

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

Flash Report for the 2nd Quarter of Fiscal Year Ending May 31, 2024
[under Japanese GAAP] (Non-consolidated) December 19, 2023



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 Quarterly Report Filing Date (as planned): January 10, 2024
 Schedule for dividends payment: -
 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, 2023 to November 30, 2023)

(1) Operating result (% of change from previous year)

	Revenue		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
2nd Quarter, May 2024	117,419	8.9	38,321	10.4	38,469	10.4	26,665	10.4
2nd Quarter, May 2023	107,796	5.6	34,707	1.8	34,834	1.9	24,158	2.0

	Net income per share		Net income per share (diluted)	
	Yen	Sen	Yen	Sen
2nd Quarter, May 2024	208	28	208	25
2nd Quarter, May 2023	188	49	188	45

(2) Financial Position

	Total Assets	Net Assets	Ratio of shareholders' equity
	Million Yen	Million Yen	%
2nd Quarter, May 2024	290,947	162,780	55.9
FY ended May 2023	281,015	155,854	55.4

Shareholders' equity 2nd Quarter, May 2024: 162,710 Million Yen (May 2023: 155,768 Million Yen)

2. Dividends

	Dividend per share									
	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
FY ended May 2023	-		0	00	-		162	00	162	00
FY ending May 2024	-		0	00						
FY ending May 2024 (Forecast)					-		-		-	

(Note1) Revision of outlook for dividends in this quarter: No

(Note2) Year-end dividend for this fiscal year 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) Revision of forecast for May 2024 term in this quarter: No

(Note2) Company uses ranges of values for the forecast. Please refer to 1. Qualitative Information on Results in the Quarter under Review, (3) Qualitative Information on Forecasts, on page 5.

(Note3) Estimation of effective tax rate is 30.8%

4. Other information

(1) Adoption of specified accounting methods for the preparation of quarterly non-consolidated financial statements: Yes

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

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

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

(i) The number of shares outstanding (inclusive of treasury stock)	2nd Quarter, May 2024	128,284,771	shares
	FY ended May 2023	128,274,071	shares
(ii) The number of treasury stock	2nd Quarter, May 2024	171,539	shares
	FY ended May 2023	286,064	shares
(iii) The number of average shares outstanding (cumulative, non-consolidated, year to date)	2nd Quarter, May 2024	128,027,566	shares
	2nd Quarter, May 2023	128,169,936	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:

These quarterly financial statements are outside the scope of quarterly review procedures.

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 Qualitative information on Forecasts, on page 5.

[Table of Contents of Attached Material]

1. Qualitative Information on Results in the Quarter under Review-----	2
(1) Qualitative Information on Business Outcomes -----	2
(2) Qualitative Information on Financial Situation-----	5
(3) Qualitative Information on Forecasts-----	5
2. Quarterly Financial Statements and Main Notes -----	6
(1) Quarterly Balance Sheet-----	6
(2) Quarterly Statement of Income-----	7
(3) Statement of Cash Flows-----	8
(4) Notes to Quarterly Financial Statements-----	9
Notes to Going Concern-----	9
Notes to significant changes in the stockholders' equity-----	9
Adoption of specified accounting methods for the preparation of quarterly non-consolidated Financial statements -----	9
Segment Information -----	9

1. Qualitative Information on Results in the Quarter under Review

(1) Qualitative Information on Business Outcomes

Overview

During the second quarter under review (from June 1, 2023 to November 30, 2023, hereinafter “this quarter”), 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 117,419 million yen (up 8.9 % year on year) in revenue, 38,321 million yen (rising 10.4 %) in operating income, 38,469 million yen (gaining 10.4 %) in ordinary income and 26,665 million yen (increasing 10.4 %) in net income. For revenue and each profit category indicated attained hit record high as this second quarter.

Go to Market Strategy

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) 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 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 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 two initiatives specifically.

1. 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.

2. Promotion of AI for customers

1. In the area of SaaS, we will provide Oracle Fusion Cloud Applications and NetSuite with built-in generated AI and pre-trained models. In addition to the availability of holistically optimized AI with a single data model, customers will be able to enjoy the value of the latest AI technology through quarterly version upgrades.
2. In PaaS, we will provide a generative AI service and various AI development services that can be built as customer-specific models, securely utilizing customer data.
3. In IaaS, OCI provides an environment that enables the creation of large-scale AI models at high speed and low cost. OCI can provide an environment that can demonstrate the performance of the highest-performing GPUs. The entire cloud data center can be designed like a supercomputer, minimizing the time and cost required to train large-scale language models.

(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.
- GPU: Graphics Processing Unit. An image processing unit that performs the computational processing necessary to depict images. With its high parallel computing capacity, it can instantly process huge amounts of data, making it suitable for big data processing, AI development, and other applications.

Business status in the 2nd Quarter of the fiscal year (from September 1, 2023 to November 30, 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, 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 "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.

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 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.

[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	FY2023 2nd Quarter		FY2024 2nd Quarter			May 2023	
	Amount	Comp.	Amount	Comp.	YoY	Amount	Comp.
	Million Yen	%	Million Yen	%	%	Million Yen	%
Cloud Services	17,310	16.1	23,852	20.3	37.8	36,314	16.0
License Support	52,554	48.8	54,260	46.2	3.2	105,660	46.6
Cloud Services & License Support	69,864	64.8	78,113	66.5	11.8	141,975	62.6
Cloud license & On-Premise License	19,464	18.1	20,275	17.3	4.2	47,876	21.1
Cloud & License	89,328	82.9	98,388	83.8	10.1	189,851	83.7
Hardware systems	7,458	6.9	8,046	6.9	7.9	16,240	7.2
Services	11,009	10.2	10,984	9.4	-0.2	20,822	9.2
Total	107,796	100.0	117,419	100.0	8.9	226,914	100.0

(Notes): 1. Amount is rounded down. Composition ratio and year-to-year comparison (% of change YoY) are rounded off.

2. Effective from the first quarter of the current fiscal year, "Cloud Services & License Support" was reclassified into two segments, "Cloud Services" and "License Support," due to the increased importance of cloud services sales, which is our focus in the Cloud & Licensing segment. Information of revenues for the cumulative second quarter of the previous fiscal year is disclosed based on the classification after the change.

(2) Qualitative Information on Financial Situation

Current assets at the end of the second quarter of the current fiscal year were 141,534 million yen (increasing 10,703 million yen from the previous fiscal year end). Noncurrent assets of the Company at the end of the term stood at 149,412 million yen (decreasing 771 million yen from the previous fiscal year end).

Liabilities were 128,167 million yen (increasing 3,005 million yen from the previous fiscal year end). Net assets totaled 162,780 million yen (increasing 6,926 million yen from the previous fiscal year end).

As a result, the ratio of shareholders' equity was 55.9 % (up 0.5 percentage points from the previous fiscal year end).

(3) Qualitative Information on Forecasts

There is no change from the forecast announced on June 23, 2023 for the fiscal year ending May 31, 2024.

2. Quarterly Financial Statements and Main Notes

(1) Quarterly Balance Sheet

(Unit : Million yen)

Description	Previous term end (as of May 31, 2023)	Current term end (as of November 30, 2023)
Assets		
Current assets		
Cash and deposits	104,531	120,344
Accounts receivable-trade	21,350	14,914
Other	4,968	6,295
Allowance for doubtful accounts	-20	-20
Total current assets	130,831	141,534
Noncurrent assets		
Property, plant and equipment		
Buildings, net	7,824	7,398
Land	26,057	26,057
Other, net	1,092	1,140
Total property, plant and equipment	34,973	34,596
Intangible assets	1	1
Investments and other assets		
Long-term loans receivable from subsidiaries and associates	110,000	110,000
Other	5,209	4,815
Total investments and other assets	115,209	114,815
Total noncurrent assets	150,184	149,412
Total assets	281,015	290,947
Liabilities		
Current liabilities		
Accounts payable-trade	10,193	9,228
Accounts payable-other	4,818	5,431
Income taxes payable	10,659	12,441
Contract liabilities	93,088	96,192
Provision for bonuses	1,896	1,185
Other Provision	729	253
Other	3,775	3,435
Total current liabilities	125,161	128,167
Noncurrent liabilities		
Other	0	-
Total noncurrent liabilities	0	-
Total liabilities	125,161	128,167
Net assets		
Shareholders' equity		
Capital stock	25,111	25,140
Capital surplus	8,462	8,491
Retained earnings	124,646	130,534
Treasury stock	-2,452	-1,455
Total shareholders' equity	155,768	162,710
Subscription rights to shares	85	69
Total net assets	155,854	162,780
Total liabilities and net assets	281,015	290,947

(2) Quarterly Statement of Income
Cumulative Second Quarter

(Unit : Million yen)

Description	Previous term (From June 1, 2022 to November 30, 2022)	Current term (From June 1, 2023 to November 30, 2023)
Net sales	107,796	117,419
Cost of sales	56,417	62,694
Gross Profit	51,378	54,724
Selling, general and administrative expenses	16,671	16,403
Operating income	34,707	38,321
Non-operating income		
Interest income	48	48
Foreign exchange gains	57	98
Others	24	18
Total Non-Operating Income	130	164
Non-Operating expenses		
Others	3	17
Total Non-Operating expenses	3	17
Ordinary Income	34,834	38,469
Extraordinary Income		
Gain on reversal of subscription rights to shares	14	8
Total Extraordinary Income	14	8
Income before income taxes	34,848	38,477
Income taxes	10,689	11,811
Net Income	24,158	26,665

(3) Statement of Cash Flows

(Unit : Million yen)

	Previous term (From June 1, 2022 to November 30, 2022)	Current term (From June 1, 2023 to November 30, 2023)
Net cash provided by (used in) operating activities		
Income before income taxes	34,848	38,477
Depreciation and amortization	660	679
Share-based compensation expenses	2	-
Increase (decrease) in provision for bonuses	-558	-710
Increase (decrease) in other provision	-507	-475
Foreign exchange losses (gains)	-39	-47
Interest and dividends income	-55	-57
Loss (gain) on sales and retirement of noncurrent assets	0	17
Decrease (increase) in notes and accounts receivable-trade	5,009	6,436
Decrease (increase) in other current assets	136	-1,277
Increase (decrease) in notes and accounts payable-trade	1,384	-964
Increase (decrease) in accounts payable-other	-602	595
Increase (decrease) in contract liabilities	-5,829	3,103
Increase (decrease) in other current liabilities	335	-320
Other, net	1,229	1,267
Subtotal	36,014	46,723
Interest and dividends income received	6	8
Income taxes paid	-11,557	-10,049
Net cash provided by (used in) operating activities	24,463	36,682
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-384	-300
Proceeds from sales of property, plant and equipment	4	4
Purchase of intangible assets	-0	-
Payments of guarantee deposits	-0	-3
Proceeds from refund of guarantee deposits	0	251
Payments for asset retirement obligations	-	-140
Net cash provided by (used in) investing activities	-379	-188
Net cash provided by (used in) financing activities		
Proceeds from issuance of shares	45	50
Purchase of treasury stocks	-4	-0
Proceeds from sales of treasury stocks	0	-
Cash dividends paid	-20,519	-20,778
Net cash provided by (used in) financing activities	-20,477	-20,728
Effect of exchange rate change on cash and cash equivalents	39	47
Net Increase/(Decrease) in cash and cash equivalents	3,645	15,813
Cash and cash equivalents at beginning of period	60,142	104,531
Cash and cash equivalents at end of period	63,788	120,344

(4) Notes to Quarterly Financial Statements
(Notes to Going Concern): Not Applicable

(Notes to significant changes in the stockholders' equity): Not Applicable

(Adoption of specified accounting methods for the preparation of quarterly non-consolidated Financial statements)

The Company has adopted a method in which tax expenses are calculated by multiplying quarterly net income before tax by effective tax rates estimated in a reasonable way, after applying tax effect accounting to net income before tax for the fiscal year under review. Income taxes-deferred is stated including corporate tax.

(Segment Information, etc.)

【Segment Information】

I . Previous second quarter under review (from June 1, 2022 to November 30, 2022)

Segment sales and operating income (loss) by reportable segment

(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	89,328	7,458	11,009	107,796	-	107,796
Intersegment net sales or transfer	-	-	-	-	-	-
Total	89,328	7,458	11,009	107,796	-	107,796
Operating income (loss)	34,515	299	2,352	37,167	-2,460	34,707

(Notes): 1. Segment profit adjustment of minus 2,460 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.

II . Current second quarter under review (from June 1, 2023 to November 30, 2023)

Segment sales and operating income (loss) by reportable segment

(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	98,388	8,046	10,984	117,419	-	117,419
Intersegment net sales or transfer	-	-	-	-	-	-
Total	98,388	8,046	10,984	117,419	-	117,419
Operating income (loss)	37,867	277	2,447	40,592	-2,270	38,321

(Notes): 1. Segment profit adjustment of minus 2,270 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.