

# Flash Report for the First Three Quarters Ended December 31, 2007 (Consolidated basis)

February 13, 2008

Name of the listed company: **Fuji Seal International, Inc.**

Code No.: 7864 Stock exchange: TSE (1<sup>st</sup> section)

URL: <http://www.fujiseal.co.jp>

Representative: President and COO Ken Takeda

Contact: Director and CFO Hiroo Okazaki

\* All amounts are rounded down to the nearest million yen.

## 1. Results for the First Three Quarters (April 1 to December 31, 2007)

(1) Operating results (¥ million)

	Net sales		Operating income		Ordinary income	
1st three quarters ended Dec. 31, 2007	¥70,705	7.0%	¥4,719	(9.1)%	¥4,708	(15.9)%
1st three quarters ended Dec. 31, 2006	66,072	1.3	5,192	(8.4)	5,598	(4.9)
Previous year ended March 31, 2007	88,204	1.5	6,313	(12.1)	6,699	(8.1)

  

	Net income		Earnings per share (¥)		Diluted EPS (¥)	
1st three quarters ended Dec. 31, 2007	¥2,808	(11.9)%	¥ 95.19		¥ —	
1st three quarters ended Dec. 31, 2006	3,187	(6.5)	106.05		106.02	
Previous year ended March 31, 2007	3,540	(4.8)	117.81		117.80	

Note: Percentage figures for net sales, operating income, ordinary income and net income represent year-on-year changes (minus figures are shown in parentheses).

(2) Financial position (¥ million)

	Total assets	Net assets	Equity ratio	Net assets per share (¥)
As of Dec. 31, 2007	¥82,458	¥47,676	57.8%	¥1,624.02
As of Dec. 31, 2006	77,583	46,234	59.6	1,538.20
As of March 31, 2007	78,301	47,531	60.7	1,581.37

(3) Cash flows (¥ million)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
1st three quarters ended Dec. 31, 2007	¥4,838	¥(5,372)	¥ (558)	¥1,673
1st three quarters ended Dec. 31, 2006	4,242	(7,843)	2,690	4,629
Previous year ended March 31, 2007	5,248	(9,530)	1,321	2,720

## 2. Dividends

	Annual dividends per share (¥)		
	Interim	Year-end	Annual
Year ended March 31, 2007	¥15.00	¥15.00	¥30.00
Year ending March 31, 2008 (actual)	15.00	—	30.00
Year ending March 31, 2008 (forecast)	—	15.00	

### 3. Business Performance Forecasts for the Year Ending March 31, 2008

(April 1, 2007 to March 31, 2008)

	(¥ million)								
	Net sales		Operating income		Ordinary income		Net income		Earnings per share (¥)
Full term	¥92,800	5.2%	¥5,240	(17.0)%	¥4,960	(26.0)%	¥2,450	(30.8)%	¥83.46

Note: Percentage figures represent year-on-year comparisons.

The above forecasts of business performance for the year ending, March 31, 2008 constitute revisions of the previous forecasts released on Nov. 7, 2007.

The above forecasts are based on data available as of the date of release of this document as well as assumptions based on uncertain factors, which might have a material effect on the Company's performance in the future. Readers are advised that actual results may differ substantially from the above forecasts due to various unforeseeable factors.

### 4. Others

- (1) Changes in scope of consolidation: not applicable
- (2) Simplified methods applied for accounting: not applicable
- (3) Changes in accounting methods since the previous fiscal year: applicable

## Consolidated Balance Sheets

	(¥ million)				
	As of December 31, 2006		As of December 31, 2007		As of March 31, 2007
	Amount	Ratio to total assets	Amount	Ratio to total assets	Amount
<b>Assets</b>					
Current assets:					
Cash and deposits	¥ 4,794		¥ 3,471		¥ 3,145
Notes and accounts receivable	22,621		25,224		23,545
Inventories	7,288		7,697		7,178
Deferred tax assets	428		178		521
Advance payments	3		121		—
Prepaid expenses	240		261		209
Other current assets	1,703		2,117		2,021
Allowance for doubtful accounts	(67)		(80)		(106)
Total current assets	37,014	47.7%	38,989	47.3%	36,515
Noncurrent assets:					
Tangible fixed assets:					
Buildings and structures	6,278		9,018		8,460
Machinery, equipment and vehicles	16,754		20,037		20,768
Land	4,697		4,806		4,709
Construction in progress	6,433		2,962		1,397
Other	538		612		590
Total tangible fixed assets	34,702	44.7	37,436	45.4	35,926
Intangible assets:					
Goodwill	366		547		317
Other	711		835		710
Total intangible assets	1,078	1.4	1,382	1.7	1,027
Investments and other assets:					
Investment securities	3,164		3,264		3,267
Long-term loans	48		29		34
Deferred tax assets	395		422		389
Other	1,357		1,064		1,321
Allowance for doubtful accounts	(179)		(130)		(182)
Total investments and other assets	4,787	6.2	4,649	5.6	4,831
Total noncurrent assets	40,569	52.3	43,468	52.7	41,785
Total assets	¥77,583	100.0%	¥82,458	100.0%	¥78,301

Amounts are rounded down to the nearest million yen.

(¥ million)

	As of December 31, 2006		As of December 31, 2007		As of March 31, 2007
	Amount	Ratio to total assets	Amount	Ratio to total assets	Amount
<b>Liabilities</b>					
Current liabilities:					
Notes and accounts payable	¥15,532		¥16,284		¥15,020
Short-term borrowings	5,685		8,736		5,006
Current portion of long-term debt	1,163		1,059		1,213
Income taxes payable	848		116		1,496
Accrued bonuses	428		438		803
Other current liabilities	5,108		6,183		4,879
Total current liabilities	28,767	37.1%	32,819	39.8%	28,420
Long-term liabilities:					
Long-term debt	1,421		1,126		1,077
Reserve for employees' retirement benefits	930		703		1,046
Other	229		132		224
Total long-term liabilities	2,581	3.3	1,962	2.4	2,348
Total liabilities	31,348	40.4	34,782	42.2	30,769
<b>Net assets</b>					
Shareholders' equity:					
Common stock	5,990	7.7	5,990	7.3	5,990
Capital surplus	6,233	8.0	6,233	7.6	6,233
Retained earnings	33,716	43.5	35,987	43.6	34,069
Treasury stock	(78)	(0.1)	(1,981)	(2.4)	(79)
Total shareholders' equity	45,861	59.1	46,228	56.1	46,213
Valuation and translation adjustments:					
Unrealized gain on available-for-sale securities	333	0.4	174	0.2	292
Adjustments for minimum pension liability	(407)	(0.5)	—	—	(483)
Adjustments for pension liability	—	—	(466)	(0.6)	—
Foreign currency translation adjustments	447	0.6	1,740	2.1	1,508
Total valuation and translation adjustments	373	0.5	1,447	1.7	1,317
Total net assets	46,234	59.6	47,676	57.8	47,531
Total liabilities and net assets	¥77,583	100.0%	¥82,458	100.0%	¥78,301

## Consolidated Statements of Income

	(¥ million)				
	1st three quarters ended December 31, 2006		1st three quarters ended December 31, 2007		Year ended March 31, 2007
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount
Net sales	¥66,072	100.0%	¥70,705	100.0%	¥88,204
Cost of sales	52,295	79.1	56,799	80.3	70,259
Gross profit	13,776	20.9	13,906	19.7	17,945
Selling, general and administrative expenses	8,584	13.0	9,186	13.0	11,632
Operating income	5,192	7.9	4,719	6.7	6,313
Non-operating income					
Interest income	17		8		20
Dividend received	14		15		15
Foreign exchange gain	365		8		349
Equity in earnings of affiliates	188		97		236
Other	104		113		145
Total non-operating income	690	1.0	243	0.3	766
Non-operating expenses					
Interest expense	176		242		231
Amortization of preoperating cost	81		—		89
Other	26		11		59
Total non-operating expenses	284	0.4	254	0.3	380
Ordinary income	5,598	8.5	4,708	6.7	6,699
Extraordinary gains					
Gain on sale of tangible fixed assets	8		1		8
Gain on sale of investment securities	46		—		46
Reversal of allowance for doubtful accounts	48		3		27
Government subsidies	78		—		78
Total extraordinary gains	181	0.3	4	0.0	161
Extraordinary losses					
Loss on sale and disposal of tangible fixed assets	34		10		40
Surcharge levied by U.S. authorities	60		—		61
Additional early retirement benefits	1		75		54
Amortization of overseas employees' prior services	—		113		—
Loss on closure of plant	—		22		—
Other	—		0		—
Total extraordinary losses	95	0.2	223	0.3	156
Income before income taxes	5,684	8.6	4,489	6.4	6,703
Income taxes - current	2,286	3.5	1,358	1.9	3,045
Income taxes - deferred	210	0.3	321	0.5	117
Net income	¥ 3,187	4.8%	¥ 2,808	4.0%	¥ 3,540

Amounts are rounded down to the nearest million yen.

## Consolidated Statements of Changes in Net Assets

(¥ million)

1st three quarters ended December 31, 2006	Shareholders' equity				Total shareholders' equity	Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock			
Balance at March 31, 2006	¥5,990	¥6,233	¥31,280	¥(77)	¥43,426	¥(272)	¥43,153
Changes during term:							
Cash dividends*			(300)		(300)		(300)
Cash dividends**			(450)		(450)		(450)
Net income			3,187		3,187		3,187
Purchase of treasury stock				(1)	(1)		(1)
Net changes in items other than shareholders' equity						646	646
Total changes during term	—	—	2,436	(1)	2,434	646	3,081
Balance at December 31, 2006	¥5,990	¥6,233	¥33,716	¥(78)	¥45,861	¥ 373	¥46,234

\* Appropriation of retained earnings approved at the Board of Directors' meeting held on May 26, 2006.

\*\* Appropriation of retained earnings approved at the Board of Directors' meeting held on November 8, 2006.

1st three quarters ended December 31, 2007	Shareholders' equity				Total shareholders' equity	Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock			
Balance at March 31, 2007	¥5,990	¥6,233	¥34,069	¥ (79)	¥46,213	¥1,317	¥47,531
Changes during term:							
Cash dividends*			(450)		(450)		(450)
Cash dividends**			(440)		(440)		(440)
Net income			2,808		2,808		2,808
Purchase of treasury stock				(1,902)	(1,902)		(1,902)
Net changes in items other than shareholders' equity						129	129
Total changes during term	—	—	1,917	(1,902)	14	129	144
Balance at December 31, 2007	¥5,990	¥6,233	¥35,987	¥(1,981)	¥46,228	¥1,447	¥47,676

\* Appropriation of retained earnings approved at the Board of Directors' meeting held on May 25, 2007.

\*\* Appropriation of retained earnings approved at the Board of Directors' meeting held on November 7, 2007.

Year ended March 31, 2007	Shareholders' equity				Total shareholders' equity	Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock			
Balance at March 31, 2006	¥5,990	¥6,233	¥31,280	¥(77)	¥43,426	¥ (272)	¥43,153
Changes during year:							
Cash dividends*			(300)		(300)		(300)
Cash dividends**			(450)		(450)		(450)
Net income			3,540		3,540		3,540
Purchase of treasury stock				(2)	(2)		(2)
Net changes in items other than shareholders' equity						1,590	1,590
Total changes during year	—	—	2,789	(2)	2,787	1,590	4,378
Balance at March 31, 2007	¥5,990	¥6,233	¥34,069	¥(79)	¥46,213	¥1,317	¥47,531

\* Appropriation of retained earnings approved at the Board of Directors' meeting held on May 26, 2006.

\*\* Appropriation of retained earnings approved at the Board of Directors' meeting held on November 8, 2006.

Amounts are rounded down to the nearest million yen.

## Consolidated Statements of Cash Flows

	(¥ million)		
	1st three quarters ended December 31, 2006	1st three quarters ended December 31, 2007	Year ended March 31, 2007
<b>Cash flows from operating activities</b>			
Income before income taxes	¥5,684	¥4,489	¥6,703
Depreciation and amortization	2,709	3,459	3,878
Amortization of goodwill	149	180	198
Increase (decrease) in allowance for doubtful accounts	(42)	(75)	(3)
Increase (decrease) in accrued bonuses	(344)	(365)	30
Increase (decrease) in reserve for employees' retirement benefits	(116)	(332)	(86)
Equity in earnings of affiliates	(188)	(97)	(236)
Gain on sale of tangible fixed assets	(8)	(1)	(8)
Loss on sale and disposal of tangible fixed assets	34	10	40
Interest and dividend income	(31)	(23)	(35)
Interest expenses	176	242	231
Foreign exchange loss and gain (gain)	(120)	(17)	(102)
Decrease (increase) in notes and accounts receivable	196	(1,572)	(553)
Decrease (increase) in inventories	(204)	(463)	(9)
Increase (decrease) in notes and accounts payable	(530)	1,414	(900)
Increase (decrease) in other accounts payable	(434)	641	(535)
Increase (decrease) in consumption taxes payable	(78)	57	(108)
Other	186	586	(317)
Subtotal	7,035	8,132	8,187
Interest and dividends received	31	24	35
Interest paid	(172)	(235)	(234)
Income taxes paid	(2,651)	(3,082)	(2,740)
Net cash provided by operating activities	4,242	4,838	5,248
<b>Cash flows from investing activities</b>			
Purchase of investment securities	(119)	(14)	(122)
Proceeds from sale of investment securities	67	—	67
Purchase of tangible fixed assets	(7,565)	(4,402)	(9,200)
Proceeds from sale of tangible fixed assets	24	7	29
Increase in loans receivable	(104)	(27)	(106)
Proceeds from collection of loans	18	133	23
Purchase of intangible assets	(132)	(339)	(162)
Increase in long-term prepaid expenses	(113)	(6)	(155)
Acquisition of goodwill	—	(856)	—
Other	81	133	96
Net cash used in investing activities	(7,843)	(5,372)	(9,530)
<b>Cash flows from financing activities</b>			
Increase in short-term borrowings	6,919	2,989	6,994
Repayment of short-term borrowings	(3,700)	(653)	(4,790)
Increase in long-term debt	900	900	900
Repayment of long-term debt	(668)	(987)	(1,010)
Purchase of treasury stock	—	(1,902)	—
Repayment of finance lease obligations	(6)	(12)	(18)
Cash dividends paid	(751)	(891)	(751)
Other	(1)	—	(2)
Net cash provided by (used in) financing activities	2,690	(558)	1,321
Effect of exchange rate changes on cash and cash equivalents	88	44	230
Net increase (decrease) in cash and cash equivalents	(822)	(1,047)	(2,730)
Cash and cash equivalents at beginning of term	5,451	2,720	5,451
Cash and cash equivalents at end of term	¥4,629	¥1,673	¥2,720

Amounts are rounded down to the nearest million yen.

## Segment Information

### Segmentation by location

(¥ million)

	1st three quarters ended December 31, 2006					
	Japan	North America	Europe	Total	Eliminations/ Corporate	Consolidated amount
Sales:						
Customers	¥47,103	¥10,821	¥8,147	¥66,072	¥ —	¥66,072
Intersegment	806	197	952	1,956	(1,956)	—
Total sales	47,910	11,018	9,099	68,029	(1,956)	66,072
Operating expenses	42,629	10,515	9,701	62,846	(1,966)	60,879
Operating income (loss)	¥ 5,281	¥ 502	¥ (601)	¥ 5,182	¥ 10	¥ 5,192
1st three quarters ended December 31, 2007						
	Japan	North America	Europe	Total	Eliminations/ Corporate	Consolidated amount
Sales:						
Customers	¥47,776	¥11,596	¥11,333	¥70,705	¥ —	¥70,705
Intersegment	860	35	836	1,733	(1,733)	—
Total sales	48,636	11,632	12,170	72,439	(1,733)	70,705
Operating expenses	44,794	10,722	12,209	67,726	(1,739)	65,986
Operating income (loss)	¥ 3,842	¥ 910	¥ (39)	¥ 4,713	¥ 6	¥ 4,719

	Year ended March 31, 2007					
	Japan	North America	Europe	Total	Eliminations/ Corporate	Consolidated amount
Sales:						
Customers	¥61,900	¥14,924	¥11,380	¥88,204	¥ —	¥88,204
Intersegment	1,189	216	1,456	2,862	(2,862)	—
Total sales	63,089	15,140	12,837	91,067	(2,862)	88,204
Operating expenses	56,476	14,391	13,922	84,790	(2,899)	81,891
Operating income (loss)	¥ 6,612	¥ 749	¥ (1,085)	¥ 6,276	¥ 36	¥ 6,313

Amounts are rounded down to the nearest million yen.

### Sales by segment

(¥ million)

	1st three quarters ended December 31, 2006		1st three quarters ended December 31, 2007		Year ended March 31, 2007	
	Amount	% of total	Amount	% of total	Amount	% of total
Shrink label	¥42,641	64.5%	¥45,438	64.3%	¥55,531	62.9%
Tack label	6,417	9.7	6,649	9.4	8,543	9.7
Other label	3,351	5.1	2,976	4.2	4,488	5.1
Contract packaging	2,310	3.5	2,770	3.9	2,977	3.4
Machinery	5,242	7.9	7,467	10.6	8,613	9.8
Other	6,109	9.3	5,402	7.6	8,050	9.1
Total	¥66,072	100.0%	¥70,705	100.0%	¥88,204	100.0%

Amounts are rounded down to the nearest million yen.

Note:

Description of performance by business segment is omitted as our business activities—ranging from manufacturing and sale of shrink labels and tuck labels, processing and sale of various packaging materials, and manufacturing and sale of packaging machinery—are so closely interconnected that they constitute, in effect, only one segment. We position ourselves as a packaging system provider and assess earnings performance of the total operations as a whole.