

This flash report is unaudited and the translation of the Japanese language version.

Flash Report for the 3rd Quarter of Fiscal Year Ending May 31, 2018
[under Japanese GAAP] (Non-consolidated)

March 22, 2018



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 Quarterly Report Filing Date (as planned): April 13, 2018
 Schedule for dividends payment: -
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results conference: Yes (for analysts and institutional investors)

(Amount of less than ¥1 million are rounded down)

1. Financial results for this term (from June 1, 2017 to February 28, 2018)

(1) Operating result

(% of change from previous year)

	Revenue		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
3 rd Quarter, May 2018	131,716	6.9	39,225	4.9	39,164	5.0	27,028	4.7
3 rd Quarter, May 2017	123,240	1.0	37,377	2.5	37,292	2.1	25,813	5.9

	Net income per share		Net income per share (diluted)	
	Yen	Sen	Yen	Sen
3 rd Quarter, May 2018	211	57	211	14
3 rd Quarter, May 2017	202	42	202	03

(2) Financial Position

	Total Assets	Net assets	Ratio of shareholders' equity	Net asset per share	
	Million Yen	Million Yen	%	Yen	Sen
3 rd Quarter, May 2018	196,729	119,573	60.6	932	82
FY ended May 2017	198,731	105,783	52.9	824	79

Shareholders' equity 3rd Quarter, May 2018: 119,295 Million Yen (FY2017: 105,221 Million Yen)

2. Dividends

	Dividend per share									
	1 st Quarter end		2 nd Quarter end		3 rd Quarter end		Fiscal Year end		Total	
	Yen	Sen	Yen	Sen	Yen	Sen	Yen	Sen	Yen	Sen
FY ended May 2017	-		0	00	-		114	00	114	00
FY ending May 2018	-		-		-					
FY ending May 2018(Forecast)							-		-	

(Note1) Revision of outlook for dividends in this quarter: No

(Note2) Year-end dividend for the next fiscal year has yet to be determined.

3. Forecast for the May 2018 term (from June 1, 2017 to May 31, 2018)

(% of change from previous year)

	Revenue	Net income per share
	%	Yen
Entire term	1.0~4.0	287~297

(Note1) Revision of forecast for May 2018 term in this quarter: No

(Note2) Company uses ranges of values for the forecast.

(Note3) Estimation of effective tax rate is 31.0%

4. Other information

(1) Adoption of specified accounting methods for the preparation of quarterly non-consolidated financial statements: Yes

(2) Changes in accounting policies, procedures, presentation rules, etc

(i) Changes in accounting policies due to revision of accounting standards : None	None
(ii) Changes in accounting policies due to reasons other than (i): None	None
(iii) Changes in accounting estimates : None	None
(iv) Restatements : None	None

(3) The number of shares outstanding (common stock)

(i) The number of shares outstanding (inclusive of treasury stock)	3 rd Quarter, May 2018	127,990,471 shares
	FY ended May 2017	127,728,671 shares
(ii) The number of treasury stock	3 rd Quarter, May 2018	104,302 shares
	FY ended May 2017	154,522 shares
(iii) The number of average shares outstanding (cumulative, non-consolidated, at end of third quarter)	3 rd Quarter, May 2018	127,749,599 shares
	3 rd Quarter, May 2017	127,526,569 shares

(Note) The Company's stock held by Board Incentive Plan Trust and Employee Stock Ownership Plan Trust is included in the number of shares held in treasury.

The treasury shares which remain in the BIP trust and the ESOP trust are included in the treasury stock to be deducted in the calculation of the number of average shares outstanding during the term.

Caution1:

These quarterly financial statements are outside the scope of quarterly review procedures.

Caution2:

Above forecast is based on the information available at a time of issuance of this report, and the actual result may change by various reasons. Please refer to Qualitative information for Forecasts, on page 4.

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1. Qualitative Information on Results in the Quarter under Review

(1) Qualitative Information on Business Outcomes

(i) Overview

During the third quarter under review (from June 1, 2017 to February 28, 2018 hereinafter “this quarter”), despite the need for concern over overseas policy trends in the United States and elsewhere along with geopolitical risks, the economic environment in Japan continued to show a trend towards gradual improvement on the strength of fiscal and monetary policies.

In terms of social and corporate activity, it has become important to utilize digital technologies when tackling solutions to problems to cope with issues such as the shrinking productive-age population, globalization and the challenge of developing new businesses.

Similarly, the Japanese information services industry in which the Company operates enjoyed firm system renewal demand and solid IT investment aimed at corporate growth and boosting competitiveness, including investing in mobile solutions, improving efficiency through the use of IoT and other digital data, and strengthening contact points with end users.

Under this business environment, there are growing needs for cloud services that enable flexible IT investment and agile system building. The Company will make use of cloud services and data as it strives to become a best partner achieving innovation and supporting growth for client companies. Concurrently, the Company has been promoting its business policies, namely promoting “Journey to the Cloud”, one of approaches to promote the use of the cloud among client companies, strengthening enterprise sales activities, which involves proposing optimum solutions incorporating examples of overseas IT utilization to address the management issues of client companies, and strengthening employee engagement, which represents the source of corporate vitality.

Under these circumstances, the Company posted revenue of 131,716 million yen (up 6.9 % year on year), operating income of 39,225 million yen (rising 4.9 %), ordinary income of 39,164 million yen (gaining 5.0 %) and net income of 27,028 million yen (increasing 4.7 %).

(ii) Results by Reported Segment

[Cloud & Software *]

* The Company has implemented an organizational change by integrating the New software licenses and cloud (SaaS/PaaS/IaaS) segment and the Software license updates & product support segment as the Cloud and software segment.

Revenue in the Cloud & Software segment was 104,059 million yen, up 7.6 % from the corresponding period of the previous fiscal year. Revenue in the Cloud (SaaS/PaaS/IaaS) was 8,968 million yen (rising 42.2 % year on year), revenue in the New software licenses was 30,423 million yen (rising 5.6 % year on year), and revenue in Software license updates & product support was 64,666 million yen (increasing 5.0 % year on year).

This segment consists of the New software licenses that sells new licenses for database management software, a range of middleware, and ERP and other business applications, etc. Software license updates & product support that updates software for customers using the Company’s software licenses and provides technical support, and Cloud (SaaS/PaaS/IaaS) provides services to access to select Oracle software applications, software platforms and resources of hardware via the Internet.

The Company’s new software licenses products have been widely adopted in the field of mission-critical systems, which has demanded sophisticated security, availability and high-speed processing performance for many years.

The Oracle Cloud, which the Company has focused on as a pillar of its new business, has been developed based on the same architecture and technologies as these new licenses, and the Company enjoys a strength in enabling coordination and bidirectional migration between on-premises (*) systems built with the new software licenses products and the Oracle Cloud.

(Note 1) SaaS: Stands for “Software as a Service,” and refers to services that offer financial accounting, salary/personnel management, and other functions of software that are provided via the Internet.

(Note 2) PaaS: Stands for “Platform as a Service,” and refers to services that offer database management software for the construction and operation of the IT systems and middle layer software that ensure the smooth linkage between different software that are provided via the Internet.

(Note 3) IaaS: Stands for “Infrastructure as a Service,” and refers to services that offer infrastructure that are provided via the Internet for the construction and operation of IT systems, such as server machines, storage devices, and other hardware and networks.

(Note 4) On-premises: A form of IT system developed and operated as the company’s possession.

< Cloud (SaaS/PaaS/IaaS)>

In SaaS, demand continued to grow for the ERP and EPM Cloud that provides solutions for global indirect purchases and integrated accounting aimed at strengthening competitiveness and improving efficiency. The Company's strength in seamless coordination with existing systems, the fast implementation that is only possible with cloud solutions and the ability to extend functionality on PaaS have been recognized, and in the second quarter, the Company received some large orders of our ERP cloud services for customer's overseas offices, and for the customer who would migrate its existing system to our cloud platform and interconnect with ERP cloud.

In the third quarter, the Company continued to receive orders from a wide range of customers for budget management, purchasing and production management solutions, in addition to its core accounting solutions, because it is easy to introduce each solution in a short period of time, which is one of the advantages of cloud services.

In terms of the Service Cloud, which streamlines customer center operations by machine learning and helps improve the purchase experiences of end customers, the Company fielded inquiries from companies across a wide range of industries and performed steadily.

Furthermore in the new fields, Ministry of Environment adopted "Opower Energy Efficiency Cloud Service" which is provided for public works, for achieving goals of measures against global warming.

This Cloud service helps autonomous Energy-saving behavior by providing energy-saving report based on behavioral science to each 300,000 family which 5 Energy Companies in Japan are in charge of.

Regarding PaaS/IaaS, in addition to usage for customers' new system development and verification applications, business inquiries have been on the rise for products that support device and system coordination and data processing for an IoT solution for the manufacturing sector, as well as Oracle Cloud at Customer that provides public IaaS and PaaS by installing the Oracle Cloud environment in customer data centers.

Additionally, in September 2017, the Company announced Bring Your Own License (BYOL), enabling customers to move their existing Oracle software licenses over to Oracle PaaS, as well as Universal Credits, which allows the use of all Oracle PaaS and IaaS by entering into a single and simple contract. The company has provided these programs which makes the cloud service purchasing methods and usage patterns more flexible, and is endeavoring to make them available to a wide range of customers.

< New software licenses >

With Oracle Database 12c, the Company's flagship product, the utilization of multi-tenant functions makes it possible to integrate the database operating infrastructure, reducing the workload for maintenance and operational tasks and enabling a smooth transition to the cloud in the future.

Demand for system solutions and IT system platform integration to accommodate growth in data volume remained firm, and the Company received large orders in the financial and public sectors in the first quarter, in the manufacturing, finance and public sectors in the second quarter, and in the manufacturing, distribution and telecommunication and public interest sectors in the third quarter. These orders came from customers pursuing strategies of boosting competitiveness and strengthening customer contact points by enhancing security and developing IT systems while seeking to improve the efficiency of IT system operations.

< Software license updates & product support >

The Company continued to highlight the quality of support offerings through "My Oracle Support", which provides personalized, proactive and preventative support experience. Meanwhile, it stepped up collaboration with partners and took steps to increase support attach rate to new products and maintain and boost the support contract renewal rate.

[Hardware Systems]

Revenue in the Hardware systems segment was 12,538 million yen, down 5.4 % from the corresponding period of the previous fiscal year.

Revenue in the Hardware systems product division was 4,850 million yen (fell 13.7 % year on year) and Revenue in the Hardware systems support division was 7,687 million yen (up 0.7 % year on year).

This segment consists of the Hardware systems product division which sells servers, storage, engineered systems and network devices, and provides operating systems and related software, and the Hardware systems support division which provides technical support for hardware products, maintenance and repair services and updated versions of related software including operating systems.

[Services]

Revenue in the Services segment was 15,117 million yen, gaining 14.0 % from the corresponding period of the previous fiscal year.

This segment consists of Consulting Services, which support the introduction of products of the Company; Advanced Customer Support Services, which provide a preventive maintenance service and a comprehensive operation management service for customers' IT environments; and Education services, which provide training for engineers and users, and also encompasses a technology qualification business.

For Consulting Services, cloud adoption projects have increased steadily, while in Education Services, there has been an increase in demand for training in Java aimed at cloud application development.

<Revenue breakdown by business segments>

Item	FY2017 3 rd Quarter		FY2018 3 rd Quarter			May 2017	
	Amount Million Yen	Comp. %	Amount Million Yen	Comp. %	Variance %	Amount Million Yen	Comp. %
Cloud (SaaS/PaaS/IaaS)	6,306	5.1	8,968	6.8	42.2	9,159	5.3
New software licenses	28,804	23.4	30,423	23.1	5.6	43,386	25.1
Software license updates & product support	61,608	50.0	64,666	49.1	5.0	82,727	47.8
Cloud & Software	96,719	78.5	104,059	79.0	7.6	135,273	78.1
Hardware systems products	5,618	4.6	4,850	3.7	-13.7	9,375	5.4
Hardware systems support	7,635	6.2	7,687	5.8	0.7	10,176	5.9
Hardware systems	13,253	10.8	12,538	9.5	-5.4	19,551	11.3
Services	13,266	10.8	15,117	11.5	14.0	18,365	10.6
Total	123,240	100.0	131,716	100.0	6.9	173,190	100.0

*Amount is rounded down. Composition ratio and year-to-year comparison (Variance) are rounded off.

(2) Qualitative Information on Financial Situation

The total assets of the Company at the end of the term stood at 196,729 million yen (decreasing 2,002 million yen from the end of the previous year). Current assets were 155,619 million yen (decreasing 2,001 million yen).

Liabilities were 77,155 million yen (decreasing 15,793 million yen). Net assets totaled 119,573 million yen (increasing 13,790 million yen).

As a result, the ratio of shareholders' equity was 60.6% (up 7.7 percentage points from the end of the previous year).

(3) Qualitative Information on Forecasts

There is no change to the forecast announced on June 26, 2017.

2. Quarterly Financial Statements and Main Notes

(1) Quarterly Balance Sheet

(Unit : Million yen)

Description	Previous term end (as of May 31, 2017)	Current term end (as of February 28, 2018)
Assets		
Current assets		
Cash and deposits	43,025	131,502
Accounts receivable-trade	19,629	19,185
Short-term loans receivable	90,300	—
Other	4,668	4,970
Allowance for doubtful accounts	-2	-39
Total current assets	157,621	155,619
Noncurrent assets		
Property, plant and equipment		
Buildings, net	11,384	10,824
Land	26,057	26,057
Other, net	2,648	3,196
Total property, plant and equipment	40,089	40,078
Intangible assets	6	2
Investments and other assets		
Other	1,014	1,028
Allowance for doubtful accounts	-0	-0
Total investments and other assets	1,014	1,028
Total noncurrent assets	41,110	41,109
Total assets	198,731	196,729
Liabilities		
Current liabilities		
Accounts payable-trade	12,028	11,329
Accounts payable-other	5,109	4,374
Income taxes payable	8,274	4,639
Advances received	62,594	51,121
Provision for bonuses	2,035	1,475
Other Provision	442	293
Other	2,454	3,912
Total current liabilities	92,940	77,147
Noncurrent liabilities		
Other	7	7
Total noncurrent liabilities	7	7
Total liabilities	92,948	77,155
Net assets		
Shareholders' equity		
Capital stock	23,755	24,411
Capital surplus	7,106	7,761
Retained earnings	75,258	87,727
Treasury stock	-898	-605
Total shareholders' equity	105,221	119,295
Subscription rights to shares	561	278
Total net assets	105,783	119,573
Total liabilities and net assets	198,731	196,729

(2) Quarterly Statement of Income

(Unit : Million yen)

Description	Previous term (From June 1, 2016 to February 28, 2017)	Current term (From June 1, 2017 to February 28, 2018)
Net sales	123,240	131,716
Cost of sales	62,237	69,102
Gross Profit	61,002	62,613
Selling, general and administrative expenses	23,625	23,388
Operating income	37,377	39,225
Non-operating income		
Interest income	8	12
Others	9	19
Total Non-Operating Income	17	32
Non-Operating expenses		
Foreign exchange losses	84	89
Others	17	3
Total Non-Operating expenses	102	93
Ordinary Income	37,292	39,164
Extraordinary Income		
Gain on reversal of subscription rights to shares	165	102
Total Extraordinary Income	165	102
Income before income taxes	37,458	39,267
Income taxes	11,644	12,238
Net Income	25,813	27,028

(3) Notes to Quarterly Financial Statements

(Notes to Going Concern): Not Applicable

(Notes to significant changes in the stockholders' equity): Not Applicable

(Adoption of specified accounting methods for the preparation of quarterly non-consolidated Financial statements)

The Company has adopted a method in which tax expenses are calculated by multiplying quarterly net income before tax by effective tax rates estimated in a reasonable way, after applying tax effect accounting to net income before tax for the fiscal year under review. Income taxes-deferred is stated including corporate tax.

(Segment Information)

Previous quarter under review (from June 1, 2016 to February 28, 2017)

Segment sales and operating income (loss)

(Unit : Million Yen)

	Reportable operating segments				Adjustment (Note) 1	Amount on Statement of Income
	Cloud and Software	Hardware Systems	Services	Total		
Sales						
External customers	96,719	13,253	13,266	123,240	—	123,240
Intersegment net sales or transfer	—	—	—	—	—	—
Total	96,719	13,253	13,266	123,240	—	123,240
Operating income (loss)	36,491	619	3,417	40,528	-3,151	37,377

(Notes): 1. Segment profit adjustment of minus 3,151 million yen is a Company-wide expense, which primarily relates to administration departments that do not belong to any reported segment.

2. Segment profits are adjusted in comparison with operating income in the statement of income.

I. Current quarter under review (from June 1, 2017 to February 28, 2018)

1. Segment sales and operating income (loss)

(Unit : Million Yen)

	Reportable operating segments				Adjustment (Note) 1	Amount on Statement of Income
	Cloud and Software	Hardware Systems	Services	Total		
Sales						
External customers	104,059	12,538	15,117	131,716	—	131,716
Intersegment net sales or transfer	—	—	—	—	—	—
Total	104,059	12,538	15,117	131,716	—	131,716
Operating income (loss)	38,280	568	3,759	42,608	-3,383	39,225

(Notes): 1. Segment profit adjustment of minus 3,383 million yen is a Company-wide expense, which primarily relates to administration departments that do not belong to any reported segment.

2. Segment profits are adjusted in comparison with operating income in the statement of income.

2. Change in Reported Segments

The Company has implemented an organizational change by integrating the New software licenses and cloud (SaaS/PaaS/IaaS) segment and the Software license updates & product support segment as the Cloud and software segment. The change was decided on after reviewing the business segments from a range of perspectives such as the current status of the Company relating to the development of businesses, the allocation of management resources, and the system of business management, as well as the situation in which the interrelationship and complementarity between the New software licenses and cloud (SaaS/PaaS/IaaS) segment and the Software license updates & product support segment were enhanced to the degree that the Company's businesses were underpinned through the provision of these services as one under the former segmentation.

The segment information for the previous term is presented based on the data and the name compiled according to the segmentation adopted after the change.

3. Others

Important Information about Going Concern Assumption

Not Applicable