

Flash Report for the Fiscal Year Ended May 31, 2017
[under Japanese GAAP] (Non-consolidated)

June 26, 2017

Company Name Oracle Corporation Japan

Listed Stock Exchange: TSE 1st Section

Ticker: 4716

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

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Tadahiro Kaneko, Representative Executive Officer, Chief Legal Officer

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Shigeru Nosaka, Executive Deputy President & CFO

Schedule for general shareholders meeting: August 23, 2017

Schedule for dividends payment: August 7, 2017

Schedule for annual security report: August 24, 2017

Preparation of supplementary materials on financial results: Yes

Holding of 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, 2016 to May 31, 2017)

(1) Operating result

(% of change from previous year)

	Revenue		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
May 2017	173,190	1.8	52,524	4.6	52,502	4.4	36,360	8.3
May 2016	170,203	5.7	50,225	6.7	50,273	6.3	33,568	11.0

	Net income per share		Net income per share (diluted)		ROE	ROA	Operating Income Margin
	Yen	Sen	Yen	Sen	%	%	%
May 2017	285	11	284	55	30.2	24.9	30.3
May 2016	263	64	263	14	27.0	24.4	29.5

(2) Financial Position

	Total Assets		Net assets		Ratio of shareholders' equity		Net assets per share	
	Million Yen	Sen	Million Yen	Sen	%	%	Yen	Sen
May 2017	198,731		105,783		52.9		824	79
May 2016	223,402		136,227		60.6		1,062	14

Shareholders' equity

May 2017: 105,221 million Yen

May 2016: 135,386 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	Sen	Million Yen	Sen	Million Yen	Sen	Million Yen	Sen
May 2017	43,087		16,122		-66,829		38,025	
May 2016	44,267		-69,506		-11,311		45,644	

2. Dividends

	Dividend per share										Total amount of dividends	Dividends payout ratio	Dividend Ratio to shareholders' equity
	1 st Quarter end		2 nd Quarter end		3 rd Quarter end		Fiscal Year end		Total				
	Yen	Sen	Yen	Sen	Yen	Sen	Yen	Sen	Yen	Sen	Million Yen	%	%
May 2016	-		0	00	-		525	00	525	00	66,938	199.1	53.9
May 2017	-		0	00	-		114	00	114	00	14,559	40.0	12.1
May 2018 (Forecast)	-		-	-	-		-	-	-	-		-	

(Note1) Breakdown of Dividends for May 2016: a normal dividend of 105 yen, a special dividend of 420 yen and year-end total dividend is 525 yen.

(Note2) Year-end dividend for the year ending May 31, 2018 has yet to be determined.

3. Forecast for the May 2018 term (from June 1, 2017 to May 31, 2018)

(% of change from previous year)

	Revenue		Net income per share	
	%	Yen	%	Yen
Entire term	1.0~4.0		287.00~297.00	

(Note1) Company uses ranges of values for the forecast. Please refer to Business Outcomes for Forecasts, on page 5.

(Note2) Estimation of effective tax rate is 31.0%.

4. Other information

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

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

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

(i) The number of shares outstanding (inclusive of treasury stock)	May 2017	127,728,671 shares
	May 2016	127,511,971 shares
(ii) The number of treasury stock	May 2017	154,522 shares
	May 2016	46,521 shares
(iii) The number of average shares outstanding	May 2017	127,531,594 shares
	May 2016	127,328,145 shares

(Note) The Company's stock held by Board Incentive Plan Trust and Employee Stock Ownership Plan Trust is included in 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 Business Outcomes for Forecasts, on page 5.

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1. Business Outcomes

(1) Business Outcomes

(i) Conditions during the Period

During the fiscal year under review (from June 1, 2016 to May 31, 2017, hereinafter “this year”), the Japanese economy improved moderately, reflecting firm consumer spending on the back of the improved employment and income situation.

However, uncertainty over the economic outlook increased given changes in financial markets, including exchange rates and interest rates, following the Brexit referendum, the instability of U.S. policy management, and an increase in geopolitical risks.

Japanese society faces a decline in the working population due to the aging of society and falling birth rate, the revitalization of regional economy, and the progress of globalization. It is important to deal with these issues by leveraging digital technology to increase the productivity of society, communities, companies, and individuals.

In the fiscal year ending May 31, 2017, the Company has entered the third year of its quest stated in VISION 2020 to become the number one cloud company by 2020. The Company views this year as the last year for solidifying the foundation for achieving accelerated growth in its cloud business. The Company ran its businesses in line with its key concept of Digital Aid by POCO (The Power of Cloud by Oracle) and its management policies, which consist of expanding SaaS / PaaS / IaaS business, strengthening enterprise sales activities, expanding Hardware Systems segment, and contributing to the growth of regional business.

Especially in the cloud business, an area of focus, inquiries about the ERP/EPM cloud in the medium-sized enterprise market and in the fields of distribution and services and about “Oracle Cloud Platform” including “Oracle Database Cloud Service” and “Oracle Cloud Machine”, increased as a result of sales and marketing activities. Sales in the cloud (SaaS/PaaS/IaaS) grew 99.4 % year on year, which indicates that the business performed favorably.

The Company posted revenue of 173,190 million yen (up 1.8 % year on year), operating income of 52,524 million yen (rising 4.6 %), ordinary income of 52,502 million yen (gaining 4.4 %) and net income of 36,360 million yen (increasing 8.3 %). Revenue attained hit record highs seven years and operating income, ordinary income and net income did six years in a row.

(Note 1) SaaS: Stands for “Software as a Service,” and refers to services that offer financial accounting, salary/personnel management, and other functions of software that are provided via the Internet.

(Note 2) PaaS: Stands for “Platform as a Service,” and refers to services that offer database management software for the construction and operation of the IT systems and middle layer software that ensure the smooth linkage between different software that are provided via the Internet.

(Note 3) IaaS: Stands for “Infrastructure as a Service,” and refers to services that offer infrastructure that are provided via the Internet for the construction and operation of IT systems, such as server machines, storage devices, and other hardware and networks,

(ii) Results by Reported Segment

[New software licenses and cloud (SaaS/PaaS/IaaS)]

Revenue in the New software licenses and cloud (SaaS/PaaS/IaaS) segment was 52,545 million yen, up 1.2 % from the corresponding period of the previous fiscal year. Revenue in the New software licenses was 43,386 million yen (fell 8.3 % year on year), and revenue in the Cloud (SaaS/PaaS/IaaS) was 9,159 million yen (rising 99.4 % year on year).

This segment consists of the New software licenses that sells new licenses for database management software, a range of middleware, and ERP and other business applications, etc. and Cloud (SaaS/PaaS/IaaS) provides services to access to select Oracle software applications, software platforms and resources of hardware via the Internet.

< Cloud (SaaS/PaaS/IaaS) >

• Sales & Marketing

The Company used its own cloud solutions to strengthen its sales force, speeding up the purchasing process. To promote sales of cloud products and services further in the Mid-Market fields, the Company launched its sales business unit “Oracle Digital”. The Company is moving ahead with sales reforms, accelerating the expansion of its cloud products and services by promoting customers’ cloud experience using leading-edge digital tools, including social media, online demonstrations and TV conferences.

As for partner alliances, The Company has established partnerships with companies in Japan to combine the products and services that exploit the strengths of these partners with the Oracle Cloud Platform and implement the Oracle Cloud Managed Service Provider (MSP) program offering a total service from system development to operation management to promote the use of cloud platforms by customers. The alliances helps to resolve a lack of the skilled employees and resources who are capable of supporting cloud-based system development, operation, and management that is needed to migrate to cloud computing.

In marketing activities, the Company held Oracle CloudDays in Tokyo, Fukuoka, Nagoya, Osaka and Sapporo to present its cloud solutions and the latest trends such as IoT (Internet of Things) and big data, together with user case studies.

Additionally, in May 2017, the Company held Oracle Code Tokyo, an event for cloud developers, for the first time in Japan. The Company will continue to support developer communities by providing information on the latest technologies that are used effectively for cloud-native application development such as microservices, API, containers, machine learning, and chatbots(*) that use the DevOps approach.

(*) Chatbot: An automatic conversation program based on texts and voices that uses artificial intelligence primarily for mobile devices such as smartphones.

• Product Services

In SaaS, demand is growing for global indirect purchases and integrated accounting aimed at strengthening competitiveness. The Company expanded its ERP and EPM Cloud as a result of promoting proposal activities leveraging its cutting-edge expertise in global process integration.

In PaaS/IaaS, there were increasing inquiries about the Company's PaaS products that facilitate links among devices and systems for IoT solutions in the manufacturing industry and inquiries about the Oracle Cloud at Customer, which provides Oracle's public IaaS and PaaS from customers' data centers that have a cloud environment installed by the Company.

In October 2016, the Company announced a three-company collaboration with NTT DATA Corporation and NTT DATA INTELLILINK Corporation in the hybrid cloud field utilizing the Oracle Cloud at Customer. The Company will speed up development and improve cost productivity by integrating its products in an integrated development environment within the NTT DATA Group, and help create new value through hybrid collaboration between the existing mission-critical system and mobile technology, the IoT, and big data.

In February 2017, the Company announced a strategic alliance with NEC Corporation (hereinafter "NEC") in the cloud business. The Company will install the Oracle Cloud at Customer at NEC's data center and will comprehensively facilitate customers' use of cloud services by providing Oracle's public cloud from an advanced security environment and NEC's maintenance service.

Further, in March 2017, the Company installed Oracle's public cloud service environment in Fujitsu's data center for the first time in Japan and began selling Oracle HCM Cloud, an Oracle Cloud Platform service that includes Oracle Database Cloud.

The Company will continue to promote acquisitions of new users by expanding cloud products and services and strengthening alliances with partners.

< New software licenses >

For many years, our New Software Licenses products have been widely used in mission critical areas that require advanced security, high availability, and high-speed processing.

Oracle Cloud, on which we are currently focusing as the next growth segment, has been developed based on the same architecture and technology as this New Software Licenses segment. This allows collaboration and bidirectional migration between on-premises (*) systems and Oracle Cloud, which is one of our strengths.

Because of this strength, Oracle Exadata, our engineered system, and our security products were chosen by our partner companies in the first quarter of the fiscal year under review for the cloud service platforms they provide. In the fourth quarter, we received multiple large orders from customers in the financial service, manufacturing, and communication service industries, who were working to increase their competitiveness and improve customer contact points using IT systems as a strategy.

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

[Software license updates & product support]

Revenue in the Software license updates & product support segment was 82,727 million yen, increasing 5.8 % from the corresponding period of the previous fiscal year.

This segment updates software for customers using the Company's software licenses and provides technical support.

The Company continued to highlight the quality of support offerings through "My Oracle Support", which provides personalized, proactive and preventative support experience. Meanwhile, it stepped up collaboration with partners and took steps to increase support attach rate to new products and maintain and boost the support contract renewal rate.

[Hardware Systems]

Revenue in the Hardware systems segment was 19,551 million yen, down 12.1 % from the corresponding period of the previous fiscal year.

Revenue in the Hardware systems product division was 9,375 million yen (fell 21.4 % year on year) and Revenue in the Hardware systems support division was 10,176 million yen (decreasing 1.4 % year on year).

This segment consists of the Hardware systems product division which sells servers, storage, engineered systems and network devices, and provides operating systems and related software, and the Hardware systems support division which provides technical support for hardware products, maintenance and repair services and updated versions of related software including operating systems.

The Hardware systems product division was affected by a reactionary downturn following the large deal won in the same period of the previous fiscal year.

[Services]

Revenue in the Services segment was 18,365 million yen, gaining 2.9 % from the corresponding period of the previous fiscal year.

This segment consists of Consulting Services, which support the introduction of products of the Company; Advanced Customer Support Services, which provide a preventive maintenance service and a comprehensive operation management service for customers' IT environments; and Education services, which provide training for engineers and users, and also encompasses a technology qualification business.

In Consulting Services, projects made steady progress, and preventive maintenance service provided as part of the Advanced Customer Support Services continued to generate brisk revenue for Oracle Exadata Database Machine.

In Education services, demand for Java training for cloud application development has been growing.

<Revenue breakdown by business segments>

Item	FY2016		FY2017		
	Amount	Comp.	Amount	Comp.	Variance
	Million Yen	%	Million Yen	%	%
New software licenses	47,334	27.8	43,386	25.1	-8.3
Cloud (SaaS/PaaS/IaaS)	4,594	2.7	9,159	5.3	99.4
New software licenses & Cloud (SaaS/PaaS/IaaS)	51,929	30.5	52,545	30.3	1.2
Software license updates & product support	78,170	45.9	82,727	47.8	5.8
Software & Cloud	130,099	76.4	135,273	78.1	4.0
Hardware systems products	11,930	7.0	9,375	5.4	-21.4
Hardware systems support	10,317	6.1	10,176	5.9	-1.4
Hardware systems	22,247	13.1	19,551	11.3	-12.1
Services	17,856	10.5	18,365	10.6	2.9
Total	170,203	100.0	173,190	100.0	1.8

*Amount is rounded down. Composition ratio and year-to-year comparison (Variance) are rounded off.

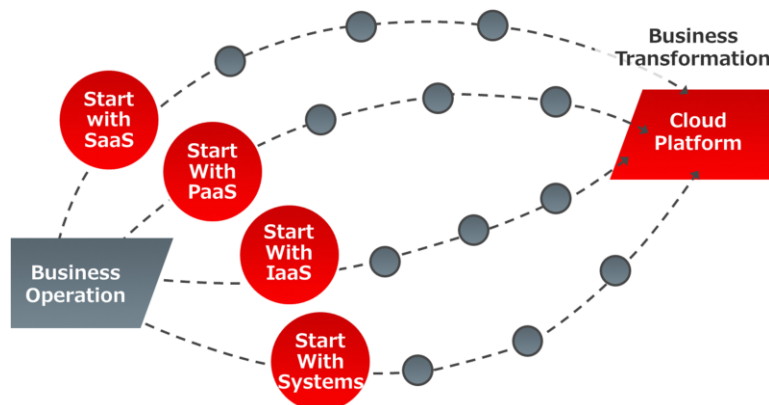
(iii) Forecast for the Next Fiscal year (Ending May 31, 2018)

The Company is 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.



(i) SaaS

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

(ii) PaaS/IaaS

- a) On-premise products suited to how customers use them and improvement of combined proposals for PaaS/IaaS
- b) Focus on the IaaS business including the at Customer model
- c) Promotion of partner programs “Oracle Cloud Managed Service Provider (MSP) Program” to accelerate customers’ shift to cloud services

(iii) Hardware Systems

- a) Support for customers’ migration to cloud services using Engineered Systems
- b) Improvement of partner collaboration structure

2. Improvement of enterprise marketing

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

The Company uses a range of values for the forecast for the next fiscal year.

(% of change from previous year)

	Revenue	Net income per share	Estimation of effective tax rate
	%	Yen	%
Entire term	1.0 ~4.0	287.00 ~297.00	31.0

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) Financial position

The situations of the total assets, liabilities and net assets

The total assets of the Company at the end of the term stood at 198,731 million yen (decreasing 24,670 million yen from the end of the previous term). Current assets were 157,621 million yen (decreasing 25,897 million yen).

Liabilities were 92,948 million yen (increasing 5,773 million yen). Net assets totaled 105,783 million yen (decreasing 30,444 million yen). The decrease was primarily appropriated to the payment of a year-end dividend of 525 yen (a normal dividend of 105 yen and a special dividend of 420 yen) per share for the 31st business term. As a result, the ratio of shareholders' equity was 52.9% (down 7.7 percentage points).

The cash flow situations for the term are as follows:

(i) Cash flows from operating activities

Cash generated from operating activities was 43,087 million yen (decreasing 1,179 million yen year on year). The inflow is attributable to the posting of income before income taxes of 52,672 million yen, an increase in advances received of 6,067 million yen. The outflows are attributable to the payment of 17,273 million yen in income taxes.

(ii) Cash flows from investment activities

Cash generated from investment activities was 16,122 million yen (previous year 69,506 million yen used). The outflows include the payments of short-term loans receivable (90,300 million yen) to Oracle America, Inc., a subsidiary of Oracle Corporation (parent company of the Company) for the fiscal year under review. The inflows include the collection of loans receivable (100,000 million yen) from Oracle America, Inc. and a net decrease in time deposits (9,000 million yen).

(iii) Cash flows from financial activities

Cash used for financial activities was 66,829 million yen (increasing 55,517 million yen year on year). The outflow was primarily appropriated to the payment of dividends.

In total, cash and equivalents decreased 7,618 million yen from the end of the previous term, to 38,025 million yen.

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

	May 2015	May 2016	May 2017
Capital ratio (%)	59.8	60.6	52.9
Capital ratio based on market prices (%)	361.8	336.1	418.5

(Notes) Capital ratio: Capital / Total assets

Capital ratio based on market prices: Market capitalization of the company / Total assets

We calculate Market capitalization of the company based on number of outstanding shares (excluding own shares).

(3) Basic policies on income distribution

The Company recognizes that one of its most important business missions is to enhance corporate value and distribute profits to shareholders.

The basic policy for the distribution of surplus is to provide a return to shareholders through dividends, while ensuring management flexibility by comprehensively taking into account the balance between the cash required for the Company's business plan, business results, and cash flows.

Under the policy, we will pay a year-end dividend of 114 yen per share for the fiscal year under review to distribute profits to shareholders.

For the next fiscal year, a year-end dividend has yet to be determined.

(4) Substantial doubts regarding the ability to remain as a going concern

There are no significant doubts regarding the ability of the Company to continue as a going concern.

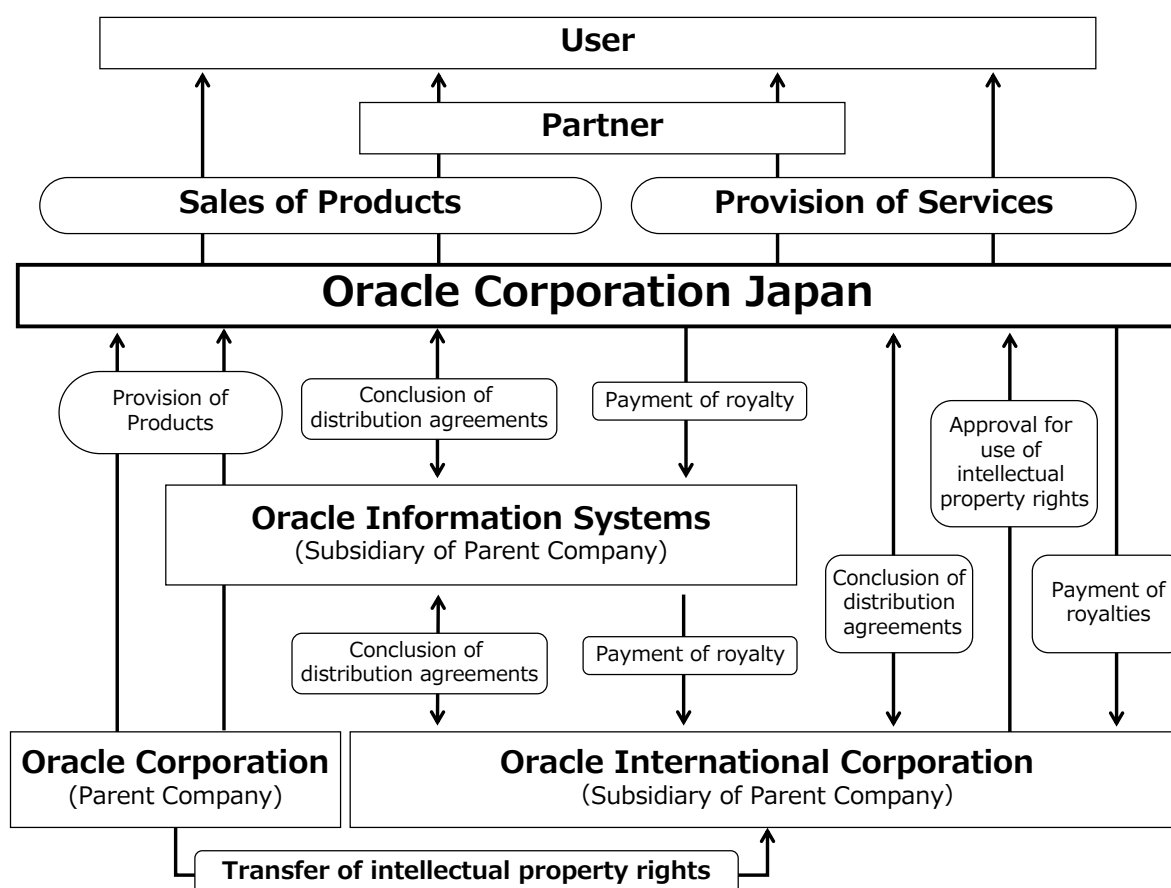
2. Current Status of the Company Group

The Company's parent company is essentially Oracle Corporation of the United States and the Company is part of the group that is headed by Oracle Corporation.

In various parts of the world, the group sells databases, middleware, software, including business applications, and hardware, which are designed to help customers manage and grow their business operations, and provides cloud services and other services to support the implementation and use of all these products.

Moreover, Oracle International Corporation is a subsidiary company of Oracle Corporation. Oracle Corporation transfers intellectual property rights pertaining to the software and other products it owns to Oracle International Corporation and Oracle International Corporation holds and manages these intellectual property rights, concludes distribution agreements with Oracle Corporation's subsidiaries including the Company and authorizes license use. Oracle Information Systems has the rights to license and sell products acquired by Oracle Corporation in Japan. The Company concluded distribution agreements with Oracle Information Systems, and has been selling acquired products and providing services to support the use of these products.

(Business relation diagram)



3. Basic Policy on Selection of Financial Reporting 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.

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

(Unit : Million yen)

	Previous term end (as of May 31, 2016)	Current term end (as of May 31, 2017)
Assets		
Current assets		
Cash and deposits	59,644	43,025
Accounts receivable-trade	19,674	19,629
Prepaid expenses	64	241
Deferred tax assets	2,758	2,322
Short-term loans receivable	100,000	90,300
Other	1,380	2,104
Allowance for doubtful accounts	-2	-2
Total current assets	183,519	157,621
Noncurrent assets		
Property, plant and equipment		
Buildings	17,782	18,221
Accumulated depreciation	-6,058	-6,837
Buildings, net	11,724	11,384
Tools, furniture and fixtures	3,813	5,728
Accumulated depreciation	-2,653	-3,080
Tools, furniture and fixtures, net	1,160	2,648
Land	26,057	26,057
Constuction in progress	143	—
Total property, plant and equipment	39,085	40,089
Intangible assets		
Software	5	6
Total intangible assets	5	6
Investments and other assets		
Investment securities	36	36
Deferred tax assets	202	247
Guarantee deposits	381	341
Bankruptcy and reorganization claim	0	0
Other	176	389
Allowance for doubtful accounts	-4	-0
Total investments and other assets	791	1,014
Total noncurrent assets	39,883	41,110
Total assets	223,402	198,731

(Unit : Million yen)

	Previous term end (as of May 31, 2016)	Current term end (as of May 31, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	10,514	12,028
Accounts payable-other	5,832	5,109
Income taxes payable	9,195	8,274
Advances received	56,527	62,594
Deposits received	197	394
Provision for bonuses	2,001	2,035
Provision for directors' bonuses	32	22
Provision for product warranties	340	203
Provision for stock benefits	105	215
Other	2,419	2,060
Total current liabilities	87,166	92,940
Noncurrent liabilities		
Other	7	7
Total noncurrent liabilities	7	7
Total liabilities	87,174	92,948
Net assets		
Shareholders' equity		
Capital stock	23,209	23,755
Capital surplus		
Legal capital surplus	6,560	7,106
Total capital surplus	6,560	7,106
Retained earnings		
Other retained earnings		
Retained earnings brought forward	105,836	75,258
Total retained earnings	105,836	75,258
Treasury stock	-221	-898
Total shareholders' equity	135,386	105,221
Subscription rights to shares	841	561
Total net assets	136,227	105,783
Total liabilities and net assets	223,402	198,731

(2) Statement of Income

(Unit : Million yen)

	Previous Term (From June 1, 2015 to May 31, 2016)	Current Term (From June 1, 2016 to May 31, 2017)
Net sales	170,203	173,190
Cost of sales	87,077	88,504
Gross profit	83,126	84,685
Selling, general and administrative expenses	32,900	32,160
Operating income	50,225	52,524
Non-operating income		
Interest income	73	15
Other	13	10
Total non-operating income	86	25
Non-operating expenses		
Foreign exchange losses	18	30
Other	20	17
Total non-operating expenses	39	48
Ordinary income	50,273	52,502
Extraordinary income		
Gain on reversal of subscription rights to shares	40	169
Total extraordinary income	40	169
Income before income taxes	50,313	52,672
Income taxes-current	16,837	15,921
Income taxes-deferred	-93	389
Total income taxes	16,744	16,311
Net income	33,568	36,360

(3) Statement of changes in shareholders' equity

Previous term end (From June 1, 2015 to May 31, 2016)

(Unit : Million yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Total Capital surplus	Other retained earnings	Total retained earnings		
Balance at the beginning of current period	22,743	6,094	6,094	84,361	84,361	-295	112,903
Changes of items during the period							
Issuance of new shares-exercise of subscription rights to shares	466	466	466				932
Dividends from surplus				-12,093	-12,093		-12,093
Net income				33,568	33,568		33,568
Purchase of treasury stock						-6	-6
Sale of treasury stock						80	80
Net changes of items other than shareholders' equity							
Total changes of items during the period	466	466	466	21,475	21,475	74	22,482
Balances at end of current period	23,209	6,560	6,560	105,836	105,836	-221	135,386

	Subscription rights to shares	Net assets
Balance at the beginning of current period	922	113,826
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares		932
Dividends from surplus		-12,093
Net income		33,568
Purchase of treasury stock		-6
Sale of treasury stock		80
Net changes of items other than shareholders' equity	-81	-81
Total changes of items during the period	-81	22,401
Balances at end of current period	841	136,227

Current term end (From June 1, 2016 to May 31, 2017)

(Unit : Million yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Total Capital surplus	Other retained earnings	Total retained earnings		
Balance at the beginning of current period	23,209	6,560	6,560	105,836	105,836	-221	135,386
Changes of items during the period							
Issuance of new shares-exercise of subscription rights to shares	545	545	545				1,091
Dividends from surplus				-66,938	-66,938		-66,938
Net income				36,360	36,360		36,360
Purchase of treasury stock						-830	-830
Sale of treasury stock						153	153
Net changes of items other than shareholders' equity							
Total changes of items during the period	545	545	545	-30,578	-30,578	-677	-30,164
Balances at end of current period	23,755	7,106	7,106	75,258	75,258	-898	105,221

	Subscription rights to shares	Net assets
Balance at the beginning of current period	841	136,227
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares		1,091
Dividends from surplus		-66,938
Net income		36,360
Purchase of treasury stock		-830
Sale of treasury stock		153
Net changes of items other than shareholders' equity	-279	-279
Total changes of items during the period	-279	-30,444
Balances at end of current period	561	105,783

(4)Statement of Cash Flows

(Unit : Million yen)

	Previous term end (as of May 31, 2016)	Current term end (as of May 31, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes	50,313	52,672
Depreciation and amortization	1,220	1,383
Share-based compensation expenses	100	69
Increase (decrease) in provision for bonuses	249	33
Increase (decrease) in provision for directors' bonuses	9	-9
Increase (decrease) in provision for product warranties	133	-136
Increase (decrease) in provision for stock benefits	61	110
Interest and dividends income	-75	-17
Loss (gain) on sales and retirement of noncurrent assets	20	17
Decrease (increase) in notes and accounts receivable-trade	-2,096	44
Decrease (increase) in accounts receivable-other	-44	-300
Decrease (increase) in other current assets	-326	-598
Increase (decrease) in notes and accounts payable-trade	505	1,514
Increase (decrease) in accounts payable-other	79	-578
Increase (decrease) in accrued consumption taxes	-2,242	-297
Increase (decrease) in advances received	13,853	6,067
Increase (decrease) in other current liabilities	-220	565
Other, net	-53	-196
Subtotal	61,488	60,345
Interest and dividends income received	75	14
Income taxes paid	-17,297	-17,273
Net cash provided by (used in) operating activities	44,267	43,087
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-506	-2,575
Purchase of intangible assets	-0	-4
Payments of short-term loans receivable	-100,000	-90,300
Collection of loans receivable	-	100,000
Payments into time deposits	-104,000	-34,000
Proceeds from withdrawal of time deposits	135,000	43,000
Payments for guarantee deposits	-5	-2
Proceeds from collection of guarantee deposits	6	5
Net cash provided by (used in) investing activities	-69,506	16,122
Net cash provided by (used in) financing activities		
Proceeds from issuance of common stock	791	911
Purchase of treasury stock	-6	-830
Cash dividends paid	-12,095	-66,909
Net cash provided by (used in) financing activities	-11,311	-66,829
Net Increase/(Decrease) in cash and cash equivalents	-36,550	-7,618
Cash and cash equivalents at beginning of period	82,194	45,644
Cash and cash equivalents at end of period	※ 45,644	※ 38,025

(5) Notes to Financial Statements

[Notes to going concern]
Not applicable

[Significant Accounting Policies]

Disclosure of Significant Accounting Policies is omitted, there are no significant changes from the latest annual report submitted on August 25, 2016.

[Related to the statement of changes in shareholders' equity]
Previous term (from June1, 2015 to May 31, 2016)

1. Type and number of issued shares and treasury stock

	Number of shares as of May 31,2015 (Thousand shares)	Number of shares increased in the current term (Thousand shares)	Number of shares decreased in the current term (Thousand shares)	Number of shares as of May 31,2016 (Thousand shares)
Issued shares Common stock (Note)	127,308	203	—	127,511
Treasury stocks Common stock	62	1	16	46

(Note) 1. Increase of 203 thousand outstanding shares was due to exercise of share warrants.

2. The decrease in the number of shares of treasury stock (16 thousand) was due to delivering the company's own stock to board of directors and employees through the Board Incentive Plan (BIP) Trust (4 thousand) and the Employee Stock Ownership Plan (ESOP) Trust (12 thousand).

3. The balance of treasury stocks includes 37 thousand treasury stocks owned by the BIP trust (8 thousand) and ESOP trust (28 thousand).

2. Stock acquisition right

Item	Breakdown of stock acquisition right	Type of shares converted by stock acquisition right	Number of shares converted by stock acquisition right (shares)				Term-end balance (million yen)
			Balance of previous term	Increase	Decrease	Balance of current term	
Submission company	Stock acquisition right as stock option	—	—	—	—	—	841
Total		—	—	—	—	—	841

3. Dividend

(1) Amount of paid dividends

Resolution	Type of share	Total amount of dividend (Million yen)	Dividend per share (Yen)	Reference date	Effective date
Board of director held on July 17, 2015	Common stock	12,093	95	May 31, 2015	August 5, 2015

(Note) Total amount of dividend includes the 5 million yen dividend for the Company's stock held by Board Incentive Plan Trust (1 million yen) and Employee Stock Ownership Plan Trust (3 million yen).

(2) Dividend that effective date is in the next term though its reference date was in current term

Resolution	Type of share	Resource of dividend	Total amount of dividend (Million yen)	Dividend per share (Yen)	Reference date	Effective date
Board of director held on July 22, 2016	Common stock	Earned surplus	66,938	525	May 31, 2016	August 8, 2016

(Note) 1. The above dividend includes special dividend of 420 yen per share.[...]

2. Total amount of dividend which was resolved at the board of directors meeting which was held on July 22, 2016 includes the 19 million yen dividend for the Company's stock held by Board Incentive Plan Trust (4 million yen) and Employee Stock Ownership Plan Trust (14 million yen).

Current term (from June1, 2016 to May 31, 2017)

1. Type and number of issued shares and treasury stock

	Number of shares as of May 31,2016 (Thousand shares)	Number of shares increased in the current term (Thousand shares)	Number of shares decreased in the current term (Thousand shares)	Number of shares as of May 31,2017 (Thousand shares)
Issued shares Common stock (Note)	127,511	216	—	127,728
Treasury stocks Common stock	46	139	31	154

(Note) 1. Increase of 216 thousand outstanding shares was due to exercise of share warrants.

2. The increase in the number of shares of treasury stock (139 thousand) was due to purchasing the company's own stock for board of directors and employees through the Board Incentive Plan (BIP) Trust (38 thousand) and the Employee Stock Ownership Plan (ESOP) Trust (100 thousand). The decrease in treasury stock by 0 thousand shares represents shares purchased of odd lots

3. The decrease in the number of shares of treasury stock (31 thousand) was due to delivering the company's own stock to board of directors and employees through the Board Incentive Plan (BIP) Trust (9 thousand) and the Employee Stock Ownership Plan (ESOP) Trust (22 thousand).

4. The balance of treasury stocks includes 144 thousand treasury stocks owned by the BIP trust (38 thousand) and ESOP trust (106 thousand).

2. Stock acquisition right

Item	Breakdown of stock acquisition right	Type of shares converted by stock acquisition right	Number of shares converted by stock acquisition right (shares)				Term-end balance (million yen)
			Balance of previous term	Increase	Decrease	Balance of current term	
Submission company	Stock acquisition right as stock option	—	—	—	—	—	561
Total		—	—	—	—	—	561

3. Dividend

(1) Amount of paid dividends

Resolution	Type of share	Total amount of dividend (Million yen)	Dividend per share (Yen)	Reference date	Effective date
Board of director held on July 22, 2016	Common stock	66,938	525	May 31, 2016	August 8, 2016

(Note) 1. The above dividend includes special dividend of 420 yen per share.[...]

2. Total amount of dividend which was resolved at the board of directors meeting which was held on July 22, 2016 includes the 19 million yen dividend for the Company's stock held by Board Incentive Plan Trust (4 million yen) and Employee Stock Ownership Plan Trust (14 million yen).

(2) Dividend that effective date is in the next term though its reference date was in current term

The Company will submit the following proposal at the board of directors meeting to be held on July 20, 2017.

Type of share	Resource of dividend	Total amount of dividend (Million yen)	Dividend per share (Yen)	Reference date	Effective date
Common stock	Earned surplus	14,559	114	May 31, 2017	August 7, 2017

(Note) Total amount of dividend which will be resolved at the board of directors meeting which will be held on July 20, 2017 includes the 16 million yen dividend for the Company's stock held by Board Incentive Plan Trust (4 million yen) and Employee Stock Ownership Plan Trust (12 million yen).

[Related to the statement of cash flows]

Previous term (From June 1, 2015 to May 31, 2016)	Current term (From June 1, 2016 to May 31, 2017)
*Relationship between the term end balance of cash and cash equivalents and the amount of items indicated in the balance sheet <div style="text-align: right;">(As of May 31, 2016)</div>	*Relationship between the term end balance of cash and cash equivalents and the amount of items indicated in the balance sheet <div style="text-align: right;">(As of May 31, 2017)</div>
Balance of cash and deposits 59,644 million yen	Balance of cash and deposits 43,025 million yen
Time deposits -14,000 million yen	Time deposits -5,000 million yen
Cash and cash equivalents 45,644 million yen	Cash and cash equivalents 38,025 million yen

Segment Information

1. Overview of Reportable Segments

The reportable segments of the Company are segments for which separate financial statements are available and which the supreme decision-making body examines regularly to determine the distribution of management resources and to evaluate performance. Based on organizational structures and the characteristics of products and services, the Company has classified business segments into four reportable segments: New software licenses and Cloud (SaaS/PaaS/IaaS), Software license updates & product support, Hardware systems, and Services.

New software licenses and Cloud (SaaS/PaaS/IaaS) segment sells variety of licenses and software services via the Internet of database management software, middleware, and application software that are used in corporate activities.

The Software license updates & product support segment provides software license update rights and technical support.

The Hardware systems segment sells hardware including servers and storage products, and provides technical support for hardware products and the maintenance and repair of hardware.

The Services segment offers Consulting services, Advanced customer support services, and Education services.

2. Accounting methods used to calculate segment income (loss), segment assets and other items for reportable segments

Accounts for reportable segments are for the most part calculated in line with Significant Accounting Policies. Segment income (loss) for reportable segments is based on operating income (loss).

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

Previous term (from June1, 2015 to May 31, 2016)

(Unit : Million Yen)

	Reportable operating segments					Adjustment (Note) 1	Amount on Statement of Income (Note) 2
	New software licenses and Cloud (SaaS/PaaS/IaaS)	Software License Updates & Product Support	Hardware Systems	Services	Total		
Sales							
External customers	51,929	78,170	22,247	17,856	170,203	—	170,203
Intersegment net sales or transfer	—	—	—	—	—	—	—
Total	51,929	78,170	22,247	17,856	170,203	—	170,203
Operating income (loss)	7,984	41,498	1,091	4,267	54,841	-4,615	50,225
Other item							
Depreciation (Note)3	630	60	118	128	938	282	1,220

(Notes): 1. A segment profit adjustment of minus 4,615 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, 2016 to May 31, 2017)

(Unit : Million Yen)

	Reportable operating segments					Adjustment (Note) 1	Amount on Statement of Income (Note) 2
	New software licenses and Cloud (SaaS/PaaS/IaaS)	Software License Updates & Product Support	Hardware Systems	Services	Total		
Sales							
External customers	52,545	82,727	19,551	18,365	173,190	—	173,190
Intersegment net sales or transfer	—	—	—	—	—	—	—
Total	52,545	82,727	19,551	18,365	173,190	—	173,190
Operating income (loss)	7,638	44,003	930	4,634	57,206	-4,681	52,524
Other item							
Depreciation (Note)3	747	66	135	153	1,103	280	1,383

(Notes): 1. A segment profit adjustment of minus 4,681 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 (From June 1, 2015 to May 31, 2016)	Current term (From June 1, 2016 to May 31, 2017)
Net assets per share	1,062.14	824.79
Net income per share	263.64	285.11
Net income per share (diluted)	263.14	284.55

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

	Previous term (From June 1, 2015 to May 31, 2016)	Current term (From June 1, 2016 to May 31, 2017)
Net income per share		
Net income (millions of yen)	33,568	36,360
Amounts not attributable to owners of common stock (millions of yen)	—	—
Net income attributable to common stock (millions of yen)	33,568	36,360
Average number of shares during the term (shares)	127,328,145	127,531,594
Net income per share (diluted)		
Adjustment to net income (millions of yen)	—	
Increase in common stock (shares)	244,016	253,347
Details of shares not included in calculation of diluted net income per share due to non-dilative effect	Subscription right (Type: 3 Numbers: 1,561)	Subscription right (Type: 1 Numbers:301)

(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, 10,294 treasury shares owned by the BIP trust and 32,686 treasury shares owned by the ESOP trust for last year, 19,173 treasury shares owned by the BIP trust and 55,175 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, 8,826 treasury shares owned by the BIP trust and 28,320 treasury shares owned by the ESOP trust for last year, 38,165 treasury shares owned by the BIP trust and 106,382 treasury shares owned by the ESOP trust for this year.

【Notes to subsequent events】

Not Applicable

5. Others

Changes of Corporate Officers

The board of directors meeting of the company resolved change of the company's Representative and appointment of Chief Executive Officer as follows.

[As of June 5, 2017]

Change of Representative

Name	New	Old
Tadahiro Kaneko	Representative Executive Officer Chief Legal Officer	Corporate Executive Officer, Chief Legal Officer
Hiroshige Sugihara	Director, Chairman of the Board	Director, Representative Executive Officer, President & CEO

Appointment of Executive Officer

Name	New	Old
Frank Obermeier	Chief Executive Officer	(New appointment)