

Medium-Term Management Plan

Fifth Consolidated Medium-Term Management Plan

We started the fifth medium-term management plan (FY2013 - 2017), with the aim of improving its financial position, resuming dividend payments at early date, and become a vertically integrated global energy company over the long term, while implementing four basic policies. In FY2015, we resumed paying dividends. Going forward, we will continue to strive to achieve our long-term vision and continually expand corporate value.

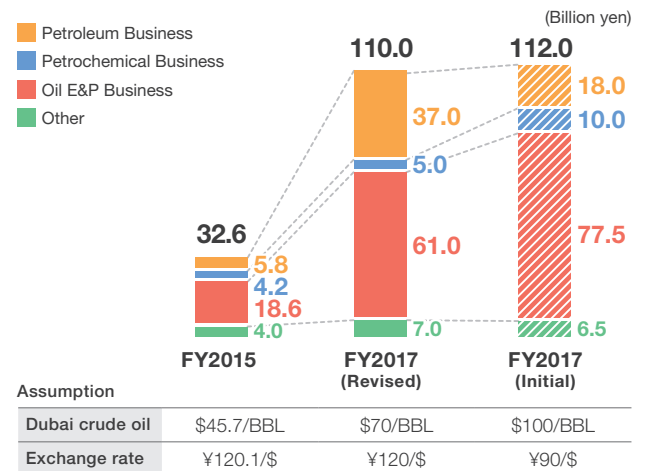
4 Basic Policies

- Enhance profitability in the refining and marketing sector
- Secure stable income from investments made during the previous medium-term management plan
- Further strengthen alliances with IPIC and Hyundai Oilbank
- Further enhance CSR management

Significant changes in management environment have led us to revise the Fifth Medium-Term Management Plan

The current medium-term management plan was revised in November 2015, in order to reflect additional initiatives and other measures, in addition to significant fluctuations of crude oil prices and foreign exchange rates from 2013 when the plan was initially announced. A decline in projected profit of the Oil E&P Business, due to lower sales prices caused by a significant drop in crude oil prices, is expected to be offset by an increase in projected profit of the Petroleum Business, which is likely to be contributed by lower self-consumed fuel costs at refineries. As a result, consolidated ordinary income in FY2017, the final year of the current plan, is projected at ¥110 billion, which is at the similar level to that of the initial plan.

Ordinary Income (excluding the Impact of Inventory Valuation)



			FY2013	FY2014	FY2015
Large-Scale Investments Aiming for Growth			Hail oil field development, new wind farms, etc.		
Growth Businesses	Oil E&P	Hail oil field	Acquisition of mining areas → Under development		
		Alliance with CEPSA	Strategic comprehensive alliance		
	Retail (car leasing)	Private car leasing	Cumulative total: 20,000 vehicles		
	Renewable Energy	Wind power generation	Feed-in tariff scheme (20 years; cumulative power generation capacity of approx. 150,000 kW)	Start of operation at Hirogawa and Aizu (approx. 180,000 kW)	
Core Businesses	Petroleum	Chiba Refinery	Joint venture	Alliance with Tonen General Sekiyu	Establishment of Keiyo Seisei (JV);
			Acquisition of factory certification		
	Sakai Refinery	Operation of a new coker plant			
	Yokkaichi Refinery				
	Sakaide Refinery	Closure	Transformation to an oil terminal		
	IPP (Independent Power Producer)	Power selling capacity; 200,000 kW			
	Petrochemical	HCP (Aroma business)	Start of the new PX production plant		
	Maruzen Petrochemical (Olefine business)	Energy-saving investment and rationalization			

Ongoing Investments for Achieving Growth

The amount of ¥187 billion, which accounts for over 50% of the ¥360 billion capital investment total for FY2013-2017, is allocated to the oil exploration & production business, one of our growth drivers. The Hail oil field of Abu Dhabi Oil, where we are making the highest investment amount, is projected to start production in the first half of 2017. Our five-year plan for the oil refining and marketing business is to invest ¥140 billion, which includes additional investments for growth and safety measures, such as the Chiba Refinery pipeline construction and the construction to enhance resilience of refineries concerning natural disasters.

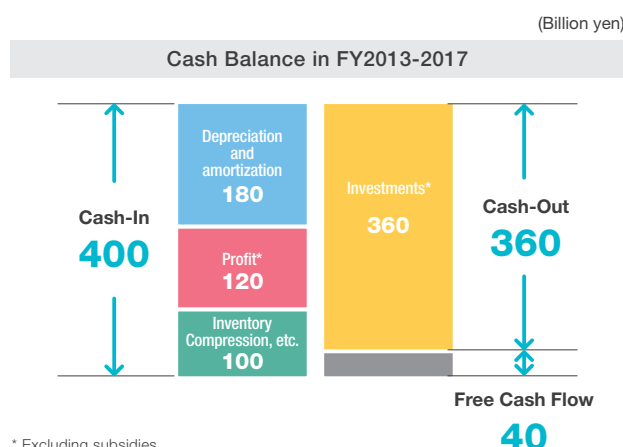
	(Billion yen)
Oil E&P	187
Hail oil field development	187
Petroleum*2	140
Refinery equipment upgrades	70
Chiba Refinery renewal plan	20
Sales and administration divisions	50
Renewable energy, overseas, etc.	33
Investment in new wind farms, etc.	33
FY2013-2015 total investments*1	360

*1 Excluding subsidies

*2 Major additional investments: Chiba Refinery pipeline construction; construction to enhance resilience of refineries

Cash Balance in FY2013-2017

We are expecting Cash-In of ¥400 billion for FY2013-2017, which includes, in addition to business profit, proceeds from business divestment and asset sales as a part of streamlining the balance sheet. Cash-Out for the same period is estimated to be ¥360 billion. These will result in ¥40 billion in free cash flow. While a decline in crude oil prices and the negative impact from foreign exchange have led us to project less free cash flow than initially expected, we are confident that stable dividend payments can be internally funded.



FY2016	FY2017	FY2018 and after
		Investment to decline
	Production to start → Abu Dhabi Oil's production to double on - peak	
	CEPSA's capital participation in Abu Dhabi Oil → New interests to acquire	
Target cumulative total: 60,000 vehicles		Further business expansion
Start of operation at Watari (approx. 210,000 kW)	Start of operation at Sakata Port and Ishikari Bay Port (approx. 230,000 kW)	Further business expansion
pipeline under construction		Pipeline construction to complete → Expect ¥10 billion synergy per year
2-year long-running operation → Refining cost down (approx. ¥7 billion)		4-year long-running operation → Further refining cost down
		Benefit in case of a drop in oil prices
Business alliance with Showa Shell Sekiyu Group		Equipment optimization
Upgrade work → Diversification of feedstock		Competitive electric power supply
		Establishment of profit base resistant to market fluctuations
		Making into a subsidiary → Establishing a petrochemical supply chain

Road Map toward Achieving Long-Term Visions

During the current medium-term management plan, large-scale investments, such as the Hail oil field development and new wind farms development for the wind power generation business, coincided. Moving ahead into the next management plan, those projects will enter the stage of returning profits and at the same time the overall investment amount is expected to decline significantly. As the Hail oil field project utilizes existing facilities for production and shipment, it should be cost competitive and generate good profit even at the current level of oil prices. Moreover, the petroleum business will begin to see synergies from the joint venture arrangement of the Chiba Refinery. Further, we look for stable profit growth by converting to “car - life value proposition” by expanding mainly the car - leasing business for individual and by making continual progress in developing new wind farms in the wind power generation business. As most major investments will be completed and cash flow will improve significantly by profit growth from those investments, we will approach becoming “Vertically Integrated Global Energy Company”.