



Tokyo Metropolitan Government



Bureau of Finance, July 2014





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- Unless otherwise noted, figures in this material until FY2012 indicate settlement amounts, and figures for FY2014 are original budget amounts. The fiscal year commences on 1st April and ends 31st March.
- Figures have been rounded off to the unit indicated without the adjustment of fractional amounts. Therefore, the sum of these figures may not coincide with totals shown.



(1) Tokyo as Center of Japanese Economy

(2) Ample, Independent and Solid Financial Base

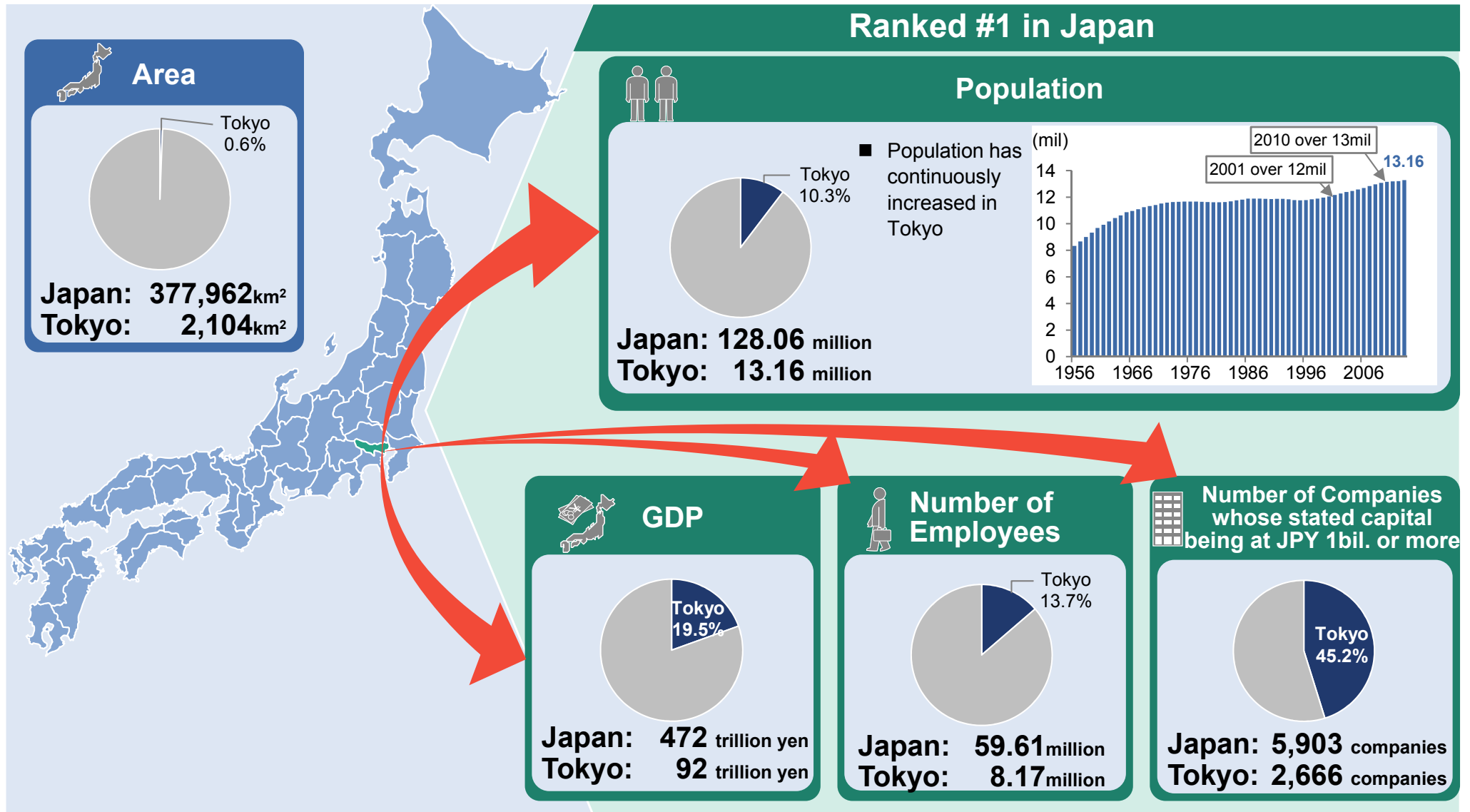
(3) Systematic Safety of Local Government Bonds

(4) TMG's commitment to the International Capital Markets



I. Overview of Tokyo

(1) Center of Japanese economy



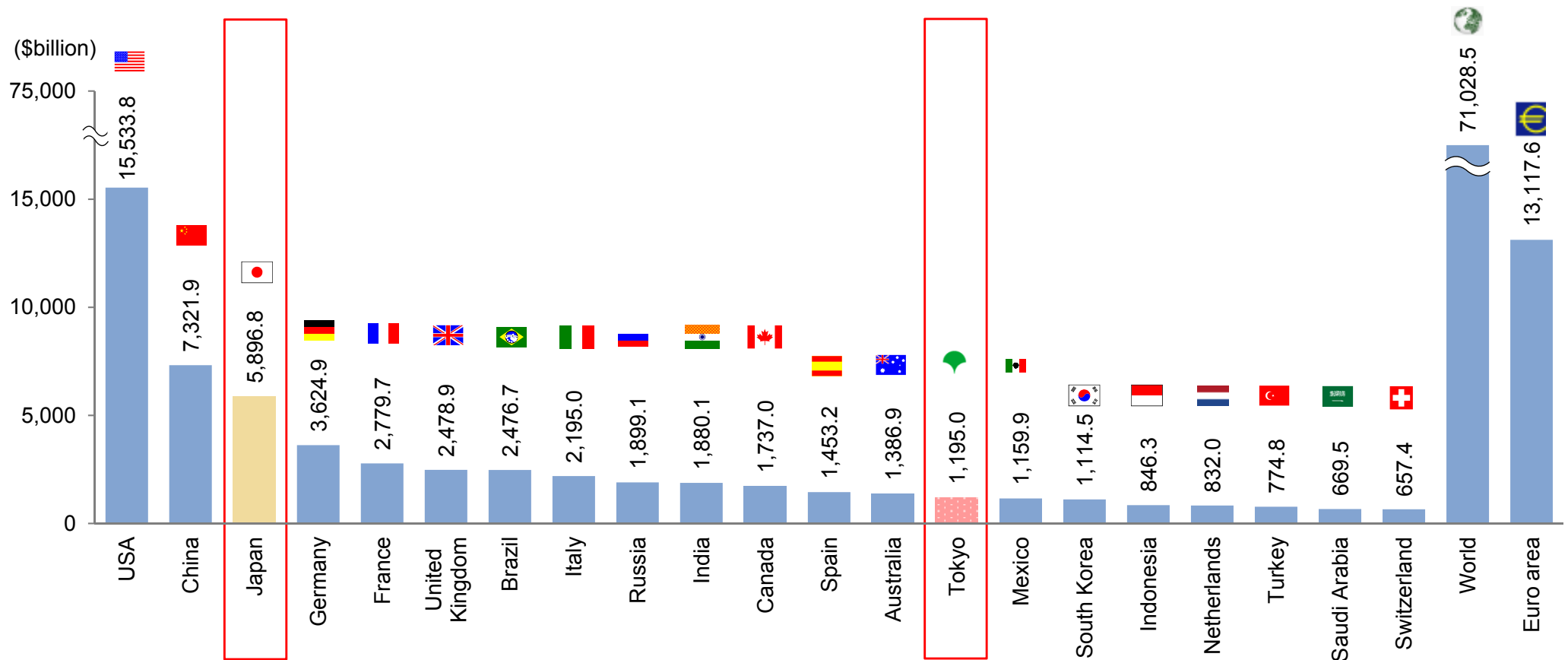
Sources: 2013 Statistical reports on the land area by prefecture and municipalities in Japan by Geospatial Information Authority of Japan 2005, 2010 Population Census, and 2012 Economic Census for Business Activity by the Statistics Bureau, Ministry of Internal Affairs and Communications FY2011 Annual Report on Prefectural Accounts, Cabinet Office, Government of Japan 2010 Survey of Selected Service Industries by Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry

(2) World's largest economies



- Japan is ranked #3 in the world in GDP among countries, and Tokyo would rank 14th if compared in this scale

GDP (US\$) Top 20 Countries in 2011



Sources: GDP Indicator per country: World Bank, GDP for Tokyo Prefecture: FY2011 Annual Report on Prefectural Accounts, Cabinet Office

Note: The GDP of Tokyo is on fiscal year accounting basis.

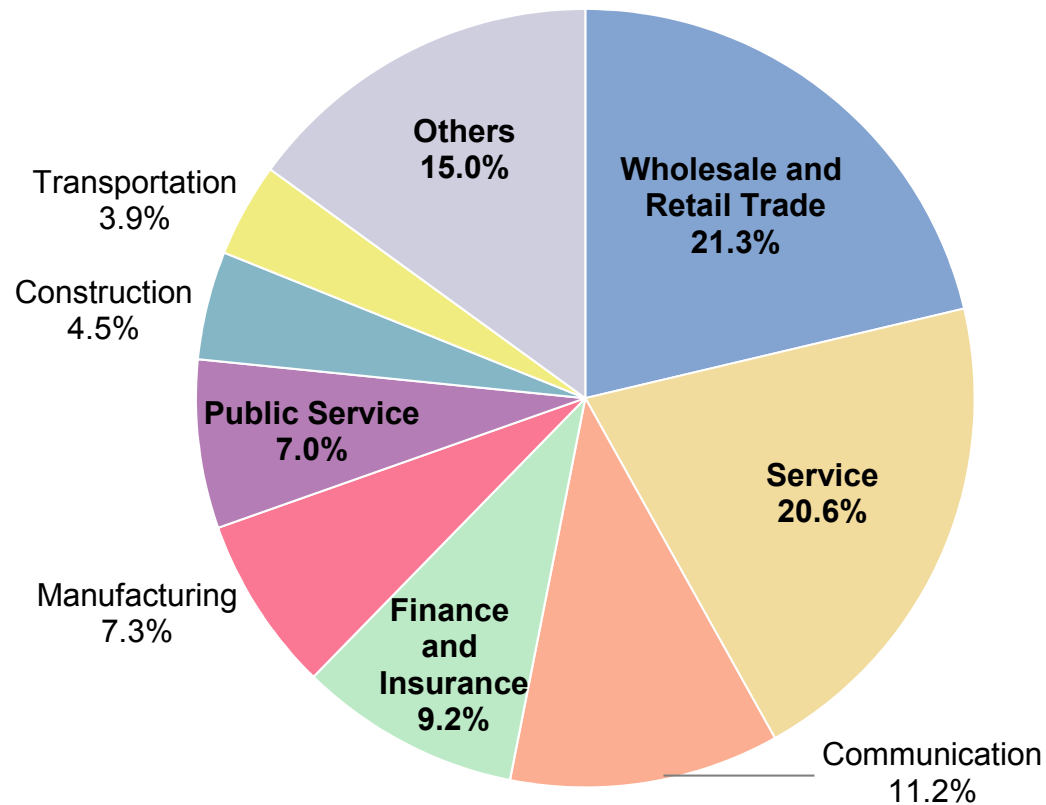
Applied following FX rate as of December 30, 2011: 1USD = JPY 76.99 to TMG's GDP

(3) Diverse, well-balanced economy



- Tokyo's economy is supported by diversified industries, which will not be seriously damaged by fluctuations of specific industries

Tokyo's Diverse Economy



Source: Annual Statistical Report on Prefectural Accounts: FY2011 by Bureau of General Affairs, Tokyo Metropolitan Government



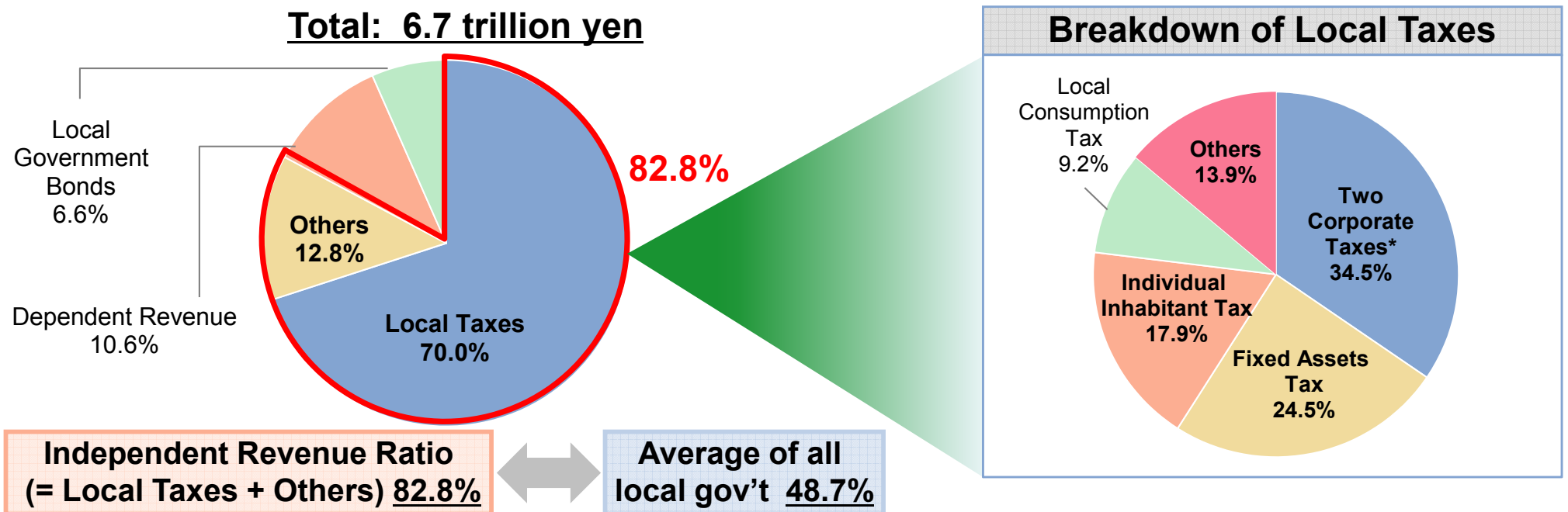
II. Financial Highlights

(1) Independent & ample revenue sources



- The Tokyo Metropolitan Government (TMG) is authorized to levy and collect local taxes, which forms the core of independent revenues
- The ratio of TMG's independent revenues is considerably high, which enables flexibility in its fiscal management without depending on the central government
- Japan's consumption tax went up from 5% to 8% on April 1, 2014, which included an increase of local consumption tax from 1% to 1.7%

Breakdown of the TMG's Revenues (FY2014 General Account Budget)



*Independent revenue means a revenue which a local government can raise on its own without depending on the central government, i.e., local taxes, usage charges, charges for services, commission, property revenue and miscellaneous revenue, etc.

*Two Corporate Taxes include corporate enterprise tax and corporate inhabitant tax.

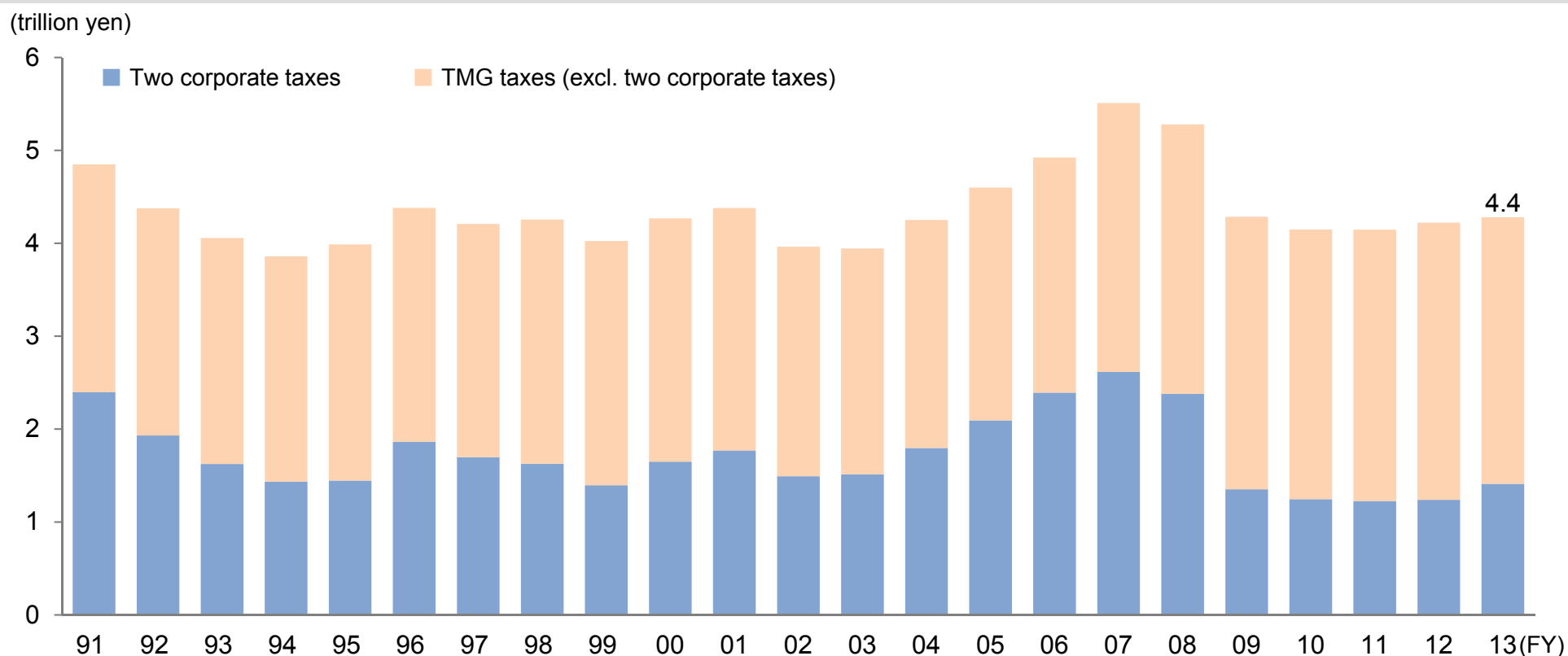
Source: Ministry of Internal Affairs and Communications

(1) Independent & ample revenue sources (cont'd)



- TMG has been well-funded by its local taxes continuously
- TMG has never received tax allocations* from the central government

Trends in TMG Tax Revenue



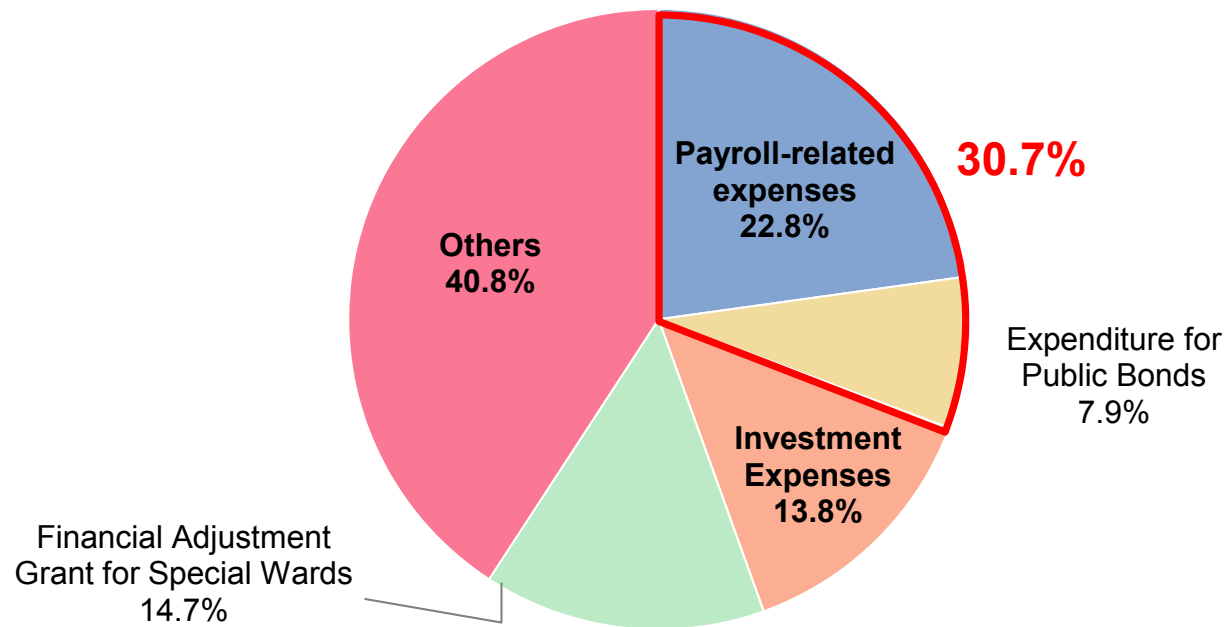
*If revenues of a local government do not meet the demands, the central government allocates some proportion of tax revenues to the local government for the purpose of ensuring an appropriate level of government services; this system is called local allocation tax systems and started from 1954.

(2) High flexibility of expenditure



- TMG's low mandatory spending allows for flexible fiscal management

Breakdown of TMG's Expenditure (FY2014 General Account Budget)



Mandatory Fixed Expense *
30.7%



Average of all local gov't
40.1%

In the breakdown of TMG's expenditure, "Others" include Public Enterprise Accounts Money Drawn, subsidiary and loan, etc.

Source: Ministry of Internal Affairs and Communications

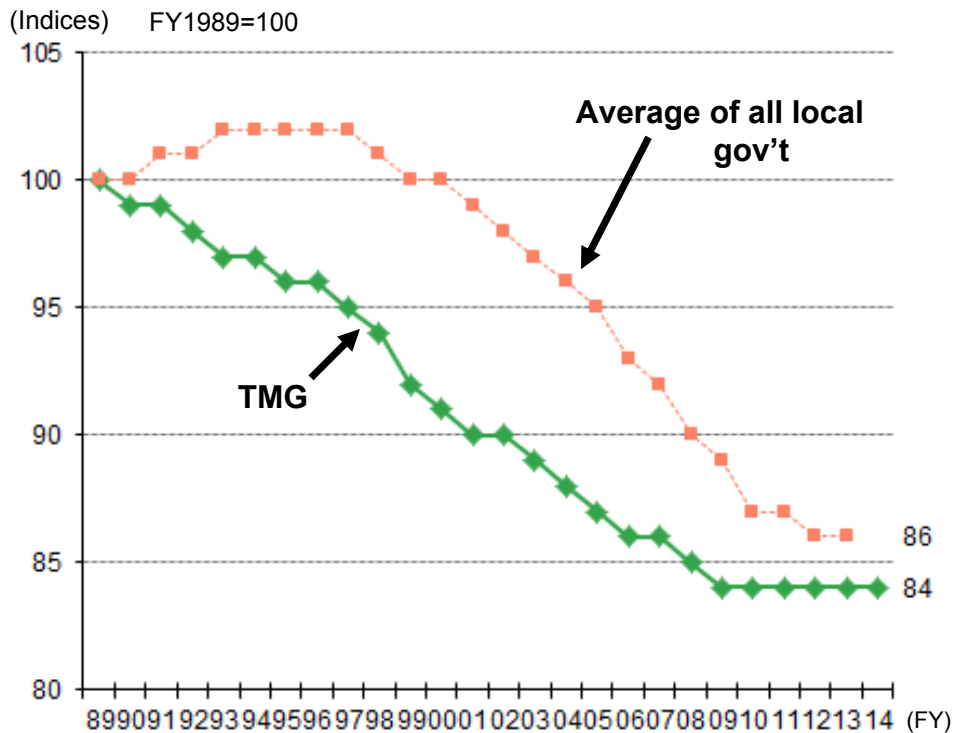
* Mandatory Fixed Expense = Payroll-related expenses + Expenditure for Public Bonds

(3) Sound financial management



- TMG has been promoting administrative and financial reform through optimal management of number of staff and general expenditure
- The streamlining of expenditures leads sound budgetary performance

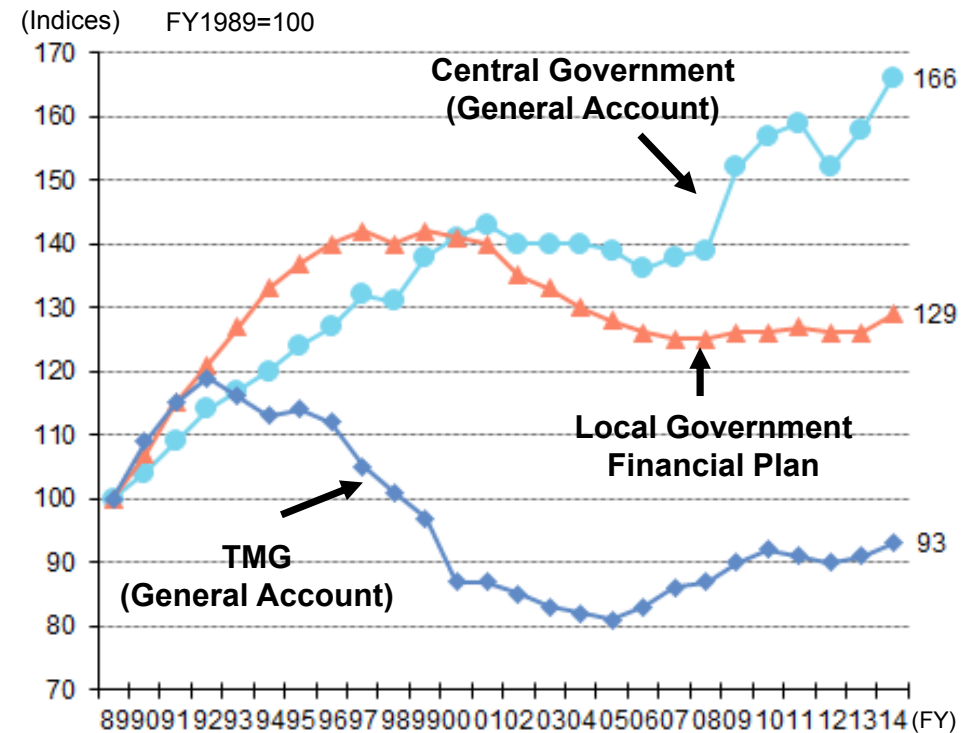
Trends in the Number of Staff



Full number of staff for TMG, and number of staff for all local governments. TMG figures exclude the decreased number of staff after the waste disposal operation was transferred to the special wards.

Source: Overview of local government staff management survey results in 2013, Ministry of Internal Affairs and Communications. Overview of the number of staffs in FY2014, Tokyo Metropolitan Government

Trends in General Expenditure



Based on the original budget draft.

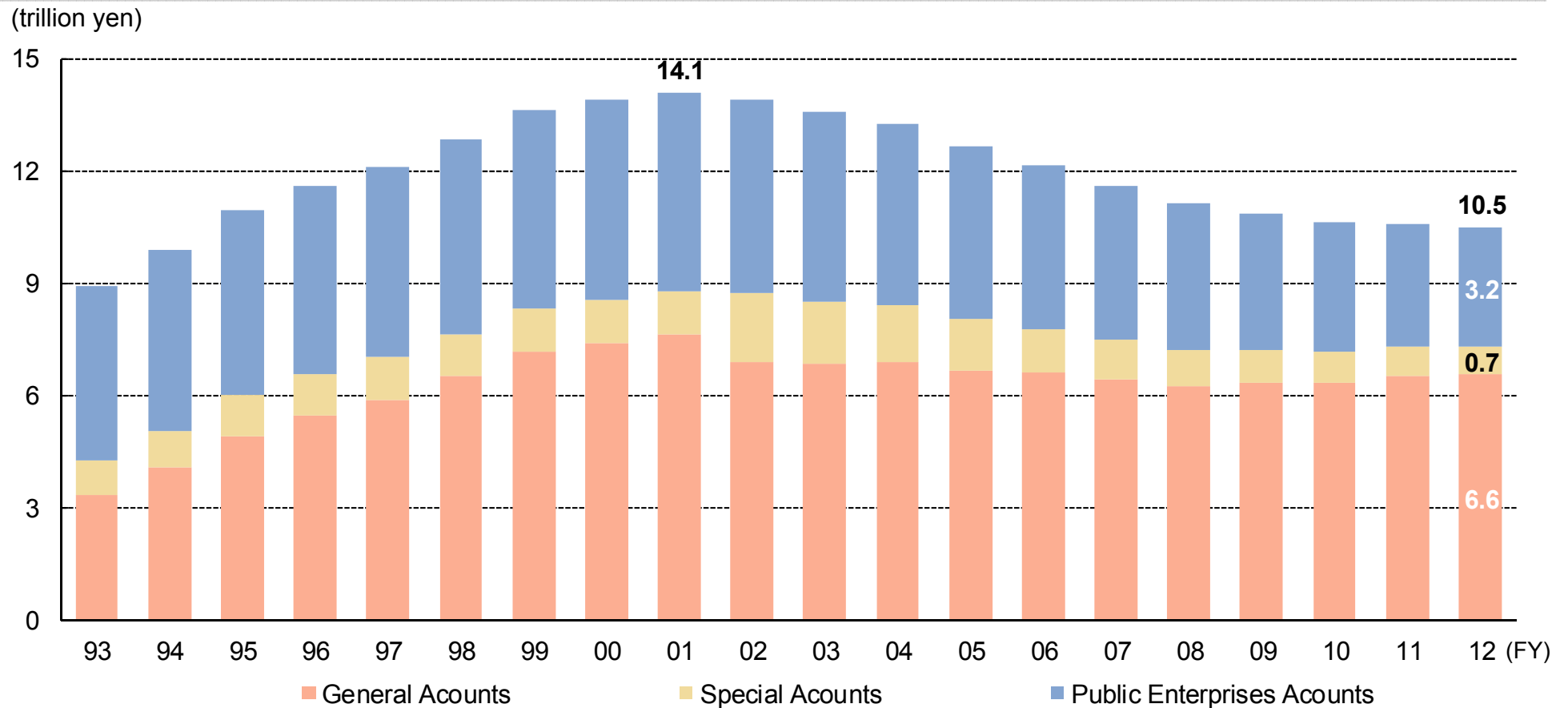
Source: The comparisons in the original budget of FY2014 among TMG, local government, and central government, Tokyo Metropolitan Government

(3) Sound financial management (cont'd)



- TMG's debt outstanding has been reduced from its peak in FY2001

Trends in TMG Debt Outstanding (All Accounts)

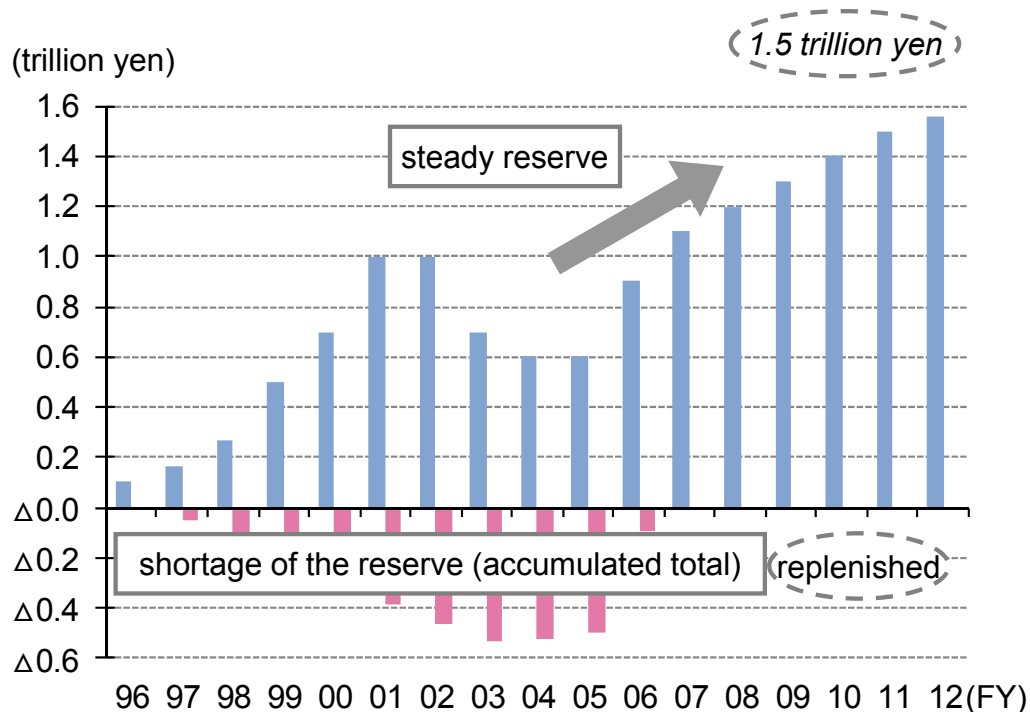


(4) Being ready for future obligations



Sinking Fund

- TMG reserves a sinking fund to address future obligations
- TMG has reserved sinking fund equivalent to 20%+ of the outstanding TMG bonds in its general account in FY2012



Reserve Fund

- TMG has established various reserve funds to prepare for future financial demands and economic fluctuations
- As at 31st March 2013 (FY2012 results) TMG had roughly 1.2 trillion yen set aside as funds to be used for general purposes in the future including financing 2020 Tokyo Olympics

(billion yen)

**As at 31st March 2013
(FY 2012 Results)**

Reserve Fund	
Funds for General Purposes	
Adjusting Fund for Finance	417.9
Social infrastructure improvement fund	303.0
Welfare and health fund	15.6
Hosting reserve fund for Olympic	410.3
Others	4.0
Sub total	1,150.8
Funds for Special Purposes	229.3
Sinking Fund	1,558.7
Total	2,938.8

(5) Comparison of TMG and Japan



- The outstanding balance of TMG's public bonds is low relative to its tax revenues, and TMG has kept its dependence on new bond issues low

	FY2014 Budget	
	TMG	Japan
Rating (Moody's / S&P) (Domestic bonds)	- / AA-	Aa3 / AA-
(International bonds)	- / AA-	Aaa / AA-
Dependence on new bond issues	6.6%	43.0%
Outstanding balance of public bonds	6.4 trillion yen	780 trillion yen
(vs. tax revenues)	1.4 times	15.6 times
(vs. GDP)*	7.0%	165.3%
Deficit-covering bonds	-	35.25 trillion yen

Source: Ministry of Finance, TMG.

* Dependence on new bond issues represents the ratio of total new bond issues total annual revenues.

* Outstanding JGBs include reconstruction bonds.

*GDP data based on World Bank

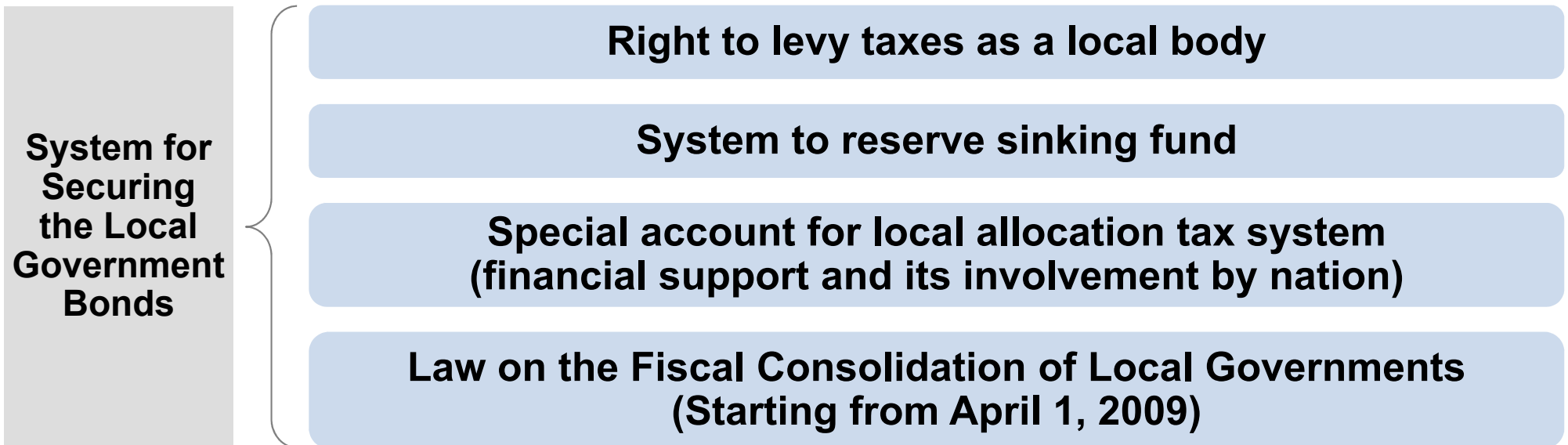


III. TMG Bonds

(1) Safety of Local Government Bonds



- The level of risk associated with Japan's local government bonds is considerably low

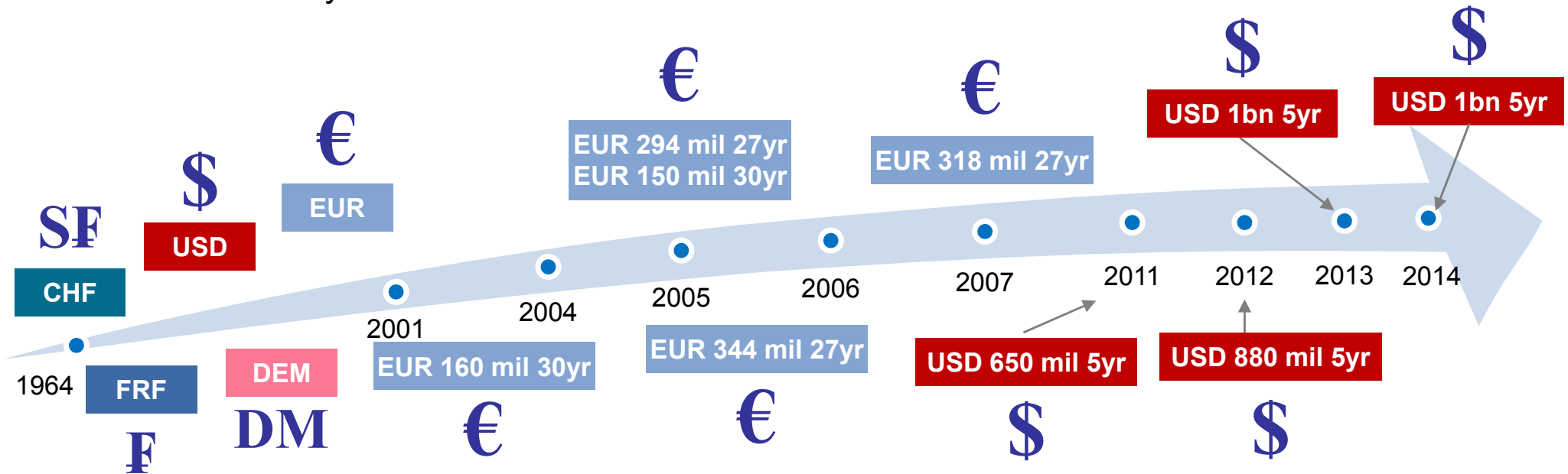


- **Secures the reliability of local government bond redemptions**
- **There has been no default on local government bond payments to date**

(2) TMG's commitment to the International Capital Markets



- Since 1964, TMG has issued bonds in the international markets and has variety of experience in terms of currency



Category	Issue Date	Issue Amount	Maturity	Coupon Rate	Credit Ratings
Euro-Dollar	May 20, 2014	USD 1,000 mil	5yr	2.125%	AA- (S&P)
Euro-Dollar	June 6, 2013	USD 1,000 mil	5yr	1.625%	AA- (S&P)
Euro-Dollar	June 8, 2012	USD 880 mil	5yr	1.750%	AA- (S&P)
Euro-Dollar	Jan 27, 2012	USD 650 mil	5yr	1.875%	AA- (S&P)
Euro-Euro	Jan 31, 2008	EUR 318 mil	27yr	4.900%	-
Euro-Euro	Jun 21, 2006	EUR 344 mil	27yr	4.700%	-
Euro-Euro	Nov 29, 2005	EUR 150 mil	30yr	4.270%	-
Euro-Euro	Jun 2, 2005	EUR 294 mil	27yr	4.260%	-
Euro-Euro	Nov 8, 2004	EUR 160 mil	30yr	5.070%	-

* Fiscal year basis.

(3) TMG's Issuance Plan for FY2014



Plan for FY2014 Public Offering

	2014										2015			FY2014 Total (billion yen)
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
10-year bond (Monthly issues)	30	50	30	About 30-50 billion yen, once a month									440	
Middle-term bond (3, 5, 7yr)				About 20 billion yen each time									40	
Super long-term bond (20, 30yr)			20yr 30	About 20 billion yen each time									60	
Tokyo Revitalization Bond (Retail 3-year bond)				About 20 billion yen, once a year									20	
International bond		5yr 102.3											102.3	
Flex Term*				70 billion yen									70	

Total 730 billion yen

- This plan is subject to change at any time.
- This plan is as of July 1st, 2014.
- * Flex term is not set in advance to secure flexibility in bond issuance and some parts of this could be allocated to the international bond.



(4) Credit Rating and BIS Risk Weight

- TMG bonds are deemed to be one of the safest bonds in Japan from the regulatory viewpoint, having the same rating as Japan sovereign generally and zero BIS risk weight

Credit Rating

S&P: AA- / Negative
(Long-Term Issuer Credit/Both foreign and domestic currency denominated)
TMG's indicative credit level is 'aa' , which is above Japan's AA- sovereign ceiling

- Strengths of TMG in the opinion of Standard & Poor's*
 - 1) "Stronger independent revenue sources than any local or regional government in Japan"
 - 2) "Demonstrates a good record of financial disclosure, long-term fixed-rate financing, and a prudent liquidity policy"
 - 3) "Olympics-related capital expenditures are already funded"
- Indicative Credit Level*
 - "In our view, TMG's intrinsic credit strength is higher than AA-. We assign an indicative credit level (ICL) of 'aa' to TMG"

BIS Risk Weight

Type of Bonds	BIS Risk Weight
Government Bonds	0%
Government-Guaranteed Bonds	0%
TMG Bonds	0%
FILP Institutional Bonds	10%
Bank Debentures	20%

Zero ratings are for domestic investors in Japan. For overseas investors, will depend on confirmation of relevant regulatory authority in each country. (However, ordinary local government bonds are from 10% to 20%.)

* Source: Standard & Poor's report. Title: "RatingsDirect, Tokyo Metropolitan Government" Sep. 5th 2013



IV. 2020 Tokyo Olympics



■ TMG will host Olympic and Paralympic Games in 2020

- TMG's cost burden would be approximately 25% of the total budget
- The construction cost for sports venues out of the total budget would be JPY 455 billion
- The Hosting Reverse Fund will be able to cover all estimated expenses to the Tokyo 2020 Olympic and Paralympic Games

(100 million yen)

Total Budget: JPY7,340			
	Total : (a)	TMG : (b)	Ratio : (b) / (a)
OCOG Budget	3,013	70	2.32%
Non-OCOG Budget	4,327	1,760	40.67%
Capital Investments	3,855	1,559	40.44%
Operations	472	201	42.58%
Total	7,340	1,830	24.93%

Construction Cost out of Total Budget

	Total : (a)	TMG : (b)	Ratio : (b) / (a)
Construction cost for venues	4,554	1,538	33.77%
Permanent venues	3,831	1,538	40.15%
Temporary venues	723	0	0.00%

■ TMG's Hosting Reserve Fund

- TMG has established the Hosting Reserve Fund of JPY410.3 billion as at March 31st, 2013 for the construction and upgrade of infrastructure and city owned venues related to the Games

■ Economic Effects

	(100 million yen)		(person)
	Increase in Demand	Economic Ripple Effects	Employment Inducement
Tokyo	9,600	16,700	84,000
Japan	12,200	29,600	152,000

Source: Tokyo 2020 Candidature File as of January 8, 2013

Source: Tokyo 2020 Bid Committee as of June 7, 2012



V. Appendix

FY2012 Results - Ordinary Account



- The real balance is close to even
- From FY2011 to FY2012, TMG's total tax revenue rose by 2.6 percent due to an increase in revenue from 2 major corporate taxes

Ordinary Account Results

(100 million yen)

classification	FY2012	FY2011	Increase/ Decrease	Rate of Change
Annual revenue	62,330	62,474	-144	-0.2
Metropolitan tax	42,571	41,498	1,073	2.6
TMG bonds	3,413	4,572	-1,159	-25.4
Others	16,347	16,405	-58	-0.4
Annual expenditure	60,418	60,788	-371	-0.6
General expenditure	43,776	44,500	-724	-1.6
Expenditure for public bond	5,249	5,294	-46	-0.9
Others	11,393	10,994	399	3.6
Formal balance	1,912	1,685	227	-
Fiscal revenue to be carried forward	1,906	1,681	225	-
Real balance	6	4	2	-

- Ordinary Account
 - A conceptual, statistics-based type of account which was restructured to be consistent with the Account of local governments in accordance with standards set by the Ministry of Internal Affairs and Communications
 - 13 Special Accounts were added to the General Account; using this accounting system, the net total is calculated eliminating overlap between Accounts

These figures reflect the cash flows until 31st May in the following fiscal year which are attributable to the receivables and payables accrued in the relevant fiscal year.

FY2012 Results - Public Enterprise Accounts



- The Accounts of Hospitals, Urban Redevelopment Project and Transportation are in the red
- TMG is making ongoing efforts to effect management reforms and ensure sustainable improvement in services

Public Enterprise Accounts Results

(100 million yen)

Account	Profit/Loss Account			Capital Account		
	Revenues	Expenditures	Current Balance	Revenues	Expenditures	Capital Balance
Hospitals	1,526	1,527	-1	71	109	-39
Central Wholesale Market	178	167	11	88	191	-103
Urban Redevelopment Project	185	223	-39	193	697	-504
Waterfront Area Development Project	559	260	299	21	165	-144
Port and Harbor Project	47	28	19	0	17	-17
Transportation	464	484	-19	40	85	-45
Urban Rapid Transit Railway	1,444	1,307	137	518	952	-434
Electric Power	11	9	1	0	0	0
Waterworks	3,423	3,094	329	165	1,176	-1,010
Industrial Waterworks	13	13	0	0	1	0
Sewerage	3,219	2,933	287	2,057	3,870	-1,813

The "Capital Balance" figures in the above table do not take into account any balances transferred between fiscal years or any deficit compensations made. The profit/loss account is an account that records current revenues and expenditures relating to the operation of the business, such as fee revenues, payroll expenses, rent, operating costs, interest expenses and depreciation expenses. The capital account is an account that records capital revenues and expenditures, such as revenue from borrowings, revenue from the sale of properties, expenditures for construction and improvement and expenditures for repayment of borrowings.

Financial Indicators and the Ratios – Trends in key financial indicators



- Owing to its administrative and financial reforms, TMG has implemented sound and flexible financial management policies

(%)

	Details	Results					
		FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Ordinary Balance Ratio	Measures the flexibility of the financial structure; the lower it is, the more flexibility there is.	80.2 (99.7)	84.1 (101.4)	96.0 (111.9)	94.5 (109.9)	95.2 (110.0)	92.7 (109.6)
Debt Expenditure Burden Ratio	The ratio of "general financial resources appropriated to debt expenditure" to the entire amount of general finances.	11.3 (18.6)	13.0 (19.3)	12.1 (18.8)	10.6 (18.9)	10.2 (19.4)	9.8 (19.7)
Financial Capability Index	The higher the index, the more financial leeway there is.	1.319 (0.50)	1.406 (0.52)	1.341 (0.52)	1.162 (0.49)	0.961 (0.47)	0.864 (0.46)
Real Debt Payment Ratio*	The ratio of the "general revenue resources appropriated to pay off bonds" to the "standard financial scale".	8.7 (13.5)	5.5 (12.8)	3.1 (13.0)	2.2 (13.5)	1.5 (13.9)	1.0 (13.7)
Future Burden Ratio*	The ratio of "future debts including those of the public-private joint sector as well as expected future debts on the General Account" to the "standard financial scale".	82.9 (222.3)	63.8 (219.3)	77.0 (229.2)	93.6 (220.8)	92.7 (217.5)	85.4 (210.5)

• Figures shown in parentheses are the average of other local governments (prefectures).

*Defined in the Law on the Financial Consolidation of Local Governments.

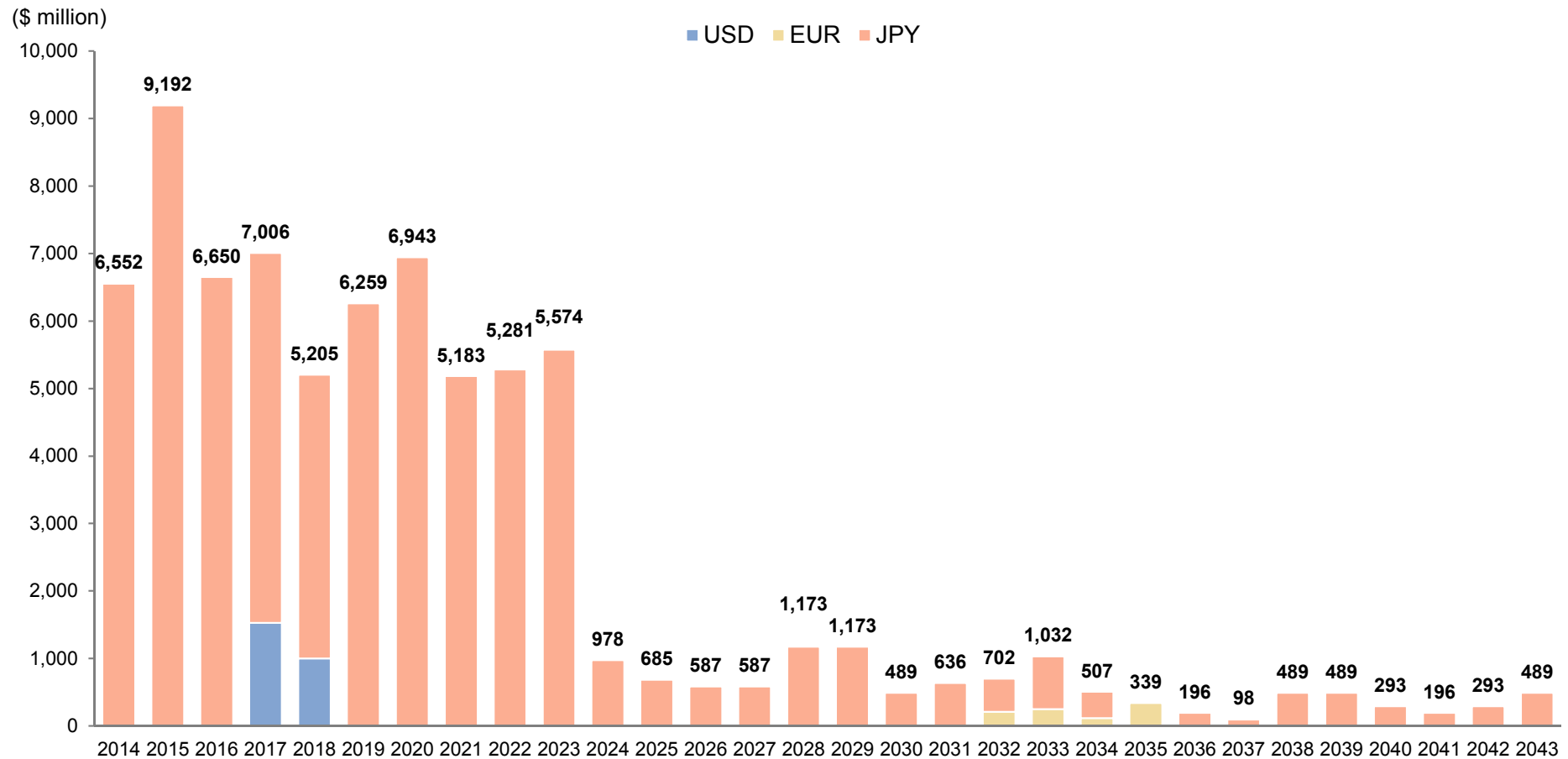


- TMG formulated a development plan, Tokyo Vision 2020 in December 2011, which continues to steadily promote the measures of “Tokyo’s Big Change – The 10-year plan –” introduced in 2006. This plan aims to clarify the metropolitan government’s future vision of TMG and the direction of policies to be implemented; have Tokyo overcome the damages of the 2011 earthquake and tsunami and continue to develop

The Key Projects for Eight Goals

Goal 1: Disaster Management	Preparation for disasters such as an earthquake directly under North Tokyo Bay and Tokyo	Goal 5: Industrial Power and the Allure of the City	Provision with business support raising industrial power centering on Tokyo
Goal 2: Energy	Promotion of power energy reform	Goal 6: Measures to Low Birthrate and Aging Population	Realization of a highly livable Tokyo for all
Goal 3: Water & Greenery	Creation of the city surrounded by water and greenery	Goal 7: Development of Human Resources and Employment	Education system reform and Provision of employment support
Goal 4: Transportation Network	Promotion of Metro network reform and further Internationalization of Haneda Airport	Goal 8: Sports	Realization of “Sports City Tokyo”

Maturity profile of outstanding issues



Position as of March 31, 2014

Applied following FX rate as of March 31, 2014: 1USD = JPY 102.26, 1USD = EUR 1.38



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