

Third-Party Assessments

We sought assessments and opinions from Professor Toshiko Hirata of Kyushu Women's Junior College and Professor Kazutake Okuma of Seinan Gakuin University to confirm the objectivity of this report.

Third-Party



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Professor
Toshiko Hirata

Interest in environmental issues remained high in 2008, when Japan hosted the 2008 G8 Summit in Toyako, Hokkaido. With that in mind, I first read through pages 8 to 12 and 31 to 40 of this report to see how a large business like Kyushu Electric has fulfilled its corporate social responsibilities. My impression was that this third CSR Report from the Company made it easier to understand Kyushu Electric's philosophy and specific supporting initiatives.

Overall Structure

Page 20 of the report presented the results of a questionnaire survey of the 2007 report. The Company received passing grades in all seven elements. Still, it fared poorly in terms of compliance management and respect of human rights and employee care.

Incidentally, what would attract people to read this report? It has to be comprehensible, and it must be interesting enough to convince readers that Kyushu Electric deserves to remain in business.

It was noteworthy that this year's report presented a two-part special feature after the message from top management to cover the most interesting issues. I was pleased that the report retained the positive aspects of the previous version, while going beyond corporate philosophy to describe actual examples, and include tables and diagrams containing specifics.

What I Seek from Environmental Management

The G8 Summit underscored the notion that people around the world look to Japan to lead what is becoming a massive market for pricing and trading in carbon dioxide emissions. Page 11 of the report mentions that Kyushu Electric set up an office in April 2008 to consider an optimal energy mix. The Company has taken diverse steps to contribute to the environment by pursuing sustainability and recycling. I got the impression that Kyushu Electric started the new office because it felt that it had to return to basics.

I hope that the Company will be courageous enough to research and develop clean power sources. I would like efforts to be made around Kyushu that take advantage of its regional characteristics to include building a collaborative system with the government which includes subsidies and tax breaks. I hope to see such information in next year's report, as well as more data on the progress in the shift toward energy-saving, comfortable lifestyle that offer greater comfort.

Performance Benchmarks and Assessment System Needed

The editorial policy is to use this report to communicate with stakeholders by summarizing CSR concepts and initiatives. It might be too much to ask Kyushu Electric to establish performance benchmarks or assess its progress in those respects. Still, corporate reports that internally assess social value no longer satisfy most people. External appraisal bodies now set such standards.

Therefore, I accordingly look for greater leadership from Kyushu Electric's CSR units. I suggest augmenting internal assessments from divisions with detailed evaluations from CSR units and a panel of external experts. The Company has admittedly established the Kyushu Electric Power Environmental Advisory Council of 11 outside experts to offer opinions. Still, I want comprehensive assessments that include detailed findings from discussions from each division.

Seeking More from Kyushu Electric

Around this time last year, the city of Kitakyushu attracted national attention by founding the Committee to Verify Administrative Protection of Livelihoods. The committee found that many people lived and died lonely without assistance lifelines, or even neighborhood friends, as the city modernized.

I would like Kyushu Electric to underpin its corporate image goals of making customers happy, earning society's trust, and enlightening our future by helping to provide health and cultural basics, including for those who could face lonely lives and deaths.

An elementary student said after an environmental education class that, "People who pick up garbage don't tend to litter in the first place." This reminded me of the zero-emissions approach to life since childhood.

Kyushu's first photochemical smog warning for 2008 was on May 22. The environment is worsening every year, threatening the entire ecosystem. We must tackle these warnings with radical therapies before it is too late.

Response to Third-Party Assessments

Since producing our first CSR Report, we have deemed it important to solicit third-party assessments and opinions to ensure the objectivity of this publication and increase trust among our readers.

For the 2008 version, we again sought input from Professor Toshiko Hirata of Kyushu Women's Junior College and also asked for an assessment from Professor Kazutake Okuma of Seinan Gakuin University. Both objectively analyzed the report and provided specific opinions and suggestions.

Professor Hirata recommended that we seek external assessments of our CSR efforts. We certainly intend to do more in that regard. We already maintain the Compliance Committee and the Kyushu Environmental Advisors Committee to solicit opinions from external experts, and endeavor to reflect the views of stakeholders in our action plans. We are also taking necessary steps to address the social issue of providing minimum standards of livelihood protection. We will work more in that area.

Assessments

I was frankly surprised upon reading the 2008 CSR Report that Kyushu Electric so broadly practices corporate social responsibility.

In general, CSR gives the impression of a one-way street—companies behaving responsibly toward consumers, employees, communities, vendors and other stakeholders. Responsibility should also mean that companies engage with stakeholders to earn their trust. That is why I believe that an alternative term for CSR would be corporate social credibility. Companies exist to pursue profits. However, we have seen a string of scandals lately from businesses that have gone too far down that path, and have actually destroyed corporate value. In contrast, earning social credibility by building stakeholder trust will strengthen overall corporate value.

Impressions of the Report

So, when I read the 2008 CSR Report in light of what I have just written I noted that the message from management stated that the Company has been building trust with society and customers. In fact, Kyushu Electric has made such statements since the 2006 report, demonstrating the company's commitment to earning credibility.

Corporate governance and compliance management are CSR essentials. On the governance front, the report states that in FY 2007 the Company reviewed its Board of Directors and executive officer structures to clarify roles, created a new auditing system encompassing audition and internal checks, and built risk and crisis management structures. The report also says that six years ago the Company formed its Compliance Committee, which the president chairs, to ensure that management adheres to compliance and corporate ethics. However, two years ago Kyushu Electric, as did other electric power companies, revealed that it had improperly inspected generating facilities. The 2008 report reflects on that experience in showing that the Company has taken steps to prevent such a recurrence. We look for timely disclosure and proper responses to improper practices to gain stakeholder trust.

Businesses Unique to a Power Company

It has become particularly important in recent years for companies to engage with society. Shareholders and other investors can get the knowledge they need from business reports and other specialized documents. But consumers and local communities seek simple explanations of what companies are doing in their core businesses. So, basics for this report include describing the issues with generating and transmitting hydroelectric, thermal, geothermal, wind and nuclear power, and tackling the resources challenges with water, fuel and treatment. The report should also explain how these elements relate to safety and the environment.

Professor Okuma discussed disclosure and other responses in light of inappropriate business practices. We will continue to ensure timely and proper disclosure and present the details in our CSR Report. Page 25 of our report also covers our compliance with the Antimonopoly Act. We will further improve employee awareness of its requirements.

Both Professor Hirata and Professor Okuma sought more data on our natural energy initiatives and energy-efficient and comfortable lifestyles. We will do more in that regard.

We will draw on the third-party assessments to reinforce our CSR activities and present our achievements in the next report. We look forward to receiving reader opinions on our progress.



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Early on, the 2008 report describes energy resources, and uses graphs, tables, and illustrations to support detailed explanations about nuclear power generation, notably initiatives to manage radiation and environmental impact and safeguard against earthquakes. Earthquake measures at nuclear power stations have become an issue in Japan since the Niigata Chuetsu Offshore Earthquake in 2007. So, I found it interesting to read the clear explanations on page 12 about seismic surveys and the Company's firefighting units, and on page 13 and 29 about publicizing disaster and emergency information.

One general challenge is to employ wind and solar power to generate electricity. Renewable power represents a small proportion of Kyushu Electric's energy mix. Still, I would like the company to keep us informed about what it is doing in these areas (see pages 11, 40, and 60).

Antimonopoly Legislation Perspectives

The Antimonopoly Act now applies to the railroad, electric power, gas, and other industries that were once natural monopolies. The revision of the Electricity Utilities Industry Law enabled regular businesses to generate and sell electricity to power companies through tenders (see page 40). Given that backdrop, page 25 of the report mentions that the Company produced an Antimonopoly Act Compliance Manual and is informing employees abreast of this. On page 27, the report explains how the Company is procuring materials and fuel in line with its CSR commitment. From the legal perspective, Kyushu Electric Power is the most monopolistic company in its region. The section on page 27 is significant for highlighting efforts to prevent unfair trading, as the Company has purchasing clout that it could theoretically abuse. The Antimonopoly Act is now stricter, so I look for Kyushu Electric to comply with the law as part of its CSR commitment.

Finally, I note that while this report explains the breadth of Kyushu Electric's CSR activities, readers can learn even more about Kyushu Electric by accessing its Japanese Web site, which extensively explains the Company's activities.