

# 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.

## 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.



**LED lighting** uses less energy compared to conventional light bulbs and thereby improves energy efficiency

- > LED bulbs use up to **90% less energy** than conventional bulbs
- > LEDs produce very little heat and thereby **reduce cooling costs**

**Indoor plants** are known to help:

- reduce stress and create a feeling of **wellbeing**
- improve **air quality**
  - > reduce CO<sub>2</sub>
  - > increase humidity
  - > temperature regulation
  - > reduce air pollutants

**Hangers** are made from **50% grass** and **50% recycled plastics** and therefore have a lower environmental impact than regular plastic hangers

**Second life program** for the **mannequins**: they get a **second life** as they are **100% recyclable**



The **flooring** and **wood fixtures** are made of **FSC certified wood**, which means that these wood products have been made with forest materials from responsible sources



Shopping bags are made of **FSC certified paper**, which means the paper comes from responsible sources



# 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.



# CREATING PRODUCTS AND SERVICES

## ENERGY EFFICIENCY AND CARBON EMISSIONS

*We have been measuring direct energy use and taking steps to improve energy efficiency and reduce CO<sub>2</sub> emissions from our global business operations since 2011. In 2015, prior to the 2015 Paris Climate Conference (COP21), we committed to set targets for CO<sub>2</sub> 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 CO<sub>2</sub> emissions from our direct operations (Scope 1 & 2, 2015 baseline), including retail operations. We aim to achieve the CO<sub>2</sub> 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, CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> EMISSIONS INCLUDES:

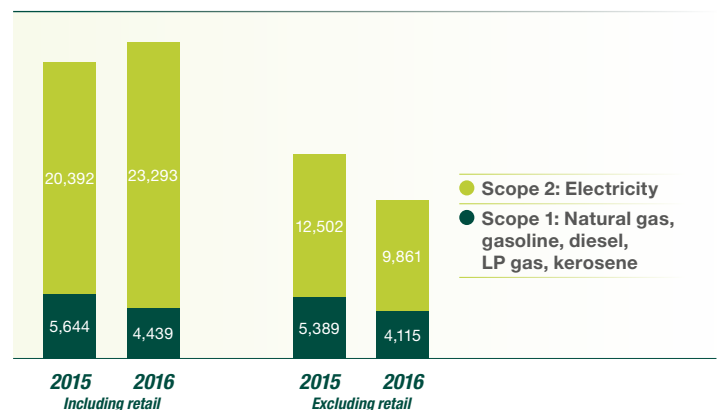
- Increase the use of renewable energy
- Increase energy efficiency in high-emitting locations
- Introduce more energy-efficient equipment and vehicles
- Adopt energy-efficient design to new buildings, distribution centers and retail stores or refurbishment of existing locations

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 CO<sub>2</sub>. We still have the potential of switching 2 million kWh to renewable electricity, which would save a further 620 tonnes of CO<sub>2</sub>.

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.

### CO<sub>2</sub> EMISSIONS FROM OUR LOCATIONS/DIRECT OPERATIONS (TONNES)



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 "CO<sub>2</sub> Emissions from Fuel Combustion 2016-Year 2014" of IEA. The following formula is used when the amount of energy consumption for CO<sub>2</sub> emissions is not available for any sites: (energy consumptions per square meter estimated for each type of site) X (area of site) X (CO<sub>2</sub> 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.

**444**

RETAIL STORES IN 2015

**867**

RETAIL STORES IN 2016

**300,000 kWh**

BY UPDATING AND CENTRALIZING ELECTRICITY PROCUREMENT CONTRACT BY ASICS EUROPE GROUP, ELECTRICITY WAS SHIFTED TO RENEWABLE RESOURCES ORIGIN

# 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 CO<sub>2</sub> 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 CO<sub>2</sub> EMISSIONS

## SCOPE 3 CO<sub>2</sub> EMISSIONS 2016:

SCOPE 3 CATEGORY	CO <sub>2</sub> TONNES	%	SCOPE
1. Purchased goods and services	469,233	82.3	Global footwear manufacturing CO <sub>2</sub> data (Tier 1) and ASICS Group companies' purchases of apparel, equipment, marketing and sales. (Calculation method <sup>1</sup> )
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.
10. Processing of sold products	-	-	Not assessed.
11. Use of sold products	7,920	1.4	ASICS Group companies.
12. End-of-life treatment of sold products	15,030	2.6	ASICS Group companies in Japan.
13. Downstream leased assets	-	-	Not assessed.
14. Franchises	12	0.0	ASICS Group companies in Japan.
15. Investments	-	-	Not assessed.
<b>Total</b>	<b>570,083</b>	<b>100</b>	

The Category 1 (Purchased goods and services) CO<sub>2</sub> emissions data of Scope 3 are verified by Deloitte Tohmatsu Sustainability Co., Ltd.

<sup>1</sup> 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 3)]

<sup>2</sup> [5] 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 CO<sub>2</sub> 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 CO<sub>2</sub> impact.

Because logistics, product manufacture and end-of-life management play a major role in our products' CO<sub>2</sub> impact, we have set a CO<sub>2</sub> 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 CO<sub>2</sub> 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.

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## REDUCING CO<sub>2</sub> IN TRANSPORTATION

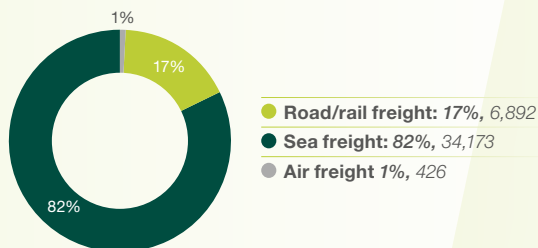
Since 2013 we have worked hard to make our distribution network more efficient, and to maximize the use of energy-efficient transportation modes like sea and rail. In 2016, we further worked on consolidating our distribution centers. We also created new, more efficient distribution routes in Europe, 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 CO<sub>2</sub> emissions by around 42%. We will continue to increase the efficiency of our distribution network globally.

# 42%

ESTIMATED REDUCTION IN CO<sub>2</sub>  
EMISSIONS FROM ROAD FREIGHT

### 2016 CO<sub>2</sub> FROM TRANSPORTATION (TONNES)



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.

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## 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.

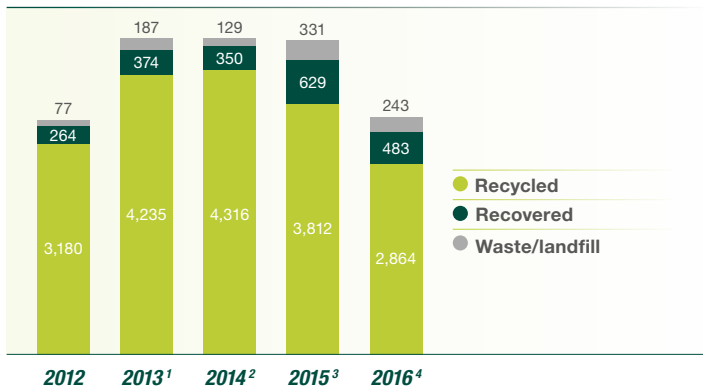
Our 2020 target is to recover or recycle 98% of the waste at our direct operations.

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.

### WASTE RECYCLING AND RECOVERY (TONNES)

In 2016 ASICS diverted 93% of its waste from landfill



<sup>1</sup> Data applies to 19 companies in ASICS Group

<sup>2</sup> Data applies to 16 companies in ASICS Group

<sup>3</sup> Data applies to 17 companies in ASICS Group

<sup>4</sup> Data applies to 20 companies in ASICS Group

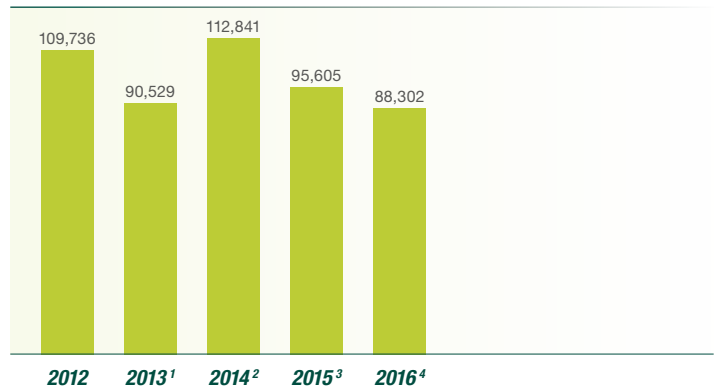
## REDUCING WATER CONSUMPTION

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 M<sup>3</sup>



<sup>1</sup> 26 sites

<sup>2</sup> 27 sites

<sup>3</sup> 25 sites

<sup>4</sup> 73 sites

**7.6%**

REDUCED WATER CONSUMPTION

# 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.

COST CATEGORY	KEY ACTIVITY AND OUTCOME	2016		
		INVESTMENT	COST	ESTIMATED ANNUAL SAVINGS
<b>1. Business area</b>		<b>32,235</b>	<b>83,904</b>	<b>328</b>
Pollution prevention	Inspection, testing and analysis.	0	21,093	0
Global environmental conservation	Introduction of energy-efficient equipment and vehicles.	32,235	42,036	328
Resource circulation	Use of recycled materials, introduction of energy-efficient equipment.	0	20,775	0
<b>2. Upstream/downstream</b>	Green procurement, etc.	<b>0</b>	<b>15,278</b>	<b>0</b>
<b>3. Administration</b>	Implementation of ISO 14001, etc.	<b>0</b>	<b>18,722</b>	<b>0</b>
<b>4. R&amp;D</b>	Eco-friendly product development, etc.	<b>0</b>	<b>117,480</b>	<b>0</b>
<b>5. Social activity</b>	Support of local environment, donations, etc.	<b>0</b>	<b>607</b>	<b>0</b>
<b>6. Environmental remediation</b>	Remediation of pollution from civil engineering projects, etc.	<b>0</b>	<b>0</b>	<b>0</b>
<b>7. Other</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>		<b>32,235</b>	<b>235,991</b>	<b>328</b>