

Procurement

Through food, House Foods Group aims to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives. We are working to realize a sustainable society based on the Group's philosophy.

In order to continue to provide products and services that are trusted and satisfy our customers, we will respect the importance of our business partners, and conduct fair, transparent and appropriate transactions in consideration of social responsibilities such as human rights, work practices and the environment.

➔ See here for the Procurement Policy of House Foods Group
<https://housefoods-group.com/sustainability/policy/csr.html>
(Japanese only)

About sustainable procurement

The House Foods Group joined Sedex* in December 2021 as an AB member (buyer/supplier member) and is working on responsible procurement and building an ethical and sustainable supply chain. Through the use of Sedex tools and services, we aim to maintain safe, ethical and sustainable business practices with our suppliers and to protect the working conditions of people working in the supply chain.

Since FY2022, we have been confirming compliance with the CSR Guidelines, including human rights issues, with all our clients, including House Foods, House Wellness Foods, House Gaban and Malony.



➔ See here for CSR Guidelines
https://housefoods-group.com/sustainability/otorihikisaki/pdf/en_guideline.pdf

* Sedex: Sedex is headquartered in the UK and is one of the world's leading member-system organizations that provides ethical trading services, working to improve working conditions in the global supply chain. Sedex provides the practical tools, services and community networks that companies need to improve their responsible, sustainable business operations and responsible procurement.

Initiatives for sustainable palm oil

In response to the intent of the Roundtable on Sustainable Palm Oil (RSPO)¹, which promotes sustainable production and use, the House Foods Group joined the RSPO in January 2018, taking into consideration the environment of the production site (forest and biodiversity conservation) and the economy and the human rights of the people working there (elimination of forced labor and child labor). In January 2020, we acquired RSPO supply chain certification for all our House Foods

plants (Kanto, Shizuoka, Nara and Fukuoka plants) and for Sun House Foods, which manufactures the House Foods brand's retort products. In April 2020, we began switching the palm oil purchased at our factories to RSPO-certified palm oil², and we are currently procuring the equivalent amount of palm oil used in roux products³. In addition, since July 2020, we have also switched the amount used for retort products⁴ in the same way.

➔ See here for progress of initiatives
<https://rspo.org/members/4-0994-18-000-00/>

1. RSPO: Roundtable on Sustainable Palm Oil to promote the production and use of sustainable palm oil in order to prevent the production around the world from having a serious negative impact on tropical forest conservation, the diversity of living organisms in them and the lives of people who depend on forests
2. MB (mass balance) certified oil has been used
3. Excluding granules and paste products
4. This applies to retort products manufactured at Group offices in Japan (Sun House Foods)

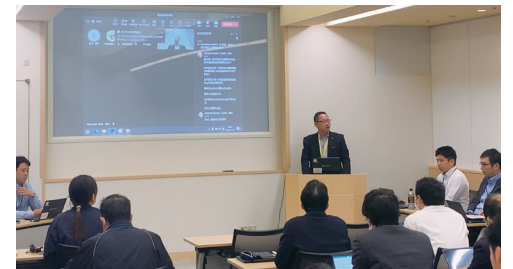


4-0994-18-100-00

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Procurement Market Briefing

In November 2023, we held a Procurement Market Briefing to educate Group employees on the rapidly changing procurement environment and methods for procurement based on COVID-19, the Russian-Ukraine conflict and abnormal weather conditions. Approximately 140 participants from 12 Group companies participated in the briefing session. The Procurement Division explained the impact of changes in the procurement environment on each company's products, information on prices for raw materials and packaging materials, including spices, and various procurement initiatives to address changes in the environment. This gave us the opportunity to deepen our understanding of procurement and look up the VC upstream, including the structure of material prices and the connections between various events and businesses that occur around the world. We will continue to provide information on procurement risk initiatives and market information.



Human Rights

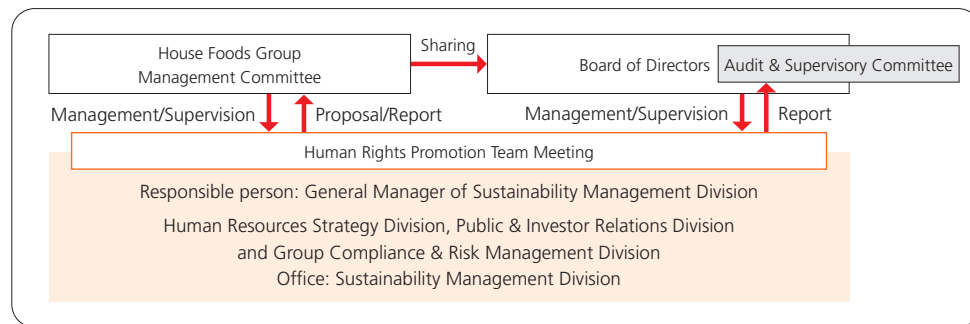
The House Foods Group recognizes that human rights may be affected directly or indirectly in all stages of its business activities. We have established a human rights policy for the House Foods Group to respect the human rights of all persons involved in our business activities. In accordance with this policy, the Group will further promote efforts to respect human rights.

➔ See here for the Human Rights Policy of House Foods Group
<https://housefoods-group.com/sustainability/policy/human.html>
(Japanese only)

Promotion system

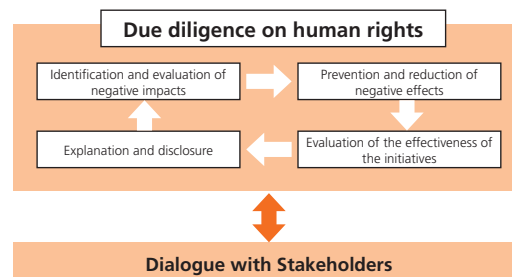
The Human Rights Promotion Team is responsible for reviewing mechanisms and systems for promoting human rights issues and for continuously collecting information. It regularly makes proposals and reports to the Management Committee. The materials and minutes reported at the Management Committee are shared with all directors, including outside directors.

In addition, the Audit & Supervisory Committee regularly reports on the status of the helpline and provides detailed explanations on human rights issues reported at the Management Committee as necessary. Opinions of the Audit & Supervisory Committee are reported by the Board of Directors and fed back to the relevant divisions.



Human rights due diligence

Human rights due diligence is a preventative measure, and there is always a potential negative impact on human rights. Therefore, the cycle needs to be maintained (identifying/evaluating negative impacts, preventing/mitigating them, evaluating the effectiveness of initiatives and explanation/disclosure).



For FY2023, after reorganizing information on human rights risks, which have become an international concern, we identified two key human rights risk areas for priority action: “1. Foreign nationals who use the Technical Intern System and Specified Skilled Worker System in Japan” and “2. Raw materials and packaging suppliers,” and conducted evaluations on these matters.

Identification and evaluation of negative impacts		Prevention and reduction of negative impacts	
1. Foreign nationals who use the Technical Intern System and Specified Skilled Worker System in Japan	<p>The first step in human rights due diligence was risk assessment for foreign nationals who use the Technical Intern System and Specified Skilled Worker System in Japan, in the presence of a third-party institution, the Caux Round Table Japan.</p> <p>Although no serious human rights issues were observed as a result of the survey and meetings conducted at the Group companies, there were findings and recommendations related to support functions and improvement of the working environment.</p>	<p>Based on the findings and recommendations from the third-party organization, we have reviewed support functions and made efforts to partially improve the living environments of said employees. We will continue to consider improvement measures, and create a safe and secure workplace and living environment.</p>	
2. Raw materials and packaging supplier	(1) External business partners	<p>In 2021, we joined Sedex. In 2022, we held an explanatory meeting on the Sedex and CSR surveys for suppliers of Group companies in Japan.</p> <p>As of February 2024, the response rate to the Sedex self-assessment and CSR survey* is approximately 82% (based on procurement amount), and we will continue to follow up on this. Based on the results of the survey, we also enacted responses regarding suppliers determined to have high risks related to human rights.</p> <p>* Sedex (Supplier Ethical Data Exchange): CSR self-assessment survey based on global standards</p>	<p>Individual checks were conducted with suppliers who were judged to have high human rights risks, and then confirmed that corrective measures were taken. We will continue to aim to maintain safe, ethical and sustainable business practices with our suppliers and to protect the working environments of people working in the supply chain.</p>
	(2) Our manufacturing base	<p>We have completed a briefing session for completing the Sedex New Self-Assessment Questionnaire for Group companies in Japan that are also suppliers. (March 2024). We have confirmed that there are no major problems based on the responses of 14 Group companies in Japan and one overseas Group company.</p>	<p>We will continue to review and improve our ongoing response status.</p>

Remedies

We have established an internal helpline and a supplier helpline about remedies.

➔ See here for the Help Line System
<https://housefoods-group.com/sustainability/compliance.html>
(Japanese only)

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Educational activities

Based on the Human Rights Policy of the House Foods Group, which was revised in April 2023 to ensure thorough execution of human rights initiatives, we conducted video-based learning to ensure that everyone working in the House Foods Group understands better. We also prepared a version of the video that has phonetic characters so a wide variety of people can learn from it.



Audience: Domestic Group Companies in Japan (executives and all employees)

Production

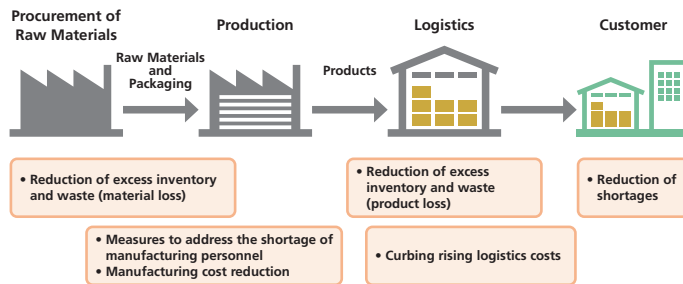
With the mission of “pursuing production and SCM systems” to support the Group’s sustainable growth, we produce safe and reliable, high-quality and cost competitive products, and carry out daily production activities to deliver them to our customers. In recent years, we have been working to create a production and logistics system that will reduce the environmental impact, while also building a system that is optimized for the Group.

Utilization of a unified supply and demand/production management

House Foods, House Wellness Foods and Sun House Foods have a unified tri-company system for managing demand forecasting and production activities.

By using AI and big data to improve the accuracy of demand forecasting, and by drafting production plans to respond quickly to demand fluctuations, we are reducing overstocking and waste of materials and products.

System for integrated supply and demand/production management



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HPS activities

The House Foods Group is conducting improvements in the production sites of each Group company as part of its HPS (House Production System) activities. HPS activities are bottom-up initiatives based on the participation of all employees. They form the root of production with human resource development as the objective.

At the 14th overall HPS Activity Presentation Meeting in FY2023, 10 offices from seven Group companies participated in the event, sharing improvement activities in their respective sites.



Logistics

The House Foods Group recognizes that ensuring the sustainable and stable distribution required for its business activities is a management issue. In order to realize highly productive logistics and work-style reforms, the Group is working to improve logistics through mutual understanding and cooperation with suppliers and logistics business companies.

We are also working to resolve issues such as the “2024 logistics problem” through the creation of a sustainable logistics system by utilizing F-LINE* Corporation, which was established in April 2019.

* F-LINE: In February 2015, six food manufacturers launched the F-LINE project with the aim of creating a new platform for processed food logistics. Then, F-LINE Corporation, a logistics company, was created by five food manufacturers in April 2019: Ajinomoto Co., Inc., House Foods Group Inc, Kagome Co., Ltd., Nisshin Seifun Welna Inc. and the Nisshin Oillio Group, Ltd.

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Reconstruction of joint deliveries in the Hokkaido region

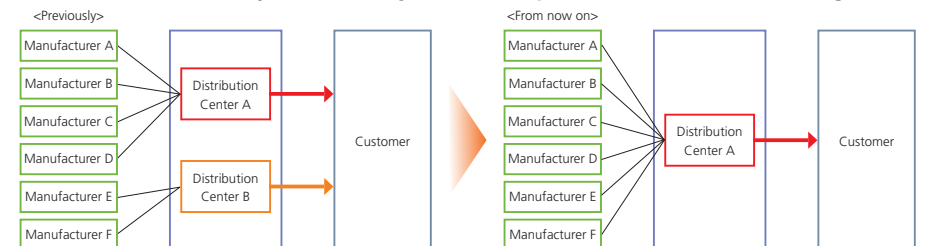
Six food manufacturers (Ajinomoto, Kagome, the Nisshin Oillio Group, Nisshin Seifun Welna, Mizkan and House Foods Group) and F-LINE restructured their joint distribution system in the Hokkaido region in October 2023 to improve logistics efficiency. By jointly using delivery sites and delivery vehicles, each company can create a sustainable logistics system and reduce CO₂ emissions by approximately 16% in the environment.



Consolidating the two storage and delivery locations into one location, this initiative will improve the loading efficiency of each vehicle and reduce the number of deliveries by means of joint storage and delivery.

This will reduce the number of vehicles delivered to the delivery destination and will also reduce the burden on receiving.

Illustration of the joint delivery of six companies in the Hokkaido region



We will continue to work with food manufacturers and F-LINE to build a sustainable logistics system and further reduce our environmental impact.

Quality Assurance

To continuously provide safe and reliable products and services to our customers, all employees of the Group work together to maintain and improve quality across the entire value chain, from raw material procurement, product planning and design, cultivation and manufacturing, to logistics and sales.

Quality assurance approach

The approach to quality assurance in the House Foods Group is “process assurance,” which assures links between processes. We think of the downstream as the customer, and we create and guarantee quality in each process.

In addition, based on the idea of a worksite-centric approach, the Group shares insights based on experience, including past failures and successes, and applies them to quality assurance.

In order to implement the approach to “process assurance,” we are working to prevent the outflow of defective products through a combination of “mechanisms that prevent anomalies” and “mechanisms that recognize them.”

In addition, the quality assurance divisions, production divisions and the quality assurance management divisions of each House Foods Group company are collaborating to make efforts to improve the workplace by enabling objective observations of differences and insights.

House Foods Group Policy on Quality

<Quality Philosophy>

We will contribute to the diets and healthy lives of our customers by providing recognizable products and services that are valuable in their everyday lives.

<Action Guidelines>

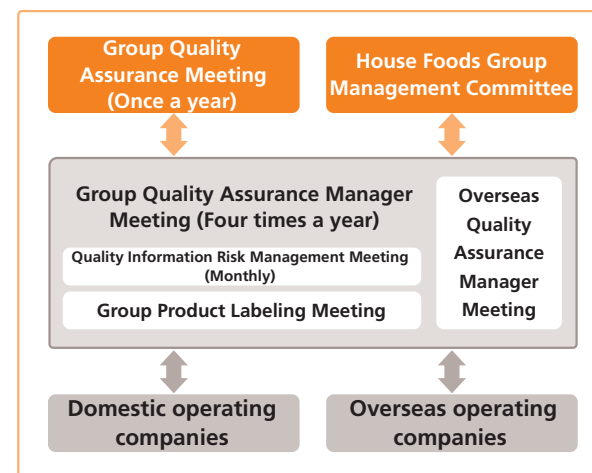
Every member of the House Foods Group will act in accordance with the following action guidelines:

1. We will act with integrity and stand in our customer's shoes.
2. We will ensure the safety of our customers first and foremost.
3. We will listen to the voice of our customers and continue to develop and improve products and services based it.
4. We will provide accurate and easy-to-understand information in order to respond to the trust of our customers.

Quality assurance system

The House Foods Group is conducting ongoing quality assurance activities by discussing important issues related to quality assurance at the Group Quality Assurance Meeting, which consists of executives of House Foods Group, operating company presidents and outside experts.

At the Quality Assurance Manager Meeting, which is held by the Quality Assurance Management Division of the Group Headquarters and the heads of the quality assurance divisions of operating companies, the Group collaborates with its operating companies to address issues common to the Group, and is working to improve its quality assurance capabilities by holding discussions from a high-level perspective and actual worksite conditions of each company. In addition, we are working to improve our quality assurance capabilities by collecting information on legal revisions through specialized meetings such as the Quality Information Risk Management Meeting and the Group Product Labeling Meeting and taking action to comply with the legal revisions.



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Professional Commendation System

With various “human, equipment, raw materials and method” changes in production, we have created many ideas and techniques that lead to the realization of safe and secure products. In 2018, we launched the Professional Commendation System, which is based on the sense that it is important to continue the steady activities of the workplace in order to maintain safe and secure quality. In addition to thanking the winners by nominating them from each office, the Group shares the thoughts and values of the winners, and the positive impressions of their supervisors, and strives to foster a quality-oriented culture.



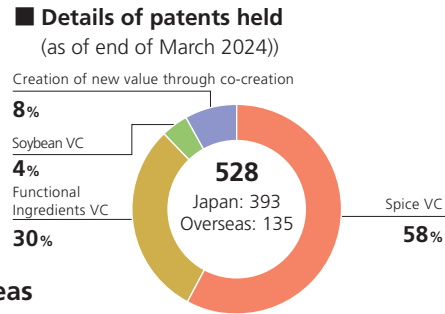
The communication between the winners and the executives

Intellectual Property Strategy

The Group considers intellectual property as an important management capital and is integrated with business and research and development. The basic policy of its intellectual property strategy is to protect and utilize intellectual property from the perspective of the VC and from a global perspective.

Competitive advantage through strategic patent acquisition

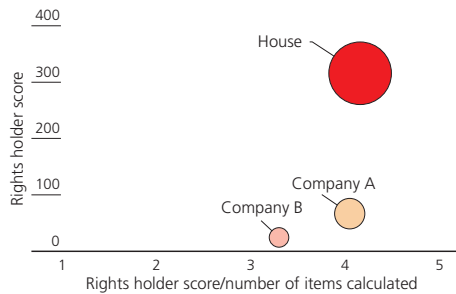
The Group holds strategic patents for each VC in line with its business strategy.



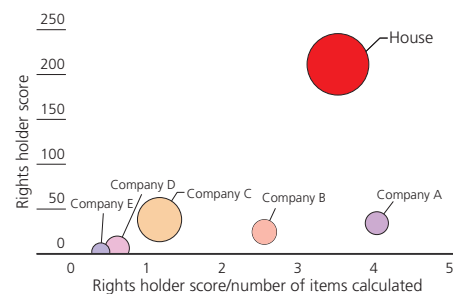
Patent competitiveness in key business areas

Use patents to properly protect technologies for curry roux and retort products that continue to develop through constant research and development. The results are not only reflected in the number of patents held but also in the competitiveness of the patents.

■ Patent competitiveness of the curry roux product*



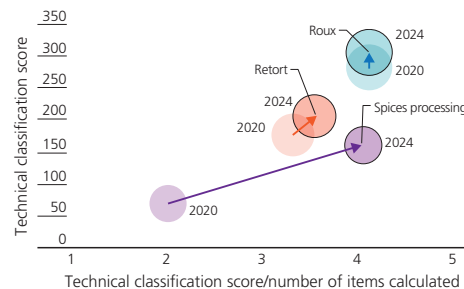
■ Patent competitiveness of retort products*



In recent years, we are also focusing on initiatives to create new value. In the Seventh Medium-term Business Plan, significant progress was made in the development of spice processing technology upstream, and the results are reflected in the score map. In the Eighth Medium-term Business Plan, we will link these new strengths to create VCs.

* Created by our company using Biz Cruncher® by Patent Result. Scores were calculated by assigning points to the degree of focus on obtaining patents and the degree of attention from competitors

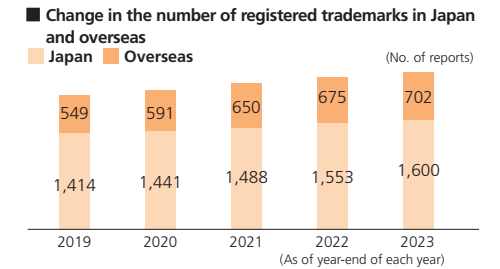
■ Changes in core business areas and new value areas (spice processing) scores*



In addition, in the case of the Functional Ingredients VC, we are working to acquire patents in Southeast Asia and Europe to promote global business development. In the Soybean VC, we will work to create and acquire intellectual property in light of the future expansion of the PBF market and our competitive strategy. We will also promote joint value creation in areas where new value is created, including the Value-added Vegetables VC, by actively utilizing the technology openly while protecting the technology.

Trademark strategies aligned with brand personalities

By acquiring strategic trademark rights that match each VC's brand personality, we protect our brands in each region, both in Japan and overseas, as well as raise awareness and enhance the value of brands that are loved globally.



Overseas expansion of Vermont Curry

The yellow packaging and ribbon combination of *Vermont Curry*, loved for over 60 years since its release, is trademarked in multiple countries and regions, contributing to both brand value enhancement and the elimination of counterfeit products.



TOPICS

Spice processing technology: An example of the use of salt treatment drying technology

We have developed a salt treatment drying technology to provide customers with dried spices and herbs that retain much of the color and aroma of their fresh counterparts. An example of this technology in use is the Salty Green Pepper that was developed to deliver the clean green color and aroma of fresh pepper.

Fresh pepper turns from green to black and loses its fresh, lush aroma after being harvested. We therefore cooperate with Indonesian farmers to grow fresh pepper and process it in our own factory immediately after harvest using salt treatment drying technology, so that it can be sold under the VOXSPICE brand as a unique product that retains its original color and aroma. This was made possible by connecting the VC we have built with farmers and other stakeholders, with technology at the core. Moving forward, we will continue to harness the natural benefits of spices through technology to bring out their appeal and connect them, offering new value to our customers.

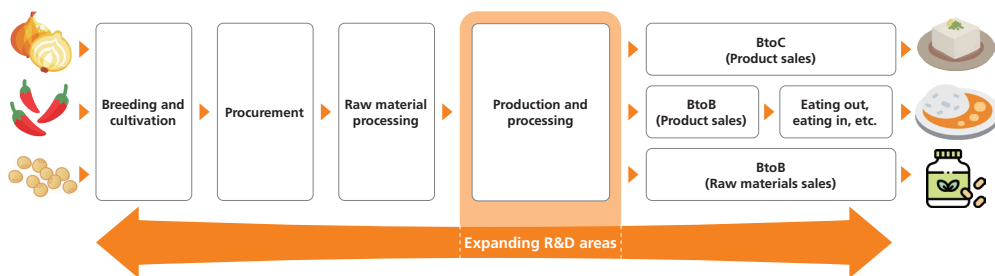


R&D

R&D will play a central role in making us a high-quality company that connects VC upstream and downstream to create new value and deliver “Healthy Lives through Food.” In the creation of the Spice VC in particular, we will promote technology and application development to integrate VCs and expand customer contact points through collaboration with procurement, production and business as well as R&D. We will continue to develop technologies and research materials that will strengthen our competitiveness and business base in the areas of the Functional Ingredients VC, Soybean VC and Value-added Vegetables VC. In addition, we will focus on leading collaborative creation both inside and outside the Group in order to identify new technological seeds and commercialize new businesses.

R&D functions and scope of activities

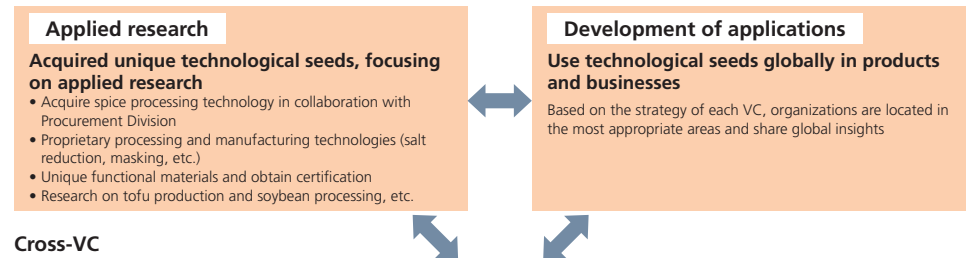
In order to bring smiles to our customers, we are working to solve a variety of issues using a scientific approach. This is not only in the development of BtoC products at Group companies but also in the development and cultivation technology on the upstream of the value chain. These efforts also extend to the primary processing technology for providing food raw materials, to the technology related to the downstream BtoB and the provision of food service.



Building an organization that is suitable for a global VC

The starting point for our unique technological seeds is in our existing business and in our daily work. In addition to application development, we will also create unique value in applied, fundamental and basic research. In addition, we will promote collaboration within VCs by engaging in applied research and application development by VC. In addition, we aim to maximize our unique value by utilizing the results obtained across VCs and globally.

By VC



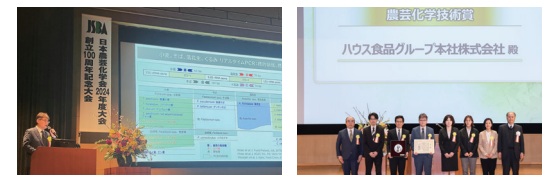
Cross-VC



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Food allergen analysis techniques

We are working on food allergen analysis techniques to provide accurate information about food allergies and to broaden food options. To date, we have developed testing methods for six of the eight specific allergenic ingredients that are required to be labeled in Japan: wheat, buckwheat, peanuts, shrimp, crab, and walnuts, all of which are subject to PCR verification testing. Through these technologies, we have made it possible to distinguish between shrimp and crab, which was not possible until then, and detect trace amounts of wheat in highly processed foods. Both test methods are listed in a notice by Consumer Affairs Agency as part of Japanese civil law and are sold as reagent kits by the licensed company, Fasmac, for widespread use around the world. In March 2024, we won the Japan Society for Bioscience, Biotechnology, and Agrochemistry (JSBBA) Award for Achievement in Technological Research for these efforts. In the future, we will continue to develop a test method for cashew nuts under consideration for specific raw materials and develop technology that utilizes liquid chromatogram mass spectrometry to measure allergen concentrations.



➔ Enriching lives with food! House Foods Group's research on food allergies [Part 1]
<https://housefoods-group.com/activity/andhouse/magazine/08/index.html>
(Japanese only)

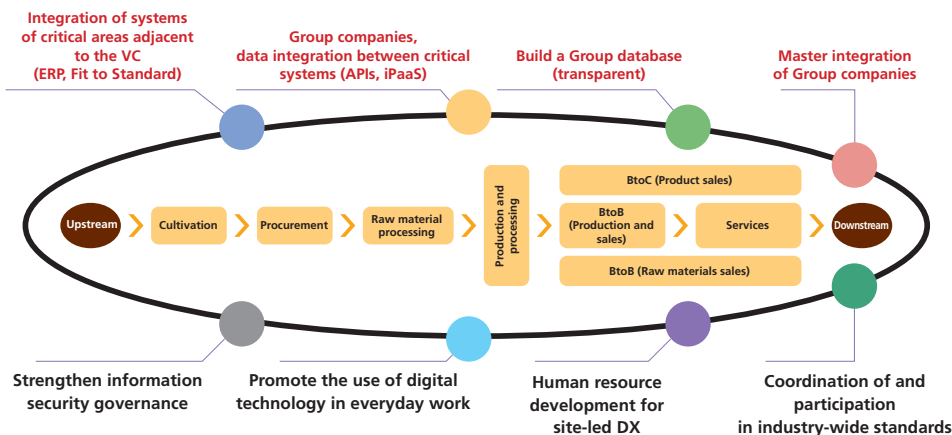
➔ Enriching food for people everywhere: Social contributions enabled by food allergen analysis technology [Part 2]
<https://housefoods-group.com/activity/andhouse/magazine/09/index.html>
(Japanese only)

Digital Transformation Strategy

We are working to strengthen our digital strategy to support growth through the creation of global VCs. In order to achieve this, we will further enhance the competitiveness of the current business area, which is the source of growth, through our digital strategy. To realize flexible VC management starting from upstream, we will connect the Group internally to make goods, money and information visible. In order to achieve these, we are working to build a Group information platform. In addition, we will contribute to improving the value we provide to our customers, creating a workplace where people can feel job satisfaction by using and learning digital skills, and solving environmental issues. The Eighth Medium-term Business Plan is considered an important “build-in” period to create VCs, and as an “aggressive” DX (digital transformation), it is necessary to change the way of working from a VC perspective (business improvement and labor saving). We will also focus on strengthening information security and governance as a “defensive DX.” In addition, we will continue to acquire human resources and technology to support business transformation and digital strategies, both in an aggressive and defensive way.

Realizing VC management

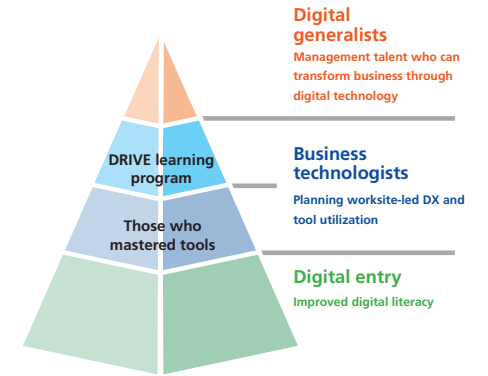
In order to realize VC management, we need to make efforts to acquire technologies such as ERP integration for each Group company and business that support VC, data linkage between systems and master integration in the Group. In addition, security assessments and development of response plans related to technology and operations in response to information security risks that increase with Group collaboration are also important topics. We will work comprehensively, including through participation in industry standards.



Human resource development

Worksite-led DX to support human resource development

In the midst of a rapid wave of digital transformation, we believe that not only those at IT divisions but also those on-site who understand the business the most, can use their digital skills to achieve transformation. In order to achieve this, the digital strategy divisions and the human resource strategy divisions are working together to develop human resources to support work site-led DX. In order to expand the reach of all employees by improving literacy, such as e-learning and the utilization of generative AI, and to further enhance their perspective, we offer a variety of learning opportunities to develop skills for setting up on-site issues and leading to change, as well as digital skills as practical solutions.



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Implement the “DRIVE” learning program

As part of our efforts to “develop human resources to support worksite DX,” we are implementing the DRIVE learning program aimed at training human resources that can proactively tackle work issues and formulate and promote DX measures that lead to business transformation. This program involves selecting a theme from actual business challenges, generating DX ideas, thoroughly exploring the issues, evaluating the effectiveness of solutions, and finally developing a DX proposal (PoC plan). The greater the issue, the more efforts we need to take place across business areas, and we can expect new themes for business transformation through cooperation across departments and companies. One of the goals is to have employees who completed the program return to their worksites and play a central role in digital transformation.

