

# Corporate Information

## Corporate Outline (As of April 30, 2014)

Name	Token Corporation
Incorporation	July 17, 1976
Capital	¥4.8 billion
Employees	6,297 (including part-time and contracted employees)
Address	Token Headquarters Marunouchi Building, 1-33, 2-chome, Marunouchi, Naka-ku, Nagoya, 460-0002
Principal Businesses	<ul style="list-style-type: none"> <li>• General lease property construction business for landowners (Bridge System)</li> <li>• Commercial lease property construction linking landowners and potential business tenants (Catch system)</li> <li>• Tenant recruitment services for apartments, condominiums, and retail outlets (Home Mate Brokerage System)</li> </ul>

## Group Companies (As of April 30, 2014)

Totsu Agency Co., Ltd.  
 Token Lease Fund Co., Ltd.  
 Totsu Travel Co., Ltd.  
 Token TADO Country Co., Ltd. (Token TADO Country Club Nagoya)  
 Token Resort Japan Co., Ltd. (Token SHUGA Country Club)  
 Shanghai Tohan International Trading Co., Ltd.  
 Nasluck Co., Ltd.  
 Token Building Management Co., Ltd.

## Directors and Auditors (As of July 25, 2014)

President and Chairman		Minoru Souda
Managing Director	Head, Sales Department	Yoshitake Souda
Director	General Manager, Business Supervision Department	Noboru Hanabusa
Director	General Manager, Construction Administration Department	Munehiro Yonemura
Director	Head, Business Administration Department	Iwao Ishikawa
Director	General Manager, Branch Development Office	Shinya Miyamoto
Director	in charge of Nasluck	Shigeru Kato
Corporate Auditor		Kiyomi Hibi
Auditor		Masahiro Mitsuya
Auditor		Akemi Kitamura

## Head Office

Token Headquarters Marunouchi Building, 1-33, 2-chome, Marunouchi, Naka-ku, Nagoya 460-0002  
 Phone : +81-52-232-8027 Fax : +81-52-232-8061 URL : <http://www.token.co.jp/>

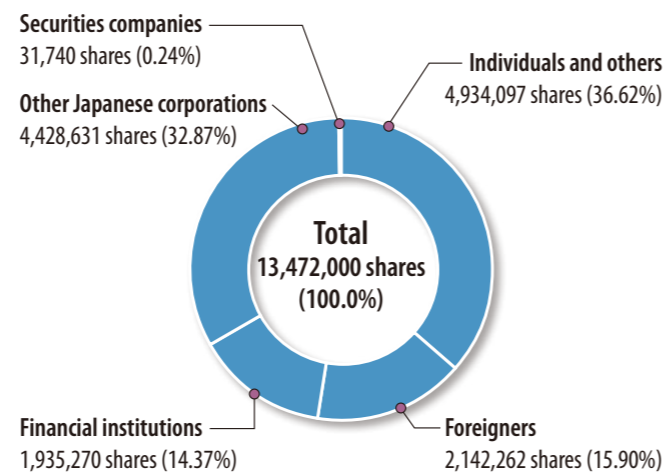
## Stock Information (As of April 30, 2014)

Number of Shares Authorized	53,888,000 shares
Number of Shares Issued and Outstanding	13,472,000 shares
Number of Shareholders	29,866

### • Major Shareholders

Shareholder	Number of shares held (100 shares)	Ratio of shareholding
Tomei Corporation Co., Ltd.	41,000	30.4%
Minoru Souda	15,464	11.4%
BBH for Fidelity Low-Priced Stock Fund	9,750	7.2%
Yoshitake Souda	4,040	2.9%
Japan Trustee Services Bank, Ltd. (Trust Account)	2,320	1.7%

### • Shareholder Composition by Investor Type (As of April 30, 2014)



Note: Individuals and others includes treasury stocks.

# TOKEN CORPORATION



# BUSINESS REPORT 2014

For the year ended April 30, 2014

Pioneer of land-use business



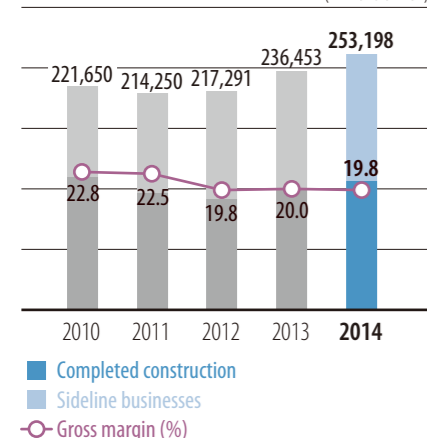


Token Corporation and Consolidated Subsidiaries  
For the years ended April 30

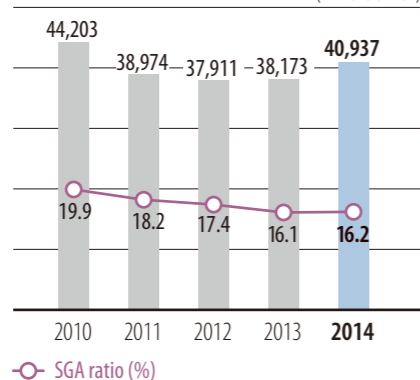
	Millions of Yen					Thousands of U.S. Dollars
	2010	2011	2012	2013	2014	2014
<b>For the year:</b>						
Net sales	221,650	214,250	217,291	236,453	<b>253,198</b>	<b>2,467,579</b>
Completed construction	131,530	115,850	109,506	119,997	<b>127,873</b>	<b>1,246,205</b>
Sideline businesses	90,120	98,400	107,784	116,456	<b>125,325</b>	<b>1,221,373</b>
Gross profit	50,538	48,111	42,968	47,207	<b>50,009</b>	<b>487,371</b>
Selling, general and administrative expenses	44,203	38,974	37,911	38,173	<b>40,937</b>	<b>398,965</b>
Operating income	6,335	9,137	5,057	9,034	<b>9,071</b>	<b>88,405</b>
Ordinary income	7,008	9,731	5,745	9,687	<b>9,541</b>	<b>92,990</b>
Net income	3,859	6,197	3,127	5,893	<b>5,264</b>	<b>51,301</b>
<b>At the year-end:</b>						
Total assets	91,410	101,707	104,868	114,734	<b>124,869</b>	<b>1,216,933</b>
Net assets	36,718	41,865	43,931	48,949	<b>53,076</b>	<b>517,265</b>
Equity ratio (%)	40.2	41.2	41.9	42.7	<b>42.5</b>	
Interest bearing debt	0	0	0	0	<b>0</b>	<b>0</b>
<b>Per share data:</b>	Yen					U.S. Dollars
Net income	286.49	460.07	232.19	437.48	<b>390.78</b>	<b>3.8</b>
Net assets	2,725.38	3,107.46	3,260.84	3,633.42	<b>3,940.68</b>	<b>38.4</b>
Cash dividends	115.00	80.00	80.00	85.00	<b>90.00</b>	<b>0.8</b>

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥102.61 to US\$1, the approximate Tokyo foreign exchange market rate as of April 30, 2014.  
2. Net sales of completed construction refers to net sales by the construction business.  
3. Net sales of sideline businesses refers to net sales by the real estate leasing business, resort business, and other businesses.

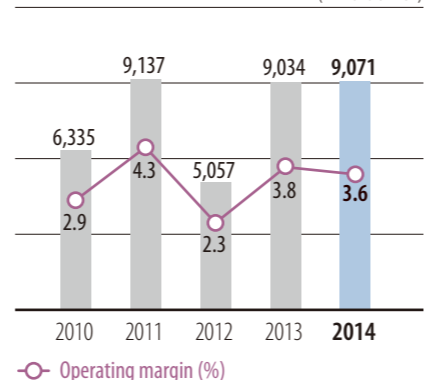
**Net sales and gross margin**  
(Millions of Yen)



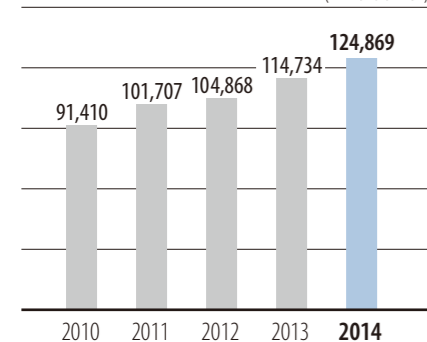
**Selling, general and administrative expenses and SGA ratio**  
(Millions of Yen)



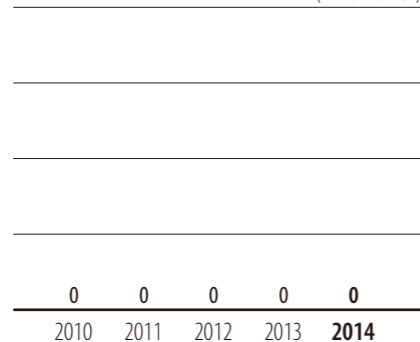
**Operating income and operating margin**  
(Millions of Yen)



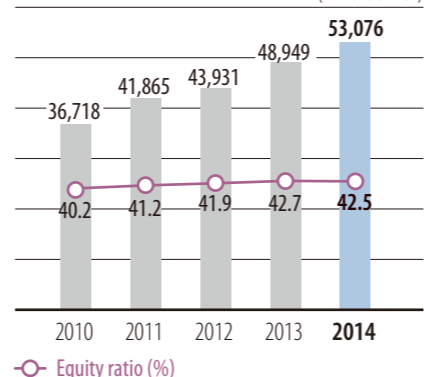
**Total assets**  
(Millions of Yen)



**Interest bearing debt**  
(Millions of Yen)



**Net assets and equity ratio**  
(Millions of Yen)



## 40 Years of History, Looking at Even Greater Growth for the Long-Term

### A review of our 38th term: Record-breaking sales and ramping up investment for future growth

Consolidated earnings for our 38th term (ended April 30, 2014) were ¥253,198 million (up 7.1% year-on-year), a new record achieved in part through increased construction business orders and growth in rental income from real estate leasing business tenants. Concerning profits, operating income was ¥9,071 million (up 0.4% year-on-year), ordinary income was ¥9,541 million (down 1.5% year-on-year), and net income was ¥5,264 million (down 10.7% year-on-year) owing to vigorous upfront investment that included advertising activities and a bolstering of the sales force. Cash dividends per share were ¥90, a ¥5 increase year-on-year.

### In business for 40 years, navigating many storms to achieve growth

#### Getting a start amid a recession and social shift away from salaried life

Token Corporation was founded in 1974 as the nation was reeling from Japan's first oil crisis, which had struck the previous year. Having already become a motorized society, and with suburban business beginning to concretize, Japan was hit by a recession. A result of the oil crisis, it caused many salaried workers to leave their jobs. Ex-salaried workers opened stores in the suburbs, driving demand for rental housing with attached commercial space. Token Corporation got its start constructing these buildings.

#### Building a business model for providing comprehensive services related to land use

Later, we began full-scale operations in the apartment buildings and rental condominiums business. As economic growth in Japan drove more people into urban areas, demand for rental housing climbed. We expanded our business to everything from making proposals for, designing, and constructing rental housing for owners with land to recruiting tenants, managing and operating properties, and providing rental guarantees to owners.

The result was a two-core business structure consisting of construction and real estate leasing. We built a business model for providing comprehensive services related to land use, enhanced the added value of our services, and achieved expensive growth.

#### Navigating storms to achieve growth

It has not always been smooth sailing for us. Token Corporation was born amid difficult economic times, and has experienced many more such times throughout its 40 year history. We have continued to grow after overcoming many difficulties, including the bubble bursting at the beginning of the 1990s and the effects brought by the revised Building Standards Act that went into effect in 2007 in response to the falsification of earthquake resistance data by certain companies in 2005.





## The Lehman Brothers collapse as Token Corporation's first major turning point since its founding

Nothing we had previously experienced hit us as hard as the 2008 financial meltdown. Factors such as a short-term downturn in the occupancy rate hurt profitability and upturned our existing policy for growth, prompting us to focus on building a leaner management structure. What followed were sweeping management reforms, postponed opening of new branches, closure of loss-making sites, cost-cutting, making materials ordering more efficient, a greater focus on urban-oriented sales, selection of areas for activities to win construction orders, and improved brokerage capabilities (bolstered brokerage network and utilization of IT).

## Reform as a work in progress

### The flowers of management reforms are beginning to bloom

The results of these reforms are already becoming clear. Creating a department at the head office responsible for determining whether to accept rental property construction orders allowed us to reduce post-order cancellations and improve our construction start rate.

Some of the efforts made have been strengthening our brokerage network, proactively implementing SEO strategies (to make our website rank higher in Internet search results), and launching of the Facilities Search Home Mate Research website that allows users to search for rental properties and information about all community facilities people use every day. These initiatives allowed us to achieve a healthy recovery of our occupancy rate, which stood at 97.8% as of April 30, 2014.

### Aiming for a leaner management structure

Efforts such as these have led to steady progress toward building a leaner management structure since the Lehman Brothers collapse. However, there is still room for improvement. Especially now that we have begun to see the fruits of our labors, we will be making even further efforts towards reform.

We have done much to reduce the number of loss-making branches, but some still remain. Our greatest concern is the existence of branches that make neither losses nor profits. There are many such branches, and leaving them alone will turn them into loss-making branches. This is why they will require our focus. Reform is a work in progress.

## Strategies for 30 years out

### Strong demand for rental housing, but fierce competition

The amount of basic deduction for the inheritance tax will be lowered on January 1, 2015, which will cause more people to pay taxes. However, if rental housing is constructed on unused land, the assessed value of property will drop, resulting in increased tax savings. This is driving up demand for rental housing construction. There are also a number of factors that will drive greater demand for rental housing, including stagnant wage growth and an increase in both the number of temporary workers and one-person households.

At the same time, competition is heating up with other players in the industry as the number of elderly grows, birth rates decline, and the population shrinks. In the face of this, we are implementing every strategy possible to ensure we do not lose customers to our competitors.

### Urban-oriented sales

Token Corporation's sales policy for construction orders involves conducting urban-oriented sales. We do this because it is not profitable to build apartment buildings and rental condominiums in areas where there is no demand for such facilities. Our policy does not simply involve expanding our urban sales activities. Doing so without a solid strategy would see us become embroiled in competition with other companies in the industry and fall into a price war.

### Differentiated products

Consequently, we must invest in differentiated products our competitors do not have in order to acquire construction orders in areas where demand is likely to be. We are setting ourselves apart by offering special-purpose properties that include apartment buildings with attached housing for their owners, furnished apartments, apartments for those raising children, apartments for the elderly, and luxury apartments.

We are also further refining the earthquake-resistance technologies in which we excel in order to provide better safety and security for owners and tenants alike.

### Human resources development

Ultimately, it is pointless to develop groundbreaking products if they do not sell. There are also any number of sales people who persist in selling what they always have. Instructing people on how to sell good products is thus incredibly important. This is why we are focused on recruiting and training more fresh college graduates for their strong adaptability.

### Stirring up future demand with Home Mate Research

Facilities Search Home Mate Research is a top priority for the long-term. The site was fully launched in 2012, and the extensive advertising for it on TV and in newspapers since last year has no doubt been seen by many.

As previously mentioned, the site provides information for all manner of facilities used in daily life including companies, schools, commercial facilities, administrative organizations, zoos, aquariums, art museums, museums, and police stations. This makes it a portal site for the world. The ability to post so much information for free has prompted a vast range of facilities to inquire about even our paid services.

The site's business objectives are to generate advertising revenue and acquire tenants for rental properties listed on the site. Presently, there is still much room for growth regarding the site's advertising revenue. Page view numbers are similar to those for our Home Mate rental property search site. As it provides information about many facilities other than rental properties, Home Mate Research will need to achieve a higher number of page views. Our goal is to grow this number while bringing in more advertising revenue, and ultimately bring in more tenants to our rental properties.

## Achieving long-term growth by exercising strengths

### Now is the time to bolster defensive operations

We seek to achieve consolidated sales of ¥300 billion as part of our earnings targets. This target should not take long once our offensive strategies are fully in place. This will, however, require fully understanding the circumstances surrounding us and strengthening our business platform.

### Leveraging our comprehensive strengths

We have other strengths in addition to the skill in product development and earthquake resistance expertise previously mentioned. One of these is our dedication to making manuals. We have been putting together manuals since our founding, and had over 1,000 manuals at the time we became a listed company in 2002. These manuals allow us to conduct reliable business process control. Another strength is our financial structure. Adherence to a debt-free management policy makes us able to bolster investment activities at any time.

With the product of our management reforms now surfacing, we will be rebuilding our areas of weakness and leveraging our comprehensive strengths to achieve long-term growth.

We humbly request the continued support of all of our shareholders.

Minoru Souda  
President and Chairman

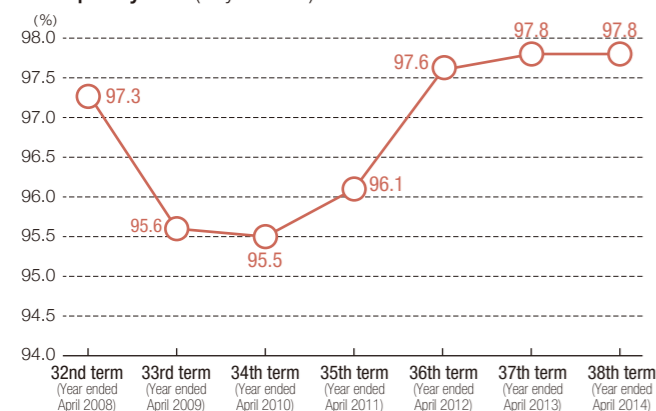


## In pursuit of even stronger business foundations and greater business performance under a slogan of “swift, data-based management” for our 39th term, the 40th year of our founding

### Steady progress in management reforms

The biggest impact of the Lehman Brothers collapse on our company's profitability was a worsened occupancy rate. Vacancies increased and Token Corporation profitability dropped due to the fact that we provide rental guarantees to owners of apartment buildings and rental condominiums. However, management reforms and the deployment of new systems (technologies) following the collapse restored and even improved our occupancy rate.

Occupancy rate (at year end)



### Bolstering our business foundation through swift, data-based management

#### Efficient branch opening strategies

While the first major reforms conducted since our founding have begun to bear fruit, not enough has been done to achieve long-term growth. Reaching our consolidated sales target of ¥300 billion will require opening new branches, and we will take advantage of the efficiency we have pursued through management reforms since the Lehman Brothers collapse in our branch opening strategy.

In concrete terms, this will consist of an efficient branch opening strategy relying on data development and analysis (systematizing market data and business performance data to determine areas with potential demand for rental properties), creating a new method for opening branches (opening multiple types of branches at once), conducting branch opening inspections (the Business Supervision Department, which centrally approves construction orders for rental properties, will also conduct branch opening inspections), and other such initiatives.

#### New business strategies

As a new business that seeks to address the growing number of elderly, we are developing service-equipped senior residences targeting active seniors. Utilizing elderly population and other data, we will focus on construction orders in areas where residency demand is high.

### Differentiation in product strategies: Generate demand for both construction and real estate leasing businesses with unique products

#### Owner's Safety insurance for owners

Begun in January 2013, this service covers the costs of restoring apartment buildings and rental condominiums damaged in accidents. With our Univaly series, we also provide barrier-free apartment buildings and rental condominiums. With these services, we aim to make it easy for building owners to welcome even elderly prospective tenants.

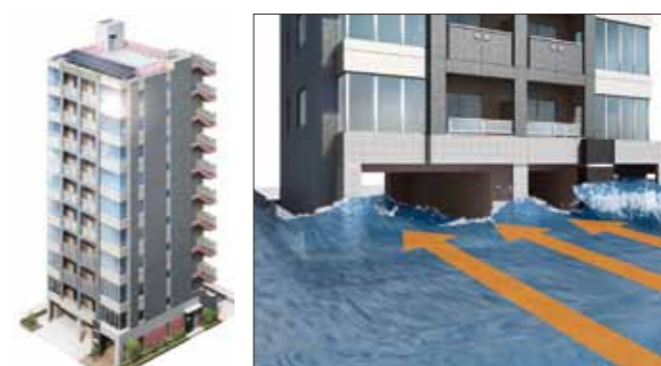
#### Apartment buildings and rental condominiums with special-purpose functions

Token Corporation is working to differentiate itself from competitors by developing rental properties with a range of special-purpose functions.

In addition to satisfying certification criteria for tsunami

evacuation buildings as established by local governments, since August 2013 we have been selling tsunami evacuation condominiums specially designed by Token Corporation to withstand earthquakes and tsunamis. In October 2013 we also began selling our Child Kids line of rental housing for those raising children.

We are also expanding our line of products that leverage earthquake-resistance technologies, an area in which we excel. Our 2 x 4 Univaly wood-frame construction apartment buildings come standard with class 2 earthquake resistance for strong performance against earthquakes, and we also began offering class 3 earthquake resistance as an option in April 2014.



Tsunami evacuation condominium



Child Kids

### Enhancing our advertising and information business

Token Corporation is expanding the information provided on the Facilities Search Home Mate Research website launched in 2012 with the goal of increasing advertising revenue. This site provides information about companies, schools, commercial buildings, and all the facilities people use in their daily lives. The facilities are able to post a certain amount of information themselves, and site users can post

information as well. We are intensifying sales efforts aimed at getting these facilities to post more information for which they must pay.

The site provides information on rental properties managed by Token Corporation, and we are working to add even more information in our efforts to acquire more advertising revenue and tenants.



## The Key to 40 Years of Growth: Dedication to Improving Corporate Value

### The cornerstone of corporate value is a business model that diversifies earnings opportunities

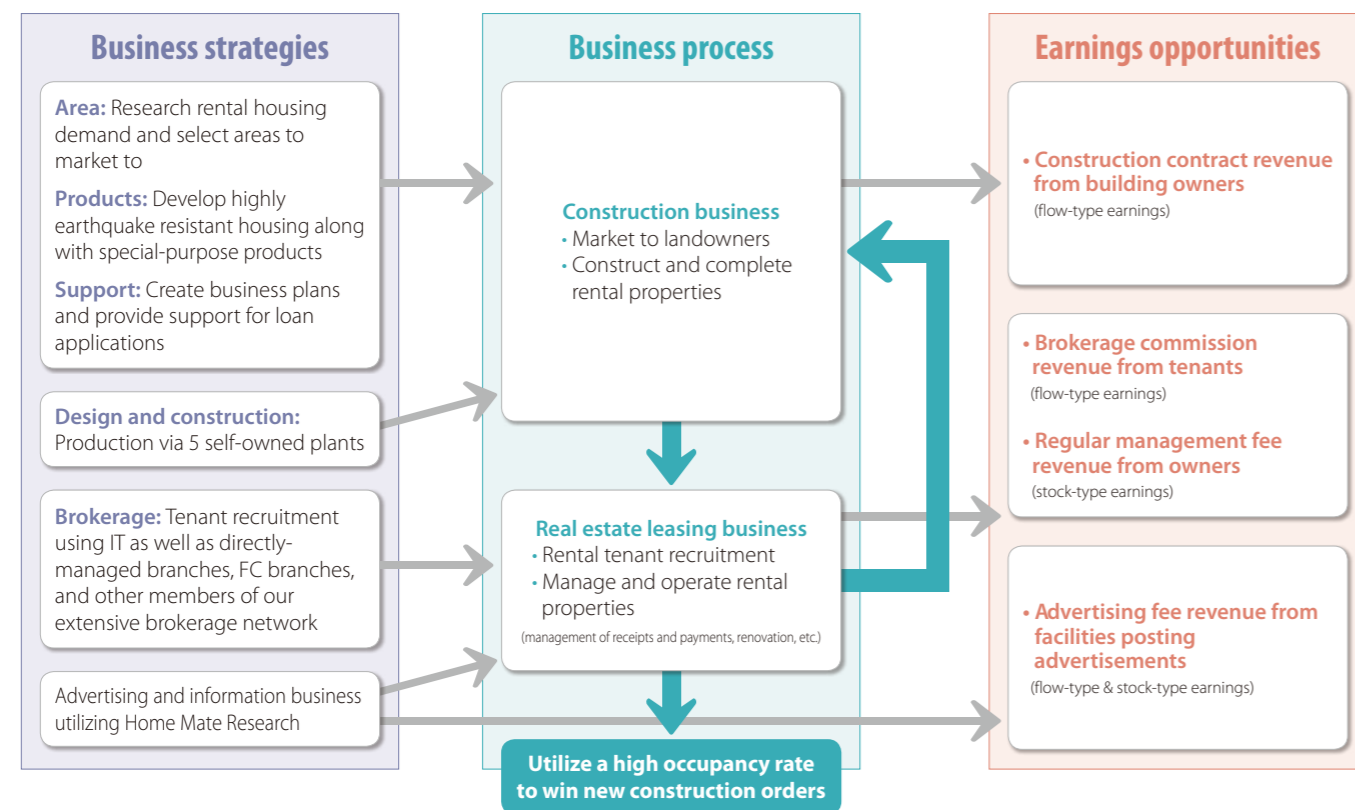
The key to our growth has been a dedication to improving corporate value in a number of ways. The cornerstone of this achievement has been our business model.

Token Corporation is engaged in the full spectrum of land-use business, from the construction of apartment buildings and rental condominiums (construction business) to our brokerage, management, and operation (real estate leasing business) services. What makes this business model unique is that it allows us to obtain profits from both facility owners and tenants. With the exception of the short period of recovery in the aftermath of the Lehman Brothers

collapse, we have maintained a high occupancy rate. This has created a virtuous cycle wherein construction orders have also increased.

In recent years, we are focused on establishing a new profit pillar in the form of our advertising and information business by actively promoting our Facilities Search Home Mate Research site, which provides information on all manner of facilities. With this site, we seek to obtain advertising revenue from facility owners who post their information here and achieve a synergistic effect with our brokerage business.

### Business Model



### Corporate value contributor: Product development competency

The greatest contributor to Token Corporation's corporate value is our product development competency. We seek to differentiate ourselves from competitors by ensuring all our construction products feature advanced earthquake resistance and by developing unique specialized functions.

Our construction products provide the highest level of earthquake resistance in the industry. Highly earthquake-resistant steel-frame Shelulu Series products, our flagship product line, boast a structural strength 1.5 times the level required by the Building Standards Act, as well as class 3 earthquake resistance, the highest class in the Housing Performance Indication System. This exceeds the level of public facilities such as police stations and hospitals designated as evacuation points during emergencies. Our wood-frame buildings use a 2x4 construction method where support is provided by floors, walls, and roofs. Our RC Univaly buildings feature reinforced concrete construction and utilize the rigid frame construction method which uses strong pillars and girders, as well as the box-frame construction method whereby walls support the structure, to provide strong earthquake resistance and durability.

We also develop a wide range of products that feature specialized functions. Our specialized product lineup caters to all needs and includes barrier free products, products for child-raising generations and the elderly, upscale products, products with attached owner housing, tsunami evacuation products, products that allow for gardening, and products compatible with pets.

### Risk management aimed at maintaining and improving corporate value

#### Total management service (Token Process Management System)

In order to maintain and improve our corporate value, we focus not only on business strategies but also on thorough risk management to ensure that trouble does not arise in the various processes of concluding contracts, designing and constructing buildings, and brokering, managing, and operating facilities.

#### Process management

Using the Token Process Management System (ToPS), we centrally manage the status of operations pertaining to everything from sales to construction and brokering, and manage a variety of risks that include contractual errors and construction delays. Our Produce construction process management system that is built into ToPS helps us prevent mistakes by enabling us to check the order in which documentation needed for each construction process is prepared.

#### Quality control

Our product development competency is supported by our quality control. By conducting quality control for construction materials manufactured by Group company Nasluck, effectively managing work conducted at construction sites, and ensuring good quality control until delivery is made to the customer, we provide owners and their tenants with a sense of security. We take the greatest care in these efforts as a problem in our quality control would compromise our corporate value.

#### Safe operation

We strive to prevent accidents at worksites as they can cause a host of issues that include harming construction workers as well as those around them, in addition to creating construction period delays. We design and execute processes that put a central focus on ensuring worksite safety.

#### Compliance and information management

The biggest risk for us is losing the confidence of building owners and tenants. To avoid this, we undertake the management of all risk through the Token Risk and Compliance Committee, an organization that spans the entire Group.

Its specific functions include carefully explaining contract details in accordance with independently-drafted manuals to ensure no misunderstandings occur in the future, and protecting and managing personal information where applicable through the Personal Information Protection Committee.

Our corporate value is comprised of many other elements in addition to the above. Through these, we aim to continue maintaining and improving our overall corporate value and achieve further growth.



## Basic Concept

We at Token Corporation aim to optimize our company's value by building a responsive and transparent management structure closely tied to our founding spirit and strong management principles.

## Corporate Governance

We believe that swift, transparent decision-making and auditing processes help to build society's trust in our company, ensuring that these processes receive a high level of attention and priority.

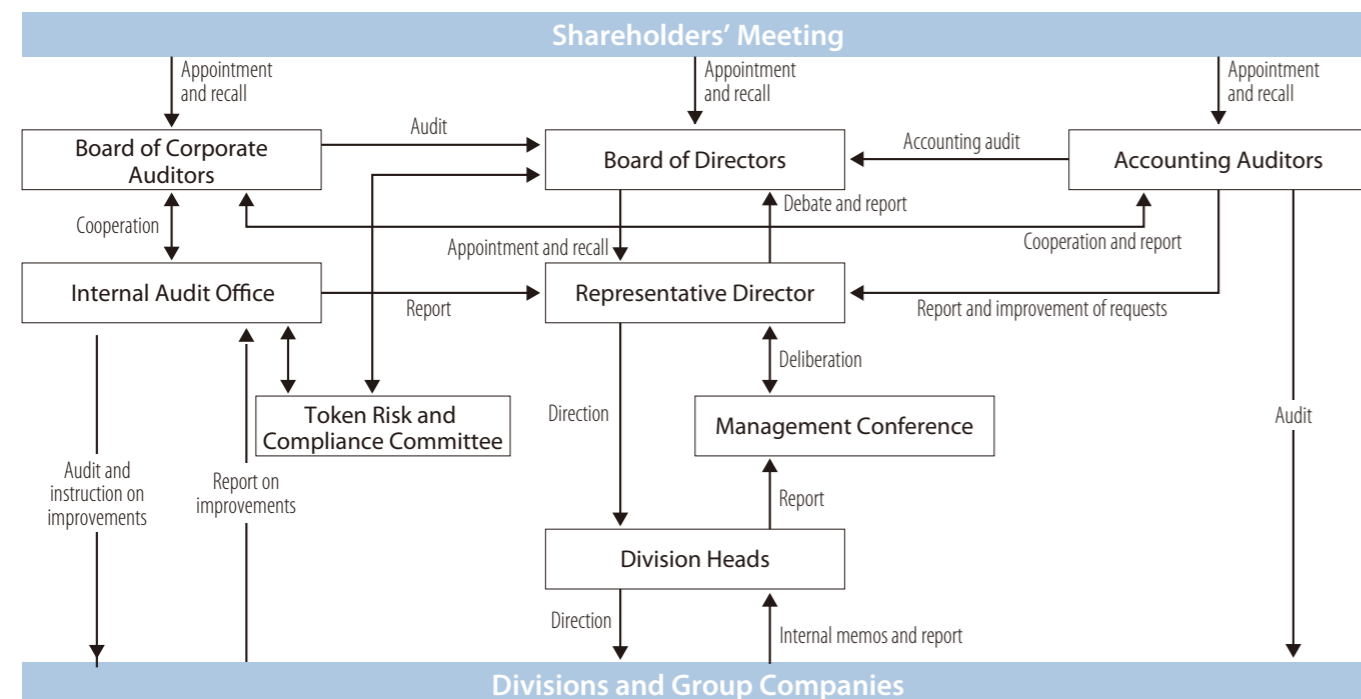
In addition to our Board of Directors, our bodies for deliberation, decision-making, and reporting on management issues include our Management Conference, consisting of executives, division heads, and block leaders, and our Data Strategy Conference. These Conferences meet every other month. We also conduct management instruction meetings on behalf of subsidiaries whenever the need arises.

We have the Token Risk and Compliance Committee, which prepares internal controls and integrates compliance management across the Group.

Moreover, our seven-person Internal Audit Office performs regular operational and other audits on behalf of the Company and our subsidiaries. The team reports audit results to top management while following up with audited divisions on the status of improvements directed by the results. Accounting audits, meanwhile, are carried out under contract by our chosen outside auditor, Deloitte Touche Tohmatsu (Japan Group). Of the three auditors under our auditor system, two are outside auditors.

## Structure for Business Execution and Auditing

(As of July 30, 2014)



## Differentiating ourselves by providing unique products: Selling rental housing for those raising children

In August 2014 we began selling our Child Kids Rental Condominiums as a new product to satisfy the needs of households with children.

Featuring barrier-free design for children, which is something not available in traditional rental housing, Child Kids improves child safety and helps relieve the physical and mental stresses felt by families. Communal areas can be built inside or outside the building, allowing children and their parents a place to communicate with each other.

People with children see traditionally-designed rental housing as having elements dangerous for their children, which is a constant source of worry. With our sales of rental housing specially-tailored to households bringing up children, we provide comfortable living environments for both households that currently have children and those that plan to. These products not only help differentiate us from competitors but have the potential to help stem the declining birthrate should they find further adoption.



Facade design



Common area



Barrier-free design for kids (sliding doors with child locks)



\*Both our Child Kids Rental Condominiums and Child Kids Apartments won the Kids Design Award 2014 as rental housing products for those raising children (Organizer: Kids Design Association specified non-profit organization; Support: Ministry of Economy, Trade and Industry).

## Exercising the comprehensive strengths of the Token Group: A further evolution for top-class built-in kitchens



Since our founding, we have built up a business infrastructure for providing all manner of services related to the use of land. Now, in September 2014 we took form and function to the next level with the launch of the SESPA built-in kitchen replete with top-class stainless-steel, provided by Group company and building material and stainless-steel product supplier Nasluck. These kitchens use a generous amount of 18-8 stainless steel (high-quality stainless steel containing 18% chrome and 8% nickel) in all areas. The Token Group will continue to develop new products and services as it exercises its comprehensive strengths.