



Miki Shoko Co., Ltd. Modern Slavery Act Statement for Financial Year 2018

Introduction

This modern slavery statement (the 'Statement') is published by Miki Shoko Co., Ltd. ('Miki Shoko') in accordance with the UK Modern Slavery Act 2015 (the 'Act')¹. The Statement covers Miki Shoko and all of the subsidiary companies detailed below. It sets out the steps we have taken to comply with the Act and to prevent modern slavery (including human trafficking) in our business and supply chain.

Organizational Structure, Business Description and Supply Chain

The Miki House Group develops, produces and sells children's clothing and family-related goods. We also deliver cultural services including publication, education and child rearing support. Our primary brand is Miki House.

The Miki House Group is comprised of the following companies: Miki Shoko Co., Ltd., Miki House Co., Ltd., Miki House Trade Co., Ltd., Miki House France S.A.R.L., Miki House Americas Inc., Miki House U.K. Ltd., Miki House Kosodate Soken Co., Ltd. and Miki House & Shogakukan Production Co. Ltd.

The Miki House Group has business operations in Japan, the United Kingdom, the United States, France, China, Taiwan, South Korea, Thailand, the Russian Federation, Ukraine, Canada, Indonesia, Australia, New Zealand and Singapore.

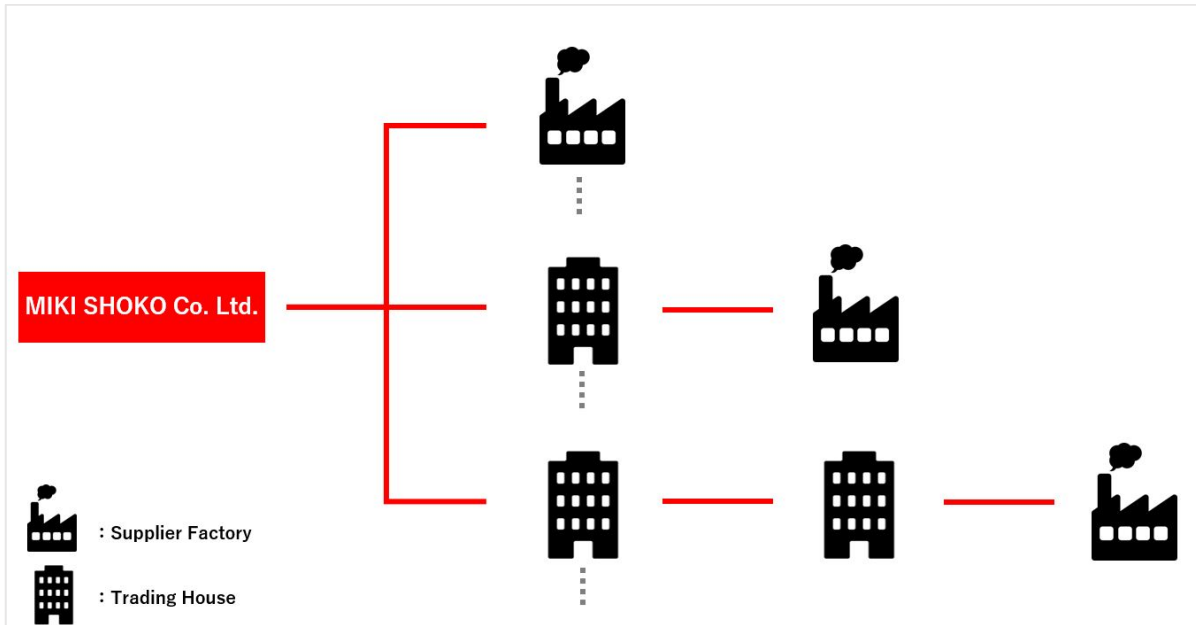
The Miki House Group procures goods and services from around the world. However, most of our suppliers are located in Japan, China and Vietnam. We are in the process of mapping our primary supply chain as part of our due diligence process outlined below.

As of August 2019, the supply chain for Miki Shoko has been confirmed to have minimum of 151 supplier factories. Looking at these in more detail, the suppliers can be broadly grouped into three types: those that perform in-house manufacturing, those with in-house manufacturing as well as outsourcing, or those that function as so-called trading houses and for only outsourced manufacturing. Miki Shoko is currently working to identify supplier factories. And in the future, it is also under consideration to identify 2-Tier supplier factories and suppliers of raw materials.

¹ All information and data used in this statement refer to those obtained by October 15, 2019.

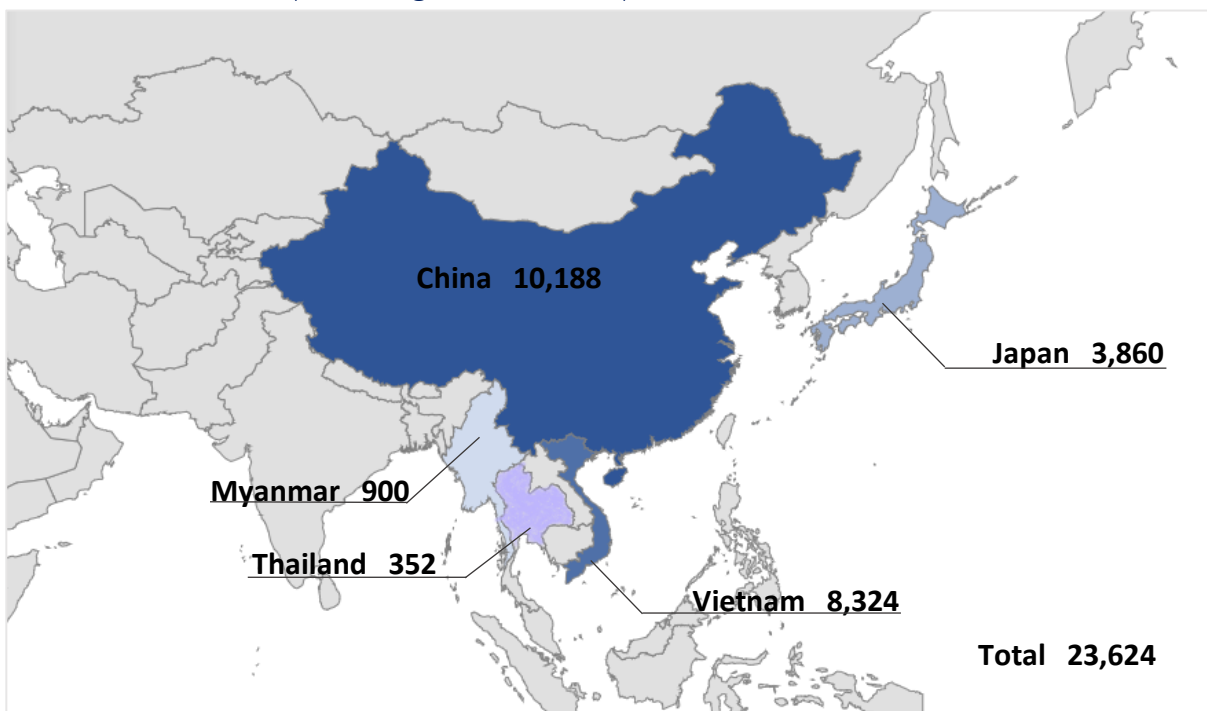
MIKI HOUSE

The Supply Chain Structure of Miki Shoko (Final Assembly Only)



Additionally, there are 23,624 workers currently identified worldwide engaged at our supplier factories. By country, it was confirmed that there were 3,860 people engaged in manufacturing bases in Japan, and there were 10,881 in China, 8,324 in Vietnam, 900 in Myanmar, and 352 in Thailand. These numbers include foreign workers where the risk of modern slavery is high. (Refer to 7. Risks Related to Foreign Workers in Due Diligence and Risk Management for Modern Slavery).

Workers at factories producing Miki Shoko's products



Policies Related to Modern Slavery and Human Trafficking

We recognize that the adoption of a clear policy framework is an essential foundation to mitigate the risk of modern slavery and have adopted since 2017 the following policies:

- [Policy on Human Rights for Suppliers](#)
- [Code of Conduct for Suppliers](#)
- [CSR Procurement Policy](#)

The Policy on Human Rights for Suppliers outlines Miki Shoko's commitment to respect human rights and sets out the steps we are taking to realize our commitment. Our Code of Conduct for Suppliers prohibits the use of forced labor and child labor and outlines standards to ensure ethical recruitment practices.

In the assessment by RightsDD Limited ('RightsDD'), it was proposed to incorporate additional topics into the policy such as: the grievance mechanism; protection of foreign workers; dormitories; extending Code of Conduct to the 2-Tier suppliers and beyond, etc. Steps for these will be taken based on priority.

Due Diligence for Modern Slavery and Risk Management

Miki Shoko is committed to conducting due diligence to identify and address the risks of modern slavery in its supply chain. In order to meet these commitments, we engaged The Global Alliance for Sustainable Supply Chain ('ASSC') and RightsDD in July 2019 to conduct due diligence of approximately 100 factories which supply Miki Shoko to assess risk of modern slavery.

As part of the due diligence process, ASSC and RightsDD will identify risks and strategies to manage and remediate the respective risks.

Furthermore, the due diligence process seeks to identify risks to workers, consistent with the United Nations Guiding Principles on Business & Human Rights.

Using proprietary technology from RightsDD and analysis of data obtained from questionnaire surveys of suppliers in August 2019 by ASSC, ASSC and RightsDD assessed primary supplier factories on the risk of modern slavery. ASSC and RightsDD assessed and prioritized supplier factories for risk of modern slavery to both identify a trend and prioritize by using a three-stage process (1. Implement due diligence on risk of modern slavery at Miki Shoko and its supply chain, 2. Propose risk handling measures, 3. Issue a statement on modern slavery) together with the supplier questionnaire survey results. Risks have been categorized based on six criteria: country, industry, product/service, adverse media reporting, risk mitigation and employment type risk.

In addition, the evaluation of supplier factories obtained through SAQ surveys and visitation surveys to supplier factories conducted jointly by Miki Shoko and ASSC is also used as risk assessment information, which is described in detail below.

1. Country

Looking at the number of supplier factories by country for Miki Shoko and the country-specific risks of supplier production bases, the largest number of supplier factories was identified to be in Japan with 66, followed by China with 38, Vietnam with 5, Thailand with 2 and Myanmar with one. Including their suppliers, it became clear that Indonesia and others were part of the supply chain. Looking at the risk indicators from RightsDD's own analysis of the countries where suppliers' production bases are located, it showed that the highest number of suppliers were in Myanmar, Thailand, Indonesia, Vietnam, Bangladesh, and China in that order. The geographical risks on the Miki Shoko supply chain can be mapped as shown in the diagram below.

Geographical Risks in the Supply Chain



Estimated prevalence of modern slavery victims in Miki Shoko's supplier's countries of operations (victims per 1,000 population). Larger circles indicate a greater number of suppliers.

Highest Risk Countries related with Miki Shoko Supply Chain

Myanmar	10.973
Thailand	8.885
Indonesia	4.726
Viet Nam	4.504
Bangladesh	3.673

Supplier factories have production operations in 15 countries. The following five countries are rated with the highest risk (victims per 1,000 population):

2. Industries

Miki Shoko currently operates businesses in 15 industries from the industries category list provided by RightsDD. Many of these, when viewed by industry and product from the perspective of risks of modern slavery based on data on human rights risks provided by US NGO Verité and US Department of Labor, “Leather & Leather Products”, “Rubber & Plastic Footwear”, “Footwear (No rubber)” and “Dolls & Stuffed Toys” are identified as the industry sectors with the highest risk of modern slavery.

Footwear, (No Rubber)	Rubber & Plastics Footwear	Women’s, Misses’, and Juniors Outerwear	Miscellaneous Fabricated Textile Products
Leather & Leather Products	Apparel & Other Finished Prods of Fabrics & Similar Matl		
		Wholesale - Apparel, Piece Goods & Notions	Retail - Apparel & Accessory Stores
			Retail - Departm’t Stores
	Soap, Detergents, Cleaning Preparations, Perfumes, Cosmetics		
Dolls and Stuffed Toys	Women’s, Misses’, Children’s & Infant’s Undergarments	Retail - Family Clothing Stores	Books: Publishing
			Services - Educational

3. Products/Services

Looking at the trends for risks by product, the risks in three product categories of apparel, footwear and toys were particularly high, where these products were mainly manufactured in China, Vietnam, and Thailand. The table below shows the number of suppliers by high-risk product area.

Number of Supplier Factories with Enhanced Product Risk by Product

Product Categories	No. of Supplier Factory
Footwear	12
Apparel	29
Toys	3

4. Adverse Media

Miki Shoko was confronted with a report in 2016 that revealed serious human rights violations against workers at supplier factories operating in Myanmar for Miki House Trade. In response, Miki Shoko established a third-party committee and conducted a survey and published a detailed report. Since then, Miki Shoko understands the need to pay close attention to the labor environment and respect for human rights in the supply chain and the importance of an effective monitoring system, so that since 2017 we have been cooperating with NGOs and other stakeholders to formulate CSR procurement policies, request compliance with suppliers and conduct fact-finding surveys.

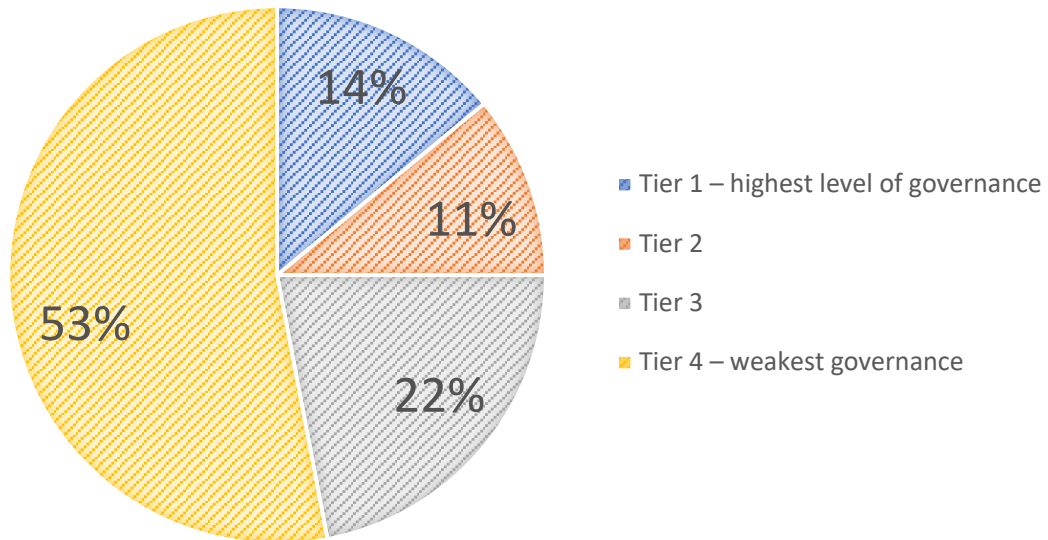
5. Risk Mitigation

In order for Miki Shoko to reduce the risk of modern slavery in the supply chain it is important for suppliers to take steps to ensure that modern slavery does not exist in their business activities and supply chains. These governance evaluations for risk reduction were categorized into four levels on policy, process and certification/initiative.

- Policy: Is there a clear policy/framework to mitigate risk of modern slavery?
- Process: Are there any programs to enhance training programs, complaints handling mechanisms or effectiveness of policies?
- Certification/Initiatives: Are you a member of a multi-stakeholder initiative?

The chart below shows the results of this analysis. 14% of all supplier factories rated Tier 1 had the highest level of governance, and more than half (53%) were rated at the lowest level of governance.

Supplier factories are analyzed into one of four governance tiers:



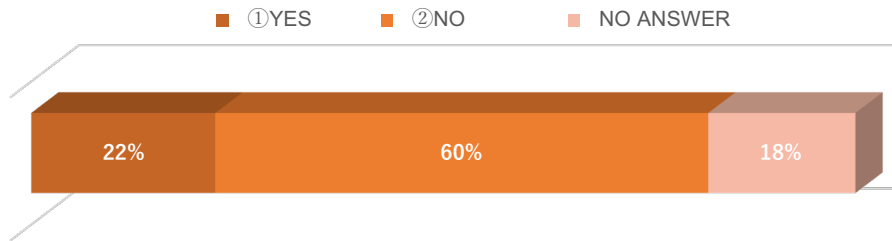
In order to reduce the risk of modern slavery, it is important to raise the level of governance that establishes and maintains a system to prevent the existence of modern slavery. For this, it is important to develop policies that specifically prohibit forced labor and child labor, develop and implement training programs that educate workers about payments over minimum wages and modern labor risks, participate in initiatives to handle complaint handling and improvement mechanisms, independent audits, obtaining certification and address problems with modern slavery. Based on due diligence evaluations we will promote these practices together with our supplier factories.

6. Type of Employment

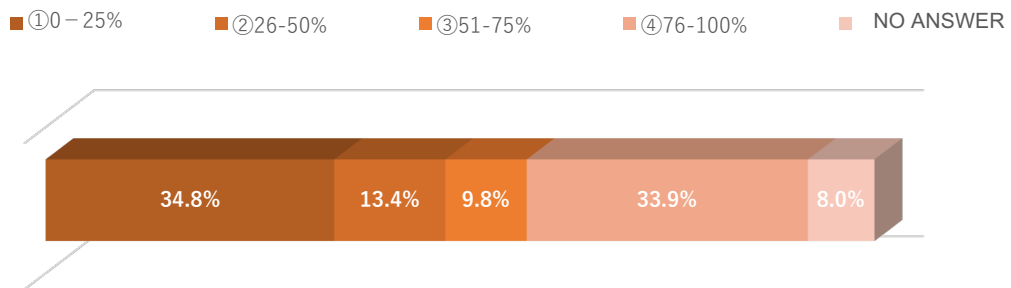
In the assessment for “Risks regarding Type of Employment,” the points verified with three questions are used as indicators. The points were 1) Are the workers employed at the supplier as permanent or non-permanent employees? 2) Are placement agencies (agents) used to hire workers? and 3) Employment of foreign workers.

Attempting to identify these three points through questionnaires with suppliers yielded the following results.

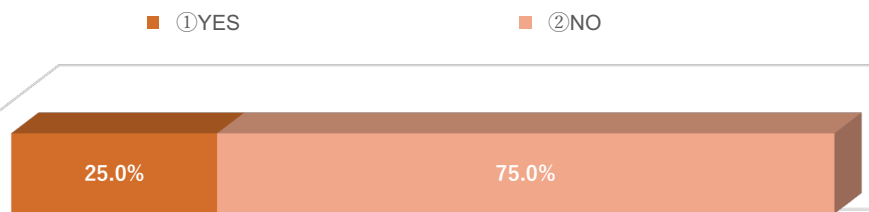
ARE EMPLOYMENT AGENCIES USED TO HIRE EMPLOYEES (INCLUDING SENDING ORGANIZATIONS)



PERCENTAGES OF NON-REGULAR EMPLOYEES BY FACTORY



ARE THERE HIRINGS OF FOREIGN WORKERS?



7. Risks Regarding Foreign Workers

If you look at Miki Shoko's supply chain, foreign workers, which account for approximately 5% of the total, are engaged at factories of primary suppliers.

It has been found that there are at least 26 supplier factories hiring foreign workers with due diligence processes on human rights. It should be noted that 22 of these are supplier factories located in Japan that employ technical interns, where they are mainly from China and Vietnam. Considering the percentage out of the total for Miki Shoko that these supplier factories comprise and together with the risk assessment obtained from the "Supplier Factories Survey on Technical Intern Training Program" described later, we can conclude that the priority for placing such measures in Japan is relatively high. When employing foreign workers, the risk of being complicit to forced labor is thought to be relatively high, so we believe it is important to continue to engage with factories that we outsource manufacturing.

Number of Foreign Workers in Miki Shoko Supply Chain (by nationality)

Worker Type	Japan	China	Vietnam	Philippines	Myanmar	Nepal	Cambodia	Total
Technical Interns (in Japan)	0	99	125	0	0	0	1	225
Foreign Workers (in Japan)	0	16	9	8	0	3	0	36
Foreign Workers (located outside of Japan)	1	0	0	0	70	0	0	71
Foreign Workers Total by Nationality (engaged in the country of destination)	1	115	134	8	70	3	1	332

8. Research for Technical Intern Trainees in Japan

Regarding the above-mentioned issues related to the technical intern training program in the supply chain in Japan, Miki Shoko conducted a questionnaire survey in 2017 and on-site survey on 25 supplier factories from February 2018 to October 2019². In the survey, on-site surveys were made on the working environment and working conditions of technical interns based on the Supplier Code of Conduct, and any current issues that were recognized were shared with the managers and administrators of the supplier factories. A drafting of an action plan to reduce risk will now be studied. The following is an overview of the risks revealed through the fact-finding survey.

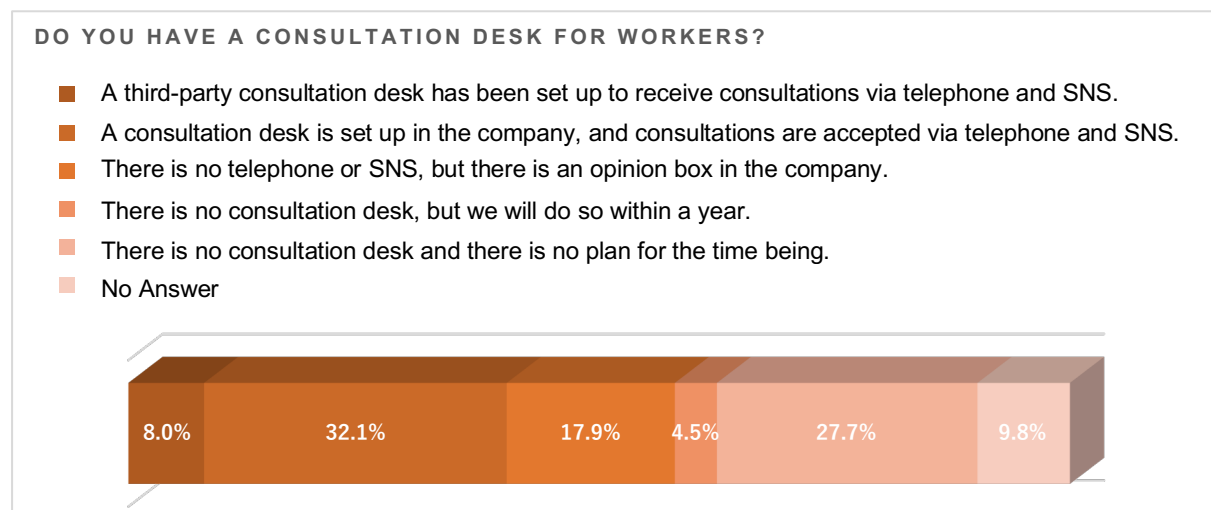
- Risk that foreign workers bear various expenses incurred for technical training
- Risk of “debt-bondage” due to the above-mentioned worker burden
- Inconsistencies to the practical training plan and the training being conducted at a different location than in the filing, which are prohibited by the program
- Limited guarantee on freedom of association
- Unclear deductions from wages
- Geographical restrictions on municipal services and their associated isolation (social isolation)
- Infringement on freedom to change jobs (due to the legal system of Japan)
- Registering a subsidiary company with the same location to increase the number of technical interns

² The difference in the number of “companies that employ technical intern trainees” mentioned above is due to changes at the suppliers since the time of the July 2019 SAQ survey.

Training on Modern Slavery and Whistleblowing System

Employees can approach the HR/labor department for any reporting within the Miki Shoko Group and have individual consultations about them.

Regarding the current state of the whistleblowing system at the supplier factories, according to the results of the 2019 SAQ questionnaire survey, 58% of supplier factories responded that they had some kind of consultation desk, including internal and external consultation desks and opinion boxes. However, it has become clear that only 8% of supplier factories responded that they had set up a consultation desk by a third-party organization and are accepting consultations via telephone or SNS. We regard this as an area that needs to be improved.



In addition, a training session on modern slavery was held, where Board Directors and director-level managers of Miki Shoko attended NGO-sponsored learning sessions (such as *the Foreign Workers Roundtable*, organized by the Global Alliance for Sustainable Supply Chain³). In the future, we believe it is necessary to expand the scope of the training and consider support for employees to be able to develop knowledge about modern slavery. Furthermore, we trained the production managers with hands-on experience by accompanying field surveys conducted at supplier factories.

³ <http://g-assc.org/en/foreign-labor-round-table/>

Roadmap for the Mitigation of Risk of Modern Slavery

Based on the above assessment, Miki Shoko has identified the following initiatives as priorities:

- ✓ Countries and products that should be prioritized
 - Japan, followed by China and Vietnam as location of suppliers
 - Apparel, footwear and toys as high-risk product categories.
- ✓ Policies: Review of related policies and supplier code of conduct
 - Additional notes on dormitory
 - Additional notes on grievance mechanism
 - Additional consideration of notes for reducing burden to workers on recruitment fees
 - Request 2-Tier and beyond supplier factories to also comply with similar standards
- ✓ Engagement with supplier factories
 - Provision of training opportunities on modern slavery
 - Follow-up after conducting a fact-finding survey
 - Follow-up after SAQ survey
 - ✧ Further improve transparency in the supply chain (specifying outsourced factories)
 - ✧ Share survey results and future issues with supplier factories
- ✓ Build a grievance mechanism for workers on the supply chain that is highly effective and reliable
 - Supplier factory/Worker Training Session
 - Utilization of Workers Voice Application

Effectiveness in Ensuring Slavery is not Taking Place and Performance Indicators

Since Miki Shoko commenced its modern slavery due diligence process in July 2019, we expect to conduct an assessment on the effectiveness of these measures after a certain period of time has passed.

Authorization

This Statement on Modern Slavery was approved by Miki Shoko's Board of Directors on 25 November 2019.

Akio Mitsukawa

Executive Director / General Manager of President's Office
Akio Mitsukawa