

NPC Incorporated  
**CSR Report 2012**  
– Corporate Social Responsibility –

## Editorial Policy

What we aim to communicate in this report.

NPC Incorporated has published this 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 2012 (September 1, 2011 through August 31, 2012). However, it is noted that it includes some important topics and data before fiscal year 2011 (September 1, 2010 through August 31, 2011).

**Date of publication:** November, 2012  
(Next publication: November, 2013)

### Reference guidelines:

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

GRI: "Sustainability Reporting Guidelines," Version 3.1\*

ISO26000.

\*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

NPC Incorporated was established for production and sales of vacuum packing machines in 1992, and the fiscal year 2012 marks the 20th anniversary of the company. Since our establishment, we have been seeking the way to apply our vacuum technology to the global environment improvement.

In 1994, we successfully developed Module Laminator for PV\* module manufacturing process enabling us to establish PV business today. \*photovoltaic

However, it was not always easy, as it is only recently that PV systems have been recognized as one of the main generation system using renewable energy. We took the initiative to get PV business off the ground 18 years ago. When PV market was still not formed, we had managed to continue our business and R&D activities by selling the vacuum packing machines. On the other hand, we were confident that more people would be concerned about the environment in the future and considered it is essential for company to lead the way and take actions in order to tackle environmental problems. Due to these efforts, we now obtain No.1 world market share.

I believe that our aggressive attitude to expand our business meeting the social demand led us to the present position in this market, and this is what we call the Corporate Social Responsibility. As an equipment manufacturer, we fully acknowledge our responsibility in promoting global diffusion of photovoltaic systems. We will keep providing further high-quality PV manufacturing equipment.

As the President & CEO, I acknowledge my strong responsibility to protect our staffs and families of our staffs. I believe that striving to improve environmental and social sustainability is the way to fulfill my responsibility, and is the fundamental role of the company.

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.



November, 2012

  
Masafumi Ito  
President & CEO

## Company Outline

### Corporate Overview

<b>Name</b>	NPC Incorporated
<b>Location</b>	1-1-20 Minami-senju, Arakawa-ku Tokyo 116-0003, Japan
<b>Foundation</b>	December 24, 1992
<b>Capital</b>	2,812 million yen
<b>Number of employee</b>	357 (Consolidated) 254 (non-consolidated)
<b>Fiscal Term</b>	August 31
<b>Web page</b>	<a href="https://www.npcgroup.net/eng/">https://www.npcgroup.net/eng/</a>
<b>Management</b>	President & CEO ・ Masafumi Ito Deputy President ・ Hisashi Sato Director ・ Kazuo Hirose Director ・ Junichi Akita Director ・ Toshiyuki Yauchi
<b>Auditors</b>	Standing Auditor ・ Akisato Yamaguchi Auditor ・ Teruaki Kakimoto Auditor ・ Noboru Kojima

### Consolidated Financial Results



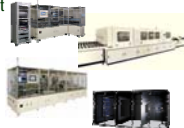
### Business and Products

We provide R&D, designing, manufacturing, sales and support for PV manufacturing equipment and vacuum packing machines.

#### Photovoltaic Business

##### PV Module Manufacturing Equipment

We provide all the manufacturing equipment necessary to manufacture PV modules. We obtain No.1 world market share in this module manufacturing process.



##### Vacuum Packing Machines

We provide special vacuum packing machines for manufacturing vacuum insulation panels. We also provide a variety of machines for food, electronic components and automobile components industries.



\* We started up new businesses to expand the scope of our business.

##### Development Contract Assembly Service of Modules

Utilizing the company's various experiences and know-how accumulated through PV module manufacturing equipment business, we will contribute to PV module manufacturers, which are our customers. We will provide support for manufacturing modules requiring special technologies or prototype modules using new materials. Also we will temporarily produce modules, supporting module manufacturers during their production adjustment period.



J-Box installation



Module inspection



Assembly line

##### Expansion FA System

Utilizing our various technologies such as transferring and temperature control technology, we will provide FA systems to both existing and new customers in different business areas. We will develop this business by applying our global customer support and engineering.



Junction technology



Testing technology



Transferring technology

## Relationship with Stakeholders

### Company Policy

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

### 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.

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.





Our Company Policy is "We, through the creation of products, aim to be a company needed by nature, society and people." Under this policy, we contribute to the global environment, through the products created by our relentless effort in technological innovation and make efforts to become a company that is needed by every stakeholder. 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. We also disclose our environment policy on our web site.

## 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.

## Progress in Environmental Management System

At Tokyo Headquarters 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.

## Targets and Results for 2012 (June, 2011~May, 2012)

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 2012, we set the targets below and we achieved most of our targets. We will analyze the cause of the problem and take countermeasures to the target which has not been achieved.

Environmental Targets for 2012	Result
Improvement of fuel efficiency of company car (Tokyo HQ) • Gasoline: 11.2km/ℓ • Light diesel oil: 9.4km/ℓ	○
Reduction of OA paper misprint (Tokyo HQ) • Less than 2 % of all	○
Improvement of fuel efficiency of company car (Matsuyama Factory) • Gasoline: 9.3km/ℓ	○
Reduction of the number of OA paper disposal (Designing Department) • Less than 1,000/month	○
Reduction of the number of electric cable disposal (Production Department 2)	○
Reduction of usage of extra components (Engineering Management Department)	×
Weight reduction of equipment (R&D Department)	○
Reduction of the number of design error (Electric Designing Department)	○

## Internal Training and Education

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

## Compliance with Environment-Related Laws and Regulations

We thoroughly complied with environment-related laws and regulations according to our "Environment Policy" in 2012. Therefore, during this period, we did not have any emergency situations nor accidents which severely impact the environment. We will continuously improve our activities and reduce our environmental load.

## Environment-related Products

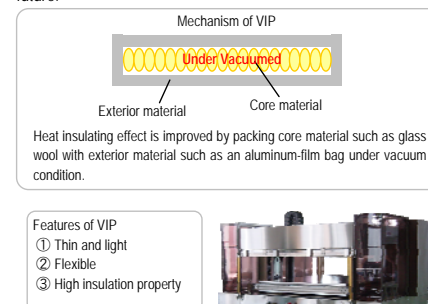
It is important mission for us, manufacturers, to provide environment-conscious equipment and products. We contribute to the protection of environment by introducing many types of these products.

## PV Manufacturing Equipment

We manufacture and sell manufacturing equipment of PV modules. We push forward our contribution in order to allow the industry to grow without subsidies from government or local authorities by increasing performance and cutting cost.

## 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.



Vacuum Insulation Panel Manufacturing Equipment

## Recycling of Products

We enhance our R&D activities for remodeling or replacing the existing products. The old type of products can be renewed, leading to the reduction of waste components.

## 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 the size. This will, indirectly, reduce environmental load during transportation.

## Environmental Load Reducing Activities

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

## Installation of PV Systems

On the roof of Matsuyama factory, there are PV systems from 9 Japanese manufacturers, 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 cutting CO<sub>2</sub> emissions of more than 30 tons annually. Monitor is installed inside the office building and insulation intensity and electricity generation can be measured. We introduce these data to visitors as a part of our environmentally-friendly activities.



PV systems on the roof of Matsuyama factory

## Effort in Saving Power

Matsuyama factory, our main factory, takes actions as below to save power. These actions were fully in progress since March 2012, achieving around 20% power reduction from the previous year.

- Thin out lights and remove some vending machines
- Refrain from using air-conditioning in whole factory
- Refrain from using hand dryer and toilet seat warming function
- Install power consumption monitors
- Shut down electric devices (PC, etc.) when not in use for a long time

## 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.

## 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 have constructed global business network in order for our customers to contact NPC "at any time and any place." Also, we carefully listen to customers' words and reflect them to our R&D and service improvement.

### Global Support System

We do not just sell our products but regard good after service as a key to raise customers' satisfaction. Customers' opinions are very important for improvement of the products. Therefore we have established the system to reflect customers' opinions and requests directly to our products. We have offices all around the world and have established 24-hour customer support system, providing services including after-sales maintenance services. As of August 31, 2012, 103 employees are allocated in overseas offices to provide services both in English and local languages.



### Participation in Exhibition

We participate in exhibitions held around the world. In 2012, we participated in 6 exhibitions held in Japan, Taiwan, China, Singapore and Germany. We displayed actual equipment, mainly newly released products.



October, 2011, PV Taiwan

### Enhancement and Promotion of Quality Control

#### Quality Control Complying with Standard

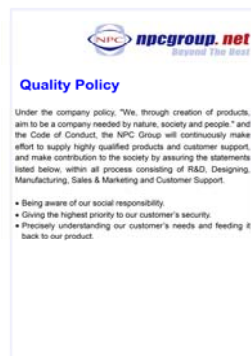
Overseas sales account for around 90%. Therefore, it is crucial to follow the standards and practice of each country or region. Information regarding standards and practice, including the CE marking of Europe, the UL certification of North America, the RoHS directive and other specifications and regulations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

#### Quality Check

We carry out Design Review, hereinafter referred to as "DR", among all the personnel related, to discuss the concepts and designs of orders. In DR0 and DR1, requirements of each customer is checked and conceptual design is discussed. After the concept is shared with customers, details are decided in DR2. All these activities are aimed at quality improvement.

#### Registration of ISO9001 Certificate

To continuously improve customer satisfaction and quality management systems, we obtained ISO9001 certificate in 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.

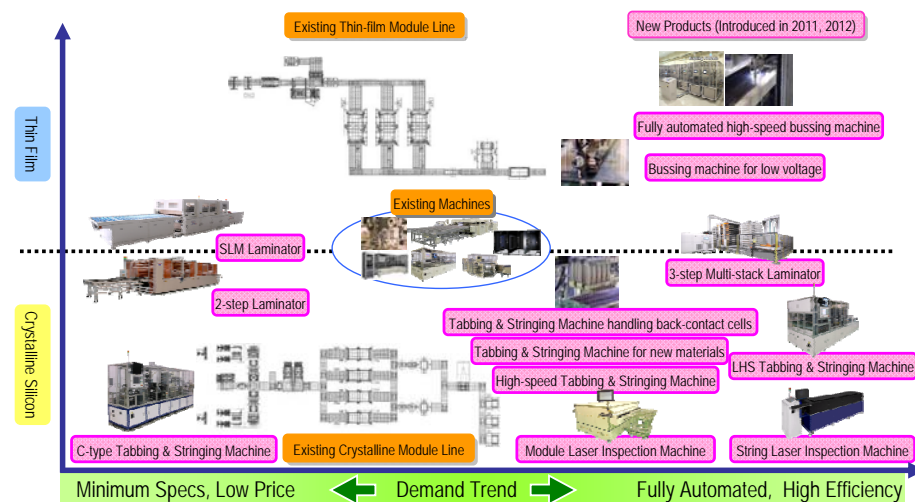
### Product Enhancement through R&D

#### Enhancing Products Matching Demand Trends

Our basic policy of R&D is "to reflect customers' needs appropriately and immediately to our products."

Our customers, PV module manufacturers, have been tackling cost reduction of PV modules. Current demand for PV module manufacturing equipment has expanded to cost reduction "by equipment with minimum specs and low prices" and "by full automation and/or high efficient cell and modules" as shown below. Even if the new equipment demand for capacity expansion is low, demand for replacing/remodeling existing lines are growing. Many of our products recently introduced form a line-up that meets these replacing/remodeling demands.

We will continue to release new products that match various needs of our customers under this strategy framework.



#### Development of Product as the Industry Standard

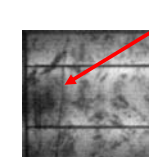
We released Module Laser Inspection Machine in 2012.

Since PV systems are required for long life, it has been demanded to establish a test method to confirm long-term reliability. There was no measure established to detect defects (cracks and chips) with both high accuracy and speed. Our innovative Laser Crack Inspection Machine fulfills such requirements and is expected to prevent defective PV systems flowing into the market by highly accurate inspection. It is a machine for us with high hope of constant demand even in the sluggish market.

Also, we are currently promoting international standardization of the laser scanning inspection method.



Module Laser Inspection Machine



Conventional Method



NPC Laser Inspection Method



We make significant efforts 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.

#### ● Fair Trading with Business Partners

##### 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. When commencing the business and on a regular basis afterwards, we conduct surveys for continuous relationship on their credit check and relations with antisocial forces.

##### Compliance with the "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 partner rotates regularly, in order to maintain robust relations and fair business transactions.

#### ● 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

We hold parts fairs at Matsuyama Factory on a regular basis. Several suppliers open display booths to appeal their products. Not only staff members from the Purchasing Department but also those from R&D and Designing departments visit the booths to find new information.



We aim to be a company that is required by local communities as a locally oriented company. For that purpose, we have participated in various activities and forward communication for local communities. We would like to continue our efforts to realize even better mutual understanding.

#### ● 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 2012, we participated in marathons and soccer tournaments.



"Bolchan Marathon" in Matsuyama



Ehime Marathon

##### Participating in Local Volunteer Work

In December, 2011, approximately 300 employees in Matsuyama Factory participated in "Winter Volunteer Campaign 2011" organized by Ehime prefecture and cleaned areas surrounding Matsuyama factory.



The IR Group is responsible for striving to disclose correct company information in a timely, precise and fair manner and to expand communication opportunities with shareholders and investors. Not only do we send out information from our side but also we make efforts to increase opportunities to directly communicate with the shareholders and investors for building even stronger and more trusting relationship.

#### ● Information Disclosure Basic Principles

##### Information Disclosure Policy

We set the "Disclosure Policy" defining standards and manners of information disclosure, quiet period, forecasts and estimates, etc. and disclose it on our homepage.

<http://www.npcgroup.net/eng/ir/index6.html>

##### Various Manner of Information Disclosure

The "Investor Relations" page is available on our homepage to send information to shareholders and investors in a timely, precise and fair manner, where financial highlight and various materials regarding financial reports can be easily obtained. For overseas investors, we provide English translation of disclosed materials, CSR reports and any other important publication on our English homepage. We also provide the IR inquiry form to receive opinions or questions.

In 2012, we renewed our homepage, adding "IR Top," "IR Library" and other new pages to improve convenience so that shareholders or investors may access necessary information more easily and quickly.

<http://www.npcgroup.net/eng/ir/>

##### Various IR Materials

We create various IR materials and disclose them on our homepage to send information to shareholders and investors. Presentation materials for financial result are put on our homepage twice a year immediately after the presentation.

#### ● Communication with Shareholders and Investors

##### 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 2012, we held around 100 meetings.

##### Domestic IR Activities in 2012

Individual investors meeting Twice (Tokyo & Ehime)

Large meeting 3 times

Such as presentation conference on financial results

Conference Twice

IR events hosted by securities firms



March 2012, Individual investors presentation meeting in Matsuyama

##### Overseas IR Activities in 2012



##### 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 the directors attend it and answer various questions from the shareholders. We have been receiving high reputation for this and the feedback from the shareholders shows that more than 80% of them would want to attend the conference again.



November, 2011, Conference for shareholders





## 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 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 the "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.

## NPC Global Network

