

scroll



GOOD LIFE COMPANY



SCROLL Group
Integrated Report **2022**

**Through our direct marketing business,
we are satisfying current demand for
lifestyles of greater wealth and leisure.**

Over the course of years spanning the past and present and well into the future, our commitment to our customers remains steadfast even as societal values undergo constant transformation.

Through our direct marketing business, the SCROLL Group has been and will continue to support the growing demand for lifestyles with an abundance of wealth and leisure time.



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Corporate Motto

We shall earn the trust of the public by doing business in an honest, ethical, and enriching manner.

Management Philosophy

We are dedicated to ensuring that our business continues to develop in parallel with the happiness of our employees; moreover, we shall manage the company in a manner that satisfies our customers, business partners, and shareholders.

Our philosophy is to contribute to society, and in so doing we remain committed to earning the trust of the public.

Editorial Policy

Last year, the SCROLL Group embarked on innovations aiming at its next goal of operating as a direct marketing conglomerate under a new executive structure. This SCROLL Group Integrated Report 2022 has been published for the purpose of presenting the Group's new image to its shareholders, investors, and other stakeholders to gain their understanding of the sustainable growth and value creation of a company that will last for 100 years and beyond.

In this report, in addition to the newly established Scroll Philosophy including our Purpose, we disclose the Group's strategies and policies, such as the strengths of a direct marketing conglomerate and its materiality (key issues), medium-term management plan, as well as ESG-related nonfinancial information, including social and global environmental initiatives.

In editing, we referred to the framework published by the International Integrated Reporting Council (IIRC), the Guidance for Collaborative Value Creation formulated by the Ministry of Economy, Trade and Industry, and other standards.

Target Period

Fiscal 2021 (from April 1, 2021 to March 31, 2022). Some information before and after the above period is also included.

About Our Future Outlook

Forward-looking statements contained in this report, such as the earnings outlook, are based on the information available at the time this report was prepared and certain assumptions that are deemed reasonable, and therefore contain uncertainties. Please note that actual business results may differ significantly from the outlook due to various factors.

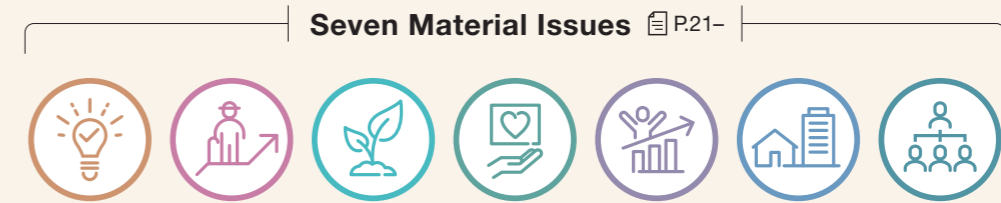
Scroll Philosophy

For sustainable growth as a company that will last for 100 years and beyond, the SCROLL Group has redefined our Purpose and established a Scroll Philosophy that encompasses our Vision, Mission, and Shared Values.



Our Vision

Our vision is to serve as a good life company that offers benefits to individuals, society at large, and our planet.



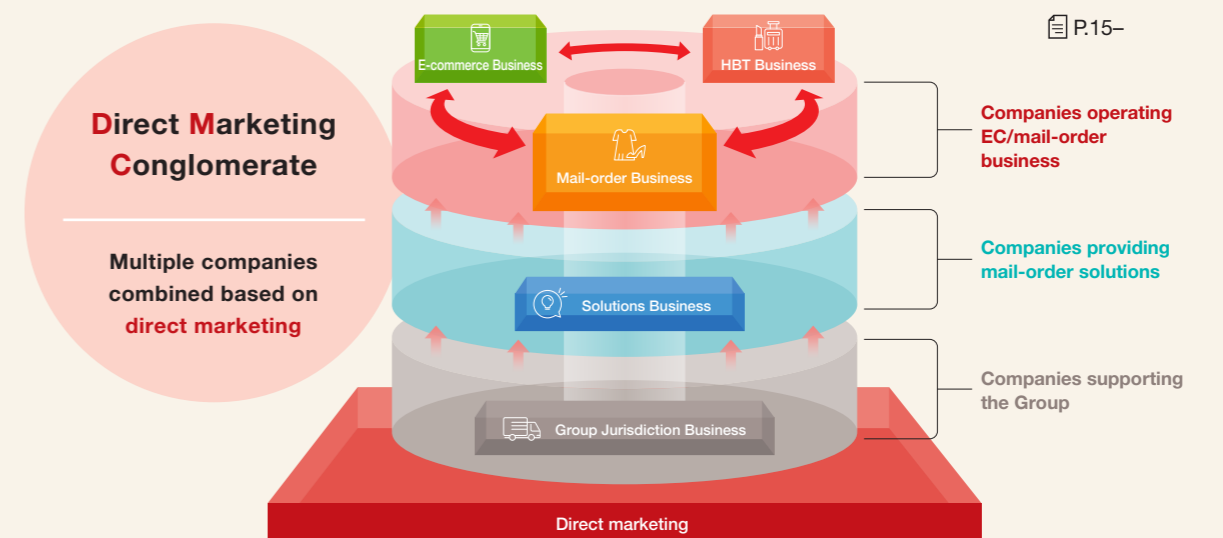
Solving Issues through Business Activities

Value offered to each stakeholder

Customers	Global Environment	Business Partners	Employees	Local Communities	Shareholders / Investors
Realization of affluent lifestyles	Contribution to a decarbonized society	Responsible product procurement	Active participation of diverse human resources	Contribution to sustainable local communities	Medium- to long-term improvement of corporate value
P.31-	P.41-	P.23-	P.45-	P.47-	P.49-

Our Mission

Our mission is to remain a diverse and unique direct marketing conglomerate unafraid of change.



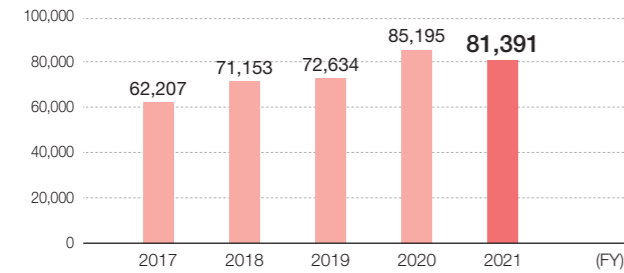
SCROLL Group Business Introduction

	Sales composition ratio	Business overview	Group companies		Main products and services	Transition of business performance												
Mail-order Business	<p>48% (FY2021)</p>	<p>We operate mail-order business (catalog, partly over the Internet) primarily for members of the co-op home delivery business.</p> <p>P.31-</p>	<p>Scroll Corporation SCROLL TRADING (SHANGHAI) Co., LTD.</p>		<p>Clothing Fashion accessories</p>	<table border="1"> <tr> <th>Year</th> <th>Net sales (Millions of yen)</th> <th>Segment income (Millions of yen)</th> </tr> <tr> <td>2019</td> <td>35,666</td> <td>2,373</td> </tr> <tr> <td>2020</td> <td>42,144</td> <td>6,205</td> </tr> <tr> <td>2021 (FY)</td> <td>41,914</td> <td>6,439</td> </tr> </table>	Year	Net sales (Millions of yen)	Segment income (Millions of yen)	2019	35,666	2,373	2020	42,144	6,205	2021 (FY)	41,914	6,439
Year	Net sales (Millions of yen)	Segment income (Millions of yen)																
2019	35,666	2,373																
2020	42,144	6,205																
2021 (FY)	41,914	6,439																
Solutions Business	<p>21% (FY2021)</p>	<p>We provide a “one-stop solution service,” or 360-degree support, to EC and mail-order companies.</p> <p>P.33-</p>	<p>Scroll 360 Corporation CatchBall, Inc. Moshimo Co., Ltd. Chengdu Yinhen Internet Service Co., Ltd.</p>		<p>Logistics agency Payment processing Marketing support</p>	<table border="1"> <tr> <th>Year</th> <th>Net sales (Millions of yen)</th> <th>Segment income (Millions of yen)</th> </tr> <tr> <td>2019</td> <td>16,423</td> <td>361</td> </tr> <tr> <td>2020</td> <td>19,836</td> <td>826</td> </tr> <tr> <td>2021 (FY)</td> <td>18,490</td> <td>177</td> </tr> </table>	Year	Net sales (Millions of yen)	Segment income (Millions of yen)	2019	16,423	361	2020	19,836	826	2021 (FY)	18,490	177
Year	Net sales (Millions of yen)	Segment income (Millions of yen)																
2019	16,423	361																
2020	19,836	826																
2021 (FY)	18,490	177																
E-commerce Business	<p>24% (FY2021)</p>	<p>Our group companies' products in specialized product categories are sold over the Internet through their official websites and other online shopping sites.</p> <p>P.35-</p>	<p>AXES Co., Ltd. SCROLL R&D Co., Ltd. Naturum Co., Ltd. MIYOSHI corporation</p>		<p>Overseas brand fashion Interior furnishings Outdoor equipment Emergency supplies</p>	<table border="1"> <tr> <th>Year</th> <th>Net sales (Millions of yen)</th> <th>Segment income (Millions of yen)</th> </tr> <tr> <td>2019</td> <td>18,978</td> <td>461</td> </tr> <tr> <td>2020</td> <td>23,350</td> <td>1,026</td> </tr> <tr> <td>2021 (FY)</td> <td>21,406</td> <td>404</td> </tr> </table>	Year	Net sales (Millions of yen)	Segment income (Millions of yen)	2019	18,978	461	2020	23,350	1,026	2021 (FY)	21,406	404
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2019	18,978	461																
2020	23,350	1,026																
2021 (FY)	21,406	404																
HBT Business	<p>3% (FY2021)</p>	<p>For our customers' health in both mind and body, cosmetics and health foods made of consciously selected natural and organic ingredients, as well as originally planned domestic tours, are sold over the Internet by our group companies.</p> <p>P.37 HBT : Health, Beauty and Travel</p>	<p>Hokkaido Anthropologie Corporation KINARI inc. Travex Tours Inc.</p>		<p>Cosmetics Health foods Bus tours</p>	<table border="1"> <tr> <th>Year</th> <th>Net sales (Millions of yen)</th> <th>Segment income (Millions of yen)</th> </tr> <tr> <td>2019</td> <td>3,920</td> <td>-1,240</td> </tr> <tr> <td>2020</td> <td>3,054</td> <td>-607</td> </tr> <tr> <td>2021 (FY)</td> <td>2,510</td> <td>-1</td> </tr> </table>	Year	Net sales (Millions of yen)	Segment income (Millions of yen)	2019	3,920	-1,240	2020	3,054	-607	2021 (FY)	2,510	-1
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2019	3,920	-1,240																
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2021 (FY)	2,510	-1																
Group Jurisdiction Business	<p>4% (FY2021)</p>	<p>Our group companies also play roles such as operation of distribution centers at our bases nationwide, effective use of real estate, and management of product production by overseas subsidiaries.</p> <p>P.38</p>	<p>Scroll Corporation Scroll Logistics Co., Ltd. SCROLL VIETNAM CO., LTD.</p>		<p>Distribution Distribution centers</p>	<table border="1"> <tr> <th>Year</th> <th>Net sales (Millions of yen)</th> <th>Segment income (Millions of yen)</th> </tr> <tr> <td>2019</td> <td>2,614</td> <td>189</td> </tr> <tr> <td>2020</td> <td>3,323</td> <td>94</td> </tr> <tr> <td>2021 (FY)</td> <td>3,287</td> <td>111</td> </tr> </table>	Year	Net sales (Millions of yen)	Segment income (Millions of yen)	2019	2,614	189	2020	3,323	94	2021 (FY)	3,287	111
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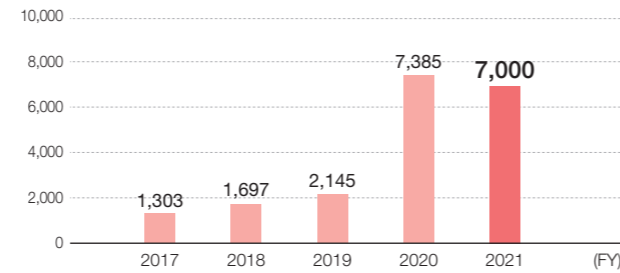
Financial and Nonfinancial Highlights

Financial Highlights (Consolidated)

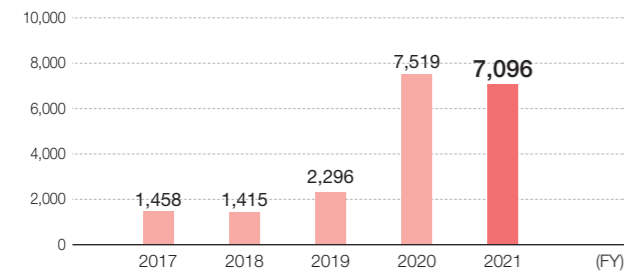
Net sales (Millions of yen)



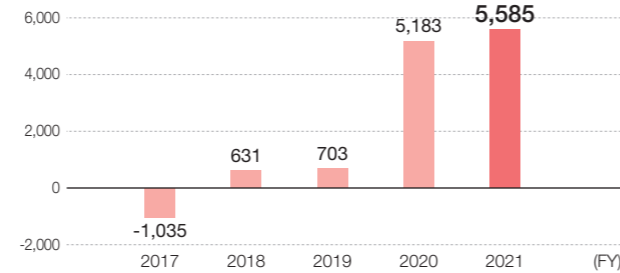
Operating profit (Millions of yen)



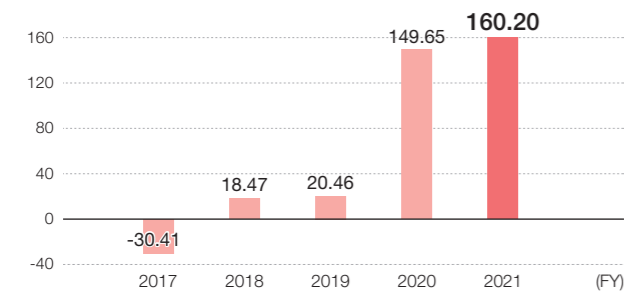
Ordinary profit (Millions of yen)



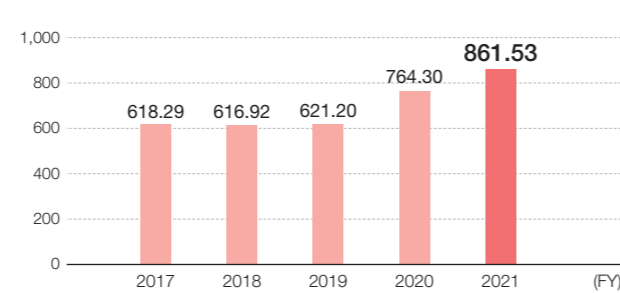
Profit attributable to owners of parent (Millions of yen)



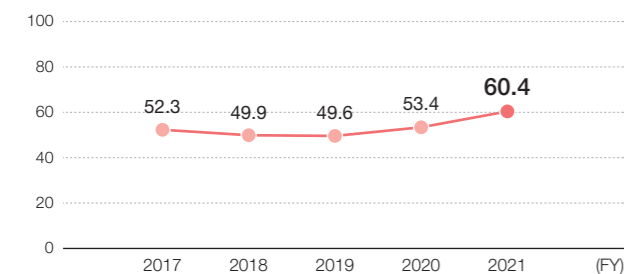
Earnings per share (Yen)



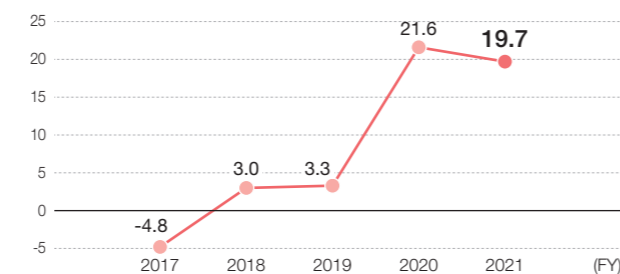
Net assets per share (Yen)



Equity ratio (%)



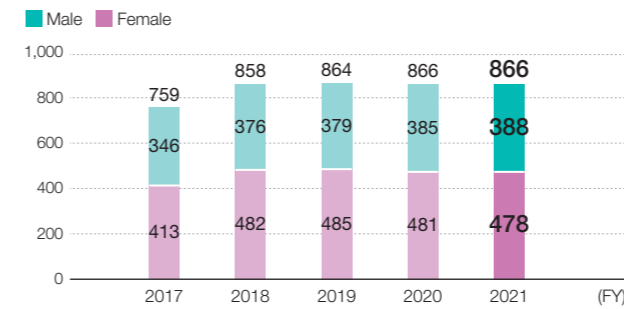
Return on equity (ROE) (%)



* From fiscal 2021, the Accounting Standard for Revenue Recognition and other standards have been applied.

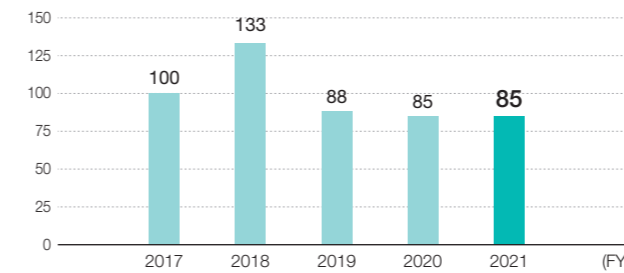
Nonfinancial Highlights

Number of consolidated employees (by gender)



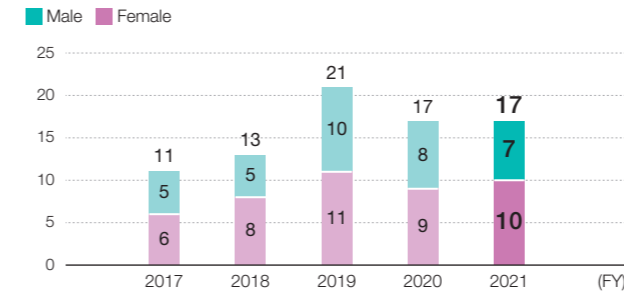
More than 50% of the consolidated employees are women. We are promoting the creation of a comfortable working environment by adopting childcare leave, flextime, and other systems.

Number of consolidated mid-career employees



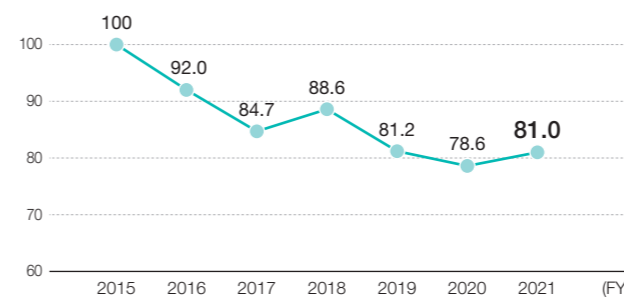
Mid-career employees with diverse careers are playing active roles.

Number of consolidated newly hired employees (by gender)



Each year, more than 50% of our new hires are women.

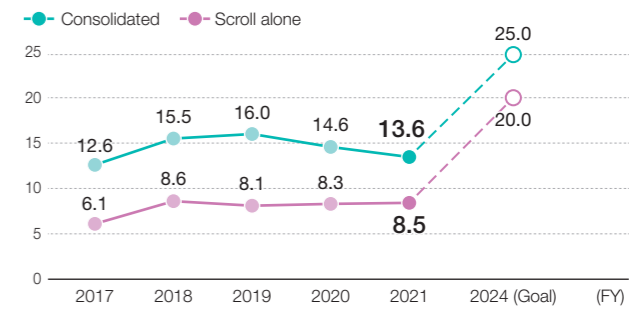
Paper usage reduction rate for catalogs (compared to FY2015) (%)



We are reducing the amount of paper usage through efficient catalog distribution, an effort to which we have been committed since fiscal 2015.

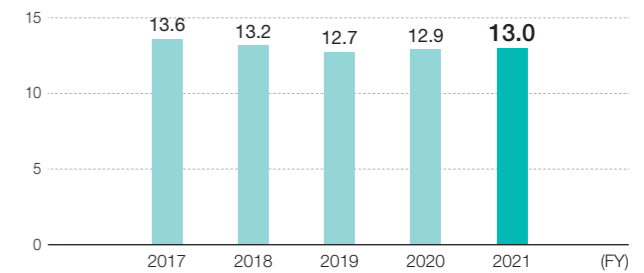
* Scope 1: Direct greenhouse gas emissions from a company itself.
Scope 2: Indirect emissions associated with the use of electricity, heat and steam supplied by other companies.

Female manager ratio (consolidated, Scroll alone) (%)



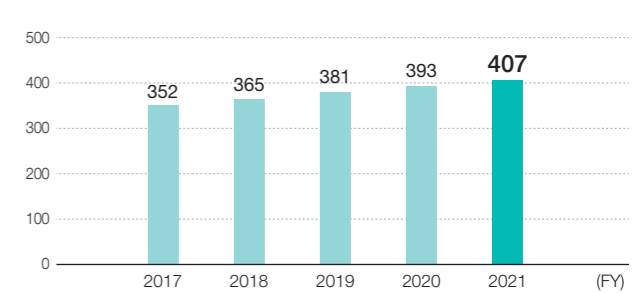
We will further promote active participation of women with the goal of achieving 25% or more on a consolidated basis and 20% or more for Scroll alone by 2024.

Average years of service (Scroll alone)



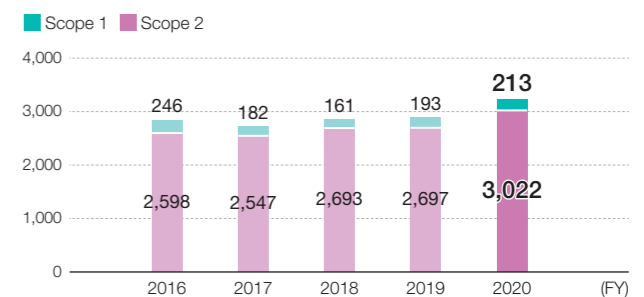
With a new personnel system that includes a diversity initiative introduced in fiscal 2022, we are striving to create a comfortable working environment for diverse human resources to maximize their potential.

Cumulative number of grants made to women volunteer funds (organizations)



In every year since 1994, we have been providing grants to organizations focused on women volunteering for social welfare. The number of grants made up to fiscal 2021 reached 407.

CO₂ emissions in Scopes 1 and 2* (t-CO₂)



Scroll will step up an effort in CO₂ reduction, aiming to reduce Scope 2 emissions by 50% or more by 2030, compared to fiscal 2020.

PART

1

Top Message

As a direct marketing conglomerate (DMC) balancing economic value with social value, we demonstrate our true worth by targeting sustainable growth.

Evolving as a corporate group that always cares for its customers while boldly taking on the challenge of transformation

Last year, when I assumed the position of Representative Director and President, Scroll Corporation adopted a new structure. We believe this represents our first step on a path toward further growth as a company that will continue to thrive for the next 100 years.

From the year before last year until last year, the business performance of the SCROLL Group has remained stable. We have once again defined our Group's purpose, our *raison d'être*, as "supporting the emergence of affluent lifestyles in tune with the times through our direct marketing business." This is an expression I arrived at after looking back on the history of our company since its founding, interpreting it and giving it meaning in my own way. In so doing, I considered the spirit of our founding, the corporate culture that has been handed down since our founding, and the merchant spirit that our predecessors nurtured while navigating the rough seas of the times. I gained a strong awareness of their persistent sincerity toward our customers throughout the shifting sands of each era. No matter how the times changed, they never wavered, remaining steadfast in their approach. Therefore, we believe that in the coming era, we will continue indefinitely to uphold this honest stance toward customers who purchase our products and services; we will remain sincere and diligent in pursuit of our group effort that will lead to sustainable growth. We have incorporated that stance into our purpose.

In order to fulfill our purpose, we have formulated a particular mission "to remain a diverse and unique direct marketing conglomerate unafraid of change." On the assumption that the future prospects of the economic environment and the market are not necessarily bright, our mission also stems from a sense of crisis that the history of the Group will end the moment we fail to respond to change and thus no longer grow, or the moment our Group loses its capacity to respond to change.

In addition, we have envisioned our ideal form as "serving as a good life company that offers benefits to individuals, society at large, and our planet." This good life company was established when I was appointed president in 2015, and in a nutshell, it expresses a simple desire to create a "good company," not in my own estimation, but in the view of each and every employee of our company. In other words, we believe that this can be achieved when each individual employee thinks and acts in pursuit of what is truly important to him or her. And as an extension of that, we also desire to be a good company for our stakeholders and our planet.

Developing our business by seizing the opportunities presented by changing circumstances and challenging environments

Looking to recent developments in the market environment, it is abundantly clear that the COVID-19 pandemic has had a serious negative impact on the economy over the past year. In addition, we have witnessed the emergence of geopolitical risks in Eastern Europe and elsewhere that have exacerbated the turmoil in the global economy. Furthermore, looking at the Japanese economy from a long-term perspective, there is no doubt that we will continue to face headwinds in the distribution market as the country enters an era of population decline. In addition, the COVID-19 pandemic has pulled forward secular changes that we had anticipated would emerge only on a medium- or long-term time scale. As a member of upper management, I am determined to move forward vigorously by steadily resolving management issues with a strong sense of urgency.

The SCROLL Group regards the very challenging market environment that is expected to emerge in the years ahead as the advent of a dark age for the distribution sector. While acknowledging this situation calmly, we will not be pessimistic; instead, we will seize the opportunities presented by these changes and aim for further development of our business.

Fiscal 2021 was a year in which we posted strong business performance overall and clarified the essential challenges in each business segment.

Regarding our most recent business performance, we have designated fiscal 2021 as a year to prepare for the evolution of our business model in preparation for the coming dark age of distribution; consequently, our Group has been working together to address management challenges. As a result, although some businesses were greatly affected by the COVID-19 pandemic, sales were favorable overall. Over the past few years, we have been seeking more economical production locations while maintaining quality at our manufacturing sites. We have thus increased the ratio of direct production overseas, mainly in ASEAN territories. On the other hand, with regard to sales, we have remained focused on improving sales efficiency in order to acquire sales despite maintaining lower sales promotion expenses. Considering that we have firmly established this profit and loss structure and have developed business operations that are even more efficient, our response to the COVID-19 pandemic provided several advantages that contributed to positive business results.

However, in spite of the good performance of the Mail-order Business, which is our Group's core business, it was a year in which issues arose in our other businesses, including our Solutions Business. What is common to all these businesses is that the future will clearly not be an extension of the past. As a result of our active efforts focused on new developments in each business, we believe that we have posted rather significant achievements in that we have clarified essential issues. Our Group's biggest challenge is to break away from single-business management that relies on the Mail-order Business for the majority of its revenues; however, I sense that we are responding positively in identifying issues that need to be addressed for future growth, led by our Solutions Business.

Representative Director and President

鶴見知久
Tomohisa Tsurumi



Expanding the breadth and depth of each business in order to survive in the market

As we look ahead to our future business development through the steady implementation of Next Evolution 2024 (“NE2024”), our medium-term management plan, we intend to refine the business models of each of our business segments with the aim of achieving both sales growth and improved profitability.

In order to continue implementing the direct marketing conglomerate strategy that we have adopted, it is essential that we expand the breadth and depth of each of our businesses in the future. In the words of Stanford Professor Charles A. O’Reilly “breadth and depth” represent the ways in which one can deepen and explore a business. “Breadth” means to expand a business as an extension of our existing business, which is not the same as expanding within each business or creating a whole new business block. “Depth” refers to increasing profitability by pursuing more up-to-date technologies and skills, such as improving efficiency, put simply, it means to increase profit margins. To be more specific, if white space exists within a certain business segment, one is challenged to fill that space. This is not limited to the business model, as it may be filled with a product or a new sales method. This is also part of the breadth of the business segment. Of course, a completely different business segment outside the existing one is also part of the breadth of that business. In short, it is not a matter of the breadth outside of the current business segment, but of the range that exists within each business. Organizationally speaking, many elements could expand this range in their own unit, which is the smallest unit.

By pursuing the full potential of this breadth and depth, we will be able to further refine our strengths as a group, further enhance profitability, and further strengthen our financial foundation. By building on our flagship Mail-order Business, we can identify business opportunities in our Solutions Business and E-commerce Business. As a result, we will be able to demonstrate our true value as a direct marketing conglomerate by firmly developing them into the pillars of our enterprise.

Our main objectives are to refine our Mail-order Business; revitalize our Solutions Business; and improve the earnings of our E-commerce Business.

Regarding the future development of NE2024 in terms of each business segment, we will move our Mail-order Business into the future by seeking out new revenue sources and further enhancing our business efficiency.

Specifically, we must focus on how we can build businesses other than our 52-week merchandising business that we have been operating to date. We can achieve this by accelerating the initiatives of our solutions vendor business (SVB), which provides individual goods, experiences, and services to each region. In addition, from a broader perspective on how to improve our business efficiency, we must acknowledge that apparel, one of our main product lines, is reaching a stage in which the market is shrinking, especially over the long term, which indicates that the competition will become more severe among the remaining players. The number of players will inevitably decrease, so how efficiently one can conduct corporate operations and maintain low costs will be the keys to winning in this market. We believe that, by achieving these two goals, our Mail-order Business will continue to evolve.

Next, looking to a growth driver for our Group, our Solutions Business continues to target growth, which will enable it to become the second pillar in both name and reality. This is our foremost challenge. In order to do so, we must not fail to achieve growth that exceeds that of the market while improving our profit margins. We developed our Solutions Business to offer a menu of individualized services, but it has not yet been fully established as a comprehensive one-stop service. A group of mail-order professionals will support our e-commerce and mail order businesses from end to end and fully throughout 360 degrees.

In our E-commerce Business, although the market has expanded against the backdrop of the COVID-19 pandemic, it is becoming increasingly difficult to secure profits year by year as we enter an era of excessive competition. In particular, in the inventory procurement businesses of the Group, it is difficult to secure the expected earnings. Consequently, we will pursue a transition to a highly profitable business by strengthening the introduction of original branded products. The greatest feature of our Group’s E-commerce Business is its strong presence on many online shopping sites. As this demonstrates our strength in marketing, it should present a major opportunity.

Looking ahead to the final year of NE2024, we will focus on a management approach that can secure firm earnings in each business, and not merely on management that pursues only a particular scale of sales. Over the next three years, as we build profits centered on our flagship Mail-order Business, we will work to achieve an ordinary profit of 8 percent for the business as a whole while making appropriate investments and taking risks. In addition, with regard to businesses for which it is difficult to secure profitability, such as those in which the return on invested capital (ROIC) is lower than the cost of capital, we will flexibly and proactively replace such businesses and work to rebuild our business portfolio.

Promoting Responsibility Management through the pursuit of ethical and economic unity

This fiscal year, in conjunction with our evolution as a direct marketing conglomerate, our Group will strive to incorporate Responsibility Management as a priority policy. Our main initiatives include those aimed at achieving carbon neutrality, promoting task diversity, and strengthening our corporate governance. Among these, we will emphasize achieving a balance between economic value and social value while pursuing an orientation toward “ethical and economic unity” in which ethical and economic factors are essentially in agreement.

In other words, we believe it is the mission of our Group to secure stable profits as a business while at the same time addressing one by one those social issues that are related to the ESG management principles of environment, social and governance.

In addition, in promoting Responsibility Management, we believe that value exists in not mirroring the efforts of other companies, but rather in addressing relevant issues earlier than anyone else. In this regard, we will share discussion of

issues throughout the Group and pave the way to solutions. Furthermore, with regard to Responsibility Management, we will continue to collaborate with partner companies and others with the recognition that we are entering an era in which control is required not only within the Group but also across the entire value chain.

Our Group is now entering a new phase that entails renewal of our management structure, a transition to a prime market, and updating of our governance system. Under these circumstances, we have decided to issue an integrated report for the first time this fiscal year with the intention of achieving a higher level of corporate governance. Going forward, we will strengthen the dissemination of information to our stakeholders to demonstrate our commitment to sustainable growth.

We remain committed to refining our strength of character and reasoning skills in order to overcome all difficult environments as we remain focused on addressing our business development. In addition, to ensure that our stakeholders continue to evaluate us as a “good company,” all Group employees will work together under my leadership. We look forward to your ongoing support as we take on these challenges.

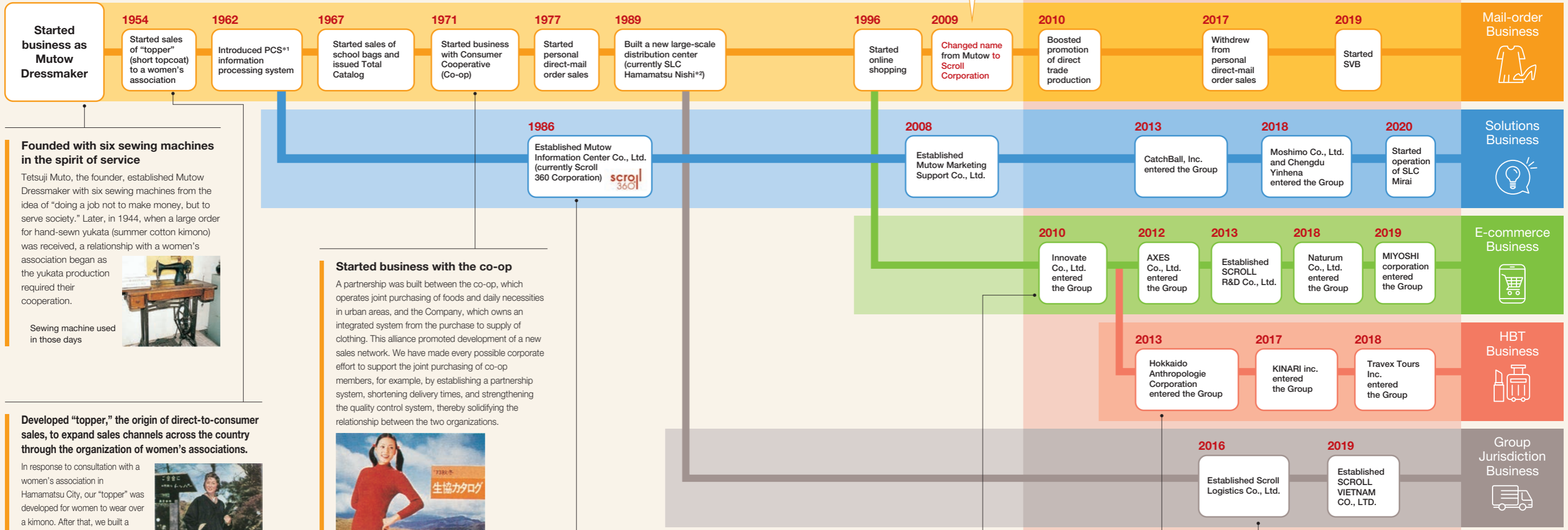


PART
2

History

Throughout a history exceeding 80 years, our business has continued to grow and refine its structure as we have contributed to the emergence of a more prosperous way of life.

1939



Founded with six sewing machines in the spirit of service
Tetsuji Muto, the founder, established Mutow Dressmaker with six sewing machines from the idea of "doing a job not to make money, but to serve society." Later, in 1944, when a large order for hand-sewn yukata (summer cotton kimono) was received, a relationship with a women's association began as the yukata production required their cooperation.



Sewing machine used in those days

Started business with the co-op
A partnership was built between the co-op, which operates joint purchasing of foods and daily necessities in urban areas, and the Company, which owns an integrated system from the purchase to supply of clothing. This alliance promoted development of a new sales network. We have made every possible corporate effort to support the joint purchasing of co-op members, for example, by establishing a partnership system, shortening delivery times, and strengthening the quality control system, thereby solidifying the relationship between the two organizations.



Co-op catalog at that time

Developed "topper," the origin of direct-to-consumer sales, to expand sales channels across the country through the organization of women's associations.
In response to consultation with a women's association in Hamamatsu City, our "topper" was developed for women to wear over a kimono. After that, we built a system in which local agents sold the products directly to women's associations all over Japan using about 100 motorcycles, laying the foundation for sales to organizations. The track record of the sales to organizations has led to subsequent tie-ups with the co-op.



Topper



Motorcycle unit

Laying the foundation of the mail-order solutions business
Having established Mutow Information Center Co., Ltd., the Company launched sales of mail-order systems based on the experience accumulated since the introduction of the information processing system. Later, in 2008, Mutow Marketing Support Co., Ltd. (currently Scroll 360 Corporation) was established by consolidating the functions of promotion support, system support, and fulfillment support that had been handled by individual group companies. Thus, full-scale operation of the mail-order solutions business started. In recent years, we have enhanced peripheral services through M&A. With the growth of the EC and mail-order markets, we will further strengthen the presence of the mail-order solutions business both inside and outside the Company.

Toward establishment of an EC business not requiring catalogs
As we took initiatives keeping pace with the advancement of e-commerce around the world, EC-specialized companies that operate top ranking shops in each genre joined our Group through M&A, because there was a limit to the EC shift based on conventional catalog mail order in terms of market competition. We will strive for further business growth by combining Scroll's business management methods with the name recognition and expertise unique to each EC-specialized company.

Taking on challenges to growth markets
Against the backdrop of growing health consciousness, companies with appealing health and beauty products and brands joined our Group. Additionally, with the participation of companies engaged in "experiential consumption," such as travel, we will promote the development of the latest profitable business in growth markets based on a model that is different from the existing businesses.

Foundation to support the Group's distribution
By flexibly responding to changes in the environment such as the growth of Mail-order and Solutions Businesses, these have become an indispensable business foundation for the Group to generate profit.

*1 PCS: Abbreviation for punch card system. In this system, information is stored simply by typing the contents of an order form into a punch card. The system has realized order aggregation, automated inventory management, etc., thereby increasing the efficiency of paperwork.
*2 SLC: Abbreviation for Scroll Logistics Center.

What Is a Direct Marketing Conglomerate?

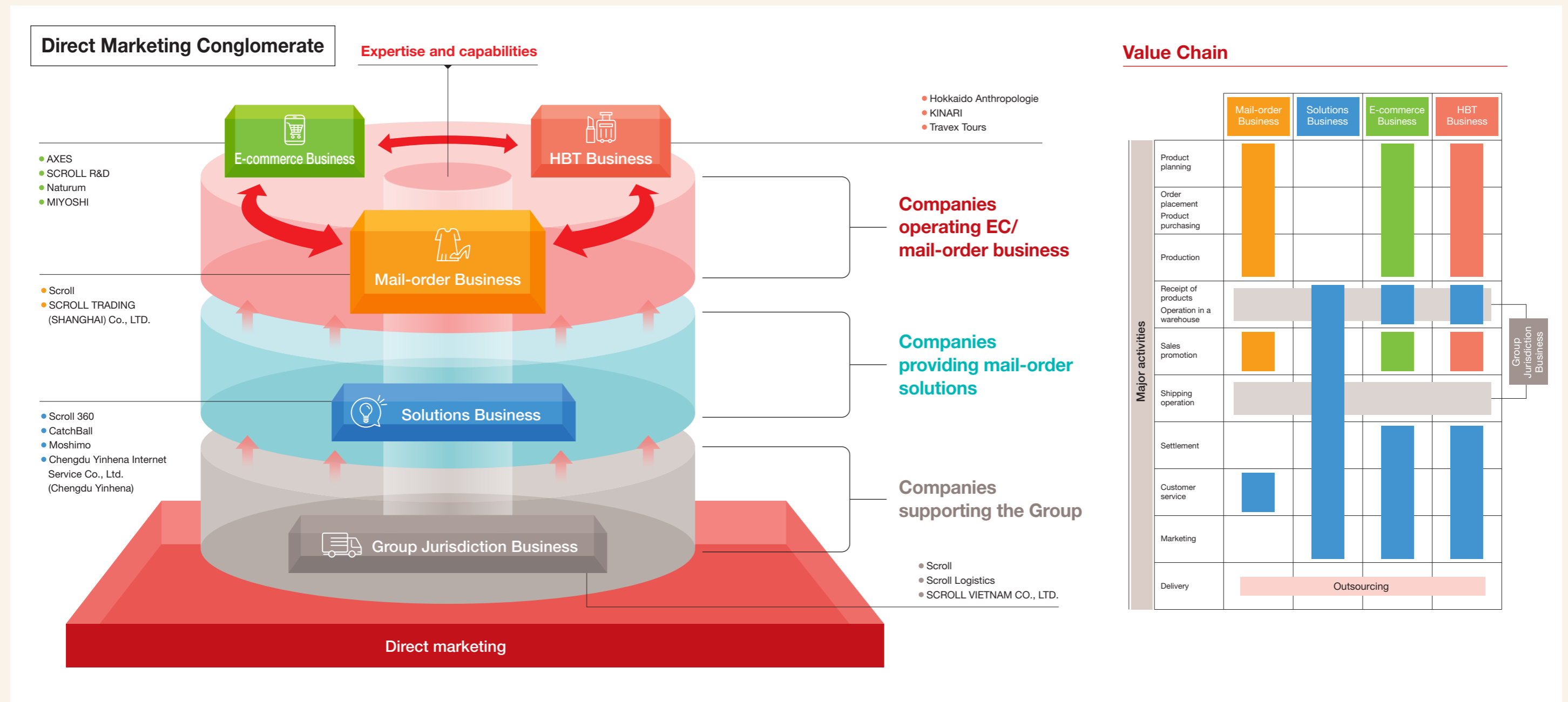
We have established ourselves as a direct marketing conglomerate dedicated to creating new value and achieving sustainable growth in a rapidly changing retail environment.

A one-of-a-kind unique corporate entity

DMC is a group of multiple companies centered on direct marketing, which can be said to be an extremely rare corporate entity where EC and mail-order companies and mail-order solution providers coexist in the same group. In addition, companies with similar business models and value offer form segments. The Group is currently composed of five business segments. Through these businesses, achievements and knowledge are accumulated within the Group, day by day, which strengthens the foundation that supports our future business growth.

Promoting a comprehensive business model through the Group centered on direct marketing

Taking advantage of our distinctive coexistence of companies operating EC/mail order and companies that provide mail order solutions, the Group plays multiple roles in the value chain. We are making a concerted effort as a group to increase the value we provide to our customers, clients, and business partners.



The Strengths of a Direct Marketing Conglomerate

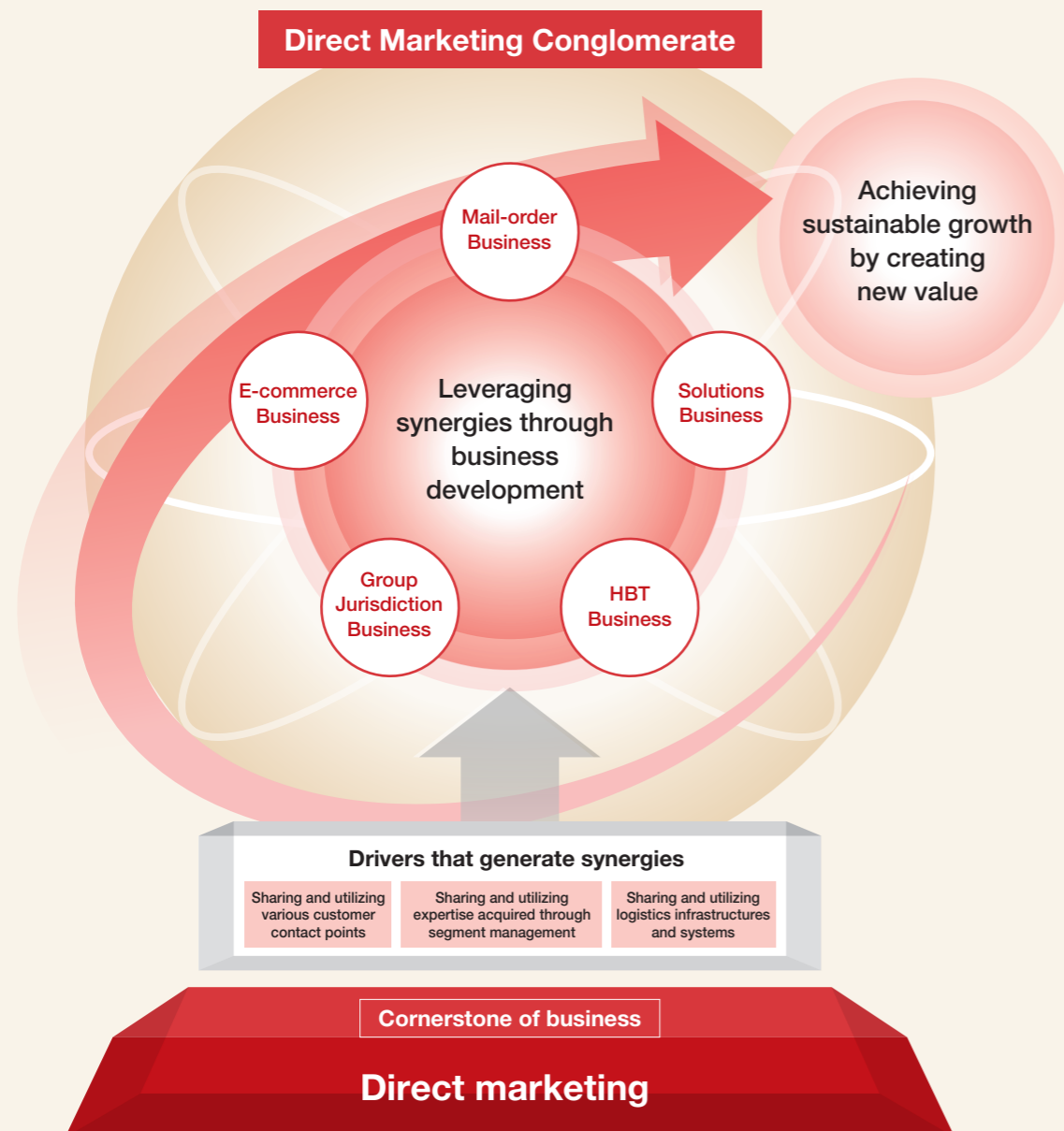
DMC's strengths are "group formation to demonstrate synergies" and "business portfolio management that realizes systematic and continuous investment for growth." Drawing on these two strengths, we will offer new value even in a rapidly changing market and pursue sustainable growth.

Group formation to demonstrate synergies

Our direct marketing conglomerate has a mechanism to create synergies through companies and businesses closely connected with each other using the knowledge and expertise they have cultivated. In addition to, of course, the growth and evolution of each company, synergies spread inside and outside the segment, which enables the creation of new value to offer and respond quickly to changes in the business and market environments, customer needs, and so on.

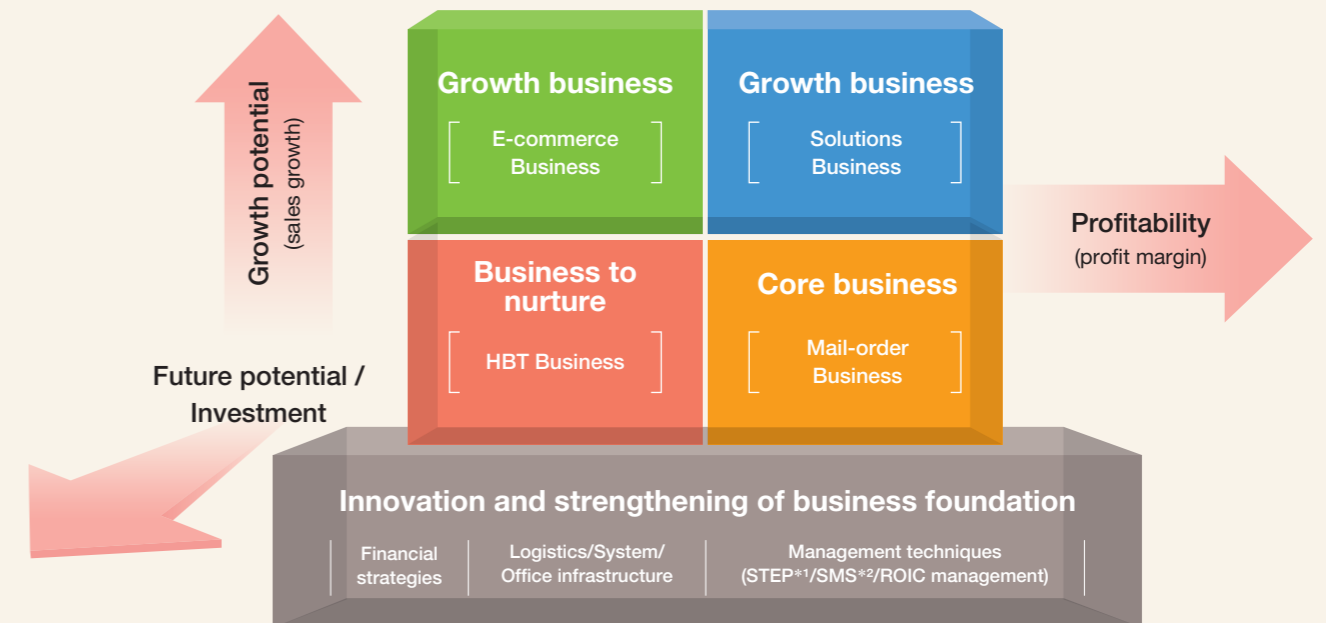
Key points to generate synergies

- Being centered on direct marketing
- Sharing and utilizing various customer contact points, expertise acquired through segment management, and logistics infrastructures and systems



Business portfolio management that realizes systematic and continuous investment for growth

Since 2010, the SCROLL Group has been promoting portfolio management by business segment through repeated M&A activities. Consequently, the Group has acquired stability and growth potential, and has laid a business foundation for the future. With this business foundation, we will continue to invest in new value creation even in the face of various changes in the environment, thereby achieving sustainable growth.



*1 STEP management: Abbreviation for Small Teams Earn Profit. A method of profit and loss management in an organization of the smallest unit that forms a business.
 *2 SMS management: Abbreviation for Scroll Mission Standard. A method of qualitative management involving setting business missions, organizational functions, business standards, and profit scales in conjunction with segments, business divisions, and units.

Roles of each business

- Core business** **[Mail-order Business]**
Mail-order Business is the Group's largest business segment in both net sales and profit. By moving ahead with innovations to increase profitability, it plays a role as the Group's core business. Going forward, the earnings base of the Mail-order Business is expected to evolve and remain as an absolute presence that supports the Group's management in terms of profit.
- Growth business** **[Solutions Business]**
With the existence of this business, the Group forms a direct marketing conglomerate with a dual business structure: operating EC and mail-order businesses and providing services for EC and mail-order companies. As the next growth driver for DMC, we will strengthen our earnings base by developing new service models and menus in line with the growth of the EC and mail-order markets.
[E-commerce Business]
Sales volume is second only to the Mail-order Business, and this business has expanded through M&A of top-class EC companies in each specialized field. In the EC and mail-order markets where competition is intensifying, we will promote the number-one-in-category strategy to expand our business, and utilize the EC expertise cultivated in this business for the growth of other businesses, thereby contributing to the growth of other businesses in the Group.
- Business to nurture** **[HBT Business]**
Now that we live in an aging society and a time where people live to 100 years of age, the cosmetics and health food markets are expected to expand. Due to the specificity of the business model, the profit model is different from other businesses, and it is extremely significant that this business plays a part in the Group's earnings. While aiming for new M&A opportunities, we will establish a business model and transform this business into one that supports the Group's earnings. As for the travel business, we will expand the value the Group can offer through the provision of experiential services, and at the same time, will play a role in creating new value for the Group to offer by demonstrating synergies with other businesses.
- Business foundation** **[Group Jurisdiction Business]**
As a foundation to support the DMC strategy, we will optimize and improve the efficiency of the Group's assets, and will function as the Group's headquarters to support the enhancement of corporate value through sustainable growth and improvement of profitability of the Group.

Risks and Opportunities

To support our sustainable growth as a direct marketing conglomerate, we analyze changing risks and opportunities evident in external environmental factors and adapt our business operations accordingly.

Basic idea of risks and opportunities

For sustainable growth, a company should keep abreast of the external environment, examine its impact, and identify what type of risks or opportunities can arise. With the understanding of ESG trends such as the 17 goals and 169 targets of SDGs and GRI, we clarified the external environment that may have a great impact on the Group's businesses.

Changes in the external environment in each business		Business-related risks and opportunities	Risk or opportunity	How we perceive risks and opportunities	
Mail-order Business	<ul style="list-style-type: none"> Decrease in demand for apparel Declining birthrate and aging population Growing awareness of sustainability Technological evolution (5G, cashless, AI) 	Declining birthrate and aging population	Contractions of consumer market and consumer sentiment	Risk	The Japanese consumer market will shrink significantly and consumer sentiment will be further depressed.
			Expanding healthcare needs	Opportunity	Expanding products that meet healthcare needs will make more people support us.
			Growing number of those who have difficulty shopping	Opportunity	As a direct marketing company, we will have more opportunities to deliver products to people who have difficulty shopping.
Solutions Business	<ul style="list-style-type: none"> Increase in EC and mail-order users Changes in infrastructure associated with technological innovations such as AI Diversified customer needs (payment/delivery) Technological evolution (5G, cashless, AI) 	Responsible procurement	Growing awareness of safety and security for products and services	Risk and opportunity	While the market demand for responsible procurement may increase costs as it requires reviewing our supply system, etc., it can also be an opportunity to gain trust by providing traceable, safe, and secure products.
			Provision of traceable products	Opportunity	
			Higher costs and productivity through capital investment	Risk and opportunity	While capital investment in a stable supply of high-quality products may pose a risk of cost increase, it can also be an opportunity to improve productivity.
E-commerce Business	<ul style="list-style-type: none"> Increase of EC (purchasing online) Expansion of reuse market Growing number of individuals who have difficulty shopping (aging/depopulation) Expansion of cross-border EC Progress of cashless payment Increase in C2C distribution 	Climate change	Growing need for environmentally friendly products	Risk and opportunity	If needs cannot be met, it may lead to deterioration of corporate image, sales decrease, and cost increase resulting from the introduction of new technologies. We can, however, provide ethical products at appropriate prices by collaborating with business partners.
			Creation of a new business model based on circular economy	Opportunity	The realization of a circular economy, which is also a task for the entire textile industry, can be an opportunity to create a new business model.
			Tightening of policies and laws and regulations associated with climate change	Risk	If laws and regulations are tightened toward carbon neutrality in 2050, cost burdens such as the carbon tax and new logistics costs will increase.
HBT Business	<ul style="list-style-type: none"> Growing health consciousness Decrease in inbound demand Changes in consumer consciousness (from goods to experiences) Increase of EC (purchasing online) 	Climate change	Increase in paper material cost resulting from changes in paper market conditions	Risk and opportunity	Although price increase resulting from a shortage of raw paper materials is a risk, it is also an opportunity to shift from paper media to electronic media.
			Larger impact of extreme weather on supply chain	Risk	There is a risk of facing procurement difficulties due to damage caused by disasters to production bases of raw materials and products.
			Diversity	Expanding need for diverse workstyles	Opportunity
Labor shortage	Opportunity	Promoting employment of diverse human resources such as women, the elderly, and foreign nationals will become an opportunity for new value creation.			

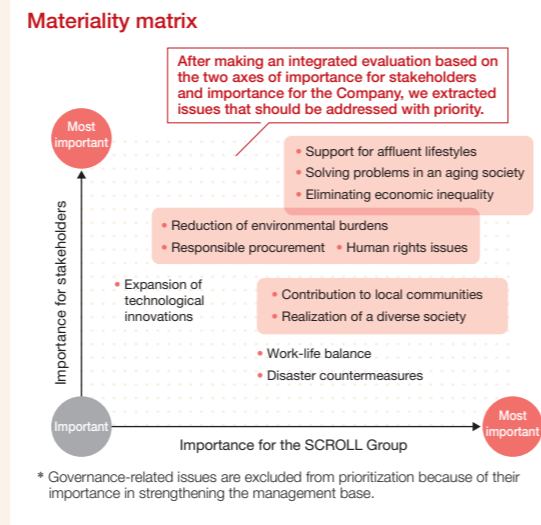
Materiality (Key Issues)

We intend to meet the needs of society and our stakeholders by addressing material issues that need to be solved and promoting management according to ESG principles.

Basic idea of materiality

We have determined our materiality (key issues) as follows by identifying the external environment surrounding the Group and grasping related risks and opportunities. These material issues are going to be incorporated into our medium-term management plan to carry out ESG-focused business activities going forward.

Materiality determination process



Determined materiality

- Supporting the creation of affluent lifestyles through the development of better products and services
- Solving social problems caused by declining birthrates and an aging society
- Reducing environmental burdens
- Providing safe and secure products by strengthening our SCM
- Promoting task diversity management
- Contributing to local communities
- Strengthening corporate governance

Formulating a medium-term management plan based on determined materiality

Materiality details

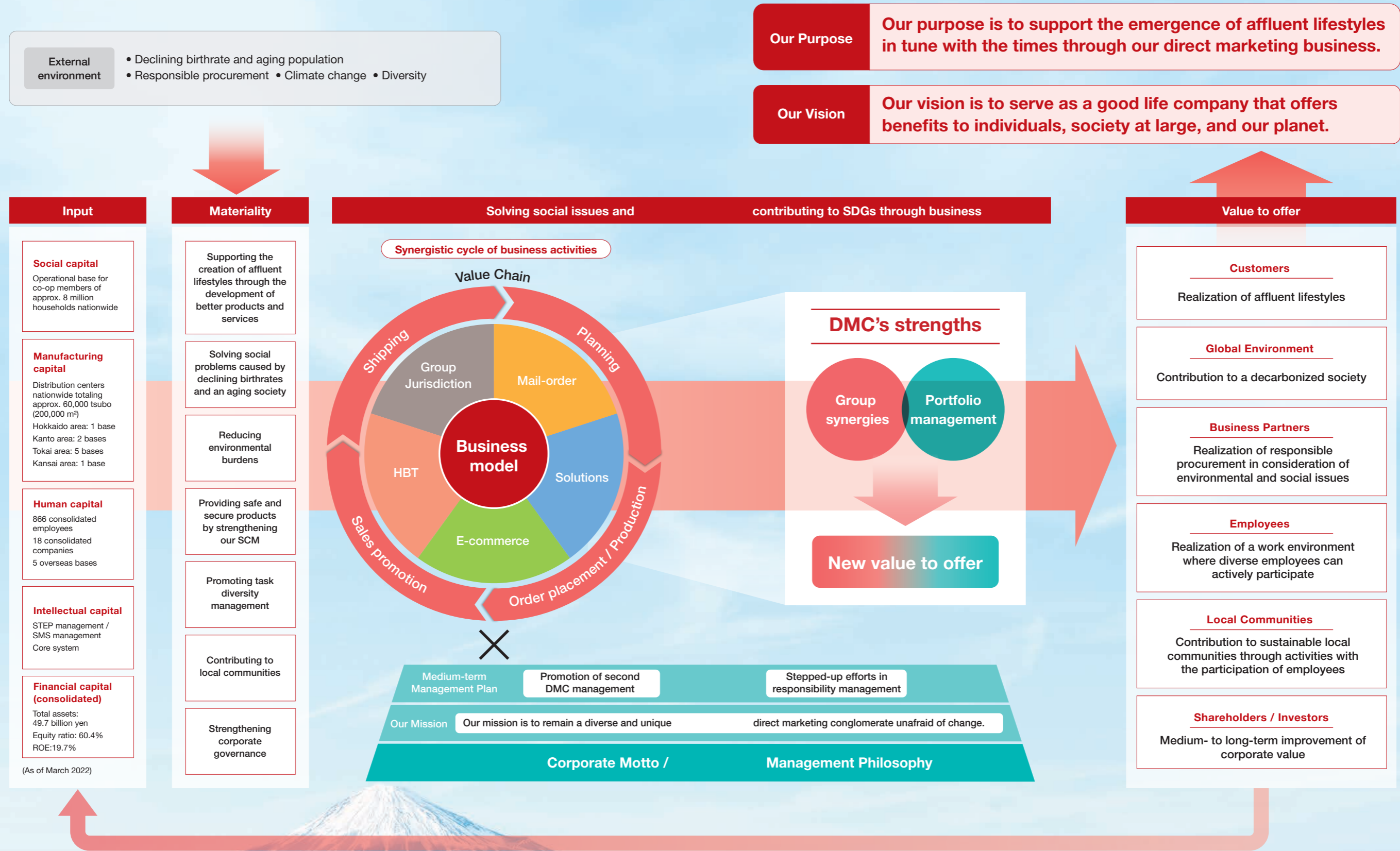
	Materiality	Explanation of materiality
Material issues to be solved through our business	Supporting the creation of affluent lifestyles through the development of better products and services	Providing added-value goods, experiences and services at appropriate prices and supporting the creation of affluent lifestyles are the reasons of our existence and important issues of us, SCROLL Group. We will plan and propose useful products for daily life by listening sincerely to the voices of our customers.
	Solving social problems caused by declining birthrates and an aging society	This era is known as the 100 year time period, we will promote efforts to solve various problems related to the declining birthrates and an aging society through our business activities as a direct marketing company so that people can lead fulfilling lives.
	Reducing environmental burdens	Efforts to address climate change are becoming more and more active around the world, including the Paris Agreement and Japan's Carbon Neutral Declaration. We, the SCROLL Group, will also contribute to building a sustainable society by promoting reductions in CO ₂ and other GHG emissions and other environmental burdens.
	Providing safe and secure products by strengthening our SCM	In recent years, consumers have become increasingly aware of the safety and security of products and services. We will promote responsible procurement together with our business partners, taking environmental and social issues into consideration.
Material issues that form the foundation of our business	Promoting task diversity management	We will strive to create an environment in which employees can maximize their abilities by recognizing the invisible inner diversity of abilities, knowledge, and experiences (task diversity), which will also lead to the sustainable growth of the company.
	Contributing to local communities	We will contribute to the realization of sustainable local communities through employee-participatory activities. Furthermore, through social contribution activities that contribute to the development of local communities, we aim to be a company that is loved and trusted by local people, and we also promote psychological support for our employees and their families.
	Strengthening 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.

Addressing Social Issues through the Value Chain

To uphold a prosperous way of life, we are identifying significant issues and promoting initiatives intended to achieve the following objectives.

	 Planning	 Order placement / Production	 Sales promotion	 Shipping
Strengths	 <p>Leveraging the product development capabilities and cost competitiveness that we have developed, along with the knowledge and expertise gained through various customer contact points, we are developing value-added products in-house and jointly with our business partners.</p>	 <p>Through order placement management using an order forecast system, we strive for production in adequate volume. In addition, our products undergo quality inspections by public institutions as well as thorough quality control by in-house specialized departments to enable delivery in a safe and secure condition.</p>	 <p>Taking advantage of contact with co-op members of approx. 8 million households nationwide, we distribute catalogs every week and sell products useful for creating affluent lifestyles.</p>	 <p>With the use of our logistics expertise accumulated over the years, we promote highly accurate quantity forecast and automation, realizing accurate shipping and efficient warehouse operation.</p>
Issues	Development of products in consideration of social and environmental issues	Adequate volume production and safe and secure manufacturing	Control of forest resource decline	Reduction of environmental burdens on packaging materials
Goals / Initiatives	<p>Goal SDG-related products make up 50% by FY2025 (apparel products)</p> <p>Initiatives</p> <ul style="list-style-type: none"> Rollout of products that are eco-friendly and able to contribute to society Use of sustainable cotton 	<p>Goal Construction of a SCM system</p> <p>Initiatives</p> <ul style="list-style-type: none"> Construction of an AI-based order receipt forecast and order placement management system Joint efforts with factories that consider human rights and the environment through periodical audits 	<p>Goal 25% reduction in paper usage by FY2030 *Compared to FY2021</p> <p>Initiatives</p> <ul style="list-style-type: none"> Reduction of catalog circulation Promotion of website usage 	<p>Goal 65% reduction in plastic material usage by FY2030 *Compared to FY2021</p> <p>Initiatives</p> <ul style="list-style-type: none"> Promotion of switching to eco-friendly packaging materials
Contribution to SDGs				

Value Creation Process for the SCROLL Group



PART
3

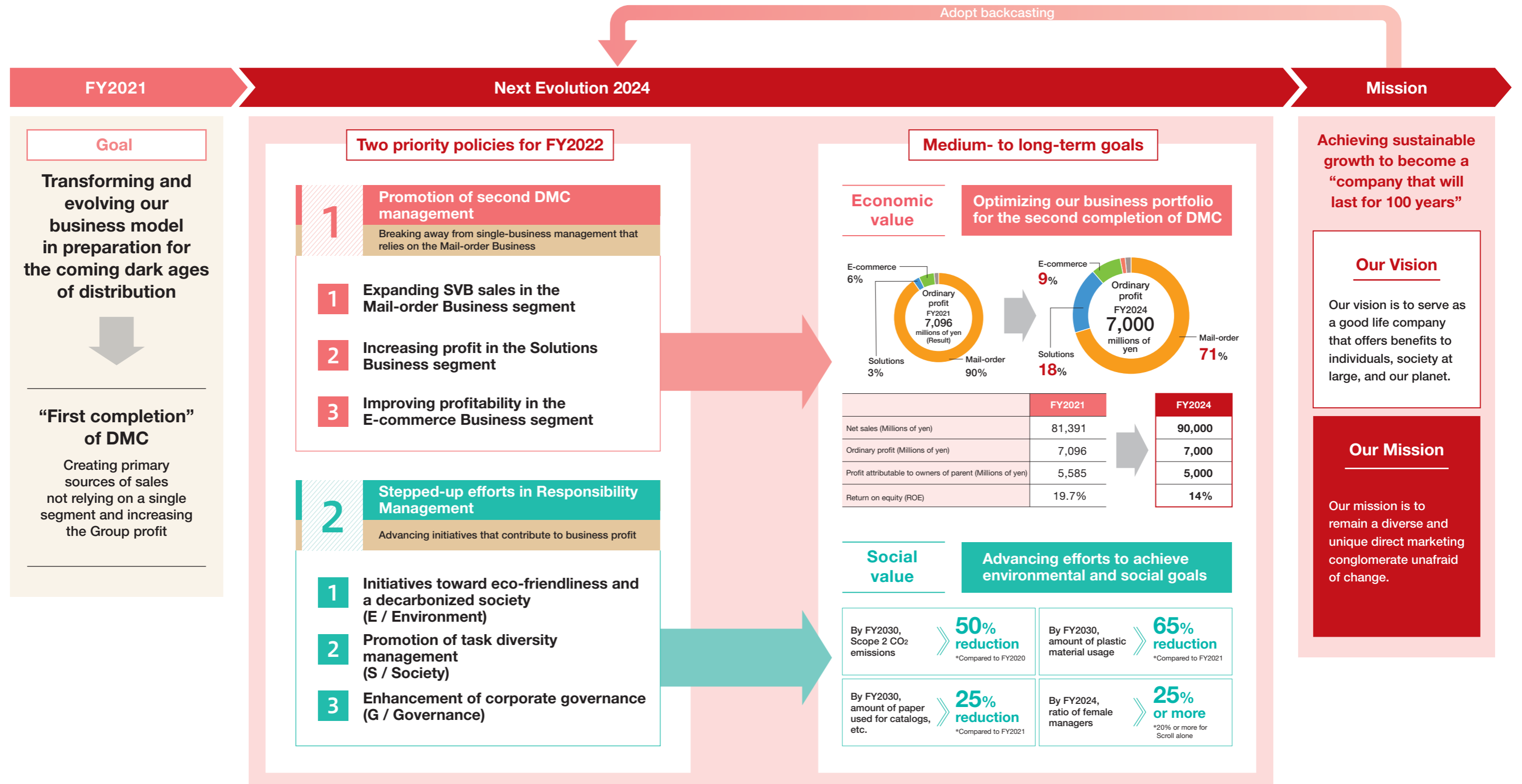
Overview of Our Medium-term Management Plan: Next Evolution 2024

– For fiscal years from 2022 to 2024 –

In order to achieve sustainable growth while meeting social demands toward becoming a “company that will last for 100 years,” the SCROLL Group has identified materiality (key issues) that the Group should solve, and based on these, formulated the medium-term management plan Next Evolution 2024.

In fiscal 2021, on the sales front, we built a sales structure that does not rely on a single segment through innovations carried out to date, and our sense of stability as a group has increased. On the other hand, in terms of profit, tasks still remain for the further growth of DMC, such as breaking away from single-business management that relies on the Mail-order Business.

With the accomplishment of these tasks positioned as the “second completion” of DMC, and in terms of profit, we will build stable primary sources of revenue other than the Mail-order Business through multiple businesses to optimize our business portfolio. At the same time, aiming to become a more sustainable company by responding to social demands, we have set up two priority policies of “promoting second DMC management” and “stepped-up efforts in Responsibility Management” in our medium-term management plan for fiscal 2022.



Financial Strategy

Basic policy of financial strategy



In preparation for medium to long-term investments and risks, the SCROLL Group promotes management focused on capital productivity while maintaining financial soundness. We have introduced return on invested capital (ROIC) as an important internal management index to maintain a return on equity (ROE) level of 15% and strive for autonomous maximization of corporate value and sustainable growth.

The Group's overall working capital, growth investments, and other fund requirements are financed primarily from operating cash flow, but we also use interest-bearing debt effectively as needed to improve capital efficiency.

We have also introduced a cash management system to strengthen group governance and improve capital efficiency, and are implementing group-wide fund procurement and fund management. We have established a solid revenue base in our core Mail-order Business, and its muscular business structure has now reached the point of completion. Meanwhile, for the continued growth of the Group, we will evolve our Solutions Business, providing know-how and functions developed through direct marketing, to other mail-order companies to make it the next pillar of revenue to break away from single-business management.



Masahiko Yamashita
Group Officer CFO

Financial developments — past, present, and future

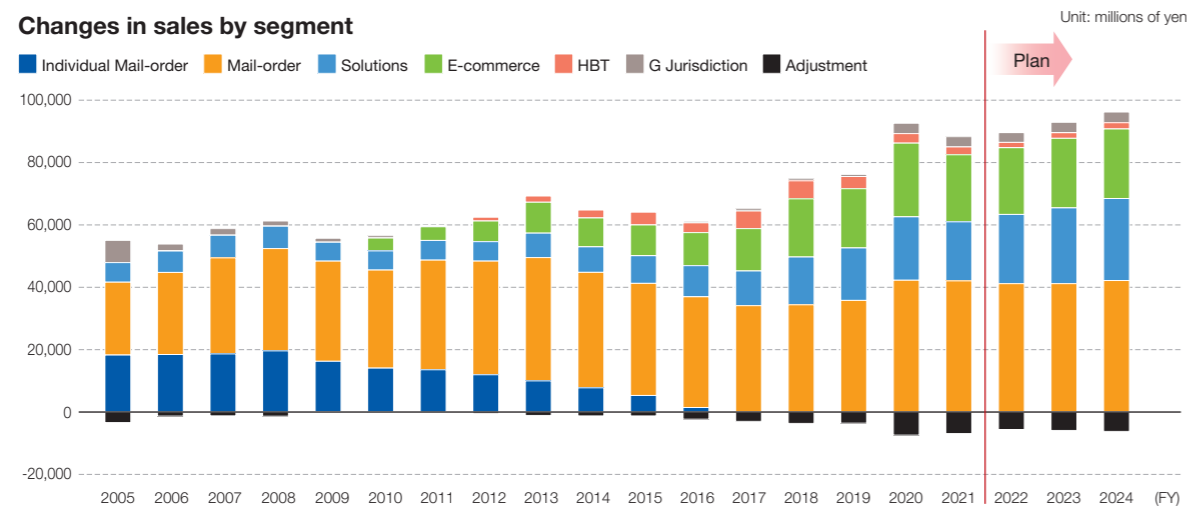


Looking back over the past 20 years, the Group initially generated sales in four business segments: the Individual Mail-order Business, the Co-op Business (present Mail-order Business), the Solutions Business, and Other Business.

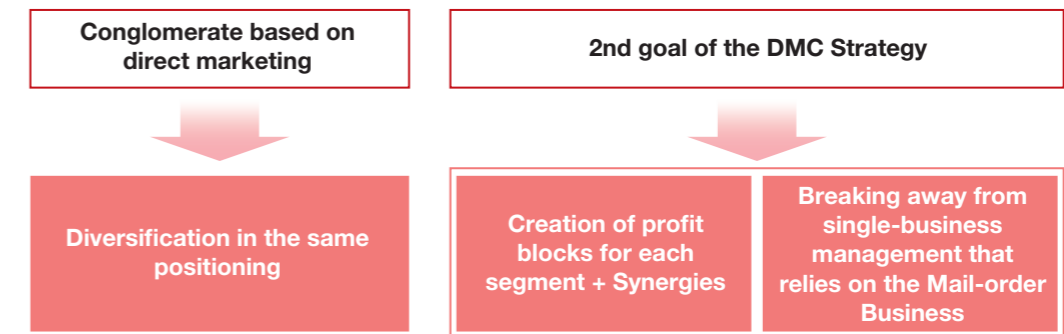
Along with the trend at the time, brought about by the rise of the Internet, sales of the Individual Mail-order Business, a general mail-order business of paper catalogs, saw notable shrinkage. In

fiscal 2016, we withdrew from the Individual Mail-order Business, but through organic growth and business portfolio reform achieved through M&A, we succeeded in developing the E-commerce Business and establishing a foundation for the Solutions Business, thereby completing the current blocks of segment sales, the first complete form of the direct marketing conglomerate (DMC) strategy. This also resulted in a growth in overall sales.

Changes in sales by segment



Future financial strategy



The DMC strategy advocated by the SCROLL Group is a system in which a conglomerate of companies, formed with direct marketing as its core competence, organically links its businesses through its knowledge and know-how to create synergies and enhance corporate value.

Under this strategy, the SCROLL Group is entering a phase of creation of group synergy and of profit structure reform to achieve profit growth in each business as the next step of the DMC strategy. We will clearly define priority business areas and invest funds in priority investment areas accordingly. We also plan to invest more actively in DX and IoT in the future, regardless of business areas.

In the Mail-order Business, we will evolve the value we provide into experience consumption based on in-depth exploration of needs using the infrastructure in the co-op market, while maximizing profits from existing models.

In the Solutions Business, we already offer a 360-degree one-stop service providing all the functions needed for mail-order business, from logistics service to payment service to marketing,

but we will further enhance our services to create a stock-type business model of multiplication rather than adding and increase the presence of the Solutions Business in the Group.

In the E-commerce Business, we are already a group of business corporations that operate top-class stores in various e-commerce sites, so we will establish new business models and maximize profits from existing businesses, leveraging the know-how and innovation of the top stores.

Regarding other businesses, we will nurture them to support future group segments essential for the sustainable growth of the Group.

For discerning businesses and evaluating investments, we are promoting business and investment evaluation using ROIC as a KPI. However, as mentioned earlier, it is difficult to evaluate businesses by the absolute level of ROIC due to the diverse businesses and stages. Therefore, we will discern businesses first by making a relative evaluation of the improvement rate based on changes in ROIC.

Basic policy on returns to shareholders



The SCROLL Group promotes ROE-oriented management and aims for a sustained increase of shareholder value, including profit distribution.

Concerning dividends, our basic policy is to pay an annual dividend of 20 yen per share as the lower limit, with a payout ratio of 40%.

For fiscal years in which net income fluctuates significantly due to the sale of real estate and securities that

are not directly related to business activities and other special factors, the dividend amount will be determined after excluding these impacts.

We will continue to maximize shareholder value by utilizing retained profits for growth investments and promoting business growth, thereby expanding shareholder returns using increased profits as a source of funds.

Business Strategies

Mail-order Business



Since its founding, our Mail-order Business has always taken on the challenge of staying one step ahead of the times and now it is the core business of the SCROLL Group. The Mail-order Business will continue to contribute to consumers' cooperative (co-op) members by recognizing their needs and problems and offering value-added products and services to add color to their lifestyles.

Keizo Katsuta
Group Officer, and PRS of Mail-order Business



Business details

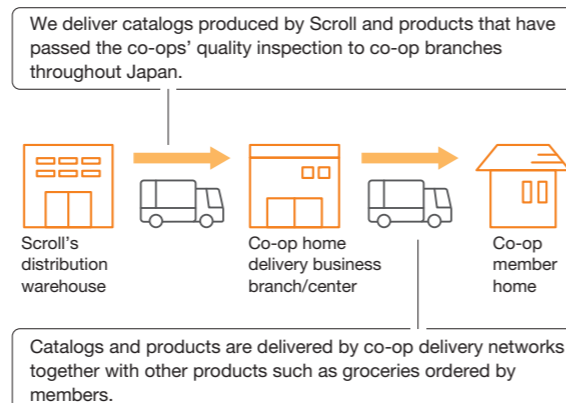
This business is operated by Scroll Corporation and mainly sells by mail order (catalogs and partially via the Internet) to members of co-op home delivery businesses. The total number of co-op members nationwide that are the target of sales is approximately 8 million households, which forms the base of this business.

The main products of this business are clothing and fashion accessories. In this service, we distribute product catalogs to co-op members across the country every week, 52 weeks a year, and deliver the products they order.

The products are mainly produced via direct production at overseas factories in cooperation with the Group's overseas bases, thoroughly managed to guarantee safety and security. We have also promoted SCM reform, including the use of an order forecast system and in-house production control, evolving our business model to minimize clothing disposal loss by producing the optimum amount of clothing. Products ordered by members are

delivered by co-op delivery networks with other co-op products over the "last one mile," a model that eliminates greenhouse gas emissions generated by individual deliveries.

Flow of catalogs and products

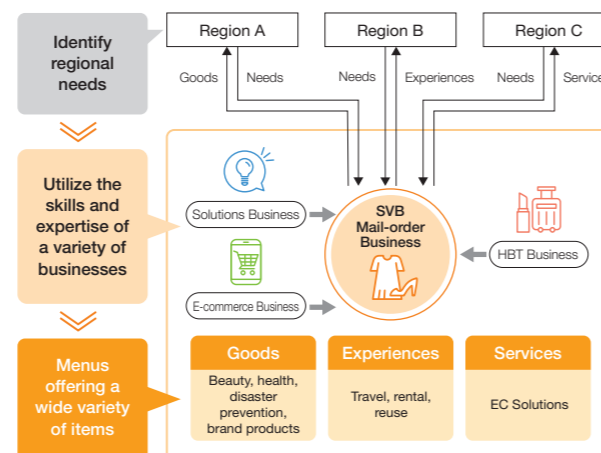


SVB strategy

Since fiscal 2019, we have been promoting our solution vendor business (SVB), which is different from the uniform nationwide distribution-type business in that we plan and propose unique products, services, etc. to meet the needs of co-ops in individual regions based on understanding of their needs.

We offer a solution menu of goods such as clothing, fashion accessories, and pharmaceuticals, experiences such as travel and subscriptions, services, and the business functions that the SCROLL Group has accumulated over many years of business development to co-ops nationwide, thereby actively promoting initiatives to create new values that are different from those of the uniform nationwide distribution-type catalog business.

Solution vendor business to offer products and services that match the needs of each region



Strengths of the business

- Weekly contact with about 8 million member households nationwide
- Push-type business model based on catalog distribution
- Stable business base with our unique network featuring co-ops nationwide
- Supply chain management (SCM) linked with co-op sales schemes to minimize product loss
- Expertise and organizational capability regarding in-house product planning, catalog production and editing, and production management

Business environment

- Risks**
- Cost increases in the supply chain (raw materials, transportation, foreign exchange, paper)
 - Reduction in the size of the clothing market due to population decline

- Opportunities**
- Growing health care needs
 - Increased awareness about sustainability
 - Evolution of technology

Management status in fiscal 2021

In the existing business, sales remained firm while stay-at-home consumption calmed down, thanks to the successful planning of new media and expansion of the product lineups as well as improvement of the product supply ratio using SCM control. We also worked for the maximization of business efficiency by reviewing our product procurement methods to reduce the cost ratio and through effective distribution of catalogs to reduce sales promotion costs. SVB, a new pillar of revenue of the Mail-order

Business that we are developing, is increasing its sales due to the strengthening of its proposal capabilities. As a result of these trends, net sales in the fiscal year ended March 2022 totaled 41,914 million yen (42,144 million yen in the previous year), with segment income of 6,439 million yen (6,205 million yen in the previous year). Due to the application of the Accounting Standard for Revenue Recognition, net sales decreased by 37 million yen and segment income increased by 1 million yen.

Future strategies

The growth strategy for this business is focused on the following two points: first, to further strengthen the profit base through SCM reform in the existing business. As this is the absolute core business that supports the SCROLL Group's profitability, we will steadily promote profit generation through efficiency improvement even in an unstable external environment where various cost increases in the supply chain are expected. Specifically, we will develop an AI-based order forecast system to optimize product supply and inventory, and work to further reduce the product cost ratio by streamlining catalog distribution and expanding production bases in ASEAN.

The second point is the creation of new value to offer through SVB. As consumer needs are diversifying, there remains ample potential for expansion of SVB using product proposals to meet the needs of individual co-ops. We aim to expand our net business and healthcare business, establish an experiential consumption business to generate profits, and increase usage by younger co-op members.

We will also strengthen our initiatives for sustainability to reduce the environmental impact of our operations. We will reduce the amount of paper used, reduce the use of plastics in packaging materials, increase the number of SDG-related products offered, and promote in-house education activities to raise sustainability awareness, thereby increasing added value for co-op members.

In the midst of the COVID-19 pandemic, the importance of the co-op home-delivery businesses is increasing, and developing business for this important social infrastructure in cooperation with co-ops that support regional lifelines has social significance for us and is a motivation for our employees. It is our symbolic business that creates social and economic value for the SCROLL Group, and we will continue to work for the growth of this business.

Medium-term management plan priority items

- Expand sales by offering new value (SVB)
- Solidify the profit base (existing business)
- Promote initiatives for sustainability



By providing a one-stop solutions service for EC and mail-order businesses, we support the creation of affluent lifestyles for end-user customers together with our client corporations.

As a one-stop solutions service provider, we will establish a one and only absolute presence and continue to make progressive efforts for the development of EC and mail-order industries and the realization of a sustainable society through our business.

Masayuki Yamazaki
Director, Group Officer CMO, and PRS of Solutions Business



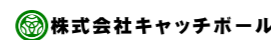
Business details

In the EC and mail-order markets, which are expected to continue growing, we provide mail-order solutions for EC and mail-order business operators. Our menu of solutions includes BPO services such as logistics agencies, accepting orders, and a call center, as well as fulfillment services such as a “Buy Now, Pay Later” (BNPL) service, which has been the focus of much attention recently. We also offer digital marketing and mail-order system support services, which makes us the only one-stop, 360-degree support provider for EC and mail-order businesses.

This business is the growth driver in our direct marketing conglomerate (DMC) strategy and we will continue to take on the challenge of evolving it into a business with future promise, growth potential, and profitability.



Scroll 360 Corporation
Established in 1986
Fulfillment (logistics agency), payments, systems, EC-BPO (consignment of EC order receipt work, etc.), online marketing (customer attraction and sales promotion support services)



CatchBall, Inc.
Established in 2007
“ato-barai.com”
post-payment service for B2C sales
“kake-barai.com”
post-payment service for B2B sales



Moshimo Co., Ltd.
Established in 2004
Affiliate services, marketing services



Chengdu Yinhen Internet Service Co., Ltd. (Chengdu Yinhen)
Established in 2004
Outsourcing business for Japanese EC (order processing, data creation, inventory management) and Chinese EC businesses (cross-border sales support, branding support, etc.)

One-stop solutions

There are many functions and operations required for the operation of EC and mail-order businesses, such as accepting orders, shipping, and collection of payment. Our Solutions Business provides a one-stop service to perform these operations on behalf of the client. With the extensive knowledge and expertise of our group of mail-order professionals, we provide support in accordance with the stage of business growth of EC and mail-order businesses.

Advantages of one-stop solutions

- 1 Various combinations of services to suit the conditions of the EC and mail-order businesses
- 2 Maximum utilization of company resources
* By outsourcing burdensome operations, the client company can focus on important tasks such as product development.
- 3 One contact point for all the services needed. Simple management to improve operational efficiency

One-stop solutions offering 360-degree support for EC and mail-order businesses



Strengths of the business

- We have a wide variety of services and can provide one-stop solutions
- Capable of providing high-quality services backed by the expertise we have accumulated as an EC and mail-order business operator

- High quality logistics service in terms of accuracy, speed, cost, capacity, and customer satisfaction
- Ability to meet client needs based on many years of experience
- Low cost and BCP capabilities, as we have distribution centers (totaling more than 60,000 tsubo, or about 200,000 m²) in key areas

Business environment

Risks	Opportunities
<ul style="list-style-type: none"> • Intensified competition due to competitors' entry into growth markets • Increased logistics costs due to regulations and environmental measures • Rapid changes in the market environment such as technological innovations 	<ul style="list-style-type: none"> • Growth of the EC and mail-order markets • Creation of new value such as expansion of service areas backed by technological advancements • Growing needs for support for affiliate service and marketing backed by expansion of Internet media • Expansion of the cashless payment market • New solution opportunities on the increase due to rising sustainability awareness

Management status in fiscal 2021

In the logistics agency service, as sales activities stagnated by the COVID-19 pandemic undergo recovery, we could win new clients and enhance our service for existing clients. While the positive effects of the pandemic were lost, we promoted our strategy for growth, including our steady payment agency service and marketing support business.

As a result of these efforts, net sales in the fiscal year ended March 2022 totaled 18,490 million yen (19,836 million yen in the previous year), with segment income of 177 million yen (826 million yen in the previous year).

Due to the application of the Accounting Standard for Revenue Recognition, net sales decreased by 1,717 million yen.

Future strategies

In the EC and mail-order markets, the range of products handled and the volume of distribution are expected to expand due to the needs of the times, advances in marketing technologies, and the introduction of new technologies in logistics, delivery, and other areas. Companies that have entered the markets are facing a variety of challenges, such as shortages of EC human resources, back-office operations, BCP, and sustainability. The need for solutions for mail-order businesses is increasing at a higher rate than ever. In the EC and mail-order solutions markets, there are a variety of competitors in various service sectors, such as logistics agencies, payment agencies, and marketing support services, but very few companies can offer multiple functions essential for EC and mail-order service on a one-stop basis. We regard this as the greatest feature of the Solutions Business of Scroll.

There are three growth drivers in this business, the first of which is marketing. There is a huge market in this field and we will accelerate our growth by leveraging our past achievements and accumulated knowledge.

The second growth driver is payment and finance. These are the essential functions for business transactions and the markets are certain to grow. While leveraging our past achievements and expertise, we will develop new business models through aggressive

alliance development and pursue growth. At the same time, we can use big data as the basis to offer more value, such as consulting and digital marketing based on data analysis.

The last growth driver is logistics. Logistics will play a more important role than ever with the expansion of volume of distribution, handling a wider range of products as more products cross borders with the expansion of cross-border EC. In Japan, there is still a shortage of strong 3PL providers specializing in the B2C sector of EC. We also recognize the importance of building our business on the basis of sustainability and carbon neutrality for future growth, and will actively promote initiatives in collaboration with client companies and logistics partners.

As a sustainable solutions company, we aim to establish new service value and will contribute to the realization of a sustainable society through our support for clients' EC and mail-order business operations.

Medium-term management plan priority items

- Expand the business of our logistics agency service by promoting the nationwide 3PL strategy
- Expand our solution service menu and strengthen profitability



To survive in a fiercely competitive environment, we not only develop optimum product procurement channels but also aim to develop unique and original products and constantly experiment with advanced marketing techniques to deliver our products and services to customers.



Hiroaki Sato
Executive Vice President, Group Officer CSO, and PRS of E-commerce Business

Business details

This business consists of four companies: AXES Co., Ltd., SCROLL R&D Co., Ltd., Naturum Co., Ltd., and MIYOSHI corporation which handle merchandise such as foreign brand bags, brand cosmetics, interior and sundry goods, beauty care products, outdoor (fishing and camping) goods, and emergency supplies.

In the ever-expanding EC market, they sell their merchandise on the Internet through specialized shopping sites for individual product categories. In addition to their own websites, they are established in online shopping sites (Rakuten, Amazon, Yahoo!, etc.) and offer top-class services in each product category. Each store offers an extensive product lineup and services based on a high level of specialization and a thorough understanding of customer needs, promoting a strategy to become No. 1 in its category.

AXES

AXES Co., Ltd.
Established in 2012
Official sites: BRAND SHOP AXES, Cosme Land



Naturum Co., Ltd.
Established in 2000
Official site: Naturum

scro||R&D

SCROLL R&D Co., Ltd.
Established in 2013
Official sites: Kirei Mitsuketa, Romantic Princess, Seikatsu zacca



MIYOSHI corporation
Established in 1994
Planning and sales of disaster supplies, emergency long-life foods, and disaster prevention materials and equipment

Strengths of the business

- EC site management capabilities at top-class stores in Japan (high level of specialization and product lineups)
- Capabilities to develop original products by taking advantage of our many years of EC expertise and customer contact points
- Stable product procurement capabilities
- Providing integrated services via the SCROLL Group, including sales, settlement, shipping, etc. (high rating in reviews and customer confidence)

Business environment

Risks

- Increased product procurement and delivery costs
- Intensified competition due to various companies' entry into the EC market, including D2C

Opportunities

- Further expansion of the EC and mail-order markets
- Creation of new customer contact points through technological advancements
- Increased need for a recycling-oriented society, such as the reuse market

Management status in fiscal 2021

Although the rate of consumers using EC is increasing, trends in terms of demand vary depending on product category due to the COVID-19 pandemic, and competition is intensifying across industries and business categories. While there was a reactionary decline in housing-related products such as furniture and interior goods, which had performed well in the previous year, camping, fishing, and other outdoor-related goods continued to perform well. In a different market environment affected by stay-at-home

consumption, we implemented various measures for business growth. As a result of these, net sales in the fiscal year ended March 2022 totaled 21,406 million yen (23,350 million yen in the previous year), with segment income of 404 million yen (1,026 million yen in the previous year).

Due to the application of the Accounting Standard for Revenue Recognition, net sales decreased by 748 million yen.

Future strategies

The EC market is one of the few sectors in Japan promising continued growth, but due to the nature of the business, it is easy for competitors to compare business, study us, and imitate us. It is extremely difficult to maintain superiority in business. The situation is chaotic, with many players eliminated in the fiercely competitive environment.

For survival in such an environment, we must not only propose products that meet customer needs but also stay a step ahead of customers, continuing to propose new added value by discovering their latent needs. We will differentiate ourselves to gain the support of customers by launching unique and original products, among other measures.

To further increase the number of original products in our future E-commerce Business, we will work to expand the product range of Hilander, our original brand of camping outfits, as well as fishing gear, furniture, interior goods, and other products. We will also reduce costs and improve profitability by expanding overseas production and by other means.

In addition to the existing businesses, we will work to develop new businesses in peripheral areas by leveraging our accumulated assets and expertise. We will aggressively take on the challenge of strengthening segment profitability by building our own eco-cycle to realize a recycling-oriented society and offering our extensive EC knowledge to new EC entrants as part of our Solutions Business menu.

In this business, we have been actively promoting M&A to accelerate business growth. We will continue to add EC and mail-order companies in specialized fields that are strong in terms of product competitiveness and sales capability to our Group to expand segment profit.

Medium-term management plan priority items

- Pursue differentiation by strengthening original product development
- Build a foundation for establishing a new business model
- Expand business through M&A

TOPICS

Hilander, Naturum's original brand

Hilander is an outdoor equipment brand launched in 2008. It offers tents, sleeping bags, tables, chairs, lanterns, and other products with excellent design and cost performance that can be casually used by experienced campers as well as beginners.

The brand's Wood Roll Top Table 2 won the top position in the chair and table category of the Rakuten Ichiba daily rankings* and has appeared in numerous magazines, as well as on websites, YouTube, and in other media. We will continue to differentiate ourselves from others while strengthening product development and promoting wider recognition through events and social media.

* Ranked first in the Rakuten Ichiba outdoor (chairs, tables, ground sheets) daily rankings (as of January 19, 2021)



Business Strategies
HBT Business



We support customers by promoting their beauty and health in mind and body and their active lifestyles through the sale of value-added cosmetics, health foods, and other products, as well as travel (experience) services that our customers and the times demand.

Norikiyo Ikeda
Group Officer, and PRS of HBT Business



Business details

We are selling our own original cosmetics / health foods and travel plans mainly on the internet for the “beauty and health” and “experiential consumption” market, which is expected to continue to grow in terms of consumer needs as we enter an age where people live to be 100 or more. Regarding “beauty and health,” we have original cosmetic brands and health foods that are comfortable to use against the backdrop of nature, and with regard to “experiential consumption,” we mainly plan, sell and manage domestic travel.

In fiscal 2022, we integrated the health & beauty business and

the travel business into the HBT Business to improve management efficiency.

 木苧 果花	KINARI inc. Established in 2001 Main brand: sokamocka
 Anthropologie 北海道アンソロポロジー株式会社	Hokkaido Anthropologie Corporation Established in 1996 Main brands: Miracle Queen (Royal Jelly), Toyotomi Onsen (hot spring) skincare
 株式会社トラベックス ツアーズ	Travex Tours Inc. Established in 2002 Planning and operation of tours such as day-trip sightseeing bus tours and ski tours

Management status in fiscal 2021

In the health & beauty business, we have been building a customer base mainly in e-commerce. In the travel business, we were significantly affected by the state of emergency declaration and the quasi-emergency measures implemented to control the spread of COVID-19.

As a result of these, in the fiscal year ended March 2022, the health & beauty business posted net sales of 2,072 million yen (2,764

million yen in the previous year) and segment income of 23 million yen (segment loss of 530 million yen in the previous year). The travel business posted net sales of 437 million yen (289 million yen in the previous year), with a segment loss of 24 million yen (segment loss of 77 million yen in the previous year). Due to the application of the Accounting Standard for Revenue Recognition, net sales of the health & beauty business decreased by 12 million yen.

Future strategies

We will continue to invest in the HBT Business to establish a business to follow our core Mail-order Business and the growing Solutions and E-commerce Business for sustained growth of the SCROLL Group under the direct marketing conglomerate (DMC) strategy. In the cosmetics, health foods, and travel fields, continued growth of the market is expected as we enter an age where people live to 100 years of life and of an overall aging society, and new market needs are emerging under the COVID-19 pandemic. In these growth areas, we will aggressively take on challenges for growth based on the Group’s accumulated expertise in EC and mail-order businesses and the results we have achieved in the beauty & health and travel businesses.

In the cosmetics and health foods business, we will renew

existing products and develop new products, and continue to invest in building a customer base centered on EC. We will also seek to strengthen our business portfolio through M&A. In the travel business, we will enhance our domestic travel plan offerings and build a model for travel to Japan, as well as strengthen new travel proposals in the era of living with COVID-19 and in terms of building a sustainable society.

Medium-term management plan priority items

- Invest in cosmetics and other new products
- Promote M&A to strengthen our business portfolio
- Establish a stable business model in domestic travel
- Rebuild the business model of travel to Japan

Business Strategies
Group Jurisdiction Business



As a foundation to support the direct marketing conglomerate (DMC) strategy, this business prepares the Group’s logistics, systems, and office infrastructure to execute key measures of each business, working to optimize and streamline assets. It also supports the creation of new value we offer through sustained growth and improvement of profitability of the Group by strengthening the Group’s general headquarters functions and reducing costs.

Yasunori Sugimoto
Director, Group Officer CAO, and PRS of Group Jurisdiction Business



Business details

As the Group’s general headquarters functions, this business manages the logistics facilities, offices, and other important assets related to the entire Group for their effective utilization and is strengthening the Group’s administrative divisions, aiming for concentration, standardization, and streamlining of group business management. This business also supports the growth of the Mail-order and Solutions Business by expanding logistics center operations by Scroll Logistics Co., Ltd., the basic foundation of our DMC strategy, to the Kanto and

Kansai areas, starting from Hamamatsu City, where our head office is located. Furthermore, SCROLL VIETNAM CO., LTD. our overseas subsidiary, is developing new businesses in supply chain management and Solutions Business for the Mail-order and E-commerce Business, with an eye on global business development.

 scroll logistics	Scroll Logistics Co., Ltd. Established in 2016 Storage, management, packaging and shipping of mail-order products
● Overseas subsidiary SCROLL VIETNAM CO., LTD. Established in 2019	

Management status in fiscal 2021

In the logistics function, we have worked to ensure stable operations by strengthening our ability to meet volume fluctuations and other changes. The overseas subsidiary strengthened its product supply support system in a difficult environment amid the COVID-19 pandemic. We are also making efforts to strengthen the Group’s general headquarters functions, including management of assets

and their effective utilization. As a result of these measures, net sales in the fiscal year ended March 2022 totaled 3,287 million yen (3,323 million yen in the previous year), with segment income of 111 million yen (94 million yen in the previous year). There was no impact as a result of the application of the Accounting Standard for Revenue Recognition.

Future strategies

As the general headquarters of the Group, we will promote the reallocation and effective utilization of management resources and important assets within the Group based on ROIC and other management indexes. We also regard logistics as an important foundation to support our DMC strategy and the knowledge we have acquired in the operation of distribution centers and the human resources engaged in the operation are important and valuable assets for the Group. On these foundations, we will build the optimal logistics functions and environment demanded by the times, including future technological innovations, greenhouse gas reduction, and effective use of resources. While optimizing logistics costs by promoting highly accurate volume forecasts, appropriate personnel allocation systems, labor saving, and automation, we will also strengthen Group BCP and reduce business operation risks by establishing multiple distribution bases in the Tokai, Kanto, and Kansai areas.

The overseas subsidiary will increase its support in strengthening the SCM of the entire Group and realizing new growth strategies for the Group through the development of partner companies and other initiatives in the ASEAN market.

Medium-term management plan priority items

- Manage and appropriately utilize the Group’s important assets in a timely manner and promote environmental measures at each facility
- Strengthen management of distribution center operations and promote low-cost operations by increasing the number of distribution bases
- Support by the overseas subsidiary for SCM optimization, including production support and production management, and multicultural symbiosis through the acceptance of foreign human resources

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

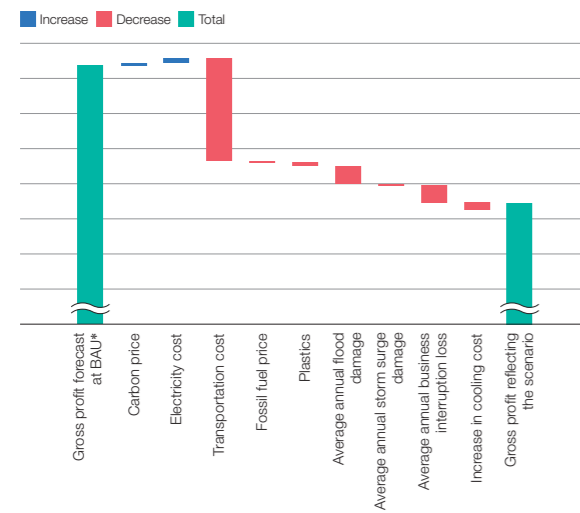
	Risk items		Time axis	Business impact	
	Medium classification	Small classification		Consideration: risks	Consideration: opportunities
Transition Risks	Policy and Regulation	Carbon pricing (carbon taxes)	Medium to long term	Increased costs related to electricity and fuel consumption at logistics facilities, 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 	—

E Environment

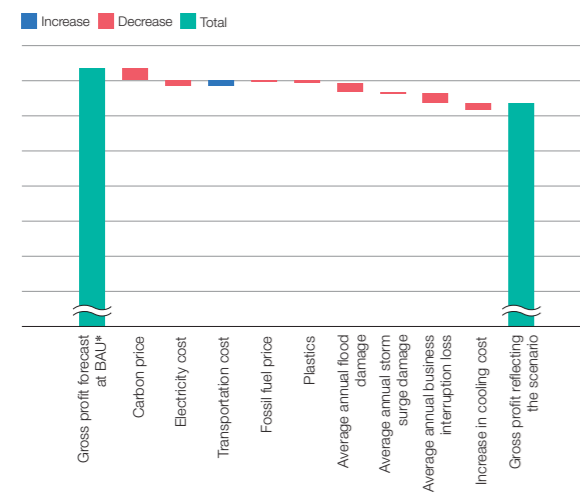
Business impact

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.

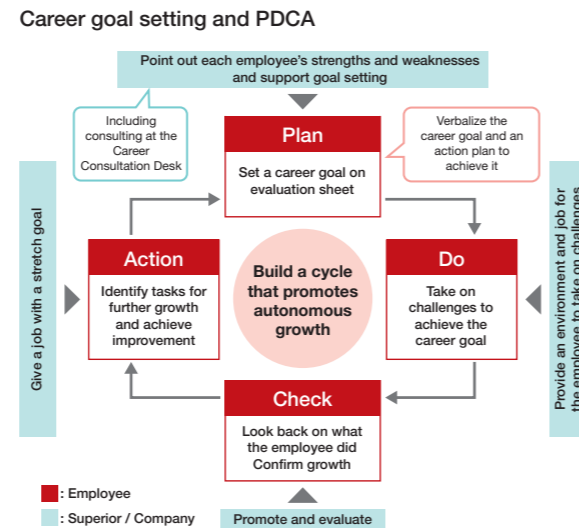
Seeing task diversity management as one of our most important issues, we will continue to move ahead with further initiatives toward the future.

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.

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.

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.

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.

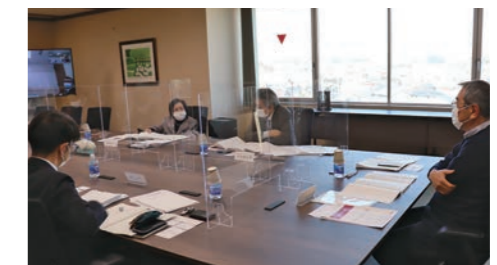
Starting in fiscal 2020, the total amount of donations had reached approximately 740,000 yen in fiscal 2021.



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

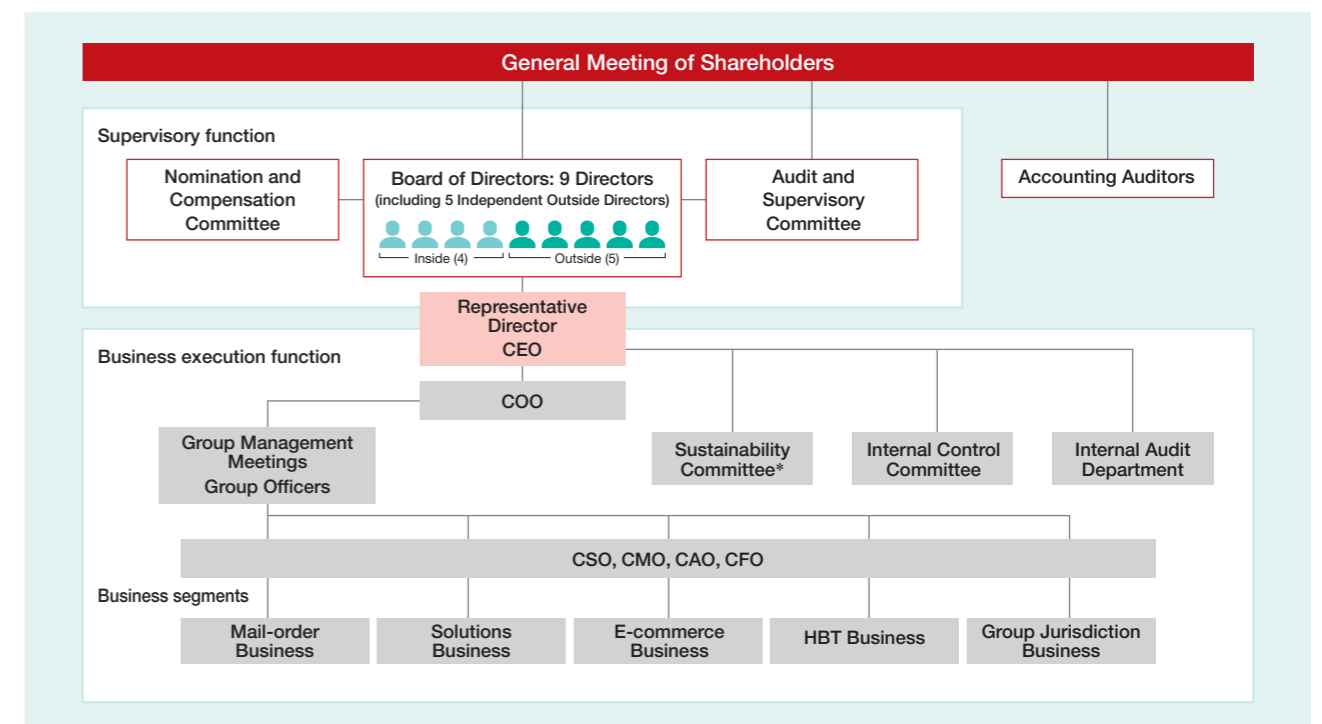
and analyzed. As a result, we have determined that the effectiveness of our Board of Directors has been ensured.

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
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
External environmental risk		<ul style="list-style-type: none"> ● After the COVID-19 ● Climate change ● Disaster / Accident ● Competitors ● Customer / Market
Internal environmental risk		<ul style="list-style-type: none"> ● Governance ● Communication ● Human resources ● Corporate culture

[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.

Financial Data

Five-Year Summary

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022
Financial Information					
Income statement (Millions of yen)					
Net sales	62,207	71,153	72,634	85,195	81,391
Operating profit	1,303	1,697	2,145	7,385	7,000
Ordinary profit	1,458	1,415	2,296	7,519	7,096
Profit attributable to owners of parent	(1,035)	631	703	5,183	5,585
Balance sheets (Millions of yen)					
Net assets	21,094	21,156	21,462	26,648	30,037
Total assets	40,319	42,368	43,270	49,903	49,711
Cash flows (Millions of yen)					
Cash flows from operating activities	3,534	467	1,573	3,956	3,711
Cash flows from investing activities	(1,482)	(2,370)	(1,780)	(3,312)	(1,208)
Cash flows from financing activities	(1,121)	1,617	(433)	2,608	(3,473)
Per share data (Yen)					
Net assets per share	618.29	616.92	621.20	764.30	861.53
Earnings per share	(30.41)	18.47	20.46	149.65	160.20
Dividends	10	10	10	60	64.5
Key financial indicators (%)					
Ordinary profit ratio	2.3	2.0	3.2	8.8	8.7
Equity ratio	52.3	49.9	49.6	53.4	60.4
ROE	(4.8)	3.0	3.3	21.6	19.7
Dividend payout ratio	—	54.7	49.1	40.1	40.3
Nonfinancial Information					
Number of consolidated employees	759	858	864	866	866
Number of male employees	346	376	379	385	388
Number of female employees	413	482	485	481	478
Female manager ratio (%)					
Consolidated	12.6	15.5	16.0	14.6	13.6
Scroll alone	6.1	8.6	8.1	8.3	8.5
Number of consolidated mid-career employees	100	133	88	85	85
Average years of service (Scroll alone)	13.6	13.2	12.7	12.9	13.0
Number of consolidated newly hired employees	11	13	21	17	17
Number of newly hired male employees	5	5	10	8	7
Number of newly hired female employees	6	8	11	9	10
CO ₂ emissions in Scopes 1 and 2 (t-CO ₂)					
Scope 1	182	161	193	213	—
Scope 2	2,547	2,693	2,697	3,022	—

Consolidated Balance Sheets

Unit: millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2021	Year ended March 31, 2022
Assets				
Current assets				
Cash and deposits	8,084	7,142		
Accounts receivable – trade	11,214	11,403		
Merchandise	7,149	7,119		
Supplies	507	287		
Accounts receivable – other	3,742	4,635		
Other	1,909	2,059		
Allowance for doubtful accounts	(365)	(415)		
Total current assets	32,241	32,233		
Non-current assets				
Property, plant and equipment				
Buildings and structures	15,769	15,810		
Accumulated depreciation	(8,472)	(8,944)		
Buildings and structures, net	7,297	6,866		
Machinery, equipment and vehicles	1,961	2,295		
Accumulated depreciation	(1,217)	(1,376)		
Machinery, equipment and vehicles, net	743	919		
Land	5,520	5,520		
Construction in progress	—	3		
Other	1,130	1,184		
Accumulated depreciation	(963)	(957)		
Other, net	166	227		
Total property, plant and equipment	13,728	13,537		
Intangible assets				
Goodwill	128	85		
Software	597	652		
Software in progress	180	148		
Other	6	5		
Total intangible assets	913	892		
Investments and other assets				
Investment securities	1,310	1,355		
Deferred tax assets	1,212	1,160		
Other	904	921		
Allowance for doubtful accounts	(406)	(388)		
Total investments and other assets	3,020	3,048		
Total non-current assets	17,661	17,477		
Total assets	49,903	49,711		
Liabilities				
Current liabilities				
Accounts payable – trade	2,850	2,963		
Short-term borrowings	4,300	75		
Accounts payable – other	7,283	7,241		
Income taxes payable	2,278	228		
Provision for bonuses	621	477		
Provision for point card certificates	37	—		
Provision for loss on interest repayment	4	3		
Other	1,276	1,061		
Total current liabilities	18,651	12,051		
Non-current liabilities				
Long-term borrowings	3,075	6,000		
Deferred tax liabilities	—	1		
Provision for retirement benefits for directors (and other officers)	54	51		
Provision for loss on interest repayment	7	4		
Provision for environmental measures	1	1		
Retirement benefit liability	1,310	1,403		
Other	154	159		
Total non-current liabilities	4,603	7,621		
Total liabilities	23,255	19,673		
Net assets				
Shareholders' equity				
Share capital	6,018	6,018		
Capital surplus	6,644	6,644		
Retained earnings	13,414	16,726		
Treasury shares	(3)	(4)		
Total shareholders' equity	26,074	29,385		
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	434	464		
Deferred gains or losses on hedges	132	150		
Foreign currency translation adjustment	7	37		
Total accumulated other comprehensive income	574	652		
Total net assets	26,648	30,037		
Total liabilities and net assets	49,903	49,711		

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Unit: millions of yen

Consolidated statements of income	Year ended March 31, 2021	Year ended March 31, 2022
Net sales	85,195	81,391
Cost of sales	53,356	51,026
Gross profit	31,838	30,365
Selling, general and administrative expenses	24,452	23,364
Operating profit	7,385	7,000
Non-operating income		
Interest income	23	19
Dividend income	34	43
Foreign exchange gains	41	—
Gain on adjustment of account payable	23	49
Other	47	53
Total non-operating income	170	166
Non-operating expenses		
Interest expenses	29	27
Foreign exchange losses	—	36
Other	7	7
Total non-operating expenses	37	70
Ordinary profit	7,519	7,096
Extraordinary income		
Gain on sale of investment securities	0	0
Gain on sale of shares of subsidiaries and associates	—	73
Total extraordinary income	0	74
Extraordinary losses		
Loss on retirement of non-current assets	6	1
Impairment losses	105	20
Other	0	0
Total extraordinary losses	113	22
Profit before income taxes	7,406	7,148
Income taxes – current	2,539	1,520
Income taxes – deferred	(316)	42
Total income taxes	2,222	1,562
Profit	5,183	5,585
Profit attributable to owners of parent	5,183	5,585

Unit: millions of yen

Consolidated statements of comprehensive income	Year ended March 31, 2021	Year ended March 31, 2022
Profit	5,183	5,585
Other comprehensive income		
Valuation difference on available-for-sale securities	214	30
Deferred gains or losses on hedges	70	18
Foreign currency translation adjustment	2	29
Total other comprehensive income	288	78
Comprehensive income	5,472	5,663
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,472	5,663
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statements of Cash Flows

Unit: millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	7,406	7,148
Depreciation	1,056	1,034
Impairment losses	105	20
Amortization of goodwill	42	242
Increase (decrease) in allowance for doubtful accounts	231	31
Increase (decrease) in provision for bonuses	337	(142)
Increase (decrease) in provision for point card certificates	3	—
Increase (decrease) in provision for loss on interest repayment	(2)	(3)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(16)	(2)
Increase (decrease) in retirement benefit liability	130	92
Interest and dividend income	(58)	(63)
Interest expenses	29	27
Loss (gain) on sale of investment securities	(0)	(0)
Loss (gain) on sale of shares of subsidiaries and associates	—	(73)
Loss (gain) on sale and retirement of non-current assets	6	1
Decrease (increase) in trade receivables	(1,637)	(264)
Decrease (increase) in inventories	(96)	201
Decrease (increase) in other current assets	(459)	(815)
Increase (decrease) in trade payables	284	118
Increase (decrease) in accrued liabilities	(3,122)	11
Increase (decrease) in other current liabilities	314	(400)
Other, net	5	6
Subtotal	4,562	7,170
Interest and dividends received	58	63
Interest paid	(27)	(27)
Income taxes paid	(702)	(3,495)
Income taxes refund	65	—
Net cash provided by (used in) operating activities	3,956	3,711

Unit: millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,978)	(602)
Purchase of intangible assets	(431)	(269)
Purchase of investment securities	(1)	(1)
Proceeds from sale of investment securities	3	1
Payments of guarantee deposits	(5)	(44)
Proceeds from refund of guarantee deposits	113	10
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	—	(96)
Payments for acquisition of businesses	—	(200)
Other, net	(12)	(4)
Net cash provided by (used in) investing activities	(3,312)	(1,208)
Cash flows from financing activities		
Proceeds from long-term borrowings	3,000	3,000
Repayments of long-term borrowings	(100)	(4,300)
Proceeds from issuance of shares	22	—
Proceeds from sale of treasury shares	119	—
Dividends paid	(429)	(2,172)
Other, net	(3)	(1)
Net cash provided by (used in) financing activities	2,608	(3,473)
Effect of exchange rate change on cash and cash equivalents	1	28
Net increase (decrease) in cash and cash equivalents	3,253	(941)
Cash and cash equivalents at beginning of period	4,828	8,084
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	1	—
Cash and cash equivalents at end of period	8,084	7,142

Corporate Information

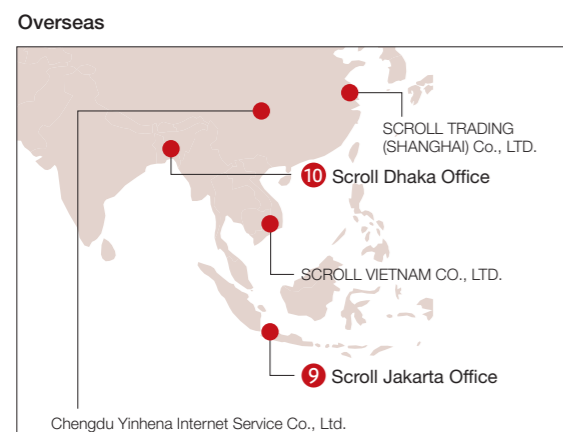
Corporate profile

Company name	Scroll Corporation
Headquarters	2-24-1 Sato, Naka-ku, Hamamatsu-shi, Shizuoka, Japan
Phone number	+81-53-464-1111
Date of establishment	October 1, 1943
Capital	6,018 million yen (as of March 31,2022)
Net sales	42,643 million yen (year ended March 2022)
Consolidated net sales	81,391 million yen (year ended March 2022)
Number of employees	328 (non-consolidated as of March 31,2022) 866 (consolidated as of March 31,2022)
SCROLL Group companies	SCROLL TRADING (SHANGHAI) Co., LTD. Scroll 360 Corporation CatchBall, Inc. Moshimo Co., Ltd. Chengdu Yinhen Internet Service Co., Ltd. AXES Co., Ltd. SCROLL R&D Co., Ltd. Naturum Co., Ltd. MIYOSHI corporation Hokkaido Anthropologie Corporation KINARI inc. Travex Tours Inc. Scroll Logistics Co., Ltd. SCROLL VIETNAM CO., LTD. Scroll Direct Marketing Institute

List of business sites

1 Headquarters	2-24-1 Sato, Naka-ku, Hamamatsu-shi, Shizuoka 430-0807
2 Tokyo Head Office	25F & 26F Tennouzu Central Tower, 2-2-24 Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-0002
3 Osaka Office	10F Oe Building, 1-1-22 Nonimbashi, Chuo-ku, Osaka-shi, Osaka 540-0011
4 Fukuoka Office	3F City Court Chuyo, 2-4-11 Hakata-eki-minami, Hakata-ku, Fukuoka-shi, Fukuoka 812-0016
5 Sapporo Office	10F SE Sapporo Building, 1-1-2 Kita 7-jo Nishi, Kita-ku, Sapporo-shi, Hokkaido 060-0807
6 Scroll Logistics Center Hamamatsu Nishi	4-8-1 Takaoka-nishi, Naka-ku, Hamamatsu-shi, Shizuoka 433-8118
7 Scroll Logistics Center Iwata	100 Shimomanno, Iwata-shi, Shizuoka 438-0818
8 Scroll Logistics Center Mirai	3-36-1 Shihougaoka, Tsukubamirai-shi, Ibaraki 300-2359
9 Scroll Jakarta Office	
10 Scroll Dhaka Office	

● Business sites
■ Scroll Logistics Center (SLC)



Stock information and principal shareholders (as of March 31, 2022)

Stock information	Total number of shares authorized	110,000,000
	Total number of shares issued	34,873,050
	Number of shares per unit	100
	Number of shareholders	39,828

Principal shareholders

Name of shareholder	Number of shares held (thousands)	Holding ratio (excl. treasury stock)
The Master Trust Bank of Japan, Ltd. (Trust account)	3,573	10.25%
Marubeni Corporation	2,841	8.15%
Scroll Customer's Shareholding Association	2,038	5.85%
Custody Bank of Japan, Ltd. (Trust account)	1,474	4.23%
The Shizuoka Bank, Ltd.	1,261	3.62%
Scroll Employees' Shareholding Association	803	2.30%
Nippon Life Insurance Company	543	1.56%
Moririn Co., Ltd.	434	1.25%
Dai Nippon Printing Co., Ltd.	433	1.24%
Resona Bank, Limited	400	1.15%

(Notes)
1. "Holding ratio" is calculated after deducting treasury stock.
2. "Holding ratio" is presented rounded off to two decimal places.

Shareholder memo

Fiscal year	From April 1 to March 31 in the following year
Record date for year-end dividends	March 31
Record date for interim dividends	September 30
Ordinary general meeting of shareholders	Within three months from the end of the fiscal year
Shareholder registrar and special account administrator	Mitsubishi UFJ Trust and Banking Corporation
Contact office of the above	Stock Transfer Agency Department Mitsubishi UFJ Trust and Banking Corporation 1-1 Nikko-cho, Fuchu-shi, Tokyo Telephone: 0120-232-711 (Toll-free only in Japan) Mailing address: Shin-Tokyo Post Office P.O. Box No. 29, 137-8081 Japan
Stock exchange registration	Tokyo Stock Exchange, Prime Market (as of May 31, 2022)
Method of public notice	Scroll issues public notices electronically on the site below. URL: https://www.scroll.jp/ When a public notice cannot be issued electronically due to an accident or other unavoidable reasons, it will be published in the Nihon Keizai Shimbun newspaper.

Notes

- Change of address, purchase request, designation for dividend transfer, and other procedures for shareholders are, as a general rule, handled by the account management institution (securities company or other institution) with which shareholders have opened an account. Shareholders are requested to contact that securities company or other institution. Please note that such services cannot be handled by the shareholder registrar (Mitsubishi UFJ Trust and Banking Corporation).
- For procedures concerning shares recorded in a special account, shareholders are requested to contact Mitsubishi UFJ Trust and Banking Corporation, the special account administrator for special accounts. Such information is also provided at the bank's head office and branches.
- Payment of unpaid dividends is handled at the head office and branches of Mitsubishi UFJ Trust and Banking Corporation.

scroll

Scroll Corporation

2-24-1 Sato, Naka-ku, Hamamatsu-shi, Shizuoka 430-0807

<https://www.scroll.jp/>