INPEX CORPORATION

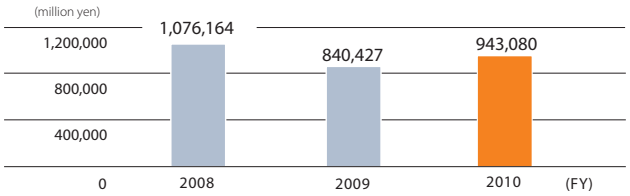
CSR REPORT 2011

Company Overview

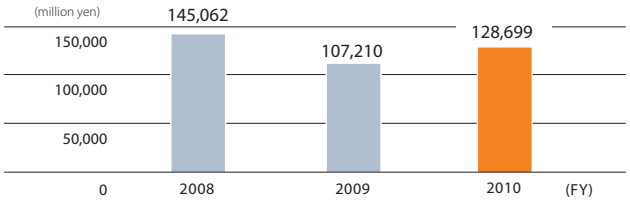
Company Name: INPEX CORPORATION
Established: April 3, 2006
Capital: ¥290,809,835,000
Headquarters: Akasaka Biz Tower 31st to 34th floors, 5-3-1 Akasaka, Minato-ku, Tokyo, JAPAN 107-6332
Phone: +81-3-5572-0200
Fiscal Year End: March 31
Main Businesses: Research, exploration, development, production, and sales of oil, natural gas, and other mineral resources; other related businesses; and investment and lending to companies engaged in these activities

Financial Information

Net Sales

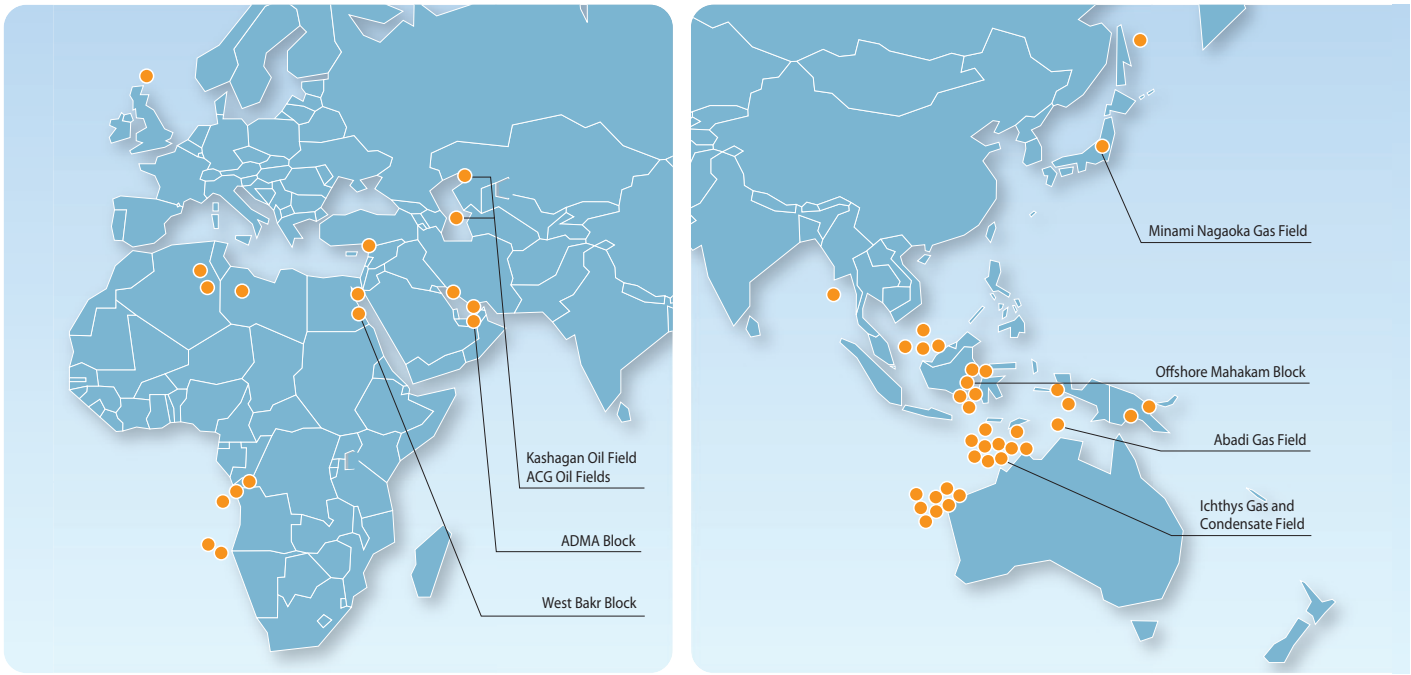


Net Income



List of Projects

As of July 30, 2011 (71 projects in 26 countries)



Editorial Policy

The INPEX Group publishes its CSR Report annually to keep its stakeholders informed of its CSR initiatives and activities.
For the 2011 edition of this report, we formulated the editorial policy below in light of our continued effort to incorporate the following ideas from the 2010 edition: to enhance the disclosure of information on the issues and initiatives we face as a global company, to enhance the disclosure of information on our overseas projects, and to use our website more effectively to complement the printed report.

1. **We will express our role as an energy corporation.**
2. **We will report on the process of selecting priority material issues to address.**
3. **We will report on two-way communication with stakeholders on material issues.**
4. **We will improve the content of the report so that it fulfills our accountability.**

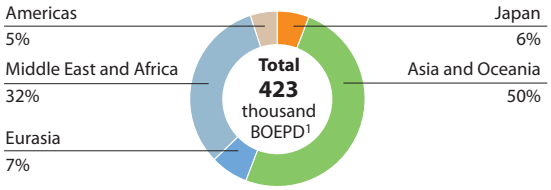
Scope of Reporting and Data Compilation

- INPEX CORPORATION and its 53 consolidated subsidiaries.
- Environmental performance data for the Group's Japanese operations published in this report are a compilation of data from the company's headquarters, Domestic Project Division, Pipeline Construction Division, LNG Receiving Terminal Construction Division, Teiseki Pipeline Co., Ltd., Teiseki Topping Plant Co., Ltd., and 50% of performance results of Offshore Iwaki Petroleum Co., Ltd. were added to the total, in proportion to the company's ownership of a working interest. Environmental performance data for the Group's overseas operations published in this report are a compilation of data from the company's consolidated subsidiaries: Gas Guarico, S.A., West Bakr Petroleum Co., INPEX Masela, Ltd., INPEX Browse, Ltd., INPEX Libya, Ltd., Teikoku Oil Libya UK Ltd., PT Moruy II, S.A., and Teikoku Oil (Suriname) Co., Ltd.

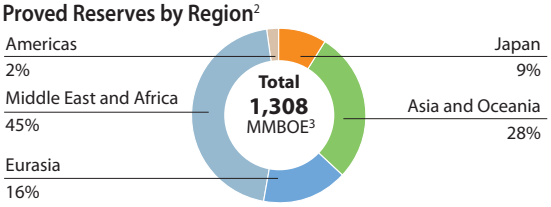
Reference Guideline

Global Reporting Initiative's *Sustainability Reporting Guidelines Version 3.1*

Net Production by Region



Proved Reserves by Region[2]



1. Barrels of oil equivalent per day
2. Proved reserves are evaluated in accordance with SEC regulations and do not include reserves not eligible for third-party deposit evaluation reports, nor those undergoing related governmental approval processes, but do include proved reserves owned by equity method affiliates
3. Million barrels of oil equivalent

Reporting Period

April 1, 2010, to March 31, 2011 (This report may contain references to activities we undertook during or after April 2011)

Forward-Looking Statements

This report includes forward-looking information that reflects the plans and estimates of INPEX CORPORATION and its affiliates (hereinafter called the INPEX Group). Such forward-looking information is based on assumptions and beliefs of the INPEX Group in light of information currently available, and involves known and unknown risks, uncertainties, and other factors. Such risks, uncertainties, and other factors may cause the INPEX Group's actual results, performance, achievements, or financial position to be materially different from any future results, performance, achievements, or financial position expressed or implied by such forward-looking information.
Please be advised that the INPEX Group shall assume no responsibility for such risks.

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Top Management Commitment

The INPEX Group will contribute to a richer, safer society by providing an efficient and stable supply of energy while paying proper consideration to safety and the environment.

Toshiaki Kitamura

Representative Director, President
INPEX CORPORATION

We would like to express our deepest sympathy and condolences to those affected by the recent devastating earthquake in Japan, and our sincere wish for a safe and smooth recovery for all families.

Since the earthquake, the INPEX Group has provided emergency relief supplies to disaster victims, including such petroleum products as gasoline and kerosene manufactured by INPEX, as well as supported local electrical utilities by providing them with additional supplies of crude oil and liquified natural gas (LNG) produced overseas. We intend to continue supporting the reconstruction effort as best we can.

While we were fortunate that the earthquake's impact on our facilities was very minimal, it motivated us to reaffirm our commitment to achieving higher safety and disaster preparedness.

Recent Developments in Global Energy

Three events happened from 2010 to 2011 that shook the energy industry.

The first event was the Deepwater Horizon oil spill off the Gulf Coast of the United States in April 2010. This event—a serious incident for deepwater development, a field that is gathering attention as a promising frontier for oil and natural gas—spurred oil majors and other companies involved in oil development to reaffirm their commitment to strengthening safety and environmental management.

The second event was political unrest in the Middle East and Northern Africa, which began with the Jasmine Revolution in Tunisia in December 2010. Despite the fact that there were no major disruptions to actual oil supplies, oil prices continue to remain high and show increased volatility due to supply concerns. For Japan, which relies on the Middle East for 90% of its oil imports, high oil prices are a threat to our economic and energy security.

The third event was the Great East Japan Earthquake in March 2011 and the ensuing accident at the Fukushima Daiichi Nuclear Power Plant. The disaster and this nuclear accident have sparked a major debate over the future direction of energy policy not only in Japan but around the

world. Countries like Germany and Switzerland have already announced revisions to their nuclear energy policies, and the debates centered on energy policy in various countries have the potential to affect future energy supply and demand and the manner in which climate change is addressed. Amidst all this, in June 2011 the International Energy Agency (IEA) released a special report stating that, with the combined effects of the Fukushima incident, growing demand for natural gas in China and other emerging economies, and a rapid increase in the supply of natural gas resulting from increased development of unconventional sources such as shale gas, natural gas could occupy a more prominent role in world primary energy demand.

As the debate over the best mix of global energy sources intensifies, the INPEX Group understands that implementing the three strategies outlined below, including realizing our goals for natural gas development, an undertaking we have been steadily pursuing for some time, is becoming increasingly necessary.

Long-term Outlook and Growth as an Integrated Energy Company

The INPEX Group is steadily promoting three medium- to long-term strategies that we previously set forth: (1) to continue to expand our oil and gas upstream business; (2) to establish a natural gas supply chain and diversify our gas business; and (3) to become a company that offers a broader range of energy. In addition, we are carrying out a thorough revision of our overall operational safety systems based on the latest developments and strengthening our risk management systems and business continuity plan (BCP). With 2011 being an important milestone particularly in our promotion of natural gas development, we hope to contribute to the development of a sustainable economy by fulfilling our social mission to provide an efficient and stable supply of energy while adapting to changes in the global business environment.

To start, with regard to our first strategy to expand our oil and gas upstream business, we will seek to further expand our reserves and production of natural gas, the development of which has long been a priority for us and is increasingly anticipated as an energy source with a smaller environmental impact compared with other fossil fuels. To do so we will carry out plans to develop the Ichthys (Australia) and Abadi (Indonesia) projects, two projects we are undertaking overseas that rank among the largest LNG projects in the world. For the Ichthys Project, the first large-scale LNG project to be operated by a Japanese company covering everything from exploration through production, we will make our final investment decision in the fourth quarter of 2011.

To establish a natural gas supply chain and diversify our gas business, we will fortify our natural gas supply system to be more stable and flexible by organically linking overseas sources of LNG that we hold an interest in with natural gas supply infrastructure in Japan, thereby contributing to a greater use of environmentally friendly natural gas. As part of this effort, in May 2011 we made our final investment decision on the extension of our natural gas pipeline network, and started full-scale construction of a new line (the Toyama Line).

As initiatives to become a company that offers a broader range of energy, we will pursue activities in and opportunities to enter the field of diversified energy use in ways that utilize electricity storage technologies as well as geothermal and other renewable energies with future business potential. From an ultra long-term perspective, we will also steadily develop "dream technologies" of the future such as using photocatalysts to produce hydrogen and methane.

Our Commitment to Local Communities and the Global Environment

By steadily promoting these medium- to long-term basic strategies, the INPEX Group aims to grow into a top-level and specialized upstream company with global operations, second only to the oil majors. At the same time, we will carry out activities to supply diverse forms of energy and deploy technologies that are more environmentally friendly. We believe that to achieve this we must develop an ambitious, skilled, and experienced workforce and also be keenly aware of our role in society. For example, in the process of implementing the Ichthys Project we have made repeated efforts to improve communication with local community members and actively carried out other activities such as establishing a vocational training school for local youth, including those for indigenous peoples. As we communicate closely with local communities and residents of the oil and gas producing countries where we operate, we will continually make better efforts to contribute to the growth and earn the trust of local communities by conducting safe operations, taking precautions to protect the environment, creating jobs, respecting human rights, and improving the quality of living environments.

The *CSR Report 2011* and its online version highlight certain aspects of these activities at the INPEX Group. We hope to gain your understanding, your support, and look forward to receiving any feedback you may have regarding our CSR activities.

Mission, Corporate Social Responsibility Policy and Code of Conduct

The INPEX Group has formulated a Mission, Corporate Social Responsibility Policy, and Code of Conduct. Our Mission reflects our objective of playing an active role in social development. Our Corporate Social Responsibility Policy directs our CSR initiatives and reaffirms our commitment to promoting them. And our Code of Conduct describes how we as individuals of the Group should perform ethically on a daily basis.

Mission

The mission of the INPEX Group is to provide a stable and efficient supply of energy to our customers by exploring and developing oil and natural gas resources throughout the world. Through its business, we aim to become an integrated energy company, which contributes to the community and makes it more livable and prosperous.

Corporate Social Responsibility Policy

The INPEX Group conducts business efficiently and proactively with a long-term perspective. Guided by the leadership of top management, we are committed to fulfilling our corporate social responsibilities. Our key principles include:

1. Deliver energy in a stable and efficient manner.
2. Comply with laws, rules and regulations and adhere to ethical business conduct.
3. Communicate timely and openly with shareholders, employees, customers, business partners and other stakeholders.
4. Value the individuality of employees, secure a safe, healthy and worker-friendly environment, and provide opportunities for career development.
5. Recognize our responsibility to help preserve the environment and contribute to sustainable development
6. Contribute to the development of host countries and communities, based on the understanding of cultural diversity.

Code of Conduct

Every officer and employee of the Group fully understands and strictly follows the articles of this code of conduct to achieve appropriate management and fulfill its responsibilities as a decent member of society.

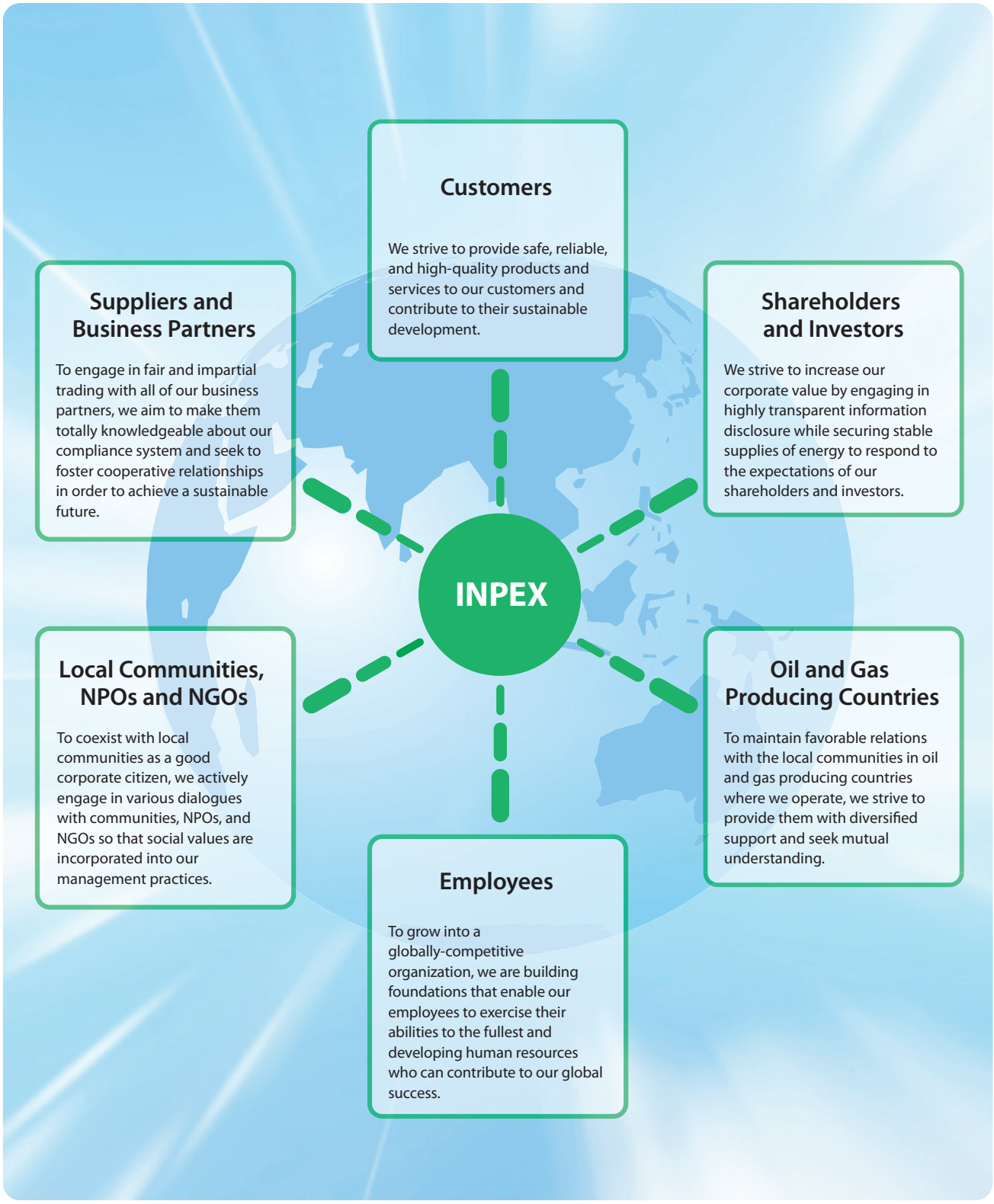
1. Compliance with Laws and Ordinances
2. Respect for Human Rights
3. Contributions to Society
4. Respect for Business Ethics
5. Respect for Employees
6. Approach to the Environment, Safety and Health
7. Securing the Soundness of Company Assets and Finances

WEB For details, please refer to our website:
http://www.inpex.co.jp/english/csr/

Relationships with Major Stakeholders

We are committed to providing society with a stable and efficient supply of energy in an environmentally friendly manner. To fulfill this commitment, we find it imperative to work closely with stakeholders directly or indirectly associated with our business. We thus engage in business activities while maintaining various relationships with stakeholders.

Relationships with Stakeholders



Business Activities

Who are our stakeholders in the various processes of our business activities and how should we meet their interests? We have reconfirmed the answer to this question and here provide an overview for each process.

1 Acquisition of License Blocks

Activities

- Collection of technological information pertaining to regions with potential crude oil and natural gas reserves
- Technological assessment based on existing documentation and purchased materials and preliminary survey of location conditions, political and economic stability, and legal frameworks in potential regions of operation
- Applications and bidding for concession rights or working interest
- Conclusion of contracts to acquire interests

Stakeholders

- Oil and gas producing countries
- Employees
- Shareholders and investors

Consideration for our stakeholders

- Compliance with local laws

Contract signing ceremony

2 Exploration and Evaluation

Activities

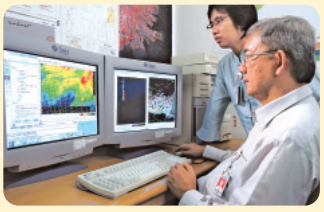
- Collection of basic data regarding the potential subsurface accumulation of crude oil and natural gas by using terrestrial geological surveys, aerial photographs, satellite images, and existing data on exploration
- Implementation of geophysical surveys, including gravity, magnetic, and seismic surveys, to ascertain underground structures and locate favorable structures
- Determination of locations for and drilling of exploration wells to confirm the existence of crude oil and natural gas
- Determination of locations for and drilling of delineation wells to evaluate the extent of the detected crude oil and natural gas
- Evaluation of subsurface information to confirm the distribution of crude oil and natural gas reservoirs and to estimate reserves
- Comprehensive evaluation of the commercial viability of development

Stakeholders

- Oil and gas producing countries
- Employees
- Shareholders and investors
- Partner companies
- Local communities
- Suppliers (vendors, etc.)

Consideration for our stakeholders

- Implementation of environmental impact assessments
- Reduction of impact of exploration activities on the natural and social environments



Study of oil layers

3 Development and Production

Activities

- Formulation of development plans for oil and gas fields
- Drilling of production wells (wells for commercial acquisition of crude oil and natural gas)
- Construction of processing facilities to separate gas and liquid and to filter out impurities, and construction of loading terminals for crude oil and natural gas
- Production of crude oil and natural gas

Stakeholders

- Oil and gas producing countries
- Employees
- Shareholders and investors
- Local communities and NGOs
- Partner companies
- Suppliers (vendors, etc.)

Consideration for our stakeholders

- Active disclosure of data concerning development and production activities
- Scholarships for students in oil and gas producing countries
- Implementation of environmental impact assessments
- Health maintenance of employees at operating sites
- Fair materials procurement
- Safe operation at operating sites
- Reduction of greenhouse gas emissions
- Improvement of local living standards by developing infrastructure

Offshore facility of Bayu-Undan project

4 Refining, Transportation, and Sales

Activities

Oil

- Crude oil produced in Japan is transported by oil tankers and tanker trucks to our refineries, where it is refined into petroleum products such as naphtha, kerosene, heavy oil, and liquefied petroleum gas (LPG, composed mostly of propane and butane), which are then sold and shipped to customers by oil tankers and tanker trucks
- Crude oil produced outside Japan is sold and shipped by oil tankers or via pipelines to refineries and/or trading companies for refining, to power companies for use in thermal power plants, and to petrochemical companies for the manufacture of chemical products
- Exchange of crude oil with other international oil companies to meet customer needs

Natural Gas

- Natural gas produced in Japan is sold to gas companies and large factories via pipelines
- Natural gas produced overseas is shipped and sold to power and gas companies primarily in Japan as liquefied natural gas (LNG, composed mostly of methane) and LPG, or sold to gas producing countries and their neighbors via pipelines
- In 2014, the Naoetsu LNG Receiving Terminal, currently under construction, will begin receiving LNG produced overseas for resale in Japan through domestic gas pipeline network built as part of a gas supply chain

Stakeholders

- Oil and Gas Producing Countries
- Employees
- Shareholders and Investors
- Local communities and NGOs
- Customers

Consideration for our stakeholders

- Product safety control
- Development of systems for stable and flexible supply

LNG tanker

Overall Direction of Medium- to Long-term Strategies and CSR Activities

The INPEX Group is propelling its business based on three medium- to long-term core strategies while drawing on our unique strengths that include rich reserves of natural resources, large-scale LNG projects, a gas supply chain, and a solid financial position.

Three core strategies 1 Sustainable expansion of oil and gas exploration and production ventures

Strive to sustainably maintain and expand production and held reserves to guarantee a stable supply of energy. Additionally, strengthen the overall capabilities of our upstream business (capabilities with regard to information, financing, technology, and negotiation) by operating and promoting current exploration, development, and production projects.

Three core strategies 2 Establishment of gas supply chain and enhancement of gas business

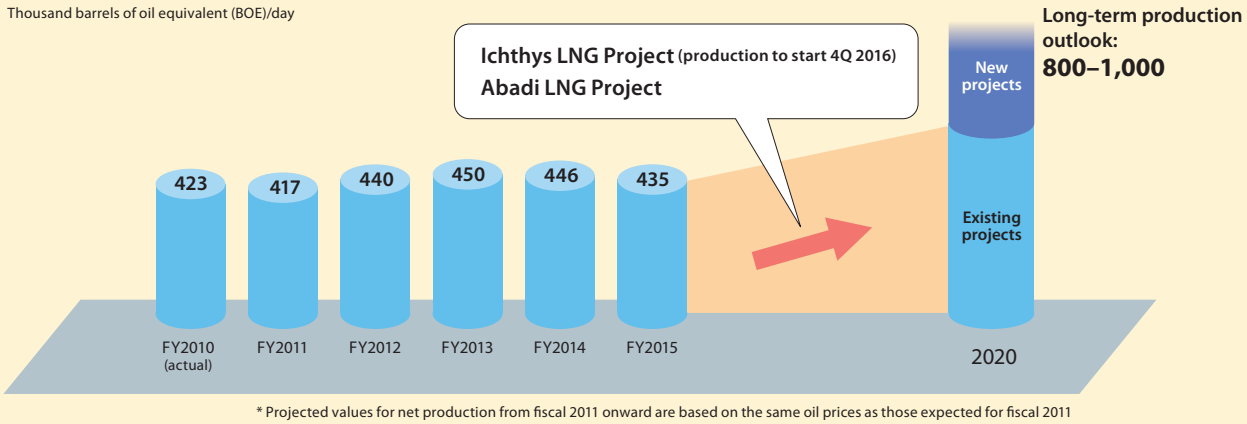
Develop gas supply chain systems that will enhance added value by organically linking Japanese and foreign gas sources with Japanese gas markets through the construction of LNG receiving terminals and the augmentation of our pipeline network.

Three core strategies 3 Growth into a company which provides diversified energy

Pursue additional methods and means of supplying energy to develop and supply diverse forms of energy, and strive to grow into a company that achieves harmony with and contributes to the sustainable growth of local communities and the global society by supplying diverse forms of energy.

Expanding Net Production

Thousand barrels of oil equivalent (BOE)/day



* Projected values for net production from fiscal 2011 onward are based on the same oil prices as those expected for fiscal 2011

We aim to increase net production to between 800,000 to 1,000,000 barrels (crude oil equivalent) per day by 2020, and establish a firm position as a global upstream company among the top group of independents*

* Independent: An independent oil and gas producer next in size to the international major oil companies

CSR Activities Based on Our Medium- to Long-term Strategies

In the process of striving to achieve our medium- to long-term strategies and establish our position as a leading independent, we at the INPEX Group have been actively promoting CSR activities based on the awareness that CSR is an intimate and inextricable part of our business. While our responsibility to society and our stakeholders will grow as our business expands, we will commit ourselves to fulfilling our social responsibility in our operations by working to conserve the environment, ensure safety, create jobs, appreciate human rights, respect cultures and customs, communicate with local communities and NGOs, and so forth. In this way, and by providing a steady supply of energy, we will contribute to the development of a sustainable global society.

Special Feature 1

Selecting the Material Issues

In order to earn the trust of our various stakeholders as an energy company that is expanding its upstream business and operating around the globe, we undertook a thorough review of the material issues we need to tackle on a priority basis.

1 Hearings and Interviews → 2 Screening of the Issues → 3 CSR Task Force Meetings → 4 Stakeholder Dialogue

1 Department Hearings and Interviews

First, we held hearings with respective project divisions, identified CSR issues they recognized as important for conducting business, assessed the issues quantitatively based on their priority, the urgency involved in strengthening efforts to address them, and their potential contribution in satisfying public expectations, and compiled the results.

2 Screening the Issues

By factoring in the perspectives of our stakeholders to the key CSR issues assessed in the hearings, we were able to condense them into the 12 items shown in the matrix below.

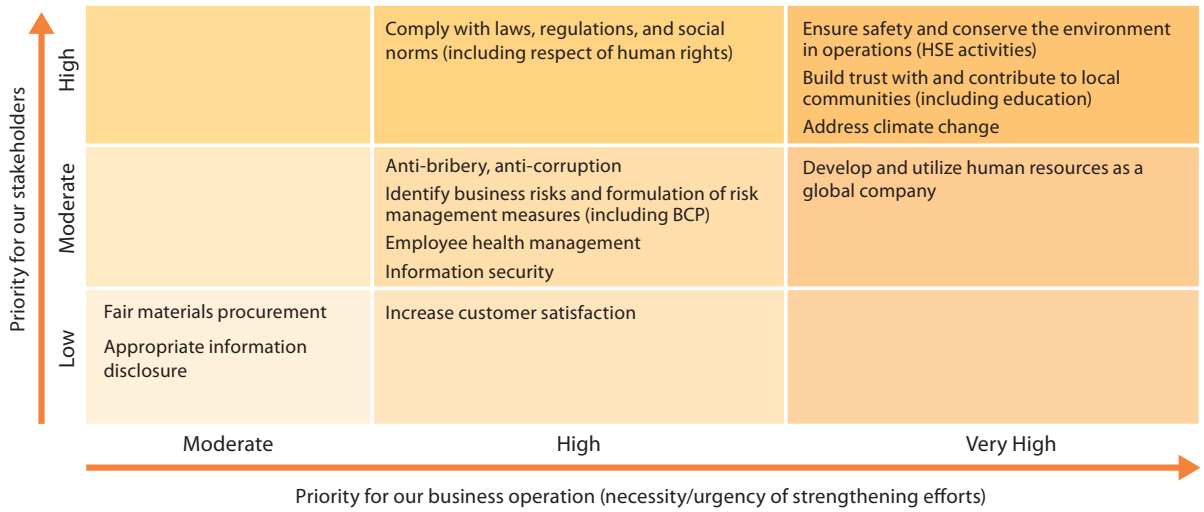
3 CSR Task Force Meetings

From January to March 2011 we held three Task Force Meetings attended by sections in charge of CSR and CSR Task Force members selected from the manager class in project divisions and corporate divisions familiar with the circumstances of each project. Through repeated discussion regarding the key CSR issues we need to address in conducting our business, we isolated five material issues.

4 Stakeholder Dialogue

We talked with external experts and received their advice regarding what material issues our stakeholders especially expect us to address as we continually expand our upstream business and conduct operations globally.

■ Map of Material Issues



Our Approach to CSR

As a global energy company, we pursue sustainable societal growth by becoming aware of our social mission through dialogues with our stakeholders.

To further promote CSR activities going forward, we plan to establish a cross-organizational unit comprised of top management, and at the same time engage in more in-depth discussions regarding the five material issues.

Specifically, we will set targets for each of the five material issues and develop an action plan.

1 Respect international norms, including laws and human rights, and social norms in places where we operate, and act according to high ethical standards

● **Starting point:** When conducting business, observe international norms such as laws, regulations, and other rules, including those related to human rights, and social norms of where we operate.

● **Vision:** Go beyond simply complying with laws and regulations to being properly attentive to various social norms including those of where we operate. Employees will initiate actions that reflect high ethical standards. As a result, we will be highly regarded globally.

2 Practice strict safety and environmental management in operations

● **Starting point:** Reduce environmental impact in daily operations, conduct and manage activities that address environmental risks, and conduct activities to conserve biodiversity and ensure safety when conducting business.

● **Vision:** Ensures safety for all employees in all projects (including those of contractors), and conduct operations without allowing major accidents. Exceed legal and regulatory requirements to minimize environmental impact, and conduct operations while being attentive to biodiversity and environmental risks such as those posed by leakages. As a result, we will exhibit superior safety and environmental performance.

3 Address climate change

● **Starting point:** Any contributions we can make as an energy company toward mitigating climate change. This includes promoting the use of natural gas, and a range of activities related to research, development, and commercialization of technologies for renewable energy and fossil fuels.

● **Vision:** Conduct operations with consideration for the various climate impact of fossil fuel extraction. Develop and supply a diverse range of energies to combat climate change as we undertake technological development.

4 Build trust with and contribute to local communities (contribute to oil and gas producing countries and local communities where we operate)

● **Starting point:** Strive to communicate with governments, local residents, and other public stakeholders in the countries and areas where we operate, communicate our intentions, determine stakeholder needs, and take measures as necessary. This includes providing education for local residents.

● **Vision:** Communicate adequately with stakeholders of where we operate, and conduct business in a form that contributes to the societal growth of such places while giving respect to local cultures, customs, etc.

5 Develop and utilize human resources as a global company

● **Starting point:** Employ talented workers, treat them, and assign them to the positions to which they are suited without discrimination on the basis of culture, national origin, creed, race, gender, or age.

● **Vision:** Actively develop and utilize human resources appropriate for conducting operations globally. As a result, we will achieve a proper balance between business growth and employee satisfaction.

Special Feature 1 Selecting the Material Issues

Our Role in the Future of Energy and Japanese Society

Since the Great East Japan Earthquake, Japan's energy situation has become the focus of attention not only within Japan but also on the global stage. What expectations are being placed on INPEX as a company involved in supplying energy? We invited Toshihiko Goto, Chief Executive of Sustainability Forum Japan and CSR expert, and Kenichi Kumagai, Deputy Secretary of the Japan International Labour Foundation and member of the development committee for ISO 26000, the International Standard Organization's guidance document on social responsibility published in November 2010, to talk with us and give their straightforward opinion regarding the CSR issues INPEX needs to address.

Through this discussion we received encouraging feedback that the five material issues INPEX has formulated are appropriate and proactive goals.

(Discussion held on May 24, 2011)

Participants in the Stakeholder Dialogue

External Experts

Toshihiko Goto
Chief Executive
Sustainability Forum Japan

Kenichi Kumagai
Deputy Secretary
Japan International Labour Foundation

INPEX CORPORATION

Masatoshi Sugioka
Representative Director and Vice Chairman

Katsujiro Kida
Director and Executive Vice President

Wataru Tanaka
Director and Managing Executive Officer

Shuhei Miyamoto
Executive Officer
General Manager, Corporate Strategy & Planning Unit

Position titles are current as of May 24, 2011

Importance of Ensuring a Steady Supply of Primary Energy

Goto: Given Japan's recent history with the Great East Japan Earthquake and resulting accident at the Fukushima Daiichi nuclear plant—or "3/11" as the event is being called in Japan—building new nuclear power plants will likely be difficult until around 2050.

Sugioka: I feel the same way. Some people think we should quit all nuclear power, while some say nuclear is fine as long as it's properly managed and made safe. What do you think?

Goto: It's questionable whether we can endlessly stop using the dozens of nuclear reactors we already have. The important question is, from a carbon standpoint, how safely can we use the reactors we have now? I think we need to resume safe operation of these reactors while working on issues that need to be addressed, such as the role of NISA and risk management systems at utility companies.

Sugioka: I also think it's unrealistic to do away with nuclear energy, but will the public trust nuclear power, even if they were told everything is being done properly in terms of technology, organization, and risk management? Restoring the public's trust will be the biggest challenge.

Goto: I see. So new reactors are out of the question, and bringing existing reactors back into operation will not be so simple.

Kida: Based on what you've said, it seems that fossil fuels like oil and natural gas will stay as the main source of energy until around 2030 or 2040.

Goto: Yes, I think oil and natural gas will definitely stay mainstream until 2030, possibly until 2040. In which case INPEX has a big role to play, given the need for steady development and supply of primary energy.

Expectations for Diversified Energy

Goto: Maintaining a constant supply of primary energy is absolutely necessary, but at the same time INPEX also needs to focus on developing new energies, natural energies, and renewable energies.

Kumagai: Immediately after 3/11, I received an email from one of the drafters of ISO 26000 saying, "I know it will be difficult, but I want Japan to become a model of proper energy use." That's the level of expectation the world has as it watches Japan.

Kida: Our business strategy at INPEX is to sustainably expand our oil and gas upstream business, establish a natural gas supply chain and diversify our gas business, and become a company that offers diversified energy sources. I think our trajectory is appropriate, and in particular we also should try to speed up the second and third strategies.

Goto: Yes, I think your trajectory is appropriate. Awareness of the shift to natural energy is also starting to change now from what it was before 3/11. How is your awareness changing?

Miyamoto: Although we had been developing natural gas, we were also acting on our conviction that we needed to expand into natural and renewable energy even before 3/11. For example, geothermal uses technologies similar to those INPEX uses to develop oil and natural gas; therefore, we believe that we have something to contribute in expanding that field.

Goto: Japan, after all, is said to have significant geothermal potential. Given your line of business, I think offshore power generation is also a possibility. There are some challenging aspects to that, like the problem of fishing rights, but I'm hopeful that you can create a win-win relationship through continual discussions with local communities.

Material Issues: Address Climate Change

Thinking about Solutions, Including New Technology Development

Goto: The longer fossil fuels play a main role in power generation, the more we need to focus on the carbon issue. In Japan, which lies in a temperate zone surrounded by ocean, it's hard to feel the damages of global warming, but phenomena attributed to global warming are already occurring, drought in Australia being one example.

Kida: In terms of the effects of carbon dioxide, there is strong support for the theory that the Earth is warming, but there are also some who argue the opposite, that the Earth is cooling. Either way, carbon is an issue we have to consider.

Goto: As you said, the correlation between carbon dioxide and global warming has not been clearly demonstrated, scientifically speaking. Still, the global political consensus is set on reducing carbon dioxide emissions, so I think emissions reduction efforts will steadily move forward.

Kida: The approach to CCS (Carbon Capture and Storage), one potential solution, started with the attempt to "store" carbon but now is moving in the direction of CCU (Carbon Capture and Use), or "using" carbon. This is in my opinion, a great idea. Research and development on artificial photosynthesis is starting to gain ground, and we've started research activities in this and other areas.

Material Issues Ensure Safety and Conserve the Environment in Operations

A Stable Energy Supply Is Impossible Without Safety

Goto: A catastrophe occurred in April 2010. An oil drilling rig in the Gulf of Mexico exploded, spilling an unprecedented amount of oil. At one point we even heard news that BP, the company operating the drilling, would be bought out. When a company allows a major accident like this to happen, it invites conditions that threaten its very existence. After the BP spill, public requirements toward safety, such as technological level and preventive measures, will get a lot more strict. This is another area I hope INPEX will focus its efforts on.

Miyamoto: We at INPEX see ensuring operational safety as a critical key issue. Given that a steady energy supply is impossible without safe operations, we will strive to ensure safety, including preparing for various scenarios and performing risk management.

Material Issues Comply with Laws, Regulations, and Social Norms

Respecting Human Rights in the Broad Sense

Kumagai: In November 2010, a new international standard, ISO 26000, was published. ISO 26000 was created based on an international consensus among expert representatives of the main stakeholder groups. The standard was created with a vision for the decade from 2020 to 2030. It reiterates the need for companies and organizations to be considerate of minorities.

Goto: Going forward, human rights will become a more central issue within the United Nations framework. Many companies in Japan view "human rights" and "non-discrimination" as the same issue, but non-discrimination measures do not cover the entirety of human rights issues. For instance, work-life balance and fair treatment of female employees are also human rights concerns of which global companies need to be especially careful.

Kumagai: There's a move to make it a global rule that says it's not okay for a company to reap huge profits while watching idly as human rights are being violated. This rule is becoming a global standard. What we need to be careful of is getting entangled in a CSR violation lawsuit. There have been actual cases where Japanese and foreign companies were both accused of violating international guidelines because the foreign company developed resources based on the premise that the Japanese company would buy them. I'm deeply concerned about the growing number of situations like that.

Goto: Standing by as a company you've invested in is violating human rights will make you a tacit accomplice of those violations. I understand that INPEX, too, has an interest in some companies as a minority. You need to be careful because even in a minority position it's possible that you could get caught up in such a situation.

Our Role in the Future of Energy and Japanese Society

Material Issues Build Trust with and Contribute to Local Communities

Communicating with Local Communities is Essential

Goto: CSR is a necessary foundation for INPEX to achieve the three strategies it's pursuing in its core business. CSR is sometimes called "the license to operate." I think it's important to communicate and to engage in a dialogue with NGOs and other local community members to figure out what expectations they have.

Sugioka: We currently have projects underway in Australia. We couldn't take a single step forward without talking with our stakeholders in Australia. One of the project members said that only through extensive communication were we finally able to obtain our social license.

Kida: In Australia we worked with the government to support the building of a vocational training school for minorities. The school opened in April 2011 and has received extremely positive responses. We have to prioritize these issues, and by prioritizing them we've experienced that we can earn a fair assessment of our business.

Tanaka: Instead of responsibility, I think of the 'R' in CSR as how to respond to the public's expectations. When we develop oil and natural gas resources overseas, local expectations are huge because local communities also have much to benefit from our business. I believe our first social mission is to give our greatest effort to creating a win-win relationship with local communities.

Material Issues Develop and Utilize Human Resources as a Global Company

Respecting Diversity

Kumagai: The first problem that comes to mind when thinking of Japan in 2020 or 2030 is population decline. How do we reconstruct Japan away from its Tokyo-centric orientation and impart vitality to rural areas? At the same time, we also have to seriously address the provision of a work-life balance for employees. Japan is still far from harnessing the full potential of women. For work-life balance, I think companies in Japan need to change their corporate cultures to make better use of senior citizens and be more foreigner friendly.

Sugioka: Making the best use of diverse employees will become increasingly important for conducting business in unfamiliar cultures. For a long time, European and American companies have had a monopoly on development in the resource industry, and Western rules have become the standard way of doing things. Any Japanese company entering an industry like that is bound to come up against extraordinary challenges. Japanese companies, ourselves included, need to conduct business while understanding those unfamiliar Western rules and communicating clearly with local employees and communities.

Kumagai: Imagine that organizations are "boats": Large boats can't make sharp turns, but they can change course little by little. This has profound meaning for companies and for society. I believe that CSR is exactly summed up by that analogy. In terms of women and minority issues as well, I think organizations in Japan need to steer the helm in some way or another.

Miyamoto: We've learned a lot from your many valuable comments today. We intend to make use of what you've said to improve our CSR activities here at INPEX. Thank you very much.

Special Feature 2

Towards a Stable Supply of Energy

— Our Response to the Great East Japan Earthquake —

The Great East Japan Earthquake of March 11, 2011, was a natural disaster unprecedented in scale in recent times. It caused enormous damage, especially in the three prefectures of Japan's Tohoku Region. There was significant disruption of social infrastructure: electricity, gas and water services were rendered inoperable, and relief supplies necessary for daily life could not be delivered to desperate survivors until weeks later. To the INPEX Group, the disaster reinforced the importance of supporting society's infrastructure as an energy company, and we were quick to reaffirm our dedication to ensuring a stable supply of energy resources at all times.

Effect of the Great East Japan Earthquake on the Group, and Our Response

In our company, a "Corporate Crisis Management Team" performs disaster response in the event of emergencies that affect our operations. On the day the Great East Japan Earthquake struck, this crisis management team office sprang into action, and quickly and methodically ascertained on that day and subsequent days that there had been no fatalities among company personnel, nor damage done to the Minami Nagaoka Gas Field, Koshijihara or Oyazawa plants (the primary production plants of our gas business in Japan), or to the gas pipeline network in the Kanto and Koshinetsu areas. Slight damage to natural gas production facilities in Chiba Prefecture was identified, but timely and careful restoration work by our personnel on the spot enabled resumption of facility operation there three weeks after the earthquake.

As well as engagement in energetic on-the-ground recovery efforts, we also donated funds to the Japanese Red Cross Society and relief supplies to those areas hit hard by the disaster. We also delivered such petroleum products as gasoline, kerosene, and diesel, produced by INPEX Group refineries, direct to affected regions via tanker truck, as well as supplied additional crude oil and LNG from our overseas sources to power companies for use in power generation. Employees from a gas-utility company in the INPEX Group joined in utility gas pipeline restoration work in affected regions as part of their relief efforts.

The Corporate Crisis Management Team engages in discussion

Stable Natural Gas Supply System Strengthening Initiatives

Every year, over a pipeline network with a total length of approximately 1,400 kilometers, we supply utility gas companies and factories in Japan with a volume of natural gas equivalent to the amount consumed annually by approximately four million households. In order to establish a gas supply chain linking overseas natural gas supply sources with the Japanese natural gas market, we are working on the construction of the Naoetsu LNG Receiving Terminal in Joetsu City, Niigata Prefecture.

Our natural gas supply operations are very community oriented, and are intricately tied to everyday life. In response to the disaster, we have decided to review the following in order to ensure that we are always able to provide a stable supply of natural gas.

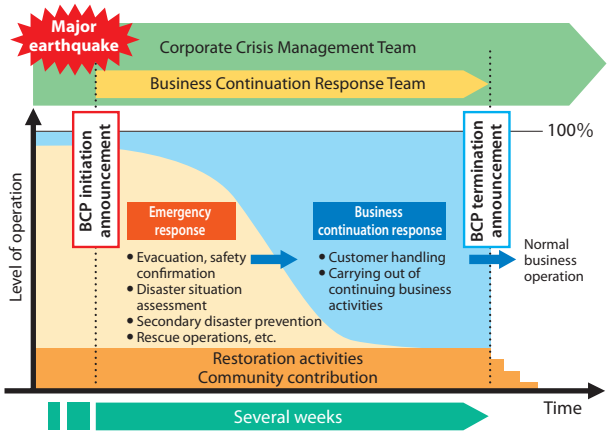
1. Review of Our Business Continuity Plan for Emergency Situations

We have been maintaining and upgrading our Business Continuity Plan (BCP) in a systematic and constructive manner, based on an existing manual specifying what response to take in the event of an earthquake, but in response to the scale of this disaster, we have created a more comprehensive BCP for our Akasaka headquarters mindful of the possibility of an earthquake striking Tokyo direct.

In establishing this BCP, we have created a document architecture composed of (1) basic guidelines defining fundamental BCP policy, including prioritization of human life, and cooperation and coordination with the community, (2) business continuity plans defining how to continue our headquarters operations (operations related to the maintaining of social functions such as our domestic natural gas business), and (3) an earthquake response manual defining what actions are to be taken, from initial response when an earthquake strikes, to switchover to the BCP system. This document architecture will enable us to smoothly continue headquarters functions and operations in the event of an emergency.

In implementing this BCP, we plan to continue to perform various risk evaluations, both inside and outside Japan, and carry out inspections to determine what improvements are possible.

■ Overview of Emergency Response System and Business Continuation Response

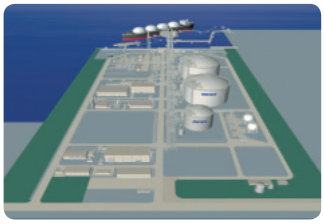


2. Review of Naoetsu LNG Receiving Terminal Design

In the design work of our new Naoetsu LNG Receiving Terminal, currently under construction, we have ensured a high level of safety in the face of earthquake activity through our latest anti-earthquake design guidelines. In addition to employing safety measures such as the installation of levees to protect against tsunamis, we have also taken all possible steps to prevent secondary disasters such as land subsidence or liquefaction.

However, taking into consideration the massive damage caused by this recent earthquake, we have decided to perform a thorough review of the design of this receiving terminal. Specifically, in order to improve the facility's margin of safety in the face of earthquakes or tsunamis, we are beginning preparations to reinforce the levees, and overhauling the facility's foundation design to better protect against tsunamis, in addition to flooding countermeasures such as raising the foundation elevations of power generation and electrical facilities. We plan to continue gathering information and deploying new countermeasures as necessary when new information or insights become available.

We plan to begin operations at the new receiving terminal in 2014, and will continue to take appropriate measures in order to create disaster-resistant facilities.



Conceptual image of the Naoetsu LNG Receiving Terminal

Towards a Stable Supply of Energy

The Great East Japan Earthquake has not only thrown into sharp relief the issue of attaining energy security for Japan, which has limited natural resources, but also spurred tremendous debate on the future of energy and its role in society. Expectations are rising for natural gas and renewable energies as replacements for nuclear power, which has been used to produce a relatively large portion of Japan's electricity. Natural gas, in particular, has a smaller environmental impact than other fossil fuels, and there are abundant reserves, so demand for natural gas as an efficient energy source is forecast to rise.

The earthquake has prompted the INPEX Group to reconfirm its role as an energy company. We will continue to make the most of our abilities and experience as an oil and natural gas development company, while further reinforcing our system for providing a stable supply of energy.

The large scale Ichthys (Australia) and Abadi (Indonesia) LNG projects we are developing as an operator will have a joint production volume equivalent to slightly more than 15% of the total LNG imported by Japan. The INPEX Group will work together to ensure that these two projects begin production as scheduled. Responding to society's expectations of us as a supplier of stable energy, we will also construct an integrated gas supply chain in Japan that covers from LNG receiving terminals to a wide range of natural gas transport pipelines.

Corporate Governance

Overview of Our Corporate Governance

At INPEX, the Board of Directors meets once a month or as needed to review and make decisions for implementing important business operations and to oversee the directors' execution of their duties. The CEO serves as both a corporate officer and chairman of the Board of Directors. The Board of Directors is comprised of 15 members, of whom four are external directors—management professionals with long years of experience and knowledge concerning our operations. These directors are appointed by INPEX to provide their expert opinions and objective insights into the management of our operations and are expected to contribute to the development of the company. Two of the four external directors serve concurrently as managing directors of operating companies that own stock in the INPEX Group.

Since the operating companies are engaged in the same fields of business as INPEX, all members of the Board, including external directors sign and submit pledges concerning appropriate handling of non-competition clauses and conflict of interest transactions in accordance with the Companies Act as well as the prevention of information leakage.

In addition, we hold a Management Committee meeting once a week, or more often if required, to facilitate flexible decision-making on matters not subject to the approval of the Board of Directors. Moreover, we established the Executive Officer System to make the management structure more flexible and efficient.

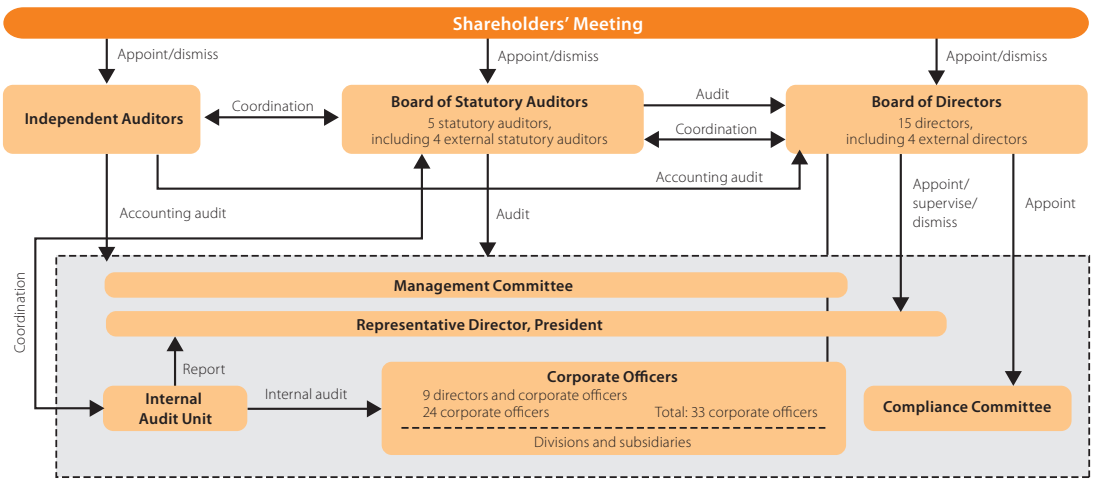
A statutory auditor system is also in place with the Board of Statutory Auditors composed of five statutory auditors, four of whom are external auditors. Under this system, statutory auditors attend meetings of the Board of Directors as well as the Management Committee, and hold interviews with and request reports from relevant divisions as needed. They are responsible for auditing the directors' execution of their duties in day-to-day operations and individual projects. They also receive reports from the independent auditors on regular and irregular audits and, as needed, reports from the Internal Audit Unit on the state of internal audits. The four external auditors are chosen for their wealth of experience and knowledge in the E&P business, finance, and other fields, which they put to use in their auditing duties for INPEX.

We also have an Internal Audit Unit with 14 full-time members, independent of our business divisions and reporting directly to the CEO to ensure the appropriateness and efficiency of business activities. The unit reviews and evaluates the status of management entities and the efficiency of business operations, identifies problem areas, submits reports to management, and performs follow-up audits to ensure continual improvements. The unit also consults with the independent and statutory auditors in a timely manner to ensure sound management.

Internal Control System

In accordance with the internal control reporting system mandated by the Financial Instruments and Exchange Act enacted in April 2008, the assessment team of the audit unit assesses the establishment and operation of internal control systems for financial reporting in the INPEX Group. As a result of this assessment, which was concluded at the end of March 2011, we determined that the internal control systems for financial reporting were functioning effectively, and these findings were submitted to the pertinent regulatory agency in June 2011 as an internal control report. We also received an unqualified opinion from an independent auditor regarding our internal control report.

■ Corporate Governance Structure



As of June 28, 2011

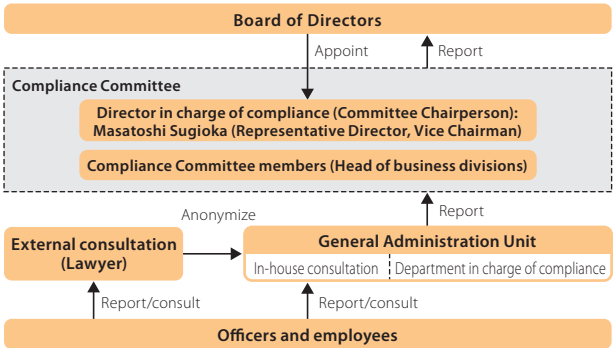
Compliance

Compliance Policy and System

In April 2006, we formed the Compliance Committee to ensure consistency in compliance throughout the Group, and to manage the implementation of compliance practices. The Committee also works with the statutory auditors, Board of Statutory Auditors, independent auditors, and Internal Audit Unit to (1) develop and implement compliance programs; (2) monitor their implementation; (3) raise employees awareness of compliance policy and procedures; (4) receive reports on and investigate cases of noncompliance; (5) issue warnings and take measures to end any noncompliant conduct; and (6) establish measures to prevent recurrence of noncompliant conduct.

To encourage INPEX Group employees to put compliance into practice, the Committee also distributes a Compliance Manual and Compliance FAQ literature and uses them to develop awareness of compliance across the Group.

■ Compliance System



Help-Line System

In April 2006, we established the Help-Line System for Group officers and employees in accordance with the Whistle-blowers Protection Act.

To operate this system, we devised Help-Line Procedures which outline stipulations on the mandatory reporting of fraud or unethical conduct, fact-finding procedures, protection of whistle-blowers, and confidentiality. Confidential reports are submitted to the department in charge of compliance (the General Administration Unit) or an external expert designated by the Compliance Committee. When the latter receives a confidential report, it is shared with the former in a timely manner. Our officers and employees can report unethical behavior anonymously and are rigorously protected against retaliatory action for filing such reports. The Help-Line System was used twice in fiscal 2010.

Compliance Training

From March to July 2010, we held 66 compliance training sessions across Japan based on the results of a compliance questionnaire conducted for all Group officers and employees in December 2009. In these sessions, we explained the issues and areas for improvement that were identified through the survey, and reconfirmed our basic stance on compliance, touching on the Group's Mission, Corporate Social Responsibility Policy, and various case studies. Sessions primarily focused on raising awareness of information security and on human rights education regarding various types of harassment. Many officers and employees participated in the training sessions, including Japanese employees stationed in overseas offices who utilized a TV conference system, thus contributing to raising compliance awareness in the Group.

Moreover, in December 2010 we enhanced compliance communication by launching a Compliance Committee website on the intranet and by publishing the first issue of a monthly internal newsletter on compliance. By periodically providing concrete compliance-related information that can be used in day-to-day work, we will stimulate a greater interest in compliance and raise awareness across the Group.

In Focus

Strengthening Information Security

To fulfill our social responsibility and maintain the public's trust as a global energy company, we have been earnestly working to establish and promote information security by strategically using information technologies.

Since formulating our Basic Policy for Information Security in October 2008, the Group has been working together to manage risk and make continual improvements to security. Our efforts have particularly focused on raising officer and employee awareness of information security through education and other awareness-raising activities. We have repeatedly installed, operated, and improved systems to enable safer handling of information in an aim to address system weaknesses that could lead to unauthorized access and threats such as computer virus infection.

In fiscal 2010, no security-related incidents occurred to our information assets. Going forward, we will continue to strengthen information security to fully prepare ourselves for risks.

HSE Management System

Message from Director in Charge of HSE

Masatoshi Sugioka
Representative Diretor
Vice Chairman in charge of HSE

The INPEX Group strives to become an integrated E&P company, committed to contributing to the development of society as a good corporate citizen that upholds high business ethics and has a corporate culture that places ensuring safety and environmental integrity at the top of its agenda.

We are also committed to following rules and standards prevailing in the international community when conducting our business on a global basis to secure and provide a stable supply of energy for our customers. There are also strong demands to globalize our corporate culture.

In December 2007, we developed the HSE Management System Manual to carry out integrated health (H), safety (S) and environmental (E) activities based on internationally recognized standards.

The development of our HSE Management System encompassed a broad range of HSE activities such as creating various HSE documents, setting up the cross-departmental HSE Committee and HSE supporting groups, drawing up our annual HSE Objectives and Programs and so forth. As this system is being implemented in a systematic and consistent manner, we can now promote HSE activities at a higher level. It has also resulted in more voluntary and ambitious efforts on the part of the Operational sites, thus enabling a dramatic reduction in the number of lost time injuries. Even so, we need to make steady efforts to determine whether "safety first" and "environmental stewardship" have indeed spread to every corner of our Group. We need to make sure that risk is managed, HSE plans are implemented, and emergency response training is conducted even for small operations. We must enhance the system so that accidents are promptly reported to the top of the organization and that measures are taken to prevent recurrences. We began HSE culture development activities with the understanding that these activities also have a bearing on how we should build our HSE culture as an organization.

HSE activities in the INPEX Group are implemented not only by our leaders in corporate management but also by the employees of the Group and contractors who perform various tasks at the forefront of our operations. In order to execute on-site tasks while also putting safety first and conserving the environment, we have to maintain high skill levels among our employees. For that purpose, we need to improve our HSE training programs, both quantitatively and qualitatively.

In the future, activities at the INPEX Group will become increasingly globalized and our projects will grow larger and more complex. As we conduct our business in different natural environments, diverse workplaces, and in association with a broad array of stakeholders, we will carry out HSE activities with our unwavering commitment to being a company that is trusted and truly needed by society.

Health, Safety and Environmental Policy of the INPEX Group

The INPEX Group is a global, independent energy company and our vision is to provide a stable and efficient supply of energy to our customers. We recognize our responsibility for sustainable development and, in this regard, we aim to protect the health and safety of all those associated with our business activities and to minimize adverse impacts on the environment.

To accomplish this, we will:

- Comply with all applicable HSE laws and regulations, and apply our standards where laws and regulations do not exist or are considered insufficient.
- Implement and maintain HSE management systems, and perform regular audits of legal compliance and progress of our HSE activities to achieve continuous improvement in our HSE performance.
- Identify and assess health and safety hazards and eliminate or, if not possible, reduce risks to as low as reasonably practicable to prevent incidents.
- Conduct environmental assessments and promote efficient energy consumption to reduce adverse environmental impacts.
- Maintain and regularly test emergency plans to ensure a quick and effective response in the event of emergencies.
- Provide resources that will enable our employees to meet HSE objectives and targets.
- Provide training in HSE activities and safe driving to ensure all employees are aware of their responsibilities and accountabilities in these areas.
- Require contractors to manage HSE in accordance with this Policy, and to achieve agreed HSE targets.
- Communicate openly on HSE activities with stakeholders.

June 23, 2010
Toshiaki Kitamura
Representative Director, President
INPEX CORPORATION

Overview of the HSE Management System

The INPEX Group strives to make continual improvements to its HSE performance under an HSE Management System that coordinates our health (H), safety (S), and environmental (E) practices. These improvements reflect ISO 9000, ISO 14001, and the occupational health and safety management system (OHSAS 18001 and OHSMS guidelines) and International Association of Oil & Gas Producers (OGP) guidelines. Our HSE Management System encompasses a document architecture that includes the HSE Policy, the HSE Management System Manual, as well as corporate HSE procedures and guidelines; an organizational structure comprising HSE committees established at headquarters and in Operational Organizations; and HSE objectives and action plans for HSE programs devised each fiscal year. Our HSE Policy declares our basic objectives in carrying out HSE activities. To achieve our objectives, we are structuring the inter-relationships between important components of the HSE Management System, such as contractor management and HSE skills training, and between the respective components and applicable HSE documents within the HSE Management System Manual, and also defining requirements within the corporate HSE procedures.

In addition to these HSE documents and the supporting groups, an A-PDCA cycle that starts with risk assessment is also an essential process for implementing the HSE Management System. We are therefore performing tasks required for each phase, for example HSE audits and HSE reviews in the design stage, to ensure better implementation of the System.

Employee Voice **Point System for Raising HSE Awareness**

Hirotake Watanabe
Production Team Coordinator
Nagaoka Field Office

Since 2009, Nagaoka Field Office has been developing and operating an HSE Manual based on the ISO 14001 certification it obtained in 2003, its introduction of an OHSMS in 2004, and introduction of an HSE Management System in 2007. Having issued 21 versions of the manual so far, we try to keep the manual relevant and make it more useful in daily work by conducting a review at every monthly HSE Promotion Committee and HSE Working Group meeting. As a program to raise awareness of HSE within the Office, Nagaoka Field Office introduced an HSE point system based on self-reported participation in HSE activities and observations of risky behavior. By carrying out HSE activities that invite participation from everyone, including the field office director and dispatched employees, we are stimulating an awareness of and desire to participate in HSE activities on a daily basis.

Initiatives for Promoting and Implementing the HSE Management System

The HSE Unit at headquarters is in charge of promoting the INPEX Group's HSE Management System. When necessary, HSE Groups are organized for our Operational Organizations.* To promote systematic Group-wide HSE initiatives, we established the Corporate HSE Committee, which together with the HSE committees in each Operational Organization deliberates on corporate HSE procedures, deliberates and follows up on HSE activity plans, including HSE objectives and HSE programs, and explores measures to promote the development of an HSE corporate culture.

At headquarters, the first Corporate HSE Committee meeting was held in October 2007. We held eight meetings in fiscal 2010 to discuss the content of HSE objectives and programs and HSE-related documents, and the results of HSE activities and HSE audits.

The HSE Unit and HSE Groups are also making efforts to hire HSE specialists and provide employees with on-the-job training in an aim to further promote HSE.

* Operational Organizations: The INPEX Group headquarters and organizations that implement operator projects

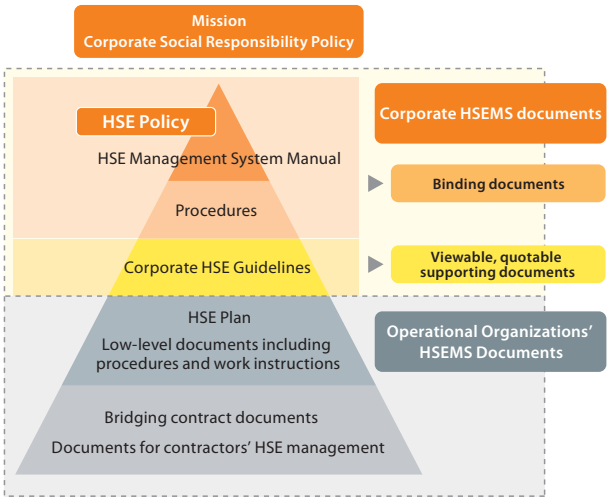
■ Framework for Implementing the HSE Management System

HSE Management System

Document Architecture for the HSE Management System

HSE activities in the INPEX Group are clearly set forth in a series of HSE documents ranging from our HSE Policy, Corporate HSE Management System Manual, Procedures, and Guidelines. This system is given the hierarchical structure shown in the figure below. On the corporate level, documents are established to comprehensively manage all HSE activities. Operational Organizations establish the documents they need to manage their own activities, e.g., exploration, development, and production operations. So far, we have created 23 Corporate Procedures and 26 subordinate documents consisting of Guidelines and various plans. We inform employees of content related to procedures and guidelines by posting information over the intranet and through other means. We also periodically review documents to ensure that they stay relevant to our operations.

■ Document Architecture for the HSE Management System



A-PDCA Cycle

The Access-Plan-Do-Check-Act (A-PDCA) cycle is an important process within the INPEX Group's HSE Management System. Steps in the cycle include Access, in which we define risk management, legal, and other requirements; Plan, where we formulate HSE and emergency response plans; Do and Check, which involve collection and analysis of HSE-related data and HSE audits; and Act, consisting of management reviews. This process is also critical for continually improving our HSE activities.

HSE Audit

We conduct HSE audits of corporate and Operational Organizations to continually improve our HSE performance. HSE audits cover each organization's HSE management system, its operations, and all related HSE activities. In fiscal 2010, we audited three Operational Organizations: Gas Guarico, S.A. in Venezuela, Teiseki Drilling Co., Ltd. in Japan, and West Bakr Petroleum Co. in Egypt. HSE audits assess five key parameters—HSE management system development, implementation of the A-PDCA cycle, effectiveness of HSE objectives, improvements from the previous audit, and contractor management—and provide feedback on non-conformities, observations, and achievements to bring about continual improvement to HSE activities.

HSE audit of Gas Guarico in Venezuela

HSE Awards

Every year the INPEX Group confers HSE awards with the purpose of improving the HSE performance of companies within the Group and raising awareness of HSE. Award recipients in fiscal 2010 were as follows:

- HSE Award for Excellence: Teiseki Pipeline Co., Ltd.
- HSE Achievement Award: Ichthys Onshore Geological Survey Team
- HSE Achievement Award: Keijiro Kono, Nagaoka Field Office

At the award ceremony

Employee Voice **On Receiving a Group Award for HSE Achievement**

Harutoshi Usui
Senior Coordinator
INPEX Browse, Ltd.

We conducted a geological survey on land in Darwin, Australia where construction of an LNG plant was planned. The site is hot, humid, and surrounded by mangrove forests. For health and safety, we implemented measures to prevent dehydration and fatigue from sweating in the heat. Environmentally, we eliminated a large portion of our potential environmental impact by using amphibious vehicles to access the mangrove wetland area. Our survey was also highly commended within Australia, winning an Environment Award from the Australian Petroleum Production & Exploration Association (APPEA). We will use the geological data obtained through the survey to carry out specific designs of the LNG plant.

HSE Communication

In fiscal 2010, the INPEX Group implemented a program to improve HSE communication based on the results of the HSE Awareness Survey conducted in November 2009.

As a part of this program, in October 2010 we held an HSE Managers Meeting, gathering all managers in charge of HSE at Japanese and overseas Operational Organizations. At the meeting, managers presented their HSE activities and discussed a range of issues that included contractor HSE management and environmental management.

To strengthen communication between the HSE Unit and various Project Divisions at headquarters, we periodically held HSE Liaison Meetings, where attendees exchanged information on HSE management systems, HSE activity updates, and more. Five such meetings were held in fiscal 2010, and we will continue to hold these meetings in fiscal 2011 with more and better content.

We are also increasing our use of videoconferencing to improve the quality of communication with foreign project sites. Holding a videoconference with all overseas sites simultaneously is not easy given their location in different time zones, so only some sites participate. One site, the Perth Office at the Ichthys Project in Australia, participates regularly in videoconferencing with us. We have found that a direct exchange of thoughts has helped our HSE managers to not only share information but also build greater trust in each other, strengthening the sense of cohesion within the Group.

We will continue to place an importance on face-to-face communication and will explore various other ways to strengthen communication.

HSE managers engage in discussion at a HSE Managers Meeting

HSE Training and Cultivating an HSE Corporate Culture

Continuing from previous years, in fiscal 2010 we planned and implemented HSE training in accordance with the annual HSE Programs. At the corporate level, a total of 1,015 people attended 29 sessions of HSE training in the form of seminars, group training, and e-learning formats. Training curriculum covered a range of topics including basic HSE knowledge, the latest environmental management practices, emergency response, security capabilities, and specialized HSE skills. Operational Organizations in both Japan and overseas also conduct training on operational safety, environmental management, emergency response, and other topics according to local needs. Operational Organizations in Japan are expanding their safety training programs by adding external seminars to on-the-job base training. Going forward, our aim is to further raise awareness of safety by providing training that focuses on risk assessment, human error prevention and other important issues.

While the INPEX Group has directed its efforts so far to developing HSE management systems and carrying out other activities such as training, with document creation and systems development making progress and the HSE activities framework becoming firmly established, we have come to the next stage in which we will focus on cultivating an HSE corporate culture to further solidify HSE activities. Three components make up a sound HSE culture: An HSE system, organizational attitudes and actions towards HSE, and the sharing of those attitudes and actions within the organization. To foster a HSE culture, we need to confirm what our current situation is like and then paint a picture of the type of company we want to be a number of years from now. To that end, in August 2010 we began preparations to determine the current status of our HSE culture, including discussion of what kinds of parameters to use in our assessment, and started a HSE Cultural Maturity Survey in April 2011. Based on the results of this survey, from fiscal 2011 onward we will implement activities that will contribute to the cultivation of an HSE culture in the INPEX Group.

In Focus

HSE within the CSR Philosophy

Similar to compliance and information security, HSE occupies a certain place in the CSR of our company. Being an oil and natural gas developer, we place particular focus on HSE as part of our ongoing CSR efforts. To realize our corporate mission, it is essential that we ensure safety and conserve the environment in our operations and cultivate and foster a trusting relationship with our stakeholders around the world. In this ever-evolving and unpredictable world, our stakeholders' needs will also change. What will remain unchanged, however, will be the need for us to manage our operations safely, thereby conserving the environment and allowing us to coexist and prosper together with the surrounding communities.

HSE Objectives and Plans

We have formulated an HSE Medium-term Plan covering the period from fiscal 2010 to 2012 to ensure that, by operating the HSE Management System, occupational health and safety and environmental measures are implemented and the principles of our HSE Policy are put into action.

The HSE Medium-term Objectives have been set based on the premise that we will conclude the introduction phase of our HSE Management System by 2012. Corporate and Operational Organizations will set annual HSE objectives as they seek to achieve these targets. Each Operational Organization will formulate its own HSE Objectives and Plan according to its own circumstances and based on the corporate HSE Objectives.

In addition to carrying out the activities listed below, in fiscal 2010 we also conducted an annual HSE audit, presented HSE awards, and conducted a risk assessment of the safety of employees posted overseas and health management in project operations. We also finished designing the outline of an HSE data collection and analysis system now under development, aiming to bring the system online in 2011. Additionally, by participating in and contributing to International Association of Oil & Gas Producers (OGP) activities, we gained useful insights and information.

For details, please refer to our website:
http://www.inpex.co.jp/english/csr/

HSE Medium-Term Plan and Corporate Objectives and Programs in FY2010

HSE Documentation

Medium-term target: (1) Finish creating HSE documents and educating employees on their content at both the corporate and operational level. Ensure that all HSE managers have a uniform understanding of such content.

Action Item in FY2010		Rating	Performance Evaluation, Issues, and Future Actions
1-1	Formulate corporate HSE policies	★★	• Corporate HSE documentation is going forward as planned, set to finish by end of 2012; formulated 26 manuals and policies in fiscal 2010; also assisted documentation at Teikoku Oil (Suriname) Co., Ltd. as planned • Will update existing documents as they age past three years since last issuance; will continue to provide assistance related to HSE management system development
1-2	Formulate operational HSE documents	★★	

HSE Organizational Development

Medium-term target: (2) Identify the minimum level of resources needed to execute the HSE Management System, and develop those resources at corporate and operational levels.

Action Item in FY2010		Rating	Performance Evaluation, Issues, and Future Actions
2-1	Add HSE personnel	★★	• Restructured group organization and employed three personnel members, dispatching one to the Domestic Project Division • Will continue to dispatch corporate HSE personnel to projects in and outside Japan at opportune times; further additions and flexible and quick mobilization of external experts is a future goal
2-2	Exchange ideas with Operational Organizations	★★	

Promote Environmental Management Activities

Medium-term target: (3) Identify environmental management parameters and create an annual environmental management plan that includes management policies, numerical targets, and actions for continuous improvement. Refer to the IFC EHS Guidelines[1], an international standard, as a guide for setting voluntary targets when formulating the plan.

Action Item in FY2010		Rating	Performance Evaluation, Issues, and Future Actions
3-1	Evaluate environmental management plan	★★	• Discussed the environmental management plan at the HSE Annual Meeting and other meetings and decided on the future direction of environmental management; performed a gap analysis of the Nagaoka Field Office with the IFC EHS Guidelines, and reported the results at the Corporate HSE Committee and HSE Annual Meeting • Gas analysis results need to be used for formulating the environmental management plan of each Operational Organization and in sharing environmental information across the Group; will also explain the IFC EHS Guidelines and performance standards to each Organization to deepen their understanding
3-2	Perform gap analysis with IFC EHS Guidelines	★★	

Set HSE Numerical Targets

Medium-term target: (4) Reduce the number of accidents. Use LTIF, TRIR[2], and other parameters as numerical targets, and strive to reach targets.

Action Item in FY2010		Rating	Performance Evaluation, Issues, and Future Actions
4-1	Set numerical targets for the HSE Management System	★	• Start date of the HSE Cultural Maturity Survey for Operational Organizations was delayed, and the goal to set numerical targets for HSE management systems was not reached, so this program will be carried over to fiscal 2011; will set numerical targets in fiscal 2011 based on the survey results • Reached HSE numerical target KPI (LTIF, TRIR) in fiscal 2010; LWDC and MTC[3] results both exceeded targets for fiscal 2009–2010; particularly notable is the Domestic Project Division, where not one LWDC occurred and MTC also declined significantly
4-2	Establish targets for occupational health and safety and monitor performance	★★	

1. See page 28 for details
2. See page 38 for details
3. See page 38 for details

Promote HSE Activities

Medium-term target:
(5) Enhance HSE training. Prepare 400 hours of HSE-related courses (80 five-hour courses) a year by fiscal 2012.
(6) Ensure operational safety in the design phase. To that end, periodically implement HSE reviews for large-scale projects in the design phase, and establish processes to incorporate review results into design work.
(7) Implement integrity maintenance measures for production facilities (e.g., production field offices, pipeline networks), and make sure that major accident risks have been reduced to their As Low As Reasonably Practicable (ALARP) levels.
(8) Make HSE risk management, contractor HSE management, health management, security management, and environmental management activities consistent across the Group.

FY2010 HSE Objectives: I–IV

I Strengthen HSE Communication
In light of the current status of development and implementation of the HSE Management System, strengthen two-way communication throughout the Group and promote establishment of the System.

	Action Item in FY2010	Rating	Performance Evaluation, Issues, and Future Actions
5-1	**Strengthen HSE Communication**		
	(1) Hold the HSE Annual Meeting, HSE Managers Meeting, and HSE Liaison Meetings	★★	• Held the HSE Managers Meeting and HSE Meeting once in the year each, and discussed HSE Management System development and issues, key measures to implement going forward, global standards, oil spill measures, environmental management, and corporate HSE objectives and HSE programs for fiscal 2011; in fiscal 2010, held five HSE Liaison Meetings with overseas project divisions • Tried to strengthen HSE-related communication with Operational Organizations through the HSE Annual Meeting, HSE Managers Meeting, and HSE Liaison Meetings; however information sharing and two-way communication is still insufficient: a new system for sharing information among the Group is needed
	(2) Plan and execute HSE training programs	★	• HSE training programs implemented in fiscal 2010 totaled approximately 220 hours, inadequate in terms of both quantity and quality compared to the 400 hours planned • In fiscal 2011, will revise the entire training program from a medium- to long-term perspective, devise programs in accordance with the HSE Training Procedures, and implement programs
	(3) Conduct HSE management reviews	★★	• Management reviews were conducted at the corporate level and at each Operational Organization, and HSE managers confirmed the results; corporate review results were reported to the Corporate HSE Committee and the Management Committee; by compiling the results of all management reviews, the action plan for the next fiscal year and major goals have been condensed into three points: build and execute the HSE Management System, manage HSE in contractor operations, and strengthen communication. • Issues raised by the corporate and operational reviews will be factored into corporate and operational HSE objectives and programs for fiscal 2011 and addressed through program implementation
	(4) Conduct HSE reviews in the design phase	★★	• Conducted an HSE review in the design phase of the Masela Project as planned; also participated in a technical review of the Ichthys Project • It is important to incorporate HSE requirements into design phases by conducting HSE reviews of the Masela Project, Ichthys Project, and Japanese projects at a high priority level
	(5) Conduct HSE reviews related to facilities maintenance and management	★	• Currently exploring review methods; actual implementation of reviews is running behind schedule • Will continue HSE reviews related to facilities maintenance and management in programs for fiscal 2011 and will make sure the reviews are conducted

II Enhance Contractors' HSE Management
For HSE management of contractor operations, introduce best practices from inside and outside the Group and make progress in standardizing management methods, including those for preliminary risk assessment. For managing work aimed at preventing spill accidents during well drilling operations in particular, strive to unify guidelines and work instruction architectures and implement documents under strict rules.

5-2	**Enhance Contractors' HSE Management**		
	(1) Conduct HSE reviews of contractor selection and management methods	★★	• Issued the Corporate Guidelines on Contractor HSE Requirements and conducted a contractor management review at the Domestic Project Division; at the HSE Managers Meeting, exchanged ideas on contractor HSE management at Operational Organizations • Enhance activities for contractor HSE management by raising awareness of guidelines related to contractor management and strengthen communication with contractors
	(2) Prevent spill accidents	★★	• Held drilling workshops and reviewed Well Control Guidelines to prevent spill accidents • Will continue to conduct reviews of manuals and related documents as measures to prevent spill accidents
	(3) Develop an HSE risk assessment system	★	• Held a workshop on the "Bow Tie Methodology," a risk management methodology • Failed to materialize a Group-wide scheme for HSE risk management; development of an HSE risk assessment system is running behind schedule; will give risk assessment activities higher priority in fiscal 2011

III Reduce the Number of Accidents
Achieve a 25% and 15% reduction from fiscal 2009 levels for Group-wide LTIF (1.17) and TRIR (2.73), respectively, while promoting HSE activities to achieve zero accidents at Operational Organizations as a basic policy.

5-3	**Reduce the Number of Accidents**		
	(1) Confirm that accident surveys and measures to prevent recurrences are implemented	★★	• As no major accidents have occurred, there are no corporate survey results to report • Continue to implement this program in fiscal 2011 and thereafter
	(2) Send HSE alerts	★★	• HSE alerts include an overview of the accident, causes, and recurrence prevention measures; 15 alerts were sent in fiscal 2010; Safety Highlights was issued every month since September • Continue to implement this program in fiscal 2011 and thereafter

IV Promote GHG Emissions Reductions and Environmental Management Practices that are Compliant with International Standards
Continue to monitor GHG emissions and take effective actions to reduce them. Pursue best practices in environmental management that are compliant with the IFC EHS Guidelines, an international standard.

5-4	**Promote GHG Emissions Reduction and Energy-Conservation Measures**		
	Group-wide activities to reduce GHG emissions and conserve energy	★★	• Promoted GHG emissions reduction and energy-conservation measures by carrying out activities related to the Nippon Keidanren's Commitment to a Low-Carbon Society and the amended Energy Conservation Law and Global Warming Law • Will formulate an Environmental Management Plan, hold an environmental meeting attended by corporate and Operational Organizations, and promote Group-wide activities to reduce GHG emissions

★★ Implemented as planned ★ Partially implemented ✕ Not implemented; significantly behind schedule

Environmental Impact of Our Business Activities

Continuing from fiscal 2009, in fiscal 2010 the INPEX Group endeavored to reduce its environmental impact by implementing a range of measures to curb greenhouse gas and volatile organic compound (VOC) emissions. These measures included flaring vented gas, capturing and combusting exhaust gas, retrofitting oil tanks with internal floating roofs, and installing and improving existing VOC removal systems.

●INPUT

	FY2009	FY2010
Fuel (TJ)	183	339
Water (kl)	91,787	75,673
Purchased gas (kcf)	0	0
Purchased raw materials (bbl)	0	0

	FY2009	FY2010
Fuel (TJ)[1]	2,944	3,343
Water (kl)	791,330	993,360
Purchased gas (kcf)	4,542,440	18,372,897
Purchased raw materials (bbl)	0	0

Exploration, Development, and Construction

We search for underground geological structures that may contain crude oil and natural gas, and drill exploratory wells in promising locations. If the existence of sufficient reserves is confirmed, we construct necessary facilities by drilling production wells, building production facilities and receiving terminals, and laying pipelines. An LNG receiving terminal is currently being constructed in Japan.

Pipeline construction site

Production and Power Generation

When crude oil and natural gas are extracted from underground at our oil and gas fields, impurities such as moisture and carbon dioxide are removed from them to make them ready for transportation. Electricity is generated at a power plant powered by natural gas and condensate (liquid components of natural gas liquefied above ground).

Koshijihara Power Plant

●OUTPUT

	FY2009	FY2010
GHGs (t-CO_2)	24,605	22,280
PRTR substances (t)[2]	0	0
VOC (t)	1	3
NOx (t)	130	175
SOx (t)	4	9
Wastewater discharged into public water bodies (kl)	0	0
Volume of total waste disposed (t)	1,431	942
Recycled volume (t)	18,297	11,229

	FY2009	FY2010
GHGs (t-CO_2)	388,495	348,695
PRTR substances (t)[2]	12	11
VOC (t)	448	343
NOx (t)	149	147
SOx (t)	34	31
Wastewater discharged into public water bodies (kl)	647,024	752,068
Volume of total waste disposed (t)	2,233	3,392
Recycled volume (t)	951	869

Note: The input and output data for fiscal 2010 shown on this page constitute the sum of all the HSE data collected from our operations in Japan and overseas.
As the listed figures are rounded off to the nearest whole number, numbers for each stage may not match the total figures.

■ Cost of Environmental Technologies

Objectives	Items for Investment	Location/Facility		Investment (thousand yen)		Investment Subtotal (thousand yen)	FY2010 Environmental Benefit (over previous year)	Environmental Benefit
				New Installation	Upgrade/Repair/ Maintenance			
Global warming mitigation (includes cost of energy conservation measures)	Installed a new ground flare system	Akita	Niibori Oil Field	36,000		36,000	CO_2 emissions: 1,385t reduction VOC emissions: 52t reduction	Reduced greenhouse gases and VOCs emitted through vented gas flaring (in operation for 9 months in FY2010)
	Installed retrofit for more energy-efficient air conditioning	Tokyo	Technical Research Center		3,000	3,000		Reduced electricity consumption with energy conservation technology
	Applied insulation coating to window glass	Niigata	Minami Aga Field Office Office building	640		640	(Insulating effect: 3–5C° reduction vs. external temperature)	Reduced electricity consumption and CO_2 emissions with insulation
	Switched from fluorescent to LED lighting	Niigata	Kashiwazaki Field Office Teiseki Building	3,120		3,120	CO_2 emissions: 5.4t reduction	Reduced electricity consumption and CO_2 emissions with energy conservation technology (in operation for 8 months in FY2010)
	Upgraded to inverter controlled instrument air compressor	Niigata	Teiseki Topping Plant Kubiki Refinery	1,040		1,040	Electricity consumption: 48.2MWh reduction CO_2 emissions: 15.5t reduction	Reduced electricity consumption and CO_2 emissions with new inverter control

INPUT TOTAL		FY2009	FY2010
	Fuel (TJ)	3,447	3,990
	Water (kl)	1,115,396	1,283,226
	Purchased gas (kcf)	4,542,440	18,372,897
	Purchased raw materials (bbl)	253,490	272,508

	FY2009	FY2010
Fuel (TJ)[1]	320	309
Water (kl)	232,279	214,193
Purchased gas (kcf)	0	0
Purchased raw materials (bbl)	253,490	272,508

Refining, Transportation, and Sales

Crude oil is transported to a refinery, where it is refined into petroleum products such as naphtha and kerosene for later sale.
Natural gas is transported directly from plants to customers via pipelines. The Naruto Gas Field in Chiba Prefecture processes and sells iodine, a byproduct of natural gas.

Natural gas pipeline

Consumption and Utilization

Petroleum products and natural gas are sold to and utilized by plants, gas stations, power plants, utility gas companies, hospitals, offices, and homes.
The electricity we generate is wholesaled to PPSs.*

* Power producers and suppliers (PPSs): A non-utility private company that sells electricity

Sales

	FY2009	FY2010
Natural gas (kcf)	86,471,526	74,135,439
Crude oil (amount sold; bbl)	2,278,546	1,884,298
Petroleum products (bbl)	1,435,478	1,435,340
LPG (bbl)	77,251	72,528
Electricity (1,000kWh)	136,696	179,661
Iodine (t)	453	419

	FY2009	FY2010
GHGs (t-CO_2)	26,342	21,530
PRTR substances (t)[2]	8	23
VOC (t)	433	386
NOx (t)	16	14
SOx (t)	5	0
Wastewater discharged into public water bodies (kl)[3]	441,875	410,201
Volume of total waste disposed (t)	152	133
Recycled volume (t)	137	95

OUTPUT TOTAL		FY2009	FY2010
	GHGs (t-CO_2)	439,442	392,504
	PRTR substances (t)[2]	21	34
	VOC (t)	883	732
	NOx (t)	294	336
	SOx (t)	42	40
	Wastewater discharged into public water bodies (kl)[3]	1,088,899	1,162,269
	Volume of total waste disposed (t)	3,815	4,467
	Recycled volume (t)	19,386	12,193

1. Includes some fuel produced by INPEX CORPORATION
2. Data on the output of PRTR substances was collected only from our operations in Japan
3. Wastewater includes water pumped from a water well at Teiseki Topping Plant.

■ Cost of Environmental Technologies

Objectives	Items for Investment	Location/Facility		Investment (thousand yen) New Installation	Investment (thousand yen) Upgrade/Repair/ Maintenance	Investment Subtotal (thousand yen)	FY2010 Environmental Benefit (over previous year)	Environmental Benefit
Air pollution mitigation	Installed VOC removal systems	Niigata	Sekihara Plant Matsuzaki Plant	3,600		3,600	BTX emissions: 1.3t reduction	Reduced exhaust VOCs with catalytic VOC removal system and activated carbon adsorption system
	Replaced catalyst in flue-gas VOC adsorption system and adsorption agent in impurities removal system	Niigata	Koshijihara Plant Oyazawa Plant		26,535	26,535		Restored VOC and impurities removal capacity in flue-gas by replacing catalyst and adsorption agent
	Cleaned filler and inside air stripper of VOC removal system	Niigata	Teiseki Topping Plant Kubiki Refinery		2,130	2,130		Restored VOC removal capacity through cleaning
	Replaced pump engine (No. 5)	Niigata	Teiseki Drilling Co., Ltd.	51,267		51,267	NOx emissions in exhaust gas: 45t reduction	Reduced NOx emission by installing low-emission engine
	Retrofitted oil tanks with internal floating roofs	Niigata	Teiseki Topping Plant Kubiki Refinery	31,000		31,000	VOC emissions: 35t reduction	Reduced VOC emissions by converting heavy naphtha tank to internal floating roof tank (in operation for 5 months in FY2010)
Water pollution mitigation	Added new functionality to existing wastewater phenol removal system	Niigata	Teiseki Topping Plant Kubiki Refinery		3,500	3,500	Total wastewater discharge: 31,674t reduction	Maintained water quality by improving wastewater phenol removal capacity and reduced total well water use and wastewater discharge
Habitat conservation	Raised seedlings and test planted saplings to develop green space	Niigata	Construction site for LNG receiving terminal		40,000	40,000		Raised seedlings in a greenhouse on site and test planted saplings for Environmentally Friendly Green Space Development Plan
			Investment total	126,667	75,165	**201,832** (thousand yen)		

Global Warming Mitigation

Implementing Our Environmental Management Plan

The INPEX Group urges all of its Operational Organizations to build an HSE management system and practice the A-PDCA cycle. This applies to environmental management as well. We require each Operational Organization to establish annual objectives and plans, the results of which are assessed in an unbiased manner by our auditing system.

We adopt standards from the International Finance Corporation (IFC) when implementing environmental management. The IFC's EHS Guidelines are global standards both in name and substance, covering not only environmental impact (e.g., air emissions and wastewater effluent), but also social responsibility (e.g., occupational and community health and safety, biodiversity).

Development of overseas projects is carried out with an awareness of IFC standards from early on in each project's lifecycle, including front-end engineering design. In the future, we aim to apply the IFC's standards to our operations in Japan as well. We have begun research to determine how much improvement our operations in Japan, which currently comply with national and local laws, will require to comply with the global standards.

Reducing Greenhouse Gas Emissions

With natural gas being the core product of our operations in Japan, we strive to reduce our greenhouse gas (GHG) emissions in Japan by using the natural gas we make ourselves and also by installing energy-efficient systems powered by natural gas at our processing plants and field offices.

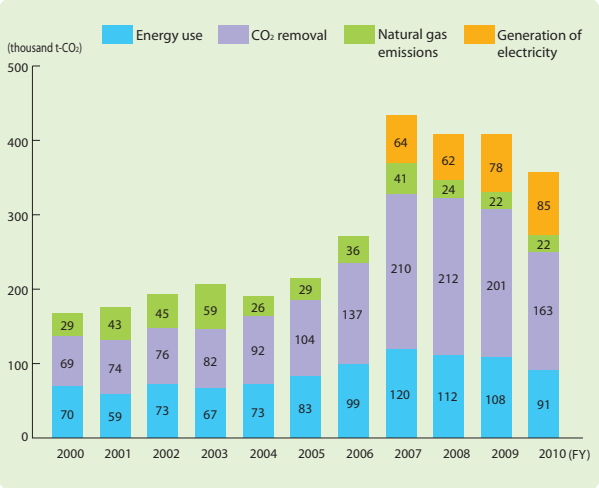
Some operations in our oil and natural gas business, such as routine equipment inspections and pipeline relocation, leave us no choice but to temporarily discharge a small amount of natural gas into the air. Since methane, the primary component of natural gas, has a global warming potential 21 times greater than that of CO_2, we do everything we can to disperse as little natural gas as possible, such as by lowering pressure in pipelines prior to relocating them or installing a ground flare to burn the waste gas into heat, water, and CO_2.

Our total GHG emissions rose in the period from fiscal 2004 to 2007 as a result of increased production of natural gas at our Minami Nagaoka Gas Field (Nagaoka, Niigata Prefecture), our largest gas production base in Japan. CO_2 separated from the natural gas accounted for most of the increase.

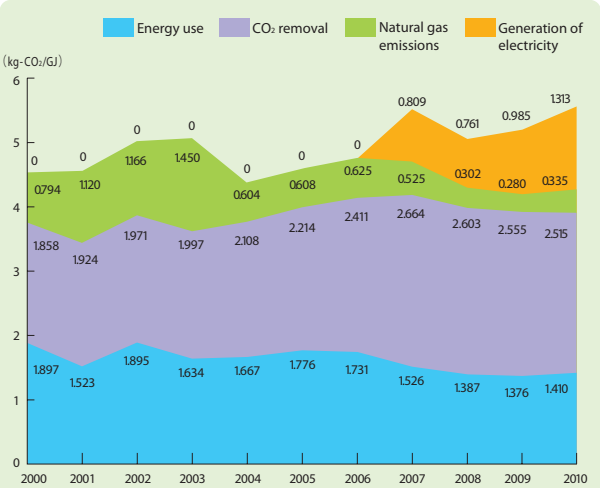
Emissions leveled out at around 400,000 tons from fiscal 2007 through 2009, and then declined to 360,000 in fiscal 2010 as a result of declining natural gas production and a corresponding drop in separated CO_2 from 200,000 tons to 163,000 tons. CO_2, which makes up approximately 6% of raw natural gas, is separated using CO_2 separation and removal systems and released into the atmosphere. Although the CO_2 that is separated and removed in industrial processes adds up to a considerable amount of GHG emissions and various solutions are currently being tested, at this point in time there is no other effective solution but to vent it into the atmosphere. The oil and natural gas industry, including the INPEX Group, is studying the possibilities of effectively using this separated CO_2 or storing it underground.

Among GHG emissions, CO_2 emissions from energy use and natural gas venting are the primary target of reduction efforts in our oil and natural gas business. These emissions peaked at 161,000 tons in fiscal 2007 and decreased to 113,000 tons in fiscal 2010.

Total GHG Emissions by Sources (Japan)



GHG Emissions per Unit of Production (Japan)



Emissions per unit of production =
(greenhouse gas emissions)/(caloric equivalent of crude oil, natural gas, and electricity produced)

Complying with Environmental Laws and Regulations

Greenhouse gas emissions in Japan are regulated by two national laws: the Energy Conservation Law (Law Concerning the Rational Use of Energy) and the Global Warming Law (Law Concerning the Promotion of Measures to Cope with Global Warming). The Energy Conservation Law and the Global Warming Law require businesses to report to the government their annual energy use and annual emissions of separated CO_2 and other GHGs, respectively. The Energy Conservation Law, taking a medium- to long-term perspective, also imposes a target on businesses of reducing energy use per unit of production by at least 1% annually.

Our operations in Japan used 83,253 kiloliters (crude oil equivalent) of energy in fiscal 2010, an increase of 4.6% from the previous year. This increase was due to a rise in electricity generated to meet increased demand. Energy use in our oil and natural gas business, not including electricity generation, declined as a result of a large decrease in natural gas production. When natural gas production decreases, so does the operating efficiency of our processing plants, which in turn increases the per-unit energy use of each plant. As a result, we did not achieve the Energy Conservation Law's 1% annual target. Our reduction efforts will continue.

At the same time, CO_2 emissions reported under the Global Warming Law dropped by some 50,000 tons. This was due to a decline in CO_2 emitted in the natural gas production process as a result of decreased production.

Saving Energy in Transportation

Under the provisions of Japan's amended Energy Conservation Law, enacted in April 2006, shippers of cargo transported in volumes exceeding 30 million ton-kilometers per year are required to report the volume of their transported cargo, develop energy conservation plans, and report quantities of consumed energy. The INPEX Group's Domestic Project Division, which transports cargo in volumes exceeding 200 million ton-kilometers per year, has been measuring and reporting quantities of consumed energy and its transportation-related energy-saving plans since fiscal 2006.

Since natural gas production decreased in fiscal 2010, production of natural gas condensate also decreased. As a result, land and marine transport volumes also shrank, reducing CO_2 emissions by 580 tons from 6,140 tons in fiscal 2009 to 5,560 tons.

Because the majority of our cargo as a designated shipper is oil and condensate, we are faced with a more difficult challenge of cutting energy consumption than other companies, who can realize reductions through cargo consolidation and other measures.

Toward Future GHG Reductions

The INPEX Group participates in the Nippon Keidanren Voluntary Action Plan on the Environment through the Japan Petroleum Development Association (JPDA), a trade group of which we are a member. The plan aims to reduce average GHG emission volumes or emissions per unit of production below the fiscal 1990 level in the period from 2008 through 2012, the first commitment period of the Kyoto Protocol. At present, 61 companies are involved in this project.

The JPDA sets a target in the plan of reducing the average GHG emissions per unit of production at oil and gas development facilities in Japan from fiscal 2008 through 2012 by 20% below the fiscal 1990 level. However, the INPEX Group* has voluntarily committed itself to a 30% reduction, and is currently on track to reach this target.

In 2008, the Japanese government began a pilot project for a voluntary emissions trading scheme in Japan, and the INPEX Group has been participating in this framework since December of that year. However, because we have far exceeded our reduction goals, we currently do not participate in pilot trading.

The Nippon Keidanren (Japan Business Federation), recognizing the need to continue voluntary business initiatives beyond 2012 when the current Voluntary Action Plan on the Environment will end, has stated that, under its Commitment to a Low-Carbon Society, it will urge companies to submit through their respective trade organizations their 2020 reduction targets for CO_2 emissions and CO_2 emissions per unit of production. The JPDA has declared its participation in the Commitment, and the INPEX Group has submitted its own targets.

* The Company's Domestic Project Division and Offshore Iwaki Petroleum Co., Ltd. (does not include greenhouse gases emitted during the decarbonation process at the Minami Nagaoka Gas Field)

In Focus

Saving Energy at the Office

The INPEX Group implements rigorous energy conservation measures at its offices. These include turning off all lights during lunch break and at night, turning some lights off in large office spaces during work hours, and turning down air conditioning systems. In fiscal 2010, we replaced lights at our office in Kashiwazaki, Niigata Prefecture, with LEDs. As a result, we cut energy use by 15% (equivalent to 7.5 tons of CO_2, the amount of CO_2 sequestered annually by 500 or more cedar trees). Going forward, we will save more energy by dimming lights down, using office appliances more efficiently, and switching to LED lighting where possible.

Reducing Our Environmental Impact

Measures to Prevent Soil Contamination

We have been exploring ways to appropriately process the sand contaminated by past oil leaks in the West Bakr Oil Field in Egypt. Because the oil produced from the field is heavy and therefore difficult to clean up, we have decided to recycle the sand as an ingredient in asphalt pavement. To actually use the sand in pavement, it has to be mixed with asphalt, so we have been conducting technological research into the physical properties of the contaminated sand and potential safety problems associated with using it, and conducted a processing test. Based on our results, we plan to begin construction of an asphalt plant in Egypt. Oil leaks continued to occur in fiscal 2010, so we are also working on renovating corroded equipment to prevent further soil contamination.

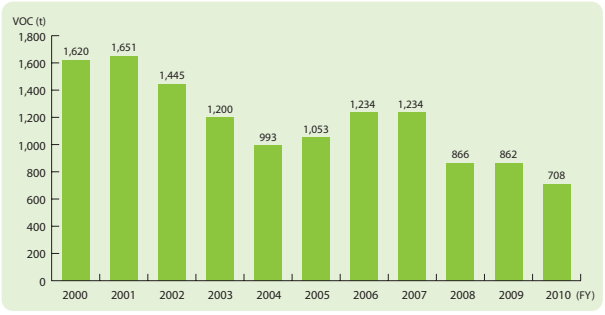
Meanwhile in Japan, with the recent abolishment of heliports in Fukushima Prefecture, we returned land that was used for a heliport to its owner. We performed a soil test in accordance with the Soil Contamination Countermeasures Act and confirmed no presence of soil contamination.

Management and Reduction of Chemical Substances

In Japan, we comply with various laws pertaining to the release of chemical substances. We accurately report our emissions in accordance with the Pollutant Release and Transfer Register (PRTR) Law and strive to properly manage chemical substances in our operations.

We also monitor the SOx, NOx, and VOCs we emit into the atmosphere. Whereas Japan's Air Pollution Control Act calls for an approximately 30 percent reduction in VOC emissions from stationary sources from fiscal 2000 levels by fiscal 2010, the INPEX Group achieved a dramatically greater reduction of 64.2% in fiscal 2010.

■ **VOC Emissions (Japan)**



Scope: Domestic Project Division, Teiseki Pipeline Co., Ltd., and Offshore Iwaki Petroleum Co., Ltd.

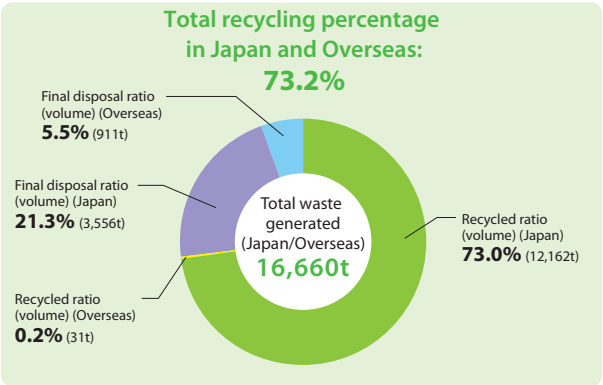
Waste Reduction Measures

The majority of the industrial waste generated during oil and natural gas development consists of drill cuttings. Based on the concentration of hazardous substances it contains, this waste in Japan is either sent to a landfill as sludge or recycled into construction materials as per environmental law.

Overseas, not all countries have adequate environmental laws and regulations in place. At an offshore rig platform* off the coast of the Republic of Suriname in South America, we make our own voluntary efforts in compliance with international treaties and other legal frameworks. For oily sludge, we have laid down procedures to transport the sludge to land and put it through a biodegradation process at a treatment plant. General waste resulting from daily life on the platform is separated into glass, plastic, metal, and other material types, shredded and processed in Suriname, and then recycled.

* Offshore rig: A large floating structure that houses the personnel and equipment needed to extract and process oil and natural gas from below the ocean floor

■ **FY2010 Industrial Waste Materials from Operations in Japan and Overseas**



Managing Wastewater Discharged into Public Water Bodies

Sometimes newly extracted oil and natural gas contains groundwater. This water is separated and collected by our production equipment, but it still contains residual amounts of oil that need to be taken out. The INPEX Group properly conducts wastewater treatment with its production facilities in accordance with the environmental law of each area in which we operate. Fluids generated from the process of drilling a well are recycled and ultimately processed as industrial waste. We sometimes release wastewater from offshore rigs into the ocean, but always conduct an environmental impact assessment beforehand.

Biodiversity Conservation

Our Approach to Biodiversity Conservation

For the conservation of biological diversity, our priorities are based on the IFC Performance Standard that aims "to protect and conserve biodiversity" and "to promote the sustainable management and use of natural resources." When constructing a new pipeline or plant and in the course of oil field production operations, we explore conservation measures and alternative operational solutions based on environmental impact assessments, and thus strive to minimize our total impact.

Biodiversity Conservation Measures in Japan

Developing Open Space at the Naoetsu LNG Receiving Terminal

The construction of our Naoetsu LNG Receiving Terminal (Joetsu, Niigata Prefecture) includes plans to develop approximately six hectares, or 25% of the total area of the developed site, of vegetated open space in accordance with the Factory Location Act. We intend to plant a total of 600,000 trees and shrubs by October 2013, aiming through our open space plan to develop a forested area around the Naoetsu harbor that is rich in habitat for wild birds and other life.

Environmental Surveys for Construction of the Toyama Line

One step in the construction of our Toyama Line, a natural gas trunk pipeline, involves conducting environmental surveys to make the construction process more environmentally friendly. We are devising measures to protect ecosystems during construction, having begun in December 2010 a survey on populations of precious birds of prey, and currently continuing surveys on amphibians and other rare animals thought to live in the construction area.

Additionally, we will proceed with construction as we monitor its impact on the local hydrosphere by conducting hydrological and water quality surveys.

Birds of prey survey

Biodiversity Conservation Measures Overseas

Coral Reef Sustainability Study in Abu Dhabi

Responding to a request from the Abu Dhabi Environment Agency to cooperate in efforts to restore coral reefs that are bleaching in the Arabian Gulf, the INPEX Group is working with the Agency to conduct a coral restoration study in the waters off Abu Dhabi for a two-year period starting March 2010. Under guidance from Mineo Okamoto, associate professor at the Tokyo University of Marine Science and Technology and renowned leader of a project to revive corals around Ishigaki island in southern Japan, the study is using coral settlement devices to which larvae can attach to determine the coral spawning season, the number of settled corals, and survival rates.

Study using a coral settlement device

Environmental and Social Impact Assessments in Indonesia

In accordance with Indonesian laws and regulations, we are conducting environmental and social impact assessments for the Abadi Gas Field development project. Based on the results of a public hearing and interviews with local officials and residents, we will conduct a full-scale field study to reduce the environmental and social impact of the project.

Biological Research in Australia

A key environmental concern for the Ichthys Gas Field Development Project is the potential for disturbance or injury to dolphins within Darwin Harbour during the construction of the Project's shipping channel. To mitigate risks, INPEX engaged experts to undertake research to improve our understanding of dolphin distribution and behavior and undertook a review of international best practices for minimizing risks. INPEX has committed to establishing a new international benchmark for removing hard rock without the need for drilling and blasting by the specialized cutter suction dredger which will ensure the protection of Darwin Harbour's dolphins.

Dolphin in Darwin Harbour

Fighting Climate Change

Development of Technologies to Reduce Environmental Impact

Advancing Research into CO_2 Capture and Storage

Carbon Capture and Storage (CCS) is a technology that is attracting global attention. CCS aims to reduce CO_2 emissions by capturing the CO_2—a major driver of global warming—emitted from major stationary sources such as thermal power plants and steel plants, transporting, and then storing it in deep underground aquifers over the long term. The INPEX Group has been promoting research aimed at commercializing CCS technologies by working with the Research Institute of Innovative Technology for the Earth (RITE) since 2000 on the Nagaoka CCS Pilot Project and by collaborating in various research projects with Japan CCS Co., Ltd., a joint venture established in 2008 to achieve practical application of CCS.

One prerequisite to deploying CCS at a commercial scale is reducing the energy and cost required to separate, capture, and pressurize CO_2 before storing it underground. One CO_2 separation and capture technology we are focusing on that has a higher energy efficiency than existing technologies is High Pressure Acid-gas Capture Technology (HiPACT), which was co-developed by JGC Corporation and German-based BASF. From August to September 2010, we teamed up with both companies to carry out demonstration tests of HiPACT at our Koshijihara Plant at Minami Nagaoka Gas Field. These tests used HiPACT on an actual operating natural gas facility and confirmed what we expected: highly energy efficient performance.

Besides the energy efficiency and cost issues mentioned above, there are many other obstacles between where we are now and achieving CO_2 emissions reductions through commercial use of CCS. In addition to activities to reduce our own environmental impact, we will continue to make ambitious efforts to develop CCS and other global warming solutions through broad partnerships involving a mix of government, industry, and academia.

Joint Research on CO_2 EOR at Offshore Abu Dhabi

In March 2010, we commenced a two-year joint research project with the Japan Oil, Gas and Metals National Corporation on CO_2 enhanced crude oil recovery (CO_2 EOR) in the large-scale Lower Zakum oil field off the coast of Abu Dhabi.

In fiscal 2010, we performed parts of a simulation study[1] that included a fluid-gas interaction study[2] and selection of the pilot area. In fiscal 2011, we plan to perform additional tests and simulations studies and, if we obtain favorable results, create a pilot test implementation plan.

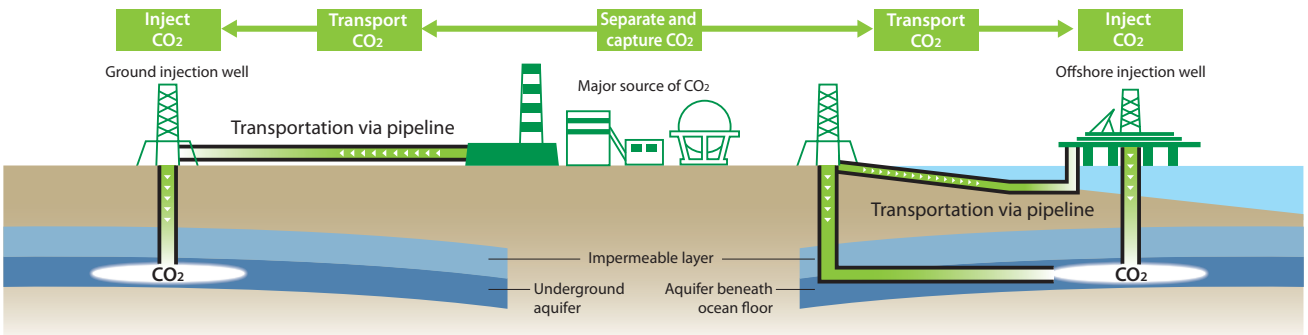
1. A study that uses computers to predict the behavior of oil, water, and gases and identify potential problems
2. A test that measures the effects of changing pressure and temperature on the volume, density, and viscosity of oil in a reservoir

WEB For details, please refer to our website:
http://www.inpex.co.jp/english/csr/

Photocatalytic Production of Methane

In an age when the need for advanced forms of energy is growing, the INPEX Group is working to develop technologies that can accelerate our shift to a low-carbon society. With various potential methods for reducing CO_2 emissions currently on the table, we are trying to develop technologies that can directly reduce CO_2 emissions by using CO_2 effectively. Currently, one of our endeavors is research and development of a photocatalyst with which to produce methane from CO_2 and water. Artificial synthesis is said to be a "dream technology," but recent research on photocatalytic methane production has shown that this technology not only produces methane, but also gives organic by-products with high added value. If we can commercialize this technology in the future, it will have tremendous importance in the fight to reduce CO_2 emissions. We hope to advance this research in the near future.

Conceptual Diagram of CCS

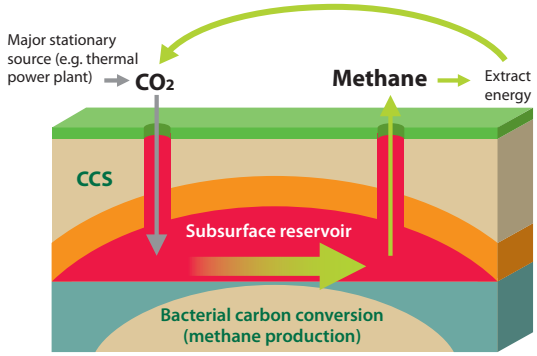


Development of a Methane Production Technology

In an effort to create a sustainable carbon-cycle system, we are aiming to develop a technology that realizes effective use of both CO_2 and depleted oil fields at the same time. Since fiscal 2008, we have been cosponsoring a research program entitled "Sustainable Carbon-Cycle System Engineering" with the Frontier Research Center for Energy and Resources at the School of Engineering of the University of Tokyo, through which we have conducted research related to the development of a methane production technology that uses subsurface microbes living in depleted oil and gas fields. This technology uses methane-producing bacteria to produce methane from hydrogen, which subsurface hydrogen-producing bacteria make by decomposing the residual crude oil left in the reservoir of a depleted oil field, and CO_2, which is injected underground for carbon capture and storage. This research holds promise for building a sustainable carbon-cycle system in which CO_2 can be converted into methane that can be used as a fuel.

We have already confirmed the presence of hydrogen-producing and methane-producing bacteria, which play a major part in generating methane in subsurface oil reservoirs, in research conducted on the microbial community in our Yabase Oil Field (Akita Prefecture) and Niibori Oil Field (Yamagata Prefecture). Using these bacteria, we successfully produced methane at the laboratory level by adding CO_2 under high pressure and temperature conditions similar to those in actual oil fields. In a series of experiments on methane-producing bacteria, we have also found that microbial oil decomposition is very slow compared with the rate at which these bacteria produce methane from hydrogen and CO_2. We plan to develop methods to speed decomposition reactions in bacteria that feed on oil—their presumed source of hydrogen—and also explore ways to supply hydrogen other than with oil to increase the efficiency and rate of conversion to methane.

Conceptual Diagram of a Methane Production Technology



Reforestation Activities in Australia

INPEX continues to investigate reforestation as a CO_2 offset option via our Pilot Forestation project in Australia. Started in 2008 through our subsidiary INPEX Browse, Ltd., 1.4 million eucalyptus saplings were planted on 645 hectares of land located in the southwest of Western Australia. The eucalypts are showing good health and vigor with some now standing four meters tall. Over the next 50 years the trees are expected to absorb around 450,000 tons of CO_2. Based on the success of the current plantation, we may consider an expanded forestation project that serves as one of INPEX's GHG countermeasures in Australia.

Eucalypts trees grown in Kirkwood, South Western Australia

Fire Management in the Savanna

The West Arnhem Land Fire Abatement Project (WALFA) is a partnership between Darwin LNG (DLNG), of which INPEX owns a 10% stake, the Aboriginal Traditional Owners of the area, the Northern Land Council and the Northern Territory Government. Through this partnership, Indigenous Ranger groups are implementing strategic fire management across 28,000 square kilometers of Western Arnhem Land in Australia's Northern Territory, to offset some of the GHG emissions from the DLNG plant in Darwin Harbour. Started in 2006, the project seeks to increase the proportion of controlled early dry season fires to create fire breaks to minimize destructive late dry season wildfires and maximize biodiversity protection. The project has been successful in abating the equivalent of over 100,000 tons of CO_2 per year. Based on the success of the project to date and the potential application to the Ichthys project in Australia, INPEX is investigating the feasibility of entering into similar GHG offset agreements using this approach.

Fighting Climate Change

Promoting Natural Gas to Reduce Environmental Impact

Natural Gas, an Eco-Friendly Energy Source

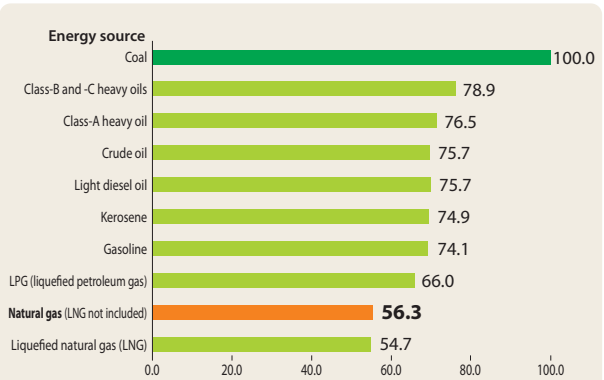
Natural gas produces 75% and 60% percent less CO_2 than oil and coal, respectively, for every calorie it produces, and is therefore the most environmentally superior energy source among fossil fuels.

The last several years have seen an acceleration in the move to switch from petroleum-based fuels to natural gas among customers along our gas pipeline networks in Japan. For example, businesses can dramatically reduce their CO_2 emissions by switching their boiler fuel for factories and other operations from heavy oil to natural gas. We actively use natural gas ourselves by, for instance, installing more energy-efficient natural gas-powered systems at our gas production plants.

With global natural gas reserves expected to last another 200 years or so, we believe that in Japan, to achieve both reductions in greenhouse gas emissions and a stable supply of energy, expanding our use of natural gas is essential.

The INPEX Group produces natural gas in Japan, much of it at the Minami Nagaoka Gas Field, and is also developing large-scale LNG projects in Australia and Indonesia. Delivering a stable supply of natural gas to more customers and encouraging wider use through the development and production of natural gas and the building of LNG receiving terminals and pipeline networks forms one of the pillars of our climate change mitigation policy.

Amount of CO_2 Generated by Fossil Fuels When Burned (Coal = 100%)



* Figures in this graph are based on the Ministry of the Environment's "List of Calculation Methods and Emissions Coefficients Used in the Mandatory Greenhouse Gas Accounting and Reporting System" (Japanese)

Ramping Up Production and Supply Systems

The Minami Nagaoka Gas Field, our primary gas field located in Nagaoka, Niigata Prefecture, has been increasing its production capacity to meet the growing demand for natural gas since the Koshijihara Plant became operational in 1984.

In 1994 we began production at the Oyazawa Plant, the second plant in the gas field, and since then have been adding capacity to both plants, resulting in what currently is a combined daily output of more than five million normal cubic meters—enough to service some five million average-sized homes.

We have also been seeking to diversify sources of natural gas, and in 2010 began sourcing gas derived from imported LNG from Shizuoka Gas Company. When the Naoetsu LNG Receiving Terminal at Naoetsu Port, Niigata Prefecture, becomes operational in 2014, we will begin using natural gas derived from LNG imported from the Sea of Japan, which, coupled with LNG coming through the Pacific coast and natural gas production sites in Japan, will ensure that we provide an even more stable supply of natural gas.

Expanding Pipeline Network

Since we began operating the Tokyo Line—the first long-distance high-pressure natural gas transportation pipeline built in Japan—between Niigata and Tokyo in 1962, we have applied a series of extensions and upgrades to the pipeline network, which now boasts a total length of over 1,400 kilometers running coast-to-coast from the Sea of Japan to the Pacific Ocean.

Our next project is to enhance our transportation capacity to the Kanto region by building stage four of the Shin Tokyo Line (between Tomioka and Fujioka cities in Gunma Prefecture, slated for completion in 2012), and in May 2011 we decided to construct the Toyama Line, a 102 kilometer-long natural gas transportation pipeline that will run from Itoigawa in Niigata Prefecture to Toyama in Toyama Prefecture. The Toyama Line is a trunk pipeline that will provide a steady and efficient supply of natural gas from the Naoetsu LNG Receiving Terminal currently under construction to gas companies in Toyama Prefecture and commercial customers along the line. We are aiming to begin using the line by the end 2014. We will help our customers reduce their environmental impact by promoting wider use of natural gas through these projects.

Keeping Pipelines in Good Condition

Keeping our 1,400 kilometers of pipelines in good working condition is a critical duty we have to fulfill in order to supply natural gas to our customers safely and securely. To accomplish this, Teiseki Pipeline Co., Ltd., an INPEX Group company, conducts visual inspections of the pipelines at least twice a week, along with routine physical diagnostics to look for leaks or signs of corrosion. We also run emergency patrols to check pipelines when rainfall greater than the daily standard (140 millimeters/day) has been recorded or when there is an earthquake of intensity 4 or higher on the Japanese seismic scale.

An emergency patrol sent out after the Great East Japan Earthquake in March 2011 confirmed no damage to the pipelines.

In addition, to prevent accidents during pipeline construction projects that contractors undertake, we brief all staff members and other workers at construction sites on safety precautions and compile case studies on accidents that have occurred at other exploration sites to learn from them.

Furthermore, we apply the Manual for Contractors' HSE Management to contractors working on our pipeline construction projects. Based on this manual, we assess plausible risks and conduct solo or joint HSE Audits and safety patrols. We also verify that contractors are in compliance with risk countermeasures and the agreed upon content of the HSE Plans. With this system in place, we can constantly maintain an appropriate level of safety.

Pipeline map

Management of Natural Gas Products

Because natural gas in its raw, unprocessed state contains components that can damage transport pipelines and consumer products such as gas cassettes (e.g., water and CO_2), we remove these components and safely transport and sell the gas.

For the gas that we sell, we perform analyses of substances subject to the PRTR Law and Industrial Safety and Health Law, and distribute MSDS* providing full safety instructions to our customers.

* Material Safety Data Sheet (MSDS): A document that contains information needed for the safe handling of products that contain certain chemical substances

Storing Natural Gas Underground

Natural gas can be injected into a depleted gas or oil reservoir for storage. The advantages of storing natural gas underground compared to storage in an artificial facility are numerous, one being that the facilities are simpler and can store natural gas for long periods of time. Another advantage is the ability to respond to seasonal fluctuations.

Our Domestic Project Division has been storing natural gas underground in the Sekihara Gas Field in Nagaoka, Niigata Prefecture, since July 1968. In fiscal 2010, we helped stabilize the natural gas supply by supplying 29 million normal cubic meters to meet peak demand.

We make efforts to store natural gas during periods of low demand; as of March 2011, we had approximately 210 million normal cubic meters of natural gas in underground storage.

Because natural gas is used in ordinary homes and many other places that concern the general public, and therefore calls for a constant supply, underground storage serves an important role in realizing a steady and highly flexible supply.

Customer Voice — Realizing the Benefits of a New Natural Gas System

Seigo Yoshihara
Production Management Division
Asahi Industries Co., Ltd.

Our plants manufacture steel bar products and fertilizer. We once used large amounts of heavy oil in our rolling furnaces and for drying fertilizer, but in 2010 we switched to pipeline-supplied natural gas. This has made our operations more efficient as we no longer need to receive tanker trucks, maintain tanks, or manage an inventory. It has also produced some environmental benefits: In fiscal 2010, we cut approximately 6,500 tons of CO_2 emissions at our plants from fiscal 2009. We will continue to find other ways to shift to natural gas.

Site Data

Overseas and Domestic Site Data by Region for FY2010 (April 2010–March 2011)

Country				Australia	Indonesia	Libya		Venezuela		Egypt	Suriname	Japan	Total[7]
Operational Organization[1]				Ichthys	Masela	INPEX Libya	Teikoku Oil Libya	Gas Guarico	Moruy	West Bakr	Suriname	Domestic Operations	
Item			Unit										
Production and processing volume[3]	Natural gas		kcf	---	---	---	---	28,551,826	---	---	---	45,583,613	74,135,439
	Crude oil		bbl	---	---	---	---	---	---	470,644	---	1,413,654	1,884,298
	Petroleum products		bbl	---	---	---	---	---	---	---	---	1,435,340	1,435,340
	LPG		bbl	---	---	---	---	---	---	---	---	72,528	72,528
	Iodine		t	---	---	---	---	---	---	---	---	419	419
	Electricity		1,000kWh	---	---	---	---	---	---	---	---	179,661	179,661
Purchased volume	Purchased gas		kcf	---	---	---	---	---	---	---	---	18,372,897	18,372,897
	Purchased raw materials		bbl	---	---	---	---	---	---	---	---	272,508	272,508
Energy consumption	Total energy consumption		GJ	138,579	37,346	980	49,571	22,775	31	194,173	0	3,546,361	3,989,817
Water consumption	Tap water		kl	8,083	2,469	135	0	5,414	13	3,600	0	169,256	188,970
	Groundwater		kl	0	0	0	14,140	0	0	0	0	1,078,896	1,093,036
	Seawater, river water		kl	0	1,220	0	0	0	0	0	0	0	1,220
	Total GHG emissions		kl	8,083	3,689	135	14,140	5,414	13	3,600	0	1,248,152	1,283,226
GHG emissions	Emission source	Energy use	$t\text{-}CO_2$	10,748	2,211	55	3,685	2,076	153	12,561	12	175,604	207,105
		Flaring	$t\text{-}CO_2$	0	0	0	0	229	0	954	0	8,219	9,403
		Other ventings & fugitives	$t\text{-}CO_2$	0	0	0	0	0	0	0	0	13,428	13,428
		Raw-CO_2 venting	t	0	0	0	0	0	0	13	0	162,555	162,569
	Gas types	CO_2	t	10,243	2,211	55	3,675	2,293	153	12,575	3	346,357	377,564
		CH_4	$t\text{-}CO_2$	221	0	0	1	5	0	954	3	13,428	14,612
		N_2O	$t\text{-}CO_2$	285	0	0	8	7	0	0	7	21	328
	Total GHG emissions		$t\text{-}CO_2$	10,748	2,211	55	3,685	2,305	153	13,529	12	359,806	392,504
Emissions into the atmosphere	VOC		t	2	0	0	1	21	0	0	0	708	732
	NOx		t	54	0	0	78	13	0	0	0	190	336
	SOx		t	0	0	0	9	1	0	24	0	6	40
Wastewater discharge	Water discharged into public water bodies		kl	0	0	0	0	0	0	519,454	0	642,815	1,162,269
	Water reinjected		kl	0	0	0	0	0	0	318,708	0	896,448	1,215,156
	Total wastewater discharged		kl	0	0	0	0	0	0	838,162	0	1,539,263	2,377,425
Waste volume[4]	Industrial waste	Hazardous Waste	t	14	4	0	107	6	0	0	0	65	197
		Non-hazardous Waste	t	58	43	0	668	9	1	0	0	3,491	4,270
	Recycled, reused, reclaimed materials		t	8	0	0	9	14	0	0	0	12,162	12,193
Oil spills[5]	Offshore	Number	Number	2	0	---	---	0	---	---	---	---	2
		Quantity	bbl	0	0	---	---	0	---	---	---	---	0
	Onshore	Number	Number	0	0	0	1	0	0	36	0	0	37
		Quantity	bbl	0	0	0	0	0	0	127	0	0	128
	Total number of oil spills		Number	2	0	0	1	0	0	36	0	0	39
	Total quantity of oil spills		bbl	0	0	0	0	0	0	127	0	0	128

1. Ichthys: INPEX Browse, Ltd.
   Masela: INPEX Masela, Ltd.
   INPEX Libya: INPEX Libya, Ltd.
   Teikoku Oil Libya: Teikoku Oil Libya U.K., Ltd.
   Gas Guarico: Gas Guarico, S.A.
   Moruy: PT Moruy II, S.A.
   West Bakr: West Bakr Petroleum Co.
   Suriname: Teikoku Oil (Suriname) Co., Ltd.
   Domestic Operations: Operations in Japan related to development, refinement and transportation of oil and gas

2. TPC: Teiseki Pipeline Co., Ltd.
   TTP: Teiseki Topping Plant Co., Ltd.
   OIP: Offshore Iwaki Petroleum Co., Ltd.

3. The listed domestic production volume is the value minus internal consumption.
   Conversion factor of production volume, etc.: 6.29bbl = 1kl
   $1Nm^3 = 37.32cf$

4. Hazardous Waste: Equivalent to specially-controlled industrial waste in Japan
   Non-hazardous Waste: Equivalent to general industrial waste in Japan
   Recycled, reused, reclaimed materials: Equivalent to recycling in Japan

5. Oil spills: Accounting for offsite oil spills

6. We report on our substances subject to the Pollutant Release and Transfer Register (PRTR) Law, such as ferric chloride, arsenic and its inorganic compounds, and mercury and its compounds, but for fiscal 2010 both emissions and transfers were zero and thus they are not listed in the Site Data.

7. As the figures in the table are rounded off to the nearest whole number, the totals of individual items may not equal the displayed sum total.

--- Not applicable

Japanese Site Data for FY2010 (April 2010–March 2011)

Domestic Operational Site[2]				Head-quarters	Production			Power generation	Drilling	Pipeline construction	LNG receiving terminal construction	TPC	TTP	OIP	Total[7]
Item			Unit		Akita	Chiba	Niigata								
Production and processing volume[3]	Natural gas		1,000Nm³	---	11,525	18,032	1,191,869	---	---	---	---	---	---	---	1,221,426
	Crude oil		kl	---	13,214	---	211,532	---	---	---	---	---	---	---	224,746
	Petroleum products		kl	---	---	---	---	---	---	---	---	---	228,194	---	228,194
	LPG		t	---	---	---	---	---	---	---	---	---	6,907	---	6,907
	Iodine		t	---	---	419	---	---	---	---	---	---	---	---	419
	Electricity		1,000kWh	---	---	---	---	179,661	---	---	---	---	---	---	179,661
Purchased volume	Purchased gas		1,000Nm³	---	355	29,342	462,610	---	---	---	---	---	---	---	492,307
	Purchased raw materials		kl	---	---	---	---	---	---	---	---	---	43,324	---	43,324
Energy consumption	Natural gas		1,000Nm³	0	82	87	26,542	36,835	0	0	0	1,032	825	0	65,402
	Refinery gas		1,000Nm³	0	0	0	0	0	0	0	0	0	1,515	0	1,515
	Gas oil		kl	4	18	5	41	0	817	0	0	3	1	0	890
	Fuel oil A		kl	0	0	0	0	0	84	0	0	0	0	0	84
	Kerosene		kl	17	5	0	5	0	4	0	0	1	110	0	142
	Gasoline		kl	40	6	17	22	0	8	7	0	142	3	0	244
	Condensate		kl	0	0	0	0	1,226	0	0	0	0	0	0	1,226
	LPG		t	0	0	0	0	0	0	2	0	0	0	0	2
	Purchased electricity		1,000kWh	4,361	1,748	20,669	7,658	844	29	71	1,059	2,531	1,246	9	40,226
	City gas		1,000Nm³	227	19	7	163	0	0	0	0	6	0	0	423
	Heat supply		GJ	7,390	0	0	0	0	0	0	0	0	0	0	7,390
	Total energy consumption		GJ	65,784	22,493	210,950	1,238,533	1,653,561	34,799	1,057	10,556	67,322	241,204	102	3,357,904
Water consumption	Tap water		kl	16,360	7,057	5,647	126,613	0	0	1,205	1,377	7,507	3,491	0	169,256
	Groundwater		kl	180	0	19,127	524,435	301,468	11,741	0	18,751	0	203,195	0	1,078,896
	Seawater, river water		kl	0	0	0	0	0	0	0	0	0	0	0	0
	Total water consumption		kl	16,540	7,057	24,774	651,048	301,468	11,741	1,205	20,128	7,507	206,686	0	1,248,152
GHG emissions	Emission source	Energy use	t-CO_2	2,651	862	6,959	61,635	84,857	2,378	45	341	3,516	12,356	4	175,604
		Flaring	t-CO_2	0	485	0	7,734	1	0	0	0	0	0	0	8,219
		Other ventings & fugitives	t-CO_2	0	1,126	1,741	4,901	2	0	0	0	5,658	0	0	13,428
		Raw-CO_2 venting	t	0	0	0	162,555	0	0	0	0	0	0	0	162,555
	Gas Types	CO_2	t	2,647	1,346	6,958	231,922	84,858	2,377	45	341	3,504	12,355	4	346,357
		CH_4	t-CO_2	0	1,126	1,741	4,902	2	0	0	0	5,659	0	0	13,428
		N_2O	t-CO_2	4	1	1	2	0	1	0	0	12	0	0	21
	Total GHG emissions		t-CO_2	2,651	2,472	8,700	236,826	84,860	2,378	45	341	9,174	12,356	4	359,806
Pollutant emission register[6]	Emitted into atmosphere	Benzene	kg	---	88	---	8,393	130	---	---	---	44	3,100	---	11,756
		Toluene	kg	---	0	---	389	42	---	---	---	---	5,780	---	6,211
		Xylene	kg	---	35	---	181	1	---	---	---	---	1,030	---	1,247
		n-Hexane	kg	---	---	---	1,520	130	---	---	---	---	12,600	---	14,250
		Ethylbenzene	kg	---	---	---	---	---	---	---	---	---	163	---	163
		1,3,5-Trimethylbenzene	kg	---	---	---	---	---	---	---	---	---	22	---	22
		1,2,4-Trimethylbenzene	kg	---	---	---	2	1	---	---	---	---	236	---	239
		Methylnaphthalene	kg	---	---	---	---	---	---	---	---	---	0	---	0
	Emitted into soil	Chromium & chromium (III) compounds	kg	---	---	---	---	---	73	---	---	---	---	---	73
	Emitted into water body	Boron compounds	kg	---	---	---	276	---	---	---	---	---	---	---	276
	Total pollutant emission register		kg	---	123	0	10,761	304	73	0	0	44	22,931	0	34,236
Pollutant transfer register	Chromium & Chromium (III) compounds		kg	---	---	---	---	---	1,500	---	---	---	---	---	1,500
	Total pollutant transfer register		kg	0	0	0	0	0	1,500	0	0	0	0	0	1,500
Emissions into the atmosphere	VOC		t	0	92	0	228	2	0	0	0	56	330	0	708
	NOx		t	0	0	0	51	83	42	0	0	0	14	0	190
	SOx		t	0	0	0	5	0	0	0	0	0	0	0	6
Wastewater discharge	Water discharged into public water bodies		kl	0	0	48,815	117,958	65,841	0	0	0	0	410,201	0	642,815
	Water reinjected		kl	0	0	875,089	21,359	0	0	0	0	0	0	0	896,448
	Total wastewater discharged		kl	0	0	923,904	139,317	65,841	0	0	0	0	410,201	0	1,539,263
Waste volume	General waste	Combustible material	t	14	0	4	132	0	3	0	1	0	0	0	155
		Incombustible material	t	7	0	1	0	0	2	3	0	0	0	0	14
	Industrial waste	Hazardous waste	t	0	18	0	43	0	0	0	0	1	3	0	65
		Non-hazardous waste	t	34	57	1	3,258	0	12	0	0	18	112	0	3,491
	Recycled, reused, reclaimed material		t	96	0	457	398	0	11,116	0	0	0	95	0	12,162
Oil spills[5]	Number of oil spills		Number	---	---	---	---	0	---	---	---	---	---	---	0
	Quantity of oil spills		Liter	---	---	---	---	0	---	---	---	---	---	---	0

Safety Management

Safety Initiatives

The INPEX Group has implemented a wide range of precautionary measures to ensure safe operations in various Project Divisions at the headquarters and Operational Organizations around the world.

As in the previous year, in fiscal 2010 members of senior management visited project sites in Japan to hold HSE Talks and confirmed that office staff and site workers are becoming more aware of safety issues. We also set numerical targets for the INPEX Group with reference to safety data collected by the International Association of Oil & Gas Producers (OGP), and met those targets in fiscal 2010. In response to the Deepwater Horizon drilling rig explosion in the Gulf of Mexico in April 2010, we started reviewing our guidelines and conducted HSE reviews for all projects currently at the design stage.

Operational Organizations conduct their own safety activities according to the country in which they are operating and other circumstances surrounding their operations. Operational Organizations in Japan dramatically reduced the number of accidents and injuries in contractor operations by conducting on-site monitoring and inspections, ensuring that safety is managed according to the HSE plans, and making other efforts related to contractor HSE management. Overseas Operational Organizations promote safety in ways that match each type of operation—geological surveys and drilling operations, for example.

Sharing Accident Information

When an incident, injury or near miss occurs at any of our Operational Organizations, the Organization creates an incident report in accordance with our Corporate HSE Management System Procedure, "Incident Reporting and Investigation," that includes a summary of the incident, causes, and measures to prevent recurrences. Reports are promptly submitted to headquarters and from there reported to other Operational Organizations with the goal of preventing the same accident at other sites.

We also strive to establish an HSE culture among our many employees by issuing *Safety Highlights*, a monthly publication featuring the latest HSE activities and topics.

Accident Prevention

The INPEX Group has been collecting HSE-related data since fiscal 2008 in accordance with the Corporate HSE Procedure for HSE Performance Data, and defines accident data based on the safety performance indicators of the OGP, of which we are a member.

We have engaged in ongoing efforts to promote safety by developing HSE management systems and by ensuring their implementation throughout the Group.

In fiscal 2010, both lost time injuries and medical treatment injuries decreased from fiscal 2009. As a result, the number of all accidents also decreased significantly. We believe this to be the result of determined efforts made by our Operational Organizations in Japan to prevent accidents. Specific activities we undertook to enhance HSE management in collaboration with contractors included strengthening contractor management by, for instance, conducting on-site monitoring and inspections and making sure that check sheets were filled out, and also asking contractors to create HSE plans and perform construction management based on those plans.

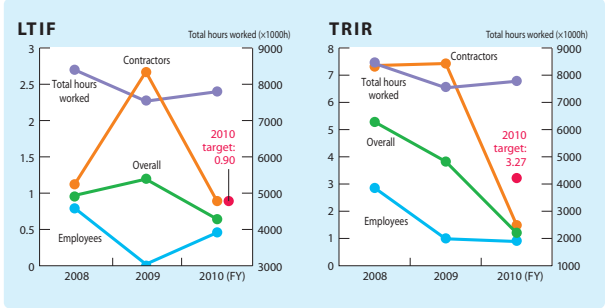
The INPEX Group will continue to implement various activities to prevent accidents.

Number of Work-related Accidents per Fiscal Year

		Fatalities	Lost time injury[1]	Restricted workday injury[2]	Medical treatment injury[3]
FY2008	Employees	0	3	1	7
	Contractors	2	4	5	23
	Overall	2	7	6	30
FY2009	Employees	0	0	1	3
	Contractors	0	9	3	13
	Overall	0	9	4	16
FY2010	Employees	0	2	0	2
	Contractors	0	3	0	2
	Overall	0	5	0	4

1. Incident involving a non-fatal injury that results in at least one day off work (LWDC)
2. Incident involving a non-fatal injury that results in restricted duties (RWDC)
3. Incident involving a non-fatal injury that requires treatment by a medical professional (MTC)

Accident Frequency by Fiscal Year



1. Lost time injury frequency (LTIF): Rate of injuries resulting in fatalities or lost time per million hours worked
2. Total recordable injury rate (TRIR): Rate of recordable injuries (fatalities, lost time, restricted workdays, and medical treatment) per million hours worked
3. LTIF and TRIR targets are calculated each fiscal year based on a targeted percent reduction from the previous year.

Contractors' Safety Management

The INPEX Group makes sure all contractors involved in its operations fully understand the HSE Policy and works together with contractors to prevent accidents and reduce environmental impact. Operational Organizations in Japan and overseas conduct safety management through their own systems developed to reflect the unique circumstances posed by their projects and the countries in which they operate and based on the Corporate Procedure for Contractors' HSE Management, which stipulates HSE management methods for contractors.

We are strengthening HSE-related communication with our contractors to make construction safer by holding process meetings, meetings to explain operational procedures, and pre-work meetings on site.

Contractors' safety management is one part of our HSE objectives, and we will strive to improve our performance in this area.

Contractor Management in a Platform Removal Project

From May to early July 2010, Offshore Iwaki Petroleum Co., Ltd. successfully completed the removal of its platform, some 40 kilometers off the coast of Fukushima Prefecture at a depth of 154 meters, without a single lost time injury.

We believe this to be the result of various HSE activities, including a thorough risk assessment conducted with contractors before deploying a crane barge and pre-work safety checks performed by workers and managers on the platform.

Blessed also by favorable weather, we were able to finish the removal operation—which is said to be more difficult than construction—without incident.

Removing above-water structures of the platform

Employee Voice Reducing Risk in Pipeline Construction

Toru Ohashi
Coordinator
Gunma Construction Office
Pipeline Construction Division

Pipeline construction work involves different construction jobs taking place at multiple locations across a long segment of land. Accidents sometimes occur because HSE management cannot reach every work site. To address this problem, as soon as we decide on a contractor, we require the contractor to submit an HSE plan that fulfills our HSE requirements. Part of this process involves holding a meeting to discuss with the contractor our HSE procedures for each task, identify risks, and devise measures to reduce risk before starting construction. An INPEX employee in charge of HSE and the contractor jointly conduct patrols to confirm whether HSE training and management is being implemented according to plan.

In these ways, we strive on a daily basis to eliminate hazards and improve installations at work sites to achieve completion of the project without accident or injury.

Employee Voice Contractor Management at the LNG Construction Division

Shigeru Serada
Coordinator
Naoetsu LNG Receiving Terminal Construction Office
LNG Receiving Terminal Construction Division

At the Naoestu LNG Receiving Terminal, we have to simultaneously manage multiple contractors for different construction jobs, including the LNG tanks, plant facilities, pier facilities, and pipelines. For instance, building the LNG tanks involves a civil engineering contractor constructing a 40-meter-high concrete containment wall and a mechanical engineering contractor constructing the inner tank body, both working in the same area at the same time. With other plant facilities contractors also working around the LNG tank, we make sure to coordinate work between contractors to ensure their jobs are performed safely.

Because this project will employ as many as 1,000 workers at its busiest stage, managing the safety of all workers, including those of subcontractors, is also critical. To do so, we practice a comprehensive safety management program that employs the A-PCDA cycle, with steps that include conducting risk assessment using HSE management systems, installing safety systems, creating operational procedures, communicating work instructions to subcontractors, performing on-site safety patrols, and correcting technical problems. As a result, we have had zero accidents and zero injuries in the more than two years since we began construction.

Employee Voice Managing Contractors and Raising HSE Awareness at the Nagaoka Field Office

Keijiro Kawano
Production Unit
Domestic Project Division

At the Nagaoka Field Office, numerous contractors undertake over 100 construction projects every year. Managing contractors is important for safe operations, so our efforts have focused on conducting thorough safety management by publishing management manuals to be used at the office, creating HSE plans, safe work guidelines, and other documents, and introducing a work authorization system. We have also introduced an HSE point registration system to raise employees' awareness of HSE at the office. As a result, individuals have been active and continually working on their HSE activities. "Zero Incidents" and "Safety" are not end goals: Persistence is the key. All of us at the Nagaoka Field Office will continue to work together on contractor management.

Safety Management

Safety Management Activities at Operational Organizations

Operational Organizations in Japan and overseas conduct their own safety management activities to promote safety in their operations.

Our Operational Organization in Venezuela has applied the near-miss prevention activities* that have taken root in Japan to its own safety management. At our Geological Survey Project in Indonesia, the Project created a preliminary HSE plan and carried out survey activities based on the plan. Operational Organizations in Japan have also striven to ensure road safety and reduce work-related traffic accidents by installing event data recorders (EDR) in company vehicles. Going forward, we plan to spread safety management activities between Operational Organizations to conduct them on a Group-wide level.

* Employees are encouraged to record small accidents that do not involve human or material damage, but scare or startle employees at project sites and share their experiences with fellow workers in order to prevent a small accident from becoming a serious one

Safety Management at the Abadi Project

Our Operational Organization in Jakarta, Indonesia, is partnering with the Masela Project Division and the Technical Division at the headquarters to make preparations for front-end design work for developing the Abadi Gas Field. The development plan is based on the unprecedented concept of placing a floating LNG production facility on the ocean, which, given its remote location from land and the necessity of engineering its hydrocarbon processing facilities to fit and operate within the confined space of a floating structure, requires being prepared for the risks posed by such unique conditions. Our aim is to come up with design specifications that make sure the design includes measures to control these risks.

One example of the steps involved in this process was a peer review meeting we set up in Jakarta where not only staff from our Technical Division in Tokyo but also external experts on structure, facilities, HSE, and other areas could exchange ideas. This helped us confirm whether sufficient precaution is being taken for the front-end design process.

Peer review for the Abadi Project

HSE Activities in the Tanimbar Islands Geological Survey

As part of its exploration activities in the Asian region, the INPEX Group's Asia, Oceania & Offshore Japan Project Unit conducted a terrestrial geological survey of the Tanimbar Islands in eastern Indonesia from June to July 2010. The Tanimbar Islands are a group of islands covered in lush vegetation and surrounded by exquisite coral reefs, but the villages that dot the islands have their own customs and cultural practices and lack adequate medical services. Responding to concerns over the risks of contracting an endemic disease, we painstakingly discussed safety measures beforehand, hired medical staff to accompany employees during the survey, and had the person in charge of safety management take records of risk factors during work and caution workers on those risks every morning. Consequently, besides bug bites and other minor calamities, we were able to complete the survey without incident while also establishing a positive relationship with local residents.

A safe working outfit

Taking geological samples

Near-Miss Prevention in Venezuela

Near-miss prevention activities are commonly practiced by our Operational Organizations in Japan, but were not widely implemented at overseas operational sites.

A production site in Venezuela, under constant encouragement from our Japanese engineers, created a system by which site workers take the initiative and submit near-miss reports. Each near-miss report features photographs, illustrations drawn by the reporter, and other creative methods for making its content clear to anyone. Discussion of the reports between employees enhances their awareness of on-site safety.

Offshore Oil Spill and Response

On April 20, 2010, an offshore drilling rig off the Gulf of Mexico operated by another company in our industry exploded and burst into flames, killing 11 workers and starting an oil spill that spread throughout the Gulf. The leaking well was completely sealed some three months later, but US regulatory authorities are still investigating the causes of the accident.

As we monitor the progress of this investigation, the INPEX Group is learning how major oil companies are responding to the spill working through the International Association of Oil & Gas Producers' (OGP) activities, while also trying to make sure no other offshore oil spills occur by discussing and revising selection methods for drilling contractors—who serve a central role in well drilling operations—contractor HSE management, well drilling design standards, well drilling control guidelines, and the details of our oil pollution prevention and response plan.

Employee Voice

Applying the Oil Spill Response Guidelines at the Suriname Drilling Site

Kazuto Yoshimoto
Houston Office

"Safety First" is an obvious but also the most important policy for drilling engineers. One of the activities the Suriname Team has conducted to achieve safety first is "Drilling the Well On Paper" (DWOP). DWOP is a process by which engineers with different expertise come together to verify whether the planned well design is optimal from a safety perspective and to identify hidden sources of risk. The results of the meeting were incorporated into our drilling procedure.

A DWOP workshop

Emergency Response Systems

In the event of a Level 3 emergency (any situation caused by a serious event, accident, or disaster the effects of which are expected to negatively impact our business continuity and greatly hinder fulfillment of our social responsibility), the INPEX Group sets up a Corporate Crisis Management Team and respond to the emergency in accordance with corporate- and operational-level emergency response manuals.

The Corporate Crisis Management Team works together with the Operational Organization's Emergency Response Team established at the operational site experiencing the emergency to collect external information, communicate to stakeholders in and outside the company, respond to events, obtain the resources needed to arrange medical treatment and shelter, ensure security, and take care of employees' families. During the recent social unrest in Egypt and Libya, and also during the Great East Japan Earthquake, we implemented emergency management based on a policy that places the utmost priority on human lives.

Emergency Response Training at the Nagaoka Field Office

In Japan, Operational Organizations conduct regular emergency response training on their own and jointly with headquarters in accordance with annual plans.

Nagaoka Field Office conducts training to demonstrate whether, in the event of a major accident (oil tank explosion and fire) at the Koshijihara Plant, it can deploy an initial response to the disaster quickly and smoothly, quickly set up an on-site emergency response team, and execute procedures to communicate and collaborate with the Domestic Project Division's Crisis Management Team, Corporate Crisis Management Team, and other units, and restore systems. Following training, assessments and improvements are made to prepare for the next training drill in a meeting of all training participants to reflect on mistakes and exchange opinions on ways to improve the response.

Oil tank fire response training at the Nagaoka Field Office

Employee Development and Health Management

Basic Approach to Human Resources Management

We have established the following Basic Policy on Our Human Resources Management System as the cornerstone of a system that contributes to the sustainable development of the company in our effort to be a globally active integrated energy company that represents Japan.

By operating systems based on this policy, our goal is to harness employee capabilities to produce high-quality results as a team and become an organization capable of competing in the global arena at a high level.

Basic Policy on Human Resources Management System

1. A system that encourages all employees to play their part and work as a team to achieve higher organizational goals, contributing to the growth of the company.
2. A system that encourages all employees to gain a broader perspective on work duties so as to identify issues, come up with solutions on their own initiatives, and act responsibly.
3. A system that assists all employees in their determined efforts to continue to pursue self-development over long periods of their career.
4. A system that is transparent and straightforward in recognizing the individual contribution of employees to achieving corporate objectives and in making them feel that they are rewarded fairly.

Employee Evaluation System

We have established an employee evaluation system to fairly evaluate and reward our employees for their achievements and demonstrations of capabilities, and we strive to operate it in an equitable manner.

These evaluations are not merely one-way assessments of employees by their managers; they also include tools such as an Action Reflection Sheet and a Goals Challenge Sheet that our employees can use to complete a self-evaluation while reflecting on their performance.

Employees are given opportunities to discuss their achievements at work with their managers in face-to-face meetings. This is to assess the gap between the self-evaluation and the superior's evaluation. The system is designed so that improvements can be made to each type of evaluation, thereby contributing to human resource development and boosting the credibility of the evaluation.

We also employ a self-report system under which our employees can submit requests for new assignments and transfers once a year. Although we cannot accommodate all requests, this gives the company a better understanding of the extent to which employees think they are fit for their current assignments and what career paths they wish to pursue, both of which are helpful for the company in developing plans for recruiting and allocating human resources.

To make these systems an established part of the entire INPEX Group, we regularly provide line managers (i.e., personnel in charge of human resources and discrete organizational units) with practical training for conducting evaluations.

Employee Training and Development

We provide our employees with training programs to help them develop a global perspective, become leaders that contribute to our corporate value, and improve employee skills across the board. We also have a self-learning system to support employee learning in a variety of fields. And in fiscal 2010, we introduced a study abroad program to help employees acquire knowledge and technical skills in a specialized field.

For new employees, we provide orientation training as well as a mentor system in which senior employees provide one-on-one guidance on company procedures and mental support for one year.

List of Major Training Programs

Program	Overview	Participants FY2010
Level tailored training	Training for employees at milestones in their career, from joining the company to being promoted or moved to a new position, to help them gain an understanding and awareness of their new role and acquire necessary skills	255
Language training	Training at a language school in the UK for young employees to improve their international communication skills	13
On-the-job training at offices/sites in Japan and overseas	On-the-job training for young technical employees at domestic and overseas offices or at sites inside and outside the company to acquire basic knowledge and the latest specialized knowledge of global technologies, and to improve the technical aptitude of mid-level employees	158
Overseas office training	Practical training for young clerical workers at overseas offices to acquire knowledge of overseas business practices and to prepare for future overseas postings	14
Overseas specialized training	Training at an overseas specialized institution for young employees to acquire expert knowledge of oil development	4

Employee Voice — Participating in Area Staff J-1 Training

Kazuyo Aizawa
Planning & Coordination Unit
Asia, Oceania & Offshore Japan Project Division

At training, I reflected on my current self and tried to paint a clear picture of the person I wish to be at work. Looking to the past, there were some aspects of myself I was disinclined to confront, but training helped me feel strongly that my coworkers have truly supported me through various work challenges. Besides work skills, human interaction is also really important, and I realized that my behavior and feelings just by themselves have enormous power over my work relationships. I hope not to forget the things I learned at training, to use them like a mirror to improve my attitude and work positively to become the person I wish to be.

Promoting Diversity

The INPEX Group implements various measures to respect human rights and eliminate discrimination, employ diverse human resources, develop and utilize human resources, and encourage communication in the workplace.

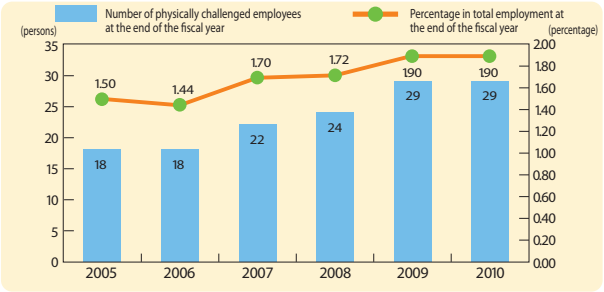
We hire and train the personnel we need regardless of nationality. Highly specialized global staff members work both at our overseas offices and our Tokyo headquarters. Additionally, because our large-scale overseas projects are now approaching their full-scale development and production phases, with expectations for long-term operations, we locally recruit employees who will play an integral part in running our overseas offices. We will continue to actively practice diversity management by devising measures to maintain competitive hiring criteria, maintain a strong work ethic among local employees, and improve our employee retention rates, and by promoting the diversity of our human resources.

Employment Opportunities for Physically Challenged

The INPEX Group has been proactive in hiring the physically challenged via job placement offices and other venues, while giving consideration to varying working conditions and responsibilities.

As of March 31, 2011, we employed 29 physically challenged employees, 1.9% of the total workforce. We will continue to make efforts in the future to employ as many physically challenged people as feasible.

■ **Percentage of Physically Challenged Employees in Total Employment**



Rehiring Retirees

The INPEX Group has a rehiring contract system whereby it rehires employees who reach the full retirement age of 60 to help them continue working while making use of their extensive experience and advanced abilities and skills. This system hires retirees for positions that match the interests of both the company and the retiree, with the option to renew the contract every year until the age of 65. We have hired over 90% of all applicants to this program. As of the end of fiscal 2010 (March 31, 2011), 58 of our employees are working under a retire-rehire contract.

Positive Work Environment in Australia

INPEX Australia has currently over 400 staff members in Australia and other international offices associated with the Ichthys Project. These staff members from Australia, the UK, France, Japan and other countries are recruited in accordance with Australian employment legislation providing equal opportunity in the workplace and ensuring compliance with National Employment Standards. We have been implementing the "INPEX@heart" program for the last few years to develop the desired workplace culture based on our CSR values through initiatives that range from social activities to teambuilding events and training workshops. In March 2011 we celebrated "Harmony Week" with in-house events to embrace diversity in the workplace and overcome barriers based on race and nationality, to build a positive workplace on a foundation of "team spirit."

Employing Global Human Resources in Indonesia

To carry out oil and natural gas development activities in the Abadi Gas Field development project and other operations, 176 employees from seven different countries, including 103 Indonesians and 52 Japanese, work at the Jakarta Office.

As its organization grows along with progress in project development, we can expect the Jakarta Office to take on a larger and more global workforce.

With that in mind, in March 2011 we established a code of conduct for employees working at the Jakarta Office to respect and maintain a safe and balanced work environment founded on integrity, trust, and fairness.

To communicate the code of conduct to all employees, local top managers delivered a message and are currently making efforts to encourage everyone to put it into practice.

Informational meeting on the new code of conduct

Employee Development and Health Management

Promoting Work-Life Balance

Seeking to maintain work environments that cater to different lifestyles and enable employees to fully express their abilities, the INPEX Group introduces support systems and versatile work styles to promote work-life balance. We also fully recognize our social responsibility within the context of a declining birthrate and aging population in Japan, as well as support our employees to meet their various needs.

Moderating Work Hours

At the INPEX Group as a whole, total work hours have been gradually declining. In April 2011, we launched a campaign that encourages employees to leave work before 6 p.m. at least four times a month, with flexibility allowed for each person's work schedule. Maintaining a regular work schedule helps employees to rejuvenate themselves both mentally and physically, use their limited work time more effectively, and be more productive at work.

And when employees need to extend their overtime hours beyond the predetermined limit, we encourage managers and their junior staff to not only review the latter's workload but also discuss current conditions and challenges they are facing.

Family Care Support

We offer our employees a greater variety of support programs to assist them in caring for their families, which goes beyond the legal requirements.

We also have devised a general action plan as required by Japan's Law for Measures to Support the Development of the Next Generation to implement programs to encourage male employees to be more involved in raising their children and help them maintain a balance between their work and child-rearing.

Our parental leave system includes various programs to support employees in caring for their children, including special leave for male employees allowing them to take up to three days paid leave during childbirth, and a reduced working hours system that can be used until the child reaches the fourth grade. As a result of increased awareness of these programs, in fiscal 2010, 11 employees (including one male employee) took parental leave, 13 used the reduced hours system, and a combined total of 226 took advantage of partial subsidies for nursery school and other childcare expenses.

Under our nursing care support system, employees can take up to 365 days of leave to care for one sick or elderly family member or, instead of taking leave, use a reduced hours system to take care of family while working. Two employees used the nursing care support system in fiscal 2010.

■ Overview of Family Care Support Systems

System	Overview
Parental leave system	System to provide leave until a child reaches 18 months of age; 20% of salary is granted in addition to statutory parental leave benefits
Reduced working hours system for child rearing	Until a child is in the fourth grade, employees can: (1) Reduce their standard working hours (reduction of two hours) (2) Work on flex-time (3) Receive exemptions from working overtime or on days off
Child healthcare leave	System that allows employees to take special paid leave to care for sick children under elementary school age; employees can receive up to five days for one child and up to 10 days per year for two or more children, and are allowed to take leave in half-day units
Assistance for nursery schools, day care centers, and babysitters	Employees who have children aged three and under are eligible to receive a partial subsidy for the startup fees and annual expenses for nursery schools, day care centers, and babysitters
Nursing care system	Employees can take up to 365 days of leave per family member while receiving 20% of their salary
Reduced working hours for nursing care system	When not taking nursing care leave, employees can: (1) Reduce their standard working hours (reduction of two hours), (2) Work on flex-time, (3) Receive exemptions from working overtime or on days off for up to one year during the nursing care period:
Special leave for family care	System that allows employees to take special paid leave to care for their sick or elderly family member in need of assistance; employees can receive up to five days for one family member and up to 10 days for two or more family members per year, and are allowed to take leave in half-day units

Employee Voice

Benefits of the Parental Leave System

Mayu Otake
Coordinator
Subsurface Evaluation Unit
Technical Division

I have three daughters: one fourth grader, one first grader, and one preschooler. Since joining INPEX, I've been working as an engineer evaluating oil and natural gas fields. I decided to use the flex-time work system instead of reduced hours because I wanted to make sure I had enough time to do my job well. It also allows me to participate in PTA activities, sometimes reading books to the children at elementary school before going to work, and sometimes leaving work early to attend parents' association meetings. This system is also a huge help because, if it's a crazy Monday morning—as it often is—or if it's a terribly rainy or snowy day, I can take my time to send my youngest daughter to the nursery school before getting to work.

Labor-Management Council

We strive to maintain and promote sound relationships between our management and employees based on a foundation of mutual trust and cooperation. To that end, our management meets regularly with employee representatives to exchange views and ideas on a broad range of issues that include challenges that we are facing and our business outlook. As of March 31, 2010, the INPEX Labor Union has 1,030 members.

Labor-Management Meetings Held in FY2010

Central labor-management meetings: July and December

Branch labor-management meetings: Niigata region—July; Akita region—July; Chiba region—July

Health Management System

The INPEX Group considers health maintenance and promoting better health among our global employees to be critical to the execution of our business activities. We adopt various approaches to ensure that our employees are physically and mentally healthy.

Each of our Operational Organizations has an occupational physician, and organizations above a certain size have a resident occupational health nurse. These staff work to maintain and improve the health of our employees by offering advice in response to health check results, providing counseling on overwork-related issues, participating in health and safety committees, centrally managing and analyzing the health check results through a database, and periodically distributing health-related information.

Employees who experience health problems that hinder their work performance can take a leave period of up to 3.5 years, providing them the time necessary to recover before returning to work.

Measures to Improve Employee Health Maintenance

In addition to the periodic medical checkups required by law we provide employees with assistance to monitor their health. Employees aged 30 and over are provided with lifestyle disease checkups, and employees aged 35 and over are provided with complete medical checkups. We also allow employees to choose their checkup date, medical institution, and optional tests according to their own circumstances.

Moreover, we provide employees with assistance for receiving flu vaccinations, and try to prevent transmission by giving all employees the opportunity to get vaccinated at work.

For employees transferring overseas, we provide health checks and vaccinations through an affiliated medical institution specialized in travel medicine, and have introduced an internet-based service for health consultation, counseling, and introductory information to medical institutions. In the event of an emergency, a contracted emergency medical service company will arrange for our overseas employees to receive medical treatment, be transported, and brought back home.

As another program to promote employee wellness, we provide benefits for all employees and some of their family members, including sports clubs or gyms. In fiscal 2010, there were over 4,000 users (cumulative) of this program.

Mental Health Measures

We have adopted a self-service stress test tool that employees can use to gauge their stress levels. Once every year, we have a mental health awareness month during which we encourage testing to check our employee stress levels, and we analyze the stress levels for each organization. Our health staff provides extra care to employees under high levels of stress as part of our effort to detect stress and take appropriate measures at an early stage.

In an effort to provide better consultation services, we introduced an employee assistance program (EAP) through which employees and their family members can take advantage of expert counseling services. The program has also provided mental health counseling for employees who returned from an area of conflict.

In fiscal 2010 we began activities to support employees in their return to work after a mental health leave. Given the particular importance of close communication between the employee's supervisor and primary physician, health staff, and human resources staff during and after rehabilitation, we created a manual that prescribes what each party should do at each stage in the process.

Employees Statistics

Number of Employees (Consolidated)

Category		Male	Female	Total
Number of employees		1,613	241	1,854
By region	Japan	1,317	192	1,509
	Asia & Oceania	136	15	151
	Eurasia (Europe & NIS)	16	1	17
	Middle East & Africa	62	7	69
	North & Central America	10	2	12
	South America	72	24	96

Number of Employees (Unconsolidated)

Category	Male	Female	Total
Number of employees	961	173	1,134
Average age	39.4 years		
Average length of service	15.9 years		

FY2010 Hiring Data (Unconsolidated)

Category	Male	Female	Total
New graduate hires	40	12	52
Mid-career hires	22	4	26

FY2010 Staff Turnover Rate (Unconsolidated)

0.05% * Excludes retirees

Fair Trade

Promoting Fair Trade Practices in Procurement

We strive to procure goods from suppliers in a transparent, fair, and responsible manner. We have established Guidelines for Fair Business Conduct with Suppliers and Contractors, Detailed Regulations for Procurement, and a Procedure for Handling Procurement, and post these and other guidelines on the intranet to communicate their content to Group employees and promote their implementation.

The Guidelines for Fair Business Conduct with Suppliers and Contractors prohibit practices that would impede fair and free competition, abuse dominant bargaining positions, or inappropriately grant or receive benefits. In addition, they stipulate the protection of confidentiality regarding suppliers' personal information and technologies. All departments involved in procurement processes adhere to these guidelines not only as a guiding policy but also as part of our code of conduct.

When selecting suppliers, we always strive to ensure fair and open participation opportunities for prospective suppliers. In the evaluation phase, we assess not only technological capacity, quality, and credibility, but also health, safety, and environmental (HSE) initiatives and efforts to be a socially responsible supplier.

When accepting bids and placing orders for large-scale projects in Japan, such as the Naoetsu LNG Receiving Terminal and pipeline construction, we apply the Guidelines for Fair Business Conduct with Suppliers and Contractors to ensure fair and responsible procurement and also assess HSE initiatives as part of our evaluations.

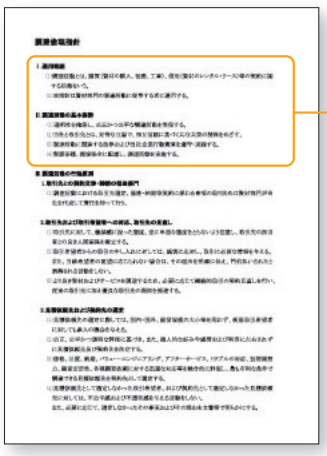
■ Guidelines for Fair Business Conduct with Suppliers and Contractors

I. Scope

(1) Procurement activities are activities related to contracts for purchasing (purchases, and services and construction using materials and equipment), borrowing (renting and leasing of materials), and other related activities.
(2) These guidelines apply to all employees engaged in procurement activities in the logistics division.

II. Basic Guidelines for Procurement Activities

(1) Ensure transparency and realize fair and open procurement activities
(2) Strive to create a symbiotic relationship with suppliers based on mutual trust and equal standing
(3) Comply with and implement applicable laws and the INPEX Corporate Social Responsibility Policy
(4) Conduct procurement activities with consideration of their effects on resource protection and environmental conservation



Fair Materials Procurement

The INPEX Group strives to procure goods in a fair and responsible manner not only in Japan but also when developing its overseas projects. By complying with national laws when selecting new suppliers for overseas business, we make sure that such suppliers are not engaged in business that jeopardizes the rights of indigenous peoples or practicing child or forced labor. While our overseas project operations are unlikely to engage in child or forced labor due to the many advanced technical skills they require, we will enforce our human rights policy in procurement activities by adding a human rights component to our Corporate Social Responsibility Policy.

● Procurement Activities in Indonesia

At the Abadi Gas Field development project, we strive to procure materials and services in a fair and transparent manner. We comply with the various laws, regulations, and guidelines promulgated in Indonesia that apply to procurement, and practice open bidding as a basic policy that particularly aims to prevent corruption and secure competitiveness, thereby providing a broad spectrum of companies with opportunities to participate. We have established an in-house bid evaluation committee to conduct fair and appropriate evaluations and make procurements that achieve a proper balance between quality and price.

● Procurement Activities in Australia

INPEX Australia's Supplier Relationship Program is an important part of the Company's sourcing activities. It ensures locally-owned, and Aboriginal and Torres Strait Islander businesses are provided full, fair and reasonable opportunity to participate.

The key strength of our program is the strong business case that underpins the investment into a diverse supply base, essentially strengthening competition, innovation, and flexibility, thus increasing our competitive advantage as we aim to deliver sustainable economic development in the areas of operation.

Employee Voice

Fair Materials Procurement

Christine Haynes
Supplier Diversity Advisor
INPEX Browse, Ltd.

In 2009, the Ichthys Project Australian Industry Participation Plan was developed, outlining a framework for identifying and developing local content* options during the Project and future operations for Australian industry. I feel the success of our Plan to-date has been based on three key elements outlined in the Plan:

- creating and implementing a simple process integrated into day-to-day sourcing activities;
- cascading our commitment contractually to key partners undertaking work for us; and
- ensuring the right tools are in place early to support the Project teams to identify and communicate with local suppliers in a transparent and effective manner.

* Local content: Raw materials and components that are sourced from local suppliers for local production activities by an international company operating in a foreign country

Stakeholder Communication

For details, please refer to our website:
http://www.inpex.co.jp/english/csr/

Policies and Frameworks for Information Disclosure

Our Corporate Social Responsibility Policy dictates that we communicate promptly and openly with shareholders, suppliers, business partners, and other stakeholders. Based on this policy, we disclose corporate information in a timely, appropriate, and fair manner through investor relations activities, the company website, and public relations outreach. Doing so ensures the transparency and accountability of management and we constantly strive to improve on these initiatives.

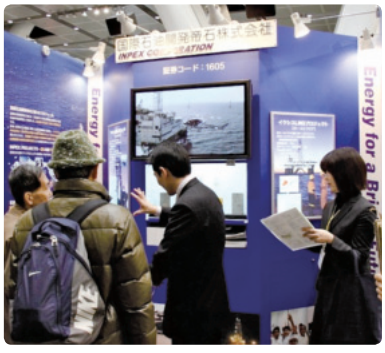
Regarding our internal frameworks we have named the head of the Corporate Strategy & Planning Division as the official in charge of information disclosure and established the Corporate Communications Unit as a body devoted to information disclosure. Regarding procedures for disclosure, the Rules for Corporate Information Disclosure stipulate processes for Group-wide collection, management, communication, and disclosure of information, and we also strive to increase awareness of these rules in an effort to prevent information leaks and insider trading.

Major IR Activities in FY2010

In fiscal 2010, we held two briefing sessions with financial analysts and institutional investors to report financial results. In Japan and overseas, we also offered two project site tours for analysts and investors and held 501 investor relations (IR) meetings. Due to the recent increase in the percentage of shares held by foreign shareholders, over half of our meetings were held for foreign investors.

In addition to IR exhibitions, our IR activities for individual investors included 13 information sessions held in six cities around Japan with over 1,500 investors in attendance.

We also have regularly conducted a CSR incentive questionnaire in which the number of responses from shareholders determines how much we donate to a nature conservation group. In fiscal 2010, this project yielded ¥638,000, which we donated to the Keidanren Nature Conservation Fund.



IR exhibition for individual investors

Communicating with Communities in Indonesia

We are conducting environmental and social impact assessment activities for the Abadi Gas Field development project. Continuing from the public hearing we held in the city of Saumlaki in the Tanimbar Islands in November 2009, from April to May 2010 we also invited about 30 local officials and residents to attend a project briefing on the island of Selaru in the Tanimbar Islands. We also held an additional hearing with local officials and residents in Saumlaki. We are striving to operate a transparent project by engaging in ongoing information disclosure and two-way communication to gain the understanding and cooperation of local communities.

Communicating with Students

In an effort to teach students the importance of oil and natural gas development—an industry they are generally unfamiliar with—and take a greater interest in it, we collaborated with Diamond, Inc. to plan and host the Japan Student Forum on Oil and Gas for university and graduate-level students. We invited an outside lecturer to talk about the oil and natural gas development industry and take part in a panel discussion on the topic. The event, which encouraged direct dialogue between the participating students and lecturers, was a successful way to achieve deeper and broader communication with students.

We also sent a lecturer to speak at Nikkei Education Challenge 2010, an extracurricular event hosted by Nikkei Inc. to help high school students learn more about business activities. With over 400 high school students in attendance, we tried to provide them with a clear but in-depth understanding of the applied science of oil and natural gas exploration.

Students listening to an INPEX employee lecture at the Japan Student Forum on Oil and Gas
Photo: Toshiaki Usami

Community Support and Contributions

Approach to Community Coexistence

As a good corporate citizen that exists in harmony with local communities, the INPEX Group maintains, through communication with stakeholders, awareness of the roles it must fulfill, valuing regional cultures and customs as it carries out its business activities. By doing this, the Group strives to exist in harmony with local communities, while contributing to the creation of prosperous societies.

For details, please refer to our website:
http://www.inpex.co.jp/english/csr/

Support Activities Around the Globe

Community Support

Azerbaijan
Georgia
Turkey

Greenhouse Farming Support Project in Countries Through Which the BTC Pipeline Passes

In the Baku-Tbilisi-Ceyhan (BTC) Pipeline Project, four villages in an area through which the pipeline passes (Azerbaijan Goranboy region) were selected as recipients of greenhouse farming support. US$171,000 have been invested in the construction of 27 greenhouses and the supply of crop seeds, and training and education are being provided to local villagers.

A BTC representative gives instructions to a local employee at one of the support program's greenhouses

Community Support

Japan

See pages 50 and 51 for details.

Community Support

Abu Dhabi

Abu Dhabi International Hunting and Equestrian Exhibition (ADIHEX)

We have held exhibitions at every Abu Dhabi International Hunting and Equestrian Exhibition since 2004, inviting Japanese falconers and swordsmiths to share the traditional culture of Japan. Visitors to the booth are served green tea.

Staff of the INPEX booth

Other Community Contribution Activities

- **Participation in the establishment of a local university, and organizing technical lectures (community support)**
- **Training in Japan for UAE students studying petroleum engineering and geosciences (community support)**
- **Support for the enrollment of UAE children in the Japanese School in Abu Dhabi (community support)**

Community Support

Venezuela

San Antonio Elementary School Facility Improvement

In 2010, Venezuela' s Gas Guarico, invested in and operated by INPEX, carried out classroom, kitchen, and playground improvements, as well as installing drinking water facilities and flush toilets, in three local schools, including San Antonio Elementary School, located near gas fields, in response to requests from students and their families, school personnel and city government personnel, and local residents.

San Antonio Elementary School students and teachers

Other Community Contribution Activities

- **Water supply tanker truck donation project (community support)**
- **Scholarships for exchange students from Simon Bolivar University (donation/sponsorship)**
- **Zazarida port dredging (community support)**

Donations and Sponsorship

Indonesia

Community Contributions to Saumlaki City

INPEX Masela, Ltd., a member of the INPEX Group, donated 2,000 books and four computers to a library in Saumlaki, Indonesia, in response to requests from residents, as part of the local contribution efforts it made in conjunction with its promotion of the Abadi Gas Field development project.

A library staff member uses one of the donated computers

Other Community Contribution Activities

- **Support for exchange students through the INPEX Scholarship Foundation (donation)**

Community Support

Australia

Support for the Larrakia Trade Training Centre

The INPEX Browse, Ltd. donated A$2.28 million towards constructing the Larrakia Trade Training Centre which will provide training and facilitate employment opportunities for youth in Darwin. The Centre was officially opened in April 2011 and 300 students are already enrolled and undertaking courses.

Larrakia Trade Training Centre

Other Community Contribution Activities

- **Queensland and Western Australia flood disaster relief donations (donation/sponsorship)**
- **Contributions to Darwin Bay mudflow layer research (donation/sponsorship)**
- **Co-sponsorship of community event (Derby Boab Festival) (donation/sponsorship)**

Community Support and Contributions

Support Activities After the Great East Japan Earthquake

Immediate Relief Efforts

The INPEX Group donated ¥200 million to the Japanese Red Cross Society to help communities devastated by the Great East Japan Earthquake on March 11, 2011. We also donated additional funds of approximately ¥4.8 million, collected from among members of the Group.

Also, for communities in Fukushima Prefecture with whom we have a long-running relationship—23 years from 1984 to 2007—through natural gas production operations in the Offshore Iwaki Gas Field offshore from Naraha, Fukushima, we delivered emergency relief supplies in the form of daily essentials, including drinking water, rice, diapers, gas cylinders, and gas stoves, directly to emergency shelters using our own trucks.

As the reconstruction effort is expected to drag on, the INPEX Group will continue to provide all possible support, such as sending volunteers to affected areas, in order to facilitate a return to normality for disaster victims.

Supplying Japanese Power Plants with Oil and LNG from Foreign Sources

Oil-fired and natural-gas-fired thermal plants are being used more and more to replace nuclear power plants disabled by the disaster. And we have responded to additional requests in April and May from electric-power companies for increased supplies of oil and LNG from our overseas sources. We will strive in the future also to comply with such requests to the best of our ability.

Delivering Petroleum Products to the Disaster Zone

Responding to urgent requests for fuel from the affected areas in the weeks immediately following the disaster, we supplied approximately 400 kiloliters—or 21 tanker trucks—of petroleum products (gasoline, kerosene, diesel oil, and heavy oil) refined and manufactured at our refineries from crude oil produced in Japan to devastated communities in Fukushima Prefecture.

Using our own trucks and maintaining communication with recipients in the area, we carried gasoline and diesel oil to the filling stations of bus companies that were still operating, to be used for emergency vehicles, water trucks, and other relief vehicles. Kerosene we delivered was used as heating fuel, and heavy oil was used as an emergency fuel for generating power at hospitals in the disaster zone.

We also delivered class-C heavy oil refined from crude oil produced in Japan to electric utilities to be used as fuel for power generation.

A tanker truck carrying diesel oil

Utility Gas Subsidiary Joins the Reconstruction Effort

Responding to a request from a utility gas company in Miyagi Prefecture, where the devastation was among the most severe, Sakata Natural Gas Co., a Group company in the utility gas business in Sakata, Yamagata Prefecture, formed a partnership with two nearby utility gas companies and began operations to support the reconstruction effort in Miyagi. Given that nearly 90% of the houses in the area were washed away or flooded by the tsunami, activities were largely a battle with removing seawater. Still, Sakata Natural Gas worked with other businesses from the end of April to the end of May, and completed the planned reconstruction work without major difficulties.

Employee Voice

Mamoru Sato
Deputy Manager
Teiseki Transport System Co., Ltd.

On March 17, within days after the earthquake, I found myself gripping the steering wheel of a 14-ton truck packed with drinking water, blankets, and other relief supplies bound for Soma, Fukushima Prefecture, fixed only on the thought of getting there as fast as safely possible. "Thank you!" "You're a life saver!" "Let me help!" were among the responses I heard when I arrived at the shelter. With the residents of Soma quickly unloading package after package, we managed in 40 minutes to empty the truck, which took two hours to fill. By coming in direct contact with the gratefulness of people who were affected by the disaster, I felt a sharp sense of the mission we have as distributors and the immense honor of being a professional driver.

Community Support

Forest Management Support Program

The INPEX Group is participating in a forest management project backed by Niigata Prefecture's "Forest Management Support Program" to help conserve the global environment, deepen relationships with local communities and raise environmental awareness among our employees.

In this program, Niigata Prefecture serves as the agent to borrow unmanaged land from their landowners, and we grow and manage the forests for them. We intend to plant and care for trees for a commitment period of 10 years on a 0.8 hectare parcel of land near the Minami Nagaoka Gas Field.

A combined total of some 160 people including employees, their families, and local residents participated in two project events, one in fall 2010 and the other in spring 2011. At the first event, we planted 300 beech, konara oak, maple, and other trees, and held an ecology class for children. At the second event, we installed braces for young trees bent by snow, and also "took a whack" at hammering plug spawn into logs to grow mushrooms (in this process, wooden plugs containing mushroom spores are pounded into holes in a log). In the upcoming fall 2011 event, we will add walnut trees to the mix, thus enhancing the variety of trees in the forest.

Forest Management Support Program

Employee Voice **Forest Management Support Program**

Noriyuki Aoyagi
Coordinator
Planning & Coordination Administration Unit
Domestic Project Division

A lot of people's ideas went into planning the "Forest Management Support Program," including the concept for the program and what name to give the forest.

While I had limited knowledge of what trees are suited to this area and other plant-related information, we were able to launch a successful program thanks to the support and cooperation of Niigata Prefecture and the Chuetsu Yotsuba Forestry Cooperative, everyone at Koshiji Momiji-no-Kai, who donated commemorative maple seedlings, the landowner, and numerous local residents.

Supporting and Participating in Community Events

The INPEX Group actively supports and participates in a variety of community events.

Every year in Nagaoka, Niigata Prefecture, one of our main production centers in Japan, we sponsor the fireworks celebration of the Nagaoka Festival. In Kashiwazaki, Niigata Prefecture, we recruit employee volunteers to run or support other runners competing in the Kashiwazaki Shiokaze Marathon and sponsor the fireworks portion of the Gion Kashiwazaki Festival. Over 100 people affiliated with the INPEX Group danced in each of the July 2010 Gion Kashiwazaki folk dance parade and the August 2010 Niigata Festival folk dance parade. We also sponsor fireworks celebrations in Niigata and Joetsu, Niigata Prefecture, and Akita, Akita Prefecture every year.

In Chiba Prefecture, we sponsored the 65th National Sports Festival.

By supporting and participating in community events like these, we aim to promote an understanding of our company and business among local communities and residents—one of our stakeholder groups—and coexist harmoniously with them as a corporate citizen.

Nagaoka Festival

Gion Kashiwazaki Festival

Shiokaze Marathon

Sponsored Course at the University of Tokyo Graduate School of Public Policy

Since April 2010, we have been sponsoring at the University of Tokyo Graduate School of Public Policy a three-year course entitled "Energy Security and the Environment" with the aim of educating future energy policy-makers in Japan, raising a societal awareness of the importance of energy security, and contributing to research and educational activities in energy policy and environmental issues, two topics that are intimately connected.

The course features lectures on energy policy and environmental policy, research on the major issues surrounding global energy issues and the environment, and an annual international symposium.

Panelists at the international symposium

CSR Online 2011: Table of Contents

http://www.inpex.co.jp/english/csr/

WEB Items with this mark are covered on the website

Third Party Comments on *CSR Report 2011*

Toshihiko Goto
Chief Executive
Sustainability Forum Japan

The President's introduction takes a deep look at current circumstances and clearly depicts the direction in which the INPEX Group is headed. Given the effects of the Great East Japan Earthquake on March 11 and the subsequent nuclear crisis, it is virtually unfathomable that any new nuclear plants will be constructed in Japan in the first half of this century, and considering that it will take 20 to 40 years to develop any significant scale of renewable energy capacity, we can expect that the importance of fossil fuels and our dependence on them will continue to grow. INPEX's focus on developing natural gas, a relatively low-carbon fossil fuel, will truly work to the benefit of our country and society and is, I believe, the epitome of fulfilling one's corporate social responsibility. Meanwhile at the 2009 G8 summit in L'Aquila, Italy, Japan and other industrialized nations declared their aim to reduce greenhouse gas emissions at least 80% from 1990 levels by 2050.

Although INPEX is currently developing natural gas, CCS and CCU, and other potential solutions, I hope the Group will move even faster given what has been happening since the disaster. The research of Nobel Laureate Dr. Ei-ichi Negishi and his team is also reportedly gaining momentum. In terms of renewable energy solutions the Group can deploy, is there no possibility, say, of installing small hydro, micro hydro, or wind power systems, or even transmission lines, along pipelines? The Group also has enough technical capabilities for geothermal. Even if natural gas is INPEX's primary focus, I hope the Group would at least start examining and taking small steps to deploy renewable energy simultaneously.

I made the same comment last year, but in this unpredictable age I want to see a vision for 2050.

For the obvious reason that INPEX operates in a field widely subject to Western standards, I feel the Group is one step ahead of other Japanese corporations with regards to CSR awareness. Still, CSR entered a new stage with the publication of ISO 26000 in 2010. Since, I expect, more development projects in the INPEX Group will inevitably take place in emerging and developing economies, CSR in those places will also become increasingly vital. Companies must not only be aware of CSR but must also make decisions about what to execute and how much and at what level. By reading this report, I can see that INPEX is being thorough in its efforts, particularly overseas; however, needs change from place to place. Needless to say, the Group must deepen its awareness, acquire a close familiarity with ISO 26000, and ceaselessly engage in two-way communication.

It is commendable that the report clearly presents the process by which INPEX selected its key CSR issues. Although the Group is working to launch a Group-wide division, because CSR issues are inextricably linked to business activities, the core issue here is developing and maintaining a corporate culture where all employees see CSR as their own responsibility and act accordingly. The key, in other words, is increasing employee engagement with the outside world—in other words: accumulating social capital. Last year, I stated that I cannot clearly see the Group's HSE efforts, but this year's report describes them in considerable detail. I could sense that INPEX is quietly toiling away in a number of settings. However, when I anticipate the increasing number of projects that will be developed in more challenging conditions, I hope the Group will build its HSE culture to always be ready to deal with the unexpected.

That INPEX has tried to report its activities honestly according to the four goals outlined in the editorial policy is apparent. The CSR Online Table of Contents and footnotes explaining technical terms are also great features.

Response to Third Party Comments

Wataru Tanaka
Director
Managing
Executive Officer
in charge of CSR

I am grateful to Mr. Goto for his invaluable feedback concerning our *CSR Report*. The INPEX Group takes it as its mission to realize a stable and efficient supply of energy. However, since the Great East Japan Earthquake, we are now more acutely aware of the role we must fill than ever before.

The points Mr. Goto has raised this year—an ultra long-term vision for energy and steady progress toward that vision, a perpetual deepening of two-way communication, development and maintenance of a corporate culture where employees execute their tasks with a strong individual awareness of CSR, and others—we will tackle as key issues for achieving our Group mission and integrate them in our future business activities.

We will continue to strengthen initiatives in CSR as a company with global operations and, by promoting business activities that pay due consideration to safety and the environment, we will continue to strive to be a integrated energy company that sustains the daily lives of people in Japan.

INPEX CORPORATION
Research & CSR Group
Corporate Strategy & Planning Unit
Akasaka Biz Tower 32nd Floor
5-3-1 Akasaka, Minato-ku, Tokyo, JAPAN 107-6332
Phone: +81-3-5572-0231
http://www.inpex.co.jp/english/index.html

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