

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

The following financial statements are filed as a part of this report:

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2. Financial Statement Schedules

All schedules are omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes herein or not present in amounts sufficient to require submission of the schedule.

(b) Exhibits

The information required by this Item is set forth in the Index of Exhibits that is after Item 16 of this Annual Report.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Oracle Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Oracle Corporation (the Company) as of May 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit) and cash flows for each of the three years in the period ended May 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at May 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended May 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of May 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated June 20, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Income Tax – Uncertain tax positions

Description of the matter

As discussed in Note 13 of the financial statements, the Company recognizes uncertain tax positions and measures unrecognized tax benefits related to various domestic and foreign matters. As of May 31, 2023, the total amount of unrecognized tax benefits was \$7.7 billion, of which \$3.9 billion, if recognized would impact the Company's effective tax rate. The Company uses significant judgment in the accounting for some of these uncertain tax positions including the interpretation and application of tax laws and legal rulings in various jurisdictions.

Auditing management's evaluation of whether an uncertain tax position is more likely than not to be sustained and the measurement of the benefit of various tax positions was complex, involved significant judgment, and was based on interpretations and application of tax laws and legal rulings.

How we addressed the matter in our audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the controls over management's process for interpretation and application of tax laws and legal rulings, as well as development of the assumptions and estimates used in the measurement of uncertain tax positions.

To test management's assessment of which uncertain tax positions are more likely than not to be sustained, we performed audit procedures that included, among others, evaluating management's assumptions and analysis, including any communications with taxing authorities that detailed the basis and technical merits of the uncertain tax positions. We involved our tax subject matter professionals in assessing the technical merits of certain tax positions based on our knowledge of relevant tax laws and experience with related taxing authorities. In addition, we also evaluated the Company's disclosures in relation to these matters included in Note 13 of the financial statements.

Business combinations – Valuation of intangible assets

Description of the matter

As discussed in Note 2 of the financial statements, the Company completed the acquisition of Cerner Corporation during fiscal year 2023 for a total purchase price of \$28.2 billion, which was accounted for as a business combination. In connection with this acquisition, management recognized customer relationship, order backlog, developed technology and trade name intangible assets of \$12.0 billion. The valuation of the customer relationship and developed technology intangible assets is complex and judgmental due to the use of subjective assumptions in the valuation models used by management when determining their estimated fair value. In particular, the fair value estimates for the acquired assets are sensitive to changes in assumptions for revenue growth, and cost of revenues and operating expenses as a percentage of revenue.

Auditing management's valuation of customer relationship and developed technology intangible assets is complex due to the auditor judgment required to evaluate management's assumptions used in determining the fair value of these assets.

How we addressed the matter in our audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the determination of the fair value of customer relationships and developed technology intangible assets. This included controls over management's development of the assumptions described above.

To test the estimated fair value of the customer relationships and developed technology intangible assets, we performed audit procedures that included, among others, evaluating the Company's selection of valuation methodologies with the assistance of our valuation specialists and application of acquisition accounting, and evaluating the significant assumptions used by the Company to develop the forecasted revenue growth rates and projected cost of revenues and operating expenses. We compared the significant assumptions to current industry, market and economic trends, and to the historical results of the acquired business and tested the completeness and accuracy of the underlying data used by management in the valuation.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

San Jose, California

June 20, 2023

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Oracle Corporation

Opinion on Internal Control Over Financial Reporting

We have audited Oracle Corporation's internal control over financial reporting as of May 31, 2023, based on criteria established in the Internal Control— Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Oracle Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of May 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Oracle Corporation as of May 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit) and cash flows for each of the three years in the period ended May 31, 2023, and the related notes and our report dated June 20, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California

June 20, 2023

ORACLE CORPORATION
CONSOLIDATED BALANCE SHEETS
As of May 31, 2023 and 2022

(in millions, except per share data)	May 31,	
	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,765	\$ 21,383
Marketable securities	422	519
Trade receivables, net of allowances for credit losses of \$428 and \$362 as of May 31, 2023 and May 31, 2022, respectively	6,915	5,953
Prepaid expenses and other current assets	3,902	3,778
Total current assets	21,004	31,633
Non-current assets:		
Property, plant and equipment, net	17,069	9,716
Intangible assets, net	9,837	1,440
Goodwill, net	62,261	43,811
Deferred tax assets	12,226	12,782
Other non-current assets	11,987	9,915
Total non-current assets	113,380	77,664
Total assets	\$ 134,384	\$ 109,297
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Notes payable and other borrowings, current	\$ 4,061	\$ 3,749
Accounts payable	1,204	1,317
Accrued compensation and related benefits	2,053	1,944
Deferred revenues	8,970	8,357
Other current liabilities	6,802	4,144
Total current liabilities	23,090	19,511
Non-current liabilities:		
Notes payable and other borrowings, non-current	86,420	72,110
Income taxes payable	11,077	12,210
Deferred tax liabilities	5,772	6,031
Other non-current liabilities	6,469	5,203
Total non-current liabilities	109,738	95,554
Commitments and contingencies		
Oracle Corporation stockholders' equity (deficit):		
Preferred stock, \$0.01 par value—authorized: 1.0 shares; outstanding: none	—	—
Common stock, \$0.01 par value and additional paid in capital—authorized: 11,000 shares; outstanding: 2,713 shares and 2,665 shares as of May 31, 2023 and 2022, respectively	30,215	26,808
Accumulated deficit	(27,620)	(31,336)
Accumulated other comprehensive loss	(1,522)	(1,692)
Total Oracle Corporation stockholders' equity (deficit)	1,073	(6,220)
Noncontrolling interests	483	452
Total stockholders' equity (deficit)	1,556	(5,768)
Total liabilities and stockholders' equity (deficit)	\$ 134,384	\$ 109,297

See notes to consolidated financial statements.

ORACLE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended May 31, 2023, 2022 and 2021

(in millions, except per share data)	Year Ended May 31,		
	2023	2022	2021
Revenues:			
Cloud services and license support	\$ 35,307	\$ 30,174	\$ 28,700
Cloud license and on-premise license	5,779	5,878	5,399
Hardware	3,274	3,183	3,359
Services	5,594	3,205	3,021
Total revenues	49,954	42,440	40,479
Operating expenses:			
Cloud services and license support ⁽¹⁾	7,763	5,213	4,353
Hardware ⁽¹⁾	1,040	972	972
Services ⁽¹⁾	4,761	2,692	2,530
Sales and marketing ⁽¹⁾	8,833	8,047	7,682
Research and development	8,623	7,219	6,527
General and administrative	1,579	1,317	1,254
Amortization of intangible assets	3,582	1,150	1,379
Acquisition related and other	190	4,713	138
Restructuring	490	191	431
Total operating expenses	36,861	31,514	25,266
Operating income	13,093	10,926	15,213
Interest expense	(3,505)	(2,755)	(2,496)
Non-operating (expenses) income, net	(462)	(522)	282
Income before income taxes	9,126	7,649	12,999
(Provision for) benefit from income taxes	(623)	(932)	747
Net income	\$ 8,503	\$ 6,717	\$ 13,746
Earnings per share:			
Basic	\$ 3.15	\$ 2.49	\$ 4.67
Diluted	\$ 3.07	\$ 2.41	\$ 4.55
Weighted average common shares outstanding:			
Basic	2,696	2,700	2,945
Diluted	2,766	2,786	3,022

⁽¹⁾ Exclusive of amortization of intangible assets, which is shown separately.

See notes to consolidated financial statements.

ORACLE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended May 31, 2023, 2022 and 2021

(in millions)	Year Ended May 31,		
	2023	2022	2021
Net income	\$ 8,503	\$ 6,717	\$ 13,746
Other comprehensive income (loss), net of tax:			
Net foreign currency translation (losses) gains	(204)	(707)	479
Net unrealized gains on defined benefit plans	271	190	71
Other, net	103	—	(9)
Total other comprehensive income (loss), net	170	(517)	541
Comprehensive income	<u>\$ 8,673</u>	<u>\$ 6,200</u>	<u>\$ 14,287</u>

See notes to consolidated financial statements.

ORACLE CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
For the Years Ended May 31, 2023, 2022 and 2021

(in millions, except per share data)	Common Stock and Additional Paid in Capital		Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Oracle Corporation Stockholders' Equity (Deficit)	Noncontrolling Interests	Total Stockholders' Equity (Deficit)
	Number of Shares	Amount					
Balances as of May 31, 2020	3,067	\$ 26,486	\$ (12,696)	\$ (1,716)	\$ 12,074	\$ 643	\$ 12,717
Common stock issued under stock-based compensation plans	86	1,658	—	—	1,658	—	1,658
Common stock issued under stock purchase plans	2	128	—	—	128	—	128
Stock-based compensation	—	1,837	—	—	1,837	—	1,837
Repurchases of common stock	(329)	(2,893)	(18,107)	—	(21,000)	—	(21,000)
Shares repurchased for tax withholdings upon vesting of restricted stock-based awards	(12)	(666)	—	—	(666)	—	(666)
Cash dividends declared (\$1.04 per share)	—	—	(3,063)	—	(3,063)	—	(3,063)
Other, net	—	(17)	—	—	(17)	(111)	(128)
Other comprehensive income, net	—	—	—	541	541	2	543
Net income	—	—	13,746	—	13,746	180	13,926
Balances as of May 31, 2021	2,814	26,533	(20,120)	(1,175)	5,238	714	5,952
Common stock issued under stock-based compensation plans	48	318	—	—	318	—	318
Common stock issued under stock purchase plans	2	164	—	—	164	—	164
Stock-based compensation	—	2,613	—	—	2,613	—	2,613
Repurchases of common stock	(186)	(1,723)	(14,477)	—	(16,200)	—	(16,200)
Shares repurchased for tax withholdings upon vesting of restricted stock-based awards	(13)	(1,093)	—	—	(1,093)	—	(1,093)
Cash dividends declared (\$1.28 per share)	—	—	(3,457)	—	(3,457)	—	(3,457)
Other, net	—	(4)	1	—	(3)	(396)	(399)
Other comprehensive loss, net	—	—	—	(517)	(517)	(50)	(567)
Net income	—	—	6,717	—	6,717	184	6,901
Balances as of May 31, 2022	2,665	26,808	(31,336)	(1,692)	(6,220)	452	(5,768)
Common stock issued under stock-based compensation plans	79	1,019	—	—	1,019	—	1,019
Common stock issued under stock purchase plans	2	173	—	—	173	—	173
Assumption of stock-based compensation plan awards in connection with acquisitions	—	55	—	—	55	—	55
Stock-based compensation	—	3,547	—	—	3,547	—	3,547
Repurchases of common stock	(17)	(166)	(1,120)	—	(1,286)	—	(1,286)
Shares repurchased for tax withholdings upon vesting of restricted stock-based awards	(16)	(1,203)	—	—	(1,203)	—	(1,203)
Cash dividends declared (\$1.36 per share)	—	—	(3,668)	—	(3,668)	—	(3,668)
Other, net	—	(18)	1	—	(17)	(98)	(115)
Other comprehensive income (loss), net	—	—	—	170	170	(36)	134
Net income	—	—	8,503	—	8,503	165	8,668
Balances as of May 31, 2023	2,713	\$ 30,215	\$ (27,620)	\$ (1,522)	\$ 1,073	\$ 483	\$ 1,556

See notes to consolidated financial statements.

ORACLE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2023, 2022 and 2021

(in millions)	Year Ended May 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net income	\$ 8,503	\$ 6,717	\$ 13,746
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	2,526	1,972	1,537
Amortization of intangible assets	3,582	1,150	1,379
Deferred income taxes	(2,167)	(1,146)	(2,425)
Stock-based compensation	3,547	2,613	1,837
Other, net	661	220	(39)
Changes in operating assets and liabilities, net of effects from acquisitions:			
(Increase) decrease in trade receivables, net	(151)	(874)	333
Decrease in prepaid expenses and other assets	317	11	622
Decrease in accounts payable and other liabilities	(281)	(733)	(23)
Decrease in income taxes payable	(153)	(398)	(1,485)
Increase in deferred revenues	781	7	405
Net cash provided by operating activities	17,165	9,539	15,887
Cash flows from investing activities:			
Purchases of marketable securities and other investments	(1,181)	(10,272)	(37,982)
Proceeds from sales and maturities of marketable securities and other investments	1,113	26,151	27,060
Acquisitions, net of cash acquired	(27,721)	(148)	(41)
Capital expenditures	(8,695)	(4,511)	(2,135)
Net cash (used for) provided by investing activities	(36,484)	11,220	(13,098)
Cash flows from financing activities:			
Payments for repurchases of common stock	(1,300)	(16,248)	(20,934)
Proceeds from issuances of common stock	1,192	482	1,786
Shares repurchased for tax withholdings upon vesting of restricted stock-based awards	(1,203)	(1,093)	(666)
Payments of dividends to stockholders	(3,668)	(3,457)	(3,063)
Proceeds from issuances of commercial paper, net of repayments	500	—	—
Proceeds from issuances of senior notes and other borrowings, net of issuance costs	33,494	—	14,934
Repayments of senior notes and other borrowings	(21,050)	(8,250)	(2,631)
Other, net	(55)	(560)	196
Net cash provided by (used for) financing activities	7,910	(29,126)	(10,378)
Effect of exchange rate changes on cash and cash equivalents	(209)	(348)	448
Net decrease in cash and cash equivalents	(11,618)	(8,715)	(7,141)
Cash and cash equivalents at beginning of period	21,383	30,098	37,239
Cash and cash equivalents at end of period	\$ 9,765	\$ 21,383	\$ 30,098
Non-cash investing and financing activities:			
Fair values of stock awards assumed in connection with acquisitions	\$ 55	\$ —	\$ —
Supplemental schedule of cash flow data:			
Cash paid for income taxes	\$ 3,009	\$ 2,567	\$ 3,189
Cash paid for interest	\$ 3,250	\$ 2,735	\$ 2,408

See notes to consolidated financial statements.

ORACLE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2023

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Oracle Corporation provides products and services that substantially address all aspects of enterprise information technology (IT) environments, including applications and infrastructure technologies. We deliver our products and services to customers worldwide through a variety of flexible and interoperable IT deployment models. These models include on-premise, cloud-based and hybrid deployments (an approach that combines both on-premise and cloud based deployments). Oracle Cloud Software-as-a-Service and Oracle Cloud Infrastructure (SaaS and OCI, respectively, and collectively, Oracle Cloud Services) offerings provide comprehensive and integrated applications and infrastructure services delivered via various cloud delivery models enabling our customers to choose the best option that meets their specific business needs. Customers may also elect to purchase Oracle software licenses and hardware products and related services to manage their own cloud-based or on-premise IT environments. Customers that purchase our software licenses may elect to purchase license support contracts, which provide our customers with rights to unspecified license upgrades and maintenance releases issued during the support period as well as technical support assistance. Customers that purchase our hardware products may elect to purchase hardware support contracts, which provide customers with software updates and can include product repairs, maintenance services, and technical support services. We also offer customers a broad set of services offerings that are designed to improve customer utilization of their investments in Oracle applications and infrastructure technologies.

Oracle Corporation conducts business globally and was incorporated in 2005 as a Delaware corporation and is the successor to operations originally begun in June 1977.

Basis of Financial Statements

The consolidated financial statements include our accounts and the accounts of our wholly- and majority-owned subsidiaries. Noncontrolling interest positions of certain of our consolidated entities are reported as a separate component of consolidated equity from the equity attributable to Oracle's stockholders for all periods presented. The noncontrolling interests in our net income were not significant to our consolidated results for the periods presented and therefore have not been presented separately and instead are included as a component of non-operating expenses or income, net in our consolidated statements of operations. Intercompany transactions and balances have been eliminated.

On June 8, 2022, we completed our acquisition of Cerner Corporation (Cerner), a provider of digital information systems used within hospitals and health systems, by means of a merger of one of our wholly owned subsidiaries with and into Cerner such that Cerner became an indirect, wholly owned subsidiary of Oracle. Through our acquisition of Cerner, we enhanced our offerings of each of our three existing businesses, cloud and license, hardware and services. The consolidated financial statements included in this Annual Report include the financial results of Cerner prospectively from the date of acquisition. Refer to Note 2 below for additional details regarding our acquisition of Cerner.

The comparability of our consolidated financial statements as of and for the year ended May 31, 2022 was impacted by \$4.7 billion of certain litigation related charges during fiscal 2022. The comparability of our consolidated statements of operations for the year ended May 31, 2021 was impacted by a \$2.3 billion net income tax benefit related to the partial realignment of our legal entity structure that resulted in the intra-group transfer of certain intellectual property rights. Refer to Note 13 below for additional information regarding our income taxes.

Use of Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as set forth in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC), and we consider various staff accounting bulletins and other applicable guidance issued by the SEC. These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. To the extent that there are differences between these estimates, judgments or assumptions and actual results, our consolidated financial statements will be affected. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result.

During the first quarter of fiscal 2023, we completed an assessment of the useful lives of our servers and increased the estimate of the useful lives from four years to five years effective at the beginning of fiscal 2023. Based on the carrying value of our servers as of May 31, 2022, this change in accounting estimate decreased our total operating expenses by \$434 million during fiscal 2023.

Revenue Recognition

Our sources of revenues include:

- cloud and license revenues, which include the sale of: cloud services and license support; and cloud licenses and on-premise licenses, which typically represent perpetual software licenses purchased by customers for use in both cloud and on-premise IT environments;
- hardware revenues, which include the sale of hardware products, including Oracle Engineered Systems, servers, and storage products, and industry-specific hardware; and hardware support revenues; and
- services revenues, which are earned from providing cloud-, license- and hardware-related services including consulting and advanced customer services.

License support revenues are typically generated through the sale of license support contracts related to cloud license and on-premise licenses purchased by our customers at their option. License support contracts provide customers with rights to unspecified software product upgrades, maintenance releases and patches released during the term of the support period and include internet access to technical content, as well as internet and telephone access to technical support personnel. License support contracts are generally priced as a percentage of the net cloud license and on-premise license fees. Substantially all of our customers elect to purchase and renew their license support contracts annually.

Cloud services revenues include revenues from Oracle Cloud Services offerings, which deliver applications and infrastructure technologies via cloud-based deployment models that we develop functionality for, provide unspecified updates and enhancements for, deploy, host, manage, upgrade and support and that customers access by entering into a subscription agreement with us for a stated period.

Cloud license and on-premise license revenues primarily represent amounts earned from granting customers perpetual licenses to use our database, middleware, application and industry-specific software products, which our customers use for cloud-based, on-premise and other IT environments. The vast majority of our cloud license and on-premise license arrangements include license support contracts, which are entered into at the customer's option.

Revenues from the sale of hardware products represent amounts earned primarily from the sale of our Oracle Engineered Systems, computer servers, storage, and industry-specific hardware. Our hardware support offerings generally provide customers with software updates for the software components that are essential to the functionality of the hardware products purchased and can also include product repairs, maintenance services and

technical support services. Hardware support contracts are generally priced as a percentage of the net hardware products fees.

Our services are offered to customers as standalone arrangements or as a part of arrangements to customers buying other products and services. Our consulting services are designed to help our customers to, among others, deploy, architect, integrate, upgrade and secure their investments in Oracle applications and infrastructure technologies. Our advanced customer services are designed to provide supplemental support services, performance services and higher availability for Oracle products and services.

We apply the provisions of ASC 606, *Revenue from Contracts with Customers* (ASC 606) as a single standard for revenue recognition that applies to all of our cloud, license, hardware and services arrangements and generally require revenues to be recognized upon the transfer of control of promised goods or services provided to our customers, reflecting the amount of consideration we expect to receive for those goods or services. Pursuant to ASC 606, revenues are recognized upon the application of the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to each performance obligation in the contract; and
- recognition of revenues when, or as, the contractual performance obligations are satisfied.

Our customers that contract with us for the provision of cloud services, software, hardware or other services include businesses of many sizes, government agencies, educational institutions and our channel partners, which include resellers and system integrators.

The timing of revenue recognition may differ from the timing of invoicing to our customers. We record an unbilled receivable, which is included within accounts receivable on our consolidated balance sheets, when revenue is recognized prior to invoicing. We record deferred revenues on our consolidated balance sheets when revenues are to be recognized subsequent to cash collection for an invoice. Our standard payment terms are generally net 30 days but may vary. Invoices for cloud license and on-premise licenses and hardware products are generally issued when the license is made available for customer use or upon delivery to the customer of the hardware product. Invoices for license support and hardware support contracts are generally invoiced annually in advance. Cloud SaaS and cloud infrastructure contracts are generally invoiced annually, quarterly or monthly in advance. Services are generally invoiced in advance or as the services are performed. Most contracts that contain a financing component are contracts financed through our Oracle financing division. The transaction price for a contract that is financed through our Oracle financing division is adjusted to reflect the time value of money and interest revenue is recorded as a component of non-operating expenses or income, net within our consolidated statements of operations based on market rates in the country in which the transaction is being financed.

Our revenue arrangements generally include standard warranty or service level provisions that our arrangements will perform and operate in all material respects as defined in the respective agreements, the financial impacts of which have historically been and are expected to continue to be insignificant. Our arrangements generally do not include a general right of return relative to the delivered products or services. We recognize revenues net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

Revenue Recognition for Cloud Services

Revenues from cloud services provided on a subscription basis are generally recognized ratably over the contractual period that the cloud services are delivered, beginning on the date our service is made available to a customer. We recognize revenue ratably because the customer receives and consumes the benefits of the cloud services throughout the contract period. Revenues from cloud services that are provided on a consumption basis, such as metered services, are generally recognized based on the utilization of the services by the customer.

Revenue Recognition for License Support and Hardware Support

Oracle's primary performance obligations with respect to license support contracts and hardware support contracts are to provide customers with technical support as needed and unspecified software product upgrades, maintenance releases and patches during the term of the support period, if and when they are available, and hardware product repairs, as applicable. Oracle is obligated to make the license and hardware support services available continuously throughout the contract period. Therefore, revenues for license support contracts and hardware support contracts are generally recognized ratably over the contractual periods that the support services are provided.

Revenue Recognition for Cloud Licenses and On-Premise Licenses

Revenues from distinct cloud license and on-premise license performance obligations are generally recognized upfront at the point in time when the software is made available to the customer to download and use. Revenues from usage-based royalty arrangements for distinct cloud licenses and on-premise licenses are recognized at the point in time when the software end user usage occurs. For usage-based royalty arrangements with a fixed minimum guarantee amount, the minimum amount is generally recognized upfront when the software is made available to the royalty customer.

Revenue Recognition for Hardware Products

The hardware product and related software, such as an operating system or firmware, are highly interdependent and interrelated and are accounted for as a combined performance obligation. The revenues for this combined performance obligation are generally recognized at the point in time that the hardware product is delivered and ownership is transferred to the customer.

Revenue Recognition for Services

Services revenues are generally recognized over time as the services are performed. Revenues for fixed price services are generally recognized over time applying input methods to estimate progress to completion. Revenues for consumption-based services are generally recognized as the services are performed.

Allocation of the Transaction Price for Contracts that have Multiple Performance Obligations

Many of our contracts include multiple performance obligations. Judgment is required in determining whether each performance obligation is distinct. Oracle products and services generally do not require a significant amount of integration or interdependency; therefore, our products and services are generally not combined. We allocate the transaction price for each contract to each performance obligation based on the relative standalone selling price (SSP) for each performance obligation within each contract.

We use judgment in determining the SSP for products and services. For substantially all performance obligations except cloud licenses and on-premise licenses, we are able to establish the SSP based on the observable prices of products or services sold separately in comparable circumstances to similar customers. We typically establish an SSP range for our products and services which is reassessed on a periodic basis or when facts and circumstances change. Our cloud licenses and on-premise licenses have not historically been sold on a standalone basis, as the vast majority of all customers elect to purchase license support contracts at the time of a cloud license and on-premise license purchase. License support contracts are generally priced as a percentage of the net fees paid by the customer to access the license. We are unable to establish the SSP for our cloud licenses and on-premise licenses based on observable prices given the same products are sold for a broad range of amounts (that is, the selling price is highly variable) and a representative SSP is not discernible from past transactions or other observable evidence. As a result, the SSP for a cloud license and an on-premise license included in a contract with multiple performance obligations is generally determined by applying a residual approach whereby all other performance obligations within a contract are first allocated a portion of the transaction price based upon their respective SSPs, with any residual amount of transaction price allocated to cloud license and on-premise license revenues.

Remaining Performance Obligations from Customer Contracts

Trade receivables, net of allowance for credit losses, and deferred revenues are reported net of related uncollected deferred revenues in our consolidated balance sheets as of May 31, 2023 and 2022. The amount of revenues recognized during the year ended May 31, 2023 and 2022 that were included in the opening deferred revenues balance as of May 31, 2022 and 2021, respectively, was approximately \$8.3 billion and \$8.8 billion. Revenues recognized from performance obligations satisfied in prior periods and impairment losses recognized on our receivables were immaterial during each year ended May 31, 2023, 2022 and 2021.

Remaining performance obligations represent contracted revenues that had not yet been recognized, and include deferred revenues; invoices that have been issued to customers but were uncollected and have not been recognized as revenues; and amounts that will be invoiced and recognized as revenues in future periods. The volumes and amounts of customer contracts that we book and total revenues that we recognize are impacted by a variety of seasonal factors. In each fiscal year, the amounts and volumes of contracting activity and our total revenues are typically highest in our fourth fiscal quarter and lowest in our first fiscal quarter. These seasonal impacts influence how our remaining performance obligations change over time and, combined with foreign exchange rate fluctuations and other factors, influence the amount of remaining performance obligations that we report at a point in time. As of May 31, 2023, our remaining performance obligations were \$67.9 billion, approximately 49% of which we expect to recognize as revenues over the next twelve months, 35% over the subsequent month 13 to month 36, and the remainder thereafter.

Sales of Financing Receivables

We offer certain of our customers the option to acquire certain of our cloud and license, hardware and services offerings through separate long-term payment contracts. We generally sell these contracts that we have financed for our customers on a non-recourse basis to financial institutions within 90 days of the contracts' dates of execution. We record the transfers of amounts due from customers to financial institutions as sales of financing receivables because we are considered to have surrendered control of these financing receivables. During fiscal 2023, 2022 and 2021, \$2.0 billion, \$1.8 billion and \$1.7 billion, respectively, of our financing receivables were sold to financial institutions.

Business Combinations

We apply the provisions of ASC 805, *Business Combinations* (ASC 805), in accounting for our acquisitions. ASC 805 requires that we evaluate whether a transaction pertains to an acquisition of assets, or to an acquisition of a business. A business is defined as an integrated set of assets and activities that is capable of being conducted and managed for the purpose of providing a return to investors. Asset acquisitions are accounted for by allocating the cost of the acquisition to the individual assets and liabilities assumed on a relative fair value basis; whereas the acquisition of a business requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at the acquisition date fair values. Goodwill as of the business acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the business acquisition date as well as any contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the business acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of a business acquisition's measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations. Costs to exit or restructure certain activities of an acquired company or our internal operations are accounted for as termination and exit costs pursuant to ASC 420, Exit or Disposal Cost Obligations, and are accounted for separately from the business combination. A liability for costs associated with an exit or disposal activity is recognized and measured at its fair value in our consolidated statement of operations in the period in which the liability is incurred. Abandoned operating leases related to an acquired company or our internal operations are accounted for as Right-of-Use (ROU) asset impairment charges pursuant to ASC 842, *Leases* and are accounted for separately from the business combination. In all periods

presented, when estimating the asset impairment charges, assumptions were applied regarding estimated sub-lease payments to be received, which can differ from actual results. This may require us to revise our initial estimates which may affect our results of operations and financial position in the period the revision is made.

For a given business acquisition, we may identify certain pre-acquisition contingencies as of the acquisition date and may extend our review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess whether we include these contingencies as a part of the fair value estimates of assets acquired and liabilities assumed and, if so, to determine their estimated amounts. If we cannot reasonably determine the fair value of a non-income tax related pre-acquisition contingency by the end of the measurement period, which is generally the case given the nature of such matters, we will recognize an asset or a liability for such pre-acquisition contingency if: (1) it is probable that an asset existed or a liability had been incurred at the business acquisition date and (2) the amount of the asset or liability can be reasonably estimated. Subsequent to the measurement period or final determination of the net asset values for the business combination, whichever comes first, changes in our estimates of such contingencies will affect earnings and could have a material effect on our results of operations and financial position.

In addition, uncertain tax positions and tax related valuation allowances assumed in a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly based upon facts and circumstances that existed as of the business acquisition date with any adjustments to our preliminary estimates being recorded to goodwill if identified within the measurement period. Subsequent to the measurement period or our final determination of the tax allowance's or contingency's estimated value, whichever comes first, changes to these uncertain tax positions and tax related valuation allowances will affect our provision for income taxes in our consolidated statement of operations and could have a material impact on our results of operations and financial position.

Marketable and Non-Marketable Investments

In accordance with ASC 320, *Investments—Debt Securities*, and based on our intentions regarding these instruments, we classify substantially all of our marketable debt securities investments as available-for-sale. We carry these securities at fair value, and report the unrealized gains and losses, net of taxes, as a component of stockholders' equity, except for any unrealized losses determined to be related to credit losses, which we record within non-operating expenses or income, net in the accompanying consolidated statements of operations. We periodically evaluate our investments to determine if impairment charges are required. All of our marketable debt securities investments are classified as current based on the nature of the investments and their availability for use in current operations.

Investments in equity securities, other than any equity method investments, are generally recorded at their fair values, if the fair values are readily determinable. Non-marketable equity securities for which the fair values are not readily determinable and where we do not have control of, nor significant influence in, the investee are recorded at cost, less any impairment, adjusted for observable price changes from orderly transactions for identical or similar investments of the same issuer with any gains or losses recorded as a component of non-operating expenses or income, net as of and for each reporting period. For equity investments through which we have significant influence in, but not control of, the investee, we account for such investments pursuant to the equity method of accounting whereby we record our proportionate share of the investee's earnings or losses, amortization of differences between our investment basis and underlying equity in net assets of the investee, excluding component representing goodwill, and impairment, if any, as a component of non-operating expenses or income, net for each reporting period.

Our non-marketable debt investments and equity securities and related instruments totaled \$1.6 billion and \$1.2 billion as of May 31, 2023 and 2022, respectively, are subject to periodic impairment reviews and are classified as a part of non-current assets in the accompanying consolidated balance sheets. The majority of the non-marketable investments held as of these dates were with a related party entity for which we follow the equity method of accounting. We are also a counterparty to certain options to acquire additional equity interests in that entity at various times through June 2025 and we could obtain control of that entity should such options be exercised.

Fair Values of Financial Instruments

We apply the provisions of ASC 820, *Fair Value Measurement* (ASC 820), to our assets and liabilities that we are required to measure at fair value pursuant to other accounting standards, including our investments in marketable debt and equity securities and our derivative financial instruments.

The additional disclosures regarding our fair value measurements are included in Note 4.

Allowances for Credit Losses

We record allowances for credit losses based upon a specific review of all significant outstanding invoices. For those invoices not specifically reviewed, provisions are provided at differing rates, based upon the age of the receivable, the collection history associated with the geographic region that the receivable was recorded in and current and expected future economic conditions. We write-off a receivable and charge it against its recorded allowance when we have exhausted our collection efforts without success.

Concentrations of Credit Risk

Financial instruments that are potentially subject to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities, derivatives and trade receivables. Our cash and cash equivalents are generally held with large, diverse financial institutions worldwide to reduce the amount of exposure to any single financial institution. Investment policies have been implemented that limit purchases of marketable debt securities to investment-grade securities. Our derivative contracts are transacted with various financial institutions with high credit standings and any exposure to counterparty credit-related losses in these contracts is largely mitigated with collateral security agreements that provide for collateral to be received or posted when the net fair values of these contracts fluctuate from contractually established thresholds. We generally do not require collateral to secure accounts receivable. The risk with respect to trade receivables is mitigated by credit evaluations we perform on our customers, the short duration of our payment terms for the significant majority of our customer contracts and by the diversification of our customer base. No single customer accounted for 10% or more of our total revenues in fiscal 2023, 2022 or 2021.

We outsource the manufacturing, assembly and delivery of the substantial majority of our hardware products to a variety of companies, many of which are located outside the U.S. Further, we have simplified our supply chain processes by reducing the number of third-party manufacturing partners and the number of locations where these third-party manufacturers build our hardware products. Any inability of these third-party manufacturing partners to deliver the contracted services for our hardware products could adversely impact future operating results of our cloud and license and hardware businesses.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is computed using standard cost, which approximates actual cost, on a first-in, first-out basis. We evaluate our ending inventories for estimated excess quantities and obsolescence. This evaluation includes analysis of sales levels by product and projections of future demand within specific time horizons. Inventories in excess of future demand are written down and charged to hardware expenses. In addition, we assess the impact of changing technology to our inventories and we write down inventories that are considered obsolete. At the point of loss recognition, a new, lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. Inventories are included in prepaid expenses and other current assets in our consolidated balance sheets and totaled \$298 million and \$314 million at May 31, 2023 and 2022, respectively.

Other Receivables

Other receivables represent value-added tax and sales tax receivables associated with the sale of our products and services to third parties. Other receivables are included in prepaid expenses and other current assets in our consolidated balance sheets and totaled \$798 million and \$791 million at May 31, 2023 and 2022, respectively.

Deferred Sales Commissions

We defer sales commissions earned by our sales force that are considered to be incremental and recoverable costs of obtaining a cloud, license support and hardware support contract. Initial sales commissions for the majority of these aforementioned contracts are generally deferred and amortized on a straight-line basis over a period of benefit that we estimate to be four years. We determine the period of benefit by taking into consideration the historical and expected durations of our customer contracts, the expected useful lives of our technologies, and other factors. Sales commissions for renewal contracts relating to certain of our cloud-based arrangements are generally deferred and then amortized on a straight-line basis over the related contractual renewal period, which is generally one to three years. Amortization of deferred sales commissions is included as a component of sales and marketing expenses in our consolidated statements of operations and asset balances for deferred sales commissions are included in other current assets and other non-current assets in our consolidated balance sheets.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method based on estimated useful lives of the assets, which range from one to 40 years. Leasehold improvements are amortized over the lesser of the estimated useful lives of the improvements or the lease terms, as appropriate. Property, plant and equipment are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We did not recognize any significant property impairment charges in fiscal 2023, 2022 or 2021.

Goodwill, Intangible Assets and Impairment Assessments

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Intangible assets that are not considered to have an indefinite useful life are itemized in Note 6 below and are amortized over their useful lives, which generally range from one to 10 years. Each period we evaluate the estimated remaining useful lives of purchased intangible assets and whether events or changes in circumstances warrant a revision to the remaining periods of amortization.

The carrying amounts of our goodwill and intangible assets are periodically reviewed for impairment (at least annually for goodwill and indefinite lived intangible assets) and whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. When goodwill is assessed for impairment, we have the option to perform an assessment of qualitative factors of impairment (optional assessment) prior to necessitating a quantitative impairment test. Should the optional assessment be used for any given fiscal year, qualitative factors considered for a reporting unit include: cost factors; financial performance; legal, regulatory, contractual, political, business, or other factors; entity specific factors; industry and market considerations; macroeconomic conditions; and other relevant events and factors affecting the reporting unit. If we determine in the qualitative assessment that it is more likely than not that the fair value of the reporting unit is less than its carrying value, a quantitative test is then performed. Otherwise, no further testing is required. For those reporting units tested using a quantitative approach, we compare the fair value of each reporting unit with the carrying amount of the reporting unit, including goodwill. To determine the fair value of each reporting unit we utilize estimates, judgments and assumptions including estimated future cash flows the reporting unit is expected to generate on a discounted basis; the discount rate used as a part of the discounted cash flow analysis; future economic and market conditions; and market comparables of peer companies, among others. If, as per the quantitative test, the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, impairment is recognized for the difference, limited to the amount of goodwill recognized for the reporting unit. Our most recent goodwill impairment analysis was performed on March 1, 2023 and did not result in a goodwill impairment charge. We did not recognize impairment charges in fiscal 2022 or 2021.

Recoverability of finite lived intangible assets is measured by comparison of the carrying amount of the asset to the future undiscounted cash flows that are expected to be generated by the lowest level associated asset grouping. Recoverability of indefinite lived intangible assets is measured by comparison of the carrying amount of the asset to its fair value. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. We did not recognize any intangible asset impairment charges in fiscal 2023, 2022 or 2021. At least annually, we assess the useful lives of our finite lived intangible assets and may adjust the period over which these assets are amortized whenever events or changes in circumstances indicate that a shorter amortization period is more reflective of the period in which these assets contribute to our cash flows.

Derivative Financial Instruments

During fiscal 2023, 2022 and 2021, we used derivative financial instruments to manage foreign currency and interest rate risks. We do not use derivative financial instruments for trading purposes. We account for these instruments in accordance with ASC 815, *Derivatives and Hedging* (ASC 815), which requires that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value as of each reporting date. ASC 815 also requires that changes in our derivatives' fair values be recognized in earnings, unless specific hedge accounting and documentation criteria are met (i.e., the instruments are accounted for as hedges).

The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For a derivative instrument designated as a fair value hedge, loss or gain attributable to the risk being hedged is recognized in earnings in the period of change with a corresponding earnings offset recorded to the item for which the risk is being hedged. For a derivative instrument designated as a cash flow hedge, during each reporting period, we record the change in fair value of the derivative to accumulated other comprehensive loss (AOCL) in our consolidated balance sheets and the change is reclassified to earnings in the period the hedged item affects earnings.

Leases

We determine if an arrangement is a lease at its inception. Operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. We generally use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future payments, because the implicit rate of the lease is generally not known. ROU assets related to our operating lease liabilities are measured at lease inception based on the initial measurement of the lease liability, plus any prepaid lease payments and less any lease incentives. Our lease terms that are used in determining our operating lease liabilities at lease inception may include options to extend or terminate the leases when it is reasonably certain that we will exercise such options. We amortize our ROU assets as operating lease expense generally on a straight-line basis over the lease term and classify both the lease amortization and imputed interest as operating expenses. We have lease agreements with lease and non-lease components, and in such cases, we generally account for the components as a single lease component. We do not recognize lease assets and lease liabilities for any lease with an original lease term of less than one year.

ROU assets related to our operating leases are included in other non-current assets, short-term operating lease liabilities are included in other current liabilities, and long-term operating lease liabilities are included in other non-current liabilities in our consolidated balance sheets. Cash flow movements related to our lease activities are included in prepaid expenses and other assets and accounts payable and other liabilities as presented in net cash provided by operating activities in our consolidated statements of cash flows for the years ended May 31, 2023 and 2022. Note 10 below provides additional information regarding our leases.

Legal and Other Contingencies

We are currently involved in various claims and legal proceedings. Quarterly, we review the status of each significant matter and assess our potential financial exposure. Descriptions of our accounting policies associated with contingencies assumed as a part of a business combination are provided under "Business Combinations" above. For legal and other contingencies that are not a part of a business combination or related to income taxes, we accrue a

liability for an estimated loss if the potential loss from any claim or legal proceeding is considered probable, and the amount can be reasonably estimated. Note 16 below provides additional information regarding certain of our legal contingencies.

Foreign Currency

We transact business in various foreign currencies. In general, the functional currency of a foreign operation is the local country's currency. Consequently, revenues and expenses of operations outside the U.S. are translated into U.S. Dollars using weighted-average exchange rates while assets and liabilities of operations outside the U.S. are translated into U.S. Dollars using exchange rates at the balance sheet dates. The effects of foreign currency translation adjustments are substantially included in stockholders' equity as a component of AOCL in the accompanying consolidated balance sheets and related periodic movements are summarized as a line item in our consolidated statements of comprehensive income. Net foreign exchange transaction losses included in non-operating expenses or income, net in the accompanying consolidated statements of operations were \$249 million, \$199 million and \$112 million in fiscal 2023, 2022 and 2021, respectively.

Stock-Based Compensation

We account for share-based payments to employees, including grants of service-based restricted stock unit awards, service-based employee stock options, performance-based stock options (PSOs), and purchases under employee stock purchase plans in accordance with ASC 718, *Compensation—Stock Compensation*, which requires that share-based payments (to the extent they are compensatory) be recognized in our consolidated statements of operations based on their fair values. We account for forfeitures of stock-based awards as they occur.

For our service-based stock awards, we recognize stock-based compensation expense on a straight-line basis over the service period of the award, which is generally four years.

For our PSOs, we recognize stock-based compensation expense on a straight-line basis related to awards that are probable of achievement over the longer of the (a) estimated implicit service period for performance-metric achievement, or (b) derived service period for market-based metric achievement. During our interim and annual reporting periods, stock-based compensation expense is recorded based on expected attainment of performance targets. Changes in our estimates of the expected attainment of performance targets that result in a change in the number of shares that are expected to vest, or changes in our estimates of implicit service periods, may cause the amount of stock-based compensation expense that we record for each interim reporting period to vary. Any changes in estimates that impact our expectation of the number of shares that are expected to vest are reflected in the amount of stock-based compensation expense that we recognize for each PSO tranche on a cumulative catch up basis during each interim reporting period in which such estimates are altered. Changes in estimates of the implicit service periods are recognized prospectively.

We record deferred tax assets for stock-based compensation awards that result in deductions on certain of our income tax returns based on the amount of stock-based compensation recognized in each reporting period and the fair values attributable to the vested portion of stock awards assumed in connection with a business combination at the statutory tax rates in the jurisdictions that we are able to recognize such tax deductions. The impacts of the actual tax deductions for stock-based awards that are realized in these jurisdictions are generally recognized in the reporting period that a restricted stock-based award vests or a stock option is exercised with any shortfall/windfall relative to the deferred tax asset established, and recorded as a discrete detriment/benefit to our provision for income taxes in such period. Note 12 below provides additional information regarding our stock-based compensation plans and related expenses.

Research and Development Costs and Software Development Costs

All research and development costs are expensed as incurred in accordance with ASC 730, *Research and Development*. Software development costs required to be capitalized under ASC 985-20, *Costs of Software to be Sold, Leased or Marketed*, and under ASC 350-40, *Internal-Use Software*, were not material to our consolidated financial statements in fiscal 2023, 2022 and 2021.

Acquisition Related and Other Expenses

Acquisition related and other expenses primarily consist of personnel related costs for transitional and certain other employees, certain business combination adjustments, including adjustments after the measurement period has ended, and certain other operating items, net. For fiscal 2022, acquisition related and other expenses included certain litigation related charges.

(in millions)	Year Ended May 31,		
	2023	2022	2021
Transitional and other employee related costs	\$ 77	\$ 10	\$ 5
Business combination adjustments, net	10	9	4
Other, net	103	4,694	129
Total acquisition related and other expenses	<u>\$ 190</u>	<u>\$ 4,713</u>	<u>\$ 138</u>

Non-Operating (Expenses) Income, net

Non-operating (expenses) income, net consists primarily of interest income, net foreign currency exchange losses, the noncontrolling interests in the net profits of our majority-owned subsidiaries (primarily Oracle Financial Services Software Limited and Oracle Corporation Japan), net gains and losses related to equity investments including losses attributable to equity method investments and net other income and expenses, including net unrealized gains and losses from our investment portfolio related to our deferred compensation plan, and non-service net periodic pension income and losses.

(in millions)	Year Ended May 31,		
	2023	2022	2021
Interest income	\$ 285	\$ 94	\$ 101
Foreign currency losses, net	(249)	(199)	(112)
Noncontrolling interests in income	(165)	(184)	(180)
(Losses) gains from equity investments, net	(327)	(147)	262
Other (losses) gains, net	(6)	(86)	211
Total non-operating (expenses) income, net	<u>\$ (462)</u>	<u>\$ (522)</u>	<u>\$ 282</u>

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes* (ASC 740). Deferred income taxes are recorded for the expected tax consequences of temporary differences between the tax bases of assets and liabilities for financial reporting purposes and amounts recognized for income tax purposes. We record a valuation allowance to reduce our deferred tax assets to the amount of future tax benefit that is more likely than not to be realized.

A two-step approach is applied pursuant to ASC 740 in the recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return. The first step is to determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained in an audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We recognize interest and penalties related to uncertain tax positions in our provision for income taxes line of our consolidated statements of operations.

A description of our accounting policies associated with tax related contingencies and valuation allowances assumed as a part of a business combination is provided under "Business Combinations" above.

Recent Accounting Pronouncements

Financial Instruments: In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (ASU 2020-04) and also issued subsequent amendments to the initial guidance (collectively, Topic 848). Topic 848 provides optional guidance for contract modifications and certain hedging relationships associated with the transition from reference rates that are

expected to be discontinued. We will adopt Topic 848 when our relevant contracts are modified upon transition to alternative reference rates. We do not expect our adoption of Topic 848 to have a material impact on our consolidated financial statements.

2. ACQUISITIONS

Acquisition of Cerner Corporation

On December 20, 2021, we entered into an Agreement and Plan of Merger (Merger Agreement) with Cerner, a provider of digital information systems used within hospitals and health systems that are designed to enable medical professionals to deliver better healthcare to individual patients and communities.

On January 19, 2022, pursuant to the Merger Agreement, we commenced a tender offer to purchase all of the issued and outstanding shares of common stock of Cerner at a purchase price of \$95.00 per share, net to the seller in cash, without interest thereon, based upon the terms and subject to the conditions set forth in the Offer to Purchase dated January 19, 2022, and the related Letter of Transmittal.

On June 8, 2022, pursuant to the terms of the tender offer and applicable Delaware law, we acquired all the outstanding Cerner shares and effectuated the merger of Cerner with and into a wholly-owned subsidiary of Oracle and Cerner became an indirect, wholly-owned subsidiary of Oracle. Vested equity awards outstanding immediately prior to the consummation of the merger were cancelled in exchange for the right to receive an amount in cash based on a formula contained in the Merger Agreement. The unvested equity awards to acquire Cerner common stock that were outstanding immediately prior to the conclusion of the merger were converted into equity awards denominated in shares of Oracle common stock based on formulas contained in the Merger Agreement. We have included the financial results of Cerner in our consolidated financial statements from the date of acquisition. During fiscal 2023, Cerner contributed \$5.9 billion to our total revenues.

The total purchase price for Cerner was \$28.2 billion, which consisted of \$28.2 billion in cash and \$55 million for the fair values of restricted stock-based awards and stock options assumed. Pursuant to our business combinations accounting policy, we estimated the fair values of net tangible and intangible assets acquired, and the excess of the consideration transferred over the aggregate of such fair values was recorded as goodwill. The following table summarizes the allocation of the purchase price based on estimated fair values of net tangible and intangible assets acquired from Cerner:

(in millions)	
Cash and marketable securities	\$ 769
Trade receivables, net	854
Property, plant and equipment, net	1,512
Intangible assets	11,972
Goodwill	18,618
Other assets	520
Accounts payable and other liabilities	(1,691)
Deferred revenues	(305)
Senior notes and other borrowings	(1,600)
Deferred tax liabilities, net	(2,424)
Total	\$ 28,225

All of the \$1.6 billion of senior notes and other borrowings assumed through our Cerner acquisition were repaid during fiscal 2023. Refer to Note 7 below for more information. Generally, goodwill recognized as a part of our acquisition is not deductible for income tax purposes.

Other Fiscal 2023, 2022 and 2021 Acquisitions

During fiscal 2023, 2022 and 2021, we acquired certain other companies and purchased certain technology and development assets primarily to expand our products and services offerings. These acquisitions were not significant individually or in the aggregate to our consolidated financial statements.

Unaudited Pro Forma Financial Information

The unaudited pro forma financial information in the table below summarizes the combined results of operations for Oracle and Cerner. The unaudited pro forma financial information for all periods presented includes the business combination accounting effects resulting from this acquisition, including amortization charges from acquired intangible assets, stock-based compensation charges for unvested restricted stock-based awards and stock options assumed and the related tax effects as though Cerner was acquired as of the beginning of fiscal 2022. The unaudited pro forma financial information as presented below is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal 2022.

The unaudited pro forma financial information for fiscal 2023 and 2022 combines the historical results of Oracle for fiscal 2023 and 2022, respectively, the historical results of Cerner for the twelve months ended March 31, 2023 and 2022, respectively (adjusted due to differences in reporting periods and considering the date we acquired Cerner), and the effects of the pro forma adjustments listed above. The unaudited pro forma financial information is as follows:

(in millions, except per share data)	Year Ended May 31,	
	2023	2022
Total revenues	\$ 50,065	\$ 48,218
Net income	\$ 8,456	\$ 4,988
Basic earnings per share	\$ 3.14	\$ 1.85
Diluted earnings per share	\$ 3.06	\$ 1.79

3. CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

Cash and cash equivalents primarily consist of deposits held at major banks, money market funds and other securities with original maturities of 90 days or less. Marketable securities consist of time deposits, marketable equity securities and certain other securities.

The amortized principal amounts of our cash, cash equivalents and marketable securities approximated their fair values at May 31, 2023 and 2022. We use the specific identification method to determine any realized gains or losses from the sale of our marketable securities classified as available-for-sale. Such realized gains and losses were insignificant for fiscal 2023, 2022 and 2021. The following table summarizes the components of our cash equivalents and marketable securities held, substantially all of which were classified as available-for-sale:

(in millions)	May 31,	
	2023	2022
Money market funds	\$ 1,694	\$ 12,842
Time deposits and other	468	520
Total investments	\$ 2,162	\$ 13,362
Investments classified as cash equivalents	\$ 1,740	\$ 12,843
Investments classified as marketable securities	\$ 422	\$ 519

As of May 31, 2023 and 2022, all of our marketable debt securities investments mature within one year. Our investment portfolio is subject to market risk due to changes in interest rates. As described above, we limit purchases of marketable debt securities to investment-grade securities, which have high credit ratings and also limit the amount of credit exposure to any one issuer. As stated in our investment policy, we are averse to principal loss and seek to preserve our invested funds by limiting default risk and market risk.

Restricted cash that was included within cash and cash equivalents as presented within our consolidated balance sheets as of May 31, 2023 and 2022 and our consolidated statements of cash flows for the years ended May 31, 2023, 2022 and 2021 was nominal.

4. FAIR VALUE MEASUREMENTS

We perform fair value measurements in accordance with ASC 820. ASC 820 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at their fair values, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use when pricing the assets or liabilities, such as inherent risk, transfer restrictions and risk of nonperformance.

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset's or a liability's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 establishes three levels of inputs that may be used to measure fair value:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets or liabilities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Our assets and liabilities measured at fair value on a recurring basis consisted of the following (Level 1 and Level 2 inputs are defined above):

	May 31, 2023			May 31, 2022		
	Fair Value Measurements Using Input Types			Fair Value Measurements Using Input Types		
(in millions)	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets:						
Money market funds	\$ 1,694	\$ —	\$ 1,694	\$ 12,842	\$ —	\$ 12,842
Time deposits and other	180	288	468	240	280	520
Derivative financial instruments	—	102	102	—	—	—
Total assets	<u>\$ 1,874</u>	<u>\$ 390</u>	<u>\$ 2,264</u>	<u>\$ 13,082</u>	<u>\$ 280</u>	<u>\$ 13,362</u>
Liabilities:						
Derivative financial instruments	\$ —	\$ 126	\$ 126	\$ —	\$ 97	\$ 97

Our marketable securities investments consist of time deposits, marketable equity securities and certain other securities. Marketable securities as presented per our consolidated balance sheets included debt securities with original maturities at the time of purchase greater than three months and the remainder of the debt securities were included in cash and cash equivalents. As of May 31, 2023 and May 31, 2022, all of our marketable debt securities investments mature within one year. Our valuation techniques used to measure the fair values of our instruments that were classified as Level 1 in the table above were derived from quoted market prices and active markets for these instruments that exist. Our valuation techniques used to measure the fair values of Level 2 instruments listed in the table above were derived from the following: non-binding market consensus prices that were corroborated by observable market data, quoted market prices for similar instruments, or pricing models, such as discounted cash flow techniques, with all significant inputs derived from or corroborated by observable market data including reference rate yield curves, among others.

Based on the trading prices of the \$89.9 billion and \$75.9 billion of senior notes and other long-term borrowings and the related fair value hedges (refer to Note 7 for additional information) that we had outstanding as of May 31, 2023 and 2022, respectively, the estimated fair values of the senior notes and other borrowings and the related fair value hedges using Level 2 inputs at May 31, 2023 and 2022 were \$79.9 billion and \$67.0 billion, respectively.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net consisted of the following:

(Dollars in millions)	Estimated Useful Life	May 31,	
		2023	2022
Computer, network, machinery and equipment	1-5 years	\$ 17,258	\$ 12,844
Buildings and improvements	1-40 years	5,880	4,729
Furniture, fixtures and other	5-15 years	447	423
Land	—	1,243	1,166
Construction in progress ⁽¹⁾	—	3,846	512
Total property, plant and equipment	1-40 years	28,674	19,674
Accumulated depreciation		(11,605)	(9,958)
Total property, plant and equipment, net		\$ 17,069	\$ 9,716

⁽¹⁾ Amounts primarily consist of computer equipment to be built and deployed at our data centers.

6. INTANGIBLE ASSETS AND GOODWILL

The changes in intangible assets for fiscal 2023 and the net book value of intangible assets as of May 31, 2023 and 2022 were as follows:

(Dollars in millions)	Intangible Assets, Gross				Accumulated Amortization				Intangible Assets, Net		Weighted Average Useful Life ⁽²⁾
	May 31, 2022	Additions & Adjustments, net ⁽¹⁾	Retirements	May 31, 2023	May 31, 2022	Expense	Retirements	May 31, 2023	May 31, 2022	May 31, 2023	
Developed technology	\$ 3,966	\$ 2,379	\$ (2,045)	\$ 4,300	\$ (3,660)	\$ (792)	\$ 2,045	\$ (2,407)	\$ 306	\$ 1,893	4
Cloud services and license support agreements and related relationships	5,260	4,318	(122)	9,456	(4,194)	(1,507)	122	(5,579)	1,066	3,877	7
Cloud license and on-premise license agreements and related relationships	356	2,437	(105)	2,688	(343)	(459)	105	(697)	13	1,991	7
Other	865	2,845	(128)	3,582	(810)	(824)	128	(1,506)	55	2,076	4
Total intangible assets, net	\$ 10,447	\$ 11,979	\$ (2,400)	\$ 20,026	\$ (9,007)	\$ (3,582)	\$ 2,400	\$ (10,189)	\$ 1,440	\$ 9,837	

⁽¹⁾ Amounts also included any changes in intangible asset balances for the periods presented that resulted from foreign currency translations.

⁽²⁾ Represents weighted-average useful lives (in years) of intangible assets acquired during fiscal 2023.

As of May 31, 2023, estimated future amortization expenses related to intangible assets were as follows (in millions):

Fiscal 2024	\$ 2,994
Fiscal 2025	2,283
Fiscal 2026	1,620
Fiscal 2027	664
Fiscal 2028	635
Thereafter	1,641
Total intangible assets, net	\$ 9,837

The changes in the carrying amounts of goodwill, net, which is generally not deductible for tax purposes, for our operating segments for fiscal 2023 and 2022 were as follows:

(in millions)	Cloud and License	Hardware	Services	Total Goodwill, net
Balances as of May 31, 2021	\$ 39,786	\$ 2,367	\$ 1,782	\$ 43,935
Goodwill adjustments, net ⁽¹⁾	152	—	(276)	(124)
Balances as of May 31, 2022	39,938	2,367	1,506	43,811
Goodwill from acquisitions	17,203	365	1,050	18,618
Goodwill adjustments, net ⁽¹⁾	(81)	—	(87)	(168)
Balances as of May 31, 2023	\$ 57,060	\$ 2,732	\$ 2,469	\$ 62,261

⁽¹⁾ Amounts include any changes in goodwill balances for the period presented that resulted from foreign currency translations and certain other adjustments.

7. NOTES PAYABLE AND OTHER BORROWINGS

Notes payable and other borrowings consisted of the following:

(Amounts in millions)	Date of Issuance	May 31,			
		2023		2022	
		Amount	Effective Interest Rate	Amount	Effective Interest Rate
Fixed-rate senior notes:					
\$2,500, 2.50%, due October 2022	October 2012	\$ —	N.A	\$ 2,500	2.51%
\$1,250, 2.625%, due February 2023	November 2017	—	N.A	1,250	2.64%
\$1,000, 3.625%, due July 2023	July 2013	1,000	3.73%	1,000	3.73%
\$2,500, 2.40%, due September 2023	July 2016	2,500	2.44%	2,500	2.40%
\$2,000, 3.40%, due July 2024	July 2014	2,000	3.43%	2,000	3.43%
\$2,000, 2.95%, due November 2024	November 2017	2,000	3.01%	2,000	2.98%
\$3,500, 2.50%, due April 2025	April 2020	3,500	2.54%	3,500	2.51%
\$2,500, 2.95%, due May 2025	May 2015	2,500	3.05%	2,500	3.00%
€750, 3.125%, due July 2025 ⁽¹⁾⁽²⁾	July 2013	800	3.17%	803	3.17%
\$1,000, 5.80%, due November 2025 ⁽³⁾	November 2022	1,000	5.93%	—	N.A
\$2,750, 1.65%, due March 2026	March 2021	2,750	1.67%	2,750	1.66%
\$3,000, 2.65%, due July 2026	July 2016	3,000	2.73%	3,000	2.69%
\$2,250, 2.80%, due April 2027	April 2020	2,250	2.87%	2,250	2.83%
\$2,750, 3.25%, due November 2027	November 2017	2,750	3.29%	2,750	3.26%
\$2,000, 2.30%, due March 2028	March 2021	2,000	2.36%	2,000	2.34%
\$750, 4.50%, due May 2028 ⁽³⁾	February 2023	750	4.60%	—	N.A
\$1,250, 6.15%, due November 2029 ⁽³⁾	November 2022	1,250	6.21%	—	N.A
\$3,250, 2.95%, due April 2030	April 2020	3,250	3.00%	3,250	2.96%
\$750, 4.65%, due May 2030 ⁽³⁾	February 2023	750	4.75%	—	N.A
\$500, 3.25%, due May 2030	May 2015	500	3.35%	500	3.30%
\$3,250, 2.875%, due March 2031	March 2021	3,250	2.92%	3,250	2.89%
\$2,250, 6.25%, due November 2032 ⁽³⁾	November 2022	2,250	6.32%	—	N.A
\$1,500, 4.90%, due February 2033 ⁽³⁾	February 2023	1,500	4.95%	—	N.A
\$1,750, 4.30%, due July 2034	July 2014	1,750	4.30%	1,750	4.30%
\$1,250, 3.90%, due May 2035	May 2015	1,250	4.00%	1,250	3.95%
\$1,250, 3.85%, due July 2036	July 2016	1,250	3.89%	1,250	3.85%
\$1,750, 3.80%, due November 2037	November 2017	1,750	3.86%	1,750	3.83%
\$1,250, 6.50%, due April 2038	April 2008	1,250	6.51%	1,250	6.52%
\$1,250, 6.125%, due July 2039	July 2009	1,250	6.17%	1,250	6.19%
\$3,000, 3.60%, due April 2040	April 2020	3,000	3.64%	3,000	3.62%
\$2,250, 5.375%, due July 2040	July 2010	2,250	5.45%	2,250	5.45%
\$2,250, 3.65%, due March 2041	March 2021	2,250	3.72%	2,250	3.70%
\$1,000, 4.50%, due July 2044	July 2014	1,000	4.50%	1,000	4.50%
\$2,000, 4.125%, due May 2045	May 2015	2,000	4.20%	2,000	4.15%
\$3,000, 4.00%, due July 2046	July 2016	3,000	4.03%	3,000	4.00%
\$2,250, 4.00%, due November 2047	November 2017	2,250	4.05%	2,250	4.03%
\$4,500, 3.60%, due April 2050	April 2020	4,500	3.64%	4,500	3.62%
\$3,250, 3.95%, due March 2051	March 2021	3,250	3.98%	3,250	3.96%
\$2,500, 6.90%, due November 2052 ⁽³⁾	November 2022	2,500	6.94%	—	N.A
\$2,250, 5.55%, due February 2053 ⁽³⁾	February 2023	2,250	5.62%	—	N.A
\$1,250, 4.375%, due May 2055	May 2015	1,250	4.44%	1,250	4.40%
\$3,500, 3.85%, due April 2060	April 2020	3,500	3.89%	3,500	3.87%
\$1,500, 4.10%, due March 2061	March 2021	1,500	4.13%	1,500	4.11%
Term loan credit agreement and other borrowings:					
\$790, SOFR plus 1.70%, due August 2025 ⁽⁴⁾	August 2022	790	5.68%	—	N.A
\$170, SOFR plus 1.70%, due August 2025	November 2022	170	6.16%	—	N.A
\$3,570, SOFR plus 1.70%, due August 2027 ⁽⁴⁾	August 2022	3,570	5.68%	—	N.A
\$1,100, SOFR plus 1.70%, due August 2027	November 2022	1,100	6.16%	—	N.A
Commercial paper notes		563	4.89%	—	N.A
Other borrowings due August 2025	November 2016	113	3.53%	113	3.53%
Total senior notes and other borrowings		\$ 90,856		\$ 76,166	
Unamortized discount/issuance costs		(323)		(284)	
Hedge accounting fair value adjustments ⁽²⁾		(52)		(23)	
Total notes payable and other borrowings		\$ 90,481		\$ 75,859	
Notes payable, current		\$ 4,061		\$ 3,749	
Notes payable and other borrowings, non-current		\$ 86,420		\$ 72,110	

⁽¹⁾ In July 2013, we issued €750 million of 3.125% senior notes due July 2025 (July 2025 Notes). Principal and unamortized discount/issuance costs for the July 2025 Notes in the table above were calculated using foreign currency exchange rates, as applicable, as of May 31, 2023 and May 31, 2022, respectively. The July 2025 Notes are registered and trade on the New York Stock Exchange.

- (2) In fiscal 2018 we entered into certain cross-currency interest rate swap agreements that have the economic effect of converting our fixed-rate, Euro-denominated debt, including annual interest payments and the payment of principal at maturity, to a variable-rate, U.S. Dollar-denominated debt of \$871 million based on LIBOR. The effective interest rates as of May 31, 2023 and 2022 after consideration of the cross-currency interest rate swap agreements were 8.36% and 4.10%, respectively, for the July 2025 Notes. Refer to Note 1 for a description of our accounting for fair value hedges.
- (3) In fiscal 2023, we issued \$12.3 billion of senior notes and used the net proceeds from the issuance of the senior notes to repay the amount of indebtedness outstanding under the Bridge Credit Agreement, to repay \$1.3 billion of senior notes due February 2023 and to partially repay our outstanding commercial paper notes. The interest is payable semi-annually. We may redeem some or all of the senior notes of each series prior to their maturity, subject to certain restrictions, and the payment of an applicable make-whole premium in certain instances.
- (4) In fiscal 2023, we entered into certain interest rate swap agreements that have the economic effect of converting our floating-rate borrowings to fixed-rate borrowings with a fixed annual interest rate of 3.07%, plus a margin depending on the credit rating assigned to our long-term senior unsecured debt, as further discussed below.

Future principal payments (adjusted for the effects of the cross-currency interest rate swap agreements associated with the July 2025 Notes) for all of our borrowings at May 31, 2023 were as follows (in millions):

Fiscal 2024	\$	4,063
Fiscal 2025		10,000
Fiscal 2026		5,694
Fiscal 2027		5,250
Fiscal 2028		10,170
Thereafter		55,750
Total	\$	<u>90,927</u>

Senior Notes

Interest is payable semi-annually for the senior notes listed in the above table except for the Euro Notes for which interest is payable annually. We may redeem some or all of the senior notes of each series prior to their maturity, subject to certain restrictions, and the payment of an applicable make-whole premium in certain instances.

The senior notes rank pari passu with any other notes we may issue in the future pursuant to our commercial paper program (see additional discussion regarding our commercial paper program below) and all existing and future unsecured senior indebtedness of Oracle Corporation, including the Revolving Credit Agreement and the Term Loan Credit Agreement as described further below. All existing and future liabilities of the subsidiaries of Oracle Corporation are or will be effectively senior to the senior notes, borrowings under the Term Loan Credit Agreement, any future borrowings pursuant to the Revolving Credit Agreement and any future issuances of commercial paper notes. We were in compliance with all debt-related covenants at May 31, 2023.

Delayed Draw Term Loan Credit Agreement

On June 8, 2022, we borrowed \$15.7 billion under a delayed draw term loan credit agreement (Bridge Credit Agreement) that we entered into in March 2022 to partly finance our acquisition of Cerner. The Bridge Credit Agreement provided that, subject to certain exceptions, net cash proceeds received by us from certain debt and equity issuances shall result in mandatory prepayments under the Bridge Credit Agreement. Interest was based on either (a) a Term Secured Overnight Financing Rate (SOFR)-based formula plus a margin of 100.0 basis points to 137.5 basis points, depending on the credit rating assigned to our long-term senior unsecured debt, or (b) a Base Rate formula plus a margin of 0.0 basis points to 37.5 basis points, depending on the same such credit rating, each as set forth in the Bridge Credit Agreement. The effective interest rate for fiscal 2023 was 3.57%. We fully repaid the amount borrowed under the Bridge Credit Agreement during fiscal 2023.

Revolving Credit Agreement

Our Revolving Credit Agreement provides for an unsecured \$6.0 billion, five-year revolving credit facility (the Revolving Facility) to be used for our working capital purposes and for other general corporate purposes. Subject to certain conditions stated in the Revolving Credit Agreement, we may borrow, prepay and reborrow amounts under the Revolving Facility during the term of the Revolving Credit Agreement. All amounts borrowed under the Revolving Credit Agreement will become due on March 8, 2027, unless the commitments are terminated earlier either at our request or, if an event of default occurs, by the lenders (or automatically in the case of certain bankruptcy-related

events). Interest is based on either (a) a Term SOFR-based formula plus a margin of 87.5 basis points to 150.0 basis points, depending on the credit rating assigned to our long-term senior unsecured debt, or (b) a Base Rate formula plus a margin of 0.0 basis points to 50.0 basis points, depending on the same such credit rating, each as set forth in the Revolving Credit Agreement. As of May 31, 2023 and 2022, we did not have any outstanding borrowing under the Revolving Credit Agreement.

Five-Year Term Loan Credit Agreement

On August 16, 2022, we entered into a \$4.4 billion term loan credit agreement (Term Loan Credit Agreement), which provides for a total term loan commitment of \$4.4 billion, comprised of a \$3.6 billion term loan (Term Loan 1 Facility) and a \$790 million term loan (Term Loan 2 Facility and, together with the Term Loan 1 Facility, the Term Loan Facilities). The proceeds of the Term Loan Facilities may only be used to refinance indebtedness incurred under the Bridge Credit Agreement and to pay related fees and expenses.

On November 2, 2022, the total term loan commitment was increased by \$1.3 billion, comprised of \$1.1 billion under the Term Loan 1 Facility and \$170 million under the Term Loan 2 Facility pursuant to the terms of the Term Loan Credit Agreement.

We may request additional commitments under the Term Loan Credit Agreement up to a maximum of \$6.0 billion (each, an Incremental Borrowing). The use of proceeds of any Incremental Borrowing will be specified at the time of such borrowing and may include working capital purposes and other general corporate purposes.

We initially borrowed \$4.4 billion on August 16, 2022, and we borrowed an incremental \$1.3 billion on November 2, 2022, each under the Term Loan Facilities. We used the net proceeds of the borrowings under the Term Loan Credit Agreement to reduce the amount of indebtedness outstanding under the Bridge Credit Agreement. The effective interest rate for these borrowings during fiscal 2023 was 5.76%.

The Term Loan Credit Agreement provides for repayment of borrowings under the Term Loan Facilities as follows:

- an amount equal to the amount borrowed reduced by any prepayments multiplied by 1.25% on September 30, 2024 and quarterly thereafter until June 30, 2026;
- an amount equal to the amount borrowed reduced by any prepayments multiplied by 2.50% on September 30, 2026 and quarterly thereafter until June 30, 2027; and
- any remaining unpaid principal balance under the Term Loan 1 Facility will become fully due and payable on August 16, 2027 and any remaining unpaid principal balance under the Term Loan 2 Facility will become fully due and payable on August 16, 2025 (subject to any extension of the Term Loan 2 Facility termination date, as set out below), unless the outstanding loans are prepaid earlier at the request of Oracle or accelerated by the lenders if an event of default occurs.

The termination date of the Term Loan 2 Facility may be extended at our sole option by up to 2 years. The termination date of each Term Loan Facility may also be further extended at each lender's option by up to 2 years.

Interest is based on either (a) a Term SOFR-based formula plus a margin of 147.5 basis points to 197.5 basis points, depending on the credit rating assigned to our long-term senior unsecured debt, or (b) a Base Rate formula plus a margin of 47.5 basis points to 97.5 basis points, depending on the same such credit rating, each as set forth in the Term Loan Credit Agreement.

The Term Loan Credit Agreement contains certain customary representations and warranties, covenants and events of default, including the requirement that the ratio of "Consolidated EBITDA" to "Consolidated Net Interest Expense" (each term as defined in the Term Loan Credit Agreement) of Oracle and its subsidiaries shall not be less than 3.0 to 1.0 at the end of any fiscal quarter during the period that the Term Loan Credit Agreement is effective. If an event of default occurs under the Term Loan Credit Agreement and is not cured within the applicable grace period or waived, any unpaid amounts under the Term Loan Credit Agreement may be declared immediately due and payable. We were in compliance with such covenants as of May 31, 2023.

The summary above does not purport to be complete and is qualified in its entirety by reference to the full text of the Term Loan Credit Agreement.

Cash Flow Hedge—Interest Rate Swap Agreements

In August 2022, we entered into certain interest rate swap agreements to manage the related interest rate risk of \$4.4 billion borrowings under the Term Loan Credit Agreement by effectively converting the floating-rate to fixed-rate. The economic effect of the swap agreements was to eliminate the uncertainty of the cash flows associated with floating-rate interest payments of the Term Loan Credit Agreement by a fixed annual interest rate of 3.07%, plus a margin depending on the credit rating assigned to our long-term senior unsecured debt as mentioned above. We have designated these interest rate swap agreements as qualifying hedging instruments and are accounting for these as cash flow hedges pursuant to ASC 815, *Derivatives and Hedging*.

The fair values of these interest rate swap agreements are recognized either as non-current assets or non-current liabilities in our consolidated balance sheets. Changes in the fair values of these interest rate swap agreements are reported in accumulated other comprehensive loss in our consolidated balance sheets and an amount is reclassified out of accumulated other comprehensive loss into non-operating income or expense, net in the same period that corresponding interest expense is recognized.

We do not use any interest rate swap agreements for trading purposes.

Cerner Senior Notes and Other Borrowings

In connection with our acquisition of Cerner, we assumed:

- \$1.0 billion par value of legacy Cerner senior notes. The acquisition triggered a mandatory offer to prepay such senior notes in accordance with the terms of the underlying note purchase agreements. Holders of \$931 million par value of senior notes exercised the option for prepayment, and accordingly, such notes together with accrued interest were redeemed on June 8, 2022, and the remaining outstanding senior notes together with accrued interest were redeemed during the second quarter of fiscal 2023; and
- \$600 million of principal amount of revolving credit loans. The entire loan along with accrued interest was settled and the credit facility was terminated on June 8, 2022.

Commercial Paper Program and Commercial Paper Notes

During the first quarter of fiscal 2023, our commercial paper program was increased to \$6.0 billion. Our commercial paper program allows us to issue and sell unsecured short-term promissory notes pursuant to a private placement exemption from the registration requirements under federal and state securities laws pursuant to dealer agreements with various banks and an Issuing and Paying Agency Agreement with Deutsche Bank Trust Company Americas.

There were \$563 million of outstanding commercial paper notes as of May 31, 2023 (none outstanding as of May 31, 2022) that mature at various dates through June 2023. The effective interest rate including issuance costs was 4.89% for fiscal 2023. We use the net proceeds from the issuance of commercial paper for general corporate purposes.

8. RESTRUCTURING ACTIVITIES

Fiscal 2022 Oracle Restructuring Plan

During fiscal 2022, our management approved, committed to and initiated plans to restructure and further improve efficiencies in our operations due to our acquisitions and certain other operational activities (2022 Restructuring Plan). In fiscal 2023, our management supplemented the 2022 Restructuring Plan to reflect additional actions that we expected to take. Restructuring costs associated with the 2022 Restructuring Plan were recorded to the restructuring expense line item within our consolidated statements of operations as they were incurred. We recorded \$493 million and \$223 million of restructuring expenses in connection with the 2022 Restructuring Plan in

fiscal 2023 and 2022, respectively. The total costs recorded to date in our consolidated statements of operations in connection with the 2022 Restructuring Plan were \$716 million. Actions pursuant to the 2022 Restructuring Plan were substantially complete as of May 31, 2023.

Fiscal 2019 Oracle Restructuring Plan

During fiscal 2019, our management approved, committed to and initiated plans to restructure and further improve efficiencies in our operations due to our acquisitions and certain other operational activities (2019 Restructuring Plan). In fiscal 2021, our management supplemented the 2019 Restructuring Plan to reflect additional actions that we expected to take. Restructuring costs associated with the 2019 Restructuring Plan were recorded to the restructuring expense line item within our consolidated statements of operations as they were incurred. We recorded \$430 million of restructuring expenses in connection with the 2019 Restructuring Plan in fiscal 2021. The total costs recorded in our consolidated statements of operations in connection with the 2019 Restructuring Plan were \$1.2 billion. Actions pursuant to the 2019 Restructuring Plan were substantially complete as of May 31, 2021.

Summary of All Plans

Fiscal 2023 Activity

	Accrued	Year Ended May 31, 2023				Accrued
(in millions)	May 31, 2022 ⁽²⁾	Initial Costs ⁽³⁾	Adj. to Cost ⁽⁴⁾	Cash Payments	Others ⁽⁵⁾	May 31, 2023 ⁽²⁾
Fiscal 2022 Oracle Restructuring Plan ⁽¹⁾						
Cloud and license	\$ 34	\$ 288	\$ (6)	\$ (218)	\$ 1	\$ 99
Hardware	7	18	—	(18)	(1)	6
Services	9	28	—	(19)	(1)	17
Other	10	162	3	(141)	1	35
Total Fiscal 2022 Oracle Restructuring Plan	\$ 60	\$ 496	\$ (3)	\$ (396)	\$ —	\$ 157
Total other restructuring plans ⁽⁶⁾	\$ 71	\$ 1	\$ (4)	\$ (22)	\$ (4)	\$ 42
Total restructuring plans	\$ 131	\$ 497	\$ (7)	\$ (418)	\$ (4)	\$ 199

Fiscal 2022 Activity

	Accrued	Year Ended May 31, 2022				Accrued
(in millions)	May 31, 2021	Initial Costs ⁽³⁾	Adj. to Cost ⁽⁴⁾	Cash Payments	Others ⁽⁵⁾	May 31, 2022 ⁽²⁾
Fiscal 2022 Oracle Restructuring Plan⁽¹⁾						
Cloud and license	\$ —	\$ 90	\$ (2)	\$ (52)	\$ (2)	\$ 34
Hardware	—	11	—	(4)	—	7
Services	—	16	—	(7)	—	9
Other	—	105	3	(29)	(69)	10
Total Fiscal 2022 Oracle Restructuring Plan	\$ —	\$ 222	\$ 1	\$ (92)	\$ (71)	\$ 60
Total other restructuring plans ⁽⁶⁾	\$ 225	\$ —	\$ (32)	\$ (109)	\$ (13)	\$ 71
Total restructuring plans	\$ 225	\$ 222	\$ (31)	\$ (201)	\$ (84)	\$ 131

Fiscal 2021 Activity

	Accrued May 31, 2020	Year Ended May 31, 2021				Accrued May 31, 2021
(in millions)		Initial Costs ⁽³⁾	Adj. to Cost ⁽⁴⁾	Cash Payments	Others ⁽⁵⁾	
Fiscal 2019 Oracle Restructuring Plan⁽¹⁾						
Cloud and license	\$ 75	\$ 225	\$ (22)	\$ (171)	\$ 12	\$ 119
Hardware	14	39	(2)	(34)	(1)	16
Services	27	54	(4)	(56)	3	24
Other	22	137	3	(110)	5	57
Total Fiscal 2019 Oracle Restructuring Plan	\$ 138	\$ 455	\$ (25)	\$ (371)	\$ 19	\$ 216
Total other restructuring plans ⁽⁶⁾	\$ 13	\$ 2	\$ (1)	\$ (5)	\$ —	\$ 9
Total restructuring plans	\$ 151	\$ 457	\$ (26)	\$ (376)	\$ 19	\$ 225

⁽¹⁾ Restructuring costs recorded to each of the operating segments presented primarily related to employee severance costs. Other restructuring costs represented employee severance costs not related to our operating segments and certain other restructuring plan costs.

⁽²⁾ As of May 31, 2023 and 2022, substantially all restructuring liabilities have been recorded in other current liabilities within our consolidated balance sheets.

⁽³⁾ Costs recorded for the respective restructuring plans during the period presented.

⁽⁴⁾ All plan adjustments were changes in estimates whereby increases and decreases in costs were generally recorded to operating expenses in the period of adjustments.

⁽⁵⁾ Represents foreign currency translation and certain other non-cash adjustments.

⁽⁶⁾ Other restructuring plans presented in the tables above included condensed information for other Oracle based plans and other plans associated with certain of our acquisitions whereby we continued to make cash outlays to settle obligations under these plans during the periods presented but for which the periodic impact to our consolidated statements of operations was not significant.

9. DEFERRED REVENUES

Deferred revenues consisted of the following:

(in millions)	May 31,	
	2023	2022
Cloud services and license support	\$ 7,983	\$ 7,406
Hardware	535	555
Services	400	360
Cloud license and on-premise license	52	36
Deferred revenues, current	8,970	8,357
Deferred revenues, non-current (in other non-current liabilities)	968	753
Total deferred revenues	\$ 9,938	\$ 9,110

Deferred cloud services and license support revenues and deferred hardware revenues substantially represent customer payments made in advance for cloud or support contracts that are typically billed in advance with corresponding revenues generally being recognized ratably or based upon customer usage over the respective contractual periods. Deferred services revenues include prepayments for our services business and revenues for these services are generally recognized as the services are performed. Deferred cloud license and on-premise license revenues typically resulted from customer payments that related to undelivered products and services or specified enhancements.

10. LEASES, OTHER COMMITMENTS AND CERTAIN CONTINGENCIES

Leases

We have operating leases that primarily relate to certain of our facilities, data centers and vehicles. As of May 31, 2023, our operating leases substantially have remaining terms of one year to fifteen years, some of which include options to extend and/or terminate the leases.

Operating lease expenses totaled \$873 million, net of sublease income of \$11 million in fiscal 2023 and \$766 million, net of sublease income of \$12 million in fiscal 2022. At May 31, 2023, ROU assets, current lease liabilities and non-current lease liabilities for our operating leases were \$4.6 billion, \$865 million and \$4.0 billion, respectively. We

recorded ROU assets of \$2.0 billion in exchange for operating lease obligations during the year ended May 31, 2023. Cash paid for amounts included in the measurement of operating lease liabilities was \$894 million and \$808 million for the year ended May 31, 2023 and 2022, respectively. As of May 31, 2023, the weighted average remaining lease term for operating leases was approximately eight years and the weighted average discount rate used for calculating operating lease obligations was 4.0%. As of May 31, 2023, we have \$9.1 billion of additional operating lease commitments, primarily for data centers, that are expected to commence in fiscal 2024 generally for terms of three to fifteen years that were not reflected on our consolidated balance sheet as of May 31, 2023 or in the maturities table below.

Maturities of operating lease liabilities were as follows as of May 31, 2023 (in millions):

Fiscal 2024	\$	906
Fiscal 2025		832
Fiscal 2026		783
Fiscal 2027		683
Fiscal 2028		593
Thereafter		1,889
Total operating lease payments		5,686
Less: imputed interest		(837)
Total operating lease liability	\$	4,849

Unconditional Obligations

In the ordinary course of business, we enter into certain unconditional purchase obligations with our suppliers, which are agreements that are enforceable and legally binding and specify terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payment. We utilize several external manufacturers to manufacture sub-assemblies, perform final assemblies and perform testing of our hardware products. We also obtain individual components for our hardware products from a variety of individual suppliers based on projected demand information. Such purchase commitments are based on our forecasted component and manufacturing requirements and typically provide for fulfillment within agreed upon lead-times and/or commercially standard lead-times for the particular part or product and have been included in the amounts disclosed below. Certain routine arrangements for other materials and goods that are not related to our external manufacturers and certain other suppliers and that are entered into in the ordinary course of business are not included in the amounts below, as they are generally entered into in order to secure pricing or other negotiated terms and are difficult to quantify in a meaningful way.

As of May 31, 2023, our unconditional purchase and certain other obligations were as follows (in millions):

Fiscal 2024	\$	1,732
Fiscal 2025		294
Fiscal 2026		174
Fiscal 2027		134
Fiscal 2028		77
Thereafter		360
Total	\$	2,771

As described in Note 7 above, as of May 31, 2023 we have senior notes and other borrowings that mature at various future dates and derivative financial instruments outstanding that we leverage to manage certain risks and exposures.

Guarantees

Our cloud, license and hardware sales agreements generally include certain provisions for indemnifying customers against liabilities if our products infringe a third party's intellectual property rights. To date, we have not incurred

any material costs as a result of such indemnifications and have not accrued any material liabilities related to such obligations in our consolidated financial statements. Certain of our sales agreements also include provisions indemnifying customers against liabilities in the event we breach confidentiality or service level requirements. It is not possible to determine the maximum potential amount under these indemnification agreements due to our limited and infrequent history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement.

Our Oracle Cloud Services agreements generally include a warranty that the cloud services will be performed in all material respects as defined in the agreement during the service period. Our license and hardware agreements also generally include a warranty that our products will substantially operate as described in the applicable program documentation for a period of one year after delivery. We also warrant that services we perform will be provided in a manner consistent with industry standards for a period of 90 days from performance of the services.

We occasionally are required, for various reasons, to enter into financial guarantees with third parties in the ordinary course of our business including, among others, guarantees related to taxes, import licenses and letters of credit on behalf of parties with whom we conduct business. Such agreements have not had a material effect on our results of operations, financial position or cash flows.

11. STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock Repurchases

Our Board of Directors has approved a program for us to repurchase shares of our common stock. As of May 31, 2023, approximately \$8.2 billion remained available for stock repurchases pursuant to our stock repurchase program. We repurchased 17.0 million shares for \$1.3 billion, 185.8 million shares for \$16.2 billion, and 329.2 million shares for \$21.0 billion in fiscal 2023, 2022 and 2021, respectively, under the stock repurchase program.

Our stock repurchase authorization does not have an expiration date and the pace of our repurchase activity will depend on factors such as our working capital needs, our cash requirements for acquisitions and dividend payments, our debt repayment obligations or repurchases of our debt, our stock price, and economic and market conditions. Our stock repurchases may be effected from time to time through open market purchases or pursuant to a Rule 10b5-1 trading plan. Our stock repurchase program may be accelerated, suspended, delayed or discontinued at any time.

Dividends on Common Stock

During fiscal 2023, 2022 and 2021, our Board of Directors declared cash dividends of \$1.36, \$1.28 and \$1.04 per share of our outstanding common stock, respectively, which we paid during the same period.

In June 2023, our Board of Directors declared a quarterly cash dividend of \$0.40 per share of our outstanding common stock. The dividend is payable on July 26, 2023 to stockholders of record as of the close of business on July 12, 2023. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination of our Board of Directors.

Accumulated Other Comprehensive Loss

The following table summarizes, as of each balance sheet date, the components of our AOCL, net of income taxes:

(in millions)	May 31,	
	2023	2022
Foreign currency translation losses	\$ (1,686)	\$ (1,482)
Unrealized gains on marketable securities, net	1	—
Unrealized gains (losses) on defined benefit plans, net	61	(210)
Unrealized gains on cash flow hedges, net	102	—
Total accumulated other comprehensive loss	\$ (1,522)	\$ (1,692)

12. EMPLOYEE BENEFIT PLANS

Stock-Based Compensation Plans

Stock Plans

In fiscal 2021, we adopted the 2020 Equity Incentive Plan to replace the Amended and Restated 2000 Long-Term Equity Incentive Plan (the 2000 Plan) which provides for the issuance of long-term performance awards, including restricted stock-based awards, non-qualified stock options and incentive stock options, as well as stock purchase rights and stock appreciation rights, to our eligible employees, officers and directors who are also employees or consultants, independent consultants and advisers. In fiscal 2022, our stockholders, upon the recommendation of our Board of Directors (the Board), approved the adoption of the Amended and Restated 2020 Equity Incentive Plan (the 2020 Plan and, together with the 2000 Plan, the Plans), which increased the number of authorized shares of stock that may be issued under the 2020 Plan by 300 million shares.

The total number of shares authorized under the 2020 Plan is (i) 390,000,000 shares, plus (ii) 132,921,827 shares, which were the number of shares that were unissued and available for grant under the 2000 Plan as of the date that the 2020 Plan was originally adopted, plus (iii) the number of shares granted and outstanding as of the date that the 2020 Plan was originally adopted which would have been available again for issuance under the terms of the 2000 Plan had the 2020 Plan not been adopted. Under the 2020 Plan, for each share granted as a full value award in the form of a restricted stock unit (RSU) or a performance-based restricted stock award (PSU), an equivalent of 2.5 shares is deducted from our pool of shares available for grant.

As of May 31, 2023, 146 million unvested RSUs, 36 million performance-based stock options (PSOs), of which 6 million shares were vested, and service-based stock options (SOs) to purchase 28 million shares of common stock, substantially all of which were vested, were outstanding under the Plans. Approximately 208 million shares of common stock were available for future awards under the 2020 Plan as of May 31, 2023. To date, we have not issued any stock options under the 2020 Plan or any stock purchase rights or stock appreciation rights under either of the Plans.

The vesting schedule for all awards granted under the Plans is established by the Compensation Committee of the Board. RSUs generally require service-based vesting of 25% annually over four years. SOs were previously granted under the 2000 Plan at not less than fair market value, become exercisable generally 25% annually over four years of service, and generally expire 10 years from the date of grant.

PSOs granted under the 2000 Plan to our Chief Executive Officer and Chief Technology Officer in fiscal 2018 consisted of seven numerically equivalent vesting tranches that potentially could vest. One tranche, which was based solely on the attainment of a market-based metric, was achieved and vested in fiscal 2022. Each of the remaining six tranches requires the attainment of both a performance metric and a market capitalization metric by May 31, 2022, which was subsequently extended by three additional fiscal years to May 31, 2025 via an amendment approved by the Compensation Committee of the Board during fiscal 2022. If any of the remaining operational and market capitalization performance goals are achieved before May 31, 2025 additional tranches may vest, assuming continued employment and service through the date the Compensation Committee of the Board certifies that performance has been achieved. Upon amendment of the PSOs in fiscal 2022, we estimated the revised fair values of the six unvested tranches of the PSOs using a Monte Carlo simulation approach. We are recognizing incremental stock-based compensation expense related to these amended awards for any of the remaining unvested tranches that are probable of achievement over the longer of the (a) estimated implicit service period for performance-metric achievement, or (b) derived service period for market-based metric achievement. Stock-based compensation associated with a vesting tranche where vesting is no longer determined to be probable is reversed on a cumulative basis and is no longer prospectively recognized in the period when such a determination is made. We have estimated remaining service periods for those tranches that have been deemed probable of achievement as of May 31, 2023 to be approximately one to two years.

In connection with certain of our acquisitions, we assumed certain outstanding restricted stock-based awards and stock options under each acquired company's respective stock plans, or we substituted substantially similar awards under the Plans. These restricted stock-based awards and stock options assumed or substituted generally retained

all of the rights, terms and conditions of the respective plans under which they were originally granted. As of May 31, 2023, 3 million unvested RSUs and stock options to purchase approximately 459,000 shares of common stock, substantially all of which were vested, were outstanding under acquired company stock plans that Oracle assumed.

In fiscal 1993, the Board adopted the 1993 Directors' Stock Plan (the Directors' Plan), which provides for the issuance of RSUs and other stock-based awards, including non-qualified stock options, to non-employee directors. The Directors' Plan has from time to time been amended and restated. Under the terms of the Directors' Plan, 10 million shares of common stock are reserved for issuance (including a fiscal 2013 amendment to increase the number of shares of our common stock reserved for issuance by 2 million shares). In prior years, we granted stock options at not less than fair market value, that vest over four years, and expire no more than 10 years from the date of grant. Currently, we only grant RSUs that vest fully on the one-year anniversary of the date of grant. The Directors' Plan was most recently amended on April 29, 2016 and permits the Compensation Committee of the Board to determine the amount and form of automatic grants of stock awards, if any, to each non-employee director upon first becoming a director and thereafter on an annual basis, as well as automatic grants for chairing certain Board committees, subject to certain stockholder approved limitations set forth in the Directors' Plan. In April 2020, the Compensation Committee reduced the maximum value of the annual automatic RSU grants to each non-employee director from \$400,000 to \$350,000 and eliminated all equity grants for chairing board committees. As of May 31, 2023, approximately 40,000 unvested RSUs and stock options to purchase approximately 339,000 shares of common stock (all of which were vested) were outstanding under the Directors' Plan. As of May 31, 2023, approximately 1 million shares were available for future stock awards under this plan.

The following table summarizes restricted stock-based award activity granted pursuant to Oracle-based stock plans for our last three fiscal years ended May 31, 2023:

(in millions, except fair value)	Restricted Stock-Based Awards Outstanding	
	Number of Shares	Weighted-Average Grant Date Fair Value
Balance, May 31, 2020	101	\$ 48.36
Granted	54	\$ 54.95
Vested and issued	(34)	\$ 46.88
Canceled	(11)	\$ 50.40
Balance, May 31, 2021	110	\$ 51.87
Granted	65	\$ 85.07
Vested and issued	(38)	\$ 50.52
Canceled	(9)	\$ 63.25
Balance, May 31, 2022	128	\$ 68.34
Granted	76	\$ 66.67
Assumed	5	\$ 69.02
Vested and issued	(46)	\$ 62.97
Canceled	(11)	\$ 69.25
Balance, May 31, 2023	152	\$ 69.09

The total grant date fair values of restricted stock-based awards that were vested and issued in fiscal 2023, 2022 and 2021 were \$2.9 billion, \$1.9 billion and \$1.6 billion, respectively. As of May 31, 2023, total unrecognized stock-based compensation expense related to non-vested restricted stock-based awards was \$7.2 billion and is expected to be recognized over the remaining weighted-average vesting period of 2.76 years.

The following table summarizes stock option activity, including SOs and PSOs, and includes awards granted pursuant to the Plans and stock plans assumed from our acquisitions for our last three fiscal years ended May 31, 2023:

(in millions, except exercise price)	Options Outstanding	
	Shares Under Stock Option	Weighted-Average Exercise Price
Balance, May 31, 2020	176	\$ 38.86
Granted and assumed	—	\$ —
Exercised	(52)	\$ 32.05
Canceled	(17)	\$ 51.02
Balance, May 31, 2021	107	\$ 40.14
Granted and assumed	—	\$ —
Exercised	(10)	\$ 34.34
Canceled	—	\$ —
Balance, May 31, 2022	97	\$ 40.70
Granted and assumed	—	\$ —
Exercised	(33)	\$ 31.37
Canceled	—	\$ —
Balance, May 31, 2023	64	\$ 45.42

Stock options outstanding that have vested and that are expected to vest as of May 31, 2023 were as follows:

	Outstanding Stock Options (in millions)	Weighted-Average Exercise Price	Weighted-Average Remaining Contract Term (in years)	Aggregate Intrinsic Value ⁽¹⁾ (in millions)
Vested	34	\$ 40.41	1.87	\$ 2,254
Expected to vest ⁽²⁾	15	\$ 51.10	2.29	837
Total	49	\$ 43.69	2.00	\$ 3,091

⁽¹⁾ The aggregate intrinsic value was calculated based on the gross difference between our closing stock price on the last trading day of fiscal 2023 of \$105.94 and the exercise prices for all “in-the-money” options outstanding, excluding tax effects.

⁽²⁾ The unrecognized compensation expense calculated under the fair value method for shares expected to vest (unvested shares net of expected forfeitures) as of May 31, 2023 was approximately \$134 million and is expected to be recognized over a weighted-average period of 1.57 years. Approximately 15 million shares outstanding as of May 31, 2023 were not expected to vest.

Stock-Based Compensation Expense and Valuations of Restricted Stock-Based Awards

We estimated the fair values of our restricted stock-based awards that are solely subject to service-based vesting requirements based upon their market values as of the grant dates, discounted for the present values of expected dividends.

Stock-based compensation expense was included in the following operating expense line items in our consolidated statements of operations:

(in millions)	Year Ended May 31,		
	2023	2022	2021
Cloud services and license support	\$ 435	\$ 205	\$ 134
Hardware	18	15	11
Services	137	67	55
Sales and marketing	611	448	313
Research and development	1,983	1,633	1,188
General and administrative	363	245	136
Total stock-based compensation	3,547	2,613	1,837
Estimated income tax benefit included in provision for income taxes	(802)	(593)	(413)
Total stock-based compensation, net of estimated income tax benefit	\$ 2,745	\$ 2,020	\$ 1,424

Tax Benefits from Exercises of Stock Options and Vesting of Restricted Stock-Based Awards

Total cash received as a result of stock option exercises was approximately \$1.0 billion, \$319 million and \$1.7 billion for fiscal 2023, 2022 and 2021, respectively. The total aggregate intrinsic value of restricted stock-based awards that vested and were issued and stock options that were exercised was \$5.1 billion for fiscal 2023 and \$3.7 billion for each of fiscal 2022 and 2021. In connection with the vesting and issuance of restricted stock-based awards and stock options that were exercised, the tax benefits realized by us were \$1.2 billion, \$843 million and \$842 million for fiscal 2023, 2022 and 2021, respectively.

Employee Stock Purchase Plan

We have an Employee Stock Purchase Plan (Purchase Plan) that allows employees to purchase shares of common stock at a price per share that is 95% of the fair market value of Oracle stock as of the end of the semi-annual option period. As of May 31, 2023, 37 million shares were reserved for future issuances under the Purchase Plan. We issued approximately 2 million shares in each of fiscal 2023, 2022 and 2021 under the Purchase Plan.

Defined Contribution and Other Postretirement Plans

We offer various defined contribution plans for our U.S. and non-U.S. employees. Total defined contribution plan expense was \$470 million, \$412 million and \$380 million for fiscal 2023, 2022 and 2021, respectively.

In the U.S., regular employees can participate in the Oracle Corporation 401(k) Savings and Investment Plan (Oracle 401(k) Plan). Participants can generally contribute up to 40% of their eligible compensation on a per-pay-period basis as defined by the Oracle 401(k) Plan document or by the section 402(g) limit as defined by the U.S. Internal Revenue Service (IRS). We match a portion of employee contributions, currently 50% up to 6% of compensation each pay period, subject to maximum aggregate matching amounts. Our contributions to the Oracle 401(k) Plan, net of forfeitures, were \$198 million, \$164 million and \$150 million in fiscal 2023, 2022 and 2021, respectively.

We also offer non-qualified deferred compensation plans to certain employees whereby they may defer a portion of their annual base and/or variable compensation until retirement or a date specified by the employee in accordance with the plans. Deferred compensation plan assets and liabilities were each approximately \$792 million and approximately \$756 million as of May 31, 2023 and 2022, respectively, and were presented in other non-current assets and other non-current liabilities in the accompanying consolidated balance sheets.

We sponsor certain defined benefit pension plans that are offered primarily by certain of our foreign subsidiaries. Many of these plans were assumed through our acquisitions or are required by local regulatory requirements. We may deposit funds for these plans with insurance companies, third-party trustees, or into government-managed accounts consistent with local regulatory requirements, as applicable. Our total defined benefit plan pension expenses were \$78 million, \$67 million and \$105 million for fiscal 2023, 2022 and 2021, respectively. The aggregate projected benefit obligation and aggregate net liability (funded status, which is substantially included in other non-current liabilities in our consolidated balance sheets) of our defined benefit plans as of May 31, 2023 were \$939 million and \$322 million, respectively, and as of May 31, 2022 were \$1.1 billion and \$580 million, respectively.

13. INCOME TAXES

Our effective tax rates for each of the periods presented are the result of the mix of income and losses earned in various tax jurisdictions that apply a broad range of income tax rates. Our (provision for) benefit from income taxes varied from the tax computed at the U.S. federal statutory income tax rate for fiscal 2023, 2022 and 2021 primarily due to earnings in foreign operations, state taxes, the U.S. research and development tax credit, settlements with tax authorities, the tax effects of stock-based compensation, the Foreign Derived Intangible Income deduction and the tax effect of Global Intangible Low-Taxed Income. In addition, for fiscal 2021, our benefit from income taxes varied from the tax computed at the U.S. federal statutory income tax rate primarily due to a total net deferred tax benefit of \$2.3 billion as a result of a partial realignment of our legal entity structure that resulted in the intra-group transfer of certain intellectual property rights.

The following is a geographical breakdown of income before income taxes:

(in millions)	Year Ended May 31,		
	2023	2022	2021
Domestic	\$ 1,492	\$ (629)	\$ 4,375
Foreign	7,634	8,278	8,624
Income before income taxes	<u>\$ 9,126</u>	<u>\$ 7,649</u>	<u>\$ 12,999</u>

The (provision for) benefit from income taxes consisted of the following:

(Dollars in millions)	Year Ended May 31,		
	2023	2022	2021
Current provision:			
Federal	\$ (625)	\$ (709)	\$ (516)
State	(398)	(186)	(233)
Foreign	(1,767)	(1,183)	(929)
Total current provision	<u>\$ (2,790)</u>	<u>\$ (2,078)</u>	<u>\$ (1,678)</u>
Deferred benefit:			
Federal	\$ 2,193	\$ 1,661	\$ (8,631)
State	398	139	77
Foreign	(424)	(654)	10,979
Total deferred benefit	<u>\$ 2,167</u>	<u>\$ 1,146</u>	<u>\$ 2,425</u>
Total (provision for) benefit from income taxes	<u>\$ (623)</u>	<u>\$ (932)</u>	<u>\$ 747</u>
Effective income tax expense (benefit) rate	6.8%	12.2%	(5.7%)

The (provision for) benefit from income taxes differed from the amount computed by applying the federal statutory rate to our income before income taxes as follows:

(Dollars in millions)	Year Ended May 31,		
	2023	2022	2021
U.S. federal statutory tax rate	21.0%	21.0%	21.0%
Tax provision at statutory rate	\$ (1,917)	\$ (1,606)	\$ (2,730)
Foreign earnings at other than United States rates	357	536	580
Net impact of intra-entity IP transfer	—	—	2,266
State tax expense, net of federal benefit	(41)	(132)	(206)
Settlements and releases from judicial decisions and statute expirations, net	552	263	582
Tax contingency interest accrual, net	(101)	(44)	(55)
Domestic tax contingency, net	(28)	(441)	(282)
Federal research and development credit	280	222	169
Stock-based compensation	322	263	300
Other, net	(47)	7	123
Total (provision for) benefit from income taxes	<u>\$ (623)</u>	<u>\$ (932)</u>	<u>\$ 747</u>

The components of our deferred tax assets and liabilities were as follows:

(in millions)	May 31,	
	2023	2022
Deferred tax assets:		
Accruals and allowances	\$ 928	\$ 493
Employee compensation and benefits	811	818
Differences in timing of revenue recognition	662	623
Lease liabilities	1,036	688
Basis of property, plant and equipment and intangible assets	9,989	11,362
Capitalized research and development	1,421	—
Tax credit and net operating loss carryforwards	4,941	4,409
Other	189	141
Total deferred tax assets	19,977	18,534
Valuation allowance	(1,940)	(1,742)
Total deferred tax assets, net	18,037	16,792
Deferred tax liabilities:		
Unrealized gain on stock	(79)	(78)
Acquired intangible assets	(2,124)	(126)
GILTI deferred	(8,124)	(8,937)
ROU assets	(1,000)	(668)
Withholding taxes on foreign earnings	(256)	(232)
Total deferred tax liabilities	(11,583)	(10,041)
Net deferred tax assets	<u>\$ 6,454</u>	<u>\$ 6,751</u>
Recorded as:		
Non-current deferred tax assets	\$ 12,226	\$ 12,782
Non-current deferred tax liabilities	(5,772)	(6,031)
Net deferred tax assets	<u>\$ 6,454</u>	<u>\$ 6,751</u>

We provide for United States income taxes on the undistributed earnings and the other outside basis temporary differences of foreign subsidiaries unless they are considered indefinitely reinvested outside the United States. At May 31, 2023, the amount of temporary differences related to undistributed earnings and other outside basis temporary differences of investments in foreign subsidiaries upon which U.S. income taxes have not been provided was approximately \$11.0 billion. If the undistributed earnings and other outside basis differences were recognized in a taxable transaction, they would generate foreign tax credits that would reduce the federal tax liability associated

with the foreign dividend or the otherwise taxable transaction. At May 31, 2023, assuming a full utilization of the foreign tax credits, the potential net deferred tax liability associated with these other outside basis temporary differences would be approximately \$2.0 billion.

Our net deferred tax assets were \$6.5 billion and \$6.8 billion as of May 31, 2023 and 2022, respectively. We believe that it is more likely than not that the net deferred tax assets will be realized in the foreseeable future. Realization of our net deferred tax assets is dependent upon our generation of sufficient taxable income in future years in appropriate tax jurisdictions to obtain benefit from the reversal of temporary differences, net operating loss carryforwards and tax credit carryforwards. The amount of net deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change.

The valuation allowance was \$1.9 billion and \$1.7 billion as of May 31, 2023 and 2022, respectively. A majority of the valuation allowances as of May 31, 2023 and 2022 related to tax assets established in purchase accounting and other tax credits. Any subsequent reduction of that portion of the valuation allowance and the recognition of the associated tax benefits associated with our acquisitions will be recorded to our provision for income taxes subsequent to our final determination of the valuation allowance or the conclusion of the measurement period (as defined above), whichever comes first.

At May 31, 2023, we had federal net operating loss carryforwards of approximately \$380 million, which are subject to limitation on their utilization. Approximately \$304 million of these federal net operating losses expire in various years between fiscal 2024 and fiscal 2038. Approximately \$76 million of these federal net operating losses are not currently subject to expiration dates. We had state net operating loss carryforwards of approximately \$2.2 billion at May 31, 2023, which expire between fiscal 2024 and fiscal 2043 and are subject to limitations on their utilization. We had total foreign net operating loss carryforwards of approximately \$1.9 billion at May 31, 2023, which are subject to limitations on their utilization. Approximately \$1.8 billion of these foreign net operating losses are not currently subject to expiration dates. The remainder of the foreign net operating losses, approximately \$61 million, expire between fiscal 2024 and fiscal 2039. At May 31, 2023, we had federal capital loss carryforwards of approximately \$141 million, which expire in fiscal 2026. We had state capital loss carryforwards of approximately \$314 million, which expire between fiscal 2026 and fiscal 2036. We had tax credit carryforwards of approximately \$1.4 billion at May 31, 2023, which are subject to limitations on their utilization. Approximately \$933 million of these tax credit carryforwards are not currently subject to expiration dates. The remainder of the tax credit carryforwards, approximately \$438 million, expire in various years between fiscal 2024 and fiscal 2043.

We classify our unrecognized tax benefits as either current or non-current income taxes payable in the accompanying consolidated balance sheets. The aggregate changes in the balance of our gross unrecognized tax benefits, including acquisitions, were as follows:

(in millions)	Year Ended May 31,		
	2023	2022	2021
Gross unrecognized tax benefits as of June 1	\$ 7,284	\$ 6,912	\$ 6,972
Increases related to tax positions from prior fiscal years	709	66	225
Decreases related to tax positions from prior fiscal years	(45)	(24)	(836)
Increases related to tax positions taken during current fiscal year	669	919	531
Settlements with tax authorities	(212)	(117)	(51)
Lapses of statutes of limitation	(631)	(333)	(66)
Cumulative translation adjustments and other, net	(59)	(139)	137
Total gross unrecognized tax benefits as of May 31	<u>\$ 7,715</u>	<u>\$ 7,284</u>	<u>\$ 6,912</u>

As of May 31, 2023, 2022 and 2021, \$3.9 billion, \$4.3 billion and \$4.4 billion, respectively, of unrecognized tax benefits would affect our effective tax rate if recognized. We recognized interest and penalties related to uncertain tax positions in our (provision for) benefit from income taxes line of our consolidated statements of operations of \$111 million, \$93 million and \$166 million during fiscal 2023, 2022 and 2021, respectively. Interest and penalties accrued as of May 31, 2023 and 2022 were \$1.7 billion and \$1.6 billion, respectively.

Domestically, U.S. federal and state taxing authorities are currently examining income tax returns of Oracle and various acquired entities for years through fiscal 2021. Many issues are at an advanced stage in the examination process, the most significant of which include issues related to transfer pricing, domestic production activity, one-time transition tax, foreign tax credits, research and development credits and state economic nexus. With respect to all of these domestic audit issues considered in the aggregate, we believe that it was reasonably possible that, as of May 31, 2023, our gross unrecognized tax benefits could decrease (whether by payment, release, or a combination of both) in the next 12 months by as much as \$538 million (\$442 million net of offsetting tax benefits). Our U.S. federal income tax returns have been examined for all years prior to fiscal 2013 and, with some exceptions, we are no longer subject to audit for those periods. Our U.S. state income tax returns, with some exceptions, have been examined for all years prior to fiscal 2007, and we are no longer subject to audit for those periods.

Internationally, tax authorities for numerous non-U.S. jurisdictions are also examining or have examined returns of Oracle and various acquired entities for years through fiscal 2023. Many of the relevant tax years are at an advanced stage in examination or subsequent controversy resolution processes, the most significant of which include issues related to transfer pricing and withholding tax. The manner in which those issues are resolved and the timing thereof could potentially result in a range of decreases or increases in our unrecognized tax benefits over the next 12 months. We believe it was reasonably possible that, as of May 31, 2023, the gross unrecognized tax benefits could decrease (whether by payment, release, or a combination of both) in the next 12 months by as much as \$767 million (\$262 million net of offsetting tax benefits). We also believe it was reasonably possible that, as of May 31, 2023, the gross unrecognized tax benefits could increase in the next 12 months by as much as \$637 million (\$111 million net of offsetting US tax benefits). With some exceptions, we are generally no longer subject to tax examinations in non-U.S. jurisdictions for years prior to fiscal 2001.

We are under audit by the IRS and various other domestic and foreign tax authorities with regards to income tax and indirect tax matters and are involved in various challenges and litigation in a number of countries, including, in particular, Australia, Brazil, Canada, Germany, India, Indonesia, Israel, Italy, Mexico, New Zealand, Pakistan, Saudi Arabia, South Korea and Spain, where the amounts under controversy are significant. In some, although not all, cases, we have reserved for potential adjustments to our provision for income taxes and accrual of indirect taxes that may result from examinations by, or any negotiated agreements with, these tax authorities or final outcomes in judicial proceedings, and we believe that the final outcome of these examinations, agreements or judicial proceedings will not have a material effect on our results of operations. If events occur which indicate payment of these amounts is unnecessary, the reversal of the liabilities would result in the recognition of benefits in the period we determine the liabilities are no longer necessary. If our estimates of the federal, state, and foreign income tax liabilities and indirect tax liabilities are less than the ultimate assessment, it could result in a further charge to expense.

We believe that we have adequately provided under GAAP for outcomes related to our tax audits. However, there can be no assurances as to the possible outcomes or any related financial statement effect thereof.

14. SEGMENT INFORMATION

ASC 280, *Segment Reporting*, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision makers (CODMs) are our Chief Executive Officer and Chief Technology Officer. We are organized by line of business and geographically. While our CODMs evaluate results in a number of different ways, the line of business management structure is the primary basis for which the allocation of resources and financial results are assessed. The tabular information below presents financial

information that is provided to our CODMs for their review and assists our CODMs with evaluating the company's performance and allocating company resources.

We have three businesses—cloud and license, hardware and services—each of which is comprised of a single operating segment. All three of our businesses market and sell our offerings globally to businesses of many sizes, government agencies, educational institutions and resellers with a worldwide sales force positioned to offer the combinations that best meet customer needs.

Our cloud and license business engages in the sale, marketing and delivery of our enterprise applications and infrastructure technologies through cloud and on-premise deployment models including our cloud services and license support offerings; and our cloud license and on-premise license offerings. Cloud services and license support revenues are generated from offerings that are typically contracted with customers directly, billed to customers in advance, delivered to customers over time with our revenue recognition occurring over the contractual terms, and renewed by customers upon completion of the contractual terms. Cloud services and license support contracts provide customers with access to the latest updates to the applications and infrastructure technologies as they become available and for which the customer contracted and also include related technical support services over the contractual term. Cloud license and on-premise license revenues represent fees earned from granting customers licenses, generally on a perpetual basis, to use our database and middleware and our applications software products within cloud and on-premise IT environments. We generally recognize revenues at the point in time the software is made available to the customer to download and use, which typically is immediate upon signature of the license contract. In each fiscal year, our cloud and license business' contractual activities are typically highest in our fourth fiscal quarter and the related cash flows are typically highest in the following quarter (i.e., in the first fiscal quarter of the next fiscal year) as we receive payments from these contracts.

Our hardware business provides infrastructure technologies including Oracle Engineered Systems, servers, storage, industry-specific hardware, operating systems, virtualization, management and other hardware-related software to support diverse IT environments. Our hardware business also offers hardware support, which provides customers with software updates for the software components that are essential to the functionality of their hardware products and can also include product repairs, maintenance services and technical support services that are typically delivered and recognized ratably over the contractual term.

Our services business provides services to customers and partners to help maximize the performance of their investments in Oracle applications and infrastructure technologies.

We do not track our assets for each business. Consequently, it is not practical to show assets by operating segment.

The following table presents summary results for each of our three businesses for each of fiscal 2023, 2022 and 2021:

(in millions)	Year Ended May 31,		
	2023	2022	2021
Cloud and license:			
Revenues ⁽¹⁾	\$ 41,086	\$ 36,052	\$ 34,101
Cloud services and license support expenses	7,222	4,915	4,133
Sales and marketing expenses	7,738	7,054	6,799
Margin ⁽²⁾	\$ 26,126	\$ 24,083	\$ 23,169
Hardware:			
Revenues	\$ 3,274	\$ 3,183	\$ 3,359
Hardware products and support expenses	1,011	944	945
Sales and marketing expenses	331	361	388
Margin ⁽²⁾	\$ 1,932	\$ 1,878	\$ 2,026
Services:			
Revenues	\$ 5,594	\$ 3,205	\$ 3,021
Services expenses	4,490	2,539	2,393
Margin ⁽²⁾	\$ 1,104	\$ 666	\$ 628
Totals:			
Revenues ⁽¹⁾	\$ 49,954	\$ 42,440	\$ 40,481
Expenses	20,792	15,813	14,658
Margin ⁽²⁾	\$ 29,162	\$ 26,627	\$ 25,823

⁽¹⁾ Cloud and license revenues and total revenues presented for management reporting for fiscal 2021 included revenues related to cloud and license obligations that would have otherwise been recorded by the acquired businesses as independent entities but were not recognized in our consolidated statements of operations due to business combination accounting rules that were applicable to acquisitions closed prior to fiscal 2022. The table below provides a reconciliation of our total operating segment revenues to our total revenues as reported in our consolidated statements of operations for all periods presented.

⁽²⁾ The margins reported reflect only the direct controllable costs of each line of business and do not include allocations of research and development, general and administrative and certain other allocable expenses, net. Additionally, the margins reported above do not reflect amortization of intangible assets, acquisition related and other expenses, restructuring expenses, stock-based compensation, interest expense or certain other non-operating expenses or income, net. Refer to the table below for a reconciliation of our total margin for operating segments to our income before income taxes as reported per our consolidated statements of operations.

The following table reconciles total operating segment revenues to total revenues as well as total operating segment margin to income before income taxes:

(in millions)	Year Ended May 31,		
	2023	2022	2021
Total revenues for operating segments	\$ 49,954	\$ 42,440	\$ 40,481
Cloud and license revenues ⁽¹⁾	—	—	(2)
Total revenues	\$ 49,954	\$ 42,440	\$ 40,479
Total margin for operating segments	\$ 29,162	\$ 26,627	\$ 25,823
Cloud and license revenues ⁽¹⁾	—	—	(2)
Research and development	(8,623)	(7,219)	(6,527)
General and administrative	(1,579)	(1,317)	(1,254)
Amortization of intangible assets	(3,582)	(1,150)	(1,379)
Acquisition related and other	(190)	(4,713)	(138)
Restructuring	(490)	(191)	(431)
Stock-based compensation for operating segments	(1,201)	(735)	(513)
Expense allocations and other, net	(404)	(376)	(366)
Interest expense	(3,505)	(2,755)	(2,496)
Non-operating (expenses) income, net	(462)	(522)	282
Income before income taxes	\$ 9,126	\$ 7,649	\$ 12,999

⁽¹⁾ Cloud and license revenues presented for management reporting for fiscal 2021 included revenues related to cloud and license obligations that would have otherwise been recorded by the acquired businesses as independent entities but were not recognized in our consolidated statements of operations due to business combination accounting rules that were applicable to acquisitions closed prior to fiscal 2022. This table includes a reconciliation of our total operating segment revenues to our total revenues as reported in our consolidated statements of operations for all periods presented.

Disaggregation of Revenues

We have considered information that is regularly reviewed by our CODMs in evaluating financial performance, and disclosures presented outside of our financial statements in our earnings releases and used in investor presentations to disaggregate revenues to depict how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors. The principal category we use to disaggregate revenues is the nature of our products and services as presented in our consolidated statements of operations, the total of which is reconciled to revenues from our reportable segments as per the preceding tables of this footnote.

The following table is a summary of our total revenues by geographic region:

(in millions)	Year Ended May 31,		
	2023	2022	2021
Americas	\$ 31,226	\$ 23,679	\$ 21,828
EMEA ⁽¹⁾	12,109	12,011	11,894
Asia Pacific	6,619	6,750	6,757
Total revenues	\$ 49,954	\$ 42,440	\$ 40,479

⁽¹⁾ Comprised of Europe, the Middle East and Africa

The following table presents our cloud services and license support revenues by offerings:

(in millions)	Year Ended May 31,		
	2023	2022	2021
Cloud services	\$ 15,881	\$ 10,809	\$ 8,921
License support	19,426	19,365	19,779
Total cloud services and license support revenues	\$ 35,307	\$ 30,174	\$ 28,700

The following table presents our cloud services and license support revenues by applications and infrastructure ecosystems:

(in millions)	Year Ended May 31,		
	2023	2022	2021
Applications cloud services and license support	\$ 16,651	\$ 12,612	\$ 11,712
Infrastructure cloud services and license support	18,656	17,562	16,988
Total cloud services and license support revenues	<u>\$ 35,307</u>	<u>\$ 30,174</u>	<u>\$ 28,700</u>

Geographic Information

Disclosed in the table below is geographic information for each country that comprised greater than three percent of our total revenues for any of fiscal 2023, 2022 or 2021:

(in millions)	As of and for the Year Ended May 31,					
	2023		2022		2021	
	Revenues	Long-Lived Assets ⁽¹⁾	Revenues	Long-Lived Assets ⁽¹⁾	Revenues	Long-Lived Assets ⁽¹⁾
United States	\$ 27,535	\$ 19,322	\$ 20,246	\$ 10,300	\$ 18,734	\$ 6,826
United Kingdom	2,159	905	2,335	805	2,110	685
Germany	1,755	940	1,799	813	1,744	561
Japan	1,681	770	1,847	788	1,988	650
Other countries	16,824	3,626	16,213	3,438	15,903	2,663
Total	<u>\$ 49,954</u>	<u>\$ 25,563</u>	<u>\$ 42,440</u>	<u>\$ 16,144</u>	<u>\$ 40,479</u>	<u>\$ 11,385</u>

⁽¹⁾ Long-lived assets exclude goodwill, intangible assets, equity investments and deferred taxes, which are not allocated to specific geographic locations as it is impracticable to do so.

15. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income for the period by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income for the period by the weighted-average number of common shares outstanding during the period, plus the dilutive effect of outstanding restricted stock-based awards, stock options, and shares issuable under the employee stock purchase plan as applicable pursuant to the treasury stock method. The following table sets forth the computation of basic and diluted earnings per share:

(in millions, except per share data)	Year Ended May 31,		
	2023	2022	2021
Net income	\$ 8,503	\$ 6,717	\$ 13,746
Weighted average common shares outstanding	2,696	2,700	2,945
Dilutive effect of employee stock plans	70	86	77
Dilutive weighted average common shares outstanding	<u>2,766</u>	<u>2,786</u>	<u>3,022</u>
Basic earnings per share	\$ 3.15	\$ 2.49	\$ 4.67
Diluted earnings per share	\$ 3.07	\$ 2.41	\$ 4.55
Shares subject to anti-dilutive restricted stock-based awards and stock options excluded from calculation ⁽¹⁾	50	34	36

⁽¹⁾ These weighted shares relate to anti-dilutive restricted service based stock-based awards as calculated using the treasury stock method and contingently issuable shares pursuant to PSOs arrangements. Such shares could be dilutive in the future. See Note 12 for information regarding the exercise prices of our outstanding, unexercised stock options.

16. LEGAL PROCEEDINGS

Derivative Litigation Concerning Oracle's NetSuite Acquisition

On May 3 and July 18, 2017, two alleged stockholders filed separate derivative lawsuits in the Court of Chancery of the State of Delaware, purportedly on Oracle's behalf. Thereafter, the court consolidated the two derivative cases and designated the July 18, 2017 complaint as the operative complaint. The consolidated lawsuit was brought against all the then-current members and one former member of our Board of Directors, and Oracle as a nominal defendant.