

Summary of Fiscal Year 2017 "Tokyo Metropolitan Government Annual Financial Report"

Summary of Fiscal Year 2017 Ordinary Account

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- The actual balance of revenues and expenses was 125.3 billion yen in the black.
 - This is due to the promotion of persistent reforms such as further thorough efforts to eliminate any wasteful aspects with an eye to the future, etc.
- The ordinary balance ratio and the ratio of expenses for public bonds both maintained low levels (conditions of high fiscal flexibility)

<Settlement Results> (in billion yen, %)

Item	FY2017	FY2016	Change in amount	Percentage of change
Total annual revenues (A)	7,304.4	7,122.5	181.9	2.6
Total annual expenses (B)	6,827.5	6,743.9	83.6	1.2
Proforma balance (C = A - B)	476.9	378.6	98.3	-
Fiscal revenues to be carried forward (D)	351.6	249.4	102.2	-
Actual balance (C - D)	125.3	129.2	(3.9)	-
Ordinary balance ratio	82.2	79.6	-	-
Ratio of expenses for public bonds	8.5	7.3	-	-
Current TMG bonds balance	4,305.0	4,654.7	(349.7)	(7.5)

- Actual balance of revenues and expenses was 125.3 billion yen **in the black**
- Ordinary balance ratio was **82.2%**
- Ratio of expenses for public bonds was **8.5%**
- Current TMG bonds balance was a year-on-year **decrease of 7.5% or 349.7 billion yen**

<Annual Revenues> (in billion yen, %)

Item	FY2017	FY2016	Change in amount	Percentage of change
Metropolitan taxes	5,289.2	5,318.0	(28.7)	(0.5)
Two corporate taxes	1,850.9	1,892.6	(41.8)	(2.2)
Local transfer taxes	245.1	235.5	9.6	4.1
National treasury disbursements	389.7	349.1	40.6	11.6
TMG bonds	136.8	152.6	(15.8)	(10.4)
Other	1,243.5	1,067.3	176.2	16.5
Total revenues	7,304.4	7,122.5	181.9	2.6

- Metropolitan tax revenues **decreased by 0.5% or 28.7 billion yen**
 - Decreased revenues from two corporate taxes due to a slump in corporate earnings, etc.
- TMG bonds **decreased by 10.4% or 15.8 billion yen**
 - Appropriate use in light of financial conditions and future financial burdens, etc.

<Annual Expenses> (in billion yen, %)

Item	FY2017	FY2016	Change in amount	Percentage of change
General expenses	4,661.4	4,592.0	69.4	1.5
Personnel expenses	1,496.6	1,494.8	1.8	0.1
Investment expenses	816.4	874.6	(58.2)	(6.7)
Subsidizing expenses	1,434.7	1,355.4	79.3	5.9
Others	913.6	867.1	46.5	5.4
Expenses for public bonds	557.1	476.0	81.1	17.0
Tax-related expenses, etc.	1,609.0	1,675.9	(66.8)	(4.0)
Total expenses	6,827.5	6,743.9	83.6	1.2

- General expenses **increased by 1.5% or 69.4 billion yen**
 - Increases in personnel expenses and subsidizing expenses, etc.
- Expenses for public bonds **increased by 17.0% or 81.1 billion yen**
 - Increases in principal redemption proceeds, etc.
- Tax-related expenses **decreased by 4.0% or 66.8 billion yen**
 - Decreases in reserves for fiscal adjustment funds, etc.

<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
—	—	1.6	12.5	—
(5.47)	(10.47)	(25.0)	(400.0)	(20.0)

- Real debt payment ratio was **1.6%**.
- Future burden ratio was **12.5%**.
- **This is below the standard set by the state.**

*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.

Analysis Based on New Public Accounting

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<Balance Sheet> (in billion yen)

Item	FY2017	FY2016	Change in amount
Total assets	34,622.4	34,041.4	581.0
Fund reserves	4,561.6	4,241.5	320.0
Infrastructure assets	14,720.9	14,598.3	122.6
Total liabilities	6,934.2	7,120.0	(185.7)
TMG bonds	5,849.2	6,059.3	(210.1)
Total net assets	27,688.2	26,921.3	766.8
Total liabilities and net assets	34,622.4	34,041.4	581.0
Ratio of liabilities to assets	20.0%	20.9%	-

Asset/liability stock information analysis

- Assets **increased from the previous year to 34.6224 trillion yen**
- Increased fund reserves, etc.
- Liabilities **decreased from the previous year to 6.9342 trillion yen**
- Decreased TMG bonds, etc.
- Net assets **increased from the previous year to 27.6882 trillion yen**

<Administrative Cost Statement> (in billion yen)

Item	FY2017	FY2016	Change in amount
Ordinary balance			
Ordinary revenues	6,192.8	6,183.4	9.4
Local taxes	5,288.0	5,315.9	(27.8)
National Treasury Disbursements	305.7	267.4	38.2
Ordinary expenses	5,625.5	5,428.1	197.3
Subsidizing expenses, etc.	1,198.4	1,115.7	82.6
Ordinary balance	567.3	755.3	(187.9)
Special balance	120.2	(13.2)	133.5
Balance for the current period	687.6	742.1	(54.4)

Analysis including costs without cash expenses

- Ordinary revenues **increased by 9.4 billion yen**
- Decreased local taxes, increased national treasury disbursements, etc.
- Ordinary expenses **increased by 197.3 billion yen**
- Increased subsidizing expenses, etc.

<Cash Flow Statement> (in billion yen)

Item	Amount
Balance of administrative service activities	841.6
Balance of social capital improvement activities	(390.7)
Balance of administrative activities cash flow	450.8
Balance of financing activities	(352.6)
Balance carried forward from the previous year	378.6
Proforma balance (carried forward to the next year)	476.8

Analysis of factors behind changes in cash flow

- The balance of administrative service activities cash flow stood at **450.8 billion yen** in net revenues.
- The balance of financing activities was **352.6 billion yen** in net expenses.

TMG Comprehensive Financial

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<Balance Sheet> (in billion yen)

Item	FY2017	FY2016	Change
Total assets	47,995.5	47,328.9	666.5
I Current assets	3,193.1	2,936.6	256.4
II Fixed assets	44,802.3	44,392.1	410.1
III Deferred assets	0	0.1	(0)
Total liabilities	14,359.3	14,691.2	(331.8)
I Current liabilities	1,297.0	1,215.9	81.1
II Fixed liabilities	10,823.9	11,227.0	(403.0)
III Deferred revenues	2,238.3	2,248.2	(9.9)
Total net assets	33,636.1	32,637.6	998.4
Total liabilities and net assets	47,995.5	47,328.9	666.5

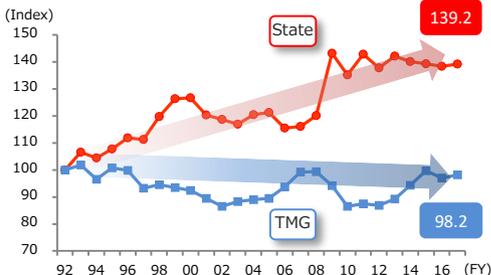
- The scope of TMG Comprehensive Financial Statements covers all TMG accounts (ordinary accounts, "special accounts", and public enterprise accounts), administrative bodies supervised by the TMG (33 bodies), and local independent administrative corporations (3 corporations).
- Assets **increased from the previous year to 47.9955 trillion yen.**
- Liabilities **decreased from the previous year to 14.3593 trillion yen.**
- Net assets **increased from the previous year to 33.6361 trillion yen.**

Consideration of future TMG finances by looking back over past financial management and analysing future financial demands

TMG's financial management to date

Approaches to financial reconstruction implemented ahead of the state and persistent reviews

- While financial results for FY2017 show actual balance of revenues and expenses as 125.3 billion yen in the black, **in the past, maximum deficits in excess of 100 billion yen have been recorded.**
- Metropolitan tax revenues **are largely comprised of the two corporate taxes**, which are susceptible to economic fluctuation, and having never received ordinary local allocation tax, Tokyo **requires financial management that is more self-reliant than other municipalities.**
- TMG engaged in **financial reconstruction efforts ahead of the state**, and has continued with **persistent reviews** even after financial reconstruction was achieved.



*Values have been index converted with values for FY1992 set as 100.

TMG's approaches to financial reconstruction

Reduction of personnel numbers	(Comparison against FY1992)	
	Number of personnel	Down approx. 34%
Reform of administrative bodies	(Comparison against FY1999)	
	Number of bodies/TMG contract employees	Roughly halved
Curbing of investment expenses	(Comparison against FY1992)	
	Investment expenses	Down approx. 60%

Approaches to project review



Realizing healthy financial management

Funds and TMG bonds

- Financial resources created through efforts to curb expenditure **reserved strategically in funds**, and **significant reduction of TMG bonds balance**

< Fiscal adjustment fund balance >

Fund balance depleted
(FY1997 - FY1999)

FY2017

Reserves in preparation for the future
(¥716.5 billion secured)

< TMG bonds >

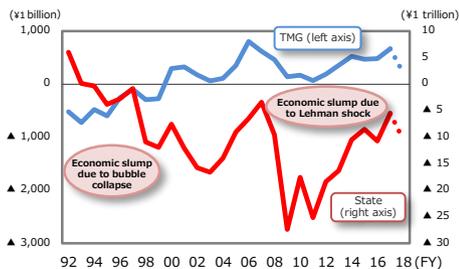
TMG bond peak
(FY2000, ¥7.7 trillion)

FY2017

Through curbs on expenditure
Reduction (- 44%)
⇔ **JGB soared**
(Approx. ¥864 trillion)

Primary balance

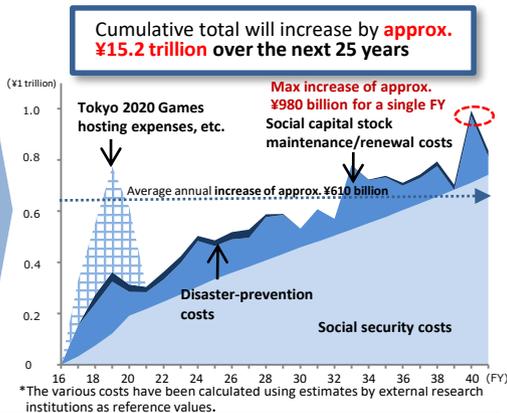
- **When faced with significantly reduced revenues** due to the Lehman shock, the primary balance was **kept in the black through utilization of funds**, etc.



- In order to maintain the stable implementation of measures into the future, persistent autonomous reforms, such as greater efforts to eliminate any wasteful aspects, etc. along with sustained medium to long term financial capabilities that will form the foundation for the implementation of measures, will be essential.

Colossal financial demand facing Tokyo

- The full arrival of a progressively aging society with low birth rate and a declining population, rapid deterioration of owned facilities.
 - ▶ **Significant increases in social security costs and costs for maintaining and renewing social capital stock**
- Risk of disasters such as the Tokyo Inland Earthquake and localized torrential downpours, etc.
 - ▶ The need for the promotion of **intensive and focused measures in preparation for large-scale disasters**
 - ✓ Fire and earthquake resistance works in districts with close-set wooden housing
 - ✓ Measures against torrential downpours, etc.
- Approaches aimed at the success of the Tokyo 2020 Games



The need for further investment in Tokyo

- In order to revitalize Japan as it faces a rapid decline in population/declining birth-rate and aging population, **Tokyo must serve as a strong driving force in Japan**, winning effectively in intensifying worldwide competition among cities, and **proactively implement measures that will lead to sustainable growth for Japan as a whole**

<Examples of approaches that Tokyo can take in order to achieve effective competitiveness in intensifying worldwide competition among cities/economic ripple effect (Examples of results derived from a survey undertaken by an external research institution)>

Examples of approaches/indices considered effective in improving international competitiveness		Economic ripple effect
Enhanced functionality of Haneda Airport	Expanded annual arrival/departure slots (expansion of approx. 39,000)	Approx. ¥700 billion
Enhanced railway networks	Development of 6 lines such as the Haneda Airport Access Line	Approx. ¥2.5 trillion
Development of outer ring roads	Development between the Kan-Etsu Expressway and the Tomei Expressway	Approx. ¥3.9 trillion
Attraction of overseas companies/support for small and medium sized businesses, etc.	Attraction of financial companies (attraction of approx. 200 companies), etc.	Approx. ¥1.8 trillion
Improved receptive environments for overseas travellers, etc.	Attraction of overseas travellers to Tokyo (attraction of approx. 50 million per year), etc.	Approx. ¥1.4 trillion
Barrier-free accessibility on roads and railway stations, etc.	Barrier-free accessibility on city roads that connect stations, daily living related facilities (development of approx. 234km of roads), etc.	Approx. ¥500 billion
Further introduction of renewable energies	Expanded use of electrical power derived from renewable energies (increase to approx. 40%), etc.	Approx. ¥1.3 trillion

[Working towards future financial management]

- A **sustained robust and flexible fiscal foundation** is needed in order to resolve the issues facing Tokyo, maintain steady and efficient progress towards the overall completion of preparations for the Tokyo 2020 Games, and for Tokyo to continue to generate growth.
- In the lead up to the FY2019 tax reforms, motions to take away more of Tokyo's precious financial resources are accelerating, but **this is utterly unacceptable**.
- The **further promotion of autonomous reforms** will be pursued through the utilization of new concepts that the administration does not possess, involving the proactive deployment of strategic measures, and in relation to business reviews, the implementation of new reviews that take **cost/benefit perspectives** into consideration, etc.
- On top of such efforts, with the **strategic and systematic utilization of funds and TMG bonds**, stable financial capabilities will be sustained into the future for the assured fulfilment of missions bestowed upon TMG finances.