

# Corporate Governance Report

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## Oracle Corporation Japan

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<http://www.oracle.com/jp/corporate/investor-relations/index.html>

The following is an overview of corporate governance at Oracle Corporation Japan.

## *I. Basic Views, Capital Structure, Corporate Attributes and Other Basic Information Related to Corporate Governance*

### **1. Basic Views**

At Oracle Corporation Japan, we believe that the establishment of corporate governance is an important task for continuously improving our corporate value. We therefore strive to establish a corporate governance system that conforms to the legal system, etc. of Japan and that is based on the corporate governance policy of our parent company, Oracle Corporation, in order to fulfill our management responsibilities to all of our stakeholders.

We ensure that our employees are thoroughly informed of the Oracle Code of Ethics and Business Conduct, which is common to the Oracle Group companies all over the world and which we follow as the basic guidelines for our corporate activities.

### *[Reasons for Not Implementing the Principles of the Corporate Governance Code]*

#### **[Supplementary Principle 4.1.2: Formulation of mid-term business plan]**

Currently, we disclose our financial outlook for each fiscal year via the statement of financial results. Working in line with our vision in which we aim to achieve our goal of becoming the No.1 cloud company by 2020, we are positioning the acceleration of our Cloud Business expansion as the most important management challenge.

The Company promotes strong measures by taking advantage of our strengths, “Promotion of Journey to the Cloud”, “Improvement of enterprise marketing” and “Engagement of each employee”.

We will also make the optimal management decisions promptly and flexibly. At the same time, in order to ensure our business strategies, financial conditions, and other information are understood correctly by our shareholders and investors, we clearly disclose issues to Business Reports and Annual securities report that we need to address and engage in dialogue about our financial outlook, etc., with investors by holding briefing sessions and meeting with them individually.

***[Disclosure Based on Principles of Corporate Governance Code]***

**[Principle 1.4: Cross-Shareholdings]**

We do not hold shares of other listed companies.

**[Principle 1.7: Related Party Transactions]**

Concerning our transactions with our affiliates, our Board of Directors, executive officers, and operating officers make management decisions as an independent corporate entity to maintain our independence. We disclose the contents of such transactions in an appropriate, timely manner through documents such as the statement of financial results, the business report, and the securities report.

To prevent actions against the interests of the Company and its shareholders, the Board of Directors of the Company has stipulated in the guidelines on the presentation of issues to the Board of Directors that a resolution of the board is required for directors' and executive officers' transactions with the Company and their transactions involving conflict of interests. For details of our transactions with major shareholders and others, please refer to the documents concerning our transactions with our majority shareholders disclosed on our website (Japanese only).

[http://www.oracle.co.jp/corp/IR/doc/201708/20170823\\_shihai.pdf](http://www.oracle.co.jp/corp/IR/doc/201708/20170823_shihai.pdf)

**[Principle 3.1: Information Disclosure]**

(i) Business principles, etc., business strategies, and business plans

The Company practices a basic philosophy of creating new IT value and contributing to customer success and the development of society. The role of IT has been evolving from tools for operational efficiency and cost cutting, to business infrastructure that transforms corporate processes and business models.

The basic policy of the Company as a technology company is to help enhance the competitiveness and improve the performance of customers and provide for the greater convenience and development of society by delivering the most-advanced digital technologies such as cloud solutions.

The Company's vision is to become the number one cloud company and the most respected company by 2020. To realize this vision, we are positioning the acceleration of our Cloud Business expansion as the most important management challenge.

The Company promotes strong measures by taking advantage of our strengths as below.

1. Promotion of Journey to the Cloud

We are promoting the use of the Cloud service by our corporate customers through four approaches.

a) SaaS

- i) Creation of large projects based on ERP/EPM Cloud and HCM Cloud
- ii) Development of a market of small and medium-sized companies by strengthening the sales organization "Oracle Digital" and actively using digital marketing
- iii) Promotion of the short-term SaaS introduction method through Oracle Consulting Service

b) PaaS/IaaS

- i) Enhancement of proposals combined with PaaS/IaaS and On-premise products for improving customer's system utilization
- ii) Focus on the IaaS business including the at Customer model
- iii) Promotion of partner programs "Oracle Cloud Managed Service Provider (MSP) Program" to accelerate customers' shift to cloud services SaaS: Expansion of ERP Cloud business

c) Hardware Systems

- i) Support for customers' migration to cloud services using Engineered Systems
- ii) Enhancement of partner alliance structure

2. Enhancement of enterprise marketing

- a) Promotion of the Oracle Cloud Insight program that supports customers' business transformations through the introduction and use of IT and cloud computing.
- b) Creation of large global projects through collaboration with Global Oracle

(ii) Basic views and guidelines on corporate governance

For our basic views on corporate governance, please refer to “1.1 Basic Views” of this report.

(iii) Policies and procedures in determining the remuneration of the directors and executive officers

The Company is a company with a nomination committee, etc. This committee stipulates policies on decisions related to the details of remuneration, etc. of individual directors. The details of remuneration, etc. of individual directors are determined in accordance with the following the policies.

[Policies in determining the remuneration, etc. of the directors and executive officers]

Compensation paid to our directors and executive officers consists of the base salary, performance-based bonus, and share incentive plan. The amount of each is determined based on the following policies.

(a) Base salary

We set the standard amount that is appropriate for the roles and duties of each in consideration of the standards of other companies in the same industry.

(b) Performance-bases bonus

Bonus is determined based on the Company’s target management indicator in that particular fiscal year (sales, profits, etc.) and is paid according to the degree of attainment of targets set at the beginning of the fiscal year. The Company adopted a system that ensures bonuses clearly reflect management responsibilities and results by closely linking them to corporate performance through the inclusion of growth i.e. as an indicator in addition to degree of attainment of the operating income target and revenue growth ratio of the Company’s flagship products.

(c) Share incentive plan

The share incentive plan comprises the stock option plan and the stock compensation plan.

In addition to the current stock option plan, under which stock is granted within the range regarding which a resolution has been adopted at the general meeting of shareholders, in December 2014 we introduced the new Board Incentive Plan (BIP) Trust as an incentive plan that will more strongly motivate the directors and executive officers of the company to execute their duties.

(iv) Policies and procedures in the appointment of executive officers and the nomination of candidates for directors

Oracle Corporation Japan is a company with a nomination committee, etc. Our Nomination Committee has the authority to determine the agendas for general shareholders’ meetings concerning the appointment and dismissal of directors and the basic policies, rules, procedures, and other matters that are needed for appointing and dismissing directors. The Nomination Committee determines the proposed structure of the Board of Directors for the following fiscal year, the requirements, etc. concerning the independence and neutrality of outside directors, and the candidates for directors.

(v) Explanations with respect to individual appointments and nominations based on (iv)

For reasons for the appointment of candidates for outside directors as determined by the Nomination Committee, please see the reference materials of the Notice of Annual Meeting of Shareholders and “[Matters related to outside directors]” in the section “1. Matters Related to Organizational Structure and Operations, etc.” in the chapter “II. Overview of Business Management Organization and Other Corporate Governance Systems Related to Managerial Decision-Making, Business Execution, and Management Supervision” of this report.

Our Board of Directors has the authority to determine the candidates for executive officers and Representative Executive Officer proposes the candidates for executive officers with the reasons to the Board of Directors to determine.

Candidates for directors other than outside directors are listed on our official website. Please visit

<http://www.oracle.com/jp/corporate/executive-team/boardmember-3210436-ja.pdf>

#### **[Supplementary Principle 4.1.1: Overview of the Scope of Matters Delegated to Executive Officers]**

Oracle Corporation Japan is a company with a nomination committee, etc. and our Board of Directors delegates decisions on business execution to the executive officers, considerably but to the extent permitted under applicable laws, thereby ensuring that the company is managed more vigorously and dedicates itself to the supervision of management.

The Board of Directors makes decisions on important matters specified in laws and regulations, the Articles of Incorporation, and the Board of Directors’ rules, such as basic management policies and the appointment of executive officers. Matters to be resolved by the Board of Directors and those to be reported thereto are set forth specifically in our rules on Regulations for Board of Directors and Administrative Rules for Submission of Matters to Board of Directors.

#### **[Principle 4.8: Views on Independent Outside Directors]**

We have appointed two independent outside directors who fulfill the requirements for independent directors set forth in the Securities Listing Regulations of the Tokyo Stock Exchange.

#### **[Principle 4.9: Independence Standards for Independent Outside Directors]**

We have judged that the candidates for our independent outside directors nominated by the Nomination Committee do not fall under any one of the persons specified in section III.5. (3)-2 of the Guidelines Concerning Listing Examination, etc. of the Tokyo Stock Exchange, have a sufficient level of independence, are supervised in a fair manner without being biased toward the interests of particular stakeholders, and will not cause a conflict of interest with general shareholders.

**[Supplementary Principle 4.11.1: Views on the Balance, Diversity, and Size of the Board of Directors as a Whole]**

Our Board of Directors comprises diverse directors who differ in terms of specialized knowledge, experience, and other backgrounds. We make it a rule to ensure that the number of members of the Board of Directors will enable its functions to be exercised most effectively and efficiently.

Currently, two of our nine directors are outside directors who are independent and neutral. The three outside directors are a former business manager, a certified public accountant, and a professor. Moreover, five of our nine directors are non-Japanese, including one woman.

Our Nomination Committee has judged that our directors are capable of fulfilling their duties as directors in an appropriate manner concerning decisions regarding important management matters of the company, the supervision of our business execution, and other areas, based on their experience and knowledge in the respective fields.

**[Supplementary Principle 4.11.2: Concurrent Positions Held by Directors]**

With regard to concurrent positions held by our directors, the Board of Directors and the Nomination Committee confirm that such positions will not affect the implementation of their duties as directors of Oracle Corporation Japan, and in the case of outside directors, that such positions will not affect their independence or neutrality as outside directors.

Major concurrent positions held by our directors are disclosed in the reference materials of the Notice of Annual Meeting of Shareholders, the securities report, and other materials.

**[Supplementary Principle 4.11.3: Summary of the Results of Evaluation of the Board's Effectiveness]**

As of fiscal year ended May 31, 2016, the Board of Directors of the Company introduced and implemented an analysis and evaluation of the effectiveness of the Board of Directors for the purpose of accurately understanding its current state, improving its overall functional capabilities and ensuring that it operates with a high degree of effectiveness.

(i) Analysis and evaluation methods

- Targeting all members of the Board of Directors, a five-grade self-evaluation questionnaire was conducted on an anonymous basis (a total of 21 questions regarding 5 items, namely roles of the Board of Directors, relationship with executive officers, directors' competence, operation of the Board of Directors and operation of each committee)
- Evaluation analysis was conducted based on the aggregated results, free-form comments and individual interviews.
- Based on results of the evaluation analysis, the Board of Directors held constructive discussions on the evaluation of the Board's effectiveness and shared current areas for improvement and future response.

(ii) Outline of results of the evaluation of the Board's effectiveness

Our Board of Directors comprises directors from diverse backgrounds and conducts appropriate supervision of the management team from an independent and objective perspective. The Board members include outside directors and engage in constructive discussions on management issues.

As a result of the above, it was assessed that the Board's effectiveness is secured. In light of the discussions on reinforcing functional capabilities of the Board of Directors in the future, the members are determined to enhance the effectiveness of the Board of Directors and to make continuous efforts for improvements.

**[Supplementary Principle 4.14.2: Policies on Training of Directors, etc.]**

We recommend that each of our directors participate in external seminars on laws and regulations, compliance, the IT industry, business management, and other aspects, and build a human network with external people. Where necessary, we provide them with the knowledge needed to fulfill their roles and responsibilities, including knowledge on the statuses of the company's businesses, and give them opportunities to update this knowledge.

After appointment at the Annual Meeting of Shareholders, we have provided our all directors including outside directors with training by inviting external lecturers (lawyers).

**[Principle 5.1: Policy for Constructive Dialogue with Shareholders]**

To secure the consistency and uniformity of our information disclosure, we appoint our CFO as the information disclosure manager and hold the Investor Relations division in charge of disclosing information. With regard to requests for meetings with our CEO, CFO, Investor Relations division, and Public Relations division, we discuss how to respond to them in consideration of the purposes of the meetings, the importance of the contents of the meetings, the attributes of the persons requesting the meetings, and other aspects.

Our Investor Relations division cooperates with related internal divisions regarding daily operations, discloses information about our management and financial status to our shareholders and investors in a proactive, fair, equitable, and timely manner, and promotes IR activities that contribute to further improving our corporate value.

In addition to holding meetings with individuals, our CFO participate in all of the quarterly financial results briefings, where they have direct dialogue with investors and analysts.

## 2. Capital Structure

Ratio of Shares Held by Foreigners	30% or higher
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### [Major Shareholders]

Name or Designation	Number of Shares Held	Shareholding Ratio (%)
ORACLE JAPAN HOLDING, INC. (Standing proxy: SMBC Nikko Securities Inc.)	94,967,000	74.35
Japan Trustee Services Bank, Ltd. (trust account)	4,007,400	3.14
The Master Trust Bank of Japan, Ltd. (trust account)	1,668,900	1.31
STATE STREET BANK AND TRUST COMPANY 505001	1,147,669	0.90
STATE STREET BANK WEST CLIENT - TREATY 505234	1,043,048	0.82
UEDA YAGI TANSHI Co., Ltd.	856,200	0.67
BBH FOR MATTHEWS JAPAN FUND	849,500	0.67
Trust & Custody Services Bank, Ltd. (trust account)	847,000	0.66
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT	573,350	0.45
STATE STREET BANK AND TRUST COMPANY	459,528	0.36

Controlling Shareholders (excluding parent company)	---
Parent Company	Oracle Corporation (listed overseas) Code: ---

Supplementary Information : N/A

## 3. Corporate Attributes

Stock Exchange Listings and Market Classification	First Section, Tokyo Stock Exchange
Fiscal Year-end	May
Industry	Information and Telecommunications
Number of Employees as of Previous Fiscal Year-End (Consolidated)	1,000 or more
(Consolidated) Revenues in Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries at Previous Fiscal Year-end	Less than 10



#### **4. Policy for Measures to Protect Minority Shareholders When Conducting Transactions with Controlling Shareholder**

Controlling shareholder: ORACLE JAPAN HOLDING, INC.

Oracle Corporation of the United States is our effective parent company, and we belong to a corporate group led by this company.

This corporate group markets database management systems, middleware, applications and other software, and hardware including servers, storage, and network equipment, which are used for the development and operation of the information technology (IT) environment, including the cloud computing environment. Some of the products are provided via the Internet in the form of subscriptions to services. In addition, we provide various services that support the introduction and use of these products.

We have concluded a distributor agreement with Oracle International Corporation, which holds and manages the intellectual property rights of Oracle Corporation as the parent company. We have also concluded a mutual distribution license agreement with Oracle Information Systems Japan K.K., a subsidiary of Oracle Corporation that holds licensing rights and production distribution rights in Japan over products acquired by Oracle Corporation. Under these agreements, we are supplied with products from Oracle Corporation for the Japanese market and pay a specific percentage of the revenues from the products as a royalty to Oracle International Corporation. With regard to acquired products, we pay the royalty to Oracle Information Systems Japan K.K.

Our main businesses are the distribution of products developed by Oracle Corporation in the market of Japan and the provision of services related to the products. Accordingly, we do not engage in research and development activities on our own.

Oracle Corporation plays the central role in the research and development of products. We cooperate closely with Oracle Corporation and get involved in their development of new products at an early stage. Products that suit the Japanese market are developed in this way.

With respect to independence from the parent company, the final decisions on our business operations are made by the Board of Directors, and each director makes decisions by giving consideration to how to maximize the profits for the Company and all shareholders.

#### **5. Other Exceptional Circumstances that May Have a Material Impact on Corporate Governance**

N/A

## II. Overview of Business Management Organization and Other Corporate Governance Systems Related to Managerial Decision-Making, Business Execution, and Management Supervision

### 1. Items Related to Organizational Structure and Operations, etc.

Form of Organization	Company with a Nomination Committee, etc.
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#### [Directors]

Number of Directors Stipulated in Articles of Incorporation	10
Term of Office for Directors Stipulated in Articles of Incorporation	1 year
Chairman of the Board of Directors	Chair Person
Number of Directors	9

#### [Outside Directors]

Number of Outside Directors	3
Number of Outside Directors Designated as Independent Directors	2

#### Relationship with the Company (1)

Name	Attributes	Relationship with the Company(*)										
		a	b	c	d	e	f	g	h	i	j	k
John L. Hall	Person who used to work for another company		△									
Hitoshi Matsufuji	Person who used to work for another company											○
Takeshi Natsuno	Person who used to work for another company											○

\* Categories for "Relationship with the Company"

\* "○" when the director currently falls or has recently fallen under the category; "△" when the director fell under the category in the past

\* "●" when a close relative of the director currently falls or has recently fallen under the category; "▲" when a close relative of the director fell under the category in the past

- a: A person performing an executive role at the Company or its subsidiary
- b: A person performing an executive role at or who is a non-executive director of the Company's parent
- c: A person performing an executive role at an affiliate who is another subsidiary of the Company's parent
- d: A person (or its person performing an executive role) whose major customers include the Company
- e: A person (or its person performing an executive role) who is a major customer of the Company

- f: A consultant, accountant or lawyer who receives a large amount of monetary compensation or other property (other than remuneration as an outside director) from the Company
- g: A major shareholder (or its person performing an executive role, which applies if the said major shareholder is a juridical person) of the Company
- h: A person performing an executive role at a customer of the Company (other than those to which item d, e or f applies) (this item applies only to the outside director himself/herself)
- i: A person performing an executive role at an entity who has an outside director or corporate auditor from the Company (this item applies only to the outside director himself/herself)
- j: A person performing an executive role at an entity to which the Company makes donations (this item applies only to the outside director himself/herself)
- k: Others

#### Relationship with the Company (2)

Name	Committee he/she belongs to			Independent Director	Supplementary Information Related to the Criteria	Reason for Appointment as Outside Director
	Nomination Committee	Compensation Committee	Audit Committee			
John L. Hall	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		Mr. Hall had been Senior Vice President of Oracle Corporation, which is the parent company, since September 1997 and started to serve concurrently as our director in August 2003. He resigned from Oracle Corporation in June 2015.	Mr. Hall provides helpful advice about our management from an expert perspective as a specialist in our business field and in our products and services.
Hitoshi Matsufuji	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Mr. Matsufuji has been our director since August 2016 and has served concurrently as a President, CPA Hitoshi Matsufuji Office since October 2014 and Supervisory Director, D&F Logistics Investment Company since March 2016.	As a certified public accountant, Mr. Matsufuji has extensive experience and knowledge of corporate accounting and management, which he developed at Deloitte Haskins & Sells (DH&S) and Deloitte Tohmatsu Financial Advisory LLC. Based on this experience and knowledge,

				<p>He is a specified auditor prescribed in Article 132, paragraph (5), item (iii)-(a) of the Ordinance for Enforcement of the Companies Act.</p> <p>We have registered Mr. Matsufuji with the Tokyo Stock Exchange as an independent director as set forth in the Securities Listing Regulations of the Tokyo Stock Exchange.</p>	<p>he provides helpful advice on our management and supervision.</p> <p>[Reason for Appointment as Independent Director]</p> <p>We have judged that Mr. Matsufuji does not fall under any one of the persons specified in section III.5. (3)-2 of the Guidelines Concerning Listing Examination, etc. of the Tokyo Stock Exchange, has a sufficient level of independence, is supervised in a fair manner without being biased toward the interests of particular stakeholders, and will not cause a conflict of interest with general shareholders. Accordingly, we appointed him as an independent director in August 2016.</p>
Takeshi Natsuno			○	<p>Mr. Natsuno has been our director since August 2016 and has served concurrently as a Professor of Graduate School of Media and Governance, Keio University since May 2008, as a outside director or director of SEGA SAMMY HOLDINGS INC., transcosmos inc., NTT Resonant Incorporated, DWANGO Co., Ltd., DLE Inc., Gree, Inc., U-NEXT Co., Ltd., and Astro SURI Holdings Inc.,etc.</p> <p>We have registered Mr. Natsuno with the Tokyo Stock Exchange as an independent director as set forth in the Securities Listing Regulations of the Tokyo Stock Exchange.</p>	<p>Mr. Natsuno has wide range of insight and experience in management of many kinds of companies with variable industries.</p> <p>[Reason for Appointment as Independent Director]</p> <p>We have judged that Mr. Natsuno does not fall under any one of the persons specified in section III.5. (3)-2 of the Guidelines Concerning Listing Examination, etc. of the Tokyo Stock Exchange, has a sufficient level of independence, is supervised in a fair manner without being biased toward the interests of particular stakeholders, and will not cause a conflict of interest with general shareholders. Accordingly, we appointed him as an independent director in August 2016.</p>

**[Committees]**

**Committee Composition and Attributes of the Chairperson of Each Committee**

	Number of Committee Members	Number of Full-Time Committee Members	Number of Internal Directors	Number of Outside Directors	Chairperson
Nomination Committee	3	0	1	2	Outside Director
Compensation Committee	3	0	1	2	Outside Director
Audit Committee	3	0	1	2	Outside Director

**[Executive Officers]**

Number of Executive Officers	5
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**Concurrent Positions**

Name	Authority to Represent Company	Concurrent Positions Held as a Director			Concurrent Positions Held as an Employee
			Member of Nomination Committee	Member of Compensation Committee	
Frank Obermeier	No	Yes	x	x	No
Shigeru Nosaka	No	Yes	x	x	No
Hisayuki Ishizumi	No	No	x	x	No
S. Krishna Kumar	No	Yes	x	x	No
Tadahiro Kaneko	Yes	No	x	x	No

### [Audit Structure]

Whether the Audit Committee is assisted by directors/employees	Yes
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#### **Matters Relating to the Independence of the Above Directors and Employees from Executive Officers**

We have established an Administrative Office that assists the Audit Committee in the implementation of its duties. Concerning the appointment, transfers, and evaluations of employees working in the Administrative Office to the Audit Committee, opinions shall be sought from the Audit Committee in advance, and executive officers shall respect these opinions.

#### **Cooperation between the Audit Committee, Independent Auditors, and Internal Audit Division**

We audit the business processes of each division in accordance with the Internal Audit Charter of the Oracle Group with the aim of discovering and preventing misconduct and incorrect business processes. The internal audit division reviews and evaluates the legality, appropriateness, and efficiency of business operations from a fair, objective standpoint. It reports the results of the audits, provides advice and suggestions for improvements or streamlining based on the results, and checks their progress on a timely basis.

Members of the Audit Committee receive prior explanations about annual plans related to internal audits conducted by the internal audit division and may request corrections to the plans. In addition, they receive reports on the status of the implementation of internal audits on a timely basis and may request the implementation of additional audits, the formulation of business improvement measures, or other matters where they deem it necessary.

### [Independent Directors]

Number of Independent Directors	2
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#### **Other Matters Related to Independent Directors**

All outside directors who fulfill the requirements for independent directors are designated as independent directors.

### [Incentives]

Implementation of Initiatives to offer Incentives to Directors and Executive Officers	Introduction of performance-linked compensation plan, stock option plan, and others
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#### **Supplementary Information**

At its meeting held on October 24, 2014, the Compensation Committee resolved to introduce the Board Incentive Plan (BIP) Trust (hereinafter the "BIP Trust") as a new incentive plan to change the compensation plan to one that will more strongly motivate our directors and executive officers to execute their duties. At its meeting held on December 19, 2014,

the Compensation Committee determined the details of the BIP Trust, including when to establish the BIP Trust, the trust period, when to acquire shares and the total amount of shares to be acquired.

First of all, the Company will establish a trust by contributing funds to acquire the Company's shares, with the directors and executive officers who have met certain requirements as beneficiaries, among those who have elected to use the BIP Trust. The trust will then acquire a certain number of the Company's shares that are expected to be delivered to the relevant directors and executive officers from the stock market during the predetermined acquisition period based on the pre-established Regulations for Share Regulations for Shares Distribution of the Company. Then, the trust will deliver the number of the Company's shares to the directors and executive officers as compensation on a certain day every year according to the business performance, etc. of the Company during the trust period pursuant to the provisions of the Regulations for Share Regulations for Shares Distribution.

Persons to whom share warrants are allocated may choose between the share warrant plan and the stock compensation plan. The conversion ratio of the number of shares delivered in the BIP Trust to the number of shares granted by share warrants at the time of selecting the share warrant plan and the stock compensation plan is 4:1.

The number of the Company's shares owned by the BIS Trust as of the end of the fiscal year under review (May 31, 2017) is 38,165.

The following are the names of our directors to whom share warrants were allocated during the fiscal year ended May 31, 2015 as compensation for their duties and the number of the share warrants that were allocated to them.

Hiroshige Sugihara : 700 warrants (all of them were converted to BIP Trust/ 17,500 shares)

Shigeru Nosaka : 100 warrants (all of them were converted to BIP Trust/ 2,500 shares)

Tadahiro Kaneko : 150 warrants (all of them were converted to BIP Trust/ 3,750 shares)

Hisayuki Ishizumi : 150 warrants (all of them were converted to BIP Trust/ 3,750 shares)

Shuhei Murayama retired outside director at the expiration of director's term of office as of August 24, 2016, and

Toshimitsu Misawa resigned Executive Officer for personal reason as of March 18, 2016.

Persons to Whom Stock Options are Granted	Internal Directors, Outside Directors, Executive Officers, and Employees
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### Supplementary Information

At the Board of Directors meeting held on October 24, 2014, the Company resolved to introduce the Employee Stock Ownership Plan (ESOP) Trust (hereinafter the "ESOP Trust"), an incentive plan for its employees, for the purpose of increasing the corporate value of the Company in the medium and long term and, at the Board of Directors meeting held on December 19, 2014, it determined the details of the ESOP Trust, including when to establish the ESOP Trust, the trust period, when to acquire shares and the total amount of shares to be acquired.

The Company will establish a trust by contributing funds to acquire the Company's shares, with the employees who have met certain requirements as beneficiaries, among those who have elected to use the ESOP Trust. The trust will acquire a certain number of the Company's shares that are expected to be delivered to the relevant employees from the stock market during the predetermined acquisition period based on the pre-established Regulations for Share Regulations for Shares Distribution of the Company. The trust will then deliver the number of the Company's shares to the employees on a certain day every year according to the degree of their contribution to the business performance, etc. of the Company pursuant to the provisions of the Regulations for Share Regulations for Shares Distribution.

Persons to whom share warrants are allocated may choose from the share warrant plan and the stock compensation plan. The conversion ratio of the number of shares delivered in the ESOP Trust to the number of shares granted by share warrants at the time of selecting the share warrant plan and the stock compensation plan is 4:1.

The number of the Company's shares owned by the ESOP Trust as of the end of the fiscal year under review (May 31, 2017) is 106,382.

The total number of share warrants that were issued to our employees during the fiscal year ended May 31, 2017 was 318,000 (100 shares of common stock per share warrant) and converted to ESOP trust 287,100 shares.

#### [Remuneration of Directors and Executive Officers]

Status of Disclosure (of Remuneration of Individual Directors)	The remuneration of a part of individual directors is disclosed.
Status of Disclosure (of Remuneration of Individual Executive Officers)	The remuneration of individual executive officers is not disclosed.

#### Supplementary Information

The total amount of remuneration, etc. paid to directors and executive officers, the total amount of remuneration, etc. paid to outside directors and the amount of remuneration paid to each of the directors who are paid ¥10 million or more for remuneration, etc. are disclosed in the securities report.



Whether there are any policies for the amount of remuneration or calculation of the amount thereof

Yes

### **Amount of Remuneration or Disclosure of the Policy for the Calculation of Remuneration**

Remuneration for directors and executive officers consists of the base salary, performance-based bonus and Share incentive plan.

#### **(1) Base salary**

We set the standard amount that is appropriate for the roles and duties of each in consideration of the standards of other companies in the same industry.

#### **(2) Performance-based bonus**

Bonus is determined based on the Company's target management indicator in that particular fiscal year (sales, profits, etc.) and is paid according to the degree of attainment of targets set at the beginning of the fiscal year.

The Company adopted a system that ensures bonuses clearly reflect management responsibilities and results by closely linking them to corporate performance through the inclusion of growth i.e. as an indicator in addition to degree of attainment of the operating income target and revenue growth ratio of the Company's flagship products.

#### **(3) Share incentive plan**

The share incentive plan comprises the stock option plan and the stock compensation plan.

In addition to the current stock option plan, under which stock is granted within the range regarding which a resolution has been adopted at the general meeting of shareholders, in December 2014 we introduced the new Board Incentive Plan (BIP) Trust as an incentive plan that will more strongly motivate the directors and executive officers of the company to execute their duties.

### **[Support System for Outside Directors]**

We have established an Administrative Office to the Board of Directors, which helps create materials that enable the full deliberation of agendas for Board of Directors meetings and provides prior explanations of the contents of the agendas. We have thus established a system that helps outside directors to understand the agendas and ensures that legality and other points are checked appropriately.

## **2. Matters Concerning the Respective Decision-Making Functions for the Execution of Business, Audits, Supervision, Nominations, and Remuneration, etc. (Current Corporate Governance System)**

Oracle Corporation Japan is a company with a nomination committee, etc. We have separated the functions for making management decisions and supervision from the business execution functions, with the aim of establishing a higher level of corporate governance.

We have established an Country Leadership Team meeting, which mainly consists of the representative executive officer, executive officers and operating officers. This committee is aimed at discussing important management issues and helping executive officers to make decisions promptly and execute business in an agile manner.

As a forum for cross-functional exchange of opinions and an information originator for transmission on a company-wide basis, the Executive Committee Meeting positively provides information to each hierarchical level to ensure management transparency.

### **[Audit Committee]**

The Audit Committee conducts the audits by following the audit policy and plan that it formulates for each fiscal year. In addition to participating in the meetings of the Board of Directors and other important meetings, it interviews the directors and others on the status of the implementation of their duties to check the legality and legitimacy. The Representative Executive Officer and Independent Auditor have meetings with members of the Audit Committee as necessary to exchange opinions about issues to be addressed by the Company, the status of the improvement of the auditing environment by the Audit Committee, important issues regarding audits, and other matters. We therefore have a system under which the Representative Executive Officer, Independent Auditor, and members of the Audit Committee deepen their mutual understanding. Mr. John L. Hall, who is an outside director, chairs the committee, which consists of three members including two outside directors.

Mr. Hitoshi Matsufuji, who is an outside director and a member of the Audit Committee, is a certified public accountant and has knowledge of financial affairs and accounting.

### **[Nomination Committee]**

The Nomination Committee determines the contents of the agenda regarding the appointment and dismissal of directors to be submitted to the general meeting of shareholders. The committee consists of directors selected through resolutions of directors. It has three members, including two outside directors. It is chaired by Mr. John L. Hall, who is an outside director.

The personnel affairs division serves as the Administrative Office of this committee, and the head of the legal affairs division assists the Administrative Office.

[Compensation Committee]

The Compensation Committee determines the policies on the remuneration, etc. of directors and executive officers and the individual contents of the remuneration, etc. received by directors and executive officers. The committee consists of directors selected through resolutions of directors. It has three members, including two outside directors. It is chaired by Mr. John L. Hall, who is an outside director.

The personnel affairs division serves as the Administrative Office of this committee, and the head of the legal affairs division assists the Administrative Office.

[Independent Auditor]

Our Independent Auditor is Ernst & Young ShinNihon LLC, which conducts an accounting audit each fiscal year and quarterly reviews under the audit contract. There is no special relationship between the Independent Auditor and the Company.

### **3. Reasons for Adopting the Current Corporate Governance System**

We introduced an operating officer system in August 2000 and separated the Board of Directors as an organization for making management decisions and supervising business operations from the business execution function of the operating officers, thereby ensuring transparency of management. At the same time, we have been striving to establish a system that permits us to respond flexibly to changes in the environment. In August 2008, we began to operate as a company with committees (which was renamed “company with a nomination committee, etc.” as a result of the amendment of the Companies Act on May 1, 2015) with the aim of further strengthening our system, which has already been improved through the measures we have taken, and establishing a higher level of corporate governance.

### III. Status of Implementation of Measures Related to Shareholders and Other Stakeholders

#### 1. Measures to Revitalize the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

##### Supplementary Information

Early Notification for General Meetings of Shareholders	We sent the latest convocation notice on a day earlier than the statutory deadline, furthermore posted it on our website two days earlier.
Scheduling General Meetings of Shareholders to Avoid Peak Days	Our fiscal year-end is May 31, and the most recent annual meeting of shareholders was held on August 23, 2017.
Exercise of Voting Rights by Electronic Means	Voting rights can be exercised via the internet by accessing a designated website for exercising voting rights, which is operated by Mitsubishi UFJ Trust and Banking Corporation, by using PCs, smartphones, or mobile phones.
Providing Notices of Convocation (Summary) in English	We provide convocation notices and relevant materials in English via TDnet, a system for timely disclosure operated by the Tokyo Stock Exchange. We also post convocation notices in English on our website.
Other	We post convocation notices on our website.

#### 2. Investor Relations (IR) Activities

##### Supplementary Information

Establishment and Announcement of Disclosure Policy	We have posted our disclosure policy on our website.
Holding Regular Briefings for Analysts and Institutional Investors	On the day of the announcement of our quarterly financial results, we hold a briefing for institutional investors and security analysts, at which presentations are given by our Chief Financial Officer (CFO). In addition, our CFO undertakes an “IR tour” once or twice a year to give presentations to domestic or overseas institutional investors.
Posting IR Materials on the Company Website	On our website, we post information for investors including statements of financial results, supplementary information, other financial information, materials disclosed on a timely basis other than financial information, securities reports, quarterly reports, convocation notices, notices of resolutions, shareholders’ newsletters, and electronic public notices.
Establishment of a Division (Person) in Charge of IR	We have established an Investor Relations division dedicated to IR matters.

### 3. Measures to Ensure Due Respect for the Stakeholders' Standpoints

#### Supplementary Information

<p>Establishing Internal Regulations, etc. to Ensure Due Respect for Stakeholders' Standpoints</p>	<p>We believe that the establishment of corporate governance is an important task for continuously improving our corporate value. We therefore strive to establish a corporate governance system that conforms to the legal system, etc. of Japan and that is based on the corporate governance policy of our parent company, Oracle Corporation, in order to fulfill our management responsibilities to all of our stakeholders.</p> <p>We ensure that our employees are thoroughly informed of the Oracle Code of Ethics and Business Conduct, which is common to the Oracle Group companies all over the world and which we follow as the basic guidelines for our corporate activities.</p> <p>For details, please refer to the Oracle Code of Ethics and Business Conduct.  <a href="http://www.oracle.com/us/corporate/investor-relations/cebc-176732.pdf">http://www.oracle.com/us/corporate/investor-relations/cebc-176732.pdf</a></p>
<p>Environmental Conservation Initiatives and CSR Activities, etc.</p>	<p>We have been contributing to the improvement of the economy, society, and the environment, both directly and indirectly, based on our desire to provide values that are higher than expected by our stakeholders, promote innovations toward the future, and share emotions through information technologies, while riding on the strength of being a global company.</p> <p>With the aim of creating products that are usable for all users, we are proactive in participating in standardization organizations related to accessibility, and continue striving to develop products with superior accessibility.</p> <p>We also began to reflect the concept of open standards in our products around the year 2000, based on our belief that open standards enable technological innovations and encourage fair competition.</p> <p>Further, we promote environmentally friendly businesses on a daily basis by recycling and reusing resources and reducing waste, for example. We also help individual employees to raise their awareness of social contribution by encouraging them to participate in volunteering. We will contribute to our stakeholders by continuing our main business of providing information technologies.</p> <p>For details, please refer to the Oracle Corporate Citizenship page of our website.  <a href="http://www.oracle.com/jp/corporate/citizenship/index.html">http://www.oracle.com/jp/corporate/citizenship/index.html</a></p>
<p>Establishing Policy, etc. Concerning Disclosure of Information to Stakeholders</p>	<p>As we carry out IR activities, we disclose information based on the following policy, provide information via printed documents, the website, and other means, and respond to interviews and inquiries.</p> <p>(1) Fair, prompt disclosure of information</p>

We disclose information in accordance with the relevant laws and regulations, including the Financial Instruments and Exchange Act (hereinafter, the “Laws and Regulations”) and the rules on the timely disclosure, etc. of information by companies that issue listed securities stipulated by the Tokyo Stock Exchange (hereinafter, the “Disclosure Rules”). We disclose information about events that fall under material facts specified by the Laws and Regulations or Disclosure Rules as soon as possible.

We also disclose information about events that do not fall under material facts specified by the Laws and Regulations or Disclosure Rules if we judge that the disclosure of such information is necessary or useful for ensuring that our corporate activities or strategies are understood by investors.

We disclose information via TDnet, a system for timely disclosure operated by the Tokyo Stock Exchange, news releases for press clubs and similar, and on our website, so that the information is provided fairly and promptly to all of our stakeholders, including our shareholders and investors.

Further, we hold press conferences or briefings for analysts depending on the content of the announcement. Such content is also posted promptly on our website. We provide information about our corporate activities directly to our shareholders via newsletters that we issue periodically.

#### (2) Undisclosed material facts

Information that we disclose via printed materials, websites, responses to telephone inquiries, interviews, conferences, and other means is limited to information about facts about the Company that have already been announced or made known to the public, or about the general business environment, etc. We never refer to undisclosed material facts.

#### (3) Quiet period

We specify a certain period before and after the announcement of our financial results as the “quiet period” to prevent information that may influence our share price from being leaked while we are preparing for the announcement of financial results. During this period, we refrain from responding to or participating in individual interviews or meetings or responding to inquiries about our performance forecast, etc.

However, we disclose information as required, even during a quiet period, where the content of such information is expected to differ significantly from the performance forecast that we have already announced.

## ***IV. Matters Related to the Internal Control System, etc.***

### **1. Basic Policy and Development and Operation Status Related to Internal Control System**

#### 1. Basic Policy

We practice a basic philosophy of creating new IT value and contributing to customer success and the development of society. The role of IT has been evolving from tools for operational efficiency and cost cutting, to business infrastructure that transforms processes and business models. The way in which IT is used likewise continues to advance. We believe that our purpose is to help customers become more competitive and improve performance, and to offer society with greater convenience and support for its development by creating roles and values of IT.

#### 2. Development and Operation Status of Internal Control System

(1) The system concerning the retention and management of information pertaining to the execution of duties of executive officers

Establish regulations on the management of such documents as the minutes of a meeting of shareholders, minutes of a meeting of the Board of Directors, minutes of any other important meeting concerning management, and keep a record of any important decisions made. Such regulations may not be established or amended without the approval of the Board of Directors. Documents that will be managed under such regulations will be retained so as to facilitate easy searching and browsing as required.

(2) The regulations and other systems concerning the control of risk of loss

With respect to the risks pertaining to compliance, disaster, and information security, the division in charge of each risk will establish regulations/guidelines and provide related education. If a new risk arises, an executive officer will be promptly appointed in charge of said risk.

(3) The system for securing the efficient execution of duties of executive officers

(a) Hold meetings to assist execution by the Representative Executive Officer, as well as to discuss and decide matters pertaining to decisions of the board of directors.

(b) Establish regulations on the clarification of responsibilities and authorities of executive officers and employees, thereby establishing the environment in which the Company's businesses can be efficiently executed within their responsibilities and authorities.

(4) The system for securing compliance of the execution of duties by employees with applicable laws and regulations, and the Articles of Incorporation

(a) Establish a basic policy on compliance by applying the corporate code of ethics of the Oracle Group.

(b) Establish a system through which any illegal misconduct by an employee will be reported by using the Oracle Group's internal reporting channel for compliance.

(c) For the purposes of building, maintaining, and improving the internal control system, each division in charge will establish and implement internal regulations, and conduct training on applicable laws and regulations as well as internal regulations, etc.

(d) Appoint a person in charge of compliance, thereby establishing the compliance system at the Company.

(e) Set up an audit division, which, in accordance with the regulations on internal audits, will audit the business process of each division, and discover or prevent any fraud, and correct the business process as required.

(5) The system for securing the properness of business in the business group consisting of the Company and its parent and subsidiaries

(a) Establish a corporate code of ethics for the Oracle Group.

(b) Establish a system through which any violation of laws and regulations can be reported by using the internal reporting channel for compliance. Establish a system through which any wrongful acts of executive officers and operating officers appointed by the Board of Directors can be reported to the Audit Committee, in addition to Company's Internal Reporting Channel for Compliance (Oracle Help Line).

(c) The Company will accept regular audits by the internal audit division of the parent, and will receive reports on the audit results.

(d) The Company conducts internal audits on its subsidiaries and reports the results to the Board of Directors and the Audit Committee.

(6) The matters pertaining to the placement of employees to assist with the responsibilities of the Audit Committee

Set up an Administrative Office to assist with the responsibilities of the Audit Committee.

(7) The matters pertaining to the independence of employees from executive officers under the foregoing item

When employees are placed to assist with the responsibilities of the Audit Committee, the Audit Committee must be consulted regarding the appointment, transfer, and appraisal, etc. of such employees, and the executive officers must respect it.

(8) The matters pertaining to securing the effectiveness of the instructions given by the Audit Committee to an employee

An Assistant who assists with the affairs of the Administrative Office and Audit Committee Members shall follow the instructions of the Audit Committee.

(9) The system for the executive officers and employees to report to the Audit Committee, and the other system pertaining to reporting to the Audit Committee

Executive officers and employees must promptly report on matters pertaining to business execution whenever requested



to do so by Audit Committee Member. The Audit Committee will have the opportunity to hold, if necessary, hearings with the executive officers and employees.

(10) The system for ensuring that a person who has made a report set forth in the preceding item shall not be treated disadvantageously because he/she made the said report

Prohibit any disadvantageous treatment of a person who has made a report to the Audit Committee because he/she made the said report.

(11) Procedures to prepay or reimburse the expenses with respect to the execution of the Audit Committee Members' duties and other matters concerning the policy pertaining to the disposition of the expenses or debt with respect to the execution of said duties

If the Audit Committee Members make a request for the expenses that are necessary for the execution of their duties, such request shall be treated pursuant to the Article 404, paragraph (4) of the Companies Act. Also, the Audit Committee Members may, as necessary, appoint one or more external advisors at the Company's expense without obtaining the prior approval of the Board of the Directors Meeting or executive officers.

(12) Other systems for ensuring effective audits by the Audit Committee

(a) The annual plan for internal audits implemented by the internal audit division will be explained beforehand to the Audit Committee, who may request amendment thereto. The Audit Committee may also occasionally receive reports on the implementation of an internal audit and, if necessary, request the implementation of an additional audit and measures to improve business.

(b) The Representative Executive Officer and Independent Auditor will arbitrarily meet with the Audit Committee Members, and exchange views on issues that the Company should address, progress on establishing the environment for an audit of the Audit Committee, and material issues relating to audits, so that the Representative Executive Officer, Independent Auditor, and the Audit Committee Members can increase common awareness.

(c) The Audit Committee Members may attend important meetings concerning management, and may access the minutes and/or materials of the meetings on an as-needed basis, for the purpose of auditing the execution of the duties by the executive officers and employees.

### 3. The Operation Status of “The Systems to Ensure Properness of the Company’s Businesses”

As for “The Systems to Ensure Properness of the Company’s Businesses”, we have been conducting continuous monitoring of the consolidation/operation status of our internal control system ever since its establishment, and reporting on the outcomes to the Board of Directors Meeting.

In addition, we have been making every possible effort for taking measures to address any detected issue as a result of said monitoring, to ensure to consolidate/operate the improved internal control system.

For the period from June 1, 2016 to May 31, 2017, we made a specific approach intended to further promote awareness of Oracle group’s corporate ethics code among employees, aiming to make all employees fully conscious about compliance.

## 2. Basic Policy and Efforts to Eliminate Anti-Social Forces

### 1. Basic Policy for Eliminating Anti-Social Forces

It is stipulated in the Oracle Code of Ethics and Business Conduct (Oracle Code), which are followed by all the Oracle Group companies around the world, and in our own rules on compliance that we shall maintain a firm attitude against, and have no relationship with, anti-social forces that pose a threat to social order and safety.

### 2. Efforts to Eliminate Anti-Social Forces

We clearly state our action guidelines in the rules previously mentioned in “1. Basic Policy for Eliminating Anti-Social Forces.” In addition, we have established and operate a Risk Management Council, an interdivisional organization, and thoroughly raise employees’ awareness through training and education under the leadership of the head of the Legal Affairs office, which acts as our Corporate Compliance Officer. We also collect information by cooperating with our corporate lawyer and external organizations such as the police and *Tokubouren* (a special-interest incorporated association set up within the Metropolitan Police Department to prevent violence), and apply the information we collect to the aforementioned system in a timely manner.

**V. Others**

**1. Adoption of Takeover Defense Strategies**

Takeover Defense Strategies Have Been Adopted: No

**Supplementary Information**

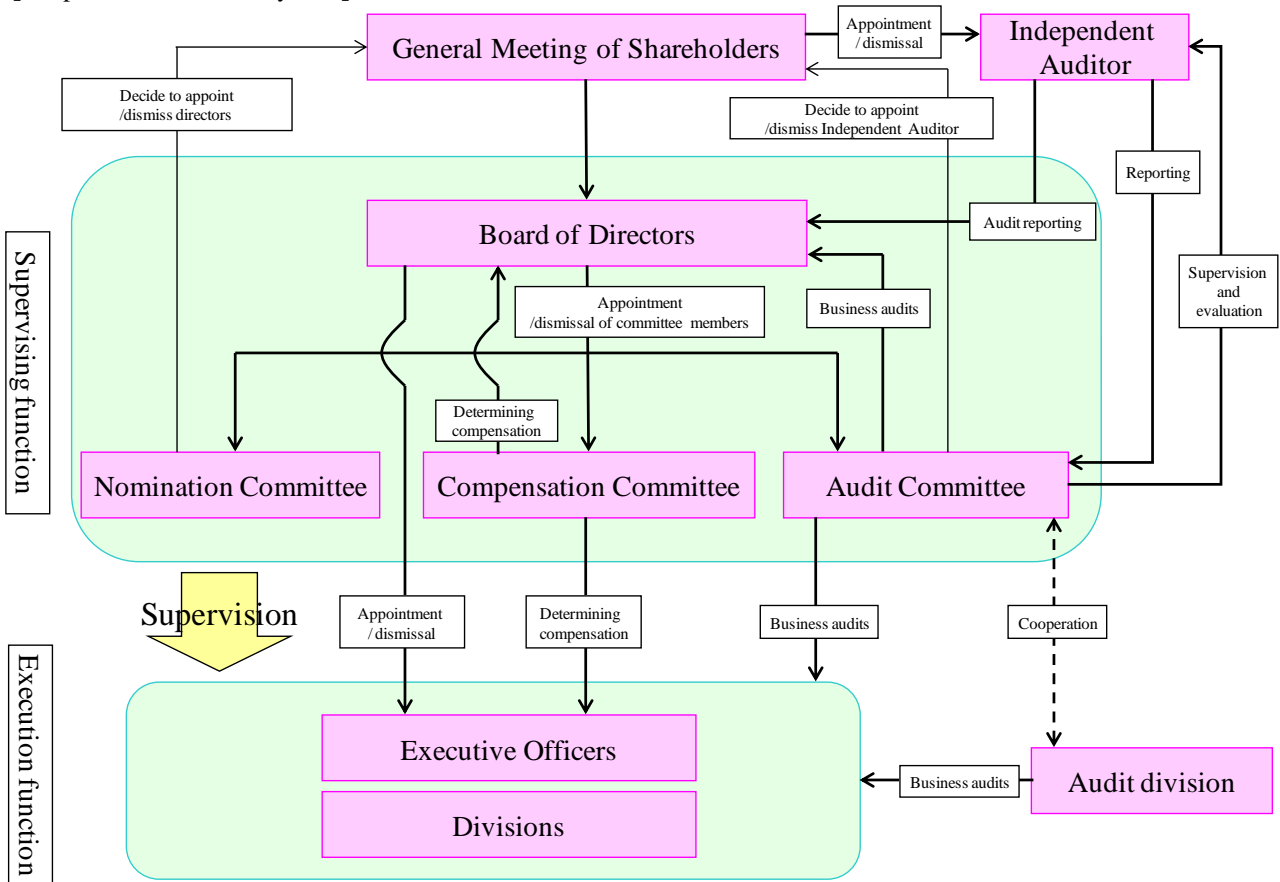
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**2. Other Information Regarding the Corporate Governance System, etc.**

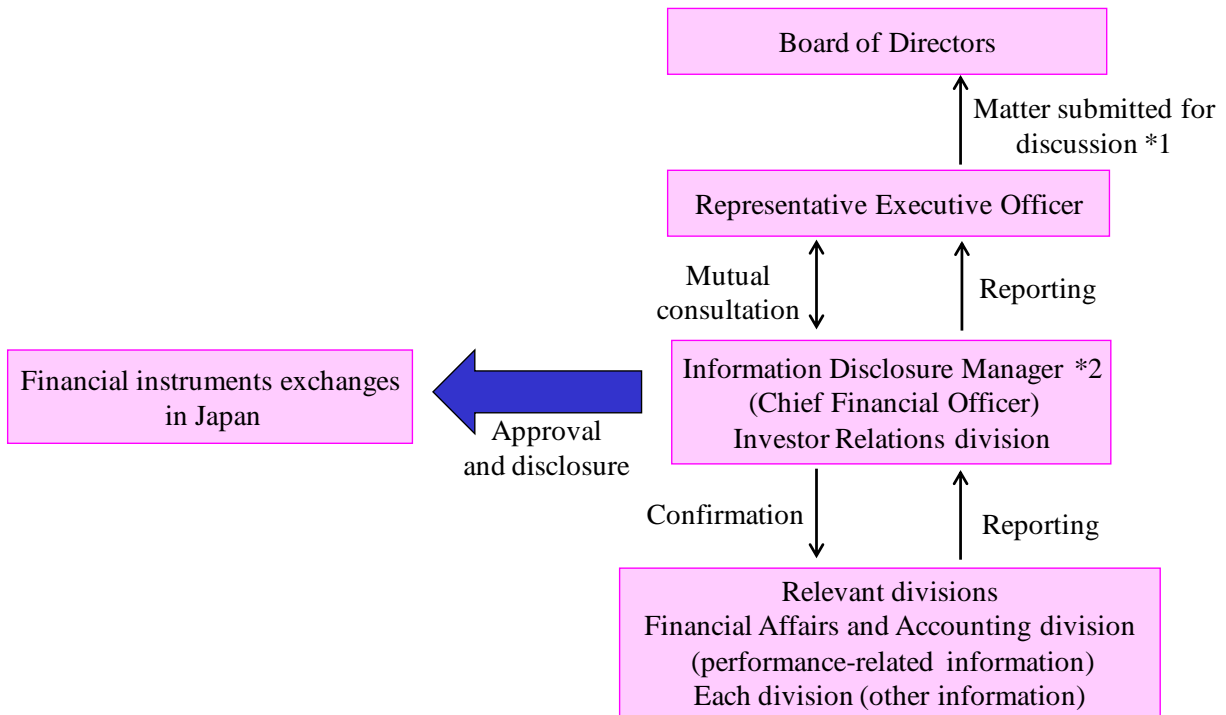
We adhere to the Financial Instruments and Exchange Act, other relevant laws and regulations, the rules of Tokyo Stock Exchange, and other similar regulations. We have also established internal rules for disclosing corporate information appropriately and in a timely manner (Rules Concerning Management of Important Information and the Prevention of Insider Trading) in our efforts to further enhance our internal system.

Please refer to the diagram included with this report that shows our “Information Disclosure System”.

[Corporate Governance System]



[Information Disclosure System]



\*1 Information to be disclosed that requires a resolution of the Board of Directors is submitted for discussions.

\*2 The Information Disclosure Manager manages important information in an integrated manner and determines the content of the information to be disclosed, when and how to disclose it, and other matters through mutual consultation with the corresponding people before approving of the disclosure.