

April 9, 2008

Company Name	Oak Capital Corporation
Name of Representative	Hiroyasu Takei, Representative Director and Chairman
Securities Code Number	3113
Market of Public Listing	2 <sup>nd</sup> Sections of TSE, OSE and NSE
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### **Outline of Medium-term Management Plan**

Oak Capital wishes to inform you that a Three-Year Management Plan starting this fiscal year (April 1, 2008 ~ March 31, 2009) has been settled upon as set forth in the following outline.

#### **《Outline》**

Subsequently to our previous fiscal year ended March 31, 2007, a net loss has been projected also for the fiscal year ended March 31, 2008. In consequence, our net assets have been significantly reduced during these two fiscal terms. We offer our heartfelt apologies to all our shareholders and investors for any inconvenience caused.

The primary factors in the loss of the previous fiscal year (ended March 31, 2008) are the write-downs of the full amount of appraisal loss arising from some investments, notably Niigata Seimitsu, a portfolio company which was forced to file for bankruptcy protection under the Civil Rehabilitation Law as well as appraisal loss incurred on some of the listed securities held for trading purposes.

Against this background and having acknowledged the adverse effects produced by several events beyond our expectations, we are taking these results to heart and will use them as the basis for further strengthening our analysis of prospective investments and our risk management capabilities.

Prior to embarking on this new management plan, we conducted at the end of the previous fiscal year a rigorous assessment of the value of all our portfolio companies. For evaluating the financial condition of one part of our portfolio companies, we enforced a conservative policy in an effort to reduce the occurrence of possible new risk elements.

Having seriously reflected on the unfortunate events of the past two fiscal years and determined not to let them happen again, Oak Capital is intent on clarifying managerial responsibility and rebuilding its management foundation. Accordingly, our Representative Director has resigned and starting with the current term (ending March 31, 2009), we will take drastic cost-cutting measures such as the trimming of the remuneration and salaries for directors and employees thereby reducing sales and marketing costs as well as general and administrative costs by 35% compared to the previous fiscal year. Concurrently to these major-scale efforts aimed at readying the company for a fresh start and regaining the trust and confidence of our shareholders and investors, we will resolutely carry out a far-reaching structural reform affecting both the company's business and personnel affairs.

With this declaration of intent, we have settled on the present Medium (Three-Year)-Term Management Plan in which the fiscal year ending March 31, 2009 will be a pivotal period for reinforcing our managerial foundation. The ensuing three years have thus been designated as a period for achieving progress and growth in our capital, human resource and business strategies.

Oak Capital is currently in the midst of improving the liquidity of its investment assets and along this process, we are aiming to reconstruct and improve the composition of our business and investment portfolios as well as strengthen our financial condition by drawing up new, additional capital structure plans. In this context, we would also like to add that we shall be redeeming 2008 Due Euro-Yen Denominated Convertible Bonds with Stock Acquisition Rights on or before their maturity on May 12, 2008.

#### **1. Strategic issues**

- (1) Restructuring aimed at solidifying the base of the existing investment operations
- (2) Securing a stable cash flow through business reorganization and establishment of new business operations

#### **2. Medium-term managerial vision**

During the three-year period of the present Medium-Term Management Plan, Oak Capital will strive for the restoration of its growth and earning power by establishing stable cash-flow generating businesses in addition to its existing investment business and reorganizing its managerial structure.

Furthermore, befitting the image of the “oak” in our corporate name and the qualities of “steadfastness,” “vigor” and “growth” symbolized by the annual rings of this big tree maturing, we will work to add value to the businesses of the middle-sized excellent companies in our investment portfolio and foster their growth. Contributing to society in general is the ultimate object we wish to accomplish throughout our business activities.

### **3. Basic policy**

#### **(1) Sustained managerial reform**

We will make sustained efforts to improve the growth of our business and our earnings base and proceed in line with our definite policy which additionally calls for the reinforcement of our human resources and human networks as well as our capacity to identify and develop new deals.

#### **(2) Corporate value enhancement and commitment to profit distribution to shareholders**

Oak Capital will seek clarification and sustained transparency of its profit targets and its rules governing distribution of profit to shareholders. On May 15, 2008, we are planning to disclose specific numerical values and other figures together with the results of the fiscal year ended March 31, 2008.

### **4. Tackling strategic issues**

#### **(1) Fundamental change of the business structure**

##### **① Investment banking operations**

In the new business structure, priority will be given to risk management of the investment business (stepping up rigorous selection of investment targets) and profit maximization (identification of excellent investments and efforts to add value to these investments) while making the most of our human resources and organizing capacities with the object of enlarging our “investment banking” operations. Furthermore, we are changing to a structure in which we will place greater emphasis on making the investment banking operations more efficient from a finance viewpoint. This is to be achieved by strengthening our management involvement in the premium brand investees which are anticipated to enjoy stable earnings and growth thanks to our continued involvement in their operations and which will be separated in a new, independent business segment (as described below).

For our selection of new investments, we will continue to use the established selection standards whether we are targeting listed or unlisted companies and to give priority consideration to the following strengths:

- I. High brand equity
- II. Large market share
- III. Distinguishing technology

##### **② Launch of new business operations**

Oak Capital will work to construct a new business model by further developing the process for letting the seeds of this already-initiated enterprise germinate.

The contents of the business operations to be newly launched are as follows:

##### **I. Premium brand business**

Oak Capital currently holds a number of companies in its portfolio with a high perceived brand value such as Christofle Japan, the Japan entity of France’s long-established manufacturer of top-quality silverware and Yamada Heiando, the venerable producer of high-grade lacquerware by appointment to the Imperial Household striving for vertical integration of lacquer producing areas and sales channels. Relatively immune to economic fluctuation, one of the hallmarks of the upscale brand market is the potential for significantly improving brand entrenchment depending on the soundness of the used marketing strategy. Oak Capital will develop the business pursued by this group of companies into its own core business and continuously steer their operations.

Both Japan and Europe count numerous long-established boutiques, top-class brands, products and services that are deeply rooted in the heritage and culture of each region. There is also a great quantity of firms in various industries and sectors such as luxury hotel and retail chain store, food, apparel and jewelry business sectors that, in spite of carrying a value that has outlasted the tide of the times, have not been able to fully capitalize on their

latent potentials. Oak Capital will target future investment opportunities within this category of premium brand businesses and aim to enhance the corporate value of the entire Oak Capital Group by securing a stable cash flow from these operating activities.

During the third year of the present Medium-Term Management Plan, Oak Capital will aim at achieving an operating income composition in which 25% of its consolidated operating profit is generated by its premium brand business.

## **II. Consulting business (risk management and advisory services)**

### **a) Risk management**

For the past 6 years, Oak Capital has operated BSL Insurance, a subsidiary established in a joint investment operation with 4 insurance firms. This insurance agency has continued to grow by developing and providing innovative solutions to Oak Capital's investment recipient companies as well as outside, non-portfolio companies.

Riding on the liberalization wave, the insurance industry is currently undergoing drastic transformation and Oak Capital is determined to make the most of the opportunities posed by this situation to extend its penetration into this market. Anticipating a growing need for risk management services in all industries, Oak Capital will further expand this operation and promote the integrated risk management services deriving from these exclusive insurance agency operations into one of the main pillars supporting its business.

Oak Capital will strive to maintain a stable earnings base by further expanding the scope of this business while considering opportunities to acquire middle-sized insurance agencies.

### **b) Advisory services**

By making efficient use of know-how accumulated through its investment banking business, Oak Capital will set about a fee business connected to its provision of M&A and financial advisory services and business consultations. Until now, these services have been attendant upon the implementation of separate investment deals. Henceforth, however, we will aim to turn this activity into an additional and independent source for securing stable earnings regardless of whether or not such business is derived from Oak Capital's own investment deals or not.

Together with the risk management business as cited above, the consulting business as a whole is expected to generate 25% of Oak Capital's consolidated operating profit during the final year of the present Medium-Term Management Plan.

## **(2) Stable cash flow expansion**

### **① Establishment of a stable profit generating business**

We will aim to expand our operating cash flows by adding two businesses as additional pillars supporting our revenue base from this new fiscal year on. At the same time, we will actively form alliances including going into partnerships with outside parties so as to maximize business results.

### **② Improvement of profit-generating structure**

By restructuring its operation cost, Oak Capital will regenerate itself using a profit profile capable of withstanding adverse external factors. To make operation cost more efficient, we will aim at both improving cost-effectiveness by making the most of external resources and at reducing fixed costs such as personnel expenses (turning them into variable expenses).

During the first year of the present plan, we will reduce "sales and marketing" as well as "general and administrative" costs by 35% in comparison with the previous fiscal year.

## **5. Fund procurement**

Starting last fiscal year, Oak Capital has been actively proceeding with "liquidity creation" within its portfolio. In order to further strengthen Oak Capital's financial standing and enhance the quality of business and investment portfolios under reconstruction, we are additionally creating capital structure and strategic financial plans with medium-to long-term growth targets.

The details thereof will be disclosed on May 15, 2008 when we also plan to announce the business results of

the FY ended March 31, 2008.

## 6. New personnel and organization

### (1) Upgrading of human resources

We will seek to upgrade our team of professional staff by hiring outside personnel and picking out top-rate people capable of helping our team attain successful results in each business field.

### (2) Introducing a fair remuneration system

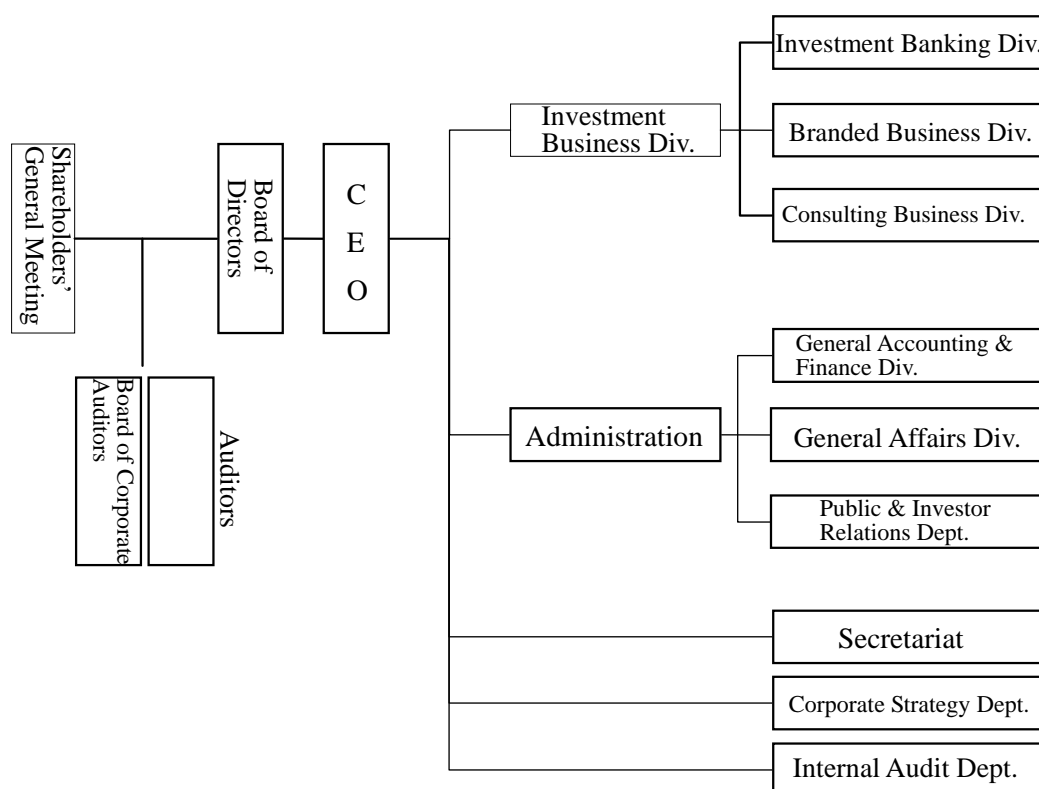
We will seek to improve the company's accountability and boost motivation by introducing a clear-cut performance-based remuneration system.

### (3) Solidifying the organizational base

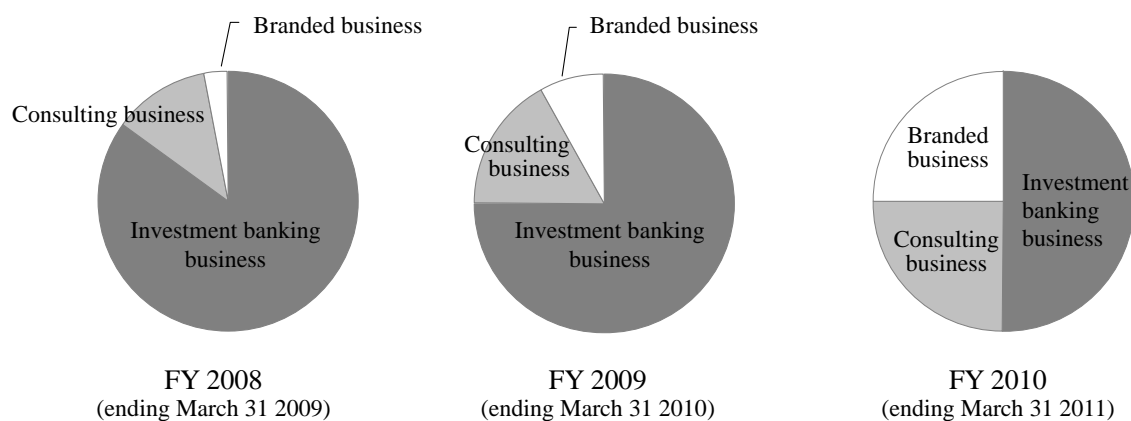
We will step up our commitment to the attainment of superior results by clearly defining both the delegation of authority and the scope of responsibilities and by simplifying the organizational structure.

#### 《Organogram》

(as of April 8, 2008)



## 7. Operating income per business segment (projection)



## **8. Background and course of action of the present medium-term business plan**

Oak Capital's managerial philosophy is "to share strategies and risks with the owner presidents of middle-sized companies and to contribute to the business community by providing the know-how and financial means for achieving business development". We have accordingly endeavored to fortify our earnings base and foster our own growth as a respectable investment banking player by investing in middle-sized companies and aiding in their growth.

In the actual enforcement of this policy, we have come to grapple with the managerial issues that are most crucial to our growth, that is to say replenishment of our investment portfolio, enhancement of our corporate value through quantitative reformation, enlargement of our earnings base, leveling of earnings by securing income gain and realization of earnings stability.

Nevertheless and especially within the present dramatically changing business environment, to focus on the investment business as our only source of income could potentially have unanticipated consequences and result in a violently fluctuating performance. Such single-minded business approach has been viewed by the market as a risk factor and a cause for selling our stock. Hence, we will be working out measures to deal with this situation head-on and ensure earnings stability from the wider perspective of a "business portfolio" versus an "investment portfolio".

In accordance with the outcome of our in-depth review of past operations, we have decided to designate the fiscal term ending March 31, 2009 as the year during which we will strive to reinforce our managerial base with the aim of restarting our operations and earning the recognition and appreciation from our stakeholders acknowledging the value of our company. The ensuing three-years have thus been designated as a period for achieving progress and growth in our capital, human resource and business strategies.

*Note: This document is a summary translation in English of that disclosure in Japanese for the reference and convenience of our foreign shareholders. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*