

Apology for Fraudulent Inspections at Marifu and Osaka Refineries

As a result of internal investigations in Nippon Petroleum Refining Company, Limited (NPRC) (a wholly owned subsidiary of Nippon Oil Corp.), evidence of fraud has been found in inspections and reports made to related parties in previous years regarding inspections conducted under the High-Pressure Gas Safety Law at the Marifu Refinery (Plant manager: Akira Iwata, location: Waki-cho, Kuga-gun, Yamaguchi Prefecture) and the Osaka Refinery (Plant manager: Yoshihiko Maehara, location: Takaishi City, Osaka Prefecture). Accordingly, NPRC has reported this to appropriate government authorities on a voluntary basis, and, beginning today, is proceeding with measures to cease operations at these facilities. Subsequently, operation of these facilities will be suspended until their safety has been fully confirmed under the direction of appropriate authorities.

In the aforementioned internal inspections, it was determined that the certified operator of these facilities under the High-Pressure Gas Safety Law (At that time Koa Oil Company, Limited, held certification for these refineries.) had failed to inspect the internal pipe diameter of specified equipment, which is an obligatory inspection item, for four years beginning in 1998 at the Marifu Refinery and during 2000 at the Osaka Refinery. It was also found that despite the failure to conduct these inspections, the certified operator indicated falsely that such inspections had been conducted and submitted inspection records to authorities showing that the specified facilities had passed inspection.

Since these actions are in clear violation of the High-Pressure Gas Safety Law, NPRC immediately decided to suspend operations at these facilities. As the certified operator of these facilities, NPRC expresses its sincerest regrets regarding these incidents, occurring as they have at a time when there are demands for plant operators to meet their responsibilities through stricter voluntary inspections. In addition, NPRC wishes to express its deepest apologies for losing the trust placed in it thus far by local communities in the vicinity of its plants and other consumers.

Both Marifu and Osaka refineries began operations as facilities of the former Koa Oil and came under the ownership of NPRC along with the merger of the former Nippon Mitsubishi Petroleum Refining Company, Limited, (the predecessor of today's NPRC) with the former Tohoku Oil Co., Ltd., and the former Koa Oil in April 2002. More than one year has passed since the merger of these companies to form NPRC, and, during that period, all the management and staff of NPRC have worked together to maintain strict adherence to corporate ethics and comply with all laws and regulations, while also maintaining the safe operation of its facilities and a stable supply of petroleum products through the establishment of an optimal production system. However, although these incidents occurred within the former Koa Oil prior to its merger into NPRC, both refineries have continued operations under the newly merged company, and we of NPRC wish to express our sincerest regrets for these problems.

NPRC is currently conducting further investigations to clarify the responsibility for these incidents and prevent any recurrence. In addition, NPRC is working to ensure full compliance with all laws and regulations and formulate workable inspection policies to ensure the safety of its refining facilities. Through these efforts, NPRC management and staff are devoting their fullest energies on regaining the trust and confidence of the public at the earliest possible time.