

**Issuance Conditions of the Bonds Pertaining to  
the Initial Listing Application**

**The Metropolis of Tokyo**

**ISSUANCE CONDITIONS OF THE BONDS PERTAINING TO  
THE INITIAL LISTING APPLICATION**

Type of Information:	Issuance Conditions of the Bonds Pertaining to the Initial Listing Application
Date of Announcement:	28 May 2018
Issuer Name:	The Metropolis of Tokyo
Name and Title of Representative:	Yuriko Koike, Governor
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Type of Securities:	Unsecured and unsubordinated bonds
Total Issuance Value of Securities:	U.S.\$500,000,000
Contents of Programme Information:	
Date of Announcement:	24 May 2018
Scheduled Issuance Period:	25 May 2018 to 24 May 2020
Maximum Outstanding Issuance Amount:	Not Applicable
Matters related to Financial Instruments Exchange Market, etc.:	Not Applicable
Address of Website for Announcement:	<a href="https://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html">https://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html</a>
Status of Submission of Annual Securities Reports:	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 Issuance Conditions of the Bonds Pertaining to the Initial Listing Application.
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 issued pursuant to this Issuance Conditions of the Bonds Pertaining to the Initial Listing Application 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" (*tokutei shouken jouhou*) 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 Issuance Conditions of the Bonds Pertaining to the Initial Listing Application therefore

does not comprise a "specified securities information" (*tokutei shouken jouhou*) specified in Article 27-31, Paragraph 1 of the FIEA or any amendment thereto specified in Article 27-31, Paragraph 4 of the FIEA.

4. The Tokyo Stock Exchange does not make any representations or warranties with regard to any part of this Issuance Conditions of the Bonds Pertaining to the Initial Listing Application (including, but not limited to, whether the Issuance Conditions of the Bonds Pertaining to the Initial Listing Application (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 Issuance Conditions of the Bonds Pertaining to the Initial Listing Application has been prepared solely by, and is the sole responsibility of, the Issuer, and its contents have not been independently verified by the Joint Lead Managers (as defined herein). To the fullest extent permitted by law, none of the Joint Lead Managers accepts any responsibility for the contents of this Issuance Conditions of the Bonds Pertaining to the Initial Listing Application or for any other statement, made or purported to be made by any Joint Lead Manager or on its behalf in connection with the Issuer or the issue and offering of the bonds described herein. 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 Issuance Conditions of the Bonds Pertaining to the Initial Listing Application or any such statement.



# The Metropolis of Tokyo

## U.S.\$500,000,000 3.250 per cent. Bonds due 2023

### Issue Price 99.612 per cent.

The above Bonds (the "Bonds") will mature on 1st June, 2023 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 Condition 5 of the terms and conditions of the Bonds (the "Conditions", and each condition set out in the Conditions being a "Condition").

Interest on the Bonds will accrue at the rate of 3.250 per cent. per annum from and including 1st June, 2018 and be payable semi-annually in arrear on 1st June and 1st December in each year commencing on 1st December, 2018.

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 "Regulated 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 Regulated Market and have been admitted to the Official List. The Regulated Market is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments, (as amended, "MiFID II").

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 A+ by S&P Global Ratings Japan 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) A+ foreign currency long-term issuer rating and (ii) A+ 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 ("S&P Europe"), 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 U.S.\$200,000 and integral multiples of U.S.\$2,000 in excess thereof. Bonds sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S of the U.S. Securities Act of 1933, as amended (the "Securities Act") ("Unrestricted Bonds") will be evidenced by a global certificate (the "Unrestricted 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 S.A. ("Clearstream, Luxembourg") on or about 1st June, 2018 (the "Closing Date"). Bonds sold in the United States to qualified institutional buyers ("QIBs") (as defined in Rule 144A under the Securities Act ("Rule 144A")) ("Restricted Bonds") will be evidenced by a global certificate (the "Restricted Global Certificate", and together with the Unrestricted Global Certificate, the "Global Certificates" and each a "Global Certificate") in registered form, which will be deposited with the custodian (the "DTC Custodian") for The Depository Trust Company ("DTC"), and registered in the name of Cede & Co. as nominee for DTC, on or about the Closing Date. Definitive certificates evidencing holdings of Unrestricted Bonds (the "Unrestricted Definitive Certificates") and definitive certificates evidencing holdings of Restricted Bonds (the "Restricted Definitive Certificates", and together with the Unrestricted Definitive Certificates, the "Definitive Certificates" and each a "Definitive Certificate") will only be available in certain limited circumstances. See "Summary of Provisions relating to the Bonds while in Global Form".

The Bonds have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States. The Bonds are being offered or sold within the United States only to QIBs in reliance on an exemption from registration provided by Rule 144A, and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Bonds, see "Subscription and Sale" and "Transfer Restrictions".

**Prospective investors should have regard to the factors described under the section headed "Risk Factors" starting on page 11. This Prospectus does not describe all of the risks of an investment in the Bonds.**

**Barclays**

**Citigroup**

**J.P. Morgan**

**Nomura**

The date of this Prospectus is 25th May, 2018.

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.

Other than the application for the admission of the Bonds to the Official List together with admission of the Bonds to trading on the Regulated 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.

This Prospectus may not be used for the purposes of an offer of the Bonds to, or a solicitation for the purchase of Bonds by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or lawful. The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Metropolis and the Joint Lead Managers to inform themselves about, and to observe, any such restrictions. For a description of certain restrictions on offers and sales of the Bonds and the distribution of this Prospectus, see "Subscription and Sale" and "Transfer Restrictions".

The Bonds have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Bonds or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense. A prospective investor should be aware that it may be required to bear the financial risks of this investment for an indefinite period of time.

The Bonds are exempt from the requirement for registration under the Financial Instruments and Exchange Act of Japan (Act 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 (Act 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 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 (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 6, paragraph (9) of 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, (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 (iii) a Japanese public corporation, financial institution or 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 No. 43 of 1957, as amended relating to the Act on Special Measures Concerning Taxation) 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, Citigroup Global Markets Inc. (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 price of the Bonds at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. 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 cease 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.**

**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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 23rd May, 2018, the mean spot rate for the U.S. dollar against yen quoted by a leading commercial bank in Tokyo was U.S.\$1.00 to ¥110.88.

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.

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## OVERVIEW

*The following is an overview of certain information contained elsewhere in this Prospectus. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. Prospective investors should also carefully consider the information set forth in "Risk Factors" below prior to making an investment decision. Capitalised terms not otherwise defined in this overview have the same meaning as elsewhere in this Prospectus. See "The Metropolis of Tokyo", amongst others, for a more detailed description of the Metropolis.*

### Overview of the Metropolis of Tokyo

Tokyo, located in the south of the Kanto Plain, roughly in the middle of the Japanese archipelago and with an area of 2,109 square kilometres as at 1st October, 2017, had a population of 13,754 thousand as at 1st March, 2018. 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 9,482,125, or 68.9 per cent. of Tokyo's population as at 1st March, 2018. Tokyo 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 36.1 million and accounts for 28.4 per cent. of the entire population of the nation as at 1st January, 2016. About 2.9 million people travel daily into the Metropolis for occupational and educational reasons. The Metropolis and seven surrounding prefectures are together referred to as the National Capital Region.

### ***Selected Statistical, Economic and Financial Information***

#### *General Information*

	<u>Tokyo</u>	<u>Japan</u>	<u>Tokyo's Share of Japan Total</u>	<u>Ranking Among Prefectures</u>
			(%)	
Area (in square kilometres) <sup>(a)</sup> .....	2,109	377,973	0.6	45
Population (in ten thousands) <sup>(b)</sup> .....	1,375	12,652	10.9	1
Number of motor vehicles (in thousands) <sup>(c)</sup> .....	4,432	81,922	5.4	2
Number of universities and colleges <sup>(d)</sup> .....	138	780	17.7	1

#### Sources:

- (a) As at 1st October, 2017. "Statistical reports on the land area by prefectures and municipalities in Japan" published by Geospatial Information Authority of Japan.
- (b) As at 1st March, 2018. Population of Tokyo: "Households and Population based on Basic Resident Register (published by the Statistics Division, Bureau of General Affairs, the Tokyo Metropolitan Government (the "TMG")). Population of Japan (provisional

estimate for 1st March, 2018): "Population Estimates – March 2018" (published by the Statistics Bureau, the Ministry of Internal Affairs and Communications (the "MIC")).

(c) As at 30th November, 2017. Surveyed by Automobile Inspection & Registration Information Association.

(d) As at 22nd December, 2017. "School Basic Survey" published by the Ministry of Education, Culture, Sports, Science and Technology.

### Economy

	<b>Tokyo</b>	<b>Tokyo's Share of Japan Total</b>
	<i>(billions of yen)</i>	<i>(%)</i>
Gross product <sup>(a)</sup> .....	¥104,339.2	19.6%
Industrial shipments <sup>(b)</sup> .....	7,748.6	2.6
Annual sales volume <sup>(c)</sup> .....	199,686.8	34.3

#### Sources:

(a) For fiscal year 2015. "Annual Report on Prefectural Accounts of Tokyo: FY2015" published by the Metropolis.

(b) For fiscal year 2016. "Census of Manufacturers, 2017" published by the Ministry of Economy, Trade and Industry ("METI").

(c) Based on survey for 2016 (survey period from 1st January, 2015 to 31st December, 2015). "Economic Census for Business Activity, 2016" published by METI.

### Revenue and Expenditure (General Account)

The following table shows for the fiscal years indicated the Metropolis' actual or estimated revenue (being receipts (including proceeds from new borrowings) by the Metropolis), expenditure (including debt repayments) and balance for its General Account. For a more detailed breakdown of Metropolis' revenues and expenditures, see "The Metropolis of Tokyo — Revenue and Expenditure — General Account".

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated in Final Budget</b>	<b>Estimated in Original Budget</b>
	<i>(millions of yen)</i>				
Revenue.....	¥6,546,693	¥6,913,752	¥6,779,695	¥7,190,359	¥7,046,000
Expenditure.....	6,403,918	6,787,125	6,598,877	7,190,359	7,046,000
Balance.....	142,775	126,628	180,818	0	0

### Outstanding Debt

The following table shows the Metropolis' outstanding long-term and short-term debt for its General Account, Special Accounts and Public Enterprise Accounts on a combined basis as of the dates indicated. For more detailed information regarding the Metropolis' outstanding debt, see "The Metropolis of Tokyo — Indebtedness — Summary of Outstanding Debt".

	<b>31st March,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(millions of yen)</i>		
Long-term debt.....	¥9,434,086	¥9,062,879	¥8,845,075
Short-term debt (excluding current portion of long-term debt)	0	0	0

## Overview of the Terms and Conditions of the Bonds

*This overview does not purport to be complete and must be read as an introduction to this Prospectus and any decision to invest in the Bonds should be based on a consideration of this Prospectus as a whole. Words and expressions defined in "Terms and Conditions of the Bonds" shall have the same meanings in this overview.*

<b>Issuer</b> .....	The Metropolis of Tokyo.
<b>Securities Offered</b> .....	U.S.\$500,000,000 3.250 per cent. Bonds due 2023.
<b>Issue Price</b> .....	99.612 per cent.
<b>Closing Date</b> .....	On or about 1st June, 2018.
<b>Delivery</b> .....	It is expected that the Unrestricted Global Certificate will be deposited with and registered in the name of, or a nominee for, a common depository for Euroclear and Clearstream, Luxembourg on or about the Closing Date, and the Restricted Global Certificate will be deposited with the DTC Custodian, and registered in the name of a nominee for DTC, on or about the Closing Date.
<b>Form and Denomination</b> .....	The Bonds are issued in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$2,000 in excess thereof, and evidenced by a Global Certificate. Definitive certificates will only be available in certain limited circumstances. See "Summary of Provisions Relating to the Bonds While in Global Form".
<b>Interest</b> .....	3.250 per cent. per annum, payable semi-annually in arrear on 1st June and 1st December in each year commencing on 1st December, 2018.
<b>Status</b> .....	The Bonds are direct, unconditional and unsecured obligations of the Metropolis and rank <i>pari passu</i> 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.
<b>Redemption at Maturity</b> .....	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 1st June, 2023.
<b>Redemption for Taxation Reasons</b> .....	If the Metropolis would on the occasion of the next payment due in respect of the Bonds be required as a result of any change in, or amendment to, the laws or regulations of Japan, or any political subdivision or any authority thereof or therein having power to tax (other than, in each case, the Metropolis), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 24th May, 2018, and 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.

<b>Withholding Tax</b> .....	All payments of principal and interest in respect of the Bonds will be made free and clear of Japanese withholding taxes, unless such withholding is required by law. In that event, the Metropolis will (subject to the exceptions provided in Condition 8) pay such Additional Amounts as will result in the Bondholders receiving such amounts as they would have received in respect of such Bonds had no such withholding been required.
<b>Cross Acceleration</b> .....	The Bonds are subject to a cross acceleration in respect of indebtedness for borrowed moneys or guarantee of indebtedness for borrowed moneys exceeding in the aggregate U.S.\$10,000,000 (or its equivalent in any other currency or currencies). See Condition 9(iii).
<b>Meetings of Bondholders</b> .....	The terms and conditions of the Bonds and the fiscal agency agreement referred to therein contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally (including changes to the principal amount, interest rate and payment dates). 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.
<b>Governing Law</b> .....	English law.
<b>Jurisdiction</b> .....	English courts.
<b>Listings and Admissions to Trading</b> .....	Application has been made to the UK Listing Authority for the Bonds to be admitted to the Official List and to the London Stock Exchange for such Bonds to be admitted to trading on the Regulated Market.  Application is also being made to Tokyo Stock Exchange for the Bonds to be listed on the TOKYO PRO-BOND Market.
<b>Credit Rating for the Bonds</b> .....	It is expected that the Bonds will be assigned a credit rating of A+ by 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 credit rating referred to above has been issued by S&P, which is not established in the European Union and is not registered under the CRA Regulation but such credit rating will be endorsed by S&P Europe, which is an entity established in the European Union and registered under the CRA Regulation.
<b>Selling and Transfer Restrictions</b> .....	The Bonds have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States. The Bonds are being offered or sold within the United States only to QIBs in reliance on an exemption from registration provided by Rule 144A, and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. See "Selling Restrictions" and "Transfer Restrictions".
<b>Use of Proceeds</b> .....	The net proceeds of the issue of the Bonds, amounting to approximately U.S.\$497 million, will be used for general purposes of the Metropolis.

**Fiscal Agent, Paying Agent, Registrar and Transfer Agent**..... Mizuho Trust & Banking (Luxembourg) S.A.

**U.S. Paying Agent, U.S. Registrar and U.S. Transfer Agent**..... Deutsche Bank Trust Company Americas.

**Securities Codes for the Unrestricted Bonds** ..... ISIN: XS1815380313  
Common Code: 181538031

**Securities Codes for the Restricted Bonds** ..... ISIN: US889124AL77  
CUSIP: 889124 AL7  
Common Code: 181542756

## RISK FACTORS

*Any investment in the Bonds is subject to a number of risks, including the risk that the Metropolis is unable to fulfil its obligations under the Bonds and certain market risks associated with the Bonds. Prior to investing in the Bonds, investors should consider carefully whether an investment in the Bonds is suitable for them in light of all of the information in this Prospectus, including the risk factors below, and their personal circumstances.*

*The Metropolis believes that the following factors may affect its ability to fulfil its obligations under the Bonds. However, the following does not address all of the risks investors may face in investing in the Bonds. Additional risks and uncertainties relating to the Metropolis that are not currently known to the Metropolis or that the Metropolis currently deems immaterial, may individually or cumulatively have a material adverse effect on the ability of the Metropolis to fulfil its obligations under the Bonds and, if any such risks or uncertainties should be realised, the value of the Bonds may decline and investors could lose all or part of their investment. 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 Related to the Metropolis**

***Factors affecting the Metropolis' revenues and expenditures could have adverse effects on its ability to fulfil its payment obligations under the Bonds.***

The Metropolis relies on revenues, mostly in the form of tax revenues, to support its budgeted expenditures, which includes payments of interest and principal on its outstanding bonds. Events, trends or other circumstances, especially those that are outside the control of the Metropolis, that result in a larger decrease in revenues or an increase in expenditures, relative to each other, could impair the Metropolis' ability to maintain a balanced budget.

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 or larger than anticipated public spending needs due to acts of nature and large-scale disasters causing social turmoil (including large earthquakes, tsunamis, typhoon and floods), chaos and anarchy due to terrorism, war or other acts, changes in social structures or population demographics (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, including with respect to the structure of national, prefectural and local taxes. These and other factors could contribute to a decrease in revenues or increase in expenditure and accordingly may influence the Metropolis' implementation of the budget.

In addition, in preparation for Tokyo's hosting of the 2020 Olympic and Paralympic Games (together, the "Games"), the Metropolis, the Tokyo Organising Committee of the Olympic and Paralympic Games and the Japanese Government have engaged in discussions regarding the preparation process for the Games as a whole, including organisation of the venues and facilities, as well as security and transportation. Certain issues such as the increased threat of terrorism and rising material and labour costs, could result in the total cost of the Games being higher than anticipated.

In addition, 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, if the Metropolis' actual revenues are lower than the budgeted amount, due to recession or downtrend in the macro economy, for example, the Metropolis' expenditure may remain in accordance with the original budgeted amount (or could increase for unrelated reasons) and consequently may cause a budget deficit of the Metropolis.

The Metropolis also operates public enterprises in compliance with market principles and accordingly takes business risks comparable to that of private enterprises. 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. While these public enterprises are viewed separately from the Metropolis' general and special accounts for budget purposes, 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.

***If Japanese economic conditions do not improve or if they worsen, the Metropolis' revenues and financial condition may be negatively affected.***

Prospective investors in the Bonds should be aware of the challenges faced by the Japanese economy in general. Although there have been signs of economic recovery in the United States and other large economies, this recovery may be fragile and partially attributable to the effects of various government economic stimulus efforts. In Japan, following declines over the two consecutive three-month periods ended 30th September, 2012, nominal GDP returned to growth in the three-month period ended 31st December, 2012. Since then, while there have been declining three-month periods, Japanese nominal GDP steadily grew on an annual basis through the year ended 31st March, 2017. With respect to the fiscal year ended 31st March, 2018, three three-month periods during the nine months ended 31st December, 2017 have shown nominal GDP increases compared to the previous quarter (source: Cabinet Office, Government of Japan). The sustainability of the global recovery is uncertain, particularly after the effects of various government stimulus programmes subside. Concerns about conditions in certain European countries have contributed to economic instability throughout the region. The European Central Bank continues to take quantitative easing action, including maintaining negative rates on deposits and expanding its asset purchase programme to include bonds issued by euro area central governments, agencies and European institutions, which could lead to distortions in the economy due to the heavy involvement by the government. The United Kingdom's upcoming exit from the European Union as a result of the referendum held in June 2016, geopolitical instability in other various parts of the world, including Asia, Eastern Europe, the Middle East and North Africa, material changes in regional economic or political unions or associations between countries, and the uncertain impact of the policies pursued by the new presidential administration in the United States, could also contribute to economic instability in those and other regions and affect Japanese and global economic conditions. The outlook for the Japanese and other global economies is uncertain, and the current trend of consistent positive annual nominal GDP growth in Japan may not continue. Additionally, it is possible that another global economic downturn could occur.

In Japan, economic conditions have shown some improvement in recent years due in part to the policies of Prime Minister Shinzo Abe's administration, known as "Abenomics", consisting of an aggressive monetary policy, flexible fiscal policy and growth strategies that promote private investment, and the monetary easing measures aimed at overcoming deflation implemented by the Bank of Japan (including the introduction of negative interest rates on deposits by the Bank of Japan and yield curve control measures it announced in September 2016). However, the future outlook of the Japanese economy remains uncertain. Particular concerns include whether and to what extent the measures implemented by the Bank of Japan and the Japanese government will succeed in ending deflation, as well as the potential negative consequences of an increasing budget deficit. The increase in the Japanese consumption tax rate from 8 per cent. to 10 per cent. scheduled to take effect in October 2019 could hurt consumer spending and the economy as a whole and weaken demand. The long term impact on Japan's economy, trade balance, interest rates and fiscal position of Abenomics, increases in the consumption tax rate and other measures remains uncertain.

Challenges for the Japanese economy also include an increased dependence on LNG and other energy imports as a result of the nuclear accident at the Fukushima Daiichi Nuclear Plant and suspension of operations at other nuclear power plants. A weakened yen would make these imports more expensive. In addition, over the long term, Japan faces demographic challenges, such as an ageing workforce and population decrease, and high levels of public debt and associated debt servicing payments.

Any such factors affecting the Japanese economy as a whole may also adversely affect the Metropolis' revenues and financial position.

***The Metropolis' credit rating is linked to Japan's sovereign debt rating, which means a downgrading of Japan would likely result in a downgrading of the Metropolis.***

Due to the Metropolis' status as a local government body in Japan, any rating action taken with respect to Japan can be expected to impact the Metropolis' ratings, including the rating applicable to the Bonds. For example, on 16th September, 2015, S&P lowered Japan's long-term sovereign credit rating from AA- (Negative Outlook) to A+ (Stable Outlook), noting that economic support for Japan's sovereign creditworthiness has continued to weaken in the past three to four years, and despite showing initial promise, the government's strategy to revive economic growth and end deflation appears unlikely to reverse this deterioration in the next two to three years. As a result, on 17th September, 2015, S&P downgraded the Metropolis' long-term issuer credit and debt ratings from AA- (Negative Outlook) to A+ (Stable Outlook), noting its belief that notwithstanding the Metropolis having the strongest tax base and healthiest financial profile among Japan's local government bodies, Japan is likely to constrain the Metropolis' rating given the financial inflexibility that arises from the centralised nature of Japan's

tax structure and rigidly defined mandatory expenses (source: S&P RatingsDirect® "Japan's Aichi, Osaka and Yokohama Downgraded To 'A+/A-1', Tokyo to 'A+', After Sovereign Downgrade; Outlooks Stable"). S&P has since revised the rating outlook from Stable Outlook to Positive Outlook on 16th April, 2018 (source: S&P RatingsDirect® "Outlooks On Three Japanese Local and Regional Governments Revised To Positive Following Sovereign Action").

While the Metropolis has not experienced any significant negative effects as a result of those rating actions, such as increased costs or difficulty in raising funds, any further adverse rating actions may adversely affect the Metropolis, and there can be no assurance that Japan's sovereign rating will not be downgraded further in the future. Investors should also note that notwithstanding the close linkage between Japan's sovereign rating and the Metropolis' issuer credit and debt rating, the Metropolis' debts (including the Bonds) are not direct or indirect obligations of Japan or guaranteed in any way by Japan.

#### **Factors Related to the Bonds**

***The terms and conditions of the Bonds are subject to modification and waivers that could adversely affect the rights of certain Bondholders.***

The terms and conditions of the Bonds and the fiscal agency agreement referred to therein contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally (including changes to the principal amount, interest rate and payment dates). 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.

***Changes in law after the issuance of the Bonds could have an adverse effect on the Bondholders.***

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. Certain changes to Japanese tax law may give the Metropolis the option to redeem the Bonds before their maturity, which redemption could reduce the return on investment as compared to what could have been achieved had the Bonds been redeemed at maturity.

***Any adverse change in an applicable credit rating could adversely affect the trading price for the Bonds.***

The Bonds have been assigned a credit rating of A+ by S&P. This credit rating has been issued by S&P, which is not established in the European Union and is not registered under the CRA Regulation but has been endorsed by S&P Europe, which is an entity established in the European Union and registered under the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Bonds. Under the CRA Regulation, certain investors may generally only use a credit rating for regulatory purposes in the European Union if the credit rating is issued by a credit rating agency established in the European Union and registered in accordance with the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the CRA Regulation). Investors who wish to use a credit rating for regulatory purposes in the European Union should consider whether a credit rating assigned to an issue of Bonds may be used for this purpose.

***The Bonds will be issued with a minimum denomination of U.S.\$200,000.***

Although the Bonds have a minimum denomination of U.S.\$200,000 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, as the denominations of the Bonds comprise U.S.\$200,000 and integral multiples of U.S.\$2,000 in excess thereof, it is possible that the Bonds may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of Bonds of less than U.S.\$200,000 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 U.S.\$200,000. Definitive Certificates that have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid or difficult to trade.



***There is no active trading market for the Bonds.***

The Bonds will be new securities for which there is no established trading market, 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. Although applications are being made for the Bonds to be admitted to the Official List, and to the London Stock Exchange for the Bonds to be admitted to trading on the Regulated Market, and an application is also being made to the Tokyo Stock Exchange for the Bonds to be listed and traded on the TOKYO PRO-BOND Market, there is no assurance that such applications will be accepted or that an active trading market will develop even if such applications are accepted. 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.

***The Bonds may be redeemed prior to maturity.***

In the event that the Metropolis would be obliged to increase the amounts payable to the Bonds due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Japan or any political subdivision thereof or any authority therein or thereof having power to tax, the Metropolis may redeem all outstanding Bonds in accordance with the Conditions.

***Bondholders will be subject to exchange rate related risks.***

The Metropolis will pay principal of and interest on the Bonds in U.S. dollars. 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 U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar 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 U.S. dollar 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. Exchange rates could also be affected by exchange controls imposed by governmental or monetary authorities. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***Because the Bonds evidenced by the Global Certificates are held by or on behalf of DTC or Euroclear and Clearstream, Luxembourg, as applicable, investors will have to rely on their procedures for transfer, payment and communication with the Metropolis.***

The Restricted Bonds initially will be evidenced by the Restricted Global Certificate, registered in the name of a nominee for DTC and deposited with the DTC Custodian, and the Unrestricted Bonds initially will be evidenced by the Unrestricted Global Certificate, registered in the name of or a nominee for, and deposited with a common depositary for, Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive Definitive Certificates. DTC or Euroclear and Clearstream, Luxembourg, as applicable, will maintain records of the beneficial interests in the Global Certificates.

While the Bonds are evidenced by a Global Certificate, investors will be able to trade their beneficial interests only through DTC or Euroclear and Clearstream, Luxembourg, as applicable, and the Metropolis will discharge its payment obligations under the Bonds by making payments through DTC or Euroclear and Clearstream, Luxembourg, as applicable, for distribution to their account holders. Accordingly, a holder of a beneficial interest in Bonds evidenced by a Global Certificate must rely on the procedures of DTC or Euroclear and Clearstream, Luxembourg, as applicable, to receive payments under the Bonds. The Metropolis has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificates.

Holder of beneficial interests in Bonds evidenced by a Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by DTC or Euroclear and Clearstream, Luxembourg, as applicable, to appoint appropriate proxies. Similarly, holders of beneficial interests in the Bonds evidenced by a Global Certificate will not have a direct right under such Global Certificate to take enforcement action against the Metropolis in the event of a default under the Bonds but will have to rely upon their rights under the Deed of Covenant.

## 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 (including the expected costs and economic impact associated with the Games) 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' revenues, expenditures or financial condition to differ materially from those in the forward looking statements include, among other factors described in this Prospectus, changes in the policies, visions or plans of the Metropolis or Japan, changes in social structures, population demographics and other assumptions, changes in the costs or economic impact associated with the Games, 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.

## ENFORCEABILITY OF CIVIL LIABILITIES

As a matter of English law, 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. However, in view of the absence of a specific consent to relief or enforcement, 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 U.K. State Immunity Act 1978 (the "State Immunity Act") 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 the State Immunity Act).

The Metropolis has not agreed to waive any immunity it may have as a foreign government in U.S. courts nor has it submitted to the jurisdiction of any U.S. court, or appointed any agent for service of process in the United States in connection with any action or proceeding arising out of or relating to the Bonds. In addition, all or substantially all of the officials of the Metropolis are resident, and all or substantially all of the assets of the Metropolis are located, in Japan. As a result, it may not be possible for Holders of the Bonds to effect service of process within the United States upon the Metropolis or its officials or to enforce against the Metropolis or such persons judgments obtained in U.S. courts, whether predicated upon the civil liability provisions of the U.S. federal or state securities laws or other laws of the United States.

Under certain circumstances, a U.S. court could determine that the United States Foreign Sovereign Immunity Act of 1976 precludes the granting of sovereign immunity in an action or proceeding against the Metropolis even without the Metropolis waiving its immunity. However, even if a U.S. judgment could be obtained against the Metropolis as a result, it may not be possible to enforce such judgment against the Metropolis or its officials or to obtain a judgment in Japanese court based on such judgment. The Metropolis has been advised by its Japanese counsel, Nagashima Ohno & Tsunematsu, that in original actions or in actions for enforcement of judgments of U.S. courts brought before Japanese courts, there is doubt as to the enforceability in Japan of liabilities based solely on U.S. federal and state securities laws.

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.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Bonds, amounting to approximately U.S.\$497 million, will be used for general purposes of the Metropolis.

## **PRESENTATION OF FINANCIAL INFORMATION**

This Prospectus includes financial information for the Metropolis based on several types of accounts and accounting procedures that are either required by law to be prepared by the Metropolis or which are prepared by the Metropolis to supplement the statutorily required primary accounts. The financial information in this Prospectus includes: (i) information derived from account settlement information for the Metropolis' General Account, Special Accounts and Public Enterprise Accounts based on local government accounting procedures, (ii) selected portions of the Metropolis' financial statements prepared in accordance with Tokyo Metropolitan Government Accounting Standards and (iii) account settlement information for the Metropolis' Ordinary Account reported to the MIC. As a result of the different preparation methodologies and accounts covered, information presented for a given fiscal period may not be directly comparable across these three categories of financial information.

### **Account Settlement Information based on Local Government Accounting Standards ("Local Government Accounting Standards")**

Each local public body in Japan, including the Metropolis, is required pursuant to the Local Autonomy Act of Japan (Act No. 67 of 1947) (the "Local Autonomy Act") to prepare an annual statement of revenues and expenditures for budgetary purposes. This account settlement information is prepared on a cash basis in accordance with Local Governmental Accounting Standards and must be approved by the Tokyo Metropolitan Assembly (the "Assembly"). Japanese local government account settlements contrast actual revenues earned and expenses incurred during the local government's fiscal year (1st April to 31st March) against budgets prepared using estimated revenues and expenses for the same fiscal year. Account settlement information allows the Metropolis, taxpayers and investors to assess the efficiency and accuracy of the budget, and also provides a basis and framework for the budget for the following fiscal year. Account settlement information prepared on the basis of Local Government Accounting Standards presented herein covers the Metropolis' General Account, Special Accounts and Public Enterprise Accounts.

### **Financial Statements Prepared in Accordance with Tokyo Metropolitan Government Accounting Standards (the "Metropolis Accounting Standard Financial Statements")**

Since April 2006, the Metropolis has prepared annual financial statements for its General Account and Special Accounts based on accrual basis accounting and double-entry bookkeeping procedures in addition to the above-mentioned account settlement information prepared using Local Government Accounting Standards. These financial statements are prepared in accordance with the Tokyo Metropolitan Government Accounting Standards, an accounting standard developed by the Metropolis and adopted in 2006. The Metropolis Accounting Standard Financial Statements are published annually as reference material for the account settlement information prepared using Local Government Accounting Standards. The Metropolis Accounting Standard Financial Statements comprise (1) a balance sheet; (2) a statement of operating cost; (3) a cash flow statement; and (4) a statement of changes in net assets and are audited each year by the Audit and Inspection Commission of the TMG to determine whether the financial statements have been prepared in accordance with the Tokyo Metropolitan Government Accounting Standards. The Metropolis believes these financial statements provide useful supplemental information regarding the Metropolis' financial status and condition when read together with the account settlement information prepared using Local Government Accounting Standards. Certain portions of the Metropolis Accounting Standard Financial Statements for the fiscal years 2014, 2015 and 2016 have been included in Annex A to this Prospectus.

### **Account Settlement Information based on Ordinary Accounts in Accordance with Criteria Established by the MIC (the "Metropolis Ordinary Accounts")**

Each Japanese local public body is also required to prepare and submit a report to the Japanese Government each year on its revenues and expenditures attributable to its Ordinary Accounts. Ordinary Accounts is a standardised classification established by the MIC for compiling local government accounting statistics that allow the MIC to clarify the financial condition of local public bodies and to make a statistical comparison between local public bodies since the scope of each local public body's General and Special Accounts may vary. Revenues, expenditures and other information presented herein for the Metropolis' Ordinary Accounts refers to this information prepared and reported by the Metropolis to the MIC on the basis described above. Information in this Prospectus that has been prepared on this basis is referred to as "Ordinary Account Presentation (MIC basis)".

**Revenues and Expenditures**

References to the revenues of the Metropolis in this Prospectus comprise receipts of the Metropolis including proceeds from new borrowings incurred by the Metropolis in the relevant period. References to expenditures of the Metropolis in this Prospectus include debt repayments made by the Metropolis in the relevant period.

## THE METROPOLIS OF TOKYO

### Introduction

Tokyo, located in the south of the Kanto Plain, roughly in the middle of the Japanese archipelago and with an area of 2,109 square kilometres as at 1st October, 2017, had a population of 13,754 thousand as at 1st March, 2018. 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 9,482,125, or 68.9 per cent. of Tokyo's population as at 1st March, 2018. Tokyo 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 36.1 million and accounts for 28.4 per cent. of the entire population of the nation as at 1st January, 2016. About 2.9 million people travel daily into the Metropolis for occupational and educational reasons. The Metropolis and seven surrounding prefectures are together referred to as 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 in-bound migration from other prefectures.

The following table compares certain demographic and other metrics of Tokyo with the rest of the country:

	Tokyo	Japan	Tokyo's Share of Japan Total (%)	Ranking Among Prefectures
Area ( <i>in square kilometres</i> ) <sup>(a)</sup> .....	2,109	377,973	0.6%	45
Population ( <i>in ten thousands</i> ) <sup>(b)</sup> .....	1,375	12,652	10.9	1
Number of motor vehicles ( <i>in thousands</i> ) <sup>(c)</sup> .....	4,432	81,922	5.4	2
Number of universities and colleges <sup>(d)</sup> .....	138	780	17.7	1
Number of newspapers published ( <i>in thousands</i> ) <sup>(e)</sup> .....	4,427	42,128	10.5	1
Number of movie theatres <sup>(f)</sup> .....	288	1,448	19.9	1
Number of hospitals <sup>(g)</sup> .....	646	8,404	7.7	1

Sources:

- (a) As at 1st October, 2017. "Statistical reports on the land area by prefectures and municipalities in Japan" published by Geospatial Information Authority of Japan.
- (b) As at 1st March, 2018. 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 March, 2018): "Population Estimates – March 2018" (published by the Statistics Bureau, the MIC).
- (c) As at 30th November, 2017. Surveyed by Automobile Inspection & Registration Information Association.
- (d) As at 22nd December, 2017. "School Basic Survey" published by the Ministry of Education, Culture, Sports, Science and Technology.

- (e) As of October 2017. Surveyed by The Japan Newspaper Publishers & Editors Association.
- (f) As at 31st March, 2017. "Report on Public Health Administration and Services 2016" published by the Ministry of Health, Labour and Welfare.
- (g) As at 31st December, 2017. "Survey of Medical Institutions" published by the Ministry of Health, Labour and Welfare.

### ***Action Plan towards 2020: For the Achievement of a "New Tokyo"***

In December 2016, the TMG formulated a new 4-year action plan towards 2020, which is aimed at delivering a successful Games in 2020 and ensuring measures for a bright future for Tokyo. The plan incorporates policies and measures in a broad range of areas, including welfare, disaster preparedness, industry and the environment, that are designed to realise the achievement of a "New Tokyo" with the following three elements: (1) a place where people can live safely and vibrantly with hope, (2) a sustainable society with continuous new growth, and (3) a shining city in the world as the growth engine of Japan.

The plan is guided by three main visions for the achievement of a "New Tokyo": "Safe City", "Diverse City", and "Smart City". In January 2018, based on a review of existing policies as well as the formulation of new policies, the TMG released an update that further developed the original action plan and included further actions intended to realise the three main visions. The update also included amendments designed to reflect changes in societal moods and developments needs of Tokyo residents.

For each of the three main visions of Tokyo, the following specific policies and measures have been developed:

#### *Safe City: A safer, more secure, more vibrant capital*

1. Building an earthquake-resilient city
2. Strengthening disaster response through collaborative efforts
3. Improving disaster preparedness for heavy rains and landslides
4. Renewing and increasing the life-expectancy of infrastructure
5. Securing safety and security
6. Revitalising local communities
7. Promoting the Tama district and the islands of Tokyo

#### *Diverse City: Where everyone can lead vibrant lives and be successful*

1. Building an environment where people can feel secure about raising children
2. Realising a society where senior citizens can live with peace of mind
3. Realising a society where sufficient medical treatment is available and where people live healthy lives
4. Realising a society where people with disabilities can lead vibrant lives
5. Realising a society where anyone can actively participate
6. Creating a more thoughtful society
7. Realising a society where anyone can cultivate future generations
8. Realising a society where anyone can enjoy sports

#### *Smart City: Advanced environmental city, global financial and economic centre open to the world*

1. Realising a smart energy city



2. Creating a comfortable and rich urban environment
3. Creating and preserving a rich natural environment
4. Becoming a global financial and economic centre
5. Forming the transportation and logistics network
6. Creating an integrated and multifunctional city
7. Becoming a more welcoming international tourist destination
8. Promoting arts and culture

In addition, the plan formulates a strategy, called the "FIRST Strategy", for ensuring a sustainable growth trajectory for Tokyo. The FIRST Strategy outlines five pillars for growth, each represented by a letter in the acronym, "FIRST".

1. *Finance*: Becoming a global financial and economic centre
2. *Innovation*: Innovating with new technologies and ideas
3. *Rise*: Growing existing strengths to create a more vibrant city
4. *Success*: Creating a city where anyone can participate and be successful
5. *Technology*: Accelerating growth with new technologies

## **Administration**

### ***General***

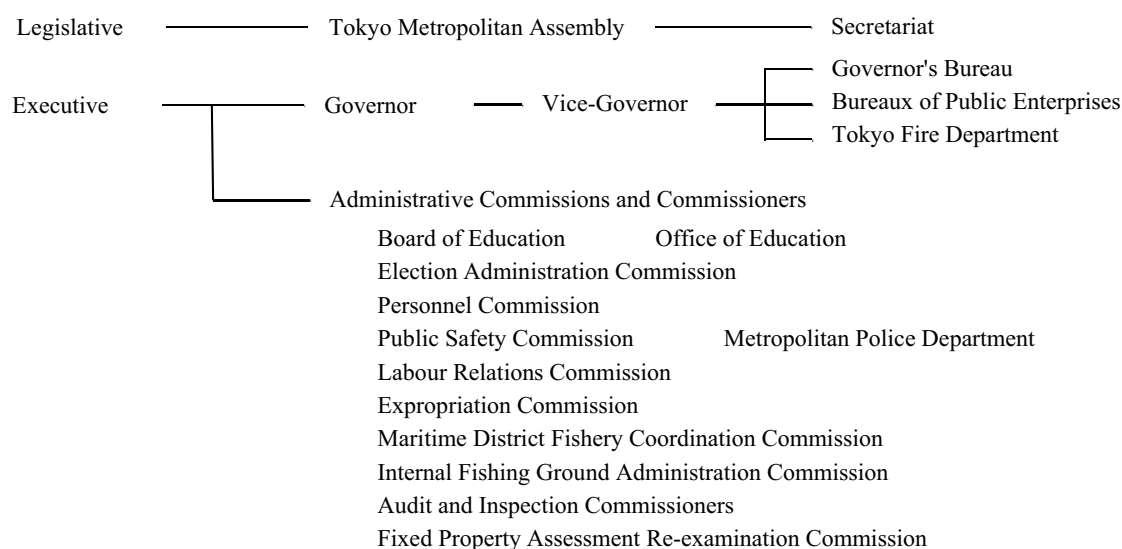
The Metropolis of Tokyo is one of the ordinary local public bodies provided for by the Local Autonomy Act. It is unique among local public bodies in Japan in that it exercises powers of prefectural administration over its 23 special wards (each of which is a special local public body) and over its cities, 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 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 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 18 years old are eligible to vote after continuous residence for three months. The most recent general election was held on 2nd July, 2017.

The composition of the Assembly in terms of political parties, as at 31st January, 2018 is shown below:

	<b>Number of Assembly Members</b>
TOMIN First.....	53
Tokyo Komei.....	23
Liberal Democratic Party .....	23
Japanese Communist Party .....	18
The Democratic Party of Japan .....	5
KAGAYAKE Tokyo .....	2
Non-partisan ( <i>Nippon Ishin</i> ).....	1
Non-partisan (Seikatsusha Network).....	1
Total .....	<u>126</u>

Note:

(a) One seat was vacant as at 31st January, 2018.

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 she 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, she must resign unless she 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 she 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 31st July, 2016. She 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 her 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.

Firefighting 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 firefighters.

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 numbers of employees, including short-time employees who were reappointed after retiring from full-time positions, and excluding employees who are temporarily retired, temporary employees, part-time employees and similar such staff, of the Metropolis in the fiscal years 2016, 2017 and 2018, which are stipulated in the by-laws of the Metropolis, are 166,819, 167,577 and 168,106, respectively.

### ***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, 60.3 per cent. in fiscal year 2016) of all Japanese privately-owned enterprises with a paid-in capital of more than ¥5 billion.

## Gross Product

The gross product of Tokyo in the fiscal year 2015 was ¥104,339.2 billion, which accounted for 19.6 per cent. of the gross domestic product of Japan. Per capita income in Tokyo in the fiscal year 2014 was ¥4,512 thousand, about 1.48 times higher than the national average.

The following table sets forth a breakdown of the gross product of Tokyo for the fiscal years 2013, 2014 and 2015 by category of business:

	FY 2013		FY 2014		FY 2015	
	Actual		Actual		Actual	
	(billions of yen)	(%)	(billions of yen)	(%)	(billions of yen)	(%)
Services .....	¥18,489.8	18.2%	¥19,125.7	18.7%	¥19,439.2	18.6%
Wholesale and Retail Trade	22,218.4	21.8	20,427.3	20.0	21,052.1	20.2
Finance and Insurance .....	8,890.9	8.7	8,872.2	8.7	8,976.7	8.6
Manufacturing .....	8,631.1	8.5	8,893.0	8.7	8,962.2	8.6
Public Administration .....	3,717.7	3.7	3,965.8	3.9	3,902.7	3.7
Transport and Postal Services .....	4,575.6	4.5	4,740.3	4.6	4,843.5	4.6
Information and Communications.....		10.4		10.7		10.7
	10,577.2		10,911.3		11,194.9	
Construction .....	4,812.2	4.7	4,990.9	4.9	5,305.6	5.1
Others .....	19,788.4	19.5	20,414.3	19.9	20,662.3	19.8
<b>Total .....</b>	<b>¥101,701.3</b>	<b>100.0%</b>	<b>¥102,340.8</b>	<b>100.0%</b>	<b>¥104,339.2</b>	<b>100.0%</b>

Notes:

- (a) Amounts calculated based on current prices.
- (b) The categories of business were reclassified in March 2018 and the figures in the table above retroactively reflect the new classification.
- (c) Services includes (a) accommodation and restaurant services, (b) professional, technical and supporting services and (c) other services.

Source: "Annual Report on Prefectural Accounts of Tokyo: FY 2015" 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's functionality as a commercial city is increasing as its industrial importance decreases. According to the Economic Census for Business Activity in 2016, the numbers of stores, persons engaged in retail and wholesale trade, and annual sales volume for retail and wholesale combined in Tokyo were the highest in the nation, accounting for 11.1 per cent., 16.8 per cent. and 34.3 per cent., respectively, of the national totals. 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 for 2016:

	Tokyo	Japan	Tokyo's Share of Japan Total (%)
<i>Wholesale</i>			
Number of stores .....	54,057	364,814	14.8%
Number of persons engaged .....	1,052,359	3,941,646	26.7
Annual sales volume (in billions of yen) .....	179,112	436,523	41.0

	<u>Tokyo</u>	<u>Japan</u>	<b>Tokyo's Share of Japan Total</b> (%)
<i>Retail</i>			
Number of stores .....	96,671	990,246	9.8
Number of persons engaged .....	896,240	7,654,443	11.7
Annual sales volume (in billions of yen) .....	20,574	145,104	14.2
<i>Total</i>			
Number of stores .....	150,728	1,355,060	11.1
Number of persons engaged .....	1,948,599	11,596,089	16.8
Annual sales volume (in billions of yen) .....	199,687	581,626	34.3

Source:

"Economic Census for Business Activity, 2016" published by METI.

Note:

Number of stores and number of persons engaged are based on survey conducted on 1st June, 2016. Annual sales volume based on data for period from 1st January, 2015 to 31st December, 2015.

### ***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 2016 amounted to ¥7.7 trillion, accounting for 2.6 per cent. of the national total and ranking 14th 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 3.6 per cent., respectively, of the totals.

The following table gives a breakdown of Tokyo's major manufacturing industries by value of industrial shipments in 2016:

	<b>Value of Industrial Shipments</b> (billions of yen)	<b>Share of Tokyo's Total</b> (%)	<b>Share of Japan's Total</b> (%)
Transportation equipment.....	¥1,789.8	23.1%	2.8%
Printed products.....	767.8	9.9	15.2
General machinery.....	844.8	10.9	2.4
Electrical machinery and equipment .....	798.0	10.3	4.9
Food.....	722.3	9.3	2.6
Information and communication equipment.....	576.8	7.4	8.1
Chemical industry products .....	375.7	4.8	1.4
Others .....	1,873.4	24.2	1.6
Total .....	<u>¥7,748.6</u>	<u>100.0%</u>	<u>2.6%</u>

Source: "Census of Manufacturers, 2017" published by 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 in 2016:

Exports ( <i>in billions of yen</i> ) .....	5,820
Imports ( <i>in billions of yen</i> ) .....	10,587
Number of arriving vessels.....	22,665
Gross tonnage of arriving vessels ( <i>in thousand tons</i> ).....	170,427
Cargo handled ( <i>in thousand tons</i> ).....	85,954

Source:

"The State of the Port of Tokyo, 2016" published by the Metropolis.

As at 31st December, 2017, the number of subscriptions to broadband services in Tokyo stood at 47,063,334, 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 March, 2017, 34.1 per cent. of total Japanese bank deposits were held by banks located in Tokyo and 42.4 per cent. of total bank loans were advanced in Tokyo, according to statistics published by the Bank of Japan.

### **Major Activities of the TMG**

#### ***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, 2018, 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 to "Ensure the safety and security of housing" and to "Develop housing and communities that will last for generations". This focus is to achieve higher standards that suit a mature city with declining birth-rates and ageing population.

#### ***Roads, Rivers and Parks***

##### ***Roads***

There were approximately 24,558 kilometres of roads in Tokyo in April 2017, of which 2,364 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 2017, there were 11,748 urban parks and other green areas in Tokyo with a combined expanse of approximately 7,802 hectares or 5.70 square metres per head of population. The TMG attaches great importance to the provision of parks and other green areas and has plans to open another 170 hectares of Tokyo Metropolitan parks by approximately 2024.

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 15 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 2016, these services carried a total of about 3.40 million passengers daily. During the fiscal year 2011, in the 23 special wards, these services carried a total of about 2.90 million passengers daily, representing approximately 10.2 per cent. of all people using public transport facilities in the 23 special wards. During the fiscal year 2016, there were 1,464 buses in service, transporting approximately 600 thousand passengers daily on 129 routes. The underground railways operated by the TMG, which total 109.0 business kilometres in length, are the Asakusa Line, the Mita Line, the Shinjuku Line and the Ōedo Line. During the fiscal year 2016, the underground railways carried an average of about 2.67 million passengers daily. The only remaining tramline is the Tokyo Sakura Tram (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 4.18 million cubic metres of drinking water per day on average to approximately 13.30 million inhabitants of the 23 special wards and of 26 cities and towns in the Tama district, the total area supplied extending to 1,239 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 and Tamagawa 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 regional sewerage system, while the individual municipal governments in the district are responsible for the branch pipes connecting with the main pipes. In 1994, the sewerage system coverage rate reached nearly 100 per cent. of the population of the 23 special wards, and the current sewerage system coverage rate in Tama district is approximately 99 per cent.

## ***Social Services***

### *Welfare*

#### *Senior Citizens*

In January 2018, there were approximately 3.08 million people aged 65 years or older living in Tokyo. Of these senior citizens, 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 senior citizens who are bed-ridden or suffering loss of mental acuity with care services under the system. The TMG also assists other senior citizens by introducing employment opportunities and providing subsidies and counselling to old people's clubs to encourage their social activities.

#### *People with Disabilities*

As at 31st January, 2018 there were more than 665 thousand people with disabilities 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 people with disabilities 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 people with disabilities and (vi) promotes social activities for the disabled.

#### *Children*

The child (under 18 years old) population of Tokyo was approximately 1.86 million in January 2018. 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 address environmental issues, the TMG formulated the Tokyo Metropolitan Environmental Master Plan (the "Environmental Master Plan") in March 2016 based on which the TMG promotes various policies to protect the environment. These policies address certain measures that are part of the new international framework for reduction of greenhouse gas emissions agreed at the Paris Climate Conference (COP21) and issues of energy consumption efficiency after the Great East Japan Earthquake in 2011, while also responding to newer issues including increased resource constraints and demand for preservation of biodiversity, with the goal of promoting Tokyo as a sustainable city, capitalizing on the opportunity presented by the 2020 Tokyo Olympics and Paralympics, and showing that Tokyo can be the "world's most environmentally-advanced city" by achieving both environmental policies and economic growth in harmony. The TMG has set proactive targets including the target for reduction of greenhouse gas emissions and promotes various measures as follows:

1. Sound operation of an urban cap-and-trade system and enhancement of energy conservation measures by small-to-medium businesses and households;
2. Increase the introduction of renewable energy and take measures to transform into a "hydrogen society";
3. Sustainable use of resources to mitigate resource depletion;



4. Increase green areas to promote biodiversity, including the planting of Japanese native plant species;
5. Improve air quality including through PM2.5 measures aimed to reduce particulate matter; and
6. Cultivate human resources to be responsible for the next generation.

## *Education*

### *School Education*

As at 1st May, 2017, there were 995 kindergartens, 27 accredited early childhood education and care centres, 1,335 elementary schools, 807 junior high schools, 6 unified elementary and junior high schools, 429 senior high schools, 8 six-year high schools, 70 special needs schools and 557 other schools such as higher technical schools in Tokyo, which figures include both public and private schools. A total of approximately 1.58 million infants and students attend these 4,234 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., 62 per cent. and 37 per cent., respectively, of all infants and students attending such schools.

Public kindergartens, accredited early childhood education and care centres, elementary schools, junior high schools and unified elementary and junior high schools are principally administered by the municipal governments, whereas senior high schools, six-year high schools and special needs schools are principally 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 promote cultural activities amongst its residents. In this regard it often acts in concert with municipal governments.

#### *Sports Promotion*

In order to make the 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. In March 2017, the TMG estimated that the Games can be expected to generate, during the period from 2013 to 2030, approximately ¥32 trillion for the Japanese economy, including approximately ¥20 trillion for Tokyo, and may create approximately 1.94 million jobs in Japan, including approximately 1.3 million jobs in Tokyo. These calculations reflect the expected direct impact of the Games and a legacy effect which is defined as an expected increase in demand based on scenarios of various programmes and policies that the TMG will implement for the post-Games period until 2030, such as converting the Olympic village for public use.

The TMG has reserved ¥379.0 billion (balance as of 31st March, 2017) as the hosting reserve fund for the Games and to address a portion of the expenditures expected to be borne by the TMG in connection with hosting the Games. Based on a basic agreement reached among the TMG, the Tokyo Organising Committee of the Olympic and Paralympic Games and the Japanese Government in May 2017 regarding the division of responsibilities (costs) in connection with hosting the Games, it is expected that the TMG will contribute approximately ¥600 billion in total to cover permanent venues and facilities, temporary facilities, security and other related costs. Among them, the TMG has estimated that its expenditure with respect to the construction and improvement of permanent venues and facilities which will be used in the Games may amount to around ¥225.0 billion. See "Risk Factors — Factors Related to the Metropolis — Factors affecting the Metropolis' revenues and expenditures could have adverse effects on its ability to fulfil its payment obligations under the Bonds".

The TMG has pursued and continues to pursue various policies intended to allow all residents to enjoy sports as a lifelong activity anywhere and at any time. The aim of TMG under such policies is that 70 per cent. of the residents of the TMG will be involved in sports activities at least once a week. The aim of the TMG is to revitalise Tokyo and its residents through sports, under the concept of "Sports City Tokyo". Under such concept, the TMG promotes the hosting of sports events including the annual Tokyo Marathon and the administration of sports facilities such as the Tokyo Metropolitan Gymnasium, encouraging a healthy, active lifestyle and aiming for an inclusive society and revitalizing the area and its economy.

#### *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 2017, the annual turnover of perishable commodities comprised 407,653 tons of marine produce, 2,029,671 tons of agricultural produce, 78,147 tons of meat, 970 million pieces of cut flowers, cut leaves and cut branches, 59 million potted flowers and 4 million boxes of young plants and other products.

#### ***Industry and Employment***

##### *Industry*

The present situation with regard to industry in Tokyo is described under the caption "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 operations through loan facilities. In the tourism industry, the Metropolis takes 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 order to improve rapid response to natural disasters including earthquakes, storms, floods and volcanic eruptions, the "Safe City Tokyo Disaster Prevention Plan" was introduced in March 2018. Looking towards the Games, the plan aims to further improve the understanding, self-help, mutual assistance and cooperation of residents, as well as promote rapid response measures to natural disasters. The TMG intends to further 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.

### *Firefighting 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 firefighting responsibility to the Tokyo Fire Department. As at 1st April, 2018, it operated 292 fire stations and fire station branches and 2,679 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, 2018, 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**

The Metropolis prepares annual statements of revenues (being receipts by the Metropolis) and expenditures, as required by the Local Autonomy Act. This account settlement information is prepared on a cash basis in accordance with Local Governmental Accounting Standards and covers the Metropolis' General Account and Special Accounts. Account settlement information for each of the Metropolis' Public Enterprise Accounts is prepared on a separate basis. As described below and in "Presentation of Financial Information", the Metropolis also prepares financial statements based on accrual basis accounting.

The Metropolis is also required to prepare and submit a report to the Japanese Government each year on its revenues and expenditures based on its Ordinary Accounts. See "Financial Status – Revenues and Expenditures in the Ordinary Account of the Metropolis" for more information on the Metropolis' Ordinary Accounts.

The Metropolis also prepares annual financial statements for its General Account and Special Accounts in accordance with Tokyo Metropolitan Government Accounting Standards and publishes such financial statements as a supplement to its account settlement information based on Local Government Accounting Standards. Certain portions of the Metropolis' Tokyo Accounting Standard Financial Statements for the fiscal years 2014, 2015 and 2016 have been included in Annex A to this Prospectus.

For more information regarding the several types of accounts and accounting procedures prepared by the Metropolis, see "Presentation of Financial Information".

Unless otherwise stated, the following discussion relates to the Metropolis' account settlement information prepared on a cash basis in accordance with Local Governmental Accounting Standards.

### ***Budgetary System***

The Governor is charged with the responsibility of preparing the annual Metropolitan budget, submitting it to the Assembly, generally in February each year, 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.

### ***Accounts***

The accounts of the Metropolis consist of (i) the General Account, (ii) a number of Special Accounts and (iii) 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 firefighting, 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. 16 Special Accounts were being maintained as at 1st April, 2018. 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, 2018. 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 actual revenues and expenditures for the fiscal years 2014, 2015 and 2016 and estimated revenues and expenditures in the final budget for the fiscal year 2017 and the original budget for the fiscal year 2018 for the Metropolis' General Account:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimated in Final Budget</u>	<u>Estimated in Original Budget</u>
	<i>(millions of yen)</i>				
<b>Revenues</b>					
Metropolitan Taxes.....	¥4,739,939	¥5,183,569	¥5,236,011	¥5,223,757	¥5,233,161
Local Transfer Taxes.....	364,807	271,981	235,549	242,491	245,803
Special Local Government Grants.....	4,898	4,700	4,875	5,405	6,056
Special Grants.....	2,968	3,102	2,937	3,108	3,061
Rents and Fees.....	75,087	79,196	84,531	88,911	87,605
National Treasury Disbursement.....	356,063	346,758	319,685	402,479	353,436
Transferred from Other Accounts.....	69,898	130,651	69,584	367,986	450,330
Metropolitan Debt <sup>(a)</sup> .....	138,953	129,759	124,417	240,686	210,656
Carried Over from Preceding Fiscal year.....	80,395	142,775	126,628	149,008	1
Others.....	713,686	621,261	575,478	466,529	455,888
Total.....	<u>¥6,546,693</u>	<u>¥6,913,752</u>	<u>¥6,779,695</u>	<u>¥7,190,359</u>	<u>¥7,046,000</u>
<b>Expenditures<sup>(b)</sup></b>					
Metropolitan Assembly.....	¥5,643	¥5,633	¥5,644	¥5,623	¥6,097
General Administration.....	171,214	188,047	184,575	193,358	190,686
Tax Collection.....	65,167	63,758	67,287	68,212	70,778
Citizens and Cultural Affairs.....	27,071	32,757	25,078	25,987	36,940
Sports Promotion.....	21,465	41,190	74,941	69,913	139,430
Urban Development.....	104,432	105,364	118,548	133,199	134,209
Environmental Protection.....	40,986	71,575	42,349	40,219	33,632
Social Welfare and Public Health.....	951,307	1,055,350	1,210,517	1,127,407	1,166,799
Industrial and Labour Affairs.....	357,209	380,099	406,368	473,963	456,168
Public Works.....	383,996	387,877	486,557	541,342	596,500
Port and Harbour.....	78,481	73,462	78,884	114,582	122,920
Education.....	729,061	736,105	770,290	800,659	818,371
Police.....	599,162	607,350	626,542	642,669	654,675
Firefighting and Prevention.....	242,231	242,120	245,993	248,137	254,007
Debt Service <sup>(c)</sup> .....	520,924	473,292	425,018	511,716	431,976
Others.....	2,105,569	2,323,146	1,830,285	2,193,372	1,932,812
Total.....	<u>¥6,403,918</u>	<u>¥6,787,125</u>	<u>¥6,598,877</u>	<u>¥7,190,359</u>	<u>¥7,046,000</u>
Balance.....	<u>¥142,775</u>	<u>¥126,628</u>	<u>¥180,818</u>	<u>¥0</u>	<u>¥0</u>

Notes:

- (a) Includes proceeds from new borrowings incurred by the Metropolis.
- (b) The total unaudited amounts of costs incurred by public enterprises which the Metropolis paid to public enterprises were ¥275.3 billion, ¥243.0 billion and ¥241.3 billion in the fiscal years 2014, 2015 and 2016, 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 2017 and 2018 are included mainly in the total amounts of the estimated expenditures in the final budget for the fiscal year 2017 and the original budget for the fiscal year 2018, respectively.
- (c) Substantially all of the amounts comprise amounts contributed to the sinking fund reserve and repayments on principal and payments of interest.

*Revenues*

In the fiscal year 2015, the Metropolis' revenues increased by ¥367,059 million compared to the fiscal year 2014, due mainly to an increase of ¥443,629 million in Metropolitan taxes primarily caused by the growth of the local consumption tax following an increase in the local consumption tax rate in April 2014 and an increase in two corporate taxes from solid improvement of corporates' earnings, partially offset by a decrease in local transfer taxes mainly due to a decrease in special local government grants to the Metropolis caused by a decrease in the total amount of special local enterprise tax due to a part of special local enterprise tax being restored to local tax based on the amendments to the Japanese tax laws in the fiscal year 2014. In the fiscal year 2016, the Metropolis' revenues decreased by ¥134,057 million compared to the fiscal year 2015, due mainly to a decrease in ¥61,067 million in transfers from other accounts and a decrease of ¥36,432 million in local transfer taxes, partially offset by an increase in Metropolitan taxes. In the fiscal years 2014, 2015 and 2016, Metropolitan taxes comprised 72.4 per cent., 74.6 per cent. and 77.2 per cent., respectively, of the Metropolis' total revenues (including new borrowings). For a more detailed description of the Metropolitan taxes, including a breakdown by major category, see "— Taxation — Tax Revenues".

*Expenditures*

In the fiscal year 2015, the Metropolis' expenditures increased by ¥383,207 million compared to the fiscal year 2014, due mainly to increases of ¥217,577 million in others primarily caused by an increase in expenses related to transfer of local consumption tax, and increases of ¥104,043 million of social welfare and public health, partially offset by decreases in port and harbour and debt service. In the fiscal year 2016, the Metropolis' expenditures decreased by ¥188,247 million compared to the fiscal year 2015, due mainly to a decrease of ¥492,861 million in others, which was primarily caused by a decrease in the amount of reserves set aside for certain reserve funds leading to a decrease in miscellaneous expenditures included in others, which was partially offset by increases in various categories of expenditures, in particular social welfare and public health and public works.

*Estimated expenditures*

The following table gives the breakdown of estimated expenditures in the original budget for the fiscal year 2018 for the Metropolis' General Account (as percentage of the total estimated original budget):

	<b>FY2018 Estimated in Original Budget</b>
	<b>(%)</b>
Payroll-related expenses.....	22.5%
Subsidies.....	16.3
Investment expenses.....	15.8
Financial adjustment grant for special wards <sup>(a)</sup> .....	14.5
Expenditure for Public Bonds.....	6.1
Others <sup>(b)</sup> .....	24.8

Notes:

- (a) The Metropolis posts the financial adjustment grant for special wards as an expenditure based on the Local Autonomy Act, through which a portion of certain tax revenues received by the Metropolis are transferred to the 23 special wards and are allocated with the goal of adjusting the imbalances of financial strength among the special wards and ensuring the continued provision of public services by the special wards.
- (b) "Others" include loans, non-personnel expenses and money drawn for the Public Enterprise Accounts, among others.

As the above table shows, the estimated proportion of the Metropolis' total expenditure attributable to mandatory spending, i.e., payroll-related expenses and expenditure for public bonds, in the Metropolis' original budget for the fiscal year 2018 is 28.6 per cent. According to the MIC, the comparable ratio for all other local public bodies in Japan is 37.4 per cent. (calculated based on the weighted average of all local governments in Japan, including the Metropolis). The Metropolis' relatively low mandatory expenses ratio, together with a substantial portion of expenses that can be adjusted based on the Metropolis' policy priorities, such as investment expenses, provide the Metropolis with substantial flexibility in its fiscal management.

In July 1999, the Metropolis developed its administrative and fiscal reform covering the period from the fiscal year 2000 to the fiscal year 2003 reflecting the effect of the prolonged economic stagnation and the unavoidable transformation of its fiscal structure. Further, in October 2003, the Metropolis developed its second administrative and fiscal reform covering the period from the fiscal year 2004 to the fiscal year 2006. As a result of these reforms, the level of spending in administrative activities was held down since the fiscal year 2000. In addition, there have been efforts to improve efficiency and effectiveness and to strictly verify each policy since achieving the administrative and fiscal reform. Through planned utilisation of funds and the issuance of debts, spending in administrative activities has maintained a relatively stable level despite fluctuations in tax revenues, and the Metropolis has provided stable administrative services throughout the periods.

### *Special Accounts*

The following table shows actual revenues and expenditures for the fiscal years 2014, 2015 and 2016 and estimated revenues and expenditures in the final budget for the fiscal year 2017 and the original budget for the fiscal year 2018 for each of the Metropolis' Special Accounts:

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated in Final Budget</b>	<b>Estimated in Original Budget</b>
	<i>(millions of yen)</i>				
Special Wards Fiscal Adjustment					
Revenues.....	¥981,603	¥996,356	¥987,804	¥976,300	¥1,022,777
Expenditures.....	981,603	996,356	987,804	976,300	1,022,777
Balance.....	0	0	0	0	0
Local Consumption Tax Adjustment <sup>(a)</sup>					
Revenues.....	1,294,016	2,122,695	1,995,284	2,211,623	2,065,356
Expenditures.....	1,154,853	2,009,191	1,804,027	1,926,310	1,859,685
Balance.....	139,163	113,505	191,256	285,313	205,671
Ogasawara Islands Livelihood Rehabilitation Fund					
Revenues.....	730	727	750	372	372
Expenditures.....	13	0	0	372	372
Balance.....	717	727	750	0	0
National Health Insurance					
Revenues.....	—	—	—	—	1,120,814
Expenditures.....	—	—	—	—	1,120,814
Balance.....	—	—	—	—	0
Single Parent Welfare Loan Fund					
Revenues.....	5,131	4,746	5,033	4,467	4,061
Expenditures.....	3,754	3,228	3,149	4,467	4,061
Balance.....	1,377	1,518	1,884	0	0
Physically or Mentally Disabled Persons Annuity Fund					
Revenues.....	5,695	5,424	5,194	4,927	4,584
Expenditures.....	5,695	5,424	5,194	4,927	4,584
Balance.....	0	0	0	0	0
Small and Medium Enterprise Facility Installation Fund					
Revenues.....	4,047	3,893	6,374	2,783	23,332
Expenditures.....	1,551	1,381	4,653	2,783	23,332
Balance.....	2,496	2,511	1,721	0	0

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimated in Final Budget</u>	<u>Estimated in Original Budget</u>
<i>(millions of yen)</i>					
Forestry and Lumber Industry Improvement Subsidy					
Revenues.....	82	92	98	52	52
Expenditures .....	0	0	0	52	52
Balance.....	82	92	98	0	0
Coastal Fishery Improvement Subsidy					
Revenues.....	90	113	134	48	48
Expenditures .....	0	0	18	48	48
Balance.....	89	113	116	0	0
Slaughter House					
Revenues.....	5,933	5,804	5,754	6,785	6,366
Expenditures .....	5,933	5,804	5,754	6,785	6,366
Balance.....	0	0	0	0	0
Metropolitan Public Housing					
Revenues.....	163,458	165,728	163,783	178,038	173,697
Expenditures .....	162,161	164,689	162,014	178,038	173,697
Balance.....	1,297	1,038	1,769	0	0
Metropolitan Public Housing Tenants Security Deposit					
Revenues.....	13,771	10,968	8,555	7,010	7,731
Expenditures .....	4,147	4,016	3,082	1,654	1,454
Balance.....	9,624	6,952	5,473	5,356	6,277
Urban Development Fund					
Revenues.....	6,318	2,387	7,600	2,196	4,057
Expenditures .....	6,318	2,387	7,600	2,196	4,057
Balance.....	0	0	0	0	0
Land Acquisition					
Revenues.....	28,378	21,840	15,752	18,264	42,290
Expenditures .....	20,814	14,275	8,216	18,264	42,290
Balance.....	7,564	7,564	7,535	0	0
Debt Service <sup>(b)</sup>					
Revenues.....	1,841,322	1,583,478	1,306,498	1,147,429	1,172,906
Expenditures .....	1,841,322	1,583,478	1,306,498	1,147,429	1,172,906
Balance.....	0	0	0	0	0
Waterfront Urban Infrastructure Development Project					
Revenues.....	20,063	13,412	9,796	4,401	5,394
Expenditures .....	8,593	5,133	5,231	3,034	2,363
Balance.....	11,470	8,279	4,566	1,367	3,031

Notes:

- (a) Local consumption tax adjustments represent inter-regional adjustments between the locations where such tax was collected and the location where such tax was due.
- (b) Amounts necessary for debt service in each fiscal year are transferred from the General Account, Special Accounts (other than the Debt Service Account) and the Public Enterprise Accounts to the Debt Service Account to be paid out in respect of redemptions and interest payments.

*Public Enterprise Accounts*

The following table shows the actual revenues and expenditures for the fiscal years 2014, 2015 and 2016 and the estimated revenues and expenditures in the final budget for the fiscal year 2017 and the original budget for the fiscal year 2018 for each of the Metropolis' Public Enterprise Accounts:

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated in Final Budget</b>	<b>Estimated in Original Budget</b>
	<i>(millions of yen)</i>				
<b>Hospitals</b>					
Profit/Loss Account					
Revenues .....	¥202,682	¥158,136	¥160,004	¥171,262	¥168,262
Expenditures .....	194,856	157,338	163,646	171,835	168,262
Current Balance.....	7,827	798	(3,642)	(573)	0
Capital Account					
Revenues .....	2,029	6,779	834	3,470	2,623
Expenditures .....	19,664	13,846	16,683	17,767	38,504
Current Balance.....	(17,635)	(7,067)	(15,850)	(14,297)	(35,881)
<b>Central Wholesale Market<sup>(d)</sup></b>					
Profit/Loss Account					
Revenues .....	20,490	19,257	37,503	21,969	23,638
Expenditures .....	20,595	18,584	22,757	35,848	63,556
Current Balance.....	(105)	673	(14,746)	(13,879)	(39,918)
Capital Account					
Revenues .....	42,113	113,482	118,297	2	7,559
Expenditures .....	55,608	119,168	160,311	12,405	16,641
Current Balance.....	(13,495)	(5,685)	(42,014)	(12,403)	(9,082)
<b>Urban Redevelopment Project</b>					
Profit/Loss Account					
Revenues .....	184,499	30	141,834	17	15
Expenditures .....	179,877	0	142,452	16	12
Current Balance.....	4,623	30	(618)	1	3
Capital Account					
Revenues .....	3,551	1,647	626	1,476	3,433
Expenditures .....	15,697	1,489	1,402	1,476	3,457
Current Balance.....	(12,146)	158	(776)	0	(24)
<b>Waterfront Area Development Project</b>					
Profit/Loss Account					
Revenues .....	21,046	42,861	47,879	21,394	45,412
Expenditures .....	11,548	50,455	66,812	8,282	37,627
Current Balance.....	9,498	(7,595)	(18,933)	13,112	7,785
Capital Account					
Revenues .....	99,095	1,685	490	5,774	426
Expenditures .....	164,945	18,407	9,986	18,330	16,460
Current Balance.....	(65,850)	(16,722)	(9,496)	(12,556)	(16,034)
<b>Port and Harbour Project</b>					
Profit/Loss Account					
Revenues .....	4,654	4,769	4,857	4,671	4,709
Expenditures .....	3,451	3,818	3,164	4,019	3,839
Current Balance.....	1,203	951	1,693	652	870
Capital Account					
Revenues .....	3	62	0	1	1
Expenditures .....	1,128	1,897	4,118	2,211	883
Current Balance.....	(1,125)	(1,835)	(4,118)	(2,210)	(882)
<b>Transportation</b>					
Profit/Loss Account					
Revenues .....	49,085	50,211	55,089	63,779	62,987
Expenditures .....	52,324	51,673	53,559	65,486	64,529
Current Balance.....	(3,238)	(1,462)	1,529	(1,707)	(1,542)
Capital Account					
Revenues .....	4,133	6,488	8,070	7,865	7,294
Expenditures .....	9,877	11,808	18,270	11,987	12,823
Current Balance.....	(5,745)	(5,320)	(10,200)	(4,122)	(5,529)
<b>Urban Rapid Transit Railway</b>					
Profit/Loss Account					
Revenues .....	163,913	170,370	175,295	175,206	178,178
Expenditures .....	144,121	142,835	140,437	154,359	154,306
Current Balance.....	19,792	27,535	34,858	20,847	23,872



	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimated in Final Budget</u>	<u>Estimated in Original Budget</u>
<i>(millions of yen)</i>					
Capital Account					
Revenues .....	15,887	25,535	31,959	26,920	20,945
Expenditures .....	79,290	89,138	69,539	107,645	100,926
Current Balance.....	(63,402)	(63,603)	(37,580)	(80,725)	(79,981)
Electric Power					
Profit/Loss Account					
Revenues .....	2,308	1,691	1,801	1,999	1,286
Expenditures .....	2,353	1,034	1,022	1,500	1,234
Current Balance.....	(45)	657	779	499	52
Capital Account					
Revenues .....	0	0	0	0	0
Expenditures .....	196	950	127	464	285
Current Balance.....	(196)	(950)	(127)	(464)	(285)
Waterworks					
Profit/Loss Account					
Revenues .....	351,043	357,248	361,355	372,262	374,947
Expenditures .....	311,781	317,902	322,114	371,362	369,175
Current Balance.....	39,262	39,346	39,241	900	5,772
Capital Account					
Revenues .....	6,187	8,500	21,505	64,532	75,410
Expenditures .....	113,880	112,565	121,382	147,615	158,767
Current Balance.....	(107,693)	(104,065)	(99,877)	(83,083)	(83,357)
Industrial Waterworks					
Profit/Loss Account					
Revenues .....	1,363	1,621	1,712	2,070	2,454
Expenditures .....	1,356	1,604	1,688	2,070	2,454
Current Balance.....	7	18	0	0	0
Capital Account					
Revenues .....	77	183	275	176	346
Expenditures .....	98	251	339	330	600
Current Balance.....	(21)	(68)	(63)	(154)	(254)
Sewerage					
Profit/Loss Account					
Revenues .....	429,346	356,941	389,011	492,251	400,013
Expenditures .....	340,575	313,049	340,971	364,943	363,776
Current Balance.....	88,772	43,893	48,039	127,308	(36,237)
Capital Account					
Revenues .....	214,180	185,083	196,327	212,047	201,907
Expenditures .....	430,643	373,311	371,592	479,757	380,977
Current Balance.....	(216,463)	(188,228)	(175,265)	(267,710)	(179,070)

Notes:

- (a) The "Current Balance" figures in the above table do not take into account any balances transferred between fiscal years or any transfers from reserves to eliminate negative current balance.
- (b) 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.
- (c) 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.
- (d) Expenditures in respect of the Central Wholesale Market for the fiscal year 2017 reflect two amendments to the budget. The first amendment in September 2017 allocated approximately ¥5.5 billion towards accelerating preparations for the move of the Tsukiji fish market to Toyosu and further progress on plans to redevelop the Tsukiji area. The second amendment in March 2018 allocated approximately ¥400 million for a payment obligation to the national treasury incurred upon the return of a portion of the treasury grant received in connection with the development of the Toyosu market.

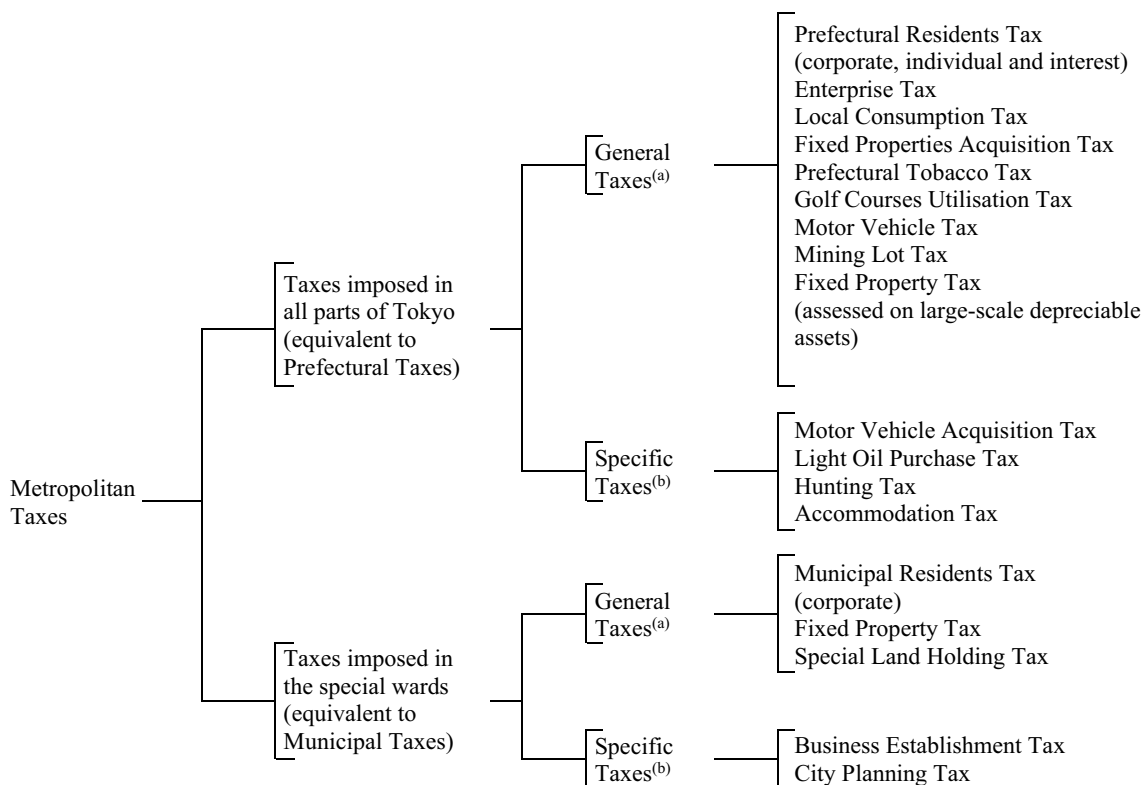
## Taxation

### Structure of Taxation

Metropolitan taxes constitute the major part of the Metropolis' revenue, with their budgeted contribution to the General Account revenue in the fiscal year 2017 final budget being 72.6 per cent. and in the fiscal year 2018 original budget being 74.3 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 Act (Act No. 226 of 1950, as amended) (the "Local Tax Act"). Since the TMG functions in the special wards partly as a municipal government as well as a prefectural government, Metropolitan taxes include certain municipal taxes in addition to 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 Metropolis' actual tax revenues for the fiscal years 2014, 2015 and 2016 and the estimated tax revenues in the final budget for the fiscal year 2017 and the original budget for the fiscal year 2018, together with the relative contributions made by the principal categories of tax:

	FY 2014 Actual		FY 2015 Actual		FY 2016 Actual	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
Residents Tax.....	¥1,821,959	38.4%	¥1,789,035	34.5%	¥1,735,860	33.2%
Enterprise Tax.....	777,039	16.4	941,924	18.2	1,093,913	20.9
Fixed Property Tax .....	1,144,671	24.1	1,167,273	22.5	1,181,125	22.6
Local Consumption Tax.....	422,696	8.9	700,423	13.5	632,652	12.1
Others .....	573,575	12.1	584,914	11.3	592,461	11.3
Total .....	¥4,739,939	100.0%	¥5,183,569	100.0%	¥5,236,011	100.0%
Two Corporate Taxes <sup>(a)</sup> ....	¥1,644,246	34.7%	¥1,763,531	34.0%	¥1,892,632	36.1%

Note:

- (a) Two Corporate Taxes refer to the corporate enterprise tax (being a part of enterprise tax) and the corporate inhabitant tax (being a part of residents tax).

	FY 2017 Estimated in Final Budget		FY 2018 Estimated in Original Budget	
	(millions of yen)	(%)	(millions of yen)	(%)
Residents Tax.....	¥1,737,116	33.3%	¥1,768,419	33.8 %
Enterprise Tax.....	1,051,663	20.1	1,072,348	20.5
Fixed Property Tax .....	1,192,593	22.8	1,240,687	23.7
Local Consumption Tax.....	643,629	12.3	540,009	10.3
Others .....	598,755	11.5	611,698	11.7
Total .....	¥5,223,757	100.0%	¥5,233,161	100.0%
Two Corporate Taxes <sup>(a)</sup> .....	¥1,826,894	35.0%	¥1,868,976	35.7%

Note:

(a) Two Corporate Taxes refer to the corporate enterprise tax (being a part of enterprise tax) and the corporate inhabitant tax (being a part of residents tax).

As the above tables show, the four principal sources of tax revenue of the Metropolis are residents tax, enterprise tax, fixed property tax and local consumption tax, which are estimated to contribute an aggregate of 88.5 per cent. in the final budget for the fiscal year 2017 and 88.3 per cent. in the original budget for the fiscal year 2018, respectively. Since 1st October, 2008, as a temporary system until a comprehensive tax reform is effected, 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. The TMG's total estimated tax revenue for the fiscal year 2018 has been reduced by around ¥254.4 billion due to this temporary system.

This temporary system was scheduled to be abolished and restored to local taxes from the fiscal year beginning on 1st April, 2017, but due to the postponement of the consumption tax rate increase to 10 per cent. to 1st October, 2019, this temporary system still exists and is expected to be abolished from the fiscal year beginning on 1st April, 2020.

To counterbalance the scheduled abolishment of the temporary system described above, the Japanese Government will expand its policy to set the metropolitan and prefectural corporate inhabitant tax as the source for tax reallocation to local governments. Furthermore, to compensate for the expected decrease of tax revenue by cities, towns and villages in connection with the abolishment of the temporary system, the Japanese Government will establish a corporate enterprise tax grant (*houjin jigyouzei koufu kin*), in which certain percentage of corporate enterprise tax collected by the Metropolis and prefectures will be transferred to cities, towns and villages.

The above tax measures are expected to come into effect on 1st October, 2019. Accordingly, it is not expected to affect the TMG's annual budget for the fiscal year 2018; however, beginning in fiscal year 2019, the negative impact on the TMG's tax revenue is expected to increase.

In the fiscal year 2018 general account budget, the Metropolis can independently control 88.4 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.

A brief description of the four principal taxes is set forth below.

#### *Residents Tax*

The residents tax is divided into (i) individual residents tax, (ii) corporate residents tax and (iii) residents tax on interest, dividends and capital gains.

The individual residents tax is levied on individuals maintaining a residence, office or business establishment in Tokyo, and the Metropolis' revenues for the individual residents tax were ¥862 billion, ¥882 billion and ¥879 billion in the fiscal years 2014, 2015 and 2016, respectively. This tax consists of a variable element (currently 4 per cent.) determined on the basis of the individual taxable income in previous year, and a fixed element (currently ¥1,500 per year), subject to certain deductions and exemptions.

The corporate residents tax is imposed on joint-stock companies and other corporations, as well as educational, charitable and similar organisations and certain associations carrying on profitable business activities (collectively, "corporations") that maintain offices or other business establishments in Tokyo. The Metropolis' revenues for the corporate residents tax were ¥916 billion, ¥871 billion and ¥849 billion in the fiscal years 2014, 2015 and 2016, respectively. This tax consists of a fixed element (currently ranging from ¥20,000 to ¥3,800,000, depending on the location of the relevant office and the size of the corporation) and a variable element which is equivalent to a percentage of the corporation's national corporation income tax (currently ranging from 12.9 per cent. to 16.3 per cent. for corporations located within the 23 special wards area, or ranging from 3.2 per cent. to 4.2 per cent. for corporations located outside the 23 special wards area).

The residents tax on interest is imposed on individuals in respect of the payment of interest on certain "general bonds" or deposits or certain other payments made to them. This tax is levied at the rate of 5 per cent. on the basis of the amount of such payments and is paid by way of withholding by the financial institutions located in Tokyo making such payments. The residents tax on interest for corporations was repealed on 1st January, 2016. The residents tax on dividends is imposed on individuals in respect of the payment of dividends on listed shares, profit distributions from publicly offered investment trusts, interest on certain "specified bonds" or certain other payments made to them. This tax is levied at the rate of 5 per cent. on the basis of the amount of such payments and is paid by way of withholding by the payers or payment handling agents located in Tokyo making such payments. The residents tax on capital gains is imposed on individuals in respect of the final capital gains in a given year arising from sale of listed shares or certain "specified bonds" that are held in "specified accounts" having withholding services functions. This tax is levied at the rate of 5 per cent. on the basis of the amount of such capital gains and is paid by way of withholding by the securities houses located in Tokyo maintaining such accounts.

#### *Enterprise Tax*

Substantially all of the tax revenue from the enterprise tax is derived from the corporate enterprise tax, the Metropolis' revenues from which were ¥729 billion, ¥893 billion and ¥1,044 billion in the fiscal years 2014, 2015 and 2016, respectively. The corporate enterprise tax is imposed on business activities conducted by corporations. In general, the net income of a corporation is used as the basis for taxation. In the case of gas and electric utility companies and insurance companies, however, the enterprise tax is calculated on the basis of gross revenues. The corporate enterprise tax varies with the size of the corporation, the amount of the net taxable income and the type of the corporation, such rates at present ranging from 3.4 per cent. to 7.18 per cent. for corporations taxed on the basis of net income and ranging from 0.9 per cent. to 0.965 per cent. for corporations taxed on the basis of gross revenue. Furthermore, for corporations subject to the business scale-based enterprise taxation regime (meaning, in general, corporations having a stated capital exceeding ¥100 million), the corporate enterprise tax is calculated as the sum of the amount on the basis of the net income (ranging 0.395 per cent. to 0.88 per cent.), the added value (1.26 per cent.) and the paid-in capital (0.525 per cent.).

#### *Fixed Property Tax*

The fixed property tax is imposed on the assessed value of land, buildings and certain depreciable assets located within the 23 special wards area and is payable by the owners of such assets as of 1st January of each year. The current rate is 1.4 per cent.

#### *Consumption Tax*

The consumption tax consists of national and local consumption taxes, and is generally imposed on sale of goods and provision of services, which is payable by sellers of goods and service providers. 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. The consumption tax rate is scheduled to be further increased to 10 per cent. in October 2019, including an increase of local consumption tax from 1.7 per cent. to 2.2 per cent.; provided that the reduced rate of 8 per cent. (local consumption tax being 1.76 per cent.) is scheduled to apply to certain qualifying groceries and newspapers.

In addition, the standards for local consumption tax adjustment among local governments were amended effective as at 1st April, 2018. As a result, the TMG's total estimated tax revenue for the fiscal year 2018 has been reduced by approximately ¥104.0 billion, half of which (approximately ¥52.0 billion) resulting from the reduction of tax revenue for wards, cities, towns and villages located in Tokyo.

## **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, i.e. debt with a maturity date after the current fiscal year in which the debt is incurred 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. Under relevant Japanese law, such long-term debt incurred by local public entities is referred to as "local debt".

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 18 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 evaluate the need for fiscal consolidation starting from financial accounts of fiscal year 2007. The four ratios and standards thereunder for the TMG for fiscal year 2016 are as follows:

	<b>Early consolidation standards</b>	<b>Fiscal reconstruction standards</b>
Real Deficit Ratio (the ratio of deficit to standard fiscal scale) .	5.45%	8.39%
Consolidated Real Deficit Ratio (the ratio of consolidated deficit in all accounts to standard fiscal scale).....	10.45%	18.39%
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.

For a description of the real debt payment ratio and future burden ratio of the Metropolis, see "— Financial Status — Fiscal Indices" below.

### Summary of Outstanding Debt

#### Long-term debt

The following table shows the outstanding balance of long-term debt as at 31st March, 2015, 2016 and 2017 for the Metropolis' General Account, Special Accounts and Public Enterprise Accounts:

	31st March,		
	2015	2016	2017
	<i>(millions of yen)</i>		
General Account .....	¥5,893,066	¥5,616,002	¥5,434,150
Special Accounts			
Single Parent Welfare Loan Fund .....	29,245	29,351	29,427
Small and Medium Enterprise Facility Installation Fund ...	9,301	8,361	5,815
Slaughter House .....	3,737	3,156	2,559
Metropolitan Public Housing .....	539,206	523,359	540,541
Land Acquisition .....	77,097	63,012	49,420
Waterfront Urban Infrastructure Development Project .....	355	0	0
Total Special Accounts .....	¥658,942	¥636,238	¥627,762
Public Enterprise Accounts			
Hospitals .....	113,327	109,678	102,573
Central Wholesale Market .....	182,046	265,558	363,008
Urban Redevelopment Project .....	0	0	0
Waterfront Area Development Project .....	187,265	187,265	187,265
Port and Harbour Project .....	913	620	406
Transportation .....	37,466	39,850	44,162
Urban Rapid Transit Railway .....	441,308	399,735	373,609
Waterworks .....	245,776	225,282	218,213
Sewerage .....	1,673,977	1,582,650	1,494,195
Total Public Enterprise Accounts .....	¥2,882,079	¥2,810,639	¥2,783,430
Total long-term debt .....	¥9,434,086	¥9,062,879	¥8,845,075

#### Short-Term Debt

The Metropolis had no short-term debt (excluding the current portion of long-term debt) as at 31st March, 2015, 2016 and 2017.

#### Payment Schedule

The following table shows the unaudited payment schedule for the periods through fiscal year 2027 of the principal and interest on long-term debt outstanding as at 31st March, 2018:

*Payment schedule of the principal and interest on long-term debt outstanding as at 31st March, 2018*

Fiscal Year	Principal	Interest	Total
	<i>(millions of yen)</i>		
2018 .....	¥754,592	¥100,783	¥855,375
2019 .....	890,385	88,478	978,863
2020 .....	968,611	75,964	1,044,575
2021 .....	823,053	65,113	888,166
2022 .....	720,692	57,155	777,847

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	<i>(millions of yen)</i>		
2023 .....	677,267	50,556	727,823
2024 .....	598,930	44,344	643,274
2025 .....	566,084	39,127	605,212
2026 .....	482,119	35,563	517,682
2027 .....	333,374	32,848	366,222

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 ¥1,502,472 million in aggregate (¥1,344,243 million for payments of principal and ¥158,230 million for payments of interest), ¥1,265,864 million in aggregate (¥1,124,775 million for payments of principal and ¥141,089 million for payments of interest) and ¥982,844 million in aggregate (¥858,495 million for payments of principal and ¥124,349 million for payments of interest), during the fiscal year 2014, 2015 and 2016, respectively.

The Metropolis has not defaulted on payment of principal or interest on any indebtedness within a period of twenty years prior to the date of this Prospectus.

### ***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, 2017, which amounted to ¥8,845,075 million, 13.96 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 86.0 per cent. represented debt incurred by loans from financial institutions and the issue of bonds. Of this 86.0 per cent., 3.9 per cent. represented debt incurred by loans from financial institutions and 82.2 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, 2016, 91.0 per cent. represented debt incurred by the issue of bonds by way of public offering in Japan, 0.3 per cent. represented debt incurred by the issue of bonds by private placement in Japan with financial institutions and 8.7 per cent. represented debt incurred by the issue of bonds outside Japan. Of the total balance of debt incurred by the issue of bonds which were outstanding as at 31st March, 2017, 89.9 per cent. represented debt incurred by the issue of bonds by way of public offering in Japan, 0.3 per cent. represented debt incurred by the issue of bonds by private placement in Japan with financial institutions and 9.8 per cent. represented debt incurred by the issue of bonds outside Japan.

For the fiscal year 2018, the Metropolis plans to raise approximately ¥490 billion in the aggregate through bond offerings consisting of approximately ¥260 billion of 10-year bonds, approximately ¥50 billion of foreign debt, approximately ¥60 billion of medium-term bonds with three to seven year maturities and super long-term bonds with 20 to 30 year maturities, approximately ¥20 billion of green bonds, the proceeds of which it expects to use for certain "green" projects, and approximately ¥100 billion of bonds that may be issued at various times during the fiscal year and with various maturities. This issuance plan may be amended from time to time in accordance with funding needs, market conditions and other circumstances.

### ***Foreign Debt***

The following table shows the foreign debt offered outside of Japan incurred by the Metropolis remaining outstanding as at 31st March, 2018:



*Foreign debt remaining outstanding as at 31st March, 2018<sup>(a)</sup>*

	<b>Outstanding Amount</b>
	<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>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
2 <sup>1</sup> / <sub>8</sub> % Bonds due 2020 .....	U.S.\$1,000
2% Bonds due 2021 .....	U.S.\$1,000
2.5% Bonds due 2022 .....	U.S.\$500

Note:

(a) All foreign debt mentioned above is bullet maturity debt (with no amortisation features).

**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) general purpose funds, including an adjusting fund for finance reserved for the purpose of adjusting revenue sources between fiscal years and contributing to sound future finance management and a social infrastructure improvement funds, (ii) special purpose funds for future special financial demands of the Metropolis, such as the hosting reserve fund for the Games, which was transferred from the general purpose fund in fiscal year 2014 and (iii) a sinking fund reserve 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. Some of these reserve funds are also available for general purposes.

The following table shows the outstanding balance of the Metropolis' reserve fund as at 31st March, 2015, 2016 and 2017:

	<b>31st March,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(millions of yen)</i>		
Funds for General Purposes.....	¥566,318	¥624,774	¥627,429
Adjusting Fund for Finance .....	566,318	624,774	627,429
Funds for Special Purposes .....	1,238,755	1,642,559	1,950,430
Social Infrastructure Improvement Fund .....	510,825	558,659	563,983
Welfare and Health Fund .....	10,573	7,481	7,544
Hosting reserve fund for the Games .....	408,832	401,052	378,970
Others.....	308,525	675,367	999,933
Sinking Fund .....	1,333,228	1,319,901	1,375,243
<b>Total .....</b>	<b>¥3,138,301</b>	<b>¥3,587,234</b>	<b>¥3,953,102</b>

Note:

(a) Social Infrastructure Improvement Fund and Welfare and Health Fund which were part of Funds for General Purposes in the fiscal years ended 31st March, 2015 and 2016 have been reclassified as part of Funds for Special Purposes in the fiscal year ended 31st March, 2017. In addition, Others which were part of Funds for General Purposes in the fiscal years ended 31st March, 2015 and 2016 have been consolidated into Others in Funds for Special Purposes in the fiscal year ended 31st March, 2017.

**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 Metropolis' 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, 2017) and the outstanding balance of investments in and loans to such five entities and item as at 31st March, 2015, 2016 and 2017, together with the total outstanding balance of investments and loans as at the same dates:

*Investments (including stocks and other contributions)*

	<b>31st March,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(millions of yen)</i>		
Total outstanding balance .....	¥949,022	¥964,070	¥884,216
Of which:			
Japan Expressway Holding and Debt Repayment Agency ..	292,406	294,220	296,356
Tokyo Metropolitan University .....	141,602	141,602	141,602
Tokyo Waterfront Area Rapid Transit Inc. ....	43,521	43,521	43,521
Tokyo TY Financial Group, Inc. ....	-	-	43,047
Tokyo Tama Intercity Monorail Co., Ltd. ....	40,285	40,285	40,285

*Loans*

	<b>31st March,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(millions of yen)</i>		
Total outstanding balance .....	¥1,587,479	¥1,404,668	¥1,274,037
Of which:			
Loans under Institutionalised Financing Structure <sup>(a)</sup> .....	461,671	325,231	226,374
Tokyo Metropolitan Housing Supply Corporation .....	438,585	423,777	412,533
Tokyo Metropolitan Subway Construction Co., Ltd. ....	202,176	201,451	200,725
Loans for Haneda Airport Re-expansion Project .....	108,528	108,528	108,528
Metropolitan Intercity Railway Company	108,225	98,311	86,534

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.

**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 ¥208 billion, of which ¥8 billion is the maximum amount which can become payable in the fiscal year 2018.

**Financial Status**

In addition to account settlement information prepared for budgetary purposes pursuant to the Local Autonomy Act, the Metropolis also prepares certain account settlement and other information on the basis of its Ordinary Accounts in accordance with criteria established by the MIC. The following is a summary of certain financial information prepared by the Metropolis on the basis of its Ordinary Accounts for the fiscal years 2014, 2015 and 2016.

**Revenues and Expenditures in Metropolis' Ordinary Account**

The Metropolis is required to prepare and submit a report to the Japanese Government each year on its revenues and expenditures for its Ordinary Accounts.

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, which facilitates comparison of local public bodies based on standardised information.

The accounts targeted in Ordinary Accounts include the General Account and certain 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. For fiscal year 2015, the Metropolis' Ordinary Accounts consisted of the General Account and 13 Special Accounts.

The following table shows the total revenues and expenditures in the Metropolis' Ordinary Account for the fiscal years 2014, 2015 and 2016:

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
	<i>(millions of yen)</i>		
Revenues (A).....	¥6,853,429	¥7,186,288	¥7,122,485
Metropolitan tax .....	4,734,915	5,162,436	5,317,961
TMG bonds.....	167,019	156,200	152,611
Others .....	1,951,495	1,867,652	1,651,913
Expenditures (B).....	6,554,017	6,934,746	6,743,871
General expenditure.....	4,380,534	4,458,966	4,591,983
Personnel cost.....	1,458,181	1,475,509	1,494,835
Expenditure for public bond.....	590,409	531,344	476,023
Others .....	1,583,074	1,944,436	1,675,865
Formal Balance of Revenues and Expenditures (C = A – B).....	299,411	251,542	378,614
Balance to be carried forward (D) <sup>(a)</sup> .....	298,893	250,989	249,443
Actual balance (C – D).....	¥518	¥552	¥129,171

Note:

- (a) Balance to be carried forward represents expenditures budgeted for the relevant fiscal year but not actually made in such fiscal year and carried forward to the subsequent fiscal year.

### ***Fiscal Indices***

The following table shows certain fiscal indices based on the Metropolis' Ordinary Account and the simple or weighted average of all prefectures for the fiscal years 2014, 2015 and 2016:

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
	<i>(%)</i>		
Ordinary Balance Ratio <sup>(a)</sup>			
Metropolis .....	84.8%	81.5%	79.6%
Weighted average of all prefectures .....	105.2	102.7	102.3
Ratio of Bond Expenses Burden <sup>(b)</sup>			
Metropolis .....	9.6	8.2	7.3
Weighted average of all prefectures .....	19.5	18.7	18.4
Financial Capability Index <sup>(c)</sup>			
Metropolis .....	0.925	1.003	1.101
Simple average of all prefectures.....	0.47	0.49	0.51
Ratio of Dependence on Creation of Local Debt <sup>(d)</sup>			
Metropolis .....	2.4	2.2	2.1
Weighted average of all prefectures .....	11.9	10.6	10.7
Real Debt Payment Ratio <sup>(e)</sup>			
Metropolis .....	0.7	1.3	1.5
Weighted average of all prefectures .....	13.1	12.7	11.9
Future Burden Ratio <sup>(f)</sup>			
Metropolis .....	49.7	32.1	19.8
Weighted average of all prefectures .....	187.0	175.6	173.4

Sources:

Simple or weighted average of all prefectures:

(a)(b)(c)(d): "White Paper on Local Public Finance", published by the MIC (March 2018).

(e)(f): "Outline of the Ratio for Determining Soundness and Financial Shortfall Ratio based on fiscal 2015 account settlements", "Outline of the Ratio for Determining Soundness and Financial Shortfall Ratio based on fiscal 2014 account settlements" and "Outline of the Ratio for Determining Soundness and Financial Shortfall Ratio based on fiscal 2013 account settlements", each published by the MIC.

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Notes:

- (a) Ordinary Balance Ratio is the ratio of the "general revenue sources for the ordinary expenses (such as personnel expenses and bond expenses)" (i.e., general revenue resources allotted to regularly disbursed 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 fiscal years (including the fiscal year indicated) of standard financial revenue (being an amount calculated in accordance with the Local Allocation Tax Act of Japan (Act No. 211 of 1950, the "Local Allocation Tax Act") as being a certain proportion of standard tax revenues) divided by standard financial needs (being the annual amount of expenditure estimated to be required for a local authority to perform its administrative affairs at a reasonable level, as calculated in accordance with the Local Tax Allocation Act).
- (d) Ratio of Dependence on Creation of Local Debt is the ratio of the "total amount of local debt incurred by the relevant local authority in the relevant fiscal year" to the "total amount of revenue of the relevant local authority in the relevant fiscal year".
- (e) Real Debt Payment Ratio is the ratio of the "general revenue resources appropriated to pay off bonds" to the "standard financial scale". The term "standard financial scale" denotes the scale of ordinary general revenue sources which would normally be raised or received by the relevant local authority under normal conditions (being the total of the standard tax revenue and ordinary local allocation tax).
- (f) 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".

The above indices are metrics used by the MIC to monitor the financial health and flexibility of the financial structure of local governments.

## REPORT OF AUDIT AND INSPECTION COMMISSIONER

1st May, 2018

To the Governor of Tokyo

I, Audit and Inspection Commissioner of The Tokyo Metropolitan Government, have examined the tables showing (i) the revenue, expenditure and balance on the General Account of The Metropolis of Tokyo (the "Metropolis") for the fiscal years 2014, 2015 and 2016 and the estimated revenue, expenditure and balance on such Account of the Metropolis in the final budget for the fiscal year 2017 and the original budget for the fiscal year 2018, (ii) the outstanding balances of long-term debt and short-term debt (excluding current portion of long-term debt) of the Metropolis as at 31st March, 2015, 2016 and 2017, (iii) the revenues, expenditures and balances on the Special Accounts and the Public Enterprise Accounts of the Metropolis for the fiscal years 2014, 2015 and 2016 and the estimated revenues, expenditures and balances on such Accounts of the Metropolis in the final budget for the fiscal year 2017 and the original budget for the fiscal year 2018, (iv) the tax revenues of the Metropolis for the fiscal years 2014, 2015 and 2016 and the estimated tax revenues of the Metropolis in the final budget for the fiscal year 2017 and the original budget for the fiscal year 2018, (v) the outstanding balances of foreign debt and the reserve funds of the Metropolis as at 31st March, 2015, 2016 and 2017, (vi) the revenues and expenditures in the Ordinary Account of the Metropolis for the fiscal years 2014, 2015 and 2016, and (vii) 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, 2017) as at 31st March, 2015, 2016 and 2017 and the total outstanding balances of investments and loans as at the same dates, set forth under "Overview — Overview of The Metropolis of Tokyo — Selected Statistical, Economic and Financial Information — Revenue and Expenditure (General Account)", "Overview — Overview of The Metropolis of Tokyo — Selected Statistical, Economic and Financial Information — Outstanding Debt", "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 relating to the issue by the Metropolis of one or more series of bonds up to an aggregate principal amount equivalent to U.S.\$500,000,000 to be issued in overseas markets. I have also examined the audited accounts of the Metropolis for the fiscal years 2014, 2015 and 2016 and the final budget of the Metropolis for the fiscal year 2017 and the original budget of the Metropolis for the fiscal year 2018.

Based on such examinations, I confirm that the tables referred to above fairly present in abbreviated form (i) the revenue, expenditure and balance on the General Account of the Metropolis for the fiscal years 2014, 2015 and 2016 and the estimated revenue, expenditure and balance on such Account of the Metropolis in the final budget for the fiscal year 2017 and the original budget for the fiscal year 2018, (ii) the outstanding balances of long-term debt and short-term debt (excluding current portion of long-term debt) of the Metropolis as at 31st March, 2015, 2016 and 2017, (iii) the revenues, expenditures and balances on the Special Accounts and the Public Enterprise Accounts of the Metropolis for the fiscal years 2014, 2015 and 2016 and the estimated revenues, expenditures and balances on such Accounts of the Metropolis in the final budget for the fiscal year 2017 and the original budget for the fiscal year 2018, (iv) the tax revenues of the Metropolis for the fiscal years 2014, 2015 and 2016 and the estimated tax revenues of the Metropolis in the final budget for the fiscal year 2017 and the original budget for the fiscal year 2018, (v) the outstanding balances of foreign debt and the reserve funds of the Metropolis as at 31st March, 2015, 2016 and 2017, (vi) the revenues and expenditures in the Ordinary Account of the Metropolis for the fiscal years 2014, 2015 and 2016, and (vii) 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, 2017) as at 31st March, 2015, 2016 and 2017 and the total outstanding balances of investments and loans as at the same dates.

Tokyo, Japan

Muneharu Tomobuchi  
Audit and Inspection Commissioner of  
The Tokyo Metropolitan Government

## 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 U.S.\$500,000,000 3.250 per cent. Bonds due 2023 (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 1st June, 2018 (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 1st June, 2018 (as amended or supplemented from time to time, the "Fiscal Agency Agreement") between the Metropolis, Mizuho Trust & Banking (Luxembourg) S.A. 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), as paying agent, as registrar and as transfer agent, and Deutsche Bank Trust Company Americas as U.S. paying agent (together with the Fiscal Agent and Mizuho Trust & Banking (Luxembourg) S.A. as paying agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds), as U.S. registrar (in such capacity, and together with Mizuho Trust & Banking (Luxembourg) S.A. as registrar, the "Registrars", which expression includes any successor or additional registrars appointed from time to time in connection with the Bonds) and as U.S. transfer agent (in such capacity, and together with Mizuho Trust & Banking (Luxembourg) S.A. as transfer agent, the "Transfer Agents", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds). References herein to the "Agents" are to the Fiscal Agent, the Registrars, 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 1B, Rue Gabriel Lippmann, L-5365 Munsbach, Grand Duché de Luxembourg, 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 U.S.\$200,000 and integral multiples of U.S.\$2,000 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. Registers, Title and Transfers

- (a) *Registers:* The Registrars will each maintain a register (each, 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 a 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 applicable 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 any Registrar or Transfer Agent, together with such evidence as the applicable Registrar or 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 may be 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 U.S.\$200,000. 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 applicable 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 any Registrar but against such indemnity as the applicable 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 Registers 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 Registrars. A copy of the current regulations will be made available (free of charge) by the Registrars 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 1st June, 2018 (the "Issue Date") at the rate of 3.250 per cent. per annum (the "Rate of Interest"), payable in arrear on 1st June and 1st December in each year (each, an "Interest Payment Date"), commencing on 1st December, 2018, subject as provided in Condition 7. Interest in respect of any Bond shall be calculated per U.S.\$2,000 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 U.S.\$32.5 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:

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

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 1st June, 2023.
- (b) *Redemption for Taxation Reasons:* If the Metropolis would on the occasion of the next payment due in respect of the Bonds be required as a result of any change in, or amendment to, the laws or regulations of Japan, or any political subdivision or any authority thereof or therein having power to tax (other than, in each case, the Metropolis), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 24th May, 2018, and 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 a 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 U.S. dollar 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 U.S. dollar account maintained by the payee with, a bank in New York City 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 U.S. dollar 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 U.S. dollar account maintained by such Holder with, a bank in New York City 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 U.S. dollar 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 U.S. dollar 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 New York City, London and Tokyo 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 applicable 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 applicable Register at the opening of business in the place of the applicable 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 applicable Register at the opening of business on the relevant Record Date.
- (g) *Agents:* The initial Fiscal Agent, the initial Paying Agents, the initial Registrars and the initial Transfer Agents and their respective 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, Registrar or Transfer Agent and to appoint additional or other Paying Agents, Registrars or Transfer Agents or another Fiscal Agent, provided that it will at all times maintain a Fiscal Agent and a Registrar. Notice of any such termination or appointment and of any changes in the specified offices of the Fiscal Agent, the Paying Agents, the Registrars or the Transfer Agents 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 Holder 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:

- (i) to, or to a third party on behalf of a Holder or beneficial owner of a Bond that 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, receipt of interest on, 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");
- (ii) to, or to a third party on behalf of a Holder or beneficial owner of a Bond that would otherwise be exempt from any such withholding or deduction but that 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;
- (iii) to, or to a third party on behalf of a Holder or beneficial owner of Bond that 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) that 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 that 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);
- (iv) where the Bonds are presented for payment (where such presentation is required) 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;
- (v) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be treated as income, for Japanese tax purposes, of a beneficiary or settlor with respect to such fiduciary or a partner of such partnership or other beneficial owner, in each case, who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or other beneficial owner been the Holder of such Bond; or
- (vi) in any case that is a combination of any of paragraphs (i) to (v) above.

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 through 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 (and, if applicable, the Japanese individual or corporation identification number) 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 Amounts payable under this Condition 8.

## 9. Events 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, Registrars and Transfer Agents**

In acting under the Fiscal Agency Agreement, the Fiscal Agent, Paying Agents, Registrars and Transfer Agents 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 a 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 (being a resolution passed at a meeting of the Bondholders duly convened and held in accordance with the provisions contained in the Fiscal Agency Agreement by a majority consisting of not less than three-quarters of the principal amount represented at the meeting) 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, being two or more persons holding or representing not less than 100 per cent. or, at any adjourned meeting, three-quarters of the aggregate principal amount, of the outstanding Bonds) 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.

*Any such further issue will, however, not have the same CUSIP, ISIN, Common Code or other identifying number as the outstanding Bonds unless such further issue is fungible with such outstanding Bonds for U.S. federal income tax purposes.*

**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 applicable 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 a 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 Mizuho Bank, Ltd., London Branch at its specified office for the time being in London (presently being at Mizuho House, 30 Old Bailey, London EC4M 7AU, United Kingdom (marked for the attention of the Head of Legal Department)) 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 Certificates are 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 Unrestricted Bonds will be evidenced by the Unrestricted Global Certificate which will be deposited with, and registered in the name of the nominee for, the common depository for Euroclear and Clearstream, Luxembourg, and the Restricted Bonds will be evidenced by the Restricted Global Certificate, which will be deposited with the DTC Custodian and registered in the name of Cede & Co. as nominee for DTC.

In relation to any Bonds evidenced by a Global Certificate, references in the Terms and Conditions of the Bonds to the "Holder" or the "Bondholder" are references to the person in whose name such Global Certificate is for the time being registered in the applicable Register which, in the case of the Unrestricted Global Certificate held by or on behalf of a common depository for Euroclear and/or Clearstream, Luxembourg, will be that common depository or a nominee for that common depository and in the case of the Restricted Global Certificate held by or on behalf of DTC, will be Cede & Co. as nominee for DTC.

Each of the persons shown in the records of DTC, Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Certificate (each an "Accountholder") must look solely to DTC, Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Metropolis to the Holder of such Global Certificate and in relation to all other rights arising under such Global Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Certificate will be determined by the respective rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Bonds are evidenced by a Global Certificate, Accountholders shall have no claim directly against the Metropolis in respect of payments due under the Bonds and such obligations of the Metropolis will be discharged by payment to the Holder of such Global Certificate.

### **Transfers of Interests in Bonds Evidenced by Global Certificates**

Transfers of interests in Bonds evidenced by Global Certificates within DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Metropolis, the Joint Lead Managers or the Agents will have any responsibility or liability for any aspect of the records of any DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Certificate or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Bonds. Consequently, the ability to transfer interests in a Global Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of a Definitive Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Bonds described under "Transfer Restrictions", transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the DTC Custodian, the Registrars and the Fiscal Agent.

On or after the Issue Date, transfers of Bonds between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Bonds between participants in DTC will generally have a settlement date two business days after the trade date (T+2). The customary arrangements for delivery versus payment will apply to such transfers.

For transfers between a holder of interests in the Restricted Global Certificate and a holder of interests in the Unrestricted Global Certificate, there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, and transfers of interests in the relevant Global Certificate will be effected

through the Fiscal Agent, the DTC Custodian, the applicable Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) two business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Fiscal Agent or the applicable Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg accountholders or between DTC participants are not affected by such restriction on cross-market transfers.

For a further description of restrictions on the transfer of Bonds, see "Subscription and Sale" and "Transfer Restrictions".

Upon the issue of the Restricted Global Certificate to be held by or on behalf of DTC, DTC or the DTC Custodian will credit the respective nominal amounts of the individual beneficial interests evidenced by such Restricted Global Certificate to the account of DTC participants. Ownership of beneficial interests in Bonds evidenced by such Restricted Global Certificate will be held through participants of DTC. Ownership of beneficial interests in Bonds evidenced by such Restricted Global Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee. DTC has advised the Metropolis that it will take any action permitted to be taken by a Holder of Bonds evidenced by the Restricted Global Certificate held by or on behalf of DTC (including, without limitation, the presentation of the Restricted Global Certificate for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in such Restricted Global Certificate are credited, and only in respect of such portion of the aggregate nominal amount of Bonds evidenced by such Restricted Global Certificate as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the Restricted Global Certificate for Restricted Definitive Certificates (which will bear the relevant legends set out in "Transfer Restrictions"), which it will distribute to its participants in accordance with their proportionate entitlements.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in Bonds evidenced by the Global Certificates among participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Metropolis, the Joint Lead Managers or the Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their respective operations.

While a Global Certificate is lodged with DTC, Euroclear, Clearstream, Luxembourg or any relevant clearing system, Definitive Certificates for the Bonds will not be eligible for clearing and settlement through such clearing systems.

### **Conditions Applicable to Bonds Evidenced by Global Certificates**

Each 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 Unrestricted Global Certificate will become exchangeable in whole, but not in part, for Unrestricted 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.

The Restricted Global Certificate will become exchangeable in whole, but not in part, for Restricted Definitive Certificates if (a) DTC notifies the Metropolis that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Certificate or ceases to be a clearing agency (as defined in the U.S. Securities Exchange Act of 1934 (the "Exchange Act")), or is at any time no longer eligible to act as such, and the Metropolis is (in the case of DTC ceasing to be a

depository) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or (b) any of the circumstances described in Condition 9 occurs.

Whenever a 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 relevant Global Certificate within five business days of the delivery, by or on behalf of the registered Holder of such Global Certificate, DTC, Euroclear and/or Clearstream, Luxembourg, to the applicable 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 relevant Global Certificate at the specified office of the applicable 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 applicable 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 U.S.\$200,000 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 U.S.\$200,000 or above in integral multiples of U.S.\$2,000 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 relevant Global Certificate; or
- (b) any of the Bonds evidenced by the relevant 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 relevant Global Certificate on the due date for payment in accordance with the terms of such 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 relevant Global Certificate in respect of the Bonds evidenced by such 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 a Global Certificate may have under such Global Certificate or otherwise. Payment to the Holder of a Global Certificate in respect of any Bonds evidenced by such 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 such 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 relevant Global Certificate for notices to be given by the Metropolis to Bondholders.

## **2. Payments**

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

Each payment in respect of the Bonds evidenced by any Global Certificate will be made to the person shown as the Holder in the applicable Register at the close of business (in the relevant clearing system) on the fifth Clearing System Business Day before the due date for such payment (for the purposes of the



Bonds evidenced by such Global Certificate, such date being the "Record Date") where "Clearing System Business Day" means a day on which each clearing system for which the Unrestricted Global Certificate and the Restricted Global Certificate are being held is open for business.

**3. Notices**

So long as the Bonds are evidenced by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to holders of Bonds evidenced by such Global Certificate 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 a 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 U.S.\$2,000 of Bonds in respect of which a 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 a 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 such Global Certificate. A record of such reduction will be endorsed in the appropriate schedule of the relevant Global Certificate.

## EXCHANGE RATES

The following table presents the noon buying rates for Japanese yen per U.S.\$1.00 in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York for and as of the end of each period indicated.

	<u>High</u>	<u>Low</u>	<u>Average<sup>(a)</sup></u>	<u>Period end</u>
	<i>(per U.S. dollar)</i>			
<b><u>Fiscal year ended/ending 31st March,</u></b>				
2013 .....	¥96.16	¥77.41	¥83.26	¥94.16
2014 .....	105.25	92.96	100.46	102.98
2015 .....	121.50	101.26	110.78	119.96
2016 .....	125.58	111.30	120.12	112.42
2017 .....	118.32	100.07	108.30	111.41
2018 .....	114.25	104.83	110.69	106.20
2019 (through 18th May, 2018).....	110.76	105.99	—	110.71
<b><u>Most recent six months</u></b>				
November 2017 .....	¥114.25	¥111.00	¥112.81	¥112.30
December 2017.....	113.62	111.88	112.94	112.69
January 2018.....	113.18	108.38	110.87	109.31
February 2018.....	110.40	106.10	107.97	106.62
March 2018.....	106.91	104.83	106.04	106.20
April 2018 .....	109.33	105.99	107.65	109.28
May 2018 (through 18th May, 2018) .....	110.76	109.06	109.71	110.71

Note:

- (a) Calculated from the average of the exchange rates on the last day of each month during the period with respect to fiscal years and from the average of daily noon buying rates with respect to months.

The exchange rates included above are for reference only and are not necessarily the rates used to calculate ratios or to convert yen to U.S. dollars in the Metropolis' financial statements or elsewhere in this Prospectus.

## 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 income 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 (Act No. 26 of 1957, as amended) (the "Act on Special Measures Concerning Taxation"); or
- (ii) A beneficial owner that is a Japanese financial institution, designated in Article 6, paragraph (9) of 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 No. 43 of 1957, as amended (the "Cabinet Order") relating to the Act on Special Measures Concerning Taxation) 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, nor 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 and Redemption Gain***

*The following description of Japanese taxation (limited to national taxes) (subject to the relevant tax treaty between Japan and the relevant country) applies exclusively to interest on the Bonds and the redemption gain, meaning any difference between the acquisition price of the interest-bearing Bonds of the holder and the amount which the holder receives upon redemption of such interest-bearing Bonds (the "Redemption Gain"), where such Bonds are issued by the Metropolis outside Japan and payable outside Japan. In addition, the following description assumes that the Bonds will only be evidenced by Global Certificates, and no Bonds evidenced by*

*Definitive Certificates 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 Redemption Gain 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, Clearstream, Luxembourg or DTC 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 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, Hong Kong, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Switzerland and the United States of America. Under the income tax treaties between Japan and the United Kingdom, Sweden or Germany, interest paid to qualified United Kingdom, Swedish or German residents is generally exempt from Japanese withholding tax. Japan has also signed amendments to the existing income tax treaties with the United States of America, Austria and Denmark generally exempting interest from Japanese withholding tax; however, these amendments have not yet entered into force. Under the current 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 current 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 Redemption Gain

- (1) If the recipient of the Redemption Gain 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 Redemption Gain 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 Redemption Gain.

- (2) If the recipient of the Redemption Gain 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 Redemption Gain 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 Redemption Gain will not be subject to any withholding tax but will be 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 Redemption Gain 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 the amount of such interest, if such interest is paid to an individual resident of Japan or a Japanese corporation (except for (i) 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 or (ii) a Public Corporation (as defined below) or a Specified Financial Institution (as defined below), to which such interest is paid 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).

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 which took 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 such 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.

- (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 Redemption Gain

If the recipient of the Redemption Gain is an individual resident of Japan or a Japanese corporation, such Redemption Gain 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. On or after 1st January, 2038, the tax rate referred to in the foregoing descriptions of 15.315 per cent., will be 15 per cent. There is also special additional tax imposed upon regular income tax, as referred to in the foregoing descriptions, for the period mentioned above.

## Certain U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax consequences of the ownership and disposition of the Bonds by the U.S. Holders described below, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to acquire Bonds. This discussion applies only to U.S. Holders who purchase Bonds pursuant to this offering at the "issue price", which is the first price at which a substantial amount of the Bonds is sold to the public, and who hold the Bonds as capital assets for U.S. federal income tax purposes. This discussion does not describe all of the tax consequences that may be relevant to an investor in the Bonds in light of its particular circumstances, including the possible effects of Section 451 of the Code (as defined below), alternative minimum tax and Medicare contribution tax consequences and differing tax consequences that may be applicable if such investor is, for instance:

- a financial institution;
- an insurance company;
- a regulated investment company;
- a dealer or trader in securities that uses a mark-to-market method of tax accounting;
- holding Bonds as part of a "straddle" or integrated transaction;
- a U.S. Holder whose functional currency is not the U.S. dollar;
- a person holding the Bonds in connection with a trade or business conducted outside of the United States;
- a partnership for U.S. federal income tax purposes; or
- a tax-exempt entity.

If an investor in the Bonds is a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of its partners will generally depend on the status of the partners and its activities. A partnership owning

Bonds and partners in such partnership should consult their tax advisers as to the particular U.S. federal income tax consequences of owning and disposing of the Bonds.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and Treasury regulations, and the income tax treaty between the United States and Japan, or the Treaty, changes to any of which subsequent to the date of this Prospectus may affect the tax consequences described herein, possibly with retroactive effect. This summary does not address state, local or non-U.S. tax consequences, U.S. federal estate or gift tax consequences or any consequences other than U.S. federal income tax consequences.

**Any prospective investor considering the purchase of Bonds should consult its tax adviser with regard to the application of the U.S. federal tax laws to its particular situation, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.**

A "U.S. Holder" is a beneficial owner of a Bond that is for U.S. federal income tax:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

### ***Interest***

It is expected, and therefore this discussion assumes, that the Bonds will be issued without original issue discount for U.S. federal income tax purposes. Interest paid on a Bond will be taxable to a U.S. Holder as ordinary income at the time it accrues or is received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. The amount of interest taxable as ordinary income will include amounts, if any, withheld in respect of Japanese taxes and any additional amounts paid with respect thereto as described under "Terms and Conditions of the Bonds—Taxation". See "— Japan — Interest Payments on Bonds and Redemption Gain — 1. Non-Japanese-resident Investors — 1.1 Interest — (4)" for a discussion of the requirements for obtaining an exemption from Japanese withholding tax.

Interest will constitute foreign source income for U.S. federal income tax purposes. Subject to applicable limitations, some of which vary depending on the U.S. Holder's particular circumstances, any Japanese income taxes withheld from interest payments on a Bond may be creditable against the U.S. Holder's U.S. federal income tax liability. However, any Japanese withholding tax on interest payments will not be creditable (i) if such tax is imposed due to the failure to provide Interest Recipient Information under Japanese law requirements or (ii) to the extent the tax is withheld in excess of any applicable Treaty rate. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the availability of foreign tax credits in their particular circumstances. Instead of claiming a credit, subject to applicable limitations, U.S. Holders may elect to deduct foreign taxes (if any) in computing their taxable income. An election to deduct foreign taxes instead of claiming foreign tax credits must apply to all foreign taxes paid or accrued in the taxable year.

### ***Sale or Other Taxable Disposition of the Bonds***

Upon the sale or other taxable disposition of a Bond, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale or other taxable disposition and its tax basis in the Bond. For these purposes, the amount realised does not include any amount attributable to accrued interest, which is treated as described under "—Interest" above. A U.S. Holder's tax basis in a Bond will generally equal the amount it paid for such Bond.

Gain or loss realised on the sale or other taxable disposition of a Bond will generally be capital gain or loss and will be long-term capital gain or loss if at the time of the sale or other taxable disposition the Bond has been held for more than one year. Long-term capital gains recognised by non-corporate taxpayers are eligible to be taxed at rates lower than those applicable to ordinary income. The deductibility of capital losses is subject to limitations. Gain or loss generally will be U.S. source for purposes of computing a U.S. Holder's foreign tax credit limitation.



### ***Backup Withholding and Information Reporting***

Information returns may be required to be filed with the Internal Revenue Service, or the IRS, in connection with payments on the Bonds and proceeds received from a sale or other disposition of the Bonds unless the U.S. Holder is an exempt recipient (that, if required, establishes such exemption). A U.S. Holder may also be subject to backup withholding on these payments in respect of its Bonds unless it provides its taxpayer identification number and otherwise complies with applicable requirements of the backup withholding rules or, if required, provides proof of an applicable exemption. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against a U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

### **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"). However, Estonia has since stated that it will not participate.

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.

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 (as defined in the proposal), 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.

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

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

## CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Metropolis believes to be reliable, but neither the Metropolis nor the Joint Lead Managers takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Metropolis and any other party to the Fiscal Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

### Clearing Systems

#### *Euroclear and Clearstream, Luxembourg*

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

#### ***DTC***

DTC has advised the Metropolis that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with Direct Participants, "Participants"). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "DTC Rules"), DTC makes book entry transfers of Bonds in registered form among Direct Participants on whose behalf it acts with respect to Bonds accepted into DTC's book entry settlement system ("DTC Bonds") as described below and receives and transmits distributions of principal and interest on DTC Bonds. The DTC Rules are on file with the U.S. Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Bonds ("Owners") have accounts with respect to the DTC Bonds similarly are required to make book entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Bonds through Direct Participants or Indirect Participants will not possess Bonds, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Bonds.

Purchases of DTC Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Bonds on DTC's records. The ownership interest of each actual purchaser of each DTC Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Bonds, except in the event that use of the book entry system for the DTC Bonds is discontinued.

To facilitate subsequent transfers, all DTC Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Bonds unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Metropolis as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Metropolis or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, relevant agents or the Metropolis, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Metropolis, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its DTC Bonds purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Bonds by causing the Direct Participant to transfer the Participant's interest in the DTC Bonds, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Bonds are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered DTC Bonds to the relevant agent's DTC account.

DTC may discontinue providing its services as depository with respect to the DTC Bonds at any time by giving reasonable notice to the Metropolis or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Bond certificates are required to be printed and delivered.

The Metropolis may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Bond certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Bonds to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Bonds, will be required to withdraw its Bonds from DTC.

The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Metropolis believes to be reliable, but the Metropolis takes no responsibility for the accuracy thereof.

### **Registration and Form**

Book entry interests in the Bonds held through Euroclear and Clearstream, Luxembourg will be evidenced by the Unrestricted Global Certificate registered in the name of a nominee of, and held by, a common depository for Euroclear and Clearstream, Luxembourg. Book entry interests in the Bonds held through DTC will be evidenced by the Restricted Global Certificate registered in the name of Cede & Co., as nominee for DTC, and held by the DTC Custodian. As necessary, the applicable Registrar will adjust the amounts of Bonds on the applicable Register for the accounts of Euroclear, Clearstream, Luxembourg and DTC to reflect the amounts of Bonds held through Euroclear, Clearstream, Luxembourg and DTC, respectively. Beneficial ownership of book entry interests in Bonds will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

The aggregate holdings of book entry interests in the Bonds in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book entry accounts of each such institution. Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book entry interests in the Bonds will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book entry interests in the Bonds. The applicable Registrar will be responsible for maintaining a record of the aggregate holdings of Bonds registered in the name of a common nominee for Euroclear and Clearstream, Luxembourg, a nominee for DTC and/or, if individual Certificates are issued in the limited circumstances described in the Global Certificates, holders of Bonds evidenced by those Definitive Certificates. The Fiscal Agent will be responsible for ensuring that payments received by it from the Metropolis for holders of book entry interests in the Bonds holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be, and the Fiscal Agent will also be responsible for ensuring that payments received by the Fiscal Agent from the Metropolis for holders of book entry interests in the Bonds holding through DTC are credited to DTC.

The Metropolis will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream, Luxembourg or DTC.

### **Clearing and Settlement Procedures**

#### ***Initial Settlement***

Upon their original issue, the Bonds will be in global form represented by the two Global Certificates. Interests in the Bonds will be in uncertified book entry form. Purchasers electing to hold book entry interests in the Bonds through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds. Book entry interests in the Bonds will be credited to Euroclear and Clearstream, Luxembourg participants' securities clearance accounts on the business day following the Closing Date against payment (value the Closing Date). DTC participants acting on behalf of purchasers electing to hold book entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book entry interests in the Bonds following confirmation of receipt of payment to the Metropolis on the Closing Date.

#### ***Secondary Market Trading***

Secondary market trades in the Bonds will be settled by transfer of title to book entry interests in the Clearing Systems. Title to such book entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, in accordance with their respective procedures. Book entry interests in the Bonds may be transferred within Euroclear and within Clearstream, Luxembourg and between Euroclear and Clearstream, Luxembourg in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg. Book entry interests in the Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book entry interests in the Bonds

between Euroclear or Clearstream, Luxembourg and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream, Luxembourg and DTC.

**General**

None of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Metropolis or any of their agents will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

## SUBSCRIPTION AND SALE

Barclays Bank PLC, Citigroup Global Markets Inc., J.P. Morgan Securities plc and Nomura International plc (together, the "Joint Lead Managers") have, pursuant to a subscription agreement dated 24th May, 2018 (the "Subscription Agreement"), agreed with the Metropolis, subject to the satisfaction of certain conditions, severally but not jointly, to purchase the aggregate principal amount of the Bonds as indicated in the table below at the issue price of 99.612 per cent. of their principal amount (the "Issue Price"):

<b>Joint Lead Managers</b>	<b>Aggregate Principal Amount of the Bonds</b>
Barclays Bank PLC .....	U.S.\$140,000,000
Citigroup Global Markets Inc.....	U.S.\$120,000,000
J.P. Morgan Securities plc.....	U.S.\$120,000,000
Nomura International plc .....	U.S.\$120,000,000
Total .....	<u>U.S.\$500,000,000</u>

The Metropolis has agreed to pay to the Joint Lead Managers a total combined management and underwriting commission and selling concession of 0.125 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.

### **Selling Restrictions**

#### ***United States of America***

The Bonds have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered, sold or delivered only: (a) outside the United States in offshore transactions in reliance on Regulation S and (b) in the United States only to QIBs in connection with resales by the Joint Lead Managers, in reliance on, and in compliance with, Rule 144A.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Bonds within the United States or to, or for the account or benefit of, U.S. persons, other than pursuant to Rule 144A, and such Joint Lead Manager will have sent to each dealer to which it sells Bonds during the distribution compliance period relating thereto, a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Bonds, any 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 if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

#### ***United Kingdom***

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 beneficial owner that is a Japanese financial institution, designated in Article 6, paragraph (9) of the Act on Special Measures Concerning Taxation.

## ***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.

## **Settlement**

It is expected that delivery of the Bonds will be made on the fifth business day following the date of pricing of the Bonds (such settlement cycle being referred to herein as "T+5"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Bonds on or after the date of pricing of the Bonds may be required, by virtue of the fact that the Bonds initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement and should consult their own advisers.

## TRANSFER RESTRICTIONS

*Due to the following significant transfer restrictions applicable to the Bonds, investors are advised to consult legal counsel prior to making any reoffer, resale, pledge, transfer or disposal of the Bonds.*

### Unrestricted Bonds

Each purchaser of Unrestricted Bonds outside the United States pursuant to Regulation S and each subsequent purchaser of such Bonds in resales prior to the expiration of 40 days after the Closing Date (the "distribution compliance period"), by accepting delivery of this Prospectus and the Bonds, will be deemed to have represented, agreed and acknowledged that:

- (i) it is, or at the time the Unrestricted Bonds are purchased will be, the beneficial owner of such Bonds and:
  - (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S); and
  - (b) it is not an affiliate of the Metropolis or a person acting on behalf of such an affiliate;
- (ii) it understands that such Unrestricted Bonds have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Bonds except:
  - (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or
  - (b) to the Metropolis; or
  - (c) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB,in each case in accordance with any applicable securities laws of any State of the United States;
- (iii) it understands that the Metropolis, the Registrars, the Fiscal Agent, the Paying Agents, the Transfer Agents, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

On or prior to the fortieth day after the issue date, Bonds represented by an interest in the Unrestricted Global Certificate may also be transferred to a person who wishes to hold such Bonds in the form of an interest in the Restricted Global Certificate, but only upon receipt by the applicable Registrar of a written certification from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Certificate.

Bonds represented by an interest in a Restricted Global Certificate may also be transferred to a person who wishes to hold such Bonds in the form of an interest in an Unrestricted Global Certificate, but only upon receipt by the applicable Registrar of a written certification from the transferor to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Any interest in a Bond evidenced by the Restricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in a Bond evidenced by the Unrestricted Global Certificate will, upon transfer, cease to be an interest in a Bond evidenced by the Restricted Global Certificate and become an interest in a Bond evidenced by the Unrestricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Bonds evidenced by the Unrestricted Global Certificate.

### Restricted Bonds

Each purchaser of Bonds evidenced by the Restricted Global Certificate in reliance on Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):



- (i) the purchaser is (a) a QIB, (b) acquiring the Bonds for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Bonds or the Metropolis and (d) is aware, and each beneficial owner of such Bonds has been advised that the sale of the Bonds to it is being made in reliance on Rule 144A;
- (ii) the purchaser understands that (1) the Bonds have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the Metropolis or any of their respective affiliates, in each case in accordance with any applicable securities laws of any State of the United States, and (2) it will, and each subsequent holder of the Bonds evidenced by the Restricted Global Certificate is required to, notify any purchaser of the Bonds evidenced by the Restricted Global Certificate from it of the resale restrictions applicable to the Bonds evidenced by the Restricted Global Certificate;
- (iii) the purchaser understands that the Unrestricted Global Certificate and any Unrestricted Definitive Certificate will bear a legend to the following effect, unless the Metropolis determines otherwise in accordance with applicable law:

THE BONDS EVIDENCED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE BONDS EVIDENCED HEREBY, AGREES FOR THE BENEFIT OF THE METROPOLIS THAT THE BONDS EVIDENCED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS.

- (iv) the purchaser understands that the Restricted Global Certificate and any Restricted Definitive Certificate will bear a legend to the following effect, unless the Metropolis determines otherwise in accordance with applicable law:

"THE BONDS EVIDENCED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE BONDS EVIDENCED HEREBY, AGREES FOR THE BENEFIT OF THE METROPOLIS OF TOKYO (THE "METROPOLIS") THAT THE BONDS EVIDENCED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE METROPOLIS OR THEIR RESPECTIVE AFFILIATES. THIS LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE METROPOLIS."

- (v) if it is acquiring any Bonds for the account of one or more QIBs the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (vi) the purchaser understands that the Metropolis, the Registrars, the Fiscal Agent, the Paying Agents, the Transfer Agents, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Upon the transfer, exchange or replacement of the Restricted Global Certificate or a Restricted Definitive Certificate, or upon specific request for removal of the legend, the Metropolis will deliver only the Restricted Global Certificate or one or more Restricted Definitive Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the Metropolis and the applicable Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Metropolis that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Bond evidenced by the Restricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in a Bond evidenced by the Unrestricted Global Certificate will, upon transfer, cease to have an interest in a Bond evidenced by the Restricted Global Certificate and become an interest in Bond evidenced by the Unrestricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in a Bond evidenced by the Unrestricted Global Certificate.

**Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Global Registered Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

## **LEGAL MATTERS**

The validity of the Bonds will be passed upon on behalf of the Metropolis by Nagashima Ohno & Tsunematsu, counsel for the Metropolis as to matters of Japanese law, and by Davis Polk & Wardwell LLP, counsel for the Metropolis as to matters of United States law. Certain legal matters will be passed upon for the Managers by Clifford Chance (Gaikokuho Kyodo Jigyō), English legal counsel for the Managers, as to matters of English law and by Clifford Chance, United States counsel for the Managers, as to matters of United States law.

## **OFFICIAL STATEMENTS**

The Metropolis has included the information in this Prospectus (including but not limited to the financial statements in pages A-3 to A-57 (both inclusive)), whose source is identified as a publication of the Metropolis, Japan or one of their respective agencies or instrumentalities in reliance on the authority of the publication as a public official document. All other information that the Metropolis has provided in this Prospectus under the captions "Presentation of Financial Information", "Risk Factors", "The Metropolis of Tokyo" and "General Information" have been supplied by the Metropolis on the authority of public officials of the Metropolis.

## GENERAL INFORMATION

1. The issue of the Bonds was duly authorised by the Governor on 26th April, 2018.
2. The Unrestricted Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg, and the Restricted Bonds have been accepted for clearance through DTC. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York, 10041-0099, United States of America. The ISIN, common code and CUSIP of the Bonds are as follows:

	Common Code	ISIN	CUSIP
Unrestricted Bonds.....	181538031	XS1815380313	—
Restricted Bonds .....	181542756	US889124AL77	889124 AL7

3. The listing of the Bonds on the Official List will be expressed in U.S. dollars as a percentage of their principal amount (excluding accrued interest); transactions will normally be effected for settlement in U.S. dollars 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 Regulated Market will be granted on 31st May, 2018 (to take effect on 4th June, 2018). 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 U.S.\$10,000. 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 4th June, 2018. 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. There are no expenses related to the listing of such programme on the TOKYO PRO-BOND Market. 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 this Prospectus (including, but not limited to, whether this 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 and the Deed of Covenant 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. Muneharu Tomobuchi, 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 certain financial information included in this Prospectus as set forth in "Report of Audit and Inspection Commissioner". Muneharu Tomobuchi 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. The Report of Audit and Inspection Commissioner included in this Prospectus is included, in the form and context in which it is included, with the consent of the Audit and Inspection Commissioner, who has authorised the contents of that part of this Prospectus. The Audit and Inspection Commissioner accepts responsibility for the Report of Audit and Inspection Commissioner contained in this Prospectus. To the best of the knowledge of the Audit and Inspection Commissioner (having taken all reasonable care to ensure that such is the case) the information contained in the Report of Audit and Inspection Commissioner contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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. There has been no significant change in the public finance and trade position of the Metropolis since 31st March, 2017.
9. The yield on the Bonds is 3.335 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.
10. The Global Certificate and any Definitive Certificates will bear the following legend:

"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 Japanese public corporation, financial institution or 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."
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.
12. The Legal Entity Identifier (LEI) code of the Metropolis is 353800FABE4GGB1BMO18.

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**ANNEX A – METROPOLIS ACCOUNTING STANDARD FINANCIAL STATEMENTS**

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Fiscal Year 2016

II . COMBINED FINANCIAL  
STATEMENTS  
(for General and  
All Special Accounts)

# 1. Combined Balance Sheet

(As of March 31, 2017)

Description of accounts	Amount (yen)	Description of accounts	Amount (yen)
<b>ASSETS</b>		<b>LIABILITIES</b>	
I Current Assets	1,428,871,297,445	I Current Liabilities	428,483,969,760
Cash and deposits	395,986,278,332	Accounts refundable	2,584,029,205
Unpaid overdue accounts	78,745,992,367	Metropolitan debt	335,827,406,115
Allowance for loss on unpaid receivables	△ 10,403,155,061	Short-term borrowings	3,000,000
Funds and financial reserves	810,827,965,291	Borrowings from other accounts	0
Adjusted fund for public finance	627,428,650,291	Borrowings from funds	0
Sinking fund	183,399,315,000	Other short-term borrowings	3,000,000
Short-term loans	154,047,788,764	Lease liabilities	2,797,988,114
Allowance for loss on bad loans	△ 671,643,648	Accounts payable	0
Other current assets	338,071,400	Deferred payments	0
II Fixed Assets	32,631,418,974,183	Unpaid guarantee obligations	0
1 Administrative property	8,184,809,515,581	Other accounts payable	0
1 Tangible fixed assets	8,179,366,299,064	Allowance for bonuses	85,784,946,326
Buildings	2,652,414,677,926	Other current liabilities	1,486,600,000
Structures	344,169,034,857	II Fixed Liabilities	6,701,347,340,740
Trees and forests	669,865,485	Metropolitan debt	5,726,084,715,294
Vessels	17,069,986,156	Long-term borrowings	379,970,955
Floating piers, etc.	723,423,109	Borrowings from other accounts	0
Land	5,164,319,311,531	Borrowing from funds	0
2 Intangible fixed assets	5,443,216,517	Other long-term borrowings	379,970,955
Land-use rights	5,443,216,517	Lease liabilities	896,109,968
Other intangible fixed assets	0	Allowance for retirement benefits	953,573,589,043
2 Ordinary property	1,069,970,744,529	Other allowances	0
1 Tangible fixed assets	1,059,616,753,266	Other fixed liabilities	20,412,955,480
Buildings	362,849,141,005	Security deposits	15,928,655,480
Structures	67,918,457,602	Other fixed liabilities	4,484,300,000
Trees and forests	95,054,333		
Vessels	184,720,000		
Floating piers, etc.	371,590,843		
Land	628,197,789,483		
2 Intangible fixed assets	10,353,991,263		
Land-use rights	1,196,270,000		
Other intangible fixed assets	9,157,721,263		
3 Movable properties	83,178,584,528		
4 Infrastructure assets	14,598,319,770,531		
1 Tangible fixed assets	14,584,278,980,495	<b>TOTAL LIABILITIES</b>	<b>7,129,831,310,500</b>
Land	12,369,353,045,442	<b>NET ASSETS</b>	
Other than land	2,214,925,935,053	Net assets,	26,930,458,961,128
2 Intangible fixed assets	14,040,790,036	including net increase(or decrease)	
Land-use rights	14,040,790,036	for the period	812,505,966,666
Other intangible fixed assets	0		
5 Lease assets	6,946,050,244		
6 Construction in progress	1,194,621,106,378		
7 Investments and other assets	7,493,573,202,392		
Securities and investments	731,157,854,915		
Investments in public enterprise accounts	2,029,427,641,459		
Long-term loans	1,127,721,056,273		
Allowance for loss on bad loans	△ 3,534,156,877		
Other long-term debts	10,743,155,659		
Funds and financial reserves	3,430,735,279,679		
Sinking fund	1,191,843,880,000		
Special purpose fund	1,950,430,105,028		
Managed fixed amount financial reserve	288,461,294,651		
Other investments	167,322,371,284	<b>TOTAL NET ASSETS</b>	<b>26,930,458,961,128</b>
<b>TOTAL ASSETS</b>	<b>34,060,290,271,628</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>34,060,290,271,628</b>

## 2. Combined Statement of Operating Costs

From April 1, 2016

To March 31, 2017

Description of accounts	Amount (yen)
<b>ORDINARY REVENUE AND EXPENSES</b>	
I Operating Revenue and Expenses	835,441,451,363
1 Operating revenue	7,342,934,748,191
Local taxes	6,483,108,558,794
Local transfer taxes	235,549,362,947
Special local government grants	4,875,162,000
Subsidy for municipalities which locate national facilities	30,451,000
Revenue from other tax sources	154,575,218
National treasury disbursements	267,452,416,265
Traffic safety special grants	2,937,072,000
Receipt from operations (Special Accounts)	77,996,017
Charges and contributions	7,707,362,099
Rents and fees	154,905,587,634
Revenue from property	11,828,980,804
Revenue from commissioned projects	51,550,830,475
Revenue from other business and sales	114,112,720,665
Donations	82,038,012
Transfer from other accounts	8,561,634,261
Other operating revenue	0
2 Operating expenses	6,507,493,296,828
Tax-related subsidies	1,367,689,909,889
Salary and wages	1,346,418,469,163
Service and supplies	275,646,190,488
Maintenance and repairs	104,482,705,081
Social welfare	127,909,093,809
Financial assistance for non-capital investment	2,284,233,505,944
Portion of subsidies (with state aids) granted for capital investment but used for non-capital expenses	75,953,674,911
Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	330,594,280,464
Financial assistance for capital investment (initiated/owned by the national government)	50,932,182,480
Non-capitalized investment	30,790,301,000
Subsidies to other accounts	193,762,302,738
Depreciation	171,663,102,460
Provision for guaranteed obligations	0
Provision for allowance for loss on unpaid receivables	8,818,844,569
Provision for allowance for loss on bad loans	0
Provision for Allowance for bonuses	85,784,946,326
Provision for allowance for retirement benefits	49,499,582,231
Provision for other allowances	0
Other operating expenses	3,314,205,275
II Financial Revenue and Expenses	△ 62,872,112,873
1 Financial revenue	15,564,934,734
Interest and dividend	15,564,934,734
2 Financial expenses	78,437,047,607
Interest on Metropolitan debt	76,389,496,559
Debt issuing expenses	1,556,124,704
Discount on debt issuance	366,990,700
Interest on borrowing from other accounts, etc.	124,435,644
Surplus from ordinary activities	772,569,338,490
<b>EXTRAORDINARY GAINS AND LOSSES</b>	△ 30,162,541,055
1 Extraordinary gains	33,667,558,218
Gain on sales of fixed assets	4,593,248,719
Other extraordinary gains	29,074,309,499
2 Extraordinary losses	63,830,099,273
Loss on sales of fixed assets	8,417,982,559
Loss on disposal of fixed assets	26,197,003,511
Disaster restoration	3,002,034,279
Loss on unpaid receivables	1,410,066,255
Loss on bad loans	143,354,570
Other extraordinary losses	24,659,658,099
Net surplus for the period	742,406,797,435

### 3. Combined Cash Flow Statement

From April 1, 2016

To March 31, 2017

Description of accounts	Amount (yen)	Description of accounts	Amount (yen)
<b>I Cash Flows from Operating Activities</b> (administration services)		<b>II Cash Flows from Investing Activities</b> (i.e. Infrastructure Development)	
Tax and dues	6,725,747,707,018	National treasury disbursements	86,165,022,173
Local taxes	6,485,138,155,853	National treasury disbursements	81,169,278,308
Local transfer taxes	235,549,362,947	Charges and contributions	3,479,076,235
Special local government grants	4,875,162,000	Transfer from other accounts, etc.	1,516,667,630
Subsidy for municipalities which locate national facilities	30,451,000	Proceeds from property	6,273,611,365
Revenue from other tax sources	154,575,218	Proceeds from sales of property	6,273,611,365
National treasury disbursements	270,751,903,265	Transfer from funds and financial reserves	323,217,596,589
National treasury disbursements	267,814,831,265	Adjusted fund for public finance	0
Traffic safety special grants	2,937,072,000	Sinking fund	266,038,306,000
Other proceeds from operating activities	397,873,351,707	Special purpose fund	57,179,290,589
Receipts from operations (Special Accounts)	82,510,645	Managed fixed amount financial reserve	0
Charges and contributions	7,639,111,456	Collection of loans, etc.	381,152,009,694
Rents and fees	154,800,673,381	Proceeds from security deposits	592,839,230
Revenue from property	11,835,340,882	Payments for development of infrastructure	383,617,749,150
Revenue from commissioned projects	51,550,830,475	Service and supplies	4,480,524,342
Revenue from other business and sales	114,646,971,133	Financial assistance for non-capital investment	2,557,802,387
Donations	80,238,012	Portion of subsidies (with state aids) granted for capital investment but used for non-capital expenses	126,203,287,996
Transfer from other accounts	57,237,675,723	Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	250,376,134,425
Financial revenue	15,564,934,734	Transfer to funds and financial reserves	691,731,284,195
Interest and dividend	15,564,934,734	Adjusted fund for public finance	2,654,291,770
Tax-related subsidies	1,367,689,909,889	Sinking fund	321,380,686,000
Tax-related subsidies	1,367,689,909,889	Special purpose fund	365,330,948,068
Payments for operating activities	5,013,751,516,116	Managed fixed amount financial reserve	2,365,358,357
Salary and wages	1,539,675,091,215	Loans and capital investments, etc.	301,180,523,424
Service and supplies	275,653,980,397	Investments in public enterprise accounts	5,160,150,000
Maintenance and repairs	104,491,323,481	Subsidies to other accounts	44,636,120,709
Social welfare	127,909,093,809	Loans	251,384,252,715
Financial assistance for non-capital investment	2,284,004,481,761	Payments for security deposits	784,872,607
Portion of subsidies (with state aids) granted for capital investment but used for non-capital expenses	75,953,674,911	<b>Net cash flows used in investing activities</b>	<b>Δ 579,913,350,325</b>
Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	330,579,084,324	<b>Net cash flows provided by operating and investing activities</b>	<b>318,834,987,746</b>
Financial assistance for capital investment (initiated/owned by the national government)	50,932,182,480	<b>III Cash Flows from Financing Activities</b>	
Non-capitalized investment	30,790,301,000	Proceeds from financing activities	667,800,689,228
Subsidies to other accounts	193,762,302,738	Metropolitan debt	408,374,983,300
Financial expenses	126,746,098,369	Borrowing from other accounts, etc.	0
Interest and commission on Metropolitan debt	126,621,662,725	Borrowings from funds	0
Interest on borrowing from other accounts, etc.	124,435,644	Transfer from other accounts	259,425,705,928
Extraordinary payments	3,002,034,279	Payments for financing activities	859,577,269,449
Disaster restoration	3,002,034,279	Redemption of Metropolitan debt (debt principal)	858,495,440,283
<b>Net cash flows provided by operating activities</b>	<b>898,748,338,071</b>	Repayment of borrowing to other accounts	1,081,829,166
		Repayment of borrowing to funds	0
		<b>Net cash flows used in financing activities</b>	<b>Δ 191,776,580,221</b>
		<b>Net increase in cash for the period</b>	<b>127,058,407,525</b>
		<b>Cash at the beginning of period</b>	<b>268,927,870,807</b>
		<b>Cash at the end of period</b>	<b>395,986,278,332</b>

#### 4. Combined Statement of Changes in Net Assets

From April 1, 2016  
To March 31, 2017

(yen)

	Opening balance	National treasury disbursements	Contributions, transfer from other accounts, etc. for capital investment	Assessed value of donated property	Transfer to other municipalities	Inter-account transactions	Other surplus	TOTAL
Balance at the beginning of period	19,023,423,532,668	1,204,406,780,621	85,788,544,357	327,959,392,464	△ 88,773,849,001	0	5,565,148,593,353	26,117,952,994,462
Net change for the period		81,053,960,491	4,975,441,877	18,619,393,407	△ 34,549,626,544	0	742,406,797,435	812,505,966,666
Increase (decrease) of fixed assets, etc.		81,053,960,491	4,975,441,877	18,619,393,407	△ 34,549,626,544	9,498,315,730		79,597,484,961
Increase (decrease) of Metropolitan debt						△ 9,316,017,608		△ 9,316,017,608
Other inter-account transactions						△ 182,298,122		△ 182,298,122
Net surplus for the period							742,406,797,435	742,406,797,435
Balance at the end of period	19,023,423,532,668	1,285,460,741,112	90,763,986,234	346,578,785,871	△ 123,323,475,545	0	6,307,555,390,788	26,930,458,961,128

#### 5. Supporting Schedule of Tangible and Intangible Fixed Assets

(yen)

Asset Description	Balance at the beginning of period	Net increase (decrease) for the period	Balance at the end of period	Accumulated depreciation at the end of period	Depreciation for the period	Net book value at the end of period
<b>TANGIBLE FIXED ASSETS</b>	<b>28,553,509,252,328</b>	<b>314,304,622,214</b>	<b>28,867,813,874,542</b>	<b>3,759,806,100,567</b>	<b>171,663,102,460</b>	<b>25,108,007,773,975</b>
Administrative Property(used solely for public administration purposes)	10,359,757,806,719	158,082,304,954	10,517,840,111,673	2,338,473,812,609	102,176,362,880	8,179,366,299,064
Buildings	4,568,519,422,577	129,116,877,914	4,697,636,300,491	2,045,221,622,565	88,205,952,620	2,652,414,677,926
Structures	598,941,258,837	17,399,930,879	616,341,189,716	272,172,154,859	12,207,823,534	344,169,034,857
Trees and forests	612,967,723	56,897,762	669,865,485	0	0	669,865,485
Vessels	35,395,118,971	1,781,799,323	37,176,918,294	20,106,932,138	1,682,535,842	17,069,986,156
Buoys, floating piers, etc.	1,658,436,813	38,089,343	1,696,526,156	973,103,047	80,050,884	723,423,109
Land	5,154,630,601,798	9,688,709,733	5,164,319,311,531	0	0	5,164,319,311,531
Ordinary Property	1,407,804,528,080	△ 2,847,203,653	1,404,957,324,427	345,340,571,161	16,224,239,093	1,059,616,753,266
Buildings	634,561,618,898	2,312,809,842	636,874,428,740	274,025,287,735	14,119,711,010	362,849,141,005
Structures	137,314,523,505	△ 522,849,230	136,791,674,275	68,873,216,673	2,011,721,718	67,918,457,602
Trees and forests	95,054,333	0	95,054,333	0	0	95,054,333
Vessels	728,700,000	68,500,000	797,200,000	612,480,000	21,861,000	184,720,000
Floating piers, etc.	2,201,177,596	0	2,201,177,596	1,829,586,753	70,945,365	371,590,843
Land	632,903,453,748	△ 4,705,664,265	628,197,789,483	0	0	628,197,789,483
Movable Properties (valued at 1,000,000 or greater)	196,606,166,670	3,950,383,649	200,556,550,319	117,377,965,791	9,693,391,037	83,178,584,528
Infrastructure Assets	15,211,502,670,622	329,109,805,532	15,540,612,476,154	956,333,495,659	43,382,770,012	14,584,278,980,495
Land	12,302,217,134,657	67,135,910,785	12,369,353,045,442	0	0	12,369,353,045,442
Other than land	2,909,285,535,965	261,973,894,747	3,171,259,430,712	956,333,495,659	43,382,770,012	2,214,925,935,053
Lease assets	10,974,453,608	△ 1,748,148,017	9,226,305,591	2,280,255,347	186,339,438	6,946,050,244
Construction in Progress	1,366,863,626,629	△ 172,242,520,251	1,194,621,106,378	0	0	1,194,621,106,378
<b>INTANGIBLE FIXED ASSETS</b>	<b>30,134,921,572</b>	<b>△ 296,923,756</b>	<b>29,837,997,816</b>	<b>0</b>	<b>0</b>	<b>29,837,997,816</b>
Administrative Property(used solely for public administration purposes)	5,950,316,428	△ 507,099,911	5,443,216,517	0	0	5,443,216,517
Land-use rights	5,950,316,428	△ 507,099,911	5,443,216,517	0	0	5,443,216,517
Other intangible fixed assets	0	0	0	0	0	0
Ordinary Property	10,143,815,108	210,176,155	10,353,991,263	0	0	10,353,991,263
Land-use rights	1,196,270,000	0	1,196,270,000	0	0	1,196,270,000
Other intangible fixed assets	8,947,545,108	210,176,155	9,157,721,263	0	0	9,157,721,263
Infrastructure Assets	14,040,790,036	0	14,040,790,036	0	0	14,040,790,036
Land-use rights	14,040,790,036	0	14,040,790,036	0	0	14,040,790,036
Other intangible fixed assets	0	0	0	0	0	0
<b>TOTAL</b>	<b>28,583,644,173,900</b>	<b>314,007,698,458</b>	<b>28,897,651,872,358</b>	<b>3,759,806,100,567</b>	<b>171,663,102,460</b>	<b>25,137,845,771,791</b>

## 6. Notes to the Financial Statements

Fiscal Year 2015 From April 1, 2015 To March 31, 2016	Fiscal Year 2016 From April 1, 2016 To March 31, 2017
<p>1. Significant Accounting Policies</p> <p>(1) Method for Depreciating Tangible Fixed Assets</p> <p>a) Administrative property, ordinary property, lease assets and infrastructure assets</p> <p>For tangible fixed assets listed under administrative properties, ordinary properties, and lease assets, depreciation is based on the straight-line depreciation method in accordance with the useful life and residual value criteria set forth in the “Administrative Guidelines for the Registry of Public Property owned by the Tokyo Metropolitan Government.”</p> <p>For tangible fixed assets listed under infrastructure assets, depreciation is based on the straight-line depreciation method in accordance with the useful life and residual value criteria set forth in the “Administrative Guidelines for the Registry of Public Property owned by the Tokyo Metropolitan Government” and the “Bureau of Construction Standards for Infrastructure Asset Management.” However, in the case of road pavement, for example, the replacement cost method is adopted, and the cost for partial replacement, i.e. the paving cost, is solely expensed.</p> <p>b) Movable properties (valued at ¥1,000,000 or greater)</p> <p>Movable properties are depreciated based on the straight-line depreciation method in accordance with the useful life criteria set</p>	<p>1. Significant Accounting Policies</p> <p>(1) Method for Depreciating Tangible Fixed Assets</p> <p>a) Administrative property, ordinary property, lease assets and infrastructure assets</p> <p style="text-align: center;">See left</p> <p>b) Movable properties (valued at ¥1,000,000 or greater)</p> <p style="text-align: center;">See left</p>

<p style="text-align: center;">Fiscal Year 2015 From April 1, 2015 To March 31, 2016</p>	<p style="text-align: center;">Fiscal Year 2016 From April 1, 2016 To March 31, 2017</p>
<p>forth in the “Useful Life Standards for Movable Properties”.</p>	
<p>(2) Method and Criterion for Evaluating Securities and Investments</p> <p>Securities and investments are the capital and shares of Tokyo Metropolitan Government supervised organizations held by the Tokyo Metropolitan Government and are booked according to their acquisition costs. When the market or real value of the investment has declined significantly, the devalued price shall replace the carrying book value.</p>	<p>(2) Method and Criterion for Evaluating Securities and Investments</p> <p style="text-align: center;">See left</p>
<p>(3) Criterion for Booking Allowance Provisions</p> <p>a) Allowance for loss on unpaid receivables</p> <p>A portion of unpaid overdue accounts attributable to nonpayment of metropolitan taxes, rents, and such, might become irrecoverable due to the expiration of the prescription period or other causes. Thus, an allowance for losses on unpaid receivables is provided for by multiplying the percentage of credit loss - calculated based on the recent collection status of said accounts, the financial condition of the debtor(s), the actual amount of credit loss during the past 3 years, and such - by the balance of the said receivables at the end of the fiscal year.</p> <p>If a more practical method of calculation exists for individual credit situations, that method is used to book allowance for losses.</p> <p>b) Allowance for loss on bad loans</p> <p>A portion of existing loans might become irrecoverable if a reduction or exemption of</p>	<p>(3) Criterion for Booking Allowance Provisions</p> <p>a) Allowance for loss on unpaid receivables</p> <p style="text-align: center;">See left</p> <p>b) Allowance for loss on bad loans</p> <p style="text-align: center;">See left</p>

<p style="text-align: center;">Fiscal Year 2015 From April 1, 2015 To March 31, 2016</p>	<p style="text-align: center;">Fiscal Year 2016 From April 1, 2016 To March 31, 2017</p>
<p>repayment is granted. Thus, an allowance for losses on bad loans is provided for by multiplying the percentage of credit loss - calculated based on the recent collection status of said loans, the financial condition of the borrower(s), the actual amount of write-down during the past 3 years, and such - by the balance of loans outstanding at the end of the fiscal year.</p> <p>If a more practical method of calculation exists for individual credit situations, that method is used to book allowance for losses.</p> <p>c) Allowance for retirement benefits</p> <p>The allowance for retirement benefits is equivalent to the lump-sum payment due to the employees if all of them voluntarily left their posts at the end of the fiscal year.</p> <p>d) Allowance for bonuses</p> <p>Of bonuses to be paid to employees in the following fiscal year, the amount that should be included in this fiscal year is booked as allowance for bonuses.</p>	<p>c) Allowance for retirement benefits</p> <p style="text-align: center;">See left</p> <p>d) Allowance for bonuses</p> <p style="text-align: center;">See left</p>
<p>(4) Conversion of assets and liabilities denominated in foreign currency into Japanese yen</p> <p>The Tokyo Metropolitan Government has raised foreign debts in the U.S. and Europe, both of which are covered by swap contracts between the said foreign currency and Japanese yen. Consequently, the debts are booked in their original yen amounts at time of issuance since the principal and debt interest is considered to assume no risk due to</p>	<p>(4) Conversion of assets and liabilities denominated in foreign currency into Japanese yen</p> <p style="text-align: center;">See left</p>



<p style="text-align: center;">Fiscal Year 2015 From April 1, 2015 To March 31, 2016</p>	<p style="text-align: center;">Fiscal Year 2016 From April 1, 2016 To March 31, 2017</p>
<p>currency rate fluctuations.</p>	
<p>(5) Other significant policies fundamental to the preparation of financial statements</p> <p>a) Valuation of tangible fixed assets</p> <p>The valuation for public properties, lease assets, movable properties, and infrastructure assets is based on their acquisition costs.</p> <p>b) Presentation of gross and net amounts in the financial statements</p> <p>In the Combined Accounts, the transfer between accounts, as well as debts and credits are offset and the monetary value is presented on a net basis.</p> <p>In the statement of operating costs, if an allowance is provided and reversed in the same year, the amount of provision for the said allowance (to be posted to operating expenses), and the amount of reversal thereof (to be posted to other extraordinary gains) are offset and presented on a net basis.</p>	<p>(5) Other significant policies fundamental to the preparation of financial statements</p> <p>a) Valuation of tangible fixed assets</p> <p style="text-align: center;">See left</p> <p>b) Presentation of gross and net amounts in the financial statements</p> <p style="text-align: center;">See left</p>
<p>2. Change of Significant Accounting Policies</p> <p style="text-align: center;">_____</p>	<p>2. Change of Significant Accounting Policies</p> <p style="text-align: center;">_____</p>
<p>3. Significant Subsequent Events</p> <p style="text-align: center;">_____</p>	<p>3. Significant Subsequent Events</p> <p style="text-align: center;">_____</p>

#### 4. Contingent Liabilities

- (1) Total amount of commitments by contract authorization involving debt guarantee and compensation for loss, of which the liability is contingent, is as follows:

Category	As of March 31, 2017
	(Yen)
To public corporations, institutions, etc.	53,420,184,000
General Account	53,420,184,000
To others	26,640,503,000
General Account	26,640,503,000
<b>TOTAL</b>	<b>80,060,687,000</b>
General Account	80,060,687,000

#### 5. Additional Information

- (1) Two month account adjustment period

Although the financial statements are prepared based upon information as of March 31, 2017, an adjustment period is adopted by the Metropolitan Government in closing its books. This adjustment period is from the end of the fiscal year until the “account closure date” of May 31 as stipulated in Article 235-5 of the Local Autonomy Law. Figures reflecting cash receipts and disbursement and the subsequent fluctuations of assets and liabilities during this period constitute the final fiscal year end figures. (i.e. The accounting period is extended by two months to absorb cash transactions involving debt or credit defined at the end of the fiscal year.)

- (2) Amounts committed to subsidize interest payments and such in following years:

Category	As of March 31, 2017
	(Yen)
Interest subsidies	31,454,846,000
General Account	31,454,846,000
Others	1,391,196,968,784
General Account	1,266,405,987,784
Metropolitan Housing Account	124,790,981,000
<b>TOTAL</b>	<b>1,422,651,814,784</b>
General Account	1,297,860,833,784
Metropolitan Housing Account	124,790,981,000

(3) Planned payments for projects brought forward

Category		As of March 31, 2017
		(Yen)
Budget carried over		49,452,745,000
General Account		35,670,434,000
Land Acquisition Account		8,058,000
Metropolitan Housing Account		13,143,000,000
Waterfront Urban Infrastructure Development Project Account		631,253,000
Budget carried over due to unforeseeable events		973,906,000
General Account		963,506,000
Land Acquisition Account		10,400,000
TOTAL		50,426,651,000
General Account		36,633,940,000
Land Acquisition Account		18,458,000
Metropolitan Housing Account		13,143,000,000
Waterfront Urban Infrastructure Development Project Account		631,253,000

(4) Temporary Borrowing

For a temporary accommodation of funds, 100 billion yen was transferred from the Adjusting Fund for Public Finance on May 31, 2016, and refunded thereto by June 1, 2016. The interest accrued on these funds was 27,397 yen, of which payment was borne by the General Account.

(5) Other items which are helpful for better understanding the financial statements:

- a) Provision for allowances and other extraordinary gains (arising from reversal of relevant allowances)

In combining accounts, the balance arising from the provision and reversal of an allowance is aggregated (and presented on a net basis).

Financial Statement	Account Title (Debit)	Amount	Account Title (Credit)	Amount
Statement of Operating Costs	Provision for allowance for loss on unpaid receivables	(Yen) 1,858,141	Other extraordinary gains	(Yen) 41,092,406
	Provision for allowance for loss on bad loans	5,825,867		
	Provision for allowance for retirement benefits	33,408,398		

b) Transfer between accounts (to be offset when combining accounts)

Transactions between accounts are summarized as follow. The amounts below are offset and balanced out in the combined financial statements:

Financial Statement	Account Title (Debit)	Amount	Account Title (Credit)	Amount
Balance Sheet		(Yen)	Net assets (Transfer to General Account)	(Yen) 7,246,958,566
Statement of Operating Costs	Transfer from General Account	641,879,495,093	Transfer to General Account	1,011,669,036,175
	Operating expenses - Tax-related subsidies	987,804,199,000	Operating revenue - Metropolitan taxes	632,652,196,121
	Operating expenses - Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	2,006,587,053	Extraordinary gains - Gain on sales of fixed assets	2,006,587,053
	Operating expenses - Subsidies to other accounts	31,165,873,881	Operating revenue - Transfer from other accounts	9,281,377,112
Balance Sheet/ Statement of Operating Costs TOTAL		1,662,856,155,027		1,662,856,155,027

Financial Statement	Account Title (Payments)	Amount	Account Title (Receipts or Proceeds)	Amount
Cash Flow Statement	Transfer from General Account - Operating Activities	(Yen) 641,879,495,093	Transfer to General Account - Operating Activities	(Yen) 1,083,064,987,509
	Transfer from General Account - Investing Activities	15,196,140	Transfer to General Account - Investing Activities	289,669,773,049
	Payments for Operating Activities - Tax-related subsidies	987,804,199,000	Transfer to General Account - Financing Activities	71,541,877,054
	Payments for Operating Activities - Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	2,021,783,193	Proceeds from Operating Activities - Metropolitan taxes	632,652,196,121
	Payments for Operating Activities - Subsidies to other accounts	31,256,913,891	Proceeds from Operating Activities - Transfer from other accounts	15,831,019,225
	Payments for Operating Activities - Interest and commission on - Metropolitan debt	77,857,939,732	Proceeds from Investing Activities - Transfer from other accounts, etc.	36,123,743,659
	Payments for Investing Activities - Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	13,143,166,768	Proceeds from Investing Activities - Proceeds from sales of property	15,164,949,961
	Payments for Investing Activities - Sinking fund	318,492,148,806	Proceeds from financing activities - Borrowing from other accounts, etc.	2,500,000,000
	Payments for Investing Activities - Subsidies to other accounts	2,823,674,553	Proceeds from financing activities - Transfer from other accounts	6,407,370,153
	Payments for Financing Activities - Redemption of Metropolitan debt (debt principal)	77,661,399,555	Proceeds from Investing Activities - Revenue from Collection of loans	1,080,000,000
	Payments for Financing Activities - Repayment of borrowing to other accounts	1,080,000,000		
	Cash Flow Statement	TOTAL	2,154,035,916,731	

c) Inter-Account debts and credits

Inter-Account debts and credits are summarized as follow. The amounts below are offset and balanced out in the combined financial statements;

Account	Asset	Amount	Liability	Amount
Metropolitan Housing Account		(Yen)	Fixed liabilities - Borrowings from other accounts	(Yen) 10,529,000,000
Metropolitan Housing Tenants Security Deposit Account	Fixed Assets - Long-term loans	10,529,000,000		
TOTAL		10,529,000,000		10,529,000,000

6. Other References

(1) Balance Sheet

a) Details of securities and investments, and loans

Category	To organizations supervised by the Tokyo Metropolitan Government	To other organizations	Total
	(Yen)	(Yen)	(Yen)
Securities and investments	111,236,408,858	619,921,446,057	731,157,854,915
Loans	454,651,989,779	827,116,855,258	1,281,768,845,037

b) Planned servicing of Metropolitan debt and borrowings

Category	Redemption In FY2017	Redemption in and after FY2018	Total
Metropolitan debt	(Yen) 335,827,406,115	(Yen) 5,726,084,715,294	(Yen) 6,061,912,121,409
General Account	315,086,796,124	5,168,483,425,619	5,483,570,221,743
Single Parent Welfare Loan Fund Account	0	29,426,702,600	29,426,702,600
Small and Medium Enterprise Facility Installation Fund Account	699,036,000	5,116,289,813	5,815,325,813
Slaughter House Account	734,197,101	1,824,681,255	2,558,878,356
Metropolitan Housing Account	19,307,376,890	521,233,616,007	540,540,992,897
Other borrowings	3,000,000	379,970,955	382,970,955
Small and Medium Enterprise Facility Installation Fund Account	3,000,000	379,970,955	382,970,955
<b>TOTAL</b>	<b>335,830,406,115</b>	<b>5,726,464,686,249</b>	<b>6,062,295,092,364</b>
General Account	315,086,796,124	5,168,483,425,619	5,483,570,221,743
Single Parent Welfare Loan Fund Account	0	29,426,702,600	29,426,702,600
Small and Medium Enterprise Facility Installation Fund Account	702,036,000	5,496,260,768	6,198,296,768
Slaughter House Account	734,197,101	1,824,681,255	2,558,878,356
Metropolitan Housing Account	19,307,376,890	521,233,616,007	540,540,992,897

(2) Statement of Operating Costs

a) Detail of revenues and their accounting basis

Account	Description and Accounting Basis
Operating revenue	
Local taxes	Ordinary taxes as defined in the current Local Tax Law, taxes provided for in the former law, special purpose taxes and a special-purpose discretionary tax (namely, accommodation tax provided for in the Tokyo Metropolitan Accommodation Tax Ordinance) are recognized as revenue when they are received and booked accordingly. In the case of local consumption tax however, the revenue is booked upon its receipt from (or upon the final decision of remittance by) the national government - but before its final adjustment among prefectures.
Local transfer taxes	Local road transfer tax, petroleum gas transfer tax, special tonnage transfer tax, aviation fuel transfer tax, local special corporate transfer tax and local gasoline transfer tax are booked as revenue upon receipt (i.e. at the moment that the receipt of the revenue is confirmed).
Special local government grants	Grants provided to supplement reduced individual inhabitant tax revenue of local governments resulting from special tax deductions such as that for housing loan balances are booked as revenue.
Subsidy for municipalities which locate national facilities	The national government offers a subsidy to municipalities which locate national facilities as alternative financial resource for fixed assets tax. The subsidy is booked as revenue upon receipt.
Revenue from other tax sources	Metropolitan Inhabitant Tax on interest income after settlement among prefectures and revenues from the collection of delinquent taxes are booked upon receipt.
National treasury disbursements	Disbursements from the national government are booked as revenue when allotted to operating activities.
Traffic safety special grants	Based on the Road Traffic Act, the national government allocates revenues from fines, etc. to local governments as grants to establish road traffic safety facilities and their management. The grants are booked as revenue.
Receipts from operations (Special Accounts)	When the special accounts receive loan interest, premiums or damages for contract breaches, they are booked as revenue.
Charges and Contributions	Incoming public charges and contributions are booked as revenue when they are applied to the operating activities.
Rents and fees	Rents and fees are booked as revenue upon receipt.



Revenue from property	Rents, sales and other revenue from properties are booked as revenue upon receipt.
Revenue from commissioned projects	Revenue from commissioned projects is booked as revenue upon receipt.
Revenue from other business and sales	Revenue from profit-making businesses, proceeds from the sale of movable assets, etc. are booked as revenue upon receipt.
Donations	Donations are booked as revenue upon receipt.
Transfer from other accounts	Money transferred from other accounts is booked as revenue when it is applied to operating activities.
Other operating revenue	Other revenue from operating activities is booked under this title.
Financial revenue	
Interest and dividends	Interest on bank deposits, dividends from stocks and other financial instruments are booked upon receipt.
Extraordinary gains	
Gain on sales of fixed assets	Proceeds (or receivables) from sales of fixed assets (other than securities and investments) are offset with the book value of said assets, and recognized as a gain if the proceeds exceed the book value.
Other extraordinary gains	Gains from the sales of securities and investments, reversal of allowances, prior-year adjustments, etc. are booked under this title.

b) Expenses relevant to capital investment

“Expenses for capital investment, with national subsidies” “Expenses for capital investment with no national subsidies,” and “Expenses relevant to the nation’s government’s capital investment” are all accounted for as operating expenses since these costs are not added to the acquisition cost of the TMG’s fixed assets on account of their nature.

c) Major items under other extraordinary gains and losses

For “other extraordinary gains,” prior-year adjustments revealed a gain of 4,871,970,644 yen; and, for “other extraordinary losses,” prior-year adjustments revealed a loss of 13,791,602,599 yen.

### (3) Cash Flow Statement

The following is a breakdown of the difference between the “net surplus for the period” in the statement of operating costs and “net cash flows provided by operating activities” in the cash flow statement.

	(Yen)
Net surplus for the period in the Statement of Operating Costs	742,406,797,435
Changes in tangible fixed Asset	201,684,839,811
Depreciation expenses	171,663,102,460
Loss (or gain) on sales of fixed assets	3,824,733,840
Loss on disposals of fixed assets	26,197,003,511
Changes in current assets/liabilities relating to operating activities	14,110,010,532
Decrease (Increase) of unpaid overdue accounts	13,164,106,240
Increase (Decrease) of unpaid refunds	1,135,267,582
Decrease (Increase) of other current assets	△ 189,363,290
Other non-cash items	△ 55,038,658,307
Provision for allowance for loss on unpaid receivables	8,818,844,569
Loss on unpaid receivables	1,410,066,255
Loss on bad loans	143,354,570
Provision for allowance for retirement benefits	49,499,582,231
Payments for retirement benefits	△ 106,646,897,597
Other non-cash revenue/expense items	△ 8,263,608,335
Other items	△ 4,414,651,400
Other extraordinary gains	△ 29,074,309,499
Other extraordinary losses	24,659,658,099
Net cash flows provided by operating activities in the Cash Flow Statement	898,748,338,071

Fiscal Year 2015

II . COMBINED FINANCIAL  
STATEMENTS  
(for General and  
All Special Accounts)

# 1. Combined Balance Sheet

(As of March 31, 2016)

Description of accounts	Amount (yen)	Description of accounts	Amount (yen)
<b>ASSETS</b>		<b>LIABILITIES</b>	
I Current Assets	1,433,737,490,281	I Current Liabilities	432,243,191,960
Cash and deposits	268,927,870,807	Accounts refundable	1,448,761,623
Unpaid overdue accounts	91,910,098,607	Metropolitan debt	343,918,772,168
Allowance for loss on unpaid receivables	△ 12,619,931,307	Short-term borrowings	406,000,000
Funds and financial reserves	890,812,664,521	Borrowings from other accounts	0
Adjusted fund for public finance	624,774,358,521	Borrowings from funds	0
Sinking fund	266,038,306,000	Other short-term borrowings	406,000,000
Short-term loans	195,835,953,963	Lease liabilities	656,507,181
Allowance for loss on bad loans	△ 1,277,874,420	Accounts payable	0
Other current assets	148,708,110	Deferred payments	0
II Fixed Assets	32,061,600,064,260	Unpaid guarantee obligations	0
1 Administrative property	8,119,934,067,406	Other accounts payable	0
1 Tangible fixed assets	8,113,983,750,978	Allowance for bonuses	83,590,568,996
Buildings	2,603,910,414,414	Other current liabilities	2,222,581,992
Structures	337,414,360,566	II Fixed Liabilities	6,945,141,368,119
Trees and forests	612,967,723	Metropolitan debt	5,908,321,109,596
Vessels	16,632,670,127	Long-term borrowings	382,404,250
Floating piers, etc.	782,736,350	Borrowings from other accounts	0
Land	5,154,630,601,798	Borrowing from funds	0
2 Intangible fixed assets	5,950,316,428	Other long-term borrowings	382,404,250
Land-use rights	5,950,316,428	Lease liabilities	3,713,986,772
Other intangible fixed assets	0	Allowance for retirement benefits	1,010,720,904,409
2 Ordinary property	1,078,789,780,540	Other allowances	0
1 Tangible fixed assets	1,068,645,965,432	Other fixed liabilities	22,002,963,092
Buildings	365,035,818,970	Security deposits	16,032,063,092
Structures	69,969,371,173	Other fixed liabilities	5,970,900,000
Trees and forests	95,054,333		
Vessels	199,731,000		
Floating piers, etc.	442,536,208		
Land	632,903,453,748		
2 Intangible fixed assets	10,143,815,108		
Land-use rights	1,196,270,000		
Other intangible fixed assets	8,947,545,108		
3 Movable properties	81,984,310,083		
4 Infrastructure assets	14,310,575,783,998		
1 Tangible fixed assets	14,296,534,993,962		
Land	12,302,217,134,657		
Other than land	1,994,317,859,305		
2 Intangible fixed assets	14,040,790,036		
Land-use rights	14,040,790,036		
Other intangible fixed assets	0		
5 Lease assets	8,256,456,650		
6 Construction in progress	1,366,863,626,629		
7 Investments and other assets	7,095,196,038,954		
Securities and investments	737,438,356,067		
Investments in public enterprise accounts	1,984,791,520,750		
Long-term loans	1,215,918,021,566		
Allowance for loss on bad loans	△ 3,878,887,306		
Other long-term debts	11,087,422,044		
Funds and financial reserves	2,982,517,234,549		
Sinking fund	1,053,862,509,000		
Special purpose fund	1,642,558,789,255		
Managed fixed amount financial reserve	286,095,936,294		
Other investments	167,322,371,284		
		<b>TOTAL LIABILITIES</b>	<b>7,377,384,560,079</b>
		<b>NET ASSETS</b>	
		Net assets,	26,117,952,994,462
		including net increase(or decrease)	
		for the period	736,627,068,908
		<b>TOTAL NET ASSETS</b>	<b>26,117,952,994,462</b>
<b>TOTAL ASSETS</b>	<b>33,495,337,554,541</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>33,495,337,554,541</b>

## 2. Combined Statement of Operating Costs

From April 1, 2015

To March 31, 2016

Description of accounts	Amount (yen)
<b>ORDINARY REVENUE AND EXPENSES</b>	
I Operating Revenue and Expenses	737,518,384,064
1 Operating revenue	7,362,753,349,949
Local taxes	6,461,007,975,371
Local transfer taxes	271,981,082,427
Special local government grants	4,700,412,000
Subsidy for municipalities which locate national facilities	29,961,000
Revenue from other tax sources	143,985,079
National treasury disbursements	284,078,037,947
Traffic safety special grants	3,101,940,000
Receipt from operations (Special Accounts)	108,264,600
Charges and contributions	7,736,599,727
Rents and fees	150,203,633,258
Revenue from property	11,920,048,260
Revenue from commissioned projects	51,020,509,925
Revenue from other business and sales	107,879,572,437
Donations	96,460,755
Transfer from other accounts	8,744,867,163
Other operating revenue	0
2 Operating expenses	6,625,234,965,885
Tax-related subsidies	1,439,481,870,381
Salary and wages	1,322,113,716,706
Service and supplies	262,113,046,664
Maintenance and repairs	99,949,114,506
Social welfare	125,454,658,313
Financial assistance for non-capital investment	2,403,455,190,098
Portion of subsidies (with state aids) granted for capital investment but used for non-capital expenses	78,283,986,456
Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	289,050,561,983
Financial assistance for capital investment (initiated/owned by the national government)	35,770,328,468
Non-capitalized investment	27,156,005,625
Subsidies to other accounts	192,802,487,995
Depreciation	169,630,999,691
Provision for guaranteed obligations	5,265,788
Provision for allowance for loss on unpaid receivables	10,254,127,471
Provision for allowance for loss on bad loans	0
Provision for Allowance for bonuses	83,590,568,996
Provision for allowance for retirement benefits	82,232,943,639
Provision for other allowances	0
Other operating expenses	3,890,093,105
II Financial Revenue and Expenses	△ 74,010,418,053
1 Financial revenue	15,378,996,426
Interest and dividend	15,378,996,426
2 Financial expenses	89,389,414,479
Interest on Metropolitan debt	86,884,280,546
Debt issuing expenses	2,205,956,528
Discount on debt issuance	153,504,570
Interest on borrowing from other accounts, etc.	145,672,835
<b>Surplus from ordinary activities</b>	<b>663,507,966,011</b>
<b>EXTRAORDINARY GAINS AND LOSSES</b>	<b>△ 19,797,178,021</b>
1 Extraordinary gains	16,559,892,868
Gain on sales of fixed assets	6,272,953,327
Other extraordinary gains	10,286,939,541
2 Extraordinary losses	36,357,070,889
Loss on sales of fixed assets	1,431,993,639
Loss on disposal of fixed assets	14,623,901,632
Disaster restoration	2,769,306,692
Loss on unpaid receivables	979,507,583
Loss on bad loans	11,334,164
Other extraordinary losses	16,541,027,179
<b>Net surplus for the period</b>	<b>643,710,787,990</b>

### 3. Combined Cash Flow Statement

From April 1, 2015

To March 31, 2016

Description of accounts	Amount (yen)	Description of accounts	Amount (yen)
<b>I Cash Flows from Operating Activities</b> (administration services)		<b>II Cash Flows from Investing Activities</b> (i.e. Infrastructure Development)	
Tax and dues	6,743,532,727,822	National treasury disbursements	96,049,339,808
Local taxes	6,466,677,287,316	National treasury disbursements	91,086,847,120
Local transfer taxes	271,981,082,427	Charges and contributions	2,026,363,723
Special local government grants	4,700,412,000	Transfer from other accounts, etc.	2,936,128,965
Subsidy for municipalities which locate national facilities	29,961,000	Proceeds from property	15,415,409,859
Revenue from other tax sources	143,985,079	Proceeds from sales of property	15,415,409,859
National treasury disbursements	287,706,107,947	Transfer from funds and financial reserves	451,938,686,952
National treasury disbursements	284,604,167,947	Adjusted fund for public finance	0
Traffic safety special grants	3,101,940,000	Sinking fund	328,118,454,000
Other proceeds from operating activities	391,530,878,805	Special purpose fund	123,554,466,277
Receipts from operations (Special Accounts)	111,839,494	Managed fixed amount financial reserve	265,766,675
Charges and contributions	7,695,688,264	Collection of loans, etc.	425,638,923,909
Rents and fees	150,103,008,977	Proceeds from security deposits	503,561,303
Revenue from property	11,934,726,016	Payments for development of infrastructure	352,064,765,883
Revenue from commissioned projects	51,020,538,335	Service and supplies	3,681,037,189
Revenue from other business and sales	107,001,673,107	Financial assistance for non-capital investment	12,611,468,946
Donations	96,460,755	Portion of subsidies (with state aids) granted for capital investment but used for non-capital expenses	140,319,364,964
Transfer from other accounts	63,566,943,857	Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	195,452,894,784
Financial revenue	15,378,996,426	Transfer to funds and financial reserves	903,378,736,469
Interest and dividend	15,378,996,426	Adjusted fund for public finance	58,456,177,393
Tax-related subsidies	1,439,481,870,381	Sinking fund	314,791,145,000
Tax-related subsidies	1,439,481,870,381	Special purpose fund	527,512,052,427
Payments for operating activities	5,033,762,150,713	Managed fixed amount financial reserve	2,619,361,649
Salary and wages	1,519,602,966,139	Loans and capital investments, etc.	297,786,452,228
Service and supplies	262,113,046,664	Investments in public enterprise accounts	5,928,200,000
Maintenance and repairs	99,949,114,506	Subsidies to other accounts	48,800,544,833
Social welfare	125,454,658,313	Loans	243,057,707,395
Financial assistance for non-capital investment	2,403,831,133,092	Payments for security deposits	681,296,301
Portion of subsidies (with state aids) granted for capital investment but used for non-capital expenses	78,283,986,456	<b>Net cash flows used in investing activities</b>	<b>Δ 564,365,329,050</b>
Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	288,798,423,455	<b>Net cash flows provided by operating and investing activities</b>	<b>253,712,067,561</b>
Financial assistance for capital investment (initiated/owned by the national government)	35,770,328,468	<b>III Cash Flows from Financing Activities</b>	
Non-capitalized investment	27,156,005,625	Proceeds from financing activities	824,854,059,904
Subsidies to other accounts	192,802,487,995	Metropolitan debt	562,217,565,430
Financial expenses	144,057,986,603	Borrowing from other accounts, etc.	0
Interest and commission on Metropolitan debt	143,912,313,768	Borrowings from funds	0
Interest on borrowing from other accounts, etc.	145,672,835	Transfer from other accounts	262,636,494,474
Extraordinary payments	2,769,306,692	Payments for financing activities	1,126,293,062,226
Disaster restoration	2,769,306,692	Redemption of Metropolitan debt (debt principal)	1,124,774,958,432
<b>Net cash flows provided by operating activities</b>	<b>818,077,396,611</b>	Repayment of borrowing to other accounts	1,518,103,794
		Repayment of borrowing to funds	0
		<b>Net cash flows used in financing activities</b>	<b>Δ 301,439,002,322</b>
		<b>Net increase in cash for the period</b>	<b>Δ 47,726,934,761</b>
		<b>Cash at the beginning of period</b>	<b>316,654,805,568</b>
		<b>Cash at the end of period</b>	<b>268,927,870,807</b>

4. Combined Statement of Changes in Net Assets

From April 1, 2015  
To March 31, 2016

(yen)

	Opening balance	National treasury disbursements	Contributions, transfer from other accounts, etc. for capital investment	Assessed value of donated property	Transfer to other municipalities	Inter-account transactions	Other surplus	TOTAL
Balance at the beginning of period	19,023,423,532,668	1,125,931,392,897	80,826,148,672	314,867,601,306	△ 85,160,555,352	0	4,921,437,805,363	25,381,325,925,554
Net change for the period		78,475,387,724	4,962,395,685	13,091,791,158	△ 3,613,293,649	0	643,710,787,990	736,627,068,908
Increase (decrease) of fixed assets, etc.		78,475,387,724	4,962,395,685	13,091,791,158	△ 3,613,293,649	9,973,820,808		102,890,101,726
Increase (decrease) of Metropolitan debt						△ 1,503,936,168		△ 1,503,936,168
Other inter-account transactions						△ 8,469,884,640		△ 8,469,884,640
Net surplus for the period							643,710,787,990	643,710,787,990
Balance at the end of period	19,023,423,532,668	1,204,406,780,621	85,788,544,357	327,959,392,464	△ 88,773,849,001	0	5,565,148,593,353	26,117,952,994,462

5. Supporting Schedule of Tangible and Intangible Fixed Assets

(yen)

Asset Description	Balance at the beginning of period	Net increase (decrease) for the period	Balance at the end of period	Accumulated depreciation at the end of period	Depreciation for the period	Net book value at the end of period
<b>TANGIBLE FIXED ASSETS</b>	28,253,691,536,567	299,817,715,761	28,553,509,252,328	3,617,240,148,594	169,629,317,774	24,936,269,103,734
Administrative Property(used solely for public administration purposes)	10,251,519,208,653	108,238,598,066	10,359,757,806,719	2,245,774,055,741	101,495,253,226	8,113,983,750,978
Buildings	4,525,779,183,779	42,740,238,798	4,568,519,422,577	1,964,609,008,163	87,200,953,371	2,603,910,414,414
Structures	580,436,195,969	18,505,062,868	598,941,258,837	261,526,898,271	12,529,687,819	337,414,360,566
Trees and forests	613,059,654	△ 91,931	612,967,723	0	0	612,967,723
Vessels	34,852,958,971	542,160,000	35,395,118,971	18,762,448,844	1,683,332,942	16,632,670,127
Buoys, floating piers, etc.	1,649,589,309	8,847,504	1,658,436,813	875,700,463	81,279,094	782,736,350
Land	5,108,188,220,971	46,442,380,827	5,154,630,601,798	0	0	5,154,630,601,798
Ordinary Property	1,400,740,057,774	7,064,470,306	1,407,804,528,080	339,158,562,648	15,840,853,190	1,068,645,965,432
Buildings	620,700,265,439	13,861,353,459	634,561,618,898	269,525,799,928	13,735,718,407	365,035,818,970
Structures	137,869,718,461	△ 555,194,956	137,314,523,505	67,345,152,332	2,012,328,418	69,969,371,173
Trees and forests	95,127,492	△ 73,159	95,054,333	0	0	95,054,333
Vessels	1,305,584,500	△ 576,884,500	728,700,000	528,969,000	21,861,000	199,731,000
Floating piers, etc.	2,201,177,596	0	2,201,177,596	1,758,641,388	70,945,365	442,536,208
Land	638,568,184,286	△ 5,664,730,538	632,903,453,748	0	0	632,903,453,748
Movable Properties (valued at 1,000,000 or greater)	198,547,541,338	△ 1,941,374,668	196,606,166,670	114,621,856,587	9,782,672,626	81,984,310,083
Infrastructure Assets	15,075,261,897,903	136,240,772,719	15,211,502,670,622	914,967,676,660	42,303,893,868	14,296,534,993,962
Land	12,249,746,962,811	52,470,171,846	12,302,217,134,657	0	0	12,302,217,134,657
Other than land	2,825,514,935,092	83,770,600,873	2,909,285,535,965	914,967,676,660	42,303,893,868	1,994,317,859,305
Lease assets	11,146,952,220	△ 172,498,612	10,974,453,608	2,717,996,958	206,644,864	8,256,456,650
Construction in Progress	1,316,475,878,679	50,387,747,950	1,366,863,626,629	0	0	1,366,863,626,629
<b>INTANGIBLE FIXED ASSETS</b>	29,220,568,369	914,353,203	30,134,921,572	0	1,681,917	30,134,921,572
Administrative Property(used solely for public administration purposes)	5,950,316,428	0	5,950,316,428	0	0	5,950,316,428
Land-use rights	5,950,316,428	0	5,950,316,428	0	0	5,950,316,428
Other intangible fixed assets	0	0	0	0	0	0
Ordinary Property	9,229,461,905	914,353,203	10,143,815,108	0	1,681,917	10,143,815,108
Land-use rights	372,941,000	823,329,000	1,196,270,000	0	0	1,196,270,000
Other intangible fixed assets	8,856,520,905	91,024,203	8,947,545,108	0	1,681,917	8,947,545,108
Infrastructure Assets	14,040,790,036	0	14,040,790,036	0	0	14,040,790,036
Land-use rights	14,040,790,036	0	14,040,790,036	0	0	14,040,790,036
Other intangible fixed assets	0	0	0	0	0	0
<b>TOTAL</b>	28,282,912,104,936	300,732,068,964	28,583,644,173,900	3,617,240,148,594	169,630,999,691	24,966,404,025,306

## 6. Notes to the Financial Statements

Fiscal Year 2014 From April 1, 2014 To March 31, 2015	Fiscal Year 2015 From April 1, 2015 To March 31, 2016
<p>1. Significant Accounting Policies</p> <p>(1) Method for Depreciating Tangible Fixed Assets</p> <p>a) Administrative property, ordinary property, lease assets and infrastructure assets</p> <p>For tangible fixed assets listed under administrative properties, ordinary properties, and lease assets, depreciation is based on the straight-line depreciation method in accordance with the useful life and residual value criteria set forth in the “Administrative Guidelines for the Registry of Public Property owned by the Tokyo Metropolitan Government.”</p> <p>For tangible fixed assets listed under infrastructure assets, depreciation is based on the straight-line depreciation method in accordance with the useful life and residual value criteria set forth in the “Administrative Guidelines for the Registry of Public Property owned by the Tokyo Metropolitan Government” and the “Bureau of Construction Standards for Infrastructure Asset Management.” However, in the case of road pavement, for example, the replacement cost method is adopted, and the cost for partial replacement, i.e. the paving cost, is solely expensed.</p> <p>b) Movable properties (valued at ¥1,000,000 or greater)</p> <p>Movable properties are depreciated based on the straight-line depreciation method in</p>	<p>1. Significant Accounting Policies</p> <p>(1) Method for Depreciating Tangible Fixed Assets</p> <p>a) Administrative property, ordinary property, lease assets and infrastructure assets</p> <p style="text-align: center;">See left</p> <p>b) Movable properties (valued at ¥1,000,000 or greater)</p> <p style="text-align: center;">See left</p>



<p style="text-align: center;">Fiscal Year 2014 From April 1, 2014 To March 31, 2015</p>	<p style="text-align: center;">Fiscal Year 2015 From April 1, 2015 To March 31, 2016</p>
<p>accordance with the useful life criteria set forth in the “Useful Life Standards for Movable Properties”.</p>	
<p>(2) Method and Criterion for Evaluating Securities and Investments</p> <p>Securities and investments are the capital and shares of Tokyo Metropolitan Government supervised organizations held by the Tokyo Metropolitan Government and are booked according to their acquisition costs. When the market or real value of the investment has declined significantly, the devalued price shall replace the carrying book value.</p>	<p>(2) Method and Criterion for Evaluating Securities and Investments</p> <p style="text-align: center;">See left</p>
<p>(3) Criterion for Booking Allowance Provisions</p> <p>a) Allowance for loss on unpaid receivables</p> <p>A portion of unpaid overdue accounts attributable to nonpayment of metropolitan taxes, rents, and such, might become irrecoverable due to the expiration of the prescription period or other causes. Thus, an allowance for losses on unpaid receivables is provided for by multiplying the percentage of credit loss - calculated based on the recent collection status of said accounts, the financial condition of the debtor(s), the actual amount of credit loss during the past 3 years, and such - by the balance of the said receivables at the end of the fiscal year.</p> <p>If a more practical method of calculation exists for individual credit situations, that method is used to book allowance for losses.</p> <p>b) Allowance for loss on bad loans</p>	<p>(3) Criterion for Booking Allowance Provisions</p> <p>a) Allowance for loss on unpaid receivables</p> <p style="text-align: center;">See left</p> <p>b) Allowance for loss on bad loans</p>

<p style="text-align: center;">Fiscal Year 2014 From April 1, 2014 To March 31, 2015</p>	<p style="text-align: center;">Fiscal Year 2015 From April 1, 2015 To March 31, 2016</p>
<p>A portion of existing loans might become irrecoverable if a reduction or exemption of repayment is granted. Thus, an allowance for losses on bad loans is provided for by multiplying the percentage of credit loss - calculated based on the recent collection status of said loans, the financial condition of the borrower(s), the actual amount of write-down during the past 3 years, and such - by the balance of loans outstanding at the end of the fiscal year.</p> <p>If a more practical method of calculation exists for individual credit situations, that method is used to book allowance for losses.</p> <p>c) Allowance for retirement benefits</p> <p>The allowance for retirement benefits is equivalent to the lump-sum payment due to the employees if all of them voluntarily left their posts at the end of the fiscal year.</p> <p>d) Allowance for bonuses</p> <p>Of bonuses to be paid to employees in the following fiscal year, the amount that should be included in this fiscal year is booked as allowance for bonuses.</p>	<p style="text-align: center;">See left</p> <p>c) Allowance for retirement benefits</p> <p style="text-align: center;">See left</p> <p>d) Allowance for bonuses</p> <p style="text-align: center;">See left</p>
<p>(4) Conversion of assets and liabilities denominated in foreign currency into Japanese yen</p> <p>The Tokyo Metropolitan Government has raised foreign debts in the U.S. and Europe, both of which are covered by swap contracts between the said foreign currency and Japanese yen. Consequently, the debts are</p>	<p>(4) Conversion of assets and liabilities denominated in foreign currency into Japanese yen</p> <p style="text-align: center;">See left</p>

<p style="text-align: center;">Fiscal Year 2014 From April 1, 2014 To March 31, 2015</p>	<p style="text-align: center;">Fiscal Year 2015 From April 1, 2015 To March 31, 2016</p>
<p>booked in their original yen amounts at time of issuance since the principal and debt interest is considered to assume no risk due to currency rate fluctuations.</p>	
<p>(5) Other significant policies fundamental to the preparation of financial statements</p> <p>a) Valuation of tangible fixed assets</p> <p>The valuation for public properties, lease assets, movable properties, and infrastructure assets is based on their acquisition costs.</p> <p>b) Presentation of gross and net amounts in the financial statements</p> <p>In the Combined Accounts, the transfer between accounts, as well as debts and credits are offset and the monetary value is presented on a net basis.</p> <p>In the statement of operating costs, if an allowance is provided and reversed in the same year, the amount of provision for the said allowance (to be posted to operating expenses), and the amount of reversal thereof (to be posted to other extraordinary gains) are offset and presented on a net basis.</p>	<p>(5) Other significant policies fundamental to the preparation of financial statements</p> <p>a) Valuation of tangible fixed assets</p> <p style="text-align: center;">See left</p> <p>b) Presentation of gross and net amounts in the financial statements</p> <p style="text-align: center;">See left</p>
<p>2. Change of Significant Accounting Policies</p> <p>(1) Change in accounting process principles and procedures</p> <p>For ownership-transfer finance lease transactions, the accounting process had, up to now, followed the method for regular lease transactions, but from this fiscal year, accounting has been changed to follow that for regular sales transactions, with lease assets booked as fixed assets and lease liabilities booked as</p>	<p>2. Change of Significant Accounting Policies</p> <p style="text-align: center;">_____</p>

Fiscal Year 2014 From April 1, 2014 To March 31, 2015	Fiscal Year 2015 From April 1, 2015 To March 31, 2016
<p>current (fixed) liabilities.</p> <p>This change was made for more accurate reflection on the financial statement of lease transactions that can essentially be considered to be sales transactions.</p> <p>Due to this change, 8,295,734,281 yen has been newly booked as lease assets, and total assets have increased by this amount. In addition, 4,333,099,824 yen has been newly booked as lease liabilities, and total liabilities have increased by this amount.</p>	
3. Significant Subsequent Events  _____	3. Significant Subsequent Events  _____

#### 4. Contingent Liabilities

- (1) Total amount of commitments by contract authorization involving debt guarantee and compensation for loss, of which the liability is contingent, is as follows:

Category	As of March 31, 2016
	(Yen)
To public corporations, institutions, etc.	71,244,679,000
General Account	71,244,679,000
To others	26,132,118,860
General Account	26,132,118,860
<b>TOTAL</b>	<b>97,376,797,860</b>
General Account	97,376,797,860

5, Additional Information

(1) Two month account adjustment period

Although the financial statements are prepared based upon information as of March 31, 2016, an adjustment period is adopted by the Metropolitan Government in closing its books. This adjustment period is from the end of the fiscal year until the “account closure date” of May 31 as stipulated in Article 235-5 of the Local Autonomy Law. Figures reflecting cash receipts and disbursement and the subsequent fluctuations of assets and liabilities during this period constitute the final fiscal year end figures. (i.e. The accounting period is extended by two months to absorb cash transactions involving debt or credit defined at the end of the fiscal year.)

(2) Amounts committed to subsidize interest payments and such in following years:

Category	As of March 31, 2016
	(Yen)
Interest subsidies	37,654,754,000
General Account	37,654,754,000
Others	1,112,150,663,106
General Account	992,043,288,106
Metropolitan Housing Account	120,107,375,000
<b>TOTAL</b>	<b>1,149,805,417,106</b>
General Account	1,029,698,042,106
Metropolitan Housing Account	120,107,375,000

(3) Planned payments for projects brought forward

Category		As of March 31, 2016
		(Yen)
Budget carried over		54,568,550,000
General Account		43,030,803,000
Land Acquisition Account		132,900,000
Metropolitan Housing Account		10,523,000,000
Waterfront Urban Infrastructure Development Project Account		881,847,000
Budget carried over due to unforeseeable events		2,146,289,000
General Account		2,128,447,000
Land Acquisition Account		17,842,000
<b>TOTAL</b>		<b>56,714,839,000</b>
General Account		45,159,250,000
Land Acquisition Account		150,742,000
Metropolitan Housing Account		10,523,000,000
Waterfront Urban Infrastructure Development Project Account		881,847,000

(4) Temporary Borrowing

For a temporary accommodation of funds, 100 billion yen was transferred from the Adjusting Fund for Public Finance on May 29, 2015, and refunded thereto by June 2, 2015. The interest accrued on these funds was 273,972 yen, of which payment was borne by the General Account.

(5) Other items which are helpful for better understanding the financial statements:

a) Provision for allowances and other extraordinary gains (arising from reversal of relevant allowances)

In combining accounts, the balance arising from the provision and reversal of an allowance is aggregated (and presented on a net basis).

Financial Statement	Account Title (Debit)	Amount	Account Title (Credit)	Amount
		(Yen)		(Yen)
Statement of Operating Costs	Provision for allowance for loss on unpaid receivables	2,479,000	Other extraordinary gains	119,096,797
	Provision for allowance for retirement benefits	116,617,797		

b) Transfer between accounts (to be offset when combining accounts)

Transactions between accounts are summarized as follow. The amounts below are offset and balanced out in the combined financial statements:

Financial Statement	Account Title (Debit)	Amount	Account Title (Credit)	Amount
Balance Sheet		(Yen)	Net assets (Transfer to General Account)	(Yen) 8,023,154,517
			Net assets (Subsidies, transfer from other accounts, etc. for capital investment)	30,000,000
Statement of Operating Costs	Transfer from General Account	703,146,786,598	Transfer to General Account	1,022,297,599,137
	Operating expenses - Tax-related subsidies	996,356,074,000	Operating revenue - Metropolitan taxes	700,423,319,056
	Operating expenses - Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	525,772,105	Extraordinary gains - Gain on sales of fixed assets	525,772,105
	Operating expenses - Subsidies to other accounts	34,289,258,182	Operating revenue - Transfer from other accounts	3,018,046,070
Balance Sheet/ Statement of Operating Costs TOTAL		1,734,317,890,885		1,734,317,890,885

Financial Statement	Account Title (Payments)	Amount	Account Title (Receipts or Proceeds)	Amount
Cash Flow Statement	Transfer from General Account - Operating Activities	(Yen) 703,146,786,598	Transfer to General Account - Operating Activities	(Yen) 1,103,336,767,067
	Transfer from General Account - Investing Activities	252,138,528	Transfer to General Account - Investing Activities	284,459,936,822
	Payments for Operating Activities - Tax-related subsidies	996,356,074,000	Transfer to General Account - Financing Activities	117,539,240,741
	Payments for Operating Activities - Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	777,910,633	Proceeds from Operating Activities - Metropolitan taxes	700,423,319,056
	Payments for Operating Activities - Subsidies to other accounts	34,347,803,649	Proceeds from Operating Activities - Transfer from other accounts	11,068,622,138
	Payments for Operating Activities - Interest and commission on - Metropolitan debt	89,033,652,255	Proceeds from Investing Activities - Transfer from other accounts, etc.	37,235,727,302
	Payments for Investing Activities - Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	12,758,098,610	Proceeds from Investing Activities - Proceeds from sales of property	13,536,009,243
	Payments for Investing Activities - Sinking fund	312,196,188,196	Proceeds from financing activities - Borrowing from other accounts, etc.	3,421,000,000
	Payments for Investing Activities - Subsidies to other accounts	4,890,256,052	Proceeds from financing activities - Transfer from other accounts	11,191,823,110
	Payments for Financing Activities - Redemption of Metropolitan debt (debt principal)	128,453,536,958		
Cash Flow Statement	TOTAL	2,282,212,445,479		2,282,212,445,479



c) Inter-Account debts and credits

Inter-Account debts and credits are summarized as follow. The amounts below are offset and balanced out in the combined financial statements:

Account	Asset	Amount	Liability	Amount
Metropolitan Housing Account		(Yen)	Fixed liabilities - Borrowings from other accounts	(Yen) 9,109,000,000
Metropolitan Housing Tenants Security Deposit Account	Fixed Assets - Long-term loans	9,109,000,000		
TOTAL		9,109,000,000		9,109,000,000

6. Other References

(1) Balance Sheet

a) Details of securities and investments, and loans

Category	To organizations supervised by the Tokyo Metropolitan Government	To other organizations	Total
	(Yen)	(Yen)	(Yen)
Securities and investments	111,236,408,858	626,201,947,209	737,438,356,067
Loans	466,121,879,457	945,632,096,072	1,411,753,975,529

b) Planned servicing of Metropolitan debt and borrowings

Category		Redemption In FY2016	Redemption in and after FY2017	Total
Metropolitan debt		(Yen) 343,918,772,168	(Yen) 5,908,321,109,596	(Yen) 6,252,239,881,764
General Account		320,087,973,202	5,358,925,531,743	5,679,013,504,945
Single Parent Welfare Loan Fund Account		0	29,351,418,600	29,351,418,600
Small and Medium Enterprise Facility Installation Fund Account		3,130,218,813	5,230,288,000	8,360,506,813
Slaughter House Account		916,697,943	2,238,878,356	3,155,576,299
Metropolitan Housing Account		19,783,882,210	512,574,992,897	532,358,875,107
Borrowing from other accounts		0	9,109,000,000	9,109,000,000
Metropolitan Housing Account		0	9,109,000,000	9,109,000,000
Other borrowings		406,000,000	382,404,250	788,404,250
Small and Medium Enterprise Facility Installation Fund Account		406,000,000	382,404,250	788,404,250
TOTAL		344,324,772,168	5,917,812,513,846	6,262,137,286,014
General Account		320,087,973,202	5,358,925,531,743	5,679,013,504,945
Single Parent Welfare Loan Fund Account		0	29,351,418,600	29,351,418,600
Small and Medium Enterprise Facility Installation Fund Account		3,536,218,813	5,612,692,250	9,148,911,063
Slaughter House Account		916,697,943	2,238,878,356	3,155,576,299
Metropolitan Housing Account		19,783,882,210	521,683,992,897	541,467,875,107

(2) Statement of Operating Costs

a) Detail of revenues and their accounting basis

Account	Description and Accounting Basis
Operating revenue	
Local taxes	Ordinary taxes as defined in the current Local Tax Law, taxes provided for in the former law, special purpose taxes and a special-purpose discretionary tax (namely, accommodation tax provided for in the Tokyo Metropolitan Accommodation Tax Ordinance) are recognized as revenue when they are received and booked accordingly. In the case of local consumption tax however, the revenue is booked upon its receipt from (or upon the final decision of remittance by) the national government - but before its final adjustment among prefectures.
Local transfer taxes	Local road transfer tax, petroleum gas transfer tax, special tonnage transfer tax, aviation fuel transfer tax, local special corporate transfer tax and local gasoline transfer tax are booked as revenue upon receipt (i.e. at the moment that the receipt of the revenue is confirmed).
Special local government grants	Grants provided to supplement reduced individual inhabitant tax revenue of local governments resulting from special tax deductions such as that for housing loan balances are booked as revenue.
Subsidy for municipalities which locate national facilities	The national government offers a subsidy to municipalities which locate national facilities as alternative financial resource for fixed assets tax. The subsidy is booked as revenue upon receipt.
Revenue from other tax sources	Metropolitan Inhabitant Tax on interest income after settlement among prefectures and revenues from the collection of delinquent taxes are booked upon receipt.
National treasury disbursements	Disbursements from the national government are booked as revenue when allotted to operating activities.
Traffic safety special grants	Based on the Road Traffic Act, the national government allocates revenues from fines, etc. to local governments as grants to establish road traffic safety facilities and their management. The grants are booked as revenue.
Receipts from operations (Special Accounts)	When the special accounts receive loan interest, premiums or damages for contract breaches, they are booked as revenue.
Charges and Contributions	Incoming public charges and contributions are booked as revenue when they are applied to the operating activities.
Rents and fees	Rents and fees are booked as revenue upon receipt.

Revenue from property	Rents, sales and other revenue from properties are booked as revenue upon receipt.
Revenue from commissioned projects	Revenue from commissioned projects is booked as revenue upon receipt.
Revenue from other business and sales	Revenue from profit-making businesses, proceeds from the sale of movable assets, etc. are booked as revenue upon receipt.
Donations	Donations are booked as revenue upon receipt.
Transfer from other accounts	Money transferred from other accounts is booked as revenue when it is applied to operating activities.
Other operating revenue	Other revenue from operating activities is booked under this title.
Financial revenue	
Interest and dividends	Interest on bank deposits, dividends from stocks and other financial instruments are booked upon receipt.
Extraordinary gains	
Gain on sales of fixed assets	Proceeds (or receivables) from sales of fixed assets (other than securities and investments) are offset with the book value of said assets, and recognized as a gain if the proceeds exceed the book value.
Other extraordinary gains	Gains from the sales of securities and investments, reversal of allowances, prior-year adjustments, etc. are booked under this title.

b) Expenses relevant to capital investment

“Expenses for capital investment, with national subsidies” “Expenses for capital investment with no national subsidies,” and “Expenses relevant to the nation’s government’s capital investment” are all accounted for as operating expenses since these costs are not added to the acquisition cost of the TMG’s fixed assets on account of their nature.

c) Major items under other extraordinary gains and losses

For “other extraordinary gains,” prior-year adjustments revealed a gain of 6,399,001,357 yen; and, for “other extraordinary losses,” prior-year adjustments revealed a loss of 16,541,027,179yen.

### (3) Cash Flow Statement

The following is a breakdown of the difference between the “net surplus for the period” in the statement of operating costs and “net cash flows provided by operating activities” in the cash flow statement.

	(Yen)
Net surplus for the period in the Statement of Operating Costs	643,710,787,990
Changes in tangible fixed Asset	179,413,941,635
Depreciation expenses	169,630,999,691
Loss (or gain) on sales of fixed assets	△ 4,840,959,688
Loss on disposals of fixed assets	14,623,901,632
Changes in current assets/liabilities relating to operating activities	16,595,096,043
Decrease (Increase) of unpaid overdue accounts	16,647,733,318
Increase (Decrease) of unpaid refunds	96,070,835
Decrease (Increase) of other current assets	△ 148,708,110
Other non-cash items	△ 27,896,516,695
Provision for allowance for loss on unpaid receivables	10,254,127,471
Loss on unpaid receivables	979,507,583
Loss on bad loans	11,334,164
Provision for allowance for retirement benefits	82,232,943,639
Payments for retirement benefits	△ 112,224,716,215
Other non-cash revenue/expense items	△ 9,149,713,337
Other items	6,254,087,638
Other extraordinary gains	△ 10,286,939,541
Other extraordinary losses	16,541,027,179
Net cash flows provided by operating activities in the Cash Flow Statement	818,077,396,611

Fiscal Year 2014

II . COMBINED FINANCIAL  
STATEMENTS  
(for General and  
All Special Accounts)

# 1. Combined Balance Sheet

(As of March 31, 2015)

Description of accounts	Amount (yen)	Description of accounts	Amount (yen)
<b>ASSETS</b>		<b>LIABILITIES</b>	
I Current Assets	1,540,474,322,596	I Current Liabilities	542,834,997,398
Cash and deposits	316,654,805,568	Accounts refundable	1,352,690,788
Unpaid overdue accounts	108,557,831,925	Metropolitan debt	457,034,381,771
Allowance for loss on unpaid receivables	△ 14,120,679,631	Short-term borrowings	2,000,000
Funds and financial reserves	894,415,335,128	Borrowings from other accounts	0
Adjusted fund for public finance	566,318,181,128	Borrowings from funds	0
Sinking fund	328,097,154,000	Other short-term borrowings	2,000,000
Short-term loans	234,993,264,510	Lease liabilities	695,881,206
Allowance for loss on bad loans	△ 26,234,904	Accounts payable	0
Other current assets	0	Deferred payments	0
II Fixed Assets	31,548,092,500,266	Unpaid guarantee obligations	0
1 Administrative property	8,097,610,197,799	Other accounts payable	0
1 Tangible fixed assets	8,091,659,881,371	Allowance for bonuses	81,527,461,641
Buildings	2,629,763,186,613	Other current liabilities	2,222,581,992
Structures	334,466,403,124	II Fixed Liabilities	7,164,405,899,910
Trees and forests	613,059,654	Metropolitan debt	6,094,972,893,951
Vessels	17,773,843,069	Long-term borrowings	786,404,250
Floating piers, etc.	855,167,940	Borrowings from other accounts	0
Land	5,108,188,220,971	Borrowing from funds	0
2 Intangible fixed assets	5,950,316,428	Other long-term borrowings	786,404,250
Land-use rights	5,950,316,428	Lease liabilities	3,637,218,618
Other intangible fixed assets	0	Allowance for retirement benefits	1,040,712,676,985
2 Ordinary property	1,092,521,179,317	Other allowances	0
1 Tangible fixed assets	1,083,291,717,412	Other fixed liabilities	24,296,706,106
Buildings	370,998,974,864	Security deposits	16,103,224,114
Structures	72,683,407,837	Other fixed liabilities	8,193,481,992
Trees and forests	95,127,492		
Vessels	432,541,360		
Floating piers, etc.	513,481,573		
Land	638,568,184,286		
2 Intangible fixed assets	9,229,461,905		
Land-use rights	372,941,000		
Other intangible fixed assets	8,856,520,905		
3 Movable properties	84,686,937,442		
4 Infrastructure assets	14,217,626,450,266		
1 Tangible fixed assets	14,203,585,660,230		
Land	12,249,746,962,811		
Other than land	1,953,838,697,419		
2 Intangible fixed assets	14,040,790,036		
Land-use rights	14,040,790,036		
Other intangible fixed assets	0		
5 Lease assets	8,295,734,281		
6 Construction in progress	1,316,475,878,679		
7 Investments and other assets	6,730,876,122,482		
Securities and investments	735,322,582,573		
Investments in public enterprise accounts	1,935,990,975,917		
Long-term loans	1,358,868,360,093		
Allowance for loss on bad loans	△ 5,608,352,172		
Other long-term debts	11,352,648,834		
Funds and financial reserves	2,527,627,535,953		
Sinking fund	1,005,130,970,000		
Special purpose fund	1,238,754,224,633		
Managed fixed amount financial reserve	283,742,341,320		
Other investments	167,322,371,284		
		<b>TOTAL LIABILITIES</b>	<b>7,707,240,897,308</b>
		<b>NET ASSETS</b>	
		Net assets,	25,381,325,925,554
		including net increase(or decrease)	
		for the period	653,525,641,804
		<b>TOTAL NET ASSETS</b>	<b>25,381,325,925,554</b>
<b>TOTAL ASSETS</b>	<b>33,088,566,822,862</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>33,088,566,822,862</b>

## 2. Combined Statement of Operating Costs

From April 1, 2014

To March 31, 2015

Description of accounts	Amount (yen)
<b>ORDINARY REVENUE AND EXPENSES</b>	
I Operating Revenue and Expenses	609,147,667,662
1 Operating revenue	6,463,728,937,433
Local taxes	5,468,839,751,554
Local transfer taxes	364,806,687,258
Special local government grants	4,897,972,000
Subsidy for municipalities which locate national facilities	29,788,000
Revenue from other tax sources	131,443,092
National treasury disbursements	275,819,566,331
Traffic safety special grants	2,967,777,000
Receipt from operations (Special Accounts)	132,785,574
Charges and contributions	6,681,444,620
Rents and fees	146,322,446,530
Revenue from property	18,156,518,277
Revenue from commissioned projects	52,772,134,555
Revenue from other business and sales	113,029,040,070
Donations	38,765,516
Transfer from other accounts	9,102,817,056
Other operating revenue	0
2 Operating expenses	5,854,581,269,771
Tax-related subsidies	1,290,523,907,043
Salary and wages	1,300,277,858,683
Service and supplies	263,219,190,137
Maintenance and repairs	95,984,057,347
Social welfare	123,543,468,304
Financial assistance for non-capital investment	1,762,540,996,646
Portion of subsidies (with state aids) granted for capital investment but used for non-capital expenses	85,711,319,821
Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	268,175,269,424
Financial assistance for capital investment (initiated/owned by the national government)	26,876,204,462
Non-capitalized investment	48,602,872,000
Subsidies to other accounts	226,030,539,238
Depreciation	163,708,697,561
Provision for guaranteed obligations	0
Provision for allowance for loss on unpaid receivables	12,102,384,862
Provision for allowance for loss on bad loans	0
Provision for Allowance for bonuses	81,527,461,641
Provision for allowance for retirement benefits	98,827,602,469
Provision for other allowances	0
Other operating expenses	6,929,440,133
II Financial Revenue and Expenses	△ 83,713,841,766
1 Financial revenue	15,284,528,800
Interest and dividend	15,284,528,800
2 Financial expenses	98,998,370,566
Interest on Metropolitan debt	96,912,560,233
Debt issuing expenses	1,842,079,095
Discount on debt issuance	43,483,700
Interest on borrowing from other accounts, etc.	200,247,538
Surplus from ordinary activities	525,433,825,896
<b>EXTRAORDINARY GAINS AND LOSSES</b>	△ 10,807,891,167
1 Extraordinary gains	34,130,492,184
Gain on sales of fixed assets	8,462,405,426
Other extraordinary gains	25,668,086,758
2 Extraordinary losses	44,938,383,351
Loss on sales of fixed assets	1,513,157,010
Loss on disposal of fixed assets	7,104,632,968
Disaster restoration	2,598,196,903
Loss on unpaid receivables	1,574,462,727
Loss on bad loans	20,063,186
Other extraordinary losses	32,127,870,557
Net surplus for the period	514,625,934,729



### 3. Combined Cash Flow Statement

From April 1, 2014

To March 31, 2015

Description of accounts	Amount (yen)	Description of accounts	Amount (yen)
<b>I Cash Flows from Operating Activities</b> (administration services)		<b>II Cash Flows from Investing Activities</b> (i.e. Infrastructure Development)	
Tax and dues	5,833,677,938,594	National treasury disbursements	116,108,407,191
Local taxes	5,463,812,048,244	National treasury disbursements	109,654,190,145
Local transfer taxes	364,806,687,258	Charges and contributions	2,438,978,889
Special local government grants	4,897,972,000	Transfer from other accounts, etc.	4,015,238,157
Subsidy for municipalities which locate national facilities	29,788,000	Proceeds from property	12,399,186,577
Revenue from other tax sources	131,443,092	Proceeds from sales of property	12,399,186,577
National treasury disbursements	279,346,322,331	Transfer from funds and financial reserves	478,384,162,654
National treasury disbursements	276,378,545,331	Adjusted fund for public finance	0
Traffic safety special grants	2,967,777,000	Sinking fund	418,566,140,000
Other proceeds from operating activities	408,004,959,640	Special purpose fund	59,101,022,654
Receipts from operations (Special Accounts)	137,399,193	Managed fixed amount financial reserve	717,000,000
Charges and contributions	6,650,827,116	Collection of loans, etc.	507,546,637,741
Rents and fees	146,404,616,792	Proceeds from security deposits	555,739,902
Revenue from property	18,168,075,781	Payments for development of infrastructure	337,426,431,550
Revenue from commissioned projects	52,772,106,145	Service and supplies	3,472,072,821
Revenue from other business and sales	112,560,053,832	Financial assistance for non-capital investment	415,795,532
Donations	38,765,516	Portion of subsidies (with state aids) granted for capital investment but used for non-capital expenses	164,150,240,042
Transfer from other accounts	71,273,115,265	Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	169,388,323,155
Financial revenue	15,284,528,800	Transfer to funds and financial reserves	702,956,333,380
Interest and dividend	15,284,528,800	Adjusted fund for public finance	111,146,893,488
Tax-related subsidies	1,290,523,907,043	Sinking fund	336,154,045,000
Tax-related subsidies	1,290,523,907,043	Special purpose fund	252,832,032,333
Payments for operating activities	4,400,061,353,821	Managed fixed amount financial reserve	2,823,362,559
Salary and wages	1,498,975,149,180	Loans and capital investments, etc.	300,998,311,196
Service and supplies	263,217,894,137	Investments in public enterprise accounts	5,610,300,000
Maintenance and repairs	95,984,057,347	Subsidies to other accounts	49,682,469,304
Social welfare	123,543,468,304	Loans	245,705,541,892
Financial assistance for non-capital investment	1,762,944,579,908	Payments for security deposits	793,145,367
Portion of subsidies (with state aids) granted for capital investment but used for non-capital expenses	85,711,319,821	<b>Net cash flows used in investing activities</b>	<b>Δ 227,180,087,428</b>
Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	268,175,269,424	<b>Net cash flows provided by operating and investing activities</b>	<b>454,825,019,095</b>
Financial assistance for capital investment (initiated/owned by the national government)	26,876,204,462	<b>III Cash Flows from Financing Activities</b>	
Non-capitalized investment	48,602,872,000	Proceeds from financing activities	936,133,133,790
Subsidies to other accounts	226,030,539,238	Metropolitan debt	499,885,211,666
Financial expenses	161,125,185,075	Borrowing from other accounts, etc.	0
Interest and commission on Metropolitan debt	160,924,937,537	Borrowings from funds	0
Interest on borrowing from other accounts, etc.	200,247,538	Transfer from other accounts	436,247,922,124
Extraordinary payments	2,598,196,903	Payments for financing activities	1,345,709,489,910
Disaster restoration	2,598,196,903	Redemption of Metropolitan debt (debt principal)	1,344,242,577,485
<b>Net cash flows provided by operating activities</b>	<b>682,005,106,523</b>	Repayment of borrowing to other accounts	1,466,912,425
		Repayment of borrowing to funds	0
		<b>Net cash flows used in financing activities</b>	<b>Δ 409,576,356,120</b>
		<b>Net increase in cash for the period</b>	<b>45,248,662,975</b>
		<b>Cash at the beginning of period</b>	<b>271,406,142,593</b>
		<b>Cash at the end of period</b>	<b>316,654,805,568</b>

4. Combined Statement of Changes in Net Assets

From April 1, 2014  
To March 31, 2015

(yen)

	Opening balance	National treasury disbursements	Contributions, transfer from other accounts, etc. for capital investment	Assessed value of donated property	Transfer to other municipalities	Inter-account transactions	Other surplus	TOTAL
Balance at the beginning of period	19,023,423,532,668	1,016,692,998,284	74,983,343,824	289,518,444,847	△ 83,629,906,507	0	4,406,811,870,634	24,727,800,283,750
Net change for the period		109,238,394,613	5,842,804,848	25,349,156,459	△ 1,530,648,845	0	514,625,934,729	653,525,641,804
Increase (decrease) of fixed assets, etc.		109,238,394,613	5,842,804,848	25,349,156,459	△ 1,530,648,845	23,184,058,012		162,083,765,087
Increase (decrease) of Metropolitan debt						△ 14,804,092,847		△ 14,804,092,847
Other inter-account transactions						△ 8,379,965,165		△ 8,379,965,165
Net surplus for the period							514,625,934,729	514,625,934,729
Balance at the end of period	19,023,423,532,668	1,125,931,392,897	80,826,148,672	314,867,601,306	△ 85,160,555,352	0	4,921,437,805,363	25,381,325,925,554

5. Supporting Schedule of Tangible and Intangible Fixed Assets

(yen)

Asset Description	Balance at the beginning of period	Net increase (decrease) for the period	Balance at the end of period	Accumulated depreciation at the end of period	Depreciation for the period	Net book value at the end of period
<b>TANGIBLE FIXED ASSETS</b>	27,925,066,621,090	328,624,915,477	28,253,691,536,567	3,465,695,727,152	163,708,697,561	24,787,995,809,415
Administrative Property(used solely for public administration purposes)	10,095,048,101,620	156,471,107,033	10,251,519,208,653	2,159,859,327,282	99,955,687,656	8,091,659,881,371
Buildings	4,417,831,316,963	107,947,866,816	4,525,779,183,779	1,896,015,997,166	85,909,750,902	2,629,763,186,613
Structures	569,164,568,229	11,271,627,740	580,436,195,969	245,969,792,845	12,295,545,480	334,466,403,124
Trees and forests	614,939,788	△ 1,880,134	613,059,654	0	0	613,059,654
Vessels	35,431,756,345	△ 578,797,374	34,852,958,971	17,079,115,902	1,669,112,180	17,773,843,069
Buoys, floating piers, etc.	1,649,589,309	0	1,649,589,309	794,421,369	81,279,094	855,167,940
Land	5,070,355,930,986	37,832,289,985	5,108,188,220,971	0	0	5,108,188,220,971
Ordinary Property	1,412,724,273,874	△ 11,984,216,100	1,400,740,057,774	317,448,340,362	15,941,578,215	1,083,291,717,412
Buildings	628,355,955,359	△ 7,655,689,920	620,700,265,439	249,701,290,575	13,748,050,236	370,998,974,864
Structures	137,419,975,379	449,743,082	137,869,718,461	65,186,310,624	2,083,450,059	72,683,407,837
Trees and forests	95,054,333	73,159	95,127,492	0	0	95,127,492
Vessels	981,099,500	324,485,000	1,305,584,500	873,043,140	39,132,555	432,541,360
Floating piers, etc.	2,201,177,596	0	2,201,177,596	1,687,696,023	70,945,365	513,481,573
Land	643,671,011,707	△ 5,102,827,421	638,568,184,286	0	0	638,568,184,286
Movable Properties (valued at 1,000,000 or greater)	194,395,058,186	4,152,483,152	198,547,541,338	113,860,603,896	9,586,414,634	84,686,937,442
Infrastructure Assets	14,914,970,545,281	160,291,352,622	15,075,261,897,903	871,676,237,673	38,001,899,281	14,203,585,660,230
Land	12,180,724,462,058	69,022,500,753	12,249,746,962,811	0	0	12,249,746,962,811
Other than land	2,734,246,083,223	91,268,851,869	2,825,514,935,092	871,676,237,673	38,001,899,281	1,953,838,697,419
Lease assets	0	11,146,952,220	11,146,952,220	2,851,217,939	223,117,775	8,295,734,281
Construction in Progress	1,307,928,642,129	8,547,236,550	1,316,475,878,679	0	0	1,316,475,878,679
<b>INTANGIBLE FIXED ASSETS</b>	28,508,846,246	711,722,123	29,220,568,369	0	0	29,220,568,369
Administrative Property(used solely for public administration purposes)	5,950,316,428	0	5,950,316,428	0	0	5,950,316,428
Land-use rights	5,950,316,428	0	5,950,316,428	0	0	5,950,316,428
Other intangible fixed assets	0	0	0	0	0	0
Ordinary Property	8,517,739,782	711,722,123	9,229,461,905	0	0	9,229,461,905
Land-use rights	372,941,000	0	372,941,000	0	0	372,941,000
Other intangible fixed assets	8,144,798,782	711,722,123	8,856,520,905	0	0	8,856,520,905
Infrastructure Assets	14,040,790,036	0	14,040,790,036	0	0	14,040,790,036
Land-use rights	14,040,790,036	0	14,040,790,036	0	0	14,040,790,036
Other intangible fixed assets	0	0	0	0	0	0
<b>TOTAL</b>	27,953,575,467,336	329,336,637,600	28,282,912,104,936	3,465,695,727,152	163,708,697,561	24,817,216,377,784

## 6. Notes to the Financial Statements

Fiscal Year 2013 From April 1, 2013 To March 31, 2014	Fiscal Year 2014 From April 1, 2014 To March 31, 2015
<p>1. Significant Accounting Policies</p> <p>(1) Method for Depreciating Tangible Fixed Assets</p> <p>a) Administrative property, ordinary property and infrastructure assets</p> <p>For tangible fixed assets listed under administrative and ordinary properties, depreciation is based on the straight-line depreciation method in accordance with the useful life and residual value criteria set forth in the “Administrative Guidelines for the Registry of Public Property owned by the Tokyo Metropolitan Government.”</p> <p>For tangible fixed assets listed under infrastructure assets, depreciation is based on the straight-line depreciation method in accordance with the useful life and residual value criteria set forth in the “Administrative Guidelines for the Registry of Public Property owned by the Tokyo Metropolitan Government” and the “Bureau of Construction Standards for Infrastructure Asset Management.” However, in the case of road pavement, for example, the replacement cost method is adopted, and the cost for partial replacement, i.e. the paving cost, is solely expensed.</p> <p>b) Movable properties (valued at ¥1,000,000 or greater)</p> <p>Movable properties are depreciated based on the straight-line depreciation method in</p>	<p>1. Significant Accounting Policies</p> <p>(1) Method for Depreciating Tangible Fixed Assets</p> <p>a) Administrative property, ordinary property, lease assets and infrastructure assets</p> <p>For tangible fixed assets listed under administrative properties, ordinary properties, and lease assets, depreciation is based on the straight-line depreciation method in accordance with the useful life and residual value criteria set forth in the “Administrative Guidelines for the Registry of Public Property owned by the Tokyo Metropolitan Government.”</p> <p>For tangible fixed assets listed under infrastructure assets, depreciation is based on the straight-line depreciation method in accordance with the useful life and residual value criteria set forth in the “Administrative Guidelines for the Registry of Public Property owned by the Tokyo Metropolitan Government” and the “Bureau of Construction Standards for Infrastructure Asset Management.” However, in the case of road pavement, for example, the replacement cost method is adopted, and the cost for partial replacement, i.e. the paving cost, is solely expensed.</p> <p>b) Movable properties (valued at ¥1,000,000 or greater)</p> <p style="text-align: right;">See left</p>

<p style="text-align: center;">Fiscal Year 2013 From April 1, 2013 To March 31, 2014</p>	<p style="text-align: center;">Fiscal Year 2014 From April 1, 2014 To March 31, 2015</p>
<p>accordance with the useful life criteria set forth in the “Useful Life Standards for Movable Properties”.</p>	
<p>(2) Method and Criterion for Evaluating Securities and Investments</p> <p>Securities and investments are the capital and shares of Tokyo Metropolitan Government supervised organizations held by the Tokyo Metropolitan Government and are booked according to their acquisition costs. When the market or real value of the investment has declined significantly, the devalued price shall replace the carrying book value.</p>	<p>(2) Method and Criterion for Evaluating Securities and Investments</p> <p style="text-align: center;">See left</p>
<p>(3) Criterion for Booking Allowance Provisions</p> <p>a) Allowance for loss on unpaid receivables</p> <p>A portion of unpaid overdue accounts attributable to nonpayment of metropolitan taxes, rents, and such, might become irrecoverable due to the expiration of the prescription period or other causes. Thus, an allowance for losses on unpaid receivables is provided for by multiplying the percentage of credit loss - calculated based on the recent collection status of said accounts, the financial condition of the debtor(s), the actual amount of credit loss during the past 3 years, and such - by the balance of the said receivables at the end of the fiscal year.</p> <p>If a more practical method of calculation exists for individual credit situations, that method is used to book allowance for losses.</p> <p>b) Allowance for loss on bad loans</p>	<p>(3) Criterion for Booking Allowance Provisions</p> <p>a) Allowance for loss on unpaid receivables</p> <p style="text-align: center;">See left</p> <p>b) Allowance for loss on bad loans</p>

<p style="text-align: center;">Fiscal Year 2013 From April 1, 2013 To March 31, 2014</p>	<p style="text-align: center;">Fiscal Year 2014 From April 1, 2014 To March 31, 2015</p>
<p>A portion of existing loans might become irrecoverable if a reduction or exemption of repayment is granted. Thus, an allowance for losses on bad loans is provided for by multiplying the percentage of credit loss - calculated based on the recent collection status of said loans, the financial condition of the borrower(s), the actual amount of write-down during the past 3 years, and such - by the balance of loans outstanding at the end of the fiscal year.</p> <p>If a more practical method of calculation exists for individual credit situations, that method is used to book allowance for losses.</p> <p>c) Allowance for retirement benefits</p> <p>The allowance for retirement benefits is equivalent to the lump-sum payment due to the employees if all of them voluntarily left their posts at the end of the fiscal year.</p> <p>d) Allowance for bonuses</p> <p>Of bonuses to be paid to employees in the following fiscal year, the amount that should be included in this fiscal year is booked as allowance for bonuses.</p>	<p style="text-align: center;">See left</p> <p>c) Allowance for retirement benefits</p> <p style="text-align: center;">See left</p> <p>d) Allowance for bonuses</p> <p style="text-align: center;">See left</p>
<p>(4) Conversion of assets and liabilities denominated in foreign currency into Japanese yen</p> <p>The Tokyo Metropolitan Government has raised foreign debts in the U.S. and Europe, both of which are covered by swap contracts between the said foreign currency and Japanese yen. Consequently, the debts are</p>	<p>(4) Conversion of assets and liabilities denominated in foreign currency into Japanese yen</p> <p style="text-align: center;">See left</p>

<p style="text-align: center;">Fiscal Year 2013 From April 1, 2013 To March 31, 2014</p>	<p style="text-align: center;">Fiscal Year 2014 From April 1, 2014 To March 31, 2015</p>
<p>booked in their original yen amounts at time of issuance since the principal and debt interest is considered to assume no risk due to currency rate fluctuations.</p>	
<p>(5) Other significant policies fundamental to the preparation of financial statements</p> <p>a) Valuation of tangible fixed assets The valuation for public properties, movable properties, and infrastructure assets is based on their acquisition costs.</p> <p>b) Presentation of gross and net amounts in the financial statements In the Combined Accounts, the transfer between accounts, as well as debts and credits are offset and the monetary value is presented on a net basis.  In the statement of operating costs, if an allowance is provided and reversed in the same year, the amount of provision for the said allowance (to be posted to operating expenses), and the amount of reversal thereof (to be posted to other extraordinary gains) are offset and presented on a net basis.</p>	<p>(5) Other significant policies fundamental to the preparation of financial statements</p> <p>a) Valuation of tangible fixed assets The valuation for public properties, lease assets, movable properties, and infrastructure assets is based on their acquisition costs.</p> <p>b) Presentation of gross and net amounts in the financial statements  <p style="text-align: center;">See left</p></p>
<p>2. Change of Significant Accounting Policies</p> <p>(1) Change in presentation Allowance for bonuses, which was included in other current liabilities for fiscal year 2012, is now stated independently. Likewise, provision for allowance for bonuses, which was included in provision for other allowances for fiscal year 2012, is now stated independently.  This change was made to provide greater</p>	<p>2. Change of Significant Accounting Policies</p> <p>(1) Change in accounting process principles and procedures  For ownership-transfer finance lease transactions, the accounting process had, up to now, followed the method for regular lease transactions, but from this fiscal year, accounting has been changed to follow that for regular sales transactions, with lease assets booked as fixed assets and lease liabilities booked as</p>

Fiscal Year 2013 From April 1, 2013 To March 31, 2014	Fiscal Year 2014 From April 1, 2014 To March 31, 2015
<p>clarity in the presentation of liabilities and operating costs by independently stating the items concerning allowance for bonuses.</p> <p>For fiscal year 2012, both the allowance for bonuses and the provision for allowance for bonuses was 76,127,062,094 yen.</p>	<p>current (fixed) liabilities.</p> <p>This change was made for more accurate reflection on the financial statement of lease transactions that can essentially be considered to be sales transactions. Due to this change, 8,295,734,281 yen has been newly booked as lease assets, and total assets have increased by this amount. In addition, 4,333,099,824 yen has been newly booked as lease liabilities, and total liabilities have increased by this amount.</p>
3. Significant Subsequent Events  _____	3. Significant Subsequent Events  _____

#### 4. Contingent Liabilities

- (1) Total amount of commitments by contract authorization involving debt guarantee and compensation for loss, of which the liability is contingent, is as follows:

Category	As of March 31, 2015
	(Yen)
To public corporations, institutions, etc.	84,537,433,000
General Account	84,537,433,000
To others	95,135,985,000
General Account	95,135,985,000
<b>TOTAL</b>	<b>179,673,418,000</b>
General Account	179,673,418,000

## 5. Additional Information

### (1) Two month account adjustment period

Although the financial statements are prepared based upon information as of March 31, 2015, an adjustment period is adopted by the Metropolitan Government in closing its books. This adjustment period is from the end of the fiscal year until the “account closure date” of May 31 as stipulated in Article 235-5 of the Local Autonomy Law. Figures reflecting cash receipts and disbursement and the subsequent fluctuations of assets and liabilities during this period constitute the final fiscal year end figures. (i.e. The accounting period is extended by two months to absorb cash transactions involving debt or credit defined at the end of the fiscal year.)

### (2) Amounts committed to subsidize interest payments and such in following years:

Category	As of March 31, 2015
	(Yen)
Interest subsidies	46,865,428,000
General Account	46,865,428,000
Others	934,808,437,023
General Account	828,449,779,023
Metropolitan Housing Account	106,358,658,000
<b>TOTAL</b>	<b>981,673,865,023</b>
General Account	875,315,207,023
Metropolitan Housing Account	106,358,658,000



(3) Planned payments for projects brought forward

Category		As of March 31, 2015
		(Yen)
Budget carried over		48,643,666,000
General Account		37,933,795,000
Land Acquisition Account		138,544,000
Metropolitan Housing Account		9,332,000,000
Waterfront Urban Infrastructure Development Project Account		1,239,327,000
Budget carried over due to unforeseeable events		966,833,000
General Account		956,116,000
Land Acquisition Account		10,717,000
<b>TOTAL</b>		<b>49,610,499,000</b>
General Account		38,889,911,000
Land Acquisition Account		149,261,000
Metropolitan Housing Account		9,332,000,000
Waterfront Urban Infrastructure Development Project Account		1,239,327,000

(4) Temporary Borrowing

For a temporary accommodation of funds, 200 billion yen was transferred from the Adjusting Fund for Public Finance on May 30, 2014, and refunded thereto by June 3, 2014. The interest accrued on these funds was 547,945 yen, of which payment was borne by the General Account.

(5) Other items which are helpful for better understanding the financial statements:

- a) Provision for allowances and other extraordinary gains (arising from reversal of relevant allowances)

In combining accounts, the balance arising from the provision and reversal of an allowance is aggregated (and presented on a net basis).

Financial Statement	Account Title (Debit)	Amount	Account Title (Credit)	Amount
		(Yen)		(Yen)
Statement of Operating Costs	Provision for allowance for loss on unpaid receivables	110,140,335	Other extraordinary gains	110,188,290
	Provision for allowance for loss on bad loans	47,955		

b) Transfer between accounts (to be offset when combining accounts)

Transactions between accounts are summarized as follow. The amounts below are offset and balanced out in the combined financial statements:

Financial Statement	Account Title (Debit)	Amount	Account Title (Credit)	Amount
Balance Sheet		(Yen)	Net assets (Transfer to General Account)	(Yen) 7,231,850,155
			Net assets (Subsidies, transfer from other accounts, etc. for capital investment)	59,000,000
Statement of Operating Costs	Transfer from General Account	429,357,208,901	Transfer to General Account	1,005,115,106,404
	Operating expenses - Tax-related subsidies	981,602,646,000	Operating revenue - Metropolitan taxes	422,695,995,923
	Operating expenses - Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	2,062,455,138	Extraordinary gains - Gain on sales of fixed assets	2,062,455,138
	Operating expenses - Subsidies to other accounts	30,845,206,799	Operating revenue - Transfer from other accounts	6,703,109,218
Balance Sheet/ Statement of Operating Costs TOTAL		1,443,867,516,838		1,443,867,516,838

Financial Statement	Account Title (Payments)	Amount	Account Title (Receipts or Proceeds)	Amount
Cash Flow Statement	Transfer from General Account - Operating Activities	(Yen) 429,357,208,901	Transfer to General Account - Operating Activities	(Yen) 1,095,114,861,620
	Transfer from General Account - Investing Activities	16,896,240	Transfer to General Account - Investing Activities	298,392,364,154
	Payments for Operating Activities - Tax-related subsidies	981,602,646,000	Transfer to General Account - Financing Activities	141,046,702,280
	Payments for Operating Activities - Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	2,062,455,138	Proceeds from Operating Activities - Metropolitan taxes	422,695,995,923
	Payments for Operating Activities - Subsidies to other accounts	30,918,466,917	Proceeds from Operating Activities - Transfer from other accounts	15,457,388,736
	Payments for Operating Activities - Interest and commission on - Metropolitan debt	98,688,535,789	Proceeds from Investing Activities - Transfer from other accounts, etc.	41,887,424,425
	Payments for Investing Activities - Portion of subsidies (without state aids) granted for capital investment but used for non-capital expenses	21,186,243,081	Proceeds from Investing Activities - Proceeds from sales of property	23,248,698,219
	Payments for Investing Activities - Sinking fund	333,144,662,791	Proceeds from financing activities - Borrowing from other accounts, etc.	3,488,000,000
	Payments for Investing Activities - Subsidies to other accounts	4,746,961,804	Proceeds from financing activities - Transfer from other accounts	17,150,131,065
Payments for Financing Activities - Redemption of Metropolitan debt (debt principal)	156,757,489,761			
Cash Flow Statement	TOTAL	2,058,481,566,422		2,058,481,566,422

c) Inter-Account debts and credits

Inter-Account debts and credits are summarized as follow. The amounts below are offset and balanced out in the combined financial statements:

Account	Asset	Amount	Liability	Amount
Metropolitan Housing Account		(Yen)	Fixed liabilities - Borrowings from other accounts	(Yen) 6,488,000,000
Metropolitan Housing Tenants Security Deposit Account	Fixed Assets - Long-term loans	6,488,000,000		
TOTAL		6,488,000,000		6,488,000,000

6. Other References

(1) Balance Sheet

a) Details of securities and investments, and loans

Category	To organizations supervised by the Tokyo Metropolitan Government	To other organizations	Total
	(Yen)	(Yen)	(Yen)
Securities and investments	111,236,408,858	624,086,173,715	735,322,582,573
Loans	481,252,613,157	1,112,609,011,446	1,593,861,624,603

b) Planned servicing of Metropolitan debt and borrowings

Category		Redemption In FY2015	Redemption in and after FY2016	Total
Metropolitan debt		(Yen) 457,034,381,771	(Yen) 6,094,972,893,951	(Yen) 6,552,007,275,722
General Account		422,487,780,848	5,547,674,804,945	5,970,162,585,793
Single Parent Welfare Loan Fund Account		0	29,245,048,600	29,245,048,600
Small and Medium Enterprise Facility Installation Fund Account		1,555,834,813	7,745,589,000	9,301,423,813
Slaughter House Account		926,764,960	2,810,576,299	3,737,341,259
Metropolitan Housing Account		31,709,001,150	507,496,875,107	539,205,876,257
Waterfront Urban Infrastructure Development Project Account		355,000,000	0	355,000,000
Borrowing from other accounts		0	6,488,000,000	6,488,000,000
Metropolitan Housing Account		0	6,488,000,000	6,488,000,000
Other borrowings		2,000,000	786,404,250	788,404,250
Small and Medium Enterprise Facility Installation Fund Account		2,000,000	786,404,250	788,404,250
<b>TOTAL</b>		457,036,381,771	6,102,247,298,201	6,559,283,679,972
General Account		422,487,780,848	5,547,674,804,945	5,970,162,585,793
Single Parent Welfare Loan Fund Account		0	29,245,048,600	29,245,048,600
Small and Medium Enterprise Facility Installation Fund Account		1,557,834,813	8,531,993,250	10,089,828,063
Slaughter House Account		926,764,960	2,810,576,299	3,737,341,259
Metropolitan Housing Account		31,709,001,150	513,984,875,107	545,693,876,257
Waterfront Urban Infrastructure Development Project Account		355,000,000	0	355,000,000

(2) Statement of Operating Costs

a) Detail of revenues and their accounting basis

Account	Description and Accounting Basis
Operating revenue	
Local taxes	Ordinary taxes as defined in the current Local Tax Law, taxes provided for in the former law, special purpose taxes and a special-purpose discretionary tax (namely, accommodation tax provided for in the Tokyo Metropolitan Accommodation Tax Ordinance) are recognized as revenue when they are received and booked accordingly. In the case of local consumption tax however, the revenue is booked upon its receipt from (or upon the final decision of remittance by) the national government - but before its final adjustment among prefectures.
Local transfer taxes	Local road transfer tax, petroleum gas transfer tax, special tonnage transfer tax, aviation fuel transfer tax, local special corporate transfer tax and local gasoline transfer tax are booked as revenue upon receipt (i.e. at the moment that the receipt of the revenue is confirmed).
Special local government grants	Grants provided to supplement reduced individual inhabitant tax revenue of local governments resulting from special tax deductions such as that for housing loan balances are booked as revenue.
Subsidy for municipalities which locate national facilities	The national government offers a subsidy to municipalities which locate national facilities as alternative financial resource for fixed assets tax. The subsidy is booked as revenue upon receipt.
Revenue from other tax sources	Metropolitan Inhabitant Tax on interest income after settlement among prefectures and revenues from the collection of delinquent taxes are booked upon receipt.
National treasury disbursements	Disbursements from the national government are booked as revenue when allotted to operating activities.
Traffic safety special grants	Based on the Road Traffic Act, the national government allocates revenues from fines, etc. to local governments as grants to establish road traffic safety facilities and their management. The grants are booked as revenue.
Receipts from operations (Special Accounts)	When the special accounts receive loan interest, premiums or damages for contract breaches, they are booked as revenue.
Charges and Contributions	Incoming public charges and contributions are booked as revenue when they are applied to the operating activities.
Rents and fees	Rents and fees are booked as revenue upon receipt.

Revenue from property	Rents, sales and other revenue from properties are booked as revenue upon receipt.
Revenue from commissioned projects	Revenue from commissioned projects is booked as revenue upon receipt.
Revenue from other business and sales	Revenue from profit-making businesses, proceeds from the sale of movable assets, etc. are booked as revenue upon receipt.
Donations	Donations are booked as revenue upon receipt.
Transfer from other accounts	Money transferred from other accounts is booked as revenue when it is applied to operating activities.
Other operating revenue	Other revenue from operating activities is booked under this title.
Financial revenue	
Interest and dividends	Interest on bank deposits, dividends from stocks and other financial instruments are booked upon receipt.
Extraordinary gains	
Gain on sales of fixed assets	Proceeds (or receivables) from sales of fixed assets (other than securities and investments) are offset with the book value of said assets, and recognized as a gain if the proceeds exceed the book value.
Other extraordinary gains	Gains from the sales of securities and investments, reversal of allowances, prior-year adjustments, etc. are booked under this title.

b) Expenses relevant to capital investment

“Expenses for capital investment, with national subsidies” “Expenses for capital investment with no national subsidies,” and “Expenses relevant to the nation’s government’s capital investment” are all accounted for as operating expenses since these costs are not added to the acquisition cost of the TMG’s fixed assets on account of their nature.

c) Major items under other extraordinary gains and losses

For “other extraordinary gains,” prior-year adjustments revealed a gain of 22,947,893,122 yen; and, for “other extraordinary losses,” prior-year adjustments revealed a loss of 30,234,939,299 yen.

### (3) Cash Flow Statement

The following is a breakdown of the difference between the “net surplus for the period” in the statement of operating costs and “net cash flows provided by operating activities” in the cash flow statement.

	(Yen)
Net surplus for the period	
in the Statement of Operating Costs	514,625,934,729
Changes in tangible fixed Asset	163,864,082,113
Depreciation expenses	163,708,697,561
Loss (or gain) on sales of fixed assets	△ 6,949,248,416
Loss on disposals of fixed assets	7,104,632,968
Changes in current assets/liabilities relating to operating activities	10,731,327,386
Decrease (Increase) of unpaid overdue accounts	7,700,476,627
Increase (Decrease) of unpaid refunds	△ 1,949,340
Decrease (Increase) of other current assets	3,032,800,099
Other non-cash items	△ 13,676,021,504
Provision for allowance for loss on unpaid receivables	12,102,384,862
Loss on unpaid receivables	1,574,462,727
Loss on bad loans	20,063,186
Provision for allowance for retirement benefits	98,827,602,469
Payments for retirement benefits	△ 119,013,366,851
Other non-cash revenue/expense items	△ 7,187,167,897
Other items	6,459,783,799
Other extraordinary gains	△ 25,668,086,758
Other extraordinary losses	32,127,870,557
Net cash flows provided by operating activities	
in the Cash Flow Statement	682,005,106,523



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