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Sec. Code 4716

August 3, 2018

To Our Shareholders

Frank Obermeier  
Director, President & CEO  
**Oracle Corporation Japan**  
Kita-Aoyama 2-5-8, Minato-ku, Tokyo

## **NOTICE OF THE 33<sup>rd</sup> ANNUAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 33<sup>rd</sup> 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:** Wednesday, August 22, 2018, 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: 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 33<sup>rd</sup> Business Period (from June 1, 2017 to May 31, 2018)

#### **Agenda:**

- |                   |  |
|-------------------|--|
| <b>Proposal 1</b> | Partial amendment of the Articles of Incorporation                                       |
| <b>Proposal 2</b> | Election of 8 Directors  |
| <b>Proposal 3</b> | 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 Tuesday, August 21, 2018.

[Vote on the proposals via the Internet]

Please vote on the proposals from the e-vote website (<https://www.evoting.tr.mufg.jp/>) by 5:00 p.m. on Tuesday, August 21, 2018. 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/K33>**

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

Period: August 2, 2018 to August 31 2018

© 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 ( <https://www.evoting.tr.mufg.jp/>) from a personal computer, Smartphone, or cellular phone.
- (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) Votes by cellular phone will depend on model of your cellular phones. For security, cellular phone models of which TLS 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 (Tuesday, August 21, 2018). 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 ( <https://www.evoting.tr.mufg.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.)

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

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

**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 revision enables the board of directors to elect a Chairperson or deputy Chairperson of the company from among the directors in order to enhance the governance system.

2. The details of the amendments are as follows.

(The changed portions are underlined.)

Current Articles of Incorporation	Proposed revisions
<p>(Chairperson of the Board)</p> <p><b>Article 22</b></p> <p>The Board of Directors may elect one Chairperson of the Board by its resolution.</p> <p><u>(New section added)</u></p>	<p>(Chairperson of the Board, <u>Etc.</u>)</p> <p><b>Article 22</b></p> <p>The Board of Directors may elect one Chairperson of the Board by its resolution.</p> <p><u>2. Chairperson and Deputy Chairperson of the</u> <u>Company may be appointed from among</u> <u>Directors by the resolution of the Board of</u> <u>Directors.</u></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 to elect 8 directors (3 of outside directors), including 1 new candidate.

1. The candidates for directors are listed below. (\* indicates new candidate.)

(Candidate number) Name (Date of birth)	Profile, position and assignment in our company (Representative position for other company)	Number of Oracle Corporation Japan shares owned
(1) Frank Obermeier (Feb. 22, 1968)	Jul. 1991 Hewlett Packard Germany	-
	Aug. 1993 Computer 2000 (TechData) Germany	
	Apr. 1995 Oracle Germany, Sales Manager	
	Dec. 1996 Owner and Managing Director OMEGA IT solutions Germany	
	Jan. 2000 Unit.Net Switzerland, VP Sales	
	Nov. 2003 Avaya Germany, Sales Director	
	Nov. 2005 Avaya EMEA, Director Service Customer Operations	
	Jan. 2007 Dell Germany, General Manager Global Segment	
	Jan. 2009 Dell Area VP Global Segment, Central Europe	
	Jun. 2010 Teleplan International Netherlands, Executive VP Sales	
	Mar. 2011 Hewlett Packard Germany, General Manager PPS	
	Apr. 2013 Hewlett Packard Switzerland, COO PPS	
	Apr. 2014 Hewlett Packard United States, VP WW Channel Sales	
	Feb. 2015 Oracle Germany, VP Technology Sales Business Unit	
	Jun. 2017 Oracle Corporation Japan, Chief Executive Officer	
	Aug. 2017 Director, Chief Executive Officer	
Apr. 2018 Director, President & CEO (Current position)		

(Candidate number) Name (Date of birth)	Profile, position and assignment in our company (Representative position for other company)	Number of Oracle Corporation Japan shares owned
(2) Shigeru Nosaka (Sep. 12, 1953)	Apr. 1976    Joined Marubeni Corporation	2,000 shares
	Dec. 1989    Joined Apple Computer, Inc.	
	Mar. 1996    Joined Allergan Inc.	
	Nov. 1996    Joined Japan Communication Inc. Senior Executive Officer, Chief Financial Officer	
	Apr. 2002    Joined Oracle Corporation Japan Vice President under direct control of CEO, Financial Affairs	
	Aug. 2002    Director, Senior Executive Officer, Chief Financial Officer, Director of Finance Division	
	Jun. 2004    Director, Executive Vice President, Chief Financial Officer, Finance/Infrastructure Development/Application IT, Director of Finance	
	Oct. 2007    Executive Vice President, Chief Financial Officer, Finance, IT and General Affairs, Director of Finance of Oracle Corporation Japan	
	Aug. 2008    Director, Senior Corporate Executive Officer Chief Financial Officer, Finance, Facility, IT, Internal Audit	
	Jun. 2009    Director, Senior Corporate Executive Officer Chief Financial Officer, Administration	
	Jun. 2011    Director, Executive Officer Deputy President, Chief Financial Officer (Current position)	
	Jun. 2015    Outside Director, YAMAHA CORPORATION (Current position)	
(3) S. Kurishna Kumar (Mar. 21, 1968)	May. 1996    Oracle India Private Limited	-
	Feb. 2014    Vice President Finance, Oracle Corporation Japan and GFIC (Current position)	
	Aug. 2014    Corporate Executive Officer of Oracle Corporation Japan	
	Aug. 2017    Director, Corporate Executive Officer (Current position)	

(Candidate number) Name (Date of birth)	Profile, position and assignment in our company (Representative position for other company)	Number of Oracle Corporation Japan shares owned
(4) Edward Paterson (Oct. 7, 1963)	Jun. 1988    Joined Federal Reserve Bank of St. Louis	-
	May. 1994    Joined Anheuser-Busch Companies (Currently, Anheuser-Busch InBev)	
	Apr. 1999    Director, Anheuser-Busch Japan (An Anheuser-Busch and Kirin Holdings Company Joint Venture)	
	Jun. 2000    Vice President Foreign Exchange and Interest Rate Derivatives, U.S. Bancorp	
	Nov. 2001    Director of Treasury, Oracle Corporation	
	Jul. 2005    Senior Director of Treasury, Oracle Corporation	
	Jun. 2008    Joined International Game Technology	
	Sep. 2009    Senior Director of Treasury, Oracle Corporation	
	Mar. 2010    Assistant Treasurer, Oracle Corporation	
	Sep. 2012    Vice President and Assistant Treasurer, Oracle Corporation (Current Position)	
Aug. 2016    Director of Oracle Corporation Japan (Current position)		
(5) Kimberly Woolley (April 4, 1972)	Oct. 1998    Associate at law firm Sullivan & Cromwell	-
	Sept. 2000    Associate at law firm Gibson, Dunn & Crutcher	
	Jan. 2008    Corporate Counsel for Franklin Templeton Investments	
	May 2009    Senior Corporate Counsel of Oracle Corporation	
	Oct. 2009    Managing Counsel and Assistant Secretary of Oracle Corporation	
	July 2012    Director, Associate General Counsel of Williams-Sonoma, Inc.	
	Oct. 2014    Member, Board of Trustees of Ripon College (Current Position)	
	Dec. 2014    Assistant General Counsel and Assistant Secretary of Oracle Corporation (Current Position)	
	Oct. 2015    Vice Chair of Audit Committee, Board of Trustees of Ripon College	
	Mar. 2017    Director of Oracle Financial Services Software Limited (Current Position)	
	Aug. 2017    Director of Oracle Corporation Japan (Current position)	
	Oct. 2017    Chair of the Infrastructure Committee of Ripon College (Current Position)	



(Candidate number) Name (Date of birth)	Profile, position and assignment in our company (Representative position for other company)	Number of Oracle Corporation Japan shares owned
(6)  John L. Hall 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	
(7)  Takeshi Natsuno (Mar. 17, 1965)	Apr. 1988    Joined TOKYO GAS Co.,Ltd	-
	Jun. 1996    Director, Director, Executive Officer Deputy President of Hyper Net	
	Sep. 1997    Joined NTT DOCOMO, INC.	
	Jun. 2005    Operating Officer, Mulch Media Service Director of NTT DOCOMO	
	May. 2008    Professor of Graduate School of Media and Governance, Keio University (Current Position)	
	Jun. 2008    Outside Director of SEGA SAMMY HOLDINGS INC. (Current Position)	
	Outside Director of transcosmos inc. (Current Position)	
	Director of NTT Resonant Incorporated (Current Position)	
	Dec. 2008    Director of DWANGO Co., Ltd. (Current Position)	
	Jun. 2009    Outside Director of DLE Inc. (Current Position)	
	Sep. 2009    Outside Director of GREE, Inc. (Current Position)	
	Dec. 2010    Outside Director of USEN-NEXT HOLDINGS Co., Ltd. (Current Position)	
	Aug. 2016    Director of Oracle Corporation Japan (Current position)	
	Jun. 2017    Outside Director of Ubicom Holdings, Inc. (Current position)	
Outside Director of GENETEC CORPORATION (Current position)		
Outside Director of Cool Japan Fund Inc. (Current position)		

(Candidate number) Name (Date of birth)	Profile, position and assignment in our company (Representative position for other company)	Number of Oracle Corporation Japan shares owned
(8) *  Yoshiaki Fujimori (July 3, 1951)	Apr. 1975 Nissho Iwai Corporation (Currently, Sojitz Corporation)	-
	Oct. 1986 GE Japan Inc.	
	May. 2001 General Electric Company, Senior Vice President	
	Oct. 2008 GE Japan Inc. Representative Director, Chairperson, President & CEO	
	Mar. 2011 GE Japan Inc. (Currently SMFL Capital Co., Ltd.) Representative Director, Chairperson	
	Jun. 2011 LIXIL Corporation Director	
	LIXIL GROUP CORPORATION Director	
	Aug. 2011 LIXIL Corporation Director Representative Director, President & CEO	
	LIXIL GROUP CORPORATION Director, Representative Executive Officer, President and CEO	
	Jun. 2012 Tokyo Electric Power Co.,Inc. (Currently Tokyo Electric Power Company Holdings, Inc.) Outside Director	
	Jan. 2016 LIXIL Corporation Director Representative Director, Chairperson & CEO	
	Jun. 2016 LIXIL GROUP CORPORATION Advisor (Current Position)	
	Takeda Pharmaceutical Company Limited Director (Current Position)	
Jul. 2016 Boston Scientific Corporation Outside Director (Current Position)		
Feb. 2017 CVC Asia Pacific Ltd. Supreme Advisor		

Note 1. Special interests between the candidates and the Company

Mr. Edward Paterson is Vice President and Assistant Treasurer of Oracle Corporation, Ms. Kimberly Woolley is Assistant General Counsel and Assistant Secretary of Oracle Corporation. Mr. S. Kurishna Kumar is Vice President Finance, Oracle Corporation Japan and GFIC. 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 COMPANY” of attached document.

2. Candidates for outside directors

(1) Messrs. John L. Hall, Takeshi Natsumo and Yoshiaki Fujimori are candidates for outside directors.

(2) Reason

Director John L. Hall and Takeshi Natsumo 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	15 years
Takeshi Natsumo	Outside Director	2 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 “Notes of (1) Directors and Corporate Executive Officers 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, John L. Hall, Takeshi Natsumo and Yoshiaki Fujimori satisfy the requirements of Independent Director stipulated in Rule of the Securities Listing Regulations of the Tokyo Stock Exchange. If they are appointed, the Company will apply them to Tokyo Stock Exchange as Independent Director.

Reason for selecting the candidates:

The nomination committee decided that each candidate as mentioned above is supposed to be a director who can decide important business judgments and supervise of the business operation of the company properly based on their expertise.

**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. If the proposal 2 “Election of 8 Directors” is approved, the number of the Board members are eight.

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. 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 500,000 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 5,000 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.

## **Business Report**

(From June 1, 2017 to May 31, 2018)

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

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

During the fiscal year under review, which began on June 1, 2017 and ended on May 31, 2018 (hereinafter “this year”), despite the need for concern over overseas policy trends in the United States and elsewhere along with geopolitical risks, the economic environment in Japan continued to show a trend towards gradual improvement on the strength of fiscal and monetary policies.

In terms of social and corporate activity, it has become important to utilize digital technologies when tackling solutions to problems to cope with issues such as the shrinking productive-age population, globalization and the challenge of developing new businesses.

Similarly, the Japanese information services industry in which the Company operates enjoyed firm system renewal demand and solid IT investment aimed at corporate growth and boosting competitiveness, including investing in mobile solutions, improving efficiency through the use of IoT and other digital data, and strengthening contact points with end users.

In this business environment, there are growing needs for cloud services that enable flexible IT investment and agile system building. The Company will make use of cloud services and data as it strives to become an ideal partner, achieving innovation and supporting growth for client companies. Concurrently, the Company has been operating its business in accordance with its management policies of promoting Journey to the Cloud as an approach for encouraging clients to introduce cloud technologies, providing staff training to offer specialist knowledge for addressing the management issues of client companies.

As a result of these measures, the Company obtained large orders from a number of customers making strategic use of data in the areas of communication, public interest and manufacturing, especially in the third and fourth quarters (i.e. in the final six months of the fiscal year).

The Company posted revenue of 185,481 million yen (up 7.1 % year on year), operating income of 56,009 million yen (rising 6.6 %), ordinary income of 55,978 million yen (gaining 6.6 %) and net income of 38,751 million yen (increasing 6.6 %).

The Company attained the forecast range announced at the beginning of fiscal year, renewing record highs in revenue for the eighth consecutive year and in operating income, ordinary income and net income for the seventh straight year.



(2) The results of each business segment are as follows:

### **[Cloud & Software]**

Revenue in the Cloud & Software segment was 146,518 million yen, up 8.3 % from the corresponding period of the previous fiscal year. Revenue in the Cloud (SaaS/PaaS/IaaS) was 13,203 million yen (rising 44.2 % year on year), revenue in the New software licenses was 46,557 million yen (rising 7.3 % year on year), and revenue in Software license updates & product support was 86,757 million yen (increasing 4.9 % year on year).

This segment consists of the New software licenses that sells new licenses for database management software, a range of middleware, and ERP and other business applications, etc. Software license updates & product support that updates software for customers using the Company's software licenses and provides technical support, and Cloud (SaaS/PaaS/IaaS) provides services to access to select Oracle software applications, software platforms and resources of hardware via the Internet.

The Company's new software licenses products have been widely adopted in the field of mission-critical systems, which has demanded sophisticated security, availability and high-speed processing performance for many years. The Oracle Cloud, which the Company has focused on as a pillar of its new business, has been developed based on the same architecture and technologies as these new licenses, and the Company enjoys a strength in enabling coordination and bidirectional migration between on-premises systems built with the new software licenses products and the Oracle Cloud.

And also, the Company has the comprehensive product line from business application including ERP to platform & infrastructure including database, and promote combination proposals while cooperation with sales, consulting services and support services in order to deliver Oracle's value add solutions.

[ Glossary ]

- (1) SaaS: Stands for "Software as a Service," and refers to services that offer financial accounting, salary/personnel management, and other functions of software that are provided via the Internet.
- (2) PaaS: Stands for "Platform as a Service," and refers to services that offer database management software for the construction and operation of the IT systems and middle layer software that ensure the smooth linkage between different software that are provided via the Internet.
- (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.
- (4) On-premises: A form of IT system developed and operated as the company's possession.

#### < Cloud (SaaS/PaaS/IaaS)>

In SaaS, demand continued to grow for the ERP and EPM Cloud that provides solutions for global indirect purchases and integrated accounting aimed at strengthening competitiveness and improving efficiency. The Company's strength in seamless coordination with existing systems, the fast implementation that is only possible with cloud solutions and the ability to extend functionality on PaaS have been recognized, the Company won projects for achieving a two-tier system consisting of the client's existing system and the ERP cloud newly introduced, as well as an innovation project involving the transfer of the existing system to the cloud, the additional development of a PaaS covering operations peculiar to the client, and its interconnection with the newly introduced ERP cloud.

Cloud services are advantageous in terms of ease of introduction, operation cost and access to IT systems in an up-to-date environment. For these reasons, the Company gains increasing orders from companies across a wide range of industries, including medium- and small-sized businesses.

Regarding PaaS/IaaS, in addition to usage for customers' new system development and verification applications, business inquiries have been on the rise for products that support device and system coordination and data processing for an IoT solution for the manufacturing sector, as well as Oracle Cloud at Customer that provides public IaaS and PaaS by installing the Oracle Cloud environment in customer data centers.

Additionally, in September 2017, the Company announced Bring Your Own License (BYOL), enabling customers to move their existing Oracle software licenses over to Oracle PaaS, as well as Universal Credits, which allows the use of all Oracle PaaS and IaaS by entering into a single and simple contract. The company has provided these programs which makes the cloud service purchasing methods and usage patterns more flexible, and is endeavoring to make them available to a wide range of customers.

In April 2018, the Company began offering Oracle Autonomous Data Warehouse Cloud, which incorporates machine learning for independently performing backups, optimization, and protection from attacks and recovery from trouble without human assistance. It will bring our customers to optimize system operation and facilitate the advanced use of data by automating complicated IT systems, thereby helping to reduce management and operation costs and create innovations and new business opportunities.

< New software licenses >

With Oracle Database 12c, the Company's flagship product, the utilization of multi-tenant functions makes it possible to integrate the database operating infrastructure, reducing the workload for maintenance and operational tasks and enabling a smooth transition to the cloud in the future. Demand for system solutions and IT system platform integration to accommodate growth in data volume remained firm, and the Company received large orders in the financial service, public service, manufacturing, telecommunication, and retail and distribution sectors. These orders came from customers pursuing a business strategy of making active use of data for business growth while seeking to improve the efficiency of IT system operations.

< Software license updates & product 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 18,063 million yen, down 7.6 % from the corresponding period of the previous fiscal year.

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

## [Services]

Revenue in the Services segment was 20,898 million yen, gaining 13.8 % from the corresponding period of the previous fiscal year.

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

As for Consulting Services, the number of composite projects taking advantage of the Company's comprehensive product and service portfolio has increased steadily. They include projects for platform transition from the on-premise environment to the IaaS and PaaS environment and those for linkage with SaaS solutions such as the ERP cloud. In Education Services, there has been an increase in demand for training in Java aimed at cloud application development.

### <Revenue breakdown by business segments>

Item	FY2017		FY2018		
	Amount Million Yen	Comp. %	Amount Million Yen	Comp. %	Variance %
Cloud (SaaS/PaaS/IaaS)	9,159	5.3	13,203	7.1	44.2
New software licenses	43,386	25.1	46,557	25.1	7.3
Software license updates & product support	82,727	47.8	86,757	46.8	4.9
Cloud & Software	135,273	78.1	146,518	79.0	8.3
Hardware systems	19,551	11.3	18,063	9.7	-7.6
Services	18,365	10.6	20,898	11.3	13.8
Total	173,190	100.0	185,481	100.0	7.1

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

### (3) Capital investment

The total amount of the company's capital investment in this period was 1,590 million yen. This was attributable primarily to purchase of computers.

Capital investment includes the payment for guarantee deposit.

(4) Issues to address

① **Our 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 basic policy of the Company as a technology company is to help enhance the competitiveness and improve the performance of customers and provide for the greater convenience and development of society by delivering the most-advanced digital technologies such as cloud solutions.

② **Targeted business indices**

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

③ **The Company's medium- and long-term management strategies and issues to be addressed**

The Company strongly drives our initiatives by taking advantage of our strengths as below.

The company continuously invests in our employees to enhance their expertise, promotes combination proposals to the customers by closer cooperation with sales, consulting services and support services, and focuses on the following initiatives;

1. Big deals
2. Autonomous Upgrades
3. ERP Upgrades

(5) Parent company and consolidated subsidiaries

① Status of Parent Company

(a) Relationship with the parent company

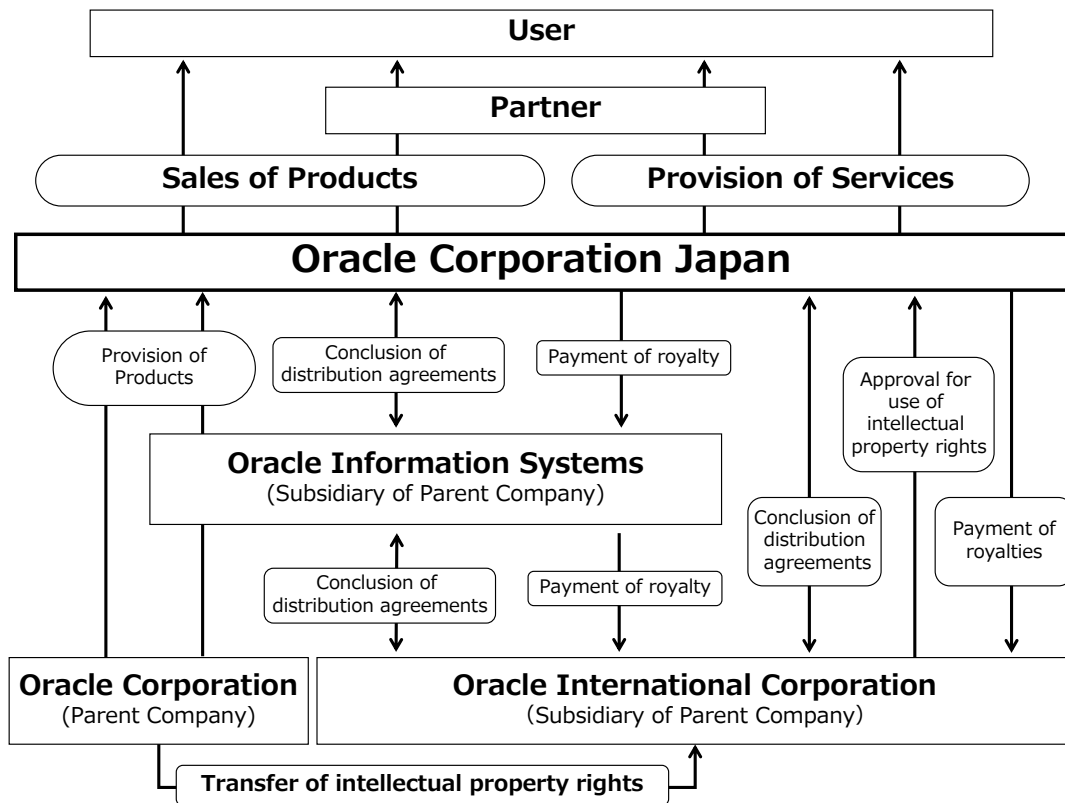
Oracle Corporation Japan's parent company is Oracle Japan Holding, Inc. (California, U.S.A), which owns 74.4% of voting rights (94,967 thousand shares) of the company's stock. This company is a subsidiary of Oracle Corporation (California, U.S.A).

(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, such as cloud computing environments. In addition, the Company provides products such as cloud services that are offered over the Internet and through other networks, and a variety of services to support the introduction and use of these products.

(Business relation diagram)



The Company has concluded 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 mutual 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) Performance and Assets

Category		30th fiscal year ending May 2015 (Note)	31st fiscal year ending May 2016 (Note)	32nd fiscal year ending May 2017 (Note)	33rd fiscal year ending May 2018 (Note)
Revenue	(M Yen)	161,051	170,203	173,190	185,481
Ordinary income	(M Yen)	47,286	50,273	52,502	55,978
Net income	(M Yen)	30,246	33,568	36,360	38,751
Earnings per share	(Yen)	237.78	263.64	285.11	303.25
Total assets	(M Yen)	188,847	223,402	198,731	236,509
Net assets	(M Yen)	113,826	136,227	105,783	131,425
Net assets per share	(Yen)	887.28	1,062.14	824.79	1,025.38

(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 since 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.

(7) Major business

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

As of May 31, 2018

Category		Description of business
Cloud (SaaS/PaaS/IaaS)& New Licenses	Cloud (SaaS/PaaS/IaaS)	Providing software and Hardware which are used for IT system infrastructure at companies and other organizations as services under agreements for certain periods through the networks such as Internets.
	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.
	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		Sales of servers, storage, engineered systems and network devices, and provides operating systems and related software. Providing technical support for hardware products, maintenance and repair services and updated versions of related software including operating systems.
Services		Providing Consulting Services, which help users implement our products, Advanced Support Customer Services, high-value added services such as preventive maintenance services, and Education Services, which consist of training of engineers and users and certification of technical qualifications

(8) Major Offices

As of May 31, 2018

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

(9) Employees

As of May 31, 2018

Number of employees	Difference from end of last fiscal year	Average age	Average service years of employment
2,497	+75	43.1	9.3

(Note) “Number of employees” includes employees on loan from the other companies (377 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, 2018

- (1) Number of shares authorized to issue 511,584,909 shares  
 (2) Number of shares issued 128,019,371 shares (including 11,025 own shares)  
 (3) Number of shareholders 21,447  
 (4) Major shareholder

Name of shareholder	Number of shares held (1,000 shares)	Composition %
Oracle Japan Holding, Inc	94,967	74.2
The Master Trust Bank of Japan, Ltd.	1,735	1.4
Japan Trustee Services Bank, Ltd.	1,452	1.1
STATE STREET BANK AND TRUST COMPANY 505001	1,418	1.1
STATE STREET BANK WEST CLIENT - TREATY 505234	1,218	1.0
STATE STREET BANK AND TRUST COMPANY	956	0.7
SMBC Nikko Securities Inc.	638	0.5
Japan Trustee Services Bank, Ltd. (Account #5)	611	0.5
Japan Trustee Services Bank, Ltd. (Account #7)	564	0.4
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT	512	0.4

Note: 1. The composition is calculated without treasury stock (11,025 shares) from total shares issued.

2. The number of shares of the treasury stock held by The Master Trust Bank of Japan, Ltd (ESOP trust: 69,735 shares, BIP trust 22,542 shares) are included in the calculation of "Composition %".

(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 would more strongly motivate the directors and executive officers of the Company to execute their duties.

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, 2018) is 22,542.

(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.

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, 2018) is 69,735.

### 3. SHARE WARRANTS

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

As of May 31, 2018

##### 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 (Note) 4	16	Common stock 1,600 shares	1	4,787	From October 15, 2010 to September 30, 2018
October 15, 2009 (Note) 4	18	Common stock 1,800 shares	1	3,930	From October 15, 2011 to September 25, 2019
October 15, 2010 (Note) 4	130	Common stock 13,000 shares	2	4,338	From October 15, 2012 to September 22, 2020
September 28, 2012 (Note) 4	30	Common stock 3,000 shares	1	4,025	From September 28, 2014 to September 12, 2022
September 30, 2013 (Note) 4	95	Common stock 9,500 shares	2	3,942	From September 30, 2015 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 30, 2015	25	Common stock 2,500 shares	1	5,200	From September 30, 2017 to September 16, 2025

- (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”.
  3. 55,000 shares out of 55,000 shares were disclaimed since some of the directors and executive officers selected the BIP trust in the fiscal year under review. 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.
  4. Including Share warrants granted during employed on the Company.

(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
October 12, 2017	278	Common stock 27,800 shares	27	8,940	From October 12, 2019 to September 21, 2027

- (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. 370,200 shares out of 425,200 shares were disclaimed since some of employees selected the ESOP trust in the fiscal year under review. 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.

#### 4. DIRECTORS

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

As of May 31, 2018

Name	Position	Assignment or major contents of work
Frank Obermeier	Director President & Chief Executive Officer	
Shigeru Nosaka	Director Executive Deputy President Chief Financial Officer	Director, YAMAHA CORPORATION
S. Kurishuna Kumar	Director Corporate Executive Officer	Vice President Finance, Oracle Corporation Japan and GFIC
Edward Paterson	Director Compensation Committee Member Audit Committee Member	Vice President and Assistant Treasurer, Oracle Corporation
Kimberly Woolley	Director Nominating Committee Member	Assistant General Counsel and Assistant Secretary, Oracle Corporation
John L. Hall	Director Chairperson of the Nominating Committee Chairperson of the Compensation Committee Chairperson of the Audit Committee	-
Hitoshi Matsufuji	Director Nomination Committee Member Compensation Committee Member Audit Committee Member	President, CPA Hitoshi Matsufuji Office Outside Auditor, Nihon Tokushu Toryo Co., Ltd.
Takeshi Natsuno	Director	Professor of Graduate School of Media and Governance, Keio University Director of SEGA SAMMY Holdings Inc. Director of Transcosomos, Inc Director of NTT Resonant Incorporated Director of DWANGO Co., Ltd Director of DLE Inc Director of GREE, Inc Director of U-NEXT HOLDINGS CO., Ltd Outside Director of Ubicom Holdings, Inc. Outside Director of GENETEC CORPORATION Outside Director of Cool Japan Fund Inc.

Name	Position	Assignment or major contents of work
Tadahiro Kaneko	Representative Corporate Executive Officer Chief Legal Officer	Chief Executive Officer, Oracle Information Systems (Japan) G.K.
Hisayuki Ishizumi	Corporate Executive Officer Executive Deputy President Group Vice President, Cloud & Technology Business Unit, Japan	-

- (Notes)
1. John L.Hall, Hitoshi Matsufuji and Takeshi Natsuno are outside Directors.
  2. Audit Committee Member, Hitoshi Matsufuji has a qualification of Certified Public Accountant; he has expertise in finance and accounting.
  3. Director Hitoshi Matsufuji and Takeshi Natsuno are assigned to serve as director or auditor of several companies. The Company has no business relationship with the concurrent companies.
  4. Notifications of Directors, Hitoshi Matsufuji and Takeshi Natsuno have been filed as the independent directors stipulated in Rule of the Securities Listing Regulations of the Tokyo Stock Exchange.
  5. Personnel change of the position or assignment in this period

Name	Date	Position and assignment in our company (Representative position for other company)	Appointment or Resignation
Hiroshige Sugihara	June 5, 2017	Director Representative President & CEO	Director Chairperson of the Board
	November, 30, 2017	Director Chairperson of the Board	Resignation for personal reasons.
Frank Obermeier	April 1, 2018	Director Chief Executive Officer	Director President & Chief Executive Officer

6. 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 427, 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.
7. The audit committee members are on a non-permanent basis in particular as they make sufficient efforts to maintain communications and coordination with the internal audit team members so as to perform their functions.

(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. as an indicator in addition to degree of attainment of the operating income target and revenue growth ratio of the Company's flagship products.

(c) Share incentive plan

Adding to stock option plan which are granted to Directors, the Company introduced the Board Incentive Plan (BIP) Trust (hereinafter the "BIP Trust") as an 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.

Amount of Payments of Directors and Executive Officers

Classification	Number of persons	Amount of payments (Million yen)
Directors (including Outside Directors)	6 (4)	109 (27)
Executive Officers	2	89
Total	8 (4)	199 (27)

- (Notes)
1. The above numbers include one Director and one Executive officer who retired during the fiscal year under review.
  2. The above table includes expenses on the granting of share warrants to four Directors (including two Outside Directors) totaling 5 million yen for Directors (of which, expenses on the granting of share warrants to two Outside Directors: 0 million yen) and 0 million yen for two Executive officers.
  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 according to their service period in the fiscal year under review. The amount of expenses posted in the fiscal year under review is 12 million yen for one director and 25 million yen for two Executive officer.
  4. The company has no retirement allowance plan for directors.
  5. The payment amount above includes a provision for one executive officers' bonuses for the fiscal year under review totaling 7 million yen. A bonus of 9 million yen paid to two directors and a bonus of 5 million yen paid to two executive officers 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	8/8	4/4 (Chairperson)	2/2 (Chairperson)	3/3 (Chairperson)
Hitoshi Matsufuji	8/8	4/4	2/2	3/3
Takeshi Natsuno	8/8	-	-	-

(Note) 1. Director Hitoshi Matsufuji is a specified corporate auditor in accordance with Article 132, Section 5, Item 4 (a) of the Enforcement Regulations of the Corporate Law.

(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.
- Hitoshi Matsufuji 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
- Takeshi Natsuno provided helpful advice about the Company’s management and made other necessary statements, from an expert perspective as a business management on broad industries.

## 5. INDEPENDENT AUDITOR

(1) Name of the Independent Auditor

Earnst & Young ShinNihon LLC

(2) Amount of Fee paid to Independent Auditor

- |      |  |                |
|------|--|----------------|
| (i)  | Total amount of fee to Independent Auditor         | 61 million yen |
| (ii) | Total amount of fee for which the company must pay | 61 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**

#### **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, 2017 to May 31, 2018, 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.

**(3) Guideline about Distribution, etc. of Surpluses**

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

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

For dividends for the fiscal year under review, we will pay an annual dividend of 121 yen per share.

## Balance Sheet

As of May 31, 2018

(Unit: Million yen)

Items	Amount	Items	Amount
(Assets)		(Liabilities)	
I Current assets		I Current liabilities	
1. Cash and deposits	169,326	1. Accounts payable-trade	13,087
2. Accounts receivable-trade	19,871	2. Accounts payable-other	5,521
3. Prepaid expenses	203	3. Income taxes payable	10,991
4. Other	2,901	4. Advances received	69,862
5. Allowance for doubtful accounts	-12	5. Deposits received	390
Total current assets	192,290	6. Provision for bonuses	2,281
		7. Provision for directors' bonuses	7
		8. Provision for product warranties	147
		9. Provision for stock benefits	235
		10. Other	2,550
		Total current liabilities	105,075
II Noncurrent assets		II Noncurrent liabilities	
1. Property, plant and equipment		Other	7
(1) Buildings	10,619	Total noncurrent liabilities	7
(2) Tools, furniture and fixtures	3,171	Total liabilities	105,083
(3) Land	26,057		
(4) Construction in progress	15	(Net assets)	
Total property, plant and equipment	39,863	I Shareholders' equity	
2. Intangible assets		1. Capital stock	24,480
Software	4	2. Capital surplus	
Total intangible assets	4	Legal capital surplus	7,831
3. Investments and other assets		Total capital surplus	7,831
(1) Investment securities	36	3. Retained earnings	
(2) Deferred tax assets	3,477	Other retained earnings	
(3) Guarantee deposits	331	Retained earnings brought forward	99,450
(4) Bankruptcy and reorganization claim	34	Total retained earnings	99,450
(5) Other	505	4. Treasury stock	-599
(6) Allowance for doubtful accounts	-34	Total shareholders' equity	131,162
Total investments and other assets	4,350	II Subscription rights to shares	262
Total noncurrent assets	44,218	Total net assets	131,425
Total assets	236,509	Total liabilities and net assets	236,509

## Statement of Income

(From June 1, 2017 to May 31, 2018)

(Unit : Million yen)

	Amount
Net sales	185,481
Cost of sales	96,673
Gross profit	88,808
Selling, general and administrative expenses	32,798
Operating income	56,009
Non-operating income	31
Non-operating expenses	61
Ordinary income	55,978
Extraordinary income	
Gain on reversal of subscription rights to shares	103
Total extraordinary income	103
Income before income taxes	56,082
Income taxes-current	18,238
Income taxes-deferred	-906
Net income	38,751

## Statement of changes in shareholders' equity

Current term end (From June 1, 2017 to May 31, 2018)

(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	23,755	7,106	7,106	75,258	75,258	-898	105,221
Changes of items during the period							
Issuance of new shares-exercise of subscription rights to shares	725	725	725				1,450
Dividends from surplus				-14,559	-14,559		-14,559
Net income				38,751	38,751		38,751
Purchase of treasury stock						-9	-9
Sale of treasury stock						308	308
Net changes of items other than shareholders' equity							
Total changes of items during the period	725	725	725	24,191	24,191	298	25,940
Balances at end of current period	24,480	7,831	7,831	99,450	99,450	-599	131,162

	Subscription rights to shares	Net assets
Balance at the beginning of current period	561	105,783
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares		1,450
Dividends from surplus		-14,559
Net income		38,751
Purchase of treasury stock		-9
Sale of treasury stock		308
Net changes of items other than shareholders' equity	-298	-298
Total changes of items during the period	-298	25,642
Balances at end of current period	262	131,425



## 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
      - Computer storages: 4 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, executive officers 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

### Notes to changes in Presentation Methods

Changes due to Early Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”

As the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) may now be applied to the financial statements for the fiscal year ended May 31, 2018, the Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” from the current fiscal year. Accordingly, the Company has changed to the method of presenting deferred tax assets in the investments and other assets section and changed notes to tax-effect accounting.

As a result, “Deferred tax assets” of 2,322 million yen under current assets reported in the previous fiscal year, has been included in “Deferred tax assets” of 2,570 million yen under investments and other assets.

### Notes to the balance sheet

Accumulated depreciation of tangible fixed assets      11,442 million yen

### Notes to the statement of income

Transactions with affiliated companies

Operating transactions

Sales	701 million yen
Purchase amount	98 million yen

### Notes to the Statement of changes in shareholders' equity

#### 1. Type and number of issued shares and treasury stocks

	Number of shares as of May 31,2017 (Thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Number of shares as of May 31,2018 (Thousand shares)
Issued shares				
Common stock	127,728	290	—	128,019
Treasury stocks				
Common stock	154	1	52	103

(Note) 1. Increase of 290 thousand outstanding shares was due to exercise of share warrants.

2. The increase in treasury stock by 1 thousand shares represents shares purchased of odd lots

3. The decrease in the number of shares of treasury stock (52 thousand) was due to delivering the company’s own stock to board of directors and employees through the Board Incentive Plan (BIP) Trust (15 thousand) and the Employee Stock Ownership Plan (ESOP) Trust (36 thousand).

4. The balance of treasury stocks includes 92 thousand treasury stocks owned by the BIP trust (22 thousand) and ESOP trust (69 thousand).

## 2. Dividend

### (1) Amount of paid dividends

Resolution	Type of share	Total amount of dividends (Million yen)	Resource of dividend	Dividend per share (Yen)	Reference date	Effective date
Board of director held on July 20, 2017	Common stock	14,559	Retained earnings	114	May 31, 2017	August 7, 2017

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

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

The board meeting on July 24, 2018

Type of share	Total amount of dividend (Million yen)	Resource of dividend	Dividend per share (Yen)	Reference date	Effective date
Common stock	15,489	Retained earnings	121	May 31, 2018	August 6, 2018

(Note) Total amount of dividend which will be resolved at the board of directors meeting which was held on July 24, 2018 includes the 11 million yen dividend for the Company's stock held by Board Incentive Plan Trust (2 million yen) and Employee Stock Ownership Plan Trust (8 million yen).

### 3. Share warrants

Date that rights were granted	Type of stock	Number of remaining shares to be issued
October 15, 2008	Common stock	38,700 shares
October 15, 2009	Common stock	33,000 shares
October 15, 2010	Common stock	61,700 shares
September 28, 2011	Common stock	33,200 shares
September 28, 2012	Common stock	68,700 shares
September 30, 2013	Common stock	78,200 shares
September 30, 2014	Common stock	7,300 shares
July 31, 2015	Common stock	1,400 shares
September 30, 2015	Common stock	17,600 shares
Total		339,800 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, 2018

(Unit: Million yen)

Deferred tax assets	
Accounts payable-other	521
Accrued business tax	567
Advances received	1,416
Provision for bonuses	523
Depreciation in excess	193
Investment securities	18
Others	236
Total deferred tax assets	3,477

## 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, 2018 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	169,326	169,326	—
(2) Accounts receivable-trade	19,871		
Allowance for doubtful accounts (*)	-12		
Net	19,859	19,859	—
Total assets	189,185	189,185	—
(1) Accounts payable-trade	13,087	13,087	—
(2) Accounts payable-other	5,521	5,521	—
(3) Income taxes payable	10,991	10,991	—
Total liabilities	29,600	29,600	—

(\*) 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 short-term loans receivable (Note) 1	90,300	Short-term loan receivable	—
				Settlement of funds for transactions among Oracle Group companies (Note) 2	36,144	Accounts payable	6,103
					15,009	Accounts payable-other	3,709
	Oracle International Corporation	—	Conclusion of sales agency agreements	Payment of royalties (Note) 3	45,692	Accounts payable	5,253

(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. Interest income 4 million yen has been booked in this fiscal year (accumulated interest income is 11 million yen).
- 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 (13,141 million yen in FY18) to Oracle Information Systems Japan G.K. (a subsidiary of the parent company) and the purchases of products and services (14,035 million yen in FY18) 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)	39	—	—
Officer	Ishizumi Hisayuki	Executive Officer	Direct: 0.00%	Exercise of stock options (Note)	35	—	—
Officer	Satoshi Ogishi (Note)1	Director	Direct: 0.00%	Exercise of stock options (Note)	21	—	—
Officer	Hiroshige Sugihara (Note)2	Director	Direct: 0.00%	Exercise of stock options (Note)	53	—	—

(Notes) 1. Mr. Satoshi Ogishi stepped down as director of the Company on August 23, 2017. The description above is for his term of office in the fiscal year under review.

2. Mr. Hiroshige Sugihara stepped down as director of the Company on November 30, 2017. The description above is for his term of office in the fiscal year under review.

3. 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 1,025.38 yen
2. Net income per share for the current term 303.25 yen

(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 (27,935 shares in the BIP Trust and 83,308 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 (22,542 shares in the BIP Trust and 69,735 shares in the ESOP Trust).

## Notes to important subsequent events

Not Applicable

## The Accounting Auditor's Report

### Independent Auditor's Report

July 23, 2018

Oracle Corporation Japan  
The board of Directors

Ernst & Young Shin Nihon LLC  
Engagement Limited Partner:  
Mitsunobu Yamaguchi, 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 33 term commencing on June 1, 2017, and ending on May 31, 2018, 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 33<sup>rd</sup> fiscal year from June 1, 2017 to May 31, 2018. 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 24, 2018

Audit Committee of Oracle Japan Corporation

Audit Committee of Oracle Corporation Japan

Audit Committee Member	John L. Hall	Seal
Audit Committee Member	Edward Paterson	Seal
Audit Committee Member	Hitoshi Matsufuji	Seal

(Note) Audit Committee Member John L. Hall and Hitoshi Matsufuji are outside directors as stipulated in Article 2, Item 15 and Article 400, Item 3 of the Companies Act.