

Sustainability Report 2013



Our mission to Contribute for Sustainable Society



Our mission is to contribute to the creation of affluent societies by realizing a stable and efficient supply of energy

We, at INPEX CORPORATION, strongly realize our corporate social responsibility as well as mounting expectations from various stakeholders and society in Japan and abroad, as we continue to grow through our business operations. In the Medium- to Long-Term Vision of INPEX, which we formulated in 2012, we positioned CSR as a foundation of management in announcing our vision. Changes brought about by articulating our policy are steadily being manifested. They have led to the deeper awareness of CSR in the mind of each employee.

The INPEX Group's vision is to remain an essential company for the society. In order to realize our vision, we would like to promote corporate management toward the creation of a sustainable society through our business operations.

Company Overview

Company Name: INPEX CORPORATION
Established: April 3, 2006
Capital: 290,809,835,000 yen
Headquarters: Akasaka Biz Tower 31st to 34th, 36th, 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: 2,455 (Consolidated) as of March 31, 2013
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

Editorial Policy

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

The 2013 edition of this report is based on "five key CSR issues" stated in the 2012 edition and is intended to combine ease of reading and surveyability of content, in order to communicate our progress in the past year to readers in a way easy to understand. Ease of reading is to be achieved by portraying "CSR through our business operations" by describing interactions with our stakeholders in a variety of business processes, and surveyability is to be achieved by showing company-wide efforts by the degree of achievement in each key issue.

In addition, we intend to improve the content of the report by transitioning the report of the current year's performance mainly to our website.



From the Sustainability Report 2013 Editing Team, Research & CSR Group, Corporate Strategy & Planning Unit

We report both our business operations and a variety of our CSR initiatives in the areas of operation to as many people as possible. We will create a report which provides a better understanding on INPEX while keeping dialogues with various stakeholders.

Regarding the Cover Page

The INPEX Group pays proper consideration to the society and the environment as an energy company while providing an efficient and stable supply of energy to contribute to a brighter future. Exploration activities are seen over the sea. A parent and a child are looking at them on a shore far away. Energy that supports our lives comes to us as if it were a matter of course. It is stable and efficient supply that ensures peace of mind conducive to the creation of affluent societies. We envision INPEX aiming to create a sustainable society and, unbeknownst to people, ensuring peace of mind.



Top Management Commitment

**To be a company that
serves an essential role
and integral part of
local communities**

Representative Director, President & CEO
INPEX CORPORATION

Toshiaki Kitamura

Through the interview with our President & CEO, we convey our stance in contributing to social and economic development through our business activities.



For the INPEX Group, 2012 was the year of taking the helm in strengthening your CSR management. Reviewing this past year, what kind of changes have taken place and responses have you received ?

Implementing CSR management under our medium- to long-term vision

Announced in May 2012, our medium- to long-term vision outlined three growth targets and three management policies. As part of it, we have committed ourselves to continuously reinforce CSR management, clearly expressing, in and outside the company, our stance on this subject.

In 2012, by establishing the CSR Committee, which I chair, and specifying our five key CSR issues, we have laid the foundations for the company-wide promotion of our CSR management.

As one of these key issues, we have positioned the building of positive relationships with local communities in the regions where we operate our projects. In 2011 and 2012, we conducted the community polling among residents in Darwin, where the LNG plant for the Ichthys LNG Project is being constructed. The responses we gathered show that 85% of those who are aware of the Project welcome this Project. Among other factors, the Project seems to be highly regarded because of the many job opportunities it creates and the contributions it makes to the local economy.

Enhanced HSE initiatives together with our contractors

All the projects we conduct involve many parties, including contractors and subcontractors, and it is essential that the same awareness of CSR be shared by everyone. HSE*¹ initiatives are an example of this.

In November 2012, as the operator of the Ichthys LNG Project in Australia—a first for a Japanese company—, INPEX invited the CEOs of all contractors and subcontractors involved in the Project and held the HSE CEO Forum. During the forum, the Project confirmed consistent approaches on HSE throughout all contractors.

One of the CEOs commented that the level of their HSE initiatives had risen as a result of working with INPEX. This forum will be held annually.

Efforts in Diversity Management

With employees from diverse nationalities and cultures at work in our operator projects, such as Ichthys and Abadi, diversity management has become an important issue.

On the other hand, we recognize that diversity management*² can be implemented more thoroughly in Japan, including at our head office, for example through the empowerment of female employees. INPEX is determined to actively tackle these issues, considering them important management initiatives.

Supporting employees active in the global arena

In February 2013, our Perth Office in Australia conducted an employee engagement survey, targeting 1,150 INPEX employees of

the INPEX Group working on the Ichthys projects. The results showed that employee satisfaction in the workplace is above the average of the oil and gas industry. INPEX is especially regarded for its stance on topics such as safety, diversity, and corporate social responsibility, and for its corporate culture that values people. I interpret such results as an indication that our projects are being conducted with a high awareness of CSR.

In 2012, with a view to securing/developing human resources and building an efficient organizational structure, one of the management policies of our medium- to long-term vision, INPEX established the Global HR Strategy Planning Group. In addition, the INPEX HR VISION was selected as the Group's first initiative following its establishment. On that basis, the Group is actively promoting the adoption of a human resources system worthy of a global company.

*1 **HSE:** Health, Safety and Environment

*2 **Diversity Management:** Mechanisms to build work systems and human resource systems that recognize the diversity of each individual, and maximize the talent of each employee



In Australia, the Ichthys LNG Project has reached its development phase, while in Indonesia, the Front-End Engineering and Design (FEED) stage of project facilities has started for the Abadi LNG Project. Could you let us know about the impact that these two large-scale projects will have on the Japanese energy market and their significance for the CSR of INPEX?

Two large-scale projects will contribute to a stable energy supply

The Ichthys LNG Project is set to deliver 70% of its annual production volume of 8.4 million tons to Japanese power and gas companies for 15 years. This volume, combined with the annual 2.5 million tons produced by the Abadi LNG Project, will supply 10 to 15% of the annual imports of LNG in Japan.

Securing resources and energy is an important issue for Japan, and INPEX is confident that both of these projects, with their relatively low security risk, will significantly contribute to a stable supply of energy.

Trust from partner countries earned through accumulated experience

As an operator, INPEX accumulates experience and delivers results in terms of technological and fund-raising capabilities, while building trust relationships with local communities on environmental and employment-related matters. All of this has implications for the development of our company, and we expect that a virtuous circle will result: our reputation as a trustworthy operator company will motivate potential partners or customers to seek business with us, bringing ever increasing opportunities in oil and gas development worldwide. In fact, as we have recently received inquiries regarding various projects in different parts of the world, we feel that our CSR initiatives in the Ichthys and Abadi Projects have reinforced the brand value of INPEX and enabled us to build new trust.



As a company that develops its business operations globally, how do you promote CSR activities based on the requests and expectations of the international community?

Communicating transparently

Because our businesses are types of industries that place a certain load on local communities and the earth's environment, it is indispensable for us to sufficiently consider and address the impact from a global perspective. While participating in international CSR initiatives, including the UN Global Compact, EITI*3, and IPIECA*4, INPEX voluntarily manages the social and environmental aspects of its operated projects based on the International Finance Corporation (IFC) Performance Standard*5. However, adopting international standards is only a first step of INPEX's CSR.

The following pages cover versatile initiatives developed in our projects. What matters most, however, is to know how to coexist with local communities and how to benefit mutually.

As projects get larger, the relationships with various stakeholders grow. There will be differences in culture and differences in values, but the important point is to establish communication to be able to exchange thoughts and ideas.

I believe that Japanese companies benefit from something of excellence when they build relationships with societies.

It stems from an ingrained culture that stresses considerateness for others, attentive listening, dialogue and keeping promises.

Through the activities we are currently promoting in our projects, we have been able to share thoughts and ideas with these stakeholders, while surely accumulating experiences and results. We hope that these assets will help us deepen further our activities in existing projects and will be transmitted to new projects to develop into a definite edge for INPEX.

*3 **EITI:** Extractive Industries Transparency Initiative

*4 **IPIECA:** International Petroleum Industry Environmental Conservation Association

*5 **IFC Performance Standard:** A performance standard on social and environmental sustainability established by the International Finance Corporation (IFC)



What kind of initiatives are you promoting in the “Reinforcement of Renewable Energy Initiatives” outlined in the medium- to long-term vision of INPEX?

Efforts for a variety of renewable energies

We have been making efforts for renewable energies from two perspectives: social responsibility for a company that creates tomorrow's energy, and a potential of renewable energies is indispensable for the future development of INPEX.

In this regard, we started in March 2013 the operation of INPEX Mega Solar Joetsu, a 2,000 kilowatts solar power generation system established in Niigata Prefecture, which is the center for our operations in Japan.

In addition, focusing on geothermal energy, which has an important potential renewable energy, we have begun studies on its commercialization in Hokkaido and Akita Prefectures.

In geothermal power generation, strong synergic effects can be expected from our technological capabilities developed through oil and gas field development: geophysical surveys, drilling, and evaluation, allowing us to take advantage of our strengths. For the future, we are also considering possible contributions as an operator in countries rich in geothermal resources, such as Indonesia, where the Abadi LNG Project is currently under development.

We also promote innovations such as utilization of hydrogen energy and methane hydrate*⁶. It is important for INPEX, which aims at a stable supply of energy, to develop new energies in order to be prepared for various risks. Considering these possibilities with a 30 to 50 year long-term perspective, INPEX intends to fulfill its corporate social responsibility as an integrated energy company.

*⁶ **Methane hydrate:** A sherbet-like, solid crystal formed when methane, a component of natural gas, combines with water to become a hydrate



One last question to conclude: as INPEX grows, expectations of various stakeholders and the global community also increase. How would you address them?

To be an essential company to local communities

Our business operations last for a long period of time in the regions where we operate. Our aim is to be an integral part of, and to be an essential company to the local communities as an important member that supports their social and economic development.

From the standpoint of human resources, it seems necessary to achieve deep integration at local level, and further, to build a system in which all employees assume their responsibilities. Such human resources, who are able to demonstrate a deeper and wider commitment, cannot be fostered overnight, but we are making steady efforts to that direction.

Mission, Corporate Social Responsibility Policy, Business Principles, and Code of Conduct

The INPEX Group has formulated a Mission, Corporate Social Responsibility Policy, Business Principles, 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 Business Principles describes how every officer and employee as individuals of the Group should perform ethically on a daily basis. Additionally, Our Code of Conduct puts our Business Principles into practice.

Mission

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

Corporate Social Responsibility Policy

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

Business Principles

The Business Principles set forth herein are principles that, in addition to applicable laws, regulations, and internal rules, all officers and employees must be compliant with, without exception, in performing the INPEX Group's business.

All officers and employees must have a proper understanding of these principles and, if any act that violates these principles occurs or is foreseen, they must report and consult with their superiors and related departments and take appropriate measures.

1. We endeavor to build relationships of mutual trust with stakeholders and to contribute to society.
2. We understand and comply with the Health, Safety and Environmental Policy of the INPEX Group.
3. We respect human rights, do not engage in discrimination, and pay attention not to be involved in infringement of human rights.
4. We respect employees, do not engage in harassment, and endeavor to create a sound workplace environment.
5. We do not engage in any acts that are, or appear to be, contrary to the Company's interests.
6. We engage in fair and free competition, and comply with agreements on world trade.
7. We build sound and appropriate relationships with governments and administrative authorities.
8. We comply with relevant countries' applicable laws and regulations on prohibitions on bribery and corruption, and engage in gift-giving and entertainment within the scope of social common sense and international norms.
9. We respond resolutely to antisocial forces and groups and provide no benefits to them at all.
10. We appropriately manage Company's assets and information, and properly handle intellectual property rights.
11. We carry out financial and accounting recording and reporting in a timely and appropriate manner.

Code of Conduct

The Code of Conduct specifies compliance rules to concretize our compliance policy, so that the INPEX Group's officers and employees will be able to practice, based on the Group's Mission and the Corporate Social Responsibility Policy, the Business Principles that they should comply with in their daily business operation. In addition, it summarizes the various systems, and reporting and consultation methods relating to compliance concisely.

Overseas offices and local offices of each project company, etc., will establish their own codes of conduct in accordance with this Code of Conduct, taking into account of and accommodating to the laws and customs peculiar to each country or region.

■ Compliance Rules

1. We endeavor to build relationships of mutual trust with stakeholders and to contribute to society.

1. We promote, not only our projects, but also, through cooperation with the business and economic communities, public institutions, etc., provision of employment opportunities, economic development assistance, and regional contributions (such as educational or cultural assistance, and volunteer work). By doing so, we contribute to the development of economic society in each and every country and region where the INPEX Group carries out its projects.
2. We respect the culture, customs, and social norms of each and every country or region where the INPEX Group carries out its projects.
3. We disclose information in a timely and appropriate manner not only to shareholders, investors, etc., but also to the entire public and we actively communicate with the society.
4. In regard to the quality, price, safety and environmental-protection aspects of the products that we offer, such as oil and natural gas, we develop and supply high-quality products that meet the needs of customers.
5. If any accidents or other problems relating to a product occur, we collaborate with the related departments, take prompt and appropriate actions, and work to restore trust.

2. We understand and comply with the Health, Safety and Environmental Policy of the INPEX Group.

1. We understand and implement the matters in each item of the INPEX Group's Health, Safety and Environmental (HSE) Policy that need to be addressed in a concrete way.
2. Based on the HSE Management System, we implement our respective duties without fail.
3. We do not engage in business while under the influence of alcohol. We do not use or possess any banned substances.

3. We respect human rights, do not engage in discrimination, and pay attention not to be involved in infringement of human rights.

1. We recognize that human rights are important rights that derive from the dignity of individuals, and we respect the human rights of individuals in relevant countries.
2. We respect international human rights codes, and we pay attention not to be involved in any act that may infringe human rights.
3. We do not discriminate based on factors such as race, skin color, gender, age, creed, religion, birth, nationality, disabilities, or educational background.

4. We respect employees, do not engage in harassment, and endeavor to create a sound workplace environment.

1. We respect employees' individuality and diversity, and we give consideration to making opportunities available to employees for their own self-realization.
2. We do not force employees to work against their will, and we do not cause children to work.
3. With regard to the privacy information of officers or employees that is obtained in the course of business, we use the information only for business purposes, and we strictly protect and manage it so that it will not be leaked to outside parties.
4. We do not engage in any harassment (sexual harassment, power harassment, alcohol harassment, or moral harassment) or acts that may be misunderstood as harassment.
5. We do not inflict violent acts on officers, employees, or any other persons.

5. We do not engage in any acts that are, or appear to be contrary to the Company's interests.

1. Without obtaining the Company's authorization in advance, we do not engage in any transactions with ourselves or our close relatives as the representative of, or on behalf of, the Company.
2. When employing or supervising employees, we strive rigorously for fair, impartial, and transparent employment and supervision, and officers and employees do not engage in work related to employment or supervision of, or employment conditions for, their own close relatives.
3. We do not engage in another occupation without obtaining the Company's approval in advance.
4. We do not use the Company's assets or expenses for personal gain or in any other unauthorized manner.

5. We do not use the Company's information systems for personal gain or in any other unauthorized manner.
6. Without obtaining the Company's approval in advance, at the workplace, we do not engage in any private activities not related to our work.
7. We do not provide benefits in relation to the exercise of a right of a shareholder of the Company or a related company.

6. We engage in fair and free competition, and comply with agreements on world trade.

1. In relevant countries, when carrying out activities such as acquisition of mining rights, we engage in competitions fairly and freely.
2. When carrying out activities such as procurement of materials or selection of contractors or agents, we fairly compare and assess various conditions, such as quality, price, reliability, or ability, and make the best decision.
3. We comply with applicable antimonopoly laws or competition laws as well as other laws and regulations on promotion or protection of fair and free competition, and we do not engage in any illegal conduct such as cartels or collusions.
4. We comply with applicable related laws and regulations, and we do not engage in any acts that unjustly harm the interests of subcontractors or other third parties, such as unfair hard bargaining (when buying) or obstruction, refusals to receive goods, returning goods, or late payments.
5. We do not acquire or use another person's confidential information by means of theft, fraud, coercion, or other unlawful means. We do not acquire or use another person's confidential information while knowing that the information was acquired by unlawful means or while knowing that it might have been acquired by such means.
6. In relation to international trade, we comply with applicable related laws and regulations, treaties, etc., and we carry out procedures such as those for necessary permits or licenses.
7. In relation to relevant countries, if economic sanctions are issued, we understand the contents thereof well and endeavor to be compliant with them.

7. We build sound and appropriate relationships with governments and administrative authorities.

1. With regard to relationships with governments or administrative authorities of relevant countries, we increase transparency and build sound and appropriate relationships.
2. Except for cases permitted under relevant laws or regulations, we do not make political donations to politicians, political bodies, or political parties.

8. We comply with relevant countries' applicable laws and regulations on prohibitions on bribery and corruption, and engage in gift-giving and entertainment within the scope of social common sense and international norms.

1. As an enterprise that carries out its business internationally, we comply with relevant countries' applicable laws and regulations on bribery and corruption (including, but not limited to, the Japanese Unfair Competition Prevention Act, the U.S. Foreign Corrupt Practices Act, and the U.K. Bribery Act). We do not provide, promise, or offer money, gifts, entertainment, or other economic benefits to government employees, governments, or local public entities of relevant countries in order to unjustly obtain or retain business, or in order to receive favors for all other unjustifiable purposes or to receive business-related favors.
2. If we anticipate that the Company's payments to be made to agents, advisors, consultants, or other third parties will be used for an illegal approach to government employees, governments, or local public entities of relevant countries, we do not make such payments.
3. Except for exceptions permitted under applicable relevant laws or regulations, we do not engage in what are commonly referred to as small facilitation payments (payments that are made solely for the purpose of facilitating procedures related to ordinary administrative services).
4. In cases where we give gifts or provide entertainment to our customers or where we receive gifts or entertainment from our customers, we do so within the scope of social common sense and international norms.

9. We respond resolutely to antisocial forces or groups and provide no benefits to them at all.

1. We do not have any relationships whatsoever with antisocial forces or groups, and if we receive any unreasonable demand from an antisocial force or group, we respond resolutely without providing any benefit at all.
2. We do not intentionally involve ourselves in terrorist acts, money laundering, or any other organized crime, and we pay considerable attention throughout our business processes to ensure that we will not be used in these crimes.

10. We appropriately manage the Company's assets and information, and properly handle intellectual property rights.

1. We use the Company's assets, whether tangible or intangible, efficiently, and we manage and preserve them appropriately to prevent damage, theft, etc.
2. We must manage and use the Company's information systems appropriately, and we prevent unauthorized access by third parties.
3. We do not use personal information obtained in the course of business for non-business purposes, and we strictly protect and manage personal information so that it will not be leaked to outside parties.
4. We strictly manage the Company's confidential information, we use it only for business purposes, and we do not disclose or leak it to outside parties without the Company's prior consent. If we disclose the Company's confidential information to outside parties, we endeavor to prevent leaks by taking measures such as concluding nondisclosure agreements.
5. With regard to confidential information disclosed by others, we use the information only for business purposes. If we conclude a nondisclosure agreement, we abide by the agreement.

6. We do not use any undisclosed material facts regarding the Company, related companies, or customers to engage in buying or selling of these companies' shares or other securities (insider trading).
7. With respect to an inquiry from an outside party, regardless of whether the inquiry is made formally or informally, if a department in charge has been specified therefor, we pass the inquiry to that department without responding on our own.
8. We recognize that intellectual property rights held by the Company are important company assets, so we use them appropriately, and endeavor to preserve the rights. With regard to results such as inventions and devices obtained in the processes of research, development, or manufacturing, we endeavor to acquire rights expeditiously, by promptly applying for patents or taking other measures.
9. We respect intellectual property rights of others and we do not engage in any acts that infringe those rights.

11. We carry out financial and accounting recording and reporting in a timely and appropriate manner.

1. In performing our business activities, we accurately and clearly prepare records, reports, etc., that are required under applicable relevant laws or regulations or under internal rules, etc., and we appropriately retain those records, reports, etc.
2. Based on the applicable relevant laws or regulations or on internal rules, etc., we carry out fair accounting treatment and appropriate recording of information. We do not carry out fraudulent accounting treatments such as making false or fictitious entries or creating off-balance sheet assets or liabilities.
3. We appropriately disclose management information, including information regarding business status or financial conditions, to shareholders, investors, etc. We increase transparency of management information and respond seriously to opinions and criticism from shareholders or investors regarding those matters.

Our CSR Policy

To Remain an Essential Company to the Society

The INPEX Group positions CSR at the basis of its management policy and aims to further enhance its reputation as a company essential to the society by contributing to economic growth and social development through its business operations.

In December 2011, the company signed the [United Nations Global Compact](#) and participated in [EITI](#) in October 2012.

We thus declared that we would make every effort to operate as a globally trusted corporate citizen. We also formulated the [medium- to long-term vision](#) of INPEX in order to articulate our medium- to long-term growth targets and key initiatives over the next five years for achieving them. We aim to enhance our corporate value by maintaining sustainable growth amid the changes that are taking place in the energy sector.

At present, we are focusing on five key CSR issues which are considered to have a significant impact on both INPEX and its stakeholders. We implement CSR management as a responsible global company through constructing a [Plan-Do-Check-Act \(PDCA\)](#) cycle for each issue.

■ PDCA-Cycle



■ Mission Pyramid



■ Key CSR Issues



Compliance

Comply with laws and social norms (including human rights)

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 and initiate actions that reflect high ethical standards to win the trust of society.



HSE initiatives

Practice safety and environmental protection in operations

Starting Point

Ensure safety when conducting business, reduce environmental impact in daily operations, conduct and manage activities that address environmental risks, and conduct activities to conserve biodiversity.

Vision

Ensures safety in all projects, and conduct operations without allowing major accidents. Minimize environmental impact as much as possible, not to mention meeting legal and regulatory requirements, and conduct operations while being attentive to biodiversity and environmental risks such as those posed by leakages.



Community contribution

Build trust and contribute to local communities (including education)

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

Starting Point

Promote research, development, and practical application of technologies for renewable energy and climate change mitigation and programs to offset CO2 emissions. This also includes shifting from oil to natural gas.

Vision

Conduct operations with consideration for the various impacts to the climate as an energy company. 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

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. In addition, develop human resources who can thrive in an international business environment.

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.

Establishment of CSR Promotion System

In April 2012, we announced the stance of our top management towards CSR, and established the CSR Committee chaired by President & CEO to set out a company-wide commitment to CSR and to improve the organizational structure for implementation purposes. In addition to President & CEO, the head of the General Administration Division and the head of the Corporate Strategy & Planning Division (vice-chair), the chairs of the Compliance Committee and the Corporate HSE Committee 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. By creating this link between top management and the Divisions, we aim to promote a greater mutual awareness of CSR initiatives.

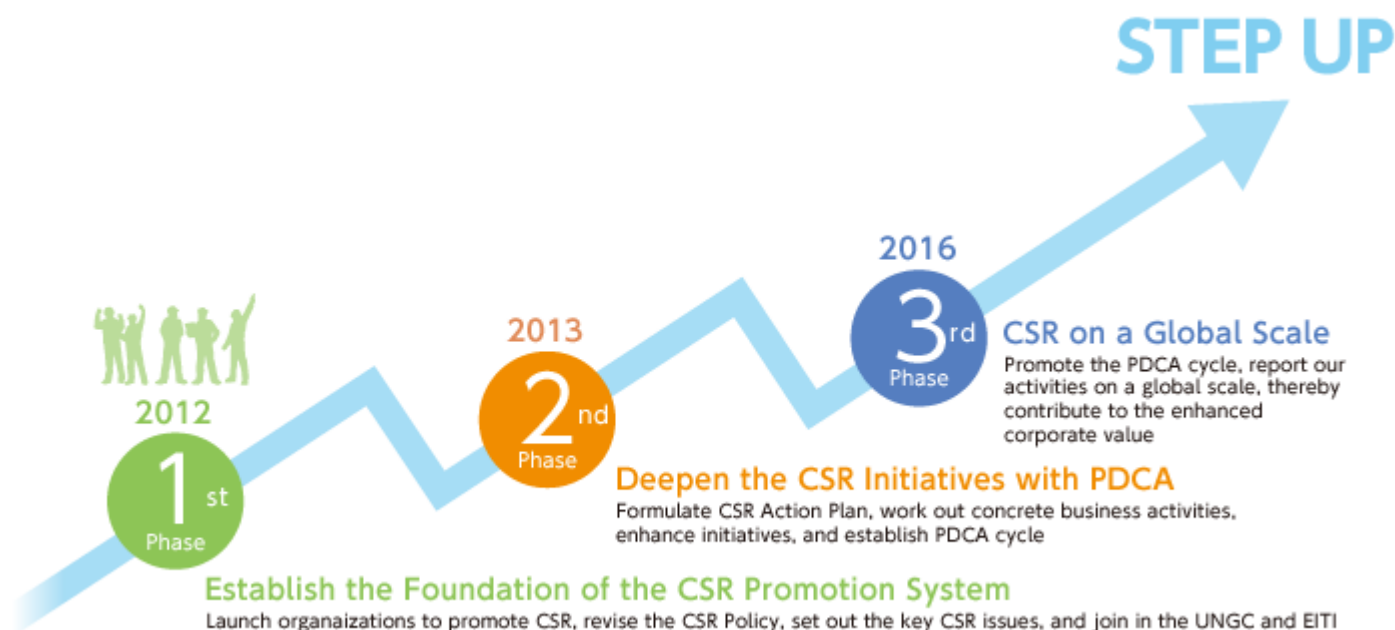
■ CSR Promotion System



CSR Roadmap

CSR Roadmap is a set of targets and a mid-term action plan targeted the period up to 2016 for the purpose of realizing the continuous reinforcement of CSR management as defined by our medium- to long-term vision.

The period after 2016, in which the Ichthys LNG Project is scheduled to commence production, is positioned as the third phase in CSR Roadmap. By achieving targets given below, we intend to realize “CSR on a global scale” to enhance our corporate value.



■ Progress during Fiscal 2012 toward the Medium- to Long-Term Vision

Promotion of CSR Management

The CSR committee established to construct a company-wide CSR promotion system
 The committee was held five times in 2012, deliberating and making decisions on CSR mission pyramid, key CSR issues, initiatives to reinforce corporate governance, support measures for the Great East Japan Earthquake, etc.

Continuous Improvement in Corporate Governance

[Initiatives for improving corporate governance implemented]

1. Appointment terms of directors and corporate officers shortened (2 years→1 year)
2. Additional appointment of an outside directors
3. Establishment of the INPEX Advisory Committee
4. Establishment of a guideline for the purchase of company shares by directors and executive officers

Medium- to Long-Term Vision —Responsible Management as a Global Company—

Strengthening Stakeholder Communication

Holding Stakeholder Dialogue, regular communication through environmental and social impact survey in operation areas, and information disclosure through proactive communication and IR activities

Establishment of Compliance and HSE Systems

[Compliance]
 Business Principles established and Code of Conduct reviewed
 [HSE]
 Promoting activities based on HSE objectives for fiscal 2012 and corporate HSE programs

■ Initiatives INPEX Participates In



international economy.

[The United Nations Global Compact](#) is a voluntary corporate responsibility initiative proposed by Kofi Annan, Secretary-General of the United Nations at the time, in 1999. Participants in the Global Compact, who endorse 10 principles of 4 fields of human rights, labor, environment, and anti-corruption, aim at the more sustainable and comprehensive development of



The Extractive Industries Transparency Initiative (EITI) is an international initiative aimed to implement good governance, eradicate political corruption and poverty, and bring about economic development of resource producing countries by improving the transparency of the flow of funds from oil, gas, and mineral resource exploration industries to the governments of resource producing countries and intensifying the fund management responsibility using global standard methodologies.

[The Extractive Industries Transparency Initiative \(EITI\)](#) is an international initiative aimed to implement good governance, eradicate political

Targets and Results of CSR Promotion Activities in FY2012

In order to improve its CSR activities continuously, INPEX has established medium- to long-term issues to be promoted and targets for five key CSR issues on the basis of the approach of ISO26000*1 and working on them by the PDCA cycle. We sincerely hope to have your feedback on the following report of major targets and results of our CSR activities. In light of stakeholders' opinions, we will evaluate and improve our activities.

[📄 Targets and Results of CSR Promotion Activities in FY2012 \(PDF: 55KB\)](#)

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.”

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 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

- 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 m³/year in the early 2020s, with an aim to increase it to 3.0 billion m³/year in the long-term

Key initiatives for the first five years

- 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

- Promote commercialization of geothermal power generation
- Promote R&D initiatives such as CO₂ recycling technology

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

Respect for Human Rights

When promoting oil and natural gas development around the world, we put human rights considerations as one of the key CSR issues and seek to comply with the diversity of international norms related to human rights, and societal norms in our operating areas.

In addition, besides complying with the requirements of the Constitution of Japan and the Labor Standards Act, we support international norms related to human rights, as represented by the Universal Declaration of Human Rights and the international labor standards of the International Labor Organization (ILO). Since 2011, we have been participating in [the UN Global Compact](#), which is grounded in the Universal Declaration of Human Rights.

[Our Business Principles](#), which must be observed by all the officers and employees in our Group, stipulate respect for human rights, prohibition of discrimination and harassment, and care to avoid complicity with any human rights violations. Through the company intranet and other means, we notify all officers and employees of these stipulations.

The labor agreement we have concluded with the INPEX labor union stipulates our recognition that the union possesses the three labor rights (the right to organize, the right to bargain collectively, and the right to act collectively).

Human Rights Due Diligence *

As an enterprise developing business on a global scale, the INPEX Group realizes that it is essential for us to respect the cultures and customs in the areas where we operate, and to show proper consideration for human rights.

As of June 2013, we were involved in 80 projects in a total of 29 countries around the world. For the 13 projects in which we serve as the operator, we are making studies of the impact in the environmental and social aspects (including the human rights dimension) which the project activities could possibly have on the areas of operation, and identifying the related risks. We are following this with appropriate action to avoid, mitigate, and monitor those risks. In this due diligence process, we emphasize dialogue with local governments, residents, and other stakeholders in the affected areas.

On this front, we voluntarily apply the procedure for assessment of environmental and social impact based on the performance standard of the International Finance Corporation (IFC) as our own standard.

* **Human rights due diligence:** In the context of social responsibility, it is the process of specifying the various negative influences on human rights exerted by the determinations and activities of the organization, and ways of avoiding and mitigating these influences.

Seminars for Internal Penetration of Human Rights Awareness

The INPEX Group Business Principles stipulate respect for basic human rights, recognition of a diversity of individual outlooks on values, and prohibition of discriminatory treatment. In Japan, we have also conducted programs of education about human rights for officers and employees, for the purpose of heightening awareness of respect for human rights. In fiscal 2012, we held a total of three seminars on the theme of “Companies and Human Rights”. These seminars attracted the participation of an extended total of 126 officers and employees of the Group. We intend to continue promoting the in-house penetration of respect for human rights while striving to further enhance awareness of it.



Human rights training

Respecting Indigenous People

As a company undertaking oil and gas development projects in countries with rich indigenous history countries worldwide, INPEX Group considers it as one of the vital CSR issues to pay respect to Indigenous people.

In Australia, we acknowledge Aboriginal people as the Traditional Owners of the land and water where we operate. As such, an [Aboriginal engagement policy](#) and a strategy have been developed to guide business activities while taking into consideration respecting the Aboriginal culture. For example in Ichthys LNG Project, a memorandum was signed with the Larrakia people, the Traditional Owners of the land and water in and around Darwin, to demonstrate our commitment to a relationship built on a foundation of cooperation and mutual respect. Aboriginal Heritage Management Plans have also been developed to appropriately manage the Aboriginal cultural heritage during the Project activities.

In 2013, INPEX Australia published our first [Reconciliation Action Plan \(RAP\)](#), a public document that outlines the company's commitments towards the Aboriginal communities. The RAP has been developed around the three thematic areas of relationships, respect, and opportunities. It will be reviewed annually and our achievement will be made public.

Establishment of Helpline and Adoption of Counseling Service for Group Company Employees

A helpline has been established to facilitate reporting by employees of unethical behavior—such as any threat of illegality, violations of corporate regulations, and sexual or power harassment—to the department in charge of compliance (the General Administration Unit) and an external expert (a lawyer designated by the Compliance committee). This step is based on the internal report system established in accordance with the Whistleblower Protection Act. The informants can also make reports anonymously, and every effort has been made to protect their human rights and see that they do not receive any disadvantageous treatment.

When a report is received, the secretariat of the in-house Compliance Committee first investigates the facts, makes examinations to determine countermeasures with the advice of experts in correspondence with the problem, and sets about resolving the problem upon obtaining the consent of the informant. In fiscal 2012, all of the four problems that had been reported were solved according to the suitable procedure.

Besides the existing counseling provided by an industrial physician, this service utilizes the expertise of professional institutions and is available to not only employees but also their family members.

Approaches to Prevention of Corruption

Basic Policy

The prevention of international graft and corruption is indispensable as viewed from the standpoint of making effective use of funds invested in sustainable development.

Besides making sure that all our employees are aware of this agenda, we in the INPEX Group have been participating in the UN Global Compact since December 2011. We endorse its ten principles in the four areas of human rights, labor standards, the environment, and anti-corruption, and hope to assist the sustainable advancement of the international community. In addition, we began participating in [the Extractive Industries Transparency Initiative \(EITI\)](#) in October 2012. By heightening the transparency of the flow of funds to the governments of resource producing countries, we hope to achieve good governance and support the economic development of those countries.

Sure Notification of Officers and Employees

The INPEX Group [Code of Conduct](#) stipulates observance of laws and regulations related to prohibition of bribery and corruption in the concerned countries (e.g., the Unfair Competition Prevention Act in Japan, the Foreign Corrupt Practices Act in the United States, and the Bribery Act in the United Kingdom). In addition, to tighten prevention of corruption, we are currently preparing guidelines setting forth specific standards of behavior to be followed by all officers and employees.

Similarly, at our main overseas offices, we have laid down country-specific codes of conduct adapted to the laws, regulations, and culture of the particular country. We are bolstering arrangements for global compliance in response to developments such as the reinforcement of legislation related to bribery in other countries.

Supporting EITI Implementation

EITI is a global initiative aimed to implement good governance and economic development of resource-rich countries through the eradication of political corruption and poverty by clarifying the flow of funds from oil, gas, and mineral resource exploration industries to the governments of the producing countries, and intensify fund management responsibility via global standards. As of June 2013, the EITI had drawn the participation of 39 resource producing countries, many supporting countries including Japan, extractive industries and non-governmental organizations (NGOs). As an enterprise engaged in development of oil and natural gas resources on a global scale, INPEX endorses the EITI rules and supports its initiatives.

Among countries where we operate projects, we provide project data relevant to EITI in Azerbaijan, Kazakhstan, Indonesia, East Timor, and D.R. Congo. The table below indicates the amount of the INPEX Group's payment to the governments disclosed to EITI member countries.

We will continue to support EITI's initiatives and contribute to the eradication of political corruption and poverty and the realization of economic development of resource producing countries.



Payment to the government (thousand USD)

Country	Year	Payment (USD)
Azerbaijan	2011	118,004
Kazakhstan	2011	31,282
Indonesia	2009	913,337
East Timor	2011	386,272
D.R. Congo	2010	6,553

* The Kazakhstani tenge is converted to the U.S. dollar at the rate of 1USD=146.65 Kazakhstani tenge.

THE EITI PRINCIPLES

1. We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts.

2. We affirm that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.
 3. We recognise that the benefits of resource extraction occur as revenue streams over many years and can be highly price dependent.
 4. We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.
 5. We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.
 6. We recognise that achievement of greater transparency must be set in the context of respect for contracts and laws.
 7. We recognise the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
 8. We believe in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.
 9. We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business.
 10. We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.
 11. We believe that payments' disclosure in a given country should involve all extractive industry companies operating in that country.
 12. In seeking solutions, we believe that all stakeholders have important and relevant contributions to make – including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors and non-governmental organisations.
-

In Harmony with the Global Environment

We are committed to providing society with a stable and efficient supply of energy while considering the environment and society. This requires cooperation with the diverse stakeholders concerned in our business. In order to build sustainable societies, we are determined to remain an enterprise whose activities are always at harmony with the global environment.

This section describes the main INPEX Group stakeholders and our opportunities for two-way communication with them.



Suppliers and Business Partners

We aim to develop trust relationships with our business partners by engaging in fair and impartial trading with a focus on compliance, aiming to create a sustainable society.

■ Main communication channels

We strive to procure goods from suppliers in a fair, transparent and impartial manner. In addition, we always provide companies wishing to become suppliers and who meet our internal standards with fair and impartial opportunity to establish business with INPEX.

Furthermore for our contractor, we not only make them follow our CSR policy and HSEMS, but also, communicate through day-to-day meetings and our Construction Management Committee.



Customers

We contribute to the growth and development of our customers by providing a stable and efficient energy supply, delivering safety, peace of mind, and efficiency.

■ Main communication channels

Our sales representatives are the main channel for communication with our corporate customers.

We also use the feedback gained from regular questionnaires of individual customers at service stations to improve our operations.



Shareholders and Investors

We strive to increase our corporate value by engaging in highly transparent information disclosure while securing stable supplies of energy to respond to the expectations of our shareholders and investors.

■ Main communication channels

We disclose corporate information in a timely, appropriate, and fair manner through investor relations, the company website, and public relations outreach.

We also hold two-way communication with shareholders and investors through events including the Shareholder's Meeting, results briefings, IR meetings, and business briefings.



Local Communities, NGOs and NPOs

To coexist with local communities, NPOs and NGOs as a good corporate citizen, we actively engage in various dialogues with them to contribute to the prosperity of local society.

■ Main communication channels

When applying for approval for developments, we allow a sufficient duration to gather opinions from the local community, and reflect this feedback in our project plans. We also hold regular opportunities for communication after commencing operation. In addition, we aim to achieve co-existence and mutual benefit with local communities by providing support for local economic development.



Employees

We provide our employees the opportunity to grow into active players on the world stage through experiencing a variety of roles available at a global corporation and a diverse range of personnel exchanges.

■ Main communication channels

We hold face-to-face meetings between managers and junior staff during employee evaluations, and offer the opportunity for employees to state their requests and wishes related to their job.

Employees can also submit requests for transfers and new assignments once a year. In addition, we have implemented programs such as a study abroad program for the purpose of improving employees' skills and motivation.

In addition, regular communication is held between the company's management and the labor union.



Oil and Gas Producing Countries

We are working to develop long-term mutual trust relationships with oil and gas producing countries, and serve as a bridge with Japan and other countries to deliver opportunities that benefit all parties involved.

■ Main communication channels

In countries and regions where we conduct operations, we strive to maintain strong communication with local governments, to respect the local culture and customs, and to contribute to development.

We maintain close communication with stakeholders during each stage of the process, from acquisition of mining land, to applications and contracts related to development approval and related assessments. Following commencement of operations, we hold regular communication with the governments of oil and gas producing countries based on national laws and international regulations.

■ Relationships with Major Stakeholders

Oil and Gas Producing Countries

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Suppliers and Business Partners

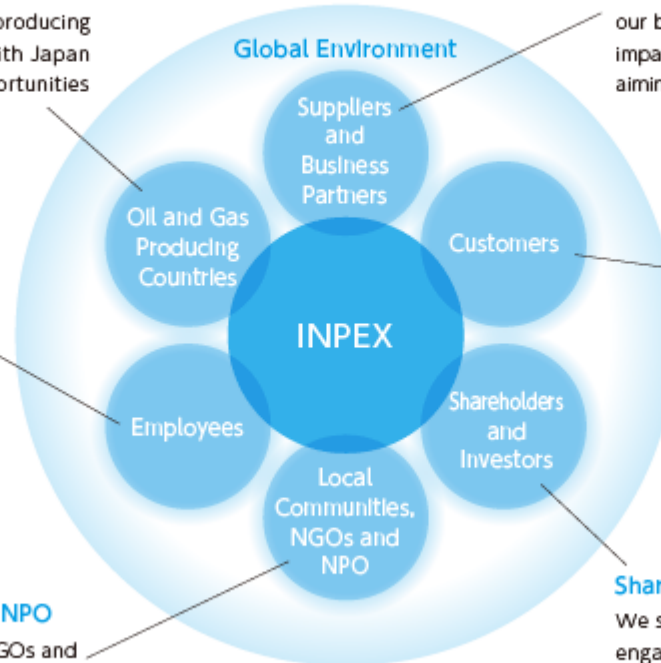
We aim to develop trust relationships with our business partners by engaging in fair and impartial trading with a focus on compliance, aiming to create a sustainable society.

Customers

We contribute to the growth and development of our customers by providing a stable and efficient energy supply, delivering safety, peace of mind, and efficiency.

Shareholders and Investors

We strive to increase our corporate value by engaging in highly transparent information disclosure while securing stable supplies of energy to respond to the expectations of our shareholders and investors.



Major Projects

With business operations covering about 80 projects in 29 countries, we boast a balanced portfolio in terms of activity area, type of contracts, operating stages and the proportion of crude oil to natural gas.



Segment Status in Each Region

(As of 31 March 2013, except for the figures for host countries and projects, which are as of 30 June 2013.)

[Japan]

Sales	Billions of yen	118.93
Net production	Thousands of boed	29
Proven reserves	Millions of boed	130
Number of host countries	Countries	1
Number of projects	Projects	1
Number of employees	Persons	1,473
Number of temporary help	Persons	306
Expenditures on activities for social contribution	Millions of yen	106

[Asia and Oceania]

Sales	Billions of yen	485.28
Net production	Thousands of boed	179
Proven reserves	Millions of boed	1,296
Number of host countries	Countries	8
Number of projects	Projects	41
Number of employees	Persons	799
Number of temporary help	Persons	859
Expenditures on activities for social contribution	Millions of yen	421

[Eurasia]

Sales	Billions of yen	85.54
Net production	Thousands of boed	25
Proven reserves	Millions of boed	190
Number of host countries	Countries	4
Number of projects	Projects	6
Number of employees	Persons	12
Number of temporary help	Persons	3
Expenditures on activities for social contribution	Millions of yen	351

[Middle East and Africa]

Sales	Billions of yen	520.84
Net production	Thousands of boed	158
Proven reserves	Millions of boed	505
Number of host countries	Countries	8
Number of projects	Projects	12
Number of employees	Persons	57
Number of temporary help	Persons	13
Expenditures on activities for social contribution	Millions of yen	382

[Americas]

Sales	Billions of yen	5.94
Net production	Thousands of boed	17
Proven reserves	Millions of boed	68
Number of host countries	Countries	8
Number of projects	Projects	19
Number of employees	Persons	114
Number of temporary help	Persons	23
Expenditures on activities for social contribution	Millions of yen	546

Stakeholders' Comments and INPEX's Response

Dialogue with stakeholders—channels and records

To remain an enterprise that is needed and trusted by society at large, we believe it is vital for us to ascertain expectations of and requests for us among our stakeholders, and to strive to meet them. We are encouraged to respond promptly to the views and wishes of various stakeholders which we apprehend through dialogue with them, in order to make our CSR management even better.

Dialogue with Stakeholders—Channels and Major Activities in FY2012

Main stakeholders	Basic policy	Main method of dialogue	Main activities by the INPEX Group (FY2012)
Suppliers and Business Partners	We aim to develop trust relationships with our business partners by engaging in fair and impartial trading with a focus on compliance, aiming to create a sustainable society.	<ul style="list-style-type: none"> Indicate eligible standards, and hold explanatory meetings for parties desiring to participate at times of procurement Regular communication with suppliers and business partners 	<ul style="list-style-type: none"> Provide just and fair opportunities for new participation candidates Facilitate understanding of INPEX's HSE initiative by holding HSE forums
Customers	We contribute to the growth and development of our customers by providing a stable and efficient energy supply, delivering safety, peace of mind, and efficiency.	<ul style="list-style-type: none"> Establish a special channel run by sales representatives Provide proper information on products Collect customer needs through activities to support the operation of service stations 	<ul style="list-style-type: none"> Disclose appropriate handling information through MSDS issuance Improve the operation service stations based on analysis of customer needs
Shareholders and Investors	For shareholders and investors, we make timely, appropriate, and fair disclosures of corporate information that is both necessary and sufficient for decisions on investment in securities issued by our company. In these and other ways, we conduct full activities to deepen understanding of our business operations among shareholders and investors.	<ul style="list-style-type: none"> Disclose information through both mandatory disclosure documents based on laws and stock exchange rules, and voluntary disclosure documents such as annual reports and presentation slides Holding Shareholders' Meetings, information sessions and IR exhibitions for institutional and individual investors, IR meetings with institutional investors, etc. 	<ul style="list-style-type: none"> Shareholders' Meetings and results briefings (twice a year), IR meetings (about 400 times a year), information sessions for individual investors (9 times a year), and participation in an IR exhibition for individual investors (once) Disclosing timely, appropriate, and fair information through our website, etc. and improve (about 1,400 website visitors per day and 62 press releases)
Local Communities, NGOs and NPOs	To coexist with local communities, NGOs and NPOs as a good corporate citizen, we actively engage in various dialogues with them to contribute to the prosperity of local society.	<ul style="list-style-type: none"> Proactively disclose information in areas of operation Regular communication with local communities, NGOs, and NPOs at all stages, including acquisition of approval for projects and implementation of studies for assessment of environmental and social impact, etc. 	<ul style="list-style-type: none"> Implement activities for social contribution adapted to the particular area (total expenditure of 1.81 billion yen) Formulate basic guidelines for "building trust with and contributing to local communities" Prepare an industry participation plan (IPP) for use of the services of local Australian firms, for contribution to local economic advancement Assess and analysis of impact on the local community in Australia, and prepare a social impact management plan (SIMP) to manage the same Formulate ATSI policy reflecting full consideration for human rights in the project area in Australia Implement environmental impact assessments in Indonesia and Malaysia
Employees	We provide our employees the opportunity to grow into active players on the world stage through experiencing a variety of roles available at a global corporation and a diverse range of personnel exchanges.	<ul style="list-style-type: none"> Communicate with employees through regular meetings for face-to-face discussion with superiors and self-report sheets submitted to the Human Resources Division noting the nature of work and requests for transfer Meetings for labor-management discussions 	<ul style="list-style-type: none"> Implement surveys on degree of employee satisfaction and employee awareness Regular communication with labor union (twice a year) Holding various seminars for our employees Implement study abroad program for clerical and technical employees
Oil and Gas Producing Countries	We are working to develop long-term mutual trust relationships with oil and gas producing countries, and serve as a bridge with Japan and other countries to deliver opportunities that benefit all parties involved.	<ul style="list-style-type: none"> Observe all laws/regulations and practice close communication after obtaining approval for development Regular and close communication at every stage of the project 	<ul style="list-style-type: none"> Prevent corruption and contribution to higher transparency in oil- and gas-producing countries based on EITI membership Conduct business activities with respect for the local culture and customs

Stakeholders' Comments and INPEX's Response

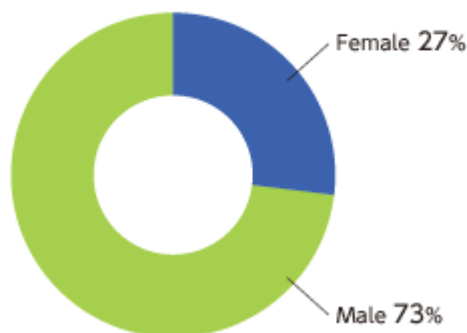
The following section outlines the results of the Sustainability Report 2012 questionnaire and other main opinions received from stakeholders as well as the responses we have taken through to fiscal 2013.

Stakeholders' Comments	INPEX's Response	Pages
<ul style="list-style-type: none"> I would be able to deepen my understanding of CSR activities, if this report contained less text, more photos and diagrams, and more voices of parties involved. (Frequent opinions found in responses to the questionnaire) I read the online version of this report. It looked neat, but I was not able to sense the intent of the editor and writers to "direct readers' attention to such topics" and "to show how INPEX is working hard." (A questionnaire respondent in his fifties) 	We reduced pages of the printed version of the report to make it more accessible and easier to read. We created four feature articles on four specific projects which we would particularly our readers to learn about and described the background and ideas behind those projects in the articles as well.	Feature1 Feature2 Feature3 Feature4
<ul style="list-style-type: none"> I hope INPEX will engage in activities such as tree planting in its biodiversity efforts. (An investor in his thirties) 	Our biodiversity initiatives in our projects are described in this report.	Feature2
<ul style="list-style-type: none"> I think it signifies a global spirit to try to protect the unique culture of whatever region on the earth in which you undertake development and to be welcomed and loved by people in communities there rather than to try to be loved by Japanese. (A questionnaire respondent in his fifties) 	We described our accumulated efforts in the Ichthys LNG Project, which is expected to enter the development stage soon, to respect indigenous people and to win the understanding and trust of local communities and governments.	Feature2
<ul style="list-style-type: none"> I would like to see innovation, to which it has committed in the statement by top management, explicitly mentioned in the Medium- to Long-term Vision of INPEX. (Third party comments on Sustainability Report 2012) I hope INPEX will continue to work on R&D in energy supporting activities of Japanese people and companies as a company greatly responsible for Japan's energy. (A questionnaire respondent in his twenties) Since oil and natural gas are finite resources, I hope INPEX will work on energy diversification and contribute to the development of the contemporary society as long as possible. (A questionnaire respondent in his fifties) 	We wrote a feature article describing the background for INPEX's energy diversification initiatives as well as the policy, overview, and progress of its R&D activities.	Feature4
I had an impression that the report contained a small number of specific quantitative data on the whole. I hope specific target values will be set and disclosed concerning environmental impact and employees' health. (A questionnaire respondent in his thirties)	We have not only disclosed several target values to enhance the disclosure of quantitative data in social areas but also disclosed a list of financial and non-financial data for easier access.	Major CSR Data
<ul style="list-style-type: none"> As a company that has upstream interest has a strong influence, it is essential to ensure transparency and fairness. (A questionnaire respondent in his fifties) 	In this report we describe not only the internal control system for corporate governance but also our initiatives for preventing corruption and enhancing transparency.	Corporate Governance
<ul style="list-style-type: none"> I am interested in how you are prepared against such a case as the large-scale accident caused by BP in the Gulf of Mexico. (An investor in his sixties) 	We summarized INPEX's policy and initiatives concerning security and oil pollution prevention measures in this report.	Safety Management Security Initiatives
<ul style="list-style-type: none"> I would appreciate it very much if you could juxtapose a Japanese translation for every technical term in foreign language. 	We have added spaces to this report to explain the meanings of specialized terms.	

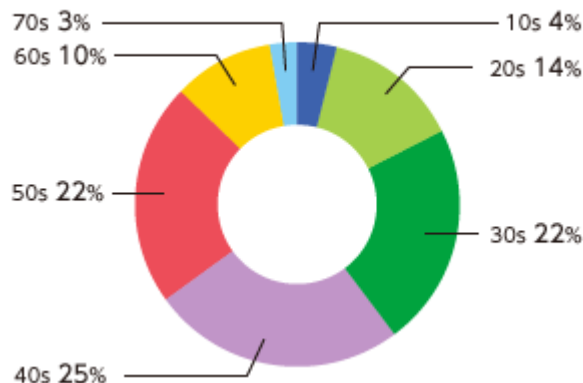
Sustainability Report 2012 Questionnaire (excerpts)

We conducted a questionnaire on the content of the Sustainability Report 2012 and received responses from 431 readers. 73% of those who responded were male, while 27% were female. Readers in their 40s reached the highest comprised 25% of the survey population, while those in their 30s and 50s each accounted for 22%, and 20s for 14%.

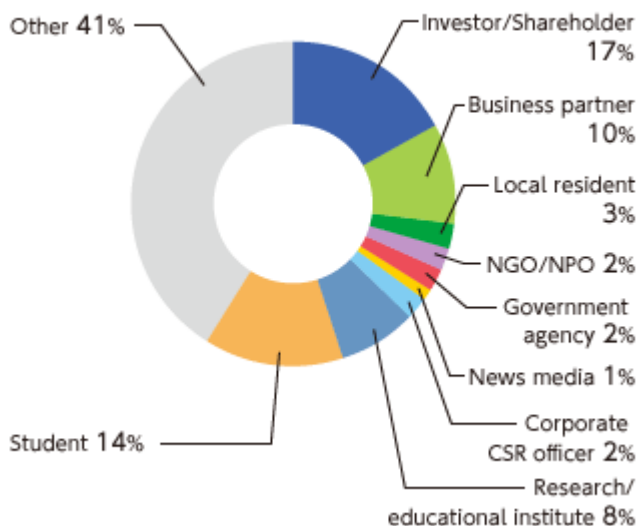
Gender



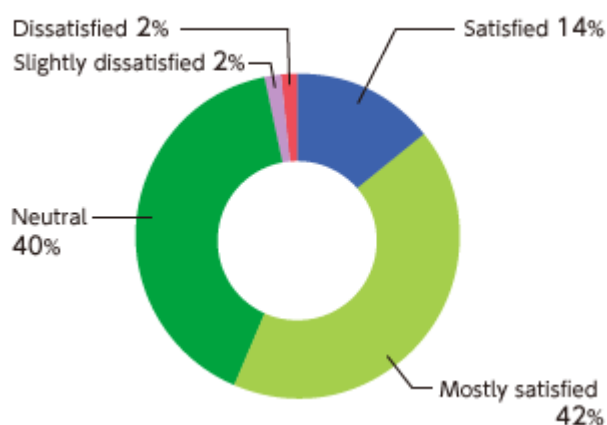
Age



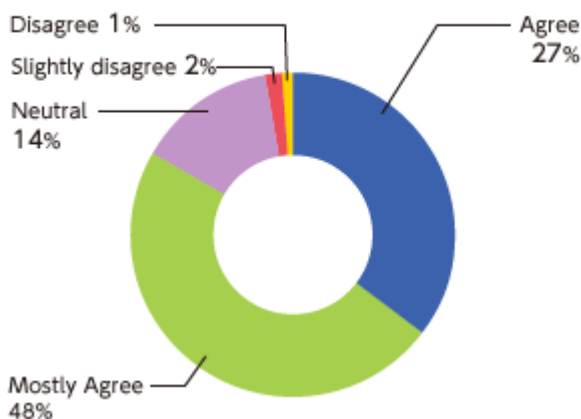
Occupation/Relationship to INPEX



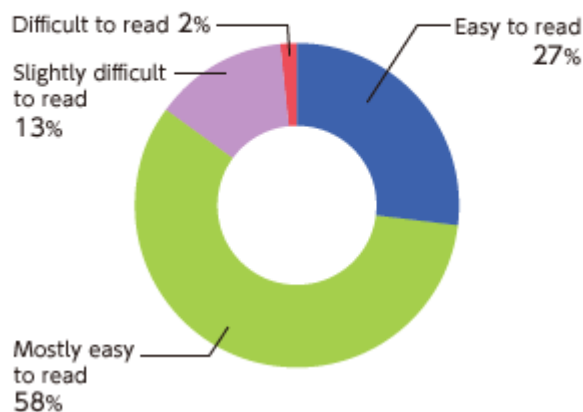
Understandability/Readability



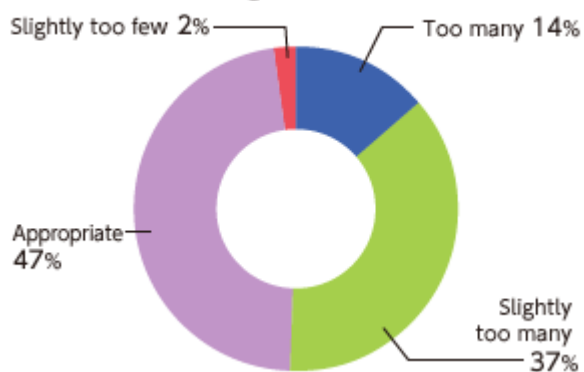
Agreement(content,initiaives)



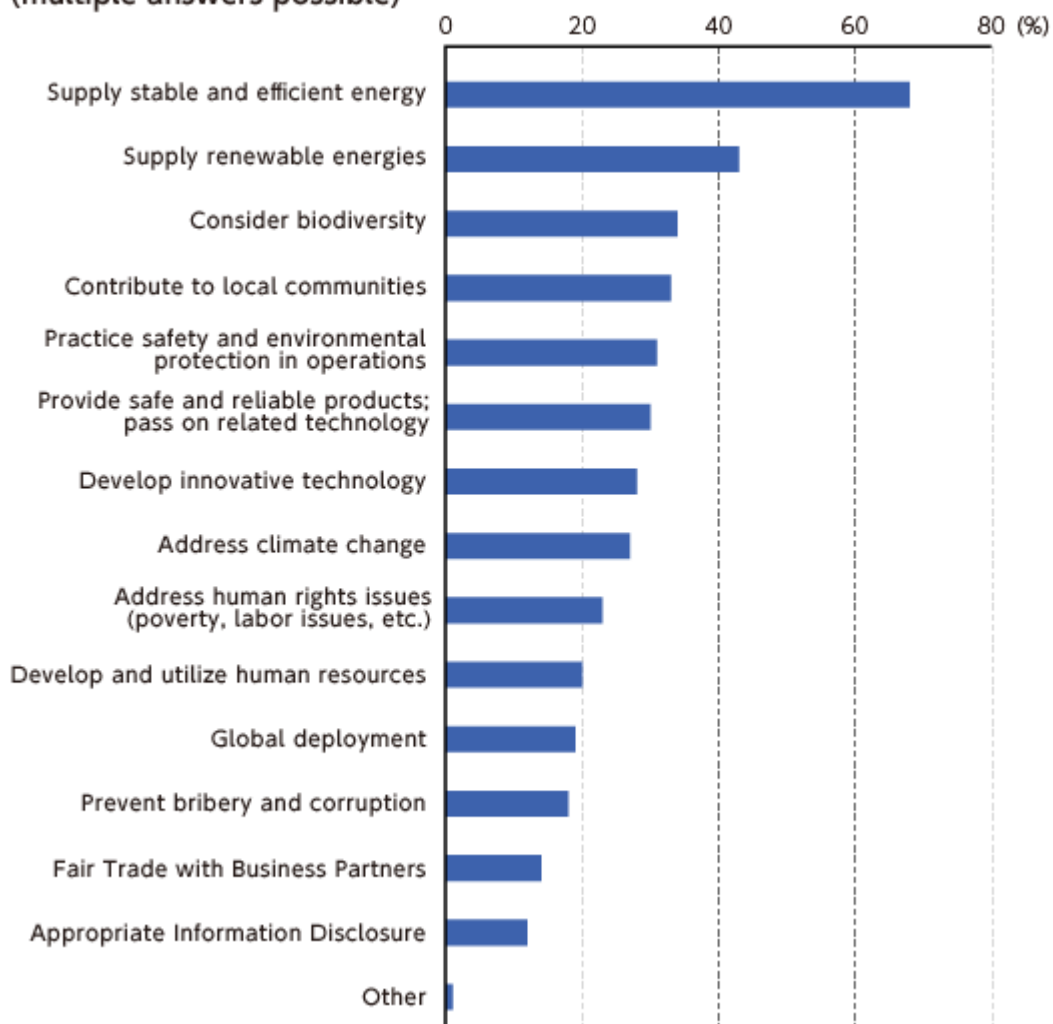
Design(layout,font size,photos, graphs,charts etc.)



■ Number of Pages



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



External evaluation

The INPEX Group is promoting CSR management from a medium- and long-term perspective and on a global basis in its pursuit of further growth for its business. In promotion of such management, we are encouraged to conduct CSR activities while engaging in communication with our stakeholders, and are also actively disclosing information.

This section describes evaluation of these activities of ours by stakeholders outside our enterprise.

External Evaluation of INPEX CSR Activities

• Dow Jones Sustainability Indices Asia Pacific

In September 2013, INPEX was selected for the first time for the Dow Jones Sustainability Indices Asia Pacific (DJSI Asia Pacific), the Asia Pacific version of the Dow Jones Sustainability Indices (DJSI), which is one of the world's premier indices for Socially Responsible Investment (SRI*).

Jointly compiled by Dow Jones from United States and Sustainable Asset Management (SAM) from Switzerland, DJSI is a leading SRI index which assesses and selects leading sustainability-driven companies in terms of economic, environmental, and social criteria, and serves as one of the most important indices for investors who take into consideration the corporate social responsibility (CSR) initiatives of each company.

Specifically designed for companies in the developed Asia Pacific markets including Japan, the DJSI Asia Pacific has captured the 152 companies, including 68 Japanese companies, which are leading the way in terms of sustainability among the 600 companies in the region.

* **Socially Responsible Investment** is an investment decisions for individuals or institutional investors concerning not only the financial performances but also CSR performance such as corporate governance, environment and society.



Dow Jones Sustainability Indices: <http://www.sustainability-indices.com/index.jsp>

• The Morningstar Socially Responsible Investment Index (MS-SRI)

In January 2013, INPEX was selected as one of the companies included on the Morningstar Socially Responsible Investment Index (MS-SRI). The Morningstar Socially Responsible Investment Index (MS-SRI) is the first socially responsible investment index in Japan. Morningstar Japan K.K. selects 150 companies from among approximately 3,600 listed companies in Japan by assessing their social responsibility, and converts their stock prices into the index.



Morningstar Socially Responsible Investment Index: <http://www.morningstar.co.jp/sri/index.htm>

Evaluations from Domestic and International Ranking Surveys

Survey	Evaluation for INPEX Group
Carbon Disclosure Project (FY 2013 CDP)	Disclosure Score: 96 Performance Score: B
7th CSR Corporate Ranking (FY 2012 Toyo Keizai, Inc.)	25th out of 1,128 companies
Nikkei Corporate Ranking "NICES" (FY 2012 Nikkei, Inc.)	88th out of 535 companies
8th Strong Corporate Ranking (FY 2012 Nikkan Kogyo, Inc.)	9th out of 255 companies

External Evaluation of Communication Tools (FY2012)

Media	Awards and organizations
Annual Report 2012	Fourth Prize, The 15th Nikkei Annual Report Awards Nikkei Inc.
IR website	Excellence Award, 2011 Internet IR Daiwa Investor Relations Co., Ltd. First Prize, Gómez IR Site Ranking 2013 (Mining Industry Category) Morningstar Japan K.K.

External evaluation of research and development

Group	Awards
Nippon GTL Technology Research Association	FY2012 Japanese Association for Petroleum Technology - Performance Award
Nippon GTL Technology Research Association	FY2012 Japan Institute of Energy - Institute Award (Technology Category)

CSR in Our Business Activities



Fulfill our social responsibility in each phase and contribute for sustainable society

We strive to achieve our medium- to long-term vision and establish a firm position among the top group of independents*. In doing so, we have been actively promoting CSR activities based on the awareness that “CSR is an integral and inseparable part of our business activities.”

In a project which INPEX promotes as the operator, we communicate closely with local communities and other stakeholders and try to earn their trust. Such an attitude of INPEX has long been developed through our operations in Japan and has become the foundation of our corporate culture as the “INPEX WAY.” As our business expands, we will commit ourselves to fulfilling our social responsibility by protecting environment, ensuring safety, creating jobs, considering human rights, respecting cultures and customs, and communicating with local communities and NGOs in the areas where we operate and in each phase of our operations. We will continue to steadily supply energy, thus contribute to the development of a sustainable society.

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

1. Acquisition of Blocks

- Preliminary survey of potential regions of operation
- Bidding and contract negotiation, conclusion of petroleum contract
- Acquisition of working interest

Stakeholders and matters to be considered from a CSR perspective

[Stakeholders]

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

[Matters to be considered for stakeholders from a CSR perspective]

- Compliance with laws and regulations
- Proactive information disclosure concerning acquisition of license blocks



2. Exploration

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

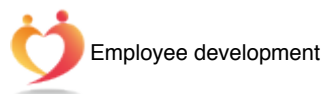
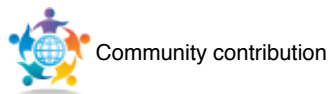
Stakeholders and matters to be considered from a CSR perspective

[Stakeholders]

- Oil and gas producing countries
- Employees
- Shareholders and investors
- Project partners
- Local communities and NGOs
- Suppliers (contractors, etc.)

[Matters to be considered for stakeholders from a CSR perspective]

- Compliance with laws and regulations
- Communication with local stakeholders
- Proactive information disclosure concerning operations
- Implementation of social and environmental impact assessments
- Reduction of impact of exploration activities on the natural and social environments
- Safe operation at operating sites
- HSE management of employees and contractors at operating sites



3. Appraisal

- Drilling of delineation wells to evaluate the size of oil or natural gas field
- Evaluation of the size of the reserve
- Economic viability and development plan

Stakeholders and matters to be considered from a CSR perspective

[Stakeholders]

- Oil and gas producing countries
- Employees
- Shareholders and investors
- Project partners
- Local communities and NGOs
- Suppliers (contractors, etc.)

[Matters to be considered for stakeholders from a CSR perspective]

- Compliance with laws and regulations
- Communication with local stakeholders
- Proactive information disclosure concerning operations
- Implementation of social and environmental impact assessments
- Reduction of impact of exploration activities on the natural and social environments
- Safe operation at operating sites
- HSE management of employees and contractors at operating sites



Compliance



HSE initiatives



Community contribution



Employee development

4. Development and Production

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

Stakeholders and matters to be considered from a CSR perspective

[Stakeholders]

- Oil and gas producing countries
- Employees
- Shareholders and investors
- Project partners
- Local communities and NGOs
- Suppliers (contractors, banks, etc.)

[Matters to be considered for stakeholders from a CSR perspective]

- Compliance with laws and regulations
- Communication with local stakeholders
- Proactive information disclosure concerning operations
- Implementation of social and environmental impact assessments
- Implementation of programs contributing to oil and gas producing countries and areas
- Safe operation at operating sites
- HSE management of employees and contractors at operating sites
- Fair treatment in materials procurement
- Reduction of greenhouse gas emissions



Compliance



HSE initiatives



Community contribution



Greenhouse gas countermeasures



Employee development

5. Transportation and Sales

- Loading and transportation
- Marketing and sales (crude oil, condensate, LPG, natural gas, LNG, etc.)

Stakeholders and matters to be considered from a CSR perspective

[Stakeholders]

- Oil and gas producing countries
- Employees
- Shareholders and investors
- Local communities and NGO
- Suppliers (contractors, banks, etc.)
- Customers

[Matters to be considered for stakeholders from a CSR perspective]

- Compliance with laws and regulations
- Communication with local stakeholders
- Product safety control
- Development of stable and agile supply systems
- Reduction of greenhouse gas emissions
- Communication with customers
- HSE management in shipment and transportation



Compliance



HSE initiatives



Community contribution



Greenhouse gas countermeasures



Since 1966, Indonesia has been at the core of our exploration and production activities, and in 2000, the Abadi gas field was discovered in the Masela Block, operated by INPEX. The Abadi LNG Project is one of two major overseas LNG projects operated by INPEX. In line with INPEX's Corporate Social Responsibility (CSR) Policy, progress in the Abadi LNG Project has been made through a balance of the economic, environmental, and social performance, to ensure the success and sustainability of the Project.

Aiming for Stable and Efficient Energy Supply via LNG Project Leadership

Thanks to its wealth of natural resources, Indonesia continues to be a core area for our business activities, as it has been for almost half a century. The INPEX Group has been engaged in several upstream projects in Indonesia, including the Abadi LNG Project — one of our most important projects — for which we have acquired the license block in 1998. At present, the Project is progressing through our efforts together with Shell.

Located in the Arafura Sea, the Abadi gas field is one of the largest gas fields in the world — its gas reserves are distributed over an area of more than 1,000 square kilometres (about 1.6 times as large as Tokyo's 23 wards).

We therefore decided on a phased development, and aim to extract 2.5 million tons of liquefied natural gas (LNG) in the Phase 1 development.

Following approval for the Phase 1 development plan from the Indonesian government in December 2010, the FEED work for subsea production facilities was started up in November 2012, while the FEED work for the floating LNG* plant started in January 2013. This represents massive progress in the Project.

* **Floating LNG:** An offshore production facility to refine, liquefy, store and transport natural gas

Building Trust and Support through Direct Dialogue and Harmonious Relationships

Project socialization, baseline assessment, and stakeholder engagements are prerequisites to promoting the Project and to building a win-win relationship with local communities.

Sustainable operation of the Project cannot be achieved without any "social license to operate", revealed in trust, acceptance, and support from local communities. It is vital not only to assure the safety of the operation and minimize any negative impact on the environment and area, but also to proactively conduct empowerment and development programs for local communities.

Our CSR programs are conducted in accordance with the baseline studies and assessments from our regular stakeholder engagement. These programs are intended to support the empowerment and development of local communities. We are also collaborating with the Institute for Economic and Social Research of the University of Indonesia and University of Pattimura in the formulation and implementation of these programs.

In socializing and promoting our LNG Project, we employ various community relations events and public relations efforts, as well as

making continuous efforts to maintain and develop a harmonious relationship and mutual prosperity with our local stakeholders. In implementing our CSR programs for the Project, we apply several principles, which are among others in line with IFC Performance Standards.



Empowering local communities in organic farming in Indonesia



Multi-stakeholders engagement through dialogues

Empowering Local Resources, Engaging Local Authorities, and Enhancing Trust

As part of its operational readiness, the Project will act to recruit, train, and develop local resources to become professionals with skills that can be employed globally.

“In big projects involving many people as partners, the most important things are communication and teamwork. It is indispensable for all hands to engage in close communication with each other, to recognize each other’s values even as they hold their own, and to pool their talents for an exercise in teamwork.” (Ade Damanhuri, Human Resources Department, INPEX)

For a smooth operation of the project, besides having all employees engaged in on-site work share the values of the INPEX Group, we are actively establishing global CSR guidelines and working to develop the human resources needed for smooth execution of the project.

This project is at the “evaluation” phase. As it heads toward production, the project is anticipated to increasingly engage the Indonesian authorities and many other stakeholders, and therefore requires considerations for a wider agenda in the CSR aspect. Smooth execution of the project demands that trust be built through close communication with local communities and other stakeholders. We are going to step up our efforts to deepen our relationships with all stakeholders and strengthen our CSR management to ensure the Abadi LNG Project provides energy for a bright future in Indonesia.



Project members from various countries



The Ichthys LNG Project is a world-class project to develop a gas and condensate field approximately 200 kilometres off the northwest coast of Australia. It is operated by INPEX as a joint venture with major partner Total and Tokyo Gas, Osaka Gas, Chubu Electric Power, Toho Gas and CPC Corporation Taiwan*¹.

*¹ Subject to the satisfaction of certain conditions precedent

Into the Development Phase with Full Consideration for Local Communities

The Ichthys LNG Project is the first large-scale LNG project to be operated by a Japanese company. The final investment decision was made in January 2012 and the development phase started. The first production is expected by the end of 2016.

Well streams will be processed at an offshore central processing facility (CPF) to remove liquids from the gas and the gas will be transported via an 889-km pipeline to the Ichthys LNG plant in Darwin, Northern Territory.

The separated liquids will be sent to a floating production, storage and offloading (FPSO) where the condensate*² will be treated and transferred to carriers for delivery to markets. Detailed engineering and construction of the facilities are underway in various engineering offices and fabrication yards around the world. In Darwin, civil work at the LNG plant site has commenced and the accommodation village which will house 3,500 construction workers at peak is being built.

The Ichthys LNG Project will help meeting the Asia-Pacific region's increasing energy demand and will strongly contribute to a stable energy supply in Japan. It will also play an important role in the sustainability of local communities.

"In delivering this important project through to the production stage we will be securing a vital, long-term energy supply to Japan and our other customers while delivering sustainable economic and social benefits across Australia. INPEX is committed to contributing to the sustainable development of the communities in which we operate, improving social and economic well-being while minimising any impact on the environment. INPEX is also committed to maintaining its close cooperative approach with government, the community and our other key stakeholders in the areas of operations to deliver the Ichthys Project safely and on time." (Naoki Kuroda, INPEX Chairman)

"With INPEX underway, we're already seeing what the oil and gas can do for jobs prosperity and future economic growth" (Minister Willem Westra van Holthe, Minister for Mines and Energy, Northern Territory)

*² **Condensate:** Hydrocarbon liquid dissolved in saturated natural gas that comes out of solution when the pressure drops below the dewpoint

■ Ichthys LNG Project Milestones



Production start



Start-up activities commencement



Gas Export Pipeline pipe lay completion



LNG processing facility commissioning commencement



Central Processing Facility arrival in field



Floating Production Storage and Offloading arrival in field



Jetty completion



Production drilling commencement



Dredging completion



Accommodation Village opening



Dredging program commenced



First soil turned at Blaydin Point



First Investment Decision made

Respect for Aboriginal People

The Aboriginal population in Australia comprises more than 500,000 people and represents 2.5 percent of the national population. In the Northern Territory, where the Ichthys LNG Project processing facilities are being constructed, Aboriginal communities represent 40 percent of the population.

The Ichthys LNG Project acknowledges Aboriginal people as the Traditional Owners of the land and water where the Project's facilities are being developed. As such, a policy and strategy have been developed to guide Project activity while taking into consideration Aboriginal culture. Similarly, a memorandum was signed with the Larrakia people, the Traditional Owners of the land and water in and around Darwin, to demonstrate the Project's commitment to a relationship that is built on a foundation of cooperation and mutual respect. Aboriginal Heritage Management Plans have been developed and the Project is working with the Larrakia people to appropriately manage and monitor Aboriginal cultural heritage during Project activities. An example of this is the requirement for Aboriginal heritage monitors to be present during all ground-disturbing activities.

"In 2013, we published our first Reconciliation Action Plan (RAP), a public document that outlines the company's commitments towards Aboriginal communities. The RAP has been developed around the three key thematic areas of relationships, respect and opportunities. Our RAP will be reviewed annually and our achievements made public."
(Irene Stainton, Senior Aboriginal Advisor, INPEX)



Artwork created by Aboriginal artist in commemoration of INPEX's RAP launch

Reconciliation Action Plan (RAP)

The RAP outlines the company's reconciliation vision and plans to build strong relationships and enhance equality and respect between Aboriginal and Torres Strait Islander (ATSI) peoples where we operate. Under three headings, Relationships, Respect and Opportunities, the RAP sets out INPEX's tangible and measurable public commitments to ATSI peoples.



■ Addressing Human Rights considerations in Ichthys LNG Project



Fostering Understanding and Trust with Local Communities and Government Authorities

The Ichthys LNG Project conducted in-depth environmental, social impact assessments and stakeholder consultations before the development phase. During the development phase, the Ichthys LNG Project is careful to undertake all Project-related activities with the aim of maintaining good relationships with stakeholders.

The Ichthys LNG Project is preparing a social impact management plan (SIMP) for its activities that is based on international standards and more particularly on the *IFC Performance Standards on Environmental and Social Sustainability*. The purpose of the SIMP is to assess, analyse and manage the Project's impact on local communities. The SIMP will encompass a wide range of subjects such as training and employment, business opportunities, cost of living, housing, road and marine traffic, public safety, public services, health and cultural heritage.

The Ichthys LNG Project is committed to an open and transparent approach with all stakeholders and the community engagement plan developed for the Darwin Harbour dredging program exemplifies this approach. A wide range of stakeholders were consulted prior to the dredging program's commencement.

Up-to-date information is being provided through regular bulletins on the Ichthys LNG Project website as well as on notice boards at community facilities such as boat ramps. Feedback from local community members is solicited through a toll-free telephone number, the Ichthys Project website and via face-to-face contact at community events or during Project briefings. Systems and processes such as a stakeholder relationship management system and a community grievance management procedure have been developed to manage and address feedback and complaints made by the community in relation to Project activities.



Stakeholder briefing on the Darwin Harbour dredging program

Respect for Nature and All Possible Considerations for the Environment

The Ichthys LNG Project continues to make great efforts to minimise any impact on the environment where the Project operates. For example, the duration of the Project's dredging program has been substantially reduced by adopting efficient, state-of-the-art equipment and methodologies and planning intense dredging during the wet season, when the Harbour is naturally murky, which are also contributing to reduce impact on the environment in and around Darwin Harbour.

"When the Project's baseline surveys were conducted, the monitoring team uncovered 8,971 individuals from 271 species including 79 species of molluscs, 58 worms, 48 crabs, 33 other crustaceans, 26 ants and 19 small mangrove fish.
(Sofie Harrison, Environmental Advisor, INPEX)



LNG plant site, Darwin

Strict environment monitoring programs are implemented to measure the impact of sedimentation and dredging activities and to preserve marine ecology and fauna in and around Darwin Harbour.

An independent panel, the Ichthys Project Dredging Expert Panel (IPDEP), was established to provide advice on the different steps of the dredging program. According to the chairman of the panel, Barry Carbon, *"the Ichthys LNG Project is as prepared as it could be at this stage of a project"*.

In consultation with the Northern Territory Government, the Ichthys LNG Project is also implementing an environmental offset program encompassing various elements such as a survey of coastal dolphins, the publication of the results of environmental studies commissioned by the Ichthys LNG Project in the Kimberley region of Western Australia, and research projects on the fluid mud layer and microorganisms in Darwin Harbour. In addition, INPEX actively participates in the biodiversity working group organised by the International Petroleum Industry Environmental Conservation Association (IPIECA) and the International Association of Oil & Gas Producers (OGP).

The design of the Ichthys LNG Project includes many improvements to increase energy efficiency and minimise greenhouse gas (GHG) emissions. For example, the facilities are designed to recycle excess gas and thereby avoid continuous flaring. At the offshore field location, the facilities are connected by a novel high voltage power sharing cable, enabling more efficient power generation and fewer emissions.



Dredging work in Darwin Harbour



Monitoring of coral in Darwin Harbour

Voice



Reinoud Blok
General Manager, GHG,
INPEX

We are investigating options to GHG offset emissions from the Ichthys LNG Project. In 2008, we commenced an assessment project on biological sequestration of CO₂ by planting 1.4 million eucalyptus trees. As part of a GHG offset agreement with the Northern Territory Government, we have committed to spending A\$37 million on a savannah fire management program in the Northern Territory. The aim of this program is to control wild forest fires systematically using the traditional prescribed burning methods applied by the Aboriginal people. This results in a net reduction of GHG emissions and supports development, training and employment in local Aboriginal communities in the Northern Territory.

Maximising Benefits for Local Communities

In order to contribute to the economic development of Australia in general, and the Northern Territory in particular, the Ichthys LNG Project has agreed to an industry participation plan (IPP) to support Australian companies and maximise their participation in Project-related activities. Companies owned by Aboriginal people and companies based in the Northern Territory and wider Australia will have full, fair and reasonable opportunity to compete for work on the Project. Local participation will be maximised where competitively possible, based on health, safety and environment, schedule, quality and cost factors. It is estimated that approximately 34 per cent of the value of contracts awarded during 2012 will go to Australian business and be realised during the Project phase. This includes 127 Northern Territory-based companies who were successful in winning more than A\$1 billion of work from major first tier subcontractors. Additionally, an Aboriginal Business Engagement Strategy is currently being implemented which is aimed at identifying and including Aboriginal businesses directly into the Project's supply chain. It incorporates



Opening ceremony of the North Australian Centre for Oil and Gas

supplier forums and business capability and capacity surveys and meets the terms of the Industry Participation Plan with the Northern Territory Government.

"The Ichthys Project has helped develop our business, people and systems to another level."

(Greg McLaughlin, Managing Director of Mobile Electrics (NT) Pty Ltd)

Significant contributions to social projects and activities have been made, focusing on education, environmental protection and Aboriginal communities. In 2012, a donation of A\$3 million was made to contribute to the establishment of the North Australian Centre for Oil and Gas at Charles Darwin University. In 2010, the Ichthys LNG Project donated A\$3 million for the construction of the Larrakia Trade Training Centre (Centre). The Centre is now open and to date, more than 450 people have been trained in various fields such as construction, mechanics or electrical engineering.



Larrakia Trade Training Centre



Pre-employment training at the Larrakia Trade Training Centre

Voice

We trained some people last year and put them on the construction site and more than half of those went on to undertake their full apprenticeship training. It really does set them up for a wonderful career for the rest of their lives.



Stephen Balch,
CEO at Advanced Training International Inc.
which manages the Larrakia Trade Training Centre

Promotion of the Project with Shared Values on a Global Scale

More than 1,000 personnel from a wide range of nationalities and cultural backgrounds are working on the Ichthys LNG Project in 18 offices around the world. As the Project expands on a global scale, efforts continue to be made to accommodate employees with diverse cultural backgrounds and values. Embracing diversity, mutual respect and collaboration are some of the most important INPEX corporate values.

"Being French and working in Australia on a project operated by a Japanese company is definitely a cultural challenge. It requires flexibility, curiosity, listening and a very open mind. It is also extremely interesting to learn about other cultures and working habits. I have never felt to be an outsider, and my colleagues are very interested to learn more about my country."

(Marie-Alix du Laz, Corporate Social Responsibility Advisor, INPEX)

Employee retention and career development are important in supporting a rapidly growing company like INPEX, operating in a highly competitive industry. Career development programs have been introduced, including a leadership program to provide professional development for high potential employees as well as a study assistance program to support employees with educational initiatives.

Voice



Janine Gebert,
Human Resources Officer,

INPEX

I started working for INPEX in December 2008 as a Human Resources Administrator. In the 4.5 years that I have been working here, INPEX has been very supportive in helping me grow in my role and giving me the opportunity to progress in my career. Through INPEX, I have completed Certificate IV in Human Resources and have been promoted to a Human Resources Officer. I feel like a valued employee and look forward to further growth within the business. Thank you, INPEX!

Ichthys LNG Project will start its production in the coming years and will operate for 40 years. INPEX will continue to fulfill its responsibility as an operator to carry out the Project that requires linkages between a corporate and the society at various levels and to contribute to the sustainable development of the communities.



Establishing a Gas Supply Chain* to Secure a Stable Natural Gas Supply System over the Long Term

Naoetsu LNG Terminal will start full operation in early 2014, and gas supply through Toyama Line will commence at optimum use at the end of 2014. With the completion of these facilities, a more stable supply system will be in place, allowing our domestic gas supply infrastructure for the abundant natural gas resources we have developed in Japan and overseas.

* **Gas supply chain:** The series of processes of natural gas business, from upstream to downstream

Establishing a Gas Supply Chain that Organically Connects Overseas LNG with the Domestic Natural Gas Infrastructure

To enhance our sustainability to supply natural gas over the medium to long term, we have been constructing Naoetsu LNG Terminal in Joetsu City, Niigata Prefecture. Upon completion, this terminal will have a storage capacity of 360,000 kiloliters of LNG, a volume equivalent to the city gas consumption of 630,000 households, or 70% of all households in Niigata Prefecture. Once its operations has started, the terminal will receive LNG from overseas projects in which INPEX is involved, including the Ichthys and Abadi LNG projects.

The completion of this terminal will raise our capacity and our ability to provide a stable supply of natural gas.

By organically connecting our overseas LNG Projects with our natural gas supply infrastructure in Japan, it will significantly contribute to a stable gas supply.

Fully Prepared for Work Safety and the Environment in the Construction

The construction of Naoetsu LNG Terminal is a huge project.

Since each process involves different contractors, about 1,000 workers, subcontractors included, is employed on the site at the peak of the construction schedule. Full preparedness for work safety and the environment is therefore indispensable.

On the construction site, we implement thorough PDCA (Plan-Do-Check-Act) cycle based on the HSE Management System of the INPEX Group. Workers perform everyday site inspection to fix unsafe operations and unsafe situations, and in addition to risk assessments of work procedures, and emergency evacuation and lifesaving drills, regular meetings and internal seminars are held to share information, so that, all parties involved in the construction process, including contractors, have access to the same information when working.

We make utmost effort for conservation of biodiversity, aiming at harmonious coexistence with the surrounding environment. In accordance with the law, 25% of the total area of the developed site will be covered with trees and plants, with the planting of 600,000 high and low trees scheduled to be transplanted by October 2013. In addition, we regularly conduct environmental impact surveys out of concern for eco-systems and the results would be reflected to minimize impact on marine life and protect the ecology of the sea area in question.

Building a Trust Relationship with Local Communities

With this terminal, INPEX tries at most to ensure safety on the site and protect the environment in the hope to earn the trust of the local population. To make sure the terminal is community-friendly, we work for ongoing communication and conduct social contribution activities.

Naoetsu LNG Terminal Construction Office invited students from nearby elementary school.

By participating this event, INPEX Group hopes, students will rethink how important energy resources are to our daily life.



94 employees of the INPEX Group, including employees working at Naoetsu LNG Terminal, participated in the 13th Kashiwazaki Shiohaze Marathon organized in May 2013. All the employees who ran the marathon completed the full distance and two athletes received prizes in the Women's Half Marathon. "We feel our participation as runners and as volunteers has helped us establish a better communication with the local population".

Pipeline for a Stable Supply of Natural Gas

While constructing Naoetsu LNG Terminal, INPEX is also building Toyama Line as an extension of the pipeline network. The line is scheduled to start up to the end of 2014. Local city gas companies in Toyama Prefecture currently receive LNG supply through land transportation before regasifying it in their plants for serving their customers. One issue with this system was that its inability to fully meet the demand, because heavy snow could disrupt LNG supply lines and the transportation capacity had limits. In the future, we will be able to receive overseas LNG at our Naoetsu LNG Terminal, and ensure stable delivery to city gas companies and large scale industrial gas customers along the pipeline. Thus, the INPEX Group meets the expectations for a stable supply of energy and provides safe, high-quality natural gas, contributing to the sustainable development of its customers.



Introduced at Naoetsu LNG Terminal in December 2012, the operator training simulator provides workers with hands-on experience of the operations under various situations. When the terminal becomes operational, this training will allow them to manage any situation safely.

Voice

As the first such project after amendment of the Act on Promotion of Improvement of Agricultural Management Foundation, we at Myoko Garden Co., Ltd. began producing and sales of safe and flavorful macrophyll (*Ooba*) and other herbs through operations managed by a joint-stock company. We are aiming for management that is friendly to both people and the environment. Heating is essential in the wintertime, given the location in our area of extreme cold. Upon studies aimed at installing heating facilities that were even a little more environment-friendly, we selected a system fueled with natural gas, which is resolved into water and CO₂ upon complete combustion. Both water and CO₂ are indispensable for the growth of any plants, and natural gas is therefore the perfect fuel for the system. Thanks to the stable supply of fuel by pipeline, even in winter, our plants grow rapidly in our greenhouses of about 15,000 square meters, and they are one of the familiar midwinter sights in the area.



Mr. Mitsuaki Yamashita, Representative Director, Myoko Garden Co., Ltd.

Part 4

Looking Toward
the Future

— Renewable and New Energies —

Striving to Develop New Energies for a Sustainable and Safe Society

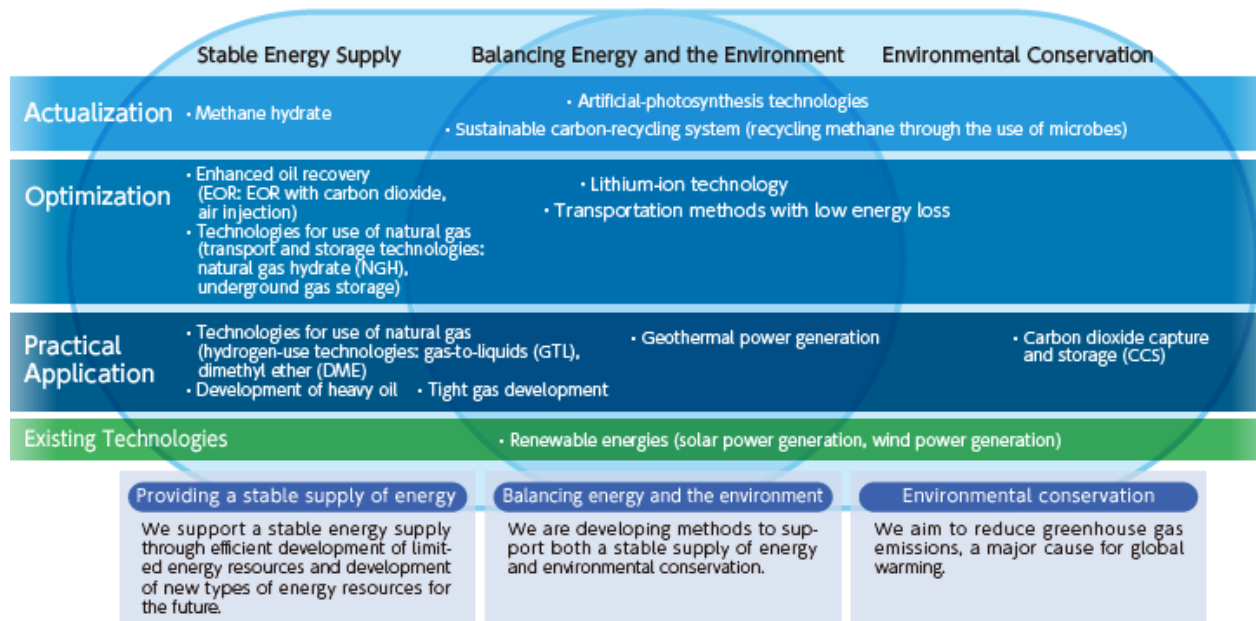
In view of its mission to provide a stable and efficient supply of energy, the INPEX Group reinforces new energies initiatives as a very important task, with a long term perspective. The INPEX Group considers it our responsibility to achieve the challenge of realizing existing potentials or finding new, undiscovered potentials, for a bright future for mankind.

Expanding the Range of Available Energies

Expectations towards renewable energies are ever-increasing, and many people are now considering the energy issue as a pressing one. The accident at Fukushima Daiichi nuclear plant has highlighted again the risks of relying only on nuclear energy. The intensifying disputes between states over resources also suggest that it is indispensable to search for the best energy mix, using a variety of resources and technologies. Based on the three perspectives outlined below, the INPEX Group will continue to strive for the development of new energies to provide a wider range of stable and sustainable alternatives.

The 3 Areas of R&D (Research & Development) Activities for New Energies and the Development Process of Technologies

As a comprehensive energy developer and supplier, INPEX supports a sustainable society through R&D activities targeting advanced exploration and development of oil and natural gas. INPEX focuses its R&D activities in the following three areas.



Long-Term Research to Actualize New Possibilities

Actualization can be defined as the long-term challenge of looking at 50 to 100 years ahead of now to find possible new energy sources, in the same way as mankind discovered energy sources such as oil, natural gas, wind power or solar power. Ideally, these sources would be inexpensive, safe, and available in Japan, and they would not place a load on the environment.

An example is given by the research for production of hydrogen, which is regarded as the ultimate renewable energy, from sunlight and water. Hydrogen is a clean energy whose combustion results in the formation of water only. It can also be used to produce hydrocarbon fuels and chemical materials through reaction with CO₂. At present, it is generally manufactured from oil, methane, and such other substances. We are participating in the Japan Technological Research Association of Artificial Photosynthetic Chemical Process launched in November 2012 by the Ministry of Economy, Trade and Industry with the aim of establishing technology for efficient manufacture of hydrogen by resolution of water through photocatalysis. INPEX is therefore part of a joint project to this end pooling the capabilities of government, industry, and academia.

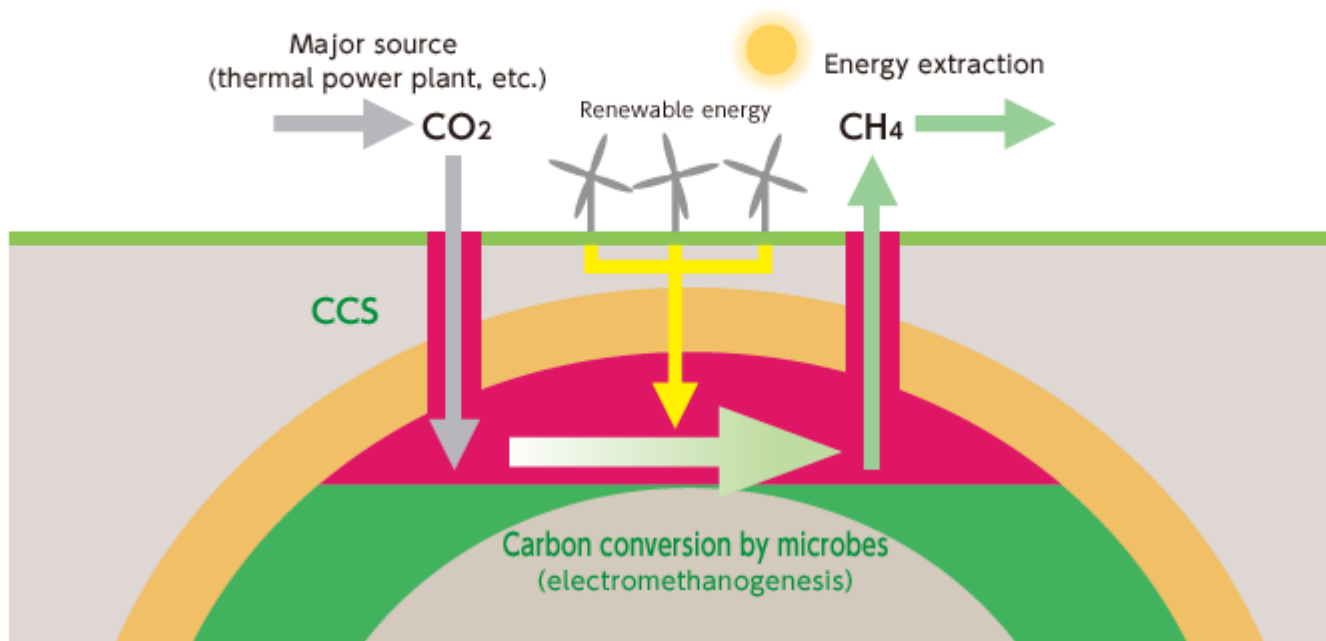
The “Sustainable Carbon-Cycle System Engineering” is a research program INPEX has been co-sponsoring with the Frontier Research Center for Energy and Resources at the School of Engineering of the University of Tokyo. This research is an attempt to convert CO₂, which is injected underground during processes such as CCS*1 and CO₂ EOR*2, to methane by using methane-producing bacteria living in oil and gas fields and underground aquifers.

“Our research is going beyond CO₂ underground sequestration through CCS, which is intended as a measure to cope with global warming. We are looking for ways to recycle CO₂ to develop new energies in the context of a recycling-oriented society. The technologies we have honed through oil and natural gas exploration and development are absolutely necessary, and we are going to take advantage of this existing know-how of the INPEX Group, and link it to innovations such as using the functions of living organisms. In that respect, we feel that the possibilities and responsibilities are immense.” (Haruo Maeda, Senior Coordinator, Technical Research Center, Technical Division)

*1 CCS (carbon dioxide capture and storage): Technology to separate, capture and store CO₂ emitted from major sources

*2 CO₂ EOR (CO₂ enhanced oil recovery): Technology for improving crude oil recovery by injecting CO₂ into oil fields

■ Methane Generation Using Microbes



In this research, methane-producing archaea living in oil and gas fields and aquifers produce methane (CH₄) after CO₂ has been injected underground through CCS and CO₂EOR processes. Since methane-producing archaea must be supplied with a constant source of hydrogen, INPEX are conducting laboratory experiments intended at using the electrochemical reducing power of hydrogen for this purpose. So far, INPEX have confirmed that microorganisms living in domestic oil fields, including methane-producing archaea, show a strong methane production activity.

For the Early Practical Application of a Wide Array of Renewable Energies

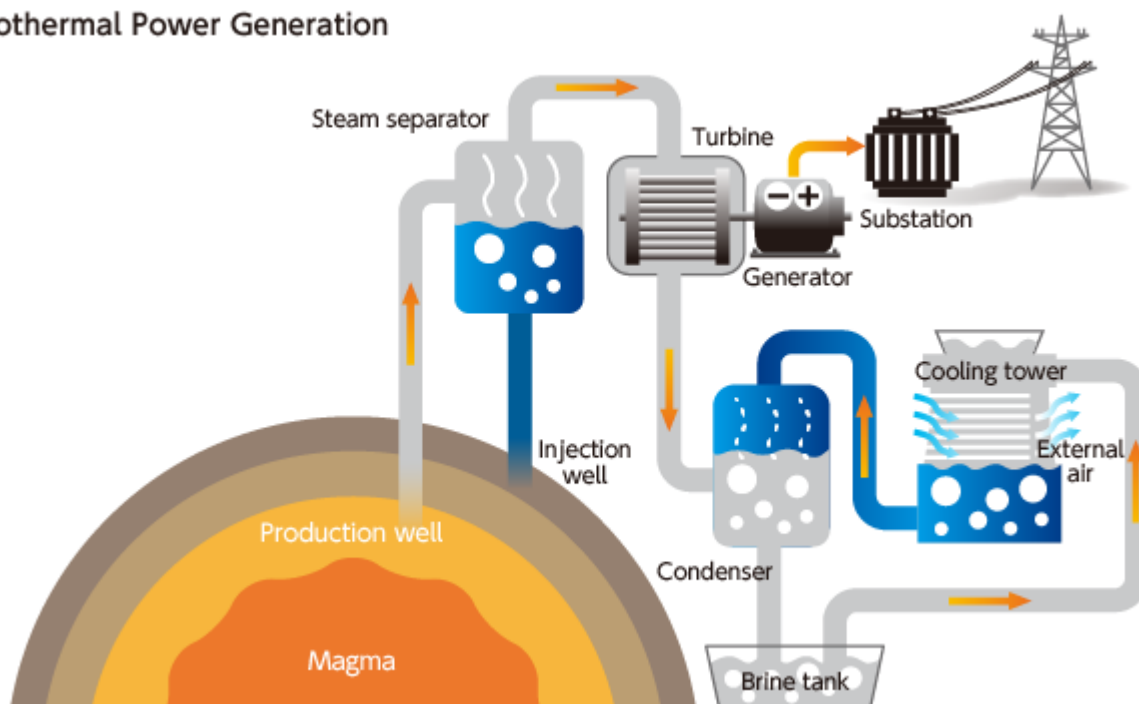
In “practical application”, the challenge is to find how to use existing energy sources more efficiently, or to clear cost or technical hurdles. These efforts are developed in the medium-term, ranging from five years to decades ahead. Many of the renewable energies that gather attention now require that development be immediately conducted from this perspective. The practical application of renewable energies that will support the next generation is also emphasized by oil-producing countries in anticipation of their future. It has also significance in view of our contributions to these countries and strengthening of our relations with them. As compared with fossil fuels such as oil, coal or natural gas, geothermal power generation entails very little emission of CO₂ (several tens of times less per unit of power generated) and is able to generate power on a stable basis, uninfluenced by the weather. It is one of the new types of energy that has a high synergistic effect with our business. Its nature as a stable energy unswayed by fluctuation in oil prices is in accord with our goal of making contributions to a stable energy supply. For these reasons, INPEX has been conducting studies aimed at practical geothermal power generation at two sites in Hokkaido and Akita Prefectures.

“Japan is endowed with rich geothermal resources, considered to be the third largest in the world. However, because many of them are located in natural parks or hot-spring areas, we need to adopt a multifaceted thinking process, with considerations for the landscape impact, various regulations, and local factors. As we conduct our surveys, we disclose information such as its plan and status of implementation to local communities, and through the holding of briefing sessions and local consultative committees, we proceed with our activities while confirming the agreement of local government bodies and local communities.”

(Shusaku Sako, Business Development Group Manager, New Business Planning Unit, Corporate Strategy & Planning Division)

In March 2013, we started operating INPEX Mega Solar Joetsu, the first solar power plant of the INPEX Group, constructed on a former refinery site owned by INPEX Logistics (Japan) Co., Ltd. in Joetsu City, Niigata Prefecture. Its amount of electricity generating from maximum electric capacity of 2,000 kilowatts is equivalent to the annual power consumption needs of about 750 ordinary households. Arrangements have also been made to receive elementary and junior high school students who will visit the facility to study about energy.

■ Geothermal Power Generation



This technology uses water that has been heated by magma after infiltration into the ground. The hot water is extracted from a production well and its steam is used to produce electricity with turbines. Because hot water is returned into the ground through the injection well once it has cooled, electricity can be produced over long periods of time.

Optimizing the Usability of Energy for Better Safety and Efficiency

Optimization is the quest for methods of transport and storage that will allow us to deliver energy to everyday users more safely and more efficiently.

Although electricity is a very convenient form of energy, its transport over long distances suffers from issues related to transmission losses of several percent. They could be significantly reduced if, instead of electricity, we could transport natural gas close to consumption areas through pipelines, before using it to generate electricity in combination with fuel cells. Natural gas-related technologies held by the INPEX Group could also greatly contribute to the establishment of smart grids.

Another topic is energy storage, which is of particular importance for the use of unstable natural energy. INPEX is engaged in the development of high-capacity lithium-ion batteries since 2009 through its investment in ELIY Power Co., Ltd. Establishing technologies that allow the efficient and safe storage of large amounts of electricity will not only increase the flexibility with which we use it, but also it is very meaningful in the search for the best energy mix.

“To create the sustainable society of our future, we must imperatively integrate new energies in our lives. Today, we wonder where they are, what their forms are, and how we could use them and optimize them. All we have is dreams and ideals, but with a strong sense of purpose, we will strive to turn these possibilities into reality.”

(Yoshiro Ishii, Executive Officer, Vice President of Corporate Strategy & Planning Division)

Management

Main Achievements in FY2012

5 sessions

Number of meetings of the INPEX Advisory Committee held ▶

358 hours for **32** items

HSE training programs implemented ▶

9 employees for beginner-level training **5** employees for intermediate-level training

Number of employees attended the HSE OJT training ▶

INPEX 7 Safety Rules

The substance of safety principles ▶

Corporate Governance

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.



Compliance

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 and to foster awareness of compliance among officers and employees.



Risk Management

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.



Message from Director in Charge of HSE

Through the interview with our director in charge of HSE, we convey our stance in protecting safety and environment through our business activities.



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.



HSE Objectives and Plans

We have formulated an HSE Medium-term Plan to promote the improvement of HSE, and are working towards this goal.



■ 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 essential company for the society. To this end, we have placed the enhancement of our corporate governance system as one of the material issues on our medium- to long-term vision, and are working towards this goal.

Overview of Our Corporate Governance

Directors and Board of Directors

• Directors and Board of Directors

Regarding deliberation and decision making related to conducting important business in the development of oil and natural gas, INPEX appoints outside directors in addition to knowledgeable directors from within our company. This ensures the validity of decision making through a rational, efficient and objective perspective.

Our Board of Directors consists of 16 directors, five of which are outside directors. In addition to a monthly meeting, the Board of Directors meets as necessary in order to discuss and determine the execution of important matters. The board also supervises the execution of duties by directors. In addition, the term of office for directors has been shortened to one year to enable faster response to changes in the global management environment and further clarify management responsibilities.

• Executive Committee and Executive Officer System

From the perspective of increasing the speed of decision making related to the execution of business, we have established an Executive Committee with attendance by full-time directors and managing executive officers. The meetings are held weekly and as necessary. At the Executive Committee, flexible decision making is conducted for resolutions not affiliated with the Board of Directors, and deliberation is held to contribute to decision making by the Board of Directors.

We implemented an Executive Officer System in order to respond accurately and quickly to a rapidly changing management environment and the expansion of our business activities. The Executive Officer System seeks to clarify the execution of business and strengthen a flexible and efficient management system. Furthermore, the term of office for executive officers is set to one year, the same as for directors.

• Board of Statutory Auditors and Statutory Auditors

INPEX has adopted a statutory auditor system. The Board of Statutory Auditors is composed of five members, including four outside auditors.

In addition to attending meetings of the Board of Directors and the Executive Committee, the statutory auditors review the execution of business duties by directors through reports given by and hearings for related departments. Furthermore, the statutory auditors receive reports from the independent auditors regarding audits held six times per year and as necessary. They also conduct regular meetings (five or six times per year and as necessary) with the internal audit department (Audit Unit) to receive reports regarding internal audits and the evaluation of internal controls.

To strengthen the function of the statutory auditors and ensure viable corporate governance, we are working to enhance ancillary staff for the statutory auditors and form partnerships through periodic meetings between the statutory auditors, the Audit Unit and the independent auditors. Moreover, we have constructed a system to strengthen the monitoring function through periodic meetings with the representative directors and directors.

• Accounting Audit and Auditor Compensation

In accordance with the Companies Act and the Financial Instruments and Exchange Act, we accept accounting audits from Ernst & Young ShinNihon LLC. The amount of compensation paid to the CPAs is determined in total based on the audit plan and the number of auditing dates, after obtaining approval from the Board of Auditors.

• Initiatives for Reinforcing Corporate Governance

In May 2012, we implemented four initiatives to reinforce our corporate governance sustainability.

- **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**

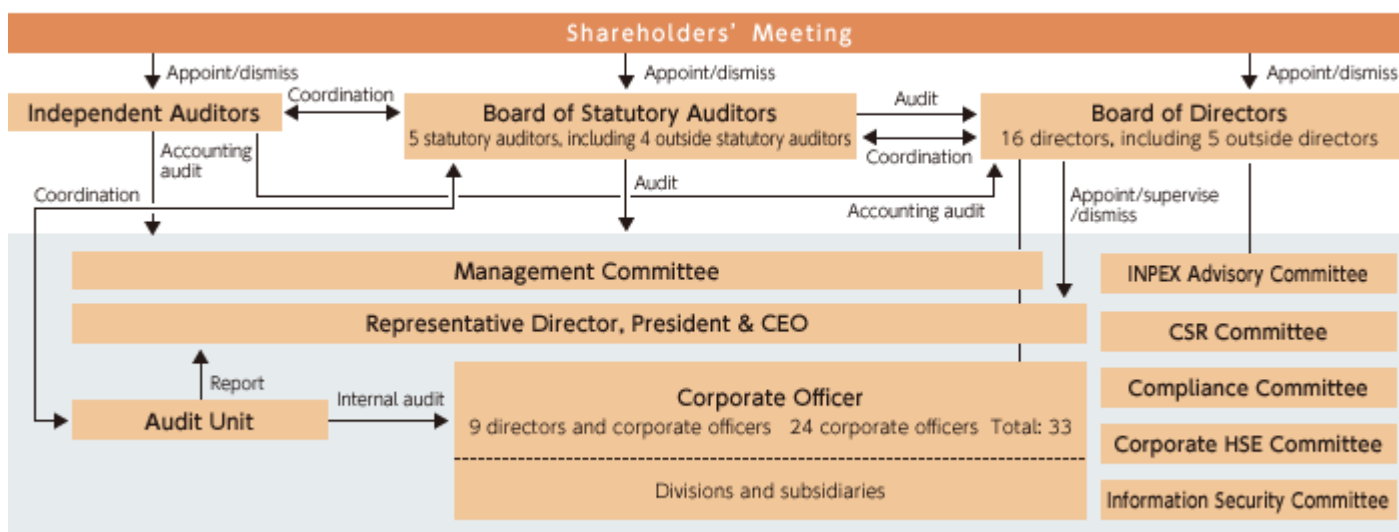
We believe that a diverse range of objective advice on material issues in management from experts in Japan and overseas will help us increase our corporate value. Accordingly, in October 2012, we established an advisory body to the Board of Directors, provisionally named the INPEX Advisory Committee. The first and second committee was held in December 2012 and June 2013, both attended to by all members: Dr. Kent E. Calder (Professor, Johns Hopkins University; Director, the Edwin O. Reischauer Center for East Asian Studies), Ms. Kaori Kuroda (Executive Director, CSO Network Foundation), Dr. Tsutomu Toichi (Advisor, The Institute of Energy Economics, Japan) and Dr. Masayuki Yamauchi (Professor Emeritus, The University of Tokyo). From INPEX, Naoki Kuroda (Representative Director, Chairman), Masatoshi Sugioka (Representative Director, Vice Chairman), Toshiaki Kitamura (Representative Director, President & CEO) and Seiji Yui (Director, Senior Managing Executive Officer) participated to have multifaceted discussions about; the business environment of INPEX or the impact from the shale gas revolution in the US on the international political and economic climate, changes in country risk such as forecasts in the Middle East, the promotion of CSR management as a global company, etc.

Meetings of the advisory committee are planned two times a year, and we will consider the opinions and proposals presented to us and utilize them for business management.

- **Establishment of a guideline for the purchase of shares of INPEX by the directors and executive officers**

We have established a guideline for the purchase of INPEX shares by directors (excluding outside directors) and executive officers as an incentive for them to enhance our corporate value continuously and from medium- to long-term aspects. The guideline has been applied since July 2012. The directors and executive officers purchase shares of INPEX every month according to the number of shares set forth in the guideline from their monthly compensation, and they hold their INPEX shares until leaving their respective offices.

■ Corporate Governance Structure



As of June, 2013

Comment by an External Expert and Member of the INPEX Advisory Committee

Ms. Kaori Kuroda, Executive Director, CSO Network Foundation

Recognizing the importance of CSR, the top management of INPEX has included this topic also into the discussions of the INPEX Advisory Committee, which is an important body in the business management of INPEX. Further, by participating in international initiatives such as the UN Global Compact, EITI and IPIECA, and through dialogues with its stakeholders, INPEX works on CSR from many different angles. The dialogue with indigenous people in Australia and contributions to communities in their operation areas draw much interest also internationally. Therefore, I look forward to see INPEX proactively speaking out at international conferences as an advanced initiative in an effort to become a leading company also in CSR management.



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 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.

Internal Control Systems

1. Compliance by Directors and Employees
<ul style="list-style-type: none"> ■ A Corporate Social Responsibility Policy shall be established in order to ensure compliance by Directors and employees. ■ A Representative Director shall be elected to be the Director in charge of compliance, and the Company shall establish a Compliance Committee chaired by that Director. ■ The Company shall establish an internal notification system with related departments and an external expert (lawyer) as providers of consultation services. ■ To ensure effective compliance systems and relevant internal rules, the Company shall verify and evaluate them and make the necessary improvements through audits carried out by the internal audit department (Audit Unit), which reports directly to the President & CEO. ■ The Company shall develop and manage a system to ensure the accuracy and reliability of financial reporting while evaluating its effectiveness.
2. Storage and Management of Information Related to the Execution of Duties by Directors
<ul style="list-style-type: none"> ■ In accordance with applicable laws, regulations, the Articles of Incorporation and internal rules, an information security system shall be established for information related to the execution of duties under the jurisdiction of Directors. Through this system, such information is appropriately stored and managed.
3. Rules and Other Systems for Risk Management
<ul style="list-style-type: none"> ■ To manage all types of risks related to our business activities, Directors shall identify, analyze and evaluate risks through close cooperation with related departments. ■ Based on the internal rules on group management, the Directors shall manage group-wide risk. ■ The management of risks related to the daily operations shall be reviewed, assessed and revised by the Audit Unit, related departments and / or external experts.
4. Efficiency of Duties for Directors
<ul style="list-style-type: none"> ■ To establish a system that enables the efficient performance of duties, major corporate decisions shall be addressed promptly and properly through Executive Committee meetings, which are held weekly and as necessary. ■ The person in charge at each level shall perform his / her daily duties promptly through delegation of authority based on internal rules such as job demarcation and administrative authority.
5. Proper Operation of the INPEX Group
<ul style="list-style-type: none"> ■ Subsidiaries shall conduct a group management contract and shall be required to report to the Company on important matters. The Company shall issue approvals regarding such reports. ■ Based on the internal rules on group management, a partnership shall be conducted for the risk management, compliance management and internal auditing of subsidiaries.
6. Employees to Assist Statutory Auditors
<ul style="list-style-type: none"> ■ Two employees shall be assigned to concurrently assist with the Statutory Auditors' duties. ■ These assistants shall execute their duties under the instruction of the Statutory Auditors.
7. Independence of Employees to Assist Statutory Auditors
<ul style="list-style-type: none"> ■ Any changes in personnel of the Statutory Auditors' assistants shall be discussed with the Statutory Auditors.
8. Reporting to Statutory Auditors

- Directors and employees shall report and provide information to the Statutory Auditors for matters provided by laws and regulations and matters that might have a significant impact on the Company.
- The Statutory Auditors shall always have the right to obtain business information by attending the Board of Directors' meetings and other important internal meetings, as well as receiving internal approval documents.

9. Ensuring the Effectiveness of Audits by Statutory Auditors

- When conducting audits, the Company shall ensure close cooperation with external experts such as lawyers, certified public accountants and certified tax accountants.
- To improve the effectiveness of audits, the Statutory Auditors shall cooperate with the Audit Unit and shall receive regularly reports.

■ Compliance

Basic Policy

Compliance is the foundation on which a company pursues out its activities in society.

The INPEX Group has systematically developed a compliance system that is indispensable for the sustained development of the company, and strives to thoroughly comply with all laws and regulations as well as with corporate ethics. Specifically, we have set up a Compliance Committee to promote consistent efforts, deliberate on the Group's basic policy and other important compliance-related matters, and manage the implementation of compliance practices. To ensure a business management that acts responsibly as a global company, [our medium-term vision](#) puts up the “sustained reinforcement of compliance efforts” as an element of our infrastructure development, and we are pursuing activities to strengthen our systems even more.

To develop the awareness of compliance of every single employee, we further revised our Code of Conduct in accordance with the newly created Business Principles, which provides a concise overview over various compliance-related systems, as well as about how to report and how consultations can be made.

System and Mechanisms for the Promotion of Compliance

We have a system in place to ensure that, if there is a serious concern regarding compliance, the Compliance Committee considers and implements response measures fast.

The Compliance Committee works with statutory auditors, Board of Statutory Auditors, independent auditors and the Audit Unit to (1) develop and implement compliance measures, (2) monitor their implementation, (3) raise compliance awareness, (4) receive reports on and investigate cases of violations, (5) issue warnings and take measures against violations, and (6) establish measures to prevent the recurrence of violations. We also distribute a compliance manual and compliance FAQ literature to all members of the Group in order to foster an awareness of compliance among executives and employees.

In fiscal 2012, there was no case of non-compliance that had a serious impact on the business of INPEX or the local communities.

● Establishment of Business Principles and the Code of Conduct

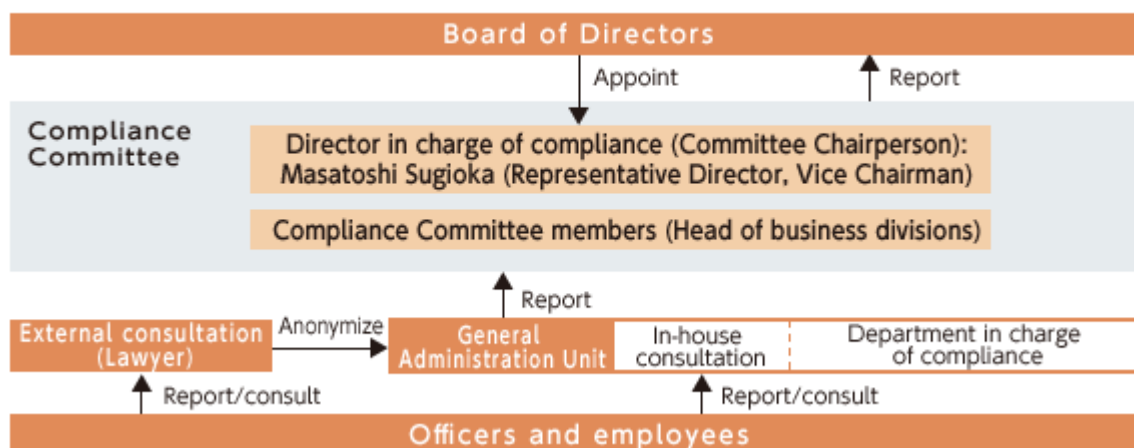
In fiscal 2012, we established Business Principles which must be observed without exception by all officers and employees as they execute their work. At the same time, we revised the Code of Conduct to put these principles into practice. The two documents are explained on internal briefings to ensure that they are communicated to all employees. Note that we are currently revising the compliance manual and the compliance FAQ literature on the basis of the revised Code of Conduct.

At our major overseas locations, we have prepared guidelines of conduct that are in line with the laws, regulations and culture of the respective country. However, to respond to the reinforcement of laws concerning bribery overseas, we will also reinforce our global compliance system. In addition to the establishment of the Business Principles and the revision of our Code of Conduct, we are planning to set up an English-language website of our Compliance Committee in fiscal 2013.

● Help-Line System

In April 2006, we established the Help-Line System for our officers and employees in accordance with the Whistleblowers Protection Act. 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 four times in fiscal 2012, and the Compliance Committee appropriately dealt with these cases according to the Help-Line Procedures.

■ Compliance System



Promotion of Compliance Training

Aiming to have all the employees to practice compliance activities, we distribute compliance manual and compliance FAQ literature and implement training for mid-career hires and new employees on a regular basis. 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.

During fiscal 2012, we focused on energizing “workplace communication,” which is the most important factor for strengthening compliance. In November 2012, we further introduced a system of in which each workplace, including overseas offices, has a designated employee in charge of compliance promotion, serving as a bridge to let compliance activities penetrate the workplaces even more, and promoted the understanding of this system. Moreover, we conducted training for the employees in charge of compliance promotion to have them share information and intensify cooperation among each other, and held briefings on the Business Principles and the Code of Conduct.

■ Compliance Training Participation Rate

Course	Participation Rate
Middle management training	96%
Non-managerial employee training	91% (as of March 31, 2013)

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](#).

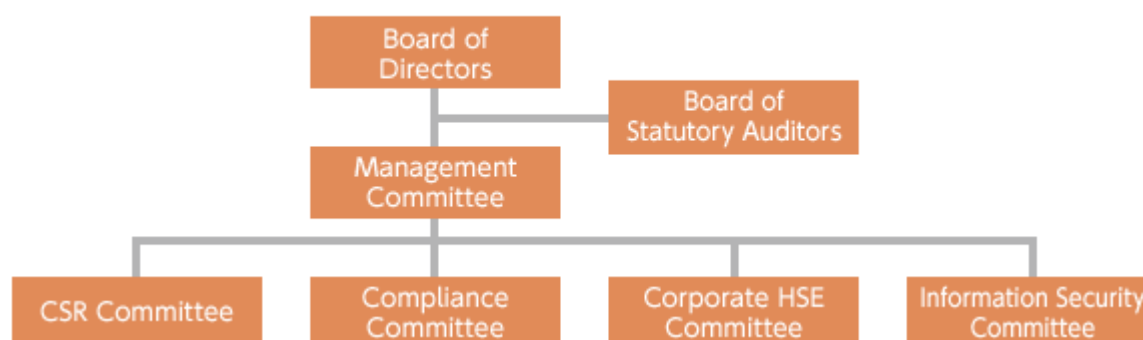
* **Operational Organization:** The INPEX Group headquarters and organizations that implement operator projects

Risk Management System

To improve the corporate value in a dramatically changing business environment, it is important to prevent and minimize damage in advance through appropriately controlling the risks inherent to our business operations, and to maintain and strengthen the trust from our customers, investors and the like. Being well aware of this fact, we are striving to continuously strengthen our risk management system.

To deal with the many different risks related to our corporate activities, our directors work closely with the relevant divisions to identify, analyze and assess risks, and to control these risks in accordance with internal rules and guidelines. In addition, risks of the INPEX Group as a whole are controlled under mutual cooperation among the INPEX Group companies and in accordance with the internal rules on group management. Moreover, we have set up various committees for the risks assumed in our business, including CSR, compliance, HSE and information systems, developed individual risk management systems. Periodic reports to the management complete our comprehensive risk management system. The risk management related to daily work is verified and assessed in audits by the Audit Unit, the relevant division or external experts, and we are constantly reviewing it in line with changes in the environment.

■ Risk management System



Risk Management in Projects

Executing projects overseas involves various different risks. For this reason, the INPEX Group has built group-wide mechanisms and frameworks for business management that is conscious of safety and the environment and in line with international standards, to ensure occupational safety and health and preserve the environment. Taking advantage of our expert knowledge, we have also put measures in place to minimize negative impacts on communities from assumed risks. Moreover, regarding risks that involve the local communities, we are implementing communication activities that are linked to the local communities as we develop relationships of trust and a sense of safety with local residents through close communication.

As regards country risks, exchange rate risks, business risks due to differences in the project stages and the like, we strive to qualitatively improve our asset portfolio by combining projects that promise a high growth along with an expansion of reserves, with projects that promise stable revenue. Further, we aim to improve our corporate value even more through an advanced utilization of our business resources based on organic links of our overseas assets with domestic infrastructure.

■ Major Risk Factors for Projects

- Political risks
- Resource reserve risks
- Raw material supply risks
- Technical risks
- Operational risks
- Market risks
- Project profitability risks
- Exchange rate risks
- Environmental risks
- Risks from a lack of human resources and cost increases
- Risks due to economic gaps and conflicts among residents during project expansion

Measures Against Large-Scale Natural Disasters and Pandemics

• 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 and updated a BCP and earthquake response manual for the occurrence of a major earthquake in Tokyo.

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.

INPEX conducts earthquake response drills every fiscal year, and in February 2013, we verified the operation of our response team in a scenario that was even closer to a real disaster.

■ Overview of Emergency Response System and Business Continuation Response



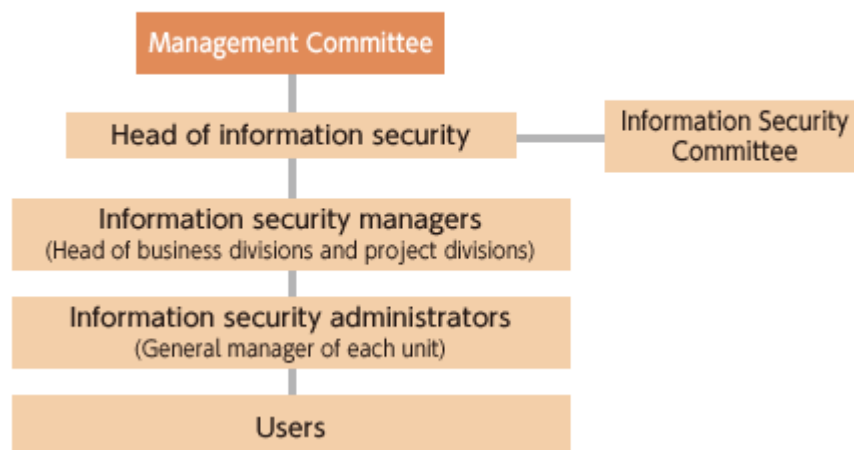
• Measures Against Risks of New Viruses and Pandemics (Global-Scale Epidemics)

In the event that an infectious disease or epidemic expands on a global scale, it is likely that we will face serious obstacles in continuing our business as the number of infected employees increases. For this reason, we are considering preparatory measures that are similar to measures against large-scale natural disaster. For example, in Japan, we have prepared a response manual for new influenza, which is feared to become a pandemic, in June 2011. At this occasion, we also stocked up on items such as protective wear and antiseptic solutions.

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. Also in fiscal 2012, we conducted security education based on e-learning to raise the awareness of our employees, and also strengthened system-based information security measures such as anti-virus systems and web filtering. For fiscal 2013, we plan to strengthen our information security on a global basis, particularly to respond to business development overseas. We will continue working to improve information security by constantly reviewing related rules, standards, systems, and technical measures.

■ Information Security Management System



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 established mega solar power stations and are also looking into development of geothermal energy as we work towards a [renewable energy business](#).

■ Message from Director in Charge of HSE

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 the light of this background, the initiative that INPEX has been focusing its efforts most on is the development of an HSE Management System of a global standard, and HSE initiatives in line with this system. Being positioned under the concepts of the Health, Safety and Environmental Policy established in 2006 and the HSE Management System Manual established in 2007, the system comprises manuals and guidelines on occupational health and safety and environmental preservation that were developed from a practical standpoint, and is operated by repeating the PDCA cycle in accordance with these documents. I believe that our efforts in recent years have lead to a trend of improvement as concerns the degree of penetration of a culture putting safety first at INPEX and also various indicators showing the results of our HSE initiatives.

Meanwhile, when comparing our current HSE activities with other OGP ^{*1} companies, there are still many issues to be solved. The key performance indicators (KPI) of our activities are not necessarily at a satisfactory level. Looking at the global development of our business in the future, INPEX determined the three years starting from fiscal 2013 as the execution period for the second HSE medium-term plan and set up the organization goal that the HSE competency of INPEX is to be brought to level with the IOC ^{*2} during this period. I believe that we should particularly focus on HSE audits, HSE risk management, process safety management and the prevention of serious accidents, and in this respect, individual efforts such as the establishment of INPEX Seven Safety Rules, the employment of International Finance Corporation (IFC ^{*3}) Performance Standards, the introduction of a safety case approach and the implementation of emergency response drills in cooperation with overseas offices, are already in progress.

As INPEX develops its activities more and more globally in the future, the projects we should work on will become larger in scale and more complicated in the future. In the light of these circumstances, it is absolutely essential that we form a workplace culture where everyone shares the mottos of “safety first” and “prioritizing environmental protection” at the frontline operations that are supported by multinational teams. I suppose that the achievement of the second HSE medium-term plan objectives will form a strong foundation for this.

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.

^{*1} OGP: Oil & Gas Producers

^{*2} IOC: International Oil Company

^{*3} IFC: International Finance Corporation

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

HSE Management System Initiatives

• Overview of the HSE Management System

In reference to ISO 9000, ISO 14000, Occupational Health and Safety Management Systems (OHSAS 18001 and OHSMS guidelines) as well as OGP (International Association of Oil and Gas Producers) guidelines, the INPEX Group has established an HSE Management System to coordinate our initiatives for Health, Safety and the Environment and strive for continuous improvement in our practices.

The system encompasses a document architecture including our HSE Policy, the HSE Management System Manual, as well as corporate HSE procedures and guidelines; an organizational structure comprising the HSE Committee; and HSE focus objectives and programs devised for every fiscal year.

The HSE Policy declares the basic principles for our approach to HSE initiatives. To make sure that these principles are put into practice, the rules link essential elements such as risk management and auditing with the other elements, and associate each element with the HSE documents corresponding thereto. Moreover, our procedures define requirements for each of these elements.

The INPEX Group has employed an Access-Plan-Do-Check-Act (A-PDCA) cycle which starts from risk assessment. The cycle is positioned as an important process in the structure of the HSE Management System. In the A-PDCA cycle, “Access” consists of risk management and the establishment of legal and other requirements, “Plan” of the drafting of HSE plans and emergency response plans, “Do” and “Check” of the collection and analysis of HSE-related data as well as the HSE audit, and “Act” of the management review. The process is an effort that is indispensable to ensure the continuous improvement of our HSE initiatives.

• Promotional Structure and Initiatives of the HSE Management System

As organizational elements to promote our HSE Management System, we have set up an HSE Unit at our headquarters and HSE Groups at our Operational Organizations*1. Moreover, our Corporate HSE Committee, which was established to promote HSE initiatives across organizations, deliberates on HSE-related procedures, and examines and follows up on HSE objectives, HSE programs and other elements in our activity plans. Similar efforts are carried out also in the Operational Organizations.

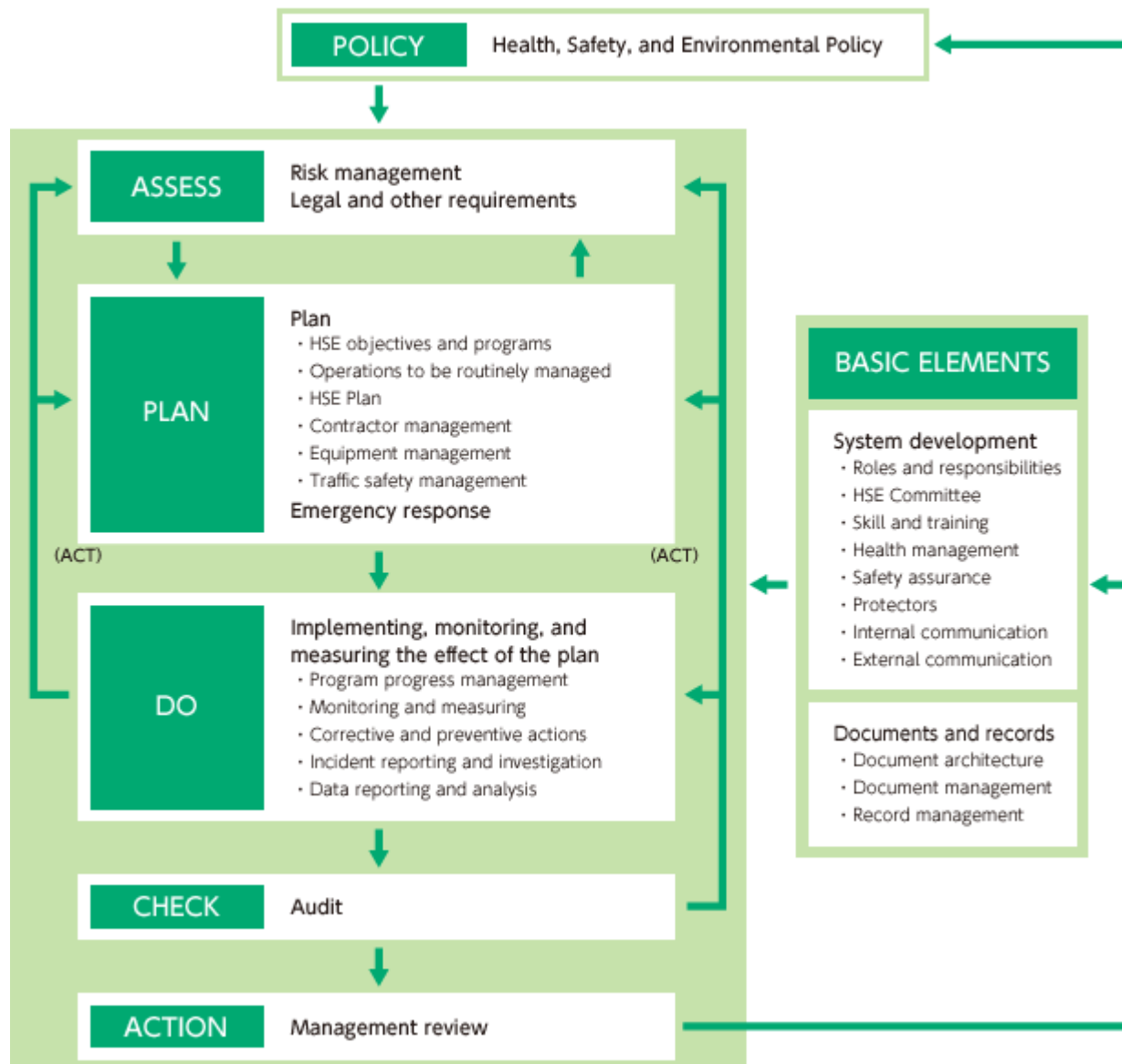
At the INPEX headquarters, the Corporate HSE Committee convened in October 2007 for the first time. In fiscal 2012, the Committee met every three months to discuss our HSE objectives and programs, results from our activities, HSE-related documents, HSE audit results and other matters.

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

■ Framework for Implementing HSE Management System



■ HSE Management System Model (Elements of HSE)



● Medium-Term HSE Plan

In 2010, INPEX created the first HSE medium-term plan for the period until 2012 in order to ensure a penetration of the awareness that HSE has first priority and to establish a consistent HSE Management System. The plan puts up eight objectives including the preparation of HSE Management System documents and the enhancement of HSE training. Positive results have been achieved with respect to the development of the HSE Management System and a vitalization of initiatives on a group-wide basis. Meanwhile, our self-evaluation has revealed that challenges remain with respect to a reinforcement of the HSE organization, human resources, and a consistent response in every project.

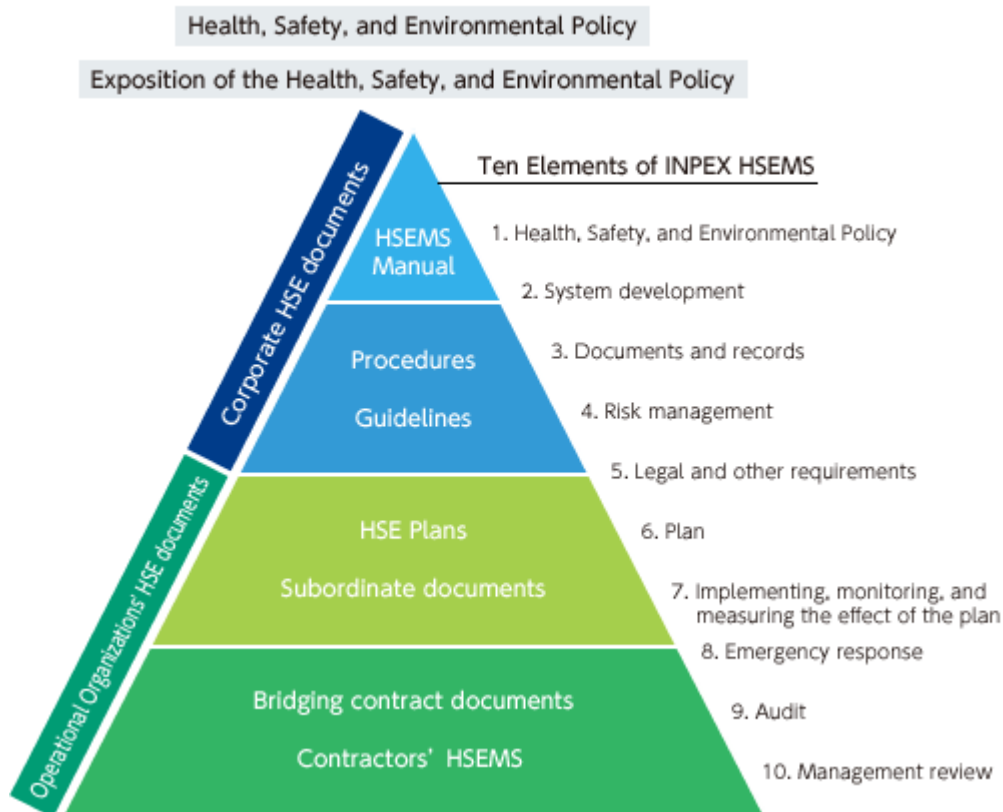
The second HSE medium-term plan for the period from 2013 to 2015 aims to realize an HSE competency that ranks with the top group in our industry on a global scale. To ensure the steady promotion of this goal, seven specific objectives were established, which involve the organizational system, the HSE Management System, process management, risk response, environmental measures and others. We will work to achieve these objectives while verifying our progress every year.

[HSE Objectives and Plans](#)

● **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 to create HSE Guidelines also in fiscal 2012, and to ensure the steady implementation of HSE, we review procedures and inform our employees over the intranet and through other means.

■ **Document Architecture for the HSE Management System**



● **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 corporate*2 and Operating Organizations.

On the corporate level, we conducted an HSE audit at Gas Guarico, S.A., Venezuela, in fiscal 2012. Key parameters of this audit included the “HSE Management System Development.” Demanding a continuous improvement of HSE initiatives, the audit identified non-conforming parameters and parameters to be monitored, but also gave positive evaluations.

Measurement of the effects of the HSE Management System is performed by checking the status of system operation through audits. 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 audit at JFE Engineering
(December 2012)

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

Key Parameters for HSE Audits

- HSE Management System development
- Sufficiency of the A-PDCA cycle
- Effectiveness of HSE objectives
- Improvement of issues identified during previous audits
- Contractor management
- Effectiveness assessment of emergency response

Project which conducted HSE audit in fiscal 2012

Project	Country/Region	Audit year
Copa Macoya / Guarico Oriental Block	Venezuela	December 2012

● 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 2012 four 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.

[FY2012 HSE Award Recipients]

Abadi LNG Project Geotechnical Survey Operation Team
TEIKOKU OIL (SURINAME) CO, LTD. Operation Team
Ichthys LNG Project Team
Toyokanetsu Naoetsu LNG Construction Office



FY2012 HSE Award Recipients

COLUMN Comments of FY2012 HSE Award Recipients

Abadi LNG Project Geotechnical Survey Operation Team

For approximately two months from the end of 2011 to early 2012, we conducted a soil survey in the Abadi gas field in the Masela Block in Indonesia. The purpose of this survey was to acquire data on the strength of the soil on the sea bottom, which are required for the subsea production facilities to be set up in the future, and for FLNG mooring design.

A particular issue in this work is the location of the site, which is offshore, far away from land. It was appreciated that we isolated potential hazards, checked where and how to transport team members in the case of an injury or disease and prepared an emergency contact scheme before starting the work, and that we were able to complete the work without any accident. Further, using a submarine robot camera called ROV, we were able to confirm that no oil or gas was leaking in the periphery of seven exploratory wells that had been drilled in the past.

The on-site work spanned the holidays over the year-end and the new year, but proceeded without having to make any emergency call to a team member who had temporarily returned to Japan. I myself was on stand-by in Jakarta, and thanks to these circumstances, I was able to see the fireworks being launched in the city when the date changed during the night of New Year's Eve. I believe that the citizens were launching the individual fireworks just as they pleased, but seen in total, the entire city became a site of a great firework event, which was a somehow strange sight.

Looking back on similar work that I was in charge of in the past, I feel that, whereas much was left to the contractors before, the situation has evolved as we are now able to give instructions on the initiative of INPEX. Further, also after the work was completed, the organization continued to become stronger, with Shell joining as a business partner and the new employment of experienced workers. I regard the operator project as a great opportunity to accumulate experiences inside the company and hope to grow together with the company in the future.

Suriname Project

I was very relieved when we completed our work with “Zero LTI^{*3}” throughout a drilling campaign that lasted for more than 240 days. When the Suriname Project was nominated for the award, I thanked all people involved in Suriname, as our HSE initiatives had been recognized.

When working with people of various cultural backgrounds, I believe that the most important question—not just for HSE—is how to communicate the “HSE corporate culture of INPEX” to the partner. To achieve this, we encouraged and participated in Tool Box Meetings^{*4}, HSE Weekly Meetings with key subcontractors, discussions on the content of STOP (Safety Training Observation Program) cards with the people on the rigs, management visits to rigs, video training for workers on the material bases and others. I feel that it was thanks to this constant communication that the HSE corporate culture of INPEX gradually penetrated among the on-site employees and subcontractors.



These low-key efforts on the side of INPEX helped to form one great team, and all members in this team pursued HSE with diligence. I learned that good communication is only effective if there is good teamwork. We frequently encountered language problems, but were able to overcome them by explaining with drawings, holding HSE Annual Meetings and through other creative measures. Sometimes I heard compliments from people around us, saying we were a good team.

In Suriname, the second drilling campaign is planned for the near future. Remembering what I have learnt during the first time, I will work to achieve the exploration goals with good team work, putting up “Zero LTI” as one of our objectives.

For occupational health and safety initiatives, as well as for environmental preservation initiatives, both of which form the base of HSE, it is important to implement PDCA without fail, and also to prepare documentation. However, the most important element is “Do,” in other words, practice. And the foundation for this practice is teamwork. We will strive to build a strong foundation for this purpose.

^{*3} **Zero LTI**: an initiative to bring the number of accidents involving work loss down to zero.

^{*4} **Tool Box Meeting**: a meeting before the start of work. A meeting by workers for discussing and communicating work plans, procedures, safety checks and precautions.

HSE Training

• HSE Training

We 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.

In fiscal 2012, a total of 358 hours of training comprising 32 items categorized into four course levels according to employee specialization and experience were conducted at our headquarters. In addition to our HSE training program, we conducted HSE OJT (on-the-job training) in specialist fields for young engineers in Darwin, Australia, as well as South Korea and Oman. In fiscal 2012, nine employees attended the HSE OJT beginner-level training and five employees the intermediate-level training to raise the level of our HSE initiatives even more.



Internal seminar on risk management

Our Operational Organizations inside and outside of Japan also provide training according to the needs of each project, for example, training in safe work operation, environmental management and emergency response. As is put up as our Second HSE Medium-Term Objective, we will further work to enhance HSE training in order to improve the HSE knowledge and skills of our employees.

Comments from OJT Participants

Experiences from a Beginner-Level OJT

The Importance of Raising the Level of HSE in the Organization

Technical Division, Technical Resources Unit
Tatsuya Yamada

I received training at the Ichthys LNG base construction site in Darwin, Australia, as the second HSE OJT group for three months from mid-January 2013.

At the Ichthys LNG terminal construction site, the foundation for the terminal, as well as accommodation for workers is presently under construction. When seeing the daily progress of the construction works, you can feel the large pulse of the project, but the size of these changes is a direct cause for the difficulty of HSE management. Darwin further lies in a tropical climate zone, with high temperatures, a strong sun, and occasional hurricanes during the rainy season. Moreover, Darwin is famous for being the area with the second most thunderstorms in the world, and work has to be interrupted frequently due to thunderstorms. This cannot be called a good working environment by any standard.

However, a harsh environment like this increases the importance of HSE management even more. The quality required for HSE management is the same under all conditions, and no compromises are possible no matter what the circumstances are. This shows how challenging HSE management at the Ichthys Project is. Further, it would be very difficult to overcome this situation just by HSE staff. In the Ichthys Project, the level of HSE is high also among employees who are not in charge of HSE, with everyone pursuing HSE as a team. During my training, I was taught many things not just by HSE staff but also by other employees.

Carrying out operator projects, INPEX will naturally have to take leadership also with regard to HSE in the future. I think that what is important here is a high overall level rather than the existence of one outstanding leader. I am also not an HSE expert, but I am strongly aware of the fact that the overall level of HSE among employees is the level of HSE in our company, and I intend to continue to improve my own HSE level also in the future.



Wearing protective gear
at the on-site office

Experiences from an Intermediate-Level OJT

Participation Report of HSE OJT in Oman

Technical Division, Field Development Unit
Hiroyuki Asakawa

The HSE OJT (intermediate-level) was conducted over a period of 12 weeks in Oman. The program started in fiscal 2012 with the purpose of acquiring knowledge on process safety and HSE on production sites. This was the first time, and three INPEX employees participated.

Process safety is a type of engineering related to facility design and safety management during plant operation, and in recent years, its importance has been growing in the oil and natural gas industry. During the OJT, instructors from an engineering company and a consultant taught me about “the overall picture of process safety,” “studies required when implementing a project” and “important safety standards that play key roles during plant operation.”

During the training at the production site, I stayed at a production plant of the company PDO (Petroleum Development Oman), which is located in an inland desert called Fahud, for four weeks and learned with a contractor about occupational safety.

PDO is using the system of Shell, and I was impressed to see that the various rules and standards had penetrated even among contractor workers.

The OJT allowed me to gain knowledge on HSE that a facility engineer should have, while coming into contact with the local habits. It was a very meaningful experience. I intend to draw upon what I learned here during my work in the future.



In the inland desert Fahud in Oman

● Cultivating an HSE Corporate Culture

Organizations with a mature HSE culture create systems, take actions based on these systems and share related information. The INPEX Group has conducted studies on the current status of our HSE culture for two times, including the HSE awareness survey in fiscal 2009 and the HSE Culture Maturity Study in fiscal 2011. The results led us to believe that knowledge, skills and communication are key factors to improve the maturity level of our HSE culture even further, and we set up “increasing the level of HSE capability across the Group” and “strengthening HSE communication” as objectives in fiscal 2012.

Further, we established “INPEX Seven Safety Rules” in fiscal 2012. The principles are based on cause analyses of accidents experienced by the oil and natural gas industry all over the world. Providing summaries of reminders that are most effective to reduce accidents for each work item, they could also be called “the substance of safety principles.” The safety principles are a tool for becoming closely familiar with safety culture while repeating routines on a daily basis to raise attention. The INPEX Group will set these Seven Safety Principles solidly in place to ensure that all members of a workplace secure a safe working environment and can return to their families in health every day.



● HSE Communication

The INPEX Group is working to vitalize internal communication in order to penetrate and 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 H&S Managers Meetings*5 attended by managers in charge of HSE at Operational Organizations.

Compared to the HSE Annual Meetings, in which managers report on the development status of the HSE Management System and issues during implementation and exchange opinions with management, H&S Managers Meetings provide an opportunity for managers involved at the practical level of HSE in the Operational Organizations to give presentations on the occupational safety and occupational health initiatives at their Operational Organization and to discuss specific issues of matters such as contractor HSE management at the practical level. Further, from 2011, we have been holding Environmental Meetings for environmental managers. The environmental meetings are used to present environmental management initiatives by the Operational Organizations, and to share information and exchange opinions about the status of initiatives to fight global warming.

To strengthen the communication of the HSE Unit with the International Project Division, HSE Liaison Meetings are periodically held at the headquarters, sharing information on the HSE Management Systems and implementation status of HSE initiatives in the INPEX Group. Since fiscal 2012, domestic operation projects also started to participate to enhance the content of the meetings even more.

*5 **H&S Managers Meetings**:practical-level meetings related to health & safety.



HSE Annual Meeting



H&S Managers Meetings

HSE Initiatives in Projects

Presenting a Report on HSE Initiatives at the Naoetsu LNG Receiving Terminal on the Managers Meeting

Gas Supply & Infrastructure Division, Gas HSE Group
Kazue Hirokawa

Since I was assigned to the construction site of Naoetsu LNG Terminal in September 2012, I have been witness of a site where more than 1,000 workers are involved every day in the construction of a receiving terminal. Around the time when I started to study the efforts made by the leaders of the subcontractors and staff in charge of safety as well as the HSE management conducted by INPEX, I participated in the H&S Managers Meeting 2012 and the Environmental Meeting 2012. The meetings were deeply meaningful as opportunities to grasp the situation at the Operational Organizations and to share information on HSE-related initiatives. Particularly the report from INPEX Libya presented actual experiences in risk management and security management after the Libyan revolution, and I felt that there was information and a risk management level with a sense of tension that I could not have learned about in Japan. The meeting further included engineering information from Ichthys using 3D technology, as well as a presentation of problems faced by Masela, for example, a lack of human resources and issues related to safety culture, and also of initiatives that Masela is focusing its efforts on. All this was very useful for me.



Attending and presenting a report at the meeting was also a good opportunity for me personally to grasp the initiatives that had been taken at Naoetsu LNG Terminal. In my report, I explained how the safety of the construction works was ensured through a large number of different efforts, and I talked about the situation at the LNG Terminal with respect to the IFC requirements from environmental aspects. The attendants of the meeting paid much attention to the low number of accidents per unit of time, and highly appreciated the efforts that were made up to now to reduce accidents. The construction works for the LNG Terminal are going to enter the final phase soon, and there will be a confusing variety of operation-related works such as trial operations and the like. For this reason, and in consideration of the expectations from the people around us, I intend to endeavor in HSE initiatives with even more concentration than before.

What left an impression on me in the meeting was that one could feel national and cultural differences regarding the question whether or not to proactively disclose information about safety to the communities. In this respect, I became again aware of the necessity to consider all matters on a global scale. The attendance to the meetings was an inspiration in many different ways, and a good experience for the promotion of HSE initiatives.

HSE Objectives and Plans

FY2012 Key Corporate HSE Objectives and Achievement in HSE Program (April 2012 through March 2012)

[Ratings] ○ : 100%~80% △ : 80%~50% ✕ : 50%~0%

Strengthen HSE Communication






Medium-Term Plan Objectives	1. Finish creating HSE documents and educating employees on their content at both the corporate and operational level. Ensure that all HSE managers have a uniform understanding of such content.	
FY2012 Key Objectives	Make the HSE Management System (HSEMS) entrenched at a deeper level in light of the progress in its establishment and the level of its understanding. At the same time, further encourage HSE communication with contractors through HSE audit, HSE review, etc.	
Actions implemented	Evaluation	Evaluation and Future Responses
Complete the creation of corporate HSE Guidelines	△	<ul style="list-style-type: none"> 16 corporate HSE Guidelines were formulated and issued in FY2012, leaving 20 Guidelines incomplete as a result, while FY2012 target was to complete the creation of HSE Guidelines. FY2013 target is to complete the creation of Guidelines.
Expand HSE inspections by the management	○	<ul style="list-style-type: none"> HSE inspections made at the Domestic Project Division. (No quantitative targets) Director for HSE will continue to conduct work site inspections and HSE sessions to deepen the dialogue with employees at work sites.
Hold HSE Annual Meeting, HSE Managers Meeting, Environmental Meeting, and HSE Liaison Meetings	○	<ul style="list-style-type: none"> HSE Managers Meeting was held in October. Environmental Meeting was held in November. HSE Annual Meeting was held in January. HSE Liaison Meetings were held five times. HSE Annual Meeting, Environmental Meeting, HSE Managers Meeting, and HSE Liaison Meetings will continue to be held as before.

Raise the Level of HSE Competency across the Group



Medium-Term Plan Objectives	2. Identify the minimum level of resources needed to execute the HSE Management System, and establish those resources at corporate and Operational Organizations. 7. Prepare 400 hours of HSE-related courses (80 five-hour courses) a year by fiscal 2012.	
FY2012 Key Objectives	Raise the level of HSE competency across the Group by introducing a broader HSE training program in which every employee participates, based on the recognition that HSE is one of basic elements of corporate activities.	
Actions implemented	Evaluation	Evaluation and Future Responses
Plan and implement HSE training programs	○	<ul style="list-style-type: none"> Following FY2012 HSE training program, we conducted 350 hours of training, comprised of 32 items and categorized into four areas according to employee specialization and experience. In FY2012, we started HSE on-the-job training (OJT) for young engineers in Australia, South Korea, and Oman, and 12 engineers participated in it in total. In FY2013, we will consider an HSE training program open to all employees and one tailored to each areas of specialization.
Add HSE personnel	○	<ul style="list-style-type: none"> In 2012, 1 expert in safety engineering was hired from abroad and 1 mid-career employee was hired. HSE personnel will be reinforced by internal transfer and mid-career hires.

Implement Comprehensive Risk Management for Major Accidents



Medium-Term Plan Objectives	5. 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. 6. Implement integrity maintenance measures for production facilities. Ensure that major accident risks have been reduced to their As Low As Reasonably Practicable (ALARP) levels. 8. Make activities related to management of HSE risk, contractor HSE, health, and security, consistent across the Group.	
FY2012 Key Objectives	Ensure operations in accordance with the management flowchart specified in the "HSE Risk Evaluation Procedures" and further promote global standardization of risk management methods to strengthen preventive measures against major accidents such as oil spills, large-scale oil leaks, fires and explosions, and accidents resulting in death. Improve the ability and skills for emergency response to accidents to prevent the expansion of damage.	

Actions implemented	Evaluation	Evaluation and Future Responses
Conduct HSE risk evaluation and manage risk register		<ul style="list-style-type: none"> Collected risk registers from Operational Organizations as we did in FY2011. Operational Organizations will consider measures to reduce high risks and try to reduce risks to ALARP levels. <p>The Corporate will evaluate aggregate risks of Operational Organizations and confirm the progress of risk reduction measures.</p>
Establish a Group-wide scheme to prevent oil pollution		<ul style="list-style-type: none"> Concluded a contract with the largest oil pollution response company in the world (OSRL) to have all our projects covered by their oil pollution response service. Participated in Joint Industry Project (JIP) created after the Macondo accident and shared knowledge with oil and gas companies including oil majors through its activities to improve our ability to respond to oil pollution. Will aim for adopting an HSE (Safety) Case approach as an internal standard and establish a system for confirming Safety Case documents issued by Operational Organizations.
Develop internal manual for well drilling operations.		<ul style="list-style-type: none"> Created documents related to well management and obtained approval by the management. Will issue those documents and apply them to our projects.
Introduce an HSE Case approach		<ul style="list-style-type: none"> In FY2012, 6 Guidelines related to process safety were issued, including the HSE (Safety) Case Guideline. Participated in 4 HSE reviews in total, 3 for operational projects and 2 for non-operational projects. Will aim for adopting an HSE (Safety) Case approach as an internal standard and establish a system for confirming Safety Case documents issued by Operational Organizations.
Raise the level of emergency response ability		<ul style="list-style-type: none"> Conducted emergency response drills assuming pipeline leaks and a major earthquake directly hitting Tokyo in FY2012, but overseas Operational Organizations only participated in desktop drills for the Ichthys Project. Will create emergency response plans assuming emergency situations for different projects in FY2013. Will also conduct emergency response drills in which the headquarters and Operational Organizations participate.

Reduce Number of Accidents

Medium-Term Plan Objectives	4. Reduce the number of accidents. Use LTIF, TRIR, and other parameters as numerical targets, and strive to reach targets.	
FY2012 Key Objectives	Aim to achieve Group-wide targets of 0.51 for LTIF and 2.36 for TRIR, based on Operational Organization HSE activities aiming for zero accidents.	
Actions implemented	Evaluation	Evaluation and Future Responses
Introduce safety rules		<ul style="list-style-type: none"> Established the "INPEX 7 Safety Rules" as safety rules. Will run a campaign during the National Mine Safety Week and try to have every employee be aware of it in 2013.
Promote Safety Training Observation Program (STOP) system		<ul style="list-style-type: none"> Started the operation of the STOP system at Domestic Project Division. Will promote the operation of the STOP system by Operational Organizations to reduce the number of accidents.

Control Emissions of Greenhouse Gases and Promote Environmental Management Practices Based on International Standards

Medium-Term Plan Objectives	3. 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.	
FY2012 Key Objectives	Pursue best practices in environmental management based on the Performance Standard (PS) and the EHS (Environment, Health, and Safety) Guidelines of the International Finance Corporation (IFC), which are international standards, while continuing to monitor and effectively control emission of greenhouse gases.	
Actions implemented	Evaluation	Evaluation and Future Responses
Formulate environmental management plan		<ul style="list-style-type: none"> Conducted an IFC gap analysis at 3 operating sites of Domestic Project Division and Pipeline Construction Division in FY2012. Will conduct an IFC gap analysis at LNG Receiving Terminal Construction Division. HSE Unit will create guidelines and other documents required for the Group's compliance with IFC requirements.
Clarify GHG management methods		<ul style="list-style-type: none"> Established GHG Working Group to study GHG management methods. Led by GHG Working Group we will formulate future policies and objectives as we work towards Group-wide initiatives.

Environment

Main Achievements in FY2012

5.644 kg-CO₂/GJ

Greenhouse gas emissions per unit of production (Japan) ▶

85.2 %

Breakdown of Recycled Industrial Waste Materials (Japan, overseas) ▶

1.4 million
eucalyptus trees

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

As we seek to provide stable and efficient supplies of energy, we implement projects with thoughtful consideration given to mitigating our environmental impact and combating climate change.

Environmental Impact of Our Business Activities

We monitor our environmental impact in each business process and set targets for reducing that impact.



Global Warming Mitigation

We strive to reduce greenhouse gas emissions and conserve energy based on an environmental management plan that conforms to global standards.



Biodiversity Conservation

We strive to protect biodiversity in order to make our projects compatible with surrounding environments.



Reducing Our Environmental Impact

We are proactive in preventing environmental accidents and the contamination of soil and air. We also actively recycle drill cuttings and drilling fluids, which comprise the majority of the waste we generate.



Fighting Climate Change

We help reduce the environmental impact of our business and other operations through the research and development of next-generation technologies and through greenhouse gas offset projects.



Site Data

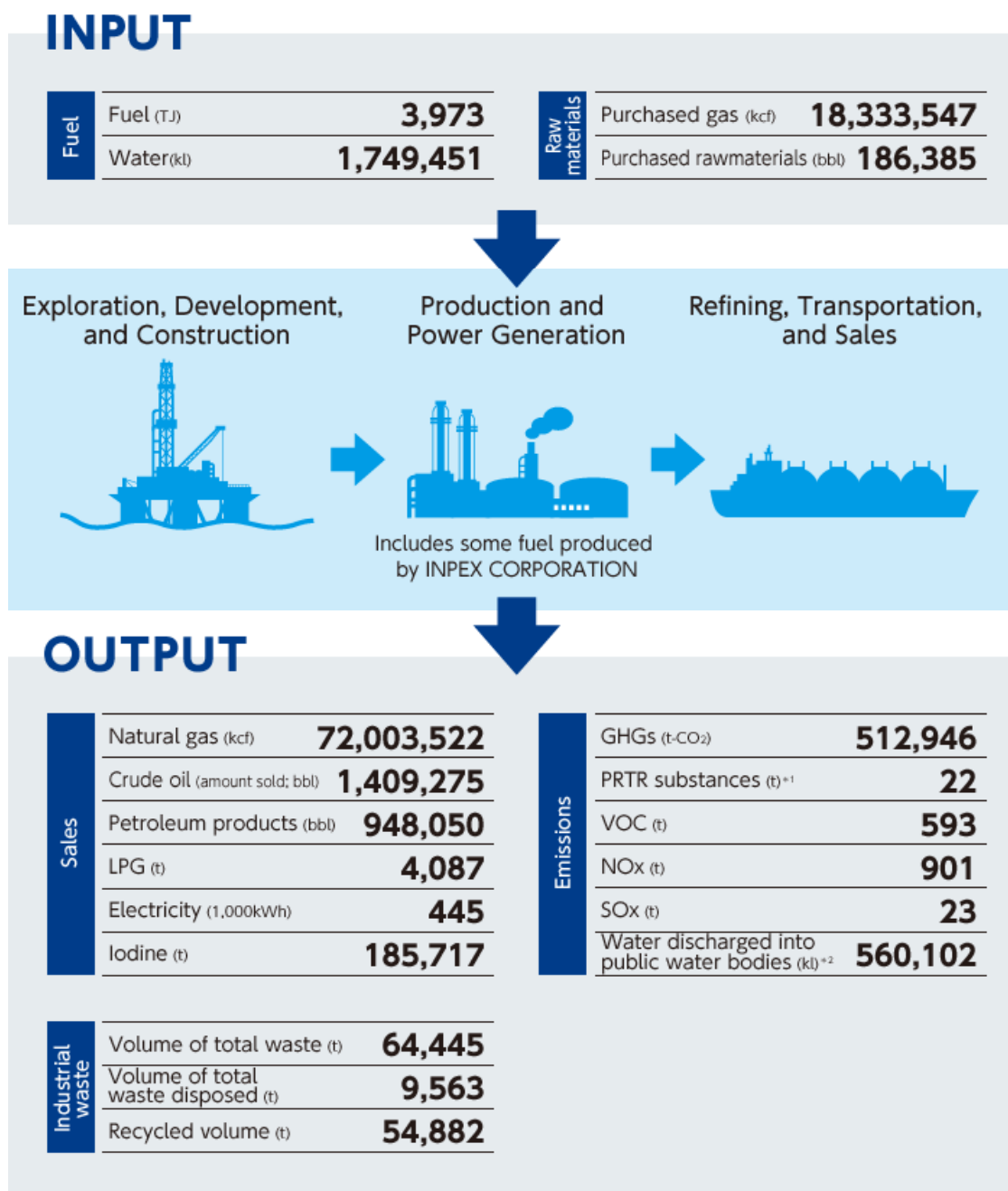
We collect data from our Operational Organizations across the globe and strive to monitor the total environmental impact of the INPEX Group.



■ Environmental Impact of Our Business Activities

In fiscal 2012 the INPEX Group continued implementing a range of measures such as reduction of VOC and greenhouse gas emissions to reduce its environmental impact.

Our environmental impact for fiscal 2012 is summarized in an Input/Output format below:



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

■ Cost of Environmental Technologies

Environmental Investments in FY2012—Implementation and Effects (April 2012–March 2013)

Objectives	Items for Investment	Location/Facility		Investment (thousand yen)		Investment Subtotal (thousand yen)	Environmental benefit	FY2012 environmental benefit (over previous year)
				New Installation	Upgrade/ Repair/ Maintenance			
Global warming countermeasures (includes cost of energy conservation measures)	Switched to energy-saving lighting	Niigata, Chiba	Buildings within the jurisdiction of Minami Aga Plant 1 and Chiba District Office	2,030		2,030	Reduced electricity consumption by switching to LED lighting	Electricity consumption: Reduced by approx. 15,352 kWh/year
	Retrofitted on/off devices of lighting	Niigata	Buildings and outdoor lamps at Kashiwazaki Iron Plant	300		300	Reduced electricity consumption with installation of canopy switches and automatic on/off devices	Electricity consumption: Reduced by 8,400 kWh/year
	Applied heat insulation coating to roofs of office	Chiba	Office buildings within the jurisdiction of Chiba District Office	1,000		1,000	Reduced electricity consumption with improved insulating effect	
	Constructed photovoltaic power generation facility	Niigata	INPEX Logistics sites	719,203		719,203	(Facility is not operated in FY2012.)	
Conservation of air/water environment	Cleaned filler and inside air stripper of VOC removal devices	Niigata	VOC removal devices for Kubiki Refinery		2,050	2,050	Maintained and improved VOC removal capacity by cleaning filler	VOC emissions: Reduced by 18 t/year (estimated)
	Replaced VOC catalyst	Niigata	VOC removal devices for Koshijihara Plant		56,000	56,000	Improved VOC removal capacity by replacing catalyst	VOC emissions: Reduced by 14 t/year (estimated)
	VOC countermeasure work	Niigata	Water degasser for Koshijihara Plant	13,700		13,700	Reduced VOC emissions by introducing emission gases to ground flare system and burning off emission gases	
	Established facilities to prevent	Niigata	Oil Terminal Naoetsu, Oyazawa/ Sekihara Plant	11,530		11,530	Measures to prevent soil pollution and leakage to outside the	

Conservation of soil/groundwater environment	oil spill						premises and the sea in case of oil spill	
Conservation of water environment	Installed dike for the brine tank	Niigata	Brine tanks for Asahihara/Jurakuji/Yashima/Koshijihara Terminal	26,500		26,500	Measures to prevent leakage to outside the premises in case of brine spill	
Chemical substance management	Replaced adsorption agent in mercury removal devices	Niigata	Mercury removal devices in condensate for Oyazawa Plant		29,370	29,370	Improved mercury removal capacity by replacing adsorption agent	
Noise prevention	Installed soundproof fences	Niigata	Ozeki/Shinkuwayama Plant, Iwanohara well site	26,564		26,564	Measures for noise prevention by installing soundproof fences	
Conservation of natural environment	Developed green space	Niigata	Greenhouses on the premises of LNG receiving terminals		34,000	34,000	Promoted greening through cultivation of trees	
Others	Installed equipment to kill well	Niigata	Well site within the jurisdiction of Niigata District Office	16,100		16,100	Measures to mitigate significant environmental aspects in case of troubles with well	
Investment total				816,927	121,420	938,347		

■ 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 "Voluntary Action Plan on the Environment" led by the Nippon Keidanren (Japan Business Federation) through the Japan Petroleum Development Association (JPDA), and began taking part in the Nippon Keidanren's Commitment to a Low-Carbon Society*¹ in 2013. We are mounting approaches to prevention of global warming in line with the goals of these programs.

Looking ahead to full-fledged operation of overseas projects beginning in 2016, we have also launched a working group on and are pursuing studies for management of our greenhouse gas (GHG) emissions inside and outside Japan. As we work toward Group-wide initiatives to reduce GHG emissions and conserve energy, we are deepening discussions aimed at clearly defining the Group policies and targets, which we intend to determine in the future.

***¹ Commitment to a Low-Carbon Society:** Action plans prepared in response to a call issued by Nippon Keidanren to various industrial associations for approaches to reduction of GHG emissions. The JPDA is also participating, and has set the following targets for GHG (excluding concomitant CO₂) emissions from mining facilities in domestic projects for development of oil and natural gas resources.

- Reduction of emissions by 60,000 tons-CO₂ (27%) relative to actual emissions in FY2005, by FY2020
- Reduction of the emissions per unit of production by 25% relative to FY1990, by FY2020

Reducing GHG Emissions

In fiscal 2012, GHG emissions throughout the INPEX Group increased to 513,000 tons from 382,000 tons in fiscal 2011. Emissions from our operations in Japan, which had accounted for 95 percent of the Group total up until the previous year, increased by about 10,000 tons, and those from our projects in Australia, where construction is now in full swing, by about 100,000 tons.

One of the major factors behind the increase in domestic emissions was that in separated CO₂ along with the increase in natural gas production at the Nagaoka Field Office. Another factor driving up our emissions was the big increase in the emission coefficients of electric power companies*².

In pipeline construction projects, an expansion in the number of projects was reflected in an increase in associated GHG emissions to about 4,000 tons, more than five times as much as in fiscal 2011. In contrast, the emissions per unit of production were slightly lower than in fiscal 2011, owing to an increase in production in Japan.

In Japan, we manage GHG emissions in accordance with the provisions of the Energy Conservation Law and the Global Warming Law. Our energy use in our domestic business in fiscal 2012 was down about 2.5 percent from that in fiscal 2011. We met the targeted 1-percent reduction in the energy use per unit of production based on the amended Energy Conservation Law. The emissions of non-energy-sourced CO₂, methane, and flare-derived gas we reported in accordance with the Global Warming Law increased by about 9,000 tons in CO₂-equivalent.

The chief sources of our GHG emissions are CO₂ deriving from energy use in oil and natural gas businesses and electric power generation, emission of CO₂ separated and removed from natural gas, and methane deriving from natural gas discharge.

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*³ systems at our operating sites to burn off waste natural gas.

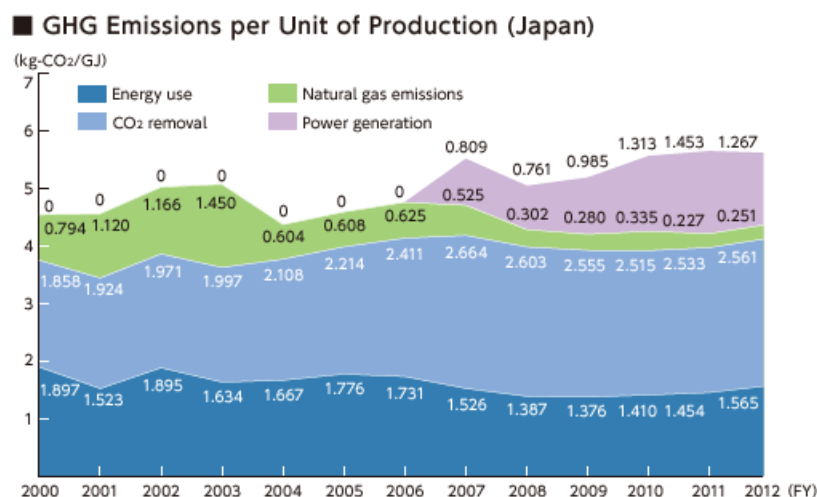
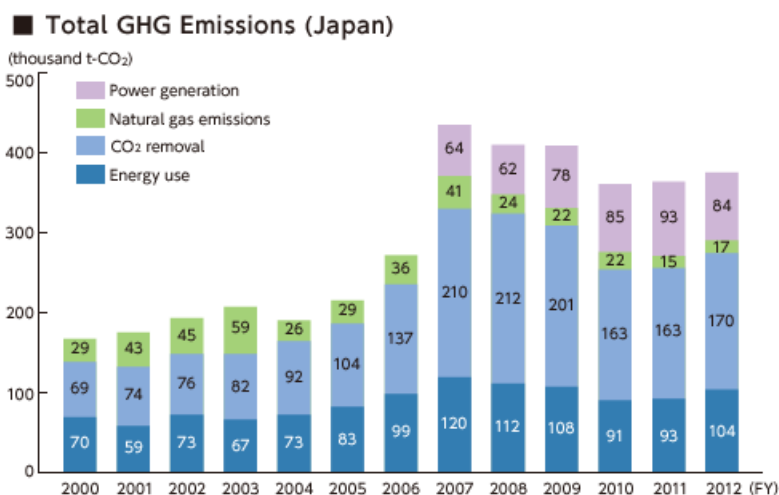
Since fiscal 2006 we have calculated the quantity of energy consumed during transportation in our operations and reported this data along with our energy conservation plans. The majority of the INPEX Group's transportation is of oil and condensate, and although transportation is commissioned to outside 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.



A ground flare system at the facility for collection of newly extracted oil at the Akita District Office

*² **Emission coefficients:** Coefficients to be applied in calculation of GHG emissions deriving from energy use are determined by the national authorities for each type of energy source. The coefficient for electrical power is revised every fiscal year in correspondence with the actual figures for power generation by each electric power company in the previous fiscal year. The suspension of operation of nuclear power stations after the Great East Japan Earthquake led to an increase in the amount of power generated by thermal power stations and other means. The emission coefficient for ordinary electric power companies in fiscal 2012 consequently was about 1.5 times as high as in fiscal 2011 on average.

*³ **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.



Approaches to Energy Conservation

As a part of its measures to prevent global warming, the INPEX Group is also working to save energy.

In 2008, our Domestic Project Division prepared an energy management manual. It supervises the reduction of energy use at each operating site, more efficient use of energy, etc. In line with this manual, we regularly hold meetings of an energy conservation group with the participation of the people assigned to energy management at each operating site. At these meetings, the members confirm the progress of medium- and long-term plans prepared in line with the Energy Conservation Law, and the energy use per unit of production and other factors to be included in period reports. They also share information on energy-saving initiatives and know-how at each site.

Through these activities, each operating site in our Domestic Project Division is working to eliminate needless energy use and make their operations more energy-efficient by conducting reviews of the current operation of their plant facilities. For a further energy savings, they are making a switch to energy-saving LED bulbs for lighting on their premises.

For conservation of energy in our capacity as the owner of the products being transported, we are conducting a program of regular education for transportation companies to see that the drivers of their tank lorries practice eco-driving*⁴.

^{*4} **Eco-driving:** Driving oriented toward avoidance of fast acceleration or deceleration, moderate speeds, maintenance of ample inter-vehicle distance, and little fluctuation in speed. Energy efficiency, for example, can improve by about 11 percent simply by accelerating more slowly than usual.

Biodiversity Conservation

Basic Policy

For the conservation of biological diversity, our priorities are based on the International Finance Corporation (IFC) Performance Standard ([IFC Performance Standards \[full document\]](#)) 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 in Japan or overseas, the INPEX Group executes studies of environmental impact in conformance with the Performance Standard of the International Finance Corporation (IFC). We also take action to preserve biodiversity, which we examine on the basis provided by the findings of these studies, and endeavor to hold any final impact on the eco-system to the very minimum.

Our Domestic Project Division conducted surveys to ascertain the degree to which the various initiatives being taken by its sites producing crude oil and natural gas are meeting the IFC Performance Standard at present.

As this activity indicates, we are making periodic reviews of our measures for protection of plant and animal life native to the particular area, and stand committed to continued consideration for biodiversity in our development and production activities.

Biodiversity Conservation Measures Taken at Projects

Toyama Line Construction Project

During the construction of 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.



Toyama Line environmental impact survey

■ 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*1 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)

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

Naoetsu LNG Receiving Terminal Construction Project

In accordance with the law, the construction of Naoetsu LNG 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. In October 2013, we expect to complete the planting of a total of 600,000 trees, both tall and small. In addition, we regularly conduct environmental impact surveys out of concern for ecosystems and reflect the results in efforts to minimize the impact on marine life and protect the ecology of the sea area in question.

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.

Ichthys LNG Project

The Ichthys LNG Project is carrying out a comprehensive near shore environmental monitoring program in Darwin Harbour to assess the impact of its activities, in particular that of dredging.

Baseline surveys were conducted before the start of dredging in August 2012 to examine characteristics of the harbour environment in more than 10 key areas including mangrove health, water quality, coral and fish health and coastal dolphin, turtle and dugong abundance and distribution. These surveys will continue until dredging is completed.

Complementary conservation measures include the use of turtle protection equipment and trained marine fauna observers on board the dredgers to ensure that there are no marine animals within safety zones during dredging activities.



Monitoring coral reefs in Darwin Harbor

Abadi LNG 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.

■ 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, as well as 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 \[full document\]](#)). IFC Performance Standards cover not only societal aspects but also environmental factors, and are widely recognized as a global standard. In our operations in Japan, we conducted a survey in order to ascertain the gap between the IFC standards and the current status at our sites producing crude oil and natural gas. For the gaps revealed by this survey, we formulated plans for improvement and are taking related measures. The INPEX Group did not violate any environmental laws or regulations during fiscal 2012, both in Japan and overseas.

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.

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.

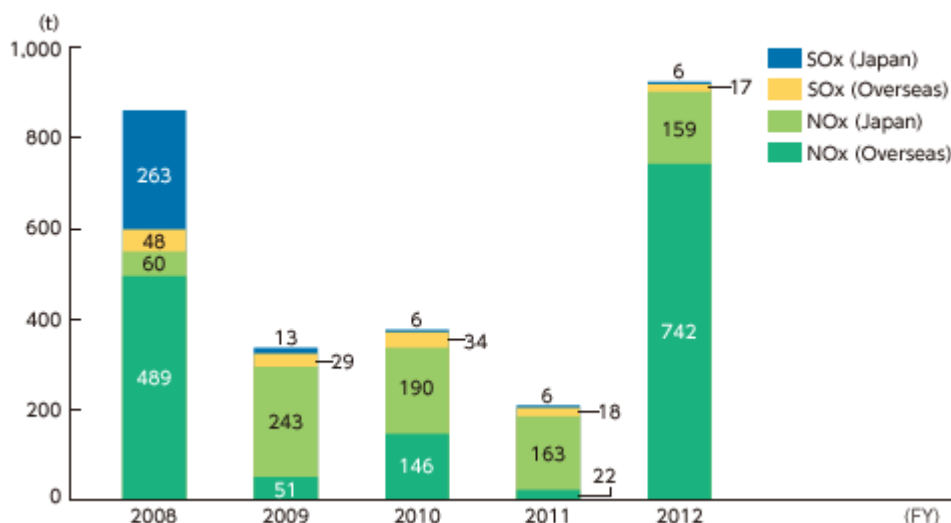
In fiscal 2012, there was an increase in the amount of natural gas discharge from gas pipeline construction projects, and this resulted in a corresponding increase in VOC emissions. Nevertheless, thanks to the improvement of facilities as exemplified by the installation of a VOC removal system at our Sekihara Plant in the Nagaoka Field Office, operated by the Niigata District Office in fiscal 2012, the VOC emissions were held to about the same level as in fiscal 2011.

As for substances depleting the ozone layer, operating sites in our Domestic Project Division are making use of a specified CFC*¹ (HCFC-22) as a refrigerant. The Montreal Protocol*² is calling for the complete phase-out of this gas by 2020, and we plan to gradually reduce its use through a phased replacement with alternative substances. In cases of continued use of specified CFCs *¹, we are tightening control for prevention of leakage from equipment and pipes.

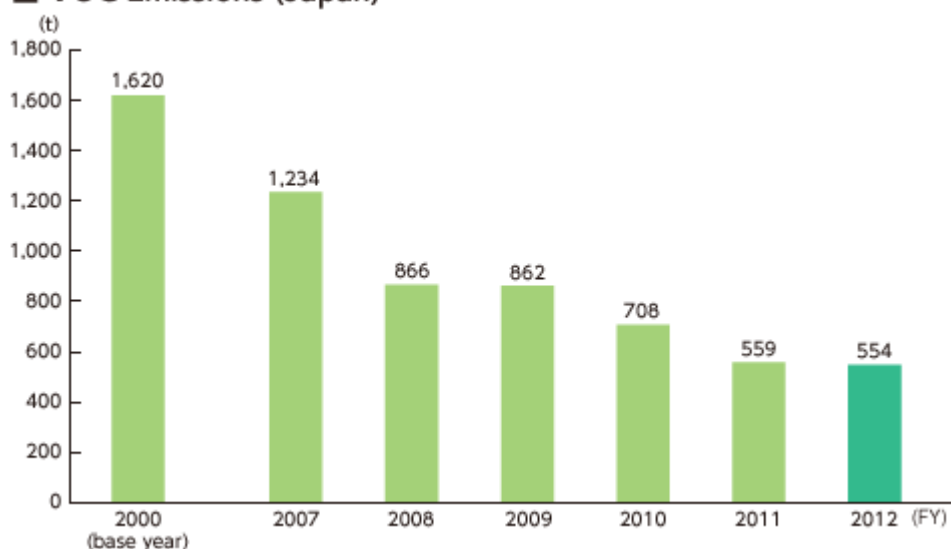
*¹ **Specified CFCs:** fluorine compounds that are subjects of regulation by international agreements in order to protect the ozone layer

*² **Montreal Protocol:** A protocol adopted in 1987 for the purpose of regulating the production, consumption, import, and export of substances which could possibly destroy the ozone layer.

■ Emissions of NOx and SOx



■ VOC Emissions (Japan)



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) Law^{*3} 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 water^{*4} that are released into waterways.

^{*3} **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.

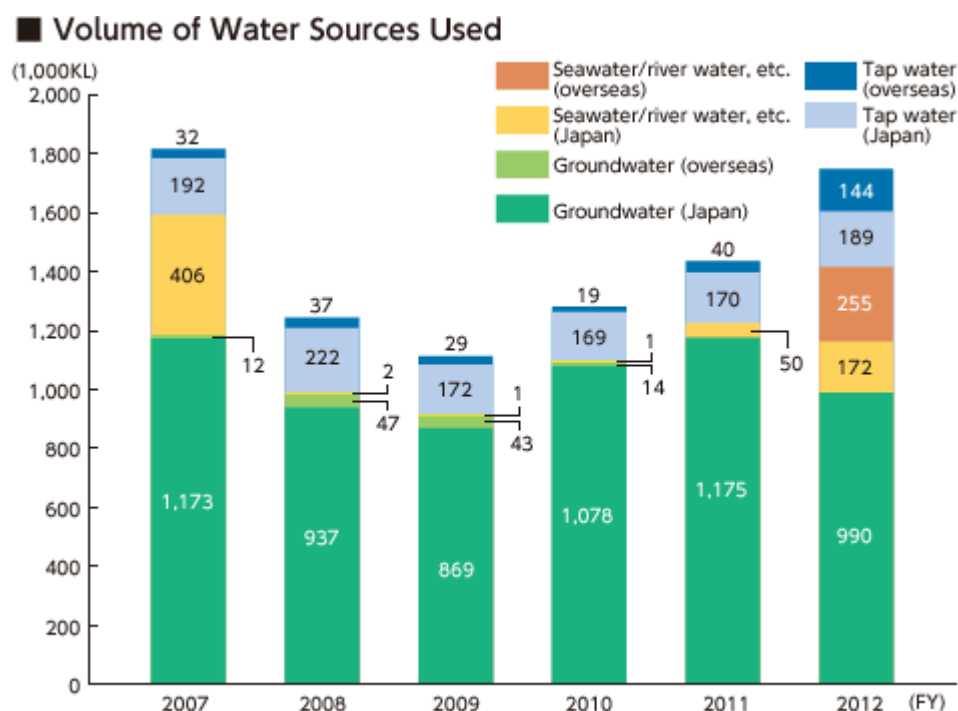
^{*4} **Well water:** Water generated from the earth due to natural gas, etc.

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)*5 and Chemical Oxygen Demand (COD)*6 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.

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

*6 **CDD**: The amount of oxygen consumed by oxidizing agents during oxidization of water pollutants. Mainly used as a measure of ocean pollution.

Waste Management

Our policy on waste treatment is in conformance with the national Basic Plan for Establishing the Recycling-based Society. It has four major components: 1) reduce waste derivation, 2) reuse any resources that can be recycled, 3) recycling, and 4) reduce natural resource consumption by recovery and recycling of heat. The point is to reduce environmental burden as far as possible. The IFC Performance Standard we follow is in agreement with the thinking behind the Basic Plan. We also bear this policy in mind in our overseas projects as well.

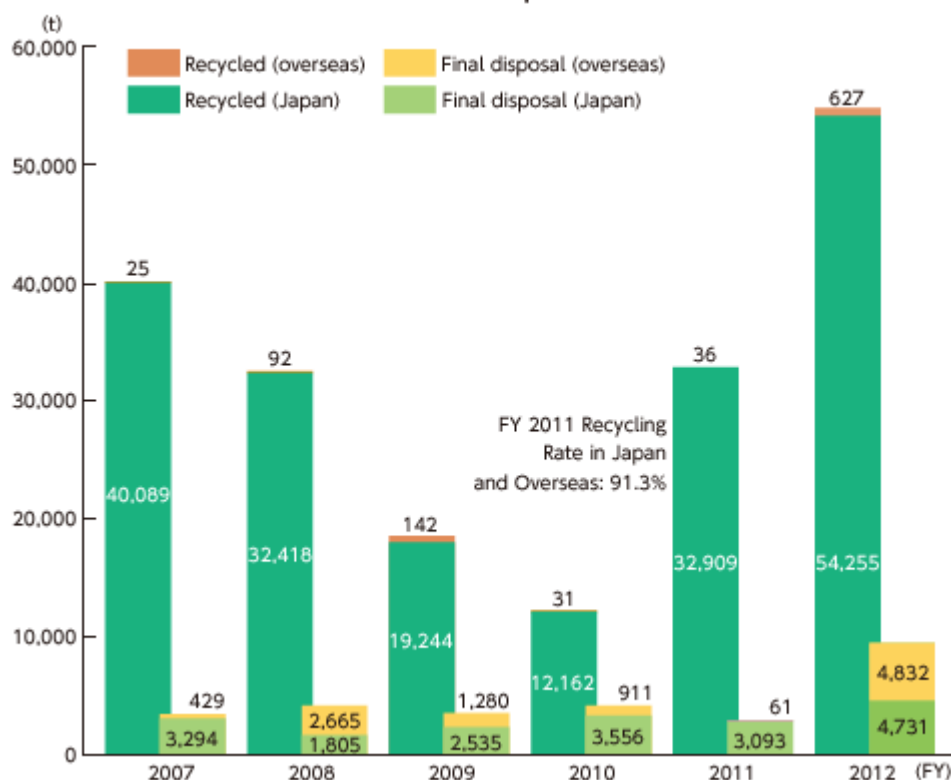
When our business operations result in the derivation of recyclable resources which would be difficult to reuse in our company, we consign the treatment of the related industrial waste to a contractor specializing in the same, to see that it is properly treated. In our domestic operations, more than 90 percent of the waste derived is recycled. The industrial waste derived in the Group as a whole consists mostly of drill cuttings and waste mud fluid resulting from drilling and production in our oil and natural gas business, and waste from plant construction.

The 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*7 .

Although the waste from well drilling in Japan is on a declining trend, that accompanying the pipeline construction projects and the building of LNG terminals stayed on high levels again in fiscal 2012 as in fiscal 2011, and occupied the majority of all waste derived. In line with the amendment of the Waste Management and Public Cleansing Law in April 2011, we are monitoring contractors to see that they are properly executing the treatment consigned to them, heightening awareness of our own responsibility for treatment as the generator of the waste, and otherwise endeavoring to fulfill our obligations for proper treatment.

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

■ Industrial Waste Material from Operations



■ Breakdown of FY2012 Recycled Industrial Waste Materials (Japan)



Proper Management and Treatment of PCB Waste

With stricter regulations stipulated under the Law Concerning Special Measures Against PCB Waste, ^{*8} 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.

^{*8 Law Concerning Special Measures Against PCB Waste:} Special law governing the treatment and disposal of PCBs

Oil Pollution Prevention Measure

Recent years have seen a spate of not only large-scale oil spills and oil leaks in projects of oil and natural gas development but also small-scale leaks from tanks and pipelines in oil and natural gas refineries. These incidents are causing apprehensions about adverse influence on water quality, soil, air, and other environmental aspects as well as the safety and health of people in the surrounding area.

We have prepared manuals for response to leaks at our operating sites in Japan producing crude oil or condensate. In the unlikely event of leakage of crude oil or condensate outside the site, the manual stipulates action to minimize any impact on the peripheral environment, by means such as sandbags and oil-absorbing mats to prevent the spread of leaks, and erection of oil fences on rivers.

In October 2012, a condensate leak occurred at Oil Terminal Naoetsu operated by our subsidiary Teiseki Topping Plant Co., Ltd. (the current INPEX Logistics (Japan) Co., Ltd.).

Based on the area of the oil slick, the amount of leakage into the sea was estimated at about 100 liters (equivalent to about half a barrel of oil). There was an additional leakage of about 52,000 liters on the grounds of the complex. In response, we immediately erected an oil fence on the sea and set about recovering the oil that had leaked within the complex by suctioning it from ditches on the inner side of leak-preventing dikes and terminal drainage tanks, and by using oil-absorbing mats. Condensate is a light oil, and virtually all of it evaporated and diffused. There is consequently thought to be little impact on the environment from it. We have nevertheless taken a lesson from this accident and are tightening our preparations to prevent leaks from occurring and to swiftly respond to them if they do.

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 such as solar power and geothermal power, and taking measures to combat climate change.

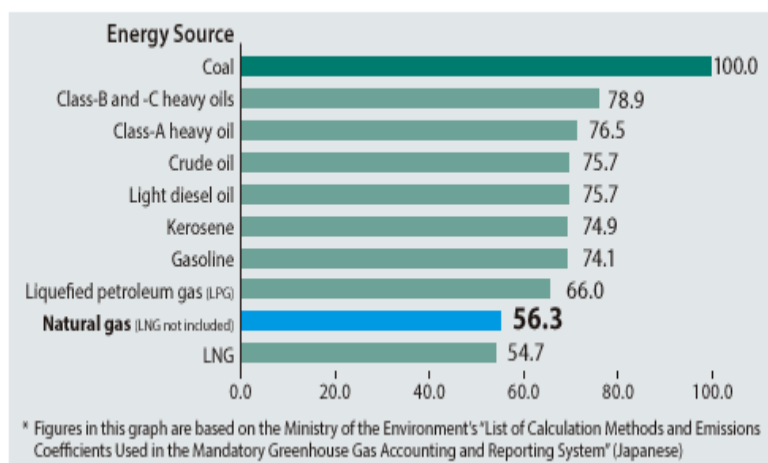
At the same time, we are continuing our long-term efforts to research, develop and commercialize technology to reduce GHG emissions, and to formulate offset measures.

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.

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



Start of Power Generation by INPEX Mega Solar Joetsu

Situated on a section of the grounds of INPEX Logistics (Japan) Co., Ltd., our wholly-owned subsidiary in the city of Joetsu, Niigata Prefecture, INPEX Mega Solar Joetsu is installed with solar panels with a maximum output of about 2,000 kilowatts (2 megawatts), and commenced the generation of power in March 2013. Its yearly power generation is anticipated to be enough to supply the power consumption needs of about 750 ordinary households.

Implement Studies for Practical Geothermal Power Generation in Two Locations in Hokkaido and Akita

As compared to fossil fuels, geothermal power generation entails very little emission of CO₂ (several tens of times less per unit of power generated) and is able to generate power on a stable basis, uninfluenced by the weather. It is one of the new types of energy that has a high synergistic effect with our business. Its nature as a stable energy unswayed by fluctuation in energy prices is in accord with our goal of making contributions to a stable energy supply. For these reasons, we have been conducting studies aimed at practical geothermal power generation at two sites in Hokkaido and Akita Prefectures.

Reforestation Project in Australia

The Ichthys LNG Project 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 eucalyptuses are now standing four meters tall. Over the next 50 years the trees are expected to absorb around 450,000 tons of CO₂. This project qualifies for registration as a Carbon Farming Initiative (CFI^{*1}), which generates Australian Carbon Credit Units.^{*2} These carbon credits can be used to offset the CO₂ emitted from the Ichthys LNG Project.



Eucalyptus trees planted in the southwest of Australia

^{*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

Fire Management in the Savanna

Darwin LNG Pty Ltd, which the INPEX Group owns a stake in, promotes a fire management project covering over 28,000 square kilometers in West Arnhem Land with Northern Territory Government and traditional Aboriginal land owners to reduce greenhouse gas emissions. By prescribed burning of savanna grasses and loading of strategic firebreaks, minimizing the occurrence of uncontrolled wildfires, the project is lessening the impact on the ecosystem and reducing greenhouse gas emissions over 100,000 tons of CO₂ equivalent per year.



Fire Management in the Savanna

Developing New Technologies that Reduce Environmental Impact

•Commercializing Japanese GTL*³ 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. In December 2012, recognition of this work led to our selection by the Japan Institute of Energy for Japan Institute of Energy Award 2012 in Technical Division. As the process proved to be safe and economically feasible, we plan to work to bring this technology into practical use in the future.

*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.

•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 study*⁶ 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 company taking the lead in future processes.

*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

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

•Research of Technology for Manufacturing Hydrogen, the Ultimate Renewable Energy

We are engaged in research for production of hydrogen, which is regarded as the ultimate renewable energy, from sunlight and water. Hydrogen is a clean energy whose combustion results in the formation of water only. It can also be used to produce hydrocarbon fuels and chemical materials through reaction with CO₂. At present, it is generally manufactured from oil, methane, and other such substances. We are participating in the Japan Technological Research Association of Artificial Photosynthetic Chemical Process launched in November 2012 by the Ministry of Economy, Trade and Industry with the aim of establishing technology for efficient manufacture of hydrogen by resolution of water through photocatalysis. We are therefore part of a joint project to this end pooling the capabilities of government, industry, and academia.

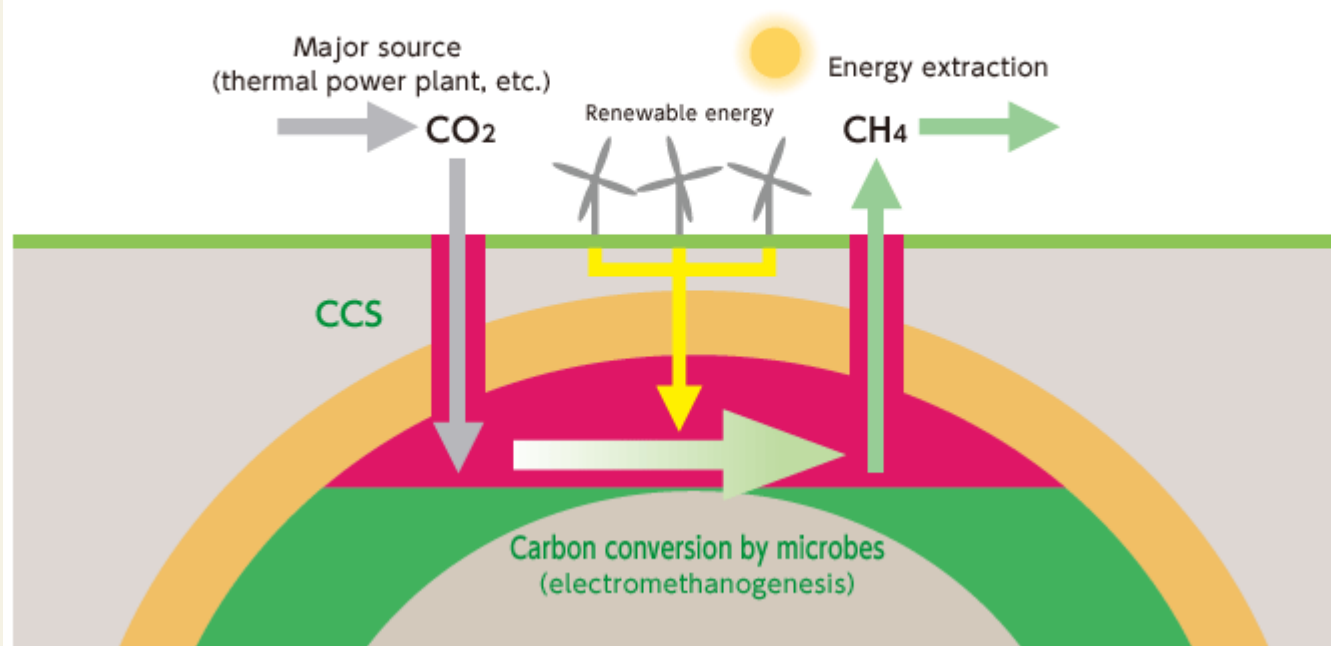
•Advancing CCS Research

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(CH₄) 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.

■ Methane Generation Using Microbes



Special Feature Part 4 “[Renewable and New Energies](#)”

Interview

Customer Voice

As the first such project after amendment of the Act on Promotion of Improvement of Agricultural Management Foundation, we at Myoko Garden Co., Ltd. began producing and sales of safe and flavorful macrophyll (*Ooba*) and other herbs through operations managed by a joint-stock company. We are aiming for management that is friendly to both people and the environment. Heating is essential in the wintertime, given the location in our area of extreme cold. Upon studies aimed at installing heating facilities that were even a little more environment-friendly, we selected a system fueled with natural gas, which is resolved into water and CO₂ upon complete combustion. Both water and CO₂ are indispensable for the growth of any plants, and natural gas is therefore the perfect fuel for the system. Thanks to the stable supply of fuel by pipeline, even in winter, our plants grow rapidly in our greenhouses of about 15,000 square meters, and they are one of the familiar midwinter sights in the area.



Mr. Mitsuaki Yamashita, Representative Director, Myoko Garden Co., Ltd.

■ Domestic Environmental Performance Data by Site for Fiscal 2012 (2012/4/1~2013/3/31)

Domestic Operational Site				Domestic Project Division					Pipeline Construction	LNGReceiving Terminal Construction	HeadOffice (Incl. over seasoffice)	Affiliates (OIP,TPC, TTP) ^{※1}	Total
Project			Unit	Akita	Chiba	Niiigata	Other offices	Power generation					
Production and Processing Volume	Natural gas		1,000s of CF	418,864	720,038	47,662,370							48,801,272
	Crude oil		bbl	72,672		1,336,603							1,409,275
	Petroleum products		bbl									948,050	948,050
	LPG		t									4,087	4,087
	Iodine		t		445								445
	Electricity		1,000s of kWh					185,717					185,717
Purchased Volume	Purchased gas		1,000s of CF	15,169	1,049,510	17,268,868							18,333,547
	Purchased rawmaterials		bbl									186,385	186,385
Energy Consumption	Natural Gas		1,000s of Nm³	73	90	28,363	0	37,700	0	0	1	2,229	68,457
	Refinery gas		1,000s of Nm³	0	0	0	0	0	0	0	0	1,005	1,005
	Gas Oil		KL	11	7	24	9	0	222	840	0	3	1,116
	Fuel Oil A		KL	0	55	0	13	0	0	0	0	0	68
	Kerosene		KL	5	0	2	2	0	0	0	15	42	66
	Gasoline		KL	9	17	20	43	0	238	5	29	159	519
	Condensate		KL	0	0	0	0	0	0	0	0	0	0
	LPG		トン	0	0	11	0	0	11	2	0	0	24
	Puchased Electricity		1,000s of kWh	1,612	21,270	6,208	981	1,289	5,245	3,174	1,848	3,966	45,593
	City Gas		1,000s of Nm³	13	9	53	163	0	3	0	42	6	289
	Heat supply		GJ	0	0	0	0	0	0	0	6,886	0	6,886
	Total Energy Consumption		GJ	20,325	219,372	1,298,501	19,287	1,652,499	69,573	63,591	29,056	268,665	3,640,870
Water Consumption	Tap water		m³	5,382	7,699	111,122	18,142	0	19,018	7,483	11,405	8,651	188,901
	Groundwater		m³	0	15,722	517,420	27	309,813	2,615	0	0	143,990	989,587
	Sea/river water		m³	0	0	0	0	0	0	172,083	0	0	172,083
	Sea/river water		m³	5,382	23,421	628,542	18,169	309,813	21,633	179,566	11,405	152,641	1,350,570
GHG Emissions	Emissions Source	Energy Use	t-CO₂	1,133	11,742	66,541	1,093	84,212	4,048	3,974	1,659	13,803	188,206
		Flaring	t-CO₂	399	0	5,906	0	2	0	0	0	0	6,307
		Other Ventings \$ Fugitives	t-CO₂	1,558	746	2,432	0	0	0	0	0	5,614	10,350
		Raw-CO₂ Venting	t	0	0	170,189	0	0	0	0	0	0	170,189
	Gas Types	CO₂	t	1,531	11,740	242,633	1,056	84,214	4,019	3,922	1,658	13,789	364,562
		CH₄	t-CO₂	1,558	746	2,432	2	0	1	1	0	5,614	10,355
		N₂O	t-CO₂	1	2	3	35	0	28	51	1	13	135
	Total GHG Emissions		トン-CO₂	3,091	12,488	245,068	1,093	84,214	4,048	3,974	1,659	19,417	375,052
Pollutant Emission Register	Emitted into atmosphere	Benzene	kg	72	0	3,532	0	25	0	0	0	1,152	4,781
		Toluene	kg	0	0	203	0	0	0	0	0	4,404	4,607
		Xylene	kg	27	0	101	0	0	0	0	0	736	865
		n-Hexane	kg	0	0	1,088	0	0	0	0	0	9,516	10,604
		Ethylbenzene	kg	0	0	0	0	0	0	0	0	150	150
		1,3,5-Trimethylbenzene	kg	0	0	0	0	0	0	0	0	12	12
		1,2,4-Trimethylbenzene	kg	0	0	2	0	0	0	0	0	200	202
	Emitted into soil	Methylnaphthalene	kg	0	0	0	0	0	0	0	0	0	0
		Ferric chloride	kg	0	0	0	0	0	0	0	0	0	0
		Chromium & Chromium(III) compounds	kg	0	0	0	0	0	0	0	0	0	0
	Emitted into water body	Boron compounds	kg	0	0	310	0	0	0	0	0	0	310
		Arsenic and its inorganiccompounds	kg	0	0	0	0	0	0	0	0	0	0
		Mercury and its compounds	kg	0	0	0	0	0	0	0	0	0	0
	Total Pollutant Emission Register		kg	100	0	5,236	0	25	0	0	0	16,170	21,531
Pollutant Transfer Register	Ferric chloride		kg	0	0	0	0	0	0	0	0	0	0
	Chromium & Chromium(III) compounds		kg	0	0	0	0	0	0	0	0	0	0
	Total Pollutant Transfer Register		kg	0	0	0	0	0	0	0	0	0	0
Emissions into the Atmosphere	VOC		t	96	0	159	0	0	0	0	0	299	554
	NOx		t	0	0	60	0	88	0	0	0	11	159
	SOx		t	0	0	6	0	0	0	0	0	0	6
Wastewater Discharge	Water Discharged into Public water Bodies		m³	0	14,146	141,427	0	77,682	2,036	0	0	324,811	560,102
	Water reinjected		m³	96,665	995,036	3,955	0	0	0	0	0	0	1,095,656
	Total Wastewater Discharged		m³	96,665	1,009,182	145,382	0	77,682	2,036	0	0	324,811	1,655,758
Waste Volume	General Waste	Combustible Material	t	3	11	15	24	0	27	1	77	0	158
		Incombustible Material	t	0	2	0	25	0	13	0	11	0	52
	Industrial Waste	Recycled	t	5	1,439	77	563	0	32,441	19,556	65	21	54,166
		Disposed	t	78	5	1,387	4	0	428	2,297	4	104	4,307
	Hazardous Waste	Recycled	t	0	0	0	0	0	0	0	0	89	89
		Disposed	t	29	0	183	0	0	0	0	0	1	213
Oil Spills	Number of Oil Spills		number	0	0	0	0	0	0	0	0	1	1
	Quantity of Oil Spills		bbl	0	0	0	0	0	0	0	0	327	327

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

■ Overseas and Domestic Environmental Performance Data by Site for Fiscal 2012 (2012/4/1~2013/3/31)

County Project				Australia	Indonesia	Libya	Venezuela	Malaysia	Suriname	Japan	Total
Item			Unit	Ichthys	Masela	INPEX Libya	Gas Guarico/ Moruy	BABAR SELARU	Suriname	Operations in Japan (Incl. overseas offices)	
Production and Processing Volume ^{※1}	Natural gas		1,000s of CF				23,202,250			48,801,272	72,003,522
	Crude oil		bbl							1,409,275	1,409,275
	Petroleum products		bbl							948,050	948,050
	LPG		t							4,087	4,087
	Iodine		t							445	445
	Electricity		1,000s of kWh							185,717	185,717
Purchased Volume	Purchased gas		1,000s of CF							18,333,547	18,333,547
	Purchased Raw Materials		bbl							186,385	186,385
Energy Consumption	Total Energy Consumption		GJ	1,352,055	26,840	0	45,195	147,463	0	3,640,870	5,212,424
Water Consumption	Tap water		m³	132,395	7,305	0	2,661	1,900	0	188,901	333,162
	Groundwater		m³	0	92	0	0	0	0	989,587	989,679
	Sea/river water		m³	254,377	151	0	0	0	0	172,083	426,611
	Water Consumption		m³	386,772	7,547	0	2,661	1,900	0	1,350,570	1,749,451
GHG Emissions	Emissions Source	Energy Use	t-CO ₂	107,598	15,316	12	3,665	11,175	0	188,206	325,974
		Flaring	t-CO ₂	0	0	0	126	0	0	6,307	6,433
		Other Ventings \$ Fugitives	t-CO ₂	0	0	0	0	0	0	10,350	10,350
		Raw-CO ₂ Venting	t	0	0	0	0	0	0	170,189	170,189
	Gas Types	CO ₂	t	106,964	15,316	12	3,772	10,910	0	364,562	501,536
		CH ₄	t-CO ₂	128	0	0	7	25	0	10,355	10,516
		N ₂ O	t-CO ₂	506	0	0	12	240	0	135	894
	Total GHG Emissions		t-CO ₂	107,598	15,316	12	3,792	11,175	0	375,052	512,946
Emissions into the Atmosphere	VOC		t	19	0	0	16	4	0	554	593
	NOx		t	579	0	0	20	143	0	159	901
	SOx		t	1	0	0	1	15	0	6	23
Wastewater Discharge	Water Discharged into Public water Bodies		m³	0	0	0	0	0	0	560,102	560,102
	Water reinjected		m³	0	0	0	0	0	0	1,095,656	1,095,656
	Total Wastewater Discharged		m³	0	0	0	0	0	0	1,655,758	1,655,758
Waste Volume	Disposed	Non-hazardous Waste	t	3,036	67	0	0	30	0	210	3,344
		Hazardous Waste	t	1,678	16	0	0	4	0	4,520	6,219
	リサイクル(Recycled, Reused, Reclaimed Materials)		t	613	0	0	15	0	0	54,255	54,882
Oil Spills	Offshore	Number	件	0	0	0	0	0	0	0	0
		Quantity	bbl	0	0	0	0	0	0	0	0
	Onshore	Number	件	13	0	0	0	0	0	1	14
		Quantity	bbl	3	0	0	0	0	0	327	330
	Total Number of Oil Spills		件	13	0	0	0	0	0	1	14
	Total Quantity of Oil Spills		bbl	3	0	0	0	0	0	327	330

※1 Ichthys: INPEX Browse, Ltd.
Masela: INPEX Masela, Ltd.
INPEX Libya: INPEX Libya, Ltd.
Gas Guarico: Gas Guarico, S.A.
Suriname: Teikoku Oil (Suriname) Co., Ltd.
BABAR SELARU: INPEX BABAR SELARU Co., Ltd.
Japanese Operations: Operations in Japan related to development, refinement and transportation of oil and gas

Safety Management

Main Achievements in FY2012

0.77 LTIF **4.05** 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

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 endeavors to assess and manage HSE risks using consistent methods based on the "HSE Risk Evaluation Procedures" defined in our HSEMS.



Aiming to Reduce Accidents

INPEX is promoting various safety initiatives in order to reduce the number of accidents.



Emergency Response

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



Contractor's Safety Management

In accordance with the Corporate Procedure for Contractor's HSE Management, which is a part of our HSE Management System, Operational Organizations in Japan and all over the world are promoting HSE management initiatives for contractors.



Safety Management of Pipelines

Keeping our pipelines in good working condition is critical to supplying natural gas to our customers safely and securely.



Security Initiatives

Security management at INPEX is based on HSE Management System.



■ Major Accident Prevention

Thorough Risk Management

The INPEX Group endeavors to assess and manage HSE risks using consistent methods based on the “HSE Risk Evaluation Procedures” defined in our HSEMS. Every Operational Organization identifies hazards (causes of risks), evaluates risks, and also considers and executes measures to reduce risks on a daily basis. We further work at a revision of the work manuals for well drilling, HSE reviews for checking the HSE initiatives in a project, the creation HSE plans and others as an essential part of our work. Especially to prevent serious accidents, we have strengthened safety engineering and are working on a review of the project design work and the creation of related guidelines from this aspect.

Prevention of Oil Pollution

In recent years, large-scale oil blowouts and spills have happened in the petroleum gas development industry, for example, in Montara, Australia (2009), Macondo, Mexico (2010) and Bohai Bay, China (2011). Learning the lessons taught by these accidents, INPEX reinforced its organization from all aspects necessary for well incident control, including prevention, containment and response.

As for prevention, we developed rules and procedures to ensure a comprehensive well management at INPEX. Regarding containment, we signed an agreement with the company WWC (Wild Well Control), a provider of capping devices, as a preparation for the event that the blowout preventer (BOP) on the sea floor fails to work during a blowout of oil. Regarding response, we signed a membership agreement with OSRL (Oil Spill Response Limited), the largest oil-spill response service provider in the world, to establish a system for the response to large-scale oil spills. We further attend the general meetings at OSRL to continuously acquire knowledge concerning technology and procedures for the response to oil spill incidents. Moreover, we will enhance education and training to improve the skills of our operational organizations in oil spill response.

In addition, after the accident in Macondo, INPEX joined a JIP (Joint Industry Project) that was formed following an OGP* recommendation. The JIP activities help us to improve our capabilities to respond to oil pollution, for example, by sharing knowledge with other oil and gas companies, which include some major players.

* OGP: International Association of Oil & Gas Producers

Column Comments from Participants of Oil Pollution Prevention Training

Report on the Participation in Oil Pollution Prevention Training

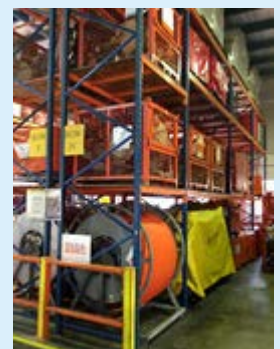
Gas Supply & Infrastructure Division, HSE Group
Takehiko Hirayama

In projects that INPEX promotes as the operator, INPEX has signed an agreement with the world's largest oil spill response service provider OSRL to prepare for large-scale oil spill that span more than one country.

Three INPEX employees attended a training to raise experts in oil spill response (IMO Level 3) which was held in Singapore in December 2012. The training is a program that focuses on acquiring the knowledge necessary for a crisis response team in the case of a large-scale oil spill. The attendance at the training allows us to gain, in a short time,



A scene from the classroom lecture



Equipment and material

basic knowledge about the identification of and cooperation with stakeholders, crisis response communication and media response, legal frameworks, the establishment of a response team and its roles, as well as other management aspects for oil spill incident response. Moreover, we saw a demonstration of the oil pollution response equipment owned by OSRL and visited a mangrove forest. These were valuable experiences.

INPEX will continue to participate in these trainings and utilize the acquired knowledge and experience to develop a complete emergency response organization against oil leakages in both corporate and operator projects, to further improve the oil spill response capabilities of INPEX as a whole.

■ Aiming to Reduce Accidents

INPEX is promoting various safety initiatives in order to reduce the number of accidents. Specifically, we are implementing measures to reduce traffic accidents and promoting the Safety Training Observation Program (STOP) system. The HSE activities of each Operational Organization are based on a target of zero accidents. However for the accident rates of the entire Group including contractors, activities were promoted to achieve our goal of zero accidents, lost time injury frequency (LTIF*¹) and total recordable injury rate (TRIR*²) targets of 0.51 and 2.36, respectively, which are based on the safety index calculated by the International Association of Oil & Gas Producers (OGP).

As a result, the LTIF in fiscal 2012 was 0.70 (an increase of 0.08 points compared to fiscal 2011), the TRIR was 3.98 (an increase of 2.23 points compared to fiscal 2011), and there was one fatal accident. After the fatal accident, INPEX and other involved companies worked together to investigate the cause, and reinforced our safety management to prevent recurrences.

When an incident or near miss occurs, the relevant Operational Organization creates an incident report in accordance with our Corporate HSE Management System Procedure "Incident Reporting and Investigation," which includes a summary of the incident, as well as causes and measures to prevent recurrences. Reports are 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.

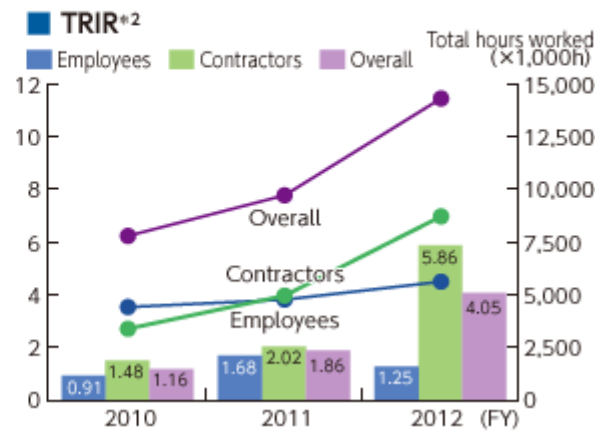
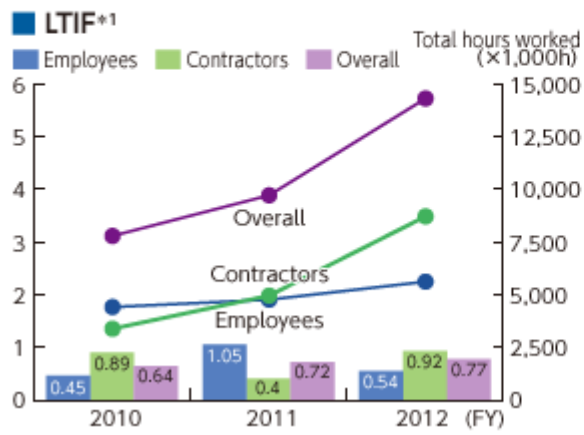
■ Number of Work-related Accidents

(case)

Type	FY2010	FY2011	FY2012
Fatalities	0	0	0
	0	0	1
Lost time injury	2	4	3
	3	2	7
Restricted workday injury	0	1	1
	0	1	23
Medical treatment injury	2	2	3
	2	7	20

* Upper field: Employees, Lower field: Contractors

Accident Frequency



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

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

■ 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 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.

Further, to ensure that they are able to respond rapidly and adequately, the Operational Organizations all over the world periodically conduct emergency response drills on the basis of annual plans, sometimes on their own and sometimes in collaboration with the headquarters.

The drills in the domestic Operational Organizations assume that a major accident (gas leakage) occurred in a pipeline, and verify whether the organization is able to rapidly and smoothly execute the on-site initial response in the event of an accident, and whether the organization is able to establish local response headquarters, collect information and communicate that information to the Domestic Project Division Emergency Response Team and Corporate Crisis Management Team, cooperate with the teams, coordinate with customers and reliably implement activities for recovery. After the drills, review meetings are held under participation of all members to conduct an assessment and implement improvements for the next drill by exchanging opinions about how response could be even more adequate.

Further, in February 2013, we carried out a drill at the headquarters under the assumption of an earthquake directly hitting the Tokyo area. The drill included checking the safety of workers and visitors at the headquarters, dealing with injuries, communicating information to the outside, keeping employees from returning home, and others.

■ Contractor's Safety Management

In accordance with the Corporate Procedure for Contractor's HSE Management, which is a part of our HSE Management System, Operational Organizations in Japan and all over the world are promoting HSE management initiatives for contractors.

When selecting a contractor, we assess the HSE risk of the work we outsource to the contractor, itemize the requirements for responding appropriately and clearly specify them in the tender documents. We ask each company to describe, in its written proposal, how the company manages HSE and whether they have had any accidents in the past. Before selecting a contractor, we check this information in detail. Once we have selected a company, we strengthen HSE-related communication through, for example, process meetings, operational procedure briefings and pre-work meetings, check the content of HSE plans for the job execution and carefully make sure that all requirements are met.

Before we sign up a contractor at our production site in Venezuela, we clarify our HSE requirements and ask the prospective contractor to reflect these requirements in the contractor's HSE plans. We then review and assess whether the contractor actually carries out the work on the basis of the HSE plans that reflect the requirements.



Meeting to explain operational procedures

■ 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.



Site of integrity survey works for the Tokyo line

Project Safety Management

Ichthys LNG Project

The HSE team has strategically implemented a successful communication approach with our contractors to build a positive safety culture. In the Ichthys LNG project, through a series of forums which involved EPC contractor project managers and CEOs from across all contractors and subcontractors, HSE initiatives were shared, alignment workshops held, site visits undertaken and discussions were made on the role of project leaders in creating a positive HSE environment.

In fiscal 2012, the CEO Forum was held in Darwin as well as the EPC Contractor HSE forum in Perth. Earlier this year, another EPC Contractor HSE Forum was held in Perth which attracted more than 250 attendees in support of the theme "Best-in-Industry HSE Culture". In recognition of the contractors, the forum also included the 2013 HSE award which is designed for the contractor that made outstanding contribution to HSE. The forum concluded by representatives of the Project and EPC contractors signing an "HSE Charter" which describes the management commitment to achieve "Best-in-Industry HSE Culture".

A second CEO Forum will be held later this year in November 2013.



HSE Award



The Second EPC Contractor Forum

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.

* **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

Venezuela Project

During our Venezuela Project, we are working to ensure thorough safety management by maintaining close communication and information sharing between the construction site divisions and the operating divisions.

For particularly serious risks, we hold annual review sessions attended by the worksite divisions and HSE managers. Through these meetings we share important information with employees. Before commencing worksite operations the degree of risk involved is checked, and a manager is assigned to monitor procedures judged to have a high risk.

To manage the safety of contractors, the project's HSE manager also checks and evaluates contractors' HSE management status once every three months, and conducts regular communication such as monthly opinion exchange meetings with contractors' HSE managers.

Projects in Japan (Education by Risk Experience)

From fiscal 2012, we started to conduct education by risk experience at the Kashiwazaki iron plant two times a year for employees in their first five years with INPEX. Education by risk experience goes beyond classroom learning, making attendants intuitively understand the latent risks of their workplaces as they experience, for example, getting caught in a rotating object, receiving a heavyweight object, a comparison of pressure-resistance and air-tightness tests, electric shocks or hanging on a safety belt. The purpose of providing these experiences is to make employees more sensitive to risks.

At INPEX, the working environment has been improving recently, with more advanced equipment and safety design. On the other side of the coin, occasions at which employees experience being faced by an accident are rare now, and employees are becoming less and less sensitive to risks. Further, it has become more and more difficult to understand where latent risks lie, what is dangerous and under what circumstances dangerous situations are encountered. In the light of this background, the needs for and importance of education by risk experience is ever more growing at INPEX.



Experience of receiving a heavy object



Hanging on a safety belt

■ Security Initiatives

Basic Policy

Security management at INPEX is based on HSE Management System.

We identify threats to our employees and operating facilities, assess their risks, and create and implement preventive and response measures. Since security risk can change in a short time, continuous monitoring is necessary. In order to make such initiatives effective, we are striving for the appropriate management of processes by knowledgeable and experienced experts while improving our security management system.

Security-related Initiatives

INPEX has set up a Security Management Team at the headquarters that works across the entire organization. Leveraging security information from public institutions and private companies, we are striving to keep track of the security level in countries where INPEX employees stay or frequently travel to.

For countries that are regarded to involve a high security risk, we have implemented special security measures and are checking the content of these measures. As a daily routine, we use security staff assigned in each base to share cases where security risks became evident and ensure that the involved workers are made aware of these risks and pay attention.

In January 2013, an armed Islamic group attacked a gas production plant in Algeria, killing more than 30 people from various countries, including 10 Japanese nationals. There are still many questions to be clarified, for example, the question why the armed group was easily able to approach the plant and residential area.

To deal with these safety concerns, INPEX is striving to improve the strength of the organization as a whole, for example, by appropriately assessing the threats existing in each country for INPEX, implementing necessary measures with respect to both equipment and people, and ensuring that INPEX is able to immediately respond in the case of an emergency.

Society Main Achievements in FY2012

1.81 billion yen FY2012 CSR Expenditure by Issue ▶

14 people Parental leave system or Number of Employees Utilizing Parental Leave System (Unconsolidated) ▶

3.8 points (5-point scale) Result of the Employee Satisfaction Survey ▶



Building Trust with and Contributing to Local Communities

The INPEX Group is working to win the trust of society in its business activities. We defined a basic policy and key areas for “building trust with and contributing to local communities,” as a key CSR issues and 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.



Support Activities After the Great East Japan Earthquake

Support Activities After the Great East Japan Earthquake The INPEX Group will continue to provide all possible support to the Great East Japan Earthquake, such as sending 445 volunteers to affected areas, donation of additional funds and money, in order to facilitate a return to normality for disaster victims.



Initiatives to Contribute to Local Communities (Domestic)

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



Initiatives to Contribute to Local Communities (Overseas)

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



Fair Trade with Business Partners

The INPEX Group works to conduct fair and responsible trade as we procure materials while paying respect to compliance, HSE (health, safety, and the environment), and human rights. We also seek to grow alongside our suppliers by building partnerships based on mutual trust.



Product Quality Control

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 also provide customers with timely information required to use our products safely as well as regular quality measurement data.



Human Resource Development and Utilization

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



Health Management

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.



Appropriate Information Disclosure

The INPEX Group communicates promptly and openly with shareholders, suppliers, business partners, and other stakeholders and discloses corporate information in a timely, appropriate, and fair manner through investor relations activities, the company website, and public relations outreach. Doing so ensures the transparency and accountability of management and we constantly strive to improve on these initiatives.



■ Building Trust with and Contributing to Local Communities

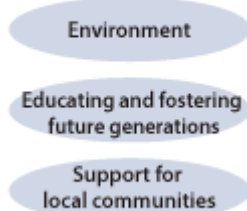
Basic Policy

In its business activities, the INPEX Group emphasizes the construction of ties of trust with society in its operation areas. 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.

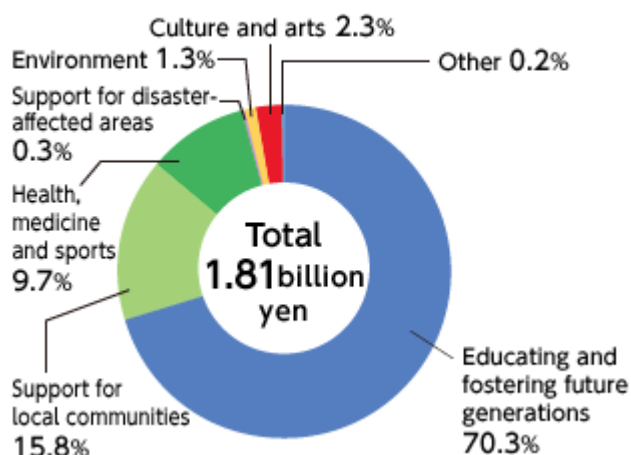
Basic Policy for Building Trust with and Contributing to Local Communities

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



■ FY2012 CSR Expenditure by Issue



Communication with Local Communities

The INPEX Group strives to build trust and good relationships with stakeholders when undertaking oil and gas development businesses.

In Australia, the Ichthys LNG Project is preparing a social impact management plan (SIMP) for its activities that is based on international standards and more particularly on the IFC Performance Standards*¹ on Environmental and Social Sustainability. The purpose of the SIMP is to assess, analyze and manage the Project's impact on local communities. The SIMP will encompass a wide range of subjects such as training and employment, business opportunities, cost of living, housing, road and marine traffic, public safety, public services, health and cultural heritage.

The Ichthys LNG Project is committed to an open and transparent approach with all stakeholders and the community engagement plan developed for the Darwin Harbour dredging program exemplifies this approach. A wide range of stakeholders were consulted prior to the dredging program's commencement. Up-to-date information is being provided through regular bulletins on the Ichthys LNG Project website as well as on notice boards at community facilities such as boat ramps. Feedback from local community members is solicited through a toll-free telephone number, the Ichthys Project website and via face-to-face contact at community events or during Project briefings. Systems and processes such as a stakeholder relationship management system and a community grievance management procedure have been developed to manage and address feedback and complaints made by the community in relation to Project activities.

In the Abadi LNG Project, we formulated and are executing a program for social contribution based on the findings of a socioeconomic survey*² conducted in the operation area in 2011 and consultation with stakeholders. This program divides the 15-year term beginning in 2011 into three five-year periods, in correspondence with the project progress, and is aimed at enhancing the autonomy and advancement of the local community. It is adapted to the wants and needs of the various stakeholders in the area, including local governments and residents. In the formulation and execution of the program, we collaborated with the Institute for Economic and Social Research attached to the University of Indonesia*³.

In the Abadi LNG Project, we are therefore working for harmonious coexistence and prosperity with all parties in the local community, through direct communication and ties of collaboration with them as part of the routine business activities.

*1 Performance standards of the International Finance Corporation (IFC) related to social and environmental sustainability.

*2 **Socioeconomic survey:** This survey was conducted on the Tanimbar Islands in 2011 by the University of Indonesia Institute for Economic and Social Research, which was commissioned to do the job. It was motivated by the risk that the expanded involvement of the project in the area in the future, while creating a certain level of opportunities for indigenous industries and employment, could cause land-related strife among residents and result in economic disparity and social tensions.

*3 **Collaboration with the Institute for Economic and Social Research:** The University of Indonesia Institute for Economic and Social Research sees that programs are properly implemented as their manager and independent evaluator. It also sees that the funds from INPEX are properly managed, and assures the transparency of their use by furnishing us with reports on the facts of activities, expenditures, and income.

Contribution to Local Employment

In pursuing our business in oil and natural gas development, we try to employ local residents. This is in keeping with our commitment to help stimulate the society and economy of the countries and regions where we operate, through employment.

In the Abadi LNG Project, assessment standards specifically according precedence to local enterprises and indigenous residents are applied in selection of human resources for involvement. The INPEX Group is likewise taking action to assure recruitment of the necessary human resources in step with the progress of the project through its office in the Indonesian capital of Jakarta.

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.

■ Support Activities After the Great East Japan Earthquake

Ongoing Activities of Support for Recovery

The Great East Japan Earthquake, which struck on March 11, 2011, caused tremendous damage over an enormous area, and the areas affected by it are still expected to take a long time to recover. The INPEX Group is committed to continued measures of support, including the dispatch of employee volunteers, to help the people in the affected areas return to a rewarding and settled lifestyle as soon as possible.

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 June 2013, a total of 611 employees have participated in a range of disaster relief and recovery programs. The programs, which were implemented 62 times in total, include 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.



Volunteers supporting areas damaged in the Great East Japan Earthquake

Activities for Recovery in FY2012

In November 2012, the INPEX Group began taking part in Collective Action for Recovery from the Great East Japan Earthquake, a volunteer program led by the Global Compact Japan Network (GC-JN). Through this program, we are assisting [the Watari Greenbelt Project](#) in the town of Watari, Miyagi Prefecture. By June 2013, an extended total of 20 INPEX Group employees had participated in the total of six dispatches. This project was launched together with the citizens of the town and the town officials, in line with the national policy for the planting of forests offering strong protection against tides on the road to recovery. We are going to continue cooperating with GC-JN in provision of assistance into the long term.

■ Response at the Time of Occurrence

Prompt Provision of Monetary Aid, Donations, and Relief Supplies

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

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

Emergency Delivery of Petroleum Products to the Disaster Zone

Responding to urgent requests for fuel from the affected areas during mid-March to early April 2011, right after the disaster, we supplied approximately 400 kiloliters—or 21 tanker trucks—of petroleum products (gasoline, kerosene, diesel oil, and heavy oil) refined and manufactured at our refineries from crude oil produced in Japan to devastated communities in Fukushima Prefecture.

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

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



A tanker truck carrying diesel oil

Utility Gas Subsidiary Joins the Reconstruction Effort

Responding to a request from a utility gas company in Miyagi Prefecture, where the devastation was among the most severe, Sakata Natural Gas Co., a Group company in the utility gas business in Sakata, Yamagata Prefecture, formed a partnership with two nearby utility gas companies and began operations to support the reconstruction effort in Miyagi. Given that nearly 90% of the houses in the area were washed away or flooded by the tsunami, activities were largely a battle with removing seawater. Still, Sakata Natural Gas worked with other businesses from the end of April to the end of May 2011, and completed the planned reconstruction work without major difficulties.

Procurement of Crude Oil and LNG in Response to Emergency Requests

In the wake of the disaster, power plants fueled with oil and natural gas were compelled to increase their generated output to compensate for the suspension of operations by nuclear power station units. In response to requests from electric power companies, INPEX supplied additional shipments of crude oil and LNG produced by overseas projects in which it has an interest in the months of April and May 2011, right after the disaster struck. Within Japan as well, we are making additional supply of petroleum products, both of our own and procured from other firms. We intend to continue meeting such requests to the best of our ability.



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

Employee Voice

On March 17, 2011, within days after the earthquake, I found myself gripping the steering wheel of a 14-ton truck packed with drinking water, blankets, and other relief supplies bound for Soma, Fukushima Prefecture, fixed only on the thought of getting there as fast as safely possible. “Thank you!” “You’re a life saver!” “Let me help!” were among the responses I heard when I arrived at the shelter. With the residents of Soma quickly unloading package after package, we managed in 40 minutes to empty the truck, which took two hours to fill. By coming in direct contact with the gratefulness of people who were affected by the disaster, I felt a sharp sense of the mission we have as distributors and the immense honor of being a professional driver.

■ Initiatives to Contribute to Local Communities (Domestic)

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.

Support Activities After the Great East Japan Earthquake is [here](#).

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

Since 2010, we have sponsored a 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 consists of lectures on energy and environmental policies, and groups for research on issues related to the global environment and energy supply. It also encompasses an international symposium that is held on an annual basis. In fiscal 2012, the symposium was titled "Assurance of Energy Security and New Directions in the Energy Business". Over the three-year period ending with fiscal 2012, the course recorded totals of about 700 for the number of graduate students who had attended its lectures, about 50 (from about 20 firms and other institutions) for the number of researchers participating in its research groups, and about 600 for the number of participants in the three international symposiums. The INPEX Group is going to continue sponsoring the course.

Sponsored Course at The Hitotsubashi University Graduate School of International Corporate Strategy (ICS)

In August 2013, INPEX began sponsoring a three-year course titled "INPEX: Management of Energy Business" at the Hitotsubashi University Graduate School of International Corporate Strategy (ICS). The course is designed to provide instruction about all aspects of management in the energy business from the perspective of corporate executives. It will take up the whole spectrum of issues involved in development of international energy business, including global strategy, technology & risk management, supply chain management, procurement of funds, and relations with governmental institutions. Together with Professor Ryuji Yasuda of ICS, Mr. Noboru Tezuka, Special Consultant at INPEX (and specially appointed ICS Professor) will be in charge of the course composition and management of the overall program. For the actual instruction, there are plans to invite representatives of energy-related national ministries or agencies and institutions as well as business persons from trading firms and electric power companies as guest speakers to supplement the lectures by the ICS team of professors. In the second and third year of the course, the holding of an external symposium is under consideration along with the preparation of papers by students on a theme of their choice from the lectures.

Contributing to Local Communities

Forest Management Support Program

Since autumn of 2010, we have constantly been involved in a forest management program backed by the Forest Management Support Program of Niigata Prefecture, on a 0.8-hectare parcel of land near the Minami Nagaoka Gas Field. This activity has attracted the participation of INPEX employees and their families as well as local residents. Besides preserving the global environment through the planting and maintenance of forests, it is aimed at deepening community interchange and heightening the environmental awareness of our employees. The sixth round of activities, which took place in the spring of 2013, had a total of 183 participants, who joined in removing snow from and installing braces for seedlings already planted, weeding, and fertilizing. Some also tried their hand at hammering plugs containing mushroom spores into holes in a log for mushroom cultivation and planted sweet-potato seedlings on the grounds.



Forest management support event

Supporting and Participating in Community Events

In the prefectures of Akita, Chiba, and Niigata, where INPEX has opened offices, we are actively cooperating with and participating in all sorts of local events. We are also involved in activities rooted in the community, such as campaigns to clean up the neighborhood around the office and the seashore, and improvement of parks.

Local events may be exemplified by Niigata Festival (held in the city of Niigata in August), the folk dance parade in the Gion Kashiwazaki Festival (held in the city of Kashiwazaki in July), the Kashiwazaki Shiokaze Marathon (held in the city of Kashiwazaki in May), and the Echigo Kubikino 100-kilometer Marathon (held in the city of Joetsu in October). In addition to supporting the operation of these events on a volunteer basis, many of our employees enliven the doings by running in the marathons and dancing in the festivals themselves.

INPEX also backs local fireworks displays, including that in Nagaoka Festival, which is renowned nationwide as one of the three biggest fireworks displays in all of Japan. Through these activities of assistance and participation that people in the respective communities can actually see, we are striving to deepen their understanding of our business.



Recovery Work for Niigata and Fukushima Rain Damage

44 INPEX employees living in Niigata Prefecture participated in recovery efforts to support areas damaged by heavy rainfall that hit Niigata and Fukushima prefectures in July 2011. The group worked to clear guttering and remove soil that had flowed into homes.

Snow Clearing Volunteer Work

In February 2012, employees working at INPEX Group sites in the cities of Nagaoka and Kashiwazaki, Niigata Prefecture, served as snow-clearing volunteers in response to unusually heavy snowfall from a cold snap that hit the region. 23 employees participated as volunteers, working for two days to clear snow from the homes of elderly residents.



Volunteers clearing snow

Picture drawing event in the Naoetsu LNG tank

The Naoetsu LNG Receiving Terminal Construction Office invited 66 students and 11 teachers from two neighbor schools to a “Picture drawing event inside the LNG tank” in May 2012 just before the closure of the LNG tank opening.

Participants received a brief explanation about the “history of natural gas in the Joetsu region” and an “overview of the LNG terminal”, and then conducted experiments using liquid nitrogen, which is kept at a similarly low temperature as LNG, and thus developed some understanding of the nature of LNG that would be fed into the tank.

After the experiments, they went inside the LNG tank, and freely drew pictures about their future dreams, themselves and families, along with messages for their friends, etc. on the inner walls and bottom of the tank using colored pens.



Drawing pictures inside the LNG tank

Use of INPEX's First Megasolar System as a Facility for Touring

Located in the city of Joetsu, Niigata Prefecture, INPEX Megasolar Joetsu is a photovoltaic power generation plant that commenced operation in March 2013 as the first such facility in the INPEX Group. In this plant, we installed facilities for educational tours by children to help them learn about energy. The plant is accepting tours mainly by elementary and junior high school students to support education about renewable energy.

Donation of "Secrets of Natural Gas Development" in the "Better Understanding through Comic Books" Series

INPEX assisted the composition, production of illustrations, and overall editing work in preparation of "Secrets of Natural Gas Development", the 81st volume in the "Better Understanding through Comic Books" series, a popular educational series published by Gakken Publishing Co., Ltd. This title was donated to some 23,500 elementary schools and 3,000 libraries nationwide for the purpose of sharpening interest in energy and environmental problems among children. We are also donating it to schools for Japanese children in regions where we maintain offices overseas.



"Secrets of Natural Gas Development",
an educational comic book whose
general editing was assisted by INPEX

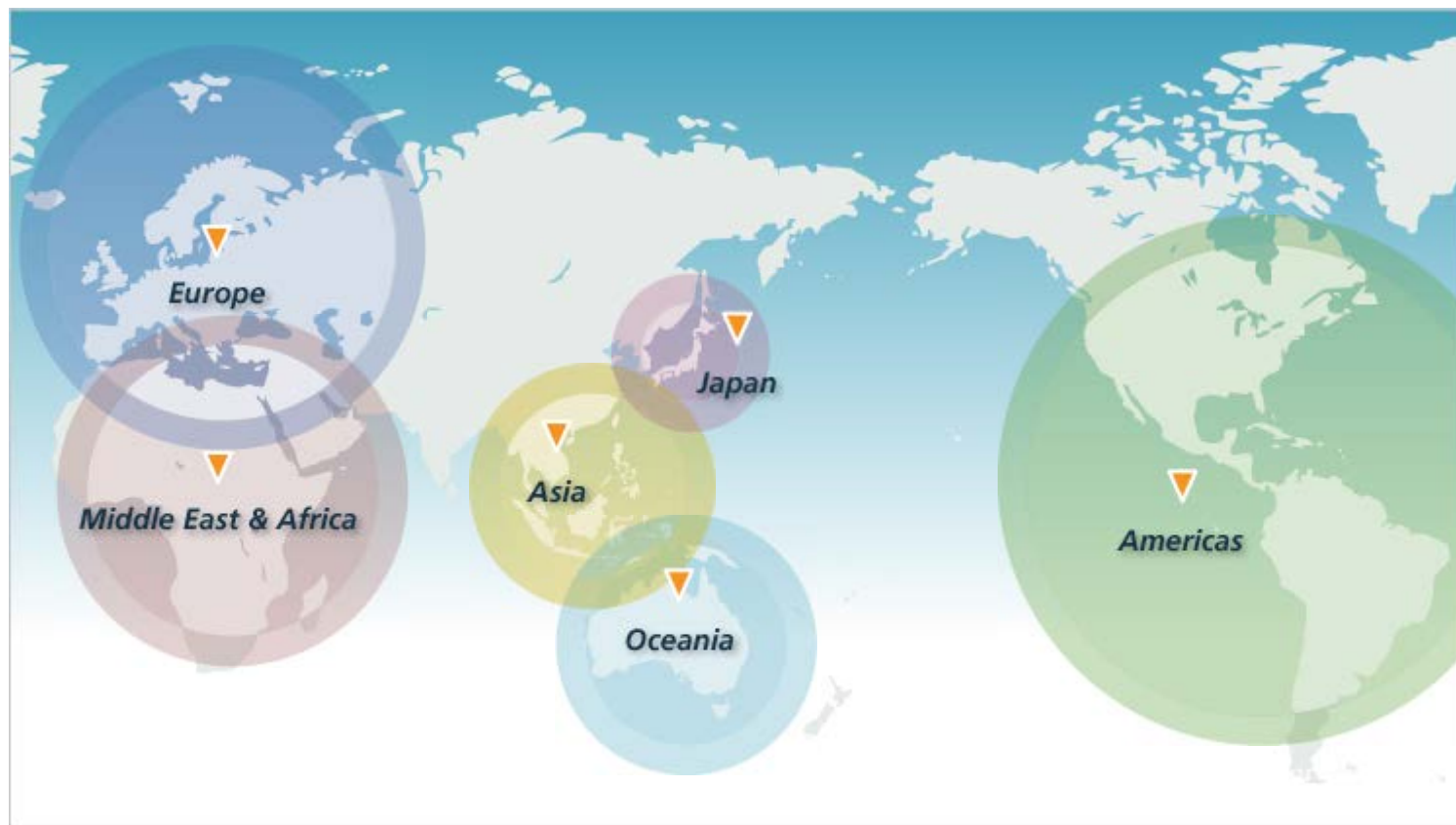


Donation to Joetsu, Niigata Prefecture

Program for Firsthand Experience of Workplaces by Junior High School Students

In cooperation with a program conducted by the NPO School Support Center, INPEX is accepting junior high school students into its head office for experience of workplaces. In 2012, students from public junior high schools in Mie Prefecture visited our office and got a taste of our business through a lecture on energy development and a videoconference with one of our overseas offices.

■ Initiatives to Contribute to Local Communities (Overseas)



Asia

[Indonesia] Support for Exchange Students through the INPEX Scholarship Foundation

In March 1981, the INPEX Group founded the INPEX Scholarship Foundation to foster the advancement of education and scholarship in Indonesia and Japan and promote understanding, friendship, and goodwill between the two countries.

The Foundation offers scholarships for Indonesian university graduates who have a degree in natural science and are working as an assistant, researcher, or other research-related position at their alma mater, a research center, or other institution to acquire a master's degree in a natural science at a Japanese university.

As a cultural exchange program between the two countries, the Foundation also gives assistance to young Japanese researchers who wish to study in one of a variety of fields in Indonesia including culture, the arts, and science. As of the end of fiscal 2012, the cumulative total number of scholarship recipients had reached 114 from Indonesia and 45 from Japan. The INPEX Group has so far donated ¥1.09 billion to the Foundation.

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[Indonesia] Supporting the Improvement of Learning Environments



Lodging for Indonesian students

INPEX together with TOTAL as operator of the offshore Mahakam block implement educational programs with the local community in the East Kalimantan district. With the belief that the education is one of the key elements for the development of the community and the country, in order for the students going to schools in the district to be provided high quality educational opportunity, we supported the renovation and improvement of the school facilities to make a better teaching environment in 2012.

At the same time, we provide scholarship to the young students to have various opportunities for a higher quality education. In 2012, a total of 236 students were awarded scholarship and 24 out of the 236 students finished the master's course in economics, law, petroleum and political science in the universities in Indonesia and

overseas.

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[Indonesia] Organic Farming Training and Education



Participants in an organic farming training

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 environment-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.

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[Indonesia] Planting Mangrove Trees



Planting mangrove trees

In some part of the areas of the offshore Mahakam block in which INPEX participates together with TOTAL as operator, the cutting by the fishery industry of the mangrove forest to construct the fishpond resulted in an adverse influence on the ecosystem. In order to respond to this problem, we launched the "One Million Mangrove Planting" program in cooperation with a number of community groups and planted around 1,600,000 young mangrove trees during 2012.

Besides this planting activity, we also helped the community have a better knowledge and understanding in constructing the fishpond in an environment-considered manner. This activity sustains the ecosystem by recovering the mangrove forest and as a result we contribute to the economic development of the community through their fishery activity in the area.

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[East Timor] Dili Heliport Infrastructure Project



Dili heliport

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.

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[East Timor] Supporting Construction of Greenhouse for Crop growing and Agricultural Training



Greenhouse facilities for production of vegetables

In the Bayu-Undan project, INPEX is working with the United States Agency for International Development (USAID) and partner companies to build greenhouses for crop farming and provide agricultural training to local residents.

In 2006, INPEX contributed approximately US\$800,000 towards the construction of two large greenhouses for crop farming in the East Timor's Aileu district, located in the suburbs of Dili, the capital city. We have also provided technical support to train local farmers in hydroponic growing methods for tomatoes and other vegetables. Farm products grown in these greenhouses is sold at supermarkets in Dili. In addition, since 2012 we are expanding the activity to involve a further 150 farmers with the introduction of the secondary program, using tunnels in lieu of greenhouses.

We hope this initiative will provide local farmers with a stable income and improve agricultural productivity.

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[East Timor] Support for Provision of Scholarships to Graduate Students

In the Bayu-Undan project, INPEX Group is participating with the joint venture partners in Fulbright Scholarship Program for post-graduate students in Oil and Gas or Natural Resources. From 2012, this program is commencing and organized by Ministry of Natural Resources, Minerals and Energy Policies of East Timor and the embassy of United States of America in East Timor and now total 12 students are studying Engineering Management, Geology Management and Natural Resource Economics in universities of the United States.

We hope this initiative will provide higher quality of education and contribute to further development in Oil and Gas sector.

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[Malaysia] Acceptance of Technical Trainees for OJT Programs



OJT program in Malaysia

In the offshore Sabah project in Malaysia, we offer the opportunities of technical trainings for young petroleum geoscientists and engineers of PETRONAS, regulatory and supervisory authority on oil and gas sector in Malaysia, as OJT (ON THE JOB TRAINING) at our Kuala Lumpur office.

In 2012, we received a junior geologist of PETRONAS for 3 months and provided trainings of geological and geophysical data interpretation and reserves estimation, under the guidance of our technical experts.

These technical personnel exchanges contribute to cultivation of the younger technical staffs through building the cooperative relationship between both companies.

Oceania

[Australia] Support for the Larrakia Trade Training Centre



Training at the Larrakia Trade Training Centre

In 2010, the Ichthys LNG Project donated A\$3 million towards construction of the Larrakia Trade Training Centre which provides training and facilitates employment opportunities for young people in Darwin. The Centre was officially opened in April 2011 and to date, more than 450 people have been trained in various fields such as construction, mechanics or electrical engineering.

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[Australia] Sponsorship of Kimberley Art Prize



Kimberley Art Prize exhibition 2012

The INPEX Group has been sponsoring the Kimberley Art Prize since 2010.

Held annually in July, the Kimberley Art Prize showcases the exceptional art and the talent of the local communities in the Kimberley region of Western Australia. INPEX sponsored the “Young Person” and “Photography” awards categories in 2012.

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[Australia] Sponsorship of Australian Football Club



Photo courtesy of NT Thunder

The INPEX Group sponsors NT Thunder, a local Australian Rules Football team in the Northern Territory which inspires young Territorians to participate in sport.

With almost 80 percent of the team players local and more than 50 percent Indigenous, there are 51 players who come from all around the Northern Territory to play for the team.

In supporting the NT Thunder the INPEX Group is contributing to the development of the pathway for the local and the remote youth to access the opportunities for training, leadership and improved wellbeing.

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



Opening Ceremony of North Australian Centre for Oil and Gas, Charles Darwin University

The Ichthys LNG Project has continued to support education in the Northern Territory with its A\$3 million donation towards the establishment of the Charles Darwin University North Australian Centre for Oil and Gas.

Providing oil and gas training and education to school leavers, engineers and apprentices and pathways into the growing energy sector in the Northern Territory, the Centre was officially opened in 2012.

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[Australia] Sponsorship of NT Training Awards



NT Training Awards
(Photos provided by Digifilm)

The Ichthys LNG Project has sponsored the NT Training Awards, held by the Northern Territory Department of Education and Training in Australia since 2010. These awards are presented to the Northern Territory businesses, the training facilities, the trade schools and the students who have achieved outstanding performances in aspect of the vocational trainings. The Ichthys LNG Project was the sole sponsor of the Training Initiative Award in 2012.

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[Australia] Sponsorship of Indigenous Economic Development Forum

The Ichthys LNG Project sponsored the 5th Indigenous Economic Development Forum 2011 held during Business Month in Darwin. By introducing the products and the services offered by the indigenous business operators to a wide audience, the forum aimed to support the community's development and provide opportunities to establish a customer base and build partnerships.

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[Australia] Fundraising for Cancer Council Australia Initiated by Employees

INPEX Group promotes fundraising activities initiated and carried out by the employees. In Australia, INPEX Perth office held the Morning Tea Events, where the employees brought homemade pies and cakes to fundraise for local charities.

INPEX Group matched the funds raised by INPEX Perth personnel and donated them to Cancer Council Australia in 2012.

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[Australia] Support for Kimberley Rock Art Research



Announcement of Kimberley Foundation
Ian Potter Chair in Rock Art

The INPEX Group is committed to understanding and preserving the Aboriginal and Torres Strait Islander cultural heritage and donated A\$ 500,000 to Kimberley Foundation Australia towards its Rock Art Research program.

Through the program, archaeologists will work with the Traditional Owners to record the arts in rock art sites of Western Australia and preserve it for future generations. The program will also provide the training and the skills development for the Traditional Owners as the field assistants to enhance their future employment opportunities.

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[Australia] Participation in Australia Day Fun Run Walk



Sean Kildare, General Manager Darwin,
proudly waves the Australian Flag at the
start line of the Australia Day Fun Run Walk
2012

The INPEX Group sponsored the Australia Day Fun Run held in Darwin.

Since 2009, the INPEX Group has been supporting this annual event to celebrate Australia Day. A highlight on the Darwin community calendar, in 2012 more than 5,000 locals participated in this event, including the INPEX Group employees from Darwin and Perth Offices.

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[Australia] Sponsorship of the Darwin Harbour Clean Up Day



Darwin Harbour Clean Up Day
Photo courtesy of "Darwin Harbour Clean Up Day Committee"

The Ichthys LNG Project sponsored the Darwin Harbour Clean Up Day which brought together a diverse range of stakeholders to remove rubbish from the Darwin Harbour, its mangroves and surrounding coastline. Around 120 volunteers and workers collected an estimated four tonnes of rubbish from the Harbour's coastlines and waters.

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[Australia] Sponsorship of Starlight Children's Foundation Charity Ball



2012 Starlight Children's Foundation Charity Ball

The Starlight Children's Foundation aims to transform the hospital and treatment experience of seriously ill children and their families by providing 'distractive' therapy programs.

In 2012 the INPEX Group sponsored the Charity Ball for the Starlight Children's Foundation and also donated a shovel from the Ichthys Project Ground Breaking Ceremony which helped to raise an additional A\$33,000 for the Foundation.

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[Australia] Conducted Australian Volunteer Coast Guard NT

In 2012, the Ichthys LNG Project sponsored the Australian Volunteer Coast Guard in the Northern Territory. With the continuing growth in recreational and commercial activities on Northern Territory waters, the organization's prime objective is to promote safety on the water through education and providing a search and rescue capability. All its members are volunteers.

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[Australia] Sponsorship of STELR Project



Dedicated laboratory space and equipment provided through the STELR Project at Rosebery Middle School the Northern Territory

Education in the Northern Territory has been given a boost with the Ichthys LNG project's sponsorship of a science learning program targeting high school students.

The Science Technology Engineering Leveraging Relevance (STELR) Project aims to promote science and mathematics subjects at the upper secondary school level by relating these subjects to highly relevant issues for students such as themes of global warming and renewable energy. This contribution provided three schools in the Northern Territory the opportunity to participate in the STELR Project.

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Europe

[Azerbaijan Georgia Turkey] Support Project for Agriculture in Local Communities



A beekeeper receiving support

In the Azeri–Chirag–Guneshli (ACG) and Baku–Tbilisi–Ceyhan pipeline project, INPEX Group is supporting a program organized by NGOs and a universities in Azerbaijan to support agriculture there. We have spent a total of about one million dollars for provision of greenhouses, bees, beehives, and related equipment, and are also offering education and training to farmers.

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[Azerbaijan and Georgia] Sponsoring EBRD Microfinance Initiatives



The INPEX Group has pledged to sponsor the ACG Project and 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.

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[D.R. Congo] Muanda City Electrification Project



Gas equipment and facilities in the city of Muanda

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.

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[D.R. Congo] Muanda City Contribution Initiatives



Aid for schooling costs at an orphanage in Muanda

In fiscal 2012, INPEX engaged in the following activities for contribution to community development in the city of Muanda in the Democratic Republic of the Congo, in the fields of health and medical care, education, and infrastructural conditioning.

Health and medical care	Purchase medical apparatus for a maternity clinic in the city and dentistry apparatus for Muanda Hospital
Education	Supply educational facilities for school, aid for schooling costs at an orphanage, support for scholarships, and purchase electrical equipment for a scientific laboratory
Infrastructural conditioning	Digging of wells for water and supply of electrical power, water, and bedding in an orphanage

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[Angola] Cabinda Region Contribution Initiatives



A medical center in Cabinda region

In the Massabi district of the Cabinda region of Angola, we have made outlays of funds for construction of medical centers and residence for nurses, and their outfitting with medical apparatus, pharmaceuticals, furniture, and other items. We have also enabled the medical center to get an ambulance and are promoting other activities for contribution to the local community.

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[Abu Dhabi (UAE)] Abu Dhabi International Hunting and Equestrian Exhibition (ADIHEX)



People at the INPEX booth

Every year since 2004, INPEX has set up a booth in the Abu Dhabi International Hunting and Equestrian Exhibition (ADIHEX). The booth introduces Japan's medieval falconry culture and other elements of traditional culture such as samurai swords and the tea ceremony. It therefore serves as a bridge of cultural exchange between the UAE and Japan. Through it, we are striving to deepen understanding of Japan in Abu Dhabi even further.

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[Abu Dhabi (UAE)] Participation in the Establishment of a Local University, and Organizing Technical Lectures



Photos with students taking courses held in January 2013

Japan Oil Development Co., Ltd., an INPEX Group company, is working with Abu Dhabi National Oil Company (ADNOC) to develop an oil field off the coast of Abu Dhabi in the United Arab Emirates (UAE). While rapidly developing itself as one of the world's largest oil producers, the UAE has been working ambitiously to raise its level of education, one of the cornerstones of development. Responding to a request from the Abu Dhabi Supreme Petroleum Council (SPC), Japan Oil Development Company, together with BP, Shell, and Total, has been participating in the administration of The Petroleum Institute in Abu Dhabi—an engineering school financed and governed by ADNOC—since the school's establishment in 2001 to help maintain and strengthen friendly relations with Abu Dhabi.

Japan Oil Development Company, an oil company based in a country well recognized for its advanced technical capabilities, was eagerly requested to support the school not only

financially but also with regard to technical training. After numerous discussions, Japan Oil Development Company and The Petroleum Institute decided to offer an engineering course on remote sensing,* a technology useful for environmental monitoring operations. Since 2008, the course has been held every winter as an intensive class which is worth full credit hours in the university, and marked its sixth year in 2013.

Given the course's intensive two-week schedule, students have to study hard to keep up with the lecture material. However, as they alternate between lectures that carefully explain the basic principles of remote sensing and computer exercises using actual satellite image processing software, students become increasingly captivated by the rich detail and beauty of broad satellite images seen from space, and by the end of the course are passionately engaged in their studies.

Japan Oil Development also took care when developing the course text to make remote sensing more accessible to the students, by actively incorporating case studies relevant to their local area, such as environmental monitoring of mangrove vegetation in local Abu Dhabi. Particularly exciting for the students was the story that a 2,000-year-old oasis town that is even mentioned in the Koran, was discovered in the middle of an open desert on the Arabian Peninsula using remote sensing.

Rated highly by the school for its engaging lecture style and text-based learning, the course now offers two credit hours, one credit hour more than when it was first offered. While the course was available only to male students for its first three years since 2008, in response to a request from the school, the company also opened up the biennial class to both male and female students in 2011.

* **Remote sensing:** a technology that uses computer software to process digital satellite imagery

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[Abu Dhabi (UAE)] Support for the Enrollment of UAE Children in the Japanese School in Abu Dhabi



The Japanese school in Abu Dhabi

In response to a request from Sheikh Muhammad of Abu Dhabi, the Japanese School in Abu Dhabi (including kindergarten), with assistance from the Japanese government, has been accepting two children of UAE citizenship annually since September 2006. As of April 2013, there were 16 local children attending the school.

Our local employees take part in the administration of the school as members of the school's administrative board. And in Japan, working with other Japanese companies operating in Abu Dhabi, we have established a non-profit organization to support the program, which sends early childhood education specialists and elementary school teachers to the school.

We look forward to the day when these children grow up to become ambassadors between Japan and the UAE.

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[Abu Dhabi (UAE)] Inviting Students from the UAE to Japan for Training



Scene at a technical seminar

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.

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Americas

[Venezuela] Scholarships for Exchange Students from Simon Bolivar University

Simon Bolivar University (UBS) is one of Venezuela's national universities and is located in the city of Caracas. Established in 1967, UBS has four colleges, 11 research institutes, and one research center focused on natural sciences, social sciences, and other fields, and boasts the highest reputation in engineering fields in Venezuela.

There is also a strong enthusiasm for the Japanese language at UBS, with many students studying Japanese to indulge their interest in Japan or as part of their international or cross-cultural education. The number of students looking to study abroad in Japan is also growing. The INPEX Group provides financial assistance to students from UBS who study abroad at a university in Japan, paying for their tuition and part of their living expenses in Japan. By helping talented Venezuelan students receive a high-quality Japanese education and spread Japanese culture back home, these scholarships foster a more friendly relationship and closer cultural exchange between the two countries. In fiscal 2012, we financially assisted one student in engineering field to study at Nagaoka University of Technology and Tohoku University. The number of graduated scholarship recipients who take up jobs at Japanese companies—INPEX Group companies included—is also growing.

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[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

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[Suriname] Support for Medical Services in the City of Paramaribo

Since 2007, INPEX has been participating in an exploration project in the sea off the coast of the Republic of Suriname. To make a positive contribution to society in Suriname, we provided assistance for the upgrading of equipment in the intensive care unit of a hospital in Paramaribo, the capital city.

For further contribution to Suriname society, we intend to continue considering provision of financial aid for projects to construct education-related facilities and schools.

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■ 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.



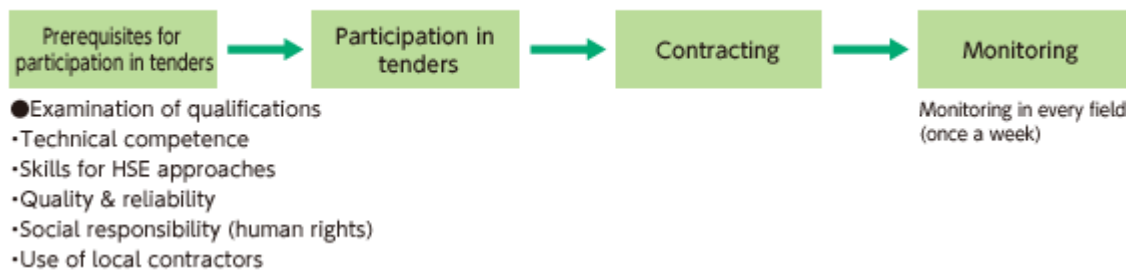
I. Scope

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

■ Flow of Contractor Selection



Consideration for Local Communities During Business

INPEX has as a key corporate principle a commitment to contribute to the development of host countries and communities. For example, we strive to utilize local companies as much as possible and we encourage suppliers to use local companies during procurement.

In Australia, an [Australian Industry Participation Policy](#) is in place to provide full, fair and reasonable opportunity for Australian industry.

For example, the Ichthys LNG Project has agreed to an industry participation plan (IPP) to support Australian companies and maximize their participation in Project related activities. Companies owned by Aboriginal people and companies based in the Northern Territory and wider Australia will have full, fair and reasonable opportunity to compete for work on the Project. Local participation will be maximized where competitively possible, based on health, safety and environment, schedule, quality and cost factors.

It is estimated that approximately 34 per cent of the value of contracts awarded during 2012 will go to Australian business and be realized during the Project phase. This includes 127 Northern Territory-based companies who were successful in winning more than A\$1 billion of work from major first tier subcontractors. Additionally, an Aboriginal Business Engagement Strategy is currently being implemented which is aimed at identifying and including Aboriginal businesses directly into the Project's supply chain. It incorporates supplier forums and business capability and capacity surveys and meets the terms of the Industry Participation Plan with the Northern Territory Government.

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 overseas projects as well as those in Japan, when selecting contractors, we not only confirm their observance of laws and regulations in the host country but also check to see if they are not involved in child labor or forced labor. If necessary, we require avoidance of such practices in the contract and monitor the situation for observance of this requirement.

■ 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 on safe usage of our products 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.

***1 Setup for mutual natural gas interchange in times of emergency:** In the wake of the Great East Japan Earthquake, which occurred in 2011, needs for assurance of energy security rapidly rose among customers and in society as a whole. In response to these needs, we joined with Tokyo Gas Co., Ltd. and Shizuoka Gas Co., Ltd. in organizing a setup for mutual interchange of natural gas. Under this setup, the three companies will supply each other with natural gas through the pipelines already linking them in the event of disruption of the supply of natural gas from any one of them due to occurrence of natural disasters or other major accidents at their LNG terminals, pipelines, or other gas supply facilities.

[Agreement on Reciprocal Backup Supply of Natural Gas in Emergency \(PDF 255KB\)](#)

Quality Control of Oil and Natural Gas Products

The INPEX Group performs severity checks at each stage of production, transportation, and supply, based on product and safety standards in conformance with related laws and regulations.

In oil terminals as the centers of oil product operations, we have constructed a setup for safety management to assure the safety of the products shipped from them. Besides observing all pertinent laws and regulations, we have incorporated rigorous measures for control of the concentration of trace amounts of sulfur, mercury, and other such constituents, and for prevention of leaks, admixture, and other accidents.

We have made similar arrangements to assure the safety of the natural gas we supply. In addition to observing related laws and regulations, we have built a safety management setup incorporating measures for rigorous control of trace amounts of benzene, mercury, and other such constituents, and for prevention of leaks and other accidents. Furthermore, in order to ensure safe handling of products we issue Material Safety Data Sheet (MSDS*2) 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.

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

Management During Transportation

Safe transportation of products is a part of quality control in the INPEX Group. 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.



Pipeline monitoring center

■ **Safety Evaluation During the Product Life Cycle**

	Natural gas	Oil
Production	Reduce concentrations of mercury and benzene	—
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

Human Resource Development and Utilization

Basic Policy

The INPEX Group is one of Japan's leading enterprises engaged in development of oil and natural gas resources. In our aspiration to evolve into a globally active integrated energy company, we have posted three growth targets and three foundations in the form of the INPEX medium- and long-term vision. One of the foundations consists of the recruitment and development of human resources, and construction of an efficient organizational setup. To this end, we formulated the INPEX HR VISION, which encompasses personnel affairs in the entire Group and is comprised of four pictures. On the basis of these four pictures, we are promoting various personnel-related measures from a global perspective. We are striving to link the improvement of employee capabilities to higher results as a team, and to build an organization endowed with a high degree of international competitiveness.

INPEX HR VISION

1. Talent Attraction and Engagement

Make INPEX the best place to work “employer of choice”

- Job satisfaction and opportunity for growth – challenging/rewarding jobs and career opportunities
- Competitive reward programs – “Total Reward” – salary, benefits, career development, organizational culture and workplace environment

2. Focus on People Development

Future Leaders and global workforce capability

- Recognize and invest in future leaders
- Proper talent management cycle – performance management and stretch assignment
- Provide employees with access to development programs (Training /Coaching/Mentoring/Cross-border trainee)

3. Organization Effectiveness

Maximize organizational performance through HR management processes

- Workforce planning and organization review (performance, succession planning)
- The right people at the right time, right place – staffing, internal posting and global mobility

4. HR Excellence

Support business strategy with world-class functional expertise

- Effective, reliable and innovation HR processes & system
- Develop HR professionals
- Collaborate globally and share best practices

Human Resource Development

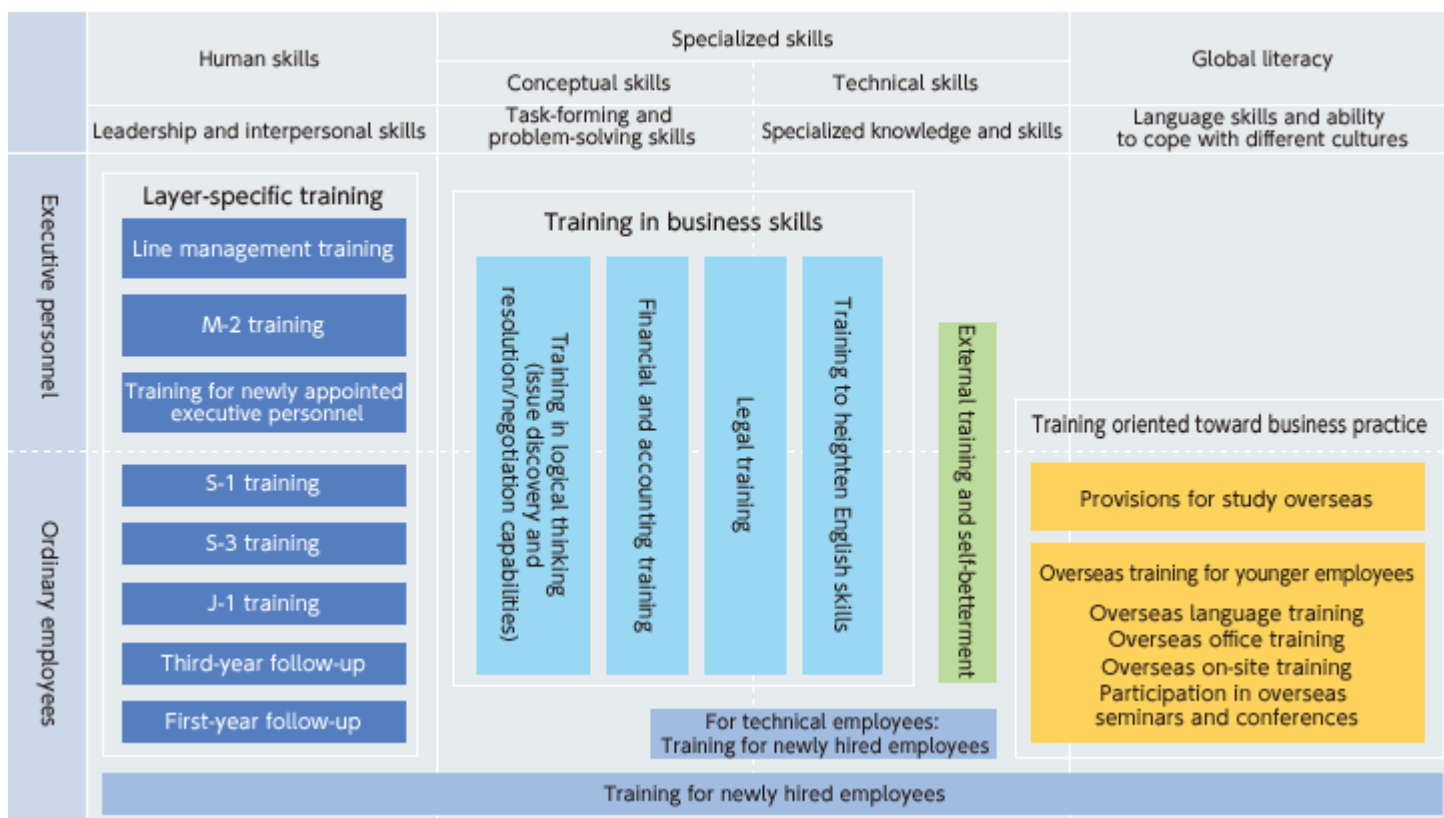
We hold training to build the all-round skills of our employees, so that they can continue to contribute to the company's business over a long-term career.

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. We have also begun taking approaches to measures such as a human resource development program encompassing the entire Group, inclusive of overseas locations, with a view to future instatement.

■ Diagram of Human Resource Development



■ List of Major Training Programs

Program	Overview	Participants FY2012
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	281
Language training	Training at overseas language school in the UK and other countries for young employees to improve their international communication skills	16
HSE training	Training for acquisition of basic knowledge about HSE and improvement of operational experience through OJT	97
Business skill training	In-house training to improve financial knowledge, logical thinking skills, and legal knowledge	138
OJT	Training for younger employees, to enhance operational skills through practical training in domestic and foreign offices and on-site locations inside and outside the company	49
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	107
Overseas study	Training at an overseas postgraduate institution for young employees to acquire advanced expert knowledge of oil E&P business	4

Scheme for Proper Human Resource Evaluation

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.

To see that these arrangements take root, we have instated a program of practical training for evaluators in the context of layer-specific training, for personnel involved in line management (management of personnel and organizations). We provide this training on a continuous basis, and are working for proper operation of our scheme for personnel 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 part of level tailored training in order to operate the employee evaluation system fairly. It should be noted that we apply this scheme equally to all personnel, without regard to gender, age, job category, or rank.

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.

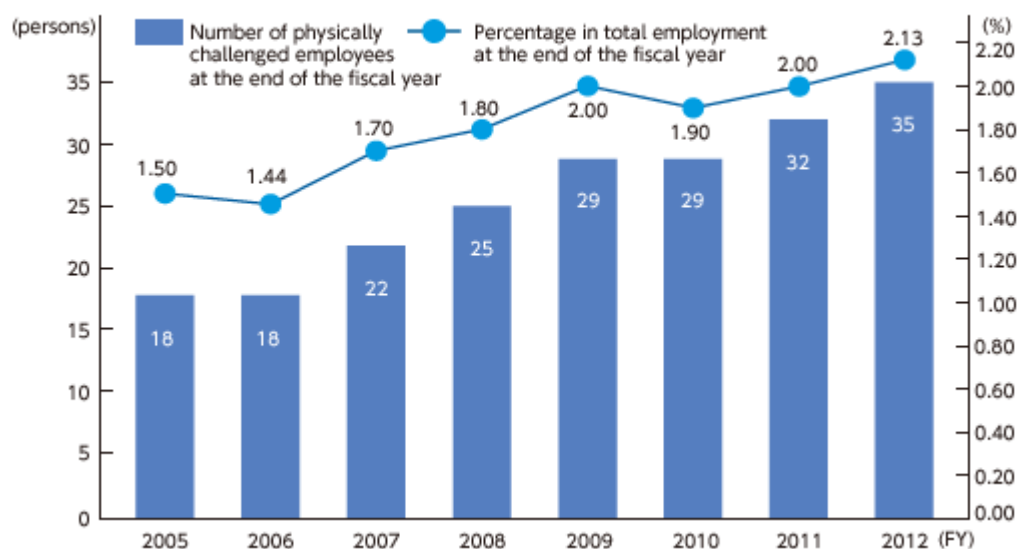
We hire and train employees we need regardless of nationality. Highly specialized global staff members work across the INPEX Group.

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. In fiscal 2012, foreign nationals employed in the whole INPEX Group numbered 779, or 31.7 percent of the total number of employees. Of these 779, 108 occupied senior management positions (93 men and 15 women). 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 2012 (March 31, 2013), we employed 35 physically challenged employees, 2.13% of the total workforce. We will continue to make efforts in the future to employ as many physically challenged people as feasible.

■ Percentage of Physically Challenged Employees in Total Employment



Rehiring Retirees

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 2012 (March 31, 2013), 50 of our employees are working under a retire-rehire contract.

Employee Statistics

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

By Region	Male	Managerial staff	Female	Managerial staff	Short-term employees*	Total
Japan	1,291	451	181	4	306	1,473
Asia and Oceania	591	184	208	15	859	799
Eurasia	9	5	3	0	3	12
Middle East and Africa	51	22	6	0	13	57
North and Central America	13	8	3	0	2	16
South America	71	13	27	1	21	98
Number of employees	2,027	683	428	20	1,204	2,455

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

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

Category	Male	Female	Total
Number of employees	1,096	208	1,304
Average salary	929.2million yen		
Average age	39.3years		
Average length of service	15.6years		

■ FY20112Hiring Data (Unconsolidated)

Category	Male	Female	Total
New graduate hires	43	10	53
Mid-career hires	22	5	27

■ FY2012 Staff Turnover Rate (Unconsolidated)

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

■ FY20112Number of Staff Turnovers (Unconsolidated)

Category	Male	Female	Total
Under 30 years	1	4	5
30–60 year	8	4	12

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.

Support for child raising and nursing care

We proactively strive to create an environment conducive to employees who are raising children or involved in nursing care for their working and family life, and adopt a greater variety of support systems than those required by law, which are offered to all employees including contract workers. Furthermore, we prepared a general entrepreneur action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children, and are making efforts to assist the participation of employees, whether male or female, in child-raising by offering support allowing them to care for their children while keeping their jobs.

Along with the spread of these provisions, all employees who had taken leave for childbirth or child care came back to their jobs in fiscal 2012, as was the case in fiscal 2011. These employees have continued to stay on the job after their reinstatement.

In the case of nursing care, we have also introduced a short-time working system for employees to enable the provision of nursing care while remaining employed (without a suspension from work) as well as offering nursing-care leave of up to 365 days that can be taken per each family member.

■ 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	12 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, 5 male 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	17 female employees, 5 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	15 female employees, 38 male employees (409 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 female employees, 0 male employees
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	1 female employees, 0 male employees
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	4 female employees, 4 male employees

Awarded Kurumin Mark

In August 2012, we have met certain standards based on the “Act on Advancement of Measures to Support Raising Next – Generation Children” and received a next generation certification logo (known as Kurumin). This mark is awarded to companies who have achieved the “General Entrepreneur Action Plan” which was established under the same act, and approved as entrepreneurs who have complied with the standards.



In the first phase (November 2009–March 2012), we set out to spread knowledge of the provisions related to childbirth and child rearing, and to prepare a workplace environment facilitating work by the employees. We posted four goals: 1) promotion of the taking of annual paid vacations; 2) notification of and information provision for internal provisions related to pregnancy, childbirth, and child rearing; 3) preparation of workplace environments facilitating the taking of leave for childcare with peace of mind and return to the job; and 4) attainment of the targeted rate for taking of childcare leave (also by male employees).

In the second phase (April 2012–March 2015), we made a partial revision of the aforementioned four goals and added a new one: support for the growth of children and youth through interchange with the community and other measures. We continue to take action to achieve these goals.

■ General Entrepreneur Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children (Phase 2)

Planning phase		
April 2012–March 2015		
Outline		
	Goal	Measure
1	Promotion of the taking of annual paid vacations and measures for reducing overtime work	<ul style="list-style-type: none"> Continuation of a campaign for the taking of five consecutive days of paid vacation in summer Further notification of all employees by means including posters prepared for a campaign encouraging employees to leave the office before 6:00 PM
2	Notification of and information provision for internal provisions related to pregnancy, childbirth, and child rearing	<ul style="list-style-type: none"> Renotification of provisions through the company intranet
3	Preparation of workplace environments facilitating the taking of leave for childcare with peace of mind and return to the job	<ul style="list-style-type: none"> Continued provision of advance explanations to allay apprehensions during childcare leave Continuous distribution of the e-mail magazine to employees taking childcare leave
4	Attainment of the targeted rate for taking of childcare leave (also by male employees)	<ul style="list-style-type: none"> Targeting of leave-taking by at least two male employees and at least 80 percent of the female employees during the term
5	Support for the growth of children and youth through interchange with the community and other measures	<ul style="list-style-type: none"> Acceptance of youth for internship programs Holding of business-site tours for local students (of junior and senior high schools, technical colleges, and universities) Staging of events for local children Cooperation with publication of educational comic books for elementary school students

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, 2013, the INPEX Labor Union has 1,034 employees, comprising 69.9% of the total regular employee base.

■ Health Management

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 physical examinations required by law, we provide checkups for lifestyle diseases for employees aged 30 or over and assist receipt of complete physical examinations by those aged 35 or over. Our reservation system likewise allows employees to choose their checkup or examination date, the medical institution, and optional tests in accordance with 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 our employees working overseas, in addition to services in health consultation by an occupational nurse, we provide physical examinations by partner medical institutions versed in health management for persons from other countries and preventive vaccinations for the particular host country or region. We have also instated services in health consultation by professional institutions through the Internet, information on medical institutions, and Japanese-language telephone counseling services. In addition, we have made it a rule to allow Japanese employees posted overseas to take a leave for a stay of at least ten days a year in Japan, in order to receive a physical examination and hear the results. 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.

The following are the rates for receipt of physical examinations and checkups by employees in each of the last three years.

FY2012: 98%

FY2011: 98.4%

FY2010: 97.5%

Mental Health Initiatives

We have introduced a self-service stress test that allows all employees including those in overseas offices 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 provides 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, whether they are in Japan or overseas, can take advantage of twenty-four hour counseling service that uses outside professional counselors. 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		<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 Conducted with support from primary physician, occupational physician, line managers, occupational nurse, HR staff
Occupational health staff	Pleasant work environment	Early detection and treatment	
External specialist	Online organizational diagnosis	Meeting with occupational physicians and nurses (Employees with high stress levels/long working hours) Feedback to line	

■ 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.

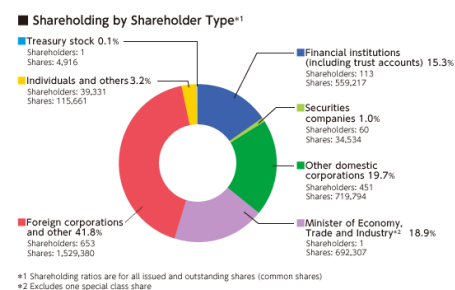
Major IR Activities in FY2012

In fiscal 2012, we held two briefing sessions to present our financial results to analysts and institutional investors as well as project site tours in Japan and other countries, and about 400 investor relations (IR) meetings inside and outside Japan. As for IR activities for individual investors, we had booths at IR exhibitions and staged information sessions that attracted more than 700 individual investors.

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.

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 2012, we donated 127,350 yen to the Keidanren Nature Conservation Fund, and 340,950 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 are committed to continued engagement in proactive communication with our shareholders and investors, both in Japan and overseas.



[Click to enlarge](#)



Ichthys briefing meeting



Booth at the 2011 Nikkei IR Fair

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. To support this movement, we began to participate in the EITI as a supporting firm in October 2012. 39 countries participate in the EITI as of June 2013. [We disclose data](#) regarding payments made in countries in which we operate, including Azerbaijan, Kazakhstan, East Timor, D.R. Congo, and Indonesia.

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 the fiscal 2013 edition, we organized the report around the five key CSR issues announced in 2012 in order to make our progress over the year more clear, and strove for both easy reading and immediate understanding. In pursuit of the former, we profiled the CSR performed through our business activities in terms of the involvement with our stakeholders in various parts of the business process. For the latter, we presented data for approaches in the entire company in a manner that made the degree of achievement on each key issue clear.

► [Sustainability Report](#)

Annual Report

The INPEX Group's Annual Report 2013 provides a general outline of the Group's management, including the current business environment and an overview of projects on which we are currently focusing.

► [Annual Report](#)

Factbook

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

► [Factbook](#)

INPEX Medium- to Long-Term Vision

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

► [INPEX Medium- to Long-Term Vision](#)

— Dialogue with Stakeholders —

To Fulfill our Responsibility to a Variety of Stakeholders as a Global Company



External Expert

Takeo Kikkawa

Professor
Graduate School of
Commerce and
Management
Hitotsubashi
University

External Expert

Eiichiro Adachi

Counselor
The Japan Research
Institute, Limited

INPEX CORPORATION

Seiji Yui

Director
Senior Managing
Executive Officer

INPEX CORPORATION

Wataru Tanaka

Director
Managing Executive
Officer

INPEX CORPORATION

Masatoshi Sugioka

Representative Director
Vice Chairman

In the severe environment faced worldwide by resource development, the first and foremost mission of the INPEX Group is to provide a stable and efficient supply of energy. Through its business activities as a company responsible for Japan's energy security, how can INPEX fulfill considerations for corporate social responsibility on various issues, such as the environment and human rights, while actively promoting resource development projects? We invited two experts to hear straightforward opinions on various topics, including the expectations placed on us from the standpoint of global management. Takeo Kikkawa, Professor at the Graduate School of Commerce and Management of Hitotsubashi University, and member of the Advisory Committee for Natural Resources and Energy, is a specialist of the energy industry. Eiichiro Adachi, Counselor at the Japan Research Institute, specializes in industry research and company evaluation from the perspective of environmental management and CSR.

Date: June 20, 2013 Venue: INPEX Corporation Headquarters (Akasaka, Tokyo)

Expectations Placed on INPEX in View of the Energy Situation in Japan and in the World

The main point of CSR activities is how to respond from the view point of the public eye

Yui: With the global energy demand expected to expand in the long term, the shift to natural gas and the increased use of renewable energy are attracting much attention. The competition over energy resources is becoming increasingly intense. In this context, aiming at securing a stable supply of energy, which is our first and foremost mission, we develop our business to achieve our three growth targets of Continuous Enhancement of E&P Activities, Strengthening Gas Supply Chain, and Reinforcement of Renewable Energy Initiatives while keeping a constant awareness of our corporate social responsibility as a global company.

Kikkawa: While Japanese nuclear plants stay idle, according to an announcement in the recent report of the Electricity Supply - Demand Verification Subcommittee, the increase in fossil fuel costs amount to a 3.8 trillion yen outflow of national wealth per year.

This is equivalent to 30 thousand yen per citizen, babies included. The Ichthys LNG Project has its importance, because INPEX conducts it as the operator. Japanese citizens may not be expecting only that INPEX secures supply sources, but also that it finds how it relates to a reduction of fuel costs in Japan.

Sugioka: We also recognize this point. We are making efforts for shale gas development in Canada, too. Having a wide range of supply sources to select from, for example new resources or different regions, will eventually benefit Japan. Having said that, relations with the countries where resource development takes place must also be taken into account, and positive results cannot be expected immediately.

Tanaka: We must keep in mind that no one can predict that shale gas price or crude oil price will be. As a Japanese company, we attach a great value to diversification.

The concept of saving must be incorporated in order to contribute to a sustainable society

Adachi: The concept of saving is associated with the energy. The demand can be reduced by devising new technologies and ingenuity to gain certain utility. I believe it would be useful if we could incorporate this concept a little bit more into our thinking about energy in Japan, to find one possible way toward a sustainable society.

Sugioka: In June 2013, we newly established Gas Supply & Infrastructure Division, which is responsible for supervising all gas-related operations, from upstream to downstream. The mission of the Division is related to what you are referring to. When we will transport to Japan the LNG developed by us, and contribute to multifunctional uses of energy through our gas supply infrastructure, we will consider ourselves blessed as an energy company.



Taking advantage of the strengths of our Group to focus on geothermal development

Kikkawa: Of all renewable energies, geothermal power seems the most promising to me. Japan has the third largest geothermal potential in the world, and when it comes to finding geothermal resources with reliability, its necessary using methods with low environmental load and INPEX can make the most of the technologies it holds. Considering that you have already begun full-scale studies for commercialization in Hokkaido and Akita Prefectures, while engaging in environmental protection, I feel that possibilities are immense. In addition, Indonesia, where INPEX is conducting the Abadi LNG Project as the operator, is also a country rich with geothermal resources. By making a contribution through these technologies, you could bring diversification to this partner country.

Sugioka: Since the Indonesian government and INPEX are both extremely focused on geothermal power, we are now consulting each other with a view to achieving something together.

Yui: Gas consumption is currently increasing in Indonesia, and as a result, we are now requested to supply to the domestic market from our own production. I think we can create win-win relationships, not only through oil and gas projects, but also through projects conducted with considerations for local contributions. Geothermal energy is extremely important in this perspective.

Kikkawa: Through the development of its projects, INPEX is able to earn trust from partner countries. Continuing this kind of operations is extremely important.



Response to Global Management Issues

INPEX's unique business style is a key to building trust relationships

Adachi: In June 2013, the Equator Principles*1, under which private banks lend money in project finance, have been updated, their conditions becoming very demanding. As an international standard, these principles have to be applied. For companies positioned as operators, like INPEX, they are a cause for cost increases. In view of this situation, what kind of considerations will you have for the regions where you operate, and how will you be accepted locally? In this respect, I believe that various elements are stacked on top of each other, including employment and human rights. I have heard that the Ichthys LNG Project began with the drafting of policies regarding the indigenous people, even though it meant an increase in cost. This could be a model case for Japanese companies.

Sugioka: When we are working in the global arena, there are always major companies operating next to us. If we want to be accepted locally, we must do as they do. In our jargon, we call this the “License to operate”. In Australia, this led us to sponsor the construction of a vocational training school intended mainly for aboriginal people, something we did before making the final investment decision for the Ichthys LNG Project. This way of interacting with local communities is applauded because of the sensibleness and flexibility we show, something unique to Japanese companies.



Kikkawa: In the regions where you operate, your educational support for younger generations seems to match local needs very well. In other words, INPEX is a company that works for the well-being of people in its regions of activity. This is INPEX’s approach to global issues, one step beyond what oil major companies do, and an important point in my view.

***1 Equator Principles:** International principles of action established for evaluating and managing the risks of socio-environmental impacts in project finance transactions, in order to avoid or mitigate environmental loads stemming from development

Important point is greenhouse gas countermeasures on a global scale

Kikkawa: It is essential to manage the issue of climate change with a broad perspective. Simply put, this is the domain of the Joint Crediting Mechanism (JCM)*2, but I think companies that use fossil fuels must create a mechanism for further reductions of CO₂ emissions in the world.

Adachi: As for the issue of global warming, international rules seem to have been postponed, but a sudden change is possible. The Joint Crediting Mechanism can help prepare for it. However, it must begin with correct measurements. Even though Japanese companies find it difficult to enter this scheme, because it seems to involve costs, I hope that INPEX, by keeping detailed records and measuring effects, will adopt this initiative.

Sugioka: We recognize it as an issue we should tackle voluntarily. In the spring of 2012, to study the global strategy of INPEX on greenhouse gases, we have established a subcommittee which includes Australian employees, and have begun creating a framework. We will develop a strong system before the Ichthys LNG Project enters the production stage.



Yui: Because our projects in Australia have an extremely important impact, implementing greenhouse gas countermeasures on a project basis will significantly contribute to environmental consideration. One of the means is CCS (Carbon Capture and Storage), and it is precisely something that can be done as an extension of the technologies we possess as an E&P company.

***2 Joint Credit Mechanism:** Through the diffusion of greenhouse gas reduction technologies, products, systems, services, and infrastructure, as well as the implementation of mitigation actions in developing countries, this mechanism evaluates contributions to greenhouse gas emission reductions or removals from Japan in a quantitative manner, and uses those emission reductions or removals to achieve the emission reduction targets of Japan

Developing Global Human Resources who Share the Same Ideas

Employer of choice (Make INPEX the best place to work)

Tanaka: People from over 20 countries all over the world are involved in the Ichthys LNG Project. This is why we have formulated the INPEX HR VISION, composed of four key pillars, to promote various personnel initiatives from a global perspective and share the same ideas group-wide. To formulate this vision, we held Global HR Conferences in Jakarta and Tokyo, during which Australian and Indonesian staff gathered and exchanged opinions. Based on the idea of becoming “INPEX, the company where people want to work”, we placed “Make INPEX the best place to work” at the top of the four key pillars of our vision.



Adachi: I feel that INPEX will have to make a decision as to whether it considers itself a Japanese company or emphasizes its identity as an energy supply company of global scale. My impression is that in the future, the idea of supplying energy to Japan may not be enough to sustain the motivation of foreign employees.

Tanaka: I am reverting to the topic of Indonesia, which we covered earlier. In my mind, if we are able to help a region with its needs, for example in geothermal energy development, its volume of oil and gas exports will rise accordingly, supporting a new capacity to meet the global energy demand, which could result in a contribution to the supply of energy to Japan.

Diversity as an index of globalization

Adachi: On the topic of globalization, incidentally, verbal communication is also one of the strengths of women. By making sure to hire human resources with excellent communication skills and employ them, INPEX could become the most accepted company in the countries where it operates.

Kikkawa: When judging whether a company is globalizing or not, one has just to look at its diversity. It is an extremely important index, which will give an immediate answer.

Sugioka: Although measures to promote women empowerment are still insufficient in Japan, compared with overseas projects, half of the staff are female in the HSE Department I am responsible for, and they work at the forefront of our overseas and domestic activities. From a global perspective, we intend to continue to actively hire more woman.

A development expected to leave its mark in Japanese business history

Kikkawa: To conclude, I believe that the role of the state has been to disseminate the most efficient methods, while that of private companies has been to develop best practices and pioneer new fields. In my view, INPEX has been able to grow this much because of its strong private-sector spirit, and I hope it will continue with the same determination in the future.

Adachi: It is not especially common in Japanese companies where management states clearly its will to continue steady CSR efforts, including initiatives on the environment and human rights, in spite of the increased costs. Business activities necessarily involve positive and negative impacts, and this is where the debate starts. I hope that INPEX will set examples, so that Japanese companies can easily understand this approach.

Sugioka: In our experiences of working jointly with oil major companies, the more we know our partners, the more we feel the magnitude of difference between their efforts and ours. Catching up with such companies is what our medium- to long-term vision is about. However, towards the achievements of its targets, we will first focus on the smooth launching of the Ichthys LNG Project. I believe that once the targets are achieved, we may be able to say with a little more confidence that we have become a company worthy of everyone's expectations. In that respect, we hope to continue benefiting from your support. Thank you very much for providing a lot of valuable remarks today.

Major CSR Data

- [Economic Data](#)
- [Environmental Data](#)
- [Society](#)

Economic Data

Economic Indices

System	FY2010	FY2011	FY2012	Unit
Net Sales	943,080	1,186,732	1,216,533	million yen
Operating income	529,743	709,358	693,447	
Net income	128,699	194,001	182,961	
Shareholders' equity	2,012,281	2,184,377	2,339,956	
Total assets	2,680,380	3,066,398	3,616,158	
Net assets	2,097,383	2,314,193	2,670,983	
Return on equity (ROE)	7.6	9.3	7.9	%
Net debt	-6,888	-8,741	-8,153	billion yen
Net debt / Net total capital employed	-48.9	-60.7	-43.9	%
Cash dividends per share and Payout ratio	6,000	7,000	7,000	yen
R&D expenses (R&D expenses, ratio of R&D expenses to net sales, and ROI for R&D) *For financial disclosure items, "Finding and development cost per boe (3-year average, US\$)" was used	78.6	6.3	11.2	US\$/boe

Data of Business-related Indices

System		FY2010	FY2011	FY2012	Unit
Net Production by Region	Japan	25	28	29	thousand boed
	Asia and Oceania	214	201	179	
	Eurasia	28	25	25	
	Middle East and Africa	135	155	158	
	America	21	18	17	
	Total	423	426	408	
Proved Reserves by Region	Japan	117	138	130	Mmboe
	Asia and Oceania	367	1,551	1,296	
	Eurasia	210	188	190	
	Middle East and Africa	583	518	505	
	America	30	36	68	
	Total	1,308	2,432	2,188	

Environmental Data

System			FY2010	FY2011	FY2012	Unit
Environmental Protection Expenditures and Investments (Cost of Environmental Technologies)			201,832	372,353	203,044	thousand yen
Total GHG Emissions	Emissions Source	Energy Use	175,604	186,637	325,974	tons-CO ₂
		Flaring	8,219	6,438	6,433	tons-CO ₂
		Other Ventings & Fugitives	13,428	8,157	10,350	tons-CO ₂
		Raw-CO ₂ Venting	162,555	162,645	170,189	tons
	Gas Types	CO ₂	346,357	355,601	501,536	tons
		CH ₄	13,428	8,161	10,516	tons-CO ₂
		N ₂ O	21	114	894	tons-CO ₂
	Total GHG Emissions		359,806	363,877	512,946	tons-CO ₂
Energy consumption by international and domestic areas	Australia	Ichthys Project	138,579	27,429	1,352,055	GJ
	Indonesia	Masela Project	37,346	46,938	26,840	GJ
	Libya	INPEX Libya	50,551	0	0	GJ
	Venezuela	Gas Guarico/Moruy	22,806	29,399	45,195	GJ
	Egypt	West Bakr	194,173	128,353	0	GJ
	Malaysia	Offshore Sabah Block	0	0	147,643	
	Suriname	Suriname	0	0	0	GJ
	Japan	Operations in Japan	3,546,361	3,741,334	3,640,870	GJ
	Total		3,989,817	3,973,453	5,212,424	GJ
Energy Consumption		Natural gas	65,402	70,612	68,457	1,000s of Nm ³
		Refinery gas	1,515	1,557	1,005	1,000s of Nm ³
		Gas Oil	890	1,402	1,116	KL
		Fuel Oil A	84	53	68	KL
		Kerosene	142	133	66	KL
		Gasoline	244	388	519	KL
		Condensate	1,226	0	0	KL
		LPG	2	17	24	tons
		Purchased Electricity	40,226	38,982	45,593	1,000s of kWh
		City Gas	423	289	289	1,000s of Nm ³
		Heat supply	7,390	6,705	6,886	GJ
		Total Energy Consumption	3,357,904	3,741,334	3,640,870	GJ
Water Consumption		Tap water	169,258	170,795	188,901	m ³
		Groundwater	1,078,896	1,175,552	989,587	m ³

	Sea/river water	0	50,131	172,083	m³
	Total Water Consumption	1,248,152	1,396,478	1,350,570	m³
Emissions into Water Areas	Emissions into public water areas	642,815	552,869	560,102	m³
	Injection return to groundwater	896,448	1,019,545	1,095,656	m³
	Total Wastewater Discharged	1,539,263	1,572,414	1,655,758	m³

Society

Safety and Health Data (HS)

System			FY2010	FY2011	FY2012	Unit
Accident Frequency	LTIF *1	Employees	0.45	1.05	0.54	case
		Contractors	0.89	0.4	0.92	
		Total	0.64	0.72	0.77	
	TRIR *2	Employees	0.91	1.68	1.25	
		Contractors	1.48	2.02	5.86	
		Total	1.16	1.86	4.05	
Fatalities			Employees	0	0	case
			Contractors	0	0	
			Total	0	0	
Lost time injury			Employees	2	4	case
			Contractors	3	2	
			Total	5	6	
Restricted workday injury			Employees	0	1	case
			Contractors	0	1	
			Total	0	2	
Medical treatment injury			Employees	2	2	case
			Contractors	2	7	
			Total	4	9	

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

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

Employees

System			FY2010	FY2011	FY2012	Unit
	Japan	Employees sum total	1,854	1,554	1,473	person
		Managerial staff	—	467	455	
		Directors and officers	—	—	46	
		Short-term Male employees	—	315	306	
		Employees sum total	1,509	431	799	
		Managerial staff	—	128	199	

Employees (Group)	Asia and Oceania		Directors and officers	—	—	0	person	
		Short-term Male employees		—	429	859		
	Eurasia	Employees sum total		17	9	12	person	
			Managerial staff	—	5	5		
			Directors and officers	—	—	0		
		Short-term Male employees		—	3	3		
	Middle East and Africa	Employees sum total		69	47	57	person	
			Managerial staff	—	16	22		
			Directors and officers	—	—	0		
		Short-term Male employees		—	15	13		
	North and Central America	Employees sum total		12	10	16	person	
			Managerial staff	—	4	8		
			Directors and officers	—	—	0		
		Short-term Male employees		—	4	2		
	South America	Employees sum total		96	95	98	person	
			Managerial staff	—	11	14		
			Directors and officers	—	—	0		
		Short-term Male employees		—	22	21		
	Overall	Male		Japanese male employees sum total	—	—	1,491	person
				Managerial staff	—	—	590	
				Directors and officers	—	—	46	
				Foreign male employees sum total	—	—	536	
				Managerial staff	—	—	93	
				Directors and officers	—	—	0	
				Total	—	—	2,027	
		Female		Japanese female employees sum total	—	—	185	
				Managerial staff	—	—	5	
				Directors and officers	—	—	0	
				Foreign female employees sum total	—	—	243	
				Managerial staff	—	—	15	
				Directors and officers	—	—	0	
				Total	—	—	428	
		Total		1,854	2,146	2,455		
		Number of Short-term Male employees		—	788	1,204		
Employees (Unconsolidated)			Male	961	1,019	1,096	person	
			Female	173	182	208		
			Total	1,134	1,201	1,304		
Average length of service New graduate hires (Unconsolidated)			Male	—	—	16.3	FY	
			Female	—	—	11.5		
			Total	15.9	16.1	15.6		

Employees (Unconsolidated)	Male	Under 30 years	—	1	1	person (%)
		30-60 years	—	7	8	
		Total	—	—	9	
	Female	Under 30 years	—	2	4	
		30-60 years	—	1	4	
		Total	—	3	8	
	Number of Staff Turnovers (Unconsolidated)* ³ (Figures in parenthesis denote the staff turnover rate.)		—	11(0.77)	17(1.3)	
Average length of service New graduate hires (Unconsolidated)	New graduate hires	Male	40	41	43	FY
		Female	12	10	10	
		Total	52	51	53	
	Mid-career hires	Male	22	11	22	FY
		Female	4	1	5	
		Total	26	12	27	
Number of staff turnovers (Unconsolidated)		Male	—	—	67.5	%
		Female	—	—	85.8	
		Total	—	—	69.8	
Number of employees taking maternity leave(Unconsolidated)			—	3	8	person
Number of Parental leave system (Unconsolidated)		Male	—	2	2	person(%)
		Female	—	11	12	
		Total	—	13	14	
Number of Reduced working hours system for child rearing(Unconsolidated)		Male	—	0	5	person
		Female	—	17	17	
		Total	—	17	22	
Number of employees taking Child healthcare leave		Male	—	4	5	person
		Female	—	15	17	
		Total	—	19	22	
Number of employees taking Assistance for nursery schools, day care centers, and babysitter		Male	19	35	38	person
		Female	9	12	15	
		Total	28	47	53	
Number of Nursing care system (Unconsolidated)		Male	—	1	0	person
		Female	—	0	1	
		Total	—	1	1	
Number of Nursing care system (Unconsolidated)		Male	—	0	0	person
		Female	—	0	1	
		Total	—	0	1	
Number of employees taking Special leave for family care		Male	—	0	4	person
		Female	—	2	4	
		Total	—	2	8	

Number of Physically Challenged Employees (Unconsolidated) (Figures in parenthesis denote the percentage in total employment)		Total	29 (1.90)	32 (2.00)	35 (2.13)	
Number of Employees Working under Retire-Rehire Contract			58	47	50	person
Number of Employees Utilizing Volunteer Leave System			—	—	92	person
Employee Satisfaction Survey	Senses of job fulfillment and adaptedness	I feel my current job worthwhile	—	—	3.8	point
		I believe I have grown through my current job	—	—	3.9	
		I take pride in my current job	—	—	3.9	
		I can take advantage of my strength in my current job	—	—	3.6	
		My current job suits me	—	—	3.5	
		My current job suits me	—	—	3.4	
	Loyalty to the company	I am proud of being a member of INPEX	—	—	4.0	
		I am glad that I joined INPEX	—	—	4.2	
		INPEX values its employees	—	—	3.7	
		INPEX's business contributes to society	—	—	4.2	
		INPEX's corporate culture suits me	—	—	3.6	
	Total		—	—	3.8	
Number of Participants in Training Programs		Level tailored training	255	204	281	person
		Language training	13	13	16	
		Business skill training	—	75	138	
		Technical training → OJT (2012-)	—	47	49	
		Overseas office training	14	17	17	
		Overseas specialized training → Overseas specialized training (2012-)	4	47	107	
		HSE training (2012-)	—	—	97	
		Overseas study	—	2	4	
Labor Union Participation Rate			—	—	69.9	%

*3 Excludes age-limit retirees and employees resigned as executives

Management

System	FY2010	FY2011	FY2012	Unit
Labor Union Participation Rate Number of Help-Line	2	3	4	case

System		FY2010	FY2011	FY2012	Unit
CSR Expenditure by Issue	Educating and fostering future generations	362.6	621.8	1275.9	million yen
	Support for local communities	83.4	523.5	286.6	
	Health, medicine and sports	4.7	40.9	176.7	
	Support for disaster-affected areas	200.7	29.0	6.3	
	Environment	80.4	18.1	23.2	
	Culture and arts	0.7	5.7	42.1	
	Other	33.1	6.3	2.9	
	Total	765.7	1,245.2	1,813.8	

Third Party Comments on *Sustainability Report 2013*



Toshihiko Goto

Chief Executive Officer
Sustainability Forum Japan

A fast evolution of CSR is clearly visible. Now that INPEX participates in international initiatives, including the UN Global Compact and the Extractive Industries Transparency Initiative (EITI), its CSR has found its form. As you recognized in the Top Management Commitment, you were at a starting point, and from now on, we expect aggressive CSR activities that will increasingly deepen and evolve.

On the specific subject of anti-corruption, in spite of difficulties encountered in reaching an international consensus during the 20th century, international conventions were eventually signed as we entered in the 21st century, and its tenth principle for anti-corruption has been included in the Global Compact in 2004. In the future, as the gravity of development will gradually shift to developing countries, CSR will become a key.

INPEX's own projects are about to blossom, and we can certainly applaud the fact that self-reliance and development are reflected in your programs to contribute to local communities. However, I believe that it would be necessary to begin at an earlier stage to study how business could contribute to the self-reliance of communities after the closing of extractive industries. The inclusion of various needs, for example through stakeholder engagement, is an essential prerequisite, but contributions to local communities could also include strategic contributions conducive to such future business.

The emergency response system of projects developed by INPEX has become extremely important, beyond the level of past efforts. This is why I hope to see the objectives of the FY 2013 plan achieved, and information disclosed (anti-terrorism measures not included).

Regarding diversity, the delayed efforts of headquarters and the considerations given overseas have been straightforwardly mentioned. In Europe, there is a recent move towards making it compulsory for companies to disclose their diversity policy, as it is considered an element necessary for their development. Such initiatives are also necessary from the standpoint of human rights. At executive level, and even more so at director level, the promotion of diversity requires very long-term planning and human resource development. As one of the policies for achieving the INPEX HR VISION, and as an aggressive CSR measure, I hope to see a diversity policy, or a human resource portfolio policy, formulated with its associated roadmap.

This year, the Global Reporting Initiative (GRI^{*1}) has published the fourth generation of its Sustainability Reporting Guidelines, which are developed through a multi-stakeholder approach. The International Integrated Reporting Council (IIRC^{*2}), which aims at developing a reporting framework mainly intended for investors, has published its Consultation Draft. Their common keywords are materiality and long-term view. INPEX has published its medium- to long-term Vision in May 2012, and its steady efforts are clearly visible. However, regarding information aimed at investors, observers have been expecting reports on how initiatives such as environmental considerations can be linked to corporate value, but the need for such reports has remained so far a theoretical rule. To see concrete examples, we will have to rely on the creativity of each company. In my opinion, the best path is to proceed by accumulating small experiments, and I would like to recommend that you consider starting some, in one form or another. As a first step in that direction, the project of obtaining third-party assurance for INPEX's environmental data in 2013 is commendable.

^{*1} GRI: Global Reporting Initiative <<https://www.globalreporting.org/>>

^{*2} IIRC: The International Integrated Reporting Council (IIRC) <<http://www.theiirc.org/>>

Response to Third Party Comments

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

We have committed ourselves to strengthen continuously our CSR-based management, including through our participation in the UN Global Compact and EITI. Proceeding with this sustained improvement as outlined in our medium- to long-term vision, we are formulating a CSR Road Map towards 2016 while reinforcing our internal CSR promotion system. Through our various business processes, we hope to be perceived by society as an essential presence, and in this year's report, we focused on conveying this approach to our various stakeholders in an accessible way.

We are grateful to Mr. Goto for the feedback he has offered since 2010. This year, he has provided again very helpful comments for our implementation of CSR initiatives, covering for example strategic contributions to local communities in connection with our business, the state of our emergency response system in operator projects, expectations for our diversity strategy aimed at maximizing and developing human resources, and information disclosure as it relates to corporate value, based on the developments of the GRI and IIRC.

We will use these opinions to enhance our dialogue with stakeholders and further improve our CSR initiatives as a company expanding its global business.



Seiji Yui

Director
Senior Managing Executive Officer
in charge of CSR

Third-Party Verification Report

In order to disclose the environmental performance data of domestic GHG emissions, energy consumption, volume of water sources used, and wastewater discharge in a highly transparent and reliable manner, we have underwent third-party verification by Bureau Veritas Japan Co., Ltd.

The details are as follows.

Sustainability Report 2013
Independent Verification Report

To: INPEX CORPORATION

August 9, 2013

Bureau Veritas Japan Co., Ltd.
System Certification Services Headquarters

Bureau Veritas Japan Co., Ltd. (Bureau Veritas) has been engaged by INPEX CORPORATION (INPEX) to conduct independent verification of its environmental data selected for inclusion in its Sustainability Report 2013 (the Report), issued under the responsibility of INPEX. The aim of this verification is to consider the reliability and accuracy of environmental data detailed in the Report and to provide verification opinion based on objective evidence.

1. Verification Outline

Environmental Impact data generated through business operations in FY2012 (April 1, 2012 through March 31, 2013)

Scope of Verification	Site Visited	Verification Methodology
Greenhouse Gas emissions (limited to CO ₂ , CH ₄ and N ₂ O) generated through business operations at all sites in Japan, of INPEX and its 3 consolidated subsidiaries	- INPEX's head office - Nigata Area: Minami-Nagaoka Gas Field, Koshijihara Plant, Koshijihara Power Plant and Oyasawa Plant - Chiba Area: Naruto No.1 Plant, Naruto No.2 Plant and Naruto Water Gathering Plant	- Review of documentary evidence produced by INPEX's head office and the sites visited - Interviews with relevant personnel of INPEX's head office and the sites visited - Site inspection and review of data monitoring procedures - Evaluation of the reported data against supporting documentary evidence
Water consumption and discharge from business operations at all sites in Japan, of INPEX and its 3 consolidated subsidiaries		

This verification was conducted using Bureau Veritas' standard procedures and guidelines for external verification of non-financial reporting, based on current best practice. Bureau Veritas refers to the International Standard on Assurance Engagements (ISAE) 3000 in providing a limited assurance for the scope of work stated herein.

2. Findings

Environmental Impact data generated through business operations in FY2012

- The information stated in the Report is consistent with the data collected and consolidated by INPEX's head office.
- No significant errors were detected in the environmental data reported by sites visited to INPEX's head office.

Bureau Veritas has implemented a code of ethics across its business which is intended to ensure that all our staff maintain high standards in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest. Bureau Veritas activities for INPEX are for social reporting verification only and we believe our verification assignment did not raise any conflicts of interest.

Greenhouse Gas Emissions Verification Statement

GREENHOUSE GAS EMISSIONS VERIFICATION STATEMENT

To: INPEX CORPORATION



Bureau Veritas Japan Co., Ltd.
System Certification Services Headquarters

Bureau Veritas Japan Co., Ltd. (Bureau Veritas) was engaged by INPEX CORPORATION (INPEX) to conduct verification to a limited level of assurance of the greenhouse gas (GHG) emissions reported in its Sustainability Report 2013 for the period of April 1, 2012 through March 31, 2013.

1. Scope of Verification

INPEX requested Bureau Veritas to verify the accuracy of the following GHG information:

Scope 1 and Scope 2 GHG emissions:

- GHG emissions (limited to CO₂, CH₄ and N₂O) through business operations at all sites in Japan, of INPEX and its 3 consolidated subsidiaries.

2. Methodology

Bureau Veritas conducted the verification in accordance with the requirements of the international standard 'ISO 14064-3(2006): Greenhouse gases - Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions'.

As part of Bureau Veritas' assurance, the following activities were undertaken:

- Interviews with relevant personnel of INPEX responsible for the identification and calculation of GHG emissions;
- Review of INPEX's information systems and methodology for collection, aggregation, analysis and review of information used to determine GHG emissions; and
- Audit of a sample of source data to check accuracy of quantified GHG emissions.

3. Conclusion

Based on the verification work and processes followed, there is no evidence to suggest that the GHG emissions assertions shown below:

- are not materially correct and are not a fair representation of the GHG emissions associated with the business operations of INPEX, as per the scope of work.
- are not prepared in accordance with the methodology for calculating GHG emissions established and implemented by INPEX.

Verified greenhouse gas emissions	
Scope 1 350,000 t-CO ₂ e	Scope 2 24,700 t-CO ₂ e

[Statement of independence, impartiality and competence]

Bureau Veritas is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with over 150 years history in providing independent assurance services. No member of the verification team has a business relationship with INPEX, its Directors or Managers beyond that required of this assignment. We conducted this verification independently and to our knowledge there has been no conflict of interest. Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities. The verification team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, has an excellent understanding of Bureau Veritas standard methodology for the verification of greenhouse gas emissions data.

List of Indicators Based on GRI G3 Guidelines

GRI's Sustainability Reporting Guidelines 3.1, guidance indicators of IPIECA (The global oil and gas industry association for environmental and social issues), 10 principles of the U.N. Global Compact, and ISO26000 were referred to in preparing this report.

The table below collates each indicator of the Guidelines with pages in (the printed version of) this report. Some references are made to relevant pages on a website other than the CSR website.

1. [Strategy and Analysis](#)
2. [Organizational Profile](#)
3. [Report Parameters](#)
4. [Governance, Commitments, and Engagement](#)
5. [Management Approach and Performance Indicators](#)

1. Strategy and Analysis

	Description	Sustainability Report 2013	IPIECA/Guidance Indicators 2010	GC Principles	ISO26000
1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	Top Management Commitment (PP.3-6)			6.2
1.2	Description of key impacts, risks, and opportunities.	Top Management Commitment (PP.3-6) Our CSR Policy (PP.7-8) Risk Management			6.2

2. Organizational Profile

	Description	Sustainability Report 2013	IPIECA/Guidance Indicators 2010	GC Principles	ISO26000
2.1	Name of the organization.	Company Overview (P.1)			
2.2	Primary brands, products, and/or services.	Company Overview (P.1)			
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Company Overview (P.1) Annual Report			6.2
2.4	Location of organization's headquarters.	Company Overview (P.1)			
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Major Projects Special Feature "Abadi LNG Project" , (PP. 11-12) "Ichthys LNG Project" , (PP. 13-18) "Gas Supply Chain" (PP. 19-20) Initiatives to Contribute to Local Communities(Overseas) Our Business			
2.6	Nature of ownership and legal form.	Company Overview (P.1)			
		Annual Report Major Projects Medium- to Long-Term			

2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Vision of INPEX Our Business (P.29) Annual Report Project Overview by Region			
2.8	Scale of the reporting organization, including: • Number of employees; • Number of operations; • Net sales (for private sector organizations) or net revenues (for public sector organizations); • Total capitalization broken down in terms of debt and equity (for private sector organizations); and • Quantity of products or services provided.	CSR Data (P.1. 29-30) Annual Report			
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: The location of, or changes in operations, including facility openings, closings, and expansions; and Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	Annual Report			
2.10	Awards received in the reporting period.	Recognition from Outside the Company			

3. Report Parameters

	Description	Sustainability Report 2013	IPECA/Guidance Indicators 2010	GC Principles	ISO26000
Report Profile					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Editorial Policy			
3.2	Date of most recent previous report (if any).	Editorial Policy (Back cover)			
3.3	Reporting cycle (annual, biennial, etc.)	Editorial Policy (Back cover)			
3.4	Contact point for questions regarding the report or its contents.	(Back cover)			
Report Scope and Boundary					
3.5	Process for defining report content, including: • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report.	Editorial Policy Relationships with Major Stakeholders Our CSR Policy (PP.7-8)			
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Editorial Policy (PP.1-2)			
3.7	State any specific limitations on the scope or boundary of the report.	Editorial Policy (PP.1-2)			
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Annual Report			
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Environment CSR Data (PP.1, 27, 29-30)			
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).	—			
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	N/A			
GRI content index					
3.12	Table identifying the location of the Standard Disclosures in the report.	This Table			

Assurance					
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	Third Party Comments / Third-Party Assurance Editorial Policy (PP.1-2)			

4. Governance, Commitments, and Engagement

	Description	Sustainability Report 2013	IPIECA/Guidance Indicators 2010	GC Principles	ISO26000
Governance					
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate Governance		1—10	6.2
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	Corporate Governance		1—10	
4.3	For organizations that have a unitary board structure, state the number of and gender of members of the highest governance body that are independent and/or non-executive members.	Corporate Governance		1—10	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Dialogue Between Employees and Management Dialogue with Stakeholders—Channels and Record Help-Line System		1—10	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Corporate Governance		1—10	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance		1—10	
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Corporate Governance		1—10	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Mission, Corporate Social Responsibility Policy, and Code of Conduct Our CSR Policy (PP.7-8) Health, Safety and Environmental Policy Basic Policy for Building Trust with and Contributing to Local Communities INPEX HR VISION Respect for Human Rights		1—10	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Corporate Governance HSE Management System Initiatives Respect for Human Rights		1—10	
4.10	Processes for evaluating the highest governance body's own performance,	Our CSR Policy (PP.7-8)		1—10	

	particularly with respect to economic, environmental, and social performance.	Corporate Governance			
Commitments to External Initiatives					
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Respect for Human Rights Risk Management Biodiversity Conservation Safety Management		7	6.2
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Our CSR Policy (PP.7-8) Respect for Human Rights Approaches to Prevention of Corruption Biodiversity Conservation Reducing Our Environmental Impact We Support the UN Global Compact		1 – 10	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none">• Has positions in governance bodies;• Participates in projects or committees;• Provides substantive funding beyond routine membership dues; or• Views membership as strategic.	Special Feature "Renewable and New Energies" (PP.21-23) Involvement in Public Policy Our CSR Policy We Support the UN Global Compact		1 – 10	
Stakeholder Engagement					
4.14	List of stakeholder groups engaged by the organization.	Relationships with Major Stakeholders (PP.9-10)			6.2
4.15	Basis for identification and selection of stakeholders with whom to engage.	Relationships with Major Stakeholders (PP.9-10)			
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Relationships with Major Stakeholders (PP.9-10) Special Feature "Abadi LNG Project" (PP. 11-12), "Ichthys LNG Project" (PP. 13-18), "Gas Supply Chain" (PP. 19-20) Dialogue with Stakeholders (PP.24-26) Building Trust with and Contributing to Local Communities Initiatives to Contribute to Local Communities Human Resocurce Development and Utilization			
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Stakeholders' Comments and INPEX's Response Dialogue with Stakeholders (PP.24-26)			

5. Management Approach and Performance Indicators

		Description	Sustainability Report 2013	IPECA/Guidance Indicators 2010	GC Principles	ISO26000
Economic						
		Disclosure on Management Approach	Annual Report		1, 4, 6, 7	6.2 6.8
Economic Performance Indicators						
aspect: Economic Performance						
EC1.	CORE	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Building Trust with and Contributing to Local Communities Considering Human Rights During Operations CSR Data (P.30) Annual Report Initiatives to Contribute to Local Communities (Domestic, Overseas)	SE4:Social investment SE13:Transparency of payments to host government		6.8 6.8.3 6.8.7 6.8.9
EC2.	CORE	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Climate Change Risk Environmental Impact of Our Business Activities		7	6.5.5
EC3.	CORE	Coverage of the organization's defined benefit plan obligations.	—			
EC4.	CORE	Significant financial assistance received from government.	—			
aspect: Market Presence						
EC5.	ADD	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	—		1	6.3.7 6.4.4 6.8
EC6.	CORE	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Building Trust with and Contributing to Local Communities Fair Trade with Business Partners Special Feature "Abadi LNG Project" (PP.11-12), "Ichthys LNG Project" (PP.13-18), "Gas Supply Chain" (PP.19-20)	SE5 SE7		6.6.6 6.8 6.8.5 6.8.7
EC7.	CORE	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Promoting Diversity	SE5 SE6	6	6.8 6.8.5 6.8.7
aspect: Indirect Economic Impacts						
EC8.	CORE	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Special Feature "Ichthys LNG Project" (PP. 13-18) Building Trust with and Contributing to Local Communities Support Activities After the Great East Japan Earthquake Initiatives to Contribute to Local Communities	SE4		6.3.9 6.8 6.8.3 6.8.4 6.8.5 6.8.6 6.8.7 6.8.9
EC9.	ADD	Understanding and describing significant indirect economic impacts,	Special Feature "Ichthys LNG Project" , "Renewable and New	SE6:Local hiring		6.3.9 6.6.6 6.6.7 6.7.8 6.8

		including the extent of impacts.	Energies" (PP.13-18) Building Trust with and Contributing to Local Communities	practices		6.8.5 6.8.6 6.8.7 6.8.9
Environmental						
		Disclosure on Management Approach	HSE Management System		7, 8, 9	6.2 6.5
Environmental Performance Indicators						
aspect: Materials						
EN1.	CORE	Materials used by weight or volume.	Environmental Impact of Our Business Activities Site Data		8	6.5 6.5.4
EN2.	CORE	Percentage of materials used that are recycled input materials.	—		8, 9	6.5 6.5.4
aspect: Energy						
EN3.	CORE	Direct energy consumption by primary energy source.	Environmental Impact of Our Business Activities Site Data	E2	8	6.5 6.5.4
EN4.	CORE	Indirect energy consumption by primary source.	—	E2	8	6.5 6.5.4
EN5.	ADD	Energy saved due to conservation and efficiency improvements.	Global Warming Mitigation	E2	8, 9	6.5 6.5.4
EN6.	ADD	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Fighting Climate Change Special Feature "Renewable and New Energies" (P.21-23)	E3	8, 9	6.5 6.5.4
EN7.	ADD	Initiatives to reduce indirect energy consumption and reductions achieved.	—	E2	8, 9	6.5 6.5.4
aspect: Water						
EN8.	CORE	Total water withdrawal by source.	Environmental Impact of Our Business Activities Use of Water Resources (P.29) Site Data	E6	8	6.5 6.5.4
EN9.	ADD	Water sources significantly affected by withdrawal of water.	—	E6	8	6.5 6.5.4
EN10.	ADD	Percentage and total volume of water recycled and reused.	—	E6	8, 9	6.5 6.5.4
aspect: Biodiversity						
EN11.	CORE	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	—	E5	8	6.5 6.5.6
EN12.	CORE	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Biodiversity Conservation	E5	8	6.5 6.5.6
EN13.	ADD	Habitats protected or restored.	Biodiversity Conservation	E5	8	6.5 6.5.6
EN14.	ADD	Strategies, current actions, and future plans for managing impacts on biodiversity.	Special Feature "Ichthys LNG Project" (PP. 13-18) Biodiversity Conservation	E5	8	6.5 6.5.6 6.8.3
EN15.	ADD	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Biodiversity Conservation		8	6.5 6.5.6

aspect: Emissions, Effluents, and Waste						
EN16.	CORE	Total direct and indirect greenhouse gas emissions by weight.	Global Warming Mitigation Site Data	E1 E4	8	6.5 6.5.5
EN17.	CORE	Other relevant indirect greenhouse gas emissions by weight. A Complete Picture of Environmental Load Environmental Activities at PI	Global Warming Mitigation Site Data	E1	8	6.5 6.5.5
EN18.	ADD	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Global Warming Mitigation Site Data	E1	7, 8, 9	6.5 6.5.5
EN19.	CORE	Emissions of ozone-depleting substances by weight.	—	E7	8	6.5 6.5.3
EN20.	CORE	NOx, SOx, and other significant air emissions by type and weight.	Environmental Impact of Our Business Activities Reducing Our Environmental Impact Site Data	E7	8	6.5 6.5.3
EN21.	CORE	Total water discharge by quality and destination.	CSR Data (P.29)	E9	8	6.5 6.5.3
EN22.	CORE	Total weight of waste by type and disposal method.	Reducing Our Environmental Impact Site Data	E10	8	6.5 6.5.3
EN23.	CORE	Total number and volume of significant spills.	Oil Pollution Prevention Measures Site Data	E8	8	6.5 6.5.3
EN24.	ADD	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	N/A		8	6.5 6.5.3
EN25.	ADD	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	—		8	6.5 6.5.3 6.5.4 6.5.6
aspect: Products and Services						
EN26.	CORE	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fighting Climate Change Special Feature "Renewable and New Energies" (PP.21-23) "Gas Supply Chain" (PP. 19-20)		7, 8, 9	6.5 6.5.4 6.6.6 6.7.5
EN27.	CORE	Percentage of products sold and their packaging materials that are reclaimed by category.	—		8, 9	6.5 6.5.3 6.5.4 6.7.5
aspect: Compliance						
EN28.	CORE	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	N/A		8	6.5
aspect: Transport						
EN29.	ADD	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Global Warming Mitigation		8	6.5 6.5.4 6.6.6
aspect: Overall						
EN30.	ADD	Total environmental protection expenditures and investments by type.	Environmental Impact of Our Business Activities		7, 8, 9	6.5
Social Performance Indicators						
Labor Practices and Decent Work						
			HSE Management			

		Disclosure on Management Approach	System Human Resource Development and Utilization		1, 3, 6	6.2 6.4 6.3.10
Labor Practices and Decent Work Performance Indicators						
aspect: Employment						
LA1.	CORE	Total workforce by employment type, employment contract, and region, broken down by gender	Employee Statistics (P.30)			6.4 6.4.3
LA2.	CORE	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Employee Statistics (P.30)		6	6.4 6.4.3
LA3.	ADD	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	Promoting Work-Life Balance			6.4 6.4.3 6.4.4
LA15.	CORE	Return to work and retention rates after parental leave, by gender.	Promoting Work-Life Balance			6.4 6.4.4
aspect: Labor/Management Relations						
LA4.	CORE	Percentage of employees covered by collective bargaining agreements.	Dialogue Between Employees and Management		1, 3	6.3.10 6.4 6.4.3 6.4.4 6.4.5
LA5.	CORE	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Dialogue Between Employees and Management		3	6.4 6.4.3 6.4.4 6.4.5
aspect: Occupational Health and Safety						
LA6.	ADD	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	—	HS1 SE16	1	6.4 6.4.6
LA7.	CORE	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	Aiming to Reduce Accidents (P.29) CSR Data (P.29)	HS3	1	6.4 6.4.6
LA8.	CORE	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Health Management	HS2	1	6.4 6.4.6 6.8 6.8.3 6.8.4 6.8.
LA9.	ADD	Health and safety topics covered in formal agreements with trade unions.	—	SE16	1	6.4 6.4.6
aspect: Training and Education						
LA10.	CORE	Average hours of training per year per employee by gender, and by employee category.	HSE Management System Compliance	SE17		6.4 6.4.7
LA11.	ADD	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Human Resource Development and Utilization	SE17		6.4 6.4.7 6.8.5
LA12.	ADD	Percentage of employees receiving regular performance and career development reviews.	Scheme for Proper Human Resource Evaluation	SE17		6.4 6.4.7
aspect: Diversity and Equal Opportunity						
LA13.	CORE	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Promoting Diversity Employee Statistics CSR Data (P.30)	SE15	1,6	6.3.7 6.3.10 6.4 6.4.3
aspect: Equal Remuneration for Women and Men						
LA14.	CORE	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Employee Statistics		1.6	6.3.7 6.3.10 6.4 6.4.3 6.4.4

Human Rights						
		Disclosure on Management Approach	Mission, Corporate Social Responsibility Policy, and Code of Conduct Respect for Human Rights		1, 2, 3, 4, 5, 6	6.2 6.3 6.3.3 6.3.4 6.3.6 6.6.6
Human Rights Performance Indicators						
aspect: Investment and Procurement Practices						
HR1.	CORE	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	—	SE8	1, 2, 3, 4, 5, 6	6.3 6.3.3 6.3.5 6.6.6
HR2.	CORE	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	Fair Trade with Business Partners	SE9	1, 2, 3, 4, 5, 6	6.3 6.3.3 6.3.5 6.4.3 6.6.6
HR3.	ADD	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Seminars for Internal Penetration of Awareness of Human Rights	SE8	1, 2, 3, 4, 5, 6	6.3 6.3.5
aspect: Non-Discrimination						
HR4.	CORE	Total number of incidents of discrimination and corrective actions taken.	—	SE18	1, 2, 6	6.3 6.3.6 6.3.7 6.3.10 6.4.3
aspect: Freedom of Association and Collective Bargaining						
HR5.	CORE	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Dialogue Between Employees and Management		1, 2, 3	6.3 6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.3 6.4.5
aspect: Child Labor						
HR6.	CORE	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Fair Trade with Business Partners		1, 2, 5	6.3 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10 6.6.6
aspect: Forced and Compulsory Labor						
HR7.	CORE	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Fair Trade with Business Partners		1, 2, 4	6.3 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10 6.6.6
aspect: Security Practices						
HR8.	ADD	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	—	SE10	1, 2	6.3 6.3.5 6.4.3 6.6.6
aspect: Indigenous Rights						
HR9.	ADD	Total number of incidents of violations involving rights of indigenous people and actions taken.	Consideration for Indigenous People		1, 2	6.3 6.3.6 6.3.7 6.3.8 6.6.7

aspect: Assessment						
HR10.	CORE	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Respect for Human Rights Building Trust with and Contributing to Local Communities			6.3 6.3.3 6.3.4 6.3.5
aspect: Remediation						
HR11.	CORE	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Respect for Human Rights			6.3 6.3.6
Society						
		Disclosure on Management Approach	Compliance Building Trust with and Contributing to Local Communities		10	6.2 6.6 6.8
Social Performance Indicators						
aspect: Local Communities						
SO1.	CORE	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Respect for Human Rights Building Trust with and Contributing to Local Communities Fair Trade with Business Partners	SE1 SE2 SE3 SE4 SE5		6.3.9 6.6.7 6.8 6.8.5 6.8.7
SO9.	CORE	Operations with significant potential or actual negative impacts on local communities.	Major Projects Our Business			6.3.9 6.5.3 6.5.6 6.8
SO10.	CORE	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Respect for Human Rights Special Feature "Abadi LNG Project" (PP. 11-12), "Ichthys LNG Project" (PP. 13-18), "Gas Supply Chain" (PP. 19-20) Biodiversity Conservation Building Trust with and Contributing to Local Communities			6.3.9 6.5.3 6.5.6 6.8
aspect: Corruption						
SO2.	CORE	Percentage and total number of business units analyzed for risks related to corruption.	—	SE11 SE12	10	6.6 6.6.3
SO3.	CORE	Percentage of employees trained in organization's anti-corruption policies and procedures.	Compliance	SE11	10	6.6 6.6.3
SO4.	CORE	Actions taken in response to incidents of corruption.	Compliance	SE11	10	6.6 6.6.3
aspect: Public Policy						
SO5.	CORE	Public policy positions and participation in public policy development and lobbying.	Building Trust with and Contributing to Local Communities	SE14	1—10	6.6 6.6.4 6.8.3
SO6.	ADD	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Supporting EITI Implementation	SE14	10	6.6 6.6.4 6.8.3
aspect: Anti-Competitive Behavior						
SO7.	ADD	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	N/A			6.6 6.6.5 6.6.7
aspect: Compliance						
						6.6

SO8.	CORE	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	N/A			6.6.3 6.6.7 6.8.7
Product Responsibility						
		Disclosure on Management Approach	Product Quality Control		1, 8	6.2 6.6 6.7
Product Responsibility Performance Indicators						
aspect: Customer Health and Safety						
PR1.	CORE	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Product Quality Control	HS4	1	6.3.9 6.6.6 6.7 6.7.4 6.7.5
PR2.	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	—	HS4	1	6.3.9 6.6.6 6.7 6.7.4 6.7.5
aspect: Product and Service Labeling						
PR3.	CORE	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Product Quality Control	HS4	8	6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9
PR4.	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	N/A	HS4	8	6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9
PR5.	ADD	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Dialogue with Stakeholders—Channels and Record			6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9
aspect: Marketing Communications						
PR6.	CORE	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	—	HS4		6.7 6.7.3 6.7.6 6.7.9
PR7.	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	N/A			6.7 6.7.3 6.7.6 6.7.9
aspect: Customer Privacy						
PR8.	ADD	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	N/A		1	6.7 6.7.7
aspect: Compliance						
PR9.	CORE	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	N/A			6.7 6.7.6

Editorial Policy

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

The 2013 edition of this report is based on “five key CSR issues” stated in the 2012 edition and is intended to combine ease of reading and surveyability of content, in order to communicate our progress in the past year to readers in a way easy to understand. Ease of reading is to be achieved by portraying “CSR through our business operations” by describing interactions with our stakeholders in a variety of business processes, and surveyability is to be achieved by showing company-wide efforts by the degree of achievement in each key issue.

In addition, we intend to improve the content of the report by moving the report of the current year's performance mainly to our website.

■ Reference Guideline

- Global Reporting Initiative's Sustainability Reporting Guidelines Version 3.1
- ISO 26000
- IPIECA

■ Reporting Period

April 1, 2012 to March 31, 2013 (Including references to activities we undertook during or after April 2013)

Scope of Reporting and Data Compilation

INPEX CORPORATION and its 61 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.