



**Flash Report for the Fiscal Year Ended May 31, 2018**  
**[under Japanese GAAP] (Non-consolidated)**

June 26, 2018

**Company Name Oracle Corporation Japan**

Listed Stock Exchange: TSE 1<sup>st</sup> Section

**Ticker: 4716**

URL <http://www.oracle.com/jp/corporate/investor-relations/index.html>

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Tadahiro Kaneko, Representative Executive Officer, Chief Legal Officer

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Shigeru Nosaka, Executive Deputy President & CFO

Schedule for general shareholders meeting: August 22, 2018

Schedule for dividends payment: August 6, 2018

Schedule for annual security report: August 22, 2018

Preparation of supplementary materials on financial results: Yes

Holding of 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 May 31, 2018)

(1) Operating result

(% of change from previous year)

	Revenue		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
May 2018	185,481	7.1	56,009	6.6	55,978	6.6	38,751	6.6
May 2017	173,190	1.8	52,524	4.6	52,502	4.4	36,360	8.3

	Net income per share		Net income per share (diluted)		ROE	ROA	Operating Income Margin
	Yen	Sen	Yen	Sen	%	%	%
May 2018	303	25	302	66	32.8	25.7	30.2
May 2017	285	11	284	55	30.2	24.9	30.3

(2) Financial Position

	Total Assets		Net assets		Ratio of shareholders' equity	Net assets per share	
	Million Yen		Million Yen		%	Yen	Sen
May 2018	236,509		131,425		55.5	1,025	38
May 2017	198,731		105,783		52.9	824	79

Shareholders' equity May 2018: 131,162 million Yen May 2017: 105,221 million yen

(3) Cash Flows

	Cash flows from operating activities		Cash flows from investing activities		Cash flows from financing activities		Cash and cash Equivalents at the end of period	
	Million Yen		Million Yen		Million Yen		Million Yen	
May 2018	50,881		42,778		-13,357		118,326	
May 2017	43,087		16,122		-66,829		38,025	

2. Dividends

	Dividend per share										Total amount of dividends	Dividends payout ratio	Dividend Ratio to shareholders' equity
	1 <sup>st</sup> Quarter end		2 <sup>nd</sup> Quarter end		3 <sup>rd</sup> Quarter end		Fiscal Year end		Total				
	Yen	Sen	Yen	Sen	Yen	Sen	Yen	Sen	Yen	Sen	Million Yen	%	%
May 2017	-		0	00	-		114	00	114	00	14,559	40.0	12.1
May 2018	-		0	00	-		121	00	121	00	15,489	39.9	13.1
May 2019 (Forecast)	-		-		-		-		-			-	

(Note1) Changing Dividend Forecast for the year ended May 31, 2018 Yes

(Note2) Year-end dividend for the year ending May 31, 2019 has yet to be determined.

3. Forecast for the May 2019 term (from June 1, 2018 to May 31, 2019)

(% of change from previous year)

	Revenue		Net income per share
	%		Yen
Entire term	1.0 ~ 5.0		305.00 ~ 315.00

(Note1) Company uses ranges of values for the forecast. Please refer to Business Outcomes for Forecasts, on page 5.

(Note2) Estimation of effective tax rate is 30.9%.

4. Other information

(1) 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

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

(i) The number of shares outstanding (inclusive of treasury stock)	May 2018	128,019,371 shares
	May 2017	127,728,671 shares
(ii) The number of treasury stock	May 2018	103,302 shares
	May 2017	154,522 shares
(iii) The number of average shares outstanding	May 2018	127,787,494 shares
	May 2017	127,531,594 shares

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

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:

This flash report is not subject to audit.

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 Business Outcomes for Forecasts, on page 5.

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## **1. Business Outcomes**

### (1) (1) Analysis of Results of Operations

#### (i) Conditions during the Period

During the fiscal year under review (from June 1, 2017 to May 31, 2018, hereinafter “this year”), 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.

In 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 an ideal partner, achieving innovation and supporting growth for client companies. Concurrently, the Company has been operating its business in accordance with its management policies of promoting Journey to the Cloud as an approach for encouraging clients to introduce cloud technologies, providing staff training to offer specialist knowledge for addressing the management issues of client companies, and forging a corporate culture.

As a result of these measures, the Company obtained large orders from a number of customers making strategic use of data in the areas of communication, public interest and manufacturing, especially in the third and fourth quarters (i.e. in the final six months of the fiscal year).

The Company posted revenue of 185,481 million yen (up 7.1 % year on year), operating income of 56,009 million yen (rising 6.6 %), ordinary income of 55,978 million yen (gaining 6.6 %) and net income of 38,751 million yen (increasing 6.6 %).

The Company attained the forecast range announced at the beginning of fiscal year, renewing record highs in revenue for the eighth consecutive year and in operating income, ordinary income and net income for the seventh straight year.

#### (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 146,518 million yen, up 8.3 % from the corresponding period of the previous fiscal year. Revenue in the Cloud (SaaS/PaaS/IaaS) was 13,203 million yen (rising 44.2 % year on year), revenue in the New software licenses was 46,557 million yen (rising 7.3 % year on year), and revenue in Software license updates & product support was 86,757 million yen (increasing 4.9 % 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.

##### [ Glossary ]

- (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.
- (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.
- (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.
- (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 won a project for achieving a two-tier system consisting of the client's existing system and the ERP cloud newly introduced in its overseas offices, as well as an innovation project involving the transfer of the existing system to the cloud, the additional development of a PaaS covering operations peculiar to the client, and its interconnection with the newly introduced ERP cloud.

Cloud services are advantageous in terms of ease of introduction, operation cost and access to IT systems in an up-to-date environment. For these reasons, the Company gains increasing orders from companies across a wide range of industries, including medium- and small-sized businesses.

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.

In April 2018, the Company began offering *Oracle Autonomous Data Warehouse Cloud*, which incorporates machine learning for independently performing backups, optimization, and protection from attacks and recovery from trouble without human assistance. It will bring our customers to optimize system operation and facilitate the advanced use of data by automating complicated IT systems, thereby helping to reduce management and operation costs and create innovations and new business opportunities.

< 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, in the manufacturing, distribution and telecommunication and public interest sectors in the third quarter and in the telecommunication and public interest sectors in the fourth quarter. These orders came from customers pursuing a business strategy of making active use of data for business growth 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 18,063 million yen, down 7.6 % from the corresponding period of the previous fiscal 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 20,898 million yen, gaining 13.8 % 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.

As for Consulting Services, the number of composite projects taking advantage of the Company's comprehensive product and service portfolio has increased steadily. They include projects for platform transition from the on-premise environment to the IaaS and PaaS environment and those for linkage with SaaS solutions such as the ERP cloud. In Education Services, there has been an increase in demand for training in Java aimed at cloud application development.

## &lt;Revenue breakdown by business segments&gt;

Item	FY2017		FY2018		
	Amount Million Yen	Comp. %	Amount Million Yen	Comp. %	Variance %
Cloud (SaaS/PaaS/IaaS)	9,159	5.3	13,203	7.1	44.2
New software licenses	43,386	25.1	46,557	25.1	7.3
Software license updates & product support	82,727	47.8	86,757	46.8	4.9
Cloud & Software	135,273	78.1	146,518	79.0	8.3
Hardware systems	19,551	11.3	18,063	9.7	-7.6
Services	18,365	10.6	20,898	11.3	13.8
Total	173,190	100.0	185,481	100.0	7.1

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

(iii) Forecast for the Next Fiscal year (Ending May 31, 2019)

The company continuously invests in our employees to enhance their expertise, promotes combination proposals to the customers by closer cooperation with sales, consulting services and support services, and focuses on the following initiatives;

1. Big deals
2. Autonomous Upgrades
3. ERP Upgrades

The Company uses a range of values for the forecast for the next fiscal year.

(% of change from previous year)

	Revenue	Net income per share	Estimation of effective tax rate
	%	Yen	%
Entire term	1.0 ~5.0	305.00 ~315.00	30.9

**Cautious Statements for the forecast**

**Forecasts and other statements in this document that are not historical facts are made by the Company based on the information available to it and assumptions that it considered reasonable at the time of publication of this document. The Company does not guarantee to achieve them. A number of factors could cause actual results to differ materially from forward-looking statements.**

**(2) Analysis of Financial Position**

The situations of the total assets, liabilities and net assets

The total assets of the Company at the end of the term stood at 236,509 million yen (increasing 37,777 million yen from the end of the previous term). Current assets were 192,290 million yen (increasing 36,992 million yen).

Liabilities were 105,083 million yen (increasing 12,135 million yen). Net assets totaled 131,425 million yen (increasing 25,642 million yen). As a result, the ratio of shareholders' equity was 55.5% (up 2.6 percentage points).

The cash flow situations for the term are as follows:

**(i) Cash flows from operating activities**

Cash generated from operating activities was 50,881 million yen (increasing 7,794 million yen year on year). The inflow is attributable to the posting of income before income taxes of 56,082 million yen, an increase in advances received of 7,267 million yen. The outflows are attributable to the payment of 15,382 million yen in income taxes.

**(ii) Cash flows from investment activities**

Cash generated from investment activities was 42,778 million yen (increasing 26,655 million yen year on year). The inflows include the collection of previous year's loans receivable (90,300 million yen) from Oracle America, Inc., a subsidiary of Oracle Corporation (parent company of the Company). The outflows include a net increase in time deposits (46,000 million yen).

**(iii) Cash flows from financial activities**

Cash used for financial activities was 13,357 million yen (decreasing 53,471 million yen year on year). The outflow was primarily appropriated to the payment of dividends.

In total, cash and equivalents increased 80,301 million yen from the end of the previous term, to 118,326 million yen.

The trends with cash flow indices for the Company are as follows:

	May 2016	May 2017	May 2018
Capital ratio (%)	60.6	52.9	55.5
Capital ratio based on market prices (%)	336.1	418.5	448.4

(Notes) Capital ratio: Capital / Total assets

Capital ratio based on market prices: Market capitalization of the company / Total assets

We calculate Market capitalization of the company based on number of outstanding shares (excluding own shares).

**(3) Basic profit distribution principles and dividends for the fiscal year under review and the following fiscal year**

The Company recognizes that one of its most important business missions is to enhance corporate value and distribute profits to shareholders.

The basic policy for the distribution of surplus is to provide a return to shareholders through dividends, while ensuring management flexibility by comprehensively taking into account the balance between the cash required for the Company's business plan, business results, and cash flows.

Under the policy, we will pay a year-end dividend of 121 yen per share for the fiscal year under review to distribute profits to shareholders.

For the next fiscal year, a year-end dividend has yet to be determined.

**(4) Substantial doubts regarding the ability to remain as a going concern**

There are no significant doubts regarding the ability of the Company to continue as a going concern.



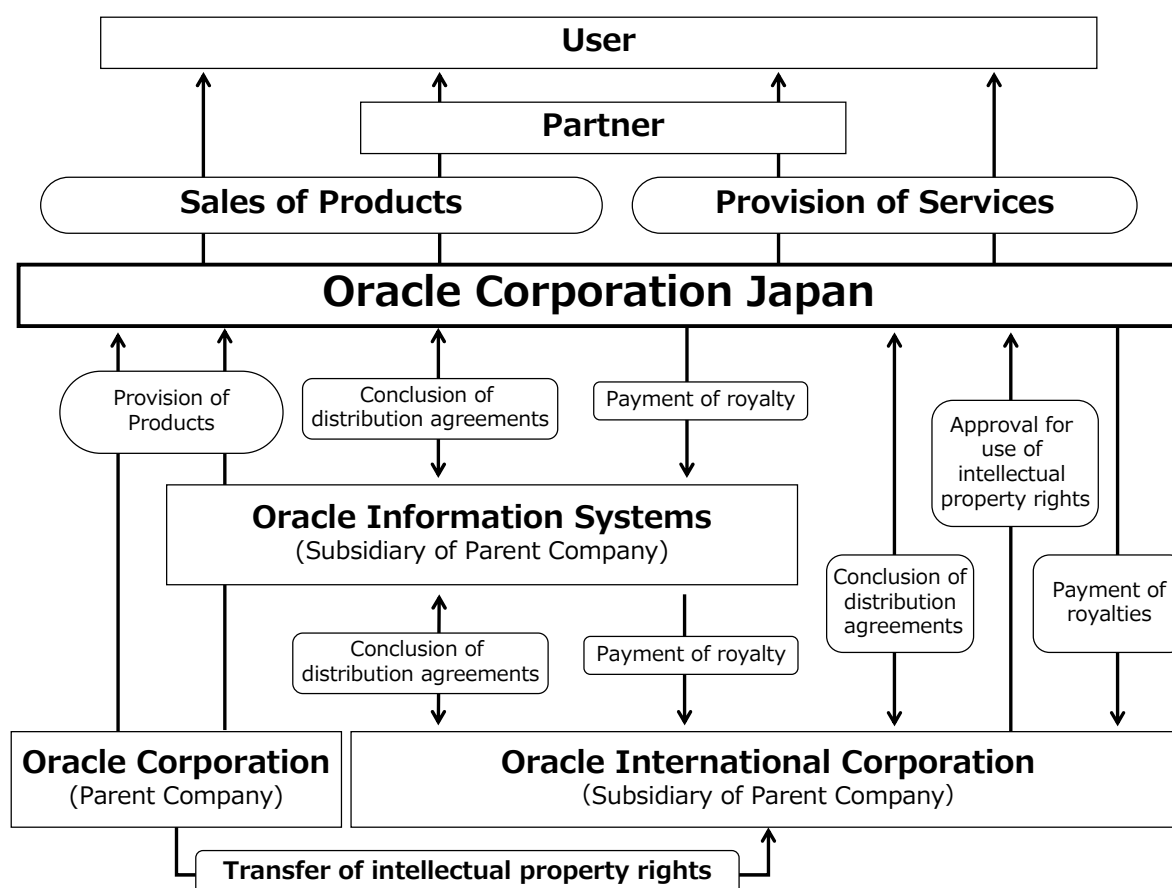
## 2. Current Status of the Company Group

The Company's parent company is essentially Oracle Corporation of the United States and the Company is part of the group that is headed by Oracle Corporation.

In various parts of the world, the group sells databases, middleware, software, including business applications, and hardware, which are designed to help customers manage and grow their business operations, and provides cloud services and other services to support the implementation and use of all these products.

Moreover, Oracle International Corporation is a subsidiary company of Oracle Corporation. Oracle Corporation transfers intellectual property rights pertaining to the software and other products it owns to Oracle International Corporation and Oracle International Corporation holds and manages these intellectual property rights, concludes distribution agreements with Oracle Corporation's subsidiaries including the Company and authorizes license use. Oracle Information Systems has the rights to license and sell products acquired by Oracle Corporation in Japan. The Company concluded distribution agreements with Oracle Information Systems, and has been selling acquired products and providing services to support the use of these products.

(Business relation diagram)



## 3. Basic Policy on Selection of Financial Reporting Standards

In the preparation of non-consolidated financial results, the company has adopted Japanese GAAP. The Company has an internal control to comply with accounting rules appropriately and continues to monitor the regulation of the application of IFRS in Japan.

**4. Financial Statements**

## (1) Balance Sheet

(Unit : Million yen)

	Previous term end (as of May 31, 2017)	Current term end (as of May 31, 2018)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	43,025	169,326
Accounts receivable-trade	19,629	19,871
Prepaid expenses	241	203
Short-term loans receivable	90,300	—
Other	2,104	2,901
Allowance for doubtful accounts	-2	-12
<b>Total current assets</b>	<b>155,298</b>	<b>192,290</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings	18,221	18,259
Accumulated depreciation	-6,837	-7,639
Buildings, net	11,384	10,619
Tools, furniture and fixtures	5,728	6,974
Accumulated depreciation	-3,080	-3,802
Tools, furniture and fixtures, net	2,648	3,171
Land	26,057	26,057
Constuction in progress	—	15
<b>Total property, plant and equipment</b>	<b>40,089</b>	<b>39,863</b>
<b>Intangible assets</b>		
Software	6	4
<b>Total intangible assets</b>	<b>6</b>	<b>4</b>
<b>Investments and other assets</b>		
Investment securities	36	36
Deferred tax assets	2,570	3,477
Guarantee deposits	341	331
Bankruptcy and reorganization claim	0	34
Other	389	505
Allowance for doubtful accounts	-0	-34
<b>Total investments and other assets</b>	<b>3,337</b>	<b>4,350</b>
<b>Total noncurrent assets</b>	<b>43,433</b>	<b>44,218</b>
<b>Total assets</b>	<b>198,731</b>	<b>236,509</b>

(Unit : Million yen)

	Previous term end (as of May 31, 2017)	Current term end (as of May 31, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	12,028	13,087
Accounts payable-other	5,109	5,521
Income taxes payable	8,274	10,991
Advances received	62,594	69,862
Deposits received	394	390
Provision for bonuses	2,035	2,281
Provision for directors' bonuses	22	7
Provision for product warranties	203	147
Provision for stock benefits	215	235
Other	2,060	2,550
<b>Total current liabilities</b>	<b>92,940</b>	<b>105,075</b>
<b>Noncurrent liabilities</b>		
Other	7	7
<b>Total noncurrent liabilities</b>	<b>7</b>	<b>7</b>
<b>Total liabilities</b>	<b>92,948</b>	<b>105,083</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	23,755	24,480
<b>Capital surplus</b>		
Legal capital surplus	7,106	7,831
<b>Total capital surplus</b>	<b>7,106</b>	<b>7,831</b>
<b>Retained earnings</b>		
Other retained earnings		
Retained earnings brought forward	75,258	99,450
<b>Total retained earnings</b>	<b>75,258</b>	<b>99,450</b>
Treasury stock	-898	-599
<b>Total shareholders' equity</b>	<b>105,221</b>	<b>131,162</b>
Subscription rights to shares	561	262
<b>Total net assets</b>	<b>105,783</b>	<b>131,425</b>
<b>Total liabilities and net assets</b>	<b>198,731</b>	<b>236,509</b>

## (2) Statement of Income

(Unit : Million yen)

	Previous Term (From June 1, 2016 to May 31, 2017)	Current Term (From June 1, 2017 to May 31, 2018)
Net sales	173,190	185,481
Cost of sales	88,504	96,673
Gross profit	84,685	88,808
Selling, general and administrative expenses	32,160	32,798
Operating income	52,524	56,009
Non-operating income		
Interest income	15	16
Other	10	14
Total non-operating income	25	31
Non-operating expenses		
Foreign exchange losses	30	59
Other	17	2
Total non-operating expenses	48	61
Ordinary income	52,502	55,978
Extraordinary income		
Gain on reversal of subscription rights to shares	169	103
Total extraordinary income	169	103
Income before income taxes	52,672	56,082
Income taxes-current	15,921	18,238
Income taxes-deferred	389	-906
Total income taxes	16,311	17,331
Net income	36,360	38,751

## (3) Statement of changes in shareholders' equity

Previous term end (From June 1, 2016 to May 31, 2017)

(Unit : Million yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Total Capital surplus	Other retained earnings	Total retained earnings		
Balance at the beginning of current period	23,209	6,560	6,560	105,836	105,836	-221	135,386
Changes of items during the period							
Issuance of new shares-exercise of subscription rights to shares	545	545	545				1,091
Dividends from surplus				-66,938	-66,938		-66,938
Net income				36,360	36,360		36,360
Purchase of treasury stock						-830	-830
Sale of treasury stock						153	153
Net changes of items other than shareholders' equity							
Total changes of items during the period	545	545	545	-30,578	-30,578	-677	-30,164
Balances at end of current period	23,755	7,106	7,106	75,258	75,258	-898	105,221

	Subscription rights to shares	Net assets
Balance at the beginning of current period	841	136,227
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares		1,091
Dividends from surplus		-66,938
Net income		36,360
Purchase of treasury stock		-830
Sale of treasury stock		153
Net changes of items other than shareholders' equity	-279	-279
Total changes of items during the period	-279	-30,444
Balances at end of current period	561	105,783

Current term end (From June 1, 2017 to May 31, 2018)

(Unit : Million yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Total Capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at the beginning of current period	23,755	7,106	7,106	75,258	75,258	-898	105,221
Changes of items during the period							
Issuance of new shares-exercise of subscription rights to shares	725	725	725				1,450
Dividends from surplus				-14,559	-14,559		-14,559
Net income				38,751	38,751		38,751
Purchase of treasury stock						-9	-9
Sale of treasury stock						308	308
Net changes of items other than shareholders' equity							
Total changes of items during the period	725	725	725	24,191	24,191	298	25,940
Balances at end of current period	24,480	7,831	7,831	99,450	99,450	-599	131,162

	Subscription rights to shares	Net assets
Balance at the beginning of current period	561	105,783
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares		1,450
Dividends from surplus		-14,559
Net income		38,751
Purchase of treasury stock		-9
Sale of treasury stock		308
Net changes of items other than shareholders' equity	-298	-298
Total changes of items during the period	-298	25,642
Balances at end of current period	262	131,425

## (4)Statement of Cash Flows

(Unit : Million yen)

	Previous term end (as of May 31, 2017)	Current term end (as of May 31, 2018)
Net cash provided by (used in) operating activities		
Income before income taxes	52,672	56,082
Depreciation and amortization	1,383	1,795
Share-based compensation expenses	69	38
Increase (decrease) in allowance for doubtful accounts	—	43
Increase (decrease) in provision for bonuses	33	245
Increase (decrease) in provision for directors' bonuses	-9	-15
Increase (decrease) in provision for product warranties	-136	-56
Increase (decrease) in provision for stock benefits	110	19
Foreign exchange losses (gains)	—	1
Interest and dividends income	-17	-16
Loss (gain) on sales and retirement of noncurrent assets	17	2
Decrease (increase) in notes and accounts receivable-	44	-241
Decrease (increase) in accounts receivable-other	-300	-716
Decrease (increase) in other current assets	-598	-46
Increase (decrease) in notes and accounts payable-trade	1,514	1,058
Increase (decrease) in accounts payable-other	-578	350
Increase (decrease) in accrued consumption taxes	-297	456
Increase (decrease) in advances received	6,067	7,267
Increase (decrease) in other current liabilities	565	-108
Other, net	-196	81
Subtotal	60,345	66,243
Interest and dividends income received	14	20
Income taxes paid	-17,273	-15,382
Net cash provided by (used in) operating activities	43,087	50,881
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-2,575	-1,502
Purchase of intangible assets	-4	-0
Payments of short-term loans receivable	-90,300	—
Collection of loans receivable	100,000	90,300
Payments into time deposits	-34,000	-152,000
Proceeds from withdrawal of time deposits	43,000	106,000
Payments for guarantee deposits	-2	-20
Proceeds from collection of guarantee deposits	5	2
Net cash provided by (used in) investing activities	16,122	42,778
Net cash provided by (used in) financing activities		
Proceeds from issuance of common stock	911	1,217
Purchase of treasury stock	-830	-9
Cash dividends paid	-66,909	-14,565
Net cash provided by (used in) financing activities	-66,829	-13,357
Effect of exchange rate change on cash and cash equivalents	—	-1
Net Increase/(Decrease) in cash and cash equivalents	-7,618	80,301
Cash and cash equivalents at beginning of period	45,644	38,025
Cash and cash equivalents at end of period ※	38,025	118,326

## (5) Notes to Financial Statements

[Notes to going concern]

Not applicable

[Significant Accounting Policies]

Disclosure of Significant Accounting Policies is omitted, there are no significant changes from the latest annual report submitted on August 24, 2017.

[Changes in Presentation Methods]

Changes due to Early Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”

As the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) may now be applied to the financial statements for the fiscal year ended May 31, 2018, the Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” from the current fiscal year. Accordingly, the Company has changed to the method of presenting deferred tax assets in the investments and other assets section.

As a result, “Deferred tax assets” of 2,322 million yen under current assets reported in the previous fiscal year, has been included in “Deferred tax assets” of 2,570 million yen under investments and other assets.

[Related to the statement of changes in shareholders' equity]

Previous term (from June 1, 2016 to May 31, 2017)

## 1. Type and number of issued shares and treasury stock

	Number of shares as of May 31, 2016 (Thousand shares)	Number of shares increased in the current term (Thousand shares)	Number of shares decreased in the current term (Thousand shares)	Number of shares as of May 31, 2017 (Thousand shares)
Issued shares Common stock (Note)	127,511	216	—	127,728
Treasury stocks Common stock	46	139	31	154

(Note) 1. Increase of 216 thousand outstanding shares was due to exercise of share warrants.

2. The increase in the number of shares of treasury stock (139 thousand) was due to purchasing the company's own stock for board of directors and employees through the Board Incentive Plan (BIP) Trust (38 thousand) and the Employee Stock Ownership Plan (ESOP) Trust (100 thousand). The decrease in treasury stock by 0 thousand shares represents shares purchased of odd lots

3. The decrease in the number of shares of treasury stock (31 thousand) was due to delivering the company's own stock to board of directors and employees through the Board Incentive Plan (BIP) Trust (9 thousand) and the Employee Stock Ownership Plan (ESOP) Trust (22 thousand).

4. The balance of treasury stocks includes 144 thousand treasury stocks owned by the BIP trust (38 thousand) and ESOP trust (106 thousand).



## 2. Stock acquisition right

Item	Breakdown of stock acquisition right	Type of shares converted by stock acquisition right	Number of shares converted by stock acquisition right (shares)				Term-end balance (million yen)
			Balance of previous term	Increase	Decrease	Balance of current term	
Submission company	Stock acquisition right as stock option	—	—	—	—	—	561
Total		—	—	—	—	—	561

## 3. Dividend

## (1) Amount of paid dividends

Resolution	Type of share	Total amount of dividend (Million yen)	Dividend per share (Yen)	Reference date	Effective date
Board of director held on July 22, 2016	Common stock	66,938	525	May 31, 2016	August 8, 2016

(Note) 1. The above dividend includes special dividend of 420 yen per share.

2. Total amount of dividend which was resolved at the board of directors meeting which was held on July 22, 2016 includes the 19 million yen dividend for the Company's stock held by Board Incentive Plan Trust (4 million yen) and Employee Stock Ownership Plan Trust (14 million yen).

## (2) Dividend that effective date is in the next term though its reference date was in current term

Resolution	Type of share	Resource of dividend	Total amount of dividend (Million yen)	Dividend per share (Yen)	Reference date	Effective date
Board of director held on July 20, 2017	Common stock	Earned surplus	14,559	114	May 31, 2017	August 7, 2017

(Note) Total amount of dividend which will be resolved at the board of directors meeting which will be held on July 20, 2017 includes the 16 million yen dividend for the Company's stock held by Board Incentive Plan Trust (4 million yen) and Employee Stock Ownership Plan Trust (12 million yen).

Current term (from June 1, 2017 to May 31, 2018)

## 1. Type and number of issued shares and treasury stock

	Number of shares as of May 31, 2017 (Thousand shares)	Number of shares increased in the current term (Thousand shares)	Number of shares decreased in the current term (Thousand shares)	Number of shares as of May 31, 2018 (Thousand shares)
Issued shares Common stock (Note)	127,728	290	—	128,019
Treasury stocks Common stock	154	1	52	103

- (Note)
1. Increase of 290 thousand outstanding shares was due to exercise of share warrants.
  2. The increase in treasury stock by 1 thousand shares represents shares purchased of odd lots
  3. The decrease in the number of shares of treasury stock (52 thousand) was due to delivering the company's own stock to board of directors and employees through the Board Incentive Plan (BIP) Trust (15 thousand) and the Employee Stock Ownership Plan (ESOP) Trust (36 thousand).
  4. The balance of treasury stocks includes 92 thousand treasury stocks owned by the BIP trust (22 thousand) and ESOP trust (69 thousand).

## 2. Stock acquisition right

Item	Breakdown of stock acquisition right	Type of shares converted by stock acquisition right	Number of shares converted by stock acquisition right (shares)				Term-end balance (million yen)
			Balance of previous term	Increase	Decrease	Balance of current term	
Submission company	Stock acquisition right as stock option	—	—	—	—	—	262
Total		—	—	—	—	—	262

## 3. Dividend

## (1) Amount of paid dividends

Resolution	Type of share	Total amount of dividend (Million yen)	Dividend per share (Yen)	Reference date	Effective date
Board of director held on July 20, 2017	Common stock	14,559	114	May 31, 2017	August 7, 2017

(Note) Total amount of dividend which was resolved at the board of directors meeting which was held on July 20, 2017 includes the 16 million yen dividend for the Company's stock held by Board Incentive Plan Trust (4 million yen) and Employee Stock Ownership Plan Trust (12 million yen).

## (2) Dividend that effective date is in the next term though its reference date was in current term

The Company will submit the following proposal at the board of directors meeting to be held on July 24, 2018.

Type of share	Resource of dividend	Total amount of dividend (Million yen)	Dividend per share (Yen)	Reference date	Effective date
Common stock	Earned surplus	15,489	121	May 31, 2018	August 6, 2018

(Note) Total amount of dividend which will be resolved at the board of directors meeting which will be held on July 24, 2018 includes the 11 million yen dividend for the Company's stock held by Board Incentive Plan Trust (2 million yen) and Employee Stock Ownership Plan Trust (8 million yen).

## [Related to the statement of cash flows]

Previous term (From June 1, 2016 to May 31, 2017)		Current term (From June 1, 2017 to May 31, 2018)	
*Relationship between the term end balance of cash and cash equivalents and the amount of items indicated in the balance sheet (As of May 31, 2017)		*Relationship between the term end balance of cash and cash equivalents and the amount of items indicated in the balance sheet (As of May 31, 2018)	
Balance of cash and deposits	43,025 million yen	Balance of cash and deposits	169,326 million yen
Time deposits	-5,000 million yen	Time deposits	-51,000 million yen
Cash and cash equivalents	38,025 million yen	Cash and cash equivalents	118,326 million yen

[Segment Information]

**1. Overview of Reportable Segments**

The reportable segments of the Company are segments for which separate financial statements are available and which the supreme decision-making body examines regularly to determine the distribution of management resources and to evaluate performance. Based on organizational structures and the characteristics of products and services, the Company has classified business segments into three reportable segments: Cloud and Software, Hardware systems, and Services.

Cloud and Software segment sells variety of licenses and software services via the Internet of database management software, middleware, and application software that are used in corporate activities. This business segment also provides software license update rights and technical support.

The Software license updates & product support segment provides software license update rights and technical support.

The Hardware systems segment sells hardware including servers and storage products, and provides technical support for hardware products and the maintenance and repair of hardware.

The Services segment offers Consulting services, Advanced customer support services, and Education services.

**2. Accounting methods used to calculate segment income (loss), segment assets and other items for reportable segments**

Accounts for reportable segments are for the most part calculated in line with Significant Accounting Policies. Segment income (loss) for reportable segments is based on operating income (loss).

**3. Segment income (loss), segment assets and other items for reportable segments**

Previous term (from June1, 2016 to May 31, 2017)

(Unit: Million Yen)

	Reportable operating segments				Adjustment (Note) 1	Amount on Statement of Income (Note) 2
	Cloud and Software	Hardware Systems	Services	Total		
Sales						
External customers	135,273	19,551	18,365	173,190	—	173,190
Intersegment net sales or transfer	—	—	—	—	—	—
Total	135,273	19,551	18,365	173,190	—	173,190
Operating income (loss)	51,641	930	4,634	57,206	-4,681	52,524
Other item						
Depreciation (Note) 3	814	135	153	1,103	280	1,383

(Notes): 1.A segment profit adjustment of minus 4,681 million yen is a Company-wide expense, which primarily relates to administrative departments that do not belong to any reported segment.

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

3. Depreciation in Adjustment primarily relates to administrative departments that do not belong to any reportable segment.

4. Based on the decision of management, the supreme decision-making body does not allocate segment information on assets to reportable segments. Consequently, the Company does not disclose that information.

Current term (from June1, 2017 to May 31, 2018)

(Unit: Million Yen)

	Reportable operating segments				Adjustment (Note) 1	Amount on Statement of Income (Note) 2
	Cloud and Software	Hardware Systems	Services	Total		
Sales						
External customers	146,518	18,063	20,898	185,481	—	185,481
Intersegment net sales or transfer	—	—	—	—	—	—
Total	146,518	18,063	20,898	185,481	—	185,481
Operating income (loss)	55,126	833	4,912	60,872	-4,862	56,009
Other item						
Depreciation (Note) 3	1,226	110	171	1,508	286	1,795

(Notes): 1.A segment profit adjustment of minus 4,862 million yen is a Company-wide expense, which primarily relates to administrative departments that do not belong to any reported segment.

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

3. Depreciation in Adjustment primarily relates to administrative departments that do not belong to any reportable segment.

4. Based on the decision of management, the supreme decision-making body does not allocate segment information on assets to reportable segments. Consequently, the Company does not disclose that information.

**4. 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.

[Per Share Data]

(Unit: Yen)

Items	Previous term (From June 1, 2016 to May 31, 2017)	Current term (From June 1, 2017 to May 31, 2018)
Net assets per share	824.79	1,025.38
Net income per share	285.11	303.25
Net income per share (diluted)	284.55	302.66

(Notes) The basis of calculation for net income per share and net income per share (diluted) is as shown below.

	Previous term (From June 1, 2016 to May 31, 2017)	Current term (From June 1, 2017 to May 31, 2018)
Net income per share		
Net income (millions of yen)	36,360	38,751
Amounts not attributable to owners of common stock (millions of yen)	—	—
Net income attributable to common stock (millions of yen)	36,360	38,751
Average number of shares during the term (shares)	127,531,594	127,787,494
Net income per share (diluted)		
Adjustment to net income (millions of yen)	—	—
Increase in common stock (shares)	253,347	248,101
Details of shares not included in calculation of diluted net income per share due to non-dilative effect	Subscription right (Type: 1 Numbers:301)	Subscription right (Type: 1 Numbers:268)

(Note) Posted as treasury stock included in shareholders' equity, 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 in order to calculate the net income per share and net income per share (diluted).

The average number of treasury shares during the term deducted in the calculation of net income per share and net income per share (diluted) were, specifically, 19,173 treasury shares owned by the BIP trust and 55,175 treasury shares owned by the ESOP trust for last year, 27,935 treasury shares owned by the BIP trust and 83,308 treasury shares owned by the ESOP trust for this year

The Company's stock held by Board Incentive Plan Trust and Employee Stock Ownership Plan Trust deducted in the calculation of net assets per share were, specifically, 38,165 treasury shares owned by the BIP trust and 106,382 treasury shares owned by the ESOP trust for last year, 22,542 treasury shares owned by the BIP trust and 69,735 treasury shares owned by the ESOP trust for this year.

[Notes to subsequent events]

Not Applicable

## 5. Others

### Changes of Corporate Officers

In Fiscal year 2018, Chairperson of the board resigned, and the board of directors resolved to change the title of company's Executive Officer (CEO) as follows.

1. Resignation of the director (as of November 30, 2017)

Name	Title	Reason
Hiroshige Sugihara	Chairperson of the Board	For personal reasons

2. Change of the title of Executive Officer (as of April 1, 2018)

Name	New	Old
Frank Obermeier	President & Chief Executive Officer	Chief Executive Officer