



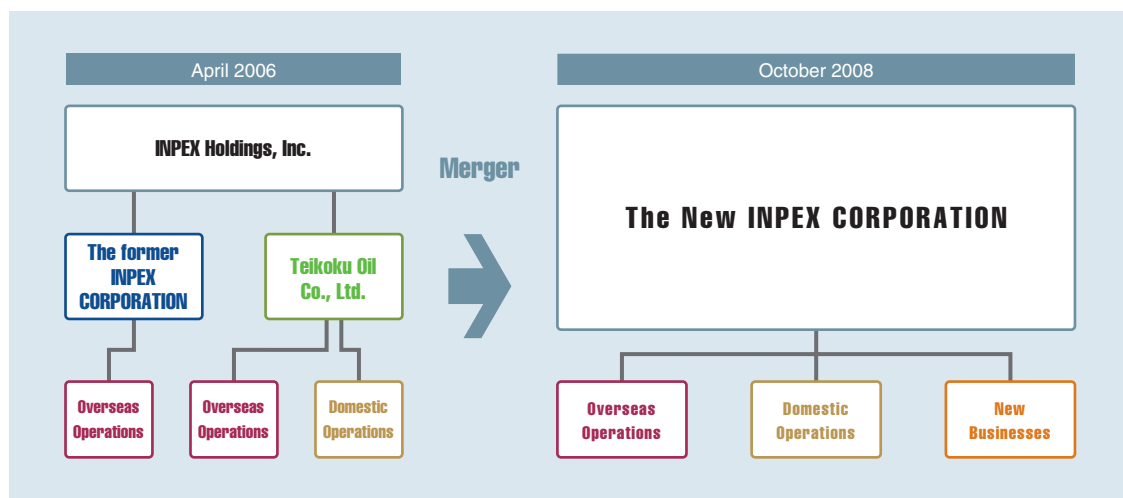
# CSR Report 2008



**INPEX**  
INPEX CORPORATION

# Taking full advantage of synergistic integration into the new company, we are committed to developing energy in a safe and environmentally responsible manner while contributing to the development of the communities.

In an increasingly competitive environment, the new INPEX CORPORATION was launched in October 2008—setting itself on a path to build a solid business foundation characterized by strong international competitiveness from which we can achieve sustainable growth in our corporate value, and ensure a stable and efficient supply of energy to our customers.



## Company Overview

Company name: INPEX CORPORATION

Established: April 3, 2006

Capital: 30 billion yen

Head office: Akasaka Biz Tower 31st to 34th floors, 5-3-1 Akasaka, Minato-ku Tokyo 107-6332 Japan

Telephone: +81-3-5572-0200

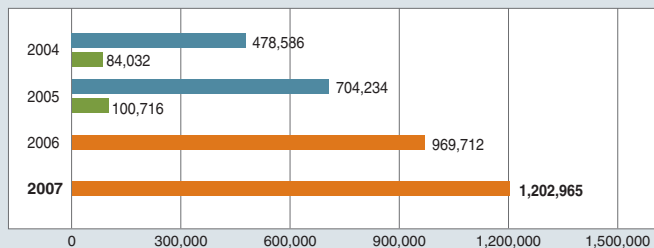
Fiscal year end: March 31

Main businesses: Prospecting, exploration, development and sale of oil, natural gas and other mineral resources, and making loans and investments in companies engaged in such operations.

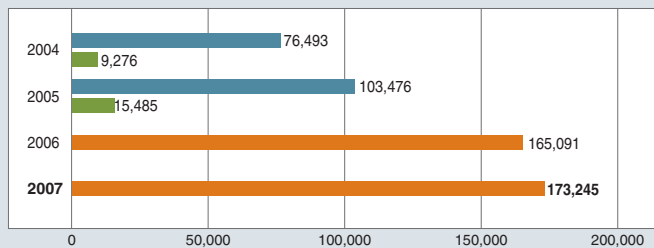
## Financial Information

■ The former INPEX CORPORATION ■ Teikoku Oil Co., Ltd.  
■ The new INPEX CORPORATION

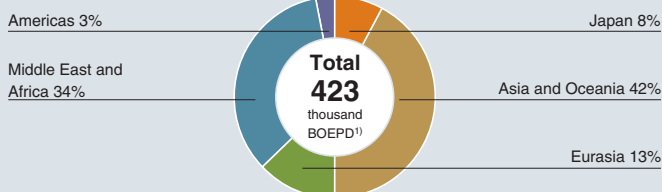
### Net Sales (million yen)



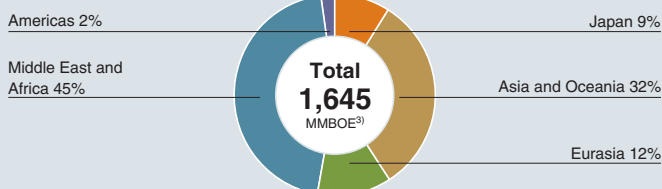
### Net Income (million yen)



### Net Production by Region



### Proved Reserves by Region<sup>2)</sup>



1) Barrels of oil equivalent per day

2) Proved reserves are evaluated in accordance with SEC regulations, and do not include those that are not eligible for third-parties' deposit evaluation reports, nor those undergoing related governmental approval processes, but do include proved reserves owned by equity method affiliates.

3) Million barrels of oil equivalent

### Forward-Looking Statements

This report includes forward-looking information that reflects the plans and expectations of INPEX CORPORATION and its affiliates (hereinafter called the INPEX Group). Such forward-looking information is based on the current assumptions and beliefs of the INPEX Group in light of information currently available to it, and involves known and unknown risks, uncertainties, and other factors. Such risks, uncertainties and other factors may cause the INPEX Group's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking information.

Please be advised that the INPEX Group shall assume no responsibility for such risks.

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### Editorial Policy

This report updates you on corporate social responsibility (CSR) activities being undertaken by the INPEX Group. We will continuously seek opportunities to improve our CSR reports.

### Company Names

In this report, the new INPEX CORPORATION and the INPEX Group are referred to as the Company and the Group, respectively, and former INPEX CORPORATION and Teikoku Oil Co., Ltd. as the former INPEX CORPORATION and Teikoku Oil, respectively.

### Scope of Reporting and Data Compilation

- INPEX CORPORATION and its 60 consolidated subsidiaries.
- Environmental performance data for the Group's domestic operations published in this report are a compilation of data from the Company's Domestic Operating Division, Teiseki Pipeline Co., Ltd., Teiseki Topping Plant Co., Ltd. and Offshore Iwaki Petroleum Co., Ltd. Concerning environmental performance data, 50% of actual results of Offshore Iwaki Petroleum Co., Ltd. are added to the total, corresponding to the Company's ownership of a working interest.
- Environmental performance data for the Group's overseas operations published on pages 22, 23 and 35 of this report are a compilation of data from Gas Guarico, S.A., Bakr Petroleum Co., INPEX Masela, Ltd., INPEX Browse, Ltd., INPEX Libya, Ltd., Teikoku Oil Libya U.K. Ltd.
- The Company's Domestic Operating Division and Offshore Iwaki Petroleum Co., Ltd. have signed on to the program to reduce greenhouse gas emissions called for by Keidanren. Voluntary Action Plan on the Environment. (Greenhouse gases emitted during a decarbonation process at the Minami Nagaoka Gas Field not included.)
- The Company's Domestic Operating Division, Teiseki Pipeline Co., Ltd. and Offshore Iwaki Petroleum Co., Ltd. are participating in the program to reduce emissions of volatile organic compounds called for by the Japan Natural Gas Association.
- Data on freight volume came from Teikoku Oil Co., Ltd.

### Reporting Period

- April 1, 2007 to March 31, 2008  
(This report may contain references to certain activities that were initiated after April 2008.)

## As a global E&P company, we strive to achieve sustainable growth by undertaking CSR initiatives



Naoki Kuroda  
President  
INPEX CORPORATION

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### INPEX Group is committed to contributing to the development of society

Effective October 1, 2008, INPEX Holdings Inc. has merged with its subsidiaries INPEX CORPORATION and Teikoku Oil Co., Ltd. to become the new INPEX CORPORATION, an operating holding company.

INPEX Group has as a corporate mission to provide customers with a stable and efficient supply of energy by exploring and developing oil and natural gas resources so as to bring a better quality of life to communities. In carrying out this mission in 72 projects in 26 countries (as of October 1, 2008), we firmly believe in demonstrating a sense of ethics, giving highest priority to safety and environmental preservation in operations, and contributing to the communities in which we operate. Accordingly, we fulfill the role of a good corporate citizen by contributing to the development of society through constant communication with a wide range of stakeholders. This is precisely what constitutes CSR (corporate social responsibility) and, in turn, should bring sustainable growth and development to us.

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### As a responsible E&P company, we proactively address the issue of climate change

In 2007, the Intergovernmental Panel on Climate Change (IPCC) reported that scientific evidence had established that global warming was an unequivocal fact, and called for reductions in greenhouse gas emissions to mitigate global warming. At the G8 Hokkaido Toyako Summit held in July 2008, leaders of the world's major economies signed a declaration on energy security and climate change, which stated their commitment to making a joint effort toward the realization of a "low-carbon society" to counter global warming.

INPEX Group has been developing and producing natural gas—a clean energy source—and conducting technical research on the commercialization of next-generation fuels, such as gas-to-liquids and dimethyl ether, which have lower environmental loads than oil. We will step up our engineering efforts to implement carbon capture and storage—an approach endorsed by the IPCC, to reduce CO<sub>2</sub> emissions—and to generate methane using microbes found in depleted oil fields.

## Our CSR activities are focused on the environment and education

It is imperative for INPEX Group to maintain good relationship with communities around the world, in which we carry out our E&P operations for oil and natural gas. To do so, as our CSR Policy states, we strive to contribute to the development of host countries and regions, respecting their cultures and customs.

Environmental preservation has become a global issue. As I stated earlier, we develop and produce natural gas and are working on cleaner next-generation fuels. Furthermore, we are engaged in community development through participation in forestation programs and biodiversity conservation programs. As we all know, human resources development is also extremely important. It is the top of our priority tasks for social development to support education programs in the communities where we operate.

## We contribute to the realization of a sustainable society through the execution of our core business

INPEX Group has established a three-tiered business

strategy to become an integrated energy company. The three tiers are: (1) To continue to expand our oil and gas upstream business; (2) To establish a natural gas value chain; and (3) To supply a wide range of energy in order to contribute to a sustainable society.

Specifically, we will work more closely with other players in the international arena to expand our oil and gas upstream business, so as to secure energy sources. In addition, we will build a more efficient system of supplying natural gas by integrating our gas sources we own overseas with our gas-supplying infrastructure in Japan. Moreover, we will help promote a low-carbon society through the development of new alternative energy sources and in particular renewable energy sources. In essence, we will contribute to the realization of a sustainable society through improved execution of the core business, in pursuit of our corporate mission of securing a stable and efficient supply of energy.

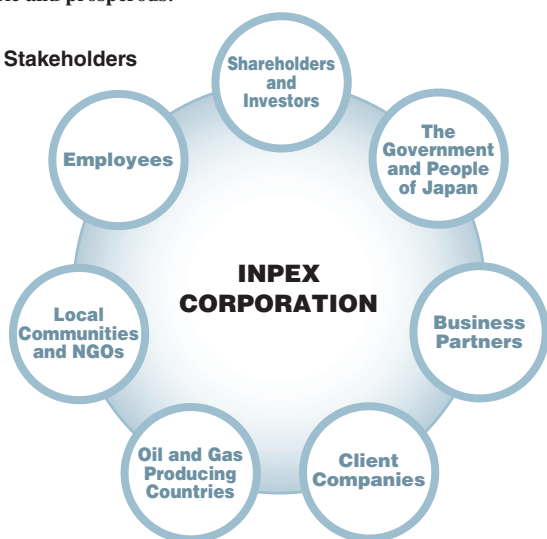
In conclusion, I would like to mention that this CSR report has been compiled for the first time in accordance with the Sustainability Reporting Guidelines published by the Global Reporting Initiative, which enable us to report on our CSR activities in an improved manner. We hope you find this report informative and we would appreciate your feedback and comments.

Thank you.

### Mission

The mission of INPEX CORPORATION 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 this business, we aim to become an integrated energy company that contributes to the community and makes it more livable and prosperous.

#### Our Stakeholders



### Corporate Social Responsibility Policy

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

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

We are engaged in the energy-supply business on a global basis, ranging from the acquisition of license blocks to the sales of products, in which we give due consideration to the diversified stakeholders in and around our business



## Acquisition of License Blocks

### Primary Activities

- Collect extensive information on areas in which oil and natural gas are expected to exist.
- Conduct preliminary technical evaluations of areas using documented materials publicly and commercially available, followed by an assessment of the legislative and political stability and economic situation of the areas and siting conditions.
- Apply and bid for concession rights and/or working interest.
- Conclude contracts for the license blocks.



Signing a contract

### Consideration for Stakeholders

- Develop stronger relationship with the governments of oil- and gas-producing countries.
- Make our business absolutely free of bribery and corruption.
- Comply with the principle of respecting human rights.
- Launch a project for the protection of nature, with due consideration for the ecosystem.



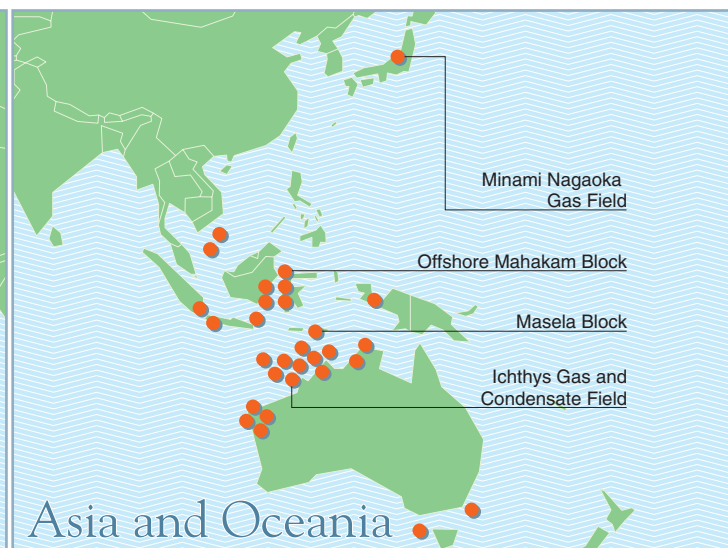
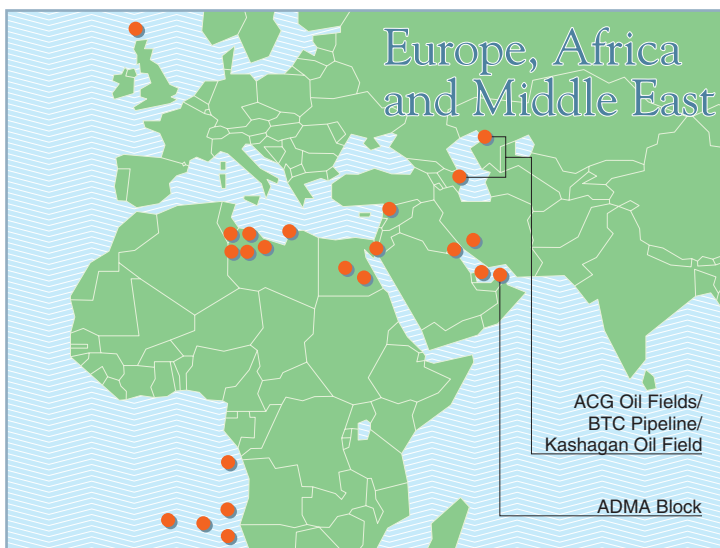
## Exploration and Appraisal

### Primary Activities

- Collect basic information on potential subsurface accumulations of oil and natural gas using terrestrial geological surveys, aerial photographs, satellite images and other available data in and around the licensed blocks.
- Conduct geophysical surveys, which include gravity, magnetic and seismic surveys, to extract prospects of oil and natural gas accumulations.
- Determine locations of exploration wells in the prospects, and drill wells to confirm the presence of the oil and gas fields.
- Drill appraisal wells to evaluate the extent of the discovered oil and gas fields.
- Analyze subsurface information derived from well and geophysical surveys to confirm the lateral continuity of oil and gas reservoirs and to estimate reserves—volume of oil and gas.
- Determine the commercial viability of developing the fields in a comprehensive manner.

### Consideration for Stakeholders

- Implement occupational health and safety management systems in project sites.
- Minimize ecological impacts and preserve cultural heritage in and around project sites.
- Exercise risk assessment and safety controls to prevent incidents in project sites and, in cases where incidents do occur, respond to them quickly.
- Comply with the laws and regulations of host countries and communities.
- Respect the cultures and customs of host countries and communities.
- Stimulate local businesses, by such means as procuring materials and equipment from local suppliers and building community facilities.



● E&P projects undertaken by our consolidated subsidiaries and equity method affiliates



## Development and Production

### Primary Activities

- Devise development plans for oil and gas fields.
- Drill production wells to commercially recover oil and natural gas.
- Construct processing facilities for separating oil and gas, and removing impurities. Construct facilities to ship oil and gas.
- Produce oil and gas.



Oil production facility in ADMA Block, the United Arab Emirates



Gas-processing facility at Koshijihara Plant in Niigata Prefecture, Japan

### Consideration for Stakeholders

- Preserve the environment of the project areas by such methods as making good use of associated gas, and minimizing the ecological impact in surrounding areas.
- Preserve cultural heritage in the project areas.
- Implement an occupational health and safety management system at the project site.
- Exercise risk assessment and safety controls to prevent incidents in the project area and, in cases where incidents do occur, respond to them quickly.
- Implement emergency response plans.
- Make a contribution to an economic development of oil- and gas-producing countries and regions, such as by hiring local people and procuring materials and equipment from local suppliers.
- Comply with the laws and regulations of host countries and communities.
- Respect the cultures and customs of host countries and communities.
- Conduct fair purchasing practices with suppliers.



## Refining, Shipment and Sales

### Primary Activities

#### Crude Oil

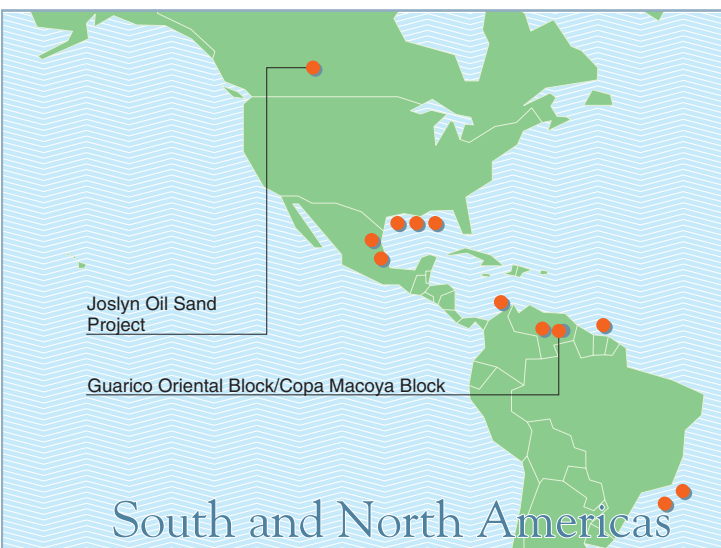
- Crude oil produced in Japan is transported in tankers to the Group's refineries, where it is converted into gasoline, naphtha, kerosene, gas oil, fuel oil and liquefied petroleum gas (LPG), which is sold and shipped to customers via oil tankers and tank trucks.
- Crude oil produced outside Japan is sold and shipped on oil tankers or via pipeline to refineries or trade companies for refining, to power companies for use in thermal power plants, and to petrochemical companies for manufacturing of chemical products.
- Swap crude oil with international oil companies to meet customer needs.

#### Natural Gas

- Domestic natural gas is sold to gas companies and large factories via pipelines.
- Natural gas produced overseas is sold either to power and gas companies primarily in Japan as liquefied natural gas (LNG, composed mostly of methane) and LPG (composed mostly of propane and butane), or to the gas-producing countries and their neighbors via pipelines.
- In 2014, the planned Naoetsu LNG Receiving Base is scheduled to begin receiving LNG produced overseas for resale to the Japanese market through the domestic gas pipeline network, establishing a gas value chain.

### Consideration for Stakeholders

- Exercise risk assessment and safety controls to prevent incidents and, in cases where incidents do occur, respond to them quickly.
- Minimize environmental loads by methods such as reducing CO2 emissions and chemical releases, and preventing soil contamination as well as air and water pollution.
- Take measures against pollution, such as reducing nitrogen oxide and sulfur oxide emissions.
- Ensure safety during transportation, such as the prevention of—and response to—accidents at sea and to pipelines.
- Reduce use of energy during shipments.
- Minimize ecological impacts in and around the area where pipelines are being constructed.
- Carry out routine maintenance of pipelines. Improve the stability and reliability of pipeline networks by reinforcing and expanding them based on simulated predictions of supply and demand.
- Implement emergency response plans.
- Reduce environmental loads during shipments.



South and North Americas

## We spare no effort to enhance corporate governance so as to achieve greater management efficiency and soundness

### Overview of Our Corporate Governance

At INPEX CORPORATION (hereinafter referred to as “the Company”), the Board of Directors meet once a month or as-needed, to review and make decisions on the execution of important business operations, and to oversee the directors’ execution of their duties. In addition, the Executive Committee is in place to expedite decision-making when quick decisions need to be made on matters that are not subject to the approval of the Board of Directors, and proposals and recommendations are formulated and submitted to the board for review and approval.

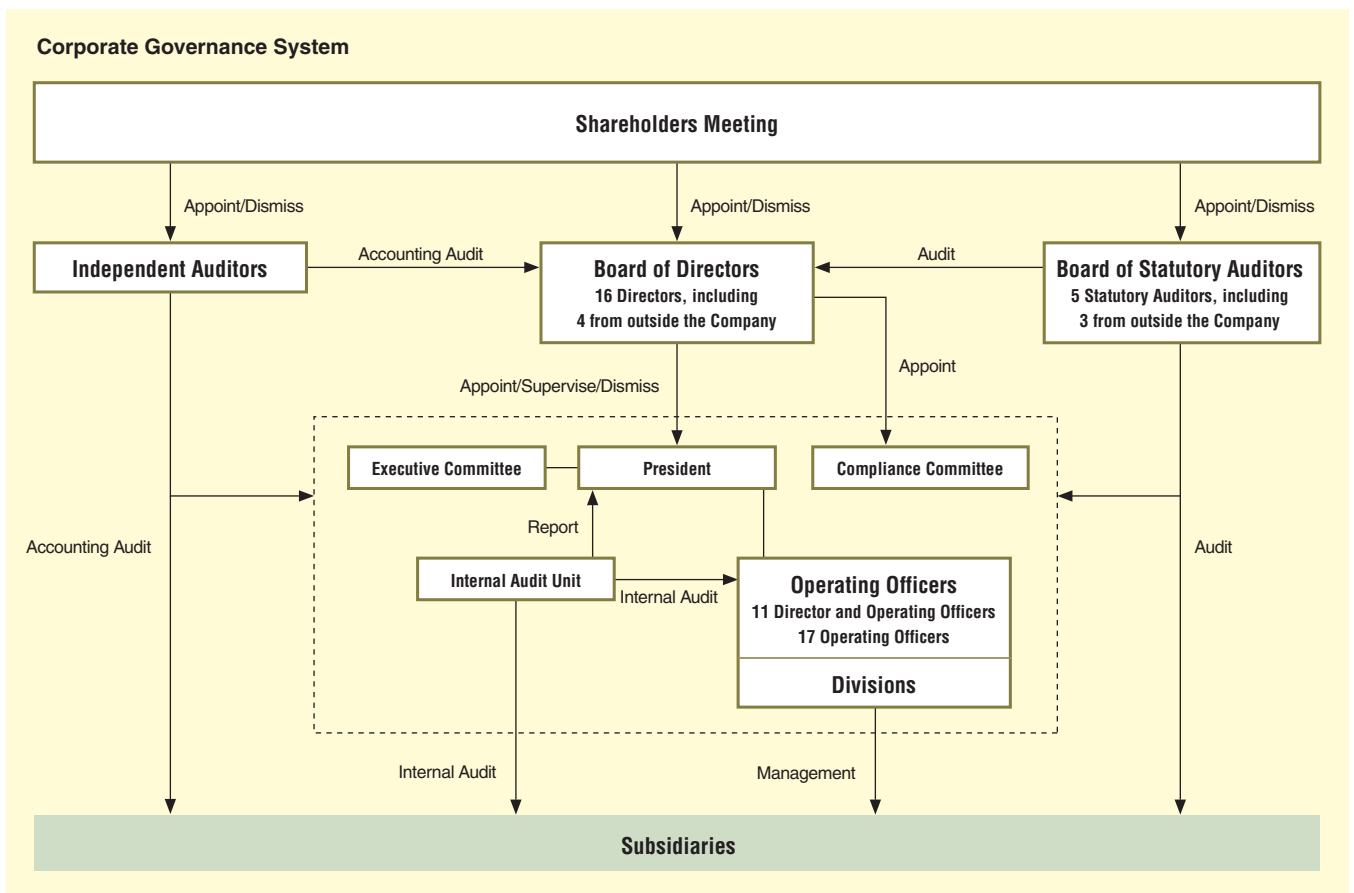
The Company exercises governance over its subsidiaries in accordance with the “Group Regulations.” Moreover, the Company employs a statutory auditor system; statutory auditors attend board meetings and the Executive Committee sessions, interview relevant divisions and receive reports from them as needed, and are

responsible for auditing directors’ execution of their duties with regard to overall operations and individual projects.

The Company has established the Internal Audit Unit, which is independent from business divisions and reports directly to the President to ensure the appropriateness and efficiency of the Company’s business activities.

The Internal Audit Unit reviews and evaluates the status of management bodies and the efficiency in business operations, identifies problem areas, submits reports, and performs follow-up audits to ensure ongoing improvements. The unit consults with independent auditors and statutory auditors in a timely manner to ensure appropriate execution of management.

The Company has selected Ernst & Young ShinNihon LLC as its independent auditor to provide accounting audits.





## Special Class Share

The Company's Articles of Incorporation stipulate that certain major corporate decisions—the appointment and removal of directors, disposition of material assets, amendments to the Articles of Incorporation, mergers, exchange or transfer of shares, capital reductions and dissolution—require a resolution by the holder of the special class share in addition to the approval of a shareholders meeting or the Board of Directors, depending on the requirements specified for each type of decision. The Minister of Economy, Trade and Industry is the holder of the special class share.

The Ministry established in its Bulletin guidelines for the exercise of the special class share's veto rights, under which the Minister may veto any of the above-mentioned major corporate decisions only to the extent that the Minister determines that a proposed action or transaction (1) will likely result in the Company being

managed in a manner inconsistent with its role of securing a stable energy supply for Japan as a national flag company; (2) will likely adversely affect its role of efficiently securing a stable supply of energy for Japan as a national flag company; or (3) may affect the exercise of voting rights of the special class share.

With the existence of this class of share, the Company can minimize the risk of losing management control to foreign-owned concerns and of an unsolicited takeover for speculative reasons. Moreover, since the scope of the veto is limited and guidelines have been established for exercising veto rights, the special class share is a minimum necessary measure that is highly transparent and does not unduly interfere with the Company's ability to operate efficiently and flexibly.

## Establishing an Internal Control System

A series of improper practices, such as accounting frauds, committed by large corporations have been exposed, which has made it a pressing issue to ensure the reliability of financial reporting. One such measure is an internal control reporting system stipulated by the Financial Instruments Exchange Law and put into practice in April 2008. The system requires the management of a company to assess the effectiveness of internal controls over its financial reporting and submit an internal control report on the

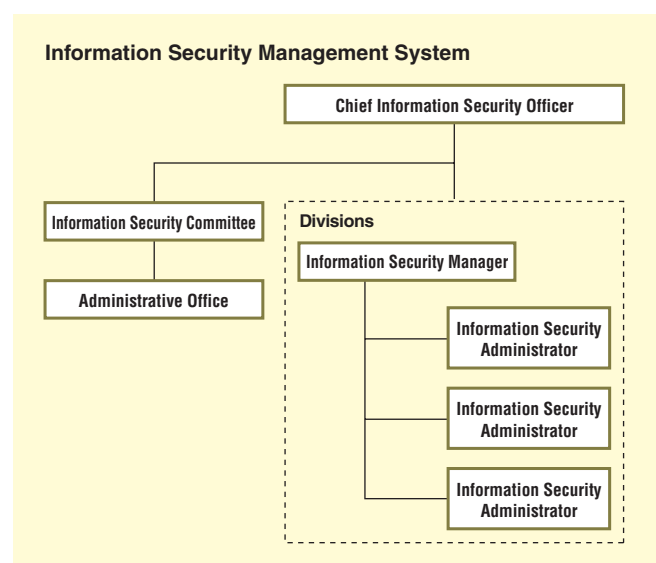
findings.

The Company has established the Internal Control Promotion Committee, which is tasked with determining the scope and processes subject to internal control assessment, and establishing entity-wide controls, process-level controls and IT controls over financial reporting. Currently, the committee is in the process of evaluating operational status of the control system.

## Establishing an Information Security Management System

INPEX Group (hereinafter referred to as "the Group") set up the Information Security Working Committee in June 2007 as a springboard for establishing an information security management system. The committee is responsible for developing the basic information security policy for the Group and, as a first step, published internally "Information Security Management Rules" and "Information Security Committee Procedures" in November 2007. The Information Security Committee, created from the procedures, looks into the system, standards and measures necessary for maintaining information security, and carries out the PDCA management cycle<sup>1)</sup> to ensure continuous improvement of information security level.

<sup>1)</sup> PDCA management cycle  
a four-step model for continuous process improvement, ranging from devising a plan (Plan) through executing it (Do), monitoring its execution (Check), and applying actions for improvement (Act).



# We make sure that all employees maintain regulatory compliance and adhere to high standards of ethical conduct and business practices, to continue to earn the trust of society

## Compliance Policy and System

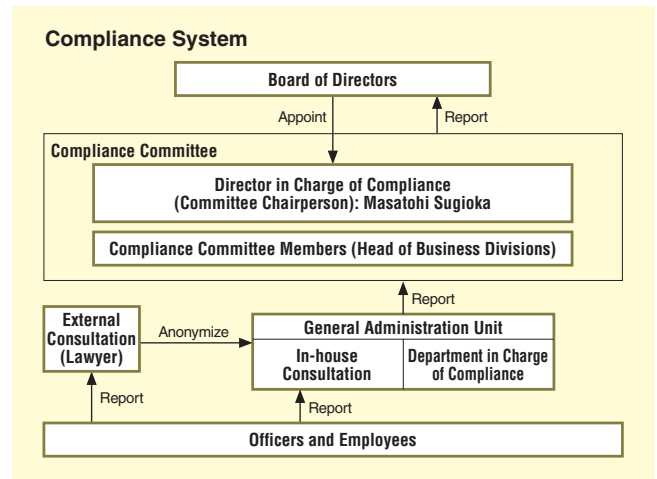
The Company has established the Compliance Committee, which is tasked with reviewing the Group's basic compliance policy and important issues, and monitoring and managing the implementation of compliance practices, so as to ensure consistency in compliance across the Group.

The Committee also works with statutory auditors, the Board of Statutory Auditors, independent auditors and the Internal Audit Unit in order to: (1) develop and implement compliance programs; (2) monitor their implementation; (3) raise employee awareness of compliance policy and procedures; (4) receive reports on and investigate noncompliance; (5) put a stop to noncompliant conduct by means of warning notices or other means; and (6) establish measures to prevent recurrence of noncompliant conducts.

The former INPEX CORPORATION and Teikoku Oil each compiled a compliance manual on important matters that needed to be addressed, such as the handling of company information and assets, fair trade practices, and safe and secure working environments, and made the manual available to all officers and employees so as to ensure that compliance policy and procedures were understood and followed. The Company plans to publish a

new compliance manual by incorporating good track records and experiences of both companies.

During the fiscal year ended March 31, 2008, none of former INPEX Holdings, INPEX CORPORATION or Teikoku Oil failed to meet the compliance requirements.



## Help-Line System

The Company has established the Help-Line System, which is compliant with provisions of the Whistle-blowers Protection Act, which became effective in April 2006. The Company has devised "Help-Line Procedures" to implement a fraud-reporting protocol that includes mandatory reporting of fraud or unethical conduct, fact-finding procedures, protection of whistle-blowers and confidentiality of the reports. A department in charge of compliance

(General Administration Unit) or an external expert appointed by the Compliance Committee receives fraud reports. In the latter's case, incoming reports are shared with the designated unit in a timely manner.

Officers and employees can report unethical behavior anonymously and are rigorously protected against retaliatory action for filing such reports.

## Questionnaire Surveys on Compliance

We use a questionnaire survey as a tool for implementing the PDCA cycle to manage compliance activities. During the fiscal year ended March 31, 2008, the former INPEX CORPORATION and Teikoku Oil conducted employee surveys to assess the effectiveness of their respective compliance programs; the former was intended to determine how much compliance awareness was developed among its employees while the latter was to gauge the

changes in employees' compliance awareness after layered training programs were completed.

Findings from the surveys were reported to the Compliance Committees at both companies and INPEX Holdings Inc. At Teikoku Oil, the findings were used for updating its compliance manual.

We plan to incorporate findings from surveys into developing training programs and creating a revised compliance manual.



## Feature Story

# Fulfilling Our Commitment to Providing a Stable Supply of Energy

Teikoku Oil and INPEX CORPORATION have merged to become the new INPEX CORPORATION. In the first part of this feature story, we walk you through how the two companies evolved over the years before they became one. In the second part, our employees share in a round-table discussion their dedication toward fulfilling our commitment to providing a stable supply of energy.



# Leading the way in Japan's E&P industry for oil and natural gas

The history of INPEX CORPORATION is the history of Japan's oil exploration industry. Teikoku Oil, which was founded in the prewar modernization period as a statutory company to carry out the Japanese government's policy of securing oil resources, was privatized after World War 2. It has since been aggressively developing oil and gas fields inside and outside Japan, and has been instrumental in establishing a natural gas supply system for the Kanto Koshinetsu Region through Japan's largest natural gas pipeline network. The predecessor of the former INPEX CORPORATION was established in 1966 as a company that

operated on a production-sharing scheme with Indonesia—Japan's first major step toward developing overseas oil resources. The former INPEX CORPORATION expanded its business globally, and in 2004, it integrated Japan Oil Development Co., Ltd. (JODCO), which worked with the Abu Dhabi National Oil Company to operate one of the world's largest oil fields in Abu Dhabi. Since then, INPEX CORPORATION has become Japan's leading E&P company for oil and natural gas, and has emerged as a serious player in the international arena.

While coming from different historical backgrounds, both the

## Chronology

◆ Teikoku Oil's milestones    ■ The former INPEX CORPORATION's milestones

### 1940~

- 1941 ◆ Founded as a semigovernmental statutory company in accordance with the Teikoku Oil Law to consolidate several private oil exploration companies in Japan.
- 1947 ◆ First oil field discovered in postwar Japan.
- 1949 ◆ Listed in the First Section of the Tokyo Stock Exchange.
- 1950 ◆ Became a private company when the Teikoku Oil Law was abolished.
- 1959 ◆ The Kubiki Oil and Gas Field discovered in Niigata Prefecture.
- 1962 ◆ Built the Tokyo Line—Japan's first long-distance high-pressure natural gas pipeline between Tokyo and Niigata Prefecture.
- 1966 ■ North Sumatra Offshore Petroleum Exploration Co., Ltd. established, the forerunner of INPEX CORPORATION.
- 1967 ■ Acquired a working interest in the Offshore Mahakam Block in Indonesia.



### 1970~

- 1970 ■ Attaka Field discovered in Offshore Mahakam
- 1972 ■ Bekapai Field discovered in Offshore Mahakam
- 1973 JODCO founded.
- 1973 ◆ Japan's first sizable offshore gas field in the Pacific Ocean, the Iwakioki Gas Field, discovered in Fukushima Prefecture.
- 1975 ◆ Initiated its first overseas oil development project in the former Zaire (current Democratic Republic of the Congo).
- 1975 ■ Changed name to Indonesia Petroleum, Ltd.
- 1977 ■ Acquired a working interest in the South Natuna Sea Block B in Indonesia
- 1979 ◆ The Minami Nagaoka Gas Field with Japan's largest reserve of natural gas discovered in Niigata Prefecture.

### ■ The forerunner of the former INPEX CORPORATION founded with Indonesia as its core business area

In 1966, the forerunner of the former INPEX CORPORATION was established with the task of developing oil fields in Indonesia. Since 1970, the company has discovered with Total, a French oil and gas company, many oil and gas fields off the coast of Mahakam, and has

become the largest supplier of natural gas to the Bontang LNG Plant, one of the world's largest facilities of its kind and with an annual LNG production of 20 million tons—70% of which is shipped to power and gas companies in Japan.

### ◆ Building a natural-gas pipeline network

Teikoku Oil has established robust sales operations for natural gas under its management priority and has undertaken a series of efforts to build and expand a critically important pipeline network for natural gas since 1959. In 1962, it completed the 310-kilometer-long Tokyo Line—Japan's first long-distance high-pressure natural gas pipeline between Tokyo and Niigata Prefecture. Currently, the company has a pipeline network of 1,300 kilometers in total length that connects the Minami Nagaoka Gas Field and Tokyo through the Kanto Koshinetsu region, supplying natural gas to customers along and near the pipeline.

### ◆ Developing and operating the Minami Nagaoka Gas Field



Minami Nagaoka Gas Field

In 1979, the Minami Nagaoka Gas Field was discovered in the hilly Koshijihara area in Nagaoka City, Niigata Prefecture. The field became operational in 1984 and has become a major gas field boasting Japan's largest natural gas reserve and production capacity.

former INPEX CORPORATION and Teikoku Oil have been advocating a culture of austerity and fortitude, and have something fundamental in common—a mission to provide a stable supply of energy in relentless pursuit of bringing a better quality of life to society.

### ■ Discovering new gas fields and expanding E&P business

The former INPEX CORPORATION has been engaged in large development projects in the Kashagan Oil Field and ACG Oil Fields in Caspian Sea. It has also been operating LNG projects in the Ichthys Gas and Condensate Field in Australia and in the Abadi Gas Field in the Masela Block in Indonesia, both of which were discovered by the company.



Abadi Gas Field



Ichthys Gas Condensate Field

## 1980~

- 1984 ◆ The Minami Nagaoka Gas Field became operational with the establishment of the Koshijihara Plant.
- 1986 ■ Acquired participating interest in Offshore Northwest Java Block and Offshore Southeast Sumatra Block.
- 1989 ■ Acquired a working interest in WA-210-P (current WA-10-L Griffin Fields) in offshore Western Australia.
- 1992 ◆ Participated in an oil development project in Venezuela.
- 1993 ■ Acquired a working interest in JPDA03-12 (Bayu-Undan gas condensate field), located in the Timor Sea Joint Petroleum Development Area.
- 1994 ◆ Built the Oyazawa Gas Plant to increase production capacity in the Minami Nagaoka Gas Field.
- 1996 ■ Acquired a working interest in the Abu Al Bukhoosh Block in the United Arab Emirates.
- 1997 ◆ Phase I of building the Shin Tokyo Line completed, with the aim of increasing the transportation capacity of the Tokyo Line.
- 1998 ■ Acquired a working interest in the Offshore North Caspian Block in the Republic of Kazakhstan.
- 1998 ■ Acquired a working interest in the WA 285-P Ichthys Block in offshore Western Australia.
- 1998 ■ Acquired a working interest in the Masela Block in offshore Indonesia.

### ■ Diversifying geographically from Indonesia into Australia and into the Middle East

Steady revenues from the Mahakam Block enabled the company to go after new business opportunities and diversify into developing midsize oil and gas fields in Indonesia and Australia, growing out of a single-project company.



Gas field in Australia



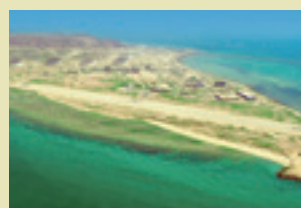
Mahakam Block

## 2000~

- 2001 ■ Changed name to (the former) INPEX CORPORATION.
- 2002 ■ Acquired a working interest in the ACG Oil Fields in the Republic of Azerbaijan.
- 2003 ◆ Production began at the Algeria Ohanet Gas Field.
- 2004 ■ Integrated with JODCO.
- 2004 ■ Listed in the First Section of the Tokyo Stock Exchange.
- 2005 ◆ Prospecting rights approved for the East China Sea. Started new exploration ventures in Libya.
- 2005 The former INPEX CORPORATION and Teikoku Oil signed a stock transfer agreement on establishing a joint-holding company.
- 2006 INPEX Holdings Inc. established and listed in the First Section of the Tokyo Stock Exchange.
- 2006 ◆ Shizuoka Line and Minamifuji Line completed.
- 2007 ◆ The Koshijihara Power Plant completed to begin wholesaling of electricity.
- 2007 ■ Participated in the Joslyn Oil Sand Project in Canada
- 2008 INPEX Holdings Inc., The former INPEX CORPORATION and Teikoku Oil merged to become the new INPEX CORPORATION with its head office in Akasaka, Tokyo.

### ■ Integration with JODCO

JODCO, established in 1973, has been producing crude oil in five fields in the ADMA Block in offshore Abu Dhabi, the United Arab Emirates. Among the five fields is the Upper Zakum Field, one of the largest oil fields in the world, which started production in 1982. In 2004, the former INPEX CORPORATION integrated JODCO as a wholly owned subsidiary to become more competitive in the international arena on a solid management foundation.



Zakum Field

After the integration, the former INPEX CORPORATION went public on the First Section of the Tokyo Stock Exchange and has since positioned itself as a leading oil and gas E&P company in Japan.

Round-Table  
Discussion

# Taking full advantage of the synergistic benefits that integration has brought to the new company



## Providing a stable supply of energy is the commitment we have made to society

**Q. Tell us about your job and what makes it worthwhile.**

**Sawada:** Ever since I joined JODCO, I have been in sales of crude oil produced in the Abu Dhabi oil fields—one of the largest in the world. In 1995, we sold 330,000 barrels of oil a day at peak time, which accounted for 8 percent of Japan’s daily demand for oil at the time. The sheer volume of this business led me to realize that we were doing a very important job in securing a stable supply of energy, and I came to feel proud to be part of it. This sense of responsibility and pride is what has kept me going to this day.

**Manabe:** I agree that fulfilling our social responsibility is rewarding. The Masela Unit, for which I work, is responsible for developing the Abadi Gas Field in Indonesia, one of the world’s largest gas fields. Sure, being in a project of this magnitude is a pressure, but it is a rewarding pressure.

**Sawada:** Whatever unit or project we work in, we are going after the common goal of providing a stable supply of energy, aren’t we?

**Tokita:** Exactly. I have been working in a project in the Ichthys Gas and Condensate Field in Australia. It is operated and managed by an international consortium of INPEX and Total, a French oil major. This gives me a sense of responsibility toward ensuring a stable energy supply, and also toward making this large-scale international project work.

Regardless of where we come from, I think the Japanese team and French team can work it out as we are all in this together.

**Ohta:** Being in the Corporate Communications Unit, it is my job to respond to inquiries from the media about how this

merger will benefit the energy supply in Japan. Every time I talk to reporters, I realize that the public has high expectation of us and I feel good about it.

**Tokita:** I see. Ms. Ohta, as you’re in public relations, I assume you’re constantly in touch with a lot of people throughout the Group. Do you find any difference in approaches to their jobs among INPEX, Teiseki and JODCO?

**Ohta:** Well, there are some differences in business processes and decision-making processes, and it took me a while to get used to them. But then again, it broadened my perspective. Being able to see things from different perspectives is one of the greatest benefits that the merger provides for us. Don’t you think?

**Manabe:** Members of the unit I work for come from different group companies. But the career background doesn’t mean much as long as we have something fundamental in common, and that’s the commitment to contributing to society through a stable supply of energy. In a sense, the upside of the merger is that we now have a larger number of like-minded people.

**Sawada:** When JODCO became an INPEX Group company, I got involved in sales of crude oil produced by INPEX CORPORATION. This gave me greater opportunities to work in different territories and assignments, and to travel to project sites and markets around the world. I’m sure this merger will bring similar opportunities to quite a number of employees. I hope they will take full advantage of those opportunities to broaden their horizons.

**Tode:** Yes, you’re right. Having hands-on experiences in a number of different assignments changes the way you look at your work duties. I had worked for another oil company before I joined Teikoku Oil. In that company, I was in Sales,



tasked with selling and importing a large amount of crude oil produced overseas just like Mr. Sawada does. My job was to sell everything that was produced to keep the production running. In other words, making a push to secure stable sales was my top priority.

**Sawada:** Stable supply means stable sales from a sales department perspective. Right?

**Tode:** Exactly. When I started working for Teikoku Oil, I realized “stable supply” had a completely different meaning. It was a collective effort to meet Japanese customers’ needs. It was really an eye-opening experience for me. Through this merger, all of us will learn to see things from a new and different perspective. No matter where we come from, we will have a good opportunity to broaden our perspective.

**Kuroda:** As everyone just said, providing a stable supply of energy is what the Group is all about. It has gained an even deeper and broader meaning from this merger. Our mission now includes not only responding to the changing demand for energy in Japan, but also meeting the growing demand for energy outside Japan, especially in developing countries. To do so, we have to become larger and more competitive. I would like everyone in the Group to know that this merger is a means to that end, not an end in itself. Moreover, I would like to see all employees united in pursuit of fulfilling social responsibility to provide a stable supply of energy.



**Tode:** One such approach is an endeavor to establish a natural-gas value chain. The demand for natural gas in Japan has doubled over the past few years, against the backdrop of a shift from oil to alternative energy sources. We intend to meet the ever-increasing demand by sourcing natural gas from outside Japan as well as in Japan.

**Ohta:** That would not have been possible without the merger of Teikoku Oil, which has been engaged in the domestic natural gas business, and INPEX, which has a vast amount of natural gas reserves overseas. It is a perfect example of tangible integration benefits.

**Manabe:** The demand for natural gas has been growing both inside and outside Japan, as it has a lower environmental load than oil.

On the other hand, natural gas is difficult to handle during its production and transportation. In particular, managing an LNG development project is extremely challenging due to its scope and complexity. If the Group brings a wealth of expertise accumulated globally over the years to the project, we will be able to successfully establish a natural-gas value chain.

**Tokita:** I agree. The team in the Ichthys Project is comprised of engineers with different career backgrounds, just like the Masela Unit for which Mr. Manabe works. Engineers have brought with them extensive professional expertise to the project, generating considerable synergistic effects.

**Kuroda:** The management integration provides a lot of benefits for the Group. A prime example is an improved portfolio balance, which is made possible by mutually complementary benefits in human resources, technologies and geographical areas that you just talked about. If we can expand our business territory through diversification on a global scale, we will have greater opportunities for new projects and new markets. I hope to see one benefit after another materialize.

## Taking advantage of the benefits that the merger provides

**Q. Tell us more about the benefits that you think the merger provides.**

**Sawada:** This management integration is so mutually complementary that it will produce synergic effects across the full spectrum of our operations. For instance, we can gain a global perspective rather than a traditional regional perspective, just as INPEX has been working with JODCO to market a mix of crude oil produced in Abu Dhabi and Indonesia.



Naoki Kuroda  
President and CEO  
(Representative Director)



Takahiko Sawada  
Oil Marketing Unit



Kazuhito Tokita  
Browse Unit



Ryo Manabe  
Masela Unit



Yuriko Ohta  
Corporate  
Communications Unit



Shigeru Tode  
Corporate Strategy &  
Planning Unit

(The departments were where participants worked in July 2008.)

### Providing a stable supply of energy while promoting environmental stewardship

**Q. How do you practice environmental stewardship as a member of an E&P company?**

**Tode:** When an E&P company increases its production to effectively meet growing demand for energy, it inevitably has an adverse side effect of increasing CO<sub>2</sub> emissions.

However, I'd like to point out that supplying natural gas, which generates less CO<sub>2</sub> when burned than oil, helps reduce CO<sub>2</sub> emissions in society at large.

**Manabe:** Let me remind you that with a growing awareness of environment among the public, the day is over when we could say we were environmentally conscious simply because we were in the natural gas business. This business is expected to take its fair share of responsibility to reduce environmental loads. That is the growing demand of the times. I know this is not easy, but as production of natural gas from gas fields normally runs for 20 or 30 years, it is important to envision what society will be like in the future.

**Tode:** You made a good point. We have been working on the carbon-capture-and-storage (CCS) technology in the Minami Nagaoka Gas Field. It's an approach to mitigating global warming by capturing CO<sub>2</sub> and storing it deep underground. (See p. 26 for details) It is our mission to keep acquiring new technologies and expertise and use them to make our natural gas business even more environmentally friendly.

**Ohta:** We received a lot of inquiries from the media about the CCS scheme. I think that was partly because of the G8 Hokkaido Toyako Summit held in July 2008. Anyway, it showed how interested the public is in environmental issues. Environmental stewardship will become one of the most important elements of corporate value. Therefore, it is our job to make the media and the public better informed about what the Group is trying to accomplish in environmental preservation.

**Sawada:** I agree that curbing our environmental loads in the production phase is important. However, not only our production but also development activities have an impact on the environment. In our Abu Dhabi project, we were among the first to begin studying an enhanced oil-recovery technique that injects CO<sub>2</sub> captured from power plants into oil reservoirs. If proved effective, this will reduce environmental loads during development. We also have been proactive in assisting the local government in environmental causes, such as a mangrove forestation project and a marine ecosystem restoration program (See p. 26 for details) which was evolved from the mangroves.

**Tokita:** As Mr. Sawada just said, caring about communities is extremely important when we carry out development



projects. In the offshore Western Australia, where the Ichthys Project is under way, nature is kept intact and it is home to valuable species, such as whales and sea turtles. With this in mind, we give the highest priority to preserving the environment during the project. We have been performing an environmental impact assessment (EIA) of the area in accordance with the guidelines established by the Australian government.

**Ohta:** We made a press announcement that the local authorities recognized our EIA effort in Ichthys.

**Tokita:** That's right. Simply conducting an EIA analysis is no longer enough these days. Even the potential impact that an assessment itself may have on the natural environment is subject to heightened scrutiny. Therefore, we

ensured that our EIA analysis had a minimum impact on the environment. For that, we received an environmental award from APPEA<sup>1)</sup>. (See page. 27 for details)

**Tode:** Let me tell you about our new project. In 2007, we built a 50,000 kilowatt-capacity power plant powered by natural gas and condensate right next to the Koshijihara Plant to get into the power-generating business. (See the boxed article on page. 17) It's our first step toward gaining expertise in generating electricity. We expect this will allow us to have a fresh new idea for supplying energy with fewer environmental loads.

**Kuroda:** When I met with the prime minister of Canada the other day, we talked about the definite need to ensure environmental protection when developing resources. For a company developing the natural resources that the Earth provides for us, pursuing business in harmony with the environment is one of the most important social responsibilities we have to fulfill. In addition to making ongoing efforts to reduce CO<sub>2</sub> emissions—which has become a global issue—we have to exercise environmental stewardship that accommodates specific needs of each region in which we undertake our projects. To do so, everyone in the Group must make a tangible and conscious effort to tackle this pressing issue.

<sup>1)</sup> APPEA  
Australian Petroleum Production and Exploration Association

### Building good relationships with all stakeholders

**Q. What is the most important consideration you have for your stakeholders in your job?**

**Ohta:** As a PR specialist, my priority is to respond promptly and accurately to inquiries from the media. Another thing is that I keep abreast of what's going on within and outside of the Group by attending IR briefing sessions and exhibitions



held for our shareholders and investors. This helps me collect information that I can proactively disseminate to the media.

**Tokita:** In the Ichthys Project, we recognize the value of maintaining dialogues with local communities. For instance, we hire local people and sponsor cultural events. Not all stakeholders in the communities share common interests among them. Therefore, we try to treat all of them equally by engaging them in direct dialogue so that everyone has a better understanding of what we do.

**Tode:** That's good. When we build pipelines or relocate them, we have to care about people in the communities that the pipelines go through. They don't necessarily benefit directly from the pipelines. That's why we need to keep briefing them on the social aspect of a project beforehand until they come to understand why it has to be done.

**Sawada:** It's important to understand where stakeholders stand. And it's equally important to find what they are really looking for, since what interests people the most varies from region to region. For instance, diesel-powered cars outsell gasoline-powered cars in Europe, which is pushing demand for diesel oil. In the European oil market, expectation is high for us, as we have a working interest in the ACG Oil Field in Azerbaijan, which produces a relatively high yield of low-sulfur diesel oil. This is just an example, but we need to provide information that accommodates specific needs of a region.

**Manabe:** In the Masela Project, we were drilling appraisal wells in the gas field for the past 12 months. It was extremely challenging from the safety perspective. Our own internal safety requirements and those established by the local government were both demanding, but we were relieved when we managed to meet them throughout the work.

**Kuroda:** Today, we are under constant pressure from the rise of resource nationalism and intense competition in the industry. In order for us to remain on the growth path in this challenging business environment, building good relationships with all of our stakeholders, such as shareholders, resource-producing countries, business partners, customers and communities in which we operate, is vital. As everyone just said, listen carefully to what people in the communities have to say, identify their needs, and respond to them. What is expected of an E&P company today is not only bringing economic benefit to communities through oil and gas development but also supporting their social development in education, culture and infrastructure. I don't mean to say we have to do it all by ourselves, but taking community needs seriously is the good way to start toward building a lasting relationship with them.



## At the conclusion of the session

**Q. Before we end this session, could you share your aspiration and determination for the future of the company?**

**Kuroda:** To be effective in accomplishing our mission to provide a stable supply of energy, we need to retain the trust of society that we have built up over the years. A good way to do so is to have a 360-degree perspective in taking meticulous care of environment, safety and community development. That's why we have been stepping up our group-wide efforts to upgrade our HSE management system.

The trust we have won from society is our valuable asset. To ensure that this asset will stay with us for years to come, we need to keep raising the bar for our HSE performance. In addition, we need to build the business foundation that is solid enough to withstand the challenges of changing economic environment and to sustain our

ongoing efforts to achieve our mission. This is exactly what we are trying to accomplish from this merger. We have a goal of raising our daily production output to 0.8-1.0 million barrels per day during the five years from 2015 to 2020, from the current 0.42 million barrels per day. If the projects in Ichthys and Masela go as planned, that will take us to the production level of 0.7 million barrels per day, but that is still not enough. We need to do more. I am quite confident that we can achieve this goal on a path to sustainable growth while helping society with its sustainable development, if everyone in the company works together toward that goal.

## Koshijihara Power Plant becomes operational

The Koshijihara Power Plant, under construction since July 2004 next to the Koshijihara Plant in the Minami Nagaoka Gas Field, was completed and began commercial operation on May 7, 2008. The power plant has embodied our new business model thereby to sell electricity—secondary energy—generated from primary energy sources such as oil and natural gas, whose development, production and sales have been our core business for years. Generating and selling electricity represents a step toward realizing the Group's vision of becoming an integrated energy company. The power plant supplies all electricity it generates to Power Producers and Suppliers, which then distribute it to office buildings and department stores in the Tokyo area.



Koshijihara Power Plant

# Going Boldly Forward with HSE Initiatives



**INPEX CORPORATION** carries out E&P operations around the globe. Conducting E&P business imposes us wide-ranging responsibilities of maintaining harmony with communities and natural environments, as well as preventing incidents, while working toward the goal of ensuring a stable supply of energy.

To fulfill the responsibilities, we have integrated environmental-preservation activities and occupational safety and health activities into our own HSE (Health, Safety and Environment) Management System—a guiding framework for undertaking a series of HSE initiatives.



## The INPEX Group gives top priority to implementing a series of HSE initiatives throughout the Group with the goal of fulfilling our mission

**Masatoshi Sugioka**  
Representative Director, HSE

The Group, based on a solid core E&P business for oil and natural gas, has a strategic vision of becoming a more diversified E&P company with a much higher production volume by late 2010. To realize this vision, we need to go after not only volume, but also to enhance the quality of our business. Maintaining harmony with communities and the environment, and preventing incidents are pressing issues we must address.

As a first step toward conducting occupational safety and health activities as well as environmental preservation activities under a consistent management system, we instituted the group-wide HSE Policy in June 2006, and then established a Corporate HSE Committee, tasked with implementing the HSE Policy, in October 2007. The HSE Committee has since formulated Corporate Guidelines for HSE Management System and other procedures, HSE Objectives, and HSE programs for 2008, all of which are designed to ensure that our group-wide HSE activities are carried out in a coherent and consistent manner. When establishing the procedures, we referred to the standards developed by OHSAS<sup>1)</sup>, ISO and OGP<sup>2)</sup> to ensure that our HSE efforts and performance are on par with international standards.

While we were working hard to step up our HSE initiatives, a fatal incident occurred in July 2008 at a tunnel construction site—part of our natural-gas pipeline construction project in Japan—being carried out by one of our contractors. We have taken this tragic incident seriously and will do everything we can, including asking our contractors to upgrade their HSE management system, to prevent a recurrence of such an incident.

To continue to be effective in accomplishing our mission to provide a stable supply of energy, we need to retain the trust of society that we have built up over the years. It takes many years to build public trust but, once it is lost, it is very difficult for us to restore this trust. As such, the trust that the society has placed in us is an asset. To ensure that this valuable asset will stay with us for years to come, the Group is fully committed to stepping up its HSE activities.

**1) OHSAS**

Occupational Health and Safety Advisory Services. An organization that assists public and private organizations with identifying and controlling risks associated with occupational health and safety.

**2) OGP**

International Association of Oil & Gas Producers. The Association helps member companies achieve continuous improvements in safety, health and environmental performance. INPEX as the first Japanese company joined OGP in October 2007.

### Health, Safety and Environment Policy of the INPEX Group

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.

## In order to fulfill our mission, we have a unified management system for occupational health and safety and environmental conservation initiatives in place

### HSE Management System

#### Overview of HSE Management System

A stable supply of energy can be disrupted for any number of reasons. Of most concern to us is the risk of incidents that not only could interrupt the energy supply, but also could cause environmental pollution, jeopardizing our business continuity.

In light of this, the Group considers environmental conservation

and the prevention of such incidents to be inseparable from each other. With the aim of improving health (H), safety (S) and the environment (E), we operate our own HSE Management System, which enables us to continuously enhance our HSE performance.

#### Implementation Framework for HSE Management System

In October 2007, in an effort to promote systematic group-wide HSE initiatives, we established the Corporate HSE Committee, which was tasked with formulating guidelines and procedures, and objectives regarding HSE. The implementation framework for HSE Management System has been taking shape to achieve HSE objectives.

Under the Group's HSE Management System, a business unit that is in charge of an operator<sup>1)</sup> project is called an Operational Organization. Each Operational Organization has its own HSE Committee, which is responsible for promoting HSE activities in accordance with the HSE Policy for the project that the Organization undertakes inside and outside Japan.

Since 2008, we have started to take another step toward establishing a management system in which each Operational Organization collaborates with the Head Office to ensure the health and safety of workers engaged in the projects in the event of an emergency.

In May 2008, we held our 1st Annual HSE Meeting, in which senior management from the Head Office and heads of Operational Organizations met to develop a greater awareness and knowledge of HSE management, and to ensure that HSE objectives for 2008 were understood throughout all Organizations. Representatives of all Operational Organizations in Japan, Australia, Egypt, Indonesia, Libya and Venezuela attended the meeting.

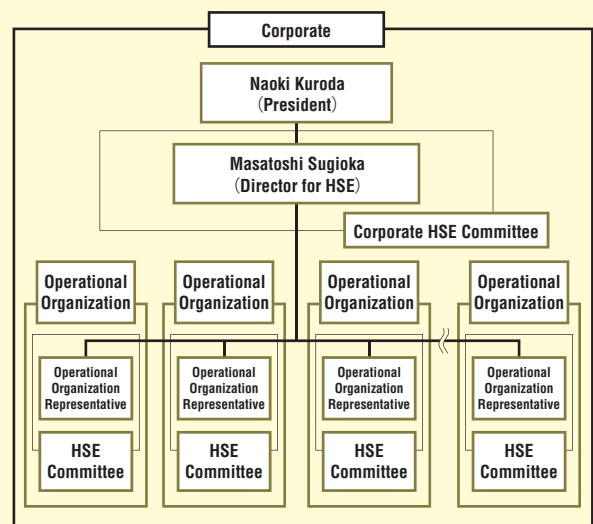
In Japan, the head of Domestic Project Division and HSE Managing Supervisors (Safety Officers) convene a Safety Steering Committee to set specific HSE objectives, and monitor and review their achievement.

In addition, each office in Japan has a Safety Committee chaired by an HSE Managing Supervisor, which comprises HSE Field Supervisors (Safety Administrators) and safety personnel. The Safety Committee at each office is responsible for setting HSE objectives for the office, devising an implementation plan, and monitoring and reviewing progress made toward these objectives, based on the decisions made by the Safety Steering Committee.

**1) Operator**

A company that takes primary responsibility for operations for exploration, development and production in a block.

Diagram of HSE Management System Implementation Framework



## HSE Auditing

The Domestic Project Division, an Operational Organization for domestic business, has been conducting first-party audits<sup>2)</sup> carried out by an audit team comprising members of the Division and Head Office, as well as third-party audits<sup>2)</sup> for renewal of ISO14001 certification since 2004. The Division organizes an audit team for each office to perform frequent audits. The audit team is tasked with monitoring compliance with laws, regulations and internal rules, and the execution of HSE activities. If the audit team finds any non-compliance or issues, it instructs persons in charge to take corrective action, monitors their implementation, and reviews the

results.

Overseas Operational Organizations conduct second-party audits of important contract work, such as drilling. Auditors of an Operational Organization audit the efforts of contractors with regard to their HSE activities, the status of their HSE Management System, and their planned and actual HSE performance.

We have been making progress in training internal auditors responsible for conducting first-party audits<sup>2)</sup>.

<sup>2)</sup> A first-party audit is an internal audit. A second-party audit is conducted by another, but related organization. A third-party audit is conducted by an independent, outside auditor.

## TTP's Efforts to Obtain Eco Action 21 Certification

In 2005, a leak of crude gasoline (heavy naphtha) occurred at the Kubiki Refinery in Joetsu City, Niigata Prefecture, at the Teiseki Topping Plant (TTP), an INPEX Group company.

This incident prompted TTP to begin efforts to obtain Eco Action 21 certification of the Kubiki Oil Refinery and the Naetsu Oil Terminal in January 2007, in vigorous pursuit of environmentally friendly business practices.

Eco Action 21 is a program for the certification and registration of environmental management systems, based on guidelines formulated by Japan's Ministry of the Environment. Small to midsize businesses find the program relatively easy to tackle, as it is not costly or time-consuming. The guidelines are divided into four parts, and TTP went through them as specified. In the first stage, TTP formulated an environmental education plan for its employees. In the second stage it implemented the education plan, and developed an environmental policy, goals and action plans, based on the findings from the assessment performed of its environmental loads and environmental initiatives. In the third stage, the company implemented its environmental action plans, and finally in the fourth stage, it



On-site workshop

produced an environmental activity report to verify and evaluate its performance.

When the fourth stage was completed, TTP was inspected and, in June 2008, it obtained Eco Action 21 certification. The company is continuing its efforts in preparation for the renewal inspections conducted every two years.

In addition, TTP has been distributing "the TTP Environmental Newsletter" to all Eco Action 21 certificate employees since February 2007. The newsletter, which is also available via an intranet, discusses activities and their progress



that the company has been making in its Eco Action 21 program, and has proved itself an effective tool for raising employees' sense of participation in the program and for sharing environment-related information.



## Business Processes and Environmental Impacts of the INPEX Group

The INPEX Group monitors how business activities in each process impact the natural environment as a basis for its efforts to reduce

### Exploration and Development

### Production and

#### INPUT TOTAL

	2006	2007
Fuel	1,559TJ	4,070TJ
Water	736,000KL	1,817,413KL
Purchased gas	76millionNm <sup>3</sup>	63millionNm <sup>3</sup>
Purchased raw materials	70,000KL	43,081KL

#### INPUT

	2006	2007
Fuel	138TJ	1,087TJ
Water	57,000KL	508,777KL
Purchased gas	0	0
Purchased raw materials	0	4,581KL

#### INPUT

	2006	2007
Fuel		
Water		
Purchased gas		
Purchased raw materials		



### Business Activities and Their Environmental Impacts during 2007

Increased production to meet the growing demand for natural gas has raised the Group's environmental impacts for two consecutive fiscal years since 2006. To improve this trend, we will implement all planned countermeasures and consider taking further additional steps.

In 2007, the Koshijihara Power Plant became operational and its environmental performance data were added to the Group's total. We also began to collect HSE data from our overseas operator projects. The INPUT and OUTPUT data for 2007 shown on this page are the sum of those from our domestic operations and from overseas projects.



Seismic survey



Exploratory well

We search for underground structures that may contain oil or natural gas, and drill exploratory wells in promising locations. If the existence of sufficient reserves is confirmed, we develop oil or gas fields by drilling production wells, constructing production facilities, and laying pipelines.

Teikoku Oil Co., Ltd.  
INPEX Browse, Ltd.  
INPEX Masela, Ltd.  
INPEX Libya, Ltd.  
Teikoku Oil Libya U.K. Ltd.



Gas-processing facility at the Koshijihara Plant



Pumping units at the Yabase Oil Field



Platform at the Offshore Iwaki Gas Field

#### OUTPUT TOTAL

	2006	2007
GHGs	271,700ton-CO <sub>2</sub>	610,601ton-CO <sub>2</sub>
PRTR substances	33ton	37ton
Wastewater discharged into public water bodies	506,940KL	649,703KL
Disposed waste	21,512ton	43,838ton

#### OUTPUT

	2006	2007
GHGs	9,789ton-CO <sub>2</sub>	84,274ton-CO <sub>2</sub>
PRTR substances	2ton	0ton
Wastewater discharged into public water bodies	330KL	20,475KL
Disposed waste	19,776ton	41,062ton

#### OUTPUT

	2006	2007
GHGs		
PRTR substances		
Wastewater discharged into public water bodies		
Disposed waste		

### Capital Investment for Reducing Environmental Impacts

In 2007, the Group spent a total of 70 million yen in capital investment to reduce adverse environmental impacts in Japan.

Of the 70 million yen, 5 million yen was spent by Teiseki Pipeline

Co., Ltd, an INPEX Group company, to install self-contained control valves—designed to prevent natural gas from being discharged into the air—on two of its 42 gas-powered governors as part of its conversion project being undertaken since 2002.

Teiseki Topping Plant Co., Ltd, another INPEX Group

adverse environmental impacts. For details of these efforts, refer to “Helping to Prevent Global Warming,” “Caring about Biodiversity,” “Curbing Chemical Emissions,” and “Reducing Waste and Preventing Soil Contamination” on the pages that follow.

## Power Generation

2006	2007
1,277TJ	2,670TJ
342,000KL	977,505KL
76millionNm <sup>3</sup>	63millionNm <sup>3</sup>
0	0

Utilizing the natural gas and condensate we produce



The Koshijihara Power Plant

When crude oil and natural gas are extracted from underground at our oil and gas fields, impurities such as moisture and carbon dioxide are removed from them to make them ready for transportation by tanker trucks or pipelines. Electricity is generated at a power plant powered by natural gas and condensate—hydrocarbon liquids.

Teikoku Oil Co., Ltd.  
Koshijihara Power Plant added  
Offshore Iwaki Petroleum Co., Ltd.  
Gas Guarico, S.A.  
West Bakr Petroleum Co.

2006	2007
239,835ton-CO <sub>2</sub>	500,002ton-CO <sub>2</sub>
16ton	23ton
75,075KL	140,757KL
1,183ton	2,219ton

## Refining and Transportation

### INPUT

	2006	2007
Fuel	144TJ	313TJ
Water	338,000KL	331,132KL
Purchased gas	0	0
Purchased raw materials	70,000KL	38,500KL



Utilizing the natural gas we produce



Naoetsu Oil Terminal



Natural gas pipeline operated by Teiseki Pipeline

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

Teiseki Topping Plant Co., Ltd.  
Teiseki Pipeline Co., Ltd.



### OUTPUT

	2006	2007
GHGs	22,076ton-CO <sub>2</sub>	26,324ton-CO <sub>2</sub>
PRTR substances	15ton	14ton
Wastewater discharged into public water bodies	431,535KL	488,471KL
Disposed waste	553ton	557ton

## Consumption



Natural gas cogeneration system

Petroleum products and natural gas are sold to and utilized by factories, gas stations, power plants, utility gas companies, hospitals, offices and homes. The electricity we generate is wholesaled to PPSs<sup>1)</sup>.

### 1) PPS

Power Producer and Supplier. A non-utility private company that sells electricity.

### Sales

	2006	2007
Natural gas	1,164millionNm <sup>3</sup>	1,712.7millionNm <sup>3</sup>
Crude oil (amount sold)	12,000KL	177,900KL
Petroleum products	654,000KL	608,400KL
LPG	12,000ton	11,500ton
Iodine	506ton	490ton

● PRTR substance data in OUTPUT came from our domestic operations only.

● INPUT/OUTPUT data for 2006 came from our domestic operations only.

company, spent 15 million yen to install an internal floating roof on one of its fixed-roof oil tanks to eliminate a potential gaseous zone above the stored oil in accordance with the Group's VOC emission reduction plan. The company spent an additional 50 million yen to install an effluent-treatment facility that purifies

wastewater discharged from electrocleaners for kerosene, which brought the company's total spending to 65 million yen.

## Cutting greenhouse gas emissions while increasing production of natural gas to meet rising demand

Goal/Performance/Assessment (Domestic Projects)	Limiting GHG Emissions
<b>2007 Goal</b>	To reduce greenhouse gas (GHG) emissions per unit of production to below the 2006 level by setting numerical targets for each office to control GHG emissions on both an absolute and per-unit basis.
<b>2007 Performance</b>	The Group's total GHG emissions increased by 60% to 43.5 tons from the previous year. This was because the Koshijihara Power Plant started its operation became operational during that year, and total production volume increased. Total per-unit emissions were 0.227 kg-CO <sub>2</sub> /Nm <sup>3</sup> (5.55 kg-CO <sub>2</sub> /GJ), a 16% increase from 0.196 kg-CO <sub>2</sub> /Nm <sup>3</sup> (4.79 kg-CO <sub>2</sub> /GJ) for 2006. Per-unit emissions as defined by the medium- to long-term Voluntary Action Plan developed by the Japan Petroleum Development Association (JPDA) amounted to 1.78 kg-CO <sub>2</sub> /GJ, 0.37kg-CO <sub>2</sub> /GJ reduction from 2006.
<b>Assessment</b>	We were unable to meet the goal of reducing per-unit GHG emissions to below the 2006 level, due to the fact that the startup of the Koshijihara Power Plant and the rising demand for natural gas increased the volume of natural gas processing and energy consumption, and therefore raised the Group's per-unit emissions by 16% over 2006. On the other hand, per-unit emissions as defined by the medium- to long-term Voluntary Action Plan developed by JPDA, decreased by 17% from 2006. This was achieved by closing old gas fields to limit GHG emissions from energy use and the dispersion of natural gas.
<b>2008 Goal</b>	To reduce GHG emissions per unit of production to below the 2007 level and, in particular, to develop measures to prevent dispersion-induced (non-combustion) emissions of GHG on an ongoing basis.

### Nippon Keidanren Voluntary Action Plan on the Environment—Section on Global Warming Measures

The Group participates in the Nippon Keidanren Voluntary Action Plan on the Environment—Section on Global Warming Measures, through JPDA. JPDA has set the target of “reducing the average GHG<sup>1)</sup> emissions per unit of production<sup>2)</sup> at oil and natural gas development facilities in Japan from 2008 through 2012 by 20%

below the level of 1990.”

- 1) **GHG**  
Greenhouse gas. A gas that traps heat in the atmosphere, including CO<sub>2</sub>, methane and chlorofluorocarbons. The Group emits primarily CO<sub>2</sub> and methane through its operations.
- 2) **Per unit of production**  
GHG emissions divided by oil and natural gas production volume.

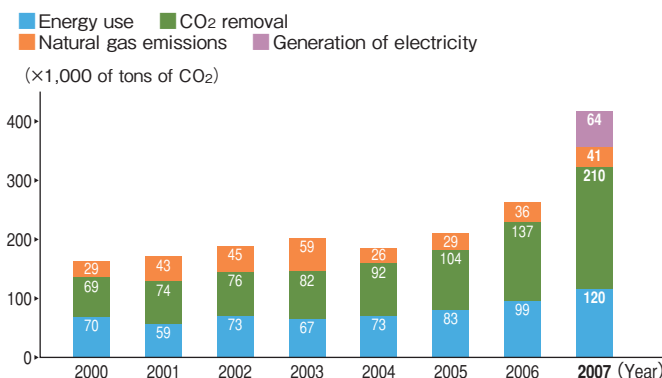
### GHG Emissions

When natural gas burns, it emits less CO<sub>2</sub> per unit of heat output than other fuels—25% less than oil and 40% less than coal, which makes it environmentally friendly and explains the rapidly rising demand. While this trend will help lower GHG emissions at the consumption stage, it will inevitably result in higher GHG emissions at the production stage.

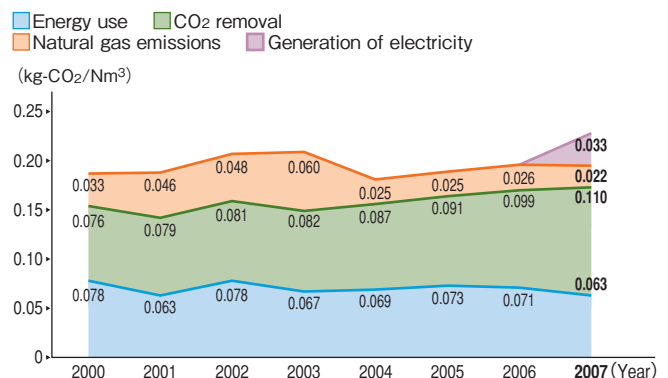
Sources of GHG emissions for 2007 in our domestic operations are 120,000 tons of CO<sub>2</sub> from energy use, 210,000 tons of CO<sub>2</sub> removal from natural gas, 41,000 tons of CO<sub>2</sub> associated with the

dispersion of natural gas for operational reasons, and 64,000 tons of CO<sub>2</sub> from the Koshijihara Power Plant, which became operational in 2007. As the demand for natural gas has grown in recent years, GHG emissions from each of these sources have been rising. The Domestic Operating Division has been tightly controlling the quantity of GHG emissions per unit of production, which has been one of its priority policies since 2004, in order to reduce GHG emissions.

Trend in GHG Emissions by Sources(Domestic Projects)



Trend in per-unit GHG Emissions(Domestic Projects)





## GHG Emission Reduction Initiatives

### Reducing Emissions from Oil and Gas Business

#### ● CO<sub>2</sub> emissions from energy use

At all our oil- and gas-processing plants and field offices, we use the environmentally friendly natural gas we produce as fuel as far as reasonably possible. Greater use of energy-saving systems powered by natural gas, and the closure of old oil and gas fields have helped us improve energy efficiency and reduce CO<sub>2</sub> emissions.

#### ● CO<sub>2</sub> removal during natural gas processing

At the Minami Nagaoka Gas Field in Nagaoka City, Niigata Prefecture—our major gas production base in Japan—CO<sub>2</sub> that makes up approximately 6% of natural gas is separated and removed by a process using an amine solution and then dispersed into the atmosphere.

The oil and natural gas industry has been studying the feasibility of a method called carbon capture and storage (CCS) (see Page.26), by which separated CO<sub>2</sub> is injected into a deep

underground aquifer or into a depleted oil or gas field; and an enhanced oil-recovery method (EOR), by which CO<sub>2</sub> is injected into an oil field to improve crude oil recovery.

#### ● Natural gas emissions for operational reasons

In the oil and natural gas business, when relocating pipelines, while maintaining and restoring the artesian capacity of oil and gas wells of reduced pressure, or when conducting routine inspections of equipment, there is no choice but to discharge natural gas into the atmosphere. As the greenhouse effect of methane—the principal component of natural gas—is 21 times more than that of CO<sub>2</sub>, we do everything we can to recover as much of this dispersed natural gas as possible.

In addition, we are working to reduce GHG emissions by means of lowering pipeline pressure before construction begins, and of burning natural gas to convert it into CO<sub>2</sub> before releasing it into the atmosphere.

### Energy Use for Business Activities (Domestic Projects)

			2001	2002	2003	2004	2005	2006	2007
Own natural gas/refinery gas	Volume	1,000s of Nm <sup>3</sup>	18,399	18,457	19,415	24,357	26,179	30,360	42,800
	Heat value	TJ	759	762	802	1,003	1,078	1,248	1,911
Gas oil and other liquid fuels	Volume	KL	3,126	6,020	3,917"	2,818	3,708	4,075	27,382
	Heat value	TJ	120	230	150	107	141	155	987
Purchased electricity	Volume	1,000s of kWh	34,175	50,200	41,263	38,456	40,808	40,106	40,949
	Heat value	TJ	123	181	149	138	147	144	147
Purchased city gas	Volume	1,000s of Nm <sup>3</sup>	—	—	268	241	251	279	274
	Heat value	TJ	—	—	11	10	10	11	11
LPG	Volume	tons	—	0	1	1	2	1	1
	Heat value	TJ	—	0	0	0	0	0	0

(TJ:Tera joule)

### Cargo Transportation Reportin

Under the provisions of Japan's amended Energy Conservation Law, enacted in April 2006, owners of cargoes transported in volumes exceeding 30 million ton-kilometers per year are obligated to report the volume of their transported cargoes, to formulate energy conservation plans, and to report quantities of energy consumed.

The total quantity of cargoes transported by the Group inside Japan in 2007 was approximately 220 million ton-kilometers. As crude oil and petroleum products transported by sea accounted for around 90% of the volume, we used large tankers for pursuing greater efficiency.

### Developing Environmentally Friendly Next-Generation Fuels

As the energy industry is under mounting pressure to address environmental issues, the Company is gearing up for the development of next-generation fuels that have a lower environmental load than coal and oil.

One is gas-to-liquid (GTL) technology to convert natural gas into diesel oil and kerosene. In September 2007, construction of a demonstration plant began at the Nippon GTL Technology Research Association's demonstration center in Niigata City. The

plant is scheduled to become operational by the end of March 2009 and will run for two years to collect research data.

We are also working on DME, a new alternative clean fuel made from natural gas, which does not generate toxic substances.



GTL demonstration plant under construction

### CCS, a Promising Technology to Combat Global Warming

Under growing pressure to reduce emissions of CO<sub>2</sub> that may cause global warming, researchers around the world have been working on CCS technology to capture CO<sub>2</sub> emitted from a source, and inject it into a deep underground aquifer. In 2006, the IPCC (Intergovernmental Panel on Climate Change) endorsed this technology as an effective means to reduce CO<sub>2</sub>.

In May 2007, then Prime Minister Shinzo Abe proposed a long-term goal of reducing GHG by 50% from the current level on a global basis by 2050. To achieve this goal, the Ministry of Economy, Trade and Industry unveiled the “Cool Earth-Innovative Energy Technology Program” in March 2008, in which CCS was listed among 21 innovative energy technologies. Furthermore, at the G8 Hokkaido Toyako Summit Meeting held in July 2008, the International Energy Agency and the World Bank reported on CCS technology.

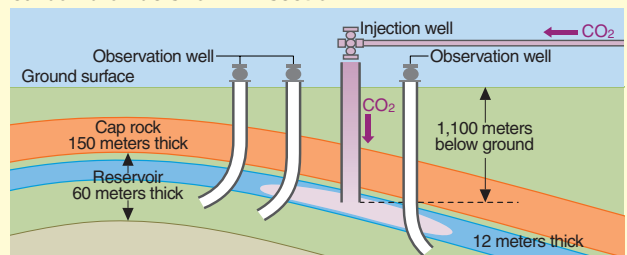
The Group has been working with the Research Institute of Innovative Technology for the Earth (RITE) to test the CCS technology at our Iwanohara Site located in the Minami Nagaoka

Gas Field. The Group also provides technical expertise gained from experiences in underground storage of natural gas and enhanced oil recovery (EOR) techniques<sup>1)</sup>. The injection of CO<sub>2</sub> into the aquifer at the test site was completed in January 2005 and we have been closely monitoring its behavior even after the RITE project was completed at the end of 2007.

**1) Enhanced oil recovery technique**

A generic term given to the technologies that apply to mature oil fields to increase their recovery of oil.

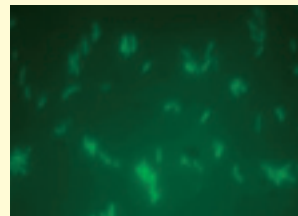
#### Conceptual diagram of geological storage of carbon dioxide shown in section



### Building a Sustainable Carbon-Cycle System Using Underground Microbes

The Group has been working to apply CCS to another technology that converts residual crude oil left in the reservoir of a depleted oil field into methane, using CO<sub>2</sub> injected underground for CCS, and microbes that live underground. We have conducted experiments under pressure and temperature conditions equivalent to those underground and succeeded in continuously generating methane.

If we can successfully establish this technology, it will be a big step toward building a carbon-cycle system in which residual oil in depleted oil fields and injected CO<sub>2</sub> will turn into methane—a primary component of natural gas.



Methane-producing bacteria collected from the Yabase Oil Field



Culture experiment vessels under simulated underground pressure and temperature conditions

### Mangrove Forestation Project in Abu Dhabi

Since 1999, Japan Oil Development Co., Ltd. (JODCO), an INPEX Group company, has been engaged in a joint mangrove forestation project with the Environment Agency Abu Dhabi (EAD) in Abu Dhabi City and on Zirku Island, offshore Abu Dhabi. This project was originally intended to green the arid coastal areas through the planting of mangroves. It has evolved into a marine ecosystem restoration program called Agro-Fish Project conducted on Ariyam Island, which combines mangrove

forestation and fish farming; mangrove leaves that fall into the water decompose into organic matter, which in turn enriches the living environment for fish, while biological waste from fish fertilizes the mangroves.



Agro-Fish Project on Ariyam Island

## Protecting ecosystems to ensure coexistence with the natural environment around project sites

### Ecological Conservation Initiatives

Before we start to develop project sites or to construct pipelines, we conduct environmental impact assessments of those projects to ensure that ecosystems of where we operate are preserved. Our

activities include those for protecting local environments and for raising environmental awareness in local communities as well.

### Ecological Approaches in the Shin Oumi Pipeline Construction

We take ecological approaches in pipeline construction projects. For instance, a consulting firm performs an environmental impact assessment on our behalf before commencing construction. The firm carries out on-site monitoring during construction and conducts a post-construction assessment. In the tunnel construction conducted in March 2007 as part of the Shin Oumi Line Construction Project, we carried out an ecological survey into the flora, insects and birds of prey near the entrance to the tunnel. We performed stringent quality management of the water spilling out of the tunnel in accordance with our own voluntary guidelines based on the Water Pollution Prevention Law, and conducted an extensive

water-quality survey. During a survey of the natural habitat of rare animals and plants in the surrounding area, we spotted a golden eagle. Under the guidance of the Wildlife Protection Committee of Niigata Prefecture, we erected noise-blocking walls near the entrance to the tunnel under construction.



Surveying birds of prey

### Biodiversity Protection at the Kashagan Oil Field

INPEX North Caspian Sea, Ltd., an INPEX Group company, has been working as a member of an international consortium in the Kashagan Oil Field Development, discovered in the North Caspian Sea PSA contract Area in Kazakhstan.

In this project, co-ventures formulate an action plan based on the country's biodiversity strategy, monitor the breeding habits of seals and the habits of sturgeon in the Ural River through ID tags attached to them, and are making a regular survey of wild birds.

The project also assists the country's biodiversity experts and international institutions with their surveys.



Conservation of sturgeon



Survey on breeding pattern of seals

### APPEA Environment Award

INPEX Browse, Ltd., an INPEX Group company, received the 2007 Environment Award (Category B: Exploration) from the Australian Petroleum Production & Exploration Association (APPEA) at its annual conference in Perth, Western Australia, in April 2008. This was the third APPEA award that the company received, following the Safety Award in 2003 and 2004.

The Environment Award was given to the company for work in minimizing the impact of drilling during a ground and soil

survey had on the environment.

When conducting a ground and soil survey on the Maret Islands, offshore of Western Australia—a proposed site for a natural gas location plant, the company made the drilling equipment small and light enough to be transported by a helicopter directly to the drilling site, minimizing the land space needed for drilling. As a result, drilling conducted on the islands took up less than 1 percent of the land space normally needed.

## We control environmentally harmful substances and limit their emissions in accordance with our voluntary guidelines and action plans

Goal/Performance/Assessment (Domestic Projects)	Limiting emissions of PRTR substances (Domestic Projects)	Limiting emissions of VOCs (Domestic Projects)
<b>2007 Goal</b>	To monitor and control the emissions of PRTR substance in the environment.	To implement VOC-control measures by defining specific targets for each operation site, with the aim of reducing the total amount of emitted VOCs to below 2006 level.
<b>2007 Performance</b>	The emitted amount of benzene during 2007 increased by 5.3 tons from 2006, and that of Toluene and Xylene also increased slightly from 2006. The quality of benzene in the environment did not improve, except for it, the improvement of the quality of PRTR substance in the environment achieved the goal.	The goal was not achieved as total amount of VOCs emitted in 2007 was 807 tons, with an increase of 96 tons from 2006.
<b>Assessment</b>	The emissions of benzene during 2007 increased due to that fact that: operations of VOC removal equipment were temporarily suspended during an upgrade of the plant; the volume of natural gas shipped by tank trucks and of emissions of natural gas stored underground increased due to increased production; and natural gas was released as a result of the Chuetsu-oki Earthquake in Niigata prefecture.	Of 807 tons of VOC emissions in 2007, 135 tons were of unavoidable dispersion of natural gas caused by the Chuetsu-oki Earthquake in Niigata prefecture. Excluding these dispersion, VOC emissions in 2007 was 671 tons, smaller than in 2006 level. Reduction of VOC emissions is included in a priority policy for 2008.
<b>2008 Goal</b>	(As our control measures proved effective for PRTR substances except for benzene, we will focus on reducing the emissions of benzene and make it part of priority policy for reducing VOC emissions.)	To implement VOC-control measures by defining specific targets for each operation site, with the aim of reducing the total amount of VOCs emitted to below 2007 level.

### Measures to Limit Emissions into the Atmosphere

The Company has verified through regular analyses that exhaust gas from our facilities that generate smoke, as designated by

Japan's Air Pollution Control Law, meets the legal emission standards.

#### Emissions of Exhaust Gas Measurement Results in 2007 (average values)

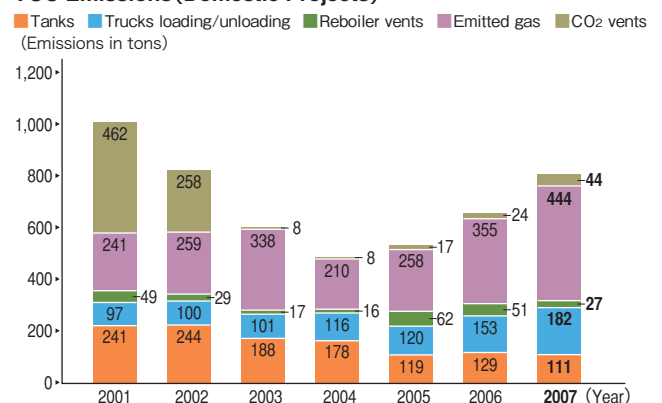
Sources	Item	Effluent standard	Oyazawa Plant	Koshijihara Plant	Koshijihara Power Plant	Kubiki Refinery	Platform
Gas turbines for generators	Soot and dust NOx	≤ 0.05 g/Nm <sup>3</sup> ≤ 70~90 ppm	<0.01 g/Nm <sup>3</sup> 24 ppm	<0.01 g/Nm <sup>3</sup> 39 ppm	<0.01 g/Nm <sup>3</sup> 29 ppm	NA <sup>1)</sup>	<0.01 g/Nm <sup>3</sup> 50 ppm
Gas turbines for gas compression	Soot and dust NOx	≤ 0.05 g/Nm <sup>3</sup> ≤ 90 ppm	NA	NA	NA	NA	<0.01 g/Nm <sup>3</sup> 49 ppm
Diesel for generators	Soot and dust NOx	≤ 0.1 g/Nm <sup>3</sup> ≤ 950 ppm	NA	NA	NA	NA	<0.01 g/Nm <sup>3</sup> 580 ppm
Boilers	Soot and dust NOx	≤ 0.1 g/Nm <sup>3</sup> ≤ 150 ppm	<0.01 g/Nm <sup>3</sup> 47 ppm	<0.01 g/Nm <sup>3</sup> 35 ppm	<0.01 g/Nm <sup>3</sup> 32 ppm	<0.01 g/Nm <sup>3</sup> 81 ppm	NA
Heating furnaces	Soot and dust NOx	≤ 0.15 g/Nm <sup>3</sup> ≤ 180 ppm	NA	NA	NA	<0.01 g/Nm <sup>3</sup> 64 ppm	NA

1) Not applicable

### Limiting Emissions of VOCs

Japan's amended Air Pollution Control Law, which became effective in May 2004, states the government's policy to reduce emissions of VOC to 30% below the 2000 level by 2010. In response to this policy, in November 2005, the Japan Natural Gas Association, of which the Company is a member, formulated a voluntary action plan to set an even more aggressive target—to reduce VOC emissions to 45% below the 2000 level. For us, this means the Domestic Project Division must reduce our emissions of hydrocarbons including BTX, but excepting for methane contained in oil and natural gas, to 580 tons by 2012. By burning vented natural gas, and with proposed measures to limit VOC emissions during the loading of crude oil into tanker trucks, we expect to meet the reduction target.

#### VOC Emissions (Domestic Projects)



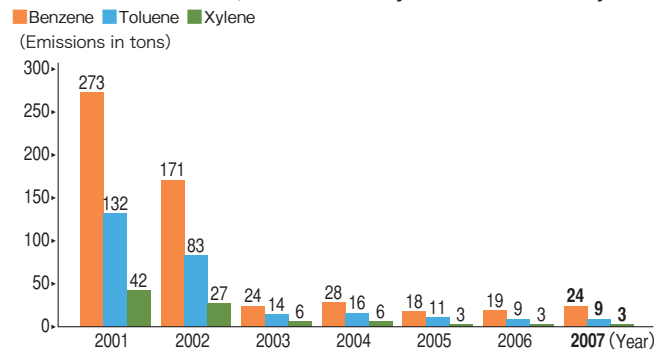
## Limiting Emissions of PRTR Substances

Japan's PRTR Law (Pollutant Release and Transfer Register Law), which became effective in April 2001, requires all domestic field offices of the Company to report the volume of benzene, toluene, and xylene (known collectively as BTX) and trivalent chrome compound they emit and transfer.

With regard to limiting the emissions of benzene, we have been monitoring the environment around field offices once a month since 2004, and in 2005, we established internal emission standards—if an office exceeds the standards, countermeasures are taken and continuously reviewed to limit emissions. Furthermore, in 2007 we began to reduce emissions by burning or recovering benzene. We emitted about 280 tons of benzene in 2001—the first full year that the PRTR Law was in effect. With the installation of VOC (volatile organic compounds)-removal equipment, the remodeling of internal floating roofs to oil tanks, and the control of dispersed natural gas,

we have managed to cut benzene emissions down to less than 30 tons since 2003.

### Emissions of Benzene, Toluene and Xylene (Domestic Projects)



## Monitoring Wastewater Discharged into Public Water Bodies

At the six project sites in Japan (see the table below), where it is mandatory to measure the quality of discharged wastewater in accordance with Japan's Mine Safety Law and Water Pollution Control Law, released water is periodically analyzed by a measurement certification institution to verify that the standards

defined by relevant laws are being met.

As the amended Mine Safety Law, which became effective in April 2005, now requires that the quality of drainage from mines be measured, we measure the quality of well water.

### Water-release Measurement Results in 2007 (average values)

Item	Effluent standard	Oyazawa Plant	Koshijihara Plant/Power Plant	Kubiki Refinery	Platform	Kashiwazaki Maintenance Center	Naruto Water Collection Plant
Discharged wastewater in 2007		25,507 KL	84,949 KL	488,471 KL	305 KL	330KL	4,727 KL
pH	5.8~8.6	7.3	7.8	7.7	7.7	6.5	7.7
BOD/COD	≤160 mg/L	1 mg/L	2 mg/L	7 mg/L	NA <sup>1)</sup>	4 mg/L	63 mg/L
Suspended solids	≤200 mg/L	NA	NA	2 mg/L	NA	20 mg/L	9 mg/L
n-Hexane Extracts	≤5 mg/L	<1 mg/L	<1 mg/L	<0.5 mg/L	NA	<0.01 mg/L	<2.5 mg/L
Benzene	≤0.1 mg/L	<0.01 mg/L	<0.01 mg/L	<0.01 mg/L	<0.01 mg/L	<0.05 mg/L	<0.01 mg/L
Fluorine	≤15 mg/L	NA	NA	NA	<0.01 mg/L	NA	NA
Boron (land)	≤10 mg/L	<1 mg/L	1 mg/L	NA	NA	NA	NA
Boron (sea)	≤230 mg/L	NA	NA	NA	2 mg/L	NA	NA
Nitrogen compounds	≤100 mg/L	<1 mg/L	3 mg/L	NA	23 mg/L	NA	69 mg/L
Copper content	≤3 mg/L	NA	NA	NA	NA	<0.1 mg/L <sup>3)</sup>	NA
Arsenic	0.1 mg/L	<0.01 mg/L	<0.01 mg/L	NA	NA	NA	NA
Total mercury	<0.005 mg/L	<0.005 mg/L	<0.005 mg/L	NA	NA	NA	NA
Phenols	≤5 mg/L	<0.01 mg/L	<0.01 mg/L	0.06 mg/L <sup>2)</sup>	NA	NA	NA

1) Not applicable: Either these items are not subject to regulations or a quality measurement of wastewater or processed water has confirmed that the presence of these items is no more than 1/10th of the effluent standards.

2) The extra standard stipulated by an ordinance of Niigata Prefecture is : ≤1 mg/L."

3) The extra standard stipulated by an ordinance of Niigata Prefecture is : ≤2 mg/L."

## We strive to reduce industrial waste, counter soil contamination and asbestos risks, and control PCBs

Goal/Performance/Assessment (Domestic Projects)	Preventing soil contamination in Domestic Projects
<b>2007 Goal</b>	Take extensive measures to prevent soil contamination. (1) Prevent soil contamination during operations; and, if contamination occurs, remedial action is promptly taken. (2) Conduct soil contamination surveys during land rehabilitation and, if contamination is confirmed, remedial action is taken.
<b>2007 Performance</b>	There were two cases of returning lands, soil surveys for which were started in 2006 and completed in 2007. In each of the voluntary surveys, no contamination was found that exceeded the standards stipulated by Japan's Soil Contamination Countermeasures Law. There were three instances of oil leaks; we promptly recovered the leaked oil and cleaned the contaminated soil. Concerning the contamination of soil and ground water caused by leaked heavy naphtha at TTP in December 2005, we were in the process of cleaning the soil and groundwater inside and outside the TTP premises by pumping up groundwater, and were preparing to clean the soil of public land outside the premise.
<b>Assessment</b>	In 2007, there were no instances of soil contamination that exceeded the standards stipulated by the Soil Contamination Countermeasures Law. However, there were instances of pollution caused by sprayed oil and of leaked fluorine. Although we need to continue our effort to prevent such incidents, our guidelines for preventing soil contamination are well understood and followed in the field. Therefore, we will make it part of ongoing HSE activities to strive to prevent soil contamination in 2008, instead of having a separate goal.
<b>2008 Goal</b>	(Surveys and Countermeasures are followed in the field in accordance with our guidelines for preventing soil contamination. We conduct to prevent the soil contamination in our operations through ongoing HSE activities.)

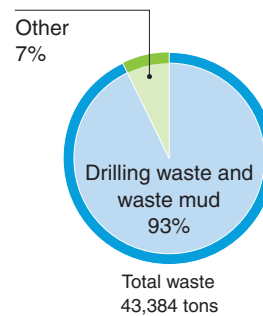
### Controlling Disposed Waste

Industrial waste we generate is primarily composed of well drilling waste and waste mud. In 2007, the total amount of industrial waste we generated was 43,384 tons, of which 40,333 tons, or 93%, was drilling waste and waste mud. This waste is treated as sludge; if the sludge contains more naturally derived heavy metals than the standards permit, it is disposed of as landfill; if heavy metals are found to be below the permissible level, the sludge is dewatered and recycled as materials for roadbeds. The total amount of drilling waste and waste mud recycled in 2007 was 38,599 tons, or 89%. Although the mud fluids we use for drilling are mainly made from naturally derived components, we have taken the precautionary step against potential soil contamination by working with the supplier of drilling fluids to control the concentration of heavy metals in them.

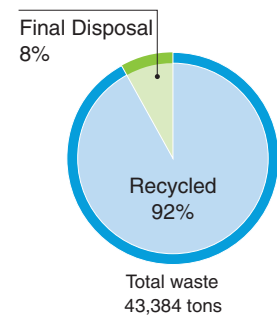
Other industrial waste, such as waste oil and metal scrap,

amounted to 3,051 tons, of which 48.8%, or 1,490 tons, was recycled. Overall, 92.4% of all industrial waste, amounting to 40,089 tons, was recycled.

Waste Disposal in 2007 (Domestic Projects)



Recycling Rate for 2007 (Domestic Projects)



### Soil Contamination Countermeasures

To date, the Domestic Project Division have not used any of the hazardous substances specified under Japan's Soil Contamination Countermeasures Law. However, there is a risk that benzene contained in crude oil may leak during production operations or heavy metals contained in drilling fluids may contaminate soil. Therefore, we voluntarily conduct soil surveys at closed project sites, and replace soil if necessary before returning the land to its owners.

When there was a leak of crude gasoline (heavy naphtha) at

TTP in December 2005, the company drove sheet piles into the ground around the boundary of the site to prevent contamination from spreading. In 2007, the company conducted an extensive survey on contamination of the soil in the river-bed park near the site and of groundwater to determine the geographical extent of contamination. In 2008, the company plans to either sanitize or replace contaminated soil in the affected area.

## Controlling PCBs

Japan's Law Concerning Special Measures Against PCB Waste, enacted in July 2001, introduced tougher regulations on the waste processing of products containing PCB (polychlorinated biphenyl). In response, we replaced products containing PCB in use at all our plants and offices in Japan over the years and no such products are in use any longer. All our facilities take special care regarding the storage of waste containing PCB, and have registered the storage with municipal authorities. All such PCB waste is scheduled to be processed by July 2016 as the Law requires.

### Number of Stored PCB-Containing Products

High-voltage capacitors	95
Low-voltage capacitor	1
Fluorescent light ballasts	435
Mercury lamp ballasts	3
Switch	1



The storage of Fluorescent light ballasts

## Addressing Asbestos Risks

In 2005, we contracted experts to make an assessment of the risk of exposure to asbestos in all company buildings. Following the assessment, we removed sprayed-on materials that had a high probability of asbestos emission, and initiated six-monthly inspections of insulating materials to verify that there is no risk of exposure to asbestos.

As Japan's Ministry of Land, Infrastructure and Transport added

three more types of asbestos to its surveillance list in February 2008, we plan to conduct further analyses of building materials in our buildings and take the necessary measures.

As we used asbestos at our drilling sites in the past, we carry out medical checkups to current or former employees who wish to be checked for asbestos-induced health problems.

## Environmental Accidents

In May 2007, an error in valve operation at the Shinbori Oil Tank of Akita District Office in Sakata City, Yamagata Prefecture, resulted in five to ten liters of crude oil being sprayed over five paddy fields west of the oil tank. After recovering the oil and surface water with absorbent mats and a tanker truck with a vacuum hose, we replaced water in the fields and processed contaminated soil on the farm roads. None of the rivers and public water bodies nearby were affected.

In July 2007, the Chuetsu-oki Earthquake in Niigata prefecture damaged part of the oil pipeline between the Hirai Plant and the Nakadouri Plant operated by Kashiwazaki District Office in Kashiawazaki City, Niigata Prefecture, resulting in crude oil being sprayed over four paddy fields. In the affected fields, sprayed oil

withered some of the rice plants. Some of the oil found its way into two rivers through drainage ditches. A total of 11.3 kiloliters of crude oil was accidentally released, of which 7.8 kiloliters were recovered with oil mats and by a tanker truck with a vacuum hose in an area closed off with oil fences.

In August 2007, at the Hirai Plant of the Kashiwazaki District Office, while preparing to resume operations following the earthquake, an error in valve operation caused 34 kiloliters of crude oil to flow into an area inside oil-retaining walls. Leaked oil and contaminated soil were immediately recovered. The erection of oil fences along rivers nearby prevented the oil leak from spreading outside the plants.

## EPEDECO's HSE Activities

West Bakr Petroleum Co., an oil development operating company, engaged in operating activities in the eastern desert on the coast of the Gulf of Suez, gives high priority to its HSE activities. For instance, in 2006, an investigation into the use of asbestos found that materials used for lagging an oil tank contained asbestos. The company contracted an asbestos-removal operator and a waste disposer in accordance with an Egyptian environmental law, and had them remove the asbestos in the closed-off area in June and July 2007. Also, No

fire incidents had occurred in the company since it began production in 1980. To raise employees' awareness of incident prevention, the company has been conducting firefighting exercises once a month since February 2008.



Asbestos-free pipe

## As a company that supplies the energy that fuels our society, we ensure uninterrupted safe operations and have emergency response plans

### Safety Initiatives

We have implemented a variety of precautionary measures to ensure safe operations.

At the base is risk management performed in accordance with the risk management procedures for identifying, assessing, mitigating and controlling HSE-related risks, which are posed to project sites and to human resources, machine and equipment

working in them, and which are defined for each business process.

In addition, we have formulated an emergency response plan for each type of foreseeable operational emergency and conduct exercises regularly so as to maintain a high level of preparedness.

Furthermore, we are working to develop security measures against natural disasters, terrorists attacks and accidental explosions.

### Safety Activities in Domestic Operations

Under the priority policy of eliminating human errors, the Domestic Project Division implements a series of measures to ensure safe operations, which include a near-miss activity<sup>1)</sup>, hazard prediction, preparation and revision of standard operational manuals, and “pointing and naming” and “calling out” activities. Many of these activities are carried out by small groups of shift employees and day workers. Each office and employee set their own goals to achieve and they report on their performance at HSE meetings for review and further improvement of safety initiatives.

**1) Near-miss activity**

Employees are asked to record small incidents that scare or startle them at project sites and share them with fellow employees so as to prevent them from becoming serious incidents, though they do not involve human and material damages.

**● Near-Miss Maps**

The Domestic Project Division creates and utilizes a near-miss map that lists high-risk factors associated with its operations, along with their possible consequences, which have been identified through near-miss activities. This is another effort to eliminate any chance of incidents.

A near-miss map clearly illustrates high-risk elements of operations with graphics and photographs, created from internal rules, near-miss reports and case studies on incidents. Employees are encouraged to refer to it in meetings before and during operations so as to raise their safety awareness and preparedness, as well as to share recognition of safety risks.

**● Safety Education and Training**

Following an annual training plan, we conduct a wide range of safety education and training programs designed to help employees gain knowledge and expertise in safety. In addition, we keep track of training history of each employee in an effort to provide the right guidance according to the individual level of understanding and proficiency. Field workers receive hands-on training with equipment, including simulation training<sup>2)</sup>, which is intended to raise their safety awareness and prevent errors in equipment operation.

**2) Simulation training**

Training through simulations on procedures for operating equipment and for responding to a variety of situations.

**● Disaster and Flood Measures Training**

The Domestic Project Division regularly conducts a disaster training for main facilities including its main pipelines, assuming a natural disaster and an accident occur. During exercises, emergency headquarters are set up both in the field and at Head Office.

In 2007, we conducted disaster trainings at the Shin Nagaoka Line in Kashiwazaki City in June, at the Oumi Line in Itoigawa City in October, and at the Kubiki Refinery in Joetsu City in November, all in Niigata Prefecture. In these trainings, different offices, and sections and groups worked together.

### Introducing an Employee Safety Confirmation System

In 2007, the Group introduced an email-based safety confirmation system designed to ascertain the safety of employees and assist the quick recovery of business operations in the event of a large-scale disaster in Japan.

In this system, an email will be automatically sent to a disaster response manager of an operational area in the event that an earthquake measured intensity of more than five lower on the Japanese scale strikes the region. The manager will determine

whether to activate the safety confirmation system, based on the extent of damages in the area. If it is an earthquake with an intensity of more than five upper, an email will be automatically sent to all employees at once in the affected area at their registered email addresses; employees will then report their status via email. The system allows managers to check whether employees and their families are safe via a dedicated web page.



## Ensuring Operational Safety in Area 113 Block 3 & 4 in Ghadames, Libya

INPEX Libya, Ltd., an INPEX Group company, has been collecting new 2D seismic survey data as an operator in Area 113 Block 3 & 4 (4,272 km<sup>2</sup>) in Ghadames, 600 kilometers south-southwest of Tripoli from February through August 2008.

This block is located in the middle of the hard-to-access Sahara Desert. In winter, the temperature plunges to sub-zero at night, and rises to over 30° Celsius (86° Fahrenheit) during the day. In summer, the mercury soars above 50° Celsius (122° Fahrenheit). Some dunes are 100 meters high and driving over them is challenging. Under these severe working conditions, the company liaised with contractors prior to the project to conduct an HSE risk assessment including an environmental impact assessment, based on which they prepared an HSE plan. During the project, an HSE manager was on site, who performed an

HSE audit to ensure operational safety.

From February through August 2008, the project went smoothly without serious incidents. The company will likewise ensure operational safety during the drilling operation scheduled to begin in 2009.



Seismic survey in the desert

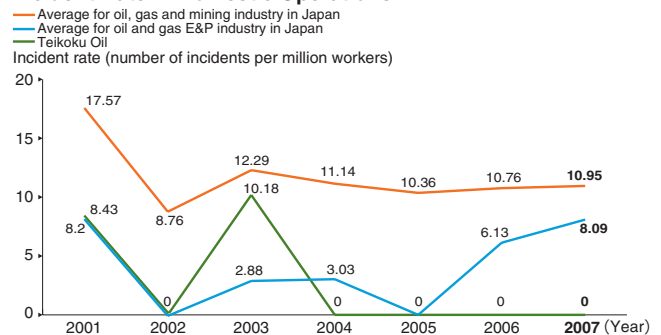
## Incident Report

In 2007, three operation-related incidents occurred in our domestic operations; one was a crude oil leak from an oil pipeline damaged by the Chuetsu-oki Earthquake in Niigata Prefecture; and two involved crude oil being leaked and sprayed over surrounding areas due to operational errors.

We did not have any cases of slight or more serious on-the-job injuries, maintaining a zero-incident record from 2006. While none of our employees suffered any work-related injuries, our contractors had 12 work-related incidents.

Considering the above situation, we will work harder with our contractors to ensure greater operational safety.

### Incident Rate in Domestic Operations



## Passing on Knowledge and Skills

In our field offices, experienced employees pass on their accumulated knowledge and skills to younger engineers.

One example of such efforts is the Five Senses & Skills Tournament (F-1 Grand Prix) held at the Kashiwazaki Maintenance Center since 2006. The objective of this competition is to hone employees' five senses without relying solely on measuring equipment, and, by competing young engineers against experienced and senior employees, to provide an effective and enjoyable opportunities to transmit technical expertise across generations.

The second tournament was held in April 2007, with 36 competitors participating. As a result of being based on the feedback from the first tournament and its improvement, participants were divided into teams for team competition and some

events were replaced with new ones. This proved effective in achieving better average scores than in 2006.

The Kashiwazaki Maintenance Center continues to review and improve the administration of the tournament so as to make it something that employees look forward to every year.



Sledgehammer contest



Applying the correct torque to bolts

## Caring about the physical and mental well-being of employees who work in a variety of environment

### Health and Welfare

Each office of the INPEX Group has a Health Committee that meets once a month to review and upgrade the health management system and to improve the working environment. With the guidance of occupational physicians and health supervisors, we promote swift and appropriate health care for employees. In 2007, we added metabolic syndrome to a list of to-be-checked items in health examination. In addition, we have separate smoking rooms in each workplace to prevent nonsmoking employees from being exposed

to passive smoking.

The Group invites nutrition specialists to give health seminars once a year in each workplace. The seminar in 2007 was held in October.



Health seminar

### Efforts to Maintain and Improve Employee Health

To help prevent diseases among employees and enhance their awareness of health management, the Group implements a variety of measures such as providing regular health checks, support for complete medical checkups, and vaccinations against influenza. In 2007, nearly 100% of our employees received regular health checks. Based on the results of health checks, we arrange for employees to consult with occupational physicians in an effort to ensure employees' health on a daily basis. Employees who work longer than a specified number of hours are asked to take additional health checks as required. Employees posted to overseas positions are given physical examinations and vaccinations before leaving Japan.

In 2007, we began to collect information concerning pandemic flu through multiple sources including information service providers, to raise our preparedness against the epidemic. In addition, we began contingency planning for each pandemic phase<sup>1)</sup> that the World Health Organization has defined, so as to ensure employees' safety. In Jakarta Office, we began to stockpile medicines and food, and gave briefing seminars to local employees, and Japanese employees and their families.

**1) Pandemic phase**

A pandemic is a worldwide epidemic of an infectious disease. The pandemic phase is based on a scale of 1-6, with phase 6 being the pandemic stage.

### Health Management for Employees Working in Operation Sites

In some cases, our employees are posted to project sites in remote overseas locations or where a sophisticated infrastructure is unavailable. We ensure that such sites are staffed with company doctors and medical staff to monitor employees' health and to prevent the outbreak or spread of infectious diseases. In addition, as contingency for employees' illness or injuries at the site, we contract with 24-hour medical emergency service providers as our

consultants to transport emergency cases by helicopter to the nearest available medical facility that is equipped to provide appropriate treatment.



Helicopter landing at an offshore operation site

### Mental Health Initiatives

In recent years, an increasing number of workers in general are found to be having mental health problems. In view of this, the Group has recognized that mental health is an important issue requiring serious attention.

We have made mental health consultations, both within and outside the company, readily available to employees. Employees can receive counseling by telephone, email and face-to-face consultation, with confidentiality of personal information strictly preserved.

In addition, we introduced a self-diagnostic tool for stress and encouraged employees to give it a try in January 2008; nearly 90% of them received diagnosis. An expert on mental health care was invited to provide both general managers and managers with training on the basics of mental health and on how to pick up an indication that something is wrong with their staff members through communication.

## Environmental Performance Data by Site

		Production and processing volume					Purchased volume		Consumed energy		
		Crude oil	Natural gas	Petroleum products	LPG	Iodine	Electricity	Purchased gas	Purchased raw materials	Consumed fuel	
Unit		KL	1,000s of Nm <sup>3</sup>	KL	ton	ton	1,000s of kWh	1,000s of Nm <sup>3</sup>	KL	GJ	
Domestic operations <sup>1)</sup>	Head Office	—	—	—	—	—	—	—	—	14,023	
	Akita	16,464	9,760	—	—	—	—	—	—	12,232	
	Niigata	Minami Aga	37,492	11,874	—	—	—	—	—	—	15,287
		Nagaoka	234,950	1,576,122	—	—	—	—	63,000	—	1,268,819
		Power Plant	—	—	—	—	—	116,504	—	—	999,838
	Kashiwazaki	2,271	12,606	—	—	—	—	—	—	18,501	
	Chiba	—	20,571	—	—	490	—	—	—	86,922	
	Drilling	—	—	—	—	—	—	—	—	216,652	
	TPC	—	—	—	—	—	—	—	—	37,859	
	TTP	—	—	222,446	5,360	—	—	—	—	38,500	274,891
	OIP	156	10,982	—	—	—	—	—	—	—	112,369
<b>Total(Domestic Operations)</b>		<b>291,333</b>	<b>1,641,915</b>	<b>222,446</b>	<b>5,360</b>	<b>490</b>	<b>116,504</b>	<b>63,000</b>	<b>38,500</b>	<b>3,057,393</b>	
Overseas operations <sup>2)</sup>	Ichthys	—	—	—	—	—	—	—	4,581	176,547	
	Masela	—	—	—	—	—	—	—	—	557,408	
	INPEX Libya	—	—	—	—	—	—	—	—	21,383	
	Venezuela	19,364	782,560	—	—	—	—	—	—	8,488	
	Egypt	264,020	—	—	—	—	—	—	—	147,304	
	Teikoku Oil Libya	—	—	—	—	—	—	—	—	—	101,400
<b>Total(Overseas Operations)</b>		<b>283,384</b>	<b>782,560</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,581</b>	<b>1,012,530</b>	

Unit		Consumed water			GHG emissions				Wastewater	Disposed waste <sup>3)</sup>			
					from energy use		from flare and dispersion			Discharged into public water bodies	Final disposal volume		Recycled volume
		Tap water	Ground water	Sea water, river water and others	CO <sub>2</sub>	CH <sub>4</sub>	CO <sub>2</sub>	CH <sub>4</sub>	Industrial waste subject to special control		Others		
		KL	KL	KL	ton	ton-CO <sub>2e</sub>	ton	ton-CO <sub>2e</sub>	KL	ton	ton	ton	
Domestic operations <sup>1)</sup>	Head Office	20,988	180	0	1,134	0	0	0	330	0	6	3	
	Akita	7,079	0	0	1,137	5	0	2,769	0	5	17	0	
	Niigata	Minami Aga	5,922	0	0	1,165	0	3,285	1,002	0	0	218	5
		Nagaoka	115,246	399,451	0	66,027	641	212,002	682	110,456	0	411	770
		Power Plant	0	409,738	0	63,593	6	0	39	25,269	0	0	0
	Kashiwazaki	20,834	0	0	1,934	0	0	21,110	0	0	81	307	
	Chiba	7,029	6,501	0	8,016	0	0	2,026	4,727	0	265	0	
	Drilling	6,864	32,602	406,228	15,016	0	0	0	0	0	1,993	38,627	
	TPC	3,314	0	0	2,381	1	152	7,557	0	0	8	1	
	TTP	2,658	325,160	0	16,234	0	0	0	488,471	4	219	326	
OIP	2,935	0	0	6,332	0	0	369	305	0	69	49		
<b>Total(Domestic Operations)</b>		<b>192,869</b>	<b>1,173,632</b>	<b>406,228</b>	<b>182,969</b>	<b>652</b>	<b>215,439</b>	<b>35,555</b>	<b>629,558</b>	<b>8</b>	<b>3,286</b>	<b>40,089</b>	
Overseas operations <sup>2)</sup>	Ichthys	9,509	0	0	12,330	22	5,323	0	0	12	75	25	
	Masela	20,145	0	0	41,304	0	0	0	20,145	NA	NA	NA	
	INPEX Libya	0	2,460	0	1,619	0	0	0	0	2	4	0	
	Venezuela	2,770	0	0	788	6	60,906	3,358	0	0	22	0	
	Egypt	NA	NA	NA	8,685	0	16,028	18,090	0	NA	NA	NA	
	Teikoku Oil Libya	0	9,801	0	7,521	6	0	0	0	4	310	0	
<b>Total(Overseas Operations)</b>		<b>32,424</b>	<b>12,261</b>	<b>0</b>	<b>72,246</b>	<b>34</b>	<b>82,257</b>	<b>21,448</b>	<b>20,145</b>	<b>18</b>	<b>411</b>	<b>25</b>	

NA: Not applicable —: Outside the reporting scope

1) TPC: Teiseki Pipeline Co., Ltd. / TTP: Teiseki Topping Co., Ltd. / OIP: Offshore Iwaki Petroleum Co., Ltd.

2) Ichthys: INPEX Browse, Ltd. / Masela: INPEX Masela, Ltd. / INPEX Libya: INPEX Libya, Ltd. / Venezuela: Gas Guarico, S.A. / Egypt: West Bakr Petroleum Co. / Teikoku Oil Libya: Teikoku Oil Libya U.K. Ltd.

3) Only industrial waste is reported for domestic operations.

# Building Good Relationships with All Stakeholders



**Our stakeholders include customers, shareholders, investors, communities in which we operate, business partners and employees. Through a stable supply of energy, sharing of information, and community development initiatives, we maintain close communication with all our stakeholders.**

## To meet the growing demand for natural gas, we are increasing gas production and expanding our gas transportation network with an eye to upgrading a supply system that is both safe and environmentally friendly

### Expanding the Natural Gas Pipeline Network

Since INPEX Group began operating the Tokyo Line—the first long-distance high-pressure pipeline built in Japan—between Niigata Prefecture and Tokyo in 1962, we have made a series of extensions and upgrades to the pipeline network to broaden its geographical coverage while providing a reliable supply of natural gas for customers in the region along the pipeline.

In particular, we have intensified our efforts to expand the pipeline network to satisfy expected growing demand, since we started the first phase of the construction project for the Shin Tokyo Line in 1996. In 2006, a reliable network with broader regional coverage was realized when our own Shizuoka Line and the partially-owned Minamifuji Pipeline were completed, which connect domestic gas fields on the Sea of Japan side and an LNG import

terminal on the Pacific Coast. In 2007, work on an extension to the Shin Tokyo Line was completed, which dramatically increased the supply capacity of natural gas to the northern Kanto region—which has huge market potential.

As global warming is becoming a pressing issue, we expect the demand for natural gas to remain steady and strong, and have been working on another construction project for the Shin Oumi Line in Niigata Prefecture.



Construction of gas pipeline

### Maintaining Pipelines

Keeping the pipelines, which run for a total length of more than 1,300 kilometers, in good working condition is a critical duty we have to fulfill in order to supply natural gas to customers in a secure and stable manner.

To accomplish this, our Domestic Project Division routinely makes visual inspections of the pipelines to check that they are safe, and also conducts physical diagnostics, such as looking for leaks or signs of corrosion. In addition, to prevent incidents during construction projects that the Company and its affiliates undertake, we brief all staffers and workers at construction sites on health and safety matters and case studies on incidents that have occurred at other exploration sites. We also compile case studies on past troubles to learn from them.

In fiscal 2008, we began to apply the “Procedure for Contractors’ HSE Management” to contractors working on our pipeline construction projects. The procedure is intended to ensure safe and

stable operations at construction sites on an ongoing basis while preserving the environment; it is based on “HSE Policy,” “HSE Policy Guidance,” “HSE Management System Manual” and “Corporate Contractors HSE Management Procedure,” and provides for the Company’s role and responsibility, HSE requirements for contractors, and criteria for evaluating contractors’ HSE performance.



Leakage detection with FID gas detector



Data transmission through portable satellite communication devices

### Increasing Production at Gas Fields

The Minami Nagaoka Gas Field, which is located in Nagaoka city, Niigata Prefecture, has been continuously increasing its production capacity to meet the growing demand for natural gas. During fiscal year ended March 31, 2008, the addition of a new processing train to the Koshijihara Plant raised the gas field’s total daily output to 5.26 million normal cubic meters.

We are also developing a backup system against the failure of production wells in the gas field. We drilled a backup well in the

Minami Asahihara Base, which is located in the southern Minami Nagaoka Gas Field and became operational in December 2007. Another backup well is now being drilled in the base since March 2008.



New processing train at a gas plant

## Providing a Reliable and Flexible Supply of Gas with a Built-in Underground Storage System

Natural gas can be injected into a depleted gas or oil reservoirs for storage. This storage method utilizes a natural underground structure, and its advantage over an artificial subsurface facility is that it has higher survivability when earthquakes occur, and is simple to operate for long-term storage.

Our Domestic Project Division converted the Sekihara Gas Field in Nagaoka City, Niigata Prefecture, into an underground storage site for natural gas to respond to seasonal fluctuations in demand. We upgraded the facility at the Sekihara Plant in January 2008, which increased the daily output of gas to 2.4 million normal cubic meters from 1.6 million normal cubic meters. In addition, an extension to the Shin Nagaoka Line connecting the Sekihara Plant and the Oyazawa Plant in Nagaoka city was completed in December 2007, contributing to the continued expansion of the pipeline network. As a result, we have the Sekihara Plant as an effective backup system when

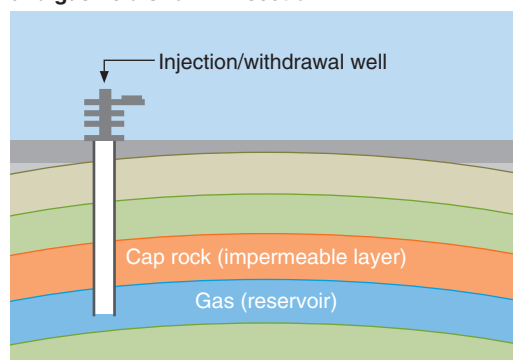


Injection/withdrawal well at Sekihara Gas Field

either the Koshijihara Plant or the Oyazawa Plant is shut down in an emergency, or during the peak demand period, allowing us to provide an uninterrupted and flexible supply of gas.

As of December 2007, 195.74 million normal cubic meters of gas (equivalent of about 11% of our domestic annual gas sales) is stored underground.

### Conceptual diagram of storing natural gas in a depleted oil and gas field shown in section



## Removing Hazardous Substances

Crude oil and natural gas produced from underground reservoir may contain minute quantities of substances that fall under the control of Japan's PRTR Law, such as mercury and arsenic. Oil and gas containing such substances may cause risk of affecting the surrounding environment.

Therefore, our Domestic Project Division removes these impurities by means of an absorbent at its natural gas processing plants and oil refineries.



Hazardous substance removal equipment for gas for sale



Hazardous substance removal equipment for gas condensate

## Publishing GHS-compliant SDSs

In accordance with the amendment of the Japan's Occupational Health and Safety Law, the Company has decided to start SDSs<sup>1)</sup> in compliance with GHS<sup>2)</sup> for natural gas, crude oil and iodine products. The Company prepares SDS based on JIS-Z 7250 (2005 version)<sup>3)</sup> in compliance not only with GHS but also with the PRTR Law for our natural gas and crude oil customers, and has been providing customers with compliant SDSs for iodine products since

December 2006, and for natural gas and oil products since May 2008.

- 1) **SDS**  
Safety Data Sheet. A document providing information regarding chemical substances contained in a product.
- 2) **GHS**  
Globally Harmonized System of Classification and Labeling of Chemicals. A system for standardizing the classification of hazardous chemicals, and specifying what information should be included on their labels and safety data sheets.
- 3) **JIS-Z 7250 (2005 version)**  
Japan's MSDS standard. The 2005 version complies with GHS.

## We are striving to build a good and sound relationship with our business partners, while working with them to prevent incidents and reduce adverse environmental impacts

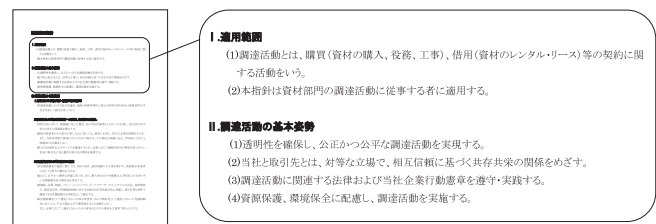
### Procurement Policy

The Group has been carrying out procurement in a transparent, fair and unbiased manner, and pursuant to that, our Domestic Project Division established the “Guidelines for Fair Business Conducts with Suppliers and Contractors” in April 2006.

The guidelines prohibit practices that would unlawfully impede fair and free competition, abuse dominant bargaining positions, and inappropriately bestow or receive benefits; in addition, they stipulate respecting intellectual properties owned by suppliers and contractors, and protecting confidentiality of information and technologies owned by suppliers and contractors.

Copies of the guidelines are distributed to relevant departments to ensure compliance. In particular, the Procurement Department, which is directly responsible for procuring materials and equipment

and hiring contractors, has its staffers revisit the guidelines and the compliance manual periodically to refresh their awareness of these rules when conducting procurement practices. At all-hands departmental meetings held twice a year, staffers are reminded of the importance of following the guidelines.



Guidelines for Fair Business Conducts with Suppliers and Contractors

### Promoting Green Procurement

The Guidelines state, “We adopt an environmental perspective when selecting and procuring materials, equipment and services, based on the Company’s HSE Policy.”

For example, we have been working with a supplier of mud fluids we use for drilling wells to control both naturally resident and artificially-added heavy-metal components contained in the drilling fluids with the aim of preventing them from contaminating soil around the wells. The supplier reported to us that it was ready to begin analyzing components by the end of March 2008, which is a critical element of control. It also plans to be ready to produce GHS-compliant SDSs by 2010, as the amended Occupational Health and Safety Law requires.

We installed Eco Mark<sup>3)</sup>-certified office furniture in our new Akasaka Office in Minato-ku, Tokyo. We selected environmentally-friendly office furniture, such as those made of recyclable materials and/or with reduced size and weight.



Barite made of natural resident, drilling fluid chemical (Photo provided by Telnite Co., Ltd.)

**3) Eco Mark**  
 A label attached to a product determined to be environmentally friendly over its entire life cycle from production to disposal by Japan Environment Association.

### Implementing Contractors’ HSE Management

As our HSE Policy requires contractors to manage their HSE in accordance with our policy, and to achieve agreed HSE targets, we invite contractors to our HSE meetings and training sessions.

Despite this effort, there have been an increasing number of incidents involving contractors and to reverse this trend, we formulated the “Corporate Contractors’ HSE Management Procedure” during fiscal year ended March 31, 2008. The procedure

is intended to standardize business projects commissioned to contractors, and requires them to submit to us their HSE plans, which must be consistent with our HSE management system. We also plan to incorporate an assessment to determine the HSE competency of contractors participating in the bidding—a process we have been following in our overseas projects—into our domestic bidding process.

## Under the human resources system designed to build an organization capable of competing in the global arena, we evaluate and treat employees fairly and train them proactively

### Human Resources System

INPEX CORPORATION, as a leading Japanese E&P company, has a corporate vision to become an integrated energy company that performs in the global arena. In order to establish a human resources system that will help make this vision into reality, we set forth the following basic policy in October 2006.

#### Basic Policy on Human Resources System

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

### Human Resources System Created for the New Company

The Group has worked to create a new human resources system in preparation for the completion of the merger between INPEX and Teikoku Oil. The findings from an employee awareness survey conducted in 2006 and interviews with management proved useful in working out the specifics and details of the system, such as working terms and conditions.

The Human Resources Department first identified the differences in working terms and conditions among group companies and in culture and history behind them. Then the department worked with officers and the labor union to define each of the wide-ranging working terms and conditions with the aim of establishing the most appropriate human resources system for the new company.

The new human resources system is a natural and logical evolution of policies adopted by the group companies prior to the merger, characterized by the wage and promotion system which reflects individual employees' competency and job performance rather than personal qualifications, such as age, academic career and seniority. The new system is intended to encourage employees

to develop their own skills and to motivate them to perform better. At the same time, it is designed to build an organization capable of competing in the global arena, in the belief that a team of highly skilled individuals can continuously perform well.

To promote the ideas behind the new human resources system throughout the Group, officers in charge of human resources and a team of human resources and labor management staff gave 39 briefing sessions to 1,150 employees at 29 locations inside and outside Japan in January and February 2008.

During the fiscal year ended March 31, 2008, we published a booklet titled "Departure from Mining Mura" so as to begin fostering unified values and awareness among all employees prior to the completion of the merger. The booklet promoted mutual understanding among employees of the three companies, namely INPEX, Teikoku Oil and Japan Oil Development, and, while acknowledging their differences in culture, discusses the importance of identifying something in common and striving to create a new common culture.

### Personnel Evaluation

The Company's basic policy on personnel treatment states that when employees with the same job grades, roles and work duties they should be compensated on an equal level as long as they receive the same performance ratings. To make this policy work, a fair and accurate system of personnel evaluation needs to be established.

Accordingly, the new human resources system adopted by the new company evaluates employees from three perspectives—(1) Evaluation of an employee's goal achievement and its process; (2) Evaluation of utilization of an employee's ability in setting out and achieving individual performance objectives; and (3) Evaluation of an employee's behavior and attitude toward the values that the Company holds.

The evaluation is carried out not only by supervisors but also by employees themselves, so that they can look back on their own performance and identify the gap between supervisors' evaluation and their own to determine what to improve. Management by objectives and interviews between supervisors and staffers, which were adopted by the two companies, remain in place after the merger. In addition, we have begun to permit employees to submit preferences concerning work duties and transfers.

We will promote employee's self-development and achievement of organizational objectives by ensuring that these personnel evaluation systems will come to stay in place throughout the workplaces.



## Employment Opportunities for the Handicapped People

The Group has been proactive in hiring handicapped people. As of March 31, 2008, 22 employees with disabilities are engaged in clerical and support work.

As our CSR Policy states, "Value the individuality of our employees, secure a safe, healthy and worker-friendly environment,

and provide opportunities for career development," we are committed to contributing to communities and society by continuing to offer employment opportunities to handicapped people in different workplaces within the company.

## Providing Childcare Support

The Group has instituted broader childcare-leave programs than required by the law. In addition to allowing employees with children up to 18 months old to take childcare leave, we free employees with young children from overtime and night shifts. We also pay 20% of their salaries on top of the statutory childcare leave benefit.

In addition to the programs described above, the Company allows employees to work two hours less per day until their children

are ready for primary school. We also subsidize the part of nursery, day-care center and babysitting costs, and employ a flextime system for employees until their children reach school age.

Furthermore, we are formulating a general action plan as an employer as required by the Law for Measures to Support the Development of the Next Generation so as to help employees balance their work and childcare.

## Stepping up Human Resources Development Programs

### Joint Hiring of New Recruits

Prior to the merger, former INPEX Holdings Inc. worked with INPEX and Teikoku Oil to begin jointly hiring college graduates in April 2007.

This practice raised the efficiency in the hiring process and allowed us to pick and choose talented human resources from a

pool of applicants. We hired 45 new graduates in 2007 and 58 in 2008.

We implement a training session for new recruits on the oil and natural gas E&P business so that they can begin their assigned jobs in different departments.

### Employee Training

The Group provides training programs with the aim of cultivating core human resources that contribute to enhancing corporate value in the context of the Group's global business development. We are also committed to improving the overall level of employee competency.

The Group runs training programs tailored to each layer of employees within the company—senior management, middle management and new employees—and promotes education on compliance to ensure not only employees' conformance with all applicable laws and regulations, but also their adherence to ethical business conducts. We also implement a mentor system to provide on-the-job training and psychological support for new employees.

To enable employees to improve their international

communication skills, the Group provides opportunities for them to take language-training courses, to participate in on-the-job training programs at our overseas offices, to continue studying at universities and institutions in Japan or abroad, and to pursue self-learning through distance learning.



Visiting a project site as part of on-the-job training at an overseas office



New employee orientation at an overseas office

## We carry out a wide range of activities that contribute to the sound and sustainable development of the local communities in which we operate

### Regional and Community Development

The Group conducts a social impact assessment when it begins a project; it reviews the economic and social effects the project will have on a community, and takes action to mitigate any potential adverse impacts of the project. Measures taken to mitigate such impacts are continuously monitored for their effectiveness. During

this process, information concerning the project is disclosed to the community so that the community can be aware of the project activities. We also listen to the community to understand its needs, and this information is used to formulate community development programs.

### Participating in the Environmental Conservation Program for the Mahakam Delta

The Company participates in the Community Empowerment Programs Delta Mahakam in the Republic of Indonesia, which runs from 2007 through 2012, in collaboration with the United Nations Development Programme and others.

This program is intended to restore and conserve the mangrove forests in the Mahakam Delta, that were severely damaged by the development of shrimp ponds in the area, and to help the local economy and community achieve sustainable development.

The delta surrounding the offshore Mahakam Block, in which the Company has a working interest and which has become one of the Group's major blocks, has a prominent area of mangrove vegetation that plays an important role of maintaining the biodiversity of the surrounding areas and of absorbing CO<sub>2</sub>. It also provides a source of drinking water and serves as a transportation route for natural resources.

Following the Asian financial crisis of 1997, shrimp ponds mushroomed everywhere in the area, as the shrimp business was seen as a lucrative source of foreign currency. As a result, the majority of the mangrove forests vanished from the delta, up to 80% of which was turned into shrimp farms. Worse yet, chemicals used in the farms to protect shrimp from diseases polluted the delta.

The objectives of this program are not only to restore and protect the mangrove forests, but ultimately to assist the local community and municipal authorities in restoring and protecting the environment of the entire Mahakam Delta on their own, and to help the local economy achieve sustainable development.

In pursuit of these objectives, we are undertaking the following support initiatives: (1) Deploying a community development model called Silvo Fisheries, intended to concurrently pursue the community's environmental preservation and economic development in agriculture and fishery. Under this model, the area will be lined with alternating shrimp ponds and mangrove forests; (2) Assisting municipal authorities in developing and implementing a policy on resolving issues over land-use rights; (3) Helping municipal authorities become better organized and carry out human resources development; and (4) Enlightening local residents on environmental preservation.

In 2007, we conducted surveys on the pilot farm, engaged in public relations activities at wide-ranging international conferences, published newsletters, and provided environmental education and enlightenment for government agencies, municipal authorities and educational institutions.

Our plans for 2008 include analyzing and assessing the ecosystem in the Mahakam Delta, and identifying the area in which mangrove forests were most severely damaged. We also plan to devise specific plans to implement the Silvo Fisheries method and look into local restrictions and government ordinances.

The Group is committed to contributing a total of U.S. \$1 million to the program over five years. We will continue to support the program by working within the Executive Committee—the project's highest decision-making body—to work out action plans and monitor their implementation.



Mangrove forest in the Mahakam Delta



The Mahakam Delta turning into shrimp ponds



Silvo Fisheries



Meeting with government officials and UNDP

## Contributing to Social Development along the BTC Pipeline Route

The Group has participated in the BTC (Baku-Tbilisi-Ceyhan) Pipeline Project. The 1,768-kilometer-long pipeline transports crude oil from the Caspian Sea city of Baku (B) in Azerbaijan, via Tbilisi (T) in Georgia, to the Mediterranean Sea port of Ceyhan (C) in Turkey.

As part of this project we and our partners are implementing community and environment investment programs to bring benefits to the communities through which the pipeline passes, and are implementing the regional development initiative for long-term economic growth and socioeconomic development in a wider geographical area. In 2007, we and our BTC partners contributed U.S. \$12.8million to the social initiatives undertaken in Azerbaijan, Georgia and Turkey.

Our social contributions have a number of objectives including: enhancement of local enterprise development, provision of access to energy, support for effective governance, positive social and community development for people living near our facilities, protection of biodiversity and environment around our assets and in the regions where we are represented. The social investment is implemented in close collaboration with state and local governments, international financial institutions, international and local NGOs.

For example, one of our social investment projects is

implemented in cooperation with International Finance Corporation —a member of the World Bank Group— to widen access to finance for micro and small enterprises in Azerbaijan's western regions. This project will enable the Micro Finance Bank of Azerbaijan to expand its branch network to the towns of Mingechevir and Gazakh by opening one new branch in each town as well as improving the services of its Ganja branch.

The other examples include vocational training programs and business schools that were offered to young people in Azerbaijan and Georgia so that they could have greater employment opportunities; installation of solar-powered water-purification systems in Azerbaijan; assistance in improving quality of honey and in development of new markets for the bee keeping industry in Georgia.



Solar-powered water-purification facility



Supporting a beekeeper

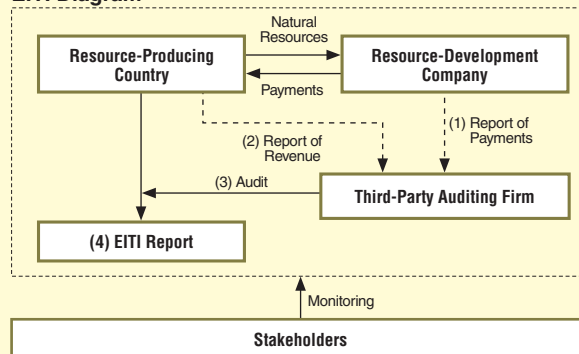
## Participating in EITI

The Extractive Industries Transparency Initiative (EITI) is a global initiative aimed at preventing corruption and bribery often associated with extractive industries—such as oil, gas and mining—and at seeking greater transparency in financial flows and greater accountability given by resource-producing countries. The initiative was proposed by then-British Prime Minister Tony Blair at the World Summit on Sustainable Development in September 2002 held in Johannesburg, South Africa.

Under this initiative, a company that develops natural resources, and the host country that owns them, each disclose details of the money and the products transferred between them. This information is audited by a third-party auditing firm, and the results are published periodically as an EITI report by the host country. EITI is intended to improve the standard of governance in resource-producing countries through objective verification of financial transactions, as well as to ensure that the revenue from resource development contributes to sustainable economic growth and poverty reduction in those countries.

As of May 2008, EITI is implemented in 23 countries, including East Timor, Ghana, Nigeria and Kyrgyzstan. The Group participates in the EITI programs in Kazakhstan and Azerbaijan, where we carry out projects, and provides financial information.

### EITI Diagram



## We consider educational support an important component of our CSR initiatives, and offer education programs in many parts of the world

### Educational Support

#### Inviting University Students from UAE to Study in Japan

Since 1993, Japan Oil Development Co., Ltd. (JODCO), an INPEX Group company, has been organizing a seminar in Japan for university students from the United Arab Emirates (UAE) majoring in geology, with the support of the Abu Dhabi Oil Co., Ltd. The seminar is held in summer for three weeks, offering classes not only on geology, but also on topics that help students deepen their understanding of Japanese culture and tradition.

Over the past 15 years, 83 students have participated in the

seminars. In fiscal 2007, we received five students from the UAE University and another five from the Petroleum Institute in Abu Dhabi. In fiscal 2008, we are hosting five students each from those institutions.



With university students from UAE

#### Supporting the Petroleum Institute in Abu Dhabi

The Petroleum Institute is a college established principally by the Abu Dhabi National Oil Company in line with a decree issued by the government of Abu Dhabi in December 2000. The institute's mission is to develop the human resources equipped with special engineering and management skills necessary for the oil and gas upstream and downstream business—Abu Dhabi's key industry.

JODCO, one of the founders of the institute and a member of its governing board, makes a financial contribution to the institute together with some other international oil companies that have working interests in Abu Dhabi. In addition, the company assists the institute in upgrading its education and R&D programs. For instance, JODCO sponsored three lectures on environmental and

energy issues that were given by Japanese experts in 2007. In January 2008, the company ran a short-term intensive program on remote-sensing technology that utilizes earth observation satellite images for geoscience / petroleum industry applications. It was so well received by the participants that the company plans to continue and upgrade this program in fiscal 2008 and beyond.



Students of the Petroleum Institute

#### Engaged in Social Development in Venezuela

Since 1993, the Company has been engaged in E&P operations in the area around the city of Valle de La Pascua in northern Venezuela. Recognizing the importance of the socioeconomic development of local communities, we have since undertaken a number of initiatives, such as providing health checks for members of local communities, repairing and renovating schools, and donating PCs, desks and bookcases to the community's social development projects.

Since 2006, Gas Guarico, S.A. a natural gas venture company 70% owned by the Company has been engaged in social development activities in the region.

The oil company is particularly interested in bringing a better quality of life to the community and assisting in its industrial development. In 2007, it offered to help municipalities build a water-supply system that extended from a lake to the city. When completed, it will provide drinking and irrigation water—a tremendous contribution to the community.

In 2007, the company also offered support to cultural activities; it donated a floor-to-ceiling mirror to a dancing studio at an elementary school; it offered financial support to groups of housewives who make traditional dolls so that the tradition of folk art would be carried over to the next generation.

## Participating in the Emirates Foundation

The Emirates Foundation was founded in 2005 by the government of the UAE, with a task of providing financial support for educational and research projects by public-private partnership; its mission is to upgrade the country's educational and research institutions so as to bring up leaders for the next generation, through the management and disbursement of the endowment fund.

JODCO is participating in the foundation to solidify the good relationship it has maintained with the government of Abu Dhabi. The company is a member of the Board of Trustees—the foundation's highest advisory body, which comprises government officials and representatives of donor companies—in which the implementation of many support programs are reviewed and approved.

In addition, JODCO has offered the Kumon educational

program—a reputed program created in Japan, designed to encourage children to develop self-learning habits—in Abu Dhabi since 1998. In October 2007, the company co-founded the Abu Dhabi Educational Fund with the Emirates Foundation to commemorate the accomplishments of the program that contributed to improving academic abilities of the country's young people. The fund is intended to enhance children's learning motivation by providing scholarship to high-achieving students.



Award Presentation Ceremony

## Receiving Overseas Trainees through IAESTE

Since 2003, the Company has been hosting trainees from overseas as part of a program by the International Association for the Exchange of Students for Technical Experience (IAESTE) Japan. In June and July, trainees receive practical training in oil and natural gas development projects at the Niigata District Office and its associated production sites.

The goals of IAESTE are to provide opportunities for trainees to develop advanced knowledge and expertise in specialized fields through practical training in foreign countries, and to promote international exchange. The Company, in support of these ideas,

provides trainees with opportunities not only to learn practical skills, but also to experience Japanese culture through exchanges with our employees. We received five trainees from Oman up to March 31, 2008, and provided them with tours and training sessions in our development and production departments.



Hosting a trainee from Oman

## Supporting Mutual Exchange between Japan and Indonesia

In March 1981, the Company established the INPEX Scholarship Foundation to promote the development of education and science in Indonesia and in Japan, and foster mutual understanding and friendship between the two countries.

The principal activity of the foundation is to offer scholarships for Indonesian university graduates with a degree in natural science to take masters course programs at Japanese universities. The foundation also assists young Japanese researchers who wish to study in Indonesia. The foundation has provided scholarships to a total of 131 Japanese and Indonesian students up to March 31,

2008.

In 2008, commemorating the 50th anniversary of Japan and Indonesia establishing diplomatic relations, the foundation offered scholarships to a greater number of students than normal and plans to sponsor a panel discussion in Jakarta between former scholarship students from Japan and Indonesia.



An Indonesian student with Japanese schoolchildren

## Sponsoring an Emily Kngwarreye Exhibition

The Company co-sponsored a retrospective exhibition on Emily Kngwarreye, a leading abstract artist of Australian Aborigine origin. It was the first retrospective on her held outside Australia, and was presented in Tokyo and Osaka from February through July 2008.

The Company continues to provide support for cultural activities related to the regions in which we operate.



Exhibition

## Feature Story

## Ensuring the safety of natural-gas pipelines in earthquake-hit areas and providing assistance for recovery

**Following the earthquake, we inspected the pipelines to ensure their safety and prevent damage-induced incidents**

### Inspecting Pipelines in Earthquake-Hit Areas

In the immediate wake of the earthquake, Teiseki Pipeline Maintenance Service Co. performed an emergency inspection of the natural-gas pipelines in the affected areas. No damage was found in the immediate inspection or in follow-up inspections made at high-risk spots; and the supply of natural gas went uninterrupted.



Inspecting damages to a road under which pipelines run

### Preventing Damage-Induced Incidents during Repair Work

This earthquake caused severe damage to essential lifelines in Kashiwazaki City and the surrounding areas for a substantial distance. Gas and water utility companies from other regions in Japan came and assisted in the restoration of utilities in the region.

The Shin Nagaoka Line—an important major pipeline, which connects Nagaoka City and Joetsu City in Niigata Prefecture—runs through Kashiwazaki City. There was a concern that those helpers from utilities companies of other parts of Japan, unfamiliar with the geography of the area and the location of buried objects, might accidentally damage our pipelines while performing their work, which would seriously affect the community. To help prevent this, Teiseki Pipeline Maintenance Service Co. obtained daily updates on repair works, and its employees were present at every repair site to monitor repairing works. These efforts proved effective in preventing the pipelines from being damaged caused by repair works done on other utilities, and helped ensure an uninterrupted supply of natural gas. In addition, the company carried out temporary repairs to the damaged roads under which the Shin Nagaoka Line runs.



Damage assessment of gas pipes

**We offered assistance to hard-hit communities in their recovery efforts**

### Donating Disaster Relief Monies and Supplies

On July 20, the fourth day after the earthquake, the Company donated 10 million yen to a disaster relief fund set up by Niigata Prefecture, 10 million yen to Kashiwazaki City, 5 million yen to Joetsu City, and 5 million to Nagaoka City. The Company also provided emergency relief supplies to Kashiwazaki City, which included 5,200 two-liter bottles of water, 7,000 blue plastic sheets, 6,500 portable toilets, and 26,000 plastic bags. In addition, officers and employees in the Group raised 1.2 million yen to donate it to Niigata Prefecture.

### 200 Employees Volunteered Assistance in Hard-Hit Areas

From July 24, 2007 through September 14, 2007, 200 INPEX Group employees volunteered their assistance in the earthquake-hit areas.

They worked primarily on weekdays when there were fewer other volunteers, helping unload and sort relief supplies delivered to Kashiwazaki City, collect garbage, and remove debris from the collapsed fences.



Our employees working as volunteers

### Making Idle Land Available in which to Build Temporary Housing

The Company made 5,700 square meters (1.4 acres) of land it owned in Kashiwazaki City available to Niigata Prefecture free of charge, on which to build temporary housing.

Kashiwazaki City constructed temporary houses for 50 families on the land.



Temporary houses

### Opening the Company's Shower Facilities to the Public

The Company made the shower rooms in its Okubo Dormitory in Kashiwazaki City available to the public from July 20, 2007 through August 16, 2007. A total of 2,520 residents used the facilities, many of whom sent heart-felt thank-you notes by e-mail.

**Immediately after the powerful Niigataken Chuetsu-oki Earthquake hit Kashiwazaki City, Kariwa Village and surrounding areas in Niigata Prefecture in July 2007, we ensured the safety of natural gas pipelines in the heavily damaged areas so as to maintain an uninterrupted supply of gas. Employees from district offices in Niigata Prefecture and from Tokyo headquarters volunteered to aid recovery efforts in the earthquake-hit areas.**

### Rescuing People Trapped under a Collapsed Gate

Immediately following the earthquake, the gate to Fukoiji Temple collapsed, which is near a company-owned apartment building in Kashiwazaki City. Three people were trapped under the gatepost, and three children and another adult were hurt by flying debris. When our employee saw what had happened, he asked for assistance from a passing truck driver and other employees who gathered in a parking lot next to the apartment building. They took care of the injured and cleared away debris so that a rescue team and an ambulance could get to the scene. A rescue team arrived an hour after the earthquake and rescued all seven casualties.

### Donating a Bell of Rehabilitation

In Kariwa Village, where the damage was the most severe, the Committee for Rehabilitation of Kariwa Village, which was organized by community volunteers, planned a prayer-for-rehabilitation event called Cheer Up Kariwa Festival. After reviewing many suggestions for attractions during the festival, committee members decided to erect a Bell of Rehabilitation at the event site in the hopes that the village would make a quick recovery from the earthquake. Our Kashiwazaki ironworks in Kashiwasaki City shared the idea and donated a handmade bell to the committee; the bell—20 inches in diameter and 24 inches tall—was made from a piece of steel pipe used usually for drilling oil wells, which was cut short and capped at one end. It was a marvel of the welding, machining and copper-plating technologies for which our Kashiwazaki ironworks is noted.



Donated Bell of Rehabilitation

When the Cheer Up Kariwa Festival was held on March 23, 2008, people of all ages in the community rang the Bell of Rehabilitation, and they were full of emotion and so was everyone else at the event, including those from the ironworks, who all listened to the rich sound of the bell.

### Employee's Comment

#### Hardships and Unforgettable Experiences



#### Atsushi Kuga

Administrative Section, Kashiwazaki District Office

It was 10:13 on the morning of July 16, 2007. I had just arrived at the Kashiwazaki District Office when the Niigataken Chuetsu-oki Earthquake struck. I had never felt anything like it. The office quickly turned out a complete mess with things scattered all over the floor. Fortunately we still had power; and I was astonished when a newsflash reported that the epicenter of the shock was Kashiwazaki, which was exactly where I was.

In the aftermath of the earthquake, I experienced all kinds of trouble. When water and gas were cut off to the Okubo Dormitory, the day of taking those critical lifelines for granted was over; we no longer had the luxury of leading a normal life. Nevertheless, as we still had power, we were slightly better off than those in the surrounding areas where power, water and gas were all cut off. I could only imagine how miserable they must have felt. Now that all utilities and lifelines have been restored, everyone is trying hard to get their lives back to normal.

After a while, I took part in volunteer work that the company initiated to help community residents restore their lives. Requests for volunteers came primarily from older people living by themselves who were not strong enough to lift up furniture that had toppled over during the earthquake. I volunteered to help these people clean up their homes. When some of them thanked me with tears in their eyes, I realized they must have gone through a lot. At one time, an old lady who had been in a daze seemed to brighten up a bit after the cleanup was completed. To know that I was able to help her regain her strength made me happy.

I got to know a lot of people through this volunteer work. The earthquake-hit area has been slowly, but steadily getting back to what it used to be. But it is still not the same. I really hope that our volunteer work made a difference in bringing happy faces back to many people in Kashiawazaki.

## We keep our stakeholders informed of our business in an effort to maintain trusting relationships with them

### Investor Relations Activities

The Company ensures that we accommodate the perspective of our shareholders and investors, based on transparency, fairness and continuity, by disclosing corporate information in a timely and appropriate manner. We are committed to disclosing what is required by the Financial Instruments Exchange Law and the Tokyo Stock Exchange Regulation, as well as other information that we consider useful to investors when they make investment decisions, in a timely and proactive manner. In 2006, the Company formulated rules for corporate information disclosure as a basis for establishing an internal system for managing and disclosing information, with the aim of ensuring that our listed securities are fairly evaluated and appropriately priced on the market. In addition, we have been publishing our disclosure policy on our website since October 2008, which describes our system for and policy on information disclosure conceived from the internal rules.

Moreover, we are proactive in maintaining dialogues with

shareholders and investors, by which we increase management transparency and incorporate their feedback into management. During fiscal 2007, we gave two briefing sessions on financial results to financial analysts and institutional investors in Japan, held 479 investor relations (IR) meetings inside and outside Japan, and offered five tours to project sites in Japan and overseas for them. In addition, we held briefing sessions for individual investors at six locations in Japan, and participated in three IR exhibitions.



Project site tour in Japan



Briefing session for private investors

### Keeping Stakeholders Well-Informed

#### Listening to Customers

Gas stations operated by our Domestic Project Division ran a summer campaign from July 14, 2008 through August 31, 2008, in which customers were asked to fill in questionnaires in exchange for a chance to win small awards.

Information that customers provided—about themselves, how often and why they used the station, what they thought about gas

prices, and requests for services we offered—was collected and analyzed. By sharing the findings with our franchisees and relevant departments within the Company, we were able to upgrade our customer service and provide management assistance to our franchise partners.

#### Participating in Conferences and Exhibitions

The Company participates in many international oil and natural gas conferences and exhibitions held in oil- and gas-producing countries and elsewhere in the world in order to raise awareness among industry insiders and citizens in the regions.

At these conferences and exhibitions, we showcase our business activities in a visually appealing manner by displaying photographs and illustrations on panels, and answer questions about our management policy and ongoing projects.

During fiscal 2007, we attended 13 conferences and exhibitions outside Japan, including the 15th International Conference & Exhibition on Liquefied Natural Gas (LNG15) held in Spain, and six

trade shows in Japan, including the Wide-Area Industry Festival in Matsumoto held in Matsumoto City, Nagano Prefecture.



INPEX booth at LNG15 in Spain



INPEX booth at Wide-Area Industry Festival in Matsumoto



## Communicating with Communities

### Deepening Exchanges with Communities

The Group considers it important to maintain active exchanges with community residents and offers variety of programs for that purpose. We are making efforts to gain support of local

communities for our business initiatives, operational policies, and care for the environment through those programs.



In August 2007, 116 employees performed a traditional folk dance at the Niigata Festival



In August 2007, we donated fireworks named "Brilliant Energy" for the fireworks show at the Nagaoka Festival.



In September 2007, cumulative of 38 employees volunteered their services in cleaning and donation activities for the Akita National Athletic Meet.



In October 2007, four employees planted trees as volunteers for the 6th Kashiwazaki-Kariwa Tree-Planting Ceremony.



In October 2007, our employee gave a lecture at a junior high school in Gunma Prefecture on the global warming and environmental competitiveness of natural gas.



In November 2007, a Teiseki Drilling employee, a qualified advisor for incidents, giving a lecture on safety measures on hot-spring fires.

### Maintaining Dialogue with Communities

#### ● Keeping Communities Informed

To respond to the growing demand for natural gas in Japan and to secure a sufficient supply capacity over an extended term, the Company is building an LNG receiving terminal at Arahama Warf in Naoetsu Port in Joetsu City, Niigata Prefecture. When completed in 2014, the 22-hectare (54-acre) terminal will have two 180,000-kiloliter tanks (capable of one additional tank).

In September 2007, the Company, Niigata Prefecture and Joetsu City signed a letter of intent, which stated that Niigata Prefecture would revise its harbor planning in order to develop a site for the terminal by reclamation of the foreshore, and we would work with Joetsu City to begin construction on the reclaimed land the company would acquire from Niigata Prefecture.

Following the signing, we met five times with community residents, the Joetsu Chamber of Commerce and Industry, and the local fishermen's cooperative to brief them on the construction plan. We will continue to keep them informed.

#### ● Communicating with Municipalities

Teiseki Topping Plant, an INPEX Group company, updates the municipal authorities of Oogata District in Joetsu City on its environmental preservation activities twice a year, in accordance with an environmental preservation agreement that the company signed with Joetsu City in September 2006.



Reporting session held in accordance with an environmental preservation agreement with Joetsu City

# List of Indicators Based on GRI G3 Guidelines 2006

In preparing this report, we referred to the G3 Sustainability Reporting Guidelines published by the GRI in 2006. Below is a list of indicators, based on the G3 Guidelines, that are covered in this report. For each indicator we provide the page of the report in which the corresponding information is discussed.

Item	Indicator	Relevant Page in CSR Report 2008
<b>1 Strategy and Analysis</b>		
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	4,5
1.2	Description of key impacts, risks, and opportunities	6,7
<b>2 Organizational Profile</b>		
2.1	Name of the organization	3
2.2	Name of the organization	3
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	2
2.4	Location of organization's headquarters	3
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	3
2.6	Nature of ownership and legal form	3
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	3
2.8	Scale of the reporting organization	3
2.9	Significant changes during the reporting period regarding size, structure, or ownership	2,3
2.10	Awards received in the reporting period	27
<b>3 Report Parameters</b>		
<b>Report Profile</b>		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	3
3.2	Date of most recent previous report (if any)	3
3.3	Reporting cycle (annual, biennial, etc.)	3
3.4	Contact point for questions regarding the report or its contents	Back cover
<b>Report Scope and Boundary</b>		
3.5	Process for defining reporting content	5
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	3
3.7	State any specific limitations on the scope or boundary of the report	3
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	3
<b>GRI Content Index</b>		
3.12	Table identifying the location of the Standard Disclosures in the report	50
<b>Assurance</b>		
<b>4 Governance, Commitment, and Engagement</b>		
<b>Governance</b>		
4.1	Governance structure of the organization	8
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-exclusive members	Annual Report
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance	Annual Report
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	4,5,19
<b>Commitments to External Initiatives</b>		
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	43
4.13	Membership in associations (such as industry associations) and/or national/international advocacy organizations	19
<b>Stakeholder Engagement</b>		
4.14	List of stakeholder groups engaged by the organization	6,7

Item	Indicator	Relevant Page in CSR Report 2008
<b>5 Management Approach and Performance Indicators</b>		
<b>Economic Performance Indicators</b>		
EC1	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	Annual Report
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate changes	4,5,19
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	39
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	43,45
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	42,43,45
<b>Environmental Performance Indicators</b>		
EN1	Materials used by weight or volume	22
EN3	Direct energy consumption by primary source	22,23
EN8	Total water withdrawal by source	22,23
EN11	Location and size of land owned, leased, managed in, or adjacent to, areas of high biodiversity value	27
EN12	Description of significant impacts of activities, products, and services on biodiversity in areas of high biodiversity value	27
EN13	Habitats protected or restored	27
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	27
EN16	Total direct and indirect greenhouse gas emissions by weight	24
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	24,25
EN20	NOx, SOx, and other significant air emissions by type and weight	28,29
EN21	Total water discharge by quality and destination	29
EN22	Total weight of waste by type and disposal method	30
EN23	Total number and volume of significant spills	30,31
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VII, and percentage of transported waste shipped internationally	31
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	25,26
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	23
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	25
EN30	Total environmental protection expenditures and investments by type	22,23
<b>Social Performance Indicators</b>		
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	34
<b>Social Performance Indicators</b>		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	42
<b>Product Responsibility and Performance Indicators</b>		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	46

## Third-Party Comment on CSR Report 2008



One Akiyama  
President  
Integrex Inc.

A CSR report is designed not only to give an update on a company's CSR activities, but also to reaffirm its commitment to carrying out a PDCA ("Plan-Do-Check-Act") management cycle to accomplish its corporate mission. I kept this perspective in mind when making comments on the CSR Report 2008 of INPEX CORPORATION (referred to as the "Report" below).

### 1. Positive Things about the Report

This is the first CSR report that the newly integrated INPEX CORPORATION has published. It is worthy of note that the President delivers a strong message and commitment at the beginning of the Report as to what the Group must do to accomplish its corporate mission—providing customers with a stable and efficient supply of energy so as to bring a better quality of life to communities.

The chapter "Business Activities and Broader Consideration for Stakeholders" signifies that the Group's CSR activities are an integral part of its business operations by illustrating how it engages stakeholders in each phase of an operation.

The idea of including in the Report a transcript of a round-table discussion among employees is a very good one, as it shows how employees look at CSR. In particular, when one employee said: "We have something fundamental in common, and that's the commitment to contributing to society through a stable supply of energy. In a sense, the upside of the merger is that we now have a larger number of like-minded people." This is a positive indication that employees of the merged company have embraced the all-important corporate mission.

I also give high marks to the Group for implementing systems that support collective CSR efforts, such as a compliance system and an update on the human resources management system.

I can tell from the activity reports that outline HSE goals, performance, evaluation and goals for the next fiscal year that the PDCA cycle is working for the HSE management system. It is also good to disclose negative information about environmental incidents and to give a faithful update on follow-ups to past incidents.

### 2. Things about the Report that Need Improving

I can see that the PDCA cycle is working for the HSE management system, and suggest that the Group applies the cycle to other CSR components by giving reviews of them and future actions in the Report. For instance, the Human Resources System discussed in the "Valuing Our Employees" chapter sounds impressive. But the Group needs to review how the system is being utilized and contributes to the realization of the "worker-friendly environment" mentioned in the Corporate Social Responsibility Policy, and to publish its quantitative findings in the Report. I would also like to see in the Report reviews of engagements with other stakeholders, and how to make them more effective, so that we will have a better idea of the progress they make based on the PDCA cycle for continuous improvement. I hear that the Group has already begun to work on it, and I hope to see results in the CSR Report 2009.

Another thing is that, as the CSR activities that Japanese companies conduct overseas have become increasingly important, I would like the Group, with its many ongoing projects around the world, to provide a more detailed report on its challenges and initiatives for CSR outside Japan, as well as on environmental performance data for overseas projects.

In addition, I suggest that the Group consider using its Web site more effectively to complement the printed Report by making detailed environmental performance data and in-depth reports available online to those who are interested in them.

### 3. Expectations for the Group

As we face risks of a global magnitude—such as climate change caused by global warming—business activities by a company that contribute to a sustainable society play an increasingly important role for the sustainable growth of the company itself. As an "integrated energy company that brings a better quality of life to communities," I expect the Group to continue to make a tangible contribution to addressing global issues through diversified business activities.

# ***INPEX***

## ***INPEX CORPORATION***

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