

Summary of Fiscal Year 2020 "Tokyo Metropolitan Government Annual Financial Report"

Summary of Fiscal Year 2019 Ordinary Account

Report
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- Due to increases in expenses accompanying measures against Covid-19, and consequent increases in national treasury disbursements, total annual revenues and total annual expenses reached their highest ever recorded values of **9,054.7 billion yen** and **8,609.5 billion yen** respectively.
- **The actual balance was nearly balanced for the first time in five years** (0.9 billion yen).
- **Funds balance was 2.2 trillion yen** (fell by 385.0 billion yen compared to the previous fiscal year) and **TMG bonds balance was 4.0 trillion yen** (increasing by 157.3 billion yen compared to the previous fiscal year), mainly due to the utilization as the financial resources for measures against Covid-19.

Settlement Results

(in billion yen, %)

Item	FY2020	FY2019	Change in amount	Percentage of change
Total annual revenues (A)	9,054.7	8,112.9	941.8	11.6
Total annual expenses (B)	8,609.5	7,581.1	1,028.4	13.6
Proforma balance (C=A-B)	445.1	531.7	(86.6)	-
Fiscal revenues to be carried forward (D)	444.2	404.0	40.2	-
Actual balance (C-D)	0.9	127.7	(126.8)	-
Ordinary balance ratio	8.49	7.44	-	-
Ratio of expenses for public bonds	0.53	0.56	-	-
Funds balance	2,241.7	2,626.7	(385.0)	(14.7)
TMG bonds balance	3,988.9	3,831.7	157.3	4.1

Summary

- **The actual balance was nearly balanced at 0.9 billion yen**
- Mainly due to the decrease in metropolitan tax revenues, **the ordinary balance ratio reached 84.9%** (an increase of 10.5 points compared to the previous fiscal year).
- Mainly due to decreased redemption funds for principal and interest for TMG bonds, **the ratio of expenses for public bonds was 5.3%** (improved by 0.3 points compared to the previous fiscal year)

Annual Revenues

(in billion yen, %)

Item	FY2020	FY2019	Change in amount	Percentage of change
Metropolitan taxes	5,293.0	5,732.6	(439.6)	(7.7)
Two corporate taxes	1,751.9	2,180.1	(428.2)	(19.6)
Local transfer taxes	47.3	271.5	(224.2)	(82.6)
National treasury disbursements	1,220.9	354.8	866.1	244.1
Funds Transfers	680.0	444.3	235.6	53.0
TMG bonds	491.7	138.6	353.1	254.8
Other	1,321.8	1,171.0	150.8	12.9
Total revenues	9,054.7	8,112.9	941.8	11.6

Summary

- Mainly due to the deterioration of corporate earnings attributable to the impact of Covid-19, **metropolitan tax revenues decreased by 7.7% or 439.6 billion yen.**
- Mainly due to reviews of local corporation taxes, **local transfer taxes decreased by 82.6% or 224.2 billion yen.**
- Mainly due to increases in grants from the national government in relation to anti-Covid measures, **national treasury disbursements increased by 244.1% or 866.1 billion yen**

Annual Expenses

(in billion yen, %)

Item	FY2020	FY2019	Change in amount	Percentage of change
General expenses	6,595.6	5,222.4	1,373.2	26.3
Personnel expenses	1,526.2	1,532.1	(5.9)	(0.4)
Investment expenses	843.3	1,117.1	(273.9)	(24.5)
Subsidizing expenses	2,560.2	1,501.1	1,059.0	70.5
Others	1,666.0	1,072.1	594.0	55.4
Expenses for public bonds	388.2	406.0	(17.9)	(4.4)
Tax-related expenses, etc.	1,625.7	1,952.7	(326.9)	(16.7)
Total expenses	8,609.5	7,581.1	1,028.4	13.6

Summary

- Mainly due to the increase in subsidizing expenses for anti-Covid measures, **general expenses increases by 26.3% or 1,373.2 billion yen.**
- Due to the decrease in redemption funds for principal and interest, expenses for **public bonds decreased by 4.4% or 17.9 billion yen.**
- Mainly due to decreases in deposits to the social capital improvement fund and decreased transfers to the special wards fiscal adjustment account, **tax-related expenses decreased by 16.7% or 326.9 billion yen.**

Ratios set forth by the Fiscal Consolidation Law

(in %)

Real deficit ratio	Consolidated real deficit ratio	Real debt payment ratio	Future burden ratio	Capital shortage ratio
-	-	1.4	24.2	-
[5.63]	[10.63]	[25.0]	[400.0]	[20.0]

※ The real deficit ratio and the consolidated real deficit ratio is not shown. And the capital shortage ratios are not shown for every public enterprise account.

※ Figures in [] are figures set forth by the early consolidation standard, etc.

Summary

- Real debt payment ratio was **1.4%**
 - Future burden ratio was **24.2%**
- ⇒ **This is below the standard set by the state.**

Balance Sheet

(in billion yen)

Item	FY2020	FY2019	Change in amount
Total assets	35,436.0	35,188.2	247.7
Administrative assets	8,084.1	7,998.2	85.8
Infrastructure assets	14,972.0	14,754.2	217.8
Funds reserved	4,119.7	4,474.6	(354.9)
Total liabilities	6,678.2	6,510.8	167.3
TMG bonds	5,580.1	5,414.2	165.9
Total net assets	28,757.8	28,677.4	80.4
Total liabilities and net assets	35,436.0	35,188.2	247.7

Summary

- **Administrative assets** such as TMG office buildings and TMG schools, and **infrastructure assets** such as roads, bridges, and ports/harbors, account for about **60%** of the **35,436.0 billion yen** asset total.
- TMG bonds account for about **80%** of the **6,678.2 billion yen** liabilities total.
- Total net assets came to **28,757.8 billion yen**, increased compared to the previous fiscal year.

Administrative Cost Statement

(in billion yen)

Item	FY2020	FY2019	Change in amount
Ordinary balance			
Ordinary revenues	6,892.7	6,683.9	208.7
Local taxes	5,340.3	5,739.5	(399.2)
Ordinary expenses	6,922.2	5,921.9	1,000.2
Subsidizing expenses, etc.	2,338.5	1,331.6	1,006.9
Ordinary balance	(69.5)	716.0	(785.5)
Special balance	72.3	4.0	(68.3)
Balance for the current period	2.8	720.0	(717.2)

Summary

- Total administrative revenues was **6,892.7 billion yen**, of which local taxes accounted for about **80%**.
- Total administrative expenses was **6,922.2 billion yen**, of which **subsidizing expenses, tax-related expenses, and payroll-related expenses** accounted for about **70%**.
- The balance for the current period came to **2.8 billion yen**, decreased by 717.2 billion yen compared to the previous fiscal year.

Cash Flow Statement

(in billion yen)

Item	Amount
Balance of administrative service activities	174.8
Balance of social capital improvement activities	(418.0)
Balance of administrative activities cash flow	(243.2)
Balance of financing activities	156.5
Balance carried forward from the previous year	531.7
Proforma balance (carried forward to the next year)	445.1

Summary

- The balance of administrative activities cash flow stood at **243.2 billion yen in net expenses**, mainly due to increased expenses related to measures against Covid-19.
- The balance of financing activities was **156.5 billion yen in net revenues**, due to anti-Covid measures, which resulted in the **TMG bonds issuance amount exceeding the TMG bonds redemption amount for the first time in nine years**.

TMG Comprehensive Financial Statements

(in billion yen)

Item	FY2020	FY2019	Change in amount
Total assets	49,090.0	49,075.8	14.1
I Current assets	3,593.5	4,173.1	(579.5)
II Fixed assets	45,496.4	44,902.6	593.7
III Deferred assets	0.0	0.0	(0.0)
Total liabilities	13,530.6	13,665.8	(135.1)
I Current liabilities	1,306.7	1,498.1	(191.3)
II Fixed liabilities	10,018.1	9,949.6	68.4
III Deferred revenues	2,205.7	2,218.0	(12.3)
Total net assets	35,559.3	35,410.0	149.3
Total liabilities and net assets	49,090.0	49,075.8	14.1

Summary

- The scope of TMG comprehensive financial statements covers **the ordinary account for TMG itself, 3 special accounts outside of the scope of the ordinary account, 11 public enterprise accounts**, and, for organizations other than TMG, **34 policy cooperation bodies, and 3 local independent administrative corporations**.
- Totals for the TMG comprehensive balance sheet showed **49,090.0 billion yen** for total assets, **increased compared to the previous fiscal year, 13,530.6 billion yen** for total liabilities, **decreased compared to the previous fiscal year, and 35,559.3 billion yen** for total net assets, **increased compared to the previous fiscal year.**

Financial Management during the Covid Crisis

Overview of TMG measures against Covid-19 in FY2020 (General Accounts)

- The TMG is focusing all its strength on countermeasures, through actions such as the formation of successive supplementary budgets.
- The expenses for measures against Covid-19 in FY2020 were actual budget approx. 2 trillion yen, and settled amount approx. 1.7 trillion yen.

Basis of measures	Actual budget (After deduction of amount to be carried forward) (A)	Settled amount (B)	Execution ratio (B/A)
1 Measures to prevent the spread of Covid-19 Spread prevention assistance fund, support for deployment of materials for measures against Covid-19, vaccination system organization, bed securing fee subsidy, benefits for medical personnel, etc., securing recuperation accommodation facilities, increases to the municipal promotion fund, special grants for municipal anti-Covid measures, etc.	885.0 billion yen	708.7 billion yen	80.1 %
2 Reinforcement/enhancement of safety nets that the support economic activities and livelihoods of Tokyo citizens Small and medium enterprise financing system, etc., rent support, format conversion support, employment stability support, livelihood welfare funds loans subsidy, etc.	1,023.2 billion yen	963.4 billion yen	94.2 %
3 Approaches aiming for compatibility between spread prevention measures and socio-economic activities Support for business development to accommodate new lifestyles, expansion of anti-Covid measures in schools, etc.	21.4 billion yen	17.3 billion yen	80.8 %
4 Approaches to overcome immediate crises by promoting transformation of social structures Emergency support to promote working-from-home, environment development for online study at schools, etc.	54.7 billion yen	51.1 billion yen	93.4 %
Total	1,984.4 billion yen	1,740.6 billion yen	87.7 %

Breakdown of financial resources for measures against Covid-19

- The breakdown of financial resources for the TMG's anti-Covid measures in FY2020 is 45.4% national government financial resources and 54.6% TMG financial resources.
- In the TMG's financial resources, fiscal adjustment funds came to 472.1 billion yen, accounting for roughly half of the TMGs financial resources.

FY2020 settled amount – 1,740.6 billion yen



※ In TMG financial resources, "Others" consists of funds excluding fiscal adjustments funds, donations, and miscellaneous revenues, etc.

National government grants related to measures against Covid-19

- In April 2020, the TMG established the "Spread prevention assistance fund", using fiscal adjustment funds as financial resources, as an independent TMG approach.
- The national government later established the "cooperation request promotion section" under the extraordinary grant for regional revitalization, and from November 2020 onwards, each local authority has been able to cover a major proportion of the financial resources of the spread prevention assistance fund with the national government grant.

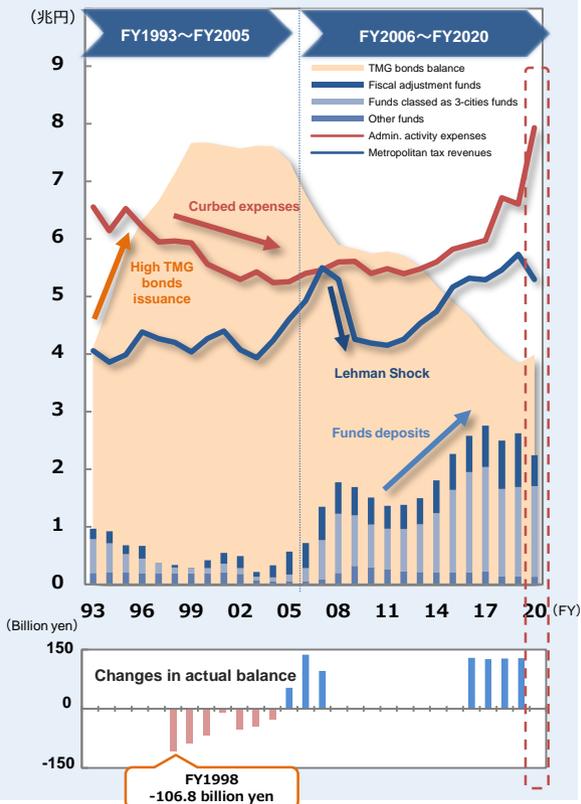
Fiscal adjustment funds

- For the unexpected financial demands accompanying the Covid crisis, 472.1 billion yen was withdrawn and utilized in FY2020. This is the largest ever recorded withdrawal amount for a single fiscal year.

TMG bonds

- In relation to "Covid-19 emergency financing", TMG bonds were utilized as the financial resource for loans (= deposits) to financial institutions. As the financial institutions will return the deposits to the TMG in subsequent fiscal years, the fiscal resource for redemption for this principal is secured against the future, these TMG bonds will be utilized in a format that will not pass burdens down to future generations.

FY1993~FY2005



FY1993~FY2005

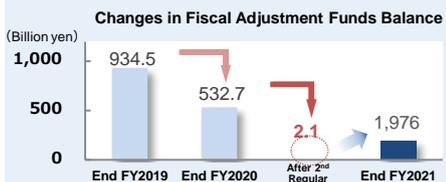
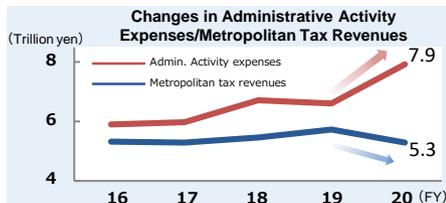
- Following the collapse of the bubble economy, and with significant falls in metropolitan tax revenues, the TMG mirrored the national government's stance on economic measures and maintained high expenses levels through the implementation of public works, etc.
- With the FY1998 Financial Results recording the highest ever actual balance deficit of 106.8 billion yen, the TMG faced a financial crisis.
- The TMG undertook thorough approaches such as internal efforts and reviews/redesign of measures through the reduction of personnel numbers and the curb of investment expenses, etc., and actual balance shifted into the black in the FY2005 Financial Results, marking a close to one chapter of the financial reconstruction process.

FY2006~FY2020

- Project review approaches**
As a part of budget formation, "Project Reviews" is an approach with the purpose of heightening the efficiency and effectiveness of each project. The total amount of financial resources secured from FY2007 reaches approx. 650.0 billion yen.
- Steady deposits into funds and utilization**
To date, the TMG has been steadily making deposits into funds, and even in relation to anti-Covid measures, this has allowed the TMG to accommodate the prompt and appropriate formation of successive supplementary budgets.
- TMG bonds balance reduction**
Through the promotion of curbs on TMG bonds issuance and redemptions, TMG bonds balance, which had reached 7.7 trillion yen as of end FY2007, had been reduced to 3.8 trillion yen as of end FY2019.

Status of TMG Finances

- TMG finances in the Fiscal Year 2020 Financial Results show funds balance at 2.2 trillion yen, a reduction in TMG bonds balance of approx. 50% from peak levels, and even in comparison to past figures, current conditions indicate that financial capabilities are being maintained at a certain level.
- However, metropolitan tax revenues have decreased, and while the outlook for economic trends remains clouded, administrative activity expenses have increased rapidly, and with anticipated increases in demand accompanying anti-Covid measures, there is a need to maintain a close eye on financial conditions.
- Fiscal adjustment funds established in preparation for falls in tax revenues and future financial demands, have been utilized for anti-Covid measures, even into FY2021, and the estimated year-end balance stood at 197.6 billion yen as of September 17, 2021.



* The figure for "After 2nd Regular Meeting" is the estimated year-end balance at the time of closing of the 2021 2nd Regular Meeting of the Tokyo Assembly (June 7), and the figure for "End FY2021" is the estimated year-end balance as of September 17, 2021.

Direction of Future Financial Management

- The struggle against Covid-19 has given greater clarity to the understanding that, when faced with a crisis, **underlying financial capabilities are essential for the flexible implementation of measures**. In addition, it is important to promote the metabolism of measures through **zero-based verification of each project**, in order to respond to various issues appropriately while maintaining financial capabilities.

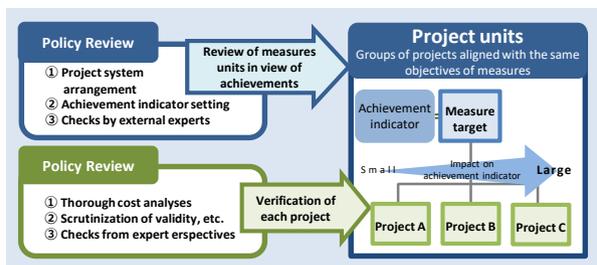
Securing funds balance

- Along with preparation for **such rapid falls in revenues** due to economic fluctuations, etc. and **rapid increases in expenses** in response to crises, in order to **achieve the stable implementation of measures** with an eye to the "post-Covid" era, it is important to **maintain funds balance at a certain level**.

Utilization of TMG bonds

- Taking future burden into consideration, TMG bonds must be **utilized in a planned and strategic manner** that enables the steady promotion of measures in accordance with objectives or conditions.
- In addition, through the issuance of TMG bonds, **the TMG is promoting ESG investment and boosting the realization of SDGs from the financial services sector**.

Integrated implementation of policy reviews and project reviews



- The TMG is undertaking the integrated implementation of "policy reviews", which **set achievement indicators in project units and analyse the effectiveness of each project in the achievement of targets**, and "project reviews", which are approaches to **verify each project on a zero-base and improve efficiency and effectiveness**.
- The TMG will design measures with greater efficiency and effectiveness, by conducting reviews with a greater focus on achievements, etc..

Introduction of mechanisms that promote independent reviews by each bureau

- Even at the budgetary request stage, a **mechanism to promote independent reviews by each bureau** is being implemented.
- In principle, while continuing zero-ceiling, for **projects requiring further reviews, such as projects for which performance falls significantly below targets, the ceiling shall, in principle, be minus 10% of the total amount**.
- With the Covid crisis, the TMG encountered **issues such as falls in tax revenues accompanying economic fluctuations, and the incidence of unexpected financial demands due to crises responses**. While **TMG financial conditions had maintained a certain level of financial capabilities as of the Fiscal Year 2020 Financial Results**, with ongoing difficulties in forecasting future financial environments, there remains a need to maintain a close eye on financial conditions.
- In order to provide high quality stable administrative services from a backdrop of unstable revenue structures that are susceptible to economic fluctuations, it is essential for the TMG to maintain financial capabilities through **steady reviews of projects that need reviewing, and further reinforcement approaches that eliminate wasteful aspects**, as well as the **strategic utilization of funds, and the utilization of TMG bond issue margin built up to date**.
- By promoting the metabolism of measures through **the integrated implementation of policy reviews and project reviews from the perspectives of greater focus on achievements, and the implementation of minus-ceiling to promote independent reviews by each bureau**, limited resources can be allocated to sectors where growth is anticipated, and this will in turn lead to steady fulfilment of the missions imposed on TMG finances.
- By conducting financial management that supports the proactive deployment of measures, the TMG will overcome major crises such as the "threat of infectious diseases", and **realize "sustainable recovery" to enable Tokyo's evolution into stronger and more sustainable city**, and also develop the various approaches refined in the build up to the Tokyo 2020 Games as a legacy for the city of Tokyo, **to enrich the lifestyles of Tokyo's citizens**.