Fuji Seal

ALWAYS INNOVATING WITH THE CUSTOMER **annual report 03**

As the packaging industry has evolved, Fuji Seal, Inc. has successfully risen to the rank of globally leading company by developing shrink labels and other packaging that raise the value of customer products. Our philosophy is to create new value through wrapping, and we are committed to solving the problems our customers face and growing with them through changes in container trends and the market.

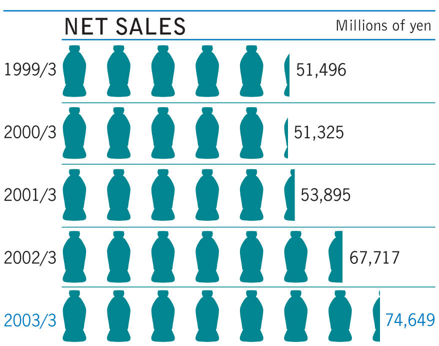
Analyzing market data and the latest trends from the United States, Europe and elsewhere, we make proposals to customers, then, together with them, develop new kinds of packaging. We solve environment-related issues, help reduce costs and otherwise respond to a variety of customer needs. This process fuels our global development as a comprehensive packaging solutions company.

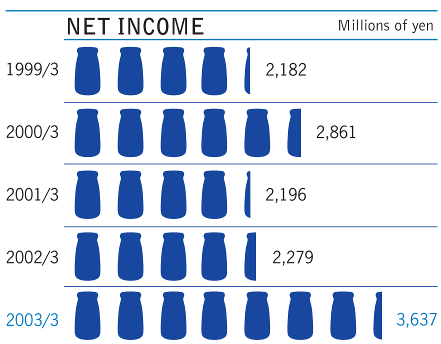
CONSOLIDATED FINANCIAL HIGHLIGHTS

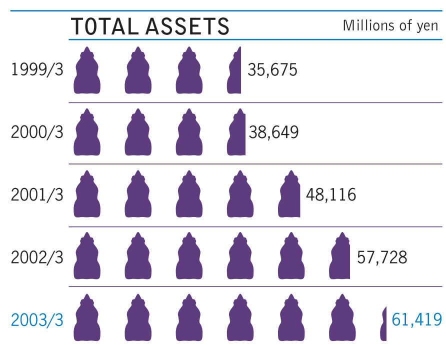
FUJI SEAL, INC. and subsidiaries Years ended March 31

			Millions of yen, except where noted			Thousands of U.S. dollars, except where noted
	2003/3	2002/3	2001/3	2000/3	1999/3	2003/3
For the year:						
Net sales	¥ **74,649**	¥ 67,717	¥ 53,895	¥ 51,325	¥ 51,496	**$621,047**
Operating income	**6,233**	5,277	4,422	5,441	4,874	**51,861**
Ordinary income	**6,284**	5,227	4,672	5,377	4,887	**52,282**
Net income	**3,637**	2,279	2,196	2,861	2,182	**30,264**
At the year-end:						
Total assets	**61,419**	57,728	48,116	38,649	35,675	**510,980**
Shareholders' equity	**23,948**	21,557	18,367	17,126	14,057	**199,236**
Number of shares issued (shares)	**15,221,032**	15,219,000	15,219,000	15,219,000	7,609,500	—
Per share amounts (in yen and U.S. dollars):						
Shareholders' equity per share	¥ **1,573.40**	¥ 1,416.49	¥ 1,206.91	¥ 1,125.34	¥ 1,847.30	$ **13.09**
Net income per share (basic)	**239.02**	149.77	144.34	188.04	290.64	**1.99**
Net income per share (diluted)	**218.59**	140.92	—	—	—	**1.82**
Other:						
Return on equity (%)	**15.99%**	11.42%	12.38%	18.35%	17.83%	
Return on assets (%)	**10.5%**	9.9%	10.8%	14.5%	14.1%	
Number of employees (persons)	**2,180**	1,909	1,767	1,398	1,355	

1. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.2=U.S.$1, the rate of exchange on March 31, 2003, has been used in translation.
2. Net sales exclude consumption tax.
3. On November 19, 1999, the Company split its common stock 2-for-1. Net income per share for the fiscal year ended March 31, 2000 is calculated based on the average number of shares during the fiscal year, retroactively adjusted for stock splits to the beginning of the year.
4. Diluted net income per share for the fiscal years ended March 31, 1999, March 31, 2000, and March 31, 2001 is not reported since the Company did not have outstanding warrant bonds or convertible bonds.
5. The number of employees from the fiscal year ended March 31, 2000 onward shows the total number of employees.
6. The number of employees for the fiscal year ended March 31, 2000 increased by 369 compared with the previous fiscal year. Of the total, 332 are employees of American Fuji Seal, Inc., the former Owens-Illinois Labels, Inc. acquired by the Company.







CONTENTS

Continued growth by leveraging our leading shrink label market share in the North America, Europe and Japan and the ability to meet customer needs through proposal-driven solutions

Fuji Seal successfully posted increases in both revenues and income in the fiscal year ended March 31, 2003. In these times of great change, by thinking with customers about the ever-changing problems they face on a day-to-day basis and working to contribute effective solutions, we are developing new functions required for labels and creating new products. We are expanding our business, deepening relationships of mutual trust with global companies through strong business performance in North America, Europe and the ASEAN region.

I would first like to express my gratitude to our shareholders for their continued support and cooperation. In the fiscal year ended March 31, 2003, consolidated net sales rose 10.2% compared to the previous year to ¥74,649 million, and operating income climbed 18.1% to ¥6,233 million. We also posted large increases in ordinary income, which rose 20.2% to ¥6,284 million, and net income, which jumped 59.6% to ¥3,637 million.

In the domestic market, we added an array of highly desired functions to our shrink labels, a product that enjoys leading market share. As a result of their increased value, these new features have been well received by our customers.

In the North American market, more and more global companies are employing shrink labels for their core products. Having completed capital expenditures in 2002, we now have an infrastructure ready to further develop our business in 2003 in this region.

In the European market, we established a new base in France, taking account of the currency integration in Europe. The new base and our existing presence in the United Kingdom comprise the framework we need to expand our business in 2003.

KEN TAKEDA
President and Chief Operating Officer
July 2003

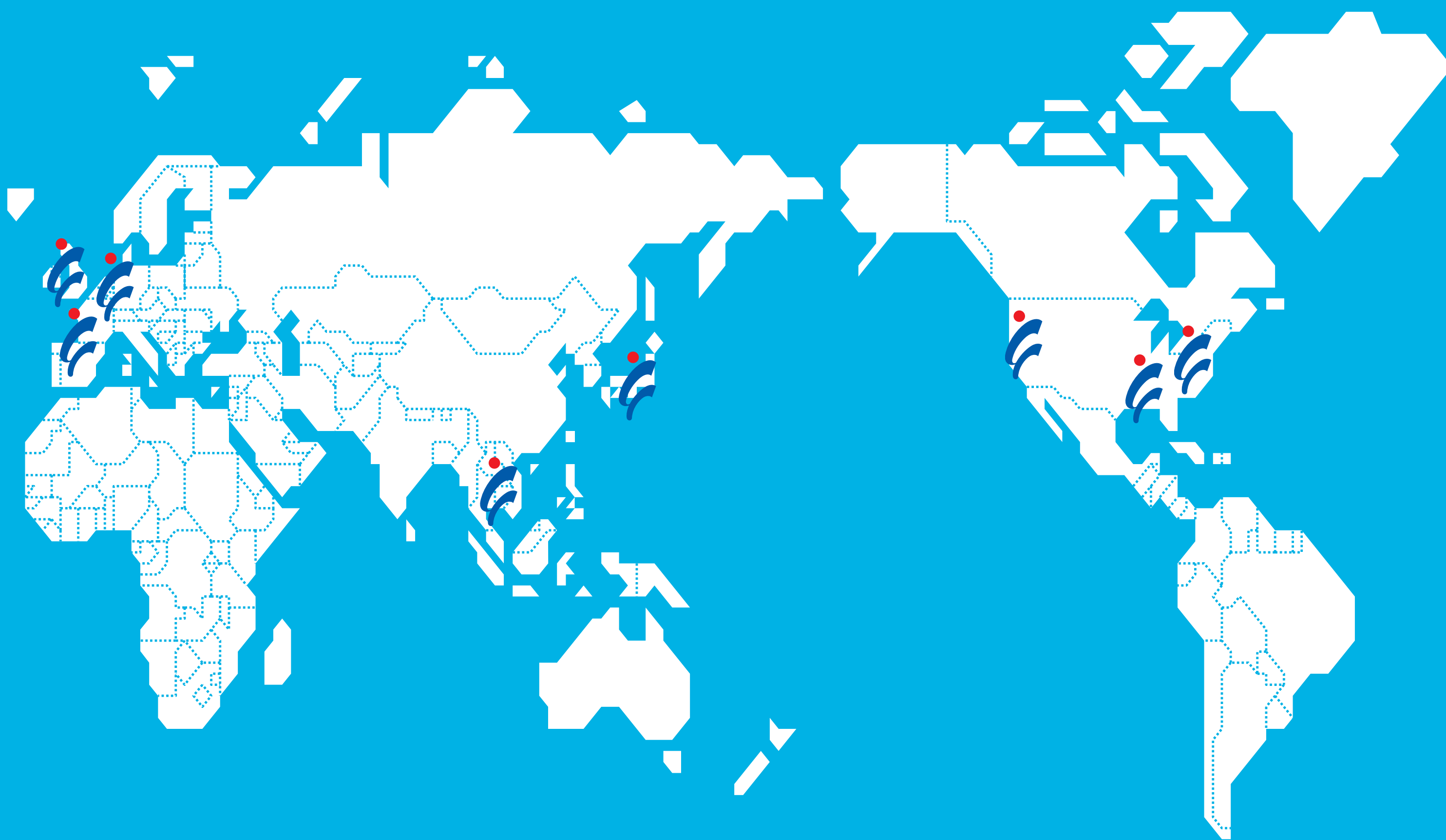
Refusing to accept the status quo, we are committed to continued growth

Since its foundation, Fuji Seal has continued to change along with changes, and we believe that this attitude has contributed to our growth.

Our basic approach has always been to think together with customers about optimal solutions to the problems they face, and then make proposals to solve those problems.

In recent years, we have strengthened initiatives to ensure sustained growth. From a business perspective, working to secure short-term profits is a self-evident strategy. However, we have also demonstrated our commitment to a management style that gives priority to the environment and society as a whole through acquisition of ISO 14001 certification and other initiatives. We view corporate social responsibility as another important consideration and actively promote initiatives that take it into full account.

Because it is our shareholders' support that enables us to grow, as the president of Fuji Seal, I ask for your continuing support and encouragement in the year to come.

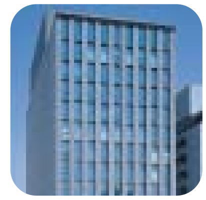


THE YEAR IN REVIEW

In Japan, promotion of product differentiation through added label functionality, and in Europe and North America, a successful expansion of the shrink label market.

In the fiscal year ended March 31, 2003, the second year of our current five-year medium-term management plan, we achieved the sales and income levels initially targeted by the plan. The percentage of consolidated sales generated overseas increased to 26%, and this figure reflects strong performance turned in by shrink labels.


TOKYO OFFICE


OSAKA OFFICE

Fuji Seal, Inc.

ADDING FUNCTIONALITY IN THE DOMESTIC MARKET

1. Shrink labels

New usage for shrink labels with a range of features has expanded

Looking at overall business and market conditions, a new container, the Bottle-can, performed well on the market in the year under review. This development has focused attention on the various features of shrink labels.

- Adding insulation to shrink labels has made previously hot-to-the-touch beverage containers easier to drink from. Insulating qualities also help keep container contents cool.
- The display area has expanded compared to direct-container printing by allowing the entire surface including curved surfaces to be used. This has increased the amount of decorative effects able to be printed on a container.
- Leaving container surfaces blank and printing labels for individual products have helped to dramatically reduce container inventories.

Functional beverages, which joined shrink labels with a variety of different containers, were launched on the market.

- Shrink labels with 360-degree decoration have been also used on small-volume, functional beverages, increasing the number of items displayed that detail usage and awareness of fortified drinks.

- For yogurt drinks, shrink labels with added functionality for decreasing the detrimental affects of light have been used in combination with PET containers.

In the food industry, shrink labels are also increasingly being used for instant cup noodles. We launched over-wrap shrink labels that can be used with round containers, following square ones. They are being used for a total of 45 different items. Use of these labels has enabled frequent, quick new product release and label-design changes, because the container itself can be kept blank and switchable. Additionally, resources can be saved because containers do not need to be thrown out when changes are made.

From now on, our challenges are to develop shrink labels with the functionality desired by the toiletries industry, as well as beverages and food products.

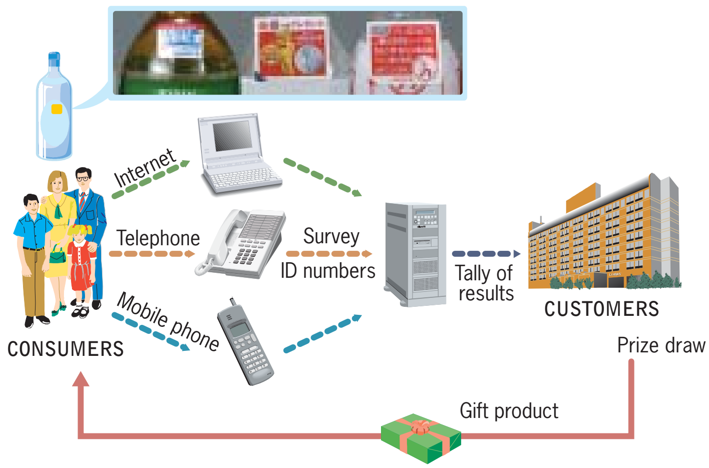
ADDING FUNCTIONALITY IN THE DOMESTIC MARKET
2. Communicating with labels
Enabling direct, interactive communication between manufacturers and consumers as our customers

Fuji Seal labels possess another important feature: they advertise and promote the sales campaigns of our customers' products. Our proprietarily developed ID tack and Fuji Seal Information Technology (FIT) sales promotion system are media that facilitate direct, expedited interactive communication between customer companies and consumers.

Customers do not need to rely completely on television and magazine advertisements, as the pressure-sensitive label enables the product itself to be a form of direct communications with consumers. This label has been highly evaluated by customers.

FIT SYSTEM

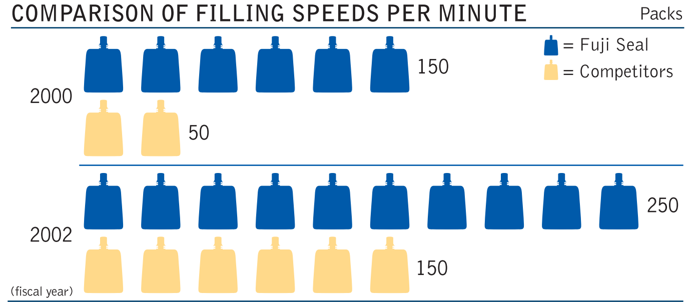
Under FIT, the Fuji Seal Information Technology system, ID numbers, free-dial numbers and gift product information are printed on the seals attached to product labels. Consumers can then access the FIT system by telephone or the Internet to take part in quizzes and surveys. The system is ideally suited to those customers who wish to make direct contact with consumers rather than relying on distributors, and offers a higher response rate than postcards and similar feedback devices. Cost-effectiveness is also extremely high, and the speed with which consumers can begin using the system is another specific advantage.



ADDING FUNCTIONALITY IN THE DOMESTIC MARKET
3. Soft pouches
Rapid growth by strategically leveraging our strength in packaging and machinery system sales

The number of items in beverage and jelly product categories using Soft pouches continued to increase in the fiscal year under review. Fuji Seal has developed a proprietary, integrated application system that covers processes through to filling container contents. It is the world's fastest such system and has helped to streamline customer-filling lines. Going forward, we plan to draw on this strength in integrated packaging and machinery systems to expand into other product areas.

COMPARISON OF FILLING SPEEDS PER MINUTE



Source: Internal materials and analysis of Fuji Seal.

American Fuji Seal, Inc.(C.A.)

American Fuji Seal, Inc.(K.Y.)

American Fuji Seal, Inc.(N.J.)

THE NORTH AMERICAN MARKET

Shrink label market steadily expanding

Shrink labels are increasingly being used for the core products of global companies. The primary reason for this trend is that customers want to distinguish their products with containers that are easy to hold, unique, and attractive to consumers. The shrink label, with its increased display area, decorative features, and capacity to reduce inventories of variously designed containers, consistently outranks the competition in terms of its ability to satisfy these needs.

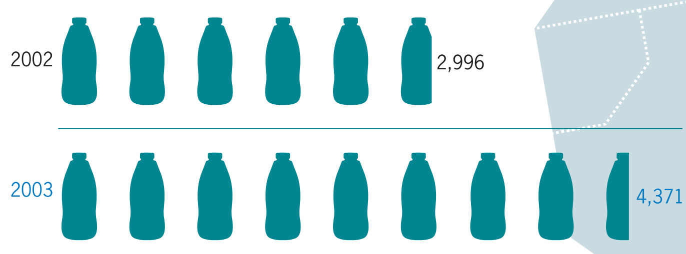
Another reason is that we have worked for many years to introduce shrink label application machinery and the resulting high production ratios at customer sites have been duly recognized. Usage of shrink labels for dairy and food products in particular is growing extremely quickly. This differs from Japan, where PET bottles for beverages are the mainstream.

One of the characteristics of the North American market is "dashboard dining." These are simple meals that can be consumed in the car on the way to work or school. Soup is one such popular dashboard dining product. In this field, our proposed heat-resistant labels have been adopted.

An issue in the North American market is that competitor companies are increasing as the shrink label market expands. To meet this challenge, we are continuing to demonstrate our superiority in terms of quality, delivery and cost and are strengthening our proposal-oriented sales activities.

Years Ended March 31, 2003 and 2002

NORTH AMERICAN SHRINK LABEL SALES of FUJI SEAL — Millions of yen



THE EUROPEAN MARKET

Systems for business development established for the European market

A giant European market that includes Eastern Europe is emerging as the euro zone continues to expand. Fuji Seal initiatives directed at global companies are continuing to contribute to our customers' business development.

In the very large European market, customers need to develop powerful and flexible brand images. More and more, they are choosing to use shrink labels for design consistency. Shrink labels are also favored because they allow makers to create localized packaging for individual countries.

We are also contributing to customers' rationalization initiatives, as installation machinery is standardized across various sites.

Our sales network includes a sales base in Paris, and Fuji Seal products are starting to be used by customers in the French domestic market. Additionally, we acquired the French company F.B. FINANCE S.A. (now Fuji Seal Europe S.A., the parent company of Fuji Buriot S.A.), increasing the size of our production infrastructure. Combined with our plant in the United Kingdom, this allows us to deliver an even steadier supply of products to customers. We now have a system in place that ensures we can sufficiently meet the challenge of further market growth.

In the European market, it is expected that the ability to handle more sophisticated label designs will be an important factor in future growth.

Years Ended March 31, 2003 and 2002

EUROPEAN MARKET REVENUE of FUJI SEAL — Millions of yen

Fuji Ace Co., Ltd.(Thailand)

THE ASEAN MARKET

Achieving high-quality, differentiated products

Currently, we are developing sales activities emanating mainly from our business base in Thailand, and working to expand our business in the entire ASEAN region in the next fiscal year. We are approaching global companies in the region and making proposals that distinguish us from local competitors. More specifically, we are differentiating ourselves in the areas of printing quality and materials. The ASEAN region is an enormous market, and we are committed to growth there by winning appreciation for the functionality we supply.

CONTINUING TO GROW BY RESPONDING TO THE NEEDS OF GLOBAL CUSTOMERS

Through direct dealings with global companies in numerous locations, Fuji Seal is able to keep up with the various changes in the marketplace. By constantly responding to these changes and developing the functions demanded by customers, we continuously offer value to augment our customers' products in the form of the label.

Customer requirements differ somewhat from region to region. In North America, clients prize functionality, efficiency and speed. In Europe, they particularly appreciate sophisticated design, fine-tuned printing technology and environmental friendliness. In Japan, they target quality, special needs of products for vending machines and short delivery times for convenience store-targeted products. Responding to these needs, Fuji Seal will continue to grow along with our customers as an advanced and innovative company.

In line with the five-year medium-term management plan, which Fuji Seal embarked upon in the fiscal year ended March 31, 2002, the Company aims to achieve consolidated net sales of ¥100 billion and ordinary income of ¥10 billion in the fiscal year ended March 31, 2006, the final fiscal year covered by the plan. Fuji Seal met the annual target levels for net sales and ordinary income set forth for the fiscal year under review, the second year covered under the plan, indicating that the Company is proceeding smoothly toward successful completion of the remaining objectives stipulated in the plan.

NET SALES

For the fiscal year ended March 31, 2003, Fuji Seal recorded consolidated net sales of ¥74,649 million, up 10.2% from the previous fiscal year. The increase was driven primarily by the significant growth in sales of shrink labels, which increased 13.9% to ¥39,740 million, along with sales of machinery, which jumped 21.1% to ¥8,795 million. By region, the growth of North American and European markets contributed greatly to the overall expansion of sales. Net sales by region are as follows.

Japan

Sales of shrink labels, for which Fuji Seal continually seeks to carve out new markets, continued to post steady growth, fueled by expansion of the market for hot beverages, an increase in new dairy-related products, and growing orders from processed food concerns. Sales of pressure-sensitive labels, on the other hand, failed to reach the previous year's level, which could be explained by a cutback in the use of campaign labels (eye-catching labels for sales promotion) due to a temporary change in campaign techniques. Nevertheless, sales of machinery and Soft pouches continued to grow significantly. As a result, net sales increased 6.0% to ¥56,379 million.

North America

Leading companies with a global presence became more active in their use of shrink labels for their products. Companies in the fields of foods and dairy beverages in particular contributed to Fuji Seal's sizable growth in sales of shrink labels and machinery. As a result, net sales increased 22.5% to ¥13,301 million.

Europe

Orders from leading manufacturers of dairy beverages, foods and toiletries remained brisk, while sales of shrink labels and machinery grew substantially. As a result, net sales jumped 30.8% to ¥6,209 million.

COST OF SALES, SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND OPERATING INCOME

Cost of sales rose 10.8% in the period under review, to ¥59,506 million. Cost of sales accounted for 79.7% of net sales, up 0.4 percentage point. This was attributable primarily to an expense reallocation of approximately ¥400 million from selling, general and administrative (SG&A) expenses to manufacturing costs to better reflect the actual cost composition.

SG&A expenses increased 2.2% to ¥8,909 million. Such expenses accounted for 11.9% of net sales, down 1.0 percentage point from the previous fiscal year. The increase in SG&A expenses was due to the additional inclusion of unpaid legal welfare expense of accrued bonuses amounting to ¥74 million. However, the expense reallocation from SG&A expenses to manufacturing costs totaled about ¥400 million to better reflect the true state of the cost outlay, which contributed to lowering SG&A expenses as a percentage of net sales. As a result, operating income for the Group increased 18.1% to ¥6,233 million.

By region, operating income in Japan rose 11.0% to ¥6,048 million. Operating income was buoyed by the effects of investment in new products and technological development during the previous fiscal year; the successful operations of the Yuki Factory in Ibaraki Prefecture, which was acquired in June 2002 and is assuming an increasingly viable role in the Company as a unit that produces results; and greater flexibility in personnel composition, due to Fuji Partners, Inc. Overseas, a series of substantial investments were made in North America for the launch of production lines for shrink labels in the Main Factory in the U.S. state of Kentucky, but as a result of a six-month delay, a one-time loss was incurred.

Additionally, the Company faced cost-cutting competition in wrap-around labels, which belong to the category of other labels. This exerted downward pressure on the prices of the labels. As a result, the Company posted an operating loss of ¥363 million, compared with an operating loss of ¥269 million recorded the previous fiscal year. In Europe, on the other hand, rationalization efforts aiming at improved production efficiency and growing sales of machinery paid off, and these, along with a steady increase in sales resulted in a 8.7-fold rise in operating income to ¥540 million, which helped the Company continue its path to a V-shaped recovery.

NET INCOME

In the category of other income (expenses), the Company recorded net other expenses of ¥81 million, compared with net other expenses of ¥365 million a year earlier. Major factors behind the comparative improvement included other, net income of ¥227 million and a decline in interest expenses, which offset a larger net loss on sales or disposal of property, plant and equipment and a drop in equity in earnings of affiliates.

Income before income taxes and minority interests rose 25.2% to ¥6,152 million. Net income jumped 59.6% to ¥3,637 million, reflecting positive tax effects stemming from reductions in income taxes, among others, amounting to ¥311 million in connection with the liquidation of Fuji Alpha, Inc. Net income per share was ¥239.02.

FINANCIAL POSITION

Total assets as of March 31, 2003 were ¥61,419 million, reflecting a year-on-year increase of 6.4%, or ¥3,691 million.

Current assets increased ¥1,040 million, or 3.3%, to ¥32,834 million.

Fixed assets increased ¥2,651 million, or 10.2%, to ¥28,585 million.

Property, plant and equipment was up 7.0%, or ¥1,614 million, to ¥24,542 million. This was largely attributable to an increase in land owned as a result of the acquisition of the Yuki Factory, among others.

Investments and other assets expanded 34.5%, or ¥1,037 million, to ¥4,042 million.

Total liabilities increased 4.4%, or ¥1,542 million, to ¥36,558 million.

Total shareholders' equity rose 11.1%, or ¥2,390 million, to ¥23,948 million. Factors affecting this item included an increase in legal reserve against a background of strong earnings, as well as adjustments for retirement pension liabilities for American Fuji Seal, Inc. totaling ¥399 million and foreign currency translation adjustments of ¥412 million.

CASH FLOWS

Consolidated cash and cash equivalents at the end of the fiscal year under review stood at ¥4,976 million. A net increase of ¥673 million, or 15.6%, reflects a rise in income before income taxes and minority interests and an increase in depreciation, which were offset by payments for purchase of property, plant and equipment. The continued growth in cash and cash equivalents for the second straight year serves as evidence of stronger financial health, achieved by a balanced business approach in which investment activities accompanying business expansion have been augmented while previous investments have begun to yield consistent results.

The principal sources and uses of cash for the fiscal year under review were as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities was up 83.9% to ¥6,547 million. The expansion was largely attributable to an increase in income before income taxes and minority interests and in depreciation, along with efforts to recover trade receivables and reduce inventories.

Cash Flows from Investing Activities

Net cash used in investing activities increased 85.6% to ¥6,159 million. This result was attributable primarily to the acquisition of property, plant and equipment by domestic and U.S. subsidiaries including American Fuji Seal.

Cash Flows from Financing Activities

Net cash provided by financing activities decreased 60.5% to ¥345 million. This was due to an increase in cash derived from short-term bank loans and long-term debt, which were offset in part by the repayment of long-term debt.

CAPITAL EXPENDITURES

The Company made capital expenditures totaling ¥5,133 million in an attempt to boost production capacity and improve quality during the fiscal year under review. Such expenditures included a substantial investment of approximately ¥2,500 million for the launch of shrink-label production facilities at the Head Office Factory in Kentucky.

RESEARCH AND DEVELOPMENT

The Fuji Seal Group's research and development activities seek to grasp customers' needs through sales-related departments, the core of which is the Sales Planning Department, and to develop new products, technologies and materials by uniting the R&D Center, Purchasing Department, and relevant Group companies. R&D expenditures for the fiscal year under review increased 42.3% to ¥1,585 million, accounting for 2.1% of net sales.

CONSOLIDATED BALANCE SHEETS

FUJI SEAL, INC. and Subsidiaries Years Ended March 31, 2003 and 2002

	Thousands of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2003	2002	2003
Current assets:			
Cash and cash equivalents	**¥ 5,111,892**	¥ 4,303,066	**$ 42,528**
Notes and accounts receivable:			
Trade	**20,011,611**	20,585,682	**166,486**
Other	**436,933**	115,378	**3,635**
Allowance for doubtful accounts	**(171,565)**	(182,304)	**(1,427)**
	20,276,979	20,518,756	**168,694**
Inventories (Note 5)	**6,541,984**	6,338,884	**54,426**
Deferred income taxes (Notes 13)	**386,348**	293,961	**3,214**
Other current assets	**517,126**	339,620	**4,302**
Total current assets	**32,834,329**	31,794,287	**273,164**
Property, plant and equipment (Note 6):			
Land	**3,779,369**	3,295,989	**31,442**
Buildings and structures	**9,818,180**	8,421,800	**81,682**
Machinery and equipment	**29,108,740**	28,013,632	**242,169**
Construction in progress	**2,198,432**	1,488,221	**18,290**
	44,904,721	41,219,642	**373,583**
Less—accumulated depreciation	**(20,361,941)**	(18,291,331)	**(169,400)**
	24,542,780	22,928,311	**204,183**
Investments and other assets:			
Investments in securities (Note 3)	**719,087**	577,518	**5,982**
Investments in affiliates	**842,268**	834,393	**7,007**
Computer software costs, net	**297,299**	308,796	**2,474**
Deferred income taxes (Note 13)	**233,966**	282,950	**1,946**
Other	**2,174,065**	1,221,800	**18,087**
Allowance for doubtful accounts	**(223,968)**	(219,950)	**(1,863)**
	4,042,717	3,005,507	**33,633**
	¥61,419,826	¥57,728,105	**$510,980**

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Current liabilities:			
Short-term bank loans (Note 6)	**¥ 2,355,936**	¥ 1,381,151	**$ 19,600**
Current portion of long-term debt (Note 6)	**1,203,567**	1,868,913	**10,013**
Notes and accounts payable:			
Trade	**14,093,143**	13,187,562	**117,247**
Construction	**28,181**	441,528	**235**
Other	**2,715,196**	2,835,401	**22,589**
Accrued income taxes (Note 13)	**1,248,930**	1,401,157	**10,390**
Accrued expenses	**1,402,322**	1,190,228	**11,667**
Other current liabilities	**1,450,154**	1,470,504	**12,065**
Total current liabilities	**24,497,429**	23,776,444	**203,806**
Long-term debt (Note 6)	**11,457,503**	10,786,501	**95,320**
Accrued retirement benefits (Note 7)	**574,359**	405,154	**4,778**
Other liabilities	**29,592**	48,611	**246**
Total liabilities	**36,558,883**	35,016,710	**304,150**
Minority interests	**912,730**	1,153,897	**7,594**
Shareholders' equity (Note 9):			
Common stock,			
Authorized 25,000,000 shares			
Issued:			
2003—15,221,032 shares	**2,306,848**	—	**19,192**
2002—15,219,000 shares	**—**	2,301,850	**—**
Additional paid-in capital	**2,549,752**	2,544,000	**21,213**
Retained earnings	**19,448,675**	16,392,902	**161,802**
Net unrealized gains on securities	**57,180**	59,829	**476**
Foreign currency translation adjustments	**(412,371)**	259,143	**(3,431)**
	23,950,084	21,557,724	**199,252**
Less—treasury stock, at cost:			
2003—	**(1,871)**	—	**(16)**
2002—	**—**	(226)	**—**
	23,948,213	21,557,498	**199,236**
	¥61,419,826	¥57,728,105	**$510,980**

CONSOLIDATED STATEMENTS OF INCOME

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Net sales	**¥74,649,835**	¥67,717,128	**$621,047**
Cost of sales (Note 11)	**59,506,274**	53,724,915	**495,061**
Gross profit	**15,143,561**	13,992,213	**125,986**
Selling, general and administrative expenses (Notes 10 and 11)	**8,909,851**	8,714,556	**74,125**
Operating income	**6,233,710**	5,277,657	**51,861**
Other income (expenses) (Note 12):			
Interest and dividend income	**12,717**	12,002	**106**
Interest expenses	**(215,077)**	(291,877)	**(1,789)**
Foreign exchange gain (loss), net	**(51,664)**	6,497	**(430)**
Equity in earnings of affiliates	**80,958**	139,365	**673**
Loss on sales or disposal of property, plant and equipment, net	**(135,622)**	(59,150)	**(1,128)**
Other, net	**227,585**	(171,845)	**1,893**
Income before income taxes and minority interests	**6,152,607**	4,912,649	**51,186**
Income taxes (Note 13):			
Current	**2,620,453**	2,795,754	**21,800**
Deferred	**(39,228)**	(162,389)	**(326)**
	2,581,225	2,633,365	**21,474**
Income before minority interests	**3,571,382**	2,279,284	**29,712**
Minority interests in subsidiaries	**66,292**	—	**552**
Net income	**¥ 3,637,674**	¥ 2,279,284	**$ 30,264**

	Yen		U.S. dollars (Note 1)
	2003	2002	**2003**
Net income per share:			
Basic	**¥239.02**	¥149.77	**$1.99**
Diluted	**218.59**	140.92	**1.82**
Cash dividends per share	**15.00**	12.00	**0.12**

The accompanying notes are an integral part of these statements.

	Number of shares issued (thousands)	Thousands of yen					
		Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2001	15,219	¥ 2,301,850	¥ 2,544,000	¥ 14,270,256	¥102,493	¥ (850,451)	¥ (286)
Net income for the year	—	—	—	2,279,284	—	—	—
Cash dividends	—	—	—	(182,627)	—	—	—
Decrease in net unrealized holding gains on securities	—	—	—	—	(42,664)	—	—
Increase in foreign currency translation adjustments	—	—	—	—	—	1,109,594	—
Decrease in treasury stock	—	—	—	—	—	—	60
Increase on mergers of the consolidated subsidiaries	—	—	—	25,989	—	—	—
Balance at March 31, 2002	15,219	2,301,850	2,544,000	16,392,902	59,829	259,143	(226)
Net income for the year	—	—	—	3,637,674	—	—	—
Cash dividends	—	—	—	(182,627)	—	—	—
Decrease in net unrealized holding gains on securities	—	—	—	—	(2,649)	—	—
Decrease in foreign currency translation adjustments	—	—	—	—	—	(671,514)	—
Increase in treasury stock	—	—	—	—	—	—	(1,645)
Conversion of convertible bonds	2	4,998	4,998	—	—	—	—
Increase by merger	—	—	754	—	—	—	—
Minimum pension liability adjustment	—	—	—	(399,274)	—	—	—
Balance at March 31, 2003	**15,221**	**¥2,306,848**	**¥2,549,752**	**¥19,448,675**	**¥ 57,180**	**¥(412,371)**	**¥(1,871)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2002	$ 19,150	$ 21,165	$ 136,379	$ 498	$ 2,156	$ (2)
Net income for the year	—	—	30,264	—	—	—
Cash dividends	—	—	(1,519)	—	—	—
Decrease in net unrealized holding gains on securities	—	—	—	(22)	—	—
Decrease in foreign currency translation adjustments	—	—	—	—	(5,587)	—
Increase in treasury stock	—	—	—	—	—	(14)
Conversion of convertible bonds	42	42	—	—	—	—
Increase by merger	—	6	—	—	—	—
Minimum pension liability adjustment	—	—	(3,322)	—	—	—
Balance at March 31, 2003	**$19,192**	**$21,213**	**$161,802**	**$476**	**$(3,431)**	**$(16)**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FUJI SEAL, INC. and Subsidiaries Years Ended March 31, 2003 and 2002

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥6,152,607**	¥4,912,649	**$51,186**
Adjustments for:			
Depreciation	**2,743,488**	2,519,101	**22,824**
Provision for doubtful accounts	**677**	26,141	**6**
Provision for accrued retirement benefits, net	**(302,916)**	16,809	**(2,520)**
Interest and dividend income	**(12,717)**	(12,002)	**(106)**
Interest expenses	**215,077**	291,877	**1,789**
Equity in earnings of affiliates	**(80,958)**	(139,365)	**(674)**
Loss on sales or disposal of property, plant and equipment, net	**135,622**	59,150	**1,128**
Decrease (increase) in notes and accounts receivable	**414,906**	(2,632,430)	**3,452**
Increase in inventories	**(201,572)**	(872,777)	**(1,677)**
Increase in notes and accounts payable	**578,016**	1,089,869	**4,809**
Other	**(119,863)**	1,186,618	**(997)**
Sub-total	**9,522,367**	6,445,640	**79,220**
Interest and dividend income received	**12,746**	13,853	**106**
Interest expenses paid	**(214,223)**	(300,464)	**(1,782)**
Income taxes paid	**(2,773,780)**	(2,599,446)	**(23,076)**
Net cash provided by operating activities	**6,547,110**	3,559,583	**54,468**
Cash flows from investing activities:			
Payments for purchase of property, plant and equipment	**(5,565,110)**	(4,261,091)	**(46,299)**
Proceeds from sales of property, plant and equipment	**62,082**	11,886	**516**
Payments for purchase of investments in securities	**(155,499)**	(17,039)	**(1,293)**
Payments for acquisition of shares of new consolidated subsidiaries, net	**18,231**	—	**152**
Payments for loans receivable	**(25,438)**	(6,200)	**(212)**
Collections of loans receivable	**22,818**	28,939	**190**
Other	**(516,675)**	924,335	**(4,298)**
Net cash used in investing activities	**(6,159,591)**	(3,319,170)	**(51,244)**
Cash flows from financing activities:			
Increase (decrease) in short-term bank loans, net	**758,148**	(5,173,999)	**6,307**
Proceeds from issuance of long-term debt	**1,744,670**	7,196,321	**14,514**
Repayment of long-term debt	**(1,972,769)**	(965,405)	**(16,412)**
Cash dividends paid	**(182,627)**	(182,627)	**(1,519)**
Other	**(1,648)**	—	**(14)**
Net cash provided by financing activities	**345,774**	874,290	**2,876**
Effect of exchange rate changes on cash and cash equivalents	**(114,095)**	70,582	**(949)**
Net increase in cash and cash equivalents	**619,198**	1,185,285	**5,151**
Cash and cash equivalents at beginning of year	**4,303,066**	3,117,781	**35,799**
Effect of the increase in scope of consolidated subsidiaries and mergers	**54,076**	—	**450**
Cash and cash equivalents at end of year	**¥4,976,340**	¥4,303,066	**$41,400**

The accompanying notes are an integral part of these statements.

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by FUJI SEAL, INC. (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements filed with the Director of Kinki Local Finance Bureau in Japan have been reclassified for the convenience for readers outside Japan. Certain prior-year amounts have been reclassified to conform with current year's presentation.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.2=U.S.$1, the rate of exchange on March 31, 2003, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the rate or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 14 subsidiaries for the year ended March 31, 2003 and its 10 subsidiaries for the year ended March 31, 2002.

All significant inter-company accounts and transactions are eliminated in consolidation.

The consolidated subsidiaries are listed below:

2003 Name	Year end	2002 Name	Year end
Fuji Tack, Inc.	March 31	Fuji Tack, Inc.	March 31
Pack Fuji, Inc.	March 31	Pack Fuji, Inc.	March 31
Fuji Astec, Inc.	March 31	Fuji Astec, Inc.	March 31
Fuji Technical Service, Inc.	March 31	Fuji Alpha, Inc.	March 31
Fuji Logistics, Inc.	March 31	Fuji Technical Service, Inc.	March 31
Fuji Partners, Inc. (former Suzuki Corporation)	March 31	Fuji Logistics, Inc.	March 31
Fuji Flex, Inc.	March 31	Suzuki Corporation	March 31
Fuji Estate, Inc.	March 31	American Fuji Seal, Inc.	December 31
American Fuji Seal, Inc.	December 31	Fuji Seal Europe, Ltd.	December 31
Fuji Seal Europe, Ltd.	December 31	Fuji Seal Europe B.V.	December 31
Fuji Seal Europe B.V.	December 31		
Fuji Seal Europe, S.A.	December 31		
Fuji Buriot S.A.	December 31		
American Fuji Technical Services, Inc.	December 31		

On October 31, 2001, American Fuji Seal, Inc. incorporated under the laws of the State of Kentucky (former Owens-Illinois Labels, Inc.) acquired the same name Company incorporated under the laws of the State of California.

The companies newly consolidated since the year ended March 31, 2003 are as follows:

Fuji Flex, Inc. and American Fuji Technical Services, Inc., newly established

Fuji Seal Europe S.A. and Fuji Buriot S.A., of which stock was acquired by the Company

Fuji Estate, Inc., a subsidiary of Toumei, Inc. which merged into the Company

Fuji Alpha was liquidated during the year ended March 31, 2003 and excluded from consolidation as at March 31, 2003. Its net income for the period included in consolidation until the liquidation procedure was completed.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair value.

Investments in the affiliate, Fuji Ace Co., Ltd., are accounted for by the equity method.

The difference arising from the cost of the investments in subsidiaries and affiliates over the equity in their net assets at fair value are charged to income over 5 years.

The financial statements of consolidated subsidiaries, whose fiscal year-ends are December 31, are included in consolidated financial statements on the basis of their respective fiscal years after making appropriate adjustments for material transactions during the periods from their respective year-ends to the date of the accompanying consolidated financial statements.

(b) Translation of Foreign Currency

Revenue and expense items arising from transactions denominated in foreign currencies are translated into Japanese yen at the rates effective in general at the respective transaction dates

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the current exchange rates prevailing at the balance sheet date.

The resulting translation gains or losses are charged or credited to income for the years.

The foreign currency financial statements of overseas subsidiaries are translated into Japanese yen for consolidation purposes under the method prescribed by the Business Accounting Deliberation Council. Balance sheet accounts, other than shareholders' equity translated at the historical rates, revenue and expense items are translated at current rates. Differences arising from translation are stated under the section entitled "Foreign currency translation adjustments" in shareholders' equity.

(c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with bank and all highly liquid investments with maturities of one year or less when purchased which present insignificant risk of change in value.

(d) Investments in Securities

Following the Financial Accounting Standards for Financial Instruments issued by the Business Accounting Deliberation Council, the management determines the appropriate classification of securities, and all securities other than investments in affiliates are classified as "Other securities" which represent securities other than trading securities and held-to-maturity securities. Marketable "Other securities" are stated at market value. Adjustments to market value, net of tax effect, are recorded as an increase or decrease in shareholders' equity. Such unrealized gains on "Other securities" in shareholders' equity are not available for distribution as dividends and bonuses to directors and corporate auditors under the Commercial Code. Cost of their sales is determined by the moving average method. "Other securities" which are not marketable are stated at cost, cost being determined by the moving average method.

(e) Hedging Activities

The Company enters into interest rate swap agreement, hedging instruments, to convert variable interest rates on the principal amount of certain debts, positions hedged, to fixed interest rates. The Company adopted the exceptional treatment in respect of accounting for the swap agreements prescribed under the new Financial Accounting Standards for Financial Instruments, which permit not to evaluate the swap agreements outstanding at fair value.

(f) Inventories

The Company's finished goods and work in process are stated at cost, cost being determined by the moving average method. The subsidiaries' finished goods and work in process are valued under the retail method. Raw materials and supplies are mainly valued under the last invoice cost method in accordance with accounting principles generally accepted in Japan.

(g) Property, Plant and Equipment

Depreciation of property, plant and equipment other than buildings acquired by the Company and its domestic subsidiaries on or after April 1, 1998 is mainly computed using the declining balance method. Buildings acquired on or after April 1, 1998 are depreciated based on the straight line method. The range of useful lives is principally from 3 to 50 years for buildings and structures and from 2 to 13 years for machinery and equipment.

(h) Accounting for Leases

Where the finance leases do not transfer ownership of the leased property to the lessee during the lease terms or on their terminations, the leased property is not capitalized and the relating lease expenses are charged to income in the period incurred in accordance with accounting principles generally accepted in Japan.

(i) Capitalized Computer Software Costs

Capitalized computer software costs comprise costs of software used in the Company and its consolidated subsidiaries' business. Amortization of capitalized computer software costs is computed on the straight line method over the estimated useful life of the software, 5 years.

(j) Bond Issuance Expenses

Bond issuance expenses are charged to income as incurred.

(k) Other Assets

Other in investments and other assets includes deferred charge. Amortization of deferred charge is computed on the straight line method.

(l) Allowance for Doubtful Accounts

The Company and its domestic subsidiaries provide their allowance for doubtful accounts at the average percentage of bad debt loss on actual defaults suffered during certain past periods, together with an amount necessary to cover possible uncollectible amounts based on management's judgement.

(m) Accrued Bonuses

Accrued employees' bonuses included in accrued expenses are calculated based on the amount estimated to be paid.

(n) Accrued Retirement Benefits

The Company and its domestic subsidiaries accrued retirement benefits of employees based on the amount of projected benefit obligation minus pension plan assets at fair value. The actuarial differences are amortized using the straight line method over 10 years from the next year of which arise.

The accrued retirement benefits include retirement allowance for the directors and corporate auditors, which are estimated the amount that would be paid at the balance sheet date in accordance with the internal regulations if all directors and corporate auditors retired at that date. Amounts payable to directors and corporate auditors on retirement are subject to the approval of shareholders.

(o) Income Taxes

Accrued income taxes are provided at the amount currently payable.

The Company and its consolidated subsidiaries adopt the interperiod income tax allocation accounting, using the assets and liabilities method in which deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements.

(p) Net Income and Dividend Per Share

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during each year. The average number of share used in the computation was 15,219,138 and 16,170,027 for the year ended March 31, 2003 and 2002, respectively.

Diluted net income per share assumes full conversion of outstanding convertible bonds at the beginning of the year (or at the time of issuance, if after the beginning of the year) with an applicable adjustment for related net-of-tax interest expense.

1,420,732 shares of convertible bonds outstanding were added as incremental effect, while 60,000 shares of warrant in connection with stock option and 1,500 of stock acquisition rights were not included, in the averaged number of share on computation of diluted net income per share for the year ended March 31, 2003.

Effective from the year ended March 31, 2003, the Company and its subsidiaries have adopted the new Accounting Standard for Earnings per Share and Implementation Guidance on Accounting Standard for Earnings per Share. There is no effect of the adoption of new standard for the year ended March 31, 2003.

Cash dividends per share represent interim dividends paid and annual dividends declared as applicable to the respective years.

(q) Appropriation of Retained Earnings

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, a proposal by the Board of Directors for the appropriation of retained earnings (principally the payment of annual cash dividends) should be approved by a shareholders' meeting which must be held within three months after the end of each financial year. The appropriation of retained earnings reflected in the accompanying consolidated financial statements for each financial year represents the appropriation which was approved by the shareholders' meeting and disposed of during that year but which related to the immediately preceding financial year.

The payment of bonuses to directors and corporate auditors is made out of retained earnings instead of being charged to income for the year and constitutes a part of the appropriation referred to the above.

3. Investments in Securities

"Other securities" as of March 31, 2003 and 2002 are analyzed as follows:

	Thousands of yen						Thousands of U.S. dollars		
	2003			2002			**2003**		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Market value available									
Securities whose book value exceeds their acquisition cost									
Equity securities	**¥309,871**	**¥194,227**	**¥115,644**	¥367,803	¥256,071	¥111,732	**$2,578**	**$1,616**	**$962**
Bonds and debentures									
Public bonds	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
Other	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
Other securities	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
	309,871	**194,227**	**115,644**	367,803	256,071	111,732	**2,578**	**1,616**	**962**
Securities whose book value does not exceed their acquisition cost									
Equity securities	**105,166**	**124,498**	**(19,332)**	45,665	54,261	(8,596)	**875**	**1,036**	**(161)**
Bonds and debentures									
Public bonds	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
Other	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
Other securities	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
	105,166	**124,498**	**(19,332)**	45,665	54,261	(8,596)	**875**	**1,036**	**(161)**
	¥415,037	**¥318,725**	**¥ 96,312**	¥413,468	¥310,332	¥103,136	**$3,453**	**$2,652**	**$801**
Market value not available									
Equity securities	**304,050**			164,050			**2,529**		
Total	**¥719,087**			¥577,518			**$5,982**		

"Other securities" sold during the year ended March 31, 2003 and 2002 are as follows:

Thousands of yen						Thousands of U.S. dollars		
2003			2002			2003		
Proceeds of sales	Gain on sales	Loss on sales	Proceeds of sales	Gain on sales	Loss on sales	Proceeds of sales	Gain on sales	Loss on sales
¥817	**¥143**	**¥—**	¥—	¥—	¥—	**$7**	**$1**	**$—**

4. Derivative and Hedging Activities

The Company enters into interest rate swap agreements, hedging instruments, to convert variable interest rates on the principal amount of certain debts, positions hedged, to fixed interest rates. The purpose of the hedging activities is to reduce certain exposures to rapid interest rate fluctuations having impact upon net income. The Company does not hold or issue any financial instruments for trading purposes. The Company's management believes that there is no credit risk since the swaps are executed with creditworthy financial institutions.

The interest-rate swap agreements outstanding as of March 31, 2003 and 2002 were as follows:

	Thousands of yen			
	2003		2002	
	Notional amounts	Unrealized gain (loss)	Notional amounts	Unrealized gain (loss)
Interest-rate swap agreements:				
Variable-rate into fixed-rate obligations	**¥1,266,462**	**¥(19,409)**	¥1,872,952	¥(28,487)

	Thousands of U.S. dollars	
	2003	
	Notional amounts	Unrealized gain (loss)
Interest-rate swap agreements:		
Variable-rate into fixed-rate obligations	**$10,536**	**$(161)**

5. Inventories

Inventories as of March 31, 2003 and 2002 comprised the following:

	Thousands of yen		Thousands of U.S. dollars
	2003	2002	2003
Finished goods	**¥3,782,112**	¥3,672,596	**$31,465**
Work in process	**1,186,229**	1,206,468	**9,869**
Raw materials and supplies	**1,573,643**	1,459,820	**13,092**
	¥6,541,984	¥6,338,884	**$54,426**

6. Short-term Bank Loans and Long-term Debt

The annual average interest rate applicable to short-term bank loans as of March 31, 2003 and 2002 were 2.5% and 3.5%.

Long-term debt as of March 31, 2003 and 2002 consisted of the following:

	Thousands of yen		Thousands of U.S. dollars
	2003	2002	2003
Domestic unsecured convertible bonds, due 2006 at a rate of 0%	**¥ 6,990,000**	¥ 7,000,000	**$ 58,153**
Bank loans, due 2004-2009			
Secured	**1,013,509**	964,918	**8,432**
Unsecured	**4,657,561**	4,683,682	**38,748**
Obligation under capitalized lease, due 2001	**—**	6,814	**—**
	12,661,070	12,655,414	**105,333**
Less, current portion	**1,203,567**	1,868,913	**10,013**
	¥11,457,503	¥10,786,501	**$ 95,320**

The convertible bonds, due 2006 are redeemable from 2001 at the option of the Company and are currently convertible into approximately 1,420,731 shares of common stock at ¥4,920 ($41) per share.

Aggregate annual maturities of long-term debt subsequent to March 31, 2003 were as follows:

Year ending March 31	Thousands of yen	Thousands of U.S. dollars
2004	¥ 1,203,567	$ 10,013
2005	1,068,997	8,893
2006	7,976,469	66,360
2007	878,426	7,308
2008 and thereafter	1,533,611	12,759
	¥12,661,070	$105,333

The annual average interest rates applicable to long-term bank loans as of March 31, 2003 and 2002 were 4.4% and 2.8%, respectively.
Assets pledged as collateral for long-term debt, including the current portion of long-term debt, as of March 31, 2003 and 2002 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Land	**¥1,767,146**	¥1,821,930	**$14,701**
Buildings and structures	**1,667,144**	1,517,196	**13,870**

7. Accrued Retirement Benefits

Employees of the Company and its domestic subsidiaries with more than three years of service are entitled to receive lump-sum indemnities upon termination in accordance with their internal regulations. The amount of the benefits is determined based upon current basic rate of pay, length of service and cause of retirement. The Company and certain domestic subsidiaries have non-contributory pension plans covering a portion of their indemnities under their internal regulation for employees. Certain overseas subsidiaries have defined benefit pension schemes.

The following provided a reconciliation of projected benefit obligation to net liability for employees' retirement benefits recognized on the accompanying consolidated balance sheet as of March 31, 2003 and 2002.

	Thousands of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Projected benefit obligation	**¥(2,950,133)**	¥(2,522,303)	$(24,544)
Fair value of plan assets	**1,956,736**	2,239,198	16,279
Funded status	**(993,397)**	(283,105)	(8,265)
Unrecognized actuarial loss	**918,043**	195,568	7,638
	¥(75,354)	¥(87,537)	$(627)
Prepaid benefit cost	**—**	26,127	—
Minimum pension liability adjustments	**(469,735)**	—	(3,908)
Accrued retirement benefits for employees	**(545,089)**	(113,664)	(4,535)
Retirement allowance for directors and corporate auditors	**(29,270)**	(291,490)	(243)
Accrued retirement benefits	**¥ (574,359)**	¥ (405,154)	$ (4,778)

The projected benefit obligations of certain subsidiaries are calculated using simplified method, which is permitted to be applied by small size of companies, in conformity with the accounting standards for retirement benefits.

Minimum pension liability adjustments was recognized by an overseas consolidated subsidiary in accordance with US accounting standard.

Components of net periodic benefit cost for the year ended March 31, 2003 and 2002 are summarized as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Service cost	**¥136,763**	¥120,046	**$1,138**
Interest cost	**127,262**	123,375	**1,058**
Expected return on plan assets	**(135,877)**	(127,971)	**(1,130)**
Amortization of actuarial differences	**19,932**	3,759	**166**
Net periodic benefit cost	**¥148,080**	¥119,209	**$1,232**

Weighted average assumptions:

	Japan		Overseas	
	2003	2002	**2003**	2002
Discount rate	**2.0%**	2.0%	**6.75%**	7.50%
Expected rate of return on plan assets	**1.0%**	1.0%	**8.75%**	9.00%

Projected benefit obligation is attributed to periods based on years of service. Actuarial differences are amortized over 10 years.

8. Lease

(1) Where the financing leases do not transfer ownership of the leased property to the lessee during the lease terms or on their terminations, the leased property is not capitalized and the relating lease expenses are charged to income in the period incurred, as per the statements issued by the Business Accounting Deliberation Council.

Lease expenses for the years ended March 31, 2003 and 2002 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Lease expenses	**¥145,019**	¥214,485	**$1,206**

Future lease payments, including interest, as of March 31, 2003 and 2002 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Due within one year	**¥115,972**	¥131,473	**$ 965**
Due after one year	**117,593**	170,305	**978**
Total	**¥233,565**	¥301,778	**$1,943**

Additional information, requested by the Business Accounting Deliberation Council, to be disclosed as not included in the profit and loss accounts or balance sheets is as follows:
Notional acquisition cost and accumulated depreciation:

	Thousands of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Notional acquisition cost:			
Machinery and equipment	**¥550,506**	¥672,802	**$4,580**
Other	**127,756**	90,159	**1,063**
Less—accumulated depreciation	**444,696**	461,183	**3,700**
	¥233,566	¥301,778	**$1,943**

Notional depreciation expenses for the years ended March 31, 2003 and 2002 were ¥145,019 thousand ($1,206 thousand) and ¥214,485 thousand, respectively.
Notional acquisition cost means the cost which is characterized as the total lease payment, including interest due to the immateriality of the leased property. Notional depreciation expenses are calculated by the straight-line method assuming that there is no scrap value over the term of the lease based on notional acquisition cost.

(2) Future lease payments under non-cancelable operating leases as of March 31, 2003 and 2002 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Due within one year	**¥133,409**	¥146,653	**$1,110**
Due after one year	**98,523**	195,104	**820**
Total	**¥231,932**	¥341,757	**$1,930**

9. Shareholders' Equity

Prior to October 1, 2001, the Japanese Commercial Code provided that at least 50% of the issue price of new shares, with a minimum of the par value thereof, should be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital. An amount equal to at least 10% of cash dividends and other appropriations of retained earnings paid out with respect to each financial period was set aside in a legal reserve until such reserve equals 25% of the amount of common stock.
Effective from October 1, 2001, the revised Commercial Code requires such appropriations until the total amount of additional paid in capital and earned reserve (collectively, "legal reserves") equals 25% of stated capital. In addition, under the revised Commercial Code, legal reserves may be available for dividends to the extent that legal reserves do not fall below 25% of stated capital, and the Company is allowed to repurchase its own shares to the extent that the aggregate cost of treasury shares does not exceed the maximum amount available for dividends.
Legal reserves may be transferred to stated capital by a resolution of the board of directors or used to reduce a deficit with the approval of a shareholders' meeting as before the revision of the Commercial Code.
The legal reserve of the Company and its consolidated subsidiaries are included in the retained earnings and are not shown separately in the accompanying consolidated balance sheets.

10. Selling, General and Administrative Expenses

Selling, general and administrative expenses in the accompanying consolidated statements of income mainly consisted of the following:

	Thousands of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Employees' salaries and bonuses	**¥2,977,317**	¥3,110,170	**$24,770**
Freight charges	**980,959**	943,996	**8,161**

11. Research and Development

Research and development expenditures charged to income were ¥1,585,935 thousand ($13,194 thousand) and ¥1,114,326 thousand for the years ended March 31, 2003 and 2002, respectively.

12. Other Income (Expenses)

"Other, net" in other income (expenses) in the accompanying consolidated statements of income included ¥194,717 thousand of loss on prior year adjustment recognized through introduction of new accounting system for the year ended March 31, 2002.

13. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which resulted in statutory tax rate of approximately 41.99% in the aggregate as of March 31, 2003 and 2002.

On March 31, 2003, statutory tax rate was changed from 41.99% to 40.63% by reflecting to the amendment of Japanese Local Enterprise Taxes Law. This new tax rate should be adopted for the calculation of deferred tax assets or liability of temporary differences to be used after April 1, 2004. The effect of the change as of March 31, 2003 and for the year then ended was to decrease deferred tax assets by ¥3,050 thousand ($25 thousand) and increase income taxes by ¥4,644 thousand ($39 thousand).

Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effective tax rate in the consolidated statements of income for the years ended March 31, 2003 and 2002 differed from the statutory tax rate for the following reasons:

	2003	2002
Statutory tax rate	**41.99%**	41.99%
Accumulated earning tax	**4.22**	3.80
Expenses not deductible for income tax purposes, entertainment expense and others	**0.27**	0.36
Loss on liquidation of subsidiaries	**(5.47)**	—
Aggregated net losses of the consolidated subsidiaries	**4.18**	8.74
Other	**(3.24)**	(1.29)
Effective tax rate in the consolidated statements of income	**41.95%**	53.60%

The components of the Company and its subsidiaries' deferred tax assets and liabilities as of March 31, 2003 and 2002 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 75,308**	¥ 46,756	**$ 626**
Accrued bonuses	**227,904**	168,625	**1,896**
Enterprise tax	**89,767**	114,583	**747**
Accrued retirement benefits	**48,171**	160,339	**401**
Other	**345,712**	214,636	**2,876**
Total gross deferred tax assets	**786,862**	704,939	**6,546**
Deferred tax liabilities:			
Reserve for special depreciation	**(47,327)**	(75,359)	**(394)**
Unrealized gains on "Other securities"	**(41,942)**	(43,307)	**(349)**
Other	**(77,279)**	(9,362)	**(643)**
Total gross deferred tax liabilities	**(166,548)**	(128,028)	**(1,386)**
Net deferred tax assets	**¥620,314**	¥576,911	**$5,160**

14. Segment Information

Information about operations in industry segments, geographic segments and sales to foreign customers of the Company and its subsidiaries for the years ended March 31, 2003 and 2002 is as follows:

(1) Industry Segments
The Company's management believes that the Company and its subsidiaries operate in a single industry and there is no separated segment.

(2) Geographic Segments
The foreign operations of the Company and its subsidiaries for the years ended March 31, 2003 and 2002 are summarized as follows:

	Thousands of yen				
	2003				
	Japan	North America	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	**¥56,145,714**	**¥13,254,230**	**¥5,249,891**	**¥ —**	**¥74,649,835**
Inter segment	**233,890**	**46,826**	**959,318**	**(1,240,034)**	**—**
Total sales	**56,379,604**	**13,301,056**	**6,209,209**	**(1,240,034)**	**74,649,835**
Operating expenses	**50,331,503**	**13,664,999**	**5,669,112**	**(1,249,489)**	**68,416,125**
Operating income	**¥ 6,048,101**	**¥ (363,943)**	**¥ 540,097**	**¥ 9,455**	**¥ 6,233,710**
Assets	**¥55,183,323**	**¥13,763,342**	**¥5,246,446**	**¥(12,773,285)**	**¥61,419,826**

	Thousands of yen				
	2002				
	Japan	North America	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	¥52,780,600	¥10,835,464	¥4,101,064	¥ —	¥67,717,128
Inter segment	384,364	25,239	647,791	(1,057,394)	—
Total sales	53,164,964	10,860,703	4,748,855	(1,057,394)	67,717,128
Operating expenses	47,714,146	11,129,739	4,686,878	(1,091,292)	62,439,471
Operating income	¥ 5,450,818	¥ (269,036)	¥ 61,977	¥ 33,898	¥ 5,277,657
Assets	¥53,142,957	¥13,784,885	¥4,072,814	¥(13,272,551)	¥57,728,105

	Thousands of U.S. dollars				
	2003				
	Japan	North America	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	**$467,102**	**$110,269**	**$43,676**	**$ —**	**$621,047**
Inter segment	**1,946**	**389**	**7,981**	**(10,316)**	**—**
Total sales	**469,048**	**110,658**	**51,657**	**(10,316)**	**621,047**
Operating expenses	**418,731**	**113,686**	**47,164**	**(10,395)**	**569,186**
Operating income	**$ 50,317**	**$ (3,028)**	**$ 4,493**	**$ 79**	**$ 51,861**
Assets	**$459,096**	**$114,503**	**$43,648**	**$(106,267)**	**$510,980**

Corporate assets included in "Eliminations/Corporate" amount to ¥103,029 thousand ($857 thousand) and ¥8,094 thousand as of March 31, 2003 and 2002, respectively. The major component of corporate assets is investments in securities.

(3) Sales to Foreign Customers
Sales to foreign customers for the years ended March 31, 2003 and 2002 were as follows:

	Thousands of yen		Thousands of U.S. dollars
Sales to:	**2003**	2002	**2003**
North America	**¥13,254,353**	¥10,835,464	**$110,269**
Europe	**5,250,179**	4,101,064	**43,679**
Others	**808,365**	861,831	**6,725**
	¥19,312,897	¥15,798,359	**$160,673**

15. Supplemental Disclosure of Cash Flow Information

Major non-cash investing and financing activities for the years ended March 31, 2003 are as follows:

	Thousands of yen	Thousands of U.S. dollars
Increase in assets by consolidation on acquisition of the stock	¥602,537	$5,013
Increase in liabilities by consolidation on acquisition of the stock	972,623	8,092
Increase in common stock due to conversion of bonds	4,998	42
Increase in additional paid-in capital due to conversion of bonds	4,998	42
Assets acquired in merger	240,142	1,998
Liabilities assumed in merger	239,389	1,992

16. Subsequent Event

The following appropriation of the Company's retained earnings in respect of the year ended March 31, 2003 was proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 27, 2003:

Appropriations	Thousands of yen	Thousands of US dollars
Cash dividends (¥15 per share)	¥ 228,310	$ 1,899
Transfer to reserve for special Depreciation	5,500	46
Transfer to general reserve	2,000,000	16,639
Total appropriations	¥2,233,810	$18,584

On May 14, 2003 the Company's Board of Directors declared a 1.5 for 1 common stock split, effective on and after July 18, 2003. The Company's shareholders who were listed on the register of shareholders as at May 31, 2003 shall be entitled to receive common stock split. As a result of common stock split, the price at which the convertible bonds are convertible into common stock shall be changed from ¥4,920 ($41) to ¥3,208 ($27) per share. The exercised price on stock options which were granted on August 1, 2000 in accordance with Article 210-19 of the former Commercial Code shall be changed from ¥6,150 ($51) to ¥4,100 ($34) per share. The exercised price on stock acquisition rights which were granted on August 1, 2002 shall be changed from ¥5,346 ($44) to ¥3,564 ($30) per share.

The pro forma net asset and net income per share, assuming common stock was split at the beginning of each fiscal year, are as follows:

Net income per share

	Yen		U.S. dollars
	2003	2002	**2003**
Basic	**¥159.35**	¥99.84	**$1.36**
Diluted	**145.72**	93.95	**1.21**

Report of Independent Accountants

The Board of Directors of
FUJI SEAL, INC.

We have audited the accompanying consolidated balance sheets of FUJI SEAL, INC. and its consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FUJI SEAL, INC. and its consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation
ChuoAoyama Audit Corporation

Osaka, Japan
June 27, 2003

CONSOLIDATED FIVE-YEAR SUMMARY

FUJI SEAL, INC. and subsidiaries Years Ended March 31

	Millions of yen, except where noted					Thousands of U.S. dollars, except where noted
	2003/3	2002/3	2001/3	2000/3	1999/3	**2003/3**
For the year:						
Net sales	**¥ 74,649**	¥ 67,717	¥ 53,895	¥ 51,325	¥ 51,496	**$621,047**
Operating income	**6,233**	5,277	4,422	5,441	4,874	**51,861**
Ordinary income	**6,284**	5,227	4,672	5,377	4,887	**52,282**
Net income	**3,637**	2,279	2,196	2,861	2,182	**30,264**
At the year-end:						
Total assets	**61,419**	57,728	48,116	38,649	35,675	**510,980**
Shareholders' equity	**23,948**	21,557	18,367	17,126	14,057	**199,236**
Number of shares issued (shares)	**15,221,032**	15,219,000	15,219,000	15,219,000	7,609,500	**—**
Per share amounts (in yen and U.S. dollars):						
Shareholders' equity per share	**¥ 1,573.40**	¥ 1,416.49	¥ 1,206.91	¥ 1,125.34	¥ 1,847.30	**$ 13.09**
Net income per share (basic)	**239.02**	149.77	144.34	188.04	290.64	**1.99**
Net income per share (diluted)	**218.59**	140.92	—	—	—	**1.82**
Other:						
Shareholders' equity ratio (%)	**38.99%**	37.34%	38.17%	44.31%	39.40%	
Return on equity (%)	**15.99%**	11.42%	12.38%	18.35%	17.83%	
Return on assets (%)	**10.5%**	9.9%	10.8%	14.5%	14.1%	
Price-earnings ratio (PER) (times)	**18.87**	27.11	27.92	31.91	36.13	
Cash flow from operating activities	**6,547**	3,559	1,936	5,689	—	**54,468**
Cash flow from investing activities	**(6,159)**	(3,319)	(9,928)	(2,401)	—	**(51,244)**
Cash flow from financing activities	**345**	874	7,260	(866)	—	**2,876**
Cash and cash equivalents at end of year	**4,976**	4,303	3,117	3,818	1,458	**41,400**
Number of employees (persons)	**2,180**	1,909	1,767	1,398	1,355	

Notes:
1. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.2=U.S.$1, the rate of exchange on March 31, 2003, has been used in translation.
2. Net sales exclude consumption tax.
3. On November 19, 1999, the Company split its common stock 2-for-1. Net income per share for the fiscal year ended March 31, 2000 is calculated based on the average number of shares during the fiscal year, retroactively adjusted for stock splits to the beginning of the year.
4. Diluted net income per share for the fiscal years ended March 31, 1999, March 31, 2000, and March 31, 2001 is not reported since the Company did not have outstanding warrant bonds or convertible bonds.
5. The number of employees from the fiscal year ended March 31, 2000 onward shows the total number of employees.
6. The number of employees for the fiscal year ended March 31, 2000 increased by 369 compared with the previous fiscal year. Of the total, 332 are employees of American Fuji Seal, Inc., the former Owens-Illinois Labels, Inc. acquired by the Company.

BOARD OF DIRECTORS

President and Chief Operating Officer	Ken Takeda
Executive Managing Directors	Hiroo Okazaki (CFO, Administration)
	Shuichi Shibuya (Sales)
Directors	Kiyoshi Ikoma (Manufacturing)
	Sukehiro Shiomi (R&D)
	Shigeko Okazaki (Corporate Planning)
Executive Advisor/Director	Masaaki Fujio
Corporate Auditor (Full-Time)	Katsutoshi Nakano
Auditors	Yasuhiro Kitaura
	Masanobu Nakano

COMPANY DATA

Corporate Name	Fuji Seal, Inc.
Tokyo Head Office	1-9-1, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan Tel: +81-3-5208-5902
Osaka Head Office	4-1-6, Miyahara, Yodogawa-ku, Osaka 532-0003, Japan Tel: +81-6-6350-1080
Established	October 18, 1958
Listed on Stock Exchange	October 28, 1997
Capital	¥2,306 million (as of March 31, 2003)
Consolidated Net Sales	¥74,649 million (for the year ended March 31, 2003)
Fiscal Year-End	March 31
Plants	Osaka (Osaka) Nabari (Nabari city, Mie Prefecture) Tsukuba (Ami-machi, Inashiki-gun, Ibaraki Prefecture) Yuki (Yuki city, Ibaraki Prefecture) Togane (Togane city, Chiba Prefecture)
Sales Offices	Tokyo Head Office, Osaka Head Office, Nagoya Sales Office, Kyushu Sales Office, Sapporo Sales Office
Number of Employees	2,180 (as of March 31, 2003)
Fuji Seal Group	14 consolidated subsidiaries: Fuji Tack, Inc., Pack Fuji, Inc., Fuji Astec, Inc., Fuji Technical Service, Inc., Fuji Logistics, Inc., Fuji Partners, Inc., Fuji Flex, Inc., Fuji Estate, Inc., American Fuji Seal, Inc., Fuji Seal Europe, Ltd., Fuji Seal Europe, B.V., Fuji Seal Europe S.A., Fuji Buriot S.A., American Fuji Technical Services, Inc. 1 consolidated subsidiary accounted for by the equity method: Fuji Ace Co., Ltd.

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