

Summary of Fiscal Year 2012 "Tokyo Metropolitan Government Annual Financial Report"

September 17, 2013
Finance Department

Summary of Fiscal Year 2012 Ordinary Account Settlement

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- The actual balance of revenues and expenses was nearly balanced for five consecutive years.
- The ordinary balance ratio stood at 92.7%.
- In order to deal with the challenges of the metropolitan government while appropriately responding to changes in future social and economic conditions, it is important to continue ensuring financial soundness by conducting constant and thorough reviews of both revenues and expenses.

<Settlement Results> (in billion yen, %)

Item	FY2012	FY2011	Change in amount	Percentage of change
Total annual revenues (A)	6,233.0	6,247.4	(14.4)	(0.2)
Total annual expenses (B)	6,041.8	6,078.8	(37.1)	(0.6)
Proforma balance (C = A - B)	191.2	168.5	22.7	-
Fiscal revenues to be carried forward (D)	190.6	168.1	22.5	-
Actual balance (C - D)	0.6	0.4	0.2	-
Ordinary balance ratio	92.7	95.2	-	-
Ratio of expenses for public bonds	9.80	10.2	-	-
Current TMG bonds balance	5,710.3	5,782.6	(72.2)	(1.2)

<Annual Revenues> (in billion yen, %)

Item	FY2012	FY2011	Change in amount	Percentage of change
Metropolitan taxes	4,257.1	4,149.8	107.3	2.6
Two corporate taxes	1,346.4	1,233.9	112.5	9.1
TMG bonds	341.3	457.2	(115.9)	(25.4)
Other	1,634.7	1,640.5	(5.8)	(0.4)
Total revenues	6,233.0	6,247.4	(14.4)	(0.2)

<Annual Expenses> (in billion yen, %)

Item	FY2012	FY2011	Change in amount	Percentage of change
General expenses	4,377.6	4,450.0	(72.4)	(1.6)
Personnel expenses	1,468.2	1,487.9	(19.7)	(1.3)
Investment expenses	738.6	776.1	(37.4)	(4.8)
Others	2,170.8	2,186.1	(15.3)	(0.7)
Expenses for public bonds	524.9	529.4	(4.6)	(0.9)
Tax-related expenses, etc.	1,139.3	1,099.4	39.9	3.6
Total expenses	6,041.8	6,078.8	(37.1)	(0.6)

<Ratios set forth by the Fiscal Consolidation Law> (Unit: %)

Real deficit ratio	Consolidated real deficit ratio	Real debt payment ratio	Future burden ratio	Capital shortage ratio
-	-	1.0	85.4	-
(5.69)	(10.69)	(25.0)	(400.0)	(20.0)

*1 Without deficit, the real deficit ratio and the consolidated real deficit ratio is not shown.

*2 Without capital shortage, the capital shortage ratios are not shown for every public enterprise account.

*3 Figures in () are figures set forth by the early consolidation standard, etc.

- Actual balance of revenues and expenses: **nearly balanced**

- Ordinary balance ratio: **92.7%**

- Current TMG bonds balance: a year-on-year: **decrease of 1.2% or 72.2 billion yen**

- Metropolitan tax revenues: increased by 2.6% or 107.3 billion yen compared to the previous fiscal year because two corporate taxes increased due to a recovery in corporate profits boosted by reconstruction demand from the Great East Japan Earthquake.

- TMG bonds: decreased by 25.4% or 115.9 billion yen compared to the previous fiscal year as a result of their planned use in light of the financial condition and future financial burdens.

- General expenses: decreased by 1.6% or 72.4 billion yen compared to the last fiscal year mainly due to decreases in personal expenses, investment expenses, and loans receivable despite an increase in social welfare expenses and allowances, etc.

- Tax-related expenses: increased by 3.6% or 39.9 billion yen from the last fiscal year largely due to increases in fiscal adjustment grants for special wards and reserves for the fiscal adjustment funds.

- Real debt payment ratio was **1.0%**.

- Future burden ratio, which represents expected future burdens including those of **local public corporations and third-sector public/private enterprises, was 85.4%**.

Analysis Based on New Public Accounting Procedures

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<Balance Sheet> (in billion yen, %)

Item	FY2012	FY2011	Change in amount
Total assets	32,605.0	32,296.0	308.9
Funds reserved	3,218.8	3,115.7	103.1
Infrastructure assets	14,063.9	13,991.2	72.6
Total liabilities	8,481.9	8,404.2	77.7
TMG bonds	7,297.6	7,279.4	18.2
Total net assets	24,123.0	23,891.8	231.2
Total liabilities and net assets	32,605.0	32,296.0	308.9
Ratio of liabilities to assets	26.0%	26.0%	-

Assets, liabilities, and net assets all increased. The ratio of liabilities to assets was 26.0% (the same level as the end of the previous fiscal year).

- Assets: 32.6050 trillion yen (+308.9 billion yen)
- Liabilities: 8.4819 trillion yen (+77.7 billion yen)
- Net assets: 24.1230 trillion yen (+231.2 billion yen)
- Assets increased mainly due to an increase in funds reserved.
- Liabilities increased mainly due to an increase in TMG bonds.

<Administrative Cost Statement> (in billion yen)

Item	FY2012	FY2011	Change in amount
Ordinary balance			
Ordinary revenues	5,225.3	5,039.1	186.2
Local taxes	4,258.1	4,152.5	105.6
Ordinary expenses	5,079.8	4,983.9	95.8
Tax-related expenses	1,142.2	1,121.3	20.9
Transfer to reserve for retirement allowances	130.2	90.4	39.7
Ordinary balance	145.5	55.2	90.3
Special balance	24.6	1.4	23.2
Balance for the current period	170.2	56.7	113.5

The administrative cost statement indicates that the balance for the current period stood at 170.2 billion yen (+113.5 billion yen), and revenues continued to exceed expenses.

- Ordinary revenues increased (+186.2 billion yen) mainly due to an increase in metropolitan tax revenues (+105.6 billion yen).
- Ordinary expenses increased (+95.8 billion yen) mainly due to an increase in tax-related expenses (+20.9 billion yen).

<Cash Flow Statement> (in billion yen)

Item	Amount
Balance of administrative service activities	376.9
Balance of social capital improvement activities	(281.1)
Balance of administrative activities cash flow	95.7
Balance of financing activities	(73.1)
Balance brought forward from the previous year	168.5
Proforma balance (brought forward to the next year)	191.2

- The balance of administrative service activities cash flow stood at 95.7 billion yen in net revenues.
- The balance of financing activities was 73.1 billion yen in net expenses because the redemption expenses of TMG bonds exceeded the revenues raised through their issuance.
- The proforma balance, found by the balance of administrative activities cash flow, the balance of financing activities and the balance brought forward from the previous year exceeded expenses by 191.2 billion yen.

TMG Comprehensive Financial Statements

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<Balance Sheet> (in billion yen)

Item	FY2012	FY2011	Change in amount
Total assets	47,308.7	47,009.3	299.3
I Current assets	2,925.1	2,610.2	314.8
II Fixed assets	44,377.3	44,392.2	(14.9)
III Deferred assets	6.2	6.8	(0.5)
Total liabilities	14,678.0	14,866.8	(188.7)
I Current liabilities	1,798.3	1,457.4	340.9
II Fixed liabilities	12,879.6	13,409.4	(529.7)
Total net assets	32,630.6	32,142.5	488.0
Total liabilities and net assets	47,308.7	47,009.3	299.3

- The net asset ratio, which shows net assets as a percentage of total assets, increased. (FY2011: 68.4% → FY2012: 69.0% (+0.6 points))

- Seven of eleven public enterprise accounts were in surplus in the current balance and net profit/loss for the current period.
- 10 joint-stock companies among administrative bodies were in surplus in the current balance and net profit/loss for the current period.
- It is important to gain an accurate picture of financial conditions of the entire TMG and maintain a manageable financial burden for TMG into the future.

[Analysis of TMG's Finances] -Financial Management in FY2012-

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Unstable TMG's Fiscal

○ Metropolitan tax revenues in FY2012 increased for the first time in five years, but they remained at the same level as they were at immediately after the global financial crisis .

○ Metropolitan tax revenues have fluctuated widely along with economic fluctuations.

(FY1991–FY1994) Revenues decreased by about 1 trillion yen

(FY2001–FY2003) Revenues decreased by about 0.5 trillion yen

(FY2007–FY2011) Revenues decreased by about 1.3 trillion yen

○ In order to promote necessary projects under the unstable fiscal structure, TMG bonds and funds are used as fiscal resources to fill the gap between metropolitan tax revenues and expenses for administrative activities (the amount calculated by subtracting funds reserved and expenses for public bonds from total expenses).

(FY1993: Tax revenues decreased rapidly after the collapse of the economic bubble)

• Gap: About 2.5 trillion yen

• Amount of TMG bonds and funds used: About 1.3 trillion yen

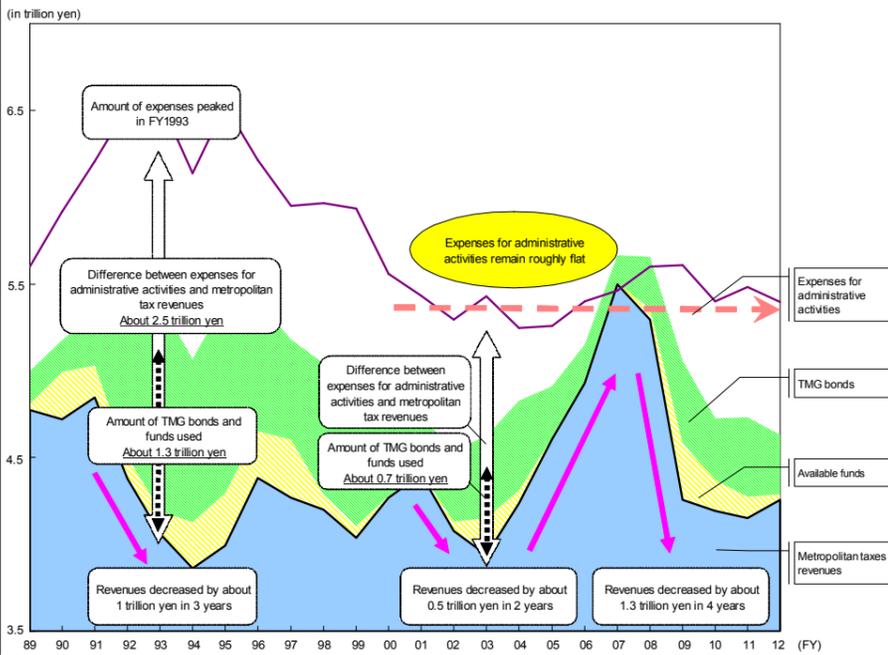
(FY2003: Tax revenues decreased significantly again)

• Gap: About 1.5 trillion yen

• Amount of TMG bonds and funds used: About 0.7 trillion yen

○ The reason the amount of TMG bonds and funds used decreased significantly is the restriction of expenses for administrative activities in the effort of fiscal reconstruction.

○ Since FY2000, expenses for administrative activities have been maintained at a roughly constant level by the planned use of TMG bonds and funds.



○ Examine how TMG's finances have changed assuming revenues in FY1993 were 1,000 million yen.

TMG's finances

(in 1/700,000 scale)
(in million yen)

Item	FY 1993	FY2003 Compared to FY1993		FY2012 Compared to FY2003	
		Change in amount	Percentage of change	Change in amount	Percentage of change
Annual revenues	1,000	888 (111)	(11) %	879 (8)	(1) %
TMG bonds	170	65 (104)	(61) %	48 (17)	(26) %
Annual expenses	991	866 (125)	(13) %	852 (13)	(2) %
Expenses for administrative activities	925	766 (159)	(17) %	761 (4)	(1) %
Personnel expenses	243	233 (9)	(4) %	207 (26)	(11) %
Investment expenses	288	105 (182)	(63) %	104 (1)	(1) %
Allowances, etc.	241	316 74	31 %	337 21	7 %
Expenses for public bonds	49	93 44	90 %	74 (19)	(20) %
(Reference (1)) Balance of TMG bonds	581	1,075 493	85 %	806 (269)	(25) %
(Reference (2)) Balance of fiscal adjustment funds	25	11 (14)	(56) %	58 47	427 %

⇒ TMG implements sound financial management by strictly examining each and every measure and constantly striving to enhance their efficiency and effectiveness.

FY2003
• Compared to FY1993, while expenses for public bonds increased, expenses for administrative activities such as personnel expenses and investment expenses decreased significantly.

FY2012
• Compared to FY2003, while personnel expenses decreased by 11%, expenses for administrative activities decreased only by 1%
⇒ Fiscal resources were properly applied to necessary projects.

• The amount of TMG bonds issued fell below expenses for public bonds.

⇒ The TMG bonds balance decreased steadily.

• The balance of fiscal adjustment funds increased (more than quadrupled relative to FY2003).

• Meanwhile, given that allowances, etc., are increasing and the rapid aging of the population is expected, attention should be given in the future to financial management.

TMG's Fiscal Management in the Past

(Reference) Other prefectures' finances

(in 1/4,300,000 scale)
(in million yen)

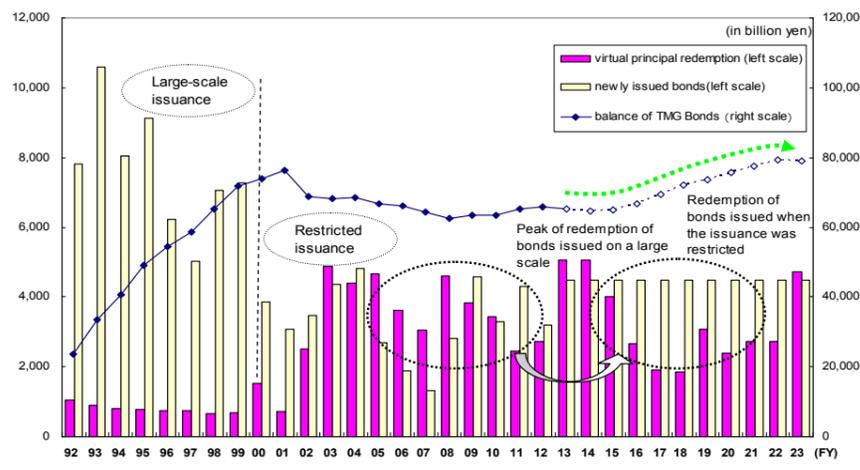
Item	FY1993	FY2003 Compared to FY1993		FY2012 Compared to FY2003	
		Change in amount	Percentage of change	Change in amount	Percentage of change
Annual revenues	1,000	1,011 11	1 %	1,067 55	5 %
Local government bonds * Amounts in () exclude temporary financial countermeasure bonds	140	167 (26)	19 %	152 (14)	8 %
Annual expenses	981	994 12	1 %	1,043 49	5 %
Expenses for administrative activities	895	843 (52)	(6) %	830 (12)	(1) %
Personnel expenses	300	318 17	6 %	292 (25)	(8) %
Investment expenses	343	229 (114)	(33) %	150 (78)	(34) %
Allowances, etc.	97	146 48	49 %	211 64	44 %
Expenses for public bonds	71	140 68	96 %	146 6	4 %
(Reference (1)) Balance of local government bonds * Amounts in () exclude temporary financial countermeasure bonds	695	1,608 (912)	131 %	1,894 (286)	18 %
(Reference (2)) Balance of fiscal adjustment funds	12	8 (4)	(33) %	15 7	88 %

Use of TMG Bonds and Funds in TMG's

TMG bonds - Planned use in a medium and long term

○ Since FY2000, when the level of investment expenses was being reviewed, the issuance of TMG bonds has been restricted and adjusted depending on tax revenues.

○ Assuming the amount of bonds newly issued after FY2014 is at the same level as the initially budgeted amount in FY2013, the future TMG bonds balance is expected to increase to some extent. Therefore, it is important to issue them systematically, examining a variety of factors such as demographic changes.



Funds - Securing the balance in light of real revenue shortfalls

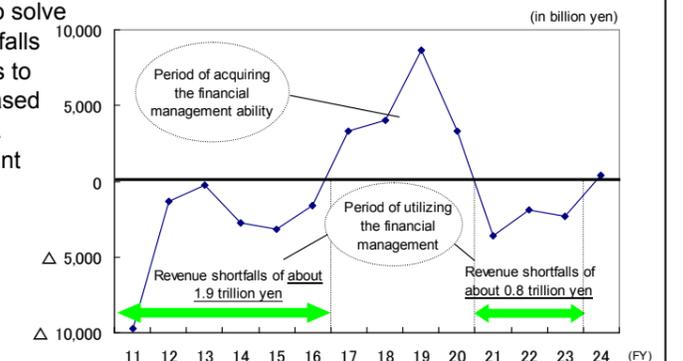
○ The balance of funds available as fiscal resources is expected to be about 0.9 trillion yen at the end of FY2013, significantly decreasing from 1.5 trillion yen at the end of FY2008.

○ TMG's finances are broken down into two periods; "a period of acquiring the financial management ability" by reserving funds and restricting the issuance of TMG bonds, and "a period of utilizing the acquired financial management ability."

○ In the period of utilizing the financial management ability, "the amount of real revenue shortfalls" is estimated as follows using the amount of reversal of funds and TMG bonds used to make up for decrease in tax revenues.

(FY1999–FY2004) About 1.9 trillion yen (FY2009–FY2011) About 0.8 trillion yen

⇒ It takes a few years to solve the virtual revenue shortfalls and there are challenges to be noted, such as increased social welfare expenses. Accordingly, it is important to secure the balance of funds in maintaining the financial base that supports policy development now and in the future.



Need to Strengthen the Financial Base

○ The following challenges need to be dealt with from now on.

• One out of three Tokyo citizens will be senior in 2035; thus, substantial increases in the burden on the metropolitan government related to social security are expected.

• Since social capital stocks such as bridges that were built during the Japanese economy's high-growth period will reach their renewal deadlines all at once in the future, their maintenance and renewal will be needed.

• Under these circumstances, TMG is required to boldly take measures that lead Japan's growth and to challenge TMG's big issues while appropriately responding to socioeconomic changes.

○ It is necessary to strengthen the financial base by securing the balance of funds in addition to promoting the reform of the metropolitan government by strictly examining all measures and enhancing their efficiency and effectiveness. Furthermore, we will continue to lobby the national government to absolutely abolish the provisional measures on the corporate enterprise tax.