

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

Flash Report for the 3rd Quarter of Fiscal Year Ending May 31, 2021**[under Japanese GAAP] (Non-consolidated)**

March 19, 2021



Company Name Oracle Corporation Japan

Listed Stock Exchange: TSE 1st Section

Ticker: 4716

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Quarterly Report Filing Date (as planned): April 12, 2021

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, 2020 to February 28, 2021)**(1) Operating result**

(% of change from previous year)

	Revenue		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
3 rd Quarter, May 2021	149,698	0.5	49,720	7.3	49,703	7.2	34,424	7.3
3 rd Quarter, May 2020	148,887	6.5	46,343	9.2	46,353	9.2	32,069	9.1

	Net income per share		Net income per share (diluted)	
	Yen	Sen	Yen	Sen
3 rd Quarter, May 2021	268	72	268	53
3 rd Quarter, May 2020	250	56	250	33

(2) Financial Position

	Total Assets	Net Assets	Ratio of shareholders' equity
	Million Yen	Million Yen	%
3 rd Quarter, May 2021	294,766	205,182	69.6
FY ended May 2020	294,139	191,362	65.0

Shareholders' equity 3rd Quarter, May 2021: 205,062 Million Yen (FY2020: 191,206 Million Yen)**2. Dividends**

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 2020	-		0	00	-		149	00	149 00
FY ending May 2021	-		0	00	-				
FY ending May 2021(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 2021 term (from June 1, 2020 to May 31, 2021)

(% of change from previous year)

	Revenue	Net income per share
	%	Yen
Entire term	0.0~3.0	370.00~385.00

(Note1) Revision of forecast for May 2021 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 3.

(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)	3 rd Quarter, May 2021	128,234,471	shares
	FY ended May 2020	128,184,271	shares
(ii) The number of treasury stock	3 rd Quarter, May 2021	202,856	shares
	FY ended May 2020	116,303	shares
(iii) The number of average shares outstanding (cumulative, non-consolidated, at end of third quarter)	3 rd Quarter, May 2021	128,105,619	shares
	3 rd Quarter, May 2020	127,992,953	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 for Forecasts, on page 3.

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1. Qualitative Information on Results in the Quarter under Review

(1) Qualitative Information on Business Outcomes

Overview

During the third quarter under review (from June 1, 2020 to February 28, 2021, hereinafter “this quarter”), the Japanese information services industry in which the Company operates were stable in system renewal demand and solid Cloud and IT investment aimed at corporate growth and boosting competitiveness, including investing in mobile solutions, improving efficiency through the use of IoT and other digital data, soaring data volume because of remote working, and strengthening contact points with end users. On the other hand, in some industries which were affected by business performance negatively under COVID19 situation, we still see some slow-down regarding IT spending. 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 the COVID-19 virus (Coronavirus) was showing up in the end of last fiscal year, the Company recognizes that one of its most important business missions is to protect safety and health of its employees’ and customers’ and to continue its business stably. The Company has shifted promptly to remote working style and pressed ahead with efforts to ensure efficient risk management and to strengthen our sales capabilities continuously.

As a result of these measures, the Company posted 149,698 million yen (up 0.5 % year on year) in revenue, 49,720 million yen (rising 7.3 %) in operating income, 49,703 million yen (gaining 7.2 %) in ordinary income and 34,424 million yen (increasing 7.3 %) in net income.

The Company is delivering our value to strive further business growth by achieving customer’s innovation and supporting their business transformation by utilizing cloud service and data.

All four indicators attained hit record highs as this quarter (9 months ended).

Go to Market Strategy

Our mission is to help people see data in new ways, discover insights, unlock endless possibilities. 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.

The Company set a slogan “Customer Centric”, in order to accelerate our focus points “Win ERP Cloud”, “Focus on Big Deals” and “Growth Cloud Consumption”. Furthermore the Company also aim to provide the value of “OCI (Oracle Cloud Infrastructure)” which is able to perform extremely at dramatically increased data volume and the most demanding workloads under robust security network. Hereby the Company is expanding to provide its Cloud services, which maximize the value of information by data-driven approaching and supporting services for customers to use Cloud.

In the role of promoting strategy, the Company opened a new datacenter in Osaka region in February 2020, added on the datacenter in Tokyo region opened in May 2019 so that it has built Disaster Recovery service system and has delivered its cloud services corresponding to enterprise workload and security.

In terms of the structure of sales team, it deployed into Cloud and License, and we expand our cloud business by “Team Collaboration”, add value sales with our support and consulting services.

(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 3rd Quarter of the fiscal year (from December 1, 2020 to February 28, 2021)

Regarding 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, given the state of emergency announce by the Government in Japan, we had to overcome the challenge as we conducted our business in the 3rd quarter. In terms of Partner business side, we are expanding our cooperative ties of alliance and creating new demands on SME market segment.

Concerning the Cloud services, including “Oracle Cloud Infrastructure (OCI)”, there is a lot of demands from customers putting a weight on performance, security and cost effectiveness, furthermore one of the most important strategy “ERP upgrade” (from On-premise to Cloud services) has been deployed to mainly its enterprise Customers. That has led to the usage of our Tokyo region data center opened in May this year is successfully increasing continuously across all of segment significantly with expansion its Gen-2 Cloud datacenter.

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

In Hardware Systems segment, the Company released “Oracle Exadata Database Machine X8M” combines Intel® Optane™ DC persistent memory, and the inquiry for this machine is strong. Exadata X8M 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.

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	FY2020 3 rd Quarter		FY2021 3 rd Quarter			May 2020	
	Amount	Comp.	Amount	Comp.	YoY	Amount	Comp.
	Million Yen	%	Million Yen	%	%	Million Yen	%
Cloud license & on-premise license	32,552	21.9	29,999	20.0	-7.8	54,972	26.0
Cloud services & license support	87,701	58.9	91,680	61.2	4.5	117,601	55.6
Cloud & License	120,253	80.8	121,680	81.3	1.2	172,573	81.7
Hardware systems	12,582	8.5	12,143	8.1	-3.5	17,362	8.2
Services	16,051	10.8	15,874	10.6	-1.1	21,420	10.1
Total	148,887	100.0	149,698	100.0	0.5	211,357	100.0

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

(2) Qualitative Information on Financial Situation

Current assets at the end of the third quarter of the current fiscal year were 41,982 million yen (decreasing 207,849 million yen from the previous fiscal year end). This was mainly due to a decrease in short-term loans receivable from subsidiaries and associates (160,000 million yen) resulting from the collection of loans receivable from Oracle Japan Holding Inc. (the parent company of the Company) started from February 2019.

Noncurrent assets of the Company at the end of the term stood at 252,784 million yen (increasing 208,477 million yen from the previous fiscal year end). This was mainly due to an increase in long-term loans receivable from subsidiaries and associates (210,000 million yen) as a result of a new loan to Oracle Japan Holding Inc. (the parent company of the Company) with a maximum loan period of five years started from February 2021.

Liabilities were 89,584 million yen (decreasing 13,192 million yen from the previous fiscal year end). Net assets totaled 205,182 million yen (increasing 13,819 million yen from the previous fiscal year end). As a result, the ratio of shareholders’ equity was 69.6 % (up 4.6 percentage points from the previous fiscal year end).

(3) Qualitative Information on Forecasts

There is no change to the forecast announced on June 25, 2020.

2. Quarterly Financial Statements and Main Notes**(1) Quarterly Balance Sheet**

(Unit : Million yen)

Description	Previous term end (as of May 31, 2020)	Current term end (as of February 28, 2021)
Assets		
Current assets		
Cash and deposits	60,091	25,090
Accounts receivable-trade	26,539	13,713
Short-term loans receivable from subsidiaries and associates	160,000	—
Other	3,214	3,239
Allowance for doubtful accounts	-13	-59
Total current assets	249,832	41,982
Noncurrent assets		
Property, plant and equipment		
Buildings, net	10,367	9,710
Land	26,057	26,057
Other, net	2,471	1,568
Total property, plant and equipment	38,895	37,335
Intangible assets	1	0
Investments and other assets		
Long-term loans receivable from subsidiaries and associates	—	210,000
Other	5,409	5,447
Allowance for doubtful accounts	-0	—
Total investments and other assets	5,409	215,447
Total noncurrent assets	44,306	252,784
Total assets	294,139	294,766
Liabilities		
Current liabilities		
Accounts payable-trade	10,501	12,075
Accounts payable-other	4,242	2,531
Income taxes payable	11,875	6,566
Advances received	67,730	62,531
Provision for bonuses	2,341	1,525
Other Provision	425	525
Other	5,651	3,828
Total current liabilities	102,768	89,583
Noncurrent liabilities		
Other	7	0
Total noncurrent liabilities	7	0
Total liabilities	102,776	89,584
Net assets		
Shareholders' equity		
Capital stock	24,884	25,018
Capital surplus	8,235	8,369
Retained earnings	158,846	174,173
Treasury stock	-759	-2,499
Total shareholders' equity	191,206	205,062
Subscription rights to shares	156	120
Total net assets	191,362	205,182
Total liabilities and net assets	294,139	294,766

(2) Quarterly Statement of Income

Cumulative Third Quarter

(Unit : Million yen)

Description	Previous term (From June 1, 2019 to February 29, 2020)	Current term (From June 1, 2020 to February 28, 2021)
Net sales	148,887	149,698
Cost of sales	77,428	76,906
Gross Profit	71,458	72,791
Selling, general and administrative expenses	25,115	23,071
Operating income	46,343	49,720
Non-operating income		
Interest income	21	27
Others	30	14
Total Non-Operating Income	52	41
Non-Operating expenses		
Foreign exchange losses	39	53
Others	2	5
Total Non-Operating expenses	42	58
Ordinary Income	46,353	49,703
Extraordinary Income		
Gain on reversal of subscription rights to shares	12	11
Total Extraordinary Income	12	11
Income before income taxes	46,365	49,714
Income taxes	14,296	15,289
Net Income	32,069	34,424

(3) 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)

I . Previous quarter under review (from June 1, 2019 to February 29, 2020)

Segment sales and operating income (loss)

(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	120,253	12,582	16,051	148,887	—	148,887
Intersegment net sales or transfer	—	—	—	—	—	—
Total	120,253	12,582	16,051	148,887	—	148,887
Operating income (loss)	46,522	629	2,622	49,775	-3,431	46,343

(Notes): 1. Segment profit adjustment of minus 3,431 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 quarter under review (from June 1, 2020 to February 28, 2021)

Segment sales and operating income (loss)

(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	121,680	12,143	15,874	149,698	—	149,698
Intersegment net sales or transfer	—	—	—	—	—	—
Total	121,680	12,143	15,874	149,698	—	149,698
Operating income (loss)	49,148	485	3,312	52,945	-3,225	49,720

(Notes): 1. Segment profit adjustment of minus 3,225 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.

(Additional Information)

The Company makes accounting estimates (evaluation of recoverability of deferred tax assets, consideration of impairment accounting for fixed assets, etc.) based on the assumption that the business impact by COVID-19 infection will continue to a certain extent within 2020. However, in the second quarter of the current fiscal year, given that the timing of convergence is still uncertain, so we have changed our assumption that the impact on our business will continue to a certain extent throughout the current fiscal year.

Based on the assumption, the Company makes accounting estimates (evaluation of recoverability of deferred tax assets, consideration of impairment accounting for fixed assets, etc.), and the impact of this change on our business performance and financial position is immaterial at this time.