

Summary of Fiscal Year 2016 "Tokyo Metropolitan Government Annual Financial Report"

September 15, 2017
Bureau of Finance

Summary of Fiscal Year 2016 Ordinary Account

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- The actual balance of revenues and expenses was 129.2 billion yen in the black.
→ Together with increases in metropolitan tax revenues, this is also due to efforts to revise expenditure through comprehensive inspections of measures and approaches to undertake autonomous reform, 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	FY2016	FY2015	Change in amount	Percentage of change
Total annual revenues (A)	7,122.5	7,186.3	(63.8)	(0.9)
Total annual expenses (B)	6,743.9	6,934.7	(190.9)	(2.8)
Proforma balance (C = A - B)	378.6	251.5	127.1	-
Fiscal revenues to be carried forward (D)	249.4	251.0	(1.5)	-
Actual balance (C - D)	129.2	0.6	128.6	-
Ordinary balance ratio	79.6	81.5	-	-
Ratio of expenses for public bonds	7.3	8.2	-	-
Current TMG bonds balance	4,654.7	4,899.8	(245.1)	(5.0)

<Annual Revenues> (in billion yen, %)

Item	FY2016	FY2015	Change in amount	Percentage of change
Metropolitan taxes	5,318.0	5,162.4	155.5	3.0
Two corporate taxes	1,892.6	1,763.5	129.1	7.3
Local transfer taxes	235.5	272.0	(36.4)	(13.4)
National treasury disbursements	349.1	375.8	(26.7)	(7.1)
TMG bonds	152.6	156.2	(3.6)	(2.3)
Other	1,067.3	1,219.9	(152.6)	(12.5)
Total revenues	7,122.5	7,186.3	(63.8)	(0.9)

<Annual Expenses> (in billion yen, %)

Item	FY2016	FY2015	Change in amount	Percentage of change
General expenses	4,592.0	4,459.0	133.0	3.0
Personnel expenses	1,494.8	1,475.5	19.3	1.3
Investment expenses	874.6	770.3	104.3	13.5
Subsidizing expenses	1,355.4	1,341.9	13.5	1.0
Others	867.1	871.3	(4.2)	(0.5)
Expenses for public bonds	476.0	531.3	(55.3)	(10.4)
Tax-related expenses, etc.	1,675.9	1,944.4	(268.6)	(13.8)
Total expenses	6,743.9	6,934.7	(190.9)	(2.8)

<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 ratios
-	-	1.5	19.8	-
(5.45)	(10.45)	(25.0)	(400.0)	(20.0)

*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.

- Actual balance of revenues and expenses was 129.2 billion yen **in the black**
- Ordinary balance ratio was **79.6%**
- Ratio of expenses for public bonds was **7.3%**
- Current TMG bonds balance was a year-on-year **decrease of 5.0% or 245.1 billion yen**

- Metropolitan tax revenues **increased by 3.0% or 155.5 billion yen**
- Increased local consumption tax due to increased tax rates, etc.
- Increased revenues from two corporate taxes due to corporate earnings remaining strong, etc.

- TMG bonds **decreased by 2.3% or 3.6 billion yen**
- Appropriate use in light of financial conditions and future financial burdens, etc.

- General expenses **increased by 3.0% or 133.0 billion yen**
- Increases in investment expenses, personnel expenses and allowances, etc.
- Expenses for public bonds **decreased by 10.4% or 55.3 billion yen**
- Decreases in principal redemption proceeds, etc.
- Tax-related expenses **decreased by 13.8% or 268.6 billion yen**
- Decreases in local consumption tax grants and reserves for fiscal adjustment funds, etc.

- Real debt payment ratio was **1.5%**.
- Future burden ratio was **19.8%**.
- **This is below the standard set by the state.**

Analysis Based on New Public Accounting Procedures

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<Balance Sheet> (in billion yen)

Item	FY2016	FY2015	Change in amount
Total assets	34,041.4	33,474.7	566.6
Cash and deposits	4,241.5	3,873.3	368.2
Infrastructure assets	14,598.3	14,310.5	287.7
Total liabilities	7,120.0	7,365.4	(245.4)
TMG bonds	6,059.3	6,249.0	(189.7)
Total net assets	26,921.3	26,109.2	812.1
Total liabilities and net assets	34,041.4	33,474.7	566.6
Ratio of liabilities to assets	20.9%	22.0%	-

<Administrative Cost Statement> (in billion yen)

Item	FY2016	FY2015	Change in amount
Ordinary balance			
Ordinary revenues	6,183.4	6,065.4	118.0
Local taxes	5,315.9	5,156.7	159.1
Ordinary expenses	5,428.1	5,405.5	22.6
Payroll-related expenses	1,338.9	1,314.0	24.8
Ordinary balance	755.3	659.9	95.3
Special balance	(13.2)	(16.7)	3.5
Balance for the current period	742.1	643.1	98.9

<Cash Flow Statement> (in billion yen)

Item	Amount
Balance of administrative service activities	893.9
Balance of social capital improvement activities	(522.1)
Balance of administrative activities cash flow	371.8
Balance of financing activities	(244.7)
Balance brought forward from the previous year	251.5
Proforma balance (brought forward to the next year)	378.6

TMG Comprehensive Financial Statements

<Balance Sheet> (in billion yen)

Item	FY2016	FY2015	Change
Total assets	47,328.9	46,923.6	405.2
I Current assets	2,936.6	3,035.2	(98.6)
II Fixed assets	44,392.1	43,888.2	503.9
III Deferred assets	0.1	0.1	(0)
Total liabilities	14,691.2	15,203.1	(511.8)
I Current liabilities	1,215.9	1,445.5	(229.6)
II Fixed liabilities	11,227.0	11,499.4	(272.4)
III Deferred revenues	2,248.2	2,258.0	(9.7)
Total net assets	32,637.6	31,720.5	917.1
Total liabilities and net assets	47,328.9	46,923.6	405.2

Asset/liability stock information analysis

- Assets **increased from the previous year to 34.0414 trillion yen**
- Increased fund reserves, etc.
- Liabilities **decreased from the previous year to 7.12 trillion yen**
- Decreased TMG bonds, etc.
- Net assets **increased from the previous year to 26.9213 trillion yen**

Analysis including costs without cash expenses

- Ordinary revenues **increased by 118.0 billion yen**
- Increased metropolitan tax revenues, etc.
- Ordinary expenses **increased by 22.6 billion yen**
- Increased payroll-related expenses, etc.

Analysis of factors behind changes in cash flow

- The balance of administrative service activities cash flow stood at **371.8 billion yen** in net revenues.
- The balance of financing activities was **244.7 billion yen** in net expenses.

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- 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 47.3289 trillion yen.**
- Liabilities **decreased from the previous year to 14.6912 trillion yen.**
- Net assets **increased from the previous year to 32.6376 trillion yen.**

- Analysis of TMG's Finances -

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

Looking back over TMG finances to date

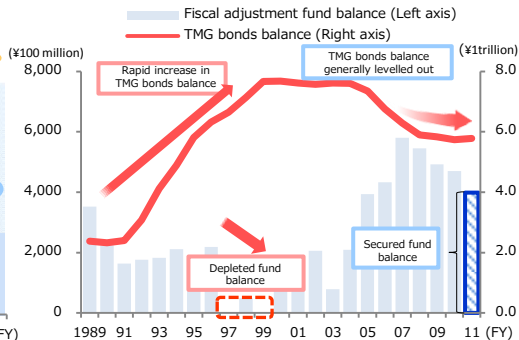
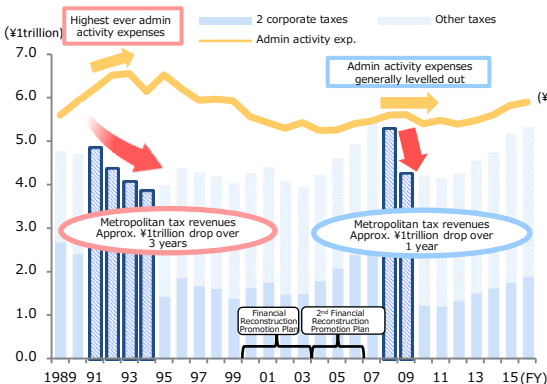
Comparison of TMG finances when facing significantly reduced revenues (Collapse of the bubble economy and the Lehman shock)

Administrative activity expenses

- ◆ Maintained high expense levels, highest ever
- ◆ Attempt to curb personnel expenses, etc. Generally stabilized

Funds and TMG bonds

- ◆ Depleted fund balance, rapid increase in TMG bonds balance
- ◆ Secured fund balance, TMG bonds balance generally levelled out

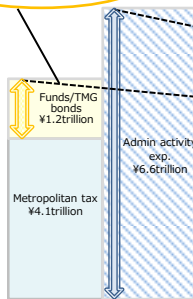


Approaches that brought about qualitative changes to TMG finances (Financial reconstruction and project review)

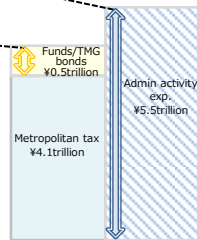
- From FY2000 onwards, internal efforts such as temporary reductions in TMG salaries, etc. and thorough reviews of measures undertaken in accordance with two "Financial Reconstruction Promotion Plans", secured approx. ¥870billion in financial resources.
- In order to continue these review efforts after financial reconstruction had been achieved, they were redesigned as approaches to project review, and reviews of measures were further promoted without any easing off.
- This resulted in a fall in administrative activity expenses of approx. ¥1trillion, and also led to decreased utilization of funds/TMG bonds.

Fund/TMG bond
utilization down
approx. ¥0.7trillion

Admin activity exp. down
approx. ¥1trillion



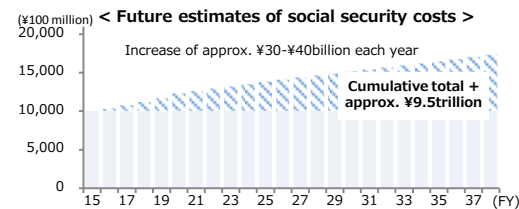
FY1993
(Post bubble collapse)



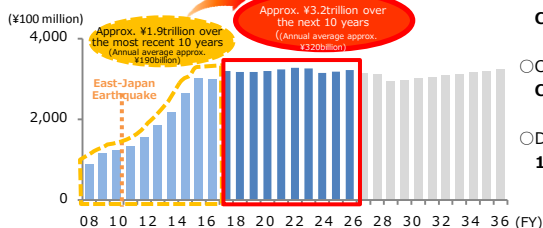
FY2011
(Post Lehman shock)

- Persistent autonomous reforms in the form of internal efforts and reviews of measures, undertaken in this way, has led to today's stable financial management.

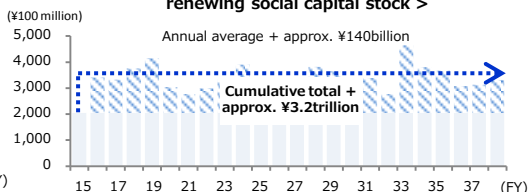
Financial demands that TMG finances cannot avoid



< Future estimates of disaster-prevention related costs >



< Future estimates of costs for maintaining and renewing social capital stock >



○ Social security costs

Annual average increase of approx. ¥30 - ¥40billion

Cumulative total increase of approx. ¥9.5trillion by FY2038

○ Costs for maintaining and renewing social capital stock

Cumulative total increase of approx. ¥3.2trillion by FY2038

○ Disaster-prevention related costs

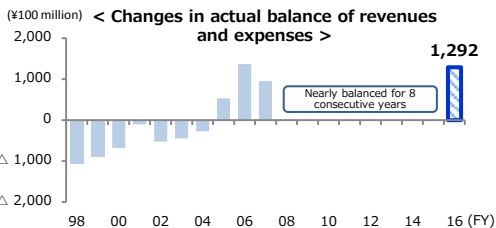
10-year total from FY2018 onwards approx. ¥3.2trillion

*Calculations for each future estimate were conducted by external research institutions

Approaches to autonomous reform that were accelerated in FY2016

(Approaches to TMG governance reform)

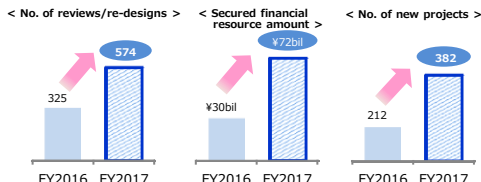
- Of the **TMG governance reforms** that commenced in **September 2016**, for autonomous reforms, 486 approaches focusing on operational improvement and increased administrative efficiency were promoted.
- Through efforts to review expenditure, etc. such as the comprehensive inspection of measures and autonomous reform approaches, the **actual balance of revenue and expenses is 129.2 billion yen in the black**.



(Approaches to project review)

- In the FY2017 budget, the **principle of setting fixed periods for all project activities was adopted**, which enhanced the functions of project review approaches and further strengthened PDCA cycles.
- **Promoting the metabolism of measures** by focusing creativity to undertake approaches from ever more diverse perspectives

< Status of project review approaches >



[Working towards future financial management]

- A **sustained robust and flexible fiscal foundation** is needed in order to resolve the issues facing Tokyo and progress with preparations for the Tokyo 2020 Olympic and Paralympic Games, as well as accommodating medium and long term financial needs that cannot be avoided, such as social security costs, etc.
- Regarding project reviews, **further promotion of autonomous reform from the "Tomin First (Tokyo citizens first)" perspective**, such as implementation of new reviews based on **objective indices (evidence based)**, will be undertaken.
- 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.