



Miki Shoko Co., Ltd. Modern Slavery Act Statement for Financial Year 2019

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.

This Statement provides a report on the activities carried out by February 2020, based on the due diligence efforts on human rights conducted in August 2019. Please refer to the Statement from the fiscal year 2018 for the results from this due diligence.

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, Hong Kong, Macao, Taiwan, South Korea, Thailand, the Russian Federation, Ukraine, Canada, Indonesia, Australia, New Zealand, Singapore and Vietnam.

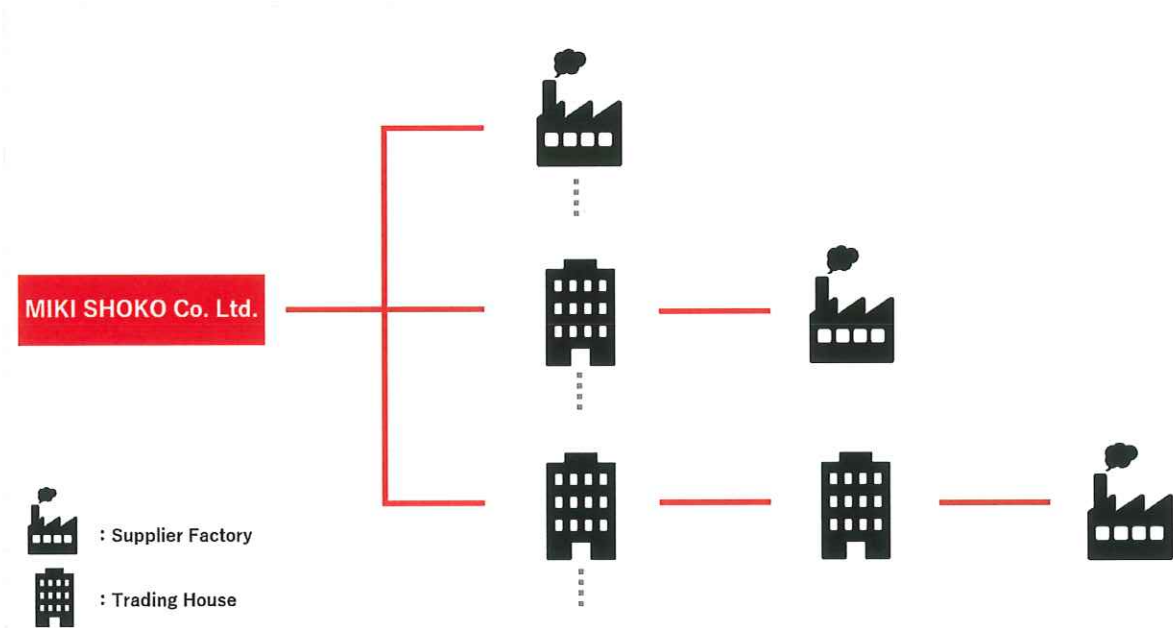
The Miki House Group procures goods and services from around the world. However, most of our suppliers are located in Japan, China and Vietnam. We are in the process of mapping our primary supply chain as part of our due diligence process outlined below.

As of November 2020, the supply chain for Miki Shoko has been confirmed to have 179 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. Since 2017 Miki Shoko has been working to identify supplier factories. And in the future, a policy will be set in place to identify 2-Tier supplier factories and suppliers of raw materials.

All information and data used in this statement refer to those obtained by 17 November 2020.

MIKI HOUSE

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



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. The following policies have been adopted since 2017 with revisions based on operations in the supply chain and risk assessment through due diligence.

- Policy on Human Rights for Suppliers (revised January 2020)
- Code of Conduct for Suppliers (revised January 2020)
- CSR Procurement Policy
- Policy on Migrant Workers for Suppliers (issued January 2020)

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. The CSR Procurement Policy shows policies for reducing the risk of modern slavery in procurement practices based on these norms.

We have now added the following risks in the relevant policies, identified in the due diligence conducted through the end of the fiscal year 2019 (August 2019), as declared in our statement released in November 2019.

- Regarding the **risk of modern slavery regarding foreign workers**, a new Supplier Migrant Worker Policy has been drafted. Acknowledging that migrant workers (foreign workers, foreign technical intern trainees, domestic migrant workers, etc.) are those at high risk of falling into modern slavery situations, policies such as minimizing the burden on workers of recruitment fees, respecting the freedom of movement and guaranteeing access to relief, have been established.
- Regarding the **provision of dormitories**, with the consent of the workers, we have drafted and incorporated dormitory regulations into the Supplier Code of Conduct, that will be posted in a language that all workers can understand, whereby the guarantee that the housing and safety standards of the country in which the worker is employed are met. This is based on the approach that providing housing that is "sufficient from both health and welfare aspects" is regarded as a component of basic human rights. Additionally, company housing and dormitories are required to comply with occupational health and safety and emergency standards equal to or higher than those of the workplace.
- Regarding the **grievance mechanism in the supply chain**, based on the UN Guiding Principles on Business and Human Rights, we have newly added to the Supplier Code of Conduct the requirement to build an effective grievance mechanism that workers can trust. Suppliers are required to establish effective ways to receive complaints, ensure transparency in complaint handling procedures, and prevent and prohibit any retaliation that may occur in connection with workers filing complaints.

- Regarding the **application of the Code of Conduct to the secondary suppliers and beyond**, a new requirement has been added to the Supplier Code of Conduct. Suppliers are expected to encourage their supply chain, including their business partners, to comply with the procurement policies and standards prescribed in the CSR procurement guidelines of Miki Shoko Co., Ltd.

Due Diligence for Modern Slavery and Risk Management

Miki Shoko has expressed the plan to implement due diligence to identify and address the risk 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.

The results of this due diligence are reported in detail in the statement from the fiscal year 2018.

Based on the results of this survey, Miki Shoko has examined the measures to undertake regarding the risk of modern slavery to foreign workers. We conducted a questionnaire in 2017 as well as a visitation survey of 25 of our supplier factories from February 2018 to October 2019, regarding issues related to the technical intern training program in the supply chain in Japan.

Regarding the risk above, Miki Shoko has continued to participate in the ASSC Foreign Workers Roundtable in the fiscal year 2019 to understand the problems through discussions with the parties concerned and to study the countermeasures together in order to formulate what actions Miki Shoko shall take to resolve the issue. The Corporate Subcommittee, which was established during the Foreign Workers Round Table, studied with participating companies the vision for the responsible acceptance of foreign workers.

Additionally, a survey in the form of questionnaires (since visitations were deemed not possible) was carried out in July 2020 in order to understand the growing impact on the spread of the novel coronavirus infection at supply chain factories that employ foreign technical intern trainees. The questionnaire was answered by 16 suppliers (including trading companies) and all 28 factories. As a summary, the survey confirmed that no employee was infected with the novel coronavirus at any of the supplier factories, and that the operational status and employment of employees was not significantly affected. We were also able to confirm at each of the supplier factories that they had introduced infection prevention measures, such as thorough disinfection and adjustments in their work shifts. On the other hand, voices of general anxiety and concerns were also raised, such as their concerns on where their future orders stood when no containment of the infectious outbreak was in sight or that the instability in logistics were hindering their operations.

The Miki House Group will continue to conduct remote interviews and questionnaires on a regular basis in an effort to understand the effects of the novel coronavirus.

Trainings on Modern Slavery

Executive officers and those at general manager levels at Miki Shoko participated in the ASSC-sponsored Foreign Workers Round Table and received training that focused on collecting information on modern slaves, including directions of other companies, and also exchanging views in the fiscal year 2019. Now going forward, as part of the Miki House Group's overall efforts to achieve the SDGs, the group will promote training and support in collaboration with the HR Training Department to deepen our insight into reducing the risk of modern slaves in the supply chain.

Whistleblowing System

Employees can approach the HR/Labor Department for any reporting within the Miki House 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. (Please refer to the Statement from the fiscal year 2018)

Based on these results, a decision was made to proceed to work with ASSC to create a system for building a grievance mechanism. For the initial engagement, we held a briefing session for our suppliers in January 2020 (in Osaka City) to provide awareness and request for consent. The briefing session was attended by 109 people from 75 companies, and after which, consent was obtained from almost all of the companies. In the fiscal year 2020, "ASSC Workers Voice," the ASSC's multilingual hotline for workers, will be rolled out to workers at supplier factories. Then, together with ASSC, we will, as a third-party organization, provide support such as consultation and information provision, and as necessary, promote the solution and relief of issues through cooperation with supplier factories and stakeholders.

Photo) CSR Procurement Briefing held in January 2020

Roadmap for the Mitigation of Risk of Modern Slavery

Miki Shoko has identified the following as priorities the company shall undertake from the fiscal year 2020:

- 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.

- ✓ Provide training opportunities on the risk of modern slavery (including the use of online tools such as e-Learning)
 - Provide training to supplier factories

- Provide training for Miki House Group employees
- ✓ Engagement with supplier factories
 - Follow-up after conducting a fact-finding survey (check on improvement progress)
 - 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
 - Training Sessions for Supplier Factory Workers
 - Full Implementation of the Workers Voice Application

Effectiveness in Ensuring Slavery is not Taking Place and Performance Indicators

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

Authorization

This Statement on Modern Slavery was approved by Miki Shoko's Board of Directors on 30 November 2020.

Akio Mitsukawa.

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