Flash Report for the Fiscal Year Ended May 31, 2003 (Non-consolidated)

July 9, 2002

Name of the Company Oracle Corporation Japan
Listed Stock Exchange: Tokyo
Ticker 4716
Head office location: Tokyo
（URL http://www.oracle.co.jp/corp/index.html)
Representative personal Masaaki Shintaku, President and Chief Executive Officer
Contact & responsible personal Shigeru Nosaka, Director, Senior Vice President & CFO
TEL (03) 5213 - 6666

Date of the board meeting for this release: July 9, 2003
Schedule for general shareholders meeting: August 21, 2003
Name of the parent company: Oracle Corporation(U.S.)
Interim dividends payment system: Yes
Tangenkabu (trading unit of shares): Yes (1unit=100shares)
Parent company's shareholding of the company: 74.2%

1.Business results for this term (from June 1, 2002 to May 31, 2003)

(1) Operating Results

	Revenues		Operating Income		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
May 2003	86,249	△ 0.1	25,844	△ 16.7	25,848	△ 16.9
May 2002	86,362	△ 1.6	31,017	△ 2.7	31,095	△ 3.2

	Net Income		EPS	EPS after adjustment for potential shares	ROE	ROA	Ordinary Income Margin
	Million Yen	%	Yen Sen	Yen Sen	%	%	%
May 2003	13,963	△ 20.8	108.96	108.96	17.3	23.6	30.0
May 2002	17,620	△ 3.8	137.45	-	22.1	28.3	36.0

Note:
(i) Investment profit(loss) on equity method May 2003: Not Applicable May 2002: Not Applicable
(ii) Average number of shares during the term May 2003: 127,933,152 May 2002: 128,193,034
(iii) Change in accounting method: applicable
(iv) Percentage of revenues operating income, ordinary income and net income indicate changes from the previous term.

(2) Dividends

	Annual dividend per share	Interim	Term end	Total amount of dividends (annual)	Dividends payout ratio	Dividend ratio to shareholders' equity
	Yen Sen	Yen Sen	Yen Sen	Million Yen	%	%
May 2003	110.00	35.00	75.00	14,036	101.0	17.5
May 2002	100.00	40.00	60.00	12,819	72.8	15.8

(3) Financial Position

	Total Assets	Shareholders' Equity	Ratio of shareholders' equity	Shareholders' equity per share
	Million Yen	Million Yen	%	Yen Sen
May 2002	110,233	80,340	72.9%	630.18
May 2002	108,553	81,172	74.8%	633.21

Note:
(i) Average number of shares during the term May 2003: 127,450,546 May 2002: 128,191,498
(ii) Treasury stock at term end May 2003: 744,116 May 2002: 3,164

(4) Cash Flows

	Cash flow from business activities	Cash flow from investment activities	Cash flow from financial activities	Balance of cash & cash equivalents at the term end
	Million Yen	Million Yen	Million Yen	Million Yen
May 2003	14,138	△ 40,667	△ 14,797	34,669
May 2002	13,462	2,951	△ 14,727	75,996

2. Forecast for the May 2004 term (from June 1, 2003 to May 31, 2004)

	Revenues	Ordinary Income	Net Income	Annual dividends per share		
				Interim	Term end	
	Million Yen	Million Yen	Million Yen	Yen Sen	Yen Sen	Yen Sen
Interim	39,400	10,800	6,400	35.00	—	—
Entire term	83,400	26,200	15,400	—	85.00	120.00

(Reference) Estimated EPS for the term 120Yen 83 Sen

Caution: Above forecast is based on the information available at a time of issuance of this report, and the actual result may change by various reasons. Please refer to the 8 to 9 pages of attached document for using the forecast.

Attachment

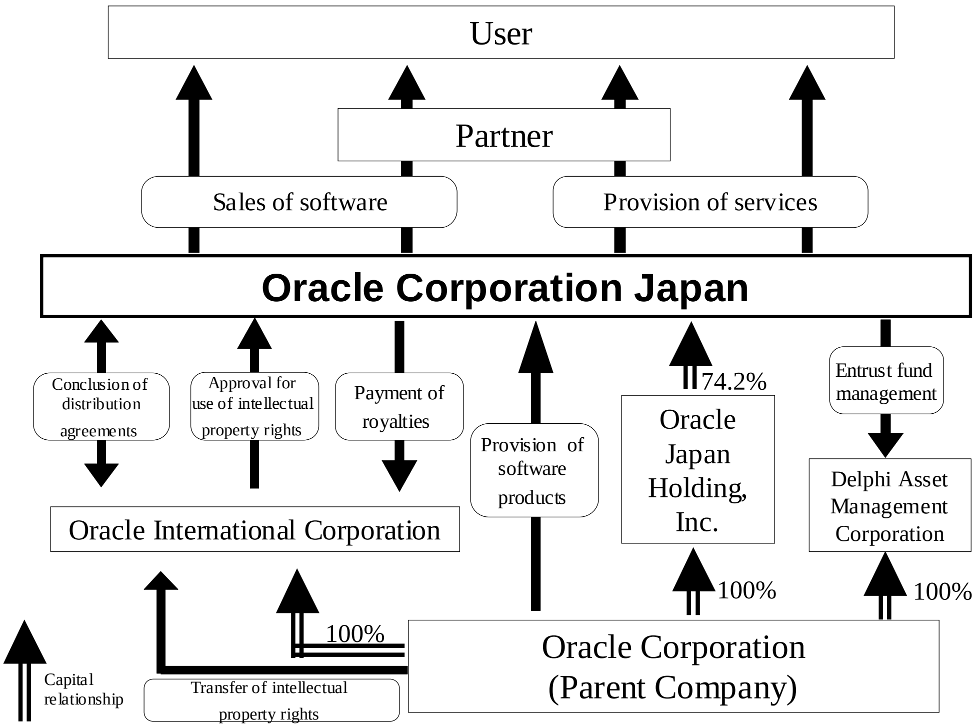
1. Current Status of the Company Group

Our Company's parent company is essentially Oracle Corporation of the United States, which indirectly holds 74.2% of our issued stock, and our Company is part of the group that is headed by Oracle Corporation. In various parts of the world the group sells software products including relational database management systems and business applications, as well as a range of systems using the software products and software products for application development and management. The group also provides an array of services to support users of these software products.

Moreover, Oracle International Corporation is a subsidiary company wholly financed by Oracle Corporation. Oracle Corporation transfers intellectual property rights pertaining to the software and other products it owns to Oracle International Corporation and Oracle International Corporation holds and manages these intellectual property rights, concludes distribution agreements with Oracle Corporation's subsidiaries including our Company and authorizes license use. Meanwhile, Delphi Asset Management Corporation is also a 100% subsidiary of Oracle Corporation, and is in charge of the operation and management of funds owned by Oracle Corporation and its subsidiaries. This fiscal year, our company concluded investment advisory agreement with Delphi Asset Management Corporation, and has been investing its surplus fund to the securities that satisfy the company's investment policy while maintaining safety and adequate liquidity.

Research and development of software products is primarily carried out under the leadership of Oracle Corporation. However, our company participates in new development initiatives from the onset and has played an important role in developing products suited to the Japanese market in close cooperation with Oracle Corporation. We have also taken a leading role in developing some of the products, such as human resource modules with specifications suited to Japan. Our Company makes use of its knowledge and expertise with respect to Japanese market features and has been selling software products thus developed in Japan and providing services to support users.

(Business relations diagram)



In June 2000 we established Miracle Linux Corporation, which specializes in the development and sale of Linux operating systems. Miracle Linux was set up as our subsidiary in a joint venture with leading domestic companies in a number of different fields (we hold a 58.5% stake). However, we have not prepared a consolidated balance sheet for the term, since the subsidiary's assets and sales are insignificant for the time being and their exclusion would not prevent a rational judgment on our financial status and business achievements. The subsidiary has also been excluded from the above business relations diagram.

2. Business Policies

a) Our basic business policies

We believe that the basic concept for our Company is "to maximize the value of data to the point that they are regarded as intelligence, and to build an affluent information society." Our corporate mission is to offer diverse means to turn data into "intelligence," which refers to valuable knowledge and processes that can be used effectively in the global information society, instead of handling them as mere data.

Moreover, we have promoted corporate activities designed to make our Company an "IT corporation that is the most highly trusted by our customers," under the following three basic business policies:

(1) Our Company will offer products and services that can enhance the productivity of our customers and help develop the Japanese economy.

(2) Our Company will strive for the overall development of the IT industry in Japan, together with our partners.

(3) Our Company will train IT engineers able to assume leading roles globally, through the Oracle Master and other systems.

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

b) Basic policies on income distribution

Our Company recognizes that one of its most important business missions is to continuously offer our shareholders dividends at a high level, by enhancing corporate value. We will continue to distribute to all shareholders the profits from our periodic income as dividends while considering the retention of earnings for the management of the company.

In addition, we have implemented flexible capital measures to respond to the changing business environment, and a resolution approved at the 17th General Shareholders' Meeting held on August 21, 2002 enabled us to acquire 2 million shares of our Company's common stock at a maximum total purchase price of 10 billion yen. Based on this resolution, we had acquired 736,800 shares of our stocks by June 30, 2003 (0.6% of outstanding shares, at a purchase price totaling 2,623 million yen), and now hold these stocks as treasury stocks.

c) Perspectives and policies concerning reducing minimum investment unit

We recognize that lowering the stock investment unit is an effective means of increasing the liquidity of shares with the aim of further expanding our investor base. Our approach is to lower the investment unit as appropriate if deemed necessary in view of our results, share price movements, market conditions and other factors. However, we have yet to decide on the exact nature or timing of such action.

d) Targeted business indices

In December 2002, our Company announced the "Oracle Japan Innovation 2003," which is our mid-term business plan. During the May 2006 term, which is the final fiscal year for the plan, we aim to attain sales of at least 100 billion yen (actual sales for the May 2003 term were 86.2 billion yen) and an operating profit margin of at least 30% (the actual margin for the May 2003 term was

30%) in the plan.

Our Company sells software and provides services, and does not own manufacturing facilities. As such, there is no connection between the scale of our business and our assets. Therefore, we have made the operating profit margin the index for management.

e) Mid- to long-term business strategies and issues to address

By implementing the mid-term business plan "Oracle Japan Innovation 2003," our Company aims to revise its business structure, transform itself into a company capable of generating high profits and securing large market share even under the most stringent economic situations, solidify its position as the leading provider of software for corporate applications, and further increase value for the company and its shareholders. The target business index for the plan is as discussed in "d" above, and specific measures have been taken to achieve the target based on the following strategies, starting in the May 2003 term.

I. Business process reform for profit improvement

(1) Innovation in business organization and provision of supportive measures for partners and independent software ventures (ISV)

(2) Reform of the business structure of the Consulting Service Division

(3) Provision of supportive measures to Japanese companies that are developing businesses in China

(4) Improvement of the efficiency of tasks handled by managing divisions

During the May 2003 term, we reorganized our Sales Division, established "OracleDirect", adopted the "Oracle Partner Network" and established the "China Business Development". During the May 2004 term, we intend to complete the reforms to business processes by having the new organizations expand their customer range, while at the same time continuing to reallocate tasks to the Shared Service Center, which was established to reform the structure of the Consultation Service Division and to enhance the efficiency of back office business processes.

II. Development of sales and marketing activities to maximize product value

(1) Continuation of sales promotion activities for database software

(2) Stronger emphasis on sales of application server software

(3) Development of products and solutions for further expansion of the share of the Linux market

(4) Development of outsourcing business by the Support Service Division

During the May 2003 term, we announced sales promotion strategies for the application server software and new strategies and solutions for the Linux market, and instituted outsourcing businesses. During the May 2004 term, we plan to increase profits by offering products and services derived from these strategies to a greater number of customers.

f) Basic concepts for corporate governance and implementation

(Basic concepts for corporate governance)

Our Company has established organizations and systems to implement sufficient corporate governance measures so that we can fulfill our responsibilities to shareholders, in a way that complies with the laws and regulations of Japan and the corporate governance policies of U.S. Oracle Corporation, our parent company. In November 2000, we also abolished retirement gratuities to Directors.

The Company has also ensured that our employees are thoroughly familiar with the "Oracle Code of Ethics and Business Conduct (Oracle Code)", which apply globally to the Oracle Group. The Oracle Code provides the basic guidelines for our daily business activities. The original text of the Oracle Code (in English) is published on the Website of our parent company, Oracle Corporation.

(Implementation of corporate governance measures)

(1) Administrative organizations engaged in business decision-making, implementation and monitoring, and other systems for implementation of corporate governance measures

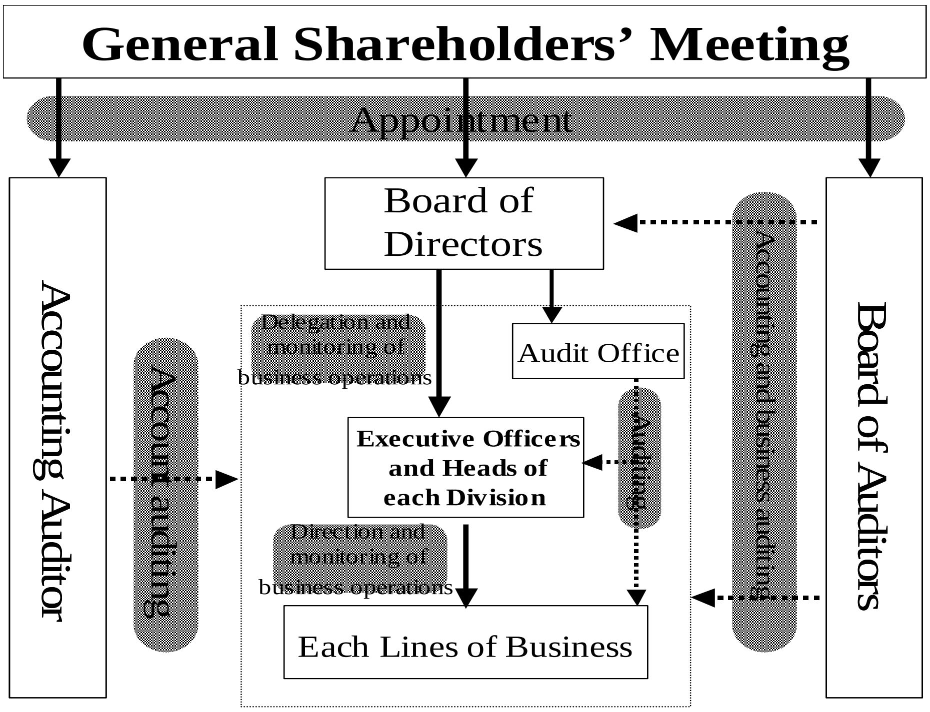
Our Company has adopted the auditing system. Since August 2000, we have also adopted the Executive officer system, to separate the Board of Directors, which is an organization for business decision-making and monitoring of business activities, from the executive functions of Executive Officers. In this way, we have maintained transparency in our business administration and the capability to promptly coping with the changing business environment. We will continue studying our business administration system, looking at such questions as whether to adopt the committee system.

Our Company has seven Directors, of whom two are outside Directors. There are four Auditors, of whom two are outside Auditors. Our outside Directors belong to our Appointment Committee and Remuneration Committee, so that they can monitor the appropriateness of Director and Executive Officer appointments, as well as of remuneration.

Shin Nihon & Co. (Member firm of Ernst and Young) is our accounting auditor, and has audited our accounts semiannually and annually based on the Auditing Agreement. There is no special interest to mention between the accounting auditor and our Company. We have sought advice from attorneys and other professionals as necessary in the course of business administration and daily business activities.

We have an Audit Office, which is an in-house auditing division under the direct management of the President, and responsible for auditing legal compliance, along with the appropriateness and efficiency of our daily business activities.

The following diagram describes our corporate governance organization.



(2) Outline of personal relationships, capital relationships, transactions and other interests between the Company and outside Directors and Auditors

There are two outside Directors at our Company. Mr. Jeffrey O. Henley is a member of the Board, Executive Vice President and Chief Financial Officer of Oracle Corporation, our parent company. Mr. Derek H. Williams is Executive Vice President of Oracle Corporation, supervising the Asia-Pacific operation of the Oracle Group.

Our Company is the agent in Japan for products developed by our parent company, and is responsible for supplying those products to the Japanese market. The parent company provides us with its products, and in return we pay a royalty at a set percentage of sales.

There are two outside Auditors at our Company. Ms. Makiko Nakamori is a certified public accountant and Ms. Yoriko Noma is an attorney. There is no capital, personnel or technical relationship, transaction or other interest between our Company and the corporations that the outside Auditors represent or belong to.

(3) Status of the Company's corporate governance efforts in the most recent one year period (the one year period prior to the closing of the latest fiscal year)

In principle, our Board of Directors meets every month, with outside Directors and Auditors participating to carefully observe the Directors. The Board of Directors met 14 times and the Board of Auditors met five times during the May 2003 term.

The Audit Office conducted in-house audits of business operations, including the information management systems at each Division.

g) Basic policies on relations with affiliates (parent company and others)

Our Company has concluded a Sales Agency Agreement with Oracle International Corporation (a 100% subsidiary of Oracle Corporation), which is in charge of preserving and managing the intellectual property of Oracle Corporation, our parent company. Based on the Sales Agency Agreement, we are provided with products developed by our parent company as the sole agent in Japan, with the responsibility of supplying those products to the Japanese market, and we pay royalties at a set percentage based on the sales of these products to Oracle International Corporation. Meanwhile, Delphi Asset Management Corporation is also a 100% subsidiary of Oracle Corporation, and is in charge of the operation and management of funds owned by Oracle Corporation and its subsidiaries. This fiscal year, our company concluded investment advisory agreement with Delphi Asset Management Corporation, and has been investing its surplus fund to the securities that satisfy the company's investment policy while maintaining safety and adequate liquidity.

We will maintain close ties with Oracle Corporation, including cooperation in product development, so that we can maintain and bolster our ability to respond in advance to demand for highly intelligent products and services for corporations, government organizations and other customers in Japan.

3. Business outcomes and financial situation

a. Business outcomes

In the period under review, Japan's economy showed some signs of recovery, but remained weak, due in part to the war in Iraq and the outbreak of Severe Acute Respiratory Syndrome (SARS). On the other hand, driven by companies that successfully restructured their business, corporate profits have shown an improvement, particularly in capital investment.

By identifying the market trends and customer needs, and by creating a structure to introduce the products and services that customers want, the company has been making an effort to expand its service business, including software products and support. These products include "Oracle9i Database", the database software product that is the company's main offering.

In January this year, the company announced its medium-term business plan, "Oracle Japan Innovation 2003." The target in this plan include the recovery and maintenance of high profitability and consists of two main initiatives, namely, the restructuring of business processes to improve profit and the development of sales and marketing activities to maximize product value. In this period, we implemented a number of measures, including the setting up of a new communication channel with customers, "OracleDirect," the introduction of new support measures for our partner companies, "Oracle Partner Network," the establishment of the "China Business Development", the release of application server products and a strategy to strengthen the Linux business, and the launch of an outsourcing service.

As a result, the company achieved sales at almost same as previous year, ¥86,249million (down ¥113million or 0.1%, from the previous year), but due to the increase of the royalty in support service and the outsourcing expenses in consulting service, ordinary income at ¥25,848 million (down ¥5,246 million, or 16.9%, from the previous year), and net income at ¥13,963million (down ¥3,656million, or 20.8%, from the previous year).

Also, from this fiscal year, the company invested its surplus fund to the securities that satisfy the company's investment policy while maintaining safety and adequate liquidity.

The result of each business segment is as follows.

[Software Products]

Database Technology

In August 2002, the company released the latest version of "Oracle9*i*", known as "Oracle9*i* Release2", the baseline software for IT systems. This version consists of "Oracle9*i* Database" and "Oracle9*i* Application Server". The enhanced performance and functionality of "Oracle9*i*" has resulted in the considerable popularity of "Oracle9*i* Release2" among client companies that require a strong IT system with high availability, performance and high-level security, and there have been numerous installations. The company announced that it would maintain the campaign price for "Oracle9*i* Database Standard Edition", both for the Windows and Linux versions, providing affordable and highly reliable products for small to medium-scale systems. For application server segment, the company announced in May 2003 the strategy to strengthen the application server sales and released "Oracle9*i* Application Server Java Edition", the affordable and highly functional application server that conforms completely with the Java2 Enterprise Edition [Note 1].

In February 2003, the company released the "Oracle Collaboration Suite", which facilitates a reduction in the total cost for ownership (TCO) for our client companies investing in IT through the integration of e-mail and content management.

In the period under review, the sales of database products were down on the previous period, particularly influenced by a reduction in capital investment in the information and communication fields. On the other hand, sales of the "RAC" [Note 2] option for databases and the application server were up on the previous period thanks to the increase in demand from customers seeking a more stable information system and the increase in requirements, such as streamlining in information sharing by EIP [Note 3].

As a result, sales in the Database Technology Division were ¥34,652 million (down ¥9,925 million or 22.3% from the previous period).

(Note 1) The platform for building high-performance Java-based Web applications that can operate independently of an operating system

(Note 2) Real Application Clusters: RAC is an optional function of the "Oracle9*i*Database Enterprise Edition". The function prevents the dispersion of loads and eliminates system outages by sharing one database with several servers. The function also provides an expansion of the system according to an increase in the load and the business without system outage

(Note 3) Enterprise Information Portal: This system displays together on one screen the information source for a company, which the management team and employees require for business, thereby promoting the effective use of the information source and improving operating efficiency

Business Applications

This division continued to address the sales of "E-Business Suite 11*i*", the business application that facilitates quick management judgment and improved operating efficiency in all aspects of corporate activity. In January 2003, the company released a new version of "E-Business Suite", which is compatible with Linux, as the first of the "E-Business Suite" series.

While the economic conditions remained tough, the sales posted by this division progressed steadily thanks to the increased demand for efficient business activities and the demand transparency in corporate management among our client companies as well as the contribution of large-scale business.

As a result, sales in the Business Applications Division were ¥5,936 million (up ¥2,484million or 72.0% over the previous period).

Also, sales in the Software Products Segment that include Database Technology Division and Business Application Division were ¥40,589 million (down 7,441 million or 15.5% from the previous period).

[Service]

Support Services

This division provides technical support to client companies after products or software upgrades are installed. In the period under review, the sales of this division showed steady progress. These results were thanks to the increased demand amongst client companies for reliable operation of their information infrastructure and the company's efforts to improve sales in the services field.

The company released its outsourcing service, "Oracle Outsourcing", which reduces the operational costs for information systems at client companies. In this service, our special engineers operate and control the information system 24 hours a day and 365 days a year. The information system uses Oracle products.

As a result, sales in the Support Services Division reached ¥28,448 million, up ¥3,637million or 14.7% over the previous period. Revenue from software update, ¥19,213 million, up ¥2,507 million or 15.0% over the previous period, is included above.

Education Services

Continuing from the previous period, the company has been providing qualification and training services to partner companies and clients. One of the certified qualifications, "Oracle Master", is for the company's database products and is a highly regarded technical qualification. Another certified qualification is "Oracle Certified Consultant", which is for the company's business application products. At the end of this period, 93,000 people had obtained the "Oracle Master" certification, up 27,000 from the previous period, while those who were awarded "Oracle Certified Consultant" reached about 55,000, up 11,000 from the previous period.

In this period, the company introduced a new qualification for application server engineers, "Oracle Master Gold 9*i*AS". Further, with the upgrading of the e-learning service that enables people to learn via the Internet, the company has introduced a training program for "Oracle Master" and the "Oracle E-Business Suite". We have focused on building an environment that offers more engineers an opportunity to learn the technology of Oracle, with the aim of expanding the profit-earning opportunities in this division.

However, due to the severe economic conditions, the customers reduced their training spending which effect sales in the Education Services Division, and its sales reached ¥3,664 million, down ¥357 million or 8.9 % from the previous year).

Consulting Service

This division provides customer support operations, such as installation plans, system design development and system operation, when the database technology products and the business application products are installed at the client's site. In the period under review, the company has provided installation support for the increased number of customers that installed the company's business application products. At the same time, in February 2003, the company released "Business Flow Accelerator", a new installation service based on "Business Flow", whereby the business flow is defined in advance to reduce the time taken to install the business application products.

As a part of the medium-term plan, "Oracle Japan Innovation 2003", the company introduced a corporate restructure focusing on enhancing the support for partners and on increases sales of the short-term installation service.

Sales in the Consulting Services Division reached ¥13,548 million yen, up ¥4,056 million or 42.7 % from the previous period.

As a result, sales of the Service Segment reached ¥45,660 million yen, up ¥7,328 million or 19.1% from the previous period.

The following table lists the sales by division.

Category		17th fiscal year ending May 2002		18th fiscal year ending May 2003		
		Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)	Increase (Decrease) from previous year (%)
	Database Technology	44,578	51.6	34,652	40.2	(22.3)
	Business Applications	3,452	4.0	5,936	6.9	72.0
Software Products		48,030	55.6	40,589	47.1	(15.5)
	Support Services	24,811	28.7	28,448	33.0	14.7
	Education Services	4,021	4.7	3,664	4.2	(8.9)
	Consulting Services	9,499	11.0	13,548	15.7	42.6
Service		38,332	44.4	45,660	52.9	19.1
Total		86,362	100.0	86,249	100.0	(0.1)

*Revenue from software update is included Support Service revenue, 17th fiscal year 16,706million yen and 18th fiscal year 19,213 million yen respectively.

With respect to dividends, we intend to distribute an amount per share that is equivalent to net income for the term, based on our policies for profit sharing. The dividend per share at the term end is expected to increase 15 yen from the previous term to 75 yen. Combined with the interim dividend (35 yen), the annual dividend per share is expected to increase 10 yen from the previous term to 110 yen.

Estimated business outcomes for the May 2004 term

Even though signs of a recovery in facility investment are now in evidence, thanks to stronger corporate profits and the new tax system that recently went into effect to promote investments in IT, exports have continued to decline in the face of the appreciation of the yen, corporate reorganizations have commenced in earnest now that the Industrial Revitalization Corporation has started operation, and personal spending has remained sluggish owing to anxiety over the employment situation. Overall, Japanese economic trends are expected to remain uncertain.

By implementing the mid-term business plan “Oracle Japan Innovation 2003,” our Company aims to revise its business structure, transform itself into a company capable of generating high profits and securing large market share even under the most stringent economic situations, solidify its position as the leading provider of software for corporate applications, and further increase value for the company and its shareholders.

To do this, we have since the May 2003 term taken specific steps based on the following strategic outline. These efforts will continue in the May 2004 term and onwards.

1. Business process reform for profit improvement

(i) Innovation in business organization and provision of supportive measures for partners and independent software ventures (ISV)

(ii) Reform of the business structure of the Consultation Service Division

(iii) Provision of supportive measures to Japanese companies that are developing businesses in China

(iv) Improvement of the efficiency of tasks handled by managing divisions
2. Development of sales and marketing activities to maximize product value
(i) Continuation of sales promotion activities for database software
(ii) Stronger emphasis on sales of application server software
(iii) Development of products and solutions for further expansion of shares in the Linux market
(iv) Development of outsourcing business by the Support Service Division

Based on the above, we have derived the following estimates for our business outcomes in the May 2004 term: sales of 83,400 million yen (down 3.3%, or 2,849 million yen from the same term in the previous year); ordinary income of 26,200 million yen (up 1.4%, or 352 million yen); net income for the term of 15,400 million yen (rising 10.3%, or 1,437million yen); and net income for the term per share of 120.83 yen.

The estimated annual dividend per share is expected to increase by 10 yen from the previous term, to 120 yen (consisting of a 35 yen interim dividend and a 85 yen term-end dividend) based on our policy on profit sharing, assuming that the above operating results are achieved.

Cautious Statements for the forecast

Statements in this document with respect to Oracle Corporation Japan (OCJ)'s current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of OCJ. These statements are based on OCJ's assumptions and beliefs in light of the information currently available to it. OCJ cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those forward-looking statements.

b. Financial situation

The total assets of our Company at the end of the term stood at 110,233 million yen (up 1,680 million yen from the end of the previous term). Current assets rose 2,524 million yen, to 104,439 million yen, because the company invested its surplus fund to the securities, an increase in accounts receivable and other items. Fixed assets were down 844 million yen, to 5,793 million yen, as furniture, fixtures and paid-in guarantees declined with the closure or merger of offices.

Net assets totaled 80,340 million yen, down 831 million yen from the end of last term. The decrease was the result of an increase in treasury stock of 2,638 million yen from the previous term, to 2,668 million yen, in response to a resolution adopted at the General Shareholders' Meeting held on August 21, 2002 to promote the acquisition of treasury stocks. This offset an increase in profit surpluses.

The cash flow situations for the term are as follows:

(Cash flow from operating activities)

Cash generated by operating activities was 14,138 million yen (down 676 million yen from the previous term), a figure that primarily reflects the decrease in pretax income for the term (24,209 million yen, down 6,698 million yen from the previous term) and payment of the enterprise taxes, etc (13,234 million yen, down 3,184 million yen from the previous term).

(Cash flow from investment activities)

Cash spent on investment activities stood at 40,667 million yen, mainly involving the acquisition of marketable securities. (Cash amounting to 2,951 million yen was generated in the previous term.)

(Cash flow from financial activities)

Cash spent on financial activities stood at 14,797 million yen (up 70 million yen from the previous term), mainly on the payment of dividends and the acquisition of treasury stocks.

In total, cash and equivalents at term end decreased 41,326 million yen from the end of the previous term, to 34,669 million yen.

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

	May 2002 term	May 2003 term
Capital ratio based on market prices	757.0%	447.5%
Capital ratio	74.8%	72.9%

(Notes) Capital ratio: Net assets/ Total assets

Capital ratio based on market prices:

Market capitalization of the company / Total assets

There is nothing to report with respect to the number of years for debt repayment and the interest coverage ratio.

4.Financial Documents

(1) Balance Sheet

(Unit: million yen)

Item \ Term		Current term end (as of May 31, 2003)		Previous term end (as of May 31, 2002)		Changes
		Amount	Ratio	Amount	Ratio	Amount
(Assets)			%		%	
I Current assets						
1. Cash and deposits		34,669		75,996		-41,326
2. Notes receivable		8		12		-3
3. Accounts receivable		16,806		14,599		2,206
4. Marketable securities		50,508		4,502		46,006
5. Merchandise		29		41		-12
6. Prepaid expenses		384		383		0
7. Deferred tax charges		1,601		1,177		423
8. Short-term loans receivable	*1	―		5,000		-5,000
9. Accrued revenue		392		351		40
10. Others		59		3		55
11. Allowance for uncollectible receivables		-21		-155		134
Total current assets		104,439	94.7	101,914	94	2,524
II Fixed assets						
1. Property and equipment	*2					
(1) Buildings, structures and equipment		421		441		-20
(2) Furniture and fixtures		725		920		-194
Total property and equipment		1,147	1.0	1,361	1	-214
2. Intangible fixed assets						
(1) Software		24		39		-14
(2) Others		29		29		0
Total intangible fixed assets		54	0.1	68	0	-14
3. Investments and other assets						
(1) Investments in securities		485		523		-37
(2) Shares in affiliated companies		33		56		-22
(3) Deferred tax assets		746		813		-67
(4) Deposit money paid		3,306		3,794		-487
(5) Bankruptcy and reorganization claim		20		―		20
(6) Others		20		21		-1
(7) Allowance for uncollectible receivables		-20		―		-20
Total investments and other assets		4,592	4.2	5,208	5	-616
Total fixed assets		5,793	5.3	6,638	6	-844
Total assets		110,233	100.0	108,553	100	1,680
(Liabilities)						
I Current liabilities						
1. Accounts payable		8,911		6,127		2,783
2. Accrued amount payable		3,203		3,126		76
3. Accrued expenses		1,202		1,313		-111
4. Accrued corporate tax, etc		4,069		6,798		-2,728
5. Accrued consumption tax, etc.		932		828		104
6. Advances by customers		9,106		7,069		2,036
7. Deposits payable		1,399		1,366		32
8. Allowance for bonus payable		1,067		749		317
9. Others		0		0		0
Total current liabilities		29,892	27.1	27,380	25	2,511
Total liabilities		29,892	27.1	27,380	25	2,511
(Shareholders' equity)						
I Capital stock		22,131	20.1	22,131	20	―
II Capital surplus reserve						
1. Capital reserve		33,569		33,569		―
Total capital surplus reserve		33,569	30.5	33,569	31	―
III Earned surplus						
1. Legal reserve of retained earnings		3,212		3,212		―
2. Voluntary reserves		150		180		-29
Voluntary reserves		150		180		-29
3. Inappropriate retained earnings at the end of the term		23,895		22,093		1,801
Total earned surplus		27,259	24.7	25,486	23	1,772
IV Appraisal loss and gain from other marketable securities		49	0.0	15	0	34
V Treasury stock		-2,668	-2.4	-30	0	-2,638
Total shareholders' equity		80,340	72.9	81,172	75	-831
Total liabilities and shareholders' equity		110,233	100.0	108,553	100	1,680

(2)Statement of Income

(Unit: million Yen)

Term / Item			Current Term (From June 1, 2002 to May 3, 2003)		Previous Term (From June 1, 2001 to May 31, 2002)		Change
			Amount	Ratio	Amount	Ratio	Amount
				%		%	
I	Revenues		86,249	100.0	86,362	100.0	-112
II	Cost of sales	※1	40,628	47.1	33,323	38.6	7,304
	Gross Profit		45,621	52.9	53,039	61.4	-7,417
III	Selling general and administrative expenses		19,777	22.9	22,021	25.5	-2,244
	Operating income		25,844	30.0	31,017	35.9	-5,173
IV	Non-operating income						
	1. Interest Received		3		18		-15
	2. Interest on securities		1		24		-22
	3. Refund of travel expenses		22		15		6
	4. Insurance dividend		26		―		26
	5. Others		50		35		15
	Total Non-Operating Income		104	0.1	93	0.1	10
V	Non-Operating Loss						
	1. Interest	*1	14		1		12
	2. Foreign exchange loss		35		12		22
	3. Loss on securities sold		18		―		18
	4. Additions to tax		19		―		19
	5. Others		12		1		10
	Total Non-Operating Loss		99	0.1	16	0.0	83
	Ordinary Income		25,848	30.0	31,095	36.0	-5,246
VI	Extraordinary Income						
	1. Income from returned allowance for doubtful debt		111		72		38
	2. Gain on revision of system for employee retirement benefits		―		84		-84
	3. Gain on sales of invested marketable securities		173		69		104
	4. Others		0		―		0
	Total Extraordinary Income		285	0.3	226	0.3	58
VII	Extraordinary Loss						
	1. Loss on expenses for special retirement program		1,542		―		1,542
	2. Loss on expenses for office consolidation		207		―		207
	3. Loss on disposition of invested securities		―		104		-104
	4. Loss on disposition and retirement of fixed assets	*2	191		3		188
	5. Loss on disposition of invested securities		78		347		-268
	6. Loss on disposition of invested securities		―		3		-3
	7. Loss on appraisal of stocks of affiliated companies		22		71		-49
	8. Loss on appraisal of golf-club membership		1		3		-2
	Total Extraordinary Loss		2,043	2.4	533	0.6	1,510
	Net Income before Tax		24,090	27.9	30,788	35.7	-6,698
	Income tax expense-Current		10,505	12.2	13,122	15.2	-2,616
	Income tax expense-Deferred		-379	-0.5	45	0.1	-424
	Net Income		13,963	16.2	17,620	20.4	-3,656
	Profits carried over from the previous term		14,409		9,601		4,808
	Interim Dividends		4,477		5,127		-649
	Current unappropriated income		23,895		22,093		1,801

(3) Statement of Cash Flows

(Unit: million yen)

Term / Item	Current term (From June 1, 2002 to May 3, 2003) Amount	Previous Term (From June 1, 2001 to May 31, 2002) Amount	Change Amount
I. Cash flow from business activities			
Net profit for the term before tax	24,090	30,788	-6,698
Depreciation expenses	561	782	-221
Increase/decrease of allowance for doubtful debts (Decrease: -)	-113	-80	-33
Increase/decrease of allowance for bonus payable (Decrease:-)	317	749	-431
Interest and dividends received	-6	-43	36
Amount paid for interest	14	1	12
Stock issue costs	―	0	△0
Loss on sales of marketable securities	18	104	-86
Loss on sales of marketable securities	2	―	2
Loss on expenses for special retirement program	1,542	―	1,542
Loss on appraisal of golf club membership	1	3	-2
Loss on appraisal of invested marketable securities	78	347	-268
Gain on sales of invested marketable securities	-173	-69	-104
Loss on sales of invested marketable securities	―	3	-3
Loss on appraisal of stocks of affiliated companies	22	71	-49
Loss on disposition of fixed assets	191	3	188
Increase/decrease of sales credits (Increase: -)	-2,202	39	-2,241
Increase/decrease of inventory assets (Increase:-)	12	42	-30
Increase/decrease of accrued revenue (Increase: -)	-40	-24	-15
Increase/decrease of other current assets (Increase:-)	-33	32	-65
Increase/decrease of obligation from purchase (Decrease:-)	2,783	-382	3,166
Increase/decrease of accrued amount payable (Decrease:-)	-206	-714	508
Increase/decrease of accrued expenses (Decrease -)	-111	-1,165	1,054
Increase/decrease of accrued consumption tax (Decrease:-)	104	-799	904
Increase/decrease of advances by customers (Decrease:-)	2,036	6,612	-4,575
Increase/decrease of deferred income (Decrease: -)	―	-6,063	6,063
Increase/decrease of allowance for bonus payable (Decrease:-)	32	-266	299
Others	-33	-138	104
Sub Total	28,888	29,832	-944
Interest and dividends received	11	48	-36
Amount paid for interest	-11	△0	-11
Corporation and other taxes paid	-13,234	-16,418	3,184
Loss on expenses for special retirement program	-1,515	―	-1,515
Total cash flow from business activities	14,138	13,462	676
II. Cash flow from investment activities			
Amounts paid for acquisition of marketable securities	-54,036	-5,200	-48,836
Income from sales of marketable securities	1,481	8,896	-7,414
Income from disposition of invested marketable securities	6,497	―	6,497
Amounts paid for acquisition of tangible fixed assets	-288	-399	111
Amounts paid for acquisition of intangible fixed assets	-1	-14	13
Amounts paid for acquisition of invested marketable securities	-52	-259	206
Income from sales of invested marketable securities	245	72	173
Amounts paid for acquisition of stocks of affiliated companies	―	-5	5
Amounts paid as loans	―	-5,000	5,000
Income from recovered loans	5,000	5,004	-4
Amounts paid as deposit money	-42	-147	105
Income from returned deposit money	529	5	524
Others	0	―	0
Total cash flow from investment activities	-40,667	2,951	-43,618
III. Cash flow from financial activities			
Stock issue income	―	6	-6
Amounts paid for acquisition of own stocks	-2,648	-45	-2,602
Income from disposition of own stocks	―	16	-16
Amount paid for dividends	-12,149	-14,704	2,555
Total cash flow from financial activities	-14,797	-14,727	-70
IV. Increase/Decrease in cash and cash equivalents (Decrease:-)	-41,326	1,686	-43,013
V. Balance of cash and cash equivalents at the beginning of term	75,996	74,310	1,686
VI. Blance of cash and cash equivalents at the end of term	34,669	75,996	-41,326

(4) Proposed Appropriation of Retained Earnings

(Unit: million Yen)

Item \ Term	Current term (From June 1, 2002 to May 31, 2003)	Previous term (From June 1, 2001 to May 31, 2002)	Change
I Unappropriated retained earnings at year-end	23,895	22,093	1,801
II Disposition of voluntary reserve			
Release from reserve for special depreciation	29	29	—
III These profits are allocated as follows:			
1. Dividends	9,558	7,691	1,867
(per share)	（75Yen）	（60Yen）	
2. Bonuses paid to directors	23	21	1
3. Bonuses paid to auditors	1	0	0
IV Earned surplus carried forward	14,341	14,409	-67

(Note)

On February 10, 2003, an interim dividend of 35 yen per share, totaling 4,477 million yen was paid.

[Significant Accounting Policies]

1. Valuation standard and method applied to negotiable securities
   (1) Investments in affiliated companies: At cost method based on moving average method
   (2) Held-maturity securities: Amortized cost method
   (3) Other securities
   Quoted securities:
   At current value method based on fair market value, etc., at fiscal year end. (Valuation variance is recorded in the category of shareholder's equity with unrealized gains and losses included in accumulated other comprehensive income (loss) and net of taxes. Cost of sales was calculated using the moving average method.)
   Non-quoted securities:
   At cost method based on moving average method

(Change in the accounting method)
Formerly, subsidiaries' shares and other securities without fair market value were stated at the weighted average cost. However, the moving averages method is used from the current interim period. The cost of other securities with fair market value sold was formerly calculated by the weighted average cost method, but the moving averages method is employed from the current six-month period. This alteration is intended to quickly and appropriately understand the security trading profit and loss. This change does not affect the amount of profits or losses.

2. Valuation standard and method applied to inventory assets
   Commodities: At cost method based on periodic average method by month

3. Depreciation method applied to fixed assets
   (1) Tangible fixed assets
   Building fixtures: At fixed percentage method
   Appliances and equipment
   Computer hardware: At fixed amount method
   Others: At fixed percentage method

   The useful life of major items are as follows:
   Building fixtures: 8 to 15 years
   Appliances and equipment

Personal computers:	2 years
Servers:	3 years
Others:	5 to 8 years

   (2) Intangible fixed assets: At fixed amount method
   Based on an in-house estimated available period (5 years) for software for in-house use.

4. Accounting of reserve
   (1) Reserve for bad debts
   To be prepared for losses generated by debts that become irrecoverable, the estimated cost of irrecoverable claims included in general claims are summed up by using the actual percentage of credit losses, and the estimated irrecoverable cost of specific claims such as claims suspected of being irrecoverable are summed up in consideration of the possibility of collection on an individual claim basis.
   (2) Reserve for bonus payable
   To be prepared for payment of bonus to employees, liabilities related to the estimated amount of bonus payment for the current term are summed up.

5. 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.

(Changes in the accounting method)

Standard for posting support services revenue

Formerly, the dates on which reports arrived from partners were applied as the standard for calculating the revenue for customer support in indirect sales. From the current period, customer support revenue is accounted proportionally divided by the period when customer support is offered.

Given that the provision of customer support occurs throughout the period, this change is intended to ensure adequate periodic profits and losses. The effect of this change is minor.

6. Scope of the fund in the statement of cash flows

The fund in the statement of cash flows, consisting of cash and cash equivalents, consists of cash on hand, deposits that can be withdrawn without notice and short-term investments that are easily convertible, that mature within three months of the date of acquisition and that have a slight risk of a fluctuation in value.

7. Other important remarks

(1) Accounting of consumption tax, etc.

Based on pre-tax method

(2) Accounting standards regarding the reversal of treasury stocks and legal reserves

From this term, the company is adopting “Accounting Standards regarding Reversal of Treasury Stocks and Legal Reserves” (Corporate Accounting Standards No.1). This change has only a minor effect on profit and loss. Due to the revision to the regulations for financial statements, the shareholders’ equity section in the balance sheet for the current term is prepared based on the revised regulations for financial statements. The revised segmentation for indication is applied also to the sections for the previous term.

(3) Accounting standards regarding current net earnings per share

From this term, the company is adopting “Accounting Standard regarding Net Earnings per Share” (Corporate Accounting Standards No.2) and “Guidelines for Application of the Accounting Standard regarding Net Earnings per Share” (Guidelines for Application of Corporate Accounting Standards No. 4). This change has only a minor effect for the previous term’s result.

Notes

(Related to the balance sheet)

Item \ Term	Current term end (as of May 31, 2003)	Previous term end (as of May 31, 2002)
	Million yen	Million yen
*1. Credit and loans to affiliated companies	―――	Short-term loans receivable 5,000
*2. Accumulated depreciation for tangible fixed assets	4,074	4,557
*3. Number of authorized shares and total number of outstanding shares	Number of authorized shares 512,770,000 shares Total number of outstanding shares 128,191,498 shares	Number of authorized shares 512,770,000 shares Total number of outstanding shares 128,194,062 shares
*4. Breakdown for increase of the number of outstanding shares during the term Stock issuance through stock option Date of stock issue Number of stocks issued Issue value Transfer to stockholders' equity	―――	From June 1, 2001 to November 30 600 shares 11,132 yen 3 million yen

(Related to the statement of income) (Unit: million Yen)

Item \ Term	Current term (from June 1, 2002 to May 31, 2003)		Previous term (from June 1, 2001 to May 31, 2002)	
*1. Amount of transactions with affiliated companies	Interest paid	12	Purchases Interest paid	15,309 1
Breakdown of loss on disposition of fixed assets	Loss on disposition of building and equipments Loss on disposition of furniture and fixtures	137 53	Loss on disposition of furniture and fixtures	3
	Total	191	Total	3

(Related to the statement of cash flows) (Unit: million Yen)

Item \ Term	Current term end (as of May 31, 2003)		Previous term end (as of May 31, 2002)	
Relationship between the term end balance of cash and cash equivalents and the amount of items indicated in the balance sheet	Cash and cash equivalent Securities Investment trust for securities	34,669 50,508 -50,505	Cash and cash equivalent Securities Investment trust for securities	75,996 4,502 -4,502
	Total	34,669	Total	75,996

1. Lease transactions

(Unit: million Yen)

Item \ Term	Current term (from June 1, 2002 to May 31, 2003)		Previous term (from June 1, 2001 to May 31, 2002)	
Operating lease transactions	Ongoing lease charges		Ongoing lease charges	
	Within a year	0	Within a year	2
	Over a year	-	Over a year	2
	Total	0	Total	5

2. Securities

Current term（As of May 31, 2003）

1.Stocks of subsidiary companies with a market value

Not applicable

2.Bonds to be held by maturity date with market prices (Unit: million yen)

	Category	Cost for acquisition	Amount recorded on the balance sheet	Difference
Those whose amounts recorded on the balance sheet are higher than the acquisition cost	(1) Government and local government bond	—	—	—
	(2) Corporate bonds	4,258	4,258	0
	(3) Others	1,149	1,149	0
	Subtotal	5,407	5,407	0
Those whose amounts recorded on the balance sheet are lower than the acquisition cost	(1) Government and local government bond	—	—	—
	(2) Corporate bonds	3,003	3,003	-0
	(3) Others	—	—	—
	Subtotal	3,003	3,003	-0
Total		8,411	8,411	0

3. Other securities at market prices (Unit: million yen)

	Category	Cost for acquisition	Amount recorded on the balance sheet	Difference
Those whose amounts recorded on the balance sheet are higher than the acquisition cost	(1) Stocks	143	227	84
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Subtotal	143	227	84
Those whose amounts recorded on the balance sheet are lower than the acquisition cost	(1) Stocks	—	—	—
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Subtotal	—	—	—
Total		143	227	84

4. Other securities disposed of during the term (from June 1, 2002 to May 31, 2003) (Unit: million yen)

Amount disposed of	Total profit from disposition	Total loss from disposition
1,727	173	18

5. Content of main marketable securities without a market value (Unit: million yen)

	Amount recorded on the balance sheet	Remarks
1. Bonds to be hold by maturity date 2.Other marketable securities Unlisted stocks (excluding OTC stocks)	42,097 257	

6. Estimated redemptions of other marketable bonds to be held by maturity date (Unit: million yen)

	Within 1 year	1 to 5 years	5 to 10 years	10 years and over
Bonds				
(1) Government and local government bond	-	-	-	-
(2) Corporate bonds	7,250	-	-	-
(3) Others	43,223	-	-	-
Total	50,473	-	-	-

Previous term（As of May 31, 2002）

1. Stocks of subsidiary companies with a market value

Not applicable

2. Other securities at market prices (Unit: million yen)

	Category	Cost for acquisition	Amount recorded on the balance sheet	Difference
Those whose amounts recorded on the balance sheet are higher than the acquisition cost	(1) Stocks	20	43	23
	(2) Bonds	-	-	-
	(3) Others	3,000	3,006	6
	Subtotal	3,020	3,050	30
Those whose amounts recorded on the balance sheet are lower than the acquisition cost	(1) Stocks	-	-	-
	(2) Bonds	-	-	-
	(3) Others	1,500	1,496	-3
	Subtotal	1,500	1,496	-3
Total		4,520	4,546	26

3. Other securities disposed of during the term (from June 1, 2001 to May 31, 2002) (Unit: million yen)

Amount disposed of	Total profit from disposition	Total loss from disposition
8,968	69	108

4. Content of main marketable securities without a market value (Unit: million yen)

	Amount recorded on the balance sheet	Remarks
Other marketable securities Unlisted stocks (excluding OTC stocks)	479	

5. Estimated redemptions of other marketable securities with maturity date (Unit: million yen)

	Within 1 year	1 to 5 years	5 to 10 years	10 years and over
Others	3,000	-	1,500	-
Total	3,000	-	1,500	-

3. Derivative transactions

Not applicable as our Company does not use derivative transactions at all.

4. Loss/Gain on equity method

Not applicable

5. Transactions with related bodies

Current term（from June 1, 2002 to May 31 2003）

Sister companies, etc.

Attributes	Corporate name	Address	Capital or investment	Scope of business or occupation	Ratio of voting and other rights in possession (or being possessed)	Relationship		Description of transactions	Transaction amount	Item	Term-end balance
						Double role of directors	Business relationship				
Subsidiary of parent company	Oracle International Corporation	California, U.S.A.	-	Holding and management of intellectual property rights	None	None	Conclusion of sales agency agreements	Payment of royalties	23,961	Accounts payable	6,703

(Notes) Transaction conditions and policies for determining them

1. Royalty fees are charged 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 uniform standards.
2. The above transaction amount does not include consumption and other taxes.

Previous term（from June 1, 2001 to May 31, 2002）

Parent corporations, major corporate shareholders, etc.

Attributes	Corporate name	Address	Capital or investment	Scope of business or occupation	Ratio of voting and other rights in possession (or being possessed)	Relationship: Double role of directors	Relationship: Business relationship	Description of transactions	Transaction amount	Item	Term-end balance
Parent corporation	Oracle Corporation	California, U.S.A.	US$4,972,798	Development and sales of software products and provision of accompanying services	(Possessed) Indirect: 74.84%	Double roles assumed by three directors	Conclusion of sales agency agreements	Purchase of commodities and payment of royalty fees	15,308	Accounts payable	5
								Loans of funds	5,000	Short-term loans	5,000

(Notes)　Transaction conditions and policies for determining them

1. The purchase prices of commodities are based on the costs of media (program recording media), manuals and others, with predetermined margins added.
2. Royalty fees are charged 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 uniform standards. Under a new distribution agreement concluded on March 1, 2002, the payee of royalties changed to Oracle International Corporation.
3. Loans of funds are generally temporary, and are based on individual agreements concluded in the course of negotiation.　Interest rates are determined reasonably, taking into consideration prevailing market interest rates.
4. The above transaction amount does not include consumption and other taxes.

Sister companies, etc.

Attributes	Corporate name	Address	Capital or investment	Scope of business or occupation	Ratio of voting and other rights in possession (or being possessed)	Relationship		Description of transactions	Transaction amount	Item	Term-end balance
						Double role of directors	Business relationship				
Subsidiary of parent company	Oracle International Corporation	California, U.S.A.	-	Holding and management of intellectual property rights	None	None	Conclusion of sales agency agreements	Payment of royalties	6,694	Accounts payable	6,041

(Notes) Transaction conditions and policies for determining them

1.Royalty fees are charged 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 uniform standards. Under a new distribution agreement concluded on March 1, 2002, the payee of royalties changed to Oracle International Corporation.

2.The above transaction amount does not include consumption and other tax

6.Tax effect accounting

1. Breakdown of deferred tax assets/liabilities by main causes

(Unit: million yen)

Current term (as of May 31, 2003)	
(Current)	
Deferred tax assets	
Account receivables	101
Account payables	157
Accrued business tax	344
Deferred income	510
Allowance for bonus payable	448
Others	68
Total deferred tax assets	1,629
Deferred tax liabilities	
Others	-28
Total deferred tax liabilities	-28
Net deferred tax assets	1,601
(Fixed)	
Deferred tax assets	
Depreciation surplus	447
Loss on valuation of invested marketable securities	204
Others	213
Total deferred tax assets	866
Deferred tax liabilities	
Extraordinary depreciation reserve	-86
Others	-34
Total deferred tax liabilities	-120
Net deferred tax assets	746

Previous term (as of May 31, 2002)	
(Current)	
Deferred tax assets	
Accrued business tax	594
Allowance for bonus payable	315
Deferred income	149
Others	119
Total deferred tax assets	1,178
Deferred tax liabilities	
Difference on valuation of marketable securities	-1
Total deferred tax liabilities	-1
Net deferred tax assets	1,177
(Fixed)	
Deferred tax assets	
Depreciation surplus	433
Loss on valuation of invested marketable securities	247
Software depreciation surplus	120
Others	131
Total deferred tax assets	933
Deferred tax liabilities	
Extraordinary depreciation reserve	-109
Others	-10
Total deferred tax liabilities	-119
Net deferred tax assets	813

2. Breakdown by main items of the difference between the legal effective tax rate and the burden rate of corporation tax, etc. after application of tax effect accounting.

A breakdown by main items of the difference between the legal effective tax rate and the burden rate of corporation tax, etc. after application of tax effect accounting has been excluded as the difference is less than 5/100 of the legal effective tax rate.

3. In accordance with the revision in local taxation law effective from March 31, 2003, the tax rate to calculate the deferred tax assets and deferred tax liabilities (expected to be eliminated after June 2004 only) in this term changed from 42.1% to 40.7%. With this change in the tax rate, the deferred tax assets at the end of this term after deducting deferred tax liabilities decreased by ¥ 32 million, and income tax expense-differed and appraisal loss and gain from available-for sale securities increased by ¥34 million and 1 million respectively.

7.Retirement pensions

Current term (as of May 31, 2003)

1. Summary of adopted retirement pensions scheme

Company adopt defined contribution-type pension plan from January 2002.

2. Items relating to employee retirement benefit expenses this term

The amount of assets transferred to the defined contribution pension is 306 million yen.

Special retirement payment 1,429 million Yen was accounted for including “Loss on expenses for special retirement program1,542million Yen” in the part of Extraordinary expenses

Previous term(as of May 31, 2002)

1. Summary of adopted retirement pensions scheme

As a result of the enactment of the Defined Contribution Pension Law, in January 2002 our Company switched the entire eligible retirement pension plan over to a defined contribution-type pension plan.

2. Items relating to employee retirement benefit obligations this term

The effect of the total switchover from the eligible retirement pension plan to a defined contribution pension plan is as follows. (Unit: million yen)

Decrease of employee retirement benefit obligations	209
Difference from unconfirmed computation discrepancy	-125
Decrease of allowance for employee retirement benefits	84

(Note) The amount of assets transferred to the defined contribution pension is 717 million yen and the transfer has been made this term.

3. Items relating to employee retirement benefit expenses this term (Unit: million yen)

	From June 1, 2001 to May 31 2002
(1) Employment expenses	197
(2) Interest expenses	15
(3) Expected operation profit (loss)	-22
(4) Disposition of computation discrepancy expenses	176
(5) Employee retirement benefit expenses	367
(6) Gain on revision of employee retirement benefit plan	-84
(7) Others	134
Total	417

(Note) “(7) Others” are contributions paid to the defined contribution plan.

8.Going-Concern principle

Not applicable

5. Change of directors and auditors (As of August 21, 2003)

( ): Current Position

(1) Change of the representative director

None

(2) Other newly appointed directors and auditors

(i) New candidate for director

John L. Hall (Oracle Corporation, Senior Vice President, Oracle University HQ)

* Mr. John L. Hall satisfies the requirements for external directors as defined by Item 7-2, Section 2, Article 188 of the Commercial Code.

(ii) Directors to be retired

None

(iii) New candidate for auditor

None

(iv) Auditors to be retired

None

(v) Promotion or change of the assignment

None