

New Year's Greetings

January 1, 2023

Warm Wishes for 2023

2022: A Year of Laying Groundwork

2022 was a year of constant change and uncertainty across the globe, sparked by the Russian invasion of Ukraine, price hikes, global inflation, depreciation of the yen, and more. Despite being affected by this harsh environment, looking back on 2022, FSX strove to push forward, and we were able to build a solid system of strong human resources could deal with the unpredictable times ahead, laying the groundwork for the greater development of the next generation. By providing high-quality, high-added-value products and services that set us apart centered on FSX's original technology, we achieved record sales and profits (non-consolidated) for our August 2022 fiscal results. I would like to take this moment to express my sincerest gratitude to all our stakeholders for their understanding and support.

2022 was a year in which we felt our patented technology "VB" take hold as an anti-viral sanitation technology. While we received a great deal of support throughout the COVID-19 pandemic, we had braced ourselves that this increase in demand for VB in other industries would be something temporary caused by the pandemic. Yet three years into the pandemic, as our lives have slowly started returning to a new normal, demand for VB has only increased, driving sales of FSX as a whole. The VB Oshibori (Wet Wipe) in particular has been adopted by a wide range of customers primarily in tourist areas throughout Japan ever since we announced "Reinventing the Oshibori", and entry into the tourism industry in 2021. Expansion into different industries through licensing of VB has been steady as well, with the JR Group adopting this technology in their train linens last year.

Meanwhile, we have made great strides toward creating practical applications for "Anti-aging effects of Polyoxometalates (the main component of VB) on skin", which was accepted in an academic journal in 2020. We were selected for the Business Restructuring Subsidy, a large-scale subsidy system we are using to make major renovations to our factories. We have also established the FSX Lab, a new research facility for conducting fundamental research on VB. While our research to date has focused on viruses and bacteria, FSX Lab will allow us to step into the realm of life sciences and conduct multifaceted research on VB's effects on the skin. Both of these will soon be in full swing, making 2022 a year in which we built a foundation and laid the groundwork for greater development of VB. That these efforts have received such acclaim that we won "The Innovation and Commercialization Promotion Award" at the 56th Good Company Award (2022) has only served to encourage us more.

2023: The first year of FSX Glocal

In 2023, we are changing the conventional notion of "Oshibori" as a tool for hygiene and hospitality and entering a phase in which we ask what oshibori can do for the skin. Specifically, we plan to announce an oshibori



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brand that takes a completely new approach that focuses on the anti-aging effects of VB on the skin, enhancing the value of oshibori. For this, we will renovate the currently inoperative Uenohara Factory in Yamanashi Prefecture, where we plan to recommence operations as a manufacturing plant for our new product lines. Stay tuned for the release of these revolutionary products created based on experience and scientific evidence accumulated over the years.

The anti-aging effects of VB on the skin, which has led to the reinvention of the oshibori, not only greatly expands the possibilities of the oshibori, but has given rise to a new question—"What can oshibori do?" In exploring this question, we have arrived at the notion that "a company is a social and public entity". We hope to make 2023 the first year of the "glocal", which combines local perspectives rooted in the community and global perspectives with sights set on the world, and through this grow and develop FSX.

FSX has always cherished local communities in our business activities. This year, we hope to take this a step further, exploring unique ideals for FSX rooted in community revitalization, appointing new human resources to revitalize the organization, and promoting harmony with the local community as we grow the company. We will also ambitiously try our hand at cultural activities that make effective use of local resources in the tourism industry as part of our medium-term plan.

In our international business, we have been working diligently and steadily toward establishing intellectual property and complying with sanitation standards, even during the hiatuses necessitated by the COVID-19 pandemic. This year, we will at last strive to build a drastically revamped system that includes bolstered production systems and risk management in Hong Kong and the United States, the international bases of the FSX Group, as well as in China and Vietnam, our production bases. Bearing in mind the inevitable declining birth rate and aging population of Japanese demographics, we hope to make this year one in which we steadily rebuild our business structure not only in Japan but overseas as well.

With "Rental Oshibori Services", the core of our business, as well as "VB", "REION", and "Pocket Oshibori", our major technology and product brands, we will strive to evolve Japanese oshibori culture along a glocal business axis and take the company to the next stage, where we can serve both the local and international communities. We all will strive with passion to create sustainable growth not only for the FSX Group but for the oshibori industry as a whole.

We thank you for your continued support in the new year.

January 1, 2023
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