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Press Release

Company Name: Idemitsu Kosan Co., Ltd.
Representative Director & Chief Executive Officer:
Shunichi Kito
(Company Code: 5019, TSE Prime Market)
Contact person: Munehiro Sekine, General Manager,
Investor Relations Office, Finance & Accounting Department
(TEL: +81-3-3213-9307)

Announcement on Inappropriate Activity regarding Product Testing at Showa Yokkaichi Sekiyu Co., Ltd.

Following the discovery of inappropriate activity regarding product testing at Keihin Refinery (3-1 Mizuecho, Kawasaki-ku, Kawasaki City, Kanagawa Prefecture) of its subsidiary Toa Oil Co., Ltd. (hereinafter, “Toa Oil”) announced on May 6, Idemitsu Kosan Co., Ltd. (“Idemitsu”) conducted an investigation on appropriateness of product testing at all group refineries (the “Investigation”).

As a result, we discovered that Yokkaichi Refinery (1 Shiohamacho, Yokkaichi City, Mie Prefecture) of Idemitsu’s subsidiary Showa Yokkaichi Sekiyu Co., Ltd. (“Showa Yokkaichi Sekiyu”) failed to conduct a part of required product testing on petroleum products produced in the past, violating the Act on the Quality Control of Gasoline and Other Fuels and contractual obligations to its customers (the “Incident”).

For details on the Incident, please refer to Showa Yokkaichi Sekiyu’s disclosure entitled “Announcement on Inappropriate Activity regarding Product Testing at Yokkaichi Refinery.”

We would like to express our deepest apologies to our customers and other stakeholders for undermining trust in our operations.

Please also note that we have confirmed that there was no inappropriate activity regarding product testing at any other group refineries.

The inappropriate activity at Showa Yokkaichi Sekiyu was corrected immediately after the discovery. As a result, appropriate product testing has been conducted since May 15, 2022.

Showa Yokkaichi Sekiyu and Idemitsu have verified that there are no safety issues relating to products to date, based on checks on quality of fractions for production, operational status of the refinery process, and quality of relevant items affecting fulfillment of various standards.

We deeply regret the occurrence of inappropriate activity at Toa Oil and Showa Yokkaichi Sekiyu and are

committed to preventing recurrence and to strengthen the quality control framework of the entire Idemitsu group so that we may regain the confidence of our stakeholders.

While we anticipate that the impact on Idemitsu's consolidated performance forecasts will be negligible, any potential impact on performance will be disclosed as soon as it becomes apparent.

Idemitsu's disclosure document (May 6, 2022)

“Announcement on Inappropriate Activity regarding Product Testing at Our Subsidiary”

(Concerning Inappropriate Activity at Toa Oil's Keihin Refinery)

<https://www.idemitsu.com/jp/news/2022/220506.html>

Attachment

Showa Yokkaichi Sekiyu Co., Ltd. disclosure document

“Announcement on Inappropriate Activity regarding Product Testing at Yokkaichi Refinery”

Press Release

Showa Yokkaichi Sekiyu Co., Ltd.

Announcement on Inappropriate Activity regarding Product Testing at Yokkaichi Refinery

It has become apparent that our Yokkaichi Refinery (1 Shiohamacho, Yokkaichi City, Mie Prefecture) failed to conduct a part of required product testing on petroleum products produced in the past, violating the Act on the Quality Control of Gasoline and Other Fuels and an agreement with Idemitsu Kosan Co., Ltd., which distributes our products. We have checked the quality of shipped products and confirmed that there are no safety issues.

We would like to express our deepest apologies to our customers and other stakeholders for undermining trust in our operations. Going forward, we will exert our utmost efforts to strengthen our quality control framework and to prevent recurrence.

1. Overview

As a result of internal investigations conducted since May 6, 2022, it became apparent that the refinery failed to conduct a part of required product tests on petroleum products produced in the past.

Each affected customer will be contacted to provide details on this issue.

2. Nature of inappropriate activity and affected products

(1) Nature of inappropriate activity

The following inappropriate activities were brought to our attention:

- 1) Deviation from testing methods: the stipulated testing methods were not adhered to.
- 2) Laches: test reports were filled out despite failure to take measurements.

(2) Affected products

- 1) Public standards (Enforced standards under the Quality Control Act^{※A}, JIS Standards)
- 2) Laches: test reports were filled out despite failure to take measurements.

Relevant standard	Product	Quality Control Indicator	Inappropriate activity	
			Deviation	Laches
Enforced standards under the Quality Control Act	Heavy oil A/C (for bunker)	Inorganic acid ※B	○ ※1	
JIS standards	Heavy oil A/C	Reactive ※C	○ ※1	
		Water content		○
		Ash content	○ ※2	
	Straight asphalt ※D	Toluene solubility ※F	○ ※2	
	Blown asphalt ※E	Toluene solubility	○ ※2	
	Asphalt for waterproof construction	Toluene solubility	○ ※2	
Fraass breaking point ※G		○ ※2		

※1: Conducted under methods which differ from JIS testing methods

※2: Stipulated test frequency not achieved

※A-G: See “Explanation of terms”

2) Standards for transactions with customers

Diesel oil, propylene※H, lubricant base oil, recovered sulfur※I

※H-I: See “Explanation of terms”

3) Other (Internal standards which do not fall under 1) or 2) above)

Gasoline, JET A-1

3. Status of current countermeasures

Inappropriate activity was corrected immediately after the discovery. As a result, appropriate product testing has been conducted since May 15, 2022.

We have also verified that there are no safety issues relating to products to date, based on checks on quality of fractions for production, operational status of the refinery process, and quality of relevant items affecting fulfillment of various standards. Quality confirmation results of products for which testing methods did not satisfy public standards as follows.

1) Heavy Oil A/C

With respect to “inorganic acid” and “reactive,” the absence of each was confirmed with a pH meter instead of measurement with a pH indicator. As inorganic acid and base are judged to be present when pH indicators suggest a pH of 3.1–4.4 and 8.2–10.0, respectively, we confirmed the absence of inorganic acid or base with a pH indicator when the pH was below 5.0 or above 8.0.

“Water content” is determined based on whether the bumping phenomenon was observed when measuring ash content. In addition, we confirmed that there are no problems with the water removal process during refinery. In addition, we confirmed that water content satisfied relevant standards using preserved samples from the last 3 months.

Standards require confirmation that mass differences in “ash content” fall below 0.5 mg during crucible constant mass operations, but we had determined ash content based on a single operation. We found that the maximum difference was 0.2 mg with standard procedures using preserved samples from the last 3 months, falling within the standard’s requirement.

2) Asphalt

With respect to the toluene solubility test for straight asphalt, a part of the preparatory steps for filters used in the test had been simplified. After running both tests employed in the inappropriate activity as well as the correct tests pursuant to JIS testing methods using the same preserved sample from the last 3 months, the maximum difference in test results was a 0.03% decrease (deterioration) in mass. We confirmed that, even when applying this maximum difference to test results over the last 10 years, the range lies within the JIS standard's requirement of 99.0% or above. As a result, we have determined that there are no quality issues.

Similar validations of toluene solubility were conducted for asphalt for waterproof construction and blown asphalt, leading to confirmation that quality standards set forth in the HIS standards were satisfied. With respect to Fraass breaking point and heat stability (indirect impact from inappropriate activity due to use of Fraass breaking point to calculate heat stability) tests for asphalt for waterproof construction, the requirement is to take an average of 3 measurements, but only 2 measurements were conducted on weekends. We retested preserved samples from weekends during the last 3 months using JIS testing methods and found that JIS standards had been met. As manufacturing conditions (raw materials, operating conditions, etc.) on weekends, when the inappropriate testing procedures were implemented, were also within the scope of weekday manufacturing conditions, we have determined that there are no quality issues.

4. Future plans

We deeply regret this occurrence and have established an investigation committee including external experts to prevent recurrence by clarifying the facts and identifying the causes of this inappropriate activity.

· For inquiries, please contact:

Showa Yokkaichi Sekiyu Co., Ltd.

Human Resources and General Affairs Department

TEL: 059-347-5511 *9:00~17:00 (weekdays)

* Explanation of terms

- ※A) Enforced standards under the Quality Control Act: Quality control indicators to be satisfied pursuant to the Act on the Quality Control of Gasoline and Other Fuels (Quality Control Act)
- ※B) Inorganic acid: An enforced standard under the Quality Control Act which evaluates the presence of acidic substances aimed at preventing power troubles.
- ※C) Reactive test: A test to evaluate the presence of acidic or basic substances in petroleum products.
- ※D) Straight asphalt: A petroleum product used to pave roads, etc.
- ※E) Blown asphalt: Straight asphalt with performance adjusted by heating and blowing in a sufficient amount of air.
- ※F) Toluene solubility: A quality control indicator for asphalt purity.
- ※G) Fraass breaking point: A quality control indicator for asphalt performance (how easily it becomes fragile)
- ※H) Propylene: a petrochemical product
- ※I) Recovered sulfur: Liquid product produced by collecting gas from the petroleum product refinery process.