

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

<http://www.jogmec.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 FY2021 FILP

(Unit: billion yen)

FY2021 FILP	Estimated outstanding amount of FILP lending at the end of FY2020
0.3	2.8

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2020	FY2021	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	FY2020	FY2021	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.	-	-	-

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2020	FY2021	Simple fluctuation
		0.0	0.0	-0.0
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2021 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2020)	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 FY2021 (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 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	-	-

(A) Policy cost (previously cited)	Case of a 1% increase in operating expenses	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	-	-

(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 FY2019 at 2.862528 billion, loans provided in FY2020 at 0.3 billion yen, loans planned in FY2021 at 0.3 billion yen
- 4) Analysis period: 14 years to FY2034 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
	2016	2017	2018	2019	2020	2021	2022-2034
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: 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.

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 FY2019: 72.9 billion yen
- Outstanding balance of loans at the end of FY2019: 2.9 billion yen
- Loan amount in FY2020: 0.3 billion yen

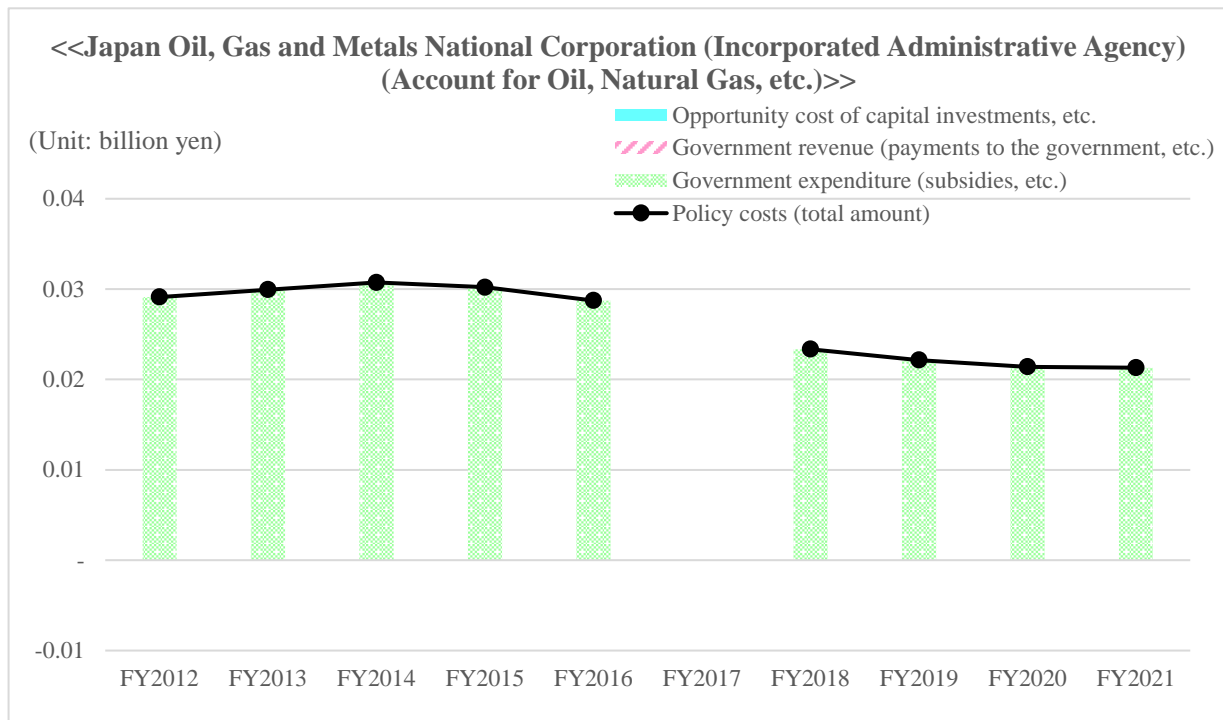
2) Primary types of financing for social and economic benefits

•Oita LPG Joint Stockpiling Co., Ltd., subject to lending in the FY2021 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 9.7 billion yen based on the propane/butane CIF import price of 45,454 yen/t (propane/butane CIF price in revised Ministry of Finance Trade Statistics for November 2020).

•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)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
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 20-30 million yen.

【FILP agency’s self-assessment of policy cost analysis results (FY2021)】

- The FY2021 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 and case of a 1% increase in operating expenses) 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 FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)	Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)
(Assets)				(Liabilities and equity)			
Current assets	709,923	527,003	414,401	Current liabilities	637,295	567,303	949,909
Cash and bank deposits	44,333	14,474	15,821	Debt from grants for operation cost	8,153	-	-
Securities	95,344	31,473	50,120	Long-term loans to be repaid within one year	58,834	86,363	601,375
Accounts receivable	6,434	-	-	Debts of stockpiling service in the private sector	544,647	480,329	347,765
Inventory assets	16,020	-	-	Accounts payable	8,212	-	-
Accrued income	117	121	73	Accrued payments	5,412	-	-
Return for provision for bonuses	223	235	239	Accrued expenses	0	0	429
Loans for related organizations	341	371	383	Advances received	11,650	-	-
Loans for stockpiling service in the private sector	544,647	480,329	347,765	Allowances			
Other current assets	2,465	1	1	Allowance for bonuses	223	235	239
Fixed assets	448,088	583,617	1,113,601	Other current liabilities	166	377	101
Tangible fixed assets	16,956	14,693	12,391	Fixed liabilities	66,064	65,403	64,662
Buildings	2,819	2,572	2,354	Asset collateral liabilities	3,084	2,531	1,937
Structures	343	222	114	Long-term loans payable	2,521	2,451	2,367
Machinery and equipment	572	872	612	Allowances	602,286	60,306	60,292
Ships	9,832	8,191	6,551	Allowance for retirement benefits	2,623	2,643	2,630
Vehicles and transportation equipment	11	8	6	Provision for loss on guaranteed debt	57,663	57,663	57,663
Tools furniture and fixtures	264	189	116	Long-term debts	172	115	65
Land	2,638	2,638	2,638	(Total liabilities)	703,359	632,706	1,014,570
Construction in progress	478	-	-	Capital			
Intangible fixed assets	450	387	327	Financing by the Government	671,941	698,441	749,741
Investment and other assets	430,682	568,538	1,100,883	Capital surplus	2,465	3,370	1,653
Long-term deposits	4,151	32,823	39,697	Capital surplus	8,851	11,473	11,473
Investment securities	81,000	77,916	59,595	Other administrative costs accumulated	-6,386	-8,103	-9,819
Affiliated companies stock	340,375	452,694	996,583	Amount equivalent to accumulated depreciation cost (-)	-5,094	-6,811	-8,527
Long-term loans for related organizations	2,521	2,451	2,367	Amount equivalent to accumulated impairment loss (-)	-2	-2	-2
Return for provision for retirement benefits	2,623	2,643	2,630	Amount equivalent to accumulated net gains or losses on sale or disposal (-)	-1,290	-1,290	-1,290
Lease deposits and guarantees	12	12	12	Loss carried forward			
				Unappropriated loss for the current year	-219,562	-226,065	-240,420
				(of this, gross profit or loss (-))	(- 30,640)	(- 6,503)	(- 14,355)
				Valuation and translation adjustments	(- 192)	(2,168)	(2,458)
				Affiliated companies stock valuation differences	-	2,585	2,585
				Valuation difference on securities	-192	-417	-127
				(Total equity)	454,652	477,914	513,433
Total assets	1,158,011	1,110,620	1,528,003	Total liabilities and equity	1,158,011	1,110,620	1,528,003

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 FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)	Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)
(Losses)				(Profits)			
Ordinary expense	145,059	166,070	127,509	Ordinary income	114,416	159,567	113,154
Operating expense	68,491	60,905	54,219	Income from grants for operating expenses	15,086	23,396	14,309
Commission expense	75,508	104,125	71,821	Operational income	8,809	5,883	7,955
General and administrative expenses	866	1,017	911	Revenues from subsidies, etc.	12,164	24,720	17,852
Finance expenses	42	23	558	Facility expense	900	79	-
Miscellaneous losses	152	-	-	Trustee income	75,144	101,125	70,871
Temporary losses	3,018	0	-	Reversals of provisions for losses on guaranteed debt	726	-	-
Loss on retirement of fixed assets	32	0	-	Income regarding return for provision for bonuses	223	235	239
Provision for bonuses accompanying accounting standard revision	226	-	-	Income regarding return for provision for retirement benefits	164	325	247
Retirement benefit cost accompanying accounting standard revision	2,760	-	-	Financial revenues	67	88	68
Gross loss	-30,640	-6,503	-14,355	Reversal of grants for asset collateral operation cost	661	646	589
				Reversal of asset collateral subsidies	9	6	5
				Miscellaneous income	464	3,065	1,020
				Temporary profits	3,022	0	-
				Gain on sales of fixed assets	3	-	-
				Reversal of grants for asset collateral operation cost	32	0	-
				Reversal of asset collateral subsidies	0	-	-
				Income regarding return for provision for bonuses	226	-	-
				Income regarding return for provision for retirement benefits	2,760	-	-
Total	117,437	159,567	113,154	Total	117,437	159,567	113,154

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