

Summary of Fiscal Year 2015 "Tokyo Metropolitan Government Annual Financial Report"

September 23, 2016
Bureau of Finance

Summary of Fiscal Year 2015 Ordinary Account

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- The actual balance of revenues and expenses is nearly balanced (eight consecutive years since FY2008)
- 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	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	0.0	-
Ordinary balance ratio	81.5	84.8	-	-
Ratio of expenses for public bonds	8.2	9.6	-	-
Current TMG bonds balance	4,899.8	5,185.8	(286.0)	(5.5)

- Actual balance of revenues and expenses was **nearly balanced at 0.6 billion yen**
- Ordinary balance ratio was **81.5%**
- Ratio of expenses for public bonds was **8.2%**
- Current TMG bonds balance was a year-on-year **decrease of 5.5% or 286.0 billion yen**

<Annual Revenues> (in billion yen, %)

Item	FY2015	FY2014	Change in amount	Percentage of change
Metropolitan taxes	5,162.4	4,734.9	427.5	9.0
Two corporate taxes	1,763.5	1,644.2	119.3	7.3
Local transfer taxes	272.0	364.8	(92.8)	(25.4)
National treasury disbursements	375.8	386.1	(10.3)	(2.7)
TMG bonds	156.2	167.0	(10.8)	(6.5)
Other	1,219.9	1,200.6	19.3	1.6
Total revenues	7,186.3	6,853.4	332.9	4.9

- Metropolitan tax revenues **increased by 9.0% or 427.5 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 6.5% or 10.8 billion yen**
- Appropriate use in light of financial conditions and future financial burdens, etc.

<Annual Expenses> (in billion yen, %)

Item	FY2015	FY2014	Change in amount	Percentage of change
General expenses	4,459.0	4,380.5	78.4	1.8
Personnel expenses	1,475.5	1,458.2	17.3	1.2
Investment expenses	770.3	757.9	12.4	1.6
Subsidizing expenses	1,341.9	1,297.3	44.6	3.4
Others	871.3	867.2	4.1	0.5
Expenses for public bonds	531.3	590.4	(59.1)	(10.0)
Tax-related expenses, etc.	1,944.4	1,583.1	361.4	22.8
Total expenses	6,934.7	6,554.0	380.7	5.8

- General expenses **increased by 1.8% or 78.4 billion yen**
- Increases in subsidizing expenses, personnel expenses and investment expenses, etc.
- Expenses for public bonds **decreased by 10.0% or 59.1 billion yen**
- Decreases in principal redemption proceeds, etc.
- Tax-related **expenses increased by 22.8% or 361.4 billion yen**
- Increases in local consumption tax grants and 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 ratios
—	—	1.3	32.1	—
(5.54)	(10.54)	(25.0)	(400.0)	(20.0)

- Real debt payment ratio was **1.3%**.
- Future burden ratio was **32.1%**.
- **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 Procedures

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<Balance Sheet> (in billion yen, %)

Item	FY2015	FY2014	Change in amount
Total assets	33,474.7	33,065.1	409.6
Cash and deposits	3,873.3	3,422.0	451.2
Infrastructure assets	14,310.5	14,217.6	92.9
Total liabilities	7,365.4	7,691.8	(326.4)
TMG bonds	6,249.0	6,548.2	(299.1)
Total net assets	26,109.2	25,373.2	736.0
Total liabilities and net assets	33,474.7	33,065.1	409.6
Ratio of liabilities to assets	22.0%	23.3%	-

Asset/liability stock information analysis

- Assets **increased from the previous year to 33.4747 trillion yen**
- Increased fund reserves, etc.
- Liabilities **decreased from the previous year to 7.3654 trillion yen**
- Decreased TMG bonds, etc.
- Net assets **increased from the previous year to 26.1092 trillion yen**

<Administrative Cost Statement> (in billion yen)

Item	FY2015	FY2014	Change in amount
Ordinary balance			
Ordinary revenues	6,065.4	5,741.6	323.7
Local taxes	5,156.7	4,739.9	416.8
Ordinary expenses	5,405.5	5,220.5	185.0
Tax-related expenses	1,439.4	1,290.5	148.9
Payroll-related expenses	1,314.0	1,292.4	21.6
Ordinary balance	659.9	521.1	138.7
Special balance	(16.7)	(7.1)	(9.6)
Balance for the current period	643.1	513.9	129.1

Analysis including costs without cash expenses

- Ordinary revenues increased by **323.7 billion yen**
- Increased metropolitan tax revenues, etc.
- Ordinary expenses increased by **185.0 billion yen**
- Increased tax-related expenses, etc.

<Cash Flow Statement> (in billion yen)

Item	Amount
Balance of administrative service activities	813.3
Balance of social capital improvement activities	(577.2)
Balance of administrative activities cash flow	236.0
Balance of financing activities	(283.9)
Balance brought forward from the previous year	299.4
Proforma balance (brought forward to the next year)	251.5

Analysis of factors behind changes in cash flow

- The balance of administrative service activities cash flow stood at 236.0 billion yen in net revenues.
- The balance of financing activities was 283.9 billion yen in net expenses.

TMG Comprehensive Financial Statements

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<Balance Sheet> (in billion yen)

Item	FY2015	FY2014	Change
Total assets	46,923.6	46,439.6	483.9
I Current assets	3,035.2	3,076.9	(41.6)
II Fixed assets	43,888.2	43,362.5	525.7
III Deferred assets	0.1	0.1	△ 0
Total liabilities	15,203.1	15,600.3	(397.2)
I Current liabilities	1,445.5	1,486.1	(40.5)
II Fixed liabilities	11,499.4	11,860.3	(360.8)
III Deferred revenues	2,258.0	2,253.8	4.2
Total net assets	31,720.5	30,839.2	881.2
Total liabilities and net assets	46,923.6	46,439.6	483.9

- 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).

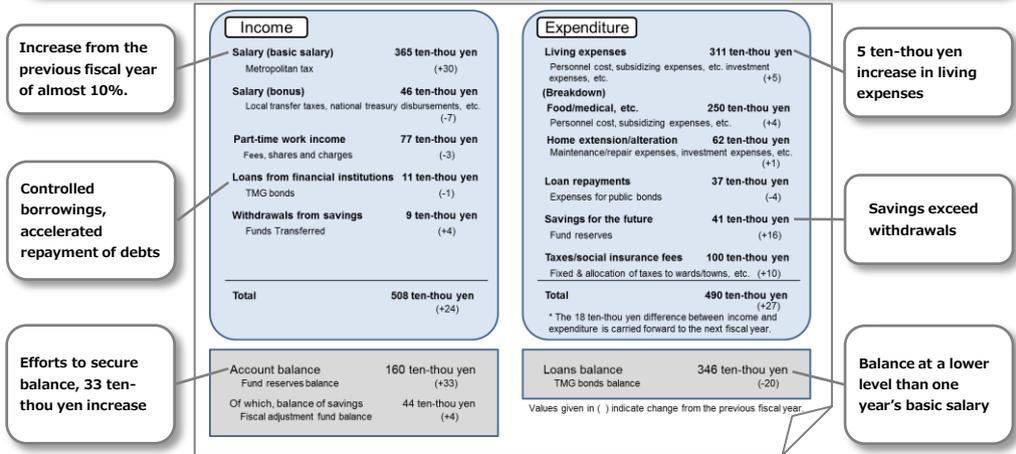
- Assets **increased from the previous year to 46.9236 trillion yen.**
- Liabilities **decreased from the previous year to 15.2031 trillion yen.**

- Analysis of TMG's Finances -

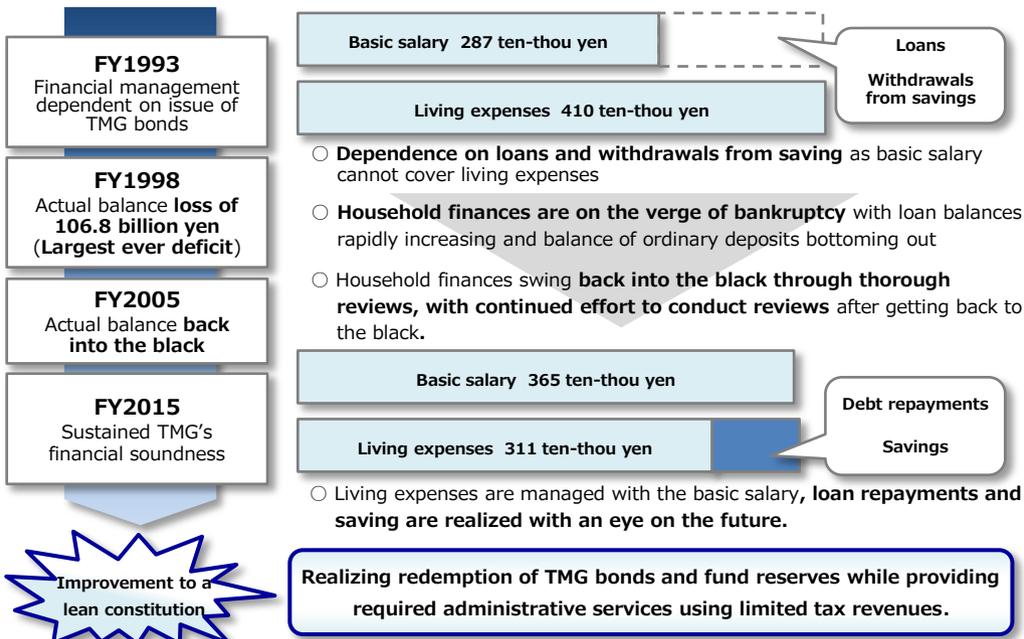
While applying a household finances analogy to TMG's financial condition, this report analyses the factors that have sustained TMG's financial soundness in recent years and considers future financial management.

Explanation of FY2015 fiscal results using the household finances analogy

(Approx. 5.2 trillion yen TMG tax revenue converted to average annual wage of 365 ten-thou yen for FY2015.)



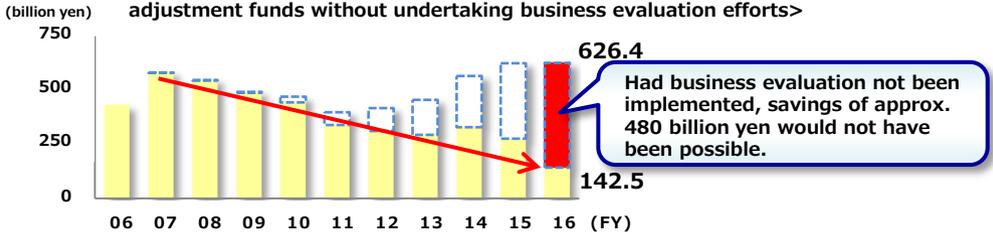
Explanation of changes in fiscal structures using the analysis of household finances and comparisons against FY1993



Efforts undertaken for business evaluations that allowed qualitative changes to TMG's finances

- Business evaluation is an approach that aims to achieve **thorough improvements to the efficiency and effectiveness of each business activity** through **rigorous inspection of business results and financial status** to evaluate **business reviews/reconstruction and expansion/enrichment of business content**, etc.
→ If business evaluation had not been conducted, **about 480 billion yen in savings to fiscal adjustment funds would not have been possible.**
- With limited sources of revenue, business evaluation efforts enabled greater efficiency and effectiveness in the implementation of necessary administrative services, and the utilization of the resulting sources of revenue enabled **flexible responses to new demand, control of TMG bond issuance and the building up of fund reserves**, etc.

<In the case where sources of revenue had been secured through fiscal adjustment funds without undertaking business evaluation efforts>



Financial Management for the Future

- Faced with the acceleration of a declining birth rate and aging population, and a decreasing population, TMG social security costs are expected **to increase by an average 30 billion yen each year.**
- Incremental costs for maintaining and renewing Tokyo's social capital stock is expected to be **about 2.3 trillion yen cumulatively over the next 20 years.**
- There is a need to tackle issues concerning **efforts towards a new future for Tokyo and towards the hosting of the Tokyo 2020 Olympic and Paralympic Games**, etc.

<Future estimates of social security costs in Tokyo>



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



*Calculations of future estimates were conducted by Ernst & Young Shin Nihon LLC.

- **Setting term endings for all business projects**, and enhancing functions for the implementation of business evaluations and further strengthening PDCA cycles, etc. **to further promote reform from the "Tokyo citizens first" perspective.**
- In addition, **from a medium and long-term perspective**, it is necessary to continue to sustain a robust and flexible fiscal foundation through **planned and strategic utilization of TMG bonds and funds.**