



Sustainability Report 2012

Mission, Corporate Social Responsibility Policy and Code of Conduct

Mission

The mission of the INPEX Group is to provide a stable and efficient supply of energy to the 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 our community and makes it more livable and prosperous.

Corporate Social Responsibility Policy

The INPEX Group conducts our 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 by taking into consideration our stakeholders' interests. Our key principles include:

1. Deliver energy in a stable and efficient manner.
2. As a company responsible for energy supply, strictly maintain safety in operation and control in all areas of our business activities.
3. Comply with laws, rules and regulations and adhere to ethical business conduct in accordance with social norms including human rights at our international or operating locations.
4. Communicate timely and openly with shareholders, employees, customers, business partners and other stakeholders while protecting and properly managing information.
5. Value the individuality of our employees, secure a safe, healthy and worker-friendly environment, and provide opportunities for career development.
6. Recognize our responsibility to help preserve the environment and proactively contribute to sustainable development.
7. Contribute to the economic development of host countries and communities, by taking cultural diversity into consideration.

Revised on April 23, 2012

Code of Conduct

Every officer and employee of the Group fully understands and strictly enforces the articles of this code of conduct to achieve appropriate management and fulfill their responsibilities as decent members of society.

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

Established on October 1, 2008
Only main items are listed



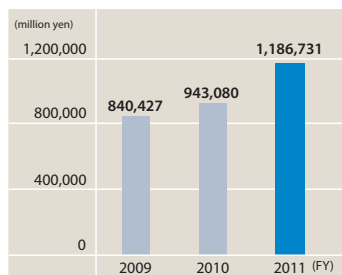
For details,
please refer to
our website:
[http://www.inpex.co.jp/
english/csr/](http://www.inpex.co.jp/english/csr/)

Company Overview

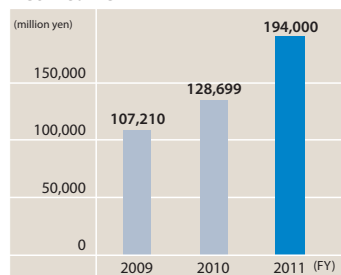
Company Name:	INPEX CORPORATION
Established:	April 3, 2006
Capital:	290,809,835,000 yen
Headquarters:	Akasaka Biz Tower 31st to 34th, 38th floors, 5-3-1 Akasaka, Minato-ku, Tokyo, JAPAN 107-6332 Phone: +81-3-5572-0200
Fiscal Year End:	March 31
Number of Employees:	2,146 (Consolidated) as of March 31, 2012
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 (Consolidated)

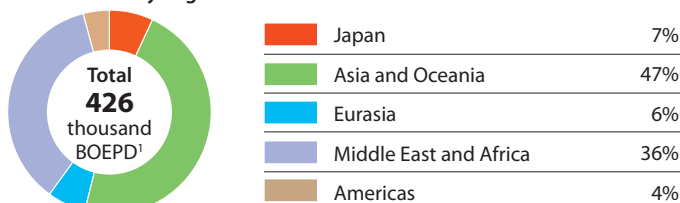
Net Sales



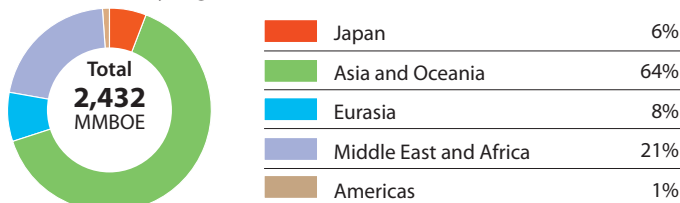
Net Income



Net Production by Region



Proved Reserves by Region²



¹ Barrels of oil equivalent per day.

² Proved reserves are evaluated in accordance with SEC regulations and include proved reserves owned by equity method affiliates.

Editorial Policy

The INPEX Group publishes its *CSR Report* annually to keep its stakeholders informed of its CSR initiatives and activities.

For the 2012 edition of this report, renamed the *Sustainability Report*, we formulated the editorial policy below in light of our continued effort to incorporate the following ideas from the 2011 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 worldwide 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 steps we are taking to enhance CSR-based management through our CSR promotion system.
3. We will report on two-way communication with stakeholders on our key CSR issues.
4. We will further improve the content of the report to fulfill our accountability.

Reference Guideline

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

Reporting Period

April 1, 2011 to March 31, 2012 (Including references to activities we undertook during or after April 2012)

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Scope of Reporting and Data Compilation

- INPEX CORPORATION and its 59 consolidated subsidiaries

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.

Regarding the Cover Page

The INPEX Group pays proper consideration to the society and the environment as an energy corporation while providing an efficient and stable supply of energy to contribute to a brighter future. The mangrove tree image used in the background is native to Darwin Harbour, the main site where the Ichthys LNG (liquid natural gas) Project is being implemented, in the Northern Territory in Australia. It represents the Group's efforts in paying consideration to the natural environment in our activities.

TOP MANAGEMENT COMMITMENT

Toshiaki Kitamura

Representative Director, President & CEO
INPEX CORPORATION

“The INPEX Group is committed to contributing to a sustainable society through its energy business, aiming to become an operator that is trusted around the world”



Our Vision

We position ourselves to become
a top class international oil and gas exploration
and production company through sustainable growth
in the oil and gas development business.

With natural gas as the core of our business,
we will grow into an integrated energy company
by making contributions to a stable energy supply
to broader communities.

We will continue to play a significant role
in boosting the capability of supplying energy to Japan
while contributing to the global economic growth
and social development.

Through these efforts, we intend to further advance
our reputation among our shareholders
and more broadly our stakeholders as a company serving
an essential role in the global community.

In 2012, the INPEX Group takes the helm in strengthening our CSR-based management. Through the interview with our President & CEO, we convey our stance in contributing to societal and economic development through our business activities.

Q In recent times, energy-related issues have gained global-wide public attention, particularly in Japan, where future energy policy has become a key issue following the Great East Japan Earthquake. Additionally, global companies are increasingly expected to address societal issues through CSR-based management. As a company operating globally, what type of CSR initiatives are you implementing?

A As a company whose main business is the development of oil and natural gas, the first and foremost mission of the INPEX Group is to ensure a stable and efficient supply of energy.

In December 2011, INPEX signed the United Nations Global Compact and pledged to make a company-wide effort to address CSR issues in order to become a globally trusted corporate citizen. Using this occasion, in April 2012, we founded the CSR Committee

and established a company-wide CSR promotion system, and positioned CSR as a foundation of management in our medium- to long-term vision released in May 2012.

I believe that CSR not only means to fulfill a responsibility to society as a corporate citizen, but also to create positive value. Using international guidance materials such as ISO 26000 as a reference, we strive to contribute to society through our business and develop into a company that is regarded as an indispensable presence to society. And I expect each of our employees to constantly consider ways in which he/she can contribute to society through his/her duties on an individual level.

Speaking of our employee base, it will become more diverse in the future, with a greater ratio of non-Japanese workers as our business activities become increasingly global. Given this circumstance, I believe that reflecting the diverse views and potential of the employees in our management is also an important part of our CSR, and one which will ultimately lead to our growth as a global company.



Q In January 2012, INPEX made its final investment in the Ichthys LNG (liquid natural gas) Project in Australia. With this, INPEX has become the first Japanese company to serve as the operator (responsible for leading exploration and development) in a global LNG development project. As the operator, what CSR initiatives are you taking in the project?

A The Ichthys LNG Project is a project in which we entrusted the company's fate, and one which took several years to reach the final investment decision. During this time we have held a comprehensive series of discussions with a range of stakeholders regarding how to protect the natural environment in the areas of

operation and how the company could coexist with the local community throughout the life of the project.

For example, after continued discussions with local residents on environmental issues surrounding the dredging work required to secure tanker routes in the area, we elected to employ an advanced method that does not use explosives in order to minimize the impact on the marine environment. From a societal perspective, we provided funding to a local vocational training school as the unemployment rate of the indigenous people in the region in which our LNG plant construction site is located is particularly high compared with that of other areas in Australia. The initiative has shown results, with more than 10 graduates of the school already finding employment with local civil engineering companies working as contractors on the Ichthys LNG Project.

We have also begun providing funding for training programs at

TOP MANAGEMENT COMMITMENT

Charles Darwin University that aim to develop more highly skilled engineers. In addition to the project itself creating significant employment opportunities in the region, through these environmental and societal initiatives we also believe we can play a positive role in creating a virtuous cycle in the local economy.

This is not the first time we have taken such an approach. For an oil and gas development company such as INPEX, environmental protection and coexistence with local communities is always an issue that is deeply related to our business activities. Our many years of experience facing these issues during our operations in Japan have formed the foundation of our corporate stance, and I believe such experience will prove valuable throughout the current project.

And of course it goes without saying that as an operator our responsibility is now larger than ever. In addition to stepping up our own initiatives we will also guide partner companies and contractors. We aim to develop a range of innovative solutions to tackle society's issues, and to be recognized worldwide as a trustworthy operator. By extension, I believe these efforts will help to significantly improve our corporate competitiveness.

Q Debate on energy policy has been more active since the accident at Fukushima Daiichi nuclear plant, and anticipation for increased use of alternative energy sources is growing. What is your view on renewable energy?

A From the perspective of contribution to the restoration effort after the Great East Japan Earthquake, we are not only supplying natural gas, which emits less carbon dioxide compared to other fossil fuels, but also working proactively to develop renewable energy.

One area on which we are putting particular focus is geothermal energy. In addition to the ability to secure a stable supply of energy compared to other renewables and Japan's significant potential geothermal resources, I believe it is a field in which we can utilize our exploration and excavation technologies that we have honed over many years in the oil and natural gas development business and one which offers potential synergy with our existing businesses. Naturally, our wealth of experience would also be valuable in minimizing the impact on the environment and in establishing trust with local communities during project development.

Indonesia, one of the countries with which we have a long-standing relationship, also has major geothermal potential. As

the country's economy grows rapidly the Indonesian government is promoting utilization of geothermal energy. INPEX has already received a government request for cooperation and aims to provide proactive support going forward.

Q Please tell us your thoughts on sustainability, which you have set as a CSR goal.

A An energy development company such as INPEX must look ahead to 30 to 50 years from now when planning business activities. From a medium- to long-term perspective, in addition to geothermal energy we have also begun development of hydrogen power technology, and plan to place a further emphasis on innovation in the future.

Relying on a single source of energy is not ideal, no matter how efficient and beneficial that energy source may be, and this is also true from a sustainability viewpoint.

It is in fact preferable to simultaneously utilize a diverse range of energy sources, to abandon those that are too risky, and to adopt those with future potential. Establishing a system to achieve this "best energy mix" and sharing this knowledge with developing countries is a key responsibility for developed countries.

While the circumstances surrounding global energy will likely change significantly, energy will always be the foundation of our business. We will strive to fulfill our mission to deliver stable, efficient energy supply while holding ongoing dialogue with a variety of stakeholders and constantly questioning the role that society expects of us. Through these efforts, we will continue to contribute to the development of a sustainable society.

Medium- to Long-Term Vision of INPEX

Ichthys and our growth beyond

We are now setting targets to achieve sustainable growth over the medium- to long-term and are clarifying key initiatives for the next five years leading up to the Ichthys start-up, summarized in the “INPEX Medium- to Long-Term Vision—Ichthys and the Next 10 Years.”

Three Growth Targets

1. Continuous Enhancement of Our E&P Activities Becoming a top class international oil and gas E&P company

Target for the 2020s	Achieve a net production volume of 1 million BOEPD by the early 2020s
Key initiatives for the first five years	<ul style="list-style-type: none"> ● Ensure a successful start-up of Ichthys and Abadi, and expand our business synergies ● Double our exploration expenditures from the current level, for a total of around 300 billion yen over five years (expanding to more than 1 trillion yen over 10 years after the Ichthys start-up) ● Substantially boost exploration and development activities in core regions (Southeast Asia and Oceania) and promising areas, and develop unconventional resources ● Aggressively acquire new assets, and pursue corporate M&A opportunities

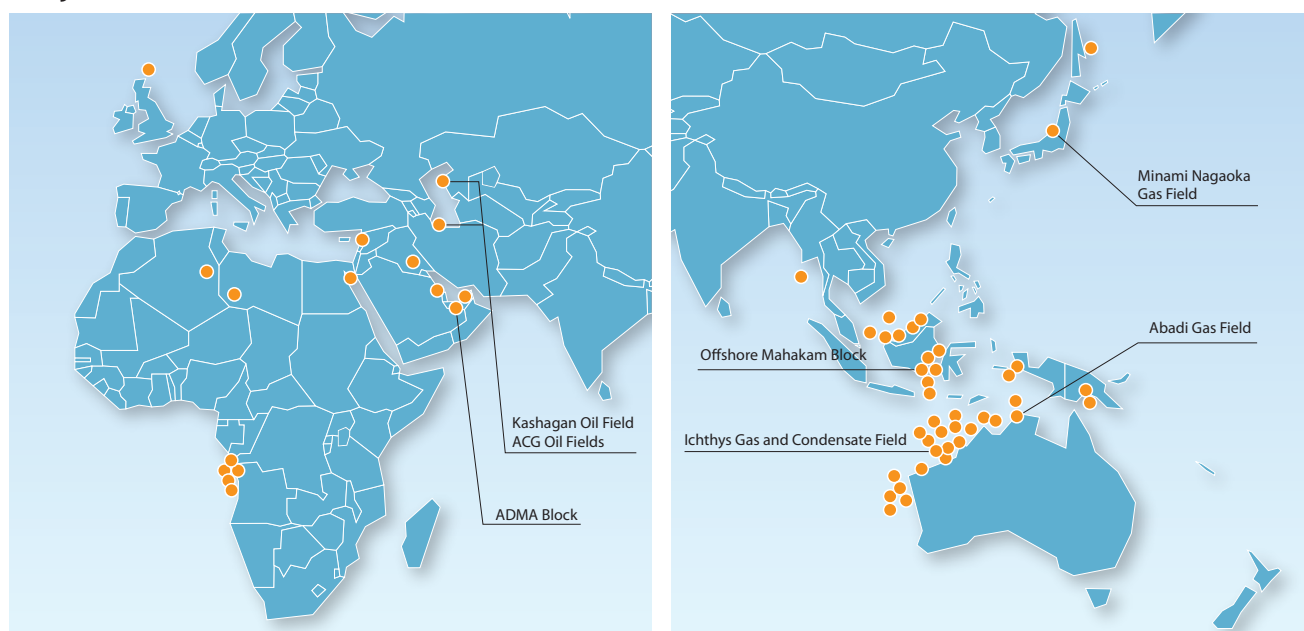
2. Strengthening Our Gas Supply Chain Globalizing our gas business

Target for the 2020s	Achieve a domestic gas supply volume of 2.5 billion m ³ /year in the early 2020s, with an aim to increase it to 3.0 billion m ³ /year in the long-term
Key initiatives for the first five years	<ul style="list-style-type: none"> ● Complete Naoetsu LNG Receiving Terminal and Natural Gas Trunk Pipeline (Toyama Line) ● Increase our ability to cope with fluctuating supply/demand balance by our enhanced marketing function and by having our own fleet of tankers ● Enhance gas supply security, cooperating with gas and electric power companies ● Consider the possibility of our involvement in LNG-fired power generation, from the energy policy perspective

3. Reinforcement of Our Renewable Energy Initiatives Becoming an integrated energy company that contributes to global community

Target for the 2020s	Promote efforts to commercialize renewable energies and reinforce R&D activities for the next generation
Key initiatives for the first five years	<ul style="list-style-type: none"> ● Promote commercialization of geothermal power generation ● Promote R&D initiatives such as CO₂ recycling technology

Projects as of June 30, 2012 (74 projects in 27 countries)



We are aiming to bolster our corporate value by maintaining sustainable growth amid the changes that are taking place in the energy sector. In order to achieve this, we have set “Three Growth Targets” to overcome and “Three Management Policies” that need to be pursued in the medium- to long-term of our business development. Defining our targets to be achieved by the 2020s, we will reaffirm the direction we must take and embark on the specific paths to reach our goals.

Three Management Policies

1. Securing/Developing Human Resources and Building an Efficient Organizational Structure

- Establish a department for new project development and reinforce coordination among the head office, the regional project divisions and overseas offices
- Utilize overseas offices proactively to collect new project information, to promote discussions on new projects and marketing activities
- Recruit and utilize personnel in and outside of Japan to develop global professionals
- Establish an efficient business execution system to facilitate decision-making

2. Investment for Growth and Return for Shareholders

- Secure funds (3.5 trillion yen over five years, more than 6 trillion yen over 10 years after the Ichthys start-up, including exploration expenditures) for medium- to long-term investment from our project cash flows and loans
- Maintain financial strengths, targeting “an equity ratio of 50% or more” and “a net debt to net total capital employed ratio of 20% or less”
- Realize return for shareholders and management efficiency befitting top class international oil and gas E&P companies

3. Responsible Management as a Global Company

- Reinforce CSR-based management continuously by establishing a company-wide CSR promoting system including the CSR Committee
- Implement specific measures starting from 2012 to continuously reinforce corporate governance from a global perspective
- Promote continuous improvements in corporate compliance and HSE initiatives
- Build trust-based working relationships with stakeholders through interactive communications



Pipeline Network



CSR of the INPEX Group

Promotion of CSR-based Management

The INPEX Group positions CSR at the foundation of its management, and through its business activities strives to contribute to economic growth and societal development, aiming to be recognized as an indispensable presence in society.

In December 2011 the company signed the United Nations Global Compact, and declared that we would make every effort to operate as a globally trusted corporate citizen. Moreover, in order to advance our practical initiatives, in April 2012 we established a CSR committee and, taking ISO 26000 into consideration, selected CSR initiatives as one of our key issues.*

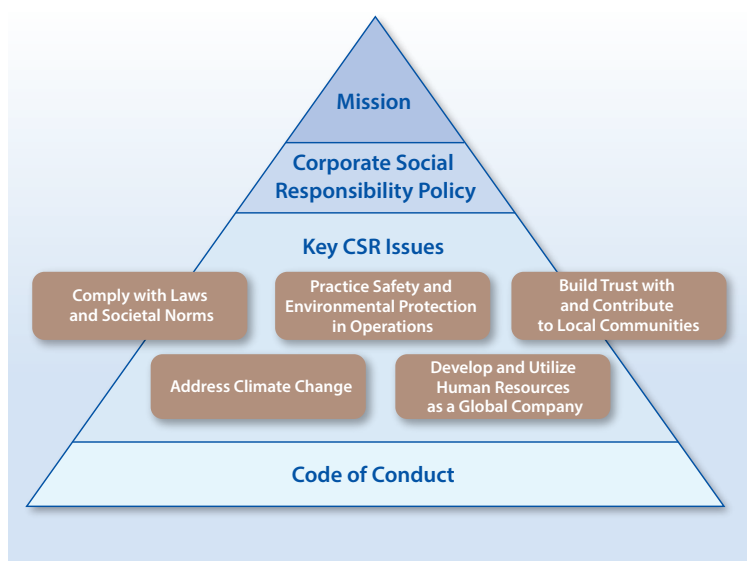
In the future, as a responsible global company we will continue to implement CSR-based management through constant dialogue with our stakeholders.

* International Standard for guidance on social responsibility for organizations

■ Mission Pyramid

Our Mission and CSR

The INPEX Group has formulated a Mission, Corporate Social Responsibility Policy, Key CSR Issues 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. Our Key CSR Issues outline the issues that have a significant impact on both the INPEX Group and its stakeholders and which we believe currently require strengthening. And our Code of Conduct describes how we as individuals of the Group should perform ethically on a daily basis.

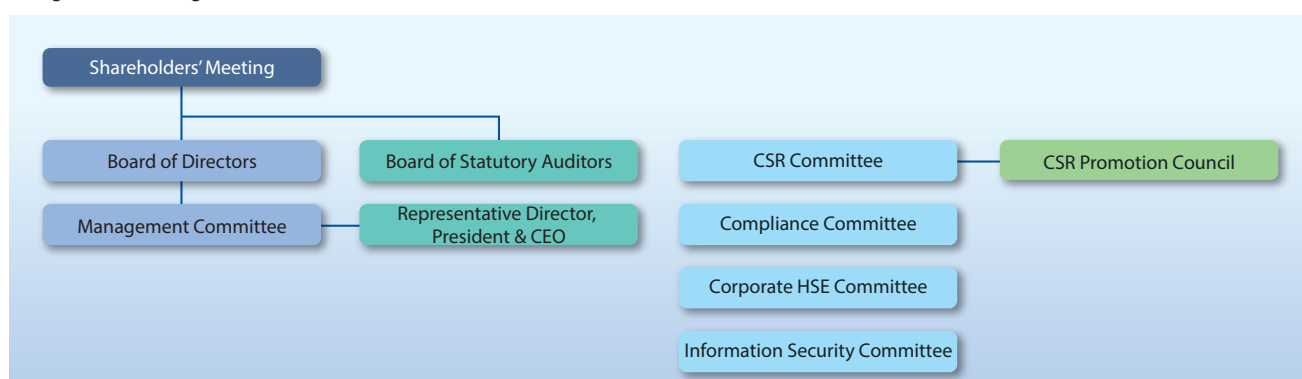


Establishment of CSR Promotion System

In April 2012 we announced our top management's stance towards CSR, and established a CSR committee chaired by the President & CEO to display a company-wide commitment to CSR and to improve the organizational structure for practical implementation purposes. In addition to the President & CEO, the head of the General Affairs Division and the head of the Corporate Planning Division (vice-chair), the chairs of the existing Compliance and Corporate HSE committees also joined as committee members to facilitate collaboration between the respective committees. The CSR Committee meets to discuss basic policies related to various CSR initiatives.

We have also established the CSR Promotion Council, a subordinate organization comprised of members from various divisions involved in CSR at the working level. By creating this link between top management and the workplace, we aim to promote a greater mutual awareness of CSR initiatives.

■ Organizational Diagram



Key CSR Issues

To select the key CSR issues the Group should prioritize in the future, we referenced the seven core themes* of ISO 26000 and collected, organized and classified the range of opinions from within the company. Of these, we decided to select the issues that have a significant impact on both the INPEX Group and its stakeholders and which we believe currently require strengthening.

* We have identified the issues related to the seven core themes of ISO 26000 (Organizational Governance, Human Rights, Labour Practices, The Environment, Fair Operating Practices, Consumer Issues, and Community Involvement and Development) in order to realize our corporate social responsibility

Compliance Comply with laws and societal norms (including consideration for human rights)	<ul style="list-style-type: none"> ● 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. Executives and employees will initiate actions that reflect high ethical standards. As a result, we will be highly regarded globally.
HSE Initiatives Practice safety and environmental protection in operations	<ul style="list-style-type: none"> ● 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.
Community Contribution Build trust with and contribute to local communities (including education)	<ul style="list-style-type: none"> ● Starting Point: Strive to communicate with governments, local residents, NGOs and other public stakeholders in the countries and areas where we operate, determine their needs, approach them based on our business relationship 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.
Greenhouse Gas Countermeasures Address climate change	<ul style="list-style-type: none"> ● Starting Point: Promote a range of activities related to research, development, and practical application of technologies for renewable energy and fossil fuels (CCS, methane generation, etc.), and programs to offset CO₂ emissions through initiatives such as forest protection and tree planting. This also includes shifting from oil to natural gas. ● Vision: Conduct operations with consideration for the various impacts to the climate of fossil fuel extraction. Develop and supply a diverse range of energies to combat climate change as we undertake technological development.
Employee Development Develop and utilize human resources as a global company	<ul style="list-style-type: none"> ● Starting Point: Employ talented people, 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.

Participation in the UN Global Compact

INPEX CORPORATION has been a participant in the United Nations Global Compact since December, 2011. The United Nations Global Compact is a voluntary corporate responsibility initiative proposed by Kofi Annan (former Secretary-General, The United Nations) in 1999 and was officially established in The United Nations Headquarters in 2000. Participants in the Global Compact, who endorse ten principles of four fields of human rights, labor, environment, and anticorruption, voluntarily implement their role as a good corporate citizen, and aim to contribute to a sustainable growth of international society.



■ 10 Principles of the UN Global Compact

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.	Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.	Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Relationships with Major Stakeholders

Relationships with Stakeholders

We are committed to providing society with a stable and efficient supply of energy while considering the environment and society.

To fulfill this commitment, we find it imperative to work closely with stakeholders directly or indirectly associated with our business.

The chart below outlines the main stakeholders of the INPEX Group and channels for two-way communication.



Stakeholders' Comments and INPEX's Response

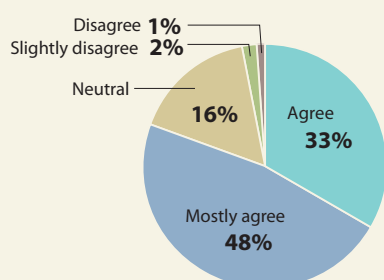
The following section outlines the results of the *CSR Report 2011* questionnaire and other main opinions received from stakeholders as well as the responses we have taken through to fiscal 2012.

Opinions received	Response as of FY2012
<p>■ As a resource exploration and development company, the INPEX Group must clearly define in its philosophy and policies its stance on indigenous people, the environment, cultures, and societies in countries where the Group operates and include this in its objectives and plans. (<i>CSR Report 2010</i>, Messages from experts)</p> <p>■ I believe the key to global peace and security, the basis for the continuity of business, is to preserve and enhance cultural diversity. The Group is engaged in a wide array of activities, but is there a fundamental policy on which these are based? I would like the Group to make this policy visible together with a policy for benefits sharing with the regions where resources are extracted. (<i>CSR Report 2010</i>, Third Party Comments)</p>	<p>We revised our Corporate Social Responsibility Policy as well as formulated a basic policy on "building trust with and contributing to local communities."</p> <p>p. 2</p> <p>p. 42</p>
<p>■ You have not displayed many specific proposals for renewable energies. Does this mean that you are merely stating an ideal with no action? (<i>CSR Report 2011</i> questionnaire; male, 20s)</p> <p>■ 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>CSR Report 2011</i>, Third Party Comments)</p>	<p>We are working to establish geothermal energy as a business as one of our measures to enhance renewable energy initiatives.</p> <p>pp. 16-17</p>
<p>■ I wanted to see more detailed information on the Ichthys LNG Project and the Abadi LNG Project. (<i>CSR Report 2011</i> questionnaire; male, 60s)</p>	<p>We have included a special feature on the Ichthys LNG Project.</p> <p>pp. 18-19</p>
<p>■ I wondered whether natural gas really has a low environmental impact and abundant deposits. How much do you calculate is left? (<i>CSR Report 2011</i> questionnaire; female, 20s)</p>	<p>We have included information on the volume of natural gas deposits and an outline of natural gas in this report.</p> <p>p. 36</p>
<p>■ As you are a company that impacts the environment when extracting oil and natural gas, I hope you can put more emphasis on environmental issues. (<i>CSR Report 2011</i> questionnaire; female, 30s)</p>	<p>We have set "practice safety and environmental protection in operations" and "address climate change" as material issues, and will work to advance these initiatives going forward.</p> <p>pp. 10-11</p>
<p>■ As a major Japanese corporation, the company's actions affect Japan's reputation. Please take care to prevent occurrence of bribery and corruption. (<i>CSR Report 2011</i> questionnaire; male, 30 s)</p>	<p>We have outlined the steps we are taking to prevent bribery and corruption in this report.</p> <p>p. 46</p>
<p>■ The report contains some industry jargon, making it difficult to understand the meaning. (<i>CSR Report 2011</i> questionnaire; female, 40s)</p>	<p>We have added a glossary to our performance report explaining the meanings of specialized words.</p>

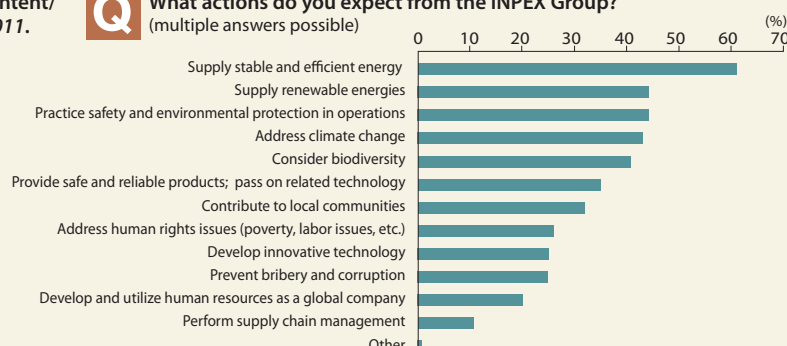
CSR Report 2011 Questionnaire (excerpts)

We conducted a questionnaire on the content of the *CSR Report 2011* and received responses from 404 readers. 66% of those who responded were male, while 34% were female. Readers in their 30s and 40s each comprised 26% of the survey population, while those in their 20s and 50s each accounted for 16%.

Q Please rate the extent you agreed with content/ initiatives introduced in the *CSR Report 2011*.



Q What actions do you expect from the INPEX Group? (multiple answers possible)



Business Activities

Here we outline what the processes of the INPEX Group's business activities are, and provide an overview for each process.



1 Acquisition of License Blocks

- Preliminary survey of potential regions of operation
- Bidding and contract negotiation; conclusion of contract concerning interest in license blocks
- Acquisition of working interest



2 Exploration Activities

- Terrestrial geological surveys (seismic surveys and seabed probes)
- Drilling of exploration wells to confirm the existence of crude oil and natural gas
- Production test and discovery of crude oil and natural gas



3 Evaluation

- Drilling of delineation wells to evaluate the size of the crude oil or natural gas field
- Evaluation of the amount of the reserve
- Profitability investigation and development plan formulation



4 Development



- Drilling of production wells for crude oil and natural gas
- Construction of production and loading facilities (pipelines etc.)
- Commencement of production



5 Production and Sales

- Production and operation management
- Marketing and sales (crude oil, condensate, LPG, natural gas, LNG, etc.)



Stable Supply of Energy to

Ensuring Japan's Energy Security

Over the long term, worldwide energy demand is expected to increase, and in particular, there is an increasing interest in the shift to natural gas and expanded use of renewable energies. Meanwhile, the international energy situation now faces major changes in light of various global issues, such as intensifying disputes over resources, the debate surrounding nuclear power and environmental concerns.

In the wake of the Great East Japan Earthquake in March 2011, energy security has become a major issue in Japan, along with reconstruction and the recalibration of the nation's energy policy.

Given these shifts in the environment surrounding energy

supply, the INPEX Group, in an enhanced effort toward ensuring Japan's energy security, is currently making steady progress on the three strategies outlined in its medium- to long-term vision, to: (1) continue to expand our oil and gas upstream business by proactively accessing new interests; (2) bolster the gas supply chain that effectively links our overseas LNG businesses with our natural gas supply infrastructure, and (3) strengthen renewable energy initiatives, including geothermal and mega solar power generation projects.

Kenji Sasaki

Construction Group
Naoetsu LNG Receiving Terminal
Construction Office
LNG Receiving Terminal
Construction Division

Naoetsu LNG Receiving Terminal: Connecting Japan to the World

The Naoetsu LNG Receiving Terminal will be able to store up to 360,000 kiloliters of LNG upon completion. When the terminal goes online in 2014, it is scheduled to receive LNG from the Ichthys and Abadi projects, and along with the Minami Nagaoka Gas Field will bolster our capacity and our ability to provide a stable supply of natural gas.

I have been involved in the LNG receiving terminal construction project since 2009 as a machinery and equipment supervisor. As of 2012, approximately 50 INPEX Group employees and 600–700 contractors are working on this project every day. Given the large number of people and companies involved, careful coordination and communication between us and our contractors is vital.

This project must address many vexing problems in the tightening supply-demand situation for natural gas. A high-quality design must be guaranteed in a short period of time and this design, while putting safety first, must strike a balance between ease of operation and maintenance, and costs. We spent a good deal of time building a consensus within the INPEX Group to ensure that the specifications for things such as the height of the flare stack* were something that everyone could agree upon.

In addition to the original plan to have the terminal possess earthquake resistance above and beyond what was required by law, in light of the Great East Japan Earthquake, we decided to build higher concrete walls around the buildings and raise the height of the emergency shutoff valve among other safety measures to mitigate tsunamis.

When I see frequent news reports about the importance of natural gas, I feel pride in my work as well as a great sense of responsibility as a player in Japan's energy security.

* Flare stack:
A combustion facility used to render excess gas generated in gas and oil refineries harmless

Japan

PICK-UP

Striving to Develop Shale Gas

The INPEX Group is currently involved in a shale gas development and production project in British Columbia, Canada.

Canada has rich reserves of shale gas, and in the future, there is potential to turn this gas into LNG. The INPEX Group intends on promoting full-scale development as part of this project.

One of the growth strategies of the INPEX Group is the sustainable expansion of our upstream oil and gas business, and we believe our participation in this project will further enrich our natural gas asset portfolio. This is the first time that the INPEX Group has been

involved in a shale gas project, but we will use the wealth of expertise in oil and natural gas exploration, development and production we have gained both in Japan and overseas to expand our shale gas knowledge.

What is shale gas?

Shale gas is a type of unconventional natural gas. The gas, instead of occurring in traditional gas fields like conventional natural gas, is contained in hard layers of shale. To extract the gas, a horizontal well is drilled, and then the shale is artificially cracked by a process called hydraulic fracturing which releases the gas. In step with advances in extraction technology in recent years, shale gas production volumes have increased dramatically, especially in North America, and this type of gas is starting to garner more attention.



Participating in our first shale gas project

Entrusting Our Future to Renewable Energy

Since 2011, I have been working in the Business Planning Unit, which is involved in developing renewable energy, supervising the commercialization of our geothermal power generation project.

In Japan, which has the third most geothermal resources in the world, more and more people are paying attention to geothermal power generation as an exceptionally promising future source of energy. Although at present less than 1% of Japan's total power comes from geothermal power generation, it holds great promise as a method for providing a stable supply of electricity. Another reason that people are looking to geothermal power generation is the extremely low level of CO₂ emissions it produces as steam is used to rotate the turbines.

In June 2011, the INPEX Group commenced a joint survey with Idemitsu Kosan Co., Ltd. in preparation for the development of geothermal power in Hokkaido and Akita. The first phase, the terrestrial survey, has concluded and the second phase, which includes geological and physical exploration, began in fiscal 2012. I specialize in using the results of these explorations to estimate the volume of hot water and steam in the ground. It is an extremely difficult task, but this makes it all the more rewarding. Nothing beats the feeling when your predictions turn out to be accurate.

In the third phase, we will drill a test well to a depth of 1,500 to 2,000 meters to survey the actual volume of hot water and steam in the ground. If our test results are favorable, we will conduct a final series of surveys including an environmental assessment of the surrounding area. It takes about 10 years from the beginning of the first survey until geothermal power generation commences, but I enjoy having the opportunity to participate in this kind of long-term project.

By ensuring close communication with the local residents from the survey phase, I hope we can promote this project in cooperation with the local community.



Shusaku Sako

Senior Coordinator
New Business Planning Unit
Corporate Strategy &
Planning Division

Ichthys LNG Project and CSR

Ichthys LNG Project

Ichthys LNG Project

The Ichthys LNG Project is the first large-scale LNG project ever led by a Japanese company in Western Australia. The aim is to commence production by the end of 2016.

Ichthys production volume

LNG	8.4 million tons/year (Approx. 10% of Japanese total annual imports)
LPG	1.6 million tons/year
Condensate (light oil)	100 thousand BOEPD (at peak)

Pledging to Avoid Negative Environmental Impact and Attaining Environmental Approval

Darwin, which will serve as the base for the Ichthys LNG Project, is blessed with a rich marine environment that is home to dolphins and dugongs. It is also a place of cultural significance for the aboriginal people. It is imperative that such a large-scale development project does not negatively influence the natural environment and local communities. This responsibility is constantly at the forefront of our minds when implementing the project.

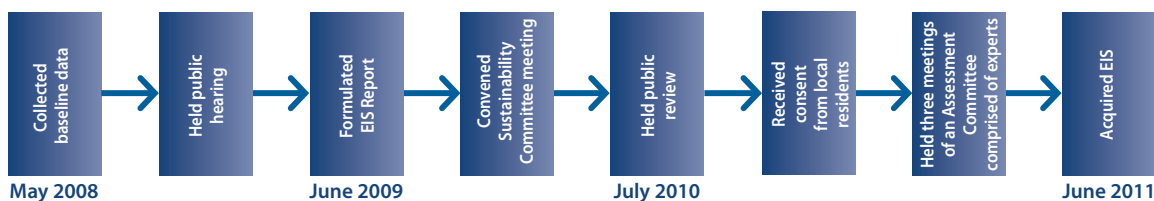
Our environmental impact assessment report was drafted based on the guidelines created jointly by the Australian Federal Government and the Northern Territory Government. The report was also based on rigorous studies conducted over four years. From July 2010 we conducted a public review over an eight week period—twice the four weeks required by law. We also held briefing sessions to local communities in Darwin and received comments from a wide demographic of residents. In April 2011 we subsequently presented a follow-up report responding to these comments to the Northern Territory Government and the Australian Federal Government. The Northern Territory Government approved the project in May, followed by the Australian Federal Government in June.

Consideration for Biodiversity and the Fisheries Industry Listening to the Opinions of the Local Community When Developing Operations

The Ichthys LNG Project recognizes that the conservation of biodiversity is an important issue, so measures are being promoted with this in mind. As dredging will take place in Darwin Harbour, home to rare marine animals such as dolphins and dugongs, we began drafting operating policies after conducting ecological surveys and carefully consulting Australian and international environmental standards. To minimize environmental impact, we chose to avoid underwater blasting and instead selected to bore into the rock bed with a specialized cutter suction dredger. The process will be constantly monitored for signs of any effect on the environment, such as sedimentation waters.

In addition, the surrounding waters of Darwin Harbour are also home to the barramundi cod, a species essential to the fishing industry. Our original plans to build a jetty in Darwin Harbour were met with concern from the local community over the potential effect on access for barramundi fishing. We accordingly agreed to reduce the length of the jetty to ensure safe access to fishing areas. Our decision in response to feedbacks from Darwin communities

■ Environmental Impact Statement (EIS) Report*—from Submission to Approval



* EIS Report: A report required by the Government of Australia

resulted in minimizing the effect on fishing areas as well as gaining the support of the local community.

Reduction of Emissions and Carbon Offsets Two Approaches to Prevent Global Warming

Natural gas is the most environmentally friendly energy source among fossil fuels such as oil and coal. During the Ichthys LNG Project, we will strive to reduce the output of greenhouse gases (GHG) such as CO₂ and adhere to the strict emission standards set by the Australian Government. To this end, we are working to minimize GHG emissions during the LNG production process, and are considering CO₂ offsets for the emissions. We will approach this important environmental issue from a dual perspective.

As a measure to reduce emissions, we will maximize energy efficiency in the production process and use the latest technology to reduce the amount of flare when burning off excess gas. This measure will be more effective through the introduction of methods such as combined-cycle power generation* in the LNG plant.

In addition, we are undertaking initiatives to offset CO₂ emissions, such as a eucalyptus tree reforestation assessment project that we have run since 2008 in Western Australia. We also plan to implement the Savanna Fire Management Project in the Northern Territory to control forest fires using traditional methods which will offset CO₂ emissions and create potential employment opportunities for indigenous communities.

* Combined-cycle power generation: A power generation method combining gas turbines and steam turbines. This generation method is heat efficient and has low carbon emissions.

Full, Fair and Reasonable Opportunities for Australian Companies

We are working to ensure that as many Australian companies as possible are involved in the Ichthys LNG Project, and that benefits are shared with the local community. We provide fair opportunities to local Australian companies and indigenous businesses, and give priority to the company that uses the greatest ratio of Australian made products and machinery through specific evaluation criteria for the selection of our contractors.

Mutual Respect and Cooperation Building a Positive Relationship with the Indigenous Community

Many aboriginal people live in and around Darwin. A memorandum was concluded with the indigenous people pledging ongoing mutual cooperation and respect, and based on this we are working to build a network of support and cooperation. For example, we have been working with the indigenous people to identify and protect Aboriginal relics prior to construction. We also sponsor indigenous community and business development initiatives and are building an extremely positive relationship with the indigenous community through direct dialogs.

A representative example of this is the Larrakia Trade Training Centre. In response to the strong desire of indigenous residents to increase youth employment through providing opportunities for young people to train in practical skills, we agreed to donate 200 million yen towards the construction of the center. The center was opened in April 2011. Students, primarily youths, are provided the opportunity to acquire specialist skills in trades such as electrical work, automotive maintenance, metalworking, and plumbing.

Close Communication Leads to a More Than 80% Support Rate

As outlined in previous sections, under the Ichthys LNG Project, we are paying close attention to the impact on local communities and implementing a range of initiatives to achieve coexistence and mutual benefit. For this to happen, close communication with the community is essential. As the project progresses, we are holding frequent briefing meetings as well as meetings with community representatives to ensure that the voice of the community is constantly heard and to develop a personal, face-to-face relationship. At the same time, we always strive to listen to any concerns or requests and do our utmost to provide the best solution possible.

This approach has won the understanding of community members. Number of surveys in 2011–2012 of local residents continuously showed that more than 80% of those who were aware of the Ichthys LNG Project were supportive.

Interview

Nigel Browne

Chairman Larrakia Development Corporation

During the construction of the Larrakia Trade Training Centre, INPEX made donations which contributed significantly to the sustainable development of the Northern Territory's society and economy as well as fostered friendly relations with local residents that will continue for generations to come. The training center is open to all Northern Territory residents and provides vocational training and qualifications required for a wide range of industries. It also helps residents who have not completed basic education, such as reading, writing and mathematics, acquire vocational skills and new life skills.



Larrakia Development Corporation Chairman Nigel Browne (right) and INPEX Chairman Naoki Kuroda (left) at the Larrakia Trade Training Centre opening ceremony (April 2011)

What is Expected of a Global

As a company with a responsibility for Japan's energy security and also as a global company, we invited external experts to talk with us regarding social issues which we must address such as the environment, human rights, and also communication with local communities in the regions in which we operate. Itaru Yasui, president of the National Institute of Technology and Evaluation and an expert on environmental issues, and Kaori Kuroda, from CSO Network Japan, an organization that helped formulate ISO 26000, gave us their expert opinions on the current state of the world and the expectations placed on our company.


**INPEX
CORPORATION**
Wataru Tanaka

 Director
Managing Executive Officer

**INPEX
CORPORATION**
Masatoshi Sugioka

 Representative Director and
Vice Chairman

**INPEX
CORPORATION**
Shuhei Miyamoto

Managing Executive Officer

External Expert
Itaru Yasui

 President
National Institute of Technology
and Evaluation

External Expert
Kaori Kuroda

 Executive Director
CSO Network Japan

Searching for the Best Energy Mix

Yasui: Japan has a tendency as a nation not to think deeply about energy security. Without nuclear power, our energy self-sufficiency ratio is only 4%, but there doesn't seem to be a strong sense of crisis. After the Fukushima disaster, I feel there has been an increase in the number of citizens who wish to see nuclear power gradually reduced. On the other hand, there is the agreement made at the 35th G8 Summit in L'Aquila, Italy to reduce CO₂ emissions by 80% by 2050. To fulfill both the desire to reduce nuclear power and the summit agreement will require carbon dioxide capture and storage (CCS¹), energy conservation and the introduction of efficient renewable energies, but presently there seems to be no option but to increase reliance on natural gas. Because of this, the role of INPEX is extremely important.

Miyamoto: INPEX is a company that develops and produces fossil energy, so we need to tackle the issue of climate change. The volume of CO₂ emissions from natural gas is comparatively low for a fossil fuel, so this can contribute to short- and medium-term measures for climate change. At the same time, we are also tackling CO₂ offset measures, geothermal power generation and the development of renewable energies as long-term measures.

Sugioka: Reconciling the three issues of energy security, global warming and economic efficiency is an extremely difficult problem. If you make economical efficiency the priority, reliance on fossil fuels would surely increase, but to curb CO₂ emissions you would have to implement a considerable program of CCS. However, the efficiency

and cost of CCS are hurdles. We need to find the best mix of energies, without depending overly on any one type.

Yasui: The electrical power problem will change Japan's industrial structures. If they can distance themselves from the concept that a stable quality of electrical power is absolutely necessary, I think really big green innovations will occur.

Valuing Human Rights: An International Trend

Kuroda: Respect for human rights is one principle for social responsibility in ISO 26000, and is also one of its seven core subjects,² so it is a standard that places great value on human rights. Within this framework, all company activities are related to human rights and it is essential to give consideration to these issues in many departments. Placing importance on human rights is becoming an international trend. It is not just about formulating a policy on human rights, but also about the necessity of a system that accurately grasps how to connect the policy to actual actions. Companies should also prepare human rights due diligence³ systems that also consider the company's response in the case of a violation. It is important to work on the premise that day-to-day global corporate activities may lead to human rights violations.

Miyamoto: Of the five key CSR issues our company selected, a major pillar of compliance is consideration of human rights. As we conduct our business activities, in order to properly comply with various international standards and social norms in the regions in which we operate, both directors and employees need to act with a

Energy Company

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

high level of awareness and knowledge concerning human rights and compliance. We are pleased to have joined the international initiative UN Global Compact⁴ and we have just started initiatives in line with this.

Kuroda: One thing to be aware of is cases in which through business activities or decision-making, you may be indirectly assisting human rights violations. Even if you yourself do not directly commit the violation, if you have knowledge that there is a possibility that human rights are being breached at one of your business partners, and you



pretend not to know, although indirect, this is considered assisting the commission of a human rights violation.

Miyamoto: Regarding the issue of “assistance,” I feel that we can improve simply by increasing our awareness, but it’s difficult to measure what influence our business activities are having on society from a human rights perspective. We need to think of a concrete method for doing this.

Kuroda: Measuring human rights violations is extremely difficult. It doesn’t come to light even in audits. It is essential to have a proper policy for human rights initiatives, so that when something does happen, you can appropriately tackle it by implementing PDCA cycles. Creating that system is important. Also, even if there are no issues currently, it is necessary to think about what your initial response would be if something were to occur.

Communication in Regions of Operation

Tanaka: I have been involved in the development of oil and natural gas for 36 years. So far, I have been posted to overseas worksites functioning as operators⁵ four times. It has made me think about how to aim to be a model company from the local community’s point of view and how best to pursue business together with the local community and businesses. I would like to use the experience I have gained until now at two of INPEX’s core LNG operations which are currently under way.

Miyamoto: It is essential for our business activities that we build good relationships with everyone in the local communities of the regions where we operate.

Kuroda: INPEX is implementing social contribution activities in various countries and regions, so I’d like to see you identify local needs and the issues faced by each of those communities, and

implement initiatives accordingly. Another important point is to associate with NGOs and NPOs. There are various dynamics in a local community and I think it’s wise to adopt constant communication with NPOs and NGOs who have a local base of activity.

Sharing the Same Ideology Worldwide

Kuroda: When it comes to “local communities,” there are many different characteristics which depend on the country and the region, and they are often different from Japanese customs and social etiquette. In order to get along with people who have different customs, it is very important to have someone who acts as a coordinator. It’s difficult if that coordinator does not have a reasonable knowledge of international matters, in addition to an understanding of the local circumstances.

Tanaka: I was posted to Tehran for a project on the borders of Iran and Iraq, and I experienced difficulties due to the differences in religion and customs.

Sugioka: We have developed business in many different countries, and the state of affairs in each country is certainly different. CSR is not a one size fits all proposition. Although it’s very difficult to know how to proceed, I think the company needs to have a solid policy and should proceed while giving consideration to the circumstances in each country or region. If you operate globally, I feel strongly that there needs to be just one standard, whether it be for Japan or overseas.

Kuroda: I’ve heard that in two years there will be sharp increase in the number of non-Japanese staff employed in your company. I wonder if your CSR policy was made by Japanese nationals only.



Miyamoto: As you’ve noted, our discussions occurred primarily at our headquarters in Japan, but we want to make improvements in this area as quickly as possible. In May this year, we formulated our medium- to long-term vision for our business and as we are at the stage of promoting penetration throughout the company, we have sent an English translation to local operations in an effort to share the same ideology. Going forward, I want to create a similar awareness of CSR across the entire Group.

Sugioka: Thank you for sharing your opinion of INPEX with us today. We’ve received a lot of material to consider, including some concrete ideas. Firstly, we’d like to continue our efforts so that we can deliver the initiatives expected of us at the two large LNG projects currently under way.

¹ CCS: Technology to separate, capture and store CO₂ emitted from major sources. For details, please refer to page 37.

² Seven core subjects: Through seven core subjects of organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues and community involvement and development, ISO 26000 defines the issues that must be addressed to fulfill social responsibility

³ Due diligence: Investigations into subject companies and businesses to grasp the existence of problems. Implemented at the time of acquisition of a company.

⁴ UN Global Compact: In accordance with a proposal by Secretary General of the United Nations, the UN Global Compact is a voluntary initiative joined by companies which, through displaying responsible and creative leadership, act as a good corporate citizen and create a global framework for realizing sustainable growth

⁵ Operator: The company which conducts actual operations and management at oil and gas operating sites

Management

Main Achievements in FY2011

5 officers

Number of outside directors increased (4→5)
Listed independent officers (1→5)

1 year

Appointment terms of directors
and corporate officers shortened
(2 years→1 year)

Strengthening corporate governance

→ **p. 23** Corporate Governance

* Enacted in June 2012

96 %

Middle management training

91 %

Non-managerial employee training

Compliance training participation rate

(for middle managers and non-managerial employees)

→ **p. 24** Compliance

4

countries,

7

Operational Organizations

Regions undergoing HSE audit

→ **p. 27** HSE Management System



Corporate Governance

Basic Policy

At INPEX, in accordance with the Mission of the Group we aim to strengthen the trust placed in us by our stakeholders and be recognized as an indispensable presence in society. To this end, we have placed the enhancement of our corporate governance system as one of the material issues on our management agenda, and are working towards this goal. As a company with auditors, the Board of Directors responsible for enacting key management decisions is supervised and moderated. We also have a Management Committee and an Executive Officer System in place to achieve swift decision-making and clarify the system for execution of duties.

As we continue managing our operations responsibly as a global company we will also build systems that allow us to respond more effectively to the expectations of our stakeholders, and will continue working to increase our corporate value.

Overview of Our Corporate Governance

INPEX operates a statutory auditor system where statutory auditors attend meetings of the Board of Directors as well as the Management Committee, and audit the directors' execution of their duties through measures such as interviews with relevant divisions. They also receive reports from the independent auditors on a regular and irregular basis and, as needed, reports from the Internal Audit Unit on the state of internal audits.

We have an Internal Audit Unit that is independent of our business divisions and that reports 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.

● Shortening of Terms of Directors and Corporate Officers

In order to adapt to changes in the global business environment and to clarify management responsibility, the terms of appointment for directors and corporate officers were shortened from two years to one year.

● Additional Appointment of an Outside Director

By appointing an additional outside director and increasing the number from four to five (all are registered as independent officers), we aim to strengthen the supervisory function of the Board of Directors.

● Establishment of an Advisory Body to the Board of Directors

We believe that a diverse range of objective advice on material issues in management from experts in Japan and overseas will help us increase our corporate value. Accordingly, by the end of 2012 we plan to establish an advisory body to the Board of Directors, provisionally named the Management Advisory Committee.

● Establishment of a Guideline for the Purchase of Shares of INPEX

In order to proactively enhance the corporate value from a medium- to long-term perspective, we have established a guideline for the purchase of shares of INPEX.

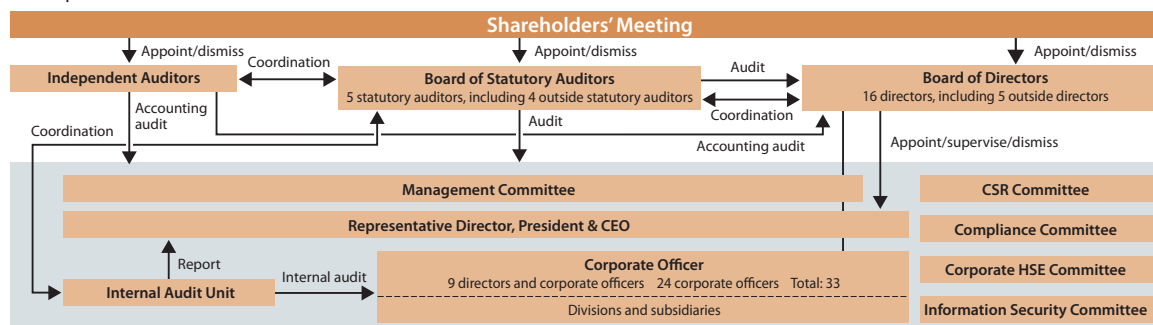
Internal Control System

In accordance with the internal control reporting system mandated by the Financial Instruments and Exchange Act enacted in September 2007, the assessment team of the Internal Audit Unit assesses the establishment and operation of internal control systems for financial reporting in the INPEX Group. As a result of this assessment concluded at the end of March 2012, 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 2012 as an internal control report. We also received an unqualified opinion from an independent auditor regarding our internal control report.



Details on Corporate Governance is available on our website:
<http://www.inpex.co.jp/english/company/governance.html>

■ Corporate Governance Structure



As of June 26, 2012

Basic Policy

The INPEX Group has a Compliance Committee in place 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.

We also distribute a compliance manual and compliance FAQ literature to all Group members to foster awareness of compliance among officers and employees.

Compliance Training

During fiscal 2011, we focused on energizing workplace communication—the most important factor in strengthening compliance—and held rank-based compliance training.

Firstly, we held e-learning programs for middle managers of INPEX and its subsidiaries in Japan. Over a one month period, participants spent a total of three hours learning how to communicate compliance-related issues to junior employees under their management.

We also held training for non-managerial employees outlining the compliance issues with which they are familiar. In addition, we ensured that all employees completed this training session. Absentees from the session, employees at subsidiaries in Japan and in overseas offices have participated in the training via TV or video conference. We also held training on the company's compliance system and the basics of the compliance manual for new recruits and mid-career hires.

Moreover, from December 2010 we enhanced

compliance communication by launching a Compliance Committee website on the intranet and by publishing a monthly internal newsletter on compliance. By periodically providing compliance-related information, we aim to stimulate greater interest in compliance and raise awareness among our officers and employees.

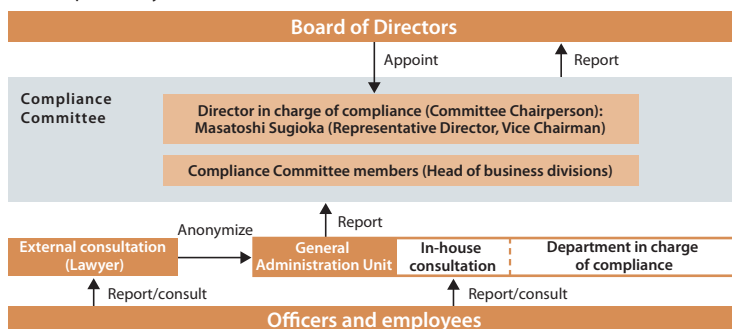
In fiscal 2012 we will continue to place focus on vitalizing workplace communication, and in order to further enroot compliance activities in the workplace. Starting in July we will commence operation of a system in which each workplace, including overseas offices, has a designated employee in charge of compliance promotion.

In addition, we have established action guidelines according to local laws and culture at our main overseas offices and will work to further enhance our global compliance system as overseas laws related to bribery are strengthened.

Help-Line System

In April 2006, we established the Help-Line System for Group officers and employees in accordance with the Whistleblowers 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 and upon establishing the factuality of the report, the designated external expert will hold discussions with the Compliance Committee on appropriate actions to be taken. 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 three times in fiscal 2011.

Compliance System



Compliance Training Participation Rate

Course	Participation Rate
Middle management training	96%
Non-managerial employee training	91% (as of March 31, 2012)

Scope: The INPEX Group

Risk Management

Basic Policy

The INPEX Group is striving to accurately identify and assess the complicated and varied risks inherent in the business environment and to create systems to prevent and minimize damage. In addition to large-scale natural disasters and pandemics, this also encompasses risks related to changes in the business environment such as economic, societal and legal factors, and risks at each stage of the business process, spanning exploration, production, transportation and sales. Each Operational Organization* also performs risk management related to occupational health and safety and environmental protection under the HSE management system.

Business Continuity Plan (BCP) for Emergency Situations

Measures Against Large-Scale Natural Disaster

Based on the experience of the Great East Japan Earthquake in March 2011 and the subsequent impact, in June 2011 we created a BCP for our Akasaka headquarters in the event of a major earthquake in Tokyo, by updating and improving existing manuals. We held a briefing for headquarter employees, and conducted an earthquake response drill in February 2012.

This BCP is composed of (1) basic guidelines defining fundamental BCP policy, including prioritization of human life, and collaboration and cooperation with the local community, (2) BCPs defining how to continue our key headquarter operations as an energy supplier, 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 maintain our headquarter function and continue smooth operations in the event of an emergency.

Measures Against New Influenza Strains

As a social infrastructure-related company, we have

adopted a range of epidemic prevention measures. For the threat of new influenza strains, we have prepared a response manual for a scenario in which the spread of infection poses a risk to our business operations. This manual is distributed to all employees.

Information Security Measures

In order to maintain the confidentiality, integrity and availability of the data we store, we have established a Basic Policy for Information Security, and are preparing the related rules and management systems under the supervision of the Information Security Committee, established as a company-wide oversight body. To protect information assets, in addition to technical measures we also conduct systematic security education to raise the awareness of employees. We will continue working to improve information security by constantly reviewing related rules, standards, systems, and technical measures.

Climate Change Risk

Risks related to climate changes that could potentially affect our operations include damage to production facilities or pipelines due to extreme weather, water shortage at operating sites, disruption of operations by rising water levels, and regulations related to greenhouse gas emissions. To counter such risks, offshore facilities were designed to withstand a large-scale cyclone, and facilities were also designed to account for possible rises in sea level under the Ichthys LNG Project. Our offshore facilities for the Abadi LNG Project also incorporate cyclone-proof design. Furthermore, we promote the use of natural gas (which has a relatively low environmental impact), reduce greenhouse gas emissions during our operations and develop CCS and methane generation technology that leads to CO₂ emission reduction. Beyond this, we are also looking into development of geothermal energy, fuel cells, mega solar power stations and lithium ion battery technology as we work towards a renewable energy business.

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



For details on HSE Management System, please refer to page 26

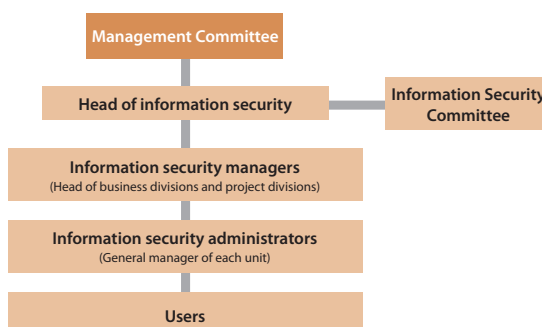


Details on Basic Policy for Information Security is available on our website:
<http://www.inpex.co.jp/english/company/security.html>

Overview of Emergency Response System and Business Continuation Response



Information Security Management System





HSE Management System

Message from Director in Charge of HSE



Masatoshi Sugioka
Representative Director
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. When conducting our business on a global basis

to secure and provide a stable supply of energy for society we are naturally obliged to follow rules and standards prevailing in the international community and to globalize our corporate culture.

In December 2007, we developed the HSE Management System Manual to carry out integrated health, safety and environmental (HSE) activities based on internationally recognized standards. Our HSE Management System encompasses a broad range of HSE activities such as creation of systematic HSE documents, establishment of a cross-departmental

HSE Committee and HSE supporting groups, drafting of our annual HSE objectives.

Our HSE objectives for fiscal 2012 were to enhance HSE communication, raise the level of HSE competency across the Group, ensure risk management for major accidents, reduce the number of accidents, and to control emissions of greenhouse gases and promote environmental management practices based on international standards.

As our operations become even more global and the projects we undertake larger and more complex, a team comprised of members from the INPEX Group and its overseas contractors* supports frontline operations. Creating a workplace culture where all members share a motto of "safety first" and "prioritizing environmental protection" is essential. To develop this culture, we must utilize tools such as process safety management, systematically sharing information on practical aspects, and develop a system for preemptively identifying and rectifying factors that could lead to a serious accident at our operating facilities.

With differing natural environments, diverse work environments and a wide variety of stakeholders involved, we are engaging in our HSE activities with a firm resolve to win the trust of society and be recognized as an essential presence.

* Contractor:
A company or person
contracted to perform
construction work for the
company

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, 2011

Toshiaki Kitamura
Representative Director, President & CEO
INPEX CORPORATION

HSE Management System Initiatives

● Overview and Promotion of the HSE Management System

The INPEX Group has established the HSE Management System that coordinates our health, safety and environmental (HSE) practices, and strives to make continual improvements to our HSE performance. The 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 the HSE Committee; and HSE objectives and programs devised each fiscal year. The Access-Plan-Do-Check-Act (A-PDCA) cycle is employed as a management method to ensure the HSE Management System is operated in a proper manner.

At our headquarters we have established the HSE Unit, as well as the Corporate HSE Committee which works to promote Group-wide HSE initiatives. HSE Groups are also organized for our Operational Organizations¹ to conduct similar initiatives.

● Establishment of 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. We continued creation of our HSE Guidelines in fiscal 2011, and completion is planned by the end of fiscal 2012. To ensure steady implementation of HSE initiatives we periodically review Procedures and other documents and inform employees by posting information over the intranet and through other means.

● HSE Audits and Management Reviews

To continually improve our HSE performance we conduct two different levels of audit of the HSE Management System,

its operations, and all related HSE activities at the corporate² and Operating Organizations.

We have set HSE management system development, effectiveness of HSE objectives, and contractor management as key audit parameters, and are working to improve HSE operations at each site. In fiscal 2011, we added effectiveness assessment of emergency response as a key parameter. We conducted audits of the projects in Japan, Naoetsu LNG Receiving Terminal Construction Project, the Pipeline Construction Project, the Suriname Project, the Ichthys LNG Project, and the Abadi LNG Project. We also underwent a third party audit at the corporate level.

Measurement of the effects of the HSE Management System is performed by checking the status of system operation through audits and by periodically collecting and analyzing HSE data. In addition, the corporate and Operating Organizations create annual summaries of HSE activities for the HSE management review conducted by each representative. The results of the review are sent to headquarters and checked by the director in charge of HSE.

● HSE Awards

The INPEX Group confers HSE awards for outstanding initiatives with the purpose of improving the performance of companies in the Group and raising awareness of HSE. In fiscal 2011 three organizations and individuals received awards, including a contractor. At the award ceremony, recipients present a report of their activities to the President and other senior management officers, helping to improve employee motivation.

FY2011 HSE Award Recipients

Tanimbar Geological Survey Team, Asia Unit
Naoetsu LNG Receiving Terminal Construction Office,
Shimizu Corporation
Mutsumi Higuchi, Teiseki Topping Plant Co., Ltd.

¹ Operational Organizations:
The INPEX Group headquarters and organizations that implement operator projects

² Corporate:
The INPEX Group's HSE Management System contains a framework (organizational and functionality) for overseeing the entire Group

■ Framework for Implementing HSE Management System



HSE award ceremony



HSE Management System

HSE Training and Cultivating an HSE Corporate Culture

Organizations with a mature HSE culture are those which have created systems, take actions based on these systems, and share related information. In fiscal 2011 we conducted a study into the maturity level of our HSE culture based on the evaluation method devised by the professors at Leiden University in the Netherlands. The findings of the self-assessment revealed that although we had prepared a framework and followed rules, our operations lacked initiative. Overall, INPEX rated itself as an organization with an intermediate level of HSE culture maturity. We believe that knowledge, skills, and communication are key factors to improving the maturity level of our HSE culture, and we have set "increasing the level of HSE capability across the Group" and "strengthening HSE communication" as material issues for fiscal 2012.

We also plan and implement annual HSE education programs in accordance with HSE skill and training guidelines in order to develop a more mature HSE culture and equip employees with the knowledge and skills to conduct HSE activities. At our headquarters in fiscal 2011 we conducted 357 hours of training, comprised of 27 items and categorized into four course levels according to employee specialization and experience. A total of 625 employees (52.4%) have participated in this training. In fiscal 2012 we plan to add training in specialist fields for young engineers in order to enhance HSE on-the-job training (OJT).

HSE Communication

The INPEX Group is working to vitalize internal communication in order to raise awareness of HSE. In addition to the HSE Annual Meetings held since fiscal 2008 that gather all managers in charge of HSE at Japanese and overseas Operational Organizations, we also periodically hold HSE Managers Meetings attended by managers in charge of HSE at Operational Organizations. Compared to the HSE Annual Meetings in which managers report on the status of HSE development and issues during implementation as well as exchange opinions with management, HSE Managers Meetings provide an opportunity for managers involved at the practical level of HSE in the Operating Organizations to discuss specific issues in greater depth.



HSE Annual Meeting

HSE Initiatives in Projects

Ichthys LNG Project

The Ichthys LNG Project is currently in the construction stage, and a safety first policy is the first and foremost issue during our HSE initiatives. The team responsible for managing the overall project and the team responsible for managing worksite performance are working together to strengthen HSE management at the work sites.

Based on the lessons of the 2010 Gulf of Mexico oil spill and the 2009 oil leak in the Montara oil field, we have created environmental plans and oil leakage response plans for our onshore, coastal, and offshore facilities and hold training in preparation for response in the event of an emergency involving an oil spill. As we work towards the start of production by the end of 2016, we are also developing systems to measure emissions volumes in order to control emission of greenhouse gases.

Naoetsu LNG Receiving Terminal Construction Project

At the construction site, we are conducting thorough PDCA management of the fundamental HSE activities of occupational health and safety and environmental protection. In addition to day-to-day site observation and correction of unsafe actions taken by workers and unsafe situations, work procedure risk assessment checks, and emergency evacuation and lifesaving drills, we also hold a variety of regular meetings and seminars to share information. All employees are involved in the HSE effort.

We also hold HSE audits of contractors and give HSE activity reports to the Construction Management Committee, thereby ensuring all parties involved in the construction process have access to the same information when working. In the future we plan to focus on ISO 14001 education in preparation for operation at the facility.



OJT at Nagaoka Gas Field

HSE Objectives and Plans Excerpt

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

1. Strengthen HSE Communication		
Medium-Term Plan Objectives	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.	
FY2011 Key Objectives	Further strengthen communication between the corporate and Operational Organizations, accelerate establishment of HSE Management System, and share issues and awareness in the Operating Organizations in a timely manner by promoting two-way bottom-up and top-down communication.	
Rating	Initiative	Outline
★	Formulate corporate HSE policies	Formulated and issued 13 Procedures and Guidelines, compared to target of 20
★★	Support development of HSE Management System	Scope of objective included the Egypt and Venezuela exploration projects. Measures were implemented for the Venezuela exploration project. Egypt was not applicable as our rights were sold partway through the term.
★★	Expand HSE inspections by management	Conducted at 3 sites (no target figure set)
★★	Hold HSE Annual Meeting, HSE Managers Meeting, HSE Liaison Meetings	7 meetings held, compared to target of 8 meetings (one HSE Liaison Meeting was skipped)
★★	Verify results of HSE Culture Maturity Study	Conducted summary report of study results. Began new measures to establish HSE culture (no quantitative evaluation).
★	Improve information sharing across the company	Updated website. New system not yet built (no quantitative evaluation).
2. Improve Contractor HSE Management		
Medium-Term Plan Objectives	Make activities related to management of HSE risk, contractor HSE, health, and security, consistent across the Group.	
FY2011 Key Objectives	Improve contractor HSE management through pre-evaluation of contractor HSE capability, evaluation of HSE risk and creation of HSE plans for the work in question, and by enhancing communication with contractors.	
Rating	Initiative	Outline
★	Propose a Group-wide scheme to prevent oil pollution	Began investigating contracts with oil pollution response companies. Contract not yet concluded (no quantitative evaluation).
★★	Promote awareness of the Corporate Procedure for Contractors' HSE Management and related guidelines	Held briefing session in Japan (no quantitative evaluation)
★★	Ensure safety management by enhancing communication with contractors	Enforced safety management at projects in Japan through meetings with contractors, audits, etc. (no quantitative evaluation)
3. Implement Comprehensive Risk Management for Major Accidents		
Medium-Term Plan Objectives	<ul style="list-style-type: none"> ● 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. ● Implement integrity maintenance measures for production facilities. Ensure that major accident risks have been reduced to their As Low As Reasonably Practicable (ALARP) levels. ● Make activities related to management of HSE risk, contractor HSE, health, and security, consistent across the Group. 	
FY2011 Key Objectives	Reduce risk of major accidents such as oil spills, large-scale oil leaks, fires and explosions, and accidents resulting in death to ALARP level. Place particular focus on operational management to prevent oil spill accidents during well drilling, by developing and standardizing internal guidelines and instructions and establishing strict operating rules.	
Rating	Initiative	Outline
★★	Conduct HSE risk evaluation and manage risk register	Received from six out of seven Operational Organizations
★	Develop internal manual for well drilling operations	Draft completed (no quantitative evaluation)
★★	Conduct HSE review	Participated in 10 HSE reviews (no quantitative evaluation)
4. Reduce Number of Accidents		
Medium-Term Plan Objectives	Reduce the number of accidents. Use LTIF, * TRIR,* and other parameters as numerical targets, and strive to reach targets.	
FY2011 Key Objectives	Aim to achieve Group-wide targets of 0.68 for LTIF and 2.78 for TRIR, based on Operational Organization HSE activities aiming for zero accidents.	
Rating	Initiative	Outline
★★	Share information on accidents across the organization	Achieved targets (LTIF: 0.62 (target: 0.68); TRIR: 1.75 (target: 2.78))
★★	Reduce number of traffic accidents	9 accidents in fiscal 2011, down from 12 in fiscal 2010
★★	Introduce Safety Training Observation Program (STOP) system	Supported introduction at Domestic Project Division (no quantitative evaluation)
5. Promote Greenhouse Gas Emissions Reductions and Environmental Management Practices that are Compliant with International Standards		
Medium-Term Plan Objectives	Identify environmental management parameters and create an annual environmental management plan that includes management policies, numerical targets, and actions for continual improvement. Refer to the IFC EHS Guidelines, an international standard, as a guide for setting voluntary targets when formulating the plan.	
FY2011 Key Objectives	Pursue best practices in environmental management based on IFC EHS Guidelines, an international standard, and performance standards, while continuing to monitor and effectively reduce emission of greenhouse gases.	
Rating	Initiative	Outline
★	Formulate environmental management plan	Supported formulation of environmental management plan for Domestic Project Division (no quantitative evaluation)
★★	Hold environmental meeting	Meeting held (meetings planned: 1, held: 1)
6. Promote HSE Activities		
Medium-Term Plan Objectives	<ul style="list-style-type: none"> ● Identify the minimum level of resources needed to execute the HSE Management System, and establish those resources at corporate and Operational Organizations. ● Prepare 400 hours of HSE-related courses (80 five-hour courses) a year by fiscal 2012. 	
Rating	Initiative	Outline
★	Add HSE personnel	Hired 1 mid-career employee, placed 3 employees in Operational Organizations (no quantitative target)
★★	Plan and implement HSE training programs	Conducted 357 hours of training, with 652 participants in total
★★	HSE auditing	Conducted audits of seven Operational Organizations, compared to a target of five
★	Manage health risks	Conducted medical survey in Venezuela and reviewed health risks at each location (no quantitative target)
★★	Participate in the International Association of Oil & Gas Producers (OGP) activities	Participated in prescribed activities

Achievement rate: ★★ 80–100% ★ 50–80% × 0–50%

* See page 39 for details

Environment

Main Achievements in FY2011

5.667 kg-CO₂/GJ

Greenhouse gas emissions per unit of production (Japan)

→ **p.32** Global Warming Mitigation

91.3 %

Ratio of total waste recycled (Japan, overseas)

→ **p.35** Reducing Our Environmental Impact

1.4 million eucalyptus trees

Forestation on 645ha of land in Australia (estimated to absorb 450,000 tons of CO₂ over next 50 years)

→ **p.36** Fighting Climate Change





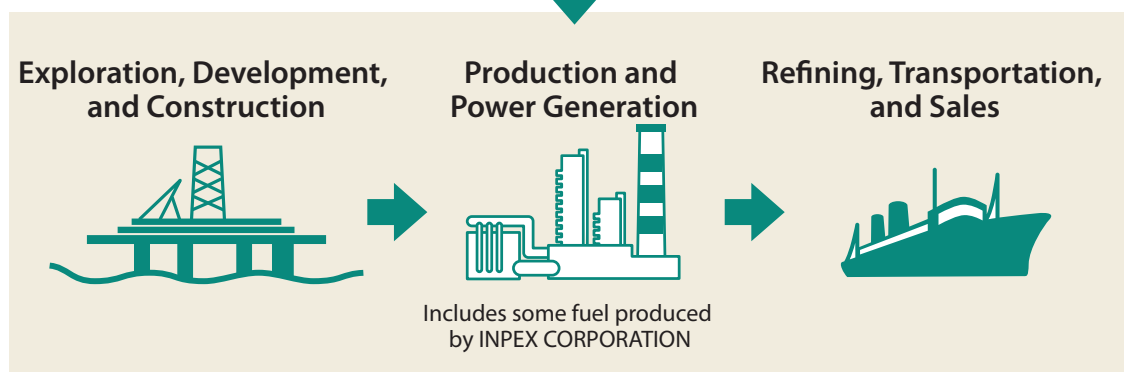
Environmental Impact of Our Business Activities

In fiscal 2011 the INPEX Group continued implementing a range of measures to reduce its environmental impact.

Our environmental impact for fiscal 2011 is summarized in an Input/Output format below:

INPUT

Fuel	Fuel (TJ)	3,973	Raw materials	Purchased gas (kcf)	20,138,548
	Water (kl)	1,436,922		Purchased raw materials (bbl)	309,719



OUTPUT

Sales	Natural gas (kcf)	72,275,150	Emissions	GHGs (t-CO ₂)	381,918
	Crude oil (amount sold; bbl)	1,734,375		PRTR substances (t) ¹	26
	Petroleum products (bbl)	1,467,967		VOC (t)	578
	LPG (t)	6,566		NOx (t)	185
	Electricity (1,000kWh)	202,824		SOx (t)	24
	Iodine (t)	443		Water discharged into public water bodies (kl) ²	789,345
Industrial waste	Volume of total waste (t)	36,099			
	Volume of total waste disposed (t)	3,154			
	Recycled volume (t)	32,945			

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., and Teiseki Topping Plant Co., Ltd. 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 Ichthys Pty Ltd., Ichthys LNG Pty Ltd., INPEX Operation Australia Pty Ltd., INPEX Libya, Ltd., PT Moruy II, S.A., and Teikoku Oil (Suriname) Co., Ltd.

¹ Data on the output of PRTR substances was collected only from our operations in Japan

² Wastewater includes water pumped from a water well at Teiseki Topping Plant



Global Warming Mitigation

Basic Policy

The INPEX Group is striving to fight global warming through its HSE Management System which is based on the Group's HSE Policy.

In our operations in Japan we are aiming to reduce energy use per unit of production by at least 1% annually, as required by the Law Concerning the Rational Use of Energy (Energy Conservation Law). The Law Concerning the Promotion of Measures to Cope with Global Warming (Global Warming Law) also requires businesses to report to the government their annual emissions of separated CO₂ and other GHGs. We comply with these two laws and are working to manage GHG emissions.

The INPEX Group participates in the Nippon Keidanren Voluntary Action Plan on the Environment through the Japan Petroleum Development Association (JPDA). JPDA, of which INPEX is a member, has committed to participating in the Nippon Keidanren's Commitment to a Low-Carbon Society from 2013.

In 2011 we established a working group to plan the management of GHG emissions in Japan and overseas with the Group's overseas projects set to commence full-scale operation. We are furthering discussion to clarify the Group's policies and objectives as we work towards Group-wide initiatives to reduce GHG emissions and conserve energy.

Reducing GHG Emissions

Total GHG emissions for the INPEX Group were 382,000 tons, a reduction from 393,000 tons during the previous fiscal year. Although emissions rose in Japan, which accounts for 95% of the Group's emissions, significant reductions in Australia and Egypt brought the overall year-on-year total down slightly.

In Japan, GHG emissions in fiscal 2011 increased as construction of our LNG receiving terminal reached its peak. In addition, total GHG emissions across our business activities rose as requests to increase our output in response to Japan's

electricity shortage led to higher emissions from our power plants. Fiscal 2011 emissions per unit of production also increased slightly compared to fiscal 2010.

Our management of GHGs in Japan is conducted based on the Energy Conservation Law and the Global Warming Law. Although energy consumption in Japan during fiscal 2011 rose by 5%, we achieved the 1% reduction in energy use per unit of production required by the Energy Conservation Law. Our CO₂ emissions from non-energy sources and methane emission volumes reported under the Global Warming Law declined by approximately 7,000 tons.

The main GHGs emitted by the INPEX Group are from energy use during operation of the Group's oil and natural gas businesses, CO₂ separated and removed from natural gas, CO₂ released during natural gas discharge, and CO₂ generated during energy use at our power plants.

Methane, the primary component of natural gas, has a global warming potential 21 times greater than that of CO₂. However, 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 methane into the air. We are working to prevent the release of methane into the atmosphere, and even in cases where release is unavoidable we are striving to reduce the volume of GHGs emitted on a CO₂ calculated basis by installing ground flare* systems at our operating sites to burn off waste natural gas.

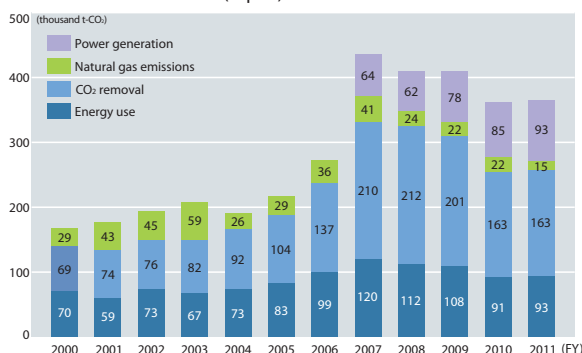
Since fiscal 2006 we have calculated the quantity of energy consumed during transportation in our operations and reported this data along with our energy conservation plans. The majority of the INPEX Group's transportation is of oil and condensate, and although transportation is commissioned to outside companies, as the owner of the products being transported we are working to improve energy efficiency in the transportation process. Our internal working group collaborates with transportation contractors to devise energy-saving initiatives.

* Ground flare:
Equipment that incinerates excess hydrocarbon gas produced by crude oil drilling facilities, gas processing facilities and oil refineries instead of simply dissipating the gas as is. Shaped to combust flames within an upper chimney-like furnace, thereby resulting in no night-time illumination, noise pollution or effects on the surrounding environment.

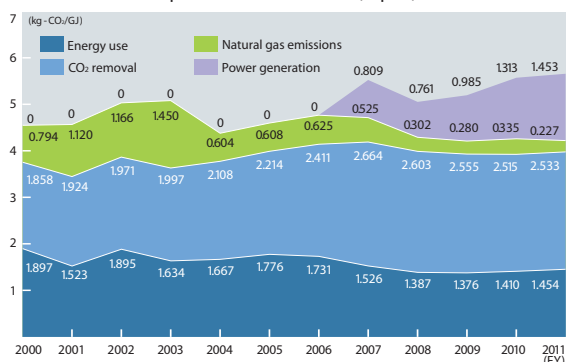
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Saving Energy
at the Office

■ Total GHG Emissions (Japan)



■ GHG Emissions per Unit of Production (Japan)





Biodiversity Conservation

Basic Policy

For the conservation of biological diversity, our priorities are based on the International Finance Corporation (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 and gas field production, the INPEX Group performs studies to evaluate the impact on the environment. Based on the evaluation results, we strive to minimize our total impact on the ecosystem by developing countermeasures to preserve biodiversity.

Biodiversity Conservation Measures Taken at Projects

Toyama Line Construction Project

During the construction of the Toyama Line we have been taking measures to protect biodiversity through selection of appropriate construction methods and timing, based on the results of a survey of the mountain area.

During construction of a tunnel, which is already underway, we relocated rare plants found in the approximately 540m² construction area. In addition, we identified the inhabitation status of rare amphibians in the river into which water from the tunnel mouth converges, and are measuring and monitoring the quality of the water emitted during construction to avoid impacting the ecosystem.

Naoetsu LNG Receiving Terminal Construction Project

The construction of the Naoetsu LNG Receiving Terminal includes plans to develop 25% of the total area of the developed site of vegetated open space. As a rule we plant trees that are endemic to the local area, and are managing their development taking into account climatic requirements and positioning. Furthermore, we also take into account the ecosystem when discharging wastewater used to vaporize LNG by ensuring that the temperature of the wastewater is maintained within minus four degrees Celsius of the ocean temperature.

Ichthys LNG Project

For the Ichthys LNG Project currently underway in Australia, we have created a development plan which considers the impact on the ecosystem, such as marine life.

During the construction process careful attention is paid to minimize the effect on the ecosystem. For the dredging process which is necessary to secure shipping routes in Darwin Harbour, ecological surveys were conducted to study the impact on the dolphin and dugong populations that reside in the harbor, and process policies were determined after careful study of international standards. To minimize environmental impact during the dredging process, we chose to avoid underwater blasting and instead selected to excise the rock bed with a specialized cutter suction dredger.

Abadi LNG Project

For the Abadi LNG Project we conducted a full-scale field study in environmental and social impact in accordance with Indonesian laws and regulations. As we move towards the construction stage of the project we are conducting a basic survey to minimize environmental impact, including the effects on biodiversity.

Abu Dhabi Project

We received a request from the Abu Dhabi Environment Agency to cooperate with a study into the regeneration of the coral reef in the Arabian Gulf where bleaching is progressing. Over a two year period from March 2010, we conducted a joint investigation into regeneration of the Abu Dhabi bay coral reef. We are currently studying the next step of the regeneration process based on results of the survey, such as the coral spawning season, the number of settled corals, and survival rates.

■ Scope of Toyama Line Environmental Impact Survey

Birds of prey	Approx. 18.6km ²
Other plants and wildlife	Approx. 24km area

■ Results of Toyama Line Environmental Impact Survey

IUCN* Red List	Not applicable
Ministry of the Environment Red List	Bird of prey species: 4 (endangered species IB: 2, endangered species II: 2) Other bird species: 3 (all endangered species II)



Toyama Line environmental impact survey



Dolphins of Darwin Harbour

* IUCN:
International Union for
Conservation of Nature
and Natural Resources



Reducing Our Environmental Impact

Basic Policy

The INPEX Group observes the environmental regulations of all countries in which it operates.

In Japan, we are working to reduce our environmental impact by complying with environmental regulations such as the Soil Contamination Countermeasures Act, the Air Pollution Control Act, and the Water Quality Pollution Control Act, and by establishing and meeting our own internal standards. In our overseas operator projects we comply with the laws of the country of operation from the project's early stages, such as Front-End Engineering and Design (FEED), and also apply the International Finance Corporation (IFC) Performance Standards. IFC Performance Standards cover not only societal aspects but also environmental factors, and are widely recognized as a global standard. We have also begun investigating adopting IFC standards for our operations in Japan. The INPEX Group did not violate any environmental laws or regulations during fiscal 2011, both in Japan and overseas.

¹ Inner loop roofing: Modifying tanks with fixed roof into tanks with inner floating roof (floating roof on liquid surface) to suppress the emission of VOCs in storage facilities

² PRTR Law: The PRTR Act requires companies to report the volume of specific chemical substances released into the environment and to improve their management of those substances. This system measures the amount of chemicals potentially harmful to humans or the environment released into the air, water, or soil, as well as the amount of waste transported from business premises.

³ Well water: Water generated from the earth due to natural gas, etc.

Measures to Prevent Soil Contamination

The INPEX Group does not use any designated harmful substances stipulated in the Soil Contamination Countermeasures Act in our operations in Japan. However, the crude oil we produce contains benzene and the drilling fluids we use contain trace amounts of heavy metals. Due to the major impact oil contamination can have on the soil environment, we are required to conduct surveys and adopt countermeasures based on the guidelines set by the Ministry of the Environment. To this end, we perform voluntary surveys and soil contamination countermeasures in light of the principles outlined in the Soil Contamination Countermeasures Act.

At the West Bakr Oil Field in Egypt, we upgraded our older facilities, leading to a major decline in both the number and volume of oil leaks from fiscal 2010 (Rights and interests sold in January 2012).

Preventing Air Pollution

We are working to monitor and reduce the amount of SO_x,

NO_x, and volatile organic compounds (VOCs) our Operational Organizations in Japan and overseas emit into the atmosphere. In the domestic business our targets for SO_x and NO_x are based on the Air Pollution Control Act, while for VOCs we participate in the voluntary initiatives undertaken by the Japan Natural Gas Association. VOCs emitted during our domestic operations include substances such as benzene, toluene and xylene (BTX) contained in fossil fuels such as crude oil and natural gas, as well as n-hexane. These substances are mainly emitted through emission of natural gas, losses from crude oil storage tanks, and losses when loading to tanker trucks or unloading from tankers. In fiscal 2011 we reduced VOC emissions by approximately 21% compared to fiscal 2010 by improving facilities, such as reducing losses from the naphtha storage tank at the Kubiki Refinery of Teiseki Topping Plant Co., Ltd. through inner loop roofing¹, and introducing a VOC removal system at our Sekihara Plant in the Nagaoka Field Office, operated by the Niigata District Office.

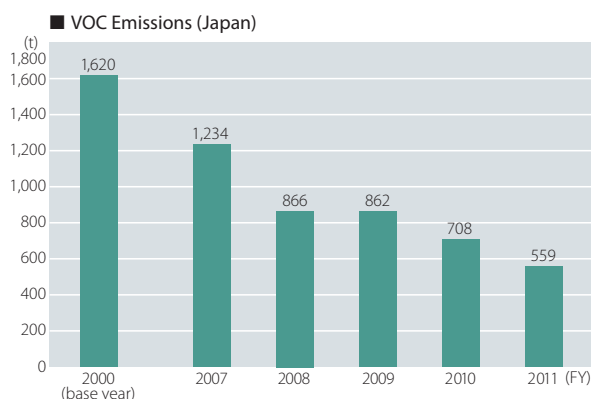
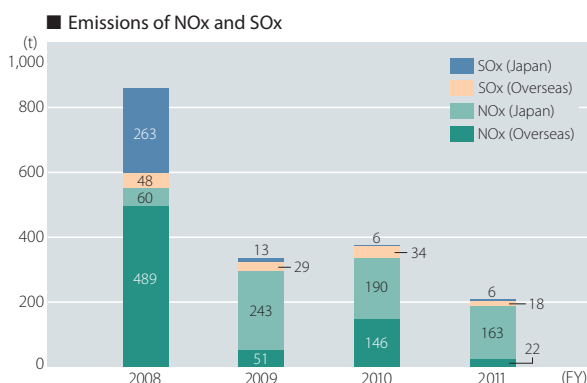
Management of Chemical Substances

In Japan and other countries, control of chemical substances is required by law, and each of our Operating Organizations manages and reports its emissions in accordance with the laws of the country in which it operates. Pursuant to Japan's Pollutant Release and Transfer Register (PRTR) Law² we report the volume of specified chemical substances emitted, including the amount of benzene, toluene and xylene (BTX) contained in crude oil that is released into the air, the amount of n-hexane contained in fuels such as kerosene and gasoline released into the air, and the amount of boron compounds contained in well water³ that are released into waterways.

Use of Water Resources

Our Domestic Project Divisions use mostly tapwater and groundwater for cooling during plant operation. In addition to water used at power plants, we use groundwater for circulating mud fluid during well drilling, and to melt snow during winter.

With preservation of water resources as one of our objectives, we have continued adopting initiatives in our



ongoing effort to reduce water consumption to a minimum. Our efforts include adopting a circulatory method to reuse cooling water, and installing automatic stoppage systems in the machines that disperse water to melt snow.

In addition, some of the water that is generated underground during natural gas production contains natural iodine. This iodine is collected as a valuable resource and used as a raw material in goods such as medical products.

Preventing Water Pollution

Our Operational Organizations manage wastewater in line with the environmental regulations in the country of operation.

Crude oil and natural gas produced can contain formation water, and although this is separated and collected at our production facilities, substances such as the remaining oil need to be treated. At our domestic production facilities, we dispose of waste water in line with Biological Oxygen Demand (BOD)¹ and Chemical Oxygen Demand (COD)² standards following the appropriate treatment. For example, when disposing of well water we reduce the concentration of boron compounds to below regulatory requirements at our well water treatment facility before it is released into rivers. We also manage wastewater overseas to ensure compliance with the regulations of each country.

Seawater is used for cooling at offshore rig platforms and during the construction of LNG receiving terminals. Although the wastewater is returned to the ocean, in general most of the water is used for heating and cooling purposes, and the difference in temperature between the effluent and ocean as well as the water quality is checked before release to minimize the impact on the marine ecosystem.

Waste Management

The majority of the overall industrial waste generated by the INPEX Group consists of drill cuttings and waste mud fluid generated during oil and natural gas drilling and production, and construction waste generated when building plants.

In our operations in Japan, treatment of industrial waste is performed by external contractors, and over 90% of waste is

recycled. Waste that exceeds recycling standards is disposed of in landfills by our contractors.

Mud fluid from well drilling and other processes is cleaned using a waste mud treatment device, and the recycled water is used in drilling mud and drilling fluid preparation.³

Although the waste from well drilling in Japan is on a declining trend, in fiscal 2011, waste from construction increased as projects to expand pipelines and construct an LNG receiving terminal reached their peak. The recycling of these wastes accounts for 95% of all wastes recycled in Japan.

In line with revision to Japan's Waste Management and Public Cleansing Law in April 2012, as a waste producer we confirmed that our contractors disposed of waste in an appropriate manner. We have heightened our awareness of waste disposal responsibilities, and are striving to ensure appropriate disposal.

Proper Management and Treatment of PCB Waste

With stricter regulations stipulated under the Law Concerning Special Measures Against PCB Waste,⁴ we gradually replaced fluorescent lights, condensers, and other equipment and materials containing polychlorinated biphenyls (PCBs) used by Operational Organizations in Japan and entirely discontinued the use of such equipment and materials by the end of fiscal 2005. The law requires businesses to properly treat and dispose of all stored PCB equipment and PCB waste by July 2016. We have completed the registration process for all our Operational Organizations and are strictly managing PCB storage as required under the Waste Management Law in Japan. In addition, we send status reports to local governments annually. In October 2011, we completed the outsourcing of treatment and disposal of 21 high-pressure condensers stored at our Niigata District Office.

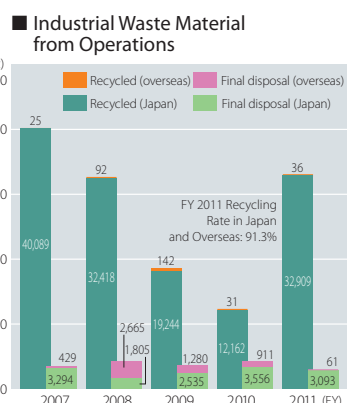
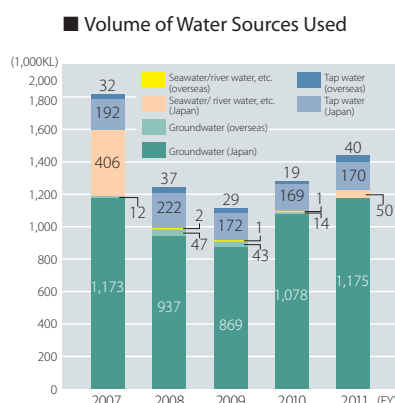
¹ BOD:
The amount of oxygen required by microorganisms during breakdown of water pollutants. Mainly used as a measure of river pollution.

² COD:
The amount of oxygen consumed by oxidizing agents during oxidation of water pollutants. Mainly used as a measure of ocean pollution.

³ Drilling mud and drilling fluid preparation:
The mixing of drilling fluid base ingredients with water or other substances during the drilling mud preparation process

⁴ Law Concerning Special Measures Against PCB Waste:
Special law governing the treatment and disposal of PCBs

Website only
WEB
Oil pollution prevention measures





Fighting Climate Change

Basic Policy

As an energy company, the INPEX Group realizes that it has a responsibility to tackle the issue of climate change, and has been adopting a range of initiatives.

While focusing on development and supply of natural gas, an energy source with a lower environmental impact compared to other fossil fuels, we are working to develop a variety of energy sources, including renewable energies, and taking measures to combat climate change.

At the same time, we are continuing our long-term efforts to research, develop and commercialize technology to reduce GHG emissions, and to formulate offset measures.

Increasing Use of Eco-Friendly Natural Gas

Natural gas emits 75% and 60% percent less CO₂ than oil and coal, respectively, when burned, and is therefore the most environmentally friendly energy source among fossil fuels.

With global natural gas reserves expected to last another 200 years or so, expanding the use of natural gas is essential to achieve both reductions in GHG emissions and a stable supply of energy. Delivering a stable supply of natural gas to more customers and encouraging wider use through the production of natural gas in Japan as well as development and production overseas forms one of the pillars of our climate change mitigation policy.

Reforestation Project in Australia

The INPEX Group continues to promote reforestation as a CO₂ offset option via our forestation pilot project in Australia. Since 2008, we have planted 1.4 million eucalyptus saplings on 645 hectares of land located in the southwest of Western Australia. Some of the larger eucalyptus are now standing four meters tall. Over the next 50 years the trees are expected

Developing New Technologies that Reduce Environmental Impact

Commercializing Japanese GTL³ Technology

In 2006 INPEX established the Nippon GTL Technology Research Association,⁴ and for the past six years we conducted a joint experimental study with Japan Oil, Gas and Metals National Corporation with the goal of realizing Japanese GTL technology. Research was completed in March 2012. This research led to successful development of a world-first innovative technology for manufacturing eco-friendly petroleum products that do not contain sulfur from CO₂-containing natural gas. As the process proved to be safe and economically feasible, we plan to work to bring this technology into practical use in the future.

Joint Research on CO₂ EOR at Offshore Abu Dhabi

From March 2010, we conducted a two-year joint research project with the Japan Oil, Gas and Metals National Corporation on CO₂ enhanced crude oil recovery (CO₂ EOR) in the large-scale Lower Zakum oil field off the coast of Abu Dhabi. In fiscal 2011, we conducted a variety of tests, including a fluid-gas interaction study,⁵ and performed a simulation study⁶ that included selection of the pilot area. Our scheduled research was completed in April 2012, and based on the results we intend to create a pilot test implementation plan, with the local operating

to absorb around 450,000 tons of CO₂. This project qualifies for registration as a Carbon Farming Initiative (CFI¹), which generates Australian Carbon Credit Units.² These carbon credits can be used to offset the CO₂ emitted from the Ichthys LNG Project.

¹ CFI:
An Australian carbon offset program which aims to reduce carbon emissions while providing the agriculture, forestry and landowner industries with new income opportunities

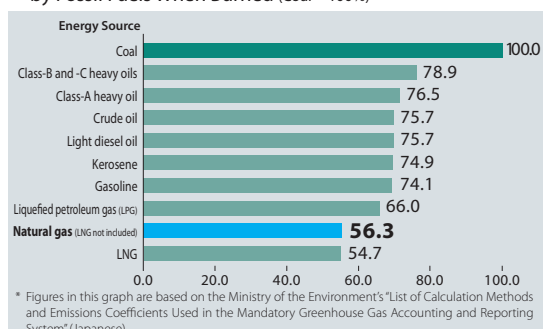
² Australian Carbon Credit Units:
Credits which can be traded for carbon emissions in the carbon pricing system introduced under the Australian Clean Energy Act

³ GTL:
An abbreviation of Gas-To-Liquid. GTL is a technology that uses natural gas as the raw material and produces petroleum products such as naphtha, diesel oil and kerosene through chemical reactions.

⁴ Nippon GTL Technology Research Association:
An organization established by six private-sector companies—INPEX Corporation, JX Nippon Oil & Energy Corporation, Japan Petroleum Exploration Co., Ltd., Cosmo Oil Co., Ltd., Nippon Steel Engineering Co., Ltd. and Chiyoda Corporation.

⁵ Fluid-gas interaction study:
A test that measures the effects of changing pressure and temperature on the volume, density, and viscosity of oil in a reservoir

■ Amount of CO₂ Generated by Fossil Fuels When Burned (Coal = 100%)



Eucalyptus trees planted in the southwest of Australia

company taking the lead in future processes.

Reducing CO₂ Emissions Through Photocatalytic Reactions

We are working to develop technologies that can directly reduce CO₂ emissions by using CO₂ effectively. Currently, one of our endeavors is research and development of a photocatalyst with which to produce useful chemical substances from CO₂ and water. Artificial synthesis is said to be a “dream technology,” but recent research 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 CO₂ emissions. We hope to advance this research in the near future.

Advancing CCS Research

The INPEX Group has been promoting research aimed at commercializing carbon dioxide capture and storage (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 with Japan CCS Co., Ltd., a joint venture established in 2008 to achieve practical application of CCS.

Although several hurdles must be cleared in order to realize CCS at a commercial scale, including a reduction in the energy and cost required to separate, capture, and

pressurize CO₂ before storing it underground, we will work to promote this technology through broad partnerships involving government, industry, and academia.

Towards a Sustainable Carbon Cycle Using Methane Production Technology

Since fiscal 2008, we have been co-sponsoring 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 and underground aquifers. In this technology we aim to convert CO₂, which is injected underground during processes such as CCS and CO₂ EOR, to methane by using methane-producing bacteria, and to use this methane as a valuable resource. In order to realize this technology, however, methane-producing bacteria must be supplied with a constant source of hydrogen. We are focusing our research on development of a method for efficient, continuous supply of hydrogen to methane-producing bacteria using electrochemical hydrogen reduction. This technology holds promise for building a sustainable carbon-cycle system.

⁶ Simulation study:
A study that uses computers to predict the behavior of oil, water, and gases and identify potential problems

Interview

Customer's Voice

Adopting Natural Gas Helped Reduce Carbon and Secure a Stable Energy Supply

Toshifumi Hayakawa
Engineering Department
Shinshu Beverage Co., Ltd.

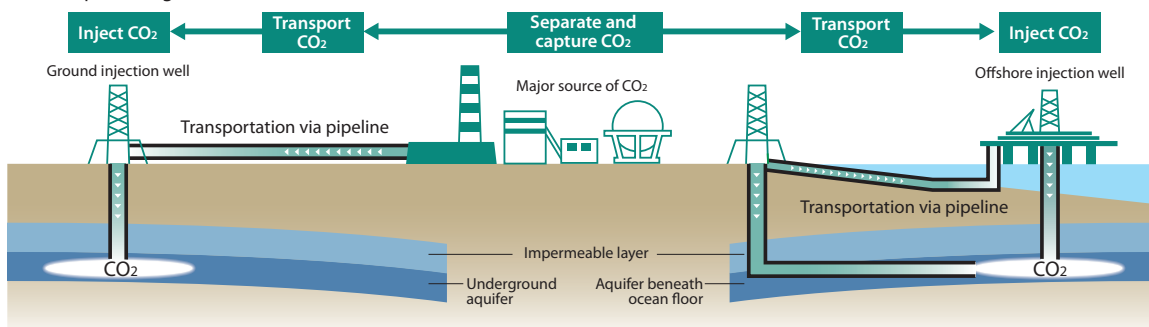
We have set reducing carbon emissions from our business activities as a fundamental of our environmental policy, and we have strived to reduce GHGs. In 2007 we switched our boilers to gas power, and at the end of 2011 we also switched our co-generation system from LSA heavy oil to gas. We estimate that this will reduce our CO₂ output in fiscal 2012 by 7.7%, or approximately 1,500 tons compared to the previous year. In addition, the supply of gas remained steady during the Great East Japan Earthquake, re-emphasizing to us its reliability. In the future we will continue to support the adoption of natural gas as a key tool in reducing environmental impact and energy supply risk.

Website only



Fire Management
in the Savanna

■ Conceptual Diagram of CCS



Society

Main Achievements in FY2011

0.62_{LTIF} **1.75**_{TRIR}

Rate of work-related accidents

Lost time injury frequency (LTIF): Rate of injuries resulting in fatalities or lost time per million hours worked

Total recordable injury rate (TRIR): Rate of recordable injuries (fatalities, lost time, restricted workdays, and medical treatment) per million hours worked

→ **p.39** Safety Management

1.24 billion_{yen}

Cost of community contribution activities

→ **p.42** Building Trust with and Contributing to Local Communities

2 people (male); **11** people (female)

Number of people taking parental leave

→ **p.50** Human Resource Development and Utilization





Safety Management

Basic Policy

The INPEX Group is implementing comprehensive initiatives to ensure safe operations based on its HSE Management System.

Activities in line with our HSE Management System are carried out at Operational Organizations around the world, while complying with all legal requirements in the country of operation. The HSE Management System encompasses all elements relating to HSE activities, including the efforts the Group and contractors are making in respect to safety management and initiatives to prevent accidents.

Major Accident Prevention

The INPEX Group is bolstering its efforts to prevent serious disasters through measures such as thorough risk management. Specifically, we have implemented initiatives including carrying out risk assessments, beginning with analyzing hazards at each Operational Organization, through to considering measures to reduce risks and compiling this data, revising the manual for drilling operations, implementing HSE reviews to confirm HSE efforts for projects and creating HSE plans. In fiscal 2011, HSE reviews were conducted eight times in relation to various projects. In addition, from an engineering safety perspective, the Group deliberated on measures to ensure safety at the design stage of projects. At the Ichthys LNG Project in Australia, a Design Safety Case¹ has been created and we are striving to ensure complete safety.

Aiming to Reduce Accidents

The INPEX Group is promoting various safety initiatives in order to reduce the number of accidents. Specifically, we are implementing measures to reduce traffic accidents and introducing the Safety Training Observation Program (STOP) system. The HSE activities of each Operational Organization are based on a target of zero disasters. However for the accident rates of the entire Group, activities were promoted to achieve our lost time injury frequency (LTIF²) and total recordable injury rate (TRIR³) targets of 0.68 and 2.78, respectively, which are based on the safety index calculated by the International Association of Oil & Gas Producers (OGP). We were able to achieve our targets set at the start of the fiscal year.

Furthermore, we are making efforts regarding contractor safety management and in addition to requiring all contractors who are engaged in our operations to fully understand our HSE Policy, we are working together with contractors to prevent accidents.

When an incident, injury or near miss occurs, an incident report is created 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. Moreover, *Safety Highlights*, which contains information and numerical data relating to recent accidents is published every month in an effort to share information with employees.

¹ Design Safety Case: A collection of documents which seeks to verify whether or not a management system which effectively manages risks to workers and in particular reduces or minimizes risks for a major accident has been created

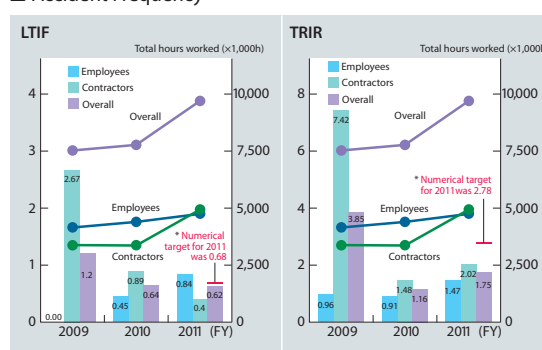
² LTIF: Rate of injuries resulting in fatalities or lost time per million hours worked

³ TRIR: Rate of recordable injuries (fatalities, lost time, restricted workdays, and medical treatment) per million hours worked

Number of Work-related Accidents

		Fatalities	Lost time injury	Restricted workday injury	Medical treatment injury
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
FY2011	Employees	0	4	1	2
	Contractors	0	2	1	7
	Overall	0	6	2	9

Accident Frequency





Safety Management

Emergency Response

During emergencies, headquarters and Operational Organizations of the INPEX Group coordinate their response.

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 establishes a Corporate Crisis Management Team and responds to the emergency in accordance with the Corporate Emergency Response Procedure and the Corporate Emergency Response Manual. The Corporate Crisis Management Team coordinates with the Operational Organization's Emergency Response Team, which is established at the operational site in the country experiencing the emergency. The teams work together to collect external information, communicate with 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.

Furthermore, emergency response training is conducted regularly in accordance with our annual plan.

Contractors' Safety Management

In accordance with the Corporate Procedure for Contractors' HSE Management, which is a part of our HSE Management System, we are promoting HSE management initiatives for companies which are contracted to conduct operations at all Operational Organizations in Japan and overseas.

When selecting a company for a business contract, we first assess the HSE risk of the task which will be contracted, and then itemize and clearly specify in the tender document the requirements for responding appropriately to these risks. In each company's written proposal, we request that they show they have a system in place for HSE management in addition

to their past accident record, and we check this information in detail. Furthermore, once we have selected a company for the business contract, we thoroughly strengthen HSE-related communication and confirm the content of HSE plans for job performance by holding process meetings, operational procedure briefings and pre-work meetings.

Increasing the level of contractors' HSE management is one of our HSE Objectives for fiscal 2011 and we check their level of achievement in this area through measures such as HSE audits.

Safety Management of Pipelines

Keeping our pipelines in good working condition is critical to supplying natural gas to our customers safely and securely. Teiseki Pipeline Co., Ltd., an INPEX Group company in Japan, conducts visual inspections of the entire length of its 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.

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. Each contractor arranges a dedicated HSE supervisor for HSE management.

Furthermore, we apply the Manual for Contractors' HSE Management to contractors. Based on this Manual, we assess risks for all construction projects and Teiseki Pipeline Co., Ltd. conducts independent or joint HSE audits and safety patrols with contractors. With this system in place, we can constantly maintain an appropriate level of safety.



Meeting to explain operational procedures



Pipeline safety management patrol

Project Safety Management

Ichthys LNG Project

HSE management system which is in line with both Corporate and Australian Government regulations is being implemented for the Ichthys LNG Project. Standards such as the risk management standards and accident prevention goals are set accordingly.

During construction, safety assurance checks such as internal safety audits are conducted in each project office. Safety engineers are placed in each package facility, supporting safety management to ensure that safety is emphasized in engineering design.

During detailed engineering, the Design Safety Cases are prepared as a part of safety assurance process and risk management, especially concerning major accident events. The company also consults with regulatory authorities at an early stage in the design process to ensure that designs meet with Australia's strict safety standards.

Performance indicators that promote operational safety are included as a component of agreements with contractors. In March 2012, we held a HSE forum attended by the CEOs of our contractors in order to share our HSE goals.

To promote HSE training initiatives, we are working to establish a range of training workshops and HSE orientation programs for employees working at project offices and facilities.

Suriname Project

In fiscal 2011, an exploration well was drilled as part of the Suriname Project. Prior to the drilling, all members of teams involved in the operation, including contractors, met to assess and share the potential risks accompanying

the drilling operation and discuss measures to minimize these risks. Each employee voluntarily submits STOP cards for near-miss reports* and proposals for improvements and the content of these is incorporated into operations in an attempt to prevent accidents. During drilling, risks associated with the drilling operations and measures to minimize the risks were reported at weekly meetings and the status of operations was thoroughly checked by the manager in charge. Safety measures such as unannounced disaster preparedness drills were also conducted. The result of these measures was that in the 234 days from the initial preparation stages to the completion of drilling activities, work was successfully done without a single lost time injury.

Projects in Japan

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

In fiscal 2011, emergency response training was held 28 times. The Nagaoka Field Office conducts training based on the premise of a major accident such as an oil tank explosion and fire at the Koshijihara Plant. The training seeks to verify whether a swift and smooth initial response can be deployed at the disaster site in the event of a disaster in which people are injured. The training includes prevention of secondary disasters at the disaster site, rapid communication with the Crisis Management Team of the INPEX Group and explanations to the local community. Following training, the response is assessed and ideas for improvement at the next drill are shared at a meeting of all participants.

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

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



HSE Forum for the Ichthys LNG Project



Major accident drill at the Nagaoka Field Office



Building Trust with and Contributing to Local Communities

Basic Policy

The INPEX Group is working to win the trust of society in its business activities. In April 2012 we defined a basic policy and key areas for "building trust with and contributing to local communities," one of the key CSR issues we selected. By implementing initiatives based on this policy and these areas, we will work to solve social issues in the countries in which we operate, and to contribute to development of local communities.

Considering Human Rights During Operations

When making decisions involving implementation of business plans, the INPEX Group performs checks to ensure there are no human rights violations such as racial discrimination, forced labor and child labor. In addition, we have never requested that indigenous people vacate their land for the Group's operator projects.

As of the end of June 2012, we are operating 74 projects in 27 countries around the world. In the 12 projects we are participating in as operator, we consider the impact on the stakeholders involved. We place special emphasis on our relationship with the local community and conduct evaluations of the impact of our operations on the local environment and society.

In Australia, the INPEX Group has developed an "Aboriginal & Torres Strait Islander Engagement Policy" and is working with Aboriginal & Torres Strait Island people and communities wherever the INPEX Group is active in Australia with the aim of building sustainable mutually beneficial relationships.

Coexisting with Local Communities

During our oil and natural gas development business, we strive to coexist with local communities and do everything possible to contribute to their development.

During the construction of a large scale plant facility of the Ichthys LNG Project, Australian content is expected to be significant with many jobs to be created in the local community. More significantly, the Project will generate hundreds of jobs during its 40-plus year operational life.

For the Abadi LNG Project, as part of our evaluation of the project's impact on the local environment and society we are studying the opinions of local residents in areas where related facilities could potentially be located. We also conducted a separate study to determine the types of initiatives that were desired by the community as we work to develop our CSR activities. As we proceed with the project, we will engage in ongoing information disclosure and two-way communication to gain the understanding and cooperation of local communities.

Involvement in Public Policy

The INPEX Group is a member of the Japan Petroleum Development Association (JPDA). While striving to secure a stable supply of oil through developments in Japan and overseas, JPDA works to support the proactive oil developments of Japanese companies both domestically and overseas, and provides advice on policies related to a wide range of issues including government resource diplomacy, energy policy, environmental policy and regulatory reform.

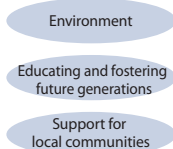


For details of initiatives in the Ichthys LNG Project, please refer to the Special Feature 2 on page 18

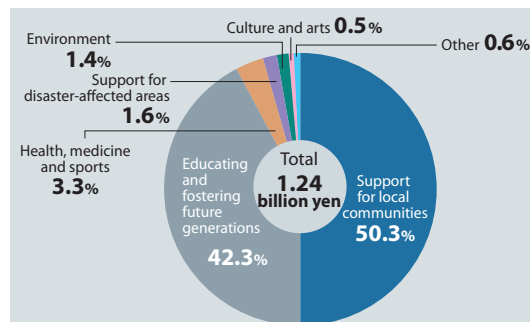
Basic Policy for Building Trust with and Contributing to Local Communities

In order to meet the needs of society and fulfill the trust placed in us as a global energy supplier, the INPEX Group will actively strive to resolve societal issues and aid the development of local communities by communicating with stakeholders. Through these activities, we aim to contribute to the realization of a sustainable society.

Key Issues



FY2011 CSR Expenditure by Issue



Initiatives to Contribute to Local Communities

Working to Reconstruct Areas Affected by Disaster

From June 2011, the INPEX Group has supported employees who participate in volunteer activities to restore damage from the Great East Japan Earthquake and other disasters. Employees who wish to participate in volunteer operations can utilize the Group's volunteer leave system and are also provided with financial support such as travel and accommodation expenses and allowances to purchase necessary tools.

As of May 2012, a total of 445 employees have taken leave to volunteer their services to a range of disaster relief and recovery programs, including debris clearance, grass cutting and cleaning work focused in Rikuzentakata City, Iwate Prefecture, snow removal (mainly in Niigata Prefecture), and relief from damage caused by heavy rain.

Interview

Aya Hagiwara
Rikuzentakata City Volunteer Center



Our current volunteer work is shifting from clearance of large debris to work to restore day-to-day life, such as removal of smaller sized debris from where houses once stood to create fields for crops. Although more than a year has now passed since the earthquake, we still require the help of many volunteers. Both our staff and the local residents are grateful for the support from everyone at INPEX, who have continued to find time among the busy work schedules—even if only once a month—to pull together as a company and travel to Rikuzentakata to volunteer.

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

Since 2010, we have sponsored a three-year course at The University of Tokyo Graduate School of Public Policy entitled "Energy Security and the Environment" with the aim of developing human resources, raising a societal awareness of

the importance of energy security, and contributing to research and educational activities in energy policy and environmental issues. The course features lectures on energy policy and environmental policy, research on the major issues surrounding global environmental and energy issues. In fiscal 2011 we also held an international symposium on the subject of "Green Energy and Japan's Future."

Contributing to Local Communities

● Forest Management Support Program

Since autumn 2010, we have been participating in a forest management program backed by Forest Management Support Program of Niigata Prefecture. 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. Through to autumn 2011, a total of 250 employees, their families and local residents participated in three project events. Our events in fiscal 2011 included installing braces for seedlings damaged by snow, "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), and planted a total of 260 trees spanning 13 varieties. In addition to broad leaved Japanese Beech and Red Oak trees we focused on planting fruit-bearing varieties such as chestnut and persimmon trees.

● Supporting and Participating in Community Events

The INPEX Group actively supports and participates in a variety of community events. Every year in Nagaoka City, Niigata Prefecture, we sponsor the fireworks celebration of the Nagaoka Festival. In Kashiwazaki City, Niigata Prefecture, we recruit employee volunteers to run or support other runners competing in the Koshiji Road Relay and sponsor the fireworks portion of the Gion Kashiwazaki Festival. Around 230 people affiliated with the INPEX Group danced in each of the July 2011 Gion Kashiwazaki folk dance parade and the August 2011 Niigata Festival folk dance parade. By supporting and participating in community events like these, we aim to promote an understanding of our corporate activities among local communities.

Website only



- Recovery Work for Niigata and Fukushima Rain Damage
- Snow Clearing Volunteer Work



Volunteers supporting areas damaged in the Great East Japan Earthquake



Volunteers clearing snow



Forest management support event

Initiatives to Contribute to Local Communities

D.R. Congo

Muanda City Electrification Project

In 2011 companies participating in the project, including the INPEX Group, donated a total of US\$250,000 to install natural gas equipment at a facility in Muanda City, and connected it to a local power plant through 4 kilometers of cable.



Azerbaijan and Georgia

Sponsoring EBRD Microfinance Initiatives

The INPEX Group has pledged to sponsor the Baku-Tbilisi-Ceyhan (BTC) Pipeline Project by providing microfinance and technological development assistance to Azerbaijan and Georgia over a 10 year period from 2006 to 2016 through the European Bank for Reconstruction and Development (EBRD). In fiscal 2011, we provided US\$160,000 in funding. Since 2007, we have supported 270,000 local small business owners, creating 14,000 jobs.



Angola

- Cabinda Region Contribution Initiatives

Website only



East Timor

Dili Heliport Infrastructure Project

Through the Bayu-Undan project, INPEX Group supports an infrastructure project to construct a heliport in Dili, the capital of the Timor-Leste, in conjunction with its government. Through this initiative, the heliport infrastructure project started in 2002 has been continuously expanded and upgraded over the last 10 years, contributing to the local economy by procurement of local goods and services and employment of local people.



Other Community Contribution Activities

- Supporting Construction of Greenhouses for Crop Growing, and Agricultural Training

Website only



Abu Dhabi (UAE)

Inviting Students from the UAE to Japan for Training

Since 1993, we have invited students from the UAE studying oil development engineering to train in Japan. More than 120 students have been invited to take part in the course, which spans approximately three weeks and includes cultural exchange as well as hands-on, participatory technical seminars. In fiscal 2012, the 20th time the program has been held, we hosted an all-female delegation for the first time due to the wishes of our UAE partners. The training program produces talented graduates who support petroleum engineering fields in the UAE.



Indonesia

Supporting the Improvement of Learning Environments

In fiscal 2011, we worked to improve the learning environment at three high schools in the Makaham Project operating region by installing computers and language study rooms. In addition, we also performed English language training and a variety of skill development programs for teachers with the aim of raising educational standards. Through these initiatives conducted in coordination with the Indonesian government and NPOs, we aim to improve the learning environment to support development of the local community in the medium- to long-term.



Organic Farming Training and Education

We have been conducting education and training on organic farming aimed at farms located in the island regions where the Abadi LNG Project is conducted. Along with introducing an environmentally friendly farming method, this initiative also promotes a more visible role for farmers. This project is carried out in cooperation with an organization affiliated with the Bandung Institute of Technology and will continuously contribute to the development of regional development well into the future.



Venezuela

Zazarida Port Dredging

The INPEX Group has been conducting exploration operations in Venezuela's Falcon State since 2006. In recent years, sand has accumulated in Zazarida Port (which serves as the region's main fishing port), and boats have faced growing limitations for moving in and out of the port, making locals eager to have the port dredged. We began an operation to dredge the port in May 2010, and although we were forced to revise our original plans as the volume of sand was greater than expected, the project was successfully completed in June 2012.



Before dredging



After dredging

Australia

Sponsorship of Australian Football Club

The INPEX Group supports the NT Thunder, a Northern Territory's Australian Rules Football club. With 70% of team members indigenous, the INPEX Group contributes to education and development of the community's next generation by sponsoring the leading Northern Territory football team.



Photo by Matthew Kemp

Supporting the Establishment of Charles Darwin University North Australian Centre for Oil and Gas

The Ichthys LNG Project donated three million Australian dollars towards the establishment of the Charles Darwin University North Australian Centre for Oil and Gas. Scheduled to open at the end of December 2012, the Centre will be at the forefront of oil and gas training and education, offering school leavers, engineers and apprentices pathways into the growing energy sector in the Northern Territory.



Other Community Contribution Activities

- Sponsorship of NT Training Awards
- Sponsorship of Economic Development Forum for Indigenous People
- Donation to Alzheimer's Australia WA
- Sponsorship of Australian National Maritime Museum Exhibits

Website only



Fair Trade with Business Partners

Basic Policy

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 ensure their implementation.

The Guidelines for Fair Business Conduct with Suppliers and Contractors prohibit practices that would impede fair and free competition, that abuse dominant bargaining positions, or that inappropriately grant or receive benefits. In addition, the Guidelines 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. We have established supplier qualification standards and are increasing opportunities for prospective suppliers to participate in bidding.

Promoting Awareness of Fair Trade

The INPEX Group strives to procure goods in a fair and responsible manner both in Japan and overseas projects.

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

During our overseas projects we ensure compliance with

the laws of each country, with particularly rigorous checking to prevent corruption. Based on these principles we evaluate the business of local companies and the indigenous people, and strive to procure materials in a fair and transparent manner.

While our overseas project operations are unlikely to engage in child or forced labor, we will further enforce our human rights policy in procurement activities in line with our Corporate Social Responsibility Policy and the ten principles of the United Nations Global Compact.

Consideration for Local Communities During Business

Taking into consideration the regions in which we operate our business, we strive to utilize local companies as much as possible, both in Japan and overseas. We also encourage suppliers to utilize local companies during procurement.

The Ichthys LNG Project has entered into Industry Participation Plans with the Northern Territory and Australian Governments. These commit the Project to provide "full, fair and reasonable" opportunities for Australian companies to compete for work on the Project and the INPEX Group is already yielding positive results.

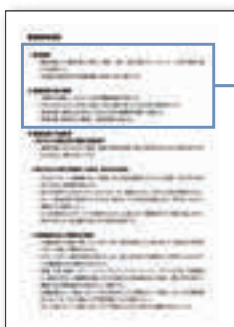
In the future, we are considering adding "human rights" to our CSR related selection criteria when procuring materials during large-scale overseas projects.

Basic Policy for Selecting Contractors

When selecting contractors, we not only consider candidate companies' technical capability, quality and reliability, but also include health, safety and the environment and CSR among our evaluation criteria.

In particular, when selecting contractors for our overseas projects we monitor performance related to compliance with national laws, and ensure that contractors are not involved in child labor or forced labor.

■ 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

Product Quality Control

Basic Policy

The INPEX Group strives to deliver products that are safe and stable during their supply and usage, while complying with applicable laws and regulations and the INPEX Corporate Social Responsibility Policy as well as providing all necessary information.

We provide customers with timely information required to use our products safely as well as regular quality measurement data. We also conduct regular disaster response drills and create flexible cooperative systems with other product suppliers to ensure continued stable supply in the event of an emergency.

Management of Oil Product Safety

We sell petroleum products made from crude oil mainly produced in Japan and transported by tanker trucks or boats from refineries or nearby loading terminals to our customers and consumers. To ensure the safety of the petroleum products we ship, the INPEX Group not only complies with applicable laws but has also built a safety management system to conduct strict checks during refining, storage, loading, and transportation. This system is based on additional safety and product standards we have set ourselves to control the amount of trace sulfur and mercury as well as prevent accidents involving leakage or mixing. Furthermore, in order to ensure safe handling of products we issue Material Safety Data Sheet (MSDS¹) to provide information on product hazards, constituents, and appropriate handling.

In the future we will respond swiftly to changes in quality control standards, including additions to the list of specified chemical substances as well as changes to threshold values, and enhance systems for ensuring continued stable and safe product supply even in the event of a natural disaster.

Safety Management of Natural Gas Product

Natural gas contains components such as moisture and CO₂ that affect pipeline transportation and devices such as stove burners. For this reason, impurities are removed at processing plants. In addition, we are strengthening our safety management system by reducing and removing trace substances such as benzene and mercury, which are hazardous to human health, as well as monitoring their concentration.

For the gas that we sell, we perform analyses of substances subject to the PRTR Law² and Industrial Safety and Health Law, and distribute MSDS providing full safety instructions to our customers. We are also working to raise awareness of the safe use of odorless gas among our retail customers. In addition to these efforts, we provide a variety of information to help our customers use natural gas safely and with peace of mind.

Management During Transportation

To ensure safety during transportation, we have created an accident prevention manual to raise awareness among employees involved in the transportation process. This manual is updated as necessary.

We have also established an emergency contact and response system with customers for transportation of natural gas, and are working with other producer companies to establish a supply sharing system to ensure a stable supply of gas even in the event of an emergency.

Regarding transportation of oil products, in order to ensure safe loading and unloading we participate proactively in conferences and seminars held by companies operating product loading terminals and consumer sites where the products are unloaded to share information on safety during transportation and accumulate knowledge on safe delivery measures.

¹ MSDS:

A document that contains information needed for the safe handling of products that contain certain chemical substances

² PRTR Law:

The PRTR Act requires companies to report the volume of specific chemical substances released into the environment and to improve their management of those substances



For management of safety in the pipelines used to transport natural gas, please see page 40

Website only



Improved Customer Service at Gas Stations

■ Safety Evaluation During the Product Life Cycle

	Natural gas	Oil
Production	Reduce concentrations of mercury and benzene	Set product manufacturing specifications
Storage	—	Control quality of stored products
Transportation	Regular patrolling and disaster-related drills	Create and update accident prevention manual, Cargo Safety Committee, etc.
Supply	Establish and improve gas supply sharing system	Analyze sampling of shipped products
Usage	Raise awareness of safe handling through MSDS Raise awareness of safe use of odorless gases	Raise awareness of safe handling through MSDS



Pipeline monitoring center

Human Resource Development and Utilization

Basic Policy

We have established the following Basic Policy on Our Human Resources Management System as the cornerstone of a personnel management system that contributes to the sustainable development of the company in our effort to be a globally active integrated energy company. 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 through work over an extended period of time.
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.

Human Resource Development

We hold training to build the all-round skills of our employees, so that they can continue to contribute to the company's business over a long-term career.

We provide a range of level-based employee training and development programs based on the personnel requirements, anticipated future role, and required capabilities of each employee categorization, including global administrative staff, global engineering staff, and area staff members.

We also provide a range of programs to rapidly develop employees who can thrive in an international business environment, including overseas language study, training at overseas sites, and study at specialist overseas training facilities.

In addition to the general orientation and training for new recruits, we also operate a mentoring system for them. A

senior employee is assigned to each new hire to help him/her adjust to work and life at the company, and to provide moral support during his/her first year.

Utilization of Human Resources

We strive to establish an employee evaluation system that fairly evaluates and rewards our employees for their achievements and demonstrations of capabilities, and 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. In particular, in cases such as those where an employee needs to care for a family member, the Human Resources Division operates an effective system in which it offers positions to suit these needs to employees who request such consideration during divisional transfers.

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 as

■ List of Major Training Programs

Program	Overview	Participants FY2011
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	204
Language training	Training at overseas language school in the UK and other countries for young employees to improve their international communication skills	13
Specialist skill training	Training for young employees in the procurement division and mid-career employees in the legal division to improve their specialist skills	5
Business skill training	In-house training to improve financial knowledge, logical thinking skills, and legal knowledge	75
Technical training	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	47
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	17
Overseas specialized training	Training at an overseas specialized institution for young employees to acquire expert knowledge of oil E&P business	47
Overseas study	Training at an overseas postgraduate institution for young employees to acquire advanced expert knowledge of oil E&P business	2

part of level tailored training in order to operate the employee evaluation system fairly.

Promoting Diversity

● Diversity Management

We hire talented employees regardless of views, culture, nationality, belief, race, gender, or age. Our policy is to appoint and compensate the best person for the position, and there is no difference in the basic salary of male and female employees.

We hire and train employees we need regardless of nationality. Highly specialized global staff members work across the INPEX Group.

Additionally, because our large-scale overseas projects are now approaching their full-scale development and production phases, with expectation for long-term operations we directly recruit local employees who will play an integral part in running our overseas offices in line with local laws and with a transparent hiring process. We are working to maintain competitive hiring criteria, and offer fair compensation in order to maintain a strong work ethic among local employees and improve our employee retention rate. We will continue to actively practice diversity management.

● Employment Opportunities for Physically Challenged

We have been proactive in hiring the physically challenged while giving consideration to varying working conditions and responsibilities. As of the end of fiscal 2011 (March 31, 2012), we employed 32 physically challenged employees, 2.0% of the total workforce. We will continue to make efforts in the future to employ as many physically challenged people as feasible.

● Rehiring Retirees

We have a rehiring contract system whereby we rehire employees who have reached 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 allows for the hire of retirees for positions that match the interests of both the company and the employee, 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 2011 (March 31, 2012), 47 of our employees are working under a retire-rehire contract.

Employee Statistics

■ Number of Employees (Consolidated) As of March 31, 2012

By Region	Male	Managerial staff thereof	Female	Managerial staff thereof	Short-term employees*	Total
Japan	1,361	467	193	5	315	1,554
Asia and Oceania	301	128	130	6	429	431
Eurasia	7	5	2	0	3	9
Middle East and Africa	41	16	6	0	15	47
North and Central America	8	4	2	0	4	10
South America	70	11	25	1	22	95
Number of employees	1,788	631	358	12	788	2,146

* Contract employees, fixed term employees, temporary employees, etc.

■ Number of Employees (Unconsolidated)

Category	Male	Female	Total
Number of employees	1,019	182	1,201
Average salary	9.36 million yen		
Average age	39.6 years		
Average length of service	16.1 years		

■ FY2011 Hiring Data (Unconsolidated)

Category	Male	Female	Total
New graduate hires	41	10	51
Mid-career hires	11	1	12

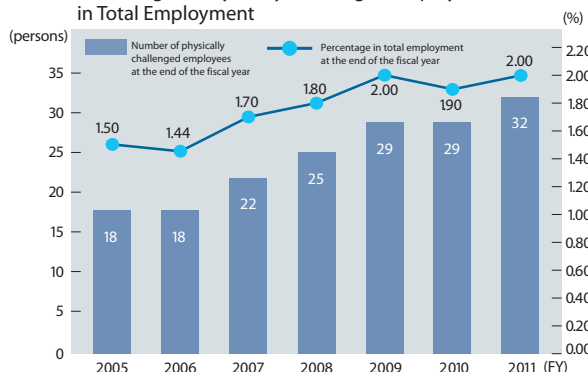
■ FY2011 Staff Turnover Rate (Unconsolidated)

0.77 %
* Excludes age-limit retirees and employees rehired as executives

■ FY2011 Number of Staff Turnovers (Unconsolidated)

Category	Male	Female	Total
Under 30 years	1	2	3
30-60 years	7	1	8

■ Percentage of Physically Challenged Employees in Total Employment



Human Resource Development and Utilization

Promoting Work-Life Balance

Seeking to maintain working environments that cater to different lifestyles and enable employees to fully express their abilities, the INPEX Group is working to create workplaces that support versatile work styles and offer a healthy balance between work and home life. We also pay close attention to factors in the external environment, such as Japan's declining birth rate and aging population in order to promote work-life balance.

● Making the Most of Work Time

With overseas operator development projects beginning in earnest, employees have been extremely busy as the INPEX Group expands its business. To promote efficient use of working time by focusing on work when needed and taking time off during less busy periods, 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. We also ran a campaign encouraging employees to take paid leave over summer with the objective of allowing staff to refresh and revitalize through consecutive days off. 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 as a measure to reduce overtime work, when employees are forced to extend their overtime hours beyond the predetermined limit we encourage managers and junior staff to not only review the latter's workload but also discuss current conditions and challenges they are facing.

● Supporting Child-Raising and Family Care

We offer all employees, including contract employees, a greater variety of support programs that go beyond the legal limits to assist them in caring for their families while working. We have also 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 both male and female 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 2011 all employees who had taken parental leave returned to work, and have continued in their positions since.

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.

Dialogue Between Employees and Management

We strive to maintain and promote sound relationships between our management and employees based on a foundation of mutual trust and cooperation and a common goal of furthering the company. To maintain a healthy relationship, our management meets regularly with employee representatives to exchange views and ideas on a broad range of issues that include challenges we are facing and our business outlook.

Although we take care to set an appropriate advance notification period in the case of matters that would cause a significant alteration in the duties of employees, there are currently no such matters under discussion. We do not infringe on employees' freedom of association, including at our sites outside Japan.

As of March 31, 2012, the INPEX Labor Union has 1,030 employees, comprising 72% of the total regular employee base.

Labor-Management Meetings Held in FY2011

Central labor-management meetings: July and December

Branch labor-management meetings:

Niigata region—July; Akita region—July; Chiba region—July

■ Family Care Support Systems (Unconsolidated)

System	Overview	Number of users
Parental leave system	System to provide leave until a child reaches 18 months of age; 20% of salary is granted in addition to statutory childcare leave benefits	11 female employees, 2 male employees
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 exemption from working overtime or on days off	17 female employees
Child healthcare leave	System that allows employees to take special paid leave to care for sick children under elementary school age; employees receive up to five days for one child and up to 10 days for two or more children, and may take leave in half day units	15 female employees, 4 male employees
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	12 female employees, 35 male employees (332 employees since program began)
Nursing care system	Employees can take up to 365 days of leave per family member while receiving 20% of their salary	1 male employee
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	2 female employees

Basic Policy

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 the Health Committee, centrally managing and analyzing the health check results through a database, and periodically distributing health-related information.

In addition, we have established employee health regulations based on the Japanese Industrial Safety and Health Law, and every April the Health Committee determines the company's specific health initiatives for the coming year.

Even if employees experience health problems that cause them to be unable to perform their duties, they may take a leave period of up to 3.5 years, providing them the time necessary to fully recover before returning to work.

Measures to Improve 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 flu vaccinations, and try to prevent transmission by offering 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, introductory information for medical institutions, and a telephone counseling service in Japanese. 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.

We are constantly developing and adapting our employee wellness programs to make them more beneficial and user friendly.

Mental Health Initiatives

We have introduced a self-service stress test that allows employees to gauge their stress levels whenever they feel concerned. Once a year we hold a mental health awareness month during which we encourage all employees to check their stress levels. The results of tests are analyzed for each organization to check whether further action is needed. Our health staff swiftly provide extra care to employees diagnosed with high levels of stress as part of our efforts to detect and treat stress in its early stages.

In other efforts 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 return from areas of conflict.

From 2010 we have conducted programs 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.

■ Mental Care System

Stages of mental care

Entity responsible for care	Prevention (1st prevention stage)	Early detection and treatment (2nd prevention stage)	Leave and return to work (3rd prevention stage)
Employees	Online diagnosis ● Stress check ● Self-learning		Leave → Return to work
Line managers	Daily care by line managers Pleasant work environment	Early detection and treatment	<ul style="list-style-type: none"> ● Start of leave ● Care during leave ● Training for return to work ● Planning for return to work ● Decision on whether to return to work ● Post-return follow up
Occupational health staff	Online organizational diagnosis	Meeting with occupational physicians and nurses (Employees with high stress levels/long working hours) Feedback to line management	
External specialist		Counseling service Health consultation service	Conducted with support from primary physician, occupational physician, line managers, nursing staff, HR staff

Appropriate Information Disclosure

Basic Policy

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 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 strive to increase awareness of these rules in an effort to prevent disclosure leaks and insider trading.

Major IR Activities in FY2011

In fiscal 2011, we held two briefing sessions with financial analysts and institutional investors to report financial results. For analysts and investors, we also held a briefing meeting for the Ichthys LNG Project, offered a project site tour in Niigata Prefecture, and held 409 investor relations (IR) meetings in Japan and overseas. Due to the recent increase in the percentage of shares held by foreign shareholders, over half of our IR meetings were held for foreign investors.

In addition to IR exhibitions, our IR activities for individual investors included 12 information sessions held in 10 cities around Japan with over 900 investors in attendance.

To make our shareholders' meetings as open as possible, since our founding we have issued notices and documents related to the meetings (some with English versions) on our website, screened videos of presentation materials before

the meeting, reported on our activities using slideshows, sent out notices as early as possible, and avoided holding meetings on days when other shareholders' meetings are held. At our shareholders' meeting, in addition to financial matters we have received questions from shareholders on our risk management system and utilization of female employees.

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 2011, in addition to donating 131,150 yen to the Keidanren Nature Conservation Fund, we also donated 310,950 yen to the Great East Japan Earthquake Recovery Fund run by the Japanese Red Cross Society. We use the opinions received in the questionnaires to help improve our shareholder communication activities.

We will continue working to improve our IR activities through proactive communication with investors both in Japan and overseas, with a particular focus on disclosing information on the Ichthys LNG Project in an easy-to-understand format.

Disclosure Related to Funding Transparency

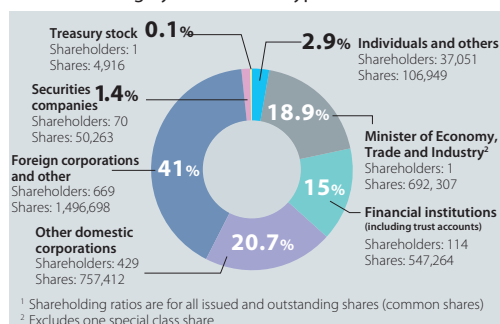
The Extractive Industries Transparency Initiative (EITI) is an international initiative to prevent corruption and bribery, and promote resource development that leads to sustainable growth and the elimination of poverty. The EITI accomplishes this by increasing the transparency of payments made to the governments of resource producing countries by extractive industries, including oil, natural gas and mining. 35 countries participate in the EITI as of March 2012. We cooperate with the initiative in disclosing data regarding payments made in countries in which we operate, including Azerbaijan, Kazakhstan, East Timor, D.R. Congo, and Indonesia. We are also considering becoming a supporter company in order to contribute to the EITI more proactively.

WEB
For details, please refer to the Disclosure Policy on our website:
<http://www.inpex.co.jp/ir/policy.html>



The INPEX Group's Annual Report 2011 received the Grand Prize at the 14th Nikkei Annual Report Awards

■ Shareholding by Shareholder Type¹



Ichthys briefing meeting



Booth at the 2011 Nikkei IR Fair

Third Party Comments on *Sustainability Report 2012*



Toshihiko Goto
Chief Executive
Sustainability Forum Japan

It is clear that the commitment to CSR by top management of the INPEX Group has deepened over the past few years. I believe that the Group's new Medium- to Long-term Vision is one example of the successes. Human resources, organizational strength, and innovation (intellectual property) are generally referred to as the intangible assets of an organization, and so is the value of CSR. Although INPEX has provided information on human resources and organizational strength, there is no section detailing innovation. As INPEX has committed to this in the statement by top management, I would like to see INPEX develop this area as a part of the company's infrastructure, and on the human resource development side I hope INPEX will further empower the female employees.

Although the Green Economy was one of the topics discussed at the Rio+20 summit in June this year, there did not appear to be any definite conclusions reached. However, I believe this reflects the current inability of international society to agree on issues in terms of "hard laws." In a world where international society is unable to come to a consensus, the role of "soft laws" becomes increasingly important. CSR is a positive response to these types of soft laws, and one must make one's own decision on what actions to take, and to what extent. The key to avoiding errors in judgment is engaging with a range of stakeholders and making a pledge

of your commitment. I therefore hope that you will show an unwavering commitment to implementing your current diverse variety of initiatives, and that you reflect this in your decision-making.

Japan is also focusing on "Environmental Future Cities" as a key component of the Green Economy. How can the INPEX Group's business contribute to this? I believe that forming a consortium with other industries and a variety of sectors—for example women, young people, indigenous people—and researching, developing and realizing this vision will lead to new opportunities.

I also see that you have started tackling areas such as geothermal energy in earnest. The quality of the electricity supply has been cited as a problem with renewable energies. However, as geothermal energy offers a stable electricity supply and is extremely important as an alternative to fossil fuel power and nuclear power, I would like to see you innovate and succeed in this area, including the utilization of heat.

Your focus on ISO 26000 is timely and commendable. To summarize very broadly, ISO 26000 is respect for human rights throughout the entire value chain. To achieve this, a due diligence process—in other words conducting CSR auditing of suppliers—is critical. I can see that INPEX is strengthening HSE initiatives with each subsequent year and I hope the upgrading status of the process would be made visible in the highest priority area of safety. As contractor safety management is precisely what the due diligence process involves, this should also be useful in expanding initiatives to other suppliers. I note that INPEX is working to differentiate the roles of the *Sustainability Report* booklet and the CSR website to respond to a range of information needs, and I hope that you will continue building upon these efforts.

Response to Third Party Comments



Seiji Yui
Director
Senior Managing
Executive Officer
in charge of CSR

I am grateful to Mr. Goto for his valuable feedback concerning our *Sustainability Report*.

We enhanced our CSR promotion system and set our key CSR issues in April 2012, and are working to further strengthen our CSR-based management. We changed the name of this year's report to the *Sustainability Report*, and focused on conveying the Group's proactive approach towards the creation of a sustainable society through our business, presented in a format that could be easily understood by our various stakeholders.

Mr. Goto has provided a range of feedback that are of great value for us to proceed with our CSR initiatives, including his hopes that we proactively tackle innovation and the utilization of female employees during the realization of our medium- to long-term vision, and the importance of developing and visualizing a due diligence process for human rights as a practical step for ISO 26000.

We will use these opinions to enhance our dialogue with stakeholders and further improve our CSR initiatives.

Communication Tools

The INPEX Group provides reports on its business and initiatives to various stakeholders through a range of communication tools utilizing the media capabilities of our publications and websites. We hope you will take a further look.

Sustainability Report

In fiscal 2012 we expanded and enriched the content of our *CSR Report*. While maintaining the stable supply of energy as the foundation, we also included information on a range of additional items. These items include consideration for local communities and the environment through our LNG projects—an area on which we are focusing as we move forward—and our initiatives for a diverse range of energy sources, including renewable energies.



CSR Online 2012

Our CSR website focuses on delivering complete and timely information. The site features information on our initiatives in more detail than the printed report, and also introduces our latest CSR activities. Please refer to the CSR Online 2012: Table of Contents on page 55 for details.

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

Annual Report

The INPEX Group's *Annual Report 2012* provides a general outline of the Group's management, including the current business environment, an overview of the Ichthys LNG Project on which we are currently focusing, and the details of the Group's medium- to long-term vision that was formulated in May 2012.

http://www.inpex.co.jp/english/ir/library/annual_report.html

Factbook

A summary of data related to the Group's financial results and key management indices.

<http://www.inpex.co.jp/english/ir/library/factbook.html>

INPEX Medium- to Long-Term Vision

Outlines the Group's growth objectives and the key initiatives we are taking to reach them.


<http://www.inpex.co.jp/english/company/vision.html>



Awards Received



Media	Award and Organizer
<i>Annual Report 2011</i>	Grand Prize, The 14th Nikkei Annual Report Awards (Nikkei Inc.)
<i>CSR Report 2011</i>	Encouraging Prize, Environmental Communication Awards (co-sponsored by Japan's Ministry of the Environment and the Global Environmental Forum)
IR website http://www.inpex.co.jp/english/ir/index.html	Excellence Award, 2011 Internet IR (Daiwa Investor Relations)
New graduate recruitment website http://www.inpex.co.jp/english/career/index.html	The 33rd Japan BtoB Advertising Awards Gold Prize, Recruitment Website Category (BtoB Advertising Association Japan)

CSR Online 2012: Table of Contents



 Items with this mark are covered on the website

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


The CSR website features detailed information on our CSR initiatives in addition to the content in this report.

Top Management Commitment 	
Mission, Corporate Social Responsibility Policy and Code of Conduct 	
Medium- to Long-Term Vision of INPEX	
CSR of the INPEX Group	Promotion of CSR-based Management Our Mission and CSR Establishment of CSR Promotion System Key CSR Issues Participation in UN Global Compact 
Relationships with Major Stakeholders	Relationships with Stakeholders Stakeholders' Comments and INPEX's Response 
Business Activities	





Special Features

Special Feature 1	Stable Supply of Energy to Japan
Special Feature 2	Ichthys LNG Project and CSR 
Special Feature 3	Dialogue with Stakeholders What is Expected of a Global Energy Company 


Management

Corporate Governance	Basic Policy Overview of Our Corporate Governance Internal Control System
Compliance	Basic Policy Compliance Training Help-Line System
Risk Management	Basic Policy Business Continuity Plan (BCP) for Emergency Situations Information Security Measures Climate Change Risk
HSE Management System	Message from Director in Charge of HSE Health, Safety and Environmental Policy of the INPEX Group HSE Management System Initiatives HSE Training and Cultivating an HSE Corporate Culture HSE Communication HSE Initiatives in Projects 






Environment



Environmental Impact of Our Business Activities 	
Global Warming Mitigation	Basic Policy Reducing GHG Emissions Saving Energy at the Office 
Biodiversity Conservation	Basic Policy Biodiversity Conservation Measures Taken at Projects
Reducing Our Environmental Impact	Basic Policy Measures to Prevent Soil Contamination Preventing Air Pollution Management of Chemical Substances Use of Water Resources Preventing Water Pollution Waste Management Proper Management and Treatment of PCB Waste Oil Pollution Prevention Measures 
Fighting Climate Change	Basic Policy Increasing Use of Eco-Friendly Natural Gas Reforestation Project in Australia Fire Management in the Savanna Developing New Technologies that Reduce Environmental Impact 
Cost of Environmental Technologies 	
Site Data 	

Safety

Safety Management	Basic Policy Major Accident Prevention Aiming to Reduce Accidents Emergency Response Contractors' Safety Management Safety Management of Pipelines Project Safety Management 
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Society

Building Trust with and Contributing to Local Communities	Basic Policy Considering Human Rights During Operations Coexisting with Local Communities Involvement in Public Policy
Initiatives to Contribute to Local Communities	Working to Reconstruct Areas Affected by Disaster Sponsored Course at The University of Tokyo Graduate School of Public Policy 
	Contributing to Local Communities Recovery Work for Niigata and Fukushima Rain Damage Snow Clearing Volunteer Work Sponsoring EBRD Microfinance Initiatives Sponsorship of Australian Football Club Supporting the Establishment of Charles Darwin University North Australian Centre for Oil and Gas Sponsorship of NT Training Awards Sponsorship of Economic Development Forum for Indigenous People 
	Donation to Alzheimer's Australia WA Sponsorship of Australian National Maritime Museum Exhibits 
	Muanda City Electrification Project Cabinda Region Contribution Initiatives Zazarida Port Dredging Supporting the Improvement of Learning Environments Organic Farming Training and Education Dili Heliport Infrastructure Project 
	Supporting Construction of Greenhouses for Crop Growing and Agricultural Training Inviting Students from the UAE to Japan for Training
Fair Trade with Business Partners	Basic Policy Promoting Awareness of Fair Trade Consideration for Local Communities During Business Basic Policy for Selecting Contractors
Product Quality Control	Basic Policy Management of Oil Product Safety Safety Management of Natural Gas Product Management During Transportation Improved Customer Service at Gas Stations 
Human Resource Development and Utilization	Basic Policy Human Resource Development Utilization of Human Resources Promoting Diversity Employee Statistics Promoting Work-Life Balance Dialogue Between Employees and Management
Health Management	Basic Policy Measures to Improve Health Maintenance Mental Health Initiatives
Appropriate Information Disclosure	Basic Policy Major IR Activities in FY2011 Disclosure Related to Funding Transparency

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