

Fiscal Year Ended March 2023

Financial Results

April 27, 2023



Financial Highlights

Achieved growth in sales and profit for the year immediately after the transition to a cloud-focused structure, **with operating income increasing 43.2%**

- Consolidated net sales and operating income grew **3.0%** and **43.2%**, respectively
- Despite an increase in unexpected costs due to **external factors** (higher electricity costs due to surging crude oil prices and higher domain acquisition costs due to the weaker yen), etc., **cloud concentration led to greater investment efficiency and data center optimization.**

Accelerated measures to realize medium- to long-term growth

- **Acceleration of DX co-creation:** Accelerated the co-creation of new SaaS services in collaboration with major companies including Coincheck, Inc., Yamato Transport Co., Ltd., Salesforce Japan Co., Ltd., Elecom Co., Ltd., and DX Antenna Co., Ltd., etc.* (*listed in order of service release)
- **Enhancement of recruitment:** Steadily recruited professionals for further growth (the number of consolidated employees increased by 45 from the end of the previous fiscal year)
- **Introduction of stock compensation system:** Introduction of a restricted stock compensation system and an Employee Stock Ownership Plan (J-ESOP) as an incentive to officers and employees
- **Purchase of treasury shares:** Repurchased treasury stock for the purpose of improving capital efficiency and shareholder return, as well as using them for future M&As

Despite cost increases, etc. due to external factors,* **sales and income rose due to improved investment efficiency as a result of a shift to a cloud-focused structure and data center optimization**

* Higher electricity costs due to surging crude oil prices and higher domain acquisition costs due to the weaker yen

(Millions of yen)

Item	FY 3/22 Full year	FY 3/23 Full year	YoY	
	Amount	Amount	Change	Change (%)
Net sales	20,019	20,622	603	↑ 3.0
Operating income	763	1,093	329	↑ 43.2
Ordinary income	649	965	316	↑ 48.7
Profit attributable to owners of parent	275	666	391	↑ 142.0

The **second** year after announcing that Sakura decided to shift its business areas and management resources to a cloud-focused structure
Steady progress in creating a new growth area through collaboration and hiring human resources for medium- to long-term growth

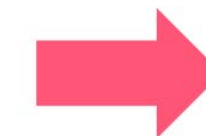
Changed the management policy announced in the financial result material for FY 3/2021

Turn “what customers want to do” into “what they can do” primarily in the cloud business, using a change of business environment as a market opportunity

Changed the business policy and the management resources allocation policy

Business area and management resources

Extensive lineup



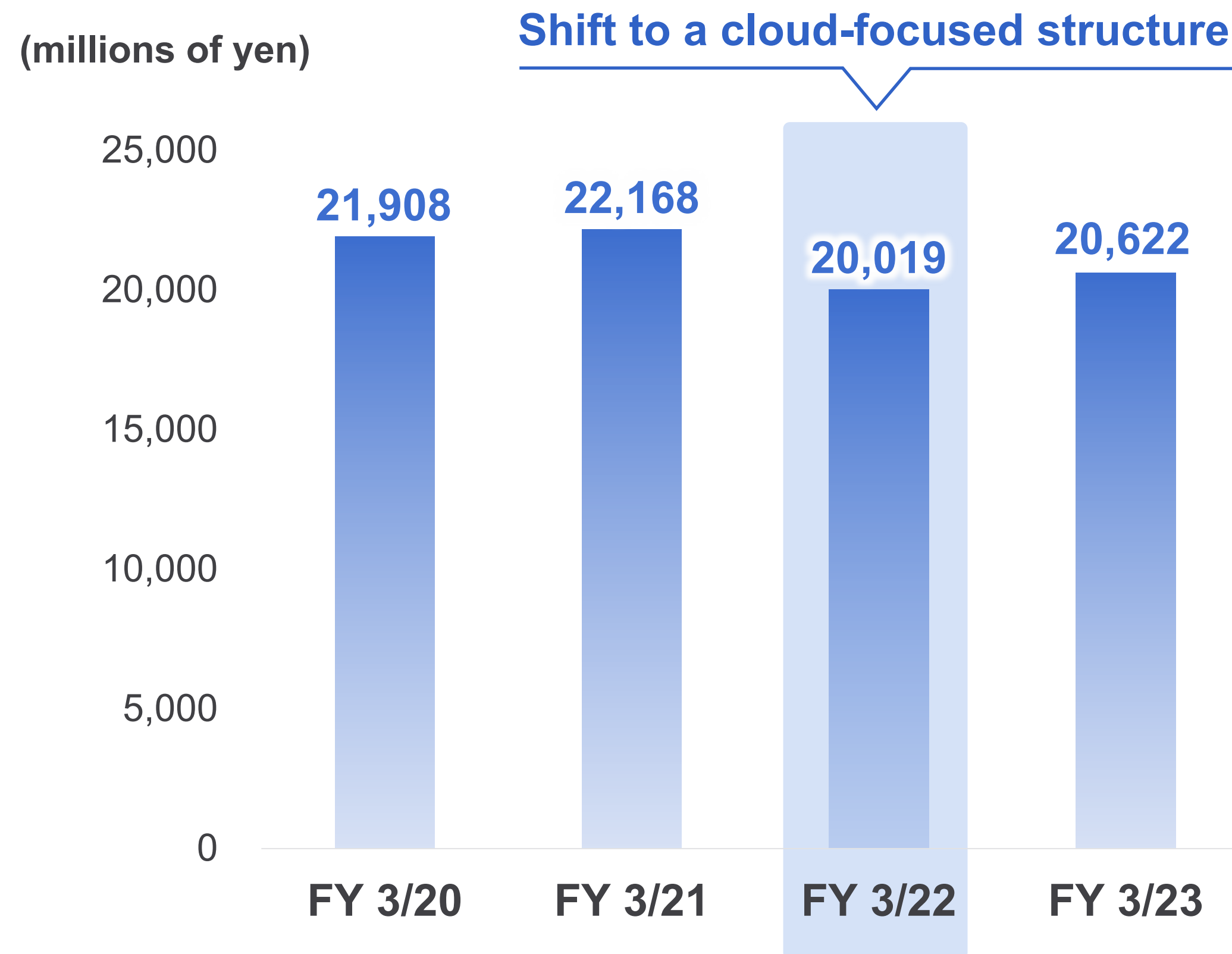
Focus on cloud-services

Shift focus to the growing cloud market as a provider of enhanced cloud-services
Expand focus area from IaaS alone to higher delivery layers including PaaS and SaaS to provide comprehensive cloud solutions to customers running small businesses.

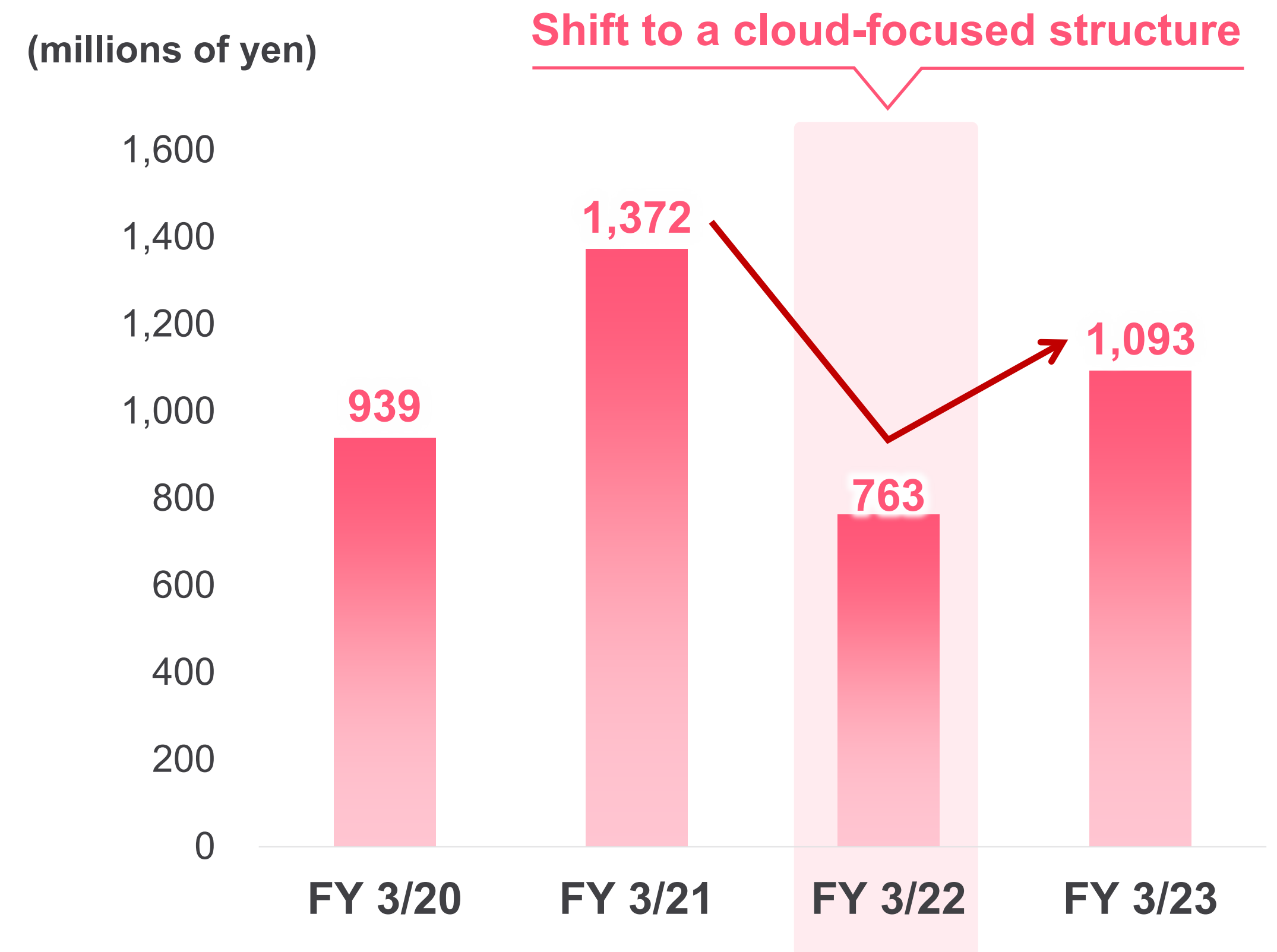
Highlights of Full-Year Financial Results for FY 3/2023 (Historical Net Sales and Operating Income)

In the year immediately after the transition to a cloud-focused structure,
operating income returned to the pre-transition level

Net sales

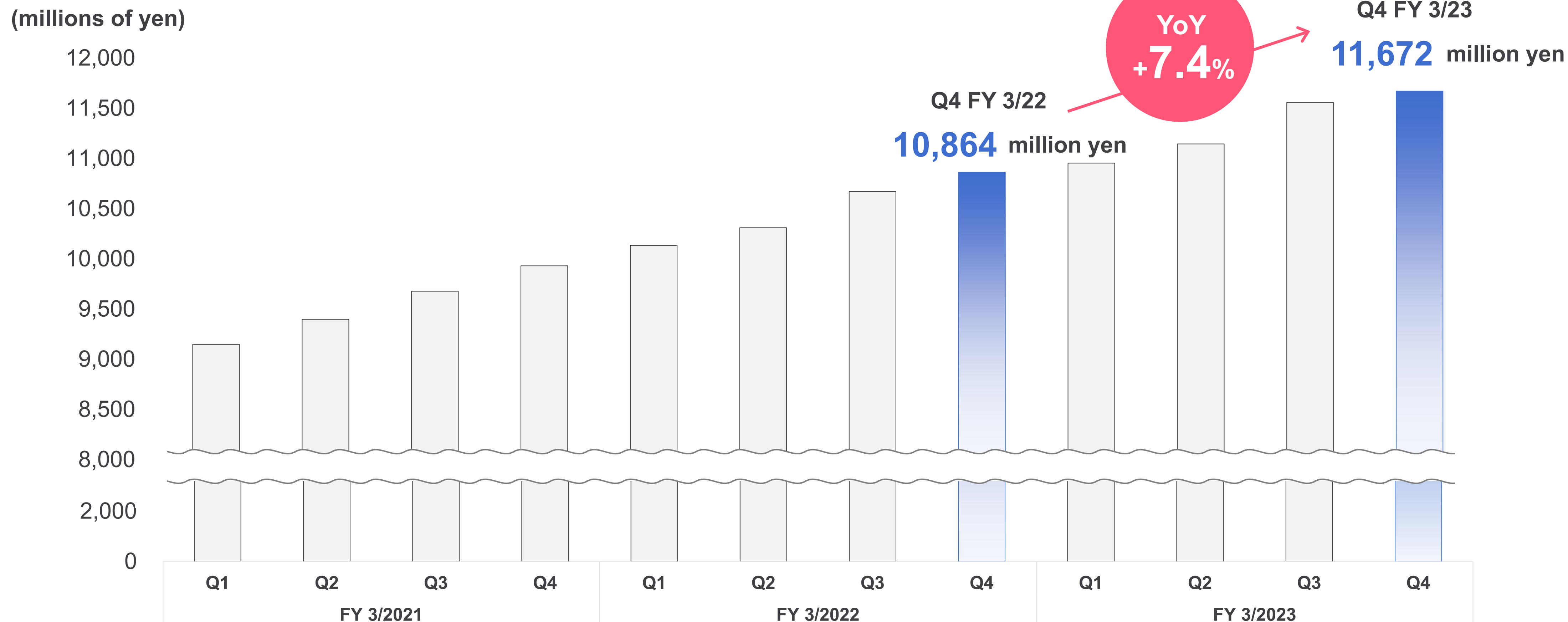


Operating income



ARR increased **7.4%** year on year, representing recurring fee revenue

ARR (Annual Recurring Revenue)



* The ARR includes revenue of cloud-service, VPS service, and rental server service of SAKURA internet on a non-consolidated basis.

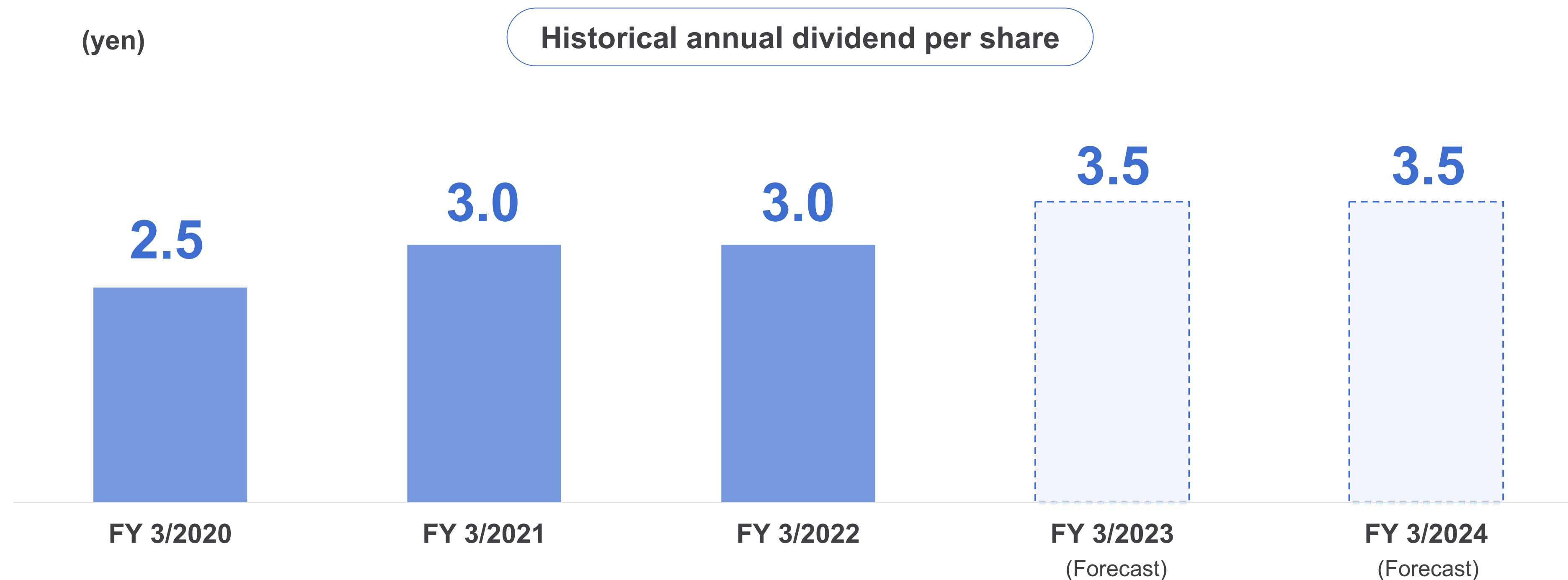
* Although the cloud-service adopts a pay-as-you-go pricing system, these figures are calculated in accordance with a method of fixed-rate service calculation.

* 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 3/23:** The year-end dividend is planned to be 3.50 yen per share, an increase of 0.50 yen from 3.00 yen, based on comprehensive consideration in accordance with the above basic policy
- **Planned dividend for FY 3/24:** We will maintain 3.50 yen per share dividend



Aiming for higher revenue and profit, and further sustainable growth

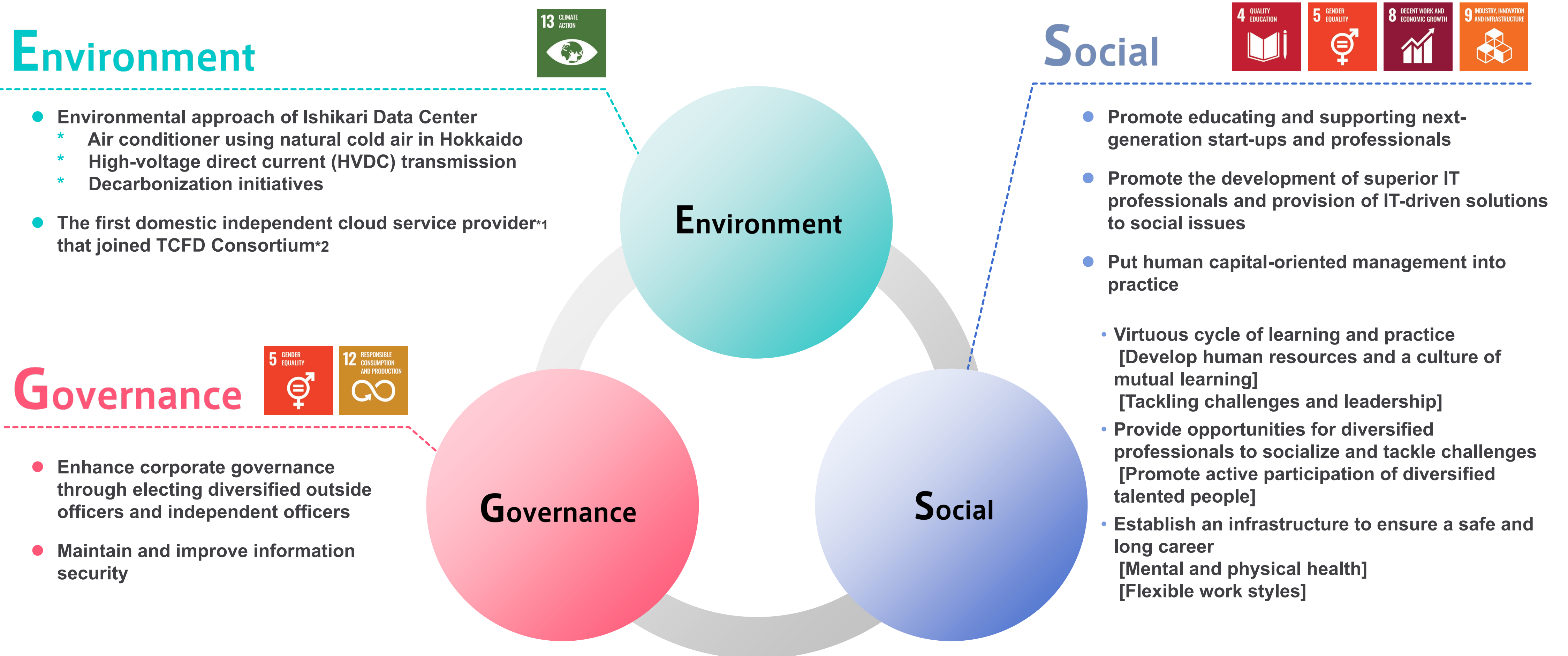
Net sales Expect revenue increase through sustainable growth of cloud services

Income Increase profits through sales growth in highly profitable cloud services while continuing active investment for medium to long-term growth. Profits from spot projects and Group companies expected at the end of fiscal year.

(million yen)

Item	FY ending March 31, 2023 Results Amount	FY ending March 31, 2024 (Q2 forecast)		FY ending March 31, 2024 (full year forecast)	
		Amount	Change (%)	Amount	Change (%)
Net sales	20,622	10,500	5.1	22,800	10.6
Operating income	1,093	250	(42.7)	1,450	32.7
Ordinary income	965	180	(52.3)	1,300	34.6
Net Profit attributed to Parent Company Shareholders	666	120	(51.4)	850	27.5

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”



*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)
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Consolidated Earnings for FY 3/2023

Despite an **increase in costs due to external factors** (higher electricity costs due to surging crude oil prices and higher domain acquisition costs due to the weaker yen, etc.), **cloud service steadily achieved growth in sales and profits**

(Millions of yen)

Item	FY 3/22 Full year		FY 3/23 Full year		YoY	
	Amount	Sales composition (%)	Amount	Sales composition (%)	Change	Change (%)
Net sales	20,019	100.0	20,622	100.0	603	3.0
Cost of sales	15,311	76.5	15,255	74.0	(55)	(0.4)
Gross profit	4,708	23.5	5,367	26.0	659	14.0
SG&A expenses	3,944	19.7	4,274	20.7	329	8.4
Operating income	763	3.8	1,093	5.3	329	43.2
Ordinary income	649	3.2	965	4.7	316	48.7
Profit attributable to owners of parent	275	1.4	666	3.2	391	142.0

Despite an increase in costs due to external factors, **actual sales exceeded forecast**

- **External factors**, including higher electricity costs due to surging crude oil prices and higher domain acquisition costs due to the weaker yen, **were not expected when formulating a budget**
- **Expenses to achieve medium- to long-term growth increased** due partly to increasing recruitment numbers
- **Cloud concentration** led to more-than-expected **improvement in investment efficiency and optimization of data centers**

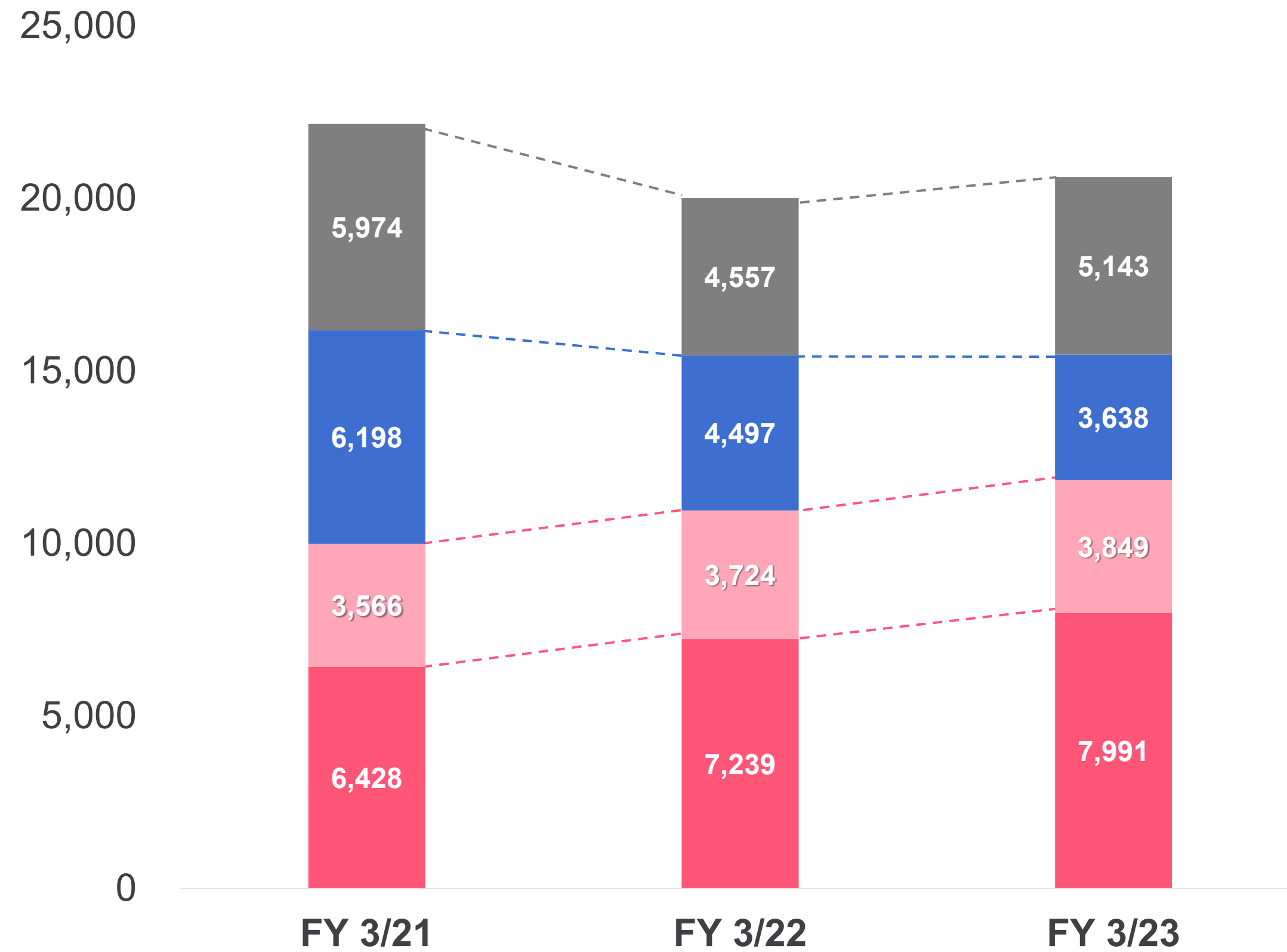
(millions of yen)

Item	FY 3/23 Forecast	FY 3/23 Actual	Change (%)
Net sales	20,350	20,622	+1.3
Operating income	1,390	1,093	(21.4)
Ordinary income	1,230	965	(21.5)
Profit attributable to owners of parent	800	666	(16.7)

Cloud infrastructure service grew 10.4% YoY amid a shift from a physical base to a cloud base

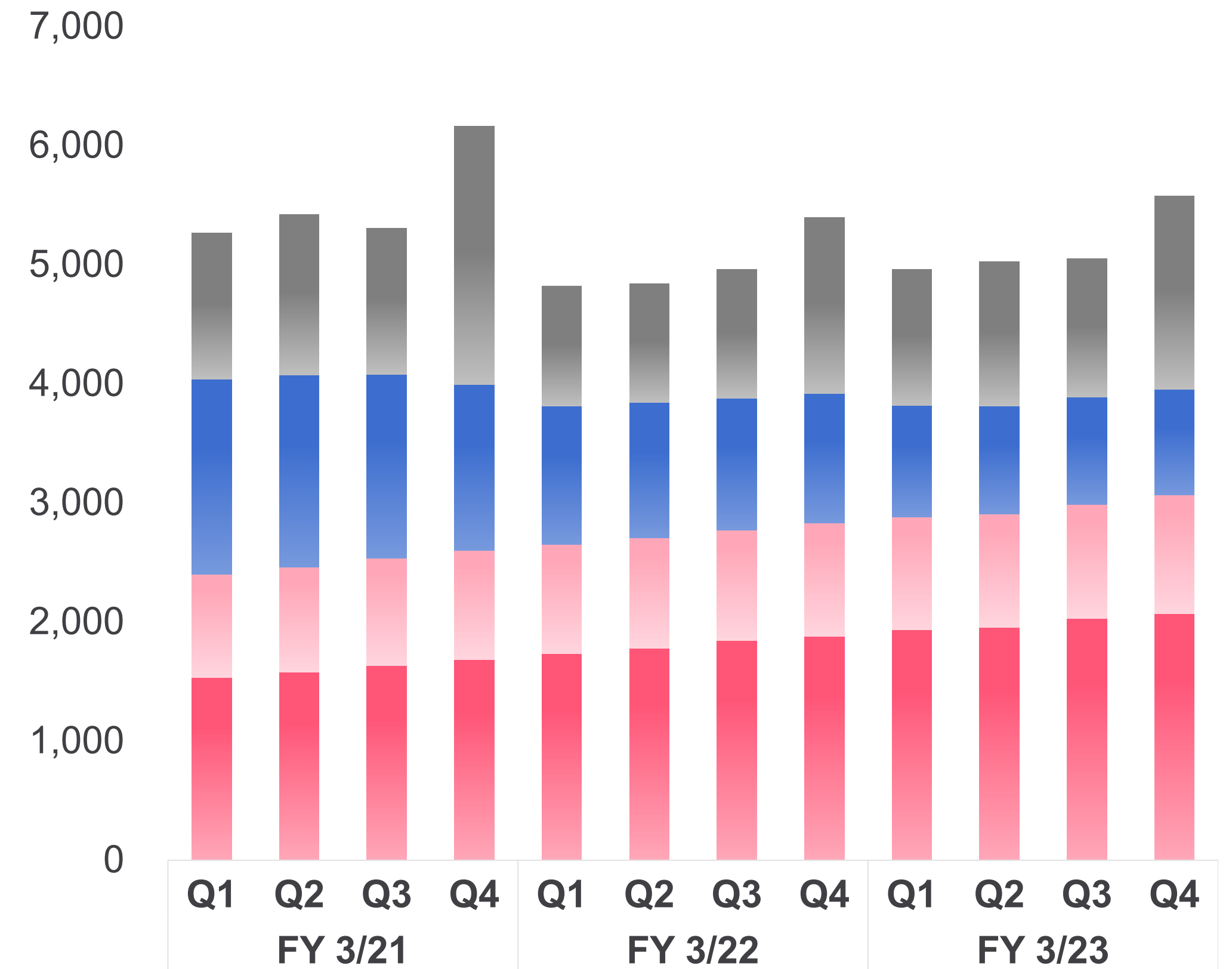
(Millions of yen)

Annual change



(Millions of yen)

Reference: Quarterly change



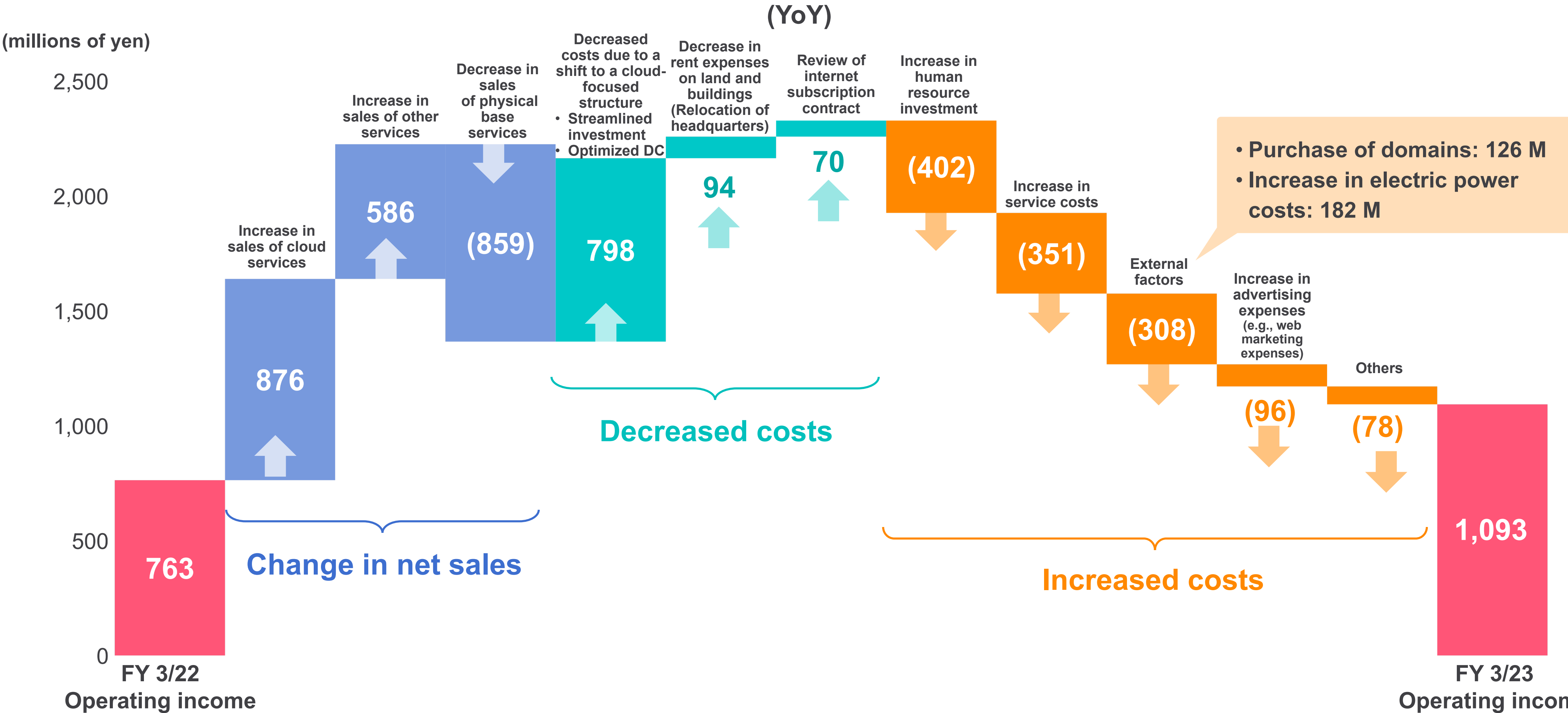
Cloud services

■ Cloud infrastructure ■ Cloud application

■ Physical base service

■ Others

Factors that affected operating income



Financial strength improved as we transitioned to a cloud-focused structure

- Total assets decreased as we primarily invested in cloud services with high asset efficiency
- Despite the purchase of treasury shares, net assets grew owing to an increase in profit

(millions of yen)

Item	Previous year end (FY 3/22)	Current year end (FY 3/23)	Change
Current assets	9,776	8,930	(845)
Non-current assets	18,620	17,325	(1,295)
(Property, plant and equipment)	15,725	14,716	(1,009)
(Intangible assets)	426	508	81
(Investments and other assets)	2,468	2,100	(367)
Total assets	28,396	26,256	(2,140)

Item	Previous year end (FY 3/22)	Current year end (FY 3/23)	Change
Current liabilities	11,309	9,840	(1,468)
Non-current liabilities	8,637	7,929	(707)
Total liabilities	19,946	17,769	(2,176)
Net assets	8,449	8,486	36
(Including shareholders' equity)	8,313	8,337	24
Total liabilities and net assets	28,396	26,256	(2,140)

Consolidated Statement of Cash Flows

- **Cash flow from investing activities:** Expenses due to the acquisition of property, plant and equipment including service equipment and other decreased
- **Cash flow from financing activities:** Decreased due to the repayment of borrowings and purchase of treasury shares

(millions of yen)

Item	End of FY 3/21	End of FY 3/22	End of FY 3/23	YoY change
Cash flow from operating activities	4,110	3,957	3,963	5
Cash flow from investing activities	(1,359)	(1,674)	(606)	1,068
FCF	2,751	2,282	3,357	1,074
Cash flow from financing activities	(3,148)	(1,005)	(3,999)	(2,994)
Increase in cash and equivalents	(397)	1,277	(641)	(1,919)
Cash and equivalents balance	4,174	5,452	4,810	(641)

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

Review of FY 3/2023

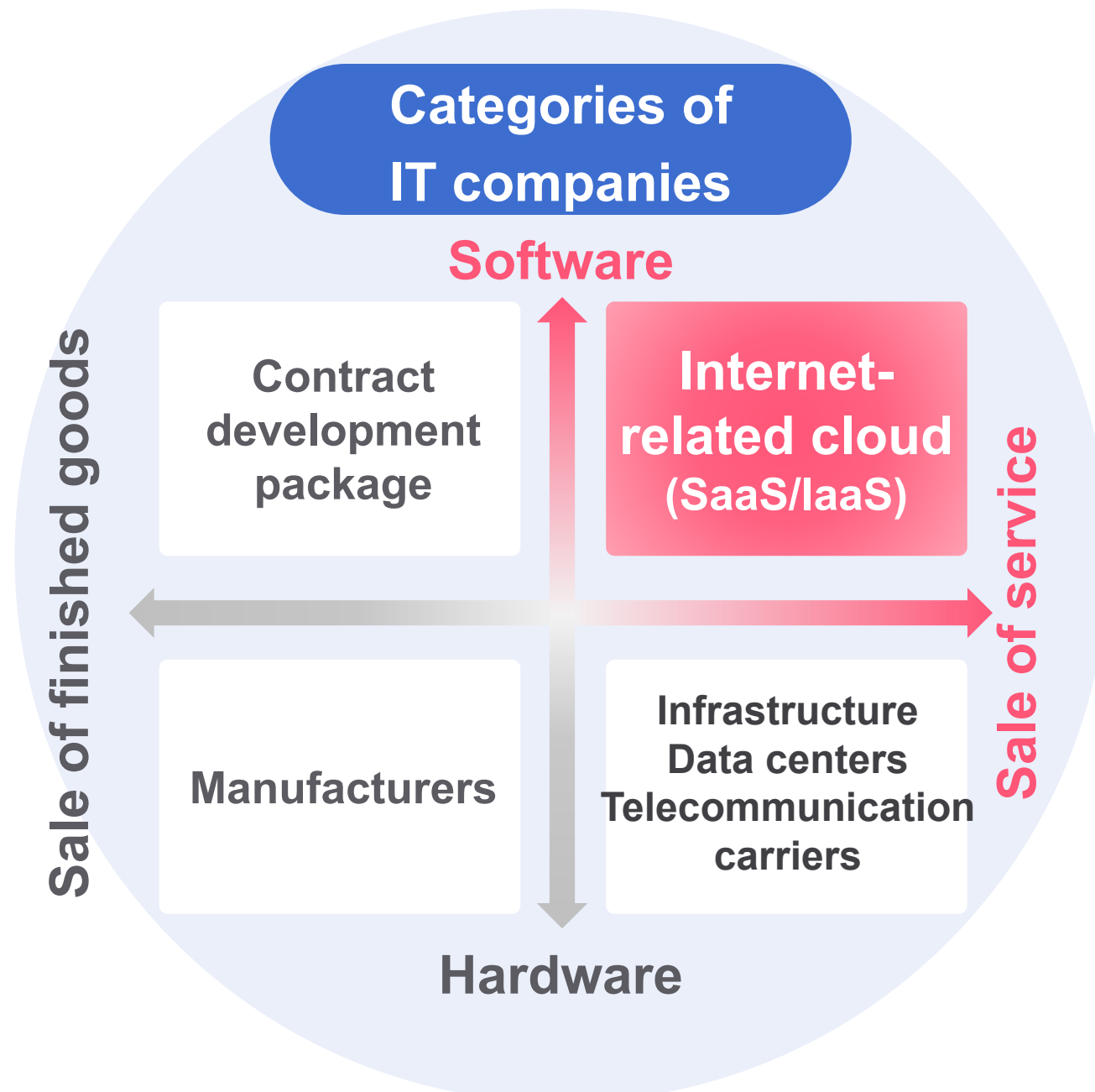
Basic policy	Actions and achievements
<p>Strengthen cloud business</p> <p>Promote measures for providing a comprehensive cloud service that supports DX</p>	<div data-bbox="1159 583 1386 789"> <p>Current</p> <ul style="list-style-type: none"> ● Partner alliance: Accelerated the development of new SaaS services ● Government: Enhanced activities to increase our awareness </div> <div data-bbox="1159 855 1386 1061"> <p>Medium- to long-term</p> <ul style="list-style-type: none"> ● Tellus: Expanded satellite data, etc. toward full-scale commercialization ● Startups: Supported large-scale events and contributed to funds </div>
<p>Concentrate investment on a focus area</p> <p>Focus on investing in human resources and marketing to achieve further medium- to long-term growth</p>	<div data-bbox="1169 1159 1386 1365"> <p>Human resources</p> <p>Steadily achieved the FY 3/2023 target to “hire an additional 40 or more professional year on year” The consolidated number of employees increased by 45 year on year</p> </div> <div data-bbox="1169 1422 1386 1628"> <p>Marketing</p> <p>Invested in digital marketing such as web advertising and owned media, etc., for sales promotion, and established an internal structure aimed at strengthening the consolidation and linkage of data analytics, etc.</p> </div>

Market Opportunities and Future Growth Strategy of Sakura Internet

1

All companies will become IT companies

IT industry shifts from selling products to providing software services
As DX trends advance widely, non-IT companies have begun to make profit in a digital world



2

Expectation for public clouds developed by Japanese companies

As Japan lags behind in DX, the dependence on overseas supply chain leads to more IT-related trade deficits
Japan's national strategy attempts to have public clouds to be developed domestically

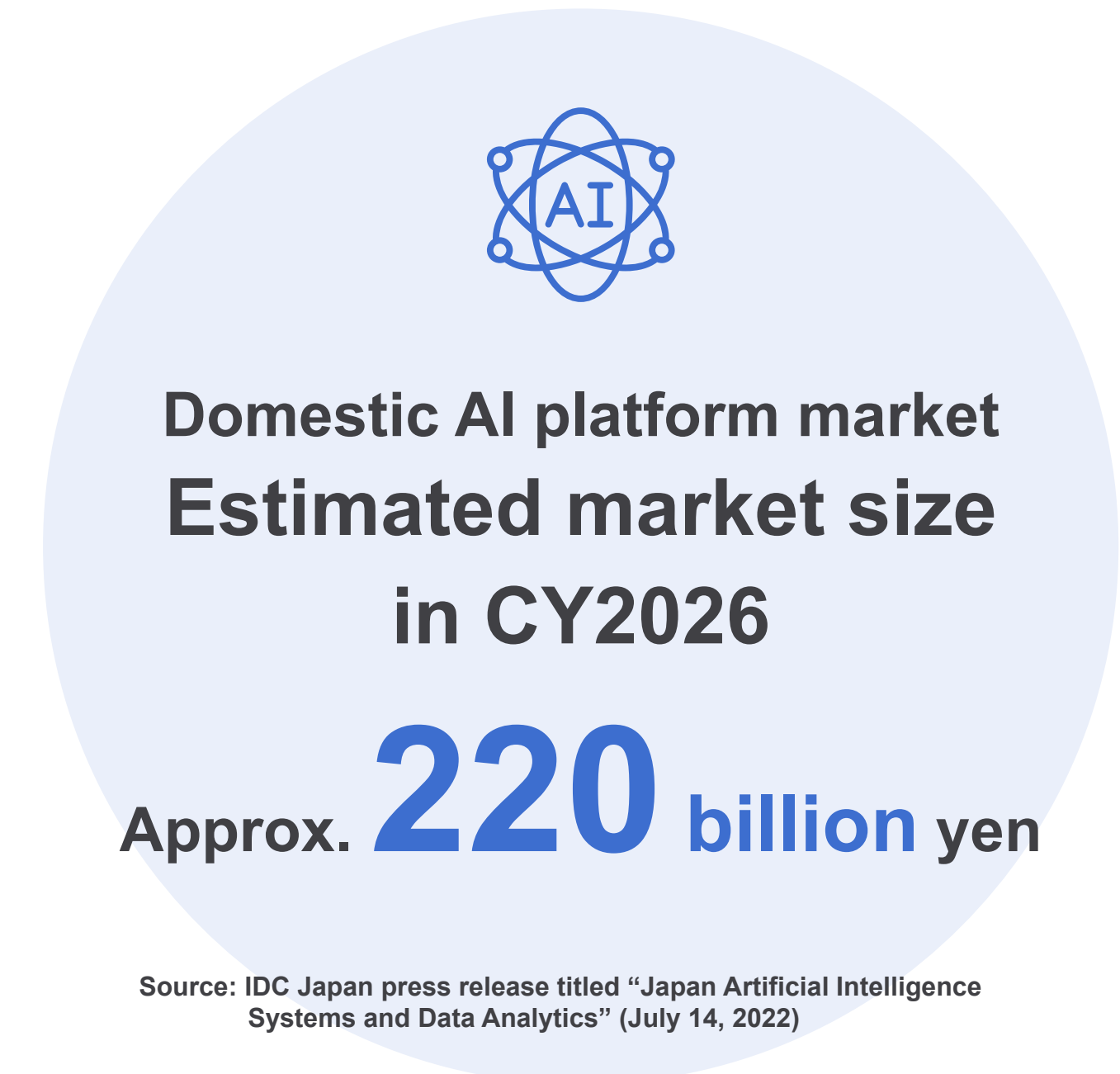


Source: "2023 Current Trends and Future Prospects of Cloud Computing," Fuji Chimera Research Institute, Inc.

3

Rising demand for sophisticated computing resources

Due mainly to a rapid development of AI and large-scale language models and an advance in the commercial use of VR technologies, demand for GPU and other sophisticated computing resources will increase



Source: IDC Japan press release titled "Japan Artificial Intelligence Systems and Data Analytics" (July 14, 2022)

Factors that DX advancement calls for are the center of our strengths and the value we provide

Growing needs as DX advances

Unrelated to extending or streamlining existing industries

Creation of new digital business

Meets security and technological requirements

Public clouds developed by Japanese companies

Meet new computing demand for AI and virtual economy, etc.

Development of information processing infrastructure

Capture market opportunities from the perspectives of our strengths and value

Promote DX through co-creation and support

- Deeply understand customers and support their DX with our experience and technological capabilities, and superior engineers fostered through providing up-to-date value since the early stage of the internet and developed new service

Aim to be a governmental cloud service provider within a few years

- In-house and vertically integrated business model with low dependency on overseas supply chain
- Authorized by ISMAP* of the governmental information system
- Data stored within Japan

Provide high-performance computing

- Insights and track record gained, including public projects, through providing high-performance computing
- Self-operate a suburban large-scale data center (Ishikari Data Center) with separate buildings and module-type server rooms that provide flexible extension in accordance with demand trends

Our strengths

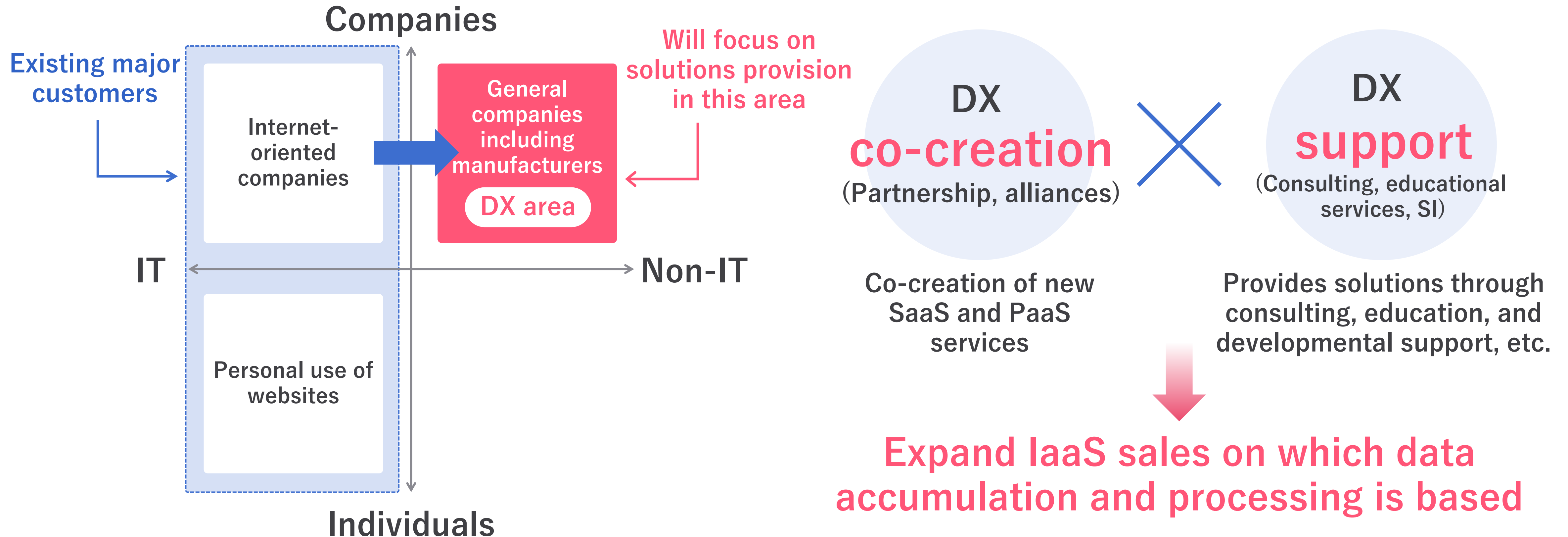
* ISMAP: Information system Security Management and Assessment Program

The Information system Security Management and Assessment Program (ISMAP) aims to secure the security level of the government's cloud service procurement by evaluating and registering cloud services that meet the security requirements of the government in advance, thereby contributing to the smooth introduction of cloud services.

Enhance our core business IaaS through co-creation and customer support, by expanding our customer base to companies including manufacturers, central and local governments and agencies that promote DX

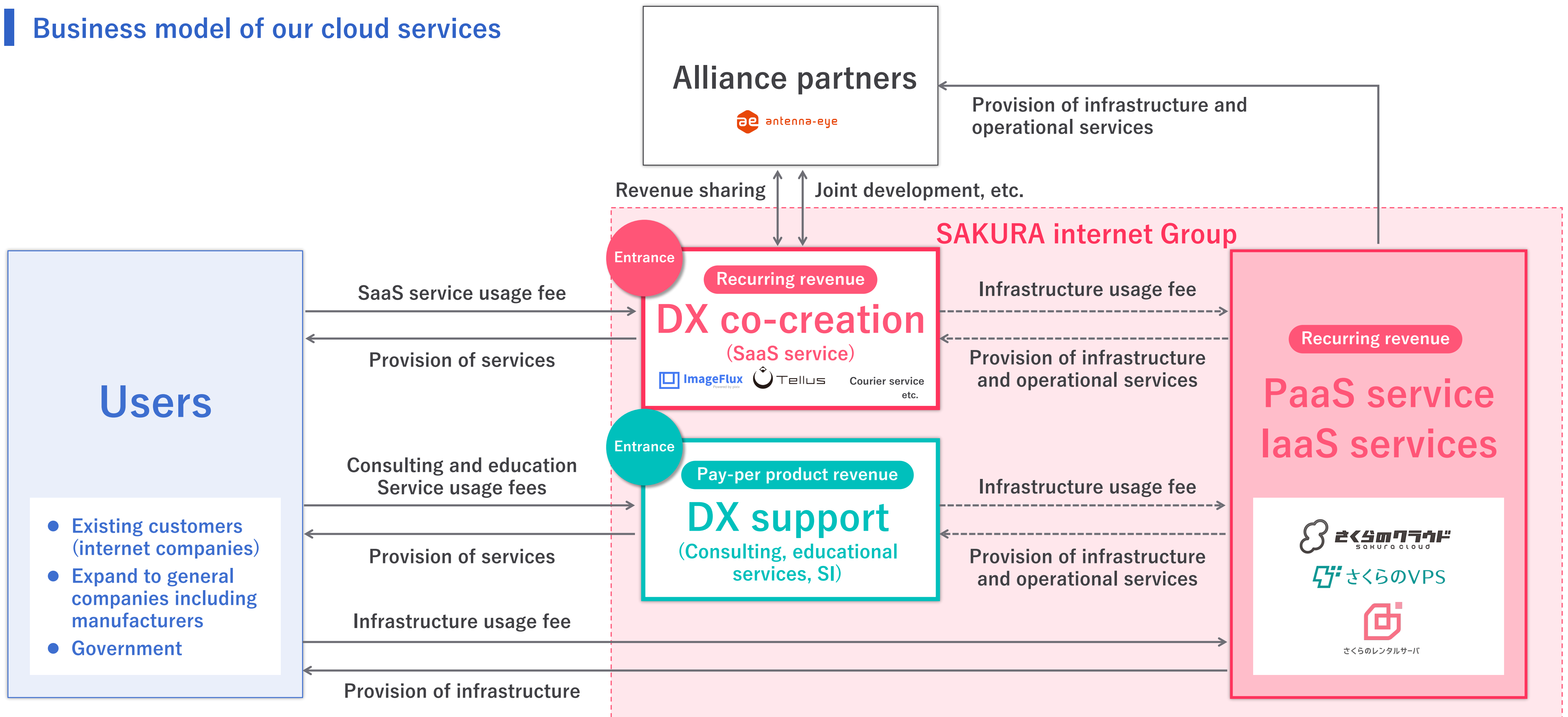
Expand target customer base

Two entrance strategies

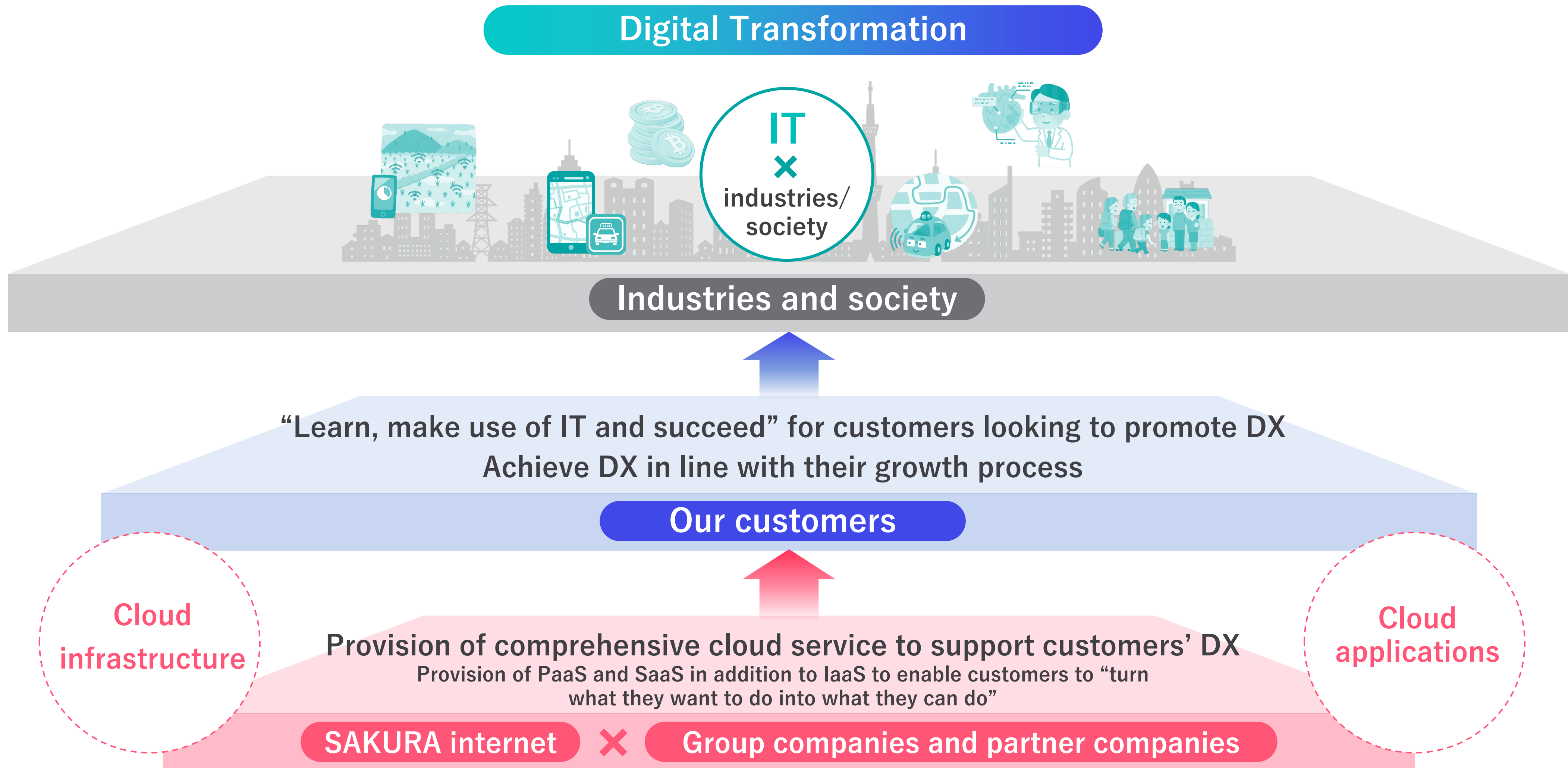


Accelerate growth of core businesses IaaS and PaaS while strengthening business models with multiple revenue opportunities

Business model of our cloud services



To become DX platform that enables everybody to succeed



Priority Measures for FY 3/2024

Growth strategy

Streamline existing services and promote measures to expand new growth areas

Government

Focus on enhancing technological level of cloud services to prepare for our entry into government cloud

DX co-creation

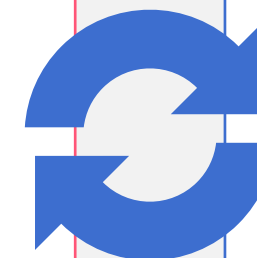
Continue promoting the development of new services in collaboration with other companies

DX support

Maximize use of Group's assets to meet customers' DX realization challenges and increase the value of our proposals

Areas to be challenged

Continue focusing on Tellus, IoT and other challenging areas



Concentration of management resources

Maximize value of management resources, particularly human capital, and strengthen investment in growth areas from a medium to long-term perspective

Human resources

Accelerate business growth by increasing, relocating and educating personnel toward realization of growth strategy

Marketing

Continue enhancing marketing initiatives to improve existing services

Investment

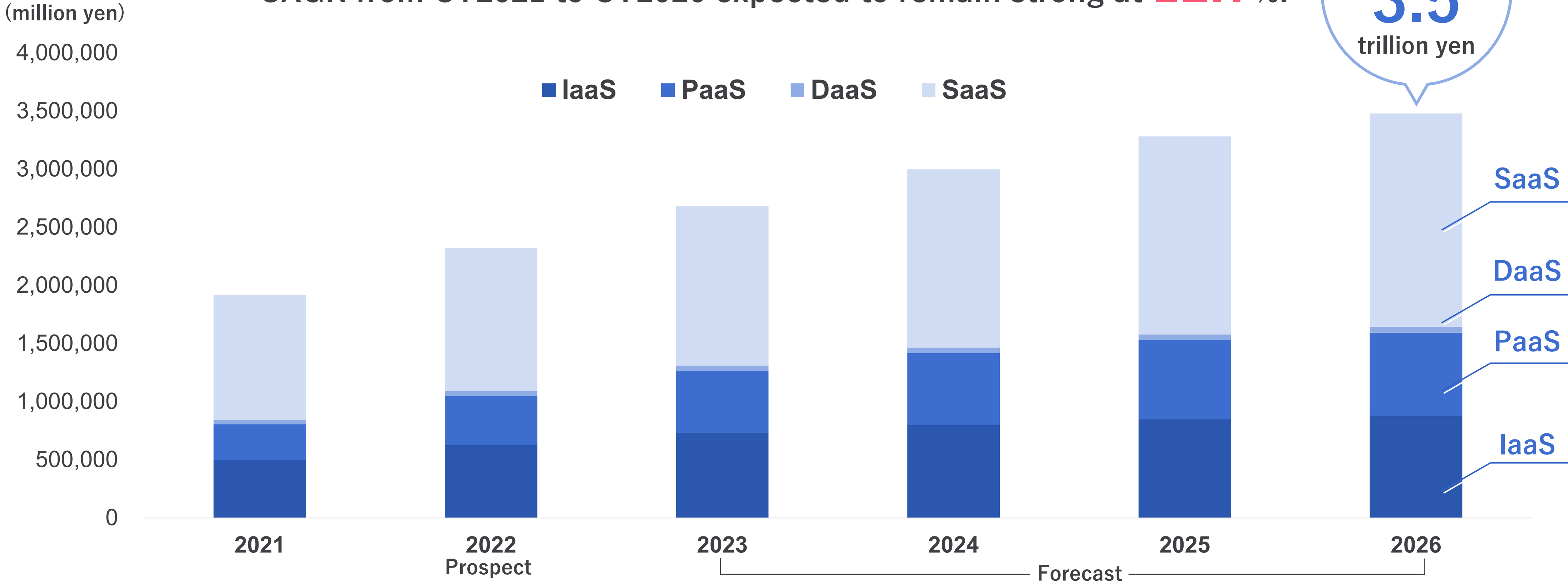
Increase investment in growth areas from a medium to long-term perspective (investment in equipment and replacements, mainly for cloud services)

Market size to reach the **3.5 trillion yen level** by CY2026 as DX is further promoted in society

Market Size of Domestic Public Cloud Services

CAGR from CY2021 to CY2026 expected to remain strong at **12.7%**.

CY2026
Approx.
3.5
trillion yen



Source: "2023 Current Trends and Future Prospects of Cloud Computing," Fuji Chimera Research Institute, Inc.

Accelerate **development of new SaaS and PaaS services** through alliances to support customers' DX, while functioning as **gateway to IaaS**

Recent examples of service co-creation

Coincheck, Inc.

Yamato Transport Co., Ltd.

ELECOM CO., LTD.

Salesforce Japan Co., Ltd.

DX ANTENNA CO., LTD.



Comprehensive service to support virtual general shareholders meetings "Sharely"



Slack application that enables online registration for courier services "Courier services"



Cloud-based video recording service "Antenna-eye"

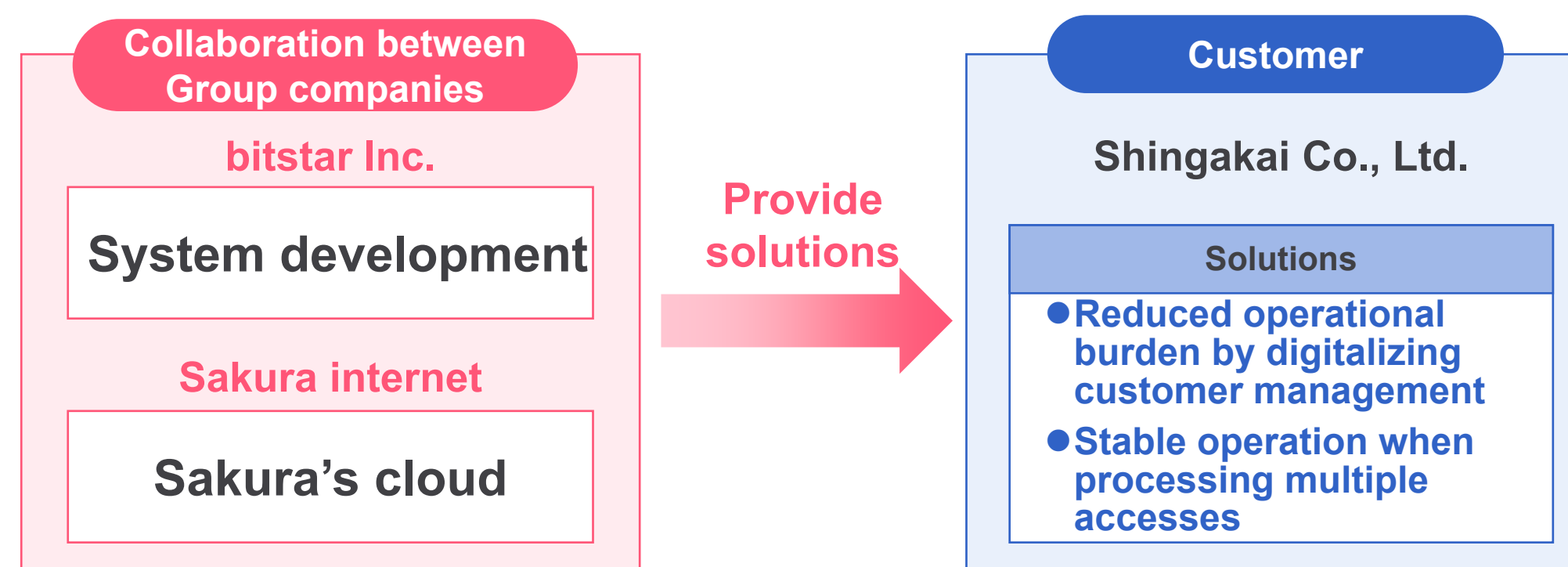
To solve customers' challenges to realize DX, **strengthen the collaboration between the Group companies** to promote solutions to such challenges through **consulting, education and development, etc.**

Example of DX support

Shingakai Co., Ltd.

Strengthen the collaborative system among the Group companies to provide comprehensive solutions to DX challenges

Developed and provided a system based on Sakura's cloud for customer management and customers' exclusive site for Shingakai Co., Ltd., a pioneer cram school for children taking entrance exams for primary schools and kindergartens. Developed a system of digitalized, uniform management of customer information that had been managed manually achieved a drastic reduction in operational burden. Sakura's cloud realized a stable operation without being overloaded during processing multiple applications for tests, etc.



Recent actions and the current status

- Strengthen the collaboration between the Group companies to reinforce the system to provide comprehensive solutions, from consulting and education to development and operation, to customers' challenges
- Getting on-board with partner companies by our engineers (providing learning support for customers, about 30 times annually in the previous period) to achieve existing customers' upselling

Promoting DX for clients by leveraging the company's strength to respond immediately to the rapid development of large-scale language models and **the growing demand for advanced computation** in the expanding virtual economy

The company's strengths in meeting the demand for computing resources:

- In-house operation of Ishikari Data Center with excellent scalability, flexibility, and environmental friendliness
- Knowledge and experience in providing high-performance computing

Recent actions and the current status

- The increasing demand for new computing resources for AI, large-scale language models, and VR has led to an increase in inquiries from government agencies and manufacturers.
- Leveraging its knowledge and experience in providing high-performance computing for public projects and operating a highly scalable data center, the company is focusing on acquiring new projects.



Aerial view of Ishikari Data Center
(front: Buildings 1 and 2, back: Building 3)

Ishikari Data Center

The building is a multi-building type that can accommodate up to 1,280 racks per building and can be expanded to up to five buildings/around 6,800 racks in total, on a vast site approximately 1.1 times the size of Tokyo Dome (0.0517 km²). By making the building itself a multi-building type, it is possible to expand according to demand trends. The server room is also module-based, with an uninterruptible power supply (UPS) installed for each server room, allowing for expansion according to demand trends, just like the building.

Focus on **upgrading technology level** of our cloud services with the aim of being **adopted within a few years as a domestic cloud vendor of government cloud**

- Promoting our brand
- Upgrading the technology level of our cloud services

Selection as a government cloud service provider

Other central and local government projects

Share expansion

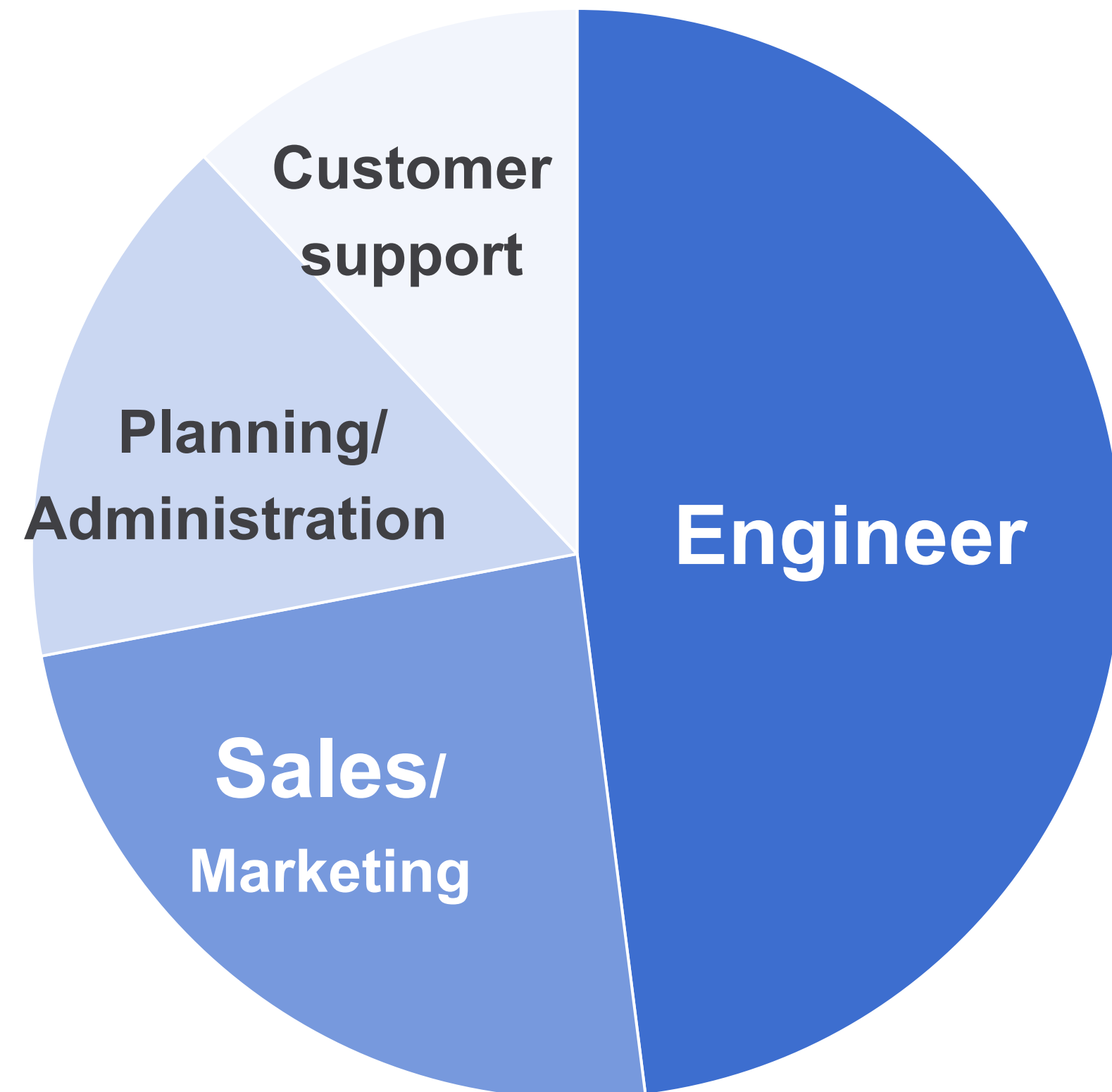
General companies promoting DX

Recent initiatives and current status

- Size of IT market for central and local governments expected to be approximately 2 trillion yen in 2026, with government cloud accounting for 250 billion yen.
- Expand workforce to prepare for adoption as government cloud services provider within the next few years and focus on strengthening cloud services.
- Aim to increase our share in the domestic public cloud market by becoming a government cloud service provider, promoting our brand and upgrading technology level of our services.

Plan to hire about **100** employees by the end of FY 3/2024

Breakdown of recruitment plans by job type

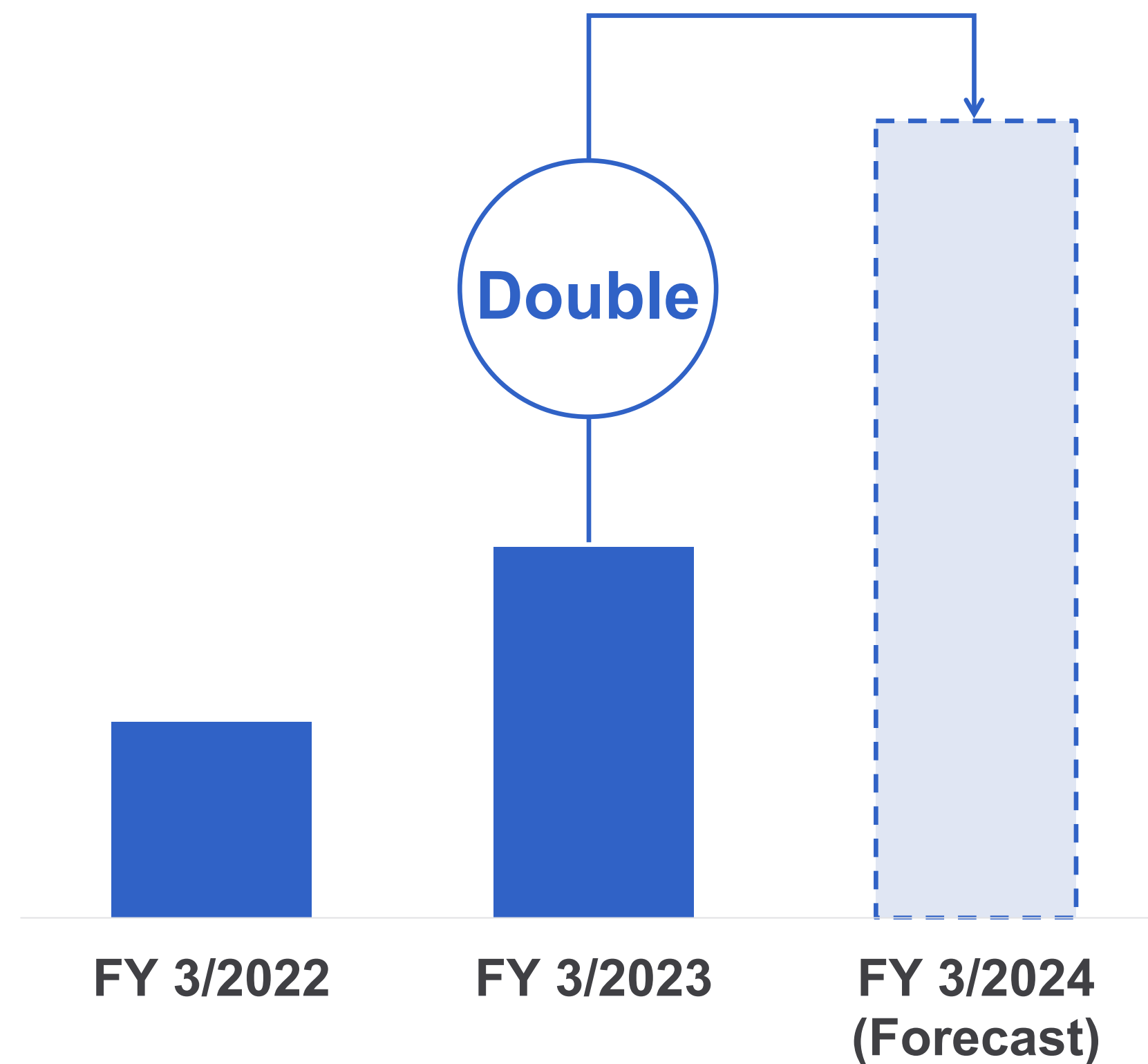


Accelerating the promotion of growth strategies, and considerably increasing engineers and sales personnel

- To focus on strengthening cloud services for adoption of cloud computing in governments and hiring engineers for new service development
- To expand sales and marketing staff to strengthen the system to handle the increase in DX support and co-creation projects

Strengthening investment to acquire more new customers and increase awareness of cloud services

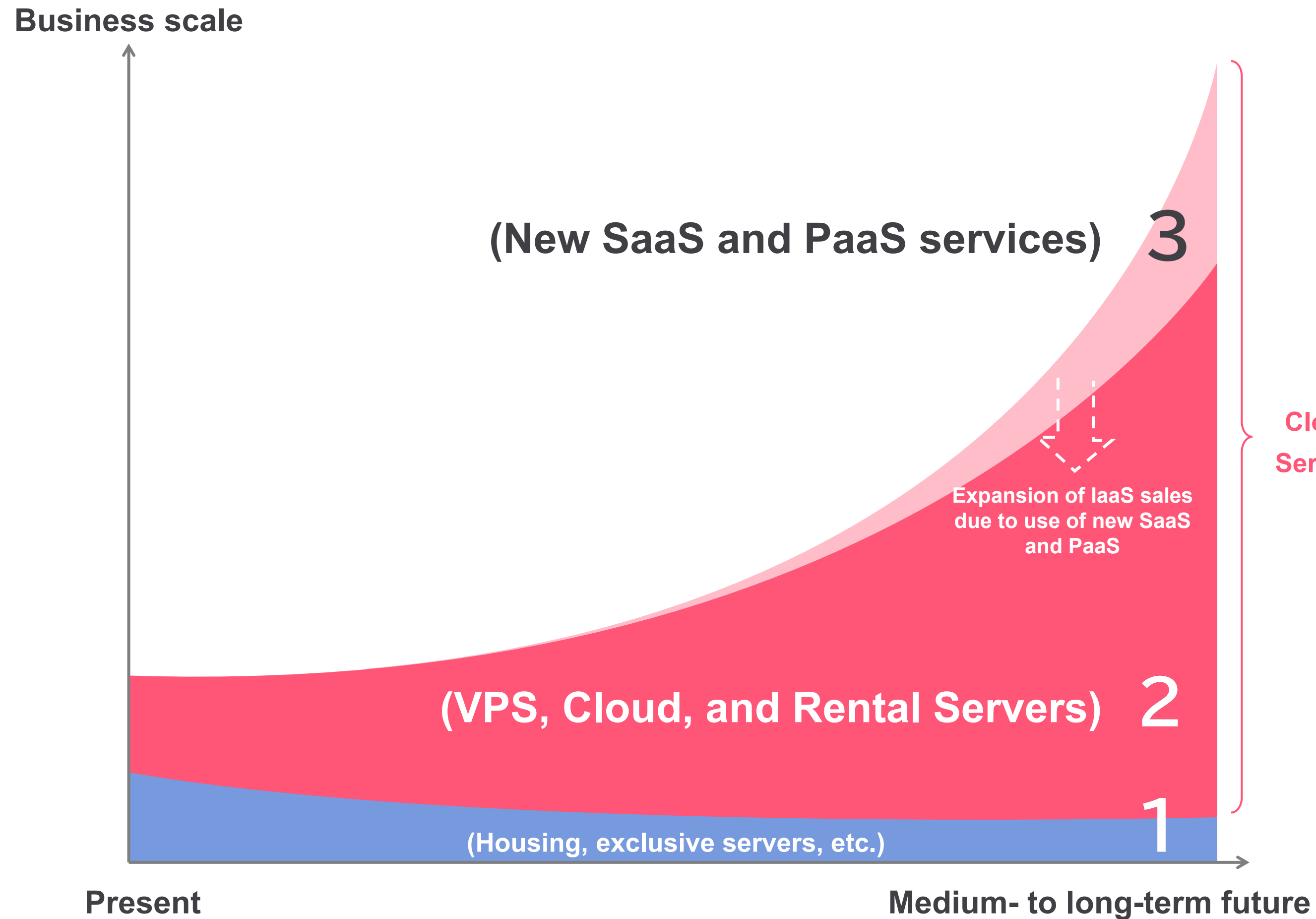
Increase advertising expenses



Continuing to strengthen marketing initiatives to further expand the customer base

- Digital marketing such as web advertising and owned media to promote sales and raise awareness of cloud services, holding events, etc.
- Holding events, sales promotion, etc. to increase awareness and promote utilization of the satellite data platform Tellus, etc.

Aim to expand the focus areas from IaaS to SaaS and PaaS services, and steadily seize business opportunities in growing areas, aiming for non-continuous growth and maximizing profits



3 New business that also serves as an entry point for core business

- Developing services in collaboration with other companies
- Tellus, IoT, and other areas to tackle

2 Further growth of existing core businesses

- Entering the Government Cloud business
- Increasing market share by strengthening customer support, marketing initiatives, and branding

1 Physical base services are shrinking

- Downsizing due to focus on existing core businesses

Earnings Forecasts for FY 3/2024

Aiming for higher revenue and profit, and further sustainable growth

Net sales Expect revenue increase through sustainable growth of cloud services

Income Increase profits through sales growth in highly profitable cloud services while continuing active investment for medium to long-term growth. Profits from spot projects and Group companies expected at the end of fiscal year.

(million yen)

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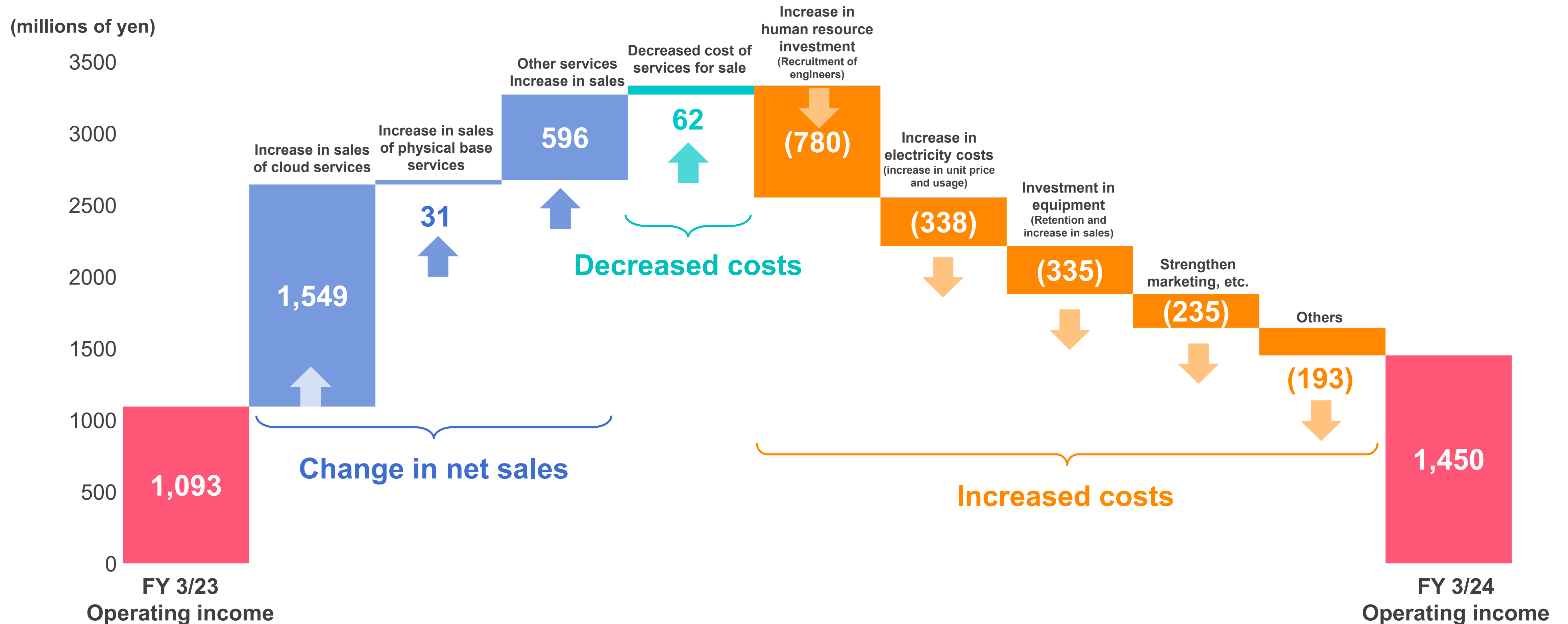
Accelerate the growth of cloud services

(Millions of yen)

Service category	FY 3/23 Actual	FY 3/24 Forecast		
	Amount	Amount	Change	Change (%)
Cloud services	11,840	13,390	1,549	13.1
Cloud infrastructure	7,991	9,320	1,328	16.6
Cloud application	3,849	4,070	220	5.7
Physical base service	3,638	3,670	31	0.9
Other services	5,143	5,740	596	11.6
Total	20,622	22,800	2,177	10.6

Focus on sales growth of cloud services and invest in human resources for medium- to long-term growth

Factors that affected operating income



Investment plan for FY 3/2024

- Investments will be made in equipment and replacements in line with sales growth, mainly for cloud services
 - * An increase in equipment procurement costs is included.

(100 millions of yen)

Details of investment	Budget
Data centers	3
Servers and network equipment	46
Others (systems and office-related, etc.)	1
Total	50

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

Recruitment plan for FY 3/2024

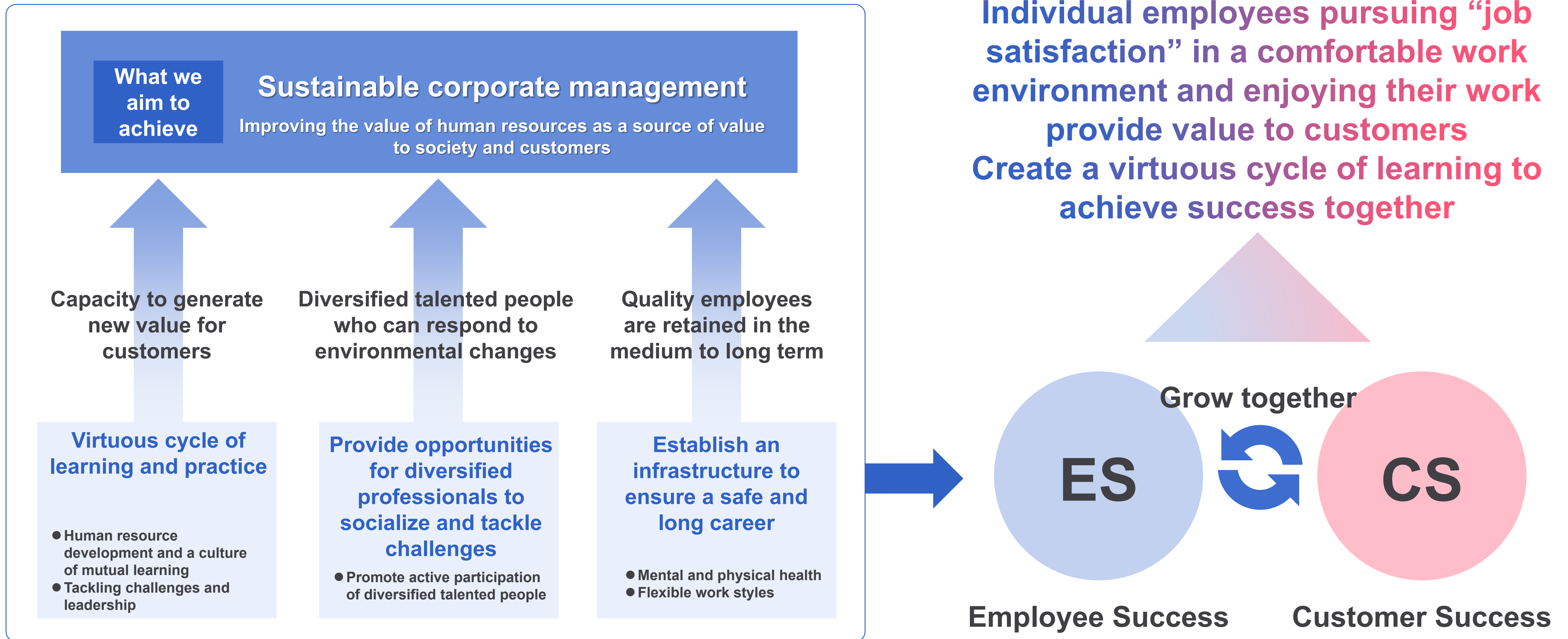
- The company will strengthen its human resources base to support medium- and long-term business growth

Increase in number of hires (plan)

100

Initiatives for human capital-oriented management

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

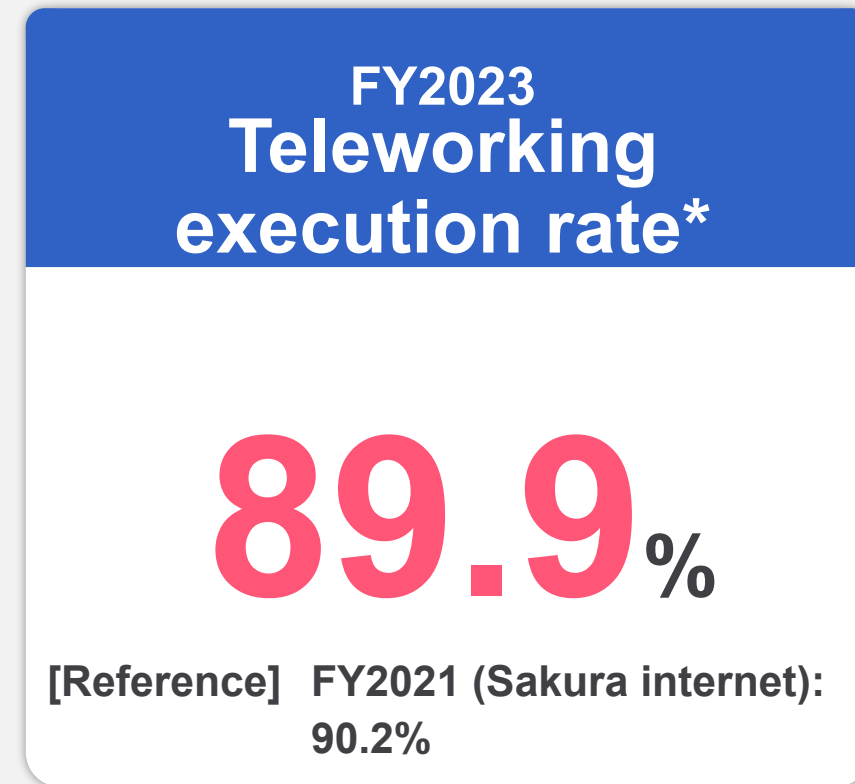


Initiatives for human capital-oriented management (to establish an infrastructure to ensure a safe and long career)

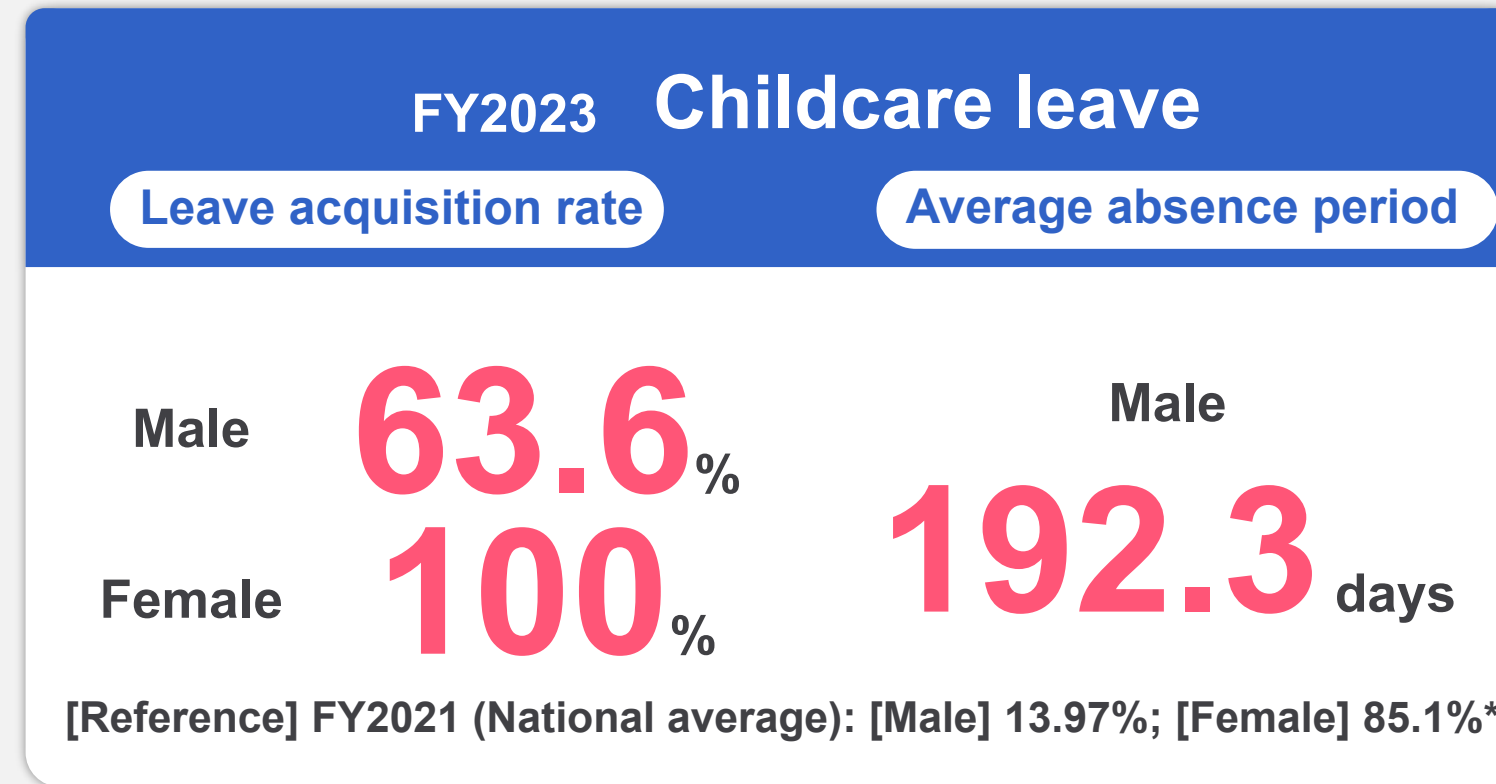


Pursuing both “job satisfaction” and “a comfortable work environment”

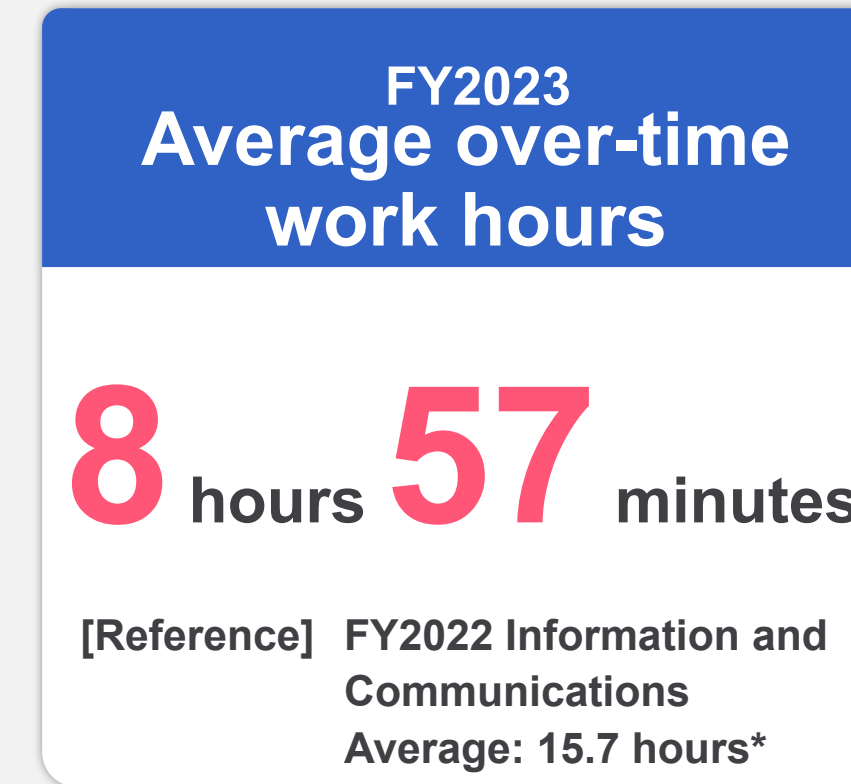
Continue to support diversified work styles including internal HR programs to promote teleworking and parallel careers. Improve the working environment and career development support system for working parents, focusing on boosting the ratio of women and active appointment of women in managerial positions



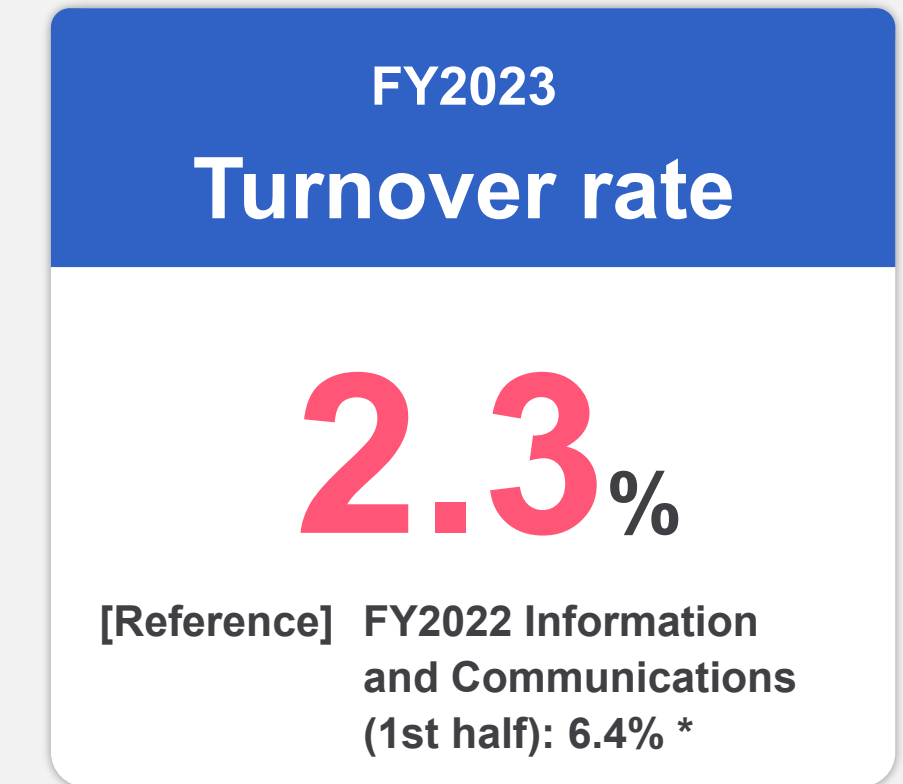
* Calculated for March 2023. Non-attendance rate



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



* Source: 2022 Monthly Labour Survey

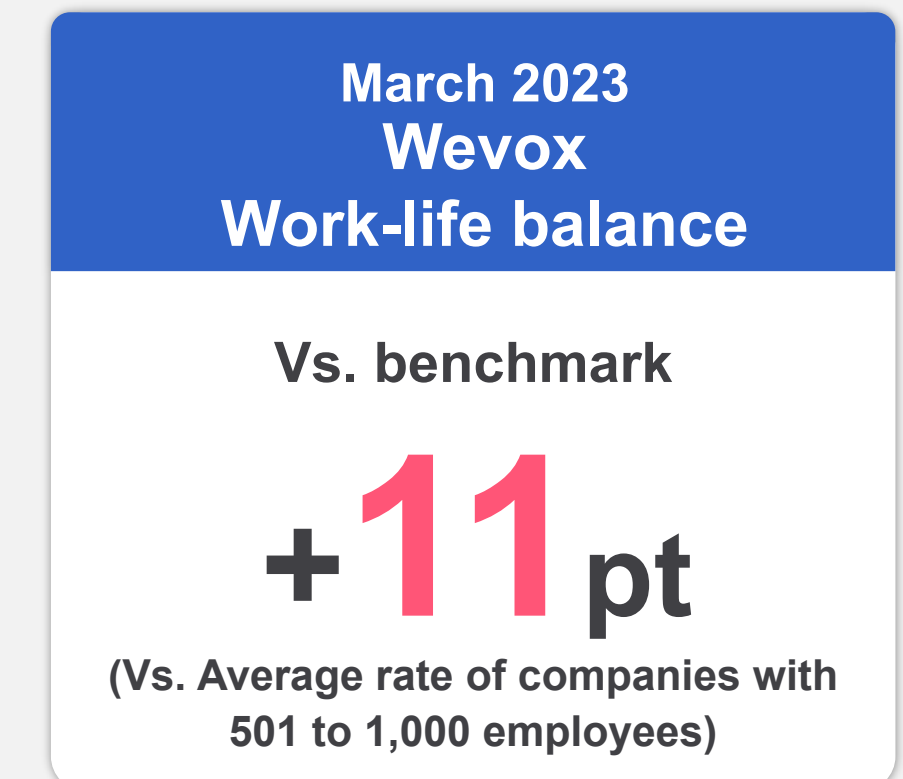


* Source: Survey on Employment Trends for the First Half of 2022

Achieve ES through visualizing the engagement status of employees

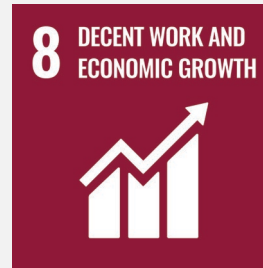
Introduced Wevox*, a tool to visualize the engagement status and the mental/physical health status of employees and perform surveys periodically. The results are used as a common view to improve the company, based on which we implement measures and actions to improve ES (Employee Success).

* Wevox: A tool to survey the engagement of employees (proactiveness and willingness of contribution to their department and responsibilities) provided by Atræ, Inc. Wevox delivers questionnaire results on the motivation and the mental/physical health status of persons who work with organizations, and analyses the historical changes and overall trends.



Efforts to establish a human capital-oriented management (for diversified professionals to socialize and tackle challenges/virtuous cycle of learning and practice)

Provide opportunities for diversified professionals to socialize and tackle challenges

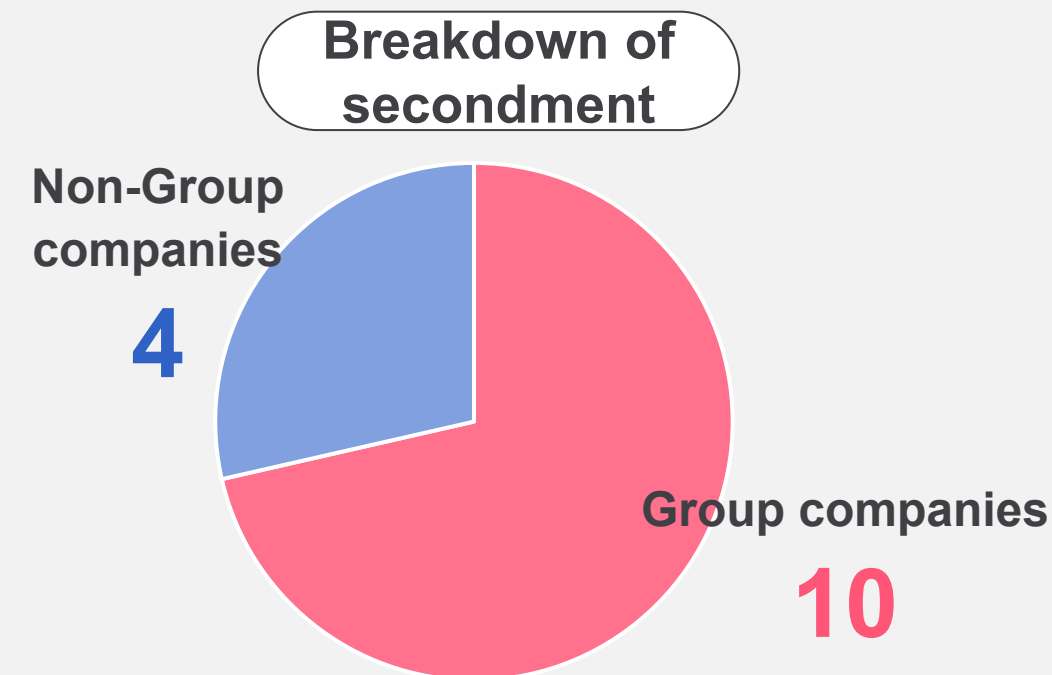
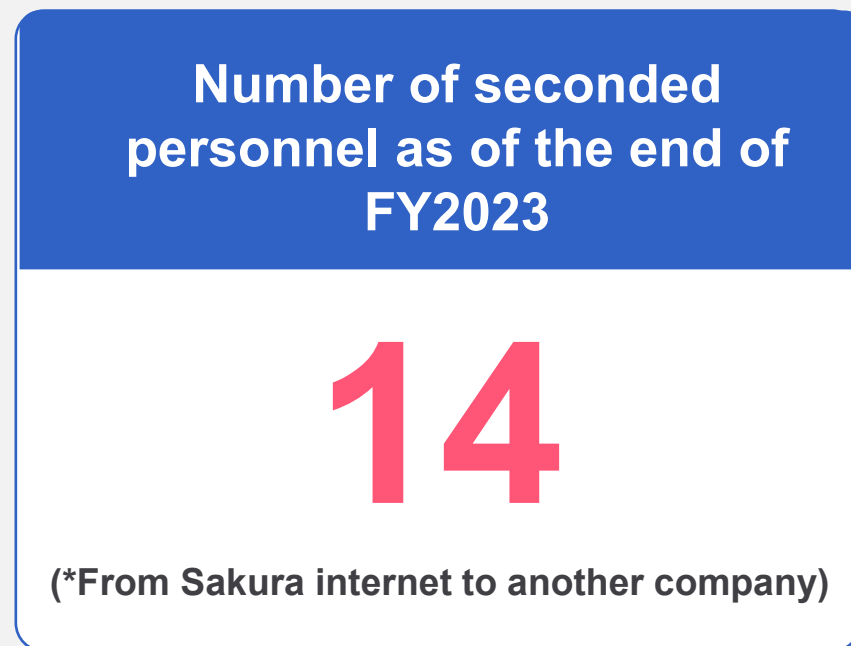


Create and support opportunities

New challenges through transfer and secondment

Create opportunities and an environment that allow for new challenges

Actively support what individuals wish to challenge, such as applying for internal job posting to request a transfer, mutual temporary transfer between industries, temporary transfer to Group companies, public administrations, and venture capital, etc. beyond boundaries of organization, career history and job type



CASE: Being involved in coordination and negotiation at a national institution

Our engineers were seconded to the Ministry of Land, Infrastructure, Transport and Tourism, where they engaged in coordination and negotiation with outsourcers, planning and execution including a needs survey. They took these opportunities to cultivate skills in different fields, which paved a path to a new career. A participant commented that he became open to challenging new things.

Virtuous cycle of learning and practice



DX promotion, and development and education of human resources in the digital field

Develop social contributions into industrial growth through mutual learning

Concluded a comprehensive collaborative agreement with the Institute of National Colleges of Technology

Sakura internet concluded a comprehensive collaborative agreement with the Institute of National Colleges of Technology in March 2023 on DX promotion and development and education of human resources in the digital field. Realized a partnership of teachers, students, and business people for co-working and co-creation through mutual learning. This will facilitate mutual utilization of human resources, technologies, and resources, etc. to develop social contributions into industrial growth.



Left: Kunihiro Tanaka, Founder & CEO, President
Right: Isao Taniguchi, President of the Institute of National Colleges of Technology

Initiatives

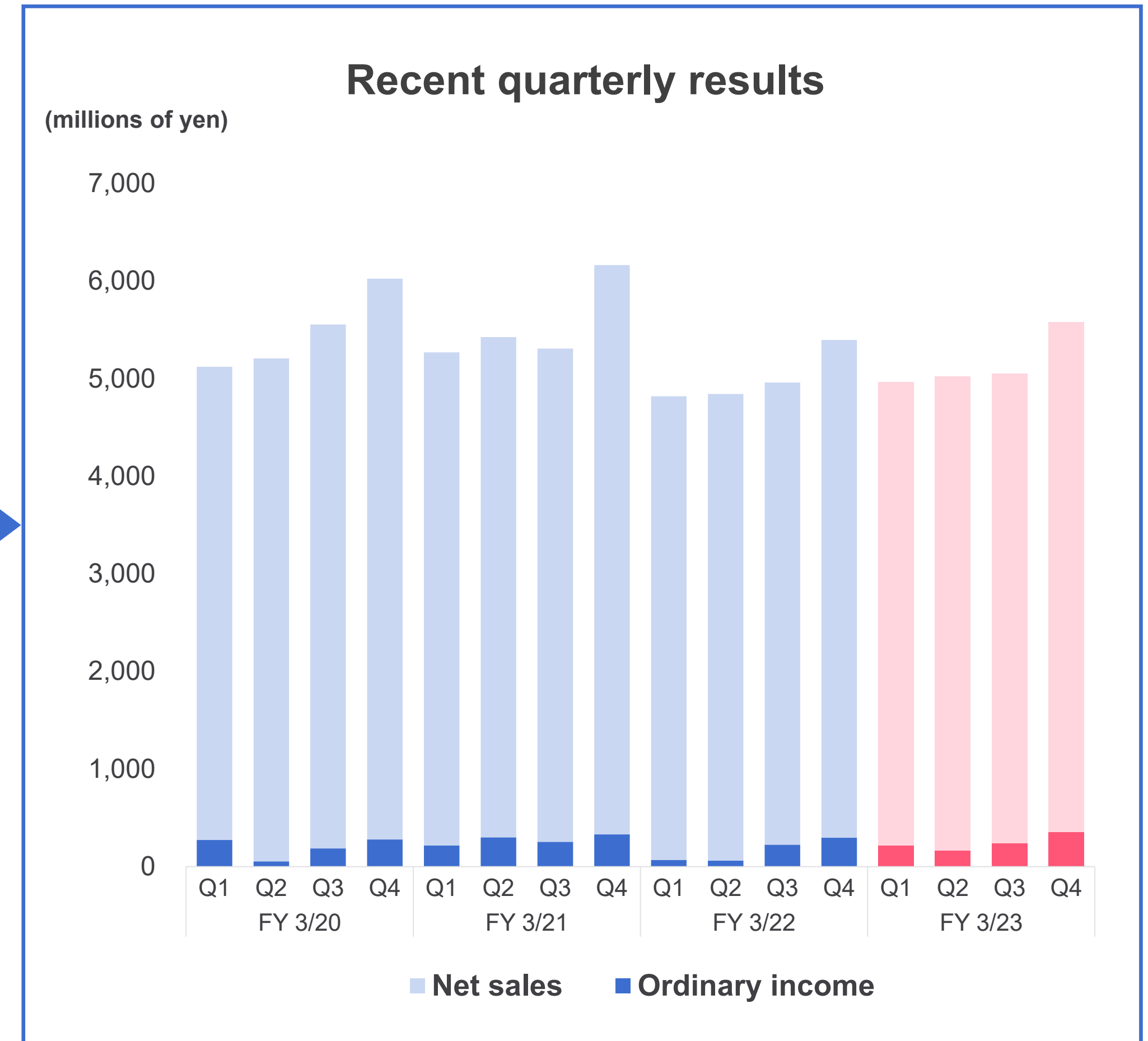
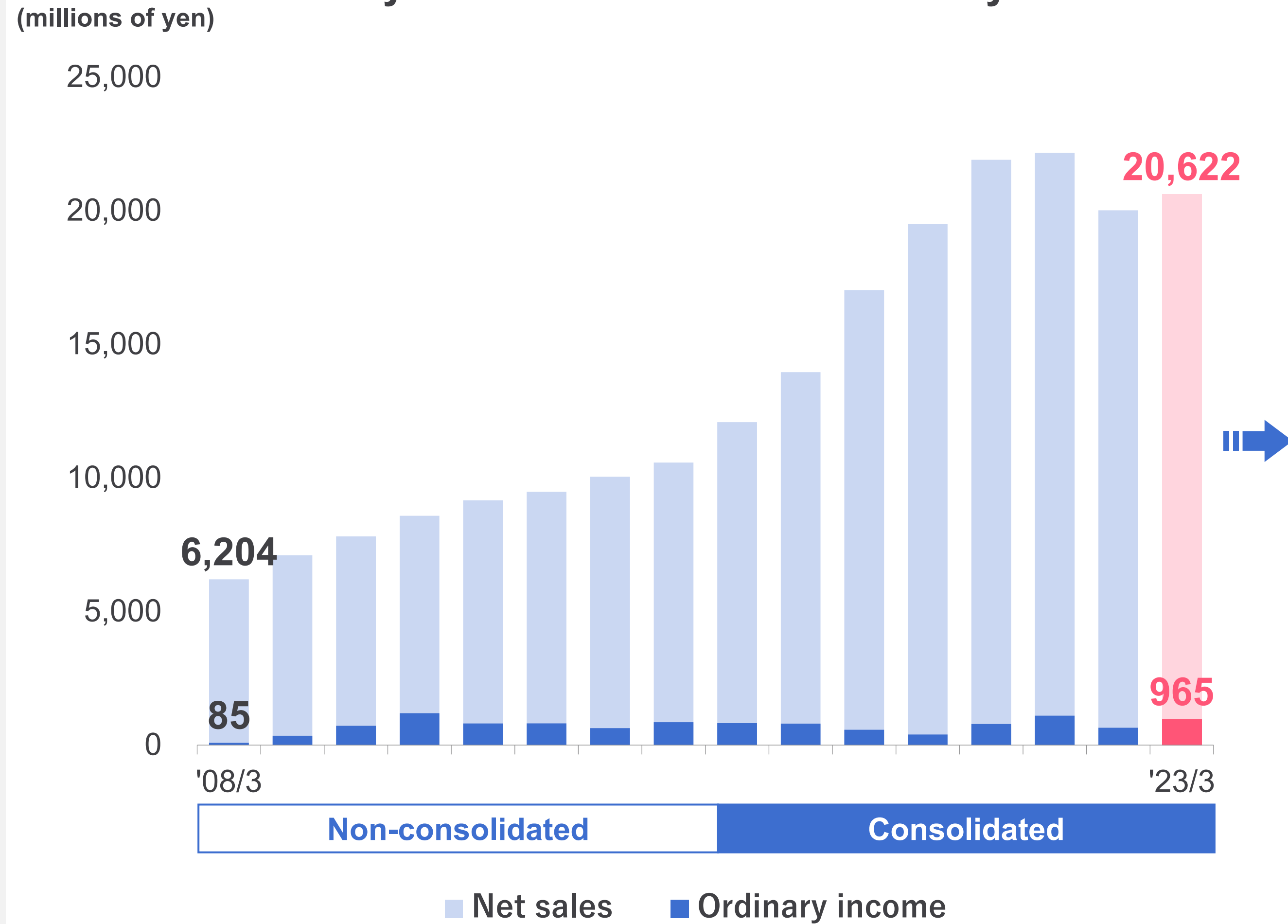
- People-to-people exchange through internship programs, etc.
- Hired as a lecturer of a technical college class
- Provided Sakura internet's service to technical college students as a training environment

What our employees have achieved

- Opportunity to experience things that differ from normal tasks
- Promoted reskilling by playing a role of a lecturer
- Can develop new career based on experience as a lecturer

appendix

History of net sales and ordinary income



* The figures for FY 3/2015 or older are from non-consolidated financial results, and those for Q1 FY 3/2016 or later are from consolidated financial results.

Consolidated Net Sales by Service Category (QoQ Change)

(Millions of yen)

Service category	FY 3/22				FY 3/23				QoQ change	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Change	Change (%)
Cloud services	2,652	2,707	2,773	2,830	2,883	2,906	2,985	3,065	80	2.7
Composition (%)	55.0	55.9	55.9	52.5	58.1	57.8	59.1	54.9		
Cloud infrastructure	1,735	1,777	1,845	1,881	1,935	1,954	2,029	2,071	42	2.1
Cloud application	917	930	927	949	947	951	956	993	37	3.9
Physical base service	1,162	1,135	1,108	1,089	935	909	902	889	(13)	(1.4)
Composition (%)	24.1	23.5	22.4	20.2	18.9	18.1	17.9	16.0		
Other services	1,004	999	1,078	1,475	1,144	1,209	1,165	1,623	457	39.3
Composition (%)	20.9	20.6	21.7	27.3	23.0	24.1	23.0	29.1		

- * 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

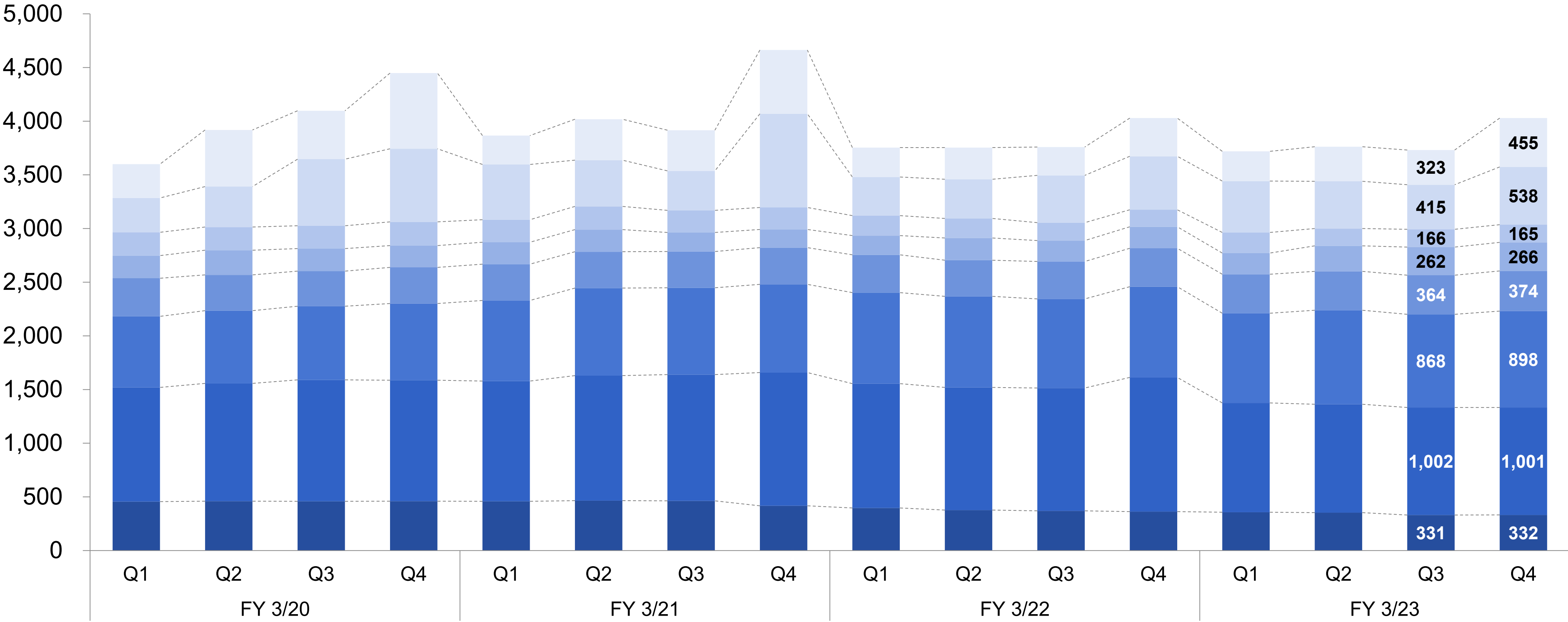
Consolidated Statement of Income (QoQ Change)

(Millions of yen)

Item	FY 3/22				FY 3/23				QoQ change	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Change	Change (%)
Net sales	4,819	4,842	4,960	5,396	4,964	5,025	5,054	5,578	524	10.4
Cost of sales	3,757	3,758	3,762	4,032	3,723	3,766	3,732	4,032	299	8.0
Gross profit	1,062	1,083	1,197	1,364	1,240	1,259	1,321	1,546	224	17.0
SG&A expenses	951	997	956	1,039	995	1,067	1,063	1,147	83	7.8
Operating income	111	86	241	324	244	191	257	399	141	54.9
Operating margin (%)	2.3	1.8	4.9	6.0	4.9	3.8	5.1	7.2		
Ordinary income	67	61	223	296	214	162	238	350	112	47.1
Profit (loss) attributable to owners of parent	50	(119)	146	197	142	104	170	248	78	45.9
EBITDA	895	897	1,047	1,233	939	890	970	1,094		

Breakdown of major costs

(millions of yen)



- Rent
- Depreciation/Lease payments
- Labor costs
- Communication expenses
- Electricity costs
- Repair expenses
- Cost of goods sold, etc.
- Others

Investments for FY 3/2023

(100 millions of yen)

Details of investment	Full-year plan	Full-year actual
Data centers	2	2
Servers and network equipment	22	17
Others (systems and office-related, etc.)	1	0
Total	25	20

* 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)
11	3	2	17

Number of personnel in FY 3/2023

Increased by 45 from the previous year end

[Number of persons hired]

	End of FY 3/22	End of FY 3/23
Number of employees*	710	755

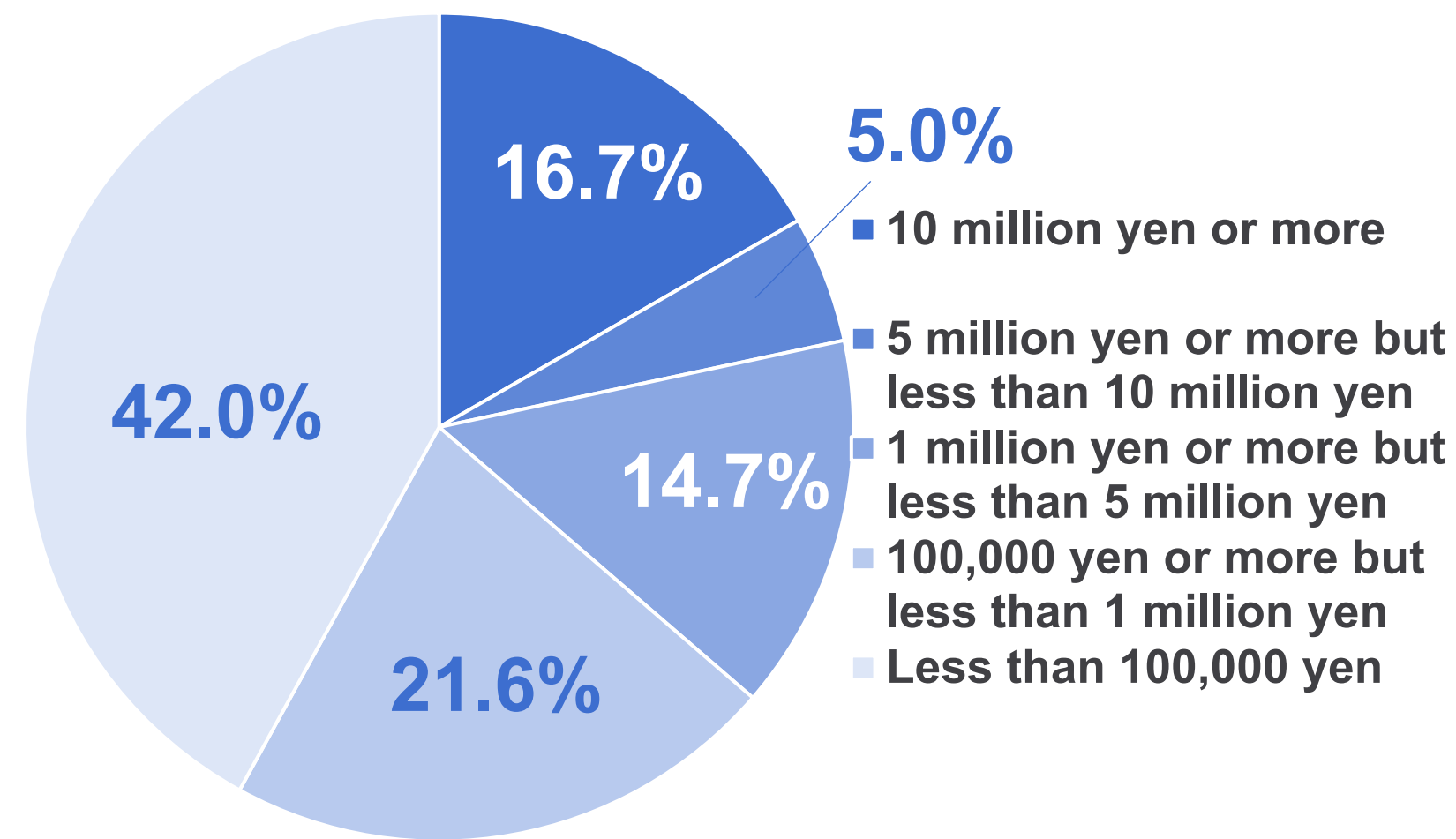
■ Breakdown of changes

		Change (persons)
SAKURA internet	Engineer	+28
	Sales/marketing/ new project planning	+9
	Administration	+9
Group companies		(1)
Total		45

* The figures exclude Sakura internet employees seconded to other companies and includes other companies' employees seconded to Sakura internet.

A diverse customer base in terms of sales size and industries

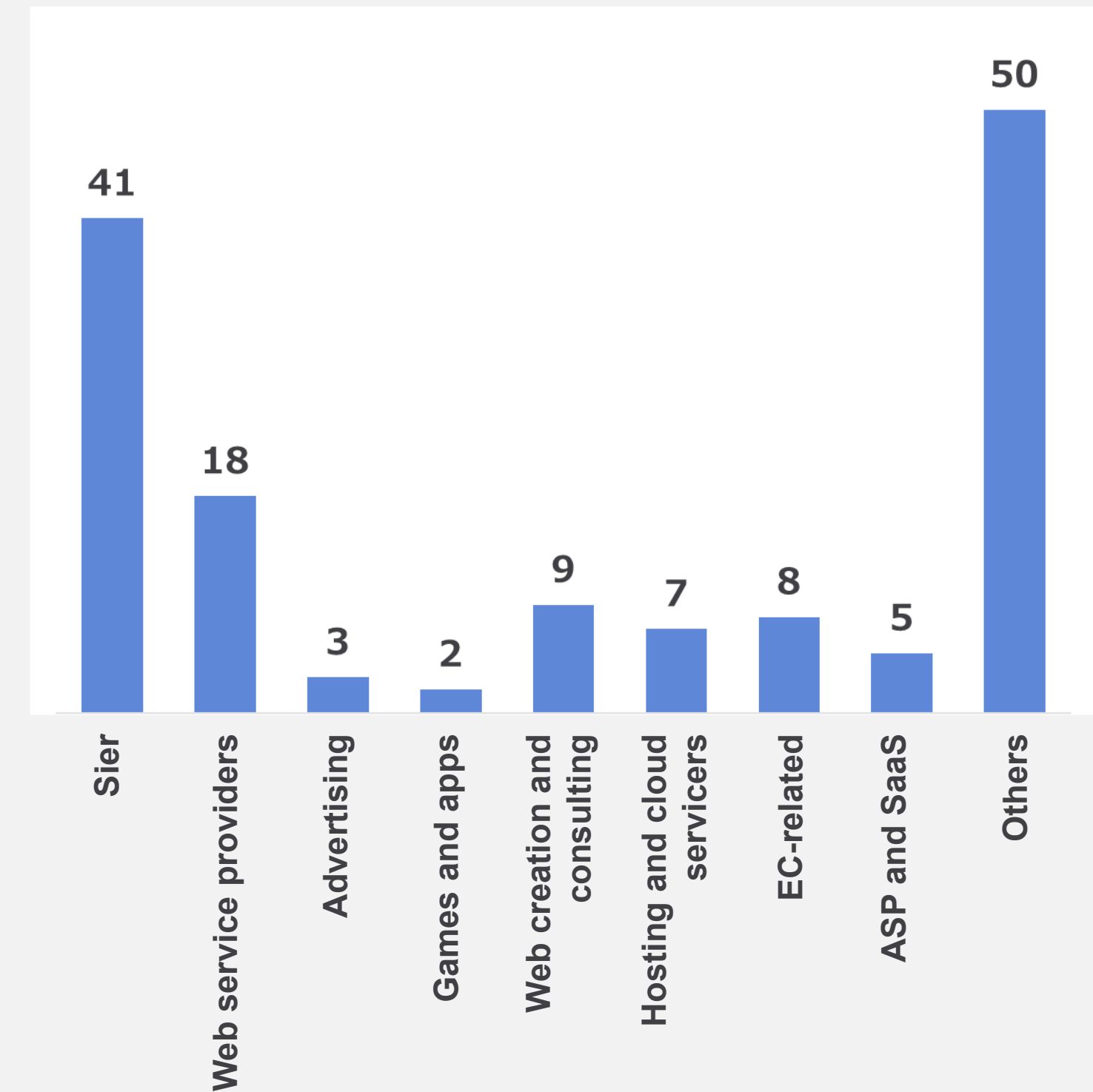
Breakdown by monthly fee
(Composition by sales)

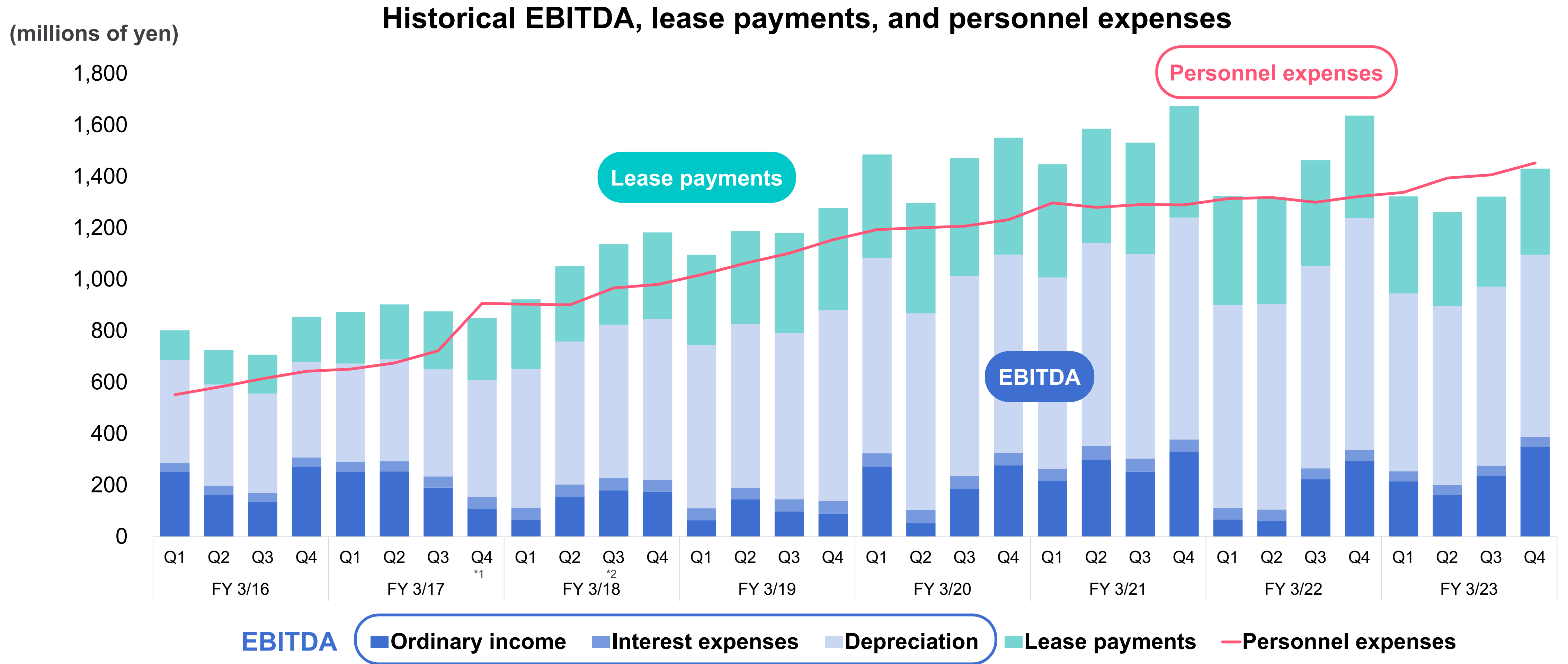


Monthly subscription fees	Number of customers			
	June 2022	Sept. 2022	Dec. 2022	Mar. 2023
10 million yen or more	4	6	7	8
5 million yen or more, up to 10 million yen	9	13	12	12
1 million yen or more, up to 5 million yen	108	110	118	123

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

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

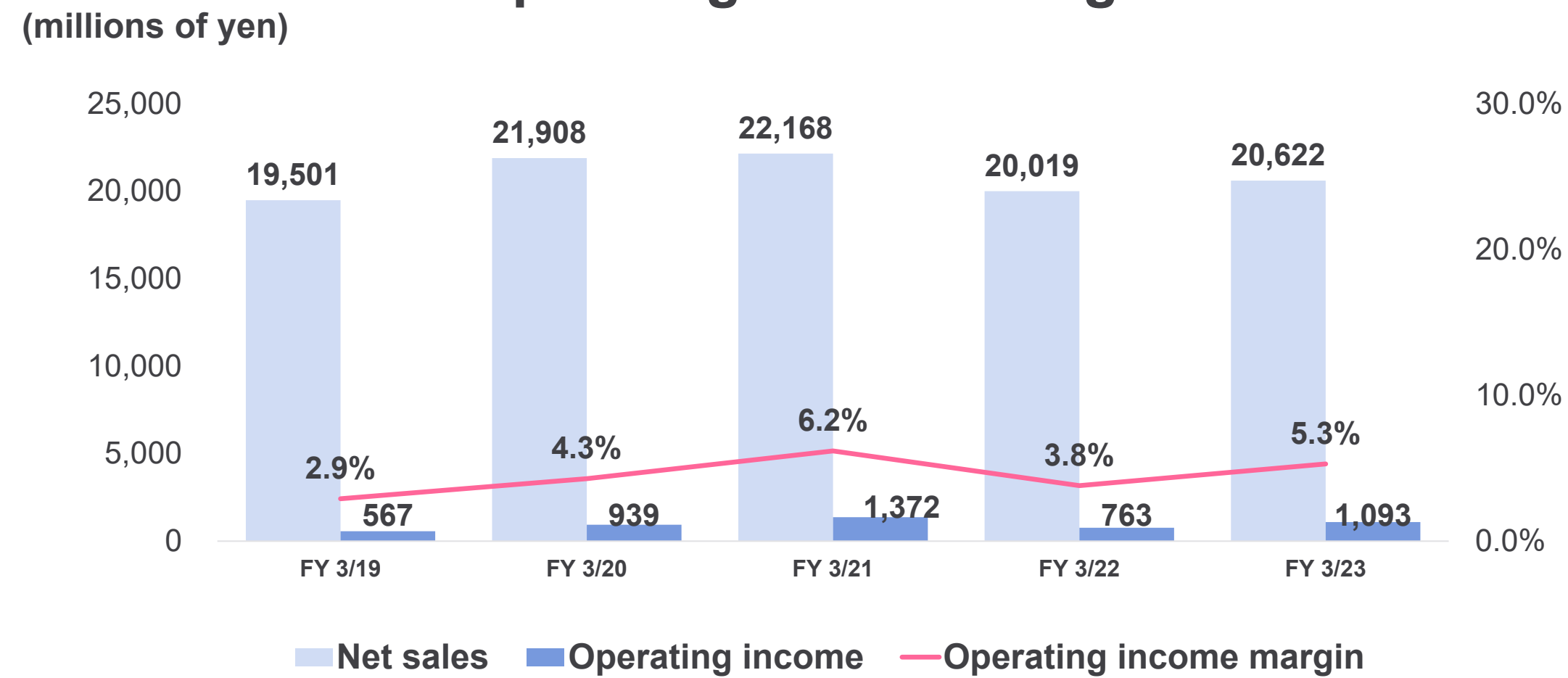




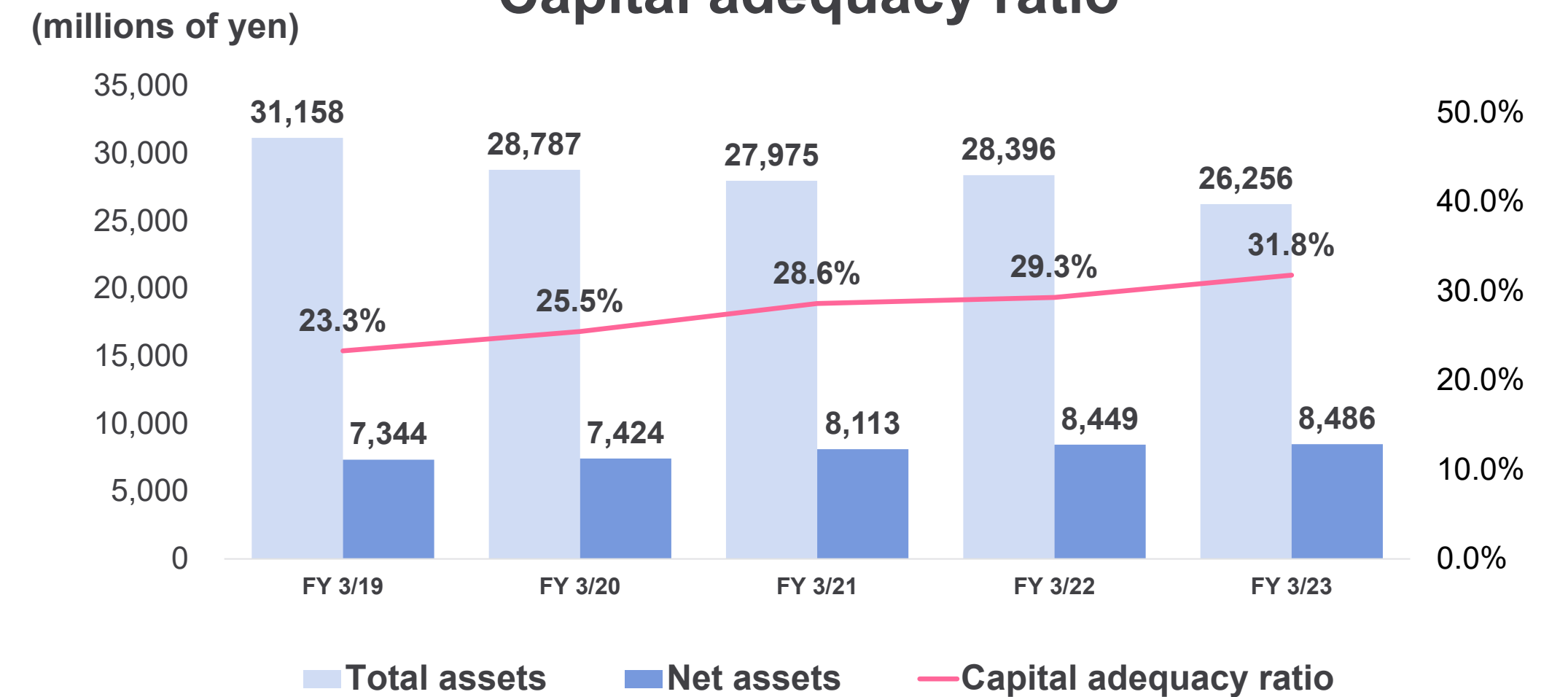
*1: ITM Inc. became a consolidated subsidiary of Sakura internet from the fourth quarter of FY 3/2017.

*2: bitstar Inc. was included in the consolidated profit and loss statement of Sakura internet from the third quarter of FY 3/2018.

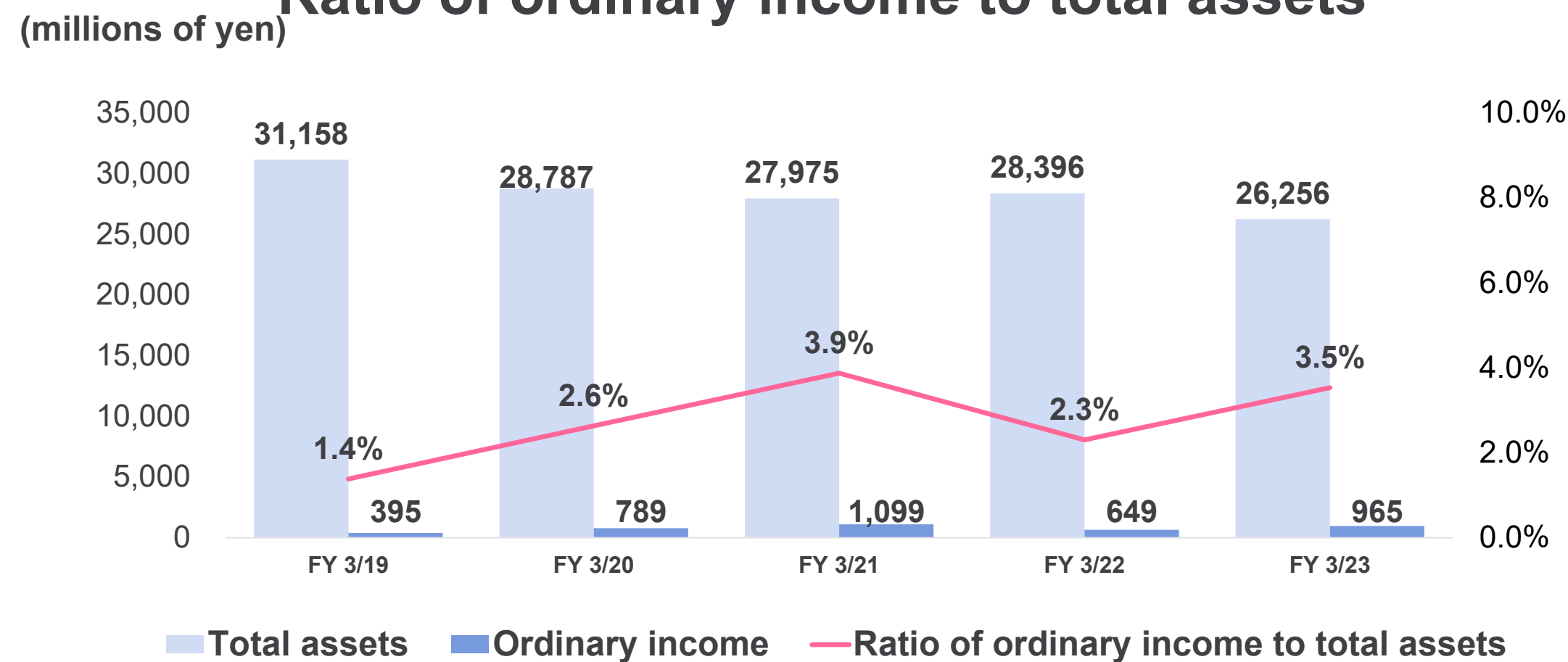
Operating income margin



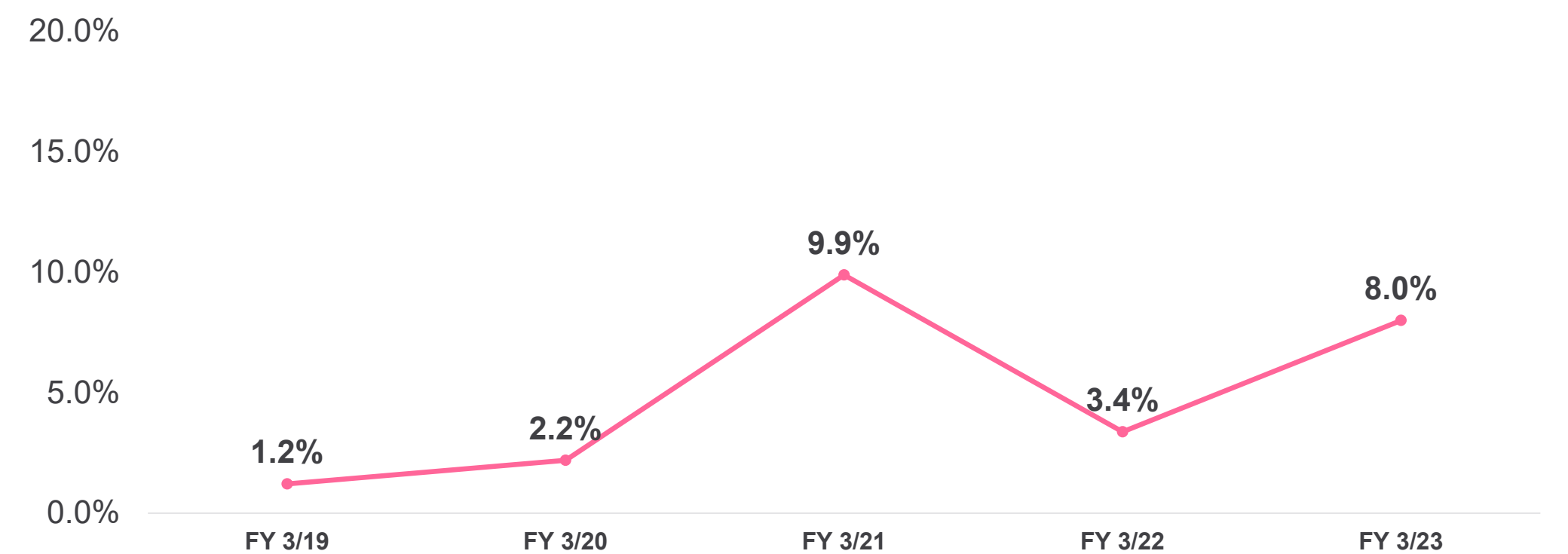
Capital adequacy ratio



Ratio of ordinary income to total assets



ROE



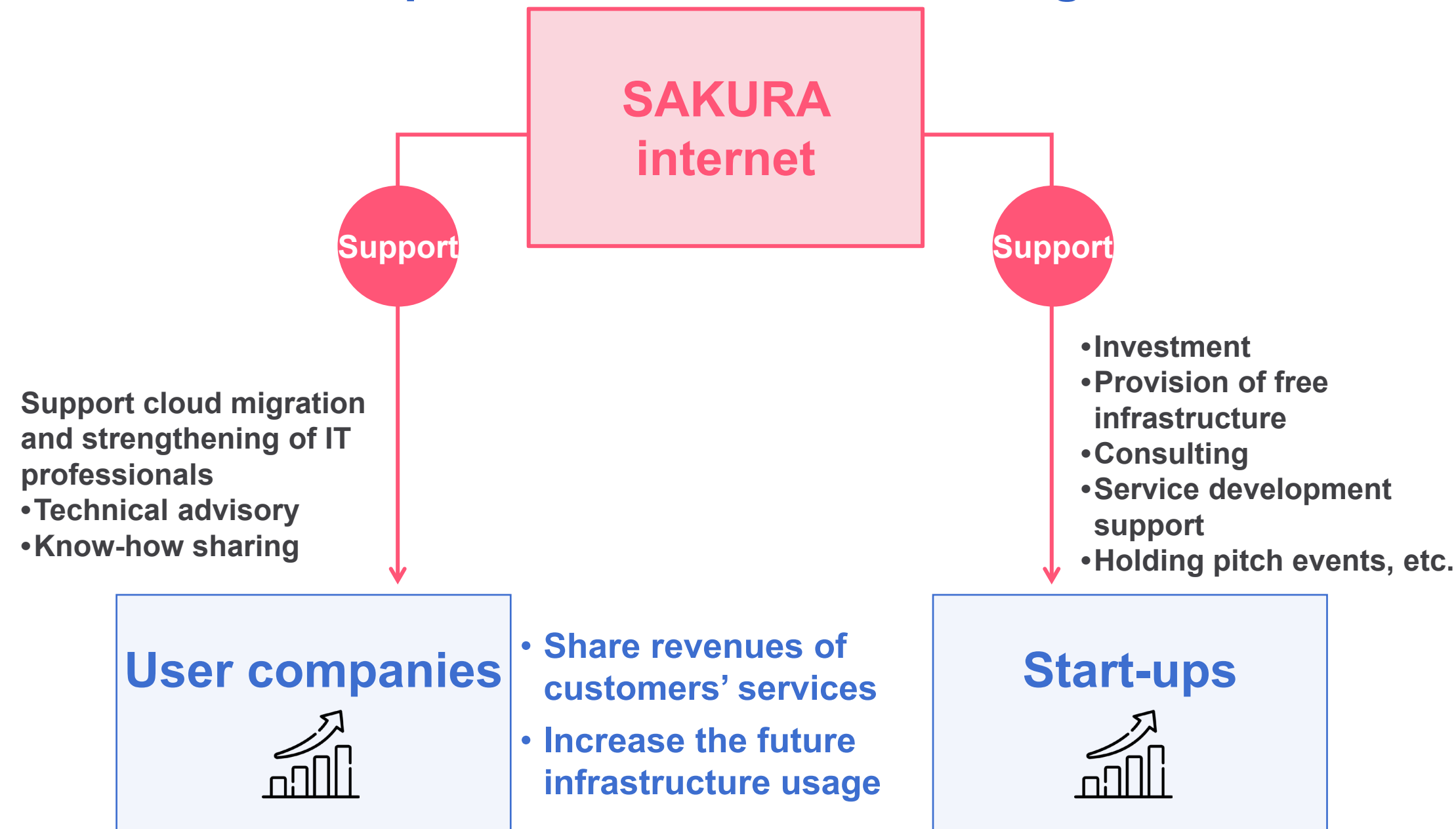
Promote multi-dimensional support to back up efforts of next-generation entrepreneurs

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.

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.



Decarbonization initiatives

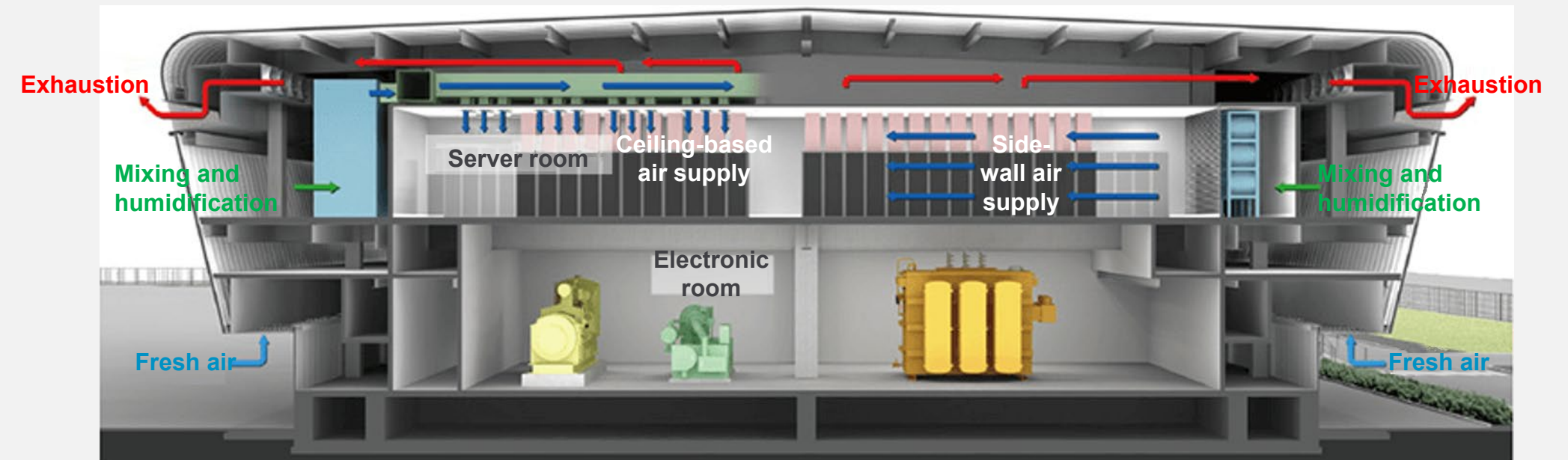
Shifted to an electricity contract of virtually 100% renewable energy with a non-fossil fuel certificate in June 2022. As a result, Ishikari Data Center achieved virtually zero annual CO₂ emissions due to the use of electricity.

Efforts to adopt air conditioning and transmission systems that take advantage of location

Tried to adopt an air conditioner that uses Hokkaido's fresh cold air and high-voltage direct current (HVDC*) transmission. Drastically reduced the energy consumption for air conditioning and improved the power supply efficiency.



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



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

* HVDC:
An abbreviation of High-Voltage Direct Current, referring to a transmission method using high-voltage direct current. HVDC 12V is a method by using a central power source to step down HVDC over 300 V to 12 V, and this is then directly supplied to servers.

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 (The company was established on August 17, 1999)
Date of listing	October 12, 2005 (TSE Mothers) November 27, 2015 (Transferred to TSE 1st Section (currently TSE Prime))
Share capital	2,256,920,000 yen
Number of employees	755 (consolidated)

(Note : as of the end of March 2023)



■ IR Contact

IR information inquiry form

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

E-mail: ir@sakura.ad.jp

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