

BP Castrol KK Board Members**Hong Kong, 29th of May 2014**

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

Dear Board Members:

We are writing to you once again as the largest institutional shareholders of BP Castrol K.K. (the “**Company**”) in response to the announcement made May 21st regarding the pending sale and transfer of the Company’s subsidiary engaged in the import and distribution of aviation turbine oils to a Japanese subsidiary of Eastman Chemical Company. We understand that this transaction is directly connected to the sale of BP plc’s specialist global Aviation Turbine Oils business at the start of the year.

This transaction highlights and deepens the concerns we have raised with you previously:

1. **Deteriorating returns on equity as a result of an inefficient management of the balance sheet:** Following the close of this transaction, BP Castrol K.K. will have over ¥9 billion of excess cash on its balance sheet, most of which is held in BP plc’s corporate bank account, thereby providing low-cost funding to one shareholder at the expense of the others. This exacerbates our concern around dramatically deteriorating returns on equity and corresponding low market valuation. To address this issue, we again urge you to distribute excess cash to shareholders via a special dividend and increase the regular dividend to 100% of net income.
2. **Conflicts of interest between BP plc as the main owner and minority shareholders:** We understand that the relationship between BP plc and BP Castrol K.K. is necessarily a special one, with the former being both the largest shareholder in the latter and its main supplier. Given the inherent conflicts this creates for a listed entity, it stands to reason that the Board should be especially careful to protect the interests of minority shareholders. In that context, we find it hard to understand why the Company refuses to (a) engage in a dialogue with us; (b) address our concerns in a meaningful way; (c) provide adequate information about how conflicts of interest are dealt with; or (d) consider minority shareholder representation on its Board.

Thank you for your prompt attention to this letter.

Best regards,



Edouard Mercier and Andrin Bachmann

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