2nd Quarter of Fiscal Year Ending March 2025

Financial Results

October 28, 2024

SAKURA internet

Financial Highlights

Record-high sales and profits. Net sales and operating profit recorded a YOY increase of 28.3% and 419.4%, respectively

- **Due to the launch* of GPU cloud services for generative AI and the growth of cloud services, sales and profits increased substantially**
  * The services of about 2,000 NVIDIA H100 Tensor Core GPUs in the first investment plan was capitalized in August 2024

Decided to make additional investment for the establishment of GPU infrastructure at an early date

- **Orders received are favorable on the back of strong AI development demand. Decided to move ahead of schedule in the second investment plan (about 100 billion yen in size) and to make additional investment in 800 units of H100 (September)**

- **To meet the demand until the delivery of B200-powered servers, decided to make additional investment in 1,072 units of H200 and 40 units of H100 (October).** *The investment is aimed to further strengthen GPU infrastructure for generative AI *The impact on earnings forecasts is under examination

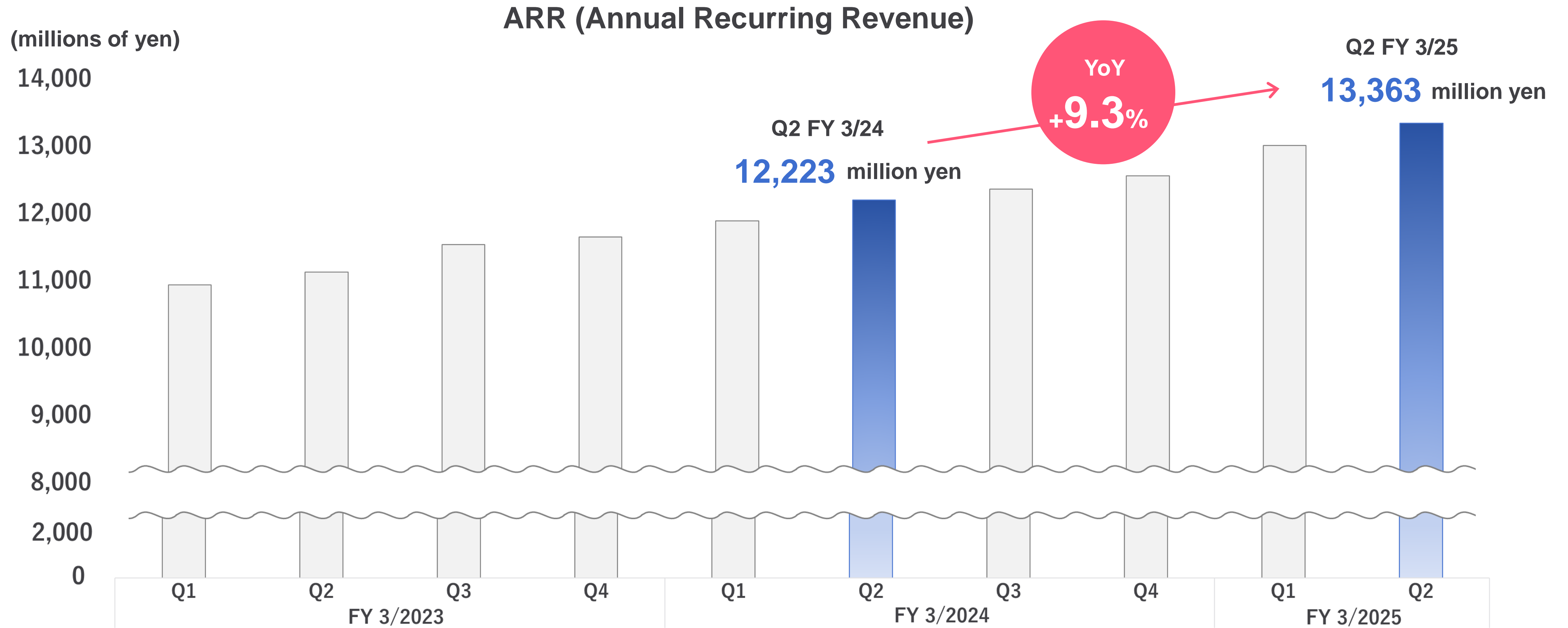| Product name	Number of GPUs	Amount	Date of resolution
NVIDIA H100 Tensor Core GPU	800 units	6.8 billion yen	September 30, 2024
NVIDIA H200 Tensor Core GPU	1,072 units	8.43 billion yen	October 28, 2024
NVIDIA H100 Tensor Core GPU	40 units	0.26 billion yen	October 28, 2024

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Achieved monetization of approximately 2,000 GPU cloud services and the strong sales of cloud services contributed to record-high sales and profit for 1H

- The first investment plan of about 2,000 NVIDIA H100 Tensor Core GPUs was capitalized as early as August 2024
  Sales of GPU cloud services and cloud services were 2,018 million yen and 6,820 million yen (up 9.0% YoY), respectively

- Healthy recruitment with a progress of 61%. Accelerated the strengthening of functional development and the sales promotion of cloud services
  (Number of employees (consolidated) increased by 88 from previous fiscal year end, with 122 new hires joining by the end of the current fiscal year)

- Depreciation and electricity cost increased due to the commencement of operation of GPU cloud services

(Millions of yen)

Item	Q2 FY 3/24 Amount	Q2 FY 3/25 Amount	YoY Change	Change (%)
Net sales	10,343	13,271	2,928	28.3
Operating profit	249	1,295	1,046	419.4
Ordinary profit	172	1,102	929	538.2
Profit attributable to owners of parent	175	710	534	305.4

SAKURA internet

ARR, representing recurring fee revenue, increased **9.3**% YoY

ARR (Annual Recurring Revenue)

(millions of yen)

Q2 FY 3/25

13,363 million yen

YoY
+9.3%

Q2 FY 3/24

12,223 million yen

Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
FY 3/2023				FY 3/2024				FY 3/2025	

*The ARR includes revenue of cloud service, VPS service, and rental server service of SAKURA internet on a non-consolidated basis.
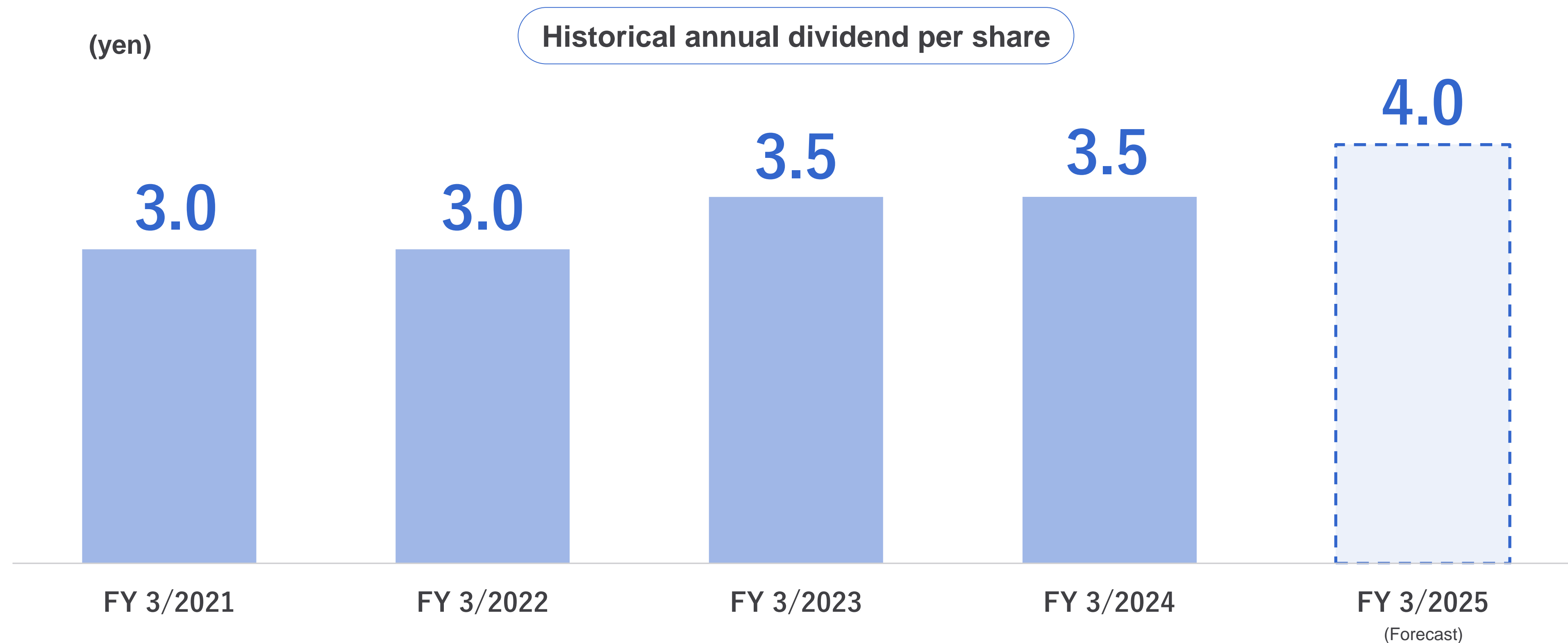
*Although the cloud-service adopts a pay-as-you-go pricing system, these figures are calculated in accordance with a method of fixed-rate service calculation.

*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 3/25:** 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

(yen)

Historical annual dividend per share

FY 3/2021	FY 3/2022	FY 3/2023	FY 3/2024	FY 3/2025 (Forecast)
3.0	3.0	3.5	3.5	4.0

SAKURA internet

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
Achieve zero annual CO2 emissions

- **Ishikari Data Center**
  - Reduced power consumption substantially with air conditioner using natural cold air in Hokkaido
  - Achieved virtually zero annual CO2 emissions by using 100% hydroelectric and other renewable energy sources

Governance

Topic **Percentage of women executives including executive officers: 25.0%**
(as of September 30, 2024)

- **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 **Newly established a regional site for the creation of open innovation**
(September 2024, Osaka)

- **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]

Environment

Governance

Social
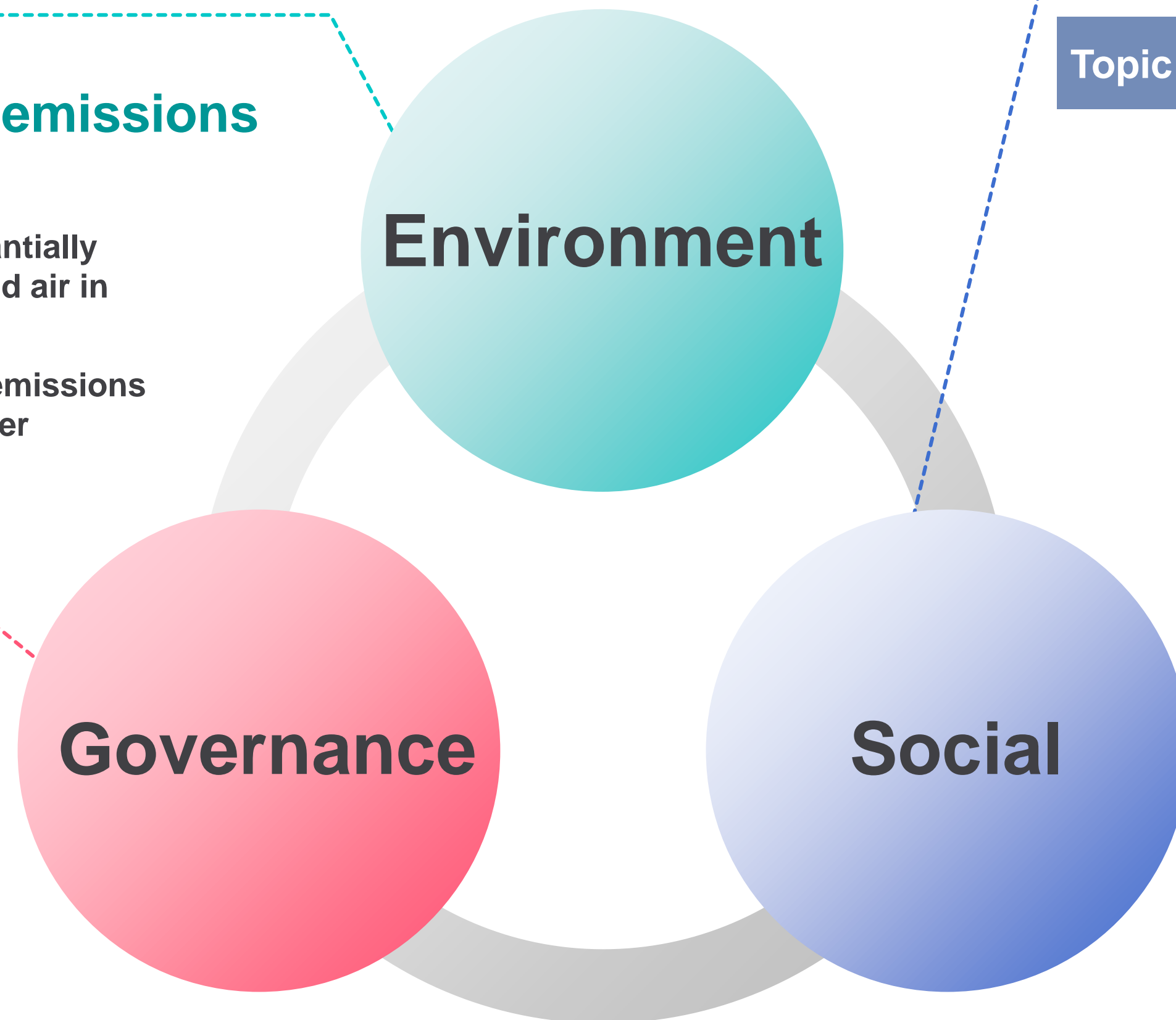
Consolidated Financial Results for Q2 FY 3/2025

Summary of Consolidated Financial Results for Q2 FY 3/2025

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Due mainly to the launch of GPU cloud services, net sales recorded a YOY increase of 28.3%
Actively invested in areas focused on human resources and GPU cloud services to implement growth strategy
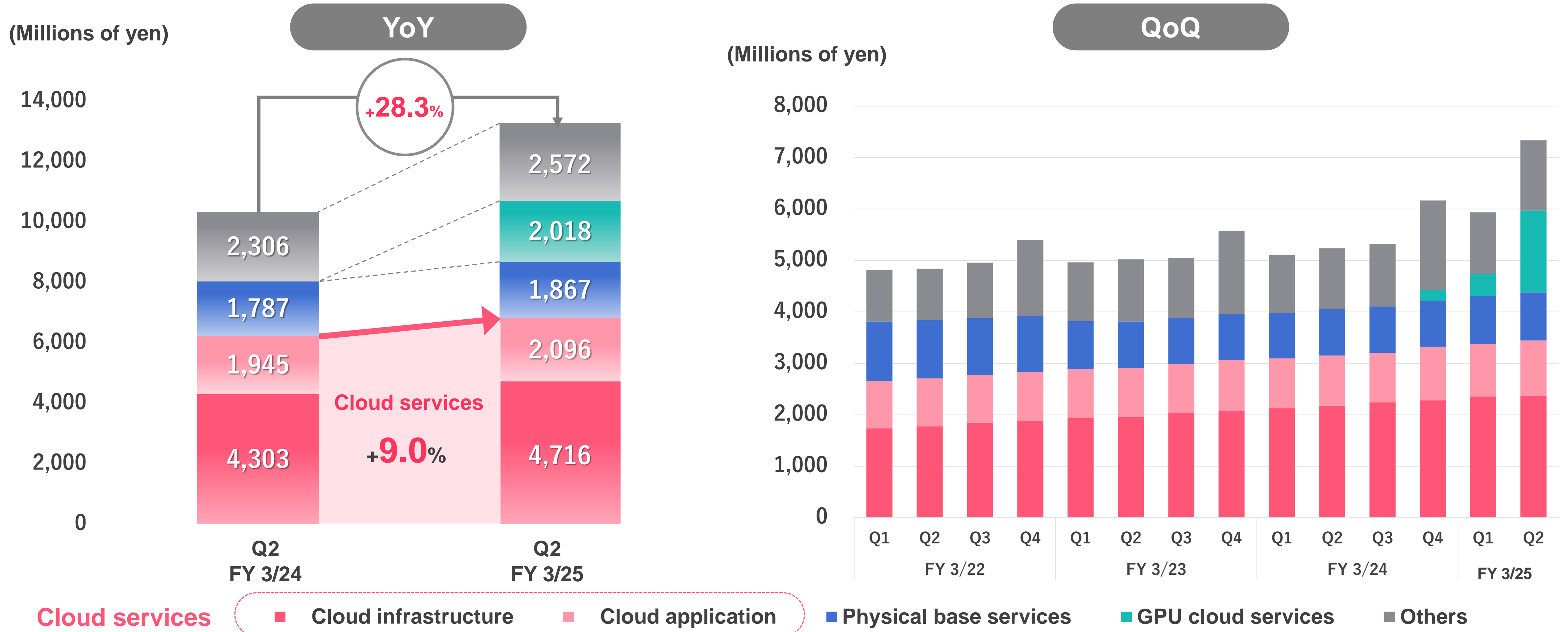
(Millions of yen)

Item	Q2 FY 3/24		Q2 FY 3/25		YoY	
	Amount	Sales composition (%)	Amount	Sales composition (%)	Change	Change (%)
Net sales	**10,343**	100.0	**13,271**	100.0	**2,928**	28.3
Cost of sales	7,703	74.5	8,922	67.2	1,218	15.8
Gross profit	2,639	25.5	4,349	32.8	1,709	64.8
SG&A expenses	2,389	23.1	3,053	23.0	663	27.8
Operating profit	**249**	2.4	**1,295**	9.8	**1,046**	419.4
Ordinary profit	**172**	1.7	**1,102**	8.3	**929**	538.2
Profit attributable to owners of parent	**175**	1.7	**710**	5.4	**534**	305.4

Note: National subsidies, etc. of 3,709 million yen were recorded as extraordinary income, and loss on tax-purpose reduction entry of non-current assets of 3,709 million yen was recorded as extraordinary loss.
The reduction in assets will lessen the burden of future depreciation.

Consolidated Net Sales by Service Category (YoY and QoQ)

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Due to the launch of GPU cloud services for generative AI (net sales of **2,018 million yen**) and the growth of cloud services (an increase of **9.0**%), consolidated net sales recorded a YoY increase of **28.3**%

(Millions of yen)

YoY

+28.3%

Q2 FY 3/24	Q2 FY 3/25
2,306	2,572
	2,018
1,787	1,867
1,945	2,096
4,303	4,716

Cloud services **+9.0**%

(Millions of yen)

QoQ

Cloud services ■ Cloud infrastructure ■ Cloud application ■ Physical base services ■ GPU cloud services ■ Others

*Figures for Q4 FY 3/2024 were changed due to adding a new category of "GPU cloud services" for FY 3/2025.

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Consolidated Balance Sheet
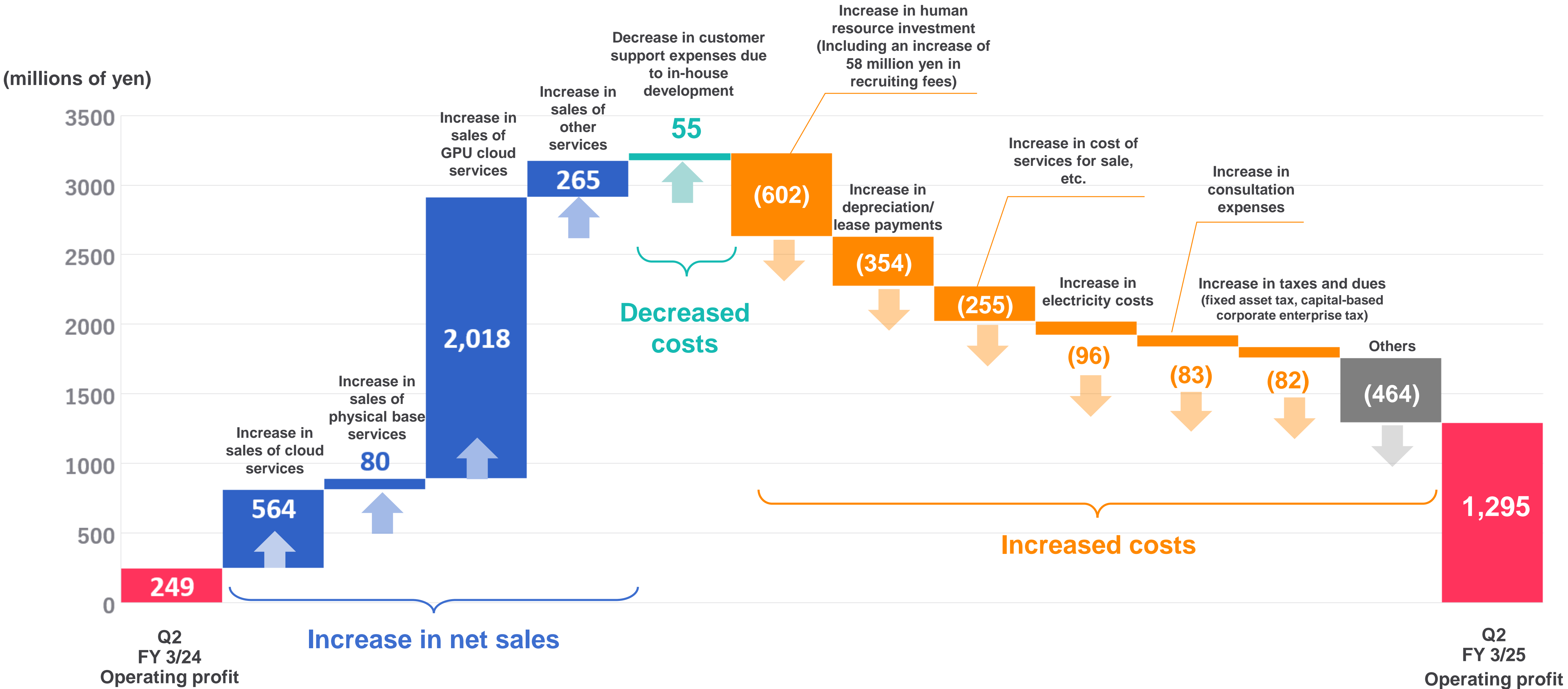
- **Increase in cash and deposits, share capital, and capital surplus due to issuing new shares through public offering**

- **Investment in equipment of GPU cloud services, etc. and increased related borrowings**

(millions of yen)

Item	Previous year end (FY 3/24)	End of Q2 (FY 3/25)	Change
Current assets	**10,574**	**38,515**	**27,941**
Non-current assets	**19,650**	**23,741**	**4,090**
(Property, plant and equipment)	16,656	20,403	3,747
(Intangible assets)	505	688	182
(Investments and other assets)	2,488	2,649	161
Total assets	**30,224**	**62,257**	**32,032**

Item	Previous year end (FY 3/24)	End of Q2 (FY 3/25)	Change
Current liabilities	**10,598**	**20,925**	**10,326**
Non-current liabilities	**10,304**	**13,370**	**3,065**
Total liabilities	**20,903**	**34,295**	**13,392**
Net assets	**9,321**	**27,961**	**18,640**
(Including shareholders' equity)	8,989	27,702	18,713
Total liabilities and net assets	**30,224**	**62,257**	**32,032**

Consolidated Statement of Cash Flows

- Cash flow from operating activities：Decrease due to increase in inventories for large projects of group companies
- Cash flow from investing activities：Increase due to receipt of grants for equipment for GPU cloud services
- Cash flow from financing activities：Proceeds from issuance of shares and borrowings for major projects by group companies

(Millions of yen)

Item	Q2 FY 2023	Q2 FY 2024	Q2 FY 2025	YoY change
Cash flow from operating activities	1,218	1,377	487	(889)
Cash flow from investing activities	(202)	(775)	317	1,092
FCF	1,016	601	804	203
Cash flow from financing activities	(1,774)	(927)	23,581	24,509
Increase in cash and equivalents	(757)	(326)	24,385	24,712
Cash and equivalents balance	4,695	4,483	29,648	25,165

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

Business Overview

Practice of growth strategy
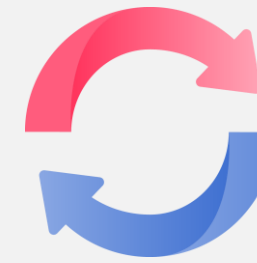
Strengthen infrastructure that underpins growth strategy

Expanding GPU Cloud Services for a Wide Range of Targets
Expanded sales channel of cloud services, with a higher level of awareness

Accelerated organizational enhancement due to steady recruitment activities
Focused on strengthening digital infrastructure to meet healthy AI demand

- Added NVIDIA H100 to the lineup of Koukaryoku DOK, the second round of GPU cloud services for generative AI (August)

- Concluded a service contract with the Acquisition, Technology and Logistics Agency for about 750 million yen (July), and actively provided a follow-through service for government offices in preparation for providing government cloud. This led to increased awareness and inquiries from private companies

- The number of registered sales partners for "SAKURA's Cloud" has reached 50, exceeding expectations. (End of September)
Held SAKURA's Cloud Certification, a cloud service certification system, as an effort to accelerate the development of an ecosystem

- A progression rate of 61.0% on a non-consolidated basis (including 122 prospective personnel by the current fiscal year end), aiming to hire about 200 or more personnel within the current fiscal year. Focused on hiring excellent talented people, and hired high-skilled professionals from major foreign IT companies, etc. Formed another culture and value, and accelerated changes and growth

- Decided to make additional investment of 15.49 billion yen in total in the procurement of GPU infrastructure (in September and October) to meet strong demand for infrastructure for generative AI, and will complete the construction of the first phase of the container-type data centers within the current fiscal year for a timely launch of services

- Established a strategic partnership with Equinix Japan. Aim to launch GPU infrastructure in a timely way and to expand the cloud business in Asian countries in the future

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To attract a wide range of targets, **enhanced** small-scale use cases and **service lineup** for customers with limited budget

● **Koukaryoku series, a GPU cloud service for generative AI**

Launch date	Name of service	Features	Target
January 2024	Koukaryoku PHY (Bare Metal)	● A service to provide a physical server with NVIDIA H100 ● A high-performing GPU for the analysis of complex data sets and training of large models	Large companies (such as manufacturers), mega AI-related ventures, and research institutions
June 2024	Koukaryoku DOK (Container)	● Container task execution service that enables execution of Docker images using the NVIDIA H100 ● GPUs ideal for generative AI and machine learning provided at per-second pricing and no upfront cost	Users who want to utilize NVIDIA GPU at an affordable price on a spot basis
Within FY 2025 (Plan)	Koukaryoku VM version	● Customers can use each of the multiple virtual servers built on physical servers with NVIDIA GPUs ● Customers can use high-performing GPUs ideal for generative AI and machine learning at per-hour pricing	Machine learning users on a spot basis, AI application developers

Details of Initiatives

● "Koukaryoku series," a cloud service for generative AI that can use high-performance GPUs, is provided at Ishikari Data Center that is powered by 100% renewable energy and achieves zero CO_2 emissions

● Provide computational resources with enhanced lineup to meet the diverse needs of not only large companies, mega AI-related ventures, and research institutes, but also AI application developers, and machine learning users on a spot basis

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Making good progress toward an officially certified government cloud provider

Has received new orders of central government projects, etc. as a national cloud service provider

Making good progress to be officially certified by the end of FY 2025

- **Strengthened sales force with personnel joining from central government offices and municipalities**

  To cope with limited IT resources and municipality officers because many public offices will conduct system migration during the same period, we actively hold study sessions and events, and establish an environment that enables a proposal based on policies of the nation and Digital Agency, and relevant guidelines

- **Improved the technical levels of SAKURA's Cloud and secured highly skilled personnel who can transform existing businesses and operational processes**

  Several well-experienced engineers joined from major foreign IT companies. We are developing SAKURA's cloud to meet the technical requirements as a certified government cloud service provider by the end of FY 3/2025

Concluded a service contract with the Acquisition, Technology and Logistics Agency for about 750 million yen
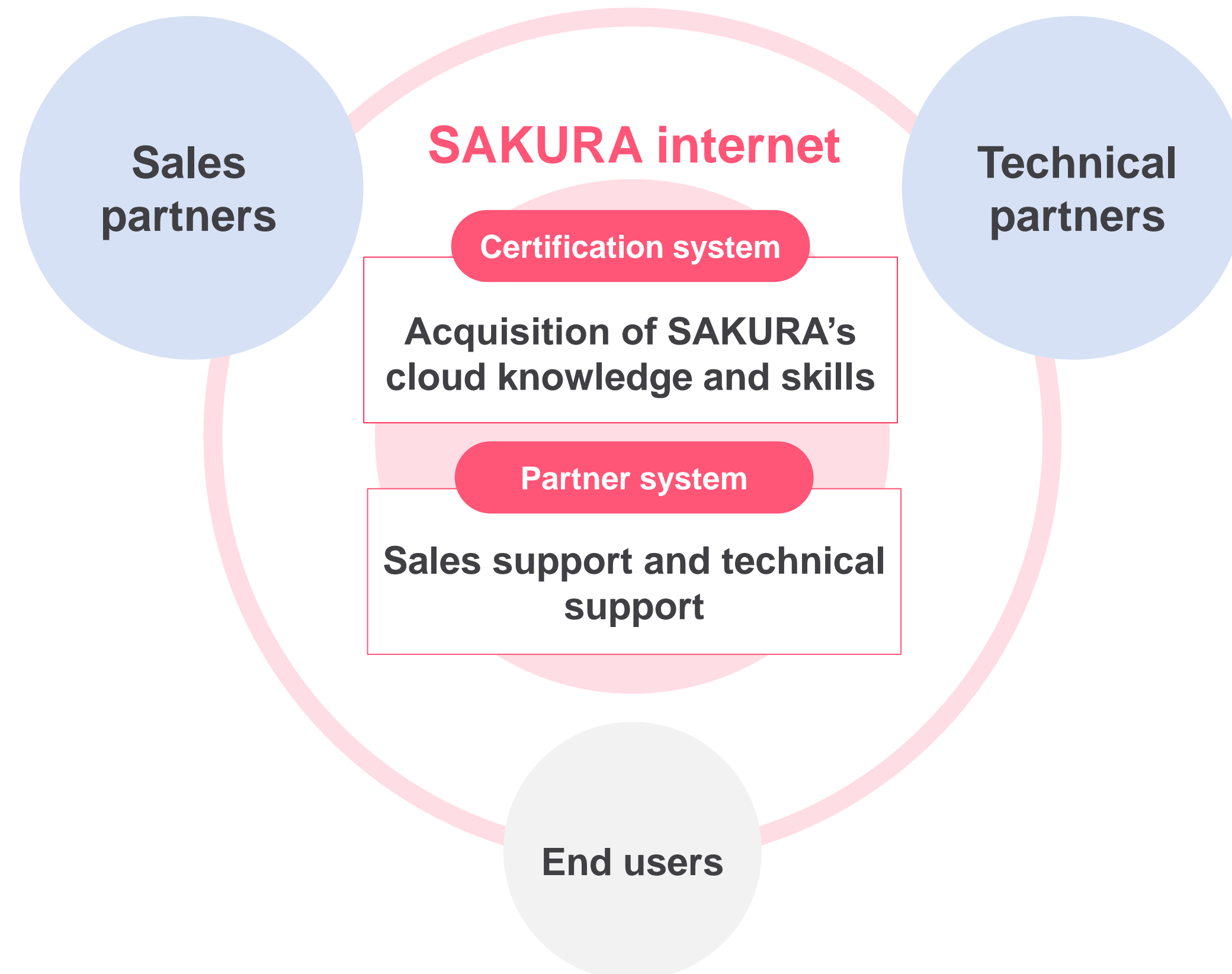
- **Concluded a service contract with the Acquisition, Technology and Logistics Agency regarding the "provision of services necessary for supply chain research, etc." (July)**

  - The purpose is to identify the risks in the defense industry's supply chain that hamper stable production, etc. and take necessary actions, to ensure the stable production of equipment, etc. by the defense industry

  - IaaS public cloud "SAKURA's Cloud" was adopted as the cloud infrastructure used for supply chain surveys conducted by the Ministry of Defense

Official project name	Provision of services necessary for supply chain research, etc.
Orderer	Acquisition, Technology and Logistics Agency
Successful bid amount (tax included)	754,523,440 yen
Bid system	General competitive bidding
Service period	From October 1, 2024 to March 31, 2029

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Promote customers' DX through educational campaign and support
Started a partner program and a certification system as an effort to accelerate the development of an ecosystem

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

Sales partners

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Technical partners

Certification system

Acquisition of SAKURA's cloud knowledge and skills

Partner system

Sales support and technical support

End users

Details of Initiatives

- **Started SAKURA's Cloud Certification**
  Started SAKURA's Cloud Certification to assess the digital skills and knowledge of cloud services of the Company. Increase partners and cloud engineers with knowledge and skills of our cloud services through the qualification program, for future development of new customers

- **Acquired many sales partners**
  Acquired more than 50 sales partners, for which we offer educational support for onboarding and technical and sales side of SAKURA's cloud for not only the sales expansion but also partners' success. As for SAKURA's Rental Server, of which the number of uses surpassed 560,000 and a good lineup of services is available for corporate customers, we strive to expand and strengthen sales of existing services by enhancing optional services and adopting an agency system

- **Aiming to increase awareness and enter an evoked set**
  Actively hold webinars and user meetings lectured by an employee of the Company, and even participate to trade shows, working to ascertain the needs and demands of the market and customers

[Strengthening infrastructure that underpins growth strategy] Enhancement of GPU infrastructure for generative AI

About 2,000 units were capitalized in August. Decided to make an additional investment again in response to increased demand

Decided to make additional investment of 15.49 billion yen in total ahead of schedule in response to demand for computational resources that far exceeded the initial plan

Passed a resolution for an additional investment in 800 units of NVIDIA H100 Tensor Core GPU in September 2024, 1,072 units of NVIDIA H200 Tensor core GPU and 40 units of NVIDIA H100 Tensor Core GPU in October 2024, to meet strong demand for generative AI development

Overall schedule of GPU Cloud

	FY 3/2024				FY 3/2025				FY 3/2026	FY 3/2027	FY 3/2028 To FY 3/2031
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Subsidized by METI	■ 1st investment plan: About 13.0 billion yen (Subsidy: Up to 6.8 billion yen)				■ 2nd investment plan: About 100 billion yen Subsidy: Up to 50.1 billion yen						
Service launch				● First phase Launched Koukaryoku PHY	● Second phase Launched Koukaryoku DOK			○ 3rd phase Plan to launch Koukaryoku VM version			
GPU procurement				Install 2,000 units of H100 (Installation completed in June 2024)				Will install 840 units of H100 / Will install 1,072 units of H200	Continue to secure next generation GPUs, including B200		
Data center extension								Construction of 1st phase container-type data center	Construction of 2nd phase container-type data center	Construction of 3rd phase container-type data center	

○ / [plan box] ··· plan

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Construction of a containerized data center with **short delivery times, high capacity, and high power density to be completed by the end of this fiscal year**

Container-type data centers under construction on the site of Ishikari Data Center

Under construction on the planned site for the 4th building

Details of Initiatives

Container-type data centers are under construction for timely launch of GPU cloud services

● **Points that enabled a decision and groundbreaking in a short time**
- Secured land for expansion at Ishikari Data Center
- Extra capacity of transformation facilities for receiving electricity
- Years of experience and know-how in building and operating in-house data centers
- Our latest technology insights through the data center advisory service

● **Adopted cooling systems**
- Adopted a cold plate water cooling (DLC)*1 system
- Also adopted InRow air conditioning*2 for areas not covered by cold plate water cooling

● **Will continue to build new container-type data centers on the site of Ishikari Data Center (the second phase in 2025, the third phase in 2026)**
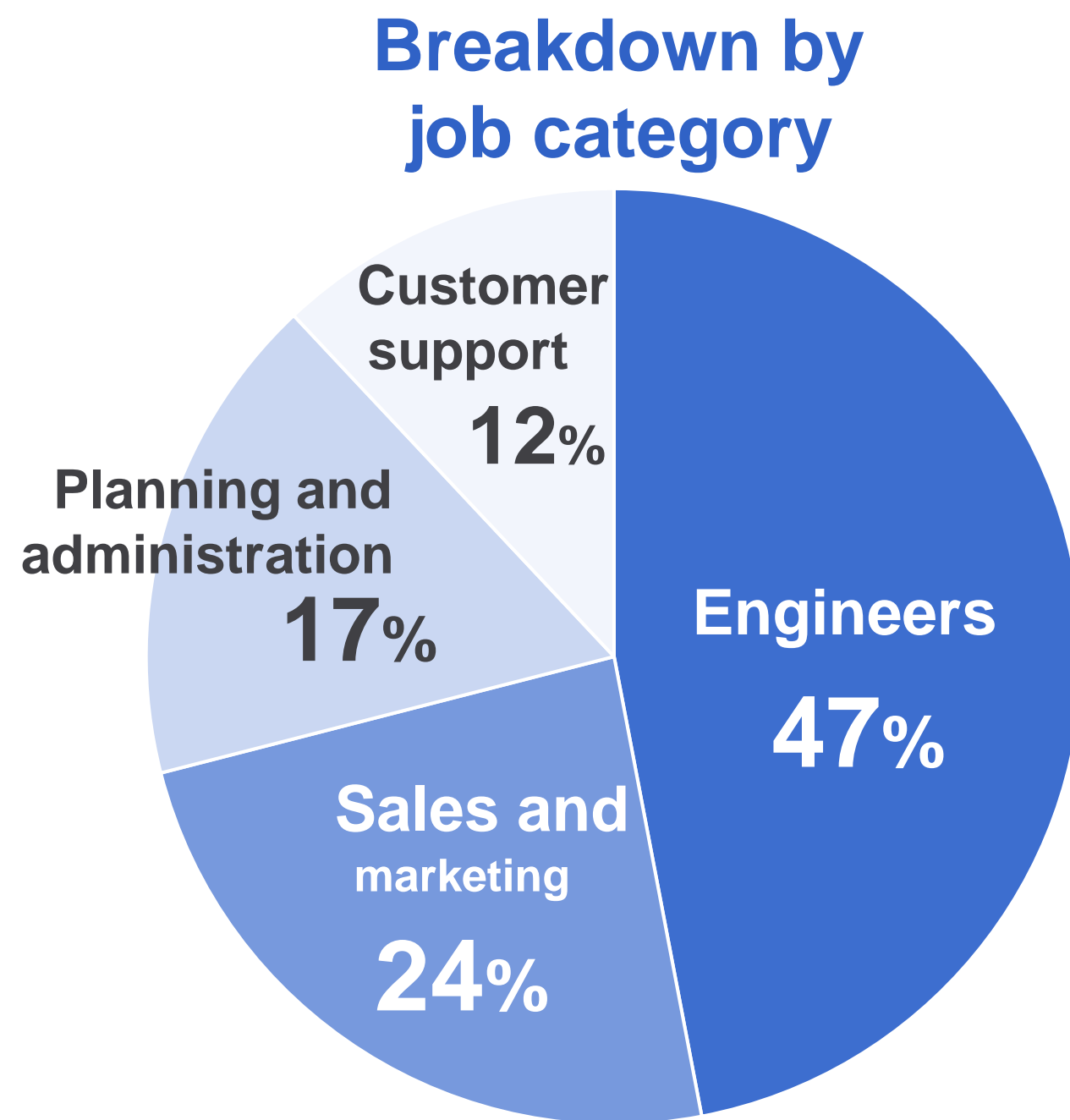
*1 GPUs are cooled by contact with cooling liquid supplied from outside the server into cold plates (Direct Liquid Cooling)
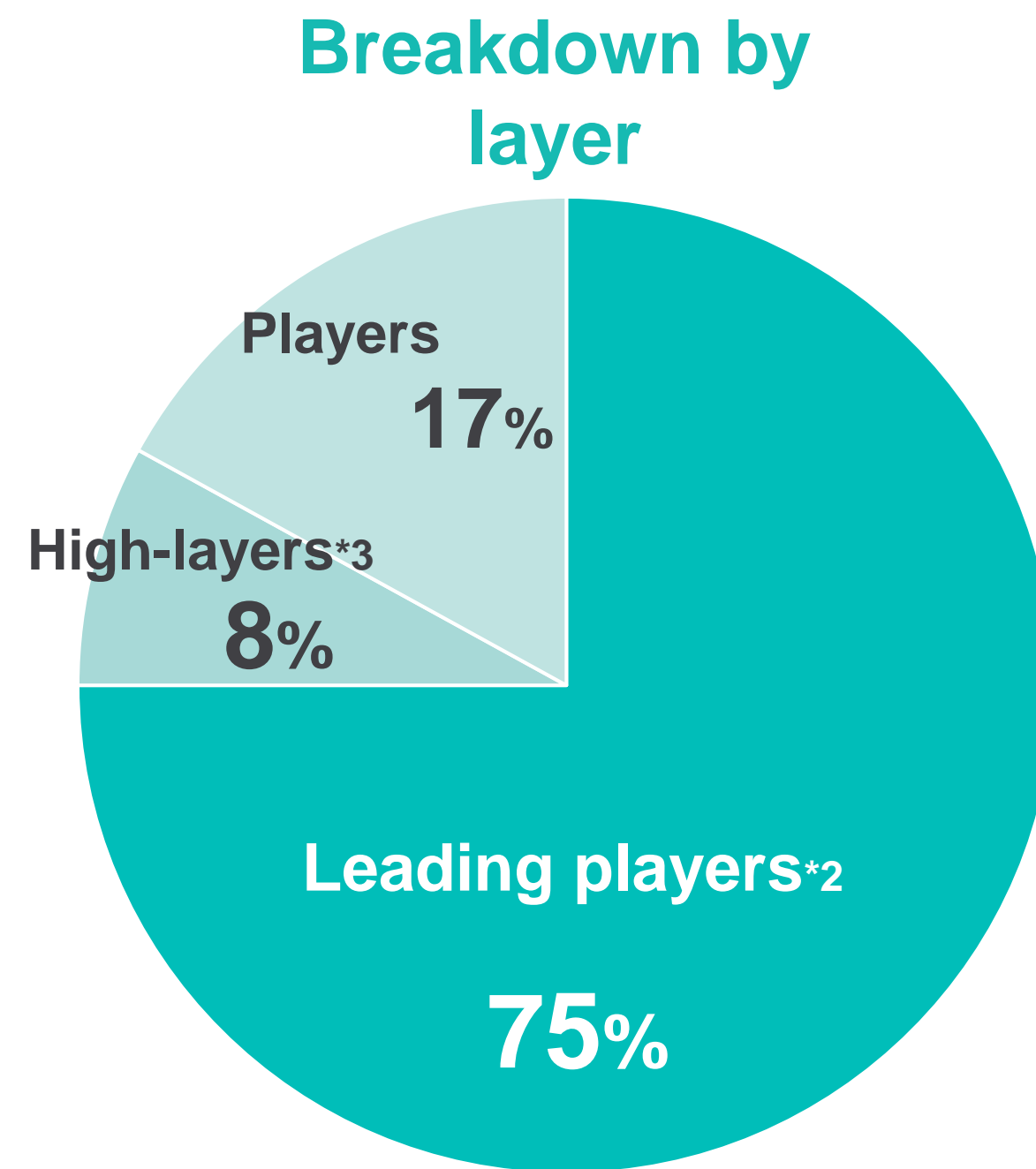
*2 An air conditioning system that uses air conditioners

[Strengthening infrastructure that underpins growth strategy] Acquisition of personnel who support business transformation

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Versus the planned number of 200 for the current fiscal year, hired 122 personnel*1 in 1H (progression rate of 61.0%)
To accelerate the growth strategy, 80% of mid-career hires are leading players*2 or higher levels
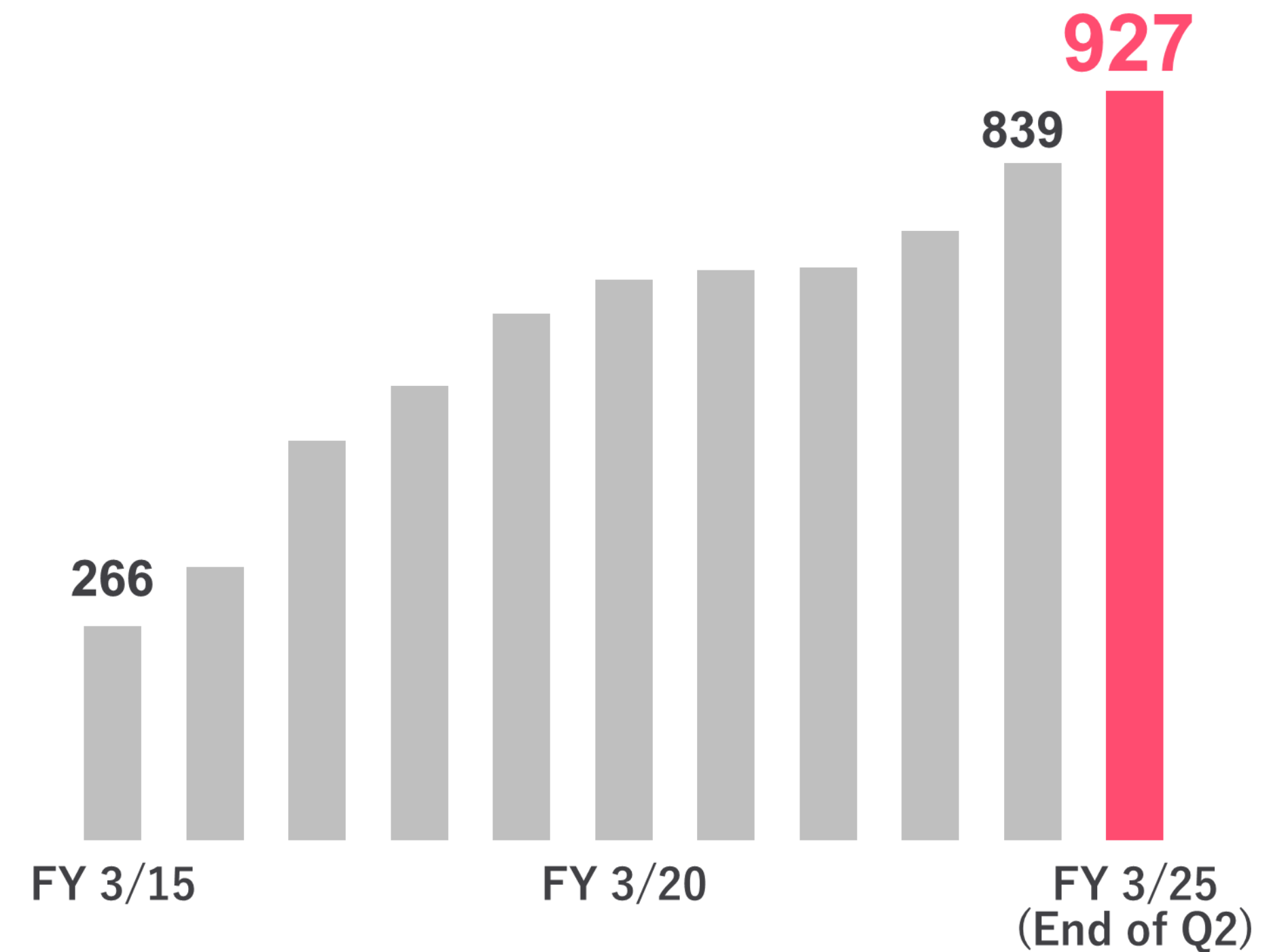
Breakdown of new hires in Q2

Breakdown by job category

- Engineers 47%
- Sales and marketing 24%
- Planning and administration 17%
- Customer support 12%

Breakdown by layer

- Leading players*2 75%
- High-layers*3 8%
- Players 17%

All figures are of mid-career hires

Number of personnel (Consolidated)

266	FY 3/15
839	
927	FY 3/25 (End of Q2)

FY 3/20

*1 New hires who will join in the current fiscal year are included
*2 Individuals with a high degree of expertise and capacity for action, who drive the company-wide growth and transformation
*3 Individuals with expertise and capacity for action, who take leadership in the area they are in charge of

Create a chain of challenges (seeds of innovation)

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Opened **a communication facility**, "Blooming Camp," in Osaka for the creation of open innovation, and **relocated headquarters to the same facility** (September)
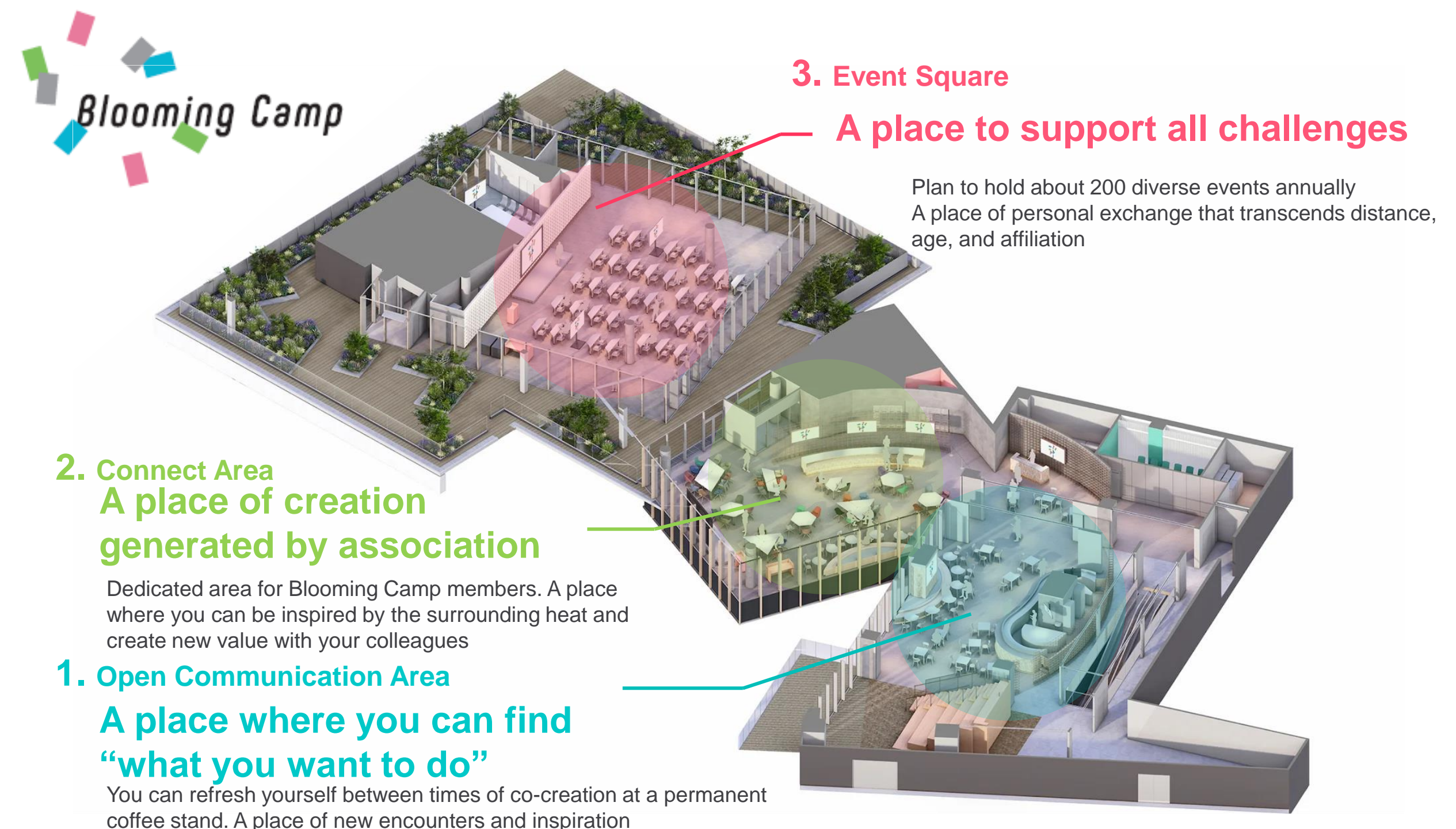
At GRAND GREEN OSAKA, a place that aims to realize the fusion of "Green" and "Innovation," we support the creation of a new business by taking advantage of a location where human resources and capital gather

Create a "place" and "opportunity" for communication among diverse people gathering at this facility, and contribute to innovation in the Kansai area and ultimately, in the society of Japan

Resonate the heat and make a step forward

- Seeds members aim to mix "what you want to do" and "how you want to do it," and create a "challenge" (membership system)

- A resident community manager provides a variety of programs and holds events to support the challenge of seeds members

- Become a stakeholder of companies by "Involving in what they want to do," regardless of industry or size. Plan a cooperative and joint activity, using Blooming Camp and our company as a hub

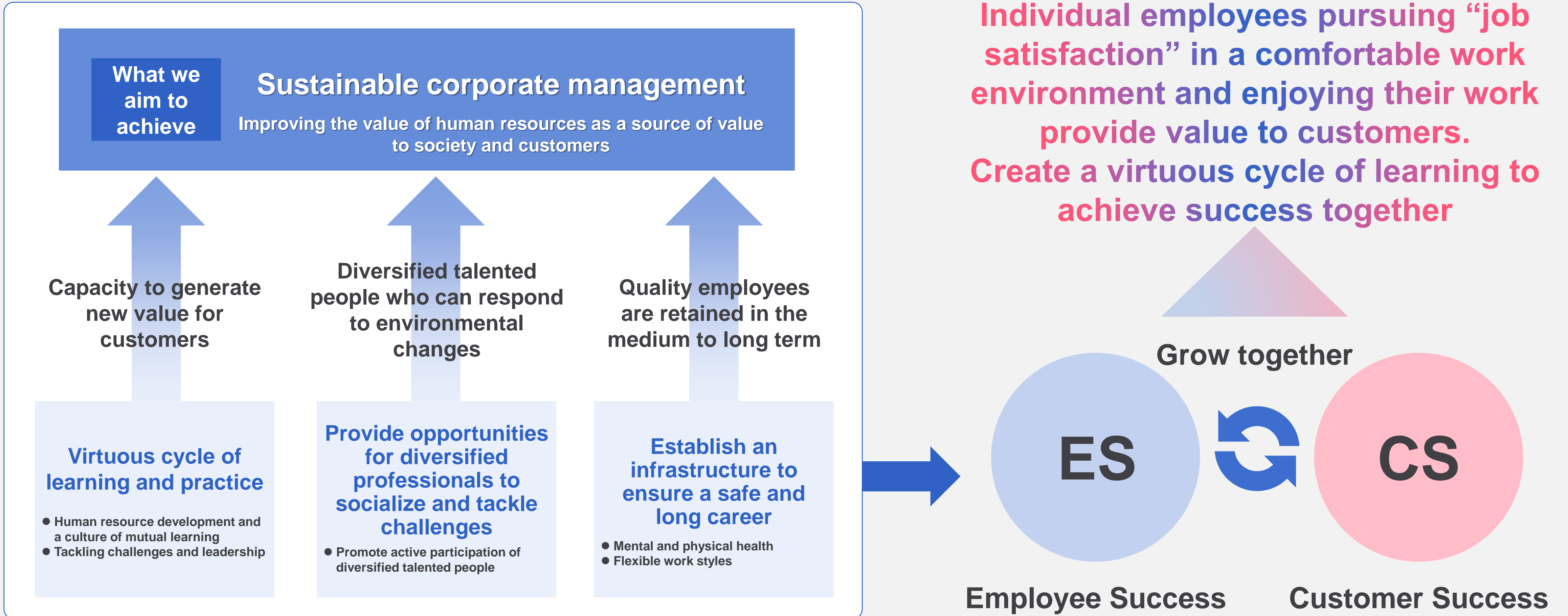An event held in October 2024 (Connect Area)

Blooming Camp

3. Event Square
A place to support all challenges
Plan to hold about 200 diverse events annually
A place of personal exchange that transcends distance, age, and affiliation

2. Connect Area
A place of creation generated by association
Dedicated area for Blooming Camp members. A place where you can be inspired by the surrounding heat and create new value with your colleagues

1. Open Communication Area
A place where you can find "what you want to do"
You can refresh yourself between times of co-creation at a permanent coffee stand. A place of new encounters and inspiration

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

Initiatives for ESG management

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Overview of initiatives for human capital oriented management

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

What we aim to achieve

Sustainable corporate management
Improving the value of human resources as a source of value to society and customers

Capacity to generate new value for customers

Diversified talented people who can respond to environmental changes

Quality employees are retained in the medium to long term

Virtuous cycle of learning and practice
- Human resource development and a culture of mutual learning
- Tackling challenges and leadership

Provide opportunities for diversified professionals to socialize and tackle challenges
- Promote active participation of diversified talented people

Establish an infrastructure to ensure a safe and long career
- Mental and physical health
- Flexible work styles

**Individual employees pursuing "job satisfaction" in a comfortable work environment and enjoying their work provide value to customers.
Create a virtuous cycle of learning to achieve success together**

Grow together

ES

CS

Employee Success

Customer Success

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

Held SAKURA's Cloud Certification designed for people to learn digital skills widely from basics to practical levels

At the first test held in September 2024, 336 people including students took the test and 242 people passed

SAKURA's Cloud Certification aims to establish itself as the standard content for DX education and to reduce the cost of learning by making the educational content free of charge. Student discounts of test fees are available

Certificate of acceptance and logo of acceptance
* Design of certificates of acceptance may be different from the image below.

Basics of digital technology

Specifications of SAKURA's cloud

SAKURA's Cloud Certification

Architecture design

*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/
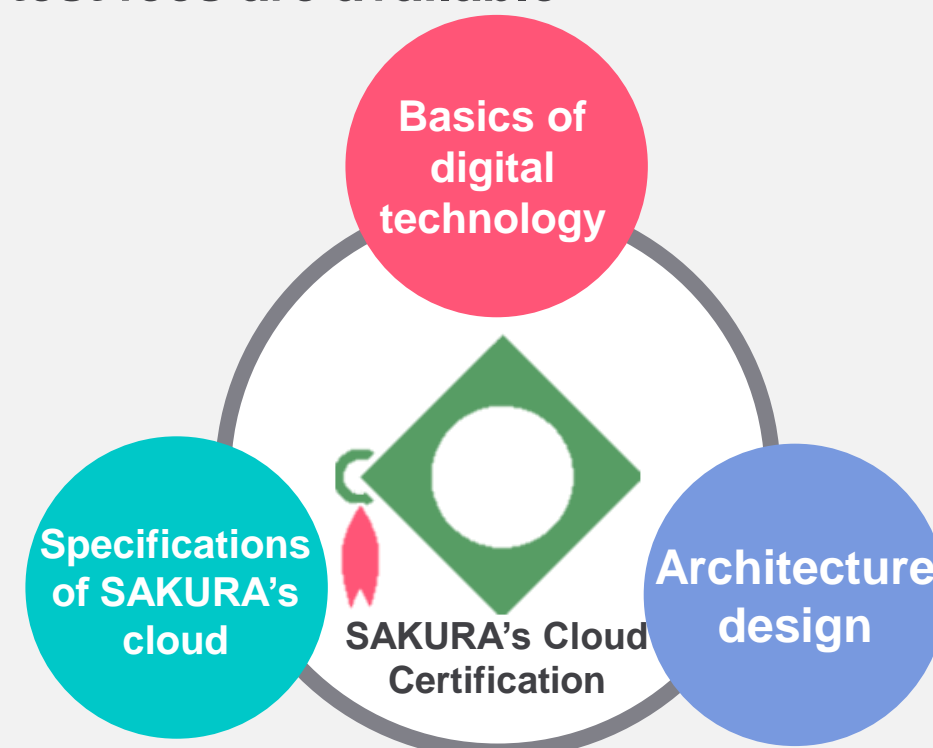
Practilal education through KOSEN support project

Continue providing opportunities for more practical education, on the back of the conclusion of the comprehensive collaborative agreement with the Institute of National Colleges of Technology

Mainly our Executive Officer and employees hold practice-focused classes at nationwide Kosen schools, and also provide computational resources for activities outside a curriculum
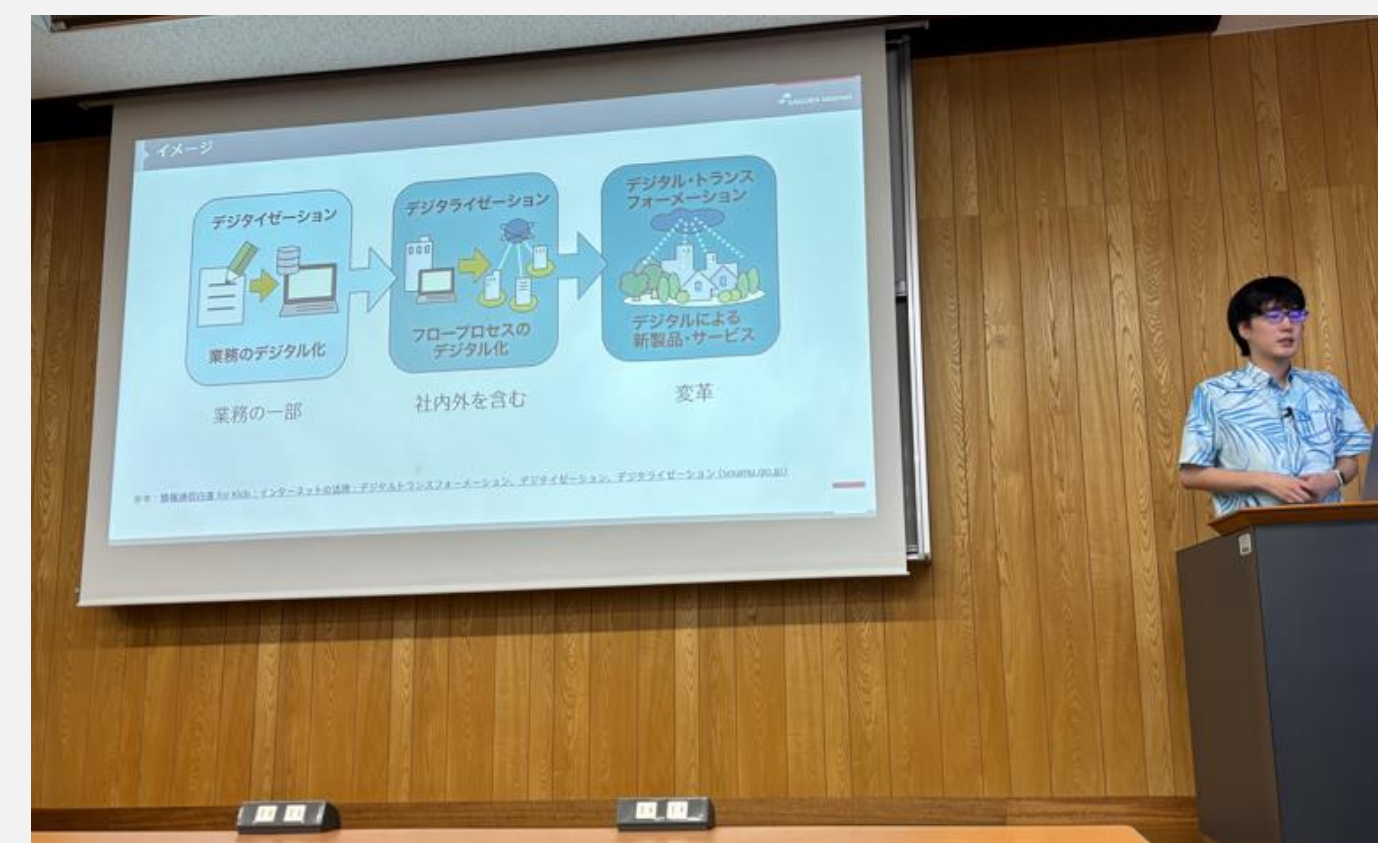
A scene of the summer intensive course "Literacy of Digital Human Resources"

Implementation Outline

- **Number of targeted Kosens: 9**
  Anan Kosen, Ishikawa Kosen, Kochi Kosen, etc.

- **Number of classes held: 26**

- **Contents of classes**
  (classroom, hands-on, group work)

  - **Basics of cloud**

  - **Container and Docker, etc.**

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: 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

Provision of opportunities for employees to continue learning	Provide reskilling opportunities

Promote the acquisition of Di-Lite* certifications

Starting with IT Passport Test which aims to improve the digital skills of all employees, including non-engineers, encourage people to acquire Di-Lite*certifications including Japan Data Scientist Test and G certification Test 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

全員に、全体を。
Di»Lite
デジタル人材育成を加速する
デジタルリテラシー協議会

Employee growth support program

Strongly support employees who aspire to grow and learn, with career consultation, and external video learning where employees can choose their course freely

- **Career Consultation:** 8 counsellors from different departments and with different levels of experience, 4 of which are qualified
- **External video learning service usage:** 325 accounts issued, 925 videos subscribed
  (*From May to September 2024)
- **Subsidy for acquisition of qualification**
  - Full subsidy for course textbooks, and for taking qualification examinations
    (*If they have passed the exam)
- **Full subsidy for the use of paid generative AI services**
  (*For those who passed the IT passport test)

パス

Help athletes to develop second career and skills Hold programming classes for athletes

Became the official top partner of the women's soccer team "FC Ryukyu SAKURA"* in April 2024. Help in acquiring business skills not limited to IT skills, to help solve athletes' problem of life after retiring and developing DX personnel in Okinawa Prefecture

FC RYUKYU SAKURA

FC Ryukyu SAKURA won Division 2 of 2024 KYFA Kyushu Women's Soccer League in October, and was promoted to Division 1

- **Hold programming classes** About 30 persons, including foreign national and U-15 athletes, experienced programming for the first time (July)

©FC RYUKYU

*FC Ryukyu SAKURA: Women's soccer team managed by Ryukyu Football Club Co., Ltd. A team of the Kyushu Women's League Division 2. Recently promoted to Division 1
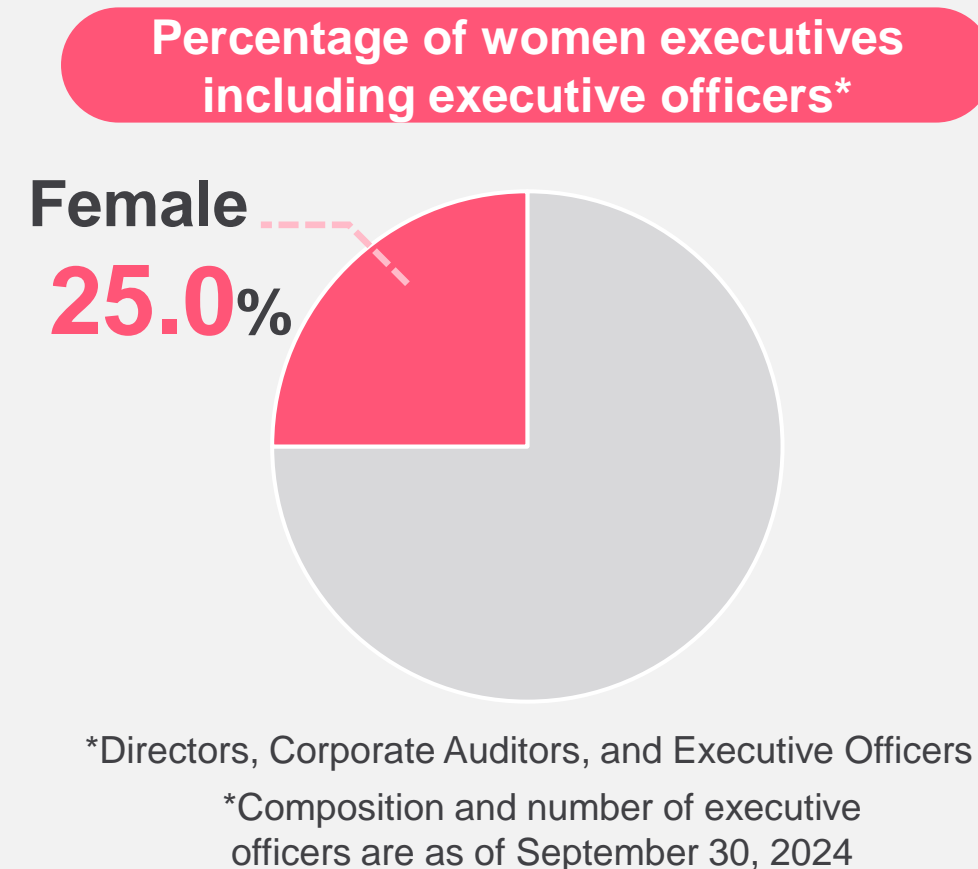
Please visit the Company's website below for the Company's initiatives for ESG management at **https://www.sakura.ad.jp/ir/corporate/work/**

SAKURA internet

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

Expand and diversify the management and high-layer personnel, aiming to strengthen management functions and transform the businesses and operations

Strengthen management functions and develop future management personnel

Simultaneously develop management personnel and strengthen management functions, through strengthening the business execution system by increasing executive officers
Female executive officers will add diversification in management, and are expected to be a role model for the next generation

Percentage of women executives including executive officers*

Female
25.0%

*Directors, Corporate Auditors, and Executive Officers
*Composition and number of executive officers are as of September 30, 2024

Strengthen human resources for transformation of businesses and operations

As the Company continues to expand in business and size, mid-career recruitment is centered on leading players and above who are key to the business.
Acquired an industry-leading specialist who breaks through traditional frameworks and leads the creation of new value

Area of active participation for specialists

- Network management specialist
- Experienced in data engineering, with CTO experience at several companies
- Served as an engineering manager at a major IT company
- Served as a sales manager at IT companies in Japan and overseas

and more

CASE **Joined SAKURA as the head of the company-wide network redesign project**

As a network specialist, he has experience in Japan and overseas, including global network operation of a CDN service provider in the U.S. Joined in June 2024 through a referral of the Company's employee. He is in charge of design and operation of the Company's services, while finding themes and issues to be addressed

Taiji Tsuchiya (Joined in June 2024)▶
Platform Department, Cloud Business Division

Four-day workweek as a full remote worker at the Company. He also engages in side business, including distribution of technical information videos and writing books, which he started about five years ago. Currently, an article titled "Capturing the Internet" is published serially in the monthly magazine "Software Design" (Gijutsu Hyoronsha)

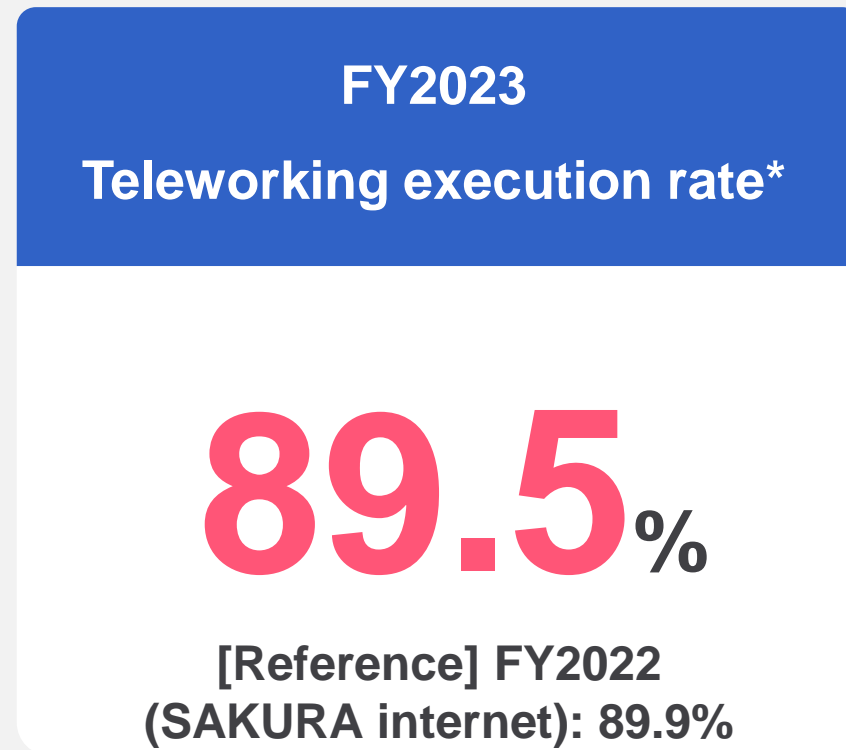Shooting a video of the YouTube channel (Tsuchiya on the left)▶

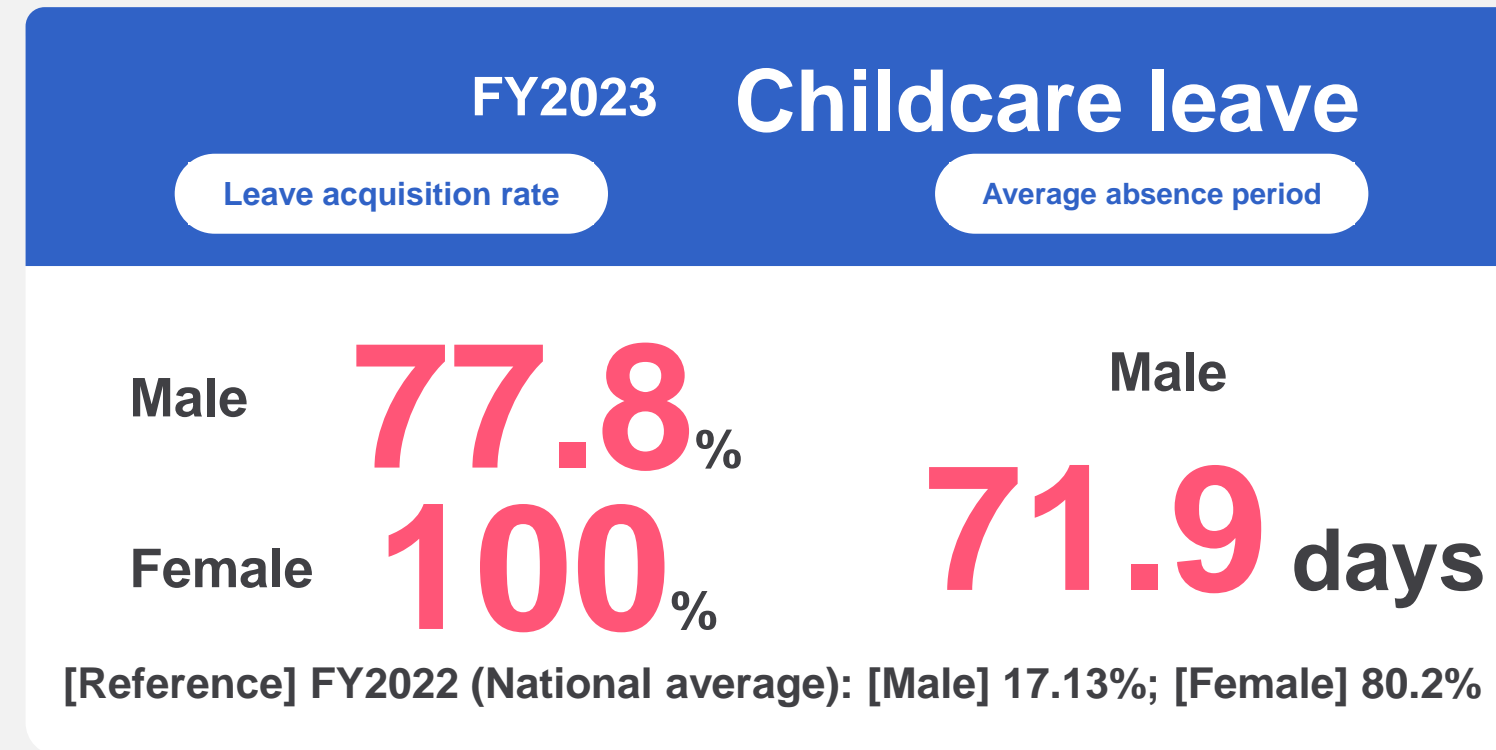Please visit the Company's website below for the Company's initiatives for ESG management at **https://www.sakura.ad.jp/ir/corporate/work/**

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

SAKURA internet

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
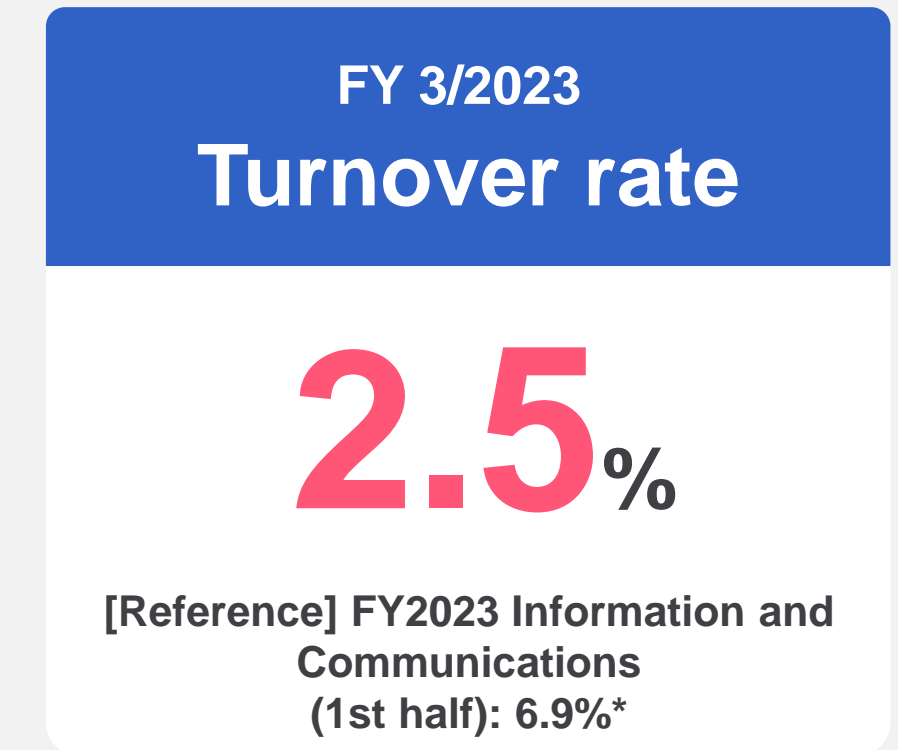
FY2023
Teleworking execution rate*

89.5%

[Reference] FY2022
(SAKURA internet): 89.9%

Calculated for March 2023. Non-attendance rate

FY2023 Childcare leave

Leave acquisition rate		Average absence period
Male	**77.8%**	Male
Female	**100%**	**71.9 days**

[Reference] FY2022 (National average): [Male] 17.13%; [Female] 80.2%

Source: Survey of Gender Equality in Employment Management for 2022

FY2023
Average over-time work hours

9 hours 28 minutes

[Reference] FY2023 Information and Communications
Average: 15.5 hours*

Source: 2023 Monthly Labour Survey

FY 3/2023
Turnover rate

2.5%

[Reference] FY2023 Information and Communications
(1st half): 6.9%*

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

Human resource utilization based on data

● **Data-driven human resource utilization using an HR dashboard**

Adopted an HR dashboard that allows the Company to track the distribution of employees' job layers and male and female employees by job title in real time. Personnel in management or higher positions can always access and analyze HR-related data, and utilize it for discussions and decisions on HR measures such as personnel allocation and recruitment policy making. Also beneficial for management's prompt decision-making

CASE   **She made a U-turn and works as a full remote employee from home**
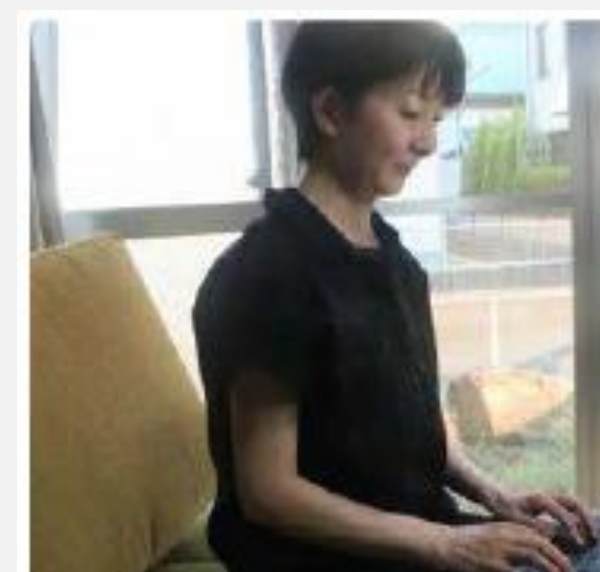
Promoting work style diversification through recruitment on a full-remote basis, and U-turn of existing employees to their hometowns, etc.
Chie Momota, in charge of handling customer inquiries, was encouraged by her career counselor and superiors, and made a U-turn from Tokyo to Kagawa Prefecture, her hometown. She currently works on a full remote basis.

◀ Chie Momota, Customer Reliability Department, Cloud Business Division Joined the Company as a part-time worker in 2005, and became a full-time employee in 2006 as a labor administrator
Dispatched to ITM Inc., a Group company, in 2017 as HR personnel
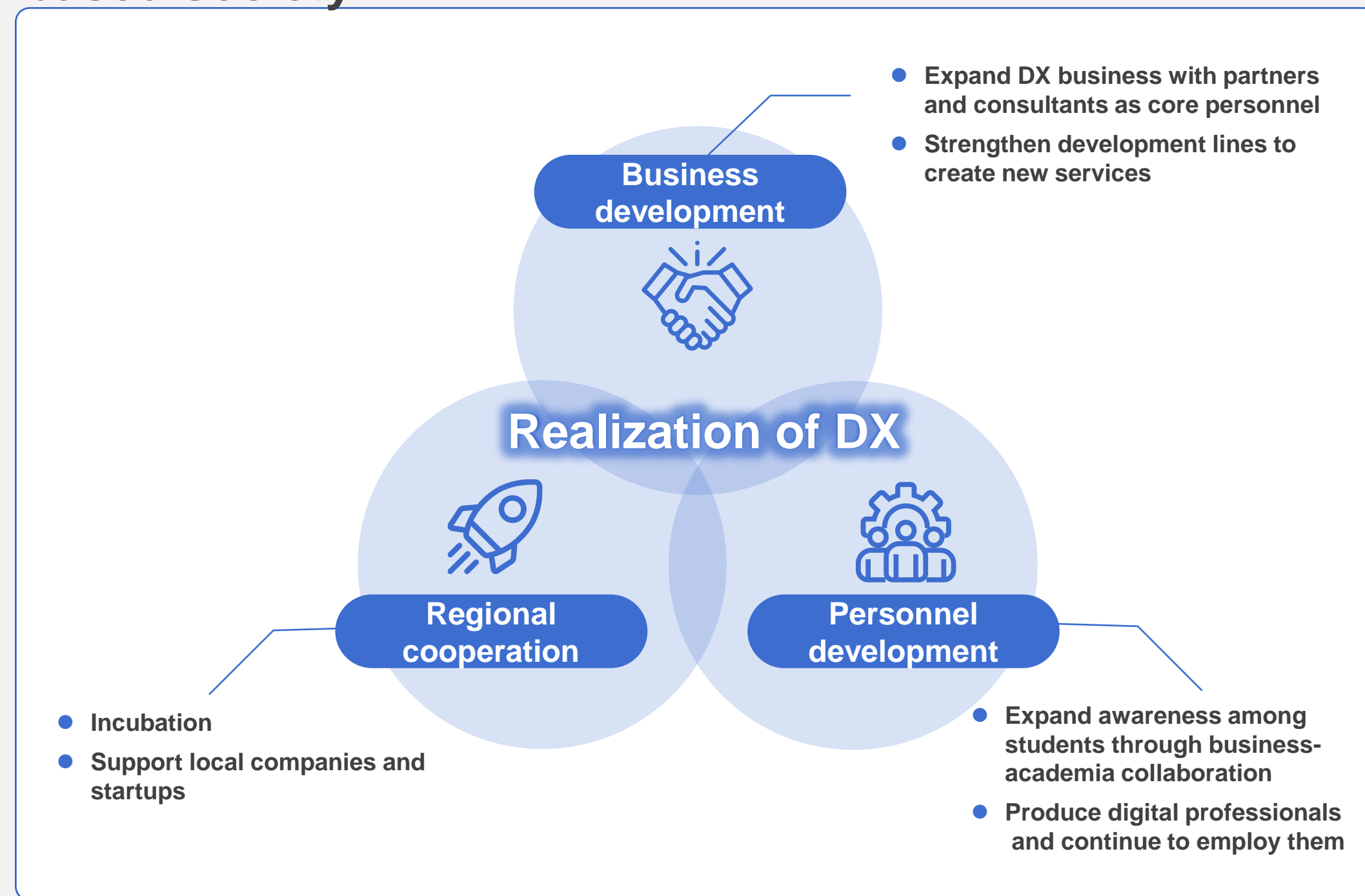Returned in 2019, and has been in charge of customer support since 2021

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

SAKURA internet

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

Business development
- Expand DX business with partners and consultants as core personnel
- Strengthen development lines to create new services

Realization of DX

Regional cooperation
- Incubation
- Support local companies and startups

Personnel development
- Expand awareness among students through business-academia collaboration
- Produce digital professionals and continue to employ them

Regional sites for open innovation

Blooming Camp

Osaka
At JAM BASE, GRAND GREEN OSAKA
Opened on September 6, 2024

Create a place for communication

Opened Blooming Camp, an open innovation facility where people can freely gather and meet, consisting of Open Communication Area, Event Square, and Connect Area, and it plans to hold more than 200 events a year
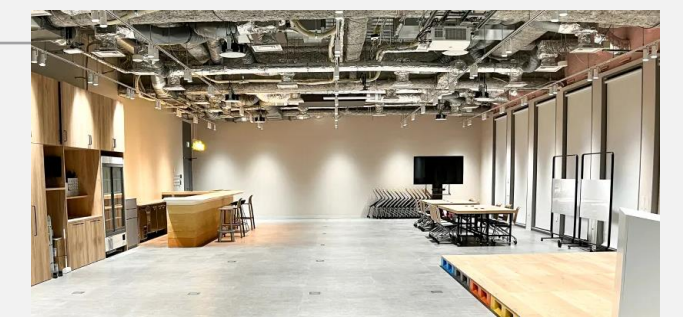
Fukuoka
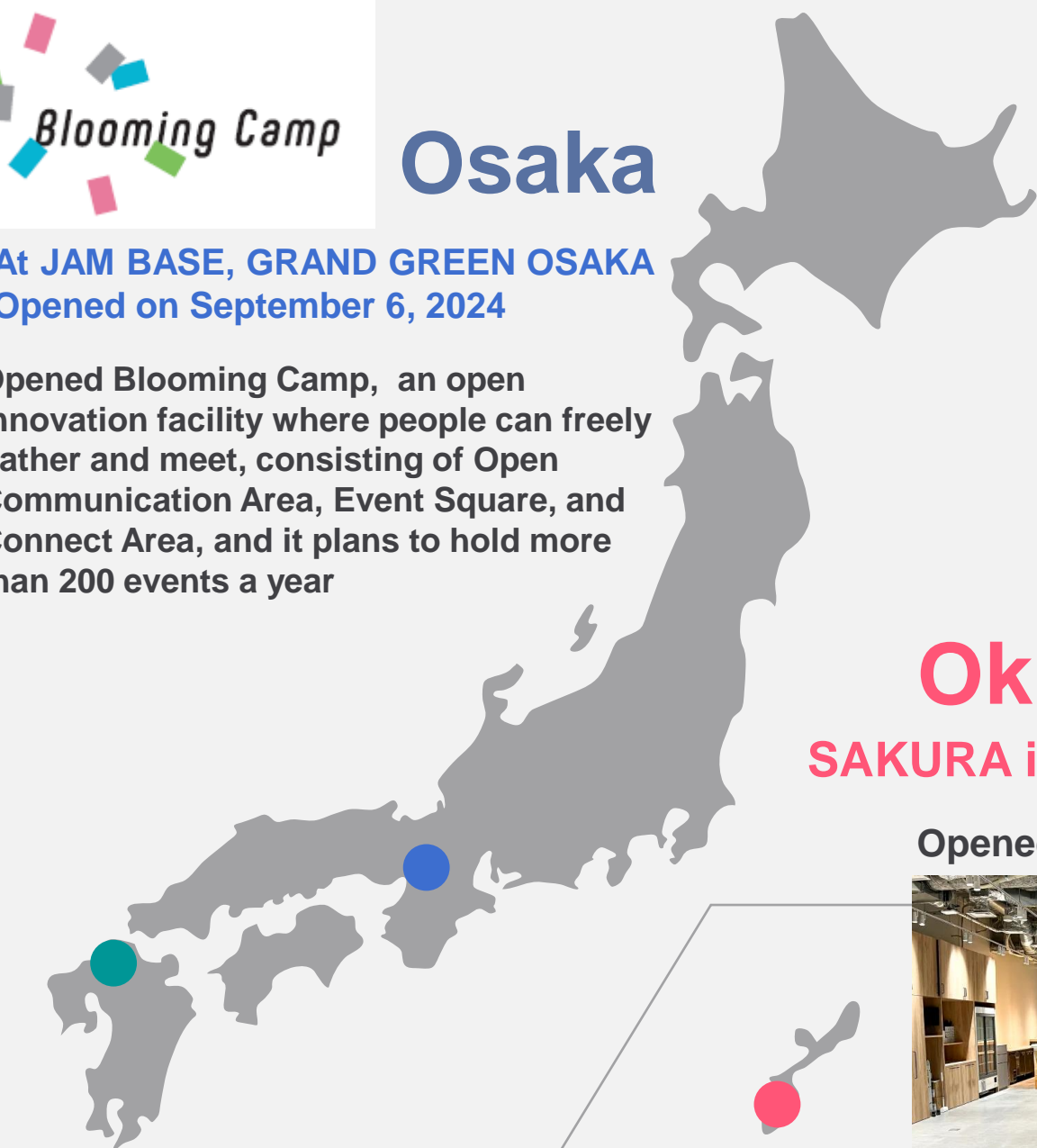Opened in Feb. 2017

fgn

Support start-ups

Okinawa
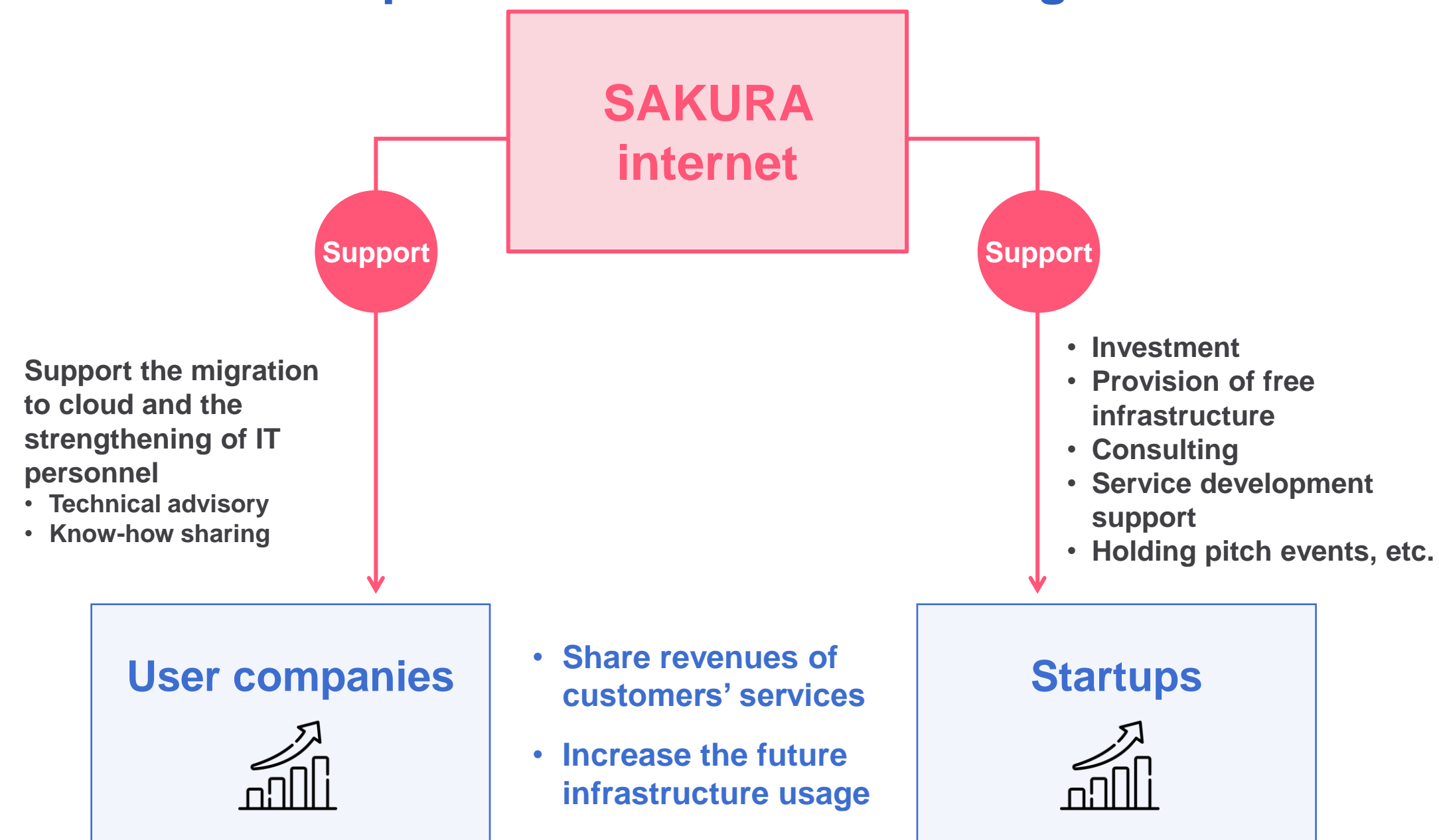SAKURA innobase Okinawa
Opened in September 2023

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/

SAKURA internet

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

SAKURA internet

Support

Support

Support the migration to cloud and the strengthening of IT personnel
• Technical advisory
• Know-how sharing

• Investment
• Provision of free infrastructure
• Consulting
• Service development support
• Holding pitch events, etc.

User companies

• Share revenues of customers' services
• Increase the future infrastructure usage

Startups

Launched "Link up," a startup co-creation program

Provides all-in-one resources to support the foundation that startups need to operate and deploy the infrastructure to accelerate their growth

Link up

01 Provision of environment

Provide up to 10 million yen's worth of SAKURA's cloud suited for their business scale and growth for up to one year. ImageFlux, Koukaryoku GPU server, and SAKURA's IoT are also provided

さくらのクラウド   ImageFlux Powered by pixiv   高火力 KOUKARYOKU   さくらのIoT

02 Technical support

Growth support service by preferentially handling inquiries and providing opportunities to attend meetings with sector experts

● Technical advice
● Hands-on events
● Dedicated contact

03 Business support

Help resolve problems by providing opportunities to exchange opinions and proposals with partner companies and to co-host events

● Support alliance with a partner company
● Provide opportunities for promotion
● Mentoring startup 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/

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 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

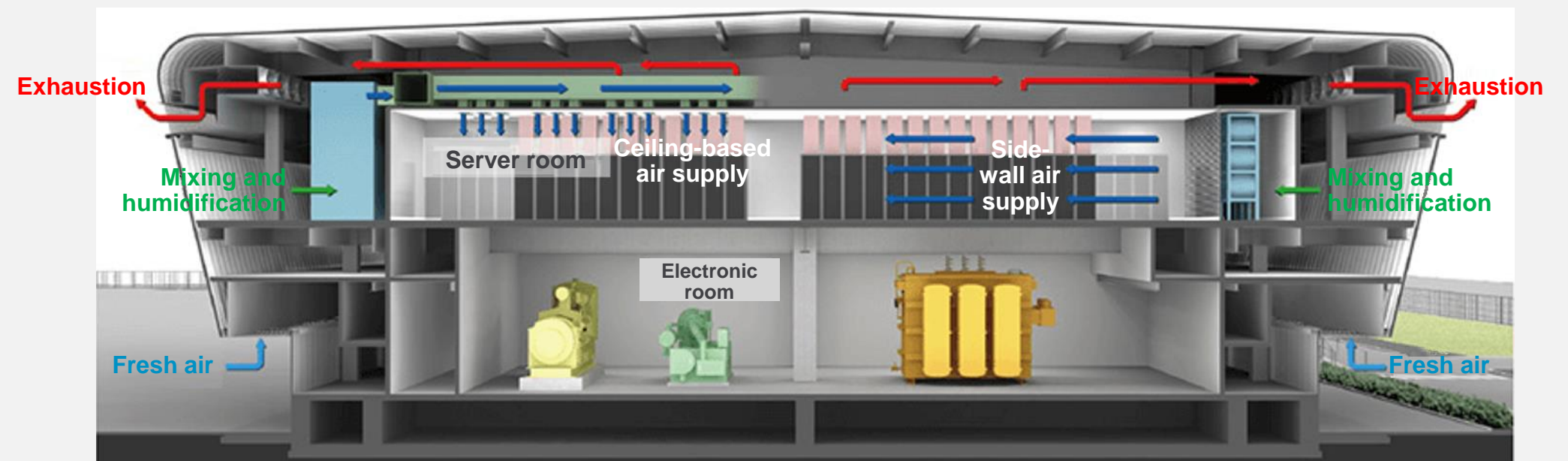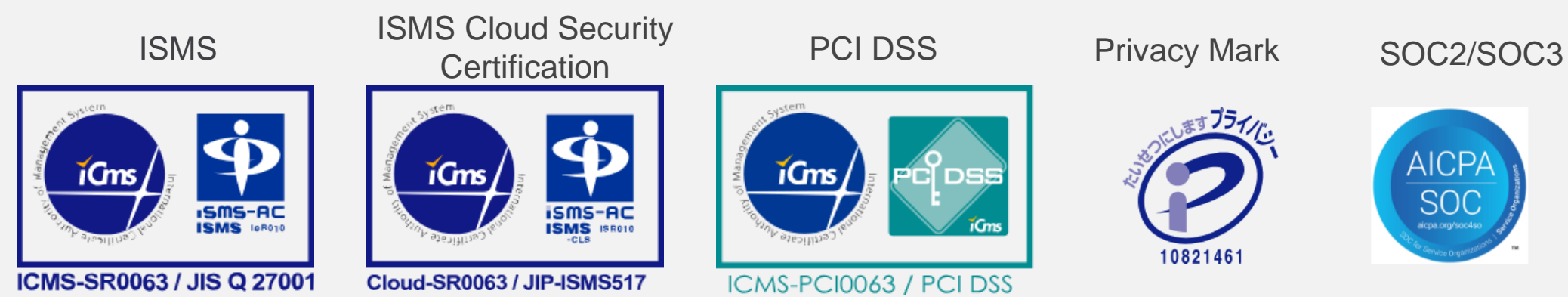## Maintained 100% renewable energy

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**

ISMS	ISMS Cloud Security Certification	PCI DSS	Privacy Mark	SOC2/SOC3

ICMS-SR0063 / JIS Q 27001 | Cloud-SR0063 / JIP-ISMS517 | ICMS-PCI0063 / PCI DSS | 10821461

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

CASE **Disclosure of Transparency Report**

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

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**
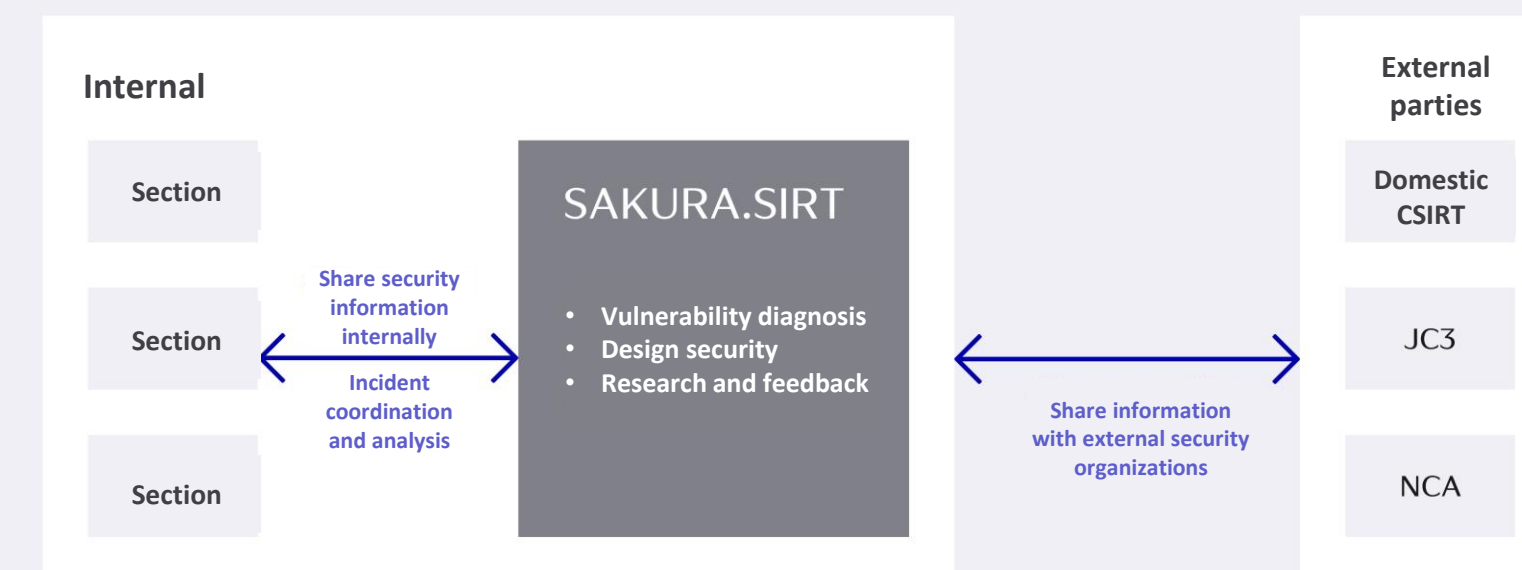
CASE **Certified as GSE (GIAC Security Expert)**

Kenya Ougizawa, an employee of the Company (a member of SIRT, Information Systems Management Office) was qualified as GSE*, a certification that is one of the most difficult to achieve in the IT security field. The GSE is awarded upon earning any 10 qualifications including practitioner certifications. Ougizawa is the 377th person in the world to be certified.

* GSE: GIAC Security Expert. One of the information security certifications developed and offered by GIAC. The GSE is awarded upon earning any 6 GIAC Practitioner Certifications and any 4 GIAC Applied Knowledge Certifications. Applied Knowledge Certifications are practical, hands-on assessments, conducted in English.

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 was 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

Composition of the Nomination and Compensation Committee

Committee members
A independent, outside member
1 internal member

Chairperson: Independent, outside
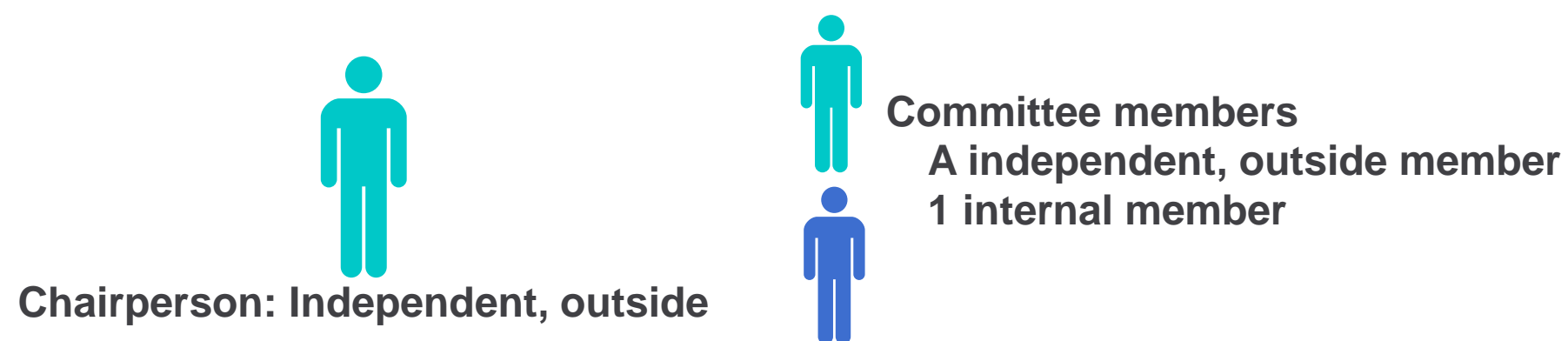
Decide the policy to select Directors and Corporate Auditors

Based on a discussion and a recommendation of the Nomination and Compensation Committee, the Board of Directors discusses a policy on appointment of Directors and Corporate Auditors. The policy defines the management capability and personality required of a Director and Corporate Auditor, respectively, and sets the percentage of Independent Outside Directors to Directors at 1/3 or more.

● **Percentage of outside or independent officers of the Board of Directors**

(*As of September 30, 2024)

9 Directors

4 internal members

5 external members
(including **3** independent members)

4 Corporate Auditors
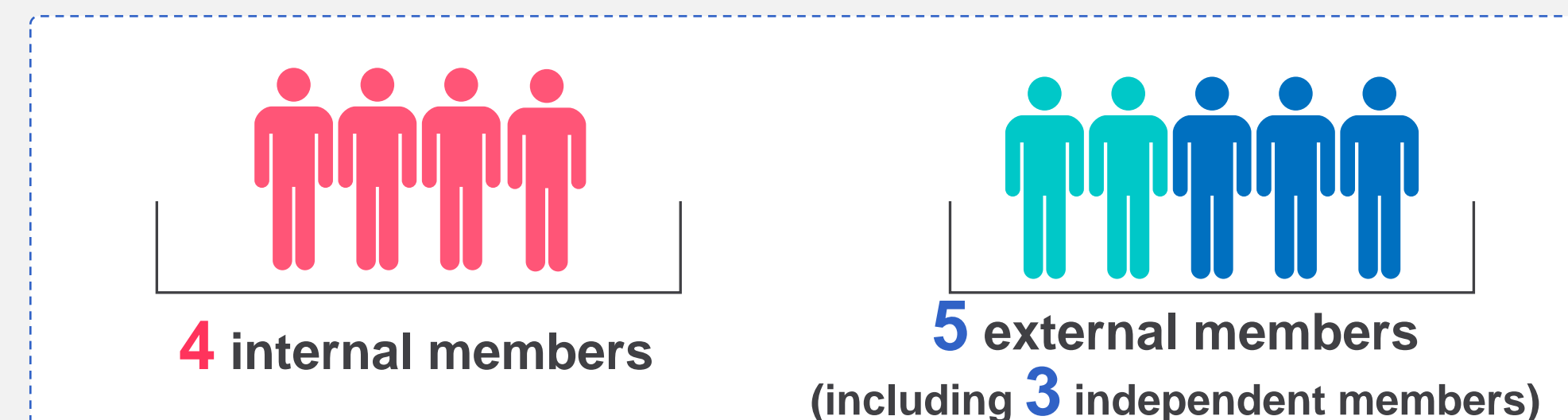
4 external members
(including **2** independent members)

Percentage of external officers: **69**%

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 | Data/Company Profile

Consolidated Net Sales by Service Category (QoQ Change)

SAKURA internet

(Millions of yen)

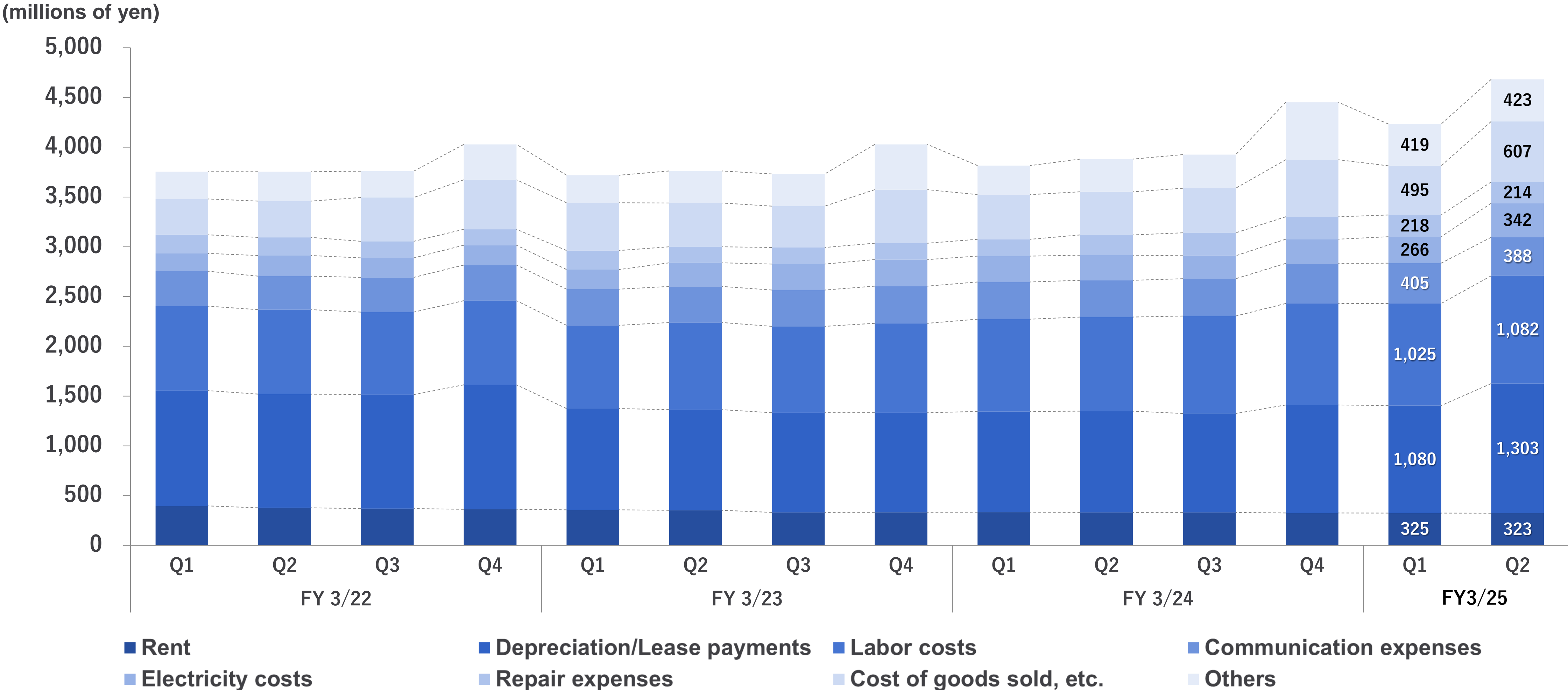| Service category	FY 3/24				FY 3/25		QoQ change	
	Q1	Q2	Q3	Q4	Q1	Q2	Change	Change (%)
Cloud services	**3,096**	**3,152**	**3,204**	**3,320**	**3,375**	**3,437**	61	1.8
Composition (%)	60.6	60.2	60.3	53.8	56.9	46.9		
Cloud infrastructure	2,125	2,177	2,238	2,282	2,354	2,362	8	0.4
Cloud application	971	974	965	1,038	1,021	1,075	53	5.2
Physical base services	**881**	**906**	**901**	**900**	**932**	**935**	2	0.3
Composition (%)	17.3	17.3	17.0	14.6	15.7	12.7		
GPU cloud services	—	—	—	**201**	**427**	**1,591**	1,163	272.4
Composition (%)	—	—	—	3.3	7.2	21.7		
Other services	**1,127**	**1,179**	**1,209**	**1,745**	**1,200**	**1,371**	171	14.3
Composition (%)	22.1	22.5	22.8	28.3	20.2	18.7		

・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
* Figures forQ4 FY 3/2024 were changed due to adding a new category of "GPU cloud services" for FY 3/2025.

Consolidated Statement of Income (QoQ Change)

(Millions of yen)

Item	FY 3/24				FY 3/25		QoQ change	
	Q1	Q2	Q3	Q4	Q1	Q2	Change	Change (%)
Net sales	**5,105**	**5,237**	**5,315**	**6,167**	**5,935**	**7,335**	**1,400**	**23.6**
Cost of sales	3,819	3,884	3,929	4,457	4,236	4,685	448	10.6
Gross profit	**1,285**	**1,353**	**1,385**	**1,710**	**1,698**	**2,650**	**951**	**56.0**
SG&A expenses	1,181	1,208	1,186	1,274	1,467	1,586	119	8.1
Operating profit	**104**	**145**	**199**	**435**	**231**	**1,064**	**832**	**359.1**
Operating margin(%)	2.0	2.8	3.7	7.1	3.9	14.5		
Ordinary profit	**73**	**99**	**147**	**444**	**95**	**1,006**	**911**	**957.6**
Profit attributable to owners of parent	108	66	128	347	41	668	626	1,501.9
EBITDA	**852**	**901**	**955**	**1,363**	**1,032**	**2,212**		

SAKURA internet

Breakdown of major costs

(millions of yen)

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

Investments for FY 3/2025

(100 millions of yen)

Description of investment	Full-year plan	Full-year result
Data centers	56	3
Servers and network equipment	117	86
Others (systems and office-related, etc.)	7	4
Total	181	95

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

■Breakdown of actual investments in servers and network equipment

Cloud services	Physical base services	GPU cloud services	Others	Total (actual)
5	1	（※）79	0	86

* Amount before applying reduction entry

Number of personnel in FY 3/2025

Increased by 88 from the previous year end

[Number of persons hired]

	End of FY 3/24	'25/ 3 Q2
Number of employees*	839	927

■ Breakdown of changes

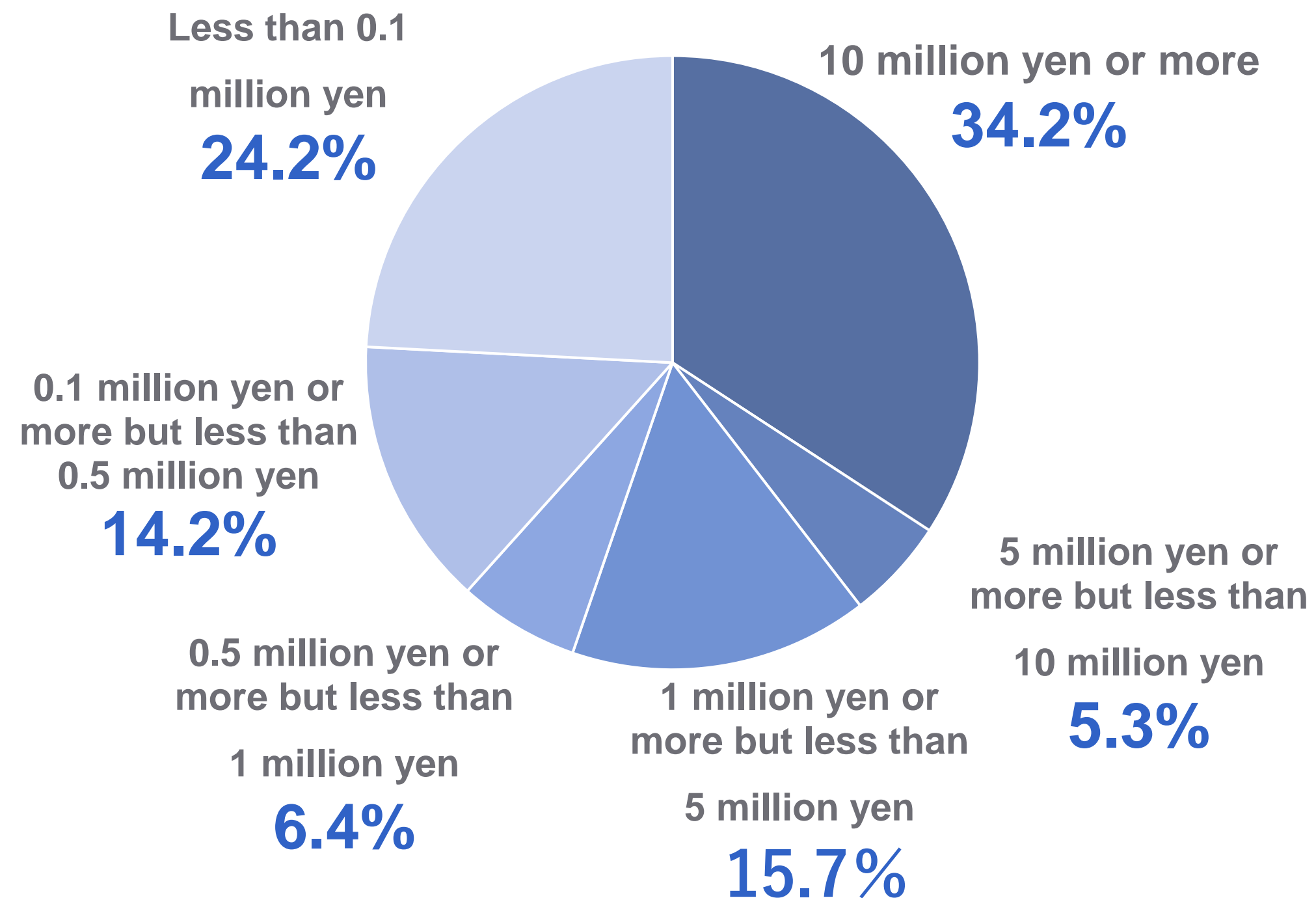|		Change (persons)
SAKURA internet	Engineers	+36
SAKURA internet	Sales/marketing/new project planning	+22
SAKURA internet	Administration	+6
	Group companies	+24
	Total	88

* The figures exclude SAKURA internet employees seconded to other companies and include other companies' employees seconded to SAKURA internet.
The figure for the Group companies includes an increase caused by transfer from SAKURA internet due to the company split of Tellus Inc.

A diverse customer base in terms of sales size, industries and attributes
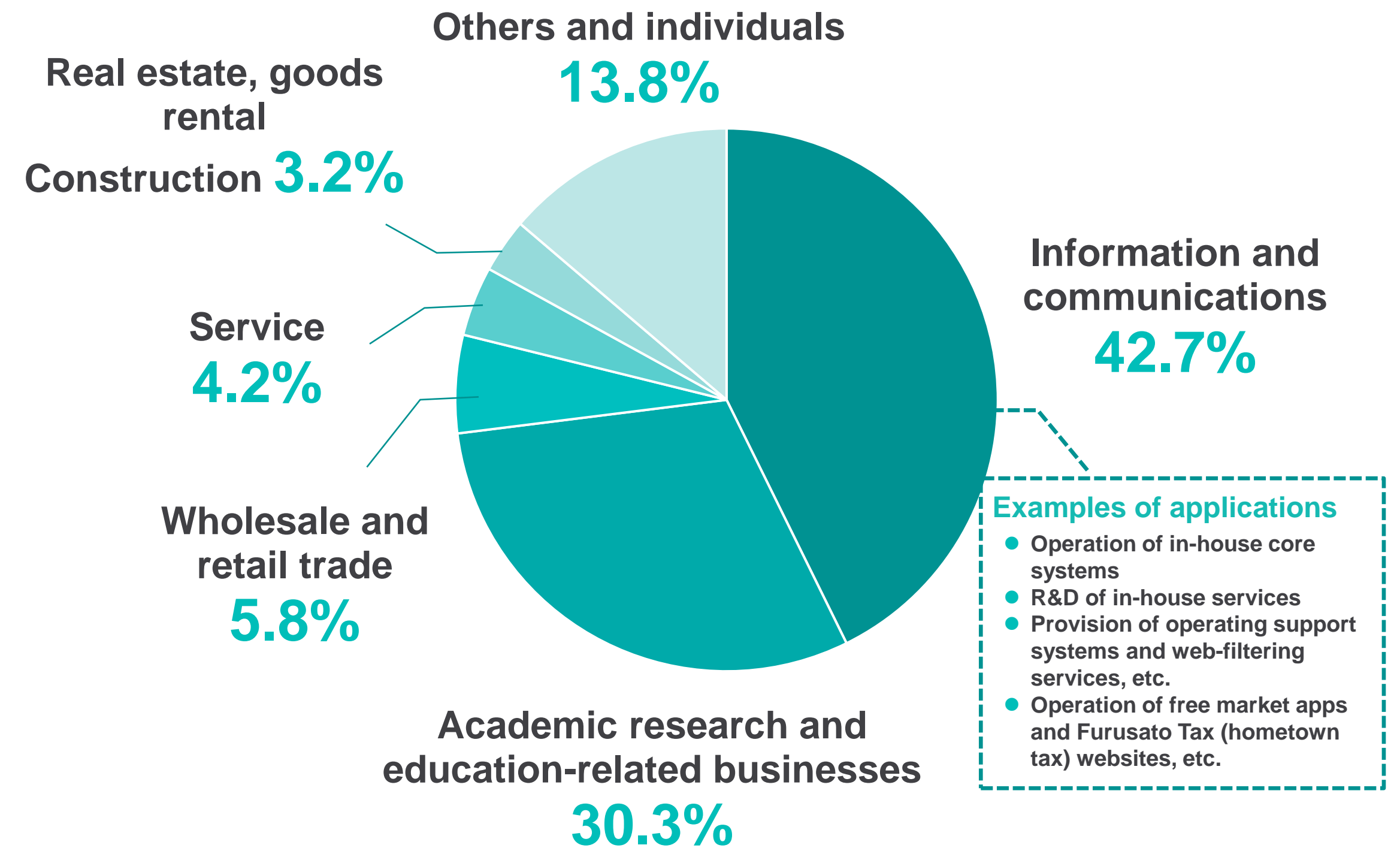
Breakdown by monthly fee
(Composition by sales)

- Less than 0.1 million yen **24.2%**
- 10 million yen or more **34.2%**
- 0.1 million yen or more but less than 0.5 million yen **14.2%**
- 5 million yen or more but less than 10 million yen **5.3%**
- 0.5 million yen or more but less than 1 million yen **6.4%**
- 1 million yen or more but less than 5 million yen **15.7%**

Customer composition
(Composition by sales)

- Others and individuals **13.8%**
- Real estate, goods rental Construction **3.2%**
- Information and communications **42.7%**
- Service **4.2%**
- Wholesale and retail trade **5.8%**
- Academic research and education-related businesses **30.3%**

Examples of applications
- Operation of in-house core systems
- R&D of in-house services
- Provision of operating support systems and web-filtering services, etc.
- Operation of free market apps and Furusato Tax (hometown tax) websites, etc.
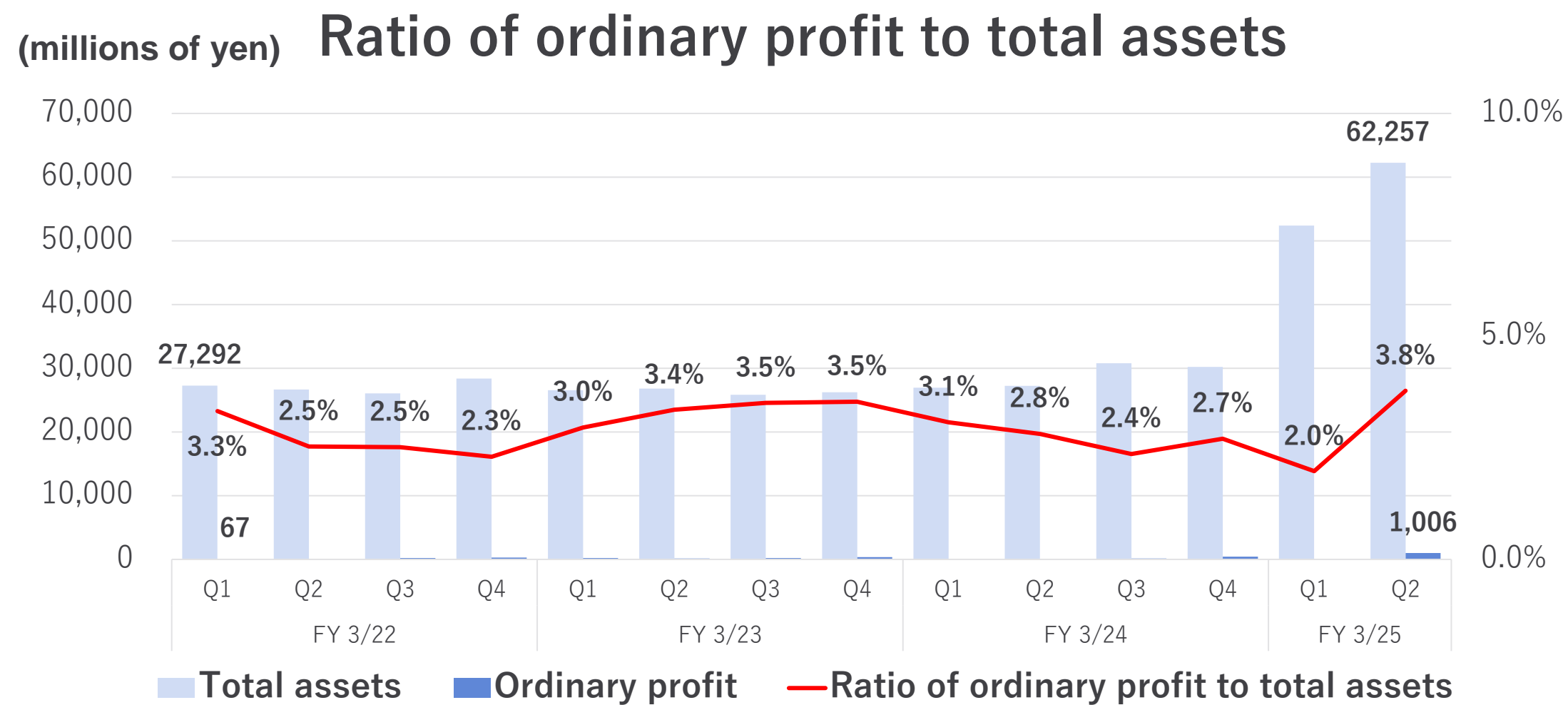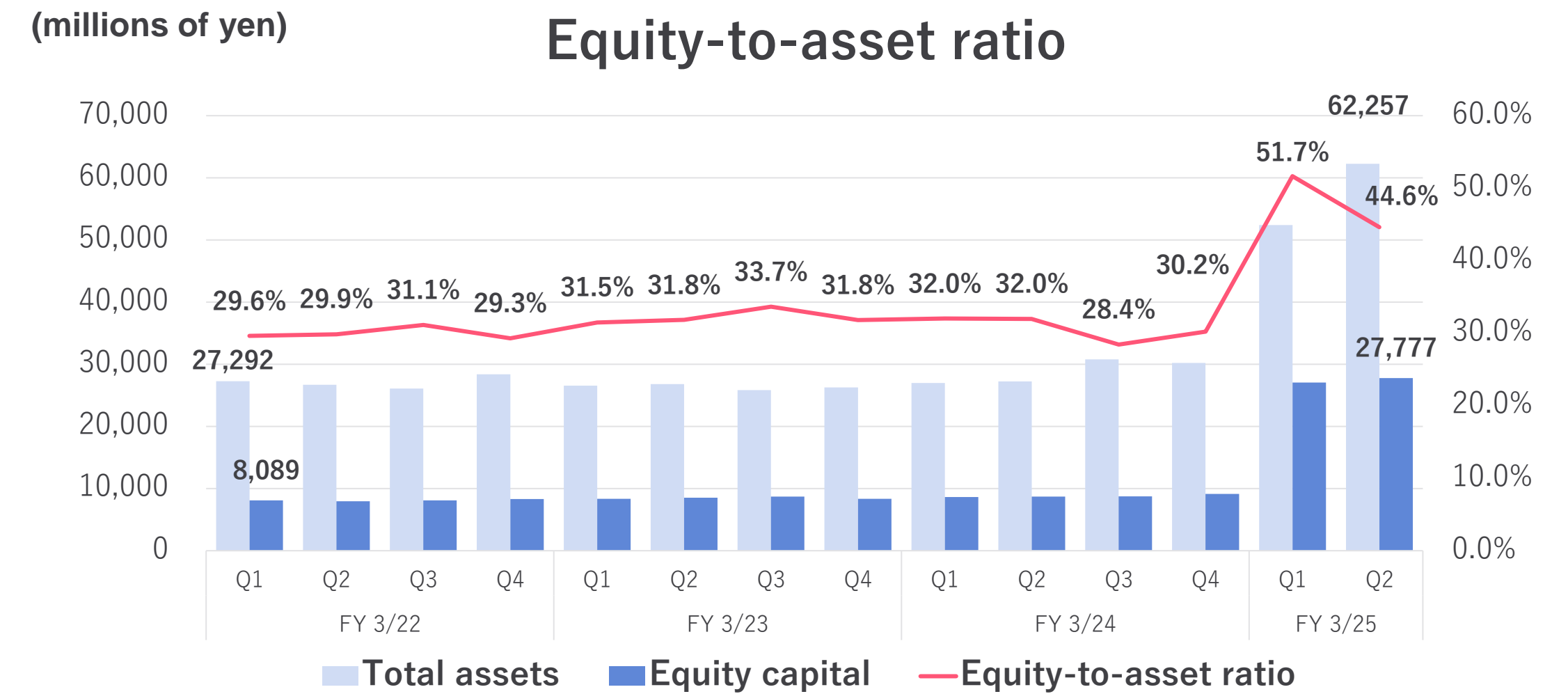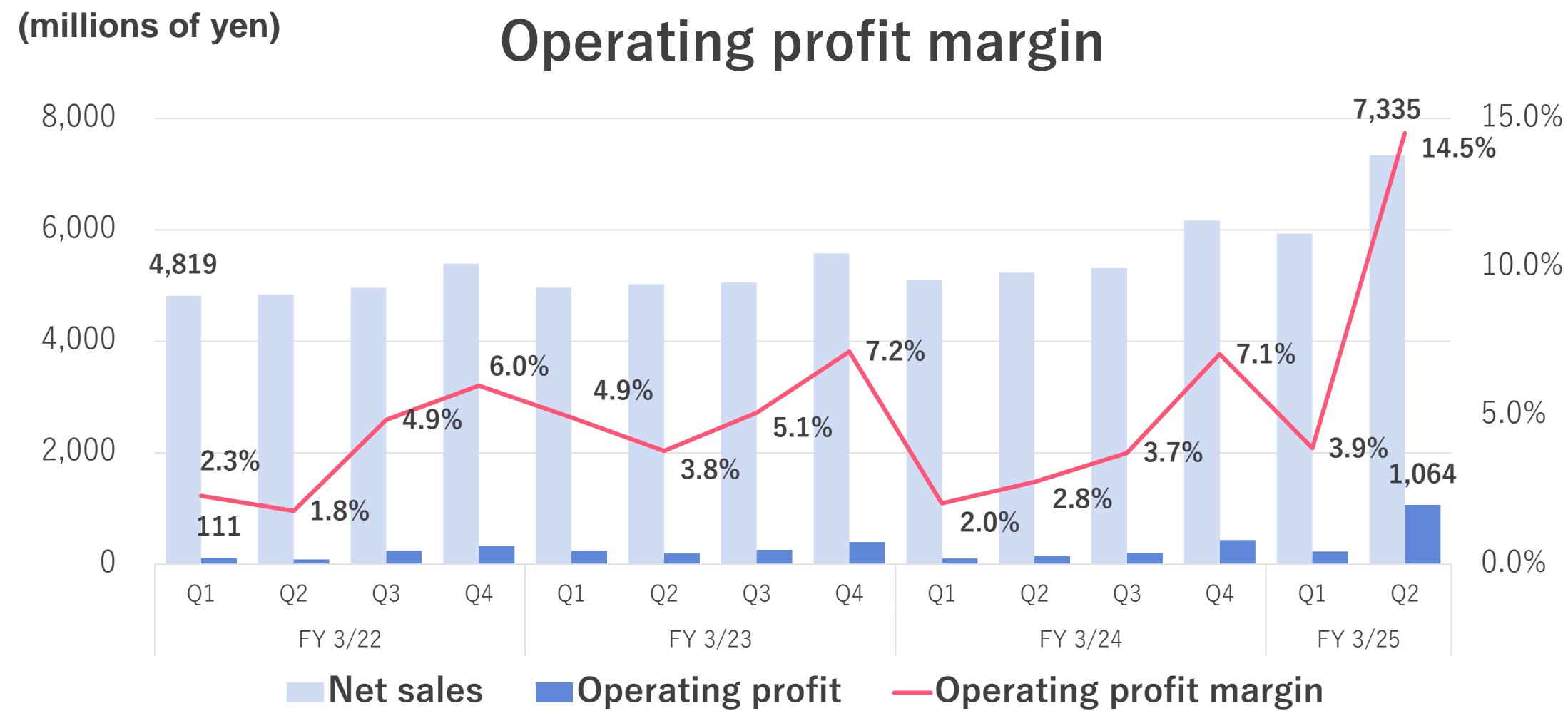
*The figures represent SAKURA internet on a non-consolidated basis.

Historical net sales, operating profit, and number of employees
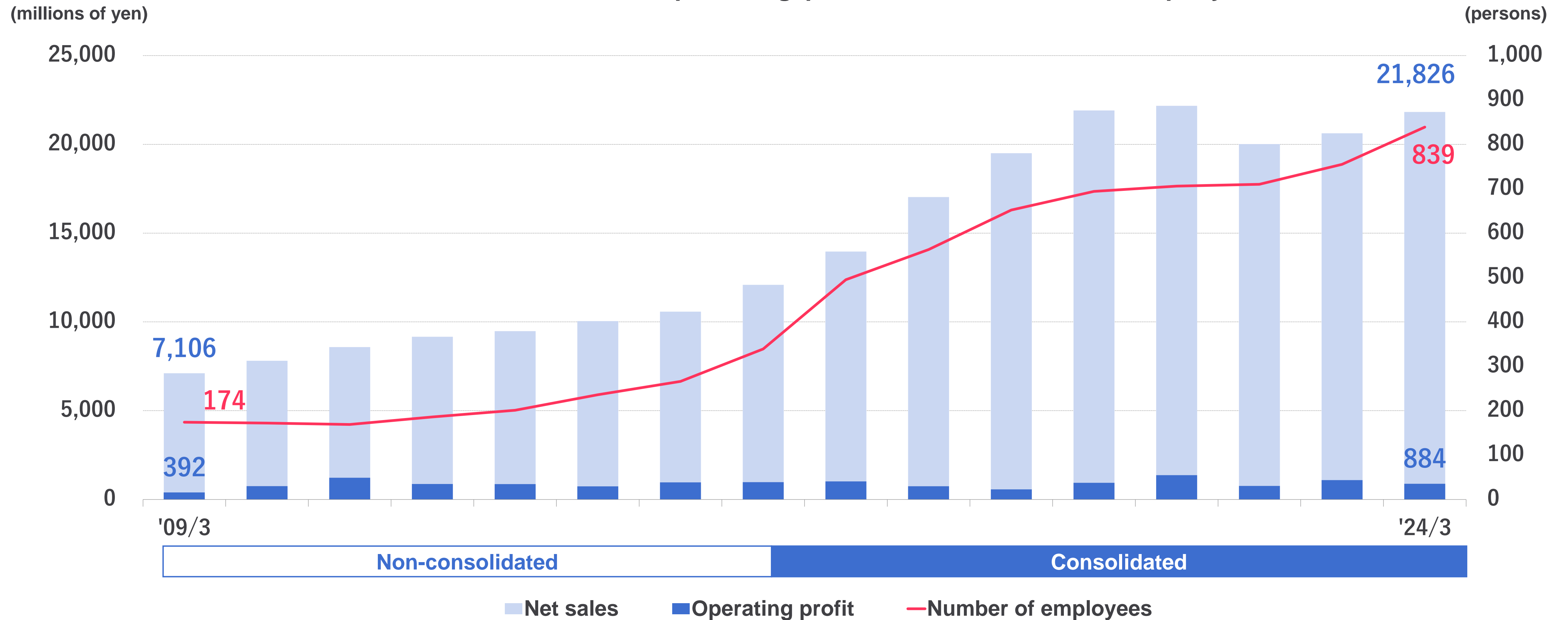
*The figures for FY 3/2015 or older are from non-consolidated financial results, and those for FY 3/2016 or later are from consolidated financial results.

Company Profile
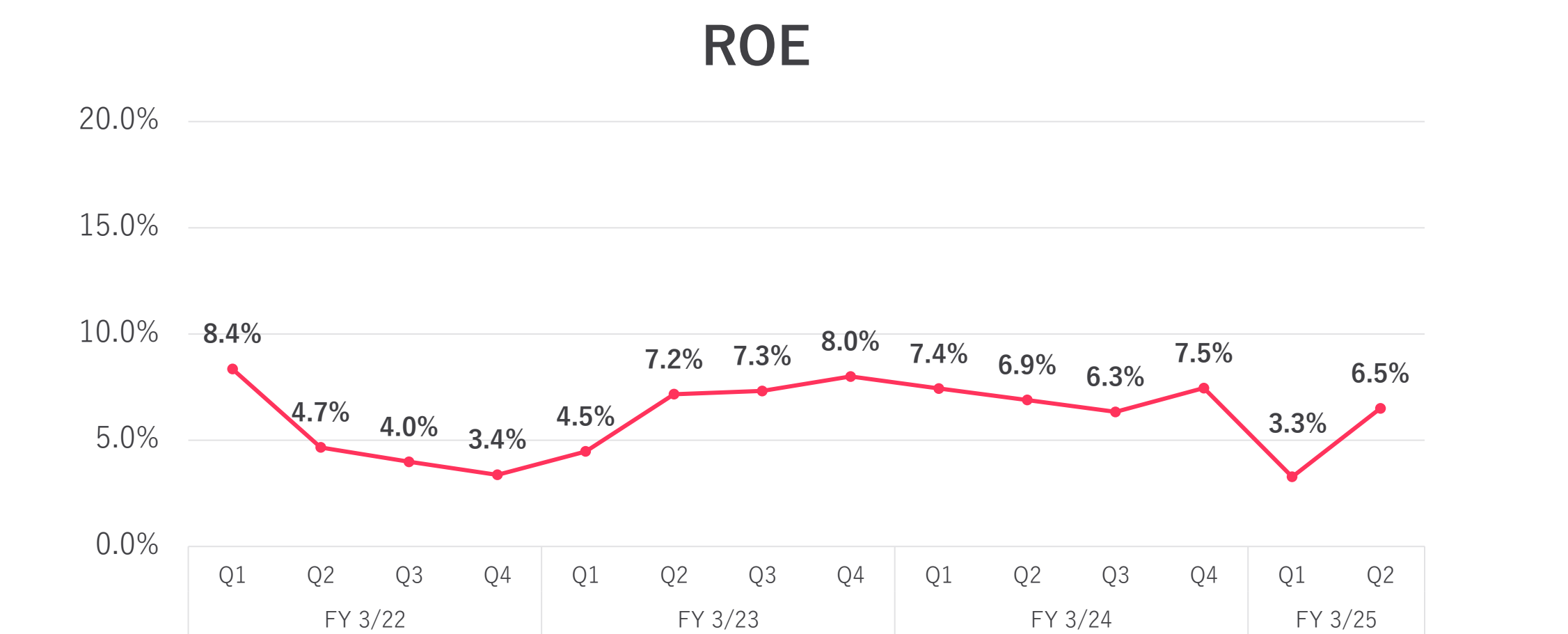
History

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	6-38 Ofukacho, 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	11,283,160,000yen
Number of employees	927 (consolidated)

(Note: as of the end of September 2024)

SAKURA internet

■IR Contact

IR information inquiry form
https://www.sakura.ad.jp/corporate/ir/contact/
E-mail:ir@sakura.ad.jp