Niterra Group
Sustainability Procurement Guidelines

Niterra Co., Ltd.

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Introduction

In recent years, social issues surrounding companies have grown increasingly critical. These include the impact on economic activities caused by the frequent occurrence of climate change-related disasters, the respect for human rights and the prevention or mitigation of adverse impacts within 'Business and Human Rights,' as well as the conservation of 'Biodiversity.'

We, the Niterra Group, aim to contribute to the realization of a sustainable society by addressing and solving these social issues through our business operations. To achieve this goal, collaboration with our business partners—who are "good partners of the Niterra Group, deepening mutual trust and striving for mutual development"—is essential.

On this occasion, we have renamed our former "CSR and Sustainability Procurement Guidelines" to the "Sustainability Procurement Guidelines." Additionally, we have updated our "Procurement Policy" to include statements on stable procurement in preparation for changes in an increasingly intensifying external environment. Please note that there are no changes to the individual guideline items with which we ask our business partners to comply.

We kindly request your understanding of and agreement with these guidelines, as well as your active practice toward realizing a sustainable society together. Furthermore, we ask that you share these guidelines with your suppliers so that we can continue working together to promote and practice sustainability throughout the entire supply chain.

Sustainability Management Department & Procurement Department
Business Operations Division
Niterra Co., Ltd.

Procurement Policy

The Group's procurement policy is part of the Niterra Way philosophy system, and is one of the 12 Sustainability Basic Policies established based on the Corporate Philosophy, the Sustainability Charter, and the Corporate Code of Conduct. This guideline is based on the procurement policy and is created in accordance with the Sustainability Basic policy.

Procurement Policy

We aim to realize globally optimal procurement based on our quality products principle. To this end, we focus on strengthening cooperation with suppliers and promoting our CSR and sustainability efforts throughout our supply chain system, while at the same time striving to carry out proper purchasing transactions when procuring materials and parts, based on the following guidelines:

[Action Guidelines]

- We conduct transactions at appropriate prices based on fair, transparent, open competition and rationality.
- We comply with procurement-related laws and regulations and foster responsible procurement. We select suppliers based on comprehensive assessment of product quality, technology, prices, deliveries, CSR and sustainability initiatives, and efforts to continuously make improvements.
- We aim to build a stable procurement system to prepare for changes in the external environment, such as geopolitical risks, natural disasters, and pandemics.
- To reduce the burden on the global environment, we strive to procure sustainable materials, including recycled materials.
- We enhance mutual trust with our suppliers, who are good partners for us, and strive to realize mutual development.

* Please see our website regarding Philosophy and Strategy and Sustainability Basic Policy of the Niterra Group.

Philosophy and Strategy
https://www.niterragroup.com/english/corporate/philosophy/

Sustainability Basic Policy
https://www.sustainability.niterragroup.com/sustainability/pdf/Sustainability_Basic_Policy_en.pdf

Notes

<Premises>

(1) Compliance with laws and regulations

We are required to comply with laws and regulations and respect social conventions. We ask that you thoroughly comply with the items described in these Guidelines.

(2) Thorough dissemination of the Guidelines to the supply chain

We ask our suppliers to disseminate these Guidelines to their suppliers, contractors and other supply chain partners and encourage them to act in accordance with them.

(3) Checking of compliance status

We may conduct a survey using a check sheet to identify the compliance status of these Guidelines. The purpose of this survey is not only to identify potential risk areas but also to enhance the sustainability of the entire supply chain through continuous dialogue and collaboration.

(4) Compliance with rules and Guidelines of the Niterra Group

We ask that you thoroughly comply with rules and Guidelines stipulated by the Niterra Group.

<Meanings of Required and Recommended>

Each item is marked **[Required]** or **[Recommended]**.

[Required] are items that are essential for the Niterra Group and its supply chain to become sustainable. We would like to encourage suppliers who have not yet worked on them to prepare to start activities. If there is anything we can do to assist you in this process, we will be happy to support you.

[Recommended] is not a [Required] item at this time, but may be changed to [Required] in the future. Please be aware that [Recommended] are items on which society may expect or demand us to take action in the future.

Sustainability Procurement Guidelines

I Environment

~ The Niterra Group continues to carry out business activities that are friendly to the global environment by proactively working to address climate change and conserve biodiversity. ~

* For details, see the Green Procurement Appendix as the attachment.

(I-1) Respond to climate change

Suppliers should aim to achieve carbon neutrality (zero CO_2 emissions) by 2050. And, they should set targets and take measures to reduce emissions of greenhouse gases, such as carbon dioxide, methane, and fluorocarbons.

[Required]

- Aim to achieve carbon neutrality by 2050.
- Set CO_2 emission reduction targets.
- Take measures to achieve the set CO_2 emission reduction targets.
- Efficiently use of energy, including the use of renewable energy

[Recommended]

- Set emission reduction targets for greenhouse gases, such as methane and fluorocarbons.
- Take measures to achieve the set emission reduction targets for methane, fluorocarbons, etc.

(I-2) Make sustainable and efficient use of resources (water and raw materials)

Suppliers are required to set targets for resource use reduction and make continuous efforts to reduce resource consumption and promote reuse and recycling of resources.

[Required]

- Set targets for water use reduction to conserve water resources.
- Take measures to achieve water use reduction targets.

[Recommended]

- Take measures to reduce consumption of resources such as raw materials.

(I-3) Promote environmental protection activities

In addition to making continuous efforts to reduce waste, suppliers must prevent soil, air, and water pollution by complying with regulatory standards for wastewater, exhaust gas, noise, and vibration emissions to the external environment.

[Required]

- Set targets to continuously reduce waste.
- Take measures to reduce waste.
- Regularly measure data on drainage, exhaust, noise, vibration, etc. caused by business activities, if there is a possibility that it falls under regulatory standards.

(I-4) Control hazardous chemicals

Suppliers are required to identify and manage chemical substances contained in products handled by them, as specified in applicable laws and regulations. They must also identify chemical substances used in production, inspection and maintenance processes and work to reduce their release into the external environment.

[Required]

- Identify chemical substances used in production, inspection and maintenance processes.
- Take measures to reduce emissions of the above-mentioned chemical substances into the external environment.

(I-5) Obtain environmental permits and submit reports

Suppliers are required to appoint managers as needed and obtain permits and approval from and report to the government, in accordance with the applicable environmental laws and regulations.

[Required]

- When government permits are required depending on the business content and location of the plant, seek prior consultation, etc. to ensure timely obtainment of permits.

(I-6) Effectively implement an environmental management system

Suppliers must build an environmental management system that enables them to effectively implement and manage environmental protection activities.

[Required]

- Establish an environmental management system (ISO or equivalent; e.g. Eco Action 21) and obtain third-party certification.

(I-7) Conserve biodiversity and ecosystems

Suppliers must implement environmental activities to reduce environmental impact in all their business activities, based on the understanding that biodiversity and ecosystem conservation are crucial for a sustainable society and that the use of energy and resources, emissions of environmentally hazardous substances, etc. have an impact on biodiversity.

[Recommended]

- Understand that the conservation of biodiversity and ecosystems is essential for a sustainable society. (Examples: attending video training sessions provided by our company, holding in-house study sessions, obtaining certification)
- Energy and resource use, emissions of environmentally hazardous substances, etc. have an impact on biodiversity. (Examples: attending video training sessions provided by our company, holding in-house study sessions, obtaining certification)
- Examine the impact of the business on the ecosystem and conduct biodiversity conservation activities.

II Human Rights and Labor

~ The Niterra Group respects human rights of all people who are affected by its business activities. ~

(II-1) Establish a system for respect for human rights

Suppliers are required to establish a system for conducting activities related to business and human rights.

[Required]

- Establish a human rights policy, etc., and clearly indicate and share the policy and approach regarding respect for human rights with workers and all other parties concerned.
- Provide training and educational opportunities for workers to better understand human rights issues and international trends related to respect for human rights.
- Regularly check whether there are any problems that violate human rights.

(II-2) Prohibit forced labor

Suppliers must not use forced labor or engage in human trafficking and must employ all workers of their own free will.

[Required]

- Guarantee the right of workers to freely terminate their employment.
- Do not require workers to hand over government-issued identification, passports or work permits.
- Do not force workers to work hours that have not been agreed upon in advance.
- Comply with all applicable local laws and regulations and relevant ILO conventions, and do not require workers to pay recruitment fees, or other related fees or costs.
- Conclude an employment contract in the worker’s native or best-understood language so that the worker can understand the contract in detail.

(II-3) Prohibit inhumane treatment and infringements of human rights

Suppliers must not engage in any inhumane treatment, such as abuse, corporal punishment, sexual harassment, and power harassment, and must respect the human rights of workers.

[Required]

- When an inhumane act is committed, aid the victims and deal with the case appropriately.
- Identify risks toward the elimination of inhumane treatment.

(II-4) Prohibit child labor

Suppliers must respect the rights of children and must not employ children under the minimum employment age stipulated by the laws and regulations of the relevant country or region. Suppliers also must not allow young workers under the age of 18 to perform dangerous work that can harm their development.

[Required]

- Confirm age at the time of hiring.
- Establish rules regarding workers under the age of 18.

(II-5) Prohibit discrimination

Suppliers must not engage in any form of discrimination on the basis of race, color, age, gender, sexual orientation, gender identity, ethnicity, nationality, disability, pregnancy, religion, union membership, protected genetic information, or marital status.

[Required]

- Do not engage in any form of discrimination on the basis of gender or any other ground with regard to all aspects of employment, including hiring, promotion and compensation.
- Create a system and an environment that facilitates the taking of childcare leave regardless of gender.
- Provide training and education on occupational health and safety for foreign workers in Japan, including foreign technical interns and specified skilled workers, in languages that they can fully understand (such as their native language).

(II-6) Ensure fair working conditions and equal opportunities

Suppliers must comply with the laws and regulations of each country and region, such as minimum wages, overtime wages, equal pay for equal work, working hours, etc., offer working conditions for a better life for their employees, and do not unreasonably reduce wages. Suppliers must also ensure equal opportunities and equity in hiring, promotion, and compensation.

[Required]

・Properly inform workers about salary (overtime wages, bonuses, deductions, etc.), paid leave, legal benefits, etc. by means of pay stubs or similar documentation.

(II-7) Ensure freedom of association and collective bargaining

Suppliers must respect freedom of association and the right to collective bargaining in accordance with the laws and regulations of the relevant country and region.

[Required]

・Create an environment and mechanism to ensure that collective bargaining between labor and management is carried out voluntarily and in good faith.

(II-8) Promote responsible procurement of resources and raw materials

Suppliers must consider human rights issues, including conflict minerals, and promote responsible procurement of resources and raw materials. If use of them is discovered, the supplier must take appropriate measures.

[Required]

・Trace the supply chain, using internationally recognized tools such as CMRT and EMRT, to check whether minerals like tantalum, tin, tungsten, gold, cobalt, and mica, which are subject to CMRT and EMRT, are present in manufactured products. This investigation aims to ensure that these minerals are not conflict minerals, etc.

・Prohibit the use of conflict minerals, etc. If any are identified through our due diligence process, we will work to eliminate their use. However, this does not apply to minerals processed by an RMAP-compliant smelter or refiner, even if they originate from conflict-affected areas. The same approach applies to materials we are supplied. The Niterra Group will also handle raw materials supplied by the Niterra Group in the same way.

・Prohibit the use of not only the conflict minerals mentioned above, but also other raw materials and products if human rights violations are recognized in the supply chain.

[Recommended]

・Trace the supply chain, using internationally recognized tools such as CMRT and EMRT, to check whether minerals like tantalum, tin, tungsten, gold, cobalt, and mica, which are subject to CMRT and EMRT, are used in the manufacturing process. This investigation aims to ensure that these minerals are not conflict minerals, etc.

(II-9) Respect privacy

Suppliers must respect and not infringe upon the privacy of individuals.

[Required]

- Appropriately manage personal information of customers, third parties, and workers.

(II-10) Respect for the rights of Indigenous Peoples and local communities

In business activities in areas where Indigenous Peoples reside, suppliers must recognize that Indigenous Peoples have their own unique cultures and histories, and we respect the rights of Indigenous Peoples as stipulated in international agreements. We also respect the rights of local communities, including Indigenous Peoples, to land, forests, and water, and we will not engage in environmental pollution, development that leads to environmental destruction, forced evictions, or illegal land grabs.

[Required]

- Check whether or not Indigenous Peoples live in the area where the business is to be conducted.
- Ensure to be able to engage in communication with local communities(e.g.: having contact information of community representatives)

(II-11) Respect for Human Rights in Security Operations

Supplier must comply with the laws and regulations of each country and region in security operations. We also support international guidelines, such as the Voluntary Principles on Security and Human Rights.

[Required]

- Establish a policy governing the use of force, ensuring that excessive use of force is avoided in security operations.
- Provide security staff with training on human rights.

III Business Continuity Plan (BCP)

~ The Niterra Group has made preparations and formulated countermeasures in advance to ensure stable supply of products and services in the event of a disastrous incident. ~

(III-1) Formulate a BCP

Suppliers are expected to formulate a BCP in preparation for a situation in which a stable supply of products or services may be inhibited by a natural disaster (e.g., an earthquake, windstorm, flood), the spread of an infectious disease, or other serious incidents, and to keep it available for smooth utilization.

[Required]

- Formulate a BCP in preparation for crisis events, such as natural disasters, infectious diseases and accidents.
- Conduct periodic drills based on the formulated BCP, and also update the contents of the BCP.

IV Business Ethics

~ The Niterra Group observes laws and regulations, and acts in a socially acceptable way to conduct business appropriately. ~

(IV-1) Prevent the corruption

Suppliers must not engage in any corrupt practices (bribery, conflict of interest, insider trading, anti-competitive practices, money laundering, improper relationship with politics and government, etc.), either directly or indirectly, and must engage in fair, transparent and free competition and appropriate business activities.

[Required]

- Indicate policies, etc. regarding anti-corruption
- Provide appropriate education and training to workers.

(IV-2) Prohibit abuse of power, and offering and acceptance of bribes

Suppliers must not conduct any acts that cause disadvantage to their business partners by using their superior position. Suppliers must also not offer or accept inappropriate benefits.

[Required]

- Do not take advantage of a superior position to make unreasonable demands of business partners, such as demanding unfair discounts, unreasonably short delivery times, and business entertainment.
- Do not respond to unreasonable demands from customers who are in a superior position.
- Do not offer or accept inappropriate benefits, such as expensive mid-year or year-end gifts, and excessive business entertainment.

(IV-3) Protect and respect intellectual property

Suppliers must protect the intellectual property rights possessed or owned by themselves, and must not illegally obtain or use, or infringe upon the intellectual property of third parties.

[Recommended]

- When developing, producing, selling, or providing products or services, conduct a prior investigation of the third parties' intellectual property rights.

(IV-4) Use appropriate export procedures

Suppliers must use proper procedures to export and manage products and technologies. And they must observe the related local laws and regulations.

[Required]

- To ensure proper export control, conduct designated export control procedures, including classification.

(IV-5) Disclose company information appropriately

Suppliers are expected to appropriately disclose company information to stakeholders, and to make efforts to promote mutual understanding therewith and maintain their trust.

[Recommended]

- Engage in active and fair disclosure of corporate information (business activities, financial situation, business performance, ESG [environmental, social, and governance] information), risk and incident information, etc. to stakeholders (such as customers, shareholders, investors, workers, business partners, local communities, governmental organizations, and the mass media) in order to promote dialogue with stakeholders and enhance corporate transparency.

(IV-6) Prevent and promptly rectify inappropriate behavior

Suppliers must conduct education and awareness-raising activities for workers to prevent misconduct and human rights violations. They must also establish a system (whistleblowing system) to detect and respond to misconduct early and must guarantee the confidentiality, anonymity and protection of whistleblowers.

[Required]

- Establish internal and external reporting system to enable early detection of misconduct and human rights violations. Or inform workers to use the Corporate Ethics Helpline established by our company.
- Strive to maintain the confidentiality of whistleblowers and protect them appropriately.
- Respond promptly to any misconduct or human rights violations, and provide feedback to whistleblowers on the findings of investigations.

(IV-7) Confront antisocial forces

Suppliers must take a resolute stance against antisocial forces and organizations that pose a threat to civil order and security.

[Required]

- Do not have any relationships with anti-social forces.

V Information Security

~ The Niterra Group appropriately protects and manages all information resources. ~

(V-1) Secure computer networks against threats

Suppliers are expected to take measures to ensure computer security, including but not limited to virus checks, and to prevent information leaks from mobile devices, etc., and to impart appropriate education on information security to employees.

[Required]

- Back up critical data, and maintain multiple servers and data centers.
- Always keep anti-virus software up to date.

(V-2) Prevent the leakage of confidential information of customers, personnel and third parties

Suppliers must appropriately protect and manage confidential information belonging to customers, personnel and third parties that is known via business activities.

[Required]

- Define the types and management levels of confidential information, and establish a system to appropriately manage confidential information according to the defined levels.

(V-3) Prevent accidental leakage and take appropriate countermeasures if leakage occurs

Suppliers must promote prevention of information leakage. If an accidental leakage occurs, suppliers must take measures to minimize damage and prevent recurrence.

[Required]

- Establish a system to prevent information leakage, promptly respond to an incident if it occurs, and implement corrective actions after an incident.

VI Occupational Health and Safety

~ The Niterra Group is committed to maintaining workplace safety and hygiene so that the environments are agreeable to employees. ~

(VI-1) Take safety measures with equipment and instruments

Suppliers must evaluate risks associated with equipment and instruments, and to take appropriate safety measures and conduct inspections and maintenance therewith.

[Required]

- Regularly inspect machinery and equipment and maintain them properly. Also, install safety equipment in hazardous areas and make workers wear protective gear when working in hazardous areas.

・Ensure safety with appropriate design, engineering, and management measures in response to changes in equipment and other conditions.

(VI-2) Promote safe activities in the workplace

Suppliers must evaluate the potential risks of accidents and health hazards in the workplace, and to ensure safety by means of appropriate designs, technologies and management.

[Required]

・Identify, improve, and manage occupational safety and health risks in business in order to prevent disasters and accidents.

(VI-3) Promote hygiene in the workplace

Suppliers must grasp workplace conditions in terms of biological and chemical hazards, noise, and odors, which are harmful to health, and take appropriate measures against such events.

[Required]

・Take measures against harmful chemicals, noise, and odors handled in the workplace.

(VI-4) Take appropriate measures against occupational injuries and illnesses

Suppliers must grasp the situation of occupational injuries and illnesses in the workplace, and provide appropriate measures.

[Required]

・Keep records of corrective actions in cases of accidents and injuries in the workplace.

(VI-5) Properly manage disasters and accidents

Suppliers must prepare emergency response measures for possible disasters and accidents in order to protect human lives, and inform all people through the workplace.

[Required]

・Conduct disaster evacuation drills on a regular basis.

・Provide risk prediction training on a regular basis.

(VI-6) Manage physically demanding work

Suppliers must identify, designate and appropriately manage physically demanding work so that it does not lead to accidents or illness.

[Required]

・Give special consideration to those who are engaged in physically demanding work (handling heavy loads, working long hours in high or low temperatures, and dusty work).

(VI-7) Promote safety and hygiene at all company facilities

Suppliers must appropriately maintain the safety and hygiene of facilities provided as a part of employee living (dormitories, cafeterias, toilets, etc.).

[Required]

- Provide a sufficient number of clean toilets and access to drinking water, food, and rest rooms for all workers.
- Maintain a sanitary environment with proper ventilation and air conditioning.
- Appropriately maintain the safety and hygiene of facilities that workers use outside of work (dormitories, etc.) to ensure their health and hygiene.

(VI-8) Promote health maintenance programs for employees

Suppliers must appropriately manage the health of all employees via health checkups, etc., and must also pay sufficient attention to their mental health.

[Recommended]

- Conduct annual stress checks at offices with less than 50 workers.

VII Product Quality and Safety

~ The Niterra Group maintains the trust by making and supplying safe, high quality products and services. ~

(VII-1) Supply stable quality products and services

Suppliers are expected to build and manage a quality management system so as to conduct business reliably by continuously supplying safe, high quality products and services, and providing accurate information.

[Required]

- Carry out activities that meet the requirements of SQR (Supplier Quality Requirements).

The End

Niterra Co., Ltd.

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For more information: Procurement Department, Business Operations Division
Niterra Co., Ltd.
Tel +81-568-76-1363