

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

Flash Report for the 3rd Quarter of Fiscal Year Ending May 31, 2022
[under Japanese GAAP] (Non-consolidated) March 22, 2022



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 Quarterly Report Filing Date (as planned): April 11, 2022
 Schedule for dividends payment: -
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results conference: Yes (for analysts and institutional investors)

(Amount of less than ¥1 million are rounded down)

1. Financial results for this term (from June 1, 2021 to February 28, 2022)

(1) Operating result

(% of change from previous year)

| | Revenue | | Operating Income | | Ordinary Income | | Net Income | |
|-----------------------|-------------|-----|------------------|-----|-----------------|-----|-------------|-----|
| | Million Yen | % | Million Yen | % | Million Yen | % | Million Yen | % |
| 3rd Quarter, May 2022 | 153,506 | 2.5 | 51,557 | 3.7 | 51,649 | 3.9 | 35,793 | 4.0 |
| 3rd Quarter, May 2021 | 149,698 | 0.5 | 49,720 | 7.3 | 49,703 | 7.2 | 34,424 | 7.3 |

| | Net income per share | | Net income per share (diluted) | |
|-----------------------|----------------------|-----|--------------------------------|-----|
| | Yen | Sen | Yen | Sen |
| 3rd Quarter, May 2022 | 279 | 44 | 279 | 34 |
| 3rd Quarter, May 2021 | 268 | 72 | 268 | 53 |

(2) Financial Position

| | Total Assets | Net Assets | Ratio of shareholders' equity |
|-----------------------|--------------|-------------|-------------------------------|
| | Million Yen | Million Yen | % |
| 3rd Quarter, May 2022 | 192,131 | 109,921 | 57.2 |
| FY ended May 2021 | 333,999 | 219,999 | 65.8 |

Shareholders' equity 3rd Quarter, May 2022: 109,808 Million Yen (FY2021: 219,881 Million Yen)

2. Dividends

| | Dividend per share | | | | | | | | | |
|------------------------------|-----------------------------|-----|-----------------------------|-----|-----------------------------|-----|-----------------|-----|-------|-----|
| | 1 st Quarter end | | 2 nd Quarter end | | 3 rd Quarter end | | Fiscal Year End | | Total | |
| | Yen | Sen | Yen | Sen | Yen | Sen | Yen | Sen | Yen | Sen |
| FY ended May 2021 | - | | 0 | 00 | - | | 1,146 | 00 | 1,146 | 00 |
| FY ending May 2022 | - | | 0 | 00 | - | | | | | |
| FY ending May 2022(Forecast) | | | | | | | - | | - | |

(Note1) Revision of outlook for dividends in this quarter: No

(Note2) Year-end dividend for this fiscal year has yet to be determined.

3. Forecast for the May 2022 term (from June 1, 2021 to May 31, 2022)

(% of change from previous year)

| | Revenue | Net income per share |
|-------------|---------|----------------------|
| | % | Yen |
| Entire term | 1.0~4.0 | 385.00~395.00 |

(Note1) Revision of forecast for May 2022 term in this quarter: No

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

(Note3) Estimation of effective tax rate is 30.8%

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 : Yes
- (ii) Changes in accounting policies due to reasons other than (i): None
- (iii) Changes in accounting estimates : None
- (iv) Restatements : None

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

| | | | |
|---|-----------------------|-------------|--------|
| (i) The number of shares outstanding (inclusive of treasury stock) | 3rd Quarter, May 2022 | 128,253,671 | shares |
| | FY ended May 2021 | 128,240,971 | shares |
| (ii) The number of treasury stock | 3rd Quarter, May 2022 | 120,944 | shares |
| | FY ended May 2021 | 201,781 | shares |
| (iii) The number of average shares outstanding (cumulative, non-consolidated, at end of third quarter) | 3rd Quarter, May 2022 | 128,089,045 | shares |
| | 3rd Quarter, May 2021 | 128,105,619 | shares |

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

The treasury shares which remain in the BIP trust and the ESOP trust are included in the treasury stock to be deducted in the calculation of the number of average shares outstanding during the term.

Caution1:

These quarterly financial statements are outside the scope of quarterly review procedures.

Caution2:

Above forecast is based on the information available at a time of issuance of this report, and the actual result may change by various reasons. Please refer to Qualitative information on Forecasts, on page 4.

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1. Qualitative Information on Results in the Quarter under Review

(1) Qualitative Information on Business Outcomes

Overview

During the third quarter under review (from June 1, 2021 to February 28, 2022, hereinafter “this quarter”), the Japanese information services industry in which the Company operates were gradually recovering in migrating to the Cloud and IT investment aimed at corporate growth and boosting competitiveness, including investing in new technologies exemplified by Autonomous, AI, Machine learning or Deep learning technology, improving efficiency through the use of variable digital data, soaring data volume because of remote working, and strengthening contact points with end users. In this business environment, the Company is expanding our Cloud business for realizing Customers’ innovation, for their business transformation, and for supporting their firm growth.

As the COVID-19 virus (Coronavirus) was showing up in early 2020, 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 continuously.

As a result of these measures, the Company posted 153,506 million yen (up 2.5 % year on year) in revenue, 51,557 million yen (rising 3.7 %) in operating income, 51,649 million yen (gaining 3.9 %) in ordinary income and 35,793 million yen (increasing 4.0 %) in net income.

The Company is delivering our value to strive further business growth by achieving customer’s innovation and supporting their business transformation by utilizing cloud service and data. For revenue and each profit category indicated attained hit record high as this quarter (nine months ended).

Go to Market Strategy

Our mission is to help people see data in new ways, discover insights, unlock endless possibilities. The Company is aiming for further business growth by supporting our customers’ cloud migration of their core systems and active data utilization with deepen customer-trust, which is based on “Be a TRUSTED TECHNOLOGY ADVISOR”. We have practiced DX (Digital Transformation) with our Cloud Journey to the Cloud by own technology which brought business success to ourselves. By accelerating to deploy and implement our technology to the customers, we support their Cloud Journey to Data-driven DX.

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.

The Company is further accelerate to provide its Cloud services, which maximize the value of information by data-driven approaching and supporting services for customers to utilize our Cloud Services that we have been focusing on, hereby the Company drives its customers’ DX.

The four measures which make “To Accelerate Cloud Transformation”

1) Realization of data-driven DX by SaaS

We promote aggressively DX by deploying and implementing Oracle Cloud ERP / HCM, / CX to our customers, which focuses on large-scale and strategic transactions.

2) Modernization of IT infrastructure with Hybrid Cloud

We move large-scale workloads of mission-critical systems to OCI (Oracle Cloud Infrastructure) and focus on increasing the number of cloud engineers.

3) Promotion of Social infrastructure DX

We strengthen the sales team of the public sector that has led to promote DX of social infrastructure, and support the Smart city projects of local governments.

4) Expansion of partner ecosystem

We support the buildup OCI / SaaS delivery system by deploying "Dedicated Region Cloud @Customer", which builds Oracle's public cloud in the customer's data center to strategic partners.

In the role of promoting strategy, the Company is expanding the capacity of two datacenters in Tokyo and Osaka region 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 newly built the sales team for specialized the public sector. We expand our cloud business by “Team Collaboration”, add value sales with our support and consulting services.

(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 3rd Quarter of the fiscal year (from December 1, 2021 to February 28, 2022)

[Cloud & Licenses]

In the Cloud license and on-premise license, the Company has developed its strength of products and services to its Customers under our strategy stated above.

Regarding our License business, the market is showing a recovery trend in IT investment which is not only for cost reduction but developing and growing their business. Due to hardware supply chain issues (shipment delays) caused by global semiconductor shortages, there were some cases that license projects were moving back with hardware delivery delays.

Additionally, we continue to see a good momentum in cloud and options by our customers.

We are continuously examining our business status henceforth owing to the range of investment momentum depends on the industry.

In terms of Partner business side, we are expanding our cooperative ties of alliance and keep on expansion our Cloud partnership, while creating new demands on SME market segment.

Concerning the Cloud services, we delivered some achieve results for Cloud Migration (from On-premise to Cloud services) which are mainly “Oracle Fusion Cloud ERP” to our install-based customers, and also it has been deployed to the new customers in variable industries for accelerating Cloud shifting. Regarding “Oracle Cloud Infrastructure (OCI)”, there is a lot of demands from customers putting a weight on performance, security and cost effectiveness that has led to the usage of our Tokyo and Osaka region data center are successfully increasing continuously with expansion its Cloud datacenter.

We have been authorized ISMAP (Information system Security Management and Assessment Program) for Government Cloud supplier with OCI, PaaS and Oracle Exadata Cloud@Customer, and prospective benefits amid a push for government digitalization include an acceleration and increase in investment, larger projects, and further stimulation of demand over the mid-long term.

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.

NetSuite for SME market remained brisk performance in adding new customers who adopted Cloud ERP.

[Hardware Systems]

In Hardware Systems segment, the Company released “Oracle Exadata Database Machine X9M” (upgraded version of X8M) combines Intel® Optane™ DC persistent memory in September 2021. The inquiry for this machine is strong, while we have supply chain issues because of shortage of the semiconductor chip worldwide. Exadata X9M 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.

[Services]

In Services segment, the number of composite projects from Consulting Services 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 (Year to Date)

| Item | FY2021 3rd Quarter | | FY2022 3rd Quarter | | | May 2021 | |
|------------------------------------|-----------------------|-------|-----------------------|-------|-------|-------------|-------|
| | Amount | Comp. | Amount | Comp. | YoY | Amount | Comp. |
| | Million Yen | % | Million Yen | % | % | Million Yen | % |
| Cloud license & on-premise license | 29,999 | 20.0 | 27,889 | 18.2 | -7.0 | 47,173 | 22.6 |
| Cloud services & license support | 91,680 | 61.2 | 99,049 | 64.5 | 8.0 | 123,052 | 59.0 |
| Cloud & License | 121,680 | 81.3 | 126,938 | 82.7 | 4.3 | 170,225 | 81.6 |
| Hardware systems | 12,143 | 8.1 | 10,622 | 6.9 | -12.5 | 17,083 | 8.2 |
| Services | 15,874 | 10.6 | 15,945 | 10.4 | 0.4 | 21,214 | 10.2 |
| Total | 149,698 | 100.0 | 153,506 | 100.0 | 2.5 | 208,523 | 100.0 |

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

(2) Qualitative Information on Financial Situation

Current assets at the end of the third quarter of the current fiscal year were 40,252 million yen (decreasing 40,785 million yen from the previous fiscal year end). Noncurrent assets of the Company at the end of the term stood at 151,878 million yen (decreasing 101,082 million yen from the previous fiscal year end). This was mainly due to a decrease in long-term loans receivable from subsidiaries and associates (100,000 million yen) as a result of the early collection of a portion of long-term loans receivable from subsidiaries and associates to Oracle Japan Holding Inc. (the parent company of the Company).

Liabilities were 82,210 million yen (decreasing 31,789 million yen from the previous fiscal year end). Net assets totaled 109,921 million yen (decreasing 110,078 million yen from the previous fiscal year end). This was mainly due to pay a year-end dividend of 1,146 yen per share (including a special dividend of 992 yen per share) in the first quarter of the current fiscal year, etc.

As a result, the ratio of shareholders' equity was 57.2 % (down 8.6 percentage points from the previous fiscal year end).

(3) Qualitative Information on Forecasts

There is no change to the forecast announced on June 24, 2021.

2. Quarterly Financial Statements and Main Notes

(1) Quarterly Balance Sheet

(Unit : Million yen)

| Description | Previous term end (as of May 31, 2021) | Current term end (as of February 28, 2022) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 53,964 | 23,213 |
| Accounts receivable-trade | 18,799 | 13,110 |
| Other | 8,293 | 3,949 |
| Allowance for doubtful accounts | -20 | -20 |
| Total current assets | 81,038 | 40,252 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings, net | 9,487 | 8,847 |
| Land | 26,057 | 26,057 |
| Other, net | 1,349 | 914 |
| Total property, plant and equipment | 36,894 | 35,819 |
| Intangible assets | 0 | 0 |
| Investments and other assets | | |
| Long-term loans receivable from subsidiaries and associates | 210,000 | 110,000 |
| Other | 6,065 | 6,058 |
| Total investments and other assets | 216,065 | 116,058 |
| Total noncurrent assets | 252,960 | 151,878 |
| Total assets | 333,999 | 192,131 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 9,379 | 8,218 |
| Accounts payable-other | 3,743 | 2,947 |
| Income taxes payable | 13,982 | 5,279 |
| Advances received | 80,206 | - |
| Contract liabilities | - | 61,603 |
| Provision for bonuses | 2,120 | 1,124 |
| Other Provision | 743 | 568 |
| Other | 3,822 | 2,468 |
| Total current liabilities | 113,999 | 82,209 |
| Noncurrent liabilities | | |
| Other | 0 | 0 |
| Total noncurrent liabilities | 0 | 0 |
| Total liabilities | 113,999 | 82,210 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 25,033 | 25,060 |
| Capital surplus | 8,384 | 8,411 |
| Retained earnings | 188,924 | 77,767 |
| Treasury stock | -2,461 | -1,430 |
| Total shareholders' equity | 219,881 | 109,808 |
| Subscription rights to shares | 118 | 112 |
| Total net assets | 219,999 | 109,921 |
| Total liabilities and net assets | 333,999 | 192,131 |

(2) Quarterly Statement of Income
Cumulative Third Quarter

(Unit : Million yen)

| Description | Previous term (From June 1, 2020 to February 28, 2021) | Current term (From June 1, 2021 to February 28, 2022) |
|---|--|--|
| Net sales | 149,698 | 153,506 |
| Cost of sales | 76,906 | 78,552 |
| Gross Profit | 72,791 | 74,954 |
| Selling, general and administrative expenses | 23,071 | 23,397 |
| Operating income | 49,720 | 51,557 |
| Non-operating income | | |
| Interest income | 27 | 11 |
| Foreign exchange gains | - | 77 |
| Others | 14 | 16 |
| Total Non-Operating Income | 41 | 105 |
| Non-Operating expenses | | |
| Foreign exchange losses | 53 | - |
| Others | 5 | 12 |
| Total Non-Operating expenses | 58 | 12 |
| Ordinary Income | 49,703 | 51,649 |
| Extraordinary Income | | |
| Gain on reversal of subscription rights to shares | 11 | 5 |
| Total Extraordinary Income | 11 | 5 |
| Income before income taxes | 49,714 | 51,654 |
| Income taxes | 15,289 | 15,861 |
| Net Income | 34,424 | 35,793 |

(3) Notes to Quarterly Financial Statements
(Notes to Going Concern): Not Applicable

(Notes to significant changes in the stockholders' equity):

On August 4, 2021, the Company paid the year-end dividend for the 36th term (1,146 yen per share, of which 154 yen is ordinary dividend and 992 yen is special dividend, total dividend of 146,949 million yen) using retained earnings as the source of dividends, which was resolved at the Board of Directors meeting held on July 21, 2021.

(Adoption of specified accounting methods for the preparation of quarterly non-consolidated Financial statements)

The Company has adopted a method in which tax expenses are calculated by multiplying quarterly net income before tax by effective tax rates estimated in a reasonable way, after applying tax effect accounting to net income before tax for the fiscal year under review. Income taxes-deferred is stated including corporate tax.

(Changes in Accounting Policies)

(Application of Accounting Standard for Calculation of Fair Value, etc.)

The Company has applied "Accounting Standard for Measurement of Fair Value" (ASBJ Statement No. 30, July 4, 2019. Hereinafter referred to as "Fair Value Calculation Accounting Standard"), etc. from the beginning of the first quarter of the current fiscal year, and will apply the new accounting policies set forth by the Accounting Standard for Measurement of Fair Value etc. prospectively in accordance with the transitional treatments set forth in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no impact of this change on the quarterly financial statements.

(Additional Information)

(Accounting estimates for the impact of the spread of the new coronavirus infection)

There has been no significant change in the assumptions and accounting estimates regarding the impact of the COVID-19 infection described in (Additional Information) of the Annual Securities Report for the previous fiscal year.

(Application of Accounting Standard, etc. for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year. The "Accounting Standard for Revenue Recognition", etc. issued on March 30, 2018 have been applied from the beginning of the fiscal year ending May 31, 2019.

Due to the application of the accounting standard for revenue recognition, "Advances received", which was presented in "Current liabilities" in the balance sheet of the previous fiscal year, is included in "Contract liabilities" from the first quarter of the current fiscal year.

In accordance with the transitional treatment prescribed in Paragraph 89-4 of the "Accounting Standard for Revenue Recognition", no reclassification has been made for the previous fiscal year with the new presentation method.

(Segment Information, etc.)

【Segment Information】**I . Previous quarter under review (from June 1, 2020 to February 28, 2021)**

Segment sales and operating income (loss)

(Unit: Million Yen)

| | Reportable operating segments | | | | Adjustment (Note) 1 | Amount on Statement of Income (Note) 2 |
|------------------------------------|-------------------------------|---------------------|----------|---------|------------------------|--|
| | Cloud and license | Hardware Systems | Services | Total | | |
| Sales | | | | | | |
| External customers | 121,680 | 12,143 | 15,874 | 149,698 | - | 149,698 |
| Intersegment net sales or transfer | - | - | - | - | - | - |
| Total | 121,680 | 12,143 | 15,874 | 149,698 | - | 149,698 |
| Operating income (loss) | 49,148 | 485 | 3,312 | 52,945 | -3,225 | 49,720 |

- (Notes): 1. Segment profit adjustment of minus 3,225 million yen is a Company-wide expense, which primarily relates to administration departments that do not belong to any reported segment.
2. Segment profits are adjusted in comparison with operating income in the statement of income.

II . Current quarter under review (from June 1, 2021 to February 28, 2022)

Segment sales and operating income (loss)

(Unit: Million Yen)

| | Reportable operating segments | | | | Adjustment (Note) 1 | Amount on Statement of Income (Note) 2 |
|------------------------------------|-------------------------------|---------------------|----------|---------|------------------------|--|
| | Cloud and license | Hardware Systems | Services | Total | | |
| Sales | | | | | | |
| External customers | 126,938 | 10,622 | 15,945 | 153,506 | - | 153,506 |
| Intersegment net sales or transfer | - | - | - | - | - | - |
| Total | 126,938 | 10,622 | 15,945 | 153,506 | - | 153,506 |
| Operating income (loss) | 51,165 | 472 | 3,483 | 55,121 | -3,564 | 51,557 |

- (Notes): 1. Segment profit adjustment of minus 3,564 million yen is a Company-wide expense, which primarily relates to administration departments that do not belong to any reported segment.
2. Segment profits are adjusted in comparison with operating income in the statement of income.