

**Mr Katsumata Speech BGM 2003**  
**Reconstruction after Misconduct – the Pursuit of Excellence**

Chairman, Ladies, Gentlemen and colleagues, I appreciate this opportunity to share our experiences with you.

I wish to begin by expressing regret for the recent cases of misconduct at our company, which have eroded public confidence in the nuclear power industry. I hope that our experience and efforts will be useful for you.

In July 2000, we were asked by the then Ministry of International Trade and Industry to inquire into the inappropriate handling of inspection records and reports on cracks found in the steam dryer of Unit 1 at our Fukushima Daiichi Nuclear Power Station. This was how a series of cases of misconduct began to be revealed. We investigated our internal records, made enquiries at General Electric about inspection records, and responded in a proper manner to the Ministry. In May 2002, as General Electric informed us that inspection records might also have been inappropriately handled at other plants, we set up an Internal Investigative Committee, which inquired into twenty-nine cases of inspections and repairs that were carried out by General Electric between 1986 and 2001. At the same time, the committee checked the safety of systems and equipment involved and found that these systems and equipment posed no safety threat. As a result of the investigation, we found sixteen serious cases of inappropriate conduct in which employees should have reported cracks in the shroud to the national government, failure to keep records of problems, inspection records of steam dryers, core spray spargers and jet pumps were incorrect. In September, we reported these sixteen cases of misconduct to the Nuclear and Industrial Safety Agency and released an in-house report on our investigations.

In September 2002, as newspapers reported that there might have been inappropriate conduct during leakage tests in a primary containment vessel (PCV) of Unit 1 at the Fukushima Daiichi Nuclear Power Station, we formed an investigation team composed of five lawyers external to TEPCO, and

investigated the matter. As a result, the team found that during the routine leakage tests carried out at this plant in 1991 and 1992, workers took some inappropriate actions, such as injecting air into the PCV in order to lower the PCV leakage rate. We reported these cases of misconduct to the regulatory authorities, published a report on this matter, and punished the members concerned.

We have no excuse for these cases of misconduct, which are really deplorable and which we regret.

Although it goes without saying that no circumstances can excuse the misconduct committed by our workers, I believe that I have to explain these circumstances in order for you to understand why engineers in our nuclear power division have acted inappropriately. These cases of misconduct occurred because of the following circumstances.

First, we must admit that we had no clear rules to judge whether equipment was fit for service. Workers in the maintenance division had a strong sense of responsibility about completing periodical inspections as scheduled, and resuming power generation. At the same time, however, for several reasons, including the fact that standards on reporting problems were unclear, the technical standards for nuclear power generation facilities were established on an 'as-constructed' basis. That is, there were no rules stipulating that machinery and equipment will generally wear away or crack with the passage of time, but they can continue to be in service as long as such flaws pose no safety hazard, as the national government would take a long time to authorize new repair methods. The engineers involved were afraid that if they notified the national government of the problem, they would have to shut down the plant for a longer period of time than planned. This fear resulted in a conservative mentality that led them to avoid reporting problems to the national government as long as they believed that safety was secured.

The Japanese government plans to introduce maintenance standards for Operating plants in October. I believe it is important that the enforcement of such standards should be based on rational and scientific judgment, and no discretion should be allowed.

In the meantime, because the Japanese news media tends to run major stories about problems at nuclear facilities, no matter how trivial these may be, the engineers got into the habit of being defensive whenever any minor incident occurred. In addition, the engineers were so confident of their knowledge of nuclear power that they came to hold the erroneous belief that they would not have to report problems to the national government as long as safety was maintained.

Engineers who were reluctant to report problems, therefore eventually came to believe that they would be allowed not to report faults if the faults did not pose an immediate threat to safety and, as a result, they went as far as to delete factual data and falsify inspection and repair records.

On reflection, we were unable to avert the cases of misconduct committed by our engineers in these circumstances because our company had the following problems.

First, we had problems with the quality assurance system. Responsibilities and powers concerning quality assurance in the nuclear power division were generally unclear. Deficient rules and manuals left individuals and organizations with wide discretion on all matters. Additionally, the internal safety check system failed to function properly.

Secondly, we did not have a corporate culture that requires employees to strictly observe the code of ethics, which allows them to communicate with each other freely. The TEPCO Charter of Corporate Conduct, which was enacted in 1997, places the first priority on public safety, and lays the emphasis on a stable supply of electricity, environmental protection, good communications, and the observance of laws and regulations. However, the spirit of this charter was not generally known to our personnel. Moreover, the technical specialty of nuclear power hampered flexible personnel changes in the nuclear power division and as a result, this division became a homogeneous and exclusive circle of engineers who defied checks by other divisions, including the management.

Thirdly, our efforts towards nuclear safety were insufficient to cultivate and establish a safety culture. Nuclear Division Members tended to regard a stable

supply of electricity as the ultimate objective, and they repeatedly made personal decisions based on their own idea of safety. This way of thinking shows that our safety culture was inadequate.

A series of cases of misconduct seriously damaged public trust in nuclear power, and we were forced to shut down 17 of our nuclear reactors with a combined capacity of 17.3 million kilowatts, which represents nearly 30 per cent of our generating facilities, for safety inspections. Subsequently, when we attempted to restart these nuclear power plants, officials in areas hosting our nuclear facilities assumed a critical attitude towards the restart of reactors, saying that “even if technical safety is assured, we will not allow TEPCO to bring the reactors back on line unless we have fully recovered our trust in the company”. As a result, we brought only five of our nuclear power plants back on line by middle of August, when demand increases sharply. We eventually managed to avert the crisis of a power shortage this summer by restarting thermal power plants which had been shut down, by purchasing electricity from other electric power companies, and by running a public relations campaign calling on customers to cut electricity consumption, but to our deep regret, we caused considerable public anxiety about power shortages.

At present, under the leadership of the president, we are making every effort never to repeat this misconduct under the slogan “Create a mechanism that does not permit people to perform any dishonest act, and create a culture that encourages people to refrain from performing any dishonest act.”

In light of these cases, we will do everything we can to achieve and accumulate satisfactory results in our efforts to prevent similar incidents and to maintain safety. We will promote release of information in order to reassure the general public that we are making sincere efforts, and to convince them that “TEPCO is trustworthy again.”

In an effort to improve the quality assurance system, a number of measures are now being taken to clarify the documentation structure, improve basic operation rules to standardize job duties, and review and revise work manuals. Concerning the control of ‘non-conformity’, which is closely connected to the recent cases of misconduct, we have created a system under which our partner firms are encouraged to report any events which do not conform, and

information on these events is shared among the plant staff. Already thousands of 'non-conforming' events of this kind have been reported at our sites. We firmly believe that this system helps considerably in making the plant staff aware of "our plants."

In order to enhance internal audit functions, we have set up the Nuclear Quality Management Department, an audit organization independent of the nuclear power division and responsible directly to the president. Furthermore, we have established the Nuclear Safety and Quality Assurance Conference which is composed of persons outside TEPCO. This conference discusses matters concerning nuclear safety and quality assurance from the outsiders' point of view.

We have designated the strict observance of the code of ethics as a management objective, and formed the Business Ethics Task Force responsible for promoting compliance. In addition, we have rewritten the Corporate Code of Conduct. We are making this code fully understood by our employees through training sessions and an in-house magazine.

In order to create a corporate culture that allows employees to express opinions freely, we have carried out various measures to promote open communications, such as a direct dialogue between employees and the management, a forum for an exchange of views, and the Ethics Line. We have also enforced measures designed to prevent a closed organizational climate from being cultivated in the nuclear power division, including greater personnel changes in the different sections, and giving personnel in the nuclear power division training in the customer relations and marketing division.

Aware that a sharp difference in our internal sense of values about safety from the general public's value system was one of the causes of the misconduct, the president again issued a directive that "we should always give top priority to securing public safety," and made this generally known to employees.

In order to fully establish a culture of safety in employees' minds and in their behaviour, we felt the need to take some measures based on awareness that we are always under public scrutiny. Accordingly, we introduced the practice of encouraging information disclosure by, for example, disclosing information about even minor problems, and distributing over the Internet moving images showing

how we inspect machinery and equipment at our nuclear power plants. Furthermore, at liaison meetings, set up by the local governments in areas hosting our nuclear facilities, we provide information to enable local residents to be convinced that we are operating our power plants in an appropriate manner. While promoting thorough disclosure of information, which is needed to convince the public, we respond sincerely to suggestions and requests we receive at the liaison meeting.

As an electric utility to which society has entrusted the mission of handling nuclear energy technology that is potentially hazardous, we have again become aware that it is imperative for us to put safety and quality-related matters before anything else, and to achieve quality improvement by conforming to reasonable and scientific basic rules.

Local residents in areas which host our nuclear facilities are seeking a sense of security. We can only give them that after we achieve technical safety and establish a trusting relationship. Now that the trusting relationship between TEPCO and local residents was destroyed, we are doing everything we can to regain public trust by starting from the bottom.

If we are looking for something positive for nuclear power from the recent cases of misconduct, it may be that the incidents have afforded us the opportunity to recognize again the importance of electricity in people's daily life in general, and the need and importance of nuclear power plants in particular.

For Japan, which is poor in resources, nuclear power is not only a major source of energy in the 21st century, but it also plays a very important role in fulfilling the country's international pledge of reducing carbon dioxide emissions in order to halt global warming.

An old saying says, "Turn a misfortune into a blessing," and the recent cases of misconduct have given us food for thought. We have undertaken a project to reform and to reconstruct, with the president taking the lead, aiming to become "the world's greatest nuclear operator." All members of our company, from the top to the young engineers in the nuclear power division, share an urgent awareness that "there will be no future for nuclear power at Tokyo Electric Power Company unless there is reform and reconstruction." Based on this urgent awareness, we are organizing a united effort to regain public trust. We

firmly believe that we will be able to regain public trust in the near future and take the leading role in power supply in the 21st century.

In closing, I hope that you will continue to give us support and guidance, and that WANO will continue to make remarkable progress.

Thank you for your kind attention.