

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

http://www.iogmec.go.jp/

1. Summary of operations implemented using FILP funds

In order to fulfill the duties of oil stockpiling in the private sector in accordance with the provisions of Articles 5 and 10 of the Oil Stockpiling Act, when two or more oil refiners or petroleum gas importers set up a joint stockpiling company and install oil and petroleum gas storage facilities, the Corporation provides a loan covering up to 80% of the cost for the acquisition of such facilities.

2. Amount of lending under FY2020 FILP

(Unit: billion yen)

FY2020 FILP	Estimated outstanding amount of FILP lending at the end of FY2019
0.3	2.9

3. Estimated policy cost analysis of the project

(1) Policy cost

(Unit: billion yen)

Category	FY2019	FY2020	Fluctuation
1. Government expenditure (subsidies, etc.)	0.0	0.0	-0.0
2. Government revenue (payments to the government, etc.)* ¹	-	-	-
3. Opportunity cost of capital investments, etc.	-	-	-
Total (1+2+3=policy cost(A))	0.0	0.0	-0.0
Analysis period (years)	14 years	14 years	-

(2) Breakdown of policy cost by the time of the provision of funds

(Unit: billion yen)

Category	FY2019	FY2020	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.)* ¹	-	-	-
Opportunity cost of surplus, etc.	-	-	-
Opportunity cost of capital investments, etc.	-	-	-

(5) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case before the negative interest rate policy* ²	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)* ¹	3. Opportunity cost of capital investments, etc.
0.0	0.0	-0.0	-0.0	-	-

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2019	FY2020	Simple fluctuation
		Simple comparison (before adjustment)	0.0	0.0
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2020 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2019)	Real fluctuation (2-1)
		0.0	0.0	+0.0

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost 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 FY2020 (previously cited)	0.0
1) Prepayments	-
2) Loan losses	-
3) Others (including profit spread)	0.0

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

*¹ 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.

*² Assumed interest rates (discount factor and future interest rate) are based on the market yield on Japanese government bonds on January 28, 2016, before the introduction of the negative interest rate policy.

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
- 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 FY2018 at 2.970604 billion, loans provided in FY2019 at 0.2 billion yen, loans planned in FY2020 at 0.3 billion yen
- 4) Analysis period: 14 years to FY2033 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
	2015	2016	2017	2018	2019	2020	2021-2033
Prepayment ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	Each FY: 0%
loan charge-off ratio	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: When there are reserves as provided for in Article 44, Paragraph 1 of the Act on General Rules for Independent Administrative Agencies in accounts regarding operations cited in Article 12, Paragraphs 1-3 after the disposition process as provided for in Article 44, Paragraph 1 or 2 of the Act, regarding the final business year of the medium-term target period as provided for in Article 29, Paragraph 2, Item 1 of the Act (hereinafter referred to as the "medium-term target period"), the Corporation shall be allowed to use the amount of funds approved by the Minister of Economy, Trade and Industry out of the reserves to finance operations as provided for in Article 11 in the next medium-term target period in accordance with provisions in the medium-term business plan approved as provided for in Article 30, Paragraph 1 of the Act regarding the next medium-term target period (or the plan after revisions as approved as provided for in the second half of the paragraph, if any).

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.

<Omitted below>

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 FY2018: 72.69 billion yen
- Outstanding balance of loans at the end of FY2018: 2.97 billion yen
- Loan amount in FY2019: 0.2 billion yen

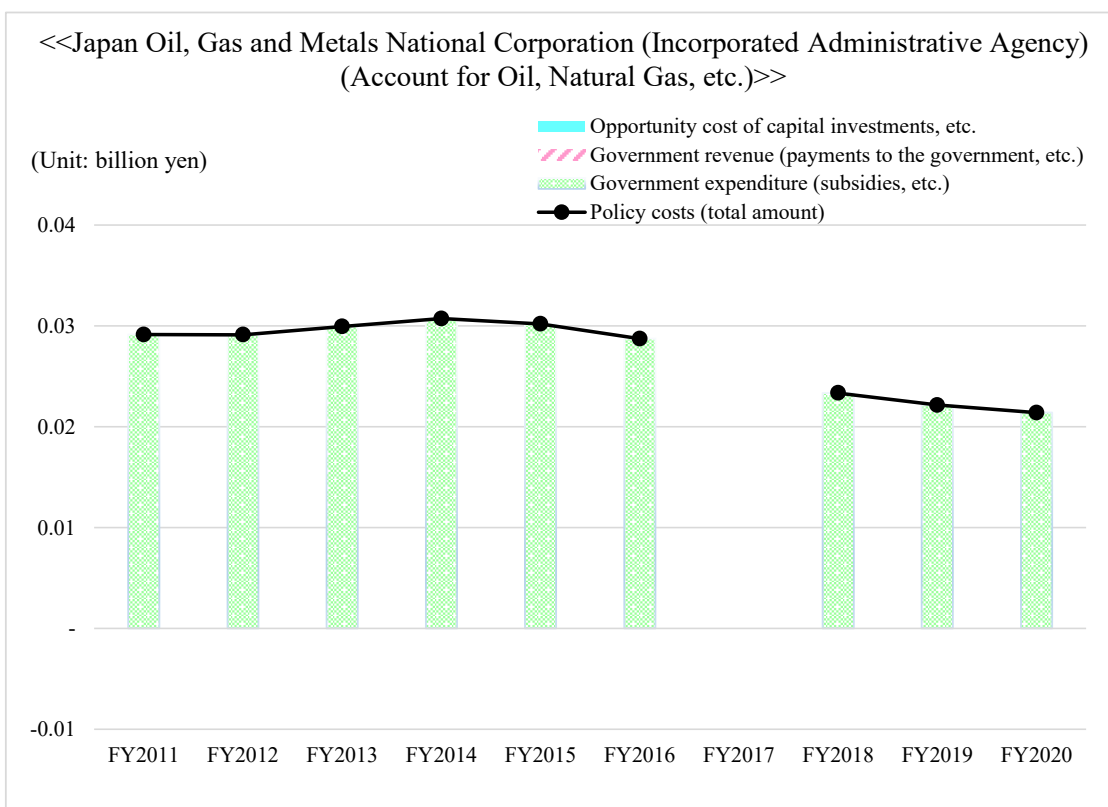
2) Primary types of financing for social and economic benefits

• Oita LPG Joint Stockpiling Co., Ltd., subject to lending in the FY2020 business plan, stockpiles LPG equivalent to about 8 days' LPG consumption in Japan. Under the project subject to lending, it will be able to retain its LPG reserves at that level. The reserves are valued at about 10.1 billion yen based on the propane/butane CIF import price of 47,032.8 yen/t (propane/butane CIF price in revised Ministry of Finance Trade Statistics for November 2019).

• 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.

Overview of policy cost analysis results

[Changes in policy costs]



Note 1: Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.

2: For FY2017, no policy cost analysis was implemented in the absence of any relevant budgetary measure.

(Unit: billion yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Policy costs (total amount)	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0
Government expenditure (subsidies, etc.)	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0
Government revenue (payments to the government, etc.)	-	-	-	-	-	-		-	-	-
Opportunity cost of capital investments, etc.	-	-	-	-	-	-		-	-	-

【Explanation of policy cost trends】

• 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 “Government expenditure (subsidies, etc.,” remaining in a rough range of 0.02-0.03 billion yen

【FILP agency’s self-assessment of policy cost analysis results (FY2020)】

• The FY2020 policy analysis estimated long-term cash flow, etc. regarding the Joint Oil Stockpiling Facilities Improvement Funding Service in accordance with the set assumptions to compute the policy cost. The Joint Oil Stockpiling Facilities Improvement Funding Service conforms with the oil and petroleum gas stockpiling policy and is provided in exchange for sufficient collateral and subject to annual financial assessment and collateral reassessment. The policy cost analysis results and the redeemability of the loans have no problem, leading us to assess that financial soundness has been secured.

• The sensitivity analysis (case before the negative interest rate policy) led us to assess that rises in the assumed interest rates have little impact on the policy cost.

(Reference) Financial Statements

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

(Unit: million yen)

Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)	Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)
(Assets)				(Liabilities and equity)			
Current assets	548,276	616,081	583,714	Current liabilities	455,341	606,703	1,091,206
Cash and bank deposits	31,776	49,372	37,406	Debt from grants for operation cost	6,991	-	-
Securities	91,020	21,401	29,059	Long-term loans to be repaid within one year	31,300	58,834	573,850
Accounts receivable	8,203	-	-	Debts of stockpiling service in the private sector	393,536	544,647	516,551
Inventory assets	18,190	-	-	Accounts payable	8,736	-	-
Accrued income	136	87	98	Accrued payments	1,815	2,621	-
Return for provision for bonuses	-	233	242	Accrued expenses	21	0	435
Loans for related organizations	308	341	358	Advances received	12,750	-	-
Loans for stockpiling service in the private sector	393,536	544,647	516,551	Allowances	-	233	242
Other current assets	5,106	-	-	Allowance for bonuses	-	233	242
Fixed assets	393,618	574,171	1,149,627	Other current liabilities	192	369	128
Tangible fixed assets	13,092	16,290	14,030	Fixed liabilities	70,248	66,164	65,438
Buildings	3,058	2,797	2,541	Asset collateral liabilities	8,930	2,456	1,902
Structures	464	343	222	Long-term loans payable	2,663	2,521	2,463
Machinery and equipment	616	446	283	Allowances	58,389	61,055	60,983
Ships	-	9,832	8,191	Allowance for retirement benefits	-	2,666	2,594
Vehicles and transportation equipment	6	11	8	Provision for loss on guaranteed debt	58,389	58,389	58,389
Tools furniture and fixtures	415	223	147	Long-term debts	266	132	90
Land	2,638	2,638	2,638	(Total liabilities)	525,589	672,868	1,156,645
Construction in progress	5,894	-	-	Capital	-	-	-
Intangible fixed assets	505	450	397	Financing by the Government	609,941	671,941	728,441
Investment and other assets	380,020	557,432	1,135,200	Capital surplus	-4,662	2,467	3,372
Long-term deposits	25,118	29,132	52,911	Capital surplus	-	8,851	11,473
Investment securities	51,822	53,718	46,328	Other administrative costs accumulated	-4,662	-6,384	-8,101
Affiliated companies stock	300,404	469,382	1,030,891	Amount equivalent to accumulated depreciation cost (-)	-3,432	-5,136	-6,854
Long-term loans for related organizations	2,663	2,521	2,463	Amount equivalent to accumulated impairment loss (-)	-2	-2	-2
Return for provision for retirement benefits	-	2,666	2,594	Amount equivalent to accumulated net gains or losses on sale or disposal (-)	-1,227	-1,245	-1,245
Lease deposits and guarantees	13	13	13	Loss carried forward	-	-	-
				Unappropriated loss for the current year	-188,922	-156,992	-155,101
				(of this, gross profit or loss (-))	(- 43,181)	(31,930)	(1,891)
				Valuation and translation adjustments	-	-	-
				Valuation difference on securities	-52	-32	-17
				(Total equity)	416,305	517,384	576,696
Total assets	941,894	1,190,252	1,733,341	Total liabilities and equity	941,894	1,190,252	1,733,341

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 FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)	Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)
(Losses)				(Profits)			
Ordinary expense	151,500	150,240	113,254	Ordinary income	113,144	182,167	115,146
Operating expense	74,185	49,100	41,925	Income from grants for operating expenses	12,791	23,944	15,247
Commission expense	76,228	100,182	69,796	Operational income	10,380	7,355	11,877
General and administrative expenses	889	903	912	Revenues from subsidies, etc.	12,806	22,981	16,977
Finance expenses	59	44	621	Facility expense	20	1,000	79
Miscellaneous losses	139	13	-	Trustee income	75,969	98,682	68,596
Temporary losses	4,896	2,986	-	Reversal of appraisal loss on shareholdings in affiliates	-	25,516	-
Loss on retirement of fixed assets	70	0	-	Income regarding return for provision for bonuses	-	233	242
Payments to the national treasury	4,826	-	-	Income regarding return for provision for retirement benefits	-	186	235
Provision for bonuses accompanying accounting standard revision	-	226	-	Financial revenues	73	65	73
Retirement benefit cost accompanying accounting standard revision	-	2,760	-	Reversal of grants for asset collateral operation cost	670	637	547
Gross profit or loss (-)	-43,181	31,930	1,891	Reversal of asset collateral subsidies	9	9	6
				Miscellaneous income	425	1,560	1,266
				Temporary profits	70	2,989	-
				Gain on sales of fixed assets	1	3	-
				Reversal of grants for asset collateral operation cost	70	0	-
				Reversal of asset collateral subsidies	0	0	-
				Income regarding return for provision for bonuses	-	226	-
				Income regarding return for provision for retirement benefits	-	2,760	-
Total	113,214	185,157	115,146	Total	113,214	185,157	115,146

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