

## 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 2013 (September 1, 2012 through August 31, 2013). However, it is noted that it includes some important topics and data before fiscal year 2013.

**Date of publication:** November, 2013  
(Next publication: November, 2014)

### Reference guidelines :

Ministry of the Environment:  
"Environmental Report Guidelines," 2012

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. In the early days I was directly involved in manufacturing through R&D of vacuum packing machines. Anchored in the commitment to manufacturing, we have worked on development of photovoltaic (PV) module manufacturing equipment utilizing our vacuum technology, aiming at improvement in the global environment. By the expansion of our business in the world, we have correctly understood our customers' needs and provided the products and services meeting their request, which brought us the world No.1 market share. I think we have contributed to the global environment indirectly through provision of equipment as well as to our stakeholders through improvement in our employees' skills and our business expansion.

Business environment surrounding the equipment industry had been severe for the last few years, however, we are determined to continuously provide high-quality equipment and at the same time to manufacture PV modules with even higher reliability in our contract module assembly service utilizing our experience in PV module manufacturing sector. From this year onward, we aim to improve values in PV systems, increase the direct involvement in needs of the global environment and society, and contribute to solving the social problems such as energy shortage, risk management, etc. by providing maintenance service to keep the quality of already-installed PV modules and products related to a PV system.

I believe that it is a role of a company to provide excellent products or services matching social needs and continue to be profitable while adapting to the changes in the environment and that playing this role results in increase in

satisfaction of our shareholders, our employees, our customers, and our business partners, and even contribution to sustainability of the earth and society. We will make further efforts to carry out the company responsibility. We appreciate your continued support for our activities.



November, 2013

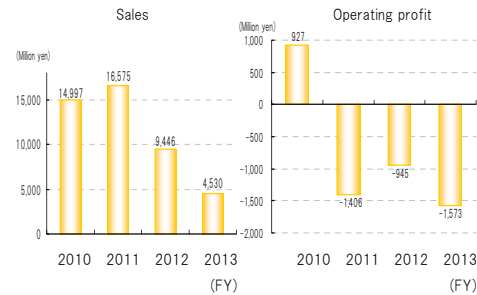
Masafumi Ito  
President & CEO

## 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>	270 (Consolidated) 215 (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>

### Consolidated Financial Results



### Business and Products

We provide R&D, designing, manufacturing, sales and support for PV manufacturing equipment, vacuum packing machines, and automation systems as well as contract module assembly service.

#### Photovoltaic Business

##### PV Module Manufacturing Equipment

We provide all the manufacturing equipment necessary to manufacture PV modules and a total assembly line. We are a globally leading company in this field.



##### Contract Module Assembly Service

Based on the reliability from our customers worldwide, we provide PV modules to our customers, utilizing the various delivery records and experience. We will improve the module manufacturing equipment and enhance customer support and proposals based on the manufacturing know-how obtained through this business.



##### 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, automobile components industries, etc.



##### Automation Systems

Utilizing our various technologies such as transferring, temperature control, etc. we provide automation systems to both existing and new customers for usage 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 for sustainability of the society and the environment as well as for that 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.

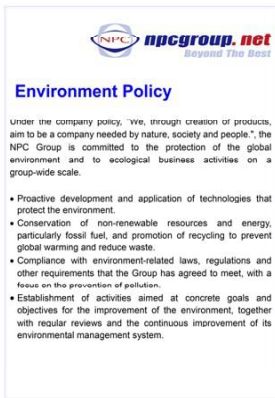




Our company policy is “We, through creation of products, aim to be a company needed by nature, society and people.” Under this policy, we contribute to the global environment, through the products created by our relentless effort in technological innovation and make efforts to become a company that is 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 conservation of the environment, we have been working on improving our environmental management system and governance since our environmental management system was ISO14001 certified in 2005.



“Environment Policy” is displayed at many places in the office. We also disclose our environment policy on our web site.

■ Revised Items for 2013 (June, 2012~May, 2013)

- Changes in applicable scope  
We have added our new businesses of contract module assembly and automation systems to the applicable scope. We have also limited the applicable scope of Matsuyama factory to Matsuyama factory No.3 (former name).
- Changes in procedure documents  
We have revised documented procedure for designing to improve environmental management. We have revised various documented procedures in accordance with fire-prevention amendments, organization restructuring, and terms unification in Matsuyama factory.

■ Targets and Results for 2013 (June, 2012~May, 2013)

■ Yearly Targets  
We set yearly targets of 2013 as shown below and we achieved all of them.

Environmental Targets for 2013	Result
Improvement in fuel efficiency of company cars (Tokyo HQ) • Gasoline: 11.2km/l • Light diesel oil: 9.4km/l	○
Reduction in OA paper printing errors (Tokyo HQ) • Less than 1.5 % of all	○
Improvement in fuel efficiency of company cars (Matsuyama factory) • Gasoline: 9.3km/l	○
Reduction in the number of OA paper disposal (Designing Department, Business Management Group)	○
Reduction in design mistakes (Electrical Designing Department)	○
Prevention of extra components usage (Engineering Management Department)	○
Reduction in the number of CD disposal (Engineering Management Department)	○
Reduction in damage on components (Production Department 1)	○
Reduction in the number of electric cable disposal (Production Department 2)	○
Reduction in equipment weight and power consumption (R&D Department)	○

- Input & output of resources  
We successfully reduced consumption of energy and resources as a whole. Energy consumption, which we had set as a monitoring item, was especially reduced by around 30% compared with the previous year.
- Compliance of environmental laws and rules  
Throughout this period, we did not have any accidents, emergency situations nor law violation which would severely impact the environment. We did not have any communication from stakeholders including claims nor any non-conformity as a result of employees' activities complying with the environmental management.
- Assessment result by internal control and outer associations  
In the conformity assessment, it was concluded that we had conformed to and properly maintained the requirements in applicable standards, with only minor indications like improper documents. Therefore, our environmental management system was judged to be functioning effectively and certificate renewal was approved.

■ Environment-related Products

It is an important mission for us as a manufacturer to provide environment-conscious products with low power consumption. 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, one of major clean energy products. We have coped with performance increase and cost reduction in order to promote the industry growth without subsidies from government or local authorities.

Maintenance of PV system

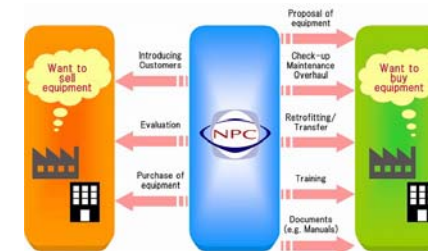
We will provide inspection machines and services for on-site PV system maintenance.

PV systems installation in Japan has been expanding rapidly backed by the government's feed-in tariff system started in July, 2012. On the other hand, operation and maintenance of power generation of installed systems have been in the process of development, thus are expected to capture needs in the market.

We will provide the maintenance-related products and services that maintain quality and efficiency of the systems and that support further prevalence of PV energy.

Comprehensive Service for “Equipment for Reuse”

We provide the total service related to equipment for reuse such as matching of buyers and sellers of equipment, and assessment, remodeling, overhaul, etc of equipment for reuse. By making the most of our worldwide delivery experiences, we have been striving for effective usage of resources through providing comprehensive service of equipment for reuse for customers in the world.



■ Environmental Load Reducing Activities

We make efforts on saving resources and energy, proactively pushing forward activities to reduce environmental load.

Efforts in Saving Power

Matsuyama factory has adopted the power demand monitoring systems in the factory buildings for efficient operation and management of energy such as finding energy-saving points, offsetting demand-peak of each building, etc. In the summer of 2013, the automatic control systems of air conditioners were added to switch compressors on and off automatically, which led to reduction in power demand of about 60kW.

We also continued energy-saving actions such as thinning out lights, refraining from using hand dryers and toilet seat warming function, etc. this year.

Installation of PV Systems

On the roof of Matsuyama factory, there are PV systems from 9 Japanese 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 cutting CO<sub>2</sub> emissions of more than 30 tons annually. A monitor



PV systems on the roof of Matsuyama factory

installed inside the office building shows solar radiation intensity and generated electricity measured. We introduce these systems to visitors as a part of our environmentally-friendly activities.

Reduction of Paper Usage and Proactive Use of Environmentally-conscious Materials

We have changed the form of “Business Report,” which we send to shareholders annually, from a booklet to a postcard. We have reduced use of paper from the environmentally-conscious point of view by summarizing sufficient and necessary information in the limited space.

Also, when outsourcing printing booklets such as Corporate Profile, we proactively use environmentally-conscious materials such as paper made from woods certified by Japan Forest Stewardship Council, vegetable-oil-based ink, etc.





We carefully listen to customers around the world, reflect their requests or opinions to our R&D and service improvement through business transactions with customers.

● 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."

PV systems only started prevailing in the world. Our customers, PV module manufacturers, have been striving to reduce cost of PV modules or develop highly efficient modules to expand PV usage in both existing and emerging markets. Therefore, we have developed both low-price equipment with minimum specs and equipment with high function and efficiency to provide product line-up meeting the whole demand trends.



Automation Systems

Combining various technology elements such as transferring, automatic material feeding, welding, etc. in manufacturing equipment, we propose and provide automation systems that can satisfy customers' needs in industries other than PV industry.

Contract Module Assembly Business

In 2013, we started contract module assembly business to support our customers. The Japanese PV market has been expanding rapidly beyond our customers production capacity, because of feed-in tariff system started in July, 2012. Under such a circumstance, this new business has been favorably accepted by our customers as the service well matching their needs.



New Businesses

We will expand new businesses based on the technologies and know-how accumulated in PV equipment manufacturing business. Following automation system business and contract module assembly business started in 2013, we have been preparing for establishment of new businesses which are related to overall PV business, such as providing maintenance service and inspection machines for installed PV systems, sales of coating materials to be applied on a module surface, etc.

As a PV module is the product of which long-term reliability is required, it is important to detect quickly or prevent troubles and deficiencies for maintaining its safe operation and expected power generation.

We are co-developing with an outside institute and a company inspection machines and services to detect accurately in a totally innovative method.

We will also start sales of special coating materials that raise the power generation efficiency of modules and at the same time prevents adhesion of dust caused by static electricity.

● Enhancement and Promotion of Quality Control

Quality Control Complying with Standard

We have many business transactions with overseas customers. 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 collected and organized by the Designing Management Group to apply to our products.

Quality Check

We carry out Design Review, hereinafter referred to as "DR", between all the personnel related, to discuss the concepts and designs of orders. In DRs at early stages, requirements of each customer are checked and conceptual design is discussed. After the concept is shared with customers, details are decided in DRs at later stage. Through these steady checks at each development stage, we aim at quality improvement.

Establishing Quality Control Structure

Engineering Management Department in charge of quality control holds quality control meetings regularly which all the related parties attend. They circulate customer's requests in "Quality Control Information Sheet," study them in the meeting, and decide how to meet the requests or solve problem.

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.

● Global Support System

We have consolidated our overseas subsidiaries into 3 offices in Japan, USA, and China. We will continuously recognize that customer service after installation is the key to customer satisfaction and that we will improve our equipment listening to customers. We will provide support and service including maintenance from the existing bases.

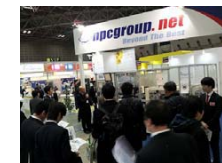


In respective office, we have allocated the staff members who can speak Chinese and other languages as well as Japanese and English to establish the facilities for providing appropriate service.

We also organize a project team for individual business case, comprising of sales, designing, and production departments, so that it can answer questions or deal with requests from the customer in a timely manner.

● Participation in Exhibition

We participate in exhibitions held around the world. In 2013, we participated in exhibitions held in Japan and China. We displayed new product (laser inspection machine) useful for assessing long-term reliability and explained its performance or functions including demonstrations.



February, 2013, PV EXPO, Japan



May, 2013, SNEC, China

## For Business Partners



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 to maintain robust relations and fair business transactions.

### Communication with Business Partners

#### Building "Win-Win" Relationship

In the automation system business started in 2013, our business partners introduced us to many new customers, which resulted in inquiries and orders. We even received an order from our business partners themselves. By sharing information with out partners, we strive to maintain the good relationship to understand demands each other and to obtain advantages respectively.

#### Visiting Business Partners

To continue our business, we sometimes visit business partners and confirm the situation. At the same time, we listen to their requests and opinions. What we think important is that both parties are fully satisfied with each other as business partners.

## For Local Communities



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 forwarded communications 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 local regions are the source of new ideas for regional developments to the local residents and other regions. Therefore our staff members actively participate in these local events. In 2013, we participated in such events also through group activities.

#### Interaction through sport

##### Main attention to events

December, 2012	Botchan Marathon
February, 2013	Ehime Marathon
October, 2013	Cycling Shimanami 2013



"Botchan Marathon" in Matsuyama



"Cycling Shimanami 2013" in Ehime



"Ehime Marathon"

## For Shareholders and Investors



The Research & Planning Department 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. <https://www.npcgroup.net/eng/ir/index6.html>

#### Various Manners of Information Disclosure

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

We always review its contents and structure aiming at the easy-to-understand and user-friendly homepage.



Disclosure material on NPC homepage (Japanese & English)

#### Various IR Materials

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

### Communication with Shareholders and Investors

#### IR Activities

The president and the Research & Planning Department proactively hold many one-on-one meetings with institutional investors. In 2013, we held around 50 meetings.

#### General Meeting of Shareholders

We hold a general meeting of shareholders in a convenient venue close to Yamanote-line. We also make efforts to send out a notice of the meeting at the early timing. For these 2 to 3 years, we sent them 18 to 20 days before the meeting date, 4 to 6 days earlier than the legal date of sending. Also, we have adopted fiscal period starting from August, different from most companies, to avoid the busy period of general meetings and enable more shareholders to attend our meeting. As a result, 152 shareholders attended the meeting in 2012. We study the opinions, comments, and advices received appropriately.

#### Conference for Shareholders

Since 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 reach further understanding on our company. All of the directors attend it and answer various questions from the shareholders.



November, 2012, Conference for shareholders



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 efforts for employee training.

### ● Good Use and Development of Human Resources

#### Fair Assessment

Having adopted annual salary system, we review the amount of salary each year based on our original personnel assessment system. Not according to seniority system, we decide annual salary by each employee's ability, output from work, and aspirations as well as the obtained national or official qualifications.

#### Elimination of Gender Discrimination and Esteem of Diversity

We positively recruit foreign and female workers. The ratio of female workers at manager or higher position is about 15%, higher than the government's goal of the ratio to be around 10% by 2015.

#### Realizing Work/Life Balance

We strive to prevent long-time work for realizing work/life balance and securing employees' health. In 2013, we newly introduced "no overtime day" system, under which all employees must leave the office at 5:30 pm on Wednesdays. By having all the employees including managers review what-to-do and how-to-do, we aim that they concentrate on work for a short time to raise productivity and realize work/life balance.

### ● Providing Comfortable Workplace

#### Supporting Work/Child-raising Balance

In 2013, 3 female employees took both maternity leave and childcare leave. After returning to their work, they balance work and child-raising without hassle utilizing short-time work system.

#### From our employee

I took childcare leave and returned to work shortly after my son's 1-year birthday. Before my return, I wanted to go back to work, but at the same time felt anxiety of actually balancing my work and child-raising. Therefore I decided to use the short-time work system of our company.

Now back at work, I feel balance of work and child-raising is harder than I thought, however, I feel return to social life has made my view wider and exerted good influence on child-raising as well.

For women who want to work after giving birth, usually it is very difficult to realize working flexibly due to various obstacles like closing time of a day-care centre. I appreciate these supporting systems of our company and recognize their necessity again.



Mei Matsumoto  
Administrative Department  
Tokyo Headquarters

#### Support for Employees Skill Improvement

We provide internal trainings for Improvement in skills or knowledge required for work such as a freshman training including machinery operation training at factory, trainings for department or group managers, etc. We help each employee's ability development by supporting official qualifications test such as TOEIC, accounting, etc. and outside trainings or seminars.

#### Respect of Challenging Spirits

We conduct an annual interview between an employee and a senior personnel or a director. Providing the opportunity for employees to deeply consider their work, we have set the environment where they can easily make mid- to long-term career plans including work experience, qualifications to be obtained, and intention to move to other department. During the interview, employees are recommended to state opinions or hopes positively regardless of their age or working career. Thus we have established the supporting system in development of employees' abilities and career.

In our office, all the directors work on the same floor among employees, so that close communication with top management is possible.

#### Securing Workplace Safety

As a manufacturer, we have a responsibility to secure employees' safety in the factory. We have defined rules for each working process in the "Safety Control List."

### ● Support for Group Activities

#### Group Activities

Aiming at promoting communication among employees and participation in regional activities, the employees were suggested to form in-house activity groups and were offered support for many activities in March, 2013. The number of the formed groups is 15, with 113 members. The activities are full of variety from sport such as cycling, volleyball, and marathon to recreation or cultural activity such as fruit-hunting, shrine visit, etc.

We provide an annual support fund to each group. These activities give the members a good opportunity not only to refresh themselves by activities outside workplace but also to well communicate regardless department or age with members who do not know well in a daily work through sharing the same events.

We will continue to support proactively these group activities including participation in local community events or classes.



Bicycle Group  
"Charinder"



Recreation Group  
"Team Tomorrow we really will..."



Volleyball & Basketball Group



Fruit-hunting Group

#### From our employee

In our cycling group "Charinder," members enjoy cycling on their own bike. Our main activities are morning practices on Sundays, long-distance (& gourmet) tours and participation in competitions. In the barbecue held in June, 22 employees gathered from Tokyo headquarters and Matsuyama factory, communicated each other beyond departments, and exchanged information, which facilitated smooth work performance. In October, we took part in "Cycling Shimanami 2013" as the group members from NPC and all of us completed the 113km race within the limited time, pursuing the same goal as one.

We are planning another long-distance tour by the end of December. We will aim to release stresses, improve endurance and exchange information with cycling lovers outside the company, learning local history and culture through group activities.



Katsunori Hayashi  
PV Business Division HQ  
Matsuyama factory

# 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 responds to business environment by taking initiatives in maximizing corporate value and enhancing business management systems with greater transparency.

### Board of Directors

The Board of Directors consists of 4 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. Since this market is globally expanding with technology renovation occurring night and day, insufficient knowledge and ability regarding the market and technology may lead to a misjudgment on the part of management and to a significant loss in corporate value. All of the 4 directors have been deeply involved in this market from an early stage of the industry and have thorough knowledge.

### 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 2 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.

### Internal Auditing Department

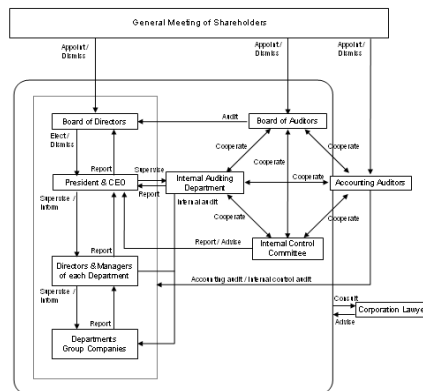
The Internal Auditing Department conducts internal audits on the status of business execution of all departments including overseas subsidiaries, based on the "Internal Auditing Regulation". The Internal Auditing Department formulates annual internal audit plans approved by the president and audits whether 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 the "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 have 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 our businesses 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 an application to gain internal approval, and must buy/sell the shares within a certain time frame after the approval. This rule is also 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 put in each office. Also lectures were provided by the TSE expert. 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

### Continuation of "Countermeasures (Takeover Defense) against Large-scale Purchases"

In November, 2007, we adopted "Countermeasures (Takeover Defense) against Large-scale Purchases" to prevent damage on our company value as a global business entity related to renewable energy. Its purpose is to secure and improve our company value and shareholders' benefit in common, and its continuation was approved at the 18th General Meeting of Shareholders held in November, 2010. We will ask shareholders for the continuation in the Meeting 2013.

### 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 checking patent rights of other companies as well as obtaining patents for new technologies from global point of view.