The goal of the INPEX Group is to “become an integrated energy company, which contributes to the community and makes it more livable and prosperous.” Accomplishing this goal will require our group to adhere to the highest ethical standards as a member of society while fostering a culture that prioritizes safety and environmental protection. To maintain a stable supply of energy, we need to operate on a global scale as we seek energy resources. As a result, we are dedicated to complying strictly with international standards of behavior as well as reinforcing a corporate culture that earns the respect of people anywhere in the world.

We have for many years placed emphasis on building a global-standard HSE management system and using this system for HSE activities. Guiding our HSE management system are our Health, Safety, and Environmental Policy established in 2006 and our HSE Management System Manual established in 2007. We have prepared highly practical manuals and guidelines that with regard to workplace safety and hygiene and protecting the environment. Furthermore, we created a framework based on this system that incorporates a PDCA cycle. I believe that activities over the past few years have further strengthened the corporate culture of always putting safety first. Despite this progress, our HSE performance is still inadequate in many ways in comparison with other companies that are members of the OGP\(^1\). Moreover, our performance is still not satisfactory with respect to the results of our quantitative key performance indicators (KPIs) for our overall HSE activities.

The medium-term outlook for our activities points to the need to move even faster to make our HSE programs more global. For example, these programs will be needed at LNG production facilities that use multi-national teams of workers. In the past fiscal year, we established the target of quickly raising our HSE competency to the same level as at IOCs (International Oil Companies). To enact the broad-based initiatives that are needed, we created the Second HSE Medium-term Plan, which covers the three-year period ending in March 2016. The plan has several central elements: HSE audits, HSE risk management, process safety management and prevention of major incidents. We have already taken several actions. We established the INPEX 7 Safety Rules; adopted the IFC Performance Standards\(^2\); started using the safety case approach; conducted coordinated emergency response drills with overseas sites; expanded HSE education and training; strictly enforced compliance with HSE requirements; reexamined HSE Risk Assessment Management Procedure; and hired HSE specialists.

These measures give us a sound base for continuing our rapid progress with HSE. Our operations are foreseen to become even more global. I believe that our duty is to create a workplace culture everywhere in the world that shares the “safety first” and “protecting the environment” mottos. The Second HSE Medium-term Plan is our blueprint for building the foundation for creating this type of culture.

We operate in many natural environments and have a diverse array of workplace environments. We must also reflect the interests of a broad range of stakeholders. We have a strong commitment to using HSE activities to earn the trust of the public in order to become an organization that is truly needed by all of our stakeholders.
HSE Management System Initiatives

- **Overview of the HSE Management System**

  We have an HSE management system with health, safety and environmental activities based on ISO 9000 and ISO 14001, occupational health and safety systems using OHSAS 18001 and the OHSMS guidelines, and the guidelines of the OGP. By using this framework, the entire group is constantly working on improving workplace health, safety and environmental activities such as watershed conservation and other activities.

  We have employed an Assess-Plan-Do-Check-Act (A-PDCA) cycle which begins with a risk assessment. The cycle is positioned as an important process in the structure of the HSE management system. In the A-PDCA cycle, “Assess” involves risk management and the establishment of legal and other requirements. “Plan” involves the drafting of HSE Plans and Emergency Response Plans, “Do” and “Check” involves the collection and analysis of HSE-related data as well as the HSE audit, and “Act” involves the management review. The process is an effort that is indispensable to ensure the continuous improvement of our HSE initiatives.

![A-PDCA cycle diagram]

**Source:** The Rules of INPEX HSE management system

---

**[Policy: Health, Safety and Environmental Policy of the INPEX Group]**

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

June 23, 2011
Toshiaki Kitamura
Representative Director, President & CEO
INPEX CORPORATION
Promotional Structure of the HSE Management System

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

HSE Training

We plan and implement annual HSE training programs in accordance with HSE competency guidelines in order to develop a more mature HSE culture and equip employees with competency to conduct HSE activities. In fiscal 2013, the headquarter conducted a total of 212 hours of education and training activities covering 28 subjects. Each program reflected the expertise and experience of the participants. In addition to these training programs, we have conducted HSE OJT’s directed at young engineers, incorporating knowledge in specific fields, in Geoje, South Korea and Oman. In fiscal 2013, six employees attended the HSE OJT beginner-level training and two employees attended the intermediate-level training, further raising the level of our HSE initiatives.

Operational Organizations inside and outside of Japan also provide training according to the needs of each project, such as training on operational safety, environmental management and emergency response. As raised in our Second HSE Medium-term Plan, we will further work to enhance HSE training in order to improve the HSE competency of our employees.
HSE Communication
We are working to vitalize internal communication in order to embed and raise awareness of HSE. In addition to the HSE Annual Meetings held since fiscal 2008 that gather all managers in charge of HSE at Japanese and overseas Operational Organizations, we also periodically hold H&S Managers Meetings attended by managers in charge of HSE at Operational Organizations. Compared to the HSE Annual Meetings, where managers exchange opinions with management and report on the development status of the HSE management system and bring up issues during implementation, H&S Managers Meetings provide an opportunity for managers involved at the practical level of HSE in the Operational Organizations to give presentations on the occupational safety and occupational health initiatives at their Operational Organization. They also discuss specific issues of matters such as contractor HSE management at the practical level. Further, since 2011, we have been holding Environmental Meetings for environmental managers. The Environmental Meetings are used to present environmental management initiatives by the Operational Organizations, and to share information and exchange opinions about the status of measures to prevent climate change. To strengthen the communication of the HSE Unit with the domestic and overseas project divisions, HSE Liaison Meetings are periodically held at the headquarters, sharing information on the HSE management systems and implementation status of HSE initiatives in the INPEX Group. The Gas Supply & Infrastructure Division started participating in these meetings in fiscal 2013 to further improve and expand communications involving HSE.

HSE Awards
We grant HSE awards for outstanding initiatives with the purpose of improving our performances and raising awareness of HSE. In fiscal 2013, one business unit and one employee received these awards. At the award ceremony, recipients presented a report of their activities to the President & CEO and other senior management officers, helping to improve employee motivation.

Assess

Risk Management
We use a consistent methodology for the assessment and management of HSE risk in accordance with the HSE Risk Assessment Procedure. Every Operational Organizations identifies hazards, evaluates risks, and then determines and implements ways to reduce risk. These activities are always part of the work these units are performing.

Plan/Do

HSE Objectives and Programs
We have established the Second HSE Medium-term Plan for the period 2013 to 2015. Our goal is to achieve the top HSE competency of the independent oil and gas companies. To make steady progress toward this goal, we established seven specific targets that cover items such as the HSE organization, HSE management system, process safety management, emergency response and environmental measures. We will continue to take the necessary actions while checking our progress every year. In fiscal 2013, there were six HSE objectives: Strengthen the companywide HSE competency; comply with HSEMS requirements; Thoroughly manage MAE (Major Accident Event) risks; reduce the number of incidents; Bolster emergency response and crisis management capabilities; Drive forward management of both GHG emission and environment in compliance with the IFC Performance Standards. We have confirmed compliance with HSE management system requirements and achieved goals involving process safety management, greenhouse gas emission management and other items. As some of our goals including HSE competency, reducing the number of incidents and other goals are yet unattained, we will continue to implement the measures needed to make more progress toward these goals in fiscal 2014.

Check/Act

HSE Audits and Management Reviews
We conduct HSE audits every two years at the corporate and Operational Organizations for the purpose of achieving continuous improvements in HSE performance. Audits cover HSE management systems, the operation of these systems and other activities involving HSE.

At the corporate level, there were HSE audits in fiscal 2013 for Domestic Project Division, Ichthys LNG Project, Abadi LNG Project and the Gas Supply & Infrastructure Division. The audits focused on priority items like “the status of HSE risk assessment management.” By identifying problems and areas that require attention, as well as activities that are going well, these audits contribute to the constant improvement of HSE activities.

Effectively measuring HSE management systems is also important. One way is by using HSE audits to check the status of the systems. In addition, the top executives at each corporate and Operational Organizations perform HSE management reviews to evaluate HSE activities during the past year. Results are reported to the headquarter and checked by the director in charge of HSE. As a result of performing these reviews we confirmed that there were no problems with our HSE management systems.
Basic Policy

The INPEX Group considers health management and promoting better health among our global employees to be critical to the execution of our business activities. We use various health and hygiene management approaches that match the conditions of each country and region to ensure that our employees can be physically and mentally healthy while they work. We use many activities to preserve and enhance the health of our employees.

All business sites of at least a certain size are assigned an industrial physician as prescribed by local laws or as otherwise required. We also employ a full-time public health nurse on site. Other measures include using a database for the centralized management and analysis of health checkup results, providing health guidance based on checkup results, counseling to prevent overwork, and periodically distributing information about health.

Measures to Improve Health Maintenance

In addition to the periodic physical examinations required by law, we provide checkups for lifestyle-related diseases for employees aged 30 or over and financially support complete physical examinations for employees aged 35 or over. Our reservation system also allows employees to choose their checkup or examination date, the medical institution, and optional tests depending on their circumstances.

Moreover, for influenza prevention, we provide employees assistance for flu vaccinations, and offer all employees the opportunity to get vaccinated at work.

For our employees working overseas, in addition to making health consultation services by an occupational nurse available, we provide physical examinations by partner medical institutions versed in health management for persons from abroad. We also provide preventive vaccinations suited for each host country or region. Internet health consultation services by professional institutions, information on medical institutions, and Japanese-language telephone counseling services are also made available. In addition, we have made it a rule to allow Japanese employees posted overseas to take a leave back to Japan for at least ten days a year, in order to receive and attain results of a physical examination. In the event of an emergency, a contracted emergency medical service company will arrange for our overseas employees to receive medical treatment, be transported, and brought back home.

Employees who are unable to work because of a health problem can take up to three and a half years off for treatment and recovery.

For employees who work under special circumstances, we conduct preliminary health impact assessments to prevent the working environment from harming their health. For example, for work in confined spaces, we identify risk factors such as measuring levels of oxygen or chemicals in the air and take preventive measures.

Mental Health Initiatives

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

In other efforts to provide better consultation services, we introduced an employee assistance program through which employees and their family members, whether they are in Japan or overseas, can take advantage of twenty-four hour counseling service provided by external professional counselors. The program has also provided mental health counseling for employees who returned from areas of conflict.

From 2010 we have conducted programs to support employees when they return to work after a mental health leave. Given the particular importance of close communication between the employee’s supervisor and the primary physician, health staff, and human resources staff during and after rehabilitation, we created a manual that prescribes what each party should do at each stage in the process.
**Comprehensive Process Safety Management**

The INPEX Group has produced Process Safety Management Procedure as part of our HSE management system to prevent fires, explosions, and large oil spill, and other major incidents and are working hard to implement it as the basis of our incident prevention program. The “process safety” refers to systems put in place to manage the soundness of operating systems and processes for handling dangerous substances that can be successfully implemented by means of appropriate planning, technical investigation, operation and maintenance. In the Process Safety Management Procedure, we specify crucial issues: process safety leadership; identifying and assessing risk; risk management; and review and improvement. The introduction of a safety case* is one of the most important challenges in process safety management. We set to work on these challenges across every area of activity within our Operational Organizations in fiscal 2013 and with the creation of safety cases for the excavation works in the Ichthys LNG Project and other areas, we aim to carry out our operations in the future on this basis. No major process safety event has occurred in fiscal 2013.

* Safety case: Assessing risks which can be identified in each phase of projects and implementing safety measures in order to reduce the risks, and the documents submitting to the regulatory agencies in order to demonstrate that the management system works properly.

---

**Process Safety Management Framework**
Aiming to Reduce Incidents

The INPEX Group is promoting various safety initiatives in order to reduce the number of incidents.

Specifically, we are implementing measures to reduce traffic accidents and promoting the Safety Training Observation Program (STOP) system. The HSE activities of each Operational Organization are based on the aim to achieve zero incidents.

Considering the incident rates of the entire Group including contractors in addition to our employees, activities were promoted to achieve the goal of zero incidents, Lost Time Injury Frequency (LTIF) and Total Recordable Injury Rate (TRIR) targets of 0.38 and 2.01, respectively, which are based on the safety index calculated by the OGP.*4

As a result, the LTIF in fiscal 2013 was 0.74 (a decrease of 0.03 points compared to fiscal 2012) and the TRIR was 4.05 (same as fiscal 2012). There were no fatal incidents. Except for the number of fatal incidents, none of the annual targets were met as the numbers were largely unchanged from the previous year. This is mainly due to the number of incidents from construction works such as Ichthys LNG Project and domestic pipeline projects. It is noteworthy that a number of construction projects, including the Ichthys LNG project and other domestic pipeline projects, are being launched. It will be necessary to reinforce field management and centralized contractor management once construction is fully underway.

When an incident or near miss*5 occurs, the relevant Operational Organizations create an incident report in accordance with our Corporate HSE Management System Procedure “Incident Reporting and Investigation,” which includes a summary of the incident, as well as the causes and measures to prevent recurrences. Reports are submitted to headquarters and are also reported to other Operational Organizations from there with the goal of preventing the same incident at other sites. Moreover, Safety Highlights, which contains information and quantitative data relating to recent incidents, is published every month in an effort to share information with employees.

Number of Work-related Incidents

<table>
<thead>
<tr>
<th>Type</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatalities</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Lost time injury</td>
<td>4</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Restricted workday</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Medical treatment</td>
<td>2</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

* Upper field: Employees, Lower field: Contractors

---

*1 STOP: Safety training observation program to prevent injuries
*2 LTIF: Rate of injuries resulting in fatalities or lost time per million working hours
*3 TRIR: Rate of recordable injuries (fatalities, lost time, restricted workdays, and medical treatment) per million working hours
*4 OGP: The International Association of Oil & Gas Producers
*5 Near miss: An unplanned event that did not result in injury, illness, or damage – but had the potential to do so
During emergencies, the headquarters and Operational Organizations of the INPEX Group coordinate their response.

In the event of a Level 3 emergency*, we mobilize the Corporate Crisis Management Team and responds to the emergency in accordance with the Corporate Emergency Response Procedure and the Corporate Emergency Response Manual.

The Corporate Crisis Management Team coordinates with the Operational Organization’s Emergency Response Team, which is established at the operational site where the emergency is occurring. The teams work together to collect external information, communicate with stakeholders in and outside the company, respond to events, obtain the resources needed to arrange medical treatment and shelter, ensure security, and take care of employees’ families.

Drills are conducted periodically so that we can respond quickly and appropriately to any emergency. Operational Organizations in Japan and overseas perform emergency response training on their own based on an annual plan. There is also periodic training in conjunction with the headquarters. Performing these drills allows us to confirm that there are no problems and identify areas that need improvements.

In fiscal 2013, Operational Organizations in Japan perform drills for responding to a major pipeline incident (ex. caused by a gas leak). Outside Japan, there was a drill on the Indonesian island of Batam for responding to a civil unrest. These activities verify that the initial on-site response to an incident can be performed with speed and efficiency. Another objective is to confirm the collection and the communication of information and to collaborate between different units to deal with a crisis. This encompasses the formation of an on-site emergency response team, the Operational Organization’s Emergency Response Team and the Corporate Crisis Management Team. After the drills, review meetings are held with the participation of all members to conduct an assessment and implement improvements for the next drill by exchanging ideas about how the response could be improved.

Further, in February 2014, we carried out a drill at the headquarters under the assumption of an earthquake directly hitting the Tokyo area. The drill included checking the safety of workers and visitors at the headquarters, dealing with injuries, externally communicating information, keeping employees from returning home, and other activities.

In recent years, there have been a spate of not only large-scale blowouts and oil spills at oil and natural gas development sites, but there have also been an increased frequency of small-scale spills from tanks and pipelines at production sites and refineries. These incidents are causing apprehensions about the adverse effects on water quality, soil, air, and other environmental issues as well as the safety and health of people in the surrounding area. By learning from these incidents, we are reinforcing all aspects of our capabilities for preventing oil and gas well incidents and for responding to emergencies.

For prevention, we establish manual and procedures for consistent well management. To contain a well, we are prepared for a malfunction of the sea floor blowout preventer (BOP) that is designed to switch on if a blowout occurs. In this event, we have an agreement with Wild Well Control, Inc., which supplies capping equipment. To be prepared for a large oil spill, we have a membership agreement with Oil Spill Response Limited (OSRL), the world’s largest provider of services for oil spills. In addition, we participate in OSRL conferences to constantly acquire new knowledge about oil spill response technologies and other actions. We are also committed to upgrading education and training programs for making our Operational Organizations better able to respond to spills.
The INPEX Group performs the HSE management at all projects in Japan and other countries based on our Health, Safety and Environmental Policy.

Safety Management of Contractors

Implementing and following HSE management systems is vital to making our workers and everyone else at project sites, including personnel at contractors, more aware of the importance of safety management. When selecting a contractor, we assess the HSE risk of the work we outsource to the contractor, identify the requirements for responding appropriately and clearly specify them in the tender documents. This is done in accordance with the Corporate Procedure for Contractor’s HSE Management, which is a part of our HSE management system. Each contractor is required to include HSE management methods, information about their history of incidents and other relevant information in the proposal. We check this information thoroughly as a part of the selection process. Contractors that we select are companies that strengthen their HSE communications by attending process meetings, construction procedure meetings, preliminary meetings and other meetings. Contractors must also meet all other requirements. For instance, companies need to have a proper HSE plan for performing their work and be prepared to submit a report, perform an investigation and enact preventive measures if there is an incident. There are also requirements concerning HSE audits and other activities.

HSE Activities at Major INPEX Projects

1. Ichthys LNG Project
INPEX Australia has successfully implemented a strategic communication approach with contractors to build a positive safety culture. The Ichthys LNG Project has held a series of HSE forums, involving CEOs and senior management from the Project’s Engineering, Procurement and Construction (EPC) contractors and subcontractors. At the forums, HSE initiatives were shared, alignment workshops held, site visits undertaken and the role of Project leaders in creating a positive HSE environment discussed.

In April 2013, a second EPC contractor forum was held in Perth. Participants supported the theme of “HSE is Borderless” by developing work plans for the year. A second Ichthys HSE CEO forum was held in Korea in November 2013. Twenty-nine CEOs from the Project’s main contracting companies participated.

In March 2014, an Offshore and Well Construction and Integrity EPC contractor HSE workshop was held in Perth attracting more than 170 participants supporting the
theme, “Are We Ready?”. A 2014 Offshore HSE Award presentation was also conducted, recognizing outstanding contributions to HSE.

2. Suriname Project
In fiscal 2013, a 3D seismic survey was operated as part of the Suriname Project. Before and throughout the seismic operation, we required and then undertook a thorough auditing program. The vessels engaged in the operation received HSE audits before the operation began. During the operation, risks associated with the seismic operations and measures to minimize the risks were reported once a week per vessel and the status of operations was thoroughly checked by the contractor’s HSE managers in charge. The result of these measures was that in the seismic operations for approximately three months, work was successfully done without a single lost time injury.

Risk assessments, and assessments of new risks throughout the project life cycle are managed by HSE engineers in the field. INPEX also leads weekly HSE meetings where attendance is required for all project contractors as necessary.

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

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

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

4. Projects in Japan
Safety first is always a priority at projects in Japan. These projects encompass a diverse array of activities that include oil and gas fields, the Naoetsu LNG Terminal, and the construction and operation of natural gas pipelines.

The INPEX Group member Teiseki Pipeline Co., Ltd. performs safety patrols for safety management of its entire pipeline network at least three times each week. Verification of pipeline integrity also includes periodic inspections for leaks, corrosion and other problems. Additionally, the company has a 24 hour surveillance system monitoring the pipeline operating status. Moreover, emergency patrols are sent when there is rainfall of more than 140mm in one day or an earthquake with tremors above a seismic intensity of 4.

At the Kashiwazaki Workshop in Niigata prefecture, engaging in drilling, maintenance and management of production facilities conducts risk simulation training for younger employees. Discussion-based learning to share experiences of skilled veteran employees with others is one facet of the risk simulation training. Another purpose is to enable participants to safely experience a variety of problems such as getting caught in rotating equipment, receiving heavy objects, electric shocks, and being suspended by a safety belt. Tests for pressure resistance and air seals are also compared. These lessons allow workers to more directly sense potential dangers in the workplace, thereby preventing incidents.
Basic Policy

The INPEX Group defines product quality as ensuring safety at every stage of the process from production to supplying our customers and end users. We comply with all applicable laws and regulations governing our activity and closely adhere to our own Corporate Social Responsibility Principles. We make every effort to ensure that quality management is maintained through the coordination between all of our departments.

Moreover, we conduct regular quality checks on our products and use this data and safety information to provide our customers with the appropriate information that they require.

Quality Control of Oil and Natural Gas Products

We conduct initiatives for ensuring safety at each stage of production, transportation, and supply, based on product and safety standards in conformance with related laws and regulations.

Initiatives for Ensuring Safety in the Product Life Cycle (Domestic)

<table>
<thead>
<tr>
<th></th>
<th>Natural Gas</th>
<th>Petroleum</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Production, Receiving</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comply with all applicable laws and regulations</td>
<td>Conduct the following at the Naoetsu Oil Terminal;</td>
<td>Conduct the following at the Naoetsu Oil Terminal;</td>
</tr>
<tr>
<td>Monitor the concentration of trace substances such as sulfur and mercury</td>
<td>Comply with all applicable laws and regulations</td>
<td>Establish a safety management system to thoroughly prevent accidents such as leaks and immixture.</td>
</tr>
<tr>
<td>Establish a safety management system to thoroughly prevent accidents such as leaks and immixture.</td>
<td>Establish a safety management system to thoroughly prevent accidents such as leaks and immixture.</td>
<td></td>
</tr>
<tr>
<td><strong>Storage</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conduct the followings at the Sekihara underground storage gas field</td>
<td>Conduct the followings at the Naoetsu Oil Terminal;</td>
<td>Quality management of stored products</td>
</tr>
<tr>
<td>Ensure gas supply capacity for emergencies and/or during limited supply availability</td>
<td>Ensure gas supply capacity for emergencies and/or during limited supply availability</td>
<td></td>
</tr>
<tr>
<td>Prevent leakage of stored gas from the monitoring well</td>
<td>Establish a safety management system to thoroughly prevent accidents such as leaks and immixture.</td>
<td></td>
</tr>
<tr>
<td><strong>Transportation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conduct periodical patrols</td>
<td>Share information regarding safe transportation and accumulate knowledge for safe operations (actively participating in cargo safety conferences)</td>
<td></td>
</tr>
<tr>
<td>Conduct periodical disaster training</td>
<td>Prepare accident prevention manuals and familiarize the persons responsible for transportation</td>
<td></td>
</tr>
<tr>
<td><strong>Supply, Sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conduct regular disaster training</td>
<td>Conduct sample analysis on shipments</td>
<td></td>
</tr>
<tr>
<td>Set up with other product suppliers mutual natural gas interchanges</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>End Usage</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clearly specify the information on hazardous and toxicity, ingredients, and treatment by issuing SDS</td>
<td>Clearly specify the information on hazardous and toxicity, ingredients, and treatment by issuing SDS</td>
<td></td>
</tr>
</tbody>
</table>

*1 Concentration of Benzene in the Nagaoka sales gas (for its own use) was 849mg/Nm³ (the average in fiscal 2013). Neither lead nor sulfur were detected (analyzed in FY2001)

*2 Mutual natural gas interchanges: We joined with Tokyo Gas Co., Ltd. and Shizuoka Gas Co., Ltd. in organizing a setup for mutual interchange of natural gas. Under this setup, the three companies will supply each other with natural gas through the pipelines already linking them in the event of disruption of the supply of natural gas from any one of them due to occurrence of natural disasters or other major accidents at their LNG terminals, pipelines, or other gas supply facilities.

*3 SDS: A document that contains information needed for the safe handling of products that contain certain chemical substances.
Biodiversity Conservation

Basic Policy

The INPEX Group strives to conserve biodiversity based on the IFC Performance Standards* in order to make our business compatible with surrounding environments.

We conduct Environmental Impact Assessments (EIA) for exploration, development and production activities at each major project. Furthermore, we strive to minimize the impact of the project on the ecosystem by taking actions based on the EIA results. In addition, we perform periodic reviews of ecosystem protection programs and continue to implement numerous measures that reflect the importance of biodiversity.

Biodiversity Conservation Activities at Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ichthys LNG Project</td>
<td>Environmental monitoring program of Darwin Harbor and the surrounding area</td>
</tr>
<tr>
<td></td>
<td>- Various baseline surveys including water quality, mangrove, coral and fish health and dolphin, turtle and dugong distribution were conducted to examine characteristics of the harbor environment before the start of dredging. Detailed marine monitoring programs were then undertaken during and after dredging, to monitor and manage potential reactions by Darwin Harbor’s marine ecosystem to dredging activities.</td>
</tr>
<tr>
<td></td>
<td>- During dredging activities, devices were installed on dredging vessels to warn turtles before approaching. Trained observers were on board the dredging vessels to ensure that there are no marine animals such as dolphins within safety zones.</td>
</tr>
<tr>
<td>Abadi LNG Project</td>
<td>Activities at the project site and surrounding area</td>
</tr>
<tr>
<td></td>
<td>- Field surveys to minimize the environmental impact of the project on the regional ecosystem</td>
</tr>
<tr>
<td>Projects in Japan</td>
<td>Activities involving the construction of the Toyama Line in Japan, mainly in mountainous areas</td>
</tr>
<tr>
<td></td>
<td>- Environmental impact assessments covering about 18.6km² for birds of prey and a region of about 24km for other animals and plants</td>
</tr>
<tr>
<td></td>
<td>- Relocation of rare plants found at tunnel construction sites</td>
</tr>
<tr>
<td></td>
<td>- Monitoring rare fish and other animals and conducting water quality surveys in rivers that receive water outflows from tunnels</td>
</tr>
<tr>
<td></td>
<td>- Plants and animals identified during the survey that are listed on the “Red List” of the Japanese Ministry of the Environment</td>
</tr>
<tr>
<td></td>
<td>Birds of prey: 5 species Fish: 2 species Plants: 1 species</td>
</tr>
</tbody>
</table>

*IFC Performance Standards: Performance standards on social and environmental sustainability established by the International Finance Corporation (IFC)
Basic Policy

The INPEX Group observes the environmental regulations of all countries in which we operate.

In our operations in Japan, we are working to reduce our environmental impact by complying with environmental regulations such as the Soil Contamination Countermeasures Act, the Air Pollution Control Act, and the Water Quality Pollution Control Act. We also establish and comply with our own internal standards. From the early Front-End Engineering and Design stage of our exploration projects and new businesses in Japan and overseas, we comply with the laws of the operating countries and apply the IFC Performance Standards. These standards are widely recognized as global standards for assessing and managing environmental and social risks and impacts. In Japan, we conducted surveys to determine the gap between these standards and the actual situation of our operating facilities. For the gaps revealed by these surveys, we formulated plans for improvement and are taking relevant measures. We did not violate any environmental laws or regulations during fiscal 2013.

Emissions of NOx and SOx (Domestic and Overseas)
Preventing Air Pollution

We are striving to quantify and reduce our atmospheric emissions of SOx, NOx, and VOCs (volatile organic compounds) from each of our domestic and overseas operations. In our domestic operations, we continue to reduce SOx and NOx emissions in accordance with the Air Pollution Control Act. We also continue to reduce VOC emissions by participating in initiatives launched by the Japanese government. VOCs include substances such as benzene, toluene and xylene (BTX) and n-hexane contained in fossil fuels such as crude oil, natural gas, and other fossil fuels. These substances are mainly emitted with natural gas emissions and from the loading and unloading process of crude oil tanker trucks and tankers. In fiscal 2013, the volume of VOC emissions increased 360 tons than the fiscal 2012 in response to a trial operation of the Naoetsu LNG Terminal.

Management of Chemical Substances

We control our use of chemical substances by managing and reporting our emissions in accordance with the laws of the operating countries. Pursuant to Japan’s Pollutant Release and Transfer Register (PRTR) Law we report the volume of specified chemical substances emitted, including the amount of benzene, toluene and xylene contained in crude oil and condensate that is released into the air, the amount of n-hexane contained in fuels such as kerosene and gasoline released into the air, and the amount of boron compounds in well water released into waterways.

VOC Emissions (Domestic and Overseas)

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

*3 Well water: Water generated from the earth due to natural gas, etc.
Efficient Use of Water Resources

The volume of wastewater emissions into public water zones increased greatly in fiscal 2013. This was due to the start of operations at the Naetsu LNG Terminal and the heating of large volumes of seawater to vaporize LNG. The water quality of the seawater used in this process was not altered and was returned directly to the sea unaltered.

In our operating plants in Japan, mostly tap water and groundwater is used for cooling during plant operation. In addition to water used at power plants, we use groundwater for circulating mud fluid during well drilling, and to melt snow during the winter.

To reduce the volume of water use, we use a coolant in its circulatory systems, and introduced automatic shutoff equipment operated by sensors in our snow-melting irrigation facilities.

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

Preventing Water Pollution

In our domestic and overseas businesses, we manage wastewater in line with the environmental regulations of the countries where we operate.

When the crude oil and natural gas that we produce contains formation water, we separate and collect it at our production facilities. At our production facilities, we dispose of wastewater in line with the effluent standards of Biological Oxygen Demand (BOD*4) and Chemical Oxygen Demand (COD*5) and other standards set by each country where we operate. For example, when disposing well water, we reduce concentrations to below the regulatory standards at our well water treatment facility before it is released into rivers.

The seawater used for cooling and heating at offshore rigs and in LNG terminals is released directly back into the sea in a way that limits impacts on marine ecosystem as much as possible, by properly controlling the temperature and water quality.

Measures to Prevent Soil Contamination

In our domestic operations, we do not use any of the organic substances specified in the Law on Measures to Prevent Soil Contamination. But the crude oil that we produce contains benzene, which is regulated by this law. There are also trace quantities of heavy metals in the muddy wastewater that we discharge from our drilling activities. Consequently, to comply with the underlying principle of this law in our operations in Japan, we are voluntarily implementing surveys and countermeasures for soil contamination. Moreover, the Ministry of the Environment regards practice safety and environmental protection in operations.
oil pollution as having a serious impact on the soil environment so we are implementing measures to assess and deal with oil pollution in accordance with their oil pollution guidelines.

**Waste Management**

Our waste management is compliant with the IFC Performance Standards.

We 1) reduce waste generation, 2) reuse all reusable resources, 3) recycle, and 4) recover heat to limit natural resource consumption and reduce our environmental burden as much as possible.

When our business operations generate reusable resources which are difficult to reuse for our company, we contract waste treatment to a contractor specialized in industrial waste treatment, to make sure it is properly treated. As a result, more than 75 percent of the waste we generate is recycled for our domestic and overseas businesses.

The volume of waste generated by pipeline works increased in fiscal 2013, and accounted for more than half the total volume of waste generated by the Group. More than 90% of the waste generated was recycled. There was a particularly large increase in the volume of waste generated by activities related to the construction of overseas plants in fiscal 2013. This volume is accounted for 20% of waste generated across the whole Group.

In Japan, we are monitoring contractors to see that they are properly executing the treatment of the waste which we outsourced.

**Management of specified CFCs**

At operating facilities in Japan, a specific type of CFC (HCFC-22), which is one of the substances that damages the ozone layer, is used as a refrigerant. As the Montreal Protocol calls for the use of this substance to be completely abandoned by 2020, we are now gradually replacing it with alternative substances. We plan to continue reducing the use of this substance. Moreover, even in cases where this specific type of CFC continues to be used, more stringent measures to control leakage from equipment and pipes are being implemented.

**Proper Management and Treatment of PCB Waste**

By fiscal 2005, we completely stopped using fluorescent lights, condensers and other alternatives containing PCB in Japan by gradually substituting them. This was in response to the more stringent restrictions from the introduction of the Law Concerning Special Measures Against PCB Waste.

Regarding PCB waste, we already completed the disposal procedures in response to the legal obligation for disposal of PCB waste by July 2016. Furthermore, we also submitted annual waste management reports in accordance with the stipulations of the Law Concerning Special Measures Against PCB Waste to the local government responsible for its administration. In February 2013, we completed the outsourcing of treatment and disposal of 10 high-pressure condensers stored at our Niigata District Office in Japan.

By fiscal 2009, we completed the disposal of 3,199 tons of PCB waste.