

# Business Report

Fiscal year ended March 31, 2015



OAK  

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CAPITAL

Oak Capital Corporation

## To Our Shareholders and Investors

I would like to express my deepest appreciation to all our shareholders and investors for their support.

During the subject fiscal year (April 1, 2014 – March 31, 2015), the Japanese economy recovered at a moderate pace, with weakening of the yen and improvement in corporate earnings on the back of the government's economic policies and the Bank of Japan's monetary policy.

The domestic stock market rose to its highest levels since 2000, with listed companies substantially increasing dividends on improvement in ROE (return on equity), and implementing shareholder return measures in the form of share buybacks, while also expanding IR (investor relations) activities and reaffirming a shareholder-oriented stance.

Amid such circumstances, during the subject fiscal year Oak Capital provided new equity finance underwriting to hotels, restaurants, ITC equipment companies, and drug development venture firms. For our existing investments, we provided support for business restructuring and growth strategies, and made other proactive efforts to boost increases in enterprise value.

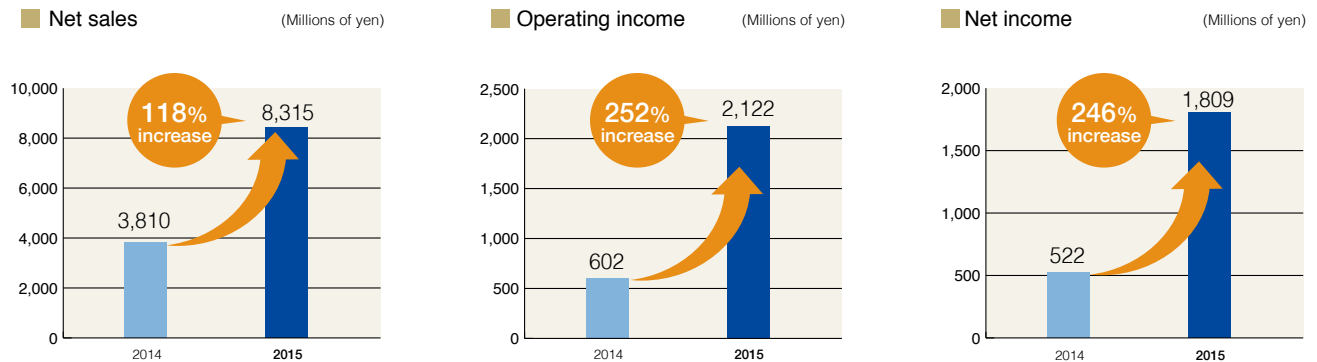
As a result, the companies in which we've invested posted earnings gains, and the stock market reaction to new business developments was positive. The market capitalization of our invested companies rose considerably, and we achieved the highest level of earnings since entering the investment banking business in 2001.

We expect our equity finance underwriting operations to become increasingly important in the fiscal year ending March 2016. By helping to ensure the future of companies through our investment banking operations, centered on support for business financing for companies in emerging markets with projects in growth sectors, as well as support for business growth and corporate revitalization, Oak Capital contributes as a member of society. At the same time, we aim to be a corporate group with business and enterprise value, pursuing a policy of pushing forward with our operations on a track for further growth.

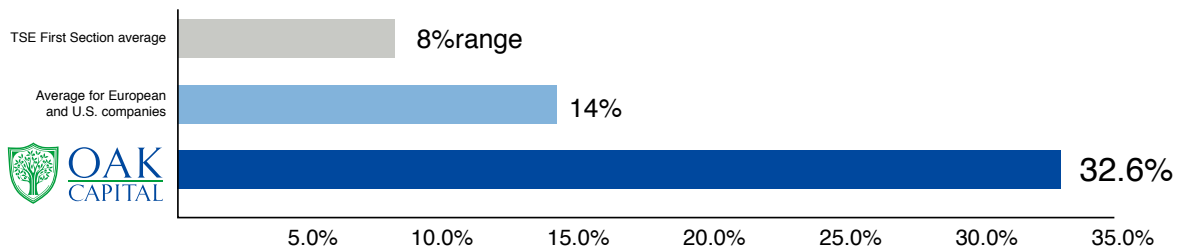
Thank you for your continued support and encouragement.

June 2015

Representative Director, Chairman and CEO **Hiroyasu Takei**



## Return on equity Fiscal year ended March 31, 2015



## Overview of Operations

During the fiscal year ended March 31, 2015, net sales amounted to ¥8,315 million (up 118.2% year on year), operating income was ¥2,122 million (up 252.4%), ordinary income was ¥1,862 million (up 208.6%), net income was ¥1,809 million (up 246.1%) and net income per share was ¥38.20.

ROE improved substantially, from 19.1% in the preceding fiscal year to 32.6%. This figure compares favorably with the average forecast of profitability for listed companies (on the First Section of the Tokyo Stock Exchange). Furthermore, our management indicators are high: our increase in operating income, at 252.4%, indicates our rate of growth, and our equity ratio of 91.3% demonstrates our stability.

Operating income per employee, an indicator of productivity, rose 202.1%, to ¥101 million. Going forward, based on a robust financial structure with exceptionally strong figures, we will undertake initiatives swiftly and decisively.

# Consolidated Financial Statements (Summary)

Note: Monetary amounts have been rounded off beyond the unit indicated.

## Consolidated Balance Sheets

	(Millions of yen)	
	March 31, 2014	March 31, 2015
<b>Assets</b>		
<b>Current assets</b>	3,941	7,137
<b>Non-current assets</b>	427	437
Property, plant and equipment	55	58
Intangible assets	3	3
Investments and other assets	368	375
<b>Deferred assets</b>	11	4
<b>Total assets</b>	<b>4,380</b>	<b>7,579</b>

### Point

**Total assets:** Total assets amounted to ¥7,579 million at fiscal year-end, up ¥3,199 million from one year earlier. Principal reasons for the increase were progress on investment recovery in operational investment securities, which boosted cash and deposits. In addition, rising stock prices on shares in listed companies held by the Company prompted an increase in operational investment securities.

	(Millions of yen)	
	March 31, 2014	March 31, 2015
<b>Liabilities</b>		
<b>Current liabilities</b>	97	551
<b>Non-current liabilities</b>	90	95
<b>Total liabilities</b>	<b>187</b>	<b>647</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>	4,186	6,305
Valuation and translation adjustments	4	615
Subscription rights to shares	1	12
<b>Total net assets</b>	<b>4,192</b>	<b>6,932</b>
<b>Total liabilities and net assets</b>	<b>4,380</b>	<b>7,579</b>

### Point

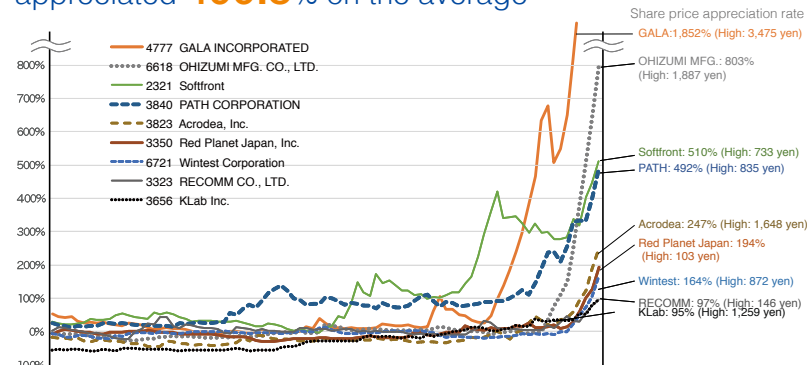
**Total net assets:** Compared with the end of the preceding fiscal year, total net assets rose ¥2,739 million, to ¥6,932 million. This growth was due primarily to the posting of net income and an increase in the valuation difference on available-for-sale securities, stemming from a rise in the price of shares in listed companies held by the Company.

## Performance of the investment banking business in FY2014

Market capitalization of 10 investment-recipient companies marked a **4.7-fold** appreciation

Market cap 1 day prior to financing resolution	<b>¥34,884 million</b>
Market cap as of Dec. 31, 2014	<b>¥63,357 million</b>
Market cap at highest share price following announcement	<b>¥164,291 million</b>

Share price of 10 investment-recipient companies appreciated **499.8%** on the average



(Note 1) Subscription share price indexed at 100 with extrapolated stock high.  
 (Note 2) Actual subscription price shown in parentheses. Data as of Feb 3, 2015

## Consolidated Statements of Income

(Millions of yen)

	Years ended March 31	
	2014	2015
Net sales	3,810	8,315
Gross profit	1,374	3,121
Selling, general and administrative expenses	772	998
Operating income	602	2,122
Ordinary income	603	1,862
Extraordinary income	2	115
Extraordinary losses	81	3
Income before income taxes	523	1,974
Total income taxes	1	165
<b>Net income</b>	<b>522</b>	<b>1,809</b>

### Point

**Net income:** Net income expanded ¥1,286 million year on year, to ¥1,809 million. In line with our policy for the investment business, we undertook initiatives to provide funding and growth support for listed companies and pursued investment recovery among existing investees against the backdrop of stock market recovery.

## Consolidated Statements of Cash Flows

(Millions of yen)

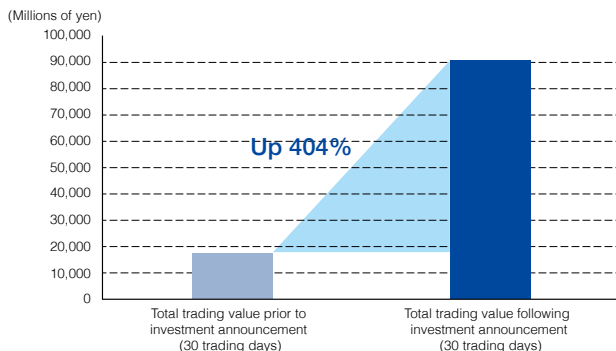
	Years ended March 31	
	2014	2015
<b>Cash flows from operating activities</b>	<b>1,156</b>	<b>2,609</b>
Cash flows from investing activities	(307)	(36)
Cash flows from financing activities	369	315
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase in cash and cash equivalents	1,219	2,888
Cash and cash equivalents at beginning of period	130	1,349
Cash and cash equivalents at end of period	1,349	4,237

### Point

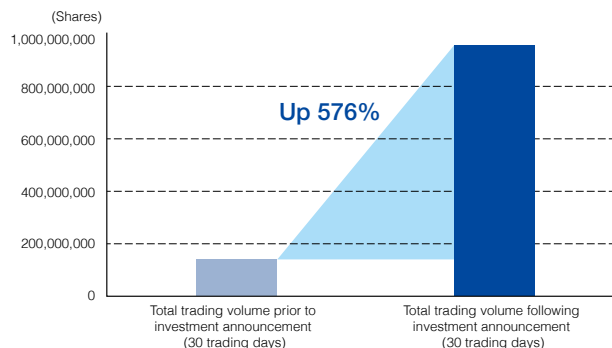
**Cash flows from operating activities:** Thanks to progress in investment recovery through the sale of operational investment securities, we posted income before income taxes, leading to cash flows from operating activities of ¥2,609 million, up ¥1,452 million from the preceding fiscal year.

## Stock liquidity of investment-recipient companies boosted by an average of 400%

### Trading value of 10 investees in comparison

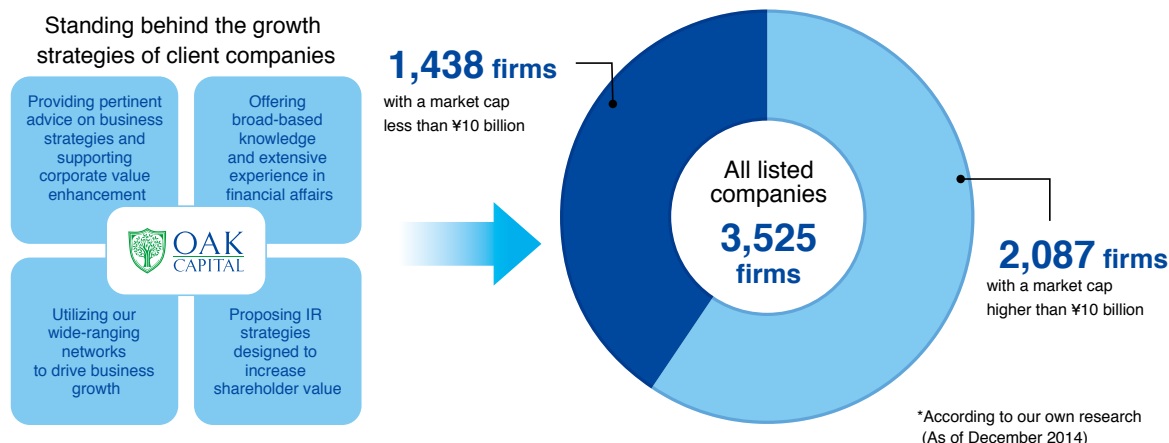


### Trading volume of 10 investees in comparison



# Roles and Responsibilities in the Investment Banking Business

To provide financing support and support the growth strategies of the **1,438** emerging-market and mid-sized listed companies with market capitalization of less than ¥10 billion



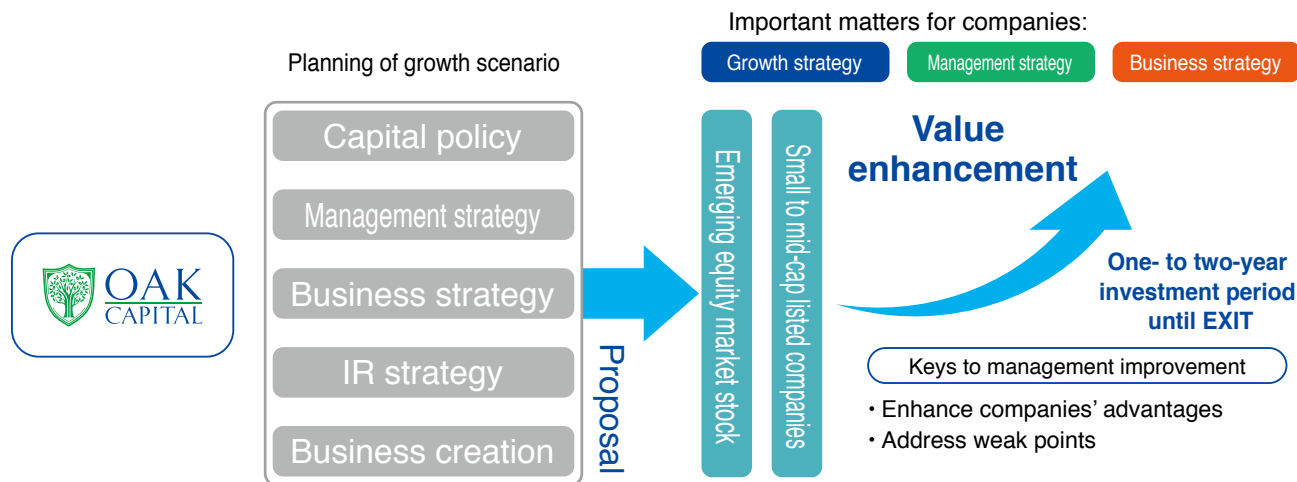
Oak Capital's investment style is highly regarded by managers of listed companies.

When selecting investments, we focus on companies undervalued by the market, along with managers and executives with a strong desire for growth, without regard to industry or business type, or if firms have objectively good technologies or management capabilities. The key characteristic of our method is that rather than just investing, we provide a broad range of strategic advice for multifaceted support that increases added value, and enhances a company's enterprise value.

Another feature of our approach is our diverse range of people with experience in actual business operations, who provide support utilizing our extensive resources.

Managing Director  
Manager of Investment Division, Business Division

Fuyuki Makino



When investing in listed companies in particular, Oak Capital does more than just select new investment targets. We play a major role in enhancing enterprise value by working to raise the value of companies after investing, and proposing alliances with other investors.

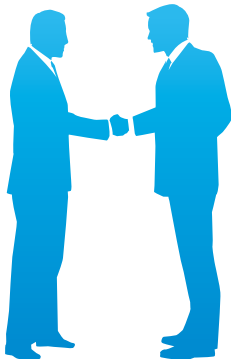
Drawing on past experience, we select investment targets focusing mainly on such aspects as ICT and cross-border operations. I believe one of our strengths is a self-investment stance that allows for speedy decision-making.

It is also necessary to expand our business outlook to the future without focusing merely on the short-term, and maintain a perspective that will allow us to support growth in markets that we feel are certain to expand. Finding that potential is also part of our mission.

Managing Director  
Manager of Investment Division, Business Division

Yasuyuki Kido

### Oak Capital is an investment bank that supports improvements in corporate and individual futures



#### Superlative business performance

- Operating income per employee of **¥100** million
- Net income per employee of **¥90** million
- Capital gain per employee of **¥150** million

Oak Capital's management system is founded on a code of conduct that establishes compliance guidelines and other regulations, and ensures that all employees comply with laws and company policies. We also conduct an ongoing program to disseminate information and raise awareness, and foster a corporate culture with priority on addressing the demands of society.

In particular, as our code of practice for compliance and dealing with antisocial forces, we work in cooperation with law enforcement and attorneys to adamantly confront antisocial forces or organizations that threaten civil order or safety, severing any and all relations, in order to conform to corporate ethics in any circumstance, ensure legal compliance, and conduct fair business operations.

Our handing of undisclosed information is conducted in accordance with the guidance and requests of the Tokyo Stock Exchange, complying with the Financial Instruments and Exchange Act and other related laws to prevent insider trading or other illicit activity.

Director of the Board  
Head of Administration and Control Division

Tsutomu Akita

# Future Management Strategy and Business Plan:

Building a Second Business That Delivers Stable Earnings



Oak Capital has been pursuing innovation in its business structure since 2013, aiming to achieve a stable management foundation unaffected by fluctuations in the economic climate or stock market, and to remain a thriving investment bank.

Our principal business at present is equity finance investment for listed companies, but from the current fiscal year we are also investing in businesses. Our growth strategy is to transition to a dual business structure comprising pure investment and business investment.

Oak Capital's brand investment and business project investments include Christofle, FM Karuizawa, and Digital POST. Our basic policy is to develop these businesses from a long-term perspective, and gain profit.

Going forward, we plan to broaden our business project investment, investing in well-known and highly trusted brands, and creating businesses jointly with companies in which we currently invest.

## Oak Capital's Management Plan for FY2015

### Basic Strategy 1

Maximization of Operating Revenue and Stabilization of Corporate Profits

### Basic Strategy 3

Further Improvement of Financial Standing

### Basic Strategy 2

Qualitative Change through Innovation of Operating Foundations

### Basic Strategy 4

Increasing Shareholder Returns and Building Shareholder Value

Director of the Board  
Head of Investment Banking Department, Business Division

Takaya Hasegawa

Managing Director  
Head of Investment Banking Department, Business Division

Yasunori Isomura

Managing Director  
Business Division

Kazuhiro Hosoda

# Corporate Information

## ■ Corporate data As of March 31, 2015

Company name : Oak Capital Corporation

Founded : 1868

Incorporated : 1918

Paid-in capital : ¥3,556 million

Stock Exchange Listing : Second Section of Tokyo Stock Exchange (Listed in 1949)

Brokerage lead manager : Daiwa Securities Co. Ltd.

Independent Public Accountant : Nihombashi Corporation  
Certified Public Accountants

Correspondent Banks : Sumitomo Mitsui Banking Corporation,  
Mizuho Bank Ltd.

## ■ Board of Directors and Corporate Auditors As of April 1, 2015

Representative Director, Chairman and CEO	Hiroyasu Takei	
Director of the Board	Tsutomu Akita	Head of Administration and Control Division
Director of the Board	Takaya Hasegawa	Head of Business Investment Department
Director of the Board <sup>*1</sup>	Tomoyasu Ozeki	Partner of Accenture Corp.
Director of the Board <sup>*2</sup>	Yoshinori Uda	Former Representative Director & Vice President of NTT DoCoMo, Inc.
Managing Director	Fuyuki Makino	Head of Investment Banking Department
Managing Director	Yasunori Isomura	Head of Business Investment Department
Managing Director	Yasuyuki Kido	Head of Investment Banking Department
Managing Director	Kazuhiro Wada	Business Division
Advisors	Yukio Okamoto	President of Okamoto Associates, Inc. / Diplomatic commentator
Advisors	Sachio Senmoto	Former Representative Director and Chairman of eAccess Ltd.
Advisors	Harunobu Yamada	Former Deputy CEO & Deputy Country Manager, Japan at the Hongkong and Shanghai Banking Corporation Limited
Advisors	Hong Liang Lu	Former CEO of UTStarcom, Inc.
Advisors	Kiyoji Odajima	Former Regional Commissioner, Sendai Regional Taxation Bureau
Standing Corporate Auditor	Hideya Takahashi	
Corporate Auditor <sup>*2</sup>	Yoshikazu Nagano	Lawyer
Corporate Auditor <sup>*2</sup>	Makoto Sakai	Lawyer
Corporate Auditor <sup>*2</sup>	Motosuke Hirose	

\*1. Outside director, as provided in Article 2-15 of the Companies Act

\*2. Outside corporate auditor, as provided in Article 2-16 of the Companies Act

# Share Information

As of March 31, 2015

Total Number of Authorized Shares : 86,000,000

Total Number of Issued Shares : 48,701,620

Number of Shareholders : 22,152

## Major Shareholders

Name of shareholders	Ownership of shares (Thousands of shares)	Share ownership ratio (%)
Japan Securities Finance Co., Ltd.	3,401	6.99
Mitsuhiro Yamazaki	3,274	6.73
LMI Co., LTD.	2,316	4.76
Hiroyasu Takei	895	1.84
JPMCP Credit Swiss Securities Europe JPY 1007760	517	1.06
Toru Okawa	383	0.79
Kazuhiro Shiraishi	360	0.74
Hidekazu Yoshizawa	224	0.46
Hisao Miyagi	220	0.45
Morinobu Toshikawa	199	0.41

Note) Percentage shareholding calculations exclude treasury stock (30,136 shares).

# Memo for Shareholders

Fiscal year	From April 1 to March 31 of the following year
General Ordinary Meeting of Shareholders	June of each year
Date for confirming shareholders to receive dividends	March 31 (September 30 for interim dividends)
Shareholder registry administrator (Postal address)	26th floor, Kasumigaseki Building, 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-6026, JAPAN Phone: +81-3-3519-6720

### ● Providing notification of changes in address, acquisitions of shares less than a single trading unit, additional purchases, etc.

Shareholders should please notify the securities firm with which they hold an account. Shareholders who have opened special accounts because they do not have a securities firm account should notify Sumitomo Mitsui Trust Bank, Limited, which is the account management institution for special accounts.