

**2nd Quarter of Fiscal Year Ending March 2024**

# **Financial Results**

**October 30, 2023**



# Financial Highlights

## Steady growth of cloud-services, fueled by active investments based on medium- to long-term growth strategies

- Consolidated net sales up 3.5% YoY and ARR up 9.7% YoY, driven by strong cloud infrastructure services
- Saw an increase in investments in recruitment and marketing enhancement, etc. for strengthening cloud-services, and an increase in expenses (electricity costs and domain acquisition costs) due to external factors including surging crude oil prices and the weaker yen that continued from the previous year

(Millions of yen)

| Item                                    | Q2 FY2023 | Q2 FY2024 | YoY    |            |
|---|-----------|-----------|--------|------------|
|   | Amount    | Amount    | Change | Change (%) |
| Net sales                               | 9,989     | 10,343    | 353    | 3.5        |
| Operating profit                        | 436       | 249       | (186)  | (42.8)     |
| Ordinary profit                         | 377       | 172       | (204)  | (54.3)     |
| Profit attributable to owners of parent | 247       | 175       | (71)   | (29.1)     |

In this document, FY 2024 refers to the period from April 1, 2023 to March 31, 2024, and the same applies to other fiscal years.

## TOPIC1

## GPU Cloud Services

Decided to make an additional investment of **7.85 billion yen** upon request

**Procured equipment as planned** toward a release in the next period



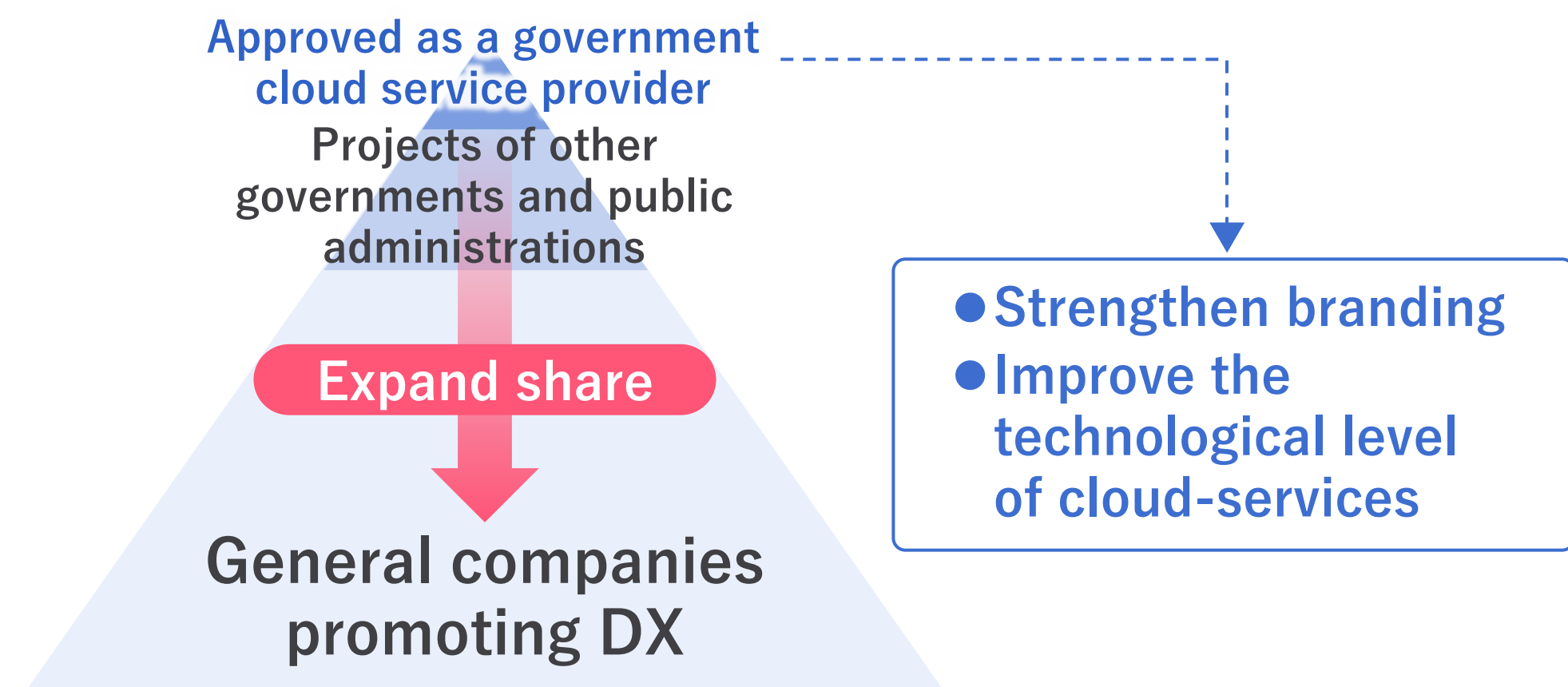
Yasutoshi Nishimura, Minister of Economy, Trade and Industry (right), and Kunihiro Tanaka, President and Chief Executive Officer of SAKURA internet (left), inspected the Ishikari Data Center

## TOPIC2

## Government Cloud

**Applied for government cloud projects** for the current fiscal year

Will strengthen branding and improve the technological level of our services to expand our share in the domestic public cloud market





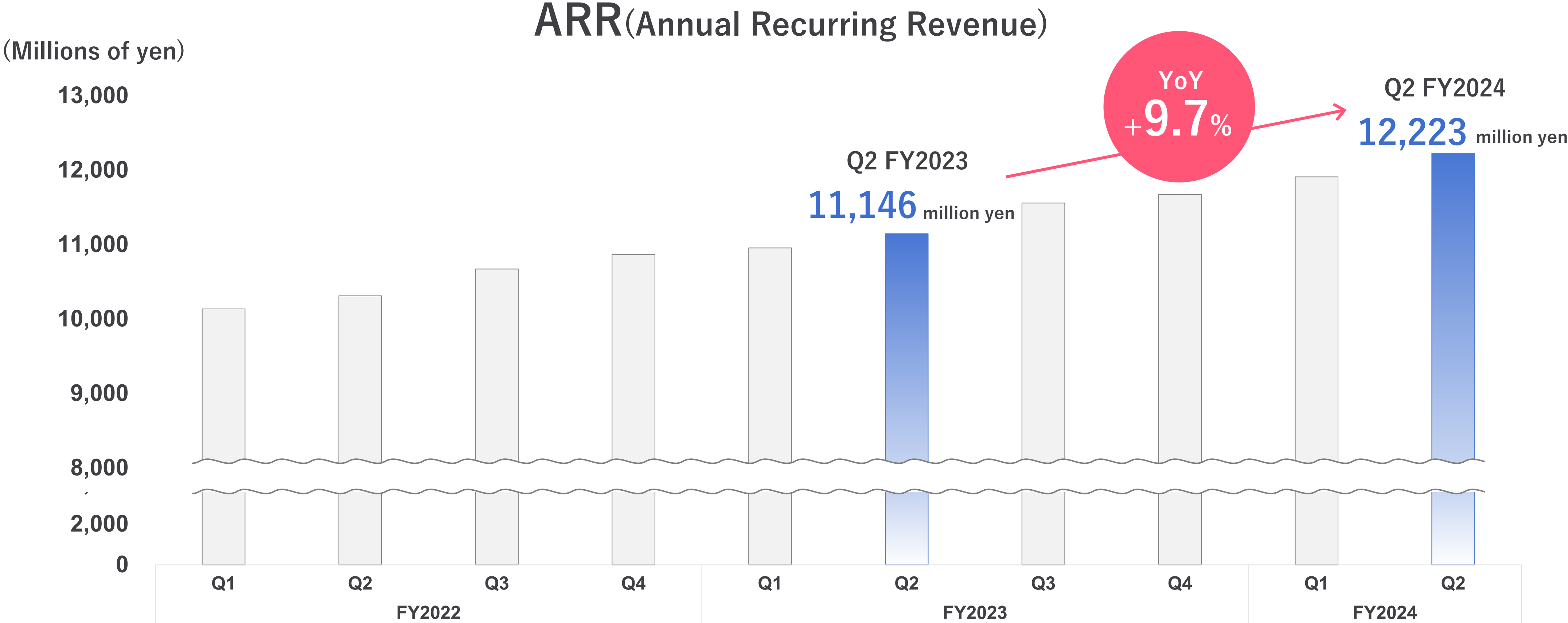
## Q2 results were generally within the expected range, with gains on sale of investment securities recorded

- Consolidated net sales, operating profit, and ordinary profit were generally within the expected range, despite lower-than-expected group earnings
- Profit attributable to owners of parent was greater than expected because the Company sold its partial holdings in ABEJA, Inc., which went public, and recorded a gain on sale of investment securities
- Since the effects of GPU cloud services on the current period earnings and earnings outlook of the group companies, etc. are under examination as we continue to strengthen recruitment, sales and marketing in order to achieve the initial targets that aim for further growth, the consolidated earnings forecasts for the fiscal year ending March 31, 2024, are currently unchanged

(Millions of yen)

| Item                                    | FY 2024<br>Q2 Forecast | FY 2024<br>Q2 Actual | Change | Change (%) | FY2024<br>Full-year forecast |
|---|------------------------|----------------------|--------|------------|------------------------------|
| Net sales                               | 10,500                 | 10,343               | (156)  | (1.5%)     | 22,800                       |
| Operating profit                        | 250                    | 249                  | (0)    | (0.2%)     | 1,450                        |
| Ordinary profit                         | 180                    | 172                  | (7)    | (4.1%)     | 1,300                        |
| Profit attributable to owners of parent | 120                    | 175                  | 55     | 45.9%      | 850                          |

ARR, representing recurring fee revenue, increased **9.7%** YoY thanks to sales and marketing efforts

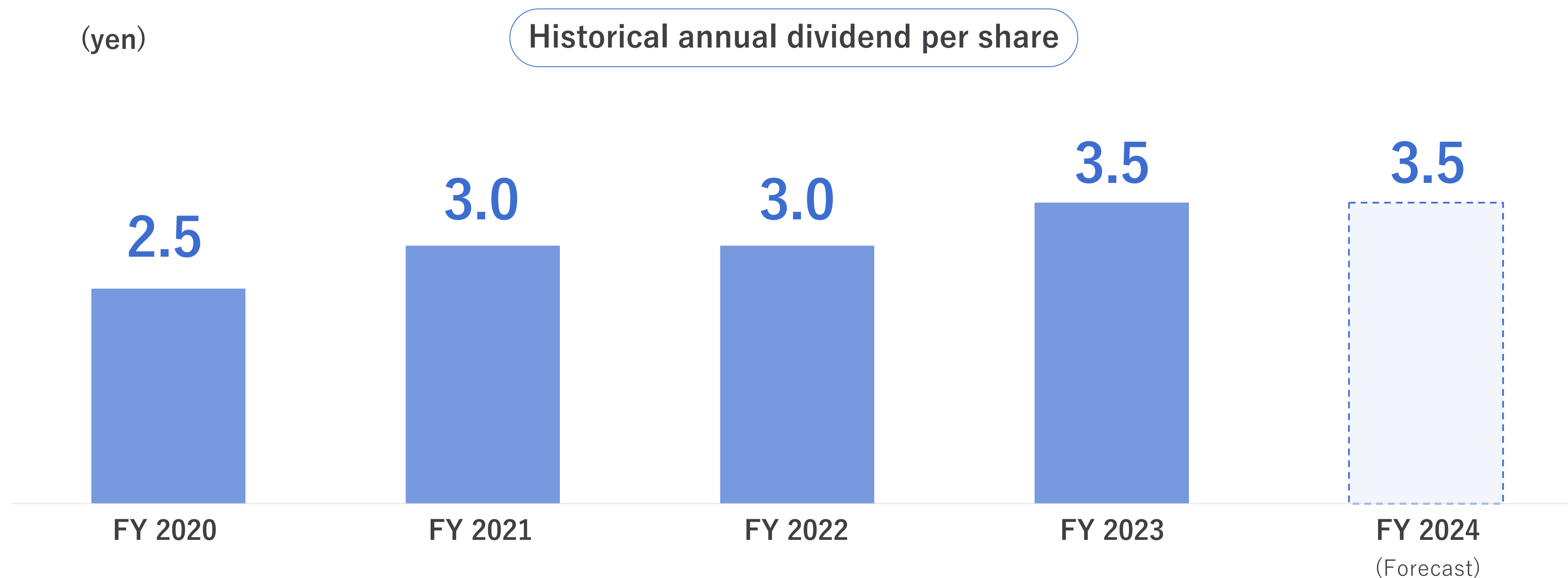


- \* The ARR includes revenue of cloud-service, VPS service, and rental server service of SAKURA internet on a non-consolidated basis.
- \* Although the cloud-service adopts a pay-as-you-go pricing system, these figures are calculated in accordance with a method of fixed-rate service calculation.
- \* Annual Recurring Revenue (ARR): Calculated by multiplying the Monthly Recurring Revenue (MRR) at the end of each period by 12. These figures indicate annual revenue on a recurring billing basis and differ from net sales.

## Basic dividend policy

Our dividend policy is to return profits to shareholders in accordance with the business development, while maintaining a certain level of internal reserves in order to ensure sustainable growth and profitability.

- **Planned dividend for FY 2024:** We will maintain 3.50 yen per share dividend



Strive to provide environmental and social contributions through its business activities to support DX of society, in pursuit of its corporate philosophy which aims to turn “what you want to do” into “what you can do”

## Environment

- Ishikari Data Center run on 100% renewable energy
  - \* Reduced power consumption substantially with air conditioner using natural cold air in Hokkaido
- The first domestic independent cloud service provider\*1 that joined TCFD Consortium\*2



## Environment

## Social



- Promote educating and supporting next-generation start-ups and professionals
- Promote the development of superior IT professionals and provision of IT-driven solutions to social issues
- Put human capital-oriented management into practice
  - Virtuous cycle of learning and practice [Develop human resources and a culture of mutual learning] [Tackling challenges and leadership]
  - Provide opportunities for diversified professionals to socialize and tackle challenges [Promote active participation of diversified talented people]
  - Establish an infrastructure to ensure a safe and long career [Mental and physical health] [Flexible work styles]

## Governance



- Enhance corporate governance
  - \* Appointment of diversified outside officers and independent officers
  - \* Diversification by increasing the ratio of female executives
- Maintain and improve information security

## Governance

## Social

\*1: Based on research conducted by SAKURA internet \*2: An organization established to discuss effective corporate disclosure and appropriate initiatives recommended by the Task Force on Climate-related Financial Disclosures (TCFD)



# Consolidated Financial Results for Q2 FY 2024

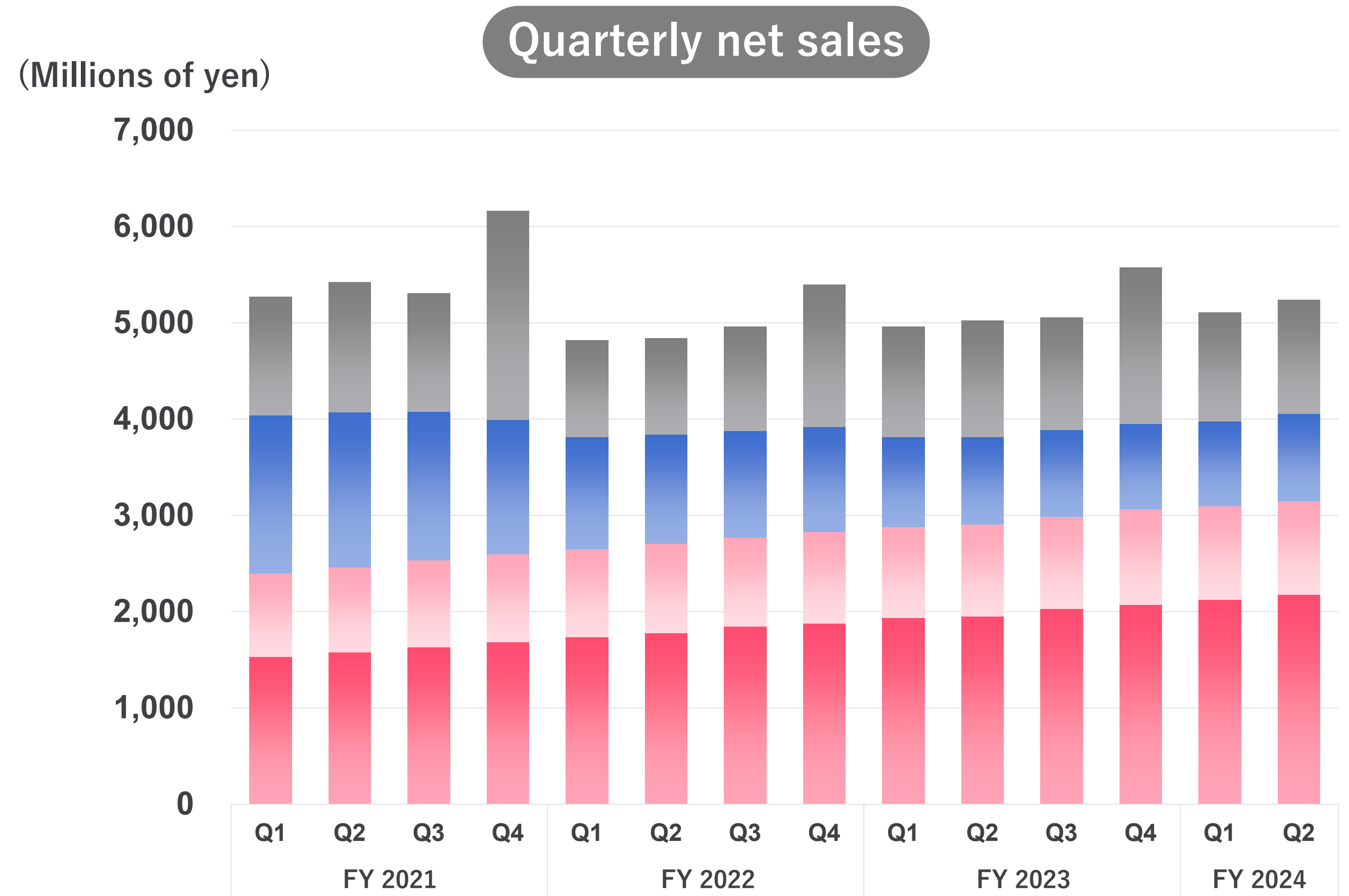
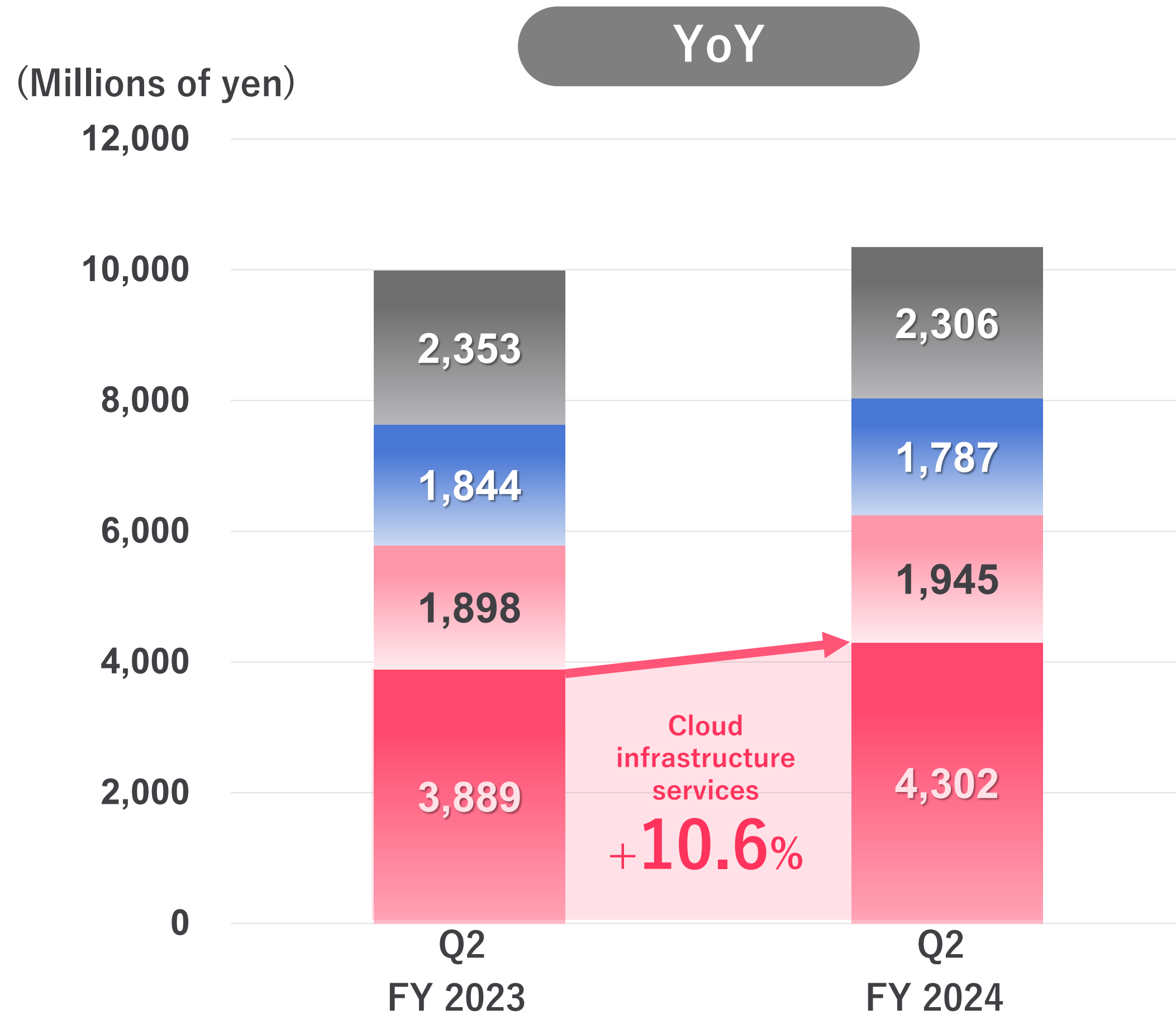
# Summary of Consolidated Financial Results for Q2 FY 2024

Despite an increase in costs due to **human resources investment for further growth** and increased expenses (electricity costs and domain acquisition costs) due to external factors including surging crude oil prices and the weaker yen that continued from the last year, **we saw an increase in cloud-services sales** due to the efforts to enhance sales and marketing

(Millions of yen)

| Item                                    | Q2 FY 2023 |                       | Q2 FY 2024 |                       | YoY    |            |
|---|------------|-----------------------|------------|-----------------------|--------|------------|
|   | Amount     | Sales composition (%) | Amount     | Sales composition (%) | Change | Change (%) |
| Net sales                               | 9,989      | 100.0                 | 10,343     | 100.0                 | 353    | 3.5        |
| Cost of sales                           | 7,489      | 75.0                  | 7,703      | 74.5                  | 214    | 2.9        |
| Gross profit                            | 2,500      | 25.0                  | 2,639      | 25.5                  | 139    | 5.6        |
| SG & A expenses                         | 2,063      | 20.7                  | 2,389      | 23.1                  | 326    | 15.8       |
| Operating profit                        | 436        | 4.4                   | 249        | 2.4                   | (186)  | (42.8)     |
| Ordinary profit                         | 377        | 3.8                   | 172        | 1.7                   | (204)  | (54.3)     |
| Profit attributable to owners of parent | 247        | 2.5                   | 175        | 1.7                   | (71)   | (29.1)     |

Owing to the effort to shift to a cloud-focused structure, **cloud infrastructure services** saw double-digit growth of **10.6%**



**Cloud services**

■ Cloud infrastructure

■ Cloud application

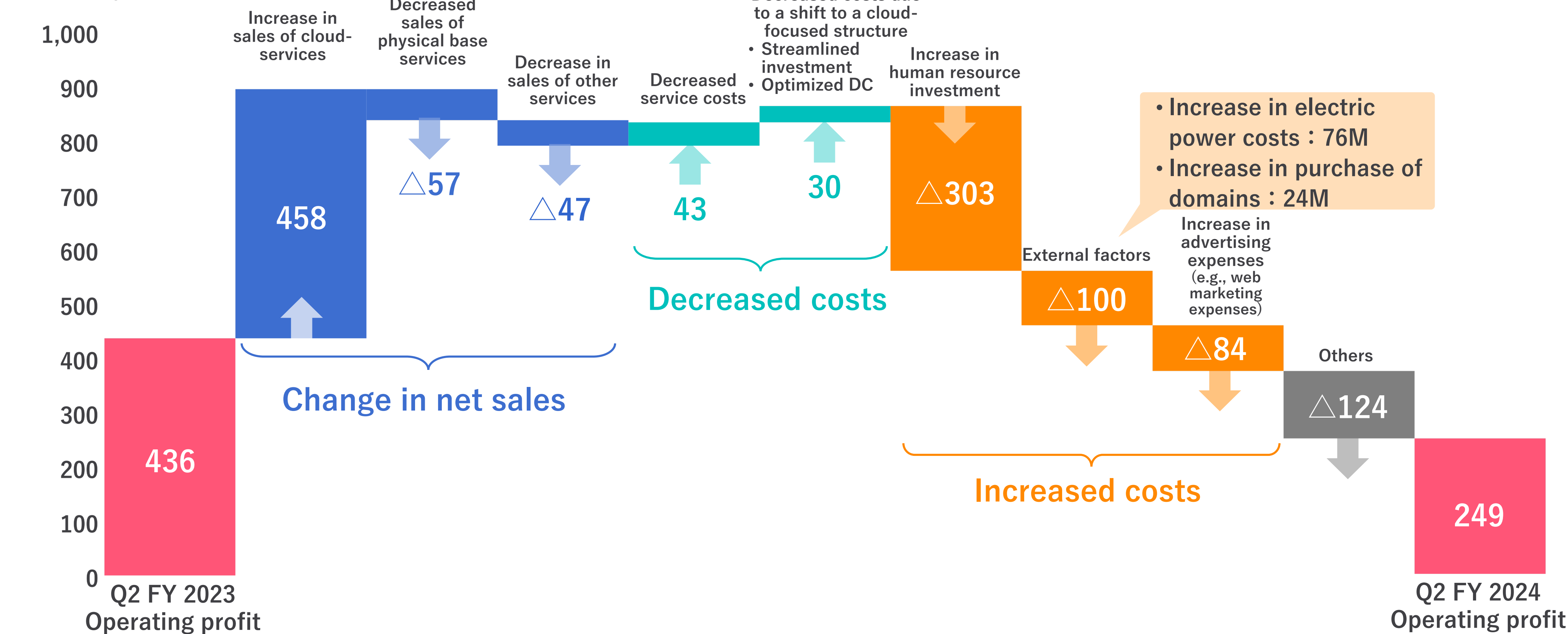
■ Physical base service

■ Others

## Factors that affected Operating profit

(YoY)

(Millions of yen)





## Promotion of a shift to a cloud-focused structure

- Implemented equipment investment that supports sales growth of cloud-services with high asset efficiency
- Investment securities increased because an investee company went public and the company's shares were evaluated at fair value

(Millions of yen)

| Item                            | Previous year end (FY 2023) | End of Q1 (FY 2024) | Change     |
|---------------------------------|-----------------------------|---------------------|------------|
| Current assets                  | 8,930                       | 8,787               | △143       |
| Non-current assets              | 17,325                      | 18,460              | 1,135      |
| (Property, plant and equipment) | 14,716                      | 15,468              | 752        |
| (Intangible assets)             | 508                         | 486                 | △21        |
| (Investments and other assets)  | 2,100                       | 2,505               | 404        |
| <b>Total assets</b>             | <b>26,256</b>               | <b>27,248</b>       | <b>992</b> |

| Item                                    | Previous year end (FY 2023) | End of Q1 (FY 2024) | Change     |
|---|-----------------------------|---------------------|------------|
| Current liabilities                     | 9,840                       | 10,001              | 161        |
| Non-current liabilities                 | 7,929                       | 8,357               | 428        |
| <b>Total liabilities</b>                | <b>17,769</b>               | <b>18,359</b>       | <b>589</b> |
| Net assets                              | 8,486                       | 8,889               | 403        |
| (Including shareholders' equity)        | 8,337                       | 8,516               | 179        |
| <b>Total liabilities and net assets</b> | <b>26,256</b>               | <b>27,248</b>       | <b>992</b> |

# Consolidated Statement of Cash Flows

- Cash flow from investing activities: Expenses due to the acquisition of service equipment and other property, plant and equipment increased
- Cash flow from financing activities: Repaid the short-term borrowing for a large-scale project in Q2 of FY2023

(Millions of yen)

| Item                                | Q2 FY 2022 | Q2 FY 2023 | Q2 FY 2024 | YoY change |
|-------------------------------------|------------|------------|------------|------------|
| Cash flow from operating activities | 1,442      | 1,218      | 1,377      | 158        |
| Cash flow from investing activities | (324)      | (202)      | (775)      | (573)      |
| FCF                                 | 1,117      | 1,016      | 601        | (414)      |
| Cash flow from financing activities | (1,053)    | (1,774)    | (927)      | 847        |
| Increase in cash and equivalents    | 64         | (757)      | (326)      | 430        |
| Cash and equivalents balance        | 4,239      | 4,695      | 4,483      | (211)      |

\* FCF = Cash flow from operating activities + Cash flow from investing activities

# Business Overview

## Growth strategy

**Decided to make an additional investment after requests for GPU cloud services exceeded expectations**  
**Applied for government cloud projects for the current fiscal year, keeping the focus on raising the technological level**

- Decided to make an additional investment of 7.85 billion yen ahead of schedule for GPU cloud services for generative AI that will be released in January 2024, after requests exceeded the initially expected level
- Applied to be a cloud service provider for a government cloud development project by the Digital Agency (FY 2023 recruitment)  
Focus on raising the technological level of cloud-services, aiming for market entry within a few years
- Continue strengthening the initiatives for DX co-creation and support for medium-to long-term growth. Established a DX promotion organization in October that is involved in onboarding of partner companies and the design, etc. of certification systems for the Company's cloud-services

## Concentration of management resources

**Conducted activities toward realization of growth strategy as scheduled**  
**Procured 3.2 billion yen of equipment for GPU cloud as planned for the current fiscal year**

- Plan to hire about 100 personnel, mainly engineers, and sales and marketing staff by the end of the current fiscal year. Added 49 employees from the previous fiscal year end  
(Consolidated number of employees as of the end of 2Q: 804)
- Aggressively invested in web advertising and other digital marketing and holding events to raise awareness and acquire new customers
- Procured equipment for GPU cloud as planned for the current fiscal year. Continue to implement equipment investment, including replacement of existing services, etc.



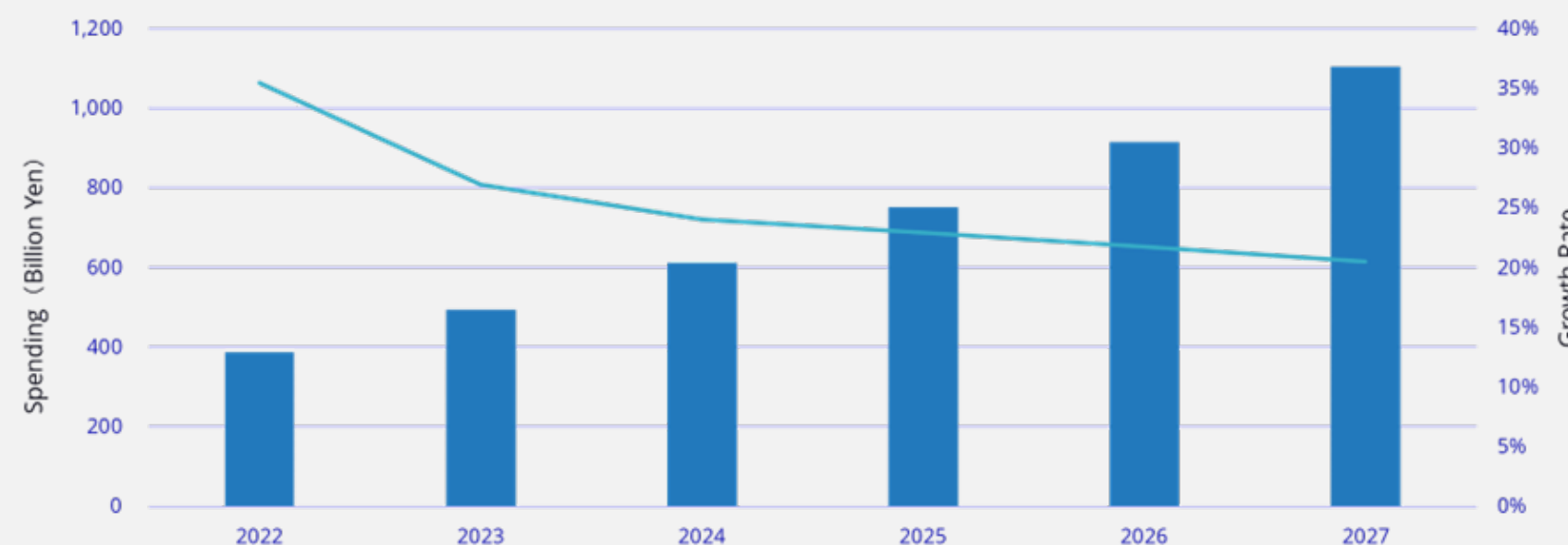
## Plan to provide GPU cloud services in response to rapidly growing demand for sophisticated computational resources for AI

### Growing demand for GPU

Domestic AI system market  
2027 market size forecast

Approx. **1.1 trillion** yen

From 2022 to 2027  
**CAGR : 23.2%**



First private company certified for participation in the project by the Ministry of Economy, Trade and Industry to secure a stable supply of “Cloud Programs” (June)

- Plan to invest about 13 billion yen over the next three years in preparation for providing GPU cloud services for generative AI
- Target period: From FY2023 to FY2028. With a government subsidy that will cover half of the project expenses, the Company plans to invest some 13 billion yen during the next three years
- Plans to establish large-scale 2EF cloud infrastructure, with more than 2,000 units of “NVIDIA H100 Tensor Core GPU” made by NVIDIA
- The cloud-service will be provided at Ishikari Data Center, which has achieved virtually zero annual CO2 emissions through 100% renewable energy source
- Plan to provide GPU cloud services for generative AI from January 2024

Source: IDC Japan’s press release, “2023 Domestic AI System Market Forecast,” dated April 27, 2023

\* EF refers to EFLOPS (exaflops). FLOPS, an abbreviation of “Floating-Point Operations,” is used as a measure of a computer’s performance. An exaflops-scale machine operates at  $10^{18}$  flops per second

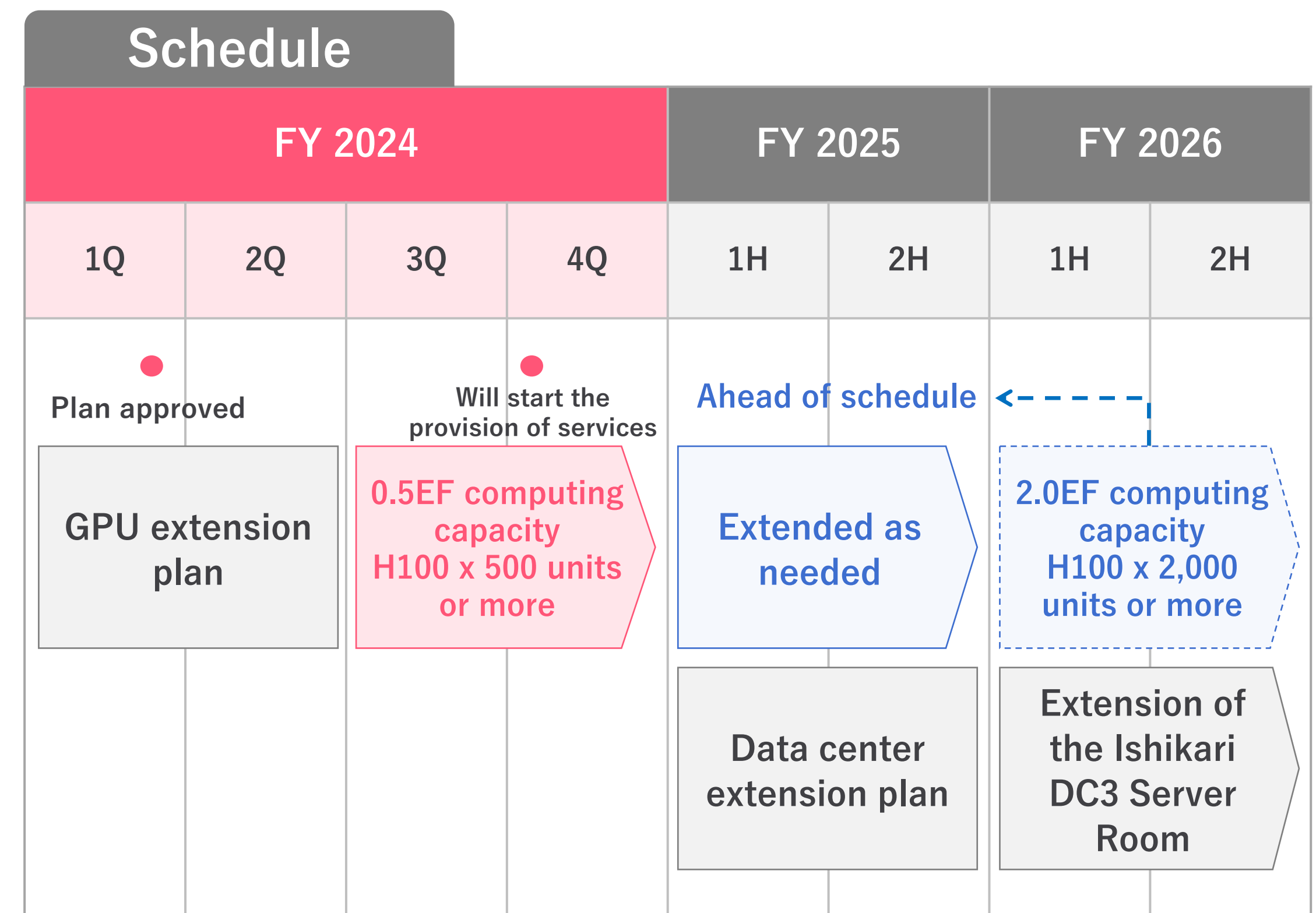
## Procured equipment as planned for the current fiscal year, and decided to make an additional investment due to increased requests

**Decided to make an additional investment of 7.85 billion yen in the next fiscal year ahead of schedule in response to the GPU demand that significantly exceeded the initially planned level**

Decided to invest 7.85 billion yen in FY2025, in addition to 3.2 billion yen in FY2024. Will significantly advance the completion of the installment of 2,000 units during the next fiscal year

### Equipment procurement plan

| Details of investment                               | Planned amount of investment  | Delivery schedule                     | Scheduled start date of equipment service |
|---|---|---------------------------------------|---|
| GPU servers, network devices, storage devices, etc. | <b>Current fiscal year plan</b><br><b>About 3.2 billion yen</b><br>About 0.6EF H100: 640 unit | September and December 2023 (planned) | January 2024 (planned)                    |
|   | <b>Next year plan</b><br><b>7.85 billion yen</b>  | April 2024 (planned)                  | June 2024 (planned)                       |





## Provision of and development support for GPU resources for VR

- Signed a business alliance agreement to revamp AutoVR, a vehicle sales support tool (October)

Auto VR inc., a developer of sales support VR solutions for the automotive sales sector, and the Company signed a business alliance agreement on October 23, 2023, with the aim of collaborating on the development and sales of AutoVR, a support tool for automobile sales operations driven by VR and other digital technology. AutoVR uses cutting-edge VR technology to enable customers to experience the car's interior and exterior, and body color, as well as the image of installed options in VR as if the car were in front of them. The Company provides GPU resources and supports development and sales activities

Customers considering to buy a car

Display mode



VR mode



- Can consider buying a car by checking the image of installed options, although the options are not installed in vehicles in the showroom

AutoVR



Sales staff of a dealer



- Visually proposes options, etc. using the 3D configurator

## Expansion and improvement of cloud-services through alliance

- Started providing a no-code mobile app development service in cooperation with UNIFINITY INC. (August)

UNIFINITY INC. and the Company have jointly developed a no-code mobile app development service called Appliba. With aPaaS \*1, which enables users to create mobile apps for business use without coding, users can perform tasks that previously had to be performed in analogue form at manufacturing, construction and other sites, thereby improving operational efficiency



\*1: aPaaS(Application Platform as a Service): A cloud-service that provides an environment to design, develop, deploy, and manage applications

Established an organization to help customers promote DX through **educational activities and support**  
Will establish **a partner and qualification program** to grow with our customers



Will increase the number of partner cloud engineers who have acquired knowledge and skills related to our cloud-services

## Recent initiatives and current situation

- Established a dedicated DX support-related organization in October that is involved in onboarding of partner companies and the design, etc. of certification systems for the Company's cloud-services
- Expanding partners (sales partners/functional partners) through onboarding and educational support
- Will establish our cloud service qualification program to achieve customer satisfaction for the growth of the Company





# Strengthen management functions and promote diversification of core personnel

## Promote diversification by increasing the number of Executive Officers and the ratio of women officers in order to strengthen management functions



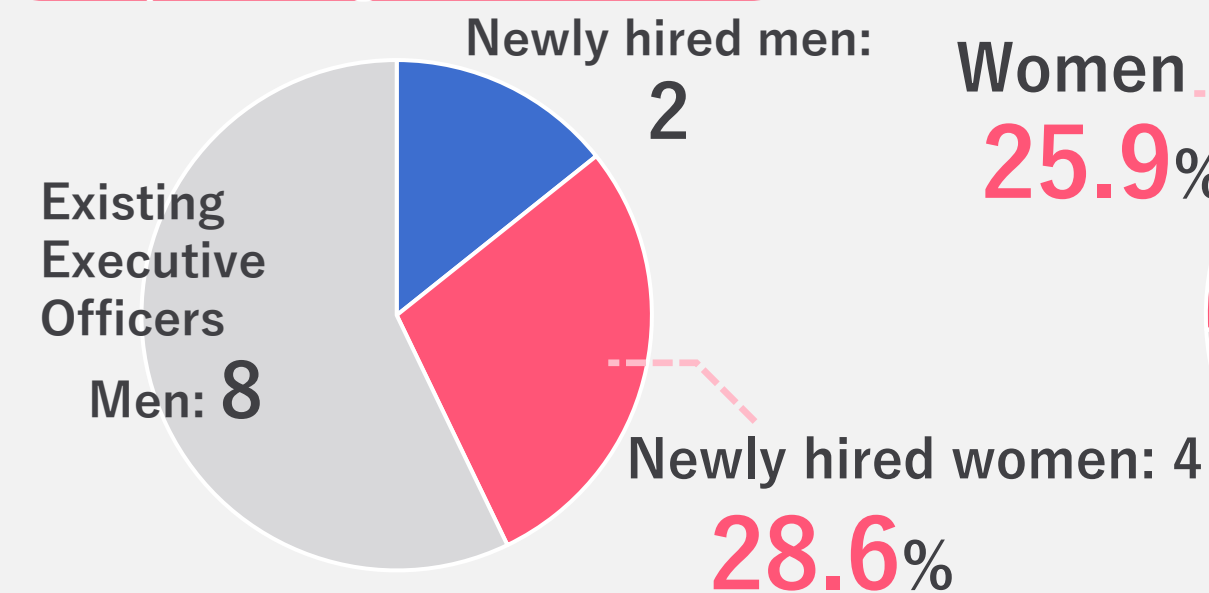
### Strengthen management functions and develop future management personnel

Appointed six new Executive Officers (four of whom are women) to strengthen management functions. This adds a breath of fresh air to management and also promotes diversity.

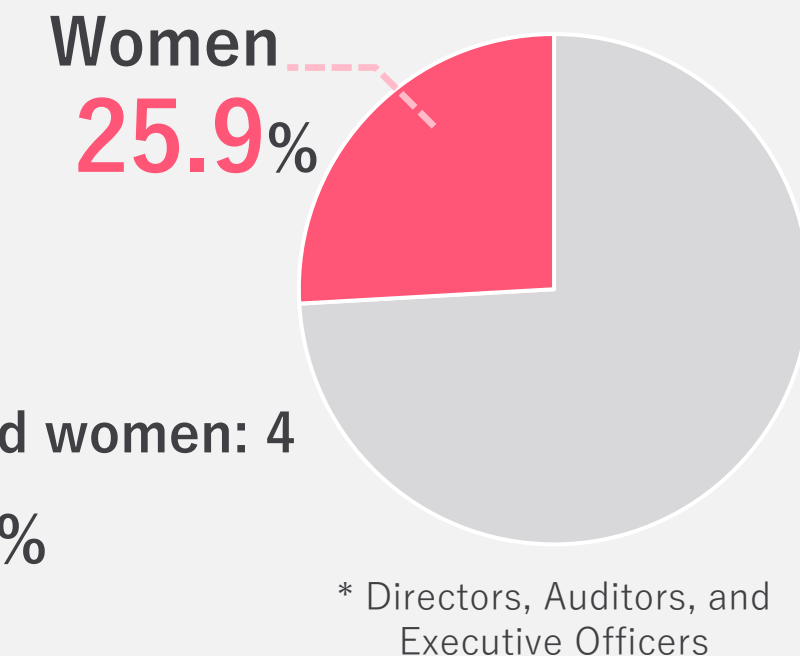
The Company will continue to increase the number of Executive Officers in order to develop and secure management personnel

The Company will continue the effort to achieve the numerical target for the ratio of female officers, “Each company listed on the Prime Market shall aim to raise the ratio of female executives to 30% or more by 2030,” stated in the Basic Policy on Gender Equality and Empowerment of Women 2023 that was approved by the Cabinet in June 2023

Composition of executives and percentage of women



Percentage of women executives



#### CASE Appointment of Group CHRO

Among newly appointed Executive Officers, Mariko Yano, an executive officer in charge of the human resources area, formulates important human resources strategies of the Group and reflects them in the corporate system and culture, etc. as Group CHRO (Chief Human Resources Officer) responsible for managing the entire Group

Mariko Yabe (Joined the Company in 2012) ▶ Served as Manager of the ES Dept. in 2021, and was appointed as Executive Officer, Division Manager of the ES Division and Group CHRO in October 2023

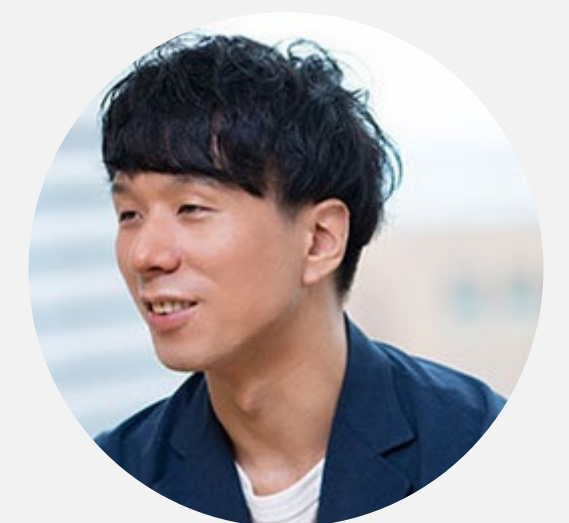


(Photo by Nakamura Yoshinobu)

#### CASE Diversified age groups of managerial personnel

Due to the absence of a seniority system, the average age of managers is relatively young: 44.2 for general managers (52.7 in the Basic Survey on Wage Structure 2022 by the Ministry of Health, Labour and Welfare). Executive Officers and general managers, etc. who play key roles are in their 30s

Hiroshi Takemura (Born in 1988, joined the Company in June 2022) ▶ was appointed as Manager of the Human Resources Planning Dept., the ES Headquarters in October 2023



Please visit the Company's corporate website below for the Company's initiatives for sustainable growth <https://www.sakura.ad.jp/corporate/work/>



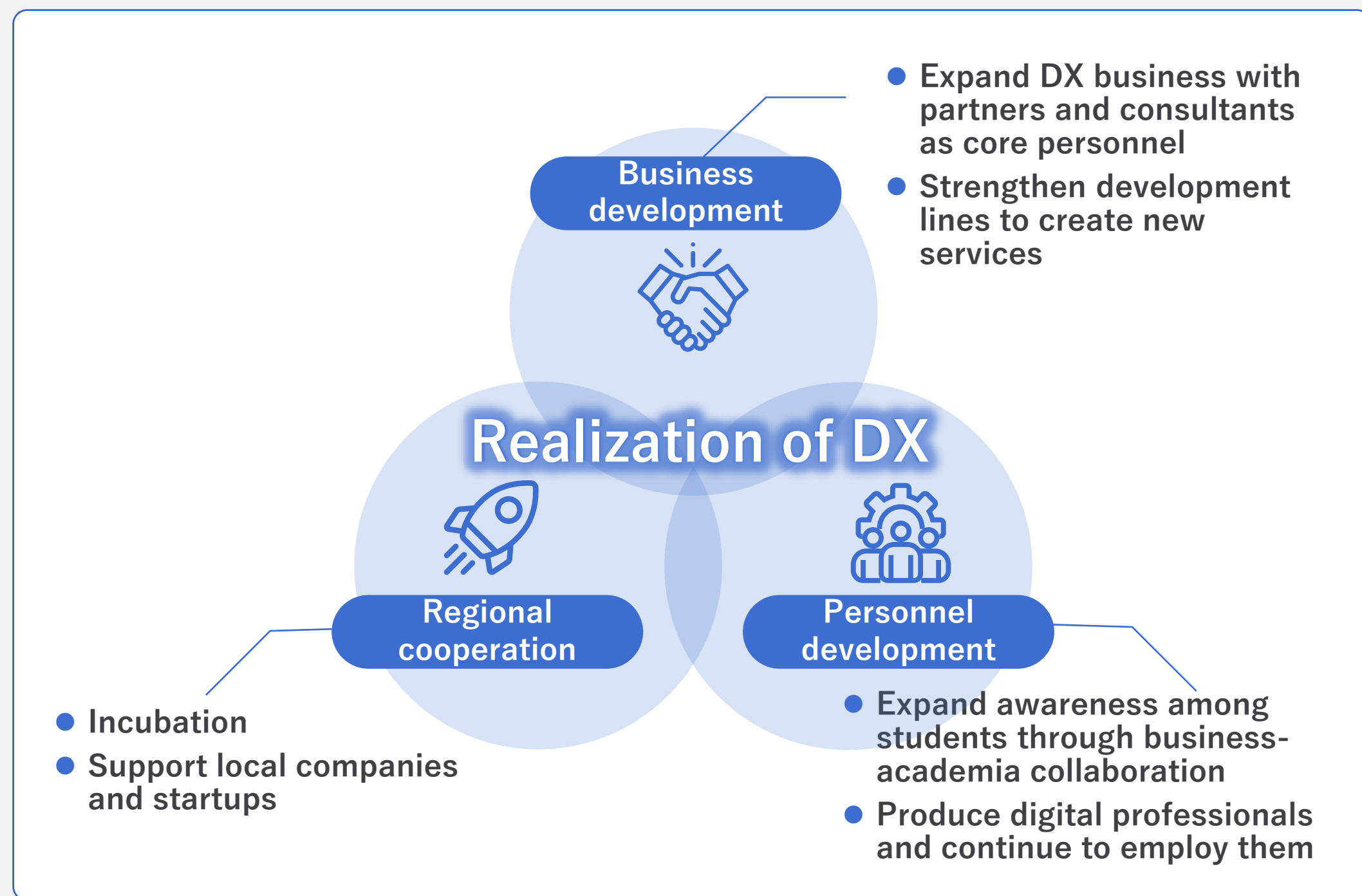
# Support the next generation of entrepreneurs in tackling challenges and promote open innovation initiatives from various regions



## Local revitalization and creation of digital innovation

### Accelerate the efforts to make open innovation happen

With a focus on digitalization, education, local revitalization, and startup support, realize a new, digital-based society



### Regional sites for open innovation

#### Osaka

Will open in 2024



[Source: Developer of Grand Green Osaka]

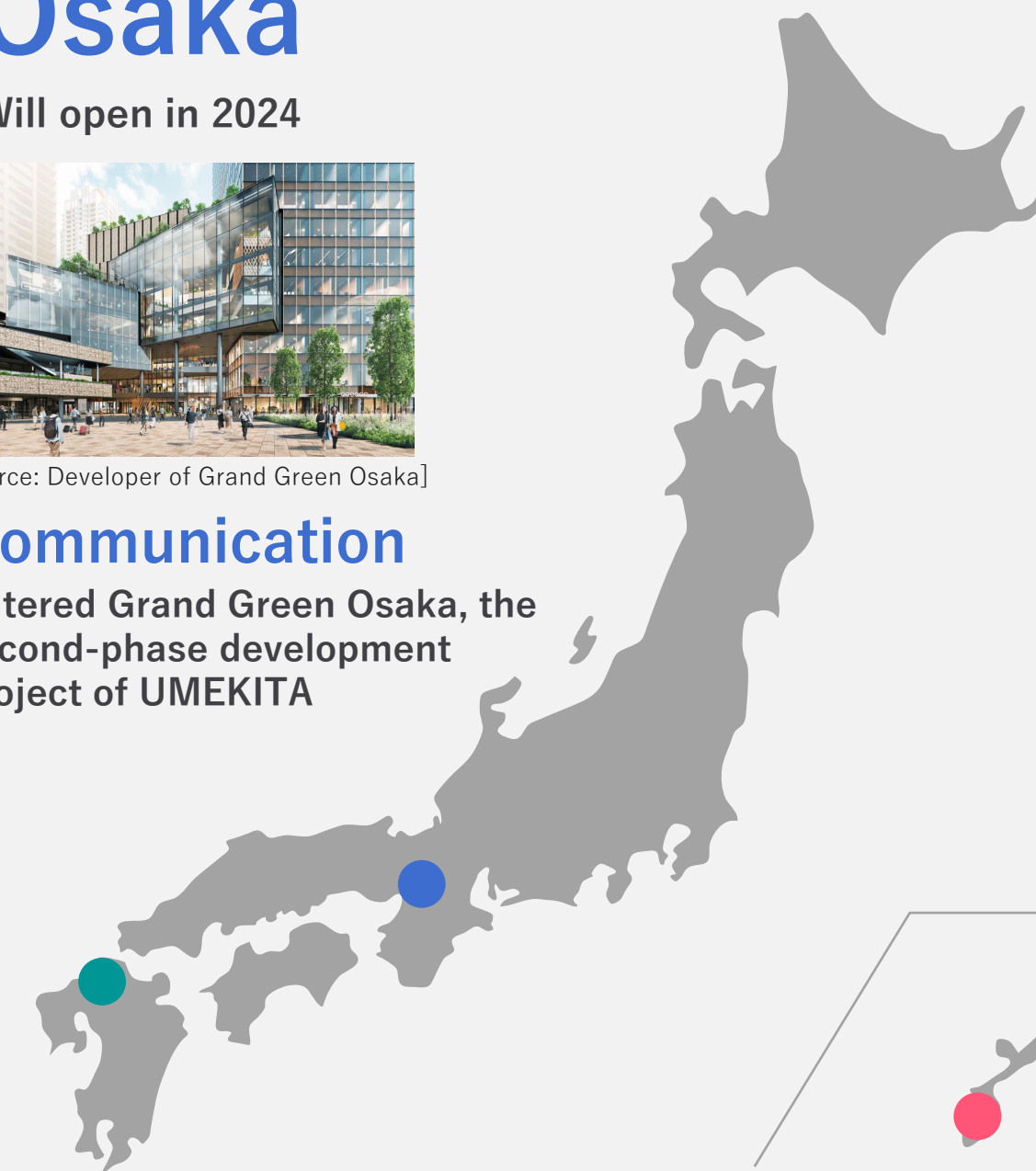
#### Fukuoka Communication

Opened in July 2017



#### Support startups

Facility to support startups  
Fukuoka Growth Next  
(Joint operation) x Fukuoka Office



#### Okinawa

Opened in September 2023



SAKURA イノーベース

#### innobase

Okinawa

#### Hire more local personnel

4 new graduates/mid-career hires  
(As of September 2023, incl. new graduates joining in April 2024)  
Will continue to hire more personnel

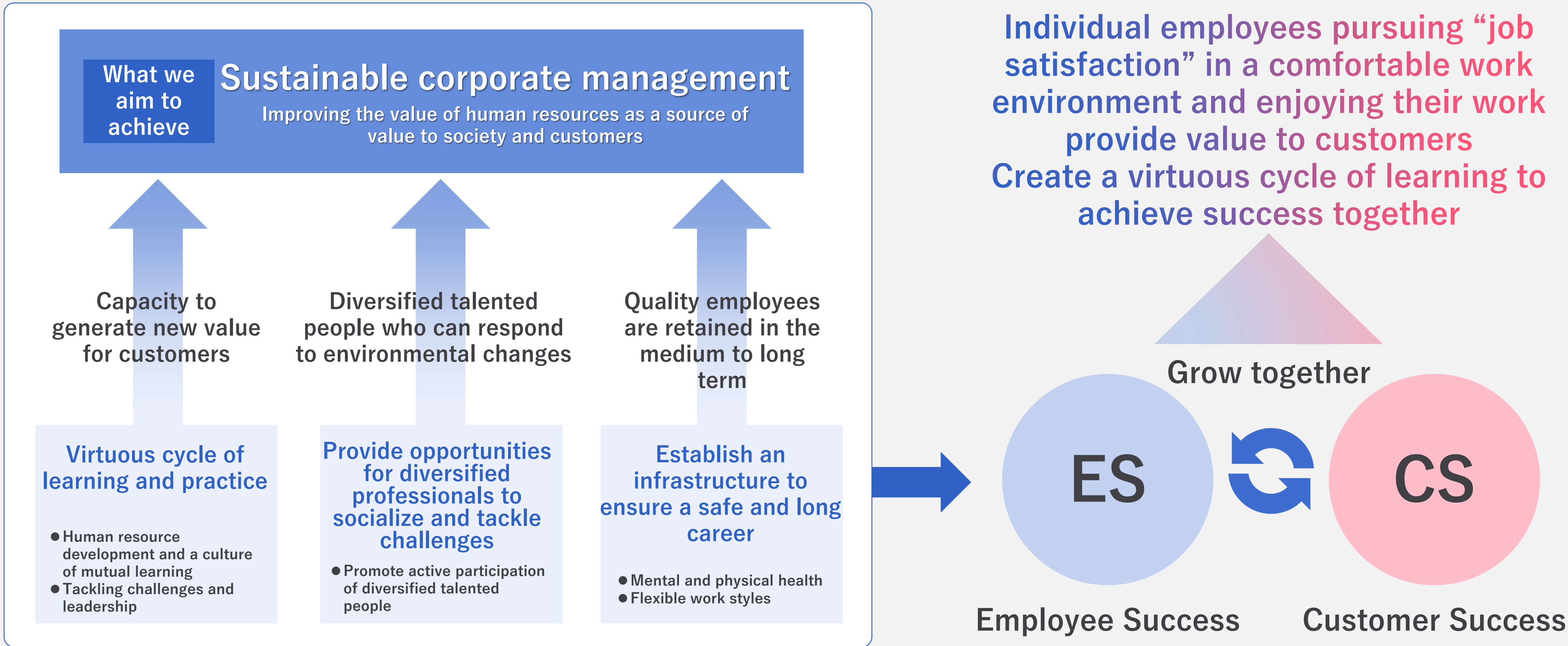
Please visit the Company's corporate website below for the Company's initiatives for sustainable growth <https://www.sakura.ad.jp/corporate/work/>

# appendix



# Overview of initiatives for human capital-oriented management

Sustainable corporate management that will turn “what you want to do” into “what you can do”



Please visit the Company's corporate website below for the Company's initiatives for sustainable growth <https://www.sakura.ad.jp/corporate/work/>

# Initiatives of human capital-oriented management

Virtuous cycle of learning and practice

## Develop and reskill personnel in the digital field



### Provide learning opportunities and expand recommended qualifications

To start with officers, 92.3% of full-time Directors and Executive Officers have passed the IT Passport Test

(\* As of September 30, 2023)

- As an opportunity to find an area of interest and continue learning about it, from May 2023, the Company started recommending all full-time employees to acquire the national IT Passport Test certification



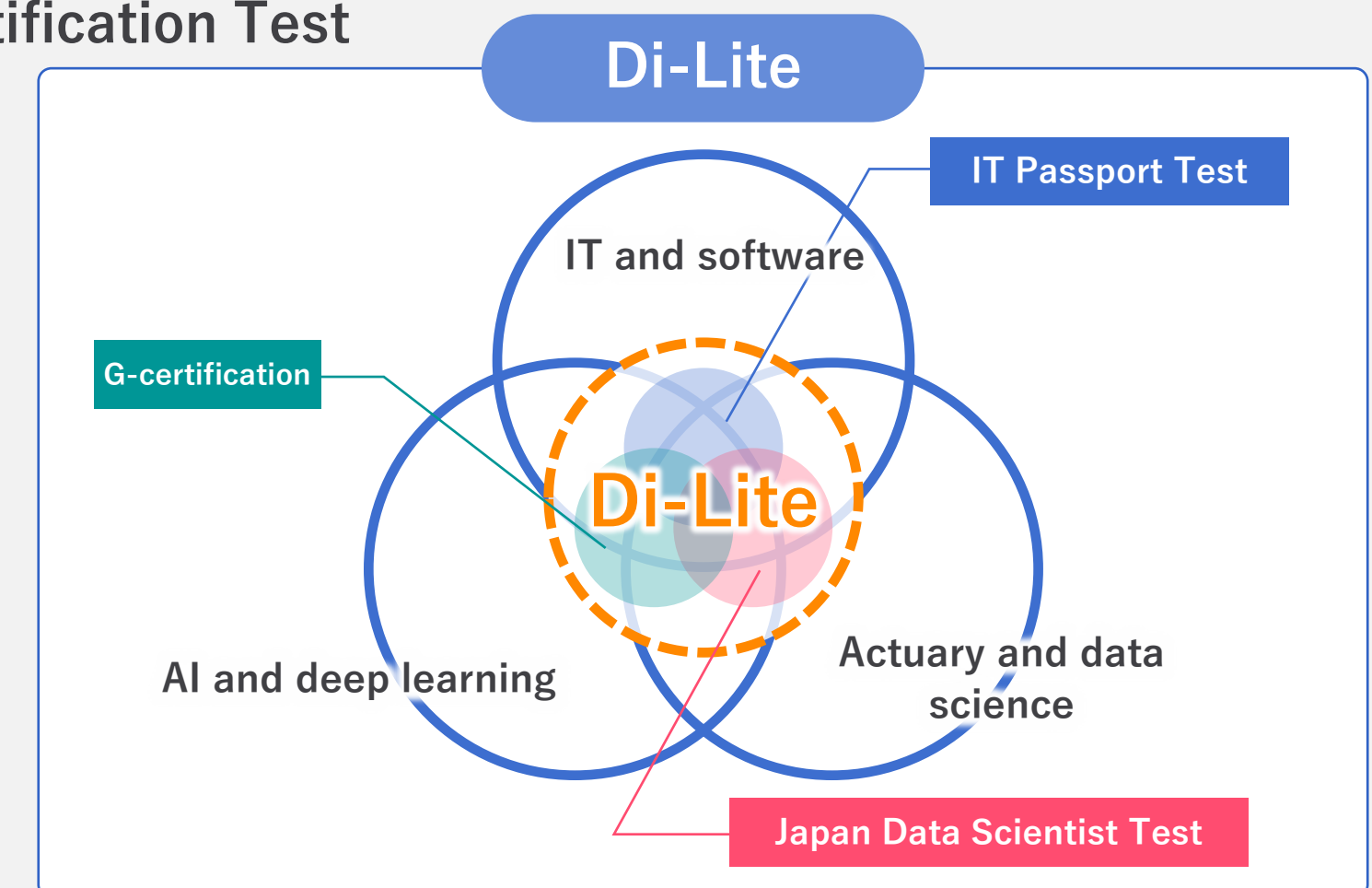
As an opportunity to find an area of interest and continue learning about it, the Company recommends all full-time employees to acquire the national IT Passport Test certification to demonstrate their basic IT knowledge. This enables the employees to be changemakers and responsive to social changes through utilizing information technology to find solutions to daily issues and learning to improve and extend their skills in an area of interest, allowing the Company to make better use of its internal personnel, technology, and resources, etc.

\*IT Passport Test: A test category of the Data Processing Specialist Test administered by the Information-technology Promotion Agency, Japan, it is a national exam based on the Act on Facilitation of Information Processing

IT Passport as a first step, and Di-Lite as the next learning opportunity

- Since October 2023, to support personnel leading DX, including areas of generative AI, the Company has expanded the scope of recommendation to Di-Lite, which includes the Japan Data Scientist Test and the G-certification Test

Able to bring about change on their own and respond to social changes. By acquiring and improving their digital skills, employees can not only optimize the operations (in a natural way, rather than merely streamlining them), but also find a path to growth and success (career advancement) through the process of learning, in addition to an alternative new career



\*Di-Lite: The range of digital literacy skills that should be common to all business people as “users of digital technology”

Please visit the Company's corporate website below for the Company's initiatives for sustainable growth <https://www.sakura.ad.jp/corporate/work/>

# Sustainability initiatives

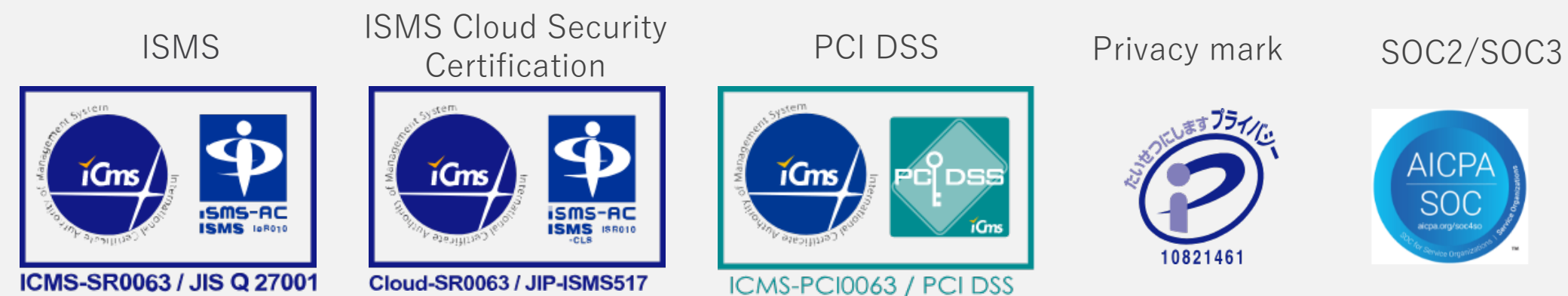
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## Maintain and improve information security

### Registration with various certification programs

- ISMS, a comprehensive information security management system, is applied to all companies to ensure strict conformity to the information security standards on a continuous basis
- SAKURA Cloud was registered with the ISMAP (Information system Security Management and Assessment Program\*) in December 2021



\* A system in which the ISMAP Steering Committee evaluates and registers cloud-services that meet the security requirements of the government in advance

### CASE Strengthen the skills of information security personnel

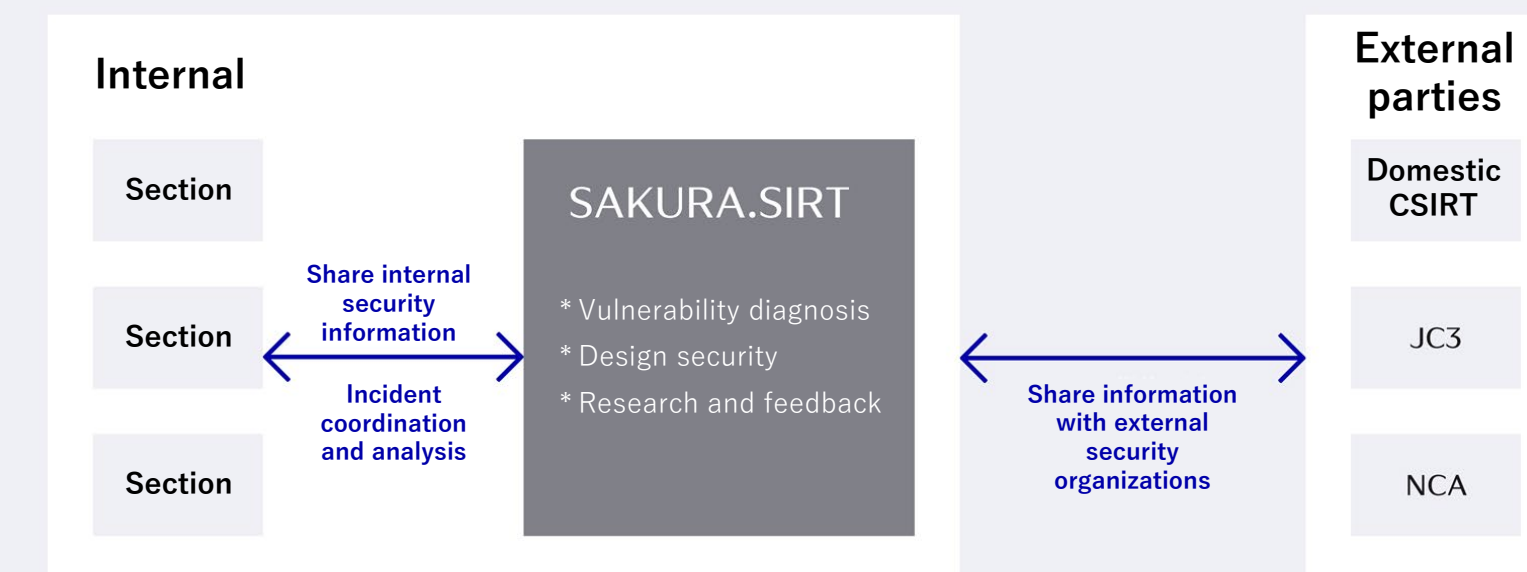
To meet increasingly sophisticated and complex security requirements and raise knowledge and skill levels, the Company aims to develop personnel involved in information security management by requiring such personnel assigned to the respective departments, including the back office department, to pass the Information Security Management Examination and acquire other certifications gradually

\*Information Security Management Examination: One of the test categories of a national exam called “the Data Processing Specialist Test.” The examination certifies basic skills to contribute to organizational information security and protect the organization from threats on a continuous basis

## Cyber security initiatives

### CSIRT

- Established SAKURA.SIRT and joined the Nippon CSIRT Association. Under the motto, “Secure the safety of customers and the Internet itself,” the Company cooperates internally and externally with professional engineers to assess and utilize security-related information and situations



### CASE Disclosure of Transparency Report started

To improve the safety and quality of the Internet, the Company complies with the Act on the Protection of Personal Information, the Provider Liability Limitation Act and other related laws and guidelines, and responds to disclosure requests from investigating authorities. Since August 2023, to ensure transparency, the Company has disclosed the Transparency Report, which contains the number of requirements and cases that have been addressed



# Utilize outside or independent officers and enhance corporate governance

## Establishment of the Nomination and Compensation Committee and appointment of outside or independent officers

### Enhance fairness, transparency and objectivity in nomination and compensation procedures

- A voluntary advisory body consisting mainly of Independent Outside Directors**

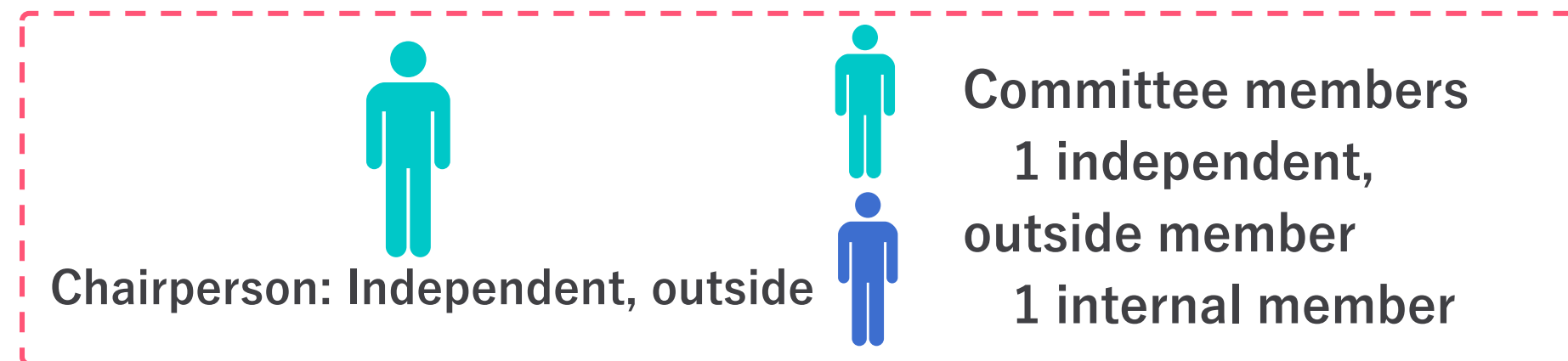
The Nomination and Compensation Committee established as a voluntary advisory body to the Board of Directors.

Independent Outside Directors make up the majority of the committee members and act as committee chairs, thereby providing greater governance than ever over the functions of the Board of Directors in relation to the nomination and remuneration of Directors and Auditors and related matters

#### Major role of the Nomination and Compensation Committee

- Examination of overall policies and procedures for determining remuneration, etc. for senior management, Directors and Auditors
- Examination of draft policies regarding decisions on the details of remuneration, etc. for individual Directors to be submitted to the Board of Directors, and other matters

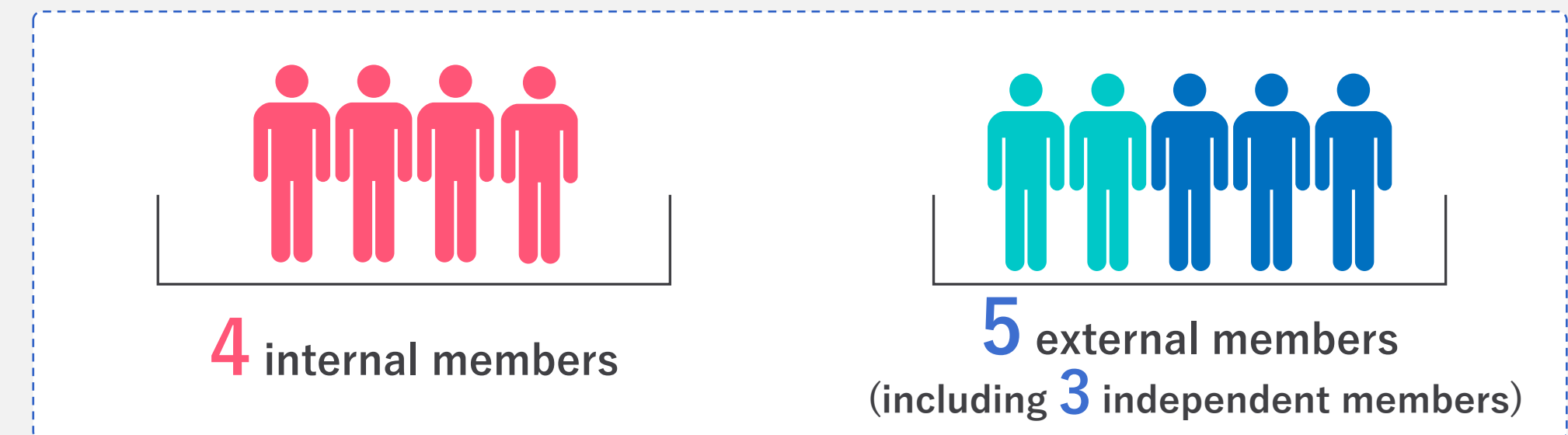
#### Composition of the Nomination and Compensation Committee



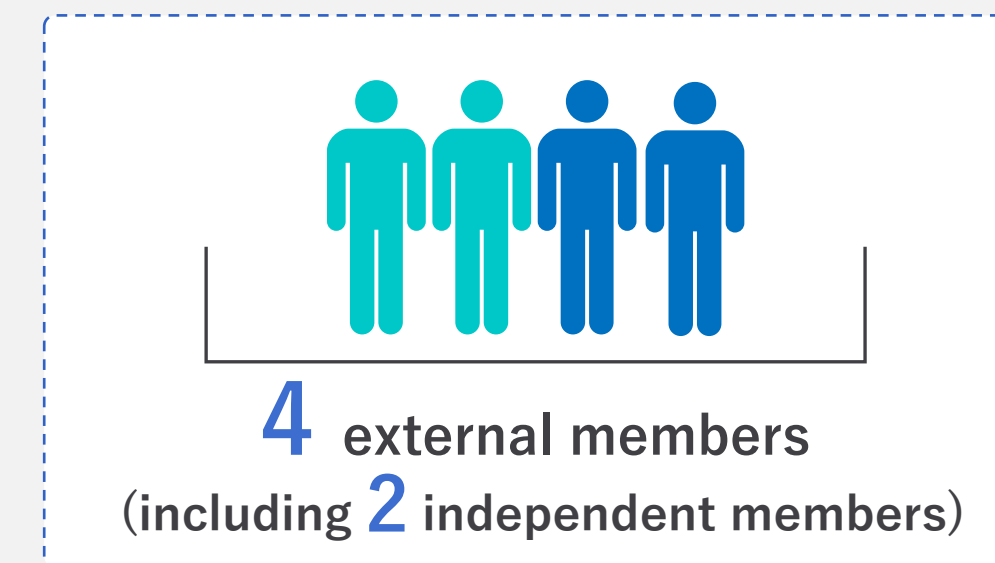
- Percentage of outside or independent officers on the Board of Directors**

(\*As of the end of September 2023)

9 Directors



4 Auditors



Percentage of external members: **69%**

(Percentage of External Auditors: 100%)

Percentage of independent officers: **38%**

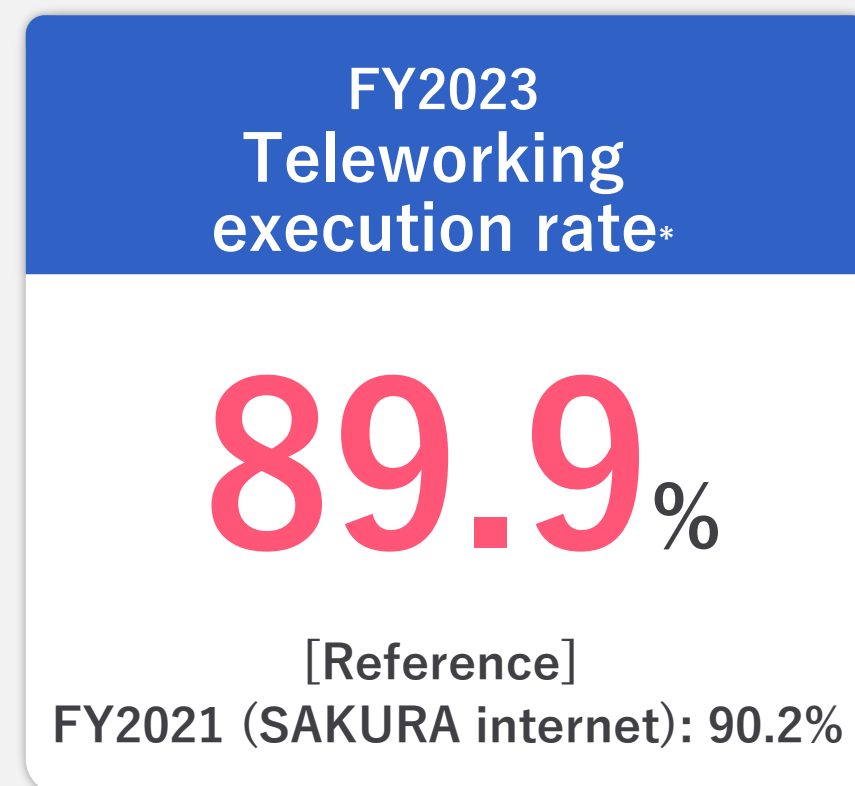
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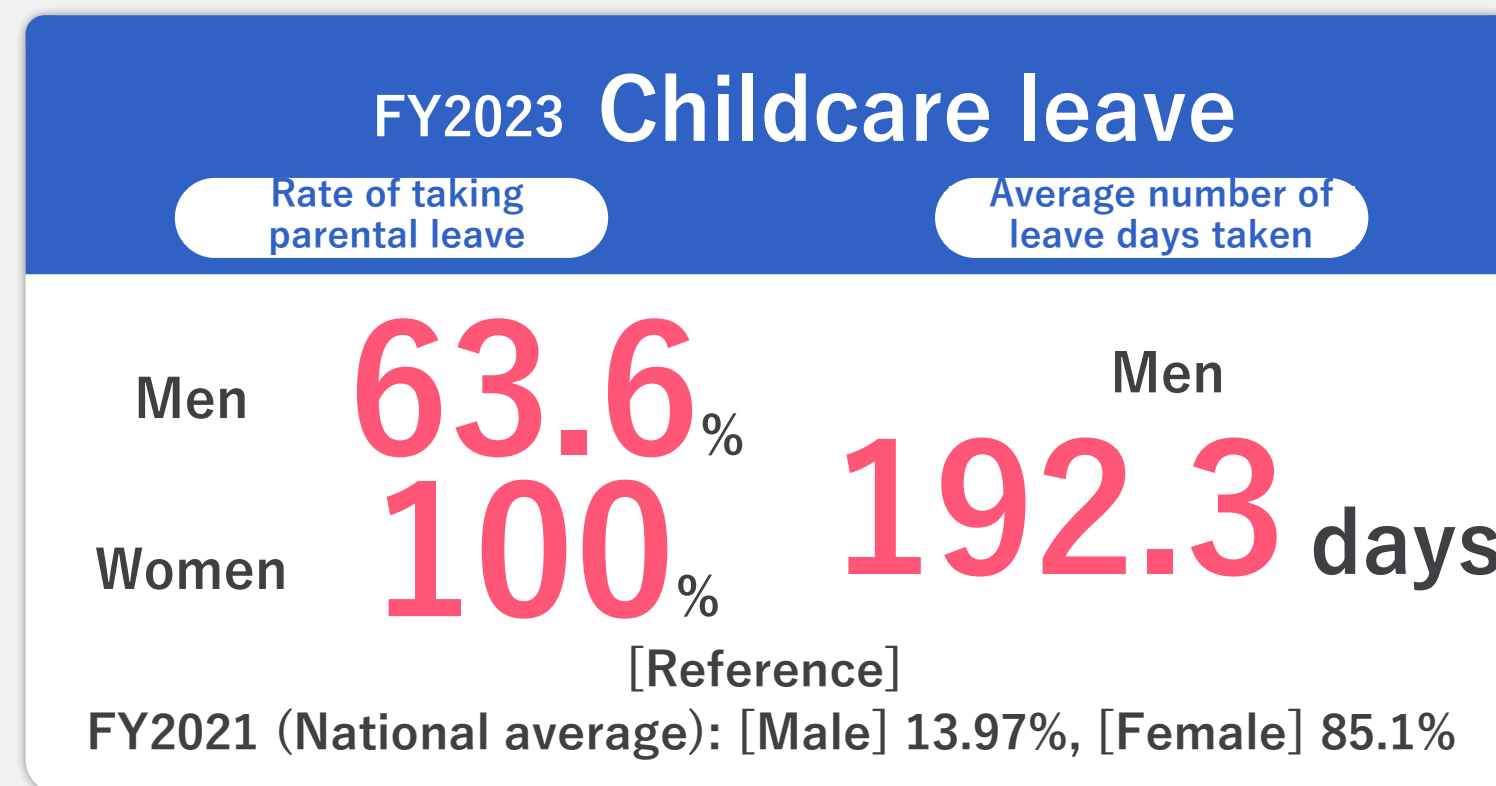
# Initiatives of human capital-oriented management (to establish an infrastructure to ensure a safe and long career)

## Pursuing both “job satisfaction” and “a comfortable work environment”

Continue to support diversified work styles including internal HR programs to promote teleworking and parallel careers. Improve the working environment and career development support system for working parents, focusing on boosting the ratio of women and active appointment of women in managerial positions



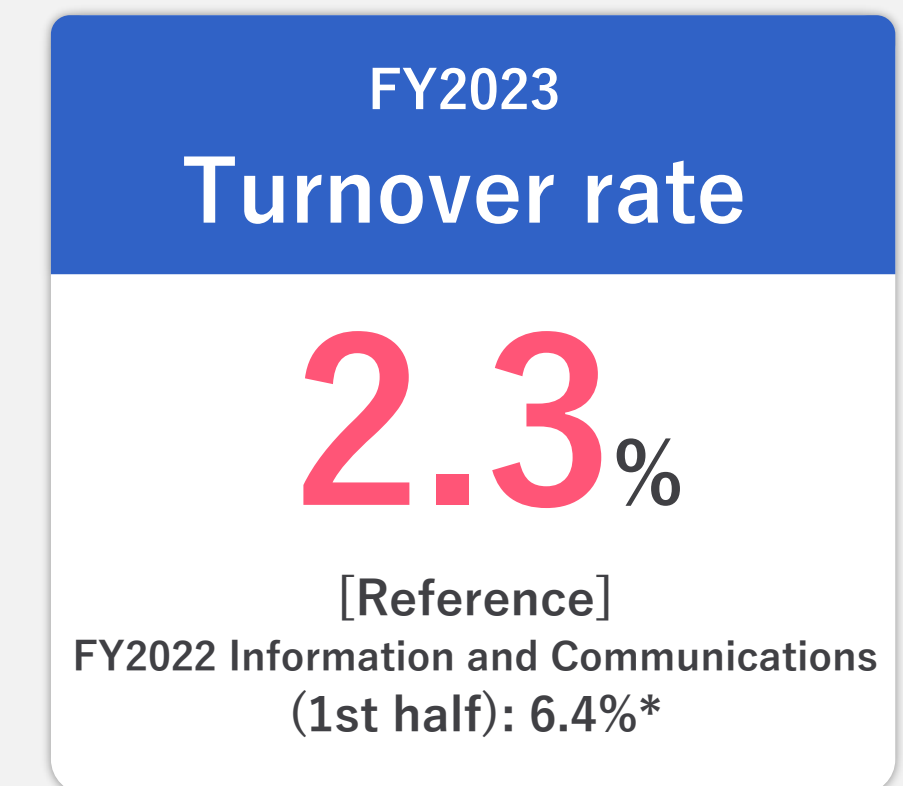
\* Calculated for March 2023. Non-attendance rate



\* Source: Survey of Gender Equality in Employment Management for 2021



\* Source: 2022 Monthly Labour Survey

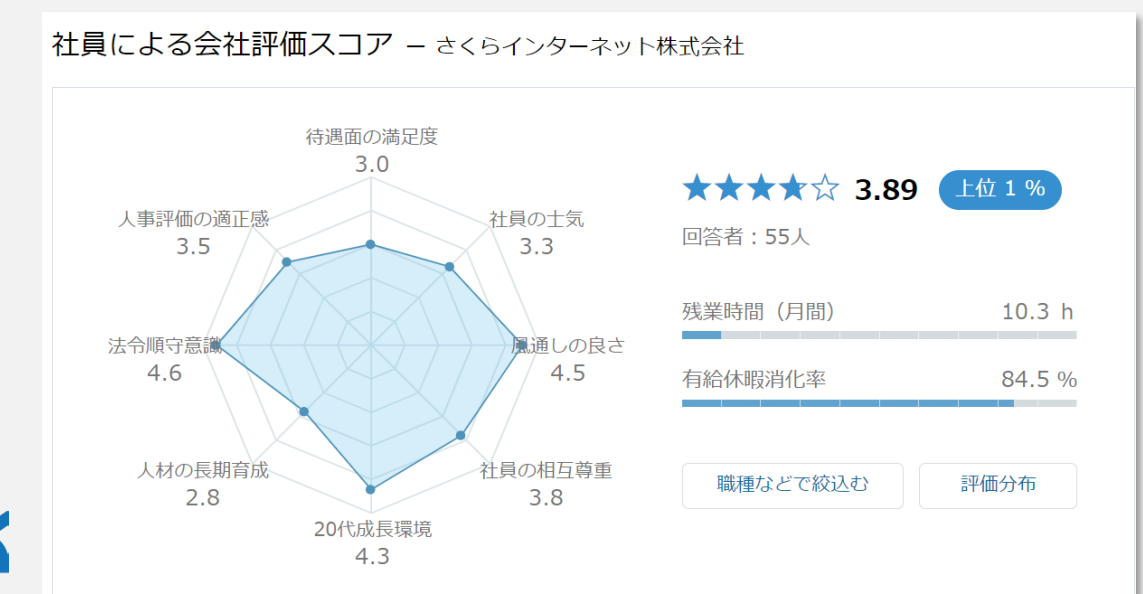


\*Source: Survey on Employment Trends for the First Half of 2022

## Increase engagement to demonstrate presence in the recruitment market

- Hiring about 100 employees to accelerate the promotion of growth strategies, the percentage of mid-career employees recruited directly (e.g., referral recruiting) has reached 40%
- On a job market platform for job seekers called OpenWork(\*), the Company employees gave an overall evaluation of 3.89 based on reviews, placing it among the top 1% of about 67,000 registered companies

\* Source: The information platform for job seekers operated by OpenWork Inc., on which the opinions of present and former employees are shared based their actual work experience. The evaluation and number of registered companies are based on information available on October 26, 2023  
<https://www.openwork.jp/>



Please visit the Company's corporate website below for the Company's initiatives for sustainable growth <https://www.sakura.ad.jp/corporate/work/>

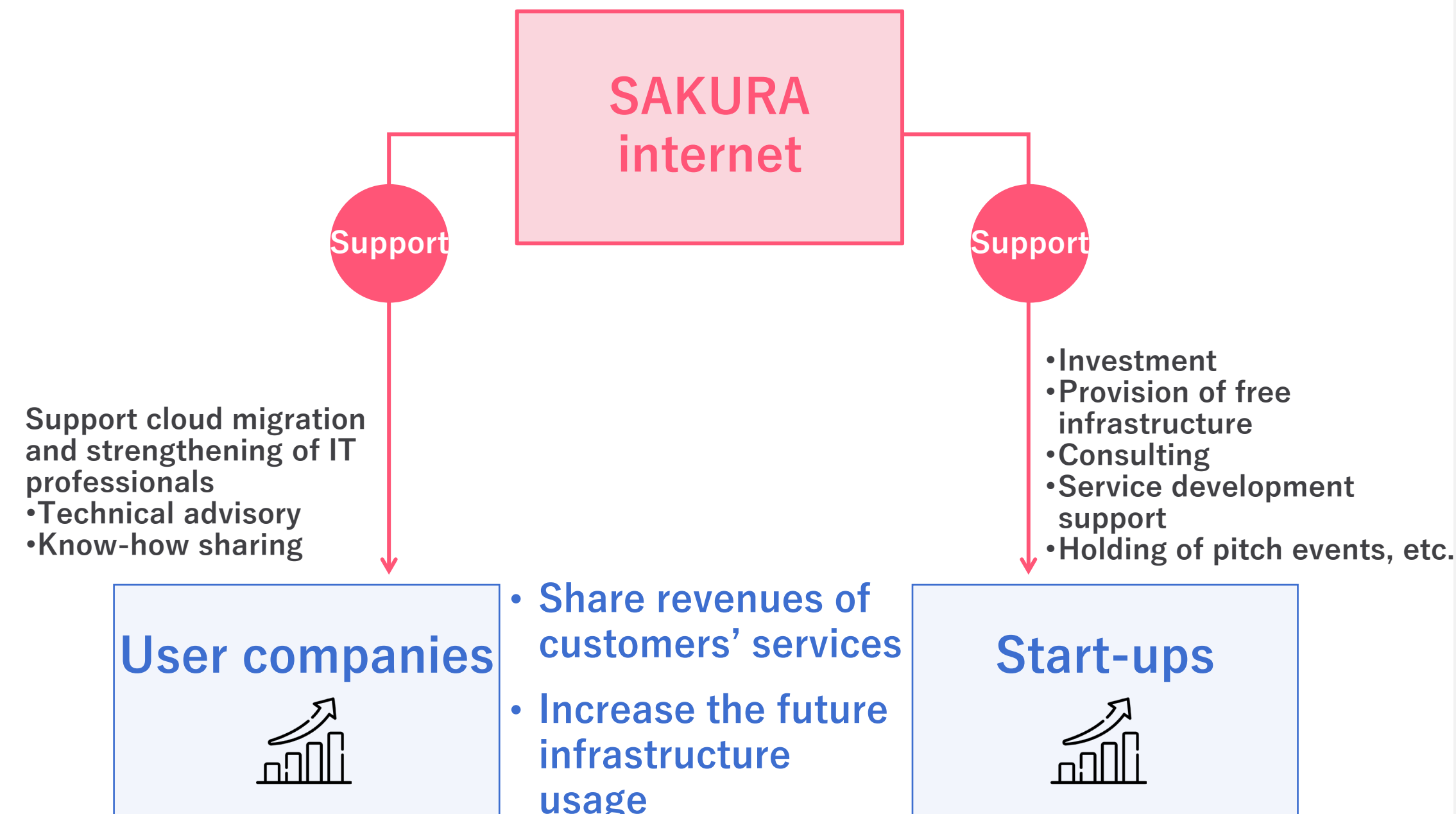
# Promote multi-dimensional support to back up efforts of next-generation entrepreneurs

## Start-up support



### Investment and development support for start-ups

Promote DX of society by supporting the growth of companies that take on challenges



### CASE1: Provision of free infrastructure

Help startups and ventures to build their infrastructure by providing them with business-critical server infrastructure with free coupons and privileged offerings of our services

### CASE 2: Contribution to funds and supporting them through secondment

Invested in Partners Fund No. 1\*, a new fund targeting a seed period. Will continue supporting the companies invested in through secondment of our employees, etc.

\* A fund set up by a venture capital Full Commit Partners. The major investment themes are "DX of legacy industries" including primary industries where it should take the longest time for a wave of DX to penetrate, and "consumer business" that should respond to a rapid change in lifestyles including sustainability

### CASE 3: Service development support and consulting

In January 2022, Sakura internet concluded an advisory agreement with sketchbook Co., Ltd., a provider of a kindergarten lunch service called "baby's fun!", for the purpose of developing the company's services and helping it set up an engineering organization.

Please visit the Company's corporate website below for the Company's initiatives for sustainable growth <https://www.sakura.ad.jp/corporate/work/>



# Environmental Initiatives

## Environment-conscious data center

Ishikari Data Center, Japan's largest suburban mega data center optimized for cloud computing, has actively made efforts to improve sustainability since its opening.



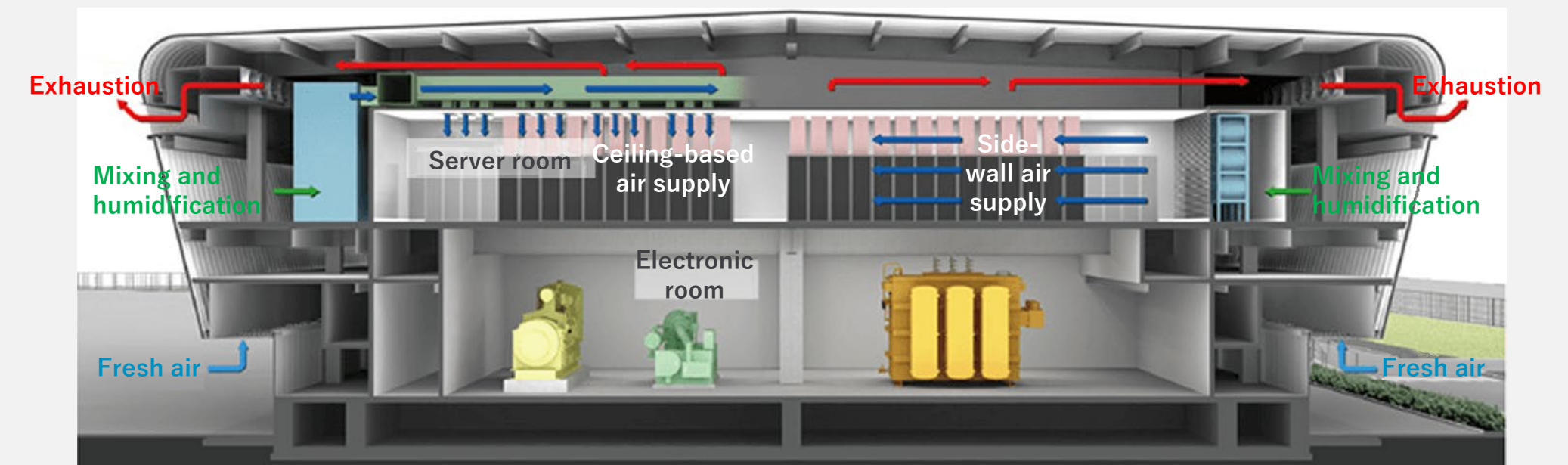
Appearance of Ishikari Dada Center (front: Buildings 3, left: Buildings 1 and 2)

## Decarbonization initiatives

Achieved 100% renewable energy in June 2023. Achieved virtually zero annual CO<sub>2</sub> emission at Ishikari Data Center by shifting power source from electricity with a non-fossil fuel certificate to hydroelectric and other renewable energy sources

Drastically reduced the energy consumption for air conditioning and improved the power supply efficiency.

Installed air conditioners using a “direct outdoor-air cooling system” which incorporates the fresh outdoor air of Hokkaido into server rooms, and an indirect outdoor-air cooling system which cools refrigerant circulating between a compressor unit and an air conditioning unit. The electricity consumption was reduced about 40% compared with general data centers located in urban areas.



(Above) Conceptual diagram of the air conditioning system of Ishikari Data Center

# Consolidated Net Sales by Service Category (QoQ Change)

(Millions of yen)

| Service category             | FY 2023      |              |              |              | FY 2024      |              | QoQ change |            |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|
|                              | Q1           | Q2           | Q3           | Q4           | Q1           | Q2           | Change     | Change (%) |
| <b>Cloud-services</b>        | <b>2,883</b> | <b>2,906</b> | <b>2,985</b> | <b>3,065</b> | <b>3,096</b> | <b>3,152</b> | <b>56</b>  | <b>1.8</b> |
| Composition (%)              | 58.1         | 57.8         | 59.1         | 54.9         | 60.6         | 60.2         |            |            |
| Cloud infrastructure         | 1,935        | 1,954        | 2,029        | 2,071        | 2,125        | 2,177        | 52         | 2.5        |
| Cloud application            | 947          | 951          | 956          | 993          | 971          | 974          | 3          | 0.3        |
| <b>Physical base service</b> | <b>935</b>   | <b>909</b>   | <b>902</b>   | <b>889</b>   | <b>881</b>   | <b>906</b>   | <b>24</b>  | <b>2.7</b> |
| Composition (%)              | 18.9         | 18.1         | 17.9         | 16.0         | 17.3         | 17.3         |            |            |
| <b>Other services</b>        | <b>1,144</b> | <b>1,209</b> | <b>1,165</b> | <b>1,623</b> | <b>1,127</b> | <b>1,179</b> | <b>51</b>  | <b>4.6</b> |
| Composition (%)              | 23.0         | 24.1         | 23.0         | 29.1         | 22.1         | 22.5         |            |            |

- Cloud infrastructure: Mainly includes cloud service and VPS service
- Cloud application: Mainly includes rental server service and application service
- Physical base service: Housing and exclusive server services



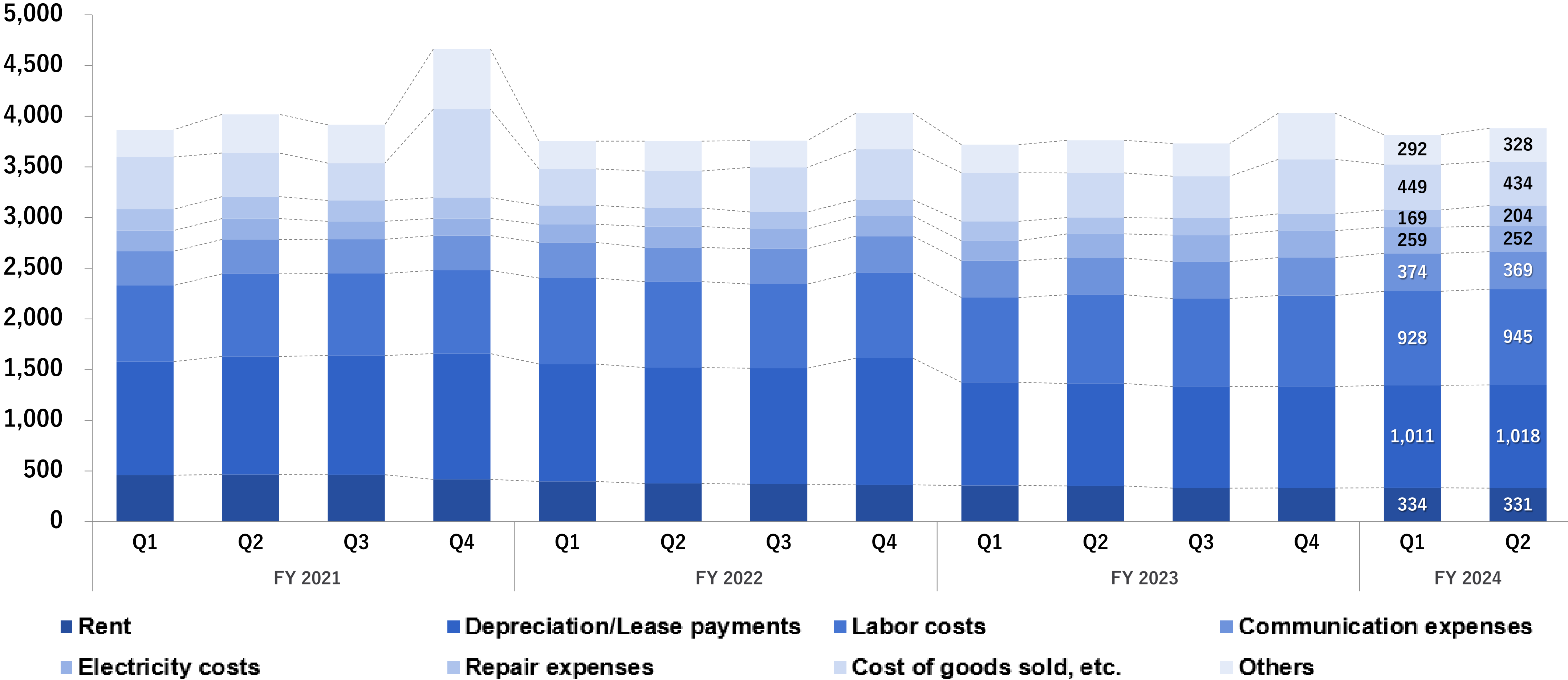
# Consolidated Statement of profit (QoQ Change)

(Millions of yen)

| Item                                    | FY 2023 |       |       |       | FY 2024 |       | QoQ change |            |
|---|---------|-------|-------|-------|---------|-------|------------|------------|
|   | Q1      | Q2    | Q3    | Q4    | Q1      | Q2    | Change     | Change (%) |
| Net sales                               | 4,964   | 5,025 | 5,054 | 5,578 | 5,105   | 5,237 | 131        | 2.6        |
| Cost of sales                           | 3,723   | 3,766 | 3,732 | 4,032 | 3,819   | 3,884 | 64         | 1.7        |
| Gross profit                            | 1,240   | 1,259 | 1,321 | 1,546 | 1,285   | 1,353 | 67         | 5.3        |
| SG&A expenses                           | 995     | 1,067 | 1,063 | 1,147 | 1,181   | 1,208 | 26         | 2.3        |
| Operating profit                        | 244     | 191   | 257   | 399   | 104     | 145   | 40         | 39.0       |
| Operating margin (%)                    | 4.9     | 3.8   | 5.1   | 7.2   | 2.0     | 2.8   |            |            |
| Ordinary profit                         | 214     | 162   | 238   | 350   | 73      | 99    | 26         | 36.4       |
| Profit attributable to owners of parent | 142     | 104   | 170   | 248   | 108     | 66    | △41        | △38.5      |
| EBITDA                                  | 939     | 890   | 970   | 1,094 | 852     | 901   |            |            |

## Breakdown of major costs

(Millions of yen)



## Investments for FY 2024

(100 millions of yen)

| Details of investment                     | Full-year plan | Full-year actual |
|---|----------------|------------------|
| Data centers                              | 3              | 2                |
| Servers and network equipment             | 46             | 18               |
| Others (systems and office-related, etc.) | 1              | 0                |
| <b>Total</b>                              | <b>50</b>      | <b>21</b>        |

\* Amounts are rounded down to the nearest 100 million yen.

■ Breakdown of actual investments in servers and network equipment

| Cloud-services | Physical base service | Others | Total (actual) |
|----------------|-----------------------|--------|----------------|
| 15             | 1                     | 0      | 18             |

## Number of personnel in FY 2024

Increased by 49 from the previous year end

[Number of persons hired]

|                      | End of FY 2023 | End of September 2023 |
|----------------------|----------------|-----------------------|
| Number of employees* | 755            | 804                   |

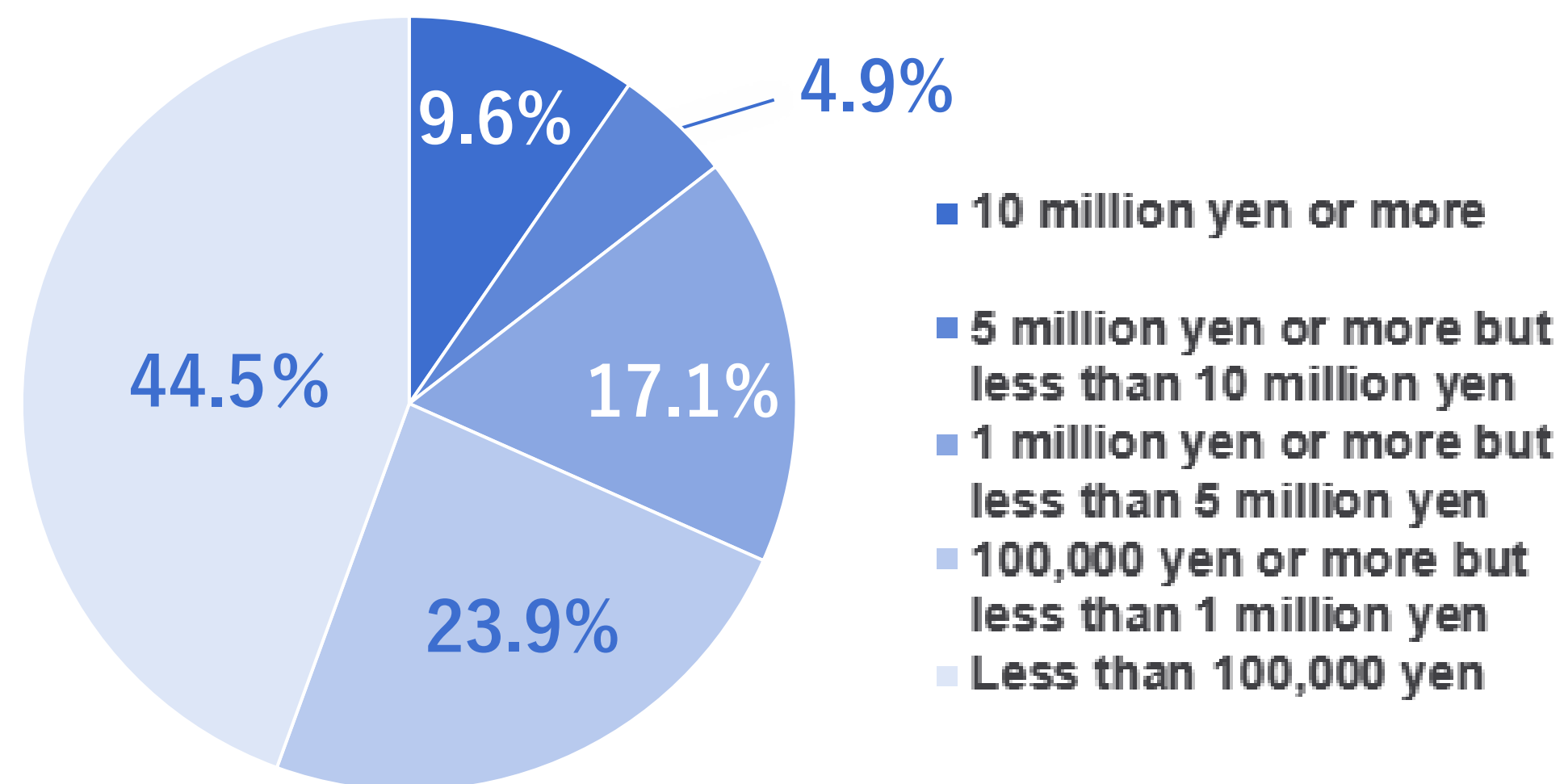
■ Breakdown of changes

|                 |                                      | Change (persons) |
|-----------------|--------------------------------------|------------------|
| SAKURA internet | Engineer                             | +23              |
|                 | Sales/marketing/new project planning | +16              |
|                 | Administration                       | +4               |
|                 | Group companies                      | +6               |
| <b>Total</b>    |                                      | <b>49</b>        |

\* The figures exclude SAKURA internet employees seconded to other companies and include other companies' employees seconded to SAKURA internet.

## A diverse customer base in terms of sales size and industries

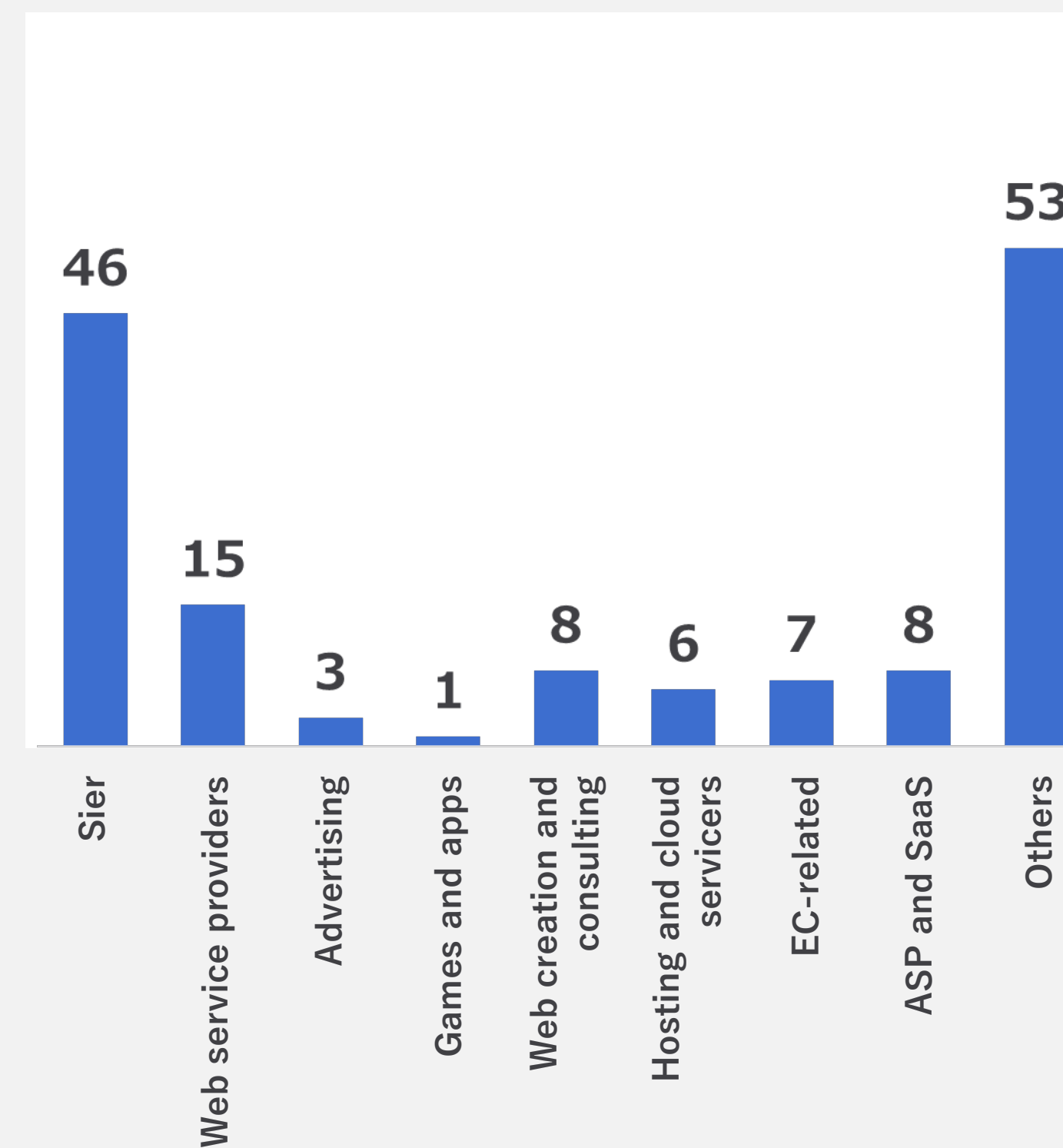
Breakdown by monthly fee  
(Composition by sales)



| Monthly subscription fees                   | Number of customers |           |           |           |
|---|---------------------|-----------|-----------|-----------|
|   | Sept. 2022          | Dec. 2022 | Mar. 2023 | June 2023 |
| 10 million yen or more                      | 7                   | 8         | 7         | 7         |
| 5 million yen or more, up to 10 million yen | 12                  | 12        | 12        | 11        |
| 1 million yen or more, up to 5 million yen  | 118                 | 123       | 123       | 129       |

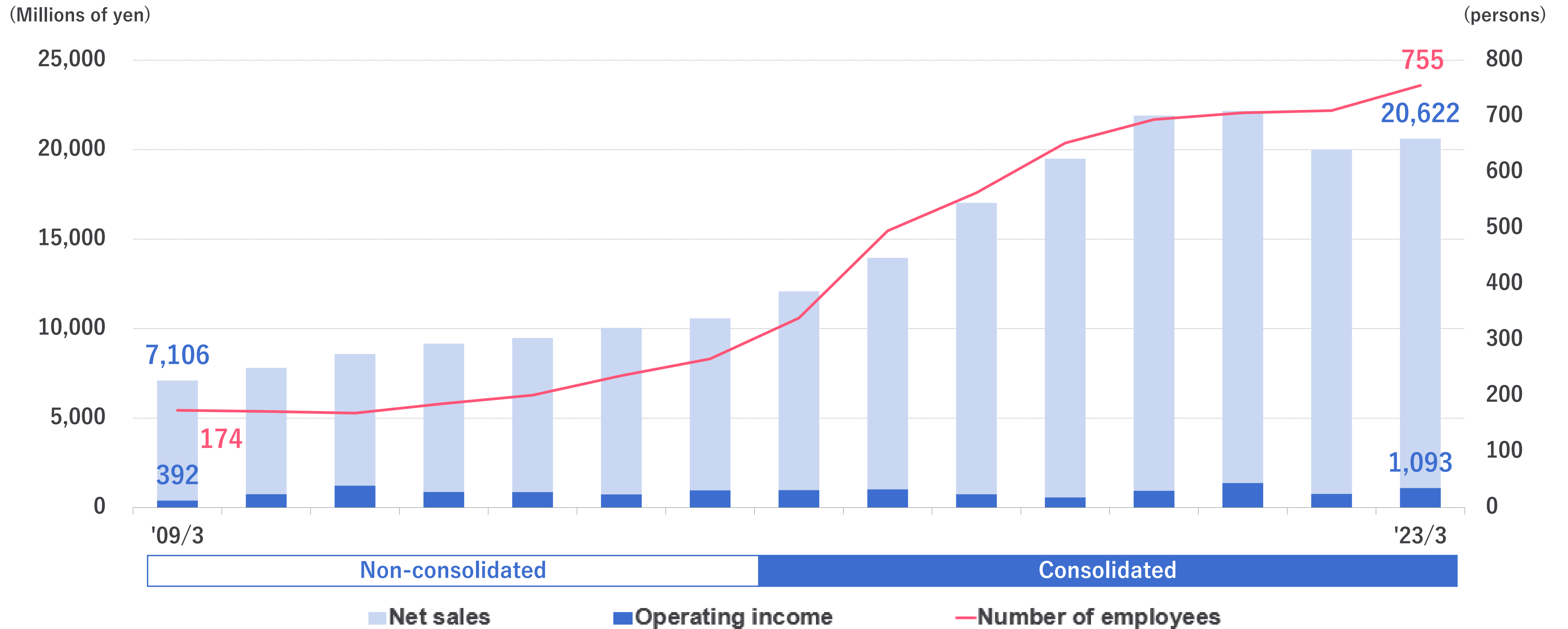
\* The figures represent SAKURA internet on a non-consolidated basis.

Customers with monthly fee of 1 million yen or more by industry





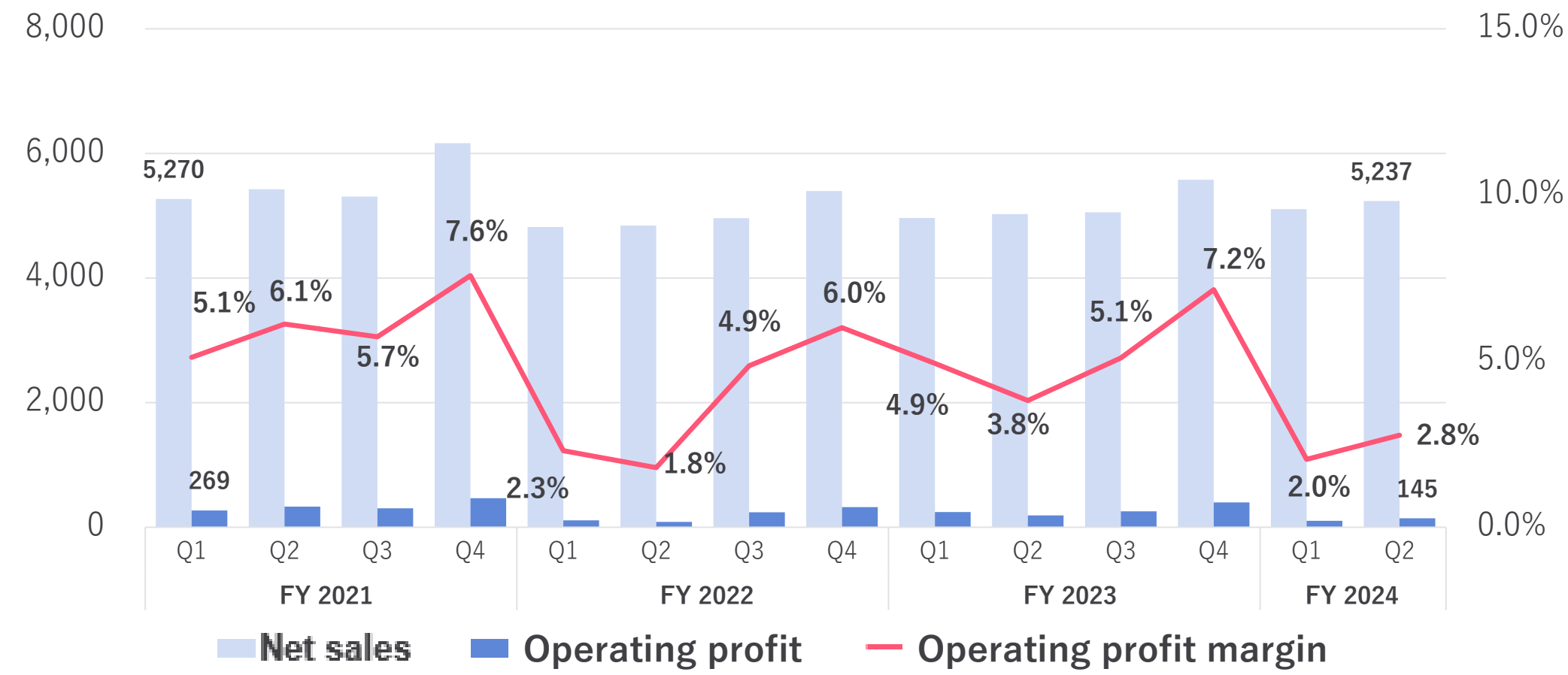
## Historical net sales, Ordinary profit, and number of employees



\*The figures for FY 2015 or older are from non-consolidated financial results, and those for FY 2016 or later are from consolidated financial results.

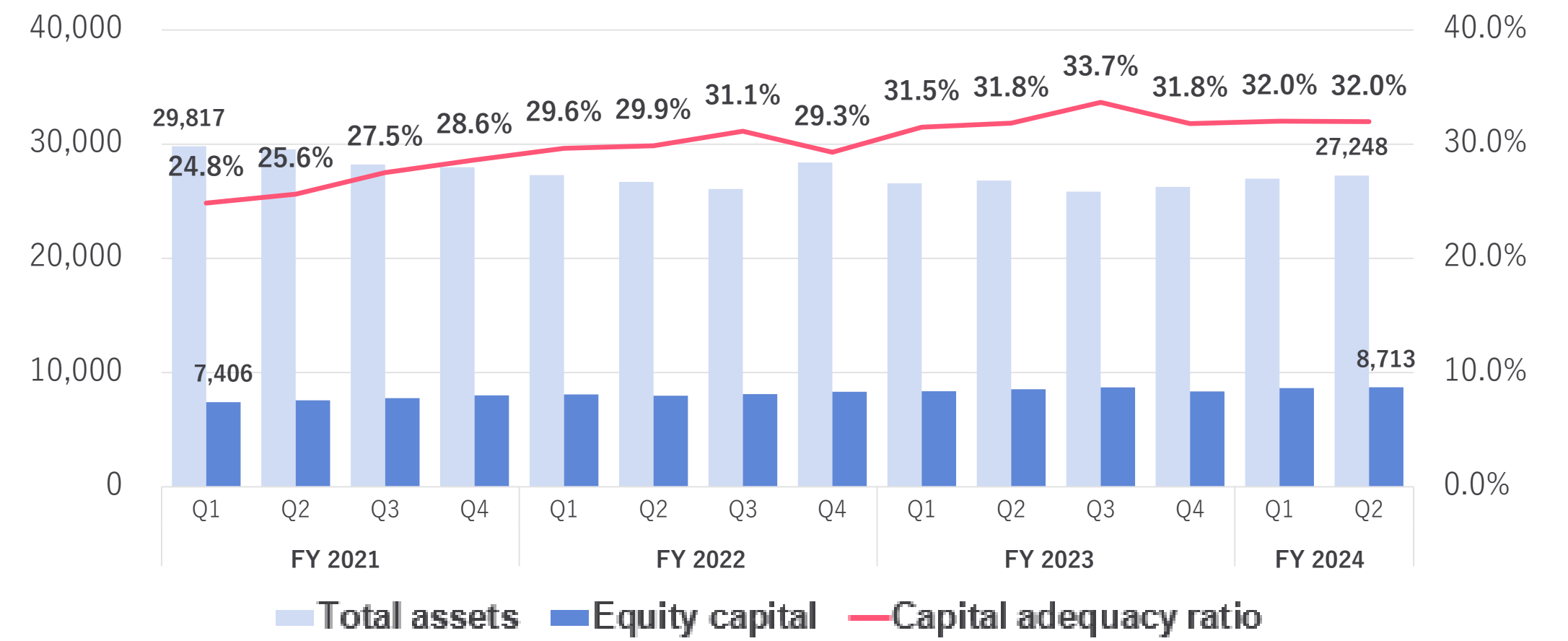
(Millions of yen)

## Operating profit margin



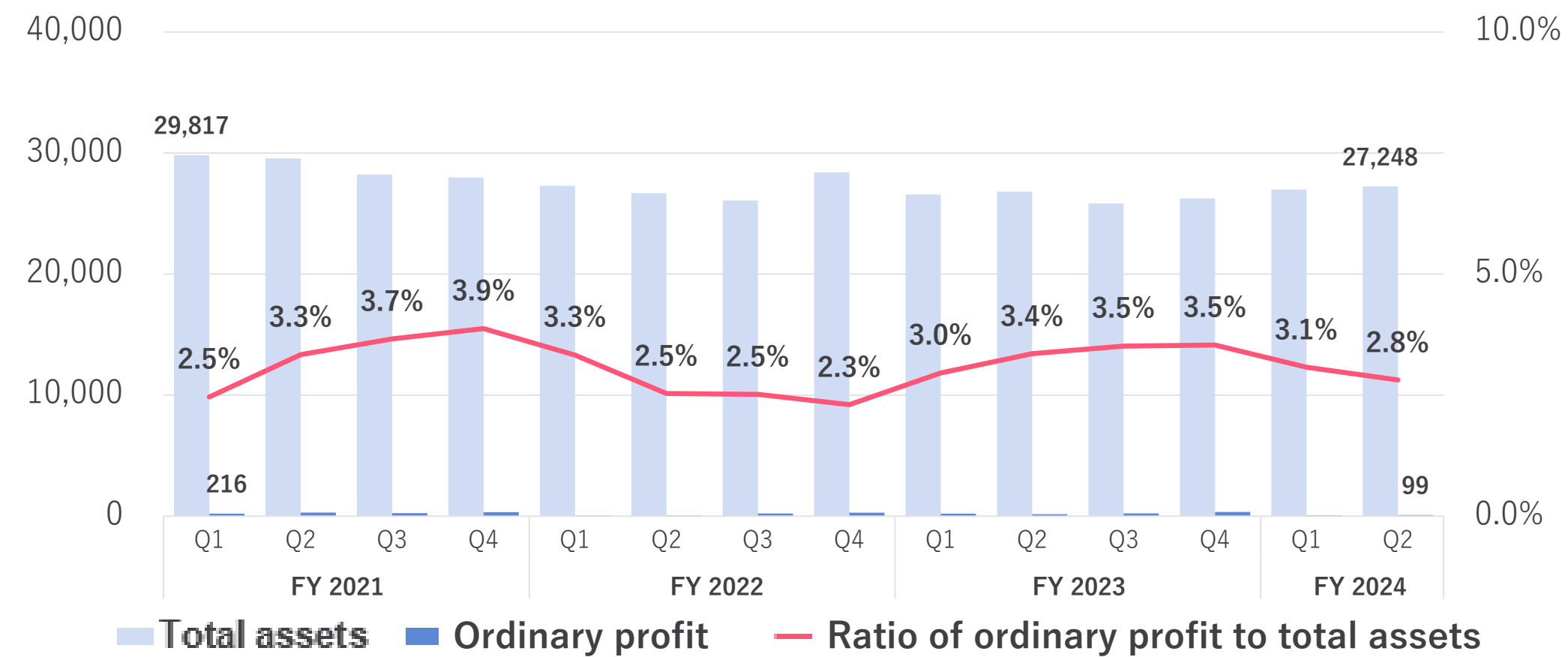
(Millions of yen)

## Capital adequacy ratio

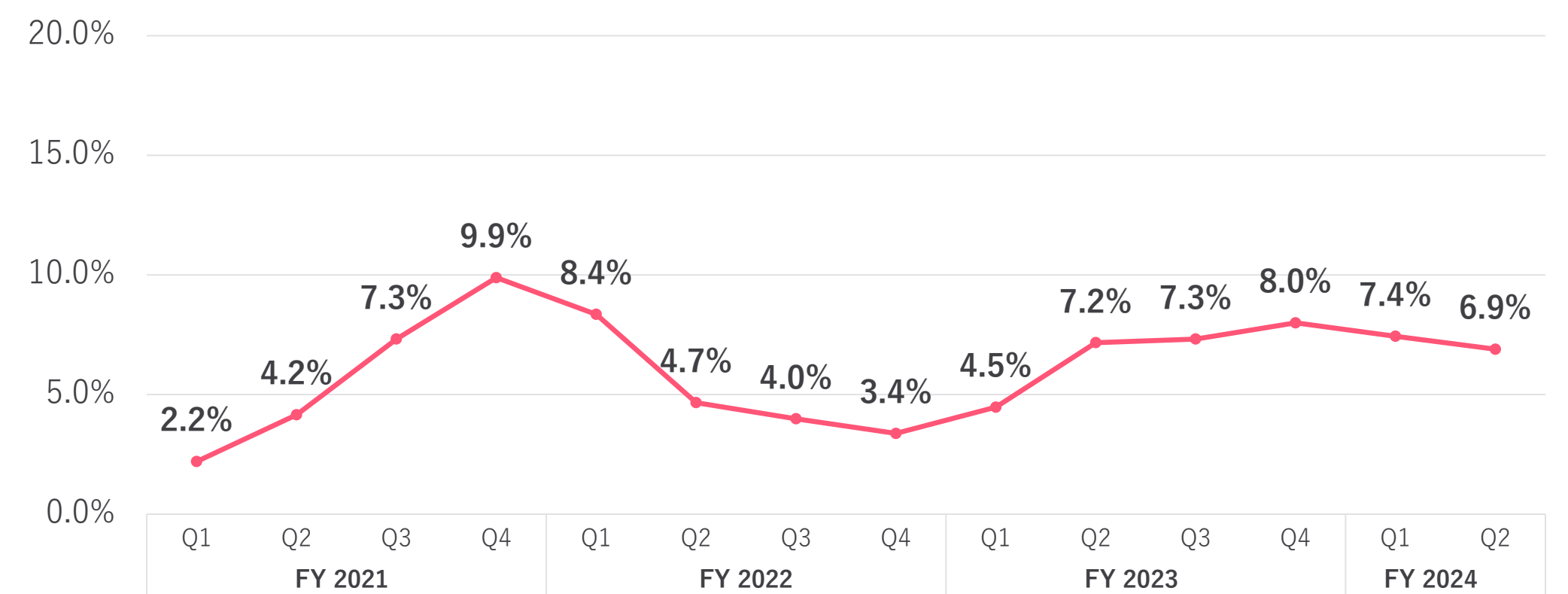


(Millions of yen)

## Ratio of Ordinary profit to total assets



## ROE



## History

- 1996 ○ Foundation**  
 Kunihiro Tanaka, founder & current CEO and President, founded Sakura internet as a school venture in December 1996 while in Maizuru Technical College.
- 1999 ○ Establishment as a stock company / The first data center opened**  
 Established as a stock company in August 1999. The first data center was opened in Chuo-ku, Osaka in October.
- 2005 ○ Listed on TSE Mothers**  
 Listed on TSE Mothers in October 2005.
- 2011 ○ Ishikari Data Center opened**  
 Japan's largest suburban mega data center opened in Ishikari, Hokkaido in November 2011.
- 2015 ○ Changed to TSE 1st Section**  
 The listing market changed to TSE 1st Section in November 2015.
- 2021 ○ 25th anniversary**  
 The Company celebrated its 25th anniversary in December 2021.
- 2022 ○ Changed to TSE Prime Market**  
 Changed to TSE Prime Market, a newly established market category of Tokyo Stock Exchange.

## Company Profile

|                      |   |
|----------------------|---|
| Trade name           | SAKURA internet Inc.  |
| Head office location | 1-12-12 Umeda, Kita-ku, Osaka City, Osaka   |
| Date of foundation   | December 23, 1996<br>(The company was established on August 17, 1999)   |
| Date of listing      | October 12, 2005 (TSE Mothers)<br>November 27, 2015<br>(Transferred to TSE 1st Section (currently TSE Prime)) |
| Share capital        | 2,256,920,000 yen   |
| Number of employees  | 804 (consolidated)  |

(Note : as of the end of September 2023)



## ■ IR Contact

IR information inquiry form

<https://www.sakura.ad.jp/corporate/ir/contact/>

E-mail: [ir@sakura.ad.jp](mailto:ir@sakura.ad.jp)

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