



Engaging in Discussion Toward the creation of New Value

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

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

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

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

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

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

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

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

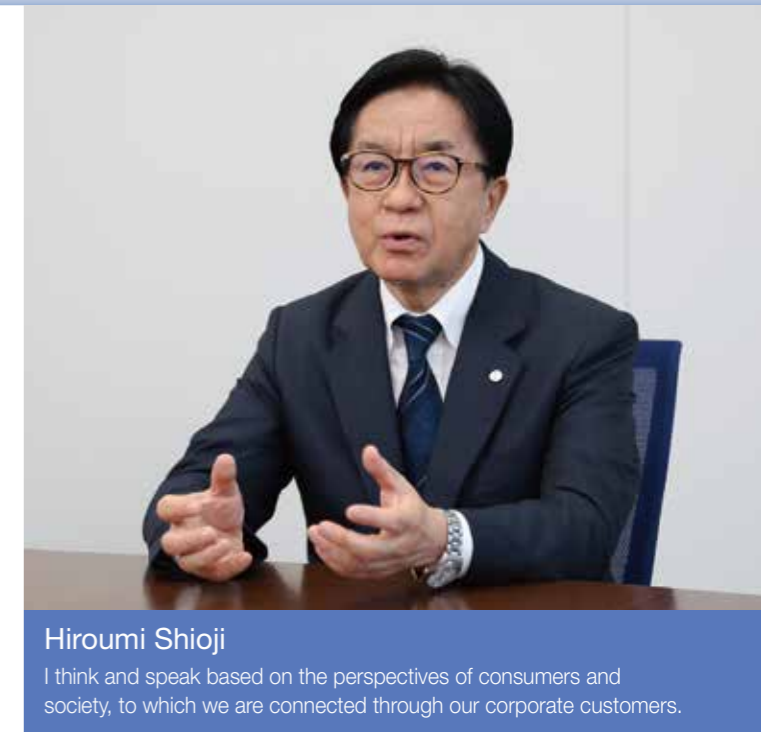
Maki: That is why we naturally feel a strong duty to contribute valuable comments, and it is always serious business.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

What are your views on FSG's sustainability initiatives?

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

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

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



Yuichi Seki

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

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

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

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

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

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



Tatsundo Maki

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