

always with you... Achilles



Achilles CSR 2019

Detailed Report



Living with Society



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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, 2018–March 31, 2019

■ Publication date

Previous report: September 2018

This report: September 2019

Next report: September 2020 (planned)

*Published once a year

■ Referenced guidelines, regulations, and technical standards

ISO 26000 (social responsibility guidance)

ISO 14001 (environmental management system)

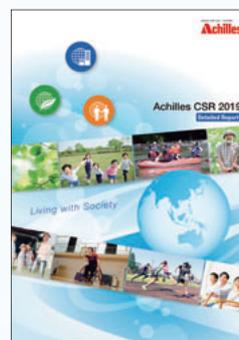
■ Editorial policy

The Achilles Group's corporate philosophy states, "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 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 in black ink that reads "Mamoru Ito". The signature is written in a cursive, flowing style.

I would like to consider the phrase “getting back to basics” from a fresh perspective. What got me thinking about this was the increase in the number of reports in the newspapers and on the TV news about cases of harassment and deliberate attempts to falsify quality data. In many cases, it seems as though the underlying factor is that people have ignored or disregarded the fact that they are closely connected to many other people, and have instead based their actions on a self-centered, egotistical approach, as well as the organizational culture that tolerates this kind of behavior.

What does “getting back to basics” mean for us at Achilles Corporation? Viewed in terms of returning to the spirit that underpinned the company’s founding, Achilles was established in the immediate post-war period as an enterprise dedicated to “creating the dream of a new kind of lifestyle.” The new company had only a handful of employees, but they worked together as one, driven by a powerful commitment to “enriching our customers’ lives,” and boldly taking up the challenge of building a new business. I believe that, for us at Achilles, it is this passionate enthusiasm that represents “getting back to basics.”

The Achilles Group’s corporate philosophy is “Living with Society” = “Customer First.” Reflecting this philosophy, the Achilles Group works together as one to be an enterprise that contributes to the solution of both societal problems and the problems affecting our individual customers. What is needed in order to address these kinds of problems is the pooling of the capabilities of every individual employee, and bringing the sum total of these capabilities to bear on the problems in the right way. Besides working to enhance our overall effectiveness, we will also be expanding the education and training provided for our employees so that every employee can strengthen their own capabilities and utilize them to maximum effect.

As a plastics manufacturer, Achilles is working to expand its R&D system, which is able to provide products that meet customers’ needs in their daily lives, in a timely manner. It is especially important for Achilles to undertake further development of environmentally friendly products and products that support recycling. In particular, with regard to the pollution of the oceans by plastic waste—a problem that needs to be addressed as a global issue—Achilles is focusing on developing new materials that provide the positive benefits of plastic but which can be safely returned to nature after use.

Next year will see the holding of the 2020 Tokyo Olympics and Paralympics. The Achilles Group will be taking advantage of this marvelous opportunity to showcase our products and services to the world, and everyone in the Group will be working to identify social trends and customer needs, both in Japan and worldwide, and proactively developing proposals for meeting these needs.

September 2019

Business Segments

Shoes Business Group

Shoes Business Division Shoes for kids, men, and women



Kids



Men



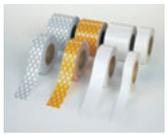
Women

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

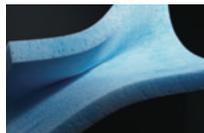


Rubberized Fabric and Marine Sales Department Emergency tents, inflatable boats, flexible couplings for residential drain pipes, etc.



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.

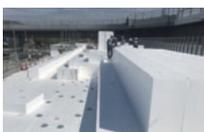


Industrial Materials Sales Department Anti-static products, reaction injection molding (RIM) products, etc.



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 1,677 (consolidated) *As of March 31, 2019
 Listed stock exchange First Section of the Tokyo Stock Exchange

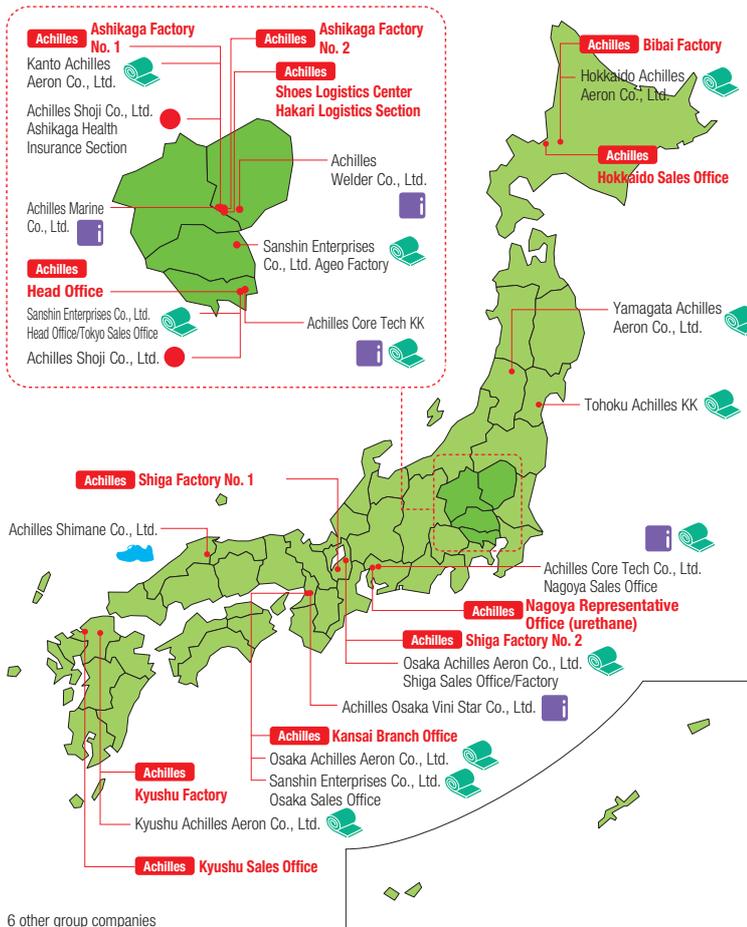
Head Office address Shinjuku Front Tower, 2-21-1 Kita-Shinjuku, Shinjuku-ku, Tokyo 169-8885, Japan
 Offices **[Sales offices]** Tokyo, Osaka, Hokkaido, Aichi (urethane), Fukuoka prefectures
[Production locations] Tochigi (3 locations), Shiga (2 locations), Hokkaido, Fukuoka prefectures
 *See the following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

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

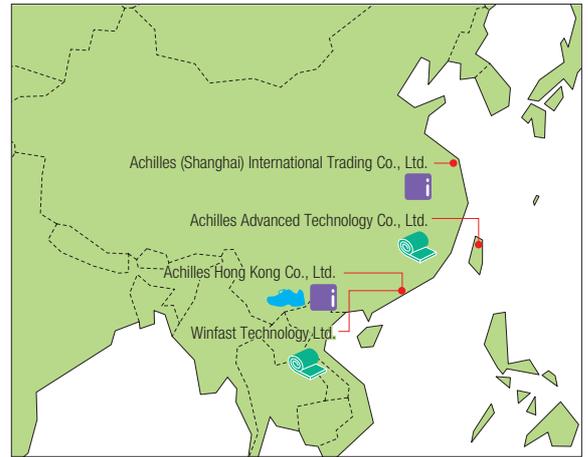
Business Locations

Achilles Achilles Corp. locations **Shoes** **Plastics** **Industrial Materials** **Others**

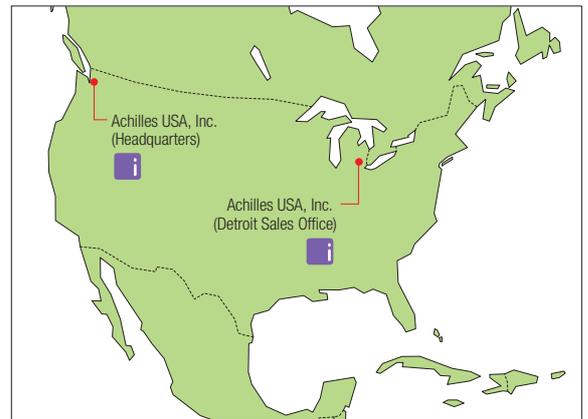
Japan



Asia

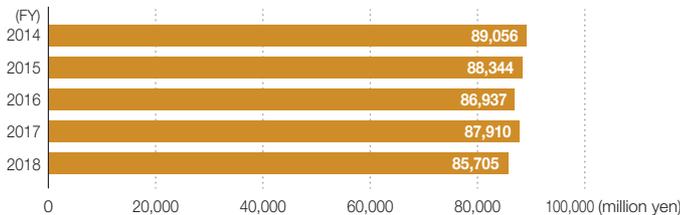


USA

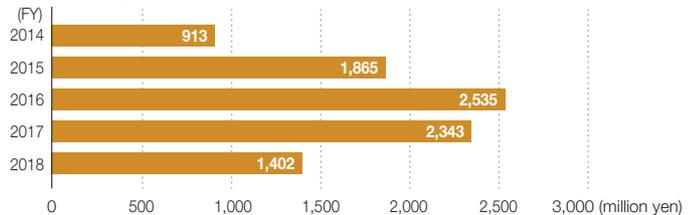


Consolidated Net Sales & Profit by Fiscal Year

Sales

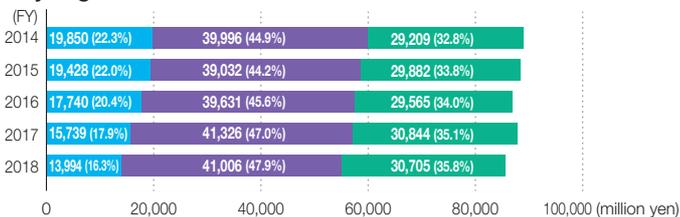


Operating income

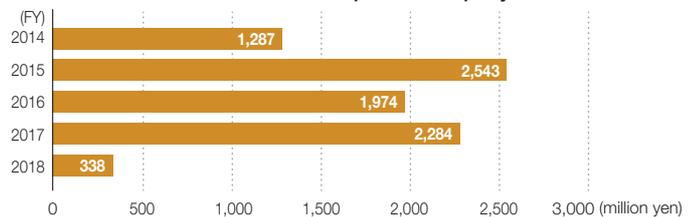


By segment

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, and 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 beside the Priority CSR Areas 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, which is the production and sales base for Achilles Group plastic products in North America, is working to reduce the amount of energy and money wasted when scrap is sold outside of the facility. We have set an ambitious goal of reducing outside sales of waste by 50% in FY 2019. This goal includes the green initiative to recycle more scrap material in-house by using a new pelletizing machine that will convert PVC and PP scrap rolls into pellets. The top priority is to use the recycled pellets in the original product, but the pellets can also be used in other products (see recycling pyramid). Reusing scrap material will reduce costs for existing products and help use less raw materials, reducing Achilles USA's environmental footprint.



The Achilles USA, Inc. project team members and the new pelletizing machine (Washington State, USA)



Before processing (scrap)



After processing (pellets)

Hong Kong

Initiatives at Achilles Hong Kong Co., Ltd.



Achilles Hong Kong is the Achilles Group sales base in Hong Kong, and is mainly engaged in the sale of Achilles shoe products. Achilles' Syunsoku shoes are a popular children's shoe brand in Hong Kong, and in line with the brand value proposition, Achilles has been implementing awareness-raising activities in Hong Kong to help people learn how to choose the right shoes.

Every year, Achilles Hong Kong provides sponsorship for the Balance Bike Charity Carnival organized by Haven of Hope, which runs several special education facilities in Hong Kong. The funds received from sponsoring firms are used for the organizing of the Balance Bike Charity Carnival event, and also to help with the running of the special education facilities.



Donation of Achilles sponsorship funding to a special education facility (Hong Kong)



Poster advertising the Balance Bike Charity Carnival

China

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



On September 14, 2018, Achilles (Shanghai) International Trading in cooperation with the volunteer organization Friend and the Shanghai running club TARC, donated 470 pairs of Achilles Syunsoku shoes to students at elementary schools in impoverished districts in Yunnan Province. Achilles (Shanghai) International Trading also holds foot measurement events at Syunsoku sales floors in department stores in Shanghai to raise awareness for the proper way to select and wear shoes.



Presentation ceremony at an elementary school in an impoverished district (Yunnan Province, China)



Foot measurement event held at a Syunsoku sales outlet in a department store (Shanghai, China)

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 the company's main areas of activity is reducing plastic waste by reusing shipping cases for semiconductor silicon wafers. Taiwan enjoys a global reputation as a leading center for semiconductor manufacturing; silicon wafers from all over the world are transported to Taiwan for processing. Achilles Advanced Technology collects the wafer shipping cases that have been used to transport these silicon wafers, cleans them thoroughly in the company's clean room facilities, and then makes them available for reuse by companies in semiconductor-related businesses all over the world. Achilles is now collecting used wafer shipping cases not only in Taiwan, but in a total of three countries, and the collected cases are being supplied for reuse by customers in five different countries, creating a reuse network that is global in scope. These efforts made it possible to reduce the amount of plastic waste generated annually by around 240 tons in 2018.



Wafer shipping cases being thoroughly cleaned in Achilles' clean room facility

Comprehensive exhibition with a view to creating value through collaboration with customers and business partners

Achilles THE NEXT 2018

The Achilles THE NEXT Materials and Product Exhibition 2018 (hereinafter ATN2018) is an exhibition showcasing the entire Achilles group. The aim of the exhibition is to obtain a deeper understanding among our customers and business partners about the source of our value creation to create new value, and to engage in broadminded dialogue with our customers and business partners.

Purpose of the Exhibition

To strengthen partnerships with visitors with a view to putting our corporate philosophy into practice

By implementing our corporate philosophy, “Living with Society”=“Customer First,” the Achilles Group aims to contribute to a better, more abundant society. At the Achilles Group we believe that it is important to listen to the opinions of wide-ranging stakeholders and continue to respond to requests concerning the value that our group should provide to society. By creating value that is meaningful to society not only as the Achilles Group but also as our entire value chain, we believe that we can take this value creation to the next level. This exhibition is an ideal opportunity for us to do so.

This is the fifth time the exhibition has been held since

its debut in 2013. The theme of this year’s exhibition was “Seizing the ever-changing future—what plastics can do for society.” We presented product groups exploring a variety of combinations of core technologies, materials and partner companies. This enabled us to obtain valuable opinions from customers in wide-ranging sectors with regard to the new value evident in these combinations.

In a bid to achieve an abundant society, we will strive to continue to create new value, based on the opinions received from visitors and business partners.

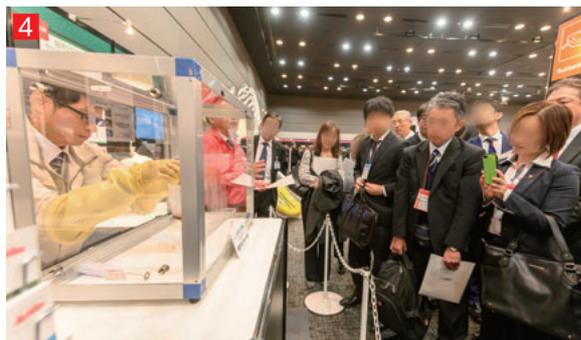
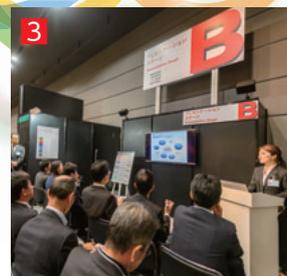
Achilles **THE NEXT**
みなさまと、ともに。

Dates: November 20 and 21, 2018

Venue: Bellesalle Shinjuku Grand

Theme: **Seize the ever-changing future—what plastics can do for society**

Materials and Products Exhibition 2018



1 “Electroconductive synthetic leather,” using electroconductive and vehicle interior materials technology, was positively received by many visitors. **2** As the venue opened, the reception space was crowded with many visitors. **3** The sight of visitors listening enthusiastically at the presentation stages installed at three locations within the venue left a deep impression. **4** The division exhibition area saw lively communication between booth staff and visitors, through interaction and demonstrations.

Nature of the Exhibition

To communicate the current state and future for our company and our challenge towards resolving issues that need to be addressed in society

At ATN2018, we presented our cutting-edge technologies and products through product exhibitions, demonstrations and presentations for each division. We also took up the

challenge of new initiatives such as an area presenting products of the future to resolve issues faced by society and interactive exhibits for visitors.

Close-Up1 | Special Exhibition: Achilles' challenge—combining technologies

The special exhibition, which was the main exhibition of ATN2018, was conducted on the theme: "Achilles' challenge—combining technologies." This special exhibition showcased a total of 23 products and technologies being developed by combining technologies in different divisions, bridging Achilles' technical fields and four issues faced by society. This exhibition was the most popular within ATN2018, and manufacturing with an awareness of the issues being faced by society and technical collaboration between divisions elicited interest and expectation among visitors.



Examples of products displayed

Creating comfortable living spaces

Static electricity/ electromagnetic waves

Rear-surface plated wallpaper

This product is being developed by the Floor and Wall Coverings Division, the Industrial Materials Sales Department and the Achilles Technical Center. We have been able to perform plating on wallpaper. This wallpaper can be used as a sensor which detects static electricity, and possibly in devices for retrieving static electricity as power in the future.



Enhancing medical and welfare facilities

Antibacterial/ antiviral technology

Antiviral tent

This product is being developed by our Rubberized Fabric and Marine Sales Department and Film Sales Department. Against the backdrop of heightened importance of disaster medical care in response to earthquakes, flooding and the like, our tents are provided with an antiviral function, and contribute to measures to counter viral infections.



Close-Up2 | Finale Exhibition: Maybe we can do it!

The Finale Exhibition established near the venue exit showcased employees' ideas for products for the future, in line with the theme "Maybe we can do it!" Visitors were asked to write down their ideas for products that could exist in an ideal world; these cards were then affixed to display boards. Some visitors requested discussions about concrete plans, and this display enabled us to foster two-way communications to create value through collaboration with customers and business partners.



Achievements

Relationships with visitors bring us one step closer to collaborative creation of value

ATN2018 was a great success, which was also evident in the responses to visitor questionnaires. We received favorable responses from the majority of visitors, heightened understanding of our technologies and products, and obtained a positive response to our stance towards manufacturing. Through dialog with visitors to the exhibition, Achilles' exhibition staff became aware of new ideas for future product and technical development. This exhibition has been the starting point for development of a number of products, and we will continue to practice this form of collaborative creation of value.

Opinions of visitors

* Extracted from visitor questionnaires

I could feel Achilles' enthusiasm to reinvent themselves as a new Achilles with new ideas.

The exhibition combining technology with issues faced by society was not only unique, but easy to understand.

I loved the approach of creating new value through projects combining general-purpose technologies.

This was a great exhibition, at which I could really feel Achilles' potential.

Achievements in Figures



No. of companies present

968 companies



No. of visitors

2,263 visitors



Favorable opinions*

94%

**Favorable opinions: 94% is the total of visitors who answered "Extremely useful (38.1%)" and "Useful (55.9%)" in response to question 8 in the visitor questionnaire "Please give us your opinion about this exhibition."

Initiatives of Achilles Technical Center

Plastic processing, the core technology of our business, is capable of freely transforming shape and function while making use of the characteristics of the materials. Here, we present the initiatives of the Achilles Technical Center, which uses this plastic-processing technology to develop products in a wide variety of fields while working closely with customers.

Research and Development Policy

We develop various products based on plastic-processing technology. In developing new products and technologies, our ideas are always based on our desire to provide our customers with excitement and surprise.

Key missions of the Achilles Technical Center are the creation of new value and markets, and the creation of ground-breaking technologies and products.

Core Technologies and Key Areas

Our plastic-processing technology uses **film-forming, foaming and molding** as core technologies, and we aim to develop various new products that contribute to solving issues faced by society using these technologies as a foundation.

Based on the internal resources of our company, the external environment that surrounds us, and our technological strength and know-how that are without peer, we have defined **health, the environment, and energy-saving as our three key areas**, and are focusing on these areas as themes to which effort should be devoted in the research and development process.



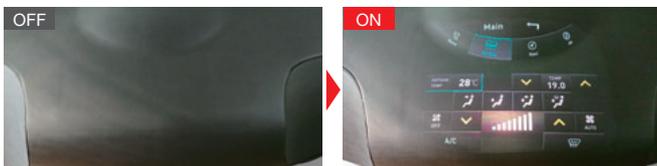
Laboratory at the Achilles Technical Center



Initiatives towards creating value through collaboration

Collaboration with other businesses

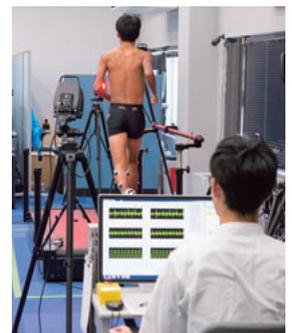
We actively implement joint development that combines our own technologies with technologies of other businesses. Collaborating with other businesses enables us to create products with high added value that did not previously exist. As an example, a Leather-Type 3-D Touchscreen can be achieved by combining a 3-D transparent electrode and light-permeable synthetic leather developed by us with the touch panel control technology of SMK Corporation.



Demo model of the Leather-Type 3-D Touchscreen
In the OFF state, the screen has a leather-like appearance, but in the ON state, the screen is transformed into a touch panel.

Cooperation with universities/research institutes

In order to create an even higher added value for our wide range of product groups, we are engaged in collaborative research, actively using core technologies of various universities and public research institutes. A wide variety of research themes range from basic research such as clarification of the principles of manifestation of physical properties and causes of deterioration, to applied research towards product development that supports the future of our company. Through collaborative research with a large number of universities and research institutes, we will continue to strengthen our research and development while actively incorporating outside knowledge.



Measuring performance during the development of new shoes

Development example

Through collaboration between our core technologies of film-forming, foaming, and molding, we are focusing on the three key areas of health, the environment and energy-saving to create a large number of products.



Medifoam

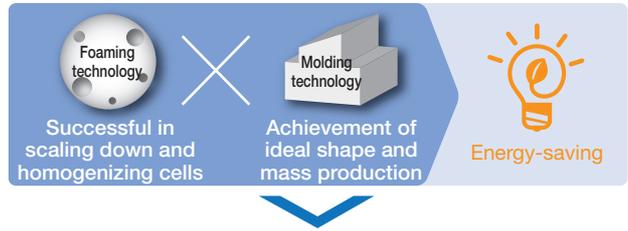
—A new concept: active-recovery running shoes



Achilles, which strives to continue to be a company that can contribute to the development of an affluent and comfortable society, uses health as one of its keywords in continuing to create new value. Achilles has spent three years achieving the product Medifoam. Medifoam is a running shoe that achieves advanced shock absorption, impact resistance, and durability using a new polyurethane midsole material developed by Achilles. The new concept of active-recovery running shoes supports runners in their continued enjoyment of running.



Hiroki Mori
Manager, Functional Materials Team, Applied R&D Group, Achilles Technical Center



Z1 Board

—Making the most of characteristics unique to Achilles to achieve industry-leading insulation performance*

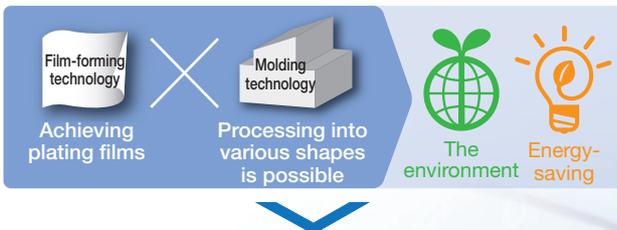


Z1 Board is a hard urethane foam insulator developed by making use of foaming technology unique to Achilles. Its biggest selling point is its industry-leading insulating performance* as a foamed plastic. Z1 Board also has excellent heat-shielding performance, which means it is widely used as an insulation material suitable for Japanese housing and construction where there are significant changes in temperatures due to the four seasons, and it also contributes to energy-efficient housing.



Yamato Koike
Heat Insulation Materials Team, Industrial Materials Development Unit, Achilles Technical Center

*Achilles survey based on comparison with commercially-available (as of January 31, 2019) insulating materials for construction use that have insulating mechanisms similar to conventional fiber-based insulation materials and foamed plastic insulation materials, excluding vacuum insulation materials.



Polypyrrole plating

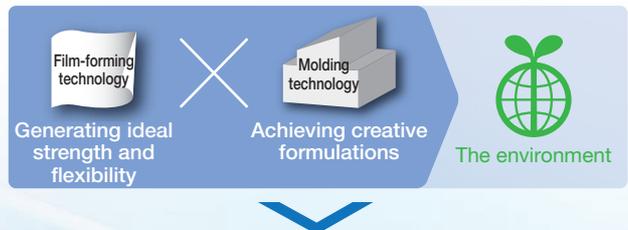
—Excellent flexibility, making possible application in a wide range of areas



Polypyrrole plating is an electroless plating technology commercialized as a result of development spanning more than ten years, starting in 2003. This is a technology created from the project STEP, which is an acronym for Surface finish Technology for Electroless Plating, named in-house. Polypyrrole plating has a lower environmental impact than conventional plating processes, contributes to energy-saving, and enables development of applications in a wide range of areas.



Hiroki Ashizawa
Deputy General Manager, Applied R&D Group, Achilles Technical Center



Bioflex Multi

—An eco-friendly, human-friendly biodegradable film that returns to nature



Bioflex Multi is a versatile biodegradable agricultural film developed using compounding technologies and film-forming technologies for eco-friendly biodegradable films. Bioflex Multi increases ground temperature and prevents weeds, and is broken down by microorganisms into water and carbon dioxide at the end of its life. The burden of film collection and disposal is therefore reduced, contributing to the achievement of a sustainable society.



Shuhei Fukuda
Section Manager, Functional Film Team, Applied R&D Group, Achilles Technical Center



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 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 FY 2018, we underwent

auditing in relation to the transition to ISO 14001:2015. We received 54 observations, but no non-conformances were noted, so we were able to update and maintain our ISO certification.

 **P15 ISO 14001: JUSE-EG-661 worksites registered in 2015 (July 2018 renewal and registration)**

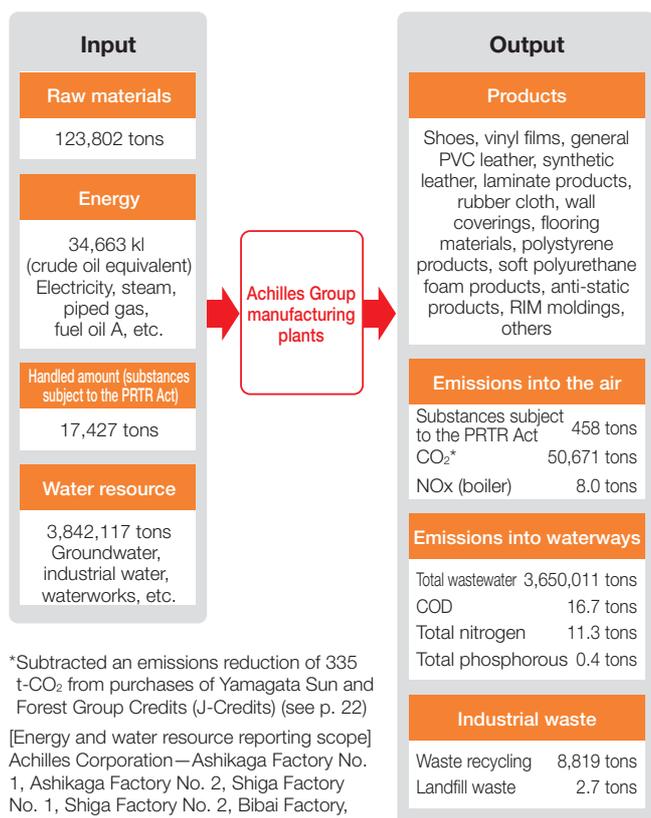
● Overview of FY 2018 activities results, targets for FY 2019 and beyond

Item	Target		FY 2018 result	Evaluation	Target for FY 2019 and beyond	Listed page
	Management item	Value				
Global warming prevention and energy conservation	Per-unit energy consumption	YoY comparison, 1% reduction	3.5% increase YoY	×	YoY comparison, 1% reduction	P.14
Complete zero emissions through 3R activities	Waste emission volume *Based on promoting 3R activities	YoY comparison, 3% reduction	4.4% increase YoY	×	FY 2017 comparison, 3% reduction	P.14
	Final waste disposal rate	Achieve less than 0.1% by FY 2020	0.03%	○	Achieve less than 0.1% by FY 2020	
Air pollution prevention of environmentally hazardous substances	Emissions of environmentally hazardous substances	FY 2010 comparison, 24% reduction (30% reduction compared with FY 2010 by FY 2020)	23.7% reduction	×	FY 2010 comparison, 27% reduction (30% reduction compared with FY 2010 by FY 2020)	P.15
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	0.23% reduction YoY	○	Less than the previous year’s results	—
	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 high-performance construction-use insulation materials	○	Promote product development and R&D with consideration for environmental impacts	P.9 P.10

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 335 t-CO₂ from purchases of Yamagata Sun and Forest Group Credits (J-Credits) (see p. 22)

[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 2018, there were no external complaints or other environment-related incidents. Although some small-scale environmental problems did occur, the impact did not extend beyond company facilities, and in each case the problem was handled appropriately within the facility and corrective action was taken.

In FY 2018, measured values for water quality, air quality, and noise at all worksites were within the standard values defined in all environment-related legislation.

Awareness-raising Activities

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

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

Environment-related information is also disseminated using our corporate intranet, thereby helping to spread awareness of the importance of environmental protection activities.

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 measurement 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 Co., Ltd. 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/Kouka 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 177 people participated in a drill conducted on October 4, 2018, including council members and local and prefectural authorities.



Training in stacking sandbags (for flood defense) adjacent to a water drainage channel (Shiga Prefecture)

Global Warming Countermeasures

Greenhouse Gas Emissions Reductions

Greenhouse gases emitted by the 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 2018, although we implemented activities that included adopting energy-saving equipment through proactive investment in environmental facilities and switching to non-fluorocarbon varieties of rigid urethane foam, because of increased energy usage resulting from increased production volume, our greenhouse gas emissions rose by approximately 1.6% compared with FY 2017.

*Not deducting 335 t-CO₂e from purchases of Yamagata Sun and Forest Group Credits (J-Credits) (see p. 22)

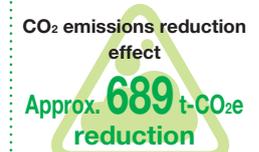
[Scope] Achilles Corporation—Ashikaga Factory No. 1, Ashikaga Factory No. 2, Shiga Factory No. 1, Shiga Factory No. 2, Bibai Factory, Kyushu Factory/Achilles Marine Co., Ltd./Achilles Welder Co., Ltd.



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 1,759,000 kWh of electricity in FY 2018, with a CO₂ emissions reduction effect of approximately 689 t-CO₂. This is equivalent to approximately 1.5% of our FY 2018 CO₂ emissions from energy use.



Environmental Conservation Activities in Logistics

Carbon dioxide reduction activities and emissions results

Our FY 2018 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%, and although there was an increase of approximately 2.4% in shipping ton-kilometers*² resulting from increased production, we were able to keep the increase in CO₂ emissions*³ down to only around 0.1%.

*¹ Shifting freight transportation from trucks to rail and ship. Larger amounts of freight can be shipped at once, making it possible to achieve reductions in CO₂ emissions.

*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)

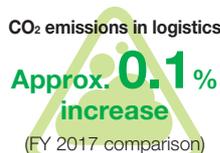


Achilles Corporation Shiga Factory No. 2 (2012 installation)



Achilles Corporation Shiga Factory No. 2 (2014 installation)

[Scope] ISO 14001:2015 registered worksites



Energy Conservation

Energy Conservation Activities

We at the 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 2.2% (600 kl/year) in FY 2018 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.

**Energy consumption
(crude oil equivalent)**
Approx. 2.2%
increase
(FY 2017 comparison)

Per-unit energy consumption

In FY 2018, 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 2017. Due to changes in our product mix and increased small-lot production, however, our energy consumption increased by approximately 3.5% compared with FY 2017, 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

**Per-unit energy
consumption**
Approx. 3.5%
increase
(FY 2017 comparison)

Decrease in energy consumption by improving and installing facilities

In FY 2018, we took steps to reduce our energy consumption, including replacing equipment with higher efficiency equipment, replacing boilers, operating existing facilities more efficiently, and switching to LED lights.

[Scope] ISO 14001:2015 registered worksites

**Energy consumption
reduction effect
from improving and
installing facilities**
Approx. 234kl
decrease
(crude oil equivalent)

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 2018, although we set the target of a 3% reduction in generated waste compared with FY 2017, we did not achieve our goal as a result of our activities, and our waste increased approximately 359 tons (approx. 4.4%). 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.

**“Waste and other materials” includes industrial waste and recycled materials.

[Scope] ISO 14001:2015 registered worksites

**Total volume of generated
waste and other materials**
Approx. 359 ton
Approx. 4.4%
increase
(FY 2017 comparison)

Final Disposal Volume

In FY 2018, 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 approximately 0.03% (approx. 2.7 tons), achieving complete zero emissions again following FY 2017 (0.03% 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

Final disposal rate
Approx. 0.03%
(FY 2018 result)

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 2018 our annual emissions of Class I Designated Chemical Substances under the PRTR Act came to 443 tons (34.9% reduction compared with FY 2010), and our annual transfer volume came to 250 tons (35.9% increase compared with FY 2010). Our annual combined emissions and transfer volume was 693 tons (20.0% reduction compared with FY2010).

[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. 20% 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 2018, we reduced our atmospheric emissions of VOCs by 23.7%, but did not meet our target of a 24% reduction compared with FY 2010.

*Volatile Organic Compound: Organic compound 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. 24% 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 thoroughgoing 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 Group 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 undertake 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 Corporation 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 risk assessment of operations, equipment, and chemical substances, and implement improvements based on the results of these assessments, with the aim of realizing meaningful safety.



Health and safety education for forklift operators (Ashikaga Factory)

Percentage of employees who are members of health and safety committees

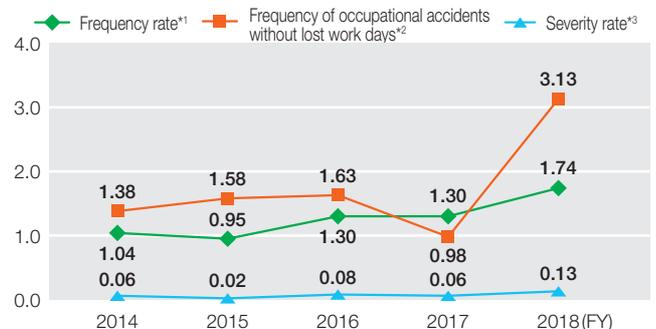
Business location	No. of health and safety committee members (persons)	No. of employees (persons)	Health and safety committee members as percentage of all employees (%)
Head Office	11	292	3.8
Kansai Branch Office	6	79	7.6
Ashikaga Factory No. 1	19	571	3.3
Ashikaga Factory No. 2	16	267	6.0
Shoes Logistics Center – Hakari Logistics Section	7	54	13.0
Shiga Factory No. 1	12	94	12.8
Shiga Factory No. 2	14	121	11.6
Total	85	1,478	5.8

*As of March 31, 2019

Occupational accidents

The incidence of occupational accidents at Achilles Corporation in FY 2018 is shown below. For manufacturing firms in Japan (including only firms with at least 1,000 employees) in FY 2018, the average occupational accident frequency rate was 0.29, and the average occupational accident severity rate was 0.03; the corresponding figures for Achilles Corporation were 1.74 and 0.13 respectively.

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



*1 Indicator denoting the frequency of occupational accidents (with lost work days) involving injury or death
Occupational accident frequency rate = No. of occupational accident deaths or injuries/Total no. of hours worked × 1,000,000

*2 Indicator denoting the frequency of occupational accidents (without lost work days) involving injury
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 Indicator denoting the frequency of occupational accidents (all types)
Occupational accident severity rate = Total no. of work days lost due to occupational accidents/Total no. of hours worked × 1,000

Health management

Achilles Corporation 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 Group 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 Group's ethos of developing together with society for mutual benefit.

Achilles Group 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 Corporation 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 Corporation's Head Office and Kansai Branch Office at least once a year). In FY 2018, 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, checking whether employees were safe, and the rescue and treatment of injured persons, etc. There was also a smoke experience training activity, held in collaboration with the local fire department.

CPR seminars

In FY 2018, CPR seminars (mouth-to-mouth resuscitation, 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, etc.

Achilles Corporation's individual business locations maintain stockpiles of food, water, etc. for use in the event of an earthquake or other natural disaster.

Measures Taken in Response to Fire Incidents

In response to the fire that occurred at the Shiga No. 2 Factory in March 2018, we investigated the cause of the fire in the facility where the fire broke out, and implemented corrective measures in relation to both equipment and management. All restoration measures had been completed by August 2019. General inspections targeting internal wiring—which was the cause of the fire—were rolled out horizontally at all Achilles Corporation factories; all of the recommended improvements have been made, and each factory has reviewed its fire prevention response strategy and is adopting appropriate measures in a systematic manner.

Working Together with Our Customers

Basic Approach

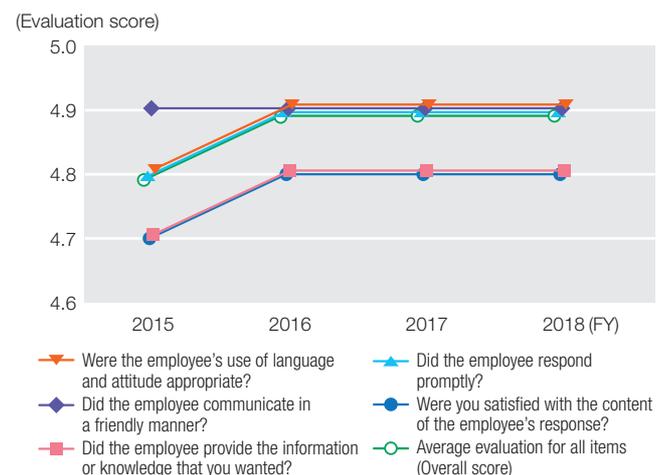
In line with Achilles' corporate philosophy—"Living with Society" = "Customer First"—we aim to contribute to the realization of a prosperous society by creating products and providing services that will provide our customers with real satisfaction and joy. In order to maintain a clear awareness of customers'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

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

In FY 2018, the Customer Consultation Office received a total of 4,700 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 Corporation staff have worked together to identify issues and make ongoing improvements, and by

FY 2017 the average overall evaluation had risen to 4.9. In FY 2018, the overall evaluation was once again 4.9; however, the impact of the replacement of two Office team members brought home the fact that customer communication skills are not something that can be acquired easily. All members of the Customer Consultation Office team have been striving to enhance the overall quality of customer communication by ensuring proper implementation of the key fundamentals in day-to-day customer communication work, working to identify areas for improvement, and providing appropriate guidance where needed on an ongoing basis.

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 Corporation staff members have given lectures at two universities (Rissho University and Daito Bunka 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 600 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, 2019, three out of 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 Foot Measurement and Counseling service that we provide for customers who visit our Head Office showrooms, and to the visiting lectures about feet and shoes that we give at elementary schools and junior high schools etc. In addition, responding to the recent growth in awareness of the relationship between walking and health, we have had a steadily growing number of requests to provide visiting lectures for senior citizens.

In FY 2018, we implemented 40 visiting lectures, with a total of 2,360 people taking part. Since this project was first launched in FY 2014, we have given a total of 167 visiting lectures, with a cumulative total of 8,614 participants.

Working Together with Our Shareholders

Basic Approach

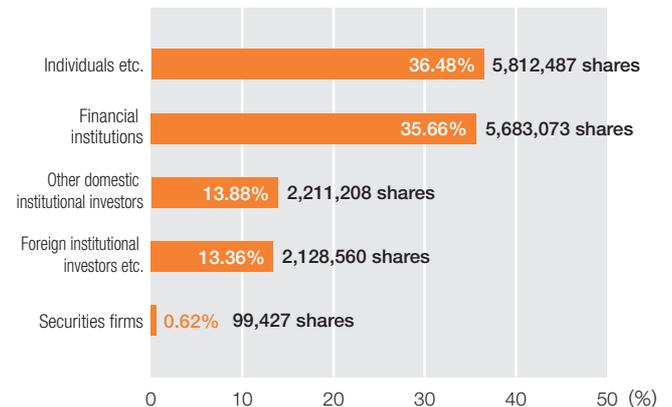
Achilles Corporation aims to develop as a company that is constantly striving to enhance its corporate value and demonstrate its worth, while living up to the expectations of our shareholders and investors. We strive to disclose impartial, accurate information to shareholders and investors in an easy-to-understand 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, 2019

Total number of authorized shares	70,000,000 shares
Total number of outstanding shares	16,762,714 shares
Total number of shareholders	11,946

● Shareholding distribution *As of March 31, 2019



*In addition to the above, the company also held 827,959 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 realize work-styles that enhance employees' capabilities and respect employees' diversity and their individual characters and personalities, and we will provide employees with a convenient working environment in which due attention is paid to safety and health issues." 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 reporting 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, 2019

Male	1,358	Female	319	Total	1,677
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● Employee basic data (Achilles Corporation only)

*As of March 31, 2019

Average age	Male 40.9	Female 43.5	Total 41.3
Average years of service	Male 19.0	Female 22.5	Total 19.6
Average annual income	Approximately 5.85 million yen		

● Managerial talent (Achilles Corporation only)

*As of March 31, 2019

Executive officers (including managing executive officers)	Male 24	Female 1	Total 25
Departmental managers	Male 38	Female 0	Total 38
Section managers	Male 207	Female 4	Total 211

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

*As of March 31, 2019

No. of persons using the system as of FY 2018	149
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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 Corporation 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 2018	Male 0	Female 9	Total 9
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● Nursing care leave system (Achilles Corporation only)

No. of employees using the system in FY 2018	0
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● Average total hours worked per employee per year (Achilles Corporation only)

Average hours worked in FY 2018	1,978.1 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 2018	8.7 days (47.5% 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 875* 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 181* members, who are employees (not including executive officers and managers) working in the company's sales divisions.

*Data correct as of July 1, 2019.

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 Corporation 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 Corporation 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 a 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.

Health management

The Achilles Group implements health management for its employees. As part of Achilles' corporate social responsibility (CSR) efforts, besides providing health and sanitation management for employees, we also use seminars to raise awareness, with the aim of encouraging individual employees to notice problems with their lifestyle habits and make improvements, so that they can enjoy a long, healthy life.

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 Corporation 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 Corporation's 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 Corporation 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 Corporation's 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 Corporation makes use of off-the-job training (Off-JT) to help employees acquire the skills and specialist knowhow they require to fulfil their individual roles. In particular, given the urgent need to respond to the impact of globalization, by providing training that gives employees the opportunity to strengthen their foreign language skills and develop a more in-depth understanding of foreign cultures, we are endeavoring to cultivate a higher level of practical competence. We have also established a purpose-built Training Center to serve as the venue for training activities.



Globalization training session in progress (Tokyo Head Office)



The Training Center (Ashikaga Factory)

Self-development (SD)

Achilles Corporation 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 2018

Training Field	No. of Training Sessions	No. of Participants
Manager cultivation training	28 sessions	596 employees
Global training	24 sessions	576 employees
Managerial position training	7 sessions	74 employees
General training (of which, initial training for new employees)	50 sessions (6 sessions)	1,097 employees (129 employees)
Compliance training*	3 sessions	647 employees
Specialist skill enhancement training	28 sessions	805 employees
Distance learning	1 session	179 employees
Health and safety training	7 sessions	383 employees
Disaster response training	1 session	32 employees

*The figures given for compliance training are for all Achilles Group personnel inside 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 Corporation 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]

Having previously participated in FY 2017, in FY 2018 the Achilles Group once again participated in the credit auction to reduce CO₂ emissions organized by Yamagata Prefecture; Achilles Corporation purchased credits equivalent to 335 t-CO₂. 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 participate in the credit auction for this program. 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)



Morioka Kitakami River Gum-Boat Race [Iwate Prefecture]

The 42nd Morioka Kitakami River Gum-Boat Race was held on July 29, 2018. A total of 1,342 people took part in 671 boats, with 1,340 people and 670 boats completing the course.

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. While they enjoy competing to use their boat-handling skill to guide their boats safely and efficiently along the river, the participants can also experience the beautiful natural scenery of the Kitakami River valley.

As an event that contributes to the local economy, the Race has been supported by Achilles Corporation and also by many other organizations and individuals. Besides providing sponsorship to pay for competitors' numbered vests, this year Achilles Corporation also supported the event by providing prizes for the competition, and loaning Achilles inflatable tents for use as changing rooms.



The 42nd Morioka Kitakami River Gum-Boat Race in progress (Photo courtesy of Hi-Junction Inc.)

Measures to address the problem of plastic waste in the oceans

Achilles is working to promote the widespread adoption of environmentally friendly film made from biodegradable plastic and plant-derived raw materials. In January 2019, Achilles Corporation joined the Japan Clean Ocean Material Alliance (CLOMA)*, a platform established under the direction of Japan's Ministry of Economy, Trade and Industry (METI). Through its participation in CLOMA's Dissemination & Promotion Working Group and Technology Working Group, Achilles Corporation is helping to address the problem of plastic waste.

*The Japan Clean Ocean Material Alliance (CLOMA) is a platform established to address the problem of plastic waste in the oceans, which is an emerging issue of global concern. CLOMA was established on January 18, 2019 with 159 companies and organizations participating, to promote the sustainable use of plastic products and the development and adoption of substitute materials, and to accelerate the pace of innovation in this area. It is anticipated that CLOMA's activities will contribute towards the realization of the UN's Sustainable Development Goals (SDGs).



<http://www.jemai.or.jp/cloma/>

Ashikaga Fireworks Festival [Tochigi Prefecture]

The 104th Ashikaga Fireworks Festival, organized by the Ashikaga Chamber of Commerce and Industry, was held on August 4, 2018. As a local enterprise, the Achilles Group provided sponsorship for the Festival. This is a historic fireworks event that was first held in 1903. This year, the Festival attracted approximately 545,000 visitors, and a total of around 25,000 fireworks were launched, with the visitors loudly applauding the spectacular show in which the night sky was bathed in bright colors.



The 104th 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, Foot Measurement and Counseling service is provided in the showroom at Achilles Corporation's Head Office (reservations required). “Sokuiku” (“Foot Education”) consultation sessions are also held at major shopping centers throughout Japan, and Achilles Corporation can also arrange to give visiting sessions at elementary schools and junior high 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 Corporation 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 Corporation 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.



Foot Measurement and Counseling service in progress at the showroom at Achilles Corporation's Head Office (Shinjuku-ku, Tokyo)



“Sokuiku” (“Foot Education”) consultation session in progress at the Emifull MASAKI shopping mall (Masaki-cho, Iyo-gun, Ehime)



Race in progress at the 7th Syunsoku Challenge 2019 event (Shinagawa-ku, Tokyo)

Clean Challenge [Tochigi Prefecture]

Achilles Corporation's 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 Corporation's 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 Corporation's 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.

Furthermore, the Governance Committee (the membership of which comprises two internal directors, two external directors, and one external Audit Committee member, and includes more than half of the company's external officers) holds regular meetings and advises the Board of Directors, with the aim of enhancing the level of independence and objectivity in relation to the Board's nomination and remuneration related functions, etc.

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 Auditor

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.

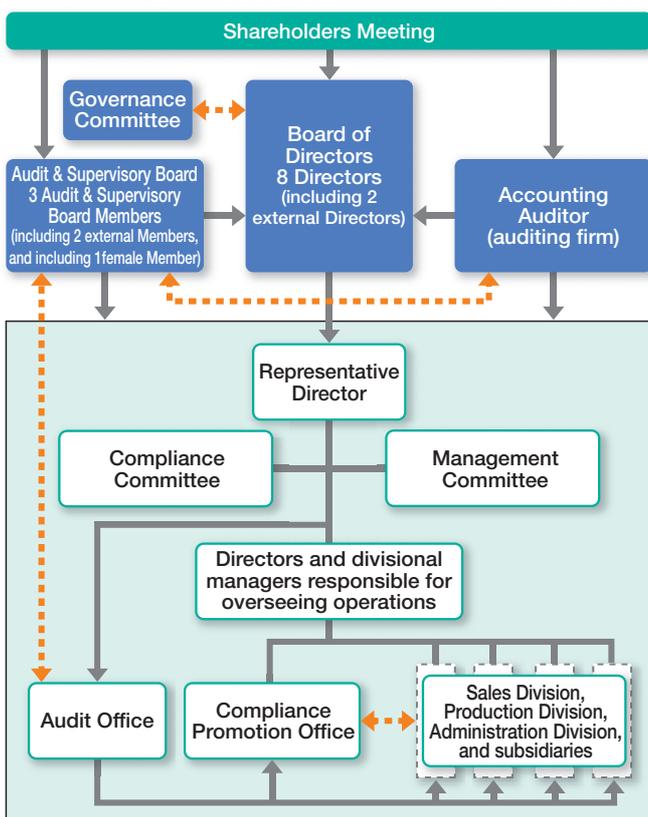
The internal Audit Office verifies compliance status both periodically and as needed. The Audit Office also strives to maintain close liaison with the Members of the Audit & Supervisory Board, collaborating with the Board Members to ensure effective implementation of auditing operations by Members.

For the Accounting Auditor (external audit), Achilles Corporation 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 Corporation 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 the 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 Group 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 create added value that is useful to society and, through autonomous and responsible action, achieve a sustainable society. Therefore, based on conformance to the following rules both nationally and internationally, the Group will observe international rules, laws and regulations—together with the spirit in which they were created—and fulfill its social obligations in accordance with a high level of ethical values:

(Sustainable economic growth and solution of social issues)

1. Through innovation, we shall endeavor to develop and provide products and services that are safe and useful to society, and promote sustainable economic growth and solution of social issues, so as to obtain true customer satisfaction and trust.

(Fair business practice)

2. We shall compete in a fair and open manner. We shall conduct all transactions appropriately and promote responsible procurement. We shall maintain sound relationships with political and governmental entities.

(Fair information disclosure and constructive dialogue with stakeholders)

3. We shall disclose corporate information in an active, effective and fair manner, and conduct a constructive dialogue with diverse stakeholders in order to enhance corporate value.

(Respect for human rights)

4. We shall endeavor to conduct management practice that respects the human rights of all people.

(Building relationship of trust with consumers and customers)

5. We shall provide consumers and customers with appropriate information related to products and services, and communicate with them in an honest manner, so as to obtain their true satisfaction and trust.

(Workstyle reform and achievement of a fulfilling work environment)

6. We shall enhance employees' abilities, achieve a workstyle that respects their diversity, personalities and individuality, and create a safe, healthy, employee friendly environment.

(Dealing with environmental issues)

7. We recognize that environmental issues are a common challenge for all humanity, and that dealing with them is necessary for the company's existence and activities. We shall therefore strive to reduce our environmental impact on society.

(Social participation and contribution to social development)

8. As a good corporate citizen, we shall actively participate in society and contribute to its development.

(Thorough risk management)

9. In order to prepare for the activities of antisocial forces that may threaten the everyday lives of citizens or corporate activities, and for the threat posed by terrorism, cyberattacks and natural disasters, etc., we shall conduct thorough risk management implemented under an appropriate organizational system.

(The role of top management and thorough observance of the Charter)

10. The executive officers of the Achilles Group will recognize their role in achieving the spirit of the Charter, build effective governance to ensure that the Company and its group companies are fully informed, and, in addition, encourage the supply chain to act based on that spirit. In the event of any occurrence that contradicts the spirit of the Charter and causes the Company to lose the trust of society, the top management will fulfill its responsibility by taking the initiative for solving the relevant problems, finding causes and preventing them from recurring.

Compliance Promotion Activities

The main compliance promotion activities implemented in FY 2018 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: "The Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors"
 - Topic: "Bribery prevention"
- ② Implementation of risk surveys based on employee questionnaires.
- ③ Other necessary adjustments to rules made in response to revision of relevant laws etc., and making employees aware of these adjustments.



Compliance training at Head Office (Tokyo)

Reporting and Consultation System

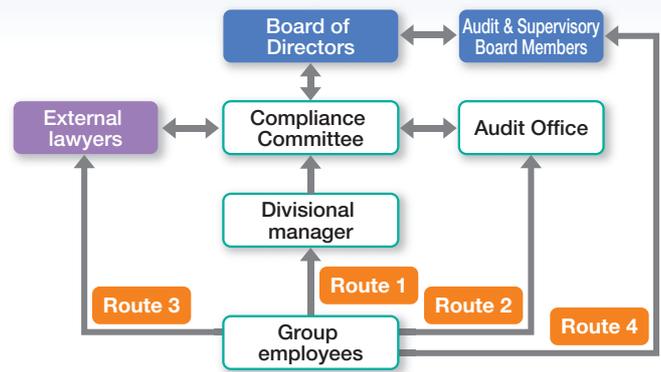
The Achilles Group has established, and utilizes, a hotline (internal reporting system) as a means for consultation and reporting in the event of improper, unlawful or unethical action by an organization or individual, or action that violates the Achilles Action Guidelines, or where it is determined that there is a danger of such action. In regard to matters relating to the Achilles Group's directors or senior managers, several reporting windows have been put in place, including a window for reporting directly to the Members of the Audit & Supervisory Board; in this way, Achilles Group 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.

The hotline is also used for consultation and reporting regarding harassment; every effort is made to ensure that persons requesting consultation or submitting reports do not suffer any adverse consequences as a result.

Regarding any violations of human rights that may come to

light through the operation of the hotline and the occasional questionnaire surveys, such matters will be discussed at the periodic meetings of the Compliance Committee, and appropriate measures will be taken.

●Hotline framework



CSR Management

CSR Basic Policy

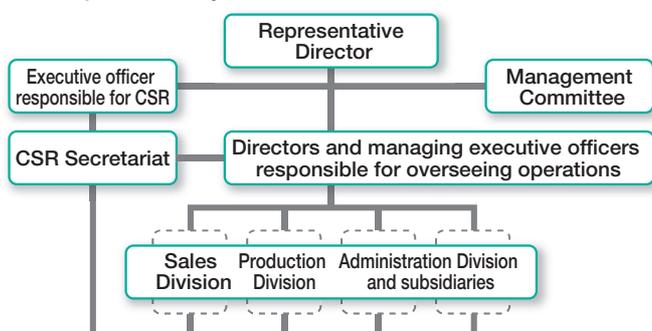
Through dialog with stakeholders as a member of society, the Achilles Group strives to expand its activities aimed at helping to solve social problems, and contributes to the sustainable development of society.

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 Corporation 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 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)
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 and the annual securities reports (four times a year) 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)
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
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
Local communities	<ul style="list-style-type: none"> Respect for local cultures and 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)

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