

TOKYO METROPOLITAN GOVERNMENT (TMG)

Bureau of Finance

The Financial Position of the TMG and TMG Bonds



Bureau of Finance, Tokyo Metropolitan Government

July 2009

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See Notes 1, 2 and 3 in the References Section



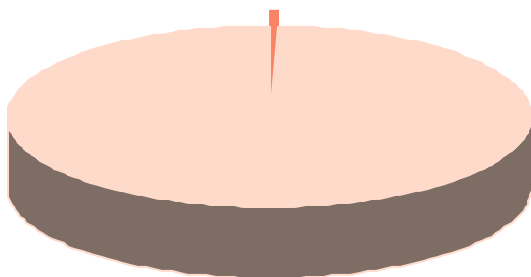
I. Introduction

■ Share of Met Tokyo among Prefectures in Japan



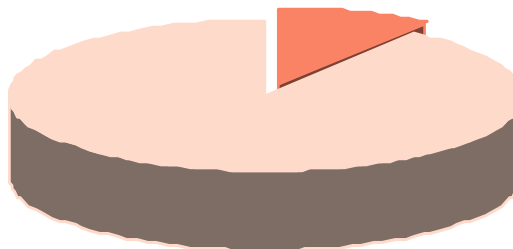
Area

**2,187km²
0.6%**



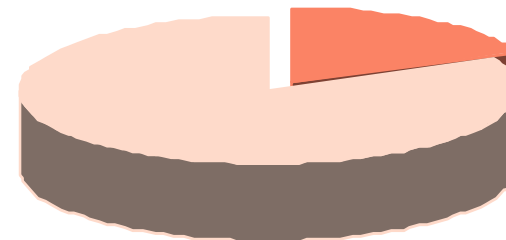
**Population
(as of October 1, 2007)**

**12.78 million
10.0%**



GDP (FY2006)

**94 trillion yen
18.4%**



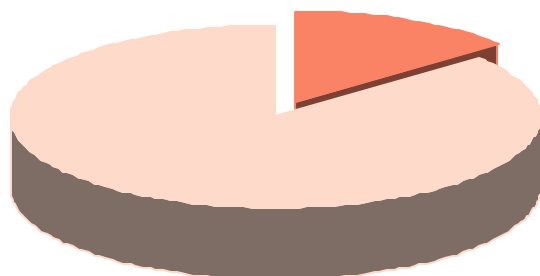
(See Note 4)

■ Share of Met Tokyo among Prefectures in Japan



Number of Employees (2005)

8.21 million
13.3%



Number of Offices of Foreign Corporations (2006)

1,157 Offices
52.8%



Annual Sales of Information Services (2007)

9 trillion yen
59.9%

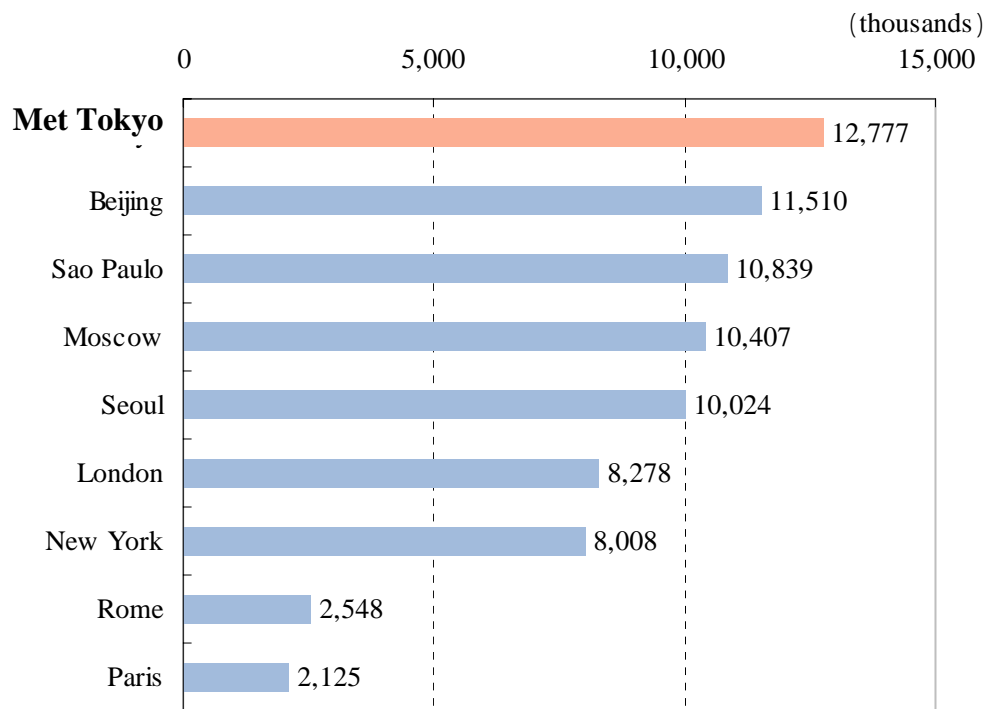


(See Note 5)

■ Global Comparison

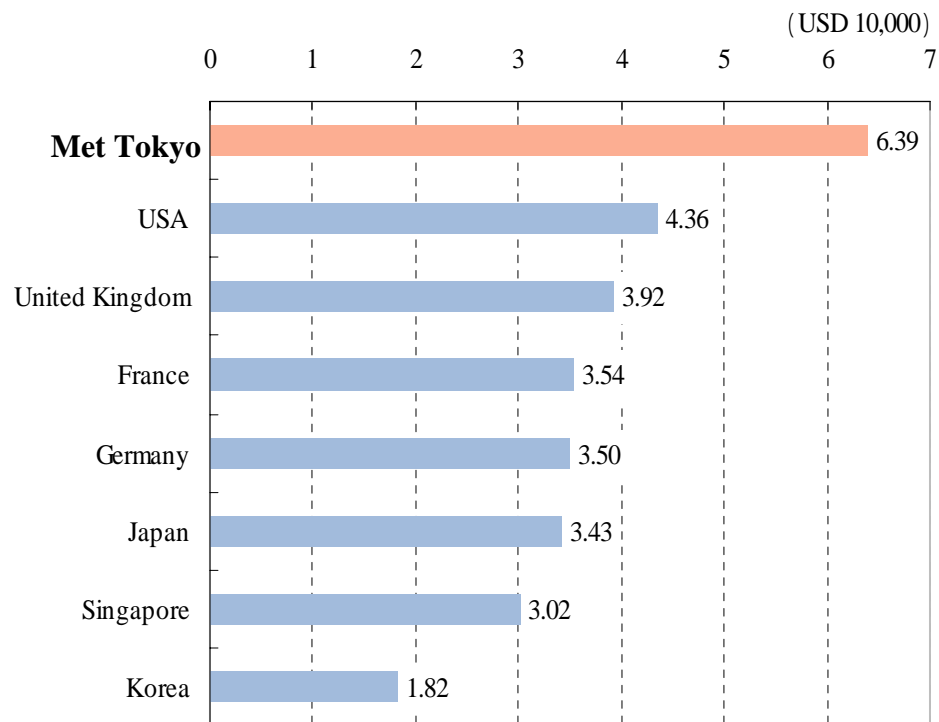


Population of Major Cities



(See Note 6)

Per Capita GDP (FY2006, Nominal)



(See Note 7)



II. Financial Profile

■ Highlights of TMG's Financial Profile



(1) Largest Financial Scale of Any City in the World

(2) Independent Financial Structure with High Independent Revenue Ratio and Low Mandatory Fixed Expense

(3) Continuous Effort on Administrative and Fiscal Reform

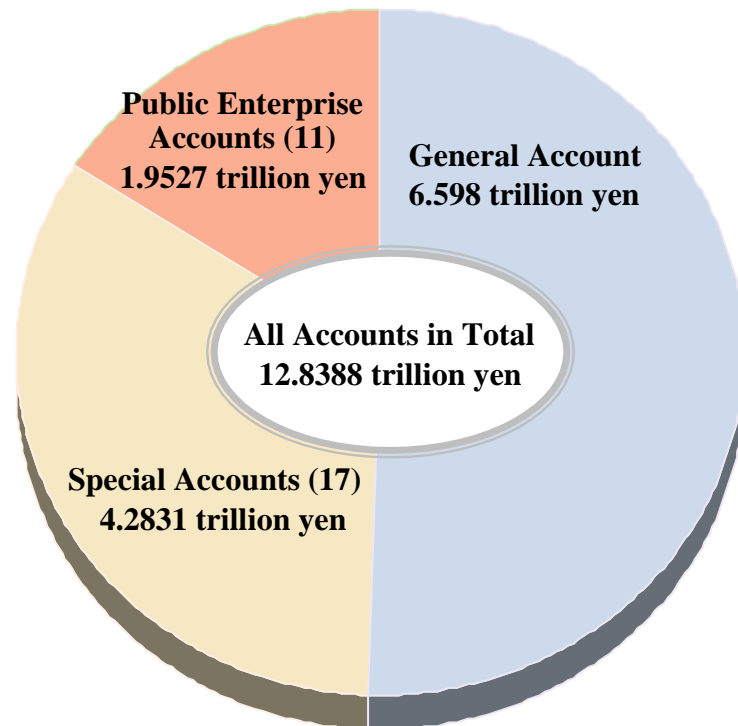
(4) Financial Management Philosophy of Low Dependence on Debt

(5) Funds Reserved for Potential Future Financial Needs

■ Financial Scale of TMG



Financial Scale of TMG (FY2009 Initial Budget)



Comparison of TMG's Financial Scale (FY2009 Initial Budget)

	(trillion yen)
Japan	88.5
Fiscal budgets of local gov'ts	82.6
Met Tokyo	6.6
Finland (2008)	6.8
New York City (2009)	6.2

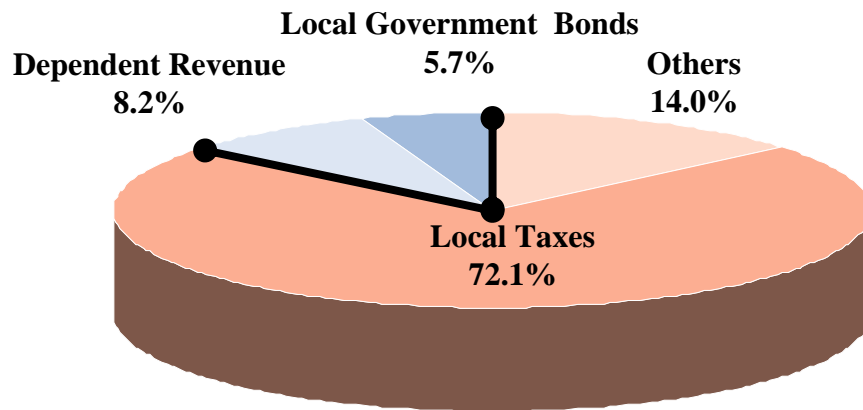
(See Note 8)



■ Financial Profile of TMG - Annual Revenue

- Independent revenue (*) ratio is considerably high at 86.0%. (* See Note 9)
- Although we saw record high amount of 5.5 trillion yen in FY2007, Metropolitan Tax Revenue decreases sharply this year, the fall in income amounts to 752 billion yen.

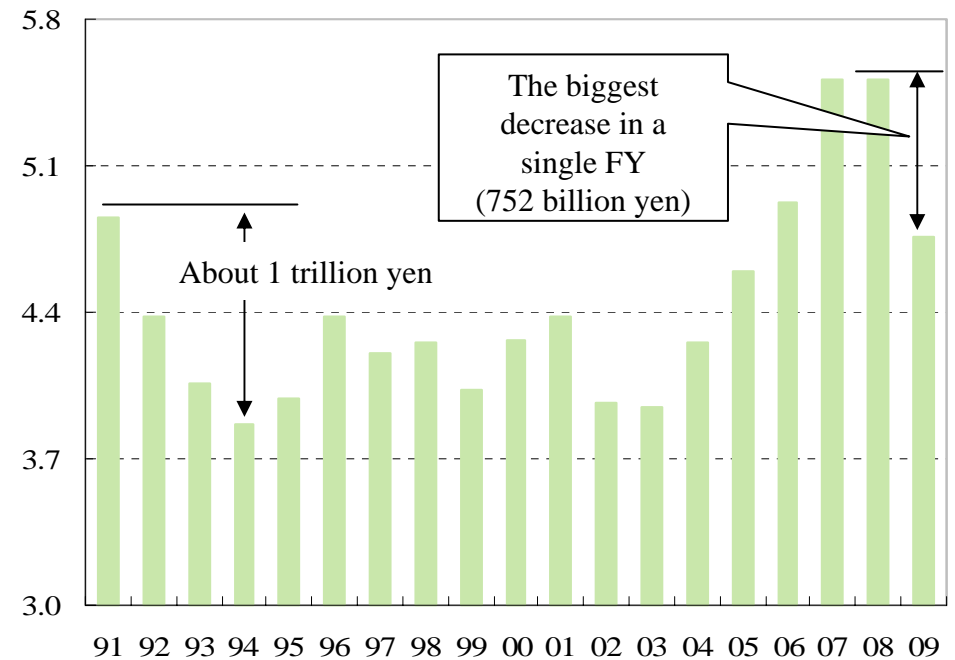
Breakdown of the TMG's Revenues (FY2009 General Account Budget)



Independent Revenue Ratio (= Local Taxes + Others)
86.0% (cf. all local gov't 51.7%)

Trends in Metropolitan Tax Revenue

(trillion yen)



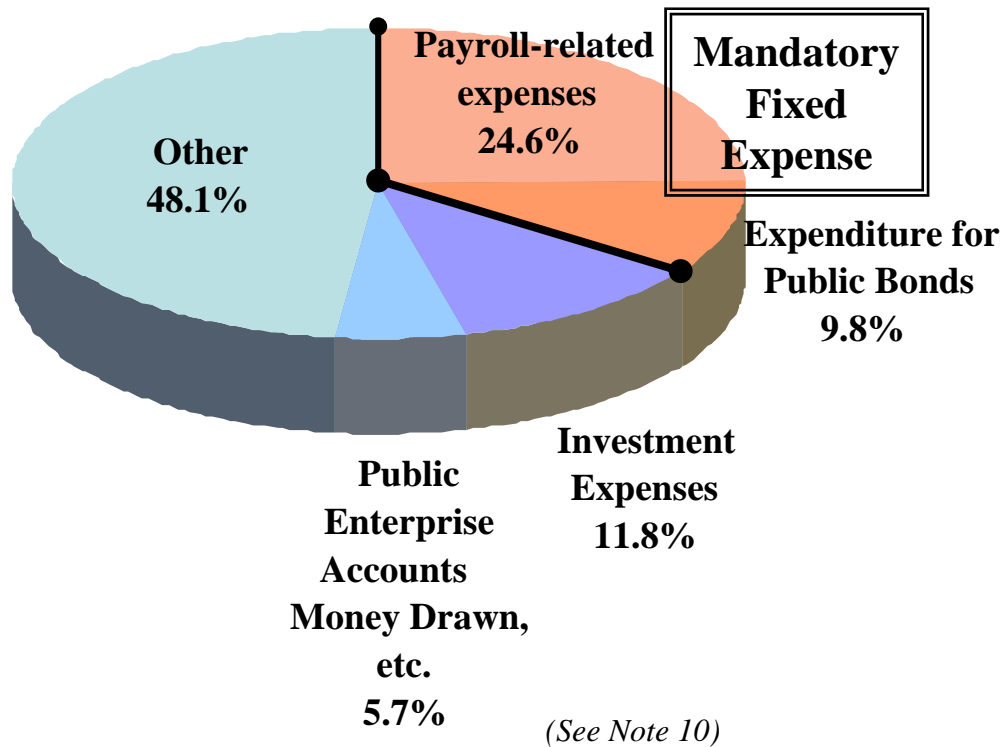
(FY)

■ Financial Profile of TMG - Annual Expenditures

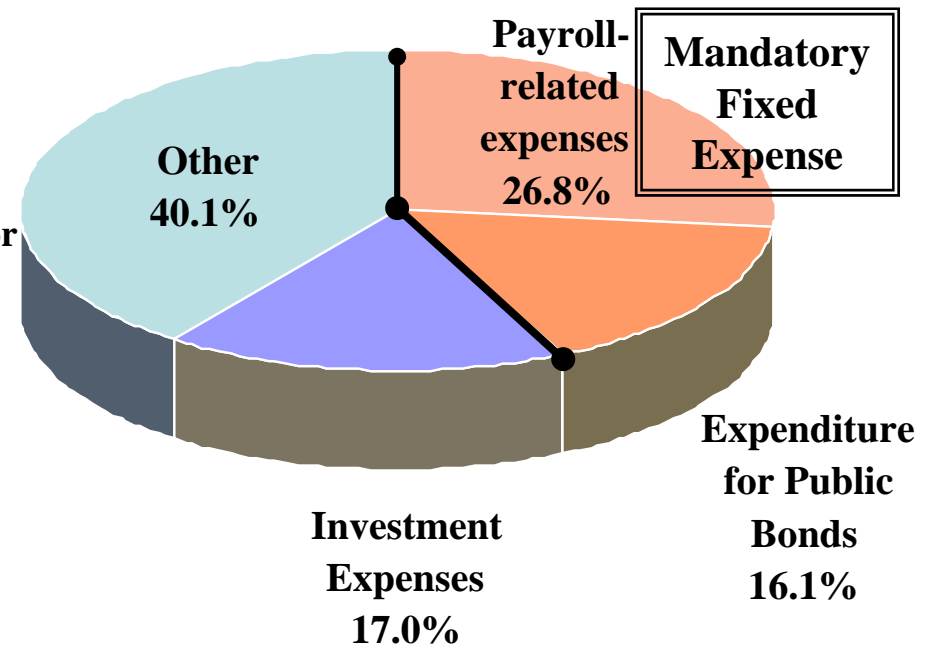


- Ratio of expenditure for public bonds and investment expenses are lower than those of the aggregate for all local governments in Japan.

**Breakdown of TMG's Expenditure
(FY2009 General Account Budget)**



**Breakdown of All Local Governments' Expenditures
(FY2009 Local Government Fiscal Plan)**



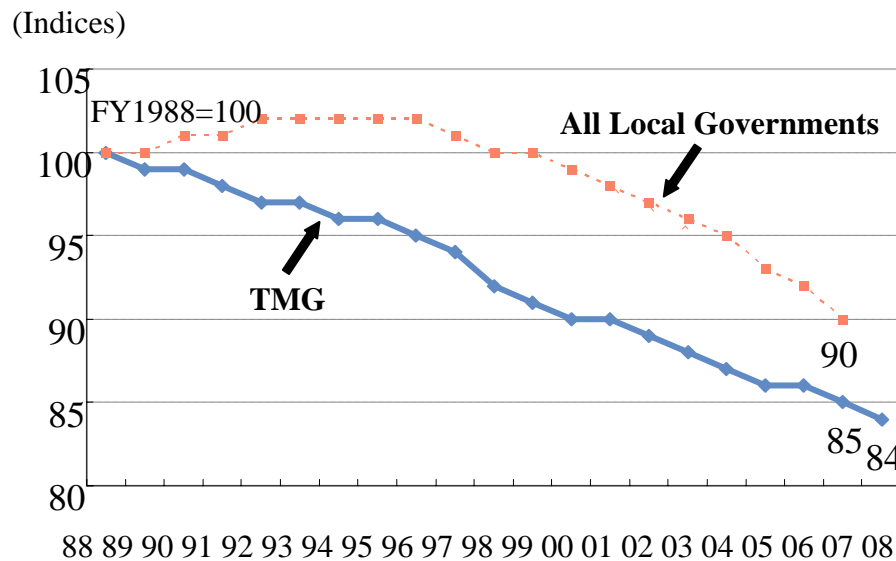
■ Financial Profile of TMG

- Annual Expenditures – Initiatives in administrative and fiscal reform



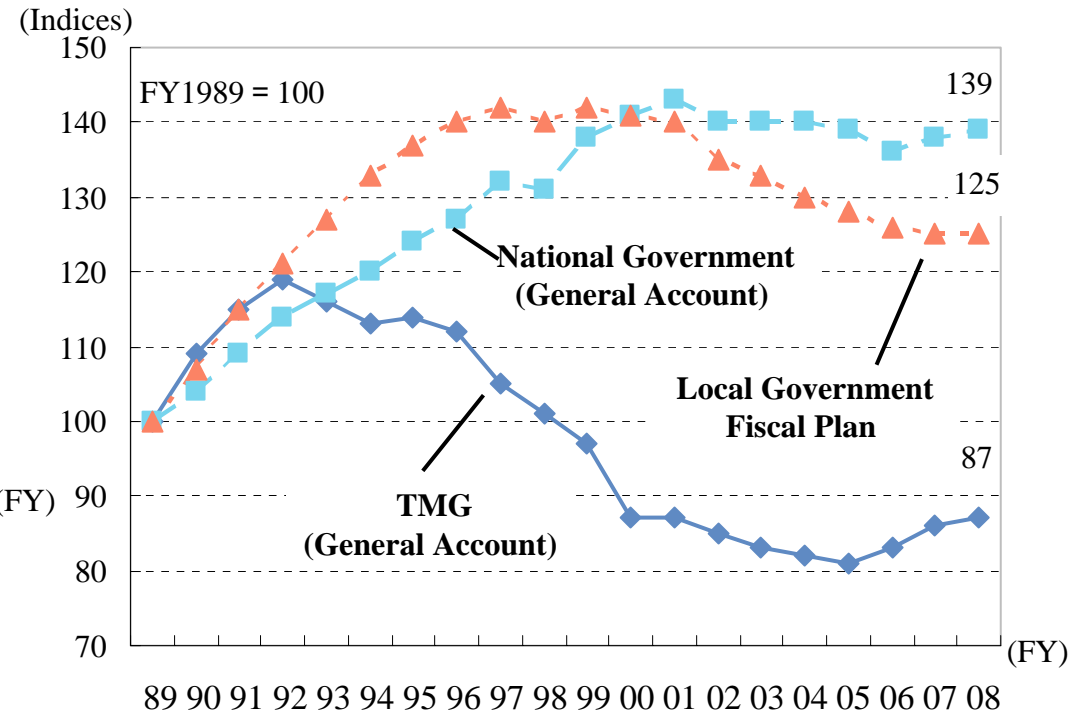
- TMG remains committed to administrative and fiscal reform, including personnel reduction and cost reduction.

Trends in the Number of Staff



(See Note 11)

Trends in General Expenditure



(See Note 12)

■ Financial Profile of TMG - Metropolitan Debt



- The dependence on bond issuance and the level of bond outstanding are being maintained at an extremely low level in comparison with the national government and the fiscal planning of local governments.

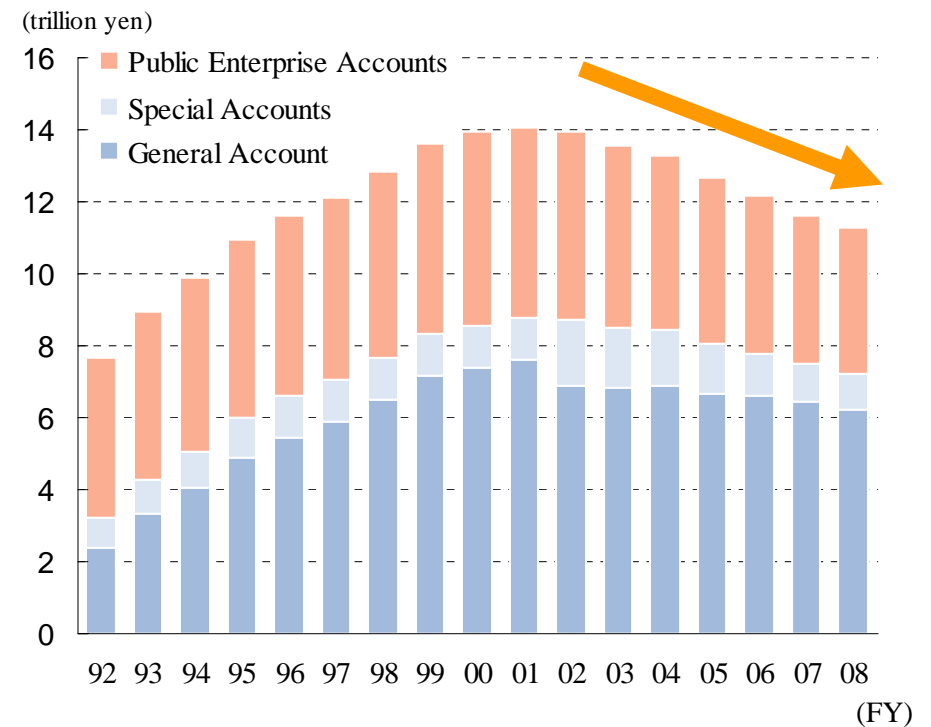
Comparison of Dependence on Bond Issuance and Bond Outstanding

(Unit: yen)

Category	TMG	National Government	Local Government Fiscal plan
Dependence on Bond issuance	5.7 %	37.6 %	14.3 %
Bond Outstanding (compared with General Account tax revenue)	6.3 trillion (1.3x)	581 trillion (12.6x)	197 trillion (5.4x)

(See Note 13)

Trends in Metropolitan Debt Outstanding (All Accounts)

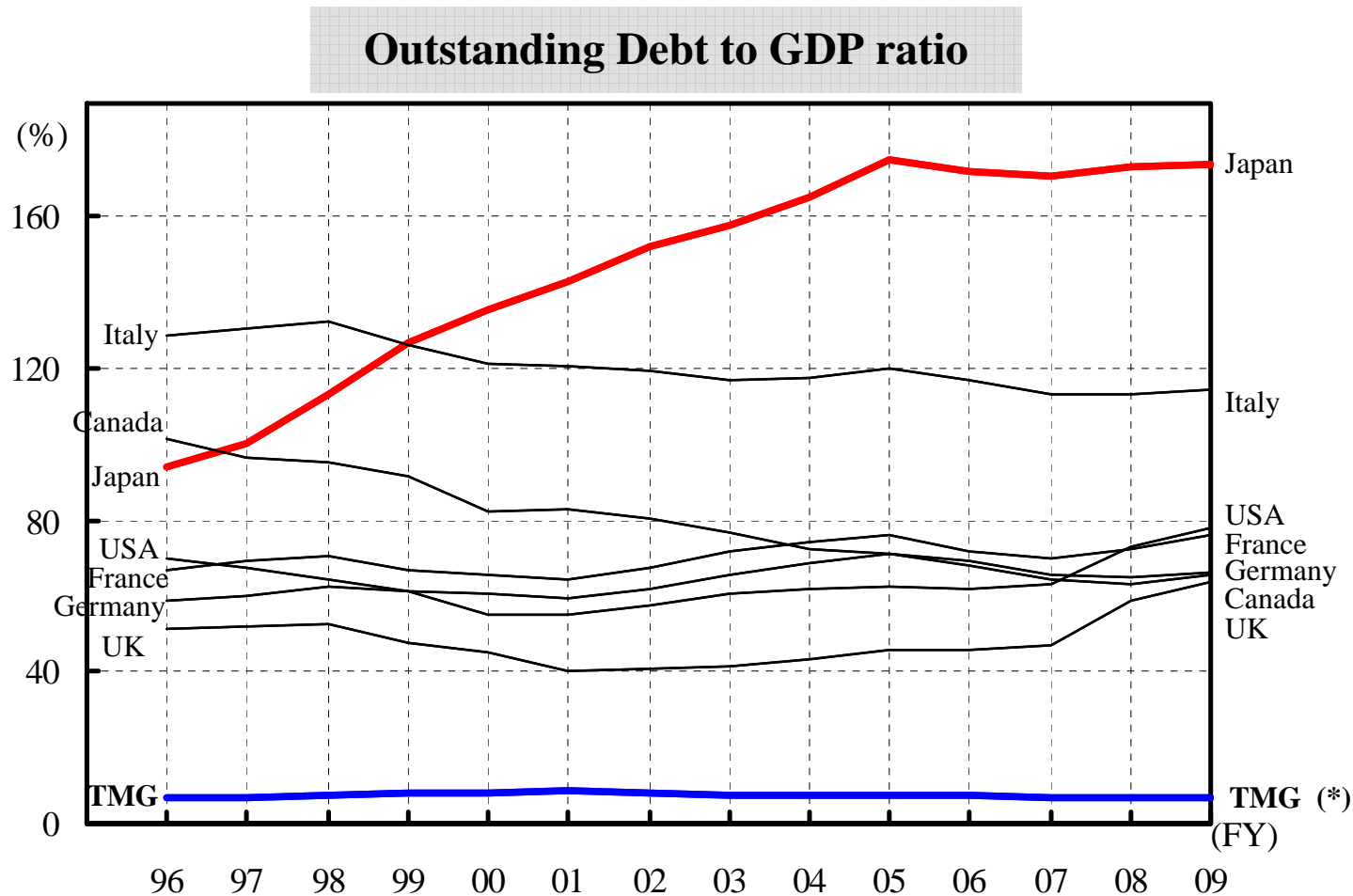


(See Note 14)



■ Financial Profile of TMG - Metropolitan Debt

- TMG's outstanding debt to GDP ratio is extremely low at 6.8% compared to other major countries, and it keeps decreasing since its peak in FY2001 at 8.6%.



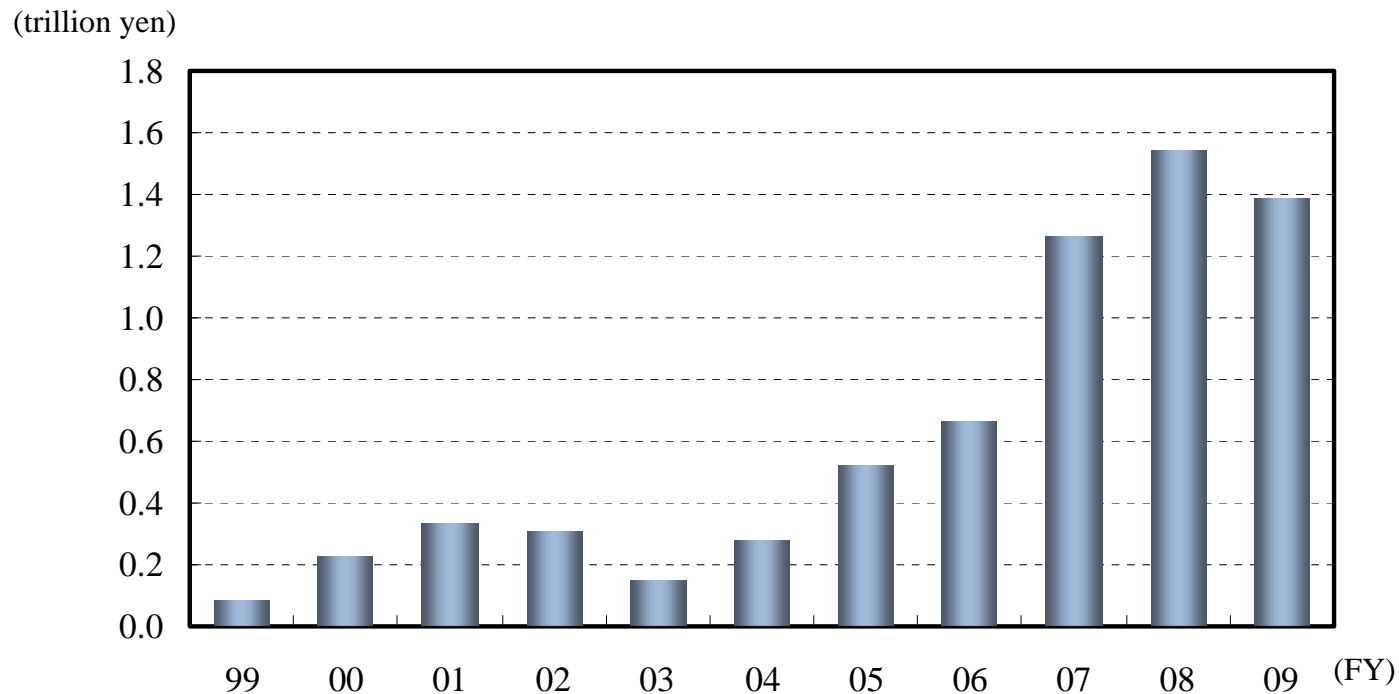
(*See Note 15)

■ Financial Profile of TMG - Fund Balances



- An increase in fiscal demands and a decline in tax revenues in the future may hinder the trends of healthy growth of TMG.
- A proactive use of funds is needed to build a fiscal foundation that can support the necessary government services.

Trends in Fund Balances Available as Financial Resources



(See Note 16)

■ Financial Indicators and the Ratios stipulated in the Law on the Fiscal Consolidation of Local Governments



(%)

	Details	FY2003 Results	FY2004 Results	FY2005 Results	FY2006 Results	FY2007 Results
Ordinary Balance Ratio	Measures the flexibility of the financial structure; the lower it is, the more flexibility there is.	97.9 (103.1)	92.6 (102.0)	85.8 (99.0)	84.5 (97.8)	80.2
Debt Expenditure Burden Ratio	The ratio of general financial resources appropriated to debt expenditure to the entire amount of general finances.	12.0 (19.8)	12.9 (19.9)	12.3 (19.3)	15.5 (19.4)	11.3
Financial Capability Index	The higher the index, the more financial leeway there is.	1.044 (0.41)	1.060 (0.41)	1.107 (0.43)	1.215 (0.46)	1.319
Real Deficit Ratio	The ratio of real deficit including the General Account to standard financial scale.					-
Consolidated Real Deficit Ratio	The ratio of all account-based real deficit based on all Accounts to the standard financial scale.					-
Real Debt Payment Ratio	The ratio of the general revenue resources appropriated to pay off bonds to the standard financial scale.			17.1 (14.9)	15.2 (14.7)	8.7
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.					82.9
Capital Shortage Ratio	The ratio of financial deficit in every Public Enterprise Accounts to the scale of operation					-

(See Note 17)



III. TMG Bonds

■ Issuance Plans for FY2009



Plans for Public Offering for FY2009

(billion yen)

	2009										2010			FY2009
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total	
10-year bonds (Monthly issues)	← Once a month, about 30 to 50 billion yen each time →												up to 540	
10-year bonds (Additional, irregular basis)	← About 20 billion yen each time →												20 or more	
3-year bonds	← 3 or 4 times a year, about 20 to 30 billion yen each time →												up to 80	
20-year bonds	← 3 or 4 times a year, about 30 billion yen each time →												up to 120	
30-year bonds	← Once or twice a year, about 20 billion yen each time →												up to 50	
Tokyo Revitalization Bond (Retail 3-year bond)	← Once a year, 20 billion yen →												20	
Total up to 830 billion yen														

* This plan may be subject to change

■ International Bonds



- We issued Euro bonds in January 2008.
- Expect to continue issuing bonds in the international market.

Outline of FY2007 International Bonds

Category	Issue Date	Signing Date	Issue Amount	Maturity	Coupon Rate	Yield to Subscribers	Issue Price
No. 6 Euro-Euro Bonds	Jan 31,2008	Jan 29,2008	318 million euros	27yrs	4.900%	4.909%	99.867%

International Bonds without Government Guarantee

Category	Issue Date	Signing Date	Issue Amount	Maturity	Coupon Rate	Yield to Subscribers	Issue Price
No. 2 Euro-Euro Bonds	Nov 8,2004	Nov 1,2004	160 million euros	30yrs	5.070%	5.074%	99.940%
No. 3 Euro-Euro Bonds	Jun 2,2005	May 31,2005	294 million euros	27yrs	4.260%	4.260%	100.000%
No. 4 Euro-Euro Bonds	Nov 29,2005	Nov 24,2005	150 million euros	30yrs	4.270%	4.274%	99.933%
No. 5 Euro-Euro Bonds	Jun 21,2006	Jun 19,2006	344 million euros	27yrs	4.700%	4.709%	99.864%

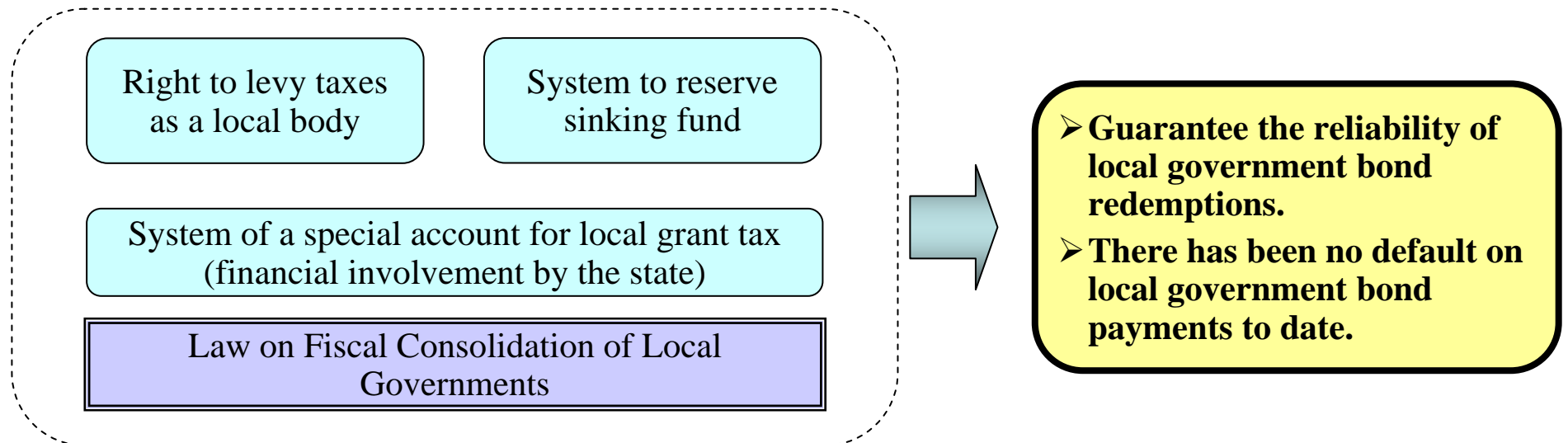
Total Issue Amount (FY1964-2007)

About 845 billion yen



■ Safety of Local Government Bonds

- The safety level of Japan's local government bonds is extremely high.
 - The system with the national government's strong financial support and its involvement
 - There is no legislation of local government bankruptcy act, and no discharge of debt is allowed.
- Introduction of Law on Fiscal Consolidation of Local Governments (Starting from April 1, 2009)
 - Further strengthening of safety net for local government bonds



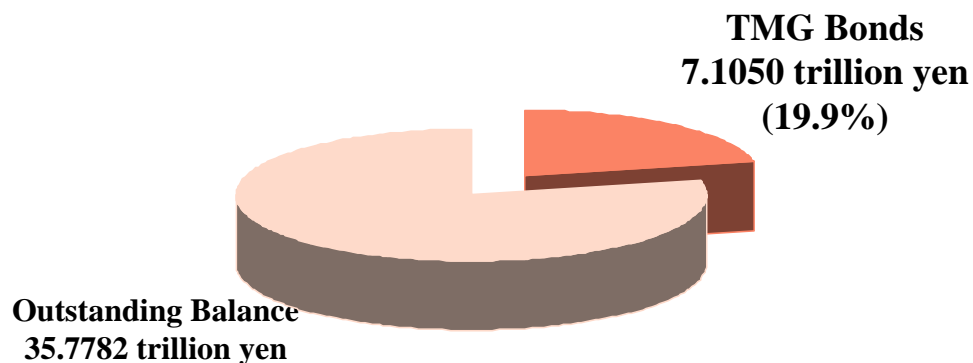


■ Liquidity and Stability of TMG Bonds

- TMG bonds have the highest share in the local government bond market.
- Metropolitan Tokyo's independent revenue sources, such as local taxes, account for the major part of its revenue, enable TMG to maintain stable resources for its future repayment.

Public Offering of Local Government Bonds (FY 2008)

[Outstanding Balance]



(See Note 18)

Independent Revenue Sources (FY 2009 General Account Budget)

86.0%

BIS Risk Weight

Government Bonds	Government-Guaranteed Bonds	TMG Bonds	FILP Institutional Bonds	Electric Power Bonds	Bank Debentures
0%	0%	0%	10%	20%	20%

(See Note 19)

■ Initiatives in Marketing - Obtaining a Credit Rating



- TMG bonds obtained a credit rating on March 26, 2008
 - **Credit Rating Company: Standard & Poor's Ratings Services**
 - **Type of Rating : Long-Term Issuer Credit**
(Both foreign and domestic currency denominated) **AA / Stable**



■ Initiatives in Marketing - Enhancing IR Activities



- One of the most proactive local governments in Japan focusing on communication with investors.
- Facilitated 4 international IR tours including the ongoing IR in Europe

IR Results (FY2008)	
Event / Business	Details / No. of Times
Investor Visits	27 companies and groups (including overseas investors)
Participation in Symposium Meetings	19 (including sales meetings and exchange of opinions with other issuers)
IR Tour in Asia	(described as below)

International IR Tours so far	
Event / Business	Details / No. of Times
Japan Capital Markets Summit (May 2007)	About 200 finance industry-related attendees at London seminar, sponsored by EuroWeek magazine. In addition, individual visits to investors (3 times)
IR Tour in Europe (October 2007)	Held investor meetings in London, Paris, and Frankfurt, as well as visits to individual investors (6 times)
IR Tour in Asia (July 2008)	Held investor meetings in Seoul, Beijing, and Hong Kong, as well as visits to individual investors (4 times)

■ Initiatives in Marketing - Enhancing IR Activities



[English Page] <http://www.zaimu.metro.tokyo.jp/bond/en/en.html>

The screenshot shows the TMG Bond Website interface. At the top left is the logo 'TMG Bond Website investor relations' with a green leaf icon. At the top right is 'BUREAU OF FINANCE' with a green leaf icon and navigation links for 'SiteMap', 'Contact', and 'Japanese'. Below this is a blue banner with the text 'Transforming Tokyo for a Bright New Future' and 'Investor Relations Website for TMG Bonds' over a background image of a modern building. The main content area is divided into three columns. The left column is titled 'About TMG Bonds' and contains a paragraph about the Tokyo Metropolitan Government's efforts to meet investor needs. The middle column is titled 'News/Topics' and lists several news items with dates and links, including a 'NEW' tag for the most recent item. The right column contains three boxes: 'About the TMG', 'TMG Issuance Plan', and 'TMG Issuance Result', each with a brief description and a link.

TMG Bond Website
investor relations

BUREAU OF FINANCE
◻ SiteMap ◻ Contact ◻ Japanese

Transforming Tokyo for a Bright New Future
Investor Relations Website for TMG Bonds

About TMG Bonds

The Tokyo Metropolitan Government (TMG) strives to meet the needs of all markets and investors by efficiently issuing TMG bonds with optimum terms and conditions based on current market and investor trends as well as a variety of maturity periods to choose from. Effective TMG bond sales enable TMG to ensure a secure financial future.

News/Topics ◻ More

- July 17, 2009 [Pricing information of the 10yr Domestic bond\(August\) has been posted](#) **NEW**
- July 15, 2009 [Metropolis of Tokyo has priced the 10yr Domestic bond\(PDF:14KB\)](#)
- July 10, 2009 [Metropolis of Tokyo has priced the 3yr Domestic bond\(PDF:14KB\)](#)
- July 3, 2009 [Metropolis of Tokyo has priced the 20yr Domestic bond\(PDF:14KB\)](#)
- June 18, 2009 [IR Document has been updated](#)

About the TMG
About the Tokyo Metropolitan Government
◻ [About the TMG](#)

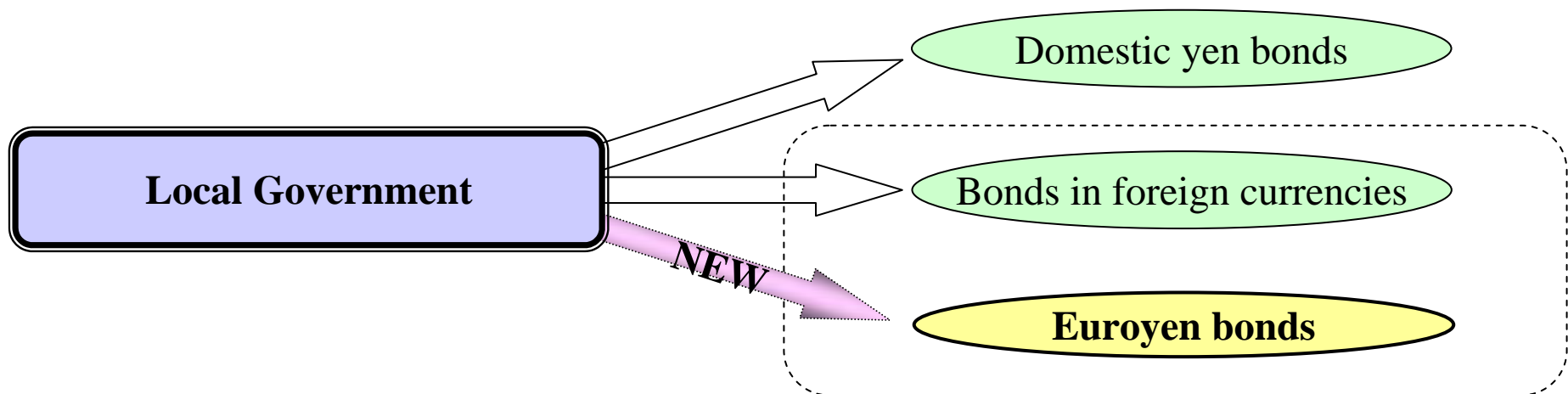
TMG Issuance Plan
This site shows the TMG bond issuance schedule.
◻ [TMG Issuance Plan](#)

TMG Issuance Result
This site shows the TMG bonds to be issued and TMG bonds that have been issued by year.

■ Initiatives in Marketing - Improvement of Investment Environment



- Tax Exemption Measures for Book-entry transfer Local Government Bonds
...held by nonresident individuals or foreign corporations has been introduced since 1st of January, 2008
- Amendment of Cabinet Order to enable Euroyen bond issuance
...amended on 5th of September, 2008



- Provides choice of currencies for both of issuers and investors
- Enables currency-wise diversified investment



IV. Topics

■ "Tokyo's Big Change - The 10 Year Plan": A Model for the 21st Century City



- TMG's strategy established in Dec 2006, which shows Tokyo's vision in 10 years as the candidate city in its bid for the 2016 Olympics, as well as the measures TMG will take to achieve it.
- In Dec 2008, established a program to be executed over the next 3 years.

Program to be executed 2009 (established in Dec 08)

- **Period:** 3 year (2009-2011)
- **Project:** 44 policies (10 of them are new)
and 394 projects (141 of them are new)
- **Total cost:** Approx. 1.9 trillion yen (591 bln yen for FY09)

Eight Goals in the Plan

1. Restore Tokyo's beauty as a city of water and greenery	5. Create the world's first urban model for a super-aging society
2. Transform Tokyo through the three loop roads	6. Make Tokyo more prominent in terms of culture, tourism, universal design and industry
3. Become the city with the lowest environmental load in the world	7. Create a society where motivated individuals can pursue their ambitions
4. Strengthen Tokyo's disaster preparedness to enhance credibility	8. Promote sports to provide dreams to children

■ Tokyo's Bid for the 2016 Olympics



Shortlisted as a Candidate City, with a highest score (June 2008)

Rank	Candidate Cities
1	Tokyo (Japan)
2	Madrid (Spain)
3	Chicago (USA)
4	Rio De Janeiro (Brazil)

Bid Schedule

2009	Feb	Submit the candidature file to the IOC
	Apr	IOC Evaluation Commission visit candidate cities
	Jun	Technical meeting for IOC members (Lausanne)
	Oct	IOC Session (in Copenhagen) Election of the Host city

Expenses and Economic Effects



■ Website Address and Other Details



- Website address of Tokyo Metropolitan Government (TMG):
<http://www.metro.tokyo.jp/ENGLISH/index.htm>
- Website address for TMG Bonds: <http://www.zaimu.metro.tokyo.jp/bond/en/en.html>
- E-mail Address: S0000063@section.metro.tokyo.jp

Websites of related organizations:

- Ministry of Internal Affairs and Communications:
<http://www.soumu.go.jp/english/index.html>
- Japan Local Government Bond Association: <http://www.chihousai.or.jp/english/index.html>

- This data has been prepared to provide information regarding the financial position of the TMG to investors who are considering the purchase of TMG bonds. It is not intended for sales purposes or as an offer to subscribe to a certain issue.
- 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. Customers are asked to make their own judgments when using this material.



V. References

■ Notes



- Note 1: Unless otherwise noted, figures in this material until FY2007 indicate settlement amounts; figures for FY2008 are final adjusted budget amounts, and figures for FY2009 are initial budget amounts.
- Note 2: Figures based on the initial budget of the General Account for FY1994, FY1999, and FY2003 are also the actual budget figures after adjustment.
- Note 3: 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.
- Note 4: Source: *2005 Population Census* and *October 1, 2007 Current Population Projections* by Statistics Bureau, Ministry of Internal Affairs and Communications; *Annual Report of National Accounts* by Economic and Social Research Institute, Cabinet Office, Government of Japan; *Prediction of Economic Growth Rate in Tokyo* by Bureau of General Affairs, Tokyo Metropolitan Government
- Note 5: Source: *2005 Population Census* and *2006 Survey of Offices and Corporate Statistics* by Statistics Bureau, Ministry of Internal Affairs and Communications; *2007 Statistics of Commerce* and *2007 Survey of Selected Service Industries* by Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry
- Note 6: Sources: Tokyo: *October 1, 2007 Current Population Projections* by Statistics Bureau, Ministry of Internal Affairs and Communications, Overseas cities: *World Statistics 2008* by Statistics Bureau, Ministry of Internal Affairs and Communications. (Dates for population censuses vary according to city but range from 1999 to 2004)
- Note 7: 2006 calendar year (FY2006 for Met Tokyo), Conversion rate for Tokyo: \$1 = 116.30 yen
Sources: *World Statistics 2008* by the Statistics Bureau, Ministry of Internal Affairs and Communications; However, population figures for Met Tokyo were calculated from *Prediction of Economic Growth Rate in Tokyo* by Bureau of General Affairs, Tokyo Metropolitan Government and *Population Estimation as of Oct. 1, 2006* by the Statistics Bureau, Ministry of Internal Affairs and Communications.

■ Notes (continued)



- Note 8: Figures for Japan and Metropolitan Tokyo are from the initial General Account budget (Conversion rate is \$1=105yen and 1 Euro = 151yen.)
- Note 9: 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.
- Note 10: In the breakdown of TMG's expenditure, "Others" include financial adjustment payments to the special wards, subsidiary, and loan, etc.
- Note 11: 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.
- Note 12: Based on the initial budget draft.
- Note 13: Based on FY2009 initial budget.
- Note 14: The Level of Public Enterprise Accounts is based on Mar 31 of every year (excluding NTT bonds).
- Note 15: FY2007-2009 is based on gross product of FY2006.
- Note 16: FY2008 reflects final adjustment budget and FY2009 is based on initial budget.
- Note 17: Figures in parentheses indicate the prefectural average. Ordinary balance ratio, debt expenditure burden ratio, real debt payment ratio are weighted arithmetic averages, and financial capability index is calculated as simple arithmetic average.
Ordinary balance ratio = $\frac{\text{appropriation made from ordinary financial resources for recurring expenses}}{\text{recurring ordinary financial resources}} \times 100$
For the calculation of ordinary balance ratio, credit to compensate tax reductions and special financial measure credit are not included in the ordinary financial resources.
The financial capability index and real debt payment ratio are the average of the previous three years.
- Note 18: Excluding retail targeted bonds and international bonds.
- Note 19: 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%.)

■ FY2007 Results of Accounts - Ordinary Account



- The real balance is in the black at 95.6 billion yen.
- TMG's total tax revenue increased by 11.6 percent due to the effects of the transfer of tax revenue sources as well as increases in revenue from corporate residents' tax and local corporate tax resulting from steady corporate profits.
- Expenditure for public bond dropped by 21.8 percent due to decreases in sinking fund reserve.

Ordinary Account Results

(100 million yen, %)

Classification	FY2007	FY2006	Increase/ Decrease	Rate of Change
Annual revenue	71,436	68,278	3,158	4.6
Metropolitan tax	54,973	49,271	5,702	11.6
Annual expenditure	69,017	65,164	3,852	5.9
General expenditure	42,071	42,155	-83	-0.2
Expenditure for public bond	7,552	9,655	-2,103	-21.8
Reserve fund eying future demand	3,693	1,391	2,302	165.5
Expenditure for converting local corporate income tax into a national tax	2,185	-	2,185	New classification
Formal balance	2,419	3,113	-695	-
Fiscal revenue to be carried forward	1,463	1,744	-281	-
Real balance	956	1,370	-414	-

● 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
- 14 Special Accounts were added to the General Account; using this accounting system, the net total is calculated eliminating overlap between Accounts.

■ FY2007 Results of Accounts - Public Enterprise Accounts



- Of public enterprise P/L accounts of fiscal 2007, the Account of the central wholesale market is in the red.
- While helping enterprises to achieve greater economy, TMG also stands by the basic principle of promoting the public welfare, and make further efforts toward management reforms and sustainable improvement in services.

Public Enterprise Accounts Results

(100 million yen)

Account	Profit and loss account (P/L)		Balance Sheet		
	Revenue	P/L for this term	Debt Capital	Equity Capital	Surplus
Hospitals	1,441	106	882	799	109
Central wholesale market	188	-38	568	3,445	1,926
Urban redevelopment	94	13	254	4	17
Waterfront area development	790	361	4,539	6,065	932
Ports and harbors	88	38	50	3,393	63
Transportation	476	11	202	337	1,117
Subway	1,529	110	5,830	3,626	627
Electricity	10	0	-	24	40
Waterworks	3,605	689	4,763	12,680	5,609
Industrial waterworks	17	0	0	227	119
Sewage system	3,487	297	23,821	15,658	25,398
Total	11,725	1,587	40,909	46,259	35,957