

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 FY2020 FILP

(Unit: billion yen)

FY2020 FILP	Estimated outstanding amount of FILP lending at the end of FY2019
0.5	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.)	0.3	0.3	+0.0
2. Government revenue (payments to the government, etc.)* ¹	-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))	0.2	0.2	+0.0
Analysis period (years)	16 years	16 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)	0.2	0.2	+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	0.2	0.2	+0.0
Government expenditure (subsidies, etc.)	0.3	0.3	+0.0
Government revenue (payments to the government, etc.)* ¹	-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 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.
0.2	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)

Policy cost	Simple comparison (before adjustment)	FY2019	FY2020	Simple fluctuation
		0.2	0.2	+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)
		0.2	0.2	+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)	0.2
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.

*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

- The estimation is made based on the assumption that loans are granted in accordance with the project plan for FY2020 (0.5 billion yen) in addition to the existing loan balance of 2.8 billion yen (the projected amount as of the end of FY2019).
- The length of analysis period is 16 years (16 years in FY2019), during which all the loans granted in accordance with the project plan for FY2020 are recovered.
- The loans worth 0.5 billion yen extended by the Corporation in FY2020 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 FY2018. 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
	2015	2016	2017	2018	2019	2020	2021-2035
Prepayment ratio	0.97%	0.00%	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 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 FY2018	Outstanding amount at the end of FY2018	FY2020 (planned)
Loans for mining pollution prevention	34.8	2.0	0.5
Loans for bearing expenses	18.3	0.6	0.0
Total	53.1	2.6	0.5

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 FY2018 and provided for 26 areas with loans for those who bear the expenses of pollution removal work between FY1975 and FY2018.

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.

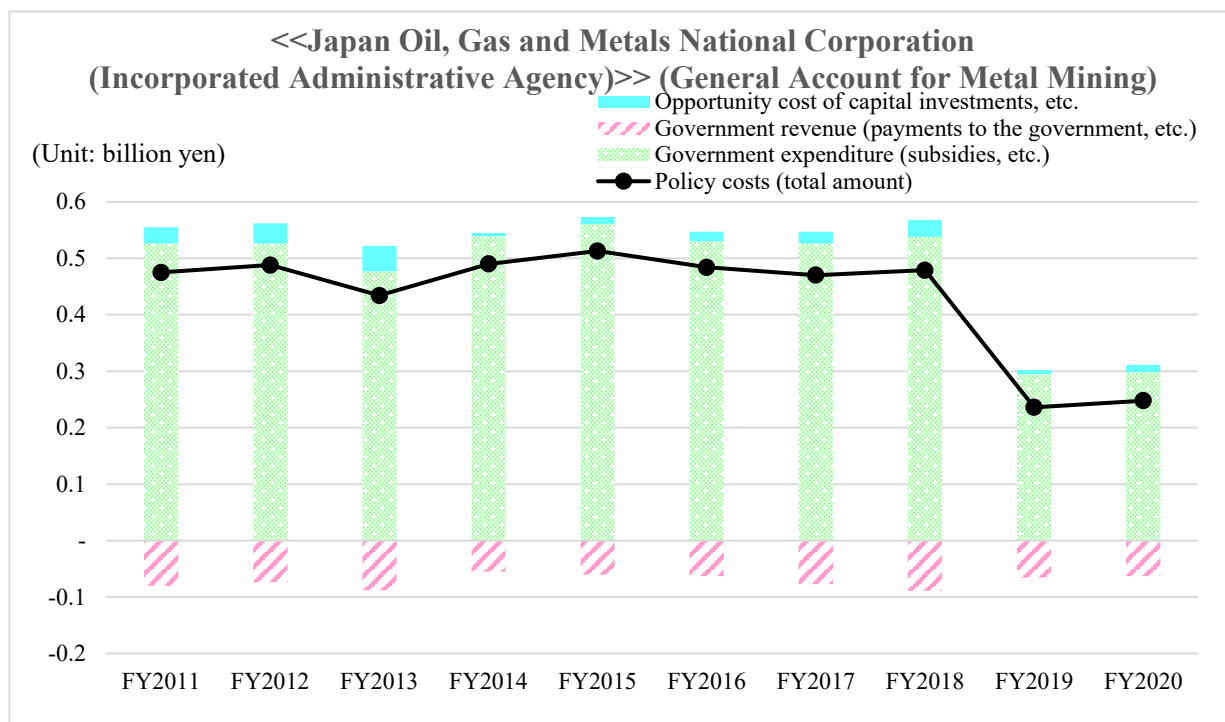
• Loans for mining pollution prevention

Examples of waste water treatment for mine drainage

Heavy metals	Treated water	Discharge standards
pH	7.1	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

Overview of policy cost analysis results

[Changes in policy costs]



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

(Unit: billion yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Policy costs (total amount)	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.2	0.2
Government expenditure (subsidies, etc.)	0.5	0.5	0.5	0.5	0.6	0.5	0.5	0.5	0.3	0.3
Government revenue (payments to the government, etc.)	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Opportunity cost of capital investments, etc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

【Explanation of policy cost trends】

- 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." Policy costs from FY2011 to FY2018 remain in the range of 0.4 billion yen to 0.5 billion yen. From FY2019, the policy cost amount stood at 0.2 billion yen due to a personnel cost cut on a drop in the assumed number of workers.

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

- The FY2020 policy analysis estimated long-term cash flow, etc. regarding loans for mining pollution prevention in accordance with the set assumptions to compute the policy cost.

- The loans for mining pollution prevention are designed to protect people's health and conserve the living environment and are provided in exchange for sufficient collateral. 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 (General Account for Metal Mining)

(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	23,906	13,426	13,962	Current liabilities	25,389	33,652	53,291
Cash and bank deposits	2,008	4,958	5,501	Debt from grants for operation cost	448	-	-
Securities	11,800	8,000	8,000	Long-term loans to be repaid within one year	13,612	33,188	53,163
Accounts receivable	440	-	-	Accounts payable	582	-	-
Inventory assets	8,906	-	-	Accrued payments	1,528	-	-
Suspense payment	2	-	-	Accrued expenses	1	12	21
Prepaid expenses	0	-	-	Unpaid consumption tax, etc.	158	348	0
Accrued income	1	1	1	Advances received	9,059	-	-
Return for provision for bonuses	-	105	107	Deposits payable	1	-	0
Short-term loans receivable	359	362	354	Allowances	-	-	-
Accounts receivable	389	-	-	Allowance for bonuses	-	105	107
Fixed assets	51,529	92,497	111,205	Fixed liabilities	2,600	4,002	4,048
Tangible fixed assets	10,519	9,110	7,724	Asset collateral liabilities	342	257	184
Buildings	359	323	286	Long-term loans payable	2,258	2,504	2,674
Structures	16	12	8	Provisions	-	-	-
Machinery and equipment	86	60	34	Allowance for retirement benefits	-	1,241	1,190
Ships	9,932	8,638	7,344	(Total liabilities)	27,989	37,655	57,339
Vehicles and transportation equipment	4	3	2	Capital	-	-	-
Tools furniture and fixtures	121	74	50	Financing by the Government	30,916	51,816	51,816
Intangible fixed assets	78	77	75	Capital surplus	9,934	8,609	7,294
Investment and other assets	40,932	83,311	103,406	Capital surplus	27,386	27,386	27,386
Affiliated companies stock	38,700	79,600	99,600	Other administrative costs accumulated	- 17,451	- 18,777	- 20,091
Long-term loan receivable	2,226	2,464	2,610	Retained earnings	6,595	7,844	8,718
Return for provision for retirement benefits	-	1,241	1,190	Reserve carried forward during former medium-term target period	5,375	5,375	5,375
Security deposit and guarantee	6	6	6	Reserve fund	-	1,221	2,470
				Unappropriated income for the current year	1,221	1,249	873
				(Of this, gross profit)	(1,221)	(1,249)	(873)
				(Total equity)	47,446	68,269	67,828
Total assets	75,435	105,924	125,167	Total liabilities and equity	75,435	105,924	125,167

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 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 expenses	7,771	25,897	4,883	Ordinary income	8,992	27,146	5,757
Operating expenses	2,829	3,983	3,587	Income from grants for operating expenses	3,074	3,808	3,418
Commission expenses	3,357	21,237	609	Operational income	476	1,243	1,022
General and administrative expenses	467	647	533	Revenues from subsidies, etc.	280	404	380
Finance expenses	17	27	155	Trustee income	3,357	21,237	609
Miscellaneous losses	1,100	2	-	Income regarding return for provision for bonuses	-	105	107
Temporary losses	547	1,275	-	Income regarding return for provision for retirement benefits	-	220	141
Loss on retirement of fixed assets	2	0	-	Financial revenues	0	0	0
Payments to the national treasury	545	-	-	Reversal of grants for asset collateral operation cost	100	94	74
Transfer of provision for bonuses accompanying accounting standard revision	-	102	-	Miscellaneous income	1,705	35	6
Retirement benefit cost accompanying accounting standard revision	-	1,173	-	Temporary profits	2	1,275	-
Gross profit	1,221	1,249	873	Reversal of grants for asset collateral operation cost	2	0	-
				Income regarding return for provision for bonuses	-	102	-
				Income regarding return for provision for retirement benefits	-	1,173	-
				Reversal of reserve carried forward during former medium-term target period	545	-	-
Total	9,538	28,421	5,757	Total	9,538	28,421	5,757

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