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January 31 2024

## Summary of Financial Results for the Third Quarter Ended December 31, 2023 (Consolidated)

Company name: SAKURA internet Inc.  
 Listing: Tokyo Stock Exchange  
 Securities code: 3778  
 URL: <https://www.sakura.ad.jp>  
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 Scheduled date to file quarterly report: February 8, 2024  
 Scheduled date to commence dividend payment: —  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: No

(Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Consolidated financial results for the nine months ended December 31, 2023 (from April 1, 2023, to December 31, 2023)

#### (1) Consolidated operating results (YTD) (%: Changes from the corresponding period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2023	15,658	4.1	448	(35.4)	319	(48.1)	304	(27.2)
Nine months ended December 31, 2022	15,043	2.9	694	58.1	615	74.4	414	438.5

Note: Comprehensive income  
 Nine months ended December 31, 2023 ¥381million [8.0%]  
 Nine months ended December 31, 2022 ¥414 million 413.4%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2023	8.52	-
Nine months ended December 31, 2022	11.42	-

#### (2) Consolidated financial conditions

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
Nine months ended December 31, 2023	30,802	8,934	28.4
Fiscal year ended March 31, 2023	26,256	8,486	31.8

Reference: Shareholders' equity  
 Nine months ended December 31, 2023 ¥8,756 million  
 Fiscal year ended March 31, 2023 ¥8,348 million

## 2. Cash dividends

	Cash dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	0.00	-	3.50	3.50
Fiscal year ending March 31, 2024	-	0.00	-		
Fiscal year ending March 31, 2024 (forecast)				3.50	3.50

Note: Revisions to the most recently announced dividend forecast: None

## 3. Consolidated forecast for the fiscal year ending March 31, 2024 (from April 1, 2023, to March 31, 2024)

(%: Changes from the corresponding period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	22,800	10.6	1,450	32.7	1,300	34.6	850	27.5	23.81

Note: Revisions to the most recently announced dividend forecast: None

The Company disposed of treasury shares as restricted share compensation on July 7, 2023. "Net income per share" in the consolidated earnings forecast takes this effect into consideration.

### \* Notes:

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2023 (changes in specified subsidiaries resulting in the change in scope of consolidation): None  
 Newly included: - company  
 Excluded: - company
- (2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
  - (i) Changes in accounting policies due to revisions to accounting standards and other regulations : None
  - (ii) Changes in accounting policies due to other reasons: None
  - (iii) Changes in accounting estimates : None
  - (iv) Restatement: None

### (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

Nine months ended December 31, 2023	37,620,700 shares
Fiscal year ended March 31, 2023	37,620,700 shares

- (ii) Number of treasury shares at the end of the period

Nine months ended December 31, 2023	1,911,815 shares
Fiscal year ended March 31, 2023	1,958,144 shares

- (iii) Average number of shares of common stock during the nine months

Nine months ended December 31, 2023	35,692,543 shares
Nine months ended December 31, 2022	36,560,511 shares

Note: The Company has introduced Stock Benefit Trust (J-ESOP). The shares of the Company's stock held by the Stock Benefit Trust are included in treasury shares which are deducted when calculating the number of treasury shares at year-end and the average number of shares during period.

\* Financial results reports are exempt from a quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special matters

1. These forward-looking statements, including forecasts, in this material are based on data currently available to management and certain assumptions that management believes are reasonable, and are not intended as a guarantee that the Company will achieve these targets. The actual results may differ materially from those projected herein depending on various factors. For the conditions underlying earnings forecasts and notes on using earnings forecasts, please refer to "(3) Explanation of consolidated earnings forecasts and other forward-looking information" in "1. Qualitative information on the quarterly financial results" on page 3 of the attached document.

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1. Qualitative information on the quarterly financial results

(1) Explanation of operating results

During the nine months ended December 31, 2023, there has been an expectation for a moderate economic recovery to continue partly due to the positive effect of various policies as the employment and income situation improved. However, slowdowns in overseas economies, mainly due to the adverse effect of continued global monetary tightening and concern over the outlook for China's economy, have been a risk that may weigh down Japan's economy. In addition, careful attention must be paid to the effects of price hikes, the situation in the Middle East, and fluctuations in financial and capital markets.

As digital transformation progresses, almost all companies are expected to accelerate the use of a third platform (Cloud, Mobility, Big data, Social technologies) and migrate their IT infrastructure to a cloud based one on a full scale. We anticipate that the cloud Internet infrastructure market, to which the Group belongs, will continue to expand as expectations for a domestic public cloud are growing.

In these circumstances, the Group aims to support the realization of what customers "want to do" by providing the Group's one-stop services from system integration and development to provision, maintenance, operation and customer support, etc. of internet infrastructure services. With the main goal of realizing the success of more than 480,000 existing customers and potential customers, the Company focuses on expanding cloud-services that have high growth potential in the future.

Net sales were 15,658,998 thousand yen (up 4.1% YoY) mainly due to the steady growth of cloud-services sales.

Operating profit fell to 448,584 thousand yen (down 35.4% YoY) mainly due to the accelerated functional development of cloud services to an advanced level and the enhancement of recruitment and marketing activities, etc. for sales promotion, despite the increase in net sales.

Ordinary profit was 319,732 thousand yen (down 48.1% YoY) mainly due to a decrease in operating profit.

Profit attributable to owners of parent was 304,004 thousand yen (down 27.2% YoY) mainly due to a decrease in ordinary profit, despite recording a gain on sale of investment securities.

Sales by service category are as follows:

(i) Cloud-Services

Net sales of cloud-services were 9,453,030 thousand yen (up 7.7% YoY) mainly owing to the favorable performance of SAKURA's cloud and VPS..

(ii) Physical base services

Net sales of physical base services were 2,689,609 thousand yen (down 2.1% YoY), mainly due to the shift to other services and cancelations.

(iii) Other services

Net sales of other services were 3,516,358 thousand yen (down 0.1% YoY), mainly due to a decrease in sales of Group companies.

(2) Overview of financial condition

Assets, liabilities and net assets at the end of the nine months ended December 31, 2023, and the factors affecting them are as follows:

(i) Assets

The balance of total assets at the end of the nine months ended December 31, 2023, grew 4,546,293 thousand yen (up 17.3% YoY) to 30,802,403 thousand yen. This was mainly due to an increase in property, plant and equipment as a result of procuring service equipment for GPU cloud services, etc.

(ii) Liabilities

Total liabilities at the end of the nine months ended December 31, 2023, were up 4,097,872 thousand yen (up 23.1% YoY) to 21,867,843 thousand yen. This was mainly due to an increase in accounts payable-facilities relating to service equipment.

(iii) Net assets

The balance of net assets at the end of the nine months ended December 31, 2023, rose 448,421 thousand yen (up 5.3% YoY) to 8,934,560 thousand yen. This was mainly due to an increase in retained earnings associated with the recording of profit attributable to owners of parent.

(3) Explanation of consolidated earnings forecasts and other forward-looking information

Consolidated net sales, operating profit, and ordinary profit for the nine months ended December 31, 2023, achieved the expected level, while profit attributable to owners of parent was greater than expected because the Company sold partial holdings in ABEJA, Inc. which went public and recorded a gain on sale of investment securities.

Thanks to sales from GPU cloud services that will occur from the fourth quarter, the Company will report net sales mostly as expected toward the fiscal year end, driven by a high growth target. Nevertheless, as it plans to make a prior investment to enable business growth in and after the next fiscal year, the consolidated earnings forecasts for the fiscal year ending March 31, 2024, are unchanged from those publicized in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Japanese GAAP) dated April 27, 2023.

Note: If a revision of the earnings forecasts is considered necessary in accordance with future business developments, the Company will announce it immediately.

## 2. Consolidated Quarterly Financial Statements and Major Notes

## (1) Consolidated quarterly balance sheets

(Thousands of yen)

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Nine months ended December 31, 2023 (as of December 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	4,810,628	5,246,571
Accounts receivable–trade	2,392,419	2,488,324
Merchandise and finished goods	13,384	15,917
Supplies	526,641	612,152
Other	1,201,459	1,601,945
Allowance for doubtful accounts	(13,545)	(14,856)
<b>Total current assets</b>	<b>8,930,987</b>	<b>9,950,055</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,899,139	6,531,279
Tools, furniture and fixtures, net	1,981,395	4,665,479
Leased assets, net	5,176,950	6,076,458
Other, net	658,617	671,079
<b>Total property, plant and equipment</b>	<b>14,716,102</b>	<b>17,944,296</b>
Intangible assets		
Other	508,025	491,910
<b>Total Intangible assets</b>	<b>508,025</b>	<b>491,910</b>
Investments and other assets		
Other	2,106,718	2,421,685
Allowance for doubtful accounts	(5,724)	(5,544)
<b>Total investments and other assets</b>	<b>2,100,994</b>	<b>2,416,141</b>
<b>Total non-current assets</b>	<b>17,325,122</b>	<b>20,852,348</b>
<b>Total assets</b>	<b>26,256,109</b>	<b>30,802,403</b>

(Thousands of yen)

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Nine months ended December 31, 2023 (as of December 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	917,034	627,437
Short-term borrowings	320,000	481,667
Current portion of long-term borrowings	813,183	813,554
Income taxes payable	230,986	42,276
Advances received	4,864,278	4,646,630
Provision for bonuses	390,795	228,645
Provision for bonuses for directors (and other officers)	6,750	-
Other	2,297,485	6,917,089
<b>Total current liabilities</b>	<b>9,840,514</b>	<b>13,757,299</b>
Non-current liabilities		
Long-term borrowings	2,662,253	2,116,540
Lease liabilities	4,537,003	5,246,639
Asset retirement obligations	680,274	682,420
Provision for share awards	28,666	51,741
Other	21,258	13,201
<b>Total non-current liabilities</b>	<b>7,929,456</b>	<b>8,110,543</b>
<b>Total liabilities</b>	<b>17,769,970</b>	<b>21,867,843</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,256,921	2,256,921
Capital surplus	1,378,747	1,481,332
Retained earnings	5,847,035	6,025,262
Treasury shares	(1,145,475)	(1,118,373)
<b>Total shareholders' equity</b>	<b>8,337,228</b>	<b>8,645,142</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,632	101,993
Foreign currency translation adjustment	7,024	9,634
Deferred gains or losses on hedges	(175)	7
<b>Total accumulated other comprehensive income</b>	<b>11,482</b>	<b>111,635</b>
Non-controlling interests	137,428	177,782
<b>Total net assets</b>	<b>8,486,139</b>	<b>8,934,560</b>
<b>Total liabilities and net assets</b>	<b>26,256,109</b>	<b>30,802,403</b>

## (2) Consolidated quarterly statement of income and consolidated quarterly statement of comprehensive income

## Consolidated quarterly statement of income

Nine months ended December 31, 2023

(Thousands of yen)

	Nine months ended December 31, 2022 (From April 1, 2022, to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023, to December 31, 2023)
Net sales	15,043,950	15,658,998
Cost of sales	11,222,525	11,633,851
Gross profit	3,821,425	4,025,146
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	1,761	1,574
Salaries and allowances	1,044,526	1,186,845
Provision for bonuses	88,785	96,041
Other	1,992,322	2,292,100
Total selling, general and administrative expenses	3,127,396	3,576,562
Operating profit	694,028	448,584
Non-operating income		
Interest income	24	31
Share of profit of entities accounted for using equity method	4,654	-
Reversal of allowance for doubtful accounts	998	444
Outsourcing service income	10,545	9,773
Gain on sale of crypto assets	8,759	-
Secondment income	15,889	13,531
Other	27,970	23,654
Total non-operating income	68,842	47,436
Non-operating expenses		
Interest expenses	116,243	128,380
Share of loss of entities accounted for using equity method	-	7,041
Other	31,034	40,866
Total non-operating expenses	147,277	176,288
Ordinary profit	615,593	319,732
Extraordinary income		
Gain on sale of non-current assets	3,759	5,868
Gain on sale of investment securities	-	61,318
Total extraordinary income	3,759	67,186
Extraordinary losses		
Loss on retirement of non-current assets	4,152	1,349
Loss on cancellation of leases	1,314	114
Total extraordinary losses	5,466	1,463
Profit before income taxes	613,886	385,454
Income taxes - current	104,947	124,028
Income taxes - deferred	99,532	(20,106)
Total income taxes	204,479	103,921
Profit	409,406	281,533
Net loss attributable to non-controlling interests	(8,235)	(22,471)
Profit attributable to owners of parent	417,641	304,004



## Consolidated quarterly statement of comprehensive income

Nine months ended December 31, 2023

(Thousands of yen)

	Nine months ended December 31, 2022 (From April 1, 2022, to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023, to December 31, 2023)
Profit	409,406	281,533
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24	91,105
Deferred gains or losses on hedges	(1,315)	182
Foreign currency translation adjustment	2,639	2,609
Share of other comprehensive income of entities accounted for using equity method	4,114	6,255
Total other comprehensive income	5,462	100,153
Comprehensive income	414,868	381,686
(Breakdown)		
Comprehensive income attributable to owners of parent	423,104	404,158
Comprehensive income attributable to non-controlling interests	(8,235)	(22,471)

(3) Notes to consolidated quarterly financial statements

(Notes on the assumption of going concern)

There are no applicable matters to be reported.

(Notes on significant changes in the amount of shareholders' equity)

There are no applicable matters to be reported during the nine months ended December 31, 2023.

(Significant subsequent events)

(Borrowing of a large amount of funds)

Pursuant to the resolution at the meeting of the Board of Directors held on November 21 2023, on January 12, 2024 the Company concluded a syndicated term loan agreement with commitment period to finance the equipment investment of its GPU cloud services as follows. Under this agreement, the Company borrowed 1,600 million yen on January 31, 2024.

1. Contract overview

(i) Principal amount	8,000 million yen
(ii) Contract form	Syndicated loan with commitment period
(iii) Contract date	January 12, 2024
(vi) Commitment period	From January 17, 2024 to December 30, 2024
(v) Maturity date	December 30, 2026
(vi) Applicable interest rate	Reference rate + spread
(vii) Collateral/guarantee	Not available
(viii) Arranger and agent	Sumitomo Mitsui Banking Corporation
(ix) Co-arranger	Mizuho Bank, Ltd.
(x) Lenders	Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., North Pacific Bank, Ltd., The Hokkaido Bank, Ltd., and The Bank of Kyoto, Ltd.

(xi) Finance maintenance covenants

1. The Borrower shall maintain the total amount of net assets stated in the consolidated balance sheet as of the last day of the fiscal year ending March 31, 2024 and the last day of each subsequent business year at an amount equivalent to 75% of the total amount of net assets stated in the consolidated balance sheet as of the last day of the fiscal year ended March 31, 2023, or an amount equivalent to 75% of the total amount of net assets stated in the consolidated balance sheet as of the last day of the most recent business year, whichever is higher.
2. The Borrower shall not recognize operating loss stated in the consolidated statement of income as of the last day of the fiscal year ending March 31, 2024 and the last day of each subsequent business year for two consecutive years.

2. Reasons for borrowing

The Company concluded a syndicated term loan agreement with commitment period to finance the equipment investment of its GPU cloud services referred to in "Notice

regarding certification from the Ministry of Economy, Trade and Industry for the Company's plan to secure the supply of Cloud Programs" announced on June 16, 2023, and "Notice regarding additional investment in GPU cloud services" announced on August 21, 2023.

(Significant capital investment)

The Company resolved at a meeting of the Board of Directors held on January 31, 2024 to make an additional investment in Ishikari Data Center.

1. Purpose of capital investment

The Company resolved to install container-type data centers at the planned site of Building 4 at Ishikari Data Center in order to provide GPU cloud services following certification by the Ministry of Economy, Trade and Industry for the Company's plan to secure the supply of "Cloud Programs," and expand the floor space of Zone A in Building 3 to achieve sustainable growth of existing services. The installation of container-type data centers will be financed by borrowing from financial institutions, and the development of Zone A in Building 3 at Ishikari Data Center will be financed by borrowing or leasing from financial institutions.

2. Details of capital investment

(1) Container-type data centers at Ishikari Data Center

(i) Address Ishikari City, Hokkaido

(ii) Use of funds Soil improvement and foundation work, container-type data centers, etc.

(iii) Planned investment amount 2,350 million yen

(2) Zone A in Building 3 at Ishikari Data Center

(i) Address Ishikari City, Hokkaido

(ii) Use of funds Server room interior, electrical equipment, air conditioning equipment, etc.

(iii) Planned investment amount 2,500 million yen

3. Equipment introduction period

(1) Container-type data centers at Ishikari Data Center

(i) Start of construction June 2024 or later (planned)

(ii) Completion of construction October 2024 or later (planned)

(2) Zone A in Building 3 at Ishikari Data Center

(i) Start of construction September 2024 (planned)

(ii) Completion of construction April 2025 (planned)

4. Significant impact of the equipment on sales and production activities

There is no impact on the consolidated earnings for FY2024.

(Capital increase of a subsidiary)

The Company resolved at a meeting of the Board of Directors held on January 31, 2024 to underwrite shares (proceeds of 600 million yen) in Tellus Inc., a non-consolidated subsidiary, the payment date for which will be April 1, 2024.

1. Purpose of capital increase

Based on its corporate philosophy “what you want to do” into “what you can do,” the Company develops and operates “Tellus,” a Japan-made satellite data platform, with the aim of creating a new business market that uses satellite data.

As the government satellite data related projects and activities based on the Stardust Program (Strategic Program for Accelerating Research, Development and Utilization of Space Technology by the Government of Japan) are planned to start in earnest in April 2024, the Company decided to split part of its business through an absorption-type split and underwrite shares in Tellus Inc., the absorbing company, in order to undertake such activities through Tellus Inc.

2. Outline of counterparty (before capital increase)

- (i) Trade name: Tellus Inc.
- (ii) Location: 20-1, Nishi-shinjuku 7-chome, Shinjuku-ku, Tokyo
- (iii) Title and name of representative: Hideto Yamazaki, President
- (iv) Business profile: Satellite data platform business
- (v) Share capital: 10 million yen
- (vi) Establishment: December 1, 2021
- (vii) Account settlement date: March 31
- (viii) Major shareholder and ownership: SAKURA internet Inc. (100%)

3. Details of capital increase

- (i) Number of shares offered: 60,000 shares of common stock
- (ii) Paid-in amount of offered shares: 10,000 yen per share
- (iii) Payment date: April 1, 2024
- (iv) Subscriber: SAKURA internet Inc. (60,000 shares)
- (v) Ownership after capital increase: 100%

(Significant change in the scope of consolidation)

As is stated in “2. Consolidated quarterly financial statements and major notes, (3) Notes to consolidated quarterly financial statements (Significant subsequent events)(Capital increase of a subsidiary),” the Company resolved at a meeting of the Board of Directors held on January 31, 2024 to underwrite shares (proceeds of 600 million yen) in Tellus Inc., a non-consolidated subsidiary, the payment date for which will be April 1, 2024. As a result, Tellus Inc., which was excluded from consolidation due to its immateriality, is expected to gain in importance, and therefore, be included in the scope of consolidation from the first quarter of the next fiscal year.