration.

Development of Group Human Resources with Respect of Diverse Values and Lifestyles

FSG's most precious asset is its human resources. Under our slogan "We call creation a 'dream.' We call challenges to creation 'courage.' We call a heated discussion on creation 'trust,'" we implement various measures to foster the creativity of every employee and support their growth.

For several decades, twice a year, employees can submit requests for their desired jobs through the Self-report system directly to the Human Resources Department instead of their direct superiors. This system is used to confirm employees' choice of career development and create a favorable workplace environment. We also have mechanisms for employees to apply for certain positions, such as an in-house recruitment system aimed at utilizing human resources proactively and revitalizing the company. In 2018, we launched the "Next-generation Management Development Program" to select and train employees who have the potential to take on future management positions. In 2020, we implemented the "Group Human Resources Project," in which the selected members proposed solutions to managerial issues of FSG companies and engaged in spirited discussions with management. In addition, in collaboration with a team of experts from a business school in Belgium, we developed and implemented two executive leadership programs based on the necessary skills we require of our managers. In recent years, FSG has been focusing on initiatives from the

perspective of developing Group human resources. When it comes to human resource development, we honestly do not know what the perfect answer is. I always believe that there is more that can be done, as each of us has our own diverse values and lifestyles.

In this context, over the past few years I have noticed a change in "job positioning." The difference in attitudes between those who aim for career development and those who are content with a moderate level of work seems to have become more pronounced. If the company and employee are on the same page, both can be happy, if not, it can be detrimental to both, and a different approach may be necessary. Employees who placed a greater emphasis on their private life may switch their priority to their work, or vice-versa, and those who were devoted to their work may choose to slow down due to changes in their personal life, such as raising children or caring for a parent. We hope that the Self-report system will enable us to carefully identify and respond to the changes in the lives of our employees.

Many people discuss balancing work and childcare. I believe that it is not a choice between the two, but rather "no matter if man or woman, if there is something they want to do, they should be greedy and do it all." Unlike my mother's generation, there are many systems, services, and tools available today that can help make it happen. A robot vacuum can clean rooms more thoroughly than I can (laughs). I encourage people to choose and make use of the tools most convenient for them.

Steadily moving towards the realization of a circular society

From July 2020, Japan introduced a nationwide fee for plastic bags, and in April 2022, the "The Plastic Resource Circulation Act" came into effect. In some cases of marine debris and other pollution issues, it seems that plastic is being demonized more than the human act of illegal dumping, but I understand it is of no use to argue against it. Plastics are lightweight, strong, easy to process and are resistant to corrosion and heat, along with other excellent properties, making them indispensable to all industries and our everyday lives. In response, and with the goal of achieving a circular and sustainable society, FSG has been working on the "label-to-label" project in Japan, where as its name states labels are recycled into labels (see page 21), and the "label-to-bottle" project in the U.S., where by using our newly

developed RecShrink™ Labels, labels and PET bottles are collected and recycled together into PET bottles (see page 22).

It would not be possible to implement the label-to-label project on our own. Last year, after presenting an outline of the project at a forum, several renowned business partners agreed to work with us, leading to new formed alliances. Since then, the project has been progressing smoothly and products have been gradually introduced into the market in phases from the first half of 2022. Our business partners involved in this project unanimously stated, "It is a sad thing when the products we worked so hard to produce are harshly criticized by the world," and added "As manufacturers, we must speak up so we can feel that we are contributing to the good of society and that customers can feel happy to use our products." I seldom voice our opinions, but the support for our initiative has inspired me to become more proactive in sharing our message.

The number of label-less PET bottles is growing, and I believe that the market for label-less bottles will continue to expand in the future. However, labels play an important role: they tell us who makes the product, what it contains, and when it expires. The label functions as the manufacturer's accountability. I think the current trend of disregarding discussions on safety and security leading towards eliminating all products deemed "environmentally harmful" is questionable. Nevertheless, I understand that this trend cannot be reversed, so we must do what we can steadily and sincerely.

By Fulfilling Our Mission as a Leading Company, We Build a Trust-Based Relationship with Our Stakeholders

The Fuji Seal Group was founded in 1897 as a manufacturer of wooden faucets for barrels. In the 1950s, the company changed its business to the manufacture of shrink labels, which remain as our main product. In the early 1990s, when recycling was gaining momentum, we developed the world's first perforated shrink sleeve labels. Although we have continued to offer a wide variety of packaging solutions, always anticipating the changes of the times which include Self-adhesive Labels / Pressure Sensitive Labels (PSL) and Spouted Pouches, the name "Fuji Seal Group" does not appear on those products; whereas our customers take the leading role, we have taken pride in being a supporting player. However, now that our business environment has drastically

changed, we are determined to assume the role of a leading company by taking the initiative and in collaboration with our business partners fulfill our mission to revitalize the packaging industry symbolized by the "label-to-label" and "label-to-bottle" projects.

Yet, the customer will remain in the lead role. While listening carefully to our customers, who desire to provide the best products to consumers, we consider the solutions that can be achieved through packaging. These packages cannot be produced without the support from our business partners who supply materials such as film and ink. In Japanese there is the phrase that says "sampo yoshi," (good for all three) meaning "good for the buyer, good for the seller, and good for the world" which implies, we can only fulfill our responsibility to supply packages when we have a relationship that benefits all stakeholders. As for our shareholders, we have lowered the percentage of short-term activists and have emphasized dialogue with medium- to long-term shareholders. After all, we are very grateful for their presence and hope to continue receiving their valuable opinions.

The key to our growth toward the next 100 years is to continue to be a company that is needed by all stakeholders. To achieve this, we must listen more attentively to the opinions of those around us than ever before, promptly take necessary actions, and proactively communicate our message. I believe that our stubborn determination to become an indispensable company to society will lead to a relationship of mutual trust with stakeholders, at times to agree with us, at others to lend their support when we face difficulties or in need of help.





Promoting Fundamental Reforms to Achieve Medium- and Long-Term Growth.

城川 雅行

Masayuki Shirokawa
Director, Representative Executive Officer,
President and COO

Reviewing our performance for FY2021

The FY2021 (April 1, 2021, to March 31, 2022), the first year of our Medium-Term Management Plan (FY2021-FY2023), was a year full of unexpected incidents, including the sharp rise in raw material prices, the lingering impact of the COVID-19 pandemic, and the Russian invasion of Ukraine. Under these circumstances, in February 2022, we revised the financial forecast we announced in May 2021, mainly due to the anticipated difficulty in achieving our initial net sales targets set for Japan, Europe, and the ASEAN region, and the significant impacts of increased raw material prices and logistics expenses on production costs. Ultimately, compared to the previous year, consolidated net sales increased, and operating income and net income decreased. On the other hand, compared to the revised forecast announced in February 2022, net sales, operating income, and net income exceeded figures in the forecast, respectively. By region, net sales in the Americas increased significantly compared to those of the previous year, while net sales in Japan, Europe, and ASEAN region have declined.

Beginning with restructuring of our product development system, we have embarked on a series of bold initiatives

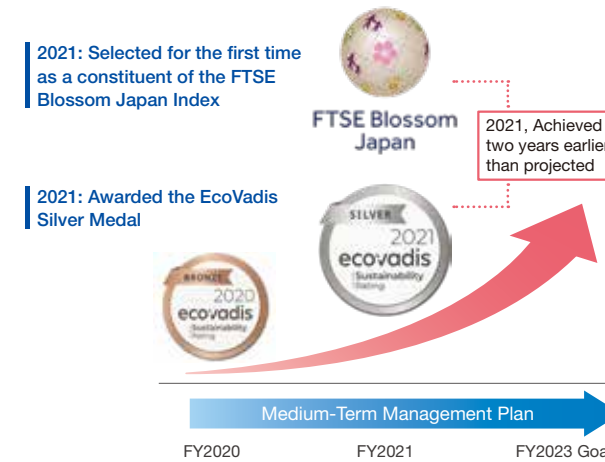
FY2022 has been difficult, but we recognize this chaotic period as an opportunity for fundamental reforms that would not be carried out in ordinary times. The year 2022 marks the 125th anniversary of the founding of FSG. In anticipation of the next 100 years, we have begun to take radical measures that were not included in our original Medium-Term Management Plan.

One of these initiatives is the restructuring of our product development system. Until now, product development was carried out by each business division, but now we have shifted to a cross-divisional system. This sets a big challenge, and we expect more new products that include original combinations that defy the conventional norm. Furthermore, we are introducing platforms to increase sales and profit per-capita efficiently and are promoting digital transformation DX to improve SGA (selling, general, and administrative expenses). A comparison of our various data reveals that each region has its own characteristics, such as the Americas' control of SGA and Japan's low rate of production defects. As a corporate group operating on a global level, we would like to create a better organization and achieve our goals by taking advantage of each business region's "good practice models."

In FY2022, we will continue to tackle our nine materiality issues.

While we have achieved the target set by the Group Sustainability Committee (see page 27) two years ahead of schedule (see page 8) careful consideration reminds us that it is a result of the initiatives we have implemented and of what was passed down to us by our

predecessors, just like DNA. In this sense, our target declaration was a message articulating it into words, enabling us to receive high ratings from external evaluations.



Building a new model for factories friendly to both people and the environment

For FY2022, our consolidated forecast projects a 5.1% increase in net sales and a 5.0% increase in operating income. In addition, we have adopted three business strategies: responsibility for supply as an essential business (construction of new model plants); introduction of differentiated products; rationalization of existing businesses.

The strategy we will mainly focus on is the building of a new model for factories. The new factory in North Carolina, which is scheduled to be completed in December 2022, is positioned with "a production system that supports sustainable growth in the Americas." It aims to be "factory friendly to both people and the environment" by using solvent-free printing and automation.

In Yamagata Prefecture, Japan, and Prakasa, Thailand, we are planning to run two new factories, completely different from existing, with the objective of "adding value by transforming our

total packaging solutions with factories that are friendly to people and the environment" which is one of the strengths of FSG. Particularly at the new factory in Yamagata that will be a pioneer for the next-generation factories, young employees are exchanging their ideas enthusiastically with transcending the boundaries of business divisions for creating new concept, for example waste-free operation and the use of natural energy.

The construction of the new North Carolina factory has been partly financed by the Development Bank of Japan Inc.'s (DBJ) "Environmentally Rated Loan Program" as a result of the ESG evaluation of our initiatives and commitment to realizing a circular society through manufacturing. FSG was evaluated as a "company with excellent advanced environmental initiatives," as represented by the "label-to-label" and "label-to-bottle" projects. We will continue to actively engage in environmental conservation initiatives to make more strategic uses of our "Environmentally Rated Loan Program."

Aiming to rebuild and expand markets in cooperation with our business partners, customers and competitors

In March to April 2022, after Russia launched its military invasion of Ukraine, I made a business trip to Poland, where one of our business bases is located. I wanted to know first-hand what the current situation in Europe was and how it would affect us, but found that our business continued to be operated more stably than I imagined, and once again it reminded me of FSG's strengths.

The recent series of unprecedented events, including the COVID-19 pandemic, has caused serious disruption of supply chains, shortage of materials, and a rise in material prices. In such circumstances, FSG has been able to fulfill its responsibility for stable product supply as a corporate group engaged in essential business even amid this difficult situation thanks to our business partners, who place the highest priority on us, and we

Building a factory friendly to both people and the environment



Location	Trivium Corporate Center (Hickory)
Ground area	25.3 acres (102,000 m ²)
Building area	191,000 square feet (17,800 m ²)
Total investment	Approximately 80 million dollars
Product type	Shrink sleeve labels
Expected sales	110 million dollars

As part of the first phase of our new model factory project, the construction of a new factory in North Carolina, U.S., began in April 2021 and is scheduled to be completed in December 2022.

FSG has received parts of the funds for the construction from a loan based on its "DBJ Environmental Rating" from the Development Bank of Japan Inc. (DBJ) for its "advanced efforts in environmental considerations."





are proud of the trust-based relationships that our predecessors have built over the years. With the hope that we and our customers can also be equal business partners, we have successfully sought their consent to revise of our selling prices, ensuring our business continuity.

Currently, we are focusing on building good relationships not only with our partners and customers, but also with our competitors. For example, in the shrink sleeve label business, which is the core business of FSG, we would like to rebuild and expand the market by growing together with our competitors. For that purpose, we have kept information on RecShrink™ labels, which we have introduced to the Americas' market, open to other companies, instead of treating it as confidential.

Nurturing the next generation of human resources while Maintaining objectivity and transparency

As one of the first in Japan to adopt a "Nominating Committee" we have built a reputation of being a progressive company in corporate governance. Many say that we are an example of a rare Japanese company with a Board of Directors where three out of five are outside directors while two are internal directors, but for us this is nothing special to ensure objectivity and transparency. Every time I attend the Board of Directors, I get really nervous. The outside directors express their honest opinions and perspectives on each item on the agenda, and we must respond properly. We often hear that at other companies Board meetings go smoothly because arrangements made ahead of time, but we, FSG, always have earnest discussions, for which I feel thankful, and I believe this is the way it should be.

In the near future, the Board of Directors may have discussions in English. Among the regions where we operate, ASEAN is expected to see the highest population growth from now, whereas Europe plays a central role in formulating various business regulations and guidelines. The "market that grows"

and the "market that makes the rules" are critical factors. I believe that we need to actively listen to the opinions of those who will be at the center of these regions by appointing them to be part of our executive management teams. In particular, the key to winning or losing in business is how quickly we can obtain information from Europe and take necessary action, as well as in the strategic development of human resources.

I recognize that in terms of diversity, it is necessary to take further steps towards inclusion (i.e., to respect and acknowledge individual differences). Related to my statement, "As a corporate group operating on a global level, good practice models..." I believe that the diversity and inclusion of the FSG will be further enhanced if members of each region can learn from each other and proceed with various projects, with the Americas serving as a teacher at times and Japan serving as a teacher at other times, and now is the perfect time to take on such challenges.

Toward Growth that Meets Stakeholders' Expectations and the Implementation of Our Vision

As we proceed to take bold reforms, there may be measures that will prevent remarkable short-term business results. However, reforms are a sort of surgical procedure to anticipate the next 10 to 100 years. To meet the expectations of our stakeholders who understand this, we would like to create an organization that can achieve growth over the medium to long term.

Last year, we renewed our vision for the first time in 10 years to "Our Value to People and the Planet." This year, the 125th anniversary of our founding, and as an example of putting this vision into practice, we launched the "Eco-Bag Project," which is one of our resource recycling initiatives, in which labels are discarded during the manufacturing process or in the marketplace are recycled to make eco-friendly shopping bags. As a leading company in the packaging industry, we will continue to contribute to the realization of a sustainable society and hope this will be recognized as a sign of our commitment.



Strengthening Our Financial Base



Fumiaki Takahashi
Executive Officer
in charge of Finance and
Risk Management

Three-year Medium-Term Management Plan A period of change for future growth

FY2021 was the first of our medium-term management plan. In February 2022 we faced such severe situation that we had to revise our forecast of annual financial results downward. The Medium-Term Management Plan itself was announced amid uncertainty over when the COVID-19 pandemic would end, but it had set very ambitious targets. However, despite the continuing rise of raw material prices and logistics costs, our priority was to fulfill our responsibility of ensuring a stable product supply as a company engaged in essential business rather than in raising sales prices, which resulted in a decline in profitability.

Although net sales almost reached the figure that we had forecast at the beginning of the fiscal year, it is a reality that we have failed to make progress in enhancing our profitability and strengthening our revenue base. However, our strategies themselves are not wrong, so we hope to continue our efforts to increase our profitability by utilizing FSG's strengths, including initiatives that provide solutions to environmental issues, as well as continuing to improve and expand our financial system.

The current Medium-Term Management Plan phase is a period of change aimed at improving the profitability and cash-generating ability of the entire group. It is not to be evaluated based on a single year's performance, nor is it to be completed in three years. We have positioned this period as a time to strengthen the foundation for the future and are implementing a variety of initiatives. As an example, within FSG, we are focusing on the cash conversion cycle (CCC) as a financial metric. In each region and group company, the finance and sales departments are working together on efforts to recover overdue receivables, which are producing positive results. In response to changes in our business environment, such as the rise of raw material prices and the increasing difficulty of procurement itself, each business base strives to build a system for efficient inventory control. Last year, for effective capital investment, we formulated the "2021 Investment Guidelines", which clearly define the criteria and procedures for investment assessment and decisions, with the purpose of ensuring adequate evaluations and post-investment follow-up measures.

For FSG to achieve sustainable growth and further increase the scale of sales, it is necessary to strengthen the foundation of our human resources with experts in accounting, taxation, and finance, as well as to expand the finance department. In addition to the CFO of Fuji Seal International, Inc., we are considering appointing a regional CFO in each of our business regions.

Aggressive investment to achieve sustainable growth

Our medium- to long-term capital policy places importance on "strategic investment in initiatives for sustainable growth" and the "enhancement of capital efficiency." We prioritize allocating cash generated by the entire Group to technological development (investment in intellectual property), human resources development (investment in human capital), capital expenditure, M&A, etc. Our policy is to invest aggressively in initiatives to achieve sustainable growth. The current Medium-Term Management Plan also calls for investments of approximately 47.5 billion yen, of which approximately 15.0 billion yen will be allocated to both strategic and growth investments in line with the "Investment Guidelines." The projects we have announced at this time include the construction of a new factory in North Carolina in the U.S. and the purchase of land for new factories in Prakasa, Thailand, and Yamagata, Japan, for which we intend to effectively and aggressively use the accumulated cash by the end of the previous Medium-Term Management Plan. In addition, one of our key management targets is to achieve 10% ROE with the aim of achieving an optimal balance between capital and liabilities in full consideration of capital costs and building a stable financial base for contingency planning.

In FY2021, we received an environmental rating loan from the Development Bank of Japan Inc. (DBJ). Although this was our first attempt in sustainability finance*, it was successful due to the recognition of FSG's advanced efforts in environmental initiatives, and we will continue to consider a wide range of funding sources.

* Sustainability finance: A series of financial approaches and initiatives toward encouraging companies to solve environmental and social issues

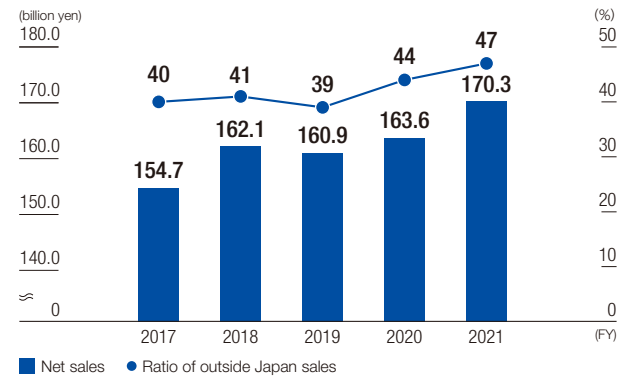
Medium- to Long-Term Increase in Stock Price Aiming to improve total returns

We had previously set our consolidated dividend payout ratio target at 20%, but from the current Medium-Term Management Plan, we are now aiming for a 20-25% payout ratio. Although it is not a very ambitious target, in FY2021, we paid the initially projected annual dividend of 35 yen per share. As a result, for a consolidated payout ratio was 31.3%. Going forward, we will continue to pursue our policy of increasing the dividend per share stably and constantly instead of suspending the payment of dividends in response to a decline in profits. We will also consider the total return ratio in the prompt and effective purchase and disposal of treasury stock.

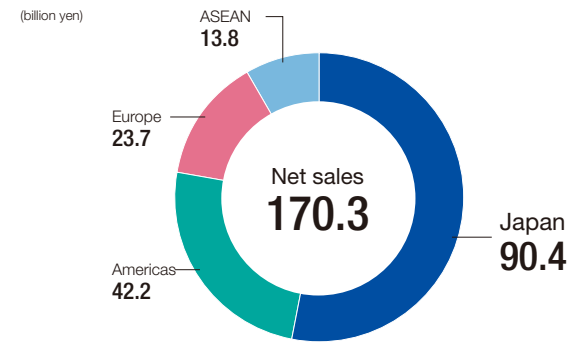
Although there was a downward revision to our financial forecast during the last fiscal year, we will take a long-term perspective and strive to improve total returns through the medium- and long-term increase in stock price by taking a straightforward approach to revitalizing our main businesses and thereby our profitability.

Financial Highlights

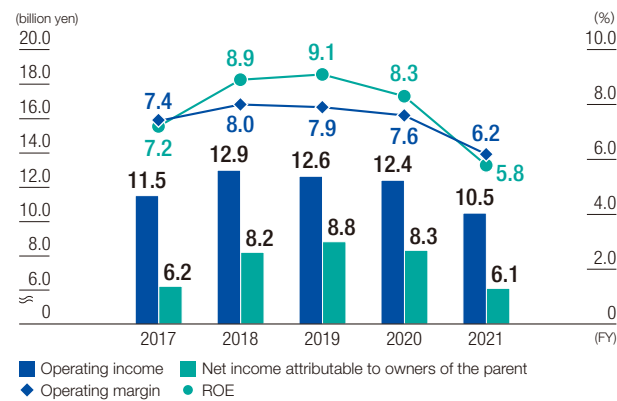
Net sales / Ratio of outside Japan sales



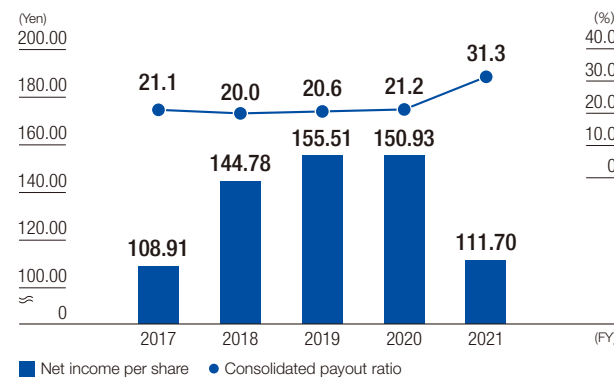
Sales by reportable segment (FY2021)



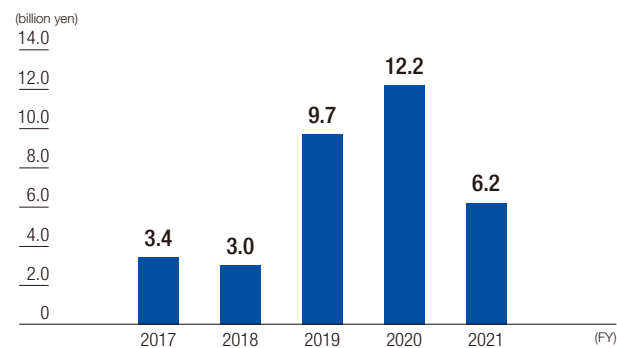
Operating income / Net income attributable to owners of the parent / Operating margin / ROE



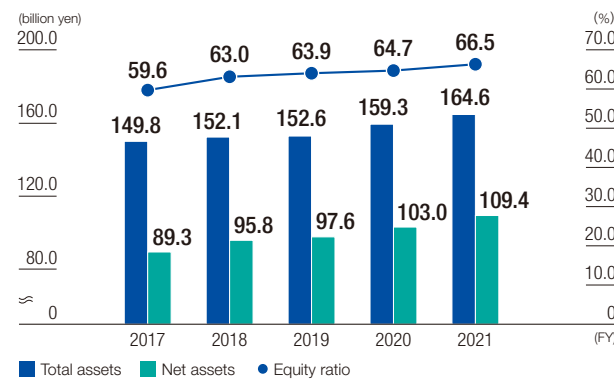
Net income per share / Consolidated payout ratio



Free cash flow

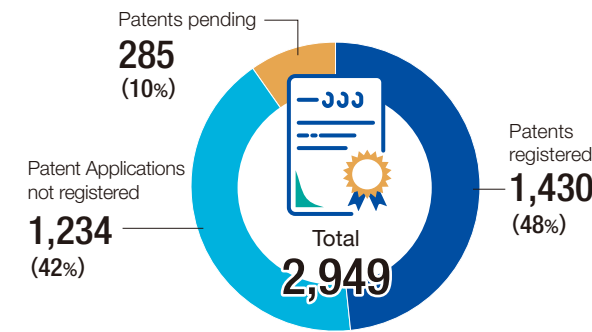


Total assets / Net assets / Equity ratio

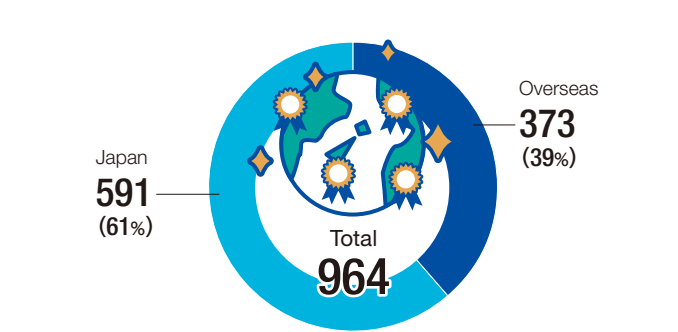


Non-financial Highlights

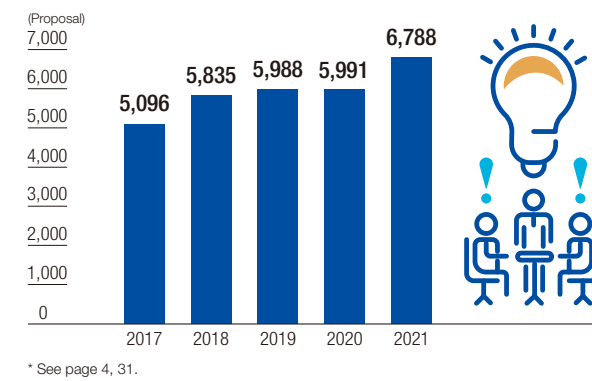
No. of patents applied for (from 1973 to March 31, 2022)



No. of patents held (in Japan / Overseas) (as of March 31, 2022)

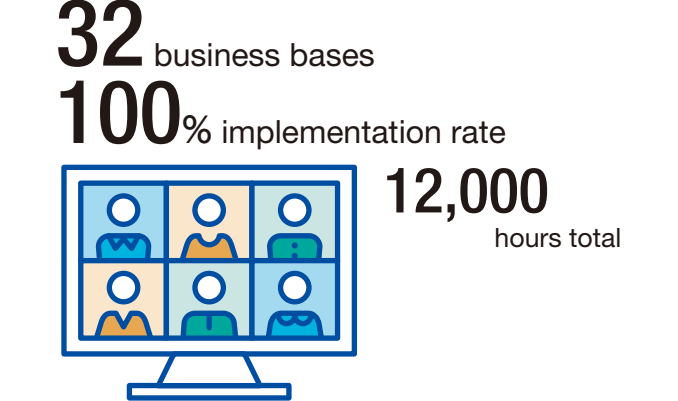


No. of proposals submitted to the Idea Bank Program*



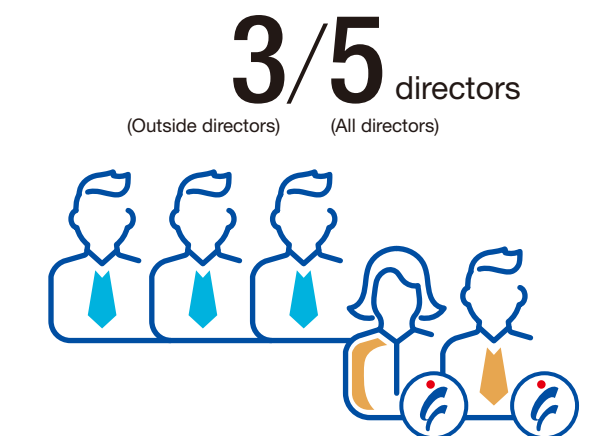
* See page 4, 31.

Fuji Seal Way (Group Discussion)



* See page 17 for details of FSG's 125th anniversary

Outside directors (elected at the General Meeting of Shareholders on June 23, 2022)



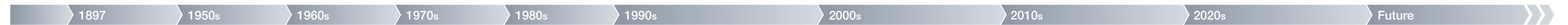
Business deployment areas (as of March 31, 2022)



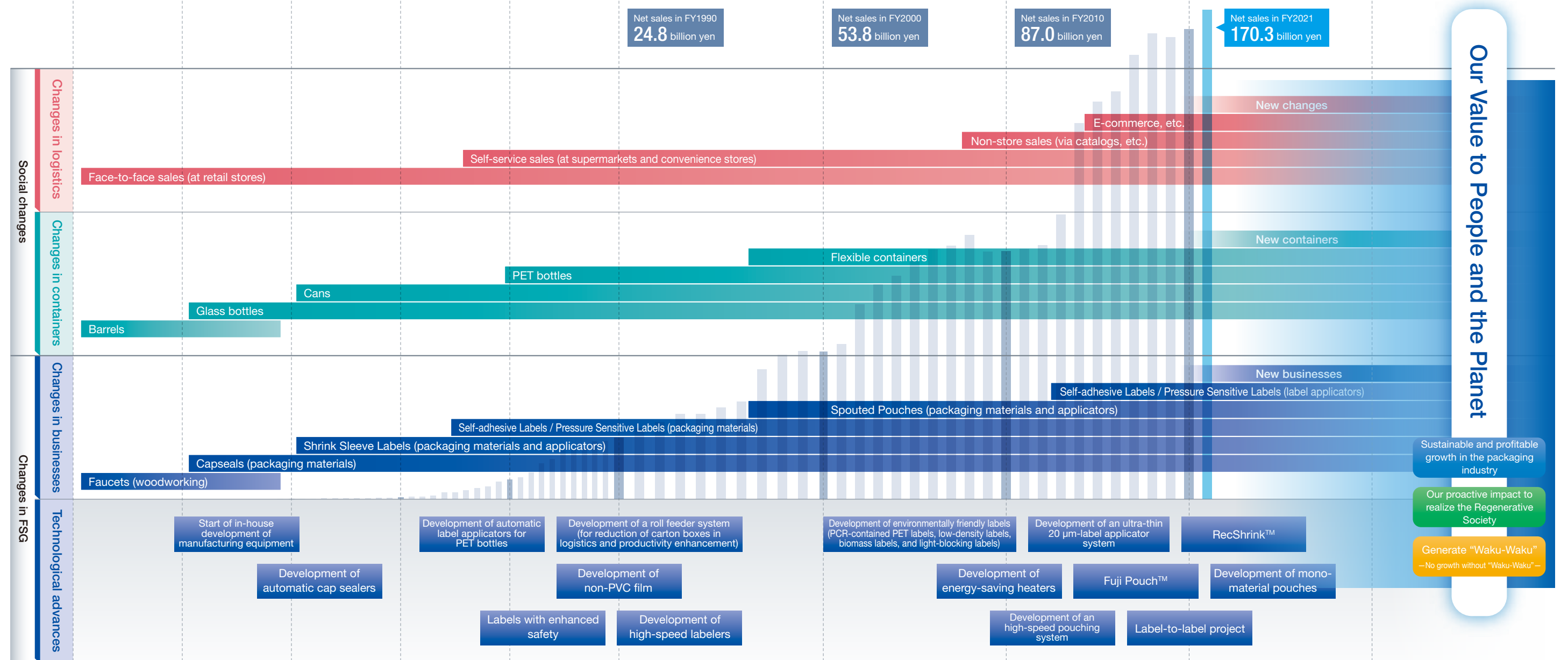
Changing along with changes

FSG was founded as a manufacturer of wooden products 125 years ago. As social demand for containers shifted from barrels to bottles, cans, and plastic bottles in accordance with changes in logistics, we developed shrink sleeve labels in the 1950s, thereby dramatically transforming into a packaging manufacturer. We have since continued to grow while responding quickly to changes in the market. We will continue to be a company indispensable to society while listening more attentively to our customers and society with the aim of creating a sustainable future.

Company history	Establishment	Change of business	Entry into overseas business and expansion of the domestic network	100th anniversary of establishment	Transition to a holding company structure	Expansion of the business scope and the business network in Japan, the Americas, Europe, and the ASEAN region	Toward the Creation of New Value	Toward the Future beyond the Next 100 Years
	 <p>1897 Established as a manufacturer of wooden faucets for barrels.</p>	 <p>Late 1950s Developed shrink sleeve labels. Began to sell packaging systems with in-house designed and manufactured automatic label applicators, which formed the basis of the Company's business activities.</p>	 <p>1970s Established subsidiaries in the Americas and Europe to collect information on overseas markets and expanded the Company's network of business bases both in Japan and abroad.</p>	 <p>1997 Began over-the-counter trading of stocks on the centenary of the Company's establishment to increase its corporate value.</p>	<p>2003 Listed on the First Section of the Tokyo Stock Exchange.</p> <p>2004</p> <ul style="list-style-type: none"> Adopted a committee system (to improve corporate governance and increase management transparency). Adopted a holding company structure with itself renamed as Fuji Seal International, Inc. (to speed up management decision-making in all operating regions, including Japan, the Americas, Europe, and the ASEAN region as core regions, and strengthen the Company's global management strategy). 		<p>Toward the Creation of New Value</p> <p>包むつながり。 未来へのつながり。</p>	<p>Toward the Future beyond the Next 100 Years</p> <p>Dream together Change together</p> <p>Toward the Future beyond the Next 100 Years ~What We Can Do Now in View of Where We Will Be after a Decade~</p>



History of Our Business / Changes in Net Sales



Dream together Change together

Toward the Future beyond the Next 100 Years

~What We Can Do Now in View of Where We Will Be after a Decade~



Background

Unlike in Japan, a cycle of 25 years—a quarter of a century—is recognized as especially important in Europe and the Americas. We have launched a 125th anniversary project in the hope of organizing something that can bring “Waku-Waku” (excitement) to employees in celebration of this especially important anniversary of FSG’s establishment.

Themes

- FSG employees, every one of whom is a strong supporter of FSG’s future, played the leading role in the 125th anniversary ceremony. We hope that they pursue their own dreams in cooperation with each other while readily changing themselves as necessary in view of where we will be after a decade, and that they also ponder on what they can do towards that purpose and put it into practice, which will create a bright future for FSG beyond the next 100 years.
- To fulfill these hopes, we will focus on the three pillars shown on the right.

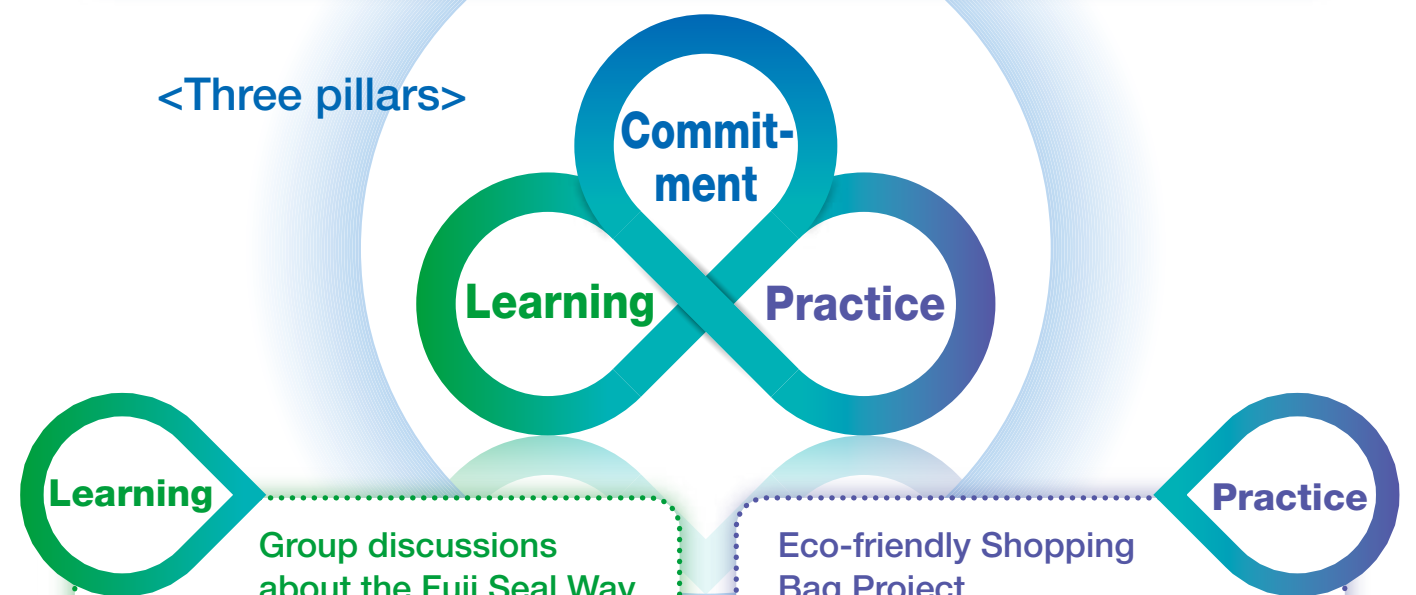
Commitment

125th anniversary ceremony

This ceremony was the main event in the anniversary project. The ceremony was held virtually, featuring a wide variety of videos created on the theme of every FSG employee’s commitment to working on their own initiative toward the future growth of FSG. Prepared in an unprecedented way—with the active involvement of all those related to FSG, the ceremony included not only speeches by management team members but also messages of congratulations from our customers and business partners about their expectations for the future of FSG, as well as photos titled “My Action” collected from all employees. Even amid the COVID-19 pandemic, which has made it difficult for us to come together in person, the ceremony offered us the valuable opportunity to share with each other globally the joy of achieving continuous growth over the past 125 years and a strong determination to take action in view of where we will be after a decade in anticipating the future beyond the next 100 years.

▶▶ See page 18 for details.

<Three pillars>



Learning

Group discussions about the Fuji Seal Way

Each division or team has group discussions to relearn the core ideas that have led the growth of FSG, including our Credo, Slogan, and Value Behavior, and considers what to do to fulfill our new Vision and Mission.



Our commitment to working on our own initiative toward the future growth of FSG

▶▶ See page 17 for details.

Practice

Eco-friendly Shopping Bag Project

This project embodies our hope of providing “our value to people and the planet” by not only building a new system for recycling waste materials from the manufacturing process, used labels collected from the market, and other resources but also ensuring that every FSG employee thinks about what value FSG can offer and sharing those thoughts with external stakeholders, including customers, business partners and local communities.



▶▶ See page 19 for details.



❖ Fuji Seal Way Group Discussions

Following the unveiling of our new vision and mission statement in 2021, we issued the “Brand Book” and the “Fuji Seal Way 2021.”

Since its foundation in 1897, the Fuji Seal Group has continuously achieved stable growth, marking the 125th anniversary of its establishment this year. Taking this opportunity, we have launched Group-wide inner branding activities under the recognition that with our eyes focused on the next 100 years, it is a priority issue to enhance our employees’ understanding of the Fuji Seal Brand and its culture.

What is the Fuji Seal Way?

It may be no exaggeration to say that the implementation of the Fuji Seal Way has served as a major driving force for the co-creation and competitiveness that have enabled the Fuji Seal Group to achieve continuous growth until today.

As the Fuji Seal Group marks the 125th anniversary of its founding this year, we considered it extremely important to formulate the Fuji Seal Way in today’s words and further enhance the employees’ awareness and sharing of the Fuji Seal Way.

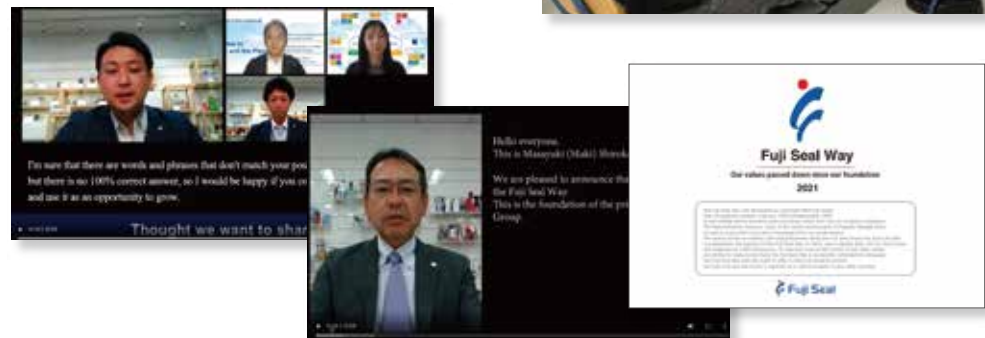
We firmly believe that the Fuji Seal Way will also help each individual’s personal development. We hope that the Fuji Seal Way will be read repeatedly not only for group work but also for daily activities.

Purposes

All employees of the Fuji Seal Group are expected to

- Understand, feel empathy for, and see the new Mission and Vision as their own;
- Understand the Guideline for Action and the Fuji Seal Way, and practice and embody them in everyday life;
- Consider how their daily practice and embodiment of the Fuji Seal Way can lead to what kind of “value” they can offer; and
- Help the Fuji Seal Way evolve to a new level through each individual’s practice and embodiment.

We held six series of group discussions involving all employees. Before the discussions, the employees read the Fuji Seal Way again and watched video messages from officers and other employees, based on which discussions were carried out.



❖ Ceremony for the 125th anniversary

We held a ceremony marking the 125th anniversary of the founding of the Fuji Seal Group (FSG). The ceremony, conducted in a video form, featured a variety of contents created under the theme of each individual’s commitment to take action on his/her own initiative.

Four different types of videos were created for four different business regions so that employees could feel more familiar with the video contents.

- 1 **Top Message**
Top Message from Masayuki Shirokawa, COO
 I believe that each individual’s behavioral change can lead to self-assertion, and even to a driver for the growth of FSG. With a sense of speed, change your action in everyday life and work together to create a future in which we can progress together. Let’s take a proactive approach and create change.
- 2 **Message**
Messages from Customers and Business Partners
 We received more than 100 messages from around the world, leading us to feel the strong expectations of our customers and business partners toward FSG, deepen our pride and confidence, and reinforce our strong desire to progress together.
- 3 **IDEA BANK**
“Idea Bank” Program
 The “Idea Bank” program boasts a history of 35 years, which is mainly attributable to each employee’s enthusiasm and passion to make FSG better and pursue the development of FSG. This program was expanded to a global level in 2021, and the number of ideas submitted at each business site and award winners were introduced in this ceremony. Under the program, we will continue the effort to identify and suggest challenges from an on-site perspective in order to get closer to what we want to be.
- 4 **My Action**
Photo Collections of “My Action”
 With an eye focused on the further growth of FSG 100 years from now, we—on an individual level and on a division/department level—considered what we should aim for 10 years down the road, what we should implement, and what changes we should make. The dream and behavioral change of each and every one of us will build the future of FSG.



Practice

“Eco Bag” Project

We learn about the Vision of FSG and the Fuji Seal Way, and each of us considers what value we at FSG can offer to people and the planet and turns such ideas into action. As part of projects marking FSG’s 125th anniversary, we created eco bags by recycling waste labels generated during the process of manufacturing and labels collected from the market.



Eco bag for FSG employees



Eco bag for communication (for external use purpose)

This time, we created two types of eco bags—one distributed to employees and the other distributed to local people in our communities. Different recycling methods were used for these two eco bags. “Mechanical recycling” was used to create the eco bag for employees, and “chemical recycling” for the eco bag for external communication. FSG has been working on the promotion of both mechanical recycling and chemical recycling.

Recycling methods

There are basically three types of recycling methods.

- **Thermal recycling:** a recycling method that recovers the heat energy generated when waste is burned and reuses it as energy
- **Mechanical recycling:** a recycling method in which waste materials are reused as raw materials for new products
- **Chemical recycling:** a recycling method in which waste materials are chemically decomposed, synthetically converted into other materials, and reused as raw materials for new products

For horizontal recycling to make resources from resources, there are two choices available: mechanical recycling and chemical recycling.

For the production of two kinds of eco bags, different recycling methods were used. For chemical recycling, we collaborated with JEPLAN, INC. JEPLAN manufactured recycled PET plastic (rPET) from waste labels generated at FSG and labels collected from the market, and it recycled the rPET into an eco bag.

Initiatives to build a circular economy

To promote the recycling of limited valuable resources and build a recycling-oriented society, FSG has been working on the implementation of horizontal recycling. Used labels and packages are regenerated as resources by developing recyclable products and collecting and recycling used products.



“Regeneration Diversity” ~There is more than one correct answer.~

As a company providing packaging solutions, FSG strives for further evolution to provide unconventional solutions that can ensure both packaging convenience and a reduction in environmental burdens, thereby meeting global needs. We implement different recycling initiatives according to the region and the product type.

Label-to-label project

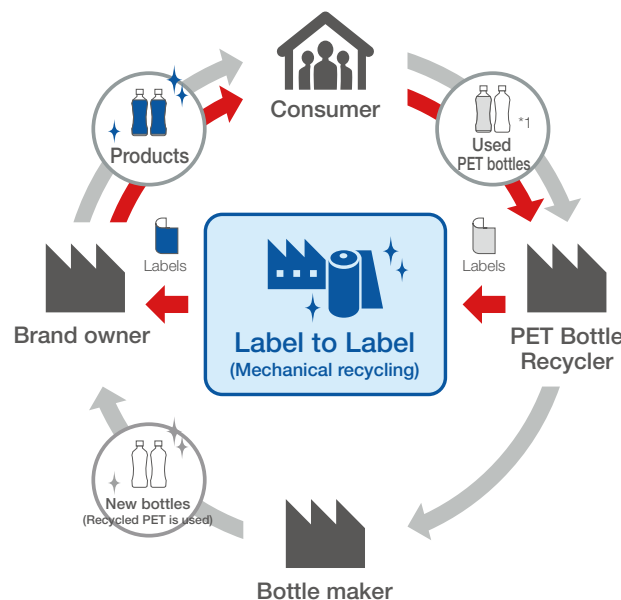
In Japan, we have launched a field-test project to technologically realize the horizontal label-to-label recycling of shrink sleeve labels and make this feasible in society in collaboration with business partners, recyclers, and customers.

The label-to-label technology will enable horizontal recycling of used labels, after printed designs are removed from them, into new labels, thereby contributing to resource circulation.

We are also promoting an “ink-to-ink” initiative to remove ink from labels and recycle it into ink for packaging materials. In cooperation with Dainichiseika Color & Chemicals Mfg. Co., Ltd., we have succeeded in developing a technology for this purpose and recycling used ink into ink for ordinary use on labels.

Recycling labels, which provide consumers with useful information, into labels again will contribute to not only effective use of resources but also GHG emissions reduction.

We launched this project to look for label-recycling solutions that are particularly effective in Japan, where the process of automatically separating labels from PET bottles is available. We will continue our efforts to establish a system for recycling shrink sleeve labels in close collaboration with stakeholders.



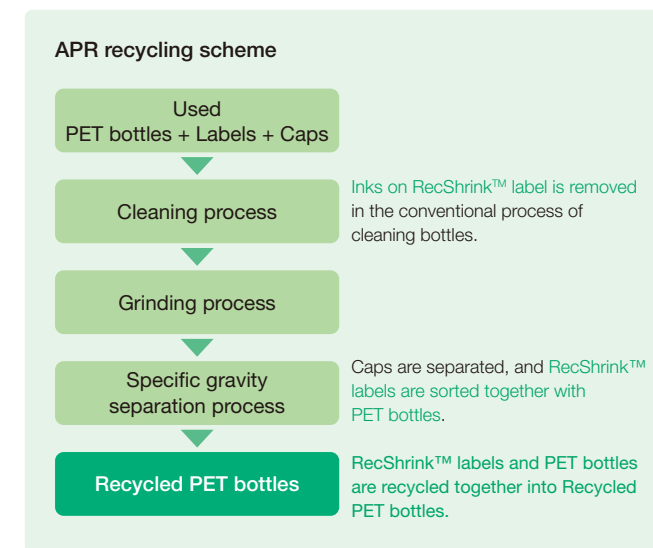
Label-to-bottle project

The focus of label recycling has conventionally been placed on how to completely remove labels from containers and how to enhance the efficiency of PET bottle recycling.

However, a new concept of resource circulation based on horizontal recycling of bottles with labels, which are also useful

resources, is being accepted mainly in the Americas.

In 2019, the Association of Plastic Recyclers recognized the RecShrink™ label, which FSG had developed, as recyclable with PET bottles into PET bottles.



A number of major global food and beverage manufacturers mainly in the U.S. have begun to use this label for their products.

Labels with no need to be removed facilitate resource circulation.

Packages to something valuable

Reducing waste from the processes of manufacturing pressure sensitive labels and pouches

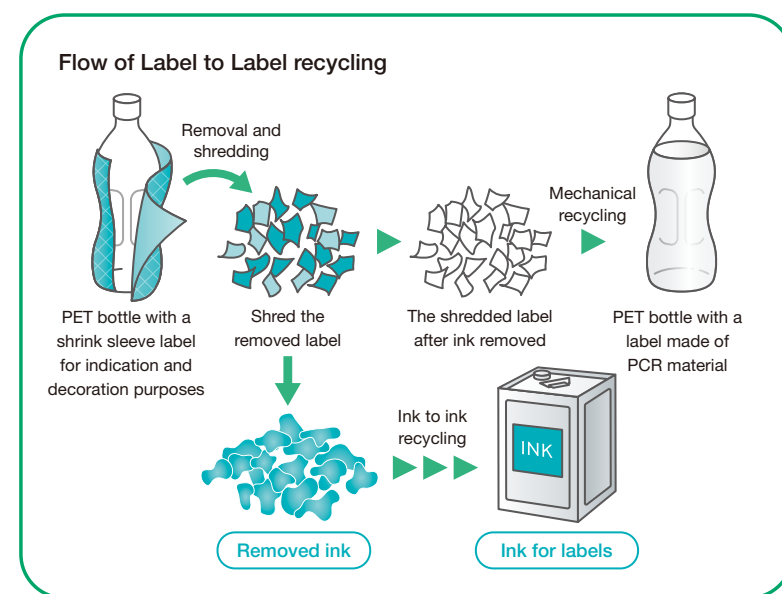
We strive to not only reduce waste from manufacturing processes but also use waste effectively.

We work with our business partners to separate in-house waste appropriately and use it effectively through recycling. Furthermore, we are currently examining what product designs will make recycling easier, exploring a more economical form of recycling.

For example, we are implementing a project to recycle

waste from the processes of manufacturing pressure sensitive labels and pouches in cooperation with Joto Techno Co., Ltd. and G-Place Corporation, both of which are engaged in manufacturing building materials.

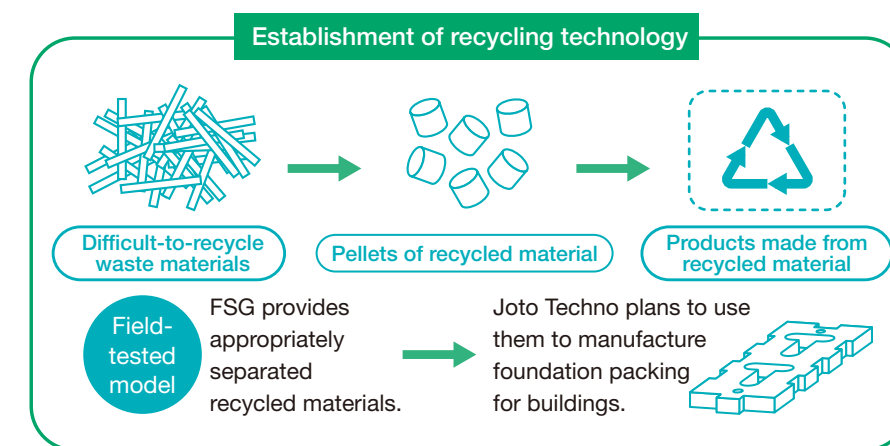
This project, through partnership between different industries, aims to pave the way for widespread use in society of the technology for manufacturing usable recycled materials and of those recycled materials.



Topic

Yasai-seikatsu 100 Original (720 ml bottle) from Kagome Co., Ltd. is the first product to be distributed with labels produced under the label-to-label project in Japan.

* Distribution of this product will cease at the end of August 2022.



Foundation packing
Used in wooden buildings to allow ventilation under the floor and prevent termite damage

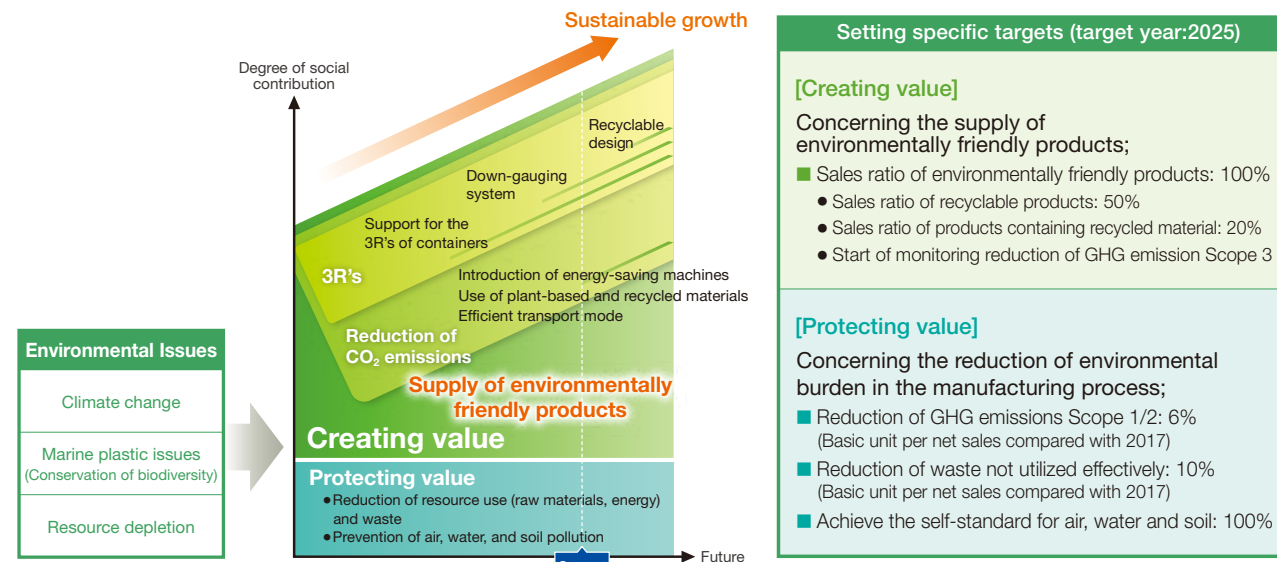
Fuji Seal Group Environmental Vision

FSG recognizes climate change, the issue of marine plastic (Conservation of biodiversity), and resource depletion as important environmental issues to be resolved.

To resolve these environmental issues, we focus mainly on creating value based on our action to protect value, including reducing environmental burdens created by our

manufacturing processes.

Creating value involves the specific action of developing and providing environmentally friendly products, in which we believe FSG can make the greatest contribution to customers and consumers and achieve sustainable growth.



* Target year for GHG emissions reduction: 2023
* The target percentage will be raised gradually, and we aim to achieve net-zero GHG emissions in 2050.

Together with our business partners and customers

Global environmental issues will never be resolved successfully only with our own efforts.

To resolve those issues, we cooperate with our business partners and customers in developing environmentally friendly products in various countries.

We are making these collaborative efforts while selecting the methods that create the lightest environmental burdens according to the local situation and values.

We will fulfill our Vision, "Our Value to People and the Planet," together with our business partners and customers.

Our Vision – To Be –

Our Value to People and the Planet

Our proactive impact to realize the Regenerative Society

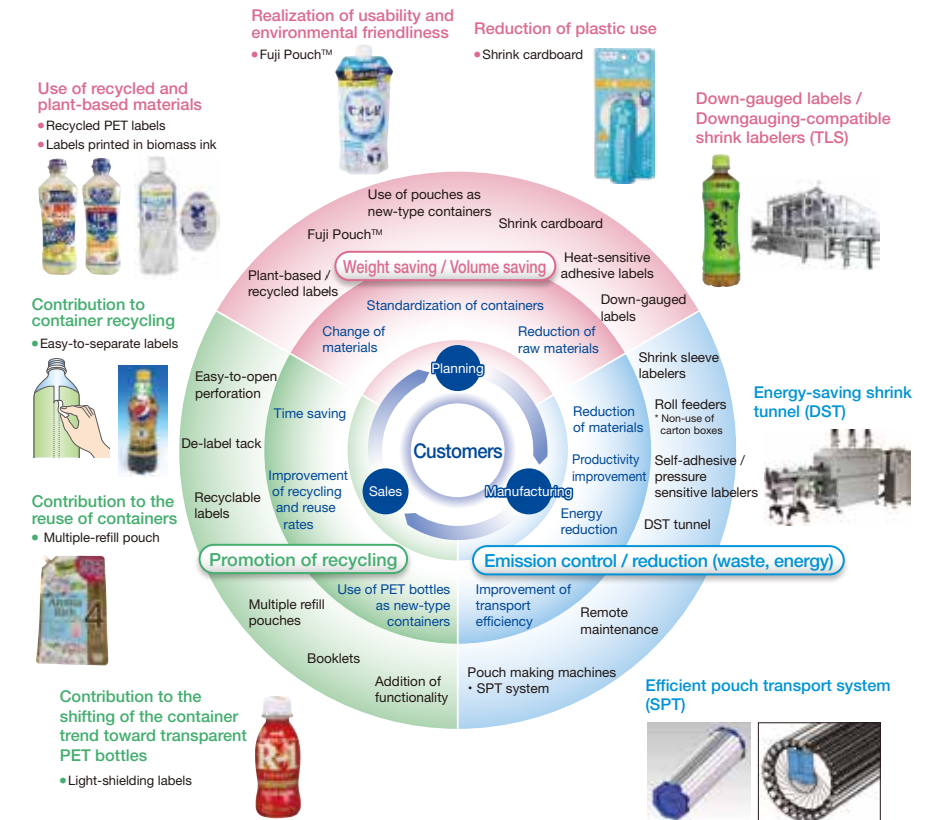
Generate "Waku-Waku" – No growth without "Waku-Waku" –

Environmentally friendly products

We have long experience of identifying and solving potential challenges in collaboration with our customers and business partners by deepening our understanding of customers' business cycle of product planning, manufacturing, and sales.

The chart on the right shows FSG's history of identifying and tackling various challenges, including "Weight saving / Volume saving," "Emission control / reduction (waste, energy)," and "Promotion of recycling."

We will continue to provide environmental solutions and thereby make a significant contribution to society.



Definitions of categories of environmentally friendly products

The categories of environmentally friendly products are defined by the executive officer in charge of each region or each business to ensure that FSG's business activities accurately reflect demand in each regional market and our customers' views on the environment. The appropriateness of these definitions is reviewed by the Group Sustainability Committee as needed.

Category	Definition	Fields of environmental contribution	Examples
Recyclable products	Products that can be recycled themselves (1) Products that meet the guidelines offered by third parties (customers, national recycling associations, and business partners) (2) Products for which FSG has built recycling mechanisms	Mitigation of climate change Effective use of resources (resource circulation) Waste reduction Conservation of biodiversity (prevention of waste discharge to land and the sea)	RecShrink™ Rec Tack Label-to-label project Mono-material pouches
Products containing recycled material	Products designed to contain recycled material (1) Products containing post-consumer recycled material (2) Products containing post-industrial recycled material	Mitigation of climate change Effective use of resources (resource circulation) Waste reduction Conservation of biodiversity (prevention of waste discharge to land and the sea)	PCR-contained PET shrink sleeve labels PCR-contained PET pressure sensitive labels PCR-contained PET wrap-around labels
Products with reduced volume and reduced weight	Products that help reduce the thickness and weight of material Products that help reduce the overall use of packaging material Products and services that contribute to reducing waste created as the by-product of our customers' manufacturing processes	Mitigation of climate change Effective use of resources (resource circulation) Waste reduction	20 μm shrink sleeve labels; down-gauged-label applicators; labels printed on the back; Fuji Pouch™ Shrink cardboards; booklet labels; multiple-refill pouches; labels for label-less bottles Liner-less labels; heat-sensitive adhesive labels; roll feeders
Container-recycling-friendly products	Labels with functions necessary for facilitating container recycling	Effective use of resources Waste reduction	Recycling-friendly perforated labels; low-density labels; light-shielding labels; thermal insulation labels; de-label tack; pressure sensitive labels on pouches
Products containing sustainable material	Products that help reduce emissions with an adverse impact on local communities and ecosystems at the times of their manufacturing, use, and disposal Products containing plant-based material Products containing easy-to-recycle material	Conservation of biodiversity Mitigation of climate change Effective use of resources (resource circulation) Waste reduction	Water-based ink Biomass ink; biomass film Paper labels; molded pulp
Energy-saving products	Products and services that help enhance the efficiency of transportation Products and services that help reduce customers' energy consumption in manufacturing processes	Mitigation of climate change	Efficient pouch transport system (SPT) DST tunnel; HST tunnel
Products reducing water usage	Products and services that help reduce customers' water usage in manufacturing processes	Preservation of water resources	DST tunnel; HST tunnel; hot air shrink tunnel

Initiatives to Provide “Our Value to People

and the Planet”



Hideaki Umeda, Executive Officer in charge of Shrink Sleeve Labels

Utilizing Shrink Sleeve Labels as a Valuable Resource

Over the past couple of years, the shrink sleeve label business has accelerated the development of environmentally friendly products, and efforts to utilize used labels as valuable resources rather than treating them as disposable waste have been taking shape. One of these initiatives is RecShrink™ labels, the label-to-bottle project in which labels and PET bottles are recovered together to be recycled into PET bottles. This recycling method does not require consumers to remove the labels when disposing of PET bottles and enables our customers to continue using the existing manufacturing machinery. In the Americas, an increasing number of manufacturers are already beginning to use RecShrink™ labels. In the future, we plan to

expand its introduction to European and ASEAN markets.

On the other hand, in Japan, where unique regulations on recycling are enforced, it is necessary to remove labels from PET bottles before disposal, we have launched the "label to label" project with the collaboration of our business partners to recycle used labels into new ones, which a number of manufacturers have started implementing. We feel there are encouraging signs of the potential of the shrink sleeve labels business.

In the new factory in North Carolina, which is scheduled to be completed in December 2022, we aim to create an environment that will be friendly not only to the environment but also to employees by reducing the use of solvents and automating transportation within the factory. We believe this factory will serve as a standard model for future reconstruction or expansions of other factories in other regions.



First product using the shrink sleeve label derived from labels



Takeshi Kyogane, Executive Officer in charge of Self-adhesive Labels / Pressure Sensitive Labels

Sustainability × Wellbeing

In the self-adhesive label / pressure sensitive label business, we are creating environmentally friendly products that meet the needs of the times, such as small self-adhesive and pressure sensitive paper labels to be applied to label-less bottles. While an environmental perspective is certainly important, it is also true that if it is our sole focus, it would cause a loss of our brand power provided by our superior decorative labels and the feelings of excitement (Waku-Waku) and wellbeing that consumers have when acquiring these products. One of the strengths of self-adhesive / pressure sensitive labels is their ability to be adjusted to the appropriate spot and carry required information in a minimal area. Furthermore, the possibilities for indications and decorations can be expressed on multiple labels with different materials and designs.

capitalizing on the merits of self-adhesive / pressure sensitive labels? There may be no perfect answer, but I believe this is an important subject that we, as packaging professionals, must tackle.

The challenge of manufacturing linerless labels without the use of release paper, which ultimately becomes waste, has been a longstanding issue in our industry for which we are steadily developing the system. In addition, the diversification of products and their shorter life cycles have forced us to manufacture smaller lots to avoid keeping an unnecessary inventory, which in turn, involves more frequent changes to manufacturing lines from one product to another that simultaneously create losses. Therefore, we have devoted a great amount of effort on reducing waste by focusing on "updating to equipment suitable for accommodating a small-lot, high-mix production" and "innovation in manufacturing plans."

Is it possible to "balance sustainability and wellbeing" while



Self-adhesive / pressure sensitive labels applied to both sides of PET bottles. These labels can be removed and used as stickers.



Masahisa Fukuda, Executive Officer in charge of Spouted Pouches

Further Reduction of the Use of Plastics

The demand for pouches, which use less plastic than conventional containers, is growing every year, and they are beginning to be used in new categories of products such as alcohol-based disinfectants, mouthwash, automobile supplies, and sauces. There are two major trends in environmental solutions offered by the soft pouch business, one of which is "Wholesales". Especially in Japan, where there is a culture of using refills, there is an increase of spouted pouches with volumes large enough to refill a bottle multiple times, and we have developed pouches with handles to facilitate their use. The other trend of solutions is "pouches

as a replacement for conventional containers". For example, Fuji Pouches™, when used in combination with a holder, can be replaced with another one. We aim to facilitate the widespread use of Fuji Pouches™ by offering further solutions with developing the variety of the types including their size.

Although pouches have various functions that can contribute to environmental conservation, including excellent barrier properties that help reduce food loss, they are difficult to recycle because they are made by laminating three or four types of film materials. To make pouches as recyclable as PET bottles, we are working on the development and commercialization of mono-material pouches that maintain the performance level of existing pouches.



Flexible Fuji Pouch™ Fuji Pouch™ combined with a holder

The Group Sustainability Committee established in 2020 Accelerating regional sustainability promotion activities

The Group Sustainability Committee

With the aim of promoting and supporting FSG's sustainability management, we have established the Group Sustainability Committee. With the COO as the chairperson, the Group Sustainability Committee is composed of committee members and its secretariats. The Executive Officer in charge of each region serves as the Regional Sustainability Promotion Manager. The Regional Sustainability Promotion Manager and the secretariat share information with the Group Sustainability Committee to work together to promote cross-sectoral sustainability management.

Group Sustainability Committee members meet monthly to determine promotion frameworks/plans, discuss policies/regulations, and/or coordinate disclosed information. The Committee members work with regional secretariats and divisions/departments in charge of practical operations (such as those for corporate planning, human resources, legal affairs, environment, safety and disaster prevention, and procurement) to give instruction regarding activity plans to relevant sections of the Group and promote and implement sustainability activities. In addition, important matters concerning sustainability, including approval of policies and regulations and approval of target setting and disclosure, are reported at a Board of Directors meeting for deliberation and determination.



Initiatives of the Group Sustainability Committee

VOICE

Voice from the Chairperson of the Group Sustainability Committee

We achieved the Group Sustainability Committee's targets of receiving a Silver Rating from EcoVadis and being selected as a constituent of the FTSE Blossom Japan Index two years ahead of schedule.

To further accelerate the Group's activities, we are planning to shift the present system to a system that enables those in charge of practical operations of each region to play a leadership role in promoting sustainability management.

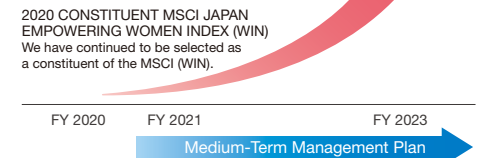


Masayuki Shirokawa
Director, Representative Executive Officer, President and COO

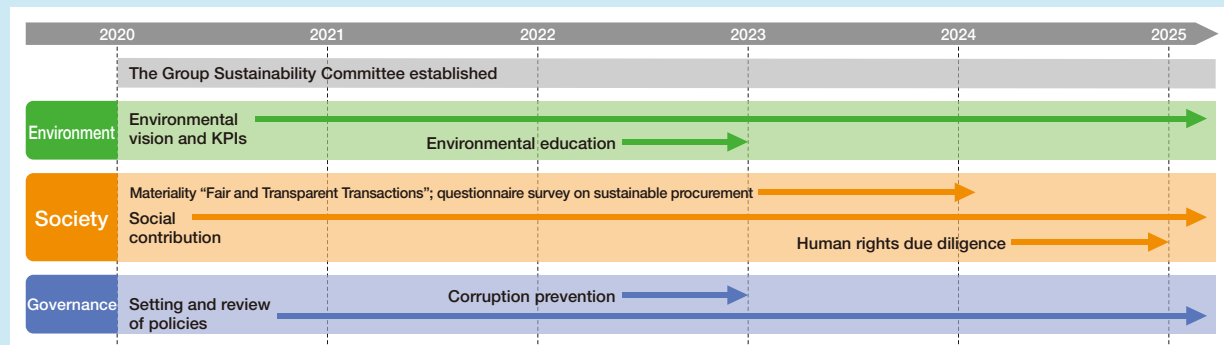
Target declaration

We will publish the evaluation of our ESG activities by EcoVadis, CDP, FTSE Blossom Japan, and MSCI (WIN) and strive to improve corporate value.

Three-year plan for external evaluation
Selected as a constituent of the FTSE Blossom Japan Index and the MSCI (WIN) Receive a Silver Rating from EcoVadis We will strive to achieve the above-mentioned goals and maintain our status and rating.



Priority issues



ESG

FY2021 External Evaluation

EcoVadis

EcoVadis is a third-party institution based in France that evaluates and monitors the sustainability of suppliers. The company uses an independent, highly reliable, common platform to conduct a comprehensive assessment in the four areas of environment, labor and human rights, ethics and sustainable procurement.

FSG's performance was recognized with a Silver Rating from EcoVadis in 2021. (FSG scored in the top 25% of all the companies rated.)



CDP

CDP is a not-for-profit organization established in the UK in 2000 that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. CDP's global disclosure system is renowned for presenting highly influential data, which are used by major purchasing companies.

CDP 2021 assessment results



FTSE Blossom Japan Index

A comprehensive index that considers every aspect of ESG (environment, social and governance) activities; it is designed to measure the performance of Japanese companies that are showing excellent performance in responding to ESG-related issues.

FSG was first selected in FY2021.



FTSE Blossom Japan

MSCI Japan Empowering Women Index (WIN)

An index constructed using leading companies selected from within their sector groups, based on data regarding the employment of women disclosed under the Act on Promotion of Women's Participation and Advancement in the Workplace

FSG has been continuously selected since FY2019

S&P/JPX Carbon Efficient Index

An index that, with the Tokyo Stock Price Index (TOPIX), a leading stock index showing trends in the Japanese market, as the universe, determines the weighting of a company in the index, based on the company's status of environmental information disclosure and its level of carbon efficiency

2nd Decile in Decile Classification

SOMPO Sustainability Index

"SOMPO Sustainable Investment" is an investment product designed for pension funds and institutional investors who invest broadly in companies with a high ESG (environment, social and governance) rating. It aims to manage long-term investments based on its own "SOMPO Sustainability Index," composed of stock companies whose initiatives toward ESG are recognized to be outstanding.

FSG was first selected in FY2021



Sompo Sustainability Index

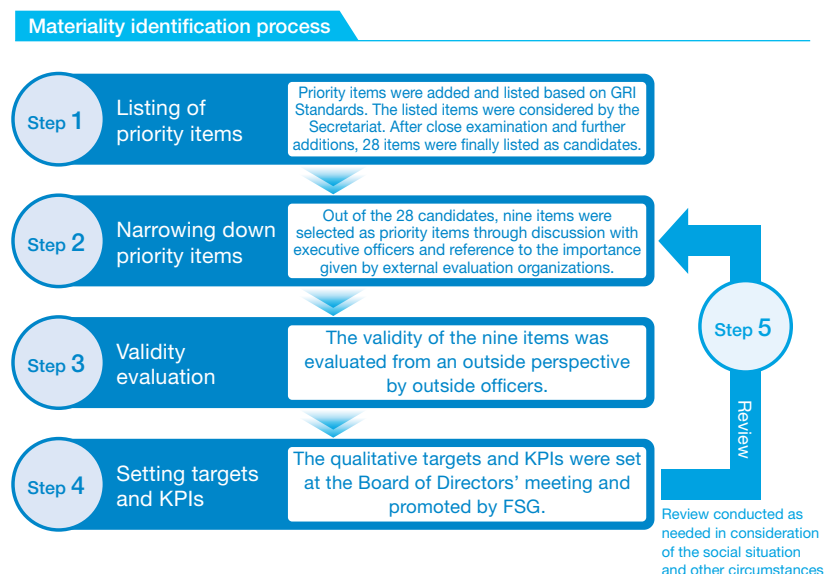
Materiality for the Fuji Seal Group

Our materiality issues link directly to our Vision, leading us to contribute to a sustainable society.



In 2020, FSG identified nine materiality issues that it should tackle to contribute to realizing a sustainable society and defined their connection with the SDGs.* These materiality issues are annually reviewed in cooperation with outside directors from the perspective of whether they match social requirements. The qualitative targets and KPI targets set for each of the materiality issues are also updated.

* SDGs: 17 Sustainable Development Goals set for 2030, included in a resolution adopted at the United Nations Sustainable Development Summit



Participation of outside directors in the materiality identification process

The outside directors participated in discussions for materiality identification from the beginning of those discussions in January 2020. Their views from both external and long-term perspectives greatly helped us notice matters that we had not been able to do so from an internal perspective alone, and made the long period of discussions even more productive.

The outside directors commented respectively as follows: "Since the materiality issues were identified, the content of documents submitted to the Board of Directors has

matched those issues. Management issues correspond with the materiality issues," "FSG's businesses per se closely conform with the SDGs, and the connection established between the materiality issues and the SDGs has enabled all those involved to tackle those issues," "Steady efforts to address the materiality issues will bring better financial results. I believe that management indicators are closely related to the materiality issues," and "Employees' work satisfaction and the practice of materiality are both drivers of FSG's businesses."

Latest update of the nine materiality issues

	Qualitative target	KPI (Key Performance Indicator) up to 2023	Actual figures (as of March 31, 2022)	Main Initiatives	Value to Society
Development of People-friendly Packaging Materials	<ul style="list-style-type: none"> Creation of opportunities for all employees to take on the daily challenges of developing people-friendly packaging with a sense of purpose and pride 	<ul style="list-style-type: none"> Number of FSG proposals submitted to the Idea Bank Program: 10,000 per year 	<ul style="list-style-type: none"> Idea Bank Program: Implemented in all business regions with 6,788 proposals submitted per year 	<ul style="list-style-type: none"> Initiatives targeting all employees Activities to Disseminate the corporate vision Expansion of the Idea Bank Program and Awards 	<ul style="list-style-type: none"> Creation of people-friendly and high-value-added products and services Provision of a fulfilling life to society
Development of Environmentally Friendly Products	<ul style="list-style-type: none"> Reduction of environmental burdens in the entire supply chain associated with climate change, depletion of resources, and biodiversity Reflection of environmental activities in our business strategies 	<ul style="list-style-type: none"> Sales ratio of environmentally friendly products: 100% Sales ratio of recyclable products: 50% Sales ratio of products containing recycled material: 20% * Targets for 2025 	<ul style="list-style-type: none"> Sales ratio of environmentally friendly products: 65% Sales ratio of recyclable products: 4% Sales ratio of products containing recycled material: 4% 	<ul style="list-style-type: none"> Development and commercialization of recyclable products (such as RecShrink™ labels and mono-material pouches) Development and launch of products containing recycled material (such as recycled PET shrink sleeve labels and self-adhesive labels) Development and provision of packaging materials, modes of transportation, and manufacturing systems which help reduce energy consumption and GHG emissions 	<ul style="list-style-type: none"> Mitigation of climate change Reduction of environmental burdens on water, air, soil, etc. Conservation of biodiversity Innovation of environmentally friendly technologies Promotions for raising environmental awareness through our products and services
Sustainable Growth	<ul style="list-style-type: none"> Solid financial base supporting sustainable growth Development of candidates for the next management team who will realize sustainable growth 	<ul style="list-style-type: none"> Net sales: 193.0 billion yen Operating margin: 10.0% Overseas sales ratio: 50% ROE: 10.0% Number of participants in the global manager development program: More than 100 	<ul style="list-style-type: none"> Net sales: 170.3 billion yen Operating margin: 6.2% Overseas sales ratio: 47% ROE: 5.8% Number of participants in the global manager development program: 94 	<ul style="list-style-type: none"> Introduction of investment guidelines to improve investment accuracy Provision of opportunities to activate and participate in the manager development program and improvement of the program's quality by using external companies 	<ul style="list-style-type: none"> Investor return by dividend payment Management base which continues to create value for society Creation of stable employment
Speedy Launch of Newly Developed Products	<ul style="list-style-type: none"> Creation of projects that combine packaging materials and machinery, one of FSG's strengths, by utilizing our combination of high-level verification capabilities and diversified technologies 	<ul style="list-style-type: none"> Number of new global development projects that integrate packaging materials and machinery: 20 during the three years from 2020 to 2022 	<ul style="list-style-type: none"> Number of new global development projects that integrate packaging materials and machinery: 8 in 2021; 13 from 2020 to 2021 	<ul style="list-style-type: none"> Establishment and promotion of a machinery execution system for each business Development of human resources capable of promoting the provision of value based on combination of machinery and packaging materials 	<ul style="list-style-type: none"> Improvement of labor shortage and Labor-Saving Reduction of consumed energy consumption and materials loss Realization of a sustainable society
Creation of Next-generation Businesses	<ul style="list-style-type: none"> Create projects to promote new businesses other than the existing businesses (Shrink Sleeve Labels, Self-adhesive Labels / Pressure Sensitive Labels (PSL), Spouted pouch) 	<ul style="list-style-type: none"> Number of new candidate projects for new next-generation businesses: 3 * Three-year period from 2020 to 2022 	<ul style="list-style-type: none"> Number of new next-generation business projects: 3 in progress 	<ul style="list-style-type: none"> Investment in candidate projects for new next-generation businesses Collaboration with partner manufacturers 	<ul style="list-style-type: none"> Creation of new values in packages Realization of a sustainable society Employees' Waku-Waku, Society's Waku-Waku
Fair and Transparent Transactions	<ul style="list-style-type: none"> Establish responsible, socially conscious manufacturing and consumption systems based on relationships of mutual trust and development with all business partners 	<ul style="list-style-type: none"> Through the "Sustainable Supply Chain Questionnaire" ensure that our major business partners who account for 80% of FSG's procurement consent to our "Requests for FSG Business Partners" 	<ul style="list-style-type: none"> Response to the Sustainable Supply Chain Questionnaire based on FSG's business partners who account for 80% of procurement amount: 89% in Japan, 80% in the Americas, 70% in Europe, 93% in the ASEAN region 	<ul style="list-style-type: none"> Establishment and operation of the Group Sustainability Committee Establishment and revision of Group policies Implement the Sustainable Supply Chain Questionnaire internationally In-house procurement training aimed at purchasing personnel 	<ul style="list-style-type: none"> Protection of our business partners' rights Responsible manufacturing and consumption forms (raw materials, procurement, manufacturing, sale and consumption) Sound corporate activities that serve as a model for others Respect for human rights
Promotion of Information Security Measures	<ul style="list-style-type: none"> Efforts to maintain a system that strives to ensure information security that does not enable information leakage 	<ul style="list-style-type: none"> Zero cases of leaks of confidential information handled by FSG 	<ul style="list-style-type: none"> No cases of information leakage 	<ul style="list-style-type: none"> Strengthening defenses against external attacks on servers and personal computers Maintenance of all IT-related equipment and devices Internal compliance training for all employees concerning information leakage and IT literacy Implementation of internal audits of all regions 	<ul style="list-style-type: none"> Protection of all business partner information Protection of all personal information handled by FSG Sustainable supply of secure and safe products
Open Dialogue with Stakeholders	<ul style="list-style-type: none"> Improvement of ESG ratings given to us by external organizations through accurate non-financial disclosures to stakeholders 	<ul style="list-style-type: none"> Continue to be selected as a constituent of the FTSE Blossom Japan Index Continue to acquire an EcoVadis Silver Medal 	<ul style="list-style-type: none"> Selected as a constituent of the FTSE Blossom Japan Index in FY2021 Awarded an EcoVadis Silver Medal 	<ul style="list-style-type: none"> Operation of the Group Sustainability Committee Timely issuance of the Integrated Report and the ESG Data Book Provision of the opportunity for employees to have an in-person dialogue with the Company's directors 	<ul style="list-style-type: none"> Provision of investment opportunities to shareholders Revitalization of regional communities and creation of employment Greater satisfaction of employees and their family members
Stable Supply (including BCP)	<ul style="list-style-type: none"> Establishment of the Group's OHS* management system by aligning with all business bases 	<ul style="list-style-type: none"> Achieve zero occupational accidents for 365 days a year at one or more factories in each business region 	<ul style="list-style-type: none"> While the number of occupational accidents decreased in Japan and the ASEAN region, improvement activities are under way to reduce the number in other regions. 	<ul style="list-style-type: none"> Improvement of the OHS management system in a unified manner within the Group Conduct OHS audits to assess the compliance with laws and regulations by external organizations 	<ul style="list-style-type: none"> Provision of a secure, safe and comfortable work environment Contribution to secure and safe local communities Sustainable supply of secure and safe products

* OHS: Occupational Health and Safety

Development of People-friendly Packaging Materials



Reasons for selecting materiality	FSG* aims to be a company that continues to be needed by society by providing value through packaging. We believe that it is important that our employees can realize their contribution to society by developing and providing people-friendly packages to our customers and carrying out product development and production with a sense of pride.			
Regarding the KPI of the Materiality	The Idea Bank Program that FSG has developed is open to all employees. We will provide an opportunity for discussion based on our vision and valuable initiatives with all employees to realize more positive participation of employees by providing special themes for the Idea Bank based on the vision. We also place importance on all employee's perspectives on our contribution to society by engaging in the "development of people-friendly packaging."			
Qualitative target	KPI (Key Performance Indicator) up to 2023	Actual figures (as of March 31, 2022)	Main Initiatives	Value to Society
<ul style="list-style-type: none"> Creation of opportunities for all employees to take on the daily challenges of developing people-friendly packaging with a sense of purpose and pride 	<ul style="list-style-type: none"> Number of FSG proposals submitted to the Idea Bank Program: 10,000 per year 	<ul style="list-style-type: none"> Idea Bank Program: Implemented in all business regions with 6,788 proposals submitted per year 	<ul style="list-style-type: none"> Initiatives targeting all employees Activities to Disseminate the corporate vision Expansion of the Idea Bank Program and Awards 	<ul style="list-style-type: none"> Creation of people-friendly and high-value-added products and services Provision of a fulfilling life to society

* FSG: Fuji Seal Group

FSG places great importance on the Idea Bank Program.

The Idea Bank Program: By employees presenting their own ideas for the improvement of manufacturing, clerical work, human relations, etc., the program aims to increase the spirit of inquiry and raise awareness that the company is operated through cooperation among all employees. All employees, not just those involved in development work, can thoroughly analyze matters connected with FSG's vision and lead to necessary improvements based on their ideas.

Purposes: We pursue a wealthier life by digging up ideas for the next generation to generate greater profits from them. We also promote the building of a consensus to enhance awareness for improving their own workplaces and develop human resources through the process of solving problems.

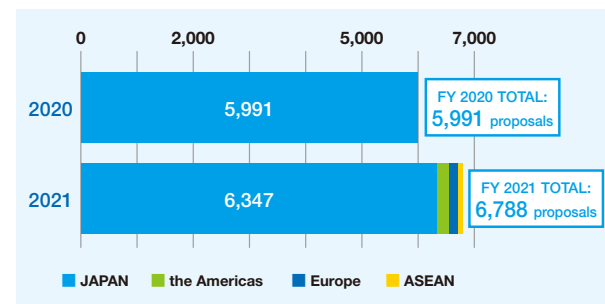
The Idea Bank Program is an indispensable source for the sustainable growth of FSG. Each of the ideas submitted by all employees will create the future of FSG and help us continue to grow as a company that provides value to society.

Initiatives up to 2021

The Idea Bank initiative began in 1986. The number of proposals submitted has increased year after year as a result of employees' determination to improve the company and desire for personal growth.

In addition, we give out awards for outstanding ideas to further motivate our employees.

Number of proposals 2020 VS 2021

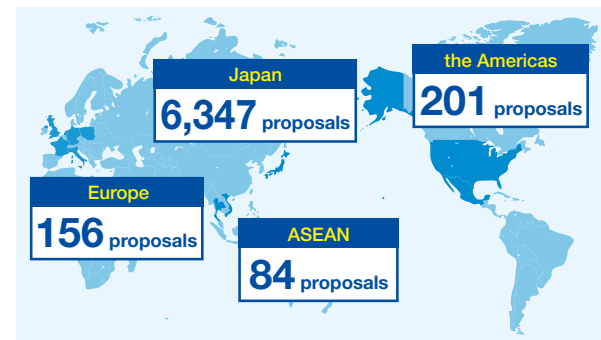


Initiatives for achievement

The Idea Bank Program was implemented in Europe, the Americas, and ASEAN Region.

Moving forward, we will accelerate the creation of proposals throughout FSG as a basis for growth.

Number of Proposals submitted to the Idea Bank



Development of Environmentally Friendly Products



Reasons for selecting materiality	FSG recognizes that environmentally friendly products and manufacturing are essential issues common to all humankind. Therefore, we aim to develop environmentally friendly products and endeavor to achieve environmental targets not only for FSG but also for customers through our business activities.			
Regarding the KPI of the Materiality	FSG is implementing initiatives for "creating value" focusing on development and supply of environmentally friendly products in order to realize a sustainable growth as a company in addition to social sustainability, while solving environmental issues such as climate change, marine plastic issues and depletion of resources.			
Qualitative target	KPI (Key Performance Indicator) up to 2025	Actual figures (as of March 31, 2022)	Main Initiatives	Value to Society
<ul style="list-style-type: none"> Reduction of environmental burdens in the entire supply chain associated with climate change, depletion of resources, and biodiversity Reflection of environmental activities in our business strategies 	<ul style="list-style-type: none"> Sales ratio of environmentally friendly products: 100% Sales ratio of recyclable products: 50% Sales ratio of products containing recycled material: 20% * Targets for 2025 	<ul style="list-style-type: none"> Sales ratio of environmentally friendly products: 65% Sales ratio of recyclable products: 4% Sales ratio of products containing recycled material: 4% 	<ul style="list-style-type: none"> Development and commercialization of recyclable products (such as RecShrink™ labels and mono-material pouches) Development and launch of products containing recycled material (such as recycled PET shrink sleeve labels and self-adhesive labels) Development and provision of packaging materials, modes of transportation, and manufacturing systems which help reduce energy consumption and GHG emissions 	<ul style="list-style-type: none"> Mitigation of climate change Reduction of environmental burdens on water, air, soil, etc. Conservation of biodiversity Innovation of environmentally friendly technologies Promotions for raising environmental awareness through our products and services

Initiatives up to 2021

FSG works to develop and commercialize environmentally friendly products, represented by recyclable products and products containing recycled material.

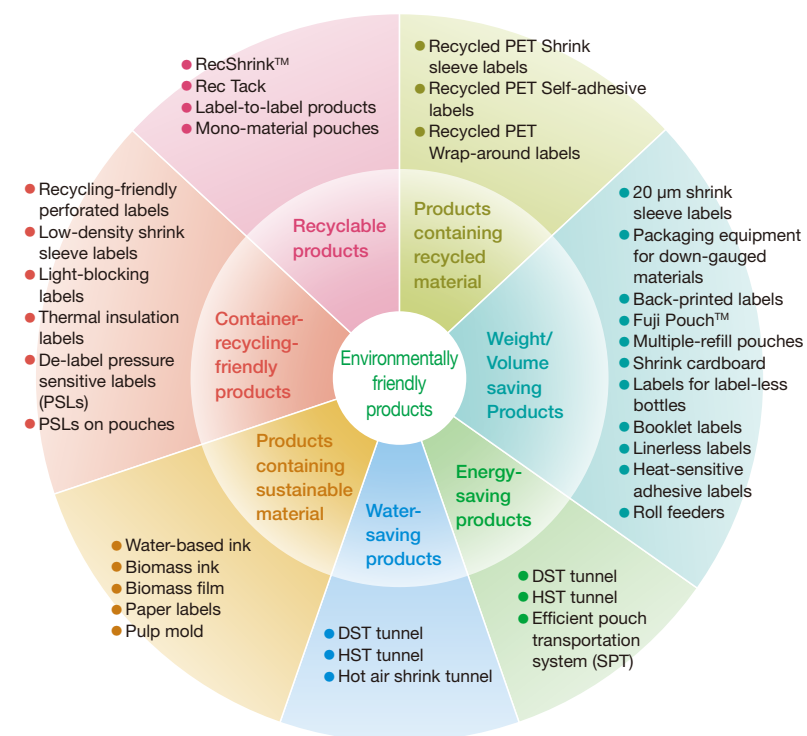
We implement various initiatives to help solve environmental issues, including expanding the use and develop the variation of Fuji Pouch™ that can be replaced in combination with a holder, and developing mono-material pouches, plant-based labels and ink, water-based ink, down-gauged label, label applicator, and delivery systems.

Initiatives for achievement

We have worked to boost sales of the RecShrink™ label as our primary recyclable product and have increased its share of the American market to nearly 20%. We will begin to introduce these products in Europe and ASEAN regions, and we will continue our efforts to expand recyclable design products with the objective of promoting resource recycling.

As for products containing recycled materials, we have launched various labels made of recycled plastic in Japan since 2009, and have begun test marketing in Europe and the Americas.

FSG's environmentally friendly products



Topic

Environmentally friendly e-commerce initiative: ~Development of Mono-materials Pouches~

Recyclable pouches made of a mono-material film and easy-to-remove PSLs were launched for e-commerce by Kimura Soap Co., Ltd. A three-party collaboration between Kimura Soap Industry Co., Ltd., G-Place Corporation, and FSG is taking place to conduct a trial run on the feasibility of recovering the pouches after consumer use and using them for horizontal recycling. In addition, these products are sent to consumers in postable package for e-commerce products that can be sent through mailboxes, contributing to the reduction of greenhouse gas emissions (GHG) by eliminating the need for redistribution.

Size fit in post box
redelivery not needed

Space saving
upright storage like a book

Shape easy to pour the content

Benefits of postable package for e-commerce products.

Pressure sensitive labels on pouches

Postable package for e-commerce products

Sustainable Growth



Reasons for selecting materiality
 FSG believes that the growth of employees who share its values is fundamental to its own sustainable growth. Therefore, we actively introduce advanced technology to establish and improve our operational systems and working environment to ensure the safe and healthy lives of employees. We also provide employees with the opportunity to develop themselves under a fair and equitable evaluation system to enable them to continue to fully demonstrate their abilities. This is because we desire to continue to be a good partner for our customers and suppliers in furthering our ongoing mutual development.

Regarding the KPI of the Materiality
 Keeping a closer eye on the effects and efficiency of our investments, we will establish a solid financial base for sustainable growth. Furthermore, we will continue to cultivate candidates for the next management team who will realize FSG's sustainable growth with the aim of enhancing the content of our HR programs.

Qualitative target	KPI (Key Performance Indicator) up to 2023	Actual figures (as of March 31, 2022)	Main Initiatives	Value to Society
<ul style="list-style-type: none"> ● Solid financial base supporting sustainable growth ● Development of candidates for the next management team who will realize sustainable growth 	<ul style="list-style-type: none"> ● Net sales: 193.0 billion yen ● Operating margin: 10.0% ● Overseas sales ratio: 50% ● ROE: 10.0% ● Number of participants in the global manager development program: More than 100 	<ul style="list-style-type: none"> ● Net sales: 170.3 billion yen ● Operating margin: 6.2% ● Overseas sales ratio: 47% ● ROE: 5.8% ● Number of participants in the global manager development program: 94 	<ul style="list-style-type: none"> ● Introduction of investment guidelines to improve investment accuracy ● Provision of opportunities to activate and participate in the manager development program and improvement of the program's quality by using external companies 	<ul style="list-style-type: none"> ● Investor return by dividend payment ● Management base which continues to create value for society ● Creation of stable employment

VOICE

Voice of the Executive Officer in Charge of Human Resources (HR)



Marieke Sauer-Ploegmakers
 Executive Officer in Charge of HR

HR Strategy

Based on our renewed Fuji Seal Group Mission, Vision and Guidelines for Action, we in 2021 redefined our Global HR Policy, Strategy and action plan to ensure that Global HR supports the business in reaching our goals. FSG regards its "human resources," which are the points of contact with each stakeholder, as our most important resource and encourages value actions of each employee.

We aim that each employee can work with passion and excitement -Waku Waku- to achieve growth through continuous creation and challenge.

Based on that principle, we have developed a global HR structure, based on 8 main platforms we will focus on within the next years.

1. Talent Management
2. Diversity
3. Engagement and motivation
4. Corporate Culture
5. Development and Training of Human Resources
6. Employer Branding
7. Management by Objectives
8. HR Digitalization

Talent Management

Based on our new HR Strategy, we decided in 2021 to improve our Global Talent Management approach. The purpose of our revised Talent Management program is to motivate and retain our talented workforce by developing their skills and continuously challenge and support them to improve their performance. It also aims to provide employees around the world with skills and knowledge through training and other programs, develop a global mindset and build good friendships with colleagues in other countries.

The program contains several pillars, such as assessment, training, leadership programs, coaching and individual projects/challenges. A capacity development plan is prepared for each participant, and progress is managed.

Two Training Programs have been developed together with an Business University in Europe, started in 2021 and are running until end of 2022.

Talent Management is an ongoing cycle, and we will continuously keep on supporting our talented employees to ensure sustainable growth for our company.

Commitment

Based on the belief that employee growth is the root of sustainable growth, Group Human Resource Office (Human Resources Department) has long been responsible for organizing the quarterly performance result briefings held in each region.

Our CEO, COO and executive officers in charge of business segment not only explain the performance and business strategy to the regional management and its team, but also elicit commitments from the participants on themes such as our vision and value actions. This is one of our important human resource strategies.

Speedy launch of newly developed products



Reasons for selecting materiality
 One of FSG's strengths lies in the ability to make a development with the combination of packaging materials and machinery. The source of skills that support this strength is our capability to satisfy customer demand by combining various technologies and to evaluate and verify what we have done. This capability enables us to launch newly developed products in a short period of time.

Regarding the KPI of the Materiality
 We will concentrate the efforts of all our businesses in the process of creating new global development projects that combine packaging materials and machinery, in which one of FSG's strengths lies. In addition, we will pursue speedy development by making the most of our high-level verification capacity and diversified technologies.

Qualitative target	KPI (Key Performance Indicator) up to 2023	Actual figures (as of March 31, 2022)	Main Initiatives	Value to Society
<ul style="list-style-type: none"> ● Creation of projects that combine packaging materials and machinery, one of FSG's strengths, by utilizing our combination of high-level verification capabilities and diversified technologies 	<ul style="list-style-type: none"> ● Number of new global development projects that combines packaging materials and machinery: 20 during the three years from 2020 to 2022 	<ul style="list-style-type: none"> ● Number of new global development projects that integrated packaging materials and machinery: 8 in 2021; 13 from 2020 to 2021 	<ul style="list-style-type: none"> ● Establishment and promotion of a machinery execution system for each business ● Development of human resources capable of promoting the provision of value based on combination of machinery and packaging materials 	<ul style="list-style-type: none"> ● Improvement of labor shortage and Labor-Saving ● Reduction of energy consumption and materials loss ● Realization of a sustainable society

Initiatives up to 2021

FSG has provided valuable comprehensive solutions, not limited to machinery, to packaging-related challenges for our customers.

[Examples of initiatives]

- Development of 20 μm shrink sleeve label applicators
- Development of machines for Fuji Pouch™

We have an in-house system for a development of new film packages, in which we start simultaneously packaging design and machine design and the teams involved can exchange ideas (in this environment they can have a discussion at any time when something is changed), thereby ensuring optimal and speedy development.

This development system has nearly halved the time required to start manufacturing a developed package, compared with the usual process of beginning to design the machinery after the design of the package is completed. These two coexisting functions of materials design and machinery design bring FSG a considerable advantage over other companies, leading to an expanded global network.



Fuji Pouch™ (340 ml and 800 ml) manufactured with an FSG-developed pouch-making machines that can handle both sizes



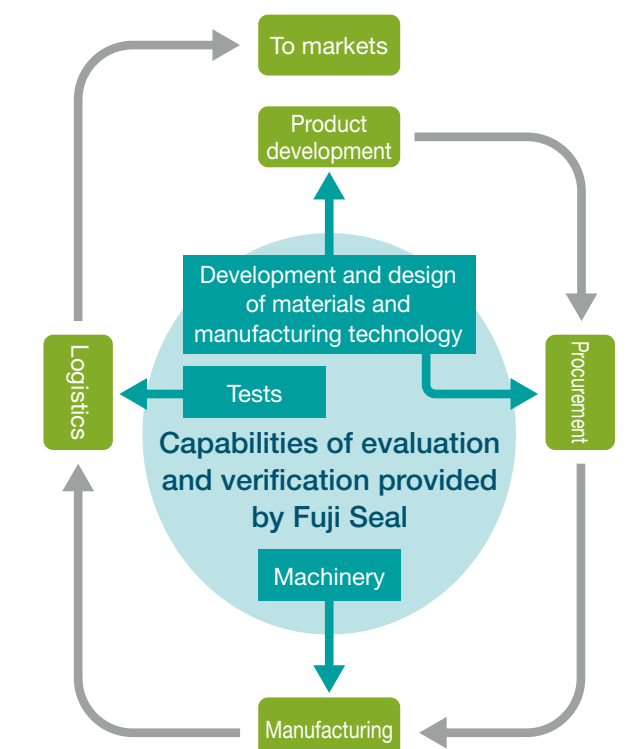
Staff in a development discussion using a prototype machine

Initiatives for achievement

We will strengthen our capabilities for solutions and verification by continuing to provide better products through the development of packaging materials with our business partners, production technology developed from our in-house manufactured machinery, and the design and services of the applicators and adhesive machines used in customers' plants.

We will also contribute to society by helping our customers' new products reach the market faster than ever before and by increasing the number of environmentally friendly products and user friendly products.

Customer's business cycle



Creation of Next-generation Businesses



Reasons for selecting materiality FSG is constantly challenging the evolution of the packaging industry by creating new packages in response to changes in containers and distribution, including the world's first practical application of "20µm packaging material" and "biomass film." As technology evolves, it is essential to create next-generation businesses that maximize our strengths.

Regarding the KPI of the Materiality We will aggressively promote new business projects that will lead to net sales of 3.0 billion yen, as envisioned in the current Medium-term Management Plan, and enable us to leap in the next Medium-term Management Plan, which will begin in 2023.

Qualitative target	KPI (Key Performance Indicator) up to 2023	Actual figures (as of March 31, 2022)	Main Initiatives	Value to Society
<ul style="list-style-type: none"> Create projects to promote new businesses other than the existing businesses (Shrink Sleeve Labels, Self-adhesive Labels / Pressure Sensitive Labels (PSL), Spouted pouch) 	<ul style="list-style-type: none"> Number of new candidate projects for new next-generation businesses: 3 *Three-year period from 2020 to 2022 	<ul style="list-style-type: none"> Number of new next-generation business projects: 3 in progress 	<ul style="list-style-type: none"> Investment in candidate projects for new next-generation businesses Collaboration with partner manufacturers 	<ul style="list-style-type: none"> Creation of new values in packages Realization of sustainable society Employees' Waku-Waku, Society's Waku-Waku

Initiatives up to 2021

FSG's specialized core technologies are Shrink Sleeve Labels, Self-adhesive Labels / Pressure Sensitive Labels (PSL), Spouted pouch, and the machinery that manufactures them.

While these technologies are the most advanced initiatives in the industry, we continue to develop these core technologies deeper. From the perspective of creating new businesses successfully linking these unique core technologies horizontally, new business possibilities will emerge that could not be created in the past.

Therefore, since 2021, we have worked to strengthen horizontal collaboration between these core technologies under a newly established deliberating council. Through these initiatives, three new technological projects have been launched and are being developed with the aim of being completed in 2022.

Development Council Structure before 2021

Shrink sleeve label business	Self-adhesive Labels / Pressure Sensitive Labels (PSL)	Spouted Pouch
<ul style="list-style-type: none"> Core technology Basic technology Elemental technology 	<ul style="list-style-type: none"> Core technology Basic technology Elemental technology 	<ul style="list-style-type: none"> Core technology Basic technology Elemental technology

Machinery Business

From 2021 Development Council

[Matrix management]
<p>« Solutions to social issues »</p> <ul style="list-style-type: none"> Plastic waste issues CO₂ emissions issues Universal design (UD) Safety / Security
<p>Shrink Sleeve Labels, Self-adhesive Labels / Pressure Sensitive Labels (PSL), Spouted pouch</p> <ul style="list-style-type: none"> Core technology Basic technology Elemental technology
<p>Machinery Business</p>

Initiatives for achievement

FSG embraces the vision, "Our Value to People and the Planet." To fulfill it, we will take the following actions:

- 1 Realization of Package-to-Package **Recycle**
- 2 Strongly promoting and realizing film packaging **Reduce**
- 3 Achieve safe and secure packages

We will make an active commitment to creating new businesses that can help solve major social issues. For this purpose, we aim to actively expand into the primary packaging business.

- 1 Expanding into the primary packaging business by utilizing FSG's core technologies
- 2 Developing film packages for practical use
- 3 Consideration of manufacturing film packages with materials that can undergo closed-loop recycling
- 4 Developing a functional dispenser that helps add higher-level universal design features to film packages
- 5 Active participation in creating a closed-loop recycling system.

To achieve these goals, we will not rely solely on our own technologies, but will actively seek a wide range of partners, including those in other industries, to achieve the target net sales of 3.0 billion yen in new fields by 2023.

Fair and Transparent Transactions



Reasons for selecting materiality FSG places an emphasis on performing transactions with our customers and business partners with us with peace of mind. We consider it important to realize fair and transparent transactions with business partners carefully selected from comprehensive perspectives based on respect, not only of prices but also quality management and quality assurance system, together with experience, past performance, social factors.

Regarding the KPI of the Materiality We will fulfill our responsible manufacturing and consumption form based on social consideration shared with major business partners by obtaining their consent to our Group Supplier Conduct Policy (Request to Our Business Partners) in line with our vision.

Qualitative target	KPI (Key Performance Indicator) up to 2023	Actual figures (as of March 31, 2022)	Main Initiatives	Value to Society
<ul style="list-style-type: none"> Establish responsible, socially conscious manufacturing and consumption systems based on relationships of mutual trust and development with all business partners 	<ul style="list-style-type: none"> Through the "Sustainable Supply Chain Questionnaire" ensure that our major business partners who account for 80% of FSG's procurement consent to our "Requests for FSG Business Partners" 	<ul style="list-style-type: none"> Response to the Sustainable Supply Chain Questionnaire based on FSG's business partners who account for 80% of procurement amount: 89% in Japan, 80% in the Americas, 70% in Europe, 93% in the ASEAN region 	<ul style="list-style-type: none"> Establishment and operation of the Group Sustainability Committee Establishment and revision of Group policies Implement the Sustainable Supply Chain Questionnaire internationally In-house procurement training aimed at purchasing personnel 	<ul style="list-style-type: none"> Protection of our business partners' rights Responsible manufacturing and consumption forms (raw materials, procurement, manufacturing, sales and consumption) Sound corporate activities that serve as a model for others Respect for human rights

Initiatives up to 2021 and subsequent initiatives for achievement

The "FSG Sustainable Supply Chain Guidebook" defines the standards established in accordance with the "FSG Code of Ethics" and "Requests for FSG Business Partners (Group Supplier Policy for Action)." In order to promote actions of whole supply chain, we also provided 117 supply chain procurement personnel participants in Japan, the Americas, Europe, and ASEAN region with an online lecture based on the Sustainable Supply Chain Guidebook. (100% participation of supply chain procurement personnel)

From 2020, the Sustainable Supply Chain Questionnaire has been conducted to confirm our business partners' alignment with our policies, monitor ESG initiatives, assess supply risks, and resolve any relevant issues. In 2021, it was conducted to major suppliers related to the Shrink Sleeve Labels, Self-adhesive Labels / Pressure Sensitive Labels (PSL), Spouted pouch and Machinery businesses in Japan, the Americas, Europe, and ASEAN countries and where necessary additional information was requested. We will continue striving to fulfill responsible forms of manufacturing.

VOICE

Voices of Regional Sustainability Secretariats

As customers have expressed high expectations for our sustainability initiatives, the implementation of the Sustainable Supply Chain Questionnaire during FY2021 was a good opportunity to reaffirm the importance of fair and transparent business transactions. We will continue to work with our business partners to promote sustainable supply chain practices with the aim of earning our customers' trust on Fuji Seal's products and services.



Yuki Hori
Corporate Administration Section, Corporate Administration Department
Fuji Seal Administrative Headquarters

Fuji Seal is strongly committed to contributing to the realization of a sustainable society, and has set a very ambitious Environment & Society and Governance roadmap towards 2025. One of the key elements to succeed this roadmap is to share our ESG vision with our suppliers and work closely with them towards always more fair & transparent transactions. The Questionnaire and the discussion we have successfully initiated with our major European suppliers will be a key milestone of this journey.



Thomas Lajouanie
General Manager-Sales operations & ESG

We greatly appreciate our partners that participated in this new initiative for the Americas. Fuji Seal greatly values the feedback that we get and looks forward to continued improvement in participation and especially the aspects to ensure that we promote a climate of sustainable growth through cooperation for mutual benefit with our partners.



Steve Hazle
Director of QA, Field Services and HR American Fuji Seal

I believe it was important to conduct our Sustainable Supply Chain Questionnaire as the world has undergone drastic changes after February 2022. It is essential to conserve resources such as fossil fuels and rare minerals, and in addition to developing alternative energy sources such as renewable energy and hydrogen energy, we must first prioritize the promotion of resource recycling. The results of the questionnaire show a desire to build cooperation with regards to recycling. While keeping a close eye on the global situation, we will use the questionnaire as an opportunity to further promote all efforts to promote environmentally friendly initiatives.



Kazuchika Shiihara
FSPT Executive Vice-President

* As of March 2022

Promotion of Information Security Measures



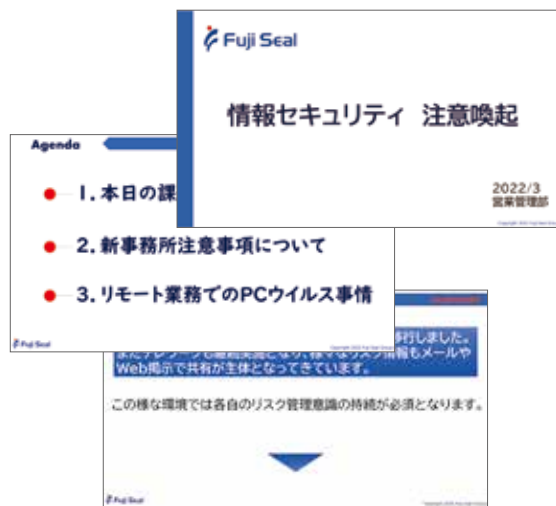
Reasons for selecting materiality	FSG protects and properly manages information provided by customers and business partners and employees' personal information. We also believe that it is important to eliminate the risk of cyberattacks to ensure business continuity.			
Regarding the KPI of the Materiality	FSG regards the prevention of leaks of confidential information handled (including information of business partners) as the most important management risk. We believe that it is critical to continue to improve information security measures, aiming to establish protection systems that do not enable information leakage.			
Qualitative target	KPI (Key Performance Indicator) up to 2023	Actual figures (as of March 31, 2022)	Main Initiatives	Value to Society
<ul style="list-style-type: none"> Efforts to maintain a system that strives to ensure information security that does not enable information leakage 	<ul style="list-style-type: none"> Zero cases of leaks of confidential information handled by FSG 	<ul style="list-style-type: none"> No cases of information leakage 	<ul style="list-style-type: none"> Strengthening defenses against external attacks on servers and personal computers Maintenance of all IT-related equipment and devices Internal compliance training for all employees concerning information leakage and IT literacy Implementation of internal audits of all regions 	<ul style="list-style-type: none"> Protection of all business partner information Protection of all personal information handled by FSG Sustainable supply of secure and safe products

Initiatives up to 2021

Examples of initiatives made in Japan to Strengthen Information Security in Response to changes in the workplace environment

As remote work has become normalized, the risks associated with the safe execution of off-site work were identified from the perspectives of information, equipment, data, and management, and to address them the "Remote Work Rules" and "Prohibition against Information Leakage" were developed. In addition to distributing materials to employees that clearly indicated the precautions to be taken, we held regular study sessions to promote understanding and remind employees of the importance of security.

This information was also incorporated into training programs for new and mid-career employees.



Workshop Materials

Initiatives for achievement

Beginning with the relocation of the Tokyo head office in January 2022, we adopted a free-address system at major offices. Web-based business meetings with customers and suppliers are becoming the norm, and it has become necessary to strengthen security to reduce sound leakage. To address the risk of information leakage within the company, we will review our internal rules and precautions, as well as periodically provide employees with important notices on information management.

In FY2022, we will work with stakeholders to strengthen information management, for example, by incorporating information security in our internal audits as well as external audits of our business partners'.



Free Address Layout of the Tokyo Office

Open Dialogue with Stakeholders



Reasons for selecting materiality	FSG strives to increase its engagement with stakeholders through not only conventional financial disclosures but also non-financial disclosures. We place particular importance on strengthening our relationships of trust with stakeholders through dialogue to clearly understand the level of each stakeholder's expectations and to meet those expectations, thereby raising the stakeholders' awareness of the significance of our contribution.			
Regarding the KPI of the Materiality	We will establish a system for accurate and timely disclosure of financial and non-financial information about the entire Group to all stakeholders with the aim of increasing our engagement with them and improving the ratings given to us by external rating agencies.			
Qualitative target	KPI (Key Performance Indicator) up to 2023	Actual figures (as of March 31, 2022)	Main Initiatives	Value to Society
<ul style="list-style-type: none"> Improvement of ESG ratings given to us by external organizations through accurate non-financial disclosures to stakeholders 	<ul style="list-style-type: none"> Continue to be selected as a constituent of the FTSE Blossom Japan Index Continue to acquire an EcoVadis Silver Medal 	<ul style="list-style-type: none"> Selected as a constituent of the FTSE Blossom Japan Index in FY2021 Awarded an EcoVadis Silver Medal 	<ul style="list-style-type: none"> Operation of the Group Sustainability Committee Timely issuance of the Integrated Report and the ESG Data Book Provision of the opportunity for employees to have an in-person dialogue with the Company's directors 	<ul style="list-style-type: none"> Provision of investment opportunities to shareholders Revitalization of regional communities and creation of employment Greater satisfaction of employees and their family members

Initiatives up to 2021

Intended for investors

- Held periodical financial result briefings
- Enhanced information about business strategies and ESG information provided in supplementary explanation materials on the financial results
- Posted supplementary explanation materials on the financial results in Japanese and English on our website at the same time
- Held more small meetings with analysts and fund managers
- Increased opportunities to interview overseas investors

Intended for employees

- Financial result briefings
 - In the presence of CEO Okazaki and COO Shirokawa, a financial result briefing for each regional management team was held every quarter.
- Group discussions on the Fuji Seal Way

On the 125th anniversary of FSG's establishment, we updated the Fuji Seal Way as our guidelines for value behavior and held group discussions between employees. We are confident that these discussions have helped each employee achieve personal growth.

Intended for customers

- Virtual exhibitions
 - In addition to operating a virtual event site, we started publishing an email newsletter and holding webinars in June. We sent a total of 23 issues of the newsletter to customers, and the number of newsletter readers increased to about 4,000. We held 11 webinars, each of which was attended by about 100 customers on average, or over 70% of registered participants.

Intended for regional communities

- Regional contribution activities
 - FSG devoted positive efforts to social contribution activities in all regions where it operates. In Europe, the Dutch-based FSG companies hosted a children's meeting to provide children with learning support. After the meeting, participating children presented the results of their newly learned knowledge of "Plastic and recycling" to the Mayor of Deurne and FSG.

Initiatives for achievement

FSG strives to have open and active dialogue with all stakeholders, including shareholders and investors, by disclosing not only financial information, which it has long disclosed, but also non-financial information in a timely and appropriate manner.

Information disclosure

We have updated our website in a timely manner to ensure transparent disclosure of corporate information. The site's view count has remained at the target level. We will continue to further enhance the transparency of the corporate information we provide and share our corporate value (appeal) with a wide range of people in a timely, accurate, and consistent manner.

Improvement of ESG ratings given by external agencies

To visualize FSG's ESG initiatives, we worked to improve the ratings given to us by external agencies, including ratings in the FTSE Blossom Japan Index and by EcoVadis, and we have achieved our targets (see pages 27 and 28). We will continue to make efforts to improve our ESG ratings.



Stable Supply (including BCP)



Reasons for selecting materiality FSG is engaged in businesses classified as essential, such as beverages, HPC (home personal care), and medical care. Since products in these businesses are indispensable to daily lives, we believe that it is our social responsibility to ensure a stable supply of these products both at ordinary times and during emergencies.

Regarding the KPI of the Materiality By promoting a safe and secure working environment throughout FSG by implementing the Group's OHS* Management System, we aim to have zero occupational accidents for 365 days a year at one or more factories in each business region. Rather than being content with fulfilling the conventional function of an order reception center only, we will build a future-oriented ordering and reception system to establish a comprehensive business continuity planning (BCP) system designed from the customer's point of view.

Qualitative target	KPI (Key Performance Indicator) up to 2023	Actual figures (as of March 31, 2022)	Main Initiatives	Value to Society
<ul style="list-style-type: none"> Establishment of the Group's OHS* management system by aligning with all business bases 	<ul style="list-style-type: none"> Achieve zero occupational accidents for 365 days a year at one or more factories in each business region 	<ul style="list-style-type: none"> While the number of occupational accidents decreased in Japan and the ASEAN region, improvement activities are under way to reduce the number in other regions 	<ul style="list-style-type: none"> Improvement of the OHS management system in a unified manner within the Group Conduct OHS audits to assess the compliance with laws and regulations by external organizations 	<ul style="list-style-type: none"> Provision of a secure, safe and comfortable work environment Contribution to secure and safe local communities Sustainable supply of secure and safe products

* OHS: Occupational Health and Safety

Initiatives up to 2021

OHS audits conducted by external organizations and solving fundamental challenges

As a corporate group engaged in essential businesses, FSG recognizes that compliance with OHS laws and regulations at all its factories is vital.

Failure to comply with laws and regulations, which may result in a business suspension order, is unacceptable. In 2021, just as in 2020, we completed OHS compliance audits of our domestic and overseas factories by an external auditing company to examine OHS management systems (OHSMS) and compliance with OHS laws and regulations.

We have taken immediate action to implement the improvement recommendations given by the auditing company, and we are also working to resolve fundamental OHS-related challenges.

In addition, we will focus on creating a standardized system for all FSG to continuously maintain and correctly manage practices toward the future.

Initiatives for achievement

Aim to achieve zero occupational accidents for 365 days a year in our factories

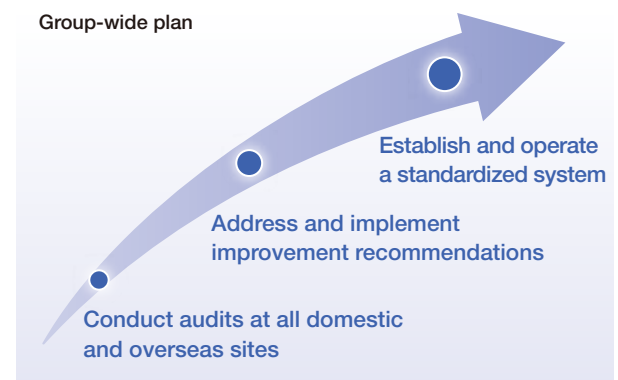
To realize our vision to be "our value to people and the planet," we believe it is important to provide a workplace environment where every employee can continue to work energetically, and we continue to implement OHS initiatives that place the highest priority on the safety and security of our employees.

To accomplish this goal under our OHS management system, we continue our efforts to review policies, rebuilding related systems, run improvement campaigns, implement an education curriculum to increase employees' understanding of safety and security, and provide opportunities to share information with relevant members regarding issues and prevention of recurring incidents.

In addition, we continue to incorporate evaluations and inspections by external OHS specialists to review results and key factors that further identify necessary improvements.



Employees of the Vietnam plant expressed their mission: "We aim to become not only the No. 1 packaging company but also the No. 1 compliance company in Vietnam." (From left: Vu Thanh Ha, Nguyen Quoc Tan, Huynh Quang Liem, Nguiyen Thi Thanh Dat, and Fumitaka Goto)



Governance

Corporate Governance

Corporate Governance Structure

FSG transitioned to a "Company with a Nominating Committee, etc." (then called "Company with Committees") as early as 18 years ago in June 2004. As of April 12, 2022, only 86 of the listed companies in Japan have adopted for this system.

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.

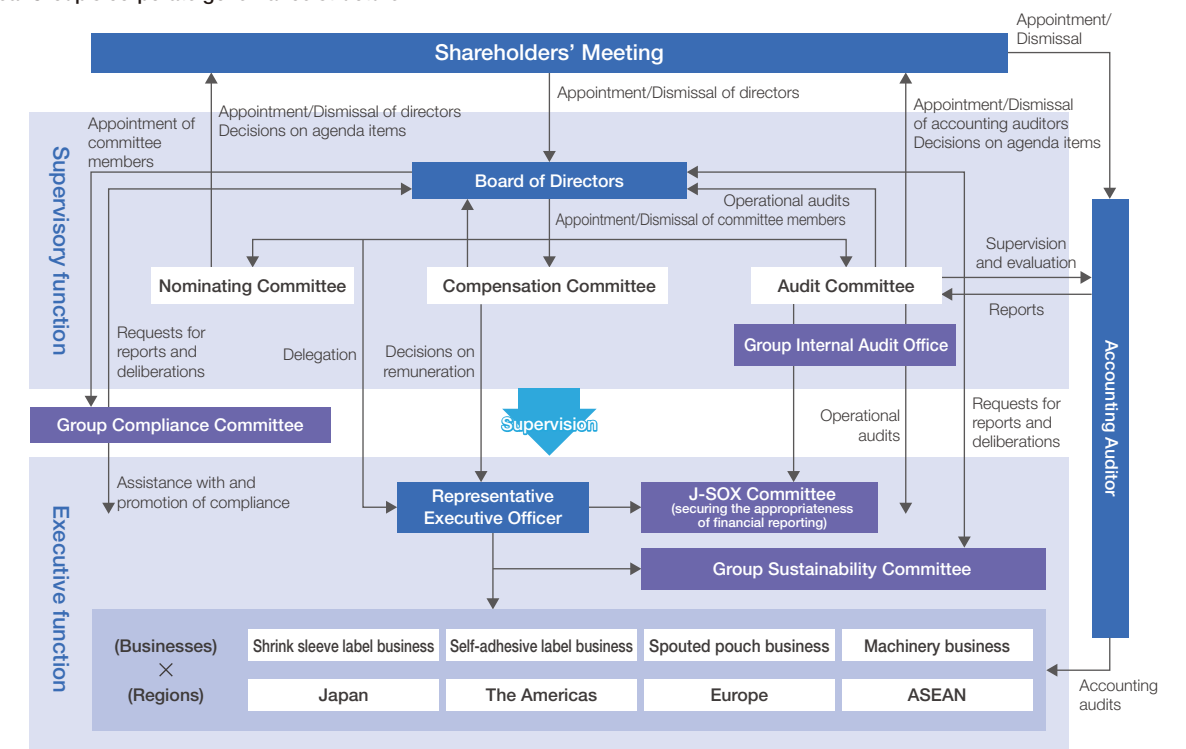
The Nominating Committee considers and makes decisions on the appointment and dismissal of director and executive

officer candidates in light of the standards for appointment with the aim of contributing to the establishment of appropriate management systems for the Group.

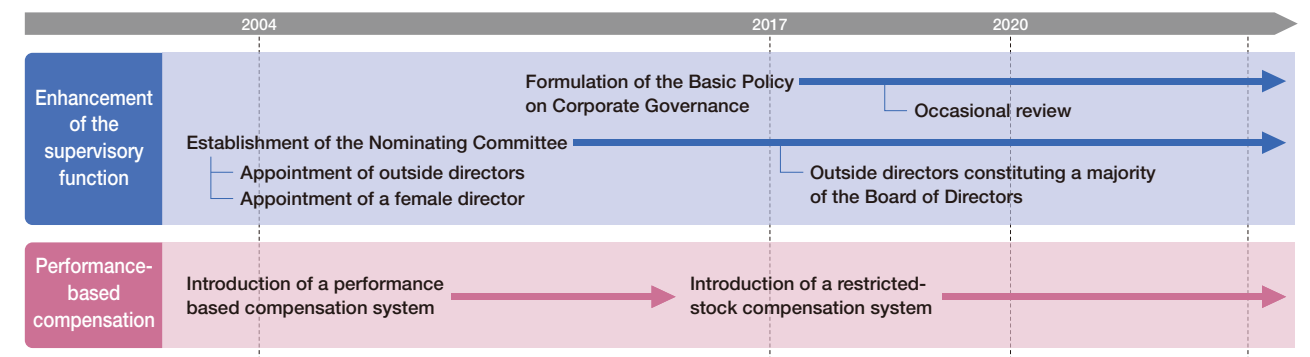
The Compensation Committee considers and decides the basic remuneration and incentives and evaluation items on the compensation of directors and executive officers with the aim of making the Group's management more transparent. The Nominating Committee and the Compensation Committee are composed of the Chief Executive Officer (Chairperson) and three 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 three outside directors.

Fuji Seal Group's corporate governance structure



History of corporate governance measures





Hiroumi Shioji
Outside Director (7 years in office)

Yuichi Seki
Outside Director (3 years in office)

Tatsundo Maki
Outside Director (5 years in office)

Engaging in Discussion Toward the creation of New Value

What impressions have you gained of FSG since you were appointed as outside directors?

Seki: I feel that the Japanese manufacturing industry in general is losing its former strength. Under such circumstances, I was very interested to see what kind of competitive edge FSG had, as it had been steadily increasing its business performance and whether it would continue to grow in the future. What I found when I became an outside director was not only the strengths of the business but also the fact that employees are highly motivated, which I believe is wonderful.

Shioji: I was appointed as an outside director when FSG needed to respond to stricter environmental requirements. I thought that the Group would likely be forced to make major changes in the content of its business, and I wondered how a company with such global activities in the Americas, Europe, ASEAN regions, and Japan would change.

Seki: In terms of the market, we are entering a difficult phase. Not only in regards to mass-produced products, but we also have to address a gradually increasing number of small lot products that are difficult to produce, such as medical products and cosmetics. Like other manufacturing industries, FSG must persevere and overcome the difficulties being faced now, and I believe that as FSG is working diligently on

topics related to environmental issues, a bright future awaits. However, since the situation is unpredictable and does not allow for optimism, I believe that FSG must make stronger efforts to enhance its competitiveness and technological capabilities. As an outside director, I would like to keep a close eye on the Group's progress related to these developments.

Maki: My first impression of FSG was that it was the producer of most of the packages I saw in my daily life. I realized it had a lot of momentum as a rapidly growing company. What especially caught my eye was the Group's success in Europe, which is known to be a difficult market for Japanese companies. I wondered what the secret to FSG's success was. Also, from my experience, companies with sales of 150 billion yen (USD) tend to be of a strict nature, but that was not the case at FSG... (laughs). I recognize that many of those who work at FSG are of humane and strong character, and I feel that the Group allows each individual a great deal of autonomy.

Shioji: I would add that FSG has provided us as outside directors with plenty of opportunities to express our views, which shows its aspiration to absorb all helpful suggestions no matter who offers them. At first, I wondered how much we would be able to speak openly during board meetings, but it really is an open discussion, and we can express our opinions and views frankly.

Seki: You would be surprised. At companies I know, outside directors seldom speak up. In many cases, they only say a few words at the final decision-making stage, and the meetings end without any objections, but that is not the case at FSG.

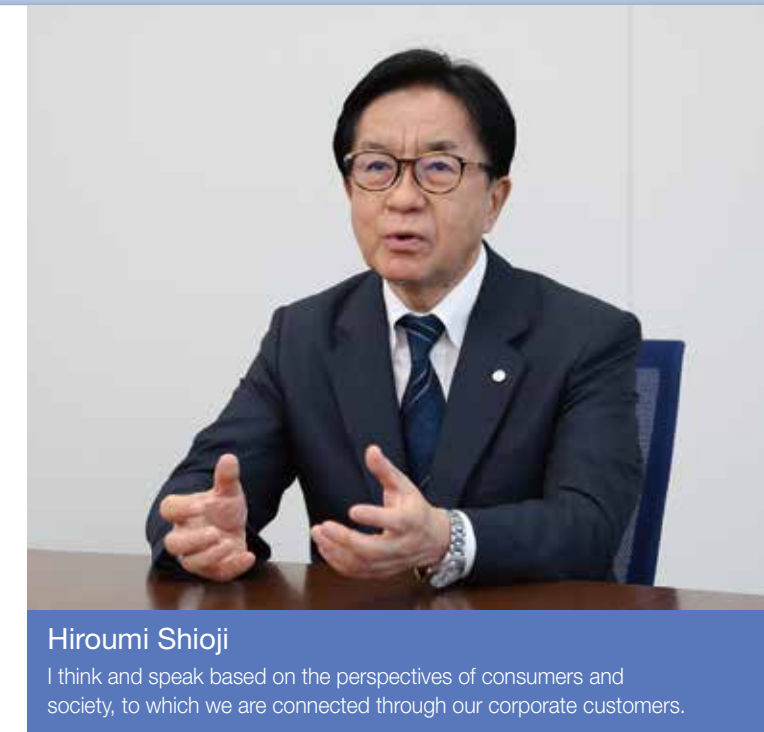
Maki: That is why we naturally feel a strong duty to contribute valuable comments, and it is always serious business.

Tell us about the topics and discussions that took place at the most recent Board of Directors meeting.

Shioji: As with any company, when starting a new business, sometimes it works, and sometimes it doesn't. It may not be the best way to say this, but it is easy for anyone to make a "go for it" decision. The difficult part is deciding to withdraw when things don't go well. I still remember how impressed I was by our serious discussions about when and how to make such withdrawals.

Maki: One of the issues that have recently come up on the agenda is the rising cost of raw materials. FSG's business model has a high ratio of raw material costs, so the impact is significant. We had thorough discussions on how to respond without creating a time lag and, more importantly, how to change the existing pricing mechanisms. Shortly before, there was the issue of plastic waste. There is a tendency to think that all plastics are bad, but in reality, the way we use and dispose of them has a much deeper impact on the environment, which is why we had extensive discussions on how to address this issue. Another recent topic has been the construction of new factories in Japan and overseas, which would require making cautious decisions on investments of a considerable scale.

Seki: In the past, discussions on governance in Japanese companies have often focused on preventing issues and scandals resulting from excessive investment or rationalization. However, the trend has shifted to having the board of directors discuss whether the company is taking the proper steps to address its growth strategies and their effectiveness. For example, when a decision on proposals to make a capital investment is made, it appears on the agenda, but they are not reflected if it was decided not to make an investment. During FSG's board meetings, we have fundamental discussions about the growth strategies themselves, such as what strategy must be followed in investment planning and what principles must be adopted when a development strategy is devised while operating under



Hiroumi Shioji
I think and speak based on the perspectives of consumers and society, to which we are connected through our corporate customers.

a system that allows for the immediate detection if there is a failure to implement a strategy. What I find interesting is that we can have discussions by saying, "Let's go a little further in that area" or "Maybe we can approach environmental issues from a different perspective," and therefore, it is possible to tackle items that are not yet set or implemented.

Shioji: What we always keep in mind during such discussions is the final consumer's perspective. I feel that the foundation of everything FSG does is based on the idea that our customers also consist of the consumers and the society beyond our business partners.

What are your strengths and what aspects of your work are you focusing on?

Seki: I have been working in the manufacturing industry for about 40 years, mainly in technological development and R&D, as well as in the productions of manufacturing factories. After the end of Japan's period of high economic growth, I experienced many failures and successes, but one thing that has remained consistent has been my "boldly taking on challenges and opening up new frontiers" attitude. I hope to contribute to the creation of a strong structure that fosters FSG to take on new challenges with an attitude of not being defeated even when confronting problems head-on by making the most of my experience of enduring through all the twists and turns.

Shioji: I was the first attorney-at-law to serve as an outside director of FSG, and compliance and other legal matters are my original area of expertise. However, as I have been involved with many companies of different sizes and in different industries, I have seen both cases where management and initiatives have been successful and those where they have

not. I hope to use the insight I have garnered through such experience to deepen discussions beyond an attorney-at-law's perspective, including the problems companies currently face and what society expects from a company. For example, it may be about mental health, or it may be about marketing, but I would be happy if my contributions could be of use. Also, to make rational decisions, it is important to provide a variety of sources as the basis for discussion. In that sense, the three of us have different careers and areas of expertise, Mr. Seki, who is a former corporate manager with vast experience in manufacturing, and Mr. Maki, who as a consultant is well versed in the overseas expansion of Japanese companies, which I find to be very good as it inspires me.

Maki: I agree. In my case, I understand that I am expected to fulfill a supervisory function in terms of accounting audits, that is, checks on accounts for problems and risk-related issues. In addition to this role, I would like to work with FSG as a Japanese-based company on how to succeed overseas. There are many important factors in this question, including human, material, and financial resources, but for businesses in Asia, where I specialize, human relationships of equality and mutual respect are key. For example, based on my experience, I would like to provide advice on how FSG can acquire many more excellent human resources from other

countries locally and work together with them while respecting their diversity and values.

What are your thoughts on the importance and effectiveness of corporate governance?

Shioji: I believe in the importance of checks and balances as a process of discussion and decision-making based on credible information and knowledge collected from various fields concerning agenda items.

Seki: Outside directors who are not engaged in business operations are required to be objective, impartial, and have a bird's-eye view of the entire company. On the other hand, it in no way excludes the idea that an executive officer who knows the company well and is closer to the issues can make the right decisions. I believe that both perspectives are necessary. It is also important for the executive officers to be enthusiastic about their principles and their ideas. As outside directors we must calmly restrain or support them from a distance. Instead of views "A" and "B" clashing over their differences, everyone should be able to share diverse views and discuss them. If we can foster that kind of atmosphere, I think FSG will continue to improve.

Maki: As Mr. Shioji mentioned earlier, we as outside directors have plenty of opportunities to express our views, and every Board meeting has such thorough discussions that we find ourselves really exhausted when they end. In addition, a large volume of materials is submitted to the Board for review requiring serious effort to through them ...

Shioji: It is rare for a company to have board meetings starting from 8 in the morning that lasts for two days. On one occasion, I was asked if we could start the next session at 7:30 since there were still items left over that we hadn't covered from the first day's agenda (laughs). I thought, "that's a little much..." (laughs). There wouldn't even be time to have breakfast at the hotel! Come to think of it, and there were days when we only had a 15-minute lunch break.

Seki: Once a spirited discussion takes place, no one can stop it (laughs). In addition to the Board of Directors, FSG has a Board of Auditors and three committees, and if something happens, an online meeting is immediately convened. In any case, the Group holds frequent meetings and is very dedicated to doing its best.

Maki: "Doing their best" is the perfect way to describe FSG's attitude. Before the COVID-19 pandemic, all factories,

including business bases outside Japan, were subject to a mandatory annual inspection, which, as expected, started with a meeting at 8 in the morning. I think that FSG's governance, both in terms of structure and substance, is working quite well.

What are your views on FSG's sustainability initiatives?

Seki: When considering business continuity, I think environmental issues remain the biggest challenge. In terms of manufacturing, FSG has set an extremely ambitious goal of "100% sales of environmentally friendly products by 2025" and is taking on industry-leading initiatives such as the "label to label" project. Also, in terms of production, I feel that FSG is doing very well, with a clear awareness of its desire to grow by addressing environmental issues, such as by switching from oil-based to water-based inks, aiming for solvent-free printing in the future, as well as reducing the amount of film used. Furthermore, I would like to see FSG take more initiatives on energy policies to achieve carbon neutrality and reduction of the intensity of raw material use.

Shioji: With regard to sustainability, I understand that Chairperson Okazaki has a strong sense of urgency with regard to the possibility that PET bottles may become obsolete and that the nature of FSG's business may change completely. FSG's Credo says, "Each day with renewed commitment, we create new value through packaging." To me, the Group seems to have a positive attitude toward developing environmentally friendly and other new products, as well as new businesses, while always asking itself how it will be able to continue to provide "new value through packaging." As FSG has grown from a manufacturer of wooden faucets for sake kegs to a packaging manufacturer, I believe it must be rooted in the DNA of FSG to change through creativity and ingenuity.

Maki: As the other outside directors have said, I also believe FSG has a high level of awareness of environmental issues and a sense of urgency. The Guideline for Action, "Changing along with changes," is instilled deeply in FSG employees, but in the midst of the unprecedented environmental issues, the COVID-19 pandemic, and most recently, the conflict in Europe, what changes and what responses are necessary. We are no longer in an era where we only need to pursue the needs of our customers and as Mr. Shioji said the re-evaluation of "value" is required. This issue is often discussed within the Group and has been on the agenda of



Yuichi Seki
Objectivity and impartiality, while remaining level-headed even in heated discussions.

numerous board meetings. Sustainability includes reducing environmental impact, as well as continuing to be needed by society, and I believe that FSG is pursuing both.

Finally, what are your expectations or messages for the Fuji Seal Group?

Shioji: I hope that FSG can move into the future in a way that balances the growth of the company and the job satisfaction of employees, and I also hope that we can have discussions on achieving this view.

Maki: As the Guideline for Action says, "Changing along with changes," I hope that FSG will continue to find added value in accordance with the times and become a global company while pursuing the fundamental concept of "packaging." Of course, the Group is certainly operating globally now, but I believe that more can be done, and I would like to be involved in this process as much as possible.

Seki: FSG has a strong sense of responsibility as part of various companies' supply chains and a sincere attitude toward making every possible effort to fulfill customers' expectations and needs. The Group is also receptive to social needs, such as environmental issues and the SDGs, and is willing to change and grow in harmony with society. I hope that you will continue to develop these strengths without losing them. I trust that FSG will continue to maintain and develop these strengths and that it will continue to make proposals that bring happiness not only to the Group but also to customers, suppliers, and end consumers as a whole. I believe that FSG can become such a company and have high expectations that it can be fulfilled.



Tatsundo Maki
I trust that FSG can create added value suitable for the times while cherishing its Guideline for Action and Credo.

Risk Management

FSG's "Group Risk Management Rule" defines basic policy and management systems to improve the soundness, stability and efficiency of management, thereby enhancing the interests of shareholders and our social credibility.

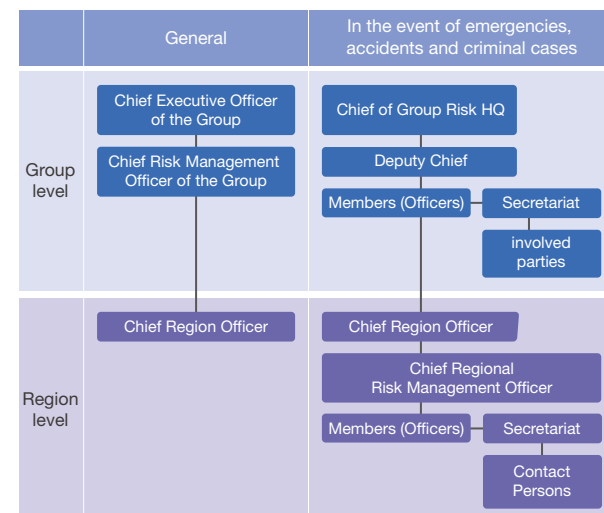
As the basic framework for risk management, the Group Compliance Committee establishes the systems for identifying potential risks present in the entire Group and each business regional section summarized in risk maps, which show the severity of each risk based on the deliberations of the Board of Directors, and develops systems to address such risks. Based on the FSG risk map, each business regional section formulates action plans and implements the relevant risk management initiatives. At the same time, an emergency contact network is in place in the event of unforeseen circumstances that could have a significant impact on the Group's management.

Furthermore, based on the abovementioned rule, the Group has established a disaster prevention system and crisis management system, and is working on implementing prompt response to appropriately disseminate and share information regarding risks which may occur and prevent future reoccurrence.

With respect to risk monitoring functions, internal audits conducted by the Group Internal Audit Office under the direction of the Audit Committee and third-party audits of the risk management systems conducted as necessary are conducted and the results are reported to the Audit Committee and the Representative Executive Officers.

The Board of Directors, the Audit Committee, the Group Compliance Committee, and the representative executive officers oversee and discuss the status and effectiveness of FSG's risk management.

Diagram of Risk Management and Compliance system



VOICE

Voice of the Executive Officer in Charge of Risk Management



Fumiaki Takahashi
Executive Officer in Charge of Finance and Risk Management

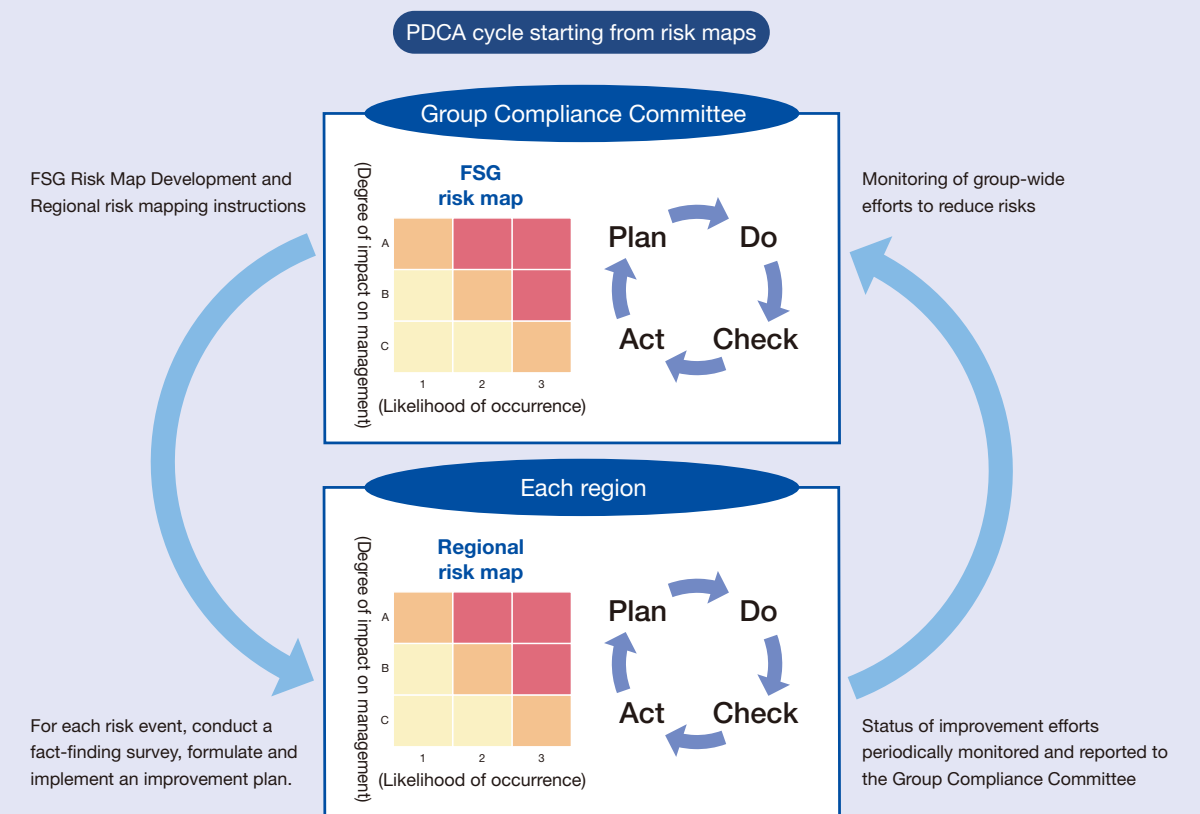
PDCA cycle starting from risk maps

FSG has established a risk management system in which each business regional section is responsible for on-site level risk management, while Fuji Seal International, Inc. is responsible for Group-wide risk management.

FSG's management initiatives are formulated and reviewed annually based on risk maps comprised of a 3x3 = nine cell matrix, with the vertical axis showing the "degree of impact on management" and the horizontal axis indicating the "likelihood of occurrence." The Legal & Risk Management division prepares a draft of the FSG risk map after reviewing the risk events that have occurred within and outside the Group over the past year and discusses the results with the Group Internal Audit Office to ensure that there are no discrepancies. Once the Group Compliance Committee deliberates on this draft, the FSG risk map is finalized. Each business regional section then also creates and reviews its own risk map once a year, based on the FSG risk map, while considering the businesses and management environments unique to the region, for example, adding the risk of gun crimes in the Americas.

Furthermore, each region implements and improves countermeasures based on the risk map and a PDCA (plan-do-check-act) cycle for risk reduction, and periodically reports their progress to the Group Compliance Committee in order to monitor the Group-wide status of risk management and prevention.

In 2018, we reorganized and simplified the risk map matrix from a 9x9 to the current 3x3 model. We are reviewing our procedures for risk management initiatives to strengthen our efforts to address high-priority risk events. In general, I think that it is rare to revise the risk management frameworks themselves, but it is a unique characteristic of FSG to flexibly revise its policies in response to changing circumstances rather than simply relying on existing policies, even if they have been established to a certain degree.



Devising thorough safety and disaster prevention measures based on lessons learned from a fire incident

Learning from a fire incident at our Poland factory in December 2014, we have formulated safety and disaster prevention measures focused on fires, which would be the most hazardous type of disaster for our businesses. To ensure the effectiveness of preventive measures, we have established a disaster prevention plan separate from our overall risk management system. In the event of an incident or "near-miss" at a manufacturing factory, information about the incident is disseminated to all our other factory managers in all countries and regions. For example, if the incident is caused by machinery malfunction, other factories using the same machinery can immediately proceed to make the necessary inspections. In short, we first report the incident before identifying the cause and taking appropriate countermeasures, and share the relevant information with all Group companies as soon as possible, after which the causes are investigated and remedial measures are horizontally deployed to prevent similar incidents from occurring.

In addition, a group-wide emergency communication network is in place to "report, communicate, and consult" in the event of the realization of a risk, and is updated as needed in response to transfers of personnel and other events. Furthermore, we have established the "Group Risk

Management Headquarters" headed by the CEO and COO, and "Regional Risk Management Headquarters" led by the top executives of each region. These risk task forces focus on "preventing the expansion of damage" and "preventing the occurrence of secondary damage."

For example, in March 2020, when the novel coronavirus infection started to spread, the COVID-19 Risk Response Headquarters was established, and the entire group shared information on the infection status of employees, regulatory information and restrictions in the areas of our operations, and trends among our customers and business partners by utilizing our IT systems. From the early stages of the COVID-19 pandemic, countermeasures were implemented with the entire value chain in mind. While other companies were shutting down their factories following lockdowns, we, as a company involved in the manufacture of products directly related to people's lives like food, beverages and daily necessities, continued our manufacturing activities as a company engaged in essential business. While placing the highest priority on the health and safety of employees, each factory endured the difficult situation and continued responding with a sense of urgency which enabled us to fulfill our product supply responsibility.

Compliance

FSG has established the FSG Code of Ethics and distributed a Compliance Card to all officers and employees for educational purposes. Through this initiative, we not only ensure the compliance of all officers and employees with laws, regulations, and internal rules but also offer them clear action guidelines in conformity with corporate ethics.

In addition, the Group Compliance Committee meets regularly and sets compliance-related themes and initiatives. The Group Compliance Committee also conducts compliance awareness-raising activities and reports compliance-related plans to the Board of Directors. The Group officers are signatories to the Compliance Declaration.

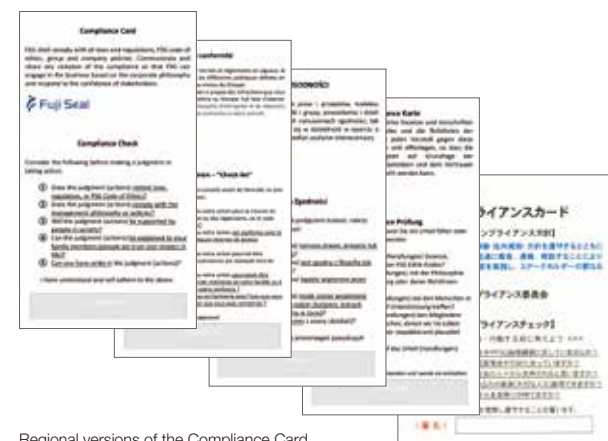
Training programs

FSG implements training programs as part of its compliance promotion and awareness-raising activities. In FY2020, the Group offered e-learning programs on the “Code of Conduct,” “Competition and Antitrust Laws,” “Anti-Corruption and Anti-Bribery,” and “Data Privacy” to candidates for next-generation management team members. In January 2022, all managerial staff underwent anti-harassment training.

Compliance Card

To detect injustices, such as human rights infringements and harassment, as well as bribery and other compliance-related problems as early as possible and respond appropriately to them, FSG has in place a whistleblowing system (Consultation Hotline), which allows employees to report suspected cases directly to the Group. The system accepts consultation requests and reports not only to the relevant in-house departments (including the Group Internal Audit Office) but also to external law offices and external specialist companies.

The Consultation Hotline operates while ensuring complete confidentiality and preventing any disadvantageous treatment of whistleblowers. The system can even be used anonymously. The status of acceptance of whistleblowing reports is regularly reported to the Group Compliance Committee, the Board of Directors, and the Audit Committee to improve Group compliance and risk management.



Regional versions of the Compliance Card

Family Festival

Believing that the philosophy of corporate governance must penetrate not only the management team but also the entire staff, FSG takes various opportunities to conduct awareness-raising activities in order to increase employees' understanding of its Credo and basic policy and enable them to act appropriately.

One example of such an activity is the Family Festival held at each business location in Japan and abroad on the anniversary of FSG's establishment. Employees and their family members are invited to participate in this festival. (The festival was canceled in FY2020 and FY2021.)

The Family Festival dates back to 1985, when a party was held upon the establishment of the Fuji Seal Employees Shareholding Association. This festival serves not only as a place for employees to cement mutual friendships but also as an opportunity for their family members to learn about the philosophy, history, products, workplaces, and staff of FSG.

Furthermore, employees carry with them a Compliance Card, which contains the sentence, “Can you explain that judgment (action) of yours to your family (loved ones)?” This is because we believe that it is important to continue to perform open management that employees can readily explain to their family members and that their family members can readily support.



Family Festival in Poland in May 2019

Anniversary celebration programs

We believe that the effectiveness of risk management and compliance depends critically on employee awareness.

Although the COVID-19 pandemic has prevented us from holding the Family Festival since FY2020, we have continued to encourage employees to take advantage of the anniversary of FSG's establishment as an opportunity to reflect on their own behavior from the perspectives of risk management and compliance, through video messages from CEO Okazaki and the company newsletter.

In 2022, on May 12, the anniversary of our founding, we celebrated our 125th anniversary with a video ceremony (See Page. 18).

Effective Governance

Composition of the Board of Directors

The Board of Directors comprises five members, including three independent outside directors. This composition of the Board is a result of our full consideration of diversity. The inside directors have experience playing various roles, such as in corporate management in general, including management strategy, the management of a business company in the Group, and overseas business management.

The three outside directors—an attorney-at-law, a certified public accountant, and an R&D expert—also have rich insights as responsible supervisors of occupational safety and disaster prevention, manufacturing, and the management of a listed company. One of the five directors is a woman. All directors are of Japanese nationality, but they have extensive knowledge, considerable experience, and great ability in a wide range of fields, including overseas business.

Assessment of the effectiveness of the Board of Directors

In March to April 2022, all directors responded to a questionnaire survey to assess the effectiveness of the Board of Directors, and then subsequently deliberated on the survey results and challenges to be overcome. (Since inside and outside directors responded to a self-assessment questionnaire survey in May 2016 and had an external organization compile the results, the Board of Directors has periodically conducted surveys to deliberate on its own effectiveness.)

The latest survey and deliberations focused on materiality for FSG. The Board members shared with each other their views on the status of discussions at Board meetings and any necessary improvements.

Compensation of directors and executive officers

The Compensation Committee has determined its policy on decisions on compensation awarded to each director and executive officer as follows. The committee will follow this policy when deciding on compensation awarded to each director and executive officer.

The Compensation Committee has also confirmed and judged that the method of deciding on compensation awarded to each director and executive officer and the decisions conform with this policy.

1. Basic policy on compensation

- The compensation system must be able to empower diverse and competent human resources who approve of FSG's corporate philosophy to demonstrate their capabilities and reward them for their work.
- The compensation system must be able to facilitate the achievement of business targets based on a management strategy for sustainable growth.
- The compensation system must be able to help to

continuously increase corporate value and to share profits with shareholders.

- The process of deciding on the compensation system must be objective and transparent.

2. Overview of the compensation system

a) Procedures

Policies on compensation awarded to directors and executive officers, the compensation framework, and mechanisms for deciding on the compensation amount based on performance are deliberated on and determined by the Compensation Committee.

b) Composition of compensation

Compensation awarded to directors, including outside directors, is composed only of a fixed amount of basic remuneration. Compensation awarded to executive officers is composed of basic remuneration, a variable amount of performance-based remuneration as a short-term incentive, and a variable amount of restricted-stock remuneration as a medium- to long-term incentive.

c) Basic remuneration

The standards for basic remuneration are defined according to each recipient's background, career, duties, and work responsibilities and in consideration of the Company's performance, management environment, etc.

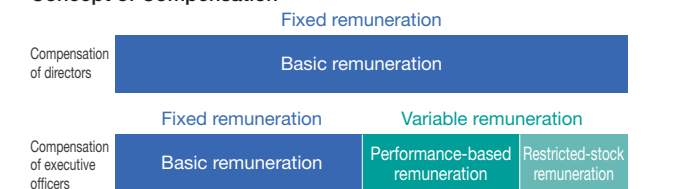
d) Performance-based remuneration

The amount of performance-based remuneration is determined by the Compensation Committee according to the business achievement level of the division in the charge of each executive officer. The amount of performance-based remuneration may account for 0% to 30% of the total amount of compensation. The amount of this kind of remuneration is calculated based on consolidated annual net sales, the operating margin, and the values of other financial indicators that are important in management strategy, as well as the values of non-financial indicators, including environmental indicators and human resources development. If performance-based remuneration reaches a certain amount, it will be partly offered with the Company's stock.

e) Restricted-stock remuneration

Restricted-stock remuneration is offered as a medium- to long-term incentive to executive officers with the aim of enabling them to hold the same values and perspectives as those of shareholders and continuing to increase FSG's corporate value.

Concept of Compensation



Management (as of June 23, 2022)



Hirumi Shioji

Outside Director

Independent Director

Born on January 28, 1957

Brief history

April 1987: Registered as an Attorney-at-law
 April 1991: Established the Shioji Law Office
 Director, Shioji Law Office
 June 2015: Director, Fuji Seal International, Inc. (to date)
 January 2022: Representative Partner, Shioji Law Office (a legal professional corporation) (to date)

Important concurrent position(s)

Representative Partner, Shioji Law Office
 Outside Auditor, Tachibana Eletech Co., Ltd.

Length of service as an outside director

7 years



Yuichi Seki

Outside Director

Independent Director

Born on 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)
 June 2021: Corporate Auditor, Fuji Seal, Inc. (to date)

Important concurrent position(s)

Corporate Auditor, Fuji Seal, Inc.

Length of service as an outside director

3 years



Masayuki Shirokawa

Born on February 20, 1963

Brief history

March 1985: Joined Fuji Seal International, Inc.
 September 1998: General Manager of the Europe Sales Division, Fuji Seal Europe Ltd.
 January 2000: General Manager of the Sales Division, American Fuji Seal, Inc.
 October 2011: Vice President, American Fuji Seal, Inc.
 June 2014: Executive Officer in charge of the Americas Operations, Fuji Seal International, Inc.
 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.
 June 2020: Director, Representative Executive Officer, and COO, Fuji Seal International, Inc.
 June 2021: Director, Representative Executive Officer, President, and COO, Fuji Seal International, Inc. (to date)
 November 2021: Representative Director and President, Fuji Seal B.V. (to date)

Important concurrent position(s)

Representative Director and President, Fuji Seal B.V.

Standards for Appointment of Directors

The Nominating Committee appoints candidates for directors based on the Standards for Appointment of Directors as shown below:

Field	Items
Basis	Practices our mission statement / Participatory Awareness / Capability to detect changes
Formulation of strategies	Show one's vision / Formulates and decides strategies / Capability of setting goals
Implementation of initiatives to solve challenges	Capability of implementation and practice / Capability of analyzing problems / Capability of detecting risks / Leadership
Leadership	Capability to respond to changes / Determination to take on new challenges
Traits	Credibility within the Company / Credibility outside the Company / Gaining credibility
Experience and knowledge	Achievements in developing new business fields / Positive track record/ expertise and experience



Tatsundo Maki

Outside Director

Independent Director

Born on 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(s)

Representative Partner, SCS Global LLC
 Representative Director, SCS Global Consulting K.K.

Length of service as an outside director

5 years



Shigeko Okazaki

Born on April 5, 1957

Brief history

August 1990: Joined Fuji Seal International, Inc.
 December 1999: General Manager of the Corporate Planning Department, Fuji Seal International, Inc.
 January 2001: General Manager of the 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 in charge of Corporate Planning and Europe Operations, Fuji Seal International, Inc.
 March 2008: Director, Representative Executive Officer, and President, Fuji Seal International, Inc.
 June 2020: Director, Representative Executive Officer, President, and CEO, Fuji Seal International, Inc.
 June 2021: Director, Representative Executive Officer, Chairperson, and CEO, Fuji Seal International, Inc. (to date)

Important concurrent position(s)

President and Representative Director, Soho KK

Name	Title
Shigeko Okazaki	Representative Executive Officer, Chairperson and CEO
Masayuki Shirokawa	Representative Executive Officer (in charge of Europe region), President and COO
Hideaki Umeda	Executive Officer (in charge of the Shrink Sleeve Labels Division)
Takeshi Kyogane	Executive Officer (in charge of the Self-adhesive Labels Division)
Masahisa Fukuda	Executive Officer (in charge of the Spouted Pouches Division)
Yoichi Okazaki	Executive Officer (in charge of the Machinery Division)
Kosuke Matsuzaki	Executive Officer (in charge of Japan region)
Satoru Kawasaki	Executive Officer (in charge of the America region)
Takafumi Yamamoto	Executive Officer (in charge of ASEAN region)
Fumiaki Takahashi	Executive Officer (in charge of Finance and Risk Management)
Marieke Sauer-Ploegmakers	Executive Officer (in charge of Human Resources)

Skill Chart

The Company's Board of Directors shall comprise members deemed suitable in light of a skill matrix to take into account the skills and experience required of Directors as well as diversity from the perspective of the Company's nine materiality issues, which are directly linked to its corporate vision "Our Value to People and the Planet" tied to contributing to a sustainable society.

Skills	Reason for selection	Number of applicable directors
Corporate Management	Directors with experience and a track record in management are required to establish and implement growth strategies centered on ESG and realize the Group's vision "Our Value to People and the Planet" amid a dramatically changing business environment as a leading packaging company.	5
Marketing	Directors with the experience to listen to the market and customers, understand the essence of their needs, and leads us to grow together are key in achieving sustainable growth in the packaging market.	5
Manufacturing and development	Directors with experience promoting various innovations, solid knowledge in the fields of technology, quality, and the environment, and respective experience in strategic planning are required to develop and bring to market eco-friendly products to realize a circular society.	3
Global Business	Directors with business management experience overseas and ample knowledge and experience regarding things like business conditions, lifestyles, and culture overseas to respond to local needs are required to accelerate global expansion and strengthen profitability.	4
Human Resource Development	A human resource strategy capable of maximizing the potential of every employee as they adapt to change and grow is needed to achieve sustainable growth. Directors with solid knowledge in the field of human resource development, including promoting diversity, and respective experience in strategic planning are required.	5
Financial Strategy	Directors with solid knowledge in the fields of finance and accounting and respective experience in strategic planning are required to build a strong financial base, promote growth investments (including M&A) targeting sustainable enhancement of corporate value improvement, and strengthen shareholder returns.	4
Compliance, governance, and risk management	Establishment of an appropriate governance system is the foundation for sustainable enhancement of corporate value needed by society. Directors with solid knowledge in the fields of corporate governance, risk management, compliance, and respective experience in strategic planning are also required to enhance the effectiveness of management supervision by the Board of Directors.	5
Sustainability and environmental management	Directors with knowledge about decarbonization, eco-design, diversity, and work-life balance as well as the ability to promote initiatives in those areas are required to be a company that contributes to realizing a sustainable society by solving ESG issues with packaging.	2
Digital transformation (DX) promotion	Directors capable of driving change leveraging data and digital technology are needed to create exciting new value and maintain and strengthen competitiveness in the market.	2

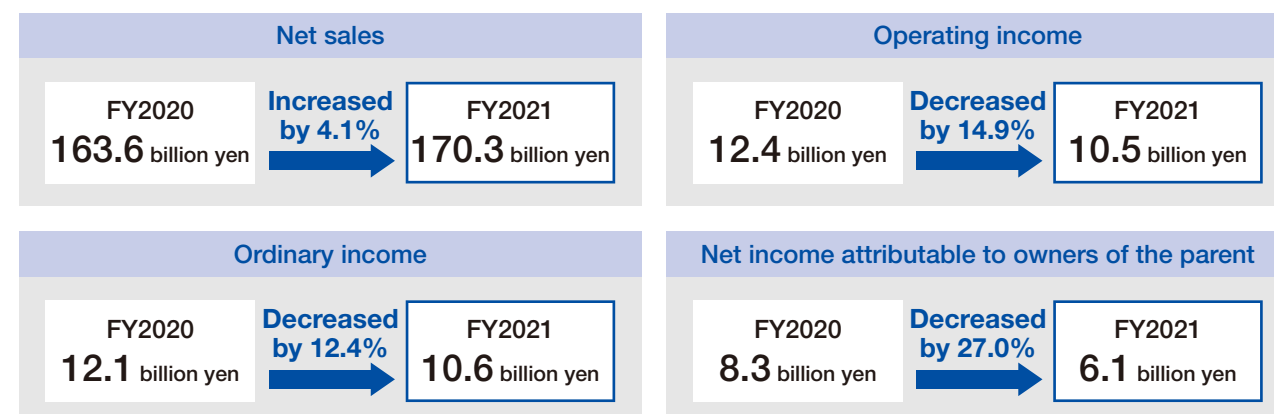
Name	Outline of expectations	Expected skills & experience
Hirumi Shioji	Has abundant insight in general corporate legal affairs he has gained through office management and his work as an attorney-at-law to provide useful suggestions and opinions regarding the Company's overall management. He also has experience as an outside auditor at another publicly listed company, and we expect that he will continue to provide appropriate advice on the Company's overall management and contribute to the strengthening of corporate governance from an independent standpoint.	<ul style="list-style-type: none"> ● Corporate Management ● Marketing ● Human Resource Development ● Compliance, governance, and risk management
Tatsundo Maki	Has abundant experience and broad insight in accounting, finance, and taxation gained as a certified public accountant. We expect he will continue to provide appropriate advice regarding the Company's overall management from an independent standpoint based on his expert perspective and contribute to strengthening corporate governance.	<ul style="list-style-type: none"> ● Corporate Management ● Global Business ● Financial Strategy ● Compliance, governance, and risk management
Yuichi Seki	Has broad insight as a supervisor of safety, disaster preparedness and manufacturing primarily in the fields of manufacturing and development, as well as experience as the manager of a publicly listed company. We expect he will continue to provide appropriate advice regarding the Company's overall management from an independent standpoint and contribute to strengthening corporate governance.	<ul style="list-style-type: none"> ● Corporate Management ● Manufacturing and development ● Human Resource Development ● Compliance, governance, and risk management
Shigeko Okazaki	Has abundant experience and broad insight in management overall, including management strategies, as the manager of the Group in working to effectively strengthen the decision-making and supervisory capabilities of the Board of Directors. We expect she will continue to appropriately supervise overall Group management and contribute to sustainable growth and enhancement of corporate value.	<ul style="list-style-type: none"> ● Corporate Management ● Marketing ● Human Resource Development ● Digital transformation (DX) promotion
Masayuki Shirokawa	Has broad insight in management overall as a manager of a Group operating company, in addition to extensive experience in the management of overseas businesses at the Company in working to effectively strengthen the decision-making and supervisory capabilities of the Board of Directors. We expect he will continue to appropriately supervise overall Group management and contribute to sustainable growth and enhancement of corporate value.	<ul style="list-style-type: none"> ● Corporate Management ● Marketing ● Global Business ● Sustainability/Environmental Management

Consolidated Financial Results (Profit/Loss) for FY2021

In FY2021, FSG's business environment in Japan was characterized by the massive adverse impact on the economic recovery of the COVID-19 pandemic and the continued restrictions on corporate and personal activities as a result. In other Asian countries, the lingering impact of the pandemic has caused a labor shortage and delays in raw material procurement, which have affected production activities. Meanwhile, in Europe and the Americas, which have been ahead of other regions in administering the third vaccination dose, restrictions on corporate and personal activities have been relaxed even amid the spread of infection with new COVID-19 variants. Rapid growth in post-COVID-19 demand and the Russian invasion of Ukraine have caused a rise in the prices of crude oil and other resources, thereby drastically pushing up material prices and logistics costs. While there is a sign of a return to economic stagnation, prices have begun to rise, causing lingering uncertainty for the future.

Even in this situation, FSG continues its efforts to increase its corporate value by growing together with its customers under its Credo: "Each day with renewed commitment, we create new value through packaging." We have also adopted the basic management policy of providing "our value to people and the planet" and aim to continue to be the No. 1 global packaging company in cooperation with customers, employees, business partners, shareholders, and the general public.

For FY2021, net sales were 170.321 billion yen (a 4.1% increase year on year), and operating income was 10.572 billion yen (a 14.9% decrease year on year), while ordinary income was 10.6 billion yen (a 12.4% decrease year on year), and net income attributable to owners of the parent was 6.117 billion yen (a 27.0% decrease year on year).



Cash Flows

Cash and cash equivalents at the end of FY2021 were 24,105 million yen, an increase of 2,555 million yen from the end of FY2020. Their details are mainly as follows:

Cash flows (Unit: million yen)

	End of FY2020	End of FY2021	Major details of FY2021 cash flows
Total of cash and deposits at the beginning of the fiscal year	1,134.2	2,154.9	
Cash flows from operating activities	1,884.7	1,402.1	Income before income taxes: +9,449; depreciation and amortization: +8,069; income taxes paid: -3,741
Cash flows from investing activities	-658.2	-780.4	Purchase of tangible fixed assets: -10,676; sale of tangible fixed assets: +3215
Cash flows from financing activities	-208.8	-483.4	Debt repayment: -1,654; purchase of treasury stock: -1,020; cash dividends paid: -1,812
Effect of exchange-rate changes	3	117.2	
Total of cash and deposits at the end of the fiscal year	2,154.9	2,410.5	
Free cash flows	1,226.5	621.7	

Medium-Term Management Plan

Market opportunity

FSG considers the following three changes to be business opportunities: (1) Accelerating need to respond to environmental issues; (2) Accelerating diversity in consumers' lifestyles; and (3) Expansion of consumption areas.

By responding appropriately to these changes, FSG will continue to grow by leveraging its strengths: "Ability to respond flexibly and agilely with a local manufacturing and sales development system to meet the diverse packaging needs of customers who are leading the global market, and to deploy the technologies and experience cultivated in other regions," "Ability to respond to and verify market demands and to provide QCD through the possession of integrated

technology covering materials technology, production, customer applications, and after-sales service," and "Strong relationships with innovative global customers cultivated through the above."

Overview of the Medium-Term Management Plan

Under the current Medium-Term Management Plan, which was formulated to materialize what FSG aims to be, we will speed up our efforts globally to tackle the important challenges of "Accelerating the overseas expansion of our label business and profitability enhancement," "Expanding primary packaging," and "Creating new businesses" by practicing sustainable management.

Dividends

Under the current Medium-Term Management Plan with the fiscal year ended March 2022 as the first year, we aim to improve our corporate value by contributing through packaging to realizing a sustainable circular society where people can live peacefully with a smile. Our top priority in management is to offer returns to shareholders according to the consolidated financial results for the relevant period and at the same time to continue to increase those returns.

Therefore, we have adopted the following dividend policy:

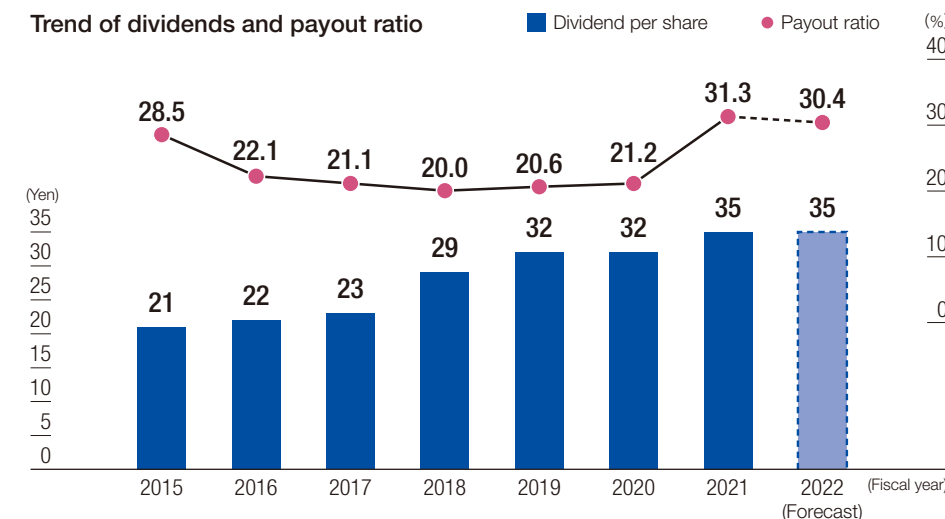
- Make investment for continuous growth (technical development, human resource development, capital expenditure, and M&A)
- Strive to achieve the target of a consolidated payout ratio of 20% to 25%
- Increase the dividend per share stably and continuously
- Build a solid financial base in preparation for an emergency and be agile in purchasing and disposing of treasury stock (to improve capital efficiency)

In FY2021, the continued spread of the COVID-19 pandemic and the sharp rise in the prices of various things such as raw materials, placed FSG in an extremely harsh business environment. However, net income attributable owners of the parent reached the level of the revised forecast announced on February 9, 2022.

On May 23, 2022, the Board of Directors resolved that the year-end dividend for FY2021 would be 18 yen per share as initially forecast, considering the Company's policy of distributing dividends stably and the financial results for that fiscal year. As a result, the total amount of the full-year dividend, including the interim dividend (17 yen per share) was decided to be 35 yen per share, with a consolidated payout ratio of 31.3%.

For FY2022, based on the abovementioned basic policy, the Company will pay an annual dividend of 35 yen per share, which means that the consolidated payout ratio for FY2022 is forecast to be 30.4%.

Trend of dividends and payout ratio



Financial Information

Summary of Consolidated Financial Results (1)

Fiscal year	2017	2018	2019	2020	2021
Net sales (million yen)	154,724	162,189	160,925	163,635	170,321
YoY growth (%)	9.0	4.8	-0.8	1.7	4.1
Gross profit (million yen)	29,494	31,710	31,289	31,298	30,638
YoY growth (%)	9.2	7.5	-1.3	0.0	-2.1
Ratio of gross profit to net sales (%)	19.1	19.6	19.4	19.1	18.0
Operating income (million yen)	11,505	12,986	12,634	12,428	10,572
YoY growth (%)	17.8	12.9	-2.7	-1.6	-14.9
Operating margin (%)	7.4	8.0	7.9	7.6	6.2
Ordinary income (million yen)	10,998	12,542	12,901	12,104	10,600
YoY growth (%)	10.1	14.0	2.9	-6.2	-12.4
Ratio of ordinary income to net sales (%)	7.1	7.7	8.0	7.4	6.2
Net income (million yen)	6,204	8,259	8,808	8,375	6,117
YoY growth (%)	9.6	33.1	6.7	-4.9	-27.0
Net income to net sales ratio (%)	4.0	5.1	5.5	5.1	3.6
Net income per share (yen)	108.91	144.78	155.51	150.93	111.70
Net assets (million yen)	89,344	95,897	97,639	103,080	109,492
Total assets (million yen)	149,804	152,131	152,694	159,367	164,646
Equity ratio (%)	59.6	63.0	63.9	64.7	66.5
Return on equity (ROE) (%)	7.2	8.9	9.1	8.3	5.8
Net assets per share (yen)	1,566.53	1,681.01	1,757.22	1,869.58	1,999.85
Sales by product	(million yen)				
Shrink sleeve labels	86,120	90,584	90,581	92,671	99,877
(Composition ratio)	55.7%	55.9%	56.3%	56.6%	58.6%
Self-adhesive labels	25,472	24,878	23,034	21,073	17,398
(Composition ratio)	16.5%	15.3%	14.3%	12.9%	10.2%
Other labels	1,673	1,565	1,199	1,390	-
(Composition ratio)	1.1%	1.0%	0.7%	0.8%	-
Spouted pouches	16,773	17,749	18,492	22,906	23,246
(Composition ratio)	10.8%	10.9%	11.5%	14.0%	13.6%
Machinery	12,103	14,612	14,543	12,558	15,949
(Composition ratio)	7.8%	9.0%	9.0%	7.7%	9.4%
Pharmaceutical and other order-customized packaging	5,207	6,774	7,805	8,633	-
(Composition ratio)	3.4%	4.2%	4.9%	5.3%	-
Other	7,373	6,025	5,268	4,401	13,849
(Composition ratio)	4.8%	3.7%	3.3%	2.7%	8.1%

* From FY2021, "Pharmaceutical and other order-customized packaging" and "Other labels" are included in "Other."

Segment Information (Unit: Million-yen)

Sales by reportable segment	2017	2018	2019	2020	2021
Japan	93,592	97,310	98,707	92,990	92,305
(Sales to external customers)	(92,342)	(96,030)	(97,454)	(91,286)	(90,457)
Americas	32,874	34,879	34,134	35,899	42,261
(Sales to external customers)	(32,130)	(34,050)	(34,075)	(35,888)	(42,254)
Europe	17,168	20,260	18,311	18,760	27,658
(Sales to external customers)	(15,192)	(17,352)	(15,626)	(14,802)	(23,742)
PAGO	12,450	11,094	9,701	8,201	-
(Sales to external customers)	(11,857)	(10,513)	(9,298)	(7,980)	-
ASEAN	3,208	4,347	4,623	16,145	16,237
(Sales to external customers)	(3,201)	(4,243)	(4,470)	(13,678)	(13,866)
Intersegment elimination	-4,570	-5,703	-4,553	-8,361	-8,141
Operating income by reportable segment					
Japan	10,016	9,903	9,482	8,145	7,597
Americas	3,129	3,083	3,084	3,650	3,539
Europe	-711	38	186	767	-837
PAGO	-942	-87	-265	-494	-
ASEAN	-47	23	205	642	341
Intersegment elimination	61	24	-58	-282	-68

* From FY2021, "PAGO" is included in "Europe."

Foreign exchange rates applied to overseas subsidiaries	USD (yen)	2017	2018	2019	2020	2021
		112.16	110.44	109.03	106.76	109.90
	EUR (yen)	126.70	130.35	122.03	121.88	129.91

Summary of Consolidated Financial Results (2)

Fiscal year	2017	2018	2019	2020	2021
(Profitability)					
Return on equity (ROE)	7.2%	8.9%	9.1%	8.3%	5.8%
Return on assets (ROA)	7.5%	8.3%	8.5%	7.8%	6.5%
(Safety)					
Current ratio	160.8%	170.7%	173.4%	201.7%	208.1%
The ratio of long-term capital	71.3%	66.9%	65.1%	58.1%	54.7%
Debt equity ratio (times)	0.16	0.15	0.12	0.12	0.11
Interest coverage ratio (times)	120.5	78.8	288.8	317.6	217.4
Cash flows (million yen)					
Cash flows from operating activities	11,879	10,470	19,086	18,847	14,021
Cash flows from investing activities	-8,388	-7,449	-9,316	-6,582	-7,804
Cash flows from financing activities	-4,954	-2,715	-6,400	-2,088	-4,834
Capital expenditure (million yen)	8,747	7,965	7,771	5,916	10,503
Capital expenditure by region (million yen)					
Japan	5,609	4,592	4,839	3,527	3,988
Americas	1,619	1,769	626	1,317	3,720
Europe	1,024	1,149	1,434	605	728
PAGO	295	301	430	109	-
ASEAN	123	99	488	699	1,934
Depreciation and amortization (million yen)	9,234	8,836	8,160	8,056	8,069
Depreciation and amortization by region (million yen)					
Japan	4,589	4,403	4,092	3,996	3,963
Americas	2,644	2,544	2,301	2,029	1,795
Europe	1,261	1,183	1,048	940	1,433
PAGO	555	517	523	395	-
ASEAN	210	213	220	886	891
Research and development costs (million yen)	2,187	2,120	2,539	2,394	2,493
Number of employees (Person)	4,478	4,703	5,719	5,741	5,892

* From FY2021, "PAGO" is included in "Europe."

* Figures for India are included in the above figures for the ASEAN region.

Consolidated Balance Sheet

(Unit: Million-yen)

Fiscal Year	2017	2018	2019	2020	2021
Assets:					
Current assets:	77,261	82,777	85,264	93,734	101,126
Cash and bank deposits	8,929	10,392	11,832	21,688	25,860
Notes and accounts receivable-trade	38,348	39,790	41,510	40,973	40,854
Electronically recorded monetary claims-trade	8,120	8,431	8,451	8,686	10,206
Merchandise and finished products	7,423	9,614	9,154	8,537	7,772
Work in process	3,931	3,683	3,492	3,458	4,127
Raw materials and supplies	6,188	6,707	7,135	6,762	7,956
Other current assets	4,519	4,300	3,957	3,837	4,533
Allowance for doubtful accounts	-200	-144	-270	-210	-183
Noncurrent assets:	72,542	69,354	67,429	65,632	63,519
Tangible fixed assets:	59,331	55,606	57,853	54,881	55,958
Buildings and structures	23,581	23,206	23,166	22,714	21,131
Machinery, equipment and vehicles	24,618	22,991	22,563	20,044	18,976
Land	5,459	5,402	6,203	6,257	6,989
Other Noncurrent assets	5,672	4,005	5,920	5,865	8,861
Intangible fixed assets:	1,547	1,410	1,538	1,501	1,510
Goodwill	-	-	203	159	107
Other intangible fixed assets	1,547	1,410	1,335	1,342	1,402
Investments and other assets	11,663	12,338	8,037	9,249	6,050
Total Assets	149,804	152,131	152,694	159,367	164,646
Liabilities:					
Current liabilities:	48,059	48,483	49,162	46,474	48,596
Notes and accounts payable-trade	13,767	11,778	13,321	13,104	13,758
Electronically recorded monetary obligations-trade	10,618	12,979	12,308	11,655	11,179
Short-term borrowings	8,687	8,408	7,192	5,416	4,382
Current portion of long-term debt	-	1,850	2,427	1,085	5,038
Income taxes payable	1,382	1,155	759	991	817
Accrued bonuses	1,620	1,566	1,559	1,713	1,630
Other current liabilities	11,983	10,745	11,594	12,508	11,790
Long-term liabilities:	12,400	7,751	5,891	9,811	6,557
Long-term loans	5,300	3,450	1,207	5,115	2,387
Net defined benefit liabilities	4,372	1,996	2,460	2,594	2,630
Other long-term liabilities	2,728	2,305	2,222	2,102	1,538
Total Liabilities	60,460	56,234	55,054	56,286	55,153
Net Assets:					
Shareholders' equity:					
Common stock	5,990	5,990	5,990	5,990	5,990
Capital surplus	6,462	6,525	6,572	6,584	6,603
Retained earnings	72,953	79,786	86,776	93,372	97,677
Treasury stock	-3,104	-3,083	-6,586	-7,537	-8,512
Total shareholders' equity	82,301	89,218	92,752	98,410	101,758
Accumulated other comprehensive income:					
Unrealized gain on available-for-sale securities	1,598	1,630	1,362	1,318	1,297
Deferred gain or loss on hedge	-1	-5	-	-	-
Foreign currency translation adjustments	5,522	3,947	2,603	1,815	6,259
Remeasurements of defined benefit plans	-76	1,106	921	1,535	176
Total accumulated other comprehensive income	7,042	6,679	4,887	4,670	7,733
Total Net Assets	89,344	95,897	97,639	103,080	109,492
Total Liabilities and Net Assets	149,804	152,131	152,694	159,367	164,646

Consolidated Profit and Loss Statement

(Unit: Million-yen)

Fiscal Year	2017	2018	2019	2020	2021
Net sales	154,724	162,189	160,925	163,635	170,321
Cost of sales	125,230	130,478	129,635	132,337	139,683
Gross profit	29,494	31,710	31,289	31,298	30,638
Selling, general and administrative expenses	17,988	18,724	18,654	18,869	20,066
Operating income	11,505	12,986	12,634	12,428	10,572
Non-operating income:	140	148	388	221	254
Interest income	15	19	21	14	24
Dividend income	49	54	64	63	70
Foreign exchange gain	-	-	16	-	-
Equity in earnings of affiliates	-	-	200	-	-
Other Income	75	74	85	143	159
Non-operating expenses:	647	592	121	544	225
Interest expenses	112	101	62	67	72
Foreign exchange losses	128	153	-	389	35
Equity in losses of affiliates	390	233	-	-	-
Other Losses	15	104	59	88	117
Ordinary income	10,998	12,542	12,901	12,104	10,600
Extraordinary gains	232	870	777	1,231	266
Extraordinary losses	2,066	1,559	1,105	1,706	1,416
Income before income taxes	9,164	11,853	12,573	11,629	9,449
Income taxes – current	4,405	4,188	3,744	3,889	3,202
Income taxes – deferred	-1,446	-593	20	-634	129
Net income attributable to owners of the parent	6,204	8,259	8,808	8,375	6,117
Other comprehensive income	2,335	-363	-1,791	-217	3,063
Comprehensive income	8,540	7,895	7,017	8,157	9,180

Consolidated Statements of Cash Flows

(Unit: Million-yen)

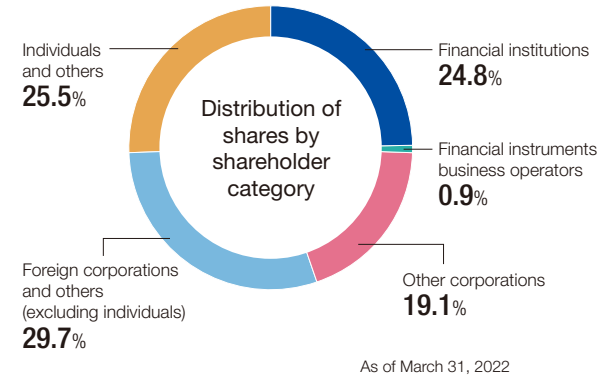
Fiscal Year	2017	2018	2019	2020	2021
Cash flows from operating activities	11,879	10,470	19,086	18,847	14,021
Cash flows from investing activities	-8,388	-7,449	-9,316	-6,582	-7,804
Cash flows from financing activities	-4,954	-2,715	-6,400	-2,088	-4,834
Effect of exchange rate changes on cash and cash equivalents	-379	-122	7	30	1,172
Net increase (decrease) in cash and cash equivalents	-1,842	182	3,376	10,207	2,555
Cash and cash equivalents at the beginning of the fiscal year	9,626	7,784	7,966	11,342	21,549
Cash and cash equivalents at the end of the fiscal year	7,784	7,966	11,342	21,549	24,105

Dividends

Fiscal Year	2017	2018	2019	2020	2021
Cash dividend per share (yen)	23	29	32	32	35
Total dividends (million yen)	1,311	1,654	1,794	1,771	1,916
Consolidated net sales (million yen)	154,724	162,189	160,925	163,635	170,321
Consolidated net income (million yen)	6,204	8,259	8,808	8,375	6,117
Net income per share (yen)	108.91	144.78	155.51	150.93	111.70
Consolidated payout ratio	21.1%	20.0%	20.6%	21.2%	31.3%
Average number of shares outstanding during the period (Share)	56,973,829	57,045,725	56,642,827	55,489,651	54,764,416

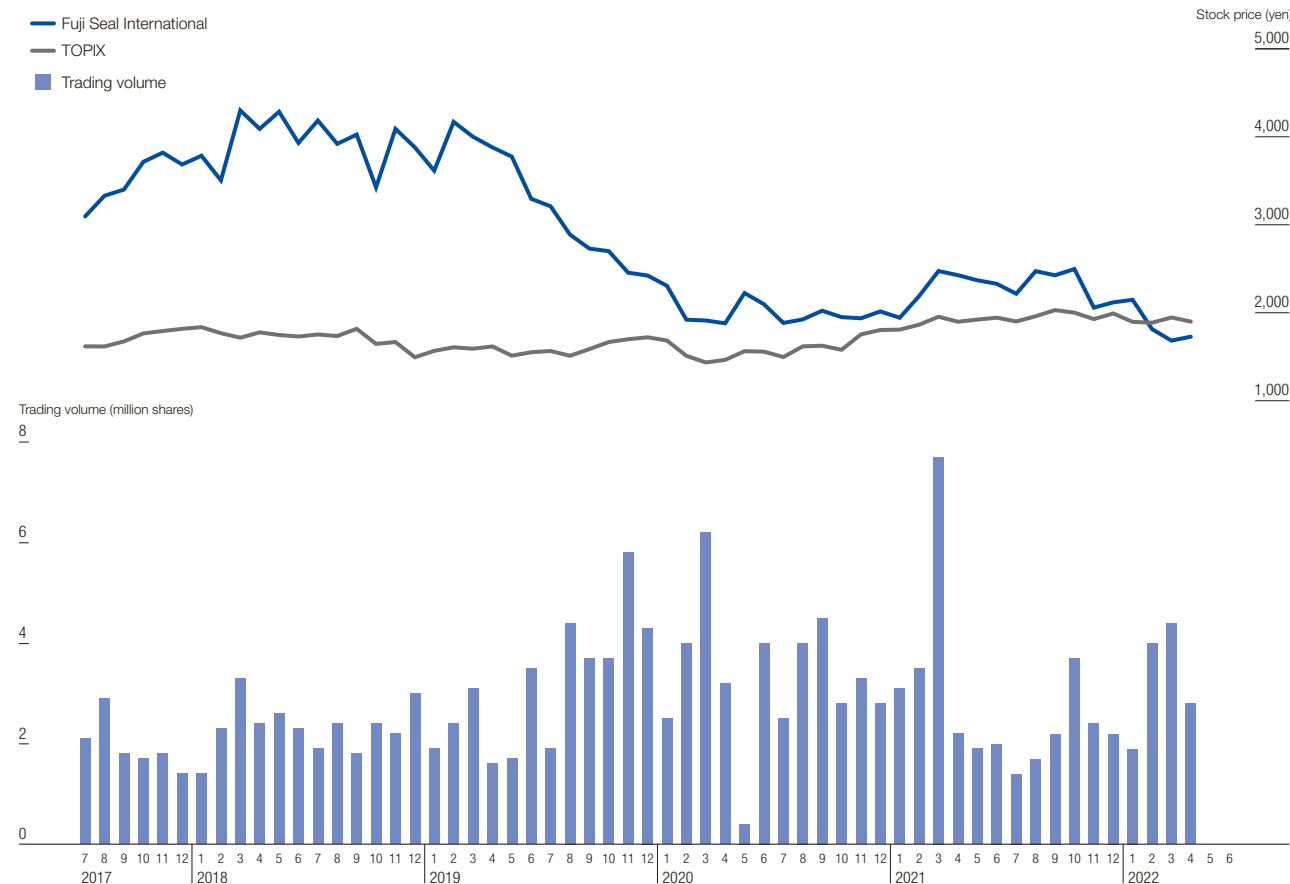
As of March 31, 2022

Shareholders and Stock Information	
Securities code	7864
Company name	FUJI SEAL INTERNATIONAL, INC.
Established	October, 1958
Date of Stock Listing	December 25, 2003 (First Section of Tokyo Stock Exchange) * Transitioned to the Prime Market on April 4, 2022 October 28, 1997 (JASDAQ)
Type of Business	Other manufacturing industries
Listed Stock Exchanges	Tokyo Stock Exchange
Date of fiscal year end	March 31
Midterm Dividend Payout	Yes
The number of shares per one unit of share	100 shares
Number of Shares Outstanding	60,161,956 shares
Number of Shareholders	14,041 persons



As of March 31, 2022

Stock Price and Trading Volume Trends



As of March 31, 2022

Company Information	
Company name	Fuji Seal International, INC.
Established	October 18, 1958 (Founded in 1897) * Fuji Seal Co. changed its name on October 1, 2004, after adopting the holding company structure
Common Stock	5.99 billion yen
Consolidated net sales	170.321 billion yen
Representative	Masayuki Shirokawa, Director, Representative Executive Officer President and COO
Main businesses	Group holding company responsible for formulating and promoting strategic and managerial functions as well as, management of internal audits of all group companies. *Fuji Seal Group provides integrated solutions and related services of shrink sleeve labels, Self-adhesive Labels / Pressure Sensitive Labels (PSL), spouted pouches and packaging machinery.
Number of employees	40 (2) Persons (Consolidated group employees: 5,892 (363) Persons / as of March 31, 2022) *The number of employees is the number of full-time employees only. On the other hand, the total number of part-time and temporary employees is shown in the parenthesis.
Head office	Osaka Head Office: 4-1-9 Miyahara, Yodogawa-ku, Osaka 532-0003, Japan TEL: (06) 6350-1080

As of March 31, 2022

Principal Shareholders			
Name	Address	Number of shares held (thousand)	Ratio of ownership to the total number of shares outstanding (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 HAMAMATSUCHO, MINATO-KU, TOKYO, JAPAN	7,128	13.0
Soho KK	SUITA CITY, OSAKA, JAPAN	6,240	11.4
Custody Bank of Japan, Ltd. (Trust account)	HARUMI ISLAND TRITON SQUARE TOWER Z, 1-8-12 HARUMI, CHUO-KU, TOKYO, JAPAN	5,008	9.1
Fuji Seal Packaging Education and Scholarship Foundation	4-1-9 MIYAHARA, YODOGAWA-KU, OSAKA, JAPAN	4,800	8.8
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 (6-27-30 SHINJUKU, SHINJUKU-KU, TOKYO, JAPAN)	2,021	3.7
Shigeo Okazaki	SUITA CITY, OSAKA, JAPAN	1,801	3.3
The Master Trust Bank of Japan, Ltd. (Retail trust account 820079255)	2-11-3 HAMAMATSU-CHO, MINATO-KU, TOKYO, JAPAN	1,800	3.3
Hiroko Fujio	SUITA CITY, OSAKA, JAPAN	1,784	3.3
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, JAPAN)	1,670	3.1
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	P.O.BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A (SHINAGAWA INTERCITY TOWER A, 2-15-1 KONAN, MINATO-KU, TOKYO, JAPAN)	1,609	2.9
Total	-	33,866	61.9

Notes: 1. Of the above-mentioned number of shares held, the number of shares held in the trusts is as follows:
The Master Trust Bank of Japan, Ltd. (Trust account): 7,128 thousand shares
Custody Bank of Japan, Ltd. (Trust account): 4,644 thousand shares
Those shares consist of 5,391 thousand shares for investment trusts, 658 thousand shares for pension trusts, and 5,722 thousand shares for other trusts.
2. The number of treasury shares held by the Company is 5,411 thousand shares, which is not indicated in the above table of principal shareholders.
3. Considering that the representative of Soho KK is Shigeo Okazaki, the voting rights held by Soho KK are substantially perceived as unified with those held by her. Therefore, the largest shareholder of the Company is Shigeo Okazaki.
4. An amendment to a Substantial Shareholding Report dated October 20, 2021, available for public inspection, indicates that Global Alpha Capital Management Ltd. (hereinafter, "Global Alpha") held the following number of shares as of October 15, 2021. However, FSG has been unable to confirm the number of shares substantially held by Global Alpha as of March 31, 2022 and therefore Global Alpha is not included in the above table of principal shareholders. For reference, the content of the said Substantial Shareholding Report amendment is shown below.

Name	Address	Number of shares held (thousand)	Ratio of ownership to the total number of shares outstanding (excluding treasury stock) (%)
Global Alpha Capital Management Ltd.	1800 MCGILL COLLEGE SUITE 1300, MONTREAL, QUEBEC, CANADA	4,250	7.1



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Issued in August 2022