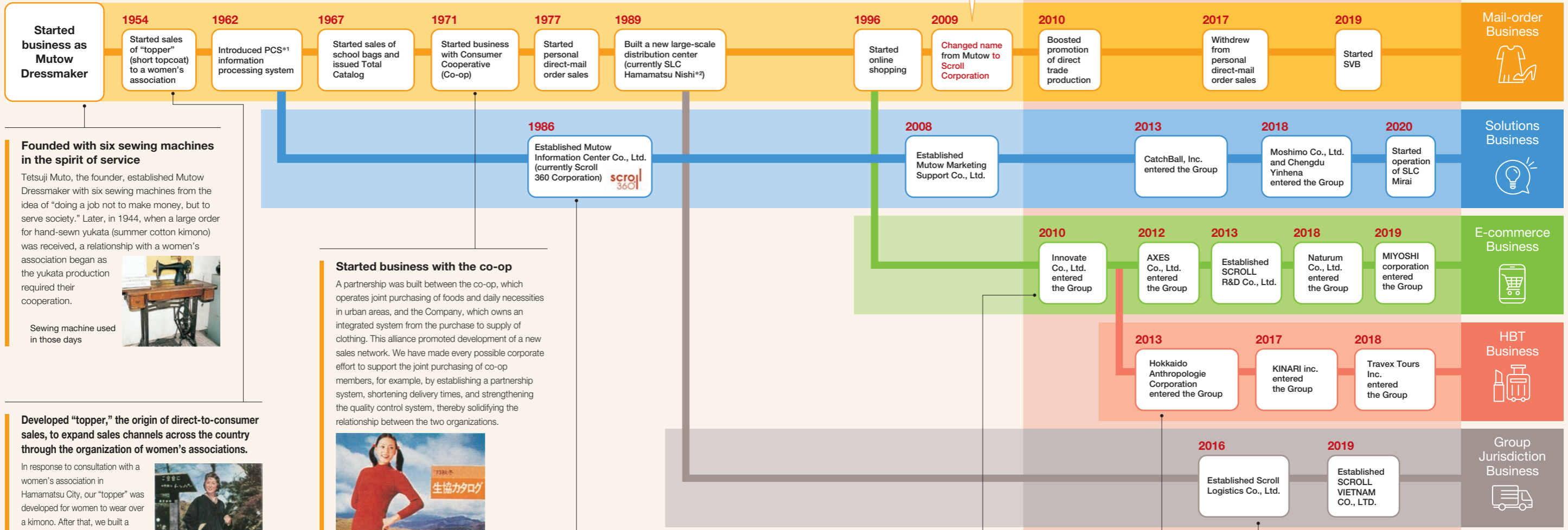


PART
2

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

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

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

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?

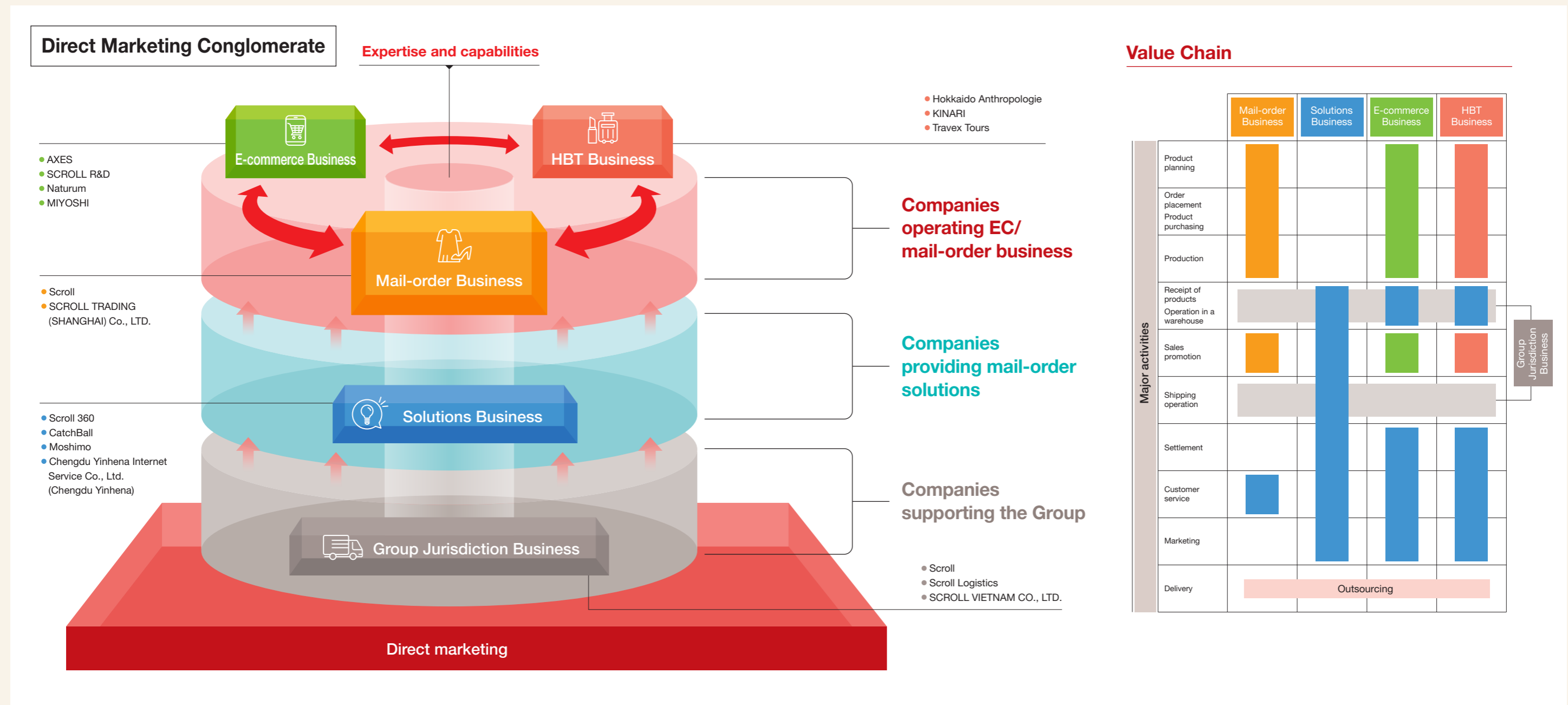
We have established ourselves as a direct marketing conglomerate dedicated to creating new value and achieving sustainable growth in a rapidly changing retail environment.

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

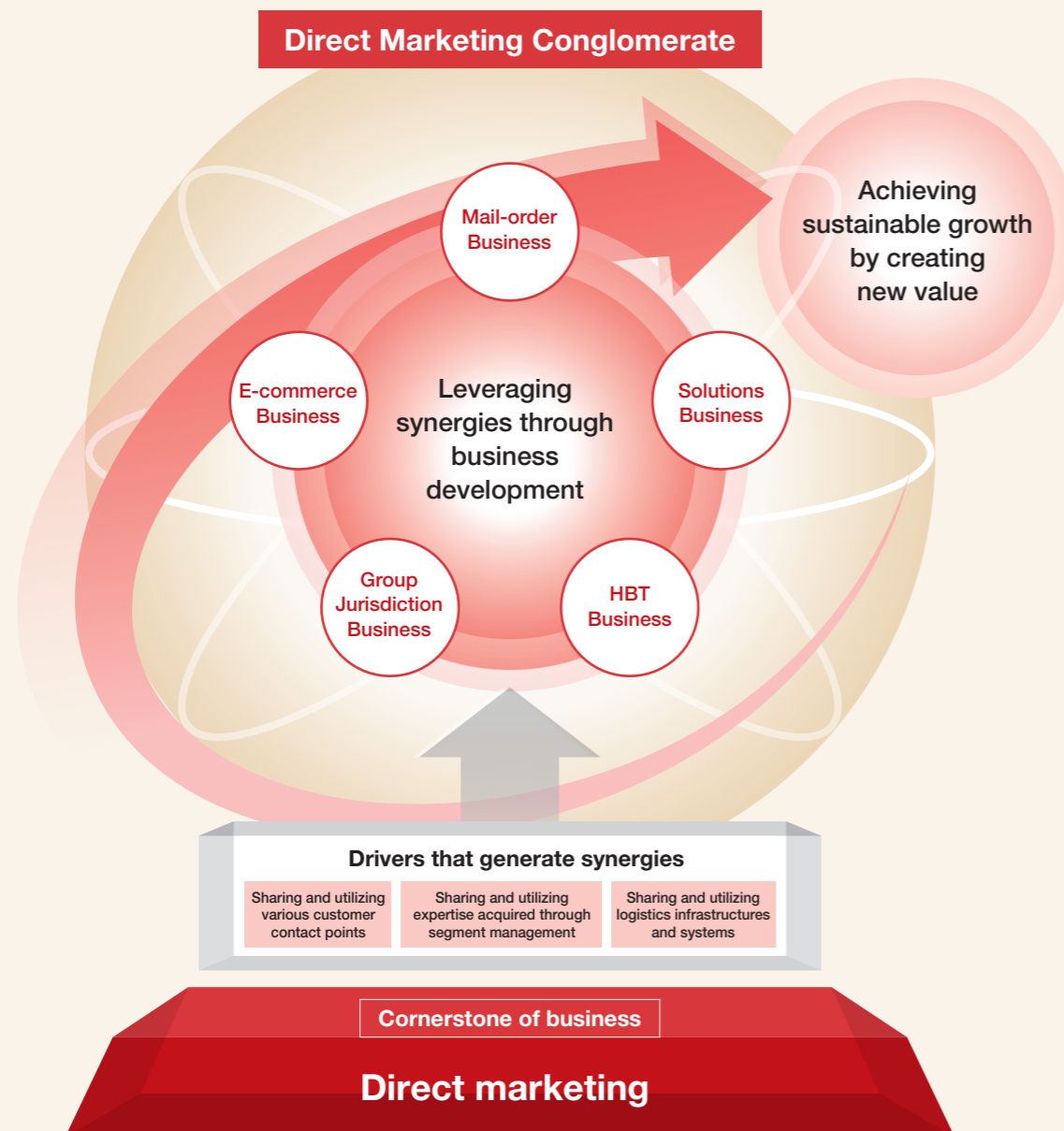
DMC's strengths are "group formation to demonstrate synergies" and "business portfolio management that realizes systematic and continuous investment for growth." Drawing on these two strengths, we will offer new value even in a rapidly changing market and pursue sustainable growth.

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.

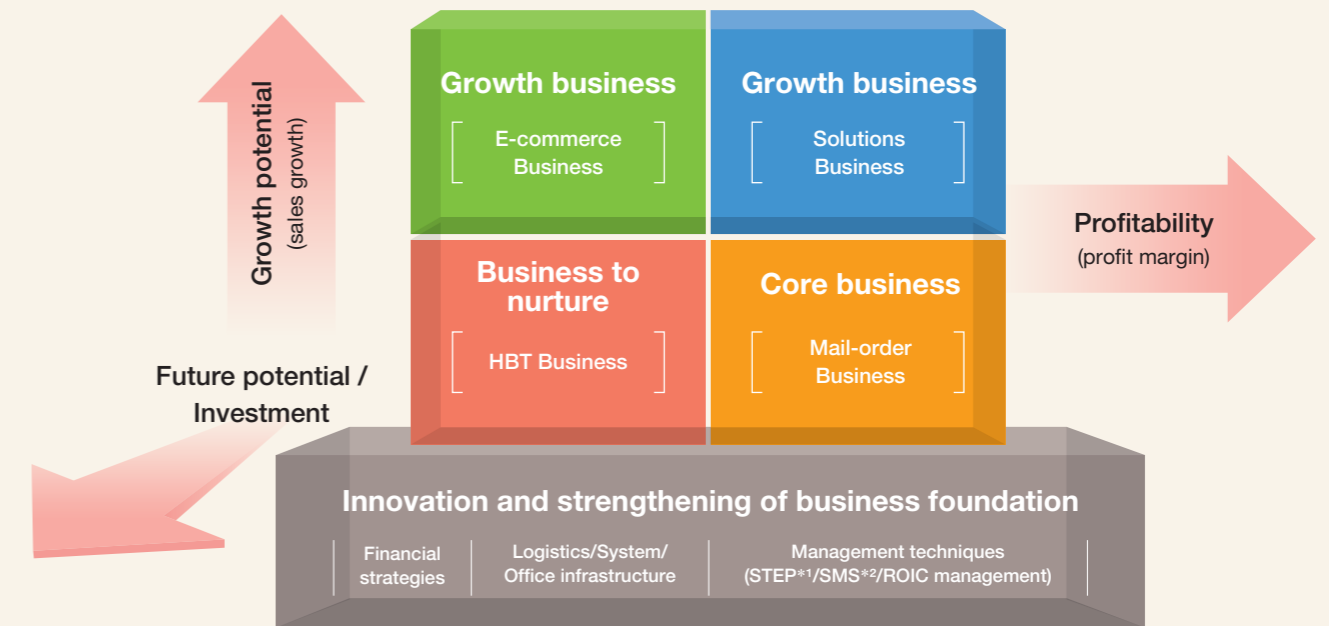
Key points to generate synergies

- 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.			

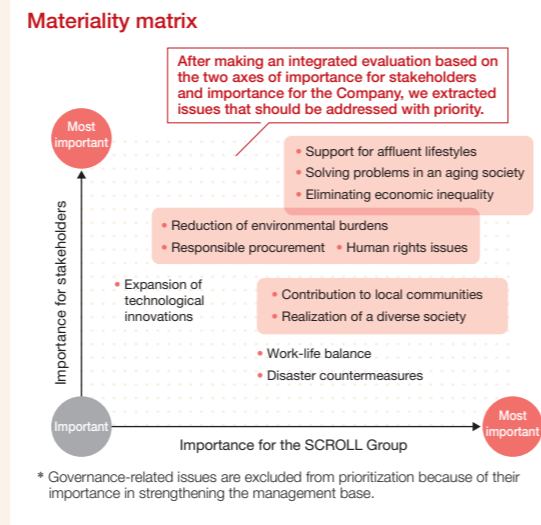
Materiality (Key Issues)

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

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.

Formulating a medium-term management plan based on determined materiality

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

