

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

Flash Report for the 1st Quarter of Fiscal Year Ending May 31, 2023
[under Japanese GAAP] (Non-consolidated) September 21, 2022



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 Quarterly Report Filing Date (as planned): October 12, 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, 2022 to August 31, 2022)

(1) Operating result

(% of change from previous year)

	Revenue		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
1st Quarter, May 2023	51,018	1.3	16,145	-4.7	16,334	-3.8	11,326	-3.8
1st Quarter, May 2022	50,388	5.8	16,945	16.6	16,981	17.1	11,767	17.2

	Net income per share		Net income per share (diluted)	
	Yen	Sen	Yen	Sen
1st Quarter, May 2023	88	39	88	37
1st Quarter, May 2022	91	91	91	87

(2) Financial Position

	Total Assets	Net Assets	Ratio of shareholders' equity
	Million Yen	Million Yen	%
1st Quarter, May 2023	222,828	116,184	52.1
FY ended May 2022	236,868	125,355	52.9

Shareholders' equity 1st Quarter, May 2023: 116,080 Million Yen (May 2022: 125,243 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 2022	-		0	00	-		160	00	160	00
FY ending May 2023	-									
FY ending May 2023 (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 2023 term (from June 1, 2022 to May 31, 2023)

(% of change from previous year)

	Revenue	Net income per share
	%	Yen
Entire term	1.0~4.0	400.00~410.00

(Note1) Revision of forecast for May 2023 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)	1st Quarter, May 2023	128,262,871	shares
	FY ended May 2022	128,256,471	shares
(ii) The number of treasury stock	1st Quarter, May 2023	118,844	shares
	FY ended May 2022	118,544	shares
(iii) The number of average shares outstanding (cumulative, non-consolidated, at end of third quarter)	1st Quarter, May 2023	128,139,900	shares
	1st Quarter, May 2022	128,041,489	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.

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1. Qualitative Information on Results in the Quarter under Review

(1) Qualitative Information on Business Outcomes

Overview

During the first quarter under review (from June 1, 2022 to August 31, 2022, 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 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. The Company re-opened its offices in phases which could realize a higher level of autonomy and hybrid working style.

As a result of these measures, the Company posted 51,018 million yen (up 1.3 % year on year) in revenue, 16,145 million yen (falling 4.7 %) in operating income, 16,334 million yen (losing 3.8 %) in ordinary income and 11,326 million yen (decreasing 3.8 %) in net income. Revenue indicated attained hit record high as the first quarter.

The main reasons for a fall in profits were that revenue decline in license business and optimization in cloud service business.

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.

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) 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 1st Quarter of the fiscal year (from June 1, 2022 to August 31, 2022)

[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. Henceforth owing to the range of investment momentum depends on the industry, the result was slow in the first quarter.

One of the main reason for a fall in total operating income, was declining the license revenue by 13.6 %, therefore we are continuously examining our business status.

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.

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. On the other hand, there were moves toward consolidation and realignment amid. Some costs were incurred temporarily due to the revision of the rapidly expanding organization and optimization such as transfers to other departments.

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, and prospective benefits amid a push for government digitalization include an acceleration and increase in investment, larger projects, and further stimulation of demand over the mid-long term.

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, 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	FY2022 1st Quarter		FY2023 1st Quarter			May 2022	
	Amount	Comp.	Amount	Comp.	YoY	Amount	Comp.
	Million Yen	%	Million Yen	%	%	Million Yen	%
Cloud license & on-premise license	7,964	15.8	6,883	13.5	-13.6	44,975	20.9
Cloud services & license support	33,620	66.7	35,497	69.6	5.6	132,636	61.8
Cloud & License	41,584	82.5	42,381	83.1	1.9	177,612	82.7
Hardware systems	3,537	7.0	3,179	6.2	-10.1	15,429	7.2
Services	5,266	10.5	5,457	10.7	3.6	21,649	10.1
Total	50,388	100.0	51,018	100.0	1.3	214,691	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 first quarter of the current fiscal year were 71,070 million yen (decreasing 13,729 million yen from the previous fiscal year end). Noncurrent assets of the Company at the end of the term stood at 151,757 million yen (decreasing 310 million yen from the previous fiscal year end).

Liabilities were 106,643 million yen (decreasing 4,869 million yen from the previous fiscal year end). Net assets totaled 116,184 million yen (decreasing 9,170 million yen from the previous fiscal year end). This was mainly due to the payment of 160 yen per share as a year-end dividend in the cumulative first quarter.

As a result, the ratio of shareholders' equity was 52.1 % (down 0.8 percentage points from the previous fiscal year end).

(3) Qualitative Information on Forecasts

There is no change to the forecast announced on June 24, 2022.

2. Quarterly Financial Statements and Main Notes

(1) Quarterly Balance Sheet

(Unit : Million yen)

Description	Previous term end (as of May 31, 2022)	Current term end (as of August 31, 2022)
Assets		
Current assets		
Cash and deposits	60,142	56,629
Accounts receivable-trade	20,784	9,862
Other	3,892	4,597
Allowance for doubtful accounts	-20	-20
Total current assets	84,800	71,070
Noncurrent assets		
Property, plant and equipment		
Buildings, net	8,628	8,416
Land	26,057	26,057
Other, net	1,111	1,075
Total property, plant and equipment	35,796	35,548
Intangible assets	1	1
Investments and other assets		
Long-term loans receivable from subsidiaries and associates	110,000	110,000
Other	6,270	6,207
Total investments and other assets	116,270	116,207
Total noncurrent assets	152,068	151,757
Total assets	236,868	222,828
Liabilities		
Current liabilities		
Accounts payable-trade	8,918	8,476
Accounts payable-other	4,672	4,289
Income taxes payable	12,313	5,341
Contract liabilities	80,047	81,947
Provision for bonuses	1,953	1,049
Other Provision	814	1,080
Other	2,792	4,456
Total current liabilities	111,512	106,643
Noncurrent liabilities		
Other	0	0
Total noncurrent liabilities	0	0
Total liabilities	111,513	106,643
Net assets		
Shareholders' equity		
Capital stock	25,067	25,083
Capital surplus	8,418	8,434
Retained earnings	93,156	83,964
Treasury stock	-1,399	-1,401
Total shareholders' equity	125,243	116,080
Subscription rights to shares	111	104
Total net assets	125,355	116,184
Total liabilities and net assets	236,868	222,828

(2) Quarterly Statement of Income
Cumulative First Quarter

(Unit : Million yen)

Description	Previous term (From June 1, 2021 to August 31, 2021)	Current term (From June 1, 2022 to August 31, 2022)
Net sales	50,388	51,018
Cost of sales	25,776	26,639
Gross Profit	24,611	24,379
Selling, general and administrative expenses	7,665	8,233
Operating income	16,945	16,145
Non-operating income		
Interest income	6	24
Foreign exchange gains	28	155
Others	8	9
Total Non-Operating Income	43	190
Non-Operating expenses		
Others	7	1
Total Non-Operating expenses	7	1
Ordinary Income	16,981	16,334
Extraordinary Income		
Gain on reversal of subscription rights to shares	0	4
Total Extraordinary Income	0	4
Income before income taxes	16,982	16,338
Income taxes	5,214	5,011
Net Income	11,767	11,326

(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.

(Additional Information)

(Accounting estimates for the impact of the spread of the new COVID-19 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.

(Segment Information, etc.)

【Segment Information】**I . Previous first quarter under review (from June 1, 2021 to August 31, 2021)**

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	41,584	3,537	5,266	50,388	-	50,388
Intersegment net sales or transfer	-	-	-	-	-	-
Total	41,584	3,537	5,266	50,388	-	50,388
Operating income (loss)	16,901	158	1,057	18,116	-1,170	16,945

- (Notes): 1. Segment profit adjustment of minus 1,170 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 first quarter under review (from June 1, 2022 to August 31, 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	42,381	3,179	5,457	51,018	-	51,018
Intersegment net sales or transfer	-	-	-	-	-	-
Total	42,381	3,179	5,457	51,018	-	51,018
Operating income (loss)	16,259	132	1,108	17,501	-1,355	16,145

- (Notes): 1. Segment profit adjustment of minus 1,355 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.