



Sustainability Report 2014

Our mission to contribute

At INPEX CORPORATION, we strongly recognize our corporate social responsibility and the growing expectations from our various stakeholders and society in Japan and abroad, as we continue to grow through our oil and natural gas development business operations. In the Medium- to Long-Term Vision of INPEX which we formulated in 2012, we positioned CSR as the foundation of our management and announced our vision. Changes brought about by this clarification of our policy are steadily being manifested. This is leading to deeper awareness of CSR by each employee. The INPEX Group's vision is to continue being an essential company for society. In order to realize our vision, we will drive our corporate management to contribute to the realization of a sustainable society through our business operations.

Editorial Policy

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

■ Report Period

Conforming to the company's fiscal year, the reporting period for facilities in Japan is from April 1, 2013 to March 31, 2014. For overseas facilities, the reporting period is from January 1, 2013 to December 31, 2013. (Certain disclosures contain events before and after the above periods.)

■ Scope of Reporting and Data Compilation

INPEX CORPORATION and its 66 consolidated subsidiaries

■ Issuance

August, 2014

*Previous issue: September 2013; Next issue: August 2015 (scheduled release)

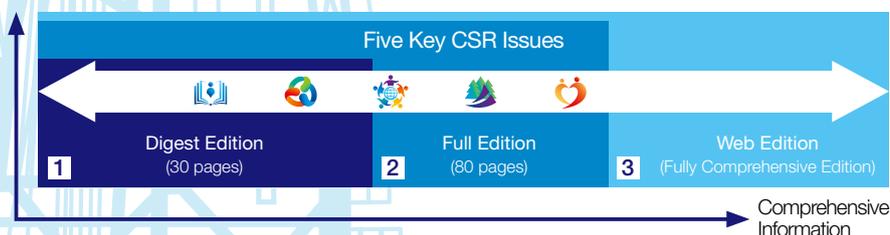
■ Reference Guidelines (The GRI/IIPECA Content Index is included only in the Web Edition)

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4
- ISO 26000
- IIPECA

■ Types of Reporting

To help our stakeholders efficiently and effectively understand the value that our company creates, we have prepared different types of reports from a strategic perspective, based on the Five Key CSR Issues specified in 2012 as our guide.

Up-to-date Information



1 To help all our stakeholders understand the Group's CSR, we have focused on the disclosure of information that relates to CSR as a whole and taken care to make it both easy to read and easy to understand.

2 This edition provides more information while meeting the requirements of international reporting guidelines. This edition also covers a broader range of non-financial information about the Group to meet the needs of our stakeholders such as investors and NPOs/NGOs, etc.

3 This fully comprehensive edition is prepared to easily update information and quickly respond to stakeholders. It provides all non-financial information of the Group including information from the Sustainability Report for the previous fiscal year.

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. These may cause the INPEX Group's actual results, performance, achievements, or financial position to be materially different from those expressed or implied by such forward-looking information. Please be advised that the INPEX Group shall assume no responsibility for such risks. We would like readers to understand this point while reading the Sustainability Report 2014.

to a sustainable society

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A message from the Sustainability Report 2014 Editing Team, Research & CSR Group, Corporate Strategy & Planning Unit

We have a strong commitment to be thorough when communicating with stakeholders and we believe this Sustainability Report is an important communication opportunity. In this report, we provide the perspectives of people actually involved with our priority business operations and our CSR initiatives.



About the Cover

The illustration expresses that INPEX moves forward with various stakeholders around the world.

Company Data

Company Name:	INPEX CORPORATION	Headquarters:	Akasaka Biz Tower 31st to 34th, 36th, 38th floors, 5-3-1 Akasaka, Minato-ku, Tokyo, JAPAN 107-6332	Number of Employees:	2,874 (Consolidated) as of March 31, 2014
Established:	April 3, 2006	Phone:	+81-3-5572-0200	Main Businesses:	Research, exploration, development, production and sales of oil, natural gas and other mineral resources; other related businesses; and investment and lending to companies engaged in these activities
Capital:	290,809,835,000 yen	Fiscal Year End:	March 31		



Representative Director, President & CEO
INPEX CORPORATION

Toshiaki Kitamura

Visiting the Ichthys LNG Project fabrication yard in South Korea

The INPEX Group is a diversified energy organization that is involved in mainly exploration and production of oil and natural gas. We play an important role of providing a stable and efficient supply of energy for sustainable social and economic development.

The Environment Surrounding the Energy Issues

Energy supports our daily lives. As emerging market economies grow, the world energy demand is projected to continue to increase. On the other hand, global environmental problems, such as climate change, must be addressed immediately, and energy has become a common global issue as we strive to achieve a sustainable society.

In these circumstances, the center of oil and natural gas development activities, which is at the core part of energy, has shifted to technologically and economically challenging frontier regions. As a result, securing new sources of oil and natural gas is becoming more difficult year after year. Furthermore, resource nationalism—where resource-rich countries assert control to manage and develop resources themselves—is increasing and emerging countries are aggressively moving to secure energy sources. These actions lead to intense competition for securing interests on oil and natural gas and are making economic terms for acquiring access to resources even more difficult. The

so-called Shale Revolution that started in the United States is dramatically reshaping the structure of energy supply and demand on a global scale. These changes affect not only both producing and consuming countries of oil and natural gas, but also other sectors including the coal and petrochemical sector.

The environment surrounding our business has changed significantly in this way and we recognize that the importance of our social mission of maintaining a stable and efficient supply of energy is increasing more than ever.

The INPEX CSR Management for a Stable Supply of Energy

In the INPEX Group Medium- to Long-Term Vision, which was announced in May 2012, we stated the vision of our corporate image which is to become a company that is further recognized by stakeholders as an irreplaceable organization in society. To realize this, we have established Three Growth Targets for the first half of the 2020s, and we are committed to the responsible

management as a global company in order to build a part of management foundation that is necessary for attaining these targets. This commitment includes the constant reinforcement of global-level CSR activities that reflects the diverse cultures and values of our stakeholders. To fulfill this responsibility, we are participating in the United Nations Global Compact and other international social responsibility frameworks. The implementation and embedment of Plan-Do-Check-Action are also driven by identifying the Key CSR Issues and setting aspirating targets based on our CSR road map.

Dedicated to Sharing Goals and Growing with Communities

As priority businesses for the INPEX Group, we will continue to make steady progress at the two large-scale LNG projects—Ichthys (Australia) and Abadi (Indonesia)—as the first Japanese operator. In Japan, by beginning Naoetsu LNG Terminal operations, our infrastructure now includes a 1,400km network of gas pipelines. Based on this network, we have created the foundation in Japan to establish “our own gas supply chain,” which we use to transport the natural gas produced in Japan and overseas for delivering gas directly to end users. Above all, we also make the commitment to place “Safety First” in all our operations. Building this supply chain in this way will greatly strengthen our ability to provide a reliable supply of natural gas, which is widely recognized as “clean energy.” Also, by forecasting the future of sustainable energy supply, we are engaging in renewable energy development centered around geothermal power generation. In March 2014, we decided to expand our Mega Solar Joetsu facility in Japan.

Business activities at our group require building trust in our relationships with governments of resource-producing countries, local communities where projects are undertaken, business partners and many other stakeholders. Respectful communications with everyone involved is necessary for our projects and expected goals. By creating and conducting activities with positive value that benefits local communities where we operate, we aim to thrive with society. We build on this approach as a “key strength” of our Group.

The concession agreement for the Upper Zakum Oil Field in Abu Dhabi of the United Arab Emirates, which is one of our most important assets, was extended for approx. 15 years to December 31, 2041. One reason of receiving this extension is our performance at this project over many years. It also demonstrates our success at establishing mutual trust and cooperation with the support of the Japanese government.



With professor Simon Maddocks, the Vice Chancellor of Charles Darwin University, Australia

Building a Global Workforce with Diverse Backgrounds and Shared Values

Our operations involve the extraction of natural resources and no matter how careful we operate, the activities will always have some degree of social and environmental impacts. To this extent, we must sustain our operations while earning and preserving the public trust. Everyone at the INPEX Group must embrace our philosophy and adhere to and act on a common set of values from a global standpoint. The number of employees of our consolidated group is currently 2,874 and around half of them are employed outside of Japan. Employees with foreign nationalities such as Australians and Indonesians represent about 40% of all employees. As the Company’s structure becomes increasingly diverse, made up of individuals from a wide range of cultures and countries, the need to put in place a set of common global-level values also becomes extremely important. For this reason, we identified five core values that represent our shared understanding of the type of behavior that we strive to demonstrate in April 2014. These values are the culmination of over a years worth of deliberation and debate to integrate the individual value standards of those countries in which we operate including Japan, Australia, and Indonesia. Taking into consideration our stated goal of becoming a top-class international oil and gas E&P company, it is absolutely vital that the Group comes together under the umbrella of a single set of common and uniform value standards that extend beyond and across different nationalities and work locations.

The social mission of the INPEX Group is to provide a stable and efficient supply of energy. We will maintain the highest standards regarding health, safety and the environment (HSE), while satisfying both the needs of solving social issues and making corporate profits, through a series of stakeholder communications. By assimilating the perspective of CSV (Creating Shared Value) into our CSR management, we will strengthen our focus on our CSR activities at the global level. Through these activities, we will make constant efforts to link our business operations to establishing a sustainable society.

Gas supply chain

INPEX established infrastructure in Japan for building a gas supply chain that delivers natural gas produced by the INPEX Group directly to end users

approx.
15 years

The concession for the Upper Zakum oil field, one of the most important oil field concession at the INPEX Group, was extended for approx. 15 years

INPEX Values

We established the INPEX Values for the purpose of enabling our employees worldwide to do their jobs based on a single set of values as follows

Safety
Integrity
Diversity
Ingenuity
Collaboration

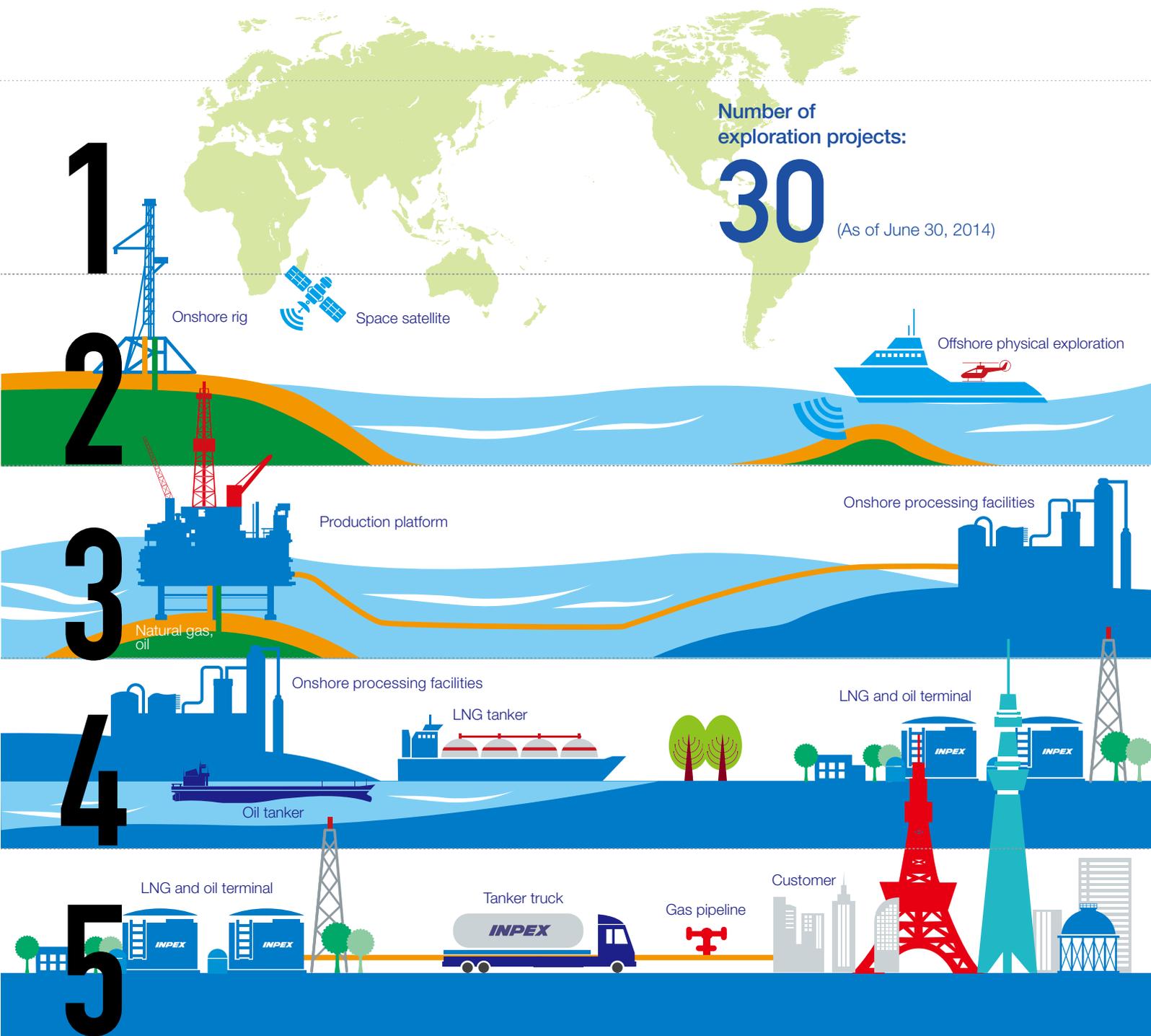
The INPEX Group contributes to creating a sustainable society by fulfilling social responsibilities in the entire value chain

Five Key CSR Issues

- Compliance
- HSE initiatives
- Community contribution
- Greenhouse gas countermeasures
- Employee development

Project Phase	Main Business Activities	Main Stakeholders	CSR-related Matters	Relative Key CSR Issues
Acquisition of Blocks 1	<ul style="list-style-type: none"> Preliminary regional survey Bidding negotiations, negotiations for exploration rights contract Acquisition of exploration, development and other rights 	<ul style="list-style-type: none"> Oil and natural gas producing countries Business partners 	<ul style="list-style-type: none"> Prevention of bribery and corruption in oil-producing countries when acquiring rights Compliance with local laws and regulations Extensive disclosure of information concerning the exploration rights 	
Exploration and Appraisal 2	<ul style="list-style-type: none"> Ground/geological survey (seismic survey, undersea survey) Trial production, discovery of crude oil and gas Evaluation wells to determine the oil/gas field's size Determination of the size of reserves Comprehensive decision about the feasibility for commercial development 	<ul style="list-style-type: none"> Oil and natural gas producing countries Business partners Local communities NGOs 	<ul style="list-style-type: none"> Environmental and social impact assessments, acquisition of environmental approvals Safety of drilling operations, reduce social and environmental impacts Communications with stakeholders where we operate 	
Development 3	<ul style="list-style-type: none"> Production wells for the production of crude oil and natural gas Construction of production and shipping facilities (plants, pipelines, etc.) 	<ul style="list-style-type: none"> Oil and natural gas producing countries Business partners Local communities NGOs 	<ul style="list-style-type: none"> Continuing environmental and social impact assessments and conduct monitoring Safety of development operations, reduce social and environmental impacts Fair procurement of materials Create jobs for nearby local residents Proposals of social contribution programs for stakeholders in the region where we operate 	
Production 4	<ul style="list-style-type: none"> Supervision of production and other operations 	<ul style="list-style-type: none"> Oil and natural gas producing countries Business partners Local communities NGOs 	<ul style="list-style-type: none"> Safety of production operations, reduce social and environmental impacts Management of greenhouse gas emissions Workplace safety and health measures for employees and contractors Implementation of social contribution programs for stakeholders in the region where we operate 	
Transport and sales 5	<ul style="list-style-type: none"> Supervision of shipments and transport Marketing and sales (crude oil, condensates, LPG, natural gas, LNG, etc.) 	<ul style="list-style-type: none"> Oil and natural gas consuming countries Local communities NGOs Customers 	<ul style="list-style-type: none"> Stable and efficient energy supply Quality and safety of products Safety of transport operations, reduce social and environmental impacts 	

At projects where INPEX is the operator (operating entity), we strive to maintain close relations and build trust with local communities where we operate and all other stakeholders. Our responsibility to society and stakeholders grow with the scale of our operations, and we fulfill these responsibilities in each part of our value chain. These responsibilities include securing safety, conserving the environment, creating jobs, ensuring human rights, respecting different cultures and customs, and contributing to host communities. While fulfilling these responsibilities, we will continue to play a role in creating a sustainable society by efficiently providing a stable energy supply.



78 projects underway in 27 countries

(as of June 30, 2014)

The INPEX Group is striving to explore, develop and produce oil and natural gas as the largest Exploration and Production Company in Japan.



Segment Status in Each Region (As of 31 March, 2014, except for the figures for host countries and projects, which are as of 30 June, 2014.)

Japan

Net sales	Billions of yen	120.3
Net production	Thousands of boed	27
Proved reserves	Millions of boe	177
Number of countries	Countries	1
Number of projects	Projects	1
Number of employees	Persons	1,544
Short-term employees	Persons	284
CSR expenditures	Millions of yen	139

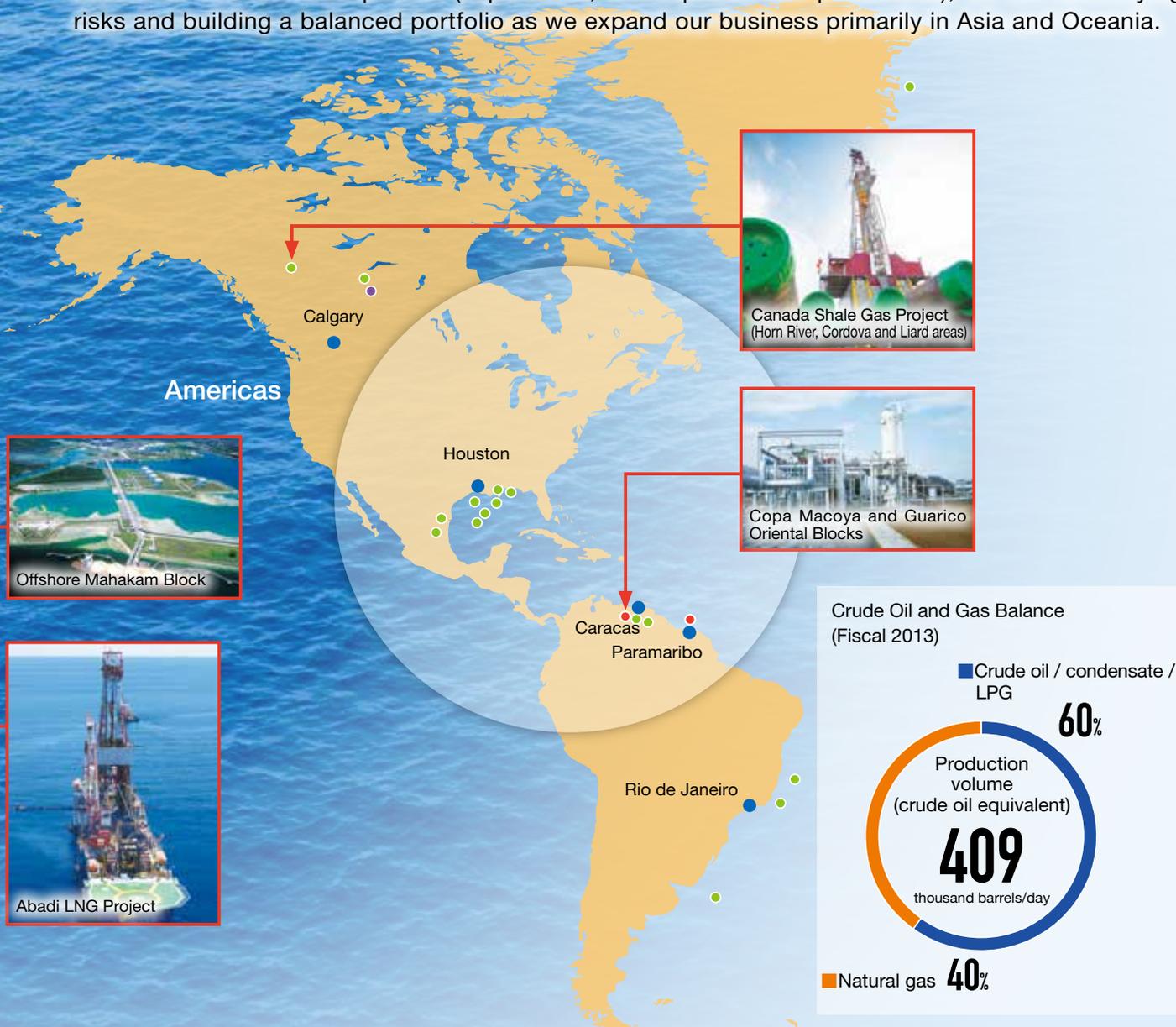
Asia and Oceania

Net sales	Billions of yen	485.1
Net production	Thousands of boed	167
Proved reserves	Millions of boe	1,240
Number of countries	Countries	7
Number of projects	Projects	42
Number of employees	Persons	1,152
Short-term employees	Persons	1,272
CSR expenditures	Millions of yen	165

Eurasia

Net sales	Billions of yen	96.3
Net production	Thousands of boed	26
Proved reserves	Millions of boe	202
Number of countries	Countries	5
Number of projects	Projects	7
Number of employees	Persons	14
Short-term employees	Persons	8
CSR expenditures	Millions of yen	481

By taking on a diverse range of projects with different oil and natural gas ratios, oil contract structures and business phases (exploration, development and production), we are diversifying risks and building a balanced portfolio as we expand our business primarily in Asia and Oceania.



Middle East and Africa

Net sales	Billions of yen	621.5
Net production	Thousands of boed	168
Proved reserves	Millions of boe	860
Number of countries	Countries	7
Number of projects	Projects	10
Number of employees	Persons	62
Short-term employees	Persons	6
CSR expenditures	Millions of yen	318

Americas

Net sales	Billions of yen	11.4
Net production	Thousands of boed	20
Proved reserves	Millions of boe	75
Number of countries	Countries	7
Number of projects	Projects	18
Number of employees	Persons	102
Short-term employees	Persons	34
CSR expenditures	Millions of yen	127

Mission

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

Corporate Social Responsibility Principles

INPEX Values

Business Principles

Code of Conduct



Network Japan
WE SUPPORT

The Global Compact Japan Network was formed in response to the call for voluntary CSR activities in 1999 by Kofi Annan, who was then the Secretary-General of the United Nations. Participating companies and other organizations pledge to support and implement the 10 principles in four areas: human rights, labor, the environment and anti-corruption. The aim is to enable the sustainable and inclusive growth of the global economy.



This international initiative was established for the purpose of increasing accountability for the oversight of funds by using methods based on international standards and by improving the transparency of the flow of funds from resource extractive industries to the governments of resource-producing countries. The objective is to achieve economic growth in these countries accompanied by sound governance and the elimination of political corruption and poverty.

The mission of the INPEX Group is to help create an affluent society through a stable and efficient supply of energy. Under this mission, we aim to further increase our company value as a vital member of society. Declaring our support for the United Nations Global Compact in December 2011 demonstrated our commitment to operate as a corporate citizen that is trusted by people around the world. Furthermore, we announced the revised Corporate Social Responsibility Principles in April 2012 reflecting our determination to manage operations in a responsible manner as a global corporate group.

In October 2012, INPEX participated in the Extractive Industries Transparency Initiative (EITI), an international standard for openness for the management of revenues in resource producing countries. We actively support the activities of EITI participating countries, which are trying to eradicate government corruption and support economic growth. In December 2012, we established our Business Principles in association with the growth of our business

activities overseas. The Principles are global rules that consider the actual conditions and the perspective of ethics in the countries and regions where we operate, as well as anti-bribery laws and other pertinent laws and regulations in the U.K. and U.S. All executives and employees all over the world must comply with the Principles. Each of our overseas group companies adheres to the Principles when re-examining their own Codes of Conduct at their respective locations, while taking into account local laws, regulations and customs. Employees are then made aware of these guidelines through internal meetings and other activities. In April 2014, we established the "INPEX Values," which gives everyone who works at the INPEX Group a common set of corporate core values, in response to the increasing diversity of our workforce resulting from the growth of our global activities. We will contribute to the sustainable social progress by firmly grounding all operations with this philosophy, and by thoroughly implementing HSE when carrying out business operations.

INPEX Values

Currently, foreign employees represent about 40% of our employees. With important concepts of value differing from country to country, we can appreciate the difficulty of truly joining together as one team as we increasingly become a more multicultural and multinational organization. With this understanding, we established the five-part “INPEX Values,” which consists of Safety, Integrity, Diversity, Ingenuity and Collaboration, by integrating existing values (concept of values and norms that are considered to be important) of each country through several-month-long dialogues with each overseas site. The “INPEX Values” are aimed to be the central axis binding diverse human resources of different countries, cultures, customs and so on.

Going forward, we will develop a sense of unity as the INPEX Group by deepening the understanding of the five parts by examining the meaning and case examples of each part. We will also verify the actions of every employee of our group once a year, with the aim of making all executives and employees proactively embody the “INPEX Values” in their daily execution of business operations.



Safety

Anzen dai ichi – ‘Safety Number One’ – is the way we think, act and promote safety at INPEX that forms the core of a strong HSE culture.



Integrity

We are ethical, honest and trustworthy in our business relationships and professional in our conduct at all times.



Diversity

We proactively embrace our individual differences which is central to who we are at INPEX and what makes a unique and welcoming workplace environment.



Ingenuity

We embrace initiative and innovative problem-solving at every level of INPEX and celebrate our successes at every opportunity.



Collaboration

We rely on unity and team spirit to build strong professional working relationships within INPEX as well as within the communities in which we operate.

Our Perspective of HSE

Our basic policy is to strive to secure the safety of all executives and employees and other persons having business relations with INPEX, to protect their health, and to conserve the environment. In order to ensure implementation, the HSE management system was introduced to manage Health (H), Safety (S) and the Environment (E). This system was established to control safety related issues, to manage process safety—indispensable for preventing major incidents, to manage employee health, to consider the environment and society by taking full account of impacts on water, air and local communities, as well as controlling GHG emissions and promoting energy conservation activities. As an

operator conducting oil and natural gas exploration, development and production activities, we take the necessary measures not only to satisfy the legal requirements in each country. We also implement a range of HSE activities because we recognize the importance of implementing high quality HSE measures in accordance to international standards such as the OGP*. Understanding that the culture of safety is the foundation of these activities, we implement the INPEX Seven Safety Rules, expand our HSE education programs, initiate risk communication and we undertake a variety of other activities to embed a safety culture throughout our organization. We will continue to implement HSE activities that befit a global company.

* OGP :
The International Association
of Oil & Gas Producers
<http://www.ogp.org.uk/>

Medium- to Long-Term Vision

The INPEX Group established the “INPEX Medium- to Long-Term Vision—Ichthys and the Next 10 Years” to clarify the growth targets for achieving sustainable development over the medium- to long-term and to clarify the key initiatives for achieving these targets over the next five years.

In this vision, we state “Three Growth Targets,” which are aimed to be achieved in the 2020s, and

Our Vision

We position ourselves to become a top class international oil and gas exploration and production company through sustainable growth in the oil and gas development business.

With natural gas as the core of our business, we will grow into an integrated energy company by making contributions to a stable energy supply to broader communities.

We will continue to play a significant role in boosting the capability of supplying energy to Japan while contributing to the global economic growth and social development.

Through these efforts, we intend to further advance our reputation among our shareholders and more broadly our stakeholders as a company serving an essential role in the global community.

Three Growth Targets

1 Continuous Enhancement of E&P Activities

Becoming a top class international oil and gas E&P company

Achieve a net production volume of 1 million BOED by the early 2020s

2 Securing/Developing Human Resources and Building an Efficient Organizational Structure

- Establish a department for new project development and reinforce coordination among the head office, the regional project divisions and overseas offices
- Utilize overseas offices proactively to collect new project information, to promote discussions on new projects and marketing activities
- Recruit and utilize personnel in and outside of Japan to develop global professionals
- Establish an efficient business execution system to facilitate decision-making

3 Investment for Growth and Return for Shareholders

- Secure funds (3.5 trillion yen over five years, more than 6 trillion yen over 10 years after the Ichthys start-up, including exploration expenditures) for medium- to long- term investment from our project cash flows and loans
- Maintain financial strengths, targeting “an equity ratio of 50% or more” and “a net debt to net total capital employed ratio of 20% or less”
- Realize return for shareholders and management efficiency befitting top class international oil and gas E&P companies

Three Management Policies

“Three Management Policies” to realize this achievement. We positioned CSR as one of the “Three Management Policies,” and we strengthen our CSR management from the medium- to long-term perspective, through monitoring our progress every year.

Strengthening Gas Supply Chain

Globalizing our gas business

Achieve a domestic gas supply volume of 2.5 billion m³/year in the early 2020s, aiming to increase it to 3.0 billion m³/year in the long-term

Reinforcement of Renewable Energy Initiatives

Becoming an integrated energy company that contributes to global community

Promote efforts to commercialize renewable energies and reinforce R&D activities for the next generation

Responsible Management as a Global Company

- Reinforce CSR management continuously by establishing a company-wide CSR promoting system including the CSR Committee
- Implement specific measures starting from 2012 to continuously reinforce corporate governance from a global perspective
- Promote continuous improvements in corporate compliance and HSE initiatives
- Build trust-based working relationships with stakeholders through interactive communications

Responsible Management as a Global Company — Major Progress in Fiscal 2013 —

Driving CSR management

The CSR Committee held three meetings. Members discussed and established the CSR road map and annual plans. They also participated in international initiatives and other matters. In addition, INPEX announced a plan on the activities for each of the Five Key CSR Issues as part of the CSR PDCA cycle.

Sustainable improvement of corporate governance

The INPEX Advisory Committee held two meetings, which enabled INPEX to reflect the input from outside experts onto its management decisions.

Strengthening stakeholder communication

We continued communication with stakeholders by holding dialogues and performing environmental and social impact surveys for the areas of our operations. We also used extensive PR and IR activities to provide information and to improve our reputation through information disclosure to research institutions.

Strengthening compliance and HSE systems

[Compliance]

We prepared the Code of Conduct Handbook and the Anti-Bribery and Anti-Corruption Guidelines.

[HSE]

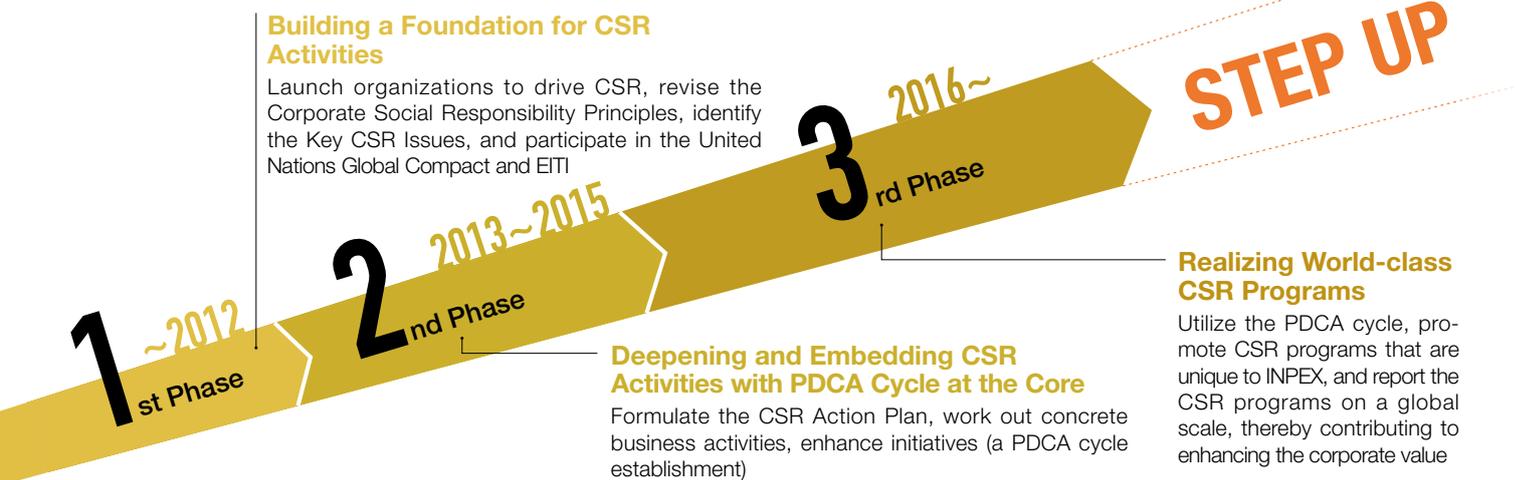
We conducted activities based on the key corporate HSE objectives and the corporate HSE programs.

CSR Road Map

For the continuous strengthening of CSR management, we have established targets for 2016 called the CSR road map. Phase 1, which ended in fiscal 2012, was a period for “building a foundation for CSR activities.” Over the past several years, we took actions to establish a CSR philosophy and implement systems, by setting up a number of organizations to promote CSR programs, such as the CSR Committee and the CSR Promotion Council. We also revised the Corporate Social Responsibility Principles and identified the Key CSR Issues. The three-year period from fiscal 2013 to 2015 is phase 2, which is the period for “deepening and embedding CSR activities with PDCA cycle at the core.” In fiscal 2013, the first year of phase 2, we focused on the following four priority targets.

- (1) Establish and embed internally a PDCA cycle for CSR
- (2) Strengthen ties among overseas sites
- (3) Strengthen information disclosure and improve our reputation
- (4) Grasp external trends and provide feedback internally through a variety of initiatives

Phase 3 of the CSR road map starts in fiscal 2016, when Ichthys LNG project in Australia starts. In this phase, we will utilize the PDCA cycle, promote CSR programs that are unique to INPEX, and report the CSR programs complying with global standards for excellence. As a result, we will realize “world-class CSR programs” that will help increase our corporate value.

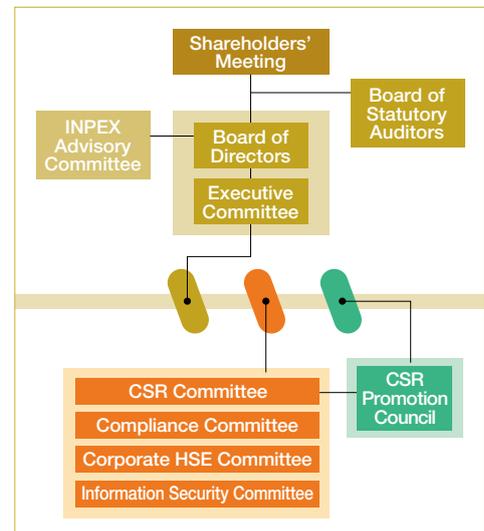


Establishment of CSR Promotion System

In April 2012, we announced the stance of our top management for CSR, and established the CSR Committee chaired by the President & CEO set out to propel the company-wide and systematic CSR activities. The members of the Committee include the President & CEO, the head of the General Administration Division, and the head of the Corporate Strategy & Planning Division (vice-chair). The chairs of the Compliance Committee and the Corporate HSE Committee are also included as the committee members to facilitate collaboration between the respective committees. The CSR Committee is held to discuss basic policies related to various CSR initiatives.

We have also established the CSR Promotion Council, which is a subordinate organization of the CSR Committee and comprises of members from various divisions. Through creating this link between top management and the divisions, we share the same understanding and drive our CSR initiatives.

CSR Promotion System



Key CSR Issues

	<p>Compliance Comply with laws and social norms (including human rights)</p>	<p>Our Perspective</p>	<ul style="list-style-type: none"> ● Through our business operations, observe international norms such as laws, regulations, and other rules including those related to human rights, and social norms of where we operate. ● Go beyond simply complying with laws and regulations to win the trust of society by being properly attentive to various social norms including the norms in the areas where we operate and initiate actions that reflect high ethical standards.
	<p>HSE initiatives Practice safety and environmental protection in operations</p>	<p>Our Perspective</p>	<ul style="list-style-type: none"> ● Through our business operations, ensure safety, reduce environmental impacts in our daily operations, conduct and manage activities that address environmental risks, and conduct biodiversity conservation activities. ● Ensure safety in all projects, and conduct operations without large-scale accidents. Minimize environmental impacts beyond legal and regulatory requirements as much as possible, and conduct operations while being attentive to biodiversity and environmental risks such as leakages.
	<p>Community contribution Build trust and contribute to local communities (including education)</p>	<p>Our Perspective</p>	<ul style="list-style-type: none"> ● Strive to communicate with governments, local residents, NGOs and other public stakeholders in the countries and areas where we operate, understand their needs, approach them based on our business relationships and take measures as necessary. This includes providing education to local residents. ● Communicate adequately with stakeholders of where we operate, and conduct business in a way that contributes to social development, while respecting local cultures, customs, etc.
	<p>Greenhouse gas countermeasures Address climate change</p>	<p>Our Perspective</p>	<ul style="list-style-type: none"> ● Promote research, development, and the practical application of technologies for renewable energy, climate change mitigation and programs to offset CO₂ emissions. This also includes shifting from oil to natural gas. ● Conduct operations as a fossil fuel company while considering the various impacts on the climate. Develop and supply a diverse range of energy to address climate change as we undertake technological development.
	<p>Employee development Develop and utilize human resources as a global company</p>	<p>Our Perspective</p>	<ul style="list-style-type: none"> ● Employ talented people and assign them to positions which they are suited and treated under fair conditions without discriminating on the basis of culture, national origin, creed, race, gender, or age. In addition, develop human resources that can thrive in an international business environment. ● Actively develop and utilize human resources appropriate for global operations. As a result, we will achieve a proper balance between business growth and employee satisfaction.

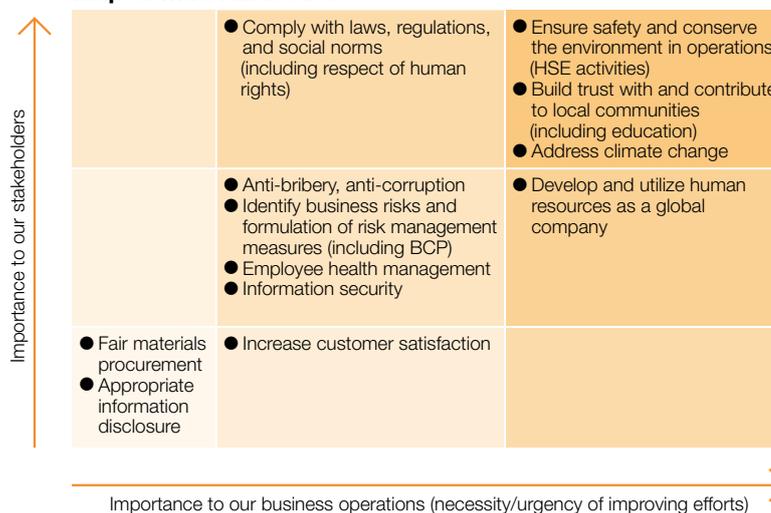
Identification of the Key CSR Issues

To continuously expand upstream operation as a global energy company, we have identified Five Key CSR Issues. We needed to prioritize them from the issues of the seven core subjects of ISO26000. Identification of key issues is based on how high the importance of these CSR Issues is to the INPEX Group and on how largely these CSR Issues affect our stakeholders.

In fiscal 2014, three years after we identified the Five Key CSR Issues, we will perform overall assessments of activities involving each issue during the past three years. We will then determine the influence of our business operations in conjunction with the progress of our main CSR programs and the changes in the interests of our stakeholders. Re-examining the Five Key CSR Issues by using this information will allow us to reinforce CSR management by more closely linking CSR programs with our business operations.



Map of Material Issues



CSR at the INPEX Group Plans, Results and Targets of CSR Promotion Activities in Fiscal 2013

Key CSR Issues	Sub-issues ¹	FY2013 Plan ²	FY2013 Results
 Comply with laws and societal norms (including consideration for human rights)	Strengthen management for compliance	<ul style="list-style-type: none"> ● Prepare a handbook to explain the Code of Conduct and use it for internal training activities ● Revise the Code of Conduct to reflect the Group's multi-national workforce in Indonesia ● Establish and start implementing guidelines for the Group measures for Anti-Bribery and Anti-Corruption ● Implement activities to reinforce understanding of Anti-Bribery and Anti-Corruption 	<ul style="list-style-type: none"> ● Prepared the handbook to explain the Code of Conduct and prepare for internal training activities ● Distributed the revised Code of Conduct and conducted activities to raise awareness and understanding in Indonesia ● Head office prepared Anti-Bribery and Anti-Corruption Guidelines ● Started training for Anti-Bribery and Anti-Corruption (84% of employees in Australia completed the training) ● Conducted a monitoring program for a record of compliance violation fines and found no record ● Disclosed net production in regions with a high risk of corruption
	Strengthen value chain management (including respect for human rights)	<ul style="list-style-type: none"> ● Develop a system for confirming compliance with the Code of Conduct by suppliers of materials and services and contractors ● Continue human rights training for INPEX employees and share cases of relevant internal initiatives in the Group ● Implement Aboriginal and Torres Strait Islander (ATSI) Cultural Awareness training in Australia 	<ul style="list-style-type: none"> ● Confirmed compliance of contractors with the Code of Conduct (including environmental and safety policies and measures against anti-social elements) ● Performed human rights training for INPEX employees and conducted dialogue sessions with experts from outside the company (203 participants) ● Implemented ATSI Cultural Awareness training in Australia (Perth, Darwin) (180 personnel attended in 2013)
	Participation in international initiatives	<ul style="list-style-type: none"> ● Participated in the United Nations Global Compact and EITI initiatives and gave all Group companies access to the associated information and raised awareness of these activities 	<ul style="list-style-type: none"> ● Participated in the United Nations Global Compact and EITI initiatives and gave all Group companies access to the associated information and raised awareness of these activities
 Practice safety and environmental protection in operations	Strengthen environmental management	<ul style="list-style-type: none"> ● Promote initiatives addressing IFC Performance Standards (Ichthys, Abadi, Domestic Project Division, and Gas Supply & Infrastructure Division) ● Aim to a third party verification regarding environmental performance data in Japan (GHG emissions, energy consumption, water consumption and wastewater discharged) 	<ul style="list-style-type: none"> ● Continued to implement environmental monitoring program for the Ichthys LNG Project; results published ● Analyzed the gap with disclosure items required by GRI-G4, IPIECA and other global guidelines ● Environmental performance data in Japan (GHG emissions, energy consumption, water consumption and wastewater discharged) were verified by a third party
	Keep safety	<ul style="list-style-type: none"> ● Implement activities based on the second corporate HSE medium-term plan, fiscal 2013 corporate HSE objectives, and corporate HSE programs ● LTIF³ target: 0.38, TRIR⁴ target: 2.01 	<ul style="list-style-type: none"> ● Conducted self-assessment for compliance with required items based on the HSE Compliance List at all seven operational organizations ● Conducted HSE audit of a third party at all four operational organizations ● Started using the safety case approach as a voluntary standard and prepared management guidelines ● Accomplishments: LTIF 0.74, TRIR 4.05
	Protection of biodiversity	<ul style="list-style-type: none"> ● Participate in Biodiversity and Eco System Working Group jointly managed by OGP and IPIECA⁵ ● Establish and implement a management plan based on environmental impact assessment for every project 	<ul style="list-style-type: none"> ● Participated in the Biodiversity and Eco System Working Group of OGP/IPIECA ● Conducted ocean environmental survey prior to starting operations at the Naoetsu LNG Terminal ● Greenery activities at the Naoetsu LNG Terminal (25% of the site)
 Build trust with and contribute to local communities (including education)	Reduce impact of operations on the local communities and perform due diligence	<ul style="list-style-type: none"> ● Develop and implement a management plans based on the Environmental and Social Impact Assessments for projects in Indonesia and Australia 	<ul style="list-style-type: none"> ● Submitted the project environmental impact assessment (AMDAL: Analisis Mengenai Dampak Lingkungan) to Indonesia Ministry of Environment ● Released Ichthys LNG Project draft Principal Social Impact Management Plan for public comments
	Participate in community events, contribute to local communities and maintain communications	<ul style="list-style-type: none"> ● Develop a Reconciliation Action Plan (RAP) in Australia ● Plan to make ¥1.52 billion of social investments 	<ul style="list-style-type: none"> ● Launched the INPEX RAP outlining the commitments to ATSI peoples in Australia ● Made ¥1.23 billion of social investments ● Maintained regular dialogue with stakeholders and communities via various communication methods
 Address climate change	Manage emissions of greenhouse gases (GHG)	<ul style="list-style-type: none"> ● Establish the GHG management framework through the GHG working group (GHGWWG) ● Cut GHG emissions at Domestic Project Division to below prior-year level ● Participate in low-carbon society action plan of the Japan Petroleum Development Association and take actions to achieve the following reduction targets <ul style="list-style-type: none"> ▶ At locations of oil and natural gas development site in Japan, cut GHG (except CO₂) emissions by 60,000 tons (down 27%) by fiscal 2020 compared with the fiscal 2005 level ▶ Fiscal 2020 unit emissions that are 25% below the fiscal 1990 level ● Continue to investigate GHG abatement and offset options for the Ichthys LNG Project 	<ul style="list-style-type: none"> ● Used the GHG working group to establish frameworks for GHG management (examined actions of other companies, discussed policies for each initiative) ● Japan business headquarters GHG emissions were 348 thousand tons of CO₂, 0.6% more than in the prior fiscal year ● Continued to undertake forestation pilot projects in Australia ● Continued to investigate development of a savannah fire management project in the Northern Territory, Australia ● Continued to investigate suitable reservoirs for re-injection of CO₂ for the Ichthys LNG Project ● Continued to implement the initiatives related to the Commitment to a Low Carbon Society of the Japan Petroleum Development Association
	Promotion of natural gas use, renewable energy operations, R&D for new technologies	<ul style="list-style-type: none"> ● Activities for ideas that can increase the use of natural gas ● Promote the project of the solar power generation system, INPEX Mega Solar Joetsu (maximum output: 2,000kW) ● Promote the commercialization of the JAPAN-GTL (gas-to-liquid) process ● Continue to support for the artificial photosynthesis project of the Ministry of Economy, Trade and Industry (manufacturing process technology development including solar hydrogen) ● Drill exploration wells and conduct technical assessment in Hokkaido and Akita, Japan in an attempt aiming at the realization/commercialization of geothermal power generation 	<ul style="list-style-type: none"> ● Submitted proposals for the use of natural gas cogeneration (about 20 proposals) ● Decided to expand INPEX Mega Solar Joetsu project (maximum output: 2,000kW) ● Continued to perform research for new technologies ● Investigated studies concerning geothermal power generation in Hokkaido and Akita, Japan ● Implemented the investigation of the launch of geothermal power generation projects in Japan and Indonesia
 Recruit and train a global workforce	Recruit and train a global workforce	<ul style="list-style-type: none"> ● Start creating the foundation for a human resources management system appropriate to a global company ● Continue providing various specialized training programs at INPEX 	<ul style="list-style-type: none"> ● Held Global HR Meetings twice ● Performed global human resources activities ● Established a base for personnel systems (discussed integrating the value standards of INPEX: prepared to establish the INPEX Values, established global job category platform, established compensation management platform and global mobility) ● Prepared and started using a skill map for technical personnel (covers 135 employees) ● Assigned young engineers to project sites for training (16 people to sites in Japan, 8 people to overseas sites and offices) ● Assigned young employees from procurement departments to overseas projects for research (6 individuals)
	Promotion of diversity	<ul style="list-style-type: none"> ● Maintain the percentage of physically challenged employees in total employment at or above the legally required level ● Perform engagement survey in Australia to improve relationship with employees ● Implement the second action plan (fiscal 2012-2014) based on the Act on Advancement of Measures to Support Raising Next-Generation Children 	<ul style="list-style-type: none"> ● Hired three foreign new graduates in Japan, joined in April 2014. ● Foreign employee ratio of the Group: 37.7% ● Maintain physically challenged employee ratio above the statutory ratio (INPEX's accomplishment: 2.04% +1.5 person vs statutory ratio: 2%) ● Undertook the first engagement survey in Australia ● Implemented employee equal opportunity (EEO) training in Australia (350 personnel attended in 2013) ● Implement the initiatives related to the second action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children

¹: Rearranged sub-issues by considering changes in the external and internal environment

²: Of the fiscal 2013 Plan published in the Sustainability Report 2013, the items that have been achieved or expected to be achieved are excluded from the above table as out of scope

FY2014 Plan/Targets	Goals by the end of FY2015
<ul style="list-style-type: none"> ● Issue the Code of Conduct handbook and conduct internal training activities ● Establish the standard for drugs and alcohol in Indonesia ● Prepare and implement Anti-Bribery and Anti-Corruption guidelines at the head office and conduct training activities ● Establish procedure of due-diligence for Anti-Bribery and Anti-Corruption in Indonesia ● Extend the record of having no compliance violation fines ● Continue to disclose net production in regions with a high risk of corruption 	<ul style="list-style-type: none"> ● Continue to enhance awareness of compliance promotion
<ul style="list-style-type: none"> ● Establish procedure for human rights due diligence prior to contract (including security measures) ● Continue the training and dialogue sessions ● Implement Cross Cultural Awareness training in Korea, Singapore, China, Philippines, Thailand and Australia to raise awareness of other culture 	<ul style="list-style-type: none"> ● Build a framework and its monitoring system at suppliers and contractors for respecting human rights ● Enhance understanding and awareness of human rights issues in the INPEX Group by implementing human rights training globally
<ul style="list-style-type: none"> ● Continue to participate in the United Nations Global Compact and EITI initiatives 	<ul style="list-style-type: none"> ● Support for following the EITI principles in countries where INPEX conducts operator projects
<ul style="list-style-type: none"> ● Establish procedures and guidelines based on the IFC Performance Standards and EHS Guidelines (including GHG, water management) ● Disclose environmental performance data based on results of the gap analysis ● Environmental performance data in Japan (GHG emissions, energy consumption, water consumption and wastewater discharged) were continued to be verified by a third-party certification 	<ul style="list-style-type: none"> ● Ensure environmental and safety management based primarily on the second Corporate HSE Medium-term Plan ● Continuously expand the boundary and scope of third party certification concerning HSE performance data
<ul style="list-style-type: none"> ● Improve compliance with required items of HSE management system ● Complete HSE audits: 4 locations ● Revise the HSE risk evaluation management method, reflect revisions in associated HSE management system documents and disclose number of process safety events ● Aim for no incidents ● Reduce number of incidents (Fiscal 2014 incident index for entire company: LTIF target 0.29, TRIR target 1.40) 	<ul style="list-style-type: none"> ● Rigorously implement safety management centered on the corporate HSE Phase 2 Medium-term Plan ● Prevent major incidents (LTIF target: 0.24, TRIR target: 1.59)
<ul style="list-style-type: none"> ● Continue participating in the working group ● Continue to conduct an ocean environmental survey at the Naoetsu LNG Terminal ● Continue greenery activities at the Naoetsu LNG Terminal ● Measurement and reports for air quality (ash, NOx, SOx, etc.), noise and vibrations (seasonal), and water quality (pH, COD, emission volume, etc.) 	<ul style="list-style-type: none"> ● Continuously implement measures for biodiversity conservation such as monitoring
<ul style="list-style-type: none"> ● Receive approval to the environmental impact assessment report of the project in Indonesia ● Finalize the Ichthys LNG Project Principal Social Impact Management Plan ● Disclose financial risks concerning the project 	<ul style="list-style-type: none"> ● Promote measures to support the development and self-sustenance of the local communities ● Solve problems by proper communications with stakeholders
<ul style="list-style-type: none"> ● Implement remaining actions outlined in the 2013 RAP, develop and implement 2014 RAP ● Plan to make ¥1.44 billion of social investments 	<ul style="list-style-type: none"> ● Maintain communications with stakeholders and cooperate with them regarding social contribution activities
<ul style="list-style-type: none"> ● Use the GHG WG to prepare a document for a GHG management structure for the entire company ● Forecast medium and long-term GHG emissions forecast and prepare a GHG management medium-term plan ● Continue to implement the initiatives related to the Commitment to a Low Carbon Society of the Japan Petroleum Development Association ● Reduce unit energy consumption 1% compared with the prior fiscal year (in domestic operations) ● Continue to investigate GHG abatement and offset options for the Ichthys LNG Project 	<ul style="list-style-type: none"> ● Promote activities in accordance with the GHG management framework ● Continue the management of GHG emission ● Continue to implement the initiatives related to the Commitment to a Low Carbon Society of the Japan Petroleum Development Association ● Continue to investigate GHG abatement and offset options for the Ichthys LNG Project
<ul style="list-style-type: none"> ● Continue submitting cogeneration proposals ● Implement INPEX Mega Solar Joetsu project (maximum output: 4,000 kW) ● Continue R&D activities (and Iwanohara cogeneration monitoring, enhanced oil recovery, start a task force mainly for underground reinjection of CO₂, develop technology for converting CO₂ to methane, etc.) ● Continue to investigate the geothermal power generation in Hokkaido and Akita, Japan ● Continue to investigated the geothermal power generation projects in Japan and Indonesia 	<ul style="list-style-type: none"> ● Promote research and development concerning technology contributing to responses to climate change in accordance with the medium- to long-term roadmap ● Continue surveys toward the commercialization of geothermal power generation
<ul style="list-style-type: none"> ● Continue to hold the HR meeting ● Continue global human resources activities ● Continue to use the skill map for technical personnel ● Continue to assign young engineers to project sites ● Assign young employees from procurement departments to overseas projects for research ● Establish the INPEX Values 	<ul style="list-style-type: none"> ● Establish the globally common foundation of human resource management ● Implement a human resource development program encompassing the entire Group (job-category-based and level-specific global training programs) ● Embed the INPEX Values
<ul style="list-style-type: none"> ● Develop a strategy and action plan on diversity and inclusion in Australia ● Undertake the second engagement survey in Australia, and also develop and execute action plans to address key issues raising from the survey ● Implement e-learning module for the EEO training in Australia ● Continue to hire employees regardless of nationality ● Maintain the percentage of physically challenged employees in total employment at or above the legally required level ● Continue to implement the initiatives related to the second action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children 	<ul style="list-style-type: none"> ● Drive the initiatives to develop organization culture through increased employee engagement and make INPEX an employer of choice in the Oil and Gas sector ● Create a workplace where employees can work regardless of nationality/disability/age <ol style="list-style-type: none"> 1) Hire more employees of foreign nationality 2) Maintain the percentage of physically challenged employees in total employment at or above the legally required level

*3: LTIF (Lost Time Injury Frequency): The number of lost time injuries (including fatalities and lost work day cases) per million working hours

*4: TRIR (Total Recordable Injury Rate): The rate of recordable injuries (fatalities, lost time, restricted workdays, and medical treatment) per million working hours

*5: International Petroleum Industry Environmental Conservation Association

Our Ideal HSE Management System

An introduction to the INPEX Group's ideal HSE management system



INPEX 7 Safety Rules



So We Can Go Home Again Today Smiling (Safety)

Everyone working at our facilities can go home safely and without suffering any injuries. We aim to achieve zero incidents.

Fostering a safety culture

We are fostering a safety culture to ensure that absolutely everyone thinks about putting safety first at all times, implements the measures needed to achieve this aim, and can conduct the procedures as a part of our usual operations.

Strictly following safety rules: our 7 Safety Rules

Each and every employee and contractor working in the Group carries out his or her working duties in accordance with the safety rules and in accordance to the INPEX 7 Safety Rules. Regardless of the situation, all co-workers should be able to point them out to each other without hesitation.

Ensuring thorough communication

Members of the Group management directly communicate with the staff on site by personally visiting sites. We strive to strengthen the lines of communications across all our operations by holding forums for all contractors engaged in our projects. Regular morning and toolbox meetings are held to make workers aware of the risks inherent in their everyday working activities and mitigation measures so that they can take responsibility for their working behavior.

HSE management for contractors

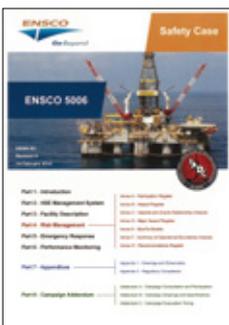
To ensure that projects are completed without incidents occurring, we take great care to ensure that safety is our top priority at every stage from the initial selection of our contractors, to the planning of projects, right up to the management of the works themselves. We work together with our contractors to evaluate in advance the HSE risks involved in the various projects that we undertake, to establish measures to minimize risks, and to ensure that these measures are properly carried out.



Safety



Process Safety



Safety case of Ichthys LNG Project



Preventing Major Incidents (Process Safety)

In all our operations, we strive to ensure that fires, explosions and other major incidents do not occur. In order to minimize the possibility of these incidents, it is extremely important to control risks and implement all possible measures. Consequently, by implementing projects, we go beyond merely exercising operational control by recognizing the necessity of taking safety considerations into account from initial planning to every stage of the process.

Process safety management

To ensure that process safety management is properly maintained, we apply a safety case system to all new projects and in all of our key facilities. In the case of new projects, we take great care to achieve safer operations at all of our facilities by ensuring that measures reducing risks of major disasters occurring are incorporated from initial planning to every stage of the process. Moreover, we clearly identify the essential safety equipment available in our operations and carry out safety maintenance activities to ensure that the appropriate inspection and maintenance of this equipment is prioritized.

Emergency response

In the unlikely event that a serious disaster should occur, it is extremely important to minimize injury and damage as much as possible. Consequently, we have established the emergency response plans on the basis of the worst conceivable scenarios occurring for our project engagements and we implement regular drills to practice the emergency measures.





Kind to the Earth, Kind to the Region (Environment)

In all our operations, we strive to minimize as much as possible the burden that our activities places upon the environment and on the local communities where we operate. Consequently, we conduct a series of environmental management measures when executing our projects that incorporate the results of assessments that we have undertaken to carefully identify and quantify the impact of our projects on the environment and on the local communities where we operate.

Implementing environmental and social impact assessments

We comply with local laws and regulations of the countries in which we operate, and also conduct environmental impact assessments in accordance with the IFC Performance Standards*.

Establishing and implementing environmental management plans

On the basis of the results of the environmental and social impact assessments, we establish the environmental management plans make every effort to prevent atmospheric, soil, and water pollution, and ensure proper waste management, etc.

Managing greenhouse gas (GHG) emissions

While conducting our operations in accordance with the requirements of local laws and regulations of the countries in which we operate, we also are aware of the current state and future projections of our total GHG emissions. We also implement energy saving measures, introduce internal carbon pricing, and promote the development of renewable energy, Carbon Capture and Storage (CCS), and other related projects.

Conserving biodiversity

We comply with the IFC Performance Standards when implementing our projects and voluntarily conduct biodiversity conservation activities and sustainably manage natural resources.

Managing water resources

We always consider the use of water resources and the issue of water quality management when executing our projects to ensure that the impact on local communities and local wildlife is minimized as much as possible.



Environmental impact assessments along Toyama Line in Japan



Creating a Pleasant Working Environment and Ensuring the Health of Every Individual (Health)

In all our operations, we consider the health management of our employees to be very important, and strive to ensure their physical and mental health. We conduct health assessments and undertake appropriate health management.

Health Management

Employees are advised by industrial physicians based on the results of their medical checkups. We then implement measures on the working environment and working conditions for employees. We take particular care to protect the health of our employees situated in remote or overseas sites. There are high medical care and health management risks at these sites so we implement additional measures such as selecting medical institutes and protecting against infectious diseases with immunizations and vaccinations to ensure the health and safety of our employees.

We also have measures in place for medical emergencies and coordinate with healthcare service providers to enable swift responses with emergency transportation and medical treatment.

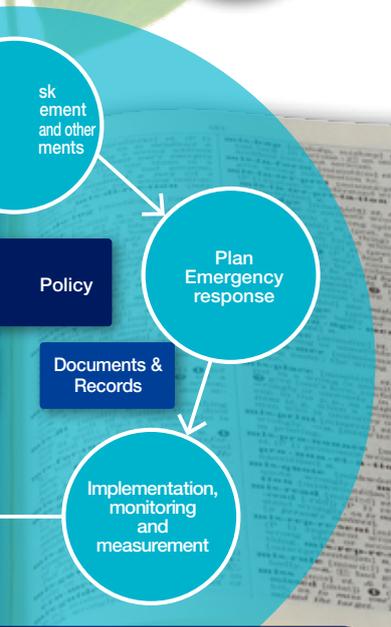
Managing the working environment

We ensure that we appropriately handle the risks inherent in our working environment from chemical substances and in our working conditions. We also take comprehensive and adequate measures to prevent exposure and manage these risks.

We also take human factors into consideration when drafting management plans for our operations and in the design of our facilities.



Medical care in Venezuela



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

Our Commitment to Stakeholders

The mission of the INPEX Group is to provide a stable and efficient supply of energy while considering the environment and society. To fulfill this mission, it is essential to maintain dialogue with a broad range of stakeholders.

This section explains about the interactive communication opportunities with our stakeholders and our major activities in fiscal 2013.

Relationship with Main Stakeholders



Suppliers and Business Partners

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

Local Communities, NGOs and NPOs

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

Customers

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

Employees

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

Shareholders and Investors

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

Oil and Gas Producing Countries

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



Our Commitment to Stakeholders
<http://www.inpex.co.jp/english/csr/stakeholders.html>

Main Opportunities for Dialogues with Stakeholders and INPEX Group Measures in Fiscal 2013

Main stakeholders		Main opportunities for dialogue	Main INPEX Group measures (FY2013)
1	 Suppliers and Business Partners	<ul style="list-style-type: none"> ● Indicate eligibility standards and conduct information sessions for new supplier applicants ● Regular communication with suppliers and business partners 	<ul style="list-style-type: none"> ● Provided fair and just opportunities for new supplier applicants ● Facilitated the understanding of INPEX's HSE initiatives by holding HSE Forums
2	 Customers	<ul style="list-style-type: none"> ● Establish a contact to sales representatives ● Provide appropriate product information ● Understand customer needs by supporting the operations of service stations 	<ul style="list-style-type: none"> ● Disclosed appropriate information by issuing SDS* ● Improved the operations of service stations by analyzing customer needs
3	 Shareholders and Investors	<ul style="list-style-type: none"> ● Disclose information through both mandatory disclosure documents based on laws and stock exchange rules, and voluntary disclosure documents such as annual reports and presentation slides ● Shareholders' meetings, IR presentations and exhibitions for institutional and individual investors, IR meetings with institutional investors, etc. 	<ul style="list-style-type: none"> ● Shareholders' meetings, Results briefings (twice a year), IR meetings (approx. 400 times a year), and IR presentations for individual investors ● Disclosed timely, appropriate and fair information through our website, and improved the content (about 1,560 website visitors a day and 81 press releases)
4	 Communities, NGOs and NPOs	<ul style="list-style-type: none"> ● Social contribution activities in areas where we operate ● Regular communication with local communities, NGOs, and NPOs at each stage such as during the approval of projects and environmental and social impact surveys ● Disclose information in areas where we operate 	<ul style="list-style-type: none"> ● Implemented social contribution activities adapted to the local areas (total expenditure : 1.23 billion yen) ● Conducted information sessions for local communities (Hokkaido, Akita, Niigata in Japan; Australia (30 times); Indonesia (334 times)) ● Launched the Reconciliation Action Plan (RAP) outlining the commitments to ATSI in Australia ● Conducted environmental and social impact survey
5	 Employees	<ul style="list-style-type: none"> ● Communicate with employees through regular face-to-face meetings with supervisors and self-report sheets about their jobs and assignment requests submitted to the Human Resources Division ● Consultation between labor and management ● Various training programs for human resource development, and overseas study programs 	<ul style="list-style-type: none"> ● Regular meetings with supervisors ● Regular communication with the labor union (twice a year) ● Implemented various training programs for our employees ● Implemented overseas study programs for clerical and technical employees ● Feedback about the results of employee engagement surveys were sent to domestic and overseas offices
6	 Oil and Gas Producing Countries	<ul style="list-style-type: none"> ● Comply with all laws/regulations and communication with authorities to obtain approval for development ● Regular communication at each stage of the project 	<ul style="list-style-type: none"> ● Contributed to preventing corruption and improved transparency in oil and gas producing countries with the support of the Extractive Industries Transparency Initiative (EITI) ● Conducted in-depth communication with oil and gas producing countries depending on the progress of projects

* SDS (Safety Datasheet): A document that contains information needed for the safe handling of products that contain certain chemical substances

SPECIAL FEATURES



Special Feature 1 — Gas supply chain —

An expansive gas supply chain for securing a stable source of energy

We deliver a reliable supply of natural gas, a source of clean energy, with a strong supply chain that covers all steps from upstream to midstream and downstream operations. We develop gas fields in Japan and overseas, transport gas, operate the LNG terminal, and run a pipeline network to serve end users. This chapter explains the many activities of the Group that underpin this expansive gas supply chain.

INDONESIA

Abadi LNG Project (Indonesia)

LNG production volume **2.5** million tons/year (First stage development)

■ Ichthys LNG Project

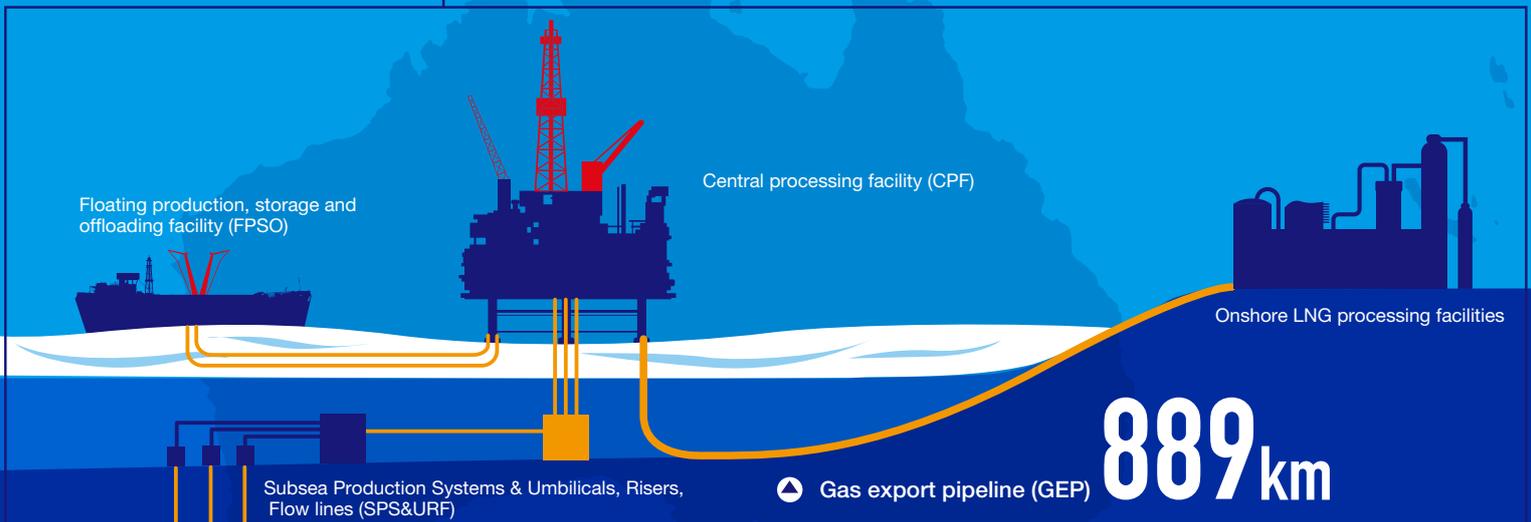
Ichthys LNG Project (Australia)

LNG production volume **8.4** million tons/year

LPG production volume **1.6** million tons/year

Condensate production volume **100,000** barrels/day (Peak)

AUSTRALIA



Establishing of the expansive gas supply chain that combines upstream, midstream and downstream operations

The significance of building a gas supply chain

In 1962, we completed the construction of Tokyo Line, Japan's first long-distance natural gas pipeline. The pipeline transports natural gas produced at fields in Niigata prefecture to the Kanto Region. We then discovered one of Japan's largest natural gas fields, the Minami Nagaoka Gas Field, which is also in Niigata prefecture. Since gas production at this field started in 1984, we have constantly expanded our gas pipeline network. We completed the construction of Naoetsu LNG Terminal (LNG receiving terminal) in Niigata prefecture in December 2013. This realized the diversification and the long-term stability of our sources of supply for natural gas produced in Japan and imported LNG from overseas. Going forward, we will work steadily on the Ichthys LNG Project in Australia and the Abadi LNG Project in Indonesia, which is

currently in the Front End Engineering and Design (FEED) stage, and transport natural gas from both sites to the Naoetsu LNG Terminal. We can then provide the natural gas to our domestic end users through our pipeline network.

By establishing this supply chain, it becomes possible to secure natural gas from our independently developed gas fields, and back this up with domestic gas supplies which are unaffected by sudden changes in overseas circumstances including price changes. The gas pipeline is also resistant to natural disasters such as earthquakes, making it a highly stable supply that contributes as an alternative supply to earthquake-affected areas. Furthermore, the natural gas can reduce the environmental burden during combustion compared to oil and coal. As a result, a natural gas business model with high risk mitigating capabilities is realized.



Koshijihara plant at the Minami Nagaoka gas field



Naoetsu LNG Terminal that was completed in December, 2013

Working with stakeholders to progress two LNG projects

The Ichthys LNG Project and the Abadi LNG Project are both ranked among the most significant oil and gas projects. The Ichthys LNG Project is the first large-scale LNG project operated by a Japanese company outside of Japan. The Abadi LNG Project, which is currently in the FEED stage, has adopted the Floating LNG (FLNG) method. By adopting FLNG, the need for some conventional equipment, such as pipelines, would be unnecessary and therefore it can require less initial investment and minimize environmental impacts.

1. Ichthys LNG Project

We discovered the giant Ichthys gas and condensate field, located about 200 kilometers offshore Western Australia, in 2000. The final investment decision (FID) for the Project was made in 2012 and the first production is scheduled for the end of 2016.

The Project is expected to produce 8.4 million tons of LNG and 1.6 million tons of

LPG per annum along with 100,000 barrels of condensate per day at peak, and expected to contribute to providing Japan with a stable, long-term supply of energy.

In Darwin, construction of the onshore LNG processing facilities is progressing well. The first of the large pre-fabricated modules* arrived at the onshore construction site at the end of June 2014. Installation works of the 889-kilometer gas export pipeline (GEP) commenced in June 2014.

Construction and fabrication of various offshore facilities are underway in a number of countries. This includes a floating production, storage and offloading facility (FPSO) and a central processing facility (CPF) which will be the world's largest semi-submersible platform.

The Ichthys LNG Project's state-of-the-art accommodation village, "Manigurr-ma Village", was built near Darwin to accommodate

* A modularised approach to construction is now common in Australia. For the Ichthys LNG Project, this approach involved having components of its onshore facilities assembled in modules at fabrication yards and tested before transporting them to site

over **10%**

of Japanese annual imported LNG comes from the two INPEX projects

70%

of LNG production from Ichthys LNG Project will be provided to Japan



Onshore LNG processing facilities under construction

A expansive gas supply chain for securing a stable source of energy



Ichthys LNG Project's accommodation village

temporary fly-in, fly-out construction workers. It was designed to be a home-away-from-home for hard working personnel and to reduce impacts on the community. The village was named in the local Aboriginal language.

Local Darwin business owner awarded a contract at the village, Ross Hafner, General Manager of Security & Technology Services says "Working with INPEX and its contractor, proves that if you persevere and demonstrate that you meet their criteria you will be given a fair go."

Working proactively with a variety of contractors and subcontractors, the Ichthys LNG Project ensures that local companies have full, fair and reasonable opportunity to supply goods and services to the Project.

The Project is also creating opportunities for Aboriginal and Torres Strait Islander (ATSI) peoples and as at December 2013, more than 400 ATSI people had been engaged and 37 ATSI businesses had secured work on the Project.



Abadi LNG Project Floating LNG Facility (Image)

2. Abadi LNG Project

We acquired a 100% participating interest in the Masela Block of the Arafura Sea in Indonesia in 1998, and started work on the Abadi LNG Project.

In 2011, Shell participated in the Project as a strategic partner. Front End Engineering Design (FEED) work for subsea production facilities and for Floating LNG started in 2012 and 2013 respectively. The FEED works are planned to be completed in 2014 and then we plan to make a Final Investment Decision (FID) after performing several works such as LNG marketing, financing and

conducting environmental and social impact assessments.

Moving forward with the Project, we are concentrating on measures to enable the local communities to become self-reliant and continue to grow. After the approval of the Plan of Development (POD) by the Indonesian government in 2010, we established the social investment policy based on a socio-economic study conducted by the Institute for Economic and Social Research of University of Indonesia and discussions held with stakeholders. Under the policy, a number of social investment programs are now under way in line with the needs of stakeholders including local government and communities. These programs are also conducted in collaboration with other organizations such as research institutes and NGOs.

In total, seven social investment programs were carried out in 2013, primarily in Saumlaki, Maluku province. Among them, English language classes in Saumlaki are one of the main programs. In recent years, there has been an increased interest in better education among Indonesian people. However, in Saumlaki, not many people understand the importance of learning English and it is also difficult to find high-quality English education in the region. To help solve this problem, we initiated the INPEX Tanimbar English Training program with the support of Jakarta English Training, a language school in Indonesia. This activity focuses on two main aspects. One is to develop English teachers that can make English lessons fun and interactive. The second aspect is to provide students opportunities to attend classes that prioritize the development of oral communication skills.



Children attending an English-language class (Indonesia)

Naoetsu LNG Terminal reinforces Japan's gas supply infrastructure



The central control room of the Naoetsu LNG Terminal

Naoetsu LNG Terminal, which started operations in December 2013, is a hub that links LNG from overseas with our gas pipeline network, and some construction work on LPG storage tanks will continue until 2016. At this site, based on the "HSE First" approach, all employees involved with construction including contractors are kept informed about Kiken-Yochi (risk forecasting) to prevent accidents. During operations, with the theme

of Non Stop Operation, our employees received operational training that used simulators. Moreover, the design of Naoetsu LNG Terminal incorporates creative measures such as installing a central control room with automated control systems for all equipment at the terminal. As a result, a thorough safety management structure was established. Going forward, we will engage in intensive safety management with respect to

construction and operation, by steadily implementing PDCA cycles based on HSE management.

Similar with the Naoetsu LNG Terminal, the construction of Toyama Line is another project that will strengthen and enlarge our gas supply chain. Despite challenging conditions with geographic difficulties and uncertain demand, by working closely with Nihonkai Gas, which operates a city gas business in Toyama prefecture, a business

plan was created that incorporated a set of measures that establishes a wide area of gas pipelines and the shift of energy demand to natural gas. In May 2011, the decision to build the pipeline was finally concluded. We will fully reflect environmental and ecosystem considerations onto our construction work. We will also proceed with this project by deepening our understanding of surrounding communities along the pipeline by holding meetings with residents.



Inside a tunnel used to build a pipeline

Outlook

We are proud that Tokyo Line has been providing a reliable supply of natural gas without a single interruption since it began its operations 60 years ago. Maintaining a stable supply of gas is and will be our primary mission. We will continue to move ahead with both the Ichthys and Abadi LNG projects with

stakeholders. We will establish an unprecedented business model, which involves a complete natural gas supply chain including upstream, midstream and downstream. With this we will realize a higher level of providing a steady and efficient supply of energy.



Environmental impact assessments on birds of prey

Voice



Toshihiro Matsuo

General Manager,
at Naoetsu LNG
Terminal,
INPEX
CORPORATION

Once commercial operations started, our primary mission shifted from completing construction within schedule with safety first, to achieving non-stop operations by building a system for safe operations. But we continue to execute our HSE management system based on the PDCA cycle, and through this, we will realize safe and secure operations. We are also determined to fulfill our responsibility as a node for the overseas and Japanese natural gas supply chain. Every time I contact people living near this Terminal, their high expectations for Naoetsu Harbor as an energy hub move me. With the unchanging appreciation that we can operate this facility with the understanding of local residents, we continue to engage in CSR activities that includes social contributions, the environment and stable operations. We will strive to earn the deep trust of everyone in our host community.



A seaside view of Naoetsu LNG Terminal

Joetsu Energy Service Co. Ltd., provides local companies in the most efficient way possible electricity generated by renewable hydroelectric power, as well as steam and electricity generated with hydrocarbon resources. Furthermore, we sell electricity to independent power producers and suppliers, as well as to the Japan Electricity Power Exchange markets. Not unlike hydroelectric power, thermoelectric power from natural gas supplied by a pipeline is not affected by changes in the weather. This means that natural gas power is outstanding for its supply stability in response to shifting demand. Moreover, a relatively low environmental impact makes natural gas an indispensable source of energy. We will continue to operate safely and with stability, using highly advanced equipment to convert natural gas into steam and electricity with the greatest possible efficiency.



Norio Tanaka

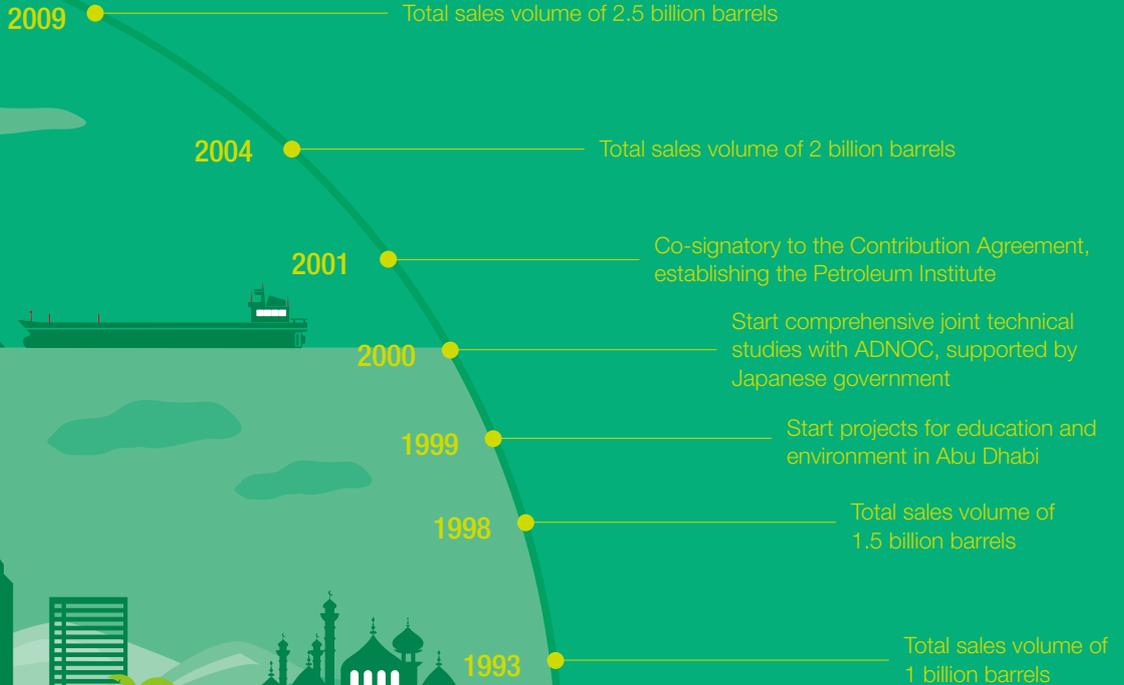
Operations Group,
at Joetsu Energy
Service Co., Ltd.



A power generation facility fueled by exhaust gas

2013

40th ANNIVERSARY



Special Feature 2 — Abu Dhabi Project —

Deep ties with Abu Dhabi built by providing technical support for petroleum development and supporting nation building

Japan Oil Development Co., Ltd. (JODCO), which is a subsidiary of INPEX Corporation, was established in 1973. Since then, the company has been involved in petroleum development projects for more than four decades in the United Arab Emirates (UAE). This chapter explains JODCO's petroleum development activities as well as other programs that have contributed to social and economic progress in Abu Dhabi. The UAE has the world's seventh-largest crude oil reserves and also ranks seventh as a producer of crude oil. Japan views the UAE as an extremely important country because it is one of the Japan's second-largest source of crude oil imports after Saudi Arabia.



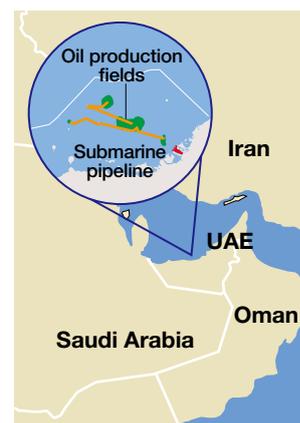
The History of JODCO's Contributions to Progress in Abu Dhabi Through its Petroleum Development Operations

JODCO's Petroleum Development Operations in Abu Dhabi

JODCO is involved in development and production operations in Abu Dhabi in partnership with the Abu Dhabi National Oil Company (ADNOC) and other international oil companies. The activities are conducted at five offshore fields for oil production: Umm Shaif, Lower Zakum, Upper Zakum, Umm Al-Dalkh and Satah. We also conduct operations at Umm Lulu, where work is under way to start production, and at Nasr oil fields where we carry out development and production operations. All of these operations are conducted by the Abu Dhabi Marine Operating Company (ADMA-OPCO) for which we acquire capital and Zakum Development Company (ZADCO). We not only participate in operations as a shareholder of both companies, but we also contribute in various ways such as technological support, personnel, and information about the latest advances in development and production methods.

In 1978, after the joint development of the

Umm Al-Dalkh Oil Field started with ADNOC, we played a leading role in launching the development of several new oil fields in the 1980s. These oil fields include the Upper Zakum Oil Field, which had enormous reserves but its tight reservoir characteristics made it difficult to develop, and the Satah Oil Field, which had high levels of hydrogen sulfide gas. Since the 1990s, we have performed a large technological study for ADMA-OPCO to provide technical assistance while other oil majors undertook the project. This study entailed conducting a geological survey (to clarify geological conditions) of a large offshore area of Abu Dhabi. This was a very challenging undertaking for a Japanese company at that time, but the results of this study was well received so this further increased the trust of the Abu Dhabi government in JODCO. In addition to providing this kind of technological support, we are playing a part in the economic growth of Abu Dhabi by sending personnel with technical knowledge and experience and by strengthening the management of operating companies.



Offshore oil fields in Abu Dhabi

Voice



Masato Kojima
Oil Management
Coordinator,
seconded to ADMA-OPCO

ADMA-OPCO accounts for about 25% of all crude oil exports from Abu Dhabi, and almost all exports go to Eastern Asia. It is essential for job sites operating non-stop throughout the year, that all staff take initiative in their respective jobs and encourage others to do their best. It is important to foster understanding between office and field personnel. I frequently meet people in field operations so we can share our views on issue awareness.



Seiji Kurosawa
Production Engineer,
seconded to ADMA-OPCO

The current team members differ in nationalities and cultural backgrounds, but we are all using our respective strengths to create value, and as a team we have a good mix. Wells and other field operations require hard and steadfast work along with the ability to communicate with other workers, and I also think this is an excellent environment for acquiring technical expertise.



Kazuto Yoshimoto
Offshore Drilling Engineer,
seconded to ZADCO

Working in ZADCO with the oil majors, which have advanced technologies to drill production wells, allowed me to gain in-depth technical, operational and organizational knowledge. It also helped me develop my communication skills. The team where I work consists of people from about 10 different countries. A multi-cultural workplace requires you to demonstrate your skills by concentrating on work while having a thorough understanding of your own strengths.

Deep ties with Abu Dhabi built by providing technical support for petroleum development and supporting nation building



Japanese school and kindergarten accepting UAE children



Support for a solar car development project of the PI

Sincerely Building a Trusting Relationship with Abu Dhabi

Social Contribution Programs that bridge Abu Dhabi and Japan

Requests for a wide range of social contributions are often received from Abu Dhabi, and we strive to meet their needs sincerely on every occasion. We believe that this approach, including social contribution programs, works as a bridge and builds a solid foundation of trust between both countries.

One illustration is technical assistance for pearl farms. Before the oil industry was developed, exporting natural pearls had been the major industry in Abu Dhabi. After the Great Depression, Japanese cultured pearls were broadly marketed, the price of natural pearl crushed and the natural pearl industry dwindled. In 2006, the Environmental Agency — Abu Dhabi (EAD) requested assistance and support from us to restore the pearl industry using the Japanese techniques. Although we did not have the required knowledge or experience about the pearl industry, time and efforts were invested, fishing grounds from

coast to coast in Japan were visited to respond to their request. Two Japanese expert engineers were sought and currently reside in the western coast of Abu Dhabi providing research and the technical support to local engineers. Working with the EAD, we will continue to support this project throughout its development as a major industry in the western region of Abu Dhabi.

We have many more social contribution programs; support for the Abu Dhabi Petroleum Institute's (PI) solar car development project, acceptance of UAE children to Japanese schools and kindergartens in Abu Dhabi, training in Japan for UAE University and PI students, and cultural exchanges through tea ceremony to name a few. We also contribute by implementing classes on developed countries, educational support to learn Japanese, cultural support and exchanges including disciplinary behavior, exchange programs, and programs about the inherited traditional culture. All activities are being conducted in accordance to the requests by the Abu Dhabi

approx.
15 years

JODCO's concession for the Upper Zakum Oil Field was extended approx. 15 years (till the end of 2041)

Voice



Tomomi Yoshida
Administration Manager at
JODCO Abu Dhabi office

We need to function as a bridge between Japan and Abu Dhabi through skillful communications based on an understanding of the different cultures of the two countries. We play a key role as an intermediary for social contribution programs, too. In Abu Dhabi, I think that building relationships of trust that use face-to-face contact is very important. But even for these tasks, the first step is being respected by others by doing the job yourself with sincerity and dedication. People thank me, tell me I was a big help and say they will come back again. This really motivates me to take on my next job. The attitude of responding with sincerity to requests from the Abu Dhabi government has been part of our corporate culture for a long time. I believe this attitude has been instrumental to our ability to establish a good relationship with Abu Dhabi.

Abu Dhabi wants assistance involving technologies and the people for oil and gas development. But we are also contributing to nation building with respect to developing industries, protecting the environment and providing education to the public. For many years, we have been involved in social contribution programs that reflect Abu Dhabi's requests for assistance. To perform these activities, we place importance on building relationships rooted in trust with the people of Abu Dhabi. Interaction with the people of Abu Dhabi over many years has made us a presence that is synonymous with Japan. This is why people contact us with all types of requests related to Japan. By doing everything we can with good faith to respond to these requests leads to even more requests. This process creates a positive cycle that constantly strengthens relationships based on mutual trust. I believe that my job is to preserve and build on this reputation for trust that my predecessors at JODCO have established.



Yosuke Ueda
General Manager at
JODCO Abu Dhabi office

government, and they are the result of our considerations, coordination, and execution. We are confident that our contributions will facilitate the progress in Abu Dhabi for many years.

The government of Abu Dhabi has recognized for a long time the important role we have played in the country through our social contribution programs and the provision of engineers and other petroleum development professionals. As a result, the government decided to extend the expiration of our concession at the Upper Zakum Field for approx. 15 years from March 9, 2026 to December 31, 2041.

A Multi-cultural Operating Environment

In the massive energy projects of Abu Dhabi (UAE), one of the largest producers of oil and gas in the Middle East, people of many backgrounds with different languages and cultures work together. It is needless to say that our role in this environment is to make a contribution by using our technologies, but this is also an invaluable opportunity to gain teamwork experience of working with different cultures. As of March 1, 2014, there were 15 of our employees for technical support at

ADMA-OPCO, 21 employees at ZADCO and one at Total ABK. In addition, our Abu Dhabi office staff includes 12 correspondents from Japan and 11 local staff, and the office accepts young employees from the INPEX Tokyo head office for training on office procedures every three months.

Doing business in a location with a different culture is not an easy task, but we believe that this is the business only we, who understand both Japan and Abu Dhabi, can operate. We will continue to cherish the existing sound relationship based on trust with Abu Dhabi in the future.

Dedicating to the Continuous fulfillment of a Safe Supply of Energy to Japan

The effort of everyone working diligently day after day in the multi-cultural workplace environments of energy-producing countries is the foundation of our mission, a stable and efficient supply of energy. To accomplish this mission, all employees must strive to contribute to maintaining the trust of Abu Dhabi through oil development and social contribution programs, but also to secure a stable supply of energy to Japan.

Voice



Khalfan Al Mansoori
Geophysicist at ADMA-OPCO

I joined the INPEX Perth office one year ago, for on the job training in geophysics. At the beginning, I had some difficulties adapting myself to the Japanese and the Australian culture, which is very different from Abu Dhabi culture. However, with the help from my colleagues, I was able to get used to it quickly and had a great experience working with various nationalities in the Japanese company located in Perth, Australia. Through this training, I was not only feeling more accustomed to Japanese culture but I also was impressed with the enthusiastic work ethic of the INPEX culture. I would like to contribute to ADMA-OPCO with what I have learned in the Perth office.



Yoshiyuki Hyakutake
Vice President of Corporate Planning,
seconded to ZADCO

We are doing our jobs while staying in constant touch with related parties at ZADCO and other companies as well as discussing how to achieve the targets set by the shareholders in a safe and efficient manner. Our workforce comes from more than 35 countries. Furthermore, many people are involved with the project, from shareholders to workers at the operation sites. On the corporate side, it is extremely difficult to establish common goals that incorporate a broad range of opinions. I frequently visit people to hear their thoughts directly, and also visit the sites to explain various points. I want there to be a unified team effort between executives and workers for the success of this project.

Corporate Governance



31%

The Board of Directors is composed of 16 directors, five of which (31% to the total) are outside directors

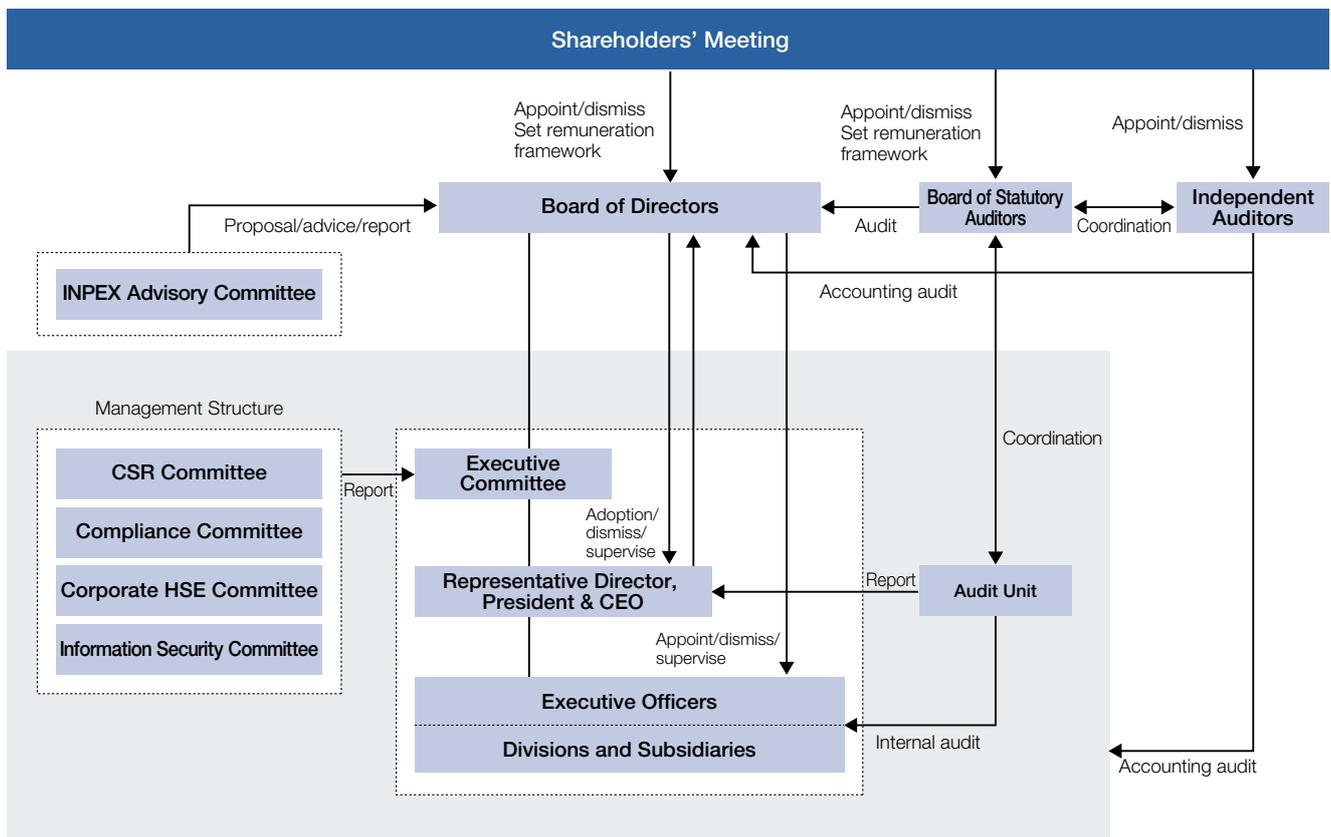
80%

The Board of Auditors comprises of five statutory auditors, of whom four (80% to the total) are outside auditors

Basic Policy

On the basis of its corporate mission, the INPEX Group is taking on the challenge to deliver a comprehensive system of corporate governance. We recognize that to continue being a company that is trusted by all our stakeholders and by society at large, increasing the effectiveness and the integrity of our management and ensuring compliance are critically important issues.

Corporate Governance Framework



Overview of Our Corporate Governance

We have adopted an organizational plan that incorporates the company of auditors system whereby the statutory auditors conduct a detailed audit of the operational execution of the directors to ensure the continued and stable management of INPEX on the basis of its corporate mission. Moreover, we plan to further reinforce the agility and efficacy of its management structure by establishing a system of executive officers that will be able to cope with the rapid changes in the operating environment and manage the expansion of the business in a prompt and appropriate manner.

We have numerous opportunities for important negotiations with the governments of oil-producing nations, the government-owned oil companies, and international oil companies. We believe that those negotiations should be done by our directors and executive officers that have progressed their careers within INPEX and so are intimately familiar with our business. Consequently, it is a basic principle for us to assign directors who have progress their careers within INPEX to concurrently serve as executive officers. This is to guarantee the validity of the system that oversees the efficacy of our management while effectively executing business operations by the Board of Directors. Moreover, five of the 16 directors shall be outside directors so that different points of view from those of directors from within the company are reflected. This is to ensure that an objective outlook is utilized by the management of INPEX, to enhance the transparency of management and to strengthen the effectiveness of the supervisory function of the Board of Directors.

Furthermore, four of the five statutory auditors shall be outside auditors, with the aim of ensuring the independence and efficacy of the statutory auditors in fulfilling their role. We shall also make plans to strengthen its auditing function and appoint assistants to aid the auditors in the execution of their professional duties and establish the Board of Auditors on the basis of applicable laws and regulations. Moreover, we shall tackle issues such as further strengthening the internal audit department (Audit Unit) and enhancing the coordination with the independent auditors.

An overview of our organizational bodies is provided below:

●Directors and the Board of Directors

The Board of Directors is composed of 16 directors, five of which are outside directors. Meetings of the Board of Directors are held once a month and at other times as circumstances require. The Board of Directors fulfill an important function in our operations by deliberating about and deciding on key issues and by monitoring the directors in the execution of their duties.

Moreover, so as to enhance our ability to respond immediately to the changes in the global operating environment and to clarify management responsibility, the term served by directors shall be one year.

●Executive Committee

The Executive Committee was established in the interest of accelerating the decision-making process in the execution of our business. The Committee discusses issues related

to the decision-making process of the Board of Directors and makes flexible decisions concerning issues that are not part of the Board of Directors resolutions. The Executive Committee shall be held weekly or as appropriate.

●The Executive Officer System

We plan to further reinforce the agility and efficacy of its management structure by establishing a system of executive officers that will be able to cope with the rapid changes in the operating environment and manage the expansion of the business in a prompt and appropriate manner. As with directors, the term served by executive officers shall be one year.

●Various Committees

To further enhance the efficacy of its corporate governance function, we established the "INPEX Advisory Committee," the "CSR Committee" and the "Compliance Committee" to act as an advisory body for the Board of Directors, and to contribute to the execution of the duties of the Executive Committee respectively.

The details are as follows.

(1)INPEX Advisory Committee

The INPEX Advisory Committee was set up in October 2012 with the aim of raising corporate value and enhancing corporate governance. It does this by soliciting a wide range of objective advice and suggestions from external experts on various issues for the Board of Directors. This includes topics such as the international political and economic outlook, prospects for the energy sector, types of management strategies that we should adopt as a global company, and how corporate governance should be reinforced. The Committee is made up of four experts with a wide range of objective expertise (three males, 1 female) including Japanese and foreign university professors. The INPEX Advisory Committee was held twice in fiscal 2013.

(2)CSR Committee

The CSR Committee was set up in April 2012 with the aim of helping us fulfill our social responsibility and in contributing to the development of a sustainable society. The President & CEO is the chair of the CSR Committee. The committee is composed of three representative directors (including the President & CEO), the head of the General Administration Division, the head of the Corporate Strategy & Planning Division, the chair of the Compliance Committee and the Corporate HSE Committee. The CSR Committee formulates important policies related to CSR such as the CSR Policy, policies concerning corporate governance and important issues for driving our CSR. The CSR Committee was held three times in fiscal 2013.

(3)Compliance Committee

The Compliance Committee was established in April 2006 with the aim of promoting the integration of compliance activities. The director responsible for compliance is the chair of the Compliance Committee. The Committee is composed of the General Manager of the standing organizations, the director in charge of HSE, and the General Manager of the Audit Unit. The Committee controls the implementation of compliance and was held four times in fiscal 2013.



● Internal Audit and Statutory Auditors Audit / Coordination between the Statutory Auditors and the Internal Audit Department

(1) Internal Audit

The Audit Unit was set up under the direct supervision of the President & CEO as an internal audit department that is independent of the divisions involved in the management of the Company's business. This ensures the pertinence and efficacy of our operations. The unit helps optimize management controls by ensuring timely exchanges of views with independent auditors and statutory auditors, implementing follow-up audits to check if improvements were implemented, submitting reports as necessary, providing guidance on identified issues, evaluating and discussing the efficacy of our business conduct, and assessing the general state of internal controls of all our management activities.

(2) Statutory Auditors and the Board of Auditors

We have adopted a statutory auditor system and the Board of Auditors comprises of five statutory auditors, of whom four are outside auditors.

The four outside auditors have valuable experience and expertise in areas related to our business and finances, such as accounting and finance, which are put to use when executing their auditing functions.

The statutory auditors attend the meetings of the Board of Directors and Executive Committee and conduct interviews with responsible departments as necessary. Based on reports submitted by responsible

departments and other reports, they audit the functional execution of directors and executive officers on matters concerning the overall management of the business as well as on specific issues. Moreover, the statutory auditors receive reports about internal audits from the Audit Unit as necessary and receive reports from the independent auditors about the audits, both on a regular basis and as circumstances dictate.

(3) Coordination between the Independent Auditors and the Statutory Auditors

The statutory auditors hold meetings with EY Japan six times a year and as necessary, and receive reports on accounting audits, reports containing previews of the quarterly results and internal control audit interim reports from the independent auditors. Additionally, they exchange views on the important points from the audit and enable us to access and collate a wide range of information about the status of our current operations.

(4) Coordination between the Statutory Auditors and the Internal Audit Department

The full-time statutory auditors receive reports about the state of extraordinary internal audits and other matters, and maintain close contact on a daily basis with the Audit Unit. Moreover, regular meetings are held roughly five-to six times a year as a general rule so that the appropriate auditor can receive reports as required on internal audits conducted by the Audit Unit, and reports on the state of internal control evaluations.

Fiscal 2013 INPEX Advisory Committee

The INPEX Advisory Committee has four members from outside the INPEX Group who represent a broad range of perspectives: Dr. Kent E. Calder, a professor at Johns Hopkins University; Ms. Kaori Kuroda, Executive Director, CSO Network Japan; Dr. Tsutomu Toichi, Research Adviser, The Institute of Energy Economics, Japan; and Dr. Masayuki Yamauchi, professor emeritus of University of Tokyo. In fiscal 2013, the committee held two meetings. Committee members discussed a number of issues, including the global effects of shale oil and gas development activities in the U.S. and CSR policies at companies with worldwide operations.



From the left in the front row, Dr. Yamauchi, Dr. Toichi, Ms. Kuroda and Dr. Kent E. Calder

Internal Control System

The Board of Directors decides upon, and implements on this basis, the “System for Ensuring the Appropriateness of the Business Operations of Publicly-listed Companies (Internal Control System)” as described below.

1 System for ensuring that the duties of directors and employees are carried out in accordance with applicable laws and ordinances

- (1) The Company shall formulate a Corporate Social Responsibility Principles and construct a system to ensure thorough compliance with it, so as to ensure that the duties of its directors and employees are carried out in accordance with applicable laws and ordinances, and with our articles of incorporation.
- (2) The Company shall appoint the representative director as the compliance director and establish a Compliance Committee chaired by the compliance director. This will ensure that the activities undertaken by directors and employees in the execution of their duties are carried out in accordance with applicable laws and ordinances, and with our articles of incorporation.
- (3) The Company shall establish an internal notification system with related departments and an external expert (lawyer) as providers of consultation services.
- (4) The Company shall, to fulfill the requirement for a compliance structure and related internal control standards, ensure that an audit is conducted by an internal audit department (Audit Unit) under the direct supervision of the President & CEO and that improvements shall be made as appropriate in accordance with the results of inspections and evaluations made by such a body
- (5) The Company shall establish a structure as required to ensure that accuracy and trustworthiness of its financial reporting are maintained and shall conduct evaluations to verify the appropriateness of its application and efficacy.

2 System for maintaining and managing data relating to the executive duties of directors

- (1) Directors shall establish, keep and manage, the information security system as it is appropriate, in accordance with applicable laws and ordinances, and with its own articles of incorporation, for documents and other data relating to their executive duties.

3 Rules relating to the management of the risk of losses and other systems

- (1) To deal appropriately with the various risks that are related to the corporate activities, the directors of the Company shall ensure that they maintain regular and close contact with the departments for which they are responsible, undertake the identification, analysis and evaluation of risk, and, on the basis of our internal regulations, guidelines, and other rules, conduct risk management activities accordingly.
- (2) On the basis of the our management control standards, the various member companies shall conduct risk management activities on the basis of mutual coordination, and the Company shall conduct risk management activities for the Group as a whole.
- (3) Concerning the operating environment and other factors relating to risk management of daily business activities, an audit shall be conducted by the Audit Unit, by the department itself, or by external experts, to examine and evaluate such risks. Repeated and regular reviews shall also be undertaken in response to changes in the operating environment.

4 System for ensuring that the duties of directors are executed efficiently

The operation of our business shall be conducted in accordance with the following points so that a system is in place to ensure that the activities of directors are carried out efficiently.

- (1) In relation to deciding on important issues, the Executive Committee shall be convened consisting of full-time directors and executive officers holding positions of responsibility, weekly or as circumstances dictate, to ensure the swift and accurate administration of operational matters.
- (2) In relation to the conduct of everyday duties, all levels of persons responsible shall promptly execute such duties.

5 System for ensuring the appropriateness of operations undertaken by the corporate group consisting of the Company and its subsidiaries

- (1) The Company shall, on the basis of our Internal Rules on Group Management, conclude business management contracts with its subsidiaries, and other entities, and shall request or authorize reports concerning important issues from each company.
- (2) Regarding risk management, compliance management, internal audits at subsidiaries and other relevant entities, shall be conducted based on our Internal Rules on Group Management, and conducted with coordination between the parties involved.

6 Items relating to employees whom the statutory auditors have requested to assist them in the execution of their duties

- (1) Two employees shall be assigned to concurrently assist with the duties of statutory auditors.
- (2) These assistants shall execute their duties under the instruction of the statutory auditors.

7 Items relating to the independence of the employees mentioned in the preceding section from (the influence of) directors

- (1) The movement or transfer of statutory auditor assistant staff shall be carried out in consultation with the statutory auditors.

8 System relating to reports made by directors and employees to statutory auditors and system relating to other reports to statutory auditors

- (1) Directors and employees shall make reports and provide information to statutory auditors related to issues as determined by laws and ordinances, issues that have a significant impact on the Company and on Group companies and other issues that the statutory auditors have determined as necessary to be reported when executing their duties.
- (2) Statutory auditors shall be able to attend meetings of the Board of Directors or other important internal company meetings, attain proposal forms and other requests for management approval, and receive information during the course of their usual activities at any time.

9 System for ensuring that the audits of other statutory auditors are conducted efficaciously

- (1) When conducting audits, the Company shall ensure close cooperation with external experts such as lawyers, certified public accountants and certified tax accountants.
- (2) To improve the effectiveness of audits, the statutory auditors shall cooperate with the Audit Unit and shall receive regular reports.

Compliance



0 violation

There was no case of noncompliance that caused a serious impact on the business of INPEX or the local communities

Basic Policy

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

The INPEX Group has systematically developed a compliance system that is indispensable for the sustained development of the company, and strives to thoroughly comply with all laws and regulations as well as with corporate ethics. A Compliance Committee was established to oversee unified activities throughout the Group. Committee members discuss fundamental compliance policies and other subjects involving compliance and supervise the implementation of compliance programs. To ensure responsible business management as a global company, our Medium- to Long-Term Vision positions the “promoting continuous improvements in corporate compliance” as a part of the Management Policies, and we are pursuing activities to strengthen our systems even more.

In addition, there are many activities to ensure that all employees fully understand the importance of compliance. For example, the Code of Conduct covers systems, reporting and consultation methods and other subjects related to compliance.

System and Mechanisms for the Promotion of Compliance

We have a system in place to ensure that, if there is a serious concern regarding compliance, the Compliance Committee quickly considers and implements countermeasures. The Compliance Committee works with statutory auditors, Board of Statutory Auditors, independent auditors and the Audit Unit to (1) develop and implement compliance measures, (2) monitor their implementation, (3) raise compliance awareness, (4) receive reports on and investigate cases of violations, (5) issue warnings and take measures against violations, and (6) establish measures to

prevent the recurrence of violations. To reinforce the commitment of executives and employees to compliance, INPEX has prepared a Code of Conduct Handbook. This publication contains guidelines for daily activities in relation to the Code of Conduct, examples of situations involving compliance, important laws, regulations and company rules, and other information.

In fiscal 2013, there was no case of noncompliance that caused a serious impact on the business of INPEX or the local communities.

■ Code of Conduct and various guidelines

The Code of Conduct Handbook was issued in April 2014. This booklet combines and updates the previous Compliance Manual and the Compliance Q&A Booklet, which were used to prevent compliance violations in the workplace. Information meetings and other activities are used to confirm that everyone fully understands the contents of the handbook.

INPEX also issued the Anti-Bribery and Anti-Corruption Guidelines in April 2014 for the purpose of reinforcing these preventive measures.

The Code of Conduct was prepared and put into practice at major overseas offices to ensure compliance with the laws, regulations and cultural standards of host countries. In response to the reinforcement of bribery laws in other countries, INPEX is currently strengthening its global compliance systems.

In 2013, INPEX Australia revised its Code of Conduct Standard and Anti-Bribery and Anti-Corruption (ABC) Standards. The ABC Standard sets out company’s policy in relation to bribery, prohibited payments and related improper behaviors. During 2013, 84% of INPEX Australia personnel received ABC training either directly or via the Internet. In addition, INPEX Australia has established various standards concerning employee equal opportunity, discrimination,

harassment, Sodan (Whistleblower) Hotline and disciplinary actions.

■ Ensuring Compliance Including Contractors

The Corporate Social Responsibility Principles mandates that all business activities comply with various international guidelines and local social norms where we operate, which includes laws and regulations and human rights. Activities must also reflect the social standards of the areas where projects are located. Furthermore, Details on Ethical Procurement Guideline requires that all procurement activities are consistent with the Corporate Social Responsibility Principles. Contractors must also comply with laws and regulations, prevent bribery, respect human rights and follow other guidelines.

■ Internal Reporting System

In April 2006, INPEX established a Help Line that uses an internal reporting system in compliance with the Whistleblower Protection Act. The Help Line is accessible to all INPEX executives and employees. Reports can be

submitted anonymously and there are strict provisions to protect individuals who submit reports from any negative consequences.

Six reports (one to the internal help line and five to the external help line) were submitted during fiscal 2013. The Compliance Committee responded to each report by taking appropriate actions based on the advice of attorneys and other experts, and based on the INPEX Internal Reporting Guidelines, which complies with the Whistleblower Protection Act. None of the six reports involved bribery, corruption or discrimination.

■ Approval Processes and Internal Controls and Audits

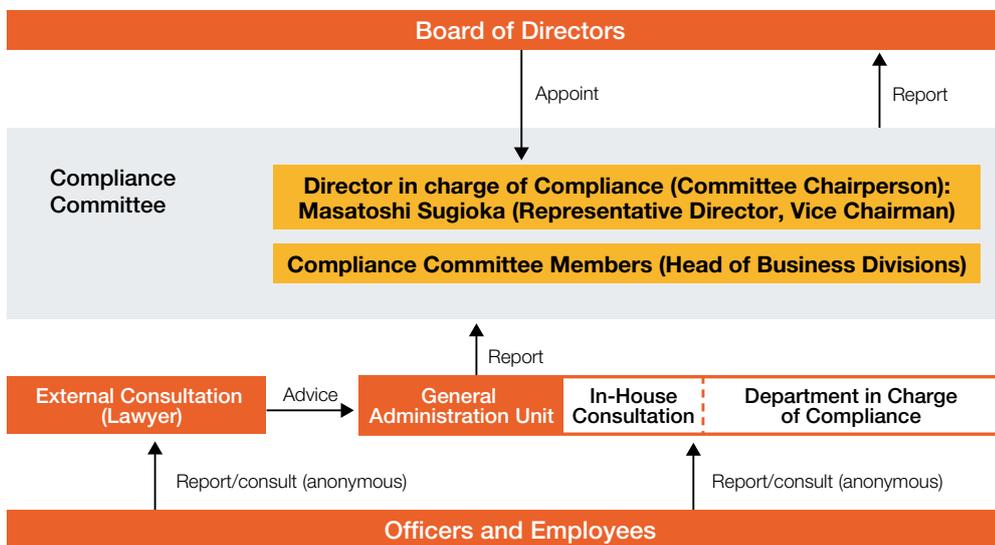
Contributions, subsidies and gifts must be approved by using the internal process designated for each monetary category in the internal rules.

To prevent organizational corruption, INPEX has a system of internal controls and conducts internal audits. In addition, the situation is monitored and corrective actions are taken if a source of risk is identified.

84%

The percentage of INPEX Australia personnel who received Anti-Bribery and Anti-Corruption training in 2013

Compliance Framework



Compliance Training

For compliance training, everyone at the INPEX Group receives a printed Code of Conduct and Code of Conduct Handbook so that the entire workforce can be involved in compliance activities. Furthermore, there are regular compliance training sessions for new graduates and mid-career hires.

From December 2010, we enhanced compliance communication by launching a Compliance Committee website on the intranet and by publishing a monthly internal

newsletter on compliance. By periodically providing compliance-related information, we aim to stimulate greater interest in compliance and raise awareness among our executives and employees.

In fiscal 2013, there were compliance training programs and other activities that take place every year. In addition, the Code of Conduct Handbook was issued and Anti-Bribery and Anti-Corruption Guidelines were prepared. There were also a variety of associated measures to assist overseas offices with their own compliance programs.

Consideration for Human Rights



Basic Policy

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

In addition, besides complying with the requirements of the Constitution of Japan and the Labor Standards Act, we support international norms related to human rights, as represented by the Universal Declaration of Human Rights and the International Labor

Standards of the International Labor Organization (ILO). Since 2011, we have been participating in the United Nations Global Compact, which is grounded in the Universal Declaration of Human Rights.

Business Principles of the INPEX Group, which must be observed by all the executives and employees in our Group, stipulates the respect for human rights, the prohibition of discrimination and harassment, and the avoidance of complicity with any human rights violations. Through the company intranet and other means, we notify all executives and employees about these stipulations.

The labor agreement we have concluded

Considerations for Human rights in Australia



with the INPEX labor union stipulates our recognition that the union retains the three labor rights (the right to organize, the right to bargain collectively, and the right to act collectively).

To protect human rights, INPEX voluntarily uses IFC Performance Standards^{*1}, conducts preliminary assessments to determine the social and environmental impacts of each project, and other related activities.

Human Rights Due Diligence^{*2}

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

We are conducting studies on the possible environmental and social impacts (includes human rights) of our business activities on the areas of our operations. We are identifying the related risks and are following up with appropriate actions to avoid, mitigate, and monitor these risks. In this due diligence process, we emphasize dialogue with local governments, residents, and other stakeholders in the affected areas.

Our Details on Ethical Procurement Guideline requires all procurement activities to comply with the Corporate Social Responsibility Principles, which includes respect for human rights.

■ Respecting Traditional Owners

As a company undertaking oil and gas development projects in countries with rich indigenous history, we consider respecting indigenous people as one of the vital CSR issues.

Aboriginal and Torres Strait Islander (ATSI) engagement policy and strategy for INPEX

Australia have been developed to respectfully guide the company's business activities.

In Darwin, where the Ichthys onshore LNG facilities are being constructed, INPEX acknowledges the Larrakia people as the Traditional Owners of the land and waters around Darwin.

A Memorandum of Understanding was signed with the Larrakia people in 2009 to demonstrate a commitment to build a relationship based on a foundation of cooperation and mutual respect. Aboriginal Heritage Management Plans have also been developed to appropriately manage cultural heritage during Project activities. They include the requirement for Larrakia heritage monitors to be present on site during all ground-disturbing work.

In 2013, INPEX Australia launched its first Reconciliation Action Plan (RAP), a public document outlining its commitments to ATSI communities. The RAP focuses on three key areas: relationships, respect and opportunities. All activities regarding RAP will be reviewed and updated annually and achievements will be made public.

At our projects, there have been neither significant disputes with host communities as well as indigenous people and subsequent involuntary resettlement nor projects forced to be canceled due to such disputes.

■ Grievance Mechanism

In Australia, a grievance mechanism has been developed to help manage concerns from local community members and stakeholders. The Ichthys LNG Project put in place its community grievance mechanism so that it could proactively address any significant concerns raised by the communities. In 2013, one grievance was received and resolved.

In addition, general community feedback is managed using a variety of stakeholder engagement and communication tools.

RAP

INPEX Australia launched a Reconciliation Action Plan (RAP)



RAP 2014



Reconciliation Action Plan (RAP)

http://www.inpex.com.au/media/40481/idx3240_reconciliation-action-plan-a4brochure-online.pdf

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

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

The Key Areas of RAP

Relationships	Respect	Opportunities
As a culturally diverse organisation with corporate headquarters in Japan, it is especially important for INPEX Australia to build knowledge and awareness of ATSI cultures internally to assist with the continued development of trusting, mutually beneficial relationships	Respecting and acknowledging diverse cultures forms the basis of INPEX's engagement with all internal and external stakeholders, in particular with ATSI peoples and communities	Through its business activities, INPEX will lay the foundations for supporting sustainable, multi-generational economic participation for ATSI peoples and businesses, including support for cultural and social initiatives

Comply with Laws and Social Norms (including human rights)



Human rights awareness training

■ Human Rights Awareness Training

Our Business Principles stipulate respect for basic human rights, recognition of diverse individual outlooks on values, and prohibition of discriminatory treatment. In Japan, we have also conducted programs of education about human rights for executives and employees, for the purpose of raising awareness of respect for human rights. In fiscal 2013, we held a total of three trainings on the theme of “Companies and Human Rights”. The training attracted the participation of 203 executives and employees. We intend to continue promoting internally to embed the respect for human rights, while striving to further enhance awareness.

In Australia, 180 personnel (as at December 2013) attended ATSI Cultural Awareness training sessions. This training continues in 2014.

■ Establishment of Helpline and Counseling Service for Group Company Employees

The internal reporting system introduced in page 34 is also used for human rights issues.

When a report is received, the secretariat of the in-house Compliance Committee first investigates the facts, makes examinations to determine countermeasures with the advice of experts in correspondence with the problem, and sets about resolving the problem upon obtaining the consent of the informant.

Counseling is also provided by an industrial physician to address and discuss with individual employees about their issues. There is also an around-the-clock counseling service operated by a professional institution available for not only employees but also their family members. (Please refer “Health Management” in page 45)

INPEX Australia established the Sodan (Whistleblower) Hotline in 2013. It is a reporting system providing a confidential, anonymous and independent means for any personnel to raise issues and concerns. Three cases were filed in 2013 and resolved following the appropriate procedure. The Jakarta Office also has a whistleblower hotline. Numerous activities are used to make employees aware of this hotline, including by the company regulation book that all employees receive through the office Intranet.

■ Security Practices

Practices to ensure safety and security are one of our highest priorities with respect to fulfilling the mission of providing a reliable supply of energy. Safety and security are also vital for maintaining sound relationships in countries where projects are located, preventing accidents and preserving good health, and protecting basic rights such as the freedom of speech. Both the Corporate Social Responsibility Principles and the Five Key CSR Issues reflect the importance of respecting human rights. This commitment encompasses all types of human rights, including the rights which might be infringed by security personnel.

We do not serve as a project operator in any region where armed security measures are required. Furthermore, there are no projects where police or other government security personnel are stationed. But there are some occasions where INPEX employees need to go on business trips to insecure regions. To be prepared for any event during such a trip, a reliable security company is used for recruiting security personnel. These individuals either have received training that includes procedures for considering human rights, or the organization has a human rights policy relevant to our operations.

In the event of a problem, including risks relating to human rights, actions are taken by working with the Operations Emergency Response Team that is established at each project. In addition, a Corporate Crisis Management Team is organized at the INPEX Head Office to oversee the actions. (Please refer “Responses to Emergencies and Oil Leaks” in page 48)

Initiatives for the Prevention of Corruption



Basic Policy

The prevention of international corruption is indispensable from the perspective of making effective investments in sustainable development.

The INPEX Group has stipulated compliance to laws and regulations in all business activities in the Corporate Social Responsibility Principles. We have been participating in the United Nations Global Compact since December 2011 and endorse its ten principles in the four areas of human rights, labor standards, the environment, and anti-corruption. We declared to the world our commitment to prevent corruption.

In addition, we began participating in the Extractive Industries Transparency Initiative (EITI) in October 2012, which is the initiative aiming to prevent corruption of resource producing countries and contribute to their economic development.

Ensuring that Executives and Employees are Informed

Our Code of Conduct stipulates the observance of laws and regulations related to the prohibition of bribery and corruption in the relevant countries (e.g., the Unfair Competition Prevention Act in Japan, the Foreign Corrupt Practices Act in the United States, and the Bribery Act in the United Kingdom). In addition, to tighten prevention of corruption, we prepared Anti-Bribery and Anti-Corruption Guidelines setting forth specific standards of behavior to be followed by all executives and

employees in April 2014.

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

Heightening Transparency through Participating in the EITI

EITI is a global initiative aimed to implement good governance and economic development of resource-rich countries through the eradication of political corruption and poverty by clarifying the flow of funds from oil, gas, and mineral resource exploration industries to the governments of the producing countries, and intensifying fund management responsibility according to global standards. As of June 2014, the EITI had drawn the participation of 45 resource producing countries, many supporting countries including Japan, extractive industries and nongovernmental organizations (NGOs).

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

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

Payment to the government (thousand USD)

Country	Year	Payment
 Azerbaijan	2012	162,215
 Kazakhstan	2011	31,282
 East Timor	2011	386,272
 D.R. Congo	2010	6,553
 Indonesia	2009	913,337

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

Fair Business Practices with Business Partners



Basic Policy

The INPEX Group strives to procure goods from suppliers in a transparent, fair and responsible manner. We have established Details on Ethical Procurement Guideline, Detailed Regulations for Procurement and a Procedure for Handling Procurement, and post these and other guidelines on the intranet to communicate their content to our employees and ensure their implementation.

The Details on Ethical Procurement Guideline prohibits practices that impedes fair and free competition, that abuses dominant bargaining positions, or that inappropriately grants or receives benefits. In addition, the Guideline stipulates the protection of confidentiality regarding suppliers' personal information and technologies. All departments involved in procurement processes adhere to

these guidelines not only as a guiding policy but also as part of our Code of Conduct. When selecting suppliers, we always strive to ensure fair and open opportunities for prospective suppliers to participate. We have established supplier qualification standards and are increasing opportunities for prospective suppliers to participate in the bidding process.

Fair Procurement

When accepting bids and placing orders for large-scale projects in Japan such as the Naoetsu LNG Terminal and pipeline construction, we assessed HSE initiatives of suppliers and contractors as part of our evaluations to ensure fair and responsible procurement. We also applied the Details on

Web

Details on Ethical Procurement Guideline
<http://www.inpex.co.jp/english/csr/pdf/procurement.pdf>

■ Details on Ethical Procurement Guideline

I. Scope

1. Procurement activities are those relating to contracts for purchasing (purchases of materials and equipment services and construction), renting (borrowing, renting and leasing of materials and / or equipment), and other related activities.
2. This guideline applies to any and all employees engaged in procurement activities in the logistics divisions.

II. Basic Guidelines for Procurement Activities

1. To ensure transparency and establish fair and open procurement activities.
2. To strive to create a symbiotic relationship with suppliers based on mutual trust and equal standing.
3. To comply with and implement applicable laws and the INPEX Corporate Social Responsibility Policy.
4. To conduct procurement activities with consideration of their effects on resource protection and environmental conservation.

Ethical Procurement Guideline on these projects. At overseas projects as well, we strictly comply with laws and regulations of countries where the projects are operated.

While our overseas project operations are unlikely to engage in child or forced labor, we will further enforce our human rights policy in procurement activities in line with our Corporate Social Responsibility Principles and the Ten Principles of the United Nations Global Compact.

Consideration for Local Business

In Japan and overseas, we use as many companies as possible in the areas where we operate in order to contribute to the growth of regional economies. For example, we strive to utilize local companies as much as possible and we encourage suppliers to use local companies during procurement. In Japan, most of contractors at the Naoetsu LNG Terminal, except for highly specialized tasks, were actually local companies of Niigata prefecture where this facility is located.

The Ichthys LNG Project has entered into Industry Participation Plans with the Northern Territory and Australian governments in which it commits to working constructively with Australian industry to identify and develop options to ensure that “full, fair, and reasonable” opportunity is provided whenever practically and economically possible, based on health, safety, environment, schedule, quality and cost factors. These Industry Participation Plans also include a commitment from the Project to maximize opportunities for

Australian and Aboriginal and Torres Strait Islander (ATSI) businesses. Additionally, an Aboriginal Business Engagement Strategy has been successfully implemented to further assist with identifying and including ATSI businesses in the Project’s supply chain. The strategy includes provision of supplier opportunity forums and capacity assessment, and development initiatives to support sustainable business.

Basic Policy for Selecting Contractors

When selecting contractors, we not only consider technical capability, quality and reliability of candidate companies, but also include HSE and CSR among our evaluation criteria.

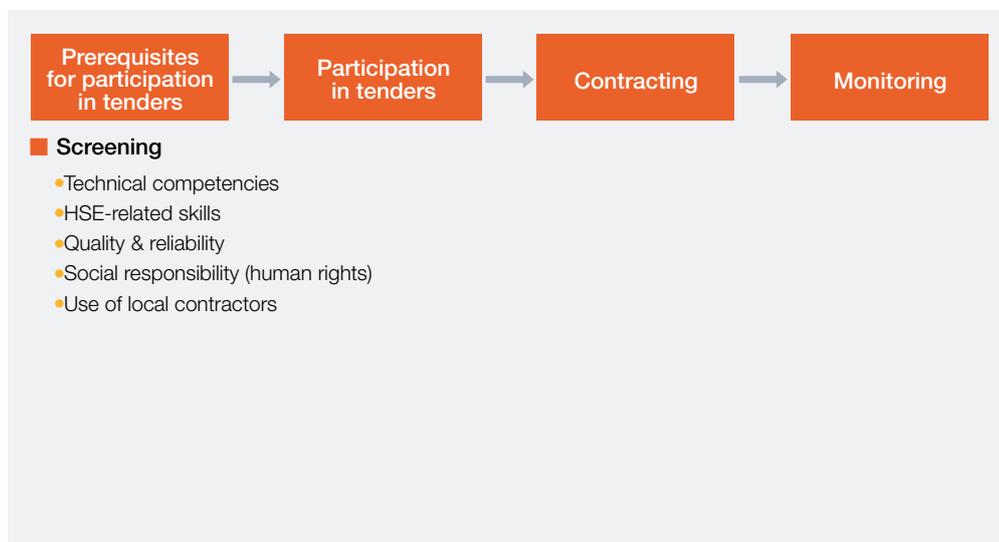
For HSE, we require contractors to conduct periodic risk assessments before a project starts. Contractors must also have specific measures to prevent problems and reduce risk exposure. We monitor all contractors to confirm that they are taking these actions.

For example, for the preliminary bids for pipeline construction in Japan, we select eligible new bidders based on an assessment of management status, which is prescribed in Japan’s Construction Business Act. Corporate social responsibility programs are also included in this evaluation process. In addition, we assess the performance of construction companies and other service providers by using Vendor Satisfaction Evaluation Reports.

A\$5 billion

More than 5 billion Australian dollars in Ichthys LNG Project commitment is forecasted to be spent in the Northern Territory, Australia

Contractor Selecting Flow



HSE Management System



Masatoshi Sugioka

Representative Director in charge of HSE
Vice Chairman

Message from Director in Charge of HSE

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

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

The medium-term outlook for our activities points to the need to move even faster to make our HSE programs more

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

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

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

*1 OGP: The International Association of Oil & Gas Producers <http://www.ogp.org.uk/>

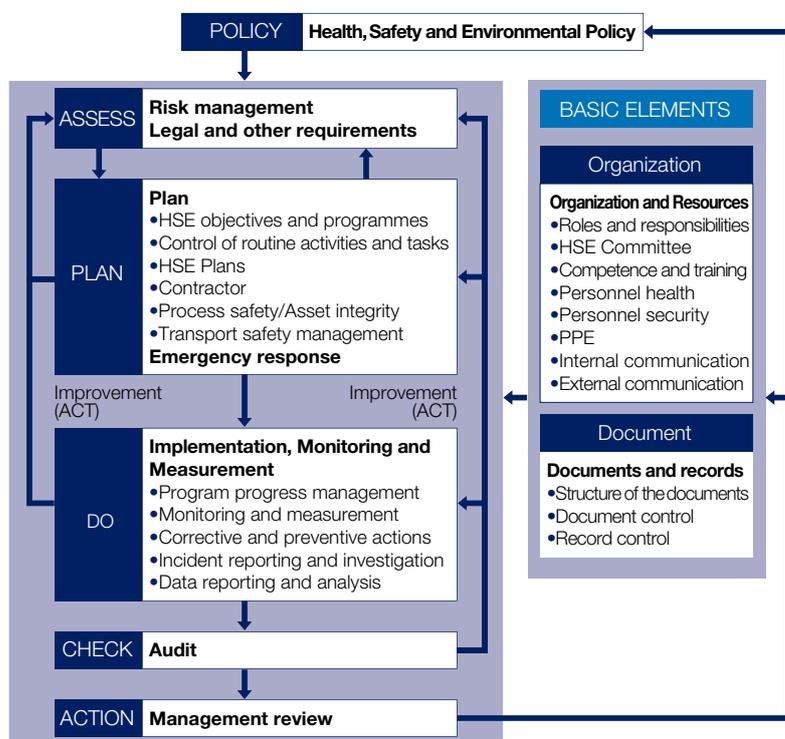
*2 IFC Performance Standards: Performance standards on social and environmental sustainability established by the International Finance Corporation (IFC)

HSE Management System Initiatives

■ Overview of the HSE Management System

We have an HSE management system with health, safety and environmental activities based on ISO9000 and ISO14001, occupational health and safety systems using OHSAS18001 and the OHSMS guidelines, and the guidelines of the OGP. By using this framework, the entire group is constantly working on improving workplace health, safety and environmental activities such as watershed conservation and other activities.

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



A-PDCA cycle

Source: The Rules of INPEX HSE management system

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

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

To accomplish this, we will:

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

June 23, 2011
Toshiaki Kitamura
Representative Director, President & CEO
INPEX CORPORATION

100%

All Operational Organizations perform self-examinations that cover all items required by the HSE management system

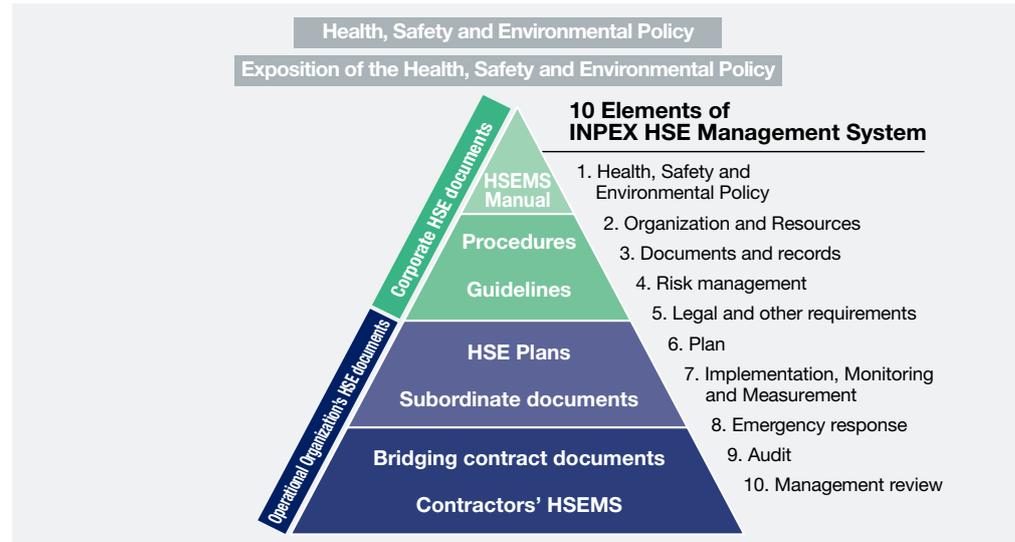
*3 Operational Organizations: The INPEX Group headquarters and organizations that implement operator projects

Basic Elements

■ Documentation related to the HSE management system

To clearly define our HSE commitment and associated activities, we have documented policies, rules and other guidelines. Examples include the Health, Safety, and Environmental Policy, the HSE Management System Manual, procedures, and guidelines. In fiscal 2013, we continued working on HSE Guidelines. To ensure that HSE activities are properly implemented, we revised the procedures and other items and used the Intranet to reinforce awareness of the importance of HSE programs.

We prepared HSE management documents at our Operational Organizations^{*3} in Japan and other countries as well in order to conduct activities that reflect the characteristics of each project. For example, we are working hard on preparing documents that will be required when operations start at the Ichthys LNG Project, where development and construction work are under way.



■ Promotional Structure of the HSE Management System

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



212 hours

A total of 212 hours of education and training activities covering 28 subjects was conducted, based on the HSE education programs

*4 OJT (On the Job Training): An employee training method that uses actual workplace tasks

■ HSE Training

We plan and implement annual HSE training programs in accordance with HSE competency guidelines in order to develop a more mature HSE culture and equip employees with competency to conduct HSE activities. In fiscal 2013, the headquarter conducted a total of 212 hours of education and training activities covering 28 subjects. Each program reflected the expertise and experience of the participants. In addition to these HSE training programs, we have conducted HSE OJT^{*4}s directed at young engineers, incorporating knowledge in specific fields, in Geoje, South Korea and Oman. In fiscal 2013, six employees attended the HSE OJT beginner-level training and two employees attended the intermediate-level training, further raising the level of our HSE initiatives.

Our Operational Organizations inside and outside of Japan also provide training according to the needs of each project, such as training on operational safety, environmental management and emergency response. As raised in our Second HSE Medium-term Plan, we will further work to enhance HSE training in order to improve the HSE competency of our employees.

■ HSE Communication

We are working to vitalize internal communication in order to embed and raise awareness of HSE. In addition to the HSE Annual Meetings held since fiscal 2008 that gather all managers in charge of HSE at Japanese and overseas Operational Organizations, we also periodically hold H&S Managers Meetings⁵ attended by managers in charge of HSE at Operational Organizations. Compared to the HSE Annual Meetings, where managers exchange opinions with management and report on the development status of the HSE management system and bring up issues during implementation, H&S Managers Meetings provide an opportunity for managers involved at the practical level of HSE in the Operational Organizations to give presentations on the occupational safety and occupational health initiatives at their Operational Organization. They also discuss specific issues of matters such as contractor HSE management at the practical level. Further, since 2011, we have been holding Environmental Meetings for environmental managers. The Environmental Meetings are used to present environmental management initiatives by the Operational Organizations, and to share information and exchange opinions about the status of measures to prevent climate change. To strengthen the communication of the HSE Unit with the domestic and overseas project divisions, HSE Liaison Meetings are periodically held at the headquarters, sharing information on the HSE management systems and implementation status of HSE initiatives in the INPEX Group. The Gas Supply & Infrastructure Division started participating in these meetings in fiscal 2013 to further improve and expand communications involving HSE.

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

■ HSE Awards

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



Fiscal 2013 HSE Award Recipients

- Ichthys LNG Project
(Onshore operations)
- INPEX Babar Selaru Ltd.
(Mr. Anthony Gouldbourne)

Assess

■ Risk Management

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

Plan/Do

■ HSE Objectives and Programs

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

Check/Act

■ HSE Audits and Management Reviews

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

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

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

100%

In accordance with the audit plan in fiscal 2013, HSE audit was conducted at all Operational Organizations



HSE Objectives and Plans

http://www.inpex.co.jp/english/csr/safe_eco/objectives.html

Health Management



Basic Policy

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

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

Measures to Improve Health Maintenance

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

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

For our employees working overseas, in addition to making health consultation services by an occupational nurse available, we provide physical examinations by partner medical institutions versed in health management for persons from abroad. We also provide preventive vaccinations suited for each host country or region. Internet health consultation services by professional institutions, information on medical institutions, and Japanese-language telephone counseling services are also made available. In addition, we have made

it a rule to allow Japanese employees posted overseas to take a leave back to Japan for at least ten days a year, in order to receive and attain results of a physical examination. In the event of an emergency, a contracted emergency medical service company will arrange for our overseas employees to receive medical treatment, be transported, and brought back home.

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

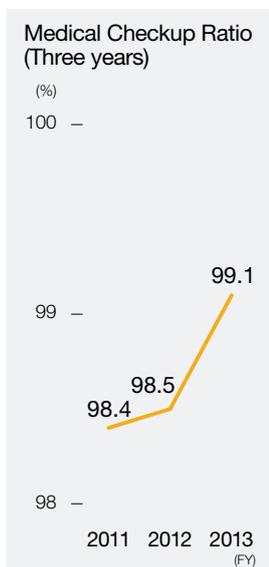
For employees who work under special circumstances, we conduct preliminary health impact assessments to prevent the working environment from harming their health. For example, for work in confined spaces, we identify risk factors such as measuring levels of oxygen or chemicals in the air and take preventive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

Mental Health Initiatives

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

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

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



Initiatives for the Prevention of Major Incidents



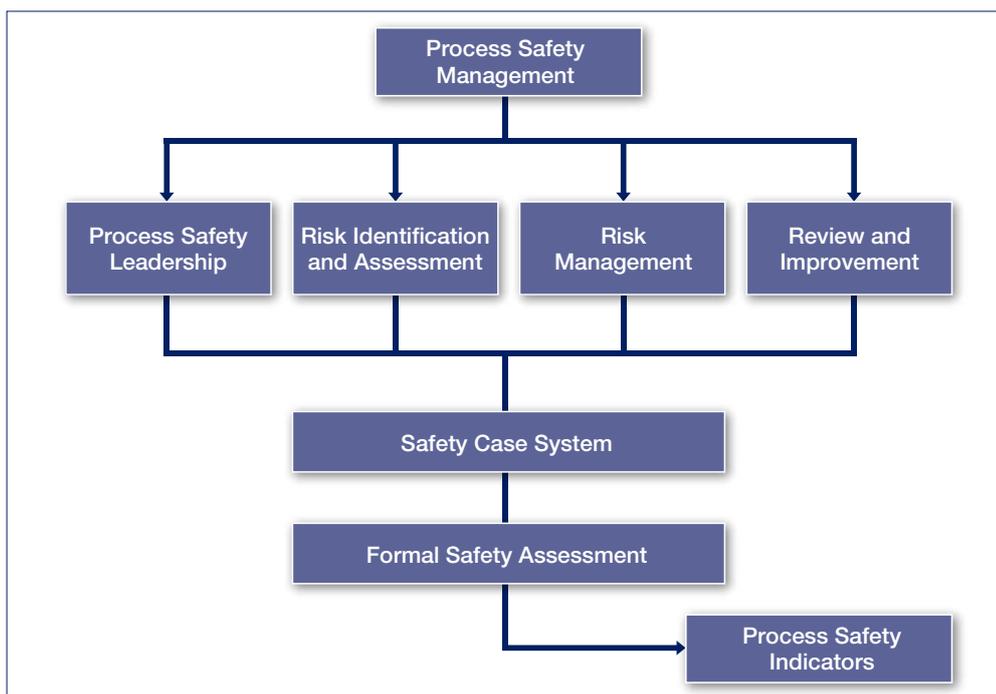
Comprehensive Process Safety Management

The INPEX Group has produced Process Safety Management Procedure as part of our HSE management system to prevent fires, explosions, and large oil spill, and other major incidents and are working hard to implement it as the basis of our incident prevention program. The “process safety” refers to systems put in place to manage the soundness of operating systems and processes for handling dangerous substances that can be successfully implemented by means of appropriate planning, technical investigation, operation

and maintenance. In the Process Safety Management Procedure, we specify crucial issues: process safety leadership; identifying and assess risk; risk management; and review and improvement. The introduction of a safety case* is one of the most important challenges in process safety management. We set to work on these challenges across every area of activity within our Operational Organizations in fiscal 2013 and with the creation of safety cases for the excavation works in the Ichthys LNG Project and other areas, we aim to carry out our operations in the future on this basis. No major process safety event has occurred in fiscal 2013.

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

Process Safety Management Framework



Aiming to Reduce Incidents



- *1 STOP: Safety training observation program to prevent injuries
- *2 LTIF: Rate of injuries resulting in fatalities or lost time per million working hours
- *3 TRIR: Rate of recordable injuries (fatalities, lost time, restricted workdays, and medical treatment) per million working hours
- *4 OGP: The International Association of Oil & Gas Producers <http://www.ogp.org.uk/>
- *5 Near miss: An unplanned event that did not result in injury, illness, or damage – but had the potential to do so

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

Specifically, we are implementing measures to reduce traffic accidents and promoting the Safety Training Observation Program (STOP¹) system. The HSE activities of each Operational Organization are based on the aim to achieve zero incidents.

Considering the incident rates of the entire Group including contractors in addition to our employees, activities were promoted to achieve the goal of zero incidents, Lost Time Injury Frequency (LTIF²) and Total Recordable Injury Rate (TRIR³) targets of 0.38 and 2.01, respectively, which are based on the safety index calculated by the OGP⁴. As a result, the LTIF in fiscal 2013 was 0.74 (a decrease of 0.03 points compared to fiscal 2012) and the TRIR was 4.05 (same as fiscal 2012). There were no fatal incidents. Except for the number of fatal incidents, none of the annual targets were met as the numbers were largely unchanged from the previous year. This is mainly due to the number of incidents from construction works such as Ichthys LNG Project and domestic pipeline projects. It is noteworthy that a number of construction projects, including the Ichthys LNG project and other domestic pipeline projects, are being launched. It will be necessary to reinforce field management and centralized contractor management once

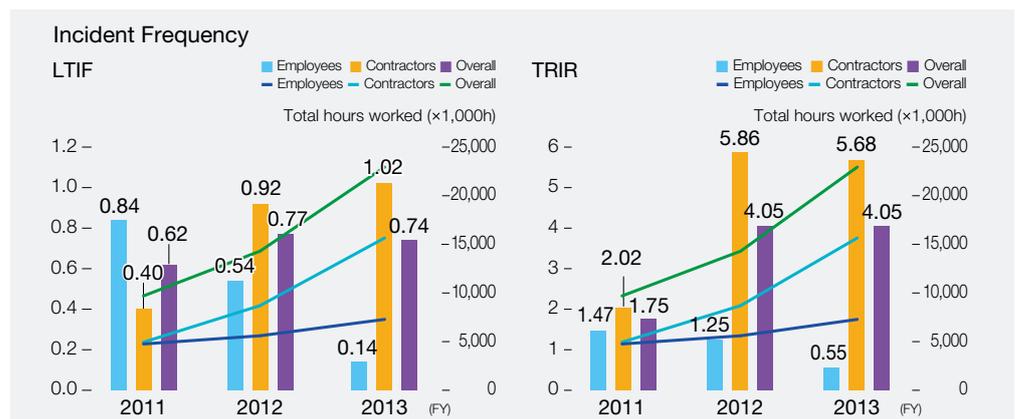
construction is fully underway.

When an incident or near miss⁵ occurs, the relevant Operational Organizations create an incident report in accordance with our Corporate HSE Management System Procedure “Incident Reporting and Investigation,” which includes a summary of the incident, as well as the causes and measures to prevent recurrences. Reports are submitted to headquarters and are also reported to other Operational Organizations from there with the goal of preventing the same incident at other sites. Moreover, Safety Highlights, which contains information and quantitative data relating to recent incidents, is published every month in an effort to share information with employees.

Number of Work-related Incidents Unit: case

Type	FY2011	FY2012	FY2013
Fatalities	0	0	0
Lost time injury	4	3	1
Restricted workday injury	1	1	1
Medical treatment injury	2	3	2
	7	20	32

* Upper field: Employees, Lower field: Contractors



Responses to Emergencies and Oil Spill



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

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

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

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

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

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

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

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

* Level 3 emergency: Any situation caused by a serious event, major incident, the effects of which are expected to negatively impact our business continuity and greatly hinder fulfillment of our social responsibility

Project Safety Management



Ichthys HSE Forum

The 2nd CEO forum was held with 29 CEOs from the main contracting companies



The 2nd CEO forum held in Korea in November 2013

The INPEX Group performs the HSE management at all projects in Japan and other countries based on our Health, Safety and Environmental Policy.

Safety Management of Contractors

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

HSE Activities at Major INPEX Projects

1. Ichthys LNG Project

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

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

In March 2014, an Offshore and Well Construction and Integrity EPC contractor HSE workshop was held in Perth attracting more than 170 participants supporting the



2014 Offshore HSE Award winner SBM Offshore with Offshore Project Director, Ichthys Project, Claude Cahuzac (center)

theme, "Are We Ready?". A 2014 Offshore HSE Award presentation was also conducted, recognizing outstanding contributions to HSE.

2. Suriname Project

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

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

3. Venezuela Project

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

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

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

4. Projects in Japan

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

The INPEX Group member Teiseki Pipeline Co., Ltd. performs safety patrols for safety management of its entire pipeline

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

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



Simulation training of receiving a heavy object



A construction procedure meeting

Product Quality Control



Basic Policy

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

Moreover, we conduct regular quality checks on our products and use this data and

safety information to provide our customers with the appropriate information that they require.

Quality Control of Oil and Natural Gas Products

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

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

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

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

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

	Natural Gas	Petroleum
Production · Receiving	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Comply with all applicable laws and regulations <input checked="" type="checkbox"/> Monitor the concentration of trace substances*1 such as sulfur and mercury <input checked="" type="checkbox"/> Establish a safety management system to thoroughly prevent accidents such as leaks and immixture. 	<ul style="list-style-type: none"> Conduct the following at the Naoetsu Oil Terminal; <input checked="" type="checkbox"/> Comply with all applicable laws and regulations <input checked="" type="checkbox"/> Establish a safety management system to thoroughly prevent accidents such as leaks and, immixture
Storage	<ul style="list-style-type: none"> Conduct the followings at the Sekihara underground storage gas field <input checked="" type="checkbox"/> Ensure gas supply capacity for emergencies and/or during limited supply availability <input checked="" type="checkbox"/> Prevent leakage of stored gas from the monitoring well 	<ul style="list-style-type: none"> Conduct the followings at the Naoetsu Oil Terminal; <input checked="" type="checkbox"/> Quality management of stored products
Transportation	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Conduct periodical patrols <input checked="" type="checkbox"/> Conduct periodical disaster training 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Share information regarding safe transportation and accumulate knowledge for safe operations (actively participating in cargo safety conferences) <input checked="" type="checkbox"/> Prepare accident prevention manuals and familiarize the persons responsible for transportation
Supply · Sales	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Conduct regular disaster training <input checked="" type="checkbox"/> Set up with other product suppliers mutual natural gas interchanges*2 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Conduct sample analysis on shipments
End Usage	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Clearly specify the information on hazardous and toxicity, ingredients, and treatment by issuing SDS*3 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Clearly specify the information on hazardous and toxicity, ingredients, and treatment by issuing SDS

Biodiversity Conservation



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

Basic Policy

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

We conduct Environmental Impact Assessments (EIA) for exploration, development

and production activities at each major project. Furthermore, we strive to minimize the impact of the project on the ecosystem by taking actions based on the EIA results.

In addition, we perform periodic reviews of ecosystem protection programs and continue to implement numerous measures that reflect the importance of biodiversity.



Collecting information on the health of fish and crabs in Darwin Harbor

Biodiversity Conservation Activities at Projects

Project	Activities
Ichthys LNG Project	<p>Environmental monitoring program of Darwin Harbor and the surrounding area</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Various baseline surveys including water quality, mangrove, coral and fish health and dolphin, turtle and dugong distribution were conducted to examine characteristics of the harbor environment before the start of dredging. Detailed marine monitoring programs were then undertaken during and after dredging, to monitor and manage potential reactions by Darwin Harbor's marine ecosystem to dredging activities. <input checked="" type="checkbox"/> During dredging activities, devices were installed on dredging vessels to warn turtles before approaching. Trained observers were on board the dredging vessels to ensure that there are no marine animals such as dolphins within safety zones.
Abadi LNG Project	<p>Activities at the project site and surrounding area</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Field surveys to minimize the environmental impact of the project on the regional ecosystem
Projects in Japan	<p>Activities at the Naoetsu LNG Terminal</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Greening areas around the terminal (600,000 trees and other plants) <input checked="" type="checkbox"/> Supervised the growth of mainly native plants that match the climatic conditions of the site <input checked="" type="checkbox"/> Marine environmental impact assessments for the purpose of protecting the marine ecosystem based on regulations
	<p>Activities involving the construction of the Toyama Line in Japan, mainly in mountainous areas</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Environmental impact assessments covering about 18.6km² for birds of prey and a region of about 24km for other animals and plants <input checked="" type="checkbox"/> Relocation of rare plants found at tunnel construction sites <input checked="" type="checkbox"/> Monitoring rare fish and other animals and conducting water quality surveys in rivers that receive water outflows from tunnels <input checked="" type="checkbox"/> Plants and animals identified during the survey that are listed on the "Red List" of the Japanese Ministry of the Environment Birds of prey: 5 species Fish: 2 species Plants: 1 species



Monitoring of corals in Darwin Harbor



Greening area at the Naoetsu LNG Terminal



Survey of the impacts on birds of prey

Reducing Our Environmental Impact



Web

Site Data
<http://www.inpex.co.jp/english/csr/weather/sitedata.html>

Basic Policy

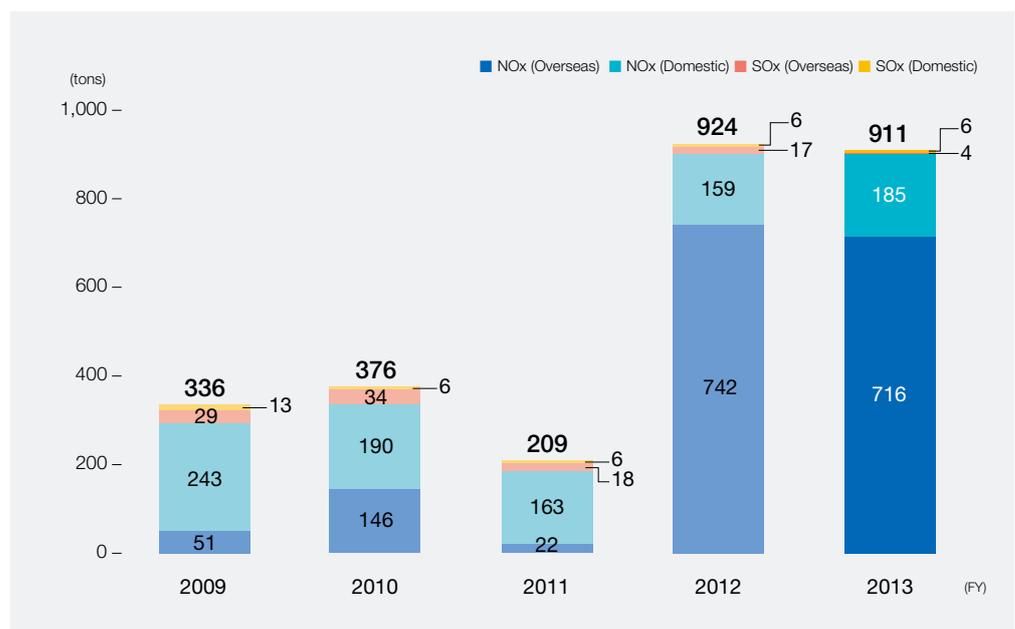
The INPEX Group observes the environmental regulations of all countries in which we operate.

In our operations in Japan, we are working to reduce our environmental impact by complying with environmental regulations such as the Soil Contamination Countermeasures Act, the Air Pollution Control Act, and the Water Quality Pollution Control Act. We also establish and comply with our own internal standards. From the early Front-End Engineering and Design stage of our exploration projects and new

businesses in Japan and overseas, we comply with the laws of the operating countries and apply the IFC Performance Standards^{*1}. These standards are widely recognized as global standards for assessing and managing environmental and social risks and impacts. In Japan, we conducted surveys to determine the gap between these standards and the actual situation of our operating facilities. For the gaps revealed by these surveys, we formulated plans for improvement and are taking relevant measures. We did not violate any environmental laws or regulations during fiscal 2013.

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

Emissions of NOx and SOx (Domestic and Overseas)



Preventing Air Pollution

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

Management of Chemical Substances

We control our use of chemical substances by managing and reporting our emissions in accordance with the laws of the operating countries. Pursuant to Japan's Pollutant Release and Transfer Register (PRTR) Law^{*2} we report the volume of specified chemical substances emitted, including the amount of benzene, toluene and xylene contained in crude oil and condensate that is released into the air, the amount of n-hexane contained in fuels such as kerosene and gasoline released into the air, and the amount of boron compounds in well water^{*3} released into waterways.



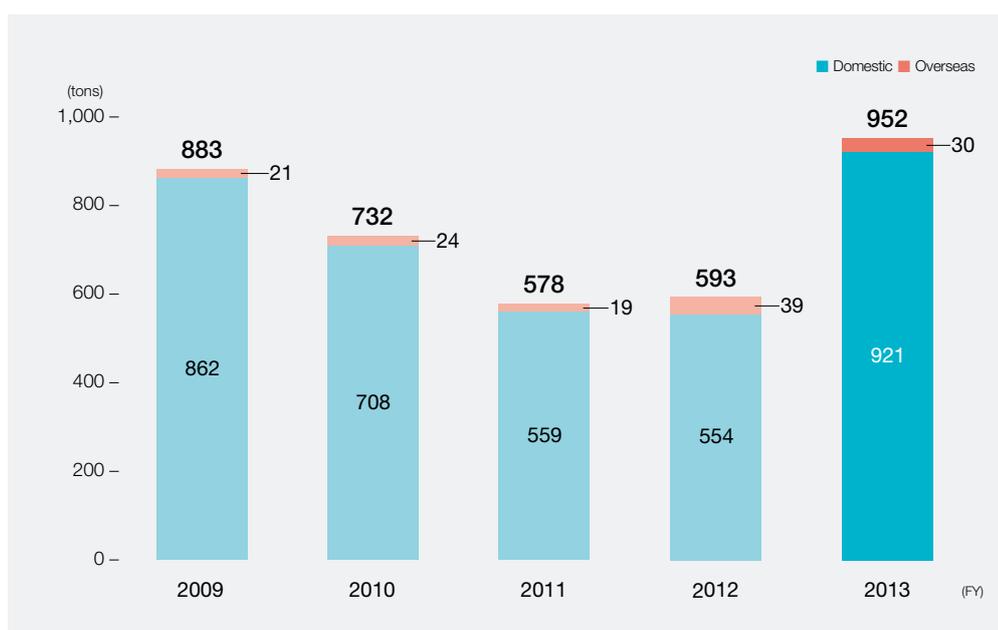
Environmental Impact of Our Business Activities

http://www.inpex.co.jp/english/csr/safe_eco/impact.html

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

^{*3} Well water: Water generated from the earth due to natural gas, etc.

VOC Emissions (Domestic and Overseas)



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

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

Efficient Use of Water Resources

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

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

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

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

Preventing Water Pollution

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

When the crude oil and natural gas that we produce contains formation water, we separate

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

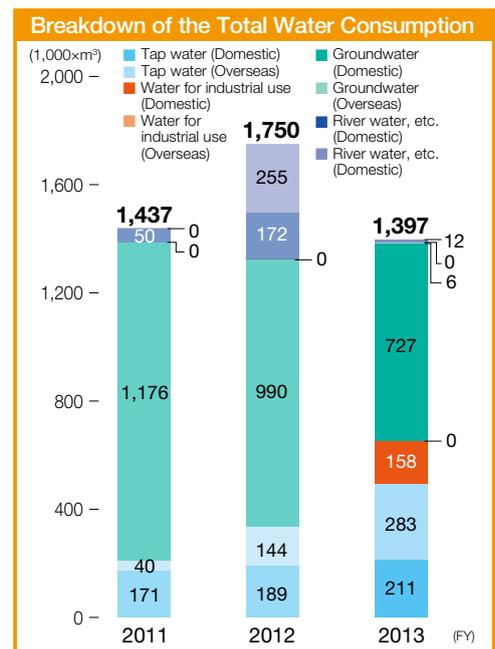
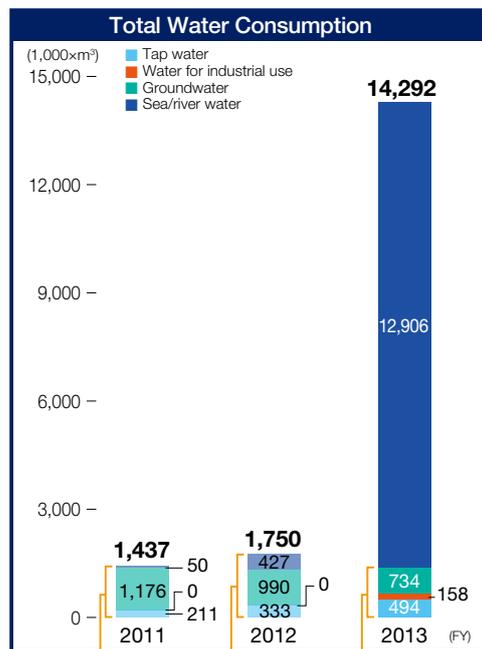
The seawater used for cooling and heating at offshore rigs and in LNG terminals is released directly back into the sea in a way that limits impacts on marine ecosystem as much as possible, by properly controlling the temperature and water quality.

Measures to Prevent Soil Contamination

In our domestic operations, we do not use any of the organic substances specified in the Law on Measures to Prevent Soil Contamination. But the crude oil that we produce contains benzene, which is regulated by this law. There are also trace quantities of heavy metals in the muddy wastewater that we discharge from our drilling activities. Consequently, to comply with the underlying principle of this law in our operations in Japan, we are voluntarily implementing surveys and countermeasures for soil contamination. Moreover, the Ministry of the Environment regards

Water Consumption (Domestic and Overseas)

*Seawater used as a coolant and discharged back into the ocean without changing the temperature or water quality was excluded in the Breakdown of the Total Water Consumption (right).



oil pollution as having a serious impact on the soil environment so we are implementing measures to assess and deal with oil pollution in accordance with their oil pollution guidelines.

Waste Management

Our waste management is compliant with the IFC Performance Standards.

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

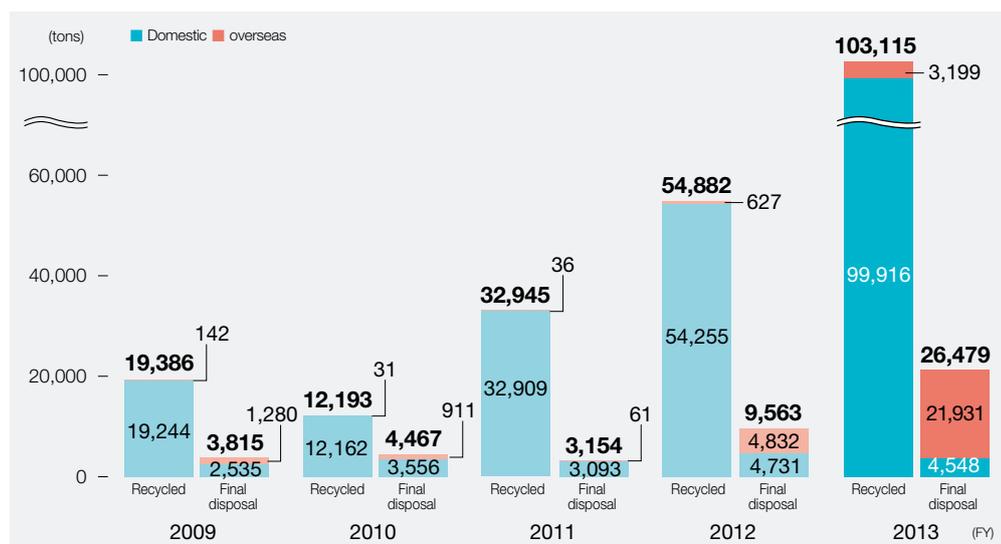
When our business operations generate reusable resources which are difficult to reuse for our company, we contract waste treatment to a contractor specialized in industrial waste

treatment, to make sure it is properly treated. As a result, more than 75 percent of the waste we generate is recycled for our domestic and overseas businesses.

The volume of waste generated by pipeline works increased in fiscal 2013, and accounted for more than half the total volume of waste generated by the Group. More than 99% of the waste generated was recycled. There was a particularly large increase in the volume of waste generated by activities related to the construction of overseas plants in fiscal 2013. This volume is accounted for 20% of waste generated across the whole Group.

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

Recycled Waste and Final Disposal (Domestic and Overseas)



Management of specified CFCs^{*6}

At operating facilities in Japan, a specific type of CFC (HCFC-22), which is one of the substances that damages the ozone layer, is used as a refrigerant. As the Montreal Protocol^{*7} calls for the use of this substance to be completely abandoned by 2020, we are now gradually replacing it with alternative substances. We plan to continue reducing the use of this substance. Moreover, even in cases where this specific type of CFC continues to be used, more stringent measures to control leakage from equipment and pipes are being implemented.

Proper Management and Treatment of PCB Waste

By fiscal 2005, we completely stopped using fluorescent lights, condensers and other

alternatives containing PCB in Japan by gradually substituting them. This was in response to the more stringent restrictions from the introduction of the Law Concerning Special Measures Against PCB Waste^{*8}.

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

^{*6} Specified CFCs: Fluorine compounds that are subjects of regulation by international agreements in order to protect the ozone layer

^{*7} Montreal Protocol: A protocol adopted in 1987 for the purpose of regulating the production, consumption, import, and export of substances which could possibly destroy the ozone layer

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

Build Trust with and Contribute to Local Communities (including education)

Building Trust with and Contributing to Local Communities



¥1.23 billion

The amount of social investments made in 2013

SIMP

Social Impact Management Plan

Ichthys LNG Project is developing its SIMP and considering in community feedbacks

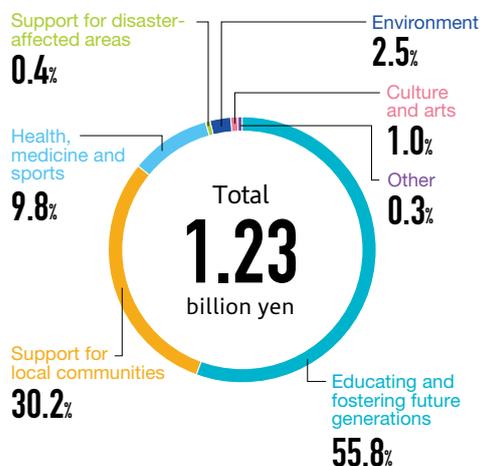
Priority areas for “Building Trust with and Contributing to Local Communities”



Basic Policy

The INPEX Group emphasizes the building of trust with society in our operation areas in our business activities. We defined a basic policy and key areas for “building trust with and contributing to local communities” as one of our Key CSR Issues. Based on this policy and these areas, we contribute to the development of local communities by creating jobs, developing skills, and improving living conditions through social contribution activities that meet local needs. Regarding the identification of local needs, we assign personnel responsible for community engagement at each project. They communicate extensively with local residents, monitor and evaluate the social impact of operations on local communities before and during operations.

CSR Expenditures in Fiscal 2013



Communication with Communities

We strive to use an approach that is open and transparent with all stakeholders. Through our communication with local communities, we conduct activities to help solve social issues that communities face in the areas that we operate around the world after identifying and evaluating needs.

INPEX Australia’s approach to community engagement is proactive and is based on key Project milestone activities. The stakeholder engagement plan developed for the Darwin Harbor dredging program, which was to secure a route for LNG tankers, exemplifies this approach.

A wide range of stakeholders were consulted prior to the dredging program’s commencement and a major safety advertising campaign was undertaken. These activities were conducted to address the interests of

parties that use the harbor and other stakeholders as well as for maritime security purposes. Up-to-date information was provided through regular bulletins on the Ichthys LNG Project website, and notice boards at community facilities such as boat docks.

For the Ichthys LNG Project, feedback related to the project activities from local community members is solicited through a toll-free telephone number, the Ichthys Project website, through face-to-face contact at community events and during Project briefings. Systems and processes such as a stakeholder relationship management system and community grievance management procedures were developed and operated to manage and address feedback and concerns made by the community in relation to Project activities

As part of its government approvals and to meet its project financing obligation, the Ichthys LNG Project was required to submit a Social Impact Management Plan (SIMP) to assess and manage impacts and opportunities for local communities. The SIMP process included advertising, information sheets and a series of community meetings in Darwin.

INPEX Australia also undertook Stakeholder Relationship Management Plus (SRM+) which is an engagement and measurement tool to assess and strengthen relationships with major stakeholders in local communities in Western Australia and the Northern Territory. Feedback from the SRM+ process is invaluable in guiding our activities.

At the Abadi LNG Project in Indonesia, an environmental impact assessment (EIA) started in 2009, when a plan of development was still under discussion. Since then, we have maintained close relationship with communities in the city of Saumlaki, Maluku province and the surrounding area. We are convinced that engagement with communities from the initial planning stage makes it possible for the project to obtain the support of local communities, which is, in other words, a "social license to operate". Most of our engagement is being conducted through social investment activities, including not only support programs for regional economic development, education, health services, and infrastructure development but also our participation in community events. The goal of these social investment activities is to encourage communities to become self-reliant and continue to grow. We develop and implement the social investment activities based on the results of a socio-economic assessment at the project site and the

surrounding area and discussions held with stakeholders.

Contribution to Local Economy

In pursuing our business in oil and gas development, we are committed to contribute to the society and economy of the countries and regions where we operate, through providing employment and business opportunities.

As part of the Ichthys LNG Project Industry Participation Plan, the Project is committed to maximize opportunities for Aboriginal and Torres Strait Islander (ATSI) businesses. The Project implemented an ATSI Business Engagement Strategy which was designed to further assist with identifying and including ATSI businesses into the Project's supply chain. 37 ATSI businesses had secured more than 76 contracts through the implementation of the strategy by the end of 2013.

Through focused training and employment plans, the Project is also contributing to skill development at local communities. The Project has engaged 400 ATSI peoples (as at 31 December, 2013) on onshore construction work. This number includes 30 trainees and apprentices who were in pre-employment programs.

In the Abadi LNG Project, we are also striving to expand the number of Indonesian employees. As of July, 2014, about 380 Indonesian personnel are working in our Jakarta Office.

Involvement in Public Policy

We are members of the Japan Petroleum Development Association (JPDA). While striving to secure a stable supply of oil through oil and natural gas development activities in Japan and overseas, JPDA works to support Japanese companies with domestic and overseas business. They also provide advice on policies related to a wide range of issues including government resource diplomacy, energy policy, environmental policy and regulatory reform.

We are implementing a program of activities to contribute to the region in cooperation with the government and other public-sector agencies to build a win-win relationship with the society in the region and promote our project.

37
businesses/
400
people

ATSI businesses secured contracts and ATSI peoples engaged in Ichthys LNG Project



Information stand at Darwin Boat and Outdoor Show in August 2013



ATSI trainee operating a water truck

Build Trust with and Contribute to Local Communities (including education)



Abu Dhabi (UAE)

Abu Dhabi International Hunting and Equestrian Exhibition (ADIHEX)

At ADIHEX, INPEX introduces Japanese medieval falconry culture and other aspects of our traditional culture such as samurai swords and tea ceremony customs. These activities serve as a bridge of cultural exchange between UAE and Japan. Through ADIHEX, we are striving to deepen the understanding of Japan in Abu Dhabi.



Support for the Management of Petroleum Institute (PI)

We have been participating in the operation of the PI, as a member of its Governing Board, and also provides financial support since PI's establishment. Since 2013, we support a project where PI students construct solar cars and participate in international races, in collaboration with Tokai University.



Social Contribution Activities Spread throughout the World



The INPEX Group will introduce some of its various social contribution activities.



Indonesia

Planting Mangrove Trees

INPEX and TOTAL (operator) have promoted reforestation of the Mahakam delta by planting one million mangroves yearly, a total of more than 13 million up to now. We also assisted the local community to acquire better knowledge and skills for environmentally-friendly ways to make fishponds. These activities contribute to both the sustainability of the ecosystem by restoring the mangrove forest and the development of the local economy.



Organic Farming Training and Education

We are promoting organic farming practices in the Eastern part of Indonesia to support economic development. By designing effective organic farming systems, they can implement environmentally-friendly farming practices without the chemical fertilizers that farmers use, create an environment that increases profits and facilitate the independence of farmers. By implementing this type of farming practice, it helps maintain soil fertility and contributes to farmers' welfare and the health of communities.





Social Contribution Activities Spread throughout the World

<http://www.inpex.co.jp/english/csr/contribute/contribution.html>

Build Trust with and Contribute to Local Communities (including education)

Japan

Assistance for the Victims of the Great East Japan Earthquake

Since June 2011, we have been assisting the volunteer activities of employees who are participating in disaster recovery programs such as the Great East Japan Earthquake. As of June 2014, a total of 646 employees participated in 72 disaster recovery programs. We plan to continue offering this support to employee volunteers.



Support for Forests

We started a tree planting program in October 2010 to restore a site near our operations in Niigata prefecture. This activity brings together employees, family members and local residents to learn about the importance of protecting the environment. A total of 127 people, including our 67 employees, participated in the eighth tree planting event in the spring of 2014.



Japan



East Timor

Supporting the Construction of a Greenhouse for Growing Crops and Agricultural Training

In the Bayu-Undan project, we are working with the United States Agency for International Development (USAID) and partner companies to build greenhouses and provide agricultural training to local farmers. For projects during 2013-2014, we are expanding the activity to involve 150 more farmers with the introduction of a secondary program, using the tunnel cultivation method (a cultivation method with more compact insulated facilities).



Indonesia



East Timor



Australia



Venezuela

Support Activities to the Local Community

In Venezuela, we provided support in the form of infrastructure, education, and health care based on the needs of local residents. We will continue to place importance on communication with the local community, and provide a variety of support activities.



Venezuela



Australia

Support for the Northern Territory Open Education Centre

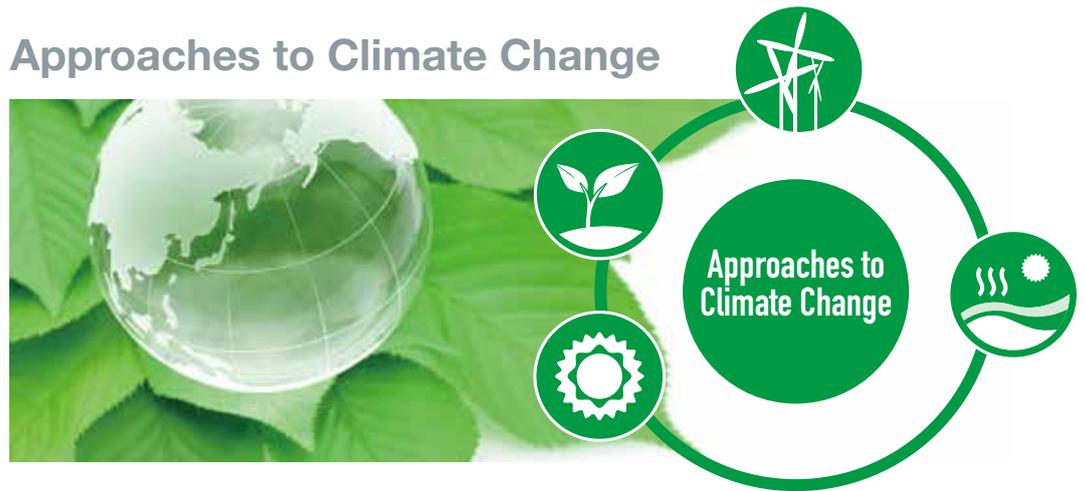
Ichthys LNG Project announced a donation of AUD \$3 million towards Northern Territory Open Education Centre which provides distance education to more than 500 high school students, a majority of which are Aboriginal and Torres Strait Islanders, in some of the poorest and most remote parts of Australia's Northern Territory (NT). The donation will assist the NT Government update and expand this important facility.

Sponsorship of Australian Football Club

We sponsor Northern Territory Thunder Australian Rules Football Club (NT Thunder), a local football team in the Northern Territory, inspiring young people to participate in sport. More than 50 percent of the players are Aboriginal and Torres Strait Islanders. In supporting the NT Thunder, we are contributing to the development pathways for local and remote youth to access opportunities for training, leadership and improved wellbeing.



Approaches to Climate Change



¥516 million

We invested ¥516 million to strengthen the renewable energy initiatives in 2013

*1 CFI: An Australian carbon offset program that aims to reduce carbon emissions while providing the agriculture, forestry and landowner industries with new income opportunities

*2 Australian Carbon Credit Units: Credits that can be traded in the voluntary offset market or used under future Australian carbon legislation

Basic Policy

As an energy company, the INPEX Group realizes that it has a responsibility to tackle the issue of climate change, and has been using a range of initiatives.

We have been concentrating on the development and supply of natural gas, which has the smallest environmental footprint among fossil fuels. At the same time, we are stepping up our activities involving solar, geothermal and other renewable energy sources. In fiscal 2013, our renewable energy investments totaled 516 million yen. Reports are submitted periodically to senior management about activities for commercializing renewable energy operations.

At the same time, we are continuing our long-term efforts in researching, developing and commercializing technology to reduce greenhouse gas (GHG) emissions and formulating offset measures.

Increasing the Use of Environmentally-Friendly Natural Gas

Natural gas is the most environmentally-friendly energy source among fossil fuels. Compared with oil and coal, natural gas has 75% and 60% lower CO₂ emissions, respectively.

With global natural gas reserves expected to last another 200 years or so, expanding the use of natural gas is essential to reduce GHG emissions and ensure a stable supply of energy. Delivering a stable supply of natural gas to more customers and encouraging wider use of this fuel is a pillar of our climate change mitigation policy. We are accomplishing this by producing natural gas in Japan as well as performing development and production operations overseas.

Reforestation Project in Australia

The Ichthys LNG Project continues to assess reforestation as a CO₂ offset option via our forestation pilot projects in Australia. Since 2008, 1.4 million eucalyptus saplings have been planted on 622 hectares of land located in the southwest of Western Australia. Some of the larger eucalyptus trees now stand over four meters tall.

This project qualifies for registration as a Carbon Farming Initiative (CFI¹), which generates Australian Carbon Credit Units².

Savannah Fire Management

Darwin LNG Pty Ltd, which the INPEX Group owns a stake in, has supported the West Arnhem Land Fire Abatement project with Northern Territory Government and traditional Aboriginal land owners to reduce greenhouse gas emissions since 2006. Over the 28,000 square kilometer project area, an annual program of early dry season prescribed burning, loading of strategic firebreaks and active suppression of wildfire is conducted which minimizes the extent of destructive late seasons fires, in-turn reducing emissions produced and minimizing impacts on biodiversity and culturally sensitive sites. Total emissions abated for the project from 2007-2013 now stands at approximately 960,000 tons of CO₂.

In addition, the Ichthys LNG Project is also investigating development of a savannah fire management project in the Northern Territory.



Savannah fire management

Renewable Energy Initiatives



Solar Power

INPEX Mega Solar Joetsu, which is in the Niigata prefecture city of Joetsu, started producing electricity in March 2013. With a maximum output of about 2,000kW, the 46,710m² facility covers part of a site owned by wholly owned subsidiary INPEX Logistics (Japan) Co., Ltd. In March 2014, INPEX announced that another solar power facility will be constructed. This facility is scheduled to start operations in August 2015. The electricity generated annually by these two solar power facilities is expected to be equivalent to the amount electricity consumed by about 1,600 households.

compared to fossil fuels) and can generate power on a consistent basis regardless of weather changes, is one of the renewable energy sources that is very synergistic with our business.

Furthermore, geothermal power is not vulnerable to changes in prices of energy sources. These characteristics make geothermal power an ideal means of achieving our goal to contribute to “a stable supply of energy.” We started surveys for geothermal energy projects in Hokkaido and Akita prefecture for practical use in 2011. The surveys advanced to the second stage in 2013 with the drilling of exploration wells. A geothermal power investigation team from 10 Japanese companies including INPEX started a ground survey in Fukushima prefecture in 2013.

We are also developing a geothermal business in Indonesia, which is one of the core areas of our oil and natural gas development business and a country with rich geothermal resources.

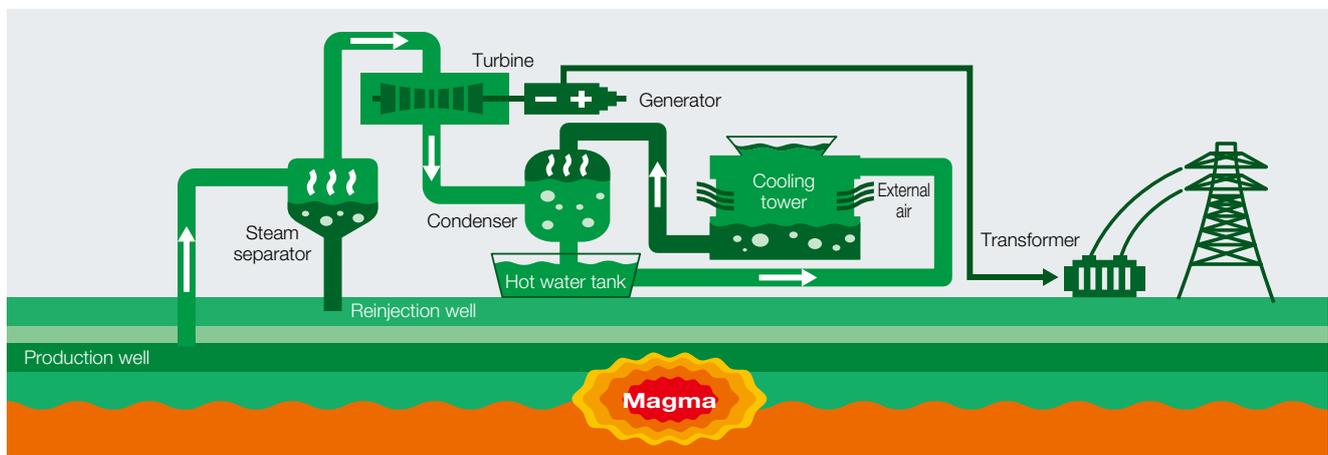
1,600
households

The electricity generated annually by the two solar power facilities is expected to be equivalent to the amount electricity consumed by about 1,600 households

Geothermal Power

Geothermal power generation, which produces only minimal CO₂ emissions (tens of times less per unit of power generated

Geothermal Power Generation Process



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

Broadening Sources of Energy

To achieve the best mix of energy sources for sustainable development, we are conducting research and development of new energy sources by combining the techniques and ideas of industry, government, and academia with our technology. To accomplish this, we will continue to develop new energy sources from the following three perspectives.

“Element Research” that Reveals New Possibilities

Our ideal energy sources would be inexpensive, safe, domestically produced and impose no burden on the environment. “Element research” is a stage of theoretical and experimental research and development for discovering new energy sources from a long-term perspective.

For example, we work on a project to create a method using an optical catalyst to efficiently split water into hydrogen and oxygen, which is lead by a joint team from industry, government, and academia. Hydrogen is often regarded as the ultimate form of clean and renewable energy because nothing but water remains after combustion and it can be used for hydrocarbon fuels and raw materials for chemical manufacture.

In addition, a course in conjunction with

external partners has been held at the University of Tokyo. Research in this course is focused on methane-producing bacteria that live in oil and gas fields, groundwater and other locations. The goal is to use these microbes to convert CO₂ that has been injected underground during Carbon Capture and Storage (CCS^{*1}) or CO₂ Enhanced Oil Recovery (CO₂ EOR^{*2}) into methane.

“CCS involves keeping CO₂ underground in order to address global warming, but this research aims to convert CO₂ into a resource that can be used again. This research creates new possibilities for a new source of energy in a circular society. Technologies associated with oil and gas exploration and development are vital to this research project. We believe that the potential is immense to draw on our expertise to assist this innovative approach of utilizing methane-producing bacteria.” (Haruo Maeda, Senior Coordinator, Technical Research Center, Technical Division)

“Demonstration” for the Early Realization of Many Forms of Renewable Energy

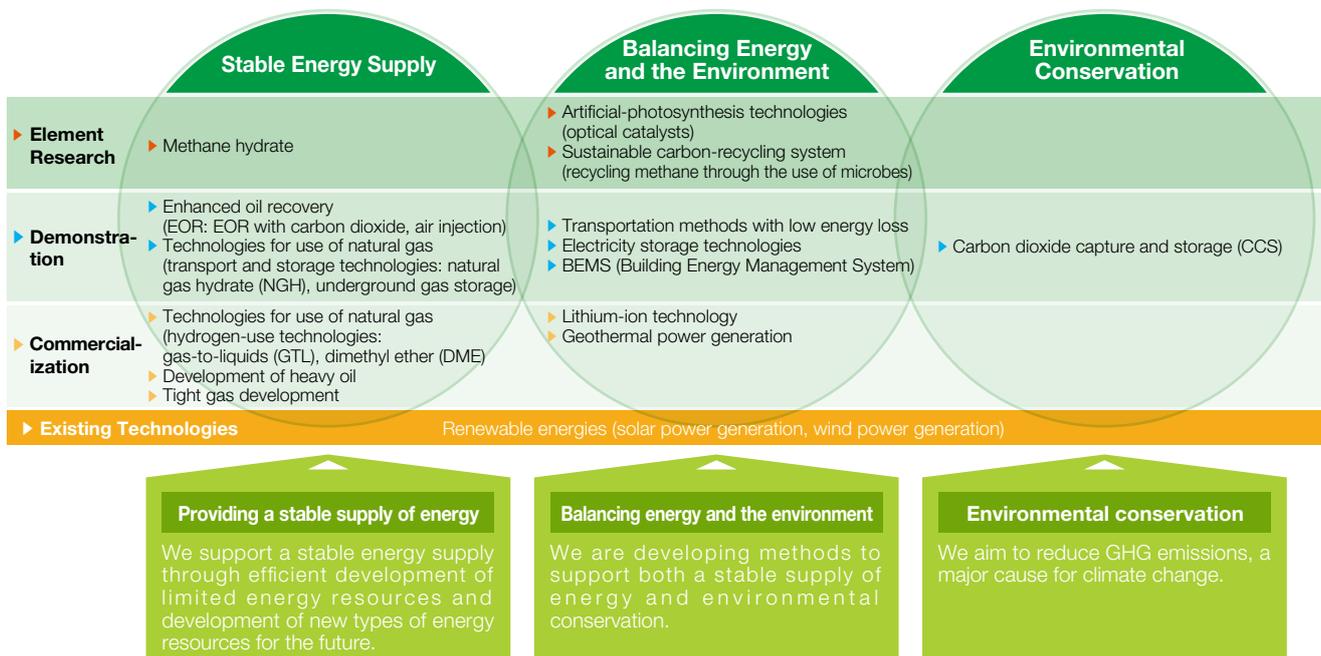
“Demonstration” is a stage of research and development that tackles the challenge of overcoming technological and cost barriers standing in the way of the efficient use of

*1 CCS : A technology to extract and retrieve CO₂ from massive sources of CO₂ gas

*2 CO₂ EOR : A technology to enhance oil recovery utilizing CO₂ gas injection

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

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



existing energy sources. Most renewable energy sources, which are currently drawing attention, needs to pass through this stage soon. We are determined to facilitate the practical use of renewable energy. Even oil-producing countries recognize the importance of this task. Our work is indispensable for strengthening relationships with other countries and contributing to their progress.

For example, the highly convenient electricity has some issues of long-distance transfer with losses of a couple percent during transmission. These losses can be reduced largely by sending natural gas by pipelines and then use fuel cell power generation or generate electricity near the areas of consumption. We will continue our “demonstration” efforts to overcome transmission losses of the smart grid with our natural gas-related technologies and contribute to its expansion.

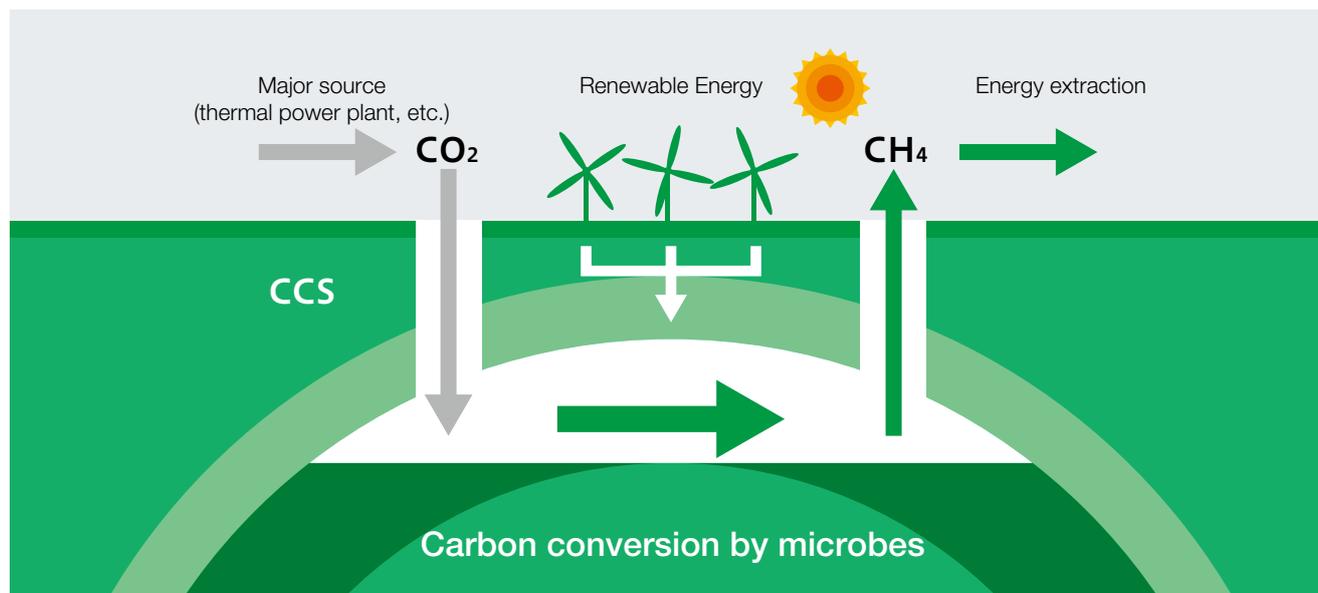
“Commercialization” to Deliver Energy More Safely and Efficiently

“Commercialization” is a stage of research and development to pursue storage and transportation methods for people’s lives to deliver energy more safely and efficiently. For geothermal electricity, we are engaged in this “Commercialization” stage.

“Japan has the world’s third-largest geothermal energy resource. Unfortunately, a large share of this energy is located in parks, hot spring spas and other areas where development projects would impact tourism or be subject to many restrictions. Tapping geothermal power will therefore demand taking into account a multitude of factors. With the geothermal energy studies now under way, we provide local people living nearby with information about our survey plans, our progress and other items. We also hold community information meetings and work with various local associations. This approach allows us to move forward with the consent of local governments and residents.”
(Shusaku Sako, Business Promotion Group Manager, New Business Planning Unit, Corporate Strategy & Planning Division)

“To realize a sustainable society in the future, we must integrate new types of energy into our lives. Today, we wonder where they are, what their forms are, and how we could use them and optimize them. All we have are dreams and ideals, but with a strong sense of purpose, we will strive to turn these possibilities into reality.”
(Yoshiro Ishii, Executive Officer, Vice President of Corporate Strategy & Planning Division)

Methane Generation Using Microbes



This research involves injecting CO₂ into the ground by using CCS or CO₂ EOR for the purpose of producing methane (CH₄) by methane microbes that live in oil and gas fields and water-bearing strata. A constant supply of hydrogen is vital to the survival of these microbes. INPEX has performed indoor experiments that use the power of electrochemical hydrogen reduction. At this stage, the research has confirmed significant electrochemical methane production activation by microbes, including the methane microbes that exist in oil fields in Japan.

Climate Change Mitigation



GHG working group on management of GHG emissions

Basic Policy

Based on our HSE Policy, the INPEX Group is striving to address climate change by reducing greenhouse gas (GHG) emissions as established in Key Corporate HSE Objectives which are updated annually. In anticipation to the full-scale operations of our overseas projects beginning in 2016, we have launched a GHG working group to study the management of our domestic and overseas GHG emissions. We are going to set new policies and objectives for the Group and have company-wide initiatives for managing GHG emissions and conserving energy.

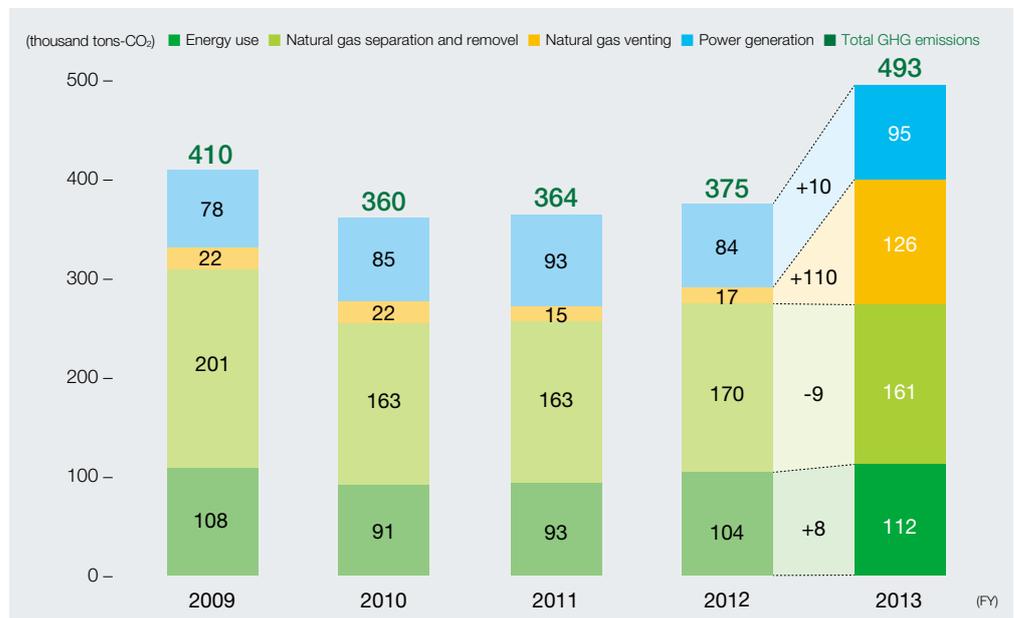
*1 Ground flare: Equipment that incinerates excess hydrocarbon gas produced by crude oil drilling facilities, gas processing facilities and oil refineries instead of simply dissipating the gas as is. Shaped to combust flames within an upper chimney-like furnace, thereby resulting in no night-time illumination, noise pollution or impacts on the surrounding environment

Reducing GHG Emissions

Our main source of GHG is the CO₂ derived from the use of energy in our oil and natural gas operations and our electric power generation. Another main source of GHG is CO₂ diffused from natural gas separation and removal processes and methane diffused by venting natural gas. We control this diffusion, and especially in cases where diffusion is inevitable, we make every effort to reduce the GHG emissions by installing Ground Flare*1 equipment for burning natural gas at each operating site. This switches emissions from methane, which has a high Global-warming potential, to CO₂.

In fiscal 2013, GHG emissions throughout the INPEX Group increased to 643,000 tons from 513,000 tons in fiscal 2012. Approximately 110,000 tons of its increase is due to vented

GHG Emissions (Domestic)



and flared gases emitted during the test operation period at the Naoetsu LNG Terminal. As this is only a temporary increase caused by the test operation, emissions of the next fiscal year are not affected. In addition, the volume of GHG emissions in our overseas operations increased by approximately 45,000 tons caused by excavation activities in Indonesia.

In our operations in Japan, we are aiming to reduce energy use per unit of production by at least 1% annually, as required by the Law Concerning the Rational Use of Energy (Energy Conservation Law). The Law Concerning the Promotion of Measures to Cope with Global Warming (Global Warming Law) also requires businesses to report to the government their annual CO₂ emissions from separation and removal processes and other GHGs. We comply with these two laws and are working to manage GHG emissions.

Moreover, by participating in the Japan Business Federation's (Nippon Keidanren) Commitment to a Lower Carbon Society Plan^{*2}, through the Japan Petroleum Development Association (Sekkoren), we are working to confront the challenges of preventing climate change.

Approaches to Energy Conservation

As a part of its measures to reduce GHG emissions, we are also working to save energy.

In 2008, our Domestic Project Division prepared the Energy Management Manual. It supervises energy use reduction activities at

each operating site. In line with this manual, we regularly hold energy conservation group meetings, which are participated by personnel in charge of energy management at each operating site. At these meetings, the members confirm the progress of medium and long-term plans and review them as necessary. These plans were prepared in accordance to the Energy Conservation Law, and the energy use per unit of production and other factors were reviewed before including them in the periodic reports. They also share information on energy-saving initiatives and know-how of each site.

By implementing these initiatives and reviewing the operating environment of plant facilities at each operating site in Japan and other factors, we are reducing the volume of unnecessary energy use, and are significantly improving by transitioning to more energy efficient operations. For further energy savings, we are switching the lighting to LED bulbs. Moreover, we are calculating the volume of energy used in the outsourced transportation of the oil and condensate produced at our production facilities, and are reporting this data to the national government. As a shipper, we are also implementing awareness programs in cooperation with carrier companies, such as regular training that helps tanker truck drivers become more familiar with Eco-Driving^{*3} practices.

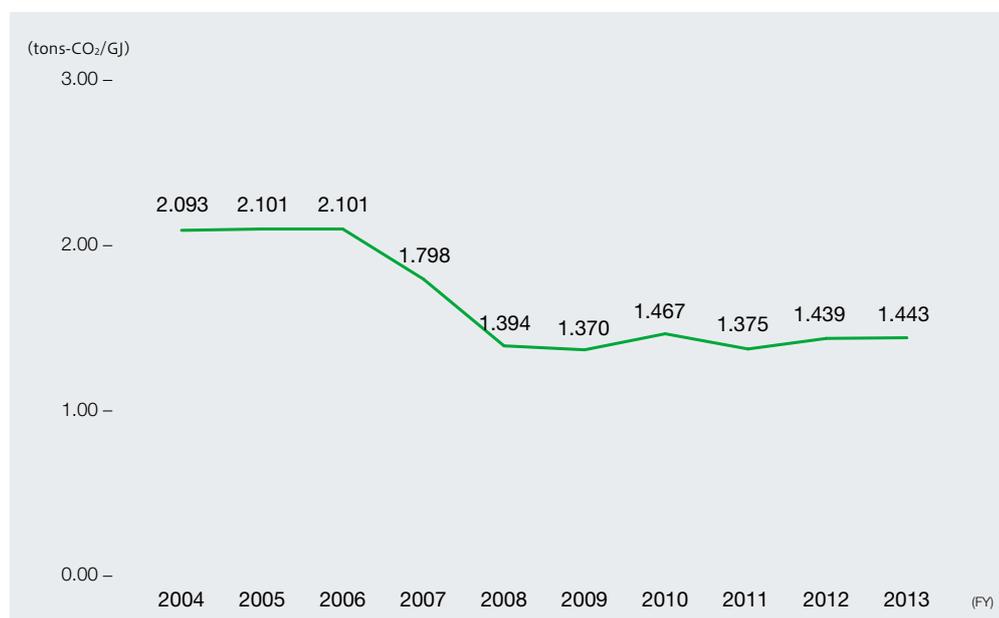
^{*2} Commitment to a Low-Carbon Society Plan: Action plans prepared in response to a call issued by Nippon Keidanren to various industrial associations for approaches to reduction of GHG emissions. The JPDA is also participating, and has set the following targets for GHG (excluding concomitant CO₂) emissions from mining facilities in domestic projects for development of oil and natural gas resources

^{*3} Eco-Driving: Driving oriented toward avoidance of fast acceleration or deceleration, moderate speeds, maintenance of ample inter-vehicle distance, and little fluctuation in speed. Energy efficiency, for example, can improve by about 11 percent simply by accelerating more slowly than usual



Driving a tanker truck in the Eco-driving mode

GHG Emissions per Unit (Domestic)



* The basic unit described here shows the greenhouse gas emissions of heat production rate per unit of at the mine facilities in domestic oil and natural gas development projects

Human Resource Development and Deployment



Basic Policy

The INPEX Group positions recruiting, training and effectively utilizing people as one of its most important activities. The HR Division oversees the entire Group and aims to base operations on the four-elements of the INPEX HR Vision. All HR activities are conducted from a global perspective while adhering to this vision. We understand that

developing the skills of individual employees results in better team performance. Our objective is to become a highly competitive global organization. An illustration of this in our HR activities is the unification of value standards that were originally separated for each group location in April 2014. Establishing these INPEX Values allows us to foster a stronger sense of unity throughout the entire group.



Human Resource Development

Our training builds the all-around skills of our employees, so they can continue to contribute to the company's business over the long-term.

We provide a range of level-based employee training and development programs based on the required capabilities of each employee categorization, the anticipated future roles, and the skills determined to have potential for, global administrative staff, global engineering staff, and area staff members.

We also provide a range of programs to rapidly develop employees who can thrive in an international business environment, including language training, overseas office

training, and overseas specialized training.

We are updating HSE training programs starting in fiscal 2012. All new employees take the HSE course and all managers and employees at all levels participate in HSE Web Learning. There are also new training activities. One example is the assignment of individuals to overseas offices and project sites for a few months. The main objective of this is to reinforce the HSE commitment of young and mid-level engineering personnel.

In addition to the general orientation and training for new recruits, we also operate a mentoring system for them. A senior employee is assigned to each new hire to help them adjust to work and life at the company, and to provide moral support during their first year.

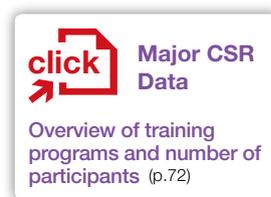
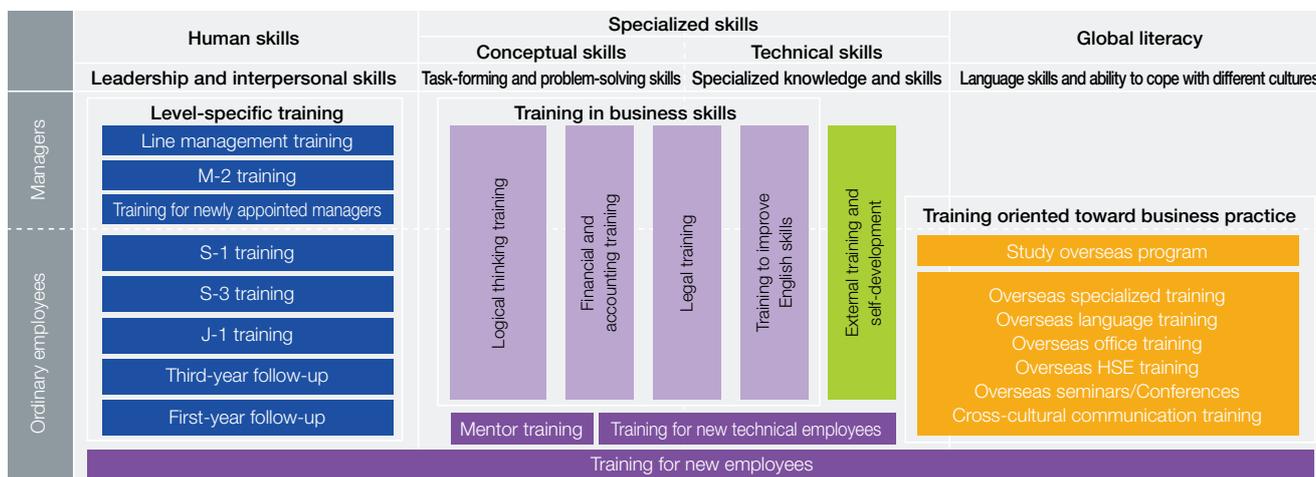


Diagram of Human Resource Development



Scheme for Proper Human Resource Evaluation

We strive to establish an employee evaluation system that fairly evaluates and rewards our employees for their achievements and capabilities, and to operate this system in an equitable manner.

These evaluations are not merely one-way assessments of employees by their managers—they also include tools such as Action Reflection Sheet and Goals Challenge Sheet that our employees can use to complete a self-evaluation while reflecting on their performance. Employees are given opportunities to discuss their accomplishments at work with their managers in face-to-face meetings. This is to assess the gap between the self-evaluation and the supervisor's evaluation. The system is designed so that improvements can be made according to each type of evaluation. This contributes to human resource development and improves the credibility of the evaluation.

To see that these schemes take root, we have started a program of practical training for personnel involved in line management (management of personnel and organizations) who evaluate for level-specific training. We provide this training on a continuous basis, and are working for the proper operation of this personnel evaluation scheme.

There is a "self-reporting system" that requires our employees to submit their wishes about their jobs, reassignments and other items every year. Naturally, meeting all requests for reassignments is not possible. But ascertaining suitability for existing jobs and the desire for transfers better allows us to place the right people in the right positions. This self-reporting system is also useful for collecting information about the need for a reassignment to take care of a family member or for another personal reason. Everyone at the INPEX Group participates in this system irrespective of gender, age, job category and level, and other factors.

Promoting Diversity

■ Diversity Management

We hire talented employees regardless of views, culture, nationality, belief, race, gender, or age. Our policy is to appoint and compensate the best person for the position, and there is no difference between the base salary of male and female employees.

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

Additionally, because our large-scale overseas projects are now approaching their full-scale development and production phases, we expect our activities as an operator will continue for a long time. To address this, we are directly recruiting local employees at our overseas offices in line with local laws and with a transparent hiring process. We are making efforts to maintain competitive employment conditions, and offer fair compensation in order to maintain a strong work ethic among local employees and improve our employee retention rate.

In fiscal 2013, foreign nationals employed in the whole INPEX Group numbered 1,084, or 37.7 percent of the total number of employees. Of these foreign nationals, 132 occupied senior management positions (109 men and 23 women).

A number of diversity programs have been completed in Australia in 2013. They include:

- The Workplace Gender Equality Report, accepted by the Australian Government
- Equal Employment Opportunities training and Aboriginal and Torres Strait Islander (ATSI) Cultural Awareness training
- Involvement with the Diversity Council of Australia, a not-for-profit workplace diversity advisor for Australian businesses
- A 'Wellbeing' plan

An integrated approach to diversity has been established to ensure an inclusive working environment.

■ Rehiring Retirees

We have a rehiring contract system whereby we rehire employees who have reached the full retirement age of 60 to help them continue working while making use of their extensive experience and advanced abilities and skills. This system allows for the rehire of retirees for positions that match the interests of both the company and the employee, with the option of renewing the contract every year until the age of 65. We have hired all applicants to this program. As of the end of fiscal 2013 (March 31, 2014), 52 of our employees are working under a retire-rehire contract.

■ Employment Opportunities for Physically Challenged

We have been proactive in hiring the physically-challenged while giving consideration to varying working conditions and other responsibilities. As of the end of fiscal 2013 (March 31, 2014), we employed 35 physically-challenged employees, which is 2.04% of the total workforce. We will continue to make efforts in the future to employ as many physically-challenged people as is feasible.

37.7%

The percentage of foreign nationals employed in the whole INPEX Group



Major CSR Data

Employees (p.76)

Recruitment in fiscal 2013 (unconsolidated) (p.76)

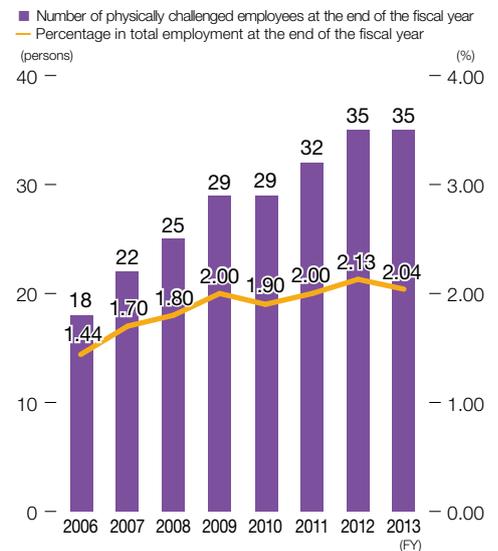
Number of staff turnovers in fiscal 2013 (unconsolidated) (p.76)

Staff turnover rate in fiscal 2013 (unconsolidated) (p.76)

Number of physically challenged employees in fiscal 2013 (unconsolidated) (p.77)

Number of employees working under retire-rehire contract in fiscal 2013 (unconsolidated) (p.77)

Percentage of Physically Challenged Employees in Total Employment



- In August 2012, INPEX fulfilled the certification standards of Japan's Act for Measures to Support the Development of the Next Generation and proudly displayed the Next-Generation Certification Mark (Kurumin in Japanese) of the Ministry of Health, Labor and Welfare as a company that supports child-raising parents.
- INPEX was selected in 2014 as a "NADESHIKO Brand" (companies that promote women in the workplace) by the Tokyo Stock Exchange and Ministry of Economy, Trade and Industry, with the support of the Council to Promote Women in the Workplace. This demonstrates our dedication to diversity management by assigning people to the proper jobs regardless of gender, nationality, culture, race, and other personal traits. Our commitment to supporting individuals' lives at work and home is another reason for this selection.

Promoting Work-Life Balance

To provide working environments that cater to different lifestyles and enable employees to express their full potential, we create workplaces that support versatile work styles and offer a healthy balance between work and home life. We also pay close attention to external factors, such as Japan's declining birth rate and aging population when promoting work-life balance.

As part of these activities, we have established a program that allows employees to accumulate some annual vacation days that have reached the legal expiration date. In April 2014, we extended this program so employees can accumulate even more days. To meet evolving social standards, we have also relaxed the requirements for using vacation days. For instance, employees can use this time for regular visits to see a doctor.

■ Efficient Use of Work Time

We have started a campaign to encourage all employees to manage their work schedules so that they can leave the office before 6:00 pm at least four days every month. Another campaign is designed to encourage individuals to go on a summer vacation. Taking a number of consecutive days off gives people valuable rest and relaxation that allows them to do their jobs even more efficiently.

To reduce overtime, we often communicate with employees who regularly have more overtime hours than normal. Supervisors and people in the HR Division talk to these employees to determine the cause of overtime hours and solutions.

■ Support for Child-Raising and Nursing Care

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

In fiscal 2013, six employees took time off for birth or child care and five of these individuals returned to their jobs afterward. Among individuals who took time off for child care in the previous fiscal year, three of the four women and both of the two men were still registered as INPEX employees at the end of 2013.

Dialogue between Employees and Management

We strive to maintain and promote sound relationships between our management and employees based on a foundation of mutual trust and cooperation and a common goal of advancing the company. To maintain a healthy relationship, our management meets regularly with labor representatives to exchange views and ideas on a broad range of issues including company challenges and our business outlook. Furthermore, there is a Help Line that helps employees quickly resolve issues involving compliance.

When there is a change in duties that has a significant impact on employees, we give individuals adequate prior notice. Currently, no such changes have been made. In addition, there have been no instances of an obstruction to employees' right to organize, including at overseas business sites.

As of March 31, 2014, the INPEX labor union has 1,092 employees, comprising 70% of the total regular workforce. No complaints have been received since this union was formed in October 2008.

The following significant revisions resulting from INPEX negotiations with the labor union were made in fiscal 2013.

- The salary table was rewritten due to an increase in base salaries
- Special leave of three days (with pay) were given to employees stationed overseas when a wife gives birth
- The maximum number of accumulated annual vacation days was increased from 20 to 30 and more reasons for using vacation days were added
- Employees who take time off for child care receive their full salaries for the first five days (previously was three days) of the time off



Web

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

<http://www.inpex.co.jp/english/csr/resources/index.html>



Major CSR Data

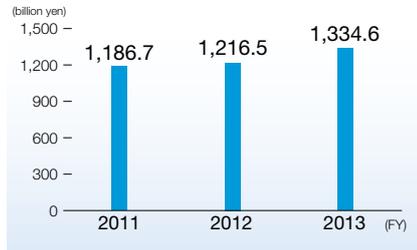
Support programs for child rearing and nursing care (p.76,77)

Major CSR Data

Economic Data

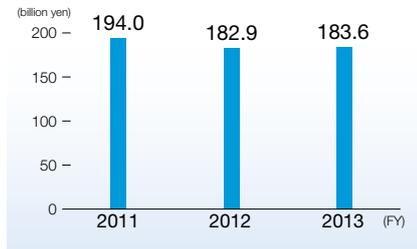
Net Sales (Consolidated)

Net Sales



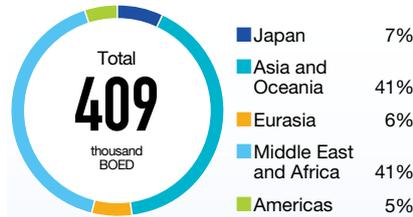
Net Income (Consolidated)

Net Income



Net Production by Region (Consolidated)

Fiscal 2013 Net Production by Region

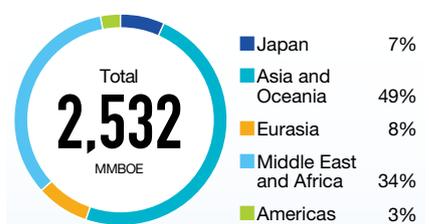


Net Production

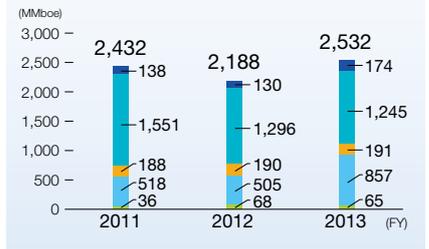


Proved Reserves by Region (Consolidated)

Fiscal 2013 Proved Reserves by Region



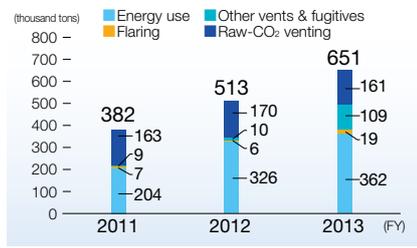
Proved Reserves



Environmental Data

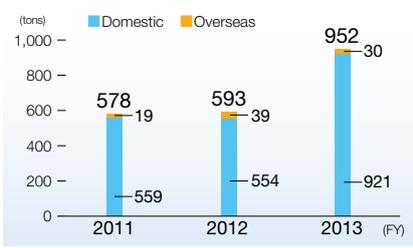
Total GHG Emissions

Total GHG Emissions

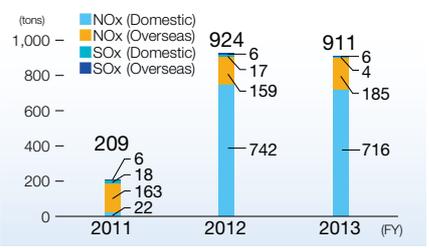


Emissions into the Atmosphere

VOC Emissions

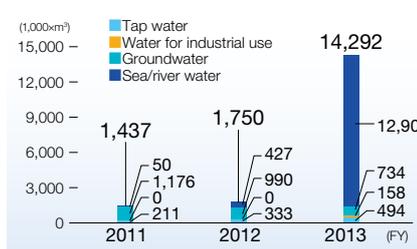


NOx and SOx Emissions



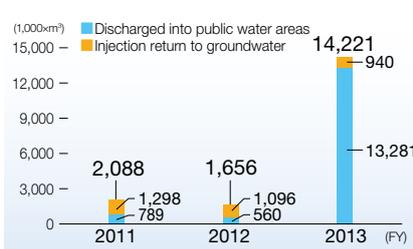
Water Consumption

Water Consumption



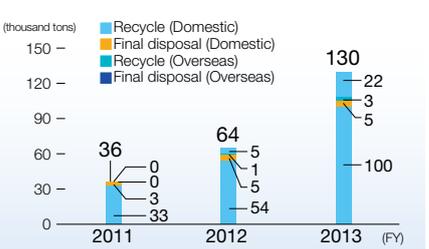
Wastewater Discharged

Wastewater Discharged



Waste Volume

Recycled Waste and Final Disposal



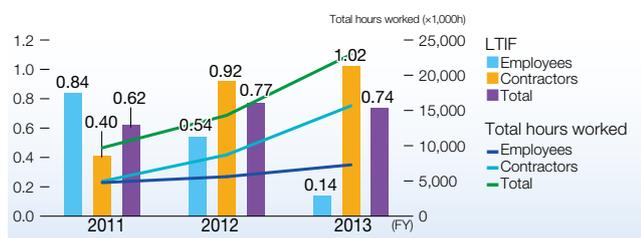
Environmental performance data on domestic GHG emissions, energy consumption, water consumption and wastewater discharged have been verified by Bureau Veritas Japan CO., Ltd.

Breakdown of GHG Emissions by Type

Type	Unit	FY2011	FY2012	FY2013
CO ₂	tons	372,930	501,536	541,246
CH ₄	tons-CO ₂	8,823	10,516	109,591
N ₂ O	tons-CO ₂	164	894	624

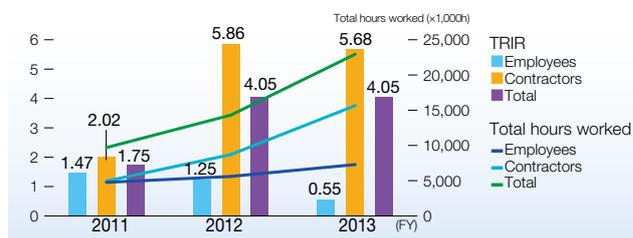
Social Data

LTIF



*LTIF (Lost Time Injury Frequency): The number of lost time injuries (including fatalities and lost work day cases) per million working hours

TRIR



*TRIR (Total Recordable Injury Rate): The rate of recordable injuries (fatalities, lost time, restricted workdays, and medical treatment) per million working hours

Employees (Consolidated)

Fiscal 2013 Domestic and Foreign Employees

Unit: Persons

Category	Male	Female	Total
Japanese	1,588	202	1,790
Foreigners	751	333	1,084
Total	2,339	535	2,874

Fiscal 2013 Directors and Employees by Position Category

Unit: Persons

Category	Male	Female	Total
Directors and Executive Officers	44	0	44
Managers	727	23	750
General	1,612	512	2,124
Total	2,383	535	2,918

Management

The Number of Internal Reports and Compliance Violations

Unit: case

Type	FY2011	FY2012	FY2013
Number of Internal Reports	3	4	6
Number of Crucial Compliance Violation	0	0	0

Employees (Unconsolidated)

Fiscal 2013 Employees

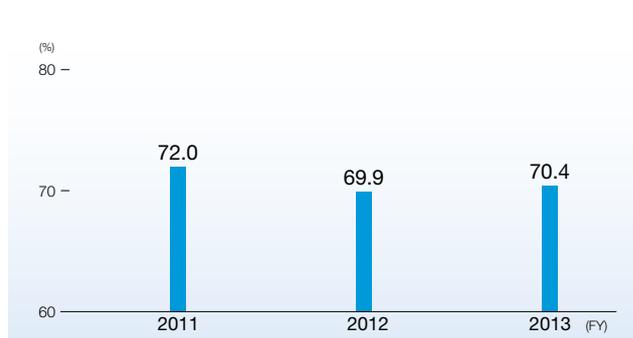
Unit: Persons

Category	Male	Female	Total	
Number of employees	1,247	235	1,482	
Average length of service (year)	16.1	9.9	15.2	
Number of staff hired	New graduate hires	51	11	62
	Mid-career hires	30	4	34
Number of staff turnovers	Under 30 years	0	1	1
	30-60 years	6	1	7

*The total of the average length of service shows the average of all employees (unconsolidated)

*Excludes age-limit retirees and employees resigned as executives

Labor Union Participation Rate (Unconsolidated)



*Participation rate=the number of union members/the number of full-time employees

Human Resource Development (Unconsolidated)

Overview of Training Programs and Number of Participants

Unit: Persons

Program	Overview	FY2011	FY2012	FY2013
Level-specific training	Training for employees at milestones in their career—from joining the company to being promoted or moved to a new position—to help them gain an understanding and awareness of their new role and acquire necessary skills	204	281	294
Overseas language training	Training at overseas language schools in other countries for young employees to improve their international communication skills	13	16	15
HSE training	Training for acquisition of basic knowledge about HSE and improvement of operational experience through OJT	—	97	84
Business skill training	In-house training to improve the skills including financial knowledge, logical thinking and legal knowledge	75	138	155
Overseas office training	Practical training at overseas offices for young clerical employees to acquire knowledge of overseas business practices in order to prepare for future overseas posting	17	17	17
Overseas specialized training	Practical training for young employees to acquire expert knowledge and the latest techniques of oil exploration and production at overseas specialized institutions	47	107	95
Overseas study program	Training for young employees to acquire expert knowledge of oil exploration and production at overseas specialized institutions	2	4	5

Economic Data

Financial Data (Consolidated)

Item	FY2011	FY2012	FY2013	Unit
Net sales	1,186,731	1,216,533	1,334,625	
Operating income	709,357	693,447	733,610	
Net income	194,000	182,961	183,690	million yen
Shareholders' equity	2,184,375	2,339,956	2,497,725	
Total assets	3,066,397	3,616,158	4,038,139	
Net assets	2,314,193	2,670,983	2,996,036	
Return on equity (ROE)	9.3	7.9	7.0	%
Net debt ^{*1}	-874,116	-815,306	-725,329	million yen
Net debt / Net total capital employed ^{*2}	-60.7	-43.9	-31.9	%
Payout ratio	13.2	14.0	14.3	
Cash dividends per share and Payout ratio ^{*3}	17.5	17.5	18.0	yen
R&D expenses	401	98	40	million yen
Finding and development cost per boe (3-year average)	6.3	11.2	11.7	USD/boe

*1 Net debt = Interest-bearing debt – Cash and cash equivalents – Time deposits – Certificate of deposits – Public bonds and corporate bonds and other debt securities with determinable value – Long-term time deposits

*2 Net debt / Net total capital employed = Net debt / (Net assets + Net debt)

*3 The amounts of dividend prior to fiscal 2011 and 2012 are provided after taking into consideration the effect of a stock split at a ratio of 1:400 of common stock with October 1, 2013 as the effective date

Business-related Data

Item		FY2011	FY2012	FY2013	Unit	
Net production by region (Consolidated)	Natural gas	Japan	127.6	133.7	125.5	million cf/day
		Asia and Oceania	726.4	638.7	643.5	
		Eurasia	—	—	—	
		Middle East and Africa	—	—	—	
		Americas	73.7	90.9	107.4	
		Total	927.7	863.4	876.4	
		Net production volume listed as the high risk countries in the Corruption Perception Index	69.9	63.6	58.0	
	Crude oil	Japan	3.8	3.9	3.6	thousand bbl/day
		Asia and Oceania	62.8	58.3	46.0	
		Eurasia	25.0	25.1	26.1	
		Middle East and Africa	154.5	158.2	167.6	
		Americas	5.0	0.5	1.5	
		Total	251.2	245.9	244.9	
Net production volume listed as the high risk countries in the Corruption Perception Index		0	0	0		
Proved reserves by region (Consolidated)	Natural gas	Japan	651	609	816	billion cf
		Asia and Oceania	6,947	5,821	5,603	
		Eurasia	—	42	27	
		Middle East and Africa	—	—	—	
		Americas	195	297	289	
		Total	7,793	6,768	6,735	
	Crude oil	Japan	16	15	21	million bbl
		Asia and Oceania	257	211	201	
		Eurasia	188	183	186	
		Middle East and Africa	518	505	857	
		Americas	1	15	13	
		Total	981	929	1,278	
		Total amount of investment to renewable energy	—	—	516	

Environmental Data

Environment

Item		FY2011	FY2012	FY2013	Unit	
Environmental protection expenditures and investments (Cost of environmental technologies)		372	203	409	million yen	
GHG emissions	Emissions source	Energy use	203,861	325,974	361,853	tons-CO ₂
		Flaring	6,605	6,433	19,450	
		Other ventings & fugitives	8,797	10,350	109,324	
	Gas types	Raw-CO ₂ venting	162,645	170,189	160,833	tons
		CO ₂	372,930	501,536	541,246	tons-CO ₂
		CH ₄	8,823	10,516	109,591	
		N ₂ O	164	894	624	
Total GHG emissions		381,918	512,946	651,460		
Energy consumption by project	Australia	Ichthys LNG Project	27,429	1,352,055	1,227,918	GJ
	Indonesia	Abadi LNG Project	46,938	26,840	504,405	
	Venezuela	Gas Guarico	29,399	45,195	45,073	
	Malaysia	Offshore Sabah Block	0	147,463	2,104	
	Suriname	Suriname	0	0	0	
	Japan	Operations in Japan	3,741,334	3,640,870	3,877,146	
	Total		3,845,100	5,212,424	5,656,647	
Energy consumption (Domestic consumption only)	Natural gas	70,612	68,457	72,291	thousand Nm ³	
	Refinery gas	1,557	1,005	0		
	Gas oil	1,402	1,116	1,493		
	Fuel oil A	53	68	0		
	Kerosene	133	66	28	KL	
	Gasoline	388	519	663		
	Condensate	0	0	0		
	LPG	17	24	27	tons	
	Purchased electricity	38,982	45,593	62,913	thousand kWh	
	City gas	289	289	398	thousand Nm ³	
	Heat supply	6,705	6,886	8,350	GJ	
Water consumption	Tap water	211,239	333,162	494,018	m ³	
	Water for industrial use	—	—	158,443		
	Groundwater	1,175,552	989,679	733,922		
	Sea/river water	50,131	426,611	12,905,616		
	Total water consumption	1,436,922	1,749,452	14,292,000		
Emissions into the atmosphere	VOC	578	593	952	tons	
	NOx	185	901	901		
	SOx	24	23	10		
Wastewater discharged	Discharged into public water areas	789,345	560,102	13,280,506	m ³	
	Injection return to groundwater	1,298,860	1,095,656	940,287		
	Total wastewater discharged	2,088,205	1,655,758	14,220,792		
Waste volume	Recycled	32,945	54,882	103,115	tons	
	Disposed	3,154	9,563	26,479		
	Total	36,099	64,445	129,594		
Oil spills	Number of spills	25	13	49	case	
	Quantity of spills	33	330	11	bbl	

Biodiversity

Item	FY2011	FY2012	FY2013	Unit
Ratio of material operation sites of which biodiversity risk is monitored and evaluated	—	—	100	%

Social Data

Health and Safety

Item		FY2011	FY2012	FY2013	Unit	
Incident frequency	LTIF ^{*4}	Employees	0.84	0.54	0.14	case
		Contractors	0.40	0.92	1.02	
		Total	0.62	0.77	0.74	
	TRIR ^{*5}	Employees	1.47	1.25	0.55	
		Contractors	2.02	5.86	5.68	
		Total	1.75	4.05	4.05	
Fatalities	Employees	0	0	0	person	
	Contractors	0	1	0		
	Total	0	1	0		
Lost time injury	Employees	4	3	1		
	Contractors	2	7	16		
	Total	6	10	17		
Restricted workday injury	Employees	1	1	1	case	
	Contractors	1	23	41		
	Total	2	24	42		
Medical treatment injury	Employees	2	3	2		
	Contractors	7	20	32		
	Total	9	23	34		

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

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

Employees

Item		FY2011	FY2012	FY2013	Unit
Japan	Employees sum total	1,554	1,473	1,544	person
	Managerial staff	467	455	474	
	Short-term employees	315	306	284	
Asia and Oceania	Employees sum total	431	799	1,152	
	Managerial staff	128	199	224	
	Short-term employees	429	859	1,272	
Eurasia	Employees sum total	9	12	14	
	Managerial staff	5	5	6	
	Short-term employees	3	3	8	
Middle East and Africa	Employees sum total	47	57	62	
	Managerial staff	16	22	21	
	Short-term employees	15	13	6	
North and Central America	Employees sum total	10	16	26	
	Managerial staff	4	8	14	
	Short-term employees	4	2	8	
South America	Employees sum total	95	98	76	
	Managerial staff	11	14	11	
	Short-term employees	22	21	26	

Item		FY2011	FY2012	FY2013	Unit		
Employees (Consolidated)	Overall	Japanese male employees sum total	—	1,491	1,588	person	
		Managerial staff	—	590	612		
		Foreign male employees sum total	—	536	751		
		Managerial staff	—	93	115		
		Male	Male employees sum total (Figures in parenthesis denote the ratio of male employees)	—	2,027 (82.6)		2,339 (81.4)
		Male managerial staff sum total (Figures in parenthesis denote the ratio of male managerial staff)	—	683 (97.2)	727 (96.9)		
		Japanese female employees sum total	—	185	202		
		Managerial staff	—	5	6		
		Female	Foreign female employees sum total	—	243		333
		Female managerial staff	—	15	17		
		Female employees sum total (Figures in parenthesis denote the ratio of female employees)	—	428 (17.4)	535 (18.6)		
		Female managerial staff sum total (Figures in parenthesis denote the ratio of female managerial staff)	—	20 (2.8)	23 (3.1)		
		Foreign employees sum total (Figures in parenthesis denote the ratio of foreign employees)	—	779 (31.7)	1,084 (37.7)		
		Total	2,146	2,455	2,874		
Number of Short-term employees	788	1,204	1,604				
Employees (Unconsolidated)	Male	1,019	1,096	1,247			
	Female	182	208	235			
	Total	1,201	1,304	1,482			
Average length of service for new graduate hires (Unconsolidated)	Male	—	16.3	16.1	year		
	Female	—	11.5	9.9			
	Total	16.1	15.6	15.2			
Staff turnovers (Unconsolidated)	Male	29 and under	1	1	0	person	
		30-59 (years-old)	7	8	6		
		Total	8	9	6		
	Female	29 and under	2	4	1		
		30-59 (years-old)	1	4	1		
		Total	3	8	2		
Total	11	17	8				
Staff turnover rate ⁵	0.77	1.3	0.53	%			
Recruitment (Unconsolidated)	New graduate hires	Male	41	43	51	person	
		Female	10	10	11		
		Total	51	53	62		
	Mid-career hires	Male	11	22	30		
		Female	1	5	4		
		Total	12	27	34		
Average rate of paid leave taken (Unconsolidated)	Male	—	67.5	66.5	%		
	Female	—	85.8	82.0			
	Total	—	69.8	68.6			
Rates for receipt of physical examinations and checkups (Unconsolidated)	98.4	98.5	99.1				
Number of employees taking maternity leave (Unconsolidated)	3	8	6	person			
Employees making use of parental leave system (Unconsolidated)	Male	Number of persons	2	2	0	person	
		Percent returning to work after maternity leave ⁷	100	100	—		%
		Percent remaining at work after maternity leave ⁸	100	100	100		
	Female	Number of persons	11	12	8	person	
		Percent returning to work after maternity leave	100	100	83		%
		Percent remaining at work after maternity leave	100	100	75		
	Total	Number of persons	13	14	8	person	
		Percent returning to work after maternity leave	100	100	83		%
		Percent remaining at work after maternity leave	100	100	83		

Major CSR Data

Item		FY2011	FY2012	FY2013	Unit		
Employees making use of limited working hours for childcare, and flexible working hour schemes (Unconsolidated)	Male	0	5	5	person		
	Female	17	17	20			
	Total	17	22	25			
Employees taking child healthcare leave	Male	4	5	8			
	Female	15	17	22			
	Total	19	22	30			
Employees making use of childcare, nursery, crèche, and babysitter subsidy schemes	Male	35	38	37			
	Female	12	15	13			
	Total	47	53	50			
Employees making use of nursing care leave system (Unconsolidated)	Male	1	0	0			
	Female	0	1	0			
	Total	1	1	0			
Employees making use of limited working hours for nursing care system (Unconsolidated)	Male	0	0	0			
	Female	0	1	0			
	Total	0	1	0			
Employees taking special leave for family care	Male	0	4	4			
	Female	2	4	3			
	Total	2	8	7			
Physically challenged employees (Unconsolidated) (Figures in parenthesis denote the percentage in total employment)	Total	32 (2.00)	35 (2.13)	35 (2.04)			
Employees working under retire-rehire contract		47	50	52			
Employees utilizing volunteer leave system		146	92	91			
Employee engagement survey	Senses of job fulfillment and adaptedness	I feel my current job worthwhile	—	3.8	—	point (out of 5)	
		I believe I have grown through my current job	—	3.9	—		
		I take pride in my current job	—	3.9	—		
		I can take advantage of my strength in my current job	—	3.6	—		
		My current job suits me	—	3.5	—		
	Loyalty to the company	My current job enables me to exert my ability sufficiently	—	3.4	—		
		I am proud of being a member of INPEX	—	4.0	—		
		I am glad that I joined INPEX	—	4.2	—		
		INPEX values its employees	—	3.7	—		
		INPEX's business contributes to society	—	4.2	—		
	Overall		—	3.8	—		
	Participants in training programs	Level-specific training	204	281	294		person
		Language training	13	16	15		
Business skill training		75	138	155			
Overseas office training		17	17	17			
Overseas specialized training		47	107	95			
HSE training (2012-)		—	97	84			
Study overseas program		2	4	5			
Participants in human rights training programs ⁹		—	—	383			
Labor union participation rate		72.0	69.9	70.4	%		

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

*7 Employees returning to work during fiscal year / Employees expected to return to work during fiscal year x 100

*8 Prior fiscal year returning employees who remained at end of this fiscal year / Prior fiscal year returning employees x 100

*9 Figures are for employees of subsidiaries in Japan and Australia

Management

Item		FY2011	FY2012	FY2013	Unit
Directors and executive officers	Japan				
	Male	—	46	44	
	Female	—	0	0	
	Japan total	—	46	44	
	Overseas				person
	Male	—	0	0	
	Female	—	0	0	
	Overseas total	—	0	0	
Total number of directors and executive officers		—	46	44	
Outside directors (Figures in parenthesis denote the ratio of outside directors)		5 (31)	5 (31)	5 (31)	person (%)
Outside statutory auditors (Figures in parenthesis denote the ratio of outside statutory auditors)		4 (80)	4 (80)	4 (80)	
Internal reports		3	4	6	case
External reports ^{*10} (Figures in parenthesis denote the rate of resolution)	Environment	—	—	0 (—)	
	Labor	—	—	3 (100)	case (%)
	Social	—	—	1 (100)	
	Total	—	—	4 (100)	
Crucial compliance violation		0	0	0	case

*10 For reports concerning the Ichthys LNG Project

Local Communities

Item		FY2011	FY2012	FY2013	Unit
CSR expenditure	Educating and fostering future generations	621.8	1,275.9	686.2	
	Support for local communities	523.5	286.6	372.1	
	Health, medicine and sports	40.9	176.7	120.5	
	Support for disaster-affected areas	29.0	6.3	5.2	
	Environment	18.1	23.2	30.4	million yen
	Culture and arts	5.7	42.1	11.9	
	Other	6.3	2.9	4.0	
	Total	1,245.2	1,813.8	1,230.2	
Ratio of operation sites of which social impact assessment was conducted		—	—	100	%

Procurement Practices

Item	FY2011	FY2012	FY2013	Unit
Amount of payment on local suppliers at main operation sites	—	—	5	billion AUD



Third-Party Comments on Sustainability Report 2014

Toshihiko Goto

Chief Executive Officer
Sustainability Forum Japan

The INPEX Group established the Medium- to Long-Term Vision in 2012 to define the Group's goals for the next decade, while other companies only had about 3 year long medium-term plans containing nothing more than sales plans. During the past two years, it appears as though the Group has been intently focused on making steady progress toward its vision and has created a virtuous cycle. Furthermore, I also believe these activities will be very beneficial for engaging with institutional investors. In 2014, the Financial Services Agency announced the Japanese Version of the Stewardship Code^{*1}. In Europe, ESG investments^{*2} have increased to about half of all investments over the past several years, while ESG investments in Japan have been very limited. As companies take actions in line with this new code, these investments are expected to grow. Dialogue between companies and institutional investors about ESG will probably increase in the future, but this will most likely take a long time due to issues like the lack of ESG literacy among institutional investors. Around 2030, the operating environment for companies is expected to be very different because of climate change, global demographic shifts, mineral resource shortages and other trends. This is why the Group needs to begin thinking about what they want to accomplish in the decade starting in 2030 by backcasting from its goal for 2050. I think that the Group will be unable to achieve many of their goals unless it starts taking actions now.

The Group has established the INPEX Values, but I am particularly impressed with how the diverse values from a large number of cultures are visualized. When incorporating Creating Shared Value (CSV) into their corporate social responsibility (CSR) management, I hope that companies will not solely consider the American-concept of economic value but also adopts a CSV perspective that includes a broad spectrum of values.

It is not clear whether the CSR Committee, which includes senior executives, played a major role in the identification of the Key CSR Issues. I think the Report should have made this clear. As I have just mentioned above, I am impressed with the Group's extensive and steady progress on its numerous initiatives that are based on the company's vision and plan. Regarding Health, Safety and the Environment (HSE), I believe that the Group is advancing rapidly compared to a couple of years ago, while it recognizes the necessity to improve more to achieve "top level" HSE initiatives. However, I want to see the Group continue to improve its activities because its HSE performance is declining as the scale of its operations extends. Furthermore, I think the Group needs to take more actions in response to its growing environmental impacts.

I am pleased to see that this Report includes environmental, social and corporate governance (ESG) information, but there are still issues. In general, Japanese companies are recognized to have insufficient disclosure of corporate governance information. For example, most companies provide the required organization chart. However, what is really needed is information about the ability of companies to sustain growth. This includes information like medium and long-term visions and policies, the relationship between non-financial data and long-term progress, and the integration of financial and non-financial information.

Incidentally, the revisions of the EU Accounting Directives, which I mentioned last year, are in progress. It is certain that companies will be required to establish and disclose a diversity policy of the board of directors. Disclosing this policy will be essential for INPEX because of the large percentage of foreign shareholders. Finally, I would like to see more explanations of abbreviations and terminology used in the Report.

*1 Japanese Version of the Stewardship Code: This term is used for the rules and guidelines contained in Principles for Responsible Institutional Investors, which was announced by Japan's Financial Services Agency in February 2014. The subtitle is "investments and dialogues to achieve sustained growth at companies." As of June 2014, 127 institutional investors had announced their support for this code

*2 ESG investments: ESG investing is an investment style that also places emphasis on the non-financial information related to the environment, society and governance in order to evaluate corporate value. These investments are based on the belief that ESG is both a risk factor and a source of returns for long-term growth in corporate value. ESG can generally be regarded as equivalent to CSR

Response to Third-Party Comments



Seiji Yui
 Director in charge of CSR
 Vice President and Executive Officer

We appreciate these valuable opinions about our Sustainability Report.

We are committed to strengthening our sustainable CSR management, such as through our participation in the United Nations Global Compact and Extractive Industries Transparency Initiative (EITI). In addition, we are strengthening our CSR management system. This includes building stronger ties among the major overseas offices and establishing and using PDCA cycles. Furthermore, we are working on constantly improving our CSR management, which is a goal of our Medium- to Long-Term Vision. This is based on the CSR roadmap, which has a target year of 2016. In this Report, our goal was to provide a clear explanation to our stakeholders about our desire to use a variety of business processes to make the Group an indispensable member of society. All these activities are based on the Five Key CSR Issues established in 2012.

Mr. Goto has given us his thoughts about our Reports every year since 2010. This year, we have again received extremely valuable inputs about our CSR activities. For example, Mr. Goto suggested to set our goals in line with the constantly changing operating environment, to strengthen CSR management while incorporating many different values, to improve our HSE initiatives continuously, to disclose the medium and long-term information as well as non-financial information associated with sustainable corporate growth, and to formulate and announce a diversity policy for driving our CSR management.

We will improve our dialogue with stakeholders and achieve more progress with CSR activities as an organization operating globally, based on the suggestions from Mr. Goto.

Third-Party Verification Report



Greenhouse Gas Emissions Verification Statement

