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Sec. Code 4716

August 5, 2015

To Our Shareholders

Hiroshige Sugihara
Representative Corporate Executive Officer
Oracle Corporation Japan
Kita-Aoyama 2-5-8, Minato-ku, Tokyo

NOTICE OF THE 30th ANNUAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 30th Annual Meeting of Shareholders.

If you are unable to attend the meeting, you may vote on the proposals in advance by mail or via the Internet. To do so, please exercise your voting right after examination with reference materials. Please refer to the “Procedure for exercising voting rights via the Internet” on pages if you plan to vote on the proposals via the Internet.

- 1. Date:** Friday, August 21, 2015, at 10:00 a.m.
- 2. Place:** Main Ballroom “Aoi”, 2nd Floor, PALACE HOTEL TOKYO
1-1-1 Marunouchi, Chiyoda-ku, Tokyo, Japan 100-0005

Note: The place has been changed from previous place. Please kindly refer to the last page for details.

3. Meeting Objectives:

Reporting:

Presentation of the Business Report, Balance Sheet and Statement of Income for the 30th Business Period (from June 1, 2014 to May 31, 2015)

Agenda:

- | | |
|-------------------|--|
| Proposal 1 | Partial amendment of the Articles of Incorporation |
| Proposal 2 | Election of 8 Directors |
| Proposal 3 | Issuance of share warrants to Directors, Executive Officers and Employees of the Company |

4. Guidance for the exercise of voting rights:

[Vote on the proposals by mail]

Please indicate your approval or disapproval of each proposal on the enclosed document for the exercise of voting rights, and then mail it to arrive by 5:00 p.m. on Thursday, August 20, 2015.

[Vote on the proposals via the Internet]

Please vote on the proposals from the e-vote website (<http://www.evotep.jp/>) by 5:00 p.m. on Thursday, August 20, 2015. Please refer to the “Procedure for exercising voting rights via the Internet” on pages 3-4 if you plan to vote on the proposals via the Internet. Please refer to the “Procedure for exercising voting rights via the Internet” on next page.

End of proposals

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If you plan on attending the meeting, please submit the enclosed document for the exercise of voting rights to the receptionist at the meeting.

If the entries of the business report, statements of account or reference material for the meeting of shareholders need to be amended, we post all revised subjects on our website (<http://www.oracle.com/jp/corporate/investor-relations/index.html>).

Please tell us your questions and opinions about the Company’s management and meeting of shareholders. Refer to the page for accepting opinions and questions on the Company’s website shown below.

**<http://www.oracle.co.jp/K30>**

You do not need to provide personal information, such as your address and your name.

Period: August 4, 2015 to August 31 2015

#### © Other requests

Please note that in the event of unforeseeable circumstances, the proceedings may need to be changed.

Please see information on evacuation routes at the end of this notice or at the site and at the place.

We will have turned down the air conditioning, and our officers and staffs are wearing light clothing. We ask for your understanding and cooperation.

## [Procedure for Exercising Voting Rights via the Internet]

When exercising your voting rights by using the Internet, keep the following in mind:

Notes:

### 1. E-vote website

- (1) You may exercise your right to vote at our specified site (<http://www.evotep.jp/>) from a personal computer, Smartphone, or cellular phone (i-mode, Ezweb, Yahoo!mobile).  
(i-mode, Ezweb, Yahoo! are trademarks or registered trademarks of NTT DoCoMo, KDDI and Yahoo! Inc. respectively. ).
- (2) Votes by personal computer or Smartphone will depend on your environment for the usage of Internet services. When you use Internet firewalls or antivirus software or proxy servers, votes by the Internet may not be possible.
- (3) Note that service by i-mode or Ezweb or Yahoo!mobile is necessary for exercising your right to vote by cellular phone. In that case, votes by cellular phone will depend on model of your cellular phones. For security, cellular phone models of which SSL communication and cellular phone information transmission are available are only applicable.
- (4) Votes by the Internet will be accepted until up to 5:00 p.m. of the day prior to the day of the Annual Meeting of Shareholders (Thursday, August 20, 2015). However, for consideration of totaling the results of exercising voting rights, please exercise your voting rights as early as possible. If you have questions, please contact our help desk.

### 2. Procedure for exercising voting rights by the Internet

- (1) At our e-vote website (<http://www.evotep.jp/>), please exercise your voting rights following the guidance on the screen, using the voting rights code and temporary password given on the voting form (or your registered password).
- (2) To avoid incorrect access by person who is not our shareholder and falsification of your exercise, we will request the change of your temporary password and the acquisition of our specified electronic certificate.
- (3) Concerning the voting rights code, new one will be given every Notice of Annual Meeting of Shareholders.

3. Treatment when the exercise of voting rights is conducted several times

- (1) If you exercise your right to vote by using the Internet, to vote by document is unnecessary. When you exercise your right to vote both by document and by using the Internet, the vote submitted by using the Internet will be accepted.
- (2) The last exercise of voting rights will be assumed to be valid when the exercise of voting rights is conducted more than once via the Internet. The last exercise of voting rights will be assumed to be valid when you exercise your right to vote both by personal computer, Smartphone, and cellar phone.

4. Expenses for the access to the site for exercising voting rights

When you access a site to exercise your voting rights, connection fees for internet access and telephone fees payable to communication carriers will be charged, and you bear those expenses. When you use cellar phone, packet communication fees and other fees will be charged, and you bear those expenses.

5. Receiving a Notice of the Annual Meeting

From next general shareholders meeting, you can receive a Notice of the Annual Meeting by E-mail. If you are interested, take the necessary procedure at the site at which you exercise your right to vote through personal computer or Smartphone. (You neither take procedure by cellar phone nor designate mail-address of cellar phone.)

|                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Contact related to the system<br/>Mitsubishi UFJ Trust Bank Custody service (help desk)<br/>TEL:0120-173-027 (9:00-21:00 free dial)</p> |
|--------------------------------------------------------------------------------------------------------------------------------------------|

\*Note: This service is available in Japanese language only.

## **Business Report**

(From June 1, 2014 to May 31, 2015)

### **1. OVERVIEW OF THE COMPANY**

#### **(1) Progress and Results of Business**

During the fiscal year under review, which began on June 1, 2015 and ended on May 31, 2016 (hereinafter “this year”), the Japanese economy remained on the moderate upward trend, backed by the government economic package and financial policies, despite the decline in demand following the rush demand before the consumption tax rise. The willingness of businesses to make IT investment is recovering in the manufacturing, public, public utility and other sectors, followed by the financial and distribution service industries.

In regards to technology and society, a shift from conventional business models to future-oriented models is urgently needed to deal with issues such as digital disruption (massive change caused by the spread of digital technology), the decline in the working population due to the aging of the society and falling birth rates, and the ongoing progress of globalization. Current issues include improvement of productivity with the use of cloud services and other information technologies and business entries into growth areas.

In this environment, the Company ran its businesses in accordance with its management policies. These policies consist of expanding cloud-related products and services, strengthening enterprise sales activities, flattening the organizational hierarchy to ensure quick product supply and enhance the customer support system, cultivating new markets in strategic collaboration with partner companies, and supporting corporate customers in their efforts to expand their businesses overseas. The ultimate goal of these strategies is to become the number one cloud company by 2020, as stated in VISION 2020.

The Company posted revenue of 161,051 million yen (up 3.9% year on year), operating income of 47,085 million yen (increasing 6.3% year on year), ordinary income of 47,286 million yen (rising 6.7% year on year) and net income of 30,246 million yen (up 11.3% year on year) for this year. All four indicators attained their initially forecasted levels and hit record highs.

The results of each business segment are as follows:

#### **[New software licenses and Cloud software subscriptions]**

Revenue in New Software licenses and Cloud software subscriptions was 47,927 million yen (up 5.4% year on year) in the full year. Revenue in the New software licenses was 45,544 million yen (increasing 6.2% year on year), and revenue in the Cloud software subscriptions was 2,383 million yen (down 8.0% year on year).

This segment consists of the New software licenses that sells new licenses for database management software, middleware, and ERP and other business applications that are used for the IT infrastructure of companies, etc. Cloud software subscriptions provides access to select Oracle software applications and software platforms on a subscription basis via the Internet.

(a) New software licenses

In regards to products, the Company released Oracle Database In-Memory in July 2014 and Oracle Big Data SQL in September 2014. Incorporating a revolutionary in-memory technology to drastically improve database processing performance, Oracle Data In-Memory is designed to construct an environment for the real-time analysis of the big data that is exchanged between people and goods and between goods and goods, such as in social networking services (SNS) and in Internet of Things (IoT). Oracle Big Data SQL is intended to further encourage the corporate use of big data by enabling access to all the structured and non-structured data through the use of SQL, the industry's standard language.

In the area of information security-related products, the Company released Oracle Key Vault in February 2015. This product changes security measures from conventional network-based measures to the multi-layer protection of actual data. In the future, the Company will continue to broaden its lineup of security-related products for protecting customers' IT systems from ever-growing range of information security threats.

(b) Cloud software subscriptions

In regards to products, the Company released Oracle Marketing Cloud, Oracle Planning and Budgeting Cloud Service, and Oracle ERP Cloud. The first product distributes optimal messages to prospective customers at the optimal timing to support the streamlining of marketing operations. The second product offers budget management, management accounting and other functions in enterprise performance management (EPM) with Oracle Hyperion in a SaaS form (Note 1). The third product is designed for companies which are rapidly expanding their business or expanding globally. The chief features of this product are that it can be introduced in a short time and that it is highly cost effective.

In the PaaS (Note 2) market, which has potential for growth, the Company announced five products: Oracle Database Cloud Service, Oracle Java Cloud Service, Oracle Developer Cloud Service, Oracle BI Cloud Service, and Oracle Documents Cloud Service. As an IaaS (Note 3) product, Oracle Infrastructure as a Service Private Cloud was announced in April 2015 at Oracle CloudWorld Tokyo 2015. The Company has already received orders for it, and thus it is expected to contribute to revenue for the fiscal year ending May 2016.

From onwards in high value-added products and services and vigorous sales and marketing activities, including collaboration with partner companies, the Company will continue its endeavors to expand the user base.

(Note 1) SaaS: Stands for "Software as a Service," and refers to services that offer financial accounting, salary/payroll 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 middleware 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.

### **[Software license updates & product support]**

Revenue in the Software license updates & product support segment was 73,401 million yen, increasing 7.0% 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 21,790 million yen, decreasing 7.4% from the corresponding period of the previous fiscal year.

Revenue from hardware systems products stood at 11,570 million yen, down 15.7% from the previous year.

The figure was affected by the decline as a reactionary downturn following the large deal won in the previous year. There is high demand for engineered systems, which pave the way for faster data processing, early system implementation, and the integration of multiple systems in cases where customers construct cloud environments on their own. Of these systems, Oracle Exadata Database Machine is gaining higher and higher marks from customers as it evolves into later generations, and it is driving market growth as a market leader. The Company is introducing new products incorporating the latest backup, storage, and other technologies. These include Zero Data Loss Recovery Appliance, a real-time data protection solution released in October 2014, and Oracle FS1 Flash Storage System, a flash drive-based product released in November 2014. In this way, the Company will propose the construction of an environment for protecting customers' data and for the highly cost-effective use of data.

Revenue in hardware systems support stood at 10,219 million yen, up 4.2% year on year.

### **[Services]**

Revenue in the Services segment was 17,932 million yen, increasing 3.2% 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; Education services, which provide training for engineers and users, and also encompasses a technology qualification business; and.

The preventive maintenance service, which is provided as part of the Advanced Customer Support Services, continued to generate brisk revenue for Oracle Exadata Database Machine. In regards to education services, there is growing demand for training in relation to the cutting edge Java technology for the Internet of Things (IoT).

<Revenue breakdown by business segments>

| Item                                                   | FY2014      |       | FY2015      |       |          |
|--------------------------------------------------------|-------------|-------|-------------|-------|----------|
|                                                        | Amount      | Comp. | Amount      | Comp. | Variance |
|                                                        | Million Yen | %     | Million Yen | %     | %        |
| New software licenses                                  | 42,874      | 27.7  | 45,544      | 28.3  | 6.2      |
| Cloud software subscriptions                           | 2,591       | 1.7   | 2,383       | 1.5   | -8.0     |
| New software licenses and Cloud software subscriptions | 45,466      | 29.3  | 47,927      | 29.8  | 5.4      |
| Software license updates & product support             | 68,594      | 44.3  | 73,401      | 45.6  | 7.0      |
| Software related                                       | 114,060     | 73.6  | 121,329     | 75.3  | 6.4      |
| Hardware systems products                              | 13,724      | 8.9   | 11,570      | 7.2   | -15.7    |
| Hardware systems support                               | 9,808       | 6.3   | 10,219      | 6.3   | 4.2      |
| Hardware systems                                       | 23,532      | 15.2  | 21,790      | 13.5  | -7.4     |
| Services                                               | 17,378      | 11.2  | 17,932      | 11.1  | 3.2      |
| Total                                                  | 154,972     | 100.0 | 161,051     | 100.0 | 3.9      |

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

(2) Capital investment

The total amount of the company's capital investment in this period was 407 million yen which includes purchase of personal computers, computer servers and peripheral equipment and payment for guarantee deposit.

### (3) Issues to address

#### ①Our basic business policies

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 way in which IT is used likewise continues to advance. The Company believes that its purpose is to support customers become more competitive and improve performance, and to offer society with greater convenience by creating roles and values of IT.

Moreover, we have promoted corporate activities designed to make the Company an “IT corporation that is the most highly trusted and respected,” under the following three basic business policies:

- 1) The Company will offer products and services that can enhance the productivity of our customers and support Japanese economical growth.
- 2) The Company will strive for the overall development of the IT industry in Japan, together with our partners.
- 3) The Company will train IT engineers able to assume leading roles globally, through “Oracle Master” and other systems.

We understand that these efforts will enable the Company to continuously enhance its corporate value and to offer benefits to our shareholders and other stakeholders.

#### ②Targeted business indices

The Company aims to improve corporate value and return profits to shareholders by driving revenue, operating income and EPS.

#### ③The Company’s medium- and long-term management strategies and issues to be addressed

[VISION2020: A medium- and long-term vision until 2020]

The Company’s vision is to become the number one cloud company and the most admired company by 2020. To achieve this vision, the implementation of the following strategies and measures stated below with the theme for “POCO: The Power of Cloud by Oracle” are recognized as important management issues.

##### (i) Expansion of the cloud business

In addition to SaaS (Software as a Service), which offers software services via the Internet and other networks, the Company will offer all-inclusive public cloud services encompassing PaaS (Platform as a Service) and IaaS (Infrastructure as a Service).

The Company will also provide Oracle products and solutions for companies wishing to construct their own private clouds. With its broad cloud portfolio, the Company will take the lead in building up the cloud computing market.

In addition, the cloud services consisting of standard technologies that have been developed over the years will facilitate the mutual transition and linkage between the customers' existing IT assets and cloud services. They will allow customers to choose IT investment destinations suited to their business environment, providing them with greater satisfaction and helping to solidify our long-term relationship of trust with them.

The Company will increase the number sales and support personnel to accelerate the growth of the cloud business.

(ii) Strengthening of direct sales capabilities from the customers' standpoint

The Company will seek to understand the management issues that customers face, and propose and offer solutions by systematically combining Oracle's software, hardware, and related services into a form that fits their needs. This approach will help to resolve customers' management issues, as well as to construct and solidify long-term relationships of trust with them.

(iii) Support for corporate customers in overseas business expansion

The Company will work ceaselessly to collaborate with global organizations to introduce successful examples overseas to Japan, and to support Japanese customers with overseas business expansion.

(iv) Strengthening of branch offices and regional businesses

To encourage many customers to use Oracle's products and services developed with standard and leading-edge technologies, the Company will reinforce the functions of its branch offices and carry out locally-based business operations.

Through these initiatives we aim to achieve strong growth in revenue and operating income and to maximize our corporate value. We respectfully ask for the continued support from our shareholders.

(4) Performance and Assets

| Category             |         | 27th fiscal year<br>ending<br>May 2012 | 28th fiscal year<br>ending<br>May 2013 | 29th fiscal year<br>ending<br>May 2014 | 30th fiscal year<br>ending<br>May 2015<br>(Note) |
|----------------------|---------|----------------------------------------|----------------------------------------|----------------------------------------|--------------------------------------------------|
| Revenue              | (M Yen) | 142,919                                | 153,148                                | 154,972                                | 161,051                                          |
| Ordinary income      | (M Yen) | 40,480                                 | 42,902                                 | 44,314                                 | 47,286                                           |
| Net income           | (M Yen) | 23,709                                 | 26,494                                 | 27,171                                 | 30,246                                           |
| Earnings per share   | (Yen)   | 186.55                                 | 208.47                                 | 213.75                                 | 237.78                                           |
| Total assets         | (M Yen) | 111,493                                | 136,810                                | 154,002                                | 188,847                                          |
| Net assets           | (M Yen) | 60,438                                 | 77,473                                 | 94,401                                 | 113,826                                          |
| Net assets per share | (Yen)   | 468.20                                 | 601.77                                 | 734.20                                 | 887.28                                           |

(Note) As the Company treats its own shares owned by the Board Incentive Plan (BIP) Trust for its directors and executive officers and the Employee Stock Ownership Plan (ESOP) Trust as treasury stock, the Company subtracts the number of shares of the treasury stock from the average number of shares during the period in the calculation of net income per share for the 30th fiscal year. In the calculation of net assets per share, the Company also subtracts the number of shares of the treasury stock from the number of outstanding shares at the fiscal year end.

(5) Parent company and consolidated subsidiaries

① Status of Parent Company

(a) Relationship with the parent company

Oracle Corporation Japan's parent company is Oracle Japan Holding, Inc. (California, U.S.A), which owns 74.8% of voting rights (94,967 thousand shares) of the company's stock. This company is a subsidiary of Oracle Corporation (California, U.S.A).

(b) Matters related to transactions with the parent company

The Company belongs to a corporate group centered on Oracle Corporation, which is the substantive parent company of the Company.

The corporate group undertakes worldwide sales of software, including relational database management software, middleware, and applications; and hardware, including servers, storage devices, and network devices. Its products are used for building and operating IT environments, including cloud computing environments. Certain products are offered through subscriptions to services in cloud computing environments. In addition, the Company provides a variety of services to support the introduction and use of these products.

The Company has concluded mutual sales agency agreements with Oracle International Corporation, which owns and manages the intellectual property rights of Oracle Corporation, the parent company of the Company, and sales license agreements with Oracle Information Systems Japan G.K., a subsidiary of Oracle Corporation, which owns the right to license and the right to sell products that have been acquired by Oracle Corporation in Japan. Based on these agreements, the Company receives supplies of products for the Japanese market from Oracle Corporation and pays a certain percentage of the sales proceeds from the products and the acquired products to Oracle International Corporation and Oracle Information Systems Japan G.K., respectively, in consideration thereof.

In addition, as the principal operations of the Company are selling products developed by Oracle Corporation and providing related services incidental to these products in the Japanese market, the Company does not conduct research and development activities on its own.

Although the research and development of products are carried out mainly by Oracle Corporation, products suitable for the Japanese market are developed with the participation of the Company in the development of new products from an early stage based on its close cooperation with Oracle Corporation.

From the standpoint of securing independence from the parent company, the Company's Board of Directors makes the final decisions regarding the business development of the Company, and the directors make their decisions in such a manner that their decisions are in the best interests of the Company and all of its shareholders.

② Major consolidated subsidiaries

Not applicable.

(6) Major business

Oracle Corporation Japan sells software such as database management software, middleware, and applications, and hardware including servers, storage devices, and network devices. Its products are used for building and operating IT environments, including cloud computing environments. Certain products are offered through subscriptions to services via the Internet. In addition the Company provides services to support the introduction and use of these products.

As of May 31, 2015

| Category                                   |                              | Description of business                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| New License & Cloud Software Subscriptions | New Licenses                 | Providing licenses for business application software, including database management software, middleware products, and ERP, which are used for IT system infrastructure at companies and other organizations                                                                                                                                                                                           |
|                                            | Cloud Software Subscriptions | Providing software and data which are used for IT system infrastructure at companies and other organizations as services under agreements for certain periods through Internets.                                                                                                                                                                                                                       |
| Software Update & Product Support          |                              | Providing updated versions of software products, patches (modified programs), and technical support through the Internet and by phone, including My Oracle Support.                                                                                                                                                                                                                                    |
| Hardware Systems                           | Hardware Systems Product     | Sales of servers equipped with SPARC micro processors or Intel micro processors, storage devices for managing and storing data assets safely using tapes and disks, and Engineered Systems, such as Oracle Exadata and Oracle Exalogic Elastic Cloud, which integrate hardware and software. Providing operating systems (OS), such as Oracle Solaris and Oracle Linux, and hardware-related software. |
|                                            | Hardware Systems Support     | Providing repairs, maintenance, and technical support for products including servers and storage devices, as well as updated versions of and patches for OS-related software.                                                                                                                                                                                                                          |
| Services                                   |                              | Providing Consulting Services, which help users implement our products, Advanced Support Customer Services, high-value added services such as preventive maintenance services and managed cloud services, and Education Services, which consist of training of engineers and users and certification of technical qualifications                                                                       |

(7) Major Offices

As of May 31, 2015

Headquarter: Kita- Aoyama 2-5-8, Minato-ku, Tokyo  
Regional Offices: Hokkaido (Chuo-ku, Sapporo City),  
Tohoku (Aoba-ku, Sendai City),  
Chubu (Naka-ku, Nagoya City)\*,  
Nishi-Nihon (Kita-ku, Osaka City)\*,  
Kyushu (Chuo-ku, Fukuoka City)  
Branch Offices: Hokuriku (Kanazawa City, Ishikawa Prefecture),  
Chugoku/Shikoku (Naka-ku, Hiroshima City),  
Okinawa (Naha City, Okinawa Prefecture)  
Offices / Akasaka Office (Setagaya-ku, Tokyo),  
Training Centers: Toyota Office (Toyota City, Aichi Prefecture),  
Training Campus Akasaka (Minato-ku, Tokyo),  
Training Campus Osaka (Kita-ku, Osaka City)

(Note) On June 1, 2015, the Company reorganized the Chubu Regional Office into the Hokuriku Branch Office and the Tokai Branch Office and the Nishi-Nihon Regional Office into the Kansai Branch Office and the Chugoku/Shikoku Branch Office.

(8) Employees

As of May 31, 2015

| Number of employees | Difference from end of last fiscal year | Average age | Average service years of employment |
|---------------------|-----------------------------------------|-------------|-------------------------------------|
| 2,406               | -62                                     | 40.9        | 7.9                                 |

(Note) "Number of employees" includes employees on loan from the other companies (429 persons) and temporary employees (2 persons). The employees on loan from the other companies and temporary employees are excluded from the calculation of average age and average service years of employment.

## 2. SHARES

As of May 31, 2015

- (1) Number of shares authorized to issue 511,584,909 shares  
(2) Number of outstanding shares 127,308,971 shares (including 8,205 own shares)  
(3) Number of shareholders 28,194  
(4) Major shareholder

| Name of shareholder                                 | Number of shares held (1,000 shares) | Composition % |
|-----------------------------------------------------|--------------------------------------|---------------|
| Oracle Japan Holding, Inc                           | 94,967                               | 74.6          |
| The Master Trust Bank of Japan, Ltd.                | 1,610                                | 1.3           |
| STATE STREET BANK AND TRUST COMPANY 505001          | 1,149                                | 0.9           |
| Japan Trustee Services Bank, Ltd. (account #1)      | 1,498                                | 0.9           |
| Japan Trustee Services Bank, Ltd. (account #9)      | 1,112                                | 0.7           |
| STATE STREET BANK WEST CLIENT - TREATY 505234       | 872                                  | 0.5           |
| MELLON BANK TREATY CLIENTS OMNIBUS                  | 679                                  | 0.4           |
| Ueda Yagi Tanshi Co., Ltd.                          | 511                                  | 0.4           |
| RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT | 497                                  | 0.4           |
| STATE STREET BANK AND TRUST COMPANY                 | 465                                  | 0.4           |

Note: The composition is calculated without treasury stock (8,205 shares) from total shares issued.

The Company excluded the number of shares of the treasury stock which The Master Trust Bank of Japan, Ltd owns (ESOP trust: 40,800 shares, BIP trust 13,200 shares).

### (5) Other important matters related to shares

The Company has introduced the BIP Trust, an incentive plan for its directors and executive officers, and the ESOP Trust, an incentive plan for its employees.

#### (i) BIP Trust for directors and officers

At the Compensation Committee meeting held on October 24, 2014, the Company 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 the directors and executive officers of the Company to execute their duties and, at the Compensation Committee meeting held on December 19, 2014, 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.

The Company will first 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 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 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.

The number of the Company's shares owned by the BIS Trust as of the end of the fiscal year under review (May 31, 2015) is 13,200.

(ii) ESOP Trust

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 first 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.

The number of the Company's shares owned by the ESOP Trust as of the end of the fiscal year under review (May 31, 2015) is 40,800.

### 3. SHARE WARRANTS

#### (1) Share warrants held by company directors

As of May 31, 2015

##### ① Share warrants held by directors (exclude outside directors and include executive officer)

| Date that rights were granted | Number of remaining share warrants to be issued (Note) 1 | Type and number of remaining shares to be issued | Number of directors that rights were granted | Exercise value (Yen) | Period in which the rights can be exercised (Note) 2,3 |
|-------------------------------|----------------------------------------------------------|--------------------------------------------------|----------------------------------------------|----------------------|--------------------------------------------------------|
| October 15, 2008              | 120                                                      | Common stock<br>12,000 shares                    | 1                                            | 4,787                | From October 15, 2010<br>to September 30, 2018         |
| October 15, 2010              | 100                                                      | Common stock<br>10,000 shares                    | 1                                            | 4,338                | From October 15, 2012<br>to September 22, 2020         |
| September 28, 2011            | 100                                                      | Common stock<br>10,000 shares                    | 1                                            | 2,698                | From September 28, 2013<br>to September 13, 2021       |
| September 28, 2012            | 50                                                       | Common stock<br>5,000 shares                     | 1                                            | 4,025                | From September 28, 2014<br>to September 12, 2022       |
| September 30, 2013            | 200                                                      | Common stock<br>20,000 shares                    | 1                                            | 3,942                | From September 30, 2015<br>to September 13, 2023       |
| April 15, 2014                | 350                                                      | Common stock<br>35,000 shares                    | 1                                            | 4,395                | From April 15, 2016<br>to September 13, 2023           |

##### ② Share warrants held by outside directors

| Date that rights were granted | Number of remaining share warrants to be issued (Note) 1 | Type and number of remaining shares to be issued | Number of directors that rights were granted | Exercise value (Yen) | Period in which the rights can be exercised (Note) 2,3 |
|-------------------------------|----------------------------------------------------------|--------------------------------------------------|----------------------------------------------|----------------------|--------------------------------------------------------|
| September 28 2011             | 50                                                       | Common stock<br>5,000 shares                     | 2                                            | 2,698                | From September 28, 2013<br>to September 13, 2021       |
| September 28 2012             | 50                                                       | Common stock<br>5,000 shares                     | 2                                            | 4,025                | From September 28, 2014<br>to September 12, 2022       |
| September 30, 2013            | 50                                                       | Common stock<br>5,000 shares                     | 2                                            | 3,942                | From September 30, 2015<br>to September 13, 2023       |

- (Note) 1. 100 common stock per share warrant  
 2. Please refer to the next (2) Share warrants issued in this fiscal year as a consideration for the execution of the duties "Note 2 and 3".

(2) Share warrants issued to employees in this fiscal year as a consideration for the execution of the duties

| Date that rights were granted | Number of remaining share warrants to be issued (Note) 1 | Type and number of remaining shares to be issued | Number of the employees that rights were granted | Exercise value (Yen) | Period in which the rights can be exercised (Note) 2,3 |
|-------------------------------|----------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|----------------------|--------------------------------------------------------|
| September 30, 2014            | 2,458                                                    | Common stock<br>245,800 shares                   | 268                                              | 4,280                | From September 30, 2016 to September 16, 2025          |

- (Note)
1. 100 common stock per share warrant
  2. Those who are allocated the share warrants may exercise a part of or all of the rights in accordance with the following classifications:
    - (a) Recipients may exercise half of the allocated rights after the period in which the rights can be exercised starts.
    - (b) Recipients may exercise all of the allocated rights after 2 years from (a).
  3. (1) Those allocated the share warrants are required to be a director, Corporate Executive Officer, or an employee of Oracle Corporation Japan at the time of exercising the stock purchase warrant. However, as long as the requirements set out in the share warrants allocation agreement executed between Oracle Corporation Japan and the recipient of allocation are met, the recipient may continue to exercise his or her rights after they no longer hold the position of employee, director or Corporate Executive Officer.
    - (2) Those who are allocated the share warrants may not dispose of part or all of the share warrants through assignment, attachment or other methods.
    - (3) Other conditions set out in the share warrants allocation agreement must be followed.
  4. 216,100 shares out of 245,800 shares were disclaimed since some of employees selected the ESOP trust in the fiscal year under review. For more details, please refer to "Notes to Non-consolidated Financial Statements, Notes to Significant Accounting Policies, 6. Additional Information".

#### 4. DIRECTORS

##### (1) Directors and Corporate Executive Officers

As of May 31, 2015

| Name                | Position                                                                                                       | Assignment or major contents of work                                                                                                                                                     |
|---------------------|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hiroshige Sugihara  | Director<br>President<br>Chief Executive Officer                                                               | Senior Vice President, Oracle Corporation                                                                                                                                                |
| Shigeru Nosaka      | Director<br>Executive Deputy President<br>Chief Financial Officer                                              | -                                                                                                                                                                                        |
| Derek H. Williams   | Director<br>Chairperson of the Audit Committee<br>Nominating Committee Member<br>Compensation Committee Member | Executive Vice President, Oracle Corporation                                                                                                                                             |
| John L. Hall        | Director<br>Chairperson of the Nominating Committee<br>Audit Committee Member                                  | Senior Vice President, Oracle University, Oracle Corporation                                                                                                                             |
| Eric R. Ball        | Director<br>Chairperson of Compensation Committee<br>Audit Committee Member                                    | Senior Vice President & Treasurer, Oracle Corporation<br>Chairperson of the Audit Committee of Glu Mobile Inc.                                                                           |
| Samantha Wellington | Director<br>Nomination Committee Member<br>Compensation Committee Member<br>Audit Committee Member             | Managing Counsel, Oracle America, Inc.<br>Director, Oracle Financial Services Software Limited                                                                                           |
| Satoshi Ogishi      | Director<br>Compensation Committee Member<br>Audit Committee Member                                            | Partner, Nishimura & Asahi<br>Director, Nozomi Servicing Co. Ltd.<br>Outside Auditor of Nomura Real Estate Holdings, Inc.<br>Outside Auditor of Nomura Real Estate Development Co., Ltd. |
| Shuhei Murayama     | Director<br>Compensation Committee Member<br>Audit Committee Member                                            | President, Shuhei Murayama CPA Office<br>Outside Auditor of Nippon Filcon Co., LTD.                                                                                                      |
| S. Kurishna Kumar   | Executive Officer                                                                                              | Vice President Finance, Oracle Corporation Japan and GFIC                                                                                                                                |

- (Notes)
1. John L.Hall, Eric R.Ball, Samantha Wellington, Satoshi Ogishi and Shuhei Murayama are outside Directors.
  2. Director Shuhei Murayama has a qualification of Certified Public Accountant; he has expertise in finance and accounting.
  3. Oracle Corporation is our substantial parent company. For information on the relationship of the Company with Oracle Corporation, please refer to “Relationship with the parent company of (5) Parent company and consolidated subsidiaries in OVERVIEW OF OUR COMPANY”
  4. Director Satoshi Ogishi is assigned to serve as director of Nozomi Servicing Co.Ltd. and assigned to serve as company outside auditor of Nomura Real Estate Holdings, Inc and Nomura Real Estate Development Co., Ltd (resigned as outside auditor and is assigned to serve as outside director of Nomura Real Estate Holdings, Inc, and resigned as outside auditor of Nomura Real Estate Development Co., Ltd as of June, 2015), and Murayama is assigned to serve as company outside auditor of Nippon Filcon Co., LTD. The Company has no business relationship with the concurrent companies.
  5. Notifications of Directors, Satoshi Ogishi and Shuhei Murayama have been filed regarding these candidates as being independent directors stipulated in Rule of the Securities Listing Regulations of the Tokyo Stock Exchange.

6. Director Shigeru Nosaka is assigned to outside director of YAMAHA CORPORATION on June 23, 2015.
7. Mr. John L. Hall resigned as Senior Vice President of Oracle Corporation June 30, 2015.

## (2) Remuneration of Directors and Executive Officers

### Policy on Determination of Remuneration of Directors and Executive Officers

The remuneration package of Directors and Executive Officers consists of three elements, a base salary, a performance-based bonus and Share incentive plan, and each element is determined in accordance with the following policy.

#### (a) Base salary

A salary level commensurate with role and responsibility is determined with reference to the salary levels of other companies in the same industry.

#### (b) 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. the year-on-year increase in sales of the Company's licensed products and margin of hardware systems business, as an indicator in addition to degree of attainment of the operating income target.

#### (c) Share incentive plan

Adding to stock option plan which are granted to Directors, the Company introduced 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 the directors and executive officers of the Company to execute their duties.

For information on the incentive plan, please refer to "Notes to Non-consolidated Financial Statements, Notes to Significant Accounting Policies, 6. Additional Information".

### Amount of Payments of Directors and Executive Officers

| Classification                             | Number of persons | Amount of payments<br>(Million yen) |
|--------------------------------------------|-------------------|-------------------------------------|
| Directors<br>(including Outside Directors) | 4<br>(2)          | 137<br>(22)                         |
| Executive Officers                         | 1                 | 17                                  |
| Total                                      | 5<br>(2)          | 155<br>(22)                         |

- (Notes)
1. With respect to the number of people attended to and the payment amount for the one person who became an executive director and concurrently served as a director based on the resolution made at the 29th annual meeting of shareholders held on August 21, 2014, those items during the period when the person served as the executive officer are included in the classification for executive officers, and those during the period when the person served concurrently as the executive officer and the director are included in the classification for directors.
  2. The above table includes expenses on the granting of share warrants to four Directors (including two Outside Directors) and one Executive officer, totaling 17 million yen for Directors (of which, expenses on the granting of share warrants to Outside Directors: 2 million yen) and 1 million yen for one Executive officer.
  3. The payment amount above includes the expenses of the BIP Trust for directors and executive officers, which is a stock compensation plan that posts expenses for multiple years, posted in the fiscal year under review according to the period corresponding to the compensation introduced in the fiscal year under review. The amount of expenses posted in the fiscal year under review is 11 million yen for four directors (of which 0 million yen is for outside directors).
  4. The company has no retirement allowance plan for directors.
  5. The payment amount above includes a provision for four directors' bonuses (two of those directors are outside directors) for the fiscal year under review totaling 22 million yen (of which 3 million yen is for outside directors). A bonus of 6 million yen paid to one director and a bonus of 4 million yen paid to one executive officer in the fiscal year under review are also included.
  6. The Executive Officers of the Company concurrently serve as Directors of the Company haven't received payments as Executive Officers.

### (3) Outside Directors

#### ① Significant concurrent positions held and bearing on the Company

As stated in “(1) Names, etc. of Directors and Executive Officers”

#### ② Major activities during the year under review

##### (a) Attendant meetings to the Board of Directors and each Committee in this Fiscal Year.

(Attendant / held, “-” is outside charge)

| Name                           | Board of Directors | Audit Committee | Nominating Committee | Compensation Committee |
|--------------------------------|--------------------|-----------------|----------------------|------------------------|
| John L. Hall                   | 12/12              | 5/5             | 1/1<br>(Chairperson) | -                      |
| Eric R. Ball                   | 12/12              | 5/5             | -                    | 4/4<br>(Chairperson)   |
| Samantha Wellington<br>(Note)2 | 10/12              | 4/5             | 0/1                  | 4/4                    |
| Satoshi Ogishi                 | 12/12              | 5/5             | -                    | 4/4                    |
| Shuhei Murayama                | 12/12              | 5/5             | -                    | 4/4                    |

- (Note)
1. Director Shuhei Murayama is a specified corporate auditor in accordance with Article 132, Section 5, Item 3 (a) of the Enforcement Regulations of the Corporate Law.
  2. As Samantha Wellington was assigned as Director and became a member of the Committees on August 21, 2014, her attendance during her term of office is stated.

##### (b) Activities and advices, etc.

- John L. Hall provided helpful advice about the Company’s management and made other necessary statements, from an expert perspective as a specialist in the business field and in the Company’s products and services.
- Eric R. Ball provided helpful advice about the Company’s management and made other necessary statements, from an expert perspective as a specialist in the business field and in the Company’s products and services, and based on extensive experience in the financial field.
- Samantha Wellington provided helpful advice about the Company’s management and made other necessary statements, from an expert perspective as a specialist in the business field and in the Company’s products and services, and from an expert perspective as a qualified lawyer through her extensive experience in corporate legal affairs.
- Satoshi Ogishi provided helpful advice about the Company’s management and made other necessary statements, from an expert perspective as a qualified lawyer through his extensive experience in corporate legal affairs.
- Shuhei Murayama provided helpful advice about the Company’s management and made other necessary statements, from an expert perspective as a qualified certified public accountant through his extensive experience in corporate accounting.

#### ③ Summary of agreements limiting liability

The Company and each of the Outside Directors have entered into an agreement with the Company limiting their liability as prescribed in Paragraph 1, Article 423, of the Corporate Law and the limit of amount of the liability based on the agreement shall be 20 million yen or more, and shall be a pre-determined amount or an amount provided in laws and ordinances, whichever is higher.

## 5. INDEPENDENT AUDITOR

(1) Name of the Independent Auditor

Earnst & Young ShinNihon

(2) Amount of Fee paid to Independent Auditor

- |      |                                                    |                |
|------|----------------------------------------------------|----------------|
| (i)  | Total amount of fee to Independent Auditor         | 59 million yen |
| (ii) | Total amount of fee for which the company must pay | 59 million yen |

- (Note)
1. In the Audit contract between the Company and the Independent auditor, the amount of the Audit fee of the Audit based on the Corporate Law and the Audit based on Securities and Exchange Law is not clearly divided, and it is not possible to divide substantially, so these amount of the total fee is described above.
  2. The Audit Committee has decided to agree on the amount of the payment to the independent auditor after conducting the necessary verifications as to whether the content of the audit plan, the execution of duties and the grounds for the calculation of the payment estimate for the independent auditor are appropriate.

(3) Details of any fee paid to the Independent Auditor for services other than those stipulated in Article 2-1 of the Certified Public Accountant Law (non-audit services).

Not applicable.

(4) Policy on determination of Dismissal and Non-reappointment of Independent Auditor

When the Audit Committee judges that the Independent Auditor applies to any item of Paragraph 1, Article 340 of the Corporate Law, the Audit Committee, subject to prior consent of all Audit Committee members, will dismiss the Independent Auditor in accordance with the provisions of said article. In this case, an audit committee member elected by the Audit Committee will report the dismissal of the Independent Auditor and the reason for dismissal at the first Annual Meeting of Shareholders convened after the dismissal.

(5) Summary of agreements limiting liability

Not applicable.

## **6. COMPANY STRUCTURE AND POLICIES**

### **(1) The Systems to Ensure Properness of the Company's Businesses**

At the Board meeting held on June 26, 2015, the Company resolved to revise the internal control system of the Company with enforcement of the Act for Partial Revision of the Companies Act (Act No. 90 of 2014; hereinafter) as of May 1, 2015.

The following is an overview for the change.

#### **① The system concerning the retention and management of information pertaining to the execution of duties of Corporate 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 department in charge of each risk will establish regulations/guidelines and provide related education. If a new risk arises, a Corporate Executive Officer will be promptly appointed in charge of said risk.

#### **③ The system for securing efficient execution of duties of Corporate Executive Officers**

- 1) Hold meetings to assist execution by the Chief Executive Officer, as well as to discuss and decide matters pertaining to decisions of the board of directors.
- 2) Establish regulations on the clarification of responsibilities and authorities of Corporate 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**

- 1) Establish a basic policy on compliance by applying the corporate code of ethics of the Oracle Group.
- 2) 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.
- 3) For purposes of building, maintaining, and improving the internal control system, each department in charge will establish and implement internal regulations, and conduct training on applicable laws and regulations as well as internal regulations, etc.
- 4) Appoint a person in charge of compliance, thereby establishing the compliance system at the Company.
- 5) Set up an audit department, which, in accordance with the regulations on internal audits, will audit the business process of each department, 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**

- 1) Establish a corporate code of ethics for the Oracle Group.
- 2) 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 Corporate Executive Officers and employee-status 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 HelpLine).
- 3) The Company will accept regular audits by the internal audit department of the parent, and will receive reports on the audit results.
- 4) The Company conducts internal audit on its subsidiaries and reports the result to the Board of Directors and the Audit Committee.

⑥ **The matters pertaining to the placement of employees to assist responsibilities of the Audit Committee**

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

⑦ **The matters pertaining to the independence of employees from Corporate Executive Officers under the foregoing item**

When employees are placed to assist the responsibilities of the Audit Committee, the Audit Committee must be consulted regarding the appointment, transfer, and appraisal, etc. of such employees, and the Corporate 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 in the affairs of the Administrative Office and Audit Committee Members shall follow the instructions of the Audit Committee.

⑨ **The system for the Corporate Executive Officers and employees to report to the Audit Committee, and other system pertaining to reporting to the Audit Committee**

Corporate 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 Corporate Executive Officers and employees.

⑩ **The system for securing that any person who has made a report set forth in the preceding item shall not be treated disadvantageously by reason of his/her making said report**

Prohibit any disadvantageous treatment of a person who has made a report to the Audit Committee by reason of his/her making 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 a prior approval of the Board of the Directors Meeting or Corporate Executive Officers.

**⑫ Other systems for securing effective audits by the Audit Committee**

- 1) The annual plan for internal audits implemented by the internal audit department 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.
- 2) The Chief Executive Officer and accounting auditor(s) 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 Chief Executive Officer accounting auditors, and the Audit Committee Members can increase common awareness.
- 3) The Audit Committee Members may attend important meetings concerning management, and may access to the minutes and/or materials of the meetings on an as-needed basis, for the purpose of auditing execution of the duties by the Corporate Executive Officers and employees.

**(2) 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, 2014 to May 31, 2015, 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.

Furthermore, we now have a streamlined risk management system that is centered on Risk Management Manager and Risk Management Committee, enabling a structured management system to address any critical risk.

(3) Guideline about Distribution, etc. of Surpluses

The basic policy for the distribution of surplus is to provide a stable and continuous return to shareholders through dividends, while ensuring a management flexibility by keeping financial indicators such as shareholders' equity ratio and return on equity at a reasonable level, and comprehensively taking into account the balance between the cash required for the Company's business plan, business results, and cash flows.

Based on this policy, The company distributes money as the way of distribution of surplus.

With respect to the purchase of treasury stock, the reduction of reserves, and the appropriation of surpluses and other procedures, we will take action as appropriate, based on the financial situation of the Company.

For dividends for the fiscal year under review, we will pay an annual dividend of 95 yen per share.

## Balance Sheet

As of May 31, 2015

(Unit: Million yen)

| Items                                   | Amount  | Items                               | Amount  |
|-----------------------------------------|---------|-------------------------------------|---------|
| (Assets)                                |         | (Liabilities)                       |         |
| I Current assets                        |         | I Current liabilities               |         |
| 1. Cash and deposits                    | 127,194 | 1. Accounts payable-trade           | 10,008  |
| 2. Accounts receivable-trade            | 17,578  | 2. Accounts payable-other           | 5,568   |
| 3. Prepaid expenses                     | 86      | 3. Income taxes payable             | 9,528   |
| 4. Deferred tax assets                  | 2,664   | 4. Advances received                | 42,674  |
| 5. Other                                | 986     | 5. Deposits received                | 566     |
| 6. Allowance for doubtful accounts      | -2      | 6. Provision for bonuses            | 1,752   |
| Total current assets                    | 148,508 | 7. Provision for directors' bonuses | 22      |
|                                         |         | 8. Provision for product warranties | 206     |
|                                         |         | 9. Provision for stock benefits     | 44      |
|                                         |         | 10. Other                           | 4,640   |
|                                         |         | Total current liabilities           | 75,012  |
|                                         |         | II Noncurrent liabilities           |         |
| II Noncurrent assets                    |         | Other                               | 7       |
| 1. Property, plant and equipment        |         | Total noncurrent liabilities        | 7       |
| (1) Buildings                           | 12,340  | Total liabilities                   | 75,020  |
| (2) Tools, furniture and fixtures       | 1,233   |                                     |         |
| (3) Land                                | 26,057  | (Net assets)                        |         |
| Total property, plant and equipment     | 39,631  | I Shareholders' equity              |         |
| 2. Intangible assets                    |         | 1. Capital stock                    | 22,743  |
| Software                                | 7       | 2. Capital surplus                  |         |
| Total intangible assets                 | 7       | Legal capital surplus               | 6,094   |
| 3. Investments and other assets         |         | Total capital surplus               | 6,094   |
| (1) Investment securities               | 36      | 3. Retained earnings                |         |
| (2) Deferred tax assets                 | 202     | Other retained earnings             |         |
| (3) Guarantee deposits                  | 419     | Retained earnings brought forward   | 84,361  |
| (4) Bankruptcy and reorganization claim | 0       | Total retained earnings             | 84,361  |
| (5) Other                               | 46      | 4. Treasury stock                   | -295    |
| (6) Allowance for doubtful accounts     | -4      | Total shareholders' equity          | 112,903 |
| Total investments and other assets      | 700     | II Subscription rights to shares    | 922     |
| Total noncurrent assets                 | 40,338  | Total net assets                    | 113,826 |
| Total assets                            | 188,847 | Total liabilities and net assets    | 188,847 |

# Statement of Income

(From June 1, 2014 to May 31, 2015)

(Unit : Million yen)

|                                                   | Amount  |
|---------------------------------------------------|---------|
| Net sales                                         | 161,051 |
| Cost of sales                                     | 82,683  |
| Gross profit                                      | 78,368  |
| Selling, general and administrative expenses      | 31,283  |
| Operating income                                  | 47,085  |
| Non-operating income                              | 202     |
| Non-operating expenses                            | 1       |
| Ordinary income                                   | 47,286  |
| Extraordinary income                              |         |
| Gain on reversal of subscription rights to shares | 147     |
| Total extraordinary income                        | 147     |
| Income before income taxes                        | 47,434  |
| Income taxes-current                              | 17,210  |
| Income taxes-deferred                             | -22     |
| Net income                                        | 30,246  |

## Statement of changes in shareholders' equity

Current term end (From June 1, 2014 to May 31, 2015)

(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 |                |                            |
|                                                                  |                      |                       |                       | Retained earnings brought forward |                         |                |                            |
| Balance at the beginning of current period                       | 22,506               | 5,857                 | 5,857                 | 65,053                            | 65,053                  | -30            | 93,387                     |
| Changes of items during the period                               |                      |                       |                       |                                   |                         |                |                            |
| Issuance of new shares-exercise of subscription rights to shares | 236                  | 236                   | 236                   |                                   |                         |                | 473                        |
| Dividends from surplus                                           |                      |                       |                       | -10,938                           | -10,938                 |                | -10,938                    |
| Net income                                                       |                      |                       |                       | 30,246                            | 30,246                  |                | 30,246                     |
| Purchase of treasury stock                                       |                      |                       |                       |                                   |                         | -264           | -264                       |
| Net changes of items other than shareholders' equity             |                      |                       |                       |                                   |                         |                |                            |
| Total changes of items during the period                         | 236                  | 236                   | 236                   | 19,307                            | 19,307                  | -264           | 19,516                     |
| Balances at end of current period                                | 22,743               | 6,094                 | 6,094                 | 84,361                            | 84,361                  | -295           | 112,903                    |

|                                                                  | Subscription rights to shares | Net assets |
|------------------------------------------------------------------|-------------------------------|------------|
| Balance at the beginning of current period                       | 1,013                         | 94,401     |
| Changes of items during the period                               |                               |            |
| Issuance of new shares-exercise of subscription rights to shares |                               | 473        |
| Dividends from surplus                                           |                               | -10,938    |
| Net income                                                       |                               | 30,246     |
| Purchase of treasury stock                                       |                               | -264       |
| Net changes of items other than shareholders' equity             | -91                           | -91        |
| Total changes of items during the period                         | -91                           | 19,425     |
| Balances at end of current period                                | 922                           | 113,826    |

## Notes to Non-consolidated Financial Statements

### Notes to Significant Accounting Policies

1. Valuation standard and method applied to negotiable securities
  - Available-for-sale securities
    - Securities without fair market value: At cost method based on moving average method
    - Debt securities without fair market value: Amortized cost method
2. Depreciation method applied to fixed assets
  - (1) Tangible fixed assets
    - Buildings: At straight-line method
    - Appliances and equipment: At straight-line methodThe useful life of major items are as follows:
    - Buildings: 5 to 38 years
    - Appliances and equipment
      - Personal computers: 2 years
      - Computer servers: 3 years
      - Others: 5 to 15 years
  - (2) Intangible fixed assets: At straight-line method
    - Based on an in-house estimated available period (5 years) for software for in-house use.
3. Accounting standard for allowances
  - (1) Allowance for doubtful accounts

To reserve for loss on doubtful accounts, general allowances are provided using a rate determined by past experience with bad debts. For specific claims such as claims suspected of being irrecoverable, allowances are provided according to the estimates of amounts considered uncollectible after reviewing the possibility of collection on an individual claim basis.
  - (2) Provision for bonuses

To provide for the payment of bonuses to employees, the estimated liabilities in the current period is recorded based on the estimated amount of bonus payment.
  - (3) Provision for directors' bonuses

To provide for the payment of bonuses to directors, the estimated liabilities in the current period is recorded based on the estimated amount of bonus payment.
  - (4) Provision for product warranties

To provide for the expenditure of after-sales service, warranty accrual is established based on estimated future cost of repair and replacement within the warranty period principally using historical experience of warranty claims
  - (5) Provision for stock benefits

Provision for stock benefits is recorded based on the estimated amount of stock delivery obligations at the end of the fiscal year under review in order to prepare to provide the directors and employees with the Company's shares based on the stock delivery regulations.
4. Revenue recognition policy

As to consulting service revenue and part of software product revenue, the company accounts for them on the percentage of completion basis.

## 5. Accounting of consumption tax

Based on pre-tax method

## 6. Additional Information

(Transactions pertaining to the BIP Trust for directors and executive officers)

The Company has introduced the BIP Trust for its directors and executive officers in the fiscal year under review as a new incentive plan to motivate the directors and executive officers to execute their duties more effectively.

The accounting of the trust agreement pertaining to the BIP Trust is based on the “Practical Solution on Transactions for Delivering the Company’s Own Stock to Employees, etc. through Trusts” (ASJB PITF No. 30, March 26, 2015).

### (1) Overview of transactions

The BIP Trust (stock compensation plan) is added to the existing share warrant (stock option) plan in which share warrants are granted within the scope resolved at the meeting of shareholders every fiscal year. Although share warrants were allocated to the directors and executive officers of the Company by resolutions of the Compensation Committee and the Board of Directors meeting in the past, the directors and executive officers of the Company will be able to select a method of receiving their compensation from the three below (Note 1) each time they are granted the right to share warrants in the future (Note 2).

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 (Note 3).

(i) 100% by share warrants

(ii) 50% by share warrants and 50% by the delivery of the Company’s shares, etc. based on the BIP Trust

(iii) 100% by the delivery of the Company’s shares, etc. based on the BIP Trust

(Notes)

1. Those who have selected (ii) or (iii) will receive the delivery of the Company’s shares, etc. during the trust period in or after the year after the year when the share warrants are granted.
2. Of the directors and executive officers to whom share warrants were granted based on the resolution to issue share warrants in the share warrant plan, those who have elected to receive compensation based on the stock compensation plan will separately abandon the share warrants for which they are eligible. Share warrants granted in September 2014 will also be subject to this.
3. If the BIP Trust is selected in the event that the number of share warrants granted was four (equivalent to 400 shares), the share warrants will be exchanged for a total of 100 shares of the Company’s stock.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury stock in net assets on the balance sheet at the book value in the trust. The book value is 63 million yen and the number of the Company's shares recorded as treasury stock is 13,200 shares at the end of the fiscal year under review.

(Transactions pertaining to the ESOP Trust)

The Company has introduced the ESOP Trust in the fiscal year under review as an incentive plan to further promote the execution of operations with the aim of improving business performance and increasing corporate value in the medium and long term by raising the awareness of the Company's employees regarding its business performance and share price. The "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (ASJB PITF No. 30, March 26, 2015) is applied to the accounting of the trust agreement pertaining to the ESOP Trust.

(1) Overview of transactions

The ESOP Trust is added to the existing share warrant (stock option) plan in which share warrants are granted within the scope resolved at the meeting of shareholders every fiscal year. Although share warrants were allocated to the employees based on resolutions of the Board of Directors meeting in the past as a compensation plan for the employees using the Company's shares, the employees will be able to select a method of receiving their compensation from the three below (Note 1) each time they are granted the right to share warrants in the future (Note 2).

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 ESOP Trust is 4:1 (Note 3).

(i) 100% by share warrants

(ii) 50% by share warrants and 50% by the delivery of the Company's shares, etc. based on the ESOP Trust

(iii) 100% by the delivery of the Company's shares, etc. based on the ESOP Trust

(Notes)

1. Those who have selected (ii) or (iii) will receive the delivery of the Company's shares, etc. during the trust period in or after the year after the year when the share warrants are granted.
2. Of the employees to whom share warrants were granted based on the resolution to issue share warrants in the share warrant plan, those who have elected to receive compensation based on the ESOP Trust will separately abandon the share warrants for which they are eligible. Share warrants granted in September 2014 will also be subject to this.
3. If the ESOP Trust is selected in the event that the number of share warrants granted was four (equivalent to 400 shares), the share warrants will be exchanged for a total of 100 shares of the Company's stock.



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

The board meeting on July 17, 2015

| Type of share | Total amount of dividend<br>(Million yen) | Resource of dividend | Dividend per share<br>(Yen) | Reference date | Effective date |
|---------------|-------------------------------------------|----------------------|-----------------------------|----------------|----------------|
| Common stock  | 12,093                                    | Retained earnings    | 95                          | May 31, 2015   | August 5, 2015 |

(Note) Total amount of dividend which was resolved at the board of directors meeting which was held on July 17, 2015 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).

### 3. Share warrants

| Date that rights were granted | Type of stock | Number of remaining shares to be issued |
|-------------------------------|---------------|-----------------------------------------|
| October 1, 2005               | Common stock  | 130,100 shares                          |
| December 25, 2006             | Common stock  | 119,600 shares                          |
| October 15, 2007              | Common stock  | 138,300 shares                          |
| October 15, 2008              | Common stock  | 132,100 shares                          |
| January 15, 2009              | Common stock  | 3,500 shares                            |
| October 15, 2009              | Common stock  | 118,900 shares                          |
| October 15, 2010              | Common stock  | 147,400 shares                          |
| September 28, 2011            | Common stock  | 61,100 shares                           |
| July 2, 2012                  | Common stock  | 2,500 shares                            |
| September 28, 2012            | Common stock  | 92,300 shares                           |
| Total                         |               | 945,800 shares                          |

Note: The plans of which exercise period have not come are excluded.

## Notes to tax-effect accounting

### 1. Breakdown of major causes of deferred tax assets

As of May 31, 2015

(Unit: Million yen)

|                           |       |
|---------------------------|-------|
| (Current)                 |       |
| Deferred tax assets       |       |
| Accounts payable-other    | 647   |
| Accrued business tax      | 668   |
| Advances received         | 626   |
| Provision for bonuses     | 579   |
| Others                    | 142   |
| Total deferred tax assets | 2,664 |
| (Fixed)                   |       |
| Deferred tax assets       |       |
| Depreciation in excess    | 147   |
| Investment securities     | 19    |
| Others                    | 36    |
| Total deferred tax assets | 202   |

### 2. Revision of amounts of deferred tax assets and deferred tax liabilities due to changes in corporate tax rates, etc.

The Act for Partial Revision of the Income Tax Act, Etc. (Act No. 9 of 2015) and the Act on Partial Revision of the Local Tax Act, etc.” (Act No. 2 of 2015) was promulgated on March 31, 2015, and corporate tax rates, etc. will be lowered, etc. in fiscal years starting on or after April 1, 2015.

Associated with the revision, the effective statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities will be lowered from 35.6% in the past to 33.1% for temporary differences that are expected to be eliminated in the fiscal year commencing June 1, 2015, and to 32.3% for temporary differences that are expected to be eliminated in the fiscal year commencing June 1, 2016.

The impact of the revision will be minor.

## **Notes to Financial Instruments**

### 1. Qualitative information on financial instruments

#### (1) Policies for using financial instruments

With respect to fund management, the Company ensures a very high level of safety and appropriate liquidity, being limited to investing in highly rated securities and depositing funds at highly rated financial institutions under the Company's fund management regulations (which conform to the global policy of Oracle Corporation).

In addition, we will not conduct derivative transactions.

#### (2) Details of financial instruments used and the exposure to risk and how it arises

Notes receivable, accounts receivable-trade, and accounts receivable-other are exposed to the credit risks of counterparties. The Company seeks to mitigate these risks through due date control and balance management for each counterparty, while determining the credit standing of each counterparty regularly under the Company's credit management regulations (which conform to the global policy of Oracle Corporation).

Securities and investment securities are exposed to the market price fluctuation risk and credit risk. The Company seeks to mitigate these risks by limiting investments to investments in highly rated securities in yen and by regularly monitoring the market values of securities and the financial situations of the issuers.

Accounts payable-trade, which are trade payables, are settled in the short term.

#### (3) Supplementary information on fair values

The fair value of financial instruments is calculated based on quoted market price or, in cases where there is no market price, by making a reasonable estimation. Because the preconditions applied include fluctuation factors, estimations of fair value may vary.

## 2. Market value of financial instruments

Amounts recognized in the balance sheet, market values, and the differences between them on May 31, 2015 are as shown below. Moreover, items for which it is extremely difficult to determine market values are not included in the following table (see (note2)).

(Unit: Million yen)

|                                     | Book value | Market value | Difference |
|-------------------------------------|------------|--------------|------------|
| (1) Cash and deposits               | 127,194    | 127,194      | —          |
| (2) Accounts receivable-trade       | 17,578     |              |            |
| Allowance for doubtful accounts (*) | -2         |              |            |
| Net                                 | 17,575     | 17,575       | —          |
| Total assets                        | 144,770    | 144,770      | —          |
| (1) Accounts payable-trade          | 10,008     | 10,008       | —          |
| (2) Accounts payable-other          | 5,568      | 5,568        | —          |
| (3) Income taxes payable            | 9,528      | 9,528        | —          |
| Total liabilities                   | 25,106     | 25,106       | —          |

(\*) Allowance for doubtful accounts recognized in accounts receivable-trade.

Note: 1. Calculation of the market value of financial instruments

### Assets

(1) Cash and deposits (2) Accounts receivable-trade

Because, the settlement periods of the above items are short and their market values are almost the same as their book values, the relevant book values are used.

### Liabilities

(1) Accounts payable-trade (2) Accounts payable-other (3) Income taxes payable

Because the settlement periods of the above items are short and their market values are almost the same as their book values, the relevant book values are used.

2. Financial instruments for which it is extremely difficult to determine market value

| Item                       | Book value     |
|----------------------------|----------------|
| Unlisted equity securities | 36 Million yen |

Because it is recognized that this does not have market values and the fair market values are extremely difficult to determine, unlisted equity securities don't include in the schedule above.

## Notes to transactions with related parties

Sister companies, etc.

| Attributes                   | Corporate name                   | Ratio of voting and other rights in possession (or being possessed) | Relationship                                                                                   | Description of transactions                                                | Transaction amount (Million yen) | Item                       | Term-end balance (million yen) |
|------------------------------|----------------------------------|---------------------------------------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------|----------------------------|--------------------------------|
| Subsidiary of parent company | Oracle America, Inc.             | —                                                                   | Settlement of funds for transactions among Oracle Group companies and making a short-term loan | Collection of loans receivable (Note) 1                                    | 48,500                           | Short-term loan receivable | —                              |
|                              |                                  |                                                                     |                                                                                                | Settlement of funds for transactions among Oracle Group companies (Note) 2 | 29,734                           | Accounts payable           | 5,944                          |
|                              |                                  |                                                                     |                                                                                                |                                                                            | 15,310                           | Accounts payable-other     | 3,594                          |
|                              | Oracle International Corporation | —                                                                   | Conclusion of sales agency agreements                                                          | Payment of royalties (Note) 3                                              | 38,181                           | Accounts payable           | 3,945                          |

(Notes) Terms and conditions of transactions and decision of terms and conditions of transactions

- 1: The interest rate on loans is determined rationally after the market interest rate is taken into account. Cumulative interest income 26 million yen (FY15 10million yen booked) has been booked.
- 2: The settlement of funds for transactions among Group companies of Oracle Corporation (not including transactions with Oracle International Corporation) is processed through the account of Oracle America, Inc. The above transaction amounts in accounts payable and accounts payable-other are settlements, the majority of which are the payments of royalties (11,713 million yen in FY15) to Oracle Information Systems Japan G.K. (a subsidiary of the parent company) and the purchases of products and services (15,842 million yen in FY15) relating to the Hardware Systems segment. In addition, royalties and prices for products and services purchased are agreed between Oracle Corporation and Group companies, including our Company, using reasonable standards.
- 3: Royalties are set at certain ratios of sales of Oracle products, with the ratios agreed between Oracle Corporation and Group companies that handle Oracle products, including our Company, using reasonable standards.

## 2. Officers and major individual shareholders

| Related party | Name           | Business or occupation | Ownership ratio of voting rights | Description of transaction       | Transaction amount (Million yen) | Item | Term-end balance (million yen) |
|---------------|----------------|------------------------|----------------------------------|----------------------------------|----------------------------------|------|--------------------------------|
| Officer       | Shigeru Nosaka | Director               | Direct: 0.00%                    | Exercise of stock options (Note) | 93                               | —    | —                              |

(Note) The exercise of stock options granted under the resolution of the Company's shareholders meeting during the fiscal year under review is described.

## Per share data

1. Net assets per share 887.28yen
2. Net income per share for the current term 237.78yen

(Note) The Company's shares remaining in the BIP Trust and the ESOP Trust introduced in the fiscal year under review, which are recorded as treasury stock in shareholders' equity, are included in treasury stock that is subtracted in the calculation of the average number of shares during the period to calculate the amount of net income per share in the fiscal year under review (5,678 shares in the BIP Trust and 17,550 shares in the ESOP Trust).

The Company's shares owned by trust accounts are included in the treasury stock that is subtracted from the number of outstanding shares at the end of the fiscal year to calculate the amount of net assets per share (13,200 shares in the BIP Trust and 40,800 shares in the ESOP Trust).

## Notes to important subsequent events

Not Applicable

## The Accounting Auditor's Report

### Independent Auditor's Report

July 16, 2015

Oracle Corporation Japan

The board of Directors

Ernst & Young Shin Nihon LLC

Engagement Limited Partner:

Akira Toda, Certified Public Accountant

Engagement Limited Partner:

Masato Endo, Certified Public Accountant

Pursuant to Article 436, paragraph 2, item 1 of the Japanese Companies Act, we have audited the financial statements of Oracle Corporation Japan. for the 30 term commencing on June 1, 2014, and ending on May 31, 2015, which comprise the balance sheets, the statements of income, the statements of changes in net assets, and the notes to the financial statements. We have also audited the annexed detailed statements thereof.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the annexed detailed statements thereof in accordance with the accounting standards generally accepted in Japan. This responsibility includes development and operation of such internal control as management determines necessary to enable the preparation and fair presentation of the financial statements and the annexed detailed statements thereof that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the annexed detailed statements thereof from an independent standpoint based on the audit we conducted. We conduct our audit in accordance with the auditing standards generally accepted in Japan.

Those auditing standards require that we formulate an audit plan and perform the audit based on this plan to obtain reasonable assurance about whether the financial statements and the annexed detailed statements thereof are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the annexed detailed statements thereof. According to our decision, the audit procedures are selected and applied based on an assessment of the risk of material misstatement in the financial statements and the annexed detailed statements thereof, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements and the annexed detailed statements thereof in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the annexed detailed statements thereof.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Audit Opinion

In our opinion, the financial statements and the annexed detailed statements thereof referred to above present fairly, in all material respects, the financial position and the results of operations of Oracle Corporation Japan. for the period of the financial statements and the annexed detailed statements thereof, in accordance with the corporate accounting standards generally accepted in Japan.

#### Interests

No relationship involving interests that must be indicated herein under the provisions of the Certified Public Accountants Act exists between Oracle Corporation Japan. and us or the engagement partners.

End

## Audit Report by Audit Committee

The Audit Committee has completed an audit of the performance of the duties of the directors and executive officers in the 30th fiscal year from June 1, 2014 to May 31, 2015. The following is a report of the methods and results of the audit:

### 1. Method and content of audit

The Audit Committee received a report regally about the content of the resolutions of the Board of Directors relating to the matters specified in Article 416, Paragraph 1, Items 1b and 1e of the Companies Act and the system developed based on the resolutions (internal control system) from the directors, executive officers and employees regarding its formulation and operation status, requested explanations as needed and expressed opinions, and examined on the basis of the audit policy and the segregation of duties set out by the Audit Committee, in cooperation with the internal control division of the Company, reviewed processes and contents of decision making in important meetings, contents of major approval documents and other important operation-related documents, performance of the duties of the executive officers (and major employees), and company's operations and financial matters. With respect to the matters heeded specified in Article 118, Item 5, (a) of the Corporation Law Enforcement Regulations, and the determination on the matters specified in (b) of the said Item and the reason therefor, as stated in business report, the Audit Committee reviewed the content in light of the status of the Board of Directors Meeting' s deliberation etc. The Audit Committee also monitored and checked whether the accounting auditor maintained its independent position and carried out an appropriate audit, received reports from the accounting auditor on its performance of duties, and requested explanations as needed. The accounting auditor notified the Audit Committee that the accounting auditor has established a system for ensuring the appropriate performance of duties (each item of Article 131 of the Ordinance on Company Accounting) under the "Quality Control Standards for Audit" (Business Accounting Council, October 28, 2005) among others, and the Audit Committee requested explanations as needed.

By the methods above, the Audit Committee examined the business report, accounting statements (balance sheet, statement of income, statement of changes in net assets, and notes), and their supplemental schedules.

2. Results of audit

(1) Results of audit of business report

- (i) The Audit Committee acknowledges that the business report and its supplemental schedules show the situation of the Company properly under laws and regulations, and the articles of incorporation.
- (ii) The Audit Committee has found no wrongdoing in relation to directors and executive officers' performance of their duties or significant facts violating laws and regulations, or the articles of incorporation.
- (iii) The Audit Committee acknowledges that the contents of business report and the resolutions of the Board of Directors in relation to the internal control system are appropriate. The Audit Committee has found no matters out of significance in association with directors and executive officers' performance of their duties relating to the internal control system.
- (iv) With respect to the transactions that the interest conflicts with the parent company etc., as stated in business report, the Audit Committee has found no matters out of significance in association with the matters heeded not to harm the interest of the Company in conducting such transactions, and with the Board of Directors Meeting's determination whether or not such transactions harm the interest of the Company and the reason therefor.

(2) Results of audit of accounting statements and their supplemental schedules

The Audit Committee acknowledges that the method and results of the audit by the accounting auditor Ernst & Young ShinNihon LLC are appropriate.

July 17, 2015

Audit Committee of Oracle Japan Corporation

Audit Committee of Oracle Corporation Japan

|                                |                     |      |
|--------------------------------|---------------------|------|
| Chairperson of Audit Committee | Derek H. Williams   | Seal |
| Audit Committee Member         | John L. Hall        | Seal |
| Audit Committee Member         | Eric R. Ball        | Seal |
| Audit Committee Member         | Samantha Wellington | Seal |
| Audit Committee Member         | Satoshi Ogishi      | Seal |
| Audit Committee Member         | Shuhei Murayama     | Seal |

(Note) All Audit Committee Members except for Derek H. Williams are outside directors as stipulated in Article 2, Item 15 and Article 400, Item 3 of the Companies Act, under Article 4 of the Supplementary Provisions of the Companies Act.

### **Proposal 1: Partial Amendment of the Articles of Incorporation**

We propose that the current Articles of Incorporation be partially amended as follows:

1. Reasons for the proposal

The following is an overview of the reasons for the change. Each is in conjunction with enforcement of the Act for Partial Revision of the Companies Act (Act No. 90 of 2014; hereinafter “Revised Companies Act”) as of May 1, 2015.

1) Change to the name of the company with committees system, etc.

The Revised Companies Act changes the names of the “company with committees system” and “committees” to “company with a nomination committee, etc., system” and “nomination committee, etc.,” respectively. The partial revision of the Company’s Articles of Incorporation will be carried out in conjunction with these changes (proposed revision article 4).

2) Changes to the conditions of eligibility for a limitation of liability contract.

The Revised Companies Act changes the conditions for directors eligible for a limitation of liability contract as stipulated in Article 427 of the Companies Act from “outside directors” to “directors other than the executive directors, etc.,” stipulated in Article 2 (15) (b) of the Companies Act. The partial revision of the Company’s Articles of Incorporation will be carried out in conjunction with this change (proposed revision article 29).

2. The details of the amendments are as follows.

(The changed portions are underlined.)

| Current Articles of Incorporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Proposed revisions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(Organs)</p> <p>Article 4: The Company shall establish the Meetings of Shareholders, Directors and the following organs as <u>a Company with Committee System.</u></p> <ol style="list-style-type: none"> <li>1. Board of Directors</li> <li>2. Nominating Committee, Audit Committee and Compensation Committee</li> <li>3. Independent Auditor</li> </ol>                                                                                                                                                                   | <p>(Organs)</p> <p>Article 4: The Company shall establish the Meetings of Shareholders, Directors and the following organs as <u>a Company with Nominating Committee, etc., System.</u></p> <ol style="list-style-type: none"> <li>1. Board of Directors</li> <li>2. Nominating Committee, Audit Committee and Compensation Committee</li> <li>3. <u>Executive Officers</u></li> <li><u>4. Independent Auditor</u></li> </ol>                                                                                                                                                     |
| <p>Article 5 - Article 28 (Omitted)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>Article 5 - Article 28 (No change)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <p>(Exemption from Liability of Directors)</p> <p>Article 29: (Paragraph 1 omitted)</p> <p>(2) The Company may enter into a contract that will limit the liability for damages that have arisen from the negligence of duties with <u>Outside Directors</u> pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act; provided, however, that the maximum liability under the contract shall be the higher of either the predetermined amount of 20 million yen or more, or the amount prescribed by law.</p> | <p>(Exemption from Liability of Directors)</p> <p>Article 29: (No change to Paragraph 1)</p> <p>(2) The Company may enter into a contract that will limit the liability for damages that have arisen from the negligence of duties with <u>Directors (excluding those who are Executive Directors, etc.)</u> pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act; provided, however, that the maximum liability under the contract shall be the higher of either the predetermined amount of 20 million yen or more, or the amount prescribed by law.</p> |

**Proposal 2: Election of 8 Directors**

The term of office of all directors (8) expires at the close of this Annual Meeting of Shareholders. In accordance with the re decision of the Nomination Committee, it is proposed that to elect 8 directors.

The candidates for directors are listed below.

| (Candidate number)<br>Name<br>(Date of birth) | Profile, position and assignment in our company<br>(Representative position for other company)                                                                                 | Number of Oracle Corporation Japan shares owned |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| (1)<br>Hiroshige Sugihara<br>(Dec. 2, 1960)   | Apr. 1982 FORVAL CORPORATION                                                                                                                                                   | -                                               |
|                                               | Jun. 1989 Director, General Manager of FORVAL AMERICA.INC                                                                                                                      |                                                 |
|                                               | Jun. 1993 Vice President, Asia Pacific Region of Inter-Tel, Inc. Representative Director, President and Chief Executive Officer of Inter-Tel Japan, K.K.                       |                                                 |
|                                               | May. 2001 Director, Telecom Media Entertainment Sales Division of EMC Japan K.K.                                                                                               |                                                 |
|                                               | May. 2009 Operations Director, Commercial Operations of Cisco Systems G.K.                                                                                                     |                                                 |
|                                               | Mar. 2010 Vice President & General Manager, Enterprise Servers, Storage & Networking of Hewlett-Packard Japan, Ltd.                                                            |                                                 |
|                                               | Oct. 2013 Senior Vice President, the Chief of Staff, International of Oracle Corporation                                                                                       |                                                 |
|                                               | Apr. 2014 Representative Executive Officer President and Chief Executive Officer of Oracle Corporation Japan<br>Senior Vice President of Oracle Corporation (Current position) |                                                 |
|                                               | Aug. 2014 Director, Representative Executive Officer President and Chief Executive Officer of Oracle Corporation Japan (Current position)                                      |                                                 |

| (Candidate number)<br>Name<br>(Date of birth) | Profile, position and assignment in our company<br>(Representative position for other company)                                                            | Number of Oracle<br>Corporation Japan<br>shares owned |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| (2)<br>Shigeru Nosaka<br>(Sep. 12, 1953)      | Apr. 1976    Joined Marubeni Corporation                                                                                                                  | 3,000 shares                                          |
|                                               | Dec. 1989    Joined Apple Computer, Inc.                                                                                                                  |                                                       |
|                                               | Mar. 1996    Joined Allergan Inc.                                                                                                                         |                                                       |
|                                               | Nov. 1996    Joined Japan Communication Inc.<br>Senior Executive Officer, Chief Financial<br>Officer                                                      |                                                       |
|                                               | Apr. 2002    Joined Oracle Corporation Japan<br>Vice President under direct control of CEO,<br>Financial Affairs                                          |                                                       |
|                                               | Aug. 2002    Director, Senior Executive Officer, Chief<br>Financial Officer, Director of Finance Division                                                 |                                                       |
|                                               | Jun. 2004    Director, Executive Vice President, Chief<br>Financial Officer, Finance/Infrastructure<br>Development/Application IT, Director of<br>Finance |                                                       |
|                                               | Nov. 2005    Retirement from the Company                                                                                                                  |                                                       |
|                                               | Oct. 2007    Executive Vice President, Chief Financial<br>Officer, Finance, IT and General Affairs,<br>Director of Finance                                |                                                       |
|                                               | Aug. 2008    Director, Senior Corporate Executive Officer<br>Chief Financial Officer, Finance, Facility, IT,<br>Internal Audit                            |                                                       |
|                                               | Jun. 2009    Director, Senior Corporate Executive Officer<br>Chief Financial Officer, Administration                                                      |                                                       |
|                                               | Jun. 2011    Director, Executive Officer Deputy President,<br>Chief Financial Officer (Current position)                                                  |                                                       |
|                                               | Jun. 2015    Outside Director, YAMAHA<br>CORPORATION                                                                                                      |                                                       |

| (Candidate number)<br>Name<br>(Date of birth) | Profile, position and assignment in our company<br>(Representative position for other company)        | Number of Oracle Corporation Japan shares owned |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| (3)<br>Derek H. Williams<br>(Dec. 30, 1944)   | Oct. 1988 Regional Director of Oracle Corporation U.K.                                                | -                                               |
|                                               | Jun. 1991 Vice President, Asia Pacific Division of Oracle Corporation                                 |                                                 |
|                                               | Jul. 1993 Senior Vice President, Asia Pacific Division                                                |                                                 |
|                                               | Oct. 2000 Executive Vice President, Asia Pacific Division                                             |                                                 |
|                                               | Aug. 2001 Director, Oracle Corporation Japan                                                          |                                                 |
|                                               | Jun. 2006 Chairman and Executive Vice President, Oracle Corporation, Asia Pacific & Japan             |                                                 |
|                                               | Jun. 2008 Executive Vice President, Oracle Corporation (Current position)                             |                                                 |
|                                               | Aug. 2013 Director, Executive Officer President and Chief Executive Officer, Oracle Corporation Japan |                                                 |
|                                               | Apr. 2014 Director, Oracle Corporation Japan (Current position)                                       |                                                 |
| (4)<br>John L. Hall<br>(Oct. 30, 1954)        | Jan. 1977 Joined IBM Corporation                                                                      | -                                               |
|                                               | Sep. 1992 Director of Open Systems Sales and Marketing of Unisys Corporation                          |                                                 |
|                                               | Oct. 1994 Corporate Global Alliance Manager of Oracle Corporation                                     |                                                 |
|                                               | Jun. 1996 Vice President, Oracle Asia Pacific Alliances                                               |                                                 |
|                                               | Mar. 1997 Managing Director, Oracle Thailand                                                          |                                                 |
|                                               | Sep. 1997 Senior Vice President, Oracle Worldwide Alliances                                           |                                                 |
|                                               | Apr. 1999 Senior Vice President of Oracle University                                                  |                                                 |
|                                               | Aug. 2003 Director of Oracle Corporation Japan (Current position)                                     |                                                 |
|                                               | Jun. 2015 Retired from Oracle Corporation                                                             |                                                 |
| (5)<br>Eric R. Ball<br>(Jan. 3, 1964)         | Mar. 1988 Joined AT&T Corporation (U.S.A.)                                                            | -                                               |
|                                               | Jun. 1994 Manager of Corporate Finance for Avery Dennison Corporation (U.S.A.)                        |                                                 |
|                                               | Jun. 1997 Director of Finance for Avery Dennison Fastener Division (U.K.)                             |                                                 |
|                                               | Nov. 1999 Director of Corporate Finance & Assistant Treasurer for Cisco Systems Inc. (U.S.A.)         |                                                 |
|                                               | May 2001 Assistant Treasurer, Flextronics International Ltd (U.S.A.)                                  |                                                 |
|                                               | Jan 2006 Vice President & Treasurer, Oracle Corporation                                               |                                                 |
|                                               | Aug. 2006 Director of Oracle Corporation Japan (Current position)                                     |                                                 |
|                                               | Nov. 2011 Senior Vice President & Treasurer, Oracle Corporation (Current Position)                    |                                                 |
|                                               | Oct. 2013 Chairperson of Audit Committee of Glu Mobile Inc. (Current Position)                        |                                                 |

| (Candidate number)<br>Name<br>(Date of birth) | Profile, position and assignment in our company<br>(Representative position for other company)                                   | Number of Oracle Corporation Japan shares owned |
|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| (6)<br>Samantha Wellington<br>(Feb. 22, 1978) | Jun. 2002    Joined FOXTEL Management Pty Limited (AU)                                                                           | -                                               |
|                                               | Dec. 2002    Admitted to the bar in New South Wales, Australia                                                                   |                                                 |
|                                               | Apr. 2004    Joined the Australian Communications and Media Authority, a statutory authority                                     |                                                 |
|                                               | Nov. 2004    Joined Oracle Corporation Australia Pty Limited                                                                     |                                                 |
|                                               | Jan. 2009    Joined Oracle America, Inc                                                                                          |                                                 |
|                                               | Jan. 2012    Admitted to the bar in California, USA                                                                              |                                                 |
|                                               | Aug. 2012    Managing Counsel, Oracle America, Inc. (Current Position)                                                           |                                                 |
|                                               | Apr. 2013    Director of Oracle Financial Services Software Limited (Current Position)                                           |                                                 |
|                                               | Aug. 2014    Director of Oracle Corporation Japan (Current Position)                                                             |                                                 |
| (7)<br>Satoshi Ogishi<br>(Mar. 18, 1957)      | Dec. 1981    Admitted (Daiichi Tokyo Bar Association)                                                                            | -                                               |
|                                               | Dec. 1981    Joined Nishimura & Sanada (Currently, Nishimura & Asahi)                                                            |                                                 |
|                                               | Jan. 1987    Partner, Nishimura & Sanada (Currently, Nishimura & Asahi) (Current Position)                                       |                                                 |
|                                               | Apr. 2005    Professor, Tokai University Law School (until March 2008)                                                           |                                                 |
|                                               | Apr. 2005    Director, Nozomi Servicing Co. Ltd. (Current Position)                                                              |                                                 |
|                                               | Aug. 2011    Director of Oracle Corporation Japan (Current Position)                                                             |                                                 |
|                                               | Jun. 2012    Outside Auditor of Nomura Real Estate Holdings, Inc.<br>Outside Auditor of Nomura Real Estate Development Co., Ltd. |                                                 |
|                                               | Jun. 2015    Outside Director of Nomura Real Estate Holdings, Inc. (Current Position)                                            |                                                 |
| (8)<br>Shuhei Murayama<br>(Oct. 22, 1949)     | Apr. 1972    Joined Tohmatsu & Aoki (Currently, Deloitte Touche Tohmatsu LLC)                                                    | -                                               |
|                                               | Mar. 1976    CPA Registration                                                                                                    |                                                 |
|                                               | Aug. 1978    Los Angeles Office                                                                                                  |                                                 |
|                                               | Jul. 1986    Partner, Tohmatsu & Aoki (Currently, Deloitte Touche Tohmatsu LLC)                                                  |                                                 |
|                                               | Aug. 1993    New York Office, Tohmatsu (Currently, Deloitte Touche Tohmatsu LLC)                                                 |                                                 |
|                                               | Aug. 1996    Naha Office                                                                                                         |                                                 |
|                                               | Aug. 2000    Tokyo Office                                                                                                        |                                                 |
|                                               | Jul. 2011    Retirement from Deloitte Touche Tohmatsu LLC                                                                        |                                                 |
|                                               | Aug. 2011    President, Shuhei Murayama CPA Office (Current Position)                                                            |                                                 |
|                                               | Aug. 2011    Director of Coracle Corporation Japan (Current Position)                                                            |                                                 |
|                                               | Feb. 2015    Outside Auditor of NIPPON FILCON CO.,LTD. (Current Position)                                                        |                                                 |

Note 1. Special interests between the candidates and the Company

- (1) Mr. Derek H. Williams is Executive Vice Presidents of Oracle Corporation, Mr. Eric R. Ball is Senior Vice President of Oracle Corporation, The Company belongs to the corporate group centered on Oracle Corporation. Oracle Corporation is special related entities to the Company. For information on the relationship of the Company with Oracle Corporation, please refer to Relationship with the parent company of (5) Parent company and consolidated subsidiaries in 1. OVERVIEW OF THE COMPNY” of attached document.
- (2) Ms. Samantha Wellington is Managing counsel of Oracle America, Inc and Director of Oracle Financial Services Software Limited. Oracle America and Oracle Financial Services Software Limited belong to the corporate group centered on Oracle Corporation. Oracle America and Oracle Financial Services Software Limited are special related entities to the Company.

2. Candidates for outside directors

- (1) Messrs. John L. Hall, Satoshi Ogishi and Shuhei Murayama are candidates for outside directors.

(2) Reason

The reasons Mr. John L. Hall is Outside Director’s candidate is that he makes helpful statements about the Company’s management from their expert perspective as specialize in our products and services, and to have close coordination with the Company and Oracle Corporation.

Mr. Satoshi Ogishi is qualified lawyer, and Mr. Shuhei Murayama is a qualified certified public accountant. They have experience and insight in corporate legal affairs and corporate accounting through their extensive experience in these roles and are therefore considered capable of providing oversight and giving advice on the Company’s management as appropriate as outside directors.

Director John L. Hall, Satoshi Ogishi and Shuhei Murayama are outside directors in accordance with Article 2, Section 15 and Article 400, section 3 of the Corporate Law.

- (3) Tenure of outside director (outside statutory auditor) of the Company (at the end of this shareholders meeting)

|                 |                  |          |
|-----------------|------------------|----------|
| John L. Hall    | Outside Director | 12 years |
| Satoshi Ogishi  | Outside Director | 4 year   |
| Shuhei Murayama | Outside Director | 4 year   |

- (4) Agreements limiting liability for outside directors

The company stipulates its articles of incorporation for entering into agreement with outside directors and for limiting their liabilities so that directors may perform properly the roles expected of them in carrying out the duties of directors, and valuable human resources may be invited as outside directors. Please refer to “③Summary of agreements limiting liability (3)Outside Directors in 4. DIRECTORS” of attached document for the summary of the agreements. The Company has concluded agreements limiting the liability with current outside directors. If the current outside directors are appointed, the Company renews the current agreements with each of them.

3. Notifications of Directors, Satoshi Ogishi and Shuhei Murayama satisfy the requirements of Independent Director stipulated in Rule of the Securities Listing Regulations of the Tokyo Stock Exchange.

Reason for selecting the candidates:

The nomination committee decided that the each candidate as mentioned above is supposed to be a director who can decide important business judgments and supervision of the business operation of the company properly based on their expertise. The nomination committee also judged that Mr. Satoshi Ogishi and Mr. Shuhei Murayama will be able to perform their duties as outside directors since they have experience and insight in corporate legal affairs and corporate accounting through their extensive experience as a lawyer and as a certified public accountant.

**Proposal 3: Issuance of share warrants to Directors, Executive Officers and Employees of the Company**

We ask shareholders to approve a proposal that, based on the guidelines below, share warrants be allotted as stock options to the directors, executive officers and employees of the Company under the provisions of Article 236, Article 238 and Article 239 of the Companies Act and the decision on the details of the offer be delegated to the Board of Directors or the Corporate Executive Officer to whom a mandate is given by the a resolution of the Board of Directors.

Additionally, the Company resolved to introduce the BIP Trust as a new incentive plan for directors and executive officers, and to introduce the ESOP Trust as a new one for its employees at the Compensation Committee meeting and Board of Directors meeting held on October 14, 2014 and December 19, 2014. The granted persons are able to choose the share warrants allotted as stock option or ESOP / BIP.

1. Persons to whom share warrants are allotted

Directors, executive officers and employees of the Company

2. Details of share warrants

(1) Type and number of shares subject to the share warrants

Up to 430,000 shares of the ordinary stock of the Company

When the Company conducts a stock split or a reverse stock split, the number of shares shall be adjusted based on the formula below, and any fraction of less than one share arising from the adjustment shall be rounded off. However, this adjustment shall be made only for the number of shares subject to the share warrants that are not yet exercised at the time by the persons receiving the allotment.

$$\begin{array}{rcccl} \text{Number of shares after} & & \text{Number of shares before} & & \text{Ratio of stock split or} \\ \text{adjustment} & = & \text{adjustment} & \times & \text{reverse stock split} \end{array}$$

Other than the above, when any unavoidable factor that requires the adjustment of the number of shares arises after the date of this resolution, the necessary adjustment shall be made to the number of shares to the extent reasonable.

(2) Value of an asset to be purchased at the time of exercising the share warrants

The payment amount per share warrant shall be obtained by multiplying the payment amount per share which is determined as described below by the number of shares per share warrant.

The payment amount per share shall be the average of the closing price of the Company's ordinary shares in regular transactions on the Tokyo Stock Exchange on each day (excluding days when there is no trading) in the month prior to the month to which the day when the share warrants are allotted (hereinafter the "allotment day") belongs. However, if the amount is below the closing price on the allotment day (if there is no trading on that day, the closing price on the day immediately prior to the allotment day), it shall be the closing price on the allotment day. If the Company conducts a stock split or a reverse stock split after the allotment day, the payment amount shall be adjusted based on the formula below, and any fraction of less than one yen arising from the adjustment shall be rounded up.

$$\text{Payment amount after adjustment} = \text{Payment amount before adjustment} \times \frac{1}{\text{Ratio of stock split or reverse stock split}}$$

Payment amount after adjustment according to above adjustment shall be applied the next day of the reference date in case of share split, and the date of entry into force in case of reverse split. However, if the share split is subject to the approval of shareholders meeting's resolution regarding the proposal of reduction of retained earnings reserves and increases capital stock or legal surplus and reference date of share split is before the shareholders meeting date, the payment amount after adjustment shall be applied right after the approval of the shareholders' meeting, retroactively to the next day of the reference date.

Also, in case of above, the adjustment shall be made to the holders of share warrant who exercised their share warrant between the reference date of share split and by the end of the shareholders meeting (the issued or transferred shares by this execution referred to as "Exercise share amount before the approval"). The allotted share amount shall be adjusted based on the formula below, and any fraction of less than one share arising from the adjustment shall be rounded down.

$$\text{The number of newly issued shares} = \frac{\left[ \text{Payment amount before adjustment} - \text{Payment amount after adjustment} \right] \times \text{Exercise share amount before the approval}}{\text{Payment amount after adjustment}}$$

When issuing ordinary shares after the allotment day at a price below their market value (except for the exercise of share warrants stipulated in the Article 236, 238 and 240 of The Company Law) or when disposing of treasury shares, the payment amount shall be adjusted based on the formula below. Any fraction of less than one yen arising from the adjustment shall be rounded up.

$$\text{Payment amount after adjustment} = \text{Payment amount before adjustment} \times \frac{\text{Number of shares outstanding} + \frac{\text{Number of newly issued shares} \times \text{Payment amount per share}}{\text{Market value per share}}}{\text{Number of shares outstanding} + \text{Number of newly issued shares}}$$

The "number of share outstanding" in the above formula shall be the number of shares obtained by subtracting the number of shares of treasury stock held by the Company from the total number of shares issued. When disposing of treasury stock, the "number of newly issued shares" shall be replaced by the "number of shares of treasury stock subject to disposal."

Other than the above, when conducting a merger or a demerger, when conducting a free distribution of shares or when any unavoidable factor that requires the adjustment of the number of shares has occurred after the allotment day, the necessary adjustment may be made to the payment amount to the extent reasonable, taking the conditions for the merger and demerger, etc. into account.

### (3) Exercise period of the share warrants

From the day when two years have elapsed following the resolution of the Board of Directors of the share warrants to the day when ten years have elapsed following the resolution day.

(4) Matters relating to increase in capital stock and capital reserve when issuing shares with the exercise of the share warrants

① The increase in capital stock when shares are issued with the exercise of share warrants shall be half of the limit of increase of capital stock, etc. that is calculated in accordance with Article 40, Paragraph 1 of the Corporate Calculation Regulations. Any fraction of less than one yen arising from the calculation shall be rounded up.

② The increase in capital reserve when shares are issued with the exercise of the share warrants shall be the amount obtained by subtracting the increase in capital stock described in ① above from amount of the limit of increase of capital stock in above ①

(5) Restriction on the assignment of share warrants

The approval of the Board of Directors shall be required for the assignment of share warrants.

3. Number of share warrants

Up to 4,300 share warrants.

(The number of shares subject to one share warrant shall be 100 shares. However, if the number of shares is adjusted as stipulated in 2. (1), a similar adjustment shall be made.)

4. Payment amount of the share warrants

A payment of cash shall not be required for the share warrants.

5. Reason for granting share warrants with especially advantageous conditions

To implement a stock option system with the purpose of improving motivation and morale for a superior performance by the employees of the Company.

6. Conditions for the exercise of the share warrants

(1) Persons who receive the allotment of share warrant need to be directors, executive officers and employees of the Company at the time of exercising the share warrants. However, only if certain requirements set out in the equity warrant allotment agreement (hereinafter referred to as the “allotment agreement”) concluded between the Company and a person who receives the allotment are met, shall a person be able to continue to exercise the share warrants ever after the person has relinquished his/her position as a directors, executive officers and employee of the Company.

(2) Part or all of the share warrants allotted may be exercised based on the following categories.

① Once two years have elapsed following the allotment day of the share warrants, half of the rights allotted may be exercised.

② Once four years have elapsed following the allotment day of the share warrants, all of the rights allotted may be exercised.

## 7. Acquisition events of the share warrant

When approval is given to any of the agenda items of ①, ②, ③, ④ or ⑤ below at a general meeting of shareholders (or when a resolution of the Board of Directors of the Company is made in the case that a resolution of a general meeting of shareholder is unnecessary), the Company may acquire the share warrants free of charge on a date separately set out by the Board of Directors.

① Proposal for approval of a merger agreement by which the Company will become a dissolving company

② Proposal for approval of a demerger agreement or a demerger plan by which the Company will become a split company

③ Proposal for an approval of a stock swap agreement or a stock transfer plan by which the Company will become a wholly owned subsidiary

④ Proposal for an approval of the amendment of the Articles of Incorporation to set up a provision requiring the Company's approval for the acquisition of shares issued by the Company through assignment as the details of all shares

⑤ Proposal for an approval of the amendment of the Articles of Incorporation to set up a provision requiring the Company's approval for the acquisition of shares subject to the share warrants through assignment, as the details of the shares or as a provision for the acquisition by the Company of all shares of relevant types based on a resolution of a general meeting of shareholders.

## 8. Others

Other offering conditions and details of the share warrants shall be subject to the provisions of the allotment agreement concluded between the Company and those who receive the allotment based on a decision made by the corporate executive officer to whom a mandate is given by a resolution of this general meeting of shareholders and the Board of Directors or based on a resolution of the Board of Directors in the future.