

PART

4

Our Approach to Sustainability

We aim to “serve as a good life company that offers benefits to individuals, society at large, and our planet.”

The SCROLL Group will continue to support the emergence of the people’s affluent lifestyles based on our corporate motto, “We shall earn the trust of the public.” With a spirit of challenge, we will strive for sustainable growth by creating better products and services and providing added value that has never existed before.

To achieve this, a sustainable society is a prerequisite. We will work towards solving environmental and social problems through our business and contribute to realizing the sustainable society.

Sustainability Basic Policy

- 1 We support the richer lifestyles of customers through products that are safe, secure, and considerate of the environment and society.
- 2 We aim to be what everyone considers a “good company,” and we endeavor to act as a partner that promotes the SCROLL Group’s raison d’être. We also aim to create an environment where our employees can play an active role.
- 3 We will work with our business partners to procure responsibly, based on a common understanding of environmental and social issues.
- 4 We will enhance our corporate value by balancing economic growth with initiatives to address environmental and social issues.
- 5 We will contribute to a sustainable local community through employee participation activities.

Sustainability



E Environment

We promote environmental communication through business activities and strive to reduce our environmental impact.

Our basic approach to the environment

The SCROLL Group will set goals in line with the following environmental activity policies for the environmental load that may occur in corporate activities, and will contribute to reducing the environmental load of the entire value chain through its business.

Environmental activity policy

- (1) We will promote the provision of safe and secure products and services with less environmental impact.
- (2) We will promote the reduction of waste and greenhouse gas emissions.
- (3) We will promote the use of environment-friendly resources and the recycling of resources.
- (4) We will promote environmental communication, such as educating employees and promoting understanding of our business partners.
- (5) We will regularly verify and announce the results of our goals and promote continuous improvement of environmental performance.

Disclosure based on TCFD recommendations

The Group considers “reduction of environmental impact” to be materiality (key issue) and has initiated a scenario analysis of the financial impact of climate change in line with TCFD recommendations. We will continue to enhance the content of our disclosures and promote initiatives toward a decarbonized society.

Governance

Recognizing climate change as one of the key issues affecting management, the Board of Directors identifies materiality and determines the direction of measures to resolve it. To promote activities to reduce environmental impact, including addressing climate change, a Sustainability Committee chaired by the Representative Director will be established in fiscal 2022, and, about twice a year, the committee will work with business divisions to set targets, monitor the progress of the plan, and evaluate the implementation of the plan.

In addition, the contents of the Committee meetings will be reported to the Board of Directors to ensure that the supervision of the Board of Directors is conducted appropriately.

Risk management

The business divisions, as risk owners, identify and assess risks. In addition, a “General Risk Management Activities” Office (RM Office) has been established as the theme office for the Internal Control Committee, and it supports business divisions in responding to risks. These activities are audited by the Internal Audit Department and information about the activities is reported to the Audit and Supervisory Committee and the Board of Directors. We have established a system that enables continuous monitoring by ascertaining the general risks related to business activities and the risks specific to the SCROLL Group.

In the future, the Sustainability Committee will work with the RM Office to identify and assess risks related to climate change issues while integrating them into company-wide risk management.

Strategies

A scenario analysis was conducted to properly identify the transitional and physical risks/opportunities related to climate change for the Group’s main Mail-order, Solutions, and E-commerce Businesses. In considering the impact of each climate change risks/opportunities for our business, we considered risk/opportunity items from raw-material procurement to transportation/storage to product use, and used the 2°C and 4°C scenarios published by international organizations to determine the impact on the SCROLL Group in 2030.

Risks and opportunities

	Risk items		Time axis	Business impact	
	Medium classification	Small classification		Consideration: risks	Consideration: opportunities
Transition Risks	Policy and Regulation	Carbon pricing (carbon taxes)	Medium to long term	Increased costs related to electricity and fuel consumption at logistics facilities, business sites, etc.	—
		Plastics regulation	Medium to long term	Regulations on plastic packaging introduced and costs incurred in responding to them	Increased demand from companies wishing to use ethical logistics services through the use of non-plastic and biomass-derived packaging materials
	Products and Services	Change in demand for key products	Medium to long term	Longer usage periods for clothing and accessories arising from increased consumer awareness of sustainability, resulting in lower sales volumes and increased competition	Increased importance of ethical consumption-conscious products based on growing consumer awareness of sustainability, leading to higher sales volumes
		Customer’s behavioral change	Medium to long term	Decreased demand for products that do not take environmental impact into account or do not clearly state that they do so	Increased demand for products with low environmental impact
	Market	Changes in energy costs	Short to long term	Rising transportation costs paid to logistics companies due to rising fossil fuel prices	—
Reputation	Changes in customer reputation	Medium to long term	Tarnishing of brand image and decreased sales volume if the company is evaluated as being reluctant to make environmental efforts	[Solutions Business] Increased demand for CRM support due to diversifying customer needs based on consumers’ growing environmental awareness, etc.	
Physical Risks	Acute	Increasing severity of natural disasters, typhoon, torrential rain, sediment-related disaster, storm surge, etc.	Medium to long term	<ul style="list-style-type: none"> Decrease in revenue due to supply chain disruptions and delays in product shipments Increased costs of raw materials, transportation, and catalog paper due to extreme weather conditions 	[Mail-order/E-commerce Business] Reduced frequency of outings due to intensified extreme weather conditions, leading to an increase in mail-order users [Solutions Business] Multiple logistics bases enabling response to large-scale disasters and unforeseen events, as well as reducing risk and costs [E-commerce Business] Increased demand for emergency supplies and kits due to concerns about severe extreme weather events
	Chronic	Average temperature increase	Medium to long term	<ul style="list-style-type: none"> Demand for seasonal product changes due to hot summers and mild winters Increased cost of maintaining product storage environment due to changes in temperature and humidity 	—

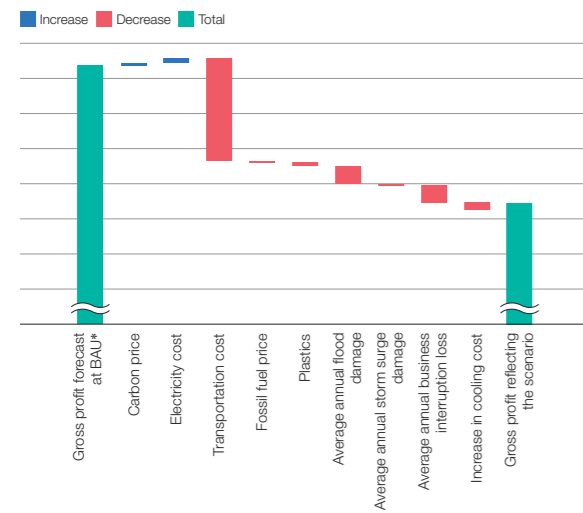


Environment

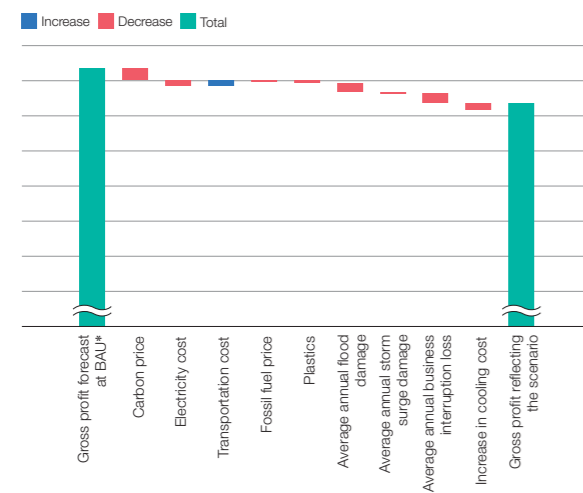
Business impact

In the case of the 4°C scenario, in addition to physical damage from severe disasters such as typhoons and floods, the impact of transportation costs due to increased oil demand was estimated to be relatively high. On the other hand, for the 2°C scenario, the carbon price impact was estimated to be relatively large. Regarding the risks and opportunities that can be estimated for both scenarios, the impact is limited in both cases, but we will continue to monitor the risks and opportunities, taking into account the results of the estimates obtained this time.

4°C scenario in 2030



2°C scenario in 2030



*Gross profit forecast at BAU (business as usual): Gross profit figures in 2030 using statistics from past performance.

Business impact and future initiatives

We conducted a scenario analysis of our Group's three main businesses that are considered to be significantly impacted by climate change, and we found that although transportation costs are significantly impacted by the increased demand for oil under the 4°C scenario, no significant impact was found for the other quantitatively analyzed items.

In order to confirm the impact of climate change on our entire business, we plan to conduct analyses from both transitional and physical perspectives, further identify and organize areas of significant impact, and consider specific future response policies, based on priority, for areas that require action within our company as a whole.

Indicators and targets

CO₂ emissions in Scopes 1 and 2*

In fiscal 2020, Scope 1 and 2 CO₂ emissions totaled 3,235 tonnes.

With the goal of **reducing CO₂ emissions in Scope 2 by 50% or more by 2030 compared to fiscal 2020**, we will implement the following initiatives at our logistics facilities and office buildings, etc., which are our assets.

- Installation of solar power generation system at logistics centers
- Purchasing CO₂ free electricity
- Inverter control of air-conditioning cooling equipment
- Switching to LED lighting

CO₂ emissions in Scope 3*

In fiscal 2020, Scope 3 CO₂ emissions were 213,676 tonnes. In the future, we will also consider setting targets for emissions in the supply chain (Scope 3).

See data for Scopes 1, 2, and 3 in the figure on the right.

*Scope 1: Direct greenhouse gas emissions by businesses themselves
 Scope 2: Indirect emissions associated with the use of electricity, heat, and steam supplied by other companies
 Scope 3: Indirect emissions besides Scopes 1 and 2

CO₂ emissions in FY2020

Scope / Category		CO ₂ emission [t-CO ₂ e]	Percent of total [%]	
Scope 1		213	0.1%	
Scope 2		3,022	1.4%	
Scope 3		213,676	98.5%	
Upstream	Category 1	Purchased products/services	167,199	78.2%
	Category 2	Capital goods	6,205	2.9%
	Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	532	0.2%
	Category 4	Transportation and distribution (upstream)	30,812	14.4%
	Category 5	Waste from business operations	282	0.1%
	Category 6	Business travel	34	0.0%
	Category 7	Employee commuting	15	0.0%
	Category 8	Leased assets (upstream)	N/A	-
Downstream	Category 9	Transportation and distribution (downstream)	106	0.0%
	Category 10	Processing of sold products	N/A	-
	Category 11	Use of sold products	N/A	-
	Category 12	Disposal of sold products	8,491	4.0%
	Category 13	Leased assets (downstream)	N/A	-
	Category 14	Franchise	N/A	-
	Category 15	Investment	N/A	-
Total		216,911	100.0%	

Scope of calculation: The head office and sites of the following operating companies
 Scroll Corporation, Scroll 360 Corporation, CatchBall, Inc., Moshimo Co., Ltd., AXES Co., Ltd., SCROLL R&D Co., Ltd., Naturum Co., Ltd., and MIYOSHI corporation

Scroll's initiatives

Reduction of paper usage

We will reduce the amount of paper used by reducing the number of copies and pages of the catalog and promoting the transition to the WEB catalog.

Goal 25% reduction in paper used for catalogs, etc. by FY2030 (compared to FY2021)



Reducing the amount of plastic materials used

We will promote the switch to environmentally friendly product packaging materials.

Goal 65% reduction in plastic material usage by FY2030 (compared to FY2021)



Expansion of SDG-related products

We will promote the development of environmentally friendly products, products that inherit Japanese traditions and technologies, and products that can contribute to society.

Goal SDG-related products make up 50% by FY2025 (apparel products)





Social Human Resources and Human Rights

We support active participation of diverse human resources and encourage career formation that suits individual qualities and traits.

Basic concept of human resources

The SCROLL Group seeks independent and autonomous career formation as an individual, and develops and supports human resources who contribute not only to results but also to the improvement of the organizational strength of the Group.

We believe that aiming to create an environment in which we can maximize the abilities of each individual while striving to respond to the formation of diverse careers desired by our employees will lead to the sustainable growth of the Group.

Promotion of task diversity and revision of personnel system

Based on the basic concept of human resources, the SCROLL Group is aware that each employee will contribute to the formation of diverse careers and the improvement of organizational strength, and manages task diversity so that the achievement of individual and organizational goals leads to business development.

Task diversity involves embracing invisible inner diversity, meaning each employee's abilities, knowledge, experience, values, etc. To promote this, in fiscal 2021, the Group launched a project on the promotion of task diversity and revision of the personnel system, through which we have been implementing the following initiatives and system introductions.

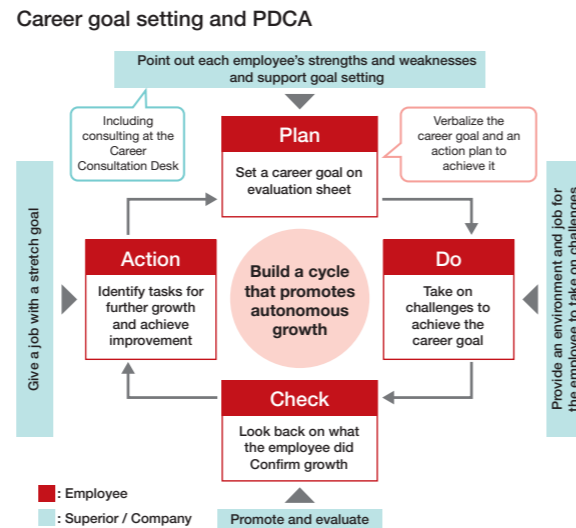
Seeing task diversity management as one of our most important issues, we will continue to move ahead with further initiatives toward the future.

Creating a framework for active participation of diverse human resources

Promotion of human resource development

Career items have been newly established in the personal goals set by employees. By grasping individual career goals for superiors, we will consider transfers and project participation according to each career path, and support growth opportunities and the acquisition of necessary skills.

We also provide management training for managers, and basic education for new employees and OJT staff throughout the Group. We will continue to enhance the various training menus necessary for improving skills and developing our employees' careers.



Introduction of job type system

The job-type system clearly defines job content, hires and assigns employees, and evaluates and determines remuneration based on the work results. This system has been introduced for the purpose of hiring and retaining personnel with highly specialized skills.

Mid-career hiring under the conventional personnel system tended to emphasize keeping a balance with existing employees in terms of experience and age, making it difficult to hire highly specialized personnel. With the introduction of the job-type system, which enables flexible response in evaluation and treatment, we will promote hiring human resources necessary for the Group who can make a significant contribution with their specialized expertise.

This system also takes into account diversity in individual career formation, allowing existing employees to shift from one job type to another.

Promoting the active participation of women

The Group regards the promotion of women's advancement as an important factor as one of the promotions of task diversity, and the ratio of female managers in the entire group should be 25% or more by fiscal 2024 (20% or more for Scroll alone). As a specific initiative, we will cultivate human resources while providing training to continuously produce manager candidates and promote women to managerial positions on a continual basis. Furthermore, we will improve the system while setting up a place (community) within the Group to deal with the worries and issues that female managers are facing and solicit the opinions of employees.

We will aim for further growth while incorporating diverse perspectives and values through the active participation of women.

In-house award system (Scroll Award)

Every year, we commend the performance and achievements of departments and individuals for the purpose of communicating management messages and improving employee loyalty. In fiscal 2021, we solicited essays themed on what makes "a good company" and held a grant-awarding philosophy contest in an effort to foster a corporate climate in which each employee pursues the "good company" that they envision. Going forward, we will continue to operate a system that promotes employee motivation and improves the overall performance of the Group.

Introduction of diversity system

Even if working hours and working styles are restricted by changes in life stages, we have introduced a system that enables employees to fully utilize the abilities of employees who want to continue working in the SCROLL Group and realize diversity in working styles.

Specifically, we are working to create an environment where pregnant women, childcare workers, caregivers, and senior human resources can choose flexible working styles such as flextime, shorter working hours, and working from home.

Moreover, we will advance measures so diverse employees, including LGBT-identifying individuals, can play an even more active role, as we respect individuals, recognize their individual personalities, and wish to support them in the company.

TOPICS

Respect for human rights in the supply chain

The SCROLL Group established a Code of Conduct for Production Partners in 2021 that clearly states respect for human rights, eliminating harassment and all kinds of discrimination, prohibiting child labor and forced labor, maintaining good labor-management relationship, etc. to its business partners. We manufacture only at factories that have pledged to comply.

As for our auditing methods, we carry out code of conduct audits through employee visits, or audits based on the code of conduct standards such as WRAP*, the world's largest labor and environment certification program, as a third-party certification audit, thereby continuously promoting measures for the respect of human rights in the supply chain.

*WRAP: A program that promotes and certifies legal, humane, and ethical manufacturing around the world





Social Local Communities

We contribute to the realization of a sustainable society through social contribution activities.

Basic attitude toward local communities

The SCROLL Group contributes to sustainable community development through employee participation activities. We will also aim to be a company that is loved and trusted by the local residents through social contribution activities that support the development of the local community.

Initiatives with Hamamatsu Flower Park

In March 2022, as a social contribution to Hamamatsu City, Shizuoka Prefecture, where the Company was founded, we signed an agreement on mutual cooperation and coordination with the Hamamatsu City Flower Green Promotion Foundation (hereinafter, "Flower Green Promotion Foundation"), which operates the Hamamatsu Flower Park.

The Flower Green Promotion Foundation supports Sustainable Development Goals (SDGs) through its business and declares that it will contribute to the realization of a sustainable society. Assenting to this, the Group is making efforts toward utilizing management resources of both parties, such as the presentation of uniforms for volunteer staff to wear in the Flower Park, and the appearance of Ms. Konami Tsukamoto, President of the Flower Green Promotion Foundation, in the Scroll catalog.

We will continue to promote the building of a sustainable community and the development of Hamamatsu City through mutual support and cooperation.



Agreement signing ceremony held in Hamamatsu Flower Park

Holding a Christmas party

Since its founding, the SCROLL Group has come this far thanks to the support of local residents.

The Christmas party is one of the activities held to express our gratitude to the local community and has been held every year since 2009 (excluding 2020 when it was canceled due to the COVID-19 pandemic).

We invite children from the community to the party, featuring various events such as a Christmas light illumination ceremony, games, and commemorative photo shooting with "Santa Scroll," our President dressed up as Santa Claus.

With many local residents attending every year, it is known as a winter tradition in Hamamatsu, along with the decorative Christmas lights.



Christmas party with local children

Concluded a disaster prevention agreement with Hamamatsu City

In March 2020, the Company signed an "Agreement on Support for Emergency Living Supplies, etc. in the Event of a Disaster" with Hamamatsu City, Shizuoka Prefecture.

Following this, we have established a system to supply clothing and emergency supplies to the extent possible when requested by Hamamatsu City, in the event that a disaster occurs or is likely to occur in Hamamatsu City. Drawing on the knowledge of MIYOSHI corporation, one of our group companies engaged in the planning and sales of emergency supplies, we will endeavor to promote regional disaster prevention by offering of the Group's products and facilities to use when supplying goods.



Emergency kit of MIYOSHI corporation

Support and donation to the Pink Ribbon Campaign

Since its founding, the SCROLL Group has been supported by many female customers through transactions with women's associations and co-ops that continue to this day. We have started donating to the "Pink Ribbon Campaign" with the desire to support many women, breast cancer patients and their families through our business, which has mainly female customers.

We support the "Pink Ribbon Campaign," which is an educational activity to disseminate correct knowledge about breast cancer, through the certified NPO J.POSH, and identify it as a social contribution that not only our company but also customers who purchased our products can be involved. We donate part of the sales of our products to this campaign.

Starting in fiscal 2020, the total amount of donations had reached approximately 740,000 yen in fiscal 2021.



Grant activity through the Women's Volunteer Fund

In March 1994, on the 50th anniversary of its founding, the Company established the Charitable Trust Scroll Women's Volunteer Fund, which puts into practice its corporate motto, "We shall earn the trust of the public." This activity supports women-focused organizations, volunteering for the elderly, people with disabilities, children, etc. in Shizuoka Prefecture, and aims to contribute to promoting regional social welfare.

Grant recipients are solicited through public relations magazines in Shizuoka Prefecture, and the acceptance or rejection of applied volunteer groups and the amount of the grants are decided based on the opinions and recommendations of the steering committee of the Charitable Trust Scroll Women's Volunteer Fund. As of the end of fiscal 2021, the accumulated number of grants provided has reached 407, totaling approx. 39.21 million yen.



Discussion regarding grant recipients



Presentation ceremony

Providing supplies in the event of a disaster

The Company operates the Catalog Mail-order Business through the co-op home delivery business, which has now become an indispensable infrastructure supporting everyday life all over Japan. In the event of a disaster, we have contributed to communities by providing supplies through co-ops located nationwide.

When torrential rain struck Kyushu in 2020, we provided a total of about 680 relief items, such as innerwear and pajamas.

G Governance

Aiming for sustainable growth and enhancement of corporate value over the medium to long term

Basic policy on corporate governance

Our basic policy on corporate governance is to maximize corporate value by increasing management efficiency and transparency through safe and sound business activities.

We will keep pursuing the best corporate governance and continue striving to enhance corporate governance in line with our corporate motto and management philosophy.

Changes to the corporate governance system

Strengthening the supervisory function of the Board of Directors

The Company previously had a system under which the ratio of independent outside directors remained one-third or more. However, following the passing of a resolution to elect directors at the Ordinary General Meeting of Shareholders held on May 31, 2022, with the aim of further strengthening the supervisory function of the Board of Directors in its execution of business, the structure of the Board of Directors has been changed so that the majority of its members will now be independent outside directors. Additionally, a female independent outside director has been newly appointed in order to promote task diversity management.

Board of Directors

The Board of Directors consists of four inside directors and five independent outside directors who are also Audit and Supervisory Committee members. Therefore, the execution of business by the Board of Directors is now being more closely supervised. As a general rule, the Board of Directors meets regularly every month and deliberates on monthly business reports as well as matters stipulated in the laws and regulations, etc., and monitors and manages the status of the directors' performance of their duties by exchanging questions, proposals, and opinions with each other.

Nomination and Compensation Committee

The Nomination and Compensation Committee was established as an advisory body to the Board of Directors for the purpose of enhancing corporate governance, the composition of the Board of Directors and fair operation of the nomination and compensation systems for directors, etc., and increasing transparency thereof.

The committee consists of at least three members, a majority of whom must be independent outside directors, and the selection of committee members is made by the Board of Directors.

Criteria for independence of outside directors

The independence of outside directors designated by the Company complies with the independence standards set by the Tokyo Stock Exchange, and if none of the following is applicable to any of our outside directors, the Company shall be deemed to hold independence.

- (1) A person who is or was a business executor of the Company and its affiliated companies (our Group) now or in the past
- (2) A person who was a business executor of a major business partner in the past three fiscal years
- (3) A major shareholder of the Company*1 or a business executor of one of our major shareholders
- (4) A person in charge of the auditing operations of the Group as an accounting auditor of the Company or its subsidiaries or their employees, etc.
- (5) A lawyer, certified public accountant, consultant, etc., who has received considerable financial gain and other economic benefits*2 in addition to executive compensation from the Company
- (6) A director, board member, auditor or business executor of corporations, organizations, etc., receiving a considerable amount in donations or grants*3 from the Company
- (7) A person whose close relatives (spouse and relatives within the second degree) fall under any of the above (1) through (6)
- (8) Notwithstanding the provisions of the preceding items, a person who is deemed to be in a position that may cause a conflict of interest with general shareholders

*1 This refers to a person whose ownership ratio of voting rights in the Company exceeds 10%

*2 This refers to cases whereby the average amount over the past three financial years exceeds 10 million yen per year.

*3 This refers to cases where the average amount over the past three financial years is 10 million yen or more per year or more than 30% of the total cost of the relevant corporation, organization, etc.

Evaluation of the effectiveness of the board of directors

With the aim of improving the functioning of the Board of Directors, the Company analyses and evaluates the effectiveness of the Board of Directors and makes improvements to strengthen the functioning of the Board of Directors. In fiscal 2021, in cooperation with a third-party organization, we conducted self-assessment through questionnaires for each director regarding "overall operation of the Board of Directors," "innovations in the operation of the Board of Directors, enhancement of deliberations," "agenda of the Board of Directors," "composition of the Board of Directors," "structure supporting the Board of Directors," "roles and responsibilities of the Board of Directors," and other matters, and the results were evaluated

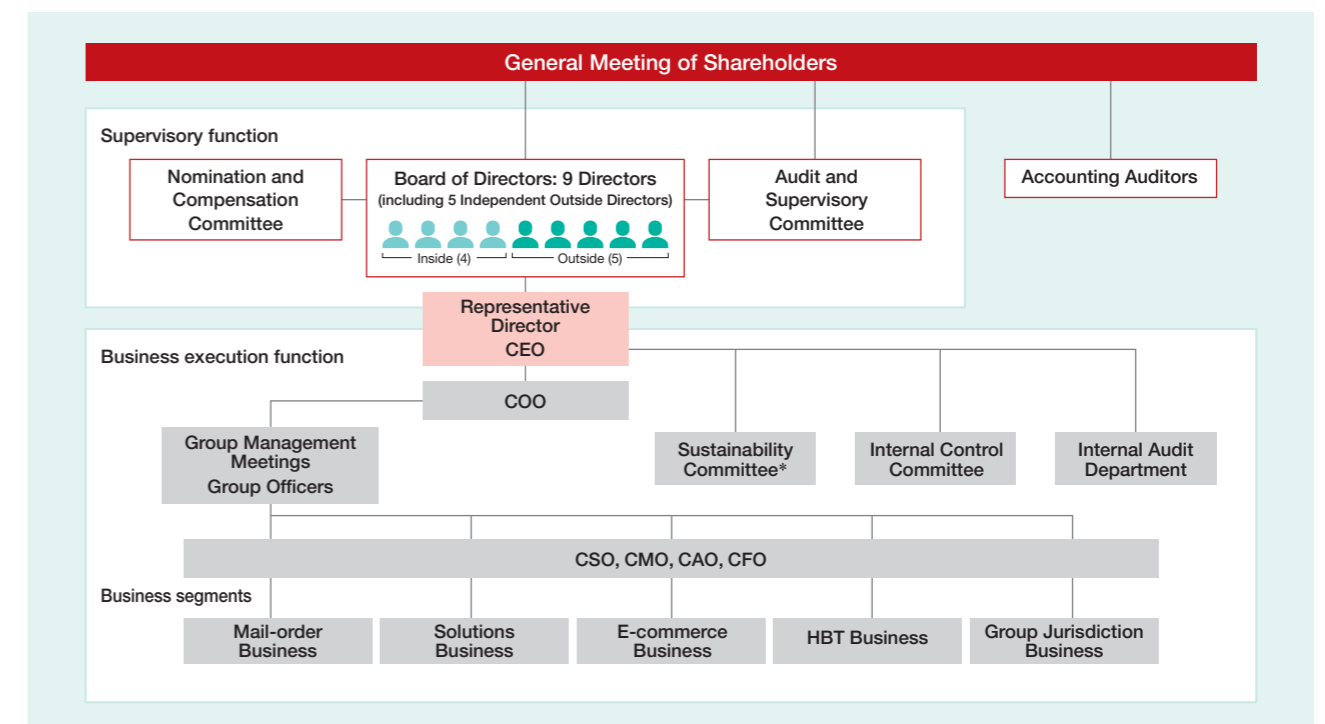
and analyzed. As a result, we have determined that the effectiveness of our Board of Directors has been ensured.

We will continue to evaluate the effectiveness of the Board of Directors and make improvements based on the results of such evaluations to further improve the functions and ensure the effectiveness of the Board of Directors.

Audit and Supervisory Committee

The Audit and Supervisory Committee consists of all five outside directors and it audits the decision-making process of the Board of Directors and the status of performance of the directors' duties in cooperation with the Internal Audit Department, etc.

Diagram of Corporate Governance Structure



*In FY2022, we plan to establish a sustainability committee.

[WEB](https://www.scroll.jp/en/sustainability/governance/) Corporate Governance Report, Corporate Governance Guidelines
<https://www.scroll.jp/en/sustainability/governance/>

Separation of supervisory function and business execution

We have introduced a new officer system (Group Officer and Segment Officer system) for the purpose of bolstering the supervisory function of the Board of Directors. This should promote swifter management decision-making, clarify authority and responsibility through the

separation of business execution, and improve responsiveness in business execution.

Among Group Officers, each Group Chief Officer (CxO), who has ultimate responsibility in a specific functional area of the entire Group, is appointed to further strengthen business execution function across the Group.

G Governance

Nomination and compensation of officers

Criteria for appointment and dismissal of directors

While ensuring diversity in areas such as internationality, gender, etc., the Board of Directors nominates director candidates who will realize effective corporate governance and contribute to sustainable growth, as well as enhancement of corporate value of the Group, over the medium to long term as top-level executives.

With regard to the appointment and dismissal of directors, based on the management strategy, and after identification of required skills, the Board of Directors takes into consideration knowledge and experience of the Group's business and operations, the business environment surrounding the Group, and the role required of each top-level executive. Decisions on the appointment and dismissal of directors shall be made based on the contents of a report from the Nomination and Compensation Committee, an advisory body to the Board of Directors.

Guided by the belief that the knowledge-based advice and management oversight of each independent outside director appointed by the Company contributes to the sound management decisions of the Board of Directors, the Company appoints independent outside directors, all of whom are also members of the Audit and Supervisory Committee, based on the Criteria for Independence of Outside Directors (see Page 49). At least one independent outside director shall have had management experience at another company.

When nominating the Chief Executive Officer (CEO) and other officers, in order to ensure objectivity and transparency, the Board of Directors consults with the Nomination and Compensation Committee on candidates for CEO, and other officer positions. The Committee shall deliberate and submit a report to the Board of Directors, and in accordance with the content of the report, the Board shall nominate the CEO and other officers.

The appointment and dismissal of the CEO and other officers shall be determined by the Board of Directors based on the content of the report from the Nomination and Compensation Committee. The report of the Nomination and Compensation Committee shall be in line with the standards established by the Nomination and Compensation Committee.

Basic policy of compensation

In respect to compensation, etc., for directors, the Company's basic policy is to design a compensation system linked to shareholder interests. This system will fully function as an incentive for continuous enhancement of the company's corporate values, and to maintain an appropriate standard in determining compensation for individual directors, in light of their roles and responsibilities.

Compensation for executive directors primarily consists of basic compensation, which varies according to the percentage of performance goals met by the department they were in charge of in the previous fiscal year, and restricted stock compensation as a non-monetary reward.

Outside directors who concurrently serve as Audit and Supervisory Committee members shall be paid only basic compensation in line with the characteristics of their duties. Compensation of individual directors who are also Audit and Supervisory Committee members are determined by mutual consultation among directors who are also Audit and Supervisory Committee members, based on the provisions of the Companies Act.

Policy for determining the amount of basic compensation for each individual

(Including the policy for determination of the timing or conditions for paying compensation, etc.)

Basic compensation for the Company's directors shall be a fixed monthly compensation, determined taking into comprehensive consideration their position, job responsibility, years in office, the industry standard, consolidated business performance of the Group, employee salary standard, and so on. Based on this, basic compensation for executive directors shall be decided by adding the percentage of performance goals met by the department they were in charge of in the previous fiscal year.

Policy on determining the content and amount or number of performance-linked compensations, non-monetary rewards, etc.

(Including the policy for determination of the timing or conditions for paying compensation, etc.)

No direct payment shall be made as performance-linked compensation. However, considering that the basic compensation contains a performance-linked element, decisions will be made as and when appropriate according to changes in the environment.

Non-monetary rewards, etc., shall be paid as restricted stock compensation, and the Board of Directors shall determine the number of allocations for each executive director based on the report of the Nomination and Compensation Committee.

Policy for determination of the ratio of the amount of monetary compensation, performance-linked compensation, or the amount of non-monetary rewards, etc., to the amount of compensation of individual directors

Regarding the ratio of compensation by type paid to executive directors, the main component shall be the basic compensation, linked to the percentage of performance goals met by the department they were in charge of in the previous fiscal year, based on the compensation standards of companies of the same business scale as the Company and related industries. When adopting performance-linked compensation, or when newly adopting non-monetary rewards, etc., the Nomination and Compensation Committee shall examine their ratio and weighting in proportion to each officer's position, and report to the Board of Directors.

Matters concerning determination of the details of compensation, etc., for individual executive directors

Details regarding the amount of compensation for individual executive directors shall be delegated to the Representative Director based on the resolution of the Board of Directors as well as the report of the Nomination and Compensation Committee. The delegated authority is to determine the amount of basic compensation based on the percentage of performance goals met by the department the respective executive directors were in charge of in the previous fiscal year.

Risk management

The SCROLL Group identifies and evaluates risks with the Business sector positioned as risk owner. In addition, a General Risk Management Activities Office (RM Office) has been established as the Internal Control Committee's secretariat for the theme. The RM Office identifies, evaluates, and manages major risks that may have a significant impact on financial conditions, operating results and cash flow, from the perspectives of both external and internal environments.

Risk assessment method

1 Preparation of risk management tables and risk maps

The general risks in the Group and the inherent risks in each business are extracted from the risk classification items in Table 1 and a "risk management table" is prepared for each business division. Furthermore, the extracted risks are evaluated based on their "probability" and "impact," and a risk map is prepared for each business division.

The risk management table and risk map are reviewed annually by the person in charge to encourage risk response in each business division.

2 Summary of segment risks and group risks

The RM Office conducts hearings based on the risk assessment of each business division, conducts a risk assessment for each segment and for the entire Group, and reports to the Internal Control Committee.

Table 1 Risk classification

		Risk classification
External environmental risk		<ul style="list-style-type: none"> After the COVID-19 Climate change Disaster / Accident Competitors Customer / Market
		<ul style="list-style-type: none"> Governance Communication Human resources Corporate culture
Business process risk	Related to Business sector	<ul style="list-style-type: none"> SCM and Product Procurement Outsourcing Logistics and Transportation Assets (goods and services) Regulations
	Related to indirect department	<ul style="list-style-type: none"> Labor and Employment Compliance Environmental Measures Finance, Accounting and Investment Information Systems Public and Investor Relations

[WEB](https://www.scroll.jp/en/ir/library/) Securities reports
<https://www.scroll.jp/en/ir/library/>

Directors (As of May 31, 2022)



Tomohisa Tsurumi

Representative Director and President
Group Officer CEO & COO

Apr. 1989 Joined the Company
Apr. 2012 Corporate Officer, General Manager of Direct Marketing for Innerwear and General Manager of Internet Marketing Department of Direct Marketing Headquarter
May 2013 Director, Corporate Officer, and Vice General Manager of Direct Marketing for H&B of Direct Marketing Headquarter
May 2015 Director, President, Corporate Officer, and General Manager of Direct Marketing Headquarter
Apr. 2018 Director, President, Corporate Officer, and General Manager of Direct Marketing Headquarter
Apr. 2019 Director, President, Corporate Officer, and PRS of Health & Beauty Business and General Manager of Direct Marketing Headquarter
Apr. 2020 Representative Director, President, Corporate Officer, PRS of Health & Beauty Business and General Manager of Direct Marketing Headquarter
Apr. 2022 Representative Director, President, Group Officer CEO & COO, and General Manager of Direct Marketing Headquarter (current position)



Hiroaki Sato

Director and Executive Vice President
Group Officer CSO

Apr. 1995 Joined the Company
Jan. 2013 Retired from the Company
Apr. 2013 Representative Director and President of Cynosura, Inc.
May 2015 Director of the Company
Apr. 2018 Director, Corporate Officer, and Executive Manager of E-commerce Business
Apr. 2019 Director, Corporate Officer, and PRS of E-commerce Business
Apr. 2020 Director, Executive Vice President, Corporate Officer, and PRS of E-commerce Business Director of Cynosura, Inc. (current position)
Apr. 2022 Director, Executive Vice President, Group Officer CSO, and PRS of E-commerce Business of the Company (current position)



Masayuki Yamazaki

Director
Group Officer CMO*

Apr. 1988 Joined Daiwa Securities Co. Ltd.
Apr. 2002 Representative Director of Floraison Inc.
Apr. 2012 Representative Director and President of HAC CO., LTD. (currently, Hokkaido Anthropologie Corporation)
Apr. 2013 Corporate Officer and Vice General Manager of Direct Marketing for H&B of Direct Marketing Headquarter of the Company
May 2017 Director, Corporate Officer, and General Manager of Solutions Business Management Department of Direct Marketing Headquarter and M&A Strategy Division
Apr. 2018 Director, Corporate Officer, Executive Manager of Solutions Business and General Manager of M&A Strategy Division
Apr. 2019 Director, Corporate Officer, PRS of Solutions Business and General Manager of M&A Strategy Division
Apr. 2022 Director, Group Officer CMO, and PRS of Solutions Business (current position)

*CMO: Chief M&A Officer



Masanori Miyagi

Outside Director
(Audit and Supervisory Committee Member)

Apr. 1991 Joined TOHO Chemical Industry Co., Ltd.
May 2005 Joined Right Management Japan Inc.
July 2008 Joined KPMG AZSA LLC
Aug. 2014 Joined KPMG Consulting Co., Ltd.
Sept. 2019 Director of Flexas Seven Co., Ltd.
May 2020 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)
Sept. 2020 Advisor to KPMG Consulting Co., Ltd. (current position)
Nov. 2020 Partner of Flexas Seven Co., Ltd. (retired in August 2021)
Sept. 2021 Representative of HRTF (current position)



Itsuro Hitosugi

Outside Director
(Audit and Supervisory Committee Member)

Apr. 1980 Joined The Shizuoka Bank, Ltd.
June 2005 Senior General Manager of Kakegawa Branch
June 2008 Executive Officer and General Manager of Corporate Planning Dept.
June 2009 Senior Executive Officer, Metropolitan Business Unit and General Manager of Tokyo Branch
June 2012 Director & Senior Executive Officer and Vice General Manager of Banking Division in charge of sales and marketing
June 2014 Director & Senior Executive Officer and Vice General Manager of Banking Division in charge of sales, marketing and operations
June 2015 Director & Senior Executive Officer, Chairman of Committee of Administrative Supervision and in charge of Audit Dept. (retired in June 2017)
June 2017 President of Shizuoka Economic Research Institute Ltd.
June 2021 Advisor to Shizuoka Economic Research Institute Ltd. (current position)
Nov. 2021 Outside Audit & Supervisory Board Member of Fuji Urban Development Company (part time) (current position)
May 2022 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)



Akiko Ono

Outside Director
(Audit and Supervisory Committee Member)

Oct. 1995 Joined Tohmatsu & Co.
Sept. 2002 Representative of Nakajima Certified Public Accountants Office
Sept. 2005 Director of Brain Link Corporation
Apr. 2008 Vice President of GCA Savvian Corporation
Jan. 2011 Seconded to @Stream Corporation (Manager)
June 2013 Representative of Ono Certified Public Accountants Office (current position)
May 2022 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)



Yasunori Sugimoto

Director
Group Officer CAO

Apr. 1988 Joined the Company
Apr. 2012 Corporate Officer and in charge of Solutions Business
May 2013 Director, Corporate Officer, and General Manager of Direct Marketing for Solution of Direct Marketing Headquarter
May 2016 Corporate Officer and General Manager of Direct Marketing for Solution of Direct Marketing Headquarter
Nov. 2016 Corporate Officer and General Manager of Corporate Management Department
Apr. 2019 Corporate Officer, PRS of Group Jurisdiction Business and General Manager of Corporate Management Department
May 2019 Director, Corporate Officer, PRS of Group Jurisdiction Business and General Manager of Corporate Management Department
Apr. 2022 Director, Group Officer CAO, and PRS of Group Jurisdiction Business and General Manager of Corporate Management Department (current position)



Tsukasa Murase

Outside Director
(Audit and Supervisory Committee Member)

Apr. 1990 Joined Andersen Consulting
Nov. 2006 Director of Attainer Co., Ltd.
Sept. 2009 Managing Director of KPMG BPA Co., Ltd.
Mar. 2011 Representative Director of Biz-It Co., Ltd.
May 2012 Outside Corporate Auditor of the Company
Feb. 2013 Representative Director and President of fusions corporation
May 2016 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)
June 2017 Representative Director and President of Foresight Consulting Ltd. (currently, Fundson Ltd.) (current position)
Mar. 2020 Director of Japan hybrid Service Co., Ltd.
Feb. 2021 Representative Director and President of Japan hybrid Service Co., Ltd. (current position)



Takayuki Miyabe

Outside Director
(Audit and Supervisory Committee Member)

Apr. 1975 Joined Sumitomo Corporation
Sept. 1986 Seconded to Otto-Sumisho Inc.
May 2000 Director and in charge of Product Division of Otto-Sumisho Inc.
May 2001 Representative Director and President of Eddie Bauer Japan Inc.
Feb. 2007 Representative Director, Chairman, and President of Otto-Sumisho Inc. and Representative Director and Chairman of Eddie Bauer Japan Inc.
Nov. 2012 Representative Director and President of L&S Corporation
May 2016 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)

Skill matrix (As of May 31, 2022)

The following is the skill matrix by which we visualize our director candidates' areas of expertise.

Name	Position	Specialties*					
		Corporate management / Business strategy / Global perspective	Business of the Company / Industry experience	Technology / Innovation	Finance / Accounting / M&A	Legal affairs / Risk management	ESG (Environment / Society / Governance)
Tomohisa Tsurumi	Representative Director and President Group Officer CEO & COO	●	●				●
Hiroaki Sato	Director and Executive Vice President Group Officer CSO	●	●				●
Masayuki Yamazaki	Director Group Officer CMO		●		●	●	
Yasunori Sugimoto	Director Group Officer CAO		●		●	●	
Tsukasa Murase	Outside Director (Audit and Supervisory Committee Member)	●		●			●
Takayuki Miyabe	Outside Director (Audit and Supervisory Committee Member)	●	●				●
Masanori Miyagi	Outside Director (Audit and Supervisory Committee Member)	●				●	●
Itsuro Hitosugi	Outside Director (Audit and Supervisory Committee Member)	●			●	●	
Akiko Ono	Outside Director (Audit and Supervisory Committee Member)				●	●	●

Note: Up to three main areas of knowledge and experience possessed by each person are presented.