

Summary of Fiscal Year 2023 "Tokyo Metropolitan Government Annual Financial Report"

Summary of Fiscal Year 2023 Ordinary Account

- Due to decreases in national treasury disbursements related to measures against COVID-19, and consequent decreases in expenses, **total annual revenues and total annual expenses were 8,898.7 billion yen and 8,353.3 billion yen respectively.**
- Continuing from the previous fiscal year, actual balance was nearly balanced (6.1 billion yen)**

■ Settlement results

(in billion yen, %)

Item	FY2023	FY2022	Change in amount	Percentage of change
Total annual revenues (A)	8,898.7	9,755.0	△ 856.3	△ 8.8
Total annual expenses (B)	8,353.3	9,188.3	△ 835.0	△ 9.1
Proforma balance (C=A-B)	545.4	566.7	△ 21.3	-
Fiscal revenues to be carried forward (D)	539.3	563.6	△ 24.2	-
Actual balance (C-D)	6.1	3.1	2.9	-
Ordinary balance ratio	81.3	79.5	-	-
Ratio of expenses for public bonds	4.7	4.7	-	-
TMG bonds balance	3,709.5	3,817.8	△ 108.4	△ 2.8

- The actual balance was nearly balanced at 6.1 billion yen.**
- The ordinary balance ratio was 81.3%** (an increase of 1.8 points compared to the previous fiscal year).
- The ratio of expenses for public bonds was 4.7%** (The same level as the previous fiscal year).

■ Annual Revenues

(in billion yen, %)

Item	FY2023	FY2022	Change in amount	Percentage of change
Metropolitan taxes	6,345.1	6,186.9	158.2	2.6
Two corporate taxes	2,329.9	2,269.0	60.8	2.7
Local transfer taxes	64.1	63.8	0.3	0.5
National treasury disbursements	661.6	1,258.5	△ 597.0	△ 47.4
Funds transfers	210.9	778.1	△ 567.1	△ 72.9
TMG bonds	229.3	238.7	△ 9.4	△ 3.9
Other	1,387.8	1,229.1	158.8	12.9
Total revenues	8,898.7	9,755.0	△ 856.3	△ 8.8

- Mainly due to increased revenues from the two corporate taxes as corporate earnings remain strong, **metropolitan tax revenues increased by 2.6% or 158.2 billion yen.**
- Mainly due to decreases in grants related to anti-Covid measures, **national treasury disbursements decreased by 47.4% or 597.0 billion yen.**
- Funds transfers decreased by 72.9% or 567.1 billion yen**, mainly due to decreases in withdrawals from funds.

■ Annual Expenses

(in billion yen, %)

Item	FY2023	FY2022	Change in amount	Percentage of change
General expenses	5,896.6	6,292.3	△ 395.7	△ 6.3
Personnel expenses	1,537.5	1,557.6	△ 20.1	△ 1.3
Investment expenses	790.0	780.6	9.4	1.2
Subsidizing expenses	2,019.3	2,230.3	△ 211.0	△ 9.5
Other	1,549.8	1,723.8	△ 174.0	△ 10.1
Expenses for public bonds	380.8	385.3	△ 4.5	△ 1.2
Tax-related expenses, etc.	2,075.9	2,510.8	△ 434.9	△ 17.3
Total expenses	8,353.3	9,188.3	△ 835.0	△ 9.1

- Mainly due to the decrease in subsidizing expenses for anti-Covid measures, **general expenses decreased by 6.3% or 395.7 billion yen.**
- Mainly due to the decrease in redemption funds for principal and interest, **expenses for public bonds decreased by 1.2% or 4.5 billion yen.**
- Mainly due to decreases in deposits to fiscal adjustment funds, **tax-related expenses decreased by 17.3% or 434.9 billion yen.**

■ 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
-	-	1.3	9.7	-
(5.57)	(10.57)	(25.0)	(400.0)	(20.0)

- The real debt payment ratio was **1.3%**.
- The future burden ratio was **9.7%**.

⇒ This is below the standard set by the state.

※ Without deficit, the real deficit ratio and the consolidated real deficit ratio are not shown. Also, without capital shortage, the capital shortage ratios are not shown for every public enterprise account.
 ※ Figures in () are figures set forth by the national government in the early consolidation standard, etc.

— Ordinary Account Financial Statements —

■ Balance Sheet

Item	(in billion yen)		
	FY2023	FY2022	Change in amount
Total Assets	36,725.4	36,303.3	422.1
Administrative assets	8,082.7	8,100.8	△ 18.1
Infrastructure assets	15,113.8	15,053.3	60.4
Fund reserves	4,405.6	4,222.4	183.1
Total liabilities	6,397.9	6,518.7	△ 120.8
TMG bonds	5,261.5	5,425.0	△ 163.4
Total net assets	30,327.5	29,784.5	542.9
Total liabilities and net assets	36,725.4	36,303.3	422.1

- **Administrative assets** such as TMG schools, and **infrastructure assets** such as roads and bridges, account for **about 60%** of the **36,725.4 billion yen** asset total.
- **TMG bonds** account for **about 80%** of the **6,397.9 billion yen** liabilities total.
- Total net assets came to **30,327.5 billion yen**, an increase of 542.9 billion yen compared to the previous fiscal year.

■ Administrative Cost Statement

Item	(in billion yen)		
	FY2023	FY2022	Change in amount
Ordinary balance			
Administrative revenues	7,544.1	7,840.8	△ 296.6
Local taxes	6,338.6	6,184.9	153.7
Administrative expenses	7,015.0	7,224.5	△ 209.4
Subsidizing expenses, etc.	1,835.6	2,061.3	△ 225.7
Ordinary balance	500.1	583.5	△ 83.3
Special balance	△ 15.3	△ 64.4	49.1
Balance for the current period	484.8	519.0	△ 34.1

- Total administrative revenues was **7,544.1 billion yen**, of which **local taxes** accounted for **about 80%**.
- Total administrative expenses was **7,015.0 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 **484.8 billion yen**, a decrease of 34.1 billion yen compared to the previous fiscal year.

■ Cash Flow Statement

Item	(in billion yen)	
	Amount	
Balance of administrative service activities	838.3	
Balance of social capital improvement activities	△ 744.9	
Balance of administrative activities cash flow	93.3	
Balance of financing activities	△ 114.6	
Balance carried forward from the previous year	566.7	
Proforma balance (carried forward to the next year)	545.4	

- The balance of administrative activities cash flow stood at **93.3 billion yen in net revenues**, mainly due to increased metropolitan tax revenues.
- The balance of financing activities was **114.6 billion yen in net expenses**, as TMG bonds issuance decreased due to decreased operating expenses following careful examinations of annual expenses.

— Comprehensive Financial Statements —

Item	(in billion yen)		
	FY2023	FY2022	Change in amount
Total assets	50,668.8	50,194.6	474.1
I Current assets	3,966.1	4,063.7	△ 97.5
II Fixed assets	46,702.6	46,130.9	571.7
III Deferred assets	0	0	△ 0
Total liabilities	13,345.0	13,507.3	△ 162.2
I Current liabilities	1,594.2	1,482.8	111.4
II Fixed liabilities	9,591.1	9,856.5	△ 265.4
III Deferred revenues	2,159.6	2,167.9	△ 8.2
Total net assets	37,323.8	36,687.3	636.4
Total liabilities and net assets	50,668.8	50,194.6	474.1

- 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**, **9 public enterprise accounts**, and for organizations other than TMG, **33 policy cooperation bodies**, and **4 local independent administrative corporations**.
- Total assets showed an increase compared to the previous fiscal year with **50,668.8 billion yen**, while total liabilities showed a decrease compared to the previous fiscal year with **13,345.0 billion yen**, bringing total net assets to **37,323.8 billion yen**, an increase compared to the previous fiscal year.

I Looking Back Over FY2023

- As we reach a **significant socio-economic turning point**, with **reviews of large-scale monetary easing measures** including the ending of negative interest rates, as well as the **positioning of COVID-19 as a Category V infectious disease**, the TMG implemented agile and flexible **measures against COVID-19** and **measures to combat steep rises in prices**, along with the speedy deployment of “**Investment in the future**” such as measures to address the low birth-rate.

COVID-19

- While earmarking expenditures related to responses during normal times in the initial budget, and **steadily promoting transition to Category V** in supplementary budgets, the TMG **secured a system capable of responding flexibly with the spread of infection** (FY2023 expenses for anti-Covid measures: **308.5 billion yen**)

Continuing steep rises in prices and the changing financial environment

- Along with the implementation of **safety net support** and **forward-looking initiatives to promote pay increases and the passing-on of price changes** in the initial budget, the TMG implemented **support for Tokyo citizens and businesses bearing the impact of steep rises in prices** in supplementary budgets, such as fuel expenses support for businesses that struggle to pass price changes through to customers (FY2023 expenses for **measures to combat steep rises in prices**: **282.1 billion yen**)
- For the future, in view of **financial risks such as increased TMG bonds interest payments accompanying rising interest rates**, **sustainable financial management with a keen medium and long term focus** will be necessary.
- To date, through persistent efforts in financial management such as thorough project reviews, the TMG has comprehensively deployed **pioneering measures to usher in a new era** with the aim of resolving issues facing the Tokyo metropolis, such as measures to alleviate the economic burden on child-rearing households, start-up strategies, and measures to increase the city’s resilience.

II Structure of TMG Finances and Colossal Financial Demands

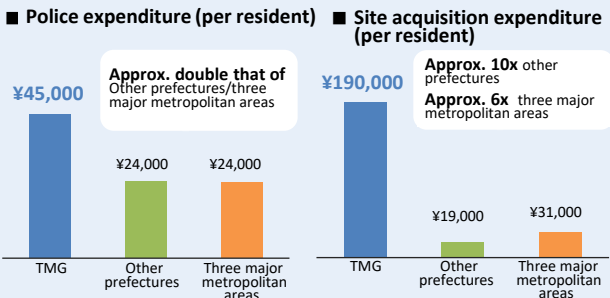
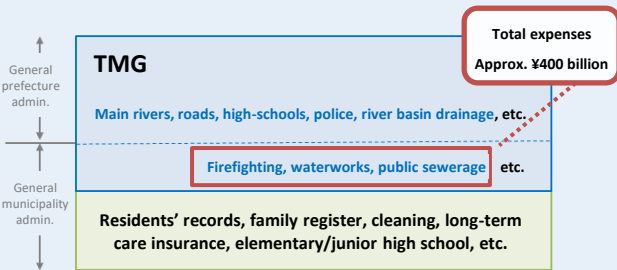
- Even with a revenue structure easily susceptible to economic fluctuations, it will be necessary to ensure responses to **unavoidable financial demands** and “**Investment in the Future**” for the realization of a bright “**Future Tokyo**”, while providing **wide-ranging administrative services**.

Financial demands specific to the TMG

- From the perspective of securing the cohesion and uniformity of provided services, the **TMG handles firefighting, waterworks, and public sewerage administration, which is generally undertaken by municipalities in other prefectures**, under the current local autonomy system.

Financial demands specific to major cities

- Police expenditure:** In addition to **local police operations**, including the **handling of demands specific to major cities**, such as daytime inbound population and concentrated large-scale shopping districts, the TMG also implements **metropolitan police operations**.
- Site acquisition expenditure:** Due to **high land prices** in Tokyo, expenditure is considerably higher than those in other prefectures and the three major metropolitan areas.



Unavoidable financial demands

- Social security related expenses and social capital stock maintenance and renewal costs have increased** due to changes in population structures and the passage of time.

Realization of a children-first society

- Taking into consideration the characteristics of Tokyo, such as **increasing numbers of nuclear families and dual income households** and **high costs related to childbirth/child-rearing**, the TMG has been promoting the **development of environments** that can **alleviate economic burden** and **balance child-rearing and work**.

Reinforcement of international competitiveness

- The TMG is promoting the **development of start-ups** and the **strengthening of city functions** in order to **fully utilize the merits of agglomeration** possessed by Tokyo, and **evolve into an appealing city that attracts people and investment**.

Increasing the city's resilience

- The TMG is promoting an upgraded **Tokyo resilience project** in order to **protect the lives and livelihoods of Tokyo citizens**, and **maintain the functions and economic activities of Tokyo**, the capital and the backbone of Japan.

III Financial Management with a Steady Focus on the Future

- While future economic trends remain cloudy, in order to respond appropriately to the colossal financial demands facing the TMG, we are **promoting sustainable financial management** by securing a resilient financial foundation through the promotion of necessary initiatives implemented from the perspectives of **maintaining financial capabilities** and **wise spending**.

Strategic utilization of funds

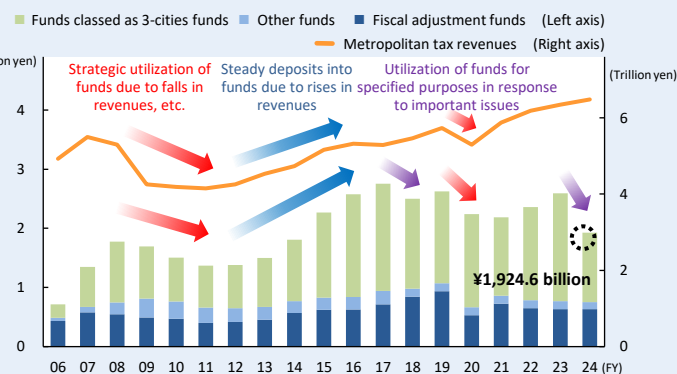
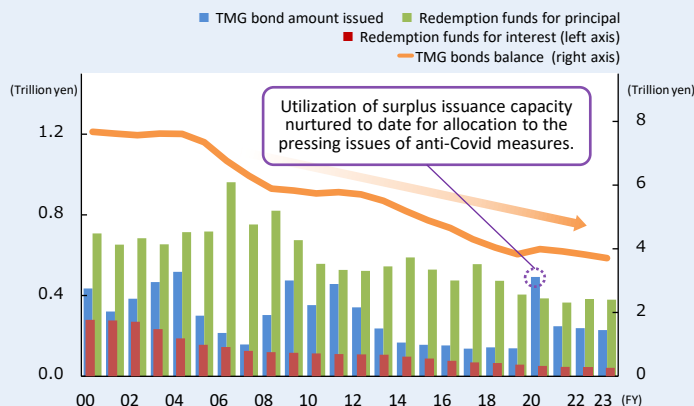
- By utilizing funds that possess the **function of performing financial resource adjustments between fiscal years**, the TMG is able to **provide stable administrative services even when facing significant falls in revenues**, and can also **respond promptly to unexpected financial demands** such as those of the Covid crisis.
- The **securing of fixed levels of funds balance** is needed to enable flexible responses, without missing any opportunities, when unexpected events occur.

Strategic utilization of TMG bonds

- TMG bonds, which possess the functions of **performing financial resource adjustments between fiscal years** and **balancing burden between generations**, must be **utilized systematically and strategically** whilst taking into consideration the benefits and burdens for future generations.
- Appropriate utilization of TMG bonds** will continue with future financial burden, such as **increased TMG bonds interest payment expenses** accompanying rising interest rates, taken into consideration.

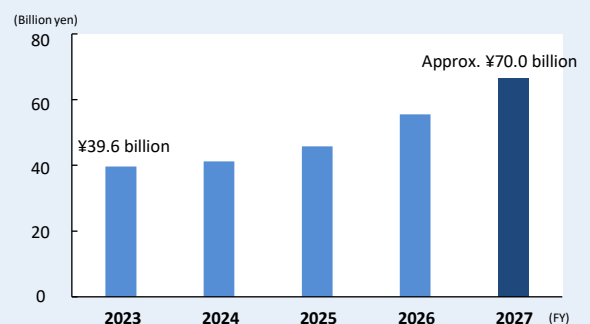
Changes in TMG Bonds Balance/Amounts of TMG Bonds Issued, etc.

- Taking into consideration the experience of ballooning TMG bonds issuance after the collapse of the bubble and the burden this placed on financial management, **curbs on TMG bonds issuance and advancement of redemptions were promoted during periods of robust tax revenues**, and **TMG bonds balance steadily decreased**.



Future TMG Bonds Interest Payment Estimates

- From March 2024 onwards, there have been changes in the environments surrounding TMG bonds issuance, such as reviews of Japan's monetary policy.
- While TMG bonds interest payment expenses are expected to increase if interest rates rise in the future, the estimated amount of interest payment expenses for FY2027 is about one quarter that of the highest amount ever recorded in FY2000 (280.3 billion yen).**



* Estimates for TMG bonds interest payment expenses were computed on a general accounts basis using the national government's estimates for reference.

Integrated implementation of policy reviews

- Integrated implementation of three evaluation processes; "policy review", which evaluates the directionality of measures as a whole, "project review", which verifies each project to improve efficiency and effectiveness, and "group cooperation project evaluation", which evaluates contribution to the targets of TMG measures and the directionality of initiatives in projects undertaken by policy cooperation bodies.
- Creation of highly efficient and effective measures from a perspective that places greater priority on achievements.
- Securing of financial resources by setting an end date for all projects, and thoroughly conducting ex-post verification of projects that have reached their end-of-term.

Changes in financial resources secured through project reviews

