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ABOUT THIS REPORT

This report covers our sustainability performance and progress against targets during the fiscal year 2016, and sets out our efforts and achievements in sustainability during the year.

2016 was the first year of our new five-year ASICS Growth Plan, which includes a new set of sustainability targets for 2020. For the first time, these include science-based carbon reduction targets, set in accordance with the guidelines of the Science Based Targets Initiative.

This report describes some of the main steps we have been taking during the year across the ASICS Group toward achieving our new targets. Examples are our efforts to improve transparency and expand our supplier auditing scope in order to gain a deeper understanding of the impacts of our products and operations. Other activities covered in this report are recent achievements in sustainable product design, and a global employee engagement survey designed to help make ASICS a better place to work.

1 The Science Based Targets initiative is a global partnership between CDP, the UN Global Compact, WRI and WWF that helps companies set emissions targets based on climate science. For more, visit sciencebasedtargets.org.
2016 was a special year for the ASICS Group. This was the year we kicked off our new five-year ASICS Growth Plan, embarking on an ambitious new set of sustainability targets towards 2020.

In this sustainability report we will be elaborating on our CSR and sustainability efforts in our fiscal year 2016. While we update our shareholders on an annual basis on our sustainability efforts we could say that 2016 was a special year. It is the first year of our new ASICS Growth Plan, kicking-off-the first of a five-year strategic plan for the ASICS Group.

During 2016, we have been finalizing or specifying still, some parts of this growth plan and subsequent sustainability strategy. At the same time, we began gearing up for our new targets, achieving our first milestones in our journey toward 2020.

ASICS Group has taken major strides forward compared to where we were at the beginning of our previous five-year roadmap for 2010-2015. Group turnover and employee numbers have both grown significantly since then, as has the scope of our business operations.

The world has also changed since 2010. Today, we face a range of new social and environmental challenges. In order to make sure we adapt to this rapid pace of change, we ensure to prepare ourselves for the future. Our continuous materiality program tracks and reflects these changes as well as the views of our stakeholders.

With regards to our sustainability efforts, supply chain transparency and performance were a topic of particular focus in 2016. We have expanded our auditing scope to cover our Tier 2 suppliers as well as Tier 1. To improve transparency around the social and environmental impacts associated with our products, we are implementing tools that will provide valuable performance data throughout their entire value chain. In the course of 2017 we will also publicly disclose which suppliers we partner with in the manufacturing of our ASICS, ASICS Tiger and Onitsuka Tiger footwear, apparel and accessories.

On a product level, we carried out important measures that will further embed sustainable product design and manufacturing across our business, with a particular focus on reducing carbon emissions.

In 2016, we launched a cross-functional project at our headquarters to drive sustainable product development and innovation. And to strengthen our CO2 reduction targets for 2020, we committed ourselves to the Science Based Targets initiative. Carbon reduction targets are considered science-based when they are in line with what scientific evidence has proved is necessary to prevent the worst impacts of climate change.

Despite our growth and many organizational changes over the past year, we have maintained our unique corporate culture and our commitment to supporting every employee. Throughout 2016, we carried out engagement surveys, training programs and diversity projects to make ASICS an even better place to work, and contribute to a working environment where everybody is respected and can be themselves.

I’m proud of our achievements in 2016. However, our new five-year journey has only just begun. Today, as we look towards our 2020 targets, we’re committed to striving harder than ever to keep improving our sustainability performance in everything we do.

Motoi Oyama
Chairman, President and CEO
ASICS
ASICS AT A GLANCE

ASICS is one of the world’s top five sports performance and lifestyle brands. We operate 54 businesses in 33 countries. Our reach extends further through our supply chain business partners, sponsored events and connections to other stakeholders worldwide.

ASICS WORLDWIDE

7,864 EMPLOYEES WORLDWIDE

54 GLOBAL BUSINESSES

33 COUNTRIES WHERE WE HAVE BUSINESSES ESTABLISHED

Net Sales

Japan region: 119,989 millions of yen

Oceania region: 24,039 millions of yen

Americas region: 112,913 millions of yen

EMEA region: 107,601 millions of yen

East Asia region: 43,474 millions of yen

Other Group businesses: 9,163 millions of yen

Net Sales by Product (millions of yen)

Sports footwear 82.6%, 329,649
Sports apparel 12.8%, 51,166
Sports accessories 4.6%, 18,291

FY2016

399,107

Net Sales (millions of yen)

15,566

Net Income (millions of yen)

Find out more at http://corp.asics.com/en/investor_relations

Adjustments to the total regional sales are 18,075 millions of yen. Subtracting adjustments from the total regional sales result in our consolidated net sales.
OUR APPROACH TO SUSTAINABILITY

GUIDING PRINCIPLES
Sustainability has always been fundamental to the way we do business at ASICS. Today, Kihachiro Onitsuka’s founding principles continue to guide everything we do.

A SOUND MIND IN A SOUND BODY
The name ASICS derives from the Latin phrase *anima sana in corpore sano*, which translates to ‘a sound mind in a sound body’. Our founder, Kihachiro Onitsuka, chose this name because he believed that sport and health brings benefits not just for our bodies, but also our mental wellbeing, as well as our culture and society as a whole.

This core belief remains at the heart of our corporate philosophy to this day. It’s the inspiration for our Corporate Social Responsibility (CSR) policy, which summarizes our ambitions and commitment to fulfilling our social responsibility.

OUR SUSTAINABILITY FRAMEWORK
At ASICS, we group our CSR and sustainability activities into three pillars, each relating to a key area of our operations. Each pillar has its own sustainability objectives and commitments. Our sustainability report is structured in three sections reflecting these pillars.

1 CREATING PRODUCTS AND SERVICES

Principles
• Provide valuable products and services through sport to all our customers.

Objectives
• We provide highly technological and innovative products and services that meet our customers’ needs and contribute to better, healthier lifestyles.
• We ensure that our products and services are safe and of a high quality.
• We are accountable for all decisions affecting our value chain from material procurement to sales.
• We seek to minimize the environmental impact of our product design, production processes and our other business activities.
• We put in place processes, systems and structures to enable appropriate and efficient decision-making and business activities.

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2 PARTNERING WITH OUR SUPPLY CHAIN

Principles
• Fulfill our social responsibility and help improve conditions for communities around the world.
• Share profits brought by our sound services with our shareholders, communities and employees.
• Maintain a spirit of freedom, fairness and discipline, respectful of all individuals.

Objectives
• We engage in fair competition and just business transactions to create profits.
• We continuously share our profits with our shareholders, communities and employees appropriately.
• We encourage those in our supply chain, such as subcontracted factories, to uphold our CSR values.
• We put in place processes, systems and structures to enable appropriate and efficient decision-making and business activities.

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3 INVESTING IN PEOPLE AND COMMUNITIES

Principles
• Fulfill our social responsibility and help improve conditions for communities around the world.
• Maintain a spirit of freedom, fairness and discipline, respectful of all individuals.

Objectives
• We engage in community activities and aim to make a positive contribution to community development by promoting sports culture and healthy lifestyles, among other activities.
• We continuously share our profits with our shareholders, communities and employees appropriately.
• We encourage diversity and respect for all. We create a working environment where every employee can show individuality and creativity, so that personal development and corporate growth go hand in hand.

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OUR APPROACH TO SUSTAINABILITY

GOVERNANCE
Our system of governance ensures that our sustainability principles and objectives are embedded throughout our business.

Sustainability is a shared responsibility at ASICS. It involves all company divisions and colleagues at every level. As well as initiating sustainability projects and ideas in our daily operations from the bottom up, we also manage and integrate them into our organization from the top down.

Our Board of Directors has overall responsibility for sustainability at ASICS. Management is responsible for integrating and prioritizing sustainability in our corporate objectives. In addition, each core department integrates sustainability into its business strategy and processes.

To drive sustainability initiatives, ASICS Group has operated a CSR and Sustainability department since 2004, currently comprising a global team and designated staff at regional level. This department works on implementing sustainability, driving performance, managing progress against targets and engaging with internal and external stakeholders.

Find out more
To find out more about our system of governance and policies, visit http://corp.asics.com/en/csr/our-approach/governance-and-policies

EARNING TRUST, ENSURING COMPLIANCE
The ongoing success of our business depends on growing our corporate value and earning the trust of all our stakeholders. Maintaining a highly transparent system of corporate governance is one key way we do this.

We seek to continually improve the audit functions and internal controls of our corporate management. Our aim is to create a management approach that goes beyond compliance and reflects the perspectives of our stakeholders.

CSR AND SUSTAINABILITY POLICIES
We have a global Code of Conduct that sets out the basic standards we expect our colleagues to uphold in everything they do every day. These apply to all ASICS Group companies.

Our Policy of Engagement sets out the minimum requirements regarding human rights, labor standards, occupational health and safety, and environmental practices for any ASICS business partner.

Our global Environmental Policy sets out our approach to managing environmental impacts in our own operations as well as in our value chain.

In addition to these formal policies, we have a range of guidelines and manuals that translate our policies into operational practice. They guide our colleagues and suppliers in making better decisions in areas such as chemicals management and safety, fire and emergency procedures, materials selection, and procurement and sourcing, among others.

We encourage employees and business partners to report code or policy violations using our confidential, anonymous whistleblowing service. This allows us to detect the first signs of wrongdoing quickly and carry out corrective measures without delay.
OUR APPROACH TO SUSTAINABILITY

MATERIALITY ISSUES AND BOUNDARIES

We focus our CSR activities on the issues that are most relevant to our business. These material issues play a central role in shaping our approach to sustainability, and how we report our CSR performance.

In alignment with international goals and standards such as the UN’s Sustainability Development Goals and ISO 26000, we run a continuous materiality program in consultation with our stakeholders in order to identify material sustainability issues. This program has two main elements: our materiality matrix, which helps us prioritize sustainability issues, and our value chain analysis, which shows us where material issues occur in our value chain.

MATERIALITY MATRIX

Our materiality matrix maps out the sustainability issues identified by internal and external stakeholders according to their level of priority. We regularly update the matrix to reflect our stakeholders’ priorities as they change over time.

The materiality matrix below is our latest version, updated from last year. It shows the 12 sustainability issues identified as most material following recent consultations with internal stakeholders across the entire global ASICS organization, as well as with external stakeholders.

As ASICS is a product-driven organization, product safety and quality is our top priority. Since ASICS depends on a global supply chain and works with a wide range of suppliers, ethical workplace standards is another responsibility we take very seriously. Material and product traceability is a topic of increasing interest to our customers, consumers and other external stakeholders.

OUR MATERIALITY MATRIX
**OUR APPROACH TO SUSTAINABILITY**

**VALUE CHAIN ANALYSIS**

Material issues may occur in different stages of our product life cycles. Some may be directly influenced by our ASICS’ operations while others occur elsewhere in the value chain of our products. The diagram below shows where material issues currently occur in our value chain.

The matrix allows us to connect different materiality topics directly with relevant stakeholders. As a result, we are able to ensure that our sustainability targets, deliverables and activities cover all topics relevant to us as a business and to society as a whole.

<table>
<thead>
<tr>
<th>RAW MATERIALS</th>
<th>MATERIAL SUPPLIER</th>
<th>SUB-MANUFACTURING</th>
<th>PRODUCT MANUFACTURING FACTORY</th>
<th>ASICS</th>
<th>RETAILER</th>
<th>CONSUMER</th>
<th>END OF LIFE (DISPOSAL/REUSE/RECYCLE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw, unprocessed materials or feedstock that are basic materials used to produce finished products or materials that are processed into products as part of a manufacturing process.</td>
<td>Companies processing (raw) materials and/or supplying materials or trims that form the main components of our products (such as yarn suppliers, fabric mills, trim suppliers).</td>
<td>Companies that carry out part of the larger set of manufacturing processes of our ASICS products, either as a partner specialized in specific technologies or contracted with our permission by one of our product manufacturing partners.</td>
<td>A supplying partner to the ASICS Group involved in the manufacturing of our footwear, accessories or apparel products.</td>
<td>All entities within the ASICS Group; our sales offices, sourcing/production management offices, distribution centers, Institute of Sport Science and affiliate companies.</td>
<td>Businesses and customers of ASICS that sell our products to consumers, e.g. via sport specialist shops, department stores, online etc.</td>
<td>The people who use our ASICS products and services; our footwear, sports apparel, accessories, our training plans and other services.</td>
<td>The final stage of our products’ existence where they no longer meet the quality expectations or other needs of our customers.</td>
</tr>
</tbody>
</table>

**Material and product traceability**

- Fair compensation and performance
- Health and safety
- Ethical workplace standards
- Corporate governance and disclosure

- Product safety and quality
- Innovative and efficient product design
- Energy efficiency and CO₂ emissions
- Resource scarcity
- Water efficiency and water pollution
- Physical inactivity and inclusion
- Diversity
# Our Approach to Sustainability

## Stakeholder Engagement

We regularly engage with all of our stakeholders to make sure that our sustainability activities address the issues that matter to them. Each of our stakeholder groups has different priorities, concerns and expectations regarding our role in CSR. We have a set of principles for how we engage with each group, in order to address their needs and maintain an open, active dialogue with all of them.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Engagement Principles</th>
<th>Activities and Interaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>Our main aim as a company is to provide products and services that add value for our customers and contribute to a healthy society.</td>
<td>Sustainability-related questions from customers are logged in order to ensure a timely and satisfactory response, and to track trends in subjects and interests.</td>
</tr>
<tr>
<td>Shareholders and investors</td>
<td>We believe in transparency in business operations throughout the ASICS Group. We will provide and disclose relevant information in a timely, appropriate, accurate and clear manner to shareholders and investors.</td>
<td>Shareholder meetings, sustainable investment fund surveys and inquiries.</td>
</tr>
<tr>
<td>Employees</td>
<td>We believe in treating one another with respect and dignity. We strive towards a corporate culture of discipline, creativity and ambition where personal development and corporate growth go hand in hand.</td>
<td>Employee surveys, periodic meetings, sustainability committees and business division updates.</td>
</tr>
<tr>
<td>Business partners</td>
<td>We are partners with our suppliers and other business partners in our value chain. Sustainability improvements depend on collaboration with and commitment from all.</td>
<td>Periodic supplier business alignment meetings, supplier audit and training sessions. Exploring new areas of sustainability collaboration around manufacturing, recycling and innovation.</td>
</tr>
<tr>
<td>NGOs</td>
<td>We maintain an open dialogue with international and local non-governmental organizations (NGOs) and non-profit organizations (NPOs), remain aware of CSR-related topics and engage in collaborative efforts to solve sustainability challenges within our industry.</td>
<td>Collaboration as part of local disputes between factory workers and their management, collaboration with surveys and other review/research of NGOs regarding subjects of their interest.</td>
</tr>
<tr>
<td>Regulators</td>
<td>All our corporate operations comply with relevant laws and ordinances. We adopt processes, systems and structures to support appropriate and efficient operations and decision-making.</td>
<td>Direct interaction or via industry collaborations regarding upcoming legislation.</td>
</tr>
<tr>
<td>Academic partners</td>
<td>Our involvement with universities and other knowledge centers increases awareness and promotes the development of improved and more sustainable products and services.</td>
<td>Collaboration around Life Cycle Analysis of our products, our supply chains and exploring other, new areas of sustainability research and innovation.</td>
</tr>
</tbody>
</table>
| Industry associations      | We maintain memberships with several industry associations, globally and locally. Collaboration and discussion with other companies and stakeholders will result in better solutions to common challenges in our industry and value chain. | • Founding member of the Sustainable Apparel Coalition (SAC).  
• Member World Federation of the Sporting Goods Industry (WPSGI) – active CR Committee member.  
• Member American Apparel & Footwear Association (AAFA).  
• Member Federation of the European Sports Industry (FESI) – active Sustainability Committee participant.  
• Partner with ILO Better Work.  
• Member of Apparel & Footwear International RSL Management Group (AFIRM). |
| Communities                | While we encourage sports participation, promote health and contribute to a healthy society, we aim to fulfill our social responsibility and to help improve conditions for communities around the world. | Employee volunteering, support of communities via financial donations or in kind, discussions with existing and potential new partner organizations. |
SUPPORTING THE UN’s SUSTAINABILITY AGENDA

We’re committed to supporting the UN’s Sustainable Development Goals for 2030. In September 2015, more than 190 countries signed up to the UN’s 17 Sustainable Development Goals (SDGs), which set out a vision for ending poverty, hunger, inequality and protecting the Earth’s natural resources by 2030.

Achieving this vision will require concerted effort between the private sector, governments and civil society. We fully support the UN’s agenda, and work to make sure our sustainability activities and 2020 strategy are aligned with the SDGs.

Although ASICS’ activities are relevant to all 17 of the SDGs to a certain extent, we’ve identified five goals where we believe we can make the biggest contribution. These are highlighted in the graphic below and can be easily linked to specific topics in our materiality program on page 6 and 7 of this report.
OUR APPROACH TO SUSTAINABILITY

2020 TARGETS AND PROGRESS

The 2016 fiscal year was the first year of our 2016-2020 Strategic ASICS Growth Plan.

The plan sets out a new series of five-year sustainability targets, prioritizing six key areas:

1. Sustainability of products and services
2. Management of product chemical safety and traceability
3. Operational eco-efficiency and management systems
4. Safe and ethical workplace standards and sustainable practices at Tier 1 and Tier 2 suppliers
5. Sound governance and disclosure, organizational efficiency and development of an engaged workforce
6. Contributing to healthier communities in which we operate through philanthropic activities

The table below shows our progress against our 2020 targets.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>FY2020 TARGET</th>
<th>PROGRESS FY2016</th>
<th>PLAN FOR FY2017</th>
<th>READ MORE</th>
</tr>
</thead>
</table>
| Creating Products and Services | Define new product sustainability criteria for Apparel & Footwear products by end 2016.¹ | • Defined new product sustainability criteria for footwear.  
• Assessed 387 footwear items through the new criteria.  
• Updated CO₂ emissions reduction target of our footwear supply chain to include material sourcing stage, in addition to manufacturing. | • Define product criteria for Apparel.  
• Set target based on the new criteria.  
• Actively explore and apply innovative and sustainable materials and manufacturing technologies.  
• Actively explore and test technologies to close the loop of our products. | Page 16 |
| | 5% Absolute CO₂ Emissions Reduction from Direct Operations (Scope 1 & 2, 2015 Baseline). | • CO₂ emissions increased 6.5% from the baseline year due to the significant increase in the number of our own retail stores.  
• ASICS Europe Group kicked off a centralized energy procurement review and updated the electricity contracts, switching about 300,000 kWh to electricity from renewable resources. | • We expect to double our current total use of renewable electricity in Europe. The outcome of this project will lead to 10% of ASICS’ total global electricity use being shifted to renewable electricity.  
• We are planning to conduct energy efficiency audits in our most energy-intensive locations. | Page 24 |
| | 98% waste recovered or recycled at our Direct Operations.² | • In 2016, ASICS diverted 93% of its waste from landfill.  
• We made progress in increasing the recycling rates in our Distribution Center (DC). | • In 2017 we will focus on improving the recycling rates further in DCs.  
• We will continue our efforts to expand the number of sites reporting waste data. | Page 27 |

¹ Aligned with the SAC Higg Index Product Module.
² Sites that are able to measure and report their waste.
### OUR APPROACH TO SUSTAINABILITY

#### 2020 TARGETS AND PROGRESS

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>FY2020 TARGET</th>
<th>PROGRESS FY2016</th>
<th>PLAN FOR FY2017</th>
<th>READ MORE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Creating Products and Services (continued)</strong></td>
<td>Establish global ASICS Environmental Management System (including ISO 14001 at all key locations).</td>
<td>• The Distribution Center in the UK was certified in early 2016. &lt;br&gt;• The central Distribution Centers in Germany and France will be certified by the time of publication of this report.</td>
<td>• Focus on strengthening the recently certified systems and aligning the systems in different regions to work towards one global Environmental Management System.</td>
<td>Page 23</td>
</tr>
<tr>
<td></td>
<td>10% Reduction of CO₂ emissions per item related to footwear manufacturing and material.²</td>
<td>• Applied sustainable design practices to products manufactured in 2016 to reduce environmental impacts in our supply chain. &lt;br&gt;• CO₂ emissions decreased by 16.2% for every pair of shoes manufactured (compared to 2015 baseline levels).</td>
<td>• Actively explore and apply innovative and sustainable material and manufacturing technologies to reduce environmental impacts in our supply chain. &lt;br&gt;• Create new environmental guideline to support suppliers to reduce environmental impacts.</td>
<td>Page 35</td>
</tr>
<tr>
<td><strong>Partnering with our Supply Chain</strong></td>
<td>All Tier 1 Supplier Factories to meet ASICS C-Level or above.</td>
<td>• 86% of our Tier 1 factories met level C or above. In 2016, the business division consolidated the factories.</td>
<td>• 90% of our Tier 1 factories to meet level C or above.</td>
<td>Page 32</td>
</tr>
<tr>
<td></td>
<td>All Tier 1 Strategic Partner Factories to meet ASICS B-Level or above, and self-report via Higg Index Facility Social Module.</td>
<td>• In 2016, we have clearly defined strategy and nominated business partners. We submitted around 122 factories to adopt SAC facility module and get general performance levels.</td>
<td>• We have submitted 100% strategy and nominated Tier 1 suppliers to proceed with the roll-out of SAC facility module. The baseline would be expected to meet 70 up to 80 scoring.</td>
<td>Page 32</td>
</tr>
<tr>
<td></td>
<td>Tier 1 ASICS A- and B-Level Factories trained in self governance on CSR in combination with ASICS and/or third-party verification.</td>
<td>• In 2016, 26 Tier 1 factories were evaluated at compliance levels B and A.</td>
<td>• 100% of Tier 1 ASICS Factories rated A- and B-Level trained in self governance in combination with ASICS and/or third-party verification.</td>
<td>Page 17, 32</td>
</tr>
<tr>
<td></td>
<td>90% Tier 1 strategic Partner Factories improve their SAC. Higg Index Facility Environment Score compared to baseline.</td>
<td>• From 2015 to 2016, around 120 suppliers have been adopting SAC Facility module. The return rate showed great performance particularly on strategic Tier 1 suppliers.</td>
<td>• 80 up to 90% of Tier 1 strategic Partner Factories improve their SAC Higg Index Facility Environment Score compared to baseline.</td>
<td>Page 17, 32</td>
</tr>
</tbody>
</table>

² The target is also related to “Partnering with our Supply Chain” category.
## OUR APPROACH TO SUSTAINABILITY

### 2020 TARGETS AND PROGRESS

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>FY2020 TARGET</th>
<th>PROGRESS FY2016</th>
<th>PLAN FOR FY2017</th>
<th>READ MORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnering with our Supply Chain (continued)</td>
<td>All Nominated Tier 2 suppliers meet ASICS C-Level or above.</td>
<td>• Since 2015, global apparel, equipment and accessories division nominated 20 Tier 2 factories to be included in our compliance self-assessment evaluations. This represents about 60% of our Tier 2 supply volume. 80% suppliers met ASICS' basic compliance levels.</td>
<td>• 100% nominated apparel Tier 2 mill and dye house to be trained on new ASICS environmental guideline and to conduct self-assessment through SAC Higg Index and new tooling system.</td>
<td>Page 33</td>
</tr>
<tr>
<td></td>
<td>90% of all Nominated Tier 2 suppliers improve their SAC Higg Index Facility Environment Score compared to baseline.</td>
<td>• In 2016, we conducted compliance audits to footwear and visited apparel Tier 2 factories to capture general compliance levels of Tier 2.</td>
<td>• In 2017, to collaborate with IPE to perform an environmental investigation and audit to verify the implementation and improvement of Tier 2 fabric mill factories on environmental compliance violations.</td>
<td>Page 35</td>
</tr>
<tr>
<td></td>
<td>10% Reduction of Water and Waste impact per item produced by Tier 1 footwear factories.</td>
<td>• Water consumption decreased by 12% and waste emissions increased 65.3% for every pair of shoes manufactured.</td>
<td>• Create new environmental guideline to support suppliers to reduce environmental impacts.</td>
<td>Page 35</td>
</tr>
<tr>
<td>Investing in People and Communities</td>
<td>Establish global ASICS HR systems and work environment.</td>
<td>• Further rolled out SuccessFactors system and integrated performance management and recruiting processes.</td>
<td>• Continue to establish the system globally to increase the efficiency and effectiveness of our HR operations, and to utilize and analyze the data from the system for future human resource strategy.</td>
<td>Page 40</td>
</tr>
<tr>
<td></td>
<td>Ratio of Females in Senior management positions within ASICS Headquarters and ASICS Japan Corporation &gt;10%. Female managers appointed in all business divisions of ASICS Headquarters and ASICS Japan Corporation.</td>
<td>• Current ratio is 8%. • Promoted diversity in Japan through career design training, networking events and cross-industrial project.</td>
<td>• Continue to strengthen the programs, and develop training to leverage diversity and support the career development plans of female employees.</td>
<td>Page 42</td>
</tr>
<tr>
<td></td>
<td>Alignment on all global community engagement activities by end 2016.</td>
<td>• Development of global guideline for aligned, focused community involvement activities globally.</td>
<td>• Continued alignment for effective, proven contributions to communities in which we operate through sport.</td>
<td>Page 43</td>
</tr>
</tbody>
</table>
OUR APPROACH TO SUSTAINABILITY

EXTERNAL RECOGNITION

In 2016, we received a number of honors and other forms of recognition for our sustainability activities. This recognition came from customers, suppliers, investors and academics, among others. This page highlights some of the key honors we received during the year.

Dow Jones Sustainability Index

In 2016, ASICS was included for the second consecutive year in the Asia/Pacific Index of the Dow Jones Sustainability Indices (DJSI).

The Dow Jones Sustainability World Index was launched in 1999 as the first global sustainability benchmark for investors who integrate sustainability considerations into their portfolios. The indices provide an effective engagement platform for companies who want to adopt sustainable best practices. Read more at http://www.sustainability-indices.com

MSCI Global Sustainability Index

For the second consecutive year, ASICS Corporation was included in the MSCI Global Sustainability Index series in 2016. MSCI Inc is a leading provider of global benchmark indices, with more than 500 equity and fixed income environmental, social and governance (ESG) indices. Their global sustainability indexes target the highest ESG-rated companies making up 50% of the adjusted market capitalization in each sector of the underlying index.

The Sustainability Yearbook

We were included in the 2016 edition of The Sustainability Yearbook, published by the international investment company RobecoSAM. The Yearbook is the world’s most comprehensive publication on corporate sustainability.

CDP

CDP, formerly the Carbon Disclosure Project, is an internationally recognized organization that assesses corporate action on climate change. In 2016, CDP changed its scoring methodology, with companies being rated from D- to A depending on their progress towards leadership. In 2016, ASICS achieved a performance level of B.
Corporate Philosophy
Provide valuable products and services through sport to all our customers
CREATING PRODUCTS AND SERVICES

OUR APPROACH

Our aim is to make the best products and services in our industry.

For us, that means products that support healthy lifestyles by helping our customers enjoy sport and improve their sporting performance. It also means products developed in a way that minimizes negative environmental and social impacts at every stage of their life cycle, including design, production processes and business operations.

We achieve these two goals through scientific research, and by integrating sustainability principles as basic considerations at each stage of product design and development. In this way we aim to create a sustainable value chain that encompasses not just our products, services and manufacturing processes, but also the activities and lifestyles of our customers.

PROGRESS

- We are committed to set ‘Science-Based Targets’ for CO₂ reduction.  
  > Go to page 24

- We conducted 11 research projects to develop innovative and sustainable materials and manufacturing technologies.  
  > Go to page 17

- We continued to support the creation of the SAC Product Higg Index. In 2016, we assessed 387 footwear items through product sustainability indicators.  
  > Go to page 17

- 42% reduction of CO₂ emissions from our road freight in Europe, US and Japan by shifting to a more efficient transportation route.  
  > Go to page 26

- We produced over 36,000 event apparel items containing sustainable materials such as recycled and bio-based.  
  > Go to page 18

- We tagged with FitnessKeeper and their Runkeeper application to further support fun and healthy lifestyles through digital technology.  
  > Go to page 21

- In early 2016, we adopted the AFIRM Restricted Substances List (RSL) as one of the first brands to do so. We conducted 65 trainings to deploy the AFIRM RSL and improved chemical management.  
  > Go to page 20

- 93% of waste recovered or recycled at our direct operations.  
  > Go to page 27

387 FOOTWEAR ITEMS ASSESSED WITH THE HIGG INDEX’S PRODUCT SUSTAINABILITY INDICATORS

42% REDUCTION OF CO₂ EMISSIONS FROM ROAD FREIGHT IN EUROPE, USA AND JAPAN
**CREATING PRODUCTS AND SERVICES**

**PRODUCT DESIGN AND INNOVATION**

We believe that pursuing sustainability in product design leads to greater innovation and better performance for our customers.

We want to make products and services that are better for people, society and the environment. To achieve this, we seek to understand and manage the impacts of products throughout their entire life cycle, from the sourcing of materials all the way to recycling or disposal.

We support the development of industry tools and aligned approaches to solving sustainability challenges through various industrial and multi-stakeholder partnerships, such as the Sustainable Apparel Coalition (SAC) and AFIRM Group.

**LIFE CYCLE ASSESSMENTS – AN ONGOING APPROACH**

To improve the sustainability performance of our products, we approach their design from a life cycle perspective. Through Life Cycle Assessments (LCAs), we continuously investigate the environmental and social impacts of our products at each stage of their life cycle, and use the findings to inform a better, considered design and development approach.

Our first major LCA in 2011 assessed the GEL-KAYANO 17 running shoe, focusing on reducing its carbon footprint. In 2015, we carried out a social LCA scan of our GEL-KAYANO 21 running shoe to get a clearer picture of the risks involved and improve our management practices. The research was the first of its kind in our industry, and covered the assessment of auditing topics such as labor conditions, as well as broader community issues like governance, human rights and infrastructure.

In 2016, we took further action based on the findings by including them in our product sustainability indicators assessment. We will consider updating the research to gain insights for shaping our future product sustainability strategy in following years.

**VALUE CHAIN**

- **RAW MATERIALS**: We actively search for more sustainable materials, such as recycled and bio-based.
- **MATERIAL PROCESSING**: We ensure the high performance materials we use are meeting our quality and safety standards.
- **PRODUCT MANUFACTURE**: We apply design improvements to reduce environmental impact during manufacturing processes.
- **DISTRIBUTION TO MARKET**: We work with our logistics providers to transport our products to our various markets in the most efficient way.
- **RETAIL**: Our own retail stores are designed to use energy efficiently and to maximize the reuse of store fittings.
- **PRODUCT USE PHASE**: We help consumers reduce their environmental impact through care label advice.
- **END OF LIFE AND RECYCLING**: We are investigating a number of projects which we hope will help us to start to ‘close the loop’.
CREATING PRODUCTS AND SERVICES

SUSTAINABLE FASHION ONLINE COURSE

In 2016, we provided an online learning course to colleagues in our CSR, Apparel Development and Sourcing teams. Run by the Sweden-based Sustainable Fashion Academy (SFA), the course covered topics such as better material choices, managing chemical safety, labor standards in the supply chain, and sustainable design. Nine participants from Europe, the USA and Japan enrolled in six modules over a period of three months.

As a foundational course, it is relevant for all functions within our organization and is a good complement to our internal ASICS sustainability training. The course was very well received by participants, many of whom said that it had highlighted impacts of the product manufacturing process that they hadn’t previously been aware of. They also said that they valued working together on project assignments. More colleagues will participate in 2017.

“Personally, I had a wonderful experience taking this course. My key learnings were to understand each process and the sustainable choices we can make as a group. I hope that we’ll have more initiatives for more teams to get involved and learn more about what we can do to have less negative impact and still deliver high quality products.”

Apparel Design Director ASICS America Corporation
Participant in the Sustainable Fashion Academy Spring 2016

A SCIENTIFIC APPROACH TO SUSTAINABILITY IMPROVEMENT

For ASICS, scientific research is the starting point for sustainable product development. At the ASICS Institute of Sport Science, we carry out continuous research and development in our pursuit of innovative and sustainable materials and manufacturing technologies. Some of the areas we focused on during 2016 included improving product durability, bonding technology, and prototyping in order to conserve resources and reduce environmental impacts.

When we develop more durable or lightweight materials, we actively apply them in our footwear products to improve both their functionality and sustainability. We will continue to pursue research projects within our own ASICS Institute of Sport Science, as well as in collaboration with external partners, in order for sustainability to be a source of innovation in product development and manufacturing.

DEVELOPING AND IMPLEMENTING THE HIGG INDEX

Developed by the Sustainable Apparel Coalition (SAC), the Higg Index consists of various modules that allow for sustainability assessments to be carried out on a product, facilities or brand level. As a founding member of SAC, we have been involved in developing the product level Higg Index tools, and using those indicators to assess sustainability of our materials and products. As the product level Higg Index tools are developed, we are planning to fully adopt it into our product development process.

In 2016, we took part in the Higg Index Product Design and Development Module (DDM) pilot. This involved testing the tool with various types of footwear products from sports performance, lifestyle and business categories. Our footwear developers provided feedback about the tool’s user interface, scoring structure and assessment method.

We also continued to use the indicators of the Higg Material Sustainability Index (MSI) and the Higg DDM to carry out regular sustainability assessments of our key apparel and footwear materials, and all categories of footwear products.
CREATING PRODUCTS AND SERVICES

DYNAFLYTE: REDUCING WEIGHT AND CO2
Every year, we carry out a range of R&D projects in order to continuously improve the sustainability of our products. Maintaining effective cushioning while simultaneously reducing weight is a key challenge in the development of running footwear, and one of the main areas we focus on in our research.

In 2016, in response to this challenge, we launched the DynaFlyte running trainer. Weighing less than 300g (size 9), DynaFlyte is our lightest-ever cushioning shoe.

The shoe achieves its lightness thanks to its full-length FlyteFoam midsole. This midsole foam material is about 55% lighter than the current industry standard, but is also about 8% more durable than the EVA material used in the GEL-KAYANO 21 running shoe midsole. Because of the improved material efficiency of the midsole, the production of each pair reduces CO2 emissions by an estimated 10%, compared with our previous EVA midsole.

SHIFTING TO MORE SUSTAINABLE MATERIALS
As part of our commitment to driving sustainability in our apparel and footwear, we are shifting away from using virgin polyester in our fabrics toward more sustainable materials such as bio-based or recycled polyester.

As well as applying sustainable materials for our inline collections, we also use them for items distributed at ASICS–supported events. In 2016, this included souvenir and official volunteer shirts made from recycled polyester fabric for the Barcelona, Frankfurt, Stockholm and Paris marathons. We also provided jackets to volunteers and staff at the Tokyo marathon using a bio-based polyester fabric.

For the Olympic and Paralympic Games Rio 2016, we provided the Japanese team with shirts made from a 100% bio-based polyester fabric. Jackets and other uniform apparel featured 30% bio-based fabric.*

-10% REDUCTION IN CO2 EMISSIONS FOR EACH PAIR OF DYNAFLYTE RUNNING SHOES’ MIDSOLE MATERIAL

36,000 ITEMS MADE FROM RECYCLED OR BIO-BASED FABRIC SUPPLIED TO ASICS-SUPPORTED EVENTS IN EUROPE

100% BIO-BASED POLYESTER SHIRTS

*ASICS is a gold partner (sporting goods) of the Japanese Olympic and Paralympic Delegation.
CREATING PRODUCTS AND SERVICES

GUIDANCE ON BETTER MATERIAL CHOICES
In 2016, we aligned the ASICS Materials Guideline, which outlines ASICS’ expectations around the use of specific materials of animal and synthetic origin in ASICS’ products.

Although part of the content of the guideline have been common practice already within our material selection teams, written guidelines and training help to ensure we remain compliant with our better material ambitions and can act strongly in case of breach with our guidelines.

We will continue to review and update the guideline to ensure that we comply with laws and regulations and stimulate the application of more sustainable materials for future products. The guideline is an evolving document, and other material categories, certifications and labels will be included in future as necessary.

ASICS MATERIALS GUIDELINE FOCUS SUBJECTS

MATERIALS OF ANIMAL ORIGIN

• No use of Endangered or Exotic Species.
• Animal welfare to be respected and good animal husbandry shall be applied.
• No use of fur.
• All leather and skin shall be by-products of the meat industry.
• No down and feathers obtained through live plucking or from farms practicing forced feeding.
• Wool shall originate from suppliers who do not apply mulesing practices.

VOC REDUCTION IN FOOTWEAR MANUFACTURING
Adhesives used in footwear manufacturing are often solvent based. When these adhesives are applied they emit volatile organic compounds (VOCs) which can have a negative impact on the health of suppliers’ employees and the environment if their use in the workplace is improperly managed.

To reduce emissions of VOCs, we have been seeking to continuously increase the use of water-based adhesives in our footwear production volume for more than 10 years. Unfortunately, we have not been able to meet our ambitions in this area over this time. The strong growth of our business required the support of new suppliers with factories that often did not have the expertise and specific manufacturing lines to implement water-based adhesive use for our products, while maintaining our high quality standards.

We will continue to promote the use of water-based adhesives or other processes to reduce solvent use and VOC emissions in our footwear manufacturing process, and aim to set a new target of VOC emissions reduction in 2017. The ASICS Institute of Sport Science is carrying out research to develop better, more sustainable bonding technologies.
INVESTING IN PEOPLE AND COMMUNITIES
PARTNERING WITH OUR SUPPLY CHAIN
OVERVIEW

CREATING PRODUCTS AND SERVICES

MANAGING QUALITY AND SAFETY

Ensuring the quality and safety of our products is a responsibility we take very seriously at ASICS.

We have a quality assurance and management system in place throughout our operations. This is planned and developed jointly with other management functions, and based on internationally recognized quality management principles. We are dedicated to the continuous improvement of this system to ensure our products and services continue to meet the requirements of our customers.

We communicate our quality principles and objectives to our employees, and make sure they are always available. Training is an integral part of our quality assurance and management system. As well as training our own employees, we also train and certify staff within our suppliers’ facilities.

We carry out product liability inspections that cover product safety, the application of quality improvement measures, and descriptions on product labels and promotional materials.

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<tbody>
<tr>
<td>Total number of product recalls because of non-compliance with regulations, voluntary codes concerning product and service quality, information or labeling.</td>
<td>6</td>
<td>5</td>
<td>1</td>
<td>6</td>
<td>2</td>
</tr>
</tbody>
</table>

Data from 2012 and 2013 tracked as per Japanese fiscal year (April 1st till March 31st the next year). Data on 2014 tracked from April 1st till December 31st 2014. 2015 and 2016 data is based on calendar year.

CHEMICAL SAFETY

We are dedicated to ensuring that we use chemicals safely and appropriately, and in compliance with all regulations.

This involves random inspections at our suppliers to avoid the use of inappropriate materials. We also carry out a variety of tests on our products before they are shipped. These include tests for durability and colorfastness, along with advanced chemical analyses. Tests are conducted both within our own organization as well as by acknowledged, third-party laboratories.

ASICS complies with laws and regulations related to the chemical safety of products, the environment, and people in each country or district in which we do business.

The ASICS Guideline for the Control and Use of Chemicals defines the responsibilities of ASICS and its suppliers regarding the control and use of chemicals associated with our product design and manufacturing processes. The guideline ensures legal compliance and is aligned with industry best practice in chemical management. All suppliers must comply with the requirements of the guideline when manufacturing ASICS’ products.

In 2016, we became one of the first sports brands to adopt the AFIRM Restricted Substances List (RSL) into our guideline. We continued to conduct training both internally and externally with all key Tier 1 and Tier 2 suppliers. Through 65 training sessions we made sure the AFIRM RSL is understood and implemented throughout our supply chain.

AFIRM: ALIGNING WITH INDUSTRY STANDARDS FOR CHEMICAL MANAGEMENT

ASICS is a member of the Apparel and Footwear International RSL Management (AFIRM) Group. Through our involvement with AFIRM, we contribute to building and sharing knowledge about chemical management best practice, and supporting activities that help suppliers efficiently manage their risks and compliance regarding restricted chemical substances.

In 2015, ASICS was involved in the creation of the AFIRM RSL. This is a best practice tool supporting improved industry chemical management by defining strict limits for the use of chemical substances based on risk assessment and industry best practice. It also specifies the sample preparation and test methods that should be used when checking compliance.

The AFIRM RSL is designed to align industry standards for product chemical management and improving compliance efficiency, reducing the burden on suppliers. In an industry where many brands share the same supplier facilities, this alignment is a major step forward in increasing efficiency and compliance at the factory level. ASICS actively supports this direction, and in early 2016 we adopted the AFIRM RSL as a critical component of the ASICS Guideline for the Control and Use of Chemicals.
CREATING PRODUCTS AND SERVICES

ENABLING HEALTHY, MORE SUSTAINABLE LIFESTYLES

Promoting health and wellbeing through sport has always been a vital part of what we stand for as a company. From sponsoring international competitions and national education campaigns to local grass-roots events, we support a wide range of initiatives that encourage participation in sports and contribute to a health-conscious society.

By integrating sustainability into the development of service and store concepts, we limit the environmental impact of our operations and aim to engage consumers in our sustainability journey.

ENGAGING CONSUMERS ON OUR SUSTAINABILITY JOURNEY

By integrating sustainability in the development of services and store design concepts and operations, we aim to reduce the impact of our business operations. Our retail and other interactions with consumers also form a good opportunity to engage consumers and facilitate them to make better, more sustainable lifestyle decisions.

ASICS America continued their partnership with Give Back Box. The partnership allows our US e-Comm customers to donate clothes, shoes and other unwanted household items and ship them free of charge to participating charities, using the same boxes in which they received their ASICS purchases. The charities use these items to raise funds to fulfill their mission. In this way, the scheme helps customers contribute to disadvantage communities, reduce environmental impact by reusing packaging materials, keeping unwanted items out of landfill and enabling their prolonged life cycle. For more information, see: http://www.asics.com/us/en-us/givebackbox.

In Japan, ASICS took back unnecessary clothes and shoes from our employees in our offices in collaboration with the Japanese organization JEPLAN, INC., to test the take back program trial for consumers planned in two of our Japanese retail stores in early 2017. More than one million tonnes of clothing are thrown away each year in Japan and 90% of these are currently being incinerated. JEPLAN’s vision is to create a circular economy by creating the infrastructure for upcycling and recycling unwanted items. JEPLAN has also developed a recycling technology that creates the source material for polyester fabric which has the same high quality characteristics and performance as virgin polyester but with a much lower environmental footprint. Both individually, and together with our partners, we will continue to work towards a circular economy in coming years.

Within the ASICS Europe Group, our retail locations formed a platform for consumer engagement around community involvement. During the holiday sales period in the last two months of 2016, consumers were invited to donate a small amount (equivalent to €5) to one of ASICS Europe Groups charity partners. 24,379 donations were generated by 85 retail locations. More information about this activity can be read on page 46 of this report.

MOTIVATING THE WORLD TO MOVE

ASICS constantly looks for new ways to help people enjoy the benefits of fitness and exercise. In line with this, we acquired 100% shares in FitnessKeeper Inc in 2016. FitnessKeeper is the operator of Runkeeper, a fitness tracking platform that employs location technology to allow users to manage their workout performance on their iOS or Android device.

Runkeeper is a vibrant online running community that keeps users motivated and helps them achieve their fitness goals. It offers ways to record, manage and analyze fitness activities, and share achievements and milestones with friends. The app has more than 33 million registered users in the US and worldwide.

The addition of FitnessKeeper into the ASICS Group supports our commitment to engaging our customers with sports through digital technology. We plan to use the resources of both ASICS and FitnessKeeper to provide high value added products, services and content to even more customers in the future.
INVESTING IN 
PEOPLE AND 
COMMUNITIES 
PARTNERING 
WITH OUR 
SUPPLY CHAIN

OVERVIEW

CREATING PRODUCTS AND SERVICES

SUSTAINABLE STORE CONCEPT

The most effective way to make retail stores more sustainable is to make sustainability an integral part of their design and construction. One example of this is our new global concept store, launched in Brussels in 2016. The design of the store uses several innovative sustainability features in its lighting, flooring, fixtures and graphics, as highlighted in the graphic below. The store also provides a community room where people can take part in fitness lessons, and which can be used by freelance sports instructors, free of charge.

All our existing monobrand stores will gradually be redesigned along the lines of the new concept, and at least one new shop based on the concept will open in Europe every year.

At ASICS we aim to include sustainability considerations in all our business decisions, seeking to create value for our customers and shareholders, as well as for the world around us. In line with this, the ASICS New Store Concept also embodies sustainability considerations as highlighted here.

CREATING PRODUCTS AND SERVICES

MAKING OUR RETAIL OPERATIONS MORE SUSTAINABLE

ASICS’ own retail operations are growing globally at a rapid rate. Over the last few years, our Direct To Consumer (DTC) division has grown into one of the biggest divisions in the business. DTC currently operates our ASICS E-Commerce business (online sales), factory outlets, ASICS Flagship Stores, Onitsuka Tiger Stores and other so-called controlled spaces such as Shop In Shop.

We are very aware that this growth also generates an increase in energy use, water use, waste and the use of resources. The growth of our retail operations makes our drive to improve retail sustainability even more important.

Our continuous improvement approach to retail sustainability can be divided into two key activities: store design and store operation. As well as integrating sustainability issues in store operation guidelines, we also include green energy for retail as an important factor in our central energy procurement process in the EMEA region.

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CREATING PRODUCTS AND SERVICES

REDUCING OUR ENVIRONMENTAL IMPACTS
As well as integrating sustainability design considerations into the products we offer to consumers, we are also committed to reducing the environmental impacts of our direct ASICS operations. This includes our offices, distribution centers and retail stores.

MANAGING OUR ENVIRONMENTAL PERFORMANCE
Within the ASICS Group, we monitor and manage our environmental sustainability performance under the umbrella of our Global Environmental Policy. All of our locations strive to continuously improve their environmental performance in compliance with the policy, using the plan-do-check-act (PDCA) cycle. Locations must also comply with other management requirements, including regular reporting of environmental performance to ASICS Headquarters.

In addition, selected key business locations also have environmental management systems (EMS) certified in accordance with ISO 14001. These include our corporate headquarters in Kobe, our ASICS Institute of Sport Science and our EMEA regional headquarters in Hoofddorp, the Netherlands. From these locations, key decisions are made on business-wide issues such as central energy procurement, operation of lease cars and travel policies.

We have been implementing environmental management systems since 2000. Currently, 20% of ASICS’ employees are working at locations certified under the ISO 14001 system.

In 2016, we began the process of updating our systems to the new ISO 14001: 2015 norm. We plan to finalize this in 2017. In addition, by shifting to new third-party auditing partners for our ISO 14001 certifications in Japan and Europe, we were able to gain new insights to upgrade our ISO 14001 system and organize more efficiently.

An important project in 2016 was the inclusion of our European Distribution Centers under the ISO 14001 of ASICS Europe BV. The Distribution Center in the UK was certified in early 2016, and the certification audits for the other DCs were scheduled for early 2017. The central Distribution Centers in Germany and France will be certified by the time of publication of this report.

As part of our 2020 sustainability strategy, we will expand ISO 14001 certified management systems to include key global offices and distribution centers.

TRACKING ENVIRONMENTAL PERFORMANCE DATA
In 2015, we launched EcoStruxure™ Resource Advisor (RA), a cloud-based sustainability performance management system by Schneider Electric. The system will actively improve our performance and efficiency in order to help us achieve our 2020 sustainability targets. We introduced the system to our owned and leased, in total 466 locations, in 31 countries globally.

The system allows us to check all environment-related performance data for ASICS’ owned and leased locations such as energy, water and waste, and track progress against our targets in a timely manner. It also helps us identify inefficient resource use, and thereby save costs.

In 2016, we expanded the scope of our system to include our Tier 1 footwear suppliers' information, including their environmental data as well as social compliance-related information. In the coming years, we will further expand the system to include our upstream supply chain partners.

We will continue to make the most use of this system to improve our performance towards 2020.
ENERGY EFFICIENCY AND CARBON EMISSIONS

We have been measuring direct energy use and taking steps to improve energy efficiency and reduce CO₂ emissions from our global business operations since 2011. In 2015, prior to the 2015 Paris Climate Conference (COP21), we committed to set targets for CO₂ emissions reduction based on the Science Based Targets (SBT) initiative.

SBT aims to encourage companies to pursue bolder carbon targets by helping them determine the level by which they must cut emissions to help prevent the worst impacts of climate change. Emissions reductions targets are considered science-based if they are aligned with the level of decarbonization required to keep global temperature increase below 2°C, compared with pre-industrial temperatures.

Our 2020 target is to reduce by 5% absolute CO₂ emissions from our direct operations (Scope 1 & 2, 2015 baseline), including retail operations. We aim to achieve the CO₂ reduction target together with our business target to increase our sales by over 70% from 2015 to 2020.

In 2016, although we continued a number of specific energy-efficiency projects, CO₂ emissions increased 6.5% from the baseline year due to the significant increase in the number of our own retail stores from 444 to 867, almost doubling our number of retail locations. This is partly explained by the fact that our stores in Korea have changed from partnered stores (out of scope) to ASICS-owned stores (in scope).

Comparing our total emissions to our business revenue also shows a decrease in our efficiency. The CO₂ emissions intensity per unit revenue has increased by 14% since 2015. It is clear that in 2017 we need to accelerate our energy-efficiency projects to both increase efficiency and reduce the absolute emissions.

Our Strategy to Reduce Energy Use and CO₂ Emissions Includes:

- Increase the use of renewable energy
- Increase energy efficiency in high-emitting locations
- Introduce more energy-efficient equipment and vehicles
- Adopt energy-efficient design to new buildings, distribution centers and retail stores or refurbishment of existing locations

We continued a number of specific energy-efficiency projects in 2016. The ASICS Europe Group kicked-off a centralized energy procurement review and updated the electricity contracts, switching about 300,000 kWh to electricity from renewable resources. This saved 100 tonnes of CO₂. We still have the potential of switching 2 million kWh to renewable electricity, which would save a further 620 tonnes of CO₂.

In addition, we changed the electricity suppliers of our headquarters and other locations in Japan to the supplier who offers electricity with lower carbon intensity and reduced the electricity costs.

In 2017, we expect to double our current total use of renewable electricity in Europe. The outcome of this project will lead to 10% of ASICS’ total global electricity use being shifted to renewable electricity. Also in 2017, we are planning to conduct energy efficiency audits in our most energy-intensive locations, implementing efficiency improvements where necessary.

CO₂ EMISSIONS FROM OUR LOCATIONS/DIRECT OPERATIONS (TONNES)

<table>
<thead>
<tr>
<th>Year</th>
<th>Including Retail</th>
<th>Excluding Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>22,392</td>
<td>12,502</td>
</tr>
<tr>
<td>2016</td>
<td>23,293</td>
<td>11,415</td>
</tr>
</tbody>
</table>

The left side data applies to ASICS Group locations including offices, retail locations, distribution centers and wholly owned factories globally. The right side data applies to ASICS Group locations including offices, distribution centers and wholly-owned factories globally excluding owned retail locations. Company/lease car impacts are also included in both. Figures of Scope 1 are calculated according to factors based on “2006 IPCC Guidelines (Commercial Institutional)”. Company/lease car impacts in Brazil are calculated with factors using 2015 DEFRA data. Figures of Scope 2 are calculated according to factors based on “CO₂ Emissions from Fuel Combustion 2016-Year 2014” of IEA. The following formula is used when the amount of energy consumption for CO₂ emissions is not available for any sites: (energy consumptions per square meter estimated for each type of site) X (area of site) X (CO₂ emission factor). The 2015 data is restated due to updated data and factors and improved estimates. The 2016 emissions data are verified by Deloitte Tohmatsu Sustainability Co., Ltd.
CREATING PRODUCTS AND SERVICES

CUTTING GREENHOUSE GAS EMISSIONS IN OUR OWN FACTORY

In 2016, we embarked on a major refit of our ASICS-owned footwear factory in Japan. Energy-reducing measures included installing solar panels, LED lighting and a real-time electricity monitoring system.

These measures have helped reduce the factory’s overall CO₂ emissions by around 12%. We plan to use the factory as a test lab for green innovation, trialing energy-efficient manufacturing processes and technologies.

12%
REDUCTION IN CO₂ EMISSIONS

SCOPE 3 CO₂ EMISSIONS 2016:

<table>
<thead>
<tr>
<th>SCOPE 3 CATEGORY</th>
<th>CO₂ TONNES</th>
<th>%</th>
<th>SCOPE</th>
</tr>
</thead>
</table>
| 1. Purchased goods and services | 469,233 | 82.3 | Global footwear manufacturing CO₂ data (Tier 1) and ASICS Group companies’ purchases of apparel, equipment, marketing and sales. (Calculation method 1)
| 2. Capital goods | 23,383 | 4.1 | ASICS Group companies.
| 3. Fuel-and-energy-related activities | 1,266 | 0.2 | ASICS Group companies.
| 4. Upstream transportation and distribution | 41,491 | 7.3 | Category 4 includes air and sea freight of footwear-related logistics, air freight of apparel related logistics for Japan, rail and road freight of ‘port to DC’ in Europe, US and Japan, and road freight of ‘DC to customers’ in Japan.
| 5. Waste generated in operations | 203 | 0.0 | ASICS Group companies.
| 6. Business travel | 4,778 | 0.9 | ASICS Group companies.
| 7. Employee commuting | 792 | 0.2 | ASICS Group companies in Japan.
| 8. Upstream leased assets | – | – | Not assessed.
| 9. Downstream transportation and distribution | 5,975 | 1.0 | ASICS Group companies.
| 11. Use of sold products | 7,920 | 1.4 | ASICS Group companies.
| 13. Downstream leased assets | – | – | Not assessed.
| 14. Franchises | 12 | 0.0 | ASICS Group companies in Japan.
| 15. Investments | – | – | Not assessed.
| Total | 570,083 | 100 | |

The Category 1 (Purchased goods and services) CO₂ emissions data of Scope 3 are verified by Deloitte Tohmatsu Sustainability Co., Ltd.

1 Calculation method of Category 1: Footwear: [(energy consumptions at footwear Tier1 suppliers) X (percentage of ASICS production at footwear Tier1 suppliers) X (emission factor of each energy type)] + Apparel, equipment, marketing and sales: [price of purchased goods and services X (emission factor of each purchased goods and services)]

2 5th Inter-industry relations table based emission factors of Emission factors database for greenhouse gas emissions accounting throughout the supply chain (ver.2.2 as of March, 2015) published by Japanese Ministry of the Environment.

SCOPE 3 TARGETS

We know from our life cycle assessments that much of the CO₂ impact related to our products occurs during manufacture and material procurement. Transporting products from the factories to market is also a significant contributor to the overall CO₂ impact.

Because logistics, product manufacture and end-of-life management play a major role in our products’ CO₂ impact, we have set a CO₂ reduction targets for our key indirect (Scope 3) emissions. Because the biggest hotspot within Scope 3 is footwear manufacturing and material procurement, our future targets focus in particular on these aspects.

In 2016, we continued to work with our footwear product suppliers to improve energy efficiency and support the transition to more renewable energy sources. We also continue to measure our Scope 3 CO₂ emissions across global operations in order to assess the impact of changes in business operations.

For more about our work to reduce carbon emissions in our supply chain, see page 35.
CREATING PRODUCTS AND SERVICES

REDUCING CO₂ IN TRANSPORTATION

Since 2013 we have worked hard to make our distribution network more efficient, and to maximize the use of energy-efficient transportation modes like sea and rail. In 2016, we further worked on consolidating our distribution centers. We also created new, more efficient distribution routes in Europe, the USA and Japan sending products directly to our customers’ warehouses from import locations instead of shipment through our ASICS distribution centers.

Thanks to this measure, we estimate that we have reduced our road freight CO₂ emissions by around 42%. We will continue to increase the efficiency of our distribution network globally.

42%
ESTIMATED REDUCTION IN CO₂ EMISSIONS FROM ROAD FREIGHT

2016 CO₂ FROM TRANSPORTATION (TONNES)

- Road/rail freight: 17%, 6,892
- Sea freight: 82%, 34,173
- Air freight: 1%, 426

Road and rail freight include data of ‘port to DC’ in US, Europe and Japan, and ‘DC to customers’ in Japan. Sea freight is data of footwear business. Air freight is data of footwear business globally and apparel business in Japan. The emissions factors provided by the GHG Protocol are used.
CREATING PRODUCTS AND SERVICES

WASTE AND RESOURCE EFFICIENCY
We remain committed to reducing the amount of waste we produce and preventing it from being sent to landfill.

We require waste types such as cardboard, paper and plastics to be recycled at all of our main office and distribution sites. In addition, some of our distribution centers also reuse transport packaging in order to prevent it becoming waste. Where recycling is not an option, we prefer incineration with energy recovery instead of sending waste to landfill at certain sites.

Our 2020 target is to recover or recycle 98% of the waste at our direct operations.

In 2016, we increased our recycling rate to 93% in our DC’s and offices, up from 91% in 2015. Most improvement was made in our DCs by focusing on re-use and recycling opportunities, such as reusing inbound transport boxes to ship products to our customers.

In 2017, we will continue our efforts to increase the number of offices and factories reporting waste data. In our DCs we plan to further improve the recycling rates by using our EMS to set and track specific targets for each location.

REDUCING WATER CONSUMPTION
In 2016, we continued our efforts to reduce water consumption at ASICS Group locations through initiatives that raise employee awareness. We also consider using water-efficient or waterless equipment in offices and distribution centers or when renovating or moving to new buildings.

In 2016, we focused our efforts on gathering more data on water usage in our operations. This resulted in a much larger number of sites reporting their water usage.

We achieved a 7.6% reduction in water use compared to our new baseline of 2015, even though many more sites are reporting their water usage data. This is partly explained by some scope change effects: most new reporters are retail locations, which do not use very much water, and our main DC in Japan has been outsourced to a third party and is not included in this dataset anymore. On the other hand, we are happy to acknowledge that most sites that are in both datasets managed to reduce their water usage.

WATER USE IN M³

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013¹</th>
<th>2014²</th>
<th>2015³</th>
<th>2016⁴</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste/landfill</td>
<td>109,736</td>
<td>90,529</td>
<td>95,605</td>
<td>88,302</td>
<td></td>
</tr>
<tr>
<td>Recovered</td>
<td>264</td>
<td>4,235</td>
<td>4,316</td>
<td>3,812</td>
<td></td>
</tr>
<tr>
<td>Recycled</td>
<td>1,180</td>
<td>187</td>
<td>350</td>
<td>629</td>
<td></td>
</tr>
<tr>
<td>7.6% Reduced Water Consumption</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ Data applies to 19 companies in ASICS Group
² Data applies to 16 companies in ASICS Group
³ Data applies to 17 companies in ASICS Group
⁴ Data applies to 20 companies in ASICS Group

WASTE RECYCLING AND RECOVERY (TONNES)
In 2016 ASICS diverted 93% of its waste from landfill
**CREATING PRODUCTS AND SERVICES**

**ENVIRONMENTAL ACCOUNTING**

Since 2010 we have calculated the investment in environmental preservation at our two key corporate locations in Japan. We introduced Environmental Accounting in order to reflect the cost-effectiveness of the investment in management decision-making.

In 2016, we improved the accounting system by including the repair service costs of apparel products. In the future we will take additional steps to report with Environmental Accounting and to support our long-term ambition of integrated reporting.

<table>
<thead>
<tr>
<th>COST CATEGORY</th>
<th>KEY ACTIVITY AND OUTCOME</th>
<th>INVESTMENT</th>
<th>COST</th>
<th>ESTIMATED ANNUAL SAVINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Business area</td>
<td>Pollution prevention: Inspection, testing and analysis.</td>
<td>32,235</td>
<td>83,904</td>
<td>328</td>
</tr>
<tr>
<td></td>
<td>Global environmental conservation: Introduction of energy-efficient equipment and vehicles.</td>
<td>32,235</td>
<td>42,036</td>
<td>328</td>
</tr>
<tr>
<td></td>
<td>Resource circulation: Use of recycled materials, introduction of energy-efficient equipment.</td>
<td>0</td>
<td>20,775</td>
<td>0</td>
</tr>
<tr>
<td>2. Upstream/downstream</td>
<td>Green procurement, etc.</td>
<td>0</td>
<td>15,278</td>
<td>0</td>
</tr>
<tr>
<td>3. Administration</td>
<td>Implementation of ISO 14001, etc.</td>
<td>0</td>
<td>18,722</td>
<td>0</td>
</tr>
<tr>
<td>4. R&amp;D</td>
<td>Eco-friendly product development, etc.</td>
<td>0</td>
<td>117,480</td>
<td>0</td>
</tr>
<tr>
<td>5. Social activity</td>
<td>Support of local environment, donations, etc.</td>
<td>0</td>
<td>607</td>
<td>0</td>
</tr>
<tr>
<td>6. Environmental remediation</td>
<td>Remediation of pollution from civil engineering projects, etc.</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>7. Other</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>32,235</td>
<td>235,991</td>
<td>328</td>
</tr>
</tbody>
</table>
Corporate Philosophy
Fulfill our social responsibility and help improve conditions for communities around the world.
Share profits brought by our sound services with our shareholders, communities and employees.
Maintain a spirit of freedom, fairness and discipline, respectful of all individuals.
PARTNERING WITH OUR SUPPLY CHAIN

OUR APPROACH

Upholding fair business practices and improving labor conditions across our supply chain are responsibilities we take very seriously.

ASICS depends on a global supply chain that includes material and product manufacturers, their workers, unions, NGOs and others. In order to raise and safeguard standards, we are committed to working in close partnerships with our suppliers, their workers and other supply chain stakeholders.

We conduct our corporate activities on the basis of clear codes of conduct that are based on internationally recognized standards and conventions. We seek to work only with business partners who share our commitment to sustainability and fair labor practices.

PROGRESS

- 100% of our Tier 1 supply base manufacturing apparel, accessories and footwear for the ASICS Group is under a supply chain management program.  
  > Go to page 32

- Expanded our monitoring scope to also cover Tier 2 supply base manufacturing fabrics and materials used in ASICS’ products.  
  > Go to page 33

- 88% of our Tier 1 suppliers rated level C and above on ASICS’ supplier rating scale.  
  > Go to page 32

- 89% of our contracted Tier 1 suppliers audited in 2016.  
  > Go to page 32

- Audited 16 of our contracted Tier 2 footwear suppliers since 2015 and visited 10 fabric mills in China and Taiwan.  
  > Go to page 33

- 21,130 tonnes waste recycled or recovered at Footwear Tier 1 suppliers since 2015.  
  > Go to page 35

- Training and capacity building provided to 198 participants from 109 suppliers in Shanghai and GuangDong, China, Vietnam and Indonesia.  
  > Go to page 36

- 443 participants in total taking part in 65 CSR meetings with suppliers held regarding chemical management, RSL compliance and labor standards.  
  > Go to page 20, 33

100% OF OUR TIER 1 SUPPLY BASE IS UNDER OUR SUPPLY CHAIN MANAGEMENT PROGRAM

198 PARTICIPANTS FROM 109 SUPPLIERS RECEIVING TRAINING AND CAPACITY BUILDING
PARTNERING WITH OUR SUPPLY CHAIN

MANAGING OUR SUPPLY CHAIN

Through our Supply Chain Management Program, we seek to maintain and improve standards throughout our supply chain, in all areas where our business has both direct and indirect influence.

COMPLIANCE AND COMMITMENT

Our supply chain management program is based on the principle of compliance when needed, commitment where possible. This means that, as a minimum, our suppliers must comply with our own codes and policies as well as all relevant local and international regulations. But where possible, we encourage our suppliers to move beyond compliance and commit to continually raising standards through training and capacity building, in ongoing, open partnership with ASICS, labor organizations and other industry stakeholders.

The program consists of four building blocks: Monitoring and Risk Management; Governance and Transparency; Training and Capacity Building; and Stakeholder Engagement.

INFLUENCE AND RESPONSIBILITIES

More than 150 direct, Tier 1 suppliers in 21 countries provide us with the facilities, expertise and other resources that allow us to bring the best products to our customers.

Many of our Tier 1 suppliers themselves have an extensive supply chain, connecting the ASICS Group indirectly with many more operations and businesses worldwide.

At ASICS, we are aware of the influential role we play in our supply chain, and we recognize that this role and responsibility extends even to the areas where we have no direct relationship. Through our partnership approach, we aim to help improve standards not just among our direct suppliers, but in all areas where our business has influence.

150+
TIER 1 SUPPLIERS

21
TIER 1 (SOURCING) COUNTRIES

INFLUENCE AND RESPONSIBILITIES

1 3 2 4
PARTNERING WITH OUR SUPPLY CHAIN

MONITORING OUR SUPPLY CHAIN

When we select any new footwear, apparel or accessories supplier, we assess their social and environmental sustainability performance against ASICS’ standards before engaging in a business relationship.

COMPLIANCE AND COMMITMENT

Once a formal business relationship is established with a supplier, we continuously monitor the supplier’s sustainability performance and periodically assess their facilities. We conduct three types of assessments within the ASICS’ supply chain: internal, commissioned and partner audits.

Internal audits
ASICS’ compliance auditors conduct on-site inspections, verify documentation and interview supplier management. They provide detailed explanations of ASICS’ policies, identify issues and plan corrective actions through discussions with management.

Commissioned audits
We consign this type of audit to specialized, accredited third-party monitors. These are independent auditors well versed in local laws, regulations, culture and languages. They can gather information that is otherwise difficult to obtain through an internal audit, for example through worker interviews in their local language.

Partner audits
These are audits conducted with ASICS’ suppliers as part of our collaboration with multi-stakeholder initiatives. Since January 2014, ASICS has been an official partner of ILO Better Work, and this organization has conducted our partner audits and improvement plan follow-ups from that time. Before that, partner audits were carried out by our previous official partner, the Fair Labor Association (FLA).

In addition to the audits, suppliers and their subcontractors can demonstrate compliance levels through self-assessments. Information from these feed into our other assessment forms and risk analysis. Self-assessments increase supplier awareness of supply chain issues and ASICS’ standards.

In future, we will link supplier self-assessments to commitment-based self management using industry collaborative tools such as the SAC Higg Index, in combination with external validation of data. In 2016, 122 Tier 1 suppliers have been nominated to submit data and adopt the SAC’s Higg Index facility module.

AUDIT CRITERIA AND SUPPLIER RATINGS

Our assessments and audits use 17 criteria to evaluate our Tier 1 suppliers’ sustainability performance. Each criterion is scored on a five-point scale, from 1 (below standard) to 5 (best practice).

Audit criteria covering forced labor, child labor, abuse and harassment, wages, discrimination and hours of work are defined as zero tolerance criteria, and we act strongly in cases of non-compliance within these areas.

We award each supplier an overall rating from A to E, based on its performance against the 17 criteria. The graphic below shows how our suppliers rated in 2016.

RESPONDING TO NON-COMPLIANCE

When our assessments find issues of non-compliance, we categorize them as major or minor according to the severity of the violation and the level of risk to workers.

We impose sanctions of varying severity depending on the category of the non-compliance. These range from terminating the business relationship in the case of serious and persistent violations, to reviews of future orders, third-party investigations and formal warnings. On a number of issue areas (child labor and juvenile workers, forced labor, abuse and harassment, discrimination, hours of work and wages) we operate a zero tolerance policy.

When minor non-compliance issues are identified, we begin a remediation period of three months, during which the relevant supplier is expected to take corrective measures. When necessary, ASICS’ staff or partners support this remediation process, for example by providing training and resources.
EXPANDING OUR AUDIT SCOPE
In 2016, we expanded our audit scope to include Tier 2 suppliers, as well as Tier 1.

The potential impact of Tier 2 suppliers is considerable, as this is the part of the supply chain responsible for fabric dyeing and other industrial processes involving potentially harmful chemicals. Auditing Tier 2 will also help us make sure that human rights are respected throughout our supply chain, and that they comply with legislation.

Actively managing these facilities is a major step forward in understanding our overall impacts, and helping our business partners improve standards.

TOOLS FOR TRANSPARENCY
Transparency regarding our supply chain impacts is vital, both for ASICS and for our external stakeholders. To improve transparency of information, we have introduced new tools and improved internal systems in order to give us more insights into our supply chain management.

One example is EcoStruxure™ Resource Advisor (RA), a cloud-based sustainability performance management system from Schneider Electric. We already use this tool to track global energy, water and waste data of our own operations, but in 2016 we expanded it to include our supply chain management information.

From 2016, the system tracks data from our Tier 1 footwear suppliers, including data related to their environmental performance and social compliance. In the coming years, we will further expand the system to include our upstream supply chain partners. At the same time, we will continue to use the system to improve our own performance and support our 2020 targets.

As well as using technical tools, we also gather information about our supply chain performance through industry bodies such as the Sustainable Apparel Coalition, and through NGO partners such as ILO Better Work.

COORDINATING OUR EFFORTS
Along with our global CSR and sustainability staff, many other departments and ASICS Group divisions play a vital role in making sure our operations are safe, ethical and sustainable.

ASICS Group divisions responsible for coordinating production and sourcing in our main production regions make a major contribution to building understanding of our supply chain situation and improving the performance of our manufacturing partners. Because these teams work closely with our supplier partners, they are ideally positioned to help with monitoring, raising issues, and identifying opportunities and training requirements.

To make sure our supply chain management work is as coordinated and effective as possible, we carry out regular cross-divisional training and awareness-raising sessions around supplier engagement and assessment. Sharing information in this way allows us to form joint action plans, mitigate challenges, improve future performance and make better business decisions regarding our suppliers.

As part of our continuous efforts to improve standards within our supply chain and manage Modern Slavery and Human Rights Risk, we have mapped our supply chains and operate a country risk assessment protocol prior to entering any new sourcing country. Analysis of human rights risks and particular industry/sector and geographical risks forms an integrated part of this risk analysis. All sourcing divisions within our Group are aware of policies that apply to product and material sourcing including respecting our restricted country list. Expanding business beyond our 21 approved sourcing countries is only possible after completion of a country risk assessment in collaboration with our CSR & Sustainability Division and relevant internal and external stakeholders.

Prior to entering any partnership agreement with a new footwear, apparel or accessories supplier, we assess their social and environmental sustainability performance against ASICS Human Rights and Safe and Ethical Standards. Only on proof of meeting a minimum standard will we enter into partnership. Suppliers then continue to be audited to ensure standards remain high and in line with ASICS’ requirements.
PARTNERING WITH OUR SUPPLY CHAIN

POLICIES AND GUIDELINES

We conduct our corporate activities on the basis of clear codes of conduct that are based on internationally recognized standards and conventions.

All of our material suppliers or manufacturing and assembly business partners must comply with our Code of Conduct and our Policy of Engagement. We also have a separate Environmental Policy that covers issues related to environmental management, and highlights how this is connected to human health and safety.

Suppliers have to understand and acknowledge these standards and are formally obliged to meet them. We seek to work only with business partners who share our commitment to sustainability and fair labor practices.

We seek to continuously improve the audit functions and internal controls of our corporate management. Our aim is to create a management approach that goes beyond compliance and reflects the perspectives of our stakeholders.

We encourage employees and business partners to report code or policy violations using our confidential, anonymous whistleblowing services. This allows us to detect the first signs of wrongdoing quickly and carry out corrective measures without delay.

For more information and to download our policies, visit our website http://corp.asics.com/en/csr/our-approach/governance-and-policies

DUE DILIGENCE AND ASSESSMENT OF MODERN SLAVERY RISK

Over the last decades, much has been achieved in the field of corporate social responsibility and sustainability. On the subject of Human Rights in supply chains, global efforts by businesses, legislators, NGO’s and other stakeholders have led to greater transparency, increased awareness on issues and joint action on prevention and working toward safe and ethical supply chains.

Unfortunately, we continue to recognize a risk of Modern Slavery, slavery, servitude, forced labor and human trafficking occurring in supply chains. This, being a global issue with the rise of global migration, is occurring in regions across the entire globe, in every type of economy and at any country development level.

As part of our continuous efforts to improve standards within our supply chain and manage Modern Slavery and Human Rights Risk, we have mapped our supply chains and operate a country risk assessment protocol prior to entering any new sourcing country. Analysis of human rights risks and particular industry/sector and geographical risks forms an integrated part of this risk analysis.

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Prior to entering any partnership agreement with a new footwear, apparel or accessories supplier, we assess their social and environmental sustainability performance against ASICS standards before engaging in a business relationship. Only if they meet our minimum standards on Human Rights and Safe and Ethical Standards, will ASICS consider entering a formal business relationship.
PARTNERING WITH OUR SUPPLY CHAIN

MANAGING MANUFACTURING ENVIRONMENTAL IMPACTS

We seek to source from suppliers that share our commitment to operating in an environmentally responsible manner.

Because we outsource the manufacturing of apparel, footwear and accessories, a considerable part of our overall environmental impacts exist in our supply chain.

Our product Life Cycle Assessment (LCA) research shows us that the largest environmental impacts for footwear relate to manufacturing processes, whereas for apparel the impacts are shared between fabric and garment manufacturing processes as well as consumers (due to washing). We recognize we have a responsibility to use our influence within our supply chain to help reduce these impacts.

ENVIRONMENTAL IMPACT AT DIRECT FOOTWEAR FACTORIES

Between 2011 and 2016 we worked closely with our footwear suppliers to improve the efficiency of our product design so that manufacturing environmental impacts could be reduced. We also encourage our suppliers to implement best practice environmental management systems. In 2016, CO₂ emissions per pair of shoes manufactured in our footwear Tier 1 suppliers decreased 16.2%, compared to a 2015 baseline. In addition, decrease of 12% for water use and increase of 65.3% for waste per pair of shoes were registered.

We remain committed to helping our suppliers measure their key environmental indicators and further reduce their impacts, thereby also reducing the environmental footprint of ASICS’ products. In 2017, we will create a new environmental guideline to further support our suppliers in this direction. Although at present we track environmental impacts related solely to footwear manufacture, we intend to extend this to include our global apparel business in the near future.

ENVIRONMENTAL COMPLIANCE IN OUR SUPPLY CHAIN

We apply a ‘compliance where needed, commitment where possible’ approach across our supply chain. We are open to collaborating with partners on this and their information and feedback are important in bringing issues to light and help us to be better.

In 2016, ASICS received a letter from the Institute of Public & Environmental Affairs (IPE), a non-profit environmental research organization based in China, drawing our attention to two subcontracted factories in China which had violated an air quality requirement.

Since 2006, IPE has collected more than 260,000 environmental supervision records from official sources, and posted these on a searchable pollution map database as well as contacting companies to implement corrective measures. Their mission is to promote information disclosure and advance multi-party participation, to bring back blue skies and clear waters in China.

ASICS engaged immediately with a third-party auditing agency to conduct on-site investigations into the two factories. ASICS committed to supporting the factories in improving their performance. ASICS also began using the Blue Map Database, the IPE platform, to comprehensively screen its suppliers in China. We concluded from our investigations that speed of reaction, clear internal communication and risk prevention processes are key.

As a result of our progress, we were listed for the first time and ranked at No. 33 in the Corporate Information Transparency Index (CITI) system, jointly developed by IPE and the Natural Resources Defense Council (NRDC). The Index evaluates brands’ supply chain environmental performance based on information that is made public, such as government compliance data, online monitoring data and third-party environmental audits.

We are continuing to work on the environmental compliance project with the aim of creating a new supplier monitoring system and guidelines, which would drive forward our commitment and responsibility in environment management and protection. ASICS will also maintain a partnership with IPE to further align our environmental compliance program.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>UNIT</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ emissions</td>
<td>kg/pair</td>
<td>2.29</td>
<td>1.92</td>
</tr>
<tr>
<td>Water</td>
<td>m³/pair</td>
<td>0.049</td>
<td>0.043</td>
</tr>
<tr>
<td>Waste</td>
<td>kg/pair</td>
<td>0.02</td>
<td>0.03</td>
</tr>
<tr>
<td>Recycled or recovered waste</td>
<td>tonnes</td>
<td>11,928</td>
<td>9,202</td>
</tr>
</tbody>
</table>

The data in this table is based on 25 factories in China, Vietnam, Indonesia, Cambodia and Thailand, which together produce over 95% of all our footwear.

The 2015 data is restated due to updated data and factors and improved estimates.

21,130 tonnes
WASTE RECYCLED OR RECOVERED AT FOOTWEAR TIER 1 SUPPLIERS SINCE 2015
PARTNERING WITH OUR SUPPLY CHAIN

TRAINING AND CAPACITY BUILDING

We provide training for our Tier 1 and Tier 2 suppliers so that they can continuously improve labor and environmental performance over time.

Training and capacity building is vital for supporting our supply chain partners to improve their performance. Training gives our suppliers the knowledge and understanding necessary to implement new standards, legal requirements and structured management systems, as well as raising awareness of industry best practice – all necessary for continuous improvement.

Training also helps suppliers avoid compliance issues, and develops better communication between workers and employers. This ultimately improves both the wellbeing of staff and the suppliers’ quality and productivity.

Our supply chain monitoring and rating system identifies training needs in the different regions where our products are manufactured. We carry out training in collaboration and consultation with independent stakeholder partners such as ILO Better Work.

In 2016, ASICS provided 4 capacity building sessions for suppliers. The training covered a wide range of subjects including supervisory skills, fire safety, compensation and benefits, social compliance, and the rights and responsibilities of workers and unions. Additional capacity building sessions were also available to suppliers as part of their participation to the ILO Better Factories Cambodia program or ILO Better Work (Vietnam, Indonesia).

“Thanks to ASICS’ training and capacity building, awareness of workers’ rights and about the importance of environment, health and safety has never been higher. The training was also very useful for us in management, because it raised our awareness of the latest developments in laws, regulations and government policies.

Through the audit conducted by ASICS, workers’ understanding of personal protective equipment and workplace ergonomics has also improved.

We hope such training will be held regularly.”

Training participant at Freewell Co., LTD. a footwear factory in Vietnam supplying ASICS

Shanghai and Guangzhou, China
- Occupational health and safety
- Latest China labor law updates
- Chemical safety and environmental management

Ho Chi Minh City, Vietnam
- Update on latest Vietnamese labor law changes
- Wages, benefits and compensation
- Grievance communication

Jakarta, Indonesia
- Grievance systems management
- Occupational health and safety
- Management, worker and workers representatives relations
- ASICS Compliance Guideline Training

96 PARTICIPANTS ATTENDED
66 SUPPLIERS

68 PARTICIPANTS ATTENDED
33 SUPPLIERS

34 PARTICIPANTS ATTENDED
10 SUPPLIERS
PARTNERING WITH OUR SUPPLY CHAIN

OUR PARTNERS

To help raise supply chain sustainability standards throughout our industry, ASICS engages and partners with a wide range of NGOs and other industry stakeholders.

By working in partnership with these organizations and contributing to an open debate, we play an active part in shaping the future of our industry. Our main NGO partners are visualized below.

Collaboration ranges from close partnerships on raising supplier standards and conduct training and capacity building to working together on integration of Human Rights responsibilities into the organization of large sports events. We partner with other brands in industry associations around industry alignment and joint standard development and keep in close contact with labor unions and NGO’s in manufacturing regions.

<table>
<thead>
<tr>
<th>NGOS INTERACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caux Round Table (CRT)</td>
</tr>
<tr>
<td>ILO Better Work Program/ Better Factories Cambodia</td>
</tr>
<tr>
<td>The Sporting Change Forum</td>
</tr>
<tr>
<td>Oxfam</td>
</tr>
<tr>
<td>Sustainable Apparel Coalition (SAC)</td>
</tr>
<tr>
<td>Unions</td>
</tr>
<tr>
<td>The World Federation of the Sporting Goods Industry (WFSGI)</td>
</tr>
</tbody>
</table>

“We would like to express our gratitude for your great contribution to the Business and Human Rights conference in Tokyo.
We believe that your sharing was well-delivered to the participants, and became valuable assets for them to enhance their activities in the area of business and human rights.”

Caux Round Table (CRT) Japan
From appreciation letter received after ASICS’ contribution to CRT Business and Human Rights Conference held in September 2016
Corporate Philosophy
Fulfill our social responsibility and help improve conditions for communities around the world. Maintain a spirit of freedom, fairness and discipline, respectful of all individuals.
INVESTING IN PEOPLE AND COMMUNITIES

OUR APPROACH

In keeping with the ideals of our founder, we are committed to supporting our people and contributing to the communities in which we operate.

Our founder, Kihachiro Onitsuka, was dedicated to the intellectual, moral and physical education of the younger generation through sport. He believed that, in addition to benefiting the body and mind, sport carries a universal significance that overcomes cultural differences while nurturing teamwork. These founding principles are at the core of our approach to people and communities.

We listen to our colleagues and strive to provide a working environment that meets their needs and helps them realize their potential. At the same time, we support the communities around us through donations, charitable work and social investment.

As a sporting goods company, we aim to contribute to the creation of a fair and clean world in which our customers can enjoy sport. As a global company, we not only serve our customers, we respect and show consideration to everyone around us, and the planet itself.

PROGRESS

- Further roll-out globally of SuccessFactors system for integrated performance management and recruiting processes.
  > Go to page 40

- Second organization-wide engagement survey launched.
  > Go to page 40

- Investing $693,078 in community contributions and further donations in kind of $1,302,139.
  > Go to page 43

- In total 5,370 employees participated in various training programs across our headquarters in Kobe and the Japan region.
  > Go to page 41

50,000
PAIRS OF RUNNING SHOES DONATED TO GIRLS ON THE RUN THROUGH THE ASICS AMERICA EXTRA MILE CAMPAIGN

7,864
EMPLOYEES WORLDWIDE
INVESTING IN PEOPLE AND COMMUNITIES

INVESTING IN OUR PEOPLE

We engage and inspire our colleagues through our corporate culture, so that personal development and corporate growth go hand in hand.

Through our Human Resources programs, we create a working environment that encourages diversity and respect for all, while enabling each employee to demonstrate individuality and creativity.

LIVING OUR VALUES

‘A sound mind in a sound body’ is a basic principle that we aim to uphold in every aspect of our operations, including the working environment we provide for our employees. Our aim is to create a culture that helps and encourages our employees to lead healthy lifestyles. This goes beyond the ergonomics of workplace areas and pleasant, bright offices. Many of our global offices have a gym area, changing rooms and showers. Employees take part in activities such as boot camp classes, yoga or team sports. In some of our regions, a company contribution to sports club membership or classes form part of our secondary benefits. Employee committees also regularly organize sports or social events that allow our employees to have fun and socialize with colleagues outside the work environment. And our canteens provide healthy food options including, in some locations, free fresh fruit.

SuccessFactors will enable us to improve business strategy alignment, team execution, and people performance. It will support business strategy execution and success globally through continuous human and organizational development.

We will continue to establish the system globally to increase the efficiency and effectiveness of our HR operations, and to utilize and analyze the data from the system for future human resource strategy.

EMPLOYEE ENGAGEMENT SURVEY

At ASICS, we know that our success depends on engaged, motivated employees. People who feel engaged at work are more innovative, productive and deliver better customer experiences.

To improve our understanding of how our employees feel about their work, we launched our second organization-wide engagement survey in 2016. Including topics such as communication, culture and leadership, the survey initially covered our Europe, Middle East, Africa, South America and North America regions, and will be expanded to Japan in 2017.

The survey will help us identify the actions we need to take to retain top talent and keep growing our business. By periodically rerunning the survey we will be able to measure progress and ensure that we are creating a great place to work.

SUCCESSFACTORS GLOBAL ROLL-OUT

SAP SuccessFactors is a cloud-based software system for human resources management, supporting vital functions such as onboarding, performance management, learning and development, and analytics. During 2016, we continued a global roll-out of the system to our Asia and South America regions.

In our Europe, US and Japan regions, where we have already introduced SuccessFactors, we further integrated the system’s performance management and recruiting processes. We also launched cloud-based training programs through the system in those regions.
PERSONAL DEVELOPMENT AND TRAINING IN JAPAN

Training is an important part of our personnel and organizational development strategy. To support development and promote competitiveness, we run training programs that cover employees at different levels across each department and function.

In 2016, we renewed our ASICS Academy leadership training program at our headquarters in Kobe. Designed to fast-track development of the next generation of business leaders in our global market, the program involves sessions with internal and external business leaders and project work solving business challenges.

We also launched a new business skills and knowledge training program, called “Career Step Program”, across our headquarters and the Japan region to support a capacity building plan. Over ten courses, employees received training in important skills such as facilitating, active listening and scenario planning. Employees participated in various training programs in 2016.

In 2017, we will expand the business skill & knowledge training program to 14 courses within our Japan region. We will also strengthen our training program for global leadership and communication skills, and introduce basic online training.

Our regional offices work closely together within a global competency structure that ensures global consistency within our organization while incorporating local needs and differences. Training programs cover a range of governance subjects including anti-harassment and diversity, new employee orientation, and health and safety, as well as management capacity building and skills development tailored to the specific needs of each of our global operations.

TRAINING PROGRAM STRUCTURE

<table>
<thead>
<tr>
<th>Support capacity building plan</th>
<th>Onboarding / Each band training</th>
<th>Develop business leaders in global market</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Basic training</td>
<td>• Management</td>
<td>Career path and succession plan, talent assessment</td>
</tr>
<tr>
<td>• Online training</td>
<td>• Staff</td>
<td>Global leadership, education and communication programs</td>
</tr>
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<td></td>
<td>• New employees</td>
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</table>
INVESTING IN PEOPLE AND COMMUNITIES

STRENGTH THROUGH DIVERSITY

ASICS is a team of 7,864 people working all over the world. Because we believe that diversity is essential for innovation, we do everything we can to encourage a diverse workforce and working environment. We want every diverse talent to feel fulfilled and that they are maximizing their performance.

Within ASICS Headquarters and ASICS Japan Corporation, among all diverse talent, we have a huge opportunity in stimulating female employee development and facilitate combining family life with career development. Diversity is an important focus area of the Human Resources Division in collaboration with a specific diversity project team.

Activities in 2016 consisted of:

• Internal career design training for future female talents and role model sessions for female leaders.
• Internal events to drive networking and knowledge sharing among people in diverse backgrounds. Diverse role models shared their career, life and experiences in the events.
• Joined cross-industrial project to inspire career vision of female staff in sales division.
• Women leadership training provided by Japan Federation of Economic Organizations (Keidanren).

Currently the percentage of women in senior positions (manager level and higher) at ASICS Headquarters (AHQ) and ASICS Japan Corporation (AJP) together is 8%. It is our goal to raise this to at least 10% by 2017 and to reach 30% in the future, and have female leaders represented in all business divisions at AHQ and AJP towards 2020.

We will continue to strengthen the programs above, and further develop training program to increase management skills to leverage diversity and support career development plan of the future female talents.
COMMUNITY INVOLVEMENT

We aim to contribute to society and be a positive influence on the communities in which we operate around the world.

As well as stimulating active, healthy lifestyles through our products and services, we do this through financial contributions and donations in kind, and philanthropic activities such as volunteering, disaster relief and supporting education.

Our company operates in different communities around the world, each with different needs. Our community support activities reflect these differences. In 2016, our contributions to society also included a wide range of activities close to home, in the communities around our local offices and in developing countries.

In our fiscal year 2016, our community contributions added up to more than $693,078 in financial contributions, with a further $1,302,139 of donations in kind (such as footwear, apparel, sports accessories or equipment).

EMPLOYEE VOLUNTEERING

Colleagues from our office locations worldwide regularly take part in volunteering activities to support their local communities. Activities include coaching or organizing sports activities for children from disadvantaged backgrounds, humanitarian relief with food banks, volunteering at charity related fund-raising events and cleaning the environment in protected nature areas.

DISASTER RELIEF

Disaster relief has always been a key part of our community involvement activities worldwide. In 2016, ASICS volunteers helped in reconstruction efforts following the earthquake that hit Japan's Kumamoto area in April that year. Our volunteers also ran exercise and sports training sessions for high school students in the affected area, where many regular sports facilities had been destroyed. The sessions took place in temporary locations. The high school students then applied their learnings and worked as volunteers to provide physical exercise sessions to elderly people who had been evacuated to temporary houses.

On August 24 2016, an earthquake measuring 6.2 on the moment magnitude scale, hit the center of Italy. Destroying a number of small villages, many people lost their homes and almost 300 people lost their lives. Staff of our Italian sales office immediate after the earthquake mobilized colleagues to collect footwear, apparel and socks for donation and a special sales and funding activity was organized at the internal store at the Cuneo office, raising funds among colleagues, family and friends of employees. The amount generated was doubled by the region’s EMEA head office of ASICS Europe BV and donated to the local Red Cross organization.
INVESTING IN PEOPLE AND COMMUNITIES

ASICS TOMORROW PROJECT
Since April 2011, ASICS has been running A Bright Tomorrow Through Sport, a support program for young people who were affected in the Great East Japan Earthquake of 2011, and the wider community of the Tohoku region.

The goal of the program is to promote the sound development of minds and bodies through sports, and to give children inspiration and hope for a brighter future. It has four main pillars:

- **Product donations**: we provide eligible young people with sporting goods until they reach the age of 19.
- **Visits by athletes**: ASICS’ athlete ambassadors visit children in the affected regions and hold sports clinics.
- **Invitation to Kobe**: Kobe, having been struck in 1995 by Japan’s worst earthquake in recent history, is home to ASICS. We invite children from the affected regions to visit the reconstructed city, tour the ASICS Sports Museum and the ASICS Institute of Sport Science.
- **Supporting health and exercise**: ASICS’ employees hold events in the affected regions to promote exercise and improve public health.

In 2016, ASICS held “Meeting for Tomorrow”, a social assembly where people from various sectors got together to talk about the reconstruction of Tohoku and sports. It was a great success attracting 150 people for future collaboration.

GIRLS ON THE RUN
In 2016, we launched the ASICS Extra Mile campaign in the US. Shared online, in social media and across a range of other channels, this major campaign encouraged athletes of all levels to go the extra mile in their workouts through the Runkeeper fitness app. For each extra mile challenge completed, ASICS donated a pair of running shoes to Girls on the Run, a US charity that inspires girls and young women across the country to build life skills and confidence through running.

ASICS America Corporation has been an official sponsor of Girls on the Run since 2015. Through the partnership, ASICS America is providing affordable footwear, volunteer opportunities and health and fitness programming to the members of Girls on the Run’s 225 councils across the country.

In addition, ASICS America engages its team of elite athletes to support Girls on the Run activities, and organizes meet-and-greets with local councils.

“I learned effective teaching method for elderly people through the session; now I really want to put these to practice in our community.”

High school student attending ASICS training session in Kumanoto area

50,000 PAIRS OF RUNNING SHOES DONATED TO GIRLS ON THE RUN THROUGH THE ASICS AMERICA EXTRA MILE CAMPAIGN
INVESTING IN PEOPLE AND COMMUNITIES

ADOPT A SCHOOL

In 2016, ASICS EMEA continued its support to Tag Rugby® Association’s Adopt-a-School program to support disadvantaged primary school children in South Africa. Tag Rugby is a non-contact form of rugby where a tackle is made by pulling a ribbon off the belt of the opponent with the ball.

Through their Adopt-a-School program, the Tag Rugby® Association aims to provide children in disadvantaged communities with the opportunity to learn a new sport, have fun, and find a positive outlet for their energy. Through the partnership, we sponsored six primary schools, providing sports kit and coaching sessions for 2,620 children.

THE RUNNING CHARITY

In Europe, ASICS formed a new partnership in 2016 with The Running Charity, a UK-based organization that supports homeless and vulnerable young people. The charity uses running to help members improve their health and fitness and develop a goal-setting mentality – important tools for building a more secure, sustainable future. This new partnership runs alongside our existing long-standing relationship with Right to Play and Tag Rugby© Adopt-a-School.

It has changed the way I see the world, I now know that I can accomplish anything.”

2,620 CHILDREN FROM DISADVANTAGED COMMUNITIES IN SOUTH AFRICA BENEFITED THE TAG RUGBY ADOPT A SCHOOL PROGRAM THROUGH ASICS’ SUPPORT (1,696 BOYS AND 924 GIRLS).
Within the ASICS Europe Group, for the first time our retail operations team created a platform for consumer engagement around community involvement. During the holiday sales period in the last two months of 2016, consumers were invited to donate a small amount (equivalent to €5.00, depending on the local currency) to one of ASICS Europe Group’s charity partners with every purchase they made either in our own retail locations or when making a purchase on our ASICS local webshops. By means of this action, 24,379 donations were generated by our 85 retail locations on online webshops.

Our Amsterdam Flagship store donated the fundings to the Movember Foundation after having also sponsored the organization of Movember Fun Run in Amsterdam’s Vondelpark. The Movember Foundations aims to raise awareness of men’s health issues, such as prostate cancer, testicular cancer.

All donations made by customers in the UK will benefit our UK charity partner The Running Charity.

All other donations made within Europe will benefit the long-term charity partner of ASICS Europe BV Right To Play.

By means of the donations made by our customers to Right to Play, 3,432 children can participate twice a week for a period of one year in the educational sport and play programmes of Right to Play.

<table>
<thead>
<tr>
<th>TOTAL AMOUNTS GENERATED</th>
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<tbody>
<tr>
<td>The Running Charity (all UK &amp; Ireland)</td>
<td>GBP 38,135</td>
</tr>
<tr>
<td>Movember Foundation</td>
<td>Euro 1,485</td>
</tr>
<tr>
<td>Right to Play (all other stores)</td>
<td>Euro 82,355</td>
</tr>
</tbody>
</table>

With above funds being generated by ASICS customers to our various charity partners, the above amounts are not reflected in the total community engagement figures on monetary donations and donations in kind.

3,432

Children able to benefit from Right to Play programmes through the support of our customers’ contributions
Independent Practitioner's Assurance Report

To Mr. Motoi Oyama, President and CEO of ASICS Corporation

We have undertaken a limited assurance engagement of the CO₂ emissions information for the year ended December 31, 2016, stated in “CO₂ emissions from our locations/direct operations” (Scope 1 and 2) and the CO₂ emissions information under Category 1 “Purchased goods and services” (Scope 3, Category 1) stated in “Scope 3 CO₂ Emissions 2016” as presented in the Sustainability Report 2016 (the “Report”) prepared and posted by ASICS Corporation (the “Company”) on its website (collectively referred to as “CO₂ Emissions Information”).

The Company's Responsibility

The Company is responsible for the preparation of the CO₂ Emissions Information in accordance with the calculation and reporting standard adopted by the Company (indicated with the CO₂ Emissions Information included on page 24 and 25 in the Report). The CO₂ Emissions Information quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emission factors and numerical data.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the CO₂ Emissions Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (“ISAE”) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (“IAASB”), and ISAE 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the IAASB.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company’s methods for estimates are appropriate and had been consistently applied.
- However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Undertaking site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company’s CO₂ Emissions Information 2016 is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

Deloitte Tohmatsu Sustainability Co., Ltd.

Deloitte Tohmatsu Sustainability Co., Ltd.
3-3-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
May 19, 2017

Member of Deloitte Touche Tohmatsu Limited
Find out more
You can find out more about ASICS and our approach to sustainability – read previous reports and download our GRI index on our corporate website.

VISIT CORP.ASICS.COM/EN