

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



Flash Report for the 2nd Quarter of Fiscal Year Ending May 31, 2019
[under Japanese GAAP] (Non-consolidated) December 20, 2018

Company Name Oracle Corporation Japan Listed Stock Exchange: TSE 1st Section
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 Quarterly Report Filing Date (as planned): January 11, 2019
 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, 2018 to November 30, 2018)

(1) Operating result (% of change from previous year)

	Revenue		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
2 nd Quarter, May 2019	91,254	8.5	27,784	11.1	27,829	11.3	19,276	11.6
2 nd Quarter, May 2018	84,136	4.4	25,017	4.7	24,993	4.8	17,270	4.4

	Net income per share		Net income per share (diluted)	
	Yen	Sen	Yen	Sen
2 nd Quarter, May 2019	150	64	150	44
2 nd Quarter, May 2018	135	25	134	96

(2) Financial Position

	Total Assets	Net assets	Ratio of shareholders' equity
	Million Yen	Million Yen	%
2 nd Quarter, May 2019	227,242	136,984	60.2
FY ended May 2018	236,509	131,425	55.5

Shareholders' equity 2nd Quarter, May 2019: 136,753 Million Yen (FY2018: 131,162 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 2018	-		0	00	-		121	00	121	00
FY ending May 2019	-		0	00						
FY ending May 2019(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 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) Revision of forecast for May 2019 term in this quarter: No

(Note2) Company uses ranges of values for the forecast. Please refer to 1. Qualitative Information on Results in the Quarter under Review, (3) Qualitative Information on Forecasts, on page 4.

(Note3) Estimation of effective tax rate is 30.9%

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

(ii) Changes in accounting policies due to reasons other than (i): Yes

(iii) Changes in accounting estimates : None

(iv) Restatements : None

(Note) Please refer to 2. Quarterly Financial Statements and Main Notes, (4) Notes to Quarterly Financial Statements, Accounting Policy Changes, on page 8.

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

(i) The number of shares outstanding (inclusive of treasury stock)	2 nd Quarter, May 2019	128,062,571 shares
	FY ended May 2018	128,019,371 shares
(ii) The number of treasury stock	2 nd Quarter, May 2019	48,030 shares
	FY ended May 2018	103,302 shares
(iii) The number of average shares outstanding (cumulative, non-consolidated, at end of third quarter)	2 nd Quarter, May 2019	127,958,324 shares
	2 nd Quarter, May 2018	127,696,628 shares

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

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 second quarter under review (from Jun 1, 2018 to November 30, 2018, hereinafter “this “quarter”), the Japanese economy continuously improved moderately, in spite of the need for concern over overseas policy trends in the United States and the expansion of trade conflict. In terms of social and corporate activity, it has become important to utilize digital technologies when cope with issues such as the shrinking productive-age population, globalization and the challenge of developing new business. 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, the Company strives to become an ideal partner by achieving customer’s innovation and supporting their business transformation by utilizing cloud service and data. The company continuously invests in our employees to enhance their expertise, promotes combination proposals to customers by closer cooperation with sales, consulting services and support services.

As a result of these measures, the Company posted 91,254 million yen (up 8.5 % year on year) in revenue, 27,784 million yen (rising 11.1 %) in operating income, 27,829 million yen (gaining 11.3 %) in ordinary income and 19,276 million yen (increasing 11.6 %) in net income.

(ii) Results by Reported Segment

Go to Market Strategy

The Company has the comprehensive product portfolio which consists of platform, applications, hardware which can be deployed on cloud environment and on-premise environment. Especially our software license products have been widely adopted in the field of mission critical systems, which have demanded high security, availability and high 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 system architecture and technologies as these software licenses, and the Company enjoys a strength in enabling coordination and bidirectional migration between on-premises systems built with the software licenses products and the Oracle Cloud.

Currently the Company has been taking advantage of these strengths, so that our customers can use our products and services in optimal state, the company invests in our employees to enhance their expertise, promotes combination proposals to customers by closer cooperation with sales, consulting services and support services and focusses on the initiatives of “Acquiring big deals”, “Autonomous upgrades” and “ERP upgrades”.

Regarding our products and services, currently Oracle incorporates AI in the Oracle Cloud, and promotes to make it autonomy of maintenance and operation like patching, performance tuning and so on as one of differentiation with other cloud services. The Company released “Oracle Autonomous Transaction Processing” in August 2018 followed by “Oracle Autonomous Data Warehouse Cloud” we released in March 2018. And as a service to promote “ERP upgrades”, we provides “Oracle Soar” which migrates “Oracle E-Business Suite” on on-premise environment to Oracle ERP cloud in a short time. Regarding the Japan domestic data center announced in February 2018, preparation for an opening is in progress.

Regarding purchasing experience, in order to use Oracle technologies more flexible for a wider range of customers, we provide “Bring Your Own License (BYOL)”, enabling customers to move their existing Oracle software licenses over to “Oracle PaaS” and “Universal Credits” which allows the use of all Oracle PaaS and IaaS by entering into a single and simple contract, and we are striving to expand our cloud and license business.

(Glossary)

- Cloud service: Providing software and hardware resources which are used for IT system infrastructure at companies and other organizations as services under agreements for certain periods through the networks such as Internets.
- 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.
- 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.
- 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.
- On-premises: A form of IT system developed and operated as the company’s possession.

[Cloud & License(*)]

Revenue in the Cloud & license segment was 72,675 million yen, up 10.2 % from the corresponding period of the previous fiscal year. Revenue in the Cloud license & on-premise license was 18,343 million yen (rising 6.1 % year on year), revenue in the Cloud services & license support was 54,332 million yen (rising 11.7 % year on year). This segment consists of the “Cloud license & on-premise license” that the Company sells software licenses for database management software, a range of middleware, and ERP and other business applications, etc., the “License support” that the Company provides software updates and technical support for customers using the Company’s software licenses, and the “Cloud services” are services the Company provides the resources of software and hardware via the Internet.

* (Note) The Company has changed reporting segments since the 1st quarter of the fiscal year ending May31, 2019, renamed “Cloud & Software” to “Cloud & license”, “New software license” to “Cloud license & on-premise license”, integrated “Cloud(SaaS/PaaS/IaaS)” and “Update & product support” to “Cloud services & license support”.

In the 1st Quarter of the fiscal year, we successfully closed large deals in mainly the service sector, the telecommunication sector and the retail and distribution sector. These orders came from customers improving customer engagement by utilizing data and digital technologies aggressively and pursuing revenue growth, and customers enhancing their core systems to adapt their rapid business growth.

In the 2nd Quarter, we received orders from the customers in wide variety of industries and company size including the manufacturing, Retail, Service, Public and Utility. As a result of our sales activities taking advantage of our strengths, we got orders of ERP cloud for the overseas base from a customer in the manufacturing industry that is developing globally. And we successfully closed the comprehensive cloud deals from a customer in retail services, which contained ERP cloud, Marketing cloud, Engagement cloud integrated functions of sales management and customer service, and PaaS to develop additional functions.

The demand for “Oracle Cloud Platform” is increasing due to its compatibility with on-premise systems and the abundant functions of PaaS and IaaS, in addition to this, the demand for "Oracle Cloud Infrastructure" is increasing for customers who need high cost-performance while securing security and supporting high workload processing such as analysis processing and risk calculation. Regarding SaaS, customers who plan to enhance management and risk control and to improve business efficiency along with expansion of company scale, are studying and adopting SaaS including ERP cloud because of its rapid implementation.

[Hardware systems]

Revenue in the Hardware systems segment was 8,084 million yen, up 2.5 % 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 10,493 million yen, gain 1.8 % 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.

<Revenue breakdown by business segments>

Item	FY2018 2 nd Quarter		FY2019 2 nd Quarter			May 2018	
	Amount	Comp.	Amount	Comp.	YoY	Amount	Comp.
	Million Yen	%	Million Yen	%	%	Million Yen	%
Cloud license & on-premise license	17,288	20.5	18,343	20.1	6.1	46,557	25.1
Cloud services & license support	48,651	57.8	54,332	59.5	11.7	99,960	53.9
Cloud & License	65,940	78.4	72,675	79.6	10.2	146,518	79.0
Hardware systems	7,889	9.4	8,084	8.9	2.5	18,063	9.7
Services	10,307	12.3	10,493	11.5	1.8	20,898	11.3
Total	84,136	100.0	91,254	100.0	8.5	185,481	100.0

*Amount is rounded down. Composition ratio and year-to-year comparison (% of change YoY) are rounded off.

(2) Qualitative Information on Financial Situation

The total assets of the Company at the end of the term stood at 227,242 million yen (decreasing 9,267 million yen from the end of the previous year). Current assets were 181,488 million yen (decreasing 10,802 million yen).

Liabilities were 90,257 million yen (decreasing 14,825 million yen). Net assets totaled 136,984 million yen (increasing 5,558 million yen).

As a result, the ratio of shareholders' equity was 60.2% (up 4.7 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, 2018.

2. Quarterly Financial Statements and Main Notes

(1) Quarterly Balance Sheet

(Unit : Million yen)

Description	Previous term end (as of May 31, 2018)	Current term end (as of November 30, 2018)
Assets		
Current assets		
Cash and deposits	169,326	165,543
Accounts receivable-trade	19,871	11,821
Other	3,105	4,135
Allowance for doubtful accounts	-12	-12
Total current assets	192,290	181,488
Noncurrent assets		
Property, plant and equipment		
Buildings, net	10,635	10,254
Land	26,057	26,057
Other, net	3,171	4,175
Total property, plant and equipment	39,863	40,487
Intangible assets	4	3
Investments and other assets		
Other	4,385	5,297
Allowance for doubtful accounts	-34	-34
Total investments and other assets	4,350	5,263
Total noncurrent assets	44,218	45,753
Total assets	236,509	227,242
Liabilities		
Current liabilities		
Accounts payable-trade	13,087	10,151
Accounts payable-other	5,521	3,998
Income taxes payable	10,991	9,705
Advances received	69,862	62,776
Provision for bonuses	2,281	1,217
Other Provision	390	186
Other	2,941	2,215
Total current liabilities	105,075	90,249
Noncurrent liabilities		
Other	7	7
Total noncurrent liabilities	7	7
Total liabilities	105,083	90,257
Net assets		
Shareholders' equity		
Capital stock	24,480	24,591
Capital surplus	7,831	7,941
Retained earnings	99,450	104,495
Treasury stock	-599	-274
Total shareholders' equity	131,162	136,753
Subscription rights to shares	262	231
Total net assets	131,425	136,984
Total liabilities and net assets	236,509	227,242

(2) Quarterly Statement of Income
Cumulative Second Quarter

(Unit : Million yen)

Description	Previous term (From June 1, 2017 to November 30, 2017)	Current term (From June 1, 2018 to November 30, 2018)
Net sales	84,136	91,254
Cost of sales	43,808	47,544
Gross Profit	40,328	43,709
Selling, general and administrative expenses	15,310	15,925
Operating income	25,017	27,784
Non-operating income		
Foreign exchange gains	—	51
Interest income	8	6
Others	12	23
Total Non-Operating Income	21	81
Non-Operating expenses		
Foreign exchange losses	42	—
Others	2	36
Total Non-Operating expenses	45	36
Ordinary Income	24,993	27,829
Extraordinary Income		
Gain on reversal of subscription rights to shares	87	14
Total Extraordinary Income	87	14
Income before income taxes	25,081	27,843
Income taxes	7,810	8,567
Net Income	17,270	19,276

(3) Statements of Cash Flows

(Unit : Million yen)

	Previous term (From June 1, 2017 to November 30, 2017)	Current term (From June 1, 2018 to November 30, 2018)
Net cash provided by (used in) operating activities		
Income before income taxes	25,081	27,843
Depreciation and amortization	862	925
Share-based compensation expenses	24	12
Increase (decrease) in allowance for doubtful accounts	27	—
Increase (decrease) in provision for bonuses	-777	-1,064
Increase (decrease) in other provision	-236	-203
Foreign exchange losses (gains)	—	-27
Interest and dividends income	-14	-6
Loss (gain) on sales and retirement of noncurrent assets	1	36
Decrease (increase) in notes and accounts receivable-trade	7,057	8,087
Decrease (increase) in other current assets	493	-502
Increase (decrease) in notes and accounts payable-trade	-2,880	-3,243
Increase (decrease) in accounts payable-other	-1,373	-1,476
Increase (decrease) in advances received	-4,895	-6,402
Increase (decrease) in other current liabilities	-645	-767
Other, net	350	271
Subtotal	23,075	23,484
Interest and dividends income received	17	5
Income taxes paid	-7,480	-10,367
Net cash provided by (used in) operating activities	15,612	13,122
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-882	-1,635
Collection of loans receivable	90,300	—
Payments into time deposits	-81,000	-52,000
Proceeds from withdrawal of time deposits	5,000	51,000
Payments for guarantee deposits	-13	-4
Proceeds from collection of guarantee deposits	0	3
Net cash provided by (used in) investing activities	13,404	-2,636
Net cash provided by (used in) financing activities		
Proceeds from issuance of common stock	868	190
Purchase of treasury stock	-5	-0
Cash dividends paid	-14,560	-15,485
Net cash provided by (used in) financing activities	-13,697	-15,295
Effect of exchange rate change on cash and cash equivalents	—	27
Net Increase/(Decrease) in cash and cash equivalents	15,319	-4,782
Cash and cash equivalents at beginning of period	38,025	118,326
Cash and cash equivalents at end of period	53,344	113,543

(4) 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.

(Accounting Policy Changes)

As ASBJ Statement No. 29 Accounting Standard for Revenue Recognition (March 30, 2018) (hereinafter referred to as the "Accounting Standard for Revenue Recognition) and ASBJ Guidance No. 30 Implementation Guidance on Accounting Standard for Revenue Recognition (March 30, 2018) became applicable from the beginning of a fiscal year starting on and after April 1, 2018, the Accounting Standard for Revenue Recognition and other related standards have been applied from the beginning of the first quarter under review.

In the application of the Accounting Standard for Revenue Recognition and other related standards, the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition is followed. The aggregate amount of the impact on retroactive application of the new accounting policy prior to the beginning of the first quarter under review is added to/subtracted from retained earnings at the beginning of the first quarter under review and the new accounting policy is applied to the balance at the beginning of the first quarter under review.

The changes are as follows.

1) Changes in revenue recognition criteria

Revenues are recognized in an amount expected to be received in exchange for the agreed-on property or service upon transfer of control of the said property or service to the customer. We heretofore had recognized revenue over the licensing period prescribed in the contract for the sale of some licenses, but changed to a method to recognize revenue at the time of sale.

As the result, the balance of retained earnings at the beginning of the current period increased 287 million yen. The impact on revenue, operating income and income before income taxes for the result six months of the fiscal year under review is insignificant.

2) Incremental costs for the acquisition of contracts

Bonuses of sales departments arising from acquisition of contracts had been capitalized and amortized based on the straight-line method over contract period (service provision period), however, from the three months of the fiscal year under review, the scope of capitalization and its amortization period are partially revised.

In addition to bonuses by acquiring cloud contracts, bonuses by acquiring support contracts are also covered by capitalization, and the amortization period is mainly based on the contract period, but for certain types of contracts will be amortized by the straight-line method over the estimated contract period including the renewal of future contracts, the expected useful lives of our technologies, and other factors.

As a result, the balance of retained earnings at the beginning of the current period increased 970 million yen. The impact of the changes on operating income and income before income taxes for the six months of the fiscal year under review is insignificant.

(Segment Information)

I. Previous quarter under review (from June 1, 2017 to November 30, 2017)

Segment sales and operating income (loss)

(Unit: Million Yen)

	Reportable operating segments				Adjustment (Note) 1	Amount on Statement of Income (Note) 2
	Cloud and license	Hardware Systems	Services	Total		
Sales						
External customers	65,940	7,889	10,307	84,136	—	84,136
Intersegment net sales or transfer	—	—	—	—	—	—
Total	65,940	7,889	10,307	84,136	—	84,136
Operating income (loss)	23,957	361	2,828	27,146	-2,129	25,017

(Notes): 1. Segment profit adjustment of minus 2,129 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.

II. Current quarter under review (from June 1, 2018 to November 30, 2018)

1. Segment sales and operating income (loss)

(Unit: Million Yen)

	Reportable operating segments				Adjustment (Note) 1	Amount on Statement of Income (Note) 2
	Cloud and license	Hardware Systems	Services	Total		
Sales						
External customers	72,675	8,084	10,493	91,254	—	91,254
Intersegment net sales or transfer	—	—	—	—	—	—
Total	72,675	8,084	10,493	91,254	—	91,254
Operating income (loss)	26,949	371	2,544	29,865	-2,080	27,784

(Notes): 1. Segment profit adjustment of minus 2,080 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 Cloud and Software segment has been renamed as the Cloud and license segment.

The segment information for the previous fiscal year is described in accordance with the new classification and name after the change.

3. Others

Important Information about Going Concern Assumption

Not Applicable