

## **Programme Information**

### **The Metropolis of Tokyo**

## PROGRAMME INFORMATION

Type of Information:	Programme Information
Date of Announcement:	11 May 2015
Issuer Name:	The Metropolis of Tokyo
Name and Title of Representative:	Yōichi Masuzoe, Governor
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Type of Securities:	Unsecured and unsubordinated bonds
Scheduled Issuance Period:	2 years
Maximum Outstanding Issuance Amount:	Not Applicable
Address of Website for Announcement:	<a href="http://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html">http://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html</a>
Status of Submission of Annual Securities Reports or Issuer Filing Information:	Not Applicable

### Notes to Investors:

1. TOKYO PRO-BOND Market is a market principally for professional investors and bonds listed on the market ("**TOKYO PRO-BOND MARKET Listed Bonds**") may involve high risk. Investors should act with responsibility and be aware of the listing qualification, timely disclosure requirements that apply to issuers of TOKYO PRO-BOND Market Listed Bonds and associated risks such as the fluctuation in market prices. Prospective investors should make an investment judgement only after having carefully considered the contents of this Programme Information.
2. The regulatory framework for TOKYO PRO-BOND Market is different in certain fundamental respects from the regulatory framework applicable to existing exchange markets in Japan. Investors should be aware of the rules and regulations of the TOKYO PRO-BOND Market, which are available on the website of Tokyo Stock Exchange, Inc. (the "**Tokyo Stock Exchange**").
3. The bonds to be issued pursuant to this programme fall within disclosure exempt securities under Article 3(1) of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**"), and as such, no "specified securities information" specified in Article 27-31, Paragraph 1 of the FIEA is required to be delivered or made public in respect of the offering of such bonds in Japan under the FIEA. This Programme Information therefore does not comprise "specified securities information" (*tokutei shouken jouhou*) specified in Article 27-31, Paragraph 1 of the FIEA.
4. The Tokyo Stock Exchange does not make any representations or warranties with regard to any part of the Programme Information (including, but not limited to, whether the Programme Information (a) contains a false statement on important matters or (b) lacks a statement on: (i) important matters that should be stated or (ii) a material fact that is necessary for avoiding misunderstanding), and will not be liable to any damages or any other liabilities.
5. This Programme Information has been prepared solely by, and is the sole responsibility of, the Issuer, and its contents have not been independently verified by any Manager (as defined herein). To the fullest extent permitted by law, none of the Managers accepts any responsibility for the contents of this Programme Information or for any other statement, made or purported to be made by any Manager or on its behalf in connection with the Issuer or the issue and offering of any bonds pursuant to the

programme described herein. The Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Programme Information or any such statement.

## Information Relating to the Programme

Information other than those set out herein will be included in the applicable Issuance Conditions of the Bonds Pertaining to the Initial Listing Application published in respect of the relevant issue of bonds.

Bonds to be newly issued .....	The bonds to be issued pursuant to this programme (the " <b>Bonds</b> ") will be issued based upon the Terms and Conditions of the Bonds (the " <b>Conditions</b> ") substantially in the form set out in the Annex to this Programme Information, as modified by the applicable Issuance Conditions of the Bonds Pertaining to the Initial Listing Application. All undetermined items in the Annex will be determined prior to purchase by investors, and will be set out in the applicable Issuance Conditions of the Bonds Pertaining to the Initial Listing Application.
Credit ratings for the Bonds.....	Any rating obtained in respect of the Bonds will be set out in the applicable Issuance Conditions of the Bonds Pertaining to the Initial Listing Application to be subsequently disclosed.
Underwriting of the Bonds .....	<p>The names of the institutions that are expected to conclude a subscription agreement in respect of the relevant issue of Bonds (the "<b>Managers</b>") are as follows:</p> <ul style="list-style-type: none"><li>- Barclays Bank PLC;</li><li>- Merrill Lynch International;</li><li>- Deutsche Bank AG, London Branch;</li><li>- Nomura International plc; and</li><li>- any other Manager specified in the applicable Issuance Conditions of the Bonds Pertaining to the Initial Listing Application.</li></ul>
Fiscal Agent and Registrar.....	The Issuer will appoint a fiscal agent and a registrar in respect of each issue of Bonds. The identities of such fiscal agent and registrar will be set out in the applicable Issuance Conditions of the Bonds Pertaining to the Initial Listing Application to be subsequently disclosed.

## **Annex to the Programme Information**

This Preliminary Prospectus is not a prospectus for the purposes of the prospectus rules of the U.K. Financial Conduct Authority but is an advertisement and is subject to amendment and completion. Such a prospectus (the final Prospectus) will be published and will be available on the website of the London Stock Exchange. This document and the information contained herein are subject to completion and/or amendment, which may be material, without notice. The definitive terms of the transactions described herein will be described in the final version of this document. Investors should not subscribe for any securities referred to herein except on the basis of information contained in the final Prospectus. Under no circumstances shall this document constitute an offer of, or an invitation to acquire, or the solicitation of an offer to purchase or subscribe for any of the Bonds, nor shall there be any sale of the securities referred to herein, in any jurisdiction in which such offer, solicitation or sale would be unlawful. This document has not been approved by the competent authority in any member state of the European Economic Area which has implemented Directive 2003/71/EC, as amended (the "Prospectus Directive"). This document may only be communicated or caused to be communicated, in the United Kingdom to a person in circumstances specified in the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 in which section 21(1) of the Financial Services and Markets Act 2000 does not apply. This Preliminary Prospectus may not be communicated or distributed to persons outside the United Kingdom other than persons to whom it may be communicated or distributed lawfully without any further action on the part of any person and in accordance with all applicable securities laws.

Subject to Completion  
Preliminary Prospectus dated ●

## Prospectus



# The Metropolis of Tokyo

● ● per cent. Bonds due ●  
Issue Price ● per cent.

The above Bonds (the "Bonds") will mature on ● and may be redeemed earlier at the option of The Metropolis of Tokyo (the "Metropolis" or "Tokyo") only in the event that certain Japanese taxes are imposed on payments in respect of the Bonds, as set out in "Terms and Conditions of the Bonds — Redemption and Purchase".

Interest on the Bonds will accrue at the rate of ● per cent. per annum from and including ● and be payable annually in arrear on ● in each year commencing on ●.

Application has been made to the Financial Conduct Authority (the "UK Listing Authority") under the Financial Services and Markets Act 2000 (the "FSMA") for the Bonds to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Bonds to be admitted to trading on the London Stock Exchange's Regulated Market (the "Market"). References in this Prospectus to securities being "listed" (and all related references) shall mean that such securities have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC, as amended.

Application is also being made to Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") for the bonds to be listed on the TOKYO PRO-BOND Market of the Tokyo Stock Exchange (the "TOKYO PRO-BOND Market").

It is expected that the Bonds will be assigned a credit rating of ● by Standard & Poor's Ratings Japan K.K., a subsidiary of The McGraw-Hill Companies, Inc. ("S&P"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. The Metropolis has been assigned (i) ● foreign currency long-term issuer rating and (ii) ● local currency long-term issuer rating by S&P. The security rating applicable to the Bonds will not necessarily always reflect that applicable to the Metropolis. The credit rating referred to above will be and the issuer ratings referred to above have been issued by S&P, which is not established in the European Union and is not registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16th September, 2009 on credit rating agencies, as amended (the "CRA Regulation") but such credit rating will be and such issuer ratings have been endorsed by Standard & Poor's Credit Market Services Europe Limited, which is an entity established in the European Union and registered under the CRA Regulation.

The Bonds will be in registered form in the denomination of ● and integral multiples of ● in excess thereof. The Bonds will be evidenced by a global certificate (the "Global Certificate") in registered form, which will be deposited with, and registered in the name of, or a nominee for, a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") on or about ●. Definitive certificates ("Definitive Certificates") evidencing holdings of Bonds will only be available in certain limited circumstances. See "Summary of Provisions relating to the Bonds while in Global Form".

**Prospective investors should have regard to the factors described under the section headed "Risk Factors" starting on page 5. This Prospectus does not describe all of the risks of an investment in the Bonds.**

● ●

The date of this Prospectus is ●.

*This Prospectus comprises a prospectus for the purposes of Article 5 of Directive 2003/71/EC, as amended (the "Prospectus Directive") and for the purpose of giving information with regard to the Metropolis and the Bonds which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Metropolis. Accordingly, the Metropolis accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Metropolis (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*To the fullest extent permitted by law, none of the Joint Lead Managers (as defined under "Subscription and Sale") accepts any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Joint Lead Managers or on their behalf in connection with the Metropolis or the issue and offering of the Bonds. The Joint Lead Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Prospectus or any such statement.*

*The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to United States persons.*

*Other than the application for the admission of the Bonds to the Official List together with admission of the Bonds to trading on the Market, and the application to list the Bonds on the TOKYO PRO-BOND Market, no action is being taken to permit a public offering of the Bonds or the distribution of this Prospectus (in proof or final form) in any jurisdiction where action would be required for such purposes.*

*The Bonds are exempt from the requirement for registration under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "Financial Instruments and Exchange Act") and are subject to the Act on Special Measures Concerning Taxation of Japan (Law No. 26 of 1957, as amended) (the "Act on Special Measures Concerning Taxation"). The Bonds are not, as part of the primary distribution (boshu) by the Joint Lead Managers at any time, to be offered or sold to, or for the benefit of, any person other than (i) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person (a "Specially-Related Party of the Metropolis") having a "special relationship" with the Metropolis (that is, currently, in general terms, a party who is directly or indirectly controlled by the Metropolis) as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation or (ii) a Japanese financial institution, designated in Article 3-2-2, paragraph (29) of the Cabinet Order No. 43 of 1957, as amended (the "Cabinet Order") relating to the Act on Special Measures Concerning Taxation. **BY SUBSCRIBING FOR THE BONDS, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED IT IS A PERSON WHO FALLS INTO THE CATEGORY OF (i) OR (ii) ABOVE.***

*In addition, interest payments on the Bonds generally will be subject to Japanese withholding tax unless it is established that the Bonds are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Metropolis, or (ii) a Japanese designated financial institution described in Article 6, paragraph (9) of the Act on Special Measures Concerning Taxation which complies with the requirement for tax exemption under that paragraph, or (with respect to interest to be payable on or after 1st January, 2016) (iii) a public corporation, a financial institution or a financial instruments business operator, etc. described in Article 3-3, Paragraph (6) of the Act on Special Measures Concerning Taxation which complies with the requirement for tax exemption under that paragraph. See "Taxation — Japan".*

*The Bonds do not constitute "taxable linked securities" as prescribed by Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation (being securities for which the amount of interest is to be calculated by reference to certain indexes (as prescribed by Article 3-2-2, paragraph (8) of the Cabinet Order) relating to the issuer of such securities or a specially-related party of the issuer).*

*In connection with the issue or sale of the Bonds, no person has been authorised to give any information or to make any representation other than as contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Metropolis or the Joint Lead Managers.*

Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that the information contained herein is correct as at any time subsequent to its date.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus and any applicable supplement to this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

In connection with this issue, ● (the "Stabilising Manager") (or person(s) acting on behalf of the Stabilising Manager) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

References herein to "U.S.\$" and "U.S. dollars" are to the currency of the United States of America, those to "€" are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3rd May, 1998 on the introduction of the euro, as amended, and those to "¥" and "yen" are to Japanese yen. On ● the mean spot rate for the ● against yen quoted by a leading commercial bank in Tokyo was ● to ¥ ● .

References herein to "fiscal years" and to "FY" are to fiscal year(s) of the Metropolis commencing on 1st April of the year indicated and ending on 31st March of the following year. References herein to years not specified as fiscal years or FY are to calendar years.

In this Prospectus, where information is presented in millions and billions, amounts of less than one million or one billion have been rounded up or down (in certain cases, to the nearest one-tenth of a million or billion), as the case may be. Accordingly, the total of each column of figures may not be equal to the total of the individual items.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.



## TABLE OF CONTENTS

RISK FACTORS .....	5
FORWARD-LOOKING STATEMENTS .....	7
TERMS AND CONDITIONS OF THE BONDS .....	8
SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM.....	16
USE OF PROCEEDS .....	18
THE METROPOLIS OF TOKYO .....	19
REPORT OF AUDIT AND INSPECTION COMMISSIONER .....	44
TAXATION .....	45
SUBSCRIPTION AND SALE .....	51
GENERAL INFORMATION.....	53

## **RISK FACTORS**

*The Metropolis believes that the following factors may affect its ability to fulfil its obligations under the Bonds. All of these factors are contingencies which may or may not occur and the Metropolis is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Metropolis believes may be material for the purpose of assessing the market risks associated with the Bonds are also described below.*

*The Metropolis believes that the factors described below represent the principal risks inherent in investing in the Bonds. However, the Metropolis may be unable to pay interest, principal or other amounts on or in connection with the Bonds for other reasons which the Metropolis currently does not believe are material or are unknown. Therefore, the Metropolis does not represent that the statements below regarding the risks of holding any Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

### **Factors which may affect the Metropolis' ability to fulfil its obligations under the Bonds**

#### ***Susceptibility to political, economic and social factors***

The implementation of the Metropolis' budget may be affected by political, economic, social or other factors, including macroeconomic changes (such as fluctuations in interest rates, commodity prices, currency exchange and external payment balances), unforeseen public spending due to matters which cause social turmoil such as acts of nature (including large earthquakes, tsunami, typhoon and floods), chaos and anarchy due to terrorism, war or other acts, and large-scale disasters, changes in social structures (for example changes in industrial structures or the workforce, such as larger-than-expected population shifts, declining birth rates or the impact of an ageing population) as well as changes in policies of the Japanese Government (for example changes in the structure of national, prefectural and local taxes). These factors may influence the Metropolis' implementation of the budget and thereby contribute to a decrease in revenues or increase in expenditure.

#### ***Budget deficit in case of revenue decreases***

While revenues of the Metropolis are generally affected by macroeconomic conditions, expenditure in the Metropolis' budget does not come under automatic review in case of any revenue decreases. Accordingly, in the event that the Metropolis' actual revenues may be lower than the budgeted amount, due to for example recession or downtrend in the macro economy, the expenditure of the Metropolis may remain in accordance with the original budget and consequently may cause a budget deficit of the Metropolis.

#### ***Public enterprises***

The Metropolis operates its public enterprises in compliance with market principles and accordingly takes business risks comparable to that of private enterprises. In addition, these public enterprises are required to achieve their intended objectives of enhancing and promoting public welfare and thus may serve as a complementary provider of public services in accordance with instructions from the Metropolis due to policy reasons of the Metropolis. The Metropolis may be obliged to bear the costs incurred by any public enterprise as a result of such business risks or the provision of public services which may exceed the budgeted operating revenue of such public enterprise.

### **Factors which are material for the purpose of assessing the market risks associated with the Bonds**

#### ***Risks related to the Bonds***

Set out below is a brief description of certain risks relating to the Bonds:

#### ***Modification and waivers***

The terms and conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. Bondholders may be bound by decisions made by a defined majority that are against their interests.

### *EU Savings Directive*

Under EC Council Directive 2003/48/EC, as amended (the "Savings Directive"), on the taxation of savings income, each Member State of the European Union is required to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Savings Directive on 24th March, 2014 (the "Amending Directive"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1st January, 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest. However, the European Commission has proposed the repeal of the Savings Directive from 1st January, 2017 in the case of Austria and from 1st January, 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Metropolis nor any Paying Agent (as defined in Condition 1 of the Bonds) nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Metropolis will be required, save as provided in Condition 7 of the Bonds, to maintain a Paying Agent, in a Member State that will not be obliged to withhold or deduct tax pursuant to the above Directive.

### *Change of law*

The terms and conditions of the Bonds are based on English law in effect as at the date of issue of the Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law, administrative practice or mandatory provisions of Japanese law after the date of issue of the Bonds which may have an adverse effect on the Bondholders.

### *Integral multiples of less than ●*

Although the Bonds have a minimum denomination of ● to enable them to be admitted to trading on a regulated market within the European Economic Area or to be offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, it is possible that the Bonds may be traded in amounts in excess of ● that are not integral multiples of ●. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of Bonds of less than ● will not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to at least ●.

### ***Risks related to the market generally***

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk and interest rate risk:

#### *The secondary market generally*

The Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be sustained throughout the life of the Bonds or it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Bonds.

#### *Exchange rate risks and exchange controls*

The Metropolis will pay principal and interest on the Bonds in ● . This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the ● . These include the risk that exchange rates may significantly change (including changes due to devaluation of the ● or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the ● would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### *Interest rate risks*

Investment in the Bonds as fixed rate securities involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

## **FORWARD-LOOKING STATEMENTS**

This Prospectus contains certain forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Prospectus, including, without limitation, those regarding the financial position, vision, strategy, plans and objectives for future operation and administration of the Metropolis are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements, to be materially different from those expressed or implied by these forward-looking statements. These forward looking statements are based on numerous assumptions regarding the present and future plans and the environment in which the Metropolis expects to operate in the future. Important factors that could cause the Metropolis' actual results, performance or achievements to differ materially from those in the forward looking statements include, among other factors described in this Prospectus, changes in the Metropolis policies, visions and plans, changes in demographic and other assumptions, and changes in the economic, political or social climate in Tokyo, Japan or elsewhere.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors". Any forward-looking statements made by or on behalf of the Metropolis speak only as at the date they are made. The Metropolis does not undertake to update forward-looking statements to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

## TERMS AND CONDITIONS OF THE BONDS

*The following (except for paragraphs in italics) are the terms and conditions of the Bonds substantially in the form in which they will appear in the Fiscal Agency Agreement referred to below:*

### 1. General

The ● ● per cent. Bonds due ● (the "Bonds", which expression includes any further bonds issued pursuant to Condition 13 and forming a single series therewith) of the Metropolis of Tokyo (the "Metropolis") are constituted by a deed of covenant dated ● (as amended or supplemented from time to time, the "Deed of Covenant") entered into by the Metropolis and are the subject of a fiscal agency agreement dated ● (as amended or supplemented from time to time, the "Fiscal Agency Agreement") between the Metropolis, ● as registrar (in such capacity, the "Registrar", which expression includes any successor registrar appointed from time to time in connection with the Bonds) and as fiscal agent (in such capacity, the "Fiscal Agent", which expression includes any successor fiscal agent appointed from time to time in connection with the Bonds), the transfer agents named therein (the "Transfer Agents", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds) and the paying agents named therein (together with the Fiscal Agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds). References herein to the "Agents" are to the Registrar, the Fiscal Agent, the Transfer Agents and the Paying Agents and any reference to an "Agent" is to any one of them. Certain provisions of these Conditions are summaries of the Fiscal Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The Bondholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement and the Deed of Covenant applicable to them. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection by Bondholders during normal business hours at the specified office of the Fiscal Agent, presently being at ● , and at the specified offices of the Paying Agents.

### 2. Form and Status

- (a) *Form:* The Bonds are in registered form, in the denomination of ● and integral multiples of ● in excess thereof, and are not exchangeable for bonds in bearer form.
- (b) *Status:* The Bonds are direct, unconditional and unsecured obligations of the Metropolis and rank *pari passu* and rateably without any preference among themselves and (with certain statutory exceptions) at least equally with all other unsecured obligations of the Metropolis from time to time outstanding.

### 3. Register, Title and Transfers

- (a) *Register:* The Registrar will maintain a register (the "Register") in respect of the Bonds in accordance with the provisions of the Fiscal Agency Agreement. In these Conditions, the "Holder" of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "Bondholder" shall be construed accordingly. A certificate (each, a "Certificate") will be issued to each Bondholder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title:* The Holder of each Bond shall (except as otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder.
- (c) *Transfers:* Subject to Conditions 3(f) and 3(g) below, a Bond may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* no transfer maybe made which would result in the principal amount of Bonds held by a

holder and in respect of which a Certificate is to be issued being less than ● . Where not all the Bonds evidenced by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor.

*Transfers of interests in the Bonds represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of provisions relating to the Bonds while in Global Form".*

- (d) *Registration and delivery of Certificates:* Within five business days of the surrender of a Certificate in accordance with Condition 3(c) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Bonds transferred to each relevant Holder at its specified office or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "business day" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar has its specified office.
- (e) *No charge:* The transfer of a Bond will be effected without charge by or on behalf of the Metropolis or the Registrar but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods:* Bondholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Bonds.
- (g) *Regulations concerning transfers and registration:* All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Metropolis with the prior written approval of the Registrar. A copy of the current regulations will be made available (free of charge) by the Registrar to any Bondholder who requests in writing a copy of such regulations.

#### **4. Interest**

- (a) *Rate of Interest:* The Bonds bear interest from and including ● (the "Issue Date") at the rate of ● per cent. per annum (the "Rate of Interest"), payable in arrear on ● in each year (each, an "Interest Payment Date"), subject as provided in Condition 7. Interest in respect of any Bond shall be calculated per ● in principal amount of the Bond (the "Calculation Amount"). Each Bond will cease to bear interest from the due date of redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (after as well as before any judgment) until (and including) whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) the day which is seven days after the Fiscal Agent has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).
- (b) *Amount of Interest and calculations:* The amount of interest payable on each Interest Payment Date shall be ● in respect of each Calculation Amount. If interest payable in respect of the Calculation Amount is required to be paid in respect of a Bond on any other date, it shall be calculated by applying the Rate of Interest to such Calculation Amount, multiplying the product by the relevant Day Count Fraction, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where:

"Calculation Period" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period; and

"Day Count Fraction" means, in respect of any period, the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30.

## 5. Redemption and Purchase

- (a) *Final Redemption:* Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on • .
- (b) *Redemption for Taxation Reasons:* If the Metropolis would on the occasion of the next payment due in respect of the Bonds be required for reasons outside its control to pay any Additional Amounts (as defined in Condition 8) pursuant to Condition 8, then the Metropolis may, at its option, upon giving not less than 30 nor more than 60 days' prior notice to the Bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption) in accordance with Condition 14, redeem all (but not some only) of the Bonds at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption.
- (c) *Purchase:* The Metropolis may at any time purchase or otherwise acquire Bonds in the open market or otherwise. Bonds purchased by the Metropolis may be held or resold or, at the discretion of the Metropolis, may be surrendered to the Registrar for cancellation.
- (d) *Cancellation:* All Bonds redeemed or purchased and surrendered by the Metropolis as aforesaid shall be cancelled forthwith and may not be reissued or resold.

## 6. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

## 7. Payments

- (a) *Principal:* Payments of principal shall be made by • cheque drawn on, or, upon application by a Holder of a Bond to the specified office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment by transfer to a • account maintained by the payee with, a bank in • and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the specified office of any Paying Agent.

- (b) *Interest:* Payments of interest shall be made by • cheque drawn on, or upon application by a Holder of a Bond to the specified office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a • account maintained by the payee with, a bank in • and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the specified office of any Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment , but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Bondholders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to a • account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by • cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the specified office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 7 arriving after the due date for payment or being lost in the mail. In this paragraph, "business day" means any day on which banks are open for general business (including dealings in foreign currencies) in • , • and • and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bond, the Metropolis shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.
- (f) *Record date:* Each payment in respect of a Bond will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's specified office on the fifteenth day before the due date for such payment (the "Record Date"). Where payment in respect of a Bond is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.
- (g) *Agents:* The initial Fiscal Agent, the initial Paying Agent and the initial Registrar and their specified offices are set out at the end of these terms and conditions. The Metropolis reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or any Paying Agent or the Registrar and to appoint additional or other Paying Agents or another Fiscal Agent or Registrar, provided that it will at all times maintain (i) a Fiscal Agent; (ii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any laws, regulations or rules implementing or complying with, or introduced in order to conform to, such Directive provided that there is a European Union member state in which no such obligation is imposed and that establishing a Paying Agent in such member state will not otherwise cause any violation of such Directive or any applicable laws or regulations in such member state on the part of the Metropolis; and (iii) a Registrar. Notice of any such termination or appointment and of any changes in the specified offices of the Fiscal Agent, the Paying Agents or the Registrar will be given to the Bondholders in accordance with Condition 14.

## **8. Taxation**

- (a) *Taxation:* All payments of principal and interest by or on behalf of the Metropolis in respect of the Bonds will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or



levied by or on behalf of Japan, or any authority therein or thereof having power to tax ("Taxes"), unless the withholding or deduction of such Taxes is required by law. In that event, the Metropolis will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the beneficial owner of Bonds after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no Additional Amounts shall be payable with respect to any Bond presented for payment:

- (i) by or on behalf of a beneficial owner of Bond who is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of such Bond by reason of:
  - (A) its having some connection with Japan other than the mere holding of, or the enforcement of its rights under, such Bond; or
  - (B) its being a party having a special relationship with the Metropolis as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Law No. 26 of 1957, as amended) (the "Act on Special Measures Concerning Taxation") (a "Specially-Related Party of the Metropolis"); or
- (ii) by or on behalf of a beneficial owner of Bond who would otherwise be exempt from any such withholding or deduction but who fails to comply with any applicable requirement to provide Interest Recipient Information (as defined in paragraph (b) below) or to submit a Claim for Exemption (as defined in paragraph (b) below) to the Paying Agent to whom the relevant Bond is presented, or whose Interest Recipient Information is not duly communicated through the Participant (as defined in paragraph (b) below) and the relevant international clearing organisation to the Paying Agent; or
- (iii) by or on behalf of a beneficial owner of Bond who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined in paragraph (b) below) who complies with the requirement to provide Interest Recipient Information or to submit a Claim for Exemption and (B) an individual resident of Japan or a Japanese corporation who duly notifies the relevant Paying Agent of its status as not being subject to Taxes to be withheld or deducted by the Metropolis by reason of such individual resident of Japan or Japanese corporation receiving interest on the relevant Bond through a payment handling agent in Japan appointed by it); or
- (iv) more than 30 days after the Relevant Date except to the extent that the relevant Bondholder would have been entitled to such Additional Amounts on presenting the same for payment at the expiry of such 30-day period; or
- (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (vi) by or on behalf of a beneficial owner of Bond who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying Agent in a Member State of the European Union.

As used herein, the "Relevant Date" means the date on which such payment first becomes due, except that, if the amount of the moneys payable has not been received by the Fiscal Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Bondholders in accordance with Condition 14.

- (b) *Definitions:* For the purposes of Conditions 8(a)(ii) and 8(a)(iii) above:
- (i) where a Bond is held through a certain participant of an international clearing organisation or a certain financial intermediary (each, a "Participant"), in order to receive payments free of withholding or deduction by the Metropolis for, or on account of, Taxes, if the beneficial owner of the relevant Bond is:
- (A) an individual non-resident of Japan or a non-Japanese corporation (other than a Specially-Related Party of the Metropolis); or
- (B) a Japanese financial institution falling under certain categories prescribed by the Act on Special Measures Concerning Taxation, and the cabinet order (Cabinet Order No. 43 of 31st March, 1957, as amended) thereunder (together with ministerial ordinances and other regulations thereunder, the "Law") (a "Designated Financial Institution"),
- all in accordance with the Law, such beneficial owner shall, at the time of entrusting a Participant with the custody of the relevant Bond, provide certain information prescribed by the Law to enable the Participant to establish that such beneficial owner is exempted from the requirement for Taxes to be withheld or deducted (the "Interest Recipient Information") and advise the Participant if such beneficial owner ceases to be so exempted (including the case where the beneficial owner who is an individual non-resident of Japan or a non-Japanese corporation becomes a Specially-Related Party of the Metropolis); and
- (ii) where a Bond is not held by a Participant, in order to receive payments free of withholding or deduction by the Metropolis for, or on account of, Taxes, if the beneficial owner of the relevant Bond is:
- (A) an individual non-resident of Japan or a non-Japanese corporation (other than a Specially-Related Party of the Metropolis); or
- (B) a Designated Financial Institution,
- all in accordance with the Law, such beneficial owner shall, prior to each time on which it receives interest, submit to the relevant Paying Agent a claim for exemption from withholding tax (*Hikazei Tekiyo Shinkokusho*) (a "Claim for Exemption") in the form obtainable from such Paying Agent stating, *inter alia*, the name and address of such beneficial owner, the title of the Bonds, the relevant interest payment date, the amount of interest and the fact that such beneficial owner is qualified to submit the Claim for Exemption, together with the documentary evidence regarding its identity and residence.

Any reference in these terms and conditions to principal or interest shall be deemed also to refer to any Additional Amount which may be payable under this Condition 8.

## 9. Repayment in Event of Default

If any one or more of the following events shall have occurred and be continuing:

- (i) *Non-payment:* A default is made in the payment of any interest in respect of any of the Bonds when and as the same ought to be paid in accordance therewith and for 30 days thereafter; or
- (ii) *Breach of other obligations:* A default is made in the performance or observance by the Metropolis of any other obligation under the Bonds or the Deed of Covenant and (except where such failure is not capable of remedy, when no such notice shall be required) such default shall continue for 60 days after written notice requiring such default to be remedied shall have been given to the Metropolis by the holders of not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding; or
- (iii) *Cross-acceleration:* (a) Any indebtedness of the Metropolis for borrowed moneys exceeding in the aggregate U.S.\$10,000,000 (or its equivalent in any other currency or currencies) is

accelerated as a result of a default by any person or any event treated in effect as a default or (b) the Metropolis defaults in the repayment or discharge of any such indebtedness when due or at the expiration of any grace period originally applicable thereto or (c) the Metropolis fails to pay when properly called upon to do so any guarantee of indebtedness for borrowed moneys exceeding in the aggregate U.S.\$10,000,000 (or its equivalent in any other currency or currencies) given by it, and such acceleration is not rescinded or annulled or such default or failure is not remedied within 60 days after written notice thereof shall have been given to the Metropolis by the holders of not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding; or

- (iv) *Moratorium*: A moratorium is declared in respect of all or any part of the indebtedness of the Metropolis; or
- (v) *Abolishment*: The Metropolis is abolished except in the case where another entity effectively assumes the entire obligations of the Metropolis under the Bonds,

then the Holder of any Bond may give notice to the Metropolis that such Bond is immediately repayable whereupon such Bond shall become immediately repayable at its principal amount together with interest accrued to (but excluding) the date of actual repayment unless prior to the time when the Metropolis receives such notice all events of default provided for herein in respect of the Bonds shall have been cured.

#### **10. Fiscal Agent, Paying Agents and Registrar**

In acting under the Fiscal Agency Agreement, the Fiscal Agent, Paying Agents and the Registrar are acting solely as agents of the Metropolis and do not assume any obligation or duty to, or any relationship of agency or trust for or with, the Bondholders, except that (without affecting the obligations of the Metropolis to the Bondholders to repay the Bonds in accordance with their terms) any funds received by the Fiscal Agent for the payment of the principal or interest on the Bonds shall, to the extent permitted by law, be held by it in trust for the Bondholders, as the case may be, until the expiration of the periods of prescription in Condition 6.

The Fiscal Agency Agreement may be amended by the parties thereto, without the consent of any Bondholder, if in the reasonable opinion of the Metropolis and the Fiscal Agent the amendment will not adversely affect the interests of the Bondholders.

#### **11. Replacement of Certificates**

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced with a new Certificate at the specified office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Metropolis may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

#### **12. Meetings of Bondholders**

The Fiscal Agency Agreement contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including modification by extraordinary resolution of the Bonds (including their terms and conditions) and the Deed of Covenant. An extraordinary resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not. Any modification, *inter alia*, postponing the date of maturity of the Bonds or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds, altering the currency of account or the currency of payment of the Bonds will only be binding if passed at a meeting of Bondholders (or at any adjournment thereof) at which a special quorum (provided for in the Fiscal Agency Agreement) is present.

#### **13. Further Issues**

The Metropolis may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such

terms as the Metropolis may determine at the time of their issue. References in these terms and conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds.

**14. Notices**

Notices to the Bondholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the seventh day after the date of mailing.

*So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing required by these Conditions.*

**15. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

**16. Governing Law**

The Bonds, and any non-contractual obligations arising out of or in connection with the Bonds, are governed by, and shall be construed in accordance with, English law.

The Metropolis hereby irrevocably and unconditionally submits to the jurisdiction of the English courts for all purposes in connection with this Bond appertaining hereto (including any non-contractual obligation arising out of or in connection with the Bonds) and in relation thereto the Metropolis hereby irrevocably appoints ● at its principal office for the time being in London (presently being at ● ) as its authorised agent upon whom process may be served in any action or proceedings of or in the courts of England arising out of or relating to this Bond (including any non-contractual obligation arising out of or in connection with the Bonds).

## **SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM**

Transfers of interests in the Bonds in respect of which the Global Certificate is issued shall be effected through the records of the relevant clearing system and their respective participants in accordance with the rules and procedures of the relevant clearing system and their respective direct and indirect participants.

Upon issue, the Bonds will be evidenced by a Global Certificate which will be deposited with, and registered in the name of the nominee for, the common depository for Euroclear and Clearstream, Luxembourg. The Global Certificate will contain provisions which modify the effect of the terms and conditions of the Bonds set out in this Prospectus. The following is a summary of those provisions:

### **1. Exchange**

The Global Certificate will become exchangeable in whole, but not in part, for Definitive Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 9 occurs.

Whenever the Global Certificate is to be exchanged for Definitive Certificates, such Definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Definitive Certificates (including, without limitation, the names and addresses of the persons in whose names the Definitive Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Fiscal Agency Agreement and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any Bondholder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. In the event that Definitive Certificates for the Bonds are issued, a Bondholder who holds a principal amount of less than ● will not receive a Definitive Certificate in respect of such holding and would need to purchase a principal amount of Bonds such that it holds an amount of ● or above in integral multiples of ● thereof.

If:

- (a) Definitive Certificates have not been issued and delivered by 5.00 p.m. (Luxembourg time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Certificate; or
- (b) any of the Bonds evidenced by the Global Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Bonds has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Certificate on the due date for payment in accordance with the terms of the Global Certificate,

then, at 5.00 p.m. (Luxembourg time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (b) above) each person shown in the records of Euroclear and/or Clearstream, Luxembourg (or any other relevant clearing system) as being entitled to interest in the Bonds (each an "Accountholder") shall acquire under the Deed of Covenant rights of enforcement against the Metropolis ("Direct Rights") to compel the Metropolis to perform its obligations to the Holder of the Global Certificate in respect of the Bonds represented by the Global Certificate, including the obligation of the Metropolis to make all payments when due at any time in respect of such in accordance with the Conditions as if such Bonds had (where required by the Conditions) been duly presented and surrendered on the due date in accordance with the Conditions.

The Direct Rights shall be without prejudice to the rights which the Holder of the Global Certificate may have under the Global Certificate or otherwise. Payment to the Holder of the Global Certificate in respect of any Bonds represented by the Global Certificate shall constitute a discharge of the Metropolis' obligations under the Bonds and the Deed of Covenant to the extent of any such payment

and nothing in the Deed of Covenant shall oblige the Metropolis to make any payment under the Bonds to or to the order of any person other than the Holder of the Global Certificate.

As a condition of any exercise of Direct Rights by an Accountholder, such Accountholder shall, as soon as practicable, give notice of such exercise to the Bondholders in the manner provided for in the Conditions or the Global Certificate for notices to be given by the Metropolis to Bondholders.

## **2. Payments**

In the case of all payments made in respect of the Global Certificate, "business day" means any day which is a day on which dealings in foreign currencies may be carried on in ● , ● and ● .

Each payment in respect of the Bonds evidenced by the Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "Record Date") where "Clearing System Business Day" means a day on which each clearing system for which the Global Certificate is being held is open for business.

## **3. Notices**

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of a clearing system, notices to Bondholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing required by the terms and conditions of the Bonds. Such notices shall be deemed to have been given in accordance with the Conditions on the date of delivery to the relevant clearing system.

## **4. Meetings**

The Holder of the Bonds in respect of which the Global Certificate is issued shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each ● of Bonds in respect of which the Global Certificate is issued.

## **5. Redemption at the Option of the Metropolis**

The option of the Metropolis to redeem the Bonds prior to maturity provided for in Condition 5(b) shall be exercised or performed by the Metropolis giving notice to the Bondholders within the time limits relating thereto set out in and containing the information required of the Metropolis in accordance with such Condition.

## **6. Purchase and Cancellation**

Cancellation of any Bonds evidenced by the Global Certificate required by the terms and conditions of the Bonds to be cancelled following its purchase will be effected by a reduction in the principal amount of the Bonds evidenced by the Global Certificate. A record of such reduction will be endorsed in the appropriate schedule of the Global Certificate.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Bonds, amounting to approximately • million, will be used for general purposes of the Metropolis.

# THE METROPOLIS OF TOKYO

## SELECTED DATA

### General

	<u>Tokyo</u>	<u>Japan</u>	<u>Tokyo's share in Japan (%)</u>	<u>Ranking among Prefectures</u>
Area (in square kilometres) (2014) .....	2,106	377,972	0.6	44
Population (in ten thousands) (2015) .....	1,330	12,702	10.5	1
Number of motor vehicles (in thousands) (2014) ..	4,423	80,934	5.5	2
Number of dwellings (in thousands) (2013) .....	7,352	60,631	12.1	1
Number of universities and colleges (2014) .....	139	781	17.8	1

### Economy

	<u>Tokyo</u>	<u>Share of national total</u>
	<i>(billions of yen, %)</i>	
Gross product (FY 2012) .....	¥91,908.9	19.4%
Industrial shipments (FY 2013) .....	7,294.3	2.6
Annual sales volume (FY 2012) .....	162,249.5	33.8

### Revenue and Expenditure (General Account)

	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>
	<u>Actual</u>	<u>Actual</u>	<u>Estimated in Final Budget</u>	<u>Estimated in Original Budget</u>
	<i>(millions of yen)</i>			
Revenue .....	¥5,955,489	¥6,130,261	¥6,745,201	¥6,952,000
Expenditure .....	5,902,977	6,049,866	6,745,201	6,952,000
Balance .....	52,512	80,395	0	0

### Debt at year end

	<u>31st March,</u>	
	<u>2013</u>	<u>2014</u>
	<i>(millions of yen)</i>	
Long-term debt .....	¥10,481,195	¥10,012,298
Short-term debt .....	0	0

Source:

Please see the detailed information in this Prospectus for the source of the above information.

Note:

The above information is qualified in its entirety by the detailed information in this Prospectus.

## INTRODUCTION

Tokyo, located in the south of the Kanto Plain, roughly in the middle of the Japanese archipelago and with an area of 2,106 square kilometres as at 1st October, 2014 (Statistical reports on the land area by prefectures and municipalities in Japan by Geospatial Information Authority of Japan), had a population of 13,298 thousands according to the Households and Population based on Basic Resident Register (published by the Statistics Division, Bureau of General Affairs, the TMG) as at 1st January, 2015. Tokyo is the only governmental unit in Japan designated as a metropolis. Its administrative area consists of three sub-areas, each with different characteristics, comprising 23 special wards, the Tama district and a number of islands in the Pacific Ocean. The address of the Metropolis is 8-1, Nishishinjuku 2-chome, Shinjuku-ku, Tokyo 163-8001, telephone number +81-3-5321-1111.

The major urban area consists of the 23 special wards that extend around Tokyo Bay and which spread into the southern part of the Kanto Plain. Together they form one city, which is often regarded as the City of Tokyo, though each ward is administratively independent. The number of people living in this combined area is



9,102,598, or 68.5 per cent. of Tokyo's population as at 1st January, 2015. This is not only the largest Japanese city but it is also one of the largest cities in the world. The Tama district lies to the west of the 23 special wards and comprises 26 cities, three towns and one village. The islands in the Pacific Ocean that form part of Tokyo are the Izu Islands and the Ogasawara Islands. These islands have a total of two towns and seven villages.

Tokyo has been the political capital of Japan since 1603, when the Tokugawa Shogunate was established. It became the official capital in 1869, shortly after the Meiji Restoration, which ushered in the modern history of Japan. The Metropolis was created in July 1943 when the administrative authority of the City of Tokyo and that of the Prefecture of Tokyo were amalgamated.

As the capital, Tokyo is the site of the Diet and is the seat of the administrative and judicial branches of the Japanese Government. Tokyo is also the national centre of finance and commerce and has a prominent position in the intellectual and cultural life of Japan.

The growth of the population of Tokyo and the expansion of its economy, which were especially remarkable in the 1960s, have brought about an increase in the influence of the Metropolis beyond its administrative boundaries with the result that the Metropolis and three adjoining prefectures are now together referred to as the Tokyo Metropolitan Region. The population of this region amounts to 35.6 million and accounts for 27.8 per cent. of the entire population of the nation. About 2.9 million people flow daily into the Metropolis for occupational and educational reasons. The Metropolis and seven surrounding prefectures are together called the National Capital Region.

In 2001, the population of Tokyo first reached 12 million people. Thereafter, it continued to increase and in 2013, exceeded 13 million people due to excess in-bound migration from other prefectures.

The following table gives a comparison of Tokyo with the rest of the country:

	<u>Tokyo</u>	<u>Japan</u>	<u>Tokyo's share in Japan</u> (%)	<u>Ranking among Prefectures</u>
Area ( <i>in square kilometres</i> ) <sup>(a)</sup> .....	2,106	377,972	0.6	44
Population ( <i>in ten thousands</i> ) <sup>(b)</sup> .....	1,330	12,702	10.5	1
Number of motor vehicles ( <i>in thousands</i> ) <sup>(c)</sup> .....	4,423	80,934	5.5	2
Number of dwellings ( <i>in thousands</i> ) <sup>(d)</sup> .....	7,352	60,631	12.1	1
Number of universities and colleges <sup>(e)</sup> .....	139	781	17.8	1
Number of newspapers published ( <i>in thousands</i> ) <sup>(f)</sup> .....	4,946	45,363	10.9	1
Number of movie theatres <sup>(g)</sup> .....	299	1,524	19.6	1
Number of hospitals <sup>(h)</sup> .....	643	8,491	7.6	1

Sources:

- (a) As at 1st October, 2014. "Statistical reports on the land area by prefectures and municipalities in Japan" published by Geospatial Information Authority of Japan.
- (b) As at 1st January, 2015. Population of Tokyo: "Households and Population based on Basic Resident Register (published by the Statistics Division, Bureau of General Affairs, the TMG). Population of Japan (provisional estimate for 1st January, 2015): "Population Estimates – January 2015" (published by the Statistics Bureau, the Ministry of Internal Affairs and Communications (the "MIC")).
- (c) As at 30th November, 2014. Surveyed by Automobile Inspection & Registration Information Association.
- (d) As at 1st October, 2013. "Japan Statistical Yearbook 2015" published by the MIC.
- (e) As at 1st May, 2014. "School Basic Survey" published by the Ministry of Education, Culture, Sports, Science and Technology.
- (f) As at October 2014. Surveyed by The Japan Newspaper Publishers & Editors Association.
- (g) As at 31st March, 2014. "Report on Public Health Administration and Services 2012" published by the Ministry of Health, Labour and Welfare.
- (h) As at 30th November, 2014. "Survey of Medical Institutions" published by the Ministry of Health, Labour and Welfare.

### **Creating the Future: The Long-Term Vision for Tokyo**

In December 2014, the Tokyo Metropolitan Government (the "TMG") formulated its new long-term vision for Tokyo. The plan clarifies the basic objectives and policy targets to realise this future vision to become the world's best city, and outlines the specific roll-out of policies, a 3-year execution plan, and other means to achieve these goals.

The first goal set by the plan is to deliver the best-ever Olympic and Paralympic Games. The vision outlines aspects such as making the 2020 Olympic and Paralympic Games (the "Games") a success, using the Games as a catalyst to further Tokyo's development, and passing down tangible and intangible post-Games legacies.

The second goal set by the plan is to resolve challenges and ensure sustainable development in the future. The vision outlines initiatives targeted at finding solutions for the growing list of challenges faced by Tokyo, including those associated with the greying of society, a shrinking national population, and the threat of an earthquake directly hitting the capital.

To support the two goals, the following eight strategies and 25 approaches showing policy targets and how policies will be rolled out, have been developed.

***Goal I: To deliver the best-ever Olympic and Paralympic Games***

Strategy 1: Make the Games a success by leveraging Tokyo's strengths as a mature city

Strategy 2: Build Tokyo into a city with highly advanced, user-oriented urban infrastructure

Strategy 3: Convey the "omotenashi" hospitality of the Japanese people and charms of Tokyo

***Goal II: To resolve challenges and ensure sustainable development into the future***

Strategy 4: Enhance the safety and security of the city

Strategy 5: Become a leading city in terms of social welfare

Strategy 6: Transform Tokyo into a leading global metropolis

Strategy 7: Ensure Tokyo's rich environment and advanced infrastructure for future generations

Strategy 8: Promote the Tama district and islands of Tokyo

**Initiatives for the "Tokyo Global Financial Center"**

The TMG is proceeding with an initiative to realise the "Tokyo Global Financial Center", which aims to transform Tokyo into a financial hub to be on the same level as such places as the Wall Street in New York and the City of London, as a place of global business with people, capital and information gathered from all over the world.

In July 2014, the TMG announced 20 initiatives including revitalisation of the basis for business interactions and hosting and attracting international financial conferences. As one of such initiatives, the TMG aims to dual list its municipal bonds on the TOKYO PRO-BOND Market with the aim of promoting market activity by highlighting the presence of the TOKYO PRO-BOND Market.

**ADMINISTRATION**

**General**

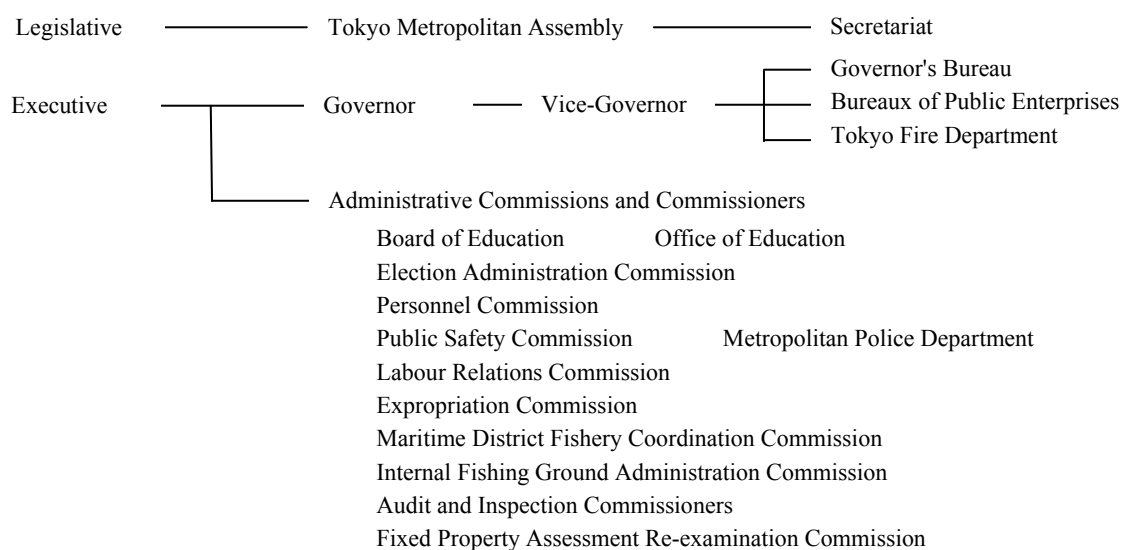
The Metropolis of Tokyo is one of the ordinary local public bodies provided for by the Local Autonomy Law of Japan. It is unique among local public bodies in Japan in that it exercises powers of prefectural administration over its 23 special wards (each of which is a special local public body) and over its cities, towns and villages (each of which is an ordinary local public body) and also exercises certain powers of municipal administration within the special ward areas, particularly in relation to matters requiring uniform treatment.

The Metropolis has also had certain functions of the Japanese Government delegated to it as set out in certain laws or regulations.

The Japanese Constitution grants each local public body, including the Metropolis, the right to manage its own property, affairs and administration, subject to certain laws concerning organisation and operations established by the Diet.

The administrative system of the Metropolis is divided into the legislative (the Tokyo Metropolitan Assembly) and the executive (the Governor of Tokyo (the "Governor") and a number of administrative commissions and commissioners). Whilst the Governor is the principal administrative officer of the Metropolis and exercises overall control of its administration, the Bureaux of Public Enterprises (Waterworks, Transportation and Sewerage Works), the Fire Department and the administrative commissions and commissioners are accorded a certain degree of autonomy.

The legislative and executive organs are outlined in the following table:



### The Tokyo Metropolitan Assembly

The legislative body of the Metropolis is the Tokyo Metropolitan Assembly (the "Assembly"), which is composed of 127 members elected for terms of four years by the citizens of 42 constituencies. All Metropolitan residents who are Japanese nationals and at least 20 years old are eligible to vote after continuous residence for three months. The most recent general election was held on 23rd June, 2013.

The composition of the Assembly in terms of political parties, as at 9th February, 2015, is shown below:

<u>Political Party</u>	<u>Number of Assembly members</u>
Liberal Democratic Party.....	56
Tokyo Komei.....	23
Japanese Communist Party.....	17
The Democratic Party of Japan.....	15
Japan Innovation Party.....	5
KAGAYAKE Tokyo.....	3
Seikatsusha Network.....	3
Non-partisan (Tokyo Fresh Air Party).....	1
Non-partisan (Togikai Saisei).....	1
Non-partisan (Your Reform Party , Tokyo).....	1
Total.....	<u>125</u>

Note:

(a) Two seats were vacant as at 9th February, 2015.

The Assembly functions basically as the decision-making organ of the Metropolis and has the legislative power to enact, amend and repeal by-laws and to approve or reject the budget submitted by the Governor. The Governor must obtain the consent of the Assembly before he appoints the Vice-Governors, the Audit and Inspection Commissioners and certain other senior executive officials. The Assembly, as the representative of the residents, can also examine, investigate and ask for explanations about the administration and fiscal activities of the Metropolis.

Ordinary legislation may be introduced by any member of the Assembly, with the consent of one twelfth part of the Assembly, and by the Governor, but the right to introduce budgetary legislation is exclusively vested in the Governor. The Assembly has the power to increase or decrease funds for particular budget proposals. The Governor can require the Assembly to reconsider action taken but the Assembly may confirm its position by a vote of two-thirds of the members present. In the event that the Assembly fails to appropriate funds for expenses which the Metropolis is obliged to meet, the Governor may appropriate and disburse the necessary funds without Assembly approval. If the Governor loses a vote of confidence in the Assembly, he must resign unless he dissolves the Assembly within ten days.

Regular sessions of the Assembly are convened by the Governor four times a year and usually last for approximately two weeks, although the initial session each year, which deals with the budget, normally extends for 30 days. The Governor may also convene a short extraordinary session whenever he deems necessary.

### **The Executive Body**

The executive body consists of the Governor and a number of administrative commissions and commissioners.

The Governor is elected by direct popular vote for a four-year term. The most recent election for Governor was held on 9th February, 2014. He represents the Metropolis, is its principal administrative officer and is responsible for executing the decisions of the Assembly. Some of the Governor's duties are carried out on his behalf by the Vice-Governors and other officials.

The Bureaux of Waterworks, Transportation and Sewerage Works have managers, appointed by the Governor, who have authority to represent the Metropolis in all matters related to the public enterprises under their control except for certain functions reserved to the Governor.

Fire fighting is usually the responsibility of the individual municipality (city, town or village) but the special wards are considered a single municipality for this purpose and it is the Governor's task to supervise the Tokyo Fire Department and fire stations. The head of the Tokyo Fire Department, appointed by the Governor, is the Superintendent-General who has the authority to appoint and supervise officers and firemen.

In order to prevent an undue concentration of power in one individual, certain executive powers are vested in independent administrative commissions and commissioners. These commissioners are in most cases appointed by the Governor, with the consent of the Assembly to the appointment generally also being required.

The maximum number of full-time employees of the Metropolis in the fiscal year 2015, which is stipulated in the by-laws of the Metropolis, is 166,079.

### **Dissolution, Dismissal and Inspection**

The Assembly may be dissolved, or the Governor may be dismissed, by the vote of a majority of voters following a demand for dissolution or dismissal, as the case may be, signed by at least one-third of all eligible voters. A demand for dissolution may not be made within one year following a general election or the vote on a previous demand for dissolution. A demand for dismissal may not be made within one year after the incumbent Governor assumes office or the vote on a previous demand for dismissal.

Eligible voters may demand the enactment, amendment or repeal of Metropolitan by-laws, except those relating to local taxes, charges or fees, and may request the Audit and Inspection Commissioners to investigate any aspect of the affairs of the Metropolis. In each case the signatures of one-fiftieth of all eligible voters are required. A demand relating to by-laws is submitted to the Assembly but is not binding upon it, although the Audit and Inspection Commissioners must carry out any investigation that is requested. The five Audit and Inspection Commissioners, two of whom are members of the Assembly, are responsible for making periodic examinations of the accounts of the Metropolis and may, on their own initiative, investigate other financial matters of the Metropolis as well.

## **ECONOMIC POSITION**

### **General Tokyo**

Tokyo is the business centre of Japan and makes a greater contribution to the national economy than any other city. Particularly significant is the concentration in the capital of public and private sector administration. In addition to being the location of the legislative, administrative and judicial branches of the Japanese Government, Tokyo is the administrative seat of more than half (according to statistics available at the website of the National Tax Agency of Japan, 58.9 per cent. in FY2013) of all Japanese privately-owned enterprises with a paid-in capital of ¥5 billion or more.

### **Gross Product**

The gross product of Tokyo in the fiscal year 2012 was ¥91,908.9 billion, which accounted for 19.4 per cent. of the gross domestic product of Japan. Per capita income in Tokyo was ¥4,426 thousand, about 1.6 times higher than the national average.

The following table sets forth a breakdown of the gross product of Tokyo for the fiscal years 2011 and 2012 by category of business:

	FY 2011		FY 2012	
	Actual		Actual	
	(billions of yen)	(%)	(billions of yen)	(%)
Services.....	¥18,985.3	20.4%	¥18,815.6	20.5%
Wholesale and Retail Trade.....	19,663.7	21.2	19,330.5	21.0
Finance and Insurance.....	8,407.0	9.1	8,692.4	9.5
Manufacturing.....	7,069.1	7.6	6,933.1	7.5
Public Service.....	6,349.2	6.8	6,182.2	6.7
Transportation.....	3,656.6	3.9	3,648.7	4.0
Communication.....	10,453.1	11.3	10,306.4	11.2
Construction.....	4,169.2	4.5	3,887.0	4.2
Others.....	14,104.0	15.2	14,113.0	15.4
Total.....	<u>92,857.3</u>	<u>100.0</u>	<u>91,908.9</u>	<u>100.0</u>

Source:

"Annual Statistical Report on Prefectural Accounts: FY 2012" published by the Metropolis.

### Services

The contribution of service industries to the gross product of Tokyo has increased steadily for a number of years reflecting the growing demand for recreational facilities and the rising importance of Tokyo as an international city.

### Wholesale and Retail Trade

Tokyo is becoming more and more functional as a commercial city as its industrial importance decreases. According to the Census of Commerce in 2012, the numbers of stores, persons engaged in retailing and wholesaling, and annual sales volume in Tokyo were the highest in the nation, accounting for 11.0 per cent., 16.6 per cent. and 33.8 per cent., respectively, of the national total. Particularly noteworthy is Tokyo's large share in the total wholesale business of the nation.

The following table gives comparative figures for Tokyo and the whole of Japan:

	Tokyo	Japan	Tokyo's share in Japan (%)
<i>Wholesale</i>			
Number of stores.....	55,917	371,663	15.0
Number of persons engaged.....	996,996	3,821,535	26.1
Annual sales volume (in billions of yen).....	147,025	365,481	40.2
<i>Retail</i>			
Number of stores.....	98,661	1,033,358	9.5
Number of persons engaged.....	864,753	7,403,616	11.7
Annual sales volume (in billions of yen).....	15,225	114,852	13.3
<i>Total</i>			
Number of stores.....	154,578	1,405,021	11.0
Number of persons engaged.....	1,861,749	11,225,151	16.6
Annual sales volume (in billions of yen).....	162,249	480,333	33.8

Source:

"Economic Census for Business Activity, 2012" published by the Ministry of Economy, Trade and Industry (the "METI").

### Manufacturing

Though gradually losing their relative importance over a period of years, reflecting the relocation of large factories in the surrounding prefectures as a result of the restrictions imposed on them in highly urbanised areas, manufacturing industries still play a vital role in the Tokyo economy.

The value of industrial shipments from Tokyo in 2013 amounted to ¥7.3 trillion, accounting for 2.6 per cent. of the national total and ranking 15th among the 47 prefectures. In terms of both numbers of factories and persons engaged in manufacturing industries, Tokyo ranked third and seventh, providing 6.2 per cent. and 3.8 per cent., respectively, of the totals.

The following table gives a breakdown of Tokyo's major manufacturing industries by value of industrial shipments in 2013:

	<b>Value of industrial shipments</b> <i>(billions of yen)</i>	<b>Share of total</b> <i>(%)</i>	<b>Share of national total</b> <i>(%)</i>
Transportation equipment.....	¥1,462.9	20.1%	2.5%
Printed products.....	916.9	12.6	18.3
General machinery.....	826.9	11.3	2.7
Electrical machinery and equipment.....	540.1	7.4	3.6
Food.....	653.6	9.0	2.7
Information and communication equipment.....	828.1	11.4	9.9
Chemical industry products.....	378.7	5.2	1.4
Others.....	1,687.0	23.1	1.5
<b>Total.....</b>	<b>7,294.3</b>	<b>100.0</b>	<b>2.6</b>

Source:

"Census of Manufactures, 2013" published by the METI.

Note:

Industrial shipments made by, and numbers of factories and persons engaged in manufacturing industries of, enterprises comprising three people or less are not reflected in data in this paragraph and the above table.

### Transportation and Communication

Tokyo is the hub of the Japanese transportation industry. It is served by all major Japanese railways and Tokyo International Airport (Haneda) is one of the nation's major air terminals. The Port of Tokyo offers harbour facilities for a wide range of vessels in international and domestic trade.

The following table sets forth various figures for the Port of Tokyo during 2013:

Exports ( <i>in billions of yen</i> ).....	5,474
Imports ( <i>in billions of yen</i> ).....	10,039
Number of arriving vessels.....	26,095
Gross tonnage of arriving vessels ( <i>in thousand tons</i> ).....	165,370
Cargo handled ( <i>in thousand tons</i> ).....	86,032

Source:

"The State of the Port of Tokyo, 2013" published by the Metropolis.

As at 30th September, 2014, the number of subscriptions to broadband services in Tokyo stood at 19,153,693, being the largest number of subscriptions among the 47 prefectures. (MIC "Announcement of Quarterly Data Concerning Subscriber Numbers and Market Share in Telecommunication Services").

### Finance and Insurance

Tokyo is the financial centre of Japan and the location of The Bank of Japan. A large number of major banks, insurance companies and securities houses have their head offices in Tokyo. As at 31st December, 2014, 30.1 per cent. of total Japanese bank deposits were held by banks located in Tokyo and 41.8 per cent. of total bank loans were advanced in Tokyo, according to statistics published by The Bank of Japan.

## MAJOR ACTIVITIES

### Urban Facilities

City planning is carried out by the TMG to promote the orderly development and steady improvement of buildings in Tokyo and to provide facilities for a healthy and cultural urban life for its citizens. For this purpose the TMG formulates land use plans, urban facilities plans (such as roads, railways, sewers and parks) and urban development plans. Building regulations are also imposed for safety, fire prevention and sanitation purposes, as well as to ensure the conformity of buildings with city planning requirements.

At present, the TMG is promoting urban development with greater emphasis on the environment, greenery and landscape, in addition to reinforcing its international competitiveness and securing public safety under the basic philosophy of "evolving into an Environmentally-Advanced City that offers appeal and vitality to emerge as the world's role model".

## **Housing**

The TMG's housing policy is aimed at building good quality housing stock and good housing environment, improving housing market conditions and securing housing for the residents of Tokyo.

In the field of publicly-owned housing, as at 31st March, 2015, the TMG owned and managed about 260,000 housing units which were let at relatively low rents to the low-income stratum as a safety net.

At present, the TMG's housing policy is focusing on two perspectives, which are "Ensure safety and security of housing" and "Develop housing and communities that will last for generations", to achieve higher standards that suit a mature city with declining birth-rates and aging population.

## **Roads, Rivers and Parks**

### *Roads*

There were approximately 24,467 kilometres of roads in Tokyo in April 2014, of which some 2,347 kilometres, or 9.6 per cent., were the responsibility of the TMG. Besides maintaining and improving existing roads, the TMG also undertakes the construction of new roads according to city plans.

### *Rivers*

The TMG's activities with regard to river control vary from area to area, depending upon local features, and include flood and tidal wave prevention, improving river environments, landslide disaster prevention, coastline preservation and others.

### *Parks*

In April 2014, there were 11,415 urban parks and other green areas in Tokyo with a combined expanse of approximately 7,696 hectares or 5.78 square metres per head of population. The TMG attaches great importance to the provision of parks and other green areas and has plans to increase this ratio to 7.0 square metres per head of population by the early 21st century.

In addition to urban parks, there are three national parks, one quasi-national park and six Metropolitan parks, all in areas of outstanding natural beauty and which are visited by approximately 18.65 million people annually. The TMG also operates five zoos, including the Ueno Zoological Gardens and the Tama Zoological Park.

The preservation of green areas and natural scenery is regarded by the TMG as an essential element of its activities with regard to parks and it exercises its authority to promulgate regulations with a view to achieving this objective.

## **The Port of Tokyo**

The Port of Tokyo is one of the most important ports in Japan, ranking alongside those of Yokohama, Kobe and Osaka. The TMG assumed responsibility for the administration of the port in 1951. Since 1961 the TMG has secured 2,766 hectares of land. In addition to acting as a terminal for the flow of goods, the Port of Tokyo is now also important for the activities conducted on the reclaimed land which include the generation of electric power and the operation of incineration plants and transportation facilities.

Using part of the reclaimed land, the TMG has been engaged since 1989 in the development of a waterfront subcentre to meet today's social and economic requirements. Most of the construction works of the infrastructure of the area have been completed.

## **Public Transport**

The TMG operates buses, underground railways, a tram, a monorail and the Nippori-Toneri Liner. During the fiscal year 2013, these services carried a total of about 3.15 million passengers daily. During the fiscal year 2009, in the special wards, these services carried a total of about 2.95 million passengers daily, representing approximately 10.2 per cent. of all people using public transport facilities in the special wards. During the fiscal year 2013 there were some 1,453 buses in service, transporting approximately 580 thousand people daily on 132 routes. The underground railways operated by the TMG, which total 109.0 kilometres in length, are the Asakusa Line, the Mita Line, the Shinjuku Line and the Ōedo Line. During the fiscal year 2013 the underground railways carried an average of about 2.46 million passengers daily. The only remaining tramline is the Arakawa Line. The

Metropolitan monorail operates inside the Ueno Zoological Gardens. The "Nippori-Toneri Liner" is a new transport system spanning 9.7 business kilometres in coverage.

## **Waterworks**

The TMG supplies approximately 4.16 million cubic metres of drinking water daily to approximately 12.95 million inhabitants of the 23 special wards and of 26 cities and towns in the Tama district, the total area supplied extending to 1,235 square kilometres. The water supply dissemination rate in that area has been 100 per cent. since 1988. The sources of Tokyo's water supply are the Tonegawa, Arakawa, Tamagawa and Sagami-gawa rivers and others. Industrial water is provided to among others, factories and plants in the eight special wards along the Arakawa river and part of Nerima ward.

### *Sewerage System*

The TMG is responsible for the construction, maintenance and management of the sewerage system in the 23 special wards. In the Tama district, the TMG constructs, maintains and manages the treatment plants and the main pipes of the river basin sewerage system, while the individual municipal governments in the district are responsible for the branch pipes connecting with the main pipes. In March 2014, nearly 100 per cent. of the population of the 23 special wards, about 99 per cent. of the population of the Tama district and about 99 per cent. of the population of Tokyo as a whole were connected to the sewerage system.

## **Social Services**

### *Welfare*

#### *The Aged*

In January 2015 there were approximately 2.94 million people aged 65 years or older living in Tokyo. Of these elderly people, many need assistance, such as those living alone, those who are bed-ridden or those suffering loss of mental acuity. For this reason, the TMG (i) provides essential services for those who live at home and (ii) provides homes for those who cannot live with their families. In April 2000, the Long-Term Care Insurance System was introduced in Japan and the TMG assists its 23 special wards, cities, towns and villages in providing the elderly people who are bed-ridden or suffering loss of mental acuity with care services under the system. The TMG also assists other elderly people by introducing employment opportunities and providing subsidies and counselling to old people's clubs to encourage their social activities.

#### *The Handicapped*

As at 31st January, 2015 there were more than 647 thousand handicapped people having the relevant certifications in Tokyo. For these people the TMG (i) provides counselling services, (ii) subsidises medical fees, (iii) provides allowances and practical assistance to handicapped people living at home, (iv) provides facilities for the treatment, training and guidance of the disabled, (v) assists in the management of welfare factories and other centres that produce employment opportunities for the handicapped and (vi) promotes social activities for the disabled.

#### *Children*

The child (under 18 years old) population of Tokyo was approximately 1.83 million in January 2015. In order to promote the healthy upbringing of children, the TMG engages in such activities as (i) establishing guidance centres for consultation on problems related to children, (ii) subsidising day-care centres for children under school age who cannot be looked after at home owing to the guardian's employment or for other reasons, (iii) managing foster homes for children who are unable to enjoy an ordinary life with their families and (iv) taking care of single parent families.

### *Health*

Currently, there are 151 health centres (including sub-offices) and other healthcare related centres in Tokyo which promote public health in the region. Of these establishments, 12 are administered by the TMG and through these health centres, the TMG, together with the local governments, (i) conducts health counselling, (ii) seeks countermeasures against infectious diseases, (iii) carries out food and drug safety inspections and (iv) monitors the sanitary condition of public baths and other similar business facilities. The TMG also operates



eight hospitals; at these hospitals the TMG provides advanced and specialised medical treatment as well as such other medical services as the TMG deems necessary.

### ***Environmental Protection***

To deal with environmental issues, the TMG enacted the Tokyo Metropolitan Basic Environmental Ordinance in July 1994 which provides for basic environmental policies and stipulates, among others, duties of the TMG, private businesses and Tokyo citizens and basic measures for environmental protection. In accordance with this ordinance, the TMG made its first Basic Environmental Plan in March 1997 and revised it in January 2002. The TMG has taken various measures ahead of Japanese Government and other municipalities. For example, the air pollution in Tokyo has been greatly reduced by measures against diesel vehicle emissions.

Furthermore, aiming to be a matured and sustainable city, the TMG revised the Environmental Master Plan in March 2008. In this plan, the TMG gives a new perspective on the environmental problems facing Tokyo today: "Emergence of the climate change crisis", "Necessity of foreseeable and sustainable measures for environmental pollution", and "Urban appeal enhancement by creating a higher-quality metropolis". Also, Tokyo sets its aim to be a city where people can live and act comfortably with low energy consumption.

For this purpose, the TMG promotes various measures as follows:

1. Fight against the climate change: Introducing the "mandatory total emission reduction" and the emission trading programme to large businesses;
2. Measures on energy: Promoting the spread of hydrogen energy, increasing renewable energy use and driving energy management;
3. Countermeasures against vehicle pollution: Promoting the new-generation vehicles such as low-emission vehicles and fuel-efficient vehicles;
4. Measures for preserving natural environment: Implementing strategies to promote bio-diverse communities, expansion of the eco-tourism in the Ogasawara Islands and other places, enhancement of activities by "Tokyo rangers" to protect nature; and
5. Promoting natural resources saving and cyclical usage of resources.

### ***Education***

#### *School Education*

As at 1st May, 2014, there were 1,023 kindergartens, 1,355 elementary schools, 817 junior high schools, 431 senior high schools, 8 six-year high schools, 69 special-needs schools and 566 other schools such as higher technical schools in Tokyo. A total of approximately 1.57 million infants and students attend these 4,269 schools. These schools comprise state schools which are administered by the national government, public schools which are administered by the TMG and other local governments in Tokyo, and private schools which are independently owned. State, public and private schools account for 1 per cent., 55 per cent. and 44 per cent., respectively, of the total number of schools and 1 per cent., 61 per cent. and 38 per cent., respectively, of all infants and students attending such schools.

Public kindergartens, elementary schools and junior high schools are administered by the municipal governments, whereas senior high schools and schools for the handicapped are administered by the TMG. The TMG's approval is required for the establishment or closing of private schools and it also provides them with administrative guidance and financial assistance, although, in the case of private kindergartens and higher technical schools, these functions are delegated to the mayors of the special wards and cities in which they are located.

#### *Social and Cultural Education*

The TMG engages in various activities for the benefit of citizens of all ages to provide them with the facilities and opportunities required to enhance the level of their cultural education and to engage in healthy outdoor activities with a view to creating a well-balanced society.

## ***Other Services***

### *Consumer*

Acting in the interests of consumers, the TMG (i) takes measures to prevent damage and danger caused in relation to goods and services, (ii) acts to prevent improper sales and seeks redress for those who suffer as a result of such sales, (iii) sets standards for labelling, packaging and measuring and (iv) ensures that goods and services are offered for sale to consumers in such manner as will satisfy a variety of their needs.

### *Community and Culture*

The TMG supports activities that foster a community spirit and also promotes cultural activities amongst its residents. In this regard it often acts in concert with municipal governments.

### *Sports Promotion*

In order to make the 2020 Olympic and Paralympic Games the best-ever Olympic and Paralympic Games in history, cooperation among wards, cities and towns are being strengthened, initiatives to keep momentum are being taken and measures to realise Olympic legacies are being promoted. In addition, improvement of athletic facilities are being enhanced by referring to outside opinion so that the facilities will not only provide comfortable environment to athletes and visitors from all over the world but also become effectively utilised facilities after the Games as a valuable asset to the citizens of Tokyo as well as the people of Japan. The TMG estimated in 2012 that the Games can be expected to generate approximately ¥3.0 trillion for the Japanese economy and may create over 150,000 jobs in Japan.

¥410.9 billion (balance as of the 31st March, 2014) has been reserved within the hosting reserve fund for the Olympics, in respect of expenditure relating to the enhancement of Tokyo for the Games. TMG has estimated that its expenditure with respect to the total amount required for the improvements of Olympic facilities may amount to around ¥257.6 billion (as of November 2014).

In addition, under the concept of "Sports for All", the TMG strives to realise a society where all residents, handicapped or not, are able to enjoy sports as a lifelong activity any time, anywhere, and aims to turn Tokyo into a "city of sport". The TMG is advancing various measures to improve the environment of sports facilities. The TMG also attempts to promote sports, revitalise the area and pursue healthy, active lifestyle of the residents in Tokyo by promoting the hosting of sports events including the annual Tokyo Marathon and the administration of operation of sports facilities such as the Tokyo Metropolitan Gymnasium.

### *Central Wholesale Market*

The Tokyo Metropolitan Central Wholesale Market was established to ensure stable supplies of perishable commodities at moderate prices. The TMG's role in this respect is to administer the market, to maintain and manage the related facilities and to approve and supervise market practices. In 2014, the annual turnover of marine produce was 479,424 tons, that of agricultural produce 2,077,339 tons, that of meat 87,254 tons, that of cut flowers, cut leaves and cut branches 1,009 million pieces, that of pot flowers 33 million pots and that of young plants and other products 4 million boxes.

## **Industry and Employment**

### ***Industry***

The present situation with regard to industry in Tokyo is described in "Economic Position". The TMG's policies in this sector are aimed principally at small- and medium-scale businesses, at the tourism industry and at agricultural, forestry and fishery operations.

As regards small- and medium-scale businesses, the TMG provides (i) information as well as guidance and consultancy services, (ii) assistance for introducing management techniques, (iii) financial and other assistance to venture businesses and (iv) assistance in financing their operations through its various loan facilities. In the tourism industry, the Metropolis takes various measures to promote Tokyo internationally, to develop tourism resources and to improve facilities aimed at foreign tourists. With regard to agriculture, forestry and fisheries, the TMG devises and implements schemes for the development of urban agriculture and the promotion of agriculture, forestry and fisheries in mountainous communities and on the islands.

### ***Employment***

The TMG implements measures to (i) modernise labour relations and improve working conditions, particularly for those employed by smaller businesses, (ii) provide services for finding suitable employment and (iii) supply vocational training.

### **Disaster Prevention and Security**

To protect the life and property of Tokyo citizens, the TMG is taking measures in relation to various kinds of disaster, such as emerging infectious diseases and terrorism, in addition to natural disasters, such as earthquakes, storms, floods and other natural disasters.

In December 2014, the TMG formulated the Tokyo Disaster Prevention Plan, an initiative of disaster-prevention measures to be taken by citizens, regions, businesses, and government with the target year for completion set at 2020.

Under this plan the TMG is intending to make progress steadily in establishing a disaster response system and creating a city that is resilient against disasters, and thereby form a society where citizens are able to help one another and take appropriate action.

### ***Fire Fighting and Rescue***

The Tokyo Fire Department is a comprehensive disaster prevention organisation operating under its own authority in the 23 special wards. In addition, local authorities in 25 cities, three towns and one village in the Tama district have entrusted fire fighting responsibility to the Tokyo Fire Department. As at 1st April, 2014, it operated 292 fire stations and 2,653 fire engines and other appliances. To protect citizens' lives and property from disasters, the Tokyo Fire Department is engaged in the tasks of preventing, guarding against and suppressing fires, and rescuing and providing ambulance services to victims of traffic and industrial accidents. It also carries out extensive disaster prevention activities, such as earthquake countermeasures and flood prevention activities.

### ***Police***

The Metropolitan Police Department is responsible for (i) street patrols, (ii) traffic control, (iii) crime investigation and prevention and (iv) the prevention of juvenile delinquency. To assist it in these tasks, the TMG had, as at 31st March, 2015, 102 police stations and 1,116 police substations and police boxes throughout Tokyo and 495 patrol cars. In this way the Police Department provides a highly mobile service keeping in close contact with the local community.

## **REVENUE AND EXPENDITURE**

### **Budgetary System**

The Governor is charged with the responsibility of preparing the annual Metropolitan budget, submitting it to the Assembly, generally in February, and obtaining the approval of the Assembly before the beginning of each fiscal year on 1st April. The Metropolis, like all other ordinary local public bodies, is required to use a fiscal year commencing on 1st April and ending on 31st March of the following year. From time to time the original budget may be supplemented by resolutions of the Assembly initiated by the Governor. The MIC must be advised of the adoption of the budget, and a summary of it is published in the Official Gazette of the Metropolis.

The revenues and expenditures of the Metropolis are audited at least once each fiscal year by the Audit and Inspection Commissioners, who are required to deliver reports of their audits to the Assembly and the Governor, and such reports are published in the Official Gazette of the Metropolis.

### **Accounting System**

The accounts of the Metropolis consist of the General Account and a number of Special Accounts and Public Enterprise Accounts. The General Account and the Special Accounts of the Metropolis for each fiscal year are closed on 31st May of the following fiscal year. Therefore, the figures for revenue and expenditure for the fiscal year, and the outstanding amounts as at the end of the fiscal year (i.e., 31st March of the following calendar year) in these accounts reflect the cash flows until 31st May of the following fiscal year and are attributable to the receivables and payables accrued in the relevant fiscal year. The Chief Director of Accounting of the

Metropolis must submit a final statement of those accounts to the Governor within three months thereafter. The Public Enterprise Accounts are closed at the end of the fiscal year on 31st March and the manager of each public enterprise must submit a final statement of its accounts to the Governor within two months thereafter. The Governor must refer all final statements to the Audit and Inspection Commissioners for their opinion and the statements and opinions are then submitted to the Assembly for a vote on the final statements. After consideration by the Assembly, the final statements are reported to the MIC and summaries are published in the Official Gazette of the Metropolis.

The General Account provides for all general expenditures of the Metropolis such as those for education, police and fire fighting, public works, social welfare and public housing. The Special Accounts are established for the execution of specific projects or in cases where there is a necessity for treating specific revenues and expenditures separately from the general ones. 15 Special Accounts were being maintained as at 1st April, 2015. The Public Enterprise Accounts are for the public enterprises run by the Metropolis such as the waterworks, sewerage works, underground railways and hospitals. 11 Public Enterprise Accounts were being maintained as at 1st April, 2015. The General Account and the Special Accounts are managed on a cash basis and the Public Enterprise Accounts are managed on an accrual basis.

### General Account

The following table shows the actual revenues and expenditures for the fiscal years 2012 and 2013 and the estimated revenues and expenditures in the final budget for the fiscal year 2014 and the original budget for the fiscal year 2015 of the General Account:

	FY 2012	FY 2013	FY 2014 Estimated in Final Budget	FY 2015 Estimated in Original Budget
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>
	<i>(millions of yen)</i>			
<b>Revenues</b>				
Metropolitan Taxes.....	¥4,247,147	¥4,491,049	¥4,721,772	¥5,021,557
Local Transfer Taxes.....	285,440	304,592	360,188	279,664
Local Special Grants.....	5,557	5,426	5,140	4,874
Traffic Safety Special Grant.....	3,663	3,451	3,672	3,284
Fees and Charges.....	70,738	70,032	78,538	83,450
National Treasury Disbursement.....	374,365	383,764	391,533	378,511
Transferred from Other Accounts.....	158,036	68,743	140,262	189,099
Metropolitan Debt.....	319,792	204,692	375,947	449,539
Carried Over from Preceding Fiscal year.....	35,580	52,512	46,475	1
Others.....	455,171	545,998	621,673	542,022
Total.....	<u>¥5,955,489</u>	<u>¥6,130,261</u>	<u>¥6,745,201</u>	<u>¥6,952,000</u>
<b>Expenditures<sup>(a)</sup></b>				
Metropolitan Assembly.....	¥5,523	¥5,513	¥6,001	¥6,169
General Administration.....	174,106	176,626	184,292	208,062
Tax Collection.....	60,531	63,978	67,302	66,929
Citizens and Cultural Affairs.....	28,453	23,660	28,939	35,510
Sports Promotion.....	20,495	25,065	24,349	64,272
Urban Development.....	166,324	129,259	125,630	157,995
Environmental Protection.....	33,189	40,596	44,633	79,235
Social Welfare and Public Health.....	925,291	898,189	1,000,610	1,108,167
Industrial and Labour Affairs.....	358,813	370,730	457,063	475,138
Public Works.....	384,684	375,724	436,918	549,873
Port and Harbour.....	64,029	73,715	87,418	112,479
Education.....	721,683	720,003	743,462	763,754
Police.....	597,535	590,990	611,122	632,012
Fire Fighting and Prevention.....	241,370	239,503	245,296	245,932
Debt Service.....	456,582	482,957	521,224	481,276
Others.....	1,664,370	1,833,358	2,160,940	1,965,197
Total.....	<u>¥5,902,977</u>	<u>¥6,049,866</u>	<u>¥6,745,201</u>	<u>¥6,952,000</u>
Balance.....	<u>¥52,512</u>	<u>¥80,395</u>	<u>¥0</u>	<u>¥0</u>

Note:

- (a) The total unaudited amounts of costs incurred by public enterprises which the Metropolis paid to public enterprises were ¥275.4 billion and ¥268.6 billion in the fiscal years 2012 and 2013, respectively. Such costs are included mainly in the total amount of the relevant actual expenditures in the above table. Also, the estimated total amounts of such costs for the fiscal years 2014 and 2015 are included mainly in the total amounts of the estimated expenditures in the final budget for the fiscal year 2014 and the original budget for the fiscal year 2015, respectively.

The following table gives the breakdown of the estimated expenditures in the original budget for the fiscal year 2015 of the General Accounts:

	<b>FY2015 Estimated in Original Budget</b>
	(%)
Payroll-related expenses .....	22.1
Investment expenses .....	14.6
Financial adjustment grant for special wards <sup>(a)</sup> .....	14.0
Expenditure for Public Bonds .....	6.9
Others <sup>(b)</sup> .....	42.3

Notes:

- (a) The Metropolis posts "Financial adjustment grant for special wards" based on the Local Autonomy Act.  
 (b) "Others" include Public Enterprise Accounts Money Drawn, subsidiary and loan, etc.

As the above table shows, the Metropolis has a low rate of payroll-related expenses and expenditure for public bonds compared to those of the aggregate for all local governments in Japan. A rather large portion of the Metropolis' expenses such as investment expenses, which are based on policy priorities, allow the Metropolis a great deal of flexibility.

### Special Accounts

The following table shows the actual revenues and expenditures for the fiscal years 2012 and 2013 and the estimated revenues and expenditures in the final budget for the fiscal year 2014 and the original budget for the fiscal year 2015:

	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
	<u>Actual</u>	<u>Actual</u>	<u>Estimated in Final Budget</u>	<u>Estimated in Original Budget</u>
	<i>(millions of yen)</i>			
<b>Special Wards Fiscal Adjustment</b>				
Revenues .....	¥905,047	¥936,101	¥981,603	¥974,258
Expenditures .....	905,047	936,101	981,603	974,258
Balance .....	0	0	0	0
<b>Local Consumption Tax Adjustment</b>				
Revenues .....	1,099,475	1,125,093	1,387,442	1,993,660
Expenditures .....	992,423	977,645	1,211,562	1,888,945
Balance .....	107,052	147,447	175,880	104,715
<b>Ogasawara Islands Livelihood Rehabilitation Fund</b>				
Revenues .....	704	715	277	463
Expenditures .....	10	0	277	463
Balance .....	694	715	0	0
<b>Mother and Child Father and Child Welfare Loan Fund</b>				
Revenues .....	5,904	5,625	4,764	4,732
Expenditures .....	4,035	3,814	4,764	4,732
Balance .....	1,869	1,811	0	0
<b>Physically or Mentally Handicapped Annuity Fund</b>				
Revenues .....	6,313	6,068	5,926	5,569
Expenditures .....	6,313	6,068	5,926	5,569
Balance .....	0	0	0	0
<b>Small and Medium Enterprise Facility Installation Fund</b>				
Revenues .....	4,051	3,545	5,491	2,729
Expenditures .....	1,571	1,059	5,491	2,729
Balance .....	2,479	2,486	0	0

	FY 2012	FY 2013	FY 2014 Estimated in Final Budget	FY 2015 Estimated in Original Budget
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>
	<i>(millions of yen)</i>			
Forestry and Lumber Industry Improvement Subsidy				
Revenues .....	77	87	52	52
Expenditures .....	0	14	52	52
Balance .....	77	73	0	0
Coastal Fishery Improvement Subsidy				
Revenues .....	71	83	48	48
Expenditures .....	16	20	48	48
Balance .....	55	63	0	0
Slaughterhouse				
Revenues .....	5,656	5,581	6,176	6,601
Expenditures .....	5,656	5,581	6,176	6,601
Balance .....	0	0	0	0
Metropolitan Public Housing				
Revenues .....	147,993	155,611	163,438	176,208
Expenditures .....	146,451	154,400	163,438	176,208
Balance .....	1,542	1,211	0	0
Metropolitan Public Housing Tenants Security Deposit				
Revenues .....	13,778	15,170	14,206	11,047
Expenditures .....	572	1,972	4,172	4,543
Balance .....	13,205	13,197	10,034	6,504
Urban Development Fund				
Revenues .....	1,615	352	9,269	3,474
Expenditures .....	1,615	352	9,269	3,474
Balance .....	0	0	0	0
Land Acquisition				
Revenues .....	21,354	39,792	29,702	25,218
Expenditures .....	13,789	32,228	29,702	25,218
Balance .....	7,564	7,564	0	0
Debt Service				
Revenues .....	1,460,713	1,882,480	1,856,650	1,598,569
Expenditures .....	1,460,713	1,882,480	1,856,650	1,598,569
Balance .....	0	0	0	0
Waterfront Urban Fundamentals Development Project				
Revenues .....	23,752	23,210	21,511	15,168
Expenditures .....	4,880	6,766	14,272	13,140
Balance .....	18,873	16,444	7,239	2,028

### Public Enterprise Accounts

The following table shows the actual revenues and expenditures for the fiscal years 2012 and 2013 and the estimated revenues and expenditures in the final budget for the fiscal year 2014 and the original budget for the fiscal year 2015:

	FY 2012	FY 2013	FY 2014 Estimated in Final Budget	FY 2015 Estimated in Original Budget
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>
	<i>(millions of yen)</i>			
Hospitals				
Profit/Loss Account				
Revenues.....	152,620	157,898	212,667	167,440
Expenditures .....	152,718	153,365	203,428	166,736
Current Balance .....	(98)	4,533	9,239	704
Capital Account				
Revenues.....	7,054	7,067	4,914	4,160
Expenditures .....	10,913	14,099	21,268	16,255
Capital Balance.....	(3,859)	(7,032)	(16,354)	(12,095)

	FY 2012	FY 2013	FY 2014 Estimated in Final Budget	FY 2015 Estimated in Original Budget
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>
	<i>(millions of yen)</i>			
<b>Central Wholesale Market</b>				
Profit/Loss Account				
Revenues.....	17,819	19,336	20,297	21,042
Expenditures .....	16,695	16,636	22,870	23,154
Current Balance .....	1,124	2,699	(2,573)	(2,112)
Capital Account				
Revenues.....	8,779	39,860	33,746	210,250
Expenditures .....	19,123	52,273	46,390	246,984
Capital Balance .....	(10,343)	(12,413)	(12,644)	(36,734)
<b>Urban Redevelopment Project</b>				
Profit/Loss Account				
Revenues.....	18,450	4,863	323,994	143,177
Expenditures .....	22,315	3,462	323,134	143,175
Current Balance .....	(3,865)	1,401	860	2
Capital Account				
Revenues.....	19,308	16,734	5,670	2,196
Expenditures .....	69,743	29,048	17,179	2,196
Capital Balance .....	(50,435)	(12,314)	(11,509)	0
<b>Waterfront Area Development Project</b>				
Profit/Loss Account				
Revenues .....	55,917	28,354	17,375	48,992
Expenditures .....	26,007	22,371	12,618	48,435
Current Balance .....	29,910	5,982	4,757	557
Capital Account				
Revenues .....	2,068	2,936	100,749	1,694
Expenditures .....	16,513	18,524	174,259	21,837
Capital Balance .....	(14,445)	(15,588)	(73,510)	(20,143)
<b>Port and Harbour Project</b>				
Profit/Loss Account				
Revenues .....	4,711	4,670	4,608	4,823
Expenditures .....	2,830	2,952	3,506	3,591
Current Balance .....	1,881	1,748	1,102	1,232
Capital Account				
Revenues .....	3	173	3	73
Expenditures .....	1,706	1,773	1,583	5,029
Capital Balance .....	(1,703)	(1,600)	(1,580)	(4,956)
<b>Transportation</b>				
Profit/Loss Account				
Revenues.....	46,437	47,623	53,374	55,523
Expenditures .....	48,360	47,789	57,276	57,258
Current Balance .....	(1,923)	(165)	(3,902)	(1,735)
Capital Account				
Revenues .....	4,028	4,020	4,229	6,572
Expenditures .....	8,499	8,294	9,937	14,434
Capital Balance .....	(4,471)	(4,273)	(5,708)	(7,862)
<b>Urban Rapid Transit Railway</b>				
Profit/Loss Account				
Revenues .....	144,416	148,301	163,839	166,137
Expenditures .....	130,685	131,625	153,938	149,332
Current Balance .....	13,731	16,676	9,901	16,805
Capital Account				
Revenues .....	51,782	17,076	19,274	27,652
Expenditures .....	95,165	75,716	97,226	107,004
Capital Balance .....	(43,383)	(58,641)	(77,952)	(79,352)

	FY 2012	FY 2013	FY 2014 Estimated in Final Budget	FY 2015 Estimated in Original Budget
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>
	<i>(millions of yen)</i>			
<b>Electric Power</b>				
Profit/Loss Account				
Revenues.....	1,051	1,183	2,202	1,679
Expenditures .....	903	865	2,611	1,291
Current Balance .....	149	319	(409)	388
Capital Account				
Revenues .....	0	0	0	0
Expenditures .....	31	265	487	921
Capital Balance .....	(31)	(265)	(487)	(921)
<b>Waterworks</b>				
Profit/Loss Account				
Revenues.....	342,305	342,794	372,081	374,284
Expenditures .....	309,447	306,757	324,342	331,357
Current Balance .....	32,858	36,038	47,739	42,927
Capital Account				
Revenues .....	16,528	8,978	10,509	10,099
Expenditures .....	117,566	112,428	122,249	124,080
Capital Balance .....	(101,038)	(103,450)	(111,740)	(113,981)
<b>Industrial Waterworks</b>				
Profit/Loss Account				
Revenues .....	1,256	1,377	1,592	1,768
Expenditures .....	1,252	1,371	1,592	1,768
Current Balance .....	3	6	0	0
Capital Account				
Revenues .....	39	93	133	301
Expenditures .....	68	124	327	401
Capital Balance .....	(29)	(31)	(194)	(100)
<b>Sewerage</b>				
Profit/Loss Account				
Revenues .....	321,938	321,983	452,896	407,448
Expenditures .....	293,254	291,876	369,548	371,600
Current Balance .....	28,685	30,107	83,348	35,848
Capital Account				
Revenues .....	205,666	226,610	221,895	204,737
Expenditures .....	386,957	413,989	443,950	377,207
Capital Balance .....	(181,291)	(187,379)	(222,055)	(172,470)

Notes:

- (c) The "Capital Balance" figures in the above table do not take into account any balances transferred between fiscal years or any deficit compensations made.
- (d) 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.
- (e) 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.

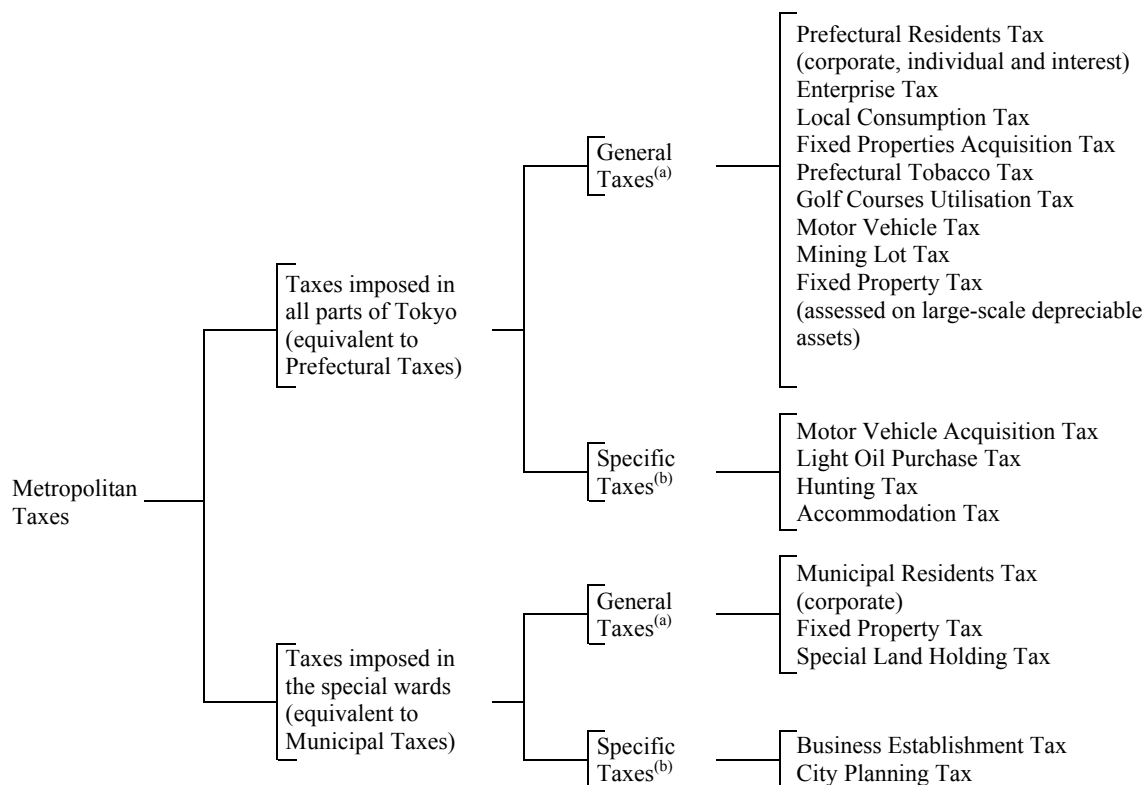
## TAXATION

### Structure of Taxation

Metropolitan taxes constitute the major part of the revenue of the Metropolis, their budgeted contribution to the General Account revenue in the fiscal year 2014 final budget being 70.0 per cent. and in the fiscal year 2015 original budget being 72.2 per cent., respectively. Metropolitan taxes are, as in the case of taxes collected by other local public bodies, assessed in accordance with the Local Tax Law. Since the TMG functions in the special wards partly as a municipal government as well as a prefectural government, the Metropolitan taxes include certain municipal taxes in addition to the prefectural taxes.



The following table shows the classification of the Metropolitan taxes currently in force:



Notes:

- (a) General taxes are those collected to meet general expenditure.  
 (b) Specific taxes are those collected to meet specified items of expenditure.

## Tax Revenues

The following table shows the actual tax revenues for the fiscal years 2012 and 2013 and the estimated tax revenues in the final budget for the fiscal year 2014 and the original budget for the fiscal year 2015. It also shows the relative contributions made by the principal categories of tax:

	FY 2012		FY 2013		FY 2014		FY 2015	
	Actual (millions of yen)	(%)	Actual (millions of yen)	(%)	Estimated in Final Budget (millions of yen)	(%)	Estimated in Original Budget (millions of yen)	(%)
Residents Tax .....	¥1,578,931	37.2%	¥1,708,176	38.0%	¥1,812,647	38.4%	¥1,786,263	35.6%
Enterprise Tax.....	618,562	14.6	729,241	16.2	769,894	16.3	862,477	17.2
Fixed Property Tax .....	1,113,071	26.2	1,125,382	25.1	1,143,414	24.2	1,157,860	23.1
Others .....	936,583	22.1	928,250	20.7	995,817	21.1	1,214,957	24.2
Total Tax Revenue.....	<u>¥4,247,147</u>	<u>100.0%</u>	<u>¥4,491,049</u>	<u>100.0%</u>	<u>¥4,721,772</u>	<u>100.0%</u>	<u>¥5,021,557</u>	<u>100.0%</u>

As the above table shows, the three principal sources of tax revenue of the Metropolis are residents tax, enterprise tax and fixed property tax, which are estimated to contribute an aggregate of 78.9 per cent. in the final budget for the fiscal year 2014 and 75.8 per cent. in the original budget for the fiscal year 2015, respectively. Since 1st October, 2008, part of the enterprise tax (which is a type of prefectural tax imposed upon business enterprises having offices or business establishments within the prefecture) was put into national taxes to be paid to the Japanese Government for redistribution to prefectural authorities based generally upon the population and the number of employees in each prefecture. This temporary system will be in place until such time as a comprehensive tax reform has been effected. The TMG's total estimated tax revenue for the fiscal year 2015 has been reduced by around ¥208 billion due to this change.

Pursuant to revisions of the Consumption Tax Act in August 2012, the Japanese consumption tax rate increased from 5 per cent. to 8 per cent. on 1st April, 2014, which included an increase of local consumption tax from 1.0 per cent. to 1.7 per cent. Among "Others" of the above table, the tax revenues of the Metropolis from local

consumption tax were ¥348,932 million in the fiscal year 2013 (in which 1.0 per cent. was applicable) and ¥428,285 million in the final budget for the fiscal year 2014 (in which 1.7 per cent. is applicable). The consumption tax rate is scheduled to be further increased to 10 per cent. in April 2017, including an increase of local consumption tax from 1.7 per cent. to 2.2 per cent.

In the 2015 general account budget, the Metropolis can independently control 83.9 per cent. of its revenue, which includes local taxes. One-third of the TMG's tax revenue is derived from the corporate enterprise tax and corporate inhabitant tax.

## **INDEBTEDNESS**

### **General**

The Metropolis may incur short-term debt to meet expenses included in the budget, provided that such debt is repaid during the fiscal year in which it is incurred. Short-term debt raised on the Public Enterprise Accounts may be re-financed provided that it is repaid within one year of the refinancing.

The Metropolis may also, by provision in its budget, incur long-term debt maturing outside the current fiscal year (such long-term debt incurred by local public entities being called in the relevant Japanese law "local debt") in order to (i) finance public enterprises undertaken by the Metropolis, (ii) make investments and loans, (iii) refinance existing long-term debt, (iv) finance disaster emergency measures, disaster relief measures and disaster recovery measures and (v) construct public or official facilities and purchase real estate for public or official use.

As described below, under the consulting system for creation of local debt, generally the Metropolis is required to consult with the MIC when it incurs local debt, but such consultation is not required for short-term debt. The authorisation to incur long-term debt is given by the budget, which is approved by the Assembly.

### **National Governmental System Concerning Local Debt**

#### ***Consulting System for Creation of Local Debt***

The consulting system for creation of local debt was adopted in replacement of the former permission system for creation of local debt as at the fiscal year 2006 pursuant to the comprehensive legislation enacted in 1999 for the purpose of enhancing the independence of local public bodies in the management of their affairs.

Under the consulting system for creation of local debt by local public bodies, generally the creation of local debt is not subject to the permission of the MIC but prefectural governments are required to consult with the MIC when they incur local debt. A local public body may create local debt other than by loans from the Japanese Government or entities related to the Japanese Government without obtaining the consent of the MIC, if a report thereon is given to the assembly of such local public body in advance. However, a local public body continues to be required to obtain permission from the MIC in cases specified by law where creation of local debt by a local public body should be controlled by the MIC for securing the financial resources for the payment of the principal of and interest on local debt ("Bond Expenses"). A local public body may incur local debt by loans from the Japanese Government or entities related to the Japanese Government only if the consent of the MIC is obtained for creation of such local debt.

In order to promote the autonomy and independence of local public entities, this system was partially amended as of 1st February, 2012 by introducing a notification system with respect to the incurrence of local debt. Under the notification system, those local public entities looking to create local debt from sources other than the Japanese Government or entities related to the Japanese Government will not, in principle, be required to consult in advance with the MIC, provided that the local public entity satisfies certain conditions, such as having a Real Deficit Ratio of less than 16 per cent. Local public entities looking to incur local debt that do not meet such criteria continue to be required to consult in advance with the MIC.

#### ***Local Debt Plan***

The MIC prepares a local debt plan annually after consultation with the Ministry of Finance. The local debt plan is prepared based on the Local Financial Plan described below. The consent under the consulting system will be given based on the applicable local debt plan.

### ***Local Financial Plan***

The Local Financial Plan is a national governmental plan which is prepared by the Cabinet, submitted to the Diet and disclosed to the public every fiscal year. The Local Financial Plan contains estimates of the aggregate amount of revenues and expenditures to be included in the Ordinary Accounts (see "Financial Status – Revenues and Expenditures in the Ordinary Account of the Metropolis") of all local public bodies in Japan for the immediately following fiscal year.

In this Local Financial Plan, the main revenue items are local taxes, local allocation tax and local debt, and the main expenditure items are general administration expenses, investment expenses and Bond Expenses. Local allocation tax is a certain portion of taxes collected by the Japanese Government which is allocated by the Japanese Government to local public bodies pursuant to a certain standard for the purpose of securing all local public bodies a minimum percentage of financial resources to smooth out imbalances in financial resources among local public bodies. The Metropolis has never been allocated local allocation tax since the local allocation tax system was adopted in 1954.

The aggregate amount of the principal of newly incurred local debt and the aggregate amount of Bond Expenses are stated in the revenues and the expenditures of the Local Financial Plan, respectively. Therefore, the financial resources for Bond Expenses are planned to be secured at national level by balancing the expenditures, including Bond Expenses, against the revenues.

### ***Local Autonomy System Reform***

The Bankruptcy Law and other insolvency laws do not apply to local public bodies and local public bodies do not have any systems for the equal distribution to creditors in the event of insolvency. However, in the event that the deficit ratio in the immediately preceding fiscal year of a local public body reaches a certain scale, such local public body becomes unable to incur local debt without obtaining permission from the MIC even under the consulting system for creation of local debt. Such local public body may elect to make a Financial Reconstruction Plan by consulting with and obtaining the consent of the MIC, and compile the budget pursuant to such Financial Reconstruction Plan. Such local public body having made the Financial Reconstruction Plan can be permitted by the MIC to incur local debt only if it complies with such Financial Reconstruction Plan. Such local public body not having made a Financial Reconstruction Plan is prohibited from incurring local debt for the construction of public or official facilities or the purchase of real estate for public or official use.

The above rules were amended effective as at 1st April, 2009 and applied to the financial results of fiscal year 2008. Under the new Law on the Fiscal Consolidation of Local Governments, there will be two classes of local public bodies having financial difficulties. One is local public bodies which are required to make a Fiscal Consolidation Plan, and the other is local public bodies which are required to make a Fiscal Reconstruction Plan. The local public bodies which are required to make a Fiscal Consolidation Plan are those whose financial ratios including deficit ratio reach the early consolidation standards, as described at the end of this section. Such local public bodies are required to make a Fiscal Consolidation Plan, which must be approved by their assemblies. The chief of the local public body is required to report the implementation of such Fiscal Consolidation Plan to the assembly, announce it to the public, and report it to the MIC or the governor of the relevant prefecture. The MIC or governor of the relevant prefecture may make a recommendation to such local public body. However, the local public body is not restricted from incurring local debt as described below.

If financial ratios of a local public body become worse and fail to meet the fiscal reconstruction standards, it will be required to make a Fiscal Reconstruction Plan. Such local public bodies will be required to compile their budgets pursuant to such Fiscal Reconstruction Plan and the chief of the local public body may consult with and obtain the consent of the MIC in regard to the Fiscal Reconstruction Plan. Those local public bodies not having obtained the consent of the MIC in regard to the Fiscal Reconstruction Plan are prohibited from incurring local debt other than debt for disaster relief expenditures. However, those local bodies that have obtained the consent of the MIC in regard to such Fiscal Reconstruction Plan may incur local debt, which matures within the planned period of such Fiscal Reconstruction Plan, within the range of the shortage of their income against expenditure.

Local public bodies are required to disclose four ratios to judge fiscal consolidation starting from financial accounts of FY2007. The four ratios and the standards for the TMG are as follows:

	<b>Early consolidation standards (FY2014)</b>	<b>Fiscal reconstruction standards (FY2014)</b>
Real Deficit Ratio (the ratio of deficit to standard fiscal scale) .....	5.74%	8.98%
Consolidated Real Deficit Ratio (the ratio of consolidated deficit in all accounts to standard fiscal scale) .....	10.74%	18.98%
Real Debt Payment Ratio (the ratio of debt payment by general revenue to standard fiscal scale).....	25%	35%
Future Burden Ratio (the ratio of outstanding debt including future burdens of public enterprises and government affiliates to standard financial scale) .....	400%	— <sup>(a)</sup>

Note:

(a) There is no fiscal reconstruction standards set in respect of the Future Burden Ratio.

## Summary of Debt

### Long-term debt

The following table shows the outstanding balance of long-term debt of the Metropolis as at 31st March, 2013 and 2014:

	<b>31st March,</b>	
	<b>2013</b>	<b>2014</b>
	<i>(millions of yen)</i>	
General Account .....	¥6,571,955	¥6,279,525
Special Accounts		
Mother and Child Father and Child Welfare Loan Fund .....	28,687	29,174
Small and Medium Enterprise Facility Installation Fund .....	11,012	10,373
Slaughter house .....	5,703	4,789
Metropolitan Public Housing .....	593,464	544,942
Land Acquisition .....	88,786	88,609
Waterfront Urban Fundamentals Development Project .....	3,767	2,661
Total Special Accounts .....	¥731,419	¥680,548
Public Enterprise Accounts		
Hospitals .....	126,114	124,005
Central Wholesale Market .....	110,775	149,262
Urban Redevelopment Project .....	4,617	3,600
Waterfront Area Development Project .....	246,980	243,180
Port and Harbour Project .....	1,617	1,270
Transportation .....	35,604	36,974
Urban Rapid Transit Railway .....	505,285	477,501
Waterworks .....	301,743	273,466
Sewerage .....	1,845,086	1,742,968
Total Public Enterprise Accounts .....	¥3,177,820	¥3,052,225
Total long-term debt .....	¥10,481,195	¥10,012,298

### Short-Term Debt

The Metropolis had no short-term debt as at 31st March, 2012 and 2013.

### Payment Schedule

The following table shows the unaudited payment schedule for the period up to 31st March, 2023 of the principal and interest on long-term debt outstanding as at 31st March, 2014:

*Payment schedule of the principal and interest on long-term debt outstanding as at 31st March, 2014*

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	<i>(millions of yen)</i>		
2014 .....	¥1,344,198	¥156,273	¥1,500,472
2015 .....	1,125,194	134,614	1,259,808
2016 .....	856,169	116,068	972,237

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
		<i>(millions of yen)</i>	
2017 .....	693,593	101,784	795,377
2018 .....	743,051	90,732	833,783
2019 .....	781,147	78,426	859,573
2020 .....	834,802	66,095	900,897
2021 .....	668,940	55,295	724,235
2022 .....	612,984	47,462	660,446
2023 .....	599,712	40,918	640,630

Notes:

- (a) Principal and interest payable in foreign currency are shown at the actual rate at the time of conversion of the proceeds into yen, unless a currency exchange contract is in effect, in which case it is shown at the contract rate.
- (b) All debt is fixed-rate debt.

### Debt Payment Record

The Metropolis made payments of the principal and interest on long-term debt of ¥1,552,765 million in aggregate (¥1,378,192 million for payments of principal and ¥174,573 million for payments of interest) during the fiscal year 2013.

### Outstanding Balance of Long-Term Debt of the Metropolis Classified by Source of Funds

The long-term debt of the Metropolis can be classified into two categories; (i) debt incurred by loans from the Japanese Government or entities related to the Japanese Government and (ii) debt incurred by loans from financial institutions and the issue of bonds.

Of the total outstanding balance of long-term debt of the Metropolis as at 31st March, 2014, which amounted to ¥10,012,298 million, 14.9 per cent. represented debt incurred by loans from the Japanese Government or entities related to the Japanese Government (such as loans from the Japanese Government's Fiscal Loan Fund and loans extended by Japan Post and Japan Finance Organization for Municipalities) and 85.1 per cent. represented debt incurred by loans from financial institutions and the issue of bonds. Of this 85.1 per cent., 4.6 per cent. represented debt incurred by loans from financial institutions and 80.5 per cent. represented debt incurred by the issue of bonds.

Of the total balance of debt incurred by the issue of bonds which were outstanding as at 31st March, 2014, 91.3 per cent. represented debt incurred by the issue of bonds by way of public offering in Japan, 3.7 per cent. represented debt incurred by the issue of bonds by private placement in Japan with financial institutions and 5.0 per cent. represented debt incurred by the issue of bonds outside Japan.

### Foreign Debt

The following table shows the foreign debt incurred by the Metropolis remaining outstanding as at 31st March, 2015:

*Foreign debt remaining outstanding as at 31st March, 2015*

<u>Issue</u>	<u>Outstanding Amount</u>
	<i>(millions)</i>
5 <sup>7</sup> / <sub>100</sub> % Bonds due 2034 .....	€160
4 <sup>26</sup> / <sub>100</sub> % Bonds due 2032 .....	€294
4 <sup>27</sup> / <sub>100</sub> % Bonds due 2035 .....	€150
4 <sup>7</sup> / <sub>10</sub> % Bonds due 2033 .....	€344
4 <sup>9</sup> / <sub>10</sub> % Bonds due 2035 .....	€318
1 <sup>7</sup> / <sub>8</sub> % Bonds due 2017 .....	U.S.\$650
1 <sup>3</sup> / <sub>4</sub> % Bonds due 2017 .....	U.S.\$880
1 <sup>5</sup> / <sub>8</sub> % Bonds due 2018 .....	U.S.\$1,000
2 <sup>1</sup> / <sub>8</sub> % Bonds due 2019 .....	U.S.\$1,000

### Reserve Fund

Article 4-2 of the Local Finance Law directs that any local public body shall, in order to preserve its sound management, consider its financial situation not only in relation to the current fiscal year, but also with a view to subsequent fiscal years, when it undertakes budget preparation or implementation or any action that will result

in an increase in expenditures or a decrease in revenues. The Metropolis has established various reserve funds for this purpose.

Reserve funds of the Metropolis include (i) adjusting fund for finance reserved for the purpose of adjusting revenue sources between fiscal years and contributing to sound future finance management, (ii) sinking fund reserved for the purpose of ensuring the financial sources for the Bond Expenses of the Metropolis and averaging the financial burden for such expenses over a long period of time and (iii) other funds for future special financial demands of the Metropolis, such as the improvement of social infrastructure and the promotion of financial stability of municipal long-term care insurance, or for other purposes. Some of these reserve funds are also available for general purposes.

The following table shows the outstanding balance of the reserve funds of the Metropolis as at 31st March, 2013 and 2014:

	<b>31st March,</b>	
	<b>2013</b>	<b>2014</b>
	<i>(millions of yen)</i>	
Adjusting Fund for Finance .....	¥417,923	¥455,171
Sinking Fund.....	1,558,654	1,415,640
Other Funds .....	962,174	1,045,209
Total.....	<u>¥2,938,751</u>	<u>¥2,916,020</u>

Note:

Total outstanding balance of reserve funds which were also available for general purposes as at 31st March, 2013 and 2014 were ¥1,150,815 million and ¥1,286,758 million respectively.

Seven new reserve funds of the Metropolis have been budgeted for establishment to launch intensive and important policies, as follows:

<b>Reserve Funds (Tentative Name)</b>	<b>FY 2015 Estimated in Original Budget (millions of yen)</b>
Fund for realisation of the city with advanced social welfare.....	¥40,000
Fund for creation of a people-friendly and comfortable city.....	40,000
Fund for promotion of creation of a city with hydrogen society and smart energy.....	40,000
Fund for hospitality and tourism.....	20,000
Art and culture promotion fund .....	10,000
Fund for creation of a city with disaster prevention.....	100,000
Fund for urban diplomacy and human resources development.....	8,000
Total.....	<u>258,000</u>

## Indemnities

In addition to outstanding debt, the Metropolis gives certain indemnities to third parties against losses caused by the non-payment of obligations by others, when authorised by the budget. The Metropolis has outstanding indemnities in the aggregate maximum amount of approximately ¥149 billion, of which ¥10 billion is the maximum amount which can become payable in the fiscal year 2015.

## Significant Changes

There has been no significant change to the information provided under the sections headed "Budgetary System", "Accounting System", "General Account", "Special Accounts", "Public Enterprise Accounts", "Structure of Taxation", "Summary of Debt", "Payment Schedule", "Debt Payment Record", "Outstanding Balance of Long-Term Debt of the Metropolis Classified by Source of Funds", "Foreign Debt" and "Reserve Fund" since 31st March, 2014.

## FINANCIAL STATUS

Certain selected information is given below to indicate the financial status of the Metropolis in recent fiscal years.

### Revenues and Expenditures in the Ordinary Account of the Metropolis

Ordinary Accounts are statistical and conceptual accounts used for determining the financial position of individual local public bodies as well as for analysing overall local fiscal conditions. These accounts are reconfigured to conform to the accounting procedures of local public bodies according to standards established by the MIC.

The accounts targeted in Ordinary Accounts include the General Account and the Special Accounts but exclude the Public Enterprise Accounts, quasi-public enterprise accounts, and profit-earning business accounts. Ordinary Accounts presents a net calculation that has been adjusted to eliminate overlap between accounts.

The following table shows the total revenues and expenditures in the Ordinary Account of the Metropolis for the fiscal years 2012 and 2013:

	<u>FY 2012</u>	<u>FY 2013</u>
	<i>(millions of yen)</i>	
Revenues.....	¥6,232,984	¥6,455,165
Metropolitan tax.....	4,257,082	4,534,214
TMG bonds.....	341,259	237,586
Others.....	1,634,644	1,683,365
Expenditures.....	6,041,779	6,202,238
General expenditure.....	4,377,625	4,442,313
Expenditure for public bond.....	524,889	547,469
Others.....	1,139,265	1,212,457

### Fiscal Indices

The following table shows certain financial indices in the Ordinary Account of the Metropolis and of weighted average of all prefectures for the fiscal years 2012 and 2013:

	<u>FY 2012</u>	<u>FY 2013</u>
	<i>(%)</i>	
Ordinary Balance Ratio <sup>(a)</sup>		
Metropolis.....	92.7	86.2
Weighted average of all prefectures.....	109.6	107.5
Ratio of Bond Expenses Burden <sup>(b)</sup>		
Metropolis.....	9.8	9.6
Weighted average of all prefectures.....	19.7	19.9
Financial Capability Index <sup>(c)</sup>		
Metropolis.....	0.864	0.871
Weighted average of all prefectures.....	0.46	0.46
Ratio of Dependence on Creation of Local Debt <sup>(d)</sup>		
Metropolis.....	5.5	3.7
Weighted average of all prefectures.....	14.1	13.1
Real Deficit Ratio <sup>(e)</sup>		
Metropolis.....	—	—
Consolidated Real Deficit Ratio <sup>(f)</sup>		
Metropolis.....	—	—
Real Debt Payment Ratio <sup>(g)</sup>		
Metropolis.....	1.0	0.6
Weighted average of all prefectures.....	13.7	13.5
Future Burden Ratio <sup>(h)</sup>		
Metropolis.....	85.4	73.2
Weighted average of all prefectures.....	210.5	200.7
Capital Shortage Ratios <sup>(i)</sup>		
Metropolis.....	—	—

Source:

Weighted average of all prefectures; (a)(b)(c)(d) "White Paper on Local Public Finance" published by the MIC.

(e)(f)(g)(h)(i) "Outline of the Ratio for Determining Soundness and Financial Shortfall Ratio based on fiscal 2013 account settlements" published by the MIC.

Notes:

- (a) Ordinary Balance Ratio is the ratio of the "general revenue sources for the ordinary expenses (such as personnel expenses and bond expenses)" to the "total of ordinary general revenue sources (such as the Metropolitan taxes and local debt with some exceptions)", which indicates flexibility of fiscal structure. For the purpose of calculating the weighted average of all prefectures, "special share of revenue decrease compensation loans" and "extraordinary financial measures loans" are not included in the ordinary general revenue sources.
- (b) Ratio of Bond Expenses Burden is the ratio of the "general revenue sources for Bond Expenses" to the "general revenue sources", which indicates fiscal burden level of Bond Expenses by showing the amount of the general revenue sources appropriated to Bond Expenses.
- (c) Financial Capability Index is an average over three years of each of the figures, which are calculated by dividing standard financial revenue by standard financial needs.
- (d) Ratio of Dependence on Creation of Local Debt is the ratio of the "total amount of the local debt incurred by the relevant fiscal year" to the "total amount of revenue of the relevant local public body".
- (e) Real Deficit Ratio is the ratio of the "real deficit within the General Account" to the "standard financial scale". Not applicable for the Metropolis.
- (f) Consolidated Real Deficit Ratio is the ratio of the "all account-based real deficit" to the "standard financial scale". Not applicable for the Metropolis.
- (g) Real Debt Payment Ratio is the ratio of the "general revenue resources appropriated to pay off bonds" to the "standard financial scale".
- (h) Future Burden Ratio is the ratio of the "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".
- (i) Capital Shortage Ratio is the ratio of the "financial deficit in every Public Enterprise Accounts" to the "scale of operation". If the Capital Shortage Ratio is above 20 per cent., local public bodies are required to set out a plan for the soundness of public enterprise management in respect of the relevant public enterprise in accordance with the Law relating to the Financial Soundness of Local Government. Not applicable for the Metropolis.

### Status of Investments and Loans

The Metropolis makes investments in and extends loans to certain entities.

Certain information is given below as to investments and loans made from the General Account and the Special Accounts. The following tables show the five largest entities and item (in terms of the outstanding balance of investments and loans as at 31st March, 2014) and the outstanding balance of investments in and loans to such five entities and item as at 31st March, 2013 and 2014, together with the total outstanding balance of investments and loans as at the same dates:

(a) *Investments (including stocks and other contributions)*

	<b>31st March,</b>	
	<b>2013</b>	<b>2014</b>
	<i>(millions of yen)</i>	
Total outstanding balance .....	¥891,309	¥902,455
Japan Expressway Holding and Debt Repayment Agency .....	278,899	288,359
Tokyo Metropolitan University .....	141,602	141,602
ShinGinko Tokyo, Limited .....	140,000	140,000
Tokyo Waterfront Area Rapid Transit Inc. ....	43,521	43,521
Tokyo Tama Intercity Monorail Co., Ltd. ....	40,285	40,285

(b) *Loans*

	<b>31st March,</b>	
	<b>2013</b>	<b>2014</b>
	<i>(millions of yen)</i>	
Total outstanding balance .....	¥1,900,187	¥1,850,137
Loans under Institutionalised Financing Structure <sup>(a)</sup> .....	679,069	677,221
Tokyo Metropolitan Housing Supply Corporation .....	472,722	455,233
Tokyo Metropolitan Subway Construction Co., Ltd. ....	203,626	202,901
Japan Expressway Holding and Debt Repayment Agency .....	145,661	126,784
Metropolitan Intercity Railway Company .....	119,527	114,879

Note:

- (a) Loans under Institutionalised Financing Structure is an item of loans in a final statement which consists of loans to Credit Guarantee Corporation of Tokyo and two other entities.



## REPORT OF AUDIT AND INSPECTION COMMISSIONER

To the Governor of Tokyo

I, Audit and Inspection Commissioner of The Tokyo Metropolitan Government, have examined the tables showing (i) the revenues and expenditures on the General Account, the Special Accounts and the Public Enterprise Accounts of the Metropolis of Tokyo (the "Metropolis") for the fiscal years 2012 and 2013 and the estimated revenues and expenditures on such Accounts of the Metropolis in the final budget for the fiscal year 2014 and the original budget for the fiscal year 2015, (ii) the tax revenues of the Metropolis for the fiscal years 2012 and 2013 and the estimated tax revenues of the Metropolis in the final budget for the fiscal year 2014 and the original budget for the fiscal year 2015, (iii) the outstanding balances of long-term debt, short-term debt and the reserve funds of the Metropolis as at 31st March, 2013 and 31st March, 2014, (iv) the revenues and expenditures in the Ordinary Account of the Metropolis for the fiscal years 2012 and 2013 and (v) the outstanding balance of investments in and loans to the five largest entities and item (in terms of the outstanding balance of investments and loans as at 31st March, 2014) as at 31st March, 2013 and 31st March, 2014 and the total outstanding balances of investments and loans as at the same dates, set forth under "The Metropolis of Tokyo — Revenue and Expenditure", "The Metropolis of Tokyo — Taxation", "The Metropolis of Tokyo — Indebtedness" and "The Metropolis of Tokyo — Financial Status", respectively, in the Prospectus dated ●●●●, relating to the issue by the Metropolis of its ●●●● per cent. Bonds due ●●●●. I have also examined the audited accounts of the Metropolis for the fiscal years 2012 and 2013 and the final budget of the Metropolis for the fiscal year 2014 and the original budget of the Metropolis for the fiscal year 2015.

XIII 7.2  
XVI 4

Based on such examinations, I confirm that the tables referred to above fairly present in abbreviated form (i) the revenues and expenditures on the General Account, the Special Accounts and the Public Enterprise Accounts of the Metropolis for the fiscal years 2012 and 2013 and the estimated revenues and expenditures on such Accounts of the Metropolis in the final budget for the fiscal year 2014 and the original budget for the fiscal year 2015, (ii) the tax revenues of the Metropolis for the fiscal years 2012 and 2013 and the estimated tax revenues of the Metropolis in the final budget for the fiscal year 2014 and the original budget for the fiscal year 2015, (iii) the outstanding balances of long-term debt, short-term debt and the reserve funds of the Metropolis as at 31st March, 2013 and 31st March, 2014, (iv) the revenues and expenditures in the Ordinary Account of the Metropolis for the fiscal years 2012 and 2013 and (v) the outstanding balance of investments in and loans to the five largest entities and item (in terms of the outstanding balance of investments and loans as at 31st March, 2014) as at 31st March, 2013 and 31st March, 2014 and the total outstanding balances of investments and loans as at the same dates.

●  
Tokyo, Japan

●  
Audit and Inspection Commissioner of  
The Tokyo Metropolitan Government

## TAXATION

### Japan

*The following is a general description of certain Japanese tax aspects of the Bonds and does not purport to be a comprehensive description of the tax aspects of the Bonds. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.*

*Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on current tax laws and regulations in Japan and current tax treaties executed by Japan all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statements in this Prospectus are to be regarded as advice on the tax position of any Bondholder or any person purchasing, selling or otherwise dealing in the Bonds or any tax implication arising from the purchase, sale or other dealings in respect of the Bonds.*

### **Representation by Investors upon Primary Distribution (Boshu)**

**BY SUBSCRIBING FOR THE BONDS, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED IT IS A PERSON WHO FALLS INTO THE CATEGORY OF (i) OR (ii) BELOW:**

- (i) A beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person (a "Specially-Related Party of the Metropolis") having a "special relationship" with the Metropolis (that is, currently, in general terms, a party who is directly or indirectly controlled by the Metropolis) as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Law No. 26 of 1957, as amended) (the "Act on Special Measures Concerning Taxation"); or
- (ii) A Japanese financial institution, designated in Article 3-2-2, paragraph (29) of the Cabinet Order No. 43 of 1957, as amended (the "Cabinet Order") relating to the Act on Special Measures Concerning Taxation.

### ***The Bonds are Not "Taxable-Linked Securities"***

The Bonds do not constitute "taxable linked securities" as prescribed by Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation (being securities for which the amount of interest is to be calculated by reference to certain indexes (as prescribed by Article 3-2-2, paragraph (8) of the Cabinet Order) relating to the issuer of such securities or a specially-related party of the issuer).

### ***Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax***

Gains derived from the sale of Bonds outside Japan by an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by Bondholders in connection with the issue of the Bonds, or will such taxes be payable by Bondholders in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired Bonds from another individual as legatee, heir or donee.

### ***Interest Payments on Bonds***

*The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the Bonds and (i) issue differential, meaning any difference between the issue price of the Bonds and the amount which the holder receives upon redemption of such Bonds, which is payable on or before 31st December, 2015 or (ii) the redemption gain, meaning any difference between the acquisition price of the Bonds of the holder and the amount which the holder receives upon redemption of such Bonds, which is payable on or after 1st January, 2016 (collectively, the "Issue Differential") (as applicable to the Bonds, which are issued on or after 1st April,*

2010). In addition, the following description assumes that, on or after 1st January, 2016, only global notes are issued for the Notes, and no definitive bonds and coupons that are independently traded are issued, in which case different tax consequences may apply. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

## 1. Non-Japanese-resident Investors

If the recipient of interest on the Bonds or of the Issue Differential is an individual non-resident of Japan or a non-Japanese corporation for Japanese tax purposes, as described below, the Japanese tax consequences on such individual non-resident of Japan or non-Japanese corporation are significantly different depending upon whether such individual non-resident of Japan or non-Japanese corporation is a Specially-Related Party of the Metropolis (as defined below). Most importantly, if such individual non-resident of Japan or non-Japanese corporation is a Specially-Related Party of the Metropolis, income tax at the rate of 15.315 per cent. of the amount of such interest will be withheld by the Metropolis under Japanese tax law.

### 1.1 Interest

(1) If the recipient of interest on the Bonds is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the Bonds is not attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding or otherwise, if such recipient complies with certain requirements, *inter alia*:

- (i) if the relevant Bonds relating thereto are held through a certain participant in an international clearing organisation such as Euroclear and Clearstream, Luxembourg or a certain financial intermediary prescribed by the Act on Special Measures Concerning Taxation and the relevant Cabinet Order (together with the Act on Special Measures Concerning Taxation and the ministerial ordinance and other regulations thereunder, the "Law") (each, a "Participant"), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant Bonds, certain information prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted (the "Interest Recipient Information"), and to advise the Participant if such individual non-resident of Japan or non-Japanese corporation ceases to be so exempted (including the case where it becomes a Specially-Related Party of the Metropolis); and
- (ii) if the relevant Bonds relating thereto are not held by a Participant, the requirement to submit to the Fiscal Agent or the Paying Agent (as the case may be) a claim for exemption from withholding tax (*Hikazei Tekiyo Shinkokusho*) (the "Claim for Exemption"), together with certain documentary evidence.

Failure to comply with such requirements described above (including the case where the Interest Recipient Information is not duly communicated as required under the Law) will result in the withholding by the Metropolis of income tax at the rate of 15.315 per cent. of the amount of such interest.

(2) If the recipient of interest on the Bonds is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of interest is attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, such interest will not be subject to a 15.315 per cent. withholding tax by the Metropolis, if the recipient provides the Interest Recipient Information or submits the Claim for Exemption as set out in paragraph 1.1(1) above. Failure to do so will result in the withholding by the Metropolis of income tax at the rate of 15.315 per cent. of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

- (3) Notwithstanding paragraphs 1.1(1) and (2) above, if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a person who has a special relationship with the Metropolis (that is, currently, in general terms, a party who is directly or indirectly controlled by the Metropolis) within the meaning prescribed by the Cabinet Order under Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation (such person is referred to as a "Specially-Related Party of the Metropolis") as at the beginning of the fiscal year of the Metropolis in which the relevant Interest Payment Date falls, the exemption from Japanese withholding tax on interest mentioned above will not apply, and income tax at the rate of 15.315 per cent. of the amount of such interest will be withheld by the Metropolis. If such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan, regular income tax or corporate tax, as appropriate, collected otherwise by way of withholding, could apply to such interest under Japanese tax law.
- (4) If an individual non-resident of Japan or a non-Japanese corporation (regardless of whether it is a Specially-Related Party of the Metropolis) is subject to Japanese withholding tax with respect to interest on the Bonds under Japanese tax law, a reduced rate of withholding tax or exemption from such withholding tax may be available under the relevant income tax treaty between Japan and the country of tax residence of such individual non-resident of Japan or non-Japanese corporation. As of the date of this Prospectus, Japan has income tax treaties, conventions or agreements in force, whereby the above-mentioned withholding tax rate is reduced, generally to 10 per cent. with, *inter alia*, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Switzerland and the United States of America. Japan signed with the United Kingdom and Sweden protocols amending the tax treaties between the respective governments, whereby interest paid to qualified United Kingdom and Swedish residents is generally exempt from Japanese withholding tax, which apply to interest to be payable on or after 1st January, 2015. Japan and the United States of America have also signed an amending protocol generally exempting interest from Japanese withholding tax; however, this amending protocol has not yet been entered into force. Under the income tax treaty between Japan and the United States of America, certain limited categories of qualified United States residents receiving interest on the Bonds may, subject to compliance with certain procedural requirements under Japanese law, be fully exempt from Japanese withholding tax for interest on the Bonds. Under the income tax treaties with France, the Netherlands, Switzerland and Australia, similar exemptions to those provided in the income tax treaty between Japan and the United States of America will be available (provided that no exemption will apply to pension funds in the case of Australia). In order to avail themselves of such reduced rate of, or exemption from, Japanese withholding tax under any applicable income tax treaty, individual non-residents of Japan or non-Japanese corporations which are entitled, under any applicable income tax treaty, to a reduced rate of, or exemption from, Japanese withholding tax on payment of interest by the Metropolis are required to submit an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Interest (as well as any other required forms and documents) in advance through the Metropolis to the relevant tax authority before payment of interest.
- (5) Under the Law, (a) if an individual non-resident of Japan or a non-Japanese corporation that is a beneficial owner of the Bonds becomes a Specially-Related Party of the Metropolis, or an individual non-resident of Japan or a non-Japanese corporation that is a Specially-Related Party of the Metropolis becomes a beneficial owner of the Bonds, and (b) if such Bonds are held through a Participant, then such individual non-resident of Japan or non-Japanese corporation would be obligated to notify the Participant of such change in status by the immediately following Interest Payment Date of the Bonds. As described in paragraph 1.1(3) above, as the status of such individual non-resident of Japan or non-Japanese corporation as a Specially-Related Party of the Metropolis for Japanese withholding tax purposes is determined based on the status as at the beginning of the fiscal year of the Metropolis in which the relevant Interest Payment Date falls, such individual non-resident of Japan or non-Japanese corporation should, by such notification, identify and advise the Participant of the specific Interest Payment Date on which Japanese withholding tax starts to apply with respect to such individual non-resident of Japan or non-Japanese corporation as being a Specially-Related Party of the Metropolis.

## 1.2 Issue Differential

- (1) If the recipient of the Issue Differential with respect to the Bonds is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of such Issue Differential is not attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, no income tax or corporate tax is payable with respect to such Issue Differential.
- (2) If the recipient of the Issue Differential with respect to the Bonds is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of such Issue Differential is attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, such Issue Differential will not be subject to any withholding tax but will be aggregated with the recipient's other Japanese source income which is subject to Japanese taxation and subject to regular income tax or corporate tax, as appropriate.
- (3) Notwithstanding paragraphs 1.2(1) and (2) above, if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a Specially-Related Party of the Metropolis as at the beginning of the fiscal year of the Metropolis in which such individual non-resident of Japan or non-Japanese corporation acquired such Bonds, the Issue Differential will not be subject to withholding tax but will be subject to regular income tax or corporate tax, as appropriate, under Japanese tax law, regardless of whether such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan; provided that exemption may be available under the relevant income tax treaty.

## 2. Japanese Resident Investors

If the recipient of interest on the Bonds is an individual resident of Japan or a Japanese corporation for Japanese tax purposes, as described below, regardless of whether such recipient is a Specially-Related Party of the Metropolis, in addition to any applicable local tax, income tax will be withheld at the rate of 15.315 per cent. of (i) the amount of such interest, if such interest is paid to an individual resident of Japan or a Japanese corporation (except for a Designated Financial Institution (as defined below) which complies with the requirement for tax exemption under Article 6, paragraph (9) of the Act on Special Measures Concerning Taxation) (except as provided in item (ii) below) or (ii) the amount of such interest minus the amount provided in the Cabinet Order relating to Article 3-3, paragraph (6) of the Act on Special Measures Concerning Taxation, if such interest is paid to a Public Corporation (as defined below) or a Specified Financial Institution (as defined below) through the Japanese Custodian (as defined below) in compliance with the requirement for tax exemption under Article 3-3, paragraph (6) of the Act on Special Measures Concerning Taxation. (On or after 1st January, 2016, notwithstanding item (ii) above, no amount of interest is subject to withholding tax, if such interest is paid to a Public Corporation (as defined below) or a Specified Financial Institution (as defined below) through the Japanese Custodian (as defined below) in compliance with the requirement for tax exemption under Article 3-3, paragraph (6) of the Act on Special Measures Concerning Taxation, as amended.)

In addition to the withholding tax consequences upon resident investors as explained in this section, resident investors should consult their own tax advisors regarding regular income tax or corporate tax consequences other than by way of withholding, bearing in mind, especially for individual residents of Japan, the change to the taxation regime of bonds taking effect on 1st January, 2016.

### 2.1 Interest

- (1) If an individual resident of Japan or a Japanese corporation (other than a Specified Financial Institution (as defined below) or a Public Corporation (as defined below), who complies with the requirement as referred to in paragraph 2.1(2) below) receives payments of interest on the Bonds through certain Japanese payment handling agents (each a "Japanese Payment Handling Agent"), income tax at the rate of 15.315 per cent. of the amount of such interest will be withheld by the Japanese Payment Handling Agent rather than by the Metropolis. As the Metropolis is not in a position to know in advance the recipient's status, the recipient of

interest falling within this category should inform the Metropolis through a Paying Agent of its status in a timely manner. Failure to so inform may result in double withholding.

- (2) If the recipient of interest on the Bonds is a Japanese public corporation or a Japanese public-interest corporation designated by the relevant law (*koukyohojin tou*) (each, a "Public Corporation") or a Japanese bank, a Japanese insurance company, a Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by the relevant Cabinet Order under Article 3-3, paragraph (6) of the Act on Special Measures Concerning Taxation (each, a "Specified Financial Institution") that keeps its Bonds deposited with, and receives the interest through, a Japanese Payment Handling Agent with custody of the Bonds (the "Japanese Custodian") and such recipient submits through such Japanese Custodian to the competent tax authority the report prescribed by the Law, no withholding tax is levied on (i) (if interest is payable on or before 31st December, 2015) such portion of interest as is prescribed by the relevant Cabinet Order as that which is corresponding to the period the Bonds were held by such recipient or (ii) (if interest is payable on or after 1st January, 2016) the full amount of interest. However, since the Metropolis is not in a position to know in advance the recipient's such tax exemption status, the recipient of interest falling within this category should inform the Metropolis through a Paying Agent of its status in a timely manner. Failure to so notify the Metropolis may result in the withholding by the Metropolis of a 15.315 per cent. income tax. Any amount of interest received by such Public Corporation or Specified Financial Institution in excess of the non-taxable portion described above is subject to income tax of 15.315 per cent. of such excess amount to be withheld by the Japanese Custodian.
- (3) If an individual resident of Japan or a Japanese corporation (except for a Designated Financial Institution which complies with the requirements described in paragraph 2.1(4) below) receives interest on the Bonds not through a Japanese Payment Handling Agent, income tax at the rate of 15.315 per cent. of the amount of such interest will be withheld by the Metropolis.
- (4) If a Japanese bank, Japanese insurance company, Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by the Cabinet Order under Article 6, paragraph (9) of the Act on Special Measures Concerning Taxation (each, a "Designated Financial Institution") receives interest on the Bonds not through a Japanese Payment Handling Agent and such recipient complies with the requirement, *inter alia*, to provide the Interest Recipient Information or to submit the Claim for Exemption as referred to in paragraph 1.1(1) above, no withholding tax will be imposed.

## 2.2 Issue Differential

If the recipient of the Issue Differential with respect to the Bonds is an individual resident of Japan or a Japanese corporation, such Issue Differential will not be subject to any withholding tax.

## 3. Special Additional Tax for Reconstruction from the Great East Japan Earthquake

Due to the imposition of a special additional withholding tax of 0.315 per cent. (or 2.1 per cent. of 15 per cent.) to secure funds for reconstruction from the Great East Japan Earthquake, the withholding tax rate has been effectively increased to 15.315 per cent. during the period beginning on 1st January, 2013 and ending on 31st December, 2037. There is also certain special additional tax imposed upon regular income tax or corporate tax, as referred to in the foregoing descriptions, for a certain period.

## EU Savings Directive

Under the Savings Directive, each Member State of the European Union is required to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted the Amending Directive, amending the Savings Directive, on 24th March, 2014. The Amending Directive broadens the scope of the requirements described above. Member States have until 1st January, 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest. However, the European Commission has proposed the repeal of the Savings Directive from 1st January, 2017 in the case of Austria and from 1st January, 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

#### **The Proposed Financial Transactions Tax ("FTT")**

On 14th February, 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of Bonds should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1st January, 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

● and ● (together, the "Joint Lead Managers") have, pursuant to a subscription agreement dated ● (the "Subscription Agreement"), jointly and severally agreed with the Metropolis, subject to the satisfaction of certain conditions, to subscribe for the Bonds at ● per cent. of their principal amount (the "Issue Price"). The Metropolis has agreed to pay to the Joint Lead Managers a total combined management and underwriting commission and selling concession of ● per cent. of the principal amount of the Bonds. In addition, the Metropolis has agreed to reimburse the Joint Lead Managers for certain expenses in connection with the issue of the Bonds. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Metropolis.

Save as discussed above, so far as the Metropolis is aware, no person involved in the offer of the Bonds has an interest material to the Bonds.

### United States of America

The Bonds have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to United States persons. Each Joint Lead Manager has agreed that it will not offer, sell or deliver any Bonds within the United States or to United States persons, except as permitted by the Subscription Agreement.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Joint Lead Manager has agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Metropolis; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

### Japan

The Bonds are exempt from the requirement for registration under the Financial Instruments and Exchange Act and are subject to the Act on Special Measures Concerning Taxation. Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell as part of its primary distribution (*boshu*) at any time, any Bonds to, or for the benefit of, any person other than:

- (i) a beneficial owner that is, for Japanese tax purposes, neither:
  - (x) an individual resident of Japan or a Japanese corporation; nor
  - (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Metropolis (that is, currently, in general terms, a party who is directly or indirectly controlled by the Metropolis) as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation; or
- (ii) a Japanese financial institution, designated in Article 3-2-2, paragraph (29) of the Cabinet Order.



## **General**

Some of the Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Metropolis. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Metropolis. Certain of the Joint Lead Managers and their affiliates that have a lending relationship with the Metropolis routinely hedge their credit exposure to the Metropolis consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Metropolis' securities, including potentially the Bonds. Any such short positions could adversely affect future trading prices of the Bonds. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## GENERAL INFORMATION

1. The issue of the Bonds was duly authorised by the Governor on ● .
2. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a common code of ● . The ISIN of the Bonds is ● . The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.
3. The listing of the Bonds on the Official List will be expressed in ● as a percentage of their principal amount (excluding accrued interest); transactions will normally be effected for settlement in ● and for delivery on the third calendar day after the date of the transaction. It is expected that the admission of the Bonds to the Official List and admission of the Bonds to trading on the Market will be granted on ● . Prior to its official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules. The total expenses related to the admission of trading are estimated to be ● . If, despite the reasonable endeavours of the Metropolis once listing has been obtained, maintaining a listing of the Bonds on the Official List is impossible, impracticable or unduly onerous, the Metropolis may apply for a de-listing of the Bonds from the Official List and will use its reasonable endeavours to obtain and maintain a listing of the Bonds on another leading stock exchange for the listing of equivalent securities.
4. It is expected that the listing of the Bonds on the TOKYO PRO-BOND Market will take effect on ● . The listing of the Bonds on the TOKYO PRO-BOND Market is expected to take effect as an issue under a bond issuance programme of the Metropolis listed on such market. The total expenses related to the listing of such programme on the TOKYO PRO-BOND Market are estimated to be ● . If maintaining a listing of the Bonds on the TOKYO PRO-BOND Market is impossible, impracticable or unduly onerous, the Metropolis may stop making efforts to continue the listing of the Bonds on the TOKYO PRO-BOND Market.

TOKYO PRO-BOND Market is a market principally for professional investors and bonds listed on the market ("TOKYO PRO-BOND Market Listed Bonds") may involve high investment risk. Investors should act with responsibility and be aware of the listing qualification, timely disclosure requirements that apply to issuers of TOKYO PRO-BOND Market Listed Bonds and associated risks such as the fluctuation in market prices. Prospective investors should make an investment judgment only after having carefully considered the contents of this Prospectus.

The Tokyo Stock Exchange does not make any representations or warranties with regard to any part of the Prospectus (including, but not limited to, whether the Prospectus (a) contains a false statement on important matters or (b) lacks a statement on: (i) important matters that should be stated or (ii) a material fact that is necessary for avoiding misunderstanding) and will not be liable to any damages for any other liabilities.

5. So long as any of the Bonds remain outstanding copies of the Fiscal Agency Agreement, incorporating the forms of the Certificates, the Deed of Covenant, the financial and audit report of the Metropolis covering the last two fiscal years and the budget for the current fiscal year will be available for inspection during usual business hours (except Saturdays, Sundays and legal holidays) at the specified offices of the Fiscal Agent and each of the Paying Agents.
6. ● , the Audit and Inspection Commissioner (an internal executive organ of the Metropolis as described below) of the Metropolis, of 8-1, Nishishinjuku 2-chome, Shinjuku-ku, Tokyo, Japan, has audited the financial information included in this Prospectus as set forth in "Report of Audit and Inspection Commissioner". ● is not a member of the Assembly. As described in the section headed "The Metropolis of Tokyo — Administration", the Audit and Inspection Commissioners are one of the internal executive organs of the Metropolis appointed by the Governor with the consent of the Assembly. The Audit and Inspection Commissioners are accorded a degree of autonomy and independence.
7. There are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Metropolis is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position of the Metropolis.

8. The yield on the Bonds is ● per cent. per annum. The yield is calculated at the issue date of the Bonds on the basis of the Issue Price. It is not an indication of future yield.
9. The Global Certificate and any Definitive Certificates will bear the following legend:

*"(with respect to interest payable on or before 31st December, 2015)*

Interest payments on this security will be subject to Japanese withholding tax unless it is established that the security is held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the Metropolis as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (a "Specially-Related Party of the Metropolis"), or (ii) a Japanese designated financial institution described in Article 6, paragraph (9) of the Act on Special Measures Concerning Taxation of Japan which complies with the requirement for tax exemption under that paragraph.

Interest payments on this security to an individual resident of Japan, to a Japanese corporation not described in the preceding paragraph, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Metropolis will be subject to deduction in respect of Japanese income tax at a rate of currently 15.315 per cent. of the amount specified in sub-paragraph (A) or (B) below, as applicable:

- (A) if interest is paid to an individual resident of Japan, to a Japanese corporation, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Metropolis (except as provided in sub-paragraph (B) below), the amount of such interest; or
- (B) if interest is paid to a public corporation, a financial institution or a financial instruments business operator through a Japanese payment handling agent as provided in Article 3-3, paragraph (6) of the Act on Special Measures Concerning Taxation of Japan in compliance with the requirement for tax exemption under that paragraph, the amount of such interest minus the amount provided in the Cabinet Order relating to said paragraph (6).

*(with respect to interest payable on or after 1st January, 2016)*

Interest payments on this security will be subject to Japanese withholding tax unless it is established that the security is held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the Metropolis as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (a "Specially-Related Party of the Metropolis"), (ii) a Japanese designated financial institution described in Article 6, paragraph (9) of the Act on Special Measures Concerning Taxation of Japan which complies with the requirement for tax exemption under that paragraph, or (iii) a public corporation, a financial institution or a financial instruments business operator described in Article 3-3, paragraph (6) of the Act on Special Measures Concerning Taxation of Japan which complies with the requirement for tax exemption under that paragraph.

Interest payments on this security to an individual resident of Japan, to a Japanese corporation (except as described in the preceding paragraph), or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Metropolis will be subject to deduction in respect of Japanese income tax at a rate of currently 15.315 per cent. of the amount of such interest."

10. As a matter of English law, whilst the Metropolis is not immune from the jurisdiction of the English courts in connection with the Bonds as it has submitted to the jurisdiction of such courts in connection therewith, in view of the absence of a specific consent thereto, the Metropolis may be immune from any relief by way of an injunction or order for specific performance or for the recovery of land or other property and its property may be immune from any process for the enforcement of a judgment or arbitration award or, in an action *in rem*, for its arrest, detention or sale (except, in cases where Section 13(4) of the State Immunity Act 1978 applies, for property which is in use or intended for use for

commercial purposes) to the extent that it is held by the courts not to have consented to such process or relief (within the meaning of Section 13 of that Act).

Under Japanese law, the Metropolis may be sued in the courts of competent jurisdiction of Japan in respect of its obligations under the Bonds and is not entitled to immunity (whether on the grounds of sovereignty or otherwise) from any suit which may be brought before such courts in respect of such obligations. Certain properties and assets of the Metropolis located in Japan may not be subject to attachment to enforce final, conclusive and enforceable judgments against the Metropolis in respect of its obligations under the Bonds to protect public usage of such properties and assets.

11. Where information has been sourced from the publication of a party other than the Metropolis, the source of such information has been identified at their respective occurrences within this Prospectus, and such information has been accurately reproduced and, as far as the Metropolis is aware and is able to ascertain from the information published by that party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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**FISCAL AGENT, PAYING AGENT, REGISTRAR AND TRANSFER AGENT**

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