

Ryohin Keikaku

Factory Monitoring Results FY2025

■ Monitoring of the working conditions

Ryohin Keikaku (hereinafter “we”) does not manufacture the products by itself. All the products we handle are manufactured by our production partners located in Japan and other regions around the world.

Based on reports from international organizations and NGOs, as well as our past experiences, we recognize the high level of human rights risks in our supply chain and are committed to engage with factories to prevent and mitigate negative human rights impacts. As part of our engagement with factories, we conduct regular on-site audits by a third-party organization, based on our Code of Conduct for Production Partners, covering aspects such as human rights violations, labour conditions, and environmental impact.

■ Audit items

In collaboration with a third-party auditing organization, we have established our own audit items based on the Code of Conduct for Production Partners and various International Labour Organization (ILO) conventions.

Classification of audit items:

Child labour and young workers, forced labour, terms of employment, health and safety (fire safety, building safety, machinery safety, electrical safety, chemical management, occupational health and safety, personal protective equipment, workplace accidents, first aid, dormitories and canteens), freedom of association, discrimination, disciplinary actions, working hours, wages and compensation, monitoring and compliance, corporate ethics (anti-bribery, management systems), procurement management, environmental management

■ Risk assessment

We rate factories on a five-point scale from A to E, based on the severity and number of findings in the audit results, as an indicator of human rights and environmental risk at the factories.

Rating	Description
A	No issue identified
B	Relatively low-risk issues are identified
C	Issues of occupational health and safety, wage and benefit, working hours, contract are identified
D	Multiple issues of occupational health and safety, wage and benefit, working hours, contract are identified
E	Significant findings are identified that raise suspicions of high risk

<Contents of E-rating>

A factory is given an E-rate (significant findings are identified that raise suspicions of high risk) if it meets any of the following criteria:

- Findings that increase the risk of child labour or forced labour^{*1} are confirmed, and multiple significant findings in audit items other than child labour and forced labour^{*2} are also confirmed.
- Significant findings that increase the risk of child labour or forced labour^{*3} are confirmed.
- Instances of child labour or forced labour are confirmed.

***1 Examples of findings that increase the risk of child labour or forced labour:**

- Lack of a written policy prohibiting and correcting child labour.
- Lack of a written policy prohibiting forced labour.

***2 Examples of significant findings in audit items other than child labour and forced labour:**

- Employment contracts are not written in a language understandable to employees / Contracts are not properly renewed.
- Health and safety issues such as improper management of evacuation routes and fire-fighting equipment / Inadequate fire drills and training.
- Cases of discrimination or harassment are identified / No whistleblower contact point established, inadequate whistleblower protection and fair handling of reports.
- Working hours are not accurately recorded / Overtime exceeds legal requirements.
- Payment frequency does not meet legal requirements / Minimum wage is not met.

***3 Examples of significant findings that increase the risk of child labour or forced labour:**

- Lack of effective procedures to verify employee age at the time of hiring / Improper management of copies of certificates.
- Requiring deposits such as illegal withholding of wages, training fees, employment agency fees, tool fees, and uniform fees in exchange for employment.
- Confiscation of identification documents in exchange for employment.
- Restricting the freedom of movement of employees while they are in dormitories.

■ Monitoring results

In FY2025, we conducted on-site audits at a total of 320 factories (308 Tier1 and 12 Tier2 factories). The risk assessment for Tier 1 and Tier 2 is as follows:

Rating	Tier1	Tier2	Total
A	23	0	23
B	224	11	235
C	40	1	41
D	11	0	11
E	10	0	10
Total	308	12	320

We provide feedback to all factories on the identified issues and risk assessment content, requesting improvements from factory management and offering support for these improvements. Specifically, for the 10 factories rated E, we review the continuation of transactions and request improvements from those factories where transactions continue. We agree on improvement plans and recurrence prevention measures with all factories and proceed with confirming improvements. Additionally, for factories rated D and those rated E where transactions continue, we conduct follow-up audits within one year from the audit date to verify the completion of improvements from a third-party perspective.

No instances of forced labour have been identified in the audits conducted so far.

■ Main findings and corrective actions

In the audit of FY2025, a significant number of findings were detected in the audit items classified under Health and Safety (53% of findings), with a notable number of findings related to Fire Safety (13%). Additionally, a considerable number of findings were detected in the audit items classified under Environmental Management (13%), Working Hours (11%), and Wages and Compensation (8%). As follows, we have requested the factories to correct these issues and are confirming the status of improvements.

<Health and Safety>

Many of the findings related to health and safety were in the areas of fire safety, machinery safety, occupational health and safety, and chemical management.

In fire safety, cases were identified where fire drills or evacuation drills were not conducted properly, evacuation routes were blocked by objects or vehicles, emergency exits were locked, and also emergency lights were not installed or unlit. We explained to the factories the risks to human life in the event of a fire or accident, urged corrections, and confirmed the improvement status.

In machinery safety, cases were identified where forklift work plans were not established and ladder guardrails were not installed. We requested improvements from the factory and confirmed that work plans were established, communicated to employees, and guardrails were installed.

In occupational health and safety, there were factories where records of meetings—which should be held at least once a month between employers and the Occupational Safety and Health Committee—could not be located. We requested that the factories hold meetings at least once a month with appropriate meeting minutes, and have confirmed improvements. Additionally, factories where regular inspections of drinking water quality were not being conducted were identified. We requested that the factories implement regular water quality inspections and have confirmed their implementation.

In chemical management, cases were found where containers of hazardous substances were not labeled in accordance with legal regulations, secondary leak-proof containers for dangerous chemicals were not installed, and eyewash stations were either absent or had water pressure that did not meet requirements. We explained legal regulations, our occupational health and safety standards, and best practices to the factories with findings, and confirmed that appropriate improvements have been implemented.

<Environmental Management>

In terms of environmental management findings, issues such as the lack of an environmental policy, absence of a qualified management representative responsible for implementing the policy, and failure to conduct environmental assessments were identified. We requested the factories to establish an environmental policy, communicate it to employees, appoint a responsible person, and implement environmental assessments, and are sequentially confirming improvements. Additionally, issues such as unmanaged energy usage and lack of an energy reduction plan were also identified. We also have requested improvements from the factories with these findings and are sequentially confirming the completion of improvements through improvement reports and other documentation.

<Working Hours>

Regarding working hours, the main findings were that employees' working hours exceeded 60 hours per week, employees were unable to take at least one day off in seven days, and working hours were not being accurately and completely recorded. Excessive working hours increase the risk of health issues and can lead to serious human rights violations. Therefore, we have requested the factories to take prompt action to manage working hours appropriately and are sequentially confirming improvements. Additionally, we are also working on initiatives such as planned ordering to factories, adjusting production schedules, and supporting the improvement of production efficiency.

<Wages and Compensation>

Regarding wages and compensation, findings were identified where employees were not being paid the overtime premiums in accordance with local laws for overtime work, and statutory benefits (such as social security and annual paid leave) were not being properly granted. We have requested the factories to promptly pay wages and other compensations in compliance with local laws and confirmed that corrective measures have been taken.

Additionally, issues such as unreasonable deductions—including fines for tardiness and failure to meet performance targets, as well as employee contributions to injury insurance—were pointed out. We have requested the factory to eliminate these unreasonable deductions and have confirmed corrective measures are being implemented.

■ Main findings and corrective actions for E-rated factories

<Child Labour and Young Workers>

The following issues that increase the risk of child labour and young workers were identified at a total of five Tier 1 factories. We requested improvements from all five factories and confirmed their implementation. Furthermore, follow-up audits were conducted at two of these factories during FY2025, and third-party verification of the improvements has been completed.

At four factories, policies prohibiting child labour or protecting young workers had not been established, nor had they been communicated to employees. We requested these factories to document their policies and inform employees, and we have confirmed improvements at each factory.

At the remaining factory, issues were identified including failure to conduct pre-employment health examinations for some young workers and failure to conduct health examinations for young workers employed for over one year. The factory was requested to conduct health examinations for all young workers, and improvements were confirmed.

A factory audit utilizing the Better Work Programme^{*4} identified the employment of a child at one factory in Cambodia that met the definition of child labour as stipulated in our Code of Conduct for Production Partners. Through the Better Work Programme, improvements were requested. The factory agreed to guarantee the child the opportunity to receive education until reaching the legal working age and to bear the child's deemed wages and tuition fees during that period. We subsequently conducted a direct visit to the factory and arranged for a third-party visit audit to confirm the agreement's implementation.

*4 Since 2016, we have participated in the Better Work Programme, a joint initiative of the International Labour Organization (ILO) and the International Finance Corporation (IFC), and have utilized the factory audits conducted by this programme.

<Forced Labour>

The following issues that increase the risk of forced labour were identified at a total of nine Tier 1 factories. We requested improvements from all nine factories and have confirmed improvements at each. Furthermore, follow-up audits were conducted at one of these factories during FY2025, and third-party verification of the improvements has been completed.

Three factories had not established policies prohibiting forced labour. We requested these factories to formulate policies and communicate them to employees, and have confirmed improvements.

Six factories were found to be collecting fees from employees that should be borne by the employer, such as recruitment fees, uniform costs and cleaning fees, and health examination fees. We requested each factory to change their policies and procedures, and have confirmed improvements.

Additionally, at one factory, a provision in the contract between the staffing agency and dispatched workers stipulated that a fixed penalty amount would be deducted if the worker's assignment period was less than three months. We requested the factory to abolish this penalty provision and confirmed that the factory intervened with the staffing agency, resulting in the abolition of this provision.

At another factory, it was confirmed that employees needed to carry a dedicated ID card and report to security personnel when using the restroom. This raised concerns about potential restrictions on freedom of movement within the facility. We requested the factory to ensure employees' freedom of movement and confirmed through on-site verification that the ID cards had been removed.

No instances of forced labour have been identified in the audits conducted so far.