



Flash Report for the Fiscal Year Ended May 31, 2019

[under Japanese GAAP] (Non-consolidated)

June 28, 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>

Representative & Contact personal

Telephone: 03-6834-6666

Representative personal

Tadahiro Kaneko, Representative Executive Officer, Chief Legal Officer

Contact personal

Takeyoshi Itabashi, Director, Investor Relations

Schedule for general shareholders meeting: August 20, 2019

Schedule for dividends payment: August 5, 2019

Schedule for annual security report: August 20, 2019

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 May 31, 2019)

(1) Operating result

(% of change from previous year)

	Revenue		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
May 2019	202,389	9.1	62,337	11.3	62,284	11.3	43,360	11.9
May 2018	185,481	7.1	56,009	6.6	55,978	6.6	38,751	6.6

	Net income per share		Net income per share (diluted)		ROE	ROA	Operating Income Margin	
	Yen	Sen	Yen	Sen	%	%	%	
May 2019	338	92	338	51	29.8	24.6	30.8	
May 2018	303	25	302	66	32.8	25.7	30.2	

(2) Financial Position

	Total Assets		Net assets		Ratio of shareholders' equity		Net assets per share	
	Million Yen		Million Yen		%		Yen	Sen
May 2019	269,518		160,288		59.4		1,251	45
May 2018	236,509		131,425		55.5		1,025	38

Shareholders' equity May 2019: 160,078 million Yen May 2018: 131,162 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 2019	45,453		-82,178		-16,093		65,505	
May 2018	50,881		42,778		-13,357		118,326	

2. Dividends

	Dividend per share										Total amount of dividends	Dividends payout ratio	Dividend Ratio to shareholders' equity
	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	Million Yen	%	%
May 2018	-		0	00	-		121	00	121	00	15,489	39.9	13.1
May 2019	-		0	00	-		136	00	136	00	17,419	40.1	11.9
May 2020 (Forecast)	-		-		-		-		-			-	

(Note1) Changing Dividend Forecast for the year ended May 31, 2019 Yes

(Note2) Year-end dividend for the year ended May 31, 2020 has yet to be determined.

3. Forecast for the May 2020 term (from June 1, 2019 to May 31, 2020)

(% of change from previous year)

	Revenue		Net income per share	
	%		Yen	
Entire term	1.0~5.0		340.00 ~ 350.00	

(Note1) Company uses ranges of values for the forecast. Please refer to Future Outlook, on page 6.

(Note2) Estimation of effective tax rate is 30.8%

4. Other information

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

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

- | | | |
|--|------|------|
| (i) Changes in accounting policies due to revision of accounting standards : | None | None |
| (ii) Changes in accounting policies due to reasons other than (i): | Yes | Yes |
| (iii) Changes in accounting estimates : | None | None |
| (iv) Restatements : | None | 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)	May 2019	128,098,771 shares
	May 2018	128,019,371 shares
(ii) The number of treasury stock	May 2019	184,430 shares
	May 2018	103,302 shares
(iii) The number of average shares outstanding	May 2019	127,939,542 shares
	May 2018	127,787,494 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:

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 Future prospects, on page 6.

[Table of Contents of Attached Material]

1. Overview of the Management Operations' Results, etc.-----	2
(1) Overview of the Management Operations' Results in the Current Financial Year -----	2
(2) Overview of the Financial Position in the Current Financial Year -----	5
(3) Overview of the Cash flows in the Current Financial Year -----	5
(4) Future Outlook-----	6
(5) Substantial doubts regarding the ability to remain as a going concern-----	6
2. Basic Policies Concerning Selection of Accounting Standards -----	6
3. Financial Statements-----	7
(1) Balance Sheet-----	7
(2) Statement of Income-----	9
(3) Statement of changes in shareholders' equity-----	10
(4) Statement of Cash flows-----	12
(5) Notes to Financial Statements-----	13
(Notes to Going Concern)-----	13
(Accounting Policy Changes)-----	13
(Segment Information) -----	14
(Per Share Data) -----	15
(Notes to subsequent events) -----	15

1. Overview of the Management Operations' Results, etc.

(1) Overview of the Management Operations' Results in the Current Financial Year

(i) Overview

During the fiscal year under review (from Jun 1, 2018 to May 31 2019, hereinafter “this year”), the Japanese economy continuously improved moderately, however we need to 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 has been investing 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.

And in May, 2019, the Oracle opened the next generation datacenter for mission critical workload in Tokyo region, the Company has been promoting sales of “Oracle Cloud” including “Oracle Autonomous Database”. As a result of these measures, the Company posted 202,389 million yen (up 9.1 % year on year) in revenue, 62,337 million yen (rising 11.3 %) in operating income, 62,284 million yen (gaining 11.3 %) in ordinary income and 43,360 million yen (increasing 11.9 %) in net income. The Company exceeded the forecast range announced at the beginning of fiscal year, and renewed record highs in revenue for consecutively ninth period and in operating income, ordinary income and net income for eighth straight year.

(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. 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 162,813million yen, up 11.1 % from the corresponding period of the previous fiscal year. Revenue in the Cloud license & on-premise license was 52,747 million yen (increasing 13.3 % year on year), revenue in the Cloud services & license support was 110,066 million yen (rising 10.1 % 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 ended 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.

In the 4th, the Company successfully won several large deals, as a result we had been promoting combined offerings so far. Customers in the wide range of industries mainly manufacturing, financial services, retail services, public services aiming renewal of IT platform to corresponding to the next generation technologies, security reinforcement and enhancement of platform to respond increasing transaction data, adopted our technology products including our database products.

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 18,340 million yen, gaining 1.5 % 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 21,234 million yen, gaining 1.6 % 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	May 2018		May 2019		
	Amount	Comp.	Amount	Comp.	Variance
	Million Yen	%	Million Yen	%	%
Cloud license & on-premise license	46,557	25.1	52,747	26.1	13.3
Cloud services & license support	99,960	53.9	110,066	54.4	10.1
Cloud & License	146,518	79.0	162,813	80.4	11.1
Hardware systems	18,063	9.7	18,340	9.1	1.5
Services	20,898	11.3	21,234	10.5	1.6
Total	185,481	100.0	202,389	100.0	9.1

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

(2) Overview of the Financial Position in the Current Financial Year

The total assets of the Company at the end of the term stood at 269,518 million yen (increasing 33,009 million yen from the end of the previous term).

Current assets were 93,005 million yen (decreasing 99,285 million yen) because of arranging a loan (130,000 million yen) with a maximum term of two years to Oracle Japan Holding, Inc., (parent company of the Company) in this year, etc., and Noncurrent assets were 176,512 million yen (increasing 132,294 million yen).

Liabilities were 109,230 million yen (increasing 4,146 million yen). Net assets totaled 160,288 million yen (increasing 28,862 million yen). As a result, the ratio of shareholders' equity was 59.4% (up 3.9 percentage points).

(3) Overview of the Cash flows in the Current Financial Year

Cash flows from operating activities

Cash generated from operating activities was 45,453 million yen (decreasing 5,428 million yen year on year).

The inflow is attributable to the posting of income before income taxes of 62,305 million yen, an increase in notes and accounts payable-trade of 2,515 million yen. The outflows are attributable to the payment of 19,518 million yen in income taxes, an increase in accounts receivable-other of 3,305 million yen.

Cash flows from investment activities

Cash used for investment activities was 82,178 million yen (income of 42,778 million yen in the previous year).

The outflows is attributable to arrangement a loan (130,000 million yen) with a maximum term of two years to Oracle Japan Holding Inc., (parent company of the Company), payments into time deposits (52,000 million yen). The inflow is attributable to proceeds from withdrawal of time deposits (103,000 million yen).

Cash flows from financial activities

Cash used for financial activities was 16,093 million yen (increasing 2,735 million yen year on year). The outflow was primarily appropriated to the payment of dividends.

In total, cash and equivalents decreased 52,821 million yen from the end of the previous term, to 65,505 million yen.

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

	May 2017	May 2018	May 2019
Capital ratio (%)	52.9	55.5	59.4
Capital ratio based on market prices (%)	418.5	448.4	360.2

(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).

(4) Future Outlook

The Company is aiming for further business growth by supporting our customer's cloud migration of their core systems and active data utilization.

In order to further accelerate our focus points "Win big deals", "Autonomous Upgrades" and "ERP Upgrades", the Company will open a new datacenter in Osaka region added on the "Generation 2 Cloud" datacenter in Tokyo region opened in May,2019, and deliver our cloud services corresponding to enterprise workload and security. And we deploy enterprise cloud sales teams "Autonomous Database Rep" added on the "Oracle Digital" for SMB market, and we expand our cloud business by add value sales with our consulting services.

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	340.00 ~350.00	30.8

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.

(5) 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. Basic Policies Concerning Selection of Accounting 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.

3. Financial Statements**(1) Balance Sheet**

(Unit : Million yen)

	Previous term end (as of May 31, 2018)	Current term end (as of May 31, 2019)
Assets		
Current assets		
Cash and deposits	169,326	65,505
Accounts receivable-trade	19,871	20,283
Prepaid expenses	203	208
Other	2,901	7,020
Allowance for doubtful accounts	-12	-12
Total current assets	192,290	93,005
Noncurrent assets		
Property, plant and equipment		
Buildings	18,259	19,446
Accumulated depreciation	-7,639	-8,357
Buildings, net	10,619	11,088
Tools, furniture and fixtures	6,974	8,425
Accumulated depreciation	-3,802	-4,682
Tools, furniture and fixtures, net	3,171	3,743
Land	26,057	26,057
Constuction in progress	15	—
Total property, plant and equipment	39,863	40,889
Intangible assets		
Software	4	2
Total intangible assets	4	2
Investments and other assets		
Investment securities	36	36
Deferred tax assets	3,477	3,474
Guarantee deposits	331	328
Bankruptcy and reorganization claim	34	34
Long-term loans receivable from subsidiaries and associates	—	130,000
Other	505	1,781
Allowance for doubtful accounts	-34	-34
Total investments and other assets	4,350	135,620
Total noncurrent assets	44,218	176,512
Total assets	236,509	269,518

(Unit : Million yen)

	Previous term end (as of May 31, 2018)	Current term end (as of May 31, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	13,087	15,910
Accounts payable-other	5,521	5,313
Income taxes payable	10,991	10,969
Advances received	69,862	70,772
Deposits received	390	160
Provision for bonuses	2,281	2,581
Provision for directors' bonuses	7	11
Provision for product warranties	147	119
Provision for stock benefits	235	311
Other	2,550	3,072
Total current liabilities	105,075	109,222
Noncurrent liabilities		
Other	7	7
Total noncurrent liabilities	7	7
Total liabilities	105,083	109,230
Net assets		
Shareholders' equity		
Capital stock	24,480	24,679
Capital surplus		
Legal capital surplus	7,831	8,030
Total capital surplus	7,831	8,030
Retained earnings		
Other retained earnings		
Retained earnings brought forward	99,450	128,580
Total retained earnings	99,450	128,580
Treasury stock	-599	-1,211
Total shareholders' equity	131,162	160,078
Subscription rights to shares	262	209
Total net assets	131,425	160,288
Total liabilities and net assets	236,509	269,518

(2) Statement of Income

(Unit : Million yen)

	Previous Term (From June 1, 2017 to May 31, 2018)	Current Term (From June 1, 2018 to May 31, 2019)
Net sales	185,481	202,389
Cost of sales	96,673	106,735
Gross profit	88,808	95,653
Selling, general and administrative expenses	32,798	33,316
Operating income	56,009	62,337
Non-operating income		
Interest income	16	14
Other	14	28
Total non-operating income	31	43
Non-operating expenses		
Foreign exchange losses	59	32
Other	2	64
Total non-operating expenses	61	96
Ordinary income	55,978	62,284
Extraordinary income		
Gain on reversal of subscription rights to shares	103	20
Total extraordinary income	103	20
Income before income taxes	56,082	62,305
Income taxes-current	18,238	18,942
Income taxes-deferred	-906	2
Total income taxes	17,331	18,944
Net income	38,751	43,360

(3) Statement of changes in shareholders' equity

Previous 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		
Balance at the beginning of current period	23,755	7,106	7,106	75,258	75,258	-898	105,221
Cumulative effects of changes in accounting policies							—
Restated balance	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
Cumulative effects of changes in accounting policies		—
Restated balance	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

Current term end (From June 1, 2018 to May 31, 2019)

(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	24,480	7,831	7,831	99,450	99,450	-599	131,162
Cumulative effects of changes in accounting policies				1,258	1,258		1,258
Restated balance	24,480	7,831	7,831	100,708	100,708	-599	132,420
Changes of items during the period							
Issuance of new shares-exercise of subscription rights to shares	198	198	198				397
Dividends from surplus				-15,489	-15,489		-15,489
Net income				43,360	43,360		43,360
Purchase of treasury stock						-943	-943
Sale of treasury stock						332	332
Net changes of items other than shareholders' equity							
Total changes of items during the period	198	198	198	27,871	27,871	-611	27,658
Balances at end of current period	24,679	8,030	8,030	128,580	128,580	-1,211	160,078

	Subscription rights to shares	Net assets
Balance at the beginning of current period	262	131,425
Cumulative effects of changes in accounting policies		1,258
Restated balance	262	132,683
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares		397
Dividends from surplus		-15,489
Net income		43,360
Purchase of treasury stock		-943
Sale of treasury stock		332
Net changes of items other than shareholders' equity	-53	-53
Total changes of items during the period	-53	27,604
Balances at end of current period	209	160,288

(4)Statement of Cash Flows

(Unit : Million yen)

	Previous term end (as of May 31, 2018)	Current term end (as of May 31, 2019)
Net cash provided by (used in) operating activities		
Income before income taxes	56,082	62,305
Depreciation and amortization	1,795	2,002
Share-based compensation expenses	38	23
Increase (decrease) in allowance for doubtful accounts	43	—
Increase (decrease) in provision for bonuses	245	300
Increase (decrease) in provision for directors' bonuses	-15	3
Increase (decrease) in provision for product warranties	-56	-27
Increase (decrease) in provision for stock benefits	19	76
Foreign exchange losses (gains)	1	3
Interest and dividends income	-16	-37
Loss (gain) on sales and retirement of noncurrent assets	2	60
Decrease (increase) in notes and accounts receivable-trade	-241	-375
Decrease (increase) in accounts receivable-other	-716	-3,305
Decrease (increase) in other current assets	-46	-287
Increase (decrease) in notes and accounts payable-trade	1,058	2,515
Increase (decrease) in accounts payable-other	350	-112
Increase (decrease) in accrued consumption taxes	456	512
Increase (decrease) in advances received	7,267	1,593
Increase (decrease) in other current liabilities	-108	-221
Other, net	81	-92
Subtotal	66,243	64,937
Interest and dividends income received	20	33
Income taxes paid	-15,382	-19,518
Net cash provided by (used in) operating activities	50,881	45,453
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-1,502	-3,184
Proceeds from sales of property, plant and equipment	—	2
Purchase of intangible assets	-0	—
Payments of loans receivable from subsidiaries and associates	—	-130,000
Collection of loans receivable	90,300	—
Payments into time deposits	-152,000	-52,000
Proceeds from withdrawal of time deposits	106,000	103,000
Payments for guarantee deposits	-20	-4
Proceeds from collection of guarantee deposits	2	7
Net cash provided by (used in) investing activities	42,778	-82,178
Net cash provided by (used in) financing activities		
Proceeds from issuance of common stock	1,217	341
Purchase of treasury stock	-9	-943
Cash dividends paid	-14,565	-15,490
Net cash provided by (used in) financing activities	-13,357	-16,093
Effect of exchange rate change on cash and cash equivalents	-1	-3
Net Increase/(Decrease) in cash and cash equivalents	80,301	-52,821
Cash and cash equivalents at beginning of period	38,025	118,326
Cash and cash equivalents at end of period	118,326	65,505

(5) Notes to Financial Statements

(Notes to going concern)

Not applicable

(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 term increased 287 million yen. The impact on revenue, operating income and income before income taxes for the result 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 first quarter 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 term increased 970 million yen. The impact of the changes on operating income and income before income taxes for the result of the fiscal year under review is insignificant.

(Segment Information, etc.)

(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 license, Hardware systems, and Services.

Cloud and license 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, 2017 to May 31, 2018)

(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	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.

Current term (from June1, 2018 to May 31, 2019)

(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	162,813	18,340	21,234	202,389	—	202,389
Intersegment net sales or transfer	—	—	—	—	—	—
Total	162,813	18,340	21,234	202,389	—	202,389
Operating income (loss)	61,917	822	3,943	66,682	-4,345	62,337
Other item						
Depreciation (Note) 3	1,495	97	205	1,797	204	2,002

(Notes): 1. A segment profit adjustment of minus 4,345 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 Cloud and Software segment has been renamed as the Cloud and license segment from the current fiscal year.

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

(Per Share Data)

(Unit: Yen)

Items	Current term (From June 1, 2017 to May 31, 2018)	Current term (From June 1, 2018 to May 31, 2019)
Net assets per share	1,025.38	1,251.45
Net income per share	303.25	338.92
Net income per share (diluted)	302.66	338.51

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

	Current term (From June 1, 2017 to May 31, 2018)	Current term (From June 1, 2018 to May 31, 2019)
Net income per share		
Net income (millions of yen)	38,751	43,360
Amounts not attributable to owners of common stock (millions of yen)	—	—
Net income attributable to common stock (millions of yen)	38,751	43,360
Average number of shares during the term (shares)	127,787,494	127,939,542
Net income per share (diluted)		
Adjustment to net income (millions of yen)	—	—
Increase in common stock (shares)	248,101	152,486
Details of shares not included in calculation of diluted net income per share due to non-dilative effect	Subscription right (Type: 1 Numbers:268)	Subscription right (Type: 2 Numbers:454)

(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, 27,935 treasury shares owned by the BIP trust and 83,308 treasury shares owned by the ESOP trust for last year, 19,886 treasury shares owned by the BIP trust and 92,397 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, 22,542 treasury shares owned by the BIP trust and 69,735 treasury shares owned by the ESOP trust for last year, 20,043 treasury shares owned by the BIP trust and 153,062 treasury shares owned by the ESOP trust for this year.

(Notes to subsequent events)

Not Applicable