

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, 2022
[under Japanese GAAP] (Non-consolidated) December 21, 2021



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 Quarterly Report Filing Date (as planned): January 11, 2022
 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, 2021 to November 30, 2021)

(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 2022	102,084	1.8	34,079	3.1	34,177	3.5	23,685	3.5
2nd Quarter, May 2021	100,246	2.8	33,067	10.0	33,022	9.9	22,874	10.0

	Net income per share		Net income per share (diluted)	
	Yen	Sen	Yen	Sen
2nd Quarter, May 2022	184	94	184	88
2nd Quarter, May 2021	178	55	178	41

(2) Financial Position

	Total Assets	Net Assets	Ratio of shareholders' equity
	Million Yen	Million Yen	%
2nd Quarter, May 2022	194,366	97,804	50.3
FY ended May 2021	333,999	219,999	65.8

Shareholders' equity 2nd Quarter, May 2022: 97,692 Million Yen (FY2021: 219,881 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 2021	-		0	00	-		1,146	00	1,146	00
FY ending May 2022	-		0	00						
FY ending May 2022(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 2022 term (from June 1, 2021 to May 31, 2022)

(% of change from previous year)

	Revenue	Net income per share
	%	Yen
Entire term	1.0~4.0	385.00~395.00

(Note1) Revision of forecast for May 2022 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 4.

(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 : Yes
- (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 2022	128,251,571	shares
	FY ended May 2021	128,240,971	shares
(ii) The number of treasury stock	2nd Quarter, May 2022	120,844	shares
	FY ended May 2021	201,781	shares
(iii) The number of average shares outstanding (cumulative, non-consolidated, at end of third quarter)	2nd Quarter, May 2022	128,068,299	shares
	2nd Quarter, May 2021	128,110,546	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 4.

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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, 2021 to November 30, 2021, 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, soaring data volume because of remote working, 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 the COVID-19 virus (Coronavirus) was showing up in early 2020, 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 102,084 million yen (up 1.8 % year on year) in revenue, 34,079 million yen (rising 3.1 %) in operating income, 34,177 million yen (gaining 3.5 %) in ordinary income and 23,685 million yen (increasing 3.5 %) 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.

For revenue and each profit category indicated attained hit record high as this quarter (six 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 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, hereby the Company drives its customers’ DX.

The four measures which make “To Accelerate Cloud Transformation”

1) Realization of data-driven DX by SaaS

We promote aggressively DX by deploying and implementing Oracle Cloud ERP / HCM, / CX to our customers, which focuses on large-scale and strategic transactions.

2) Modernization of IT infrastructure with Hybrid Cloud

We move large-scale workloads of mission-critical systems to OCI (Oracle Cloud Infrastructure) and focus on increasing the number of cloud engineers.

3) Promotion of Social infrastructure DX

We strengthen the sales team of the public sector that has led to promote DX of social infrastructure, and support the Smart city projects of local governments.

4) Expansion of partner ecosystem

We support the buildup OCI / SaaS delivery system by deploying "Dedicated Region Cloud @Customer", which builds Oracle's public cloud in the customer's data center to strategic partners.

In the role of promoting strategy, the Company is expanding the capacity of two datacenters in Tokyo and Osaka region 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 newly built the sales team for specialized the public sector. 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 2nd Quarter of the fiscal year (from September 1, 2021 to November 30, 2021)

[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, in the last six months, given the state of emergency announced by the Government in Japan, we had to overcome the challenge as we conducted our business. Since starting this fiscal year, the market is showing gradually some signs of a recovery trend in IT investment which is not only for cost reduction but developing and growing their business. Revenue in License business decline year on year because of the previous large quarter, while we captured demands from the distribution service and the manufacturing industries. However we are continuously examining our business status henceforth owing to the range of investment momentum depends on the industry.

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, we delivered some achieve results for Cloud Migration (from On-premise to Cloud services) which are mainly “Oracle Fusion Cloud ERP” to our install-based customers, and also it has been deployed to the new customers in variable industries for accelerating Cloud shifting. 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.

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.

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

[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, while we have supply chain issues because of shortage of the semiconductor chip worldwide. 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.

[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	FY2021 2nd Quarter		FY2022 2nd Quarter			May 2021	
	Amount	Comp.	Amount	Comp.	YoY	Amount	Comp.
	Million Yen	%	Million Yen	%	%	Million Yen	%
Cloud license & on-premise license	20,521	20.5	18,025	17.7	-12.2	47,173	22.6
Cloud services & license support	60,915	60.8	66,201	64.8	8.7	123,052	59.0
Cloud & License	81,437	81.2	84,227	82.5	3.4	170,225	81.6
Hardware systems	8,142	8.1	7,101	7.0	-12.8	17,083	8.2
Services	10,666	10.6	10,756	10.5	0.8	21,214	10.2
Total	100,246	100.0	102,084	100.0	1.8	208,523	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

During the first quarter of the current fiscal year, we paid a year-end dividend of 1,146 yen per share (including a special dividend of 992 yen per share).

Current assets at the end of the second quarter of the current fiscal year were 42,219 million yen (decreasing 38,819 million yen from the previous fiscal year end). The Company carried out early collection of a portion of long-term loans receivable from subsidiaries and associates to Oracle Japan Holding Inc. (the parent company of the Company) and collected 100,000 million yen on July 29, 2021. This was carried out for the purpose of appropriation to the source of dividend payment, etc. in accordance with the resolution on dividend payment (effective date: August 4, 2021) at the Board of Directors meeting held on July 21, 2021, and dividends were paid.

Noncurrent assets of the Company at the end of the term stood at 152,147 million yen (decreasing 100,813 million yen from the previous fiscal year end). This was mainly due to a decrease in long-term loans receivable from subsidiaries and associates (100,000 million yen) as a result of the early collection of a portion of long-term loans receivable from subsidiaries and associates to Oracle Japan Holding Inc. (the parent company of the Company).

Liabilities were 96,562 million yen (decreasing 17,437 million yen from the previous fiscal year end). Net assets totaled 97,804 million yen (decreasing 122,195 million yen from the previous fiscal year end). As a result, the ratio of shareholders' equity was 50.3 % (down 15.5 percentage points from the previous fiscal year end).

(3) Qualitative Information on Forecasts

There is no change to the forecast announced on June 24, 2021.

2. Quarterly Financial Statements and Main Notes

(1) Quarterly Balance Sheet

(Unit : Million yen)

Description	Previous term end (as of May 31, 2021)	Current term end (as of November 30, 2021)
Assets		
Current assets		
Cash and deposits	53,964	26,176
Accounts receivable-trade	18,799	12,278
Other	8,293	3,783
Allowance for doubtful accounts	-20	-20
Total current assets	81,038	42,219
Noncurrent assets		
Property, plant and equipment		
Buildings, net	9,487	9,060
Land	26,057	26,057
Other, net	1,349	994
Total property, plant and equipment	36,894	36,112
Intangible assets	0	2
Investments and other assets		
Long-term loans receivable from subsidiaries and associates	210,000	110,000
Other	6,065	6,032
Total investments and other assets	216,065	116,032
Total noncurrent assets	252,960	152,147
Total assets	333,999	194,366
Liabilities		
Current liabilities		
Accounts payable-trade	9,379	8,426
Accounts payable-other	3,743	3,177
Income taxes payable	13,982	11,216
Advances received	80,206	—
Contract liabilities	—	70,212
Provision for bonuses	2,120	959
Other Provision	743	277
Other	3,822	2,291
Total current liabilities	113,999	96,561
Noncurrent liabilities		
Other	0	0
Total noncurrent liabilities	0	0
Total liabilities	113,999	96,562
Net assets		
Shareholders' equity		
Capital stock	25,033	25,055
Capital surplus	8,384	8,406
Retained earnings	188,924	65,659
Treasury stock	-2,461	-1,429
Total shareholders' equity	219,881	97,692
Subscription rights to shares	118	112
Total net assets	219,999	97,804
Total liabilities and net assets	333,999	194,366

(2) Quarterly Statement of Income
Cumulative Second Quarter

(Unit : Million yen)

Description	Previous term (From June 1, 2020 to November 30, 2020)	Current term (From June 1, 2021 to November 30, 2021)
Net sales	100,246	102,084
Cost of sales	51,381	52,385
Gross Profit	48,864	49,699
Selling, general and administrative expenses	15,796	15,620
Operating income	33,067	34,079
Non-operating income		
Interest income	17	9
Foreign exchange gains	—	81
Others	12	16
Total Non-Operating Income	30	107
Non-Operating expenses		
Foreign exchange losses	71	—
Others	4	8
Total Non-Operating expenses	75	8
Ordinary Income	33,022	34,177
Extraordinary Income		
Gain on reversal of subscription rights to shares	11	5
Total Extraordinary Income	11	5
Income before income taxes	33,033	34,182
Income taxes	10,159	10,497
Net Income	22,874	23,685

(3) Statement of Cash Flows

(Unit : Million yen)

	Previous term (From June 1, 2020 to November 30, 2020)	Current term (From June 1, 2021 to November 30, 2021)
Net cash provided by (used in) operating activities		
Income before income taxes	33,033	34,182
Depreciation and amortization	1,076	871
Share-based compensation expenses	9	6
Increase (decrease) in allowance for doubtful accounts	46	-84
Increase (decrease) in provision for bonuses	-814	-1,161
Increase (decrease) in other provision	-273	-465
Foreign exchange losses (gains)	55	-45
Interest and dividends income	-29	-16
Loss (gain) on sales and retirement of noncurrent assets	0	6
Decrease (increase) in notes and accounts receivable-trade	11,238	6,520
Decrease (increase) in other current assets	-3,292	4,554
Increase (decrease) in notes and accounts payable-trade	1,626	-953
Increase (decrease) in accounts payable-other	-35	-682
Increase (decrease) in advances received	3,187	—
Increase (decrease) in contract liabilities	—	-9,993
Increase (decrease) in other current liabilities	-2,569	-1,476
Other, net	591	1,183
Subtotal	43,853	32,446
Interest and dividends income received	11	9
Income taxes paid	-11,173	-13,355
Net cash provided by (used in) operating activities	32,691	19,099
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-53	-117
Proceeds from sales of property, plant and equipment	46	13
Purchase of intangible assets	—	-1
Proceeds from collection of loans receivable	—	100,000
Payments into time deposits	-30,000	—
Payments of guarantee deposits	-0	-10
Proceeds from refund of guarantee deposits	0	12
Payments for asset retirement obligations	-46	—
Net cash provided by (used in) investing activities	-30,052	99,895
Net cash provided by (used in) financing activities		
Proceeds from issuance of shares	156	35
Purchase of treasury stocks	-3	-3
Proceeds from sales of treasury stocks	—	0
Cash dividends paid	-19,093	-146,861
Net cash provided by (used in) financing activities	-18,940	-146,829
Effect of exchange rate change on cash and cash equivalents	-55	45
Net Increase/(Decrease) in cash and cash equivalents	-16,357	-27,787
Cash and cash equivalents at beginning of period	60,091	53,964
Cash and cash equivalents at end of period	43,734	26,176

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

(Notes to significant changes in the stockholders' equity):

On August 4, 2021, the Company paid the year-end dividend for the 36th term (1,146 yen per share, of which 154 yen is ordinary dividend and 992 yen is special dividend, total dividend of 146,949 million yen) using retained earnings as the source of dividends, which was resolved at the Board of Directors meeting held on July 21, 2021.

(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.

(Changes in Accounting Policies)

(Application of Accounting Standard for Calculation of Fair Value, etc.)

The Company has applied "Accounting Standard for Measurement of Fair Value" (ASBJ Statement No. 30, July 4, 2019. Hereinafter referred to as "Fair Value Calculation Accounting Standard"), etc. from the beginning of the first quarter of the current fiscal year, and will apply the new accounting policies set forth by the Accounting Standard for Measurement of Fair Value etc. prospectively in accordance with the transitional treatments set forth in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no impact of this change on the quarterly financial statements.

(Additional Information)

(Accounting estimates for the impact of the spread of the new coronavirus infection)

There has been no significant change in the assumptions and accounting estimates regarding the impact of the COVID-19 infection described in (Additional Information) of the Annual Securities Report for the previous fiscal year.

(Application of Accounting Standard, etc. for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year. The "Accounting Standard for Revenue Recognition", etc. issued on March 30, 2018 have been applied from the beginning of the fiscal year ending May 31, 2019.

Due to the application of the accounting standard for revenue recognition, "Advances received", which was presented in "Current liabilities" in the balance sheet of the previous fiscal year, is included in "Contract liabilities" from the first quarter of the current fiscal year. In addition, "Increase (decrease) in advances received," which was presented in "Net cash provided by (used in) operating activities" in the quarterly statement of cash flows for the cumulative period of the previous second quarter, is now included in "Increase (decrease) in contract liabilities" from the cumulative period of the second quarter.

In accordance with the transitional treatment prescribed in Paragraph 89-4 of the "Accounting Standard for Revenue Recognition", no reclassification has been made for the previous fiscal year with the new presentation method.

(Segment Information, etc.)

【Segment Information】

I . Previous quarter under review (from June 1, 2020 to November 30, 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	81,437	8,142	10,666	100,246	—	100,246
Intersegment net sales or transfer	—	—	—	—	—	—
Total	81,437	8,142	10,666	100,246	—	100,246
Operating income (loss)	32,829	346	2,226	35,401	-2,333	33,067

(Notes): 1. Segment profit adjustment of minus 2,333 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, 2021 to November 30, 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	84,227	7,101	10,756	102,084	—	102,084
Intersegment net sales or transfer	—	—	—	—	—	—
Total	84,227	7,101	10,756	102,084	—	102,084
Operating income (loss)	33,729	317	2,456	36,503	-2,423	34,079

(Notes): 1. Segment profit adjustment of minus 2,423 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.