

Cease and Desist Order against Kyushu Electric Power Co., Inc.
(Tentative Translation)

October 15, 2008
Japan Fair Trade Commission

The Japan Fair Trade Commission (JFTC) investigated representations in relation to dealings of electric power provided by Kyushu Electric Power Co., Inc. (hereinafter referred to as "Kyushu Electric Power") ,to which the electric charge called "Denka de Naito" (hereinafter referred to as "Denka de Naito") (Note) is applied, and found that Kyushu Electric Power was in violation of the provision of Item 2, Paragraph 1, Article 4 (Misleading Representations about Terms of Trade) of the Act against Unjustifiable Premiums and Misleading Representations. Accordingly, the JFTC today issued a cease and desist order against Kyushu Electric Power in accordance with the provision of Paragraph 1, Article 6, of the Act.

1. Outline of the Party Concerned

Entrepreneur	Address	Representative
Kyushu Electric Power Co., Inc.	1-82, Watanabedori 2-chome, Chuo-ku, Fukuoka-shi	Toshio Manabe, Representative Director

2. Outline of the Cease and Desist Order

(1) Outline of the violation

When providing the electric power to general consumers with applying Denka de Naito, Kyushu Electric Power gave the representations as follows:

Period	From around October 2007 to around August 2008
Media	Leaflets inserted in booklets
Representation contents	With the representations shown in the attached table, the company gave the impression that the cost required for a residence using electricity for all heating sources called "All-electric Residence" (hereinafter referred to as the "All-electric Residence") was less than the cost required for a residence using gas as the heating source of water heating equipment and cookers by approximately 100,000 yen in a year at a maximum. It was also represented that the consumer who selected All-electric Residence saved approximately 3,500,000 yen over a period of 30 years if the cost necessary for preparing an All-electric Residence was covered by the financing system called "All-electric Residence Loan," and saved approximately 3,000,000 yen in 30 years if such loan was not used.

Fact	To have an All-electric Residence, the cost to purchase the electric water heaters using natural refrigerant heat pumps called “EcoCute” etc. and an electromagnetic cooker called “IH Cooking Heater” as well as the construction cost for installing them will be required. In addition, the cost to replace the equipment will be also required to use an All-electric Residence for a long time. Considering these costs, it cannot be said that a consumer who selects an All-electric Residence can save approximately 100,000 yen at most in a year or approximately 3,500,000 yen or 3,000,000 yen in 30 years.
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Note: Denka de Naito is an electricity charge by season and time zone as specified in the optional rules in accordance with Paragraph 7, Article 19 of the Electricity Business Act. In Denka de Naito, the electricity charge at night is set reasonably for All-electric Residences.

(2) Outline of the cease and desist measure

- A. Kyushu Electric Power shall publicly announce that the representations in item (1) above gave general consumers the impression that its service was much more advantageous for the counterparty than it actually was.
- B. Kyushu Electric Power shall take measures to prevent recurrence and have these measures thoroughly disseminated to its officers and employees.
- C. Kyushu Electric Power shall not make similar representations in the future.

Page	Representation Contents
<p>Left page when the leaflet is open (starting with the question "Can we reduce cost by selecting All-electric Residence?")</p>	<p>With a bar graph, the lighting and heating expenses per month were compared among "Residence with gas cooking and gas water heating (A)," "All-electric Residence [Capacity-saving and high-speed heating type EcoCute] (Denka de Naito) (D)," "All-electric Residence [Electric water heater] (Denka de Naito) (E)" and "All-electric Residence [EcoCute sytem] (Denka de Naito) (F)." It was stated for (A) and (D) that the costs were "18,559 yen/month" and "11,672 yen/month" and was represented, "When compared with (A), you can save 7,000 yen per month, or approximately 80,000 yen in a year by selecting (D)!" It was stated for (E) that the cost were "11,800 yen /month" and represented, "When compared with (A), you can save 7,000 yen per month or approximately 80,000 yen in a year by selecting (E) !" For (F), the cost was stated to be "10,192 yen/month" and it was represented, "When compared with (A), you can save 8,000 yen per month or approximately 100,000 yen in a year by selecting (F)!"</p> <p>Further, All-electric Residence and a residence using gas for cooking and water heating were compared with bar graphs for "Basic charge", "Water heating cost" and "Charges for cooking, lighting and air conditioning etc." with representations that the "Difference is approximately 22,800 yen", "Difference is about 62,100 yen" and "Difference is approximately 15,500 yen" respectively. It was represented, "You can save approximately 100,000 yen in total in a year!" and "You can save approximately 80,000 yen with an electric water heater!" respectively.</p>
<p>Right page when the leaflet is open (starting with the question "Can we have an advantageous housing loan?")</p>	<p>With the statement that "Considering the lighting and heating expenses during your lifetime after the construction of your new home, an All-electric Residence will be reasonable," it was represented as follows: "If you select an All-electric Residence, you can use the "All-electric Residence Loan" and can reduce lighting and heating expenses. You will save approximately 3,500,000 yen over a period of 30 years!" and "Even when you do not use the All-electric Residence Loan, you can save approximately 3,000,000 yen in 30 years." Further, it is represented, "You will save approximately 3,000,000 yen in 30 years by selecting an All-electric Residence when compared with the case where you select a residence also using gas."</p>