

Greetings for the New Year in 2022

2021 was the first year of innovation

Looking back on 2021, we restarted with the idea of “Reinventing the Oshibori” as a starting point for new growth in the future, which is to say that 2021 was positioned as the first year of the innovation supporting the growth of FSX. Due to the influence of the COVID-19 pandemic, our customers had been forced to restrict business by ways such as closures and shortened working hours since the previous year. As a result, our sales centered on Oshibori rentals fell to a precarious level of 50% of that before the pandemic. On the other hand, the provision of and transactions with companies in different industries for our patented antiviral “VB” technology are expanding, and the demand for single-use hand wipes named Pocket Oshibori containing VB has increased, leading to new customers nationwide. Due to these factors, while the situation was extremely difficult last summer due to the influence of the Delta variant, we were eventually able to reach the level we had before the pandemic, and we were able to secure a certain level of profit in the fiscal year ending August 2021. As a result of the successful implementation of both defensive and offensive management strategies, our organization has become stronger, and now that the restrictions have been relaxed, we set a new record for sales for a single month. This is also thanks to the many stakeholders who have continued to support the activities of FSX. I would like to express to all of you my heartfelt gratitude.

The six major topics for 2021 were: 1) The conclusion of syndicated loan and subordinated capital loan co-financing; 2) The progress of FSX Fuji; 3) The opening of the Okinawa Naha Logistics Center; 4) The establishment of a personnel training system; 5) The development of patented Oshibori AI technology; and 6) Demonstration of VB's anti-aging effects. Discussing them one at a time, the syndicated loan and subordinated capital loan co-financing greatly improved our financial soundness and stability, which has been a long-standing issue, and was able to drastically strengthen our financial base over the long term. FSX Fuji's business in the north Mt. Fuji foothills area, which we entered in 2020, has been able to develop around new services and contributions to the local community, even in the midst of difficulties for the tourism industry. Additionally, in anticipation of future development of the tourism industry, in order to solve logistics cost issues in Okinawa, we opened the Naha Logistics Center in May and started sales activities focusing mainly on accommodation facilities in Okinawa Prefecture. Regarding personnel training, following the new personnel system that will create the next generation of FSX, which we have been working on since 2020, we started further efforts to build a training system last year. The main topics for 2021 were the development of Oshibori AI and the demonstration of VB's anti-aging effects, which we have been working on for over a year under the FSX vision of “Reinventing the Oshibori”. The “Oshibori AI” app, which predicts the number of Oshibori collected using video analysis technology, not only solves the long-standing problems of the entire Oshibori industry, but also has positive effects in terms of



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reducing costs relating to manufacturing and workload by combining it with the system infrastructure. Furthermore, the demonstration of VB's anti-aging effects was accepted by an academic journal at the end of last year, following the patent application. The value of Oshibori that touch the skin has also spread to the health science field, and we have shown great potential for future new business and product development.

2022 is the year of full progress

We were forced to confront sudden and unavoidable social risks over the past two years, but we have learned from these experiences in ways that enable us to respond strongly to the “New Normal”, and with our innovative technology unique to FSX, we will make every effort to move forward in 2022.

Specifically, we will fully incorporate the two technologies based on our theme of “Reinventing the Oshibori” in to our services and products: Oshibori AI and VB anti-aging. The Oshibori industry is greatly affected by Japan's declining birthrate and aging population. By improving labor productivity with Oshibori AI, we will establish an industrial base that creates high added value. Therefore we will continue to develop Oshibori AI technology so that we can contribute to the promotion of DX within the industry. In addition, in order to increase the value of Oshibori in a meaningful way, we will focus on “skin”, which is one step further than the antiviral “VB” as hand hygiene, and aim to establish new technology brand with anti-aging effects. In addition, we will work to plan and develop products with the tourism market in mind, and to establish permits and production lines with a view toward both domestic and overseas markets. We will continue to work on FSX's unique personnel training system, with the goal of being a strong organization that can respond to times when the future is uncertain and difficult to predict, and we will promote system innovation to develop human resources to the extent possible.

The 21st century is said to be the age of life science. With “VB”, “REION”, and “Pocket Oshibori”, the leading technologies and product brands of FSX, we will continue our efforts to enhance the value of “Oshibori”, which is a defining aspect of traditional Japanese hospitality culture, by vigorously promoting new business activities in the health science field. Based on FSX's corporate stance of “coexistence”, we will continue to evolve the concepts of health, environment, and culture in our business operations, and we will do our utmost to achieve sustainable growth for our company and the Oshibori industry as a whole. We will move forward.

We look forward to your ongoing support this year.

Katsuyuki Fujinami

Representative Director, President, and Chief Executive Officer

FSX, Inc.

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