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Lesson Learned from TEPCO Nuclear Power Scandal

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

First, I would like to show you the summary of TEPCO Nuclear Scandal, then go on to how TEPCO is making efforts to restore public confidence through its activities.

Slide1 Summary of a Series of Cases of Misconduct

In July 2000, the then Ministry of International Trade and Industry asked us 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 reported 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 which employees should have reported. 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.

Slide 2 PCV Leakage Tests

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.

Slide 3 Background to Cases of Misconduct (1)

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 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.

Slide 4 Background to Cases of Misconduct (2)

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, 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.

Slide 5 Internal Factors resulting in Misconduct

First, we had problems with the quality assurance system. Responsibilities and powers concerning quality assurance in the nuclear power division were generally unclear. Additionally, the internal safety check system failed to function properly.

Second, we did not have a corporate culture that requires employees to

strictly observe the code of ethics. 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. 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.

Third, 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.

Slide 5 Consequences of Misconduct

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. 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 2003, at the highest

demand of year. 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 conserve electricity, but to our deep regret, we caused considerable public anxiety about power shortages.

Slide 6 To Prevent Similar Incidents (1)

At present, 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.

Slide To Prevent Similar Incidents (2)

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.

Slide To Prevent Similar Incidents (3)

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.

Slide To Prevent Similar Incidents (4)

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.

Slide To Regain Public Trust (1)

In the wake of the recent scandal, TEPCO has been making company-wide efforts to prevent such incidents from recurring.

One program we carry out pertains to disclosing information and ensuring transparency. In connection with these aims, we have set up a local liaison meeting in regions where power plants are located—in Fukushima Hamadori and Kashiwazaki-Kariwa regions—to release information on power plant business management and to enable the residents to confirm that business is being carried out in an appropriate fashion.

Slide Kashiwazaki-Kariwa NPS

For example, in the Kashiwazaki-Kariwa region, an organization entitled “A Group to Ensure the Transparency of the Nuclear Power Plant in Kashiwazaki-Kariwa” was formed, with the city of Kashiwazaki serving as the secretariat. A total of 25 individuals take part in this organization, including opinion leaders from the local chamber of commerce and industry, and area residents. The characteristic feature of this group is that individuals who are opposed to nuclear power also take part. The group meets once a month to obtain management information from power plant representatives and to exchange views.

Slide To Regain Public Trust (2)

However, in the course of making concerted effort to prevent incidents from recurring, a new incident broke out, this time, concerning erroneous inspection operations. Therefore, to thoroughly make the idea of giving safety the utmost priority, and to spread our preventive programs to our company as well as to the

forefront of power operations, we have implemented three programs that place emphasis on the actual site of nuclear power operations: “Thorough enforcement of safety management,” “Boosting of communications with cooperating companies,” and “Thorough disclosure of information.”

Slide Thorough disclosure of information

These programs were announced on November 17, 2003. Since then, we have been publicizing a variety of information—including minor incidents such as injuries suffered by workers at the power plant—in a timely and easy-to-understand manner on our Website and other vehicles, as part of our ongoing efforts to “Reexamine the information disclosure criteria.”

Slide Increase in numbers of press releases

We have issued over three times more press releases than before.

As seen, we hope that, by informing you all the things that take place inside the power plant, we can regain your trust in our operations, even if only slightly.

Slide Disclosure on the website (1)

As a new program, we have begun releasing moving images on the Internet, enabling the users to see and hear the faces and voices of people who work at our nuclear power plants. This program aims at providing basic knowledge on

nuclear power and at helping restore public trust in us while conveying a sense of familiarity and truthfulness to our customers. The contents will be featured as a series entitled, "I work at a nuclear power plant," and released on a regular basis.

Our activities and programs are drawing keen interest from other countries as well. Therefore, in addition to featuring our press releases, we have completely updated our English Website which will be launched on the 27th of this month.

Slide Disclosure on the website (2)

The Websites of each power station will describe the operational status of various plants, feature press releases, and show the status of nuclear reactor containment vessel leakage rate tests.

Slide Lessons Learned from the Scandal (1)

TEPCO has learned numerous valuable lessons from the incident. One of the most important was that information should always be shared.

Slide Share nuclear information with stakeholders

We must keep firmly in mind that, only after disclosing all information, both good and bad, not only to residents in regions where our nuclear power plants are

situated but also to local governments (prefectures, cities and villages) and the mass media, can we begin restoring their trust and confidence in us.

Slide Lessons Learned from Nuclear Scandal (2)

Second is that at TEPCO, we strive to actively meet the demands of various stakeholders in society, and to fulfill accountability by further enhancing transparency of our corporate activities and ensuring interactive communications.

Thank you for your kind attention.