Company Overview

Company Name: INPEX CORPORATION
Established: April 3, 2006
Capital: 30 billion yen
Head Office: Akasaka Biz Tower 31st to 34th floors, 5-3-1 Akasaka, Minato-ku, Tokyo 107-6332 Japan
Telephone: +81-3-5572-0200
Fiscal Year End: March 31
Main Businesses: Research, exploration, development, production and sales of oil, natural gas and other mineral resources, other related businesses and investment and lending to the companies engaged in these activities, etc.

Financial Information

<table>
<thead>
<tr>
<th>Fiscal Years</th>
<th>The former INPEX CORPORATION</th>
<th>The current INPEX CORPORATION</th>
<th>The former Teikoku Oil Co., Ltd.</th>
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<td>2008</td>
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<td>2008</td>
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We are committed to playing our role in supporting the sustainable development of society through a stable and efficient supply of energy

Editorial Policy

Let us update you on the activities that the INPEX Group undertakes for its diverse stakeholders under our themes of corporate social responsibility (CSR) built around the health, safety and environment (HSE) framework.

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

A third-party reviewer of the CSR Report 2008 commented, “the Group, with its many ongoing projects around the world, (should) provide a more detailed report on its challenges and initiatives for CSR outside Japan, as well as on environmental performance data for overseas projects. ... the Group (should also) consider using its website more effectively to complement the printed Report.” We have incorporated those ideas into the CSR Report 2009 under the following new editorial policy.

1. To discuss a host of stakeholder-relations programs and activities initiated under each theme of CSR, in addition to activities directly related to HSE.
2. To add a feature story section in which to discuss our activities to maintain and promote sound community relations in oil- and gas-producing areas.
3. To discuss significant CSR activities in this report and post others in our website along with environmental performance data compiled in overseas project sites.

Scope of Reporting and Data Compilation

• INPEX CORPORATION and its 54 consolidated subsidiaries.
• Environmental performance data for the Group’s domestic operations published in this report are a compilation of data from the Company’s Domestic Project Division, Teiseki Pipeline Co., Ltd., and Teiseki Topping Plant Co., Ltd., and 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 24, 25, 34 and 35 of this report are a compilation of data from Gas Guarico, S.A., West Bakr Petroleum Co., INPEX Masela, Ltd., INPEX Browse, Ltd., INPEX Libya, Ltd., and Teikoku Oil Libya U.K. Ltd.
• The Company’s Domestic Project Division and Offshore Iwaki Petroleum Co., Ltd. have signed on to the program to reduce greenhouse gas emissions called for by Keidanren Voluntary Action Plan on the Environment. (Greenhouse gases emitted during a decarbonation process at the Minami Nagaoka Gas Field not included.)
• The Company’s Domestic Project Division, Teiseki Pipeline Co., Ltd., and Offshore Iwaki Petroleum Co., Ltd. participate in the program to reduce...
### Table of Contents

- **A Message from the President**  
- **Corporate Mission, CSR Policy and Code of Conduct**  
- **Our Themes of CSR and Stakeholders**  
- **Business Activities**  
- **Corporate Governance**  
- **Compliance**  

### Feature Story

**Maintaining and Promoting Sound Community Relations in Oil- and Gas-producing Countries**

1. **Activity 1:** Cultural Exchanges to Deepen Mutual Understanding between Japan and Host Countries
2. **Activity 2:** Social and Economic Improvement Projects for Communities
3. **Activity 3:** Community Relations Programs
4. **Activity 4:** Keeping Stakeholders Informed of our Business

### Fulfilling Commitments with Diverse Stakeholders

- **Health, Safety and Environment (HSE)**
  - A Message from the Representative Director in Charge of HSE
  - HSE Management System
  - Corporate HSE Objectives
  - Environment
    - Environmental Impact Resulting from our Business Activities in 2008
    - Preventive Measures against Global Warming
    - Reducing Waste and Preventing Soil Contamination
    - Conserving Biodiversity
    - Controlling Chemical Emissions
    - Research and Development for Reducing Environmental Loads
  - Safety
    - Ensuring Operational Safety
    - Emergency Response System
  - Health
    - Employee Health Management
  - Human Resources Management
- **Product Safety**
- **Improving Supply System and Customer Service**
- **Fair Trade**
- **Community Support**
  - Economic Assistance
  - Social Action Programs
- **Information Disclosure**
- **Donations and Sponsorship**

### Third-Party Comment

- **List of Indicators Based on GRI G3 Guidelines**

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**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.
A Message from the President

We enrich society with a stable and efficient supply of energy

INPEX Group is committed to fulfilling its role in supporting the sustainable development of society

INPEX Holdings Inc. merged with INPEX CORPORATION and Teikoku Oil Co., Ltd. to become the new INPEX CORPORATION on October 1, 2008. With this merger, we have consolidated corporate headquarters functions and fully integrated the organizational structure to facilitate more efficient and flexible management of the company.

The INPEX Group has a mission to provide customers with a stable and efficient supply of energy sources—primarily oil and natural gas—so as to bring a better quality of life to society. In carrying out this mission in 74 projects in 26 countries (as of June 30, 2009), we firmly believe in demonstrating a sense of ethics, giving highest priority to safety and environmental preservation in operations, and contributing to the communities where we operate. Accordingly, we play our role as a good corporate citizen in continuing a close dialogue with diverse stakeholders and supporting the sustainable development of society. This, we believe, is what CSR is all about.

Helping to tackle global warming is our responsibility as an E&P company

As the Intergovernmental Panel on Climate Change (IPCC) has reported, global warming has become a formidable challenge that all of mankind must work together to take up. The 15th Conference of Parties (COP15) to the United Nations Framework Convention on Climate Change is scheduled to be held in Copenhagen in December 2009 to establish a new global climate agreement for the period beyond 2012 when the Kyoto Protocol expires. In June 2009, the Japanese government announced its medium-term goal of reducing domestic greenhouse gas (GHG) emissions by 15% by 2020 below the 2005 level. There will be accelerated efforts in the international community to establish a framework for achieving a low-carbon society.
The INPEX Group adopts rigorous pro-environmental policies and practices in the E&P business, while attempting to improve productivity at project sites so as to emit fewer GHGs. We will also commit greater resources to developing natural gas—a clean energy source that generates less CO₂ when burned than oil does. In addition, we are stepping up our engineering efforts to implement carbon capture and storage—an approach endorsed by the IPCC to reduce CO₂ emissions—and to generate methane using microbes found in depleted oil fields.

**Going forward with three strategies**

When the new, fully integrated INPEX CORPORATION became operational in October 2008, the Group established three strategies. They are: (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.

First, in our core business of developing oil and natural gas, we will work more closely with other leading players in the international arena to maintain or increase our recoverable reserves of oil and natural gas to secure primary energy sources. Second, we will set up an efficient natural gas supply chain that links gas sources inside and outside Japan to the domestic market with LNG receiving terminals and an expanded pipeline network. We will also diversify the natural gas business to attract more customers to this clean energy source. Third, we will strive to become a company that offers customers a broader range of energy; in an effort to make a low-carbon society a reality, we will continue to assess the commercial viability of making new application of conventional hydrocarbon fuels, such as GTL (gas-to-liquids) processing and DME (dimethyl-ether) processing, and commercial viability of alternative and renewable energy sources.

With this three strategies as a guiding framework, we will fulfill our mission to provide customers with a stable and efficient supply of energy so as to bring a better quality of life to society, thus fulfilling our role in supporting the sustainable development of society.

**Ensuring that every officer and employee is aligned to the CSR cause**

In April 2006, we established the Mission, which states where the Group is going and what role the Group will play in social development, and the CSR Policy, which promotes CSR initiatives and reaffirms the Group’s commitment to them, both intended to lay the solid groundwork for the group-wide CSR initiatives. When the new INPEX CORPORATION became operational in October 2008, we completely updated the Compliance Manual, in which the Code of Conduct discusses how every officer and employee of the Group should perform ethically on a daily basis. We ensure that all officers and employees fully understand what the Mission, the CSR Policy and the Code of Conduct represent. In addition, we have incorporated into the new employee assessment system the value evaluation criteria to appraise an employee’s behavior and attitude toward the values in which the Company believes in support of the sustainable development of society; the criteria state that every one of our employees has an obligation to uphold strong business ethics and to have high moral standards as a member of a company that serves society. These are all intended to foster greater awareness and appreciation of the CSR cause among all officers and employees.

In this report, we have selected subject matters of greater significance for inclusion so as to give you a comprehensive snapshot of our CSR initiatives and activities. To complement the printed report, we have posted on our website additional reports that discuss our CSR activities outside Japan and provide more detailed information and statistics. We hope that you find the printed and online reports informative and we also appreciate your feedback and comments.

Thank you.
Corporate Mission, CSR Policy and Code of Conduct

We play an active role in supporting the sustainable development of society, as our Corporate Mission and CSR Policy proclaim.

Upon the merger of INPEX CORPORATION and Teikoku Oil Co., Ltd., the INPEX Group newly formulated the Corporate Mission, CSR Policy, and Code of Conduct.

Our Corporate Mission reflects our objective of playing an active role in social development; the CSR Policy directs our CSR initiatives and reaffirms our commitment to promoting them; and the Code of Conduct discusses 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 the customers by exploring and developing oil and natural gas resources throughout the world. Through its business, we aim to become an integrated energy company, which contributes to 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
We conduct our business activities always with our stakeholders in mind

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 who are directly or indirectly associated with our business. We are engaged in a host of stakeholder-relations programs built around the HSE framework.

Visit our website for details of our CSR activities.
http://www.inpex.co.jp/english/csr/

CSR and Stakeholders Themes

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Business Activities

We are engaged in the energy-supply business on a global basis, ranging from the acquisition of license blocks to the sale of products.

### Acquisition of License Blocks

**Activities**
- Collect extensive information on areas likely to contain oil and natural gas
- Conduct preliminary technical evaluations of the areas using documented materials publicly and commercially available, followed by an assessment of the legislative, political and economic stability and site requirements of the areas
- Apply and bid for concession rights and/or working interest
- Conclude contracts for the licensed blocks

**Initiatives for Stakeholder Relations**
- Enforce anti-bribery and corruption policies
- Respect human rights
- Preserve the ecosystem
- Nurture human resources
- Help develop social infrastructure
- Help develop industries

### Exploration and Evaluation

**Activities**
- Collect information on potential subsurface accumulations of oil and natural gas using terrestrial geological surveys, aerial photographs, satellite images, and other data
- Conduct geophysical surveys, including gravity, magnetic, and seismic surveys, to extract prospects of oil and natural gas accumulations
- Determine locations of exploration wells at the prospects, and drill wells to confirm the existence of oil and natural gas fields
- Drill delineation wells to evaluate the extent of the detected oil and natural gas fields
- Analyze subsurface information to confirm the lateral continuity of oil and gas reservoirs and to estimate reserves
- Determine the commercial viability of developing the fields

**Initiatives for Stakeholder Relations**
- Manage health and safety practices
- Preserve the ecosystem
- Protect local cultural heritage
- Ensure compliance with laws and regulations
- Respect human rights
- Respect local cultures and customs
- Help develop industries

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Map of INPEX’s Business Activities around the world.
Copa Macoya Block

Activities
- Devise development plans for oil and natural gas fields
- Drill production wells to commercially recover oil and natural gas
- Construct processing facilities to separate gas and liquid and to filter out impurities, as well as loading terminals for oil and natural gas
- Produce oil and natural gas

Initiatives for Stakeholder Relations
- Keep local communities informed of the projects
- Reduce environmental loads
- Protect local cultural heritage
- Secure a stable supply of oil and natural gas
- Help develop local economy
- Ensure compliance with laws and regulations
- Respect local cultures and customs
- Conduct fair purchasing practices with suppliers

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

Refining, Shipment and Sales

Activities
- Crude Oil
  - Crude oil produced in Japan is transported by tanker trucks to our refineries, where it is refined into petroleum products such as gasoline, naphtha, kerosene, light oil, heavy oil and liquefied petroleum gas (composed mostly of propane and butane), which are then sold and shipped to customers on oil tankers and tanker trucks
  - Crude oil produced outside Japan is sold and shipped on 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 manufacturing of chemical products
  - Swap crude oil with other international oil companies to meet customer needs

- Natural Gas
  - Domestic natural gas is sold to gas companies and large factories via pipelines
  - Natural gas produced outside Japan is sold either to power and gas companies primarily in Japan as liquefied natural gas (LNG, composed mostly of methane) and LPG, or 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 the domestic gas pipeline network as part of a gas supply chain

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E&P projects undertaken by INPEX Group companies and equity-method affiliates
We spare no effort to enhance corporate governance so as to maintain greater management efficiency and soundness

Overview of Our Corporate Governance

At INPEX CORPORATION (hereinafter referred to as “the Company”), the Board of Directors meets once a month or as needed, to review and make decisions on the execution of important business operations, and to oversee the directors’ execution of their duties. In addition, we hold a Management Committee meeting once a week or more to facilitate decision-making on matters that are not subject to the approval of the Board of Directors, and to submit proposals and recommendations to the board for review and approval. Furthermore, we established the Executive Officer System on October 1, 2008, to make the management structure more flexible and efficient so as to better deal with a rapidly changing business environment and the expanding business domain.

We employ a statutory auditor system under which statutory auditors attend board meetings and the Management Committee sessions, interview relevant divisions and request reports. They are also responsible for auditing the directors’ execution of their duties in day-to-day operations and individual projects. Three of the five statutory auditors are chosen from outside the Company for their wealth of experience and knowledge in both the E&P business and finance.

We have the Internal Audit Unit in place, which is independent of our business divisions and reports directly to the President to ensure the appropriateness and efficiency of business activities. The Unit reviews and evaluates the status of management bodies and the efficiency in business operations, identifies problems areas, submits reports to management, and performs follow-up audits to ensure continuous improvements. The unit also consults with independent auditors and statutory auditors in a timely manner to ensure sound management.

We have selected Ernst & Young ShinNihon LLC as our independent accounting auditor.

Corporate Governance Structure

We have established the Internal Control Promotion Committee, the task of which is to determine the scope and processes subject to internal control assessment, and establish entity-wide controls, process-level controls and IT controls over financial reporting. At the end of fiscal 2009, we are scheduled to assess the internal control system currently in place and submit the findings along with a financial report to the financial authorities.

Internal Control System

The exposure of accounting fraud and other improper practices committed by corporations has made it a pressing issue to ensure the reliability of corporate financial reporting. One such measure is the internal control reporting system mandated by the Financial Instruments and Exchange Act in April 2008. The system requires the management of a corporation to assess the effectiveness of internal controls over its financial reporting and submit an internal control report on the findings.

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We ensure that every employee maintains regulatory compliance and adheres to high standards of ethical conduct and business practices, so as to continue to earn the trust of society

Compliance Policy and System

In April 2006, immediately after the establishment of the former INPEX Holdings Inc., we formed the Compliance Committee, which is tasked with reviewing the Group's basic policy and issues concerning compliance, as well as monitoring and managing the implementation of compliance practices, so as to ensure consistency in compliance throughout the Group.

The Committee also works with statutory auditors, the Board of Statutory Auditors, independent auditors and the 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.

The former INPEX CORPORATION and Teikoku Oil both had compiled compliance manuals on important matters that needed to be addressed, such as the handling of company information and assets, fair trade practices, safe and secure workplace environment that values occupational safety and a high work ethic; and made the manuals available to all officers and employees.

Upon the merger of the two companies in October 2008, we released a new compliance manual that incorporates the best features of the manuals of both companies. This is intended to ensure that all employees understand that compliance is indispensable to securing the long-term continuity of the company and is at the foundation of our business activities. Our employees are also expected to renew their commitment to follow compliance practices.

The new compliance manual discusses the Group's Mission, Corporate Social Responsibility Policy, an overview of the Compliance Committee, the Code of Conduct, and examples of compliance practices. A separate compliance FAQ document provides a number of case studies.

We have distributed copies of this manual to all of our officers and employees, and post revisions on a company bulletin board to keep them updated.

Help-Line System

We established the Help-Line System for our officers and employees in April 2006, when the Whistle-blowers Protection Act became effective.

We have also devised our Help-Line Procedures to implement a fraud-reporting protocol that includes mandatory reporting of fraud or unethical conduct, fact-finding procedures, protection of whistle-blowers, and confidentiality of reporting. Fraud reports are submitted to a department in charge of compliance (the General Administration Unit) or an external expert designated by the Compliance Committee. When the latter receives a fraud 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.

A Case of Noncompliance

In April 2008, a PC owned by one of our employees became infected with a virus and data on it was disclosed over the internet through the file-sharing software “Share.” Most of the information was from internal memos and no confidential information was disclosed. However, as a few documents related to our subcontractors were among the disclosed information, we told the concerned parties what had happened, and took urgent measures to prevent the spread of the disclosed information. After this incident occurred, we reemphasized the importance of protecting the integrity of information assets throughout the Group and implemented a stricter procedure on allowing employees to take business information outside the company to prevent a recurrence of accidental information disclosure.
It is critically important for an E&P company to maintain good community relations in resource-producing countries. We are engaged in a wide range of programs and activities to build and maintain positive community relations in the oil- and gas-producing countries in which we operate. In this feature story, we outline what we accomplished through four types of activities in fiscal 2008.

For more information, please visit our website.
http://www.inpex.co.jp/english/csr/
We would like to help the young people of Abu Dhabi learn more about Japan.

Nobuo Hara
Marketing Supply Manager
Abu Dhabi Regional Office
Japan Oil Development Co., Ltd.

While many people in Abu Dhabi speak favorably of Japan, it is important in the long run to continue to offer the country’s young people opportunities, such as this tea ceremony, to learn more about Japan and Japanese culture. Graciously, the Crown Prince wishes that the art of tea will come to stay in Abu Dhabi, and that more tea ceremonies will be held. In this context, we need to know what exactly Abu Dhabi is looking for and determine what we can do about it.

Nobuo Hara
Marketing Supply Manager
Abu Dhabi Regional Office
Japan Oil Development Co., Ltd.

A Taste of the Japanese Art of Tea Offered in Abu Dhabi

The Crown Prince of Abu Dhabi, Government Officials and Students Invited to a Tea Ceremony

In October 2008, we sponsored a traditional tea ceremony in Abu Dhabi hosted by Urasenke—a prominent school of the Japanese art of tea—in honor of the Crown Prince of Abu Dhabi, who is known to have a favorable attitude toward Japan and Japanese culture. During the event, the grand tea master of Urasenke prepared green tea for the Crown Prince, and afterward the tea master spoke about the tradition, legacy and virtue of the art of tea to local college students. He demonstrated how to make green tea in the traditional manner, giving the students an opportunity to have a taste of Japanese culture. There has since been talk about building a traditional tea-room in Abu Dhabi and giving students an opportunity to visit Urasenke in Japan to enhance cultural exchanges between the two countries.

Hosted a Panel Discussion for Scholarship Students from Japan and Indonesia

Participated in Indonesia-Japan Expo 2008

When we participated in the Indonesia-Japan Expo 2008 held in Indonesia in November 2008 to commemorate the 50th anniversary of formal diplomatic relations between the two countries, we hosted a panel discussion among former scholarship students from Japan and Indonesia.

Traditional Japanese Falconers and Swordsmiths Demonstrate their Arts

Participated in the Abu Dhabi International Hunting and Equestrian Show

Japan Oil Development Co., Ltd, an INPEX Group Company, has been participating in the annual Abu Dhabi International Hunting and Equestrian Show since 2004. On the show floor, falconers and swordsmiths we invited from Japan gave a demonstration of traditional skills to enthusiastic visitors.

We co-sponsored a retrospective on Emily Kngwarreye, a leading Australian Aboriginal abstract artist, in Tokyo and Osaka from February through July 2008.

Emily Kngwarreye
Exhibition

Co-sponsored an Exhibition of Art by an Aboriginal Artist

We co-sponsored a retrospective on Emily Kngwarreye, a leading Australian Aboriginal abstract artist, in Tokyo and Osaka from February through July 2008.
We wish to raise living standards in the community by improving the infrastructure.

Gas Guarico, S.A. has participated in a project to lay 16-inch water pipes from the El Pueblete reservoir to the village of El Carlo La Negla. When the U.S.$1.1-million project is completed, the pipeline will supply water to 46,000 people in 19 villages as well as to farms in neighboring areas. We are excited that part of the construction work for which the company is responsible will start in 2009. I am looking forward to the day when the water supply will make the farmlands in the area richer, and help people in the community lead a better life.

Gabriel Rojas
Manager of Social Development Initiatives
Gas Guarico, S.A.

Assisting Communities in Improving Living Standards and Developing Industries

Helping to Build a Water-Supply System for Drinking and Irrigation Water

Gas Guarico, S.A., a Venezuela-based natural gas venture company 70% owned by the Company, has been actively involved in projects designed to improve living standards and develop industries in that country. In 2007, Gas Guarico agreed to provide municipalities with financial assistance and become directly involved in a project to build a water-supply system that extends from a reservoir to the city, and which will benefit the community. The project plan has been approved by the regulatory authorities and the community, and construction is scheduled to begin in 2009.

We wish to raise living standards in the community by improving the infrastructure.

Gabriel Rojas
Manager of Social Development Initiatives
Gas Guarico, S.A.

Inviting Students from UAE to Study in Japan

Hosting a Seminar for Students from Abroad

Japan Oil Development Co., Ltd. has been organizing an annual seminar in Japan since 1993 for students majoring in geology at UAE University and students of the Abu Dhabi Petroleum Institute. The seminar offers classes not only in geology, but also on topics that help students deepen their understanding of Japanese culture. Over the past 16 years, 102 students have participated in the seminars.

Participating in the Emirates Foundation and Proposing Science and Technology Programs

Working in the Emirates Foundation

The government of the UAE established the Emirates Foundation in 2005 to raise funds and redistribute them to educational programs for the youth of the country. Japan Oil Development Co., Ltd. is a member of the Board of Trustees—the foundation’s highest advisory body—and has been proposing a variety of programs in science and technology fields since 2008.
Providing Financial Assistance to Japanese and Indonesian Students through a Scholarship Program

Activity of the INPEX Scholarship Foundation

The INPEX Scholarship Foundation, which we established in 1981, offers scholarships for Indonesian university graduates with a degree in natural science to take master courses at Japanese universities. It also gives assistance to young Japanese researchers who wish to study in Indonesia as part of cultural exchange programs between the two countries.

Working with the United Nations Development Programme in an Environmental Preservation Initiative

Environmental Preservation Program for the Mahakam Delta

We have been engaged in a five-year project since 2007 to restore and preserve the mangrove forests in the Mahakam Delta in Indonesia, which have been seriously damaged by the encroachment of shrimp ponds around them. The project is also intended to assist the local community in achieving sustainable economic and social development.
We hope to give children an opportunity to understand the importance of natural resources.

Takao Yoshida
Managing Director
Teiseki Transportation System Co., Ltd.

During the tour, I briefed students on the basics of the E&P business, including how to find and extract oil and natural gas from underground, based on my own experience at oil wells. I hope that the children, who will grow to be tomorrow’s leaders, had an opportunity to understand the importance of making better use of our limited natural resources.
We realized the importance of having good relations with local stakeholders

Keisuke Yano
Public Relations Group, Corporate Communications Unit

As the APPEA plenary session was held in a city where we plan to build a plant as part of the Ichthys Project, we witnessed firsthand how strong an interest local residents had in the project. We found they had mixed feelings about it. On one hand, they were positive about the investments and the job opportunities the project would bring; on the other, they were concerned about the potential impact the project would have on their social environment. We realized the importance of developing and maintaining good relations with the community. In addition, we invited local high-school students to a workshop in which we talked about the E&P industry and job opportunities that the project would create.

Winning the Support of Local Residents for Our Pro-Environment and Pro-Community Efforts

Held a Stakeholders Meeting

Before we began conducting oil exploration in the Republic of Suriname in South America, we carried out an environmental impact assessment and devised programs for monitoring marine life and for ensuring the safety of fishing boats in the area. In December 2008, we briefed the environmental authorities and fishermen on the project and these programs, and won their support.
Fulfilling Commitments with Diverse Stakeholders

The INPEX Group carries out E&P operations to develop energy resources in many parts of the world. It is the responsibility of an E&P company such as ourselves to provide a stable supply of energy, while addressing the needs and concerns of its diverse stakeholders—customers, shareholders, investors, residents in resource-rich regions, suppliers and employees. It is also necessary to ensure that operations are conducted safely and are not harmful to the natural environment. With this in mind, we maintain a closer dialogue with our stakeholders for the sake of smooth business operations. In addition, we have been implementing a broad range of initiatives under our own HSE Management System, which encompasses pro-environmental efforts as well as occupational health and safety activities.

Environmental performance data collected in our Operational Organizations outside Japan

Pursuant to the Management Procedure for HSE Data we have established, our Operational Organizations have been collecting environmental performance data since fiscal 2008. As overseas Operational Organizations have begun to do so fairly recently, the data they collected was found to be not as complete and accurate as those collected by domestic Operational Organizations, which have more experience in compiling data. Therefore, we have been working to develop detailed guidelines for Operational Organizations on how to collect complete and accurate environmental performance data.

Operational Organization: Business unit responsible for carrying out a project
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 places ensuring safety and environmental integrity at the top of its corporate 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.

In December 2007, we developed the HSE Management System Manual to carry out health, safety and environmental activities in a unified manner under internationally recognized standards.

Our HSE Management System is designed to ensure continuous improvement based on the PDCA\(^1\) management cycle that ranges from setting goals for a fiscal year to devising and implementing plans for achieving them to reviewing and assessing performance for ongoing improvement. 2008 was the first full year in which we acted on the HSE Management System, under which group-wide goals and programs were developed at the corporate level and action items were planned and executed in each Operational Organization. In the review and assessment phase, we performed corporate-level HSE audits on four Operational Organizations inside and outside Japan; the findings of these audits as well as HSE performance results of all Operational Organizations were reported to the Corporate HSE Committee for review and assessment.

While enhancing our HSE performance, a tragic incident occurred in July 2008, which killed two employees of one of our contractors\(^2\) at a tunnel construction site—part of our natural gas pipeline construction project in Japan. Taking this tragic accident seriously, we reviewed and upgraded our HSE Management System employed by our contractors. We will continue to work closely with them to prevent recurrences of work-related incidents.

We believe that we have in place a good basis for implementing group-wide HSE initiatives. The next step is to ensure that ongoing HSE activities we perform on this basis are relevant and effective throughout the Group so as to retain the trust and respect of the society we serve.

Masatoshi Sugioka
Representative Director in charge of HSE

The INPEX Group gives top priority to implementing a series of HSE initiatives in a concerted effort to fulfill its mission

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

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

**To accomplish this, we will:**

- Comply with all applicable HSE laws and regulations, and apply our standards where laws and regulations do not exist or are considered insufficient.
- Implement and maintain HSE management systems, and perform regular audits of legal compliance and progress of our HSE activities to achieve continuous improvement in our HSE performance.
- Identify and assess health and safety hazards and eliminate or, if not possible, reduce risks to as low as reasonably practicable to prevent incidents.
- Conduct environmental assessments and promote efficient energy consumption to reduce adverse environmental impacts.
- Maintain and regularly test emergency plans to ensure a quick and effective response in the event of emergencies.
- Provide resources that will enable our employees to meet HSE objectives and targets.
- Provide training in HSE activities and safe driving to ensure all employees are aware of their responsibilities and accountabilities in these areas.
- Require contractors to manage HSE in accordance with this Policy, and to achieve agreed HSE targets.
- Communicate openly on HSE activities with stakeholders.
A stable supply of energy can be disrupted for any number of reasons. Incidents and disasters at a project site, for instance, could not only pose the threat of a major disruption to the energy supply, but also cause environmental pollution, jeopardizing our ability to continue business. In light of this, we consider the preservation of environmental integrity and the prevention of such incidents to be inseparable from each other. Therefore, we continuously enhance our HSE performance under our own 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; an organizational structure that comprises HSE Committees established at headquarters and in Operational Organizations; and HSE Objectives and action plans for HSE Programs devised for each fiscal year.

When the new INPEX CORPORATION became operational in October 2008, the HSE Unit was established at headquarters, and HSE groups were installed as needed in Operational Organizations in charge of operator1 projects. To promote systematic group-wide HSE initiatives, we also established the Corporate HSE Committee, which is tasked with formulating the Group’s HSE Management System Manual, Corporate HSE Procedures and HSE Objectives. In fiscal 2008, the Committee held 10 sessions in which it reviewed and approved 18 sets of Corporate HSE Procedures.

Under our HSE Management System, a business unit in charge of an operator project is called an Operational Organization. Each Operational Organization is responsible for conducting HSE activities at its operational sites, and has its own HSE Committee, which is tasked with ensuring that a project is carried out in accordance with our HSE Policy.

The HSE Managers Meeting2 and the Annual HSE Meeting3 were held in February and March 2009, respectively. At both meetings, senior management from headquarters and the Operational Organization Representatives met to develop a greater awareness and knowledge of HSE management, and to ensure that HSE Objectives for fiscal 2009 were understood in all Operational Organizations. At the Annual HSE Meeting, representatives of Operational Organizations in Japan, Australia, Egypt, Indonesia, Suriname and Venezuela met to give progress reports on HSE Programs and HSE systems in their respective regions as well as to determine courses of action to deal with company-wide problems and issues.

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1 Operator: a company that takes primary responsibility for operations for exploration, development and production in a block.
2 HSE Managers Meeting: A meeting attended by managers of Operational Organizations.
3 HSE Meeting: A meeting attended by Operational Organization Representatives.

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Diagram of Framework for Implementing HSE Management System
Document Architecture for HSE Management System

The mission and binding principle described in our Group Mission and Corporate Social Responsibility Policy encompass a broad range of aspects. With regard to health, safety and environment practices, in particular, we have the HSE Policy, the administrative framework of which is detailed in the HSE Management System Manual and sets of Corporate HSE Procedures to ensure their systematic implementation. Each Operational Organization develops its own HSE manuals and action plans based on these Corporate-level documents. The administrative framework defined in these documents enables headquarters and Operational Organizations to take concerted action in HSE efforts.

HSE Auditing

During and prior to fiscal 2007, each Operational Organization followed its own procedure for conducting an HSE audit. In fiscal 2008, we established the Corporate HSE Procedure for HSE Audit at the corporate level, which every Operational Organization is required to follow when it conducts an HSE audit. The standardized procedure requires each Operational Organization to receive a corporate-level HSE audit once every two years. In fiscal 2008, such HSE audits were conducted in the Domestic Project Division, the Pipeline Construction Division, the Venezuela Project Site and the Egypt Project Site. Corporate audit teams assessed the HSE performance of these organizations and determined if it met each evaluation criterion, and offered comments on each item, even on those which scored high. Audited organizations then developed and implemented plans for corrective and preventive measures for items judged to be either substandard or potential risks.

In fiscal 2009, corporate-level HSE audits are scheduled in the Domestic Project Division and three overseas Operational Organizations.

In addition to a corporate-level HSE audit, each Operational Organization and operational site is responsible for conducting its own HSE audit.

HSE Training

Based on the HSE Policy, we made it one of our HSE Objectives for fiscal 2008 to raise employees’ awareness of HSE. We devised HSE training programs under the Corporate HSE Procedures for Competence and Training to provide a training framework for global Operational Organizations when carrying out sitespecific training programs for operational safety, environmental management and emergency response.

Corporate-sponsored HSE training programs covered 27 subject matters in fiscal 2008, including seminars given by speakers from inside and outside the Company and external emergency drills, which were attended by 464 employees. Seventy-two employees participated in e-learning courses on HSE, and several regional Operational Organizations requested for HSE seminars—an indication of employees’ growing interest in HSE training programs.

In fiscal 2009, we plan to offer upgraded training programs to employees by adding most frequently requested items to the curriculum based on employee feedback. We are also scheduled to conduct an HSE awareness survey to gauge employees’ awareness level of HSE. The result of the survey will be used to improve the HSE training programs and enhance employees’ awareness of HSE.
We develop our Corporate HSE Objectives and Programs each year against which performance is reviewed for continuous improvement.

### Corporate HSE Objectives and Programs for the year from April 1, 2008 to March 31, 2009

<table>
<thead>
<tr>
<th>Corporate HSE Objectives</th>
<th>HSE Programs and Targets</th>
<th>Description</th>
<th>Frequency and Program Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise HSE awareness</td>
<td>Update management on HSE activities</td>
<td>Report to the Board of Directors and Management Committee on HSE activities on a regular basis</td>
<td>Once a month</td>
</tr>
<tr>
<td></td>
<td>Top management to visit operational sites</td>
<td>The Representative Director and the Director for HSE to visit operational sites</td>
<td>Twice a year per person</td>
</tr>
<tr>
<td></td>
<td>Establish and implement HSE Award System</td>
<td>Establish the HSE Award System and present awards at the Annual HSE Meeting</td>
<td>Once a year (between April and September)</td>
</tr>
<tr>
<td></td>
<td>Conduct HSE training</td>
<td>Provide HSE training for line managers and staff</td>
<td>From April to July 2008</td>
</tr>
<tr>
<td>Establish HSE Management System</td>
<td>Produce Corporate HEMS documents</td>
<td>Review and approve documents under the Corporate HSE Management System in the Corporate HSE Committee</td>
<td>Throughout the year</td>
</tr>
<tr>
<td></td>
<td>Conduct HSE audits</td>
<td>Conduct HSE audits of the Corporate and Operational Organizations</td>
<td>Once a year</td>
</tr>
<tr>
<td></td>
<td>Hold HSE Managers Meeting and Annual HSE Meeting</td>
<td>Hold an HSE Managers Meeting and an Annual HSE Meeting on a regular basis</td>
<td>Once a year</td>
</tr>
<tr>
<td>Reduce environmental impact</td>
<td>Collect and analyze environmental data</td>
<td>Establish an administrative database and hold briefing sessions on environmental data management</td>
<td>April and May 2008</td>
</tr>
<tr>
<td></td>
<td>Evaluate Operational Organizations’ achievement of environmental performance indicators against numerical targets</td>
<td>Report on evaluation results of Operational Organizations’ achievement of environmental performance indicators at Corporate HSE Committee meetings on a regular basis</td>
<td>Once every six months</td>
</tr>
<tr>
<td>Improve health and safety performance</td>
<td>Establish system to manage health and safety data</td>
<td>Establish administrative database and hold briefing sessions on health and safety data management</td>
<td>April and May 2008</td>
</tr>
<tr>
<td></td>
<td>Evaluate Operational Organizations’ achievement of health and safety performance indicators against numerical targets</td>
<td>Report on evaluation results of Operational Organizations’ achievement of safety and health performance indicators at Corporate HSE Committee meetings on a regular basis</td>
<td>Once every six months</td>
</tr>
<tr>
<td></td>
<td>Assist Operational Organizations in their efforts to reduce human errors</td>
<td>Conduct training on human error prevention</td>
<td>From July to September 2008</td>
</tr>
<tr>
<td></td>
<td>Assist Operational Organizations in their efforts to prevent traffic accidents</td>
<td>Conduct training on traffic safety</td>
<td>Throughout the year</td>
</tr>
<tr>
<td></td>
<td>Assist Operational Organizations in their health management activities</td>
<td>Conduct training on mental health</td>
<td>From October to December 2008</td>
</tr>
</tbody>
</table>

### Capital Expenditures for Environmental Control Projects and their Returns for the Fiscal Year Ended March 31, 2009

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Curb global warming and to save energy</td>
<td>Upgrade heating furnaces to improve heat efficiency</td>
</tr>
<tr>
<td></td>
<td>Install a residual gas collection line from idle wells</td>
</tr>
<tr>
<td></td>
<td>Upgrade strippers for burning methane contained in natural gas to curb emissions of methane directly into the atmosphere.</td>
</tr>
<tr>
<td>Curb emissions of benzene and VOCs</td>
<td>Install internal floating roofs to oil tanks to curb emission of benzene</td>
</tr>
<tr>
<td></td>
<td>Upgrade filling stations for tanker trucks to curb emission of VOCs</td>
</tr>
<tr>
<td>Remove impurities from natural gas</td>
<td>Replace adsorption agent used in purifiers that remove impurities from natural gas for sale</td>
</tr>
<tr>
<td>Other</td>
<td>Reduce industrial waste and waste water, maintain water quality, curb NOx-emissions, control noise, and carry out greening projects for plant sites</td>
</tr>
</tbody>
</table>

During fiscal 2008, we spent ¥557 million in capital expenditures for environmental control at facilities in Japan. These investments resulted in a reduction of emissions amounting to 8,300 tons of GHGs, 107 tons of VOCs, and 3.9 tons of benzene.
We set four Corporate HSE Objectives for fiscal 2008: to raise HSE awareness; to establish the HSE Management System; to reduce environmental impact; and to improve health and safety performance. To achieve these objectives, the Corporate and each Operational Organization developed and implemented action programs for the year.

**Result**

**Rating**

**Performance Evaluation and Issues to be Resolved**

- Implemented as planned
- Partially implemented in fiscal 2008; to be continued in fiscal 2009
- Not implemented in fiscal 2008; to be carried over to fiscal 2009

Although the HSE Award presentation was carried over to fiscal 2009, we began making more frequent and detailed reports on HSE activities. While we heard many comments made at the HSE Managers Meeting about employee's greater awareness of HSE, we still have a long way to go toward establishing a corporate culture that highly values HSE among employees.

We will continue to carry out these programs to raise employees' awareness of HSE in fiscal 2009, and will conduct a questionnaire survey of employees' HSE awareness and analyze results. We also plan to establish an HSE information sharing system among Operational Organizations.

- Implemented as planned
- Implemented
- The system was in place, but the award presentation was carried over to fiscal 2009.
- 18 training programs were completed out of the 27 planned for 3 months.
- 12 Corporate HSE Procedures out of the planned 13 were produced, reviewed and approved (92% completion rate)
- 4 Operational Organizations out of the planned 5 received audits, and their results were reported to the Management Committee

We worked to establish the HSE Management System, which involved producing documents, conducting HSE audits, and improving training based on the 2008 HSE Programs. To be more specific, we completed preparing 12 out of 13 Corporate HSE Procedures; conducted HSE audits of 4 Operational Organizations and reported their results to the Management Committee, and provided a total of 155 hours of HSE training in addition to introducing e-learning programs.

In fiscal 2009, we plan to devise a mid-term plan for establishing the HSE Management System, as well as to draw up HSE Guidelines to put HSE Corporate Procedures in practice, to continue to provide employees with training to enhance their HSE competence, and to add HSE staff.

- Implemented as planned

We began developing databases that will enable us to manage environmental and safety data in a unified manner. In Japan, the data-collection system became fully operational and each Operational Organization began to set its own environmental targets and to work toward achieving them. In project sites outside Japan, however, data collection was found not to be sufficient or accurate enough.

In fiscal 2010, we plan to develop the data collection and analysis system as part of an attempt to set mid- to long-term numerical targets on the Corporate level, and also plan to provide Operational Organizations with technical assistance in their environmental activities.

- Implemented as planned

We began collecting and analyzing safety and health data in conjunction with establishing the required database. However, we fell short of establishing numerical targets, unlike the case with environmental data. We did not implement sufficient countermeasures against human errors in fiscal 2008.

In fiscal 2009, we plan to develop and begin to use a safety and health information collection and analysis system; to assess numerical targets; to develop countermeasures against human errors based on human factor engineering; and to enhance health management measures including those against 2009 H1N1 flu.

- Implemented as planned

<table>
<thead>
<tr>
<th>Location/Facility</th>
<th>Investment Amount (Thousand yen)</th>
<th>Sub-total (Thousand yen)</th>
<th>Amount of Emissions Reduced</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>GHG (tons-CO2)</td>
</tr>
<tr>
<td>TTP</td>
<td>Kubiki Refinery</td>
<td>72,500</td>
<td>1,600</td>
</tr>
<tr>
<td>Nagaoka</td>
<td>Koshijihara Plant</td>
<td>5,170</td>
<td>77,970</td>
</tr>
<tr>
<td>Kashiwazaki</td>
<td>Hitai Gas Recovery Facility</td>
<td>300</td>
<td>6,700</td>
</tr>
<tr>
<td>TTP</td>
<td>TTP</td>
<td>35,400</td>
<td>413,400</td>
</tr>
<tr>
<td>Nagaoka</td>
<td>Koshijihara/Oyazawa Plant</td>
<td>378,000</td>
<td>23</td>
</tr>
<tr>
<td>Nagaoka</td>
<td>Koshijihara Plant TR-C</td>
<td>11,080</td>
<td>11,080</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>54,065</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>556,515</td>
</tr>
</tbody>
</table>

1 Teioki Topping Plant Co., Ltd.
The INPEX Group monitors how business activities in each process impact the natural environment as a basis for its efforts to reduce adverse environmental impacts.

### Exploration and Development

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

- **INPEX Corporation**
- **INPEX Browse, Ltd.**
- **INPEX Masela, Ltd.**
- **INPEX Libya, Ltd.**
- **Teikoku Oil Libya U.K. Ltd.**

### 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 natural gas and condensate—hydrocarbon liquids.

- **INPEX CORPORATION**
- **Offshore Iwaki Petroleum Co., Ltd.**
- **Gas Guarico, S.A.**
- **West Bakr Petroleum Co.**

### Refining and Transportation

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

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

### Environmental Impact Resulting from our Business Activities in 2008

We were successful in reducing the amount of adverse environmental impact, such as the emission of GHGs, VOCs and PRTR-controlled substances in our business activities in 2008. This was achieved as a result of our increased efforts to burn vented natural gas, recover or burn VOCs contained in exhaust emissions, install VOC-recovery.

### Consumption

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

1 PPS: Power Producer and Supplier. A non-utility private company that sells electricity.
devices at filling stations for tank trucks, and add internal floating roofs to oil tanks—all of which were in our action plan for 2008.

We will redouble our efforts in these areas, and even consider taking additional measures to mitigate the environmental impact of our activities.

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2 The INPUT and OUTPUT data for 2008 shown on this page constitute the sum of all the HSE data collected from our domestic and overseas operations.

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

4 Numbers in tables are rounded off to the nearest whole number.
Cutting greenhouse gas emissions while increasing production of natural gas to meet rising demand

Reducing CO₂ Emissions Based on Assessments of GHG-Emission Status

In fiscal 2008, we started collecting environmental data in Operational Organizations and setting annual environmental goals to be achieved by each Operational Organization. The Domestic Project Division established numerical goals for fiscal 2008, which were to bring GHG emissions below the previous year’s level and to develop measures to prevent dispersion-induced emissions of GHG on an ongoing basis.

The result was that the Domestic Project Division reduced total CO₂ emissions by 23,000 tons to 411,900 tons from a year earlier. The breakdown of the reduction is as follows: 6,700 tons by burning dispersed natural gas; 1,600 tons by saving energy at the Kubiki Refinery; 1,600 tons by switching fuel to natural gas at the Koshijihara Power Plant; and 5,900 tons by shutting down the Offshore Iwaki Field and through efforts made at all field offices.

We also achieved the fiscal 2008 goal of reducing GHG emissions per unit of production to below the 2007 level; per-unit emissions due to energy use were down by 0.138 kg/GJ to 1.387 kg/GJ from a year earlier, and those caused by natural gas emissions were down by 0.224 kg/GJ to 0.302 kg/GJ.

GHG Emissions per Unit of Production (Domestic Operational Organizations only)

Nippon Keidanren Voluntary Action Plan on the Environment

We participate in the Nippon Keidanren Voluntary Action Plan on the Environment through the Japan Petroleum Development Association (JPDA). The JPDA has set a target of reducing the average GHG emissions per unit of production at oil and natural gas development facilities in Japan from 2008 through 2012 by 20% below the 1990 level. Our GHG emissions per unit of production increased in fiscal 2007 from the previous year due both to damage caused to facilities by the Niigataken Chuetsu-oki Earthquake, and the increased production volume of natural gas. With the restoration of damaged facilities, installation of additional emission-reducing equipment, and streamlining of facilities completed, we are expected to meet the goal set in the voluntary action plan of bringing GHG emissions 20% below the 1990 level.

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 obligated to report the volume of their transported cargoes, to develop energy conservation plans, and to report quantities of consumed energy. As we are designated as a specified consigner of cargoes transported in volumes exceeding 200 million ton-kilometers, we have been measuring and reporting quantities of consumed energy since fiscal 2006.

We transport around 90% of our produced oil and natural gas by sea. Of the remaining 10%, that transported long distance overland, increased sharply in fiscal 2007, necessitating us to develop a more meticulous management plan. For this reason, we set up a working group tasked with developing a policy on controlling company-wide transportation and submitting a proposal to the Corporate HSE Committee.

1 GHG: Greenhouse gas. A gas that traps heat in the atmosphere, including CO₂, methane, nitrous oxide and chlorofluorocarbon. The Group emits CO₂ through energy use, and CO₂ and methane associated with its operations.

2 Per unit of production: GHG emissions divided by oil and natural gas production volume.

1 A consigner of cargoes transported in volumes exceeding 30 million ton-kilometers per year is designated as a specified consigner.
Reducing GHG Emissions in Oil and Natural Gas Business

CO2 Emissions from Energy Use

At our oil- and natural gas-processing plants and field offices, we rely as much as possible on natural gas we produce, which generates less CO2 than coal or oil when burned, for our energy needs. In addition, greater use of energy-saving systems powered by natural gas and improved energy efficiency have helped us reduce CO2 emission. In fiscal 2008, increased thermal efficiency was achieved at oil refineries of one of our Group companies through the modification of its heating furnace, which resulted in a reduction of 1,600 tons of CO2 emissions.

CO2 Removal during Natural Gas Processing

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 by a process using an amine solution and then dispersed into the atmosphere.

While no effective methods are currently available for processing the separated CO2, the oil and natural gas industry has been studying the commercial feasibility of a method called carbon capture and storage (CCS), by which separated CO2 is injected into a deep underground aquifer or a depleted oil or natural gas field, and another method called enhanced oil-recovery (EOR), by which CO2 is injected into an oil field to improve crude oil recovery.

Reducing Unwanted Natural Gas Emissions during Operations

In the oil and natural gas business, it is inevitable 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, burning dispersed natural gas into CO2, and recovering as much dispersed natural gas as possible. As a result, we managed to reduce CO2 emissions by more than 17,000 tons in fiscal 2008 from a year earlier.

Stable Supply of Natural Gas with Low Environmental Load

The Domestic Project Division of the Group, which pioneered E&P operations for oil and natural gas in Japan, has been engaged in developing and supplying high-quality, domestically produced sources of energy. Natural gas—our primary product in the Japanese market—is known for generating less CO2, a primary GHG, when burned than the other fossil fuels such as oil and coal and is therefore environmentally friendly. It is considered a clean source of energy as it generates little NOx and SOx when burned, which can cause air pollution and acid rain, and it contains almost no volatile organic compounds (VOCs) in it, which can cause photochemical smog and suspended particle matters.

The Domestic Project Division has taken it upon itself to provide a stable and efficient supply of energy for society and has been building a pipeline network in Japan for more than 40 years. This well-developed pipeline network enables us to transport environmentally friendly natural gas to our customers safely and securely by means with a low environmental impact.

Amount of CO2 Generated by Fossil Fuels when Burned
(with that of coal being 100)

<table>
<thead>
<tr>
<th>Fuels</th>
<th>Amount of CO2 Generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>100.0</td>
</tr>
<tr>
<td>Class-B and -C heavy oil</td>
<td>78.9</td>
</tr>
<tr>
<td>Class-A heavy oil</td>
<td>76.5</td>
</tr>
<tr>
<td>Crude oil</td>
<td>75.7</td>
</tr>
<tr>
<td>Light diesel oil</td>
<td>75.7</td>
</tr>
<tr>
<td>Kerosene</td>
<td>74.9</td>
</tr>
<tr>
<td>Gasoline</td>
<td>74.1</td>
</tr>
<tr>
<td>Liquefied petroleum gas</td>
<td>66.0</td>
</tr>
<tr>
<td>Natural gas (LNG not included)</td>
<td>56.3</td>
</tr>
<tr>
<td>Liquefied natural gas (LNG)</td>
<td>54.7</td>
</tr>
</tbody>
</table>

Note: This chart derives numbers from the “List of Methods of Calculation and Emission Coefficients Used for Calculation, Reporting and Disclosure Systems” published by the Ministry of the Environment.
Under growing pressure to reduce emissions of CO₂ that can cause 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 to inject it into a deep underground aquifer or the ocean. In 2006, the Intergovernmental Panel on Climate Change (IPCC) endorsed this technology as an effective means to reduce CO₂.

Commercial CCS projects are already underway in Algeria, Canada and Norway, capturing and storing CO₂ in the range of 1 million tons per year. The EU has proposed an initiative to financially support the building of 12 CCS pilot plants in the region by 2015. Australia has established the Global CCS Initiatives (GCCSI), see article on the following page, “A Founding Member of the Global CCS Initiatives”) to accelerate research into CCS on a global basis, and we are one of the founding members of the GCCSI. Large-scale tests on CCS are being either conducted or planned in Germany and the United States.

Japanese researchers have developed one of the most advanced technologies in the world in the form of a chemical-absorption technique for CO₂ removal, and are working on high-efficiency CO₂ separation membranes that enable low-cost separation and capture of CO₂.

In May 2007, then Prime Minister Shinzo Abe proposed a long-term goal of reducing GHG by 50% from the then current level on a global basis 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 declaration by leaders announced at the G8 Hokkaido Toyako Summit Meeting in July 2008 referred to the importance of accelerating the commercialization of CCS. Immediately after this, the Japanese cabinet approved the Action Plan to Build a Low-Carbon Society, which includes a plan to start large-scale testing of the CCS technology in fiscal 2009 or later with the goal of deploying CCS on a commercial basis by 2020.

We have been working with the Research Institute of Innovative Technology for the Earth (RITE) since 2003 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. The injection of CO₂ into the aquifer at the testing site was carried out from July 2003 to January 2005, during which we monitored the behavior of injected CO₂ in the aquifer for possible leakage. We have continued the monitoring even after the RITE project was completed at the end of 2007.

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1 Chemical-absorption technique: A technique to extract and recover CO₂ using an alkaline solution such as amine solution or potassium carbonate solution.
2 Enhanced oil-recovery technique: A generic term given to the technologies that apply to mature oil fields to increase their recovery of oil.
We are in agreement 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. We responded to the call of the Australian government by becoming one of the founding members of the GCCSI on February 15, 2009.

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

We are in agreement 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 an application of the project, we set our own target of reducing the average emissions of CO2 and other GHGs per unit of production on a calorie basis from fiscal 2008 through 2012 by 30% below the fiscal 1990 level. This is in line with the target that the JPDA, of which we are a member, has set in its voluntary action plan. In fiscal 2008, we succeeded in meeting this target. We will strive to reduce emissions of CO2 and other GHGs in fiscal 2009 through the use of natural gas we produce as fuel in our domestic project sites, the installment of energy-saving systems powered by natural gas for greater energy efficiency, and better operational control at oil and natural gas fields.

31 leading Japanese companies in the electricity, petroleum refining, oil and natural gas development and engineering industries 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 at the earliest time, and of deploying CCS on a commercial basis by 2020. Among the major shareholders besides ourselves are Japan Petroleum Exploration Co., Ltd., Tokyo Electric Power Company, Kansai Electric Power Company, Nippon Oil Company, Idemitsu Kosan, and JGC Corporation. Under the contract with Japan’s New Energy and Industrial Technology Development Organization, Japan CCS has been working on a three-year feasibility study on a total CCS system since fiscal 2008, using testing equipment for an integrated coal gasification combined cycle located in Iwaki City in Fukushima Prefecture and our old Offshore Iwaki Gas Field. In addition, with the support of and under the contract with the METI, Japan CCS has also been performing a technical assessment of a number of proposed testing sites for CCS in Japan to narrow them down to a couple, for which to prepare conceptual design and conduct on-site inspections, while working with research institutions and universities to assess CCS technology in terms of safety, environmental impact and economic viability.

Topics

Forestation Project in Australia

Through INPEX Browse, Ltd., an INPEX Group company, we have been running a five-year test forestation project in Australia since April 2008. We signed a contract with CO2 Australia Ltd. and acquired land in June 2008, in which we planted mallee eucalypts. We plan to check the growth of the mallies in 2009 and will decide whether to launch a large-scale forestation project to offset GHG emissions in Australia.
Before we start to develop project sites or construct pipelines, we conduct environmental impact assessments of those projects to ensure that the ecosystems where we operate are preserved. We also provide financial and material assistance to research institutions and international organizations in their surveys of the environment in the surrounding areas.

**Ecological Approaches in the Shin Oumi Pipeline Construction Project**

We contracted with a consulting firm to perform an environmental impact assessment before starting the construction of the Shin Oumi Pipeline. The assessment determined that runoff from the construction site might slightly affect the river-water quality in the area and that construction noise might be of minor disturbance to birds of prey, such as oriental honey buzzards, golden eagles, and falcons. Since the construction began, we have been carrying out stringent quality management of the runoff from the site to ensure that it is well within quality standards; and we have been monitoring the noise level at and near the site, ready to take action to reduce noise immediately if it is found to be too annoying to birds of prey.

**Small animals found near the pipeline construction site**

- Japanese White-eye
- Black-spotted Pond Frog
- Japanese Squirrel

**Biodiversity Protection in Kazakhstan**

INPEX North Caspian Sea, Ltd., an INPEX Group company, has been working as a member of an international consortium in the development of the Offshore North Caspian Sea Block—discovered in the North Caspian Sea PSA contract Area in Kazakhstan—with the goal of beginning production in 2012 or 2013.

In this project, co-ventures developed an action plan in September 2007, based on the country’s biodiversity strategy. Since then, we have been monitoring the breeding habits of seals and the habits of sturgeon in the Ural River through ID tags attached to them, and conducting regular surveys of wild birds. The project will continue to conduct surveys to efficiently and effectively protect and preserve biodiversity in the area.

- Survey on breeding habits of seals
- Attaching an ID tag to a sturgeon
We strive to reduce industrial waste, including drilling and waste mud

Recycling Drilling and Waste Mud Generated in Domestic Operations

The industrial waste we generate is composed primarily of well-drilling and waste mud. In fiscal 2008, drilling and waste mud accounted for 88% of the total amount of industrial waste we generated globally.

The drilling and waste mud we generate in Japan is treated as sludge; if it is found to contain more heavy metals than permitted by the standards, it is disposed of as landfill; if heavy metals are found to be below the permissible level, the sludge is recycled as material for roadbeds. 29,000 tons of drilling and waste mud—or 84% of the total amount of industrial waste we generated—was recycled in 2008.

Mud fluids used for drilling contain varying concentrations of heavy metals, depending on where the mud fluids are collected. We have taken a precautionary step against potential soil contamination by working with a supplier of drilling fluids to analyze and control the concentration of heavy metals in the fluids.

Industrial waste generated in domestic operations in 2008

- Amount of disposed drilling waste and waste mud: 34,223 ton
- Amount of other disposed waste: 5.3%
- Amount of recycled drilling waste and waste mud: 84.0%
- Other industrial waste in Japan, such as waste oil and metal scrap, amounted to 5,500 tons in fiscal 2008, of which 67%, or 3,700 tons, was recycled. Globally, 88% of all industrial waste, amounting to 32,000 tons, was recycled.

Soil Surveys to Determine Measures against Soil Contamination by Heavy Metals and Benzene

Under the policy we have on voluntary soil surveys, we conduct a soil survey when we return a closed project site to its landowner or sell our land property.

In fiscal 2008, we conducted soil surveys when we returned the oil production base in Akita City to its landowner, and when we sold the land and the building of one of our employee welfare facilities in Shibuya-ku, Tokyo. When the survey found no soil contamination in either case, we returned and sold the land with the survey results disclosed.

As a follow-up to an incident that occurred in December 2005 where heavy naphtha leaked at Teiseki Topping Plant (TTP), contaminated soil was removed and replaced with clean soil in 2008. The contaminated soil is stored on TTP’s premises and is being sanitized by a bioremediation process. In May 2008, the contaminated area was cleaned and converted into a park at the request of local residents.

An HSE audit conducted in the West Bakr Oil Field in Egypt discovered in January 2009 the presence of a large amount of sand contaminated with crude oil produced in a drilling test performed more than 20 years ago. We have separated the contaminated sand and have temporarily stored it while working out the optimum treatment process for sand contaminated with heavy oil.

Measures against an Environmental Incident Taken as Part of HSE Enhancement

In fiscal 2008, human error and aging pipelines caused a series of oil leaks in the West Bakr Oil Field in Egypt. In March 2009, 30 barrels of crude oil leaked from a loosely closed, clogged valve. We took emergency measures as specified in the HSEMS, while investigating the cause of the incident and working out measures for preventing a recurrence. We replaced old pipelines and covered the affected area with plastic sheets to prevent the leaked oil from spreading. Additional steps are being taken to upgrade HSE activities at the site.

1 At TTP’s oil refinery in Joetsu Niigata Prefecture, heavy naphtha leaked from a tank and contaminated the soil in a riverside park near the site and groundwater.
2 Bioremediation process: A process that uses microorganisms to clean up pollution.
We control emissions of VOCs and other environmentally harmful substances

**Controlling Chemical Substances**

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

Pursuant to Japan’s PRTR Act\(^1\), our domestic Operational Organizations report the amount of benzene, toluene, and xylene—contained in crude oil—and trivalent chrome compound used for drilling they emit and transfer. Even after we succeeded in reducing the emissions of benzene by 90% in 2001—the first year for which the PRTR Act mandated reporting, we have continued to monitor the environment surrounding Operational Organizations by measuring the concentration of benzene on a monthly basis. To further reduce benzene emissions, we installed VOC-removal equipment, added internal floating roofs to oil tanks, and controlled the dispersing of natural gas into the atmosphere. In fiscal 2008, we installed a VOC-recovery device in crude-oil offloading units at the Nagaoka Field Office, and burned or recovered VOCs contained in emissions from dehumidifiers located in other Operational Organizations, which resulted in a reduction of nine tons, or 37%, of benzene emissions in Japan from a year earlier.

The VOCs that we emit in our business activities are hydrocarbons—methane not included—and our Operational Organizations track them globally. In fiscal 2008, we emitted 516 tons of VOCs in Japan, a decrease of 150 tons from the previous year. The reduction resulted from burning vented natural gas in the Kashiwazaki district and by operating VOCs recovery equipment when filling tanker trucks with oil in the Nagaoka district. In November 2005, the Japan Natural Gas Association, of which we are a member, formulated a voluntary action plan that sets a target of reducing VOC emissions to 45% below the 2000 level by 2010. We have already reduced our VOC emissions by half from the 2000 level, which is more than enough to meet the industry target.

**Curbing Emissions of VOCs**

The VOCs that we emit in our business activities are hydrocarbons—methane not included—and our Operational Organizations track them globally.

In fiscal 2008, we emitted 516 tons of VOCs in Japan, a decrease of 150 tons from the previous year. The reduction resulted from burning vented natural gas in the Kashiwazaki district and by operating VOCs recovery equipment when filling tanker trucks with oil in the Nagaoka district. In November 2005, the Japan Natural Gas Association, of which we are a member, formulated a voluntary action plan that sets a target of reducing VOC emissions to 45% below the 2000 level by 2010. We have already reduced our VOC emissions by half from the 2000 level, which is more than enough to meet the industry target.

**Monitoring Emissions into the Atmosphere**

In fiscal 2008, we began to keep track of the amount of emissions of SOx, NOx and VOCs into the atmosphere in our Operational Organizations.

In Japan, we observe relevant laws that require us to measure the amount of emissions into the air and to meet emission standards. We found, however, that we had unwittingly failed to designate one of our boiler facilities as a facility that generates industrial smoke as required by the Air Pollution Control Law when the Mine Safety Law was amended. Upon discovery of this oversight, we measured the amount of emissions, verified that they were well within the standards, and so notified the authorities.

**Monitoring Wastewater Discharged into Public Water Bodies**

Each of our Operational Organizations controls wastewater discharged into public water bodies in accordance with the law of the country in which it operates.

In several Operational Organizations in Japan, where the Water Pollution Control Law requires that the quality of discharged wastewater be measured, we have a measurement certification institution analyze our wastewater periodically to verify that we meet the legal standards. We began to measure the quality of drainage from mines regularly in accordance with the Mine Safety Law, which was amended in April 2005.

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\(^1\) 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 that are released into the air, water or soil, as well as the amount of waste transported from business premises.
As the energy industry is under mounting pressure to develop next-generation energy systems, we are gearing up for the development of next-generation fuels with lower environmental loads than coal or oil.

One such approach we are working on is to develop gas-to-liquid (GTL) technology to convert natural gas into diesel oil and kerosene. Benefits of GTL oil 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 September 2007, construction of a pilot plant began at a demonstration center of the Nippon GTL Technology Research Association, which was established by six companies including us. The pilot plant became operational on April 17, 2009 and began producing 500 barrels of GTL oil per day in June 2009. The plant is scheduled to run for two years to collect data, upon completion of which the association will go to the next phase of refining the technology for commercial use.

We are also working on dimethyl ether (DME), an alternative clean fuel made from natural gas, which does not generate toxic substances when burned.

We have been researching technology to produce methane using microbes that live underground in depleted oil fields in an effort to address the challenging issues of global warming and the depletion of fossil energy. This technology is about using methane-producing bacteria to convert hydrogen—which hydrogen-producing bacteria make from residual crude oil left in the reservoir of a depleted oil field—and CO2, which is injected underground for carbon capture and storage, into methane. If successful, it will be a big step toward building a sustainable carbon-cycle system in which residual oil in depleted oil fields and injected CO2 will be converted into methane.

In June 2008, in an attempt to step up the research effort, we cosponsored a research program named “Sustainable Carbon-Cycle System Engineering” with the Frontier Research Center for Energy and Resources at the School of Engineering, Tokyo University; both parties share each other’s research laboratories to achieve greater efficiency in conducting analysis and experiment.

We have conducted experiments in the Yabase Oil Field we operate in Akita Prefecture, in which we have successfully produced methane by injecting CO2 into the ground where hydrogen-producing and methane-producing bacteria live under high pressure and temperature conditions. We plan to conduct another experiment in a rock core closer to an oil reservoir, and control the habitat and symbiosis environment of responsible microbes in an attempt to develop a technique to artificially control and stimulate a methane-generating reaction.

1 GTL technology: In a narrow sense, a technology to synthesize liquid fuel using the Fischer-Tropsch process.
## INPEX Group’s Environmental Performance Data by Site for Fiscal 2008

### Production and Processing Volume

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Australia Ichthys</th>
<th>Indonesia Masela</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Gas</td>
<td>1,000s SCF</td>
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<td>0</td>
</tr>
<tr>
<td>Crude Oil</td>
<td>BBL</td>
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<td>0</td>
</tr>
<tr>
<td>Petroleum Products</td>
<td>BBL</td>
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<td>0</td>
</tr>
<tr>
<td>LPG</td>
<td>BBL</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Iodine</td>
<td>ton</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Electricity</td>
<td>1,000s kWh</td>
<td>—</td>
<td>—</td>
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</table>

### Purchased Volume

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Australia Ichthys</th>
<th>Indonesia Masela</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased Gas</td>
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<tr>
<td>Purchased Raw Materials</td>
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### Consumed Energy

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<th>Item</th>
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<tr>
<td>CO2</td>
<td>ton</td>
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<tr>
<td>N2O</td>
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</tr>
<tr>
<td>CH4</td>
<td>ton CO2</td>
<td>164</td>
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<tr>
<td>GJ</td>
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<td>216,141</td>
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<td>KL</td>
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### GHG Emissions

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<tbody>
<tr>
<td>Total GHG Emissions</td>
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<td>10,524</td>
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### Emissions into the Atmosphere

<table>
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<th>Item</th>
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</tr>
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<tbody>
<tr>
<td>VOC</td>
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<tr>
<td>NOx</td>
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</tr>
<tr>
<td>SOx</td>
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### Wastewater Discharged into Public Water Bodies

<table>
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<tr>
<th>Item</th>
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</thead>
<tbody>
<tr>
<td>Hazardous Waste</td>
<td>ton</td>
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<tr>
<td>Non-hazardous Waste</td>
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<td>79</td>
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</tr>
<tr>
<td>Recycled, Reused and Reclaimed Materials</td>
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### Oil Spills

<table>
<thead>
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<tbody>
<tr>
<td>At Sea</td>
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<tr>
<td></td>
<td>Amount</td>
<td>BBL</td>
<td>0</td>
</tr>
<tr>
<td>On Land</td>
<td>No. Instances</td>
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<td>0</td>
</tr>
<tr>
<td></td>
<td>Amount</td>
<td>BBL</td>
<td>0</td>
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</table>

### Total Oil Spills

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Australia</th>
<th>Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
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<td>0</td>
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<tr>
<td>Total Amount of Oil Spills</td>
<td>BBL</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

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1 Ichthys: INPEX Browse, Ltd.
2 Masela: INPEX Masela, Ltd.
3 INPEX Libya: INPEX Libya, Ltd.
4 Teikoku Oil Libya: Teikoku Oil UK, Ltd.
5 Gas Guancio: Gas Guancio, S.A.
6 West Bakr: West Bakr Petroleum Co.
7 The volume the Company consumed in its operations is deducted from domestic production and processing volume.
8 Hazardous Waste is equivalent to “specified hazardous waste” as defined under Japanese law.
9 Non-hazardous Waste is equivalent to “other waste” as defined under Japanese law.
10 Recycled, Reused and Reclaimed Materials are equivalent to “recycled materials” as defined under Japanese law.
11 Numbers in the table are rounded off to the nearest whole number. Thus the sum of the numbers in each line may not be the same as the total number.
---

— NA
<table>
<thead>
<tr>
<th></th>
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<th>Venezuela</th>
<th>Egypt</th>
<th>Japan</th>
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<tr>
<td><strong>Teikoku Oil Libya³</strong></td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>Gas Guarico ⁴</strong></td>
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<td>0</td>
<td>517,107</td>
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<td>2,423,597</td>
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<tr>
<td><strong>West Bakr⁵</strong></td>
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<td>---</td>
<td>---</td>
<td>---</td>
<td>1,421,784</td>
</tr>
<tr>
<td><strong>Domestic Operations⁶</strong></td>
<td>---</td>
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<td>---</td>
<td>---</td>
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<td><strong>Total</strong></td>
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**INPEX Corporation CSR Report 2009**
We ensure safe operations and have an emergency response plan as a company responsible for supplying the energy to our society

Safety Initiatives

We have implemented a wide range of precautionary measures to ensure safe operations at headquarters and in Operational Organizations around the world.

Headquarters has prepared the HSE Management System Manual, which directs our HSE efforts, and Corporate HSE Procedures, which deal with safety management. Each Operational Organization has translated these materials into its own HSE Management System Manual to meet its specific operational needs, and follows this manual in its safety activities. Moreover, each Operational Organization is preparing to take additional measures to prevent incidents induced by human error.

Near-miss Prevention Activities to Raise Employees' Level of Alertness

Our Operational Organizations in Japan have identified high-risk factors associated with their operations and their possible consequences through near-miss prevention activities. Some Operational Organizations upload reports on to a shared database so that others will have access to the information.

These Operational Organizations also create their own near-miss maps, which aptly illustrate high-risk elements of operations with graphics and photographs on a single sheet of paper for each equipment and location, created from submitted near-miss reports, internal rules, and case studies on incidents. We encourage employees to refer to these maps in meetings both before and during operations so as to raise their safety awareness and alertness, as well as to share recognition of potential safety risks.

1 Near-miss prevention activity: Employees are encouraged to record small incidents that do not involve human and material damage, but scare or startle them at project sites to share their experiences with fellow workers so as to prevent a small incident from becoming a serious one.

Workplace Safety Education and Training

Our Operational Organizations in Japan devise an annual training plan for each of their operational sites and provide OJT-based training for employees to gain not only technical skills but also knowledge and expertise in safety. In addition, they keep records of the training that each employee receives in order to provide additional training that matches the level of understanding and proficiency that they have accumulated.

Staffers at operational sites receive hands-on training with equipment, including simulation training, risk prediction training, auditor training for ISO14001 and OHSAS, and off-site seminars on risk assessment, which are intended to raise their safety awareness and prevent errors in equipment handling.

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

Volunteer Firefighting Team

In October 2008, when we relocated our headquarters to the Akasaka Biz Tower in Tokyo, we formed a 70-member volunteer firefighting team as required by the Fire Defense Law, to maintain firefighting readiness in the event of a fire, earthquake or other disaster.

Members of the team received a briefing on a disaster-prevention manual that we prepared for the new headquarters, and on the use of a safety control system from the building's property maintenance company, all of which helped to raise their awareness and knowledge of disaster-prevention.

In May 2009, we conducted a fire drill at the Akasaka Biz Tower, in which all participants, wearing hard hats, evacuated the building using stairs to a designated evacuation space outside. At the end of the drill, we received a briefing from a Fire Department official and learned how to use fire extinguishers.
Preventing Work-Related Incidents for Greater Safety

In fiscal 2008, we began collecting HSE-related data in accordance with the Corporate HSE Procedure for HSE Performance Data. In reporting our safety performance, we have redefined incidents as shown below to be consistent with the safety performance indicators used by International Association of Oil and Gas Producers, of which we are a member.

Fatal incident: Incident involving a fatality.
Lost workday case: An incident involving a non-fatal injury that results in at least one day off work.
Restricted workday case: Incident involving a non-fatal injury that is not severe enough to prevent a person from performing lighter duties.
Medical treatment case: Incident involving a non-fatal injury that requires a treatment by a medical professional.

In fiscal 2008, 11 incidents occurred that involved non-fatal injuries to our employees during our global operations: three lost workday cases, one restricted workday case and seven medical treatment cases. In addition, 32 incidents occurred that involved contractor employees: one fatal case, four lost workday cases, five restricted workday cases and 23 medical treatment cases.

In the early hours of July 15, 2008, a fatal incident occurred at a construction site where one of our contractors had been building natural-gas pipelines for our Shin Oumi Line in Joetsu City, Niigata Prefecture since 2007; an explosion killed two contractor employees during the tunneling. We immediately met the contractor to work out preventive measures, including adding more safety officers at the site who maintain day-to-day operational safety and provide safety guidance to the workers, and installing additional gas-sensing devices. We also changed drilling methods to one that constructed the tunnel from the other side using an unmanned explosion-resistant excavation machine. With these enhanced safety measures in place, the tunnel got through on March 26, 2009.

We will continue to work closely with our contractors to step up HSE management to prevent work-related incidents based on the Contractors’ HSE Management Procedure.

Upgrading Contractors’ HSE Management

We require all our contractors to manage their HSE practices in accordance with our HSE Policy; we work closely with them in an effort to prevent work-related incidents and reduce environmental loads.

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 specific needs of the project.

In a competitive bid, we evaluate not only contractors’ engineering expertise and cost estimates, but also their HSE competence to select a winner. We also ask 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 a contract work. Furthermore, we monitor and evaluate contractors’ HSE performance against agreed-upon criteria during the course of a contract work, and we ask them to improve performance as necessary.

In fiscal 2009, we will continue to have our contractors conduct better HSE management practices by making sure that they follow the Corporate HSE Procedure for Contractors’ HSE Management and working out measures against incidents induced by human error based on analyses of their root causes. In addition, we plan to prepare the Guidelines for HSE Requirements for Contractors—a set of more practical guidelines that are derived from the Corporate HSE Procedure for Contractors’ HSE Management and are intended to standardize HSE requirements for contractors.
We have an emergency response system in place to ensure employee safety in the event of a disaster or emergency

Emergency Response Manual for Earthquakes

In October 2008, when we settled into our new headquarters in Akasaka, Minato-ku, Tokyo, we developed an Emergency Response Manual for Earthquakes, and our employees were familiarized with it through briefings held in February 2009. In the briefings, we provided every employee with an emergency response card that contains information on an evacuation route, safety precautions during evacuation, the name and address of the company, and personal information of the cardholder, which can be referred to in the event of an emergency.

Emergency Response System to Deal with Deteriorating Security Situations and Fires

In an effort to maintain preparedness for an emergency that could impact our operations, we have developed the Corporate Emergency Response Procedure that outlines action to be taken by headquarters and Operational Organizations in the event of an emergency.

We conducted two emergency response drills under mock emergency situations in fiscal 2008.

The first exercise was conducted on November 4, 2008, in which 14 members of the Corporate Crisis Management Team participated under the direction of the Director in charge of HSE, assuming that a riot had broken out in an overseas city in which we operate. This drill provided the Team with an opportunity to walk through the procedures described in the Corporate Emergency Response Manual.

In the second drill, conducted on March 5, 2009, 25 members of the Corporate Crisis Management Team and members of the Crisis Management Team—set up within the Domestic Project Division—participated on the assumption that an oil tank had caught fire at one of the refineries managed by the Domestic Project Division. In this drill, the team members followed the procedures for notifying the news media, local residents, and regulatory authorities of an incident, confirmed what assistance headquarters would provide to an Operational Organization in an emergency, and prepared a list of equipment necessary for the Corporate Crisis Management Team.

We plan to conduct three emergency response drills in fiscal 2009.

Employee Safety Confirmation System Introduced in Japan for Use in a Devastating Disaster

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

In this system, if an earthquake with an intensity of greater than 5 strikes, a text message will be automatically sent to all employees in the affected area; a text message will be sent to all employees around the country to ask for the verification of their safety if such a major crisis as pandemic flu erupts. Upon receipt of such a message, employees are required to report their status via email. The system enables managers to keep check on whether employees and their families are safe via a dedicated web page.

Since its introduction, we have conducted an exercise once every quarter, and the response rate in the May 2009 exercise reached 96%.
We care about the physical and mental well-being of employees working in various environments

Health and Welfare

Health Management for Employees Working in Project Sites

In some cases, our employees are posted to project sites in remote locations or where a supporting infrastructure is not fully developed. We ensure that such sites are staffed with doctors and medical personnel, who provide medical care for employees involved in a work-related incident, regularly monitor their health, and maintain good hygienic management to prevent food poisoning and the outbreak of infectious diseases.

In the event of an emergency, we place the highest priority on saving human lives. As a contingency for employees’ illness or injuries on site, we have contracted a 24-hour emergency medical service provider to transport emergency cases by helicopter to the nearest available medical facility to provide appropriate treatment.

Operator’s Health Management

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<tr>
<td>• Provide employees with health check-ups</td>
<td>Every Operational Organization executed almost all health management items as planned for 2008. Items that were insufficiently implemented in 2008, such as providing employees with mental health care, and measures against pandemic flu need to be addressed and dealt with in a stepped-up manner in 2009.</td>
<td>• Prepare or update a health management manual</td>
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<td>• Give flu shots to employees</td>
<td>• More closely monitor contractors' health management practices</td>
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<td>• Provide employees with mental health care through seminars and stress checks</td>
<td>• Upgrade the existing emergency medical transportation system</td>
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<td>• Raise preparedness for avian flu</td>
<td>• Provide employees in overseas assignments with better mental health care</td>
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<td>• Establish an emergency medical transportation system at project sites</td>
<td>• Raise preparedness against pandemic flu. Establish a response system, prepare a manual, provide employees with training, and stock up on necessary peripheral items</td>
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<td>• Conduct regular hygiene inspections of dining and housing facilities</td>
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<td>• Monitor contractors’ health management practices and recommend improvements</td>
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Raising Preparedness against Pandemic Flu

Since 2007, we have been collecting information about pandemic flu (H1N1) through multiple sources including information service providers, to raise our preparedness against the epidemic.

In fiscal 2008, all employees received a briefing on the flu to better understand protective measures, and were given a protective kit including masks. In addition, we began devising a contingency plan for each pandemic phase that the World Health Organization defined in an attempt to ensure employee safety and business continuity.

Immediately after Pandemic (H1N1) 2009 broke out, we mobilized the Corporate Crisis Management Team at headquarters and began collecting information on the spread of the flu and on the measures taken by other Japanese companies operating overseas, other E&P companies, the governments and health and medical organizations in the affected countries.

In due consideration of the information obtained, the Team worked out a policy and countermeasures that apply to domestic and international business travels and employees posted to overseas project sites and their families, as well as the prevention of infection or the spread of the flu.

We will continue to closely monitor the spread of Pandemic (H1N1) 2009 and obtain the most up-to-date information on measures taken by other businesses, government authorities, and health and medical organizations as we attempt to prevent our employees from contracting the flu.

1 Pandemic phase: A pandemic is a worldwide epidemic of an infectious disease. The pandemic phase is based on a scale of 1 to 6, with Phase 6 being the pandemic stage.
It is imperative to create an environment in which employees are encouraged to reach their fullest potential, especially when two companies with different histories and policies are merged. We have established the following basic policy based on a human resources management system that contributes to a sustainable development of the company in an attempt to create 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.

It is important to establish a credible employee evaluation system in order to reward employees fairly based upon the basic policy on human resources management system.

Therefore, in our human resources management system, we evaluate employees from the following three perspectives:

(1) Performance evaluation to evaluate an employee’s goal achievement, including the means and methods used, and the time spent;
(2) Competency evaluation to evaluate an employee’s utilization of her/his ability in setting out and achieving individual performance objectives; and
(3) Value evaluation to evaluate an employee’s behavior and attitude toward the values that the Company strives to instill.

In fiscal 2008, we added business ethics to the criteria for value evaluation, and stated that an employee has a moral obligation to carry out the Company’s Corporate Social Responsibility Policy and HSE Policy, and to have high moral standards as a member of the Company that contributes to society. This, coupled with the Compliance Manual, is intended to foster greater awareness and appreciation of CSR among our employees.

The three-tiered evaluation is not simply something that supervisors perform on subordinates; it is a self-evaluation by an employee that constitutes an integral part of the system. At an evaluation meeting, a supervisor shares with a subordinate how the former evaluates the latter, and the employee discusses how he or she evaluates himself/herself; through this process, both parties can identify any gap between the two evaluations so that they can work out a plan to develop and improve the employee’s skills and knowledge.

Under this employee evaluation system, employees can submit requests for new assignments and transfers. Although we cannot accommodate all requests, this gives the company a better understanding as to what extent employees think they are fit for their current assignments, and what career path 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 perform as intended within the company, we first provided line managers with training on corporate standards of value in September 2008, immediately preceding the inception of the new company; managers with evaluation roles received practical training on the evaluation process in January 2009, immediately prior to its implementation. Finally, all employees received a briefing on how the new evaluation system works in February 2009.
Company 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 December 2008, the new Company held the first labor-management council, during which both sides went over the Company’s financial performance and an overview of each project, and discussed what could be done to curb excessive overtime.

We provide a variety of training programs to employees with leadership potential to develop global perspectives and learn to contribute to greater corporate values as well as to employees on the whole, to improve their competency.

The training programs are tailored to each rank of employees within the company—senior management, middle management and new employees. For instance, we have a mentor system for new employees, where a senior member of a section is assigned to provide one-on-one, on-the-job training and mental support to a new employee for the first 12 months of employment. We also provide employees with compliance training to foster higher business ethics among them. In addition, to enable employees to improve their international communication skills, we provide them with opportunities to study English in Great Britain to participate in on-the-job training programs at our overseas offices such as those in Perth and Libya, and to continue higher education abroad. We also encourage employees to pursue self-learning through correspondence courses.

As our CSR policy states, we strive to provide our employees with a worker-friendly work environment and opportunities for them to develop competencies as we value the diversity of employees, their individualities, and their personal qualities. Accordingly, we have been proactive in hiring the physically challenged. As of March 31, 2009, 24 physically challenged employees, which represents 1.72% of the total number of employees, are engaged in clerical and support work.

We have instituted more generous childcare-leave programs than required by law, in an ongoing effort to provide childcare assistance to our employees. In addition to allowing employees to take childcare leave until their children are 18 months old, we partially exempt employees with small children from overtime and night shifts. We also pay employees on childcare leave 20% of their salaries on top of the statutory childcare leave benefit.

Furthermore, we have the following programs to accommodate employees who have childcare challenges: Reduced work hours that permit them to work two hours less per day until their children reach the fourth grade; a program to subsidize such employees with some of the expenses for nurseries, day-care centers and babysitters; and a flextime arrangement that allows them to set their own schedule until their children reach school age. We will develop a general action plan as an employer as required by Japan’s Law for Measures to Support the Development of the Next Generation in an effort to help employees maintain a balance between their work and childcare.
We are upgrading our natural-gas production and supply system to meet growing demand, while meeting safety and environmental requirements

Keeping Pipelines in Good Condition

Keeping our pipelines—which run for a total length of more than 1,300 kilometers 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, an INPEX Group company, conducts visual inspections of the pipelines twice a week or more, and carries out routine physical diagnostics to look for leaks or signs of corrosion.

In addition, to prevent incidents during construction projects that the Company and its affiliates undertake, we brief all staff and workers at construction sites on safety precautions and case studies on incidents that have occurred at other exploration sites. We also compile case studies on past troubles to learn from them.

In fiscal 2008, we began to apply the Manual for Contractors’ HSE Management to contractors working on our pipeline construction projects. The manual discusses our role and responsibilities, our HSE requirements for contractors, and criteria for evaluating contractors’ HSE performance, and is based on our HSE Policy, Guidance on HSE Policy, HSE Management System Manual, and Corporate Procedure for Contractors HSE Management.

A Reliable and Flexible Supply of Gas Using an 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. This method also makes it easier to respond to seasonal fluctuations or a spike in demand.

Our Domestic Project Division has been storing natural gas underground in the Sekihara Gas Field in Nagaoka, Niigata Prefecture, since July 1968 to better respond 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 the peak demand period, allowing us to provide an uninterrupted and flexible supply of gas. As of March 2009, we had 230 million normal cubic meters of gas stored underground.

Publishing GHS-Compliant MSDSs

In accordance with United Nations’ recommendations concerning GHS, we will complete the revision and update of our MSDSs for natural gas, crude oil, petroleum products and iodine products by December 31, 2010.

When we began increasing production of natural gas in the Minami Nagaoka Gas Field in 2007, emissions of benzene exceeded the reporting requirements specified in the PRTR Law and the Industrial Safety and Health Law; we provided updated MSDSs to our customers in July 2008. We will also incorporate into an MSDS the results of new component analyses of our crude oil and petroleum products.

1 GHS: Globally Harmonized System of Classification and Labeling of Chemicals, A system for standardizing the classification of hazardous chemicals.
2 MSDS: Material Safety Data Sheet. A document providing information regarding chemical substances contained in a product. The PRTR (Pollutant Release and Transfer Register, see p.32) Law comprises the PRTR system for measuring, tabulating and reporting the amount of regulated chemicals emitted into the environment, and the MSDS system mentioned above.
We seek increased production capacity and diversified sources of natural gas, while striving to offer better customer service

Increasing Production and Supply of Natural Gas

Establishing a More Stable Supply System of Natural Gas 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 5 million normal cubic meters.

We have also been seeking diversified sources of natural gas, and will begin sourcing LNG from Shizuoka Gas Company in January 2010. In July 2009, we began construction of the Naoetsu LNG Receiving Terminal in Naoetsu, Niigata Prefecture. Upon completion of the terminal in 2014, we will begin receiving LNG on the Sea of Japan side, which, coupled with LNG coming through the Pacific coast and domestic natural gas production sites, will give us secure and expanded sources of natural gas.

Expanding the Natural Gas Pipeline Network

Since we began operating the Tokyo Line—the first long-distance high-pressure 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 more than 1,300 kilometers running from the Sea of Japan to the Pacific coast.

More recently, we completed the Shizuoka Line, connecting Kofu and Gotenba, in 2006; the Minamifuji Pipeline, a joint venture project among Shizuoka Gas Company, Tokyo Gas Company and us, connecting Gotenba and Fuji, also in 2006; and finally the third phase of the Shin Tokyo Line, connecting Karuizawa and Tomioka, in 2007. Looking ahead, the Shin Oumi Line, connecting Joetsu and Itoigawa, is scheduled to become operational in autumn 2009. We will continue to expand our pipeline network to meet the growing demand for natural gas.

Educational Seminar for Gas Station Managers

We have held an annual educational seminar for managers of our gas stations since 2002. The seminar is held in Joetsu, Niigata Prefecture, and is attended by 15 gas station managers every year, who learn about the latest on the retail gas station industry and about workplace improvement.

At this seminar, a speaker from outside the company gives a presentation, and participants engage in a free discussion about subjects related to the gas station business. This event gives a good opportunity for gas station managers to interact with each other and exchange ideas, which leads to better operations at gas stations. We incorporate feedback from participants into the planning of future seminars.

Listening to Customers

Our gas stations have been running a summer campaign every year since 2005. In this campaign, we ask customers to fill in questionnaires in exchange for a chance to win awards, in an effort to raise the brand awareness among drivers, attract new customers, and retain repeat customers for increased sales of petroleum products.

In 2008, we ran a campaign from mid-July through August. Information and feedback that participating customers provided—about themselves, how often and why they used the station, their thoughts on prices of petroleum products, and requests for services we offered—were collected and analyzed. By sharing the findings with our franchisees and relevant departments within the Company, each gas station was able to understand what attracted customers the most and we were able to upgrade our customer service and provide better management assistance to our franchise partners.

We will continue to run this campaign to learn what customers look for and deliver effective sales strategies.
Our procurement policy is to do business with our suppliers in a fair, responsible and compliant manner

Procurement Policy for all Purchases from Suppliers

Our procurement policy is to conduct business with our suppliers in a transparent, fair and responsible manner. The Domestic Project Division established the Guidelines for Fair Business Conducts with Suppliers and Contractors in April 2006. The guidelines prohibit practices that would unlawfully impede fair and free competition, abuse dominant bargaining positions, or inappropriately bestow or receive benefits; in addition, they stipulate respecting intellectual properties owned by suppliers and contractors, and protecting the confidentiality of information and technologies owned by suppliers and contractors.

In April 2009, we formulated the Procedure for Handling Procurement, which defines the procurement process and procedures, and documents to be prepared, as well as delegation of authority in the procurement process, to ensure that procurement practices are strictly enforced.

Ensuring Fair Trade Practices

We publish via intranet a rulebook that contains the Guidelines for Fair Business Conduct with Suppliers and Contractors, and the Procedure for Handling Procurement to familiarize every employee with our fair trade practices. In the Logistics & IT System Division, which is directly responsible for sourcing materials and equipment, all employees refer to the guidelines and the procedure along with a compliance manual to refresh their understanding of these rules, which call for transparent, fair and responsible procurement practices.

The Guidelines for Fair Business Conduct with Suppliers and Contractors, and the Procedure for Handling Procurement serve as the primary binding principle for our procurement practices. The Logistics Groups in the Domestic Project Division, the Construction & Service Contract Group, the Material Control & Purchasing Group, and the Project Services & Insurance Group at headquarters all hold internal meetings regularly to ensure that fair trade practices are followed in their sections.

We will continue to promote fair trade practices by inviting more vendors to take part in large bids to ensure greater competition and to reduce the number of discretionary contracts.
We keep shareholders and investors informed of our business to enable them to make an objective assessment of our corporate value.

Keeping Shareholders and Investors Informed

The Company discloses corporate information in a timely and appropriate manner through investor relations activities, general shareholders meetings, the company Web site, and public relations outreach. This practice enables us to look at our company from the perspective of our shareholders and investors, thus further ensuring transparency, fairness and continuity.

We have formulated the Rules for Corporate Information Disclosure as a basis for establishing an internal system for disclosing information, and the rules define the Group-wide management of information and the process of communicating and disclosing information. We post our disclosure policy derived from these rules on our Web site.

Investor Relations Activities

We are proactive in maintaining a dialogue with shareholders and investors, by which we ensure greater transparency in management and incorporate their feedback into decision-making.

In fiscal 2008, we gave two briefing sessions to financial analysts and institutional investors to report financial results; held 624 investor relations (IR) meetings for them; and offered them two tours to project sites. In addition, we held briefing sessions for individual investors in eight cities in Japan, and participated in two IR exhibitions.

We have conducted a shareholder survey once a year since 2006 to collect feedback from shareholders and incorporate it into management and IR activities. In fiscal 2008, we conducted a CSR-incentive questionnaire survey; the number of responses from shareholders determined how much we would donate to a nature conservation group. This project yielded 295,700 yen, which we donated to the Keidanren Nature Conservation Fund.
Through a wide range of activities, we play a part in the sustainable development of the local communities where we operate.

Contributing Economically and Socially to Regional Development along the BTC Pipeline Route

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

As part of this project, we and our partners are engaged in community investment programs to improve living standards in the communities through which the pipeline passes, and we are implementing a regional development initiative for long-term economic and social development in a wider geographical area. In 2008, project members contributed U.S. $6.09 million to activities undertaken in Azerbaijan, Georgia and Turkey.

Our financial assistance is intended to: (1) improve living standards and create business opportunities; (2) provide better access to the social infrastructure; (3) provide better education and medical care; and (4) revive agriculture in the region. We liaise with state and local governments and NGOs in working out the details of implementing these programs.

Dredging Project in Venezuelan Harbor

In Zazarida, near the Moruy II Block in Venezuela, the great majority of residents live by fishing. For years, a steady stream of sand flowing from the Zazarida River to the northeast of the city has been deposited on the bottom of Zazarida Harbor, which is so silted up that only small fishing boats can leave it for the ocean. Residents have attempted to dredge the harbor several times without much success, and so much sand flows into the harbor that it becomes unusable again only a few years after this limited dredging is carried out.

To solve this problem, we are planning to conduct a large-scale dredging operation in the harbor through PT Moruy II, an operating company we partially own. The project will construct a 40-meter-wide, 2-kilometer-long canal that will connect the harbor and the outer sea, along which a dike will be constructed to prevent sand from flowing into the canal, and to ensure the unobstructed passage of fishing boats through the canal. In the planning phase of the project, we interviewed residents and met with the mayor of the city and with local administrative authorities to ensure that the project will meet their needs. We also conducted an environmental impact assessment and consulted with the Venezuelan Ministry of Environment to ensure that the project would not damage the environment in the area.

We have developed a basic plan for the project and will work out details with dredging contractors. We will begin construction in 2009, and the canal and dike are expected to become operational in 2010.
We maintain constant communication with local communities and participate in social action programs in the international community

Maintaining Open Dialogue with Communities

We are building an LNG receiving terminal at Arahama Wharf at Naetsu Port in Joetsu, Niigata Prefecture, to respond to the growing demand for natural gas in Japan and to secure a sufficient supply over an extended term. When completed in 2014, the 25-hectare (62-acre) terminal will have two 180,000-kiloliter tanks with a capacity to add another tank. In March 2008, the Niigata Prefectural Assembly approved the proposal to sell the 18-hectare (44-acre) land developed for the terminal by reclaiming the foreshore under a revised harbor development plan, and we acquired the land in early fiscal 2009.

By February 2008, we had given two briefings to local residents on the findings of an environmental impact assessment, and on an outline of the construction to begin in fiscal 2009. We will proceed with construction while addressing concerns raised by residents during the briefings.

When construction begins in 2009, we will provide residents with newsletters periodically to keep them updated on the project’s progress.

Donating Used Uniforms as International Aid Supplies

When we ceased asking female employees to wear company-supplied uniforms in fiscal 2008, we donated the used uniforms to the Republic of Mali in Africa as part of an international aid program through the Motherland Academy. Twenty-four boxes of used uniforms were sent to the country with freight prepaid by us. As Mali is in serious need of food, clothing and medical supplies, international aid supplies are a great help to its people.

Participating in the Ecocap Movement

The Corporate HSE Committee decided to participate in the Ecocap Movement, and the General Administration Unit has taken the initiative in this activity since June 2009.

In the Ecocap Movement program, we collect PET bottle caps from our offices and employees’ homes, and donate them to the Japan Committee of Vaccines for the World’s Children, an NPO engaged in selling collected PET bottle caps to recycling contractors and buying vaccines with proceeds from the sales. This innovative program meets the dual purposes of helping prevent children in the world from becoming ill and of recycling resources.

We will raise employees’ awareness of and participation in this humanitarian, eco-conscious program.
We contribute to the social development of the areas where we operate through relationship-building efforts, donations, and sponsorship.

**Inviting a Venezuelan Youth Orchestra to Perform in Japan**

Venezuela has a youth-enlightenment program intended to give the country’s underprivileged youth opportunities to play classical music. This program was initiated by Dr. Jose Antonio Abreu, the former Minister of Culture, in 1975, and has since organized youth orchestras around the country, some of which took members abroad to give public performances. One 250-piece orchestra staged concerts in Tokyo and two other cities in Japan in December 2008 after performing in South Korea and China.

We have been assisting the Venezuelan Embassy in Japan in its cultural events since 1992, when we began operating in Venezuela; this is intended to foster and solidify good relationships between the oil-producing country and the oil-importing country. Sponsoring the orchestra’s performances in Japan was part of this long-running relationship-building effort.

**Donating Iodine to Cambodia**

The Japan Iodine Industry Association, of which we are a member, has joined forces with Chiba Prefecture—known as one of the leading producers of iodine in the world and the center of the iodine industry in Japan—and UNICEF to donate 850 kilograms of potassium iodate to Cambodia on four occasions since 2006.

The donations were part of an international humanitarian aid program and a public health campaign to combat iodine deficiency among people in Cambodia. The donated iodine was added to salt and made available to the Cambodian people. The Cambodian Embassy in Japan expressed its gratitude by saying that the aid would help eradicate iodine deficiency in Cambodia.

**Donations for Communities Devastated by a Massive Wildfire in Australia**

A massive wildfire burned through forests the size of Tokyo and killed 200 people in Victoria, Australia, in February 2009.

As a responsible corporate citizen carrying out an operator project in Australia, we donated 200,000 Australian dollars through the Australian Red Cross Society to communities hit by the bushfire. We received a letter of appreciation from the Society and thank-you notes from Australia’s Minister of Resources and Energy and the Australian Embassy in Japan.
INPEX CORPORATION (hereinafter referred to as “the Company”) has a mission statement that expresses its commitment to play its part in supporting the sustainable development of society through a stable and efficient supply of energy, and disclosed what it accomplished toward fulfilling that mission in its CSR Report 2009. I would like to comment on the report from the perspective that combines theoretical and practical implications of CSR, adopted from my own real-world experience in CSR implementation and my ongoing academic interests in CSR.

What I found positive about the Report

The Report discusses in detail how the Company undertook CSR initiatives and activities built around the HSE framework to fulfill its corporate mission—both high-profile, aggressive approaches to CSR and low-profile, behind-the-scenes approaches.

What I found positive about the Report upon close examination of the high-profile and low-profile approaches discussed in it is detailed below.

Let me begin with the low-profile, behind-the-scenes approaches to CSR. The Report gives us a clear idea of how the Company—from top management to front-line employees—is committed to CSR based on the distinctive HSE Management System; it discusses how vigorously the Company pursues the “3Ss”—safety, security and stability, three essential ingredients of an energy company—in the areas of corporate governance, environment preservation, human rights and labor. It also gives a detailed account of the Company’s oil and gas business that ranges from acquisition of license blocks to development and production to refining, shipment and sales.

With regard to high-profile, aggressive approaches to CSR, the Company discloses in a feature story how it maintains and promotes good community relations in oil- and gas-producing countries. In particular, we can see that the Company is playing its role as a global company in its support of social causes from the story about cultural exchange programs in which the Company is engaged in many parts of the world, and about social and economic development projects it undertakes in oil- and gas-producing countries. Moreover, I find the report’s discussion about the Company’s involvement in community relations programs and about its ongoing efforts to keep communities informed of its business to be effective in helping stakeholders see the Company in a positive light.

What I found that needs to be improved

I would suggest that the Company clarify and prioritize approaches to engage each group of stakeholders. This may become a basis for defining HSE Objectives for the following fiscal year. More specifically, identify what needs each group of stakeholders has of the Company and what distinctive competencies the Company has; then compare them against each other to determine which competency can meet which needs. It would also be a good idea to disclose the process of this exercise in a future report.

The key is to encourage employees to become more actively involved in the entire process. This is because employees are not only an important group of stakeholders, but also are key people who keep these programs running. I would suggest that the Company increase HSE Point Persons from each division and organize them into teams that drive grassroots HSE activities. It would be perfect if the Company could take a top-down approach to HSE and a bottom-up approach to HSE with middle managers working as glue to bridge them together. I sincerely hope the Company will continuously improve its CSR initiatives and performances to achieve sustainable growth.

INPEX CORPORATION CSR Report 2009
In preparing this report, we referred to the G3 Sustainability Reporting Guidelines published by the GRI in 2006. Below is a list of indicators based on the G3 Guidelines. For each indicator that is covered in this report, we provide the page of the report in which the corresponding information is discussed.

### List of Indicators Based on GRI G3 Guidelines

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<tr>
<th>Item</th>
<th>Indicator</th>
<th>Relevant Page in CSR Report 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strategy and Analysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy</td>
<td>4, 5</td>
</tr>
<tr>
<td>1.9</td>
<td>Description of key impacts, risks, and opportunities</td>
<td>8, 9</td>
</tr>
<tr>
<td>2. Organizational Profile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Name of the organization</td>
<td>2</td>
</tr>
<tr>
<td>2.2</td>
<td>Primary brands, products, and/or services</td>
<td>2</td>
</tr>
<tr>
<td>2.3</td>
<td>Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures</td>
<td>Annual Report</td>
</tr>
<tr>
<td>2.4</td>
<td>Location of organization’s headquarters</td>
<td>2</td>
</tr>
<tr>
<td>2.5</td>
<td>Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report</td>
<td>2, 4, 12</td>
</tr>
<tr>
<td>2.6</td>
<td>Nature of ownership and legal form</td>
<td>2</td>
</tr>
<tr>
<td>2.7</td>
<td>Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)</td>
<td>2</td>
</tr>
<tr>
<td>2.8</td>
<td>Scale of the reporting organization</td>
<td>2</td>
</tr>
<tr>
<td>2.9</td>
<td>Significant changes during the reporting period regarding size, structure, or ownership</td>
<td>4</td>
</tr>
<tr>
<td>2.10</td>
<td>Awards received in the reporting period</td>
<td></td>
</tr>
<tr>
<td>3. Report Parameters</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Reporting period (e.g., fiscal/calendar year) for information provided</td>
<td>1</td>
</tr>
<tr>
<td>3.2</td>
<td>Date of most recent previous report (if any)</td>
<td></td>
</tr>
<tr>
<td>3.3</td>
<td>Reporting cycle (annual, biennial, etc.)</td>
<td></td>
</tr>
<tr>
<td>3.4</td>
<td>Contact point for questions regarding the report or its contents</td>
<td>Back cover</td>
</tr>
<tr>
<td>3.5</td>
<td>Process for defining report content</td>
<td>2, 3</td>
</tr>
<tr>
<td>3.6</td>
<td>Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)</td>
<td>2</td>
</tr>
<tr>
<td>3.7</td>
<td>Any specific limitations on the scope or boundary of the report</td>
<td>2</td>
</tr>
<tr>
<td>3.8</td>
<td>Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations</td>
<td></td>
</tr>
<tr>
<td>3.9</td>
<td>Data measurement techniques and the basis of calculations, including assumptions and techniques underlying estimations applied in the compilation of the Indicators and other information in the report</td>
<td></td>
</tr>
<tr>
<td>3.10</td>
<td>Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement</td>
<td></td>
</tr>
<tr>
<td>3.11</td>
<td>Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report</td>
<td>2</td>
</tr>
<tr>
<td>GRI Content Index</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.12</td>
<td>Table identifying the location of the Standard Disclosures in the report</td>
<td>50</td>
</tr>
<tr>
<td>Assurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.13</td>
<td>Policy and current practice with regard to seeking external assurance for the report</td>
<td></td>
</tr>
<tr>
<td>4. Governance, Commitments, and Engagement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>Governance structure of the organization</td>
<td>10</td>
</tr>
<tr>
<td>4.2</td>
<td>Indicate whether the Chair of the highest governance body is also an executive officer</td>
<td></td>
</tr>
<tr>
<td>4.3</td>
<td>For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members</td>
<td>10</td>
</tr>
<tr>
<td>4.4</td>
<td>Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body</td>
<td>41</td>
</tr>
<tr>
<td>4.5</td>
<td>Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization’s performance</td>
<td></td>
</tr>
<tr>
<td>4.6</td>
<td>Processes in place for the highest governance body to ensure conflicts of interest are avoided</td>
<td>Annual Report</td>
</tr>
<tr>
<td>4.7</td>
<td>Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization’s strategy on economic, environmental, and social topics or purposes</td>
<td>Annual Report</td>
</tr>
<tr>
<td>4.8</td>
<td>Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation</td>
<td>4, 5, 6, 19</td>
</tr>
<tr>
<td>4.9</td>
<td>Procedures of the highest governance body for overseeing the organization’s identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles</td>
<td>20</td>
</tr>
<tr>
<td>4.10</td>
<td>Processes for evaluating the highest governance body’s own performance, particularly with respect to economic, environmental, and social performance</td>
<td></td>
</tr>
</tbody>
</table>

### Economic Performance Indicators

<table>
<thead>
<tr>
<th>Item</th>
<th>Indicator</th>
<th>Relevant Page in CSR Report 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC1</td>
<td>Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments</td>
<td>Annual Report</td>
</tr>
<tr>
<td>EC2</td>
<td>Financial implications and other risks and opportunities for the organization’s activities due to climate change</td>
<td></td>
</tr>
<tr>
<td>EC3</td>
<td>Coverage of the organization’s defined benefit plan obligations</td>
<td></td>
</tr>
<tr>
<td>EC4</td>
<td>Significant financial assistance received from the government</td>
<td></td>
</tr>
<tr>
<td>EC5</td>
<td>Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation</td>
<td>44</td>
</tr>
<tr>
<td>EC6</td>
<td>Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation</td>
<td></td>
</tr>
<tr>
<td>EC7</td>
<td>Procedures for local hiring and proportion of senior management hired from the local community at holdings of significant operation</td>
<td></td>
</tr>
<tr>
<td>EC8</td>
<td>Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement</td>
<td>34, 35, 45, 46, 47, 48</td>
</tr>
<tr>
<td>EC9</td>
<td>Understanding and describing significant indirect economic impacts, including the extent of impacts</td>
<td></td>
</tr>
</tbody>
</table>

### Environmental Performance Indicators

<table>
<thead>
<tr>
<th>Item</th>
<th>Indicator</th>
<th>Relevant Page in CSR Report 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN1</td>
<td>Materials used by weight or volume</td>
<td>24</td>
</tr>
<tr>
<td>EN2</td>
<td>Percentage of materials used that are recycled input materials</td>
<td></td>
</tr>
<tr>
<td>EN3</td>
<td>Direct energy consumption by primary energy source</td>
<td>24</td>
</tr>
<tr>
<td>EN4</td>
<td>Indirect energy consumption by primary energy source</td>
<td></td>
</tr>
<tr>
<td>EN5</td>
<td>Energy saved due to conservation and efficiency improvements</td>
<td>22, 23</td>
</tr>
<tr>
<td>EN6</td>
<td>Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives</td>
<td>22, 23</td>
</tr>
<tr>
<td>EN7</td>
<td>Initiatives to reduce indirect energy consumption and reductions achieved</td>
<td></td>
</tr>
<tr>
<td>EN8</td>
<td>Total water withdrawal by source</td>
<td>24</td>
</tr>
<tr>
<td>EN9</td>
<td>Water sources significantly affected by withdrawal of water</td>
<td></td>
</tr>
<tr>
<td>EN10</td>
<td>Percentage and total volume of water recycled and reused</td>
<td></td>
</tr>
<tr>
<td>EN11</td>
<td>Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</td>
<td>30</td>
</tr>
<tr>
<td>EN12</td>
<td>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas</td>
<td>30</td>
</tr>
<tr>
<td>EN13</td>
<td>Habitats protected or restored</td>
<td></td>
</tr>
<tr>
<td>EN14</td>
<td>Strategies, current actions, and future plans for managing impacts on biodiversity</td>
<td></td>
</tr>
<tr>
<td>Item</td>
<td>Indicator</td>
<td>Relevant Page in CSR Report 2009</td>
</tr>
<tr>
<td>------</td>
<td>-----------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>EN15</td>
<td>Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk</td>
<td>—</td>
</tr>
<tr>
<td>EN16</td>
<td>Total direct and indirect greenhouse gas emissions by weight</td>
<td>26</td>
</tr>
<tr>
<td>EN17</td>
<td>Other relevant indirect greenhouse gas emissions by weight</td>
<td>26</td>
</tr>
<tr>
<td>EN18</td>
<td>Initiatives to reduce greenhouse gas emissions and reductions achieved</td>
<td>26-29</td>
</tr>
<tr>
<td>EN19</td>
<td>Emissions of ozone-depleting substances by weight</td>
<td>—</td>
</tr>
<tr>
<td>EN20</td>
<td>NOx, SOx, and other significant air emissions by type and weight</td>
<td>32</td>
</tr>
<tr>
<td>EN21</td>
<td>Total water discharge by quality and destination</td>
<td>—</td>
</tr>
<tr>
<td>EN22</td>
<td>Total weight of waste by type and disposal method</td>
<td>—</td>
</tr>
<tr>
<td>EN23</td>
<td>Total number and volume of significant spills</td>
<td>21, 22, 23</td>
</tr>
<tr>
<td>EN24</td>
<td>Weights of transported, imported, exported, or treated waste deemed hazardous under the Basel Convention Annex I, II, III, and IV, and percentage of transported waste shipped internationally</td>
<td>—</td>
</tr>
<tr>
<td>EN25</td>
<td>Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization’s discharges of water and runoff</td>
<td>—</td>
</tr>
<tr>
<td>EN26</td>
<td>Initiatives to mitigate environmental impacts of products and services, and extent of implant mitigation</td>
<td>26, 27, 28, 29, 30</td>
</tr>
<tr>
<td>EN27</td>
<td>Percentage of products sold and their packaging materials that are recycled or produced by recycled materials</td>
<td>—</td>
</tr>
<tr>
<td>EN28</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations</td>
<td>—</td>
</tr>
<tr>
<td>EN29</td>
<td>Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations, and training members of the workforce</td>
<td>24, 25, 26</td>
</tr>
<tr>
<td>EN30</td>
<td>Total environmental protection expenditures and investments by type</td>
<td>21, 22</td>
</tr>
</tbody>
</table>

**Labor Practices and Decent Work**

**Disclosure on Management Approach**

**LA**

LA. Goals and Performance —

LA. Policy —

LA. Organizational Responsibility —

LA. Training and Awareness —

LA. Monitoring and Follow-up —

LA. Additional Contextual Information —

**Labor Practices and Decent Work Performance Indicators**

**LA1**

Total workforce by employment type, employment contract, and region

**LA2**

Total number and rate of employee turnover by age group, gender, and region

**LA3**

Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations

**LA4**

Percentage of employees covered by collective bargaining agreements

**LA5**

Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements

**LA6**

Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs

**LA7**

Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region

**LA8**

Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases

**LA9**

Health and safety topics covered in formal agreements with trade unions

**LA10**

Average hours of training per year per employee by employee category

**LA11**

Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career

**LA12**

Percentage of employees receiving regular performance and career development reviews

**LA13**

Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity

**LA14**

Ratio of basic salary of men to women by employee category

**Human Rights**

**Disclosure on Management Approach**

**HR**

Goals and Performance —

HR. Policy —

HR. Organizational Responsibility —

HR. Training and Awareness —

HR. Monitoring and Follow-up —

HR. Additional Contextual Information —

**Product Responsibility**

**Disclosure on Management Approach**

**PR**

Goals and Performance —

PR. Policy —

PR. Organizational Responsibility —

PR. Training and Awareness —

PR. Monitoring and Follow-up —

PR. Additional Contextual Information —

**Product Responsibility Performance Indicators**

**PR1**

Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures

**PR2**

Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcome

**PR3**

Type of product and severe information requested by procedures, and percentage of significant products and services subject to such information requirements

**PR4**

Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes

**PR5**

Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

**PR6**

Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship

**PR7**

Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcome

**PR8**

Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

**PR9**

Monetary value of significant fines and penalties for non-compliance with laws and regulations concerning the provision and use of products and services
INPEX

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