

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, 2024
[under Japanese GAAP] (Non-consolidated)

March 19, 2024



Company Name Oracle Corporation Japan Listed Stock Exchange: TSE Standard
 Ticker: 4716 URL: <http://www.oracle.com/jp/corporate/investor-relations/index.html>
 Representative & Contact personal Telephone: 03-6834-6666
 Representative personal Hiroko Utsumi, Representative Corporate Executive Officer & Managing Counsel
 Contact personal Yuki Nishio, Director, Investor Relations
 Quarterly Report Filing Date (as planned): April 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 February 29, 2024)

(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 2024	176,883	8.4	57,706	9.7	57,971	9.8	40,181	9.7
3rd Quarter, May 2023	163,226	6.3	52,610	2.0	52,815	2.3	36,624	2.3

	Net income per share		Net income per share (diluted)	
	Yen	Sen	Yen	Sen
3rd Quarter, May 2024	313	78	313	73
3rd Quarter, May 2023	285	80	285	75

(2) Financial Position

	Total Assets	Net Assets	Ratio of shareholders' equity
	Million Yen	Million Yen	%
3rd Quarter, May 2024	292,685	176,336	60.2
FY ended May 2023	281,015	155,854	55.4

Shareholders' equity 3rd Quarter, May 2024: 176,273 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)	3rd Quarter, May 2024	128,290,271	shares
	FY ended May 2023	128,274,071	shares
(ii) The number of treasury stock	3rd 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)	3rd Quarter, May 2024	128,056,950	shares
	3rd Quarter, May 2023	128,147,886	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, 2023 to February 29, 2024, 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 176,883 million yen (up 8.4 % year on year) in revenue, 57,706 million yen (rising 9.7 %) in operating income, 57,971 million yen (gaining 9.8 %) in ordinary income and 40,181 million yen (increasing 9.7 %) 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) 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 3rd Quarter of the fiscal year (from December 1, 2023 to February 29, 2024)

[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 3rd Quarter		FY2024 3rd Quarter			May 2023	
	Amount	Comp.	Amount	Comp.	YoY	Amount	Comp.
	Million Yen	%	Million Yen	%	%	Million Yen	%
Cloud Services	26,110	16.0	35,578	20.1	36.3	36,314	16.0
License Support	78,989	48.4	81,788	46.2	3.5	105,660	46.6
Cloud Services & License Support	105,100	64.4	117,366	66.4	11.7	141,975	62.6
Cloud license & On-Premise License	30,939	19.0	31,298	17.7	1.2	47,876	21.1
Cloud & License	136,040	83.3	148,664	84.0	9.3	189,851	83.7
Hardware systems	11,274	6.9	11,795	6.7	4.6	16,240	7.2
Services	15,911	9.7	16,423	9.3	3.2	20,822	9.2
Total	163,226	100.0	176,883	100.0	8.4	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 third 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 third quarter of the current fiscal year were 71,453 million yen (decreasing 59,377 million yen from the previous fiscal year end). Noncurrent assets of the Company at the end of the term stood at 221,232 million yen (increasing 71,047 million yen from the previous fiscal year end).

This was mainly due to an increase in long-term loans receivable from subsidiaries and associates (72,000 million yen) resulting from a loan to Oracle Japan Holding Inc. (our parent company) with a maximum loan amount of 115,000 million yen and fixed interest rate terms with a maturity date of three years from December 2023, the effective date of the loan.

Liabilities were 116,348 million yen (decreasing 8,812 million yen from the previous fiscal year end). Net assets totaled 176,336 million yen (increasing 20,482 million yen from the previous fiscal year end).

As a result, the ratio of shareholders' equity was 60.2 % (up 4.8 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.

The Company uses a range of values for the forecast for the next fiscal year. The Company is carefully examining the effects on its further business and it will announce that the forecast may change by various reason.

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 February 29, 2024)
Assets		
Current assets		
Cash and deposits	104,531	54,056
Accounts receivable-trade	21,350	12,890
Other	4,968	4,526
Allowance for doubtful accounts	-20	-20
Total current assets	130,831	71,453
Noncurrent assets		
Property, plant and equipment		
Buildings, net	7,824	7,188
Land	26,057	26,057
Other, net	1,092	1,096
Total property, plant and equipment	34,973	34,341
Intangible assets	1	1
Investments and other assets		
Long-term loans receivable from subsidiaries and associates	110,000	182,000
Other	5,209	4,889
Total investments and other assets	115,209	186,889
Total noncurrent assets	150,184	221,232
Total assets	281,015	292,685
Liabilities		
Current liabilities		
Accounts payable-trade	10,193	9,797
Accounts payable-other	4,818	4,332
Income taxes payable	10,659	7,352
Contract liabilities	93,088	89,456
Provision for bonuses	1,896	1,532
Other Provision	729	531
Other	3,775	3,346
Total current liabilities	125,161	116,348
Noncurrent liabilities		
Other	0	-
Total noncurrent liabilities	0	-
Total liabilities	125,161	116,348
Net assets		
Shareholders' equity		
Capital stock	25,111	25,164
Capital surplus	8,462	8,514
Retained earnings	124,646	144,050
Treasury stock	-2,452	-1,455
Total shareholders' equity	155,768	176,273
Subscription rights to shares	85	62
Total net assets	155,854	176,336
Total liabilities and net assets	281,015	292,685

(2) Quarterly Statement of Income
Cumulative Third Quarter

(Unit : Million yen)

Description	Previous term (From June 1, 2022 to February 28, 2023)	Current term (From June 1, 2023 to February 29, 2024)
Net sales	163,226	176,883
Cost of sales	85,756	94,481
Gross Profit	77,470	82,402
Selling, general and administrative expenses	24,859	24,695
Operating income	52,610	57,706
Non-operating income		
Interest income	72	143
Foreign exchange gains	88	119
Others	51	20
Total Non-Operating Income	212	282
Non-Operating expenses		
Others	7	17
Total Non-Operating expenses	7	17
Ordinary Income	52,815	57,971
Extraordinary Income		
Gain on reversal of subscription rights to shares	14	8
Total Extraordinary Income	14	8
Income before income taxes	52,830	57,980
Income taxes	16,205	17,798
Net Income	36,624	40,181

(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, etc.)

【Segment Information】

I . Previous 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.

II . Current third quarter under review (from June 1, 2023 to February 29, 2024)

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	148,664	11,795	16,423	176,883	-	176,883
Intersegment net sales or transfer	-	-	-	-	-	-
Total	148,664	11,795	16,423	176,883	-	176,883
Operating income (loss)	57,553	435	3,284	61,273	-3,566	57,706

- (Notes): 1. Segment profit adjustment of minus 3,566 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.