



## Flash Report for the Fiscal Year Ended May 31, 2020

[under Japanese GAAP] (Non-consolidated)

June 25, 2020

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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Schedule for general shareholders meeting: August 21, 2020

Schedule for dividends payment: August 5, 2020

Schedule for annual security report: August 21, 2020

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, 2019 to May 31, 2020)

## (1) Operating result

(% of change from previous year)

|          | Revenue     |     | Operating Income |      | Ordinary Income |      | Net Income  |      |
|----------|-------------|-----|------------------|------|-----------------|------|-------------|------|
|          | Million Yen | %   | Million Yen      | %    | Million Yen     | %    | Million Yen | %    |
| May 2020 | 211,357     | 4.4 | 68,865           | 10.5 | 68,857          | 10.6 | 47,686      | 10.0 |
| May 2019 | 202,389     | 9.1 | 62,337           | 11.3 | 62,284          | 11.3 | 43,360      | 11.9 |

|          | Net income per share |     | Net income per share (diluted) |     | ROE  | ROA  | Operating Income Margin |  |
|----------|----------------------|-----|--------------------------------|-----|------|------|-------------------------|--|
|          | Yen                  | Sen | Yen                            | Sen | %    | %    | %                       |  |
| May 2020 | 372                  | 52  | 372                            | 19  | 27.1 | 24.4 | 32.6                    |  |
| May 2019 | 338                  | 92  | 338                            | 51  | 29.8 | 24.6 | 30.8                    |  |

## (2) Financial Position

|          | Total Assets |  | Net assets  |  | Ratio of shareholders' equity |  | Net assets per share |     |
|----------|--------------|--|-------------|--|-------------------------------|--|----------------------|-----|
|          | Million Yen  |  | Million Yen |  | %                             |  | Yen                  | Sen |
| May 2020 | 294,139      |  | 191,362     |  | 65.0                          |  | 1,493                | 01  |
| May 2019 | 269,518      |  | 160,288     |  | 59.4                          |  | 1,251                | 45  |

Shareholders' equity May 2020: 191,206 million Yen May 2019: 160,078 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 2020 | 42,309                               | -30,584                              | -17,097                              | 60,091                                         |
| May 2019 | 45,453                               | -82,178                              | -16,093                              | 65,505                                         |

## 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 2019            | -                           | -   | 0                           | 00  | -                           | -   | 136             | 00  | 136                       | 00                     | 17,419                                 | 40.1  | 11.9 |
| May 2020            | -                           | -   | 0                           | 00  | -                           | -   | 149             | 00  | 149                       | 00                     | 19,097                                 | 40.0  | 10.9 |
| May 2021 (Forecast) | -                           | -   | -                           | -   | -                           | -   | -               | -   | -                         | -                      | -                                      | -     | -    |

(Note1) Changing Dividend Forecast for the year ended May 31, 2020: Yes

(Note2) Year-end dividend for the year ending May 31, 2021 has not been yet determined.

## 3. Forecast for the May 2021 term (from June 1, 2020 to May 31, 2021)

(% of change from previous year)

|             | Revenue |  | Net income per share |  |
|-------------|---------|--|----------------------|--|
|             | %       |  | Yen                  |  |
| Entire term | 0.0~3.0 |  | 370.00 ~ 385.00      |  |

(Note1) Company uses ranges of values for the forecast. Please refer to Future Outlook, on page 5.

(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  | None |
| (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<br>(inclusive of treasury stock) | May 2020 | 128,184,271 shares |
|                                                                       | May 2019 | 128,098,771 shares |
| (ii) The number of treasury stock                                     | May 2020 | 116,303 shares     |
|                                                                       | May 2019 | 184,430 shares     |
| (iii) The number of average shares outstanding                        | May 2020 | 128,009,848 shares |
|                                                                       | May 2019 | 127,939,542 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 5.

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

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

#### Overview

During the third quarter under review (from June 1, 2019 to May 31, 2020, hereinafter “this quarter”), the Japanese information services industry in which the Company operates enjoyed firm system renewal demand and solid Cloud and 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 further business growth by achieving customer's innovation and supporting their business transformation by utilizing cloud service and data.

As the COVID-19 virus (Coronavirus) was showing up in the end of this fiscal year, the Company recognizes that one of its most important business missions is to protect safety and health of its employees' and customers' and to continue its business stably. The Company has shifted promptly to remote working style and pressed ahead with efforts to ensure efficient risk management and to strengthen our sales capabilities.

As a result of these measures, the Company posted 211,357 million yen (up 4.4 % year on year) in revenue, 68,865 million yen (rising 10.5 %) in operating income, 68,857 million yen (gaining 10.6 %) in ordinary income and 47,686 million yen (increasing 10.0 %) in net income.

The Company achieved the forecast range announced at the beginning of fiscal year, and renewed record highs in revenue for consecutively tenth period and in operating income, ordinary income and net income for ninth straight year.

#### 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, and in order to further accelerate our focus points “Win big deals”, “Autonomous Upgrades” and “ERP Upgrades”. The Company opened a new datacenter in Osaka region in February 2020 added on the datacenter in Tokyo region opened in May 2019, thus the Company built its Disaster Recovery service system and has delivered its cloud services corresponding to enterprise workload and security. The Company continue to deploy its sales teams across all the different segment of the market including the SMB space.

#### (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.
- On-premises: A form of IT system developed and operated as the company's possession.

Business status in the 4th quarter of the fiscal year (from March 1, 2020 to May 31, 2020)

Regarding the Cloud license and on-premise license, we see continuously good demands from customers in wide variety of industry including Communication, Government, Finance, Manufacturing, Retail, Distribution and Services. The Company has developed its strength of products and services to its Customers including potentially. The Company continues to close a good mix of small and large deals indicating a steady business scenario.

Concerning the Cloud services including “Oracle Autonomous Database Cloud”, there is a lot of demands from customers putting a weight on performance, security and cost effectiveness, furthermore one of the most important strategy “ERP upgrade” (from On-premise to Cloud services) has been deployed to mainly its enterprise Customers. That has led to the usage of our Tokyo region datacenter opened in May this year is successfully increasing continuously across all of segment significantly with expansion its datacenter.

Also we have been keeping the high renewal rate of license support contracts and the attach rate for the Cloud license and on-premise license.

In Hardware Systems segment, the Company released “Oracle Exadata Database Machine X8M” combines Intel® Optane™ DC persistent memory, and the inquiry for this machine is strong. Exadata X8M removes storage bottlenecks and dramatically increase performance for the most demanding workloads such as Online Transaction Processing (OLTP), analytics, IoT, fraud detection, and high frequency trading.

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

| Item                               | May 2019    |       | May 2020    |       |          |
|------------------------------------|-------------|-------|-------------|-------|----------|
|                                    | Amount      | Comp. | Amount      | Comp. | Variance |
|                                    | Million Yen | %     | Million Yen | %     | %        |
| Cloud license & on-premise license | 52,747      | 26.1  | 54,972      | 26.0  | 4.2      |
| Cloud services & license support   | 110,066     | 54.4  | 117,601     | 55.6  | 6.8      |
| Cloud & License                    | 162,813     | 80.4  | 172,573     | 81.7  | 6.0      |
| Hardware systems                   | 18,340      | 9.1   | 17,362      | 8.2   | -5.3     |
| Services                           | 21,234      | 10.5  | 21,420      | 10.1  | 0.9      |
| Total                              | 202,389     | 100.0 | 211,357     | 100.0 | 4.4      |

\*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 294,139 million yen (increasing 24,620 million yen from the end of the previous term).

Current assets were 249,832 million yen (increasing 156,826 million yen) because of additional arranging a loan (30,000 million yen) with a maximum term of two years to Oracle Japan Holding, Inc., (parent company of the Company) from February 2019 and reclassification of loans receivable from subsidiaries and associates from noncurrent assets to current assets (160,000 million yen), etc., and Noncurrent assets were 44,306 million yen (decreasing 132,206 million yen).

Liabilities were 102,776 million yen (decreasing 6,454 million yen). Net assets totaled 191,362 million yen (increasing 31,074 million yen). As a result, the ratio of shareholders' equity was 65.0% (up 5.6 percentage points).

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

### Cash flows from operating activities

Cash generated from operating activities was 42,309 million yen (decreasing 3,143 million yen year on year). The inflow is attributable to the posting of income before income taxes of 68,872 million yen, a decrease in accounts receivable-other of 4,084 million yen. The outflows are attributable to the payment of 20,054 million yen in income taxes, an increase in notes and accounts receivable-trade of 6,255 million yen, and a decrease in notes and accounts payable-trade of 5,409 million yen.

### Cash flows from investment activities

Cash used for investment activities was 30,584 million yen (decreasing 51,593 million yen year on year).

The outflows is attributable to arrangement an additional loan (30,000 million yen) with a maximum term of two years to Oracle Japan Holding Inc., (parent company of the Company) from February 2019, purchase of property, plant and equipment (708 million yen).

### Cash flows from financial activities

Cash used for financial activities was 17,097 million yen (increasing 1,003 million yen year on year). The outflow was primarily appropriated to the payment of dividends.

In total, cash and equivalents decreased 5,413 million yen from the end of the previous term, to 60,091 million yen.

**(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. Its mission is to help people see data in new ways, discover insights, unlock endless possibilities.

The Company set a slogan "Customer Centric", in order to accelerate our focus points "Win ERP Cloud", "Focus on Big Deals" and "Growth Cloud Consumption". Furthermore the Company also aim to provide the value of "OCI (Oracle Cloud Infrastructure)" which is able to perform extremely at dramatically increased data volume and the most demanding workloads under robust security network. Hereby the Company is expanding to provide its Cloud services, which maximize the value of information by data-driven approaching and supporting services for customers to use Cloud.

In the role of promoting strategy, the Company opened a new datacenter in Osaka region in February 2020, added on the datacenter in Tokyo region opened in May 2019 so that it has built Disaster Recovery service system and has delivered its cloud services corresponding to enterprise workload and security. In terms of the structure of sales team, it deployed into Cloud and License, and we expand our cloud business by "Team Collaboration", add value sales with our support and consulting services.

The Company uses a range of values for the forecast for the next fiscal year and this forecast includes the Covid-19 impacts on its business. The Company is carefully examining the effects on its further business and it will announce that the forecast may change by various reason.

| (% of change from previous year) |           |                      |                                  |
|----------------------------------|-----------|----------------------|----------------------------------|
|                                  | Revenue   | Net income per share | Estimation of effective tax rate |
|                                  | %         | Yen                  | %                                |
| Entire term                      | 0.0 ~ 3.0 | 370.00 ~ 385.00      | 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.**

**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<br>(as of May 31, 2019) | Current term end<br>(as of May 31, 2020) |
|--------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| <b>Assets</b>                                                |                                           |                                          |
| <b>Current assets</b>                                        |                                           |                                          |
| Cash and deposits                                            | 65,505                                    | 60,091                                   |
| Accounts receivable-trade                                    | 20,283                                    | 26,539                                   |
| Short-term loans receivable from subsidiaries and associates | —                                         | 160,000                                  |
| Prepaid expenses                                             | 208                                       | 95                                       |
| Other                                                        | 7,020                                     | 3,118                                    |
| Allowance for doubtful accounts                              | -12                                       | -13                                      |
| <b>Total current assets</b>                                  | <b>93,005</b>                             | <b>249,832</b>                           |
| <b>Noncurrent assets</b>                                     |                                           |                                          |
| <b>Property, plant and equipment</b>                         |                                           |                                          |
| Buildings                                                    | 19,446                                    | 19,566                                   |
| Accumulated depreciation                                     | -8,357                                    | -9,199                                   |
| Buildings, net                                               | 11,088                                    | 10,367                                   |
| Tools, furniture and fixtures                                | 8,425                                     | 7,919                                    |
| Accumulated depreciation                                     | -4,682                                    | -5,448                                   |
| Tools, furniture and fixtures, net                           | 3,743                                     | 2,471                                    |
| Land                                                         | 26,057                                    | 26,057                                   |
| <b>Total property, plant and equipment</b>                   | <b>40,889</b>                             | <b>38,895</b>                            |
| <b>Intangible assets</b>                                     |                                           |                                          |
| Software                                                     | 2                                         | 1                                        |
| <b>Total intangible assets</b>                               | <b>2</b>                                  | <b>1</b>                                 |
| <b>Investments and other assets</b>                          |                                           |                                          |
| Investment securities                                        | 36                                        | 36                                       |
| Deferred tax assets                                          | 3,474                                     | 3,184                                    |
| Guarantee deposits                                           | 328                                       | 301                                      |
| Bankruptcy and reorganization claim                          | 34                                        | —                                        |
| Long-term loans receivable from subsidiaries and associates  | 130,000                                   | —                                        |
| Other                                                        | 1,781                                     | 1,887                                    |
| Allowance for doubtful accounts                              | -34                                       | -0                                       |
| <b>Total investments and other assets</b>                    | <b>135,620</b>                            | <b>5,409</b>                             |
| <b>Total noncurrent assets</b>                               | <b>176,512</b>                            | <b>44,306</b>                            |
| <b>Total assets</b>                                          | <b>269,518</b>                            | <b>294,139</b>                           |



(Unit : Million yen)

|                                         | Previous term end<br>(as of May 31, 2019) | Current term end<br>(as of May 31, 2020) |
|-----------------------------------------|-------------------------------------------|------------------------------------------|
| <b>Liabilities</b>                      |                                           |                                          |
| <b>Current liabilities</b>              |                                           |                                          |
| Accounts payable-trade                  | 15,910                                    | 10,501                                   |
| Accounts payable-other                  | 5,313                                     | 4,242                                    |
| Income taxes payable                    | 10,969                                    | 11,875                                   |
| Advances received                       | 70,772                                    | 67,730                                   |
| Deposits received                       | 160                                       | 343                                      |
| Provision for bonuses                   | 2,581                                     | 2,341                                    |
| Provision for directors' bonuses        | 11                                        | 6                                        |
| Provision for product warranties        | 119                                       | 54                                       |
| Provision for stock benefits            | 311                                       | 364                                      |
| Other                                   | 3,072                                     | 5,308                                    |
| <b>Total current liabilities</b>        | <b>109,222</b>                            | <b>102,768</b>                           |
| <b>Noncurrent liabilities</b>           |                                           |                                          |
| Other                                   | 7                                         | 7                                        |
| <b>Total noncurrent liabilities</b>     | <b>7</b>                                  | <b>7</b>                                 |
| <b>Total liabilities</b>                | <b>109,230</b>                            | <b>102,776</b>                           |
| <b>Net assets</b>                       |                                           |                                          |
| <b>Shareholders' equity</b>             |                                           |                                          |
| Capital stock                           | 24,679                                    | 24,884                                   |
| Capital surplus                         |                                           |                                          |
| Legal capital surplus                   | 8,030                                     | 8,235                                    |
| Total capital surplus                   | 8,030                                     | 8,235                                    |
| Retained earnings                       |                                           |                                          |
| Other retained earnings                 |                                           |                                          |
| Retained earnings brought forward       | 128,580                                   | 158,846                                  |
| Total retained earnings                 | 128,580                                   | 158,846                                  |
| Treasury stock                          | -1,211                                    | -759                                     |
| <b>Total shareholders' equity</b>       | <b>160,078</b>                            | <b>191,206</b>                           |
| Subscription rights to shares           | 209                                       | 156                                      |
| <b>Total net assets</b>                 | <b>160,288</b>                            | <b>191,362</b>                           |
| <b>Total liabilities and net assets</b> | <b>269,518</b>                            | <b>294,139</b>                           |

## (2) Statement of Income

(Unit : Million yen)

|                                                   | Previous Term<br>(From June 1, 2018 to May 31, 2019) | Current Term<br>(From June 1, 2019 to May 31, 2020) |
|---------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|
| Net sales                                         | 202,389                                              | 211,357                                             |
| Cost of sales                                     | 106,735                                              | 109,110                                             |
| Gross profit                                      | 95,653                                               | 102,246                                             |
| Selling, general and administrative expenses      | 33,316                                               | 33,380                                              |
| Operating income                                  | 62,337                                               | 68,865                                              |
| Non-operating income                              |                                                      |                                                     |
| Interest income                                   | 14                                                   | 30                                                  |
| Other                                             | 28                                                   | 32                                                  |
| Total non-operating income                        | 43                                                   | 62                                                  |
| Non-operating expenses                            |                                                      |                                                     |
| Foreign exchange losses                           | 32                                                   | 67                                                  |
| Other                                             | 64                                                   | 2                                                   |
| Total non-operating expenses                      | 96                                                   | 70                                                  |
| Ordinary income                                   | 62,284                                               | 68,857                                              |
| Extraordinary income                              |                                                      |                                                     |
| Gain on reversal of subscription rights to shares | 20                                                   | 14                                                  |
| Total extraordinary income                        | 20                                                   | 14                                                  |
| Income before income taxes                        | 62,305                                               | 68,872                                              |
| Income taxes-current                              | 18,942                                               | 20,895                                              |
| Income taxes-deferred                             | 2                                                    | 290                                                 |
| Total income taxes                                | 18,944                                               | 21,186                                              |
| Net income                                        | 43,360                                               | 47,686                                              |

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

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

(Unit : Million yen)

|                                                                  | Shareholders' equity |                       |                       |                         |                         |                |                            |
|------------------------------------------------------------------|----------------------|-----------------------|-----------------------|-------------------------|-------------------------|----------------|----------------------------|
|                                                                  | Capital stock        | Capital surplus       |                       | Retained earnings       |                         | Treasury stock | Total shareholder's 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    |

Current term end (From June 1, 2019 to May 31, 2020)

(Unit : Million yen)

|                                                                  | Shareholders' equity |                       |                       |                         |                         |                |                            |
|------------------------------------------------------------------|----------------------|-----------------------|-----------------------|-------------------------|-------------------------|----------------|----------------------------|
|                                                                  | Capital stock        | Capital surplus       |                       | Retained earnings       |                         | Treasury stock | Total shareholder's equity |
|                                                                  |                      | Legal capital surplus | Total Capital surplus | Other retained earnings | Total retained earnings |                |                            |
| Balance at the beginning of current period                       | 24,679               | 8,030                 | 8,030                 | 128,580                 | 128,580                 | -1,211         | 160,078                    |
| Changes of items during the period                               |                      |                       |                       |                         |                         |                |                            |
| Issuance of new shares-exercise of subscription rights to shares | 204                  | 204                   | 204                   |                         |                         |                | 409                        |
| Dividends from surplus                                           |                      |                       |                       | -17,419                 | -17,419                 |                | -17,419                    |
| Net income                                                       |                      |                       |                       | 47,686                  | 47,686                  |                | 47,686                     |
| Purchase of treasury stock                                       |                      |                       |                       |                         |                         | -6             | -6                         |
| Sale of treasury stock                                           |                      | 0                     | 0                     |                         |                         | 457            | 457                        |
| Net changes of items other than shareholders' equity             |                      |                       |                       |                         |                         |                |                            |
| Total changes of items during the period                         | 204                  | 205                   | 205                   | 30,266                  | 30,266                  | 451            | 31,127                     |
| Balances at end of current period                                | 24,884               | 8,235                 | 8,235                 | 158,846                 | 158,846                 | -759           | 191,206                    |

|                                                                  | Subscription rights to shares | Net assets |
|------------------------------------------------------------------|-------------------------------|------------|
| Balance at the beginning of current period                       | 209                           | 160,288    |
| Changes of items during the period                               |                               |            |
| Issuance of new shares-exercise of subscription rights to shares |                               | 409        |
| Dividends from surplus                                           |                               | -17,419    |
| Net income                                                       |                               | 47,686     |
| Purchase of treasury stock                                       |                               | -6         |
| Sale of treasury stock                                           |                               | 457        |
| Net changes of items other than shareholders' equity             | -52                           | -52        |
| Total changes of items during the period                         | -52                           | 31,074     |
| Balances at end of current period                                | 156                           | 191,362    |

## (4)Statement of Cash Flows

(Unit : Million yen)

|                                                               | Previous term end<br>(as of May 31, 2019) | Current term end<br>(as of May 31, 2020) |
|---------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Net cash provided by (used in) operating activities           |                                           |                                          |
| Income before income taxes                                    | 62,305                                    | 68,872                                   |
| Depreciation and amortization                                 | 2,002                                     | 2,308                                    |
| Share-based compensation expenses                             | 23                                        | 19                                       |
| Increase (decrease) in allowance for doubtful accounts        | —                                         | -33                                      |
| Increase (decrease) in provision for bonuses                  | 300                                       | -240                                     |
| Increase (decrease) in provision for directors' bonuses       | 3                                         | -4                                       |
| Increase (decrease) in provision for product warranties       | -27                                       | -64                                      |
| Increase (decrease) in provision for stock benefits           | 76                                        | 53                                       |
| Foreign exchange losses (gains)                               | 3                                         | 41                                       |
| Interest and dividends income                                 | -37                                       | -58                                      |
| Loss (gain) on sales and retirement of noncurrent assets      | 60                                        | 2                                        |
| Decrease (increase) in notes and accounts receivable-trade    | -375                                      | -6,255                                   |
| Decrease (increase) in accounts receivable-other              | -3,305                                    | 4,084                                    |
| Decrease (increase) in other current assets                   | -287                                      | 243                                      |
| Increase (decrease) in notes and accounts payable-trade       | 2,515                                     | -5,409                                   |
| Increase (decrease) in accounts payable-other                 | -112                                      | -1,035                                   |
| Increase (decrease) in accrued consumption taxes              | 512                                       | 2,273                                    |
| Increase (decrease) in advances received                      | 1,593                                     | -3,041                                   |
| Increase (decrease) in other current liabilities              | -221                                      | 208                                      |
| Other, net                                                    | -92                                       | 370                                      |
| Subtotal                                                      | 64,937                                    | 62,334                                   |
| Interest and dividends income received                        | 33                                        | 29                                       |
| Income taxes paid                                             | -19,518                                   | -20,054                                  |
| Net cash provided by (used in) operating activities           | 45,453                                    | 42,309                                   |
| Net cash provided by (used in) investing activities           |                                           |                                          |
| Purchase of property, plant and equipment                     | -3,184                                    | -708                                     |
| Proceeds from sales of property, plant and equipment          | 2                                         | 97                                       |
| Payments of loans receivable from subsidiaries and associates | -130,000                                  | -30,000                                  |
| Payments into time deposits                                   | -52,000                                   | —                                        |
| Proceeds from withdrawal of time deposits                     | 103,000                                   | —                                        |
| Payments for guarantee deposits                               | -4                                        | -19                                      |
| Proceeds from collection of guarantee deposits                | 7                                         | 45                                       |
| Net cash provided by (used in) investing activities           | -82,178                                   | -30,584                                  |
| Net cash provided by (used in) financing activities           |                                           |                                          |
| Proceeds from issuance of common stock                        | 341                                       | 351                                      |
| Purchase of treasury stock                                    | -943                                      | -6                                       |
| Proceeds from sales of treasury shares                        | —                                         | 0                                        |
| Cash dividends paid                                           | -15,490                                   | -17,443                                  |
| Net cash provided by (used in) financing activities           | -16,093                                   | -17,097                                  |
| Effect of exchange rate change on cash and cash equivalents   | -3                                        | -41                                      |
| Net Increase/(Decrease) in cash and cash equivalents          | -52,821                                   | -5,413                                   |
| Cash and cash equivalents at beginning of period              | 118,326                                   | 65,505                                   |
| Cash and cash equivalents at end of period                    | 65,505                                    | 60,091                                   |

## (5) Notes to Financial Statements

(Notes to Going Concern): Not Applicable

(Segment Information, etc.)

(Segment Information)

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

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

(Unit: Million Yen)

|                                    | Reportable operating segments |                     |          |         | Adjustment<br>(Note) 1 | Amount on<br>Statement of<br>Income<br>(Note) 2 |
|------------------------------------|-------------------------------|---------------------|----------|---------|------------------------|-------------------------------------------------|
|                                    | Cloud and<br>license          | Hardware<br>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.

Current term (from June1, 2019 to May 31, 2020)

(Unit: Million Yen)

|                                    | Reportable operating segments |                     |          |         | Adjustment<br>(Note) 1 | Amount on<br>Statement of<br>Income<br>(Note) 2 |
|------------------------------------|-------------------------------|---------------------|----------|---------|------------------------|-------------------------------------------------|
|                                    | Cloud and<br>license          | Hardware<br>Systems | Services | Total   |                        |                                                 |
| Sales                              |                               |                     |          |         |                        |                                                 |
| External customers                 | 172,573                       | 17,362              | 21,420   | 211,357 | —                      | 211,357                                         |
| Intersegment net sales or transfer | —                             | —                   | —        | —       | —                      | —                                               |
| Total                              | 172,573                       | 17,362              | 21,420   | 211,357 | —                      | 211,357                                         |
| Operating income (loss)            | 69,431                        | 758                 | 3,372    | 73,563  | -4,697                 | 68,865                                          |
| Other item                         |                               |                     |          |         |                        |                                                 |
| Depreciation (Note) 3              | 1,729                         | 93                  | 249      | 2,072   | 235                    | 2,308                                           |

(Notes): 1. A segment profit adjustment of minus 4,697 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.

## (Per Share Data)

(Unit: Yen)

| Items                          | Previous term<br>(From June 1, 2018 to May 31,<br>2019) | Current term<br>(From June 1, 2019 to May<br>31, 2020) |
|--------------------------------|---------------------------------------------------------|--------------------------------------------------------|
| Net assets per share           | 1,251.45                                                | 1,493.01                                               |
| Net income per share           | 338.92                                                  | 372.52                                                 |
| Net income per share (diluted) | 338.51                                                  | 372.19                                                 |

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

|                                                                                                                | Previous term<br>(From June 1, 2018 to May 31,<br>2019) | Current term<br>(From June 1, 2019 to May<br>31, 2020) |
|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------|
| Net income per share                                                                                           |                                                         |                                                        |
| Net income (millions of yen)                                                                                   | 43,360                                                  | 47,686                                                 |
| Amounts not attributable to owners of<br>common stock (millions of yen)                                        | —                                                       | —                                                      |
| Net income attributable to common<br>stock (millions of yen)                                                   | 43,360                                                  | 47,686                                                 |
| Average number of shares during the<br>term (shares)                                                           | 127,939,542                                             | 128,009,848                                            |
| Net income per share (diluted)                                                                                 |                                                         |                                                        |
| Adjustment to net income (millions of<br>yen)                                                                  | —                                                       | —                                                      |
| Increase in common stock (shares)                                                                              | 152,486                                                 | 111,986                                                |
| Details of shares not included in<br>calculation of diluted net income per<br>share due to non-dilative effect | Subscription right<br>(Type: 2 Numbers:454)             | Subscription right<br>(Type: 2 Numbers:436)            |

(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, 19,886 treasury shares owned by the BIP trust and 92,397 treasury shares owned by the ESOP trust for last year, 14,147 treasury shares owned by the BIP trust and 115,827 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, 20,043 treasury shares owned by the BIP trust and 153,062 treasury shares owned by the ESOP trust for last year, 10,983 treasury shares owned by the BIP trust and 93,445 treasury shares owned by the ESOP trust for this year.

(Notes to subsequent events)

Not Applicable