

Reference Material

Tokyo Metropolitan Government

Annual Financial Report

Fiscal Year 2015

This is a provisional English version of Fiscal Year 2015 Tokyo Metropolitan Government Annual Financial Report.

This material is furnished solely for the purpose of the reader's reference only.

If there is any conflict and/or discrepancy between this material and the Japanese original of the Annual Financial Report, information in the Japanese original prevails.

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1. Fiscal Year 2015 Tokyo Metropolitan Government Settlement of the Ordinary Account and Various Indicators

The following is a settlement report of the fiscal year 2015 Tokyo Metropolitan Government (TMG) ordinary account.

The ordinary account is a statistical and conceptual account used for determining the financial position of each local government as well as for analyzing overall local fiscal conditions. This account is reconfigured to conform to the accounting procedures of local governments according to standards established by the Ministry of Internal Affairs and Communications.

The ordinary account consists of a general account and some special accounts. The settlement presents a net calculation that has been adjusted to eliminate overlap between accounts.

(1) Fiscal Year 2015 Summary of Financial Results

[1] Revenues and Expenses

- Total annual revenues amounted to 7,186.3 billion yen and total annual expenses were 6,934.7 billion yen, with a proforma balance of 251.5 billion yen. The actual balance, calculated by subtracting fiscal revenues to be carried forward from the proforma balance, was a surplus of 0.6 billion yen, indicating revenues and expenses to be almost balanced.
- The ordinary balance ratio stood at 81.5%.
- In order to take an assertive approach to the resolution of issues facing Tokyo and to promote reforms that will create growth in the future, the implementation of actions such as comprehensive inspections of all business activities to thoroughly eliminate any wasteful aspects, etc. with a view to the further promotion of financial structure reforms from the “Tokyo citizens first” perspective, together with the sustaining of a strong financial foundation, remains pivotal.

<Fiscal Year 2015 Settlement Results>

(in billion yen, %)				
Item	FY2015	FY2014	Change in amount	Percentage of change
Total annual revenues (A)	7,186.3	6,853.4	332.9	4.9
Total annual expenses (B)	6,934.7	6,554.0	380.7	5.8
Proforma balance (C=A-B)	251.5	299.4	(47.9)	-
Fiscal revenues to be carried forward (D)	251.0	298.9	(47.9)	-
Actual balance (C-D)	0.6	0.5	0	-
Ordinary balance ratio	81.5	84.8	-	-

Note: Fiscal revenues to be carried forward refers to financial resources that should be carried forward to the next fiscal year together with approved carry forward, carry-forward due to unforeseeable reasons, business balance carried forward, etc. and includes the balance of unsettled local consumption tax carried forward to the following fiscal year.

[2] Main features

<Annual Revenues>

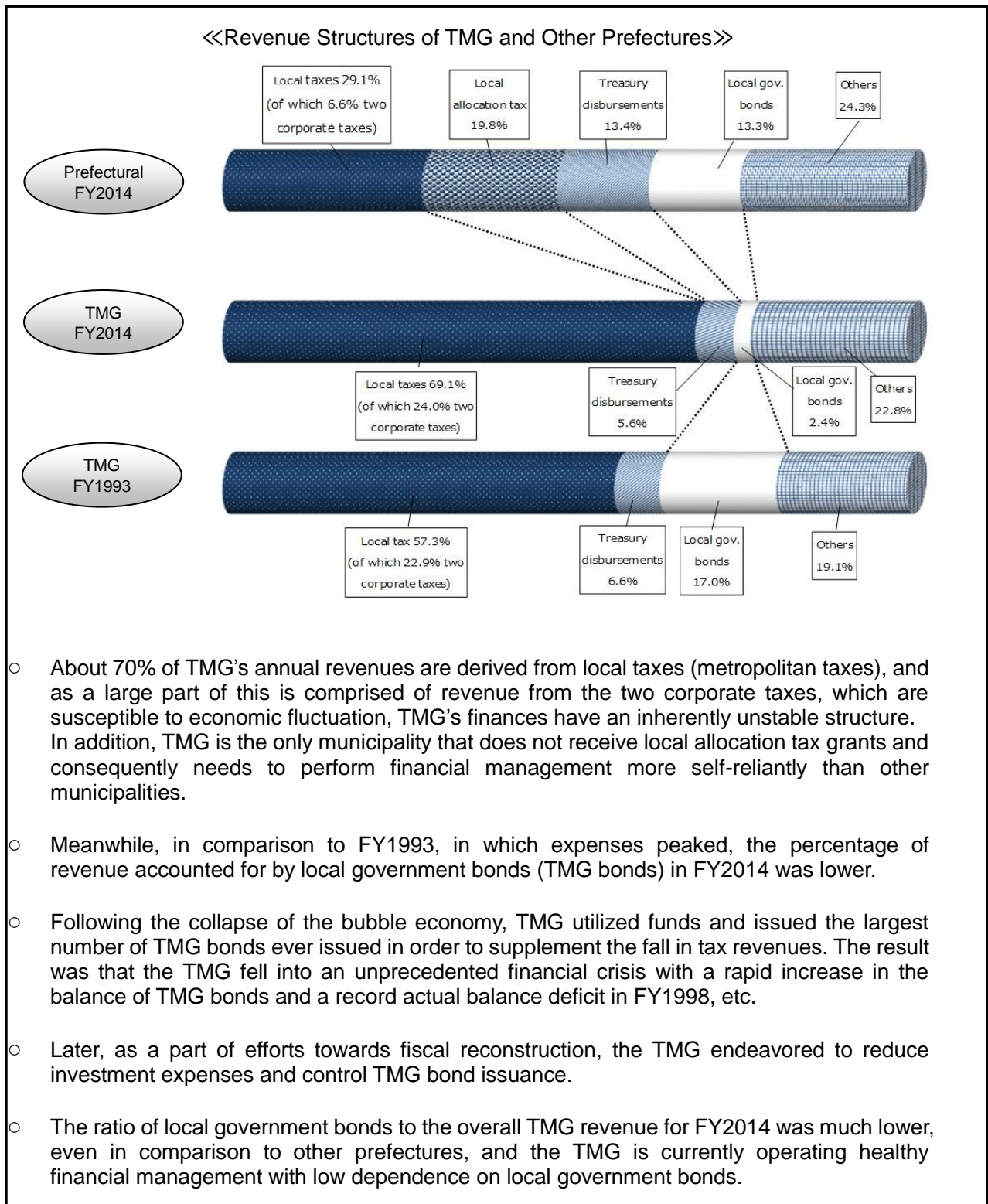
(in billion yen, %)

Item	FY2015		FY2014		Change in amount	Percentage of change
	Amount	% of total	Amount	% of total		
Metropolitan taxes	5,162.4	71.8	4,734.9	69.1	427.5	9.0
Two corporate taxes	1,763.5	24.5	1,644.2	24.0	119.3	7.3
Local transfer taxes	272.0	3.8	364.8	5.3	(92.8)	(25.4)
National treasury disbursements	375.8	5.2	386.1	5.6	(10.3)	(2.7)
TMG bonds	156.2	2.2	167.0	2.4	(10.8)	(6.5)
Others	1,219.9	17.0	1,200.6	17.5	19.3	1.6
Total revenues	7,186.3	100.0	6,853.4	100.0	332.9	4.9

Note: The two corporate taxes are the corporate enterprise tax and corporate inhabitant tax.

- Metropolitan tax revenues increased by 9.0% or 427.5 billion yen in total compared to the previous fiscal year mainly due to increases in two corporate taxes, resulting from corporate profits remaining strong, etc. and local consumption taxes, driven by a rise in tax rates.
- Local transfer taxes decreased by 25.4% or 92.8 billion yen compared to the previous fiscal year mainly due to a decrease in special local corporate transfer taxes.
- National treasury disbursements decreased by 2.7% or 10.3 billion yen compared to the previous fiscal year mainly because of decreased social infrastructure development grants and disbursements for ordinary construction works due to decreases in costs for works subject to grants, etc. while subsidies related to livelihood welfare funds increased together with the expansion of loan programs.
- TMG bonds decreased by 6.5% or 10.8 billion yen compared to the previous fiscal year as a result of their appropriate utilization in light of the financial condition and future financial burdens.
- Others increased by 1.6% or 19.3 billion yen compared to the previous fiscal year mainly because of the 56.1 billion yen increase in social infrastructure development fund transfers allocated for works on large-scale facilities renovation, etc. and the 46.5 billion yen increase in amount carried forward, while miscellaneous revenues decreased by 90.5 billion yen together with decreases in loans and interest thereon.

(Reference) Features of TMG Revenue Structures



<Annual Expenses>

(in billion yen, %)

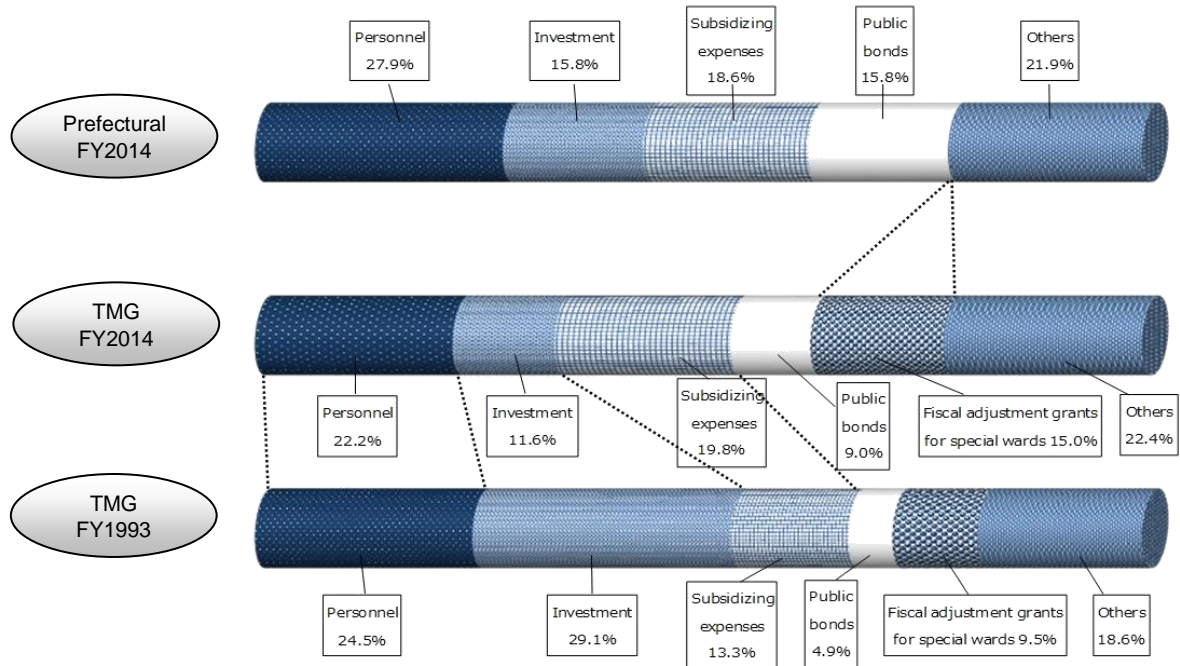
Item	FY2015		FY2014		Change in amount	Percentage of change
	Amount	% of total	Amount	% of total		
General expenses	4,459.0	64.3	4,380.5	66.8	78.4	1.8
Personnel expenses	1,475.5	21.3	1,458.2	22.2	17.3	1.2
Investment expenses	770.3	11.1	757.9	11.6	12.4	1.6
Subsidizing expenses	1,341.9	19.4	1,297.3	19.8	44.6	3.4
Others	871.3	12.6	867.2	13.2	4.1	0.5
Expenses for public bonds	531.3	7.7	590.4	9.0	(59.1)	(10.0)
Tax-related expenses etc.	1,944.4	28.0	1,583.1	24.2	361.4	22.8
Total expenses	6,934.7	100.0	6,554.0	100.0	380.7	5.8

Note: General expenses refers to expenses excluding public bonds, tax-related expenses for the allocation of a certain percentage of taxes such as local consumption tax grants to wards, towns, etc., and the reserves (principal) of the funds aimed at intensive and focused activities for 2020.

- In general expenses, personnel expenses increased by 1.2% or 17.3 billion yen compared to the previous fiscal year mainly due to a rise in employee salaries through a revision of salaries to increase and increased burden on cooperatives following the integration of public pension schemes, while retirement allowances were reduced owing to a revision of payment percentages.
- In general expenses, investment expenses increased by 1.6% or 12.4 billion yen compared to the previous fiscal year due to the addition of transfer of jurisdiction expenses from local public enterprise accounts in relation to the site for the Ariake Arena, etc.
- In general expenses, subsidizing expenses increased by 3.4% or 44.6 billion yen compared to the previous fiscal year due to institutional benefits from the Comprehensive Support System for Children and Child-rearing and the establishment of career progression supplements for nursery teachers, etc.
- Expenses for public bonds decreased by 10.0% or 59.1 billion yen from the last fiscal year, mainly due to a decrease in redemption funds for principal.
- Tax-related expenses increased by 22.8% or 361.4 billion yen from the last fiscal year. This is largely because of an increase in local consumption tax grants of 138.9 billion yen in tandem with a rise in metropolitan tax revenues, and increases in reserves of a disaster prevention fund for town planning and an advanced welfare city realization fund by 100 billion yen and 60 billion yen, respectively.

(Reference) Features of TMG Expenses Structures

<<TMG and Prefectural Expenses Structures>>



Note: Tax-related expenses other than those related to fiscal adjustment grants for special wards are included under Others.

- A feature of the TMG that does not exist in other prefectures is that the “Fiscal Adjustment Grants for Special Wards”, which undertakes allocation of financial resources between TMG and Tokyo wards and financial resource adjustments between special wards, is recorded under the special ward system.
- In addition, when compared to FY1993, FY2014 shows a reduction in the ratio of personnel expenses and investment expenses to total expenses.
- The TMG’s stance of maintaining expenses levels for large-scale facilities construction and responses to national government economic measures, etc. even as tax revenues diminished following the collapse of the bubble economy, resulted in a financial crisis. The TMG subsequently steered towards financial reconstruction ahead of the government and other prefectures, reducing personnel numbers and pressing forward with prioritization of business activities, and after achieving financial reconstruction, continued in their efforts to revise measures through their business evaluation activities. With efforts such as these, by FY2014, personnel expenses and investment expenses were down by about 20% and 60% respectively in comparison to FY1993.
- Meanwhile, due to increase in expenses related to social security, the ratio of allowances, etc. to total expenses has increased.
- In this way, the TMG is undertaking thorough internal efforts and promoting the metabolism of measures by aiming to review and redesign them through business evaluation activities, etc. and is providing necessary administrative services in accordance with the needs of Tokyo citizens.

<Breakdown of Expenditures by Purpose>

(in billion yen, %)












Item	FY2015		FY2014		Change in amount	Percentage of change
	Amount	% of total	Amount	% of total		
Gen. Service Admin.	740.9	10.7	642.5	9.8	98.4	15.3
Welfare	969.8	14.0	859.3	13.1	110.5	12.9
Hygiene	254.5	3.7	255.4	3.9	(1.0)	(0.4)
Commerce /manufacturing	359.2	5.2	321.5	4.9	37.7	11.7
Civil engineering	789.1	11.4	784.2	12.0	4.9	0.6
Police	604.0	8.7	596.0	9.1	8.0	1.3
Fire defense	221.9	3.2	220.7	3.4	1.2	0.5
Education	964.0	13.9	939.3	14.3	24.8	2.6
Public bonds	531.3	7.7	590.4	9.0	(59.1)	(10.0)
Others	1,500.0	21.6	1,344.7	20.5	155.3	11.5
Total expenses	6,934.7	100.0	6,554.0	100.0	380.7	5.8

Note: Expenditure by purpose refers to expenses that have been itemized according to administrative purposes.

- General Service Administration increased by 15.3% or 98.4 billion yen compared to the previous year due to increased reserves of a disaster prevention fund for town planning.
- Welfare expenses increased by 12.9% or 110.5 billion yen compared to the previous year due to institutional benefits from the Comprehensive Support System for Children and Child-rearing and the establishment of career progression supplements for nursery teachers, etc. as well as new reserves for the advanced welfare city realization fund, etc.
- Commerce/manufacturing expenses increased by 11.7% or 37.7 billion yen compared to the previous year due to the enrichment of receptive environments for visitors to Japan and the establishment of the special support project for business start-up stimulation, etc.
- Other expenses increased by 11.5% or 155.3 billion yen compared to the previous year due to a 138.9 billion yen increase in local consumption tax grants and a 14.8 billion yen increase in Fiscal Adjustment Grants for Special Wards, etc.

(Reference) Expenses per Tokyo Citizen

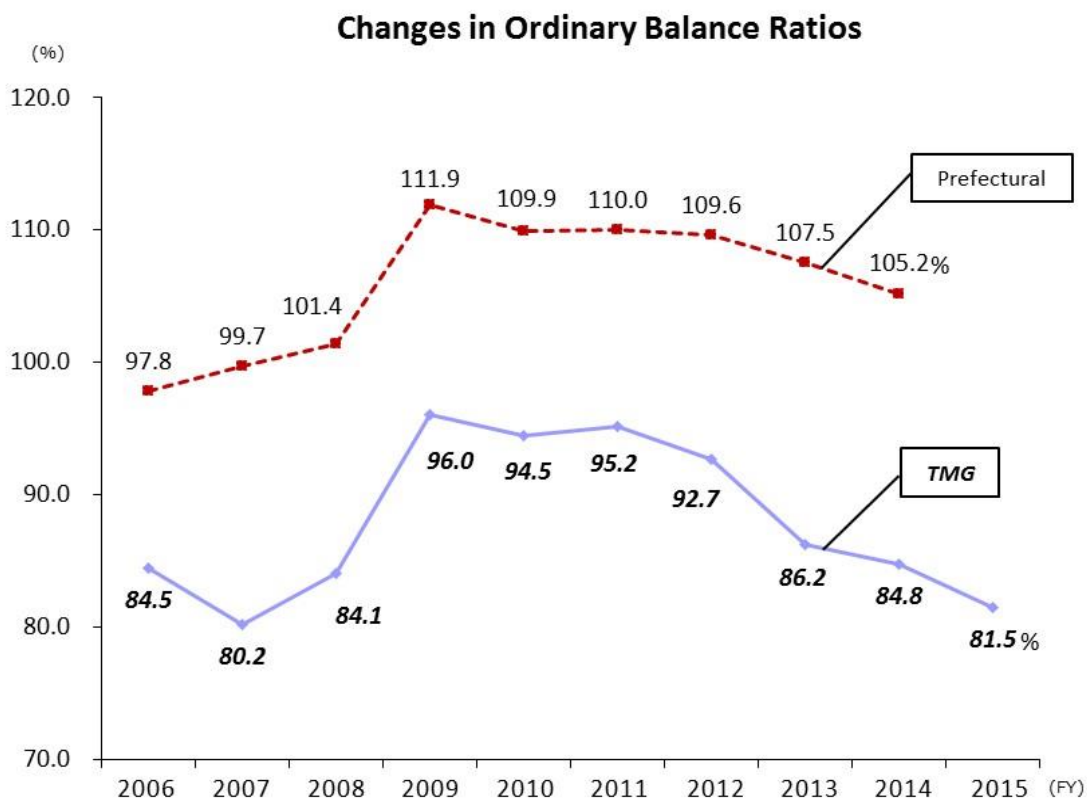
- In relation to FY2015 financial results for expenses of 6,934.7 billion yen, figures have been replaced by those indicating expenses per Tokyo citizen.
- Appropriate responses are being taken in relation issues facing the TMG such as the aging society and falling birth rate, disaster resistant city development and support for the small/medium enterprises that support Tokyo's economy.
- When compared against FY1995 and FY2005, while investment expenses were being decreased due to business prioritization, etc. welfare expenses rose sharply with the progression of the aging society and falling birth rate, while civil engineering expenses decreased sharply.
- In this way, efforts are made to establish an accurate understanding of the needs of Tokyo citizens, which change with the times, in order to conduct appropriate allocation of financial resources, such as the limited metropolitan tax revenues, etc. to the necessary measures.

Item	Purpose	Expenses per Tokyo Citizen (FY2015 settlement)	Expenses per Tokyo Citizen (FY2005 settlement)	Expenses per Tokyo Citizen (FY1995 settlement)
General service administration	Fire defense measures and revitalization of wards, towns, etc. 	¥55,228	¥57,241	¥51,612
Welfare	Measures for children on waiting lists, care for the elderly, etc. 	¥72,290	¥44,148	¥45,041
Hygiene	Realization of comfortable city environments, etc. 	¥18,968	¥15,419	¥40,604
Commerce/manufacturing	Support for small/medium enterprises, revitalization of the tourism industry, etc. 	¥26,773	¥17,922	¥41,253
Civil engineering	Development of roads, rivers, harbors, etc. and town development, etc. 	¥58,818	¥75,247	¥143,905
Police	Police activities, etc. 	¥45,023	¥48,587	¥53,163
Fire defense	Fire defense activities, etc. 	¥16,544	¥17,594	¥20,719
Education	School education and preparations for the Olympic and Paralympic Games, etc. 	¥71,861	¥72,917	¥91,932
Public bonds	Redemption of TMG bonds and interest payments, etc. 	¥39,607	¥58,919	¥37,581
Fiscal Adjustment Grants for Special Wards	Financial adjustments between the TMG and special wards, etc. 	¥74,270	¥70,089	¥60,468
Others	Tax related grants to wards, towns, etc. 	¥37,544	¥28,723	¥20,871
Total		¥516,926	¥506,806	¥607,149

[3] Fiscal Indices

(i) Ordinary balance ratio

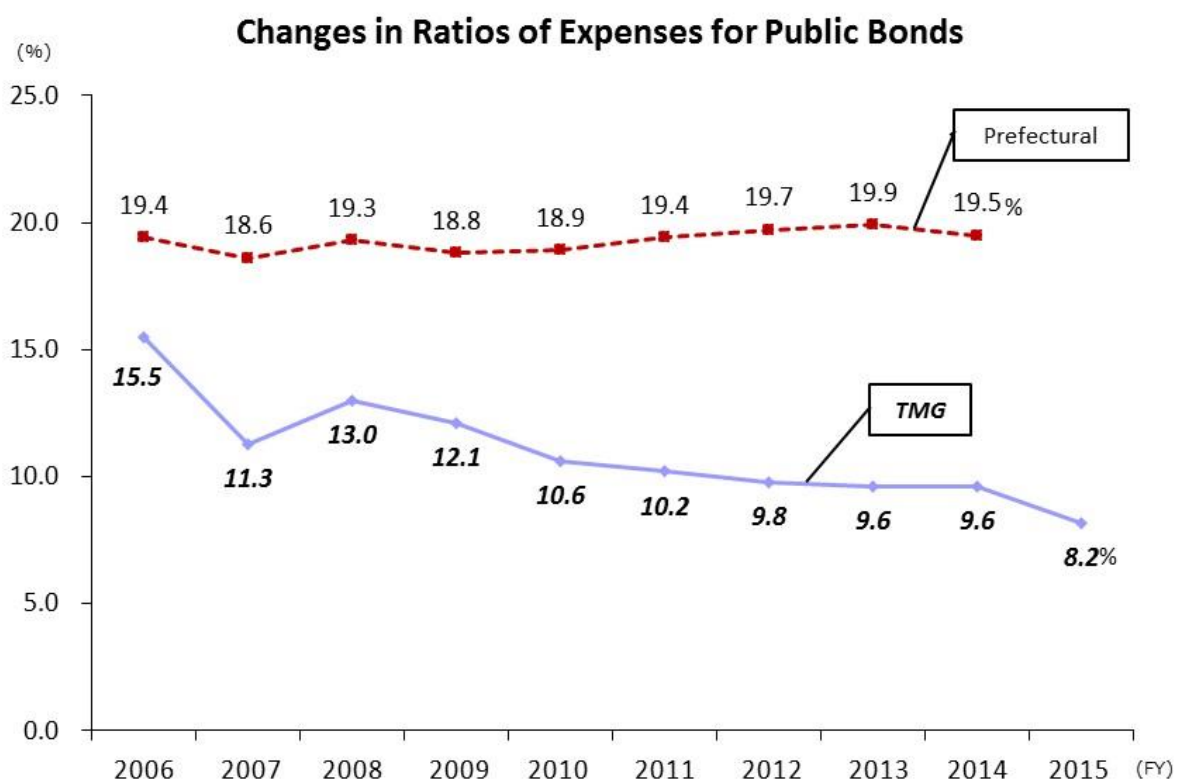
- The ordinary balance ratio is an indicator that measures fiscal flexibility by indicating the level of allocation of local taxes, etc. to expenses that are difficult to reduce, such as personnel expenses, social assistance expenses, expenses for public bonds, etc. The lower this ratio, the greater the flexibility.
- The FY2015 ordinary balance ratio was 81.5%, an improvement of 3.3 percentage points from 84.8% in the previous fiscal year.
- This was mainly because metropolitan tax revenues increased, while expenses for public bonds decreased and personnel salaries increased.
- In recent years, the average prefectural figures have exceeded 100%, and the status of Tokyo's fiscal flexibility is high.



Note: Prefectural ratios are weighted averages. For FY2006, calculations were made with tax reduction supplementary bonds and extraordinary financial countermeasures bonds excluded from ordinary general revenues sources, etc. while for FY2007 to FY 2014, calculations were made with extraordinary tax revenue supplementary bonds and extraordinary financial countermeasures bonds excluded from ordinary general revenues sources, etc.

(ii) Ratio of expenses for public bonds

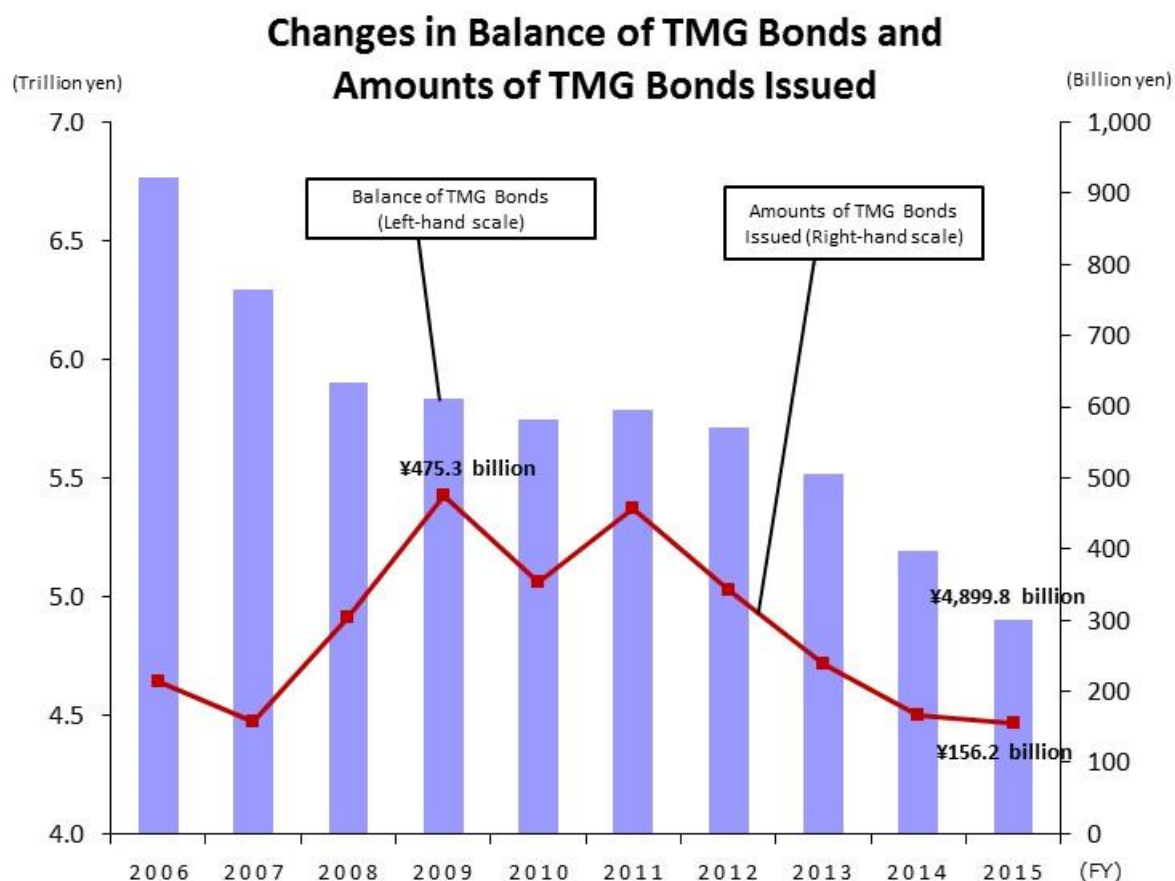
- The ratio of expenses for public bonds is an indicator of the scale of the fiscal burden on public bonds. The lower this ratio, the greater the fiscal flexibility.
- The FY2015 ratio of expenses for public bonds was 8.2%, an improvement of 1.4 percentage points from 9.6% in the previous fiscal year.
- This was mainly because metropolitan tax revenues increased, while expenses for public bonds decreased due to the systematic utilization of TMG bonds, etc.
- In recent years, the average prefectural figures have remained at around 20%, and the status of Tokyo's fiscal flexibility is high.



Note: Prefectural ratios are weighted averages.

(iii) Current TMG bonds balance

- The balance of TMG bonds (ordinary account bonds) as of the end of FY2015 was 4,899.8 billion yen, which represents a decrease of 5.5% or 286.0 billion yen from the previous fiscal year.
- The amount of TMG bonds issued increased temporarily due to the response to reduced metropolitan tax revenues caused by the collapse of the Lehman Brothers and the response to the Great East Japan Earthquake, but has since decreased and the balance of TMG bonds also continues to decrease.
- The appropriate utilization of TMG bonds will be continued in light of the financial condition and future financial burdens.



(Note: Current TMG bonds balance in the ordinary account settlement excludes sinking fund reserves for allocation to principal redemption of bullet local bonds, and therefore does not coincide with the amount stated for TMG bonds in the balance sheet.)

[4] Ratios set forth by the Law on the Fiscal Consolidation of Local Governments

From a background of serious fiscal deterioration in some local governments, the Law on the Fiscal Consolidation of Local Governments was enacted as a mechanism to facilitate prompt responses for cases where fiscal consolidation or reconstruction of financial status is deemed necessary.

The ratios to judge fiscal consolidation and capital shortage ratios based on this law, focus on stock as well as on flow, and serve as indicators that clarify the overall finances of local governments by including expenses in the general accounts in relation to public entities accounts and third-sector public/private enterprises as well as general accounts, etc. (almost the same scope as ordinary accounts).

This law requires local governments to calculate the ratios, receive inspection of the results by the audit committee, report the results to the assembly, and announce the results to residents on an annual basis.

Ratios for TMG, calculated from the FY2015 financial results, are as shown below.

Ratios provided for in the Law on the Fiscal Consolidation of Local Governments (Article 3 and 22)

		Ratio calculation method	Early consolidation standard (Upper row) Fiscal reconstruction standard (Lower row)	FY2015	FY2014
Ratio to judge fiscal consolidation	Real deficit ratio	Real deficit in the general account, etc. ÷ Standard financial scale	5.54% 8.57%	— (No real deficit)	Same as left
	Consolidated real deficit ratio	Consolidated real deficit ÷ Standard financial scale	10.54% 18.57%	— (No consolidated real deficit)	Same as left
	Real debt payment ratio	General revenues sources used for redemption of local government bonds, etc. ÷ Standard financial scale *three-year average	25% 35%	1.3%	0.7%
	Future burden ratio	Future burden expected in general accounts, etc. ÷ Standard financial scale	400% —	32.1%	49.7%

Capital shortage ratio	Capital shortage ÷ Business scale *Calculated for each public enterprise account	Management consolidation standard 20%	For all accounts — (No capital shortage)	Same as left
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Notes: 1. Standard financial scale indicates the scale of operational general revenue sources for local governments under standard conditions.

2. The early consolidation standard, the fiscal reconstruction standard and the management consolidation standard are the criteria for judging whether a local government needs to improve its fiscal position. If any of the ratios used to judge fiscal consolidation of a local government is equal to or greater than its corresponding early consolidation standard, such local government shall formulate fiscal consolidation plans; fiscal reconstruction plans when any of the ratios for judging fiscal reconstruction are equal to or greater than the fiscal reconstruction standard (ratios for judging fiscal consolidation other than the future burden ratio), or management consolidation plans when the capital shortage ratio is equal to or greater than the management consolidation standards.

3. There are twelve TMG account types to which capital shortage ratios apply; Hospitals, Central Wholesale Markets, Urban Redevelopment Projects, Waterfront Areas Development Projects, Port and Harbor Projects, Transportation, Urban Rapid Transit Railways, Electric Power, Waterworks, Industrial Waterworks, Sewerage and Slaughterhouses.

(2) Analysis Based on New Public Accounting Procedures

[1] Summary of Financial Statements

- **TMG's financial statements consist of four tables: the "Balance Sheet", the "Administrative Cost Statement", the "Cash Flow Statement" and the "Statement of Changes in Net Assets". TMG provides "Administrative Cost Statement" in place of the "Profit and Loss Statement" and also provides "Statement of Changes in Net Assets" in place of "Statement of Change in Shareholders' Equity." This is because TMG is not a profit-making organization. TMG's finances in fiscal year 2015, as shown in the financial statements, are summarized below.**
- **About TMG's assets and liabilities in the balance sheet, assets as of the end of fiscal year 2015 increased from the previous fiscal year to 33,474.7 billion yen (an increase of 409.6 billion yen from the end of the previous fiscal year), while liabilities were 7,365.4 billion yen (a decrease of 326.4 billion yen from the end of the previous fiscal year). In assets, the balance of fund reserves was 3,873.3 billion yen (an increase of 451.2 billion yen from the end of the previous fiscal year), and in liabilities, the balance of TMG bonds was 6,249.0 billion yen (a decrease of 299.1 billion yen from the end of the previous fiscal year). The ratio of liabilities to assets is 22.0% (a 1.3 percentage point decline from the previous fiscal year).**
- **The administrative cost statement indicates that the balance for the current period stood at 643.1 billion yen (an increase of 129.1 billion yen compared to the previous year), and revenues continued to exceed expenses.**
- **In the cash flow statement, the balance for administrative service activities cash flow shows revenues exceeding expenses by 813.3 billion yen, expenses exceeding revenues by 577.2 billion yen in the balance of social capital improvement investment activities, and in the balance for financing activities, expenses exceeded revenues by 283.9 billion yen, but in the pro forma balance, found by adding the balance for administrative service activities cash flow, the balance of social capital improvement investment activities, the balance for financing activities and the balance brought forward from the previous fiscal year to the total balance, revenues exceeded expenses by 251.5 billion yen.**
- **The statement of changes in net assets shows that net assets increased 736.0 billion yen, in tandem with progress in social capital improvements.**
- **Given these factors, it is possible to say that TMG's financial soundness is maintained.**

[2] Summary of Financial Statements

< Governmental accounting (single-entry bookkeeping/cash basis)>

[Ordinary Account Settlement]

- Recognizes revenues and expenses for the current term on a cash basis, and itemizes expenses by purpose and type.

Allows recognition of administrative activities by each administrative purpose or type

Revenues	
Metropolitan tax	
Treasury disbursements	
Misc. revenues	
TMG bonds	
Others	
Expenses	
< By purpose >	< By type >
Welfare	Personnel
Commerce/ manufacturing	Non-personnel
Civil engineering	Subsidizing expenses
Education	Ordinary construction
Others	Others
Proforma balance (revenues – expenses)	

◆ Cannot recognize stock information of assets, etc. or cost information that includes expenses that do not involve transfers of cash such as depreciation expenses, etc.

<New Public Accounting

[Cash Flow Statement]

- Categorizes cash flow into "administrative service activities", which indicates ordinary administrative services, "social capital improvement investment", which indicates changes in formation of fixed assets and funds, etc. and "financing activities", which indicates procurement of revenues sources through public bond issuance and borrowings and the redemption of public bonds, etc. and clarifies the balance in each

Enables recognition of the causes of changes in cash flow

Administrative service activities	
Total revenues	
Tax revenues, etc.	
Other	
Total expenses	
Administrative expenses	
Other	
Balance of admin. service activities	
Social capital improvement investment	
Total revenues	
Funds transferred	
Other	
Total expenses	
Social capital improvement exp.	
Other	
Balance of social capital improvement investment activities	
Balance of administrative activities cash flow	
Financing activities	
Revenues from financing activities	
Expenses for financing activities	
Balance of financing activities	
Total balance	
Balance brought forward from the previous year	
Proforma balance	

Revenues and expenses divided into three categories

Match
(= cash basis)

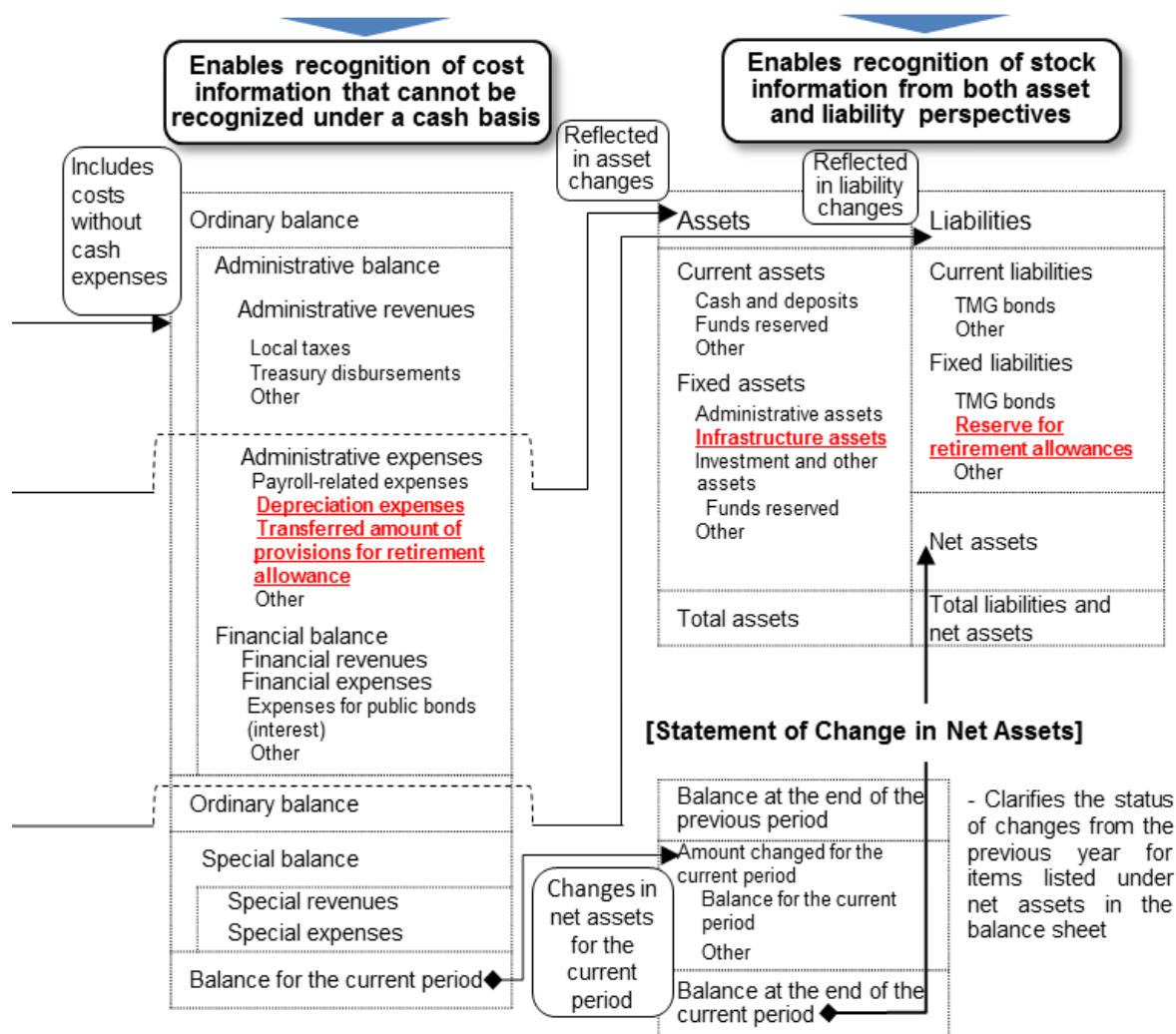
(Double-entry Bookkeeping/Accrual Basis)➤

[Administrative Cost Statement]

- Recognizes "expenses" over a single accounting period on an accrual basis, and clarifies the corresponding relationship between "expenses" and "revenues" and the balance between the two
- Costs without cash expenses such as depreciation expenses and transfer to reserve, etc. are included under expenses.

[Balance Sheet]

- Categorizes accounts as "Assets", "Liabilities" and "Net assets", and clarifies stock information regarding infrastructure assets such as roads and bridges, etc. and balance of funds, TMG bonds, etc.



◆ By conducting financial analyses from a different perspective to that of government accounting, through recognition of stock information of assets, etc. and cost information on an accrual basis, it is possible to strengthen management and enrich accountability.

[3] Balance Sheet

- The balance sheet is to be compiled to give a clear picture of the status of TMG's assets, liabilities, and net assets as of March 31 (however, this includes the variation during the settlement period).
- In the balance sheet, the amount of assets, such as land and buildings, is equal to the total of liabilities, such as TMG bonds and borrowings, and net assets.

< Balance sheet points >

- The assets section shows the extent of assets possessed by the TMG. As shown in Figure 1, administrative assets provided for official use or for use by the public, such as TMG office buildings and TMG schools, etc. and infrastructure assets such as roads and bridges, etc. account for about 70% of all TMG assets.

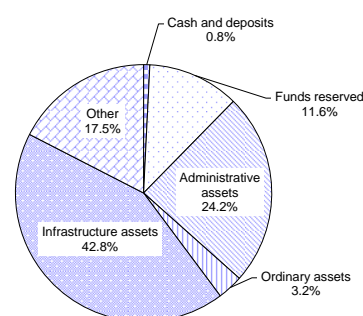
In addition, funds reserved, which accounts for over 10% of assets, serve a significant role in relation to the intensive and focused activities for 2020 and as support for the stable implementation of measures, increased by 451.2 billion yen compared to the previous year as of end FY2015.

- The liabilities section shows the extent of the burden that will be passed down to future generations, such as TMG bonds, arrearage and borrowings, etc. As shown in Figure 2, TMG bonds, which account for over 80% of liabilities, had decreased by 299.1 billion yen compared to the previous year as of end FY2015.

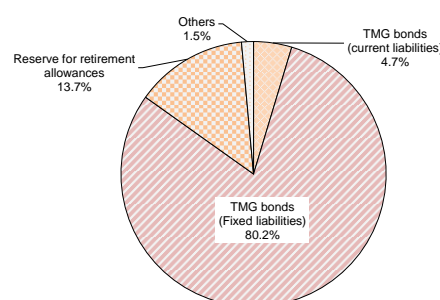
- As shown in Figure 3, when comparing figures for end FY2015 to the end of the previous year, it is apparent that the ratio of liabilities to assets has decreased, with liabilities down 326.4 billion yen while assets have increased by 409.6 billion yen. This indicates that the formation of assets is progressing without increasing future burden.

- The net assets section shows the difference between the total amount of assets and the total amount of liabilities in the balance sheet. With the promotion of fund reserves in preparation for the future and redemption of TMG bonds in order to lighten the burden for future generations, the difference increased by 736.0 billion yen compared to the previous year as of end FY2015.

[Figure 1] Breakdown of Assets



[Figure 2] Breakdown of Liabilities



[Figure 3] Ratio of Liabilities to Assets

(in billion yen, %)

Item	FY2015	FY2014	Change
Total liabilities (A)	7,365.4	7,691.8	(326.4)
Total assets (B)	33,474.7	33,065.1	409.6
Ratio of liabilities to assets (A)/(B) x 100	22.0	23.3	(1.3)

Assets

<Reserve for deficits due to non-payment>

As some uncollected revenues such as fees, etc. may become deficit due to non-payment in the future, the projected uncollectable amount has been recorded under reserve.

<Funds reserved>

Records cash, etc. in preparation for financial resource adjustments between fiscal years and future financial needs.

*Fiscal adjustment funds and sinking funds scheduled for reversal in the next fiscal year are treated as current assets, while funds that do not fall under current assets are treated as fixed assets.

<Infrastructure assets>

Records amounts related to roads and bridges, etc.

Liabilities

<TMG bonds>

As TMG bonds must be paid in the future, they are recorded as liabilities.

*TMG bonds scheduled for redemption in the next fiscal year are treated as current liabilities while TMG bonds scheduled for redemption in the fiscal year after the next fiscal year or later are treated as fixed liabilities.

Net assets

☆Accumulation of net assets conducted in FY2015.

<Balance Sheet>

(in billion yen, %)

Item	FY2015	FY2014	Change in amount	Percentage of change
Assets				
I Current assets	1,426.7	1,530.8	(104.0)	(6.8)
Cash and deposits	261.9	307.0	(45.0)	(14.7)
Uncollected revenues	91.8	108.5	(16.6)	(15.3)
Reserve for deficits due to non-payment	(12.6)	(14.1)	1.5	(10.6)
Funds reserved	890.8	894.4	(3.6)	(0.4)
Other	194.7	234.9	(40.2)	(17.1)
II Fixed assets	32,047.9	31,534.2	513.6	1.6
Administrative assets	8,106.4	8,083.8	22.5	0.3
Ordinary assets	1,078.7	1,092.5	(13.7)	(1.3)
Infrastructure assets	14,310.5	14,217.6	92.9	0.7
Funds reserved	2,982.5	2,527.6	454.8	18.0
Other	5,569.6	5,612.6	(43.0)	(0.8)
Total assets	33,474.7	33,065.1	409.6	1.2
Liabilities				
I Current liabilities	431.1	541.7	(110.5)	(20.4)
TMG bonds	343.0	456.1	(113.1)	(24.8)
Reserve for bonus	83.4	81.3	2.0	2.5
Other	4.7	4.2	0.4	9.5
II Fixed liabilities	6,934.2	7,150.1	(215.8)	(3.0)
TMG bonds	5,906.0	6,092.1	(186.0)	(3.1)
Reserve for retirement allowances	1,009.0	1,038.8	(29.8)	(2.9)
Other	19.1	19.1	0	0.0
Total liabilities	7,365.4	7,691.8	(326.4)	(4.2)
Total net assets	26,109.2	25,373.2	736.0	2.9
Total liabilities and net assets	33,474.7	33,065.1	409.6	1.2

[4] Administrative Cost Statement

- The administrative cost statement is compiled to recognize “expenses” arising from administrative services activities provided by TMG during a single accounting period on an accrual basis and clarify the corresponding relationship between “expenses” and the “revenues” and the difference between the two (hereinafter, “the balance”).
- A surplus in the balance for the current period in the administrative cost statement indicates that the expenses arising from administrative services provided during the period were basically paid within the revenues such as tax revenues of the same period.

< Administrative cost statement points >

- The administrative cost statement also records costs without cash expenses as expenses. The recording of expenses that are not recognized under government accounting, in an accrual basis administrative costs statement, enables the recognition of cost information.

< Examples of costs without cash expenses >

- In relation to expenses required for public facilities, etc. government accounting only recognizes the initial construction costs and annual maintenance costs. Meanwhile, the accrual basis approach focuses on the decrease of the asset value of a building, etc. as time passes, and records the amount of decrease each year, in accordance with the operational life of the asset, as depreciation expenses. On the balance sheet, the amount after depreciation is recorded for each asset.
- The main accrual basis cost related to personnel expenses is transfer to reserve for retirement allowances. This recognizes that even if the payment of retirement allowances is some years later, the cost in terms of amount of increase of future retirement allowances is attributable to this fiscal year, and records this as an expense. The amount transferred to reserve for retirement allowances recorded in the administrative cost statement accumulates on the balance sheet and is recorded as a liability.
- The balance for the current period for FY2015 shows that revenues exceeded expenses by 643.1 billion yen. Balance for the current period, an item that corresponds to “Net profit for the current period” in the profit and loss statements of private enterprises, is a part of the items that comprise net assets, and is allocated to funds reserved in preparation for future financial needs and the redemption of TMG bonds to alleviate the burden on future generations.

<Administrative Cost Statement>

(in billion yen, %)

Administrative balance

<Depreciation expenses>

The amount of decrease in value of depreciable assets such as buildings and important property, not recognized under government accounting, is recorded under expenses.

<Amount transferred to reserve for retirement allowances>

The amount of increase of future retirement allowances, not recognized under government accounting, is recognized as costs attributable to this fiscal year, and recorded under expenses.

Financial balance

<Expenses for public bonds (Interest)>

Records interest paid on TMG bonds

☆The balance for the current period can also be utilized in preparation for future financial needs, such as fund reserves, etc.

Item	FY2015	FY2014	Change in amount	Percentage of change
Ordinary Balance				
I Administrative balance				
Administrative revenues	6,050.1	5,726.4	323.6	5.7
Local taxes	5,156.7	4,739.9	416.8	8.8
National treasury disbursements	284.0	275.8	8.2	3.0
Fees and charges	148.7	144.8	3.9	2.7
Other	460.4	565.8	(105.3)	(18.6)
Administrative expenses	5,316.1	5,121.5	194.5	3.8
Tax-related expenses	1,439.4	1,290.5	148.9	11.5
Payroll-related expenses	1,314.0	1,292.4	21.6	1.7
Subsidizing expenses	1,097.8	1,032.2	65.6	6.4
Investment expenses	403.6	382.8	20.8	5.4
Depreciation expenses	169.0	163.1	5.9	3.6
Transfer to reserve for deficit due to non-payment	10.2	12.2	(1.9)	(15.6)
Transfer to reserve for bonus	83.4	81.3	2.0	2.5
Transfer to reserve for retirement allowances	84.6	100.1	(15.4)	(15.4)
Other	713.6	766.6	(53.0)	(6.9)
II Financial balance				
Financial revenues	15.3	15.2	0	0.0
Financial expenses	89.3	98.9	(9.5)	(9.6)
Expenses for public bonds (Interest)	86.8	96.8	(10.0)	(10.3)
Other	2.5	2.0	0.4	20.0
Ordinary balance	659.9	521.1	138.7	-
Special balance				
Special revenues	19.5	37.7	(18.1)	(48.0)
Special expenses	36.3	44.9	(8.5)	(18.9)
Balance for the current period	643.1	513.9	129.1	-

[5] Cash Flow Statement

- The cash flow statement is prepared to categorize the cash flow of the TMG's finances according to "administrative services activities", "social capital improvement investment", and "financing activities", undertaken for funding and repayments, etc. and to indicate the cash balance status in each.
- The balance of administrative service activities indicates the difference in revenues and expenses accompanying the delivery of ordinary administrative services, and the balance of social capital improvement investment activities indicates the difference in revenues and expenses accompanying the formation of fixed assets and others.
- The balance of administrative activities cash flow is the combination of these two balances. The proforma revenues and expenses by the government accounting method (see page 1) is the sum of the balance of administrative activities cash flow, the balance of financing activities, and the balance brought forward from the previous fiscal year. Consequently, the cash flow statement can be said to show government accounting settlements as divided into each activity category.

<Cash flow statement points>

- The balance of administrative service activities in FY2015 was 813.3 billion yen in net revenues. This is largely attributed to 332.7 billion yen of increase in revenues due to increased tax revenues.
- The balance of social capital improvement investment activities for FY2015 was 577.2 billion yen in net expenses. This is because the 588.5 billion yen in funds reserved in preparation for future demand for renewal of social capital stock, etc. exceeded the 123.8 billion yen in funds transferred.
- The balance of financing activities for FY2015 was 283.9 billion yen in net expenses. This is because 442.1 billion yen in expenses for public bonds (principal) allocated to the redemption of past TMG bonds exceeded TMG bond revenues of 156.3 billion yen.
- The proforma balance, which is the sum of the balance of social capital improvement investment activities, the amount of net expenses in the balance of financing activities, the balance of administrative services activities (813.3 billion yen) and the balance brought forward from the previous year (299.4 billion yen), indicates a surplus. The proforma balance of 251.5 billion yen consists mainly of financial resources that should be carried over to the next fiscal year, and will be utilized in the next fiscal year.

Administrative service activities

This indicates cash balance for ordinary administrative services such as payment of salaries and purchase of property, etc.

Social capital improvement investment activities

This indicates cash balance derived from formation of fixed assets and changes to funds,

☆This is the sum total of the balance of administrative services activities and the balance of social capital improvement investment activities.

Financing activities

This indicates the cash balance for procurement of revenues sources through TMG bond issuance and borrowings, and redemption of TMG bonds, etc.

☆Corresponds to the amount derived by subtracting total annual expenses from total annual revenues under government accounting.

<Cash Flow Statement>

(in billion yen, %)

Item	FY2015	FY2014	Change in amount	Percentage of change
Administrative service activities				
Total revenues	6,066.7	5,733.9	332.7	5.8
Tax revenues etc.	5,439.2	5,104.7	334.5	6.6
Other	627.4	629.1	(1.7)	(0.3)
Total expenses	5,253.4	5,057.6	195.7	3.9
Tax-related expenses	1,439.4	1,290.5	148.9	11.5
Administrative expenses	3,721.8	3,665.6	56.1	1.5
Other	92.0	101.4	(9.4)	(9.3)
Balance of administrative service activities	813.3	676.2	137.0	-
Social capital improvement investment activities				
Total revenues	660.4	695.9	(35.5)	(5.1)
Funds transferred	123.8	59.8	64.0	107.0
Other	536.5	636.1	(99.5)	(15.6)
Total expenses	1,237.6	1,003.1	234.4	23.4
Social capital improvement expenses	351.1	335.1	15.9	4.7
Fund reserve	588.5	366.8	221.7	60.4
Other	297.9	301.1	(3.2)	(1.1)
Balance of social capital improvement activities	(577.2)	(307.2)	(270.0)	-
Balance of administrative activities cash flow	236.0	369.0	(132.9)	-
Financial activities				
Revenues from financing activities	159.7	170.5	(10.8)	(6.3)
TMG bonds	156.3	167.0	(10.7)	(6.4)
Other	3.4	3.4	0	(0.0)
Expenses related to financing activities	443.6	493.1	(49.4)	(10.0)
Expenses for public bonds (principal)	442.1	491.6	(49.5)	(10.1)
Other	1.5	1.4	0	0.0
Balance of financing activities	(283.9)	(322.5)	38.6	-
Total balance	(47.8)	46.4	(94.3)	-
Balance brought forward from the previous year	299.4	252.9	46.4	-
Proforma balance	251.5	299.4	(47.8)	-

[6] Statement of Changes in Net Assets

- The statement of changes in net assets is compiled to clearly indicate the changes in net asset items, which show the balance between assets and liabilities in the balance sheet, during a single accounting period.
- Furthermore, the administrative costs statement's balance for the current period is recorded as surplus in the statement of changes in net assets, and the balance at the end of the current period given in the statement of changes in net assets corresponds to the total amount given under net assets in the balance sheet.

<Statement of changes in net assets' points>

- Based on deliberations by the Tokyo Accounting Standards Board, the TMG revised its accounting standards in 2007, and in addition to conventional balance sheets, administrative cost statements and cash flow statements, created the "Statement of Changes in Net Assets", which clarifies changes in net assets recorded on the balance sheet in a single accounting period.
- Of the items in the statement of changes in net assets, "Opening balance equivalents" indicates the status of assets when the TMG first started creating balance sheets in FY2006, and the given value has not changed in subsequent fiscal years. Additionally, "National treasury disbursements" refers to the portion of treasury disbursements that will be allocated to expenses for social capital improvements. Other than these, there is also "Assessed value of donated assets", which records assets that have been received without any corresponding expense, and "Amounts transferred to wards, towns, etc.", which records exemptions when assets are transferred to wards, towns, etc. when a business is transferred.
- At the end of fiscal year 2015, net assets stood at 26,109.2 billion yen, an increase of 736.0 billion yen from 25,373.2 billion yen in the previous fiscal year. The increase is due primarily to a rise in national treasury disbursements for social capital improvement and balance for the current period etc.

<Statement of Changes in Net Assets>

(in billion yen)

	Opening balance equivalent	National treasury disbursements	Charges and transfers etc.	Assessed value of donated assets	Amounts transferred to wards, towns etc.	Cross-accounting transaction account	Other surplus	Total
Balance at the end of the previous period	19,021.8	1,125.6	82.4	314.6	(85.1)	(1.7)	4,915.6	25,373.2
Amount changed for the current period	-	78.4	4.9	13.0	(3.6)	(0)	643.1	736.0
Change in fixed assets etc.	-	78.4	4.9	13.0	(3.6)	9.9	-	102.9
Change in TMG bonds etc.	-	-	-	-	-	(1.5)	-	(1.5)
Other intra-bureau transactions	-	-	-	-	-	(8.4)	-	(8.4)
Balance for the current period	-	-	-	-	-	-	643.1	643.1
Balance at the end of the current period	19,021.8	1,204.1	87.3	327.7	(88.7)	(1.8)	5,558.7	26,109.2

The statement of changes in net assets is a table that lists each item of net assets from left to right and the variation factors over a single fiscal year from top to bottom.

Shows variation factors in net assets

Shows each item

