

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, 2019
[under Japanese GAAP] (Non-consolidated)

March 22, 2019

Company Name Oracle Corporation Japan Listed Stock Exchange: TSE 1st Section
 Ticker: 4716 URL: <http://www.oracle.com/jp/corporate/investor-relations/index.html>
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 Quarterly Report Filing Date (as planned): April 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 February 28, 2019)

(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 2019	139,784	6.1	42,421	8.1	42,430	8.3	29,387	8.7
3 rd Quarter, May 2018	131,716	6.9	39,225	4.9	39,164	5.0	27,028	4.7

	Net income per share		Net income per share (diluted)	
	Yen	Sen	Yen	Sen
3 rd Quarter, May 2019	229	68	229	39
3 rd Quarter, May 2018	211	57	211	14

(2) Financial Position

	Total Assets	Net assets	Ratio of shareholders' equity
	Million Yen	Million Yen	%
3 rd Quarter, May 2019	225,701	146,230	64.7
FY ended May 2018	236,509	131,425	55.5

Shareholders' equity 3rd Quarter, May 2019: 146,007 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, (3) Notes to Quarterly Financial Statements, Accounting Policy Changes, on page 7.

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

(i) The number of shares outstanding (inclusive of treasury stock)	3 rd Quarter, May 2019	128,079,571 shares
	FY ended May 2018	128,019,371 shares
(ii) The number of treasury stock	3 rd Quarter, May 2019	185,330 shares
	FY ended May 2018	103,302 shares
(iii) The number of average shares outstanding (cumulative, non-consolidated, at end of third quarter)	3 rd Quarter, May 2019	127,951,035 shares
	3 rd Quarter, May 2018	127,749,599 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 third quarter under review (from Jun 1, 2018 to February 28, 2019, 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 confliction. 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.

In December, 2018, the Company opened “Oracle Digital Hub Tokyo” as a sales base to promote utilizing IT and cloud technology by companies in mid-markets. The Company has deployed the sales teams of “Oracle Digital” and “Oracle NetSuite” of cloud ERP, and they are promoting solution offering with Oracle Cloud while using advanced digital tools in order to respond directly to customers nationwide.

As a result of these measures, the Company posted 139,784 million yen (up 6.1 % year on year) in revenue, 42,421 million yen (rising 8.1 %) in operating income, 42,430 million yen (gaining 8.3 %) in ordinary income and 29,387 million yen (increasing 8.7 %) 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, and the Company concluded the reseller agreement of cloud services with Oracle Information Systems Japan G.K. in February, 2019 (which appoints the company as the agency of Cloud services in Japan).

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 110,781 million yen, up 6.5 % from the corresponding period of the previous fiscal year. Revenue in the Cloud license & on-premise license was 28,901 million yen (declining 5.0 % year on year), revenue in the Cloud services & license support was 81,879 million yen (rising 11.2 % 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.

In the 3rd Quarter, there was a reactionary downturn following the large deals won in the same period of the previous fiscal year. However the Company received orders of “Oracle Exadata” for systems of store sales management, digital settlement services and production management from customers in retail and distribution sector, service sector and manufacturing sector.

Regarding the demand for on-premise license including Oracle database, though we see some fluctuations every quarter, it is steady especially in mission critical use.

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 12,975 million yen, up 3.5 % 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 16,027 million yen, gaining 6.0 % 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. 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 3 rd Quarter		FY2019 3 rd Quarter			May 2018	
	Amount	Comp.	Amount	Comp.	YoY	Amount	Comp.
	Million Yen	%	Million Yen	%	%	Million Yen	%
Cloud license & on-premise license	30,423	23.1	28,901	20.7	-5.0	46,557	25.1
Cloud services & license support	73,635	55.9	81,879	58.6	11.2	99,960	53.9
Cloud & License	104,059	79.0	110,781	79.3	6.5	146,518	79.0
Hardware systems	12,538	9.5	12,975	9.3	3.5	18,063	9.7
Services	15,117	11.5	16,027	11.5	6.0	20,898	11.3
Total	131,716	100.0	139,784	100.0	6.1	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 225,701 million yen (decreasing 10,807 million yen from the end of the previous year). During the third quarter under review, the Company executed loan (130,000 million yen) to Oracle Japan Holding Inc. (parent company of the Company) whose loan period shall be for up to 2 years. Current assets were 49,711 million yen (decreasing 142,579 million yen) and noncurrent assets were 175,990 million yen (increasing 131,771 million yen).

Liabilities were 79,471 million yen (decreasing 25,612 million yen). Net assets totaled 146,230 million yen (increasing 14,804 million yen).

As a result, the ratio of shareholders' equity was 64.7% (up 9.2 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 February 28, 2019)
Assets		
Current assets		
Cash and deposits	169,326	27,446
Accounts receivable-trade	19,871	14,236
Other	3,105	8,040
Allowance for doubtful accounts	-12	-12
Total current assets	192,290	49,711
Noncurrent assets		
Property, plant and equipment		
Buildings, net	10,635	10,737
Land	26,057	26,057
Other, net	3,171	3,916
Total property, plant and equipment	39,863	40,711
Intangible assets	4	3
Investments and other assets		
Long-term loans receivable from subsidiaries and associates	—	130,000
Other	4,385	5,310
Allowance for doubtful accounts	-34	-34
Total investments and other assets	4,350	135,275
Total noncurrent assets	44,218	175,990
Total assets	236,509	225,701
Liabilities		
Current liabilities		
Accounts payable-trade	13,087	12,139
Accounts payable-other	5,521	2,970
Income taxes payable	10,991	5,361
Advances received	69,862	55,169
Provision for bonuses	2,281	942
Other Provision	390	330
Other	2,941	2,548
Total current liabilities	105,075	79,463
Noncurrent liabilities		
Other	7	7
Total noncurrent liabilities	7	7
Total liabilities	105,083	79,471
Net assets		
Shareholders' equity		
Capital stock	24,480	24,633
Capital surplus	7,831	7,984
Retained earnings	99,450	114,606
Treasury stock	-599	-1,217
Total shareholders' equity	131,162	146,007
Subscription rights to shares	262	222
Total net assets	131,425	146,230
Total liabilities and net assets	236,509	225,701

(2) Quarterly Statement of Income

Cumulative Third Quarter

(Unit : Million yen)

Description	Previous term (From June 1, 2017 to February 28, 2018)	Current term (From June 1, 2018 to February 28, 2019)
Net sales	131,716	139,784
Cost of sales	69,102	73,531
Gross Profit	62,613	66,252
Selling, general and administrative expenses	23,388	23,831
Operating income	39,225	42,421
Non-operating income		
Foreign exchange gains	—	17
Interest income	12	8
Others	19	25
Total Non-Operating Income	32	51
Non-Operating expenses		
Foreign exchange losses	89	—
Others	3	41
Total Non-Operating expenses	93	41
Ordinary Income	39,164	42,430
Extraordinary Income		
Gain on reversal of subscription rights to shares	102	17
Total Extraordinary Income	102	17
Income before income taxes	39,267	42,448
Income taxes	12,238	13,061
Net Income	27,028	29,387

(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.

(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 nine 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 nine months of the fiscal year under review is insignificant.

(Segment Information)

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

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	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.

II. Current quarter under review (from June 1, 2018 to February 28, 2019)

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	110,781	12,975	16,027	139,784	—	139,784
Intersegment net sales or transfer	—	—	—	—	—	—
Total	110,781	12,975	16,027	139,784	—	139,784
Operating income (loss)	41,090	569	3,764	45,425	-3,004	42,421

(Notes): 1. Segment profit adjustment of minus 3,004 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