Tokyo Metropolitan Government

October 28, 2026

This report does not constitute a rating action.

Primary Contact

Nakaba Arimitsu
Tokyo
81-3-4572-6282
nakaba.arimitsu
@spglobal.com

Secondary Contact

Satoru Matsumoto
Tokyo
81-3-4572-6267
satoru.matsumoto
@spglobal.com

Ratings Score Snapshot

Institutional framework	Individual credit profile	Issuer credit rating
Extremely predictable and supportive	Economy	A+/Stable/--
Very predictable and well-balanced	Financial management	
Evolving but balanced	Budgetary performance	
Evolving but unbalanced	Liquidity	
Volatile and unbalanced	Debt burden	
Very volatile and underfunded	1 2 3 4 5 (Strongest … Weakest)	

Credit Highlights

Overview

Credit context and assumptions	Base-case expectations
Strong tax revenue base as the economic center of Japan	Increasing tax revenue supported by moderate domestic economic growth
Fiscal discipline evident in strong record of revenue and expenditure management	Continued moderate decrease in debt, led by positive fiscal balance
Sovereign rating constrains Japan's local and regional governments (LRGs)	Exceptional liquidity as reserves accumulate and debt declines

S&P Global Ratings believes Tokyo Metropolitan Government's (TMG) fiscal balance will remain positive for the next two years, led by increasing tax revenue. TMG is under pressure to increase its budget to address priorities such as child rearing and elder care support, urban infrastructure upgrades, and decarbonization.

In addition, the impact of policy uncertainty in the U.S. and heightening geopolitical risks on the TMG's economy and tax revenues remains unclear. Nevertheless, we anticipate TMG's fiscal surplus after capital accounts will remain slightly positive on average, supported by disciplined control over expenditure and use of reserves. We base this on our assumption that the domestic economy will continue to grow steadily for the next two years.

We forecast TMG's debt will continue to decline moderately. We believe TMG's financial management will remain focused on sustainability, for example through reserve accumulation and debt control, while it balances revenue and expenditure. TMG's interest burden is unlikely to increase considerably over the next two years, even in a rising interest rate environment. We base this view on TMG's debt profile, which includes diversified bond maturities and a declining outstanding balance.

Our long-term sovereign rating on Japan will continue to cap that on TMG. We assess the stand-alone credit profile (SACP) for TMG as 'aa+', which exceeds our long-term rating on Japan (unsolicited; A+/Stable/A-1). However, our long-term rating on TMG is the same as that on Japan. This is because we believe a stress scenario in which the sovereign defaults would strongly affect TMG's creditworthiness.

Outlook

The stable outlook on TMG reflects that on our long-term sovereign credit rating on Japan. We believe the SACP for TMG will remain as 'aa+'. TMG does not rely on the central government's vertical fiscal adjustment system. But it is not immune to the overall impact of deteriorating economic conditions and market confidence at a national level. Therefore, our long-term rating and outlook on the Japan sovereign constrain those on TMG.

Downside scenario

In the next two years, we would more likely lower our long-term rating on TMG if we were to take a negative rating action on Japan, rather than because of a downward revision of our SACP on TMG. We do not envisage a downside scenario under which the SACP would weaken enough to cause us to change the rating.

A combination of adverse scenarios, such as deterioration of global or local economic activities and central government revisions to tax law that materially reduce revenue, may substantially hurt TMG's budget balances, reduce its reserves, and increase its debt. Under such circumstances, we anticipate TMG's management team would maintain a strong commitment to fiscal discipline, adjust annual budget balances, and make other moves to alleviate pressures on creditworthiness.

Upside scenario

An upward scenario for the rating over the next two years would depend on any upward movement in the sovereign rating.

Rationale

Flexible fiscal management under a very wealthy economy as Japan's capital

We view TMG's economy as the key strength for the rating. TMG is at the heart of Japan's economy and attracts widespread economic, political, and other value-added activities that support diverse job opportunities in a variety of industries, along with high residential income. We estimate TMG's GDP per capita is about ¥9 million, which is high among Japanese and global LRGs.

We anticipate the local economy will perform in line with the national economy. Moderate growth in the domestic economy will continue, in our view. Our macroeconomic outlook is for Japan to

have real GDP growth of 0.8% in 2026, 0.9% in 2027, and 0.9% in 2028. Tokyo's population temporarily declined due to the COVID-19 pandemic but has started to increase due to migration from other prefectures and outside Japan with the full resumption of economic and social activities. However, it is unlikely that TMG's population will grow further from its current level, given the natural attrition of Japan's population.

We believe TMG will continue its financial management by balancing revenue and expenditure. Its budget for fiscal 2026 hit a record high, having also done so in the previous year, as it aggressively increases spending on priorities backed by tax revenue growth and using reserves. Under the leadership of Gov. Yuriko Koike, who is serving her third term, TMG will likely continue to address priorities and restrain dependence on bond issuance by securing financial resources through project reviews and by using reserves. The TMG treasury team's record also leads us to think it will maintain sufficient control to preserve disciplined financial management.

We think TMG has a good record of revenue and expenditure management, prudent debt and liquidity policies, and strong supervision of government-related entities (GREs). Offsetting these strengths are the city's constrained political and managerial capabilities. We continue to view these as weaknesses because no party has a majority in the local assembly and the governor's initiatives do not always win support. Nevertheless, we believe the main strength of Tokyo's management is its long record of fiscal consolidation regardless of the balance of power.

We think the institutional framework of Japan's LRGs will remain very predictable and well-balanced. Japan has a mature intergovernmental system, and the central government's strict control of regulations and budgets for LRGs ensures the system's predictability, transparency, and accountability. While the central government's fiscal position is weak, we view the fiscal conditions of Japan's LRG sector as stable, considering the central government's strong support mechanism for LRGs. Such support included that seen during the COVID-19 pandemic, and subsidies from the national treasury related to the measures against inflation in recent years.

Debt continues to decrease moderately thanks to higher revenue covering increased expenditure

We forecast TMG's balance after capital accounts will remain positive over the next two years, with growth in revenue exceeding that in spending. We also predict its average operating margin will remain about 16% for the five years from fiscal 2024 to fiscal 2028 (ends March 31, 2029). We assume TMG's tax revenue will continue to increase. Factors supporting this are an increase in corporate-related tax revenue, robust employment and property prices, and higher local consumption tax revenue. TMG's expenditure is also likely to continue rising as it pursues medium- to long-term initiatives such as supporting child raising and elder care, accelerating decarbonization, and strengthening urban infrastructure to be more resilient to natural catastrophes.

Implementation of additional central government measures regarding redistribution of TMG's tax revenue sources, if faced by economic slowdown, could trigger a substantial decrease in TMG's tax revenue. We consider this to be the highest risk factor for financial balance. The ruling party is considering implementing measures to correct regional disparities in local corporation and property taxes, potentially impacting TMG's future tax revenue. Also, TMG's large share of revenues from corporate-related taxes and their recent increase in contribution to tax revenues makes TMG more susceptible to economic cycles than its peers. Central government tax reforms have made TMG's revenues somewhat less sensitive to economic cycles than they had been during the global financial crisis. TMG's expenditures may not be cut easily because social security spending and TMG's unilateral measures will entail medium- to long-term spending.

We expect TMG's debt burden to remain very low compared with its Japanese peers, and similar to that of international peers. We anticipate TMG's capital expenditure will increase to further strengthen urban infrastructure against natural catastrophes such as for disaster readiness and mitigation, and to establish transportation and logistics networks. However, TMG's debt balance is unlikely to start rising, considering its financial discipline, which keeps spending within revenue. We estimate TMG will continue to reduce the balance of its tax-supported debt to consolidated operating revenue at below 80% over the next two years, even though the ratio may fluctuate year by year depending on the size of central government transfers and grants.

We forecast TMG's ratio of interest expenses to operating revenues will likely hover around 0.5% for the next two years, amid rising interest rates in Japan. Given that all TMG's borrowings are at fixed interest rates, we anticipate a rise in financing rates will continue to widen. In addition to its progress in reducing debt, TMG maintains a flexible debt management policy, diversifying debt maturities centered on 10-year bonds. Furthermore, we forecast a rise in domestic interest rates, with Japan's policy rate at 1.25% at the end of 2026, 1.75% at the end of 2027 and 1.50% at the end of 2028. With the assumed increase in new funding costs based on this forecast, we consider the likelihood of a significant increase in interest expenses to be low.

While TMG has stakes in many entities we view as GREs, we expect it to maintain low exposure to those GREs not included in its tax-supported debt balance. We regard the entities as self-supporting or likely to have limited impact on our rating on TMG in the event they require further financial support. TMG has rigorously streamlined the activities of its GREs, including reducing their potential need for extraordinary support. Other contingent risks such as litigation are also limited.

We estimate TMG's projected free cash and liquid assets will continue to cover far more than 100% of its annual debt service costs in all accounts for the next 12 months. Despite rising domestic interest rates, we expect TMG to maintain its strong liquidity position through its policy of accumulating fiscal adjustment reserve and controlling the level of debt. The main sources of TMG's cash holdings include its debt payment fund, whose balance moves independently of TMG's annual budgetary performance. TMG has a conservative investment policy of maintaining its liquidity in bank deposits, Japanese government bonds, municipal bonds, and other high-grade, low-risk instruments. Although we assume some of its investment choices will shift to bonds as interest rates rise, the impact on our liquidity assessment of TMG will be limited.

In addition, TMG's close relationship with Mizuho Bank Ltd., relationships with other major lenders, and frequent bond issuances in the open market support its access to external liquidity, in our view. TMG's continuous issuance of bonds such as Tokyo Green Bonds, Tokyo Blue Bonds, and Tokyo Social Bonds, whose cash usage is tied to environmental or social challenges, also helps further expand and strengthen its investor base. In 2025, it also issued new Tokyo Resilience Bonds, specifically dedicated to projects to enhance Tokyo's resilience against natural catastrophes. We view Japan's domestic bond market and foreign markets that TMG taps as sufficiently deep and external liquidity available from the banking system as strong.

Tokyo Metropolitan Government Selected Indicators

Bil. JPY	2023*	2024*	2025bc*	2026bc*	2027bc*	2028bc*
Operating revenue	7,783	8,399	8,693	9,166	9,190	9,150
Operating expenditure	6,664	6,845	7,245	7,743	7,704	7,692
Operating balance	1,119	1,553	1,449	1,423	1,486	1,458
Operating balance (% of operating revenue)	14.4	18.5	16.7	15.5	16.2	15.9

Tokyo Metropolitan Government Selected Indicators

Capital revenue	320	433	261	265	265	265
Capital expenditure	1,352	1,645	1,672	1,570	1,661	1,693
Balance after capital accounts	87	341	38	117	90	30
Balance after capital accounts (% of total revenue)	1.1	3.9	0.4	1.2	1.0	0.3
Debt repaid	338	398	241	340	340	280
Gross borrowings	229	156	203	223	250	250
Balance after borrowings	(21)	99	0	0	0	0
Direct debt (outstanding at year-end)	3,709	3,468	3,430	3,312	3,222	3,192
Direct debt (% of operating revenue)	47.7	41.3	39.5	36.1	35.1	34.9
Tax-supported debt (% of consolidated operating revenue)	85.0	74.4	71.2	66.1	64.6	64.0
Interest (% of operating revenue)	0.5	0.5	0.5	0.5	0.5	0.5
Local GDP per capita	8,866,567	9,136,163	9,573,293	--	--	--
National GDP per capita	5,001,253	5,219,991	5,469,747	5,716,410	5,929,211	6,123,845

*Fiscal year ends March 31 of the following year. The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. Local GDPs for fiscal 2024 and 2025 are S&P Global Ratings' base case expectations. JPY--Japanese yen.

Rating Component Scores

Key rating factors	Scores
Institutional framework	2
Economy	1
Financial management	2
Budgetary performance	1
Liquidity	1
Debt burden	3
Stand-alone credit profile	aa+
Issuer credit rating	A+

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In the "**Methodology For Rating Local And Regional Governments Outside Of The U.S.**," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

Key Sovereign Statistics

- Sovereign Risk Indicators. An interactive version is available at https://disclosure.spglobal.com/sri/

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Institutional Framework Assessments For Local And Regional Governments Outside Of The U.S, Sept. 21, 2026
- Japanese Prefectures And Cities Set On A Sustainable Fiscal Path, July 2, 2026

Ratings Detail (as of October 28, 2026)*

Tokyo Metropolitan Government	
Issuer Credit Rating	A+/Stable/--
Senior Unsecured	A+
Issuer Credit Ratings History	
10-Jun-2020	A+/Stable/--
16-Apr-2018	A+/Positive/--
17-Sep-2015	A+/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Copyright © 2026 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.