

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 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.)	0.3	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
<b>Total (1+2+3=policy cost(A))</b>	<b>0.2</b>	<b>0.3</b>	<b>+0.0</b>
Analysis period (years)	16 years	16 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)	0.2	0.3	+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	0.3	+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.
			0.3	0.3	-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.
			0.3	0.3	+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.

(3) Year-to-Year comparison analysis (Unit: billion yen)

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost	Simple comparison (before adjustment)	FY2020	FY2021	Simple fluctuation
		0.2	0.3	+0.0
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2021 analysis)	0.2	0.3	+0.0
		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2020)	0.3	+0.0
		0.2	0.3	+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)	0.3
1) Prepayments	-
2) Loan losses	-
3) Others (including profit spread)	0.3

#### 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 FY2021 (0.3 billion yen) in addition to the existing loan balance of 2.7 billion yen (the projected amount as of the end of FY2020).
- The length of analysis period is 16 years (16 years in FY2020), during which all the loans granted in accordance with the project plan for FY2021 are recovered.
- The loans worth 0.3 billion yen extended by the Corporation in FY2021 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, etc. 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 FY2019. 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.

	Result				Estimated	Planned	Assumptions for calculation
FY	2016	2017	2018	2019	2020	2021	2022-2036
Prepayment ratio	0.00%	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 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 FY2019	Outstanding amount at the end of FY2019	FY2021 (planned)
Loans for mining pollution prevention	35.2	2.0	0.3
Loans for bearing expenses	18.3	0.4	0.0
Total	53.5	2.4	0.3

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 FY2019 and provided for 26 areas with loans for those who bear the expenses of pollution removal work between FY1975 and FY2019.

##### 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.

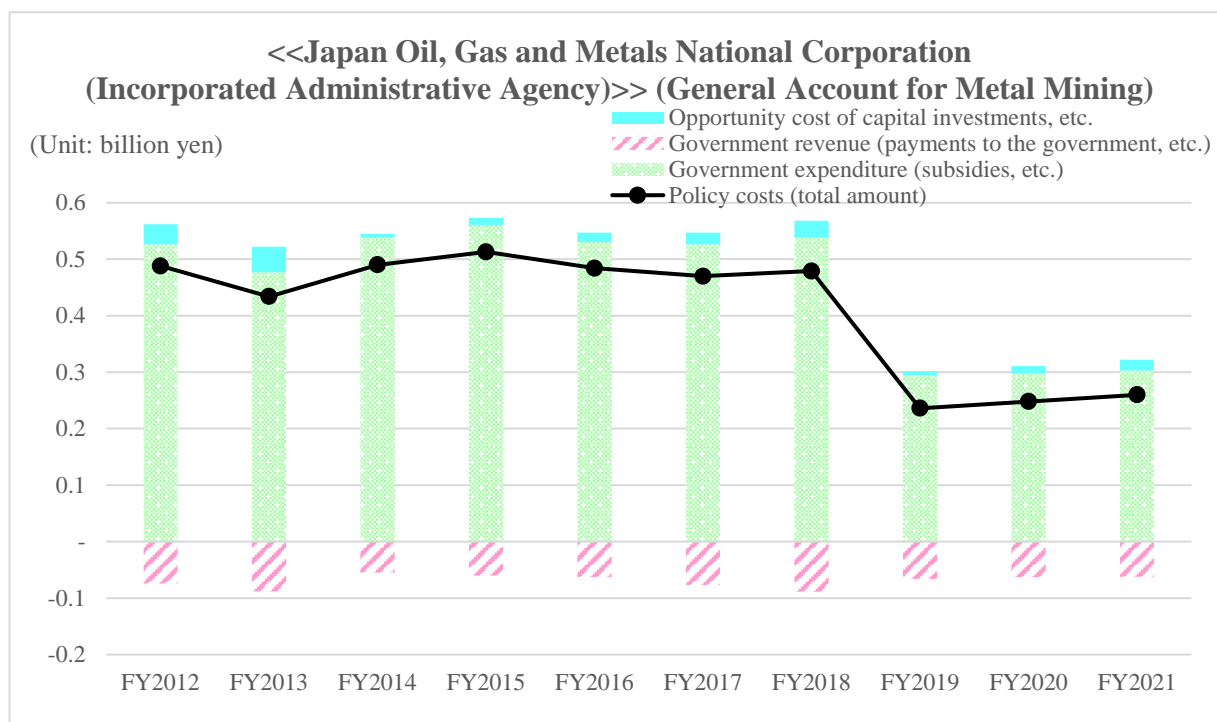
##### •Loans for mining pollution prevention

###### 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)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Policy costs (total amount)	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.2	0.2	0.3
Government expenditure (subsidies, etc.)	0.5	0.5	0.5	0.6	0.5	0.5	0.5	0.3	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 remain in the range of 0.2 billion yen to 0.3 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 (FY2021)】

- The FY2021 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 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 (General Account for Metal Mining)

(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)
<b>(Assets)</b>				<b>(Liabilities and equity)</b>			
Current assets	38,593	33,319	32,865	Current liabilities	18,005	32,748	52,395
Cash and bank deposits	3,256	1,873	1,437	Debt from grants for operation cost	609	-	-
Securities	32,000	31,000	31,000	Long-term loans to be repaid within one year	13,188	32,302	52,274
Accounts receivable	1,298	-	-	Accounts payable	936	-	-
Inventory assets	1,366	-	-	Accrued payments	1,416	-	-
Suspense payment	2	-	-	Accrued expenses	0	12	19
Accrued income	1	1	1	Unpaid consumption tax, etc.	231	332	0
Short-term loans receivable	362	344	326	Advances received	1,521	-	-
Accounts receivable	206	-	-	Deposits payable	2	-	-
Return for provision for bonuses	102	102	102	Allowances			
				Allowance for bonuses	102	102	102
Fixed assets	51,492	70,134	88,719	Fixed liabilities	3,897	3,868	3,790
Tangible fixed assets	9,251	7,848	6,450	Asset collateral liabilities	399	308	222
Buildings	338	300	275	Long-term loans payable	2,264	2,434	2,431
Structures	61	47	34	Provisions			
Machinery and equipment	100	63	31	Allowance for retirement benefits	1,235	1,126	1,137
Ships	8,638	7,344	6,050	(Total liabilities)	21,902	36,615	56,185
Vehicles and transportation equipment	8	7	5	Capital			
Tools furniture and fixtures	106	88	55	Financing by the Government	51,816	51,816	51,816
Intangible fixed assets	77	75	72	Capital surplus	8,609	7,294	5,980
Investment and other assets	42,164	62,211	82,197	Capital surplus	27,386	27,386	27,386
Affiliated companies stock	38,700	58,700	78,700	Other administrative costs accumulated	- 18,777	- 20,091	- 21,406
Long-term loan receivable	2,224	2,380	2,354	Retained earnings	7,758	7,727	7,603
Security deposit and guarantee	6	6	6	Reserve carried forward during former medium-term target period	5,375	5,375	5,375
Return for provision for retirement benefits	1,235	1,126	1,137	Reserve fund	1,221	2,384	2,353
				Unappropriated income or loss for the current year	1,163	- 31	- 124
				(Of this, gross profit or loss)	(1,163)	(- 31)	(- 124)
				(Total equity)	68,183	66,838	65,399
<b>Total assets</b>	<b>90,086</b>	<b>103,453</b>	<b>121,584</b>	<b>Total liabilities and equity</b>	<b>90,086</b>	<b>103,453</b>	<b>121,584</b>

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	FY2019 (Result)	FY2020 (Estimated)	FY2021 (Planned)	Item	FY2019 (Result)	FY2020 (Estimated)	FY2021 (Planned)
<b>(Losses)</b>				<b>(Profits)</b>			
Ordinary expenses	22,927	17,188	4,861	Ordinary income	24,089	17,157	4,737
Operating expenses	3,230	4,170	3,613	Income from grants for operating expenses	3,073	4,028	3,476
Commission expenses	19,091	12,409	562	Operational income	1,075	16	18
General and administrative expenses	535	529	538	Revenues from subsidies, etc.	367	380	339
Finance expenses	14	22	148	Trustee income	19,091	12,409	562
Miscellaneous losses	57	58	-	Income regarding return for provision for bonuses	102	102	102
Temporary losses	1,275	0	-	Income regarding return for provision for retirement benefits	193	82	148
Loss on retirement of fixed assets	0	0	-	Financial revenues	1	9	0
Transfer of provision for bonuses accompanying accounting standard revision	102	-	-	Reversal of grants for asset collateral operation cost	99	107	86
Retirement benefit cost accompanying accounting standard revision	1,173	-	-	Miscellaneous income	89	24	6
Gross profit or loss (-)	1,163	- 31	- 124	Temporary profits	1,276	0	-
				Gain on sales of fixed assets	1	-	-
				Reversal of grants for asset collateral operation cost	0	0	-
				Reversal of asset collateral subsidies	0	-	-
				Income regarding return for provision for bonuses	102	-	-
				Income regarding return for provision for retirement benefits	1,173	-	-
<b>Total</b>	<b>25,365</b>	<b>17,157</b>	<b>4,737</b>	<b>Total</b>	<b>25,365</b>	<b>17,157</b>	<b>4,737</b>

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