

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, 2023
[under Japanese GAAP] (Non-consolidated) March 22, 2023



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 Quarterly Report Filing Date (as planned): April 10, 2023
 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 February 28, 2023)

(1) Operating result

(% of change from previous year)

	Revenue		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
3rd Quarter, May 2023	163,226	6.3	52,610	2.0	52,815	2.3	36,624	2.3
3rd Quarter, May 2022	153,506	2.5	51,557	3.7	51,649	3.9	35,793	4.0

	Net income per share		Net income per share (diluted)	
	Yen	Sen	Yen	Sen
3rd Quarter, May 2023	285	80	285	75
3rd Quarter, May 2022	279	44	279	34

(2) Financial Position

	Total Assets	Net Assets	Ratio of shareholders' equity
	Million Yen	Million Yen	%
3rd Quarter, May 2023	232,530	140,439	60.4
FY ended May 2022	236,868	125,355	52.9

Shareholders' equity 3rd Quarter, May 2023: 140,351 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	-		0	00	-					
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)	3rd Quarter, May 2023	128,271,171	shares
	FY ended May 2022	128,256,471	shares
(ii) The number of treasury stock	3rd Quarter, May 2023	287,926	shares
	FY ended May 2022	118,544	shares
(iii) The number of average shares outstanding (cumulative, non-consolidated, year to date)	3rd Quarter, May 2023	128,147,886	shares
	3rd Quarter, May 2022	128,089,045	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 third quarter under review (from June 1, 2022 to February 28, 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 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 163,226 million yen (up 6.3 % year on year) in revenue, 52,610 million yen (rising 2.0 %) in operating income, 52,815 million yen (gaining 2.3 %) in ordinary income and 36,624 million yen (increasing 2.3 %) in net income. For revenue and each profit category indicated attained hit record high as this third 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) 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 3rd Quarter of the fiscal year (from December 1, 2022 to February 28, 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.

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.

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.

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.

[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 3rd Quarter		FY2023 3rd Quarter			May 2022	
	Amount	Comp.	Amount	Comp.	YoY	Amount	Comp.
	Million Yen	%	Million Yen	%	%	Million Yen	%
Cloud license & on-premise license	27,889	18.2	30,939	19.0	10.9	44,975	20.9
Cloud services & license support	99,049	64.5	105,100	64.4	6.1	132,636	61.8
Cloud & License	126,938	82.7	136,040	83.3	7.2	177,612	82.7
Hardware systems	10,622	6.9	11,274	6.9	6.1	15,429	7.2
Services	15,945	10.4	15,911	9.7	-0.2	21,649	10.1
Total	153,506	100.0	163,226	100.0	6.3	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 third quarter of the current fiscal year were 81,273 million yen (decreasing 3,526 million yen from the previous fiscal year end). Noncurrent assets of the Company at the end of the term stood at 151,256 million yen (decreasing 812 million yen from the previous fiscal year end).

Liabilities were 92,090 million yen (decreasing 19,422 million yen from the previous fiscal year end). Net assets totaled 140,439 million yen (increasing 15,084 million yen from the previous fiscal year end).

As a result, the ratio of shareholders' equity was 60.4 % (up 7.5 percentage points from the previous fiscal year end).

(3) Qualitative Information on Forecasts

There is no change to the forecast announced on June 24, 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 February 28, 2023)
Assets		
Current assets		
Cash and deposits	60,142	62,322
Accounts receivable-trade	20,784	12,956
Other	3,892	6,015
Allowance for doubtful accounts	-20	-20
Total current assets	84,800	81,273
Noncurrent assets		
Property, plant and equipment		
Buildings, net	8,628	8,036
Land	26,057	26,057
Other, net	1,111	1,077
Total property, plant and equipment	35,796	35,171
Intangible assets	1	0
Investments and other assets		
Long-term loans receivable from subsidiaries and associates	110,000	110,000
Other	6,270	6,083
Total investments and other assets	116,270	116,083
Total noncurrent assets	152,068	151,256
Total assets	236,868	232,530
Liabilities		
Current liabilities		
Accounts payable-trade	8,918	9,267
Accounts payable-other	4,672	3,850
Income taxes payable	12,313	5,186
Contract liabilities	80,047	68,810
Provision for bonuses	1,953	1,525
Other Provision	814	573
Other	2,792	2,875
Total current liabilities	111,512	92,089
Noncurrent liabilities		
Other	0	0
Total noncurrent liabilities	0	0
Total liabilities	111,513	92,090
Net assets		
Shareholders' equity		
Capital stock	25,067	25,103
Capital surplus	8,418	8,454
Retained earnings	93,156	109,262
Treasury stock	-1,399	-2,468
Total shareholders' equity	125,243	140,351
Subscription rights to shares	111	88
Total net assets	125,355	140,439
Total liabilities and net assets	236,868	232,530

(2) Quarterly Statement of Income
Cumulative Third Quarter

(Unit : Million yen)

Description	Previous term (From June 1, 2021 to February 28, 2022)	Current term (From June 1, 2022 to February 28, 2023)
Net sales	153,506	163,226
Cost of sales	78,552	85,756
Gross Profit	74,954	77,470
Selling, general and administrative expenses	23,397	24,859
Operating income	51,557	52,610
Non-operating income		
Interest income	11	72
Foreign exchange gains	77	88
Others	16	51
Total Non-Operating Income	105	212
Non-Operating expenses		
Others	12	7
Total Non-Operating expenses	12	7
Ordinary Income	51,649	52,815
Extraordinary Income		
Gain on reversal of subscription rights to shares	5	14
Total Extraordinary Income	5	14
Income before income taxes	51,654	52,830
Income taxes	15,861	16,205
Net Income	35,793	36,624

(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 third quarter under review (from June 1, 2021 to February 28, 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	126,938	10,622	15,945	153,506	-	153,506
Intersegment net sales or transfer	-	-	-	-	-	-
Total	126,938	10,622	15,945	153,506	-	153,506
Operating income (loss)	51,165	472	3,483	55,121	-3,564	51,557

(Notes): 1. Segment profit adjustment of minus 3,564 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 third quarter under review (from June 1, 2022 to February 28, 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	136,040	11,274	15,911	163,226	-	163,226
Intersegment net sales or transfer	-	-	-	-	-	-
Total	136,040	11,274	15,911	163,226	-	163,226
Operating income (loss)	52,473	431	3,307	56,212	-3,601	52,610

(Notes): 1. Segment profit adjustment of minus 3,601 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.