

# Summary of Fiscal Year 2018 "Tokyo Metropolitan Government Annual Financial Report"

## Summary of Fiscal Year 2018 Ordinary Account

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- The actual balance of revenues and expenses was 127.3 billion yen in the black.  
→ This is due to proactive withdrawals from funds and further thorough efforts to eliminate any wasteful aspects, in addition to increases in metropolitan tax revenues.
- 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	FY2018	FY2017	Change in amount	Percentage of change
Total annual revenues (A)	7,868.8	7,304.4	564.4	7.7
Total annual expenses (B)	7,379.0	6,827.5	551.5	8.1
Proforma balance (C = A - B)	489.7	476.9	12.9	-
Fiscal revenues to be carried forward (D)	362.4	351.6	10.8	-
Actual balance (C - D)	127.3	125.3	2.1	-
Ordinary balance ratio	77.5	82.2	-	-
Ratio of expenses for public bonds	6.8	8.5	-	-
Current TMG bonds balance	4,039.4	4,305.0	Δ 265.6	Δ 6.2

- Actual balance of revenues and expenses was 127.3 billion yen **in the black**
- Ordinary balance ratio was **77.5%**
- Ratio of expenses for public bonds was **6.8%**
- Current TMG bonds balance was a year-on-year **decrease of 6.2% or 265.6 billion yen**

### <Annual Revenues> (in billion yen, %)

Item	FY2018	FY2017	Change in amount	Percentage of change
Metropolitan taxes	5,462.5	5,289.2	173.3	3.3
Two corporate taxes	2,044.7	1,850.9	193.8	10.5
Local transfer taxes	276.8	245.1	31.7	12.9
National treasury disbursements	337.5	389.7	Δ 52.2	Δ 13.4
TMG bonds	142.7	136.8	5.9	4.3
Other	1,649.2	1,243.5	405.7	32.6
Total revenues	7,868.8	7,304.4	564.4	7.7

- Metropolitan tax revenues **increased by 3.3% or 173.3 billion yen**  
- Increased revenues from two corporate taxes due to corporate earnings remaining strong, etc.
- Others **increased by 32.6% or 405.7 billion yen**  
- Proactive utilization of funds for the realization of 3-cities, etc.

### <Annual Expenses> (in billion yen, %)

Item	FY2018	FY2017	Change in amount	Percentage of change
General expenses	5,343.7	4,661.4	682.4	14.6
Personnel expenses	1,512.3	1,496.6	15.7	1.0
Investment expenses	1,476.0	816.4	659.6	80.8
Subsidizing expenses	1,335.4	1,434.7	Δ 99.2	Δ 6.9
Others	1,020.0	913.6	106.3	11.6
Expenses for public bonds	474.5	557.1	Δ 82.6	Δ 14.8
Tax-related expenses, etc.	1,560.8	1,609.0	Δ 48.2	Δ 3.0
Total expenses	7,379.0	6,827.5	551.5	8.1

- General expenses **increased by 14.6% or 682.4 billion yen**  
- Increases in investment expenses
- Expenses for public bonds **decreased by 14.8% or 82.6 billion yen**  
- Decreases in principal redemption proceeds, etc.
- Tax-related expenses **decreased by 3.0% or 48.2 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
-	-	1.5	22.7	-
(5.54)	(10.54)	(25.0)	(400.0)	(20.0)

- Real debt payment ratio was **1.5%**
- Future burden ratio was **22.7%**
- **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	FY2018	FY2017	Change in amount
Total assets	34,562.6	34,622.4	△ 59.7
Fund reserves	4,391.3	4,561.6	△ 170.3
Total liabilities	6,736.7	6,934.2	△ 197.4
TMG bonds	5,667.5	5,849.2	△ 181.6
Total net assets	27,825.9	27,688.2	137.6
Total liabilities and net assets	34,562.6	34,622.4	△ 59.7
Ratio of liabilities to assets	19.5%	20.0%	-

#### Asset/liability stock information analysis

- Assets **decreased from the previous year to 34.5626 trillion yen**  
- Decreased fund reserves, etc.
- Liabilities **decreased from the previous year to 6.7367 trillion yen**  
- Decreased TMG bonds, etc.
- Net assets **increased from the previous year to 27.8259 trillion yen**

### <Administrative Cost Statement> (in billion yen)

Item	FY2018	FY2017	Change in amount
Ordinary balance			
Ordinary revenues	6,366.4	6,192.8	173.5
Local taxes	5,463.8	5,288.0	175.7
Ordinary expenses	5,647.7	5,625.5	22.2
Tax-related expenses	1,421.8	1,385.0	36.8
Ordinary balance	718.6	567.3	151.3
Special balance	△ 618.4	120.2	△ 738.7
Balance for the current period	100.2	687.6	△ 587.4

#### Analysis including costs without cash expenses

- Ordinary revenues **increased by 173.5 billion yen**  
- Increased local taxes, etc.
- Ordinary expenses **increased by 22.2 billion yen**  
- Increased tax-related expenses, etc.

### <Cash Flow Statement> (in billion yen)

Item	Amount
Balance of administrative service activities	911.7
Balance of social capital improvement activities	△ 632.2
Balance of administrative activities cash flow	279.4
Balance of financing activities	△ 266.6
Balance carried forward from the previous year	476.8
Proforma balance (carried forward to the next year)	489.7

#### Analysis of factors behind changes in cash flow

- The balance of administrative service activities cash flow stood at **279.4 billion yen** in net revenues.
- The balance of financing activities was **266.6 billion yen** in net expenses.

## TMG Comprehensive Financial

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### <Balance Sheet> (in billion yen)

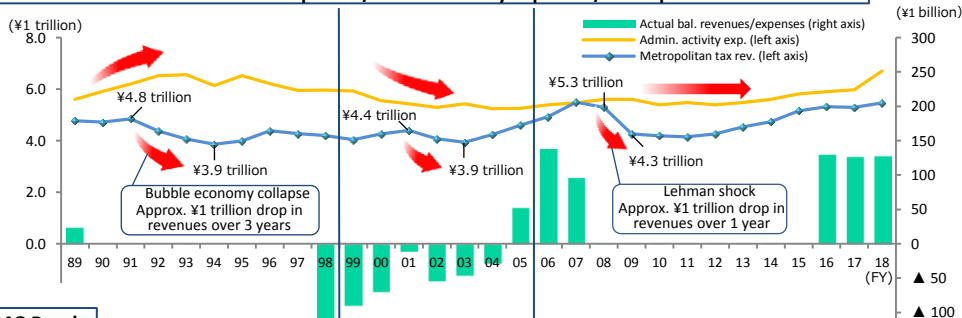
Item	FY2018	FY2017	Change in amount
Total assets	48,446.1	47,995.5	450.6
I Current assets	4,071.5	3,193.1	878.4
II Fixed assets	44,374.6	44,802.3	△ 427.7
III Deferred assets	0	0	△ 0
Total liabilities	14,009.9	14,359.3	△ 349.3
I Current liabilities	1,365.2	1,297.0	68.2
II Fixed liabilities	10,421.3	10,823.9	△ 402.6
III Deferred revenues	2,223.3	2,238.3	△ 15.0
Total net assets	34,436.2	33,636.1	800.0
Total liabilities and net assets	48,446.1	47,995.5	450.6

- 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 48.4461 trillion yen.**
- Liabilities **decreased from the previous year to 14.0099 trillion yen.**
- Net assets **increased from the previous year to 34.4362 trillion yen.**

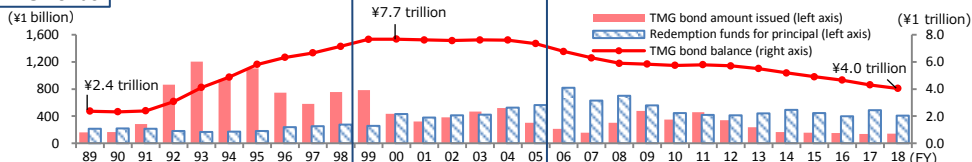
## Looking back over TMG finances during the "Heisei" era

- Metropolitan tax revenues are largely comprised of the two corporate taxes, which are susceptible to economic fluctuation, and as the only prefecture to have never received ordinary local allocation tax, Tokyo requires financial management that is more self-reliant than other municipalities.
- Even under this unstable financial structure, "Heisei" era TMG finances established the foundations for steady fiscal management.

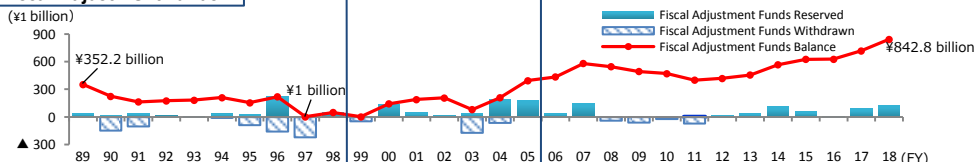
### Actual Balance of Revenues and Expenses/Admin. Activity Expenses/Metropolitan Tax Revenues



### TMG Bonds



### Fiscal Adjustment Funds



Collapse of the bubble economy and the danger of becoming a financial rehabilitation body

Approaches to financial reconstruction and subsequent achievement

Establishment of robust and flexible fiscal foundations

- Maintained a high level of Admin. Activity Expenses**, through successive large-scale construction projects, etc. in concord with the state's economic measures.
- Rapid increase in TMG bond balance, and near depletion of fiscal adjustment funds balance** resulting from high issuance of TMG bonds as a financial resource and progressive withdrawals from funds.

- Based on two **financial reconstruction promotion plans**, expenditures were curbed through review/redesign of measures, beginning with thorough internal efforts.

#### <Main Approaches>

- Personnel reduction (~ 11,526 people)
- Reduction in number of administrative bodies (64 → 41 bodies)
- Investment expenses reduced to a level of 30% compared to peak, etc.

- Even after achieving financial reconstruction, **PDCA cycles were reinforced through project reviews** in order to maintain sound financial management.
- TMG bond balance** was reduced from a peak of approx. ¥7.7 trillion to approx. **¥4 trillion**, and **fiscal adjustment funds balance of approx. ¥0.8 trillion** was secured (as of end FY2018).

FY1998 financial results recorded the **worst ever deficit** for Actual Balance of Revenues and Expenses, and the **TMG faced the danger of becoming a financial rehabilitation body**.

Financial results of FY2005 recorded a **shift to the black** for Actual Balance of Revenues and Expenses, etc. marking a close to one period of financial reconstruction.

**Approaches undertaken towards the establishment of robust and flexible fiscal foundations** to support the provision of stable administrative services and proactive deployment of measures.

# Working towards future financial management

## Sound financial management that supports the success of the Tokyo 2020 Games

- Based on the concept of **"Leaving no burdens for the future"**, the TMG curbed bond issuance, and promoted approaches for the success of the games by aiming to **secure financial resources through the proactive utilization of funds** steadily reserved to date, etc.

### <Tokyo 2020 Games and 1964 Games comparison>

Category	Tokyo 2020 Games	1964 Games
TMG Burden	¥1.41 trillion	¥195.4 billion
Comparison against Tokyo nominal GDP	1.3%	3.7%
Investment expenses	About 10-20% against total annual expenses	About 30-40% against total annual expenses
Main projects	<ul style="list-style-type: none"> <li>• Stadium builds</li> <li>• <b>Soft projects</b> (development and utilization of city volunteer, promotion of sports for the disabled, etc.) etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Stadium builds</li> <li>• <b>Infrastructure development</b> (Roads, water supply and sewerage, etc.) etc.</li> </ul>

### <Tokyo 2020 Games expenses and financial resources>

Category	Expenses	Financial Resources
Games expenses	¥600 billion	<b>Tokyo Olympics/Paralympics Preparation Fund, etc.</b>
Games related expenses	¥810 billion	<b>Fund for the realization of 3-cities, etc.</b>

## Colossal financial demand facing Tokyo

- There is a need for efforts to secure financial resources through the **strategic and systematic utilization of funds and TMG bonds, from medium and long term perspectives**, while maintaining an awareness of future changes in social conditions.

### <Arrival of a progressively aging society with low birth rate and a declining population>

- ✓ Tokyo population
  - Expected to decline after 2025 peak
- ✓ Elderly population
  - 3.07 million(2015) → 3.99 million(2050) (Aging population rate 22.7% → 31.0%)

Increases in social security costs

### <Deterioration of public properties (buildings)>

- ✓ Buildings 30yrs old or older: Approx. 50% of total
- ✓ Buildings 20yrs old or older: Approx. 70% of total

Increased social capital stock maintenance/renewal costs

### <Risks related to the incidence of large-scale disasters>

- ✓ Damages estimations of Tokyo Inland Earthquake, etc.
  - Fatalities: Approx. 9,700 people
  - Injuries: Approx. 147,600 people
- ✓ Arakawa River Flood
  - Population within inundated region: Approx. 1.26 million, etc.

Intensive and focused implementation of measures

## Working towards sustainable growth for Tokyo and Japan

- For Tokyo to continue to generate growth and further evolve as a mature city, there is a need for the **greater refinement of Tokyo's "Earning Capabilities"** through approaches towards the realization of "Global Financial City: Tokyo" and the social implementation of "Society 5.0", etc.
- In order to fulfil the role of the driving force behind Japan's economy, **there is a need for proactive investment in Tokyo, which contributes to improvements in international competitiveness, and maintaining a robust and flexible fiscal foundation to support such investment is important.**

### <Main approaches towards the reinforcement of international competitiveness>

Examples of approaches to support reinforcement of Tokyo's international competitiveness, given in the "Study Panel on the Sustainable Growth of Tokyo and Japan – Report" (October 2018)

Approach	Investment content	Economic ripple effect	Investment amount
Enhanced functionality of Haneda Airport	Expansion of airport capacity	Approx. ¥2 trillion	Approx. ¥620 - ¥970 billion
Development of outer ring roads	Development of "Kanetsu-Tomei" and "Tomei-Wangan" routes	Approx. ¥7.9 trillion	Approx. ¥3.2 trillion
Enhancement of railway networks, etc.	Development of six lines such as the Haneda AP access Line	Approx. ¥2.5 trillion	Approx. ¥1.0 trillion

### [Working towards future financial management]

- The TMG must promote the steady implementation of measures to guide the Tokyo 2020 Games to assured success, build a legacy that will be inherited by subsequent generations, and create a society in which everyone can live in peace and participate with vitality.
- Furthermore, in addition to the deployment of measures that will lead to sustainable growth for both Tokyo and Japan as a whole, assertive approaches aiming for Tokyo's evolution as a mature city that continues to create growth, must also be promoted.
- In order to support the deployment of measures into the future, there is a need to **maintain financial capabilities that will form the foundation for the implementation of measures through greater utilization of new concepts that the administration has not possessed to date, and further efforts to eliminate any wasteful aspects through greater focus on creativity, etc.**
- To achieve this, there is a need for **financial management that incorporates long term financial balances forecasts**, while taking the lessons learned through the financial crises of the "Heisei" era to heart.