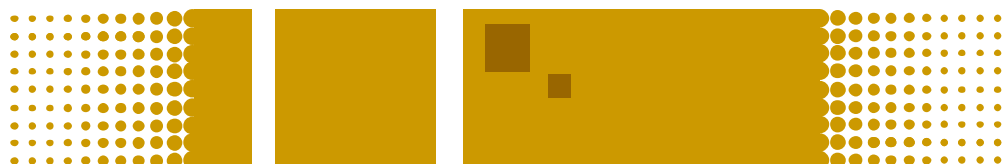


If you have any feedback, please feel free to contact us from below.  
 IR Group, Research and Planning Department  
 E-mail : [npc.ir@npcgroup.net](mailto:npc.ir@npcgroup.net)  
 Website : <http://www.npcgroup.net/>



## CSR Report 2011

- Corporate Social Responsibility -

# NPC Incorporated



## Editorial Policy

### What We Aim to Communicate in This Report.

NPC Incorporated has published this second edition of CSR Report (Corporate Social Responsibility Report) to provide readers with deeper understanding on the company's concept of CSR and its activities.

We would like to improve the content of this report and continuously promote our CSR activities. Therefore, your opinions or comments on this report would be appreciated.

### Scope of coverage :

This report is based on the data of whole NPC Group.

### Period covered :

This report is mainly based on topics and data from fiscal year 2011 (September 1, 2010 through August 31, 2011). However, it is noted that it includes some important topics and data from fiscal year 2010 (September 1, 2009 through August 31, 2010).

Date of publication: November, 2011

(Next publication: November, 2012)

### Reference guidelines :

Ministry of the Environment: "Environmental Report Guidelines," 2007

GRI: "Sustainability Reporting Guidelines," Version 3.9".

\*GRI

Abbreviation for "Global Reporting Initiative". GRI is an international organization established in 1997 to draft a sustainability report framework that can be applied to organizations worldwide.

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## Message from the President



November, 2011

Masafumi Ito  
President & CEO

### Relationship with Stakeholders

NPC Incorporated was established for production and sales of vacuum packaging machines in 1992, and this year marks the 20th anniversary of the company. During this 20 years, society and economy have changed and we have also changed significantly. However, we believe that what changed the most was the relationship between the companies and stakeholders.

How did the relationship between the companies and stakeholders changed? We believe that it was from "promised relations" to "preferred relations". In other words, before the change, stakeholders, employees, customers and business partners were mostly fixed and it was believed that maintaining these relationships were something to be evaluated. This is what we call "promised relations".

However, over the last 20 years, shareholders have started to objectively choose companies with profitability and growth potential. Customers and business partners have stopped choosing companies just because they had had a long-term relationship. Furthermore, employees changed their attitude towards companies, since labor flexibility increased. The relationship changed to "preferred relations" as mentioned above.

### What does CSR require us?

We are surrounded by various stakeholders, such as shareholders, employees, customers, business partners, local communities, nations, international societies, nature and the environment.

We would like to be a "preferred company" for every stakeholder, and we believe that it is our mission and responsibility to keep trying to be one. This is what we call the Corporate Social Responsibility.

We fully acknowledge our responsibility in promoting global diffusion of photovoltaic system. We will keep trying to be the "preferred company" not only by shareholders, employees, customers and business partners, but also by local communities, nations, global society, the entire world and the environment.

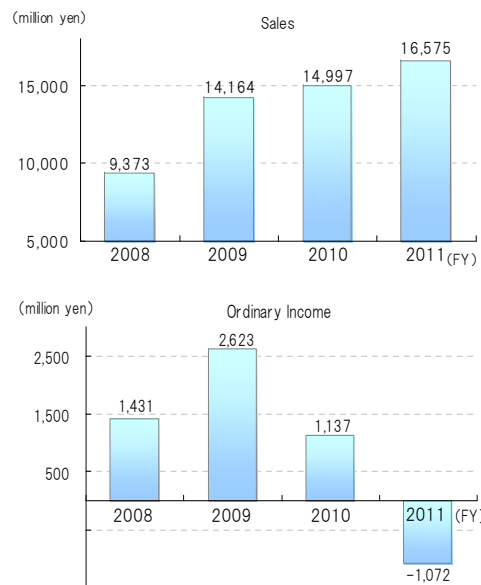
We appreciate your continuing assistance for our activities.

## Company Outline

### Corporate Overview

Name	NPC Incorporated
Location	1-1-20 Minami-senju, Arakawa-ku Tokyo 116-0003, Japan
Foundation	December 24, 1992
Capital	2,174 million yen
Number of employee	594 (Consolidated) 456 (non-consolidated)
Fiscal Term	August 31
Management	President . . . . . Masafumi Ito Chairman . . . . . Yoshiroh Chikaki Deputy President . . . Hisashi Sato Director . . . . . Kazuo Hirose Director . . . . . Junichi Akita Director . . . . . Toshiyuki Yauchi
Auditors	Standing Auditor . . . Kazumi Takemoto Auditor . . . . . Teruaki Kakimoto Auditor . . . . . Noboru Kojima

### Consolidated Financial Results



### Business and Products

We provide R&D, manufacturing, sales and support for photovoltaic manufacturing equipment and vacuum packaging machines.

#### Photovoltaic Manufacturing Equipment Business

We provide all the manufacturing equipment necessary to manufacture photovoltaic modules, in other word solar panels, to module manufacturers around the world. In this module manufacturing process, we have a world market share of over 50%.

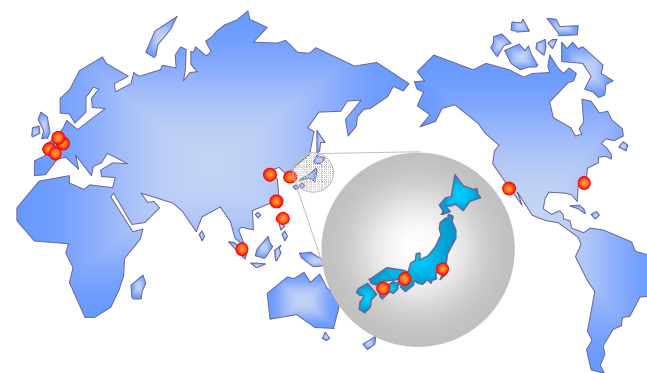


#### Vacuum Packaging Machines Business

Vacuum technologies were our original specialty mainly delivered to the food industry. However now, vacuum technology is undergoing a process of diversification and expanding into further fields, such as electronic parts, auto parts and medical industries.



### Company Network



#### NPC Europe GmbH

- Cologne Headquarters
- Berlin Branch

#### Meier Solar Solutions GmbH

- Bocholt Headquarters
- / Factory
- Rossia Factory

#### NPC Incorporated

- Domestic Offices
- Tokyo Headquarters
- / Factory

- Matsuyama Factory
- Osaka Office

- Overseas Offices
- Singapore Branch

#### NPC China Co., Ltd.

- Shanghai Headquarters
- Beijing Branch

#### NPC Taiwan Co., Ltd.

- Hsin-Chu Headquarters

#### NPC Korea Co., Ltd.

- Suwon Headquarters

Matsuyama, Japan



Tokyo, Japan



Osaka, Japan



Cologne, Germany



New York, USA



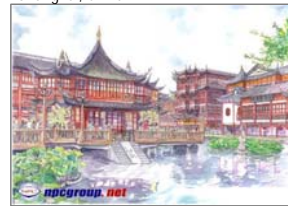
Singapore



#### NPC Towns

These images of the places where NPC Group's offices are located, are painted twice a year by one of our employees. These are used in IR materials, such as the presentation materials for conferences. They can be downloaded from our website.

Shanghai, China



Bocholt, Germany



## Response to the Great East Japan Earthquake

We express our heartfelt sympathies to all the people affected by the Great East Japan Earthquake. We hope for the speedy recovery of the area.

We, NPC Group, will continue to support the speedy recovery of the area, through our business activities. At the same time, we will enhance our group's sustainability by further strengthening our preparedness against natural disaster.

### Support Activities for the Recovery of the Affected Area

#### Reconstruction Support Activities for the Customers in the Affected Area

We have many customers who use our vacuum packaging machines for their fishery products, in Fukushima and Miyagi prefectures.

At the time of tsunami, many of their factories and facilities were severely damaged. For these customers, we provided check up and repair of our products on a preferential basis.



Checking and replacing parts at the customers' site in the affected area.

#### Donation for the Affected Area

At "Matsuyama Summer Festival" held in Matsuyama Factory, we collected monetary donation from employees and their families. Also, we held charity auction and bazaar during the festival. The funds raised were sent to the affected area through Japanese Red Cross Society Ehime Branch.



Our business partners donated goods for the charity auction.

### Activities Regarding the Great East Japan Earthquake

#### Damage Situation and the Action Taken After the Earthquake

At the Tokyo Headquarters / Factory, employee's safety was confirmed promptly, initiated by the General Affairs Department.

In the following week, the company offered working at home for the employees whose local transportation had been seriously affected by the disaster.

#### Provision of Daily Essentials to the Employees

After the earthquake, some of our employees were put in a difficult situation, by cuts in water supply and other shortages. We supplied water donated by our business partners, preferentially to employees with small children. Fortunately, the lack of daily essentials were solved at an early point, and there were no serious impact on our employees' lives.

#### Electricity Saving Measures

Initially, Arakawa ward, where the Tokyo Headquarters/ factory are located, was within the zone of planned power cuts, but eventually no power cuts took place in the district. However, we set up an electricity saving policy and an electricity usage order of priority, on the day the planned power cuts started.

We enhanced our daily electricity saving policy and worked on saving electricity on a daily basis by using fewer light bulbs, shutting down personal computers not in use and avoiding the use of unnecessary electric devices.

### Enhancement of the Countermeasures Against Natural Disaster

#### Enhancement of Countermeasure Manual for Disaster

In order to secure the safety of life and prevent secondary disasters, we use a "Procedure manual for fire protection control". After the earthquake, we also adopted a "Countermeasure manual for earthquake disaster" with a detailed action plan, under the assumed occurrence of a level 5 earthquake on the Japanese scale. The contents were communicated to every employee, through company-wide meetings.

#### Risk Avoidance of Information System

In order to minimize the risk posed by disaster to the information system, we have diversified the location of mission-critical system and other system servers, and have enhanced the backup system. In particular, we placed mission-critical servers at both the Tokyo Headquarters/Factory and the Matsuyama Factory. It is now possible to protect important data, such as accounting information, even if one of them was to be severely affected by natural disaster. In addition, the mail server has been shifted to a cloud computing system and data saving servers have been renewed.

#### Emergency and Disaster Supply

Emergency helmets are supplied to every employee and emergency supplies are stocked in the offices. Folding bicycles were placed in every office in Japan for employees to use in case of public transportation being halted.

## Relationship with Stakeholders

### Company Policy

**"We, through creation of products, aim to be a company needed by nature, society and people."**

Our company policy presents our idea of the relationship with stakeholders. Each word has its own meaning as stated below. These meanings follow the definition of Company Policy: "Company policy is to set the original point of on what the company basis it's business activities. Nothing stated in the Company Policy shall be construed to limit employee's individual thoughts or philosophy."

#### Through creation

This means "the root of our business is manufacturing", and we continue to conduct our business activities as a manufacturer.

#### Creation

This expresses our intention that "we are not just manufacturing products, but challenging for technological innovation. Through the innovative manufacturing activities, we would like to create new fields".

#### Needed by nature

Nature includes "environment and creatures on earth" and used to express our will to be a company that respects environment and conduct corporate activities contributing in conservation of the environment.

#### Needed by society

Society means "local communities, nations, related markets, organizations, institutions and authorities". We, in all reason, comply with laws and regulations, and also contribute to local communities. Moreover, we are strongly against any kind of discrimination.

#### Needed by people

People includes "employees, customers, business partners, shareholders and investors" and expresses our intention to conduct our business activities to be the "preferred company" for them.

### Our CSR Concept

We believe that it is crucial to clearly show how we communicate with not only our stakeholders, such as shareholders, employees and business partners, but also the environment and local communities.

We believe that working on CSR activities is essential not only for our company's sustainability, but also for that of the Society and the environment.

### Our Stakeholders

The right scheme shows the main stakeholders of our company.

We make the best effort to meet society's needs, placing ourselves as a part of society supported by these stakeholders.

Furthermore, we consider that being trusted by society and contributing to its development eventually lead ourselves to further development.



Details of our CSR activities towards each stakeholder are explained in the following pages.



The management of our group is based on the Company Policy: "We, through the creation of products, aim to be a company needed by nature, society and people." We contribute to the environment and local communities, through the products created by our relentless effort in technological innovation and become a company that is needed by every stakeholders. We think that here lays the significance of our existence. Hence, we perform environmentally friendly activities and strive for the conservation of the environment.

## Environmental Management System

In order to contribute to the conservation of the environment, we have been working on improving our environmental management system and environmental governance regulated in the international specification of ISO14001 certificate since 2005.



"Environment Policy" is displayed at many places in the office. It is notified to every employees through company's website and portable cards.

## Environmental Management Structure

We appoint the General Manager of the Administration Division as the Environmental System Manager. ISO14001 committee consists of representatives from each department and the chairman is the Environmental System Manager. In the committee, the policy for environmental preservation is decided. At the same time, the environmental activities are evaluated and followed up. Through these activities, we implement environmental improvement activities throughout the company.



ISO14001 committee

## Targets and Results for 2011 (June, 2010 ~ May, 2011)

We set yearly targets on major activity items based on our "Environment Policy". We have been working on improving our performance to achieve these targets.

In 2011, we set the targets below.

Environmental Targets for 2011	Results	Marks
Improvement of fuel efficiency of company car (Tokyo HQ) - Gasoline : 10.1km/l - Light diesel oil : 8.5km/l	- Gasoline : 11.0km/l - Light diesel oil : 8.5km/l	○
Setting upper limit to electricity consumption (Tokyo HQ) - Low-tension power : 32,520kWh - Meter rate lighting : 89,768kWh	- Low-tension power : 30,871kWh - Meter rate lighting : 91,202kWh	△
Improvement of fuel efficiency of company car (Matsuyama Factory) - Gasoline : 9.3km/l	- Gasoline : 9.8km/l	○
Compliance of RoHS Directive(*) (Matsuyama Factory)	Accomplished	○

※RoHS Directive: Restriction of Hazardous Substances. A regulation set by EU to restrict the use of hazardous substances.

Both Tokyo Headquarters and Matsuyama Factory accomplished the fuel efficiency of company cars, as a result of training for efficient driving. Due to personnel increase, we could not accomplish our goal of reducing electrical usage at both Tokyo HQ and Matsuyama Factory. However, we continued to work on cutting electricity consumption by turning off lights and air conditioners during lunch break and after office hours.

## Internal Education and Training

We promote environmental education for new employees. Also, we provide direction for reducing OA paper usage, and training for efficient driving.

## Progress in Environmental Management System

At Tokyo Headquarters/Factory and Matsuyama Factory, where the environmental management system is applied, the effectiveness of the system is assessed more than once a year by internal audit. The compatibility and expediency are audited by the third party. What is pointed out by audit is analyzed and improved.

## Compliance with Environment-Related Laws and Regulations

We thoroughly complied with environment-related laws and regulations according to our "Environment Policy" in 2011. Therefore, during this period, we did not have any emergency situation nor accidents which severely impact the environment.

We will continuously improve our activities and reduce our environmental load.

## Environment-related Products

It is important mission for us manufacturers to provide environment-conscious equipment and products. We contribute to the protection of environment as well as to the realization of sustainable society by introducing many types of environment-conscious products.

## Photovoltaic Manufacturing Equipment

We manufacture and sell manufacturing equipment of photovoltaic modules. We push forward our contribution to the photovoltaic industry's target, the "Grid Parity", by increasing performance and cutting cost, in order to allow the industry to grow without subsidies from government or local authorities.

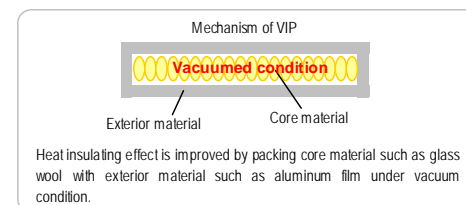
\*The point at which solar generating electricity cost is equal to the cost of electricity on grid.

## Energy-Saving Products

In terms of lowering power consumptions and improving the lifetime of consumable goods, we develop energy-saving models with low running cost. We work on reducing weights of our products by using less parts and reducing size. This will, indirectly, reduce environmental load during transportation.

## Vacuum Insulation Panel Manufacturing Equipment

The vacuum insulation panel, hereinafter referred to as "VIP", is under the spot light due to its high heat insulation property. We manufacture and sell manufacturing equipment for these panels. This material is already applied to energy saving refrigerators and vending machines, helping to reduce environmental load. Moreover, research on using the material for buildings is progressing. We believe the material has a high potential to become an environment-related material in the near future.



### Features of VIP

- ① Thin and light
- ② Flexible
- ③ High insulation property

Vacuum Insulation Panel Manufacturing Equipment



## Environmental Load Reducing Activities

We put in effort on saving resource and energy, proactively pushing forward activities to reduce environmental load.

## Installation of Solar Systems

On the roof of Matsuyama factory No.3, there are solar panels from 9 Japanese module manufactures, installed for in-house power generation. The generation capacity is 90kW, about 30 times more than that of the systems for standard households, and the total annual generation is about 100,000kWh. They contribute to cut CO<sub>2</sub> emissions of more than 30 tons annually. Monitor is installed inside the office building and insulation period and amount of generated electricity can be checked. We introduce these data to visitors as a part of our environmentally friendly activities.



Solar panels on the roof of Matsuyama Factory No.3

## Optimization of Transportations

We use ocean vessels for shipment of our products in order to reduce environmental load. In case of truckage, we try to arrange cargo pick-up at the same time of delivery, for as much as possible.

## Reduction of Paper Waste

We set "Procedure manual for the use of OA paper", working on reducing paper waste. We encourage employees to check before printing, to use used papers, to print on both sides of paper and to use smaller sized paper. The manual is placed by the copy machine.

## Recycling of Vacuum Packaging Machine

To make the most of limited resources, we accept returns of vacuum packaging machines no longer needed by customers and sell them after refurbishment.

## Usage of Environment-Conscious Materials

When outsourcing printing of reports and handouts, we proactively use environment-conscious materials such as paper made from woods certified by Japan Forest Stewardship Council, and vegetable-oil-based ink.





We have business transaction with customers around the world. Therefore, we construct global business network in order to gain customers' trust. Also, we carefully listen to customers' words and reflect them in our R&D and service improvement.

### Enhancement and Improvement in Quality Control

We work on enhancing and promoting our quality control management system for every process, from parts and material procurement, to final delivery of products. This system is initiated by the Quality Management Group.

#### Registration of ISO9001 Certificate

To continuously improve customer satisfaction and quality management systems, we obtained ISO9001 certificate in August, 2009. Each department sets yearly targets on main activity items based on the "Quality Policy" and conducts daily activities to improve quality according to the execution plan.



"Quality Policy" is displayed at many places in the office. It is notified to employees through company's website and portable cards.

#### Structure for Quality Control

We regularly hold Quality Control Meeting, consisting of related departments. Prior to the meeting, each department fills in "QC report" with customers' requirements. At the meeting, these information are shared and countermeasures and improvement plans are decided. Results from the meeting is swiftly applied to other products to raise overall product quality. Also, the results are shared across the company through R&D Meeting, which is regularly held in a cross-sectoral manner.



R&D Meeting

#### Quality Control Complying with Standard

Overseas sales account for around 90%. Therefore, it is crucial to follow the standards and practice of each country or region. Information regarding standards and practice, including CE marking of Europe, UL certification of North America, RoHS directive and other specifications and regulations are gathered to the Designing Management Group and applied to our products.

#### Quality Checking at Every Process

We work on enhancing our quality control by setting up quality checking function in each department. For example, we have QC Group in the Designing Department and the Electric Designing Department, that checks the drawings. Also Design Review, hereinafter referred to as "DR", meetings are held on each order with all the personnel related, and the concepts and designs of orders are discussed. In DR0 and DR1, conceptual design is discussed. After the concept is shared with customers, details are decided in DR2.

### Communication with Customers

We believe that enhancing after-sales service is important and this improves customer satisfaction. Also, we recognize the significance of customers' feedbacks and requirements for improving our products. Therefore, we organize effective company structure which enables us to reflect customers' needs directly into the products, and to further enhance customer support system.

#### Global Customer Support Network

We have offices all around the world and established 24 hour customer support system, providing services including after-sales maintenance services, both in English and local languages.

Moreover, we provide free on-site service for 9 times in the first 5 years after delivery, offering training seminars for operation and maintenance. We receive a good reputation from the customers as the utilization rate of our equipment at a customer site can be improved.

#### Opening of Showroom

We opened a showroom in Wesel, Germany in July, 2011. It is 10 minutes away from our subsidiary Meier Solar Solutions' Bocholt Headquarters/Factory. The purpose of the showroom is to support customer's R&D as well as to demonstrate our product line-up.

In September, 2011, we hosted a House Fair there and invited our customers, mainly from Europe, introducing our products. We are planning to host the fair on regular basis.



Showroom in Wesel

#### Enhancement of Field Engineering

Requirements for remodeling our products operating at customers' sites are getting stronger, along with the expansion of the photovoltaic market. Therefore, we upgraded the Product Support Group to the Product Support Department in August, 2011. Well-trained and highly experienced field engineers are ready to respond to sudden needs and requirements from customers at their factory.

#### Participation in Exhibition

We participate in exhibitions held around the world. In 2011, we participated in 9 exhibitions held in Japan, China, Korea, Taiwan, India, Germany and Spain. We displayed actual equipment, mainly newly released products.



26th EU PVSEC held in Germany

### Various Product Line-up

The price of photovoltaic module is continuously declining towards "Grid Parity", and customers' needs for manufacturing equipment are diversifying. There are variety of demands, from basic specification equipment with low price to fully automated and highly efficient products.

\* The point at which solar generating electricity cost is equal to the cost of electricity on grid.

#### R&D Activities

In the photovoltaic industry, technological innovation is advancing on a daily basis. Also, technological innovation is expected to progress in the new industry, the vacuum insulation panel industry. In such circumstances, we focus on R&D, with the basic stance of R&D to be "to build customer needs into the production accurately and timely". We gather customers' needs directly through the staff members responsible for sales and customer support. The collected information is analyzed carefully at the R&D meeting and categorized into themes. The R&D department report progress of R&D on each theme regularly at the meeting. Thus, the R&D activities are prompted on a company-wide basis.

Main topics for R&D are divided into "Development of equipment with future technology", "Development of equipment with next generation technology", "Automation of manual processes" and "Improvement of existing products". We also work on R&D of equipment for future technology modules which is still in the laboratory stage, based on a long-term perspective.



Semi-automatic and space-saving Tabbing & Stringing Machine



Tabbing & Stringing Machine capable of handling the new material, Light Harvest String

#### New Module Laminator for Photovoltaic Emerging Markets

Price decline of photovoltaic system is expected to kick start the growth of photovoltaic emerging markets such as India and China, in full scale. We released new module laminator suitable for these markets.

This new laminator achieves a high level quality in specification, performance, safety, and easy maintenance at a lower price. For example, this new model applies a highly safe electrical heater, which enables customers to achieve significant reduction of running cost with reduced electric consumption by around 60% compared to that of the oil heating system.

We expect the market of these type of equipment to grow significantly.



Newly released SLM Laminator

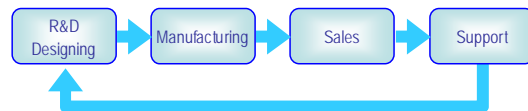
#### Varied Selection of Products

We provide all the equipment necessary for module manufacturing process, both in stand-alone type and full scale manufacturing line. In addition, we are capable of providing manufacturing equipment, not only for crystalline silicon module which dominates 80% of the market but also other types of modules such as thin film module.

## ■ Suitable Service Structure for Customers

### Vertical Integration of Business Functions

We perform R&D, designing, manufacturing, sales and support all by ourselves. Through this service structure, we can continuously reflect customers' needs into our products timely and accurately, which enables us to provide products with the state-of-art technology. In case of troubles, each department promptly communicate and cooperate with each other for resolution.



## Social Report

# For Business Partners



We make significant effort to build good relationship with our business partners. In compliance with the related laws and regulations, we evaluate and appoint partners from a fair and equitable point of view.

## ■ Communication with Business Partners

### Visiting Business Partners

We visit the business partners who do not meet our requirements to encourage improvement at their sites. At the same time, we receive requests from them. What we think important is that both parties are fully satisfied with each other as business partners.

### Parts Fair at Matsuyama Factory

In February, 2011, we held a parts fair at Matsuyama Factory. Several parts supplier opened display booths and presented their products. Not only staff members from the Purchasing Department but also those from R&D and Designing departments visited the booths to find new information.



Parts fair

### Shifting to the New Production System

In order to shorten a lead time and reduce manufacturing cost, we work on shifting to the new production system. Each equipment is divided into common portion and customized portion. Common portion is mass produced prior to receiving orders. Customized portion is produced depending on needs of each customer. The new production system enables us large-scale purchasing of parts. At the same time, we push forward in-house parts machining. These contribute to reduction of manufacturing cost.

### Appointment and Evaluation of Business Partners

In accordance with the internal "Purchase Management Regulation", we evaluate business partners on the points such as quality control, price advantage and certainty of lead time.

We regularly conduct surveys to decide whether to maintain the relationship or not for their credit check and relations with antisocial forces.

### Compliance with "Act against Delay in Payment of Subcontract Proceeds; Etc. to Subcontractors"

Related employees regularly participate in study sessions on "Act against Delay in Payment of Subcontract Proceeds; Etc. to Subcontractors" outside the company. We use those information in internal study sessions to brush up our knowledge.

### Fair Business Transactions

The person in charge for each business partners rotates regularly, in order to maintain robust relations and fair business transactions.

## Social Report

# For Local Communities



As a community-based company, we aim to make ourselves necessary for the local community. Therefore, we hold various activities for the local communities and continue to keep close communication with them.

## ■ Supporting Local Revitalization

We aim to coexist and cultivate trusting relationships with the local communities where we locate factory or offices. We contribute to the development and revitalization of the local communities through various activities.

### Cooperation with the Local Authorities

We have a cooperation agreement with the Ehime prefecture and Matsuyama city. As a part of the activities related to this agreement, we lectured in the "Ehime Industrial Location" on behalf of the companies sited in Ehime in order to contribute to the revitalization of local industry and economy.

### Participating in Local Events

We recognize that many events held in the local regions spread new ideas for regional developments to the local residents and other regions. Therefore our staff members actively participate in these local events. In 2011, we participated in marathons, soccer tournaments and triathlons.

Staff members enjoy and also achieve good results.



4-hour Endurance Relay Marathon



One-day Evening Futsal Cup

### Supporting Local Soccer Team

We support Ehime FC, a local soccer team in the J. League's division 2. Some of our employees are playing in women's team of the Ehime FC.

## ■ Relationship with Local Residents

We recognize that it is essential to establish a good relationship with the local residents for the continuous growth of our business. We target to maintain a respectful and cooperative relationship.

### Futsal Pitches for Local Residents

There are 2 futsal pitches in Matsuyama Factory No.3. The natural turf pitches are open to local residents free of charge on weekends and holidays.

The number of people enjoying them is increasing and as of August 31, 2011, we have had 106 registered teams.



Natural turf pitches

Futsal website:  
<http://www.npcgroup.net/futsal/index.html>

### Job Creation

According to the agreement stated in left, we continuously make effort to create job opportunities for the local residents.

In 2011, we employed 28 new graduates and most of them are from Ehime prefecture. In March, 2011, we hosted a factory tour for local high school students.

## ■ Activities for Local Communities

We push forward activities to raise awareness for local community development as well as to encourage environmental awareness related to our photovoltaic business.

### Factory Tour

We hosted factory tours for staff members of Ehime prefectural government, Matsuyama city councilors and cross-industrial association in Matsuyama Factory No.3.

### Participation in the Local Projects

Matsuyama city is famous for its rich insolation, and they push forward the "Sunshine Project" for promoting the development of solar related industry and the local installation of solar systems. As a part of the project, we participate in the framework of "Matsuyama Next-Generation Energy Park" certified by Agency of Natural Resources and Energy.



We proactively promote IR and SR activities. The IR Group is responsible for striving to disclose correct company information in a timely and fair manner. Not only do we send out information from our side but also we make effort to increase opportunities to directly communicate with the shareholders and investors.

## ■ IR (Investor Relations) Basic Policy

We set the "IR Basic Policy" as below.

### Basic Principles

NPC Incorporated strive to provide timely and fair disclosure to help all stakeholders, not just shareholders and investors, achieve a better understanding of the Company, thus building trusting relationships and further raising our corporate value.

### Standards of Information Disclosure

The Company discloses information in compliance with the Financial Instruments and Exchange Law and other relevant laws, as well as securities listing regulations established by the stock exchange where the Company's shares are listed.

The Company promotes proactive disclosure of other information such as corporate strategies, not necessarily required by law or securities listing regulations.

### Manner of Information Disclosure

The Company discloses information through systems such as the Timely Disclosure Network (TDnet) operated by the Tokyo Stock Exchange.

The Company also strives to provide other information through the corporate website, which may not necessarily be required by laws and regulations.

### Quiet period

In order to prevent premature divulgence of information and to ensure fairness, we employ a quiet period which as a rule lasts for approximately two weeks prior to the date of an announcement of financial results. During the quiet period, we refrain from providing any new information related to the upcoming financial results.

### Forward-looking Statements

Forward-looking statements are disclosed in an accurate manner for as much as possible since we regard them important for stakeholders.

Forecasts and estimates included in disclosed information are determined based on information available at the time of disclosure; plans and figures depicting the future do not imply a commitment or guarantee of actual outcomes. Actual results and performance may differ from forecasts and estimates due to the effect of a variety of risks and uncertainties emerging subsequent to disclosure.

## ■ SR (Shareholder Relations) Activities

SR activities are to establish relationship with shareholders. We make effort to promote these activities to strengthen the mutual understanding with shareholders, thus building a strong and trusting relationship.

### General Meeting of Shareholders

We hold the General Meeting of Shareholders in a convenient place in Tokyo so that as many shareholders as possible can participate. Also, we strive to send the invitation at an earlier timing.

### Conference for Shareholders

Since November, 2008, we have been holding the Conference for Shareholders after the General Meeting of Shareholders, so that shareholders can directly communicate with the directors and achieve further understanding on our company. All of 6 directors attend it and answer to many questions from the shareholders.

We have been receiving high reputation for this and the feedback from the shareholders shows that 85% of them would want to attend the conference again.



## ■ Domestic IR Activities

We regularly hold meetings and sessions for shareholders and investors, to continuously send out timely and correct information.

The president and the IR Group hold many one-on-one meetings with institutional investors. In 2011, we held around 100 meetings.

### Domestic IR Activities in 2011

#### Briefing session for individual investors: 12 times

● Hokkaido, Ishikawa, Saitama, Chiba  
Tokyo, Osaka, Yamaguchi, Ehime  
Fukuoka, Kagoshima

**Large meeting** 3 times  
Such as presentation conference on financial results

**Small meeting** 5 times  
Meetings consisted of around 20 investors

**Conference** 2 times  
IR events hosted by securities firms

**Factory Tour** 2 times  
Matsuyama Factory tour

### Briefing session for Individual Investors

Ever since we became listed, we held around 40 briefing sessions for individual investors in various cities in Japan. The speaker for these sessions is our president.

In 2011, we visited 3 new cities and met 710 individual investors. We continue to hold these Sessions. The schedule is updated timely on our website.



### Factory Tour

We regularly hold factory tour in our Matsuyama Factory.

In the tour, we introduce the historical progress of the photovoltaic systems displayed in our office building, systems actually installed on our rooftop, and manufacturing equipment for demonstration, providing further understanding of our business.



## ■ Overseas IR Activities

We disclose English information and materials for fair disclosure through our website and also through Timely Disclosure Network (TDnet) operated by the TSE.

We proactively disclose information such as CSR Reports in English, which is not necessarily required by law or securities listing regulations.

Also we visit the overseas investors' offices regularly. In 2011, we visited investors in the USA, Europe and Asia for 6 times.

### Overseas IR Activities in 2011



The large meeting held in Taiwan in February, 2011 was conducted in Chinese in order to enhance further understanding.

## ■ Outside Appraisal

We were nominated, 2 years in a row, for the emerging market section in the "2011 Awards for Excellence in Corporate Disclosure" operated by The Security's Analysts Association of Japan. Companies listed in the emerging markets such as Mothers Market of TSE and JASDAQ are selected based on market values and number of coverage from securities analysts. 30 companies out of around 1,000 were selected in the emerging markets section and we received 10th place, being highly evaluated for our appropriate disclosure and IR stance.

Result of "2011 Awards for Excellence in Corporate Disclosure"

Evaluation Items	Points	Average points	Ranks
Directors IR stance, IR division function, Basic IR stance	23.8	22.2	11
Disclosing stance in sessions, interviews and materials	18.8	18.2	14
Fair disclosure	9.7	9.6	15
Information disclosing stance of corporate governance	13.0	11.0	3
Overall evaluation	65.3	61.1	10



We believe that employees are the most important resource that enhances the corporate value. Therefore we stress the importance of basic human rights, securing safe workplace and comfortable working environment for our employees. For smooth and efficient business operation, we allocate right personnel for right position and make effort for employee training.

### ■ Fair Assessment

#### Original Personnel Assessment System

We apply annual salary system and review the annual amount of salary based on our original personnel assessment system. We do not apply seniority system but consider annual salary by each employee's ability, attitude towards work and aspirations.

To be more precise, salaries are assessed based on absolute valuation such as our original qualification system and relative valuation from others. For relative valuations not only the opinion of employee's immediate superior but also that of a director and another superior are always taken into account. Moreover, in our original qualification system, we set not only external qualifications such as TOEIC and license examination for bookkeeping but also our original qualifications, aiming to raise level of knowledge and skills related to our business.

#### Elimination of Gender and Racial Discrimination

We take strict measures towards any kind of discriminatory behavior regarding especially for gender and race.

We have global service network and conduct business transactions all over the world. Since Meier Solar Solutions joined our group, the number of foreign-registered employees as of August 31, 2011, is 115, which is 19.4% of the whole employees and the number of female employee in management position is 12, 16.4% of the whole management positioned employees.

#### Original Award System

Employees who contribute greatly to the company's performance through the year are awarded as the "Best Player". In 2011, 20 employees were awarded and offered a plaque for remembrance and extra cash prize.

Also, we provide cash prizes for ideas for patent and daily business improvements.



At the Best Player Award Ceremony

### ■ Training and Career Formation

#### Original Exams and Training Programs

We set original qualification system and provide our own training program. The company's executives and employees give out the lectures for these programs, enhancing the employee's knowledge and skills necessary.

There are also other various training programs such as training programs for management-class employees as well as for newly recruits. In 2011, training programs such as practical training in the factory was provided for the 27 new graduates and 5 midcareer employees.



Study session

#### Support for Career Formation

We support our employees heading for a new challenge. For example, each employee has an opportunity of an interview with their immediate superior and director once a year, using the "Plan & Review Report". During this interview, their career plan and what we can do to help them are discussed, as well as their desire for reassignment or working abroad. We respect such active commitment from the employees and many of them have applied for a job abroad. Also, we provide support for employees to advance for universities or graduate schools to brush up their knowledge and skills.

Also, highly motivated and skilled employees are appointed to the management position regardless of their gender or age.

\* The report regarding employee's annual action target and its result.

### ■ Comfortable Working Environment

#### Opening of Help Desk for Overseas Representatives

The number of expatriate personnel is increasing as we expand our overseas sites. In January, 2011, we opened a help desk, operated by the General Affairs Department and related department, to support them. Not only problems regarding Business but also difficulty in their life overseas are also supported. Expatriate personnel who work abroad for more than 2 years can also receive special rewards.

#### Supporting Balance of Work and Child-raising

We set an action plan as below to secure a workplace allowing staff members to balance their work and child-raising. We promote this action plan so that all staff members can proactively respond and understand this.

1. We provide information on public supporting systems for maternity and child-raising leave.
2. We offer training program for the management-class staff members to secure a workplace that fully understands maternity and child-raising leave.
3. We hold events such as factory tour and social gathering for staff members' families once a year.

Details are posted on the website of "Japan Institute of Worker's Evaluation", which is the authorized actuarial firm of the "Ministry of Health, Labor and Welfare." (<http://www.jiwe.or.jp/english/index.html>)

#### Securing Workplace Safety

As we are a manufacturer, it is essential to secure safety in the factory. We set the "Safety Regulation", which was revised to "Safety and Health Regulation" in October, 2011, establishing rules for each working process in the "Safety Control List". As for securing health, we appoint an industrial doctor who provides not only physical but also mental health care.

Some staff members are educated to be qualified as safety and health supervisors and train other staff members.



There are detail rules. For example, heavy parts over 10kg has to be carried by more than 2 persons.

### ■ Communication in Workplace

We proactively set opportunities for the staff members to communicate under the view that staff members to build trusting relationships and heading for the same target regardless of departments is essential for the company's growth.

#### Communication through Sports

We promote communication through sports. Futsal, basketball and table tennis tournaments are held once a month during lunch time. Anyone can join this and deepens the mutual friendship.

#### Company Trip

Every year we plan a company trip for refreshment and for achieving a broader communication among staff members.

Relaxing in nature, playing table tennis and soaking in hot spring together provide relaxing time for everyone. Also we are able to communicate with co-workers who we do not directly have relations during work, leading to a new cohesion.



At Ohita Prefecture

#### Matsuyama Summer Festival

In order to deepen exchanges among staff members and also to introduce the workplace to their families, we held "Matsuyama Summer Festival" on August 6, 2011. Food stands and recreation hall for children made by staff members were opened.

The charity auction was also held to support disaster victims. We sent all the proceeds to the disaster area through the Japanese Red Cross Society.



Handmade food stand



Families enjoying barbecue

# Corporate Management



We believe that recognizing social responsibility, thoroughly complying with laws and regulation, and behaving with a public decency are essential for a company. We aim to reinforce the management base and achieve a sustainable company by risk management.

## Corporate Governance

We continuously strengthen our management system which promptly responses to business environment by taking initiatives in maximizing corporate value and enhancing business management systems with greater transparency.

### The Board of Directors

The Board of Directors consists of 6 directors, engaging in management policies and business planning decisions, as well as Confirming the status of business execution and thorough compliance with laws and regulations.

We have around 180 customers around the world in the photovoltaic module manufacturing equipment business. Our overseas sales ratio is around 90%. Since this market is a new and growing market, insufficient knowledge and ability regarding the market and technology may lead to a misjudgment on the part of management, leading to a significant loss in corporate value. All of the 6 directors have been deeply involved in this market from an early stage and have full knowledge.

### The Board of Auditors

We appoint outside auditors since we consider that knowledgeable personnel outside the company will strengthen the checking system on the directors.

The current system is adopted as it fully secures the objectivity and neutrality of management surveillance system and is also enhanced by electing all 3 auditors who hold significant back-ground, knowledge and experience from outside the company, against the Board of Directors.

The functionality of auditing the management is satisfactory, even though we do not appoint outside directors. This is due to the attendance of highly independent outside auditors at the Board of Directors' Meeting.

### Accounting Audits

With regards to accounting audits, we contract with Ernst and Young ShinNihon LLC and receive audits based on the Financial Instruments and Exchange Law and Corporate Law. Also, Ernst and Young ShinNihon confirms accounting procedures and auditing problems and regularly holds discussion meetings with the president, ensuring and maintaining appropriateness of financial statements.

### The Internal Auditing Department

The Internal Auditing Department conducts internal audits on the status of business execution of all departments including overseas subsidiaries, based on "Internal Auditing Regulation".

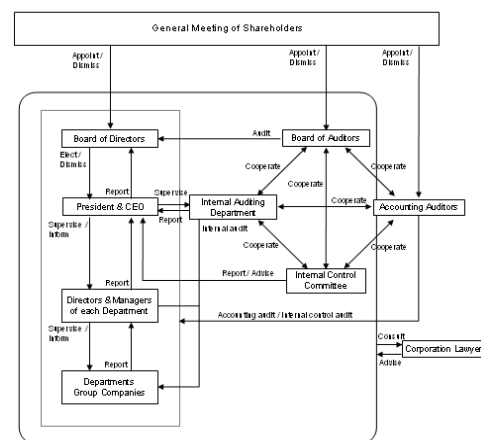
The Internal Auditing Department formulates annual internal audit plans approved by the president and audits whether the business activities of each department are being implemented in compliance with laws and various regulations. In addition, specific indications and assistance are pointed out in order to improve the operation situation and operational efficiency. Additionally, efficient internal audit procedures are in performance by cooperating with the auditors and accounting auditors, receiving appropriate advices.

### Strengthening of the Internal Control System

Establishing clear internal control system is essential to build, maintain and improve a compliance-risk management framework. We have established the "Internal Control Committee," for which the president is responsible and sets the "Basic Policy for Establishing Internal Control System" and "Internal Control Committee Guideline" to further improve the system.

### Corporate Governance

The chart below shows our business operation, management monitoring and internal control system.



## Compliance

We not only strive to ensure compliance with laws and regulations but also place importance to establish and operate rules and systems, complying with social and ethical norms, and internal rules.

### Awareness Campaign of the Code of Conduct

We have established the "NPC Corporate Code of Conduct" to encourage our employees to behave with sense of society as well as to comply with laws and regulations.

For example, we regularly hold session meetings for ISO 14001 and train each department and new recruits in order to increase environmental awareness. Also, we regularly hold training for business manner.

### Opening of a Harassment Prevention Hotline

We set up a hotline which directly connects to corporation lawyers in order to eliminate any sexual or power harassment.

In addition, the "Internal Reporting System" is officially enacted under Article 4 of the "Internal Control Committee Regulation," protecting inner informers including the employees and directors. This hotline is open for any report regarding violation of regulations and compliances as well as engagement in illegal activities of the employees or directors.

### Antisocial Forces

We established concrete steps in the "Operation Outline for Elimination of Relations with Antisocial Forces". This is effective in preventing involvement of directors, employees, suppliers, contractors and customers in antisocial forces.

For example, whenever we start a new transaction, our inner research arm investigates the subjected company and asks for certifications which prove that they have no relationship with antisocial forces. We also investigate our main shareholders and if there should be a doubt by any possibility, we will follow procedures of the in-house reporting flow.

The employees and directors are obliged to submit certifications once a year, to prove that they have no relationship with antisocial forces.

## Risk Management

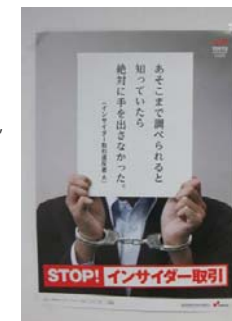
We make efforts towards reducing uncertainties surrounding the overall business managements by avoiding any assumed risks and establishing systems to minimize the damage resulting from these risks.

### Elimination of Insider Trading Risks

We established "Internal Information Management Regulation" for trades of our own shares to eliminate insider trading. In accordance with this regulation, all the employees and directors must submit a request document to gain internal approval, and must buy/sell the shares within a certain time frame after the approval. This rule is applied to buying/selling shares of business partners.

In order to thoroughly implement measures to eliminate insider trading, all the employees are provided with a textbook published by the Tokyo Stock Exchange (TSE) and warning posters are posted in each offices.

Also lectures were provided by TSE. The directors have been registered to "Japan-Insider Registration & Identification Support System (J-IRISS)" of the "Japan Securities Dealer Association (JSDA)," in order to minimize the risk of Insider trading.



Warning Poster

### Implementation of "Countermeasures (Takeover Defense) Against Large-scale Purchases"

"Countermeasures (Takeover Defense) Against Large-scale Purchases" was approved at the 18th General Meeting of Shareholders held in November, 2010.

This is to aim to raise corporate value and the shareholder's common interests.

### Strong Management for Intellectual Properties

We work to avoid infringement on intellectual property rights of the third party and to protect our own rights. The Intellectual Property Management Group is responsible for the checking system of patent right of other companies as well as obtaining patents for new technologies from global point of view.