OUR APPROACH TO MANAGING OPERATIONS

Operations

We are committed to continuously improving the efficiency of our own buildings, resource use, materials and distribution network.

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

We manage our environmental and sustainability performance using Environmental Management Systems accredited to the ISO 14001 international standard. In Japan and Europe our systems have been ISO 14001-certified for 17 years and eight years respectively.

In 2017, ASICS Europe successfully included its European distribution centers into the ISO 14001 certificate scope. We also upgraded our systems in Europe and Japan to the new version of the ISO 14001 standard released in 2015. The new version is more aligned with the broad scope of our sustainability activities, taking into account a wide range of impacts beyond solely environmental impacts.

We are currently working to align our systems in Japan and Europe. This will allow us to expand the system into other regions more efficiently in the future, as well as including more key offices and distribution centers into the certification scope.

In the U.S., the main Distribution Center in Mississippi, BDC, earned the ENERGY STAR award for the third year in a row. This award by the U.S. Environmental Protection Agency recognizes superior energy performance and fewer greenhouse gas emissions compared to similar buildings across the nation.

Tracking performance data

In 2017 we continued using EcoStruxure™ Resource Advisor (RA) by Schneider Electric – a cloud-based sustainability performance management system – to track the environmental performance of our offices, stores and distribution centers, as well as our Global Footwear Tier 1 suppliers. In order to gain a more complete picture of the environmental impact of our own operations, we expanded the system's data coverage of our key locations in 2017 to include key indicators such as energy, waste and water use.

For supply chain partners further up the chain, we will track performance using SAC's Higg Facility Environmental Module 3.0, which was released at the end of 2017. One of the key advantages of the Higg platform is that suppliers can share performance data in a standardized way among all the brands they work with, making the process much more efficient.

ASICS has set science-based targets for carbon emissions reductions, which include Scope 3 (supply chain) targets as well as Scope 1 and 2 targets. Using the Higg tool to collect accurate supply chain data will be critical for tracking progress against our Scope 3 emissions targets.

As more and more brands and suppliers set science-based targets, we believe that the Higg platform has a vital role to play in helping them share environmental performance information in order to track progress against these targets.

Energy efficiency and carbon emissions

At ASICS, we are committed to growing our business while at the same time reducing our carbon emissions, setting targets for reductions in line with climate science and in accordance with the Science Based Targets initiative. We work to reduce our emissions both within the direct scope of our own operations, and the wider indirect scope associated with transportation, manufacturing and material sourcing.

OUR APPROACH TO MANAGING OPERATIONS
CONTINUED

Operations

Reducing the carbon footprint of our direct operations

Our target for 2020 is to reduce by 5% absolute CO_2 emissions from our direct operations (Scope 1 & 2, 2015 baseline) including retail operations. In addition to this, we have committed to reducing absolute Scope 1 and 2 CO_2 emissions by 33% by 2030 from the same base year, in accordance with the Science Based Targets initiative. This target is the basis of our mid-term carbon strategy, and helps us maintain momentum for our CO_2 reduction actions.

Science Based Targets

The Science Based Targets (SBT) initiative 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. Emission reduction targets are considered science-based if they are aligned with the level of decarbonization required to keep global temperature increase below 2ºC, compared with pre-industrial temperatures.

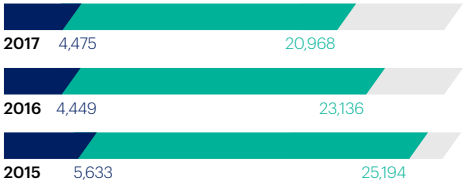
Find out more about Science Based Targets
⟶ http://www.sciencebasedtargets.org

In 2017, since we continued a number of energy efficiency projects, CO_2 emissions decreased 17.5% from the baseline year in spite of the slight increase in the number of our own retail stores from 867 to 876. Looking in detail at our Scope 1 and 2 emissions, we see that our non-renewable fuel use has gone down to 17,644 MWh (from 18,987 MWh in 2016) and similarly the purchased gray electricity has gone from 55,114 MWh in 2016 to 49,653 MWh in 2017. At the same time the purchased green electricity and solar power generated by ASICS has grown dramatically from 5,222 MWh in 2016 to 8,289 MWh in 2017. Comparing our total emissions to our business revenue shows an increase in our efficiency. The CO_2 emissions intensity per unit revenue has decreased by 11.6% from the baseline year. It is clear that in 2018 we need to continue our sustainable energy projects to both increase efficiency and reduce the absolute emissions.

Our strategy to reduce energy use and CO_2 emissions includes:

- Increasing the use of on-site and off-site renewable energy
- Increasing energy efficiency in high energy-usage locations
- Introducing more energy-efficient equipment and vehicles
- Adopting energy-efficient design to new buildings, distribution centers and retail stores or refurbishment of existing locations

CO_2 emissions from our locations (tonnes)



Scope 1: Natural gas, gasoline, diesel, LP gas, kerosene
Scope 2: Electricity

The data applies to ASICS Group locations including offices, retail locations, distribution centers and wholly owned factories globally. Company/lease car impacts are also included. Figures for 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 for Scope 2 are calculated according to factors based on "CO_2 Emissions from Fuel Combustion 2016-Year 2014" of IEA. The following formula is used when the amount of energy consumption for CO_2 emissions is not available for any sites: (energy consumptions per square meter estimated for each type of site) X (area of site) X (CO_2 emission factor). The 2015 and 2016 data are restated due to updated data and factors and improved estimates. The 2017 emissions data are verified by Deloitte Tohmatsu Sustainability Co., Ltd.

Note: In 2017, ASICS identified a number of retail stores that should be counted within our Scope 1 and 2, based on the financial control approach. We have operated these stores since 2015, so we have added their GHG emissions into our Scope 1 and 2 in the base year (2015).

OUR APPROACH TO MANAGING OPERATIONS
CONTINUED

Operations

Another project related to energy efficiency in 2017 was that the ASICS Europe Group continued the energy procurement project that started in 2016. The focus was to centralize energy procurement in Europe with the aim of generating cost savings as well as switching to renewable electricity contracts for our direct operations locations. In 2017 approximately 3,500,000kWh of electricity was switched to electricity from renewable sources, thereby more than doubling the renewable electricity use compared to 2016. This saved 725 tonnes of CO_2 emissions. The benefit of this project was therefore two-fold, resulting in cost savings as well as CO_2 emission reduction. The energy procurement project and the related transition to increase the sourcing of renewable energy in our direct operations will continue in 2018.

725

tonnes of CO_2 emissions saved in 2017 by switching to renewable electricity

In 2017 we made significant progress in our carbon strategy. During the year, ASICS America Corporation partnered with EnterSolar to install a wholly owned 1 MW (megawatt) rooftop solar panel array at our distribution center in Byhalia, Mississippi. The largest private solar system in Mississippi, it will cover 25% of the site's annual energy needs over the next 25-30 years, while reducing carbon emissions by nearly 800 tons of CO_2 equivalent units per year.

The installation consists of roughly 3,000 solar panels capable of generating up to 1,330 MWh of the Distribution Center's current annual energy needs – equivalent to the power consumed by 126 homes per year. The solar panels used for this project were manufactured by Trina Solar and were specifically selected for their top sustainability ranking over the past five years by the Silicon Valley Toxics Coalition (SVTC).

25%

of the Byhalia site's annual energy needs over the next 25-30 years will be covered by the largest private solar system in Mississippi

System Installation Drone View of ASICS distribution center in Byhalia, Mississippi.

OUR APPROACH TO MANAGING OPERATIONS
CONTINUED

Operations

Reducing Scope 3 emissions

We know from our life cycle assessments of footwear products that manufacturing, material procurement and end-of-life management play the most significant role in our products' carbon footprint, accounting for more than 80% of the overall impact.

To address this impact, we have set a target to reduce our indirect (Scope 3) CO_2 emissions from purchased goods and services and end-of-life treatment of sold products by 55% per product manufactured by 2030 (2015 base year).

Since we have reduced the emissions from our footwear manufacturing based on our past target, the biggest hotspot within our Scope 3 emissions is now related to footwear and apparel material procurement. We will continue to measure our Scope 3 CO_2 emissions across global operations in order to assess the impact of changes in business operations.

See pages 16 and 18 for more detail about how we are shifting to materials with lower impacts, and page 29 and 30 for how we are engaging with our suppliers.

Scope 3 CO_2 Emissions 2017:

Scope 3 Category	CO_2 tonnes	%	Scope
1. Purchased goods and services	631,797	81.6	Global footwear manufacturing CO_2 data (Tier 1), and ASICS Group companies' purchases of footwear material, apparel, equipment, marketing and sales. (Calculation method [1])
2. Capital goods	32,426	4.2	ASICS Group companies.
3. Fuel-and-energy-related activities	1,309	0.2	ASICS Group companies.
4. Upstream transportation and distribution	38,097	4.9	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	223	0.03	ASICS Group companies.
6. Business travel	5,214	0.7	ASICS Group companies.
7. Employee commuting	797	0.1	ASICS Group companies in Japan.
8. Upstream leased assets	–	–	Not assessed.
9. Downstream transportation and distribution	6,546	0.8	ASICS Group companies.
10. Processing of sold products	–	–	Not assessed.
11. Use of sold products	16,797	2.2	ASICS Group companies.
12. End-of-life treatment of sold products	41,379	5.3	ASICS Group companies.
13. Downstream leased assets	–	–	Not assessed.
14. Franchises	11.5	0.001	ASICS Group companies in Japan.
15. Investments	–	–	Not assessed.
Total	**774,597**	**100**	

The Category 1 (Purchased goods and services) CO_2 emissions data of Scope 3 are verified by Deloitte Tohmatsu Sustainability Co., Ltd.

1 Calculation method of Category 1 Footwear Tier1: (energy consumptions at suppliers) X (percentage of ASICS production at suppliers) X (emission factor of each energy type) + Footwear material (production volume) X (emission factor of material from the past LCA study) + Apparel, Equipment, marketing and sales: (price of purchased goods and services) X (emission factor of each purchased goods and services[2])

2 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.

OUR APPROACH TO MANAGING OPERATIONS
CONTINUED

Operations

Reducing CO_2 in transportation

Transporting products from the factories to market is the second biggest contributor to our overall carbon footprint, accounting for about 5% of our total CO_2 emissions.

We continue to make our distribution network more efficient, and to maximize the use of energy-efficient transportation modes like sea and rail. Shipping from our own factory in Japan directly to overseas subsidiaries rather than via our distribution centers is one way to reduce unnecessary journeys, and in 2017 we expanded the scope of direct shipment to nine countries. We estimate that this has resulted in a reduction in our road freight CO_2 emissions of around 11%.

11%

reduction in road freight CO_2 emissions by expanding the scope of direct shipment to nine countries

We will continue to increase the efficiency of our distribution network globally through measures such as consolidating our distribution centers and selecting efficient vendors.

CO_2 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.

Sustainable retail

During 2017 we continued to expand our retail footprint across our regions while making our retail locations more sustainable. Activities included installing energy-efficient lighting, using more recycled and recyclable materials in our displays and minimizing single-use materials by developing structures that can be used in several ways.

In Europe, we continued to switch to more green electricity contracts for our retail locations. During the year we consolidated energy contracts (electricity and natural gas) for offices, distribution centers and retail locations across the region following an assessment carried out in each country in collaboration with Schneider Electric. In many cases this provided an opportunity to us to switch to green electricity while still saving money compared to the old contracts. Some of the contracts had already been adjusted in 2016 when the project started, but most contracts were changed in 2017 and some will still change in 2018 to switch to green electricity.

After this successful case in Europe, we are investigating whether the same consolidation could be performed in other regions such as the US and Asia, to further reduce costs and carbon emissions related to energy use.

We believe that our retail locations are an opportunity to support communities by inspiring people to get moving and engage with sport. In our new retail concept we introduced community spaces where local people can take part in activities such as yoga lessons or strength training for runners. It's a way for people to get fit and healthy while meeting new people and having fun.

ASICS store, Regent Street, London

OUR APPROACH TO MANAGING OPERATIONS
CONTINUED

Operations

Resource efficiency improvement

We're committed to improving our resource efficiency by reducing the amount of waste sent to landfill, with an overall target to recover or recycle 98% of the waste at our direct operations by 2020. We do this by increasing our waste recycling and recovery rate, and most importantly by avoiding creating waste in the first place.

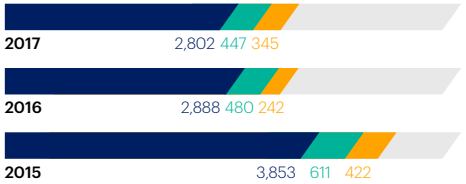
The disposal and final destination of waste is dependent on local laws, local infrastructure and the availability of recycling options for various types of materials. While we provide our operations with general information on efficient waste management and proper disposal, we focus on preventing waste by reducing packaging earlier in the supply chain and by encouraging the reuse of materials.

In 2017 our total waste decreased slightly from 3,610 to 3,594 metric tonnes, while the recycling and recovery rate also decreased to 90%. Overall, most sites that report waste have reduced their waste volume in 2017. Some small office locations stopped reporting waste, while larger locations with more waste volume have started reporting their waste, keeping the overall amount similar to last year.

Although coverage in number of locations and employees working in those locations is smaller than last year, we are covering more relevant locations in the waste reporting scope. We acknowledge however that the newly reporting sites currently send relatively large volumes to landfill.

We will intensify our efforts to make sure the waste we generate is reused, recycled and recovered as much as possible, especially in the case of moving to a new building or terminating activities at a location, which currently seems to generate a relatively high proportion of waste going to landfill.

Waste volume (metric tonnes)



2017: 20 companies, 40 locations, covering 69% of operations (FTE basis)
2016: 20 companies, 42 locations, covering 75% of operations (FTE basis)
2015: 17 companies, 43 locations, covering 75% of operations (FTE basis)

Reducing our water use

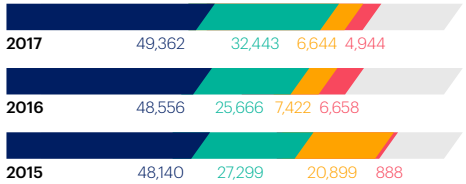
Water is a critical resource for all living beings on this planet, and one of the resources we need to make the materials for our products. To ensure a sustainable supply of water in the communities where we operate, we are committed to reducing our water use as much as possible.

In 2017 we used 6% more water than in the previous reporting year. Most of this increase was measured in our factory in Japan, where water use increased by 25%. Investigation showed that this was not related to production, but to garden maintenance. When our factory moved to a new location in mid-summer, the new plants and trees around the factory needed intensive watering to have a good start. We expect that this water use will be lower next summer. Our other operations in offices, distribution centers and retail locations have all shown a reduction in water use in 2017 compared to 2016. In order to help our operations to reduce their water use further, we will share best practices and focus on our most water-intensive operations for efficiency improvements.

Besides tracking the volume of water used in our own operations, we have also investigated the source of the water we used, in order to get more insight into our impact on the local environment through water use. Water provided by municipal utilities is estimated to be well managed and has a lower impact and risk on the environment than water from a nearby river or lake or groundwater.

As expected, we were able to confirm that we are using water from municipal water utilities in all our operations. In one of our locations in Germany we are saving water by using rain water for sanitary purposes. We are evaluating whether this can be applied in other locations to decrease our water use.

Water Volume (m^3)



2017: 31 companies, 85 locations, covering 80% of operations (FTE basis)
2016: 26 companies, 81 locations, covering 80% of operations (FTE basis)
2015: 30 companies, 60 locations, covering 55% of operations (FTE basis)

OUR APPROACH TO MANAGING OPERATIONS
CONTINUED

Operations

Environmental Accounting

Since 2010 we have calculated our 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 future we plan to integrate Environmental Accounting more fully into our reporting to support our long-term ambition of integrated reporting.

2017 (2017.1.1~2017.12.31)			(thousand Yen)		
Cost Category		**Key Activity and Outcome**	**Investment**	**Cost**	**Estimated Annual Savings**
1.	**Business area**		**0**	**81,574**	**0**
	Pollution prevention	Inspection, testing and analysis	0	21,250	0
	Global environmental conservation	Introduction of energy-efficient equipment and vehicles	0	42,212	0
	Resource circulation	Use of recycled materials, introduction of energy-efficient equipment	0	18,112	0
2.	**Upstream/downstream**	**Green procurement, etc.**	**0**	**4,505**	**0**
3.	**Administration**	**Implementation of ISO14001, etc.**	**0**	**22,417**	**0**
4.	**R&D**	**Eco-friendly product development, etc.**	**78,035**	**54,350**	**0**
5.	**Social activity**	**Support of local environment, donations, etc.**	**0**	**717**	**0**
6.	**Environmental remediation**	**Remediation of pollution from civil engineering projects, etc.**	**0**	**0**	**0**
7.	**Other**		**0**	**0**	**0**
Total			**78,035**	**163,563**	**0**

OUR APPROACH TO MANAGING OPERATIONS
CONTINUED

Operations

Managing manufacturing environmental impacts

Because we outsource the manufacturing of apparel, footwear and accessories, the most significant part (more than 80%) 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 product use phase (due to washing).

We recognize we have a responsibility to use our influence within our supply chain to help reduce these impacts. We seek to source from suppliers that share our commitment to operating in an environmentally responsible manner.

Reducing the environmental impact of direct factories

Between 2011 and 2017 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 2017, CO_2 emissions per pair of shoes manufactured in our footwear Tier 1 suppliers decreased 6.9%, compared to the 2015 baseline. In addition, a decrease of 12.5% for water use and a decrease of 47.8% 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 2018, 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.

YEAR	UNIT	2015	2016	2017
CO_2 emissions	kg/pair	2.45	2.17	2.28
Water	m^3/pair	0.034	0.030	0.030
Waste	kg/pair	0.02	0.03	0.03
Recycled or recovered waste	tonnes	12,606	9,324	5,095

The data in this table is based on 16 factories in China, Vietnam, Indonesia, Cambodia and Thailand, which together produce over 95% of all our footwear. The 2015 and 2016 data are restated due to updated data and factors and improved estimates.

Note: In 2017, we have used more appropriate CO_2 emission factors for steam purchased, so the CO_2 emission data reported previously has been updated.

27,025
tonnes of waste recycled or recovered at footwear tier 1 suppliers since 2015

OUR APPROACH TO MANAGING OPERATIONS
CONTINUED

Operations

Water risk mapping in the supply chain

The apparel and footwear industry is a significant user of freshwater globally. In terms of water impacts, material sourcing is of the highest profile and risk to brands, due to its geographical location typically being in developing countries with limited infrastructure and regulation on water use and pollution.

As a company selling footwear and apparel predominantly based on synthetic materials, ASICS' exposure to water risk in its supply chain is not as high as brands selling significant quantities of product made from natural materials like cotton. However, we are still exposed to water risks from dyeing and tanning processes in our supply chain.

In 2017 we performed a water risk scan focused on footwear and apparel Tier 1 and 2 suppliers, in order to understand where the highest water risks and opportunities are. The scan assessed risk based on the geographical location of each factory using the Global Water Tool, a publicly available resource created by the World Business Council for Sustainable Development.

The assessment showed that there are water scarcity risks for both our footwear and apparel suppliers due to limitations in water supply or high variability between seasons. These factories might face an increased risk in the future to secure adequate water for production, or the water used for production could be competing with water availability to the community and factory workers.

As a result, ASICS will strengthen the focus on water management in future audits at these suppliers, contact them to stress the importance of water management and request more information on their current water management practices.

Environmental compliance in our supply chain in China

By collaborating openly with partners, we gain valuable insights and feedback that helps bring compliance issues to light and helps improve compliance across our supply chain.

In 2016, we began to comprehensively screen our suppliers in China using the Blue Map Database, a platform developed by the Institute of Public & Environmental Affairs (IPE). This investigation showed that speed of reaction, clear internal communication and risk prevention processes are key to improving compliance in our supply chain.

As a result of our progress, in 2017 we were listed for the second time in the Corporate Information Transparency Index (CITI) system, ranking within the Top 30. 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. This index is frequently updated when brands share more information publicly, and the ranking can therefore change regularly.

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

For more about supply chain compliance.
Read page 33 ⟶