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Effect of Suspension of Production at the Marifu and Osaka Refineries and Interim Supply Measures

Nippon Oil (NOC)'s refining company, Nippon Petroleum Refining Company, Limited (NPRC) (President: Isao Kakefuda), began taking steps on August 4, 2003, to suspend all operations at its Marifu Refinery (Location: Waki-cho, Kuga-gun, Yamaguchi Prefecture, crude oil processing capacity: 127,000 BD) and its Osaka Refinery (Location: Takaishi City, Osaka Prefecture, crude oil processing capacity: 115,000 BD) because of the discovery of fraudulent reporting related to inspections conducted under the High-Pressure Gas Safety Law.

In addition, a fire broke out on August 5, 2003, at NPRC's No. 3 crude distillation unit (crude oil processing capacity: 140,000 BD) located at its Mizushima Refinery (Location: Kurashiki City, Okayama Prefecture), and, to confirm its safety, processing at this facility has been suspended temporarily. However, the recently restarted No. 2 crude distillation unit (crude oil processing capacity: 110,000 BD) and other processing facilities are operating normally.

To provide stable supplies of petroleum products, NOC will increase the throughput of its other refineries, purchase products on the market, use its inventories, reduce exports, import petroleum products, and subcontract work to refineries of other producers; thus, NOC anticipates no obstacles to meeting its supply commitments.

The effect of the suspension of production at the two refineries on production and NOC's supply policies are as follows:

1. Crude oil processing

1. Revision in processing plans for August

Initial plan, Group total: About 4.8 million kl/month

About 100% compared with the same month of the previous year (excluding portion subcontracted to NPRC by Idemitsu Kosan Co., Ltd.)

Revised plan, Group total: About 4.2 million kl/month

About 88%, compared with the same month of the previous year (excluding portion subcontracted to NPRC by Idemitsu Kosan)

Reduction in throughput: About 600,000 kl/month

2. Processing plans for September

Because of uncertainty regarding demand, plans for September are still undecided

2. Effect on production and supply policies

1. Effect on production in August and supply policies

The effect on production in August is expected to be a reduction in fuel oil production of about 550,000 kl. In view of this, NOC will increase capacity utilization rates of other remaining refineries, purchase petroleum products on the market, use up inventories, and reduce exports.

2. Effect on production in September and supply policies

The effect on production in September is undecided at this time.

The policy for dealing with any shortfall will include the measures implemented in August, namely, increasing throughput at other refineries, purchasing products on the market, using inventories, and reducing exports. In addition, plans call for product imports and the subcontracting of production to refineries of other companies in September.

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