

Programme Information

The Metropolis of Tokyo

PROGRAMME INFORMATION

Type of Information:	Programme Information
Date of Announcement:	21 May 2019
Issuer Name:	The Metropolis of Tokyo
Name and Title of Representative:	Yuriko Koike, Governor
Address of Head Office:	8-1, Nishishinjuku 2-chome Shinjuku-ku, Tokyo 163-8001 Japan
Telephone:	+81-3-5321-1111
Contact Person:	Shinya Asamitsu, Deputy Director, Foreign Bond Team, Bond Section, Budget Division, Bureau of Finance
Type of Securities:	Unsecured and unsubordinated bonds
Scheduled Issuance Period:	22 May 2019 to 21 May 2021
Maximum Outstanding Issuance Amount:	Not Applicable
Address of Website for Announcement:	https://www.jpx.co.jp/english/equities/products/ tpbm/announcement/index.html
Status of Submission of Annual Securities Reports or Issuer Filing Information:	Not Applicable

Notes to Investors:

1. TOKYO PRO-BOND Market is a market principally for professional investors and bonds listed on the market ("**TOKYO PRO-BOND MARKET Listed Bonds**") may involve high risk. Investors should act with responsibility and be aware of the listing qualification, timely disclosure requirements that apply to issuers of TOKYO PRO-BOND Market Listed Bonds and associated risks such as the fluctuation in market prices. Prospective investors should make an investment judgement only after having carefully considered the contents of this Programme Information.
2. The regulatory framework for TOKYO PRO-BOND Market is different in certain fundamental respects from the regulatory framework applicable to existing exchange markets in Japan. Investors should be aware of the rules and regulations of the TOKYO PRO-BOND Market, which are available on the website of Tokyo Stock Exchange, Inc. (the "**Tokyo Stock Exchange**").
3. The bonds to be issued pursuant to this programme fall within disclosure exempt securities under Article 3(1) of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**"), and as such, no "specified securities information" (*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 Programme Information therefore does not comprise a "specified securities information" (*tokutei shouken jouhou*) specified in Article 27-31, Paragraph 1 of the FIEA.
4. The Tokyo Stock Exchange does not make any representations or warranties with regard to any part of the Programme Information (including, but not limited to, whether the Programme Information (a) contains a false statement on important matters or (b) lacks a statement on: (i) important matters that should be stated or (ii) a material fact that is necessary for avoiding misunderstanding), and will not be liable to any damages or any other liabilities.
5. This Programme Information has been prepared solely by, and is the sole responsibility of, the Issuer, and its contents have not been independently verified by any Manager (as defined herein). To the

fullest extent permitted by law, none of the Managers accepts any responsibility for the contents of this Programme Information or for any other statement, made or purported to be made by any Manager or on its behalf in connection with the Issuer or the issue and offering of any bonds pursuant to the programme described herein. The Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Programme Information or any such statement.

Information Relating to the Programme

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

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

Annex to the Programme Information

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

Subject to Completion
Preliminary Prospectus dated ●

Prospectus



The Metropolis of Tokyo
● ● per cent. Bonds due ●
Issue Price ● per cent.

The above Bonds (the "Bonds") will mature on ● and may be redeemed earlier at the option of The Metropolis of Tokyo (the "Metropolis" or "Tokyo") only in the event that certain Japanese taxes are imposed on payments in respect of the Bonds, as set out in 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 ● per cent. per annum from and including ● and be payable semi-annually in arrear on ● and ● in each year commencing on ● .

Application has been made to the Financial Conduct Authority (the "UK Listing Authority") under the Financial Services and Markets Act 2000 (the "FSMA") for the Bonds to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Bonds to be admitted to trading on the London Stock Exchange's Regulated Market (the "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 ● 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) ● foreign currency long-term issuer rating and (ii) ● local currency long-term issuer rating by S&P. The security rating applicable to the Bonds will not necessarily always reflect that applicable to the Metropolis. The credit rating referred to above will be and the issuer ratings referred to above have been issued by S&P, which is not established in the European Union and is not registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16th September, 2009 on credit rating agencies, as amended (the "CRA Regulation") but such credit rating will be and such issuer ratings have been endorsed by Standard & Poor's Credit Market Services Europe Limited ("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 ● and integral multiples of ● 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 ● (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.

●

●

The date of this Prospectus is ● .

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

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

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, Japanese financial institution or Japanese 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, • (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.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA"), the Metropolis has determined, and hereby notifies all relevant persons (as defined in Regulation 3(b) of the Securities and Futures (Capital Markets Products) Regulations 2018 (the "SF (CMP) Regulations")) that the Bonds are "prescribed capital

markets products" (as defined in the SF (CMP) Regulations) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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.

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

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

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

TABLE OF CONTENTS

OVERVIEW	6
RISK FACTORS.....	11
FORWARD-LOOKING STATEMENTS	16
ENFORCEABILITY OF CIVIL LIABILITIES.....	17
USE OF PROCEEDS	18
PRESENTATION OF FINANCIAL INFORMATION.....	19
THE METROPOLIS OF TOKYO	21
REPORT OF AUDIT AND INSPECTION COMMISSIONER	50
TERMS AND CONDITIONS OF THE BONDS.....	51
SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM.....	59
TAXATION.....	63
CLEARANCE AND SETTLEMENT	70
SUBSCRIPTION AND SALE.....	74
TRANSFER RESTRICTIONS	76
LEGAL MATTERS	79
OFFICIAL STATEMENTS.....	80
GENERAL INFORMATION	81
ANNEX A – METROPOLIS ACCOUNTING STANDARD FINANCIAL STATEMENTS	A-1

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, 2018, had a population of 13,857 thousand as at 1st March, 2019. 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 9,572,269, or 69.1 per cent. of Tokyo's population as at 1st March, 2019. 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 36.5 million and accounts for 28.6 per cent. of the entire population of the nation as at 1st January, 2018. 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

	Tokyo	Japan	Tokyo's Share of Japan Total (%)	Ranking Among Prefectures
Area (in square kilometres) ^(a)	2,109	377,974	0.6	45
Population (in ten thousands) ^(b)	1,386	12,622	11.0	1
Number of motor vehicles (in thousands) ^(c)	4,430	82,193	5.4	2
Number of universities and colleges ^(d)	138	782	17.6	1

Sources:

- (a) As at 1st October, 2018. "Statistical reports on the land area by prefectures and municipalities in Japan" published by Geospatial Information Authority of Japan.
- (b) As at 1st March, 2019. 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, 2019): "Population Estimates – March 2019" (published by the Statistics Bureau, the Ministry of Internal Affairs and Communications (the "MIC")).

- (c) As at 31st December, 2018. Surveyed by Automobile Inspection & Registration Information Association.
 (d) As at 25th December, 2018. "School Basic Survey" published by the Ministry of Education, Culture, Sports, Science and Technology.

Economy

	Tokyo <i>(billions of yen)</i>	Tokyo's Share of Japan Total <i>(%)</i>
Gross product ^(a)	¥105,450.7	19.6%
Industrial shipments ^(b)	7,574.3	2.4
Annual sales volume ^(c)	199,686.8	34.3

Sources:

- (a) For fiscal year 2016. "Annual Report on Prefectural Accounts of Tokyo: FY2016" published by the Metropolis.
 (b) For fiscal year 2017. "Census of Manufacturers, 2018" 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".

	FY2015	FY2016	FY2017	FY2018 Estimated in Final Budget	FY2019 Estimated in Original Budget
	Actual	Actual	Actual	Budget	Budget
	<i>(millions of yen)</i>				
Revenue.....	¥6,913,752	¥6,779,695	¥6,964,118	¥7,525,514	¥7,461,000
Expenditure.....	6,787,125	6,598,877	6,693,202	7,525,514	7,461,000
Balance.....	126,628	180,818	270,917	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".

	31st March,		
	2016	2017	2018
	<i>(millions of yen)</i>		
Long-term debt.....	¥9,062,879	¥8,845,343	¥8,527,920
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.

Issuer	The Metropolis of Tokyo.
Securities Offered	● ● per cent. Bonds due ● .
Issue Price	● per cent.
Closing Date	On or about ● .
Delivery	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.
Form and Denomination	The Bonds are issued in registered form in the denomination of ● and integral multiples of ● 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".
Interest	● per cent. per annum, payable semi-annually in arrear on ● and ● in each year commencing on ● .
Status	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.
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on ● .
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 ● 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.
Withholding Tax	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.

Cross Acceleration..... 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).

Meetings of 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.

Governing Law English law.

Jurisdiction English courts.

Listings and Admissions to Trading 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.

Credit Rating for the Bonds It is expected that the Bonds will be assigned a credit rating of ● 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.

Selling and Transfer Restrictions. 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".

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

Fiscal Agent, Paying Agent, Registrar and Transfer Agent ... ●

**U.S. Paying Agent, U.S. Registrar
and U.S. Transfer Agent.....** •

Securities Codes for the ISIN: •
Unrestricted Bonds Common Code: •

Securities Codes for the ISIN: •
Restricted Bonds CUSIP: •
Common Code: •

Legal Entity Identifier (LEI) 353800FABE4GGB1BMO18

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, tsunami, 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, 2018. With respect to the fiscal year ended 31st March, 2019, the Japanese Government has maintained its assessment that the Japanese economy continues to recover at a moderate pace. During the nine months ended 31st December, 2018, nominal GDP growth increased in two three-month periods, while contracting in the three months ended 30 September, 2018 (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. Despite announcing the phase out of its asset purchase programme, the European Central Bank continues to take quantitative easing action, including maintaining negative rates on deposits, which could lead to distortions in the economy due to the heavy involvement by the government. Continued uncertainty regarding the United Kingdom's prospective exit from the European Union as a result of the referendum held in June 2016 and the process of negotiations between the United Kingdom and the European Union thereafter, 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, increased protectionism affecting trade relations globally, and the uncertain impact of the policies pursued by the 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 ● 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 ●.

Although the Bonds have a minimum denomination of ● to enable them to be admitted to trading on a regulated market within the European Economic Area or to be offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, as the denominations of the Bonds comprise ● and integral multiples of ● in excess thereof, it is possible that the Bonds may be traded in amounts in excess of ● that are not integral multiples

of ● . In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of Bonds of less than ● will not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to at least ● . Definitive Certificates that have a denomination that is not an integral multiple of ● 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 ● . This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the ● . These include the risk that exchange rates may significantly change (including changes due to devaluation of the ● or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the ● would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds. 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 depository 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.

Holders 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 • 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 2015, 2016 and 2017 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, 2018, had a population of 13,857 thousand as at 1st March, 2019. 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 9,572,269, or 69.1 per cent. of Tokyo's population as at 1st March, 2019. 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 36.5 million and accounts for 28.6 per cent. of the entire population of the nation as at 1st January, 2018. 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>) ^(a)	2,109	377,974	0.6%	45
Population (<i>in ten thousands</i>) ^(b)	1,386	12,622	11.0	1
Number of motor vehicles (<i>in thousands</i>) ^(c)	4,430	82,193	5.4	2
Number of universities and colleges ^(d)	138	782	17.6	1
Number of newspapers published (<i>in thousands</i>) ^(e)	4,076	39,902	10.2	1
Number of movie theatres ^(f)	316	1,475	21.4	1
Number of hospitals ^(g)	643	8,357	7.7	1

Sources:

- (a) As at 1st October, 2018. "Statistical reports on the land area by prefectures and municipalities in Japan" published by Geospatial Information Authority of Japan.
- (b) As at 1st March, 2019. 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, 2019): "Population Estimates – March 2019" (published by the Statistics Bureau, the MIC).
- (c) As at 31st December, 2018. Surveyed by Automobile Inspection & Registration Information Association.
- (d) As at 25th December, 2018. "School Basic Survey" published by the Ministry of Education, Culture, Sports, Science and Technology.
- (e) As of October 2018. Surveyed by The Japan Newspaper Publishers & Editors Association.

- (f) As at 31st March, 2018. "Report on Public Health Administration and Services 2016" published by the Ministry of Health, Labour and Welfare.
- (g) As at 31st December, 2018. "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 and January 2019, based on annual reviews of existing policies as well as the formulation of new policies, the TMG released updates that further developed the original action plan and included further actions intended to realise the three main visions. The updates also included amendments designed to facilitate sustainable economic growth of Tokyo and enhance disaster prevention capabilities, as well as 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

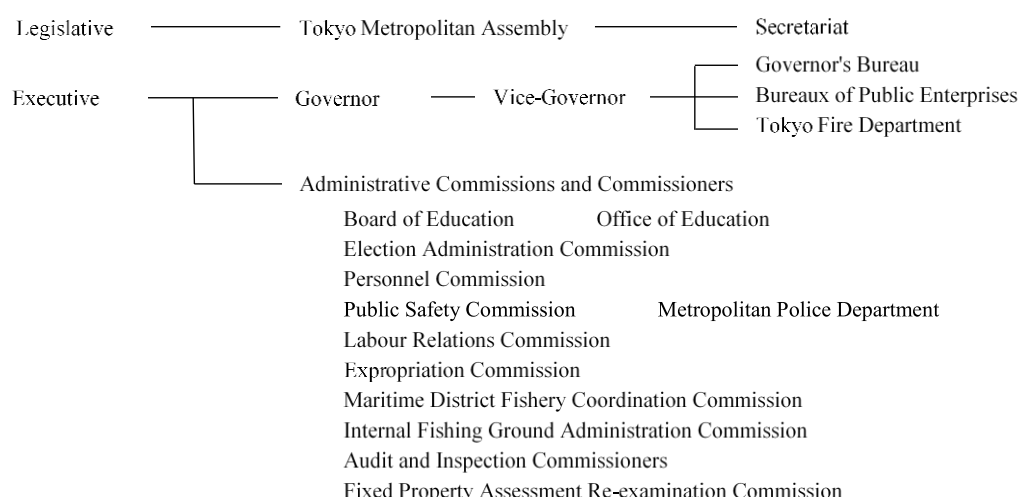
The Metropolis of Tokyo is one of the ordinary local public bodies provided for by the Local Autonomy Act. It is unique among local public bodies in Japan in that it exercises powers of prefectural administration over its 23 special wards (each of which is a special local public body) and over its cities, 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 25th January, 2019 is shown below:

	Number of Assembly Members
TOMIN First	50
Tokyo Komei	23
Liberal Democratic Party	23
Japanese Communist Party	18
The Democratic Party of Japan.....	5
Non-partisan (Future TOKYO)	3
Innovation New Party.....	2
Non-partisan (Seikatsusha Network).....	1
Non-partisan (Freedom Empowerment Association).....	1
Total.....	<u>126</u>

Note: One seat was vacant as at 25th January, 2019.

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 2017, 2018 and 2019, which are stipulated in the by-laws of the Metropolis, are 167,577, 168,106 and 168,795, 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, 60.5 per cent. in fiscal year 2017) 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 2016 was ¥105,450.7 billion, which accounted for 19.6 per cent. of the gross domestic product of Japan. Per capita income in Tokyo in the fiscal year 2015 was ¥5,378 thousand, about 1.69 times higher than the national average.

The following table sets forth a breakdown of the gross product of Tokyo for the fiscal years 2014, 2015 and 2016 by category of business:

	FY 2014 Actual		FY 2015 Actual		FY 2016 Actual	
	(billions of yen)	(%)	(billions of yen)	(%)	(billions of yen)	(%)
Services ^(c)	19,106.1	18.6%	19,404.0	18.5%	19,343.9	18.3%
Wholesale and Retail Trade	20,430.7	19.9	21,057.6	20.1	20,814.7	19.7
Finance and Insurance	8,869.2	8.7	8,833.4	8.4	8,650.5	8.2
Manufacturing	9,004.4	8.8	9,168.3	8.8	9,271.5	8.8
Public Administration	3,999.6	3.9	4,108.1	3.9	4,196.3	4.0
Transport and Postal Services	4,734.9	4.6	4,835.9	4.6	4,816.2	4.6
Information and Communications	10,905.9	10.6	11,250.5	10.7	11,297.2	10.7
Construction	4,992.6	4.9	5,316.2	5.1	5,725.0	5.4
Others	20,485.2	20.0	20,796.5	19.8	21,335.4	20.2
Total	<u>102,528.4</u>	<u>100.0%</u>	<u>104,770.3</u>	<u>100.0%</u>	<u>105,450.7</u>	<u>100.0%</u>

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 2016" published by the Metropolis.

Labour and Employment

As a main driver of economic activity and a major population centre in Japan, Tokyo contributes a significant portion of the nationwide labour force. According to the Statistical Handbook of Japan 2018 published by the MIC, the productive-age population (defined as persons 15-64 years of age) in Tokyo as of October 1, 2017 was estimated to be 9.02 million, or 11.9 per cent. of the productive-age population in Japan as a whole.

The unemployment rate in Tokyo has steadily decreased in recent years. According to the MIC's Labour Force Survey, the unemployment rate in Tokyo was 3.8 per cent. in 2014, 3.6 per cent. in 2015, 3.2 per cent. in 2016, 2.9 per cent. in 2017 and 2.6 per cent. in 2018.

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, 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%

	Tokyo	Japan	Tokyo's Share of Japan Total (%)
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
<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 2017 amounted to ¥7,574.3 billion, accounting for 2.4 per cent. of the national total and ranking 15th among the 47 prefectures. In terms of both numbers of factories and persons engaged in manufacturing industries, Tokyo ranked fourth and eighth, providing 5.6 per cent. and 3.3 per cent., respectively, of the totals.

The following table gives a breakdown of Tokyo's major manufacturing industries by value of industrial shipments in 2017:

	Value of Industrial Shipments	Share of Tokyo's Total	Share of Japan's Total
	<i>(billions of yen)</i>	<i>(%)</i>	<i>(%)</i>
Transportation equipment	1,583.0	20.9%	2.3%
Printed products	740.3	9.8	14.7
General machinery.....	885.1	11.7	2.3
Electrical machinery and equipment	744.1	9.8	4.3
Food.....	713.7	9.4	2.5
Information and communication equipment.....	571.4	7.5	8.7
Chemical industry products	361.0	4.8	1.3
Others	1,975.7	26.1	1.6
Total.....	7,574.3	100%	2.4%

Source: "Census of Manufacturers, 2018" 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 2017:

Exports (in billions of yen).....	5,862
Imports (in billions of yen).....	11,701
Number of arriving vessels	23,604
Gross tonnage of arriving vessels (in thousand tons).....	174,746
Cargo handled (in thousand tons).....	90,780

Source:

"The State of the Port of Tokyo, 2017" published by the Metropolis.

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, 2018, 34.8 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 goal of developing "a mature, advanced city with vitality and comfort".

Housing

The TMG's housing policy is aimed at the "realisation and maintenance of abundant lifestyles" by focusing on three areas: effective use of existing housing stock, linking diverse constituents and fields of expertise and developing policies tailored to local communities.

In the field of publicly-owned housing, as at 31st March, 2019, 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, considering the declining population in Japan, the TMG aims to create a Tokyo that is a more attractive place to live, both by making efforts to address declining birth-rates and the ageing population while developing well-balanced policies that are suited to specific locations.

Roads, Rivers and Parks

Roads

There were approximately 24,623 kilometres of roads in Tokyo in April 2018, of which 2,371 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 2018, there were 11,791 urban parks and other green areas in Tokyo with a combined expanse of approximately 7,840 hectares or 5.69 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 a major international port that plays a critical role in sustaining economic activity and supporting a population of over 40 million residents in the broader capital region, while also serving key functions as an industrial base and a space for recreational activity and lifestyles.

As administrator of the Port of Tokyo, the TMG is engaged in operations and management at the port, improving functionality, and maintenance of waterfront facilities. In 2017, TMG managed container freight volume of 48.15 million tonnes. The waterfront area, consisting of 2,766 hectares of reclaimed land, is actively used for logistics services, metropolitan transit network improvements, urban redevelopment and facilities, and environmental restoration and creation of new neighborhoods.

Public Transport

The TMG operates buses, underground railways, a tram, a monorail and the Nippori-Toneri Liner. During the fiscal year 2017, these services carried a total of about 3.52 million passengers daily. During the fiscal year 2012, in the 23 special wards, these services carried a total of about 3.02 million passengers daily, representing approximately 10.5 per cent. of all people using public transport facilities in the 23 special wards. During the fiscal year 2017, there were 1,476 buses in service, transporting approximately 630 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 2017, the underground railways carried an average of about 2.75 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 4.21 million cubic metres of drinking water per day on average to approximately 13.40 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 the fiscal year 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 2019, there were approximately 3.10 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 2019, there were more than 680 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 2019. 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 150 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, 2018, there were 991 kindergartens, 30 accredited early childhood education and care centres, 1,332 elementary schools, 804 junior high schools, 7 unified elementary and junior high schools, 429 senior high schools, 8 six-year high schools, 70 special needs schools and 561 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 4,232 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.

To address expenditures expected to be borne by the TMG in connection with hosting the Games, the TMG reserved ¥514.0 billion (balance as of 31st March, 2018) as the hosting reserve fund for the Games (in the final budget for fiscal year 2018, the TMG appropriated funding to cover ¥600 billion in Games-related expenditures through the hosting reserve). 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.

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 2018, the annual turnover of perishable commodities comprised 385,102 tons of marine produce, 1,942,026 tons of agricultural produce, 78,259 tons of meat, 1,136 million pieces of cut flowers, cut leaves and cut branches, 27 million potted flowers and 3 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

See "*Economic Position*" for further information on employment in Tokyo. 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, 2019, it operated 292 fire stations and fire station branches and 2,698 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, 2019, 102 police stations and 1,113 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 2015, 2016 and 2017 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. As at 1st April, 2019 there were 16 Special Accounts. 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, 2019. 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 2015, 2016 and 2017 and estimated revenues and expenditures in the final budget for the fiscal year 2018 and the original budget for the fiscal year 2019 for the Metropolis' General Account:

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</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>				
Revenues					
Metropolitan Taxes.....	¥5,183,569	¥5,236,011	¥5,273,012	¥5,465,312	¥5,503,165
Local Transfer Taxes.....	271,981	235,549	245,133	278,955	290,826
Special Local Government Grants.....	4,700	4,875	5,219	6,056	20,314
Special Grants.....	3,102	2,937	2,817	3,061	3,007
Rents and Fees.....	79,196	84,531	83,835	87,607	87,767
National Treasury Disbursement.....	346,758	319,685	365,067	325,215	362,071
Transferred from Other Accounts.....	130,651	69,584	120,657	489,714	596,883
Metropolitan Debt ^(a)	129,759	124,417	112,606	174,104	209,595
Carried Over from Preceding Fiscal year.....	142,775	126,628	180,818	233,290	1
Others.....	621,261	575,478	574,954	462,199	387,371
Total.....	<u>¥6,913,752</u>	<u>¥6,779,695</u>	<u>¥6,964,118</u>	<u>¥7,525,514</u>	<u>¥7,461,000</u>
Expenditures^(b)					
Metropolitan Assembly.....	¥5,633	¥5,644	¥4,945	¥5,652	¥6,044
General Administration.....	188,047	184,575	176,108	189,697	214,339
Tax Collection.....	63,758	67,287	65,819	69,616	70,759
Citizens and Cultural Affairs.....	32,757	25,078	23,793	36,245	28,810
Sports Promotion.....	41,190	74,941	50,392	96,345	348,238
Urban Development.....	105,364	118,548	117,230	115,081	138,844
Environmental Protection.....	71,575	42,349	34,474	32,288	41,695
Social Welfare and Public Health.....	1,055,350	1,210,517	1,062,552	1,123,243	1,221,374
Industrial and Labour Affairs.....	380,099	406,368	375,945	451,662	478,173
Public Works.....	387,877	486,557	401,491	499,273	575,330
Port and Harbour.....	73,462	78,884	100,795	113,241	129,855
Education.....	736,105	770,290	773,657	817,863	843,366
Police.....	607,350	626,542	624,521	645,525	672,223
Firefighting and Prevention.....	242,120	245,993	244,146	250,362	268,492
Debt Service ^(c)	473,292	425,018	511,672	429,876	366,832

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</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>				
Others	2,323,146	1,830,285	2,125,661	2,649,544	2,056,626
Total	<u>¥6,787,125</u>	<u>¥6,598,877</u>	<u>¥6,693,202</u>	<u>¥7,525,514</u>	<u>¥7,461,000</u>
Balance	<u>¥126,628</u>	<u>¥180,818</u>	<u>¥270,917</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 ¥243.0 billion, ¥241.3 billion and ¥251.4 billion in the fiscal years 2015, 2016 and 2017, 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 2018 and 2019 are included mainly in the total amounts of the estimated expenditures in the final budget for the fiscal year 2018 and the original budget for the fiscal year 2019, 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 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 year 2017, the Metropolis' revenues increased by ¥184,423 million compared to the fiscal year 2016, due mainly to an increase of ¥54,190 million carried over from the preceding fiscal year and an increase of ¥51,073 million in transfers from other accounts, partially offset by a ¥11,811 million decrease in Metropolitan debt. In the fiscal years 2015, 2016 and 2017, Metropolitan taxes comprised 74.6 per cent., 77.2 per cent. and 75.7 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 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. In the fiscal year 2017, the Metropolis' expenditures increased by ¥94,325 million compared to the fiscal year 2016, due mainly to an increase of ¥295,376 million in others, which was primarily caused by an increase in the amount of reserves set aside for the hosting reserve fund for the Games, partially offset by a decrease 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 2019 for the Metropolis' General Account (as percentage of the total estimated original budget):

	<u>FY2019</u>
	<u>Estimated in Original Budget</u>
	<u>(%)</u>
Payroll-related expenses.....	21.6%
Subsidies	17.4%
Investment expenses.....	17.8%
Financial adjustment grant for special wards ^(a)	14.5%
Expenditure for Public Bonds.....	4.9%
Others ^(b)	23.9%

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 2019 is 28.9 per cent. According to the MIC, the comparable ratio for all other local public bodies in Japan is 36.1 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 2015, 2016 and 2017 and estimated revenues and expenditures in the final budget for the fiscal year 2018 and the original budget for the fiscal year 2019 for each of the Metropolis' Special Accounts:

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</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>				
Special Wards Fiscal Adjustment					
Revenues	¥996,356	¥987,804	¥976,299	¥1,068,164	¥1,081,976
Expenditures.....	996,356	987,804	976,299	1,068,164	1,081,976
Balance	0	0	0	0	0
Local Consumption Tax Adjustment ^(a)					
Revenues	2,122,695	1,995,284	2,087,207	2,097,557	2,098,005
Expenditures.....	2,009,191	1,804,027	1,884,664	1,882,637	1,836,485
Balance	113,505	191,256	202,543	214,920	261,520
Ogasawara Islands Livelihood Rehabilitation Fund					
Revenues	727	750	757	372	372
Expenditures.....	0	0	10	372	372
Balance	727	750	747	0	0
National Health Insurance					
Revenues	—	—	—	1,120,814	1,105,244
Expenditures.....	—	—	—	1,120,814	1,105,244
Balance	—	—	—	0	0
Single Parent Welfare Loan Fund					
Revenues	4,746	5,033	5,385	4,061	3,936
Expenditures.....	3,228	3,149	3,058	4,061	3,936
Balance	1,518	1,884	2,327	0	0
Physically or Mentally Disabled Persons Annuity Fund					
Revenues	5,424	5,194	4,790	4,584	4,341
Expenditures.....	5,424	5,194	4,790	4,584	4,341
Balance	0	0	0	0	0
Small and Medium Enterprise Facility Installation Fund					
Revenues	3,893	6,374	2,727	23,332	865
Expenditures.....	1,381	4,653	1,010	23,332	865
Balance	2,511	1,721	1,716	0	0
Forestry and Lumber Industry Improvement Subsidy					
Revenues	92	98	103	52	52
Expenditures.....	0	0	0	52	52
Balance	92	98	103	0	0

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</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>				
Coastal Fishery Improvement Subsidy					
Revenues	113	134	134	48	48
Expenditures.....	0	18	4	48	48
Balance	113	116	131	0	0
Slaughter House					
Revenues	5,804	5,754	5,937	6,366	5,553
Expenditures.....	5,804	5,754	5,937	6,366	5,553
Balance	0	0	0	0	0
Metropolitan Public Housing					
Revenues	165,728	163,783	153,266	173,697	171,431
Expenditures.....	164,689	162,014	152,114	173,697	171,431
Balance	1,038	1,769	1,152	0	0
Metropolitan Public Housing Tenants Security Deposit					
Revenues	10,968	8,555	7,969	7,731	10,177
Expenditures.....	4,016	3,082	1,367	1,454	2,502
Balance	6,952	5,473	6,603	6,277	7,675
Urban Development Fund					
Revenues	2,387	7,600	1,343	4,057	4,954
Expenditures.....	2,387	7,600	1,343	4,057	4,954
Balance	0	0	0	0	0
Land Acquisition					
Revenues	21,840	15,752	13,252	18,290	43,138
Expenditures.....	14,275	8,216	6,146	18,290	43,138
Balance	7,564	7,535	7,107	0	0
Debt Service ^(b)					
Revenues	1,583,478	1,306,498	1,143,471	1,172,906	1,287,454
Expenditures.....	1,583,478	1,306,498	1,143,471	1,172,906	1,287,454
Balance	0	0	0	0	0
Waterfront Urban Infrastructure Development Project					
Revenues	13,412	9,796	4,922	5,394	4,172
Expenditures.....	5,133	5,231	1,355	2,363	2,111
Balance	8,279	4,566	3,567	3,031	2,061

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 2015, 2016 and 2017 and the estimated revenues and expenditures in the final budget for the fiscal year 2018 and the original budget for the fiscal year 2019 for each of the Metropolis' Public Enterprise Accounts:

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</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>				
Hospitals					
Profit/Loss Account ^(b)					
Revenues.....	¥158,136	¥160,004	¥160,544	¥168,262	¥173,044
Expenditures.....	157,338	163,646	162,973	168,262	172,244
Current Balance ^(a)	798	(3,642)	(2,429)	0	800
Capital Account ^(c)					
Revenues.....	6,779	834	6,846	2,623	2,677
Expenditures.....	13,846	16,683	15,756	38,504	31,984
Current Balance ^(a)	(7,067)	(15,850)	(8,910)	(35,881)	(29,307)
Central Wholesale Market ^(d)					
Profit/Loss Account ^(b)					
Revenues.....	19,257	37,503	19,185	519,661	78,452
Expenditures.....	18,584	22,757	26,749	63,556	48,371

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</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>				
Current Balance ^(a)	673	(14,746)	(7,564)	456,105	30,081
Capital Account ^(c)					
Revenues	113,482	118,297	2	73,836	1,620
Expenditures	119,168	160,311	7,616	16,641	5,878
Current Balance ^(a)	(5,685)	(42,014)	(7,614)	57,195	(4,258)
Urban Redevelopment Project					
Profit/Loss Account ^(b)					
Revenues	30	141,834	3	15	40
Expenditures	0	142,452	6	12	15
Current Balance ^(a)	30	(618)	(3)	3	25
Capital Account ^(c)					
Revenues	1,647	626	865	3,433	14,761
Expenditures	1,489	1,402	611	3,457	14,870
Current Balance ^(a)	158	(776)	254	(24)	(109)
Waterfront Area Development Project					
Profit/Loss Account ^(b)					
Revenues	42,861	47,879	16,973	45,412	14,620
Expenditures	50,455	66,812	14,219	37,627	6,643
Current Balance ^(a)	(7,595)	(18,933)	2,754	7,785	7,977
Capital Account ^(c)					
Revenues	1,685	490	6,210	426	192
Expenditures	18,407	9,986	11,850	16,460	16,213
Current Balance ^(a)	(16,722)	(9,496)	(5,639)	(16,034)	(16,021)
Port and Harbour Project					
Profit/Loss Account ^(b)					
Revenues	4,769	4,857	4,844	4,709	4,692
Expenditures	3,818	3,164	3,756	3,839	3,557
Current Balance ^(a)	951	1,693	1,088	870	1,135
Capital Account ^(c)					
Revenues	62	0	1	1	1
Expenditures	1,897	4,118	918	883	5,836
Current Balance ^(a)	(1,835)	(4,118)	(917)	(882)	(5,835)
Transportation					
Profit/Loss Account ^(b)					
Revenues	50,211	55,089	60,205	62,987	61,307
Expenditures	51,673	53,559	58,820	64,529	64,644
Current Balance ^(a)	(1,462)	1,529	1,385	(1,542)	(3,337)
Capital Account ^(c)					
Revenues	6,488	8,070	7,099	7,294	14,302
Expenditures	11,808	18,270	10,520	12,823	22,820
Current Balance ^(a)	(5,320)	(10,200)	(3,421)	(5,529)	(8,518)
Urban Rapid Transit Railway					
Profit/Loss Account ^(b)					
Revenues	170,370	175,295	176,959	178,178	184,403
Expenditures	142,835	140,437	140,819	154,306	159,777
Current Balance ^(a)	27,535	34,858	36,140	23,872	24,626
Capital Account ^(c)					
Revenues	25,535	31,959	23,545	20,945	22,860
Expenditures	89,138	69,539	89,924	100,926	131,596
Current Balance ^(a)	(63,603)	(37,580)	(66,380)	(79,981)	(108,736)
Electric Power					
Profit/Loss Account ^(b)					
Revenues	1,691	1,801	1,613	1,286	1,801
Expenditures	1,034	1,022	1,055	1,234	1,377
Current Balance ^(a)	657	779	558	52	424
Capital Account ^(c)					
Revenues	0	0	0	0	0
Expenditures	950	127	371	285	432
Current Balance ^(a)	(950)	(127)	(371)	(285)	(432)
Waterworks					
Profit/Loss Account ^(b)					
Revenues	357,248	361,355	362,742	374,947	379,627
Expenditures	317,902	322,114	326,118	369,175	375,926
Current Balance ^(a)	39,346	39,241	36,624	5,772	3,701
Capital Account ^(c)					
Revenues	8,500	21,505	46,626	75,410	44,806
Expenditures	112,565	121,382	120,162	158,767	143,475
Current Balance ^(a)	(104,065)	(99,877)	(73,536)	(83,357)	(98,669)

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</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>				
Industrial Waterworks					
Profit/Loss Account ^(b)					
Revenues.....	1,621	1,712	1,818	2,454	5,831
Expenditures.....	1,604	1,688	1,795	2,454	5,831
Current Balance ^(a)	18	0	23	0	0
Capital Account ^(c)					
Revenues.....	183	275	287	346	201
Expenditures.....	251	339	312	600	884
Current Balance ^(a)	(68)	(63)	(25)	(254)	(683)
Sewerage					
Profit/Loss Account ^(b)					
Revenues.....	356,941	389,011	482,252	400,013	402,252
Expenditures.....	313,049	340,971	345,727	363,776	373,027
Current Balance ^(a)	43,893	48,039	136,526	36,237	29,225
Capital Account ^(c)					
Revenues.....	185,083	196,327	182,769	201,907	191,065
Expenditures.....	373,311	371,592	445,103	380,977	362,576
Current Balance ^(a)	(188,228)	(175,265)	(262,334)	(179,070)	(171,511)

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. The relocation of the Tsukiji fish market to Toyosu was completed in October 2018.

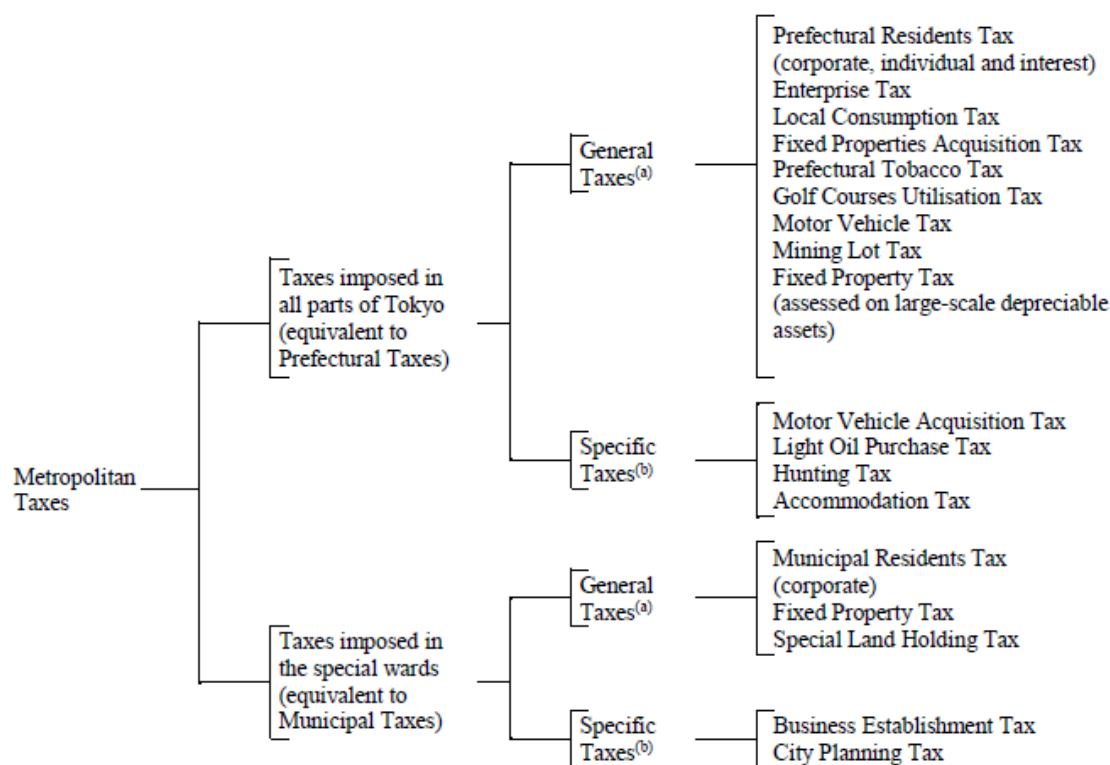
Upon completion of the relocation to Toyosu, the site of the former fish market in Tsukiji was transferred for accounting purposes from the Public Enterprise Accounts to the General Account. As a result, revenues in respect of the Central Wholesale Market estimated in the final budget for the fiscal year 2018 reflect an extraordinary gain arising from the transfer, which resulted in a significant increase in estimated revenues compared to prior years. The transfer was correspondingly recorded as an estimated expenditure in the final budget of the General Account for the fiscal year 2018.

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 2018 final budget being 72.6 per cent. and in the fiscal year 2019 original budget being 73.8 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 tables show the Metropolis' actual tax revenues for the fiscal years 2015, 2016 and 2017 and the estimated tax revenues in the final budget for the fiscal year 2018 and the original budget for the fiscal year 2019, together with the relative contributions made by the principal categories of tax:

	FY 2015		FY 2016		FY 2017	
	Actual		Actual		Actual	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
Residents Tax.....	¥1,789,035	34.5%	¥1,735,860	33.2%	¥1,771,639	33.6%
Enterprise Tax.....	941,924	18.2	1,093,913	20.9	1,060,963	20.1
Fixed Property Tax.....	1,167,273	22.5	1,181,125	22.6	1,192,888	22.6
Local Consumption Tax.....	700,423	13.5	632,652	12.1	647,365	12.3
Others.....	584,914	11.3	592,461	11.3	600,156	11.4
Total.....	<u>¥5,183,569</u>	<u>100.0%</u>	<u>¥5,236,011</u>	<u>100.0%</u>	<u>¥5,273,012</u>	<u>100.0%</u>
Two Corporate Taxes ^(a)	¥1,763,531	34.0%	¥1,892,632	36.1%	¥1,850,852	35.1%

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 2018		FY 2019	
	Estimated in Final Budget		Estimated in Original Budget	
	(millions of yen)	(%)	(millions of yen)	(%)
Residents Tax.....	¥1,910,814	35.0%	¥1,895,911	34.5%
Enterprise Tax.....	1,144,135	20.9	1,173,906	21.3
Fixed Property Tax.....	1,243,713	22.8	1,277,200	23.2

	FY 2018 Estimated in Final Budget		FY 2019 Estimated in Original Budget	
	(millions of yen)	(%)	(millions of yen)	(%)
Local Consumption Tax	548,765	10.0	533,787	9.7
Others	617,886	11.3	622,360	11.3
Total.....	<u>¥5,465,312</u>	<u>100.0%</u>	<u>¥5,503,165</u>	<u>100.0%</u>
Two Corporate Taxes ^(a)	¥2,048,274	37.5%	¥2,057,798	37.4%

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 88.7 per cent. in the final budget for the fiscal year 2018 and 88.7 per cent. in the original budget for the fiscal year 2019, 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) has been 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 2019 has been reduced by around ¥283.2 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 on 30th September, 2019. Following this abolition, under tax reform legislation adopted for the fiscal year 2019, a special corporate enterprise tax (*tokubetsu houjin jigyouzei*) will be established from 1st October, 2019, through which a part of the corporate enterprise tax will be put into national taxes and redistributed to prefectural authorities in the form of a special corporate enterprise transfer tax (*tokubetsu houjin jigyoujouyozei*). As a result, the TMG's tax revenues are estimated to decline by ¥379.9 billion on an annualised basis from the fiscal year 2021, when the impact will flatten. When combined with the expected decline in tax revenues of ¥495.8 billion due to previously implemented measures, such as the expansion of the corporate inhabitant tax as a source for tax reallocation to local governments, the total annualised decline in the TMG's tax revenues is estimated to be ¥875.8 billion.

In the fiscal year 2019 general account budget, the Metropolis can independently control 88.1 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 ¥882 billion, ¥879 billion and ¥921 billion in the fiscal years 2015, 2016 and 2017, 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 ¥871 billion, ¥849 billion and ¥841 billion in the fiscal years 2015, 2016 and 2017, 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 ¥893 billion, ¥1,044 billion and ¥1,010 billion in the fiscal years 2015, 2016 and 2017, 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 2019 has been reduced by approximately ¥102.6 billion.

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 2017 are as follows:

	Early consolidation standards	Fiscal reconstruction standards
Real Deficit Ratio (the ratio of deficit to standard fiscal scale)	5.47%	8.43%
Consolidated Real Deficit Ratio (the ratio of consolidated deficit in all accounts to standard fiscal scale).....	10.47%	18.43%
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%	— ^(a)

Note: 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, 2016, 2017 and 2018 for the Metropolis' General Account, Special Accounts and Public Enterprise Accounts:

	31st March,		
	2016	2017 (millions of yen)	2018
General Account	¥5,616,002	¥5,434,150	¥5,234,743
Special Accounts			
Single Parent Welfare Loan Fund.....	29,351	29,427	28,795
Small and Medium Enterprise Facility Installation Fund	8,361	5,815	5,441
Slaughter House	3,156	2,559	2,434
Metropolitan Public Housing	523,359	540,541	545,311
Land Acquisition.....	63,012	49,420	34,936
Waterfront Urban Infrastructure Development Project	0	0	0
Total Special Accounts.....	¥636,238	¥627,762	¥616,916
Public Enterprise Accounts			
Hospitals	109,678	102,573	96,761
Central Wholesale Market.....	265,558	363,008	359,721
Urban Redevelopment Project	0	0	0
Waterfront Area Development Project	187,265	187,265	187,265
Port and Harbour Project	620	406	211
Transportation	39,850	44,162	48,192
Urban Rapid Transit Railway.....	399,735	373,609	327,196
Waterworks	225,282	218,213	234,822
Sewerage	1,582,650	1,494,195	1,422,093
Total Public Enterprise Accounts	¥2,810,639	¥2,783,430	¥2,676,260
Total long-term debt	¥9,062,879	¥8,845,343	¥8,527,920

Short-Term Debt

The Metropolis had no short-term debt (excluding the current portion of long-term debt) as at 31st March, 2016, 2017 and 2018.

Payment Schedule

The following table shows the unaudited payment schedule for the periods through fiscal year 2028 of the principal and interest on long-term debt outstanding as at 31st March, 2019:

Payment schedule of the principal and interest on long-term debt outstanding as at 31st March, 2019

Fiscal Year	Principal	Interest	Total
		(millions of yen)	
2019	¥890,561	¥89,472	¥980,033
2020	969,641	76,971	1,046,612
2021	824,027	66,115	890,142
2022	721,965	58,153	780,118
2023	748,886	51,551	800,437
2024	601,848	45,331	647,179
2025	569,013	40,100	609,113
2026	485,058	36,521	521,579
2027	396,329	33,797	430,127
2028	382,784	30,746	413,530

Notes:

- 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.
- All debt is fixed-rate debt.

Debt Payment Record

The Metropolis made payments of the principal and interest on long-term debt of ¥1,265,864 million in aggregate (¥1,124,775 million for payments of principal and ¥141,089 million for payments of interest), ¥982,844 million in aggregate (¥858,495 million for payments of principal and ¥124,349 million for

payments of interest) and ¥818,398 million in aggregate (¥707,169 million for payments of principal and ¥111,229 million for payments of interest), during the fiscal year 2015, 2016 and 2017, 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, 2018, which amounted to ¥8,527,920 million, 13.89 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 86.1 per cent. represented debt incurred by loans from financial institutions and the issue of bonds. Of this 86.1 per cent., 3.6 per cent. represented debt incurred by loans from financial institutions and 82.5 per cent. represented debt incurred by the issue of bonds.

Of the total balance of debt incurred by the issue of bonds which were outstanding as at 31st March, 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. Of the total balance of debt incurred by the issue of bonds which were outstanding as at 31st March, 2018, 89.6 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 10.0 per cent. represented debt incurred by the issue of bonds outside Japan.

For the fiscal year 2019, the Metropolis plans to raise approximately ¥500 billion in the aggregate through bond offerings consisting of approximately ¥260 billion of 10-year bonds, approximately ¥100 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 ¥60 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, 2019:

Foreign debt remaining outstanding as at 31st March, 2019^(a)

	Outstanding Amount
	(millions)
5 ⁷ / ₁₀₀ % Bonds due 2034.....	€160
4 ²⁶ / ₁₀₀ % Bonds due 2032.....	€294
4 ²⁷ / ₁₀₀ % Bonds due 2035.....	€150
4 ⁷ / ₁₀ % Bonds due 2033.....	€344
4 ⁹ / ₁₀ % Bonds due 2035.....	€318
2 ¹ / ₈ % Bonds due 2019.....	U.S.\$1,000
2 ¹ / ₈ % Bonds due 2020.....	U.S.\$1,000
2% Bonds due 2021.....	U.S.\$1,000
2.5% Bonds due 2022.....	U.S.\$500
3 ¹ / ₄ % Bonds due 2023.....	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, 2016, 2017 and 2018:

	31st March,		
	2016	2017	2018
		<i>(millions of yen)</i>	
Funds for General Purposes	¥624,774	¥627,429	¥716,516
Adjusting Fund for Finance.....	624,774	627,429	716,516
Funds for Special Purposes.....	1,642,559	1,950,430	2,039,133
Social Infrastructure Improvement Fund	558,659	563,983	567,530
Welfare and Health Fund	7,481	7,544	6,336
Hosting reserve fund for the Games	401,052	378,970	514,004
Others.....	675,367	999,933	951,263
Sinking Fund.....	1,319,901	1,375,243	1,515,407
Total.....	<u>¥3,587,234</u>	<u>¥3,953,102</u>	<u>¥4,271,056</u>

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, 2018) and the outstanding balance of investments in and loans to such five entities and item as at 31st March, 2016, 2017 and 2018, together with the total outstanding balance of investments and loans as at the same dates:

Investments (including stocks and other contributions)

	31st March,		
	2016	2017	2018
		<i>(millions of yen)</i>	
Total outstanding balance	¥964,070	¥884,216	¥894,705
Of which:			
Japan Expressway Holding and Debt Repayment Agency	294,220	296,356	300,942
Tokyo Metropolitan University	141,602	141,602	147,931
Tokyo Waterfront Area Rapid Transit Inc.	43,521	43,521	43,521
Tokyo TY Financial Group, Inc.	-	43,047	43,047
Tokyo Tama Intercity Monorail Co., Ltd.....	40,285	40,285	40,285

Loans

	31st March,		
	2016	2017 (millions of yen)	2018
Total outstanding balance	¥1,404,668	¥1,274,037	¥1,176,978
Of which:			
Loans under Institutionalised Financing Structure ^(a)	325,231	226,374	170,452
Tokyo Metropolitan Housing Supply Corporation	423,777	412,533	402,217
Tokyo Metropolitan Subway Construction Co., Ltd.	201,451	200,725	200,000
Loans for Haneda Airport Re-expansion Project.....	108,528	108,528	108,528
Metropolitan Intercity Railway Company.....	98,311	86,534	74,140

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 ¥214 billion, of which ¥7 billion is the maximum amount which can become payable in the fiscal year 2019.

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 2015, 2016 and 2017.

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 2018, the Metropolis' Ordinary Accounts consisted of the General Account and 16 Special Accounts.

The following table shows the total revenues and expenditures in the Metropolis' Ordinary Account for the fiscal years 2015, 2016 and 2017:

	FY2015	FY2016	FY2017
	(millions of yen)		
Revenues (A)	¥7,186,288	¥7,122,485	¥7,304,357
Metropolitan tax	5,162,436	5,317,961	5,289,245
TMG bonds	156,200	152,611	136,813
Others.....	1,867,652	1,651,913	1,878,299
Expenditures (B).....	6,934,746	6,743,871	6,827,471
General expenditure.....	4,458,966	4,591,983	4,661,360
Personnel cost.....	1,475,509	1,494,835	1,496,617
Expenditure for public bond.....	531,344	476,023	557,092
Others.....	1,944,436	1,675,865	1,609,019
Formal Balance of Revenues and Expenditures (C = A – B)	251,542	378,614	476,886
Balance to be carried forward (D) ^(a)	250,989	249,443	351,615
Actual balance (C – D).....	¥552	¥129,171	¥125,270

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 2015, 2016 and 2017:

	FY2015	FY2016 (%)	FY2017
Ordinary Balance Ratio ^(a)			
Metropolis	81.5%	79.6%	82.2%
Weighted average of all prefectures	102.7	102.3	103.0
Ratio of Bond Expenses Burden ^(b)			
Metropolis	8.2	7.3	8.5
Weighted average of all prefectures	18.7	18.4	18.6
Financial Capability Index ^(c)			
Metropolis	1.003	1.101	1.162
Simple average of all prefectures.....	0.49	0.51	0.52
Ratio of Dependence on Creation of Local Debt ^(d)			
Metropolis	2.2	2.1	1.9
Weighted average of all prefectures	10.6	10.7	10.8
Real Debt Payment Ratio ^(e)			
Metropolis	1.3	1.5	1.6
Weighted average of all prefectures	12.7	11.9	11.4
Future Burden Ratio ^(f)			
Metropolis	32.1	19.8	12.5
Weighted average of all prefectures	175.6	173.4	173.1

Sources:

Simple or weighted average of all prefectures:

- (a)(b)(c)(d): "White Paper on Local Public Finance", published by the MIC (March 2019).
 (e)(f): "Outline of the Ratio for Determining Soundness and Financial Shortfall Ratio based on fiscal 2017 account settlements", "Outline of the Ratio for Determining Soundness and Financial Shortfall Ratio based on fiscal 2016 account settlements" and "Outline of the Ratio for Determining Soundness and Financial Shortfall Ratio based on fiscal 2015 account settlements", each published by the MIC.

Notes:

- (a) Ordinary Balance Ratio is the ratio of the "general revenue sources for the ordinary expenses (such as personnel expenses and bond expenses)" (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 Allocation Tax 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

24 April, 2019

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 2015, 2016 and 2017 and the estimated revenue, expenditure and balance on such Account of the Metropolis in the final budget for the fiscal year 2018 and the original budget for the fiscal year 2019, (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, 2016, 2017 and 2018, (iii) the revenues, expenditures and balances on the Special Accounts and the Public Enterprise Accounts of the Metropolis for the fiscal years 2015, 2016 and 2017 and the estimated revenues, expenditures and balances on such Accounts of the Metropolis in the final budget for the fiscal year 2018 and the original budget for the fiscal year 2019, (iv) the tax revenues of the Metropolis for the fiscal years 2015, 2016 and 2017 and the estimated tax revenues of the Metropolis in the final budget for the fiscal year 2018 and the original budget for the fiscal year 2019, (v) the outstanding balances of foreign debt of the Metropolis as at 31st March 2019 and the reserve funds of the Metropolis as at 31st March, 2016, 2017 and 2018, (vi) the revenues and expenditures in the Ordinary Account of the Metropolis for the fiscal years 2015, 2016 and 2017, 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, 2018) as at 31st March, 2016, 2017 and 2018 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 ● to be issued in overseas markets. I have also examined the audited accounts of the Metropolis for the fiscal years 2015, 2016 and 2017 and the final budget of the Metropolis for the fiscal year 2018 and the original budget of the Metropolis for the fiscal year 2019.

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 2015, 2016 and 2017 and the estimated revenue, expenditure and balance on such Account of the Metropolis in the final budget for the fiscal year 2018 and the original budget for the fiscal year 2019, (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, 2016, 2017 and 2018, (iii) the revenues, expenditures and balances on the Special Accounts and the Public Enterprise Accounts of the Metropolis for the fiscal years 2015, 2016 and 2017 and the estimated revenues, expenditures and balances on such Accounts of the Metropolis in the final budget for the fiscal year 2018 and the original budget for the fiscal year 2019, (iv) the tax revenues of the Metropolis for the fiscal years 2015, 2016 and 2017 and the estimated tax revenues of the Metropolis in the final budget for the fiscal year 2018 and the original budget for the fiscal year 2019, (v) the outstanding balances of foreign debt of the Metropolis as at 31st March 2019 and the reserve funds of the Metropolis as at 31st March, 2016, 2017 and 2018, (vi) the revenues and expenditures in the Ordinary Account of the Metropolis for the fiscal years 2015, 2016 and 2017, 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, 2018) as at 31st March, 2016, 2017 and 2018 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 ● ● per cent. Bonds due ● (the "Bonds", which expression includes any further bonds issued pursuant to Condition 13 and forming a single series therewith) of The Metropolis of Tokyo (the "Metropolis") are constituted by a deed of covenant dated ● (as amended or supplemented from time to time, the "Deed of Covenant") entered into by the Metropolis and are the subject of a fiscal agency agreement dated ● (as amended or supplemented from time to time, the "Fiscal Agency Agreement") between the Metropolis, ● as 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 ● as U.S. paying agent (together with the Fiscal Agent and ● 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 ● 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 ● 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 ●, and at the specified offices of the Paying Agents.

2. **Form and Status**

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

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

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

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

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" 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 D₁ is greater than 29, in which case D₂ will be 30.

5. **Redemption and Purchase**

- (a) *Final Redemption:* Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on • .
- (b) *Redemption for Taxation Reasons:* If the Metropolis would on the occasion of the next payment due in respect of the Bonds be required 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 • , 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 ● cheque drawn on, or, upon application by a Holder of a Bond to the specified office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment by transfer to a ● account maintained by the payee with, a bank in ● and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the specified office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made by ● cheque drawn on, or upon application by a Holder of a Bond to the specified office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a ● account maintained by such Holder with, a bank in ● and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the specified office of any Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Bondholders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to a ● account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by ● cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the specified office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 7 arriving after the due date for payment or being lost in the mail. In this paragraph, "business day" means any day on which banks are open for general business (including dealings in foreign currencies) in 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 Written Application for Tax 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 Written Application for Tax 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 written application for tax exemption (*Hikazei Tekiyo Shinkokusho*) (a "Written Application for Tax 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 Written Application for Tax 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 ● at its specified office for the time being in London (presently being at ●, United Kingdom) 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 depositary 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 depositary) 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 ● will not receive a Definitive Certificate in respect of such holding and would need to purchase a principal amount of Bonds such that it holds an amount of ● or above in integral multiples of ● thereof.

If:

- (a) Definitive Certificates have not been issued and delivered by 5.00 p.m. (Luxembourg time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the 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 • 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.

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 certain requirements are complied with, *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 that such recipient 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 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 that the Metropolis prepare and file a certain confirmation prescribed by the Law ("Interest Recipient Confirmation") with the competent local tax office in a timely manner based upon the Interest Recipient Information communicated through the Participant and the relevant clearing organisation; and
- (ii) if the relevant Bonds relating thereto are not held by a Participant, the requirement that such recipient submit to the Fiscal Agent or the Paying Agent (as the case may be) a written application for tax exemption (*Hikazei Tekiyo Shinkokusho*) (the "Written Application for Tax Exemption"), together with certain documentary evidence, and that the Metropolis file the Written Application for Tax Exemption so received with the competent local tax office in a timely manner.

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 requirements concerning the Interest Recipient Information and the Interest Recipient Confirmation or the Written Application for Tax Exemption as set out in paragraph 1.1(1) above are complied with. 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 than 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, Belgium, Canada, 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, Denmark, Austria, Sweden or Germany, interest paid to qualified United Kingdom, Danish, Austrian, Swedish or German residents is generally exempt from Japanese withholding tax. Japan has also signed amendments to the existing income tax treaties with, *inter alia*, the United States of America, Spain and Belgium generally exempting interest from Japanese withholding tax (for Belgium, only for a Belgian enterprise); however, these amendments have not yet entered into force or are not yet applicable. 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 otherwise 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 the requirements concerning the Interest Recipient Information and the Interest Recipient Confirmation or the Written Application for Tax Exemption as referred to in paragraph 1.1(1) above are complied with, 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 withholding tax rate will be 15 per cent., where the foregoing references to the withholding tax rate of 15.315 per cent. shall read 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 that 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 that 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 person 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 or a Written Application for Tax Exemption, as the case may be, 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 EU 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 and 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

• , • and • (together, the "Joint Lead Managers") have, pursuant to a subscription agreement dated • (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 • per cent. of their principal amount (the "Issue Price"):

Joint Lead Managers	Aggregate Principal Amount of the Bonds
•	•
•	•
•	•
Total.....	•

The Metropolis has agreed to pay to the Joint Lead Managers a total combined management and underwriting commission and selling concession of • per cent. of the principal amount of the Bonds. In addition, the Metropolis has agreed to reimburse the Joint Lead Managers for certain expenses in connection with the issue of the Bonds. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Metropolis.

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

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 ● business day following the date of pricing of the Bonds (such settlement cycle being referred to herein as "T+●"). 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+●, 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 Jigyo), 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-61 (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 ● .
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	●	●	—
Restricted Bonds	●	●	●

3. The listing of the Bonds on the Official List will be expressed in ● as a percentage of their principal amount (excluding accrued interest); transactions will normally be effected for settlement in ● and for delivery on the third calendar day after the date of the transaction. It is expected that the admission of the Bonds to the Official List and admission of the Bonds to trading on the Regulated Market will be granted on ● (to take effect on ●). Prior to its official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules. The total expenses related to the admission of trading are estimated to be ● . If, despite the reasonable endeavours of the Metropolis once listing has been obtained, maintaining a listing of the Bonds on the Official List is impossible, impracticable or unduly onerous, the Metropolis may apply for a de-listing of the Bonds from the Official List and will use its reasonable endeavours to obtain and maintain a listing of the Bonds on another leading stock exchange for the listing of equivalent securities.
4. It is expected that the listing of the Bonds on the TOKYO PRO-BOND Market will take effect on ● . The listing of the Bonds on the TOKYO PRO-BOND Market is expected to take effect as an issue under a bond issuance programme of the Metropolis listed on such market. 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, 2018.
9. The yield on the Bonds is ● per cent. per annum. The yield is calculated at the issue date of the Bonds on the basis of the Issue Price. It is not an indication of future yield.
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, Japanese financial institution or Japanese 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.

ANNEX A – METROPOLIS ACCOUNTING STANDARD FINANCIAL STATEMENTS

	<u>Page</u>
Fiscal Year 2017	
<i>Combined Financial Statements (for General and All Special Accounts)</i>	
Combined Balance Sheet as of March 31, 2018.....	A-3
Combined Statement of Operating Costs from April 1, 2017 to March 31, 2018	A-4
Combined Cash Flow Statement from April 1, 2017 to March 31, 2018.....	A-5
Combined Statement of Changes in Net Assets from April 1, 2017 to March 31, 2018.....	A-6
Notes to the Financial Statements	A-7
Fiscal Year 2016	
<i>Combined Financial Statements (for General and All Special Accounts)</i>	
Combined Balance Sheet as of March 31, 2017.....	A-26
Combined Statement of Operating Costs from April 1, 2016 to March 31, 2017	A-27
Combined Cash Flow Statement from April 1, 2016 to March 31, 2017.....	A-28
Combined Statement of Changes in Net Assets from April 1, 2016 to March 31, 2017.....	A-29
Notes to the Financial Statements	A-30
Fiscal Year 2015	
<i>Combined Financial Statements (for General and All Special Accounts)</i>	
Combined Balance Sheet as of March 31, 2016.....	A-44
Combined Statement of Operating Costs from April 1, 2015 to March 31, 2016	A-45
Combined Cash Flow Statement from April 1, 2015 to March 31, 2016.....	A-46
Combined Statement of Changes in Net Assets from April 1, 2015 to March 31, 2016.....	A-47
Notes to the Financial Statements	A-48

THE METROPOLIS OF TOKYO

8-1, Nishishinjuku 2-chome
Shinjuku-ku, Tokyo 163-8001
Japan

LEGAL ADVISERS

To the Metropolis

As to Japanese law

Nagashima Ohno & Tsunematsu
JP Tower
7-2, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-7036
Japan

As to U.S. law

Davis Polk & Wardwell LLP
Izumi Garden Tower 33F
6-1, Roppongi 1-chome
Minato-ku, Tokyo 106-6033
Japan

To the Joint Lead Managers

As to English law

Clifford Chance
(Gaikokuho Kyodo Jigyo)
Palace Building, 3rd Floor
1-1, Marunouchi 1-chome
Chiyoda-ku, Tokyo 100-0005
Japan

As to U.S. law

Clifford Chance
28th Floor
Jardine House
One Connaught Place
Hong Kong SAR

FISCAL AGENT, PAYING AGENT, REGISTRAR AND TRANSFER AGENT

•

U.S. PAYING AGENT, U.S. REGISTRAR AND U.S. TRANSFER AGENT

•

