

Nichia Group CSR Procurement Guidelines

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Nichia Corporation



Dear Supplier,

Under the policy of “Placing a high value on environmental responsibility” Nichia Group (hereinafter referred to as “Nichia”) is committed to manufacturing products that prioritize high performance, long service life, and high reliability. In addition, by complying with applicable laws and regulations and social norms, and by conducting fair business practices, Nichia aims to grow together with Japan and with industries worldwide. Nichia hopes to prosper as “a company widely recognized for its social value” through these activities. Nichia has established corporate policies to put this fundamental philosophy into practice.

Based on those policies, Nichia developed this guideline to clarify the expectations and requirements for its suppliers. Nichia asks that its direct suppliers understand these expectations and requirements and cascade them throughout the suppliers’ entire supply chains.

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1. Labor

The human rights of workers shall be respected. Suppliers shall treat workers with dignity and respect in accordance with internationally accepted norms. This applies to workers in all forms of employment, including temporary, migrant, student, and directly employed workers.

1.1. Employment

Suppliers shall prohibit the use of forced labor, debt bondage, coerced labor, slavery, and human trafficking. Recruitment, transportation, harboring, or transfer of workers through threats or deception is also unacceptable. Suppliers shall not impose unreasonable restrictions on entry to or exit from the workplace or company-provided facilities, nor on movement within such facilities.

Suppliers shall prepare employment contracts in workers' native languages or other languages they understand. Suppliers shall ensure that foreign workers receive their employment contracts before leaving their home countries. Any substitution or modification of the employment contract upon arrival in the host country is permitted only to comply with local laws and regulations and only if the updated terms are equal to or better than those in the original contract.

All work shall be voluntary, and workers shall have the freedom to take leave or terminate their employment without incurring penalties or fines, provided they give reasonable notice.

Suppliers shall not retain identification documents, visas, or other personal papers of workers unless required by law. If such retention is necessary, workers shall have access to and control over such documents.

Suppliers shall not charge workers recruitment fees or similar costs. If such payments are discovered, suppliers shall reimburse the workers.

1.2. Prohibition of Child Labor

Suppliers shall prohibit the employment of children in all business activities. In this context, a "child" refers to anyone who is under the age of 15, under the minimum age for completing compulsory education in the relevant country or region, or under the minimum legal working age in that country or region, whichever is higher.

Suppliers shall establish a system to verify workers' ages using documents issued by public authorities when entering into an employment contract. The workplace learning programs shall be in compliance with applicable laws and regulations. In accordance with national legislation in the relevant country or international standards, suppliers shall ensure that persons who have not reached the minimum legal age are not engaged in hazardous work, including night shifts or overtime.

For student workers, suppliers shall ensure that accurate records of such workers are maintained, that their educational partners are selected after rigorous due diligence, and that student workers' rights are fully protected. In addition, suppliers shall provide necessary support and training to student workers. Where wages for student workers are not stipulated by local laws and regulations, the wages shall be at least equivalent to those received by newly hired workers performing the same work.

1.3. Working Hours

Excessive work is associated with reduced productivity, higher turnover, workplace accidents, and an increased incidence of illness. Therefore, suppliers shall appropriately manage working hours and days off in compliance with applicable laws and regulations in the relevant country or region and international standards.

1.4. Wages and Benefits

Suppliers shall ensure that wages, allowances, and benefits comply with applicable laws and regulations, and that overtime is paid at a premium rate. Suppliers shall issue clear pay statements in a timely manner. Any use of temporary, agency, or outsourced workers shall conform to applicable laws and regulations.

1.5. Humane Treatment

Suppliers shall strictly prohibit violence, sexual abuse, harassment, corporal punishment, psychological or physical oppression, bullying, verbal abuse, or any other inhumane or offensive treatment. Disciplinary policies and procedures shall be clearly established and communicated to all workers.

1.6. Prohibition of Discrimination and Harassment

Suppliers shall maintain a workplace free from unlawful discrimination and harassment. In employment practices, including recruitment/hiring, promotion, compensation, and training, suppliers shall not tolerate any form of discrimination or harassment on the basis of any attribute, including but not limited to race, sex, age, nationality, disability, pregnancy, religion, political affiliation, union membership, military service, genetic information, or marital status.

1.7. Respect for Local Communities and Human Rights

In conducting business activities, suppliers shall comply with local laws and regulations and with international norms, and shall respect the lives, cultures, religions, and histories of indigenous and minority peoples. Suppliers shall consider the impacts of their business activities on local communities and, in order to promote sustainable development, shall establish systems for collaboration with communities and residents, and for the prevention, management, and remedy of any infringements of these peoples' rights.

1.8. Workers' Rights

Suppliers shall respect the rights of workers in accordance with applicable laws and regulations. The right not to exercise such rights shall also be respected. Suppliers shall provide an environment in which workers and their representatives can express their views openly.

2. Occupational Health and Safety

Suppliers shall recognize that a safe and hygienic workplace not only prevents accidents and illnesses but also enhances product quality and workers' motivation. Suppliers shall provide continuous disclosure and information education, with reference to ISO 45001, ILO guidelines, and other applicable standards.

2.1. Safety Assurance

Suppliers shall identify and assess hazards, including but not limited to chemical, electrical, fire, machinery, and fall hazards, and shall implement controls (e.g., elimination, substitution, design, engineering and administrative controls, maintenance, safe work procedures). Training shall be provided in workers' native languages or other languages they understand. Pregnant and nursing workers shall be accommodated.

2.2. Emergency Response

Suppliers shall identify and assess emergency situations, shall establish reporting, notification and evacuation procedures, shall provide training, and shall conduct emergency drills at least annually. Suppliers shall also have adequate emergency equipment, evacuation measures, emergency contact information, and recovery and business continuity plans in place in order to minimize harm to people, the environment, and company assets.

2.3. Accident and Illness Management

Suppliers shall comply with labor-related laws and regulations in the relevant country or region, and shall establish and maintain systems for preventing, managing, recording, and reporting occupational accidents and illnesses. These systems shall include provisions for encouraging reporting by workers, providing necessary medical treatment, investigating the causes, implementing corrective actions, supporting workers' return to work, among other provisions.

2.4. Occupational Hygiene

Suppliers shall identify exposures to chemical, biological, and physical agents, and shall implement control measures. Where elimination or reduction of the hazards is not possible, the hazards shall be controlled through design, engineering, and operational controls, and appropriate personal protective equipment shall be provided to workers free of charge.

2.5. Consideration for Physically Demanding Work

Suppliers shall identify, assess, and manage risks, including but not limited to those arising from manual handling, heavy labor, repetitive motion, and prolonged standing work.

2.6. Equipment Safety

Suppliers shall assess hazards associated with production equipment and machinery. To address those hazards, suppliers shall install physical safeguards, interlocks, and barriers on such equipment and machinery, and shall properly maintain them.

2.7. Sanitation, Meals, and Housing

Suppliers shall provide clean toilet facilities, safe drinking water, and hygienic dining facilities for workers. If dormitories are offered, they shall be maintained in a safe and sanitary condition and shall be equipped with emergency exits, bathing facilities, lighting, heating, ventilation, adequate personal space, and secure storage for valuables.

2.8. Safety and Health Information

Suppliers shall provide safety and health information and training on hazards to which workers may be exposed, in the workers' native languages or other languages they understand. Such information shall be posted within the facility. Training shall be provided before workers start work and on a regular basis.

3. Environment

Suppliers shall recognize that environmental protection is essential to the production of high-quality products and shall minimize negative impacts on local communities, the environment, and natural resources.

3.1. Environmental Permits and Reporting

Suppliers shall obtain and maintain all required environmental permits, approvals, and registrations, and shall comply with applicable requirements.

3.2. Pollution Prevention and Reduction in Resource Use

Suppliers shall minimize or eliminate the release of pollutants and the generation of waste. Regarding natural resources (e.g., water, fossil fuels, minerals), suppliers shall reduce their consumption and shall promote reuse and

recycling. Suppliers shall also set targets to reduce water consumption and shall promote the efficient use and its conservation.

3.3. Hazardous Material Management

Suppliers shall identify, label, and manage hazardous substances and wastes, and shall ensure their safe handling, transport, storage and disposal.

3.4. Solid Waste

Suppliers shall establish systems to identify, manage, reduce, properly dispose of, and recycle solid waste.

3.5. Atmospheric Emissions

Suppliers shall assess, monitor, control, and treat emissions of VOCs (volatile organic compounds), aerosols, corrosive substances, particulates, ozone-depleting substances and other airborne pollutants. Suppliers shall also routinely monitor the operation of emission control systems.

3.6. Restrictions on Substances Used

Suppliers shall comply with laws and regulations and customer requirements concerning the restrictions or prohibitions on specified substances in products and processes, and the labeling of waste.

3.7. Energy and Greenhouse Gases

Suppliers shall set targets for reducing greenhouse gas emissions. Suppliers shall also record and disclose energy consumption and emissions and shall improve energy efficiency and minimize greenhouse gas emissions.

3.8. Biodiversity and Ecosystem Conservation

Suppliers shall ensure that the conservation of biodiversity and ecosystems is taken into account in their procurement decisions. Examples of measures to consider include:

- Giving preference to materials produced with consideration for ecosystems.
- Taking ecosystem considerations into account in raw material extraction, product development, production, and procurement.
- Protecting rare species and avoiding fragmentation of animal habitats when acquiring land or rebuilding facilities.
- Conducting conservation activities such as planting native species and reforestation.
- Pursuing continuous improvement in pollution prevention, the 3Rs (Reduce, Reuse, Recycle), and energy efficiency, among other efforts.
- Promoting ecosystem conservation in their supply chains.

4. Business Ethics

Suppliers shall observe the principles of business ethics described in this section in order to fulfill their social responsibilities and to ensure sound business practices.

4.1. Maintaining Integrity

All forms of bribery, corruption, embezzlement, and extortion are strictly prohibited. Suppliers shall handle all transactions transparently and shall record them accurately in their accounting records. Suppliers shall also implement appropriate monitoring systems and procedures to ensure compliance with applicable anti-corruption laws and regulations.

4.2. Avoiding Improper Benefits

Suppliers shall not offer or accept any bribes or other improper benefits, whether directly or through third parties, and shall implement monitoring, recordkeeping, and procedural measures to ensure compliance with applicable anti-bribery laws and regulations.

4.3. Disclosure of Information

Suppliers shall conduct transactions with transparency and shall accurately record them in their accounting and recordkeeping systems. Suppliers shall also disclose information related to labor practices, occupational health and safety, environmental performance, business structure, finances, and operational performance in accordance with applicable laws and industry norms. Misrepresentation of supply chain practices or initiatives is not permitted. Suppliers shall also provide appropriate information on products and services to customers and consumers.

4.4. Intellectual Property

Suppliers shall respect intellectual property rights. Any transfer of technology or know-how shall be conducted without infringing on such rights, and confidential information of customers and sub-suppliers shall be protected.

4.5. Fair Business and Advertising, and Compliance with Competition Laws

Suppliers shall maintain fair competition practices at all times, shall engage in truthful advertising, and shall implement measures to comply with competition-related laws and regulations and to protect customer information.

4.6. Protection of Whistleblowers and Prevention of Retaliation

Unless otherwise prohibited by law, suppliers shall maintain programs to protect whistleblowers within their organizations and supply chains. Suppliers shall also maintain a process for raising concerns without fear of retaliation and shall communicate it widely.

4.7. Responsible Mineral Sourcing

Suppliers shall exercise due diligence on the sourcing and management of minerals contained in products (e.g., tin, tantalum, tungsten, gold, cobalt, natural graphite, lithium, nickel, mica) in accordance with applicable international standards such as the OECD Due Diligence Guidance and relevant EU regulations. Risk categories must cover social and environmental risks as defined by the OECD and the EU frameworks for mineral sourcing.

4.8. Exclusion of Antisocial or Criminal Organizations

Suppliers shall take a firm stance against antisocial or criminal organizations and shall have no relationship of any kind, including business dealings with such entities. Suppliers shall also refrain from engaging in any transactions with companies associated with such entities, including but not limited to the provision of benefits or financing.

4.9. Proper Controls for Export and Import

Suppliers shall establish management systems and shall follow proper procedures in connection with the export and import of regulated technologies and goods. Suppliers shall understand and comply with applicable laws and regulations in the relevant countries and shall obtain all necessary permits and authorizations.

5. Management System

Suppliers shall promote the establishment and maintenance of management systems within the scope of this guideline. Examples include:

- Corporate commitment
- Management responsibility and accountability

- Compliance with laws and regulations and customer requirements
- Risk identification and management
- Improvement targets
- Education and training
- Communication
- Worker participation and grievance mechanisms
- Risk assessment and auditing
- Corrective actions
- Document control and record storage

6. Quality and Safety

6.1. Product Safety

Suppliers shall ensure adequate safety at the design stage and shall sell merchandise in compliance with product liability requirements. Suppliers shall also comply with applicable laws and regulations and safety standards. For example, in Japan, the relevant statutes and standards include the Electrical Appliance and Material Safety Act, the Consumer Product Safety Act, the Household Goods Quality Labeling Act, and JIS; in other countries, comparable standards include UL, BSI, CSA. Traceability controls and rapid resolution of issues shall also be included in the suppliers' processes.

6.2. Quality Assurance

Suppliers shall establish and promote a quality management system (e.g., ISO 9000 series, IATF 16949, ISO 13485) that includes a defined quality policy, continuous improvement through the Plan-Do-Check-Act (PDCA) cycle, an established organizational structure, action plans, assignment of responsibilities, and clearly presented procedures.

6.3. Emergency Response and Business Continuity

Suppliers shall develop business continuity plans (BCPs) and shall conduct regular drills and exercises to prepare for emergencies such as terrorism and natural disasters. Suppliers shall also review their practices and make improvements or changes where necessary.

7. Protection of Personal Data and Confidential Information

7.1. Cybersecurity

Suppliers shall implement measures against threats to computer and network systems (e.g., computer viruses, spyware, ransomware, social engineering, and targeted attacks) to prevent issues from occurring both inside and outside the organization. Suppliers shall exercise the utmost care to prevent serious risks that may result from such threats, including information leaks, disruptions to business operations, and damage to reputation.

7.2. Protection of Privacy and Intellectual Property

In compliance with applicable laws and regulations, suppliers shall properly collect, store, process, transfer, and share personal data of all sub-suppliers, customers, consumers, and workers, and shall protect their privacy. Suppliers shall respect intellectual property rights, including but not limited to patents, copyrights, and trademarks, and shall protect intellectual property when transferring technology or know-how. Suppliers shall also safeguard third-party intellectual property, including that of customers and sub-suppliers.

7.3. Measures to Prevent Personal Data Breaches

Suppliers shall establish standards and policies to prevent unauthorized access to, use of, disclosure of, or loss of personal information, and shall strictly control the handling of such information.

7.4. Measures to Prevent Loss of Customer and Third-Party Confidential Information

Suppliers shall ensure that confidential information of customers and other third parties is managed and protected to prevent unauthorized access to, use of, disclosure of, or loss of such information.

Procurement Management Committee, Nichia Corporation
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