

# Appendix 2: Materiality

## Looking Ahead: A New Approach to Materiality

The ASICS Group operates a corporate-wide materiality program that identifies and evaluates the material topics that are most relevant to our stakeholders and to our business.

2020 was the final year of our previous five-year strategic plan. To prepare us for the next phase of our business strategy and sustainability strategy, we substantially updated our materiality matrix. The update involved qualitative interviews and quantitative surveys with both internal stakeholders, such as employees and management, and external stakeholders, including investors, NGOs, consumers, customers, suppliers, and industry associations .

The updated materiality matrix is more focused, and it has helped us create a new strategy that fits well with VISION2030.

## Materiality Matrix

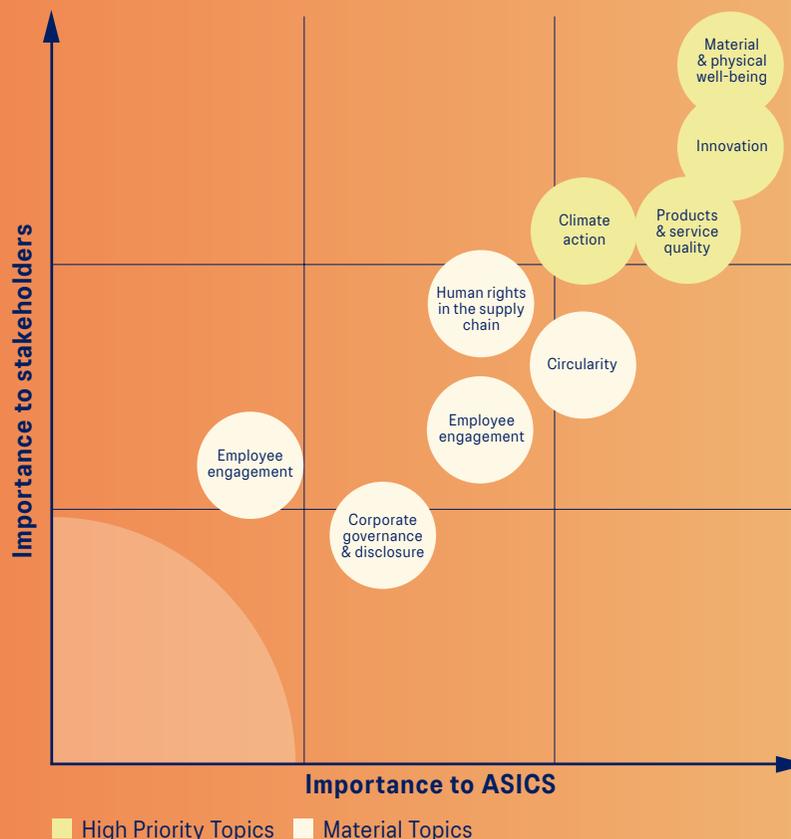
Our materiality matrix maps out the corporate-wide material topics identified by internal and external stakeholders according to their level of priority. The matrix is based on analysis of our consultations with stakeholders, international frameworks, our business priorities, and our sustainability performance.

The materiality matrix shown here displays our nine material topics. We have established four of these topics as higher priorities: mental & physical well-being, innovation, product & service quality, and climate action.

## Stakeholder engagement and topics

| STAKEHOLDER              | METHOD OF CONTACT         | MAIN TOPICS/CONCERNS  |
|--------------------------|---------------------------|---|
| Consumers                | Survey                    | Mental and physical well-being, innovation, products and services quality, climate action   |
| Shareholders & investors | Regular dialogue, survey  | Innovation, products and services quality, climate action, human rights in the supply chain, corporate governance and disclosure. |
| Employees                | Survey                    | Mental and physical well-being, employee engagement   |
| Business Partners        | Interview, survey         | Innovation, products and services quality, human rights in the supply chain, circularity, water management                        |
| Communities              | Projects and volunteering | Mental and physical well-being  |

## Materiality matrix



| MATERIAL TOPIC  | GRI INDICATORS AND OTHER KPIS  |
|---|--|
| <p><b>Mental &amp; physical well-being:</b> ASICS’ purpose has been to help people achieve a sound mind in a sound body since the company was founded in 1949. People are more aware than ever before of the importance of mental and physical health, so this is the most relevant topic to our stakeholders and our business.</p> | Local communities  |
| <p><b>Innovation:</b> To enable a healthy and fulfilled mind and body, we need to pursue innovation for products, services, and business models with personal, digital, and sustainable in mind as our common themes.</p>   | Materials  |
| <p><b>Products &amp; services quality:</b> In order to meet the expectations of our stakeholders, we need to keep enhancing the performance of our products and services while ensuring their safety.</p>   | Consumer health and safety<br>Marketing and labelling  |
| <p><b>Climate action:</b> Climate change is one of the most critical issues for our sustainable business and for future generations to keep achieving a sound mind in a sound body.</p>   | Energy<br>Emissions  |
| <p><b>Human rights in the supply chain:</b> Upholding fair business practices and improving labor conditions across our supply chain are responsibilities we take seriously.</p>  | Child labor<br>Forced or compulsory labor<br>Human rights assessment<br>Supplier social assessment<br>Freedom of association and collective bargaining |
| <p><b>Circularity:</b> To tackle climate change, we should shift to circular manufacturing and business model by using less and cleaner materials, making more durable products, and recycling materials and products.</p>  | Materials<br>Effluents and waste<br>Supplier environmental assessment  |
| <p><b>Employee engagement:</b> To help more people achieve a sound mind in a sound body, we need a diverse team to drive innovations, and realize high performance by strong and fully engaged employees.</p>   | Employment<br>Diversity and equal opportunity<br>Labor/management relations<br>Training and education<br>Nondiscrimination                             |
| <p><b>Water management:</b> Our industry uses a significant amount of fresh water globally in its supply chain and understanding of water risks and improving water sustainability are important.</p>   | Water  |
| <p><b>Corporate governance and disclosure:</b> ASICS is dedicated to continuous enhancement of our corporate value, to gaining the trust of all stakeholders, and to achieving highly transparent management and disclosure.</p>  | Environmental compliance<br>Socioeconomic compliance<br>Consumer privacy<br>Economic performance   |

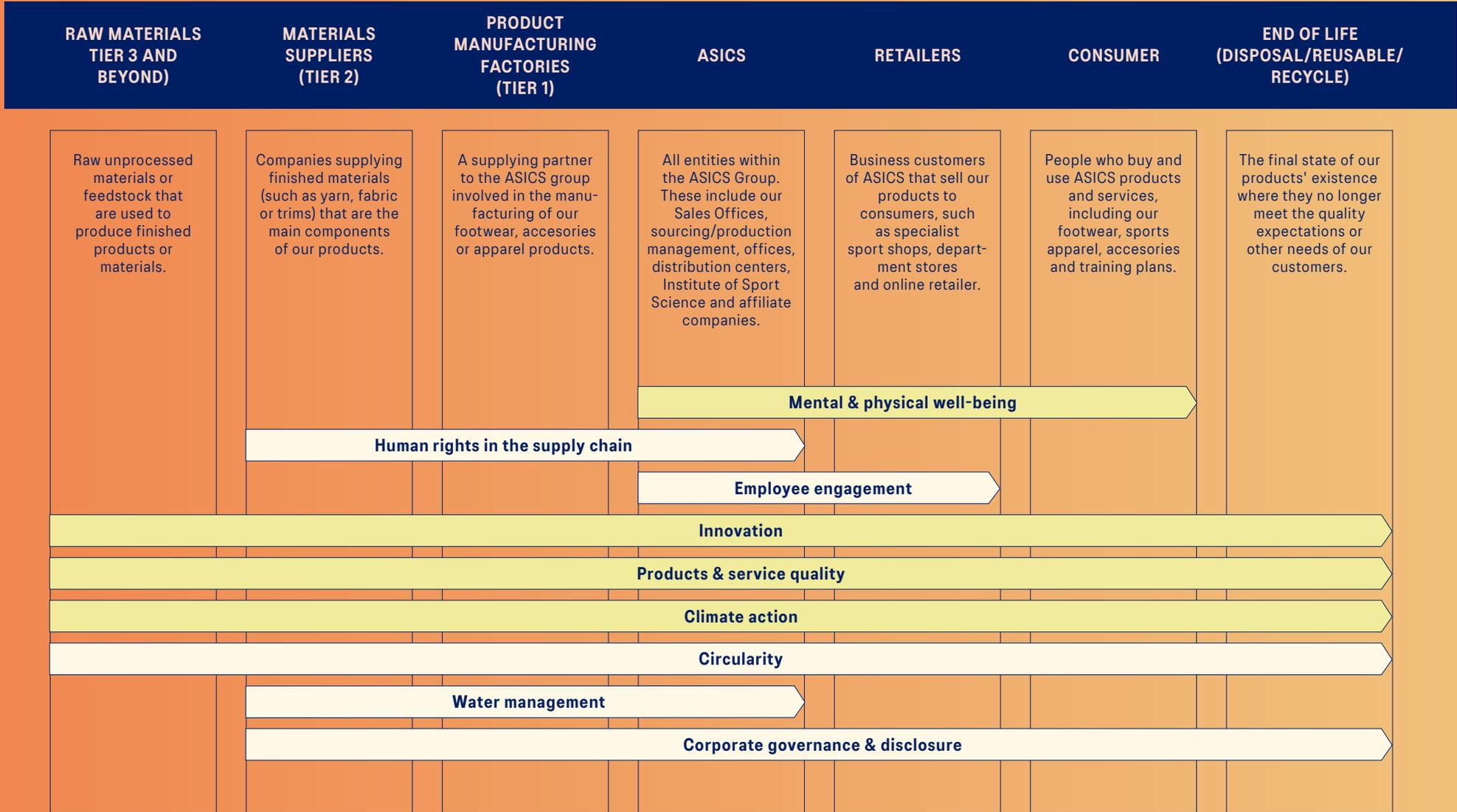
**Material topics in our value chain**

INTRO

PEOPLE

PLANET

FUTURE



**Value Chain Analysis**

The second component of our materiality program is value chain analysis. Material issues may occur at different stages of our product life cycles. Some may be directly influenced by ASICS' operations, while others occur elsewhere in the value chain of our products.

The visual above shows where material issues occur in our value chain. The dark blue bars show the issues that are considered to be of higher priority to ASICS and our stakeholders, in line with the materiality matrix.

- High Priority Topics
- Material Topics

# Appendix 3: Supporting the Task Force on Climate-Related Financial Disclosures

*In June 2019 ASICS became the world's first sporting goods manufacturer to support the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD). ASICS will disclose information on business risks and opportunities related to climate change based on the TCFD recommendations.*

**Governance**

The Board of Directors oversees both climate-related risks and opportunities in our sustainability governance model. The Risk Management Committee manages climate-related risks and the Sustainability Committee manages climate-related opportunities. The President and COO is the chair of both committees and the Executive Officers are the members. The Executive Officers and the Senior General Managers are responsible for monitoring the progress of our science-based and other targets. They also are responsible for reporting to the Board of Directors and to both committees, which meet twice a year. Climate change is also included in the regular reports by the Senior General Manager of the Sustainability Division to the President and COO. (You can read more on governance on page 7.)

**Strategy**

We listed a variety of risks and opportunities and evaluated the impact of each one on our company. This analysis has been applied across our businesses. Examples of risks identified include carbon taxes, price increases of raw materials (oil prices), and some physical risk such as the disconnection of the distribution network due to natural disasters. Opportunities we identified include the development of new products or services through R&D and innovation.

When analyzing the risks and opportunities, we used 2030 as the time horizon as it is close enough to ensure strategic relevance. Considering the time horizon of 2030 and the impact from the climate change at that time, we decided to start referring to the IEA scientific scenarios which are more related to transition risk. This includes the expecta-

tion that similar temperature changes would occur in the 2°C and 4°C scenarios as of 2030, with a larger impact of physical risk in the years after 2030.

We referred to the multiple IEA scientific scenarios, the IEA 450 Scenario for a +2°C increase and IEA New Policy Scenario for a +4°C increase to investigate the resilience of our corporate strategy. We implemented the scenario analysis with relevant departments such as the Corporate Strategy, Finance, Legal and Sustainability Department and concluded that the biggest risk would be a reputation risk if we would not be able to meet our consumers' and stakeholders' requirements and expectations. The results of the scenario analysis were shared with management including the President and COO and the Executive Officers and subsequently integrated into our business strategy. We will continue to proactively commit to bold and ambitious goals, and to accurately and regularly communicate our environmental actions related to climate-related risks and opportunities, to meet the expectations of our stakeholders. (You can read more about our targets on page 28.)

**Risk Management**

The Risk Management Committee has the authority to operate ASICS group's risk management by identifying the risks and allocating the management resources to mitigate the risks. The Risk Management Committee reports to the Board of Directors. The Division Risk Owners are appointed, in principle, from the Senior General Managers in each division and/or General Managers, and lead to mitigate the risks and report the progress of mitigating actions. The Risk Management Team carries out activities to maintain our Risk Management operations and monitor their effectiveness and relevance. The Risk Management Team co-work with the Internal Audit Department.

ASICS group's risk management system implements the identification, analysis, evaluation, mitigation, monitoring and reporting of the risks and the climate-related risks are integrated into this regular risk management process. Aligning with our business strategy, our Risk Management Team gathers risk information from each division regularly so that we can take existing and emerging regulatory requirements into account. The Risk Management Committee decides the priority risks based on the business impact and assigns Division Risk Owners for each risk. The mitigation plan for each risk is led by the Division Risk Owners.

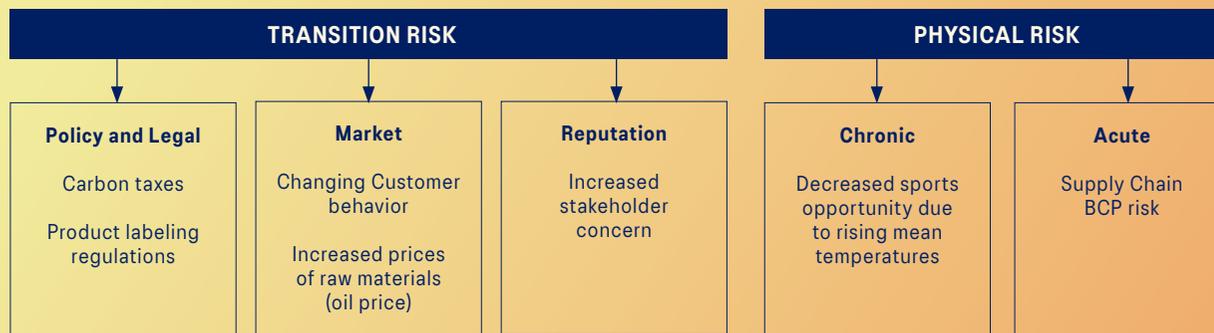
The Risk Management Team advises them and monitors its progress. With regard to climate-related risks, we identified reputation risk and the Supply chain BCP risk. (You can read more on page 7.)

**Metrics and Targets**

We newly committed to reduce our absolute Scope 1 and 2 greenhouse gas (GHG) emissions 63% across its direct operations, aligned with a 1.5°C pathway, and also committed to reduce the absolute Scope 3 GHG emissions from purchased goods and services and end-of-life treatment of sold products 63% by 2030 (vs the 2015 base year), with the aim of achieving net-zero emissions by 2050. Our new targets have been officially approved by the Science Based Targets initiative (SBTi). We have each scope GHG emissions data from 2015 to 2020 in this report. (You can read more about the reduction in our emissions on page 37 and 39.)

Based on the TCFD recommendations, we will continue to evaluate the climate-related risks and opportunities for our businesses and disclose relevant information from the four perspectives of Governance, Strategy, Risk Management and Metrics and Targets.

**Climate-related Risks**



**Climate-related Opportunities**

