

This flash report is unaudited and the translation of the Japanese language version.

Flash Report for the Fiscal Year Ended May 31, 2023
[under Japanese GAAP] (Non-consolidated)

June 23, 2023



Company Name Oracle Corporation Japan Listed Stock Exchange: TSE Standard
 Ticker: 4716 URL: <http://www.oracle.com/jp/corporate/investor-relations/index.html>
 Representative & Contact personal Telephone: 03-6834-6666
 Representative personal Hiroko Utsumi, Representative Corporate Executive Officer & Managing Counsel
 Contact personal Yuki Nishio, Director, Investor Relations
 Schedule for general shareholders meeting: August 24, 2023 Schedule for dividends payment: August 7, 2023
 Schedule for annual security report: August 24, 2023
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results conference: Yes (for analysts and institutional investors)
 (Amount of less than ¥1 million are rounded down)

1. Financial results for this term (from June 1, 2022 to May 31, 2023)

(1) Operating result

(% of change from previous year)

| | Revenue | | Operating Income | | Ordinary Income | | Net Income | |
|----------|-------------|-----|------------------|-----|-----------------|-----|-------------|-----|
| | Million Yen | % | Million Yen | % | Million Yen | % | Million Yen | % |
| May 2023 | 226,914 | 5.7 | 74,396 | 1.6 | 74,681 | 1.5 | 52,009 | 1.6 |
| May 2022 | 214,691 | 3.0 | 73,213 | 3.3 | 73,543 | 3.7 | 51,182 | 4.1 |

| | Net income per share | | Net income per share (diluted) | | ROE | ROA | Operating Income Margin |
|----------|----------------------|-----|--------------------------------|-----|------|------|-------------------------|
| | Yen | Sen | Yen | Sen | % | % | % |
| May 2023 | 405 | 98 | 405 | 91 | 37.0 | 28.8 | 32.8 |
| May 2022 | 399 | 55 | 399 | 42 | 29.7 | 25.8 | 34.1 |

(2) Financial Position

| | Total Assets | | Net Assets | | Ratio of shareholders' equity | Net assets per share | |
|----------|--------------|--|-------------|--|-------------------------------|----------------------|-----|
| | Million Yen | | Million Yen | | % | Yen | Sen |
| May 2023 | 281,015 | | 155,854 | | 55.4 | 1,217 | 05 |
| May 2022 | 236,868 | | 125,355 | | 52.9 | 977 | 41 |

Shareholders' equity May 2023: 155,768 Million Yen (May 2022: 125,243 Million Yen)

(3) Cash Flows

| | Cash flows from operating activities | | Cash flows from investing activities | | Cash flows from financing activities | | Cash and cash equivalents at the end of period | |
|----------|--------------------------------------|--|--------------------------------------|--|--------------------------------------|--|--|--|
| | Million Yen | | Million Yen | | Million Yen | | Million Yen | |
| May 2023 | 67,732 | | -743 | | -22,666 | | 104,531 | |
| May 2022 | 53,091 | | 99,835 | | -146,832 | | 60,142 | |

2. Dividends

| | Dividend per share | | | | | | | | | | Total amount of dividends | Dividends payout ratio | Dividend Ratio to shareholders' equity |
|---------------------|-----------------------------|-----|-----------------------------|-----|-----------------------------|-----|-----------------|-----|-------|-----|---------------------------|------------------------|--|
| | 1 st Quarter end | | 2 nd Quarter end | | 3 rd Quarter end | | Fiscal Year End | | Total | | | | |
| | Yen | Sen | Yen | Sen | Yen | Sen | Yen | Sen | Yen | Sen | | | |
| May 2022 | - | | 0 | 00 | - | | 160 | 00 | 160 | 00 | 20,518 | 40.0 | 11.9 |
| May 2023 | - | | 0 | 00 | - | | 162 | 00 | 162 | 00 | 20,778 | 39.9 | 14.8 |
| May 2024 (Forecast) | - | | - | | - | | - | | - | | | - | |

(Note1) Changing Dividend Forecast for the year ended May 31, 2023: Yes

(Note2) Year-end dividend for the year ending May 31, 2024 has yet to be determined.

3. Forecast for the May 2024 term (from June 1, 2023 to May 31, 2024)

(% of change from previous year)

| | Revenue | Net income per share |
|-------------|---------|----------------------|
| | % | Yen |
| Entire term | 2.0~6.0 | 406.00~418.00 |

(Note1) Company uses ranges of values for the forecast. Please refer to Future Outlook, on page 5.

(Note2) Estimation of effective tax rate is 30.8%

4. Other information

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

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

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

| | | | |
|--|----------|-------------|--------|
| (i) The number of shares outstanding (inclusive of treasury stock) | May 2023 | 128,274,071 | shares |
| | May 2022 | 128,256,471 | shares |
| (ii) The number of treasury stock | May 2023 | 286,064 | shares |
| | May 2022 | 118,544 | shares |
| (iii) The number of average shares outstanding (cumulative, non-consolidated, year to date) | May 2023 | 128,106,857 | shares |
| | May 2022 | 128,100,762 | shares |

(Note) The Company's stock held by Board Incentive Plan Trust and Employee Stock Ownership Plan Trust is included in the number of treasury stock.

The treasury shares which remain in the BIP trust and the ESOP trust are included in the treasury stock to be deducted in the calculation of the number of average shares outstanding during the term.

Caution1:

This flash report is not subject to audit.

Caution2:

Above forecast is based on the information available at a time of issuance of this report, and the actual result may change by various reasons. Please refer to Future prospects, on page 5.

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1. Overview of the Management Operations' Results, etc.

(1) Overview of the Management Operations' Results in the Current Financial Year

Overview

During the fiscal year under review (from June 1, 2022 to May 31, 2023, hereinafter "this year"), the Japanese information services industry in which the Company operates were gradually recovering in migrating to the Cloud and IT investment aimed at corporate growth and boosting competitiveness, including investing in new technologies exemplified by Autonomous, AI, Machine learning or Deep learning technology, improving efficiency through the use of variable digital data, building the IT environment to realize sustainable management and strengthening contact points with end users.

In this business environment, the Company is expanding our Cloud business for realizing Customers' innovation, for their business transformation, and for supporting their firm growth.

As a result of these measures, the Company posted 226,914 million yen (up 5.7 % year on year) in revenue, 74,396 million yen (rising 1.6 %) in operating income, 74,681 million yen (gaining 1.5 %) in ordinary income and 52,009 million yen (increasing 1.6 %) in net income.

For revenue and each profit category indicated attained hit record high as this year (the fiscal year ended).

Go to Market Strategy (FY2023)

Mission Statement

The Company is aiming for further business growth by supporting our customer's cloud migration of their core systems and active data utilization. Its mission is to help people see data in new ways, discover insights, unlock endless possibilities.

We have confidence that continuing to evolve ourselves and navigating the evolution of our customers will be a step toward guiding the world in the right direction, and ultimately will contribute to society and humankind.

Our Strength

The Company is aiming for further business growth by supporting our customers' cloud migration of their core systems and active data utilization with deepen customer-trust, which is based on "Be a TRUSTED TECHNOLOGY ADVISOR". We have practiced DX (Digital Transformation) with our Cloud Journey to the Cloud by own technology which brought business success to ourselves. By accelerating to deploy and implement our technology to the customers, we support their Cloud Journey to Data-driven DX.

The Company has the comprehensive product portfolio which consists of platform, applications, hardware which can be deployed on cloud environment and on-premise environment. Especially our software license products have been widely adopted in the field of mission critical systems, which have demanded high security, availability and high 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 system architecture and technologies as these software licenses, and the Company enjoys a strength in enabling coordination and bidirectional migration between on-premises systems built with the software licenses products and the Oracle Cloud.

Key Initiatives

The Company is further accelerate to provide its Cloud services, which maximize the value of information by data-driven approaching and supporting services for customers to utilize our Cloud Services that we have been focusing on. License team and Cloud one proceed the deals and projects by cooperating with each other, hereby the Company drives its customers' Cloud Transformation.

Furthermore, we reinforce our industry model by collaborating cross-functionally, which contribute customers' business with deploying optimal Oracle Solutions in each industry.

The five measures which make "To Accelerate Cloud Transformation"

1) Mission Critical Systems Modernization

To support the transformation of cost structure, the minimization of business continuity risk, and the balance of the ability to adjust and respond to change.

2) End-to-End Business Process Digitalization

To support the reduction of back office load and the concentration of management resources on high-value-added businesses.

3) Resilient Social Infrastructure Realization

To support the realization of a robust and secure social infrastructure which is required for Economic Security.

4) Business and Social Sustainability Acceleration

To support the enhancement of corporate value in the mid-term and the realization of a Sustainable economy by power of IT.

5) Co-Innovation Partner Eco-system Enhancement

To promote our key initiatives by leveraging a mutual strength of us and our stakeholders.

(Glossary)

- Cloud service: Providing software and hardware resources 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.
- On-premises: A form of IT system developed and operated as the company's possession.

Business status in the 4th Quarter of the fiscal year (from March 1, 2023 to May 31, 2023)

[Cloud & Licenses]

In the Cloud license and on-premise license, the Company has developed its strength of products and services to its Customers under our strategy stated above.

Regarding our License business, the market is showing a recovery trend in IT investment which is not only for cost reduction but developing and growing their business.

In terms of Partner business side, we are expanding our cooperative ties of alliance and keep on expansion our Cloud partnership, while creating new demands on SME market segment.

In the cloud service, we continued to focus on facilitating existing customers' upgrades to the Oracle Fusion Cloud ERP (a lift and shift from on-premises to the cloud) to further accelerate a shift to the cloud, while also working proactively on acquiring new customers.

Regarding "Oracle Cloud Infrastructure (OCI)", there is a lot of demands from customers putting a weight on performance, security and cost effectiveness that has led to the usage of our Tokyo and Osaka region data center are successfully increasing continuously with expansion its Cloud datacenter.

We have been authorized ISMAP (Information system Security Management and Assessment Program) for Government Cloud supplier with OCI, PaaS and Oracle Exadata Cloud@Customer.

Furthermore, our OCI is selected as Cloud service for government cloud development at the Digital Agency in FY2023 (until the end of March, 2023), and prospective benefits amid a push for the Central and Local governments' digitalization include an acceleration and increase in investment, larger projects, and further stimulation of demand over the mid-long term.

The Company has opened a website that provides information on OCI for governments and local governments (in Japanese only).

<https://www.oracle.com/jp/cloud/government/>

NetSuite for SME market remained brisk performance in adding new customers who adopted Cloud ERP.

Also we have been keeping the high renewal rate of license support contracts and the attach rate for the on-premise license.

[Hardware Systems]

In Hardware Systems segment, the Company released "Oracle Exadata Database Machine X9M" (upgraded version of X8M) combines Intel® Optane™ DC persistent memory in September 2021. The inquiry for this machine is strong and the impact on shipments has gradually eased because of shortage of the semiconductor chip worldwide, however we are continuously examining our business status.

Exadata X9M removes storage bottlenecks and dramatically increase performance for the most demanding workloads such as Online Transaction Processing (OLTP), analytics, IoT, fraud detection, and high frequency trading.

Furthermore, the Company released "Exadata Database Machine X10M" (upgraded version of X9M) in June, 2023.

"Exadata Database Machine X10M" and "Exadata Cloud@Customer X10M" are the first Exadata systems powered by all AMD EPYC™ processors.

[Services]

In Services segment, the number of composite projects from Consulting Services 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.

Revenue breakdown by business segments (Year to Date)

| Item | May 2022 | | May 2023 | | |
|------------------------------------|-------------|-------|-------------|-------|----------|
| | Amount | Comp. | Amount | Comp. | Variance |
| | Million Yen | % | Million Yen | % | % |
| Cloud license & on-premise license | 44,975 | 20.9 | 47,876 | 21.1 | 6.4 |
| Cloud services & license support | 132,636 | 61.8 | 141,975 | 62.6 | 7.0 |
| Cloud & License | 177,612 | 82.7 | 189,851 | 83.7 | 6.9 |
| Hardware systems | 15,429 | 7.2 | 16,240 | 7.2 | 5.3 |
| Services | 21,649 | 10.1 | 20,822 | 9.2 | -3.8 |
| Total | 214,691 | 100.0 | 226,914 | 100.0 | 5.7 |

*Amount is rounded down. Composition ratio and year-to-year comparison (% of change YoY) are rounded off.

(2) Overview of the Financial Position in the Current Financial Year

Current assets at the end of the current fiscal year were 130,831 million yen (increasing 46,030 million yen from the previous fiscal year end). Noncurrent assets of the Company at the end of the term stood at 150,184 million yen (decreasing 1,883 million yen from the previous fiscal year end).

Liabilities were 125,161 million yen (increasing 13,648 million yen from the previous fiscal year end). Net assets totaled 155,854 million yen (increasing 30,498 million yen from the previous fiscal year end). As a result, the ratio of shareholders' equity was 55.4 % (up 2.5 percentage points from the previous fiscal year end).

(3) Overview of the Cash flows in the Current Financial Year

(Cash flows from operating activities)

Cash generated from operating activities was 67,732 million yen (increasing 14,640 million yen year on year). The inflow is mainly attributable to the posting of income before income taxes of 74,696 million yen, an increase in contract liabilities of 13,040 million yen. The outflows are attributable to the payment of 22,866 million yen in income taxes.

(Cash flows from investment activities)

Cash used for investment activities was 743 million yen (generated of 99,835 million yen in the previous fiscal year). This was mainly due to the payment of purchase of property, plant and equipment.

(Cash flows from financial activities)

Cash used for financial activities was 22,666 million yen (decreasing 124,166 million yen year on year). This was primarily appropriated to the payment of dividends.

In total, cash and equivalents increased 44,388 million yen from the end of the previous term, to 104,531 million yen.

(4) Future Outlook

Mission Statement

The Company is aiming for further business growth by supporting our customer's cloud migration of their core systems and active data utilization. Its mission is to help people see data in new ways, discover insights, unlock endless possibilities.

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Our Strength

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The Company has the comprehensive product portfolio which consists of platform, applications, hardware which can be deployed on cloud environment and on-premise environment. Especially our software license products have been widely adopted in the field of mission critical systems, which have demanded high security, availability and high performance for many years. The Oracle Cloud, which is the core of the Company's business, has been developed based on the same system architecture and technologies as these software licenses, and the Company enjoys a strength in enabling coordination and bidirectional migration between on-premises systems built with the software licenses products and the Oracle Cloud.

Key Initiatives

Through the data-driven approaches that we have been focusing on, we will further accelerate the provision of not only cloud-based services to maximize the value of information but various types of services to support the use of such cloud services. In consequence, we will contribute to Japanese society.

Also, our license team and cloud team will step up collaboration with each other to facilitate customers' initiatives for cloud transformation.

In addition, we will contribute to customers' businesses by strengthening industry models through cross-functional collaboration and providing optimal Oracle solutions to customers in a range of industries.

We were able to lay a foundation through five measures we focused on in the fiscal year ended May 31, 2023 with a view to accelerating cloud transformation. In this fiscal year, to contribute to Japanese society, we will focus on the following initiatives specifically.

Provision of the Japan-focused cloud

1. By providing the cloud dedicated to customers in Japan, we will help Japanese companies modernize their mission-critical systems.
2. By supporting the digitalization of local governments in all over Japan nationwide through the utilization of Oracle Cloud Infrastructure (OCI) which is certified as the Government Cloud, we will contribute to the government cloud initiative that the Japanese government is promoting.
3. By always offering optimal solutions for the reform of IT cost structures while also providing a range of solutions such as the hybrid cloud featuring on-premises and the cloud, as well as multi-cloud solutions, we will support customers in introducing cloud-based mission-critical systems.
4. By providing cloud-native SaaS, we support the transformation of customers' life cycle cost structures, the enjoyment of continuously evolving AI technology, and the ability to respond to change.
5. To implement the above measures, we will further strengthen collaboration with partners.

The Company uses a range of values for the forecast for the next fiscal year. The Company is carefully examining the effects on its further business and it will announce that the forecast may change by various reason.

(% of change from previous year)

| | Revenue | Net income per share | Estimation of effective tax rate |
|-------------|---------|-------------------------|-------------------------------------|
| | % | Yen | % |
| Entire term | 2.0~6.0 | 406.00~418.00 | 30.8 |

Cautious Statements for the forecast

Forecasts and other statements in this document that are not historical facts are made by the Company based on the information available to it and assumptions that it considered reasonable at the time of publication of this document. The Company does not guarantee to achieve them. A number of factors could cause actual results to differ materially from forward-looking statements.

2. Basic Policies Concerning Selection of Accounting Standards

In the preparation of non-consolidated financial results, the company has adopted Japanese GAAP. The Company has an internal control to comply with accounting rules appropriately and continues to monitor the regulation of the application of IFRS in Japan.

3. Financial Statements

(1) Balance Sheet

(Unit : Million yen)

| Description | Previous term end (as of May 31, 2022) | Current term end (as of May 31, 2023) |
|---|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 60,142 | 104,531 |
| Accounts receivable-trade | 20,784 | 21,350 |
| Advance payments to suppliers | 62 | 1,534 |
| Prepaid expenses | 108 | 44 |
| Other | 3,721 | 3,389 |
| Allowance for doubtful accounts | -20 | -20 |
| Total current assets | 84,800 | 130,831 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings, net | 19,362 | 19,394 |
| Accumulated depreciation | -10,734 | -11,569 |
| Buildings, net | 8,628 | 7,824 |
| Tools, furniture and fixtures | 7,684 | 5,908 |
| Accumulated depreciation | -6,573 | -4,816 |
| Tools, furniture and fixtures, net | 1,111 | 1,092 |
| Land | 26,057 | 26,057 |
| Total property, plant and equipment | 35,796 | 34,973 |
| Intangible assets | | |
| Software | 1 | 1 |
| Total intangible assets | 1 | 1 |
| Investments and other assets | | |
| Investment securities | 36 | 36 |
| Deferred tax assets | 4,051 | 2,703 |
| Guarantee deposits | 154 | 122 |
| Long-term loans receivable from subsidiaries and associates | 110,000 | 110,000 |
| Other | 2,028 | 2,347 |
| Total investments and other assets | 116,270 | 115,209 |
| Total noncurrent assets | 152,068 | 150,184 |
| Total assets | 236,868 | 281,015 |

(Unit : Million yen)

| Description | Previous term end (as of May 31, 2022) | Current term end (as of May 31, 2023) |
|---|---|--|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 8,918 | 10,193 |
| Accounts payable-other | 4,672 | 4,818 |
| Income taxes payable | 12,313 | 10,659 |
| Contract liabilities | 80,047 | 93,088 |
| Deposits received | 175 | 141 |
| Provision for bonuses | 1,953 | 1,896 |
| Provision for directors' bonuses | 21 | 28 |
| Provision for product warranties | 31 | 39 |
| Provision for stock benefits | 761 | 661 |
| Other | 2,616 | 3,634 |
| Total current liabilities | 111,512 | 125,161 |
| Noncurrent liabilities | | |
| Other | 0 | 0 |
| Total noncurrent liabilities | 0 | 0 |
| Total liabilities | 111,513 | 125,161 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 25,067 | 25,111 |
| Capital surplus | | |
| Legal capital surplus | 8,418 | 8,462 |
| Total capital surplus | 8,418 | 8,462 |
| Retained earnings | | |
| Other retained earnings | | |
| Retained earnings brought forward | 93,156 | 124,646 |
| Total retained earnings | 93,156 | 124,646 |
| Treasury stock | -1,399 | -2,452 |
| Total shareholders' equity | 125,243 | 155,768 |
| Subscription rights to shares | 111 | 85 |
| Total net assets | 125,355 | 155,854 |
| Total liabilities and net assets | 236,868 | 281,015 |

(2) Statement of Income

(Unit : Million yen)

| Description | Previous term (From June 1, 2021 to May 31, 2022) | Current term (From June 1, 2022 to May 31, 2023) |
|---|---|---|
| Net sales | 214,691 | 226,914 |
| Cost of sales | 109,139 | 118,622 |
| Gross Profit | 105,551 | 108,292 |
| Selling, general and administrative expenses | 32,337 | 33,895 |
| Operating income | 73,213 | 74,396 |
| Non-operating income | | |
| Interest income | 157 | 97 |
| Foreign exchange gains | 178 | 142 |
| Others | 16 | 54 |
| Total Non-Operating Income | 352 | 294 |
| Non-Operating expenses | | |
| Others | 23 | 9 |
| Total Non-Operating expenses | 23 | 9 |
| Ordinary Income | 73,543 | 74,681 |
| Extraordinary Income | | |
| Gain on reversal of subscription rights to shares | 5 | 14 |
| Total Extraordinary Income | 5 | 14 |
| Income before income taxes | 73,548 | 74,696 |
| Income taxes-current | 22,562 | 21,375 |
| Income taxes-deferred | -196 | 1,311 |
| Total Income Taxes | 22,366 | 22,686 |
| Net Income | 51,182 | 52,009 |

(3) Statement of changes in shareholders' equity

Previous term end (From June 1, 2021 to May 31, 2022)

(Unit : Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------------|-----------------------|--|-------------------------|
| | Capital stock | Capital surplus | | Retained earnings | |
| | | Legal capital surplus | Total Capital surplus | Other retained earnings Retained earnings brought forward | Total retained earnings |
| Balance at the beginning of current period | 25,033 | 8,384 | 8,384 | 188,924 | 188,924 |
| Changes of items during the period | | | | | |
| Issuance of new shares-exercise of subscription rights to shares | 33 | 33 | 33 | | |
| Dividends from surplus | | | | -146,949 | -146,949 |
| Net income | | | | 51,182 | 51,182 |
| Purchase of treasury stock | | | | | |
| Sale of treasury stock | | 0 | 0 | | |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | 33 | 33 | 33 | -95,767 | -95,767 |
| Balances at end of current period | 25,067 | 8,418 | 8,418 | 93,156 | 93,156 |

| | Shareholders' equity | | Subscription rights to shares | Net assets |
|--|----------------------|----------------------------|-------------------------------|------------|
| | Treasury stock | Total shareholders' equity | | |
| Balance at the beginning of current period | -2,461 | 219,881 | 118 | 219,999 |
| Changes of items during the period | | | | |
| Issuance of new shares-exercise of subscription rights to shares | | 67 | | 67 |
| Dividends from surplus | | -146,949 | | -146,949 |
| Net income | | 51,182 | | 51,182 |
| Purchase of treasury stock | -5 | -5 | | -5 |
| Sale of treasury stock | 1,067 | 1,068 | | 1,068 |
| Net changes of items other than shareholders' equity | | | -6 | -6 |
| Total changes of items during the period | 1,062 | -94,638 | -6 | -94,644 |
| Balances at end of current period | -1,399 | 125,243 | 111 | 125,355 |

Current term end (From June 1, 2022 to May 31, 2023)

(Unit : Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------------|-----------------------|--|-------------------------|
| | Capital stock | Capital surplus | | Retained earnings | |
| | | Legal capital surplus | Total Capital surplus | Other retained earnings Retained earnings brought forward | Total retained earnings |
| Balance at the beginning of current period | 25,067 | 8,418 | 8,418 | 93,156 | 93,156 |
| Changes of items during the period | | | | | |
| Issuance of new shares-exercise of subscription rights to shares | 43 | 43 | 43 | | |
| Dividends from surplus | | | | -20,518 | -20,518 |
| Net income | | | | 52,009 | 52,009 |
| Purchase of treasury stock | | | | | |
| Sale of treasury stock | | 0 | 0 | | |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | 43 | 43 | 43 | 31,490 | 31,490 |
| Balances at end of current period | 25,111 | 8,462 | 8,462 | 124,646 | 124,646 |

| | Shareholders' equity | | Subscription rights to shares | Net assets |
|--|----------------------|----------------------------|-------------------------------|------------|
| | Treasury stock | Total shareholders' equity | | |
| Balance at the beginning of current period | -1,399 | 125,243 | 111 | 125,355 |
| Changes of items during the period | | | | |
| Issuance of new shares-exercise of subscription rights to shares | | 87 | | 87 |
| Dividends from surplus | | -20,518 | | -20,518 |
| Net income | | 52,009 | | 52,009 |
| Purchase of treasury stock | -2,215 | -2,215 | | -2,215 |
| Sale of treasury stock | 1,161 | 1,161 | | 1,161 |
| Net changes of items other than shareholders' equity | | | -25 | -25 |
| Total changes of items during the period | -1,053 | 30,524 | -25 | 30,498 |
| Balances at end of current period | -2,452 | 155,768 | 85 | 155,854 |

(4) Statement of Cash Flows

(Unit : Million yen)

| | Previous term (From June 1, 2021 to May 31, 2022) | Current term (From June 1, 2022 to May 31, 2023) |
|---|---|--|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes | 73,548 | 74,696 |
| Depreciation and amortization | 1,653 | 1,333 |
| Share-based compensation expenses | 9 | 2 |
| Increase (decrease) in provision for bonuses | -167 | -57 |
| Increase (decrease) in provision for directors' bonuses | 8 | 7 |
| Increase (decrease) in provision for product warranties | -10 | 7 |
| Increase (decrease) in provision for stock benefits | 73 | -99 |
| Foreign exchange losses (gains) | -83 | -66 |
| Interest and dividends income | -164 | -103 |
| Loss (gain) on sales and retirement of noncurrent assets | 16 | 3 |
| Decrease (increase) in notes and accounts receivable-trade | -1,984 | -566 |
| Decrease (increase) in advance payments to suppliers | 3,337 | -1,472 |
| Decrease (increase) in accounts receivable-other | 1,415 | 394 |
| Decrease (increase) in other current assets | -196 | 105 |
| Increase (decrease) in notes and accounts payable-trade | -461 | 1,274 |
| Increase (decrease) in accounts payable-other | 617 | 379 |
| Increase (decrease) in accrued consumption taxes | -863 | 892 |
| Increase (decrease) in contract liabilities | -158 | 13,040 |
| Increase (decrease) in other current liabilities | -39 | -36 |
| Other, net | 927 | 855 |
| Subtotal | 77,478 | 90,591 |
| Interest and dividends income received | 9 | 6 |
| Income taxes paid | -24,396 | -22,866 |
| Net cash provided by (used in) operating activities | 53,091 | 67,732 |
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | -395 | -765 |
| Proceeds from sales of property, plant and equipment | 67 | 17 |
| Purchase of intangible assets | -0 | -0 |
| Proceeds from loans receivable | 100,000 | - |
| Payments of guarantee deposits | -10 | -0 |
| Proceeds from collection of guarantee deposits | 209 | 4 |
| Payments for asset retirement obligations | -35 | - |
| Net cash provided by (used in) investing activities | 99,835 | -743 |
| Net cash provided by (used in) financing activities | | |
| Proceeds from issuance of shares | 56 | 74 |
| Purchase of treasury stocks | -5 | -2,215 |
| Proceeds from sales of treasury stocks | 0 | 0 |
| Cash dividends paid | -146,884 | -20,526 |
| Net cash provided by (used in) financing activities | -146,832 | -22,666 |
| Effect of exchange rate change on cash and cash equivalents | 83 | 66 |
| Net Increase/(Decrease) in cash and cash equivalents | 6,178 | 44,388 |
| Cash and cash equivalents at beginning of period | 53,964 | 60,142 |
| Cash and cash equivalents at end of period | 60,142 | 104,531 |

(5) Notes to Financial Statements

(Notes to Going Concern): Not Applicable

(Changes in Accounting Policies)

(Change in useful life)

As a result of reviewing the usage conditions of computer server equipment and computer storage equipment, the Company has changed the useful lives of these items based on the expected economic useful lives, which are more in line with actual conditions. The impact of this change on the Company's profit and loss for the current fiscal year is not material.

(Segment Information)

Segment sales, segment income (loss), segment assets and other items for reportable segments**Previous term (from June 1, 2021 to May 31, 2022)**

(Unit: Million Yen)

| | Reportable operating segments | | | | Adjustment (Note) 1 | Amount on Statement of Income (Note) 2 |
|------------------------------------|-------------------------------|---------------------|----------|---------|------------------------|--|
| | Cloud and license | Hardware Systems | Services | Total | | |
| Sales | | | | | | |
| External customers | 177,612 | 15,429 | 21,649 | 214,691 | - | 214,691 |
| Intersegment net sales or transfer | - | - | - | - | - | - |
| Total | 177,612 | 15,429 | 21,649 | 214,691 | - | 214,691 |
| Operating income (loss) | 72,343 | 687 | 5,123 | 78,154 | -4,940 | 73,213 |
| Other item | | | | | | |
| Depreciation (Note) 3 | 1,155 | 86 | 144 | 1,386 | 267 | 1,653 |

- (Notes):
1. Segment profit adjustment of minus 4,940 million yen is a Company-wide expense, which primarily relates to administration departments that do not belong to any reported segment.
 2. Segment profits are adjusted in comparison with operating income in the statement of income.
 3. Depreciation in Adjustment primarily relates to administrative departments that do not belong to any reportable segment.
 4. Based on the decision of management, the supreme decision-making body does not allocate segment information on assets to reportable segments. Consequently, the Company does not disclose that information.

Current term (from June 1, 2022 to May 31, 2023)

(Unit: Million Yen)

| | Reportable operating segments | | | | Adjustment (Note) 1 | Amount on Statement of Income (Note) 2 |
|------------------------------------|-------------------------------|---------------------|----------|---------|------------------------|--|
| | Cloud and license | Hardware Systems | Services | Total | | |
| Sales | | | | | | |
| External customers | 189,851 | 16,240 | 20,822 | 226,914 | - | 226,914 |
| Intersegment net sales or transfer | - | - | - | - | - | - |
| Total | 189,851 | 16,240 | 20,822 | 226,914 | - | 226,914 |
| Operating income (loss) | 73,881 | 625 | 4,757 | 79,264 | -4,868 | 74,396 |
| Other item | | | | | | |
| Depreciation (Note) 3 | 919 | 90 | 155 | 1,165 | 168 | 1,334 |

- (Notes):
1. Segment profit adjustment of minus 4,868 million yen is a Company-wide expense, which primarily relates to administration departments that do not belong to any reported segment.
 2. Segment profits are adjusted in comparison with operating income in the statement of income.
 3. Depreciation in Adjustment primarily relates to administrative departments that do not belong to any reportable segment.
 4. Based on the decision of management, the supreme decision-making body does not allocate segment information on assets to reportable segments. Consequently, the Company does not disclose that information.

(Per Share Data)

(Unit: Yen)

| Items | Previous term (From June 1, 2021 to May 31, 2022) | Current term (From June 1, 2022 to May 31, 2023) |
|--------------------------------|---|---|
| Net assets per share | 977.41 | 1,217.05 |
| Net income per share | 399.55 | 405.98 |
| Net income per share (diluted) | 399.42 | 405.91 |

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

| | Previous term (From June 1, 2021 to May 31, 2022) | Current term (From June 1, 2022 to May 31, 2023) |
|---|--|---|
| Net income per share | | |
| Net income (millions of yen) | 51,182 | 52,009 |
| Amounts not attributable to owners of common stock (millions of yen) | — | — |
| Net income attributable to common stock (millions of yen) | 51,182 | 52,009 |
| Average number of shares during the term (shares) | 128,100,762 | 128,106,857 |
| Net income per share (diluted) | | |
| Adjustment to net income (millions of yen) | — | — |
| Increase in common stock (shares) | 41,566 | 23,691 |
| of which stock acquisition rights (shares) | (41,566) | (23,691) |
| Details of shares not included in calculation of diluted net income per share due to non- dilutive effect | Subscription right (Type: 1 Numbers:173) | Subscription right (Type: 2 Numbers:349) |

(Note) The Company has introduced the BIP trust and the ESOP trust.

Posted as treasury stock included in shareholders' equity, the treasury shares which remain in the BIP trust and the ESOP trust are included in the treasury stock to be deducted in the calculation of the number of average shares outstanding during the term in order to calculate the net income per share and net income per share (diluted) (3,356 treasury shares owned by the BIP trust and 133,267 treasury shares owned by the ESOP trust for last year, 9,474 treasury shares owned by the BIP trust and 137,077 treasury shares owned by the ESOP trust for this year).

The Company's stock held by the Trust Account are included in treasury stock, which is deducted from the total number of shares issued and outstanding at the end of the fiscal year for the purpose of calculating net assets per share (3,356 treasury shares owned by the BIP trust and 102,163 treasury shares owned by the ESOP trust for last year, 19,456 treasury shares owned by the BIP trust and 253,133 treasury shares owned by the ESOP trust for this year).

(Notes to subsequent events)

Not Applicable