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Mr. Charles Postles **Hong Kong, the 12th of December**

BP Castrol K.K.
East Tower 20F
Gate-City Ohsaki
1-11-2 Osaki, Shinagawa-ku,
Tokyo, Japan 141-0 032

Dear Mr. Postles,

Thank you for your response to our initial questions.

We are quite pleased with the Company's continued impressive financial performance, and we are happy to have somebody like yourself at the steering wheel (no motor oil pun intended). BP Castrol is currently one of our core investments, and we hope to add to our position as long as the share price remains attractive.

As long-term investors in the company, we would at this stage like to share with you our views on several matters.

We believe that BP Castrol's business model is highly attractive. You have the leading brand in a mature market, which allows you to maintain consistently attractive operating margins despite the unpredictable price movements of the input materials. The business is also very asset light and generates fantastic returns on invested capital. The result is a business that generates a steady rate of free cash flow that does not need to be reinvested in the business itself but is instead available to be distributed to shareholders.

Publicly listed businesses with such characteristics normally trade at relatively high multiples of free cash flow as investors tend to value the stocks for the high rate of dividends they can generate.

As we looked through the global equity markets for similar businesses in your industry, we discovered that your counterpart in India, Castrol India, was the only other listed BP subsidiary focused on marketing Castrol motor oil.

In this case, however, the market has assigned a far higher valuation to what is essentially the same business!

	Market Cap	Net Cash	TTM EBIT	TTM Net Income	Cash/Net Income	Div. Payout 2007-2012	ROIC	ROE	Enterprise Value/EBIT	Price/ Earnings
BP Castrol K.K.	¥11.0B	¥9.3B	¥2.8B	¥1.5B	6.2x	29.7%	160%	17.6%	0.6x	7.3x
Castrol India	R151.4B	R6.5B	R7.0B	R5.0B	1.3x	77%	69.8%	71.4%	20.7x	30.3x

As the table above shows, there is a lot of potential upside in BP Castrol if investors recognize the attractiveness of the branded motor oil operating business and the stock trades to a more reasonable multiple of operating earnings. However, we believe that the Board first needs to address the obvious reason for why BP Castrol has not traded much higher than the cash on its balance sheet over the past several years.

Excess Cash

The key difference is cash management; Castrol India distributes most of its excess cash flow through regular and special dividends to align returns on shareholders equity with returns on invested capital, while BP Castrol's cash position has ballooned far past the needs of the organization by any measure and sits in ultra-low interest rate deposits within BP that do very little to create value for shareholders.

We believe that the market perception would quickly shift if the Company were to initiate an improved cash management policy, which would likely result in a much higher share valuation.

Firstly, we believe the Company should increase the dividend payout ratio to 100%, an appropriate level considering the Company's abundant cash reserves and low working capital requirements.

The Company's long-term shareholders would also greatly benefit from a special dividend, which would improve returns on equity and allow shareholders to reinvest the cash as they see fit. Using Castrol India as a guide, we estimate that BP Castrol could make a special distribution of roughly ¥7.5 billion while still maintaining a prudent level of cash reserves within the organization.

If the Company were to implement a shareholder-friendly cash management program as described above, the total returns to current shareholders, including BP, could be as high as 200%, assuming a ¥7.5 billion special dividend and a 6% recurring dividend yield (which would be among the highest yields in the Japanese market).

Corporate Governance

We also believe that minority shareholders would greatly benefit from the addition to the Board of one or more independent non-executive directors to optimize capital allocation and generally represent minority shareholders. We understand that this may not be customary for a Japanese company of your size and that BP's presence ensures above average corporate governance from the start, but BP Castrol has an opportunity to set a leading example of top-notch corporate governance and minority shareholder protections for the rest of the firms in the country to follow.

Alignment and Incentives

We were glad to learn that the BP Castrol team is incentivized to maximize the financial performance of the organization for shareholders. However, as minority shareholders, we would like to see the addition of incentives that are connected to total shareholder returns (dividends and share price performance), much like those in place at BP.

In fact, it appears to be the perfect time to initiate such a program and we would be happy to support it.

Financial Information in English

Publishing financial information in English would be very helpful for us and would likely be the easiest way to reach a wider potential shareholder base. We think that the quality of the business and valuation are a rare combination throughout the global equity markets and would be very attractive to other investors outside of Japan.

Thank you for taking the time to correspond with us, and we look forward to discussing the contents of this letter in more detail with you after the holidays.

We plan to attend the annual shareholders meeting in March and look forward to meeting you then, but we would like to arrange a call or a meeting with you in January before the next board meeting to discuss our proposed initiatives.

Please let us know when would be a good time.

Best regards,

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