

Compliance Management

We have traditionally focused our efforts on compliance management with the objective to be a "company that earns trust and recognition from society". However social situation surrounding us has changed drastically due to frequent occurrence of corporate misconducts, and intensifying competition in the electric power market, etc.

In this situation, in order to further strengthen the relationship of trust we have with society, we are committed to further improve our business conduct, not merely by observing the law, but also by conducting our business in a fair and highly transparent way in accordance with corporate ethics.

Activities to improve compliance

Promotion of Compliance Management

Compliance Committee has been set up since October 2002 under the Board of Directors.

The heads of each operational department that practices compliance activities (each department at head office, each branch office, etc.) are assigned as the responsible persons for compliance and trying to improve compliance consciousness in the whole company. In addition, we provide compliance consultation desks, to ensure opportunities for directors and employees of our company, our group companies and business partners who questioned business operation or conduct of directors or employees in terms of compliance to consult about legal and ethical issues.

Compliance Committee

The Compliance Committee is chaired by the President with committee members that include the company's directors, lawyers, academic experts, consumer affairs advisors and labor union chairperson to secure objectivity and transparency.

The committee decides the basic policies, proposes and deliberates concrete actions, and monitors the situation.

In detail, we are promoting compliance management by drawing up the "Kyushu Electric Power Group Action Charter" (refer to page 5) and the "Compliance Action Guidelines", installing consultation desks, promoting information disclosure, educating and training employees, and monitoring by in-house questionnaire on day-to-day activities with a focus on compliance.

Compliance Action Guidelines

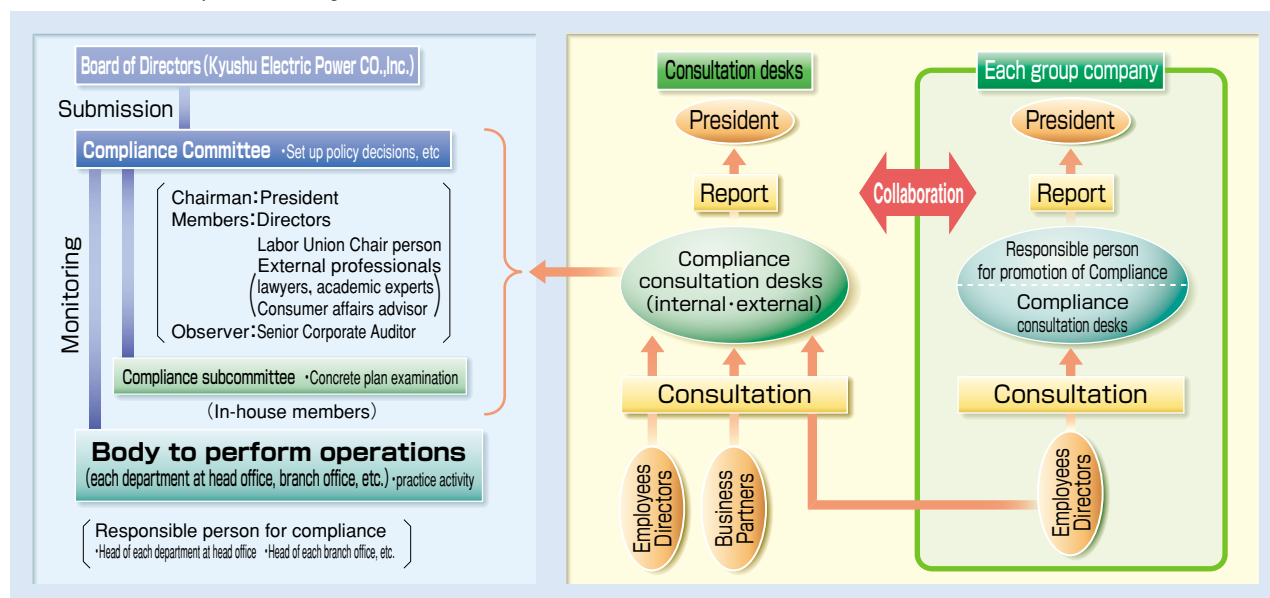
We established Compliance Action Guidelines in December 2002 which was handed out to all directors and employees. This policy states viewpoints to stand when we don't know what to do, standards of general conduct, attention to pay in the relationship of stakeholders, such as customers, shareholders, and investors.

<Description>

- Establishing relationship of trust with our customers
- Maintaining stable and high-quality electricity supply and ensuring safety
- Establishing good relationship with our business partners
- Maintaining fair competition with our competitors
- Information disclosure • Public hearing activities
- Fair management labor relations, etc.

<Website of our Compliance Action Guideline in Japanese>
http://www.kyuden.co.jp/csr_compliance_04

▼ Promotion of compliance Management



Activity items for FY2006	Main action plans for FY2006
Thorough legal compliance and fair business operations based on corporate ethics	<ul style="list-style-type: none"> ○Implementation of measures to enhance awareness of compliance ○Reconstruction of management rule of our company's rule governing the internal affairs ○Reinforcement of group-wide structure to promote compliance management
Reinforcement of information security system such as personal information protection	<ul style="list-style-type: none"> ○Verification of an information security control system by a third party ○Execution of "intermediate training course of information security" and "e-learning training of information security" for all employees

Consciousness-raising activities for employees through education and training

We continue to provide educational programs concerning 'Compliance Action Guidelines' and 'Action Guidelines of each Department' and e-learning programs to all employees. In this condition we add 'corporate ethics' in personal evaluation items to appraise their consciousness about compliance by checking if their performance and operation adhere to compliance.

Compliance promotion month

We set every January as 'compliance promotion month'. In FY 2005, we held a lecture meeting where an outside lecturer told us about 'compliance from the viewpoint of consumers.' The senior executives of our company and our group companies took part

in it. Moreover, actively held were lecture meetings and seminars in each branch office.

Compliance consultation desks

We set up compliance consultation desks in February 2003, to prevent violation of laws and misconduct against corporate ethics and to discover them at early stage. Moreover, to develop this system, we built an consultation desks and have been providing external counseling group service of an outside law firm since April 2005.

The 'provisions of establishment and operation of Compliance consultation desks' strictly protect the privacy of those consultants and make sure that they are not treated unfavorably due to consultation or report.

In addition, we have established a 'Sexual Harassment advice center.' (Please see page 45.)

Efforts carried out by the Kyushu Electric Power Group

According to "Kyushu Electric Power Group Action Charter," each Kyuden Group company works on promotion of compliance management, and as we do, it reinforces a compliance promotion system by stipulating "action guideline" and providing compliance consultation desks. When a problem that influences the whole Group happens, each company tries to work together with us such as deliberating on it at our Compliance Committee.

In order to strengthen group-wide structure to promote compliance, we have decided to monitor enforced situation of each group company and to set up a committee to exchange information in FY2006.

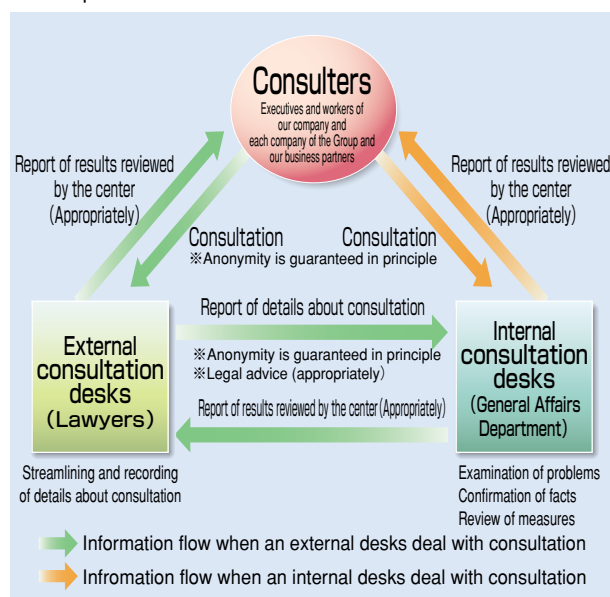
▼ Compliance Lecture Meeting (Event held on during a promotion month of FY 2005)



Subject: "Compliance from the viewpoint of consumers"

Participants: About 200, including our executives our directors in charge of compliance promotion, presidents of Kyuden Group companies and others

▼ Compliance consultation desks



Compliance with the Antitrust Law

We created a "manual of compliance with the Antitrust Law" as a tool which helps us easily understand the contents, key points and violation cases. As it is placed on the Intranet, every employee can look it up anytime. Whenever the Antitrust Law and other related rules are amended, we review the manual and announce it to all employees.

In accordance with the "Guideline about Proper Electricity Transaction" * amended in May 2005 and the amended Antitrust Law enforced in January 2006, we revised the manual twice and explained the outline of the revisions to all employees in order to improve awareness of compliance with the law.

We continue to provide information about amendments of the law and seminars about ATL across the company to thoroughly get employees to abide by the law.

Securing fairness and transparency in the use of transmissions / distribution systems of electricity

Responding to changes of the electric utilities

industry system in April 2005, we established a "Wheeling Service Control Rule" which is comprised of action rules such as "prohibition of information use for purposes other than the original intent," a "ban on discriminatory handling" and a "prohibition of internal mutual support." This rule is based on a "Guidelines about Proper Electricity Transaction" and aims to secure fairness for all newcomers (Power Producers and Suppliers) and transparency of wheeling service.

We also created "provisions concerning management of wheeling service-related information" as the subordinate rules of the "wheeling service control rule", striving to set specific information management measures to stop information leakage in wheeling service. We also made an information management system where a General Manager of Transmission and System Operation Division assumes responsibility in order to strictly prohibit the usage of information about wheeling service for purposes other than the original intent.

<Website about 'transmission operation control rule' in Japanese>
http://www.kyuden.co.jp/company_liberal_rule

Thorough management of documents for provisions

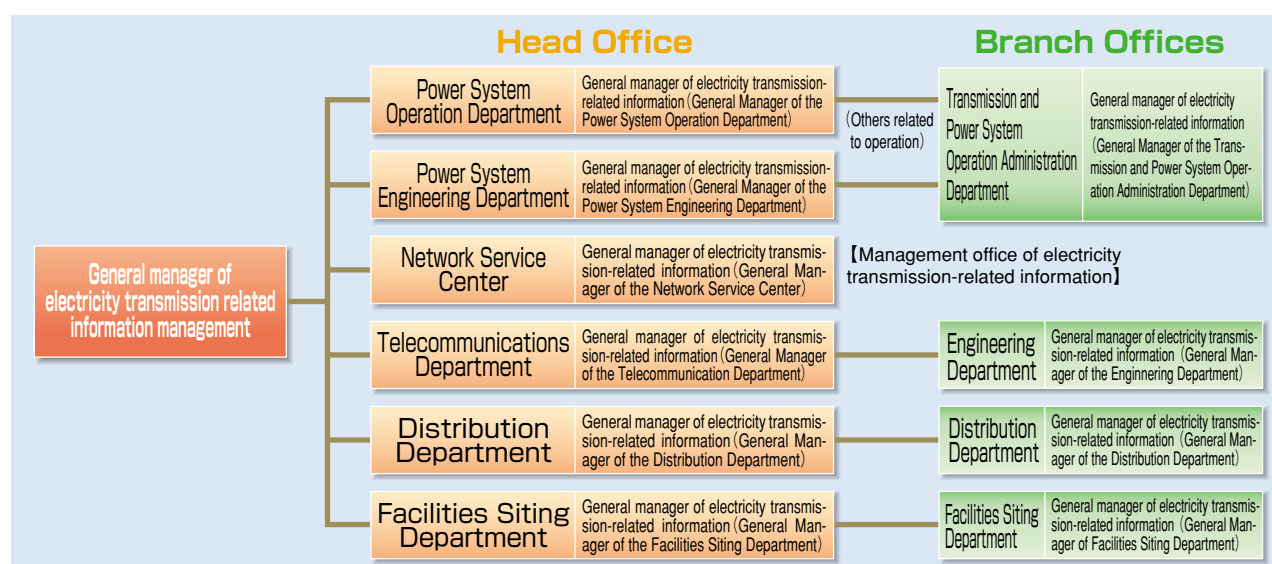
Internal documents for provisions, which stipulate our rules governing the internal affairs, need to comply with laws and contain proper contents. We have a provision management section (different from the organization which carries out business operations and draws up provisions) which inspects the properness of provisions such as legality and manages them when provisions are enacted and amended.

In addition to the current inspection system, we have decided to introduce a 'regular review system' in FY 2006 to regularly check details of provisions to keep them up-to-date, appropriate and more legitimate.

For detail, we review the properness of each provision when one year has passed after it was enacted or amended.

We also set up IT system which enables employees to gain access to the latest provisions and utilize them for their business operations.

▼"Management system of electricity transmission-related information"



※Glossary / *Guideline about Proper Electricity Transaction:

Guideline that shows basic ideas and exemplifies recommended or problematic actions in areas such as liberalized electricity retail, electricity transmission, electricity procurement for electric utilities and regulated electricity retail, and competitive business for electric utilities aiming to make the liberalized electricity market effectively function. It was drawn and publicized by the Ministry of International Trade and Industry (now named the Ministry of Economy, Trade and Industry) in December 1999 and amended in July 2002 and May 2005.

Implementation of suitable procurement of materials and fuels

For the procurement of supplies and fuels, while we comply with laws and ordinances, we strive to establish a mutual trusting relationship by ensuring open and fair transactions, and promote our basic ideas of contributing to the development of society. Toward that end, we have established the “Basic Policy for Procuring Materials and Fuels” in August 2005, following our positive role in promoting CSR.

With this basic policy, in order to carry out the social responsibility of the business, we tackle the protection of observances of social norms, the assurance of safety, the thoroughness of Information Security and protection of personal Information and environmental considerations in all procurement activities.

For us to practice “Basic Policy for Procuring Materials and Fuels”, we consider that understanding and cooperation by our business partners and partnership acquired through procurement activities based on mutual trust are necessary.

For this reason, we are asking our suppliers to follow 9 items, listed below, “For our suppliers”. The basic policy and requests for our suppliers are also up on our website.

http://www.kyuden.co.jp/company_procurement_shizai_policy
(in Japanese)

Basic Policy for Procuring Materials and Fuels

1 Open procurement

We procure widely materials and fuels that meet the operational needs of our business and are favorable in terms of quality, price and delivery conditions from domestic and overseas suppliers.

2 Fair and equitable business activities

We conduct fair and equitable business activities for business partners in all our procurement activities. This includes an equitable selection of suppliers based on rational and fair evaluation, comprehensively taking into consideration a variety of factors such as: quality, technical capabilities, price, operational and financial conditions, punctual and reliable delivery, after-sales service, compatibility with existing facilities, pro-environmental practices and actions for continuous improvement.

3 Compliance with laws, ordinances and social norms

In all of our procurement activities, we not only respect human rights but also comply with domestic and international laws and ordinances and their spirit as well as social norms. We expect the same level of compliance from our suppliers.

4 Environmental considerations

We practice procurement activities while giving consideration to environmental conservation and the effective utilization of resources. One of the corporate practices we have established for these purposes is the promotion of “green procurement,” which prioritizes the procurement of eco-friendly products and, with the cooperation of our suppliers, contributes to the creation of a Recycling-Based Society.

5 Safety assurance

We request that our suppliers implement appropriate safety and health management procedures in order to prioritize the safety of the general public and workers. In this way, with the cooperation of our suppliers, we ensure safety and prevent accidents.

6 Ensuring information security and protecting personal information

We properly manage and protect, in cooperation with our suppliers, confidential and personal information obtained through business transactions pertaining to both parties.

7 Compliance with contracts and good faith performance of contracts

We observe contracts concerning business transactions and fulfill contractual obligations in good faith while requesting the same of our suppliers.

8 Promotion of communication to establish mutual trust

We aim to establish mutual trust through transparent procurement, the promotion of good communication and sound, reasonable relationships with our suppliers.

9 Creation of new values

We regard our suppliers to be sincerely devoted to the creation of new values and we respect them as our business partners. We aim for mutual prosperity with our business partners by pursuing good quality and reasonable prices.

10 Contribute to local community and society

We believe it is important to contribute, through our procurement activities, to the development of the region in which we are based and society in general as a “good corporate citizen,” along with our business partners.

For our suppliers

1 Compliance with laws, ordinances and social norms

• Compliance with domestic and international laws and ordinances and their spirit as well as social norms

※ In the law and norms of society, observance should not only be limited to civil law, commercial law, ATL, and laws concerning intellectual property, but should also include laws that related to labor and fundamental human right, which must be observed as a part of social responsibility.

2 Compliance with contracts and good faith performance of contracts

• Observance of with contracts and good faith performance of contracts

3 Environmental considerations

• Compliance with environmental-related laws (such as industrial waste disposal method and constructive recycling method laws)
• Implementation to improve environmental efficiency of the product (energy conservation, recycling, long-life, waste control, etc.)
• Promotion of environmentally friendly proactive business activities (green procurement, etc.)

4 Securing safety

• Compliance with safety laws
• Ensuring public safety
• Securing working procedures and environment that gives top priority to safety

5 Thoroughness of information security

• Observance of the personal information protection law
• Strict management and protection of management and technical know-how information that may have been picked up during business dealings

6 Stable delivery

• Establishment of stable delivery and construction system

7 Good after sales service

• Cooperation on maintenance
• Guarantee for suitable handling of problems
• Quick and accurate response during emergencies

8 Pursuit of a reasonable price, and maintenance and improvement of quality and technical know-how

• Further measures towards the realization of reasonable pricing
• Continuous measures for maintenance and an improvement of quality and technical capabilities

9 Promotion of good communication

• Submission of opinions, requests and propositions

Measures to ensure the correct handling of information security and the protection of the personal information

Establishment of a management system

In January 2005, we established an information security system with the President as the person responsible for information security measures.

The head of each branch office and group is appointed as the information security person that handles the acquisition of information and its management, storage and disposal in a strict process.

In addition, the president is designated as the chairman, and establishes the "Information Security Promotion Committee" with each head from the main office as members to start up a management cycle for the company. Each department, branch office and group secures information security throughout the entire company.

Furthermore, the respective person in charge will work concurrently with the per-

son in charge of personal information protection to secure information security. At the same time, they will set up a system where we can properly manage personal information that we receive from business activities with customers, shareholders and investors.

Maintenance of regulations

The "Information Security Basic Policy" was enacted as a statement of principles about the handling of information in January 2005.

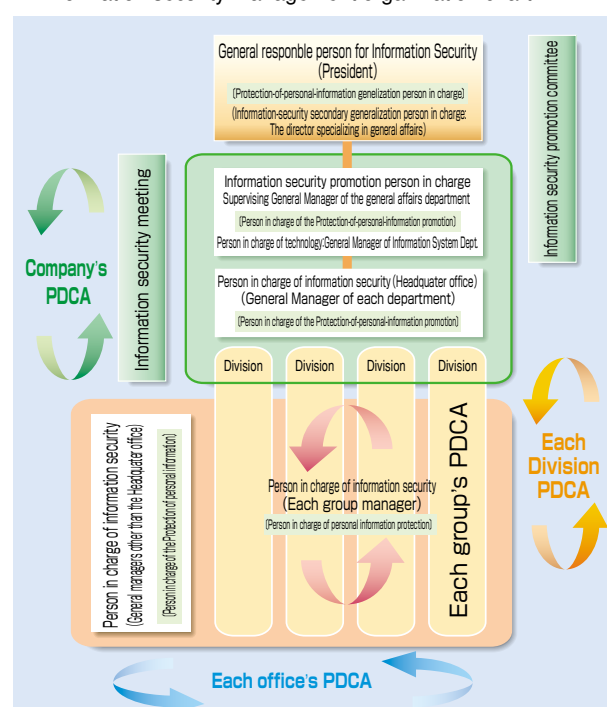
Moreover, the regulations about "information security management regulation" and the information peculiar to that section are maintained, and the thorough management of information security is executal.

Countermeasures for Information Security

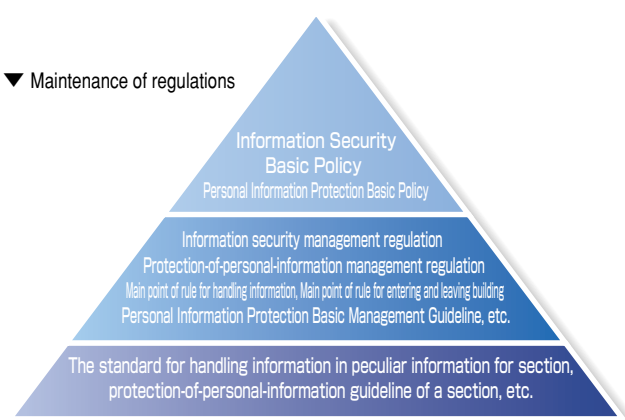
In addition to the organization of the system and the maintenance of regulations, there is self-inspection for each office, vulnerability scanning test for the in-house computer system and verification of the protection of personal information by an external third party.

Moreover, we are implementing personal measures such as information security initial training (assembled education) and e-learning, physical measures such as establishing a security gate using an IC card (employee ID), technical measures such as individual authentication when using PC, and restriction on general downloading functions and setting up encryption measures for PC.

▼ Information security management organization chart



▼ Maintenance of regulations



▼ Counter measures for information Security

Management measures	Establishment of information security organization construction, maintenance of regulations, implementation of self check and third person verification. Thoroughness of maintaining confidentiality when executing a contract or agreement for the consignment of business activities.
Personnel measures	Stipulation of maintaining confidentiality obligation (work-rules revision). Implementation of "information security e-learning training" and "initial training on information security" for all employees.
Physical measures	Installation of a security gate using an IC card (Headquarters). Conversions to automatic lock for all offices. Separation of work area and reception area.
Technical measures	Continuous implementation of measures against illegal software, and restriction and abolition Batch Download. Record and management of a communication log, firewall installation to an external network connection section. Internal automated encryption device for business use PCs.

Measure for personal information protection

For the accurate measurement of the personal information protection law enforced in April 2005, “A Personal Information Protection Basic Policy and A Personal Information Protection Basic Guideline” were established to further specify the purpose of collecting personal information and methods of handling disclosure claims. Concerning these items, an explanatory meeting is held at each branch office, places of business and customer service office.

In addition, in the sales department where the customer’s personal information is exposed more, “A Sales Department Personal Information Protection Guideline” was established, and to enhance the understanding of this guideline, we have implemented e-learning

and individual discussions with the employees for a complete and accurate management of personal information.

http://www.kyuden.co.jp/functions_privacy_index
(in Japanese)

Information leakage incidents

In June and September 2005, it became clear that the customers’ “electric fare receipts” and “notification of electricity usage” were lost by commission members. Moreover, it also became clear that the company’s technical know-how and business meeting memos were leaked on the Winny network from Private PCs owned by employees of our company and our group company in September 2005 and in April 2006.

These information leakage incident should never have happened and as we take careful measures to prevent recurrence, we will take extensive measures

to properly manage personal and company information.

Preventive Measures for recurrence

Loss prevention by the commission member

- Verification of personal information management circumstances of business consignee
- The thorough supervision of the commission member through individual interviews
- Minimizing the data carried to outside the company
- Data must be with the individual constantly, etc.

Prevention of information leakage on Winny network

- Notification of information leakage incident to all employees and direction of strict control of information management.
- Thoroughness of the ban on unauthorized carrying out of company data
- Submitting a confirmation sheet of the deletion of company internal information inside a private PC
- Automatic encoding of internal records of PC
- Verification and guidance on preventive measures of information leakage for group company.

Personal Information Protection Basic Policy

- 1 Laws pertaining to personal information and other social norms and the company’s personal information protection management regulations shall be observed.
- 2 Based on “An Information Security Basic Policy”, personal information is managed appropriately and the safety control measures against the risk of unlawful access, disclosure, destruction, or denaming are carried out.
- 3 Personal information is appropriately dealt with as follows
 - (1) Specification, notification and disclosure for the purpose of use
The purpose of use for personal information shall be specified as specifically as possible. In the case of acquiring personal information, the individual must be notified as quickly as possible or disclosed the purpose of usage.
 - (2) Acquisition, handling
Personal information is acquired through proper means and dealt with within the limits for the specified purpose of the use.
 - (3) Offering information to a third party
Personal data must not be offered or provided to a third party except business consignment without the consent of the individual involved.
 - (4) Correspondence to notice / indication claim etc.
As a general rule, if there is a request on notification of purpose of use, disclosure of data, corrections, deletion, suspension of use and suspending the information from going to a third party from the individual regarding the possession of personal data, we take immediate measures to follow up on the request.
- 4 Improvement of personal information protection by periodical verification.
- 5 If a major complaint occurs, upper management personally take up the matter to resolve the issue, clarify the source of this claim and take immediate corrective action and preventive measures for recurrence, and disclose information in a quick and orderly fashion. Also, they must establish a system that can correspond appropriately and promptly to the complaint about the handling of personal information.

Information Security Basic Policy

- 1 Laws pertaining to personal information and other social norms and the company’s personal information protection management regulations shall be observed
- 2 While establishing regulations regarding the handling of information or the information system, we shall perform periodic and ongoing education and training of the employee to prevent the misuse of equipment and illegal conduct.
- 3 This policy is notified to business partners and information leakage shall be prevented by establishment of governing structure in cooperation with business partners such as making a contract in terms of information security.
- 4 Security management for entering/leaving a building and preventive measures for illegal access to prevent information leaks, theft, and the abuse and misuse of information are implemented.
- 5 Appropriate risk management measures are performed such as preparation of alternative plan and establishment of restoration procedure.
- 6 Measures for information security are verified periodically and we aim for improvement.
- 7 If a major problem occurs, upper management personally take up the matter to resolve the issue, clarify the source of this problem and take immediate corrective action and preventive measures for recurrence and disclose information in a quick and orderly fashion.