Fifth Consolidated Medium-Term Management Plan

We started the fifth Medium-Term Management Plan (FY2013 - 2017) with the aim of improving our financial position and resuming dividend payments at an early stage, under the four basic policies. We have steadily executed measures aligned with the four basic policies and resumed the payment of dividends in FY2013. However, the competitiveness disparity of refineries compared to other companies and the weak balance sheet still remain to be challenged. The competitiveness disparity of refineries is expected to be resolved due to the start of the 2-year long-run operation of the main Chiba Refinery since FY2016, and alliances in Yokkaichi and Chiba going forward. The financial issue is also likely to be improved. The sharp drop in oil prices in FY2014-2015 resulted in an inventory valuation loss (approx. ¥180 billion) but gradual upturn of crude price in FY2016 resulted in regaining as inventory gain. Also thanks to the collection of investments and a decline in investments going forward, cash flow began to improve and the financial position is expected to improve. In FY2017, the final year of the current Medium-Term Plan, we will continue to strengthen our earning power and improve the financial position.

Four Basic Policies and their Steady Execution

Enhance profitability in the oil refining sector

- Closure of Sakaide Refinery (¥10 billion in rationalization impact)
- Establishment of Keiyo Seisei JV (¥10 billion/year in Chiba JV synergy)
- Chiba Refinery's 2-year long-run operation (¥7 billion in profit improvement)
- Start of business alliance in Yokkaichi (¥1 billion/year in synergies at Cosmo)

Strengthen alliances

- Strategic comprehensive alliance with CEPSA, fully-owned by MIC[2] (formerly IPIC)
- Integration of four companies in LPG business
- Capital and business alliance with Kygnus Sekiyu
- Maruzen Petrochemical became a consolidated subsidiary

Collect return from investments made in the previous medium-term plan

- The Hail Oil Field's start of operation
- HCP's newly-established paraxylene production facilities started operation[1]
- Expansion of wind power generation capacity

Enhance CSR management

- Thorough safety management
- Working style reform to raise work efficiency
- Promotion of environmental measures
- Enhancement of governance system

1. Hyundai Cosmo Petrochemical. A joint venture with Hyundai Oilbank (HDO) in South Korea.
2. Mubadala Investment Company (MIC), a holding company was established by an integration of International Petroleum Investment Company (IPIC), an energy investment company that is fully owned by the Abu Dhabi government and Mubadala Development Company (MDC).

		FY2013	FY2014	FY2015
Large-Scale Investments Aiming for Growth				The Hail Oil Field development, new wind farms, etc.
Oil E&P	The Hail Oil Field			Acquisition of mining areas ➡ development
	Alliance with CEPSA		Strategic comprehensive alliance	
Petroleum refining and sales	Chiba Refinery — Joint venture		Agreed on alliance with TonenGeneral Sekiyu (currently JXTG Energy)	
	Chiba Refinery — Acquisition of factory certification			
	Sakai Refinery		Operation of a new Delayed Coker Unit (heavy oil thermal cracking unit)[1] ➡ Enhancement of competitiveness	
	Yokkaichi Refinery			
	Sakaide Refinery	Closure ➡ ¥10 billion in rationalization impact		
	IPP (Independent Power Producer)		Power selling capacity: 200,000 kW	
	Capital and business alliance with Kygnus Sekiyu			
	Car leasing for individuals	Reached 19,000 units, cumulative		
	LPG business integration		Integration contract of distribution and retail businesses	
Petrochemical	HCP (Aroma business)	Start of the new PX production plant[2]		Energy-saving investment and rationalization
	Maruzen Petrochemical (Olefin business)			
Renewable energy	Wind power generation			Feed-in Tariff
		Power generation capacity 150,000 kW in total		Start of operation at Hirogawa and Aizu (approx. 180,000 kW in total)

1. A heavy oil thermal cracking unit used to produce naphtha, jet oil, and diesel oil from asphalt fraction. Upgrading heavy oil to middle distillates and cracking heavier crude oil will lead to reducing costs and thereby raise profitability.
2. Paraxylene is an aromatic product and is a raw material of plastic bottles and polyester fabric etc.

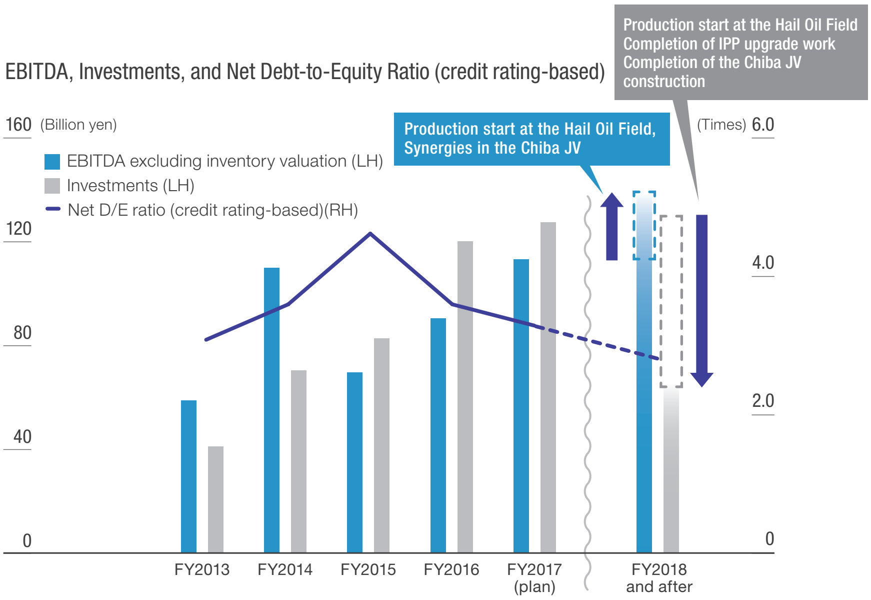
Steady execution of measures is helping to improve earning power while large-scale investments aimed at growth are peaking out under the current Medium-Term Plan

We have steadily executed various measures, in particular through alliances by business and by region, and have enhanced our earning power. From FY2018, the profit contribution from the initial stage of the Hail Oil Field and synergies from the Chiba JV are anticipated to boost earnings. On the otherhand, while we have carried out multiple large-scale investments aimed at growth during the current medium-term management plan. However, investments will substantially decline due to the completion of the Hail Oil Field's development, IPP upgrade work, and Chiba JV's pipeline construction etc.

(Billion yen)

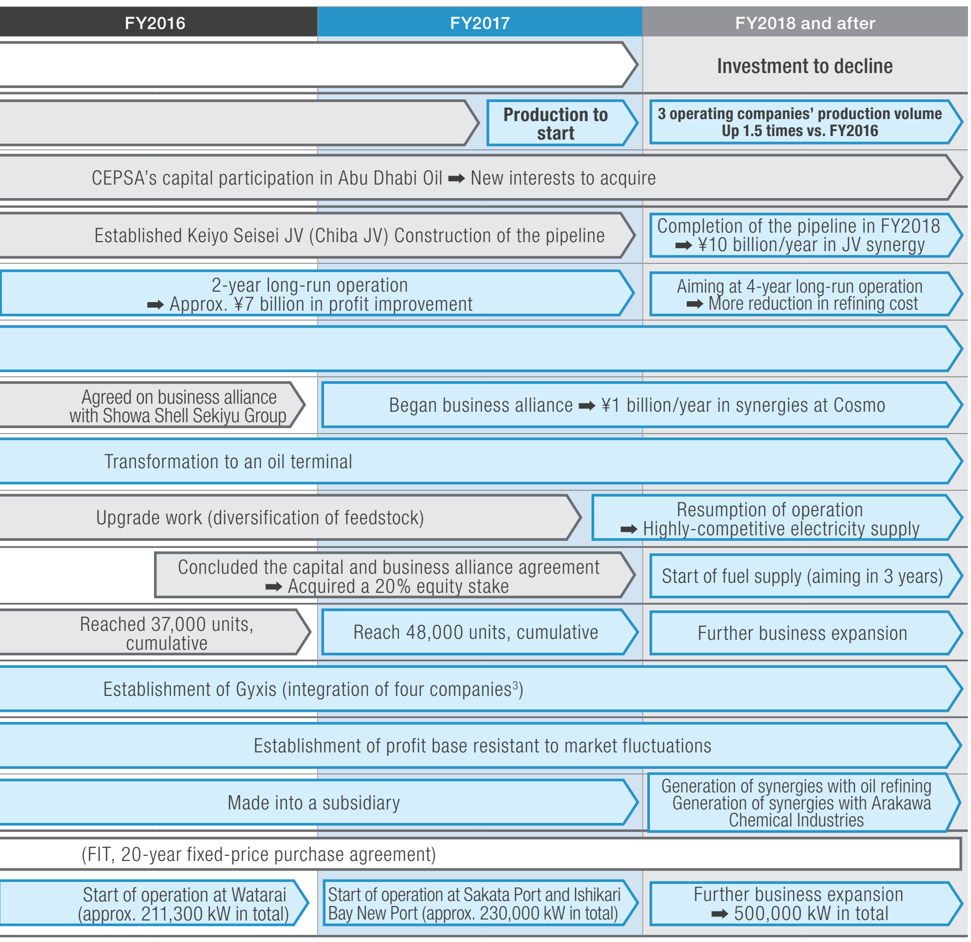
	FY2013	FY2014	FY2015	FY2016	FY2017 (announced in May)
Dubai crude oil price (US$ /barrel)	104.6	83.5	45.7	46.9	50.0
Foreign exchange rate (¥/US$)	100.2	109.9	120.1	108.4	110.0
Ordinary income	41.8	-49.6	-36.1	81.4	54.0
Ordinary income excluding inventory valuation	25.8	66.5	32.6	42.0	64.0
Profit attributable to owners of parent	4.3	-77.7	-50.2	53.2	20.0

EBITDA, Investments, and Net Debt-to-Equity Ratio (credit rating-based)



(Billion yen)

	FY2013	FY2014	FY2015	FY2016	FY2017 (announced in May)
EBITDA excluding inventory valuation	58.9	110.1	69.7	90.6	113.4
Investments	41.2	70.4	82.8	120.3	127.6
Net Debt-to-Equity Ratio (credit rating-based) (Times)	3.1	3.6	4.6	3.6	3.3



3. Cosmo Oil, Showa Shell Sekiyu, Sumitomo Corporation and TonenGeneral Sekiyu (currently JXTG Energy)

Next Medium-Term Management Plan: Strengthen financial position and construct a business portfolio that is resilient to environmental changes

Moving ahead into the next management plan, which starts from FY2018, heavy investments such as those for the Hail Oil Field and the Chiba JV will be completed, and those projects will enter the stage of returning profits. The cash flow generated will be allocated first to improving the financial position but also to shareholder returns, according to earning power and the financial position, and to investment needed for long-term growth. We will also continue alliances to grow areas of strength (such as the alliance with CEPSA in the Oil E&P Business) and to reinforce areas of weakness (such as the business alliances in the Chiba JV and in the Yokkaichi Refinery). At the same time, we will expand earning power in the petrochemical, wind power generation, retail etc., which are less sensitive to oil prices, in order to construct a business portfolio that is resilient to environmental changes and as a result, maintain sustainable growth.