

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 FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
0.3	2.4

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2021	FY2022	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))	0.3	0.3	+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	FY2021	FY2022	Fluctuation
(A) Policy cost (previously cited)	0.3	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	0.3	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.	-	-	-

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2021	FY2022	Simple fluctuation
		Simple comparison (before adjustment)	0.3	0.3
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)			Real fluctuation (2-1)
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2021)	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 loans (+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 FY2022 (previously cited)	0.3
1) Prepayments	-
2) Loan losses	-
3) Others (including profit spread)	0.3

(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	-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.
0.3	0.3	+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

- The estimation is made based on the assumption that loans are granted in accordance with the project plan for FY2022 (0.3 billion yen) in addition to the existing loan balance of 2.4 billion yen (the projected amount as of the end of FY2021).
- The length of analysis period is 16 years (16 years in FY2021), during which all the loans granted in accordance with the project plan for FY2022 are recovered.
- The loans worth 0.3 billion yen extended by the Corporation in FY2022 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 FY2020. No allowance for loan losses was booked due to the feasibility of collection from collateral. It should be mentioned that the allowance for loan losses 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 FY2022 onward.

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

FY	Result				Estimated 2021	Planned 2022	Assumptions for calculation 2023-2037
	2017	2018	2019	2020			
Prepayment ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	Same as left
Loan write-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 FY2020	Outstanding amount at the end of FY2020	FY2022 (planned)
Loans for mining pollution prevention	35.4	2.0	0.3
Loans for bearing expenses	18.3	0.4	0.0
Total	53.7	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 FY2020 and provided for 26 areas with loans for those who bear the expenses of pollution removal work between FY1975 and FY2020.

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.

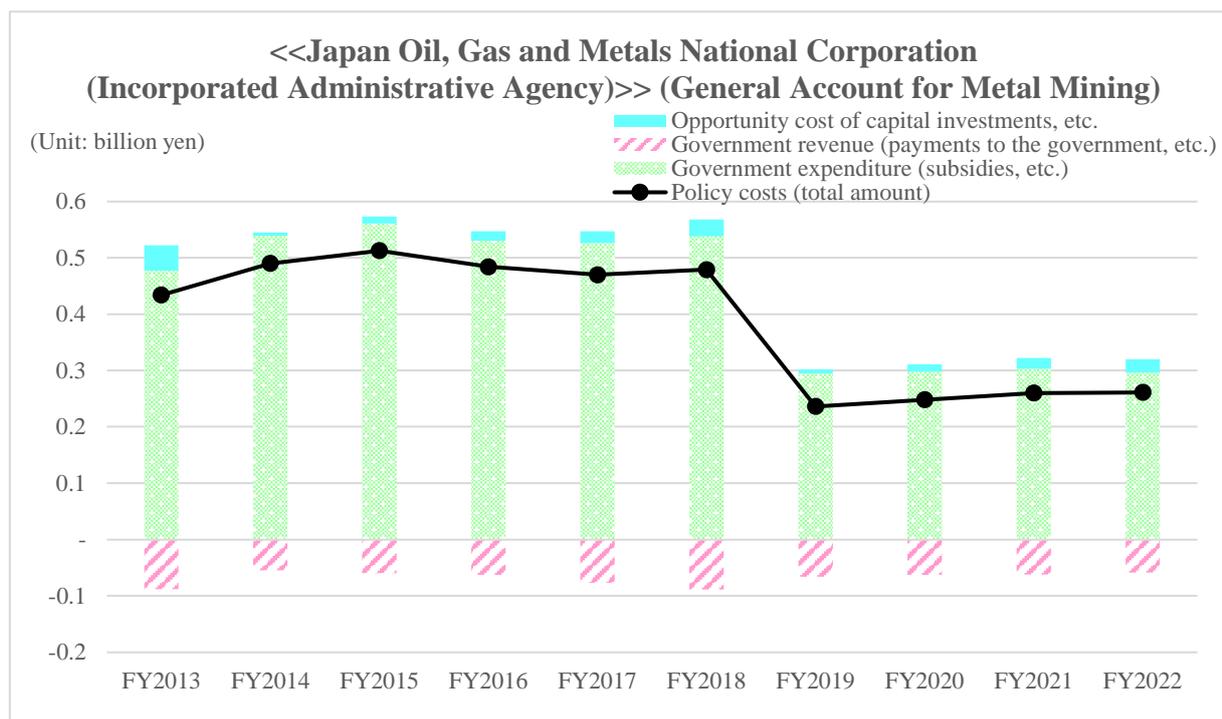
•Loans for mining pollution prevention

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)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Policy costs (total amount)	0.4	0.5	0.5	0.5	0.5	0.5	0.2	0.2	0.3	0.3
Government expenditure (subsidies, etc.)	0.5	0.5	0.6	0.5	0.5	0.5	0.3	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 FY2013 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 (FY2022)】

- The FY2022 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 and operating expenses have little impact on the policy cost.

(Reference) Financial Statements

Balance Sheet (General Account for Metal Mining)

(Unit: million yen)

Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)	Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
(Assets)				(Liabilities and net assets)			
Current assets	36,888	23,262	12,868	Current liabilities	16,206	12,561	32,193
Cash and bank deposits	1,621	1,654	2,171	Debt from operational grants	827	-	-
Securities	31,210	21,200	10,300	Current portion of long-term borrowings	12,302	12,105	32,086
Accounts receivable	2,142	-	-	Accounts payable	768	-	-
Inventory assets	1,461	-	-	Accrued payments	429	-	-
Accrued income	1	0	0	Accrued expenses	0	4	11
Short-term loans receivable	344	311	300	Unpaid consumption tax, etc.	253	355	1
Accounts receivable	16	-	-	Advances received	1,532	-	-
Contra-accounts for provision for bonuses	94	96	96	Deposits payable	1	-	-
Fixed assets	67,771	76,329	104,945	Provisions			
Tangible fixed assets	7,893	6,486	5,103	Provision for bonuses	94	96	96
Buildings	305	279	254	Fixed liabilities	3,666	3,549	3,496
Structures	48	35	22	Contra-accounts for assets	347	198	129
Machinery and equipment	68	35	17	Long-term borrowings	2,134	2,131	2,149
Ships	7,344	6,050	4,756	Provisions			
Vehicles and transportation equipment	7	5	4	Provision for retirement benefits	1,182	1,217	1,218
Tools furniture and fixtures	119	82	50	Long-term debts	3	2	1
Construction in progress	3	-	-	(Total liabilities)	19,873	16,110	35,689
Intangible fixed assets	73	15	12	Capital			
Investment and other assets	59,805	69,829	99,829	Government investment	51,816	51,816	51,816
Affiliated companies stock	56,537	66,537	96,537	Capital surplus	7,294	5,980	4,665
Long-term loans receivable	2,080	2,069	2,068	Capital surplus	27,386	27,386	27,386
Security deposit and guarantee	6	6	6	Other administrative costs accumulated	- 20,091	21,406	- 22,721
Contra-accounts for provision for retirement benefits	1,182	1,217	1,218	Amount equivalent to accumulated depreciation cost	- 18,556	- 19,870	- 21,185
				Amount equivalent to accumulated net gains or losses on sale or disposal	- 1,536	- 1,536	- 1,536
				Retained earnings	7,839	7,849	7,805
				Reserve fund carried over from the previous Mid-term Objective period	5,375	5,375	5,375
				Reserve fund	2,384	2,464	2,474
				Unappropriated income or loss for the current year	80	10	- 44
				(Of this, gross profit or loss)	(80)	(- 10)	(- 44)
				Valuation and translation adjustments			
				Affiliated companies stock valuation differences	17,837	17,837	17,837
				(Total net assets)	84,786	83,482	82,123
Total assets	104,659	99,591	117,812	Total liabilities and net assets	104,659	99,591	117,812

Notes 1. The balance sheet includes amounts 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 FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)	Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
(Losses)				(Profits)			
Ordinary expenses	14,283	17,831	4,835	Ordinary income	14,364	17,842	4,791
Operating expenses	3,295	4,418	3,568	Income from operational grants	3,134	4,313	3,450
Commission expenses	10,434	12,426	649	Operational income	16	13	13
General and administrative expenses	483	594	556	Revenues from subsidiaries, etc.	355	339	340
Finance expenses	10	11	63	Trustee income	10,434	12,426	649
Miscellaneous losses	61	382	-	Income regarding contra-accounts for provision for bonuses	94	96	96
Temporary losses	5	56	-	Income regarding contra-accounts for provision for retirement benefits	158	170	168
Loss on retirement of fixed assets	5	56	-	Financial revenues	9	3	0
Gross profit or loss	80	10	△ 44	Reversal of contra-accounts for assets funded by operational grants	109	93	70
				Miscellaneous income	55	387	5
				Temporary profits	5	56	-
				Reversal of contra-accounts for assets funded by operational grants	5	56	-
Total	14,369	17,897	4,791	Total	14,369	17,897	4,791

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