

Fiscal Year Ended March 2024

Financial Results

April 26, 2024



Financial Highlights

Aim to achieve **record-high profit** for the fiscal year ending March 31, 2025, with **net sales up 28.3%** and **operating profit up 126.1%**

- Earnings forecasts for the fiscal year ending March 31, 2025, are net sales of 28 billion yen (up 28.3% YoY) and operating profit of 2 billion yen (up 126.1% YoY) due to the growth of cloud services and a full-fledged start of GPU cloud services for generative AI, aiming to achieve record-high profit of 1.25 billion yen (up 91.8% YoY)

Plan to invest **100 billion** yen in GPU infrastructure for generative AI, etc. and receive subsidies of about **50 billion** yen from METI

- Our second investment plan for GPU Cloud Services for generative AI of 100 billion yen was certified for supply assurance by METI as a “Cloud Program,” half of which will be covered by government subsidies
- Will continue to strengthen next-generation GPUs, starting with the latest available NVIDIA HGX B200 system

Filed a **shelf registration** statement for issuing new shares up to **20 billion yen**

- Filed a shelf registration statement for issuing new shares up to 20 billion yen for one year from May 8, 2024
Proceeds will be invested in equipment such as devices for GPU cloud services for generative AI and data centers

Accelerated prior investment in recruitment actively, taking advantage of the start of GPU cloud services and being the first domestic company selected as a government cloud service provider as **an opportunity for non-continuous growth**

- Cloud infrastructure services grew **10.4%** YoY
- Approved for government cloud as the first company in Japan, prior investment was implemented aggressively in recruitment to further enhance functional development of cloud services and for sales promotion (an addition of 84 personnel on a consolidated basis YoY) and marketing, etc.

(Millions of yen)

Highlights of Consolidated Financial Results for Q3 FY2024 [YoY]

Item	FY 3/23 Full year	FY 3/24 Full year	YoY	
	Amount	Amount	Change	Change (%)
Net sales	20,622	21,826	1,203	5.8
Operating profit	1,093	884	(208)	(19.1)
Ordinary profit	965	764	(201)	(20.9)
Profit attributable to owners of parent	666	651	(14)	(2.2)

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.

ARR, representing recurring fee revenue, increased **7.8% YoY**

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.

Mainly GPU cloud services expect a **record-high profit** with net sales and operating profit recording a YoY increase of **28.3%** and **126.1%**, respectively

Sales

Aim for further growth of cloud services

GPU cloud services for generative AI expect net sales of 5 billion yen for the fiscal year under review, as 2,000 GPUs invested in the first phase of the plan will start operation in June

*Our second investment plan of 100 billion yen was certified for supply assurance by METI as a “Cloud Program” in April, 21.4 billion yen of which will be used for the procurement and service provision of NVIDIA’s latest GPU “NVIDIA HGX B200 System” during the fiscal year under review, but an impact on our earnings forecast is under examination

Profit

- Active recruitment of engineers, and sales and marketing personnel, etc. will continue in view of medium- to long-term growth
- Depreciation and utility expenses will increase due to the commencement of a full-fledged operation of GPU cloud services
- A record-high profit is expected due to significant YoY revenue growth, as investment-related expenses will be set off by profit of GPU cloud services

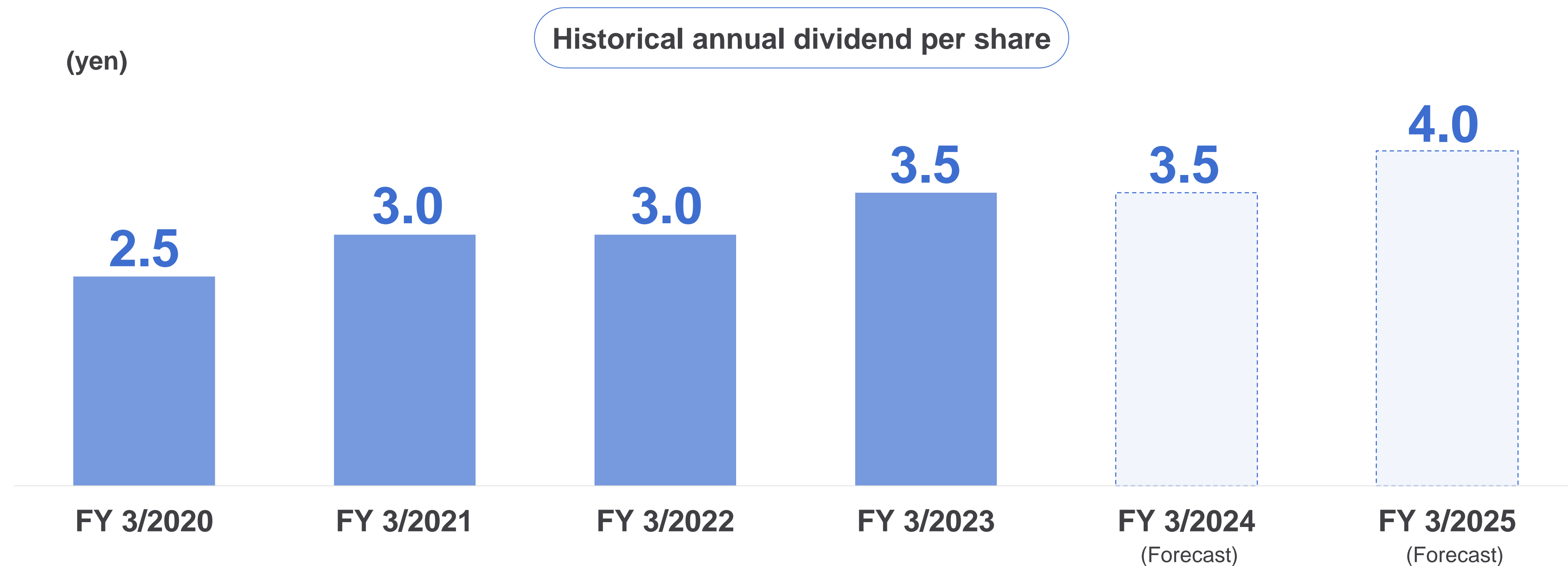
(Millions of yen)

Item	FY 3/24 Actual	First Six Months of FY 3/25 (Forecast)		FY 3/25 Full Year (Forecast)	
	Amount	Amount	Change (%)	Amount	Change (%)
Net sales	21,826	13,000	25.7	28,000	28.3
Operating profit	884	800	220.7	2,000	126.1
Ordinary profit	764	780	351.7	1,960	156.5
Profit attributable to owners of parent	651	480	174.1	1,250	91.8

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 3/24:** We will maintain 3.50 yen per share dividend
- **Planned dividend for FY 3/25:** The year-end dividend is planned to be 4.00 yen per share, an increase of 0.50 yen from 3.50 yen, based on comprehensive consideration in accordance with the above basic policy



Strive to provide environmental and social contributions through its business activities to help build a digital-ready society, in pursuit of the corporate philosophy: turn “what you want to do” into “what you can do”

Environment

Topic Ishikari Data Center
Achieved 100% renewable energy

- Ishikari Data Center
 - Reduced power consumption substantially with air conditioner using natural cold air in Hokkaido
- The first domestic independent cloud service provider*1 that joined YCFD Consortium*2

Governance

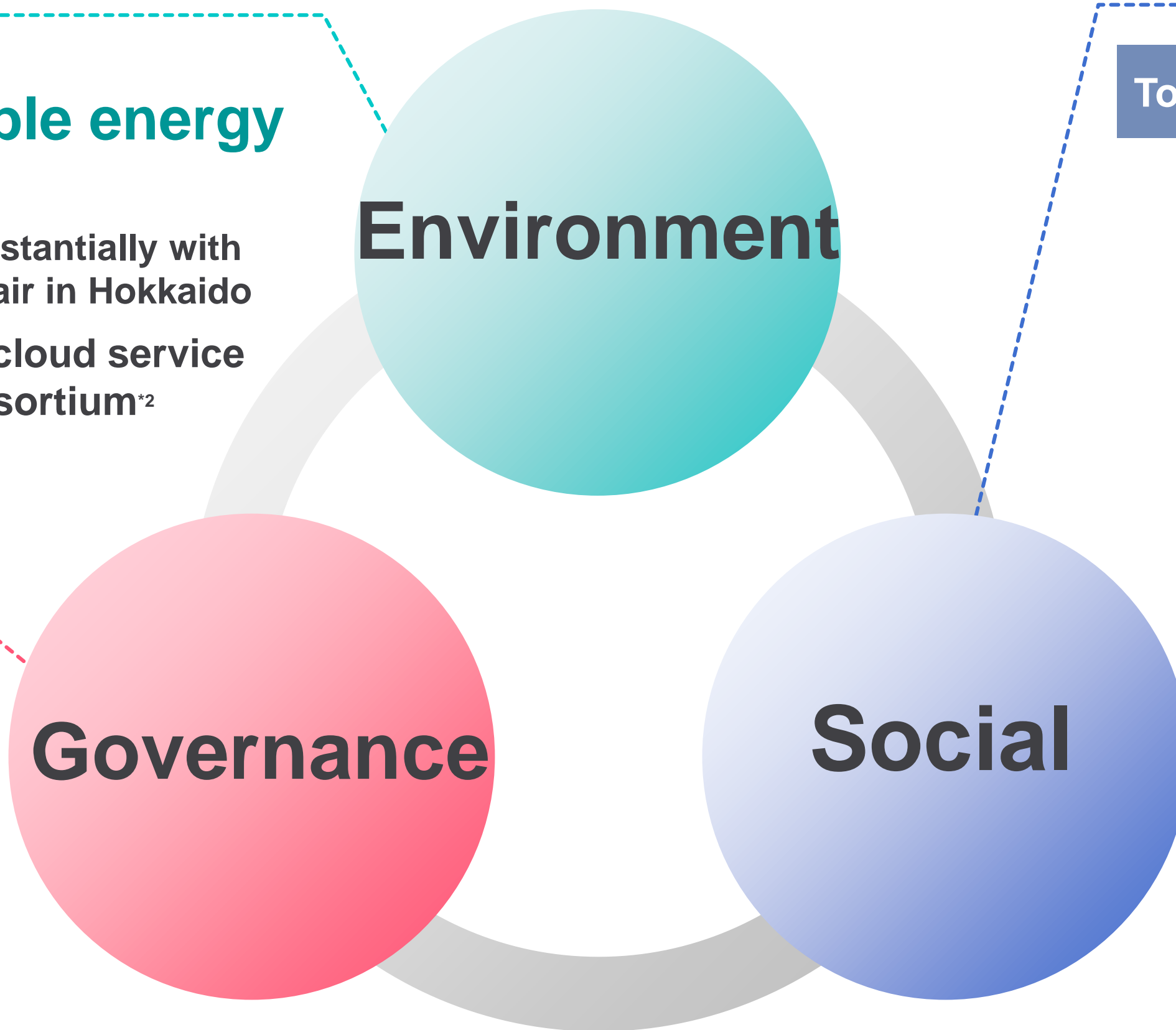
Topic Female officers*3: 23.1%

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

Social

Topic Childcare leave acquisition rate of male employees: 77.8%

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



*1: Research by SAKURA internet Inc. *2: An organization established to discuss effective corporate disclosure and appropriate initiatives recommended by the Task Force on Climate-related Financial Disclosures (TCFD) *3: Directors and Corporate Auditors

Consolidated Earnings for FY 3/2024

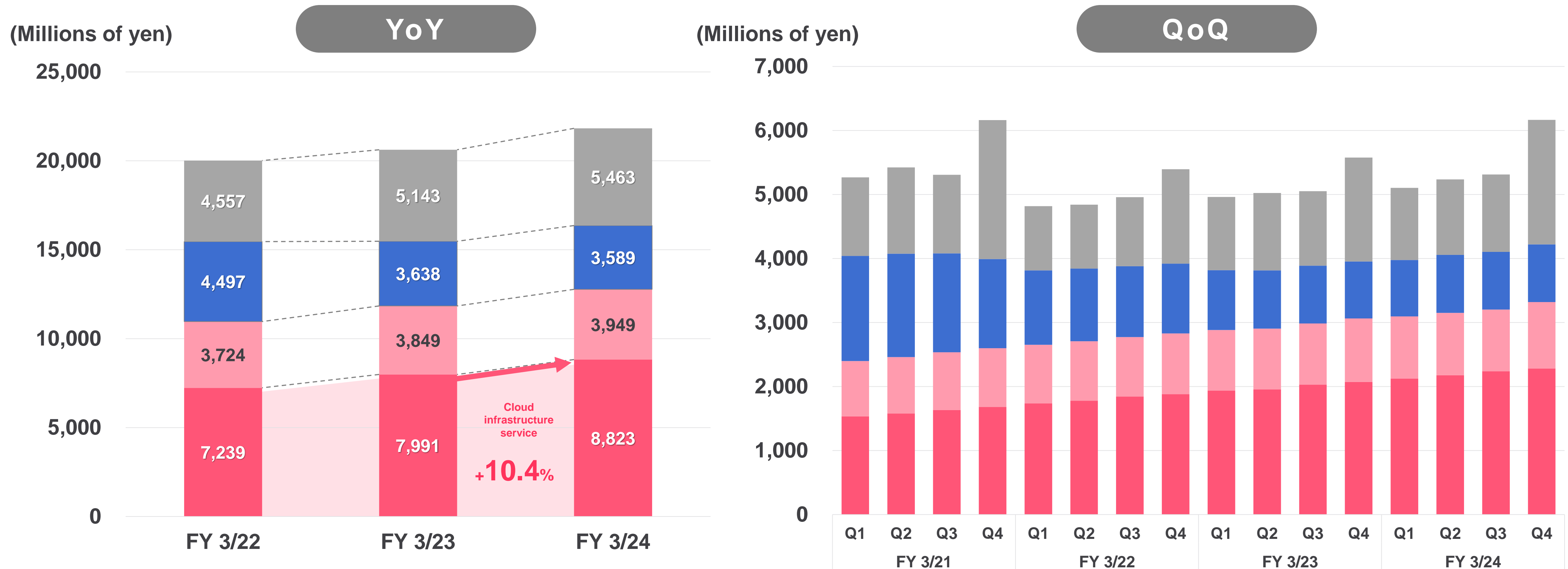
Cloud infrastructure services strongly grew 10.4% YoY
Accelerated prior investment to enhance recruitment and marketing, etc. for medium- to long-term growth

(Millions of yen)

Item	FY 3/23 Full year		FY 3/24 Full year		YoY	
	Amount	Sales composition (%)	Amount	Sales composition (%)	Change	Change (%)
Net sales	20,622	100.0	21,826	100.0	1,203	5.8
Cost of sales	15,255	74.0	16,091	73.7	835	5.5
Gross profit	5,367	26.0	5,735	26.3	368	6.9
SG&A expenses	4,274	20.7	4,851	22.2	576	13.5
Operating profit	1,093	5.3	884	4.1	(208)	(19.1)
Ordinary profit	965	4.7	764	3.5	(201)	(20.9)
Profit attributable to owners of parent	666	3.2	651	3.0	(14)	(2.2)

Owing to the effort to shift to a cloud-focused structure, **cloud infrastructure services** saw double-digit growth of **10.4%**

Provision of GPU cloud services for generative AI (included in Other services*) started in Q4 FY 3/2024



Cloud services

Cloud infrastructure

Cloud application

Physical base services

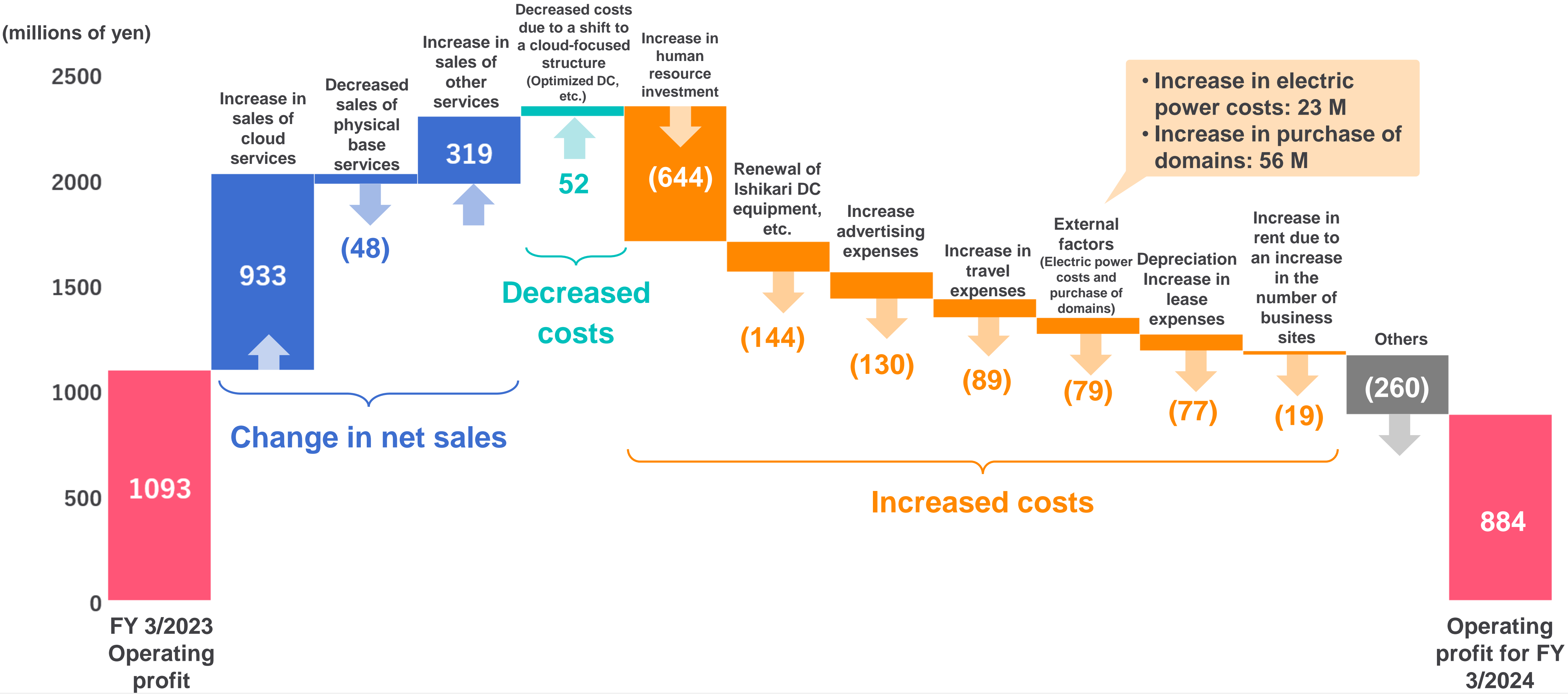
Others

*Sales of GPU cloud services for FY 3/2024 are recorded as Others. A new category of "GPU cloud services" has been added for FY 3/2025.

Factors That Affected Consolidated Operating Profit for FY 3/2024 (YoY Changes)

Factors that affected operating profit

(millions of yen)



- Increase in electric power costs: 23 M
- Increase in purchase of domains: 56 M

Actively recruited and invested for further medium- and long-term growth

Taking an opportunity to start GPU cloud services for generative AI and become certified as a government cloud service provider, etc., actively hired human resources, mainly engineers and sales/marketing personnel, and invested in service equipment in order to achieve further growth of cloud services in the medium and long term

(millions of yen)

Item	FY 3/24 Forecast	FY 3/24 Actual	Change (%)
Net sales	22,800	21,826	(4.3)
Operating profit	1,450	884	(39.0)
Ordinary profit	1,300	764	(41.2)
Profit attributable to owners of parent	850	651	(23.3)

- Investment in equipment of GPU cloud services, etc. and increased related borrowings
- Investment securities increased because an investee company went public and became subject to fair market valuation

(millions of yen)

Item	Previous year end (FY 3/23)	Current year end (FY 3/24)	Change
Current assets	8,930	10,574	1,643
Non-current assets	17,325	19,650	2,325
(Property, plant and equipment)	14,716	16,656	1,940
(Intangible assets)	508	505	(2)
(Investments and other assets)	2,100	2,488	387
Total assets	26,256	30,224	3,968

Item	Previous year end (FY 3/23)	Current year end (FY 3/24)	Change
Current liabilities	9,840	10,598	757
Non-current liabilities	7,929	10,304	2,375
Total liabilities	17,769	20,903	3,133
Net assets	8,486	9,321	835
(Including shareholders' equity)	8,337	8,989	651
Total liabilities and net assets	26,256	30,224	3,968

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 increased
- **Cash flow from financing activities:** Executed loans to procure equipment for GPU cloud services

(millions of yen)

Item	End of FY 3/22	End of FY 3/23	End of FY 3/24	YoY change
Cash flow from operating activities	3,957	3,963	2,884	(1,079)
Cash flow from investing activities	(1,674)	(606)	(2,025)	(1,419)
FCF	2,282	3,357	858	(2,498)
Cash flow from financing activities	(1,005)	(3,999)	(410)	3,588
Increase in cash and equivalents	1,277	(641)	447	1,089
Cash and equivalents balance	5,452	4,810	5,257	447

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

Review of FY 3/2024

By concentrating on cloud services, **fertile creation and seeding advanced toward a growth phase**

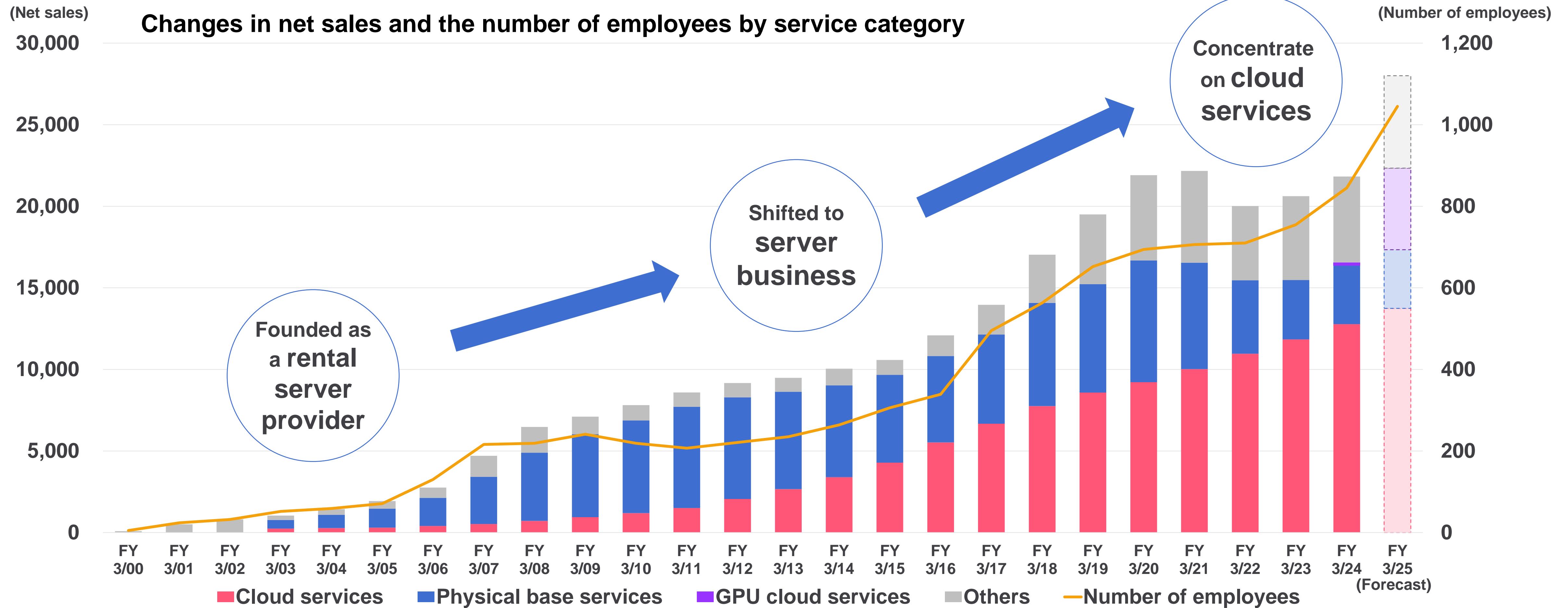
Priority Measures	Actions and Achievements
<p>Growth Strategy</p> <p>Strengthen cloud services and extend co-creation and support for customers' DX</p>	<p>Cloud services Selected as a government cloud service provider as the first domestic company (on condition that all the functional requirements are met by the end of FY 3/2025), we focused on development and recruitment to meet the requirements</p> <p>GPU Cloud services Launched Koukaryoku PHY, a physically separate server (January 2024) as the first phase Plan to enhance the service lineup for various budget ranges and applications, such as hourly billing</p> <p>DX co-creation and support Strengthened the relationship with partner companies through developing new SaaS and PaaS services in cooperation with other companies and on-boarding by our engineers, etc.</p>

Priority Measures	Actions and Achievements
<p style="text-align: center;">Concentration of management resources</p> <p style="text-align: center;">Concentrate on investing in human resources and marketing to achieve growth strategies</p>	<div style="display: flex; flex-direction: column; gap: 10px;"> <div data-bbox="1046 474 1342 718"> <p style="text-align: center;">Human resources</p> <p>Strengthened recruitment system focused on and recruitment activities to achieve the current FY target of about 100 personnel With an addition of mainly engineers and sales/marketing personnel, the number of employees (consolidated) as of the end of FY 2024 is 839 (an increase of 84 YoY)</p> </div> <div data-bbox="1046 761 1342 1005"> <p style="text-align: center;">Marketing</p> <p>Actively invested in digital marketing and events including web advertising in order to raise recognition and acquire new customers, and established an internal structure aimed at strengthening the consolidation and linkage of data analytics, etc.</p> </div> <div data-bbox="1046 1048 1342 1292"> <p style="text-align: center;">Capital investment</p> <p>Thanks to procurement of GPUs that proceeded earlier than initially planned in the first investment plan for GPU cloud services for generative AI (about 13 billion yen, of which 6.8 billion yen was subsidized), 2,000 GPUs in total to be available in June 2024</p> </div> </div>
<p style="text-align: center;">Others</p>	<ul style="list-style-type: none"> ● Changed Ishikari Data Center’s energy source from electricity to renewable energy to achieve zero CO2 emissions (June) ● Newly established Okinawa business site (September) as an effort to acquire and foster DX professionals and drive open innovation ● Concluded an absorption-type split agreement with Tellus Inc.*, a 100% subsidiary of the Company, and started full operation in April 2024

*Tellus Inc. operates Tellus, Japan-made satellite data platform, under the corporate vision “creating new value through Space × IT technology”

Preconditions for Future Growth Strategy

Grew business by changing the core of service in response to customer needs since the early stage of the internet



*The figures from FY 3/2000 to FY 3/2005 and from FY 3/2009 to FY 3/2015 are on a non-consolidated basis.
 *From FY 3/2022, sales were re-categorized into "Cloud Services," "Physical Base Services," and "Other Services" in response to changes in business composition, etc.

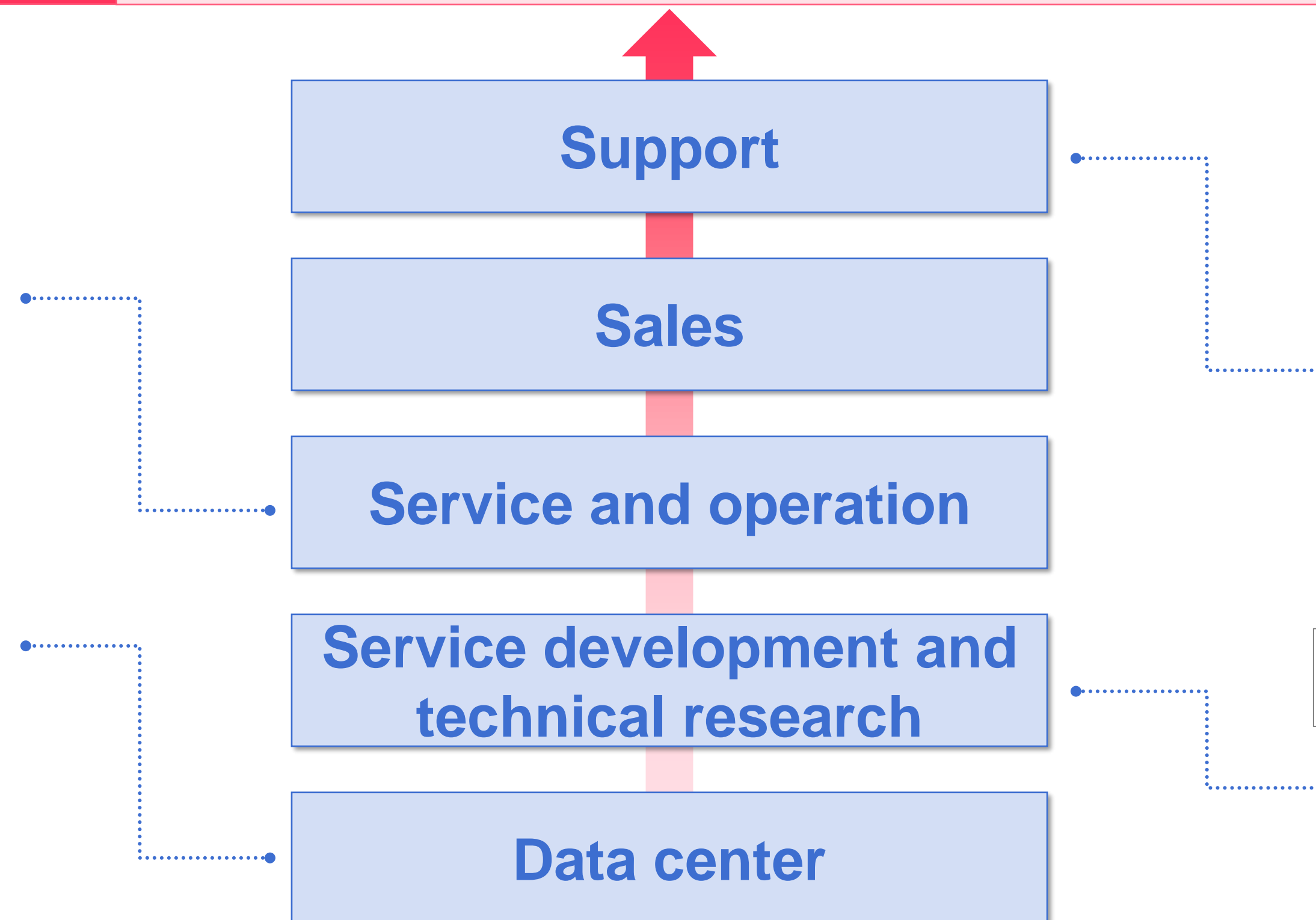
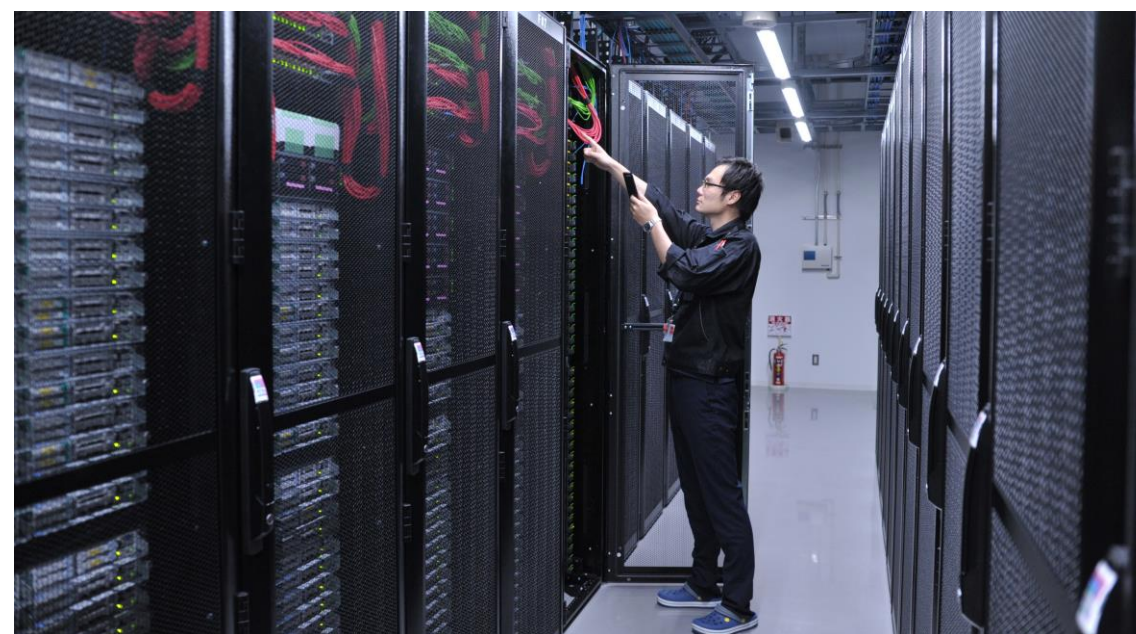
*Figures before FY 3/2020 are re-categorized and re-aggregated in a simplified manner based on the following definition:
 - Cloud Services: Total of VPS, Cloud Services, and Rental Server Services
 - Physical Base Services: Total of Housing Services and Exclusive Server Services
 - Other Services: Total of others than above

*A category of "GPU Cloud Services" has been added for FY 3/2025. From FY 3/2024, figures of "Others" are re-categorized and re-aggregated.

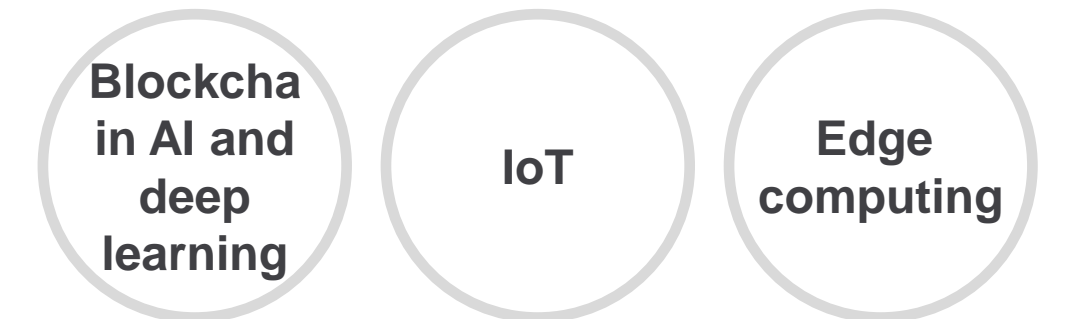
With a **vertically integrated, self-dependent** business model which is rarely adopted in the IT industry, we accumulated **assets, know-how, and experience** that enable the realization of “what customers want to do” flexibly and swiftly

strengths

- Optimized value chains
- Flexibility and speed in responding to customer needs

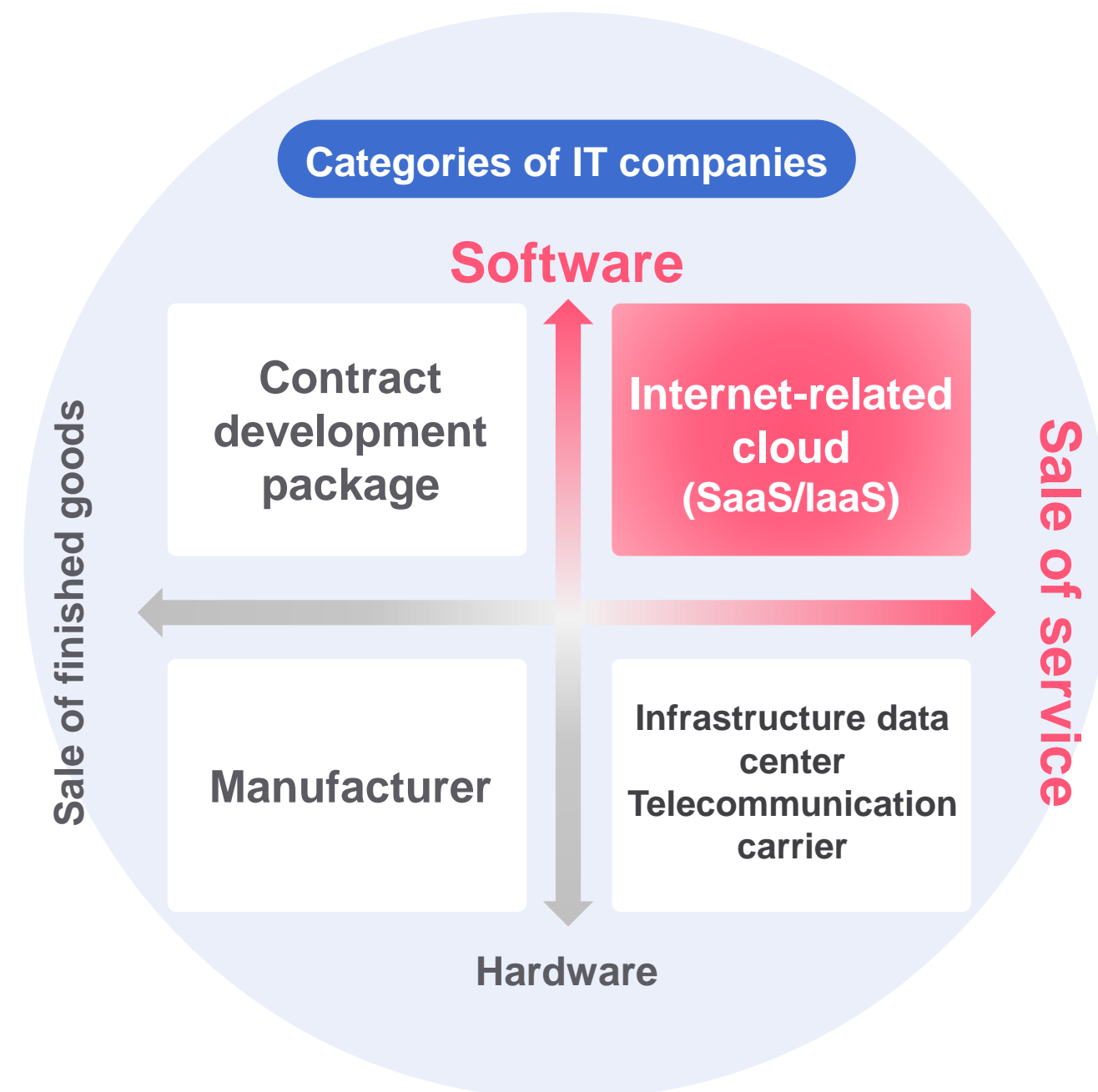


Cloud services



Due to increasing total data volume and internet traffic as a result of **accelerating social digitalization** including the utilization of AI, **there is a rapidly growing need for digital infrastructure** such as data centers and network

All companies will become IT companies



Expectation for public clouds developed by Japanese companies

Government cloud market
Estimated market size in FY2027

Approx. **123.4 billion yen**

Source: "2024 Current Trends and Future Prospects of Cloud Computing," Fuji Chimera Research Institute, Inc.

Rising demand for sophisticated computing resources

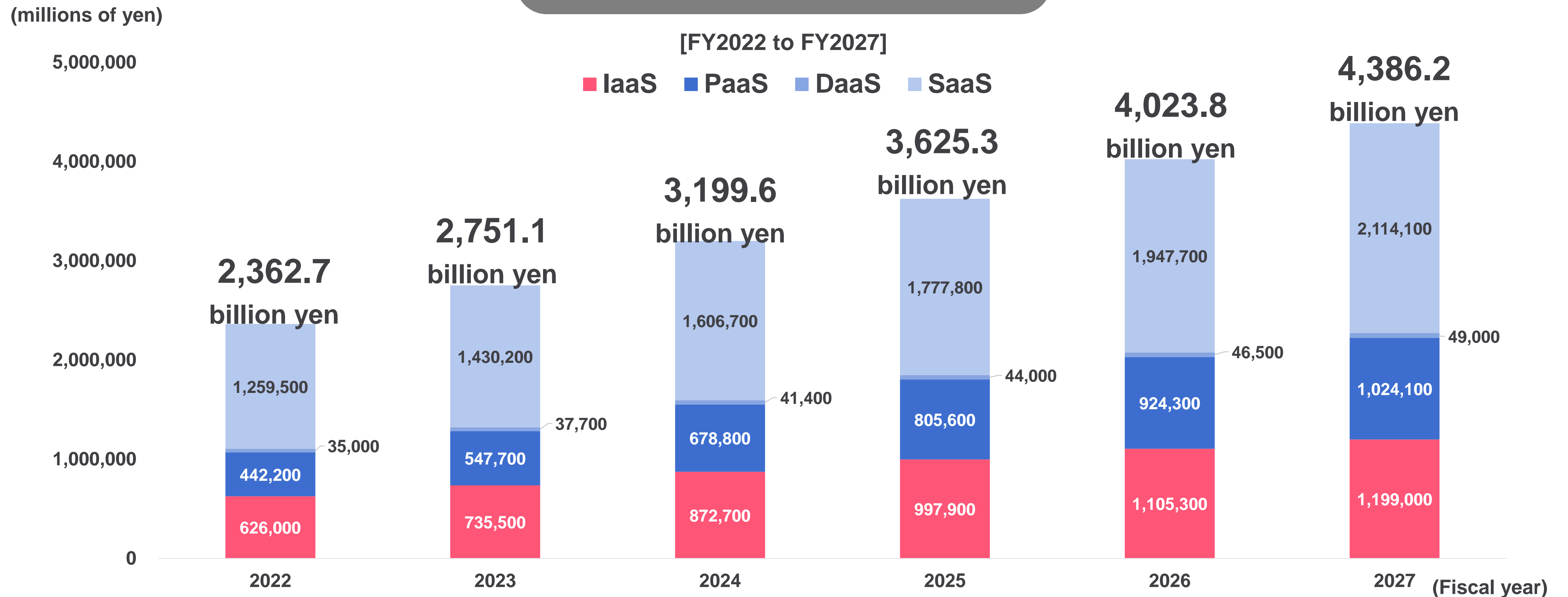
Domestic AI infrastructure market
Estimated market size in FY2027

Approx. **161.5 billion yen**

Source: IDC Japan press release titled "Japan Artificial Intelligence Infrastructure Market Forecast" (March 7, 2024)

The public cloud market is on a growing trend, increasing about **1.9 times** in size and with a CAGR of **13.2%** (FY2022–FY2027)

Public Cloud Market Size

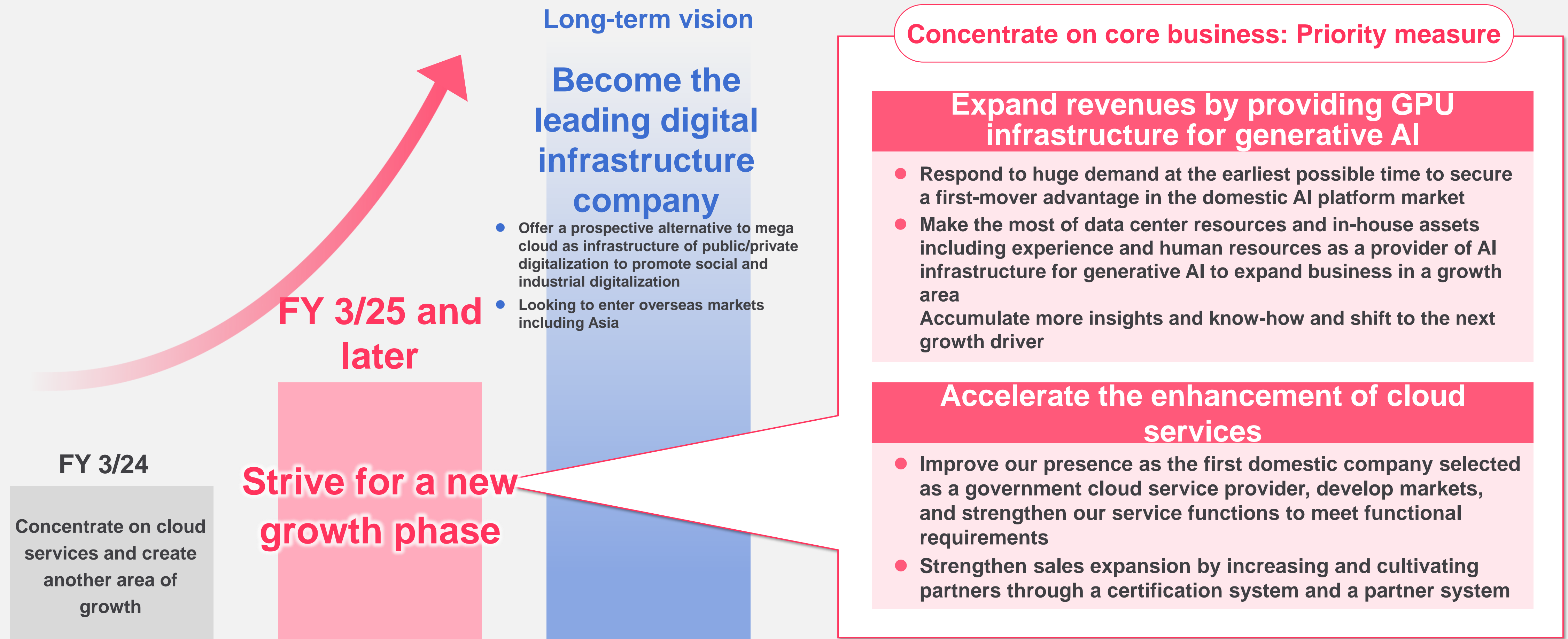


Source: "2024 Current Trends and Future Prospects of Cloud Computing," Fuji Chimera Research Institute, Inc.

Future Management Policies

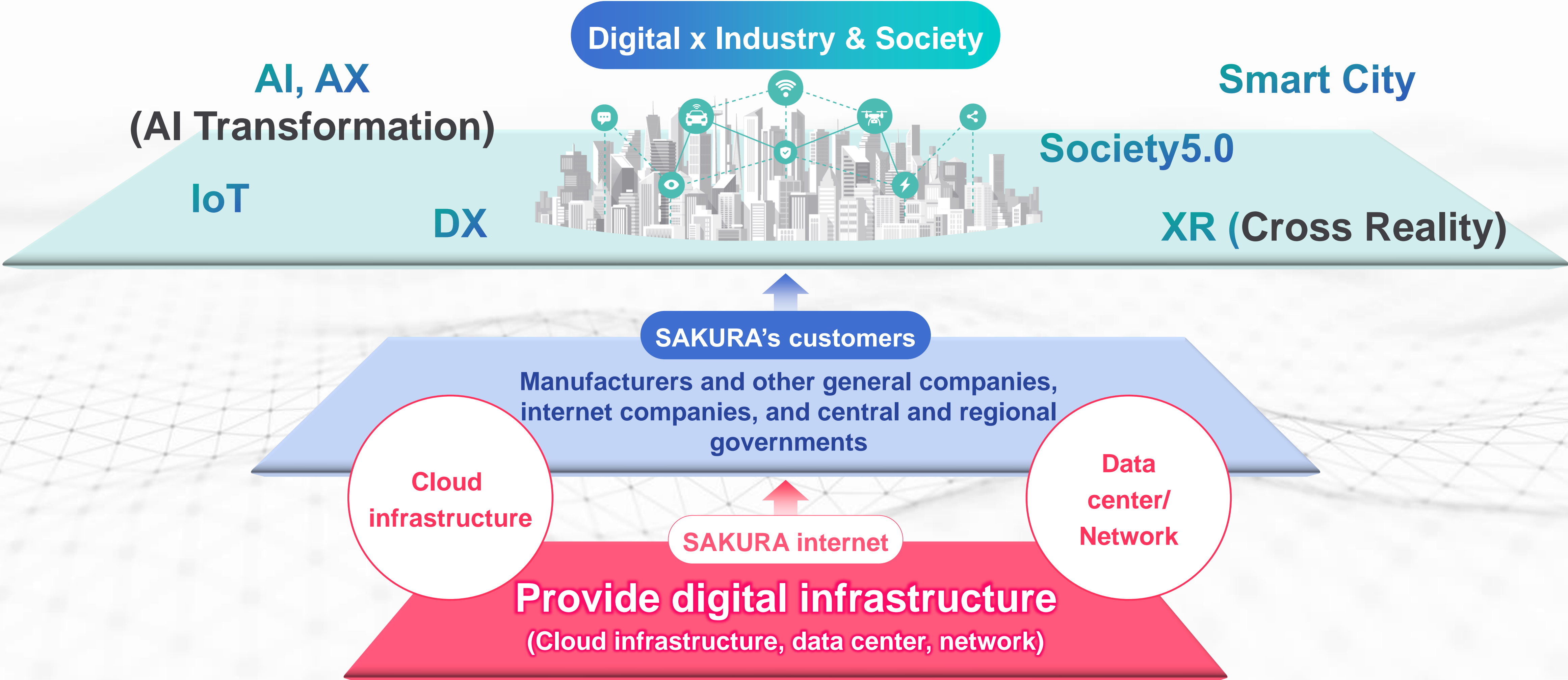
Focus more heavily on core business and concentrate our resources to strengthen and grow businesses

Deepen cloud businesses and expand the growth area to shift to a new growth path



Japan's leading digital infrastructure company

Contribute to building a digital-ready society and be essential for customers and society



Priority Measures for FY 3/2025

Concentrate all available resources on our competitive cloud business to promote growth

Expand business by concentrating investment on focus areas and acquiring and developing innovative human resources

Practice of growth strategy

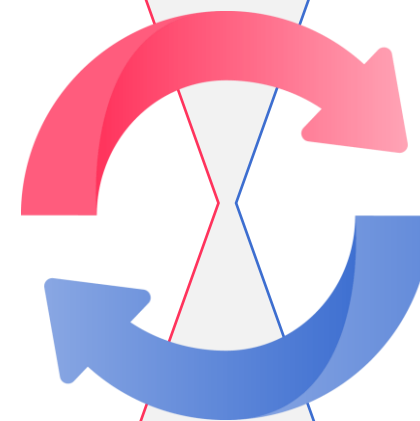
Take measures to respond to huge demand for GPU infrastructure for generative AI to the greatest possible extent and accelerate the enhancement of cloud services

Enhancement of lineup of GPU cloud services for generative AI to increase revenue

- On the back of huge demand, provide various service plans that meet the needs of budget size and use
- Strengthen sales promotion in cooperation with affiliate companies

Acceleration of functional development of cloud services and development of an eco-system in a stronger relationship with partners

- Accelerate service development to meet functional requirements to be certified as a government cloud service provider
- Develop a certification system and a partner system of cloud services for expanding sales



Strengthen infrastructure that underpins growth strategy

Actively invest in both people and goods at every growth opportunity, paving a path toward new growth

Promotion of recruitment, employee development, and job satisfaction along with the strategy

- Recruitment along with growth strategy (hired about 200 employees)
- Promote employees' growth and job satisfaction
- Increase wages and salaries

Early procurement and active investment of digital infrastructure for future growth

- Procure the latest GPUs at an early stage with a view to expanding the business of GPU cloud services for generative AI and actively invest to extend data centers

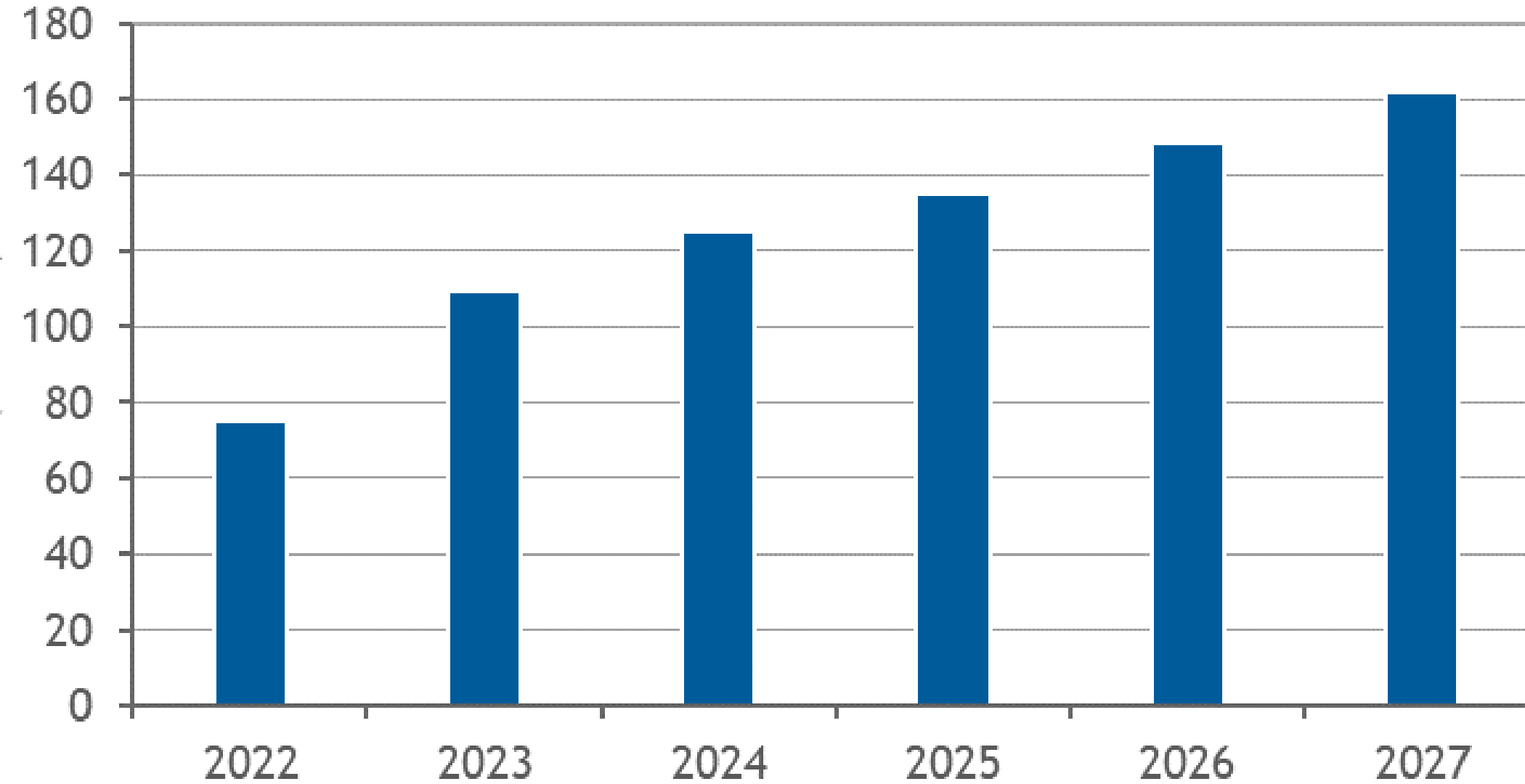
01 GPU Cloud Services [Market Size]

Domestic AI Infrastructure Market Size

[FY2022 to FY2027]

The market size in 2027 is expected to be **161.5** billion yen, with a CAGR (FY2022–FY2027) of **16.6%**, driven by servers for AI due to increased use of AI

(100 million yen)



Notes: Actual values for 2022, estimated values for 2023, and forecasts for 2024 and later

Source: IDC Japan press release titled “Japan Artificial Intelligence Infrastructure Market Forecast” (March 7, 2024)

- The domestic AI infrastructure market size exceeded 100 billion yen, rapid growth due to active investment in generative AI in 2023
- Due to the widespread of the use of AI and generation of graphics and videos in the advancing multi-modalization, demand for computing and storage resources for AI will grow further, driving the growth of servers for AI
- The average annual CAGR from 2022 to 2027 is **16.6%**
- Expenditures for 2027 are projected to be **161.55 billion yen**

01 GPU Cloud Services [Overall Schedule]

Plan to invest **100 billion** yen in GPU infrastructure for generative AI, etc. and receive subsidies of about **50 billion** yen from METI

- Plan to invest 100 billion yen in **latest GPUs and data center expansion** for further service enhancement
 - Our second investment plan for GPU Cloud Services was certified for supply assurance by METI as a “Cloud Program,” half of which will be covered by government subsidies
 - Will continue to strengthen next-generation GPUs, starting with the latest available NVIDIA HGX B200 system

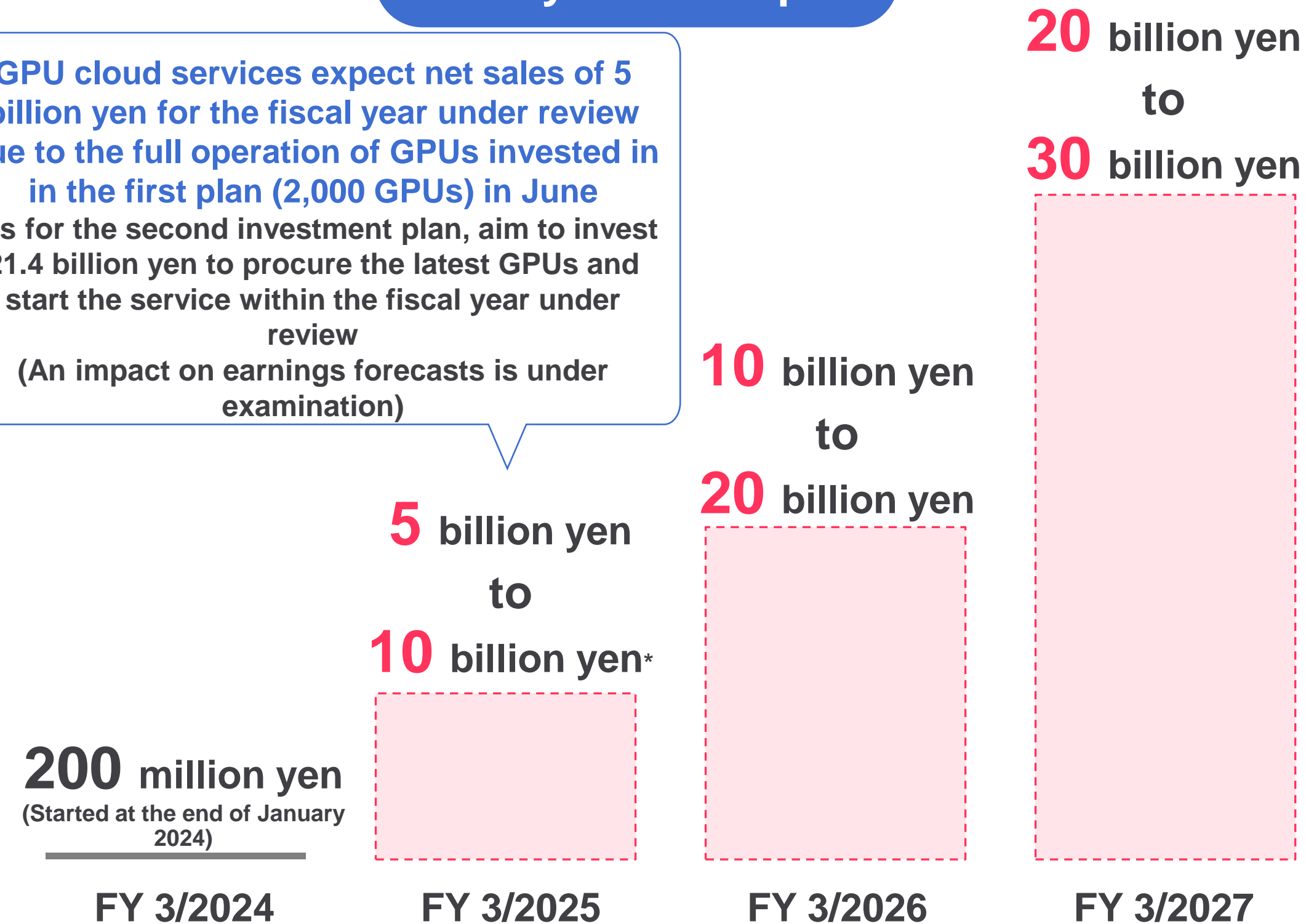
Schedule		FY 3/2024				FY 3/2025				FY 3/2026 to FY 3/2031						
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q							
Subsidized by METI		■ Plan of 13 million yen to be certified (1st investment plan)				■ Plan of 100 million yen to be certified (April) (2nd investment plan)										
Service launch				● 1st phase Start Bare Metal Series		➔ Will start Cloud series (subscription by hour/ GPU)										
GPU procurement				➔ Add 2,000 more GPUs in total (Procurement to be completed in June 2024)					➔ Continue the procurement of B200 and next-generation GPUs							
Data center extension								➔ Gradual expansion of Ishikari Data Center (Construction of a container-type data center)								

01 GPU cloud services [sales plan]

On the back of huge demand, secure a first-mover advantage in the domestic AI platform market and strive to **increase revenue by expanding service lineup**

Three-year sales plan

GPU cloud services expect net sales of 5 billion yen for the fiscal year under review due to the full operation of GPUs invested in in the first plan (2,000 GPUs) in June
 *As for the second investment plan, aim to invest 21.4 billion yen to procure the latest GPUs and start the service within the fiscal year under review
 (An impact on earnings forecasts is under examination)



Future sales measures

- Expansion of service lineup**
 Capture demand for smaller-sized use cases and customers with a smaller budget, including splitting computational resources using software and introducing more fine-graded units of hourly subscription
- Strengthen sales promotion in cooperation with affiliate companies**
 Concluded a business alliance agreement with Sojitz corporation on cooperation with the Sojitz Group companies in the digital and AI areas and GPU cloud services. In the cloud services for generative AI, use the network that Sojitz has with consumers in a wide range of business areas, and jointly work to develop and sell use cases using new business models and SAKURA internet’s computation resources

02 Government Cloud Measures

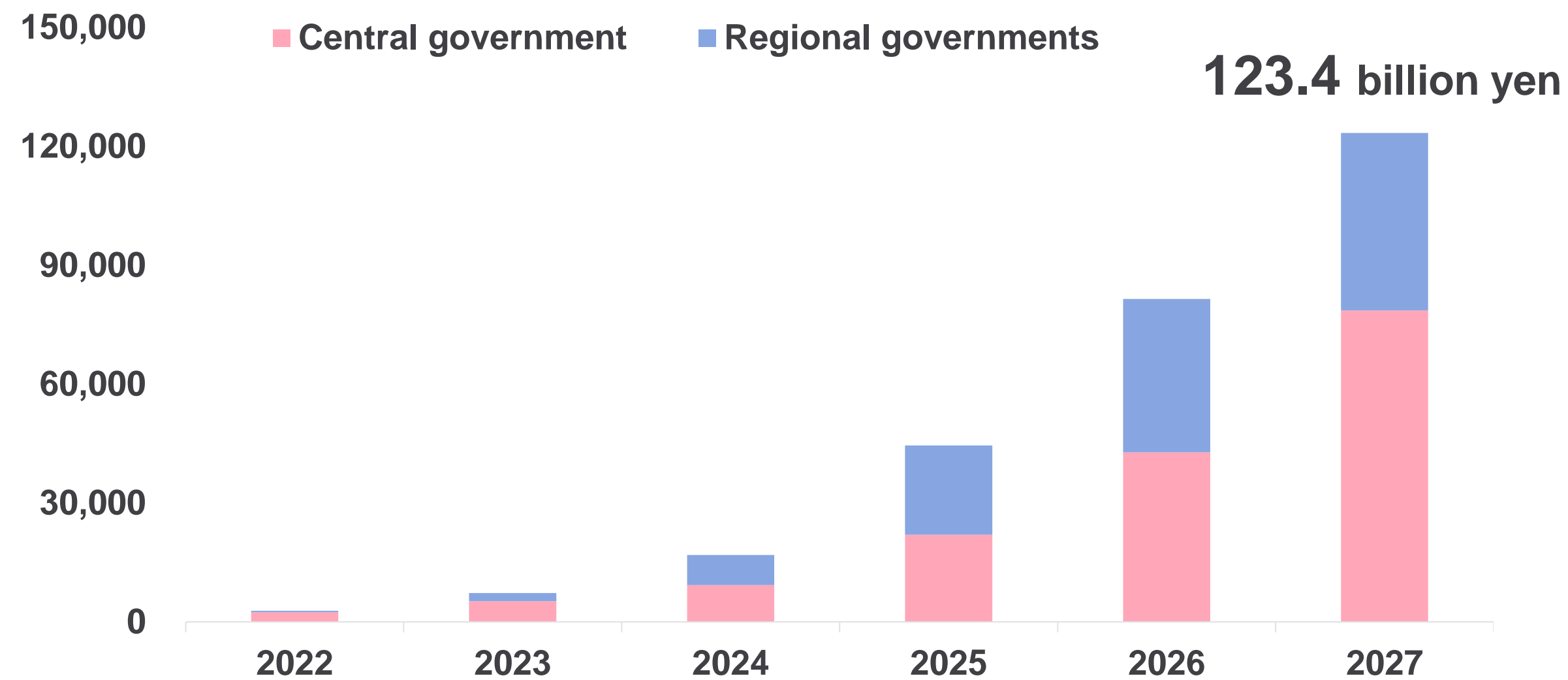
Accelerate service development to meet functional requirements to be certified as a government cloud service provider

For central and regional governments

Government cloud market size

113.2% CAGR between 2022 and 2027

(millions of yen)



Source: "2024 Current Trends and Future Prospects of Cloud Computing," Fuji Chimera Research Institute, Inc.

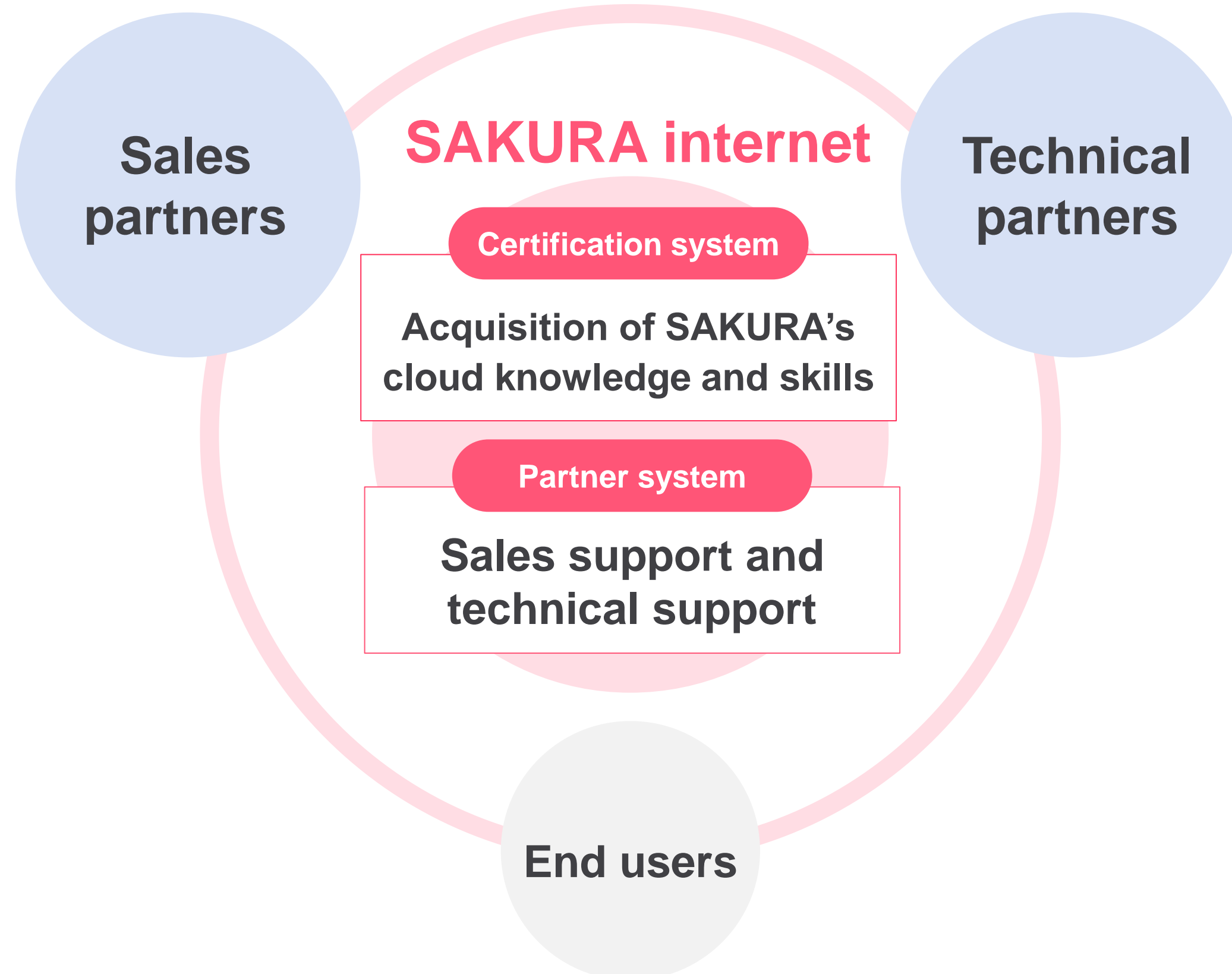
Market size and initiatives for future growth

- The government cloud market will grow at a **113.2% CAGR** between 2022 and 2027 to **123.4 billion yen** in 2027, and about **500** regional governments will use the systems migrated to the government cloud by the end of FY 3/2025
- Selected as a government cloud service provider as the first domestic company (November 2023)
*On condition that all the functional requirements are met by the end of FY 3/2025
- Accelerate the expansion of personnel in charge and service development to meet functional requirements

03 Implementation of certification system and a partner system

Develop a certification system and a partner system of cloud services for expanding sales

Develop an ecosystem of success of customers, partners, and the Company



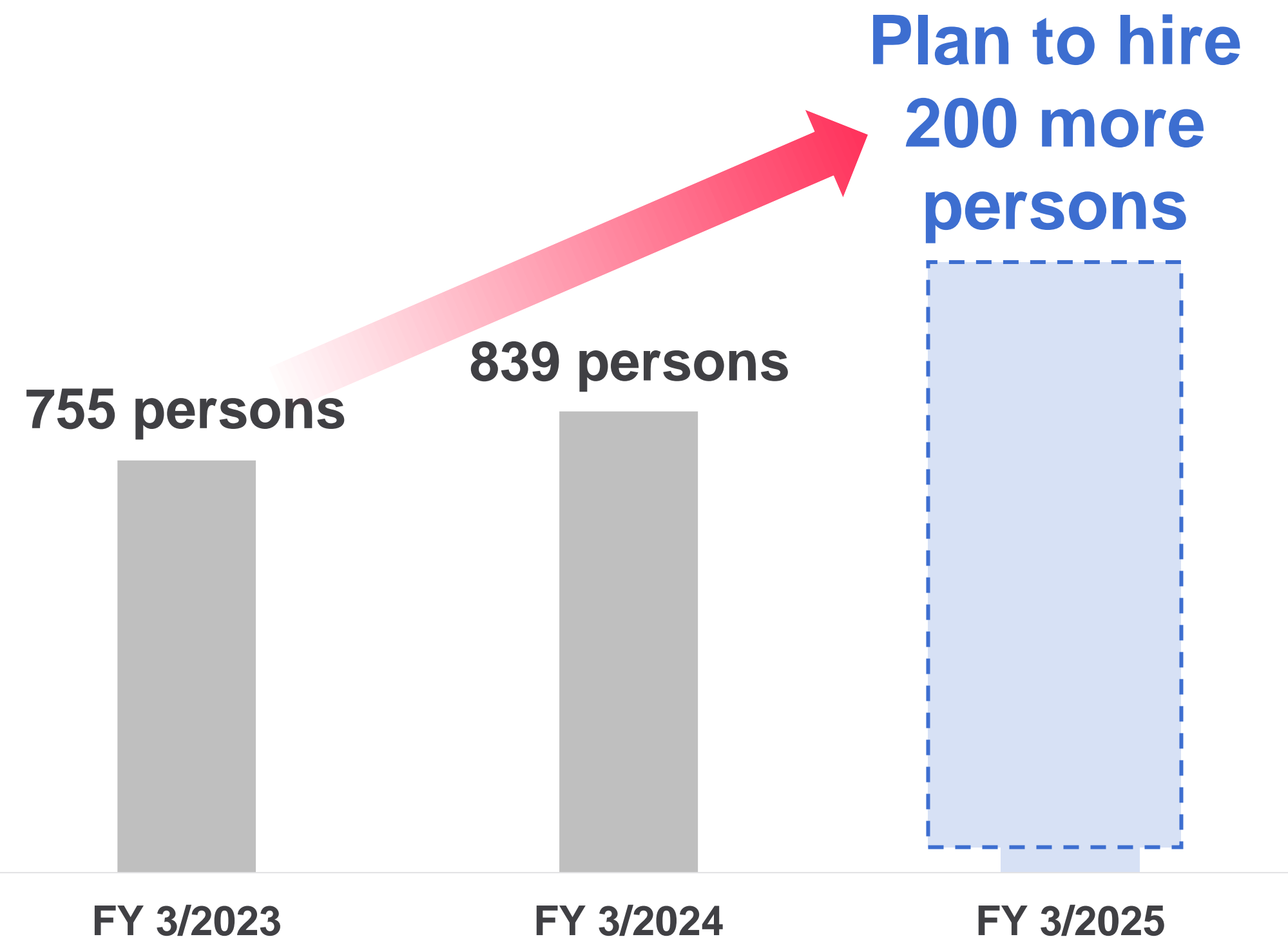
Details of Initiatives

- Develop a certification system of SAKURA's Cloud**
 Plan to start "SAKURA's Cloud Certification" to assess the digital skills and knowledge of our cloud services. This certification allows applicants to learn the basic concept of IT infrastructure and digital services, as well as the steps to set the system structure using SAKURA's Cloud. This certification system also allows us to increase partners and cloud engineers who have acquired knowledge and skills of our cloud services, enabling us to reach new customers.
- Expand sales channel by strengthening a partner system**
 Increase partners through onboarding and training support to expand sales.
 - Sales partners (started in April):** Sell our cloud accompanied with our services
 - Technical partner:** Functional development of our cloud (system development/MSP)

01 Secure and train personnel who accelerate changes and growth

Improve our future earning power by **strengthening the recruitment and organizational system** which support a common infrastructure of focused businesses and their services, and accelerating changes and growth

Number of Personnel (Consolidated)



Details of Initiatives

- **Strengthen the organization for hiring 200 personnel**
Strengthen the recruitment system to double recruitment from the previous fiscal year
 - Recruitment conducted by twelve persons including external partners
 - Doubled recruitment from FY2023 by strengthening the channels of referrals, former members, and direct recruitment
- **Recruitment along with a strategy**
 - About 50% of new hired persons will be assigned to a government cloud and GPU cloud services for generative AI, of which 73% will be hired to strengthen the common infrastructure that support the services
- **Promotion of employees' growth and job satisfaction**
 - Proactively participate in more sophisticated businesses and projects to acquire new skills and experience
 - Encourage growth by restructuring a training and education system through which applicants can acquire necessary skills

02 Active investment in digital infrastructure

Active investment in digital infrastructure to pave a path toward new growth

Investment plan for FY 3/2025

(100 millions of yen)

Description of investment	Plan
Data centers	56
First investment plan for GPU cloud services <small>*Plan to construct a container-type data center (to be completed in October 2024 or later)</small>	23
Servers and network equipment	117
First investment plan for GPU cloud services	76
Others (systems and office-related, etc.)	7
Total	181

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

Details of Initiatives

Ensure we take an opportunity for growth on the back of huge demand, and actively invest in digital infrastructure to pave a path toward new growth

Plan to invest about **10 billion yen in the first investment plan** toward the expansion of GPU cloud services for generative AI
 Plan to procure GPUs and construct a container-type data center at a planned site of the fourth building of Ishikari Data Center

- In addition to the FY 3/2025 investment plan, **the second investment plan of 100 billion yen** was certified for supply assurance by METI as a “Cloud Program” in April, of which **21.4 billion yen is expected to be used to procure GPUs including “NVIDIA HGX B200 System” within the current fiscal year** (not included in the FY 3/2025 investment plan and earnings forecast)
- Plan to invest in equipment and replace existing items in accordance with sales growth of cloud services

Shelf Registration

Issue Outline

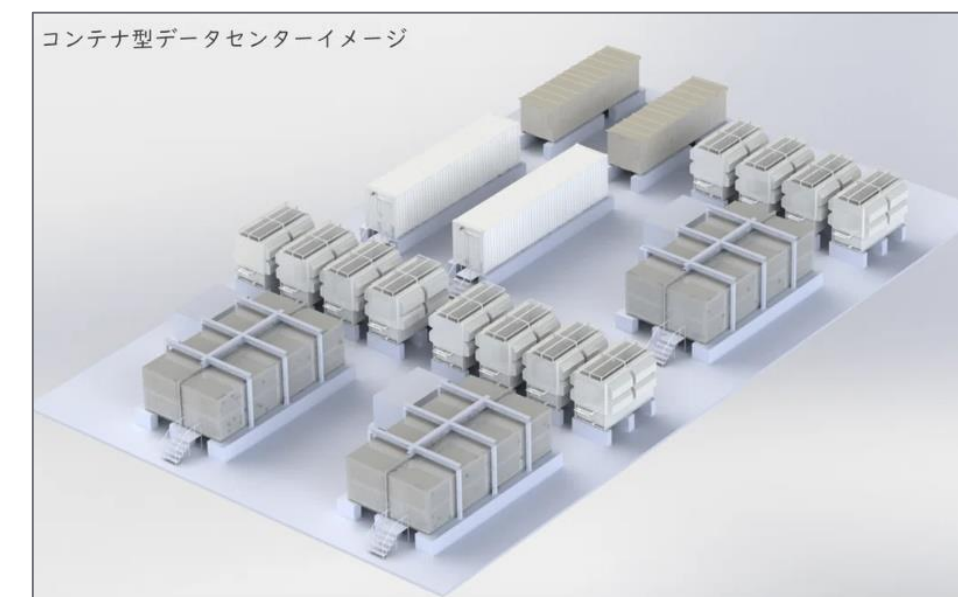
Type of securities for subscription	Common stock of the Company
Planned issue period	One year from the date of enforcement of shelf registration (From May 8, 2024, to May 7, 2025)
Planned issue amount	Up to 20 billion yen
Subscription method	TBD
Use of procured funds	Will be allocated to equipment investment

Use of funds

Proceeds will be allocated to equipment investment such as procurement of GPU servers, etc. of GPU cloud services, and enhancement of capability of Ishikari Data Center, etc.



Ishikari Data Center



Conceptual image of a container-type data center



October 2023
Setting up GPU servers at Ishikari Data Center

Earnings Forecasts for FY 3/2025

Mainly GPU cloud services expect a **record-high profit** with net sales and operating profit recording a YoY increase of **28.3%** and **126.1%**, respectively

Sales

Aim for further growth of cloud services

GPU cloud services for generative AI expect net sales of 5 billion yen for the fiscal year under review, as 2,000 GPUs invested in the first phase of the plan will start operation in June

*Our second investment plan of 100 billion yen was certified for supply assurance by METI as a “Cloud Program” in April, 21.4 billion yen of which will be used for the procurement and service provision of NVIDIA’s latest GPU “NVIDIA HGX B200 System” during the fiscal year under review, but an impact on our earnings forecast is under examination

Profit

- Active recruitment of engineers, and sales and marketing personnel, etc. will continue in view of medium- to long-term growth
- Depreciation and utility expenses will increase due to the commencement of a full-fledged operation of GPU cloud services
- A record-high profit is expected due to significant YoY revenue growth, as investment-related expenses will be set off by profit of GPU cloud services

(Millions of yen)

Item	FY 3/24 Actual Amount	First Six Months of FY 3/25 (Forecast)		FY 3/25 Full Year (Forecast)	
		Amount	Change (%)	Amount	Change (%)
Net sales	21,826	13,000	25.7	28,000	28.3
Operating profit	884	800	220.7	2,000	126.1
Ordinary profit	764	780	351.7	1,960	156.5
Profit attributable to owners of parent	651	480	174.1	1,250	91.8

Sales of GPU cloud services for generative AI will increase largely due to the operation of all the 2,000 GPUs invested in in the first investment from June

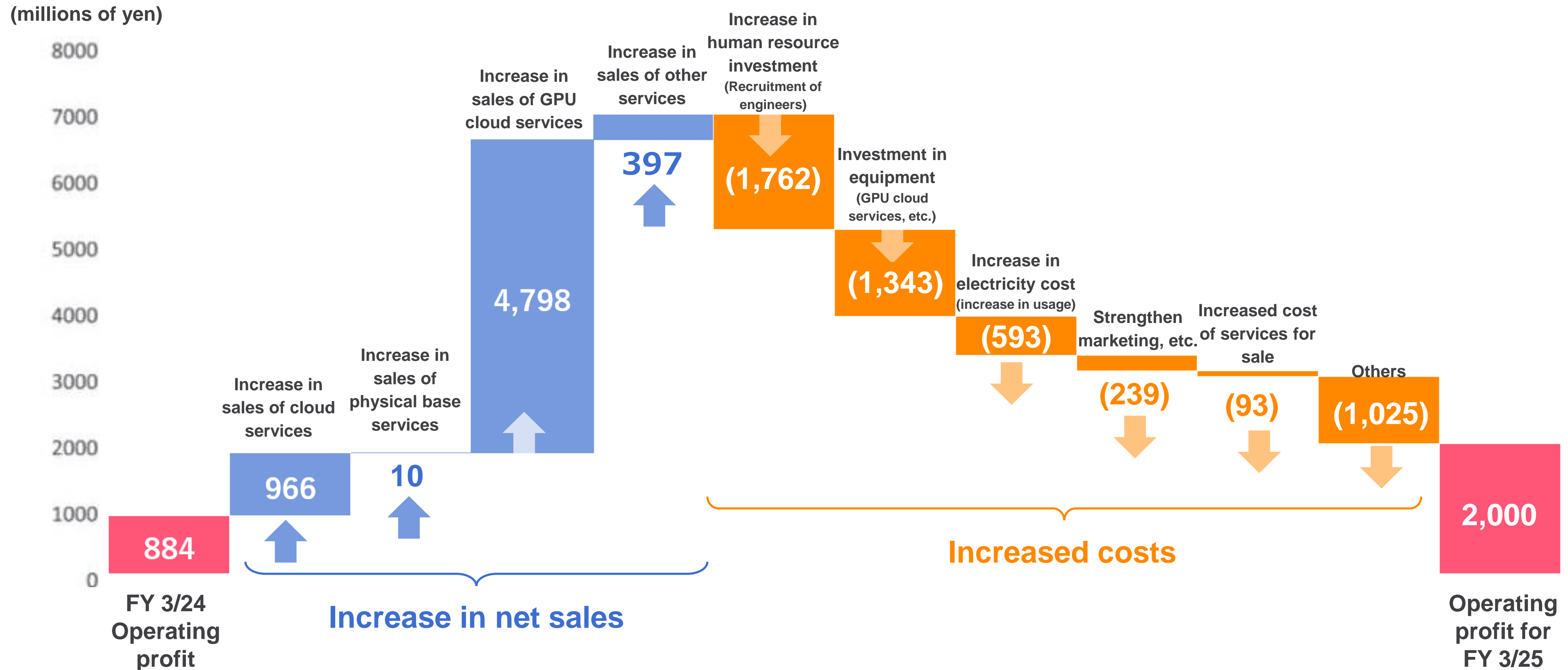
(Millions of yen)

Service category	FY 3/24 Actual Amount	FY 3/25 Forecast		
		Amount	Change	Change (%)
Cloud services	12,773	13,740	966	7.6
Cloud infrastructure	8,823	9,650	826	9.4
Cloud application	3,949	4,090	140	3.5
Physical base services	3,589	3,600	10	0.3
GPU cloud services*	201	5,000	4,798	-
Other services	5,262	5,660	397	7.6
Total	21,826	28,000	6,173	28.3

*A category of "GPU Cloud Services" has been added for FY 3/2025. From FY 3/2024, figures of "Others" are re-categorized and re-aggregated.

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

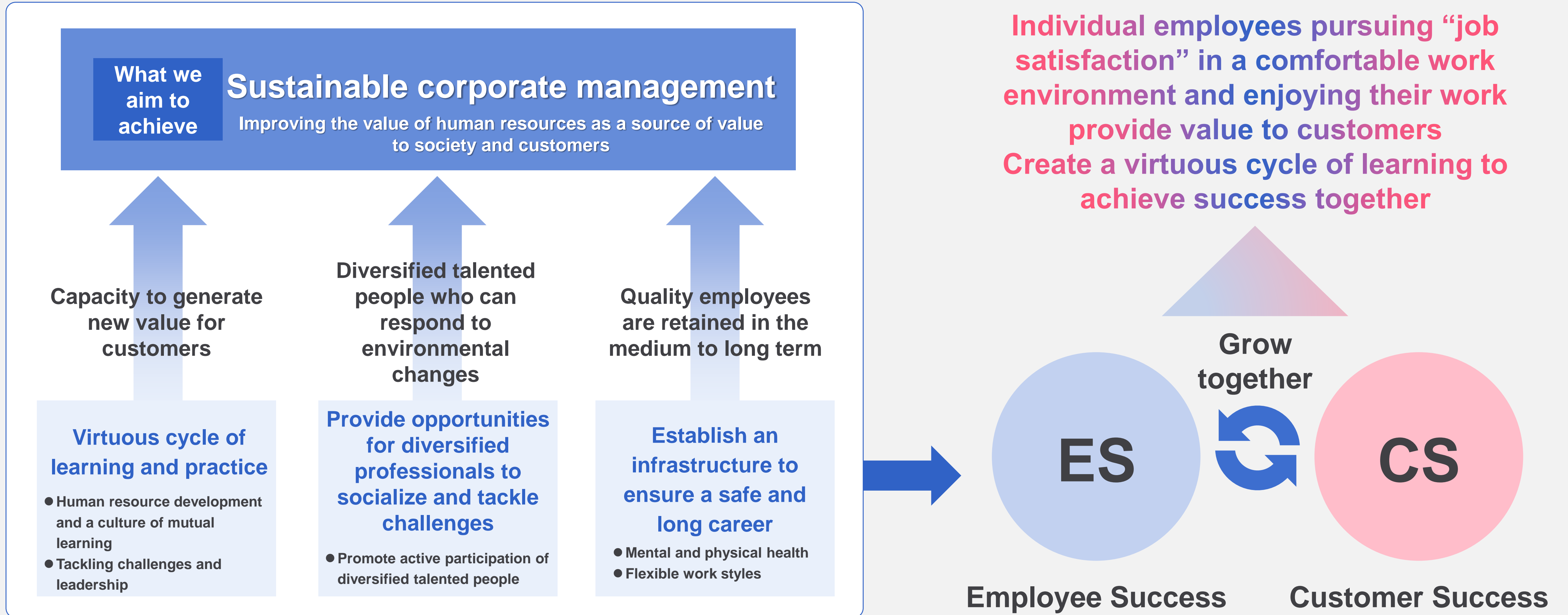
Factors that affected operating profit



Initiatives for ESG management

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 website below for the Company’s initiatives for ESG management at <https://www.sakura.ad.jp/ir/corporate/work/>

Initiatives for human capital oriented management (cycle of learning and practice)

Training of human resources in the digital field: For students and companies

In light of the deterioration of Japan's digital competitiveness*, strive to address problems in training and hiring digital professionals stated in the Comprehensive Strategy for the Vision for a Digital Garden City Nation (2023 revised edition)

To build a new digital-ready society, contribute to the recruitment and training of people who can move forward with the digital field through the provision of cloud services in which we are strong

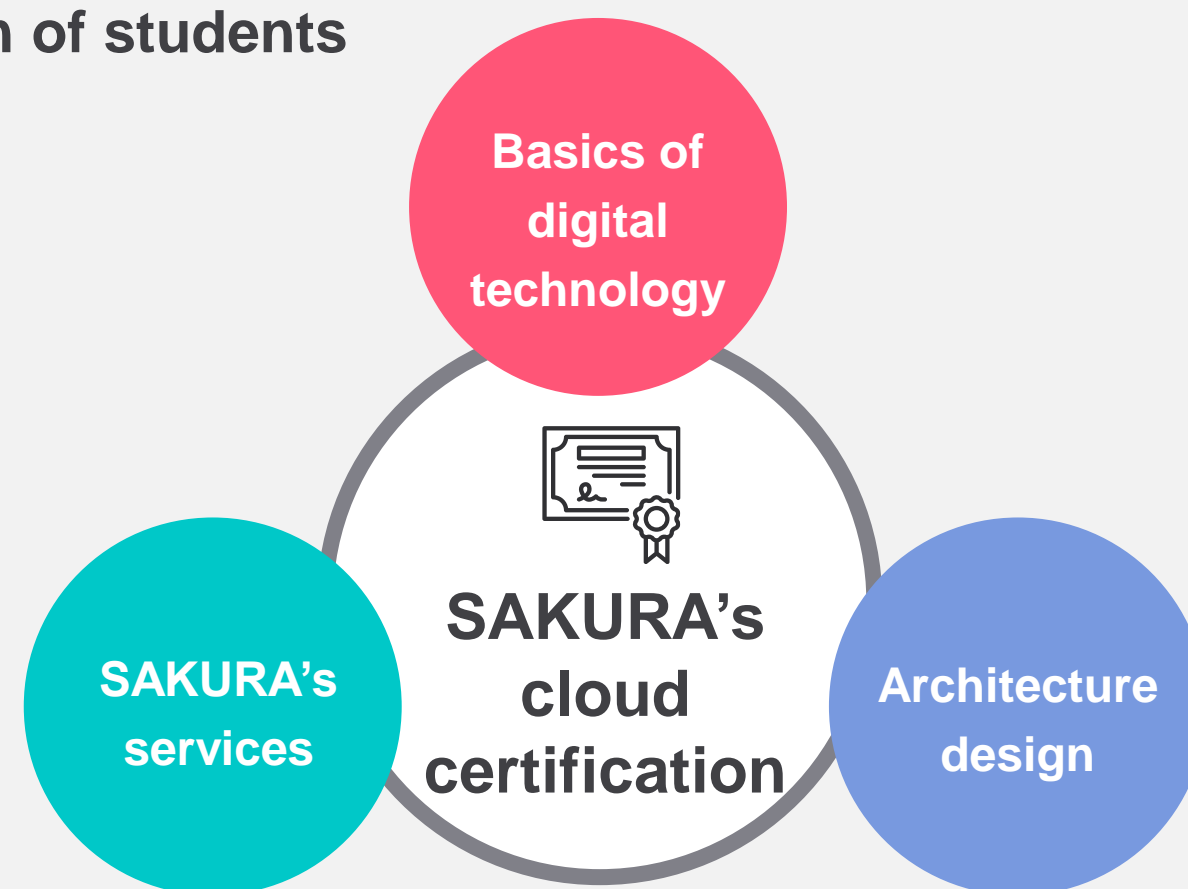
Provide learning opportunities through a test of certification of cloud

Strive to establish wide-ranging training systems, starting with SAKURA's cloud certification

Provide training content under a Creative Commons license to establish standard content for digital professional training for companies, and provide opportunities for learning and evaluation to educational institutions and new generation of students

Target

- Engineers
- Business persons
- Companies introducing cloud
- Educational institutions
- New generation of students



*Reference: In "World Digital Competitiveness Ranking 2023" by IMD World Competitiveness Centre, Japan ranks 32 among 64 major countries worldwide. 63 in digital skills.
<https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/world-digital-competitiveness-ranking/>

Practical education through KOSEN support project

One year from the conclusion of the comprehensive collaborative agreement with the Institute of National Colleges of Technology Continue providing more practical learning opportunities

Our Executive Officer and employee who also serves as Visiting Associate Professor at National Institute of Technology, Kochi College ("Kochi Kosen") holds practice-focused lessons at nationwide KOSEN schools



*Left: Masahito Zenbutsu, Education Planning of ES Division (Visiting Associate Professor at National Institute of Technology, Kochi College)
 *Right: Mr. Seiichi Kishimoto, Gakumu Sanji and Professor of National Institute of Technology, Professor of Social Design Engineering of KOCHI KOSEN

Contents

- Online site tour of a data center
- Cloud-native training
- SAKURA's cloud hands-on
- Generative AI workshop
- Provide computation resources

Please visit the Company's website below for the Company's initiatives for ESG management at <https://www.sakura.ad.jp/ir/corporate/work/>

Initiatives for human capital oriented management (cycle of lessons and practices)

Training of human resources in the digital field: Provide continuous learning opportunities

To build a new digital-ready society, contribute to the recruitment and training of people who can move forward with the digital field through the provision of cloud services in which we are strong

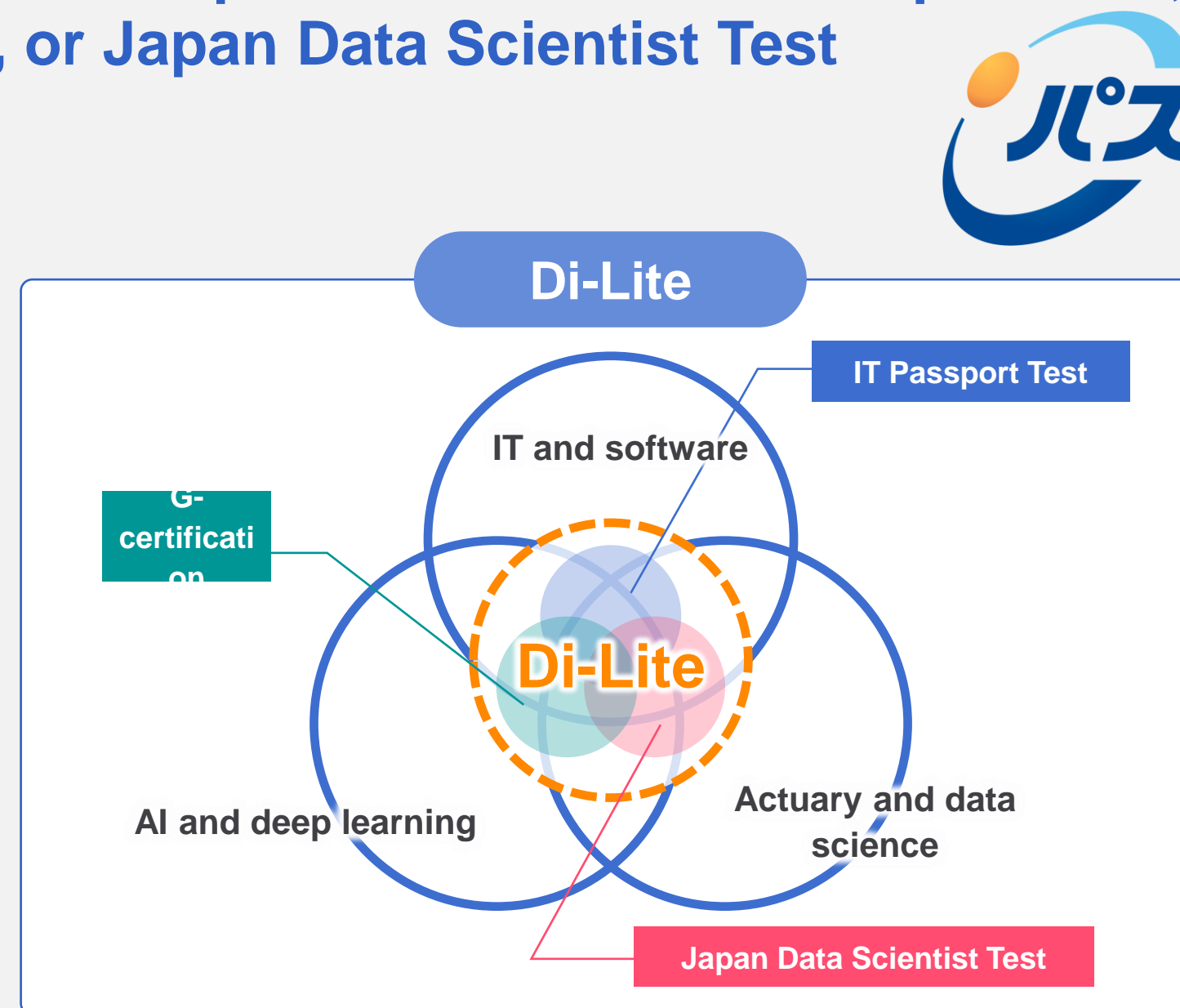
Provide learning opportunities to our employees, as well as new generation of students, business persons, and even athletes

Provide learning opportunities by encouraging people to acquire certifications

Of employees, 36.6% have passed either of IT Passport Test, G Certification Test, or Japan Data Scientist Test

allow them to change themselves and respond to changes in society.

Starting with IT Passport Test which aims to improve each employee's digital skills, encourage people to acquire Di-Lite*certifications including Japan Data Scientist Test and G Certification to support people who lead the field of DX including generative AI



*Di-Lite: The range of digital skills that should be common to all business people as "users of digital technology" technologies

Provide reskilling opportunities

Help athletes to develop second career and skills

Became the official top partner of the women's soccer team "FC Ryukyu SAKURA" at Ryukyu Football Club Co., Ltd.

For the purpose of solving athletes' challenges in developing their second career which we expect will help in developing DX professionals in Okinawa, programming courses are jointly held with FC Ryukyu Sakura, for example, to develop a second career of individual athletes to

Help in acquiring business skills not limited to IT skills



FC RYUKYU SAKURA

©FC RYUKYU



Please visit the Company's website below for the Company's initiatives for ESG management at <https://www.sakura.ad.jp/ir/corporate/work/>

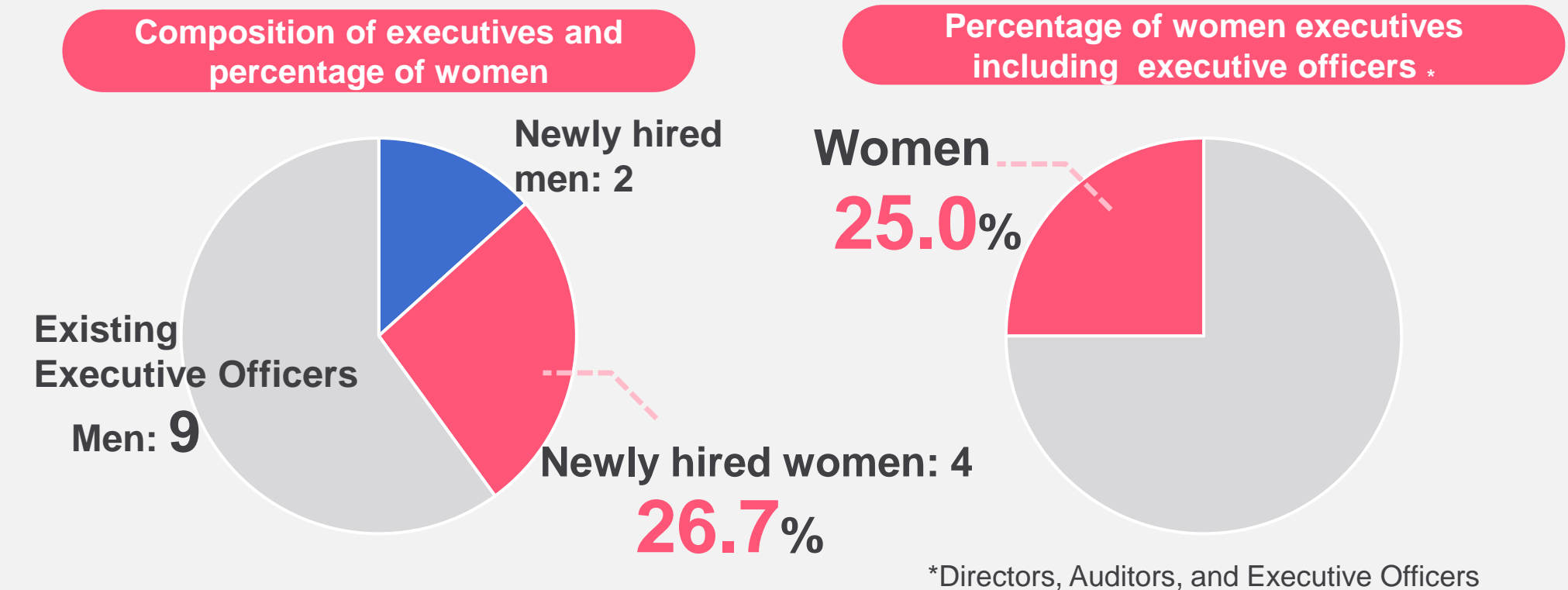
Initiatives for human capital oriented management (provide opportunities for diversified professionals to socialize and tackle challenges)

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

Strengthen management functions and develop future management personnel

To strengthen the management functions, six more executive officers (including four female officers) were elected in October 2023, and two more executive officers in April 2024. Will continue to add more executive officers for the purpose of development and training of management personnel.

Will continue the efforts to achieve the numerical target of “30% or more female executives (including executive officers) by 2030” in “Women’s Bold Policy 2023” (for companies listed on TSE Prime Market)



*Composition and the number of executive officers are as of April 1, 2024

CASE Appointment of Group CHRO

Among newly appointed Executive Officers, Mariko Yabe, 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

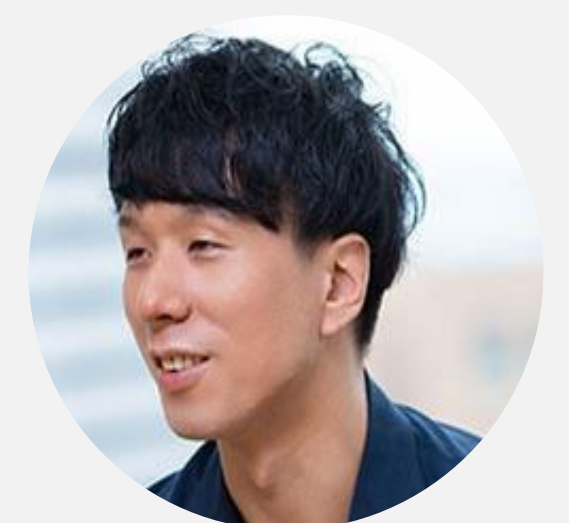


(Photo by Nakamura Yoshinobu)

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 1986, joined the Company in June 2022)
Was appointed as Manager of the Human Resources Planning Dept., the ES Division in October 2023

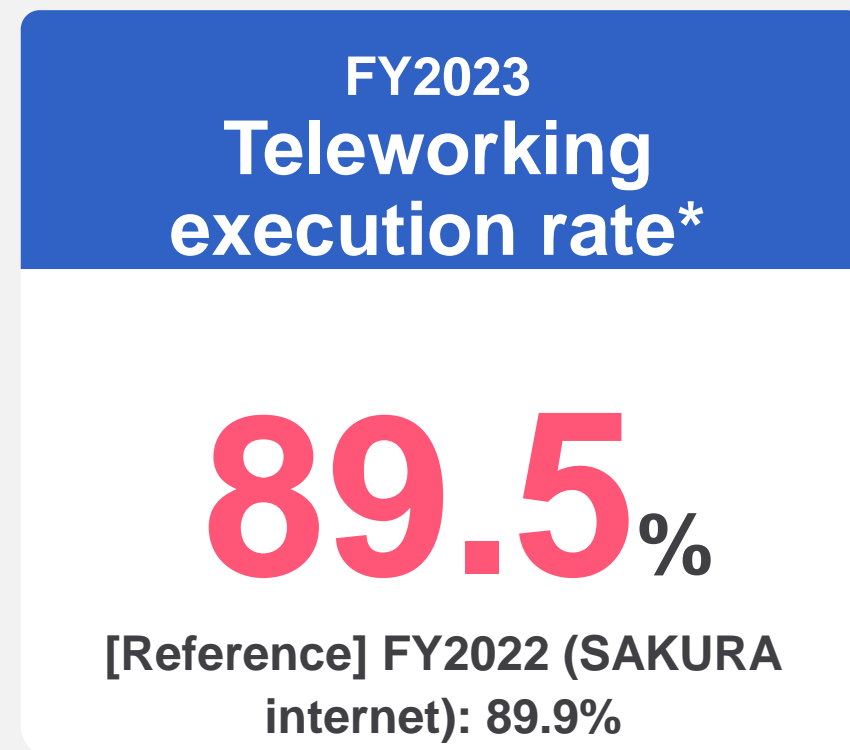


Please visit the Company’s website below for the Company’s initiatives for ESG management at <https://www.sakura.ad.jp/ir/corporate/work/>

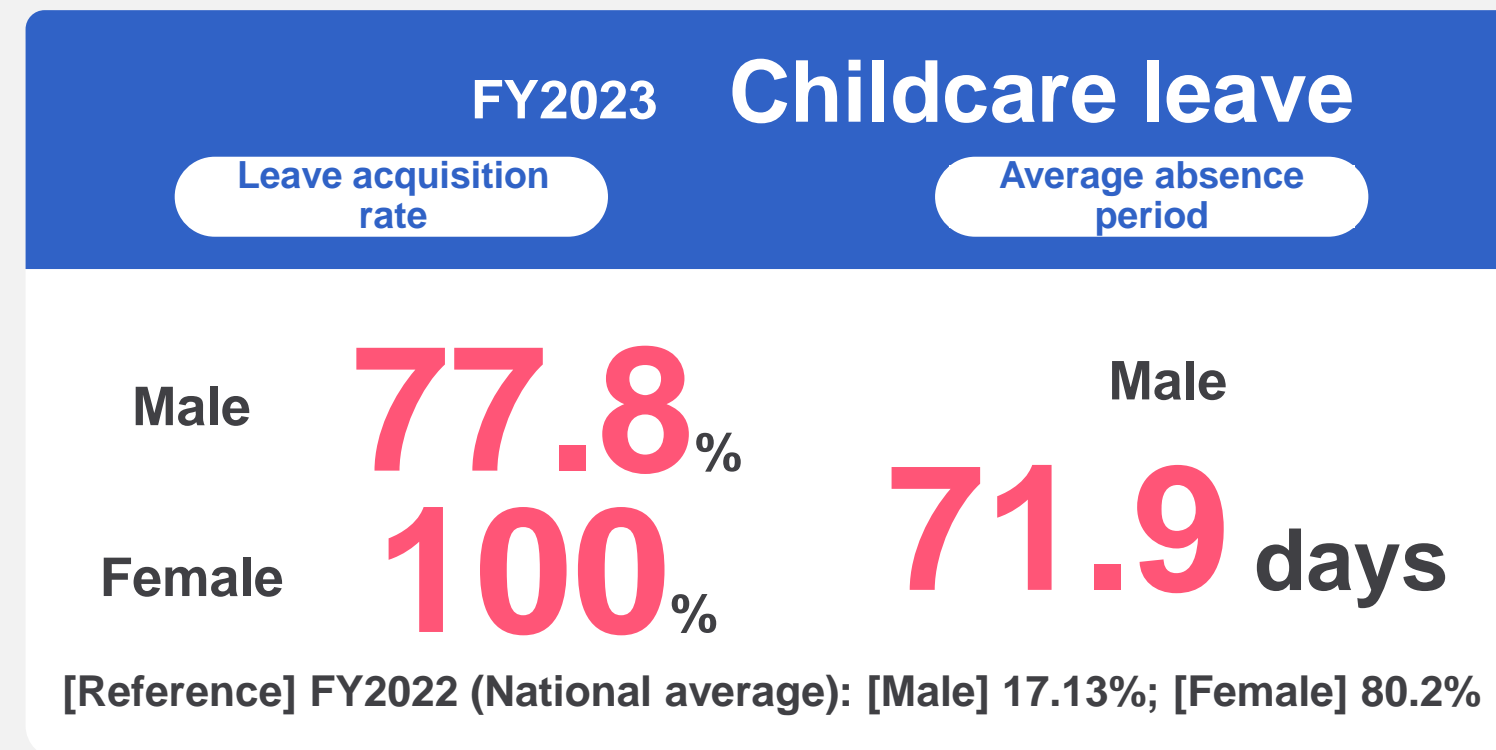
Initiatives for human capital oriented management (to establish an infrastructure to ensure a safe and long career)

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

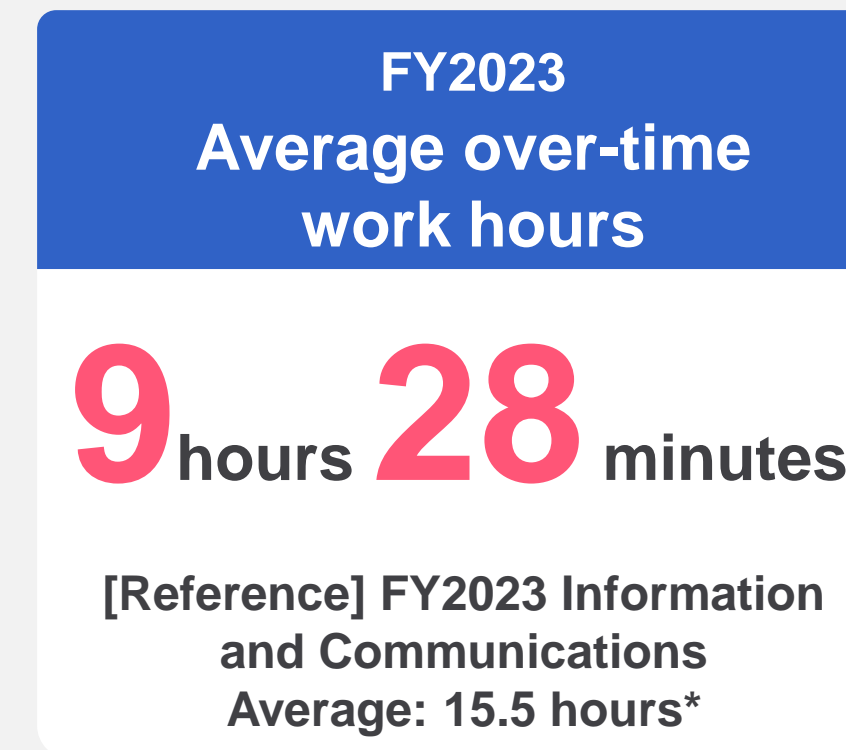
Continue to support flexible work styles including internal HR programs to promote teleworking and parallel careers. Improve the working environment and career development support system for working parents, focusing on boosting the ratio of women and active appointment of women in managerial positions



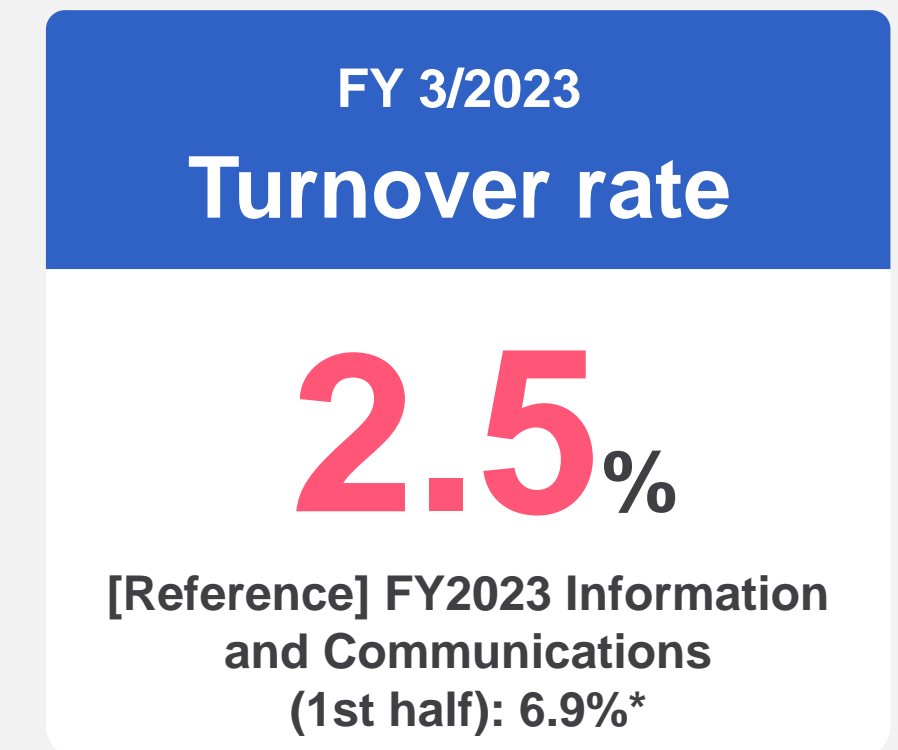
Calculated for March 2023. Non-attendance rate



Source: Survey of Gender Equality in Employment Management for 2022



Source: 2023 Monthly Labour Survey



Source: Survey on Employment Trends for the First Half of 2023

Active recruitment activities and demonstrate higher presence

● Hire more engineers in the focus area

Shifting the target layer from players to higher performers. Of mid-career persons, 47% are leaders or specialists who are expected to work for the focus business and develop common infrastructure for services thereof

● Strengthen recruitment channel

In hiring actively among the rapidly growing number of applicants, 12% of mid-career applicants apply through our own recruitment website and 18% are from referral recruiting, creating a trend of talent attracting talent. Focus also on hiring and allocating skilled former members

CASE

Welcome back former members to return to work

While the turnover rate is low because of already established diversified work styles such as teleworking and flextime, we also welcome back employees who had to leave their job, so they can return to work with us. Former members are showing excellent performance in individual divisions.

Chihiro Tsurumaru, Key Operations Group of CEO's Office
A mid-career person who joined the Company as the first secretary of the President in 2006 and resigned in 2013. Rejoined the Company as a part-time worker involved in publicity administration in 2018, and became a full-time employee in 2021 as a secretary of the President.



(Photo by Yoshinobu Nakamura)

Please visit the Company's website below for the Company's initiatives for ESG management at <https://www.sakura.ad.jp/ir/corporate/work/>

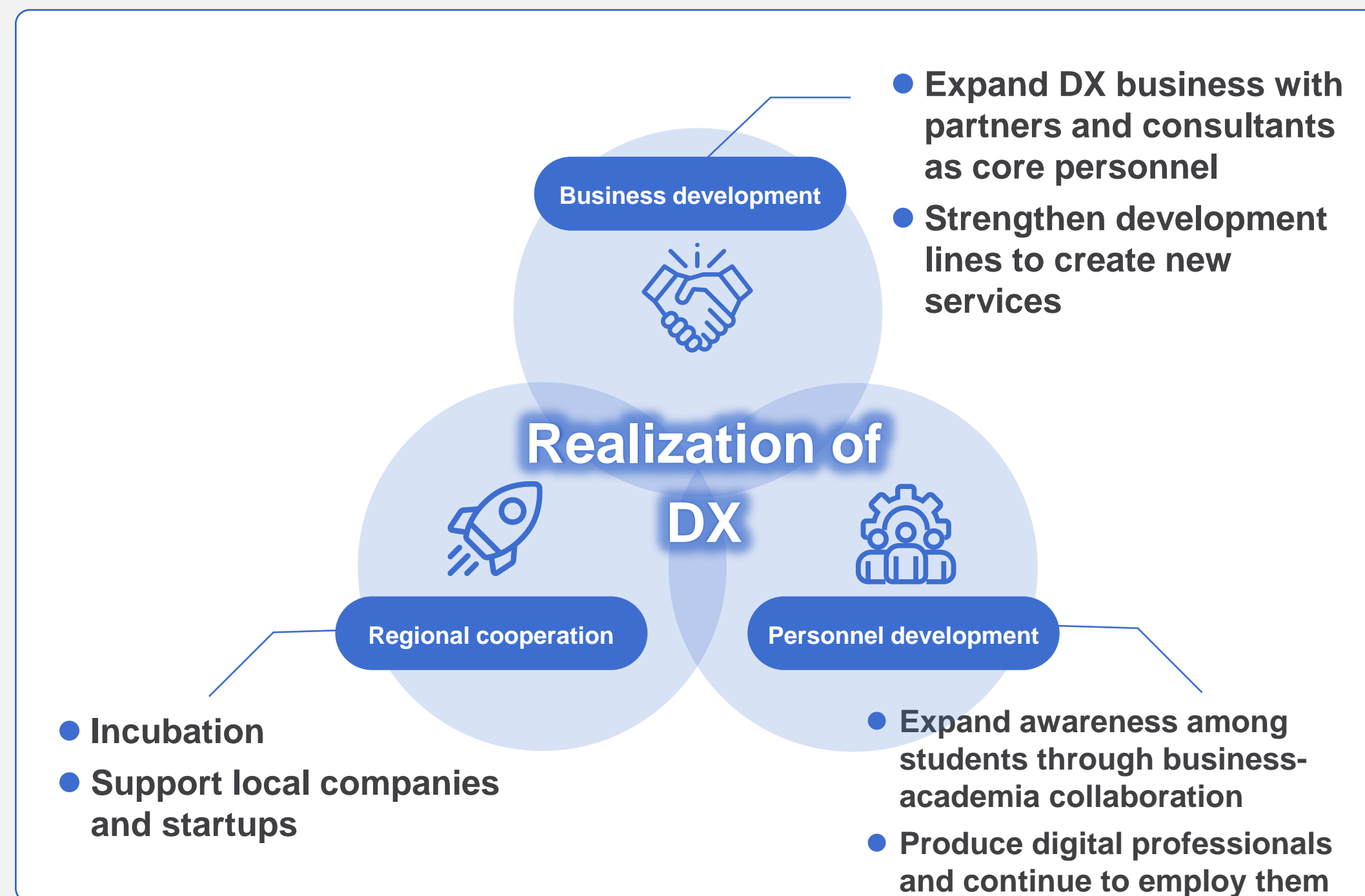
Support the next-generation of entrepreneurs in tackling challenges and promote open innovation initiatives from various regions

Local revitalization and creation of digital innovation

Accelerate the efforts to drive open innovation

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

Regional sites for open innovation



[Photo provided by the developer of GRAND GREEN OSAKA]

Communication

Osaka

Will open in September 2024

GRAND GREEN OSAKA, a place where startups gather

Plan to operate an innovative event space, etc. at JAM BASE, a core facility with a unique wall-less open space

Fukuoka

Opened in Feb. 2017



Support startups



Okinawa

Opened in September 2023



SAKURA イノベース

innobase

Okinawa

Hire more local personnel

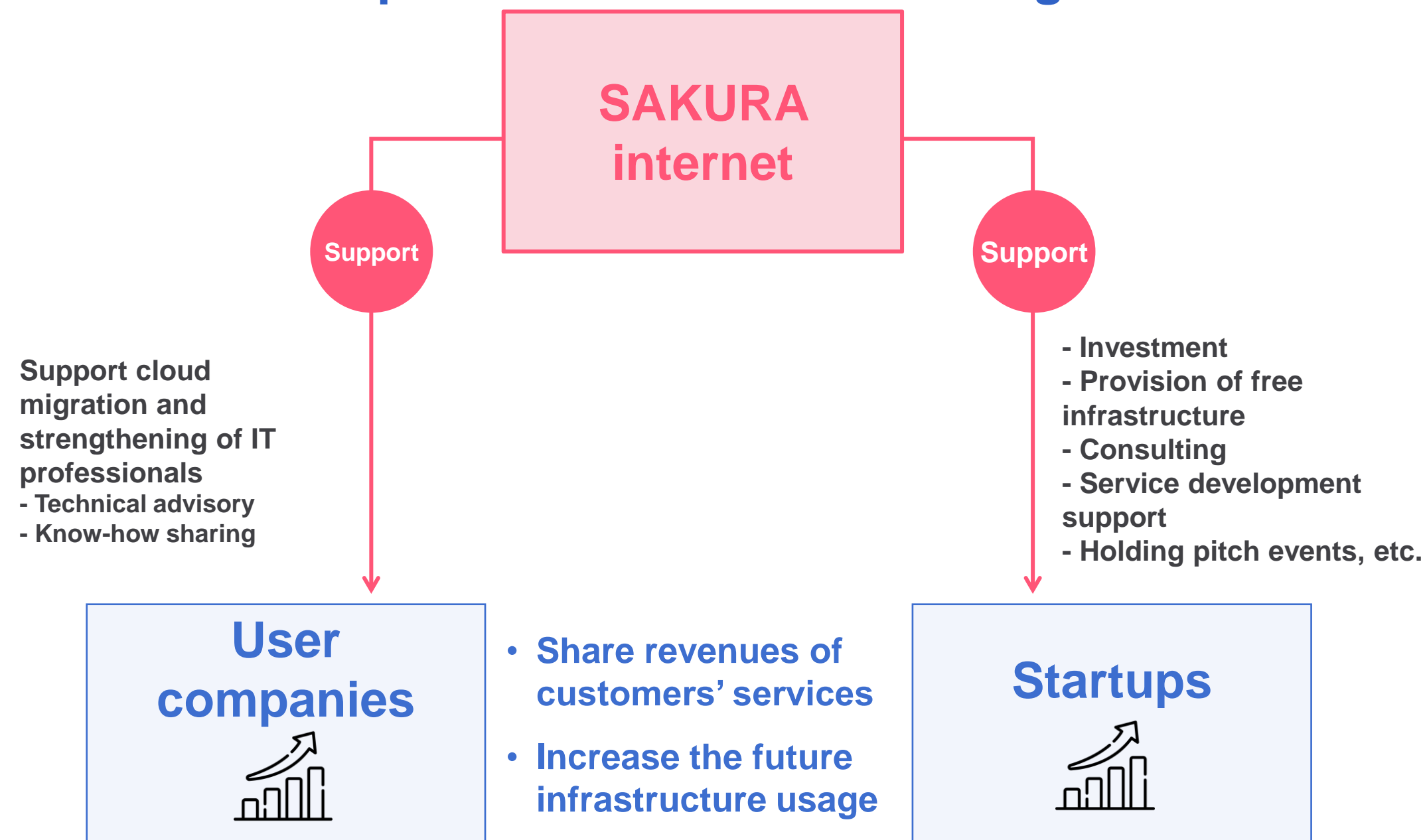
Please visit the Company's website below for the Company's initiatives for ESG management at <https://www.sakura.ad.jp/ir/corporate/work/>

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

Startup support

Investment and development support for startups

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



CASE 1: 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: Investment in Fund

Invested in Carie Impact & Innovation Fund*, Okinawa's first impact investment fund which aims to provide social solutions, in February 2024

*Established by UmuSun Lab. that supports social entrepreneurs. UmuSun Lab. aims to create a new financing flow to address social problems, and encourage social entrepreneurs to grow and further improve their ecosystems, with an intent to provide solutions to Okinawa's social issues.

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 website below for the Company's initiatives for ESG management at <https://www.sakura.ad.jp/ir/corporate/work/>

Environmental initiatives: Ishikari Data Center

Data centers, the essential part of our business, consume large amounts of electricity when operating and cooling their servers. Due to recent rapid advances, etc., of large language models (LLM), the amounts consumed by high-performing servers are also increasing. We strive to reduce energy consumption in data centers and have decarbonization, aiming to contribute to a sustainable society.

Strive for decarbonization and reduction of energy consumption

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 Data Center (front: Building 3, left: Buildings 1 and 2)

*Reference: "Global electricity demand from data centers could double toward 2026" according to the IEA's Electricity 2024 <https://www.iea.org/reports/electricity-2024>

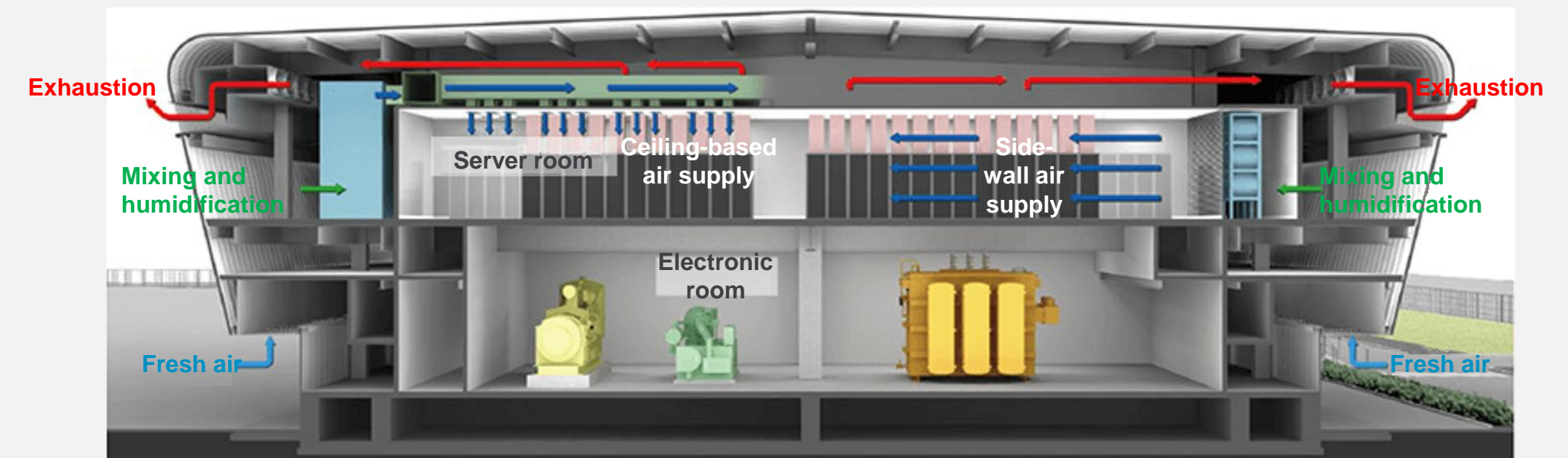
Decarbonization initiatives

Achieved 100% renewable energy in June 2023.

Achieved virtually zero annual CO2 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 efficiently

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

Please visit the Company's website below for the Company's initiatives for ESG management at <https://www.sakura.ad.jp/ir/corporate/work/>

Security initiatives

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

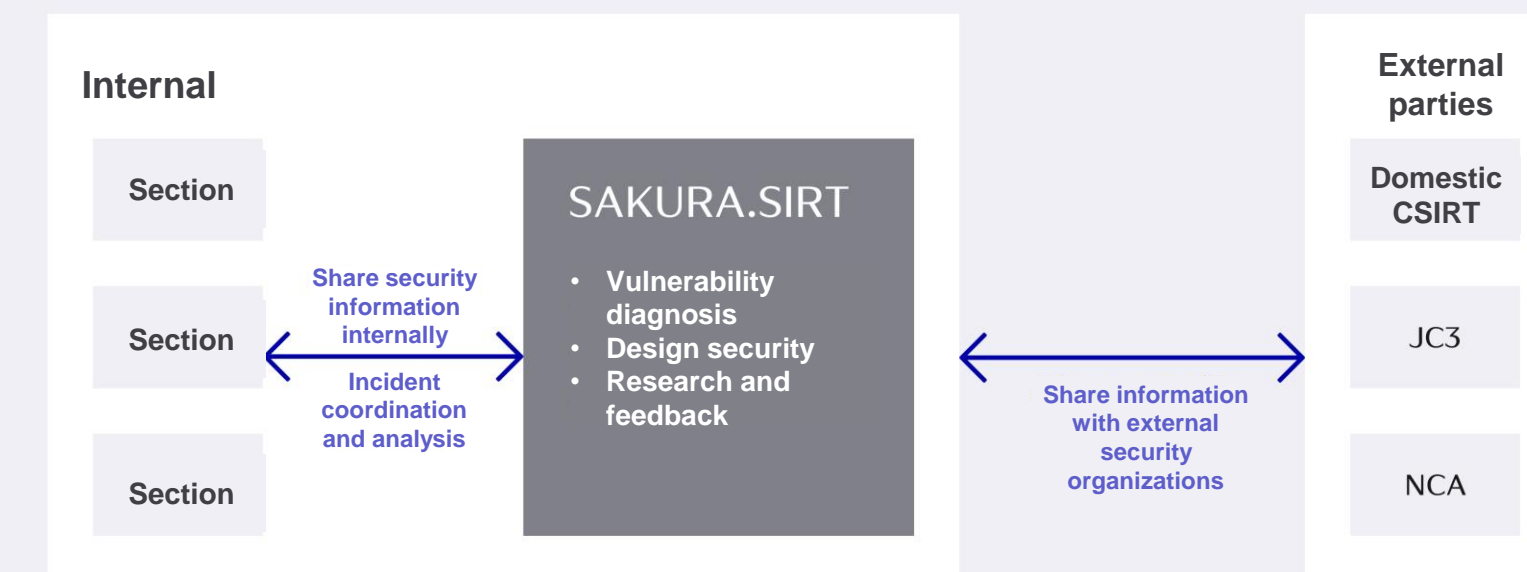
To meet increasingly sophisticated and complex security requirements and raise knowledge and skill levels, the Company aims to develop personnel involved in information security management by requiring such personnel assigned to the respective departments, including the back office department, to pass 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 C SIRT 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

Please visit the Company’s website below for the Company’s initiatives for ESG management at <https://www.sakura.ad.jp/ir/corporate/work/>

Utilize outside or independent officers and enhance corporate governance

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

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

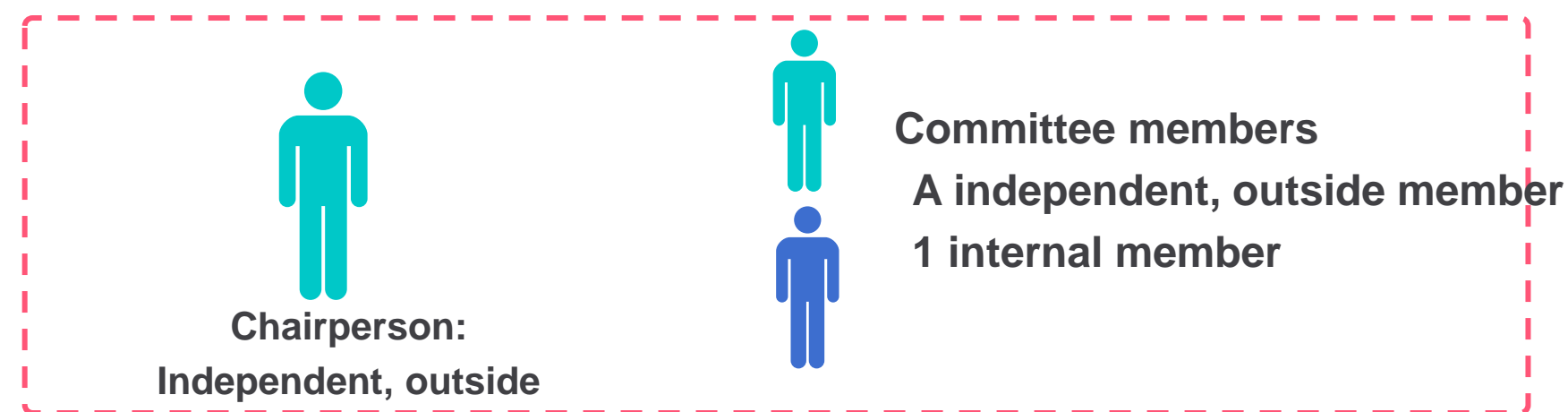
- A voluntary advisory body mainly consisting mainly of **Independent Outside Directors**

The Nomination and Compensation Committee established as a voluntary advisory body of 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 policy and procedures in determining compensations, etc. of 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

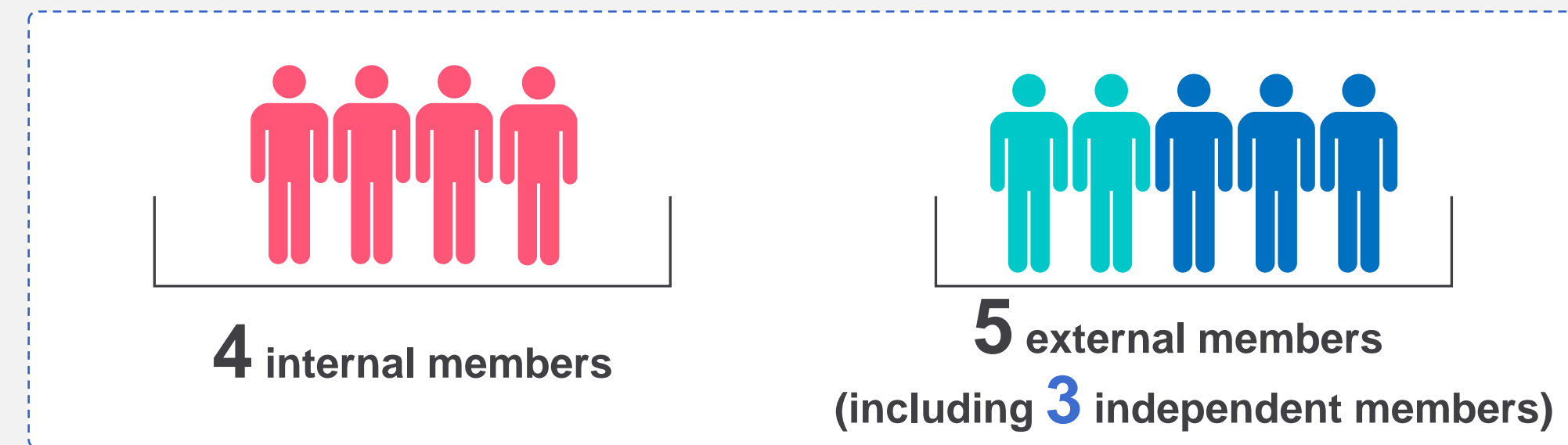
Composition of the Nomination and Compensation Committee



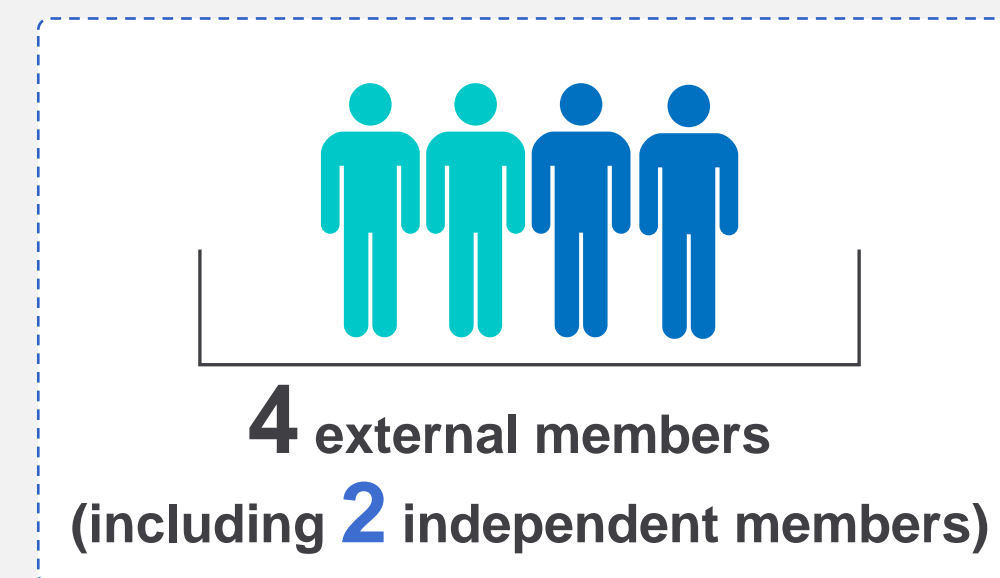
- Percentage of outside or independent officers of the Board of Directors

(*As of the end of March 2024)

9 Directors



4 Auditors



Percentage of external members **69%**
(Percentage of External Auditors: 100%)

Percentage of independent officers: **38%**

Please visit the Company's website below for the Company's initiatives for ESG management at <https://www.sakura.ad.jp/ir/corporate/work/>

appendix

Consolidated Net Sales by Service Category (QoQ Change)

(Millions of yen)

Service category	FY 3/23				FY 3/24				QoQ change	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Change	Change (%)
Cloud services	2,883	2,906	2,985	3,065	3,096	3,152	3,204	3,320	116	3.6
Composition (%)	58.1	57.8	59.1	54.9	60.6	60.2	60.3	53.8		
Cloud infrastructure	1,935	1,954	2,029	2,071	2,125	2,177	2,238	2,282	43	2.0
Cloud application	947	951	956	993	971	974	965	1,038	72	7.5
Physical base services	935	909	902	889	881	906	901	900	(1)	(0.2)
Composition (%)	18.9	18.1	17.9	16.0	17.3	17.3	17.0	14.6		
Other services	1,144	1,209	1,165	1,623	1,127	1,179	1,209	1,946	737	60.9
Composition (%)	23.0	24.1	23.0	29.1	22.1	22.5	22.8	31.6		

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

Consolidated Statement of Income (QoQ Change)

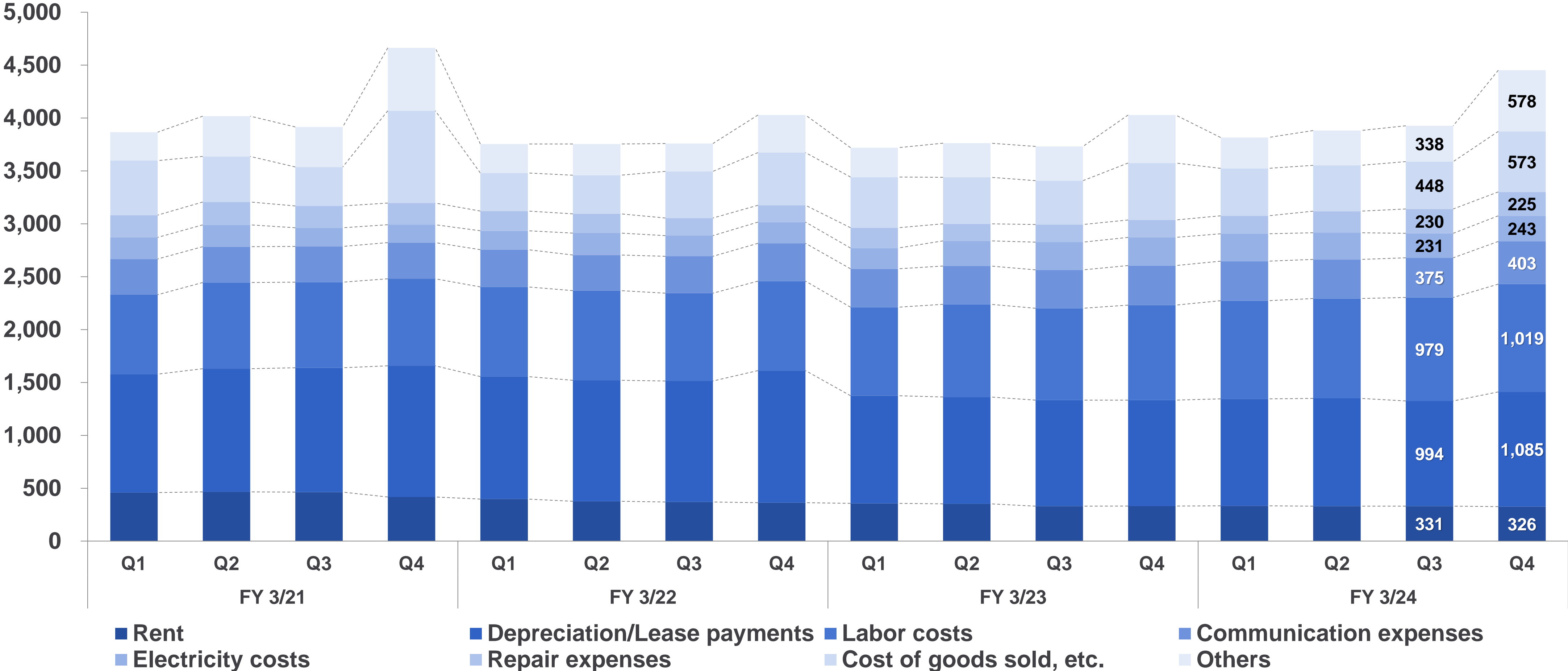
(Millions of yen)

Item	FY 3/23				FY 3/24				QoQ change	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Change	Change (%)
Net sales	4,964	5,025	5,054	5,578	5,105	5,237	5,315	6,167	851	16.0
Cost of sales	3,723	3,766	3,732	4,032	3,819	3,884	3,929	4,457	527	13.4
Gross profit	1,240	1,259	1,321	1,546	1,285	1,353	1,385	1,710	324	23.4
SG&A expenses	995	1,067	1,063	1,147	1,181	1,208	1,186	1,274	87	7.4
Operating profit	244	191	257	399	104	145	199	435	236	119.0
Operating margin (%)	4.9	3.8	5.1	7.2	2.0	2.8	3.7	7.1		
Ordinary profit	214	162	238	350	73	99	147	444	297	202.2
Profit attributable to owners of parent	142	104	170	248	108	66	128	347	218	169.8
EBITDA	939	890	970	1,094	852	901	955	1,363		

Breakdown of Major Costs (Consolidated)

Breakdown of major costs

(millions of yen)



Investments for FY 3/2024

(100 millions of yen)

Description of investment	Full-year plan	Full-year result
Data center	3	12
Servers and network equipment	46	58
Others (systems and office-related, etc.)	1	0
Total	50	72

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

■ Breakdown of actual investments in servers and network equipment

Cloud services	Physical base services	Others	Total (actual)
17	3	* 37	58

*“Others” includes the investment in GPU cloud services of 3.4 billion yen, of which 1.6 billion yen is the reduction entry amount

Number of personnel in FY 3/2024

Increased by 84 from the previous year end

[Number of persons hired]

	End of FY 3/23	End of FY 3/24
Number of employees*	755	839

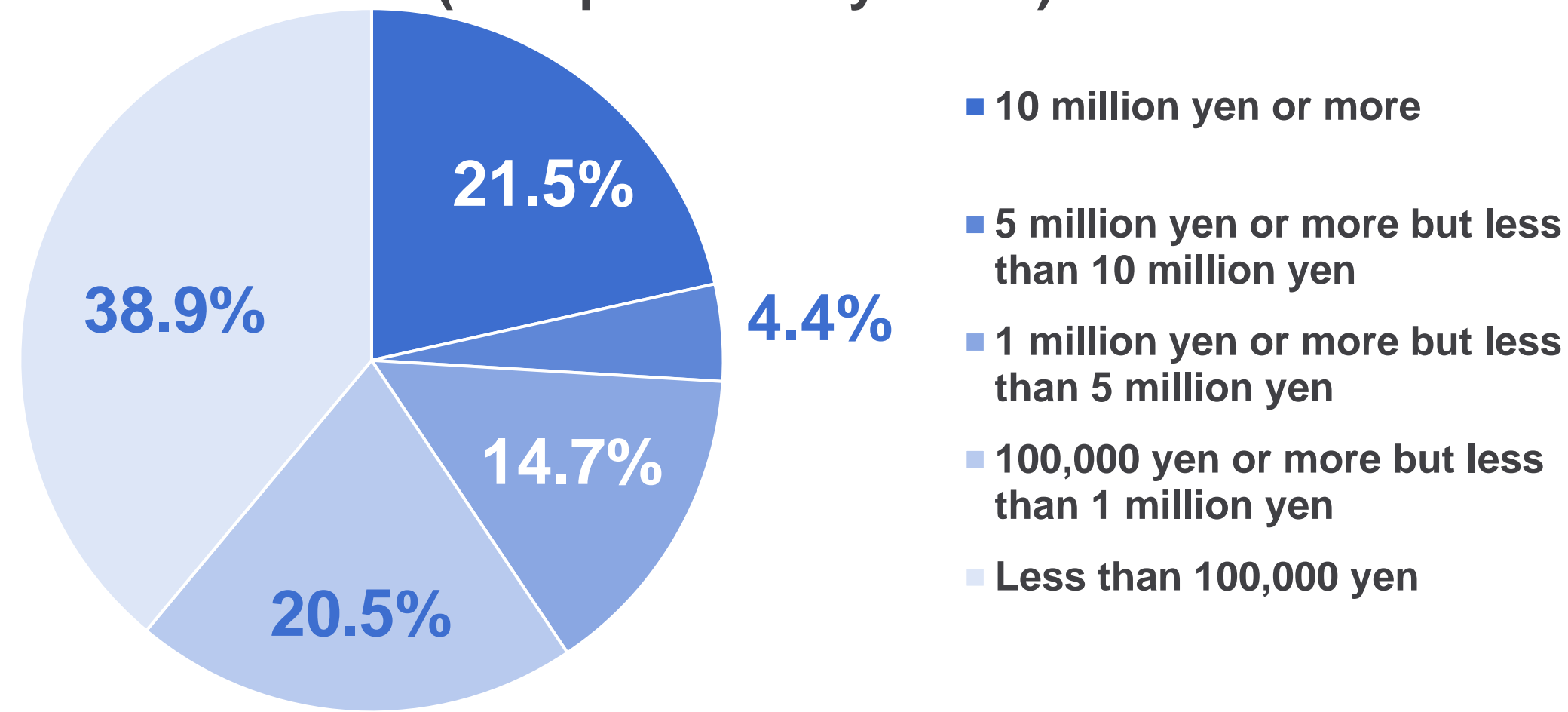
■ Breakdown of changes

		Change (persons)
SAKURA internet	Engineers	+74
	Sales/marketing/new project planning	+5
	Administration	+8
Group companies		(3)
Total		84

*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

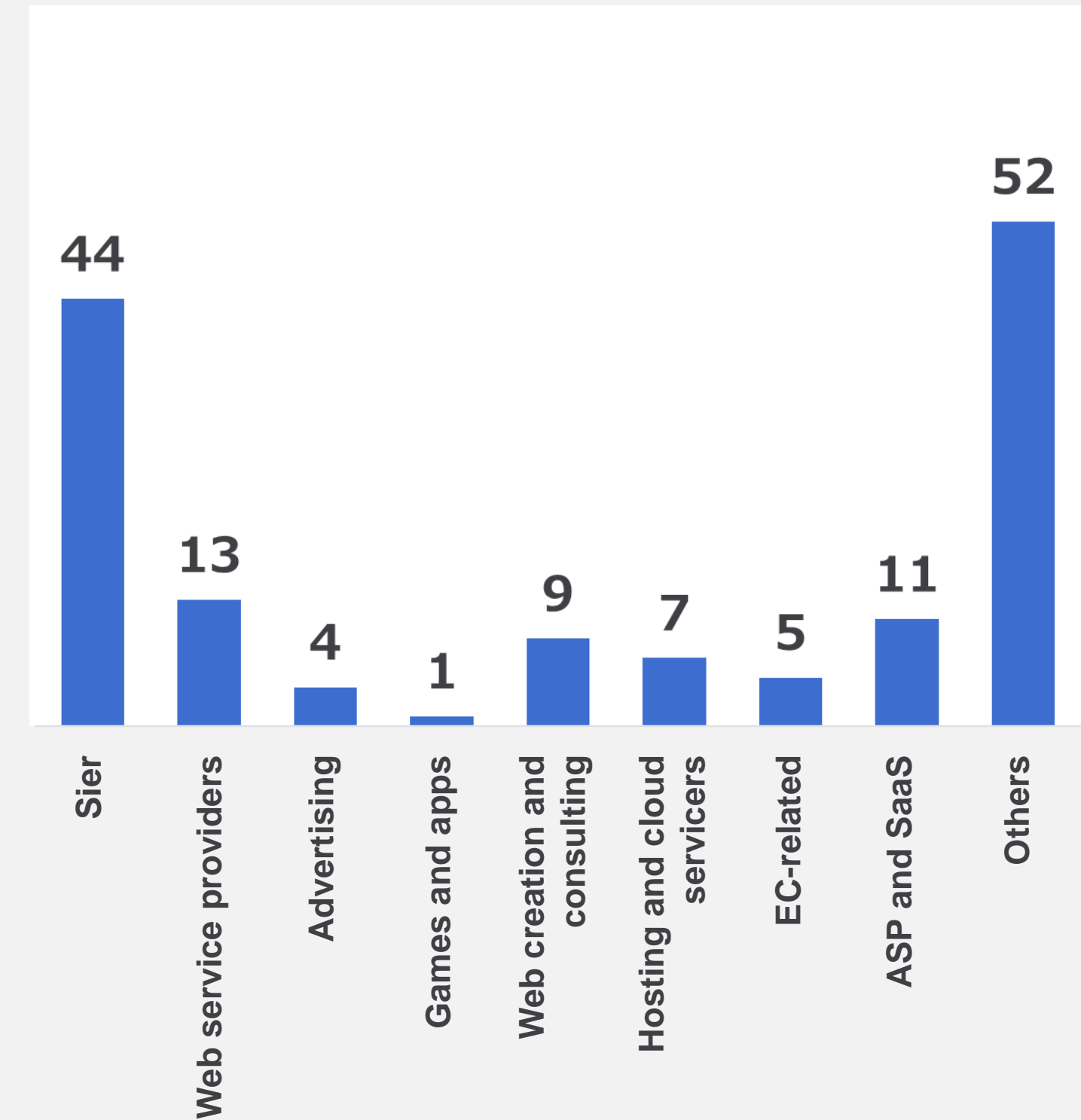
Breakdown by monthly fee
(Composition by sales)



Monthly subscription fees	Number of customers			
	June 2023	September 2023	December 2023	March 2024
10 million yen or more	7	7	7	9
5 million yen or more, but less than 10 million yen	12	11	13	12
1 million yen or more, but less than 5 million yen	123	129	132	125

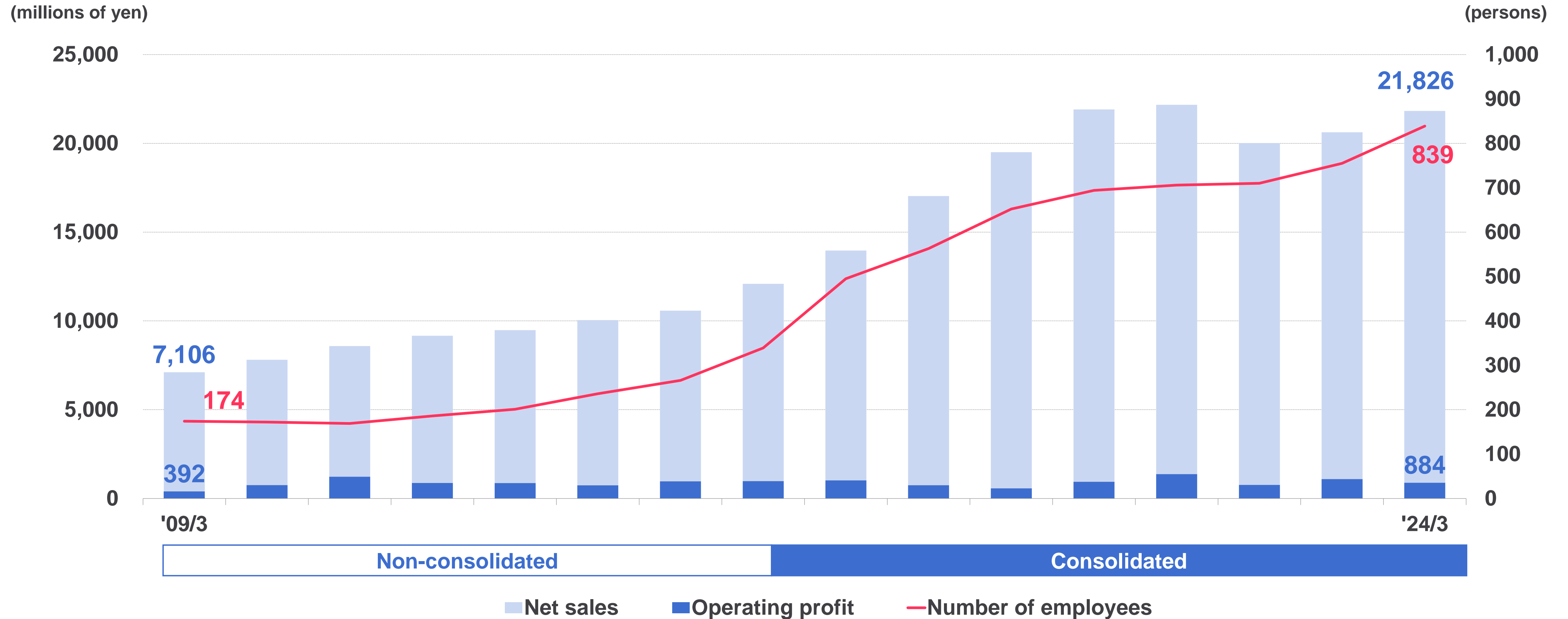


Customers with monthly fee of 1 million yen or more by industry



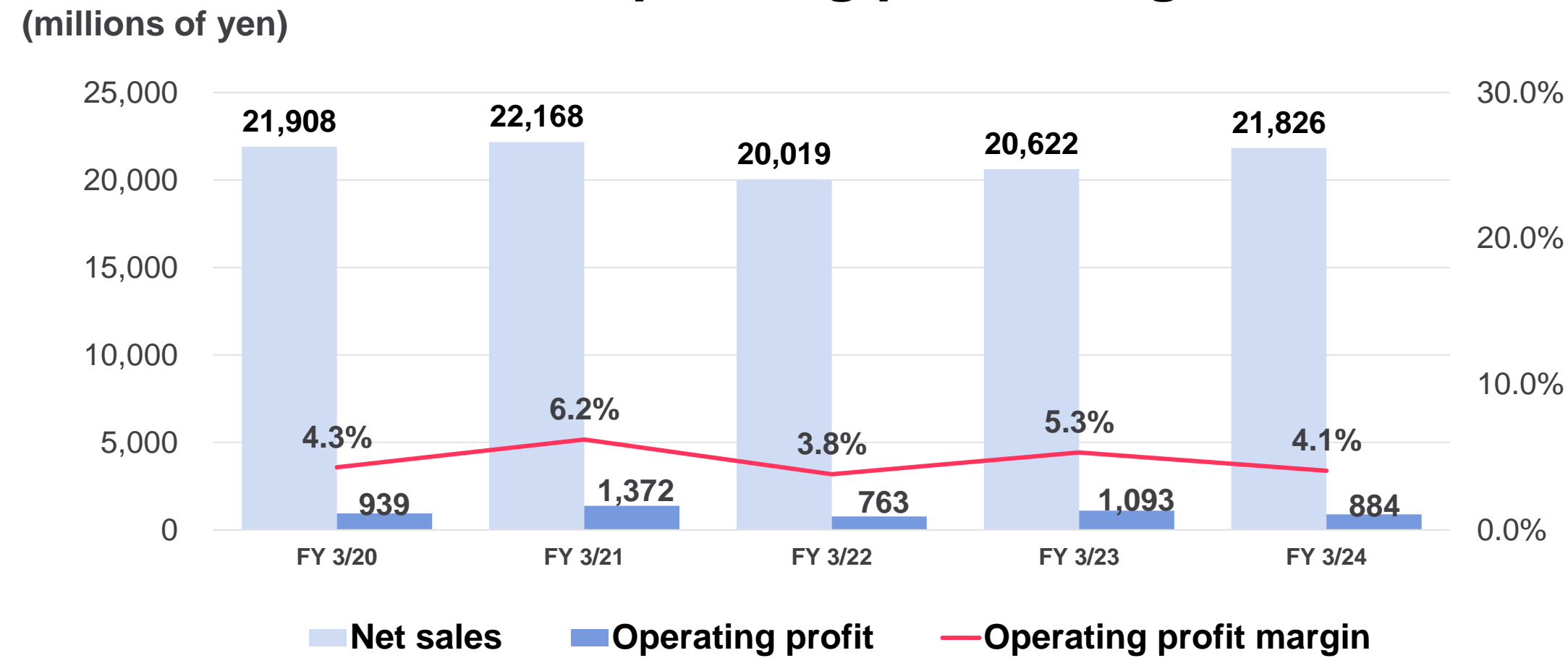
*The figures represent SAKURA internet on a non-consolidated basis.

Historical net sales, operating profit, and number of employees

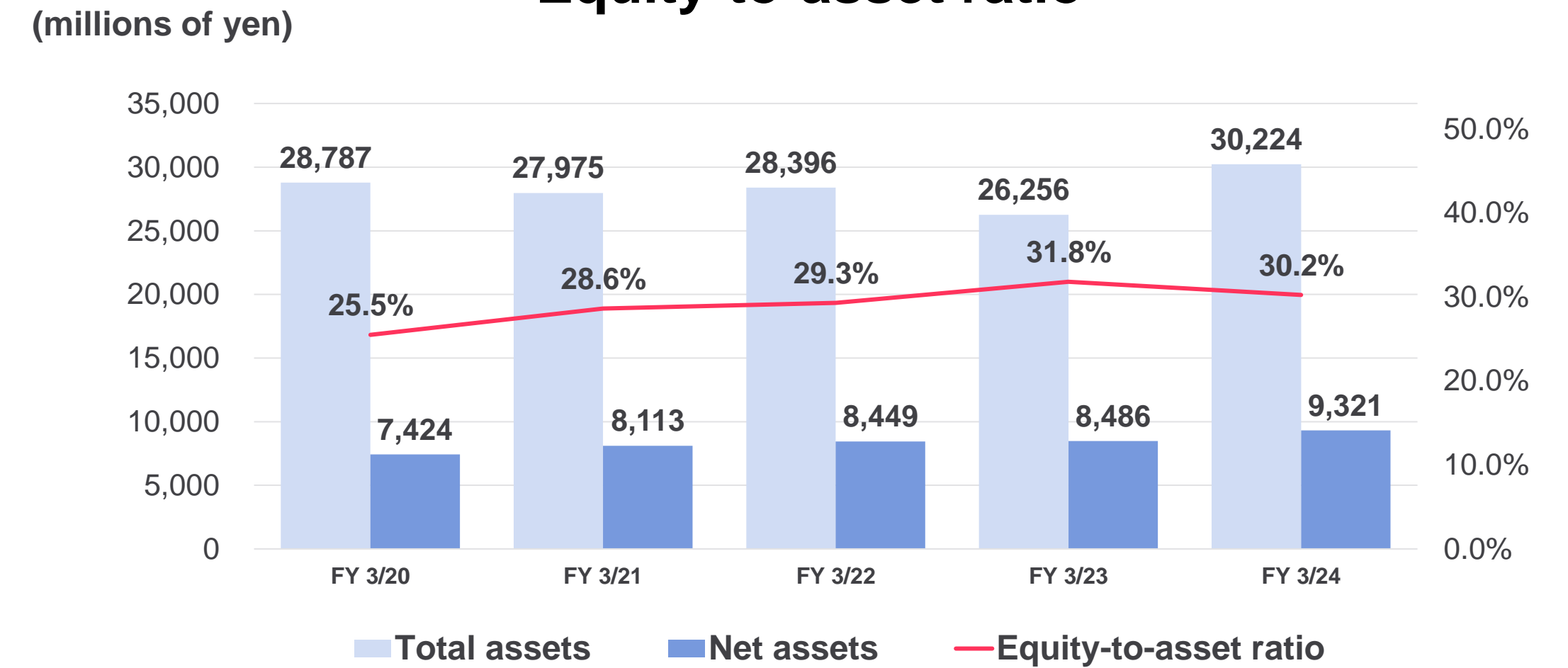


*The figures for FY 3/2015 or older are from non-consolidated financial results, and those for FY 3/2016 or later are from consolidated financial results.

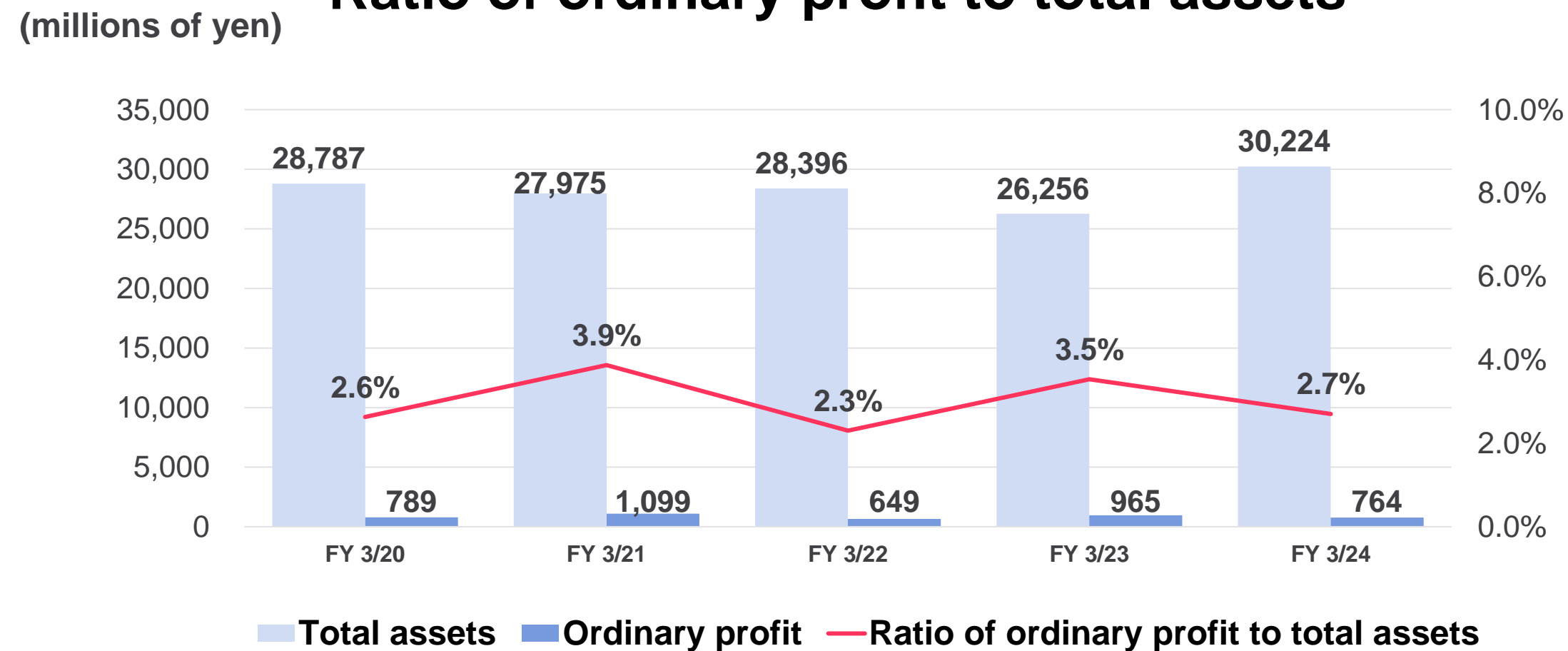
Operating profit margin



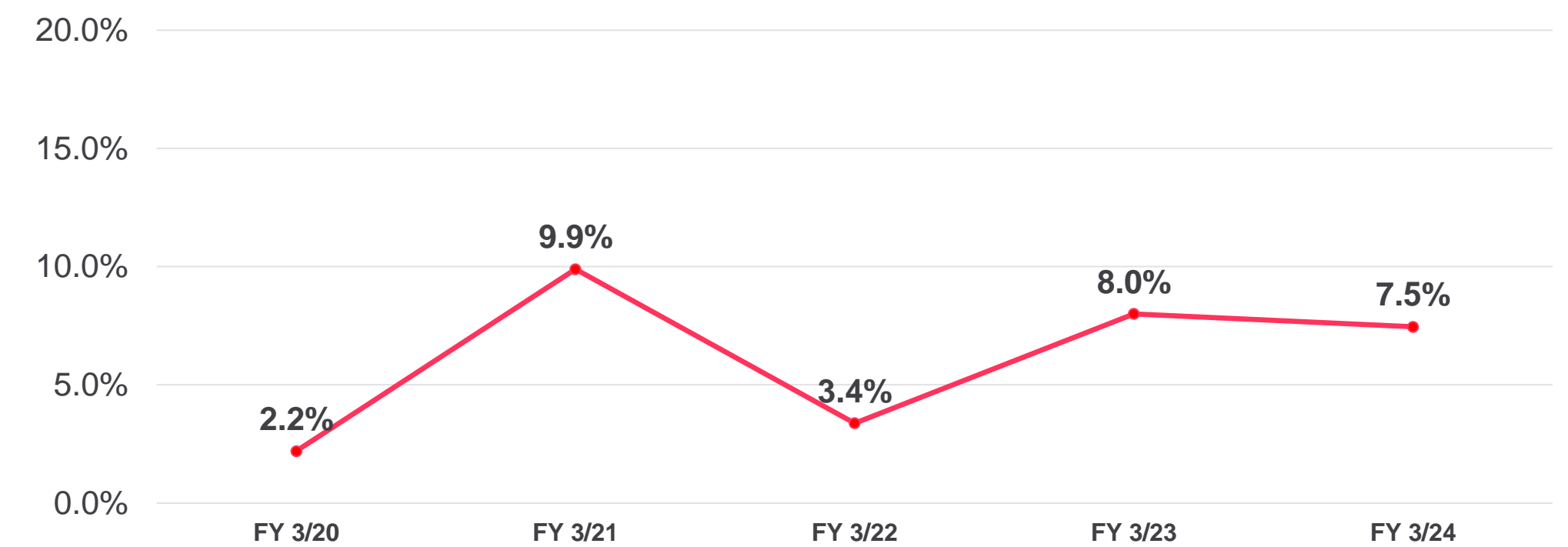
Equity-to-asset ratio



Ratio of ordinary profit to total assets



ROE



History

- 1996** ○ **SAKURA internet was founded**
 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**
 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	839 (consolidated)

(Note : as of the end of March 2024)



■ IR Contact

IR information inquiry form

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The earnings forecasts and other information contained in this document are based on our company's judgment at the time of preparing the document and we do not guarantee the accuracy of such information. Please note that the results may differ from the forecasts in this document due to various factors.