

## 1. Summary of operations implemented using FILP funds

In order to fulfill duties of oil stockpiling in the private sector in accordance with the provisions of Article 5 of the Oil Stockpiling Act, when two or more private oil manufacturers set up a joint oil stockpiling company and install oil storage facilities, the Corporation provide necessary loans for the acquisition of such facilities up to 80% of that cost.

## 2. Amount of lending under FY2019 FILP

(Unit: billion yen)

FY2019 FILP	Estimated outstanding amount of FILP lending at the end of FY2018
0.2	3.0

## 3. Estimated policy cost analysis of the project

## (1) Policy cost (Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
1. Government expenditure (subsidies, etc.)	0.0	0.0	-0.0
2. Government revenue (payments to the government, etc.)*	-	-	-
3. Opportunity cost of capital investments, etc.	-	-	-
<b>Total (1+2+3=policy cost(A))</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.0</b>
Analysis period (years)	14 years	14 years	-

## (2) Breakdown of policy cost by the time of the provision of funds (Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
(A) Policy cost (previously cited)	0.0	0.0	-0.0
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	-	-	-
2) Policy cost expected to be newly accrued during the analysis period	0.0	0.0	-0.0
Government expenditure (subsidies, etc.)	0.0	0.0	-0.0
Government revenue (payments to the government, etc.)*	-	-	-
Opportunity cost of surplus, etc.	-	-	-
Opportunity cost of capital investments, etc.	-	-	-

## (3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

	FY2018	FY2019	Simple fluctuation
Simple comparison (before adjustment)	0.0	0.0	-0.0
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2019 analysis)	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2018)	Real fluctuation (2-1)
	0.0	0.0	+0.0

## [Real fluctuation factor analysis]

## ○Factors behind policy cost increase

- Increase in subsidies, etc. due to increase in administrative cost accompanying new financing (+0.0 billion yen)

## ○Factors behind policy cost decrease

- None

## (4) Breakdown of policy cost by causative factor (Unit: billion yen)

(A) Policy cost in FY2019 (previously cited)	0.0
1) Prepayments	-
2) Loan losses	-
3) Others (including profit spread)	0.0

## (5) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case for raising lending and fundraising rates by 1 %	Fluctuation	1. Government expenditure (subsidies, etc.)			2. Government revenue (payments to the government, etc.)*			3. Opportunity cost of capital investments, etc.		
0.0	0.0	-0.0	-0.0	-	-	-	-	-	-	-	

(Note) Components in each column may not add up to the total because of rounding.

\* Government revenue (payments to the government, etc.) is booked as a negative amount. Example: -10 b. yen for 10 b. yen in payments to government, etc.

#### 4. Outline of estimation and project prospect employed in the analysis

- 1) Subjected to estimation: Joint Oil Stockpiling Facilities Improvement Funding Service out of operations for Japan Oil, Gas and Metals National Corporation (Incorporated Administrative Agency) (Account for Oil, Natural Gas, etc.)
- 2) Public works subjected to estimation: Joint Oil Stockpiling Facilities Improvement Funding Service
- 3) Size of operations subjected to estimation: Outstanding loans at the end of FY2017 at 2.872196 billion yen , loans provided in FY2018 at 0.4 billion yen, loans planned in FY2019 at 0.2 billion yen
- 4) Analysis period: 14 years to FY2032 when longest loans will be collected
- 5) Plans for collecting new loans are based on those for collecting existing loans.
- 6) Prepayments or loan loss write-offs have not accrued since the launch of lending operations in 1977 and are not projected because of sufficient efforts to protect accounts receivable

FY	Result				Estimated	Planned	Assumptions for calculation
	2014	2015	2016	2017	2018	2019	2020-2032
Prepayment ration	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	Each FY: 0%
loan charge-off rati	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	Each FY: 0%

#### 5. Reasons for granting of subsidies, mechanism and underlying laws

##### (1) Reasons for granting of subsidies, rules and underlying laws

In accordance with Article 46 of the Incorporated Administrative Agency Act, the Corporation receives subsidies from the special account for energy for necessary costs related to the Joint Oil Stockpiling Facilities Improvement Funding Service.

(Act on General Rules for Independent Administrative Agencies)

Article 46: The Government may, within the limits of the budget, grant to Independent Administrative Agencies an amount corresponding to all or part of the required expenses as a revenue source.

##### (2) Underlying law for payments to the national treasury

(Act Concerning the Japan Oil, Gas and Metals National Corporation)

Article 13: The Corporation allocate funds approved by the Minister of Economy, Trade and Industry equivalent to the amount of reserves (if such exist) provided for in Article 44, Paragraph 1, of the Act for development implemented as provided for in Article 44, Paragraph 1 or 2, relevant to the final project year of the medium-term target period provided for in Article 29, Paragraph 2, Item 1, of the Act (hereinafter referred to as "medium-term target period") in an account relating to the operations described in the Article 12, Paragraph 1, Items 1-3, to the financing of operations provided for in Article 11 based on the stipulations of the approved medium-term plan of Article 30, Paragraph 1, of the Act (the plan subsequent to revision in the event that revision has been authorized as provided for in the latter section of the Paragraph 1) for the medium-term target period subsequent to said medium-term target period.

2 The Corporation shall pay to the National Treasury the balance of any surplus that remains after deducting funds approved in Paragraph 1 from funds equivalent to the amount of reserves provided for in the same paragraph.

#### 6. Special remarks

- 1) The analysis of policy cost only covers such costs included in the Account for Oil, Natural Gas, etc. as subject to the fiscal investment and loan program.
- 2) The Japan Oil, Gas and Metals National Corporation was established on February 29, 2004 through the merger between the Metal Mining Agency of Japan and the Japan National Oil Corporation under the "Reorganization and Rationalization Plan for Special Public Corporations," "The Act on Abolition of both the Japan National Oil Corporation Act and the Metal Mining Agency of Japan Act," and "Act Concerning Japan Oil, Gas and Metals National Corporation." The Japan Oil, Gas and Metals National Corporation took over the business of the Japan National Oil Corporation.
- 3) As the JOGMEC Act was revised, the Account for Oil and Natural Gas was changed into the Account for Oil, Natural Gas, etc.

#### (Reference) Outcome and social and economic benefits of operations

##### 1) Details of lending (Joint Oil Stockpiling Facilities Improvement Funding)

- Total as of FY2017: 72.29 billion yen
- Outstanding balance of loans at the end of FY2017: 2.872196 billion yen
- Loan amount in FY2018: 0.4 billion yen

##### 2) Primary types of financing for social and economic benefits

Social and economic benefits of public works are estimated as follows:

- Niigata Joint Oil Stockpiling Co., Ltd. stockpiles oil equivalent to about 2 days' worth of national oil consumption in Japan. The implementation of projects subject to loans enables stockpiling oil equivalent to about 2-days' worth of national oil consumption continuously. The oil reserves are valued at about 59 billion yen based on the crude oil CIF import price of 58,080 yen/KL (crude/coarse oil CIF import price in revised Ministry of Finance Trade Statistics for November 2018).

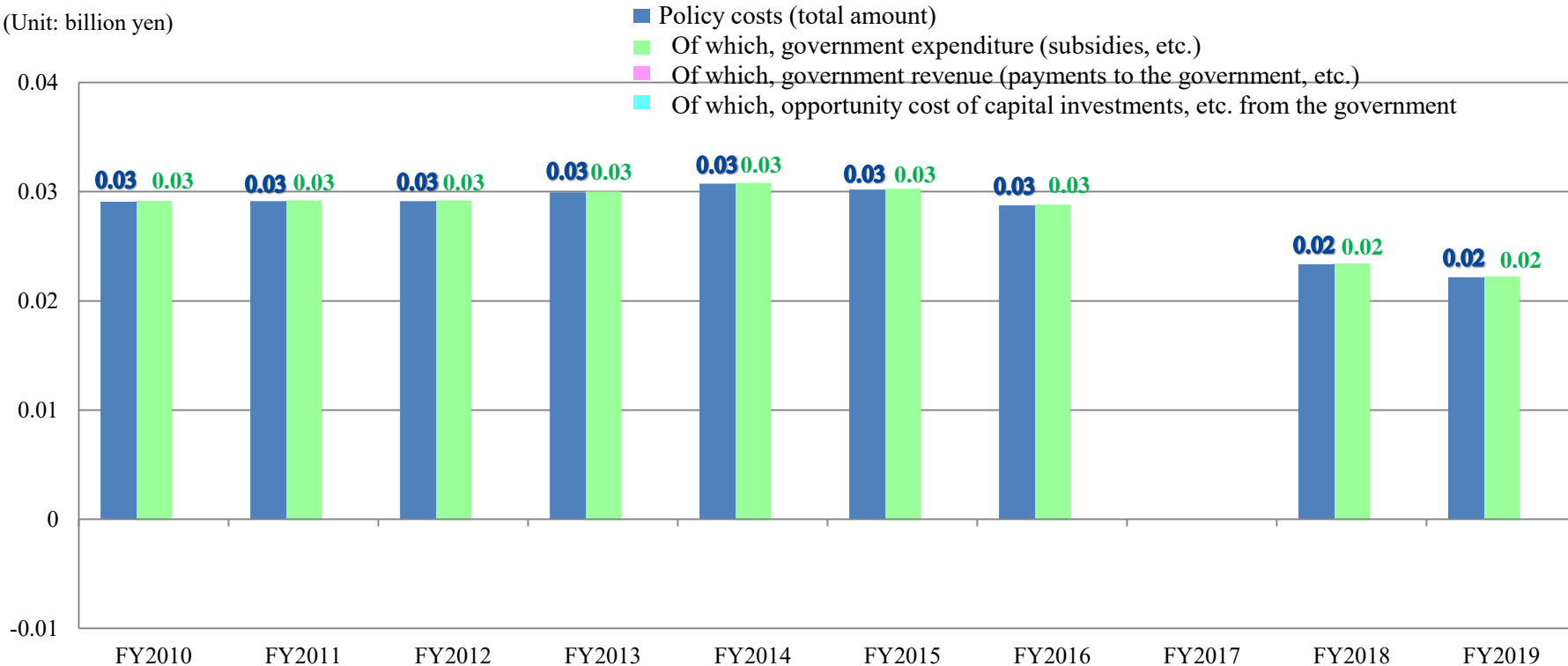
- Oita LPG Joint Stockpiling Co., Ltd. stockpiles LPG equivalent to about 8 days' LPG consumption in Japan. Under the project subject to loans, it will be able to retain its LPG reserves at that level. The reserves are valued at about 15 billion yen based on the propane/butane CIF import price of 71,508 yen/t (propane/butane CIF price in revised Ministry of Finance Trade Statistics for November 2018).

- If oil/oil gas supply stops, the economic activities will seem to be stagnant. In that case, if the companies expel the oil/oil gas stockpiled effectively, it will be able to soothe the impact on economics, and thus the oil stockpiled will be more valuable than the mere price of it.

# (Reference) Changes in Policy Costs by Component

## <Japan Oil, Gas and Metals National Corporation (Incorporated Administrative Agency) (Account for Oil, Natural Gas, etc.)>

(Unit: billion yen)



Note: Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.

(Point)

• The causative factor for policy costs is the operation cost (personnel and administrative expenses for the Joint Oil Stockpiling Facilities Improvement Funding Service) booked in “Subsidies from the Government, etc.,” remaining in a rough range of 0.02-0.03 billion yen.

## (Reference) Financial Statements

## Balance Sheet (Account for Oil, Natural Gas, etc.)

(Unit: million yen)

Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)	Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)
<b>(Assets)</b>				<b>(Liabilities and equity)</b>			
Current assets	491,605	458,755	642,333	Current liabilities	387,545	425,274	1,227,917
Cash and bank deposits	28,004	43,405	50,713	Long-term loans to be repaid within one year	31,294	31,300	657,534
Securities	96,699	21,381	21,396	Debts of stockpiling service in the private sector	335,219	393,536	569,308
Accounts receivable	6,815	-	-	Accounts payable	6,977	-	-
Inventory assets	17,763	-	-	Accrued payments	2,669	-	-
Accrued income	123	125	335	Accrued expenses	23	21	790
Return for provision for bonuses	-	-	239	Advances received	11,100	-	-
Loans for related organization	302	308	341	Allowances	-	-	239
Loans for stockpiling service in the private sector	335,219	393,536	569,308	Allowance for bonuses	-	-	239
Other current assets	6,679	-	-	Other current liabilities	262	416	45
Fixed assets	361,383	446,279	1,106,609	Fixed liabilities	27,244	32,375	28,406
Tangible fixed assets	7,860	12,864	14,710	Asset collateral liabilities	3,608	8,795	2,334
Buildings	3,331	3,059	2,791	Long-term loans payable	2,571	2,663	2,521
Structures	584	462	341	Allowances	20,730	20,730	23,468
Machinery and equipment	746	527	335	Allowance for retirement benefits	-	-	2,738
Ships	-	-	8,444	Provision for loss on guaranteed debt	20,730	20,730	20,730
Vehicles and transportation equipment	9	6	4	Long-term debts	335	188	83
Tools furniture and fixtures	548	316	157	(Total liabilities)	414,788	457,649	1,256,323
Land	2,638	2,638	2,638	Capital	-	-	-
Construction in progress	4	5,856	-	Financing by the Government	588,541	609,941	646,941
Intangible fixed assets	570	520	472	Capital surplus	-4,576	-4,661	3,701
Investment and other assets	352,952	432,894	1,091,428	Capital surplus	-	-	9,851
Long-term deposits	41,455	43,841	55,013	Other administrative costs accumulated	-4,576	-4,661	-6,150
Investment securities	41,637	44,387	39,584	Amount equivalent to accumulated depreciation cost (-)	-3,415	-3,499	-4,989
Affiliated companies stock	267,277	341,991	991,559	Amount equivalent to accumulated impairment loss (-)	-2	-2	-2
Long-term loans for related organizations	2,571	2,663	2,521	Amount equivalent to accumulated net gains or losses on sale or disposal (-)	-1,159	-1,160	-1,160
Return for provision for retirement benefits	-	-	2,738	Loss carried forward	-	-	-
Lease deposits and guarantees	13	13	13	Unappropriated loss for the current year	-145,741	-157,878	-158,019
				(of this, gross loss (-))	(- 30,015)	(- 12,137)	(- 140)
				Valuation and translation adjustments	-	-	-
				Valuation difference on securities	-25	-17	-4
				(Total equity)	438,199	447,385	492,620
Total assets	852,988	905,034	1,748,943	Total liabilities and equity	852,988	905,034	1,748,943

Notes 1. The balance sheet includes costs for projects other than those subject to the policy cost analysis.

2. Components may not add up to the total because of rounding.

## Income Statement (Account for Oil, Natural Gas, etc.)

(Unit: million yen)

Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)	Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)
<b>(Losses)</b>				<b>(Profits)</b>			
Ordinary expenses	171,017	157,232	113,324	Ordinary income	140,548	149,921	113,184
Operating expenses	86,739	60,259	44,185	Income from grants for operating expenses	24,356	19,988	16,960
Commission expenses	82,363	95,940	66,974	Operational income	18,796	9,474	14,043
General and administrative expenses	944	971	930	Revenues from subsidies, etc.	13,903	23,331	13,981
Finance expenses	69	63	1,236	Facility expense	-	150	-
Miscellaneous losses	903	-	-	Trustee income	82,045	95,940	66,604
Temporary losses	217	4,827	3,005	Income regarding return for provision for bonuses	-	-	239
Loss on retirement of fixed assets	217	0	-	Income regarding return for provision for retirement benefits	-	-	256
Payments to the national treasury	-	4,826	-	Financial revenues	121	72	59
Provision for bonuses accompanying accounting standard revision	-	-	238	Reversal of grants for asset collateral operation cost	697	657	601
Retirement benefit cost accompanying accounting standard revision	-	-	2,767	Reversal of asset collateral subsidies	9	9	9
				Miscellaneous income	621	299	433
				Temporary profits	671	1	3,005
				Income from management expenses grant adjustment	452	-	-
				Gain on sales of fixed assets	2	1	-
				Reversal of grants for asset collateral operation cost	217	0	-
				Reversal of asset collateral subsidies	0	-	-
				Income regarding return for provision for bonuses	-	-	238
				Income regarding return for provision for retirement benefits	-	-	2,767
				Reversal of reserve for loss on liabilities for guarantee	-	-	-
				Gross profit or loss (-)	-30,015	-12,137	140
Total	171,234	162,059	116,329	Total	171,234	162,059	116,329

Note: Components may not add up to the total because of rounding.