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## Tepco Chief Pressured to Quit After Costing Investors \$29 Billion

By Shigeru Sato, James Paton and Yuriy Humber - Mar 28, 2011 12:15 AM PT

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Tokyo Electric Power Co. President Masataka Shimizu. Photographer: Kimimasa Mayama/Bloomberg

[Tokyo Electric Power Co.](#) President [Masataka Shimizu](#) is facing calls to quit after the crisis at the utility's Fukushima Dai-Ichi nuclear plant capped a tenure that has seen \$29 billion wiped off the company's market value.

The share price decline since Shimizu took charge in June 2008 at Tepco, as the company is known, has deepened to 73 percent in the aftermath of the nuclear disaster, as of today's close in Tokyo. That's the [worst performance](#) of any of the 88 members of the MSCI World Utilities Index and of the 17 companies in the Topix Electric Power & Gas Index.

Tepco has been battling to prevent a catastrophic release of radiation at the crippled plant north of Tokyo, struck 17 days ago by a devastating quake and tsunami. Prime Minister [Naoto Kan](#)'s anger at the early response to the threat of nuclear meltdown will likely prompt a purge of Shimizu, 66, and his executive team, investors and analysts said.

"Inevitably Shimizu will step down, it is more a question of timing," said [Ken Courtis](#), former vice-chairman of Goldman Sachs Asia and co-founder of the China-focused private equity fund Themes Investment Partners.

Tepco fell for a fourth day in Tokyo today, slumping 18 percent to 696 yen, the lowest close since February 1977.

### No Outsiders

Shimizu hasn't faced reporters since attending a March 13 press conference. He has been taking the lead at the company's head office in central Tokyo in leading Tepco's response to the incident, spokesman Takeo Iwamoto said March 24. Yoshimi Hitosugi, another Tepco spokesman, declined requests for an interview with Shimizu for this article on March 25, citing his focus on the situation at the plant.

Shimizu became ill "through overwork" for a few days after March 16, and has since recovered, spokesman Kazufumi Suzuki said yesterday.

Any successor is likely to come from the existing pool of executives. A Tepco president is often selected from among those holding the dual title of director and vice-president, according to the company's website. The utility has never appointed anyone to the top job from outside the company.

[Norio Tsuzumi](#), [Takashi Fujimoto](#), [Masaru Takei](#), [Masao Yamazaki](#), [Makio Fujiwara](#) and [Sakae Muto](#) are Tepco's executive vice presidents, with Tsuzumi the oldest at 64, according to data compiled by Bloomberg.

### 'Culture Change'

"I think Tepco will need to change its culture in many ways," said Dr. Murray E. Jennex, an associate professor at San Diego State University with 20 years' experience in examining nuclear containment structures at the consulting firm General Physics and the Southern California Edison Co. "They will need to open up and have a very transparent investigation to reinstall confidence," he said. "Their reputation is very poor as far as being open with information."

Shimizu proposed visiting the Fukushima Prefecture governor Yuhei Sato to apologize for the accident on March 22, but was asked to deal with events at the power plant first, Tepco spokesman Takashi Kurita said.

Tokyo Governor [Shintaro Ishihara](#) attacked Tepco's reaction to the crisis on March 25, after meeting with Sato. "Their response has been no good at all," he said. "It's been slow."

Shimizu joined Tepco in April 1968 and worked in its procurement department for much of his career. He was named vice president in June 2006.

## Board Members

He replaced [Tsunehisa Katsumata](#), 70, three years ago as the company forecast its first loss in 28 years. Katsumata now chairs a board with an average age of 62, and whose 20 members have a combined age of more than 1,200, according to data compiled by Bloomberg.

Shimizu pledged three years ago to “regain trust” in nuclear power after a 2007 earthquake shut his company’s biggest atomic plant at Kashiwazaki Kariwa. The disaster that’s unfolded at Fukushima Dai-Ichi since the 9.0-magnitude temblor has destroyed any chance he had of success.

Tepco delayed pumping seawater on to its overheating reactors because of concerns of the damage this would cause, the Wall Street Journal reported March 19, and company spokesmen had to correct some information they gave out on damage to the reactors on March 16.

“They were greedy and wanted to try to re-use the reactors,” Tokyo Governor Ishihara said March 25. “Had they used sea water from the start we wouldn’t be in this situation.”

## Radiation Mistake

Tepco today said it had overstated the level of radiation in water on the floor of the No. 2 reactor’s generator building. The level was 100,000 times normal, not 10 million times as earlier reported, Tepco’s Muto said in a briefing broadcast on the Internet. Japan’s Nuclear and Industrial Safety Agency gave the utility a verbal warning not to repeat the mistake, public broadcaster NHK reported.

Tepco faces a maximum 120 billion yen (\$1.5 billion) in costs to cover third-party damages resulting from the accident, according to Japanese law. Chief Cabinet Secretary [Yukio Edano](#) said this week the government will aid farmers if the utility is unable to bear the costs.

“Already, prior to the incident, Tepco had not been the company with the quickest and most accurate communication,” said [Andre Haemmerli](#), who helps manage more than \$200 million at GHP Arbitrium AG in Zurich, including Tepco shares. The firm’s Tsunami Fund focuses on Japan. “I think we’ll see some change at top management.”

## Government ‘Punishment’

Kan’s frustration at Tepco’s handling of the crisis boiled over at least once. On March 15 an hour-long delay in the company informing him of a fire in reactor No. 1 prompted Kan to demand of

utility officials: “What the hell is going on?” Kyodo News other news agencies quoted him as saying within earshot of reporters.

Tepco’s market value has dropped from about 3.5 trillion yen in June 2008 to 1.1 trillion yen as of today’s close, during which time the number of shares in issue has increased about 19 percent, based on Tepco earnings filings.

“Recovery will take time, maybe a long time, and top management must be replaced,” said [Edwin Merner](#), Tokyo-based president of Atlantis Investment Research, which manages about \$3 billion in assets. “The company has insurance and the losses may be less than you think, but the government will try to punish them for sure.”

The Fukushima Dai-Ichi crisis comes less than four years after the 6.8-magnitude quake that shut the Kashiwazaki Kariwa plant. Katsumata stepped down after the temblor damaged the station, caused some radiation to leak, sparked a fire and stoked public mistrust about the station’s safety.

### Faked Safety Reports

Katsumata, who joined Tepco in 1963 according to Bloomberg data, himself became president amid controversy. He was promoted in October 2002 after [Hiroshi Araki](#) and [Nobuya Minami](#), chairman and president at that time, stepped down to take responsibility for fake safety reports at three nuclear power plants, including Kashiwazaki Kariwa.

On March 22, 2007, Tepco said it may have had a serious accident at a reactor at Fukushima Dai-Ichi in 1978, when an unexpected atomic chain reaction occurred.

Tepco knew in 2003 the Kashiwazaki Kariwa plant was located near a fault that could cause a more powerful earthquake than the one that damaged it in 2007, according to documents Tepco filed to a trade ministry committee.

Tepco’s Tsuzumi acknowledged problems with the Fukushima Dai-Ichi plant’s design, Kyodo News reported March 22. Tepco ignored warnings over the plants preparedness for tsunamis, former lawmaker Tatsuya Ito said March 16.

“Japan is not a litigious culture,” Courtis said. “But if it were, there would also be endless class action suits against Tepco. However, Tepco covers the largest and most dynamic market in Japan, and has essentially a monopoly in the region, so over time it will rebuild itself.”

To contact the reporters on this story: Shigeru Sato in Tokyo at [ssato10@bloomberg.net](mailto:ssato10@bloomberg.net); James Paton in Sydney at [jpaton4@bloomberg.net](mailto:jpaton4@bloomberg.net); Yuriy Humber in Tokyo at [yhumber@bloomberg.net](mailto:yhumber@bloomberg.net)

To contact the editor responsible for this story: Amit Prakash at [aprakash1@bloomberg.net](mailto:aprakash1@bloomberg.net)

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