



Tokyo Metropolitan Government



Bureau of Finance, April/May 2015

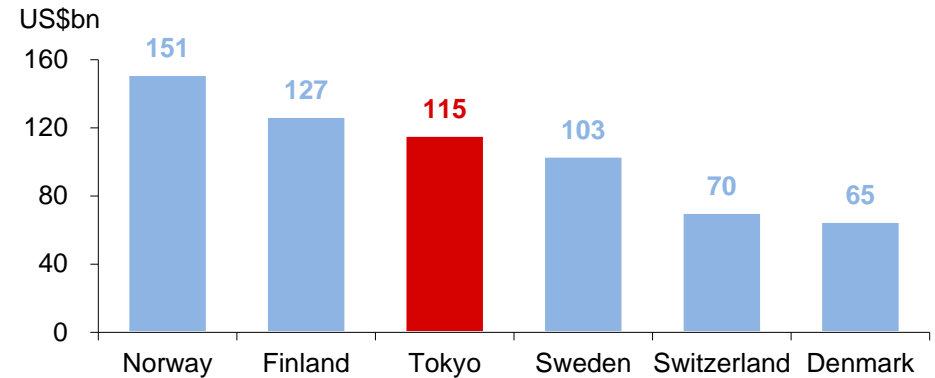
Opening Remarks



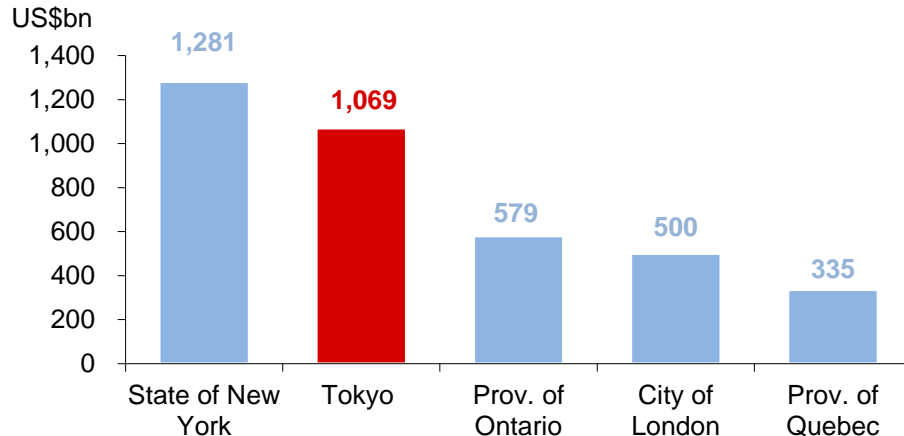
Tokyo at a glance

	Tokyo (A)	Japan (B)	A/B(%)
Population	13.30mn	127.02mn	10.5
GDP (FY2012)	JPY92tn	JPY473tn	19.4
# of Employees	8.66mn	55.84mn	15.5
# of Companies with capitalisation >JPY1bn	2,937	5,410	54.3

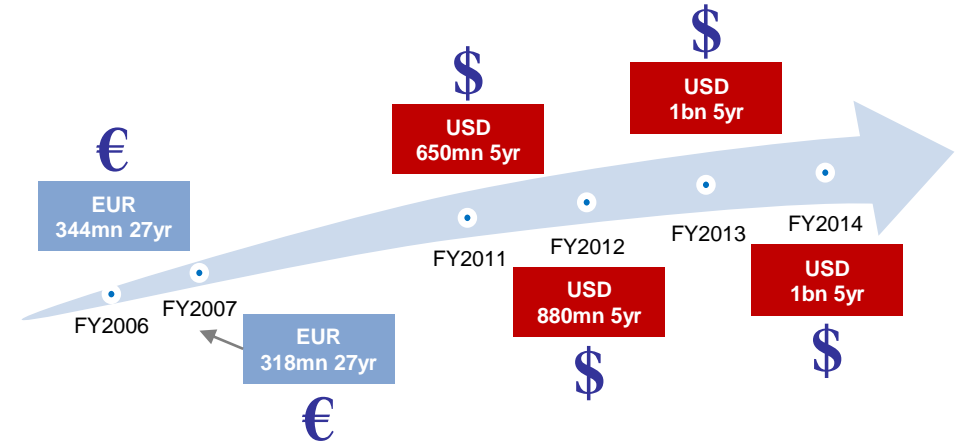
FY2015 Fiscal Budget Comparison†



GDPs of major municipalities (FY2012)*



Frequent issuance of foreign currency bonds



*GDP figures are converted to US dollar with exchange rates as of Dec 30, 2012

†Countries with similar fiscal budget sizes to TMG are selected for FY2015 fiscal budget comparison. The amounts represent planned government expenditures of FY2015 in US dollar converted from local currencies with exchange rates as of March 31, 2015

Sources: Tokyo Metropolitan Government, Government of Japan, Norway Ministry of Finance, Finland Ministry of Finance, Sweden Ministry of Finance, Federal Finance Administration of Switzerland, Denmark Ministry of Finance, US Bureau of Economic Analysis, Government of Ontario, UK Office for National Statistics, Institut de la Statistique du Quebec



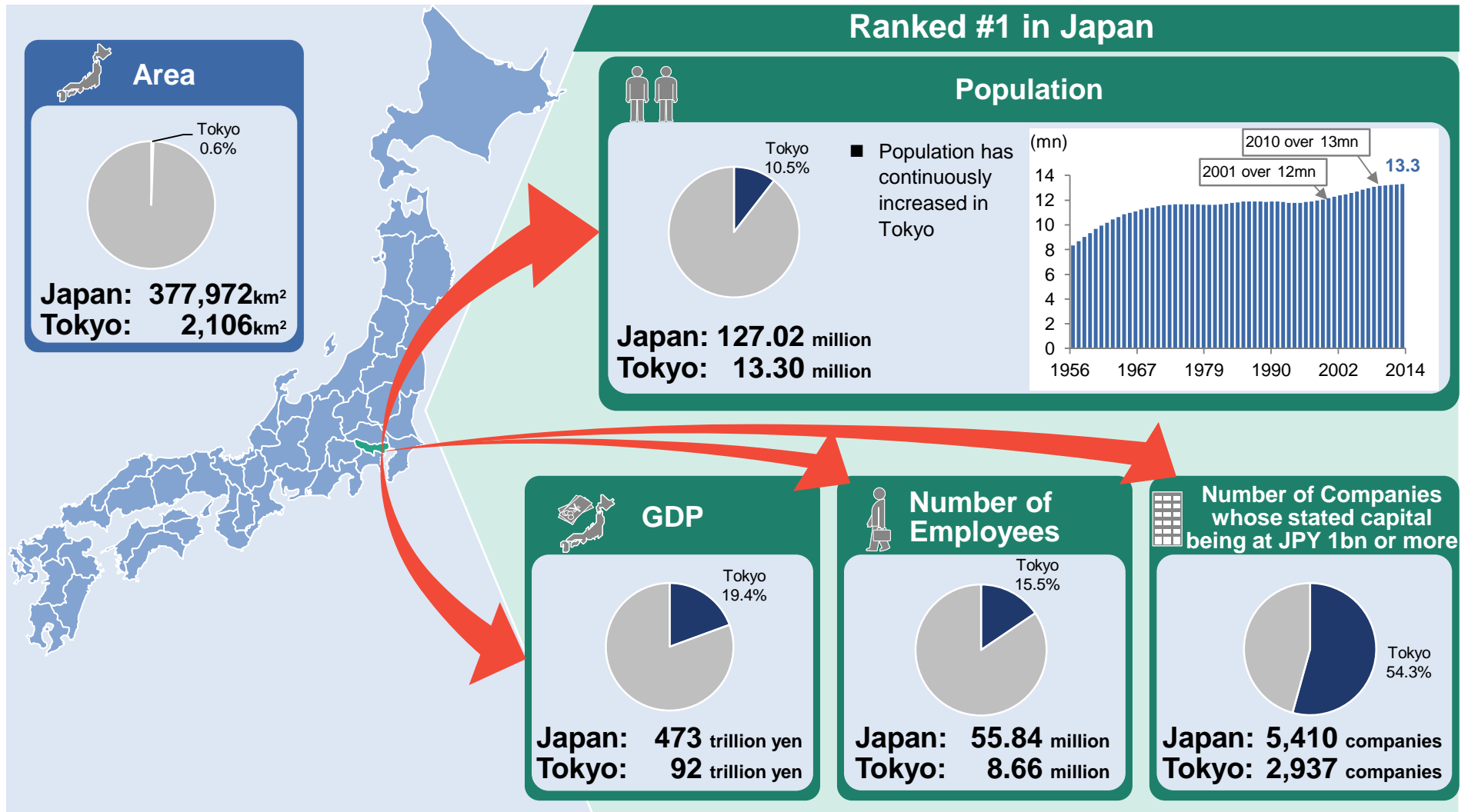
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- Unless otherwise noted, figures in this material until FY2013 indicate settlement amounts, and figures for FY2014 are final budget amounts. The fiscal year commences on 1st April and ends 31st March.
- Figures have been rounded off to the unit indicated without the adjustment of fractional amounts. Therefore, the sum of these figures may not coincide with totals shown.



I. Overview of Tokyo

(1) Center of Japanese economy



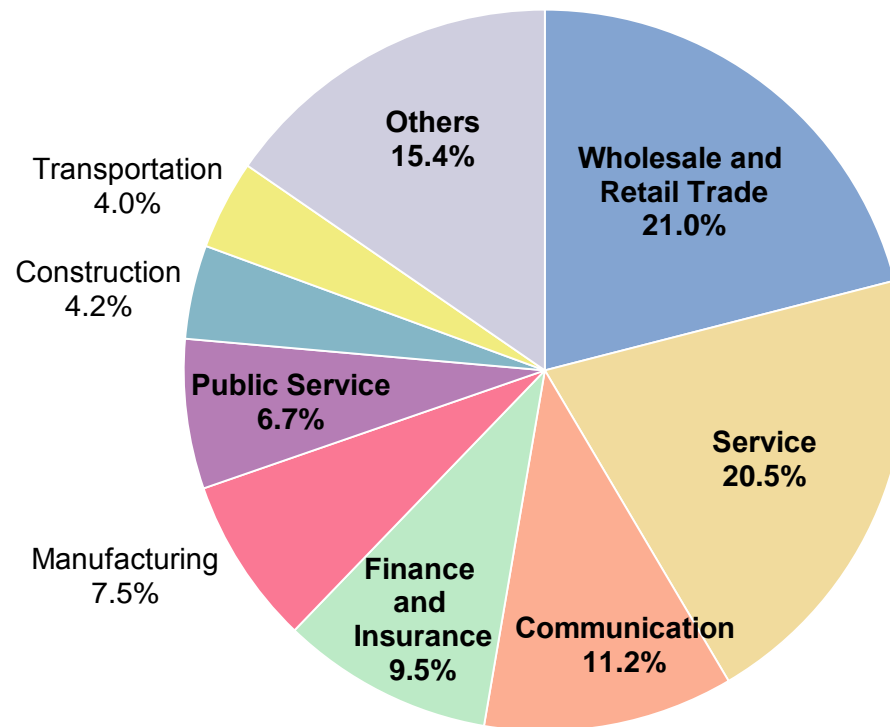
Sources: 2013 Statistical reports on the land area by prefectures and municipalities in Japan by Geospatial Information Authority of Japan, Households and Population based on Basic Resident Register by Tokyo Metropolitan Government Statistics Division, Bureau of General Affairs, Population Estimates – January 2015, and 2012 Economic Census for Business Activity by the Statistics Bureau, Ministry of Internal Affairs and Communications, 2013 National Tax Agency Japan Statistics report

(2) Diverse, well-balanced economy



- Tokyo's economy is supported by diversified industries, which will not be seriously damaged by fluctuations of specific industries

Tokyo's Diverse Economy



Source: Annual Statistical Report on Prefectural Accounts: FY2012 by Bureau of General Affairs, Tokyo Metropolitan Government



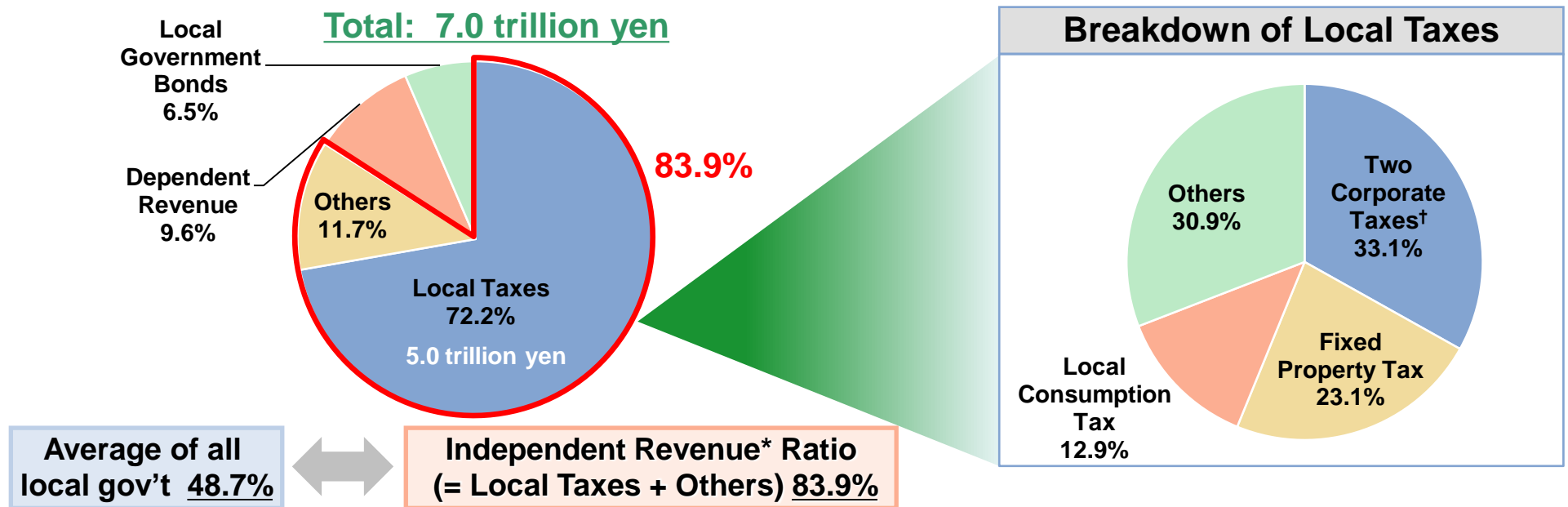
II. Financial Highlights

(1) Independent & ample revenue sources



- The Tokyo Metropolitan Government (TMG) is authorized to levy and collect local taxes, which forms the core of independent revenues
- The ratio of TMG's independent revenues is considerably high, which enables flexibility in its fiscal management without depending on the central government
- Japan's consumption tax went up from 5% to 8% on April 1, 2014, which included an increase of local consumption tax from 1% to 1.7%

Breakdown of the TMG Revenues (FY2015 General Account Budget)



*Independent revenue means a revenue which a local government can raise on its own without depending on the central government, i.e., local taxes, usage charges, charges for services, commission, property revenue and miscellaneous revenue, etc.

†Two Corporate Taxes include corporate enterprise tax and corporate inhabitant tax.

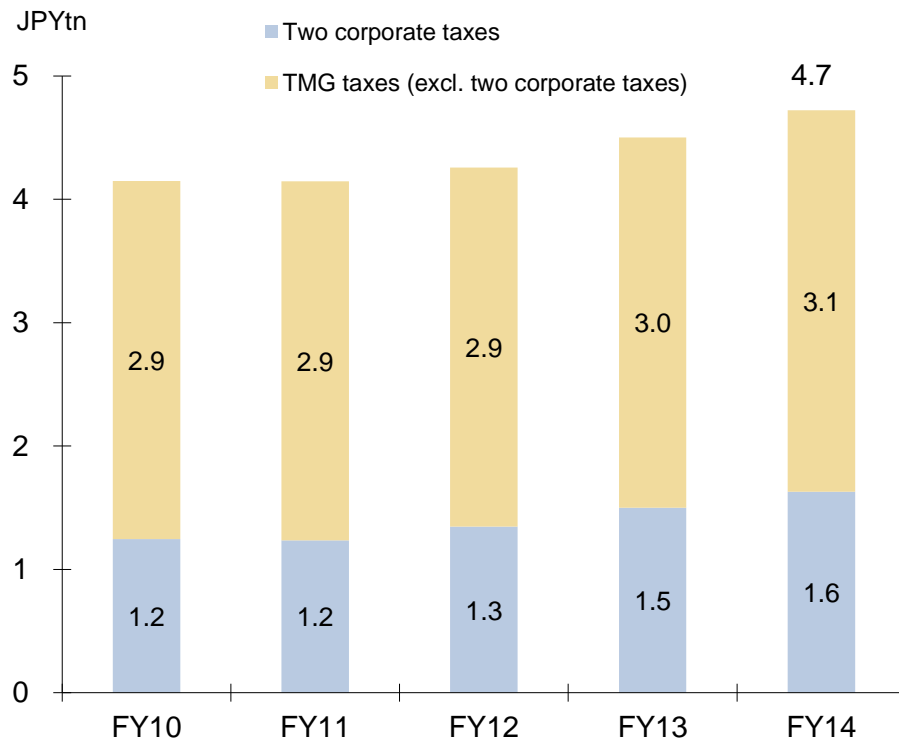
Source: Ministry of Internal Affairs and Communications

(1) Independent & ample revenue sources (cont'd)



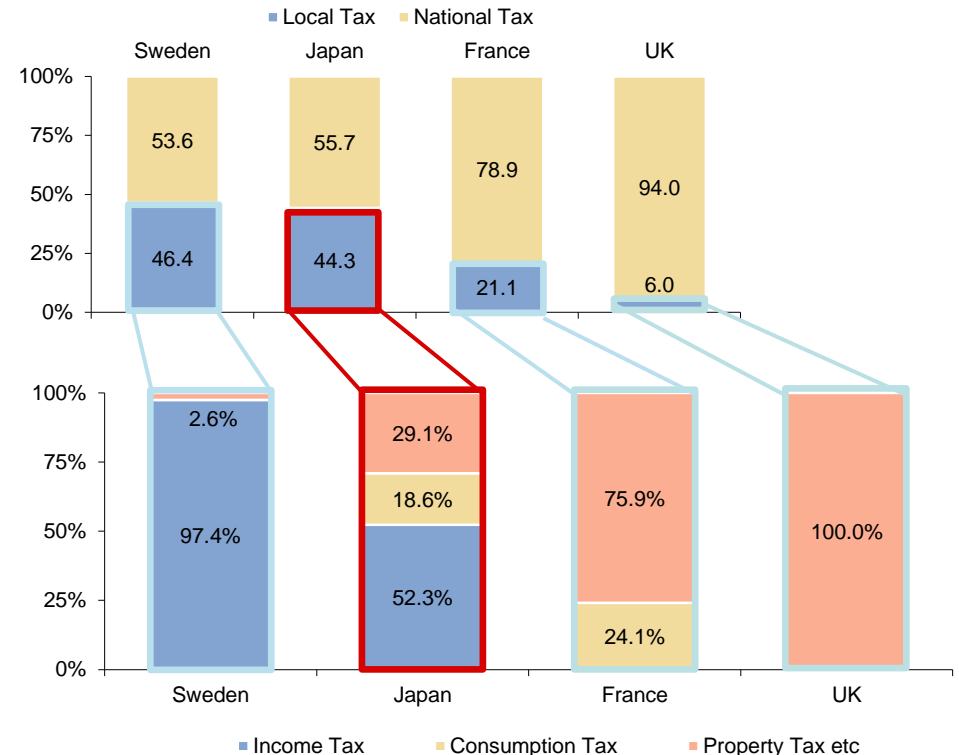
- TMG has been well-funded by its local taxes continuously
- Japanese local governments may collect a large proportion of taxes from diverse sources

Trends in TMG Tax Revenue*



FY14 figures are based on the final budget.

Local Tax Shares and Breakdown†



*If revenues of a local government do not meet demand, the central government allocates some proportion of tax revenues to the local government for the purpose of ensuring an appropriate level of government services; this local allocation tax system started from 1954.

†Local Tax Shares and their Breakdown represent FY2011 results of sampled OECD countries, whereas those of Japan represent FY2012, following the original data source of MIC Source: Tokyo Metropolitan Government, Japanese Ministry of Internal Affairs and Communications (MIC)

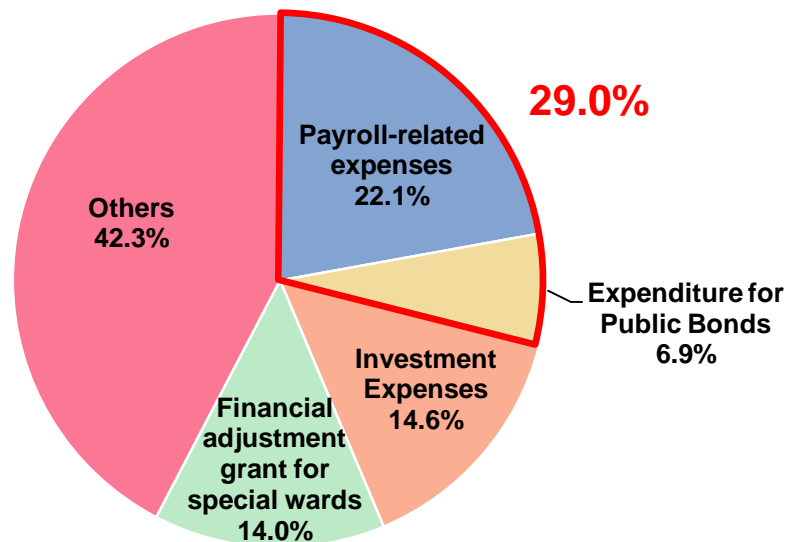
(2) Low mandatory spending



- TMG's low mandatory spending allows for flexible fiscal management

Breakdown of TMG's Expenditure (FY2015 General Account Budget)

Total: 7.0 trillion yen



Average of all local gov't
40.1%



Mandatory Fixed Expense *
29.0%

In the breakdown of TMG's expenditure, "Others" include Public Enterprise Accounts Money Drawn, subsidiary and loan, etc.

Source: Ministry of Internal Affairs and Communications

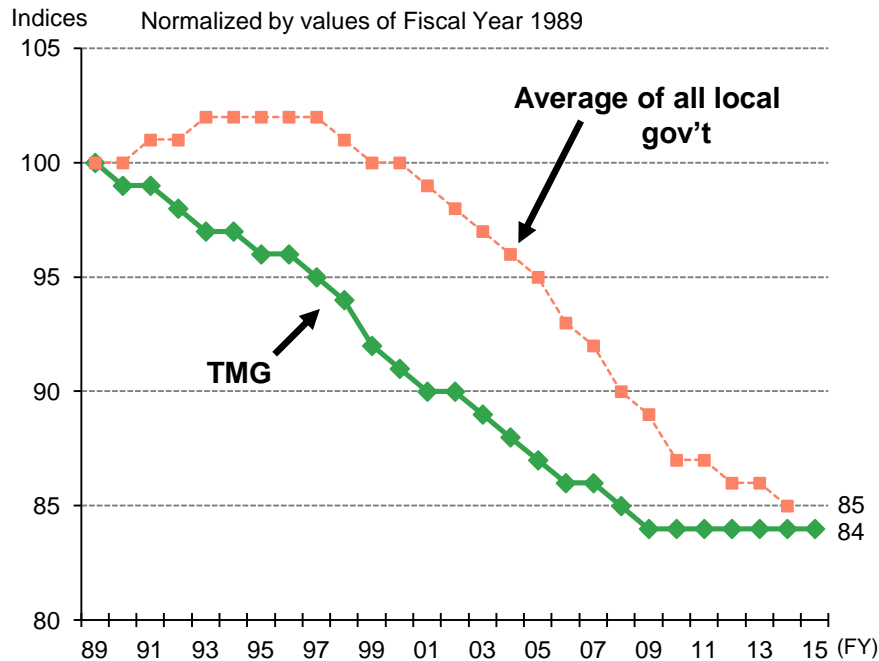
* Mandatory Fixed Expense = Payroll-related expenses + Expenditure for Public Bonds

(3) Sound financial management



- TMG has been promoting administrative and financial reform through optimal management of staff numbers and general expenditures
- The streamlining of expenditures leads to sound budgetary performance

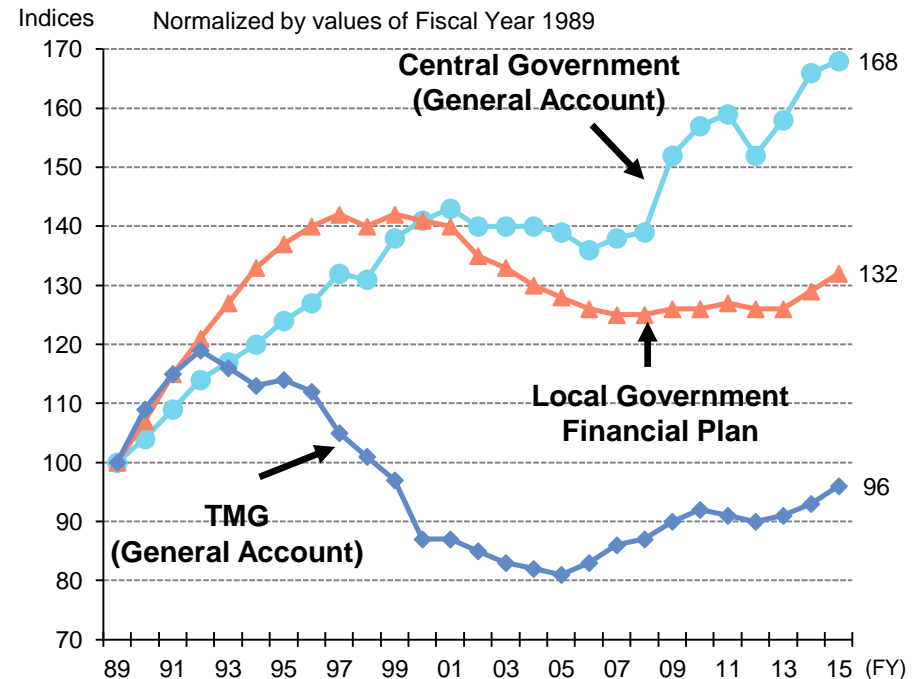
Trends in the Number of Staff



Full number of staff for TMG, and number of staff for all local governments. TMG figures exclude the decreased number of staff after the waste disposal operation was transferred to the special wards.

Source: Overview of local government staff management survey results in 2014, Ministry of Internal Affairs and Communications. Overview of the number of staffs in FY2015, Tokyo Metropolitan Government

Trends in General Expenditure



FY2015 figures are based on the original budget draft.

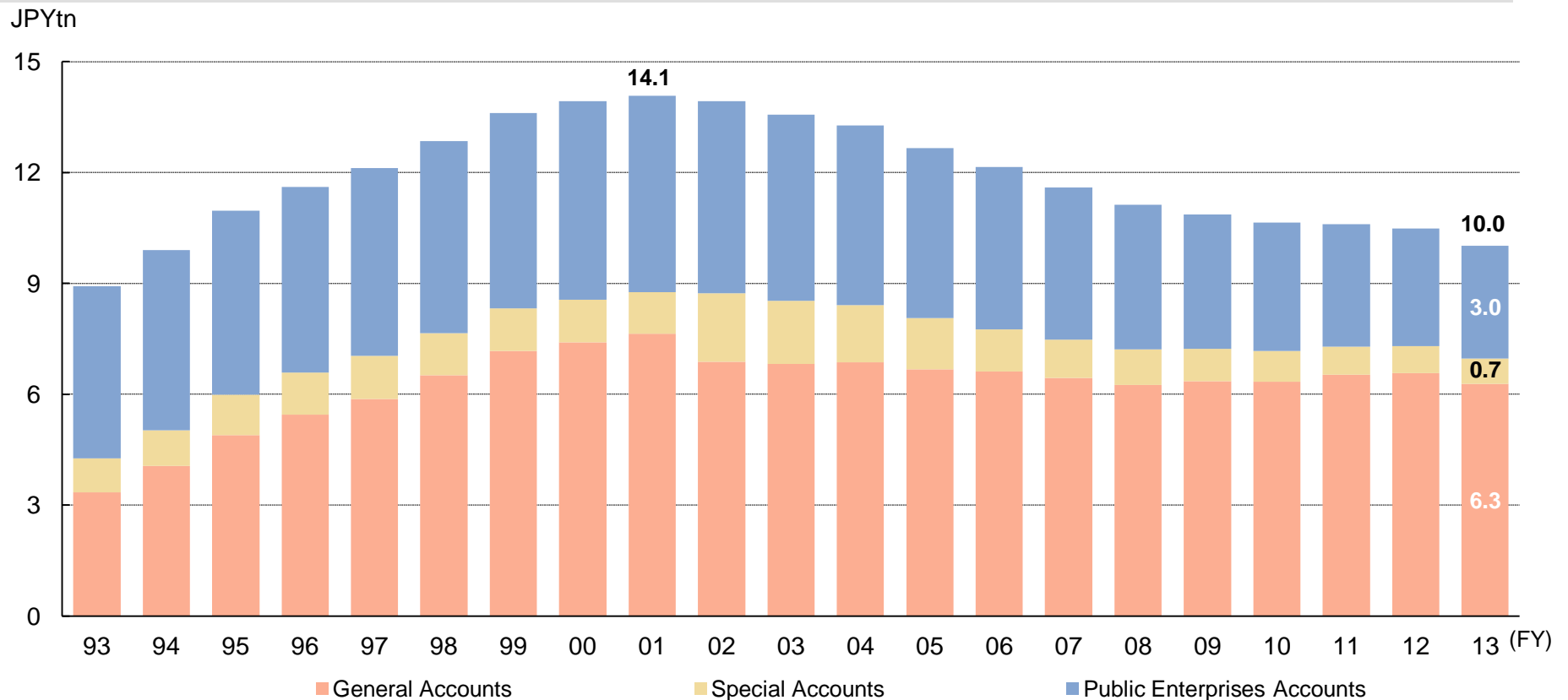
Source: The comparisons in the original budget of FY2015 among TMG, local government, and central government, Tokyo Metropolitan Government

(3) Sound financial management (cont'd)



- TMG's debt outstanding has been reduced from its peak in FY2001

Trends in TMG Debt Outstanding (All Accounts)





(4) Being ready for future obligations

Reserve Fund

- TMG has established various reserve funds to prepare for future financial demands and economic fluctuations

(billion yen)
As at 31st March 2014
(FY 2013 Results)

Reserve Fund	
① Funds for General Purposes	
Adjusting Fund for Finance	455.2
Social infrastructure improvement fund	407.3
Welfare and health fund	13.1
Hosting reserve fund for Olympics	410.9
Others	0.2
Sub total	1,286.8
Funds for Special Purposes	213.6
② Sinking Fund	1,415.6
Total	2,916.0

① Funds for General Purposes

- As at 31st March 2014 (FY2013 results) TMG had roughly 1.3 trillion yen set aside as funds to be used for general purposes in the future including financing 2020 Tokyo Olympics

② Sinking Fund

- TMG reserves a sinking fund to address future obligations
- TMG has reserved 1.4 trillion yen sinking fund, equivalent to 20%+ of the outstanding TMG bonds in its general account in FY2013

Newly established 7 reserve funds

TMG has newly established 7 reserve funds targeting 258 billion yen to launch intensive and important policies since FY2015

New Funds	(billion yen) Amount
Fund for the realisation of the city with advanced social welfare	40
Fund for the creation of people-friendly and comfortable city	40
Fund for the promotion of creation of a city with hydrogen society and smart energy	40
Fund for the hospitality and tourism	20
Fund for the promotion of arts and culture	10
Fund for the creation of a city with disaster prevention	100
Fund for the urban diplomacy and human resources development	8
Total	258

(5) Comparison of TMG and Japan



- The outstanding balance of TMG's public bonds is low relative to its tax revenues, and TMG has kept its dependence on new bond issues low

Fiscal balance of TMG vs Japan as of FY2013			
TMG		Japan	
Total assets 32.8 trillion yen	Total liabilities 8.1 trillion yen	Total assets 272 trillion yen	Total liabilities 781 trillion yen
	Total net assets 24.7 trillion yen		

FY2015 Budget		
	TMG	Japan
Rating (Moody's / S&P) (Domestic bonds)	- / AA-	A1 / AA-
(International bonds)	- / AA-	Aaa / AA-
Dependence on new bond issues*	6.5%	38.3%
Outstanding balance of public bonds†	6.2 trillion yen	807 trillion yen
(vs. tax revenues)	1.2 times	14.8 times
(vs. GDP)‡	6.7%	177.8%
Deficit-covering bonds	-	30.86 trillion yen

Source: Ministry of Finance, TMG.

Fiscal balance of Japan is general account base.

* Dependence on new bond issues represents the ratio of total new bond issues total annual revenues.

† Outstanding JGBs include reconstruction bonds.

‡ GDP data based on World Bank



(6) Credit Rating and BIS Risk Weight

- TMG bonds are deemed to hold one of the highest credit ratings among those issued by the public sector in Japan, having the same rating as Japan sovereign generally and zero BIS risk weight

Credit Rating

S&P: AA- / Negative
(Long-Term Issuer Credit/Both foreign and domestic currency denominated)
TMG's stand-alone credit profile (SACP) is 'aa', which is above Japan's AA- sovereign ceiling

- Strengths of TMG in the opinion of Standard & Poor's*
 - 1) "The strength of TMG's economy compares well with that of international peers"
 - 2) "Demonstrates a good record of revenue and expenditure management, prudent debt and liquidity policy, and strong supervision of its GREs"
 - 3) "The Olympic fund is currently over 400 billion yen and expected to cover certain infrastructure expenditures for development"
- Stand-Alone Credit Profile (SACP)*
 - "The SACP is not a rating but a means of assessing the intrinsic creditworthiness of an LRG under the assumption that there is no sovereign rating constraint."

BIS Risk Weight

Type of Bonds	BIS Risk Weight
Government Bonds	0%
Government-Guaranteed Bonds	0%
TMG Bonds	0%
FILP Institutional Bonds	10%
Bank Debentures	20%

Zero ratings are for domestic investors in Japan. For overseas investors, will depend on confirmation of relevant regulatory authority in each country. (However, ordinary local government bonds are from 10% to 20%.)

* Source: Standard & Poor's report. Title: "RatingsDirect, Tokyo Metropolitan Government" Sep. 24th 2014



III. TMG Bonds



(1) Basis for Safety of Local Government Bonds: System Supporting Local Government Finances

- Various systems secure the reliability of redemptions of Japan's local government bonds (JLGB), thus the level of risk associated with JLGB is low

Securing System of the Local Government Bonds

Local Government

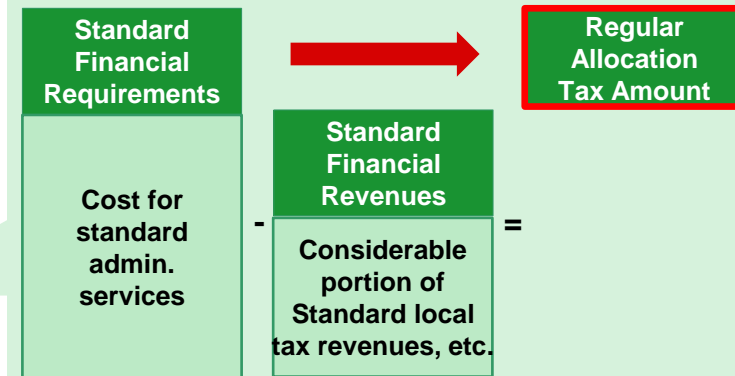
- Revenue Source: Right to levy taxes
- Preparation for Redemption: Reservation of Sinking fund

Systematic Support

National Government

- Budget Deficit Compensation: Local Allocation Tax System*
- Early Warning: Law relating to the Financial Soundness of Local Governments, etc

Local Allocation Tax System



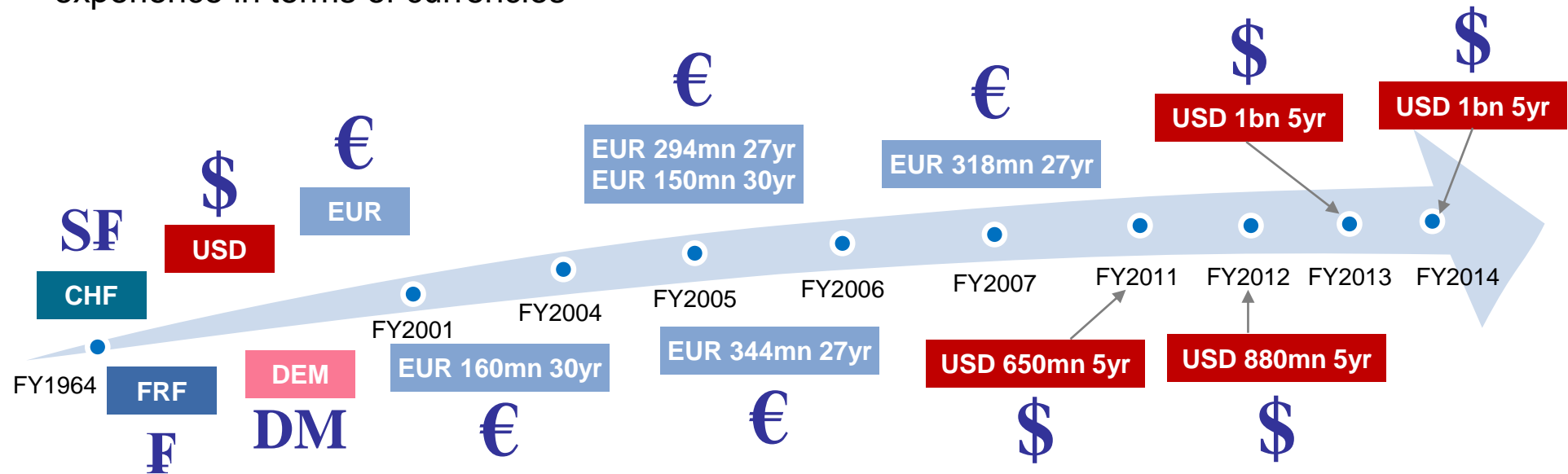
* TMG has never received the Local Allocation Tax since the tax allocation system's inception in 1954, which is the only one among the 47 prefectural governments in Japan

Source: Ministry of Internal Affairs and Communications, "Current Fiscal Conditions of Japanese Local Governments (March 2014): All the data used in the charts are as of FY2012

(2) TMG's commitment to the International Capital Markets



- Since 1964, TMG has issued bonds in the international markets and has a variety of experience in terms of currencies



Category	Issue Date	Issue Amount	Maturity	Coupon Rate	Credit Ratings	Launch Spread
Euro-Dollar	May 20, 2014	USD 1bn	5yr	2.125%	AA- (S&P)	MS+38bp
Euro-Dollar	June 6, 2013	USD 1bn	5yr	1.625%	AA- (S&P)	MS+47bp
Euro-Dollar	June 8, 2012	USD 880mn	5yr	1.750%	AA- (S&P)	MS+75bp
Euro-Dollar	Jan 27, 2012	USD 650mn	5yr	1.875%	AA- (S&P)	MS+78bp
Euro-Euro	Jan 31, 2008	EUR 318mn	27yr	4.900%	-	-
Euro-Euro	Jun 21, 2006	EUR 344mn	27yr	4.700%	-	-
Euro-Euro	Nov 29, 2005	EUR 150mn	30yr	4.270%	-	-
Euro-Euro	Jun 2, 2005	EUR 294mn	27yr	4.260%	-	-
Euro-Euro	Nov 8, 2004	EUR 160mn	30yr	5.070%	-	-

* Fiscal year basis.

(3) TMG's Issuance Plan for FY2015

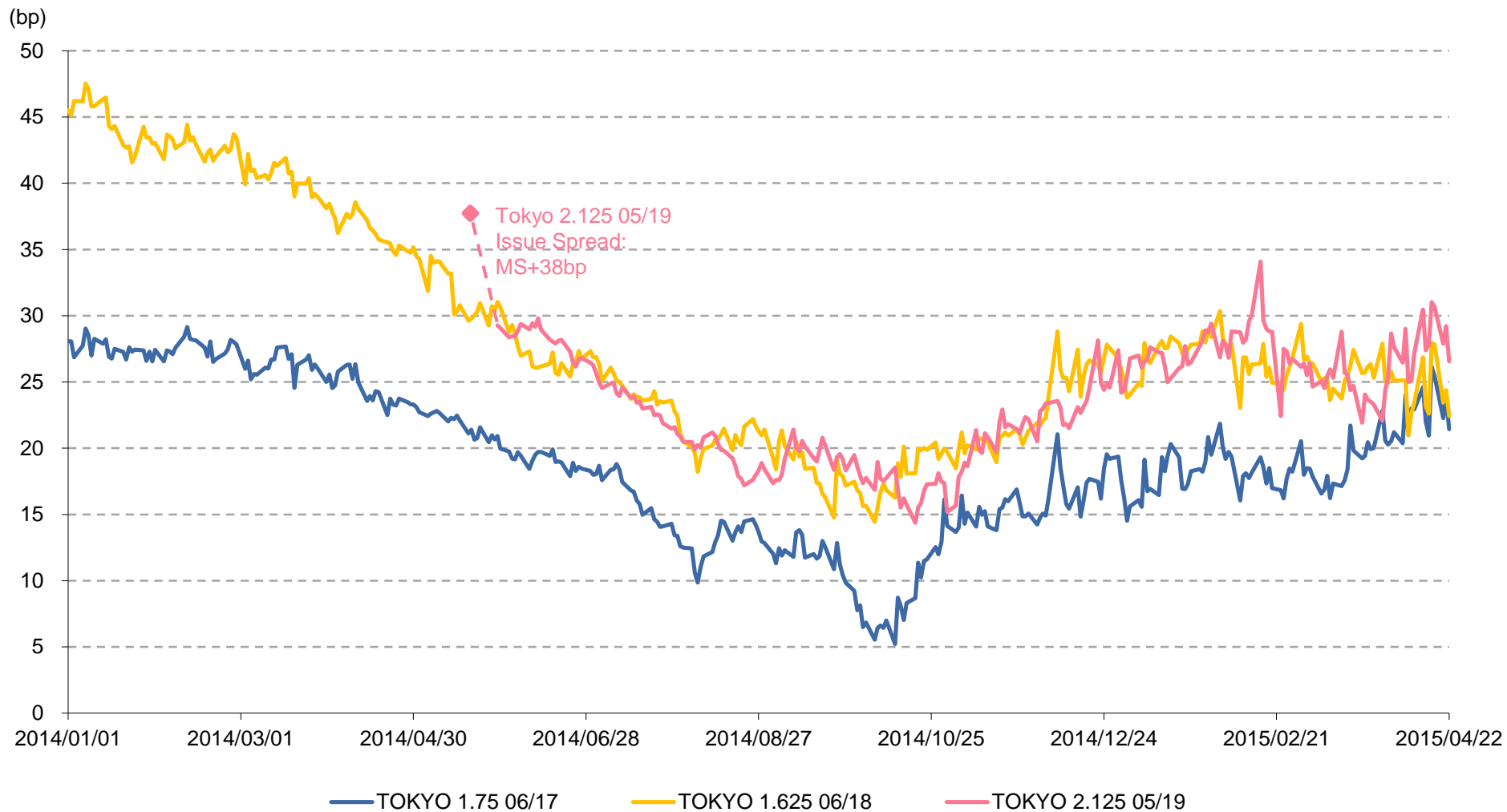


Plan for FY2015 Public Offering													
	2015									2016			FY2015 Total (billion yen)
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
10-year bond* (Monthly issues)	← About 40-60 billion yen, once a month →						← About 30-60 billion yen, once a month →						460
Middle-term bond (3, 5, 7yr) and Super long-term bond (20, 30yr)	About 20 billion yen each time												120
Retail Bond	About 20 billion yen												20
International bond[†]	About 50 billion yen												50
Flex Term[‡]	Maturity not yet determined												160

Total 810 billion yen

- This plan is subject to change at any time
- This plan is as of 27 March, 2015
- *10-year bond is subject to increase funding amount according to the funding needs of TMG. TMG conducts additional marketing for issuance of 10-year bonds by 10-20 billion yen per quarter
- [†]Issuable amount of international bond is not limited to the original plan of 50 billion yen. TMG issued 1bn USD bonds in 2013 and 2014 in excess of the planned amounts
- [‡]Flex term is not set in advance to secure flexibility in bond issuance and some parts of this could be allocated to the international bond

(4) Secondary Spreads of TMG USD bonds



Source: Bloomberg, Z-Spread, Mid

(5) Dual-Listing on the TOKYO PRO-BOND Market based on the Tokyo Global Financial Center Concept

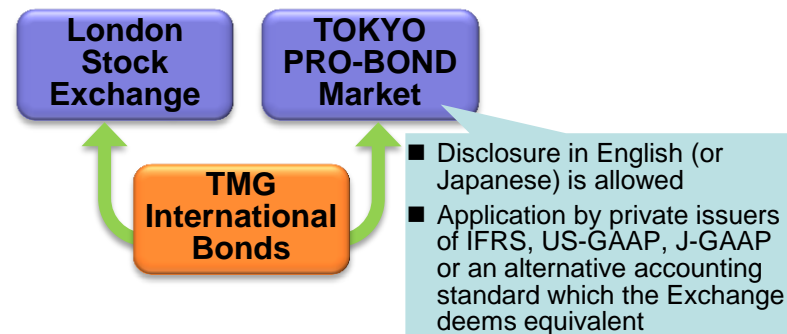


Tokyo Global Financial Center Concept

- Aim: To transform Metropolis of Tokyo into a financial hub to be on the same level with such places as Wall Street in New York and the City in London as a place of global business with people, capital and information gathered from all over the world
- Initiatives: TMG announced 20 initiatives in July 2014
⇒ TMG international bonds are planned to be listed on the **TOKYO PRO-BOND Market** in addition to the London Stock Exchange as one of the above initiatives

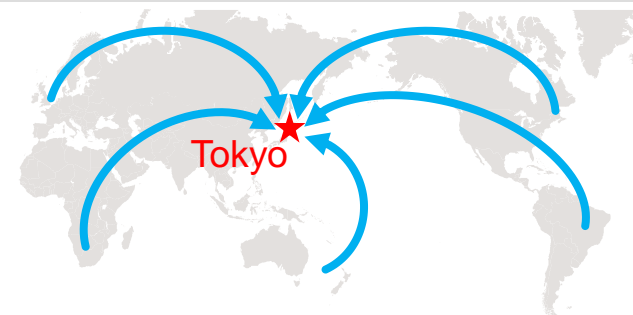
The TOKYO PRO-BOND Market

- Aim: To distribute debt securities to global and Japanese professional investors simplified disclosure
- Initiative: The Tokyo Stock Exchange. Established in 2011
- Challenge: Low recognition among international market participants
- **The Main Purpose of the Dual-listing**
⇒ To enhance visibility of the TOKYO PRO-BOND Market globally and promote utilization of the market



Estimated Economic Ripple Effect

- Amount: Approximately 17 trillion yen (Daiwa Institute of Research estimate)
⇒ This amount represents an economic estimate of the ripple effect of Tokyo's financial industry. The number was estimated by applying the average growth rate of the work force in the financial and insurance industries in London, New York and Singapore





IV. 2020 Tokyo Olympic and Paralympic Games

Tokyo: 2020 Olympic and Paralympic Games



- Sep 7, 2013 Host city determination ⇒ Launch of 2020 Games Coordination Council
- Jan 24, 2014 Establishment of “The Tokyo Organising Committee of the Olympic and Paralympic Games” as the body which will organize the games
- Feb 27, 2015 Submission of “Tokyo 2020 Games Foundation Plan”

Games Schedule etc.

Olympics	July 24 to August 9, 2020 – 28 events
Paralympics	August 25 to September 6, 2020 – 22 events

Source: “Candidature File”, The Tokyo Organising Committee of the Olympic and Paralympic Games

Hosting reserve fund for Olympic

Balance as of the end of FY2013: 409.0 billion yen*

*Facility development cost accounts for 257.6 billion yen of all the balance as of November 2014

Economic Ripple Effects etc. estimated as of 2012

The economic ripple effect from the 2020 Olympic and Paralympic games are estimated to amount to approximately 3 trillion yen, and employment inducement estimated to be equivalent to approximately 150 thousand new jobs

(Unit: Billion yen)

Item	Tokyo	Other Regions	National
Induced Production	1,675.3	1,285.6	2,960.9
Induced Value Added	858.6	562.4	1,421.0
Induced Employee Income	468.7	284.6	753.3

(Unit: Jobs)

Item	New Jobs
Tokyo	83,706
Other Regions	68,496
National	152,202



V. Appendix

FY2013 Results - Ordinary Account



- The real balance is close to even
- From FY2012 to FY2013, TMG's total tax revenue rose by 6.5 percent due to an increase in revenue from 2 major corporate taxes

Ordinary Account Results

(100 million yen)

Classification	FY2013	FY2012	Increase/ Decrease	Rate of Change
Annual revenue	64,552	62,330	2,222	3.6
Metropolitan tax	45,342	42,571	2,771	6.5
TMG bonds	2,376	3,413	-1,037	-30.4
Others	16,834	16,347	487	3.0
Annual expenditure	62,022	60,418	1,605	2.7
General expenditure	44,423	43,776	647	1.5
Expenditure for public bond	5,475	5,249	226	4.3
Others	12,125	11,393	732	6.4
Formal balance	2,529	1,912	617	-
Fiscal revenue to be carried forward	2,523	1,906	616	-
Real balance	6	6	1	-

● Ordinary Account

- A conceptual, statistics-based type of account which was restructured to be consistent with the Account of local governments in accordance with standards set by the Ministry of Internal Affairs and Communications
- 13 Special Accounts were added to the General Account; using this accounting system, the net total is calculated eliminating overlap between Accounts

These figures reflect the cash flows until 31st May in the following fiscal year which are attributable to the receivables and payables accrued in the relevant fiscal year.



- TMG is making ongoing efforts to effect management reforms and ensure sustainable improvement in services

Public Enterprise Accounts Results

(100 million yen)

Account	Profit/Loss Account			Capital Account		
	Revenues	Expenditures	Current Balance	Revenues	Expenditures	Capital Balance
Hospitals	1,579	1,534	45	71	141	-70
Central Wholesale Market	193	166	27	399	523	-124
Urban Redevelopment Project	49	35	14	167	290	-123
Waterfront Area Development Project	284	224	60	29	185	-156
Port and Harbor Project	47	30	17	2	18	-16
Transportation	476	478	-2	40	83	-43
Urban Rapid Transit Railway	1,483	1,316	167	171	757	-586
Electric Power	12	9	3	0	3	-3
Waterworks	3,428	3,068	360	90	1,124	-1,035
Industrial Waterworks	14	14	0	1	1	0
Sewerage	3,220	2,919	301	2,266	4,140	-1,874

The "Capital Balance" figures in the above table do not take into account any balances transferred between fiscal years or any deficit compensations made. The profit/loss account is an account that records current revenues and expenditures relating to the operation of the business, such as fee revenues, payroll expenses, rent, operating costs, interest expenses and depreciation expenses. The capital account is an account that records capital revenues and expenditures, such as revenue from borrowings, revenue from the sale of properties, expenditures for construction and improvement and expenditures for repayment of borrowings.

Financial Indicators and the Ratios – Trends in key financial indicators



- Owing to its administrative and financial reforms, TMG has implemented sound and flexible financial management policies

(%)

	Details	Results					
		FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Ordinary Balance Ratio	Measures the flexibility of the financial structure; the lower it is, the more flexibility there is.	84.1	96.0	94.5	95.2	92.7	86.2
		(101.4)	(111.9)	(109.9)	(110.0)	(109.6)	(107.5)
Debt Expenditure Burden Ratio	The ratio of "general financial resources appropriated to debt expenditure to the entire amount of general finances.	13.0	12.1	10.6	10.2	9.8	9.6
		(19.3)	(18.8)	(18.9)	(19.4)	(19.7)	(19.9)
Financial Capability Index	The higher the index, the more financial leeway there is.	1.406	1.341	1.162	0.961	0.864	0.871
		(0.52)	(0.52)	(0.49)	(0.47)	(0.46)	(0.46)
Real Debt Payment Ratio*	The ratio of the "general revenue resources appropriated to pay off bonds" to the "standard financial scale".	5.5	3.1	2.2	1.5	1.0	0.6
		(12.8)	(13.0)	(13.5)	(13.9)	(13.7)	(13.5)
Future Burden Ratio*	The ratio of "future debts including those of the public-private joint sector as well as expected future debts on the General Account" to the "standard financial scale".	63.8	77.0	93.6	92.7	85.4	73.2
		(219.3)	(229.2)	(220.8)	(217.5)	(210.5)	(200.7)

• Figures shown in parentheses are the average of other local governments (prefectures)

*Defined in the Law on the Financial Consolidation of Local Governments.



- In December 2014, the TMG announced the formulation of Creating the Future: The Long-Term Vision for Tokyo. The vision outlines the TMG's policy for the building of social systems that will allow a mature society to continue growing.

Creating the Future Tokyo: The World's Best City

The Two Goals and Eight Strategies to Support the Goals

I To deliver the best-ever Olympic and Paralympic Games

- Achieve the vision set out for Tokyo in 2020 and provide a legacy to successive generations
- Use the 2020 Games as a springboard for Tokyo's further development

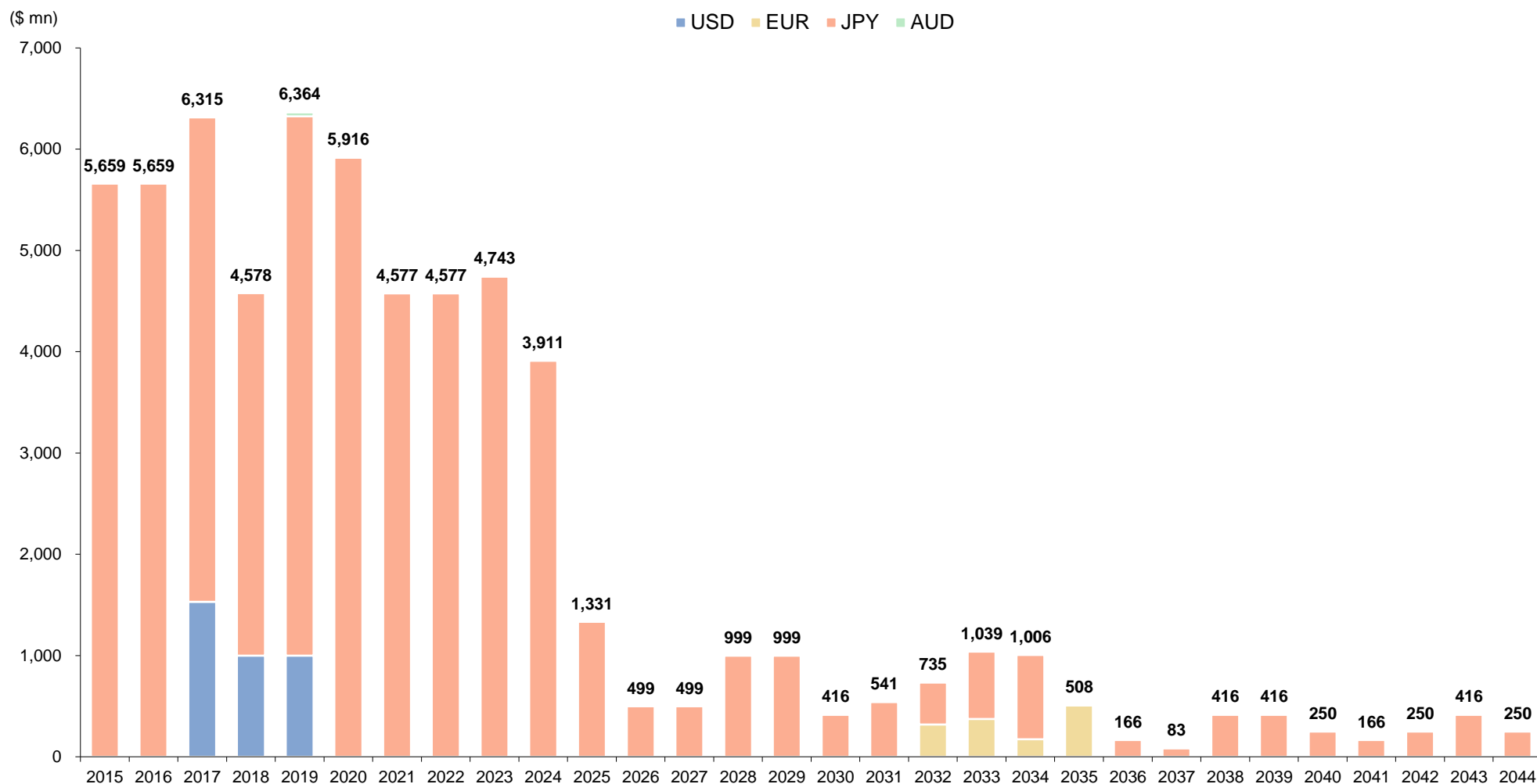
1. Make the 2020 Games a success by leveraging Tokyo's strengths as a mature city
2. Build Tokyo into a city with highly advanced, user-oriented urban infrastructure
3. Convey the hospitality of the Japanese people and charms of Tokyo

II To resolve challenges and ensure sustainable development in the future

- Finding solutions to the growing list of challenges, including those associated with the greying of society and a shrinking national population

4. Enhance the safety and security of the city
5. Become a leading city in terms of social welfare
6. Transform Tokyo into a leading global metropolis
7. Ensure Tokyo's rich environment and advanced infrastructure for future generations
8. Promote the Tama area and islands of Tokyo

Maturity profile of outstanding issues



Position as of Mar 31, 2015
Applied FX rate as of Mar 31, 2015



- Address: **Budget Division, Bureau of Finance
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- This material has been prepared using various types of data believed to be reliable at the time. However, this is not a guarantee of its accuracy and completeness. Moreover, while future outlooks and projections indicated in this data are at present believed to be appropriate for the TMG within the scope presented here, this is not a promise of their being realized in the future
- The main points of the data presented here may be at odds with other reports published elsewhere or which may be published in the future. Investors are asked to make their own judgments when using this material
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