



Compliance Management

Kyushu Electric will continue to focus on compliance management, operating even more transparently and fairly in keeping with its commitment to ethical conduct.

Enhancing Compliance

We have traditionally pursued a compliance agenda that centers on earning and maintaining society's trust.

But inspections of our generating facilities in 2006 revealed practices that violated compliance requirements. We have deployed steps based on this experience to prevent reoccurrences. We will endeavor to operate more transparently and fairly in keeping with our commitment to ethical conduct and thereby restore society's faith in us.

Compliance management structure

We established our Compliance Committee in October 2002 under the oversight of the Board of Directors. The committee appoints the heads of head office departments, branch offices, and other operations to manage their compliance activities, thus raising companywide awareness of the issues. We have set up internal and external compliance consulting desks.

We also maintain the Group Compliance Subcommittee (see page 63).

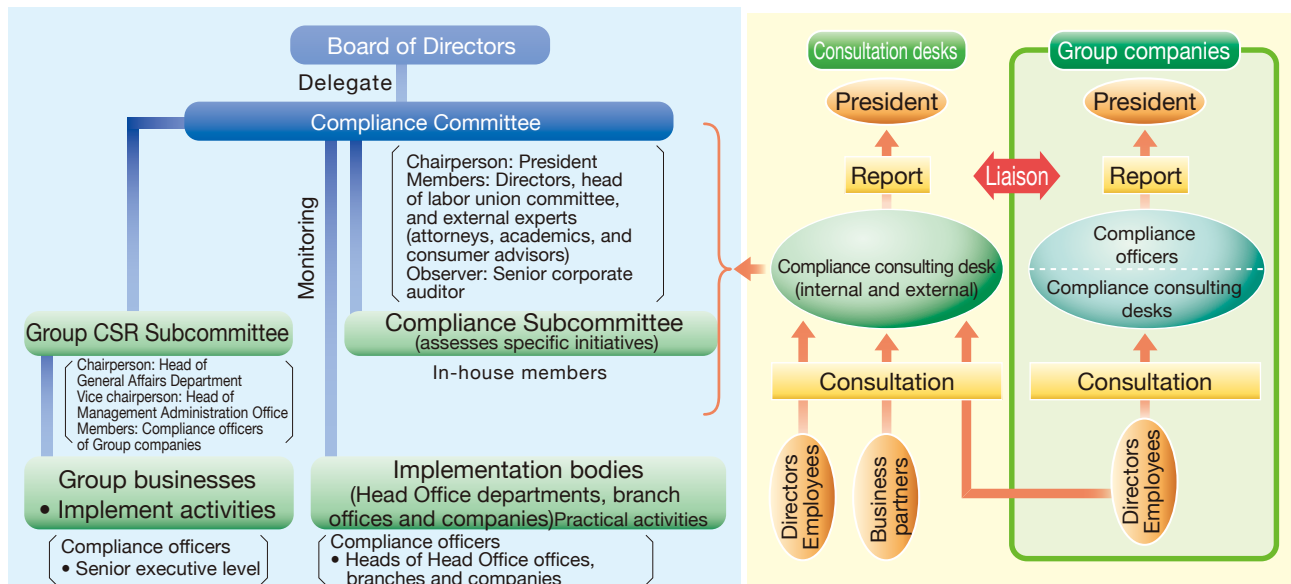
Compliance Committee

The president chairs this body, whose members include directors, attorneys, academics, consumer advisors, and the chairperson of the Company's labor union to ensure objectivity and transparency.

This committee meets semiannually to formulate basic policies, propose and deliberate on specific initiatives, and monitor progress. For example, it reviews the Compliance Action Guidelines, educates and trains employees, and monitors compliance awareness by issuing questionnaires to the parent and Group companies.

If compliance violations arise, the committee can convene where necessary to confirm the facts, analyze the causes, and produce measures to prevent reoccurrences.

▼ Compliance management structure



Compliance Action Guidelines

We implemented these guidelines in December 2002. We issue copies to all directors and employees. The guidelines offer standards of conduct for when people are unsure how to act and provide specifics on maintaining relationships with customers, shareholders, and investors.

In FY2006, we updated the guidelines in response to recent developments and held explanatory meetings for employees and took other steps to ensure awareness of the changes.

Guideline coverage

- Building customer trust
- Maintaining stable supplies of high-quality electricity and ensuring safety
- Establishing good ties with business partners
- Competing fairly
- Strictly following procedures for seeking authorization and submitting reports

 [Compliance Action Guidelines website \(in Japanese only\)](http://www.kyuden.co.jp/csr_compliance_04)
http://www.kyuden.co.jp/csr_compliance_04

Overview of Revisions to Compliance Action Guidelines

Revision date	January 2007
Outline of revisions	We presented areas for daily precautions and showed examples of legal violations and other undesirable behavior, referring to our own problematic cases, reforms to laws, other companies' scandals, and other recent developments
Revised contents	The president's message early in this publication calls for thorough implementation of the action guidelines, focusing on responses particularly in the following areas: <ol style="list-style-type: none"> 1. In-house problems Employee arrests, data leaks, and penalties 2. Recent legal reforms The implementations of the Company Law and the Whistleblower Protection Act and revisions to the Antitrust Law 3. Other companies' scandals Drink-driving and illegal contracts

Raising employee consciousness through education and training

We continue provide all employees with ongoing education and training through classes and e-learning on our Compliance Action Guidelines and departmental action guidelines.

Another way in which we raise consciousness of compliances is our personnel ratings. They encompass such areas as corporate ethics and assess employees on whether they perform their tasks in keeping with compliance requirements.

Compliance Promotion Month

January is Compliance Promotion Month for all Group companies.

In FY 2006, we held a lecture for senior Group executives at which a guest sociopsychologist spoke on the links between scandals and organizational cultures. Our business sites held lectures and study sessions.

Compliance awareness surveys

We conduct and monitor employee consciousness surveys for the parent and Group companies, identifying key issues so we can pursue further improvements.

Reference: Results of compliance awareness survey conducted in January through April 2007

Score: 74 points out of 100

Coverage: 15,887 employees of Kyushu Electric and Group companies

Survey items: Average values for 8 compliance items

- Can you trust your company?
- Does your work site use double checking to prevent improper and scandalous conduct?
- Do you understand and adhere to the Compliance Action Guidelines?

Assessment methodology

The maximum score of 100 points would be for those answering Yes or Somewhat from the following response choices:

1. Yes, 2. Somewhat, 3. I'm unsure, 4. Not much, and 5. No

Compliance consultation desks

We set up compliance consultation desks in February 2003 to prevent or quickly identify legal and ethical violations. In April 2005, we began external counseling services for Group companies through a law firm.

The rules for creating and running compliance consulting desks mandate complete confidentiality for all users. It is forbidden to treat any user unfavorably for using or making reports through these services.

In FY2006, there were 33 cases in which people sought consultation or reported

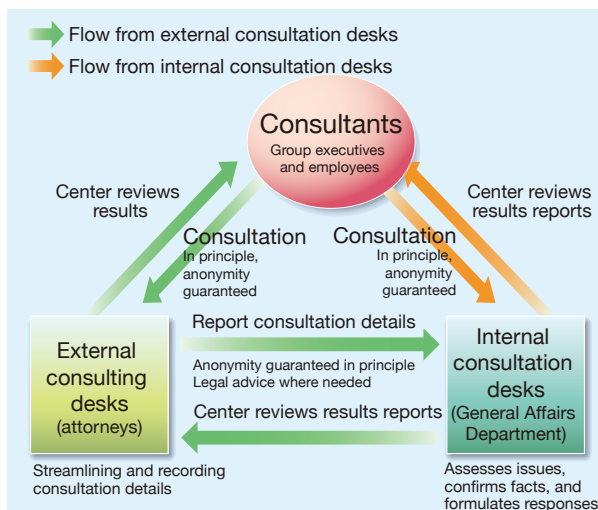
Compliance abuse consultations and reports in FY2006

Doubts about operational practices	12
Complaints about employee conduct	14
Consultations about the law	4
Other consultations and queries	3

compliance abuses (see below).

Note that we maintain a sexual harassment consultation desk (see page 43).

▼Compliance consultation desks



Antimonopoly Act compliance

We produced the Antimonopoly Act Compliance Manual, distributing a copy to each employee. This publication enhances understanding of the contents of that legislation and describes the types of conduct that would violate the act. We review

the manual following legislative changes and inform all employees accordingly.

We will continue to keep employees abreast of legal amendments while holding companywide seminars on this act.

Securing fairness and transparency in the use of transmission and distribution system of electric power

We adhere strictly to regulations governing activities and network usage to secure fair use of the transmission and distribution system of electric power and transparent wheeling services.

In FY2006, the Wheeling Services Information Governance Committee inspected business sites that have offered wheeling

services to ensure that they properly manage information. The committee also set up an e-learning program on information management.

The committee will continue to monitor and educate on compliance with regulations, thereby securing fairness and proper information management.

[Transmission regulations website \(in Japanese only\)
http://www.kyuden.co.jp/company_liberal_rule](http://www.kyuden.co.jp/company_liberal_rule)

Compliance measures of group companies

The Charter of Conduct governs all Group companies. Like the parent, they also have their own conduct guidelines and consulting desks to reinforce compliance.

The Group CSR Committee and our Compliance Committee discuss and coordinate on Group compliance management (see page 63).

Compliance Violations and Measures to Prevent Reoccurrences

Results of generating facility inspections

In March 2007, we filed a report on improper practices uncovered in response to instructions from the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure and Transport to inspect generating facilities. There were a total of 605 infractions in five categories. They included 599 infractions in four categories at hydroelectric facilities and six infractions in one category at thermal power facilities.

These lapses stemmed from a poor awareness of compliance, including unfamiliarity with the specific laws covering operations and a reliance on entrenched practices. So, in April 2007 we submitted a report to the authorities that detailed measures to prevent the reoccurrence of these problems throughout the organization, including in our power generation business.

The Minister of Economy, Trade and Industry issued a stern warning over the inspection infractions and order us to amend our safety rules pursuant to Article 42-3 of the Electricity Utilities Industry Law. In May 2007, the head of the Regional Development Bureau of the Ministry of Land, Infrastructure and Transport directed us to formulate policies to prevent relapses,

such as by setting up systems to better manage water intake and properly check water usage.

We take these matters very seriously, and are accordingly drawing on the lessons to formulate measures to prevent reoccurrences so we can regain society's trust in our ability to operate ethically.

▼Results of generating facility inspections

Category	Hydroelectric facilities	Thermal power facilities	Nuclear power facilities	Total
Inadequate procedures	1 category (482 cases)	—	—	1 category (482 cases)
Data falsification	1 category (1 cases)	—	—	1 category (1 cases)
Others	2 category (116 cases)	1 category (6 cases)	—	3 category (122 cases)
Total	4 category (599 cases)	1 category (6 cases)	—	5 category (605 cases)

Key Measures to prevent relapses

Steps to raise compliance consciousness in corporate culture

- Issue messages from the president
- Increase understanding of preventive measures in senior management and other meetings
- Disclose information on adherence to laws and ordinances and ethical practices
- Share information, including throughout Group
- Improve disclosure on nuclear power operations

Organizational improvements

- Broaden education about related laws and ordinances
- Revise and improve design and construction manuals and other publications
- Clarify standards for determining whether laws and ordinances govern procedures
- Build systems to check business procedures
- Clarify business processes when modifying operations

Employee arrests

A Kyushu Electric employee was arrested and prosecuted in July 2006 for registering a fictitious land transaction.

We responded to this incident in several ways to improve employee education about compliance. We issued a message from the president and included the incident in our Compliance Action Guidelines. We also conducted additional compliance training seminars.

Transactional violations

A Group employee bribed a foreign government official while posted at an overseas subsidiary. In March 2007, the government issued a summary order for violation of the Unfair Competition Prevention Act.

To prevent such a reoccurrence, we informed Group employees and executives about this case and improved understanding of the relevant legislation. We also stepped up compliance education at the company concerned and established a system to cover compliance in doing business abroad.

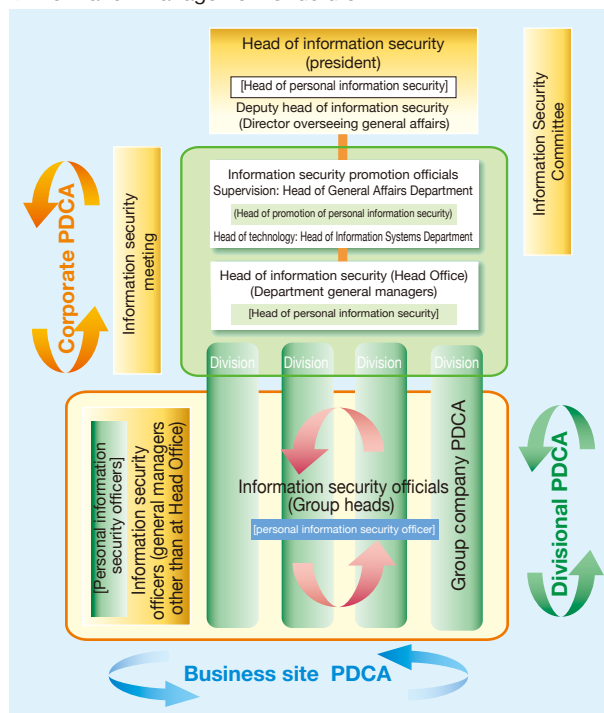
Initiatives to Protect Personal and Other Information

Information management structure

The president is ultimately responsible for managing information securely. The heads of head office departments, business sites and Group operations oversee security at their respective operations to safeguard internal and personal information.

The president chairs the Information Security Committee. We also have the Information Security Managers Committee, which comprises the general managers of head office departments. These bodies ensure that all Group operations properly use plan-do-check-action (PDCA) cycles.

▼Information management structure



▼Main internal regulations

Information security	<ul style="list-style-type: none"> • Basic policies • Management rules • Key handling rules
Personal information protection	<ul style="list-style-type: none"> • Policies • Management rules • Basic guidelines
Others	<ul style="list-style-type: none"> • Key building access management rules • Personal computer usage standards

[Note] Winny software allows PC users to exchange data files over networks. The software can lead to data leakage because it makes computers vulnerable to virus infections.

Information security measures

We took the following steps in FY2006. In FY2007, we are deploying initiatives to enhance security in light of issues identified in PDCA cycles.

● Organizational measures

A third party organization checked the operation of our management structure, while each work site conducted voluntary inspections.

▼Overview of third-party checks

Period	May through August 2006
Focus	16 in-house operations
Methodology	Examined documents and conducted field inspections
Resulting issues	Rules creation, adherence to existing rules, and systems security measures

● Personnel measures

We held educational seminars for all employees and used e-learning systems.

● Facility measures

We separated work and visitor areas, limited access to work rooms and buildings, and kept doors locked.

● Technological measures

We deployed encryption software and systems covering personal computer usage.

Information leaks and preventing reoccurrences

There were 10 leaks of documentation containing personal information in FY2006, including losses of receipts for power bill payments and blueprints for constructing customer facilities. There were two instances in which Group employees using private personal computers on which they installed Winny* file-sharing software accidentally leaked power station and other in-house data.

We are fully aware that such incidents should never have occurred in the first place, and are taking extensive ongoing steps to completely safeguard personal and company information.

Preventing reoccurrences

- Ensure complete compliance with information handling rules under prevailing regulations
- Continuously educate all employees
- Assess vendors' information management and request improvements
- Prevent problems stemming from private personal computer usage
 - Have employees submit documents confirming that they have deleted company information from their equipment
 - Instruct employees to delete Winny and other file-sharing software from their machines

Procurement activities and Fuels in Keeping with CSR Commitment

Our activities in these areas are in keeping with our “Basic Policy for Procuring Materials and Fuel”, laws and ordinances, and such CSR priorities as safety and the environment.

It is essential to build relationships of trust with business partners so we can secure their understanding and cooperation in our procurement activities.

A Japanese-language website presents our “Basic Policy for Procuring Materials and Fuel” and a list of requests for suppliers. In fiscal 2006, we sent other information to suppliers and visited them as part of ongoing efforts to enhancing their familiarity with our requirements.

 [Materials and fuels sourcing website
http://www.kyuden.co.jp/en_procurement_index](http://www.kyuden.co.jp/en_procurement_index)

“Basic Policy for Procuring Materials and Fuel”

For Kyushu Electric Power to safely and stably provide energy and other related products and services, that are valuable to our customers, it is essential for us to procure high-quality materials and fuels at a reasonable price with the cooperation of suppliers.

While we comply with laws and ordinances and their spirit on the basis of equal partnership with our suppliers, we strive to help “enhance customer satisfaction,” “continually create corporate values” and “contribute to the sustainable development of society” through fair and transparent procurement activities.

Toward that end, our Materials and Fuels Division performs procurement activities based on the following basic policy under the Kyushu Electric Power Group Corporate Activity Charter and promotes compliance management.

1 Open procurement

We widely procure 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 valuation, 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 continual 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 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 can 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 encourage 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 appropriate quality and prices.

10 Contribution to society and the regional community

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

Supplier requirements

- 1 Meeting legal and social requirements
 - Comply with the spirit and substance of domestic and international laws and ordinances and act according to social norms
 - Laws and ordinances and social norms encompass civil, commercial, antitrust, and intellectual property laws, as well as labor and human rights legislation.
- 2 Meeting contractual obligations
 - Faithfully comply with and execute contracts
- 3 Safeguarding the environment
 - Comply with laws governing industrial waste disposal, construction waste recycling, and other environmental legislation
 - Improve the environmental performance of products, notably by reducing their energy consumption, recyclability, durability, and their resulting waste
 - Pursue green purchasing and other environmentally friendly business activities
- 4 Maintaining safety
 - Comply with safety laws
 - Ensure public safety
 - Use working procedures and environments that prioritize safety
- 5 Protecting information
 - Comply with the Personal Information Protection Law
 - Strictly safeguard management and technical information provided in business dealings
- 6 Ensuring reliable deliveries
 - Build a reliable delivery and construction systems
- 7 Good after-sales service
 - Assist in maintenance
 - Properly address problems
 - Ensure quick emergency responses
- 8 Offering reasonable prices and maintaining and improving quality and technical expertise
 - Keep working to ensure reasonable pricing
 - Constantly maintain and improve quality and technical capabilities
- 9 Communicating well
 - Submit opinions, requests, and propositions