



FY2022 Second Quarter Financial Results Supplementary Briefing Materials

Fuji Seal International, Inc.

November 10, 2022

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Key Points of FY2022 the Second Quarter (Cumulative) Results

- In the first half of the fiscal year, while net sales increase year-on-year, each level of profit decreases.
- Compared to the full-year announced figures, although sales are in line with the plan, the progress of profits is somewhat behind schedule.

(Millions of yen)	FY2021 2nd quarter	FY2022 2nd quarter	Increase/Decrease		FY2022 Announced full year	Vs. Announcement
			(Amount)	(%)		Progress rate
Net sales	88,339	90,909	+2,569	+2.9%	179,000	50.8%
Operating profits (Operating Profit Margin)	7,996 (9.1%)	4,729 (5.2%)	△3,266	△40.9% (△3.8pt)	11,100 (6.2%)	42.6% (△1.0pt)
Ordinary profits (Ordinary Profit Margin)	8,223 (9.3%)	5,106 (5.6%)	△3,116	△37.9% (△3.7pt)	11,000 (6.1%)	46.4% (△0.5pt)
Net profits (Net Profit Margin)	5,587 (6.3%)	3,486 (3.8%)	△2,100	△37.6% (△2.5pt)	6,300 (3.5%)	55.3% (+0.3pt)
Foreign Currency Translation Rate (average)	USD	107.82				
	EUR	129.89				
				+14.2%	125.00	△1.5%
				+3.5%	135.00	△0.5%

FY2022 2nd Quarter (Cumulative) Results (1) Net Sales by Region

- Consolidated net sales decreased slightly on a basis excluding the impact of the exchange rate. By region, sales increased YoY in Japan, the Americas, and Europe (excluding the impact of FSCH), and sales decreased in ASEAN.

(Millions of yen)	FY2021 2nd quarter	FY2022 2nd quarter	Year-on-year change	Excluding forex impact	
Consolidated net sales	88,339	90,909	+2,569	Δ1,905	Δ2.2%
Japan	48,453	49,172	+719	+719	+1.5%
Americas	20,765	23,914	+3,149	+174	+0.8%
Europe	14,797	13,858	Δ938	Δ1,403	Δ9.5%
ASEAN	8,105	8,317	+211	Δ823	Δ10.2%
Eliminations	Δ3,782	Δ4,355	Δ572	Δ572	+15.1%
Europe (excluding FSCH)	13,061	13,858	+797	+333	+2.6%

FY2021 2nd quarter	88,339
Japan	719
Americas	174
Europe	Δ1,403
ASEAN	Δ823
Eliminations	Δ572
Forex impact	4,474
FY2022 2nd quarter	90,909

Increase (Decrease)
Excluding forex
impact
↑
↓
Δ1,905

[N.B.] FSCH (formerly PAGO Switzerland) is not included in sales for the first half of this fiscal year due to the transfer of its business in July last year.

FY2022 2nd Quarter (Cumulative) Results (2) Net Sales by Segment by Region

(Millions of yen)	FY2021 2nd quarter	FY2022 2nd quarter	Year-on-year change		
			Change	Rate of change	Excluding forex impact Rate of change
Japan	48,453	49,172	719	+1.5%	-
Shrink label	24,831	25,387	556	+2.2%	-
PS label	5,177	4,998	△179	△3.5%	-
Soft pouch	8,791	10,348	1,557	+17.7%	-
Machinery	2,759	2,343	△416	△15.1%	-
Others	6,893	6,094	△798	△11.6%	-
Americas	20,765	23,914	3,149	+15.2%	+0.8%
Shrink label	16,538	19,733	3,194	+19.3%	+4.5%
PS label	570	943	373	+65.5%	+44.9%
Soft pouch	252	142	△110	△43.7%	△50.7%
Machinery	2,743	2,265	△477	△17.4%	△27.7%
Others	660	829	169	+25.6%	+10.0%
Europe	14,797	13,858	△938	△6.3%	△9.5%
Shrink label	6,958	7,544	585	+8.4%	+4.8%
PS label	3,893	2,672	△1,220	△31.4%	△33.7%
Soft pouch	88	66	△21	△24.7%	△27.2%
Machinery	3,856	3,575	△281	△7.3%	△10.4%
ASEAN	8,105	8,317	211	+2.6%	△10.2%
Shrink label	3,669	4,001	331	+9.0%	△4.5%
PS label	98	67	△31	△31.6%	△40.1%
Soft pouch	4,033	4,036	3	+0.1%	△12.4%
Machinery	189	96	△92	△48.8%	△55.2%
Others	115	115	0	+0.6%	△12.0%
Eliminations	△3,782	△4,355	△572	+15.1%	
Consolidated net	88,339	90,909	2,569	+2.9%	

Japan	<ul style="list-style-type: none"> ● Shrink labels increased slightly due to a recovery in the beverage sector. ● Increased sales of soft pouches due to increased demand for larger refills and increased use of pouch containers. ● Other (contract packaging) sales declined due to a reaction to special demand for Corona.
Americas	<ul style="list-style-type: none"> ● Shrink labels maintained revenue growth, however growth was limited due to the impact of raw material shortages caused by the accident involving raw material manufacturers. ● Sales of PS labels increased due to the contribution of new projects. ● Machinery sales declined due to the impact of customer delays.
Europe	<ul style="list-style-type: none"> ● Sales of shrink labels increased due to strong orders. ● While sales of PS labels declined due to the business transfer in Switzerland, sales increased excluding this impact. ● Machinery sales declined due to the impact of sales to the Americas.
ASEAN	<ul style="list-style-type: none"> ● Sales of shrink labels decreased due to a reduction in orders from a large customer in Indonesia. ● Orders for soft pouches continue to decline due to price revisions.

FY2022 2nd Quarter (Cumulative) Results (3) Operating Profits by Region

- Profits declined in each region due to continued increases in raw material costs, etc. that exceeded the effects of price revisions.
 - ～ Price revision negotiations for the first and second stage progressed as planned.
 - ～ Raw material prices, logistics costs, and utility costs continue to rise above expectations at the beginning of the term. The time lag for the effect of price revisions to catch up prolonged, resulting in a decline in profit.

(Millions of yen)	FY2021 2nd quarter	FY2022 2nd quarter	Year-on-year change	Excluding forex impact		
Consolidated operating profits	7,996	4,729	△3,266	△3,398	△42.5%	Japan <ul style="list-style-type: none"> ● Withdrawal of unprofitable products progressed as planned. ● As for the replacement with differentiated products, the use of primary container pouches was strong. Other items are delayed compared to forecasts.
Japan	5,351	4,398	△953	△953	△17.8%	Americas <ul style="list-style-type: none"> ● Expansion of orders for differentiated RecShrink™ is progressing well. ● Profit decreased due to the impact of procurement difficulties caused by an accident involving a raw material manufacturer.
Americas	2,113	1,414	△698	△875	△41.4%	
Europe	296	△749	△1,046	△1,020	-	Europe <ul style="list-style-type: none"> ● The restructuring plan is generally in progress as planned. ● Profit decreased due to an increase in spot purchases of raw materials.
ASEAN	291	△137	△428	△411	-	ASEAN <ul style="list-style-type: none"> ● Sales of shrink labels declined due to the impact of a reduction in orders from a large Indonesian customer. ● Orders for soft pouches continue to decline due to price revisions.
Eliminations	△56	△196	△139	△139	+246.3%	

FY2022 2nd Quarter (Cumulative) Results (4) Non-operating Income and Expenses, Ordinary Profits and Net Profits

(Millions of yen)	FY2021 2nd quarter	FY2022 2nd quarter	Increase/Decrease	
			(Amount)	(%)
Net sales	88,339	90,909	+2,569	+2.9%
Operating profits	7,996	4,729	△ 3,266	△40.9%
• Non-operating income	301	469	+167	+55.7%
• Non-operating expenses	74	92	+17	+24.2%
Ordinary profits	8,223	5,106	△ 3,116	△37.9%
• Extraordinary income	254	19	△ 235	△92.2%
• Extraordinary losses	402	74	△ 328	△81.5%
Before income taxes				
Net profits	8,075	5,051	△ 3,023	△37.4%
• Income taxes	2,487	1,564	△ 922	△37.1%
Net profits	5,587	3,486	△ 2,100	△37.6%
Foreign Currency Translation Rate (average)	USD	107.82	123.14	+14.2%
	EUR	129.89	134.39	+3.5%

[Non-operating income]

- Foreign exchange gains mainly due to translation differences on loans to overseas subsidiaries.

[Extraordinary income]

- In the current fiscal year, gains on sales of fixed assets, mainly at European subsidiaries.

In the previous fiscal year, insurance proceeds from the Tsukuba Plant fire (in fiscal 2019) were one-time.

[Extraordinary losses]

- Loss on sales and disposal of property, plant and equipment, etc. in the current fiscal year.

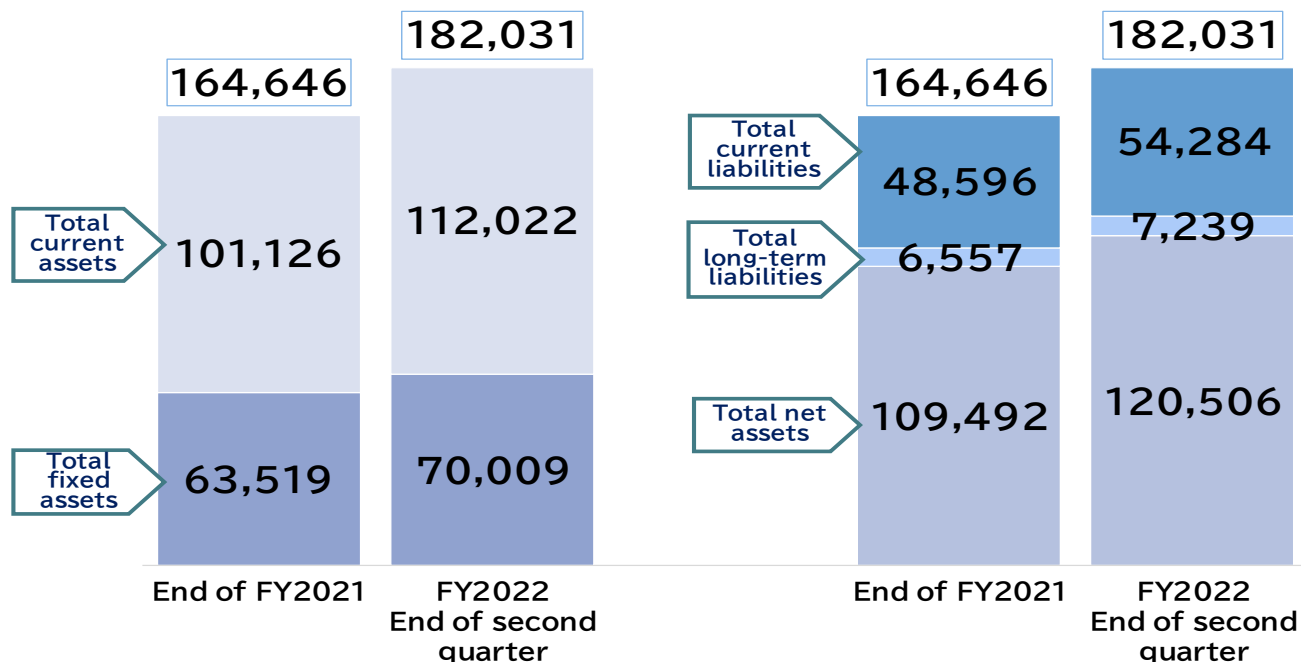
In the previous fiscal year, mainly losses from the sale of the label business in PAGO Switzerland.

[Income taxes]

- Income taxes for the current fiscal year are at the assumed level.

FY2022 2nd Quarter Results (5) B/S

(Millions of yen)



	End of FY2021	FY2022 End of second quarter	Rate of change
Equity ratio	66.5%	66.2%	△0.3pt
Interest-bearing debt	12,520	11,436	△8.7%
D/E ratio	11.4%	9.5%	△1.9pt

Foreign Currency Translation Rate		End of FY2021	FY2022 End of second quarter	Rate of change
Foreign Currency Translation Rate	USD	115.02	136.68	+18.8%
	EUR	130.51	142.67	+9.3%

Major Points of Increase/Decrease			
Total assets	+17,385	Total liabilities	+6,370
• Cash and deposits	△4,547	• Notes and accounts payable (including electronically recorded obligations)	+4,928
• Notes and accounts receivable (including electronically recorded claims)	+9,311	• Borrowings	△1,020
• Inventories	+4,619	Total net assets	+11,014
• Tangible fixed assets	+5,892	• Retained earnings	+2,501
		• Foreign currency translation adjustments	+8,136

FY2022 2nd Quarter Results (6) CF and Capital Expenditures and Depreciation

Cash Flows

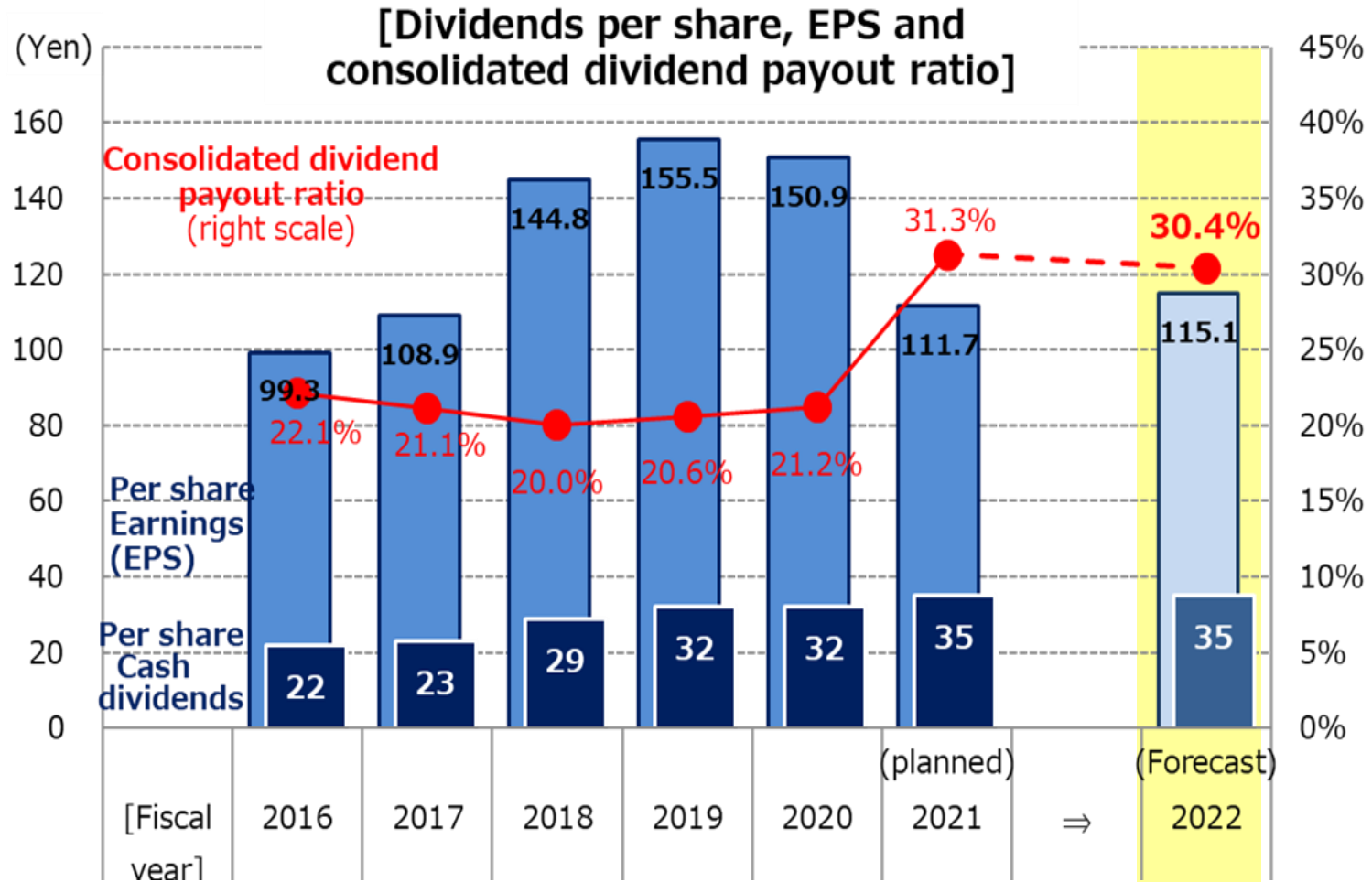
(Millions of yen)

	FY2021 2nd quarter	FY2022 2nd quarter	Breakdown of CF for the year
CF Period-start cash and deposits balance	21,549	24,105	
Operating cash flow	7,548	2,966	Profits before income taxes +5051, depreciation and amortization +3745, increase in accounts receivable Δ 6423, inventories Δ 2756, increase in accounts payable +4087, income taxes paid Δ 1759
Investment CF	Δ 5,796	Δ 6,247	Purchases of property, plant and equipment Δ 6,082
Finance CF	Δ 5,687	Δ 6,154	repayment of borrowings Δ 5021, dividends paid Δ 985
Foreign currency translation adjustments	364	1,583	
CF Period-end cash and deposits balance	17,979	16,253	
Free CF	1,752	Δ 3,281	

Capital Expenditure and Depreciation

	FY2021 2nd quarter	FY2022 2nd quarter	Reasons for change
Capital expenditures	4,911	5,851	Americas +2878* Capital expenditures mainly for new North Carolina plant
Depreciation and amortization	4,010	3,745	

Dividends of surplus



The second quarter-end dividend (interim dividend) will be paid as originally planned.

- Interim dividend 17 yen per share
- Total dividends 931 million yen
- Start pay date December 1, 2022

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Business Strategy Topics: Continuing Priority Measures

① Improving sales and production margins

- **Sales:** Accelerate the transition to a pricing methodology that immediately reflects market prices and a review of cost sharing rules, such as transportation, warehouse, inventory, and product disposal costs. Continue to pass on the hikes in raw material and other costs through the third and fourth price revisions.
- **Production:** Promote reduction of material costs through global purchasing and switching to alternative materials. In the medium-to long-term, the company plans to significantly improve productivity by operating new plants.

② Increase profit margins and sales volume by shifting to differentiated products (environmentally friendly products)

- In addition to 20 μ ultra-thinner, RecShrink™, and Fuji Pouch, we are expanding water-based printing and new machinery in the shrink business, linerless labels & labelers in the PSL business, and next-generation new technological products in the soft pouch business. Expand the lineup of environmentally friendly products in all fields to promote sales and improve margins.

③ Streamlining existing businesses

- Continue fundamental structural reforms in the European region.
- Strengthen reduction and withdrawal of unprofitable products and review of product portfolio.

Business Strategy Topics: Toward Expanding Sales of Environmentally Friendly Products



Trade shows	K-Show 2022
Schedule	October 19 to 26
Location	Dusseldorf, Germany
Number of participating companies (forecast)	3000 companies

<https://www.k-online.com/>

TOKYO PACK 2022

Trade shows	TOKYO PACK 2022
Schedule	October 12 to 14
Location	Tokyo, Japan
Number of participating companies (forecast)	340 companies

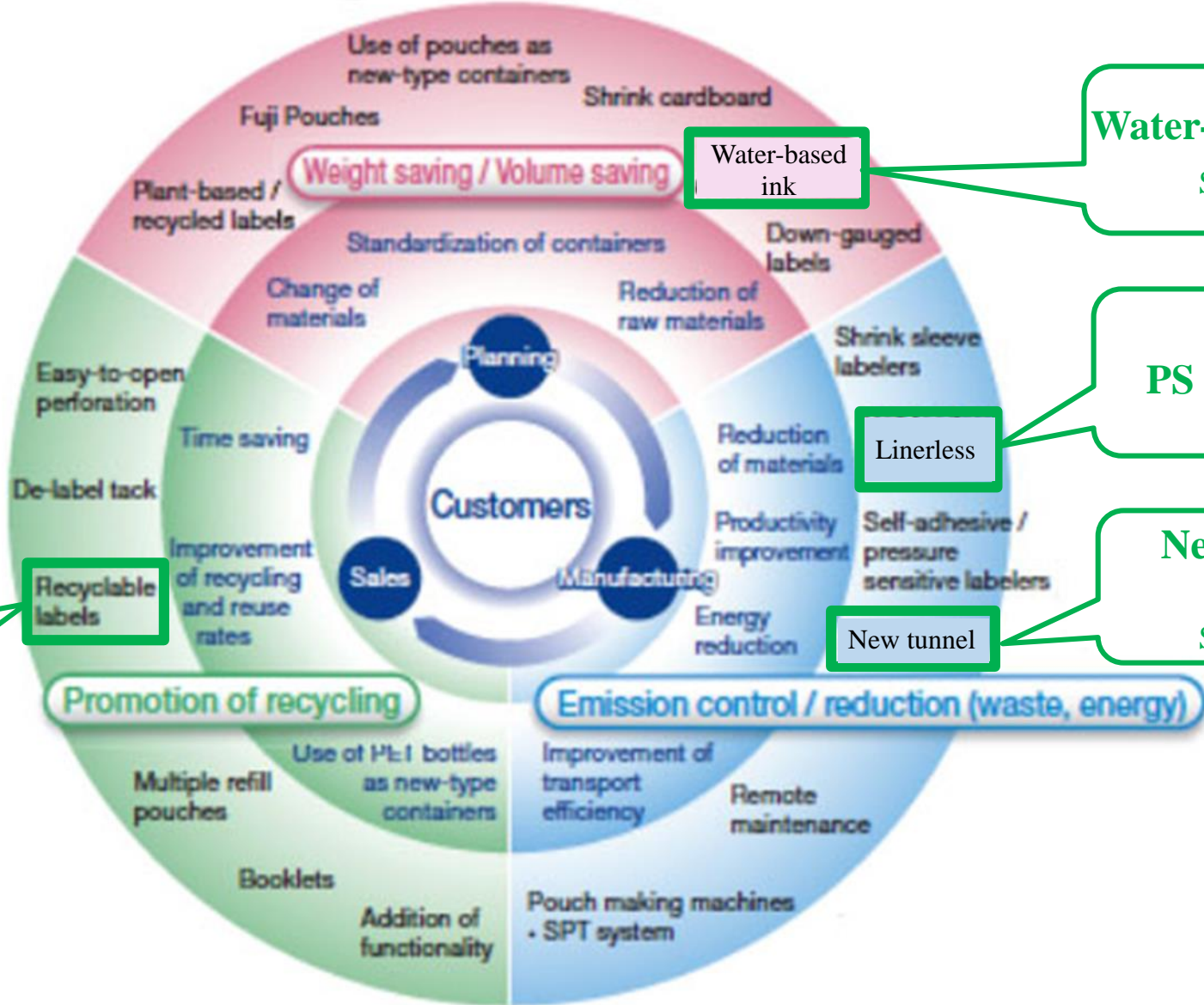
<https://www.tokyo-pack.jp/>

PACK EXPO INTERNATIONAL

Trade shows	PACK EXPO INTERNATIONAL 2022
Schedule	October 23 to 26
Location	Chicago, the United States
Number of participating companies (forecast)	1949 companies

<https://www.packexpointernational.com/>

Toward Expanding Sales of Environmentally Friendly Products



Water-based flexo printing
Shrink ② (page 16)

Linerless PS Label & Labeler
PSL ① (page 18)

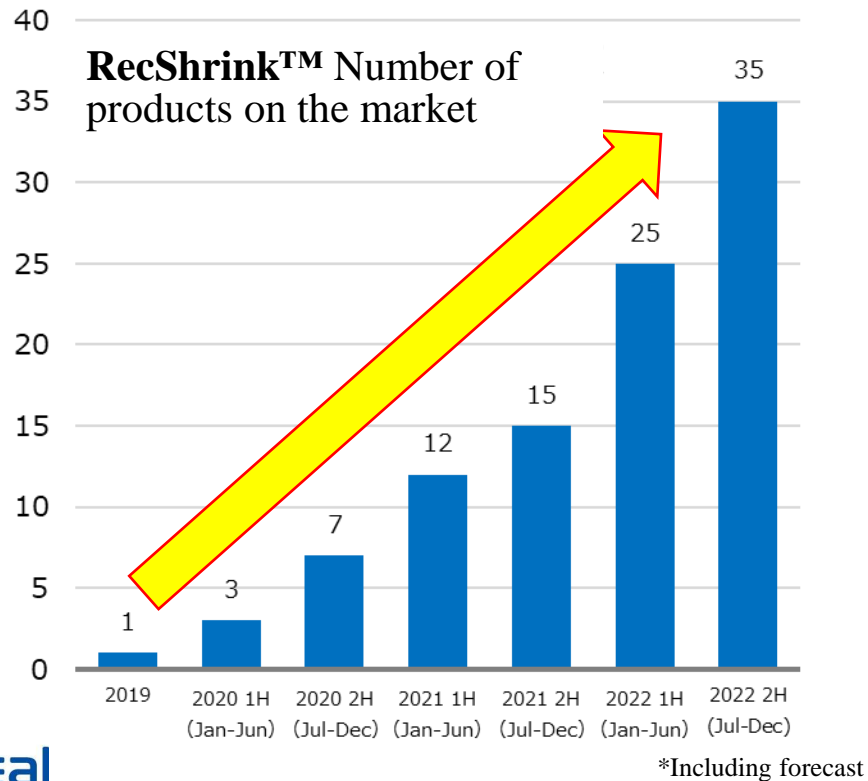
New Shrink tunnel (Vapor)
Shrink ③ (page 17)

Renewable design label
RecShrink™
Shrink ① (page 15)

Shrink ①: Expand sales of RecShrink™ (Renewable shrink label)

● Americas

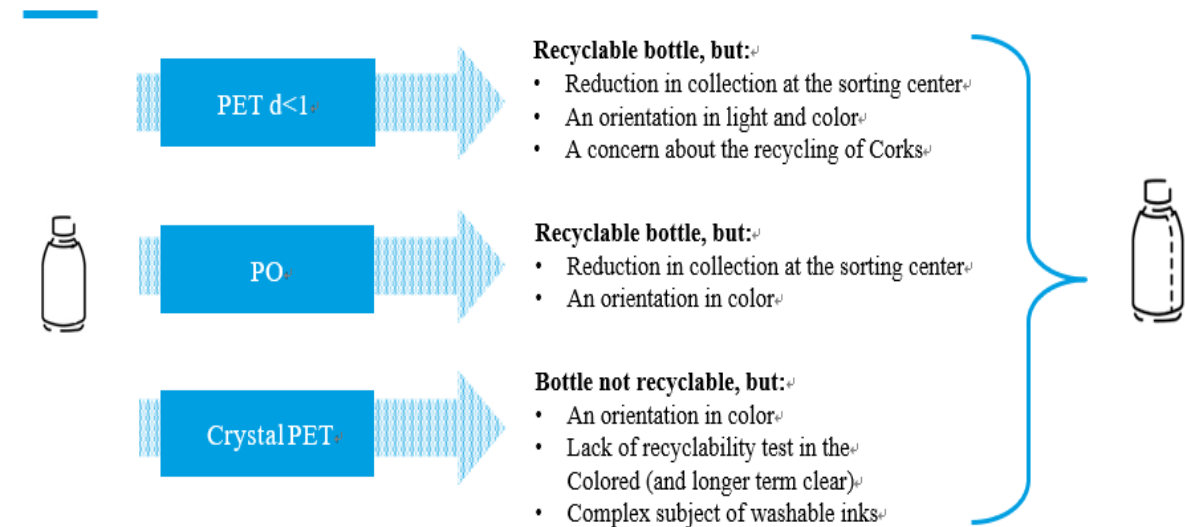
Steady sales expansion is underway. It is scheduled to launch 35 products from 10 companies (as of December 2022), including Nestle's coffee creamer products and products from major beverage manufacturers, and the number of products adopted is continuing to expand.



● Europe

New environmental tax of 10% is scheduled to be introduced in France. In shrink labels, low weight and RecShrink™ are expected to be exempt (CITEO guidelines). In Europe, we aim to intensively expand sales of RecShrink™ in France and further expand into other regions of Europe.

Working on the material of the sleeve is part of the solution...



... but is not sufficient without perforation and/or technical progress in sorting and recycling

*Excerpts from Materials Related to Certification of New Environmental Tax (Published by CITEO in September 2022)

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Shrink ②: Shrink label (water-based flexo printing)



Oolong Tea

Example:

a product printed by water-based printing

- A long-selling brand of oolong tea has adopted a shrink film manufactured by water-based flexographic printing.
- Compared to conventional oil-based gravure printing, the new printing method reduces CO₂ emissions by about 55% or total annual emissions of 160.9 tons*.

*Estimation based on the calculation conditions by General Incorporated Association Sustainable Management Promotion Organization (SuMPO).

Shrink ③: New Shrink Tunnel (Vapor)

New Eco Friendly generation of shrink tunnels



[Eco friendly]

- to reduce energy (power) consumption by 66%*
- to reduce water usage by 75%*
- to reduce CO2 emissions by 50%*
- to reduce heat output by 50%*

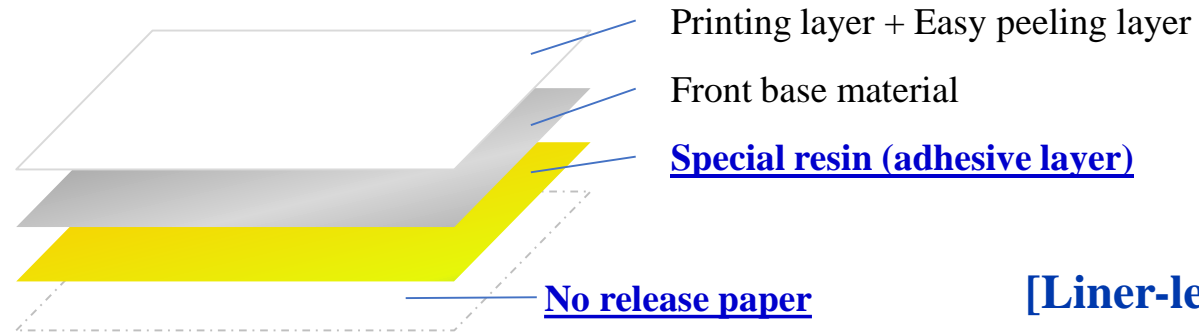
* Compared to our traditional steam tunnel

PSL ①: Linerless Label & Labeler

Developed environmentally friendly PS labels and labelers
Do not use any release paper in the label manufacturing process.



[Linerless Label]



[Liner-less Labeler]

- CO2 can be reduced by about 50%
- reduces energy consumption by about 53%
- The number of rolls per roll is increased by about 2.5 times
- reduce the cost of storage and freight
- Easy to switch from the conventional PS labeler.
- Pasting speed is the same as before.

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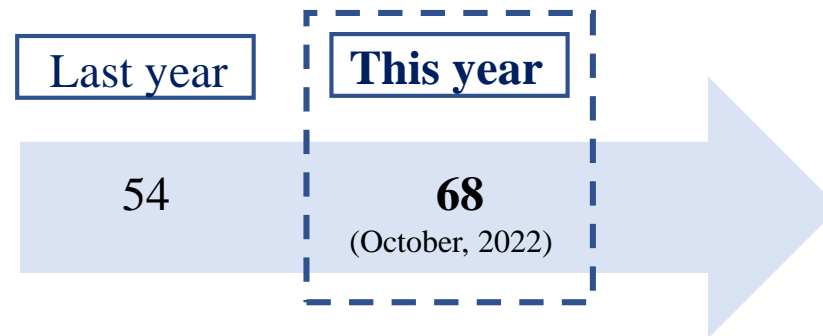
▶ New Environmental, Social, and Governance Initiatives

- ESG survey
- On-Site classes

Improve assessment of ESG survey ①

■ EcoVadis

Assessment of ESG survey



Improved assessment of ESG surveys

Acquired **Gold Medal** in 2022



● **"Gold"** is awarded to companies that have received a high evaluation in the **top 5%** from among all evaluation targets of more than 100,000 companies in more than 175 countries.

Assessment of the four themes of "Environment", "Labor and Human Rights", "Ethics" and "Sustainable Material Procurement" were comprehensively conducted, and the Fuji Seal Group received a particularly **high evaluation in "Environment"**.

● In the environmental field, rated in the **top 1%** in the **plastic product manufacturing industry**.

Improve assessment of ESG survey ②

Assessment of ESG survey

	Last year	This year
■ MSCI (WIN)	7.86	7.325 (Jun. 2022)
■ FTSE	3.4	3.5 (Jun. 2022)
■ S&P	Second tenth	Second tenth (Jun. 2022)
■ SOMPO	138.7	174.6 (Jun. 2022)



Continue to be selected as a **component** of ESG index

- **MSCI**
Japanese Empowering Women Index since 2019 (WIN, 368 stocks)
- **FTSE**
Blossom Japan Index in 2021 (253 stocks)
- **S&P**
Carbon Efficient Index in 2021 (Second tenth place)
- **SOMPO**
SOMPO Sustainability Index in 2021 (Approx. 300 stocks)

125th Anniversary Initiatives - On-Site Classes

The Fuji Seal Group celebrated its 125th anniversary. As a leading company in the packaging industry, we will continue to contribute to the realization of a sustainable society by delivering value that is friendly to people and the environment.

As a community activity in the areas where our group bases are located, we are conducting on-site classes using eco-bags that utilize chemical recycling.



Held in Hiroshima

Held at an elementary school in Yamagata

We recycled label wastes and labels collected from the market to produce eco-bags.

After the workshop, we distributed eco bags.

We will continue our activities for overseas bases and children and students in the future.

Our Vision

Our Vision – To Be –

Sustainable and profitable growth
in the packaging industry

Our Value to People and the Planet

Our proactive impact to realize
the Regenerative Society

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

Cautionary Statement

This report is intended to provide a better understanding of the Fuji Seal Group and is not necessarily intended to recommend investment. This report includes earnings forecasts and business plans, which are based on certain assumptions in the economic environment and business policies at the time of preparing these materials. Therefore, please be advised in advance that actual results may differ materially from these forecasts due to various factors.
