

## Key Issues and Policies of Response

In March 2012, Kyushu Electric Power drafted two documents—Fiscal 2012 Management Policy and Fiscal 2012 Emergency Management Response—in an effort to cope with the exceptionally challenging operating environment. In this feature, we explain Kyushu Electric Power’s key issues and policies of response as outlined in Fiscal 2012 Management Policy, while answering questions and concerns posed by stakeholders.

## 1. Efforts to Restore Trust

On June 26, 2011, a television discussion program was held, open to the prefectural residents and sponsored by Japan’s Ministry of Economy, Trade and Industry, concerning the resumption of operations at nuclear power stations. Kyushu Electric Power made decisions in connection with this program that regrettably caused tremendous damage to the public trust. In this section, we answer your questions and concerns about the events and choices that led up to this scandal.

**Comment from Stakeholders** | “I want the management and every other employee to reform their mindset and take positive action to regain my trust.”

### Supplemental Information

An external committee of experts was set up to investigate claims that Kyushu Electric Power employees, posing as members of the public, made prepared statements and opinions in the television discussion program for the general public sponsored by the Ministry of Economy, Trade and Industry (METI) on June 26, 2011, as well as claims of similar behavior at past symposiums on nuclear power. Following the investigation and an analysis of the underlying factors, the committee submitted a final report to Kyushu Electric Power on September 30, 2011. Recognizing the serious nature of this report, on October 14, 2011, Kyushu Electric Power submitted a report of its own to METI on the facts surrounding the claims and its response going forward (measures to prevent a recurrence).

### Results and Facts Revealed by In-house and External Committee Investigations

#### ■ Prepared statements of support for nuclear power at a television discussion program for the public held by METI

At a meeting with the governor of Saga Prefecture attended by several individuals, including the Executive Vice President in charge of nuclear power, the governor made statements related to the television discussion program for the public and prepared a memo. When the program was held, certain employees asked other employees and partner companies to post statements online in support of resuming nuclear power plant operations, which 151 employees eventually did.

#### ■ Loaded questions during a public debate on pluthermal power sponsored by Saga Prefecture

Ahead of a public debate on safety and other issues concerning pluthermal power sponsored by Saga Prefecture on December 25, 2005, Kyushu Electric Power secured positions for its employees to ask questions at the forum, and provided them with questions to ask. As a result, seven of the eight questioners discussing nuclear power at the debate were Kyushu Electric Power employees.

#### ■ Participation in and voluntary statements given at symposiums and other events concerning nuclear power

Kyushu Electric Power employees, partner companies and Company-related organizations were asked to participate and state some opinions at symposiums, public hearings and other events concerning the adoption of pluthermal power and expansion of Unit 3 at the Sendai Nuclear Power Station. However, although these participants independently expressed statements at the events at which they were present, the content of these statements or opinions was not decided at the request of Kyushu Electric Power.

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## How We Are Answering | We are promoting three initiatives to prevent a recurrence and rebuild bonds of trust.

We recognize that Kyushu Electric Power is confronting today the most challenging conditions it has ever faced. As stated in the Management Policy for the current fiscal year, we have clarified restoring trust, supply stability, and management rationalization as three priority issues. Kyushu Electric Power executives and the entire workforce are pooling their collective strength in an effort to address these issues and overcome the adversity we face.

As expressed in the brand message “Enlighten Our Future” contained within “Kyushu Electric Power’s Mission,” we are committed to remaining a company that supports the sustainable socioeconomic development of the Kyushu region through the stable supply of electric power. This requires first and foremost that we make every effort to rebuild the trust of our customers in Kyushu.

In light of the scandal involving prepared statements at the METI-sponsored televised public forum in June 2011 and other concerns, we established an external committee of outside experts that reinvestigated the facts, exposed the essence of the problems and the factors underlying them, and delved deeply into measures to prevent these problems from recurring. As a result of these actions, we learnt and recognized that the fundamental factor connecting this series of incidents was that Kyushu Electric Power failed to ensure highly transparent business operations from the standpoint of its customers amid rapid change in the environment surrounding nuclear power.

Consequently, we believe that in addition to timely and accurate information disclosure, including negative information

involving accidents, ethical violations and other issues that occur at the Company, it is important to ensure the transparency of our corporate activities by taking every available opportunity to deepen the public’s understanding of Kyushu Electric Power’s business activities through dialogue with customers.

We recognize that trust is something that is built gradually over time through communication with customers, all the while working diligently to make corporate activities more transparent and to improve the corporate culture.

The concept behind our initiatives going forward is not to recover the trust that was built in the past but to move ahead in rebuilding new bonds of trust that reflect the current interests and needs of our customers and the region, in light of the many changes in our environment today.

Rather than a 180° turnaround for the Company, our goal is to completely rebuild Kyushu Electric Power from the ground up, retaining only our sense of mission around supply stability and other positive elements. At the same time, we will hone our awareness of and sensitivity to customers to create a corporate culture in which it is common sense to be a company that is responsive to changes in its social environment. We will spend the time necessary for face-to-face conversations and a diligent commitment to proper business execution in order to rebuild trust in Kyushu Electric Power.

To prevent these kinds of incidents from reoccurring and to regain trust, we have recently established a team managed by the President that is focused on promoting our trust-rebuilding efforts. This team’s actions will fall under three



main rubrics—make corporate activities more transparent, improve our organizational climate, and redevelop our compliance and risk management structures.

### Make Corporate Activities More Transparent

We will now introduce two initiatives that are designed to enhance the transparency of Kyushu Electric Power's corporate activities.

In the first initiative, we held dialogues with customers throughout the Kyushu region with two important purposes in mind. The primary purpose was to convey to the public our policy of extensive transparency in corporate activities, based on serious reflection over the series of incidents that occurred at Kyushu Electric Power. The secondary purpose of these dialogues was to explain the overall conditions at the Company, including our safety measures concerning nuclear power, with the opinions and requests expressed by the public to be reflected in the Company's future business activities. Most customers who attended seemed to find the meetings worthwhile, and were very proactive in sharing their opinions and requests. The frankness with which participants made their voices heard was evident in the comments offered, which ranged from very harsh to supportive of Kyushu Electric Power. The opportunity to get direct input from customers was extremely valuable. These opinions have been shared throughout the Company, and will be utilized in future business activities.

As a second initiative, we conducted a review of the organizational structure of our nuclear power operations, with the aim of improving the level of our operational transparency. One outcome was the establishment of a Power Generation Division through the amalgamation of the Nuclear Power Generation Division and the Thermal Power Generation Division. The



Discussion meetings with customers  
(in Kagoshima)

decision to integrate with thermal power operations ensures a diversity of human resources and perspectives within the division, making it possible to further enhance operational transparency in nuclear power operations. At the same time, this move is expected to develop high-quality human resources with diverse perspectives thanks to personnel exchanges across both areas, and to deliver operational improvement and other benefits derived from the horizontal development of quality and safety assurance.

A second outcome of this initiative was the establishment of a division focused on conducting communication regarding nuclear power. Functions once vested in the Nuclear Power Generation Division, namely regional responses related to nuclear power and publicizing of information, have been transferred to the new division to ensure accurate responses to regional government and communities, as well as accurate information disclosure, take place in line with informational needs with respect to nuclear power. Our meticulous level of responsiveness will include immediately contacting nearby regional governments should any trouble arise at our power plants, along with meetings to explain about nuclear power to local residents.

The Power Generation Division will thus specialize in the operation and technological responses related to our nuclear power plants. The Nuclear Power Communications Division, meanwhile, will work to develop regional responses related to nuclear power plants and to disclose information more vigorously and accurately than ever before. Together, these efforts



will culminate in improved transparency around our nuclear power operations.

## Improve Our Organizational Climate

To improve the corporate culture at Kyushu Electric Power, all parts of the organization have established workshops as opportunities to discuss issues pertaining to the organizational climate and the directions to be taken with improvements. We are also upgrading and enhancing the content of our job-based training programs in order to revitalize communication between supervisors and subordinates and sharpen the managerial skills of our managers.

It is critically important to have a well-developed chain of command in place when an incident happens. With that said, a company cannot grow if its employees are virtual automatons that do whatever they are told and are unable to decide right from wrong for themselves. We want to create an organizational climate where people think carefully what they can do and steadfastly act on it, and can independently take action and work with the other members of the organization in the workplace.

## Redevelop Our Compliance and Risk Management Structures

We are reviewing and developing our compliance structure, and are already taking two steps to revise it. First, we are strengthening the functioning of the Compliance Committee, including the ability to promptly report to outside committee members and to receive appropriate advice from an outside perspective, when a scandal or other event arises with a potentially large social impact. Second, we are appointing personnel responsible for compliance at all Company branches to continuously foster a compliance consciousness among employees.

At the same time, to ensure a prompt and accurate response when a crisis occurs, we have enhanced our risk management structure by newly establishing both a risk management officer (an Executive Vice President) and also making a general manager position responsible for risk management. In addition to ensuring that initial judgments and detailed responses made after a crisis are both faster and stronger, we have strengthened our support structure by obtaining the cooperation of outside specialists. In parallel, we established a division headed by the President that oversees risk management-related countermeasures when unforeseen events materialize. Under this arrangement, the President, as the executive responsible for all risk management responses, can monitor from a clear overall vantage point how situations are unfolding, make efforts to respond to them, and provide guidance as needed.

Furthermore, we have newly established the Risk and Crisis Management Countermeasures Meeting, and are strengthening both our functionality for promoting the management cycle of risk and crisis management, and also our information-sharing and response capabilities that we will draw upon if a crisis actually occurs. In this context, the request to cut electric power consumption this summer was surely a cause of significant discomfort for our customers. In fact, the recognition that this was the most serious crisis that Kyushu Electric Power has ever faced is what prompted the launch of the aforementioned Risk Management Countermeasures Division. We are convinced that the key to risk management is to be aware of probable risks before they emerge. Therefore, this division will not only identify any incidents that may require a response in the future, it will also work first and foremost to consider ways to prevent such incidents from materializing, as well as formulate response options in the unlikely event that such incidents actually occur.

### Details of Main Revisions to the Compliance Promotion System

Revision	Details	Implementation
Revised the Compliance Action Guidelines	<ul style="list-style-type: none"> <li>■ Added guidelines prohibiting the mobilization of personnel and the calling for making of statements in opposition to the purport of symposiums, explanation meetings, etc.</li> <li>■ Added guidelines regarding initiatives for building sound relationships with local government.</li> <li>■ Added response (cooperation with investigations, etc.) a new section about the necessity of the prompt reporting of facts and of cooperation with relevant parties when misconduct occurs.</li> </ul>	April 2012
Strengthened the functions of the Compliance Committee	Strengthened the committee's functions, including the ability to receive advice from outside members, in the case of misconduct or another act that has a large social impact.	May 2012
Designated a single department with jurisdiction for compliance	In order to clarify responsibility and proactively promote company-wide compliance management, we have designated a single department with jurisdiction for compliance. (Previously, responsibility for compliance promotion was divided among the District Symbiosis Division, the Human Resource Vitalization Division and the Management Administration Division. The Regional Cooperation Department now has full responsibility for compliance promotion.)	July 2012
Established compliance organizations in all branch offices	We established the position of compliance branch area officer, with the aims of fostering continued compliance awareness among employees (through education and training) and bolstering the ability to spot signs of misconduct (by establishing a point of contact for inquiries).	July 2012