

INTEGRATED REPORT



INTEGRATED REPORT

2021

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

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

In a time of crisis where the COVID-19 is rampant, we recognize that our role is to continue to supply products that are indispensable to daily life without interruption in cooperation with our customers and business partners. Moreover, in a situation where global environmental issues are increasingly attracting social attention, we have recognized again that we have a role to play in providing products that are conscious of people and the environment.

This Integrated Report 2021 is designed to convey the voices of each division head and top management in each region as much as possible, mentioning our resolution and roles. In addition, the report structure has been reviewed to introduce how we have steadily promoted materiality, identified last year, in our business activities.

We hope that this Integrated Report will help our stakeholders deepen their understanding of the Fuji Seal Group. We will continue to be a growing company that is needed by our stakeholders. We appreciate any feedback from either inside or outside the company and hope to rely on your continued support.

■ Report Scope

Fuji Seal International, INC. and its consolidated subsidiaries

■ Period Covered

The contents of this report are mainly based on our activities in FY2020 (April 1, 2020–March 31, 2021). However, some activities conducted before and after the above period are also presented as necessary.

■ Referenced Guidelines

GRI Sustainability Reporting Standards
IIRC International Integrated Reporting Framework

■ Cautions regarding Our Future Prospects

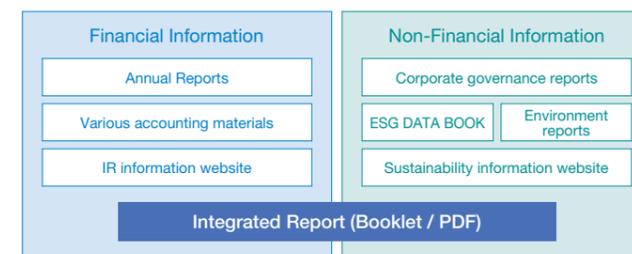
Our views and prospects presented in this report are based on various assumptions. We do not promise or guarantee the achievement of the planned figures or the realization of the measures in the future.

■ Positioning of the Integrated Report

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

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

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



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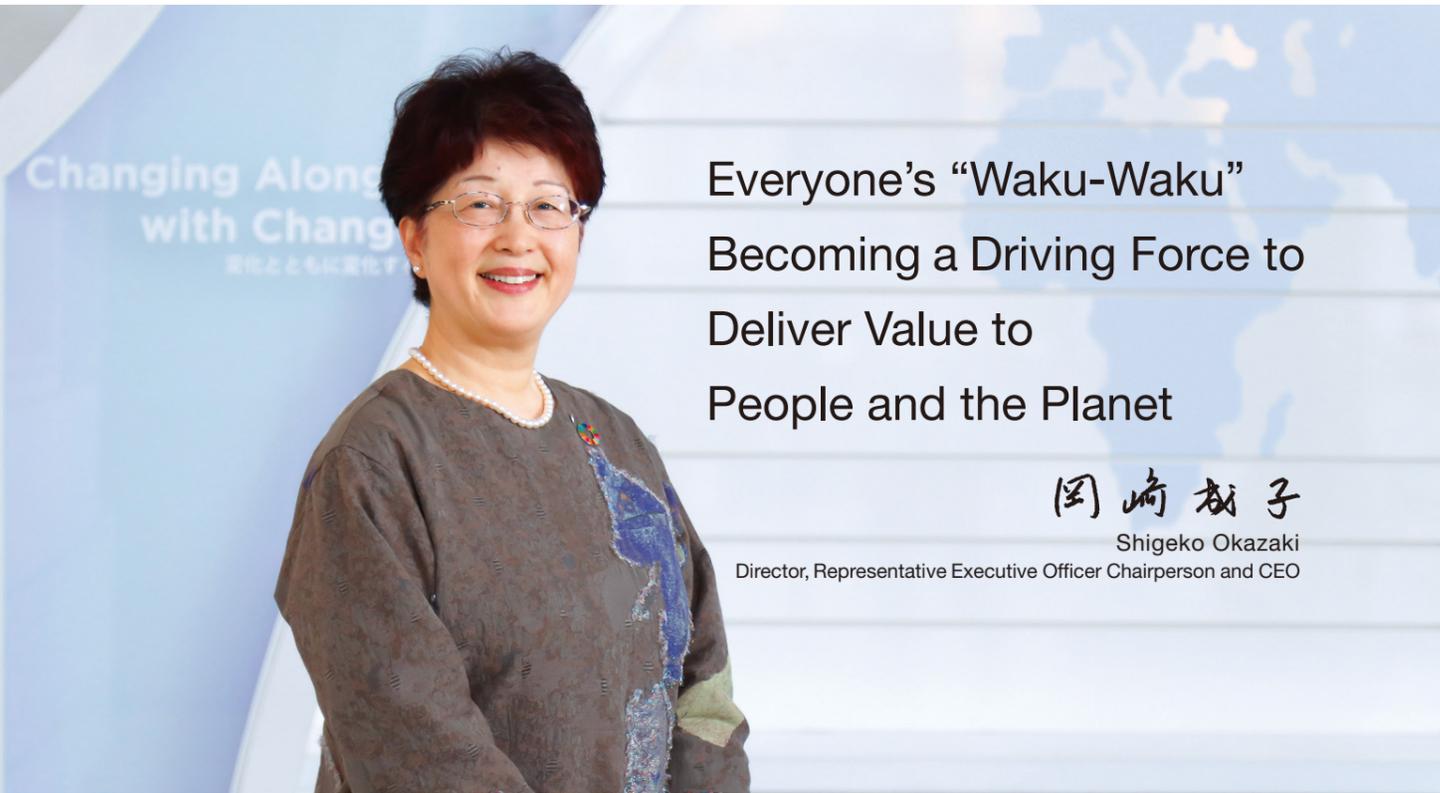
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Reason for adopting our belief that has not changed since the company's founding as our new vision

When formulating the Medium-Term Management Plan(FY2021-FY2023) of the Fuji Seal Group(hereinafter, "FSG"), we reviewed our vision for the first time in 10 years and determined that our new vision is "Our Value to People and the Planet." This is what Fuji Seal has always kept in mind throughout its 124-year history, and it is so natural to us that we feel a little embarrassed by putting it into words. However, we have now articulated it and have set it as our new vision because we have prepared ourselves to design packages that are conscious of people and the environment.

In line with this new vision, we have set three key aspects to realize it: "Sustainable and profitable growth in the packaging industry," "Our proactive impact to realize the Regenerative Society," and "Generate 'Waku-Waku.'" These key aspects were created by employees through repeated discussions over approximately a year. For the choice of words for the key aspects, in particular, members from the U.S. and Europe also actively participated in the discussions from an early stage. Consequently, we have obtained good

key aspects that are easy to understand both in English and Japanese.

The term "Waku-Waku" used in one of the key aspects, "Generate 'Waku-Waku,'" is not translated into English but expressed as it is, and is very much welcomed by overseas employees, although I am often warned not to pronounce it with long vowels because it sounds like "Work-Work!". I am very happy that employees have chosen this unique term, which enables us to share a positive image both in Japan and overseas. I also feel that it is the goodness and strength of FSG that everyone accepts this expression flexibly without denying it, because it sounds playful.

Sharing value through the Waku-Waku Growth Cycle and passing it down to the future

In recent years, FSG has expanded rapidly. Under such circumstances, it is becoming increasingly difficult for employees to talk face to face with each other and communicate their opinions and thoughts while sharing the same atmosphere as before. In addition, we have many employees who play an active role all over the world, with the economic situation and backdrop of culture and religion

varying from country to country. This means that the individual personalities of employees as well as their common sense are diverse. Even if common sense in daily life varies from person to person, it is necessary to have a common understanding that they will work together based on the same ideas, at least in terms of work. Accordingly, we have created a concept titled "Waku-Waku Growth Cycle," which will serve as a basis for common understanding (see page 6). I hope that this concept will deepen employees' understanding of the growth FSG envisions for the future and the growth each employee should aim for.

In the Waku-Waku Growth Cycle, 12 items of value behavior, such as "Passionate" and "Action First," are listed, and among them is "Enjoy." I always say to employees, regardless of whether they are female or male, "If you have something you want to do, try to do all of it." You do not have to give up anything just because you are married or have children, for instance. If you think about what you can do in order to do what you want to do, including asking someone for support or allocating your time more efficiently, I believe that you will be able to find the answer yourself. By continually challenging what you want to do, you will find your work more and more enjoyable. If a task is not interesting for you, you will be mentally distressed even if you do it for only an hour. Meanwhile, if a task is fun for you, you will not be tired even if you continue to do it for five or six hours. If you enjoy working on various tasks in this way, you will surely come to the moment when you realize that what seemed to be disjointed is actually connected. I believe that you can then move on to the next stage of growth.

In FSG, every employee has an equal chance. Even young employees can take on various challenges regardless of their background. I hope that more employees

will challenge themselves to undertake difficult tasks with strong ownership, while finding excitement (Waku-Waku) and fun in it.

Turning your work into fun and making it a driving force to keep moving forward

I was always asked by my father, Masaaki Fujio, who was the founder of the current Fuji Seal International, INC., "Do you enjoy your work?" He said: "Nothing is more unpleasant than working under someone who doesn't enjoy their work. If you don't enjoy your work, quit your work for the people around you, not for yourself." I think that there is truth in that. Partly because of his words, no matter what I do, I think about it based on whether or not it is fun for me. I feel that a mature adult or professional is a person who can turn work into fun. What is fun for me is to contribute to society, thereby growing myself. The important thing is to keep moving forward. Although I sometimes retreat temporarily, I never stop. Standing still is the last thing I want to do. As is often said, I can create a path behind me.



Speaking of "Waku-Waku," I prefer a chaotic state to a coherent state. For instance, when I have various issues and problems, I input all of them into my head and leave them for a while as if I'm cooking stew. After a while, a chemical reaction occurs, and what seem to be answers appear as if the stew is complete. I am always excited (Waku-Waku) at this moment.

What is contribution to the environment from the perspective of diversity?

When it comes to contribution to the environment, I strongly feel that we should never talk about it superficially.

In Japan, there is currently a goal of increasing the effective usage rate of PET bottles to 100%. This is based on the premise that caps and labels are separated from the PET bottles and the insides of the bottles are washed clean. Meanwhile, as common sense varies across the world, environmental awareness and initiatives differ from country to country. In the U.S., for instance, there is no habit among consumers to separate labels from PET bottle, unlike in Japan. Accordingly, FSG has developed the RecShrink™ label, which can be recycled together with PET bottles into PET bottles, under the label-to-bottle approach. It has already obtained certification from the Association of Plastic Recyclers, a public institution in the U.S., and already on the market.

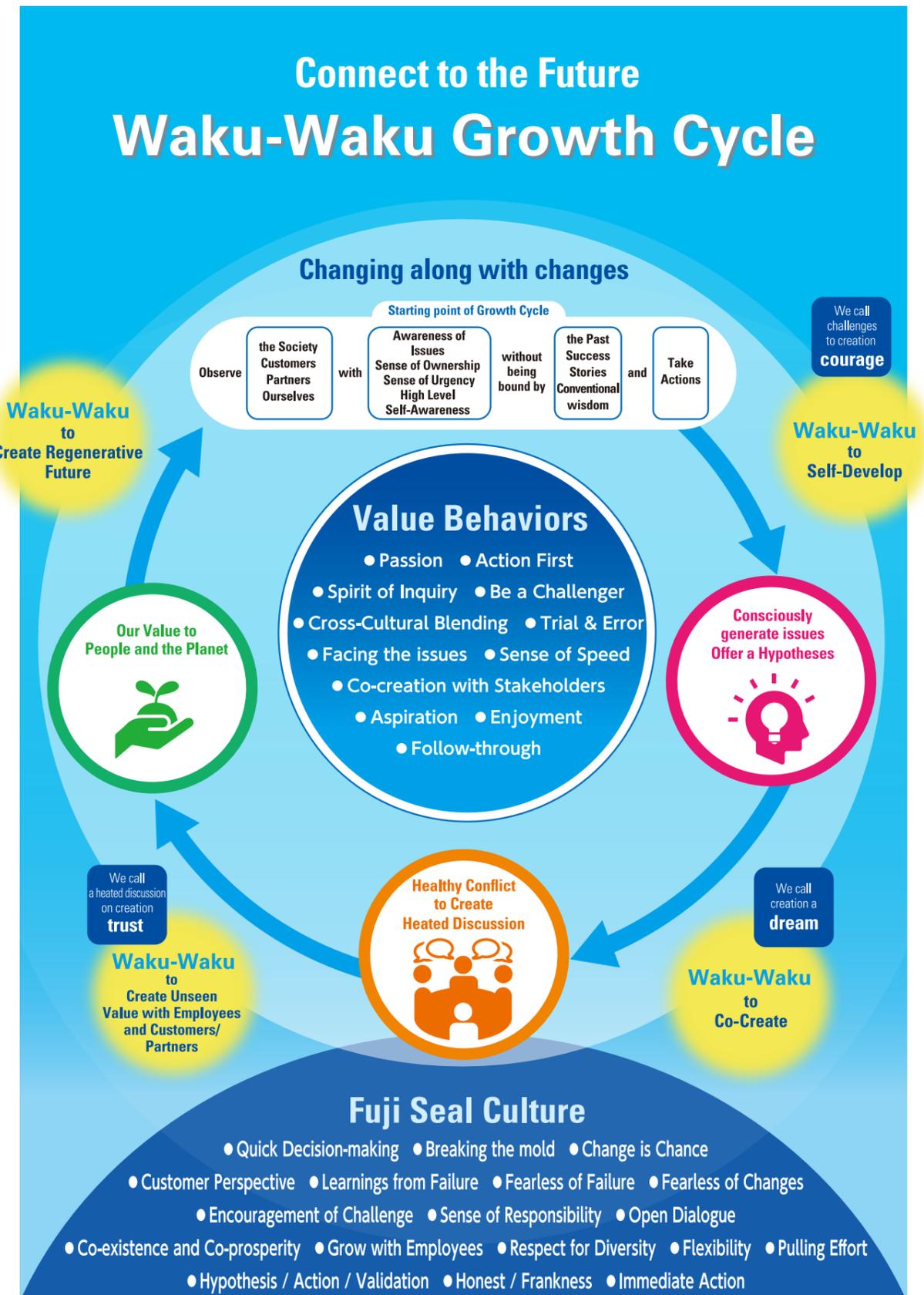
We should be friendly to the environment as a matter of course. However, if the perspective of diversity is included, I am not sure what kind of initiative is better: an initiative in which we take measures as common in Japan, setting conditions that are difficult to meet, or an initiative in which we take reasonable measures as common in the U.S. and Europe so that even children can be easily involved.

In Japan, separated labels are sorted and collected as plastic waste and are incinerated together with other plastics for energy conversion or are reused as lower quality products. Of course, this kind of recycling also contributes significantly to reducing environmental impacts. However, aiming to go one step further, specifically to establish a full circular recycling system, in which labels are recycled into labels (label-to-label approach), FSG is proceeding with demonstration experiments in cooperation with business partners.

Realizing our vision together while mutually understanding the situation of each country and region

What kind of materials, such as plastic, aluminum, and paper, are environmentally friendly? For environmentally friendly materials and life cycle assessment, research institutes in each country use different calculation formulas and have different opinions. In such a complicated situation, someone needs to make a decision and decide on a direction. In order to do so, we must firmly grasp the essence of environmental issues.

In the new Medium-Term Management Plan, FSG has set the goal of shifting 100% of turnover to "Regenerative Packaging." However, we will not blindly follow the environmental policy in Japan, but work to achieve the goal while choosing a method with the lowest environmental impact based on the situation and way of thinking of each country or region, such as the U.S., Europe, and the ASEAN region. There should be more than one correct answer. Sharing this recognition with each other, we would like to realize our vision "Our Value to People and the Planet."

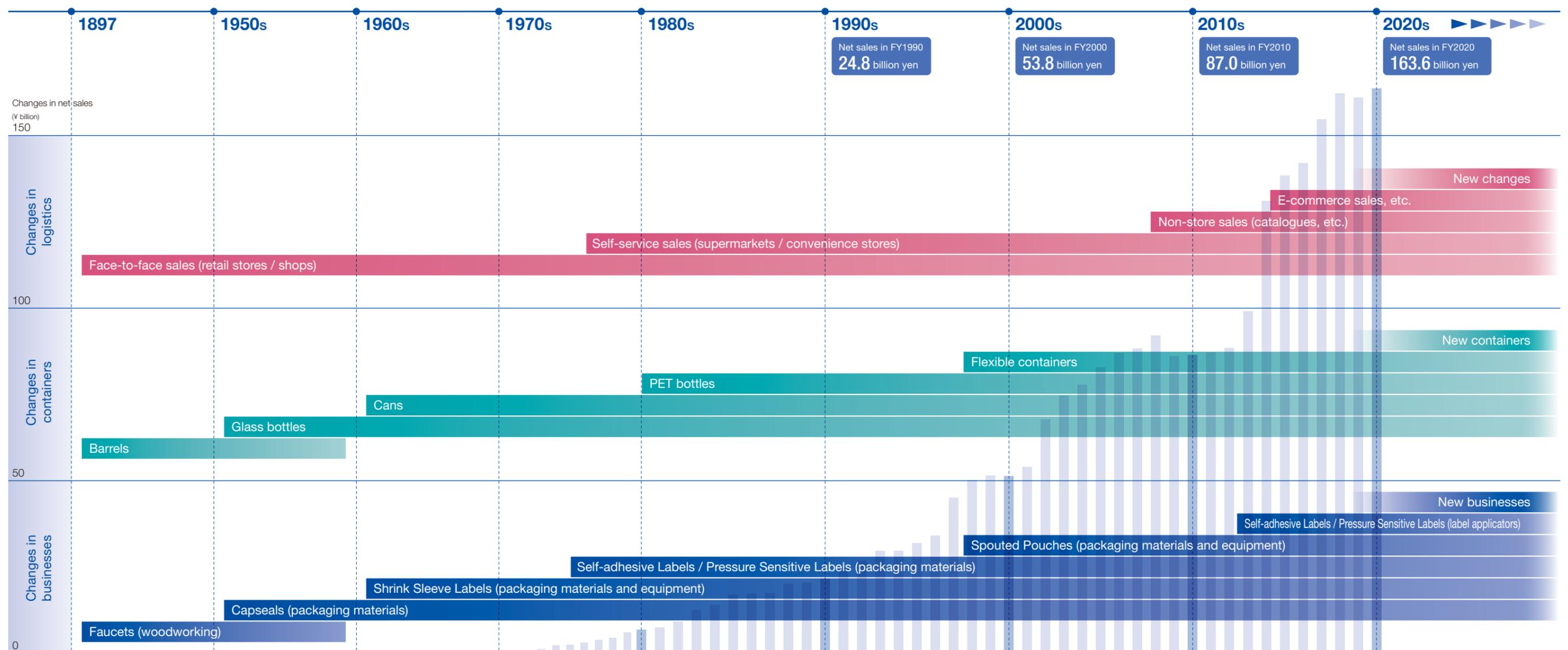


Changing along with changes

FSG was founded as a manufacturer of wooden products 124 years ago. As the container trends in society shifted from wooden barrels to bottles, cans, and plastic bottles in accordance with changes in logistics, we greatly transformed our business to become a packaging manufacturer engaged in the development of shrink sleeve labels in the 1950s. Since then, we have continued to grow while responding quickly to changes in the market. We will continue to be a company indispensable to society, while being more attentive to the voices of our customers and society to ensure a sustainable future.

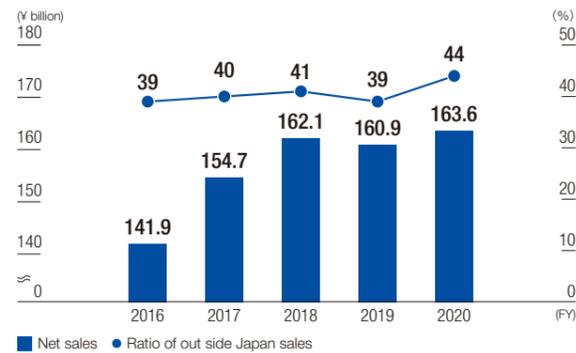
	Establishment	Change of business	Overseas expansion / Expansion of domestic business bases	100th anniversary of establishment	Transition into a holding company structure	Expansion of businesses and business bases in Japan, the Americas, Europe, and ASEAN	Toward the creation of new value
Company history	 <p>1897 Established as a manufacturer of wooden faucets for barrels.</p>	 <p>Late 1950s Developed shrink sleeve labels. Began system sales through the design and manufacture of automatic label applicators, which formed the basis of our business activities.</p>	 <p>1970s Established companies in the Americas and Europe to collect information on overseas markets and expanded our business bases in Japan and overseas.</p>	 <p>1997 Began over-the-counter trading of stocks at the 100th anniversary of the company's establishment to increase corporate value.</p>	<p>2003 Went public 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 the company name changed to Fuji Seal International (to speed up management decision-making in all operating regions, centered on Japan, the Americas, Europe, and ASEAN, and strengthen the company's global management strategy). 		<p>包むつながり。 未来へのつながり。</p>

History of Our Business / Changes in Net Sales

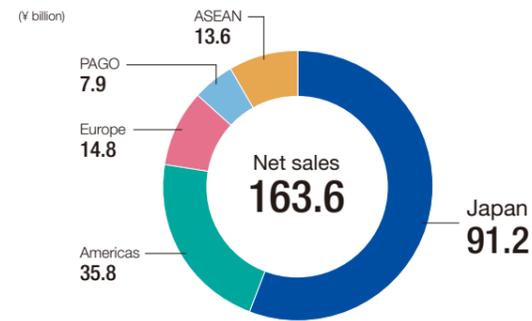


Financial Highlights

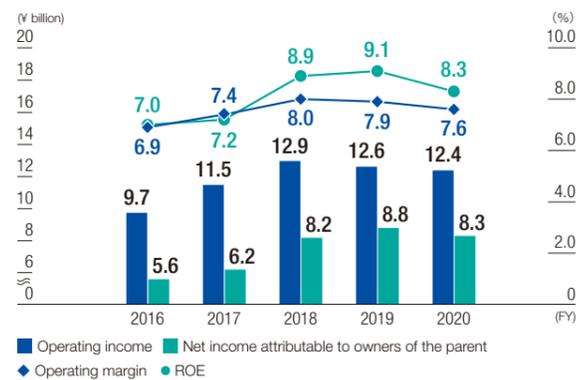
Net sales / Ratio of out side Japan sales



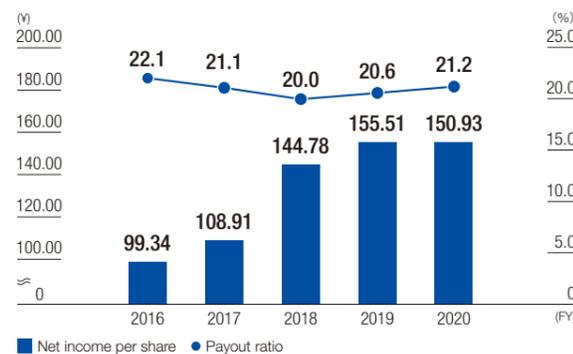
Sales by business segment (FY2020)



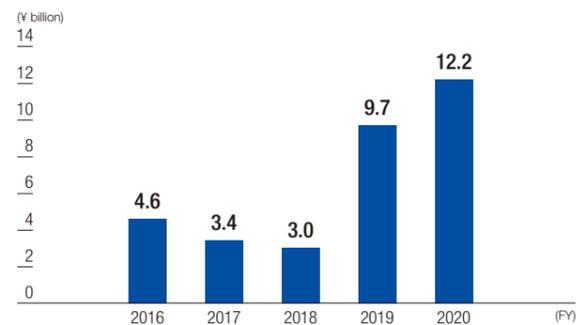
Operating income / Net income attributable to owners of the parent / Operating margin / ROE



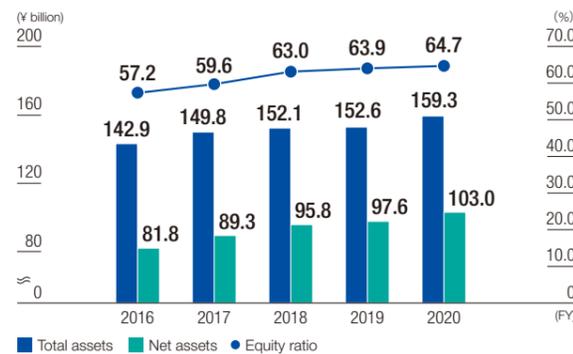
Net income per share / Payout ratio



Free cash flows

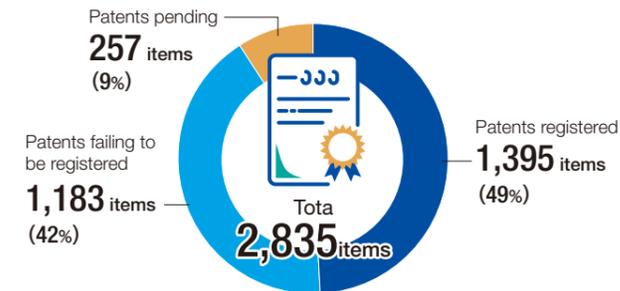


Total assets / Net assets / Equity ratio

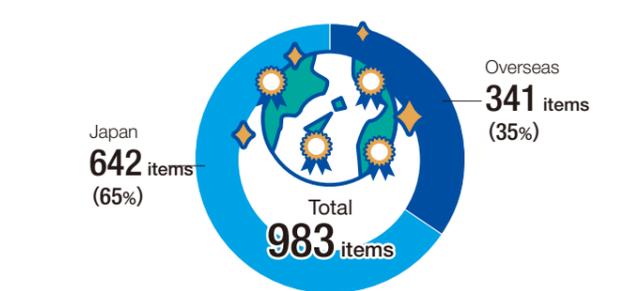


Non-financial Highlights

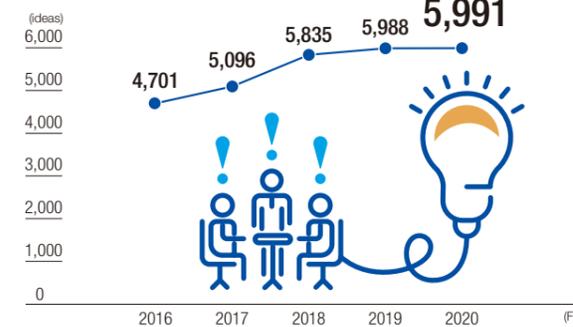
No. of patents registered (accumulation from 1973) (as of the end of March 2021)



No. of patents held (in Japan / overseas) (as of the end of March 2021)

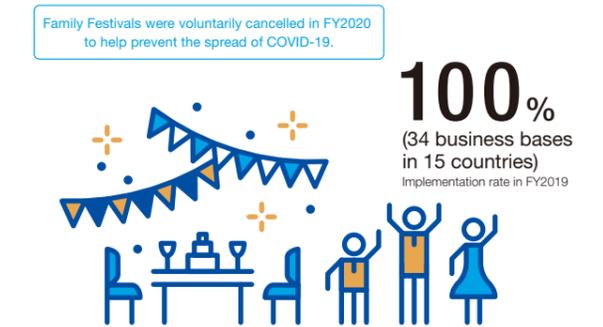


No. of ideas provided in the idea bank program*

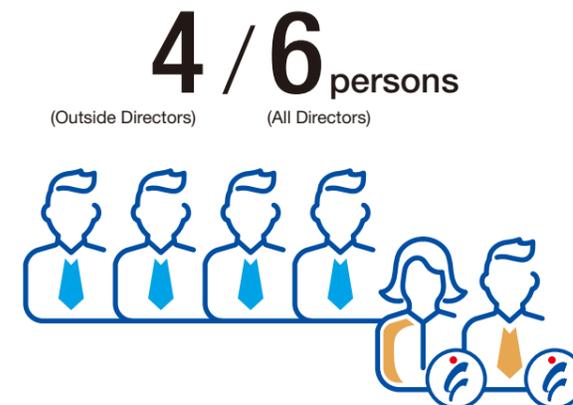


*: See page 41.

Implementation rate of Family Festivals



Outside directors (as of the end of March 2021)



Business deployment area (as of the end of March 2021)

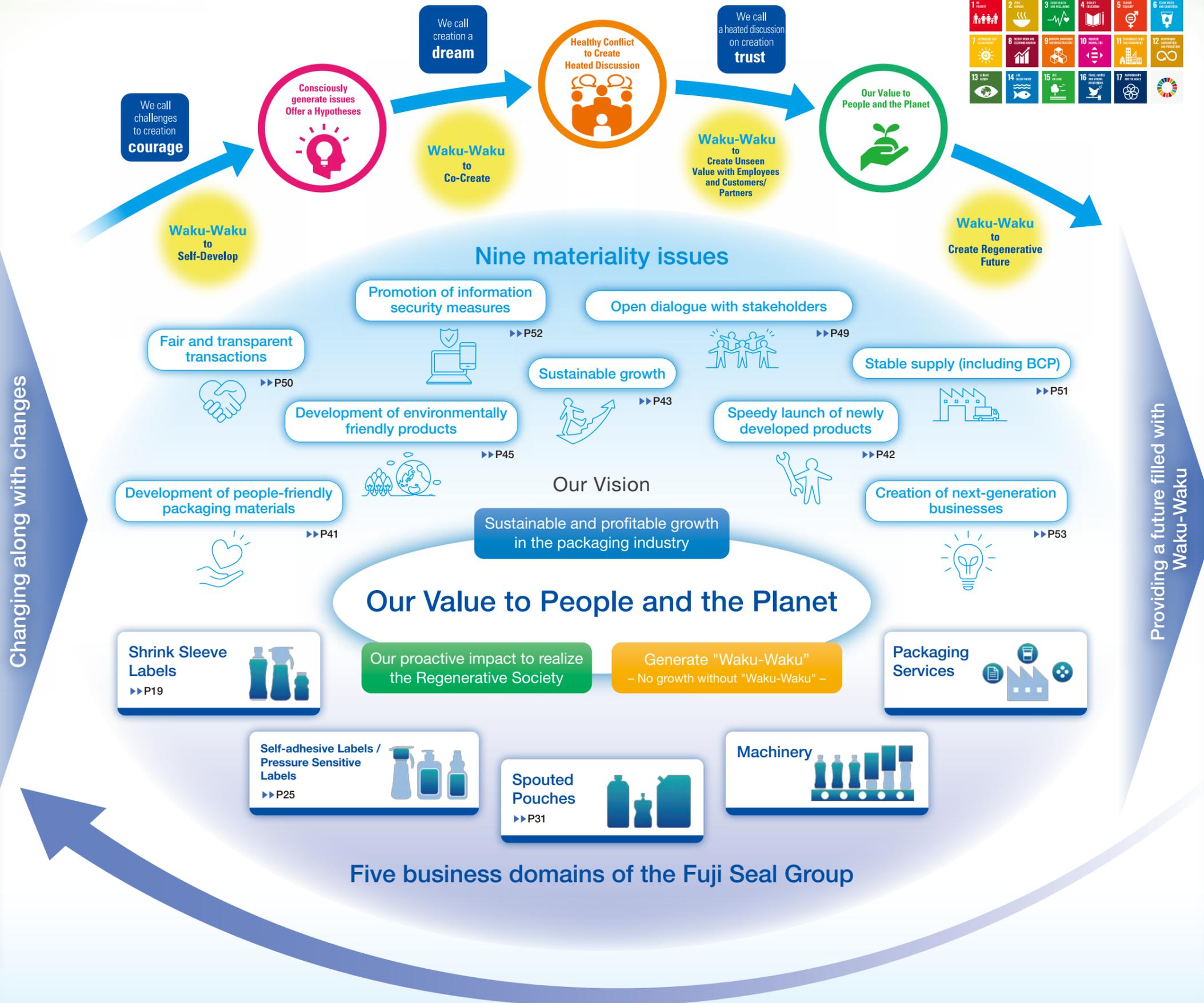


Waku-Waku Value Chain

SUSTAINABLE DEVELOPMENT GOALS



To Be



New Medium-Term Management Strategy — Road to 2023



Boldly Changing Course to Ensure Achievement of Our Goals

城川 雅行

Masayuki Shirokawa
Director, Representative Executive Officer, President and COO

Sticking to the results to achieve growth

I was recently appointed as Director, President and COO. FSG, which has grown into a global company, has entered its 124th year this year. Unexpected changes, including the acceleration of IT and the COVID-19 pandemic, have recently occurred on a global scale, and there is an urgent need to tackle social issues to realize a decarbonized and circular society. Believing that achieving our vision and plans is just a starting point, I would like to list three points to be achieved for “execution” and “results.” The first point is strengthening our existing businesses that form part of the social foundation and improving the environment. The second point is promoting overseas expansion and raising the ratio of overseas sales to 50%. The third point is promoting new businesses and services.

In this rapidly changing era, I have renewed my determination to make a concerted effort to achieve success by further focusing on speed and sticking to the results.

Looking back on the former Medium-Term Management Plan

Unfortunately, the numerical targets set out in the Medium-Term Management Plan (FY2018–FY2020) were unable to be achieved. One important factor is the spread of the COVID-19 pandemic. The stay-at-home trend and an increase in teleworking reduced demand for beverages, and this affected our business. However, I have taken it positively, considering that it had meaning for us.

Most of our sales come from beverages, in particular, in Japan and the ASEAN region. Although it has been a long-standing aim to escape from this sales structure, the situation has not been changed for a long time. This is because we have been able to improve our business performance by continuing to meet the needs of our customers in the beverages field since beverage sales are quite high. However, the reason that we could not achieve the numerical targets in the Medium-Term Management Plan has proven that there is a risk in this sales structure, and the awareness of employees has changed rapidly, saying that they should not be passive and should actively take action on their own. I believe that this failure has made it easier to change course to pursue a new direction.

Regarding the Five Competences (Monozukuri / Development / Human resources / Financial strength / Risk management) set forth as a growth strategy, there was a clear distinction between what we achieved and what we couldn't. Taking development competence as an example, environmentally friendly RecShrink™ labels, developed in the U.S., are one of our major achievements.

Regarding the goal of adding “Plus One” in the existing four businesses, four business regions, and four business categories, the business expansion into India and the acquisition of the entire ownership of the joint company in Thailand have made it possible to formulate solid strategies for South Asia and the ASEAN region and have also provided a foothold in the pharmaceutical field.

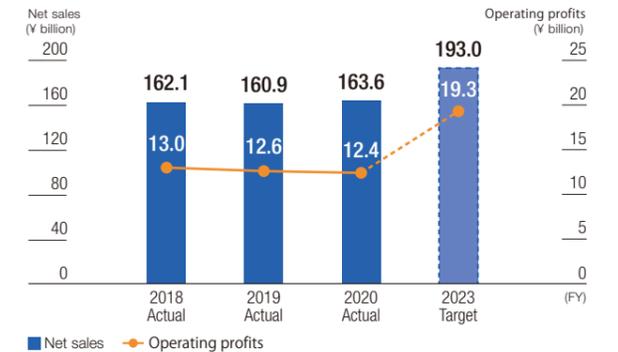
My summary is that we were able to execute a strategic move to the next step in various aspects during these three years.

Three business strategies that hold the key to achieving the targets in the new Medium-Term Management Plan

The role of the new Medium-Term Management Plan is to grow the sowed seeds of businesses and make them bloom. The numerical targets for FY2021, the first year of the plan, are sales of 170 billion yen and operating income of 13.6 billion yen. In FY2023, the final year of the plan, we aim to achieve sales of 193 billion yen and operating income of 19.3 billion yen. We have also formulated the following three business strategies. The first is to accelerate the overseas expansion of the label business and enhance its profitability. We will establish a leadership position in the field of environmentally friendly labels in the shrink sleeve label business and the self-adhesive / pressure sensitive label business. The second is to expand our primary packaging portfolio. We will accelerate the growth of the pouch business into a second core business through the creation of pouches with a spout with high value added. The third is to create new businesses. We will create a variety of businesses, including a recycling-oriented and environmentally friendly business, by responding to social issues and market changes.

As part of the machinery business, which is important to us, we will strengthen our service business under a new system. In machine development, machines for the ASEAN market have been completed, and we will expand them from the ASEAN and Indian markets to the world market. In the packaging services business, we have already used our know-how in SCM, cultivated in Japan, in Vietnam and will

	FY2020 Actual	FY2023 Target
Net sales	163.6 billion yen	193 billion yen
Operating profits	12.4 billion yen	19.3 billion yen



spread it to Thailand and throughout the ASEAN region. In addition, a new pharmaceutical building under construction in Tsukuba, Japan will be completed soon. We will spread successful cases in Japan to the world and further accelerate the expansion of business domains in the pharmaceutical market.

I am convinced that we can achieve our targets by steadily implementing each business strategy under our new vision “Our Value to People and the Planet.”

Toward the realization of a circular society and sustainable growth

Reductions in CO₂ emissions and the use of plastic are now being called for around the world, and various national governments are starting to take serious action to in

FSG's Market Opportunities and Medium-Term Strategy

Social and Market Changes = Business Opportunities

- Environmental issues accelerate response needs
- Consumer lifestyle acceleration of diversity
- Expansion of consuming areas



FSG's Strengths

- Ability to respond flexibly and agile 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 and verify market demands and to provide QCD through the possession of integrated technology covering materials technology, production, customer applications, and after-sales service
- Strong relationships with innovative global customers cultivated through the above



response. The need for measures to address such environmental issues is, so to speak, a business opportunity for us.

In Japan, the label-to-label project, in which collected labels are reused again as labels, is underway, and in the U.S., RecShrink™ labels, which I mentioned earlier, have already been put on the market under the label-to-bottle project, which goes even further than the label-to-label project. These labels can be recycled together with PET bottles into new PET bottles. Through the provision of these environmentally friendly products, we would like to contribute to the realization of a circular society and to the sustainable growth of FSG.

Moreover, Fuji Pouches, which can be used not only as refill containers but also as a replacement for a product body container, are introduced as an example of an environmentally friendly design in the Outline material of the Bill for the Act on Promotion of Resource Circulation for Plastics of the Ministry of the Environment and the Ministry of Economy, Trade and Industry. I consider this as a great opportunity for us because “expanding our primary packaging portfolio” is one of our business strategies.



Existence of customers and business partners as our strength

Our greatest strength is that we do business with major customers who are leaders in the global market. Such customers have a great responsibility to society and always think one step ahead. For this reason, they have very high expectations. However, by obtaining information on their expectations and responding to them promptly, we can “change along with changes.”

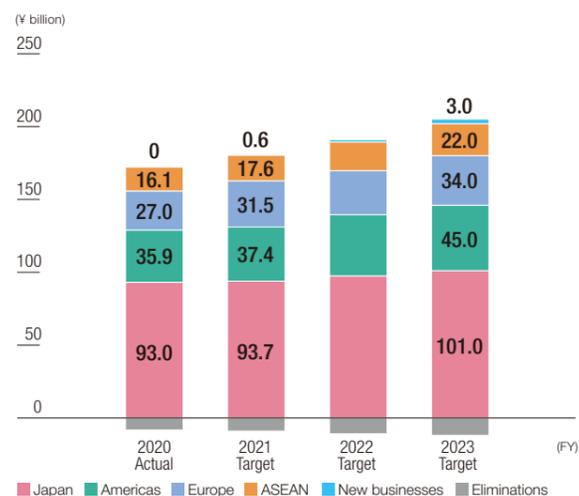
Another key for us is the existence of our business partners. Like our customers, they are also active globally, and each of them has a wealth of experience and knowledge. Until now, both we and our business partners have tended to keep in the background and have rarely taken center stage. However, in the label-to-label project, for instance, we have published the names of the companies with which we work on development outside the company. This shows our determination to actively lead the industry together with our business partners as one team.

Taking pride in your work as leaders in an essential business

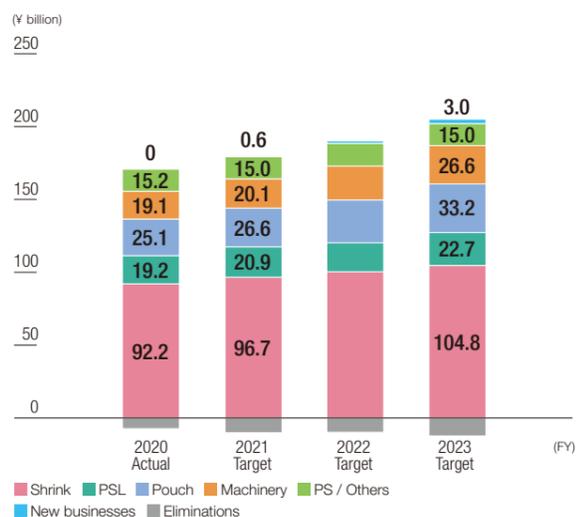
Last year, we identified nine materiality (priority) that we should work on, including “Development of people-friendly packaging materials,” “Development of environmentally friendly products,” and “Sustainable growth.” However, it does not make sense to just raise the issues. Feeling that it is necessary to further break them down so that each employee can understand them, we have newly set the KPIs (Key Performance Indicators).

By achieving the materiality issues, you will understand that your work is truly an essential business and will be able to proudly tell your family and acquaintances that packaging is important to society. Above all, I believe and hope that you will be even more proud to work in FSG.

Sales target by region



Sales target by business



Operating Profit Margin and ROE Targets

	FY2020 Actual	FY2023 Target
Operating profit margin	7.6%	10%
Shrink business operating profit margin	—	15%
ROE	8.3%	10%

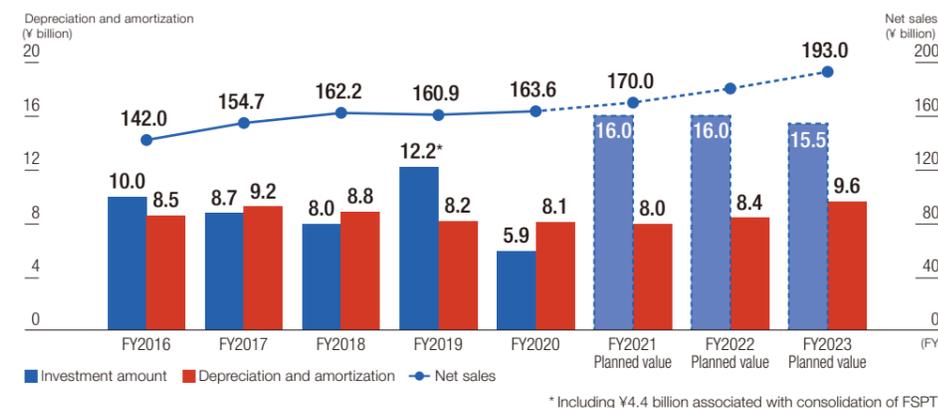


- Accelerate overseas expansion and strengthen profitability of the labeling business
 ~ Establishing a leader position in environmentally conscious labels in the Shrink and PSL Businesses ~

Medium-Term Investment Plan

- Plan to invest approximately ¥47.5 billion over the three years from fiscal 2021 to fiscal 2023
- Of the total investment amount, plan to invest more than ¥15 billion in strategic growth investment

Investment, Depreciation and Amortization, and Sales Trends



* Including ¥4.4 billion associated with consolidation of FSPT



Fumiaki Takahashi
 Executive Officer in charge of Finance and Risk Management

The new Medium-Term Management Plan (a three-year plan until March 2024) is positioned as a period for promoting reforms to enhance the profitability and cash generating ability of the entire Group and for strengthening our management base to acquire the ability to generate cash stably over the medium- to long- term.

In the new plan, we have set the target “ROE 10%” again as a target in the capital strategy. At the same time, we will raise our financial leverage with the aim of realizing an optimal capital structure.

Specifically, in addition to enhancing the profitability of each region and business, we try to improve CCC (Cash Conversion Cycle) and capital efficiency. We will thoroughly make investment decisions by taking into account our cash flow and hurdle rate in an integrated manner, and aim to maximize our free cash flow, focusing on the working capital. In addition, we plan to actively use financing through sustainable finance and other financing methods to secure investment funds for achieving the SDGs and realizing sustainable growth.

For the return of profits to shareholders, we aim to increase total stock returns through the direct return of profits and a medium- to long-term increase in stock price. We will work to build a strong earnings base and improve the cash flow certainty in the future by prioritizing investment for continuous growth, with the aim of realizing stable and continuous shareholder returns.

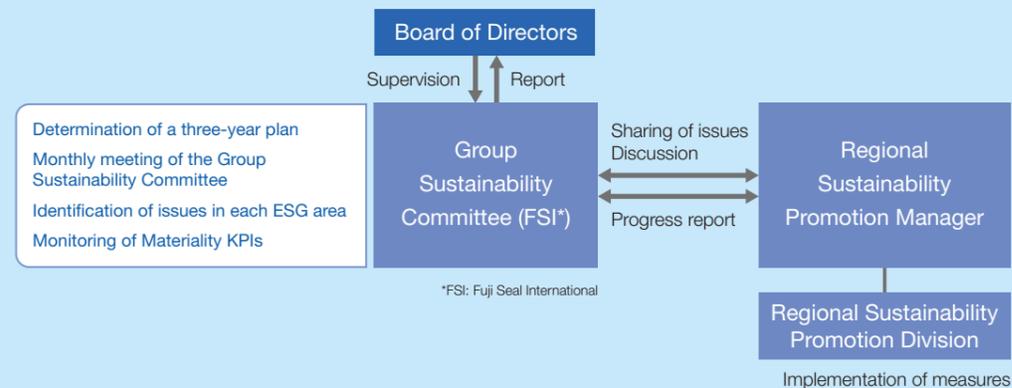
Activities of the Group Sustainability Committee

Making Group-Wide Efforts to Promote Stronger ESG Activities

» Establishment of the Group Sustainability Committee

We hold a Group Sustainability Committee meeting monthly to draw up a sustainability policy and plan. For important matters related to sustainability, we report them to and bring them before the Board of Directors. We are working hard on these issues as we recognize them to be important for our Group.

Group Sustainability Committee Structure



» Initiatives of the Group Sustainability Committee

Major initiatives

- 3Determination of a three-year plan
- Monthly meeting of the Group Sustainability Committee
- Identification of issues in each ESG area
- Monitoring of Materiality KPIs

Disclosure and expansion of data

Establishment of a page on sustainability upon renewal of our website

Target declaration

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

Three-year plan for external evaluation

Selected as a constituent of the FTSE² Blossom Japan Index and the MSCI³ Japan ESG Select Leaders Index
Receive a Silver Rating from EcoVadis⁴
We will work to achieve the above-mentioned goals and maintain our status and rating.

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)
We have continued to be selected as a constituent of the MSCI Japan Empowering Women Index (WIN).¹

FY2020 FY2021 FY2023

New Medium-Term Management Plan

¹: The MSCI Japan Empowering Women Index (WIN) represents the performance of Japanese companies that exhibit a commitment towards promoting and maintaining a high level of gender diversity among their workforce, while maintaining superior financial quality.

²: The FTSE is a share index of the largest companies listed on the London Stock Exchange, which is published by FTSE, an independent company jointly owned by the Financial Times and the London Stock Exchange Group.

³: MSCI indexes refer to a series of indexes calculated and published by Morgan Stanley Capital International (MSCI).

⁴: EcoVadis is a rating platform that assesses corporate social responsibility and sustainable procurement, where information on the rating score (from 0 to 100) and the type of medal (bronze, silver, or gold) is provided.

Topic

Presentation at the Nikkei SDGs Forum Symposium

At the Nikkei SDGs Forum Special Symposium, with the title “Initiatives toward a circular society through the use of PET bottles as resources,” held on May 10, 2021, CEO Shigeko Okazaki delivered a corporate lecture. She talked about shrink sleeve labels, our main products that enable packaging according to the shape of a container through heat shrinking. She gave a presentation on the following two topics. First, with the aim of promoting our initiatives toward a circular society, we developed perforated shrink sleeve labels for PET bottles for the first time in the world in the late 1990s, and since then we have contributed to increasing the recycling rate of PET bottles. Second, in 2019, we developed RecShrink™ labels in the U.S. market, which can be recycled along with PET bottles into PET bottles without being separated from the bottles. She told the audience that we were also proceeding with demonstration experiments in Japan to develop a technology that enables the recycling of collected labels in cooperation with business partners, with the aim of realizing a next-generation circular society.



Symposium viewed online by 2,192 people during the period of the declaration of a state of emergency

Moreover, Director, Representative Executive Officer President and COO Masayuki Shirokawa gave a presentation at the panel discussion of the forum. He announced that we had embarked on the development of a technology that enables the recycling of PET bottles without separating labels, most of which currently go through a thermal recovery process, and that this technology was being adopted by various companies around the world as a new trend for recycling.

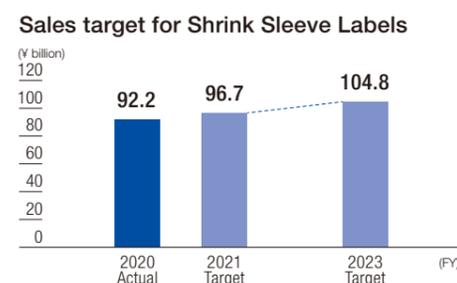
Company Contributing to the Realization of a Sustainable Society

We will work on sustainability so that FSG will continue on into the future.



Shrink Sleeve Labels

The shrink sleeve label is made of a heat-shrinkable film and is the only label that fits perfectly into any container shape. It is used in various applications, including PET bottles, alcoholic beverages, dairy products, food, home and personal care products, and pharmaceuticals. Beside displaying product information, our labels have various functions that are environmentally friendly.



continued to supply materials, such as film and ink, without running out, while facing the same difficult situation, and by our customers, who continued to place orders even if it took a long time for delivery.

It was the year when I reaffirmed the underlying strength of FSG, which was previously a little difficult to notice, and the trust relationships with our customers and business partners that we had built up over the years.

Taking the first move toward environmental measures in Japan and the U.S.

While continuing to provide products under the COVID-19 pandemic, we have accelerated the development of environmentally friendly products in the past year. In Japan, the label-to-label project, in which we have worked with our business partners toward the resource recycling of shrink

sleeve labels, has begun to take shape. In the U.S., RecShrink™ labels, which were developed under the further advanced label-to-bottle project, were launched on the market. We have taken the initiative in both business and the promotion of a circular society, looking ahead to the time when the COVID-19 pandemic will end and social attention will again be focused on environmental issues.

Although RecShrink™ labels, developed in the U.S., enable reasonable recycling in which PET bottles with labels are collected to be recycled into PET bottles, they do not comply with Japanese recycling rules. Nevertheless, based on the information that RecShrink™ labels are to be adopted by several global top manufacturers who have strict standards for environmental protection and quality, our Japanese customers have offered various possibilities as to how they can use Recshrink™ labels. Meanwhile, our

Challenging High Goals with the Two Approaches of Environmental Friendliness and New Machines

Hideaki Umeda

Executive Officer in charge of Shrink Sleeve Labels

In recent years, due to the issue of plastic waste and the growing need for environmental friendliness, we have been required to change plastic packages in response. In the shrink sleeve label business, we will establish environmentally friendly labels in cooperation with our customers and business partners and focus on expanding them globally. We will aim to further expand our business by additionally applying environmentally friendly technology to shrink sleeve labels, which are very easy-to-use packaging items.

The power of our employees was reaffirmed in 2020, which we entered with a sense of crisis

In 2019, the issue of marine plastic waste was highlighted all over the world, and while being afraid that the shrink sleeve label business would disappear, we entered 2020. Just when we were preparing to further strengthen environmental measures, the COVID-19 pandemic spread and drastically changed social trends. Although the situation was completely different in each region, in the United States, where our main customers are manufacturers of daily

necessities, including food and home and personal care products, our sales increased as a result of increased demand from people staying at home under strict regulations such as lockdown restrictions.

Fortunately, we did not have to close our factories even at the height of the COVID-19 pandemic because our business is essential to daily life. However, the situation was still difficult, and it was thanks to our employees, who worked hard every day at the factories, that we were able to continue our manufacturing activities.

We were also supported by our business partners, who



Japan region Product: Liquid seasoning

Due to heightened hygiene awareness under the COVID-19 pandemic, our shrink sleeve labels with an antibacterial function have been adopted. These shrink labels have acquired the SIAA mark, which is displayed on products whose information on quality and safety is disclosed.



Americas region Product: Coffee

Our full shrink sleeve labels have been adopted for beverage PET products in consideration of safe and secure tamper evidence.



Japan region Product: Baby food

As a result of integrated development with a packaging machine, which has realized stable label attachment to top label containers, our labels have been adopted. Full labeling that indicates any evidence of tampering helps prevent tampering and adulteration.



Japan region Product: Detergent for clothing

Our newly developed technology which enables the removal of the shrink sleeve label on the handle portion has been applied.



Our main strength is that we have created everything as a pioneer of shrink sleeve labels

The greatest strength of our shrink sleeve label business is that we are a pioneer in the shrink sleeve label industry. For 50 years we have continued to create and improve everything related to shrink sleeve labels from scratch, where there were no materials, printing technologies, machines, or even demand. Accordingly, even if a film manufacturer suddenly brings new materials to us, we can consider how to provide them to our customers and commercialize them. Even in the case of a self-developed product, since it has already reached a certain level when we propose it to our customers, we can achieve fast evaluation and commercialization. Our strengths lie not only in such quick responses but also in the provision of consistent support to customers from creation and production to marketing (from product development to marketing to consumers). They are strengths not found in other companies. RecShrink™ labels are a good example. Considering only the materials and technology, it is possible for our competitors to produce similar products. However, no companies have been able to do so because only FSG can support the manufacturing processes of customers.

To continue to support the manufacturing of our customers, we must not forget the existence of our business

overseas customers have shown interest in the label-to-label project, which is an initiative unique to Japan. Thus, different approaches to the environment have led to new business opportunities.

The materials used for shrink sleeve labels also vary by country or region. Even if one technology is established, it cannot be used universally but needs to be localized. However, this is what FSG is good at since we were among the first to enter the global market.

partners. I am among the last generation to receive direct guidance from the founder, Masaaki Fujio. I was taught by him that our company could do business thanks to our business partners and that we could do nothing without them. When I was just getting started in business, I called my business partner a “trader,” who turned red in the face and got angry at me, saying, “Who do you think you are?” (LOL) Even if I think back to various other events, my thoughts always return to that particular event, which is the starting point of my work.

A better work environment that is friendly to both employees and the planet

The new vision of FSG is “Our Value to People and the Planet.” For “people” in the vision, there are various interpretations, such as customers, business partners, and consumers. However, what comes first to my mind is employees, whose greatness and real strength I have recognized again under the COVID-19 pandemic. First of all, I would like to deliver them value that is friendly to them. This value refers to a good work environment.

Nowadays, machines are becoming increasingly dependent on software due to technological advances. With no manual operation required, machines automatically make all the fine adjustments which were previously done manually. These new machines are also very manageable for operators, who no longer need to be overwhelmed by work while being soaked in sweat. They will therefore not get injured as a matter of course. The reduction of various burdens provides us time to think about how to improve the production process and quality and how to produce products that are friendly to both the environment and consumers. I believe that thinking by thousands of employees, rather than thinking by one person, will inevitably produce answers.

Along with the introduction of new machines, we will work to reduce the amount of solvent used, which is one of the causes of the deterioration of the work environment. Specifically, by switching from oil-based ink gravure printing to water-based ink flexography, we will reduce the amount of solvent used by about 50%, and aim to achieve solvent-free printing in the future. Since we have developed our own gravure printing technology while making the most of the know-how that FSG has cultivated, I feel conflicted about switching from gravure printing to flexography. However, I will actively promote the creation of a work environment that is friendly to both employees and the planet.

Making a meaningful investment to achieve our 15% profit margin target

Since the shrink sleeve label business is the core business of FSG, we have abundant human resources, solid technology, and substantial manufacturing capabilities. Accordingly, in the new Medium-Term Management Plan, we have decided to focus on profits and set the target of profit margin at 15%. However, even if we realize all the strategies that we have already planned, we will only be able to achieve about 13%. To add 2% to this value, there are two points to make.

The first point is our approaches to the environment, including the label-to-label approach and the label-to-bottle approach. In particular, if the label-to-label approach is realized in the future, it is expected that shrink sleeve labels will take the place of other labels that are not environmentally friendly, resulting in further increasing their sales in the Japanese market.

The other point is the replacement of aging machines. Although we have added more machines to increase production capacity, we have not renewed many of our old machines due to the lack of a corporate culture of scrap and build. Of course, there are benefits if we continue to use old machines for a long time while maintaining them. However, as I mentioned earlier, if we use a new machine, this will increase productivity and safety, ensuring friendliness to both people and the environment. Although extra investment is necessary, we can expect a return that exceeds the investment value. And above all, if a new machine is installed on-site, this increases employee engagement and motivation.

Although the target of 15% is very difficult to achieve, I would definitely like to take on the challenge of achieving it.



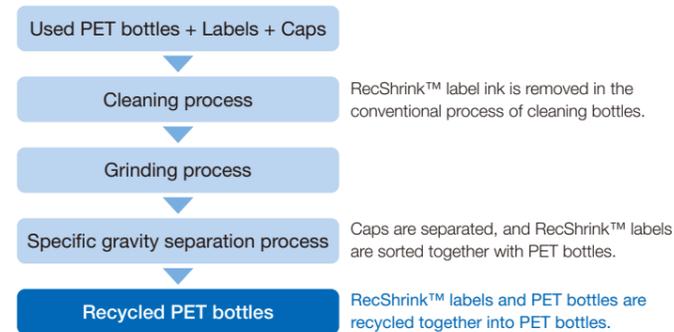
Topic

Renewable shrink sleeve labels → RecShrink™ labels recycled into bottles

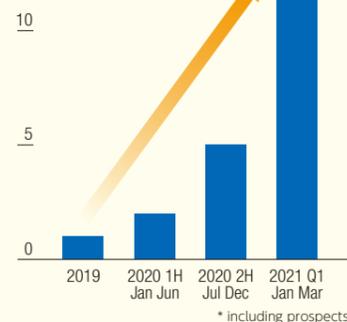
Sales of RecShrink™ labels have expanded in the Americas, and they are increasingly being used in various products, including Nestlé coffee creamer products and the products of major beverage manufacturers.



APR recycling scheme



No. of marketed products in which RecShrink™ labels are used





Akikazu Yada
Executive Officer in charge of the Americas Operations

Hideaki Umeda
Executive Officer in charge of Shrink Sleeve Labels

Dialogue

Providing New Environmental Solutions – Aiming at further growth through the development of RecShrink™ labels and the establishment of a new factory

Yada: What I really feel about business in the U.S. is that it is characterized by a large lot market. In the EU, with a population of over 400 million and diverse cultures, the products lined up in stores are diverse. Meanwhile, in the U.S. with a population of approximately 330 million, which is just a little less than that of the EU, the products lined up in stores are almost the same in any shopping mall in any state. The U.S. market is challenging for the packaging industry. I also feel that businesspeople in the U.S. embrace a spirit of technological innovation in order to secure their place in the market with new value.

Umeda: I believe that the large lot market and technological innovation are key points for us to develop the shrink sleeve label business in the U.S. When I came to the U.S. to set up a factory in Bardstown in 2001, I was surprised to see one gallon (approximately 3.8 L) bottles of milk and orange juice, and I wondered who on earth would purchase them (laugh). However, these containers have changed steadily according to consumer preference over the past 20 years, and our shrink labels have been able to meet market demand. Since we expanded our business to the U.S., the shrink sleeve label business has continued to grow. What do you think is the reason for that?

Yada: I think that the major underlying reason is that we have opened up the market with large customers since we started business as a pioneer, although this may not be unique to the U.S. I think that this experience has become a treasure for us. In addition, we can develop products by vertically integrating the manufacturing process from film design and printing to bag manufacturing, and have the largest production capacity in the U.S., where mass production and mass consumption are commonplace. I think that it is really

great that the company decided to establish factories not only in the U.S. but also Mexico and put it into action.

Umeda: I also respect the judgment of management at that time, based on which the company boldly made a prior investment in an era when shrink sleeve labels had not yet been acknowledged.

Yada: We also have a machinery system unique to us. There is no similar system at other companies. I think that these accumulated elements have enabled us to continue to demonstrate a high level of competitiveness. Currently, our market share of the shrink sleeve labels segment in the U.S. is approximately 40%, which is by far the largest of any company. However, I believe that in the future, we should not aim to further increase our market share to 50 to 60%, but instead focus on expanding the market itself. I hope you agree.

Umeda: I totally agree with you. To increase our market share, we need to win the price competition. However, to win the price competition, we need numerous factories. Therefore, in the U.S., it is important to expand our market itself.

Yada: As a new trend over the past one or two years, our shrink sleeve labels have begun to be used for personal care products such as shampoo. I believe it is possible that they will be used more and more in the future.

Umeda: To expand our market itself, it is necessary to give consideration to the environment. What is the reaction to Recshrink™ labels, which we have developed as environmentally friendly products in the U.S.?

Yada: They have received a very good response from many customers as an effective solution to environmental issues. They have already been adopted by major food or beverage manufacturers, and it is expected that their use will further expand in the future. Unfortunately, the actual situation in the U.S. is that the collection rate of PET bottles is low and that there is no solid recycling system yet. Recshrink™ labels can be collected with PET bottles without being separated from the bottles, to be recycled into PET bottles. I think that they can easily be accepted by Americans, who prefer reasonable systems and ways of thinking.

Umeda: In the U.S., environmental awareness and laws differ considerably depending on the state.

Yada: For instance, stores began charging for shopping bags in California several years ago, and I had to always carry a reusable bag with me. However, when I shop in Kentucky, shopping bags are generously given to me!

Umeda: As you mentioned about the collection rate of PET bottles, American environmental awareness is not high compared to other countries. However, since our customers have to deal with environmental measures in every market in the world, we cannot make an exception only for the U.S.

Yada: That's right. As far as American consumers are concerned, their environmental awareness is still low. However, our customers are very sensitive to environmental issues. To help them to achieve their environmental goals, we will accelerate the provision of environmental solutions more than ever.

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Umeda: For our future business in the U.S., I believe that the key is the establishment of a new factory in North Carolina. Although we have discussed it many times, I would like to hear your thoughts again.

Yada: Since the factory project started, I have continued to say that we will make it a model factory for shrink sleeve labels. Through the factory, I would like to completely embody our new vision "Our Value to People and the Planet," and we should do so. To realize a people-friendly factory, we will work to enhance safety and improve production efficiency through automation. In addition, to realize an environmentally friendly factory, we will adopt flexography. As you taught me, we would like to gradually reduce the solvent usage rate and aim for solvent-free printing in the future. Toward our further growth, I would strongly like to continue to strengthen relationships with business partners more than ever through the factory. My ideal is for workers to work together to develop new technology while exchanging opinions in the factory.

Umeda: I have heard that there are various projects other than this factory project.

Yada: In the U.S., various projects are being launched one after another partly due to strong demand. Since they are launched with too much momentum, it is difficult to control them. However, all employees are really motivated to make the projects succeed, and all of them, including veteran workers aged 60 and above, work with enthusiasm every day. I think that this is a very good trend. I would like to continue to focus on creating a work environment where more and more workers will work positively, aiming for our further growth.

Topic

Establishment of a new factory in North Carolina

In the Americas region, changes in society and the market have become business opportunities for us, leading to expanding demand for shrink sleeve labels. Moreover, under the COVID-19 pandemic, the shrink sleeve label business plays an important role as an essential business. To continue to fulfill the responsibility of supplying packages which are indispensable to society, we are building a new factory in North Carolina as a production base of shrink sleeve labels in addition to the factories in Bardstown and Mexico. At the new factory, scheduled to be operated in July 2022, we will strengthen the production of environmentally friendly products and introduce production equipment that is friendly to people and the environment. We will work to enhance safety, improve production efficiency, and increase profitability through automation to support the sustainable growth of the company.

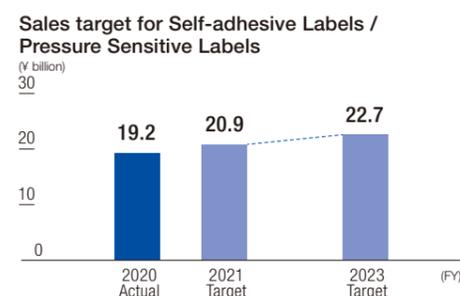


New factory in North Carolina

- **Factory that is friendly to people and the environment**
 - Solvent free: Comfortable work environment + CO₂ reduction
 - Automation: Safer work environment
- **Factory that helps increase profitability**
 - Planning to return operating income to profitability in the second year of operation (2023)
 - Improving productivity through automation (cost reduction)
 - Ensuring efficient logistics (production in consideration of customer and supplier bases and BCP)

Self-adhesive Labels / Pressure Sensitive Labels

Used for a wide range of products in various industries, self-adhesive / pressure sensitive labels are packaging materials essential to daily life. They consist of sticker labels with adhesive already on the back. They can make the labeling process easier, requiring you to just print information on the surface of the labels.



Making Changes in a Huge Market with a Broad Base of Customers to Move on to the Next Stage

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

Labels are indispensable for consumers to use products with confidence. The role of labels has expanded, from just displaying information as before, to performing a function (decoration, opening, closing) and, in recent years, serving as a communication tool. Meanwhile, the role required of labels is changing day by day to respond to environmental issues, the “new normal,” e-commerce, and personalization. I hope that labels will play a role in providing ease of use (safety and security), helping to protect the environment, and contributing to society, and continue to provide value as the foundation of a two-way relationship of trust between people and the environment. Believing that product development is the most important factor in achieving this, we will continue to create various technologies and products from the aspects of both market-in and product-out.

Creating and providing opportunities myself, which is one of the things that I have noticed under the COVID-19 pandemic

In FY2020, we were able to continue with production and supply even under the COVID-19 pandemic. Before looking back on FY2020, I would like to thank everyone involved in the self-adhesive / pressure sensitive label business for this.

In the past year, I have noticed many things and had a rich experience. What has changed in business from before is

that the perspectives and values of customers and consumers regarding our products have gradually changed. I feel that they no longer see labels just as labels. I believe that there are future business opportunities there.

For me personally, my awareness and behavior patterns changed significantly. Until then, I had repeated the same behavior patterns, including going to work every day and going on an overseas business trip every month. However, as I had more time working at home and was therefore

unable to directly communicate face to face with overseas members, I came to feel that it was important to shape new behavior patterns and create and provide opportunities myself.

Developing more effective business strategies with a view to pursuing mobile manufacturing

I believe that the key phrases to seize market opportunities in the self-adhesive / pressure sensitive label business are “environmental issues,” “personalization,” “post-COVID-19 world,” and “work style reform.” Self-adhesive / pressure sensitive labels have a longer history compared to shrink sleeve labels and pouches. The technologies involved are used in a wide range of applications around the world, including stickers and sticky notes. Meanwhile, it is also a fact that it is difficult for major changes to occur in the field of self-adhesive / pressure sensitive labels because they are

commonly used and firmly established. Under these circumstances, making changes with these four key phrases as a starting point becomes a great opportunity for us to move on to the next stage.

I would like to place special focus on “environmental issues.” Self-adhesive / pressure sensitive labels are made of three different materials: a surface base material, an adhesive, and a release liner. Environmental impacts can be reduced by eliminating the release liner and using only a single material, for instance.

For “personalization,” we aim to strengthen our response to the expansion of e-commerce. The production process of self-adhesive / pressure sensitive labels is flexible and, to describe in an extreme manner, they can be shipped in 24 to 48 hours from the start of production. Accordingly, they are very suitable for e-commerce, which requires a wide variety of products in small quantities and quick delivery. I would like



Japan region
Product: Water

Our labels have been adopted for label-less PET bottles sold in stores. They contribute to reducing CO₂ emissions by 58% compared to conventional roll labeling. A recyclable adhesive has also been adopted for them.



Japan region
Product: Antibacterial / antiviral seals

Our antibacterial and antiviral seals, certified with the SIAA mark, have been adopted for cup-type vending machines due to heightened hygiene awareness under the COVID-19 pandemic.



Europe region
Product: Medical fluid diet

Our two-layer labels (with a three-sided display) have been adopted because the relevant products are used in Europe and require multilingual support.



Europe region
Product: Protein

Since our labels have a track record of being adopted in the Americas, they have been decided to be adopted in Europe. To provide multilingual support, which is unique to Europe, booklet-type labels have been adopted.



to further investigate these characteristics and consider the implementation of mobile manufacturing in the future. Mobile manufacturing means that our manufacturing is conducted on the customer's premises, which enables speedier delivery of our products to the customer. It may be easier to understand if you imagine a food truck. Such on-site production has increased overseas over the last five to ten years.

Currently, SCM (Supply Chain Management), in which a value chain is created by the supply side, is the mainstream. However, it is said that DCM (Demand Chain Management),

in which a value chain is created by the demand side, will become the mainstream in the future. I would like to move more flexibly while keeping DCM in mind as the keyword for next generation growth.

Self-adhesive / pressure sensitive labels are marketed in a huge market worth approximately three trillion yen and have many competitors. In such a situation, it depends on the country or region as to what business strategy we should develop. I believe that maintaining relationships with our customers is the key in Japan, where we boast overwhelming sales capability, and that manufacturing capability and the location of production bases are the key in the U.S. and Europe, where our competitors are ahead of us. For the ASEAN region, a major theme is how to create a market mainly in Thailand, Indonesia, and Vietnam.

Taking advantage of the quality and speed of the verification process

Our greatest strength lies in our product development capability, especially the verification process. This is taken up in one of the nine materiality issues of FSG: "Speedy launch of newly developed products." For instance, it is easy to make the film thinner. The point is not that we can make it thinner, but that when it is made so thin, what impact this will have on the production process. Verification on the actual machine is usually done at the very end. However, since we build machines in-house, we can conduct verification promptly and see exactly what the technical points are.

The quality and speed of the process of putting our ideas into shape when we create new products is the result of our knowledge, effort, and relationships with business partners that we have accumulated over many years. I believe that we are second to none in this regard. It is also our great strength that all of our business partners are top global manufacturers and that we have the world's highest level of Pagomat labelling machines.

The self-adhesive / pressure sensitive label business is basically a "local production for local consumption" type of business, and we do business where there are customers and markets. We clearly divide up the production process, including separating factories dedicated to manufacturing pharmaceuticals from factories dedicated to manufacturing beverages, to improve QCD (Quality, Cost, Delivery) and differentiate ourselves from our competitors. Moreover, I would like to sustainably support our customers' manufacturing by providing machines and labels in the form of system sales although they have thus far been handled separately.

Our mission is to deliver the best products to consumers and customers to meet their needs.

Under our new vision "Our Value to People and the Planet," FSG has set the goal of "shifting 100% of turnover to 'Regenerative Packaging' by 2025." We will strive hard to achieve this goal. Among the products of FSG, self-adhesive / pressure sensitive labels are the only products made using paper. Accordingly, as a short-term goal, we will promote the use of paper base materials, such as water-resistant paper and translucent paper. We will also be more active than ever in using recycled materials and biomass-based materials. As a medium-term goal, we plan to realize the label-to-bottle approach aimed at recycling PET bottles with attached self-adhesive / pressure sensitive labels into PET bottles, as is the case with RecShrink™ labels. As a long-term goal, we plan to realize liner-less labels, which do not have a release liner. Since decades ago, there have been customer needs to eliminate release liners, which eventually become waste. However, no company has been able to realize liner-less labels, and this has been a long-standing issue for the self-adhesive / pressure sensitive label industry. However, realizing liner-less labels cannot be done unless you have machines in-house. Our willingness to address this issue proves that FSG has comprehensive strength.

Recently, there has been increasing demand for small-area self-adhesive / pressure sensitive labels, which can be attached to label-less PET bottles. Although label-less PET

bottles originally began to be marketed through e-commerce, where products are often purchased by the box, they have been sold in stores in a limited area this year. Doubting if they have market appeal, I was worried whether consumers would show interest in them. However, it seems that sales are very strong because they are environmentally friendly. It has been decided that they will be rolled out nationwide next year.

Our mission is to provide the best packages to consumers and customers to meet their needs, regardless of whether we provide shrink sleeve labels or self-adhesive / pressure sensitive labels. I believe that this will lead to realization of our vision "Our Value to People and the Planet."

Efforts to develop human resources and products toward the creation of new value

To ensure sustainable growth during the three years of the new Medium-Term Management Plan, it is indispensable to develop human resources and products. I would like to develop our human resources and further improve our development and technical capabilities to create new value.

A challenge I would like to take up in the future is the development of a new labeler. The adjustment of self-adhesive / pressure sensitive labels is very delicate and currently relies heavily on operator skill. I would like to create a next-generation labeler that anyone can use, like a self-driving car, that uses AI technology. We are currently formulating a plan with a view to industry-academia collaboration.



\\ Topic //

Self-adhesive / pressure sensitive labels for pharmaceuticals

We contribute to improving the productivity of customers' production lines through the provision of Pago's self-adhesive / pressure sensitive labelers.

Evaluated for their reliability and productivity, Pago's machines are used as labelers for labeling containers for COVID-19 vaccines.





Hiroyuki Usui
Executive Officer in charge of Europe Operations

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

Dialogue

Creating One Step Ahead Value with Customers – Turning environmental considerations and personalization into market opportunities

Kyogane: Under the COVID-19 pandemic, consumption in Europe has dropped significantly, partly because severe measures, such as lockdowns, were imposed. If vaccinations are widely taken up, the economy will start to move forward. However, since Europeans tend to spend money steadily, unlike people in the U.S., which is a large consumer country, it may take some time for the economy to recover in Europe. What kind of image do you have about the post-COVID-19 society in Europe?

Usui: I predict that environmental regulations will be stricter in Europe than in any other region in the world, and I believe that this will become the biggest market opportunity. The EU has set a major goal of increasing the recycling rate of plastic packaging materials to 50% by 2025. Those EU companies that take the lead in ESG initiatives actually aim for a 100% recycling rate, and I think that these efforts will create a trend. I also think that product life cycles will be much shorter and that products will be further diversified.

Kyogane: This is the same in Japan. I feel that one of the factors in this is that we have had more time to look back at ourselves under the COVID-19 pandemic.

Usui: I have four daughters, and all of them use different shampoos (laugh). This shows that it has become important that you are able to choose what suits you best. I believe that such personalization, which leads to the increased diversification of products, will advance the most in Europe, due to its mixture of diverse cultures. Although it is difficult to predict future trends in the European market, I would like to turn current trends into market opportunities, as is the case with trends relating to environmental considerations.

Kyogane: Given that rules originating from Europe have influenced the world, it will become much more important what position FSG takes in Europe, where environmental regulations are stricter. We may need to change the way we approach our customers.

Usui: Our company is a very customer-oriented company, and our business style is to work hard to realize customers' visible production needs. Of course this is very important, but customers do not necessarily understand environmental friendliness and personalization, for instance, and it is unclear how consumption will change in the future. Under these circumstances, we should not only listen to the current voices of customers, but also aim to become their partner that will create one step ahead value together with them. You have worked in Europe for a long time. How do you feel about changes in customer awareness of the environment?

Kyogane: I worked in Europe for the first time in 1998, when I had already proposed environmentally friendly packaging. When compared to those days, I feel that customer awareness has gradually changed from the level of wishing and hoping to the level of actually having to contribute to environmental friendliness.

Usui: Actually, the awareness of having to contribute to environmental friendliness is not uniform among customers. Even customers who aim to achieve a 100% recycling rate for plastic packaging materials are still searching for ways to achieve it. We would like to demonstrate leadership while working together with them to create a solution that meets their needs or providing existing products that meet their needs.

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Kyogane: In Europe, we are working hard to develop world-class machines, including Pagomat labelling machines. What do you think about a machinery system?

Usui: The main features of the self-adhesive / pressure sensitive label business are the very large market size and the variety of label materials and types, many of which are specific to particular regions and industries. Therefore, there are many label companies of different sizes, and there is no leading manufacturer. To demonstrate our strengths and have customers become our fans in such a situation, we work to provide a machinery system through which we are able to comprehensively provide packaging materials, production technologies, services, and other solutions. I call it a "value pack." It is one of the strengths of FSG to be able to provide such consistent support. Although we have currently introduced the highest quality machines for all products, ranging from personal care products to pharmaceuticals, in the future, we will need to more flexibly produce machines that focus on short product life cycles and a wide variety of products.

Kyogane: I certainly think so. Under circumstances where customers are cautious about investing, the key point is not just energy saving, but responses to sustainability and enhanced services.

Usui: The provision of services through machines is a question of how much production efficiency and quality can be improved against investment costs. I would like to benefit our customers by minimizing losses caused by errors and changeovers. From the perspective of 4M (Man, Machine, Material, and Method), it is our specialty to understand and control materials. I believe that only FSG can guarantee the

quality of labels for highly sensitive products, such as chemicals and alcohol.

...

Usui: What role do you expect Europe to play in the global growth of FSG, not only in the self-adhesive / pressure sensitive label business but also other businesses?

Kyogane: There are various perspectives, so if you ask 100 people, there may be 100 different answers. In Europe, which is multinational and multicultural, people have different perspectives and think differently. Therefore, I think that it is a place to test our hypotheses. If our business grows dramatically under these difficult circumstances, this will no doubt become a benchmark within FSG.

Usui: I also think that our benchmark is the market reaction in Europe, not in the United States or Japan, and that we have to create our benchmark in the European market. In Europe, environmental regulations are the most advanced, personalization is remarkable, and the market lot size is small. That is why, by making a solid profit and growing our business in the inefficient European market, we will see growth in ASEAN and other areas. I would like to bring out the power of every employee through technological innovation and ingenuity in communication in order to make the company stronger.

Topic

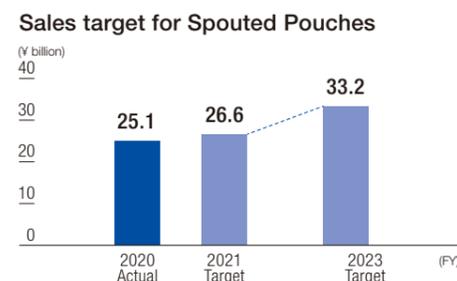
New type of pressure sensitive labels with a premier feel

A growing interest in self-care under the COVID-19 pandemic has accelerated personalization. Consequently, product life cycles are becoming even shorter, and products are becoming more diverse. Under these circumstances, we are actively promoting product development, in particular, in Europe, which is much more diverse than any other region, considering the situation where it is difficult to predict what kind of products will be chosen in the future as a market opportunity. In Japan, we have developed a new type of pressure sensitive label that has both an eye-catching effect on store shelves and the function of a product label. A hot stamping printing process, which achieves excellent decorativeness, is applied to create a premium feel.



Spouted Pouches

Spouted pouches are flexible packaging materials that are substitutes for conventional solid containers in the beverages, home and personal care products, and medical fluid diet markets. They can be used in a wide range of applications, including retort fluid diet products, due to their functionality and ease of opening and reclosing. With space-saving and lightweight properties as well as ease of handling, opening, reclosing, and display, spouted pouches can be used in every field.



Aiming for Further Business Expansion with Our Development Capabilities and Creativity While Anticipating the Needs of the Times

Masahisa Fukuda

Executive Officer in charge of Spouted Pouches

Pouches are primary packaging materials that can provide new value in various markets as a replacement for conventional plastic containers. We have created easy-to-use, easy-to-store, and easy-to-dispose pouches with a spout to deliver new value to consumers while considering the environment. We will continue to create innovation in the primary packaging market by taking advantage of creativity, which is our strength, and by integrating our technology with that of our business partners where we can make best use of the verification process with machines. We will resolve primary packaging issues caused by the diversification of lifestyles around the world based on relationships of trust with global leading companies so that our business will continue to grow into a business needed by society.

One year when a new market opened One year when changes occurred against the background of environmental issues

In FY2020, the spouted pouch business was affected by the COVID-19 pandemic in various aspects, like other businesses. In Japan, in particular, the sales of products for jelly beverages with a high sales ratio decreased amid the situation where schools were closed and events were cancelled. Meanwhile, rising demand for hand soap and

other hygiene-related products as infection prevention measures led to an increase in our sales in this field. From around the middle of 2020, demand for alcohol for sterilization increased, and we were able to quickly respond to the demand. Alcohol with a very high concentration for sterilization had been unable to be packaged with a pouch with a conventional film composition. However, since we had worked to develop a new type of pouch over several years in cooperation with a material manufacturer, we were able to

commercialize it ahead of other companies.

In this regard, it can be said that FY2020 was a year when our conventional market shrank, and at the same time, a new market opened. In addition, it was a year of change when we started various initiatives in earnest to address environmental issues, as highlighted in the previous year. Typical examples included Fuji Pouches, which were developed together with a home and personal care manufacturer. They can contribute to a significant reduction in the use of plastic compared to our conventional pouches with a spout and product body containers. Moreover, pouches grew in size against the background of environmental issues. Although pouches for one-time refilling have been the mainstream until now, large pouches that enable multiple refilling are currently increasing in number.

Flexibly responding to replacement of containers with pouches according to the culture of each country

When developing the spouted pouch business, we have been required to take further action to promote the 3Rs (Reduce, Reuse, Recycle) partly because the SDGs are now widely recognized. Actually, demand for environmentally friendly products related to the 3Rs is increasing year by year. Since pouches can contribute to a reduction in the use of plastic compared to conventional containers and have the advantage of being lightweight, I predict that the need to replace containers with pouches will increase even further.

However, the actual situation is that the market size of the spouted pouch business in Western countries is still small compared to that in Japan. For pouches with a spout, in particular, although they are used a lot for products for



Americas region
Product:
Shampoo / Conditioner /
Hand Wash

A self-standing pouch that contains air on the outside of the pouch has been developed. It can contribute to a reduction in the use of plastic by approximately 50% compared to pump-type bottles.



Japan region
Product: Jelly beverage

Our pouches with a spout have been adopted by a quasi-drug brand for jelly beverages treated as a food by which you can easily recharge your energy.



Japan region
Product: Adapter for
fluid diet

We have developed an adapter dedicated to a pouch for a semi-solid fluid diet for people with a PEG (percutaneous endoscopic gastrostomy) tube, which can be connected to medical equipment that meets international standards (ISO 80369-3). It has been adopted as a set with a pouch by multiple manufacturers.



Japan region
Product:
Shampoo / Conditioner

Fuji Pouches have begun to be adopted by various brands. In stores, they are sold on the same shelf as empty refill bottles.



children, such as baby food, they are rarely used for home and personal care products. One of the biggest reasons is that there is no refilling culture in the West. Although the practice of refilling is spreading little by little in some European countries, including Switzerland and Germany, it is almost non-existent in the U.K., France, and Italy. The same is true in the U.S. Accordingly, we need to develop a strategy with flexible ideas from different perspectives from refilling,

including developing pouches with a spout that can be used as product body containers or targeting sauce and other food-related products. For the ASEAN region, I hope that demand for pouches with a spout will increase since its market is close to the Japanese market.

Possibilities expanding according to social trends, including an increase in e-commerce sales and long-term care needs

What we focus on as a new market opportunity is e-commerce, which has further gained momentum under the COVID-19 pandemic. We have developed a new type of product with a flat paper box on the outside and a pouch on the inside so that it can be left in a mail box when a customer is not at home. As I mentioned earlier, the size of pouches is increasing. For instance, if you purchase an item packaged with a large pouch in a supermarket, it may be hard for you to take it home with other purchased items. However, if you use e-commerce, in which purchased products are delivered to your home, you do not have to worry about their weight. Accordingly, more customers are interested in larger size products from 1.5 L to 3 L, 5L or more.

With the acceleration in the aging of society in Western countries as well as in Japan, long-term care will be a market opportunity. If the number of people being cared for keeps increasing and the number of caregivers becomes even more

insufficient, what is necessary is packages that are easy to use for both groups of people. I believe that there is a need for pouches there. We have already produced pouches for oral rehydration solution that is thickened to prevent regurgitation. However, I would like to further work on the development of a new filling method and package that will make the contents easier to ingest for elderly people, who often have difficulty eating and drinking, and enable them to really enjoy the taste.

Development capabilities have been and will continue to be our greatest strength.

The strengths of the spouted pouch business are mainly the following four points. The first is high quality. Since pouches are sensitive packages that directly come into contact with their contents, it is crucial to ensure quality for safety and security. The second is bag manufacturing technology, which can achieve excellent functions such as ease of use. The third is the development of a production system that enables better operation for mass production. Our advantage is that we have machines in-house. The last is our relationships of trust with our business partners. Since FSG is not a material manufacturer, we promote manufacturing in cooperation with many business partners in Japan and overseas. We enhance value through heated discussions with them on creation. We create innovation while forming an alliance with them. I believe that our role is to demonstrate product leadership.

Looking back on the history of the spouted pouch business, it started approximately 20 years ago and is the youngest business in FSG. However, its sales are the second largest after that of the shrink sleeve label business. I think that the reason why it was able to grow so much in such a short period of time lies in our development capabilities, which is one of our strengths. When we entered the beverages market with pouches with a spout, we were a latecomer to the market. However, we created a faster and more efficient production system through machine innovation, and as a result, acquired the current position. Next, we entered the home and personal care products market. In an era when there was no idea of multiple refilling although pouches had already been marketed, we produced pouches with a spout for home and personal care products for the first time in Japan, using a bag manufacturing and filling system.

What is “Our Value to People and the Planet” that can be delivered through pouches

For “Value to the Planet,” pouches can contribute to a reduction in the use of plastic. In addition, we are making various efforts to protect the environment, including using

biomaterials and recycled resources to produce pouches and reusing waste from pouches as construction materials. Since pouches are not made of a single material but of film made by laminating three to four types of materials, they are difficult to recycle. Accordingly, we are working on the development of mono-material pouches so that collected pouches can be recycled. We are also working to produce more compact packages than before to contribute to improving transportation efficiency.

For “Value to People,” we work on the development of easy-to-open caps for those with weak hands or who have a hand disability. Moreover, Fuji Pouches, which not only are easy to refill, but also can be used as a product body container with no need for refilling, are friendly to both the environment and people. Although they are currently used only for home and personal care products, I would like to expand their application to more diverse fields, including food and beverages.

Aiming to grow into a second core business with “agility” as the keyword

In the new Medium-Term Management Plan, “Expanding the primary packaging portfolio—Growing into a second core business” is listed as one of the important strategies, and future trends in the spouted pouch business are being closely watched across the company.

In my view, the keyword for further growth is “agility.” Witnessing how the world changed at once due to the COVID-19 pandemic, I realized that if there was no agility in all aspects of sales, development, and production, we would be simply left behind. I believe that focusing on agility leads to the Guideline for Action of FSG, “Changing along with changes.” I also believe that investment in human resources is important besides the construction of a new production base. In terms of development, in particular, I would like to actively hire human resources with abundant knowledge and experience in addition to providing in-house training.



Topic

Deployment of Fuji Pouches in Japan and overseas

Since the use of Fuji Pouches leads to a reduction in plastic usage, inquiries about them are increasing in Japan and overseas.



[Product example]



"As introduced as an example of environmentally friendly design in the Bill for the Act on Promotion of Resource Circulation for plastics, the compact design of Fuji Pouches is also useful for refill applications"

2. Individual measures

Guidelines for design of environmentally friendly plastic-containing products

- The government shall formulate Guidelines for design of environmentally friendly plastic-containing products, which manufacturers should seek to adopt, and establish a system to certify products that comply with the guidelines.
- The government will take the initiative in procuring certified products (consideration under the Act on Promoting Green Purchasing) and provide support for equipment for the use of recycled materials.

Replacement bottle



Source: Website of the Ministry of Economy, Trade and Industry <https://www.meti.go.jp/press/2020/03/20210309004/20210309004-1.pdf> (in Japanese)
From Outline material of the Bill for the Act on Promotion of Resource Circulation for Plastics of the Ministry of Economy, Trade and Industry (partially enlarged for use)



Dialogue

Achieving Our Goals While Responding to Market Demand

– Taking on the challenge to expand sales, starting from Thailand, Vietnam, and Indonesia

Kawasaki: The current situation in the ASEAN region is that we manufacture pouches with and without a spout and export them to various areas in the ASEAN region and Japan. Our main customers are major home and personal care products manufacturers and food manufacturers. In our factories in Thailand, numerous varieties and categories of products are produced. Our aim is to expand the sales of pouches with a spout mainly in Thailand and then in Vietnam and Indonesia. We plan to double the current sales volume within the next five years, and I would like to achieve this goal as soon as possible.

Fukuda: All ASEAN countries, including Thailand, are active in incorporating something new.

Kawasaki: I believe that they will catch up with developed countries soon. Our mission is to steadily expand our business to become a top brand on both a global and local basis in such a situation. What impression do you have about the ASEAN market?

Fukuda: I see it as a market where it is easy to follow our successful experience in Japan, unlike Western markets. I feel that jelly beverages and the culture of refilling, both of which have not easily penetrated Western countries, will be accepted in the ASEAN region.

Kawasaki: That is certainly a key point. Although refill pouches are not yet widespread in the ASEAN region, I believe that they will spread into the market in the future if its economy develops further.

Fukuda: The ASEAN region's large population is also attractive. In Europe, for instance, most countries do not have large population. Meanwhile, Indonesia has a

population of over 200 million, and the population of Vietnam and Thailand is approximately 95 million and 65 million, respectively. Given that their populations will increase much more rapidly and that life expectancy in these countries will also increase in the future, they have high potential as a market. Although Thailand is the most developed among them now, it can be said that the entire ASEAN region is a growth market when we look forward 10 or 20 years.

Kawasaki: One of the strengths of FSG is that it can incorporate good points from advanced areas and implement them in other areas. Since the ASEAN region is a sort of a latecomer in terms of marketing, we focus on incorporating preceding technologies from the U.S. and Europe quickly and deploying them in the ASEAN region. In addition, since matrix management, involving the two axes of business and region, has now been introduced, we have been able to proceed with discussions on the spouted pouch business in the ASEAN region while involving the entire region.

Fukuda: We have been able to roll out various business initiatives more smoothly, haven't we? In addition, company-wide policies have been put into practice more speedily.

Kawasaki: What do you think we need to do in order to further leverage our strengths in the ASEAN market, including what you said earlier?

Fukuda: Although Japanese quality was a great strength 10 years ago, we can no longer compete on this alone because our competitors have also made various improvements.

However, we are not required to achieve a very high level of innovation. I believe that the key now is cost-competitiveness. This does not mean that we should simply focus on cost reduction. Instead, we need to take a systematic approach, including asking customers to create a consistent and high-speed production line by introducing our machines, as is the case with Japan.

Kawasaki: If we can deploy a system used in Japan based on bag manufacturing technology and transfer technology which other companies cannot imitate, this will become a great strength in the ASEAN region as well. Currently, labor costs are skyrocketing in the ASEAN region, especially in Thailand. However, since materials can be procured at a relatively low price compared to Japan and Western countries, I would like to increase our competitiveness in QCD (Quality, Cost, Delivery) while strengthening our partnerships with material manufacturers that have expanded their business to the ASEAN region.

Fukuda: For customers who have operated globally, it is also important to propose innovative successful cases in Japan, such as the development of Fuji Pouches.

Kawasaki: When I introduced Fuji Pouches at an exhibition, many customers showed interest in them. As I thought, people in the ASEAN region are highly interested in something new. The actual situation in the ASEAN region is that there is no environmental protection system, including a recycling system. However, I feel that customers who have operated globally have a strong intention to use environmentally friendly materials no matter where they operate. Meanwhile, from the perspective of consumers, the main reason for using pouches with a spout is that they are easy to use because they can be capped at any time. I guess that they won't yet purchase them from the perspective of environmental protection, including the perspective of being able to reduce plastic use and waste.

Fukuda: I hope that Fuji Pouches will become the standard packaging in the ASEAN region someday.

...

Kawasaki: For the expansion of business in the ASEAN region, how far do you think we should expand? I mean, not only in the ASEAN region, but in the rest of Asia, including Indonesia.

Fukuda: Since the new Medium-Term Management Plan has just started, our major premise is to take the plunge and expand our business in the three countries where we currently operate: Thailand, Vietnam, and Indonesia. Although there may be a chance in the Philippines and Cambodia as well, we are still in the investigation stage.

Kawasaki: Among the three countries, is Thailand the main market?

Fukuda: There are two perspectives related to a market: selling products and manufacturing products. In Europe, for instance, we sell products in the U.K., France, and other developed countries, and we manufacture products in Eastern Europe. In the U.S., we manufacture products in South America. How about the ASEAN region? I think that Thailand is a large market for selling products. As you said, however, considering that labor costs are becoming higher and higher in various parts of the ASEAN region, we need to think carefully about which market to choose for manufacturing products, as well as how to manufacture products, although we have depended on manpower so far.

Kawasaki: I have worked in Japan for 10 years and overseas for 20 years. I would like to share what I have cultivated through my experience, including how to identify a market, as you said earlier, among employees and achieve our goals set for the ASEAN region.

Topic

Our pouches first adopted for dairy products in Indonesia

In the ASEAN region, where new needs have been created one after another in recent years, the pouch market is also expanding. In Indonesia, FSG's pouches with a spout have been adopted for packages for yogurt beverages for children. A filling machine was introduced in December 2020, and mass production started in January 2021. The market response has been good because beverages packaged with a pouch were first launched in the dairy products field. The products have been selling much better than initially expected.



What Is Waku-Waku for Me? [Executive Officers]

Based on our new vision “Generate ‘Waku-Waku’,”
Executive Officers talked about their own Waku-Waku.



I feel excited (Waku-Waku) when I contemplate achieving something special in my work or other activities although I do not know whether I can do so or not. It is very exciting (Waku-Waku) for me to have a discussion with others about what to aim for while looking to the near future.

Hideaki Umeda [in charge of Shrink Sleeve Labels]

Age 49
Executive Officer in charge of Shrink Sleeve Labels; Director and Vice President of region, American Fuji Seal, Inc.
1997: Joined Fuji Seal International, INC. / 2013: Corporate Planning Manager of the Fuji Seal International, Paris branch. / 2014: Factory Manager, Fuji Seal Europe, Ltd. / 2016: Production Director, Fuji Seal Europe B.V. / 2018: Director and General Manager of the Production Division, American Fuji Seal, Inc. (to date) / 2021: Executive Officer, Fuji Seal International, INC. (to date)



I have created my own excitement (Waku-Waku) by developing new products and businesses and forming tie-ups with new companies. From now on, I would like to disseminate excitement (Waku-Waku) among my subordinates and the other employees. My hope is to create a work environment where individual employees can work with vigor and enthusiasm. I think that if they work with excitement (Waku-Waku), this will lead to my own one.

Takeshi Kyogane [in charge of Self-adhesive Labels / Pressure Sensitive Labels]

Age 51
Executive Officer in charge of Self-adhesive Labels / Pressure Sensitive Labels; Representative Director and President, Fuji Tack, Inc.; Representative Director and Chairman, PAGO AG
1988: Joined Fuji Seal International, INC. / 2013: General Manager of the Technical Center, Fuji Seal, Inc. / 2015: Director, American Fuji Seal, Inc. / 2016: Representative Director and President, PAGO AG; Representative Director and President, PAGO Etikettiersysteme GmbH / 2018: Executive Officer, Fuji Seal International, INC. (to date) / 2019: Representative Director and President, Fuji Tack, Inc. (to date); Representative Director and President, Fuji Tack East, Inc.; Representative Director and Chairman, PAGO AG (to date)



I feel happy when I am putting my great efforts in making something that makes consumers more satisfied without thinking about costs, production lines, or other conditions. I also feel pleased when I proceed with production with the members who support my ideas in discussions. I feel even happier when the products I have worked on are released, placed in stores, and picked up by consumers. This is my excitement (Waku-Waku).

Masahisa Fukuda [in charge of Spouted Pouches]

Age 44
Executive Officer in charge of Spouted Pouches; Representative Director and President, Fuji Flex, Inc.
1999: Joined Fuji Seal International, INC. / 2004: Technical Manager, Fuji Seal Europe Ltd. / 2013: Sales Manager, PT. Fuji Seal Indonesia / 2014: Supply Chain Manager, Fuji Seal Europe S.A.S. / 2016: Representative Director and President, Fuji Seal Europe Ltd. / 2019: Senior Manager of the Corporate Planning Group, Fuji Seal International, INC. / February 2020: Executive Officer, Fuji Seal International, INC. (to date); Representative Director and President, Fuji Flex, Inc. (to date)



I feel excited (Waku-Waku) to anticipate the future. It is exciting (Waku-Waku) for me to imagine how the value our products provide have impacts on the future society, how our customers will be pleased with our products, and how our competitors will be inspired by them. The more challenging our goals and the higher the risk to them, the more excited (Waku-Waku) I feel.

Masaru Takeuchi [in charge of Machinery]

Age 57
Executive Officer in charge of Machinery
2021: Joined Fuji Seal International, INC.; Executive Officer, Fuji Seal International, INC. (to date)



I feel excited (Waku-Waku) in various situations, including when I talk with an employee whom I have never spoken to, when I meet a customer or business partner whom I have never met, when I plan a new initiative, when I hear about a new product, and when I adopt a resolution of an issue. Above all, what makes me most excited (Waku-Waku) is when the products we have worked hard to develop and manufacture are launched to the market and placed in stores. This makes me smile happily.

Kosuke Matsuzaki [in charge of Japan region]

Age 61
Executive Officer in charge of Japan region; Representative Director and President, Fuji Seal, Inc.
2019: Joined Fuji Seal International, INC.; Director, Fuji Seal, Inc. / 2020: Executive Officer, Fuji Seal International, INC. (to date); Representative Director and President, Fuji Seal, Inc. (to date)



Fuji Seal's employees have deep industry knowledge and a solid technical background. I think that if these excellent employees work more positively and steadily instead of working passively, the company will become more exciting (Waku-Waku). I would like to create such a work environment. It is very stimulating and exciting (Waku-Waku) for me to work with employees who can take proactive action every day.

Akikazu Yada [in charge of Americas region]

Age 58
Executive Officer in charge of Americas region; Representative Director and President, American Fuji Seal, Inc.; Representative Director and President, American Fuji Technical Services, Inc.; Representative Director and President, Fuji Seal Packaging De Mexico, S.A. De C.V. (to date) / Representative Director and President, American Fuji Seal, Inc.
2018: Joined American Fuji Seal, Inc.; Representative Director and President, American Fuji Seal, Inc. (to date); Representative Director and President, American Fuji Technical Services, Inc.; Representative Director and President, Fuji Seal Packaging De Mexico, S.A. De C.V. (to date) / 2019: Executive Officer, Fuji Seal International, INC. (to date); Director, American Fuji Technical Services, Inc. / 2020: Representative Director and President, American Fuji Technical Services, Inc. (to date)



When I try to exceed customer expectations and, as a result, receive feedback saying: “Thank you. Our sales went up thanks to you,” or when I imagine that our competitors are astonished at our performance, I feel excited (Waku-Waku). I think that we can work while always feeling excited (Waku-Waku) by setting a level that we can strive for in any job, trying to reach it, and receiving positive feedback.

Hiroyuki Usui [in charge of Europe region]

Age 63
Executive Officer in charge of Europe region; Representative Director and President, Fuji Seal B.V.; Representative Director and President, Fuji Seal Europe S.A.S.; Representative Director and President, Fuji Seal Europe B.V.; Representative Director and President, Fuji Seal France S.A.S.; Representative Director and President, Fuji Seal Iberia, S.L.U.
2019: Joined Fuji Seal International, INC. / 2020: Executive Officer, Fuji Seal International, INC. (to date); Representative Director and President, Fuji Seal B.V. (to date); Representative Director and President, Fuji Seal Europe S.A.S. (to date); Representative Director and President, Fuji Seal Europe B.V. (to date); Representative Director and President, Fuji Seal France S.A.S. (to date); Representative Director and President, Fuji Seal Iberia, S.L.U. (to date)



It is 20 years since I was assigned overseas. When I came to the ASEAN region and was entrusted with companies, I had a hard time working as a factory manager and as a part of the sales staff for the first time because I came from a technical field. While struggling with my job every day, I was able to turn the companies' loss into profit with the employees' concerted efforts. I felt very excited (Waku-Waku) at that time, so I hope that individual subordinates and employees can feel such excitement. I think that we can feel excited (Waku-Waku) when we achieve our set goals.

Satoru Kawasaki [in charge of ASEAN region]

Age 51
Executive Officer in charge of ASEAN region; Represent Director and Chairman, Fuji Seal Vietnam Co., Ltd.; Representative Director and President, Fuji Seal Packaging (Thailand) Co., Ltd.
1992: Joined Fuji Seal International, INC. / 2012: General Manager of the Technical Center, American Fuji Seal, Inc. / 2014: General Manager of the Pouch division, American Fuji Seal, Inc. / 2014: Factory Manager, Fuji Seal Vietnam Co., Ltd. / 2016: Representative Director and President, Fuji Seal Vietnam Co., Ltd. / 2019: Director, PT. Fuji Seal Indonesia / 2020: Executive Officer, Fuji Seal International, INC. (to date); Represent Director and Chairman, Fuji Seal Vietnam Co., Ltd. (to date) / 2020: Representative Director and President, Fuji Seal Packaging (Thailand) Co., Ltd. (to date)



It makes me happy to see commercial goods wrapped by Fuji Seal products are displayed in stores, although I am not directly involved in production because I am responsible for the head office functions. I think that there is nothing more exciting (Waku-Waku) than when I can identify the essence and criterion that remain unchanged even in the VUCA* era and help realize the mission of FSG through the establishment of a strong financial base and risk management system.

* VUCA (Volatility, Uncertainty, Complexity, and Ambiguity): A situation where it is difficult to predict the future

Fumiaki Takahashi [in charge of Finance and Risk Management]

Age 56
Executive Officer in charge of Finance and Risk Management
2017: Joined Fuji Seal International, INC.; Senior Manager of the Corporate Planning Group, Fuji Seal International, INC. / 2020: Executive Officer, Fuji Seal International, INC. (to date)

Materiality for the Fuji Seal Group

Materiality directly links to our corporate vision, leading to contribution to sustainable society.

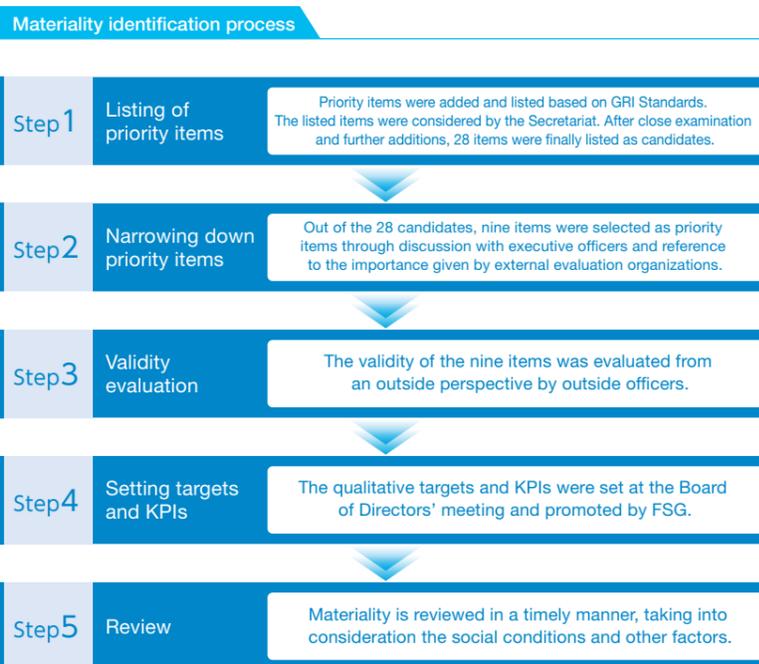


As a leading company in the packaging industry, FSG has identified nine priority issues (materiality) that should be addressed with the aim of contributing to the realization of a sustainable society, to which SDGs* have also corresponded.

Furthermore, the materiality decided in 2020 was broken down at the Board of Directors' meeting together with executive officers to set qualitative targets of materiality and KPIs.

As a leading company of the packaging industry, we reaffirmed that the selected materiality has a great influence on society, and that each one is directly linked to our vision.

*SDGs stand for Sustainable Development Goals, meaning sustainable development goals adopted at the U.N. Summit meeting, which consist of 17 goals to be achieved by 2030.



Nine materiality issues determined

	Qualitative targets	KPI (Key Performance Indicator) up to 2023	Actual figures (as of March 31, 2021)	Principal initiatives	Value provided to society
Development of people-friendly packaging materials	<ul style="list-style-type: none"> Creation of opportunities in which all employees will have their own missions and pride by taking on challenges to develop people-friendly packaging materials on a daily basis 	<ul style="list-style-type: none"> Number of suggestions submitted to the Idea Bank Program from the entire Group: 10,000 per year 	<ul style="list-style-type: none"> Implemented only in the Idea Bank Program of the Japanese business region: 5,991 suggestions per year (actual result) 	<ul style="list-style-type: none"> Corporate vision dissemination activity for all employees The Group's Idea Bank Program has been made available to all employees. Collection and commendation of ideas from all employees on a special theme 	<ul style="list-style-type: none"> Creation of people-friendly and high-value-added products and services Provision of fulfilling life to society
Speedy launch of newly developed products	<ul style="list-style-type: none"> Creation of many projects that unify packaging materials, our strength, and machinery by making full use of the combination of high levels of verification capacity and diversified technologies 	<ul style="list-style-type: none"> Number of new global development projects that unify packaging materials and machinery: 20 *Three years from 2020 to 2022. 	<ul style="list-style-type: none"> Number of new global development projects that unify packaging materials and machinery: 5 (actual result in 2020) 	<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 that unifies machinery and packaging materials. 	<ul style="list-style-type: none"> Improvement of labor shortage and labor-saving Reduction of consumed energy and materials loss Realization of sustainable society
Sustainable growth	<ul style="list-style-type: none"> Solid financial base supporting sustainable growth Developing candidates for the next management team who will realize sustainable growth 	<ul style="list-style-type: none"> Operating margin: 10.0% Overseas sales ratio: 50% ROE: 10.0% The number of new candidates participating in the global managers development program should be 100 or more. 	<ul style="list-style-type: none"> Net sales: 163.6 billion yen Operating margin: 7.6% Overseas sales ratio: 44% ROE: 8.3% The number of participants in the global manager development program was 68. 	<ul style="list-style-type: none"> Introduction of investment guidelines to improve of investment accuracy Provision of opportunities to activate and participate in the manager development program, and improvement of the program quality by using external companies 	<ul style="list-style-type: none"> Investor return by dividend payment, etc. Management base which continues to create value for society Create stable employment
Development of environmentally friendly products	<ul style="list-style-type: none"> Reduction of environmental burden 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% *To be achieved by 2025. 	<ul style="list-style-type: none"> Sales ratio of environmentally friendly products: 41% Sales ratio of recyclable products: 2% Sales ratio of products containing recycled material: 5% 	<ul style="list-style-type: none"> Development and commercialization of recyclable products "RecShrink™", etc. Development and launch of products containing recycled material "Recycled PET shrink labels, recycled PET self-adhesive labels, etc. Development and provision of packaging materials, modes of transportation, and manufacturing systems which help reduce energy and GHG 	<ul style="list-style-type: none"> Relaxation of climate change Reduction of environmental burden on water, air, soil, etc. Conservation of ecosystem Innovation of environmentally friendly technologies Promotions for enlightenment of environmental awareness through our products and services
Open dialogue with stakeholders	<ul style="list-style-type: none"> Improvement of our ESG evaluation by exterior organizations through the provision of accurate non-financial information to stakeholders. 	<ul style="list-style-type: none"> FTSE Continuing to be selected as a component company. MSCI (Grade A by 2023) 	<ul style="list-style-type: none"> FTSE (First selected in 2020 at Grade 1.3 of 5) MSCI (First evaluated in 2020 at Grade B) 	<ul style="list-style-type: none"> Establishment and operation of the Group Sustainability Committee Establishment of a collection system of accurate non-financial information by the Group Issuance of Integrated Report and ESG Data Book on a timely basis Implementation of Family Festivals Opportunity for interview between employees and the Company's Directors 	<ul style="list-style-type: none"> Provision of investment opportunities to shareholders Revitalization of regional communities and creation of employment Satisfaction of employees and their families
Fair and transparent transactions	<ul style="list-style-type: none"> Establishment of responsible manufacturing and consumption systems taking society into consideration based on mutual relationships of trust with all business partners and through continuous training 	<ul style="list-style-type: none"> Obtain consent to "Requests for FSG Business Partners" from all of our business partners by conducting a questionnaire for the Group's suppliers. 	<ul style="list-style-type: none"> Ratio of implementation of the questionnaire for the Group's suppliers (Ratio to net sales: approx. 36%) 	<ul style="list-style-type: none"> Establishment and operation of the Group Sustainability Committee Establishment and revision of Group policies Implementation of questionnaire for the Group's suppliers on a global basis 	<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 as a good model Respect for human rights
Stable supply (including BCP)	<ul style="list-style-type: none"> Establishment of the Group's OHS* management system by aligning with all business bases Sharing with customers all information on an accurate and timely basis concerning the status of manufacturing and orders received from our customers. 	<ul style="list-style-type: none"> Realization of zero occupational accidents for 365 days at one or more plants in each business region Establishment and operation of a future order receipt/platform to be shared with customers 	<ul style="list-style-type: none"> Only one business region achieved zero occupational accidents for 365 days. 	<ul style="list-style-type: none"> Improvement of the OHS management system in a unified manner within the Group Implementation of a statutory audit of OHS by an external organization Multi-polarization of design work and maintenance of shipment system, not limiting to the BCP of manufacturing and procurement. Establishment of a future order receipt/platform on which accurate product information can be shared with customers. 	<ul style="list-style-type: none"> Provision of secure, safe and comfortable work environment Contribution to secure and safe local communities Sustainable supply of secure and safe products.
Promotion of information security measures	<ul style="list-style-type: none"> Every effort should be made all the time to secure information security, and establish a system which never allows any information leakage. 	<ul style="list-style-type: none"> Elimination of leakage of confidential information kept by us 	<ul style="list-style-type: none"> There was no information leakage. 	<ul style="list-style-type: none"> Strengthening of the defense against attacks from outside to 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 information of all business partners Protection of personal information of those relating to the Company. Sustainable supply of secure and safe products.
Creation of next-generation businesses	<ul style="list-style-type: none"> Creation of projects to promote new businesses other than the existing businesses (shrink sleeve, PSL, spouted pouch). 	<ul style="list-style-type: none"> Number of new projects created as possible next-generation new business: 3 *Three years from 2020 to 2022. 	<ul style="list-style-type: none"> — 	<ul style="list-style-type: none"> Capital contributions to startup companies and promotion of wide-range alliance strategies Aggressive investments in new potential businesses 	<ul style="list-style-type: none"> Creation of new value in package Realization of sustainable society Employees' Waku-Waku, Society's Waku-Waku

* OHS:Occupational Health and Safety

Development of People-friendly Packaging Materials



Reasons for selecting materiality	FSG aims to be a company that provides value to society through packaging and continues to be needed by society. We believe that it is important that individual employees are able to realize their contribution to society by developing and providing people-friendly packaging materials for customers and carry out product development and production with a sense of pride.			
KPI of materiality	The Idea Bank Program that FSG has developed to date is applicable to all employees. We renewed the idea of setting up a forum for discussion on our vision and value actions with all employees to realize more positive participation of employees by providing special themes for the Idea Bank based on the vision.			
Qualitative target	KPIs (Key Performance Indicator) up to 2023	Actual figures (As of March 31, 2021)	Principal initiatives	Value provided to society
<ul style="list-style-type: none"> Creation of opportunities in which all employees will have their own missions and pride by taking on challenges to develop people-friendly packaging materials on a daily basis 	<ul style="list-style-type: none"> Number of suggestions submitted to the Idea Bank Program from the entire Group: 10,000 per year 	<ul style="list-style-type: none"> Implemented only in the Idea Bank Program of the Japanese business region: 5,991 suggestions per year (actual result) 	<ul style="list-style-type: none"> Corporate vision dissemination activity for all employees The Group's Idea Bank Program has been made available to all employees. Collection and commendation of ideas from all employees on a special theme 	<ul style="list-style-type: none"> Creation of people-friendly and high-value-added products and services Provision of fulfilling life to society

FSG places great importance on the "Idea Bank Program."

Idea Bank Program: By announcing your own idea for the improvement of manufacturing, clerical work, human relations, etc., the improvement of spirit of inquiry and awareness that the company is jointly operated by all employees can be sought. Not only the employees engaging in the development business but also each of all employees will break down matters relating to the vision and develop them based on the idea.

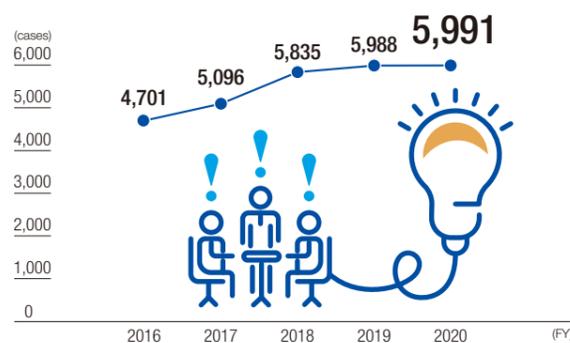
Purposes: We pursue a wealthier life by digging up ideas for the next generation to generate greater profits from them. We also promote the building of a consensus to enhance awareness for improving their own workplaces and develop human resources through the process of solving problems.

The Idea Bank Program is an indispensable source for sustainable growth of FSG. Each one 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 2020

The initiatives of the Idea Bank Program began in 1986. At present, the ideas submitted are classified into categories A to D, and gold, silver and copper awards are selected from category A and commended every year. The ideas considered as particularly excellent will be awarded the FSI President Award, etc., which will lead to motivation of the employees for their work.

No. of suggestions (KAIZEN TEIAN)*



Initiatives for achievement

The Idea Bank Program has been implemented only in the Japanese business region.

Since we have noticed that our initiatives to date are extremely important for us, we have decided to expand this initiative to Europe, the Americas and ASEAN in the next three-year period.

- Set a special theme for the Idea Bank Program that fits a new vision.
- Experience the contribution to society by engaging in the "development of people-friendly packaging materials" as an employee.
- Plan and implement value seminars to disseminate the vision and mission to employees.



Award ceremony of the Idea Bank Program

Speedy Launch of Newly Developed Products



Reasons for selecting materiality	The strength of FSG is to be able to develop packaging materials and equipment for them together. The source of skills that support our strength is the ability to satisfy customer demands by combining various technologies and to evaluate and verify what we have done. This ability enables us to realize the launch of newly developed products in a short period of time.			
KPI of materiality	We will concentrate our efforts in the process of creating new global development projects based on FSG's strength: combining packaging materials and machinery together. Then, we will pursue speedy development by making the most of our high-level verification capacity and diversified technologies.			
Qualitative target	KPIs (Key Performance Indicator) up to 2023	Actual figures (As of March 31, 2021)	Principal initiatives	Value provided to society
<ul style="list-style-type: none"> Creation of many projects that unify packaging materials, FSG's strength, and machinery by making full use of the combination of high levels of verification capacity and diversified technologies 	<ul style="list-style-type: none"> Number of new global development projects that unified packaging materials and machinery: 20 *Three years from 2020 to 2022. 	<ul style="list-style-type: none"> Number of new global development projects that unified packaging materials and machinery: 5 (actual result in 2020) 	<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 that unifies machinery and packaging materials 	<ul style="list-style-type: none"> Improvement of labor shortage and labor-saving Reduction of consumed energy and materials loss Realization of sustainable society

Initiatives up to 2020

FSG has provided comprehensive solutions to customers' challenges concerning packaging, adding value not limited to machinery.

Business bases: Two in Japan, four outside Japan plus three service bases (nine in total)

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

The above-mentioned initiatives represent only a few examples. We provide solutions to a variety of issues during the product cycle, such as package designs, materials, manufacturing and logistics modes of customers' new products. Then, it is FSG's unique value and mission to send out new products to markets quickly and with minimal troubles by accumulating the know-how of verification of those solutions.



Verification of machines of new specification



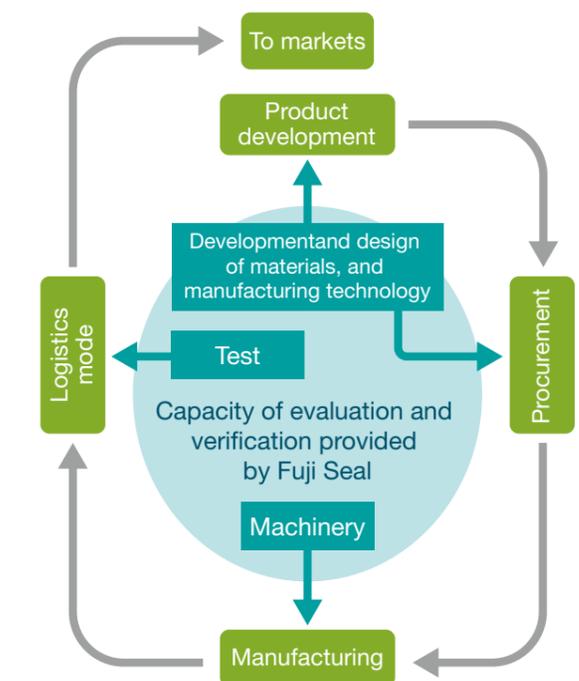
Speedy machine manufacturing

Initiatives for achievement

We will strengthen our capabilities of solution and verification by continuing to provide better products through the development of packaging materials with our business partners, the capabilities of production and technology by the manufacturing machinery developed in-house, and the designing and services for application and bonding machines used in customers' plants.

We will contribute to society by helping launch customers' new products more quickly than ever, and the increase in environmentally friendly products and easy-to-use products will contribute to society.

Customer's business cycle



Sustainable Growth



Reasons for selecting materiality

FSG believes that the growth of employees who share its values is fundamental to the sustainable growth of the company. To promote their growth, we will establish and improve a business system and related environment that ensure a safe and healthy life for employees by actively introducing advanced technology. We also provide opportunities for employees to develop themselves under a fair and equitable evaluation system so that they can continue to make use of their abilities. It is our desire to continue to be a business partner that keeps growing together with our customers and suppliers.

KPI of materiality

Keeping a closer eye on investment effects and investment efficiency, we will establish a solid financial base that supports sustainable growth. Furthermore, we will revitalize the cultivation of candidates for the next management team who will realize sustainable growth and endeavor to improve the content of the program.

Qualitative target	KPIs (Key Performance Indicator) up to 2023	Actual figures (As of March 31, 2021)	Principal initiatives	Value provided to society
<ul style="list-style-type: none"> ● Solid financial base supporting sustainable growth ● Developing candidates for the next management team who will realize sustainable growth. 	<ul style="list-style-type: none"> ● Operating margin: 10.0% ● Overseas sales ratio: 50% ● ROE: 10.0% ● The number of new candidates participating in the global managers development program should be 100 or more. 	<ul style="list-style-type: none"> ● Net sales: 163.6 billion yen ● Operating margin: 7.6% ● Overseas sales ratio: 44% ● ROE: 8.3% ● The number of participants in the global manager development program was 68. 	<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 quality by using external companies 	<ul style="list-style-type: none"> ● Investor return by dividend payment, etc. ● Management base which continues to create value for society ● Creation of stable employment

Initiatives up to 2020

FSG's mission is "We will contribute to realize a circular society and sustainable society that bring peace and happiness to all through packaging."

Those who will realize this are ourselves, who find pleasure in social contribution through packaging, always have new viewpoints and can act regardless of past successful experiences.

Group Human Resources Project for the Development of Next-generation Management

We started the "Next-generation Management Development Program" in 2018 to identify personnel who can be management members and continue to develop to foster them.

In this program, the management team is involved and takes the initiative. Those registered in the program have to accept job assignments to expand their job categories and enhance their expertise, actively work on developing the competence required by the Company, and make independent efforts toward the improvement of their English skills, accounting skills and logical thinking skills.

In one of the "Group Human Resources Project" development programs in 2020, a management assignment common to the group companies entitled "Revision to the Group Human Resources Project" was given to the 15 selected members, who proposed solutions to the management team for discussion. Despite of the COVID-19 pandemic, all the processes were conducted online for the first time, from the kick-off meeting, discussions among the members to the closing presentations.

Initiatives for achievement

Generation of corporate culture to take on challenges

Under the Guideline for Action "Changing along with changes," FSG has provided opportunities of growth and contribution to each employee who takes advantage of a change as a chance. Despite failures, it is critical not to neglect them but proactively learn from them in a correct way to realize sustainable growth. We will continue to generate opportunities for them to take on various challenges by taking advantage of a change as a chance.

Diversity

As a global company, it is indispensable for each of us to understand and practice the mission statements and values for the purpose of creating new values and to continue to grow sustainably.

While our missions will change along with the times and environment, the Fuji Seal Values will remain as a sense of values common to the Group as a whole, serving as a guideline for action for employees to make decisions and an axis to reflect their own actions. We will work on various challenges so that each of us with diverse nationalities can achieve missions by acting according to the values.

VOICE

Group Human Resources Project Round 3: Voices from the leaders

Outline of the Human Resources Project

For project Round 3, a team consisting of 15 employees selected as the Group Human Resources members discussed the given assignment and proposed a solution within a certain period of time. The assignment was "Revision to the Group Human Resources Program," which was intended to identify issues in the mechanism itself of the Group Human Resources Program, in which we are participating now, and make improvement proposals.

While almost all participants had no experience in personnel affairs, we summarized information through research on the cases of other companies and considered the status of our company's human resources system operation by sharing tasks among us. Then, we made proposals for new mechanisms by discussing indispensable requirements to develop human resources suitable as candidates for executive managers, and we presented them to the management team.

What we learned from the Human Resources Project

We had two challenges. The first one was that we had no chance to physically get together due to the COVID-19 pandemic, and the whole program had to be held online from kick-off to the final presentation, with participants from Japan, Americas, Europe and ASEAN. With various problems related to language, culture and time zone, we summarized the results for presentation at the Board of Directors meeting to be held three months later.

The second challenge was an extremely difficult theme. We had to objectively analyze ourselves as part of the Group Human Resources Program and follow the human resources' image for executive managers required by the company, and based on that, we considered necessary skills and trainings to closely approach such image. Through such process, we could realize again that each one of us was a candidate for executive management and all participants were very serious in working on this project by setting a goal for their own growth simultaneously.

In this project, we noticed that it was important for the participants in the Group Human Resources Program and the FSG officers to consider daily and proceed with the human development rather than expecting that the Human Resources Department assume responsibilities for all human development matters. I will continue to make efforts not only to build a good mechanism for human development but also to increase candidates selected for the Group Human Resources Program.



Izumi Hongo
Representative Director and President Fuji Astec, Inc.

Yoshimi Ishibashi
In charge of Machinery Strategy FSI Headquarters

VOICE

Group Human Resources Project Round 3: Voices from members

In Sep 2020, I was honoured to join Development Program organized by FSI HR Team as a necessary preparation step to accelerate the pace of developing future leaders.

It was my pleasure to had opportunity to discuss with other key Senior Managements from different regions, as well as to get experience and advice shared by Executive Members.

Even though all discussions have been made and arranged online due to impact of COVID-19 pandemic, I believed that all of us understood deeply the program target to achieve the result.

Despite difference of location and language, we all together have the same target and passion that our contribution is to make the company grow forward by our confidence, flexibility and change-driven approach.



NGUYEN PHAM MINH TRI
Fuji Seal Vietnam Senior Technical and Sale Manager

In 2019 I was selected for the FSI Group Human Resources program. It was an honor to be selected. A great opportunity to learn, to challenge, to improve collaboration, to support the global mindset and to raise my level of self-awareness. By receiving a project from FSI, with limited time to result, a strong collaboration started with members from other regions and business units. Everybody had to stretch and adapt to create the best team result. Again it is great experience, with a lot of new learnings.

I learned that based on the situation, you always need to be able to adapt yourself to each occasion. Your working style, habits, view and strong competence, which you normally use during your daily business, will be challenged during these kinds of projects. Working with colleagues from different regions with different cultures, gave me a broader view of what are the habits, living standards and behavior. One of the big learnings was what kind of role or position you normally take, and you always need to review as soon you start working globally. To become a strong leader, you need to learn to listen - one of the biggest challenges for leaders in an organization.

These kinds of projects are important for Fuji Seal and the employees to grow and to meet goals. Fuji Seal creates "Waku-Waku" within the organization by creating these kinds of opportunities.



Roel Ceelen
Fuji Seal Europe B.V. General Manager

Development of Environmentally Friendly Products



Reasons for selecting materiality	FSG recognizes that environmentally friendly products and manufacturing are essential to every one. 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.			
KPI of 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	KPIs (Key Performance Indicator) up to 2025	Actual figures (As of March 31, 2021)	Principal initiatives	Value provided to society
<ul style="list-style-type: none"> Reduction of environmental burden 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: 41% Sales ratio of recyclable products: 2% Sales ratio of products containing recycled material: 5% 	<ul style="list-style-type: none"> Development and commercialization of recyclable products "RecShrink™", etc. Development and launch of products containing recycled material "Recycled PET shrink labels, recycled PET self-adhesive labels, etc. Development and provision of packaging materials, modes of transportation, and manufacturing systems which help reduce energy and GHG 	<ul style="list-style-type: none"> Mitigation of climate change Reduction of environmental burden on water, air, soil, etc. Conservation of ecosystem Innovation of environmentally friendly technologies Promotions for enlightenment of environmental awareness through our products and services

Initiatives up to 2020

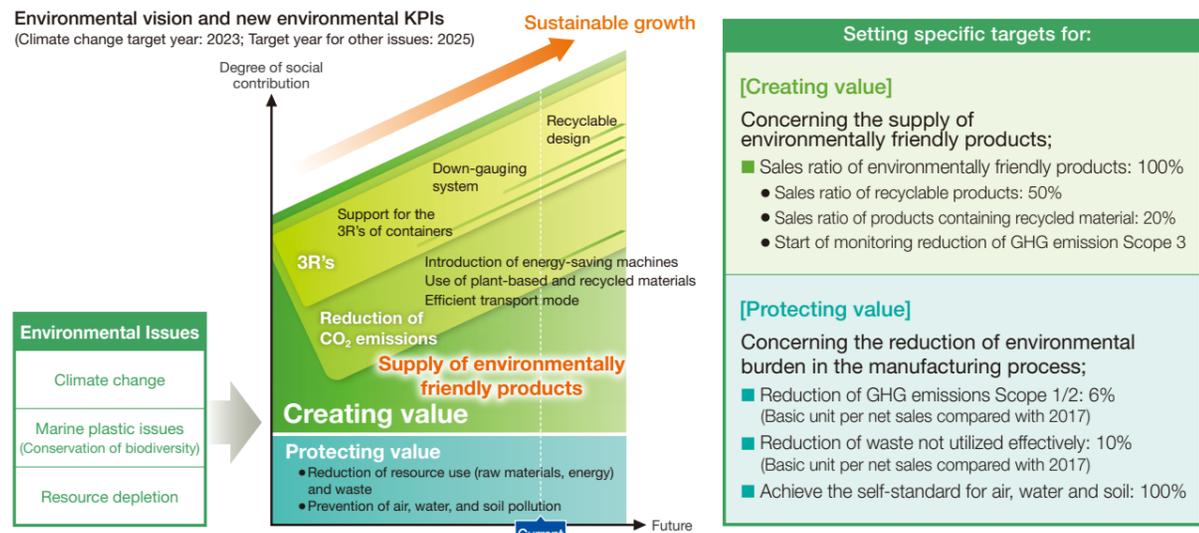
FSG considers climate change, marine plastic issues and depletion of resources critical environmental issues. Among our initiatives in solving environmental issues, we consider the production of environmentally friendly products as an important initiative. We have established qualitative targets and KPI targets under the concept that the reduction of environmental burden in the entire supply chain should be accelerated by applying our environmental policies to business activities.

Initiatives for achievement

Aiming at 100% in sales of environmentally friendly products, we will endeavor to explain to customers and consumers that all of our products are designed based on environmentally friendly concept. Furthermore, with respect to "Recyclable products" and "Products containing recycled material" under the environmentally friendly products category, We will monitor their progress of development individually as our focus points.

FSG Environmental Vision and Environmental KPI in the New Medium-term Management Plan

For the purpose of solving environmental issues, FSG has an environmental vision focusing on the development and supply of environmentally friendly products based on efforts to reduce environmental burden in manufacturing process. To realize this vision, we have established new environmental KPIs in the New Medium-term Management Plan, which include KPI relating to sales of environmentally friendly products and KPIs associated with the reduction of environmental burden in the manufacturing process.



Initiatives in each business region to achieve 100% sales ratio of environmentally friendly products

With respect to environmentally friendly products, executive officers of each business region have defined the environmental KPIs to apply them to our business activities in alignment with the local market demands and the customers' way of thinking.

Japan

In line with the "3R + Renewable" Strategy

In Japan, the consumers' awareness of separation and collection is high, and collection rate of PET bottles is 93%, the highest level in the world, and the foundation for efficient use of recycling technology is well established compared with other business areas. We will focus on developing materials and technologies in which shrink sleeve labels, pouches and self-adhesive labels, in particular, will become recyclable, in addition to the efforts to the usage of reduce plastic materials by contribution to improve the quality of recycled materials for containers by providing shrink sleeve labels, and down-gauging of labels by combining labeler technology, and a shift from rigid containers to spouted pouches mainly used for refill containers.



Kosuke Matsuzaki
Executive Officer in charge of the Japanese region

The Americas

Promotion of recyclable materials

In the Americas, the use of recyclable materials applied to plastic packages, especially the mono-material, meaning the same materials are used to packages, has become more common in recent years. Under these circumstances, in the shrink sleeve label business, we focus on the market expansion of RecShrink™, which we launched in 2019 as labels recyclable together with the containers, for use as environmental-friendly labels on PET bottles. We will also develop similar label products fit for other container types. We will work on development recyclable label and label using biomass ink, containing recycled materials in the self-adhesive label business. In the pouch business, we will aggressively increase sales of Fuji Pouches which significantly reduces the usage of plastics, shift mono-material pouches and develop cap spout containing PCR.



Akikazu Yada
Executive Officer in charge of the Americas region

Europe

Toward the EU targets and legislation of "Improvement of plastic recycling ratio and recycled materials ratio contained in products"

EU has set a target of plastic recycling ratio at 50% by 2025 and will impose taxes on virgin resin to further restrict its use. Large companies have accelerated their efforts by setting higher target of recycling ratio at 100% in 2025 to support this initiative. Fuji Seal Europe takes the lead in the market by developing and supplying recyclable labels that fit containers' shape in order to realize these social requirements, thus leading the realization of circular society in Europe. Additionally, for the realization of zero-emission of decarbonized society and customers, we plan to roll out low energy-consuming packaging equipment and launch new functions and services to maximize the comprehensive installation efficiency in the market.



Hiroyuki Usui
Executive Officer in charge of the European region

ASEAN

Promoting shifts to non-PVC materials to become more environmentally friendly

In ASEAN, although PVC is still commonly used in shrink sleeve labels, we will proactively shift to non-PVC materials. At the same time, we will promote the reduction of wastes by replacing down-gauged labels that application machines can handle properly. We will also work on the development of mechanisms to supply RecShrink™ which was launched in the United States to lead the circular label markets in ASEAN. As to spouted pouch, we will aggressively promote expansion of refill products with characteristics of light-weight, down gauging and small-sized spouted pouch. Thereafter, we will develop and propose recyclable packages.



Satoru Kawasaki
Executive Officer in charge of ASEAN region

Initiatives for increasing lineups of recyclable products and products containing recycled material

Recyclable products

The product itself should be recyclable.

- Products made in accordance with a third-party guideline
 - Customers
 - Recycling associations of relevant countries
 - Business partners
- Products made in accordance with in-house recycling mechanism

Products containing recycled material

Products to which recycled materials are added intentionally

- Includes post-consumer recycled materials
- Includes post-industrial recycled materials

*Excludes collection and recycling within the process.



Kosuke Matsuzaki Executive Officer in charge of the Japanese business region



● Interviewer
Nao Kamikage
Environment Sustainable
Promotion Office,
FSI Headquarters

» Environmental Strategy in Fuji Seal

“Environmental Campaign” launched with the aim of increasing the awareness of employees

Kamikage: The marine plastic issues have made the headlines, and the trend that plastics are to blame has become stronger in the world. Under these circumstances, what do you think of the on-going environmental initiatives in Japan?

Matsuzaki: What I really recognize when I travel abroad is that it is amazing that the Japanese people separate wastes properly both at home and at local governments. Actually, the collection rate of PET bottles is 93%, which is the highest level in the world. Even in Europe, where a deposit system is adopted in some countries, the collection rate is 57.5%. Therefore, the rate is far higher in Japan. In terms of the 3Rs (reduce, reuse and recycle), I assume that Japan may have the most suitable culture for recycling. In 2019, the Japanese government also formulated the “Resource Circulation Strategy for Plastics,” which I think will lead to further discussions and initiatives going forward.

Kamikage: FSG has also set up new KPIs (Key Performance Indicators) to boost the sales ratio of environmentally friendly products to 100%. What is your focus in conducting business in Japan?

Matsuzaki: I think we should proactively promote the appeal of our efforts publicly to increase environmentally friendly products in the market. Prior to that, as I had sensed needs in the environmental awareness of each employee, we

started a new initiative called the “Environmental Campaign” in May 2021. We divided our domestic plants, business sites and sales offices into 17 teams for competitions in “Reduction of energy consumption” and “Reduction of copy paper.” The results will be evaluated based on the year-on-year reduction rate achieved, and the top three teams will be commended. This campaign was designed to disseminate awareness of the environment in terms of not only the information about the products made by our employees but also as a social issue.

Growing Needs for Environmentally Friendly Products

Kamikage: What is your understanding of customers’ need for, or response to, environmentally friendly products?

Matsuzaki: As far as shrink sleeve labels are concerned, biomass materials were temporarily drawing much attention, but the trend has changed a little when recycled PET bottles became common, and current attention is for recycling. Furthermore, not only our environmentally conscious customers who have set their own environmental KPIs but also relatively cost-oriented customers have been listening to our proposals for environmentally friendly products in the past year.

Kamikage: It means that awareness of environmental issues has grown regardless of the scale of companies and industry.

Matsuzaki: You are correct. For instance, refills of household goods were contained in bottles 10 years ago, but now the

spouted pouch is the mainstream. Furthermore, reduction of the use of plastics has accelerated recently as seen in the bottles which shifted to spouted pouches. A new movement toward the reduction of environmental burden has also become visible in the industries of our customers as observed in the case that competitive makers jointly collect used pouches to convert them into pellets.

Toward the Recycling of Shrink Sleeve Labels

Kamikage: I have an impression that FSG has activated collaboration with external partner companies.

Matsuzaki: The typical example can be found in the recycling project of shrink sleeve labels called “Labels to labels,” which we are engaged in with our partner companies. The simple explanation is that this is horizontal recycling to regenerate shrink sleeve labels from used shrink sleeve labels. This project will not advance unless Fuji Seal, as the leading company of shrink sleeve labels, takes it seriously. That’s what I am determined to do toward societal implementation in 2022. Other than that, we have several projects in progress almost for practical application, such as effective use of wastes discharged from our plants by our partner companies.

Kamikage: I heard that you have participated in activities that promote a circular economy.

Matsuzaki: I participate in discussions periodically with companies and academics with various insights on environmental issues. What the participants say unanimously

is “What a shame that environment-related regulations are always established by Europe (lol).” I would like Japan to lead the world by transmitting more information because recycling technology is one of the specialties of Japan. I will continue this activity with such passion.

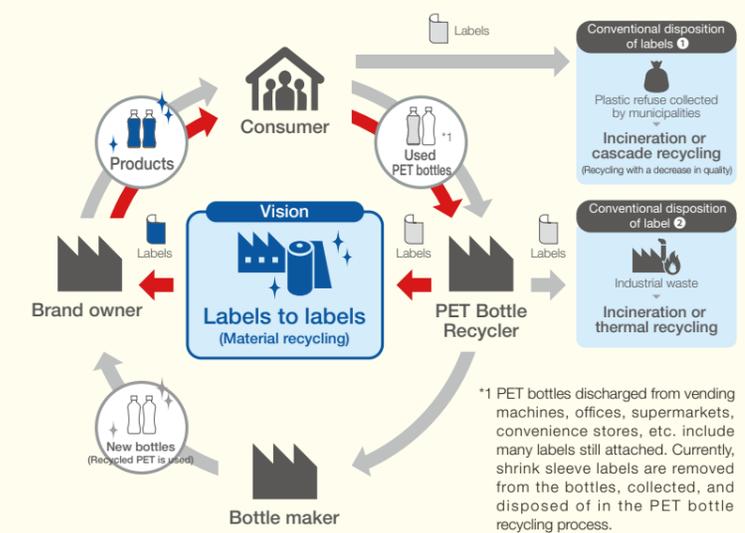
Making the realization of a recycling-oriented society a motivation for each one of us

Kamikage: Among FSG companies, Fuji Seal Japan is very enthusiastic in addressing environmental issues by acquiring ISO14001 certification. What would you like to proceed with next?

Matsuzaki: As the demand for the use of environmentally friendly products is actually increasing, the first thing I would like to do is to accelerate the practical application of “Labels to labels” with the aim of jointly developing the project with as many customers as possible. And, it is also necessary to clarify Scope3 (CO₂ emissions in supply chains) and LCA (Assessment of environmental burden in the life cycle of a service and product) in order to fulfill our mission to contribute to society through our products. The next challenge is information transmission within the Company. Although I think that the initiatives for the realization of a recycling-oriented society, such as “Labels to labels,” are a point of pride for employees, they actually do not know very well projects in which they are not involved. I would like to think carefully how I can transmit information in an effective manner and put it into practice.

Topic

On March 29, 2021, we made an announcement in a news release titled “Fuji Seal launches a Pilot Project for Recycling of Shrink Sleeve Labels, Collaborating with Innovative Partners” with the aim of realizing horizontal recycling^{*1} (Labels to labels) of shrink sleeve labels for the entire industry. We launched a joint pilot project to recycle shrink sleeve labels on PET bottles as a valuable resource in collaboration with our partner companies. In the spring of 2021, we will set up a pilot plant and aim for social implementation in 2022.



Open Dialogue with Stakeholders



Reasons for selecting materiality	In addition to the conventional financial information, FSG promotes an increase in engagement with stakeholders by disclosing non-financial information, etc. In particular, we believe it is important to feel the significance of being of help by clarifying the mutual expectation, deepening mutual understanding through dialogue to meet expectations.			
KPI of materiality	We will establish a system to provide all stakeholders with not only financial information but also the entire Group's non-financial information accurately and on a timely basis. As a result, we expect that the engagement with stakeholders will increase and the evaluations on the Company made by external evaluation organizations will be improved.			
Qualitative target	KPIs (Key Performance Indicator) up to 2023	Actual figures (As of March 31, 2021)	Principal initiatives	Value provided to society
<ul style="list-style-type: none"> Improve our ESG evaluation by external organizations through the provision of accurate non-financial information to stakeholders. 	<ul style="list-style-type: none"> FTSE Continue to be selected as a component brand. MSCI (Grade A by 2023) 	<ul style="list-style-type: none"> FTSE (First selected in 2020 at Grade 1.3 of 5 points) MSCI (First evaluated in 2020 at Grade B) 	<ul style="list-style-type: none"> Establishment and operation of the Group Sustainability Committee Establishment of a collection system of accurate non-financial information by the Group Issuance of Integrated Report and ESG Data Book on a timely basis Implementation of Family Festival Opportunity for interview between employees and the Company's Directors 	<ul style="list-style-type: none"> Provision of investment opportunities to shareholders Revitalization of regional communities and creation of employment Satisfaction of employees and their families

Initiatives up to 2020

Improvement of ESG evaluation

We started initiatives for the improvement of evaluation by external organizations such as FTSE and MSCI with the aim of visualizing the Group's initiatives for ESG.

We disclosed the evaluation result by CDP in 2020.

Renovation of the website

Following the renovation of our website, we use it for transmitting transparent corporate information.

IR activities for investors

- Held financial presentation meetings on a quarterly basis.
- Enhanced information on business strategy and ESG in the financial supplementary materials.
- Disclosed the financial supplementary materials in Japanese and English on the website at the same time.
- Increased small meetings with analysts and fund managers.
- Increased opportunities for interview with overseas investors.

Financial briefing for employees

Financial presentation meetings were held with Ms. Okazaki, CEO and Mr. Shirokawa, COO, for region managers on a quarterly basis.

Initiatives for achievement

In addition to conventional financial information, FSG discloses its non-financial information and other information in a timely and appropriate manner to conduct open and positive dialogue with all stakeholders including shareholders and investors.

- We will transmit our corporate value (attractiveness) accurately and consistently in a timely manner by further enhancing our transparent corporate information.
- "FSG provides people- and environmentally friendly value." To visualize this fact and make it easy to understand, we disclose the evaluations of CDP, EcoVadis, FTSE and MSCI while making efforts to improve corporate value.
- As for employees, we will improve employee satisfaction by further sharing sense of value through enlightenment and deepening of understanding of the company.

Virtual exhibition

FSG participated in TOKYO PACK 2021 held from February 24 to 26, 2021. We set up our proprietary virtual event site for customers who lived far from Tokyo or were unable to visit it during the exhibition period amid the stay-at-home instruction under the COVID-19 pandemic, and we attracted many people to our website.



The portal site of the virtual exhibition.

Fair and Transparent Transactions



Reasons for selecting materiality	FSG places an emphasis on performing transactions with customers and business partners without anxiety. We consider it is important to realize fair and transparent transactions with respect to not only prices but also quality management system and quality warranty system, together with experience, past performance, social factors and other matters selected comprehensively.			
KPI of materiality	We will fulfill our responsible manufacturing and consumption form based on social consideration shared with all suppliers by obtaining their consent to our Requests for FSG Business Partners (Group Supplier Course of Action) prepared in line with our vision.			
Qualitative target	KPIs (Key Performance Indicator) up to 2023	Actual figures (As of March 31, 2021)	Principal initiatives	Value provided to society
<ul style="list-style-type: none"> Establish responsible manufacturing and consumption systems taking into consideration society based on mutual relationships of trust with all business partners and training programs. 	<ul style="list-style-type: none"> Obtain consent to "Requests for FSG Business Partners" from all of our business partners by conducting a questionnaire for the Group's suppliers. 	<ul style="list-style-type: none"> Ratio of implementation of the questionnaire for the Group's suppliers (Ratio to net sales: approx. 36%) 	<ul style="list-style-type: none"> Establishment and operation of the Group Sustainability Committee Establishment and revision of new Group policies Implementation of questionnaire for the Group's suppliers on a global basis 	<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 as a good model Respect for human rights

Initiatives up to 2020

FSG aims to be a company that contributes to the realization of sustainable society, and it has renewed its recognition that it is most important for us to fulfill responsible manufacturing and consumption forms together with all of our suppliers while taking society into consideration. We have also established the Sustainability Committee chaired by COO under the supervision of the Board of Directors, and got started with the Questionnaire for the Group's Suppliers.

- Establishment and operation of the Group Sustainability Committee
- Implementation of questionnaire for the suppliers
- Establishment and revision of new Group policies

Examples of questions of the questionnaire:

- Do you agree to our Requests for FSG Business Partners?
- Do you have any policy/vision concerning sustainability?

Initiatives for achievement

In order to connect solid relationships with all suppliers to the future, FSG implemented Group Supplier Questionnaire on a global basis to ask for consent to our Requests for FSG Business Partners. By obtaining their consent, we requested them to comply with our policy together with FSG and endeavor to secure a responsible manufacturing and consumption form.

Requests for FSG Business Partners (Excerpts are shown below.)

Fuji Seal Group ("FSG") is engaged in business activities based on the FSG Code of Ethics in order to continue to enhance "Our proactive impact to realize the Regenerative Society." Based on fairness and equitability, the FSG is committed to creating excitement with our business partners through mutual trust and study.

FSG requests our business partners to understand and agree with the purpose of this Policy and to comply this Policy together with FSG.

"Requests for FSG Business Partners" contain the following items:

- | | |
|------------------------------|------------------------------|
| Chapter 1. Compliance | Chapter 5. Environment |
| Chapter 2. Human Rights | Chapter 6. Fair Transactions |
| Chapter 3. Safety and Health | Whistle-blower System |
| Chapter 4. Quality | |

Please visit the following website for "Requests for FSG Business Partners"
<https://www.fujiseal.com/en/csr/pdf/partner.pdf>

Stable Supply (including BCP)



Reasons for selecting materiality	FSG is engaged in businesses positioned as essential businesses, such as beverages, HPC (home personal care), and medical care. Since products in these businesses are essential to social life, we believe that it is our social responsibility to ensure a stable supply of these products both at ordinary times and during emergencies.			
KPI of materiality	We endeavor to realize zero occupational accidents for 365 days at one or more plants in each business region by promoting a secure and safe working environment of the entire company under the Group's OHS* management system. We should not be satisfied with the conventional order reception center function, and we will build a future-oriented ordering and order reception system to establish a competitive BCP system designed from the customer's point of view.			
Qualitative target	KPIs (Key Performance Indicator) up to 2023	Actual figures (As of March 31, 2021)	Principal initiatives	Value provided to society
<ul style="list-style-type: none"> Establishment of the Group's OHS management system by aligning with all business bases Sharing with customers all information on an accurate and timely basis concerning the status of manufacturing and orders received from our customers. 	<ul style="list-style-type: none"> Realization of zero occupational accidents for 365 days at one or more plants in each business region Establishment and operation of a future order receipt/shipment platform to be shared with customers 	<ul style="list-style-type: none"> Only one business region achieved zero occupational accidents for 365 days. 	<ul style="list-style-type: none"> Improvement of the OHS management system in a unified manner within the Group Implementation of a statutory OHS audit by an external organization Multi-polarization of design work and maintenance of shipment system, not limiting to the BCP of manufacturing and procurement Establishment of a future order receipt/shipment platform on which accurate product information can be shared with customers 	<ul style="list-style-type: none"> Provision of 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 2020

OHS audit conducted by external organizations

FSG considers the content of management of OHS and compliance with laws as extremely important to promote safety activities for just and fair labor. To that end, we promote audits at all business bases worldwide by using external specialist auditing companies.

In 2020, audits for seven business bases in Japan and five outside Japan were already completed, and we will continue audits for other business bases in 2021.

Matters pointed out by the external specialist audit company for improvement are improved immediately. Concurrently, we identify fundamental challenges to continue to promote OHSMS in line with all other sections of the entire Group.



OHS audit at Ube Plant on Feb. 25, 2021



OHS audit at Yamagata Plant on March 15, 2021

Initiatives for achievement

Placing an emphasis on providing a working environment where people can continue to work positively and in good health, we proceed with initiatives with top priority on employees' safety. We proactively introduce the viewpoints of an external specializing OHS company to the working environment while respecting the autonomy of employees.

Security and safety contribute to the realization of responsible manufacturing forms in not only the manufacturing environment but also the quality and supply systems of our products delivered to society. In preparation for natural disasters, which are expected to continue to occur, we will continue to endeavor to improve BCP from a global point of view.

- We will introduce OHSMS organizational systems by aligning with all Group companies.
- We will endeavor to improve OHSMS by proactively introducing audits by external organizations.
- We will continue to maintain high levels of employee awareness for quality management by conducting a comprehensive quality management campaign globally.
- We will promote outsourcing for the distribution of business bases by understanding the mapping of manufacturing bases.
- We will improve the BCP of designing, data and shipping systems.

Promotion of Information Security Measures



Reasons for selecting materiality	FSG protects and properly manages information provided by customers and suppliers and employees' personal information. We also believe that it is important to eliminate the risk of cyberattacks for business continuity.
KPI of materiality	We consider that leakage of confidential information (including information of business partners) handled by FSG is the most important management risk. We believe that it is critical to continue to improve information security measures, aiming to establish protection systems that never allow information leakage.

Qualitative target	KPIs (Key Performance Indicator) up to 2023	Actual figures (As of March 31, 2021)	Principal initiatives	Value provided to society
<ul style="list-style-type: none"> Every effort should be made all the time to secure information security and establish a system which never allows any information leakage. 	<ul style="list-style-type: none"> Elimination of leakage of confidential information kept by FSG 	<ul style="list-style-type: none"> There was no information leakage. 	<ul style="list-style-type: none"> Strengthening of the defense against attacks from outside to 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 information of all business partners Protection of personal information of those relating to FSG Sustainable supply of secure and safe products

Initiatives up to 2020

Strengthening of information security to fit teleworking environment

With ongoing workstyle reforms for employees, in response to the changes from the conventional internal network environment to the Internet environment, we strengthened the control of access to the internal systems and filtering functions of internet sites. We will continue to avoid information leakage caused by unauthorized access and system failure risks from an IT perspective.

Strengthening of information security by improving operating rules

In addition to the IT measures taken for the teleworking environment, we established and started operation of the new Detailed Rules of the Information Security Regulations in Japan to respond to changes in the working environment.

In order to clarify again the information to be protected, we renewed a ledger of information which had been prepared according to the table of classification of confidential information, in which we will clarify and update in each business period the management department, department which used the information, storage period, storage medium, saving destination, and whether personal information is included or not.

We also implemented e-learning programs with the aim of improving IT literacy of employees. We will continue to implement the program twice a year.



Title of program: Information Security Learned through Tests
Learning period: Thursday, October 1, 2020 to Friday, October 30, 2020

Initiatives for achievement

With respect to the handling of information of FSG's stakeholders, we will endeavor to constantly reduce the risks in both the IT aspect and operation processes.

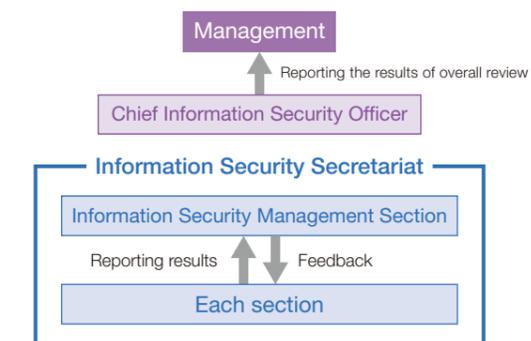
We focus on the protection of information of customers, business partners, the Company and employees by setting up internal management standards from the perspective of confidentiality in addition to securing information security according to restrictions equivalent to laws and regulations, such as personal information protection rules represented by GDPR of Europe.

Given that information leakage is positioned as a critical risk in the Group's Risk Map, we will continue to proceed with information security measures to realize the sound use of data and support the supply of secure and safe products.

The Information Security Rules and Operational Procedures have been established.

Purpose: Established in July 2020 with the aim of building internal systems and continuous improvement necessary for the evaluation, review, revision, appropriate handling, promotion and maintenance of policies and implementation standards of regulations

Diagram of the system



Creation of next-generation businesses



Reasons for selecting materiality	FSG always continues to make challenges to the changes in the packaging market by creating new packages in response to changes in containers and logistics as witnessed in such cases as putting "20μm packaging material" and "biomass film" into practical use for the first time in the world. It is essential for us to create next-generation businesses by making the most of our strengths with the evolutions of technology.			
KPI of materiality	We will aggressively promote new business projects in order to create new businesses that exceed the net sales budget of 3.0 billion yen under the current Medium-term Management Plan and the next Medium-term Management Plan beginning from 2023.			
Qualitative target	KPIs (Key Performance Indicator) up to 2023	Actual figures (As of March 31, 2021)	Principal initiatives	Value provided to society
<ul style="list-style-type: none"> Create projects to promote new businesses other than the existing businesses (Shrink sleeve label, Pressure sensitive label, Spouted pouch) 	<ul style="list-style-type: none"> Number of new projects created as possible next-generation new business: 3 *Three years from 2020 to 2022. 	—	<ul style="list-style-type: none"> Capital contributions to startup companies and promotion of wide-range alliance strategies Aggressive investments in potential new businesses 	<ul style="list-style-type: none"> Creation of new values in package Realization of sustainable society Employees' Waku-Waku, Society's Waku-Waku

Initiatives up to 2020

Since the foundation as a manufacturer of wooden faucet for sake keg, FSG has changed itself with changes in market needs, and has expanded business domains from the shrink sleeve label business, the self-adhesive label business, and the machinery business which brought dramatical growth to those businesses, to the packaging service business.

Our business domains are classified into the following segments such as country or business. We plan to proactively invest resources in the potential growth domains regardless of the existing domains.

Country / Segment	New	② Growth domain: Existing or developed products x New countries		⑤ Growth domain: New product and business x Existing customers
		<ul style="list-style-type: none"> South America, Eastern Europe, India, other countries from ASEAN 	<ul style="list-style-type: none"> Consider expansion into new countries (by establishing operation and production systems, M&A, etc.) 	
Existing	New	③ Growth domain: Existing products x New customer segment		④ Growth domain: Developed products x Existing and new customers
		<ul style="list-style-type: none"> Pharmaceutical, medical equipment, electronic and electronic mass retailers, automobiles, etc. Local companies in each country 	<ul style="list-style-type: none"> Identification of new business segment and customers to focus on. 	
Existing	Existing	① Existing domain: Existing products x Existing countries and customers		New products and new businesses
		<ul style="list-style-type: none"> Japan, North America, Western Europe, three countries from ASEAN, (India) 	<ul style="list-style-type: none"> Setting targets for each business and region, and follow the plan. 	
		Existing products	New technologies and newly developed products	New products and new businesses
Products, services and technologies				

Initiatives for achievement

We consider that the responses to environmental issues, the accelerating diversity of consumer lifestyles, and the expansion of consumption areas such as emerging countries are business opportunities for us. In response, we will endeavor to further expand our portfolio in addition to the enhancement of existing products and the horizontal development.

By making the most of the long-cultivated partnership, solid customer base and capital strength, FSG will continue to grow through the creation of the packaging business containing new value.

We will strive for sales of 3.0 billion yen in new business domains in 2023 by searching new materials, collaboration with startups, and aggressive investments such as M&A in addition to ordinary developments.

Governance

Corporate Governance

Corporate Governance Structure

FSG transitioned to a "Company with Three Committees" (then called "Company with Committees") as early as 17 years ago in June 2004. Even now, there are only 77 companies in Japan with this type of committee system (as of April 14, 2021).

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.

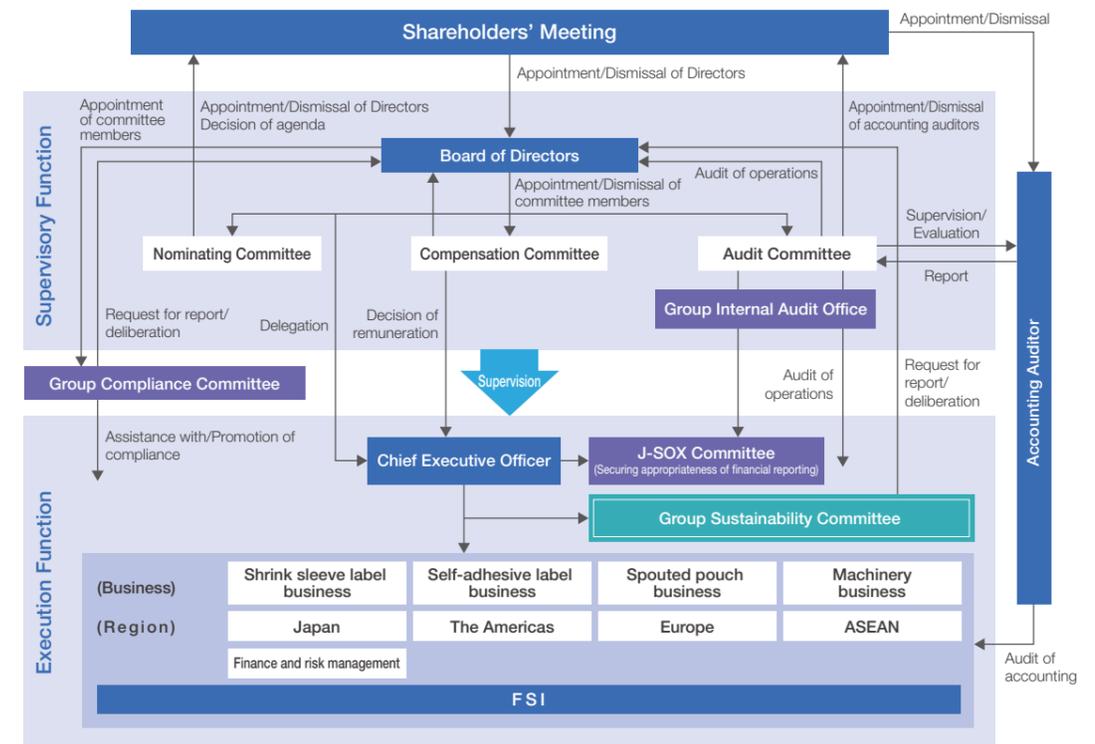
The Nominating Committee considers and makes

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 four outside directors.

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

Fuji Seal Group: Corporate Governance Structure



Composition of the Board of Directors

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

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

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

Management (as of June 23, 2021)



Fumio Kato

Outside Director
Independent Director

Age 73

Brief history:
 April 1972: Joined Tomen Corporation
 May 1998: Joined Zoshinkai Publishers Inc.
 April 2005: Representative Director and President, Zoshinkai Publishers Inc.
 June 2012: Director, Fuji Seal International, INC. (to date)
 October 2013: Chairman of the Board of Education, Shizuoka Prefecture
 June 2019: Corporate Auditor of Fuji Seal, Inc.
Important concurrent position:
 None
 Number of years since first appointed as an Outside Director: 9



Hiroumi Shioji

Outside Director
Independent Director

Age 64

Brief history:
 April 1987: Registered as attorney-at-law
 April 1991: Established Shioji Law Office
 Director, Shioji Law Office (to date)
 June 2015: Director, Fuji Seal International, INC. (to date)
Important concurrent position:
 Director of Shioji Law Office
 Outside Auditor, Tachibana Eletech Co., Ltd.
 Number of years since first appointed as an Outside Director: 6



Tatsundo Maki

Outside Director
Independent Director

Age 49

Brief history:
 April 1997: Joined Asahi & Co. (currently, KPMG AZSA LLC)
 April 2000: Registered as a Certified Public Accountant
 April 2009: Representative Partner, SCS Global LLC (to date)
 June 2017: Director, Fuji Seal International, INC. (to date)
Important concurrent position:
 Representative Partner, SCS Global LLC
 Representative Director, SCS Global Consulting KK
 Number of years since first appointed as an Outside Director: 4



Yuichi Seki

Outside Director
Independent Director

Age 68

Brief history:
 April 1978: Joined Kobe Steel, Ltd.
 June 2011: Senior Managing Director, General Manager of the Technical Development Group, Kobe Steel, Ltd.
 June 2012: Executive Vice President and Representative Director, OSAKA Titanium technologies Co., Ltd.
 June 2014: President and Representative Director, OSAKA Titanium technologies Co., Ltd.
 June 2019: Director, Fuji Seal International, INC. (to date)
Important concurrent position:
 Corporate Auditor of Fuji Seal, Inc.
 Number of years since first appointed as an Outside Director: 2



Shigeko Okazaki

Age 64

Brief history:
 August 1990: Joined Fuji Seal International, INC.
 December 1999: General Manager of Corporate Planning Department, Fuji Seal International, INC.
 January 2001: General Manager of Corporate Planning Center, Fuji Seal International, INC.
 December 2001: General Manager of American Fuji Seal, Inc.
 June 2002: Director, Fuji Seal International, INC.
 November 2002: General Manager of Fuji Seal Europe S.A.S.
 June 2004: Director and Executive Officer, Fuji Seal International, INC.
 October 2004: Director, Fuji Seal, Inc.
 March 2007: President and Representative Director, Fuji Seal Europe S.A.S.
 March 2008: Director, President and Executive Officer, Fuji Seal International, INC.
 July 2012: Director and Chairman, Pago AG
 June 2020: Director, President and CEO, Fuji Seal International, INC.
 June 2021: Director, CEO, Fuji Seal International, INC. (to date)
Important concurrent position:
 President and Representative Director, Soho KK



Masayuki Shirokawa

Age 58

Brief history:
 March 1985: Joined Fuji Seal International, INC.
 September 1998: General Manager of Europe Sales Division, Fuji Seal Europe Ltd.
 January 2000: General Manager of Sales Division, American Fuji Seal, Inc.
 October 2011: Vice President, American Fuji Seal, Inc.
 June 2014: Executive Officer, Fuji Seal International, INC. (in charge of the Americas Operations)
 Representative Director and President, American Fuji Seal, Inc.
 Representative Director and President, Fuji Seal Packaging De Mexico S.A. de C.V.
 Director and Executive Officer, Fuji Seal International, INC.
 July 2018: Director and Chairman, Fuji Seal Vietnam Co., Ltd.
 March 2020: Director, Fuji Seal Packaging (Thailand) Co., Ltd.
 June 2020: Director and Chief Operating Officer, Fuji Seal International, INC.
 June 2021: Director, Representative Executive Officer President and COO, Fuji Seal International, INC. (to date)
Important concurrent position:
 None

Standards for Appointment of Directors

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

Field	Item
Base	Practice of mission statement / Awareness of participation / Detection of changes
Formulation of strategies	Show one's vision / Build and decide strategies / Capability of setting goals
Implementation of challenges	Capability of implementation and practice / Capability of analyzing problems / Capability of detecting risks / Leadership
Leadership	Capability of responding to changes / Challenging spirit
Humanity	Internal reputation / External reputation / Winning trust
Experience and knowledge	Achievements in developing new business fields / Achievements / Expertise and experience

Name	Title
Hideaki Umeda	Executive Officer (in charge of Shrink Sleeve Labels)
Takeshi Kyogane	Executive Officer (in charge of Self-adhesive Label Division)
Masahisa Fukuda	Executive Officer (in charge of Spouted Pouch Division)
Masaru Takeuchi	Executive Officer (in charge of Machinery Division)
Kosuke Matsuzaki	Executive Officer (in charge of Japan Operations)
Akikazu Yada	Executive Officer (in charge of the Americas Operations)
Hiroyuki Usui	Executive Officer (in charge of Europe Operations)
Satoru Kawasaki	Executive Officer (in charge of ASEAN Operations)
Fumiaki Takahashi	Executive Officer (in charge of Finance and Risk Management)

Evaluation of the Effectiveness of the Board of Directors

The Board of Directors holds four regular meetings annually and additional meetings when needed. In FY2020, six meetings were held, and all Directors attended all meetings of the Board of Directors.

A Board of Directors' meeting of the Company takes two days, in principle, for intensive and thorough deliberations. In FY2020, the meetings took 10 days in total, and over 52 hours were spent on discussions and deliberations. Additionally, 29 written resolutions of the Board were made in accordance with Article 370 of the Companies Act and Article 23 of the Articles of Incorporation of Fuji Seal International.

In order to assess the effectiveness of the Board of Directors, Fuji Seal International also conducts a self-evaluation survey and discussions at meetings of the Board of Directors. After discussions by the Board of Directors in March 2021, we conducted a survey of all directors in April. In this survey, the Company collected opinions from two perspectives: (1) strategy and execution, and (2) composition and operation of the Board of Directors, as well as through a free statement.

As a result, a certain level of affirmative evaluations was obtained in terms of responses to diversified medium- to long-term issues, ranging from SDGs to growth strategies, and securing the effectiveness by continuous review of diversity in the structure of the Board of Directors and the depth of discussions. Meanwhile, expectations and suggestions were expressed for the future regarding further improvement of the initiatives associated with ESG, investment proposals, strategy formulation for research and development, resource allocation, and reinforcement of organizational strengths, and others.

In reference to these evaluations and suggestions, we will continue discussions to further improve of the effectiveness of the Board of Directors.

Compensation of Directors and Executive Officers

The Compensation policy for directors and executive officers, Compensation structure, and performance-linked mechanisms are deliberate and decided under the basic policy that the Compensation system shall be (1) the base of which diversified and highly competent personnel who have agreed to the company's mission statement can demonstrate their capabilities and be rewarded properly; (2) the encouragement for them to achieve business goals based on the management strategies toward the sustainable growth; (3) the encouragement to sustainably improve corporate values and to share profits with shareholders; and (4) determined by an objective and a highly transparent process.

The Compensation of directors, including outside directors, is composed only of "basic remuneration," the

amount of which is fixed, whereas that of executive officers is composed of "basic remuneration," "performance-linked remuneration" as a variable short-term incentive and "restricted stock" as a medium- to long-term incentive.

The basic remuneration is decided according to the individual's personal history, business career, duties and job responsibilities, taking into consideration the Company's business performance, management environment and other factors.

The performance-linked remuneration is determined by the Compensation Committee depending on the degree of achievement of the section for which each executive officer is responsible. The ratio of performance-linked remuneration to the total amount of remuneration varies from 0% to approximately 30%. The items used for calculation of the amount also include non-financial indicators, such as environmental ones and human resource development, in addition to financial indicators, such as consolidated net sales and operating margin for a single fiscal year, and other indicators considered as critical in management strategy. It should be noted, however, that if the performance-linked remuneration reaches a certain specified amount, part of such amount will be paid by the shares of the Company.

The remuneration involving restricted stock is paid to executive officers as a medium- to long-term incentive with the aim of sharing the same sense of values with our shareholders and improving corporate value on a sustainable basis.

Concept of Compensation

Compensation of directors



Compensation of executive officers



Compliance

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

Furthermore, the Company holds “Group Compliance Committee Meetings” periodically to determine themes concerning compliance and initiatives and implements awareness-raising activities, planning and reporting. The officers of the Group are signatories to the Compliance Declaration.

Training Programs

FSG implements training programs as part of the promotion and awareness-raising activities of compliance. In FY2020, the Company implemented e-learning training concerning the “Code of Conduct,” “Competition and Antitrust,” “Anti-Corruption Anti-Bribery” and “Data Privacy” for the candidates for next-generation executive managers.

Whistle-blowing system

FSG has a whistle-blowing system in place which allows employees to lodge a direct internal report (Consultation Hotline) of doubtful conduct in order to detect misconduct relating to human rights, harassment, bribery and other compliance-related problems at an early stage and respond appropriately. As a consultation and reporting desk, not only internal hotline (including the Group Internal Audit Office) but also external law offices and external specialist companies are available for reporting.

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



Compliance Card

Family Festival

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

One example of such activities is the “Family Festival,” which the FSG holds on the anniversary of the Company’s foundation at each business location in Japan and abroad by inviting employees and their families. (The Family Festival was cancelled in FY2020.)

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

Furthermore, the Compliance Card that employees always carry contains this phrase: “Can you explain that judgment (action) of yours to your family (loved ones)?” This phrase means that the Company believes it is important to continue a style of open management that can be explained to, and supported by, one’s family.



Family Festival in Poland in May 2019

Commemorative Event of FSG's Foundation in the COVID-19 Pandemic

On May 12, 2021, FSG marked the 124th anniversary of its foundation. From the viewpoint of preventing the spread of COVID-19, we could not get together in one place, but the video message from CEO Okazaki was distributed, and the annual award ceremonies were held with ingenuity in each workplace.



Mexico



Family Festival at SxSC Center in May 2019 (Technical Center)

Risk Management

FSG has established the “Group Risk Management Regulations” concerning the basic policy and management systems to respond to risks around us.

The Group Compliance Committee considers that it is the basic frame of risk management to establish a system in which potential risks present in the entire Group and each business regional section are identified and the seriousness of each risk is shown on a risk map following the deliberation of the Board of Directors. Based on this risk map, action plans are formulated in each business regional section, and the relevant initiatives are put into practice on a continuous basis. At the same time, an emergency contact network has been also prepared in case of the occurrence of an unexpected event likely to have a serious impact on the Group’s management.

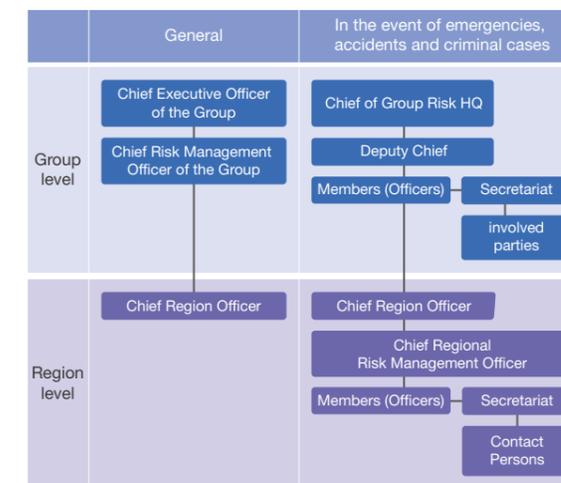
Furthermore, based on the said Regulations, the Group’s disaster prevention system and the crisis management system have been improved, disseminating and sharing assumed risks. We are working to implement quick and appropriate information transmission and responses in case of the occurrence of risks and for the prevention of recurrence.

With respect to risk monitoring functions, an internal audit is conducted by the Group Audit Office under the instruction of the Audit Committee, and an audit of risk management system is conducted by a third party when necessary, the

results of which are reported to the Audit Committee and Representative Executive Officer.

The Board of Directors supervises and discusses the status and the effectiveness of FSG’s risk management based on the report concerning the status of risk management received from Representative Executive Officer, the Audit Committee and Group Compliance Committee.

Diagram of Risk Management and Compliance Structure



Responses to the COVID-19 pandemic at business locations (Compliance and Risk Management)

Having been forced to globally take actions against the COVID-19 pandemic since 2020, we unite all of the employees’ efforts with awareness of the duty not to delay the delivery of daily necessities and pharmaceuticals we handle.



■ Tsukuba Plant, Japan

Spraying the entire space and disinfecting door knobs twice a day

■ PAGO, Germany

Wearing rubber gloves and shower caps during operations



■ Christmas 2020

Distributing Christmas gift boxes and other presents from the Company to employees in each country

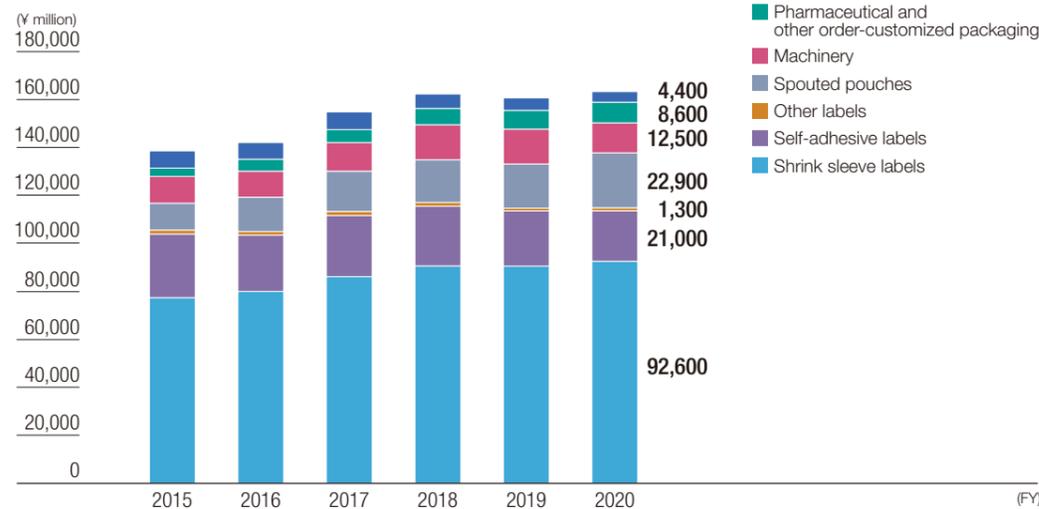
Consolidated Financial Results for FY2020 (Profit and Loss)

In FY2020, the business environment surrounding the Group observed a significant impact of the spread of COVID-19 around the globe on the Japanese economy due to restrictions of corporate activities and outings. While a sign of recovery is visible in the current economy in some areas, the economic trends vary significantly depending on country and region on a global basis. FSG's business also saw significant variances in such impact depending on the region and business domain.

Under these circumstances, we endeavor to improve corporate value by growing together with our customers under our mission statement, "Each day with renewed commitment, we create new value through packaging."

With respect to financial results for FY2020, net sales were 163,635 million yen (up 1.7% year on year), operating income was 12,104 million yen (down 6.2% year on year), and net income attributable to owners of the parent was 8,375 million yen (down 4.9% year on year).

Sales by product



Cash Flows

Cash and cash equivalents at the end of FY2019 were ¥21,549 million, an increase of ¥10,207 million from a year earlier.

Cash flows from operating activities

Net cash provided by operating activities was ¥18,847 million (compared with net cash of ¥19,086 million provided in the previous fiscal year). The main items contributing to increases in cash were the posting of income before income taxes of ¥11,629 million, depreciation and amortization of ¥8,056 million. The main item reducing cash (or refund) was ¥3,145 million in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥6,582 million (compared with net cash of ¥9,316 million used in the previous fiscal year). This was primarily attributable to cash outflows of ¥6,408 million for the purchase of tangible fixed assets.

Cash flows from financing activities

Net cash used in financing activities was ¥2,088 million (compared with net cash of ¥6,400 million used in the previous fiscal year). This was due mainly to an increase in borrowings of ¥1,020 million, cash dividends paid of ¥1,778 million and purchase of treasury stock of ¥979 million.

Medium-term Management Plan

Market opportunity

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

We will continue to grow by making the most of "the capability to flexibly and agilely respond to diversified packaging needs of our customers, the global market leaders, by our local manufacturing, selling and development systems, and to apply our technologies and experience to other areas," "the capability of responding to, and verifying market requirements and providing QCD through holding consistent technologies, ranging from material technologies

to manufacturing, customers' applications and after-sales service," and by leveraging our close relationships with innovative and global customers.

Whole picture of the Medium-term Management Plan

Under the new Medium-term Management Plan formulated to materialize what FSG aims to be, we will accelerate by implementing sustainable management the three priority issues globally consisting of (1) Accelerating and strengthening profitability of the overseas labelling business, (2) Expanding the primary packaging business, and (3) Creating new businesses.

Dividends

Under the new Medium-term Management Plan starting in the fiscal year ending March 2022, the Company aims to improve corporate value by contributing to the realization of a recycling-based society and sustainable society where people can live peacefully and with a smile through our packaging business. The top priority of management is placed on the continuous increase in profit return concurrently with returning profit to shareholders based on the consolidated financial results for the relevant period.

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

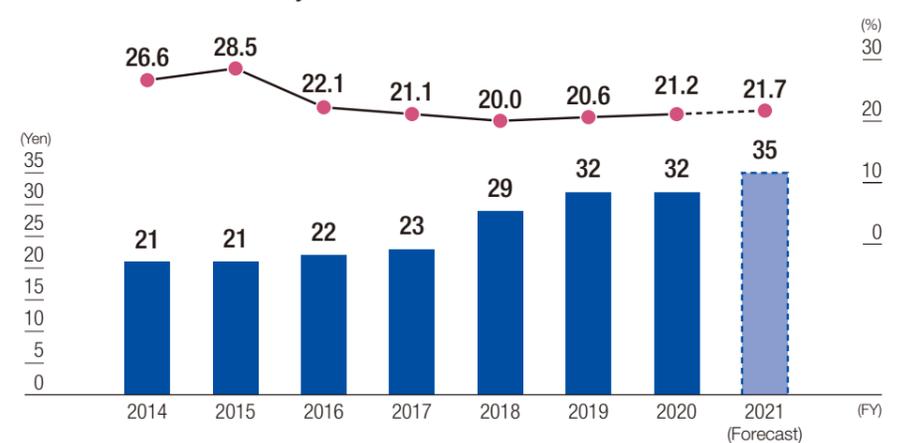
- Investments for continuous growth (technical development, human resource development, capital expenditure and M&A)
- Consolidated payout ratio targeted at 20% to 25%
- Stable and continuous increase in the dividends per share
- Build a stable financial base in preparation for unforeseen emergencies and implement flexible acquisition and disposition of treasury stock (to improve capital efficiency).

While the management environment surrounding the Group became extremely severe in FY2020 due to the spread of COVID-19, net income attributable to owners of the parent exceeded the forecast announced on May 13, 2020.

It was resolved at the Board of Directors' meeting held on May 20, 2021 that the year-end dividend for FY2020 would be 16 yen per share as initially forecast, considering the financial results for the current fiscal year. As a result, the total amount of the full-year dividend, including the interim dividend (16 yen per share), would be 32 yen per share, which would make the consolidated payout ratio 21.2%.

With respect to the full-year dividend for FY2021, the Company will pay 35 yen per share, considering the above-mentioned basic dividend policy. As a consequence, the estimated consolidated payout ratio for FY2021 will be 21.7%.

Trend of Dividends and Payout Ratio



Summary of Consolidated Financial Results (1)

Fiscal year	2016	2017	2018	2019	2020
Net sales (million yen)	141,977	154,724	162,189	160,925	163,635
YoY growth (%)	2.5	9.0	4.8	-0.8	1.7
Gross profit (million yen)	26,999	29,494	31,710	31,289	31,298
YoY growth (%)	4.3	9.2	7.5	-1.3	0.0
Operating income (million yen)	9,763	11,505	12,986	12,634	12,428
YoY growth (%)	11.0	17.8	12.9	-2.7	-1.6
Operating margin (%)	6.9	7.4	8.0	7.9	7.6
Ordinary income (million yen)	9,993	10,998	12,542	12,901	12,104
YoY growth (%)	19.1	10.1	14.0	2.9	-6.2
Ordinary income to net sales ratio (%)	7.0	7.1	7.7	8.0	7.4
Net income (million yen)	5,659	6,204	8,259	8,808	8,375
YoY growth (%)	35.2	9.6	33.1	6.7	-4.9
Net income to net sales ratio (%)	4.0	4.0	5.1	5.5	5.1
Net income per share (yen)	99.34	108.91	144.78	155.51	150.93
Net assets (million yen)	81,834	89,344	95,897	97,639	103,080
Total assets (million yen)	142,945	149,804	152,131	152,694	159,367
Equity ratio (%)	57.2	59.6	63.0	63.9	64.7
Return on equity (ROE) (%)	7.0	7.2	8.9	9.1	8.3
Net assets per share (yen)	1,436.43	1,566.53	1,681.01	1,757.22	1,869.58
Sales by product	(Million yen)				
Shrink sleeve labels	79,971	86,120	90,584	90,581	92,671
(Composition ratio)	56.3%	55.7%	55.9%	56.3%	56.6%
Self-adhesive labels	23,449	25,472	24,878	23,034	21,073
(Composition ratio)	16.5%	16.5%	15.3%	14.3%	12.9%
Other labels	1,485	1,673	1,565	1,199	1,390
(Composition ratio)	1.0%	1.1%	1.0%	0.7%	0.8%
Spouted pouches	14,285	16,773	17,749	18,492	22,906
(Composition ratio)	10.1%	10.8%	10.9%	11.5%	14.0%
Machinery	10,953	12,103	14,612	14,543	12,558
(Composition ratio)	7.7%	7.8%	9.0%	9.0%	7.7%
Pharmaceutical and other order-customized packaging	4,871	5,207	6,774	7,805	8,633
(Composition ratio)	3.4%	3.4%	4.2%	4.9%	5.3%
Other	6,960	7,373	6,025	5,268	4,401
(Composition ratio)	4.9%	4.8%	3.7%	3.3%	2.7%

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

Segment Information		(Million yen)				
Sales by business segment						
Japan		87,380	93,592	97,310	98,707	92,990
(Sales to external customers)		(86,170)	(92,342)	(96,030)	(97,454)	(91,286)
Americas		29,206	32,874	34,879	34,134	35,899
(Sales to external customers)		(28,816)	(32,130)	(34,050)	(34,075)	(35,888)
Europe		14,736	17,168	20,260	18,311	18,760
(Sales to external customers)		(13,075)	(15,192)	(17,352)	(15,626)	(14,802)
PAGO		11,947	12,450	11,094	9,701	8,201
(Sales to external customers)		(11,543)	(11,857)	(10,513)	(9,298)	(7,980)
ASEAN		2,393	3,208	4,347	4,623	16,145
(Sales to external customers)		(2,371)	(3,201)	(4,243)	(4,470)	(13,678)
Intersegment elimination		-3,687	-4,570	-5,703	-4,553	-8,361
Operating income by business segment						
Japan		9,323	10,016	9,903	9,482	8,145
Americas		2,443	3,129	3,083	3,084	3,650
Europe		-643	-711	38	186	767
PAGO		-1,346	-942	-87	-265	-494
ASEAN		23	-47	23	205	642
Intersegment elimination		-36	61	24	-58	-282
Foreign Exchange rates applied to overseas subsidiaries	USD (yen)	108.78	112.16	110.44	109.03	106.76
	EUR (yen)	120.26	126.70	130.35	122.03	121.88

Summary of Consolidated Financial Results (2)

Fiscal year	2016	2017	2018	2019	2020
(Profitability)					
Return on equity (ROE)	7.0%	7.2%	8.9%	9.1%	8.3%
Return on assets (ROA)	7.1%	7.5%	8.3%	8.5%	7.8%
(Safety)					
Current ratio	148.3%	160.8%	170.7%	173.4%	201.7%
Fixed assets to fixed liability ratio	75.2%	71.3%	66.9%	65.1%	58.1%
Debt equity ratio (times)	0.23	0.16	0.15	0.12	0.12
*Interest coverage ratio (times)	142.6	120.5	78.8	288.8	317.6
Cash flows (million yen)					
Cash flows from operating activities	15,185	11,879	10,470	19,086	18,847
Cash flows from investing activities	-10,584	-8,388	-7,449	-9,316	-6,582
Cash flows from financing activities	-1,570	-4,954	-2,715	-6,400	-2,088
Capital expenditure (million yen)					
Breakdown of capital expenditure (million yen)					
Japan	6,959	5,609	4,592	4,839	3,527
Americas	1,026	1,619	1,769	626	1,317
Europe	1,432	1,024	1,149	1,434	605
PAGO	340	295	301	430	109
ASEAN	318	123	99	488	699
Depreciation and amortization (million yen)					
Breakdown of depreciation and amortization (million yen)					
Japan	4,337	4,589	4,403	4,092	3,996
Americas	2,488	2,644	2,544	2,301	2,029
Europe	1,016	1,261	1,183	1,048	940
PAGO	542	555	517	523	395
ASEAN	188	210	213	220	886
Research and development (million yen)					
	2,343	2,187	2,120	2,539	2,394
Number of employees					
	4,253	4,478	4,703	5,719	5,741

*Interest coverage ratio = Cash flows from operating activities / Interest paid (The amount of interest paid as stated in the

Consolidated Balance Sheet

(Million yen)

As of March 31	2016	2017	2018	2019	2020
Assets:					
Current assets:	71,980	77,261	82,777	85,264	93,734
Cash and deposits	12,373	8,929	10,392	11,832	21,688
Notes and accounts receivable	33,791	38,348	39,790	41,510	40,973
Electronically recorded monetary claims	6,405	8,120	8,431	8,451	8,686
Merchandise and finished products	7,506	7,423	9,614	9,154	8,537
Work in process	2,682	3,931	3,683	3,492	3,458
Raw materials and supplies	5,441	6,188	6,707	7,135	6,762
Deferred tax assets	1,053	1,098	—	—	—
Other	2,937	3,421	4,300	3,957	3,837
Allowance for doubtful accounts	—212	—200	—144	—270	—210
Noncurrent assets:	70,965	72,542	69,354	67,429	65,632
Tangible fixed assets:	59,567	59,331	55,606	57,853	54,881
Buildings and structures	23,254	23,581	23,206	23,166	22,714
Machinery, equipment and vehicles	26,717	24,618	22,991	22,563	20,044
Land	5,409	5,459	5,402	6,203	6,257
Other	4,186	5,672	4,005	5,920	5,865
Intangible assets:	1,657	1,547	1,410	1,538	1,501
Consolidated adjustment account / Goodwill	—	—	—	203	159
Other	1,657	1,547	1,410	1,335	1,342
Investments and other assets	9,741	11,663	12,338	8,037	9,249
Total Assets	142,945	149,804	152,131	152,694	159,367
Liabilities:					
Current liabilities:	48,552	48,059	48,483	49,162	46,474
Notes and accounts payable	14,696	13,767	11,778	13,321	13,104
Electronically recorded monetary obligations	7,793	10,618	12,979	12,308	11,655
Short-term borrowings	7,612	8,687	8,408	7,192	5,416
Current portion of long-term debt	750	—	1,850	2,427	1,085
Income taxes payable	1,441	1,382	1,155	759	991
Accrued bonuses	1,414	1,620	1,566	1,559	1,713
Other current liabilities	14,844	11,983	10,745	11,594	12,508
Long-term liabilities:	12,558	12,400	7,751	5,891	9,811
Corporate bonds	—	—	—	—	—
Long-term debt	5,300	5,300	3,450	1,207	5,115
Net defined benefit liabilities	3,893	4,372	1,996	2,460	2,594
Other	3,365	2,728	2,305	2,222	2,102
Total Liabilities	61,110	60,460	56,234	55,054	56,286
Net Assets:					
Shareholders' equity:					
Common stock	5,990	5,990	5,990	5,990	5,990
Capital surplus	6,302	6,462	6,525	6,572	6,584
Retained earnings	68,001	72,953	79,786	86,776	93,372
Treasury stock	—3,165	—3,104	—3,083	—6,586	—7,537
Total shareholders' equity	77,128	82,301	89,218	92,752	98,410
Accumulated other comprehensive income:					
Unrealized gain on available-for-sale securities	1,146	1,598	1,630	1,362	1,318
Deferred gain or loss on hedge	—	—1	—5	—	—
Foreign currency translation adjustments	4,934	5,522	3,947	2,603	1,815
Remeasurements of defined benefit plans	—1,374	—76	1,106	921	1,535
Total accumulated other comprehensive income	4,706	7,042	6,679	4,887	4,670
Total Net Assets	81,834	89,344	95,897	97,639	103,080
Total Liabilities and Net Assets	142,945	149,804	152,131	152,694	159,367

Consolidated Statements of Income and Comprehensive Income

(Million yen)

Fiscal year	2016	2017	2018	2019	2020
Net sales	141,977	154,724	162,189	160,925	163,635
Cost of sales	114,977	125,230	130,478	129,635	132,337
Gross profit	26,999	29,494	31,710	31,289	31,298
Selling, general and administrative expenses	17,235	17,988	18,724	18,654	18,869
Operating income	9,763	11,505	12,986	12,634	12,428
Non-operating income:	531	140	148	388	221
Interest income	10	15	19	21	14
Dividend income	41	49	54	64	63
Foreign exchange gain	—	—	—	16	—
Equity in earnings of affiliates	375	—	—	200	—
Other	104	75	74	85	143
Non-operating expenses:	301	647	592	121	544
Interest expenses	111	112	101	62	67
Foreign exchange loss	174	128	153	—	389
Equity in loss of affiliates	—	390	233	—	—
Other	15	15	104	59	88
Ordinary income	9,993	10,998	12,542	12,901	12,104
Extraordinary gains	361	232	870	777	1,231
Extraordinary losses	672	2,066	1,559	1,105	1,706
Income before income taxes	9,683	9,164	11,853	12,573	11,629
Income taxes – current	4,122	4,405	4,188	3,744	3,889
Income taxes – deferred	—99	—1,446	—593	20	—634
Net income attributable to owners of the parent	5,659	6,204	8,259	8,808	8,375
Other comprehensive income	—2,667	2,335	—363	—1,791	—217
Comprehensive income	2,991	8,540	7,895	7,017	8,157

Consolidated Statements of Cash Flows

(Million yen)

Fiscal year	2016	2017	2018	2019	2020
Cash flows from operating activities	15,185	11,879	10,470	19,086	18,847
Cash flows from investing activities	—10,584	—8,388	—7,449	—9,316	—6,582
Cash flows from financing activities	—1,570	—4,954	—2,715	—6,400	—2,088
Effect of exchange rate changes on cash and cash equivalents	—36	—379	—122	7	30
Net increase (decrease) in cash and cash equivalents	2,994	—1,842	182	3,376	10,207
Cash and cash equivalents at beginning of period	6,632	9,626	7,784	7,966	11,342
Cash and cash equivalents at end of period	9,626	7,784	7,966	11,342	21,549

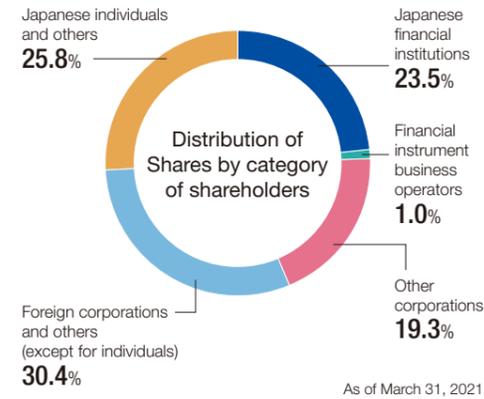
Dividends

Fiscal year	2016	2017	2018	2019	2020
Cash dividend per share (yen)	22	23	29	32	32
Total dividends (million yen)	1,253	1,311	1,654	1,794	1,771
Consolidated net sales (million yen)	141,977	154,724	162,189	160,925	163,635
Consolidated net income (million yen)	5,659	6,204	8,259	8,808	8,375
Net income per share (yen)	99.34	108.91	144.78	155.51	150.93
Consolidated payout ratio	22.1%	21.1%	20.0%	20.6%	21.2%
Average number of shares outstanding during the period	56,971,564	56,973,829	57,045,725	56,642,827	55,489,651

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

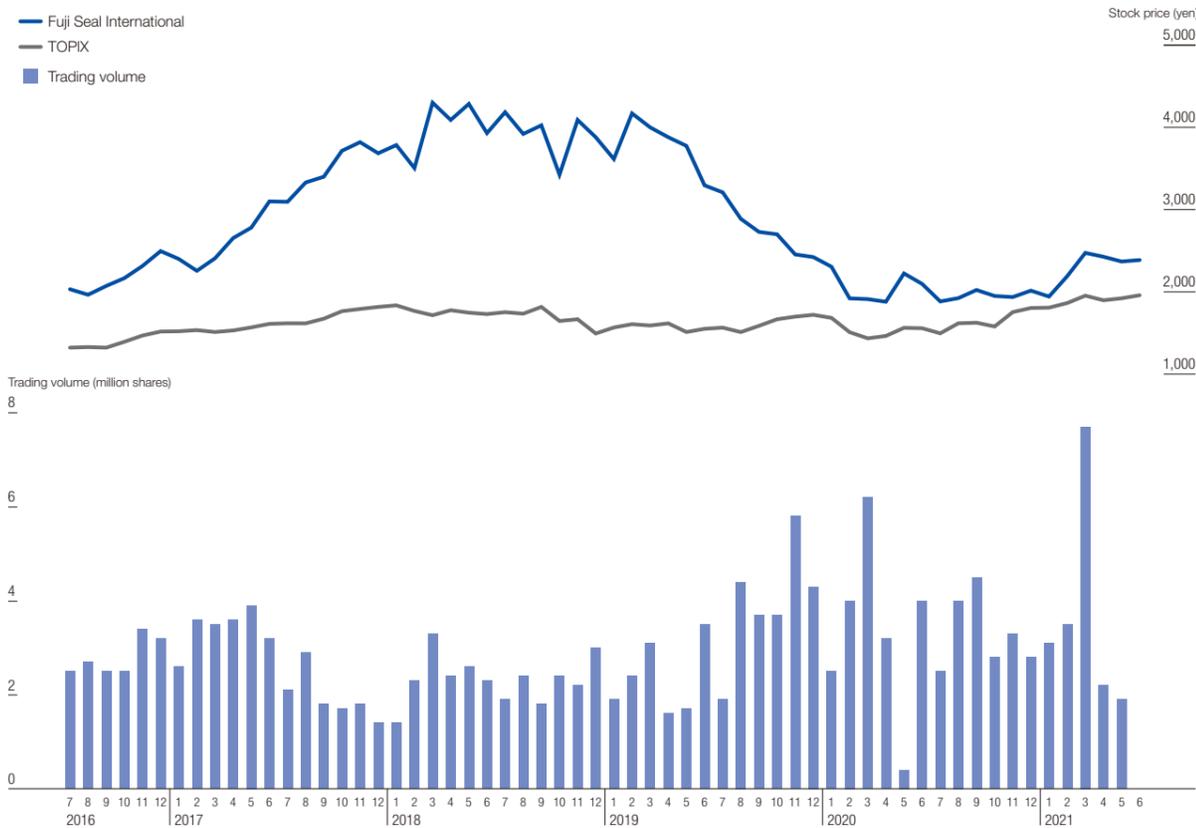
As of March 31, 2021

Shareholders and Share Information	
Stock code	7864
Company name	FUJI SEAL INTERNATIONAL, INC.
Established	October 1958
Date on which the Company went public	December 25, 2003 (First Section, the Tokyo Stock Exchange) October 28, 1997 (JASDAQ)
Type of business	Other manufacturing
Shares listed on	Tokyo Stock Exchange
Book closing	March 31
Interim dividend payment	Yes
Share trading unit	100 shares
Number of shares outstanding	60,161,956 (as of March 31, 2021)
Number of shareholders	19,558 (as of March 31, 2021)



As of March 31, 2021

Trend of Stock Price and Trading Volume



As of March 31, 2021

Company Information	
Company name	Fuji Seal International, INC.
Establishment	October 18, 1958 (Founded in 1897) * On October 1, 2004, the company name was changed from Fuji Seal, Inc. as the Company adopted the holding company system.
Common stock	5.99 billion yen (As of March 31, 2021)
Consolidated net sales	163.635 billion yen (for the year ended March 31, 2021)
Representative	Masayuki Shirokawa, President (As of August 1, 2021)
Main businesses	As a holding company, the Company is responsible for formulating and promoting management strategies of the Fuji Seal Group as a whole, auditing the management of the Group companies, and other management. * The Fuji Seal Group is a global provider of packaging solutions as a system which include packaging machinery and services for shrink sleeve labels, self-adhesive labels and spouted pouches.
Number of employees	41 (Total number of employees of the Group companies on a consolidated basis: 5,741) As of March 31, 2021
Head office	Osaka Head Office: 4-1-9 Miyahara, Yodogawa-ku, Osaka 532-0003, Japan Telephone: +81-6-6350-1080

As of March 31, 2021

Principal Shareholders

Name	Address	Number of shares held (thousand)	Ratio of ownership to total number of shares outstanding (except for treasury stock) (%)
Soho KK	Toyonaka City, Osaka	6,240	11.3
Fuji Seal Foundation	4-1-9 Miyahara, Yodogawa-ku, Osaka	4,800	8.7
Custody Bank of Japan(Trust account)	Harumi Island Triton Square Tower Z 8-12, Harumi 1-Chome, Chuo-ku, Tokyo	4,616	8.4
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	3,175	5.8
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, MSV 3L3(6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	2,164	3.9
Shigeko Okazaki	Toyonaka City, Osaka	1,801	3.3
The Master Trust Bank of Japan, Ltd. (Retail trust account 820079255)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	1,800	3.3
Hiroko Fujio	Toyonaka City, Osaka	1,784	3.2
JP MORGAN CHASE BANK 385632 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Tower A, 2-15-1 Konan, Minato-ku, Tokyo)	1,671	3.0
State Street Bank and Trust Company505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25th Floor, Toranomon Morinta, No. 23, 1 Toranomon 1-chome, Minato-ku, Tokyo	1,537	2.8
Total	-	29,593	53.7

Notes:

- Of the above-mentioned number of shares held, the number of shares held in the trust business is as follows:
Custody Bank of Japan(Trust account): 4,589 thousand
The Master Trust Bank of Japan, Ltd. (Trust account): 3,174 thousand
Those shares consist of 5,575 thousand shares for investment trusts, 928 thousand shares for pension trusts, and 1,260 thousand shares for other trusts.
- The number of treasury shares held by the Company is 5,026 thousand, which is not indicated in the above table of principal shareholders.
- Considering that the representative of Soho KK is Shigeko Okazaki, the voting rights held by Soho KK are substantially perceived as united with those held by her. Therefore, the largest shareholder of the Company is Shigeko Okazaki.
- Kabouter Management, LLC (hereinafter, "Kabouter Management"), for which an amendment to the Substantial Shareholding Report dated August 6, 2020 became available for public inspection, is not included in the principal shareholders above because the Company could not confirm as of March 31, 2021 the number of shares substantially held by Kabouter Management on August 3, 2020. For reference, the content of the said amendment to the Substantial Shareholding Report is shown below.

Name	Address	Number of shares held (thousand)	Ratio of ownership to total number of shares outstanding (except for treasury stock) (%)
Kabouter Management, LLC	401 North Michigan Avenue, Suite 2510 Chicago, IL 60611,USA	2,966	4.9

5. A Substantial Shareholding Report dated October 8, 2020 which became available for public inspection indicates that Global Alpha Capital Management Ltd. (hereinafter, "Global Alpha") held the following number of shares as of October 2, 2020. However, the Company could not confirm such number of shares substantially held by Global Alpha as of March 31, 2021. Therefore, Global Alpha is not included in the principal shareholders above. For reference, the content of the said Substantial Shareholding Report is shown below.

Name	Address	Number of shares held (thousand)	Ratio of ownership to total number of shares outstanding (except for treasury stock) (%)
Global Alpha Capital Management Ltd.	1300-1800 McGill College Ave Suite 1300, Montreal, Quebec, Canada	3,615	6.0



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