

Japan Oil, Gas and Metals National Corporation (Incorporated Administrative Agency)
(General Account for Metal Mining)

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1. Summary of operations implemented using FILP funds

The corporation provides loans for metal mining pollution control work on designated facilities that are no longer used for metal mining. It also provides loans for those who bear the expenses specified in the Act on Entrepreneurs' Bearing of the Cost of Public Pollution Control Works (Act No. 133 of 1970).

2. Amount of lending under FY2019 FILP

(Unit: billion yen)

FY2019 FILP	Estimated outstanding amount of FILP lending at the end of FY2018
0.6	3.1

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
1. Government expenditure (subsidies, etc.)	0.5	0.3	-0.2
2. Government revenue (payments to the government, etc.)*	-0.1	-0.1	+0.0
3. Opportunity cost of capital investments, etc.	0.0	0.0	-0.0
Total (1+2+3=policy cost(A))	0.5	0.2	-0.2
Analysis period (years)	16 years	16 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)	0.5	0.2	-0.2
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	0.5	0.2	-0.2
Government expenditure (subsidies, etc.)	0.5	0.3	-0.2
Government revenue (payments to the government, etc.)*	-0.1	-0.1	+0.0
Opportunity cost of surplus, etc.	0.0	0.0	-0.0
Opportunity cost of capital investments, etc.	-	-	-

(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.
0.2	0.2	-0.0	-0.0	+0.0	+0.0

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

		FY2018	FY2019	Simple fluctuation
Policy cost	Simple comparison (before adjustment)	0.5	0.2	-0.2
	Past year comparison (after adjustment)	0.4	0.2	-0.2
		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)
		0.4	0.2	-0.2

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- None

○Factors behind policy cost decrease

- Decrease in cost due to decrease in administrative cost through personnel cost revision (-0.2 billion yen)

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

(A) Policy cost in FY2019 (previously cited)	0.2
1) Prepayments	-
2) Loan losses	-
3) Others (including profit spread)	0.2

(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

The estimation is made based on the assumption that loans are granted in accordance with the project plan for FY2019 (0.6 billion yen) in addition to the existing loan balance of 3.1 billion yen (the projected amount as of the end of FY2018).

- The length of analysis period is 16 years (16 years in FY2018), during which all the loans granted in accordance with the project plan for FY2019 are recovered.
- The loans worth 0.6 billion yen extended by the Corporation in FY2019 are scheduled to be recovered over a period of 15 years.
- No loan loss is expected because the Corporation conducts financial assessment semi-annually and revalorizes collateral semi-annually or annually, makes sure to secure enough collateral and guarantee of the parent companies, and secures additional collateral such as highly liquid securities if the collateral seems insufficient to make sure to protect accounts receivables. No outstanding balance of the bankruptcy or rehabilitation claim was recorded at the end of FY2017. No loan loss provisions were booked due to the feasibility of collection from collateral. It should be mentioned that the loan loss provision ratio was 15/1000 before the corporation's transformation into an incorporated administrative agency.
- As prepayments have been limited to only two cases, no prepayment is projected in the analysis from FY2016 onward.

The subsidies necessary to carry out the project were estimated based on the preconditions given under the above-mentioned assumptions.

FY	Result				Estimated	Planned	Assumptions for calculation
	2014	2015	2016	2017	2018	2019	
Prepayment ratio	0.00%	0.97%	0.00%	0.00%	0.00%	0.00%	Same as left
Loan charge-off ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	Same as left

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

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

Operational expenses (labor cost and office expense for funding services) are required to conduct funding services for pollution prevention. Therefore, the Corporation receives a grant for operational expenses from the budget's general account with necessary money for other services as a revenue source of such expenses. The necessary grant for operational expenses is provided in each fiscal year in accordance with the calculation rule for grant for operational expenses provided in the Medium-term Plan.

Grants for operating expenses are stipulated under Article 46 (Delivery of Financial Resources) of the Act on General Rules for Independent Administrative Agencies.

(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

Payment to the national treasury is stipulated under Article 13, Paragraph 2 of the Act Concerning the Japan Oil, Gas and Metals National Corporation.

(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 general account for metal mining 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 Metal Mining Agency of Japan and analyzes the policy cost of the project to offer loans for mine pollution control.

(Reference) Outcome and social and economic benefits of operations

1) Details of lending

(Unit: billion yen)

	Total as of FY2017	Outstanding amount at the end of FY2017	FY2019 (planned)
Loans for mining pollution prevention	34.5	1.9	0.6
Loans for bearing expenses	18.3	0.8	0.0
Total	52.8	2.7	0.6

The Corporation supports steady promotion of the control of mining pollution: It provided 192 mining operations with loans for metal mining pollution control work between FY1973 and FY2017 and provided for 26 areas with loans for those who bear the expenses of pollution removal work between FY1975 and FY2017.

2) Social and economic benefits

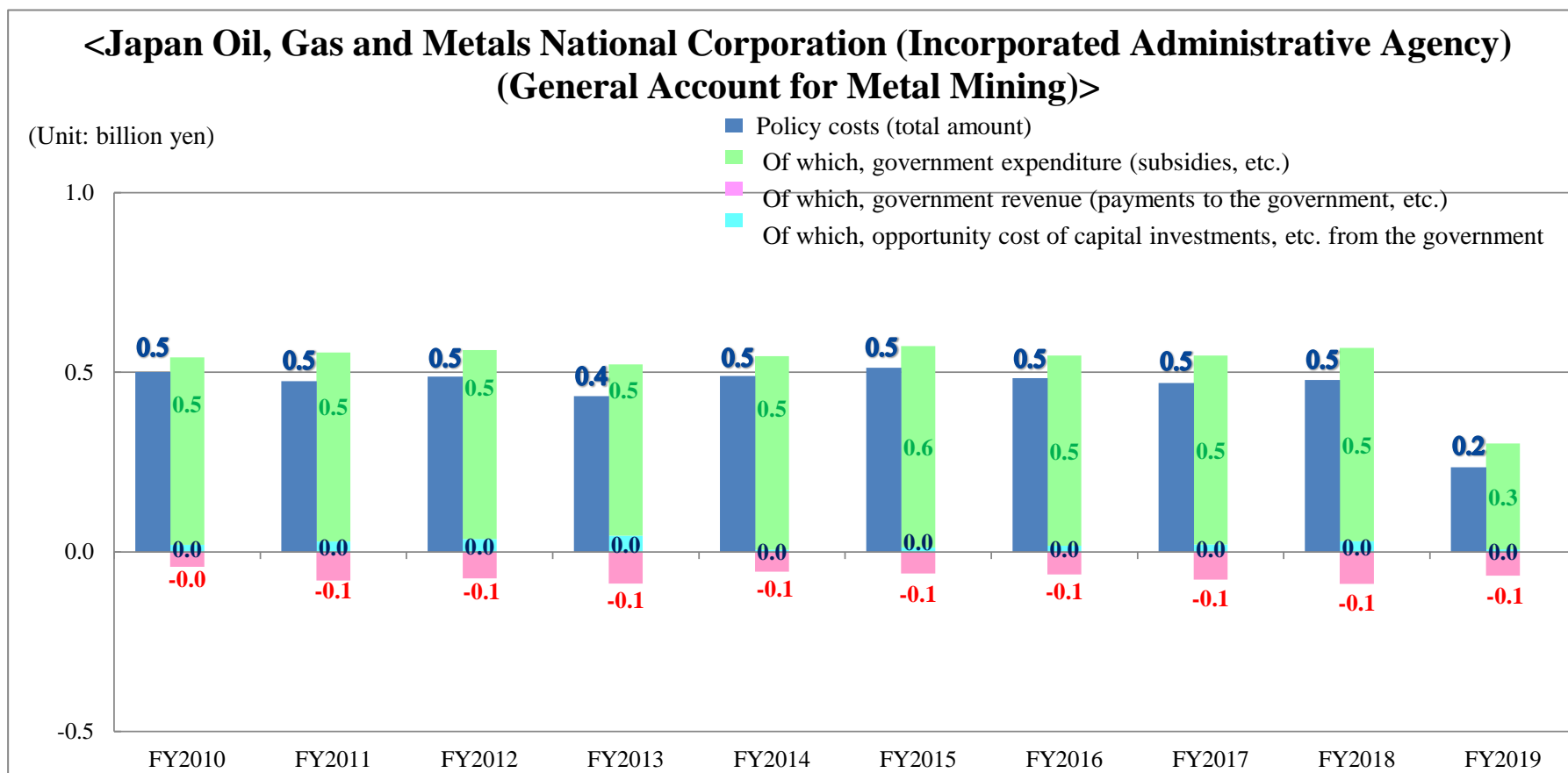
Operations for mining pollution control are aimed at preventing the occurrence of mining pollution by preventing the outflow of mining waste water that contains heavy metals or by treating waste mining water. Environmental standards for the quality of water used for public purposes in accordance with the Basic Law on Environment and sets standards for discharged water based on the Water Pollution Control Law are set. Implementing mining pollution control operations, it treats waste mining water to meet the standards before discharging it (See the table below). The corporation contributes to the protection of the nation's health and the conservation of the environment by enforcing these standards.

• Loans for mining pollution prevention

Examples of waste water treatment for mine drainage

Heavy metals	Treated water	Discharge standards
pH	6.9	5.8~8.6
Lead	0.01mg/l or less	0.1mg/l or less
Cadmium	0.003mg/l or less	0.1mg/l or less
Copper	0.1mg/l or less	1.3mg/l or less

(Reference) Changes in Policy Costs by Component



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

(Point)

• Policy costs from FY2009 to FY2018 remain in the range of 0.4 billion yen to 0.5 billion yen. The main causative factor of policy costs consists of administrative expenses (personnel costs and clerical costs regarding loan projects) booked in "subsidies, etc. from the government." In FY2019, policy costs come to 0.2 billion yen as personnel costs fall on a drop in the assumed number of workers.

(Reference) Financial Statements

Balance Sheet (General Account for Metal Mining)

(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)
(Assets)				(Liabilities and equity)			
Current assets	23,669	6,996	6,947	Current liabilities	24,981	33,905	53,757
Cash and bank deposits	6,926	6,636	6,456	Debt from grants for operation cost	-	-	-
Securities	6,700	-	-	Long-term loans to be repaid within one year	14,482	33,612	53,631
Accounts receivable	8,143	-	-	Accounts payable	7,022	-	-
Inventory assets	1,288	-	-	Accrued payments	1,649	-	-
Return for provision for bonuses	-	-	105	Accrued expenses	1	13	20
Accrued income	1	1	1	Unpaid consumption tax, etc.	247	280	0
Short-term loans receivable	370	359	385	Advances received	1,579	-	-
Accounts receivable	241	-	-	Deposits payable	2	-	-
Fixed assets	52,966	76,936	96,929	Allowances	-	-	-
Tangible fixed assets	11,861	10,446	9,044	Allowance for bonuses	-	-	105
Buildings	388	351	315	Fixed liabilities	2,684	3,056	4,405
Structures	8	6	3	Asset collateral liabilities	361	268	190
Machinery and equipment	109	73	44	Long-term loans payable	2,323	2,788	3,034
Ships	11,226	9,932	8,638	Allowance for retirement benefits	-	-	1,182
Vehicles and transportation equipment	3	1	-	(Total liabilities)	27,665	36,960	58,162
Tools furniture and fixtures	129	84	43	Capital			
Intangible fixed assets	83	76	75	Financing by the Government	30,916	30,916	30,916
Investment and other assets	41,021	66,414	87,810	Capital surplus	11,263	9,934	8,609
Affiliated companies stock	38,700	63,652	83,652	Capital surplus	27,373	27,386	27,386
Long-term loan receivable	2,315	2,756	2,971	Accumulated depreciation outside of profit and loss (-)	- 16,110	- 17,451	- 18,777
Return for provision for retirement benefits	-	-	1,182	Retained earnings	6,790	6,122	6,189
Security deposit and guarantee	6	6	6	Reserve carried forward during former medium-term target period	1,394	5,920	5,920
				Reserve fund	3,628	-	202
				Unappropriated income for the current year	1,769	202	67
				(Of this, gross profit)	(1,769)	(202)	(67)
				(Total equity)	48,969	46,972	45,714
Total assets	76,634	83,932	103,876	Total liabilities and equity	76,634	83,932	103,876

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 (General Account for Metal Mining)

(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)
(Losses)				(Profits)			
Ordinary expenses	28,069	17,344	4,852	Ordinary income	29,831	17,546	4,920
Operating expenses	3,999	3,410	3,559	Income from grants for operating expenses	3,912	3,601	3,365
Commission expenses	22,310	13,315	559	Operational income	878	223	228
General and administrative expenses	461	589	568	Revenues from subsidies, etc.	824	299	404
Finance expenses	19	30	166	Trustee income	22,310	13,315	559
Miscellaneous losses	1,279	-	-	Income regarding return for provision for bonuses	-	-	105
Temporary losses	0	0	1,264	Income regarding return for provision for retirement benefits	-	-	175
Loss on retirement of fixed assets	0	0	-	Financial revenues	0	0	0
Transfer of provision for bonuses accompanying accounting standard	-	-	103	Reversal of grants for asset collateral operation cost	74	98	78
Retirement benefit cost accompanying accounting standard revision	-	-	1,161	Miscellaneous income	1,832	10	5
Gross profit	1,769	202	67	Temporary profits	7	0	1,264
				Income from management expenses grant adjustment	7	-	-
				Reversal of grants for asset collateral operation cost	0	0	-
				Reversal of asset collateral subsidies	0	-	-
				Income regarding return for provision for bonuses	-	-	103
				Income regarding return for provision for retirement benefits	-	-	1,161
Total	29,837	17,546	6,184	Total	29,837	17,546	6,184

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