

## Chapter 6

### *Financial Support for Chisso Corporation*

#### Monetary Support financed by the Issue of Prefectural Bonds

As the corporation responsible for the generation of Minamata disease, Chisso Corporation pays compensation to certified victims of Minamata disease.

From 1972, an increase in the number of applications for Minamata disease certification led to an accompanying increase in the number of recognized patients. The recession created by the oil crisis, coupled with the burden of paying compensation soon pushed Chisso into financial difficulty. The company's 1977 balance of accounts showed an accumulated debt of 36.4 billion yen, leading to fears that the company's financial situation could jeopardize the continued payment of compensation.

To deal with this situation, on June 20, 1978, the Government convened a Cabinet meeting "Concerning Minamata Disease Countermeasures". Stipulating that any financial aid to Chisso must adhere to the polluter pays principal, but mindful of the need to ensure that there is no disruption of the compensation payments to Minamata disease victims, and also as a means of contributing to the economic and social stability of the region, Cabinet recommended that Kumamoto Prefecture issue prefectural bonds, the funds from which shall be lent to Chisso to fund the payment of compensation.

In response to the Government's directive, in December, Kumamoto Prefecture submitted a budget proposal for the issue of Prefectural bonds to the prefectural parliament.

After careful deliberation, the prefectural assembly accepted the Government's recommendation. Its endorsement was tempered with an 8 item supplementary resolution, which included demands for additional financial aid to Kumamoto Prefecture for general Minamata Disease programs and stipulated that, as an emergency measure, should any unforeseen circumstance befall Chisso, 100% responsibility shall shift to the national Government.

On December 27 immediately following the assembly decision, Kumamoto Prefecture furnished Chisso with a loan of 335 million yen.

The financial aid provided to Chisso via the issue of Prefectural bonds has been reviewed 6 times in the past. On each occasion, the Government has convened a Meeting of concerned Cabinet Ministers, who have in turn, on each occasion, recommended that Kumamoto Prefecture continue to provide financial support to Chisso through further bond issues. After gaining approval from the prefectural assembly, Kumamoto Prefecture extended each issue by 3 years, when the 1999 (lump-sum) compensation payment will have been completed.

As well as the "patient bonds", which provide for the payment of compensation to certified patients, Kumamoto Prefecture has also issued Prefectural bonds to finance Chisso's portion of the Minamata Bay Pollution Control Project, and finance the company's investment in new plant and equipment. Additional bond issues financed the lump-sum settlements awarded to uncertified victims under the terms of the Government's final solution scheme. At present (end March 2008), Chisso's public liability stands at approximately 154.4 billion yen (including outstanding interest payments).

#### Injection of National Funding through Radical Financial Aid Scheme

The compensation to Minamata disease patients continued to threaten Chisso's commercial survival. As a result of investigations carried out by the political parties and concerned Ministries, on June 9, 1999, the Government unveiled its radical financial aid scheme to all parties concerned. (For detail, see reference materials in appendices.)

Backed by the approval of Kumamoto Prefecture and Chisso's "Rebuilding Scheme", the Government decision on the provision of financial aid was officially ratified on February 8, 2000, with the tabling of a Cabinet memorandum of understanding. (For detail, see reference materials.)

It stipulates; The "Minamata bonds" issued by Kumamoto Prefecture, which have formed the pivotal form of aid for the last 20 years will be abolished from fiscal 2000. After Chisso has paid the compensation due to Minamata disease patients from its operating profit, any remaining funds are to be paid to Kumamoto Prefecture as loan repayments. Any portion of the debt that can not be repaid, as it falls due, will be paid to the prefecture by the Japanese government from the subsidies and grants, or regional finance, provisions of the general budget. (This equates to an estimated 120 billion yen by 2018.) The portion of the debt taken over by the national government is then to be repaid by Chisso at some point in the future. The approximately 27 billion yen provided by the Japanese government to finance the lump-sum payments to uncertified victims is exempt from repayment.