



Annual Report
for the 157th Business Term

April 1, 2017 – March 31, 2018



OAK
CAPITAL

Oak Capital Corporation

Message from the CEO

To our shareholders:

I would like to take this opportunity to sincerely thank all of you for your continued support. I hope you continue to enjoy good health and prosperity in the days to come.

The domestic stock market kept growing modestly thanks to robust corporate earnings, however the sharp decline of US stock prices at the beginning of the year as well as significant depreciation of the US dollar against the yen turned that growth into a decline. Having said that, since the earnings, especially in non-manufacturing industries, have been improving, the stock market is expected to bounce back too.

While the global political and economic situation keeps changing from day to day, Oak Capital continues to monitor the current tendencies and closely watches financial market trends. We plan to actively develop and diversify our investment banking business by supplementing our portfolio with medium- and long-term investments in addition to the short-term ones, as well as by further reinforcing our core management strategy of growth, profitability and stability as we continue to make investments aiming at increasing both corporate value and shareholders' value of our recipient companies.

I hope we can continue to enjoy your support and patronage in the future.

Hiroyasu Takei

Representative Director, Chairman and CEO

June 2018

Business highlights

Business Results Summary

The non-consolidated business results we have booked in the last business term (April 1, 2017 – March 31, 2018) are as follows: operating revenue (sales): 5.654 billion JPY (36.9% decrease vs. last year); operating income: 1.55 billion JPY (61.3% increase vs. last year); ordinary income: 1.38 billion JPY (47.2% increase vs. last year); net income: 1.112 billion JPY (10.3% increase vs. last year). Our net assets increased by 1.474 billion JPY vs. last year to 9.82 billion JPY, and our total assets increased by 1.668 billion JPY vs. last year to 10.264 billion JPY.

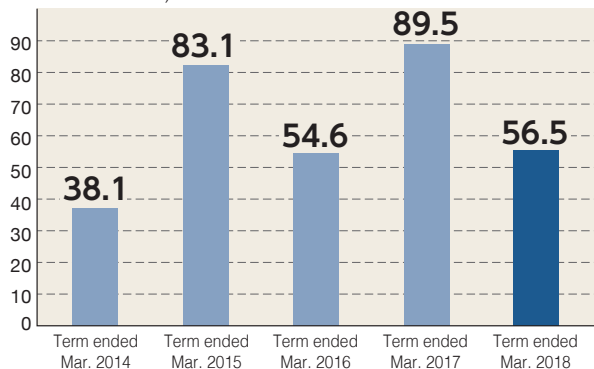
Our consolidated business results are as follows: operating revenue (sales): 5.654 billion JPY (36.9% decrease vs. last year); operating income: 1.549 billion JPY (62.2% increase vs. last year); ordinary income: 1.154 billion JPY (41.5% increase vs. last year); profit attributable to owners of parent company: 886 million JPY (0.0% change vs. last year).

The improvements in performance and implementation of business strategies of our investment recipient companies resulting from Oak Capital focusing on supporting them through measures such as providing growth strategy proposals, M&A advice and IR support were well received by the stock market, which led to the increase of stock prices of those companies, bringing our rate of return on investments to 98%. We shall keep working to increase the value of our investment recipients, and to improve the yield on our investments.

Business Results (non-consolidated)

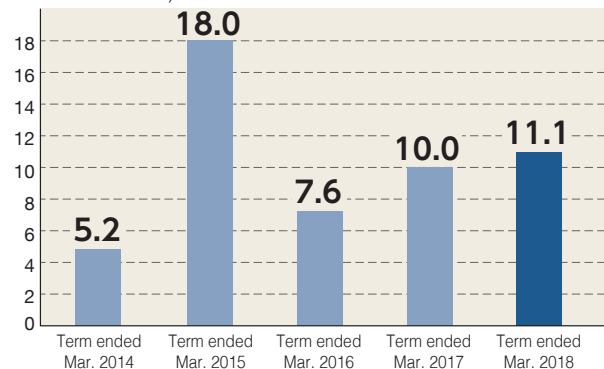
■ Operating Revenue (Sales)

(unit: 100 million JPY)



■ Net Profit

(unit: 100 million JPY)



A Brief History of Oak Capital

2001

First steps as an investment bank

The company has entered the investment banking field in 2001 and began providing financial and business revitalization support for listed companies.

To keep up with the times and continuously changing trends, we continue to innovate while we keep making IPO and listed company investments, acquiring businesses and providing strategic advisory services.

Listed stock investments

Investment banking business aiming to enhance growth strategies by providing financial support, business revitalization support, etc.

M&A investments

Mergers and acquisitions that increase value
Private and listed businesses

IPO investments

IPO support
Venture investments

Strategic advisory services

Leveraging the experience gathered through investment banking

2006

Oak Capital Corporation: a genuine investment bank

In 2006, the company changed its name to Oak Capital Corporation and commenced full-scale operations as an independent investment bank, providing financing support through assistance in issuing new shares, support for M&A and other elements of business growth strategies and engaging in investments too risky for commercial banks. As part of our overseas investment programs, we have acquired stake in French silverware manufacturer Christofle and in a golf resort in the US – something that very few investment banks in Japan do.



2018

New opportunities

As we continue to invest in promising businesses focusing on the themes of brand strength, technological capabilities and growth potential, we believe our mission is to create value and foster growth and to become an investment banking leader playing a role in both Japanese and global economies.

Selected recipients of our investments

~Investing company~

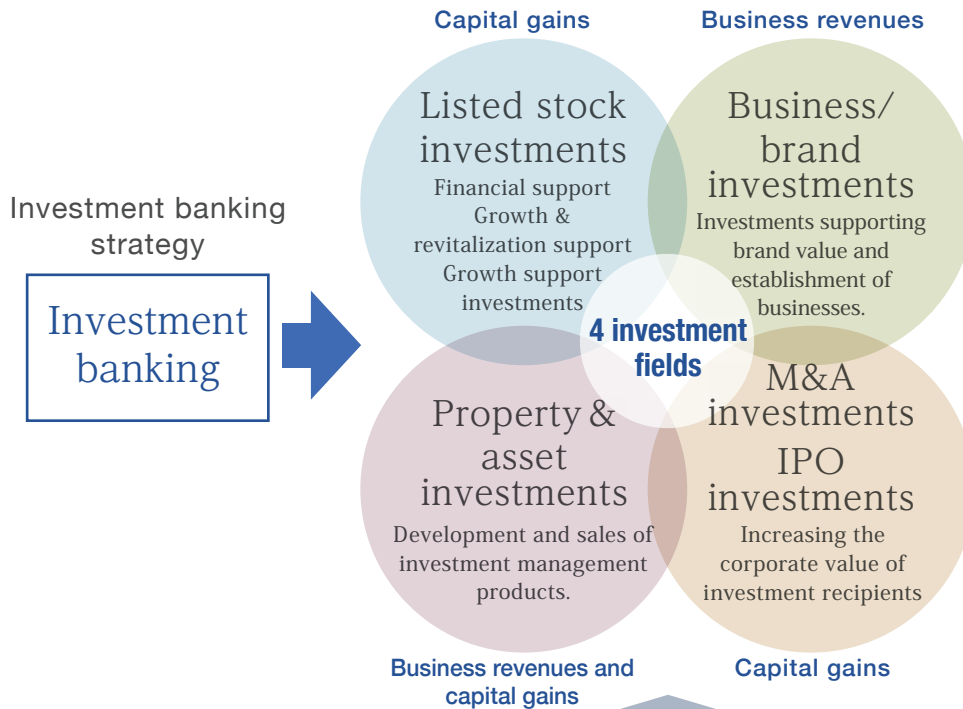


*excerpt

Diversification of investment fields by establishing a property investment division

To take advantage of growing real estate investment market, we have created a new property investment division that will engage in real estate tech as well as other related operations. We shall leverage our investment experience and our network to create new investment opportunities and develop attractive and profitable products and investment schemes.

Real estate investment market plays a key role in providing a stable environment for a variety of investors, from individuals to large institutions such as pension funds. Additionally, what makes the diversification of investment portfolios more necessary now than ever before, is the combination of total amount of monetary assets in Japan reaching a record level of over 1.8 quadrillion JPY, robust corporate earnings that brought internal reserves to historical highs, and introduction of monetary easing policies. Since we expect this market to stay strong in the future, we have decided to create a new property investments division as part of our investments diversification strategy.



Focusing on brand strength, technological capabilities and growth potential

Consolidated Financial Statements (Summary)

Consolidated Balance Sheets

(Million of yen)

	March 31, 2017	March 31, 2018
Assets		
Current Assets	6,477	7,285
Noncurrent Assets	1,876	2,574
Property, Plant and Equipment	105	313
Intangible Assets	3	2
Investments and Other Assets	1,768	2,258
Deferred assets	8	0
Total Assets	8,362	9,860
Liabilities		
Current Liabilities	204	425
Noncurrent Liabilities	93	114
Total Liabilities	297	540
Net Assets		
Shareholders' Equity	8,741	9,358
Accumulated Other Comprehensive Income	△676	△38
Total Net Assets	8,065	9,320
Total Liabilities and Net Assets	8,362	9,860

Point

Total assets:

Among the main reasons behind the increase were the stock market's positive assessment of initiatives to bolster corporate value of investee companies, which pushed up investees' stock values and resulted in higher capital gains.

Consolidated Statements of Income

(Million of yen)

	April 1, 2016 - March 31, 2017	April 1, 2017 - March 31, 2018
Net Sales	8,958	5,654
Gross Profit	2,031	2,804
Selling, General and Administrative	1,076	1,254
Operating Income	955	1,549
Ordinary Income	815	1,154
Extraordinary Gain(Loss)	137	△30
Profit before Income Taxes	953	1,124
Total Income Taxes	67	238
Profit Attributable to Owners of Parent	885	886

Consolidated Statements of Cash Flow

(Million of yen)

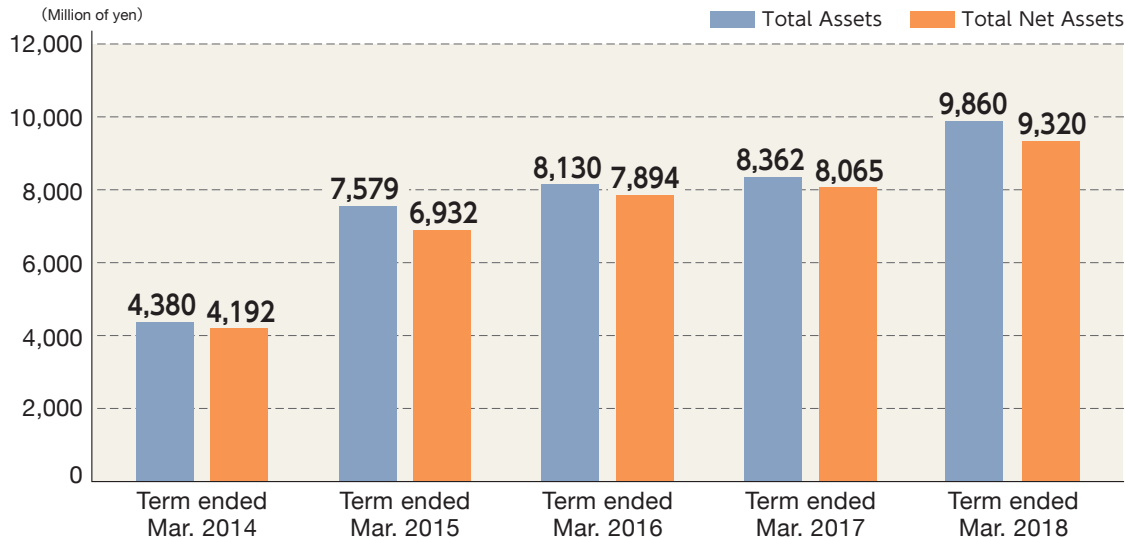
	April 1, 2016 - March 31, 2017	April 1, 2017 - March 31, 2018
Cash Flows from Operating Activities	3,372	320
Cash Flows from Investing Activities	△98	△1,064
Cash Flows from Financing Activities	△265	△267
Effect of Exchange Rate Change on Cash and Cash Equivalents	△0	△10
Net Increase (Decrease) in Cash and Cash Equivalents	3,007	△1,022
Cash and Cash Equivalents at Beginning of Period	1,737	4,745
Cash and Cash Equivalents at End of Period	4,745	3,723

Point

Gross profit:

We concentrated on supporting investee companies in various ways, such as drafting long-term strategies, offering M&A advice, and providing investor relations support. These measures bolstered share prices in the stock market, and we sold our share holdings. As a result, gross profit amounted to ¥2,804 million, and return on investment was 98%.

Trend in Total Assets and Total Net Assets



Yield on investments in listed companies

Mar. 2014	Mar. 2015	Mar. 2016	Mar. 2017	Mar. 2018
56.0%	59.9%	56.9%	27.2%	98.3%

Over the past five fiscal years, our investment period has been approximately one year and our average return on investment has exceeded 60%. Our investment strategy is always aimed at maximizing investment performance. However, payback periods differ by investment project, and sometimes investment periods go beyond one fiscal year. In the past, we have focused on short-term investments that can be reflected in full-year operating performance. Going forward, however, in addition to short-term investments we plan to incorporate medium- to long-term investment areas into our portfolio, as part of our aim to enhance corporate value.

Corporate Data As of March 31, 2018

■ Corporate Data

Company Name **Oak Capital Corporation**

Founded 1868

Incorporated 1918

Capital Stock **¥4,282 million**

Stock Exchange Listing 2nd Section of
Tokyo Stock Exchange 3113 (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. MUFG Bank, Ltd.

■ Board of Directors and Corporate Auditors

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

Director of the Board **Tsutomu Akita** Head of Administration and Control Division

Director of the Board **Fuyuki Makino** Head of Investment Banking Department

Director of the Board*1 **Tomoyasu Ozeki** Former Partner of Accenture Corp.

Director of the Board*1 **Yoshinori Uda**
Former Representative Director & Vice President of NTT DoCoMo, Inc.

Senior Managing Director **Yasuyuki Kido** Investment Banking Division

Managing Director **Yasunori Isomura** Business Strategy Office

Managing Director **Seiichi Kodama** Head of IR and PR Office

Standing Corporate Auditor **Hideya Takahashi**

Corporate Auditor*2 **Makoto Sakai** Lawyer

Corporate Auditor*2 **Motosuke Hirose**

Corporate Auditor*2 **Sonomi Ueno** Lawyer and Certified Public Accountant

*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, 2018

Total Number of Authorized Shares..... 150,000,000

Total Number of Issued Shares..... 53,675,037

Number of Shareholders..... 22,351

Major Shareholders

Name of shareholders	Ownership of shares	Share ownership ratio
An individual shareholder	1,635	3.05
Japan Trustee Services Bank, Ltd. (Trust account)	1,537	2.87
Kyowa Seika Co., Ltd.	1,160	2.16
LMI Co., LTD.	1,014	1.89
Hiroyasu Takei	895	1.67
Matsui Securities Co., Ltd.	682	1.27
An individual shareholder	660	1.23
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	609	1.14
The Nomura Trust and Banking Co., Ltd. (Trust account)	553	1.03
THE BANK OF NEW YORK MELLON 140040	460	0.86

Note) Percentage shareholding calculations exclude treasury stock (36,537 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 26th floor, Kasumigaseki Building, 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-6026, JAPAN
IR Japan, Inc.
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.