

Living With Society

always with you... Achilles



Achilles CSR 2018

Detailed Report



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About This Report

■ Reporting scope

Achilles Corporation and subsidiaries inside and outside Japan
*Noted separately when the scope is different

■ Reporting period

April 1, 2017–March 31, 2018

■ Publication date

Previous report: September 2017

This report: September 2018 (Page 10 revised in August 2019)

Next report: September 2019 (planned)

*Published once a year

■ Referenced guidelines, regulations, and technical standards

ISO 26000 (social responsibility guidance)

ISO 14001 (environmental management system)

■ Editorial policy

The Achilles Group's corporate philosophy states, "Contribute to realizing an affluent society by creating products and providing services that consider customers first and give customers true satisfaction and inspiration." As such, we position providing products and services that create feelings of health, comfort, and fun as a key priority for our group. We are also proactively taking steps to conserve energy and reduce global warming through activities that contribute to sustainable social development. We believe that partnering with our shareholders, customers, business partners, employees, and many other stakeholders is essential to addressing these issues. While evaluating our initiatives using ISO 26000 as a guide, we have included detailed information about our group's main CSR activities in this report, categorized under Environment, Society, and Governance (ESG), along with performance data.

CSR Report Tool

Detailed report *This publication

Describes the Achilles Group's CSR approach and initiatives in detail.



<https://www.achilles.jp/english/csr/>

Message from the President



Mamoru Ito, President and Representative Director

A handwritten signature of Mamoru Ito in black ink, written in a cursive style.

Since our founding, we have stated that our mission is to serve our customers in every way possible. This is the meaning behind our corporate motto of “Achilles—Supporting Your Life.” With this mission firmly in our minds, we are proud to have stayed by customers’ sides throughout the years, developing products and innovating services to meet changing needs.

Products that support your life are needed in everyday life, like shoes, urethane foam mattress products, car interior materials that create a comfortable driving experience, and wallpaper and other construction materials that create comfortable spaces. It goes without saying that the most important ingredient in continuing to create these products for many years to come is thinking from the customer’s viewpoint.

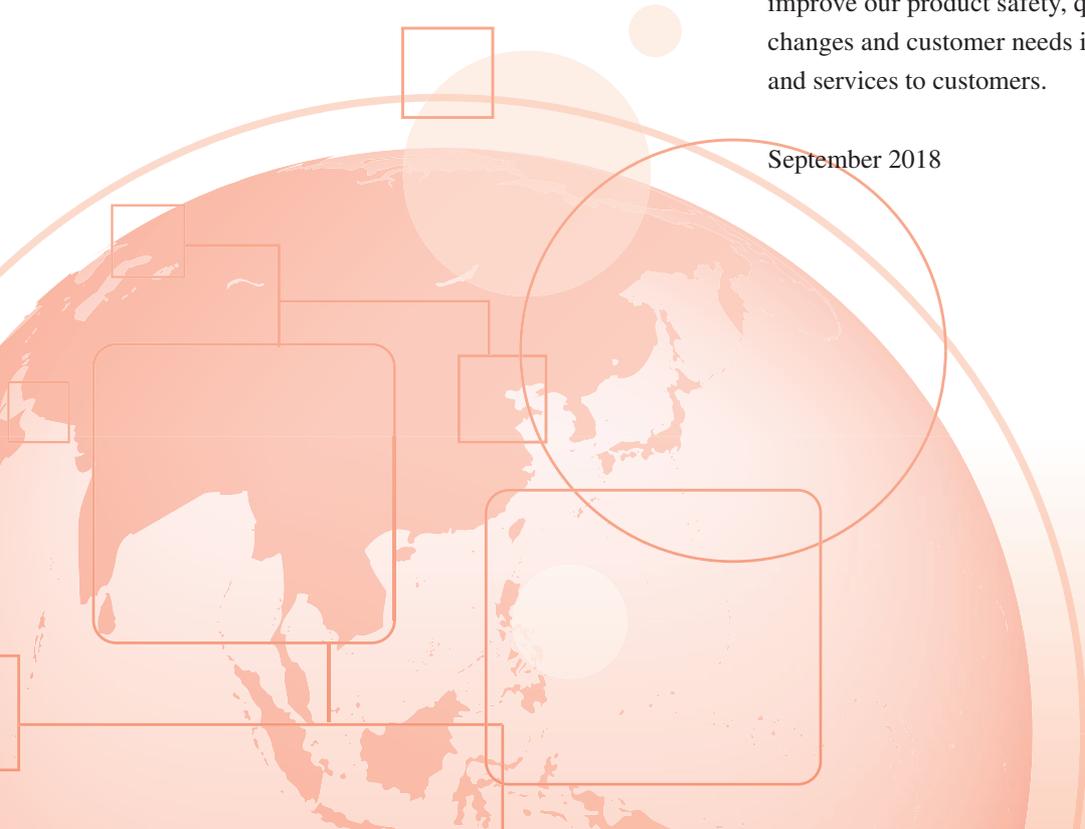
Trust in the Japanese manufacturing industry has been shaken recently, with reports of fabricated quality data and other improprieties. This leads us to wonder if our reason for existing and engaging in business activities is also being questioned.

Our corporate philosophy equates living with society with putting customers first. To continue being a company needed in society, we must without question respect human rights and comply with laws and international norms both in our home country and abroad. On this point, the actions of all of our employees are the focus of attention.

Last year marked the 70th anniversary of our founding. As we pledged to return to the roots of our founding spirit, we also began a new chapter in the history of Achilles.

These roots refer to our belief that everything we do is connected to our customers. While this belief will not change, I pledge to improve our product safety, quality, and reliability to meet market changes and customer needs in order to provide excellent products and services to customers.

September 2018



Business Segments

Shoes Business Group

Shoes Business Division Shoes for kids, men, and women

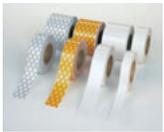


Plastic Business Group

Automotive Materials Division Automotive interior materials, general-purpose PVC leather, synthetic leather, etc.



Chemical Products Division General-use, industrial-use, and agricultural-use films, etc.



Floor and Wall Coverings Division Interior materials for construction

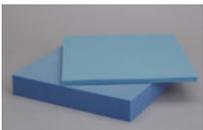


Rubberized Fabric and Marine Sales Department Emergency tents, inflatable boats, flexible couplings for residential drain pipes, etc.



Industrial Materials Business Group

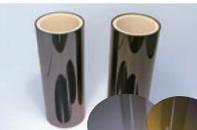
Urethane Division Soft urethane foam products and secondary processed products



Heat Insulation Materials Division Rigid urethane foam insulation products, rigid urethane foam for on-site foam blowing, polystyrene insulation materials, etc.



Industrial Materials Sales Department Anti-static products, reaction injection molding (RIM) products, etc.



Sales Development Department

Sales Development Department Infrastructure technologies such as the Tn-p construction method, and GURA-Less



History

May 1947	Establish Kohkoku Chemical Industry with capital of 2 million yen. Begin manufacture and sales of rubber products, with the Head Office located in Nihonbashi, Chuo-ku, Tokyo, and a factory in Ashikaga, Tochigi Prefecture.
April 1948	Begin manufacture and sales of polyvinyl chloride (PVC) products.
March 1951	Relocate the Head Office to Shintomi-cho, Chuo-ku, Tokyo.
June 1956	Elevate the Osaka Sales Office to the Osaka Branch, aiming to expand business in the Kansai market.
April 1957	Construct the Yamabe Factory (currently the Ashikaga Factory No. 1) in Ashikaga, Tochigi Prefecture.
June 1961	Begin technical cooperation with UK-based ICI for the manufacture of soft polyurethane foam.
September 1962	Listed on the First Section of the Tokyo Stock Exchange.
January 1963	Successfully manufacture our original <i>Cabron</i> synthetic leather and begin sales.
February 1964	Relocate the Head Office to Daikyo-cho, Shinjuku-ku, Tokyo.
November 1965	Establish Achilles K.C.I. Corporation in New York, USA. (Absorbed into Achilles USA, Inc. in 1978)
July 1969	Construct the Mikuriya Factory (currently the Ashikaga Factory No. 2) in Ashikaga, Tochigi Prefecture. Begin manufacture of industrial materials including automotive interior materials and rigid urethane shells.
February 1973	Incorporate the Hong Kong representative office as a local company (currently Achilles Hong Kong Co., Ltd.).
October 1973	Construct the Kansai Factory (currently the Shiga Factory No. 2) in Inukami District, Shiga Prefecture.
November 1973	Establish Kohkoku USA, Inc. (currently Achilles USA, Inc.) in Everett, Washington, USA.
August 1974	Construct the Bibai Factory in Bibai, Hokkaido.
November 1978	Establish the Shiga Factory No. 1 in Yasu, Shiga Prefecture.
February 1982	Change the company name from Kohkoku Chemical Industry Co., Ltd. to Achilles Corporation.
June 1986	Form technical tie-up with A.S. Creation Tapeten AG of Germany.
March 1988	Launch technical cooperation with Tarkett Sommer AG of Sweden for the manufacture of flooring materials.
January 1989	Construct the Kyushu Factory in Izuka, Fukuoka Prefecture.
December 1993	Establish Kunshan Achilles Artificial Leather Co., Ltd. in a joint venture in Kunshan, China, for the manufacture of PVC leather.
December 1998	Begin production of the conductive polymer material <i>ST-Poly</i> .
September 2002	Acquire ISO 14001 certification at all seven factories and six group companies in Japan.
October 2002	Establish Achilles (Shanghai) International Trading Co., Ltd. in Shanghai, China, for sales and import/export of Achilles products in China.
February 2004	Begin operations at the No. 2 Factory of Kunshan Achilles Artificial Leather Co., Ltd.
December 2005	Open the Achilles Technical Center at Ashikaga Factory No. 1 in Ashikaga, Tochigi Prefecture.
November 2006	Acquire 100% of the shares of Sanshin Enterprises Co., Ltd. and make it a wholly owned subsidiary.
October 2007	Install the latest manufacturing facilities in Ashikaga Factory No. 1 for the production of environmentally friendly synthetic leather for automotive interiors. All business divisions acquire ISO 9001 certification.
February 2008	Establish Achilles Advanced Technology Co., Ltd. in Taiwan to meet demand from expanding production in the semiconductor market.
April 2008	Establish a sales office of Achilles USA, Inc. in Detroit, Michigan, USA.
March 2009	Conclude a partnership agreement with Itochu Corporation for the Syunsoku shoes brand.
February 2015	Relocate the Head Office to Kita-Shinjuku, Shinjuku-ku, Tokyo.

Company Profile

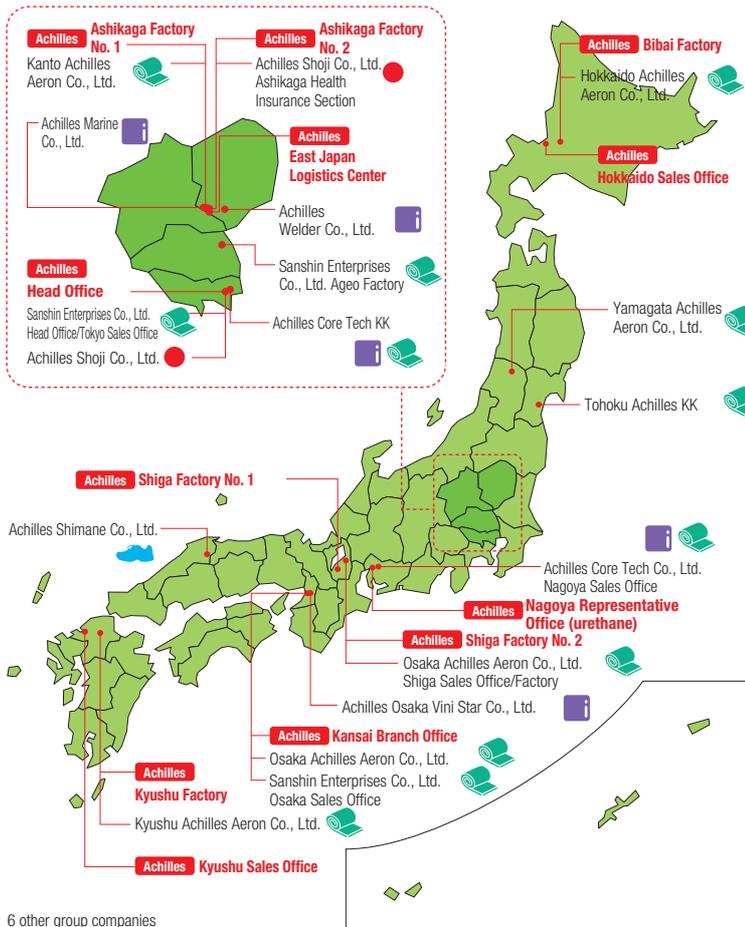
Established May 1947
 Representative Mamoru Ito, President & Representative Director
 Capital 14.64 billion yen
 No. of employees 1,707 (consolidated) *As of March 31, 2018
 Listed stock exchange First Section of the Tokyo Stock Exchange

Head Office address Shinjuku Front Tower, 2-21-1 Kita-Shinjuku, Shinjuku-ku, Tokyo 169-8885, Japan
 Offices **[Sales offices]** Tokyo, Osaka, Hokkaido, Aichi (urethane), Fukuoka prefectures
[Production locations] Tochigi (3 locations), Shiga (2 locations), Hokkaido, Fukuoka prefectures
 *See the following link for the full addresses of our business locations.
<https://www.achilles.jp/english/company/>

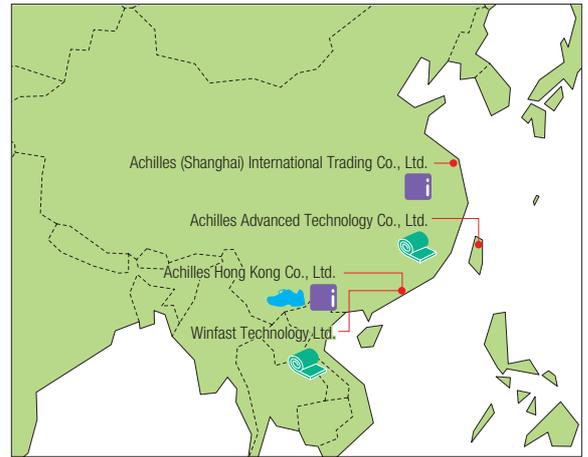
Business Locations

Achilles Achilles Corp. locations Subsidiary business information Shoes Plastics Industrial Materials Others

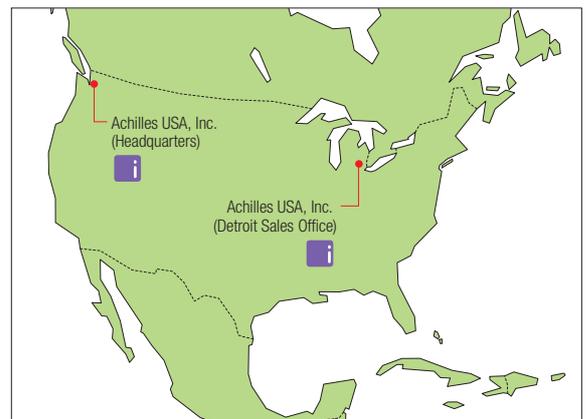
Japan



Asia

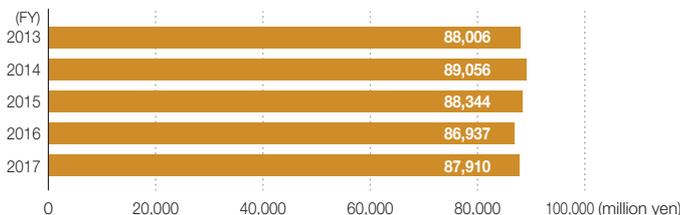


USA

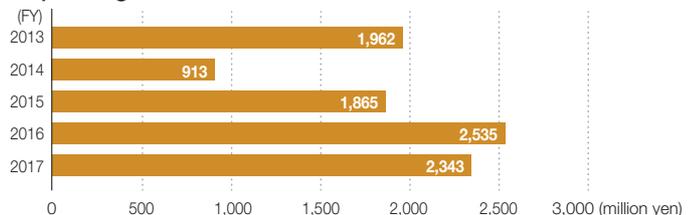


Consolidated Net Sales & Profit by Fiscal Year

Sales

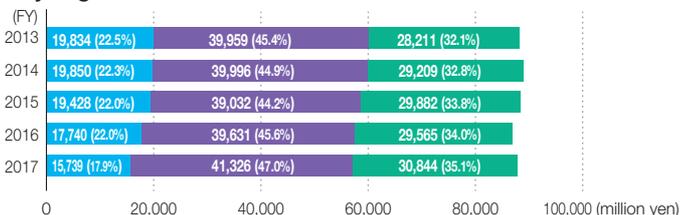


Operating income

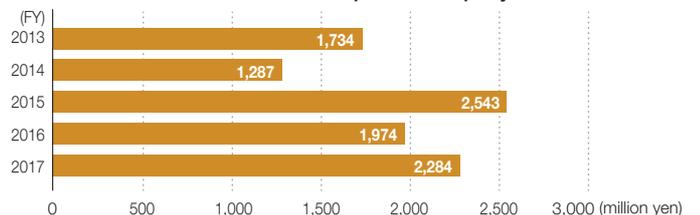


By segment

Shoes Plastics Industrial Materials



Current net income attributable to parent company shareholders



*For other financial information and information about our major shareholders, see our securities reports.

Living with Society = Customer First

Based on our commitment to putting customers first, we contribute to realizing an affluent society by creating products and providing services that satisfy and inspire our customers.

Achilles Group Basic Approach to CSR

We at Achilles Group strive to be a company that contributes to building an affluent and comfortable society. To do this, we must continue creating new value for our company, society, and the future. With the keywords of health, comfort, fun, and energy conservation, we will continue to improve and evolve our plastic processing technologies built up since our founding to provide customers with products that better support their lives as well as inventive products. We implement an ongoing cycle of improvements to earn the trust and meet the expectations of all of our stakeholders.

Achilles Priority CSR Areas

Based on the seven core subjects of ISO 26000, we position our high-priority initiatives as our priority CSR areas.

- 1 [Consumer issues]**
Provide true satisfaction and inspiration through products and services

Ensure product safety, implement quality improvements, and pursue manufacturing that meets the needs of society and offers inspiration


- 2 [Environment]**
Environmental initiatives

Initiatives to reduce environmental impacts including from CO₂, water, and waste, and for environmental conservation including forests and biodiversity


- 3 [Fair business practices]**
Collaboration with business partners

Conduct activities in the entire supply chain including with business partners and promote fair business activities
- 4 [Human rights and labor practices]**
Respect human rights and diversity, and develop global human resources

Develop global human resources with consideration for human rights and using diverse human resources


- 5 [Human rights and labor practices]**
Safe and healthy workplace environments conducive to work

Initiatives to create workplaces that allow people to work safely and healthily


- 6 [Community involvement / development]**
Community engagement and social contribution activities

Place importance on communication with local communities and social contribution activities, and make contributions to community development


- 7 [Organizational governance]**
Governance / Risk Management

Strengthen systems to enhance management transparency, implement risk countermeasures

Sustainable Development Goals (SDGs)

The SDGs are a collection of 17 goals and 169 targets adopted internationally by the United Nations in 2015 to be achieved by 2030. The logos placed under the Priority CSR Areas & Activity Policy in the chart on pp. 5-6 indicate the goals that Achilles Group is contributing to through the respective initiatives.



Global CSR Activities

USA

Initiatives at Achilles USA, Inc. (Headquarters)

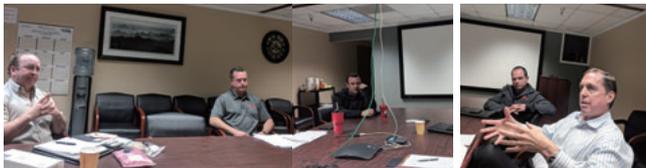


Achilles USA is the production and sales base for Achilles Group plastic products in North America. Achilles USA has been conducting its own environmental conservation activities, and from 2018 is also implementing initiatives related to the Achilles Group priority CSR areas together with employees.

A CSR activity for FY 2018 is reducing in-house scrap by 10% year on year. Achilles USA intends to contribute to the SDGs through these activities.



Training workshop



Meeting on CSR activities

China

Initiatives at Achilles (Shanghai) International Trading Co., Ltd.



In September 2017, Achilles (Shanghai) International Trading, in cooperation with the volunteer organization Friend, the Shanghai running club TARC, and Wenling Dongzhou Imp. & Exp. Co., Ltd., donated 1,391 pairs of Syunsoku shoes to students at three elementary schools (TI Hope Elementary School, Xiaozhen Hope Elementary School, New Generation Hope Elementary School) in the underprivileged region of Ganzhou, Jiangxi Province. At a presentation ceremony at TI Hope Elementary School, TARC and Achilles (Shanghai) International Trading cooperated to hold exchanges with the students including gymnastics events and a mini-relay race. Achilles (Shanghai) International Trading also holds foot measurement events at Syunsoku sales floors in department stores and other sales outlets to raise awareness for the proper way to select and wear shoes.



Presentation ceremony at TI Hope Elementary School, Ganzhou, Jiangxi Province, China

Cambodia

Donating Shoes in Preah Vihear



The area around Preah Vihear Temple, listed as a UNESCO World Heritage Site, in northern Cambodia, is considered one of the poorest regions in all of Cambodia. The Preah Vihear Association Japan is conducting a range of activities in this region with the ultimate goal of self-sufficiency for the people who live there. As part of its activities, the association sends student volunteers to the region twice a year to provide support including educational activities, tree planting, and conducting surveys of living conditions.

We have group companies in Cambodia, and import and sell shoes manufactured there. With this connection, in 2017 we donated 60 pairs of shoes to local people through the Preah Vihear Association Japan.

For some people in the region, it was their first time to wear a pair of shoes, and they offered messages of appreciation, commenting that the shoes helped prevent foot injuries and allowed them to play soccer without hurting their feet.



Donating shoes (Preah Vihear region, Cambodia)

Taiwan

Initiatives at Achilles Advanced Technology Co., Ltd.



Achilles Advanced Technology in Taiwan is taking steps to conduct compliance education and awareness-raising among employees and implement fair and transparent business practices. It has also defined activities for each of the Achilles Group's priority CSR areas, set related targets, and is conducting initiatives accordingly. One of its main areas of activity is reducing plastic waste by reusing shipping cases for semiconductor silicon wafers. In 2017, this activity contributed to a 300-ton reduction in waste resin.



Compliance workshop

Study meeting on reusing materials

Initiatives to Create Shared Value with Society

Z1 Board, achieving the highest level of insulating performance



We successfully developed the *Z1 Board*, a board-type insulation product achieving the industry's highest level of insulating performance with thermal conductivity of 0.018 W/(m K), and launched sales in October 2017.

*1 Of the construction insulation materials sold as of March 31, 2018, excluding vacuum insulation materials and other materials whose insulating mechanism differs from general textile-type insulation materials and expanded plastic insulation materials



Materials (heat insulating) with low thermal conductivity use the border (wall) between the outside air and inside air to increase the heat retention effect inside the building to reduce energy consumption during air conditioning operation and emissions of greenhouse gases.

Tomonori Kamiyama
Heat Insulation Materials Sales Department
Heat Insulation Materials Division
Achilles Corporation

Tn-p Construction Method, effective in maintenance and repair of older tunnels with age-related degradation



We offer the *Tn-p Construction Method*, effective in maintenance and repair of older tunnels with age-related degradation, nationwide in Japan. This tunnel maintenance and repair technology (backfill injection) prevents tunnel collapse and damage from events such as earthquakes by injection filling *Achilles Aeron-R* (urethane foam) into voids that form behind the lining of older tunnels.

The filling device is compact, and the filling material can be transported in liquid form (in drums) prior to blowing, making it possible to transport all materials and equipment in a truck with a four-ton payload capacity. Road tunnel work can be completed with two types of construction equipment, a lift truck for workers to reach high elevations and a truck to transport the materials and equipment. It takes just one minute for the urethane foam to harden, which improves work safety from the low risk of the materials leaking out.



Osamu Nishio
Deputy Manager, Sales Development Department
Achilles Corporation



Danikon, a special urethane foam coating that repels dust mites



We collaborated with Kincho*2, which has dust mite repellent technology, to manufacture and sell *Danikon*, a functional urethane foam that is dust mite resistant.

*2 Dainihon Jochugyoku Co., Ltd. (Head office: Osaka, Osaka Prefecture, President and Representative Director: Naohide Ueyama)



Danikon uses a highly safe pyrethroid-based chemical formula to repel dust mites, and can be safely used with children.

Yasutaka Tani
Urethane Sales Department
Urethane Division
Achilles Corporation

Sorbothane*3 shoe insole products supporting health from the feet



Sanshin Enterprises Co., Ltd. focuses on lessening shock on the feet through the development, manufacture, and sales of shoe insoles and other products that incorporate shock-absorbing materials.

*3 *Sorbothane*, a functional material with shock-absorbing and shock-dispersing properties manufactured and sold by Sanshin Enterprises Co., Ltd., is a registered trademark of Sanshin Enterprises Co., Ltd. <https://www.sorbo-japan.com/sorbo/sorbo.html> (in Japanese)



Selecting the right shoes and shoe insole for you, and wearing shoes correctly, are key to preventing undue stress on the feet and feet problems. We conduct awareness raising for foot health including holding events at stores.

Tadamasa Kawano
Director, Tokyo Office
Sanshin Enterprises Co., Ltd.

Internal workshops to improve communication quality



Rapid advances in information and communications technology have greatly increased the convenience of sharing information. On the other hand, we are beginning to have fewer opportunities to engage in direct verbal communication. As a key element that fosters innovation, we are striving to improve the quality of our communication.



Mutual communication is an essential part of enhancing our capacity for teamwork. Communication is also a key step in earning customer satisfaction. We are therefore making daily efforts to improve our quality.

Hirokazu Kaneda
General Manager, Automotive Materials Sales Department
Automotive Materials Division
Achilles Corporation

Platinum Coat with improved workability during greenhouse ventilation



The stickiness of vinyl films for greenhouses is a cause of increased labor and film damage, for example when erecting greenhouses and during ventilation. *Platinum Coat* uses our original coating technology to prevent the substance that causes stickiness from transferring to the film's surface. Special processing of the coating layer also significantly reduces film stickiness.



Platinum Coat is an environmentally friendly product using highly recyclable PVC resin for the base film. While reducing stickiness, *Platinum Coat* also makes dirt and grime less likely to adhere to the film to maintain greenhouse transparency for a longer period of time.

Nozomi Inoue
Manager, Shiga Factory No.1
Plastic Business Group
Achilles Corporation



Medifoam for citizen runners



- 1 Heel counter**
EVA cup insole
- 2 SORBOOTHANE** (shock absorption + body pressure dispersion)
EVA counter
- 3 MEDIFOAM** midsole (shock absorption + impact resilience + durability)
Rubber outersole

We developed, manufacture, and sell the *Medifoam* line of running shoes designed to reduce impact and make running easier in order to support the growing number of citizen runners taking part in running with the popularity of marathon races.

The heel insole uses *Sorbothane**³ and the midsole uses *Medifoam* to create a dual layer of shock absorption on contact. *Medifoam*'s impact resilience creates a smooth rebound on impact different from EVA*⁴ materials.

*4 Ethylene vinyl acetate copolymer resin



Yutaka Tsubata
Vice General Manager, Shoes Sales Head Office
Shoes Business Division
Achilles Corporation

Poseidon HB-310AX adopts aluminum materials to make recycling easier



We manufacture and sell the *Poseidon HB-310AX* rigid inflatable boat (RIB)*⁵, which adopts aluminum material for the boat bottom to facilitate recycling at the time of disposal.

*5 Using rigid materials for the bottom of inflatable boats makes the boat lighter and increases durability on waves when operating the boat at high speeds.

RIBs using recyclable aluminum enjoy strong popularity, especially in the USA. We use highly durable CSM rubber in the air tubes as part of our efforts to create products with consideration for the global environment.



Yumie Ichikawa
Rubberized Fabric and Marine Sales Department
Achilles Corporation



For the Environment

Environmental conservation on both a local and a global scale is an exceedingly important mission for our group, as our business is focused on the manufacture of shoes, rubber, and plastic products that use chemical raw materials. We recognize that our business activities are intimately connected to the environment, and we are striving to reduce our environmental burden and contribute to developing a sustainable society.

Achilles Group Environmental Policy

Under a corporate philosophy that equates “Living with Society” with “Customer First,” we at Achilles Group conduct our main business activities of the manufacture and sales of shoes, rubber, and plastic products based on continuously creating products and providing services that offer true satisfaction and inspiration to customers. Addressing environmental problems is a shared challenge of humankind. Independently taking action to reduce our environmental burden is a necessary requirement of a company’s existence and activities. In addition, we aim to be a company that contributes to creating an affluent and comfortable society and earns the abiding trust of society by continuously creating new value.

1. Accurately understand the impacts of our business activities on the environment, define our environmental targets and goals, and work to achieve them.
2. Periodically revise our environmental management system through means including environmental audits, conduct a cycle of ongoing improvements, and effectively prevent environmental contamination.
3. Comply with environment-related laws, regulations, ordinances, and agreements as well as company policies, regulations, and other rules.
4. Through our business activities, promote environmentally friendly product development, global warming prevention, energy conservation, and the 3R’s (Reduce, Reuse, Recycle), and strive to maintain and improve healthy environments.
5. All members recognize the impacts of our business activities on the environment, and we strive to conduct education that results in appropriate conduct as well as internal PR activities to enhance awareness for environmental conservation.

Environmental Management System

ISO 14001 Initiatives

To conserve the global environment, and to enhance the corporate constitution of the Achilles Group, we define our Environmental Policy and environmental targets using the ISO 14001 environmental management system standards as a tool. We develop production processes and create products that lead to reduced environmental impacts, and continuously conduct activities to improve the environment. In an evaluation by an external certification body in FY 2017, we received guidance

on 17 minor observed incidences, with the overall evaluation that the system was being maintained. We undertook horizontal measures to address the incidences and incorporated the measures into our environmental management activities to make improvements.

 **P13 ISO 14001: JUSE-EG-661 worksites registered in 2015 (May 2018 renewal and transition evaluation, renewal and registration in July)**

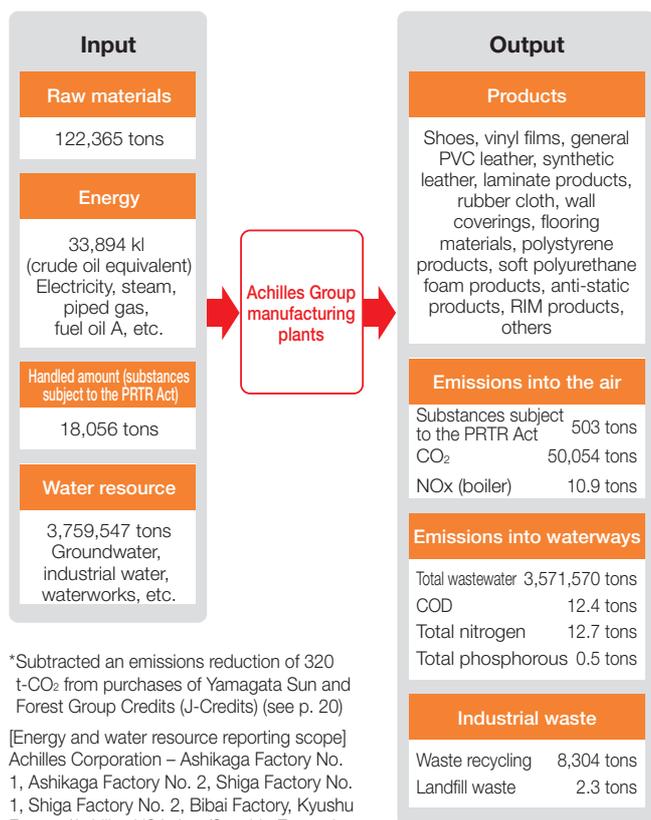
● Overview of FY 2017 activities results, targets for FY 2018 and beyond

Environmental objective	Target		FY 2017 result	Evaluation	Target for FY 2018 and beyond	Listed page
	Management item	Value				
Global warming prevention and energy conservation	Greenhouse gas (CO ₂) emissions	FY 2010 comparison, 7% reduction (10% reduction compared with FY 2010 by FY 2020)	5.2% reduction *FY 2010 emission factor adopted	×	YoY comparison of per-unit energy consumption, 1% reduction	P.11 P.12
	Per-unit energy consumption	YoY comparison, 1% reduction	0.1% reduction	×		
Complete zero emissions through 3R activities	Waste emission volume *Based on promoting 3R activities	FY 2010 comparison, 14% reduction (20% reduction compared with FY 2010 by FY 2020)	29.4% increase *Main factor is increased production	×	FY 2017 comparison, 3% reduction	P.12
	Final waste disposal rate	Achieve less than 0.1% by FY 2020	0.03%	○		
Air pollution prevention of environmentally hazardous substances	Emissions of environmentally hazardous substances	FY 2010 comparison, 21% reduction (30% reduction compared with FY 2010 by FY 2020)	18.3% reduction	×	FY 2010 comparison, 24% reduction (30% reduction compared with FY 2010 by FY 2020)	P.13
Environmental considerations (waste reductions, energy conservation, etc.), environmental management improvements, and environmentally friendly product development	Environmental consideration rate* *(Energy fees + waste treatment expense) ÷ Production value × 100	Less than the previous year’s results	0.003% increase YoY	×	Less than the previous year’s results	P.12
	Identify environmental risks and draft countermeasures	Reduced environmental risks and impacts from age-deterioration countermeasures and factory restructuring	Plan and implement facility installations, improvements, and other measures leading to reduced environmental impacts	○	Reduced environmental risks and impacts from age-deterioration countermeasures and factory restructuring	—
	Launch and sell environmentally friendly products	Using internal targets	Achieve sales targets and launches of environmentally friendly products including biodegradable films and construction-use insulation materials with high insulation performance and thermal conductivity	○	Promote product development and R&D with consideration for environmental impacts	P.7 P.8

Overview of Environmental Impacts

We at Achilles Group quantitatively identify the flow of substances and energy as part of our business activities, and strive to reduce our environmental impacts and effectively use resources in our business activities to achieve sustainable company development. The following presents an overview of the environmental load at Achilles Group manufacturing plants.

Material balance



*Subtracted an emissions reduction of 320 t-CO₂ from purchases of Yamagata Sun and Forest Group Credits (J-Credits) (see p. 20)

[Energy and water resource reporting scope] Achilles Corporation – Ashikaga Factory No. 1, Ashikaga Factory No. 2, Shiga Factory No. 1, Shiga Factory No. 2, Bibai Factory, Kyushu Factory/Achilles USA, Inc./Sanshin Enterprises Co., Ltd.

Corrective Measures for Environment-related Incidents

In FY 2017, a fire occurred while moving urethane blocks inside the Shiga Factory No. 2. The fire was put out with the assistance of fire fighters from the local jurisdiction. We investigated the cause of the fire and are taking corrective measures at the location of the fire outbreak both in terms of permanent facilities and management, and are implementing similar countermeasures at other worksites.

A small oil leak occurred at the Ashikaga Factory No. 2, with some oil leaking into the irrigation canal outside the factory grounds. We treated the leak without it spreading to a wider area, and have completed corrective measures intended to achieve a permanent fix.

In FY 2017, measured values for water quality, air quality, and noise at all worksites were within the standard values defined in all environmental-related legislation.

Awareness-raising Activities

Environmental conservation activities cannot be done without the awareness and actions of each of our employees.

To increase awareness of the environment, we distribute “environment cards” listing our environmental policy and other information to all employees in manufacturing divisions and make known the importance we place on environmental conservation activities.

We conduct new employee trainings and trainings by company grade as well as make proactive efforts to have employees acquire specialized knowledge and qualifications.

Initiatives for Biodiversity

Basic approach to biodiversity

While human society receives many benefits from ecosystems, we recognize that human society also places a great burden on ecosystems and are implementing initiatives to contribute to conserving biodiversity.

Cedar Avenue of Nikko Ownership System

The Cedar Avenue of Nikko is a tree-lined avenue of cedars planted around 370 years ago. The avenue consists of three parts that converge, which are the Nikko-Kaido Road, the Reiheishi-Kaido Road, and the Aizu-Nishi-Kaido Road. The Reiheishi-Kaido Road runs through Ashikaga City, the location of our Ashikaga factories. We are lending our cooperation to the conservation of the cedars by supporting the Cedar Avenue of Nikko Ownership System, which aims to protect the avenue of cedars from the deterioration of the surrounding environment that has occurred in recent years.



Cedar Avenue of Nikko

Donations to a fund for afforestation of Lake Biwa

Lake Biwa is located in Shiga Prefecture, where we have manufacturing plants, and is an important water source.

The forests around Lake Biwa are also important to protecting the water sources of Lake Biwa and the Yodogawa river basin. At the same time, the forests provide habitat for a diverse variety of plants and animals.

Shiga Prefecture is conducting afforestation projects to protect the environment of this important area, and we are supporting these activities.



Image of tree thinning in the forests surrounding Lake Biwa (photo provided by Shiga Prefecture)

Conservation of Water Resources

We independently conduct monthly measurements of wastewater, and discharge wastewater into rivers after use in a state that does not pose environmental impact. Our Ashikaga Factory No. 2, Shiga Factory No. 1, and Kunshan Achilles Artificial Leather Company recycle and reuse a portion of industrial water.

Participation in drills to prevent damage from water-quality accidents from spreading

We actively participate in drills assuming an unexpected accident that are conducted by Shiga Prefecture and the Konan/Koka Environmental Association and designed to prevent damage from

water-quality accidents from spreading. The drills reaffirm the importance of conserving the surrounding environment including Lake Biwa. A total of 132 people participated in a drill conducted on October 6, 2017, including council members and local and prefectural authorities.



Damming drill using an oil fence (Shiga Prefecture)
Photo provided by the Konan/Koka Environmental Association

Global Warming Countermeasures

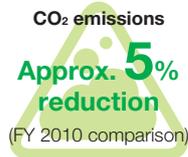
Greenhouse Gas Emissions Reductions

Greenhouse gases emitted by Achilles Group mainly consist of carbon dioxide emissions as a result of energy consumption (fuel, electricity, etc.) and production of rigid urethane foam (CO₂e of CFCs).

In FY 2017, we set the target of a 7% reduction in greenhouse gas emissions compared with FY 2010. As a result of activities to reduce our energy consumption through proactive investment in environmental facilities and switching to non-fluorocarbon varieties of rigid urethane foam, we reduced our greenhouse gas emissions by 5.2% compared with FY 2010 (approx. 87% of FY 1990), but did not achieve our target.

*Not deducting 320 t-CO₂e from purchases of Yamagata Sun and Forest Group Credits (J-Credits) (see p. 20)

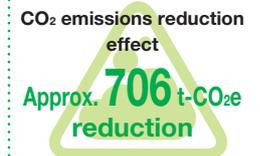
[Scope] Achilles Corporation – Ashikaga Factory No. 1, Ashikaga Factory No. 2, Shiga Factory No. 1, Shiga Factory No. 2, Bibai Factory, Kyushu Factory/Achilles Marine Co., Ltd./Achilles Welder Co., Ltd.



Energy Creation from Solar Photovoltaic Power Generation

After installing our first solar photovoltaic power generation systems in FY 2012, we added to the systems two additional times, and now have a combined solar power generation capacity at Ashikaga and Shiga of 1,535 kW.

We generated approximately 1,795,000 kWh of electricity in FY 2017, with a CO₂ emissions reduction effect of approximately 706 t-CO₂. This is equivalent to approximately 1.6% of our FY 2017 CO₂ emissions from energy use.



Environmental Conservation Activities in Logistics

Carbon dioxide reduction activities and emissions results

Our FY 2017 initiatives included expanding modal shift^{*1} and promoting improvements in loading efficiency and the use of larger trucks. We improved our per-unit energy consumption in transportation by approximately 2.2%, but our CO₂ emissions^{*2} increased approximately 2.4% due to increased shipping ton-kilometers^{*3} from increased production.

*1 Shifting freight transportation from trucks to rail and ship. Larger amounts of freight can be shipped at once, with reductions in CO₂ emissions anticipated as a result

*2 CO₂ emissions (t-CO₂) = Energy consumption (GJ) × Emissions factor (from the Japanese Ministry of Economy Trade and Industry)

*3 Transportation ton-kilometer = Freight weight (tons) × Transportation distance (kilometers)



Loading containers for rail transport



Achilles Corporation Ashikaga Factory No. 2 (2012 installation)



Achilles Corporation Ashikaga Factory No. 2 (2014 installation)

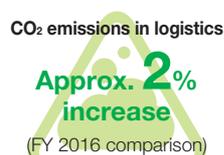


Achilles Corporation Shiga Factory No. 2 (2012 installation)



Achilles Corporation Shiga Factory No. 2 (2014 installation)

[Scope] ISO 14001:2015 registered worksites



Energy Conservation

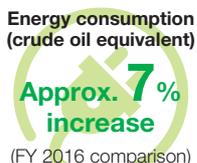
Energy Conservation Activities

We at Achilles Group recognize the importance of activities to conserve energy based on the Japanese Energy Conservation Act, and are taking steps companywide to conserve energy as an important part of efforts to reduce our environmental impacts.

Energy consumption (crude oil equivalent)

Although we took steps to reduce our consumption of electricity and fuel, the main types of energy we use, our energy consumption increased approximately 6.6% (1,700 kl/year) in FY 2017 compared with the previous fiscal year as a result of increased production volumes and other factors.

[Scope] Achilles Corporation – Ashikaga Factory No. 1, Ashikaga Factory No. 2, Shiga Factory No. 1, Shiga Factory No. 2, Bibai Factory, Kyushu Factory/Achilles Marine Co., Ltd./Achilles Welder Co., Ltd.

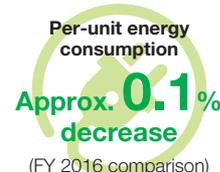


Per-unit energy consumption

In FY 2017, we undertook facilities improvements to increase efficiency and installed energy-efficient facilities to achieve our target of a 1% decrease in per-unit energy consumption compared with FY 2016. Due to changes in our product mix and increased small-lot production, however, our energy consumption only decreased approximately

0.12% compared with FY 2016, falling short of our target. We will continue conducting activities to conserve energy with the goal of decreasing our per-unit energy consumption by 1% year on year.

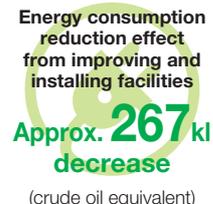
[Scope] Achilles Corporation – Ashikaga Factory No. 1, Ashikaga Factory No. 2, Shiga Factory No. 1, Shiga Factory No. 2, Bibai Factory, Kyushu Factory



Decrease in energy consumption from improving and installing facilities

In FY 2017, we took steps to reduce our energy consumption, including replacing equipment with higher efficiency equipment, operating existing facilities more efficiently, switching to LED lights, and improving efficiency at the Ashikaga Factory No. 1 by redesigning the factory layout.

[Scope] ISO 14001:2015 registered worksites



3R Activities and Complete Zero Emissions

To Reduce Waste

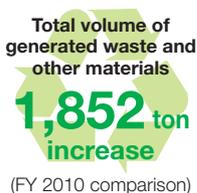
We are conducting 3R* activities aiming to realize a sound material-cycle society. We place particular importance on Reduce, aiming to decrease the amount of waste we generate in the first place, and are focusing on pursuing the root causes of waste and reducing waste generation.

*Short for Reduce, Reuse, Recycle, e.g., reducing waste, reusing parts and other materials, and recycling resources

Results of Activities to Reduce Waste and Other Materials

In FY 2017, although we set the target of a 14% reduction in generated waste compared with FY 2010 (baseline year), we did not achieve our goal as a result of our activities, and our waste increased 1,852 tons. The causes of this increase are attributable to increased production volumes and changes to our production mix. Going forward, we will focus on reducing waste, specifically on revising our existing recycling flow, thoroughly separating and sorting waste materials, promoting obtaining value and making products from waste materials, and reducing the amount of waste generated from increased production.

[Scope] ISO 14001:2015 registered worksites



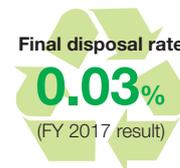
Final Disposal Volume

In FY 2017, we conducted activities with the target of achieving complete zero emissions (less than 0.1% final disposal rate*) by FY 2020. As a result of our activities, we had a final disposal rate of 0.03% (approx. 2.3 tons), achieving complete zero emissions again following FY 2016 (0.02% final disposal rate).

We will continue to set the target of complete zero emissions, taking steps to further increase separating and sorting waste as well as recycling.

*Final disposal rate (%) = Final disposal volume / Total emissions volume × 100

[Scope] ISO 14001:2015 registered worksites



Air Pollution Prevention

Atmospheric Emissions Reduction Targets for Environmentally Hazardous Substances

Preventing air pollution from environmentally hazardous substances is set as a shared action goal for the Achilles Group. As our mid to long-term target, we have set a 30% reduction in atmospheric emissions of environmentally hazardous substances by FY 2020 compared with FY 2010. We are working to systematically manage and reduce atmospheric emissions based on the Japanese Industrial Safety and Health Act, PRTR* Act, and Air Pollution Control Act.

*Pollutant Release and Transfer Register: Systems to collect and disseminate information on a wide variety of hazardous chemical substances released into the environment as waste or transferred off-site for treatment, their amounts and locations

Reduction in Class I Designated Chemical Substances Under the PRTR Act

As a result of identifying emissions of the relevant substances based on the PRTR Act, in FY 2017 our emissions of Class I Designated Chemical Substances under the PRTR Act came to 488 tons/year (28.3% reduction compared with FY 2010), and our transfer volume came to 253 tons/year (37.5% increase compared with FY 2010). Our combined emissions and transfer volume was 741 tons/year (14.3% reduction).

[Scope] Achilles Corporation – Ashikaga Factory No. 1, Ashikaga Factory No. 2, Shiga Factory No. 1, Shiga Factory No. 2, Bibai Factory, Kyushu Factory/Achilles Marine Co., Ltd.

Emissions and Transfer Volumes of Chemical Substances Subject to the PRTR Act

Approx. 14% reduction

(FY 2010 comparison)

Atmospheric Emissions Reductions of VOCs

Of the VOC* substances included in the substances subject to the PRTR Act, we defined the five substances we release into the atmosphere in the greatest volumes (DMF, dichloromethane, toluene, MEK, ethyl acetate), and are working to reduce atmospheric emissions by shifting from VOCs to non-VOC alternative substances and introducing flue gas treatment equipment (RTO) at all manufacturing divisions.

In FY 2017, we reduced our atmospheric emissions of VOCs by 18.3%, but did not meet our target of a 21% reduction compared with FY 2010.

*Volatile Organic Compounds: Organic compounds that easily become vapors or gases

[Scope] Achilles Corporation – Ashikaga Factory No. 1, Ashikaga Factory No. 2, Shiga Factory No. 1, Shiga Factory No. 2, Bibai Factory, Kyushu Factory/Achilles Marine Co., Ltd.

Atmospheric emissions of environmentally hazardous substances

Approx. 18% reduction

(FY 2010 comparison)

ISO 14001 Worksites Registered

● ISO 14001: JUSE-EG-661 worksites registered in 2015

■ Achilles Corp. Ashikaga Factory No. 1	Expanded certification in September 2001
■ Achilles Corp. Ashikaga Factory No. 2	Acquired certification in July 2000
■ Achilles Corp. Shiga Factory No. 1	Expanded certification in September 2002
■ Achilles Corp. Shiga Factory No. 2	Expanded certification in September 2002
■ Achilles Corp. Bibai Factory	Expanded certification in September 2002
■ Achilles Corp. Kyushu Factory	Expanded certification in September 2002
■ Achilles Marine Co., Ltd.	Expanded certification in September 2001
■ Achilles Welder Co., Ltd.	Expanded certification in September 2001
■ Kanto Achilles Aeron Co., Ltd.	Expanded certification in September 2001
■ Osaka Achilles Aeron Co., Ltd. Shiga Sales Office	Expanded certification in September 2002
■ Hokkaido Achilles Aeron Co., Ltd.	Expanded certification in September 2002



Working Together with Society

The Achilles Group aims to contribute towards the creation of a happier, more prosperous society through the provision of the Group's products and services. In addition, by engaging in dialog with a wide range of stakeholders, the Group identifies issues that need to be addressed; by striving to respond to these issues, we hope to be able to make a positive contribution towards the sustainable development of society. With this aim in mind, we have formulated the Achilles Basic Policy on Procurement, and we are endeavoring to extend our corporate social responsibility (CSR) measures—including compliance and human rights measures, etc.—to include our supply chain.

Initiatives for Quality Assurance

Our Approach to Quality

The Achilles Group has formulated the Achilles Action Guidelines, so that all employees will be thorough-going in safeguarding product safety and quality. In addition, to provide a solid basis for accurately appraising customer needs and market trends, and to ensure that we can provide products and services that satisfy our customers, all production divisions have secured ISO 9001 international quality management system certification. The Achilles Quality Manual stipulates that the divisional manager of each division shall set quality objectives in their capacity as manager responsible for quality assurance, and shall strive to ensure that Achilles provides products and services that can be used safely and with peace of mind. The Quality Assurance Head Office submits proposals where appropriate regarding individual divisions' product planning, development, production and sales processes, and strives to maintain and enhance the quality assurance system.

Achilles Group Basic Policy on Quality Assurance

In accordance with our corporate philosophy—"Living with Society" = "Customer First"—besides adopting the customer's and consumer's perspective to provide products that will ensure customer satisfaction, we have formulated the following Basic Policy in order to fulfil our corporate social responsibility by ensuring product safety and compliance with relevant laws and regulations, etc.

- All employees will listen carefully to the voice of the market, to provide products and services with strong appeal that meet customers' needs.
[Enhancing customer satisfaction]
- We recognize that ensuring that products can be used safely is the single most important aspect of product quality assurance, and we strive to ensure product safety in all product design, manufacturing and sales processes, etc.
[Ensuring product safety]
- We comply with product-related laws and regulations, and with standards and customer specifications that our company has agreed to.
[Compliance]
- We undertake product design, manufacturing and sales activities in such a way as to reduce the environmental footprint of these activities.
[Concern for the environment]
- To ensure that the above activities are implemented effectively and efficiently, we make adjustments to our operations where necessary and implement ongoing improvements.
[Ongoing improvement]

● ISO 9001: 2015 registration status

Registered organization	Year and month of registration	Registration number
Achilles Corporation Shoes Business Group	Oct. 2007	JUSE-RA-2088
Achilles Corporation Plastic Business Group	April 2003	JUSE-RA-2090
Achilles Corporation Industrial Materials Business Group	Feb. 2004	JUSE-RA-2089
Achilles USA, Inc.	April 1998	33354

Quality Assurance Framework

Our Quality Assurance Head Office submits proposals where appropriate regarding individual divisions' product planning, development, production and sales processes, and strives to maintain and enhance the quality assurance system.

Planning and development

- We evaluate product design from the perspective of customer requirements and in terms of safety and peace of mind.
- We implement verification of the safety of raw materials and other materials used (to ensure that our products do not contain chemical substances the use of which is prohibited or restricted, or any substances that could be harmful to human health).
- We implement compatibility testing to verify that the materials used have the required material properties during product processing, installation and use.
- Individual quality assurance departments are entrusted with the task of implementing design review with respect to each process.

Procurement

- Working closely with the planning and development and manufacturing departments, our procurement departments investigate whether materials are safe and environmentally friendly, and whether our suppliers have proper quality assurance systems in place, etc., before deciding which items should be purchased during procurement.
- By encouraging our suppliers to comply with the Achilles Group Basic Policy on Procurement, we are extending our CSR measures to include the supply chain as a whole. Furthermore, we do not participate in any unlawful acts in our procurement activities.

Production

- By establishing process management and inspection methods appropriate to the production line for each product, we promote efficient production and consistent quality.
- With the aim of reducing the impact on the global environment, we implement activities aimed at combating global warming, saving energy and fostering the "3Rs" (Reduce, Reuse, Recycle), as well as working to help prevent atmospheric pollution, etc.
- We implement education and guidance for all employees, with the goal of enhancing product quality and raising skill levels.
- Individual quality assurance departments are entrusted with the task of implementing design review with respect to each product.

Sales and after-sales service

- Consultations and inquiries from customers regarding our products and services are handled both by individual sales departments and by our Customer Consultation Office.
- In all cases, we listen carefully to our customers, and endeavor to respond to their needs as promptly as possible.
- In regard to products featuring environmentally-friendly design, we endeavor to ensure that customers can easily compare the environmental benefits of different products.

Initiatives for Occupational Health and Disaster Prevention

Our Approach to Occupational Health and Safety

Achilles Group Health and Safety Policy

As is enunciated in our Safety Resolution – “Staying healthy and safe is the fountainhead of our company’s continued development, and is the foundation on which we will enhance the quality of life for tomorrow. Every day, we reaffirm our commitment to ensuring safety, building harmony between people, and generating vigor and energy for tomorrow” –we view safety and health as being the basis for our business activities, and we implement the following items to ensure the maintenance of a workplace environment in which people can work safely and easily.

1. Safety is the foundation for everything, and every member of the Achilles Group prioritizes safety before anything else.
2. To ensure safety and physical and mental health, we proactively implement health and safety activities in which all employees participate.
3. We abide by health and safety related laws and regulations and with our company’s own policies and rules, etc.
4. To enhance the overall level of health and safety, we make appropriate use of occupational health and safety management systems etc., and strive for ongoing improvement.
5. In our day-to-day activities, we maintain a safe, health workplace environment that embodies the “5S” workplace organization methodology (Sort, Set in order, Shine, Standardize and Sustain).
6. We implement the necessary education and training to ensure that all employees are aware of the importance of health and safety.

Major Health and Safety Management Activities

Health and safety

Achilles has established a Health and Safety Committee at all of its manufacturing sites, and has put in place a health and safety system that includes the provision of health and safety education for employees based on the relevant laws and guidelines, and the cultivation of personnel holding the various qualifications required by law for health and safety purposes, etc. We also implement



Health and safety education for forklift operators (Ashikaga Factory)

risk assessment of operations and equipment, and implement improvements based on the results of these assessments, with the aim of realizing meaningful safety.

Percentage of employees who are members of health and safety committees

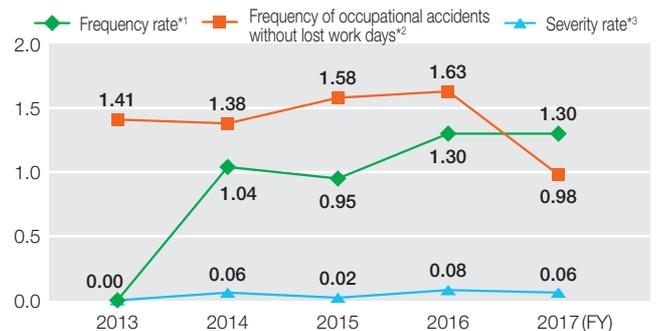
Business location	No. of health and safety committee members (persons)	No. of employees (persons)	Health and safety committee members as percentage of all employees (%)
Head Office	12	301	4.0
Kansai Branch Office	6	80	7.5
Ashikaga Factory No. 1	19	564	3.4
Ashikaga Factory No. 2	16	267	6.0
Shoes Logistics Center – East Japan Logistics Section	7	59	11.9
Shiga Factory No. 1	12	93	12.9
Shiga Factory No. 2	14	119	11.8
Total	86	1,483	5.8

*As of March 31, 2018

Occupational accidents

The incidence of occupational accidents at Achilles in FY 2017 is shown below. For manufacturing firms in Japan (including only firms with at least 1,000 employees) in FY 2017, the average occupational accident frequency rate was 0.25, and the average occupational accident severity rate was 0.01; the corresponding figures for Achilles were 1.30 and 0.06 respectively.

Occupational accident frequency rate, frequency of occupational accidents without lost work days, and occupational accident severity rate (Achilles Corporation only)



*1 Occupational accident frequency rate = No. of occupational accident deaths or injuries/Total no. of hours worked × 1,000,000

*2 Frequency of occupational accidents without lost work days = No. of occupational accidents without lost work days/Total no. of hours worked × 1,000,000

*3 Occupational accident severity rate = Total no. of work days lost due to occupational accidents/Total no. of hours worked × 1,000

Health management

Achilles implements periodic health examinations, special health examinations and stress checks, and uses the results as a basis for the provision of follow-up guidance by occupational health physicians and nurses. Besides these examinations, we also arrange for occupational health physicians to provide mental health care, health consultations and guidance in relation to employees’ other physical and emotional health concerns. We also encourage employees to participate in a wide range of health enhancement events, as part of our efforts to support the Total Health Promotion Plan (THP).

Our Approach to Fire and Disaster Prevention

Achilles Basic Policy on Fire Prevention and Disaster Response

Fire prevention and disaster response represents a core management item for any business enterprise. If a fire or a natural disaster such as an earthquake occurs, the company's situation can be dramatically transformed and even its very existence may be threatened. A fire or natural disaster at a manufacturing facility can also cause serious problems for local residents, which goes against Achilles' ethos of developing together with society for mutual benefit.

Achilles strives to ensure, on a day-to-day basis, that we are properly prepared for an emergency; we take preventive measures in order to safeguard lives and property, working to prevent disasters from occurring and to ensure that, in the event that a disaster does occur, the threat to human life and to property can be kept to a minimum.

Comprehensive Fire Prevention and Disaster Response Drills

Achilles has established a Fire Prevention and Disaster Response Committee in each region, and Comprehensive Fire Prevention and Disaster Response Drills are held annually at each workplace with the aim of spreading and strengthening fire prevention and disaster prevention awareness and equipping employees with fire-prevention skills (indoor fire prevention and disaster response drills are held at manufacturing units three times a year, and disaster response drills are held at

Achilles' Head Office and Kansai Branch Office at least once a year).

In FY 2017, Ashikaga Factory No. 1 implemented a Comprehensive Disaster Response Drill in collaboration with the local fire department. The drill scenario assumed that an earthquake with a seismic intensity of 6 had taken place; the drill covered initial response, reporting, evacuation, and checking whether employees were safe, etc., and there was also a demonstration of fire-fighting using a fire-engine's water hoses, and a smoke experience training activity.



Comprehensive Disaster Response Drill at Ashikaga Factory No. 1

CPR seminars



CPR training at the Shiga factory complex

In FY 2017, CPR seminars (covering assisted respiration, cardiac compression and training in the use of AED devices) were given at Ashikaga Factory No. 1 and Shiga Factory No. 2 by the local fire departments.

Stockpiling of food and other emergency supplies

Achilles' individual business locations maintain stockpiles of food and other emergency supplies for use in the event of an earthquake etc.

Working Together with Our Customers

Basic Approach

In line with Achilles' corporate philosophy — "Living with Society" = "Customer First" — we aim to contribute to the realization of a prosperous society by creating products and providing services that will provide our customers with real satisfaction and joy. In order to maintain a clear awareness of customers' manifest and latent needs, we attach great importance to creating opportunities for dialog with customers. As one of the contact windows that fulfill this role, Achilles has established a Customer Consultation Office.

Measures Aimed at Further Enhancing the Quality of Our Handling of Customer Communication

In FY 2017, the Customer Consultation Office received a total of 5,475 telephone calls and e-mail messages, including both inquiries and comments. With the aim of improving the quality of its customer communications, starting from FY 2012 the Office has been using customer questionnaire surveys to determine customers' evaluation of the quality of customer communication, and has been implementing related improvement activities. In the questionnaire surveys, customers were asked to assign one of five possible scores to five items: ① Use of language and attitude; ② Friendliness; ③ Provision of information and product knowledge; ④ Promptness; ⑤ Overall satisfaction. In FY 2012, the average overall evaluation was 4.5; since then, scores have been checked by operative and by item on a monthly basis, and Achilles staff have worked together to identify issues and make ongoing improvements, and in FY 2017 the aver-

age overall evaluation was 4.9 for the second consecutive year.

To enhance the quality of the handling of telephone inquiries, surveys are implemented in which all relevant personnel have their telephone conversations with customers monitored; a third-party expert provides an objective analysis and evaluation of the quality of the communication. While Achilles' evaluation score is now higher than the average for other firms in the industry, we continue to strive for further improvement in our day-to-day customer communication activities, working to address issues that have been reported in relation to individual staff members.

Changes in the evaluation of customer communication quality, based on customer surveys



Awareness-raising Activities Targeting University Students

Achilles Corporation is a member of ACAP*, which addresses various consumer-related issues. As part of its involvement in ACAP's activities, Achilles staff members have given lectures at four universities (including Meiji University and Rissho University) on topics including "The Role of the Customer Consultation Office Within the Business Enterprise" and "Measures for Making Effective Use of Customer Comments to Improve Products and Services," etc. Directed at students who will shortly become working adults, the lectures examined the nature of, and necessity for, sustainable consumption activities from the perspective of both the company employee and the consumer.

*ACAP: Association of Consumer Affairs Professionals (has approximately 580 corporate members)
Website: <http://www.acap.or.jp/>



Lecture at Rissho University
(Shinagawa-ku, Tokyo)

Strengthening Communication with Customers

We are implementing measures to bring us closer to our customers and to increase the number of contact points.

In view of the fact that inquiries about our shoe products account for a particularly large share of all customer inquiries, we have been encouraging our customer communication staff to seek Shoe Fitter certification (a specialist qualification relating to shoes and feet); as of March 31, 2018, all four members of our Customer Consultation Office staff had already secured Shoe Fitter certification. Possessing this specialist knowledge means that these Customer Consultation Office staff members are able to do more than just respond to customers' complaints; they are able to discuss with customers the various concerns that they have about their shoes. Having qualified Shoe Fitters responding to customers' inquiries differentiates us from other companies in the same industry.

Our existing "Sokuiku ("Foot Education") Consultation Office" program has also gone from strength to strength. We have continued to receive a very positive response both to the Food Measurement and Counseling service that we provide for customers who visit our showrooms, and to the visiting lectures about feet and shoes that we give at elementary schools etc. In FY 2017, we implemented 47 visiting lectures, with a total of 2,538 people taking part. Since this project was first launched in FY 2014, we have given a total of 127 visiting lectures, with a cumulative total of 6,254 participants.



Helping children to practice putting on their shoes properly at Oyama Elementary School, Shiraoka City, Saitama Prefecture

Working Together with Our Shareholders

Basic Approach

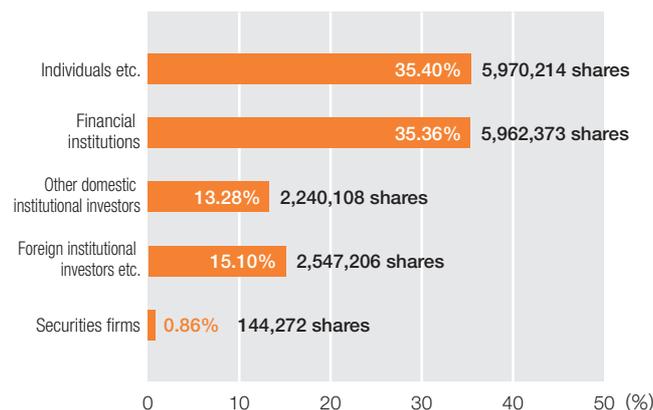
Achilles Corporate aims to develop as a company that is constantly striving to enhance its corporate value and demonstrate its worth, while living up to the expectations of our shareholders and investors. We strive to disclose impartial, accurate information to shareholders and investors in an easy-to-understand format in accordance with the requirements of the law and in a timely manner. At the same time, through our disclosure and other investor relations (IR) activities, we engage in dialog with shareholders and investors.

Shareholding Status

● Total shares etc. *As of March 31, 2018

Total number of authorized shares	70,000,000 shares
Total number of outstanding shares	17,462,714 shares
Total number of shareholders	12,598

● Shareholding distribution *As of March 31, 2018



*In addition to the above, the company also held 598,541 shares of treasury stock.

Working Together with Our Suppliers

Basic Approach

The Achilles Group adheres to the Charter of Corporate Behavior, striving not only to comply with the requirements of the law but also to behave in an ethical manner, and aiming to build long-term relationships of trust with our suppliers through fair and

free transactions and to develop mutually-beneficial relationships based on close collaboration. We have drawn up the Achilles Group Basic Policy on Procurement, and we are extending our measures for fostering environmentally-friendly, sustainable procurement and compliance as well as respect for human rights etc. to cover the entire supply chain.

Achilles Group Basic Policy on Procurement

Basic Policy

1. Fair and transparent transactions
2. Compliance with corporate ethics and with relevant laws and regulations
3. Consideration for the environment and measures aimed at process safety and disaster prevention
4. Respect for human rights, prohibition of child labor and forced labor, and consideration for labor issues and for health and safety
5. Emphasis on product and service safety and on quality assurance
6. Maintenance and promotion of information security, covering both personal data and product information
7. Working together with suppliers for our mutual benefit

8. Appropriate management of suppliers' intellectual property, assets, etc.
9. Responding to the conflict minerals* issue

Policy Regarding Supplier Selection

1. Suppliers should be financially and operationally sound
2. Suppliers should be able to maintain stable supply and respond flexibly to changes in production requirements
3. Suppliers should implement measures that take account of society's requirements, including the Basic Policy items noted on the left
4. Suppliers should demonstrate an appropriate level in terms of pricing, quality, delivery, technological capabilities, and service

*The term "conflict minerals" is used to refer to minerals the mining of and transactions in which may constitute a source of funding for armed groups, thereby contributing to conflict, and which may be closely linked to human rights violations, labor abuses, etc. The Dodd-Frank Wall Street Reform and Consumer Protection Act which was enacted in the U.S. in July 2010 defined "conflict minerals" as including tantalum, tin, gold and tungsten mined in the Democratic Republic of the Congo or adjoining countries, as well as other minerals defined as such by the U.S. State Department. Companies that are listed on the stock market in the U.S. are required to report any use of conflict minerals to the U.S. Securities and Exchange Commission (SEC).

Working Together with Our Employees

Basic Approach

The Achilles Group views our employees as being important stakeholders. The Charter of Corporate Behavior states that "We will respect employees' diversity and their individual characters and personalities, and we will ensure that employees have a safe, convenient, healthy working environment in which they can work easily and enjoy a non-stressful, fulfilling working life." To realize this vision, we decide on and implement the necessary systems and activities. The underlying approach is one that emphasizes mutual harmony with employees.

Respect for Human Rights and Fairness

The Achilles Group respects the legal requirements of the employment relationship, and does not commit any violations of human rights such as unlawful labor practices, use of child labor, gender discrimination, racial discrimination, religious discrimination, etc., nor do we abet any such behavior. Under the Achilles Code of Conduct, all Achilles Group employees commit themselves to acting ethically (including respect for human rights) and to compliance with the requirements of the law.

The Achilles Group strives to ensure that all employees enjoy fair treatment and equal opportunity. Workplace bullying and sexual harassment are prohibited, and both internal and external consultation windows are available.

Employment

With the aim of maintaining stable employment and expanding employment opportunities, the Achilles Group endeavors to implement systematic employment practices, and to provide equal opportunity with respect to employment.

● Number of employees (whole Group) *As of March 31, 2018

Male	1,375	Female	332	Total	1,707
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● Employee basic data (Achilles Corporation only)

*As of March 31, 2018

Average age	Men 41.1	Women 43.7	All 41.5
Average years of service	Men 19.2	Women 22.9	All 19.8
Average annual income	Approximately 5.9 million yen		

● Managerial talent (Achilles Corporation only)

*As of June 28, 2018

Executive officers (including managing executive officers)	Men 25	Women 1	Total 26
Departmental managers	Men 43	Women 0	Total 43
Section managers	Men 207	Women 4	Total 211

● **System for the re-employment of employees who have reached retirement age (Achilles Corporation only)**

*As of March 31, 2018

No. of persons using the system as of FY 2017	126
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Protection of Personal Information

The Achilles Group has formulated Personal Information Management Rules, the "Management of Employees' Personal Information" section of which has also been issued as a separate document governing the safeguarding and management of employees' personal data. Internal company systems incorporate multiple levels of security for the protection of employees' personal information, with restrictions on which personnel can access such information.

Employee Welfare

Achilles provides support to help employees maintain a stable lifestyle through the provision of dormitories for single employees and company housing etc. at each manufacturing site, and through the establishment of an employee shareholding system, etc. In addition, to help employees balance their work and family responsibilities in today's era of smaller families and an aging population, we have put in place a childcare leave and nursing care leave system, etc.

● **Childcare leave system (Achilles Corporation only)**

No. of employees using the system in FY 2017	Men 0	Women 9	Total 9
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● **Nursing care leave system (Achilles Corporation only)**

No. of employees using the system in FY 2017	0
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● **Average total hours worked per employee per year (Achilles Corporation only)**

Average hours worked in FY 2017	1,984.5 hours
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● **Average no. of days of paid leave taken per year (Achilles Corporation only)**

Average no. of days of paid leave taken in FY 2017	9.9 days (54.4% of leave entitlement)
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Dormitory for single employees (Head Office)

Labor Unions

Labor-management relations

Achilles Corporation has two labor unions: the Achilles Labor Union and Achilles Head Office Labor Union. Working together on a basis of mutual trust between labor and management, we aim to realize smooth communication between labor and management and implement measures through labor-management coordination, in line with our basic policy of helping to maintain and enhance employees' living standards while at the same time contributing to the company's continued development in line with the company's overall strategy.

The Achilles Labor Union has a total of 843* members, who are employees (not including executive officers and managers) working in the company's manufacturing divisions. The Achilles Head Office Labor Union has a total of 253* members, who are employees (not including executive officers and managers) working in the company's sales divisions.

*Data correct as of July 1, 2018.

Meetings with the labor unions

Besides holding scheduled operational coordination meetings with the labor unions three times a year (in May, September, and November) in relation to the twice-yearly meetings regarding salaries and bonuses, Achilles also holds labor-management meetings in regard to changes in working conditions such as changes to personnel systems and to the content of employee welfare provision, and in regard to the establishment of new systems etc., to build consensus prior to implementation. In addition, matters relating to health and safety, environmental issues, qualification systems, re-employment etc. are discussed by labor and management in committees, with the aim of ensuring that the company operates fairly and appropriately.

[Main labor-management meetings]

Operational coordination meeting (three times a year)

Head Office labor-management meeting (held as needed, in principle once a month)

Branch Office labor-management meeting (held as needed, in principle once a month)

Branch meetings (held as needed)

Events organized jointly by labor and management

Achilles seeks to foster closer exchange between labor and management through the holding of special events jointly organized by labor and management that help to enhance employees' health and fitness or strengthen communication, etc. A softball competition and bowling competition are held on a regular basis to welcome new employees, providing an opportunity for communication that can strengthen the friendly relations between employees across departments.

Human Resource Development

In order to survive in today's fiercely competitive social environment, it is vitally important to strive to enhance individual employees' human potential, so that the organization as a whole will continue to create new corporate value. To realize this goal, Achilles adopts a proactive approach to human resource development. While working to strengthen the performance of people (as management resources), we are also working to invigorate the organization as a whole by linking the achievements of individual employees with the achievements of the company, and endeavoring to build a working environment in which employees can work happily and maximize their capabilities. The Achilles Group will continue to implement measures aimed at cultivating the potential of individual employees and at building an organizational structure conducive to this process.

Basic Policy for Human Resource Development

1. Cultivate human talent that is capable of outlining a clear vision and demonstrating appropriate leadership to realize this vision.
2. Cultivate human talent that is capable of identifying problems that may affect the realization of the vision outlined by the organization's leaders and taking steps to solve these problems, while increasing the value-added generated by their work.

Human Resource Development System

Achilles' human resource development aims to cultivate leaders who possess the wide-ranging knowledge and experience needed to contribute to an ongoing enhancement of corporate value, as well as specialist expertise in multiple areas, so that Achilles can continue to be the kind of enterprise that society needs, in line with our Basic Policy for Human Resource Development.

On-the-job training (OJT)

OJT plays a fundamental role in Achilles' human talent cultivation. It involves setting operational targets in collaboration with the employee's supervisor, getting employees to challenge themselves to overcome problems, and providing timely review and feedback. Through effective communication, employees' awareness is heightened and their perspective broadened.

Off-the-job training (Off-JT)

Achilles makes use of Off-JT to help employees acquire the skills and specialist knowhow they require to fulfil their individual roles.



Cross-industry exchange training activity in progress (Tokyo Head Office)



Quality assurance training in progress (Ashikaga Factory)

Self-development (SD)

Achilles commends employees who demonstrate a willingness to strengthen their own capabilities, and has established a funding support system to help employees undertake training using distance learning. In this way, employees can upgrade their own capabilities by deciding which subjects are most important for them.

Education and training system (Achilles Corporation only)

	Executive officers	Business group managers	Department managers	Section managers	All employees	New employees
Manager cultivation						
Global training						
Managerial position training						
Grade-specific training						
Compliance training						
Specialist training						
OJT support						
Self-development						

Main Off-JT programs in FY 2017

Training Field	No. of Training Sessions	No. of Participants
Manager cultivation training	35 sessions	604 employees
Global training	22 sessions	532 employees
Managerial position training	12 sessions	178 employees
General training (of which, initial training for new employees)	40 sessions (5 sessions)	430 employees (125 employees)
Compliance training*	5 sessions	2,798 employees
Specialist skill enhancement training	24 sessions	243 employees
Communication training	1 session	179 employees
Health and safety training	10 sessions	254 employees
Disaster response training	2 sessions	48 employees

*The figures given for compliance training are for all Achilles Group personnel within Japan. Other data is for Achilles Corporation personnel only. The figures given for the number of participants are the sum total of participants in all sessions.

Working Together with Local Communities

Measures Implemented as Part of the Local Community

The Achilles Group positions communication with local communities and social contribution activities as an important focus of its CSR efforts, and implements measures that contribute to local development. In the districts where Achilles has business locations, we provide plant visits and training opportunities for local educational institutions, as well as providing opportunities to participate in disaster preparedness drills, and we also provide sponsorship for a wide range of local events, collaborating with local organizations to help revitalize the local community.

“Yamagata Taiyo to Mori no Kai” credits [Yamagata Prefecture]

Yamagata Prefecture has secured J-Credit* scheme certification for a program whereby the greenhouse gas emission reductions realized through the installation of photovoltaic power generation equipment and wood biomass boilers at homes etc. belonging to Yamagata residents are consolidated and sold by auction to business enterprises etc. as part of an emissions trading system. The Achilles Group has a business location in Yamagata Prefecture; as part of our efforts

to contribute to the local community and to reduce CO₂ emissions, we participated in the FY 2017 credit auction and purchased credits equivalent to 320 t-CO₂. The purchased credits have been deducted from the Achilles Group's total CO₂ emissions deriving from our business activities, as noted elsewhere in this report.

*J-Credit scheme: This is a program where reductions in CO₂ emissions achieved through the adoption of renewable energy equipment etc. are certified by the government; this certification makes it possible to use these reductions in market transactions. The unit used to measure emissions reductions is t-CO₂.

Contract signing ceremony at the Yamagata Prefectural Government Offices (Yamagata City, Yamagata Prefecture)
Yamagata Prefectural Governor Mieko Yoshimura (right) with Achilles Corporation President and Representative Director Mamoru Ito (left)
(Photo courtesy of Yamagata Prefectural Government Environment and Energy Department)



Morioka Kitakami River Gum-Boat Race [Iwate Prefecture]

The 41st Morioka Kitakami River Gum-Boat Race was scheduled to be held on July 23, 2017; however, because there was no sign of the weather improving, the organizing committee's secretariat made the decision to cancel the event on the morning of the Race.

The Morioka Kitakami River Gum-Boat Race is a large-scale event that holds a Guinness World Record for the number of boats completing the course each year and for the number of participants. As an event that contributes to the local economy while also giving participants the opportunity to experience beautiful natural scenery, the Race has been supported by Achilles and also by many other organizations and individuals.

IRF World Rafting Championship Japan [Tokushima Prefecture]

Japan's first IRF World Rafting Championship event was held on the Yoshino River in the area around Miyoshi, Tokushima Prefecture.

A total of 71 teams from 22 countries took part, with all teams competing to demonstrate their rafting skills while using the same official event rafts, made by Achilles. Achilles developed this boat design, which was optimized for rafting through rapids, over a period of more than one year in collaboration with the Japanese national team. In addition, during the Championship, Achilles provided raft maintenance support.

There were eight sections based on age. Japanese competitors won Gold in the Men's Masters section and Women's Open section, and also won many other medals across the different sections. Achilles' race model raft design won high praise from the overseas teams taking part in the Competition. We will continue to develop and improve this design with the aim of having it adopted for competitions in other parts of the world.



IRF World Rafting Championship Japan 2017 (Miyoshi, Tokushima Prefecture)

Ashikaga Fireworks Festival [Tochigi Prefecture]

The 103rd Ashikaga Fireworks Festival, organized by the Ashikaga Chamber of Commerce and Industry, was held on August 5, 2017. As a local enterprise, the Achilles Group provided sponsorship for the Festival. This is a historic fireworks event that was first held in 1903, and which attracts around 300,000 visitors every year. This year, a total of around 20,000 fireworks were launched, with the visitors loudly applauding the spectacular show in which the night sky was bathed in bright colors.



The 103rd Ashikaga Fireworks Festival
(Photos courtesy of the Ashikaga Chamber of Commerce and Industry)

“Sokuiku” (“Foot Education”) Activities [Tokyo and Kanagawa Prefecture]

From 13:00 to 17:00 in the afternoon on Tuesdays, Wednesdays, Thursdays and Fridays, “Sokuiku” (“Foot Education”) consultation sessions are held in the showroom at Achilles' Head Office (reservations required). “Sokuiku” activities are also held at major shopping centers throughout Japan, and Achilles can also arrange to give visiting sessions at elementary schools etc. (these can be booked on the Achilles website), showing people how to choose shoes that are right for their feet, the right way to put shoes on, etc.

Achilles also organizes the Syunsoku Challenge event for kindergartens and elementary schools, the aim of which is to help children discover the joy of running and provide an opportunity for parents and children to take part in an enjoyable activity together. This is an event in which participants run around the curved section of a running track. Funds raised through the event are donated to the U.N.'s WFP*; for every participant, Achilles donates an amount equivalent to the cost of one day's food (30 yen), which is used to provide food for schools attended by children in developing nations.

*WFP: This is the abbreviation for the United Nations World Food Programme. This U.N. agency fosters economic and social development by providing food aid for countries that are suffering food shortages and providing emergency aid for countries affected by natural disasters, etc.



“Sokuiku” (“Foot Education”) consultation session at the showroom at Achilles' Head Office (Shinjuku-ku, Tokyo)



“Sokuiku” (“Foot Education”) consultation session at the Ito-Yokado Grand Tree Musashi Kosugi supermarket (Kawasaki City, Kanagawa Prefecture)



Race in progress at the 6th Syunsoku Challenge 2018 event (Shinagawa-ku and Ota-ku, Tokyo)

Clean Challenge [Tochigi Prefecture]

Achilles' Ashikaga Factory carries out regular street-cleaning activities in the area near the Factory.



Street-cleaning activity in progress near the Ashikaga Factory (Ashikaga City, Tochigi Prefecture)



Management

Achilles' basic policy in regard to management emphasizes putting into practice our company's corporate philosophy—"Based on our commitment to putting customers first, we contribute to realizing an affluent society by creating products and providing services that satisfy and inspire our customers"—as well as the sustainable enhancement of corporate value, so that we can demonstrate the worth of our existence to all stakeholders, including our shareholders, and show ourselves to be a company that is responsive to shareholders' demands. To realize this management strategy, there are several key issues that need to be addressed: making management as efficient as possible, making managerial decision-making as speedy as possible, and ensuring the fairness and transparency of management activities, as well as strengthening the check function of management. In order to enhance the fairness and transparency of management, besides striving to implement proactive, timely disclosure, we also endeavor to implement wide-ranging information disclosure, for example by using the Internet to disclose financial information, etc.

Corporate Governance

Corporate Governance System

Achilles' Board of Directors monitors the implementation status of business operations. In regard to implementation, the company aims to ensure efficient management by delegating authority to the directors and divisional managers with responsibility for individual departments.

In addition, two external directors exercise a management oversight function by attending meetings of the Board of Directors while maintaining an objective, neutral perspective, and two external auditors (one of whom is female) also attend Board meetings, where they check on the appropriateness and legality of the Board's decision-making from an external perspective, thereby ensuring that the management oversight function operates effectively.

*The system outlined above came into effect following a decision made at the General Meeting of Shareholders held on June 28, 2018 to appoint one additional external director and reduce the number of Audit and Supervisory Board members by one.

Board of Directors

The Board of Directors undertakes evaluation and decision-making in relation to the company's basic policy, regulatory requirements, and other important managerial issues; the Board also supervises operational implementation status.

Management Committee

To help realize speedy decision-making and operational efficiency, the Management Committee undertakes evaluation of matters entrusted to it by the Board of Directors, and also undertakes evaluation and decision-making in relation to specific implementation strategies based on the policy decided on by the Board and the implementation of other important tasks relating to management.

The Audit & Supervisory Board, internal auditing and accounting audit

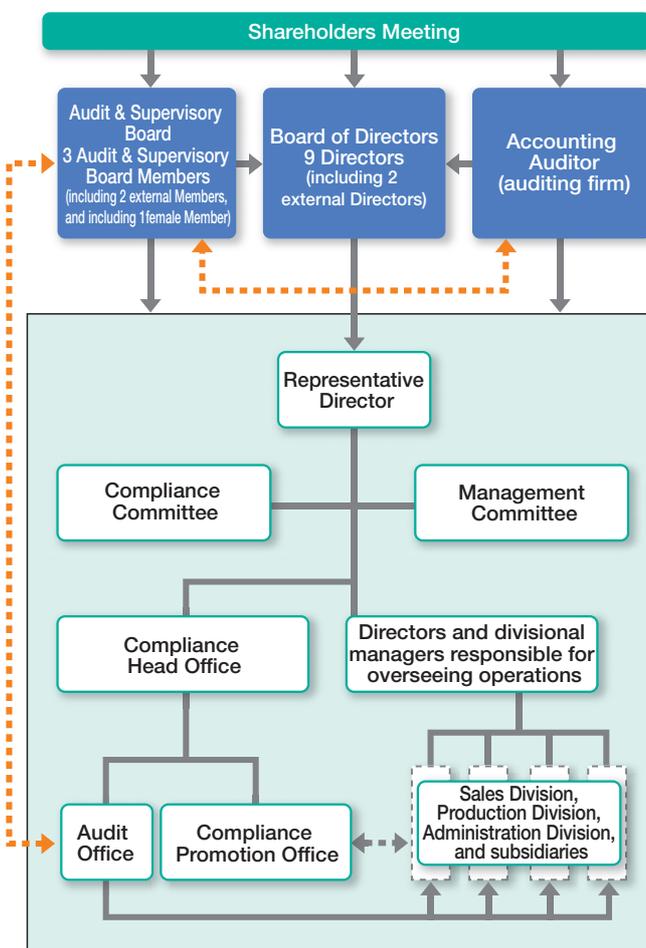
The Audit & Supervisory Board has 3 Members, including 2 external Members. Each Member follows the auditing policy and division of responsibility laid down by the Board, supervising the Directors' performance of their duties by attending meetings of the Board of Directors, examining circular approval letters and other important documents, visiting business locations (including subsidiaries), etc. The internal Audit Office verifies compliance status both periodically and as needed. The Audit Office also strives to maintain close liaison with the Members of the Audit & Supervisory Board, collaborating with the Board Members to ensure effective implementation of auditing operations by Members.

For the accounting audit (external audit), Achilles has appointed Deloitte Touche Tohmatsu LLC to implement auditing. An audit report meeting is held at which the Members of the Audit & Supervisory Board receive a presentation from the accounting auditor on the state of audit implementation and the audit implementation results, and at which the accounting auditor offers advice regarding issues relating to accounting and internal controls.

Internal controls system

Achilles has formulated an Internal Controls Basic Policy, which outlines the systems used for ensuring that Directors carry out their duties in compliance with relevant laws and regulations and with the company's Articles of Incorporation, and the system for ensuring that both Achilles Corporation and the business group formed by Achilles Group and its subsidiaries carry out their business activities appropriately. In accordance with the Internal Controls Basic Policy, regarding the internal controls relating to the financial statements stipulated by the Financial Instruments and Exchange Act, the preparation and utilization of these internal controls by Achilles Corporation and its consolidated affiliates is assessed, and the assessment results are presented in the Internal Controls Report.

Corporate governance system



Compliance

Basic Approach

The Achilles Group has formulated a Charter of Corporate Behavior, which embodies the fundamental principles for corporate action that realizes compliance and respects corporate ethics, and has also formulated a Code of Conduct that specifies concrete standards in relation to the above. All Achilles personnel – including executive officers and contract and part-time workers – are required to understand the Charter of Corporate Behavior and to comply with the Code of Conduct.

Charter of Corporate Behavior

The Achilles Group aims to be a highly trusted enterprise that contributes towards the building of a prosperous, harmonious society through the ongoing creation of new value. In accordance with the principles outlined below, the Achilles Group will fulfil its corporate social responsibility by continuing to respect human rights and comply with both the letter and the spirit of relevant laws and regulations and international rules, both within and outside Japan, aiming at the creation of a sustainable society and maintaining high ethical standards.

1. We will strive to keep our finger on the pulse of market and customer needs, providing customers with real satisfaction and winning their trust through the development and provision of products and services that embody superior safety, quality and reliability.
2. We will engage in fair, transparent, free competition and appropriate transactions, and we will maintain a healthy, normal relationship with government and administrative bodies.
3. We will engage in communication with our stakeholders and with society as a whole, disclosing corporate information proactively and fairly. Besides implementing appropriate safeguarding and management of our own information, intellectual property and assets, we will also implement appropriate safeguarding and management of the personal data, customer information and other types of information that are entrusted to us.
4. We will respect employees' diversity and their individual characters and personalities, and we will ensure that employees have a safe, convenient, healthy working environment in which they can work easily and enjoy a non-stressful, fulfilling working life.
5. Recognizing that the need to take measures to address environmental issues is a matter of shared concern for all of humanity, we will position environmental matters as being vitally important for the company's continued existence and its activities, and we will proactively implement activities aimed at reducing our environmental footprint.
6. We will fulfil our responsibilities as a good corporate citizen within the local community, implementing social contribution activities and striving to help create a prosperous, happy society.
7. We will remain resolutely opposed to anti-social forces and groups that threaten the order and safety of civil society, and will have no relations whatsoever with such forces and groups.
8. We will respond to the globalization of business activities by respecting the laws of all countries and regions and respecting international rules, including those relating to human rights. In carrying out our business activities, we will give due consideration to local cultures and traditions, and to the concerns of our stakeholders.

The Achilles Group's executive officers recognize their responsibility to embody the spirit of this Charter in their own actions, and to ensure through implementation of the Charter by setting a good example. They will listen carefully to the views of both internal and external stakeholders, and will put in place and utilize effective internal systems.

In the event of there being any violation of this Charter, senior management will clarify, both internally and externally, their stance in regard to resolving the issue, and will determine the reasons for the problems, strive to prevent recurrence, and implement appropriate corrective measures.

Compliance Promotion Activities

The main compliance promotion activities implemented in FY 2017 were as follows:

- ① Implementation of compliance training:
 - Topic: "Contracts (Maintenance of Confidentiality, Intellectual Property, Contract Scope and Management, etc.)"
 - Topic: "The Antimonopoly Act (Cartels etc.)"
 - Topic: "Enhancing Communication Quality"
- ② Implementation of risk surveys based on employee questionnaires.



Compliance training at Head Office (Tokyo)

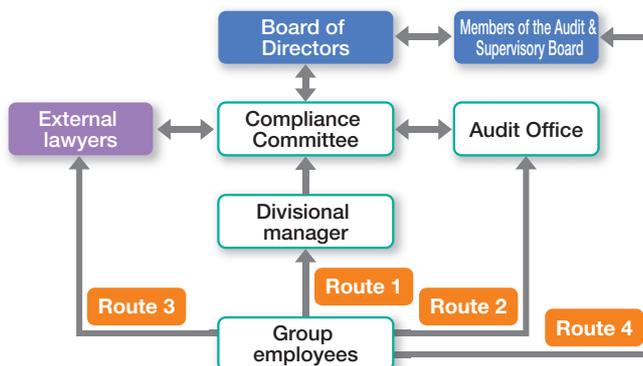
- ③ Other necessary adjustments to rules made in response to revision of relevant laws etc., and making employees aware of these adjustments.

Reporting and Consultation System

The Achilles Group has established, and utilizes, a hotline (internal reporting system) as a means for consultation and reporting in the event of improper, unlawful or unethical action by an organization or individual, or action that violates the Achilles Action Guidelines, or where it is determined that there is a danger of such action. In regard to matters relating to the Achilles Group's directors or senior managers, several contact windows have been put in place, including a window for reporting directly to the Members of the Audit & Supervisory Board; in this way, Achilles endeavors to ensure that any unlawful behavior is discovered and remedied at an early stage, thereby minimizing the risk to the company. Furthermore, internal rules have been put in place to ensure that persons who report improper behavior do not suffer any adverse consequences. Besides the hotline, Achilles also implements internal questionnaire surveys on an occasional basis, and four other contact windows have been established throughout Japan to provide consultation for employees.

Regarding any violations of human rights that may come to light through the operation of the hotline, the other contact windows or the occasional questionnaire surveys, such matters will be discussed at the periodic meetings of the Compliance Committee, and appropriate measures taken.

Hotline framework



CSR Management

CSR Basic Policy

Through dialog with stakeholders as a member of society, the Achilles Group strives to expand its activities aimed at helping to solve social problems, and contributes to the sustainable development of society.

In line with this policy, the Achilles Group carries out its business activities while positioning seven issues as the Achilles Key CSR Themes.

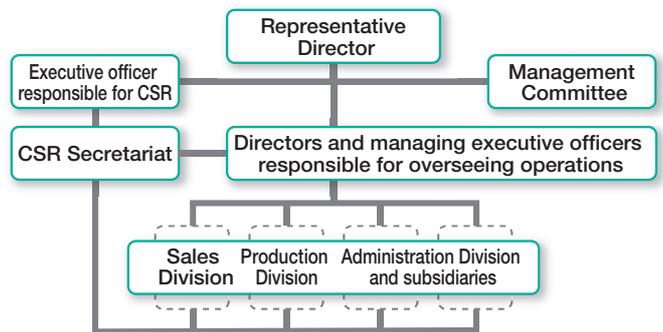
CSR Promotion System

Achilles positions the realization of our corporate philosophy — Living with Society = Customer First — as our CSR strategy; the executive officer responsible for CSR provides support so that the directors and managing executive officers responsible for operational matters can play a leading role in implementing activities that contribute to the realization of this corporate philosophy. The Compliance Promotion Office and the Safety and Environment Promotion Department function as the CSR Secretariat, providing support for CSR activities and compiling related reports.



CSR seminar for managers in progress at Achilles' Head Office (Tokyo)

CSR promotion system framework



Achilles' Stakeholders

Main Stakeholders	The Achilles Group's Main Responsibilities and Challenges	Main Opportunities for Dialog and Disclosure
Customers	<ul style="list-style-type: none"> ●Enhancing customer satisfaction ●Providing products and services that can be used safely and with peace of mind ●Providing appropriate information regarding product use etc. ●Responding promptly and appropriately to customers' inquiries ●Implementing appropriate management of customers' personal information 	<ul style="list-style-type: none"> ●Day-to-day operations (on an ongoing basis) ●Customer Consultation Office (handling telephone calls and e-mail inquiries) (on an ongoing basis, during business hours) ●Company website (on an ongoing basis) ●Special events (including exhibitions etc.) (on an occasional basis) ●“Sokuiku” consultation sessions ●“Sokuiku” consultation room (foot measurement and visiting sessions)  Achilles' website  The “Sokuiku” consultation room in the Head Office showroom (Shinjuku-ku, Tokyo)
Shareholders and Investors	<ul style="list-style-type: none"> ●Timely and appropriate disclosure ●Enhancement of corporate value ●Respect for voting rights (in relation to the shareholders meeting) ●Investor relations activities 	<ul style="list-style-type: none"> ●Company website (on an ongoing basis) ●Issuing of earnings briefings (four times a year) ●Issuing of quarterly reports (four times a year) and the annual report ●Issuing of reports to shareholders (twice a year) ●Holding of the annual general meeting of shareholders (once a year) ●Issuing of the “Achilles CSR” CSR report (once a year)  “Achilles CSR” report
Suppliers	<ul style="list-style-type: none"> ●Fair and equitable transactions ●Open transaction opportunities ●Requesting collaboration on, and providing support for, CSR promotion ●Appropriate provision of information 	<ul style="list-style-type: none"> ●Day-to-day procurement activities (on an ongoing basis) ●Special events (including exhibitions etc.) (on an occasional basis) ●Information exchange meetings (on an occasional basis) ●CSR procurement questionnaire surveys  A scene from the “Achilles THE NEXT” event (Shinjuku-ku, Tokyo)
Employees	<ul style="list-style-type: none"> ●Respect for human rights ●Concern for occupational health and safety ●Promoting work-life balance ●Mutual trust between labor and management 	<ul style="list-style-type: none"> ●Labor-management meetings (on an occasional basis) ●Direct communication from senior management (on an occasional basis) ●Off-the-job training (on an occasional basis) ●Seminars (on an occasional basis) ●Internal newsletter  Achilles' internal newspaper
Local communities	<ul style="list-style-type: none"> ●Respect for local cultures and local traditions ●Prevention of workplace accidents and disasters ●Activities that make a positive contribution to the local community ●Reducing the environmental footprint ●Compliance with laws and regulations ●Payment of taxes 	<ul style="list-style-type: none"> ●Implementation of factory visits (on an occasional basis) ●Implementation of social contribution activities (including volunteering activities) (on an occasional basis) ●Communication and exchange of views with local government authorities (on an occasional basis) ●Responding to requests for meetings, and providing information (on an occasional basis) ●Implementation of dialog, coordination and support through collaboration etc. between industry, universities and government (on an occasional basis)  CO ₂ emissions reduction carbon credit agreement signing ceremony (Yamagata Prefectural Government Offices)

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Inquiries

[Compliance Promotion Office]

Shinjuku Front Tower, 2-21-1 Kita-Shinjuku, Shinjuku-ku, Tokyo 169-8885, Japan

Tel: +81-3-5338-8232 Fax: +81-3-5338-8250

[Safety & Environment Promotion Office]

668 Kariyado-cho, Ashikaga, Tochigi 326-8511, Japan

Tel: +81-284-73-9148 Fax: +81-284-73-9854