

CSR Report 2010



Company Overview

Company Name: INPEX CORPORATION

Established: April 3, 2006

Capital: ¥30 billion

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

Phone: +81-3-5572-0200

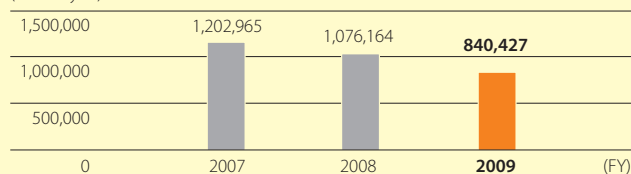
Fiscal Year End: March 31

Main Businesses: Research, exploration, development, production, and sales of oil, natural gas, and other mineral resources; other related businesses; and investment and lending to companies engaged in these activities

Financial Information

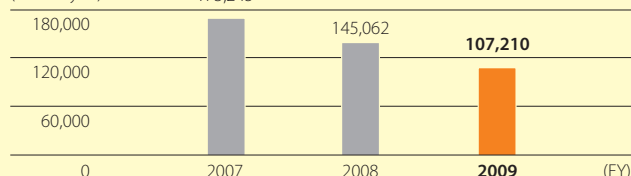
Net Sales

(million yen)

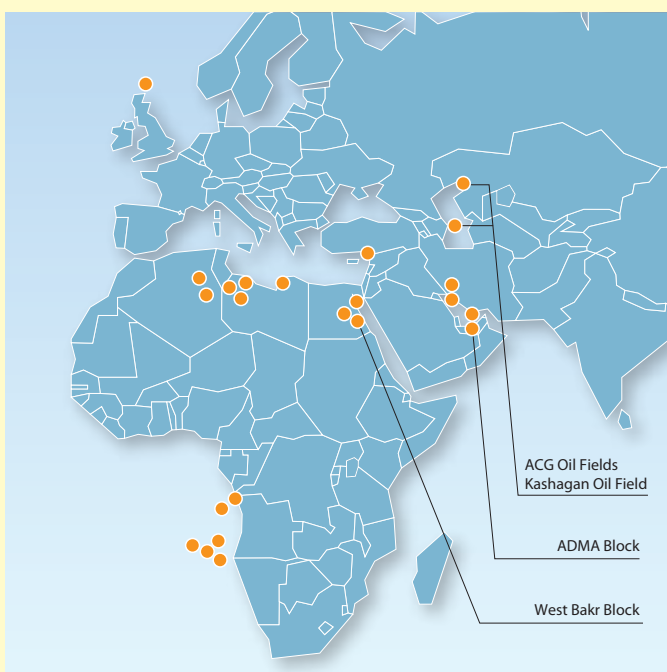


Net Income

(million yen)



List of Projects



Editorial Policy

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

For the 2010 edition of this report, we formulated the editorial policy below in light of our continued effort to incorporate the following ideas from the 2009 edition: to enhance the disclosure of information on the issues and initiatives we face as a global company doing business outside Japan, to enhance the disclosure of environmental performance data for overseas projects, and to use our website more effectively to complement the printed report.

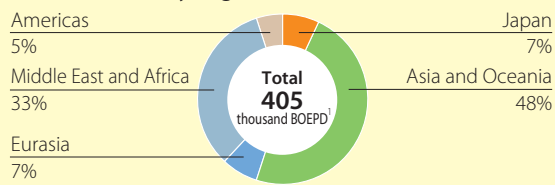
1. We will express a long-term vision for the INPEX Group as an integrated energy company.
2. We will report on the interactive communication which we have engaged in with our stakeholders to define key CSR issues.
3. We will disclose CSR issues that emerge in our business activities and clarify those issues as they relate to our stakeholders.
4. We will improve the content of the report so that it fulfills our accountability.

5. We will report on significant CSR activities in this report and post others on our website along with environmental performance data compiled at project sites in Japan and overseas.

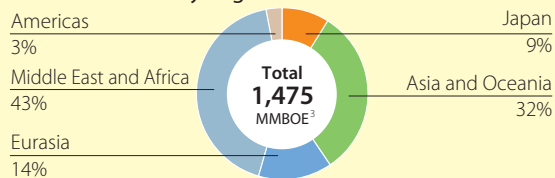
Scope of Reporting, Data Compilation, and Reference Guidelines

- INPEX CORPORATION and its 54 consolidated subsidiaries.
- Environmental performance data for the Group's Japanese operations published in this report are a compilation of data from the company's Domestic Project Division, Pipeline Construction Division, LNG Receiving Terminal Construction Division, Teiseiki Pipeline Co., Ltd., and Teiseiki Topping Plant Co., Ltd.; 50% of performance results of Offshore Iwaki Petroleum Co., Ltd. were added to the total, in proportion to the company's ownership of a working interest.
- Environmental performance data for the Group's overseas operations published on pages 20–21 of this report as well as on its website are a compilation of data from Gas Guarico, S.A., West Bakr Petroleum Co., INPEX Masela, Ltd., INPEX Browse, Ltd., INPEX Libya, Ltd., Teikoku Oil Libya UK Ltd., PT Moruy II, S.A., and Teikoku Oil (Suriname) Co., Ltd.
- The Company's Domestic Project Division and Offshore Iwaki Petroleum Co., Ltd. participate in the program to reduce greenhouse

Net Production by Region



Proved Reserves by Region²



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



gas emissions called for by Keidanren Voluntary Action Plan on the Environment. (Greenhouse gases emitted during the decarbonation process at the Minami Nagaoka Gas Field are not included.)

- The Company's Domestic Project Division, Teiseki Pipeline Co., Ltd. and Offshore Iwaki Petroleum Co., Ltd. participate in the program to reduce emissions of volatile organic compounds called for by the Japan Natural Gas Association.
- Data on freight volume was provided by the company's Domestic Project Division.
- Reference guideline: Global Reporting Initiative's *Sustainability Reporting Guidelines 2006*

Reporting Period

April 1, 2009, to March 31, 2010 (This report may contain references to activities we undertook during or after April 2010.)

Forward-Looking Statements

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

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The INPEX Group will contribute to the creation of affluent societies by realizing stable and efficient supplies of energy



Toshiaki Kitamura

Representative Director, President
INPEX CORPORATION

Global Energy Situation

It is predicted that the global demand for energy will continue to increase in the future with emerging economies, such as China and India as the driving force. According to projections by the International Energy Agency (IEA) and other organizations, it is thought that the demand for oil and natural gas will continue to grow in the future as the core energy sources, supporting the economic growth of emerging countries and developing nations. On the other hand, it was agreed at the LAquila Summit of July 2009 to reduce greenhouse gas emissions by 80% for developed nations and by half worldwide by 2050. Based on the Copenhagen Accord of December 2009, moreover, the main emitting countries clearly specified their reduction targets by 2020. There is thus an increasing awareness of initiatives aimed at tackling climate change on a global level. In that backdrop, the modern world requires ongoing efforts to holistically tackle economic growth and energy security, and to respond to climate change.

Given the view that the demand for oil and natural gas will continue to increase, it will be necessary to continue to accumulate recoverable reserves in order to maintain and develop a stable supply of energy. If we include reserves expected to become recoverable due to the application of new technologies, the reserve-to-production ratio of oil and natural gas is considered to be close to 80 years. It is thought that the shift from developing the regions to date, where recovery was comparatively easy, to regions where recovery is difficult, such as hadal zones and polar regions, will incur greater costs than in the past and require consideration for safer operations. Additionally, emerging consumer economies, such as China and India, are actively working on obtaining oil and natural gas assets overseas, and with the rise of nationalism over resources in countries such as Russia and Venezuela, as well as increasing national control of resources, competition over resource acquisition is heating up.

Long-Term Prospects as an Integrated Energy Company

Develop business while aiming for harmony with global environment and local communities

The Mission of the INPEX Group is to contribute toward building more livable and prosperous communities by providing a stable and efficient supply of energy, primarily by exploring and developing oil and natural gas resources. The long-term growth of the Group through energy development and supply can only be realized once operational regions and consuming nations achieve sustainable development. We, therefore, believe it is our social responsibility to proceed with our business while maintaining a close dialogue with our diverse stakeholders in regions where we are active and aiming to achieve harmony with the global environment and local communities.

Realize our Mission via three strategies

By adopting the foregoing basic approach, we believe we can contribute to creating a sustainable society specifically by promoting three strategies: (1) to continue to expand the oil and gas upstream business; (2) to establish a natural gas supply chain and diversify the gas business; and (3) to become a company that offers a broader range of energy. For the time being, fossil energy is positioned as the primary energy source supporting the global social economy. In order to meet the sizeable demand for this energy, the INPEX Group is prioritizing continued expansion of its upstream business aimed at maintaining and increasing its oil and natural gas reserves and production, and is expanding into 26 countries worldwide and developing over 75 projects (as of June 30, 2010).

As well, we are establishing a gas supply chain and diversifying our gas business. In Japan, the INPEX Group is currently proceeding with the construction of the Naoetsu LNG Receiving Terminal in Joetsu City, Niigata Prefecture, while overseas the Group is implementing the large-scale LNG projects "Ichthys" and "Abadi" that focus on natural gas. By supplying the Group's overseas LNG through the Japanese natural gas supply infrastructure, we will strengthen the stability and flexibility of the natural gas

supply structure and contribute toward promoting the use of natural gas, a clean form of energy that emits a relatively low volume of CO₂ when burned.

Furthermore, the INPEX Group is pursuing opportunities to enter the market and commercialize technologies for supplying renewable energy as well as for expanding the use of such energy, including storage and fuel cells. In the future, we will strive to further reduce the impact on the environment by becoming a company that offers a broader range of energy.

Toward Commencing Large-Scale Operator Projects

The INPEX Group is developing "Ichthys" and "Abadi," two of the world's largest-scale LNG projects, the first effort by a Japanese company to act as an operator. In order to proceed with large-scale operator projects, it is necessary to open dialogues not with only oil and gas producing countries but also with more stakeholders than up to now. I believe that, winning the trust of local communities by maintaining close communication with the residents and contributing to their development, including considering the environmental and safety aspects of our operations, creating employment opportunities and improving living conditions, are conditions that lead to the success of a project. In addition to providing a major competitive edge that will stimulate the growth of the INPEX Group, these two large-scale LNG projects will contribute to the stable supply of energy and to reducing the global environmental impact. We are focusing all of our energy on commencing production as soon as possible.

In striving to become a leading independent company, at what might be called the "semi-major" level, a wider vision and higher ethical standard in business will be required. As it develops its businesses from a long-term perspective and contributes to a sustainable society as an integrated energy company, the INPEX Group will strive to foster world-class human resources constantly aware of "demonstrating a sense of ethics," "giving highest priority to safety and environmental preservation in operations," and "contributing to the communities where we operate."

Mission, Corporate Social Responsibility Policy and Code of Conduct

We play an active role in supporting the sustainable development of society, as affirmed in our Mission and Corporate Social Responsibility Policy

Upon the merger of INPEX CORPORATION and Teikoku Oil Co., Ltd., the INPEX Group formulated a new Mission, Corporate Social Responsibility Policy, and Code of Conduct. Our Mission reflects our objective of playing an active role in social development, the Corporate Social Responsibility Policy directs our CSR initiatives

and reaffirms our commitment to promoting them, and the Code of Conduct describes how every officer and employee of the Group should perform ethically on a daily basis.

 Visit our website for the complete text of the Code of Conduct <http://www.inpex.co.jp/english/csr/>

Mission

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

Corporate Social Responsibility Policy

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

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

Code of Conduct

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

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

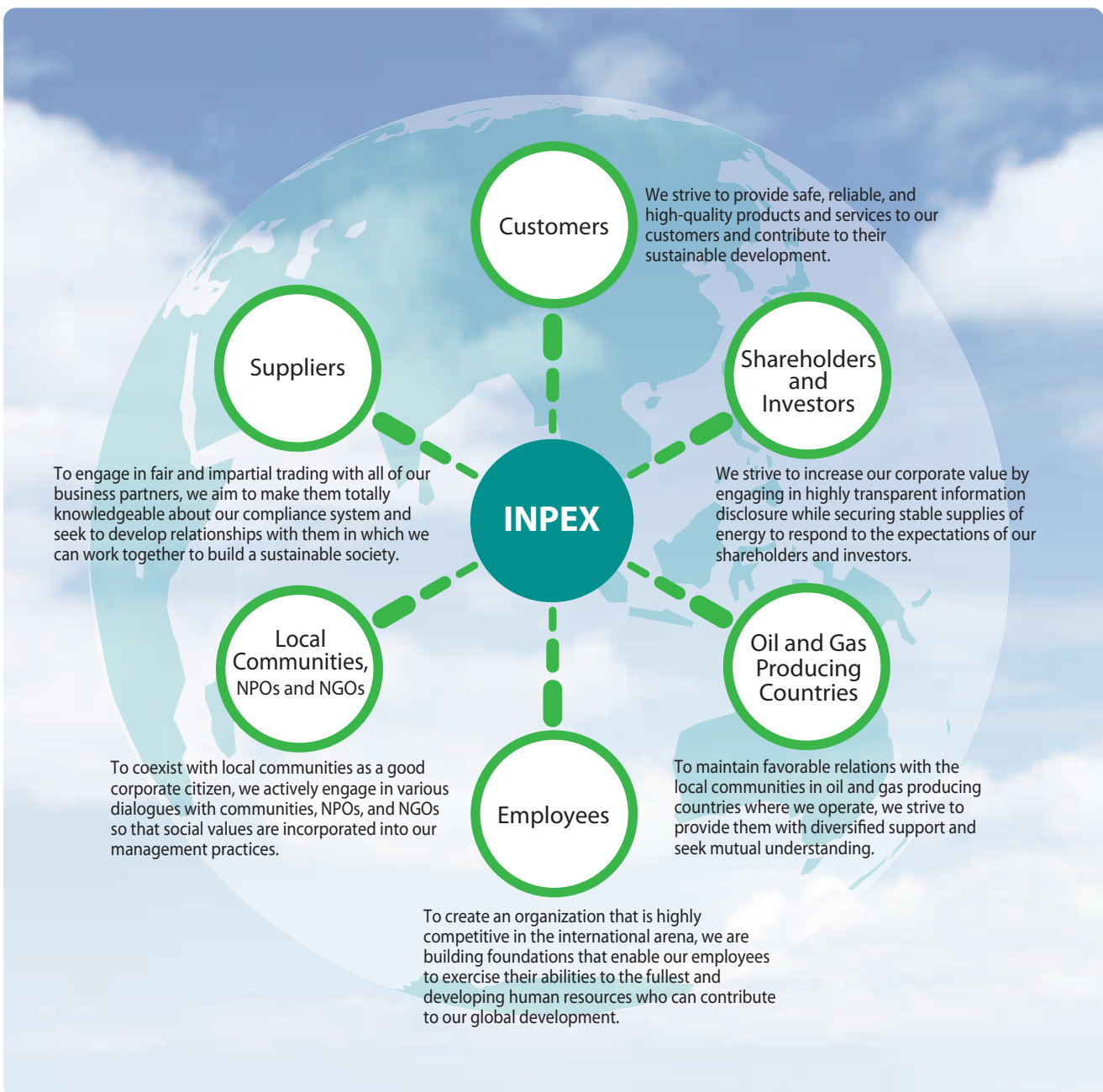
Relationships with Major Stakeholders

We engage in our business operations with a variety of stakeholders

We are committed to providing society with a stable and efficient supply of energy in an environmentally friendly manner. To fulfill this commitment, we find it imperative to work closely with stakeholders directly or indirectly

associated with our business. We thus engage in business activities while maintaining various relationships with stakeholders.

Relationships with Stakeholders



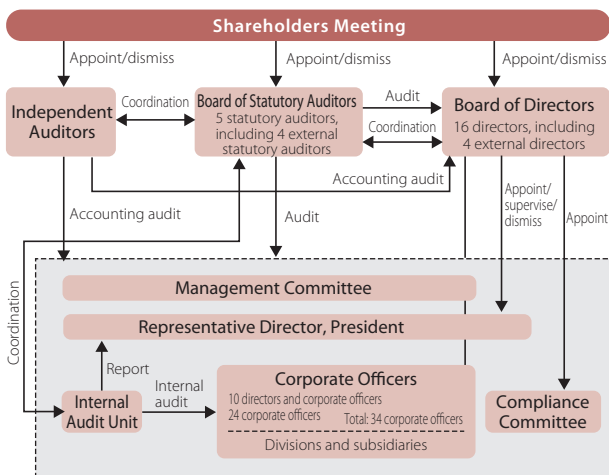
We spare no effort to enhance corporate governance in order to maintain greater management efficiency and soundness

Overview of Our Corporate Governance

At INPEX CORPORATION, the Board of Directors meets once a month or as needed to review and make decisions for implementing important business operations and to oversee the directors' execution of their duties. The Board of Directors is comprised of 16 members, of whom four are external directors—management professionals with long years of experience and knowledge concerning our operations. These directors are appointed by INPEX CORPORATION to provide their expert opinions on and objective insights into the management of our operations and are expected to contribute to the development of the company. All of the external directors serve concurrently as managing directors of operating companies that own stock in the INPEX Group. Since the operating companies are engaged in the same fields of business as INPEX, all members of the Board, including external directors sign and submit pledges concerning appropriate handling of non-competition clauses and conflict of interest transactions in accordance with the Companies Act as well as the prevention of information leakage.

In addition, we hold a Management Committee meeting once a week, or more often if required, to facilitate flexible decision-making on matters not subject to the approval of the Board of Directors. We established the Executive Officer System on October 1, 2008, moreover, to make the management structure more flexible and efficient.

■ Corporate Governance Structure



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

We also have an Internal Audit Unit with 12 full-time members, independent of our business divisions and reporting directly to the president to ensure the appropriateness and efficiency of business activities. The unit reviews and evaluates the status of management entities and the efficiency of business operations, identifies problem areas, submits reports to management, and performs follow-up audits to ensure continuous improvements. The unit also consults with the independent and statutory auditors in a timely manner to ensure sound management.

Internal Control System

In accordance with the internal control reporting system mandated by the Financial Instruments and Exchange Act enacted in April 2008, we have been assessing the establishment and operation of internal control systems for financial reporting in all INPEX Group companies. For this assessment we assembled a Special Assessment Team within the Internal Audit Unit to request improvements from those divisions where problems with control systems were detected and to assess the progress of those improvements. As a result of this assessment, which was concluded at the end of March 2010, we determined that the internal control systems for financial reporting were functioning effectively, and these findings were submitted to the pertinent regulatory agency in June 2010 as an internal control report. We also received an unqualified opinion from an independent auditor regarding our internal control report.

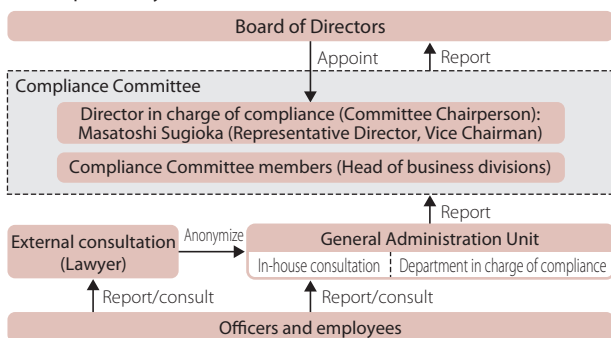
We ensure that every employee adheres to high standards of ethical conduct, so as to continue to earn the trust of society

Compliance Policy and System

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

Based on the recognition that compliance is indispensable to securing the long-term continuity of the company and that it serves as the foundation for our business activities, we distribute the *Compliance Manual* and *Compliance FAQs* to all INPEX Group employees with the aim that they will put compliance into practice. These documents help to cultivate an awareness of compliance throughout the entire Group by explaining the Group's Mission and Corporate Social Responsibility Policy, providing an overview of the compliance system, outlining the Code of Conduct, and introducing a number of case studies as examples of compliance practices.

■ Compliance System



Compliance Training

In December 2009, one year after the merger of INPEX CORPORATION and Teikoku Oil Co., Ltd., we conducted a compliance questionnaire among all Group officers and employees in an effort to further spread compliance awareness

through the entire Group. Since March 2010, we have conducted 16 compliance training sessions with officers and employees across Japan. In these sessions, we explained the issues and areas for improvement that were identified through the survey, and reconfirmed our basic stance on compliance, touching on the Group's Mission, Corporate Social Responsibility Policy, and various case studies. Sessions primarily focused on raising awareness of information security in routine tasks and on human rights education regarding various types of harassment. Many officers and employees participated in the training sessions, including Japanese employees stationed in overseas offices who utilized a TV conference system, thus contributing to raising compliance awareness in the company.

Help-Line System

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

To operate this system, we devised Help-Line Procedures which outline stipulations on the mandatory reporting of fraud or unethical conduct, fact-finding procedures, protection of whistle-blowers, and confidentiality. Confidential reports are submitted to the department in charge of compliance (the General Administration Unit) or an external expert designated by the Compliance Committee. When the latter receives a confidential report, it is shared with the former in a timely manner. Our officers and employees can report unethical behavior anonymously and are rigorously protected against retaliatory action for filing such reports. There was no reporting of fraud or unethical conduct in fiscal 2009.

Measures to Improve Information Security Management

- To fulfill our social obligation and remain a trusted company, we continually raise the level of information security.
- Based on the Basic Policy for Information Security that we formulated in October 2008, we established a Group-wide system for information security administration, prepared regulations pertaining to information security, and bolstered our information security infrastructure. In fiscal 2010, we are focusing our energy on proactive information security training and awareness-raising efforts to ensure that the practice of carefully managing information assets is firmly established in our corporate culture.

The INPEX Group promotes HSE Management as one of its health, safety and environmental initiatives

Message from Director in charge of HSE



Masatoshi Sugioka
Representative Director,
Vice Chairman in charge of HSE

The INPEX Group strives to become an integrated E&P company committed to contributing to the development of society, a good corporate citizen that upholds high business ethics and has a corporate culture that places ensuring safety and environmental integrity at the top of its agenda. We are also committed to following rules and standards prevailing in the international community when conducting our business on a global basis to secure and provide a stable supply of energy for our customers. There are also strong demands to globalize our corporate culture.

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

Our HSE Management System aims to ensure continuous

improvement based on the PDCA¹ management cycle that ranges from setting goals for each fiscal year to devising and implementing plans for achieving them through to reviewing and assessing their performance. Our policy for HSE Management is to use this system to define shared Group-wide goals at the corporate² level for each fiscal year. Based on these, the Operational Organizations develop programs that reflect their unique situations. In the review and assessment phase, we performed corporate-level HSE audits on seven Operational Organizations last fiscal year. The findings of these audits were reported to the Corporate HSE Committee, and areas for improvement were discussed.

We believe that the INPEX Group's systems to support HSE activities have started to take shape to some degree, but in order to root these systems more firmly and make them more effective, we intend to make every effort to ensure that they permeate every corner of every Operational Organization. We will continue to promote HSE initiatives as we strive to become a company that society trusts and deems truly indispensable.

1. Plan-Do-Check-Act

2. The INPEX Group's HSE management system contains a framework for overseeing the entire Group

Health, Safety and Environmental Policy of the INPEX Group

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

To accomplish this, we will:

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

Overview of HSE Management System

The INPEX Group considers environmental preservation and the prevention of incidents to be inseparable from each other. Therefore, we continually enhance our HSE performance under our in-house HSE Management System, which coordinates our health (H), safety (S) and environmental (E) practices.

The HSE Management System encompasses a document architecture that includes the HSE Policy, the HSE Management System Manual, and sets of Corporate HSE Procedures and Guidelines. The organizational structure comprises HSE Committees established at headquarters and in Operational Organizations. HSE Objectives and action plans for HSE Programs are devised each fiscal year.

Initiatives for Promoting and Implementing HSE Management System

The HSE Unit at headquarters is in charge of promoting the INPEX Group's HSE Management System. When necessary, HSE Groups are organized for our Operational Organizations, the units in charge of operator* projects. To promote systematic Group-wide HSE initiatives, we established the Corporate HSE Committee, which together with the HSE Committees in each Operational Organization deliberates and approves Corporate HSE Procedures and documentation and examines the implementation of HSE Activity Plans, security management methods, and HSE awareness-raising measures.

In February 2010, we held the HSE Annual Meeting with attendance by representatives of Operational Organizations both in Japan and overseas. The representatives reported on the progress of the HSE Management System and issues concerning its implementation in their respective Operational Organizations. By discussing these issues with senior management, all parties reconfirmed the challenges faced in implementing HSE measures along with the top priority measures—such as securing personnel—required to further promote HSE.

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

Framework for Implementing HSE Management System



Formulating HSE Procedures and Policies

In addition to the HSE Management System document architecture, we have been continually formulating procedures and policies since fiscal 2009 to supplement the HSE Management System Regulations. The Operational Organizations continue to develop and strengthen HSE Management in accordance with the regulations, procedures, and policies formulated at the corporate level. All planned procedures were completed in fiscal 2009, and we are currently drafting policies to support those procedures.

HSE Auditing

In the past, each Operational Organization in Japan used its own internal auditing system. Since fiscal 2008, however, HSE audits have been conducted for all Operational Organizations both in Japan and overseas with the INPEX Group's comprehensive HSE audit. This audit is based on the HSE Management System and covers areas such as routine safety management, environmental management, and emergency protocol.

In the fiscal 2009 HSE audits, we found that the HSE Management System made progress, with each of the Operational Organizations strengthening their frameworks for contractor HSE Management and providing HSE training. We also confirmed that awareness of the significance of HSE was spreading among the workplace employees. However, some insufficient documentation and risk assessments were also identified during these audits. We have created improvement action plans for each of these issues and are promoting their implementation.

HSE Training and Awareness-Raising

Based on our HSE Objectives, we worked to enhance HSE training programs in fiscal 2009. At the corporate level, we expanded our programs based on survey results, and a total of 790 employees participated in 35 HSE training programs including seminars, group training sessions, and e-learning sessions. Operational Organizations in Japan and overseas also conducted training programs on subjects such as operational safety, environmental management, and emergency protocol in light of the needs of each workplace.

In November 2009, we conducted an HSE Awareness Survey based on our HSE Objective of HSE awareness-raising. In an effort to confirm the actual level of HSE awareness, the survey covered all officers and employees in all our Operational Organizations around the world and was implemented in Japanese, English, Spanish, and Arabic. The response rate was 90% and the results revealed issues with internal communications and resources. In fiscal 2010, we plan to work on detailed programs to address these issues in order to further raise awareness of HSE.

Corporate HSE Objectives

In accordance with our HSE Objectives, Corporate and each Operational Organization develop and implement HSE programs each fiscal year. Continuing from fiscal 2008, we set four objectives for fiscal 2009 and implemented relevant programs. Our level of achievement for programs pertaining to management systems, i.e., programs relating to the objectives of “raising HSE awareness” and “establishing the HSE Management System,” was approximately

80%. Our level of achievement vis-à-vis the other objectives of “reducing environmental impact” and “improving health and safety performance” was only around 60%. In fiscal 2011 and later, we intend to formulate a detailed HSE Medium-Term Plan and in fiscal 2010 we will draw up Corporate HSE Objectives and HSE programs as part of our continuing efforts to ensure the steady implementation of these objectives.

Corporate HSE Objectives and Programs for Fiscal Year from April 1, 2009 to March 31, 2010

Ratings Implemented as planned in fiscal 2009 (100%) Partially implemented in fiscal 2009, to be continued in fiscal 2010 (less than 100%) Not implemented in fiscal 2009, to be carried over to fiscal 2010 (0%)

Corporate HSE Objectives 1. Raise HSE awareness

Cultivate a corporate culture in accordance with our HSE Policy in which HSE is given top priority in the daily routines of all officers and employees.

HSE Programs			Results and Evaluation			
Action Items	Frequency/Program Period	Results	Achievement	Rating	Performance Evaluation and Issues to be Resolved	
1-1 Issue HSE reports to Board of Directors and Management Committee	Once a month	Implemented as planned	100%		We raised awareness of HSE in FY2009 with HSE inspections, sessions, meetings, and awards. The results of the HSE Awareness Survey we conducted with all officers and employees revealed that these activities have served to increase awareness of HSE to some degree, but issues with internal communications and resources were also pointed out. We will address these issues in next fiscal year's programs to further raise awareness of HSE. We also plan to conduct an HSE Culture Survey in FY2010 to measure the extent to which HSE has rooted itself in our corporate culture.	
1-2 Issue regular reports to Board of Directors and Management Committee on indicators and analyses of environmental, health, and labor activities	Once every six months	Implemented as planned	100%			
1-3 Conduct on-site inspections by Representative Director and Director for HSE	Once a year for each person	Joetsu district sites (LNG Receiving Terminal, TTP Kubiki Refinery, TPC Gas Recovery Facility, Kashiwazaki Field Office) inspected	100%			
1-4 Grant Corporate HSE Awards	Once a year	Ceremony held at headquarters. Kashiwazaki Field Office awarded HSE Award for Excellence; employees of INPEX Browse Ltd. and TTP Kubiki Refinery awarded HSE Activity Awards.	100%			
1-5 Conduct HSE training sessions by corporate management	Twice a year	Director in charge of HSE held “HSE Sessions” at Nagaoka Field Office, TTP, and Kashiwazaki Field Office to raise awareness of HSE	100%			
1-6 Confirm current state of HSE culture by conducting HSE awareness survey and analyzing results to contribute to future response	End of December	An HSE awareness survey was conducted for officers and employees in an effort to raise HSE awareness; results will be applied to next year's annual plan	100%			
1-7 Develop HSE information sharing system	Year-round	Plan to develop HSE information sharing system for Operational Organizations partially implemented (sharing of each organization's HSE information through regular monthly reports)	50%			

Corporate HSE Objectives 2. Establish HSE Management System

Continue organizing documentation stipulated in the HSE Management System Manual; communicate information and conduct training on the content of those documents, and establish a system for planning, implementing, monitoring, and evaluating HSEMS.

HSE Programs			Results and Evaluation			
Action Items	Frequency/Program Period	Results	Achievement	Rating	Performance Evaluation and Issues to be Resolved	
2-1 Discussion and approval of corporate HSEMS documents by HSE Committee					We held HSE audits and Annual HSE Meetings as scheduled for FY2009 and completed our roadmap model for standardizing HSE workflow processes. Our HSE training programs exceeded levels of the previous fiscal year thereby expanding opportunities to provide necessary HSE information and skills to our employees. We will strive to further enhance program content in FY2010. Meanwhile, we began formulating HSE policies for our continuing HSE documentation project, but we did not sufficiently explain corporate HSEMS documents to the Operational Organizations. Overall, the HSE Management System is taking shape, but to assure continued progress we will continue formulating documents stipulated in the HSE Management Manual in FY2010, explaining them to our employees and undertaking measures based on their content.	
Corporate HSE Procedures for Asset Integrity	End of May	Guidelines for facilities soundness management formulated as planned	100%			
Corporate HSE Policies (HSE requirements for contractors, waste management, HAZOP, etc.)	Year-round	Began formulating approximately 30 policies for security management, health maintenance, and facilities soundness management in accordance with the HSE Management Manual and procedures	50%			
2-2 Conduct HSE audit	Once	Conducted audits of OIP, Ichthys, LNG Receiving Terminal Construction Division, Libya, Masela, and Corporate HQ (Akasaka)	100%			
2-3 Hold HSE Managers Meeting and Annual HSE Meeting	Once each	Held Annual HSE Meeting with Operational Organizations' chief executives of HSE	100%			
2-4 Formulate list of HSE tasks for entire project lifecycle (roadmap model)	Once every six months	Summarized HSE workflow from project launch to exploration, development, and production through to abandonment; assessed establishment and performance of HSEMS, and clarified issues for practical application thereof (an HSEMS objective); formulated list of tasks to achieve this objective (using roadmap model)	100%			
2-5 Collect HSE risk assessment data from Operational Organizations and create company-wide HSE risk register	Once every six months	Not implemented	0%			
2-6 Inform Operational Organizations of corporate HSEMS documentation (information sessions)	Three times a year	Held two HSE information sessions for Domestic Project Division	70%			
2-7 Enhance HSE training programs	Year-round	Held 25 courses (six more than in FY2008) with 790 participants (27 more than in FY2008) for a total of 240 hours (72 more than in FY2008). Expanded opportunities to provide necessary HSE information and skills to levels beyond the previous fiscal year.	100%			

Corporate HSE Objectives 3. Reduce environmental impact

Recognize that reducing our environmental impact is an important social responsibility, collect and analyze HSE-related data, continue tracking our environmental impact, and define numerical targets for environmental indicators. Also strengthen measures to prevent environmental incidents.

HSE Programs			Results and Evaluation			
Action Items	Frequency/Program Period	Results	Achievement	Rating	Performance Evaluation and Issues to be Resolved	
3-1 Collect and analyze environmental data	Year-round	Continued to collect and analyze various environmental impact data (emissions volumes, waste volumes, energy consumption, energy utilization)	100%	😊	We continued to collect and analyze environmental impact data and provide support for environmental activities. We completed analyzing tasks for developing a comprehensive data system to manage HSE-related data, including environmental and safety data, and will strive to complete the system in FY2010. We devised a vision and scope for formulating an environmental management plan for corporate-level environmental indicators, numerical targets, and a medium-term plan in FY2010. We will complete the establishment of our data management system next fiscal year and continue working on formulating our environmental management plan, which we have defined as an important issue.	
	Year-round	Completed collecting information on a system for environmental data collection/analysis/management and analyzing tasks but did not fulfill plan 100% in specification writing phase	50%	😐		
3-2 Confirm achievement of numerical environmental indicator targets by Operational Organizations						
Select numerical environmental targets and deliberate indicators	End of March	Defined scope for environmental management plan formulation with the aim of setting numerical targets during FY2010 at the corporate level. Did not complete detailed medium-term action plan, select indicators, or define targets	50%	😐		
3-3 Provide technical support to Operational Organizations concerning environmental issues						
Year-round	Provided support to Domestic Project Division for responding to the Law Regarding the Rationalization of Energy Use, assisted in oil contamination cleanup in Egypt, provided HSE support to Masela, and participated in regular environmental meetings in Japan to provide technical assistance and advice to Operational Organizations concerning environmental issues	100%	😊			

Corporate HSE Objectives 4. Improve health and safety performance

Continue collecting and analyzing HSE-related data and monitoring the health and safety situation; define numerical targets for health and safety indicators. In particular, while moving to achieve targets make strengthening measures to prevent human error a top priority.

HSE Programs			Results and Evaluation			
Action Items	Frequency/Program Period	Results	Achievement	Rating	Performance Evaluation and Issues to be Resolved	
4-1 Continue collecting and analyzing health and safety data	Year-round	Continued to collect and analyze various health and safety data	100%	😊	In FY2009 we strengthened health maintenance measures including those for the H1N1 virus and successfully took appropriate action. We continued to collect and analyze health and safety data as per usual. We used human factor engineering to reexamine cases of accidents and incidents from FY2008 in order to analyze underlying cause, support Operational Organizations in underlying cause analyses, and formulate traffic safety guidelines—all initiatives we will continue into the next fiscal year. We set health and safety goals for FY2010 and will steadily manage our numerical targets as we strive for zero accidents.	
	Year-round	Completed collecting information on a system for health and safety data collection/analysis/management and analyzing tasks but did not fulfill plan 100% in specification writing phase	50%	😐		
4-2 Confirm achievement of targets by Operational Organizations of numerical health and safety indicators						
Select numerical health and safety targets and deliberate indicators	End of March	Formulated medium-term goals such as striving to reach the average OGP data values by 2020, but did not set specific numerical targets	70%	😐		
4-3 Provide support to Operational Organizations for measures to reduce human error (make prevention of human error a top priority and conduct the following activities)						
Deliberate human error prevention in light of FY2008 accident survey results	Once every six months	Held training sessions on human error prevention, the first step in gaining know-how in the human error prevention process; reexamined past accidents and began analyzing underlying causes with human factor engineering	30%	😐		
Define methods to analyze underlying causes of accidents and support Operational Organizations with those analyses	Once every six months	Assisted Operational Organizations in analyzing underlying causes of accidents by defining methods for said analyses	30%	😐		
4-4 Strengthen measures to prevent traffic accidents	Once every six months	Formulated corporate traffic safety guidelines; standards for drivers, vehicles, and driving safety education not formulated	50%	😐		
4-5 Strengthen health maintenance measures for H1N1 virus and other health issues	Year-round	Responded appropriately to the outbreak of the H1N1 virus	100%	😊		

Capital Expenditures for Environmental Control Projects and their Returns for Fiscal Year from April 1, 2009 to March 31, 2010

Objectives	Investment Items	Location/Facility	Investment Amount (thousand yen)		Sub-total (thousand yen)	Quantitative Effect	Description
			New equipment introduction	Improvement/renovation/maintenance			
Mitigation of global warming/energy efficiency	Heat exchange tube sanitation to improve thermal efficiency	Niigata Teiseki Topping Plant Kubiki Refinery		5,700	28,370		Reduction of fuel consumption with improved thermal efficiency furnaces
	Ground flare installation to reduce direct release of methane into atmosphere	Niigata Shinkuwayama Plant	22,670			GHG emissions reduced by 4,464t-CO ₂	Reduction of GHG emissions by burning all dispersed gas
Preservation of air and water environments	Installation of crude oil offloading units to reduce VOC emissions	Niigata Koshijihara/Oyazawa plants	393,590		453,910	VOC emissions reduced by 58.2t	Reduction of VOC emissions when loading into tanker trucks
	Replacement of catalysts in equipment for removing VOC from exhaust gas	Niigata Koshijihara Plant		28,330			Restoration of capacity of VOC removal catalysts
	Installation of devices to remove and absorb benzene from dehumidifier vapor gases	Niigata Matsuzaki Plant No. 1	450			BTX emissions reduced by 1.1t	Reduction of benzene, toluene, xylene (BTX) emissions
	Installation of air environment monitoring devices	Niigata Naoetsu LNG Receiving Terminal Construction Office	6,250				Measurement of NO _x , SO _x , PM, etc., in atmosphere
	Replacement of absorbing agents in devices for removing impurities from exhaust gas	Niigata Oyazawa Plant		13,420			Restoration of absorbing agent capacity for removing impurities
	Installation of wastewater treatment device and oil-water separation pit to maintain water quality	Niigata Wells, Sekihara Plant, etc.	11,870				Management and conservation of water quality by improving drainage
Waste treatment and recycling	Change in path of tubing carrying waste liquid in pure water neutralization waste liquid treatment device for reduction in waste	Niigata Koshijihara Plant		6,950	6,950	Treated waste sludge reduced by 180m ³	Reduction of treated waste sludge
Reduction of noise, vibration, and odors	Installation of portable soundproof walls to prevent noise	Akita Sotoasahikawa Site	3,400		3,400	Noise level reduced by 6-17db	Reduction of noise from well work
Preservation of natural environment/elimination of pollution/remediation	Collection and storage of seeds for greenification	Niigata Naoetsu LNG Receiving Terminal Construction Office	11,400		137,400		Collection of about 6.25ha worth of seeds and cultivation of plants
	Installation of biopile soil remediation unit for removing oil contamination	Niigata Riverside park outside Teiseki Topping Plant Kubiki Refinery		126,000			Approx. 9,000m ³ of soil cleaned
Total Investment (thousand yen)			449,630	180,400	630,030		

What Kind of CSR Should the INPEX Group Undertake?

Messages from experts from various fields

What kind of CSR should the INPEX Group undertake as we carry out our operations? We discussed this question with our employees and external experts to seek out the path we should take.

Future of CSR Activities

The mission of the INPEX Group is to provide a stable and efficient supply of energy to customers so as to contribute to the community, and make it more livable and prosperous. We believe that fulfilling this mission is our corporate social responsibility. Meanwhile, the roles of companies and what society expects of them continue to change. In this backdrop, the INPEX Group is aware that the areas in which society expects us to focus our efforts as we engage in our business are not clearly defined. For this reason, we discussed what kind of CSR we should focus on with external experts who are leading authorities in their fields and well-versed in the area of CSR.

We shared the details of these discussions with the CSR Report Task Force to serve as a reference for what content to include in the report, and discussed the CSR issues we face and how to give due consideration to our stakeholders.* In doing this, we have been able to take the first step in clarifying the role of our CSR activities as we move forward.

* Please refer to pages 16–19



Interview 1



Adopt a long-term perspective to consider major issues 10 years in the future

Mariko Kawaguchi

General Manager
CSR Promotion Department
Daiwa Securities Group Inc.

- The concept of CSR changes according to the social climate and trends among stakeholders. The company must not only look at current key issues in business and management but also at issues that might become central to the company in 10 years.
- To run a business on the policy of providing a steady supply of energy while increasing the company's interests is quite important given our society's dependence on fossil fuels. The company must keep in mind, however, that the need will arise to formulate a long-term vision with an eye on the possibility of the current system falling out of use.
- The aim of social contribution initiatives is to develop employees flexible enough to listen to external stakeholders and incorporate their ideas, who can adopt the perspectives of consumers, and who possess a diverse set of values.

Interview 2



Engage in CSR with firm understanding of your stakeholders

Toshihiko Goto

Chief Executive
Sustainability Forum Japan

- The INPEX Corporate Social Responsibility Policy states that the company will engage in business "based on the understanding of cultural diversity," but this section does not stand out enough. As a resource exploration and development company, the INPEX Group must clearly define in its philosophy and policies its stance on indigenous people, the environment, cultures, and societies in countries where the INPEX Group is operating its business, and include this in its objectives and plans.
- When prioritizing CSR initiatives it is important to confirm the various interests and demands of stakeholders and regions. In operating regions especially, the company must realize there are social issues that host governments cannot handle on their own only.
- Society's demands regarding biodiversity will remain strong, and the INPEX Group must be fully aware of this.

Interview 3



Keep in mind need to actively communicate information to society

Takejiro Sueyoshi

Special Advisor to the United Nations
Environment Programme Finance Initiative

- CSR serves to make the current business the best it can be. The INPEX Group's principal CSR is to provide a stable and efficient supply of energy to customers.
- Energy resources are extremely important for society, and there is an expectation that these should be provided without burdening society or the environment. There is real meaning in the INPEX Group communicating its newly defined message of providing a "stable and efficient supply of energy" to the public. In addition, consumers and the general public will feel a sense of reassurance if the company recognizes society's expectations and outlines a policy for understanding and resolving the company's obligations to society and the environment vis-à-vis the stable supply of energy.

Interview 5



Think of CSR in terms of manifest risk

Toshihiko Fujii

Consulting Fellow
Research Institute of Economy, Trade and Industry

- Companies that begin CSR from the standpoint of risk management often feel they have attained a positive effect over the long run. To handle risk when it actualizes, a company needs to have a clear philosophy and policy that underlie its response.
- If a company intends to expand globally, it will face the issue of how to manage groups of people with different values and cultural backgrounds. This cannot be done without a clear CSR policy.
- One positive effect of CSR is in human relations. Students are potential employees and are quite interested in CSR. It is thus an effective instrument in hiring excellent talent. CSR also boosts employee motivation and pride in the company.

Interview 4



Propose long-term vision for new energy

Sachiko Takami

Chief Executive
The Natural Step Japan

- As a professional energy operation, the public expects the INPEX Group to propose a long-term vision that presupposes the eventual depletion of resources and to consider new energy alternatives to fossil fuels as a way to help prevent further global warming. By creating a long-term vision that describes its current position, its progress, and its final goals, the Group can seek the understanding and acceptance of its stakeholders.
- Western companies actively engage in CSR because of the strong demands of NGOs. Companies are now expected to undertake welfare and environmental measures—duties that used to be under the purview of the national and local governments—as part of their social responsibility. Going forward, a company will need to remain sensitive to its stakeholders' views as its business develops globally and to cooperate with various sectors. A company must contribute to society through its business operations.

Comments on the stakeholder interviews

Katsujiro Kida Director, Executive Vice President in charge of CSR



Recognizing that the INPEX Group must clarify the role of its CSR, we asked a wide range of experts for their comments and proposals on our CSR initiatives and received invaluable feedback.

With this feedback from the experts, we have reconfirmed the need to act with a broad perspective in order to fulfill the INPEX Group's social mission of providing customers with a stable and efficient supply of energy. We must clarify our CSR policy, strengthen communication and collaboration with our stakeholders, and formulate a roadmap and set goals based on a mid- to long-term vision.

In light of these opinions and proposals, we will reexamine the INPEX Group's CSR policies as we seek to ascertain individual issues in detail. We intend to promote measures to energize our day-to-day activities.

CSR Issues in Our Business Operations and Consideration for Our Stakeholders

1

Acquisition of License Blocks



Contract signing ceremony

Activities

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

CSR Issues

- Eradication of bribery and corruption
- Compliance with laws

Stakeholders

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

Consideration for Our Stakeholders

- Compliance with local laws

We aim for a keen awareness of compliance



Tetsuhiro Murayama

Legal Affairs Group Manager
Business Development & Legal Unit

The Business Development & Legal Unit is in charge of launching new ventures and putting the necessary contracts in place. What we watch out for in terms of CSR in conducting our duties is corruption such as the bribery of foreign civil servants. The INPEX Group never pays cash to foreign civil servants or engages in other misconduct in hopes of securing oil rights, but sometimes when we take over partial interests from other companies we have them include guarantees in the Interest Transfer Agreements that state they did not offer bribes to secure the initial interests. As competition to secure oil and natural gas resources grows increasingly intense, there is a strong demand internationally for companies to possess a keen awareness of compliance to ensure that the processes for acquiring new interests are transparent and that corruption or other misconduct does not occur. The companies in the INPEX Group maintain a constant awareness of this in their daily routines.

In conducting our operations, we have reconfirmed the kinds of CSR issues we face as well as the kinds of stakeholders we have and how we should accommodate them. In this feature, we provide an overview of each.

2 Exploration and Evaluation



Study of oil layers

Activities

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

CSR Issues

- Eradication of bribery and corruption
 - Compliance with laws
 - Protection of the natural environment¹
 - Considerations of social environment²
 - Pollution countermeasures³
 - Acquisition of EIA permits and monitoring
 - Fair procurement activities
1. Management of protected areas, biota and ecosystems, water tables, topographical/geological formations, and historical sites
 2. Resident relocations, livelihood, cultural heritage, scenery, ethnic minorities and indigenous peoples, labor conditions (human rights and safety/health)
 3. Air quality, water quality, waste products, soil pollution, noise/vibration, subsidence, foul odors, etc.

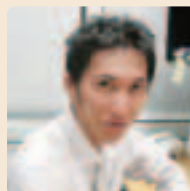
Stakeholders

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

Consideration for Our Stakeholders

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

We value safe operations and relationships with local communities



Tetsuro Teramoto

Caracas Office
America & Africa Project Division

In the Moruy Project that I oversee, we are exploring fields off the coast of Venezuela, and at the end of last year we drilled an exploration well.* We give particular consideration to the local communities and environment when we drill. In the environmental impact study we conducted before drilling, we examined environmental factors such as water quality and ecosystems as well as factors pertaining to local industries and the livelihoods of local residents. In accordance with this, we drafted a drilling plan based on the assumption that we would use materials and equipment and follow standard procedures with low environmental impact. This plan also included marine pollution countermeasures and a contingency plan in case of an oil leak. We submitted this plan to Venezuela's Ministry of Environment and Natural Resources and Ministry of Energy and Petroleum to receive permission to drill. We also hold information sessions with local governments, fishermen, and other local groups to seek their understanding and cooperation as we strive to engage in safe operations.

* Wells drilled in undeveloped strata for locating oil and gas layers

3 Development and Production



Offshore facility of Bayu-Undan project

Activities

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

CSR Issues

- Eradication of bribery and corruption
- Compliance with laws
- Protection of natural environment¹
- Consideration of social environment²
- Pollution countermeasures³
- Acquisition of EIA permits and monitoring
- Fair procurement activities
- Protection of cultural heritage
- Respect for local cultures and customs
- Respect for human rights ● Labor safety and health
- Disclosure of information pertaining to projects
- Safety management
- Business Continuity Plans (BCP)
- Economic contributions to local communities and fostering of industry

1. Management of protected areas, biota and ecosystems, water tables, topographical/geological formations, and historical sites
 2. Resident relocations, livelihood, cultural heritage, scenery, ethnic minorities and indigenous peoples, labor conditions (human rights and safety/health)
 3. Air quality, water quality, waste products, soil pollution, noise/vibration, subsidence, foul odors, etc.

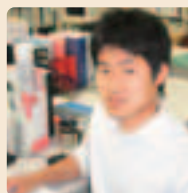
Stakeholders

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

Consideration for Our Stakeholders

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

We aim for energy efficiency and low environmental impact



Masanori Suzuki

Production Unit
Domestic Project Division

I am primarily involved in engineering for plant enhancements at our main gas field in Minami Nagaoka (Nagaoka City, Niigata Prefecture). We actively adopt new technologies to promote projects that are energy efficient and have low environmental impact. For example, we are currently considering the installation of a large-scale compressor for this project. Instead of running this compressor with a gas turbine, we will use a motor and an inverter controller in an effort to increase efficiency and reduce energy consumption and CO₂ emissions. Going forward, I hope to accumulate experience and apply the operational capacity we develop in Japan to operator projects overseas.

4

Refining, Shipment and Sales



LNG tanker

Activities

Oil

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

Natural Gas

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

CSR Issues

- Eradication of bribery and corruption
- Compliance with laws
- Protection of ecosystems
- Fair procurement activities
- Protection of cultural heritage
- Respect for local cultures and customs
- Respect for human rights
- Labor safety and health
- Disclosure of information pertaining to projects
- Safety management
- Business Continuity Plans (BCP)
- Economic contributions to local communities and fostering of industry
- Reduction of environmental impact
- Mitigation of global warming
- Safe transportation
- Reduction of environmental impact during transportation

Stakeholders

- Oil and gas producing countries
- Employees
- Shareholders and investors
- Local communities and NGOs
- Customers

Consideration for Our Stakeholders

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

We strive to provide a steady supply of natural gas and engage in product control



Kiyoshi Fuse

Nagaoka Field Office
Niigata District Office
Domestic Project Division

I am a plant operator at the Nagaoka Field Office where we produce natural gas from three plants: Koshijihara, Oyazawa, and Sekihara (the last plant is made operational depending on demand). Two important jobs in operating a production plant are providing a steady supply of gas and product control.

Plant capacity fluctuates from day to day, and it is our duty to make sure we do not overlook any malfunctioning parts and do not make mistakes due to lack of know-how or experience. We do our best to avoid mishaps by utilizing the operator manual, work process manual, safety control standards manual, and other resources.

We are always considering more efficient operating methods and we employ accident training, TPM, and study sessions to boost the technological capacity of our operations. We strive to provide an even steadier supply of gas and more competent product control.

The INPEX Group monitors how business activities in each process impact the natural environment and energetically tackles reduction of any adverse impact

● INPUT

	FY2008	FY2009
Fuel (TJ)	726	183
Water (kl)	121,076	91,787
Purchased gas (k SCF)	0	0
Purchased raw materials (BBL)	0	0

	FY2008	FY2009
Fuel (TJ) ¹	2,645	2,944
Water (kl)	898,631	791,330
Purchased gas (k SCF)	2,183,220	4,542,440
Purchased raw materials (BBL)	0	0

Exploration, Development, and Construction

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

- INPEX CORPORATION
- INPEX Masela, Ltd.
- Teikoku Oil Libya UK Ltd.
- Teikoku Oil (Suriname) Co., Ltd.
- INPEX Browse, Ltd.
- INPEX Libya, Ltd.
- PT Moruy II, S.A.



Pipeline construction site



Seismic survey

Production and Power Generation

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

- INPEX CORPORATION
- West Bakr Petroleum Co.
- Gas Guarico, S.A.



Koshijihara Power Plant



Copa Macoya Gas Field, Venezuela

● OUTPUT

	FY2008	FY2009
GHGs (t)	55,700	24,605
PRTR substances (t) ²	1	0
VOC (t)	39	1
NOx (t)	559	130
SOx (t)	22	4
Wastewater discharged into public water bodies (kl)	330	0
Volume of total waste disposed (t)	2,797	1,431
Recycled volume (t)	29,125	18,297

	FY2008	FY2009
GHGs (t)	390,877	388,495
PRTR substances (t) ²	14	12
VOC (t)	511	448
NOx (t)	174	149
SOx (t)	34	34
Wastewater discharged into public water bodies (kl)	798,768	647,024
Volume of total waste disposed (t)	1,515	2,233
Recycled volume (t)	3,223	951

Notes: ● The input and output data for fiscal 2009 shown on this page constitute the sum of all the HSE data collected from our operations in Japan and overseas
 ● Figures in the tables have been rounded to the nearest whole number; the sum of the individual items thus may not match the totals
 ● Data has been carefully reviewed, and some data from fiscal 2008 has been revised to represent the correct values

Environmental Impact Resulting from Our Business Activities in Fiscal 2009

The INPEX Group took measures to reduce adverse environmental impact, such as by curbing the emission of GHGs, VOCs, and PRTR-controlled substances in our business activities in fiscal 2009, based on a steady implementation of our fiscal 2009 plan that included efforts such as burning vented gas, recovering or burning VOCs contained in exhaust emissions,

and installing VOC recovery devices in our tanker loading facilities.

The 2009 CSR Report has a section titled Exploration and Development on page 24. This year, we added PT Moruy II, S.A. and Teikoku Oil (Suriname) Co., Ltd. to the section and changed the title to Exploration, Development, and Construction.

	FY2008	FY2009
Fuel (TJ) ¹	303	320
Water (kl)	228,536	232,279
Purchased gas (k SCF)	0	0
Purchased raw materials (BBL)	144,670	253,490

INPUT TOTAL	FY2008	FY2009
Fuel (TJ)	3,674	3,447
Water (kl)	1,248,243	1,115,396
Purchased gas (k SCF)	2,183,220	4,542,440
Purchased raw materials (BBL)	144,670	253,490

Refining, Transportation, and Sales

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

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



Natural gas pipeline



Naoetsu Oil Terminal

Consumption and Utilization

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 power producer and suppliers (PPSs).*

* A non-utility private company that sells electricity



Service station in Oogata

Sales

	FY2008	FY2009
Natural gas (k SCF)	88,790,607	86,471,526
Crude oil (amount sold; BBL)	2,307,887	2,278,546
Petroleum products (BBL)	1,421,784	1,435,478
LPG (BBL)	62,653	77,251
Electricity (1,000kWh)	108,853	136,696
Iodine (t)	496	453

	FY2008	FY2009
GHGs (t)	25,140	26,342
PRTR substances (t) ²	10	8
VOC (t)	378	433
NOx (t)	19	16
SOx (t)	4	5
Wastewater discharged into public water bodies (kl)	367,456	441,875
Volume of total waste disposed (t)	158	152
Recycled volume (t)	162	137

OUTPUT TOTAL	FY2008	FY2009
GHGs (t)	471,716	439,442
PRTR substances (t) ²	25	21
VOC (t)	929	883
NOx (t)	752	294
SOx (t)	60	42
Wastewater discharged into public water bodies (kl)	1,166,554	1,088,899
Volume of total waste disposed (t)	4,470	3,815
Recycled volume (t)	32,510	19,386

1. Includes some fuel produced by INPEX CORPORATION

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

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

Reducing Greenhouse Gas Emissions

Since fiscal 2008, the INPEX Group has been collecting environmental data in Operational Organizations, setting annual environmental goals for each Operational Organization, and formulating annual plans for their achievement. The Domestic Project Division established quantitative goals for fiscal 2009 to reduce greenhouse gas (GHG)¹ emissions per unit of production² to below the previous year's levels. The measures we have been undertaking to reduce GHG emissions are outlined below.

Using clean natural gas produced by INPEX

Natural gas is a clean fuel that emits less CO₂ than other fossil fuels. For this reason we rely as much as possible on the natural gas we produce ourselves to fuel our crude oil and natural gas processing plants and field offices. We are also striving to reduce CO₂ emissions by installing energy-efficient systems powered by natural gas.

Exploring measures to handle CO₂ separated and removed from natural gas

At the Minami Nagaoka Gas Field in Nagaoka, Niigata Prefecture, our major gas production base in Japan, CO₂ that makes up approximately 6% of natural gas is separated and removed with an amine solution and then dispersed into the atmosphere. We are currently studying the possibility of effectively using this separated CO₂ or storing it underground.

Reducing GHG emissions during operations

In the oil and natural gas business, it is inevitable—depending

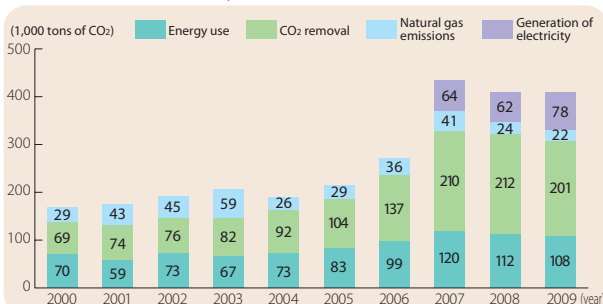
on the operation—to temporarily discharge a small amount of natural gas into the air when relocating pipelines or when conducting routine inspections of equipment. As the greenhouse effect of methane, the principal component of natural gas, is 21 times greater than that of CO₂, we do everything we can to disperse as little natural gas as possible, such as by lowering pressure in pipelines prior to relocating them or installing a ground flare³ to burn the waste gas into heat, water, and CO₂.

By engaging in these activities our total GHG emissions in Japan in fiscal 2009 were 409,600 tons, about the same as fiscal 2008. Due to increased activity, the volume of CO₂ emissions from electricity generation rose 15,700 tons, but we were able to reduce GHG emissions in other areas as follows: 2,300 tons due to ground flare installation and measures to reduce gas emissions during pipeline construction; 3,500 tons of CO₂ from oil and natural gas production adjustments at our plants; and 10,800 tons of CO₂ by reducing separated CO₂.

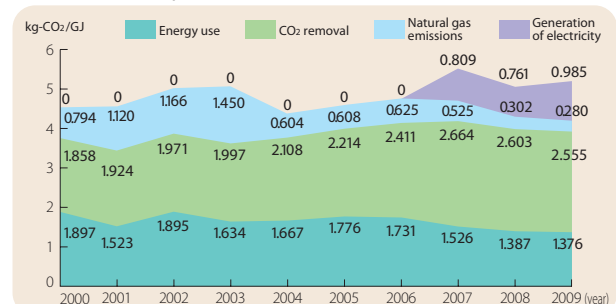
Total per-unit energy use for crude oil and natural gas production and electricity generation rose 0.143kg-CO₂/GJ to 5.196kg-CO₂/GJ. This increase was due to an uptick in the electricity generation business that added 0.224kg-CO₂/GJ of per-unit emissions to the equation. Aside from electricity generation, we reduced emissions per unit of production in energy use, CO₂ removal, and natural gas emissions.

1. A gas that traps heat in the atmosphere, including CO₂ emitted when using energy, CO₂ emitted during separation and removal, and methane contained in natural gas from the INPEX Group's operations
2. GHG emissions divided by calorific value of crude oil, natural gas, and electricity production volume
3. A device used to burn and render harmless leftover hydrocarbon gas emitted from oil production facilities, gas processing facilities, and oil refineries instead of letting it disperse into the atmosphere. Since the flame burns vertically inside a cylindrical furnace, its impact on the surrounding environment in terms of noise and illumination at night is low.

■ Total GHG Emissions by Sources



■ GHG Emissions per Unit of Production



Note: Data has been carefully reviewed, and some data from fiscal 2008 have been revised to represent the correct values

Nippon Keidanren Voluntary Action Plan on Environment

The INPEX Group participates in the Nippon Keidanren Voluntary Action Plan on the Environment through the Japan Petroleum Development Association (JPDA). A wide array of industries participate in the Voluntary Action Plan on the Environment, and they set numerical targets and regularly assess the status of emissions in an effort to reduce emissions volumes or emissions per unit of production. At present, 61 companies are involved in this project. The JPDA has set a target of reducing the average GHG emissions per unit of production (calorific value) at oil and gas development facilities in Japan from 2008 through 2012 by 20% below the fiscal 1990 level. The JPDA also promotes the efficient development of oil and gas overseas, encourages the development of gas as a clean energy that produces fewer GHG emissions when used, and seeks to facilitate the development of technology to contribute to reducing GHG emissions.

Our emissions per unit of production were on the rise due to damage caused to facilities by the Niigata Chuetsu-Oki Earthquake and the increased production volume of gas. Since the restoration of damaged facilities, however, installation of additional emission-reducing equipment, and streamlining of facilities from fiscal 2007, we have achieved the goal set in the Voluntary Action Plan of reducing GHG emissions per unit of production to 20% below the fiscal 1990 level after fiscal 2008.

Achieved our Target in a Prototype Project for Voluntary Domestic Emissions Trading Scheme

The INPEX Group concurs with the Japanese government's goal of establishing a policy and system for helping to prevent global warming, and participated in the government-backed Prototype Project of Voluntary Domestic Emissions Trading Scheme* in December 2008. In an application of the project, we set our own target of reducing the average GHG emissions per unit of production (calorific value) at oil and natural gas development facilities in Japan from fiscal 2008 through fiscal 2012 by 30% below the fiscal 1990 level. While the target that the JPDA, of which we are a member, had set in its Voluntary Action Plan was 20%, we set ours at 30% in an effort to help the JPDA achieve its goal.

By using the natural gas that we produce as fuel in our project sites in Japan, installing energy-saving systems powered by natural gas for greater energy efficiency, and ensuring better operational control at our oil and gas fields, we strive to reduce CO₂ and other GHG emissions and met our consecutive targets for fiscal 2008 and fiscal 2009.

* A trial program initiated by the Ministry of Economy, Trade and Industry and the Ministry of the Environment in 2008 for emissions trading among businesses to reduce CO₂ emissions

Cargo Transportation Reporting

Under the provisions of Japan's amended Energy Conservation Law, enacted in April 2006, consigners of cargoes transported in volumes exceeding 30 million ton-kilometers per year* are obliged to report the volume of their transported cargoes, develop energy conservation plans, and report quantities of consumed energy. The INPEX Group is classified as a specified consigner of cargoes since we transport in volumes exceeding 200 million ton-kilometers and have been measuring and reporting quantities of consumed energy and our transportation-related energy-saving plans since fiscal 2006.

We transport around 90% of our produced oil and gas by sea in oil tankers. In fiscal 2009, we switched from calculating the volume of fuel used in marine transport with the ton-kilometer method to the fuel consumption method. For overland transport mainly using tanker trucks, we try as much as possible to use the fuel consumption method instead of the ton-kilometer method in an effort to accurately assess fuel usage and reduce GHG emissions.

* A consigner of cargoes transported in volumes exceeding 30 million ton-kilometers per year is designated as a specified consigner

Forestation Project in Australia

To gain know-how concerning the effects of forestation and the management and maintenance thereof in an effort to offset the CO₂ that we emit, we have been running a pilot forestation project in Australia since fiscal 2008 through our subsidiary INPEX Browse, Ltd. We planted about 1.4 million eucalyptus saplings on 645 ha of land that we acquired in southwestern Western Australia and have been monitoring their growth. The eucalyptus trees we planted are native to Australia and suited to the regional climate. Thus far, they have grown to over two meters tall. Over the next 50 years these trees are expected to absorb approximately 450,000 tons of CO₂ through photosynthesis. For this project, we signed a contract with CO₂ Australia Ltd., a company certified as Greenhouse Friendly under an Australian government initiative to register CO₂ emissions credits, and have planted trees and monitored their growth in strict adherence with the national government's GHG policies. We are now considering a full-fledged forestation project that will serve as one of Australia's GHG gas countermeasures.



Land set aside for forestation

We are reducing environmental impact through R&D of next-generation technologies

Advancing Research into CO₂ Capture and Storage to Prevent Global Warming

Cooperation with experiments using underground natural gas storage technologies

Under growing pressure to reduce emissions of CO₂, the primary cause of global warming, researchers around the world have been working on carbon dioxide capture and storage (CCS) technology to capture CO₂ emitted from major sources such as thermal power plants and steel plants, and to transport and store it in deep underground aquifers or under the ocean floor for the long term. Commercial CCS projects are already underway in Algeria, Canada, and Norway, capturing and storing CO₂ underground in the range of one million tons per year. Large-scale CCS experiments are either being conducted or planned in the major industrial nations of North America and Europe and in several developing countries around the globe.

In May 2007, Japan proposed a long-term goal of reducing global GHG emissions by 50% from the then current level by 2050. To achieve this goal, the Ministry of Economy, Trade and Industry (METI) unveiled the "Cool Earth—Innovative Energy Technology Program" in March 2008, in which CCS was listed among 21 innovative energy technologies. Furthermore, the leaders at the G8 Hokkaido Toyako Summit in July 2008 announced their strong support for launching 20 large-scale CCS demonstration projects globally by 2010. After the summit, the Japanese cabinet approved the Action Plan for Achieving a Low-carbon Society, which included a plan to start large-scale testing of CCS technology as early as feasible in or after fiscal 2009 with the aim of commercializing the technology by 2020.

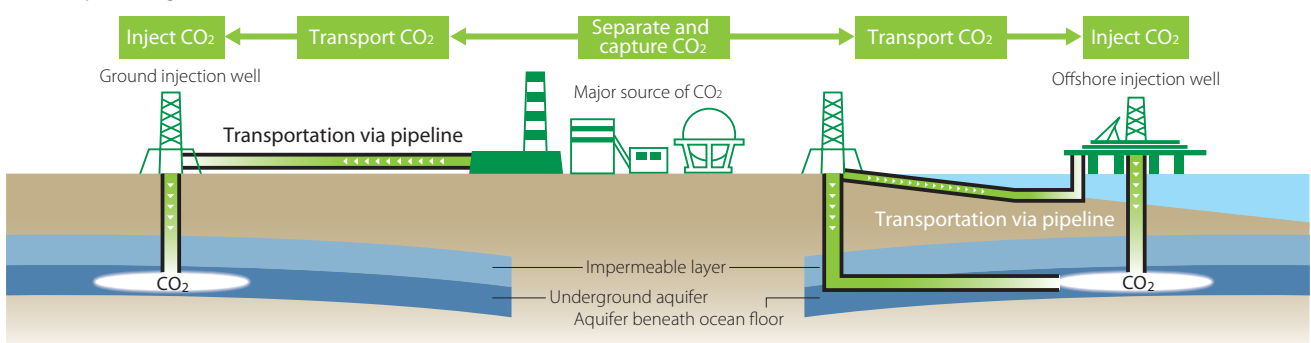
In 2000, we began working with the Research Institute of Innovative Technology for the Earth (RITE) to test the CCS technology at our Iwanohara Site located in the Minami Nagaoka Gas Field in Nagaoka, Niigata Prefecture. We also

provided technical expertise gained from our experience in the underground storage of natural gas and enhanced oil-recovery techniques. Approximately 10,000 tons of CO₂ were injected and stored in the aquifer at the testing site between July 2003 and January 2005. We have been continuing to monitor the site since the RITE project was concluded at the end of fiscal 2007.

Helping to establish Japan CCS Co., Ltd. to accelerate commercialization of CCS

Thirty-seven leading Japanese companies (as of March 31, 2010) with specialized technology in various CCS fields joined forces to establish Japan CCS Co., Ltd., in May 2008. Its mission is to carry out research and development projects for CCS technology, and to conduct a feasibility study on its commercialization in an effort to achieve Japan's stated goal of beginning large-scale testing of CCS technology as early as possible and of commercializing CCS by 2020. Major shareholders aside from the INPEX Group include Japan Petroleum Exploration Co., Ltd., Tokyo Electric Power Company, Nippon Oil Corporation (today's JX Nippon Oil & Energy Corporation), Idemitsu Kosan, and JGC Corporation. Since fiscal 2008, commissioned by and receiving aid from METI, Japan CCS has been performing technical assessments of a number of proposed testing sites for CCS in Japan to narrow them down to the best candidates for conceptual design, and on-site inspection while working with research institutions and universities to implement various surveys. Japan CCS has also been commissioned by Japan's New Energy and Industrial Technology Development Organization (NEDO) to work on a three-year feasibility study of a Total CCS System since fiscal 2008, which uses testing equipment for an integrated coal gasification combined cycle (IGCC) located in Iwaki City in Fukushima Prefecture and our old Offshore Iwaki Gas Field.

■ Conceptual Diagram of CCS



Developing Next-Generation Fuels

Amid mounting pressure to develop next-generation energy systems, we have been gearing up for the development of next-generation fuels with a lower environmental impact than coal or oil. One such approach we have been working on is to develop gas-to-liquid (GTL) technology to synthesize diesel oil and kerosene from natural gas.

Benefits of GTL are that it is made from natural gas whose reserve-to-production ratio is larger than that of crude oil, that it can be stored and transported in its liquid form at normal temperature, and that it generates a cleaner exhaust when burned. In April 2009, a pilot plant began operating at a demonstration center of the Nippon GTL Technology Research Association, established by six companies, including the INPEX Group, and by June 2009 it was successfully producing 500 barrels of GTL oil per day. We operated the pilot plant until October 31, 2009, and continue to analyze the various data we collected. The second test run of the plant is scheduled for April 2010.

In addition to GTL, we have also been working on developing dimethyl ether (DME), an alternative clean fuel made from natural gas, which does not generate toxic substances when burned.

Joint Research on CO₂ EOR at Offshore Abu Dhabi

In March 2010, we commenced a two-year joint research project with the Japan Oil, Gas and Metals National Corporation on CO₂ enhanced crude oil recovery (CO₂ EOR) in the large-scale Lower Zakum oil field at offshore Abu Dhabi.

CO₂ EOR is a technology for collecting higher volumes of crude oil from wells by injecting oil reservoirs with CO₂. In recent years, research has focused on the use of CO₂ separated and collected from the exhaust gas of power plants and refineries. Not only does CO₂ EOR improve the crude oil recovery rate, but it also allows for the underground storage of CO₂. Therefore, the use of this technology to help control the emission of CO₂ into the atmosphere is promising.

One feature of this research is our attempt to apply CO₂ EOR technology, which to date has been used in onshore oil fields primarily in North America, to an offshore oil field. If we can commercialize this technology, it will be the first of its kind in the world. For the time being, we will assess the oil recovery effect with indoor experiments and data simulation. If we obtain favorable results, we intend to cooperate fully in designing a pilot test as the next phase of the project, and we will energetically help put into practice the large-scale CO₂ EOR project that the Abu Dhabi National Oil Company (ADNOC) is considering implementing in the near future in the major fields of Abu Dhabi.

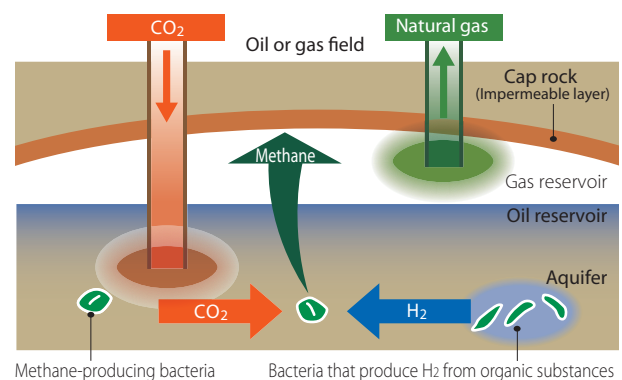
Producing Methane in Depleted Oil Fields Using Microbes

We have been researching technology to produce methane

using microbes that live underground in depleted oil fields. This technology uses methane-producing bacteria to convert hydrogen, which hydrogen-producing bacteria make by decomposing residual crude oil left in the reservoir of a depleted oil field, and CO₂—injected underground for carbon capture and storage—into methane. This research holds promise for building a sustainable carbon-cycle system in which residual crude oil in depleted oil fields and injected CO₂ will be converted into methane that can be used as a fuel.

In June 2008, in an attempt to step up the research effort, we cosponsored a research program entitled “Sustainable Carbon-Cycle System Engineering” with the Frontier Research Center for Energy and Resources at the School of Engineering of the University of Tokyo. Both parties share their research laboratories to achieve greater efficiency in conducting analyses and experiments.

We have already confirmed the existence of hydrogen-producing and methane-producing bacteria, which play a major part in generating methane, from the research conducted on the microbial community in our Yabase Oil Field (Akita Prefecture) and Niibori Oil Field (Yamagata Prefecture). Using these bacteria, we successfully produced methane at the laboratory level by injecting CO₂ into the ground under high pressure and temperature conditions similar to those in actual oil fields. We plan to conduct another methane production experiment in a rock core with conditions closer to those of an oil reservoir to develop techniques to promote the decomposition of crude oil that serves as a supplier of hydrogen, and to assess the optimum environment for methane-producing microbes and their habitat and symbiosis environment in order to develop techniques for the artificial control and stimulation of methane-producing reactions.



Basic Research of Technologies to Generate Methane with Photocatalytic Reactions

- We are currently engaged in joint research with the Nagaoka University of Technology on highly active photocatalytic reactions to generate methane from CO₂ and water. If this technology can be practically applied in the future, we will be able to use sunlight to convert CO₂—which is considered the cause of global warming—into methane, the main component of natural gas. By turning CO₂ into a resource this technology holds promise for its contribution to the creation of a low-carbon society.

We strive to avert environmental accidents and prevent soil and air contamination

Measures to Prevent Soil Contamination

Although the INPEX Group does not use any designated harmful substances stipulated in the Soil Contamination Countermeasures Act in our operations in Japan, possibilities exist for contamination from benzene contained in crude oil that leaks during production and heavy metals contained in drilling fluids. The Act does not stipulate measures for oil contamination. However, we are expected to take measures to survey and prevent contamination due to the major impact it can have on the soil environment.

In that backdrop, we have formulated voluntary guidelines for surveys and prevention of soil contamination in light of the principles outlined in the Soil Contamination Countermeasures Act. Using these guidelines, we replace soil as needed when an environmental accident occurs or when we return site property to landowners.

After an accident that occurred in December 2005 where heavy naphtha leaked at the Teiseki Topping Plant, the contaminated soil was quickly removed and replaced with clean soil. During fiscal 2009, the contaminated soil was sanitized through a biopile remediation process that used microbial degradation. We held multiple sessions with local residents to explain this practice and took extra caution to ensure that contaminated substances were not scattered from the site during the sanitation process. We completed the sanitation work in November 2009.



Biopile remediation for soil decontamination



Riverside park outside the remediated contamination site

Environmental Accident Prevention and Countermeasures

In fiscal 2008 and again in fiscal 2009, corroded pipelines caused a series of small oil leaks in the West Bakr Oil Field in Egypt. In November 2009, in particular, 22 barrels of crude oil leaked from the pipeline as efforts to locate the leak were delayed.

We took emergency measures specified in the HSE Management System as we took action to replace the corroded pipeline. Besides boosting pipeline patrols in an effort to discover future leaks expeditiously, we are studying the mechanisms that triggered the pipe corrosion. We are also considering methods to prevent recurrence by replacing pipeline materials, injecting pipelines with anticorrosive agents, and removing sludge from pipelines.

As we sought to deal with the soil contamination caused by this heavy crude leak, we examined various treatment methods while separating and storing the contaminated soil. Since the makeup of heavy crude makes cleanup next to impossible, however, we decided to use the soil as material for asphalt.



Pipeline requiring repair

INPEX Joins Alliance to Prevent Oil Contamination in Caspian and Black Seas

- In February 2010, we joined the Oil Spill Preparedness Regional Initiative (OSPRI), an industrial alliance that seeks to improve the preparedness of governments in oil producing countries for preventing and handling oil leaks in the Caspian and Black Seas. INPEX maintains interests in the Azeri-Chirag-Gunashli Oil Field, a producing

field at offshore Azerbaijan, and the Offshore North Caspian Sea Block (Kashagan Oil Field), a field being developed at offshore Kazakhstan. By providing a wide range of know-how to the governments of directly concerned nations in the area, we aim to protect sturgeon and other rare creatures in the Caspian Sea.



Training for recovering spilled oil

Controlling Chemical Substances and Checking for Emissions to Atmosphere

In Australia, Europe, and Japan, controlling chemical substances is required by law, and each of our Operational Organizations manages and reports its emissions in accordance with the laws of the country in which it operates.

Pursuant to Japan's PRTR Act,* our domestic Operational Organizations monitor and report on the amount of benzene, toluene, and xylene contained in crude oil, and trivalent chrome compound used for drilling, that is emitted and transferred.

We also track the amount of SO_x, NO_x, and VOCs our Operational Organizations emit into the atmosphere.

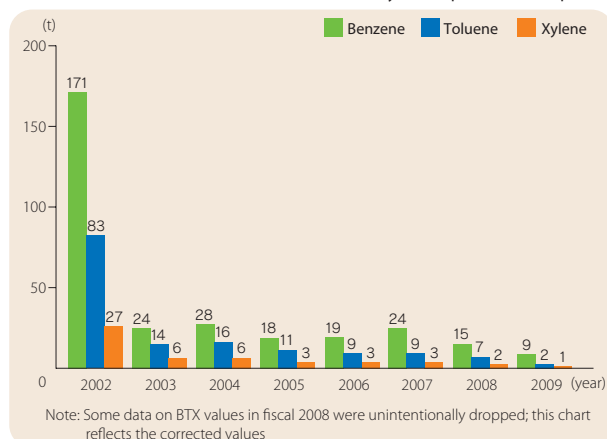
*The PRTR Act requires companies to report the volume of specific chemical substances released into the environment and to improve their management of those substances. This system measures the amount of chemicals potentially harmful to humans or the environment released into the air, water, or soil,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

Reducing Volatile Organic Compound Emissions (VOCs)

In accordance with the Air Pollution Control Act's basic directive to "reduce total VOC emissions from fixed sources by 30% of 2000 levels," we have set a voluntary reduction target of 45% for our operations in Japan—which is more stringent than the national goal—in a planned effort to reduce our VOC emissions.

VOCs associated with our operations are the BTX compounds of benzene, toluene, and xylene, classified as non-methane hydrocarbons (NMVOCs), which occur in crude oil and natural gas. VOCs are released when crude oil is transferred into storage tanks or tanker trucks, and when natural gas is temporarily discharged. For benzene, in particular, we have reduced emissions by over 90% since fiscal 2001, and we continue to promote various countermeasures such as installing VOC-removal equipment, adding internal floating roofs to oil tanks, and controlling the release of natural gas directly into the atmosphere. We also monitor the ambient concentrations of VOCs around the perimeters of our sites monthly to control the impact on the surrounding environment.

■ Trends in Emissions of Benzene, Toluene, and Xylene (Operations in Japan)



We made great strides in fiscal 2009, refurbishing VOC recovery devices in crude-oil offloading units at the Nagaoka Field Office to boost their operating capacity and reducing direct emissions of natural gas into the atmosphere at the Kashiwazaki Field Office through flaring. On the other hand, natural gas was released from wells in our Akita District Office when we restarted production there and in the Minami Aga Field Office when the plant operations of our wheeling service contract partner were suspended. All told, we reduced VOC emissions for fiscal 2009 by approximately four tons over the previous fiscal year.

Proper Management of Asbestos Containing Materials and PCB Waste

In fiscal 2009, we removed sprayed materials and completed other required measures in accordance with a survey on potential airborne asbestos for all our buildings in Japan. Since then, we have put necessary measures in place for all our Operational Organizations under the direction of the HSE Unit. We continue to conduct semiannual inspections in which we photograph and monitor the degradation of building materials that could potentially release asbestos into the air.

We entirely discontinued the use of materials containing PCB by fiscal 2005, and have completed the legally stipulated registration process for all our Operational Organizations. In addition, we strictly manage the PCB waste we have in storage and send status reports to local government agencies annually. In fiscal 2010, 14 high pressure condensers stored in Joetsu, Niigata Prefecture, are slated for final treatment.

INPEX Wins 2009 APPEA Environment Award

In May 2010, the INPEX Group subsidiary INPEX Browse Ltd. received the 2009 Environment Award (exploration companies category) from the Australian Petroleum Production & Exploration Association Ltd. (APPEA) at the Association's fiscal 2010 general meeting held in Brisbane, Australia.

The award was granted for the low-environmental-impact survey methods used for the Ichthys Project. INPEX Browse used an amphibious marsh buggy to conduct a geological survey of a mangrove area in Blaydin Point outside Darwin, Northern Territory, Australia, the projected site for an LNG plant. By using a marsh buggy, INPEX Browse was able to safely conduct surveys on soft substrates, i.e., sand and mud, which greatly reduced the risk of acid soil runoff, and allowed improved mangrove regeneration.



APPEA Environment Award presentation

We proactively recycle the drill cuttings and drilling fluids that comprise the majority of waste generated

Industrial Waste Measures

The majority of the industrial waste generated during oil and natural gas development consists of drill cuttings and drilling fluids.

When drilling, mud and other fluids are circulated through a well to form a wall, prevent drill ejection, and provide cooling and lubrication. Made with natural clay colloids, these fluids are adjusted with mud conditioners to suit the conditions of the well. Since drilling fluids are made from natural materials, they contain varying concentrations of heavy metals, depending on their origin. For this reason, the INPEX Group's Domestic Project Division has taken precautions against potential soil contamination by working with a supplier of drilling fluids to analyze the makeup of each lot of drilling fluid and monitor the concentration of heavy metals.

Since the bulk of our industrial waste is comprised of drill

cuttings and drilling fluids, the volume of waste increases when a well's depth and number of wells increase. If the level of heavy metals detected in drill cuttings and drilling fluids exceeds the legal standard, the Domestic Project Division will treat this as sludge and bury it. Wastes that do not exceed the legal standard are recycled. We typically recycle 80–85% of these wastes into materials for roadbeds.

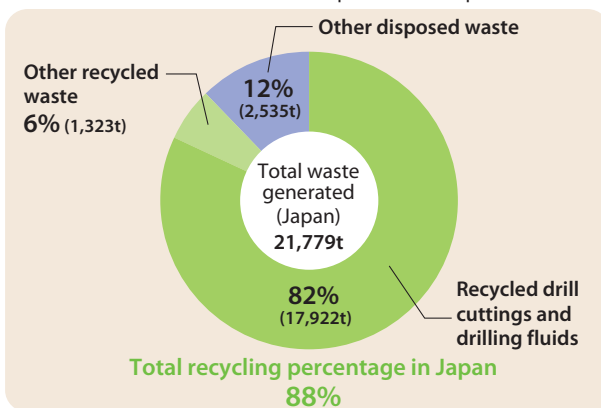
Managing Wastewater Discharged into Public Water Bodies

Each of the INPEX Group's Operational Organizations controls wastewater discharged into public water bodies in accordance with the environmental law of the region in which it operates. We have installed wastewater treatment facilities in the district offices where we produce oil and natural gas in order to properly treat wastewater from the production process. At drilling sites, we use these facilities to sanitize pit wastewater—a mixture of underground water and drilling fluid generated from the drilling process—and reuse it as part of our effort to reduce the environmental impact on bodies of water that provide public water. We use measurement devices to continuously measure and analyze water quality, and, based on this, we monitor the volume of treated water and water quality in a concerted effort to manage our discharge of wastewater into bodies of water that provide public water.

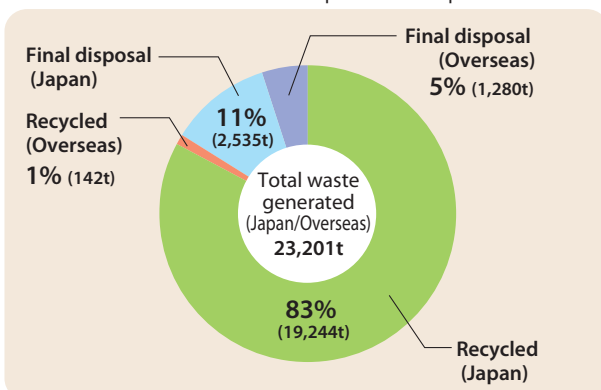


Drilling fluid treatment unit

■ Fiscal 2009 Waste Materials from Operations in Japan



■ Fiscal 2009 Waste Materials from Operations in Japan and Overseas



Effective Utilization of Resources in Our Offices

As part of our energy efficiency measures at the corporate headquarters, we have been participating in the Ministry of the Environment's "CO₂ Reduction/Light-down Campaign." Since July 2009, we have been turning off all lights during lunch break and at night (lighting only areas needed when working overtime). Compared to before we joined the campaign, we successfully reduced electricity consumption for lighting by approximately 20% per month. When converted to CO₂, this reduction translates into 2.81 tons of CO₂ per month, or the amount of CO₂ that 200 Japanese cedar trees can absorb in one year.

Protecting biodiversity to ensure coexistence with natural environment around project sites

Consideration for Ecosystems during Natural Gas Pipeline Construction

In order to build pipelines with environmentally friendly techniques, we conduct environmental surveys before and after construction.

In September 2009, building of the Shin Oumi Line between the cities of Joetsu and Itoigawa in Niigata Prefecture was begun. A preliminary survey revealed, however, that runoff from the construction of a tunnel might have a minor affect on river water quality in the area and that construction noise might cause a minor disturbance to some valuable species of birds of prey. During construction, we implemented stringent quality management of the runoff from the site to ensure that it was well within quality standards. We also monitored the noise level near the site continuously. In the end, the noise did not alter the behavioral patterns of the birds of prey.

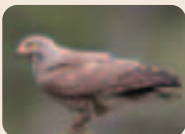
After construction, we closely monitored the environment in the surrounding area for a certain length of time and confirmed that it had not been altered from pre-construction conditions.

With these efforts, we consider that we were able to keep the impact of the construction on the river water quality and the ecosystem to the absolute minimum.



Bird observation during construction

Animals living near construction site



Grey-faced buzzard



Honey buzzard



Clawed salamander



Japanese char

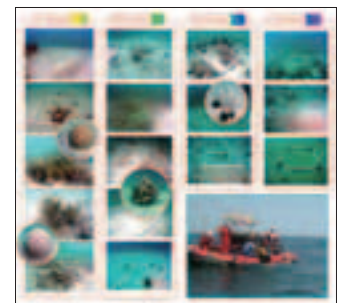


Sculpin

Environmental Impact Assessment in Abu Dhabi

Japan Oil Development Co., Ltd., an INPEX Group company, is currently working with Abu Dhabi National Oil Company (ADNOC) and ExxonMobil Corporation as partners on a project to develop an offshore oil field in the waters off of Abu Dhabi, UAE. In order to

operate the oil field, we have been conducting an environmental impact assessment since 1997 in accordance with UAE regulations and the biodiversity strategy stipulated in the ADNOC service regulations. The oil field is 1,200km² in area, with an estimated lifespan of over 100 years, making it one of the largest oil fields in the world. Given the size of the field and its long-term development and operation, it is imperative that we pay careful attention to the surrounding environment. Based on the environmental impact assessment, we will continue to monitor the habits of a diverse range of living organisms while developing a system that will enable us to rapidly respond with measures to maintain and protect those habits.



Environmental impact assessment

Environmental Preservation Program for Mahakam Delta

Since 2007, we have been working in conjunction with the United Nations Development Programme (UNDP) on a five-year environmental protection program in the Mahakam Delta on the island of Kalimantan in Indonesia, and thus far have spent one million dollars.

In the Mahakam Delta region, located around the Offshore Mahakam Block where we operate, mangrove forests are an invaluable type of vegetation that serves to both sustain biodiversity and absorb CO₂ from the surrounding area. The delta region is also important as a source of drinking water and as a conduit for the transport of natural resources. Many trees have been lost due to the encroachment of shrimp ponds around them, however, and the water has been polluted by the use of chemicals in the ponds.

The aim of this program is to restore and protect the mangrove forests, but ultimately it is to ensure that the local community and government can restore and protect the Mahakam Delta on their own and achieve sustainable economic and social development.

Over the past three years, we have surveyed pilot farms, engaged in public relations, conducted environmental training sessions, analyzed the regional ecosystem, and planted 20,000 mangrove saplings. In fiscal 2010, we will continue to actively provide support for this program.

As an energy supply company, it is our responsibility to ensure safe operations and remain fully prepared for accidents

Ensuring Safe Operations

Safety initiatives

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

Each Operational Organization has drawn up an HSE Management System Manual based on its particular situation and in accordance with HSE Procedures for safety management as well as various procedures for facility integrity, risk assessment, security, and health maintenance. We are undertaking activities based on these new manuals while maintaining our standard safety protocol.

In fiscal 2009, members of senior management visited project sites in Japan to run HSE Sessions in an effort to raise HSE awareness. We also conducted an HSE Awareness Survey to ascertain the current state of HSE culture within the INPEX Group. To improve health and safety performance, we have continued to collect and analyze pertinent data, and we engaged in benchmarking with other corporate members of the International Association of Oil & Gas Producers (OGP). In addition, we discussed numerical targets to take effect from fiscal 2010. When accidents occur, we strive to issue full reports and analyze the underlying causal factors. We examine measures to prevent their recurrence and promote their implementation throughout the Group.

Human error prevention: near-miss prevention activities

Based on our objective of eliminating human error, our Operational Organizations in Japan have been working on near-miss prevention activities,* risk prediction, pointing and calling, and other safety practices. In fiscal 2009, we began a new undertaking. Focusing on the fact that many incidents and near misses stem from human error, we invited an expert to give a lecture on human factor engineering, and based on this we have been discussing how we can avoid unsafe situations and accidents within the overall organization.

In addition, we have classified and organized our near-miss prevention activities, internal rules, and case studies on accidents to create original near-miss maps and charts that show the risk factors of tasks at a glance. We conduct risk

prediction activities and share awareness of risk in our pre-work meetings. Furthermore, we have embarked on an information-sharing process in which some Operational Organizations upload reports to a database of near-miss prevention activities.

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

Workplace Safety Education and Training

In addition to education and training programs carried out by the overall INPEX Group, our Operational Organizations in Japan devise annual training plans for each of their operational sites and provide on-the-job training for employees. As well, each Operational Organization keeps Employee Training Records in order to provide guidance based on each employee's level of understanding and proficiency. Site workers are provided hands-on training with equipment, including simulation-based training and risk prediction training, and participate in various external seminars on systems audits, risk assessment, and other subjects. Through these initiatives, we train our employees to maintain a constant awareness of safety and seek to prevent error in equipment handling.

In addition, Operational Organizations conduct regular emergency response training on their own and jointly with headquarters in accordance with emergency response plans devised to outline procedures for a range of possible emergencies.



Plant tank fire response training

Preventing Work-related Incidents for Greater Safety

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

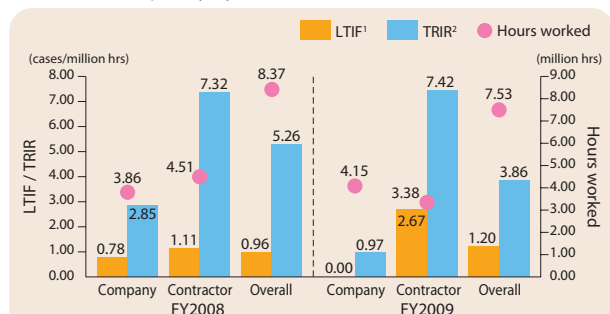
■ Number of Work-related Accidents per Fiscal Year

		Fatal incident ¹	Lost time injury ²	Restricted workday injury ³	Medical treatment injury ⁴
FY2008	Company	0	3	1	7
	Contractor	1	4	5	23
	Overall	1	7	6	30
FY2009	Company	0	0	1	3
	Contractor	0	9	3	13
	Overall	0	9	4	16

1. Incident involving a fatality
2. Incident involving a non-fatal injury that results in at least one day off work
3. Incident involving a non-fatal injury that results in restricted duties
4. Incident involving a non-fatal injury that requires treatment by a medical professional

We will continue our efforts to build our HSE Management System and ensure its implementation throughout the Group. In fiscal 2009, however, the number of fatal incidents and lost time injury frequency (LTIF) incidents at our contractors doubled compared to fiscal 2008, making us reconfirm the importance of HSE management by our contractors. In fiscal 2010, we will make every effort to work with our contractors to enhance HSE management and prevent accidents.

■ Accident Frequency by Fiscal Year



1. Lost time injury frequency (LTIF): Rate of injuries resulting in fatalities or lost time per million hours worked
2. Total recordable injury rate (TRIR): Rate of recordable injuries (fatalities, lost time, restricted workdays, and medical treatment) per million hours worked



Contractors' regular health and safety meeting

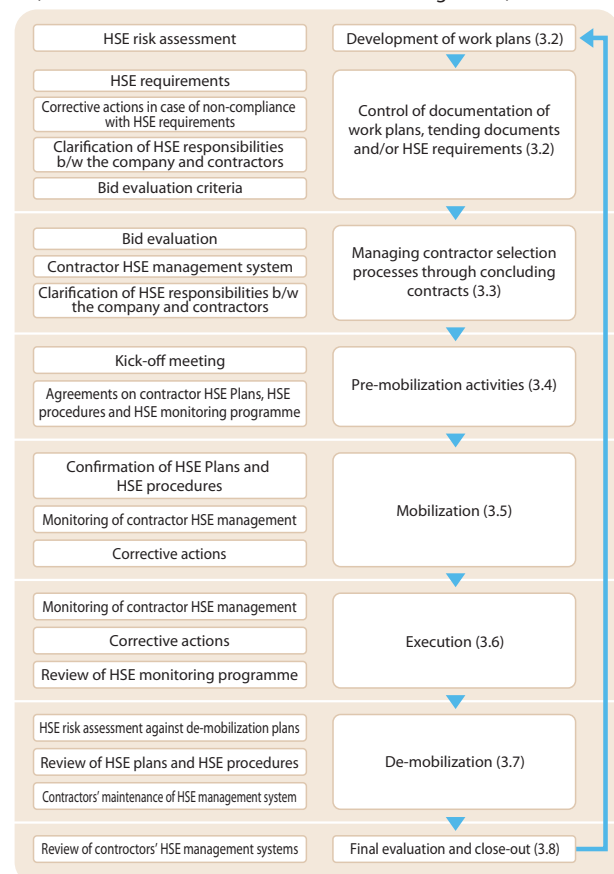
Upgrading HSE Management of Contractors

The INPEX Group requires all contractors to manage their HSE practices in accordance with our HSE Policy, and we work closely with them in an effort to prevent work-related incidents and reduce environmental impact. Accordingly, we have asked our contractors to upgrade their HSE management practices. Each Operational Organization has translated the Corporate HSE Procedure for Contractors' HSE Management into its own Contractors' HSE Management Manual that meets regional requirements and the specific needs of particular projects.

In competitive bids, we evaluate and select contractors based not only on their engineering expertise and cost estimates but also on their HSE competence. We also request contractors to develop and implement their own HSE plans and manuals in an effort to share with them HSE risks and management processes associated with the content of a contract. Furthermore, we monitor and evaluate contractors' HSE performance against agreed-upon criteria during the course of contract work, and we ask them to improve their performance as necessary.

In fiscal 2009, we also began formulating the Policy on Required HSE Specifications for Contractors as a set of more practical guidelines than our HSE Procedures for Contractors.

■ Flowchart of Contractor HSE Management (INPEX CORPORATION Contractors HSE Management)



The INPEX Group has a system in place to ensure employee safety and business continuity in the event of a disaster or emergency

Formulation of Business Continuity Plan

It is our mission to provide a safe and steady supply of natural gas even if there was an outbreak of a potent strain of influenza, based on the belief that we are an entity supporting society by maintaining social functions. In fiscal 2009, we thus formulated a Business Continuity Plan (BCP) for our natural gas business in Japan. The basic policy direction of the plan consists of three pillars: (1) to respect human life, (2) to prevent the spread of infection, and (3) to sustain social functions.

Going forward, we intend to formulate BCPs not only for our natural gas business in Japan but for all our operations to ensure continuity of sustaining our Company-wide functions.

In addition, both Corporate and the Operational Organizations have devised a Corporate Emergency Response Procedure to be followed in an emergency.

Emergency Response System to Deal with Employee Safety Concerns and Fires

Continuing from the two drills we held in fiscal 2008, we conducted three emergency response drills in fiscal 2009. The third drill, held in June 2009, assumed a gas leak in a domestic pipeline. The fourth drill, held in October 2009, assumed a tank explosion at an Operational Organization managed by the Domestic Project Division. The fifth drill, held in December 2009, assumed a kidnapping incident at an overseas site. Emergency response drills are implemented jointly by the Corporate Crisis Management Team and the sites where the drills take place, and they aim to enhance emergency response skills such as quick reporting, swift action, rescue and evacuation, provision of equipment for emergency



Fourth emergency response drill: Tank explosion and fire at a plant (October 2009)

medical aid, dispatch of additional employees, and preventing secondary emergencies. In fiscal 2010, we plan to continue these drills and expand them to cover other potential crises.

The INPEX Group has also put in place a mobile phone email-based safety confirmation system designed to confirm the safety of employees and assist in the quick recovery of business operations if a large-scale disaster occurs in Japan. Since its introduction, we have conducted one exercise almost every quarter; in fiscal 2009, we conducted four exercises. The response rate for all these exercises topped 90%, and we will continue holding exercises with the aim of achieving a 100% response rate.

Disaster Prevention Drills at INPEX Headquarters

Twice a year, all of our headquarters employees participate in evacuation drills conducted by the Akasaka Biz Tower Building. For our new employees, we conduct disaster prevention training sessions to familiarize them with earthquake response measures and raise their disaster prevention awareness.

In addition, we equipped every desk in headquarters (including Domestic Project Division) with a personal emergency kit (to assist employees in reaching home) and replaced our inventory with new items. We donated some of the existing food provisions to the Motherland Academy to be sent to Africa as food aid.

H1N1 Influenza Response

After the worldwide outbreak of the H1N1 influenza virus, WHO raised the warning level to Phase 4 on April 28, 2009. On the same day, we established the Corporate Crisis Management Team headed by the president. We collected information and deliberated measures such as our handling of overseas business trips, strict measures to prevent infection, and our response if widespread infection occurred. Once decided, we communicated these measures to all domestic and international Operational Organizations. We sent medical masks and other sanitary supplies to employees in countries with high risk of infection as a preventive effort. We also held lectures with outside experts as lecturers to raise the level of awareness.

We care about the physical and mental well-being of our employees working in various environments inside and outside Japan

Health and Welfare

Since the INPEX Group's operations extend well beyond Japan, we are aware that health maintenance for employees who work at our Operational Organizations around the globe is an important issue for our long-term success.

We have enacted several measures to ensure that our employees, who work in widely different workplaces, are physically and mentally healthy.

Health Maintenance Systems at Operating Sites

The INPEX Group conducts health risk assessments for every project in accordance with our Employee Health Maintenance Procedures and takes necessary steps to reduce risk. Sometimes we must conduct E&P activities in remote overseas locations, including regions with high risks of infection and regions without an adequate medical infrastructure. In remote locations such as these, we put medical staff in place and install medical facilities to ensure preparedness for emergencies. We also conduct routine health maintenance for our site workers, engage in site sanitation, and strive to improve workplace facilities to give our employees the peace of mind they need to do their jobs. We have systems in place at operations sites to handle injuries and sudden illnesses, and we contract expert emergency medical companies to provide sufficient medical care around-the-clock, including the emergency transport of sick or injured workers by helicopter or charter airplane.

In fiscal 2009, when we conducted a seismic survey in Indonesia, we also conducted a survey of local medical care conditions. We secured the services of a local physician who accompanied us on the survey, held first-aid seminars, and

identified hospitals where advanced care was available to prepare for possible emergency patient transport.

Measures to Improve Employee Health Maintenance

To improve employee health maintenance, we offer regular medical checkups and provide assistance for lifestyle disease checkups for employees aged 30 and over and for complete medical checkups for employees aged 35 and over. In addition, we adopted a system that enables our employees to arrange for checkups that fit their schedules via an online system. Our checkup rate is nearly 100%.

There are health nurses in the clinic at headquarters who offer post-checkup health advice and provide employees with health information via the intranet. These measures seek to increase employee awareness and knowledge of health issues. In fiscal 2009, we installed a database to standardize and analyze health checkup results in an effort to provide more effective health guidance.

Mental Health Measures

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

Employees can seek counseling services from an expert company as well as advice from health nurses in the clinic at headquarters. We also provide our employees with a wide array of mental health support, including training sessions for managers.



Site medical facility



Chartered emergency medical transport airplane



Emergency medical transport helicopter



Emergency medical transport military helicopter

We evaluate our employees fairly and train them proactively to develop human resources capable of competing in the global arena

Basic Policy on Human Resources Management System

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

By operating a system based on this policy, we develop employee capabilities and train human resources in order to improve individual employee performance and teamwork. We generate a synergistic effect sufficient enough to support our efforts toward becoming an organization capable of competing in the global arena.

Basic Policy on Human Resources Management System

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

Employee Evaluation System

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

Our employee evaluation system consists of three evaluations: a performance evaluation, a competency evaluation, and a value evaluation. These evaluations are not merely one-way assessments of subordinates by their superiors; they also include tools such as an Action Reflection Sheet and a Goals Challenge Sheet that our employees can use to complete a self-evaluation while reflecting on their performance. Superiors and subordinates discuss each other's evaluations in face-to-face meetings to assess the gap between the self-evaluation and the superior's evaluation. The system is designed so that improvements can be made to each type of evaluation, thereby contributing to human resource development and

education and boosting the credibility of the evaluation.

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

To ensure that these systems take root in the company, we provide line managers (i.e., personnel in charge of human resources and organizations) with practical training on conducting evaluations. In fiscal 2009, we revised evaluation items based on employee feedback and redesigned the Goals Challenge Sheet and other evaluation sheets and held information sessions to explain these changes to our employees. In this manner, we are working to ensure that the employee evaluation system permeates the entire company.

Employee Training and Development

We provide our employees with training programs to develop a global perspective and learn to contribute to greater corporate values as leaders, and to upgrade their capabilities.

Primary training programs include programs tailored to individual employee levels, language training, and on-the-job training at offices and sites in Japan and overseas. We also have a self-learning system to support employee learning in a variety of fields.

Furthermore, we have a mentor system for new employees in which senior employees provide one-on-one guidance on company procedures and mental support for one year.

Program	Details	Desired Results
Level Tailored Training	Rank-based training for junior employees, mid-level employees, new managers, and executives conducted at the time of promotion	To understand the roles of every position, to increase awareness, and to acquire necessary skills
Language Training	Short-term English training at a language school in the UK for young employees	To improve international communication skills
On-the-job Training at Offices/Sites in Japan and Overseas	On-the-job training for young technical employees at domestic and overseas offices or at sites inside and outside the company	To acquire basic knowledge, to attain the latest specialized technical know-how, and to improve the technical aptitude of mid-level employees
Overseas Office Training	Practical training for young clerical workers at overseas offices	To acquire knowledge of overseas business operations and to prepare for future overseas postings

Leveraging Global Human Resources

We hire and train the people we need to get the job done regardless of nationality. Highly specialized foreign staff members work at both our overseas offices and our Tokyo headquarters.

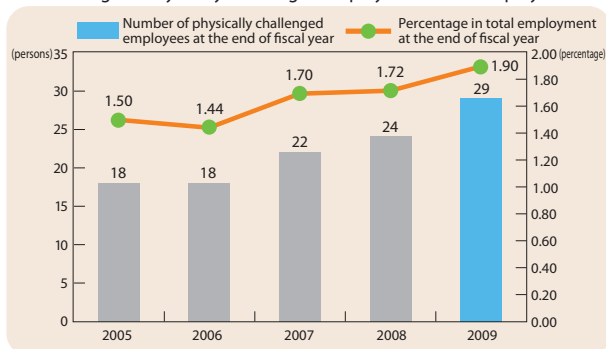
Since we expect to engage in long-term production and development projects, we hire local foreign nationals directly to play an integral part in running our overseas offices. By maintaining working conditions that give us a competitive edge, we strive to secure loyal and enthusiastic employees and raise our employee retention rate.

Employment Opportunities for Physically Challenged

As the INPEX Group's Corporate Social Responsibility Policy states, we value the individuality of employees and strive to provide them with a friendly work environment and opportunities for career development. Accordingly, we have been proactive in hiring the physically challenged via job-placement offices and other venues.

As of March 31, 2010, we employed 29 physically challenged employees, 1.9% of the total workforce. We will continue to make efforts in the future to employ as many physically challenged people as feasible.

■ Percentage of Physically Challenged Employees in Total Employment



Labor-Management Council

Our management meets regularly with representatives of the INPEX Labor Union to exchange views and ideas on a broad range of issues including the challenges that the company faces and the business outlook.

In fiscal 2009, we held two meetings—one in the first half of the fiscal year in July 2009, and the other in the second half in January 2010—to cover the company's management status and overviews of and outlook for various projects. In addition, we discussed labor-management topics such as the results of a survey conducted by the Labor Union.

Providing Childcare Support

We have instituted a wider variety of support programs than required by law to provide childcare assistance to our employees. We also put in place a general action plan as required by Japan's Law for Measures to Support the Development of the Next Generation to help employees maintain a balance between their work and childcare.

System	Overview	Actual Usage (FY2009)
Childcare leave system	System to provide leave until a child reaches 18 months of age; 20% of salary is granted in addition to statutory childcare leave benefits	11 employees * Females only
Reduced working hours for childcare system	Until a child is in the fourth grade, employees can: (1) Work shorter than standard working hours (reduction of 2 hours) (2) Work on flex-time (3) Receive exemptions from working overtime or on days off	8 employees
Child healthcare leave	System that allows employees to take special paid leave to care for sick children under elementary school age; employees receive up to 5 days for one child and up to 10 days for two or more children, and may take leave in half day units	* Newly established in April 2010
Assistance for nursery schools, day care centers, and babysitters	Employees who have children aged three and under are eligible to receive a partial subsidy for the startup fees and annual expenses for nursery schools, day care centers, and babysitters	160 employees

Employees Statistics

As of March 31, 2010, the INPEX Group employed a total of 1,870 persons, over 80% of whom are male. Every year, we also hire an average of 649 temporary employees, including local contract employees to promote overseas development projects and part-time staff, non-full-time contract staff, and workers from employment service companies who engage in oil and natural gas-related activities in Japan.

INPEX CORPORATION alone employed 1,093 persons as of March 31, 2010, and hires an average of 235 temporary employees every year.

■ Number of Employees (Group)

Category	Male	Female	Total
Number of employees	1,618	252	1,870

■ Number of Employees (Unconsolidated)

Category	Male	Female	Total
Number of employees	935	158	1,093
Work region	Japan	142	999
	Overseas	16	94
Average age	39.0 years		
Average length of service	15.9 years		

■ Fiscal 2009 Hiring Data (Unconsolidated)

Category	Male	Female	Total
New Grad hires	53	11	64
Mid-career hires	27	7	34

We are increasing our natural gas production and diversifying sources to meet growing demand as we strive to provide a steady supply of energy

Increasing Production and Supply of Natural Gas

System for steady supply of gas produced in Japan and LNG

The Minami Nagaoka Gas Field, our primary gas field located in Nagaoka, Niigata Prefecture, has been increasing its production capacity to meet the growing demand for natural gas since the Koshijihara Plant became operational in 1984. The Oyazawa Plant, the second plant in the gas field, began production in 1994, and additional capacity has since been added to both plants, resulting in a combined daily output of more than five million normal cubic meters.

We have also been seeking to diversify sources of natural gas, and in January 2010 began sourcing gas derived from imported LNG from Shizuoka Gas Company using the Shizuoka Line. In July 2009, we began construction of the Naoetsu LNG Receiving Terminal at Naoetsu Port, Niigata Prefecture. Upon completion of the terminal in 2014, we will begin receiving natural gas derived from LNG on the Sea of Japan side, which, coupled with LNG coming through the Pacific coast and natural gas production sites in Japan, will ensure that we provide an even more stable supply of natural gas.

Expanding pipeline network

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

More recently, we completed the third phase of the Shin Tokyo Line in 2007, connecting Karuizawa (Nagano Prefecture) and Tomioka (Gunma Prefecture) and thereby boosting our transportation capacity into the Kanto region. We also completed the Shin Oumi Line in 2009, connecting the cities of Joetsu and Itoigawa in Niigata Prefecture and expanding transportation capacity to the area around Itoigawa. By adding the ability to transport natural gas derived from LNG from the Pacific coast through the Shizuoka Line and the Minamifuji Pipeline (from January 2010), we have significantly increased the gas transportation capacity of our entire pipeline network.

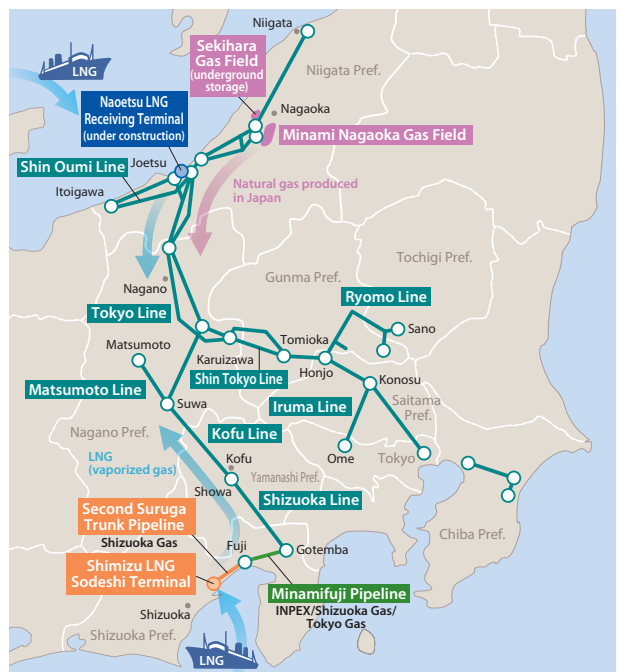
Since the demand for natural gas is expected to increase steadily, we will continue our efforts to meet the demand by improving our facilities based on a rational plan.

Reliable and Flexible Supply of Gas Using Underground Storage System

Natural gas can be injected into a depleted gas or oil reservoir for storage. The advantages of storing natural gas underground compared to storage in an artificial subsurface facility are that it has higher survivability when earthquakes occur, and is simple to operate for long-term storage. Underground storage's many other advantages include the ability to supply natural gas in response to seasonal fluctuations and periods of peak demand.

Our Domestic Project Division has been storing natural gas underground in the Sekihara Gas Field in Nagaoka, Niigata Prefecture, since July 1968 to respond better to seasonal fluctuations in demand. We upgraded the facility at the Sekihara Plant in January 2008 to increase the daily output of gas from 1.6 million normal cubic meters to 2.4 million normal cubic meters.

Our pipeline network expanded when an extension to the Shin Nagaoka Line was completed in December 2007, connecting the Sekihara Plant and the Oyazawa Plant. This has strengthened the function of the Sekihara Plant as a backup when either the Koshijihara Plant or the Oyazawa Plant is closed, or during periods of peak demand, allowing us to provide an uninterrupted and flexible supply of gas. As of March 2010, we had 210 million normal cubic meters of gas stored underground.



Pipeline map

We strive to build a safe, environmentally conscious natural gas supply system and a system of services to keep our customers satisfied

Thorough Management of Product Safety

The oil and natural gas products we sell through our businesses in Japan are composed primarily of crude oil and natural gas produced from oil and gas fields in Japan. The INPEX Group's refining companies refine the crude oil we produce into a variety of petroleum products which are then loaded into tanker trucks and ships at our loading facilities for shipment to our customers. Natural gas produced from our oil and gas fields is refined and turned into products before being transported and sold to our customers via our pipeline network. Regarding the safety of oil and natural gas products we load and sell, we adhere to all pertinent laws as well as our own safety standards and product specifications. We also conduct strict inspections during the refining, loading, and transportation processes. In this way, we have put into place a safety management system that allows us to provide our customers with products they can use with peace of mind.

Keeping Pipelines in Good Condition

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

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

Furthermore, we apply the Manual for Contractors' HSE Management to contractors working on our pipeline construction projects. Based on this manual, we assess

plausible risks and conduct solo or joint HSE Audits and safety patrols. We also verify that contractors are in compliance with risk countermeasures and the agreed upon content of the HSE Plans. With this system in place, we can constantly maintain an appropriate level of safety.

Listening to Customers

The INPEX Group runs several gas stations in Niigata and Nagano prefectures that bear our company logo, and we have conducted a summer campaign at these stations every year since fiscal 2005. In fiscal 2009, we conducted a campaign from mid-July through mid-August and asked our customers to complete questionnaires. Their replies to questions about personal characteristics (age, gender, etc.), how often and why they use our gas stations, and how they feel about our customer service have allowed us to obtain invaluable feedback for gas station management.

After the campaign, we hold a seminar for staff members from our gas stations and distributors. An invited speaker gives a presentation, and participants reflect on the campaign in an effort to improve their customer service.

We will continue to work with our gas stations to conduct initiatives like these to meet customer needs and accurately monitor trends in gas station management. In doing so, we aim to manage even better gas stations firmly rooted in their communities.

Publishing GHS-compliant MSDSs

In accordance with United Nations' recommendations concerning Globally Harmonized System of Classification and Labeling of Chemicals (GHS)¹ and in light of the substances stipulated in Japan's PRTR Act and the Industrial Safety and Health Act, we analyzed the contents of our domestically produced natural gas, crude oil, and petroleum products and updated our Material Safety Data Sheet (MSDS).²

1. A system for standardizing the classification and labeling of hazardous chemicals

2. This document contains information needed for the safe handling of products that contain certain chemical substances

We will strive harder for fair and responsible procurement with an eye on future large-scale projects

Strict Adherence to Procurement Ethics Guidelines

We strive to procure goods from our suppliers in a transparent, fair and responsible manner and have established the Guidelines for Fair Business Conduct with Suppliers and Contractors. The guidelines prohibit practices that would impede fair and free competition, abuse dominant bargaining positions, or inappropriately bestow or receive benefits. In addition, they stipulate the protection of confidentiality regarding suppliers' personal information and technologies. All departments involved in procurement adhere to these guidelines as their guiding principles.

When selecting suppliers, we always strive to ensure opportunities for the fair and open participation of prospective suppliers. In the evaluation phase, we assess not only technological capacity, quality, and credibility, but also the environmental and security-related initiatives of suppliers and their corporate social responsibility activities.

When accepting bids and orders for large-scale projects in Japan, such as the Naoetsu LNG Receiving Terminal, we apply the Guidelines for Fair Business Conduct with Suppliers and Contractors to ensure fair and responsible procurement.

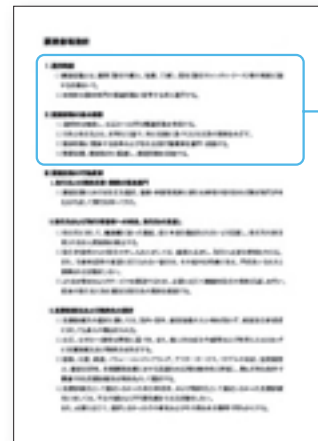
For international projects, we are currently formulating detailed guidelines pertaining to procurement ethics in



Naoetsu LNG Receiving Terminal construction site

I. 適用範囲
 (1) 調達活動とは、購買(買材の購入、受発、工事)、発注(買材のレンタル・リース)等の契約に關する活動を含む。
 (2) 本方針は買材部門の調達活動に従事する者に適用する。

II. 調達活動の基本姿勢
 (1) 透明性を確保し、公正かつ公平な調達活動を実施する。
 (2) 買社と取引先とは、対等な立場で、相互信頼に基づく共存共栄の関係をめざす。
 (3) 調達活動に關する法律および買社企業行動憲章を遵守・実践する。
 (4) 買材調達、漏洩安全に配慮し、調達活動を実施する。



Guidelines for Fair Business Conduct with Suppliers and Contractors

light of global standards and in anticipation of procurements for future large-scale projects.

Ensuring Fair Trade Practices

To ensure that every employee is aware of our regulations, we publish a rulebook via the intranet that contains the Guidelines for Fair Business Conduct with Suppliers and Contractors, the Detailed Regulations for Procurement, and the Procedure for Handling Procurement.

In the logistics division, directly responsible for sourcing materials and equipment, all employees refer to the guidelines, detailed regulations, and procedure along with a compliance manual to refresh their understanding of these rules, which call for transparent, fair, and responsible procurement practices.

Going forward, the procurement division will strive for fair transactions by providing thorough information on our fair trading practices and working to further stimulate the principle of competition, especially concerning large-scale projects.

We actively disclose information and engage in investor relations to improve the transparency and accountability of management

Policies and Frameworks for Information Disclosure

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

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

Details regarding information disclosure conducted in accordance with these rules are available on our website as our Disclosure Policy.

Major IR Activities in Fiscal 2009

In fiscal 2009, we held two briefing sessions with financial analysts and institutional investors to report financial results and held the first information session on our large-scale LNG project. We also offered one project site tour for analysts and investors and held 588 investor relations (IR) meetings in Japan and overseas. In light of the recent increase in the percentage of shares held by foreign shareholders, we have enhanced our English-language materials and bolstered our IR activities overseas. As a result, over half of our meetings were held for foreign investors.

In addition to IR exhibitions, our IR activities for individual investors in fiscal 2009 included 15 information sessions held in six cities around Japan with over 1,500 investors in attendance. We are also working on revamping our website and updating our information pamphlets for individual

investors.

Since our founding, we have issued notices of general shareholders' meetings on our website and have posted links on the website of our shareholders' list administrator. Before the meetings, we play videos and slideshows showcasing our activities, and in recent years we have started preparing and posting meeting notices in English on our website. We also try to avoid holding meetings on days when other general shareholders' meetings are held in an effort to convene open general meetings. Since our fourth regular general shareholders' meeting held in June 2010, we have added online voting to our regular method of using paper ballots and adopted an electronic voting platform for our institutional investors to improve usability for all our shareholders.

We have conducted a shareholder survey annually since fiscal 2006. Since fiscal 2008, we have also conducted a CSR-incentive questionnaire in which the number of responses from shareholders determines how much we donate to a nature conservation group. In fiscal 2009, this project yielded ¥228,200, which we donated to the Keidanren Nature Conservation Fund.



Company information session for individual investors

On-Site Public Hearing on the Abadi Project in Indonesia

We are conducting environmental and social impact assessments for the Abadi Gas Field development project we are undertaking in Indonesia. As part of this effort, we invited about 70 local officials and residents to attend a public hearing held in the city of Saumlaki in the Tanimbar Islands in November 2009. We gave an overview of the project, explained our social and environmental measures, and held a discussion with the local participants. Based on the points raised during the public hearing, we will disclose information in an easy-to-understand and timely manner from the viewpoint of the local residents. We will strive to operate a transparent project the local community can understand and cooperate with.

We conduct a variety of programs that contribute to the sustainable development of the areas where we operate projects

Emirati Children Accepted into Abu Dhabi Japanese School

To respond to a request from Sheikh Muhammad of Abu Dhabi at the end of 2004, the Abu Dhabi Japanese School (includes kindergarten), with assistance from the Japanese government, accepts two children of UAE citizenship every year. As of May 2010, there were nine local children attending the school. In Abu Dhabi, our employees serve on the school board to assist in running the school. In Japan, we also cooperate with other Japanese companies to send Japanese teachers to educate the Emirati children in the kindergarten and teach them Japanese and mathematics in the elementary school. It is our sincere hope that someday these children will serve as bridges between Japan and the UAE.



Japanese School in Abu Dhabi

Through this assistance we hope to contribute to the local community by way of human resources development.

Cleanup for Venezuelan Harbor Dredging Project

PT Moruy II, S.A., an operating company that we partially own, planned to dredge the Zazarida Fishing Harbor located in the Moruy II Block. As part of this project, the company conducted a cleanup of the nearby Chuadi Creek from November 2009 through January 2010. For this cleanup, PT Moruy II hired 50 local residents to collect trash from the creek, install garbage cans, and erect signs asking that waste not be dumped in the creek. The company also held seminars on the proper handling and disposal of waste.



Some participants in dredging project

Support for Vocational School in Outskirts of Darwin

INPEX Browse Ltd., an INPEX Group company, donated 2.28 million Australian dollars to help build a vocational school in Darwin, Northern Territory, Australia, the proposed site for the liquefied natural gas (LNG) plant for the Ichthys Project. This school will be built on 12ha of land in the outskirts of Darwin and is scheduled to open in the second half of 2010. The aim is to increase employment opportunities by offering the youth of Darwin, including aboriginal children, a chance to attend this vocational school.



Pledging aid for a vocational school

Contributing Economically and Socially to Regional Development along BTC Pipeline Route

As part of the Baku-Tbilisi-Ceyhan (BTC) Pipeline Project, we are engaged in community investment programs (CIP) to improve living standards in the communities through which the pipeline passes. In fiscal 2009, we spent a total of US\$4.38 million in Azerbaijan, Georgia, and Turkey. We engage in discussions with state and local governments and NGOs to determine detailed measures for devising and implementing CIP Plans.



Scene of irrigation project in Georgia

Society

Donations and Sponsorship

We actively communicate with local communities in the hope of contributing to the development of the countries and regions in which we operate

Donation to Catholic School in Australia

INPEX Browse Ltd. donated 15,000 Australian dollars to the Djarindjin Lombadina Catholic School, located outside Broome, Western Australia, with approximately 70 aboriginal students (aged 6–17). The donation enabled the school to offer exchange programs with schools in Melbourne and Perth, run a vocational training program, and give students workplace experience.



Students in Djarindjin Lombadina Catholic School

Damage Relief Funds for Areas Struck by West Sumatra Padang Earthquake

On September 30, 2009, a massive earthquake struck off the coast of Padang in West Sumatra, Indonesia, killing and injuring an estimated 4,000 persons. Having operated in Indonesia for over 40 years, we donated US\$500,000 through the Indonesian Red Cross with the hope that the area would recover as quickly as possible. An additional ¥1 million in donations was collected via the Japan-Indonesia Association and the Indonesian government (Ministry of Mines and Energy). Our employees also made donations. All donations were contributed to the relief effort through the Indonesian Red Cross.



INPEX donation to Indonesian Red Cross

Sponsorship of Northern Territory Football Club

INPEX Browse is working to strengthen friendly ties with the communities in Northern Territory, Australia, by sponsoring the local Australian football club, NT Thunder. One objective of the NT Thunder is to inspire young Indigenous people to participate in sports, and it has trained and developed many aboriginal players.

Sponsorship of Australian City Marathon

A city marathon along Mindil Beach is held in Darwin, NT, Australia every year to coincide with Australia Day celebrations. A popular annual event, the marathon held in January 2010 attracted about 5,000 participants—the highest number ever—who walked 3km and 5km courses, or ran a full marathon. The events aim for participation by ordinary citizens and wins strong support every year. INPEX Browse supports this local city marathon as an event sponsor, thus assisting in community activities of the area's residents.



Volunteers at the marathon site

“Energy Security and the Environment” Endowed Course at University of Tokyo Graduate School of Public Policy

In April 2010, INPEX CORPORATION and the University of Tokyo Graduate School of Public Policy launched a three-year endowed course entitled “Energy Security and the Environment” with the aim of cultivating human resources with in-depth knowledge concerning the increasingly important fields of energy security and environmental issues.

This course will consist of lectures on energy and environmental policy and seminars to explore important global energy and environmental issues. An international symposium is also being considered.

Sponsorship of National Sports Festival and National Sports Festival for Disabled

We were an official supplier for the National Sports Festival and National Sports Festival for the Disabled held in Niigata. Approximately 200 employees volunteered to assist in festival management and individual events.



INPEX employees donned mascot costumes

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Third Party Comments / Response to Third Party Comments

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Third Party Comments on CSR Report 2010



Toshihiko Goto

Chief Executive
Sustainability Forum Japan

It is highly commendable that the President's commitment outlined in the preface covers the entire range of issues that face the INPEX Group as an integrated energy company. I think it would be even better if this commitment included an ultra long-term vision out to 2050. In any case, the greatest challenge for the Group is how to act on these issues.

The report discusses the Group's "Relationships with Stakeholders," but given that the Group is a resource development company, I think this list should include the natural or global environment as its biggest stakeholder.

The Group expects its employees to have high motive and moral values, and, as such, it provides a considerable amount of training. However, training for local employees, contract staff, and part-time staff in operating regions, however, does not stand out clearly. In particular, the report states the strengthening of contractors' HSE Management by Operating Organizations, but questions remain about whether or not the efforts are sufficient. More information from the Check and Act phases of the PDCA Cycle would be appreciated. This kind of training and HSE Management for Operational Organizations are extremely important from the standpoint of risk management for resource development. The energy industry is one where even the oil giant BP is subject to acquisition due to a single accident. INPEX should not become complacent. For that sake, I regard acquiring ISO 14001 and other management systems certifications to be also important. If the company has not considered this option, I strongly recommend it. I am confident that a check by experts would bolster the INPEX Group's HSE management capacity.

I felt there were a few discrepancies between the Corporate HSE Objectives and the President's commitment. For instance, as the world is gripped by the oil spill in the Gulf of Mexico, the Group's current safety initiatives do not come across in the document as being extremely advanced. In addition, I cannot clearly see how the Group is strengthening safety measures for new project development. Going forward, I consider that a demand for unprecedented safety measures in development will be inevitable.

The idea that to fulfill a company's businesses is its corporate social responsibility is correct in a way. But the leaders of the world have already pledged to halve CO₂ emissions by 2050. What will INPEX's mission be at that time? Therefore, as I mentioned above, the report should contain an ultra long-term vision and objectives. In this respect, I hope the Group will elaborate detailed and visible policies and initiatives for renewable energy.

The Group monitors CO₂ emissions with its environmental activities, but sooner or later the need will arise to confirm emissions stemming from international distribution. In addition, the Climate Disclosure Standard Board (CDSB) will publish templates in the near future. Both of these initiatives are expected to become mandatory, and I recommend that the Group research and implement them. The Group should not merely "explore possibilities" on its own for the effective use of separated CO₂, including the use of underground microbes and photocatalytic reactions. There are high expectations for the company to collaborate with industry and other entities to jointly research and successfully develop effective uses of CO₂.

I believe the key to global peace and security, the basis for the continuity of business, is to preserve and enhance cultural diversity. The Group is engaged in a wide array of activities, but is there a fundamental policy on which these are based? I would like the Group to make this policy visible together with a policy for benefits sharing with the regions where resources are extracted.

Response to Third Party Comments



Katsujiro Kida
Director,
Executive Vice President
in charge of CSR

I am grateful to Mr. Goto for his invaluable feedback concerning our *CSR Report*. We are in the business of providing energy, and our business is rooted in global resources. We are aware of our mission to provide a steady and efficient supply of energy while keeping the global environment in mind. We make every effort to ensure environmentally friendly and safe operations. In 2003 the Nagaoka Field Office obtained ISO 14001 certification, and we developed our HSE Management System as an extension of this. We have also striven to eliminate human error in an effort to prevent accidents and have conducted emergency response drills to prepare for the event of an accident.

We treat the formulation of an ultra long-term vision, the clarification of our CSR policy, and other points mentioned by Mr. Goto as important issues for the future of our business operations, and we will continue striving to be an integrated energy company that sustains society and the lifestyles of people.

INPEX CORPORATION

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

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