

## Corporate Outline (As of April 30, 2016)

Name	Token Corporation
Incorporation	July 17, 1976
Capital	¥4.8 billion
Employees	6,275 (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, 2016)

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 28, 2016)

President and Chairman		Minoru Souda
Managing Director	Head, Sales Department	Yoshitake Souda
Managing Director	Head, Business Administration Department	Noboru Hanabusa
Managing Director	in charge of construction and Nasluck	Munehiro Yonemura
Director *		Michihiro Shida
Auditor		Eiichiro Hotta
Auditor		Kiyomi Hibi
Auditor *		Masahiro Mitsuya
Auditor *		Akemi Kitamura

\* denotes Outside Director and Outside Auditors.

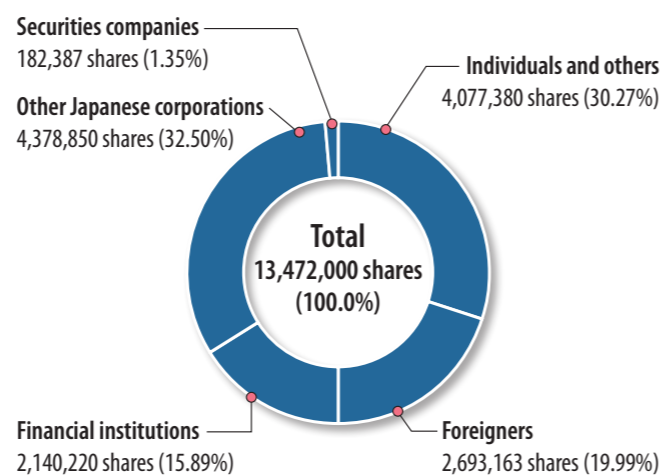
## Stock Information (As of April 30, 2016)

Number of Shares Authorized	53,888,000 shares
Number of Shares Issued and Outstanding	13,472,000 shares
Number of Shareholders	24,186

### • Major Shareholders

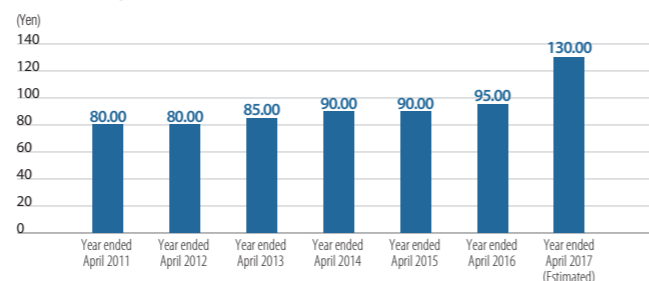
Shareholder	Number of shares held (100 shares)	Ratio of shareholding
Tomei Corporation Co., Ltd.	41,000	30.43%
Minoru Souda	15,464	11.47%
BBH for Fidelity Low-Priced Stock Fund (Principal All Sector Sub Portfolio)	6,957	5.16%
Yoshitake Souda	4,040	2.99%
Japan Trustee Services Bank, Ltd. (Trust Account)	2,133	1.58%

### • Shareholder Composition by Investor Type (As of April 30, 2016)



Note: Individuals and others includes treasury stock.

### • Dividends per Share



# BUSINESS REPORT 2016

For the year ended April 30, 2016

Pioneer of land-use business



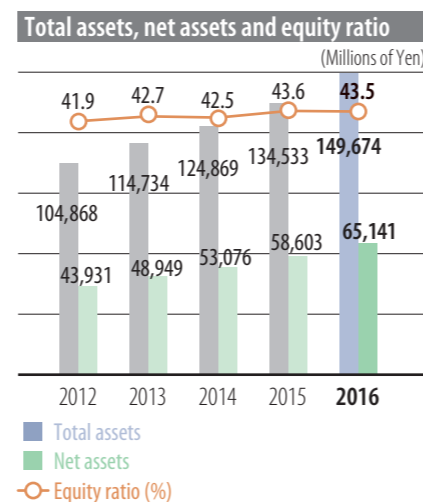
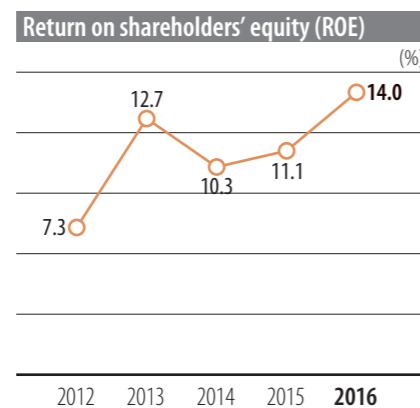
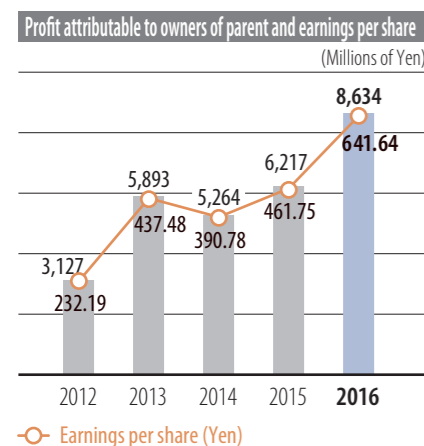
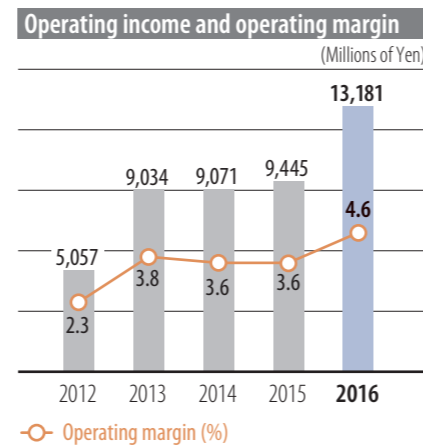
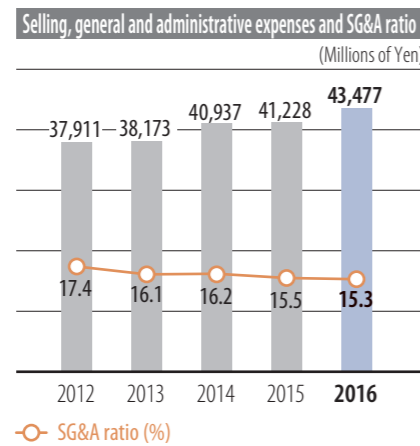
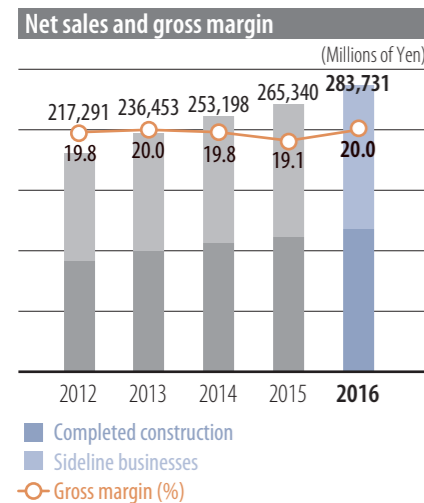
## Head Office

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/>

Token Corporation and Consolidated Subsidiaries  
For the years ended April 30

	Millions of Yen					Thousands of U.S. Dollars
	2012	2013	2014	2015	2016	2016
<b>For the year:</b>						
Net sales	217,291	236,453	253,198	265,340	<b>283,731</b>	<b>2,585,252</b>
Completed construction	109,506	119,997	127,873	133,122	<b>141,525</b>	<b>1,289,530</b>
Sideline businesses	107,784	116,456	125,325	132,218	<b>142,205</b>	<b>1,295,721</b>
Gross profit	42,968	47,207	50,009	50,674	<b>56,658</b>	<b>516,252</b>
Selling, general and administrative expenses	37,911	38,173	40,937	41,228	<b>43,477</b>	<b>396,152</b>
Operating income	5,057	9,034	9,071	9,445	<b>13,181</b>	<b>120,100</b>
Ordinary income	5,745	9,687	9,541	10,272	<b>13,607</b>	<b>123,984</b>
Profit attributable to owners of parent	3,127	5,893	5,264	6,217	<b>8,634</b>	<b>78,673</b>
<b>At the year-end:</b>						
Total assets	104,868	114,734	124,869	134,533	<b>149,674</b>	<b>1,363,779</b>
Net assets	43,931	48,949	53,076	58,603	<b>65,141</b>	<b>593,540</b>
Equity ratio (%)	41.9	42.7	42.5	43.6	<b>43.5</b>	
Return on shareholders' equity (ROE)	7.3	12.7	10.3	11.1	<b>14.0</b>	
<b>Per share data:</b>	Yen					U.S. Dollars
Earnings	232.19	437.48	390.78	461.75	<b>641.64</b>	<b>5.8</b>
Net assets	3,260.84	3,633.42	3,940.68	4,353.53	<b>4,840.72</b>	<b>44.1</b>
Cash dividends	80.00	85.00	90.00	90.00	<b>95.00</b>	<b>0.8</b>

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥109.75 to US\$1, the approximate Tokyo foreign exchange market rate as of April 28, 2016.  
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.

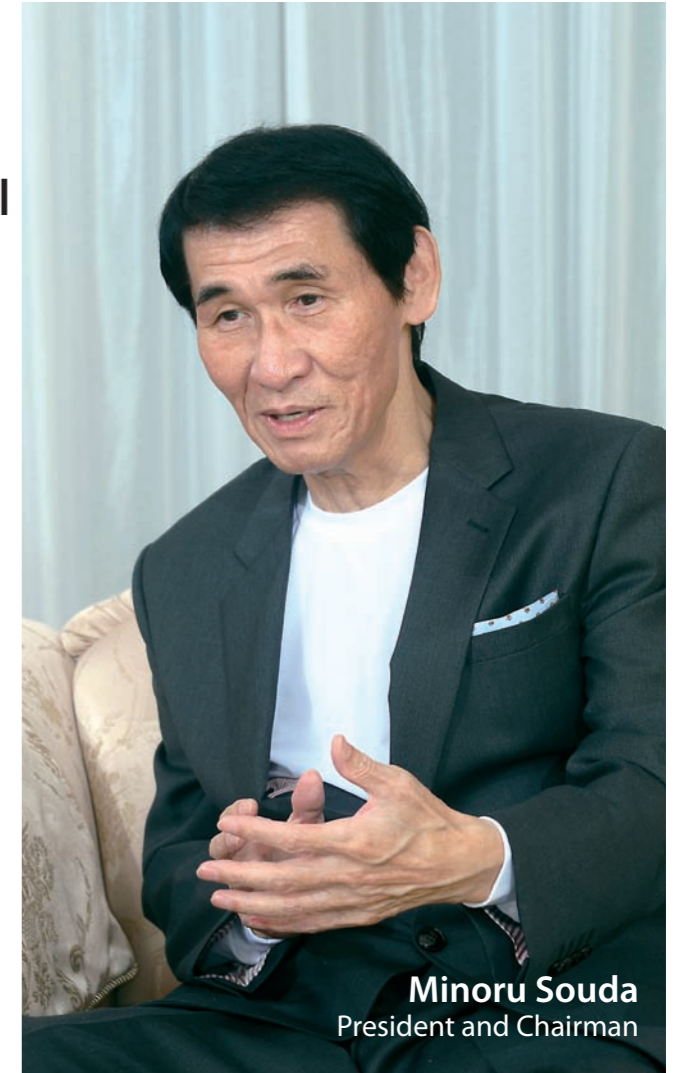


In the 40th fiscal term, we achieved new highs for both net sales and income. Not content with this status, in the 41st fiscal term we will raise the speed of growth through major organizational restructuring and offensive strategies, and will strive for consolidated net sales of ¥300 billion. Sustainable growth is our goal.

Looking back on the 40th fiscal term: **We recorded our highest-ever net sales and income as a result of major management reforms aimed at a leaner management structure, and also increased efficiency.**

The 40th fiscal term (the fiscal year ended April 30, 2016) revealed the results of our major management reforms to construct a leaner management structure, begun after the Lehman Brothers collapse of 2008. Our construction business yielded increased revenues and profits through means including strengthened order management, increased productivity, and centralized purchasing. In the real estate leasing business, too, we achieved increased revenues and profits from the promotion of tenant brokerage, by increasing our managed properties and expanding the functions of our Facilities Search Home Mate Research. Moreover, our occupancy rate as of the end of April 2016 recorded a new high of 98.4%.

In consolidated business performance for the 40th fiscal term, net sales were ¥283,731 million (a 6.9% increase from the previous term), for the third consecutive term of record highs. Operating income was ¥13,181 million (a 39.5% increase from the previous term), ordinary income was ¥13,607 million (a 32.5% increase from the previous term), and profit attributable to owners of parent was ¥8,634 million (a 38.9% increase from the previous term), all setting a new record high for the first time in 9 fiscal terms. In addition, the fact that the growth rate of income greatly exceeded that of net sales reveals an increase in efficiency.



**Minoru Souda**  
President and Chairman

**Raising the speed of growth through major organizational restructuring and offensive strategies in the 41st fiscal term, to reach consolidated net sales of ¥300 billion**

**Drastically restructuring our internal organization to become a fighting group and raise the speed of growth**

However, we are not satisfied with our current status. Our major reforms following the Lehman Brothers collapse have steadily yielded increased revenues and profits over the past few years, but the pace of this growth is modest compared to the outstanding pace that we experienced between our listing on the market in 2002 and the Lehman Brothers collapse.



Although we have pursued offensive management since our founding, we took the Lehman Brothers collapse as an opportunity to rebuild our earnings structure with a focus on defensive management. While it is natural that this has resulted in our current growth, if we maintain this speed of growth then 10 years from now we will have become a company with little presence and no growth. Embracing this sense of urgency, we will increase our speed of growth in the 41st fiscal term.

The centerpiece of this speed boost is the major restructuring of our internal organizations. Over these past two or three years, we have worked to transition to offensive management. However, to engage all-out in offensive management, we must reform the awareness and actions of employees. Accordingly, from the start of the term we have been executing a major restructuring of organizations, through means such as drastic reassignment of personnel. While this constitutes fairly radical surgery, through it we will create a fighting group.

## ◆ Growing our market share by improving the precision of branch opening strategies and developing new forms of branches

Along with major restructuring of our organizations, Token Corporation will execute offensive strategies. The foundation for this is our branch opening strategies, which are of two types. The first is the improvement of precision in branch opening planning. When opening a new branch, we envision future population movements based on detailed data, then assess demand, and consider whether to open the branch, along with relocation, integration, and closure of branches.

We will also develop new forms of branches. In the past, we mainly opened branches equipped with three functions: sales functions and construction functions for our construction business, and brokerage functions for our real estate leasing business. However, what we will introduce now are forms of branches separated by location, specialized in either the construction

business or the real estate leasing business. We will open branches specialized in the real estate leasing business in areas that are easily accessible to prospective tenants for rental properties, while opening branches specialized in the construction business in areas where branch employees can easily engage in sales of construction of rental property.

Through these branch opening strategies, we will efficiently grow our market share, which remains low relative to other companies in our industry.

## ◆ Promoting tenant brokerage by strengthening IT strategy, and establishing an advertising and information business

Equaling branch opening strategies in importance are IT strategies, especially web strategies. In particular, the tenant brokerage-only Home Mate and Facilities Search Home Mate Research, which allows searching for information on community facilities used in daily life and for rental properties around such facilities, bear important roles in promoting tenant brokerage. Home Mate Research contains 125 kinds of diverse information on facilities. We will strengthen the profitability of the website itself by growing advertising revenue, and to establish our advertising and information businesses.

## ◆ Aiming to improve our position in urban areas by developing distinctive new businesses

Achieving further growth for our company requires the establishment of a firm position in urban areas. While we have had a degree of success in suburbs, we recognize that competing in metropolises, including the 23 wards of Tokyo and ordinance-designated major cities, calls for distinctive products and a dedicated organization. In response, we have begun new businesses, primarily rental condominiums with attached owner's residences for the commercial districts of urban areas where high floor-area ratios are set, and also upscale rental condominiums, and women-only condominiums.

One business that is already showing results is rental condominiums with attached owner's residences, for which we have gradually begun to compile a track record of orders. In our upscale rental condominium business, we have Chikusa Tower Hills (Chikusa Ward, Nagoya; completed in 2007) as a property directly managed by our company, and plan to start construction soon on the 28-floor Sakae Tower Hills property (Naka Ward, Nagoya).

We want to place particular focus on our condominium sales business. However, we hope to develop this to a degree that does not create a great risk as a business peripheral to our core business of renting.

We will stably operate new businesses aimed at urban areas with dedicated organization, leading to improvement of our position in urban areas.

## ◆ Aiming for consolidated net sales of ¥300 billion in the 41st fiscal term

Through major organizational restructuring and the above-mentioned offensive strategies, we aim to achieve consolidated net sales of ¥300 billion in the 41st fiscal term. Having set this as a medium- to long-term goal for several years already, we will finally realize it during the term.



## Organizational restructuring, with an eye to future overseas expansion as well, is the key to sustainable growth

Looking ahead, we are also placing overseas expansion in our sights. In particular, the high birth rates in Southeast Asia offer potential, the reverse of Japan with its increasingly aging society and low birth rate. At present, we are surveying destinations where we can leverage the know-how we have gained in Japan.

If we are able to achieve consolidated net sales of ¥300 billion in the 41st fiscal term, we will then aim for ¥400 billion and even ¥500 billion as subsequent medium- to long-term targets. The various new businesses we have mentioned will be continued even after we achieve net sales of ¥300 billion.

What holds the key to sustainable growth is the major organizational restructuring that we are carrying out now. Our company has strength in highly earthquake-resistant technologies; even during the Great Hanshin Awaji Earthquake of 1995 and the Great East Japan Earthquake of 2011, our buildings did not topple. This contributes to the building of relationships of trust with facility owners and with tenants. However, we cannot grow further if we become satisfied with the status quo. Under the major organizational restructuring that we are carrying out in the construction division, sales division, and across the company, we are strengthening our technological and sales capabilities to achieve sustainable growth.

Through a variety of strategies, we expect to pay an annual dividend of ¥130 per share in the 41st fiscal term (¥35 more than in the 40th fiscal term). We ask all of our shareholders for their continued understanding and support for these management policies.

## Initiatives to improve corporate value

Business model:

**Our full range of services diversifies earnings opportunities; circular processes expand and reproduce added value and drive growth**

### Corporate value improves through the development of our business model

Over the 40 years since our founding, Token Corporation has grown into a company able to offer total services for the use of land, from the construction of apartment buildings and rental condominiums (construction business) to the brokering, management, and operation of these facilities (real estate leasing business). By advancing our business model over the years, we have improved our corporate value.

### Characteristic (1): A full range of services

A characteristic of the Token Corporation business model is the ability to provide all manner of services to both facility owners and tenants. For facility owners, we see to design, construction, clerical procedures, tenant recruitment, and facility operation and management, while for tenants we offer support that includes finding residences, handling move-in procedures, and providing consultation after moving in.

### Characteristic (2): Diversification of earnings opportunities

By providing a full range of services, we diversify earnings opportunities and enable flow-type earnings and stock-type earnings from both facility owners and tenants. We earn construction contract revenue (flow-type earnings) and management fee revenue (stock-type earnings) from facility owners, and brokerage commission revenue (flow-type earnings) and rental income (stock-type earnings) from tenants.

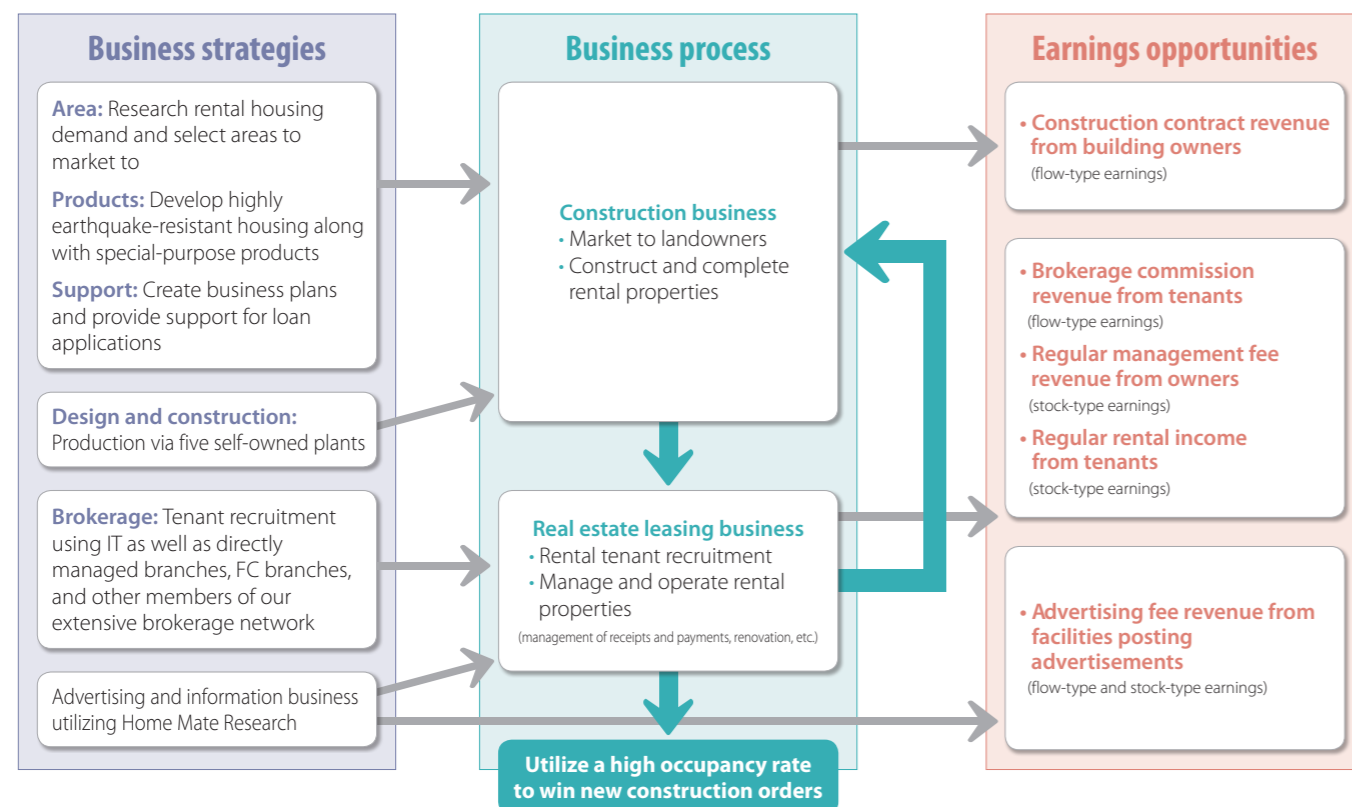
### Characteristic (3): Circular processes expand and reproduce added value, and drive growth

Our company enjoys a cycle in which we boast a high occupancy rate obtained by providing a full range of services, which in turn enhances our reputation and leads to new construction orders. Through this business cycle process, the added value we create is expanded and reproduced, driving the growth of our company.

### Characteristic (4): Further growth

In addition, through the full-scale rollout of Facility Search Home Mate Research, which lists information on all manner of facilities, our new advertising and information businesses are moving forward. We aim to bring in advertising revenue from the website and achieve further growth through a synergistic effect with our brokerage business.

## Business Model

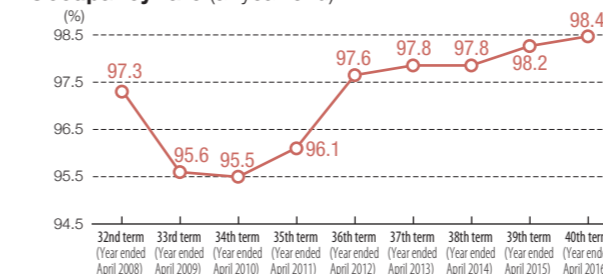


## Major management reforms and the improvement of corporate value

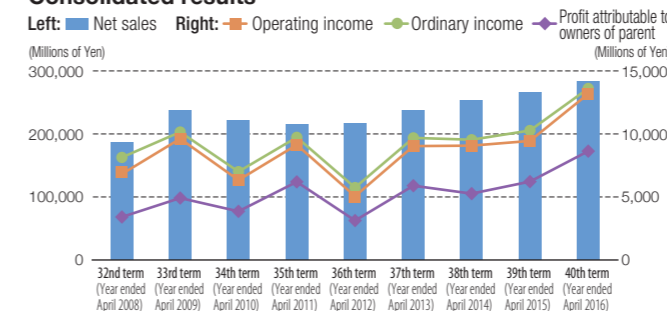
Taking the Lehman Brothers collapse of 2008 as a turning point, we carried out the first large-scale management reforms since our founding. We undertook a variety of measures, including the postponement of new branch openings, closure of loss-making sites, cost-cutting, making materials ordering more efficient, optimal deployment of employees, putting a greater focus on urban-oriented sales, selecting areas for activities to win construction orders, bolstering our brokerage network, and utilization of IT. In particular, strictly selecting areas for activities to win orders has contributed to reducing the post-order cancellation rate, improving the construction start rate, and improving profitability.

The results of these reforms have gradually begun to appear, with our occupancy rate at the end of the 40th fiscal term (the fiscal year ended April 30, 2016) reaching a new high of 98.4%. Within consolidated business performance, both net sales and profit also reached new highs.

Occupancy rate (at year-end)



Consolidated results



## Initiatives to support the maintenance and improvement of corporate value

### Comprehensive process control

Token Corporation works to maintain and improve corporate value even at the workplace level, endeavoring to manage all processes including contracts, design and construction, and facility brokering, management, and operation. Using

a unique management system, we centrally manage the status of work progress and manage various risks, including contractual errors and construction delays. We also work to prevent errors, and have built a system for checking all necessary documentation for each process.

### Improvement of technologies

The construction products that substantiate our corporate value boast excellent seismic resistance. We have patented these technologies, which provide a high level of performance backed up by the strength of our buildings' frameworks. We make daily efforts to further improve these technologies, shorten construction periods, and increase profits, through means such as gradually replacing steel pipe piles imported from China for a portion of the products in the highly earthquake resistant steel frame construction Shelulu series, with those manufactured by our company.

In addition, we actively apply for patents in order to create differentiation from competitors through technology developed by our company.

In October 2015, we received a patent for the TKS (Token Koshao Sho)-55 System, a high-noise-insulating floor adopted as standard in our wood 2x4 products. We plan to adopt an upgraded version, TKS-50, in November 2016.



### Quality control and operational safety

Under our quality control for buildings, we have established a robust inspection system to which our construction contractors and our company are committed. We also strive to prevent accidents and ensure safety at worksites in order to prevent construction worker injuries and schedule delays.

### Compliance and information management

Token Corporation works to manage all manner of risks through the Token Risk and Compliance Committee, to ensure that we do not lose the confidence of facility owners and tenants. Specifically, we carefully explain contract details in accordance with manuals to ensure that no misunderstandings occur in the future, and strive to protect and manage personal information through the Personal Information Protection Committee.

We will continue striving to maintain and improve our total corporate value, and aim for further growth.



## Ramping up offensive management: We will aim for consolidated net sales of ¥300 billion in the 41st fiscal term through urban-oriented strategies, will tackle overseas markets in the future, and will raise the speed of our growth

### Aiming for consolidated net sales of ¥300 billion in the 41st fiscal term

In the 41st fiscal term, we aim to achieve consolidated net sales of ¥300 billion. We had set this value as a medium- to long-term goal in the past; it has now finally become achievable. Toward that goal, we will ramp up offensive management, which we had kept in check during the major management reforms undertaken after the Lehman Brothers collapse.

### Extending our market share through branch opening strategies that emphasize efficiency

Among our offensive strategies, the most important are branch opening strategies. In the 41st fiscal term, we will advance strategies with greater emphasis on efficiency than in the past. Drawing on market data and our internal data, we are now rolling out efficient branch opening strategies.

Already, based on this data, we have made decisions on new branch openings in areas with strong market potential into the future, as well as decisions on the opening of Home Mate branches and the transfer of branches to favorable locations with the aim of increasing customer visits, and on changes in branch form to stabilize our sublease business. We are now opening branches in accordance with this plan.

In this way, we are aiming for further business expansion and market share growth.

### Promoting an urban-oriented sales strategy

In order for our company to grow further, we must establish a firm position in urban areas. Toward that end, we are introducing new urban-oriented products and developing new businesses.

#### Rental condominiums with attached owner's residences

Although floor-area ratios of buildings are set high in the urban commercial districts, there are many buildings that do not fully take advantage of this. For such landowners, we are proposing buildings that capitalize on the advantages of their location, including rental condominiums with attached owner's residences.

#### Upscale rental condominiums

As an example of rental properties suited to urban areas, we are promoting our business of upscale rental condominiums aimed at top managers, the executives and officers of large companies, and other members of the affluent class. We categorize the floors of buildings into high-, medium-, and low-levels, and deploy facilities and specifications matched to the budgets of target tenants. In addition to our directly managed property Chikusa Tower Hills (Chikusa Ward, Nagoya; completed in 2007), we plan to start construction soon on Sakae Tower Hills (Naka Ward, Nagoya).



Sakae Tower Hills, north face

#### Peripheral businesses

In addition to the apartment buildings and rental condominiums that constitute our core business, we are moving quickly to establish two new peripheral businesses. The first is the condominium sales business. In the case of land in favorable locations, we are also looking at the idea of our company purchasing the land and then constructing and operating subdivided lot condominiums. In addition, we are launching a membership-based corporate housing business (that is, hotel-like rental condominium business) for the enterprise market. In this business, our company will construct upscale condominiums exclusive to corporate clients in urban areas, for use by them as company housing or hotels.

#### Renewal of designs to strengthen the competitiveness of construction products

Token Corporation is working to strengthen its competitiveness not only in urban area-oriented products but also in all construction products. In particular, it is important that we regularly review and improve designs, as these are important points in asset formation for facility owners and in the acquisition of tenants.

To differentiate ourselves from competitors, we will undertake design within the company and will collaborate with talented design offices to undertake wide-ranging renewals, doing so with a sense of urgency and taking into account the needs of the modern era.

#### Taking on overseas markets in the future, expanding business, and raising the speed of growth

To further expand our business domains, we launched a New Business Strategy Office. With this move, we are considering completely new businesses without being bound by conventional thinking concerning the construction business and real estate leasing business, and are also setting our sights on expansion into Southeast Asia.

In Southeast Asia, with its promising growth and increasing population, we are conducting surveys of destinations where we can leverage the know-how we have built up in Japan.

In the 41st fiscal term, we will expand our business even after achieving consolidated net sales of ¥300 billion, and will raise the speed of our growth.

Sakae Tower Hills, south face

**SAKAE TOWER HILLS**

**Large-size corner window frames**  
In the corner rooms of the building, we use large-size corner window frames. This creates an open living space that commands a wide view.

**Observation deck**  
On the roof is an observation deck that offers unparalleled perfect views. At night, the crown around the deck shines symbolically.

**Balconies**  
The projecting balconies reveal a sharp form that stretches skyward, with vertical lines aligned. The top is adorned with a crown design.

**5th-floor rooftop garden**  
This rooftop garden is connected to the tenants-only fitness room. It offers a healing space surrounded by plants, conferring a touch of nature rich in grass and trees.

**Designed windows**  
Round windows made with modern, large-size glass and traditional architectural styles to create a contrast of large and small. The design has a functional beauty that combines the modern and the traditional.

**Entrance**  
The entrance features an outside wall tiled with stone and an approach that floats on water, escorting people to a luxurious and healing living space.

## 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, block leaders, and others, and our Data Strategy Conference. The Management Conference meets every other month while the Data Strategy Conference meets as required. We also conduct management instruction meetings on behalf of subsidiaries whenever the need arises.

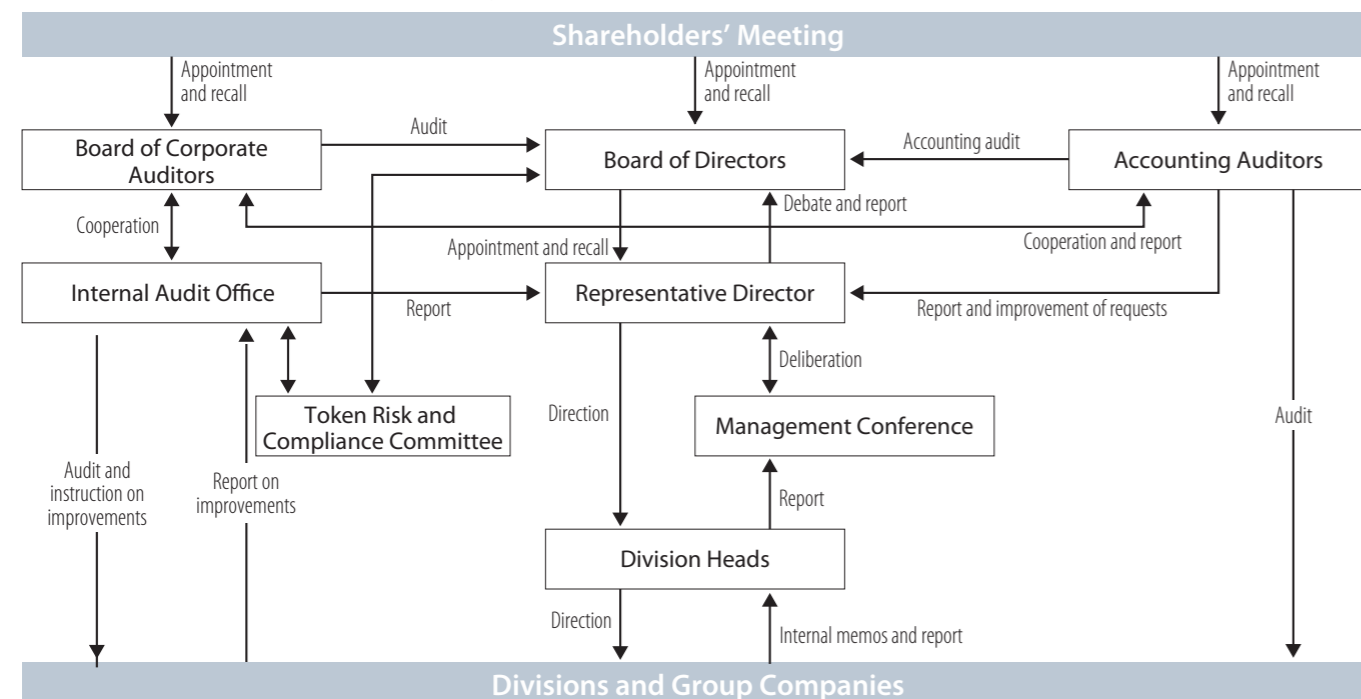
We have the Token Risk and Compliance Committee, which integrates compliance management across the Group.

Moreover, our four-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).

Token Corporation employs a corporate auditor system. One of our five directors is an outside director, and two of four auditors are outside auditors. The outside director worked as the representative director of another stock company, and one of the outside auditors is a certified tax accountant while the other is a certified lawyer. The current system is used as it has been deemed effective in allowing these three outside officers to perform management oversight functions concerning corporate management practices, accounting, and law, among other areas.

### Structure for Business Execution and Auditing

(As of August 8, 2016)



## Announcement of a new Token Corporation nationwide television commercial

Token Corporation is airing a new commercial advertisement on television stations throughout the country in September and October. In the new commercial, Token Corporation spokesperson Masatoshi Nakamura sings the new Token Corporation song, "If So, Then Go with the Wind." We hope you will enjoy the new song, which we offer as an anthem to encourage those who work hard every day.

Commercial title	Screen
Token Corporation new commercial "Near the Window" version	
Token Corporation new commercial "Wind" version	
Token Corporation new commercial "Road" version	

## Launch of sales of Senior Village, a service-included product exclusively for seniors

In November 2015, we began sales of Senior Village (senior citizen watch-over business), a service-included product exclusively for seniors, from the Kanto to Kyushu regions.

Senior Village has a nursing care branch and day service facility on the first floor. Its lower section holds residences for persons requiring support and nursing care, while its upper section has residences for active seniors.

This hybrid rental condominium, with its three-section construction, allows active seniors to continue their residence without a change of address, even if they later require support or nursing care.

Senior-oriented rental housing is a business with social significance and a high level of need in Japan, where the population is aging. Our company is making such distinctive products with exclusive features an important strategic tool as we aim for further growth.

**Senior Village**  
シニアヴィレッジ [高齢者見守り事業]



Senior Village