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Financial Results for  
The Year Ended May 2003

Oracle Corporation Japan

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# 1. Briefing of The Financial Results for The Year Ended May 2003

## (1) Financial Results Highlights

Yen in Millions

	02/5Result	03/5Forecast	<b>03/5Result</b>	<b>YoY</b>
Revenue	86,362	81,500	<b>86,249</b>	<b>-0.1%</b>
Operating Income	31,017	20,900	<b>25,844</b>	<b>-16.7%</b>
Operating Margin	35.9%	25.6%	<b>30.0%</b>	-
Ordinary Income	31,095	20,800	<b>25,848</b>	<b>-16.9%</b>
Ordinary Margin	36.0%	25.5%	<b>30.0%</b>	-
Net Income	17,620	10,900	<b>13,963</b>	<b>-20.8%</b>
Net Income Margin	20.4%	13.4%	<b>16.2%</b>	-
EPS	¥137.45	¥85.20	<b>¥108.96</b>	-
Employees	1,623	1,500	<b>1,440</b>	<b>-183</b>

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## (2) 1H/2H Results Highlight

Yen in Millions

	1H	YoY	2H	YoY	1H:2H
Revenue	39,353	-10.2%	46,896	10.3%	45.6% : 54.4%
Operating Income	10,610	-35.7%	15,234	4.9%	41.1% : 58.9%
Operating Margin	27.0%	-	32.5%	-	-
Ordinary Income	10,579	-36.1%	15,269	5.0%	40.9% : 59.1%
Ordinary Margin	26.9%	-	32.6%	-	-
Net Income	6,076	-36.0%	7,887	-2.9%	43.5% : 56.5%
Net Income Margin	15.4%	-	16.8%	-	-

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## (3) Segment Revenue Breakdown

Yen in Millions

	02/5Result	03/5Forecast	03/5Result	YoY
Database Technology	44,578	31,500	<b>34,652</b>	<b>-22.3%</b>
Business Application	3,452	5,300	<b>5,936</b>	<b>72.0%</b>
Software Product Subtotal	48,030	36,800	<b>40,589</b>	<b>-15.5%</b>
Support Service	24,811	28,600	<b>28,448</b>	<b>14.7%</b>
Education Service	4,021	3,600	<b>3,664</b>	<b>-8.9%</b>
Consulting Service	9,499	12,500	<b>13,548</b>	<b>42.6%</b>
Service Subtotal	38,332	44,700	<b>45,660</b>	<b>19.1%</b>
Total Revenue	86,362	81,500	<b>86,249</b>	<b>-0.1%</b>

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## (Ref.) Segment Revenue Breakdown

Yen in Millions

	02/5	YoY	03/5	YoY
Database Technology	44,578	-14.5%	<b>34,652</b>	<b>-22.3%</b>
Business Application	3,452	-31.5%	<b>5,936</b>	<b>72.0%</b>
Update Support & Product Support	24,478	30.6%	<b>28,047</b>	<b>14.6%</b>
Software Product Related Subtotal	72,508	-4.5%	<b>68,636</b>	<b>-5.3%</b>
Advanced Support	333	73.4%	<b>401</b>	<b>20.4%</b>
Education Service	4,021	7.7%	<b>3,664</b>	<b>-8.9%</b>
Consulting Service	9,499	20.6%	<b>13,548</b>	<b>42.6%</b>
Service Related Subtotal	13,853	17.3%	<b>17,613</b>	<b>27.1%</b>
<b>Total Revenue</b>	<b>86,362</b>	<b>-1.6%</b>	<b>86,249</b>	<b>-0.1%</b>

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## (4) 1H/2H Segment Revenue Breakdown

Yen in Millions

	1H	YoY	2H	YoY
Database Technology	15,492	-38.1%	19,160	-2.1%
Business Application	1,974	30.2%	3,962	104.8%
Software Product Subtotal	17,467	-34.2%	23,122	7.5%
Support Service	13,772	24.3%	14,676	6.9%
Education Service	1,906	-8.2%	1,758	-9.6%
Consulting Service	6,206	49.2%	7,342	37.5%
Service Subtotal	21,886	26.4%	23,774	13.1%
<b>Total Revenue</b>	<b>39,353</b>	<b>-10.2%</b>	<b>46,896</b>	<b>10.3%</b>

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## (Ref.) 1H/2H Segment Revenue Breakdown

Yen in Millions

	1H	YoY	2H	YoY
Database Technology	15,492	-38.1%	19,160	-2.1%
Business Application	1,974	30.2%	3,962	104.8%
Update Support & Product Support	13,587	24.2%	14,461	7.0%
Software Product Related Subtotal	31,053	-17.1%	37,583	7.2%
Advanced Support	185	29.8%	215	13.8%
Education Service	1,906	-8.2%	1,758	-9.6%
Consulting Service	6,206	49.2%	7,342	37.5%
Service Related Subtotal	8,299	30.1%	9,315	24.6%
<b>Total Revenue</b>	<b>39,353</b>	<b>-10.2%</b>	<b>46,896</b>	<b>10.3%</b>

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## (5) COS, SG&A

Yen in 100 millions

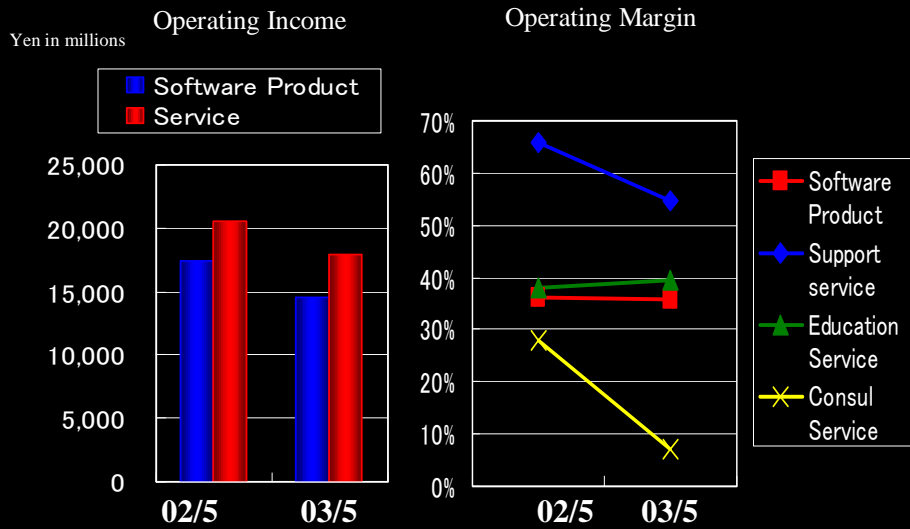
Account Title	02/5	03/5	Difference	Comment
<b>COS</b>	<b>333</b>	<b>406</b>	<b>+ 73</b>	
Royalty	220	239	+ 19	Royalty
Labor cost	52	58	+ 7	Effect of support change +39
Contractor cost	47	88	+ 41	Due to decrease in revenue -20
Rent	9	10	+ 1	Contractor cost in consulting service increased.
*Others	17	17	+ 0	
<b>SG&amp;A</b>	<b>220</b>	<b>197</b>	<b>- 23</b>	
Labor cost	98	94	- 4	
Contractor cost	41	25	- 16	
Ad expense	18	23	+ 5	
Rent	25	22	- 3	Effect of office consolidation
Others	35	31	- 4	

\*In addition to others, there is transfer to SG&A of 1.4billion yen in 02/5, 0.8billion yen in 03/5.

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## (6) Operating Income Breakdown



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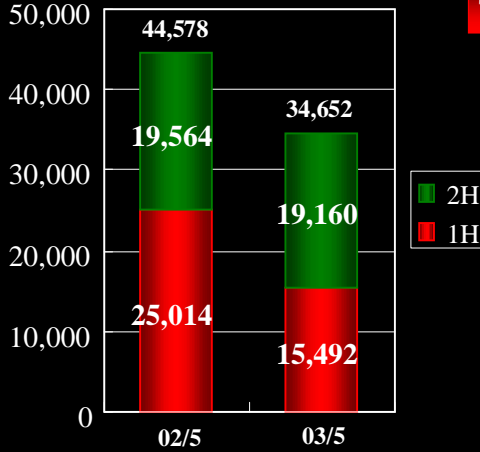
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## 2. Segment Overview

# (1) Database Technology

Revenue -22.3% YoY

Yen in millions



## Topics

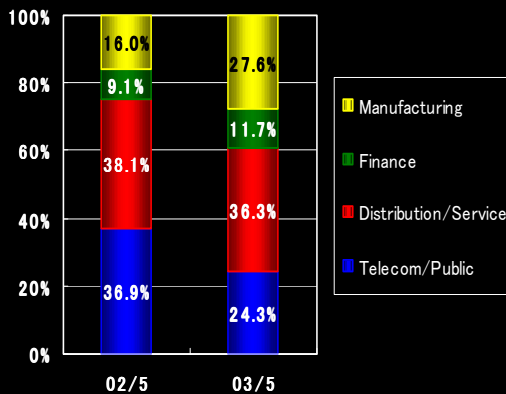
### Revenue Trend

- 1H Revenue -38% YoY
  - Price change
  - Order decreased from Telecom.
- 2H Revenue -2% YoY
  - Acquired several big deals

### Growth of DB Related Products

- RAC +134% YoY
- 9iAS + 36% YoY
- Oracle Collaboration Suite
  - Two customers

# (1) Database Technology Component Ratio by Industry



## Industry Topics

### Manufacturing and Finance

Steady orders

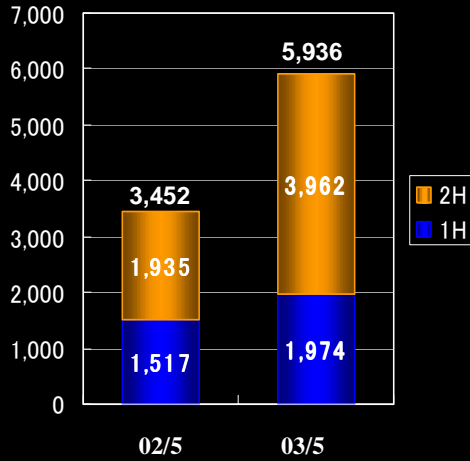
### Telecommunications

Significant YoY decrease attributable to relative strength in Telecommunications last year

\*Oracle estimate based on SIC(Standard Industrial Classification) Code

## (2) Business Application

Yen in millions



Revenue +72.0% YoY

### Topics

Acquired targeted big deals

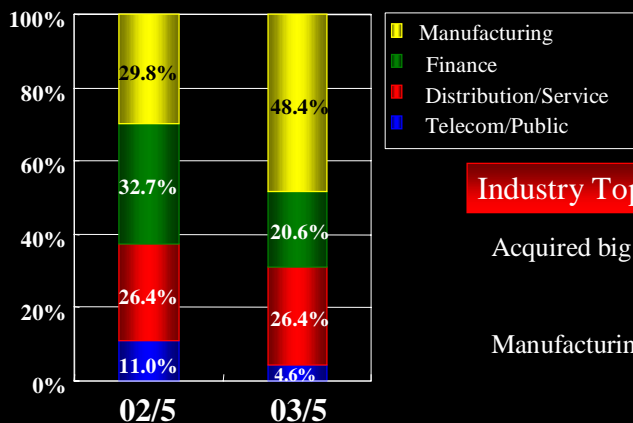


Top 10 deals account for about 60% of revenue.

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## (2) Business Application Component Ratio by Industry



### Industry Topics

Acquired big deals from all industries



Manufacturing was revenue driver.

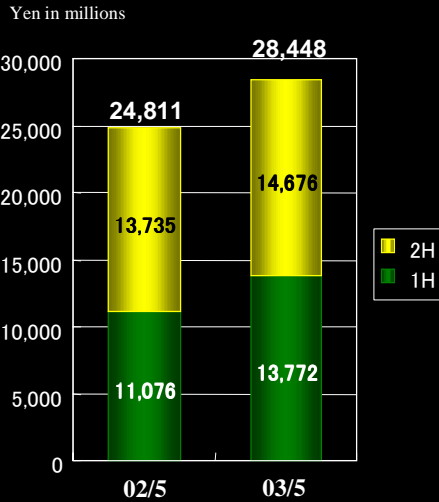
\*Oracle estimate based on SIC(Standard Industrial Classification) Code

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### (3) Support Service



Revenue +14.7% YoY

#### Topics

Maintained initial contract and renewal rate

#### Outsourcing Business

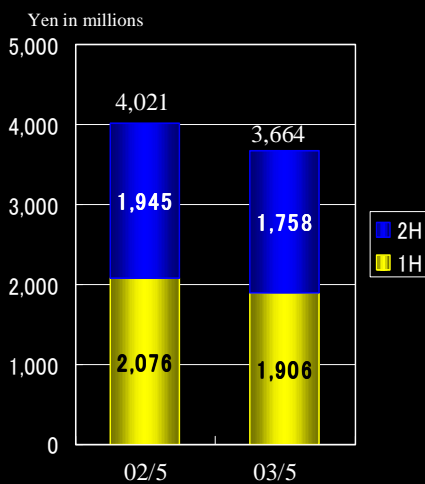
First Online DBA Order

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### (4) Education Service

Revenue -8.9% YoY



#### Topics

#### ILT Course

Revenue decreased due to the training cost reduction from customers

→ Shift to OLN

#### Onsite Course

Customized Training: Steady

#### Certificate

Steady Trend

Oracle Master

93,000 (+27,000)

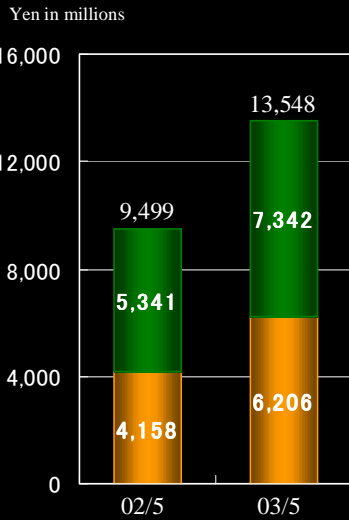
Oracle Certified Consultant

55,000 (+11,000)

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## (5) Consulting Service



Revenue +42.6% YoY

### Topics

Acquired targeted big projects.  
Top 10 projects account for about 70% of revenue.

### BFA (Business Flow Accelerator)

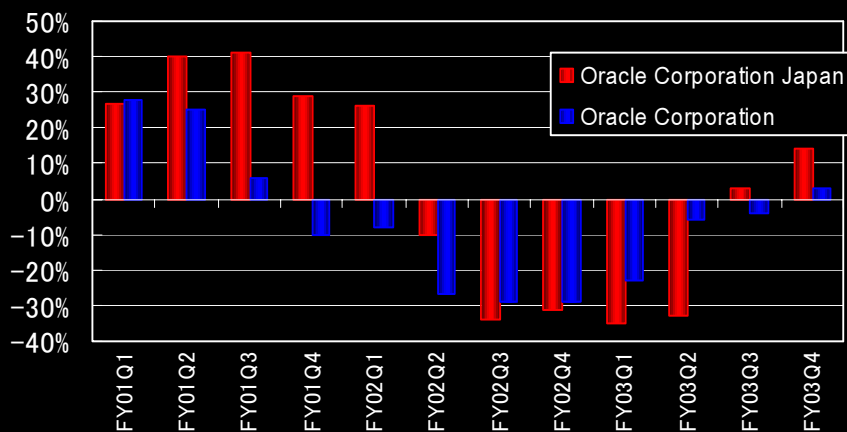
Start "Fast-Forward" Approach  
Result: 3 deals

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## (6) Revenue Trend of Software Product

### YoY Change (US GAAP)

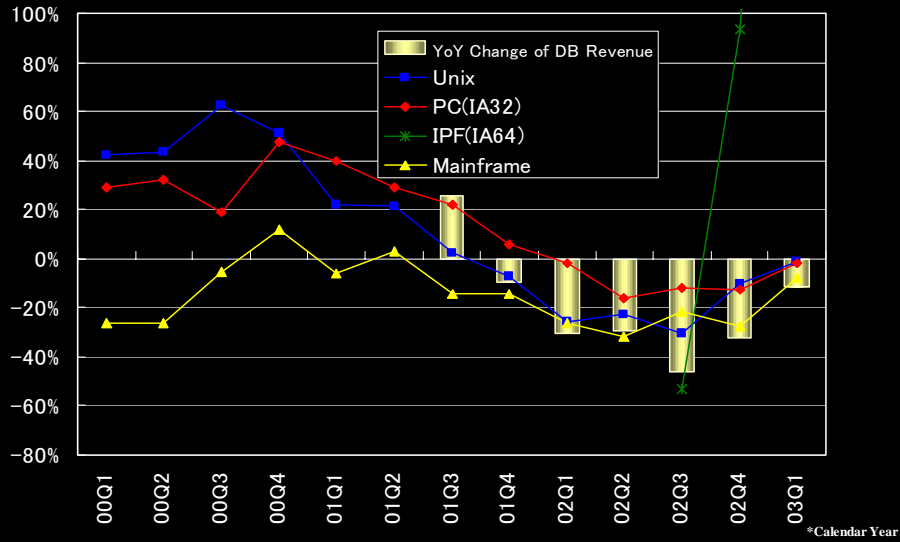


\*Oracle Fiscal Year: June 1-May 31

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## (7) Server Shipment and Oracle Japan's DB Revenue



Source : Gartner (Apr-02, Sep-02, Nov-02, Feb-03) all rights reserved

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## 3. Forecast of The Year Ending May 2004

## (1) Forecast of The Year Ending May 2004

Yen in millions

	03/5	04/5	YoY
Revenue	86,249	<b>83,400</b>	-3.3%
Gross Profit(Margin)	45,621(52.9%)	<b>46,500 (55.8%)</b>	1.9%
SG&A	19,777	<b>20,200</b>	2.1%
Operating Income(Margin)	25,844(30.0%)	<b>26,300 (31.5%)</b>	1.8%
Ordinary Income(Margin)	25,848(30.0%)	<b>26,200 (31.4%)</b>	1.4%
Net Income (Margin)	13,963(16.2%)	<b>15,400 (18.5%)</b>	10.3%
EPS	¥108.96	<b>¥120.83</b>	-
Dividend per Share	¥110.00	<b>¥120.00</b>	

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## (2) 1H/2H Forecast of The Year Ending May 2004

Yen in millions

	1H	YoY	2H	YoY
Revenue	39,400	0.1%	44,000	-6.2%
Operating Income	10,900	2.7%	15,400	1.1%
Operating Margin	27.7%	-	35.0%	-
Ordinary Income	10,800	2.1%	15,400	0.9%
Ordinary Margin	27.4%	-	35.0%	-
Net Income	6,400	5.3%	9,000	14.1%
Net Income Margin	16.2%	-	20.5%	-

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### (3) Segment Revenue Breakdown

Yen in millions

	03/5	04/5	YoY
Database Technology	34,652	<b>35,200</b>	1.6%
Business Application	5,936	<b>5,800</b>	-2.3%
Software Product Subtotal	40,589	<b>41,000</b>	1.0%
Support Service	28,448	<b>31,000</b>	9.0%
Education Service	3,664	<b>3,200</b>	-12.7%
Consulting Service	13,548	<b>8,200</b>	-39.5%
Service Subtotal	45,660	<b>42,400</b>	-7.1%
Total Revenue	86,249	<b>83,400</b>	-3.3%

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### (Ref.) 1H/2H Segment Revenue Breakdown

Yen in millions

	03/5	04/5	YoY
Database Technology	34,652	<b>35,200</b>	1.6%
Business Application	5,936	<b>5,800</b>	-2.3%
Update Support & Product Support	28,047	<b>30,200</b>	7.7%
Software Product Related Subtotal	68,636	<b>71,200</b>	3.7%
Advanced Support	401	<b>800</b>	99.5%
Education Service	3,664	<b>3,200</b>	-12.7%
Consulting Service	13,548	<b>8,200</b>	-39.5%
Service Related Subtotal	17,613	<b>12,200</b>	-30.7%
Total Revenue	86,249	<b>83,400</b>	-3.3%

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## (4) COS, SG&A of The Year Ending May 2004

Yen in 100 millions

Account Title	03/5	04/5	Difference	Comment
<b>COS</b>	<b>406</b>	<b>369</b>	<b>- 37</b>	
Royalty	239	251	+ 12	Contractor cost
Labor cost	59	55	- 4	Contractor cost in consulting service would decrease.
Contractor cost	88	43	- 45	
Rent	10	8	- 2	Effect of office consolidation
*Others	17	18	+ 1	
<b>SG&amp;A</b>	<b>197</b>	<b>202</b>	<b>+ 5</b>	
Labor cost	94	96	+ 2	
Contractor cost	25	22	- 3	
Ad expense	23	26	+ 3	
Rent	22	20	- 2	Effect of office consolidation
Others	31	37	+ 6	

\*In addition to others, there is transfer to SG&A of 0.8billion yen in 03/5, 0.6billion yen in 04/5.

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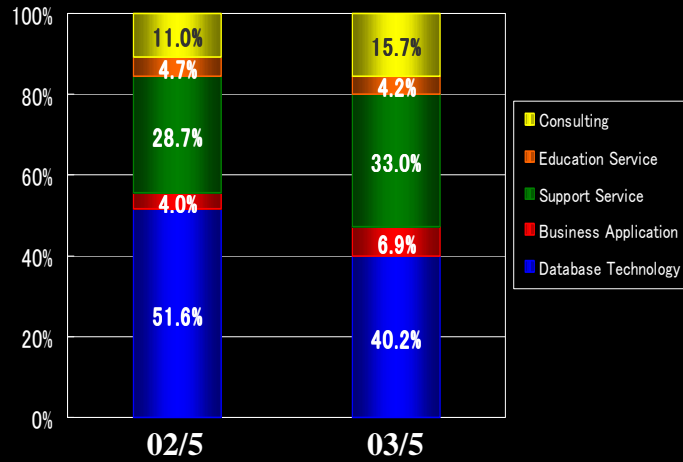
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Appendix

## Appendix:Segment Revenue Breakdown

### Software Product and Service

55.6% : 44.4% → 47.1% : 52.9%



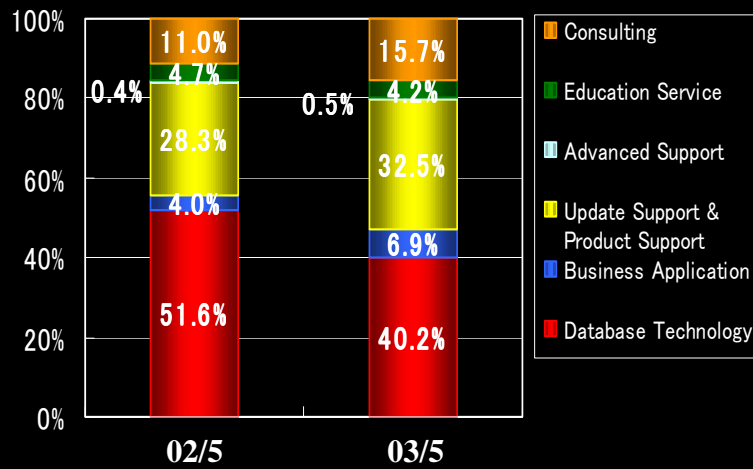
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## Appendix:(Ref.)Segment Revenue Breakdown

### Software Product Related Revenue and Service Related Revenue

83.9% : 16.1% → 79.6% : 21.4%

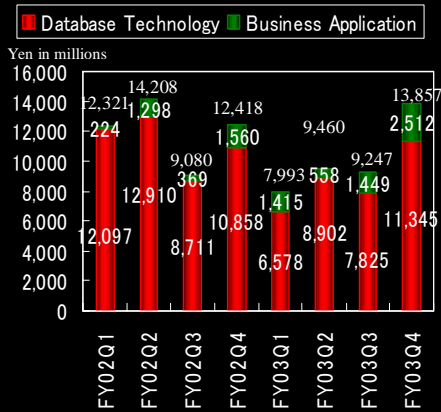


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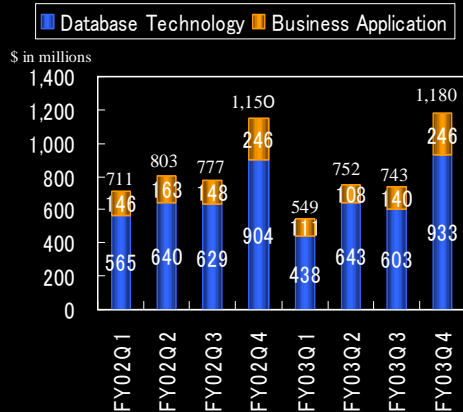
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## Appendix: Revenue Trend of Software Product

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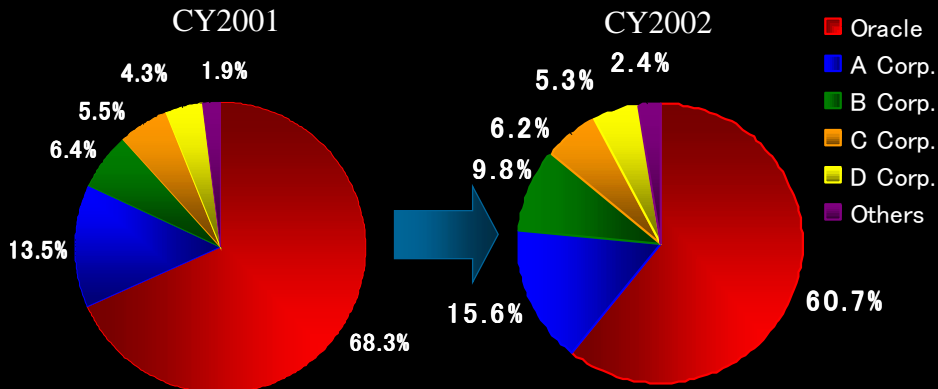
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\*Currently OCJ does not adopt quarterly disclosure. Figures above are un-audited.

## Appendix: Database Technology (market trend)

Japan RDBMS(UNIX OS)  
Shipment Share of Vendors

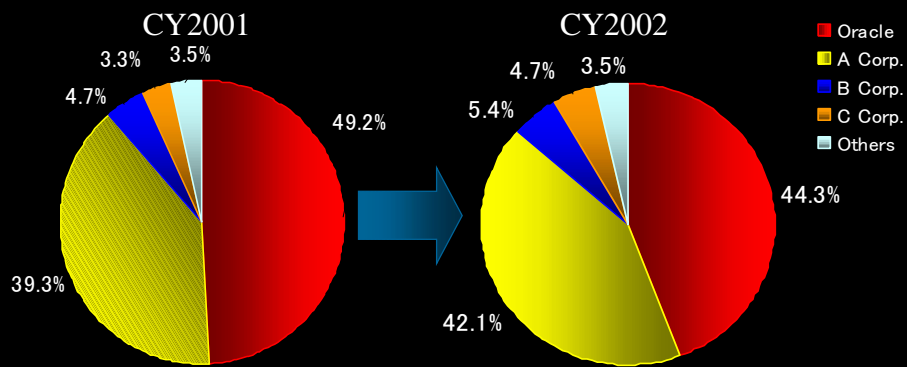


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# Appendix: Database Technology (market trend)

Japan RDBMS(Windows & Linux OS)  
Shipment Share of Venders



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