



# Compliance Management

Kyushu Electric Power ensures peace of mind for its customers and the people in its service area by maintaining strict compliance, while also operating with transparency and fairness in keeping with its commitment to ethical conduct.

## Enhancing Compliance

### Compliance Management Structure

We established the Compliance Committee in October 2002 under the oversight of the Board of Directors. The committee appoints the heads of head office departments, customer service offices and other operations to manage their compliance activities, thus raising Companywide awareness of issues.

We set up internal and external compliance consulting desks that work as an internal reporting system.

The Group CSR Subcommittee disseminates action plans and provides information for Group companies (see page 19).

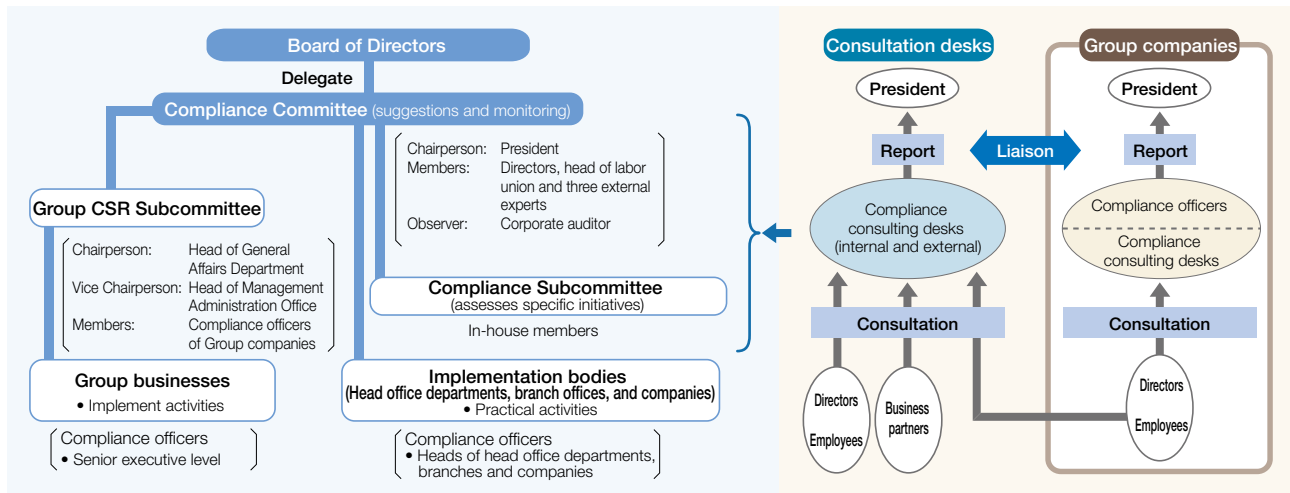
### Compliance Committee

The president chairs this body, whose members include directors, the chairperson of the Company's labor union and three external experts, to ensure objectivity and transparency.

This committee meets semiannually to deliberate on and propose compliance management policies and responses, and to monitor progress.

It aids compliance management by reviewing our Compliance Action Guidelines, monitoring the initiatives of each business office and assessing compliance through questionnaires it circulates to the parent and Group companies.

#### ▼ Compliance Management Structure



### My CSR Efforts

#### Fostering compliance management by providing legal advice

My office checks contracts and advises on the interpretation of laws and regulations relating to operations. In 2008, we checked all of the Company's advertisements and audited new pamphlets in response to the Japan Fair Trade Commission's elimination order relating to our advertising.

Compliance management is the bedrock of CSR and has great social significance. I'd like to contribute to compliance by providing solid legal support.



Legal Affairs Office,  
Corporate Legal Affairs Group,  
General Affairs Department

Mikio Nishioka

### Compliance Action Guidelines

We issued Compliance Action Guidelines in December 2002 and distributed copies among all directors and employees. These guidelines provide standards of conduct and specifics on maintaining relationships with customers, stakeholders and investors.

In FY2008, we revised the president's message and guidelines in response to recent developments and noted internal problems.

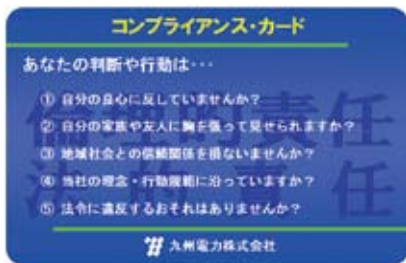
#### Guideline Contents

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

### Raising Employee Awareness through Education and Training

We provide all employees with ongoing education and training through seminars and e-learning on our Compliance Action Guidelines and departmental action guidelines. Group companies maintain education and training programs as well.

Personnel ratings are another tool for raising compliance awareness. Those assessments encompass corporate ethics and other issues, and whether employees adhere to compliance requirements.



All directors and employees carry our Compliance Card at all times

### Compliance Awareness Surveys

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

### Results of Compliance Awareness Survey Conducted in January through April 2009

**Score: 78 points out of 100**

(compared with 78 points in 2008)

Number of respondents: 19,015 employees of Kyushu Electric Power and Group companies (18,008 in 2008)

#### Sample questions:

- Can you trust your company?
- Does your work site ensure a double-check-system to prevent breaches of conduct?
- Do you understand and adhere to the Compliance Action Guidelines?

#### Assessment methodology

A maximum score of 100 is possible with "Yes" and "Somewhat" answers from the following choices:

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

### Compliance Promotion Month

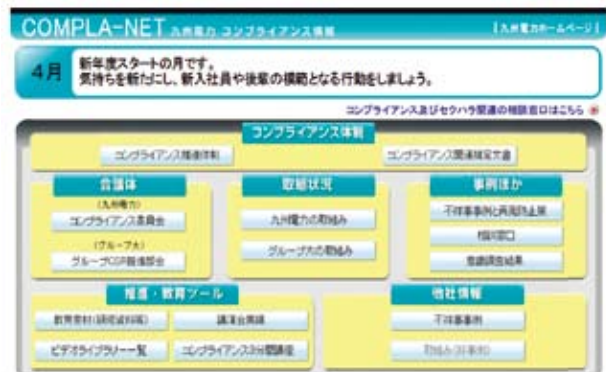
January is Compliance Promotion Month for all Group Companies.

In FY2008, we held a seminar for parent and Group company executives at which corporate compliance experts spoke about true compliance and tackling outbreak scandals. This was in light of an administrative disposition from the Japan Fair Trade Commission. Business sites also held lectures and study sessions.

### Compliance Intranet

Our intranet shares the latest compliance information and best practices with Group companies.

We encourage related dialogue and education at work sites and departments to enhance employee compliance.



## 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 complementing our system through a law firm.

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

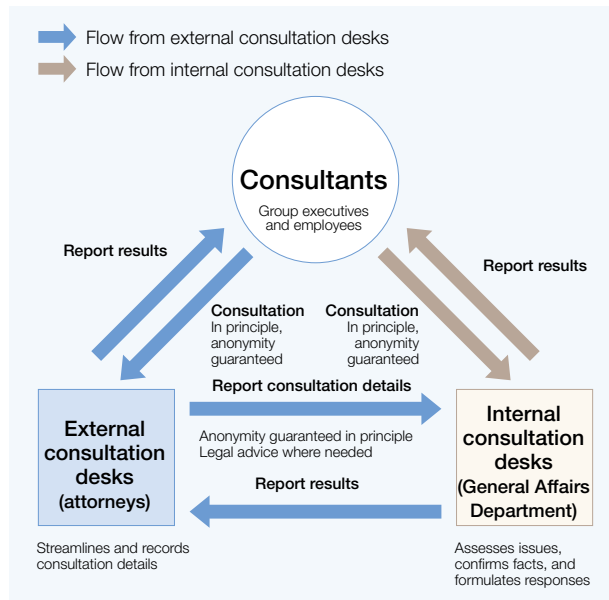
In FY2008, there were 37 cases in which people sought consultation or reported compliance abuses (see below).

### Compliance Abuse Consultations and Reports in FY2008

• Doubts about operational practices	14
• Complaints about employee conduct	15
• Consultations about the law	1
• Other consultations and queries	7

Please note that we maintain a sexual and moral harassment advice desk (see page 41).

### ▼ Compliance Consultation Desks



## Antimonopoly Act Compliance

We produced the Antimonopoly Act Compliance Manual, distributing a copy to each employee through our intranet. 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 take very seriously an administrative disposition from the Japan Fair Trade Commission in 2008. We accordingly enhanced awareness of the need to comply with the Antimonopoly Act, as part of which we held a lecture for Group executives to increase overall understanding of that law. We also undertook e-learning and hierarchical training for all employees.

## Fairly and Transparently Using Transmission and Distribution Networks

We adhere strictly to regulations governing activities and network usage to ensure fair use of our transmission and distribution system of electric power and transparent wheeling services. We will continue to comply with regulations and thus ensure fair and transparent information management.

## Establishing Legal Affairs Office

We established the Legal Affairs Office in the General Affairs Department in July 2008 to oversee legal work and assist compliance management. This was in light of challenges arising from full-fledged competition in the energy market and our business domain expansion. We also launched the Legal Consulting Hotline to advise the parent and group employees on workplace issues.

**Number of calls made to the Legal Consulting Hotline from July 2008 through the end of March 2009: 84**

## Group Company Compliance

Each of our group companies maintain their own conduct guidelines and consultation desks to reinforce compliance as well as the parent company.

In February 2009, the authorities suspected a Group company of avoiding taxes on construction work. Although the allegation proved groundless, we are reviewing accounts processing to prevent a recurrence of such doubts and underscore our commitment to fair and transparent competitions and proper business dealings.

## Compliance Violation and the Action for Preventing Recurrences

### Elimination Order from Japan Fair Trade Commission over Pamphlet Content

In October 2008, the Japan Fair Trade Commission ordered us to delete content in a pamphlet promoting all-electric housing for violating the Act against Unjustifiable Premiums and Misleading Representations.

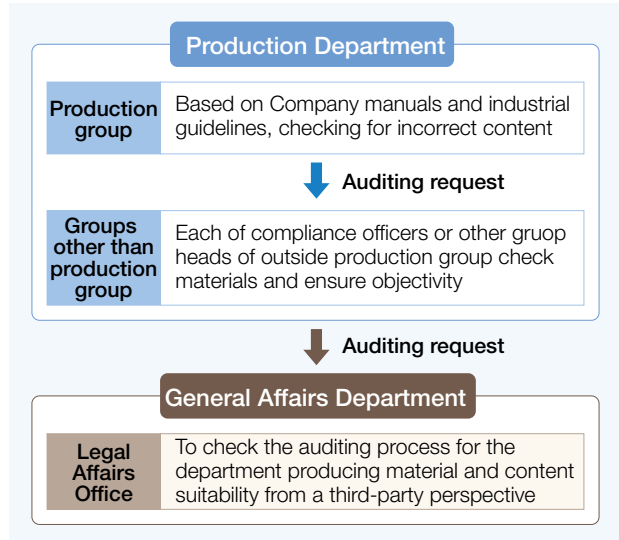
At issue were our claims that annual utility bills for all-electric housing are about ¥100,000 lower than for houses that also use gas, saving around ¥3 million over 30 years, and that are about ¥3.5 million cheaper over 30 years by using home loans for all-electric houses. The commission pointed out that such numbers were misleading because they might fail to factor in initial purchase and replacement costs during those periods.

This development revealed three prime shortcomings. First, we failed to truly consider customer benefits. Second, we did not properly understand the relevant rules and regulations and did not properly convey information. Third, we did not maintain an adequate follow-up system or educational activities.

We immediately collected the relevant pamphlets and corrected the content as requested.

We have taken steps to more carefully audit our advertising and avoid misleading our customers again.

▼ Auditing system for pamphlets and other materials



### Inappropriate Processes for Contracts Applying Evening and Other Time-Switching Rates

In June 2008, the Ministry of Economy, Trade and Industry asked the Company to check our time-switching contracts for possible processing violations. We checked all 373,000 customers using time switches in July through September that year. We found that the equipment of 3,217 customers was set to operate at times different from what their contracts stated.

This was because operators neglected to note instructions on changing times when some customers repurchased water heaters. There were also failures to set times when some customers installed and replaced their time switches.

We apologized to the customers in question and either updated their contracts or adjusted their time switches.

We have completed repaying overcharges to 1,027 customers.

**Key Steps to Prevent Violation Recurrences**

- **Reiterate importance of compliance**
  - Disseminate a message from the president
  - Reporting to top management
  - Inform employees through dialogue with senior management
  - Reinforce information checks
  - Revise Compliance Action Guidelines
- **Thoroughly assess existing pamphlets and advertising and build a system of legal checks**
  - Thoroughly assess existing pamphlets and advertising
  - Create structure for legally checking new pamphlets and other materials
- **Internal education, including for Group companies**
  - Hold compliance lectures related to Antimonopoly Act
  - Incorporate this case in Companywide education programs
  - Educate sales department employees about the Act against Unjustifiable Premiums and Misleading Representations

**Key Steps to Prevent Violation Recurrences**

- Review procedures when customers buy water heaters and check our systems
- Clarify installation instructions, including by reviewing formats for the time-setting instruction sheet when installing and replacing switches
- Better educate installation workers
- Checks on power-on times

## Procuring Materials and Fuels in Keeping with CSR Commitment

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

Building trust with business partners through CSR-oriented procurement is essential to secure their understanding and cooperation for our basic policies.

A Japanese-language Web site presents these basic policies and a list of requests for suppliers. We have sent other information to vendors and have visited them as part of ongoing efforts to familiarize them with our requirements.

### Contents of Basic Policy for Procuring Materials and Fuel

1. Open procurement
2. Fair and equitable business activities
3. Compliance with laws, ordinances and social norms
4. Environmental considerations
5. Safety assurance
6. Ensuring information security and protecting personal information
7. Compliance with contracts and fulfilling contracts in good faith
8. Communication to establish mutual trust
9. Creating value
10. Contributing to society and communities

### Requirements for supplier

1. Meeting legal and social requirements
2. Meeting contractual obligations
3. Safeguarding the environment
4. Maintaining safety
5. Protecting information
6. Ensuring reliable deliveries
7. Providing good after-sales service
8. Offering reasonable prices and maintaining and improving quality and technical expertise
9. Communicating well

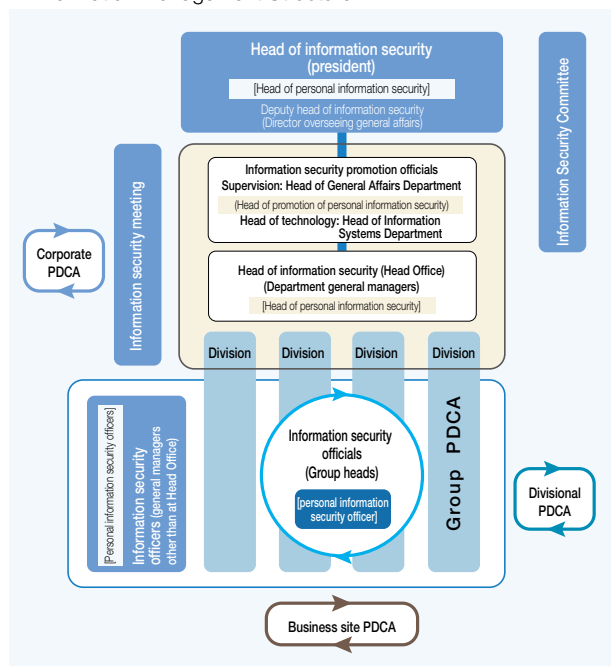
## Initiatives to Protect Personal and Other Information

### Information Management Structure

The president is ultimately responsible for managing information security. 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 PDCA cycles.

### Information Management Structure



### Information Security Measures

Based on information security measures we deployed in FY2008, we will continue to tackle issues identified in our PDCA cycle to further enhance information security.

#### ● Organizational Measures

In FY2008, we visited business sites to educate about relevant regulations and carry out inside inspection at all sites.

We also surveyed the handling of information security at our group companies.

We will continue such visits while supporting and following up on information security management efforts at Group companies.

##### ▼ Main internal regulations

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

#### ● Personnel measures

In FY2008, we provided e-learning training for all employees and provided hierarchical training for new managers and employees.

We will continue to offer learning opportunities to improve employee awareness and understanding.

#### ● Facility measures

We are installing IC card-based security gates to separate work and visitor areas, thus limiting access to work rooms and buildings and keeping doors locked.



Security gate at Nagasaki Branch

#### ● Technological measures

We continue to deploy measures against systems for computer usage, notably by broadening our use of encryption software and expanding our use of IC card systems to verify personal identities.

### Strengthening Personal Information Management among Vendors

Article 22 of the Personal Information Protection Act requires companies to properly monitor their vendors. We surveyed the handling of such information among our contractors and issued instructions to prevent leaks of any personal information that we entrusted to them.

We will continue and strengthen such oversight measures in FY2009.

##### ▼ Summary of survey of personal information handling among contractors

Period	July to August 2008
Number of checks	61 (including 5 inspections)
Methodology	Identified issues and inspected sites based on survey forms
Resulting issues	Complying with rules on receiving data and managing data passwords relating to information systems and security management measures for facilities

### Information Leaks and Preventing Recurrences

There were 22 losses of documentation containing personal information in FY2008, including customer meter reading notices and payment slips for utility pole site fees.

The information could have leaked to third parties in all these incidents, which should not have occurred in the first place. We are therefore taking extensive ongoing steps to completely safeguard personal and Company information.

#### Preventing Recurrences

- Strengthen information handling in keeping with regulations
- Continuously educate all employees
- Share information, including for Group companies, about possible leaks through our compliance intranet
- Assess Group companies' information security management and request improvements