# 3rd Quarter of Fiscal Year Ending March 2024

# Financial Results

January 31, 2024

SAKURA internet

# Financial Highlights

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## Accelerated prior investment in recruitment, taking the opportunity of launching GPU cloud services and being the first certified domestic government cloud provider, etc. as a chance for non-continuous growth

- Cloud infrastructure services saw healthy growth of 10.5% YoY

- As the first certified domestic government cloud provider, made a prior investment such as accelerating functional development of cloud services and strengthening recruitment and marketing, etc. for sales promotion

- Full-year earnings forecasts are unchanged
  The consolidated full-year earnings forecasts are unchanged, as we will report net sales mostly as expected toward the fiscal year end thanks to sales from GPU cloud services that will occur from the fourth quarter. Nevertheless, we plan to make a prior investment to enable business growth in and after the next fiscal year

(Millions of yen)

| Item | Q3 FY2023 Amount | Q3 FY2024 Amount | YoY Change | Change (%) |
|---|---|---|---|---|
| Net sales | 15,043 | 15,658 | 615 | 4.1 |
| Operating profit | 694 | 448 | (245) | (35.4) |
| Ordinary profit | 615 | 319 | (295) | (48.1) |
| Profit attributable to owners of parent | 417 | 304 | (113) | (27.2) |

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.

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**TOPIC1** ## Launched GPU cloud services in January

- Launched Koukaryoku PHY, a bare metal series, powered by NVIDIA H100 as the first stage of GPU cloud services for generative AI in January 2024
- Provided at Ishikari Data Center run on 100% renewable energy source
- Plan to expand our services including infrastructure improvement and cloud series
- Expect sales of about 5 billion yen per year with 2,000 units of GPU including those to be purchased in the next period

| Release schedule |
|---|

January 2024 (most recent)

During the first half of the fiscal year ending March 2025

More to come

| Part 1 Release bare metal series | → | Will purchase up to 2,000 GPU units in total | → | Part 2 Will release cloud series (charged by the hour and per GPU) |
|---|---|---|---|---|



▲October 2023
Setting up GPU servers at Ishikari Data Center

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**TOPIC2**

# Certified as a government cloud provider, the first domestic company in this regard
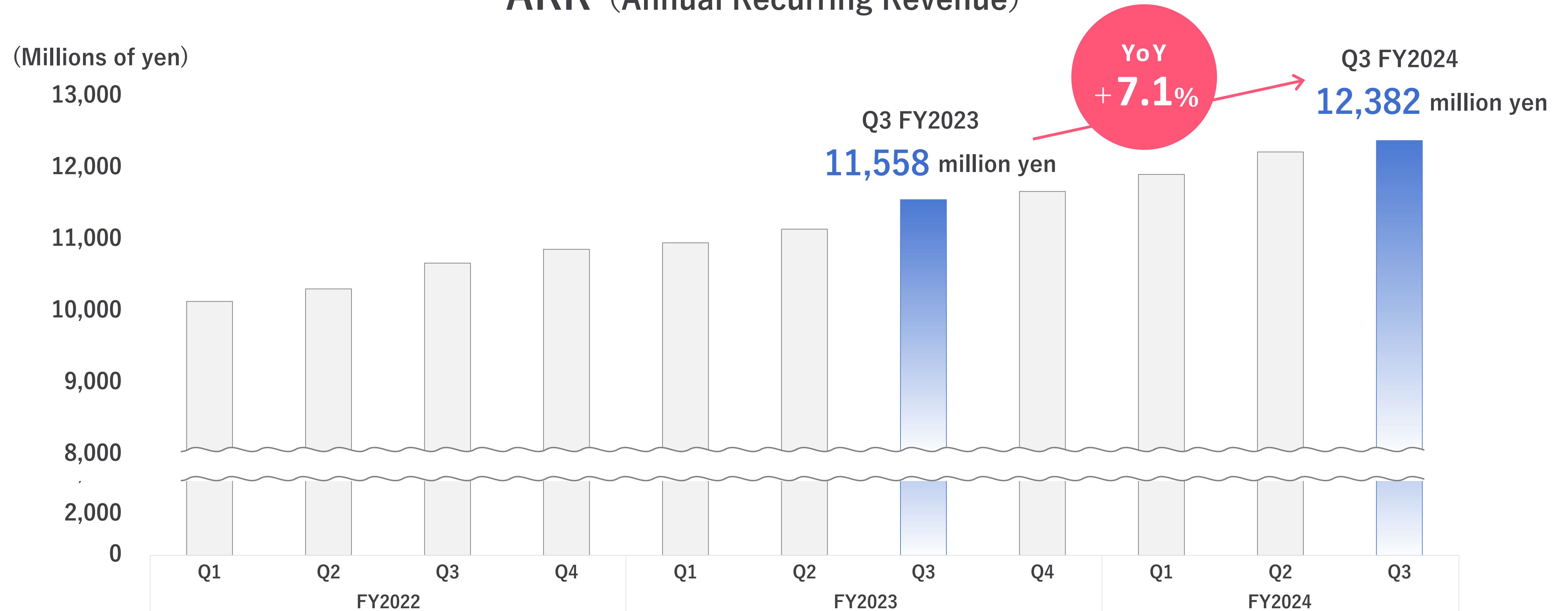
- Certified, provided that we satisfy all of the technical requirements by the end of FY2026

- 2026 IT market size for central and regional government is about 2 trillion yen, of which 250 billion yen is for the government cloud market

- Will accelerate the development of cloud infrastructure services and the enhancement of recruitment to fulfill requirements

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

## Status of approval as a government cloud service provider (as of December 2023)

| Name of cloud services | Business provider |
|---|---|
| Amazon Web Services(AWS) | Amazon Web Services (United States) |
| Google Cloud | Google (United States) |
| Microsoft Azure | Microsoft (United States) |
| Oracle Cloud Infrastructure(OCI) | Oracle (United States) |
| SAKURA's Cloud | SAKURA internet |

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ARR, representing recurring fee revenue, increased **7.1%** YoY

## ARR （Annual Recurring Revenue）

（Millions of yen）

YoY **+7.1%**

Q3 FY2024
**12,382** million yen

Q3 FY2023
**11,558** million yen

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| FY2022 | | | | FY2023 | | | | FY2024 | | |

* 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.

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| **Growth strategy** | • **Launched GPU cloud services** (January 2024)<br>• **Certified as a government cloud provider, the first domestic company in this regard** (November 2023) |
|---|---|

| | |
|---|---|
| **Certified as a government cloud provider, the first domestic company in this regard** | Certified, provided that we satisfy all of the technical requirements by the end of FY2026<br>Accelerate the development and personnel retainment to fulfill requirements |
| **Launched GPU cloud services** | Launched Koukaryoku PHY as the first stage (January)<br>Plan to expand our services including infrastructure improvement and cloud series |
| **Continue strengthening the initiatives for DX co-creation and support for medium- to long-term growth** | Jointly conducted AI-driven test automation of daily inspection at data centers with Brains Technology, Inc., and mutually cooperated in GPU cloud services with HIGHRESO Co., Ltd. Also launched "OCX," a made-in-Japan NaaS* cloud-based network service provided by BBIX, Inc. in January, and strengthened partnership<br><br>*NaaS and Network as a Service are registered trademarks of Mizuho Research & Technologies, Ltd. |

**Concentration of management resources**

- Smoothly secured personnel for the realization of growth strategy thanks to the very high number of applicants
- Secured a line of credit to procure equipment for GPU cloud services
- Decided to expand the Ishikari Data Center building, with a view to accelerating future business growth

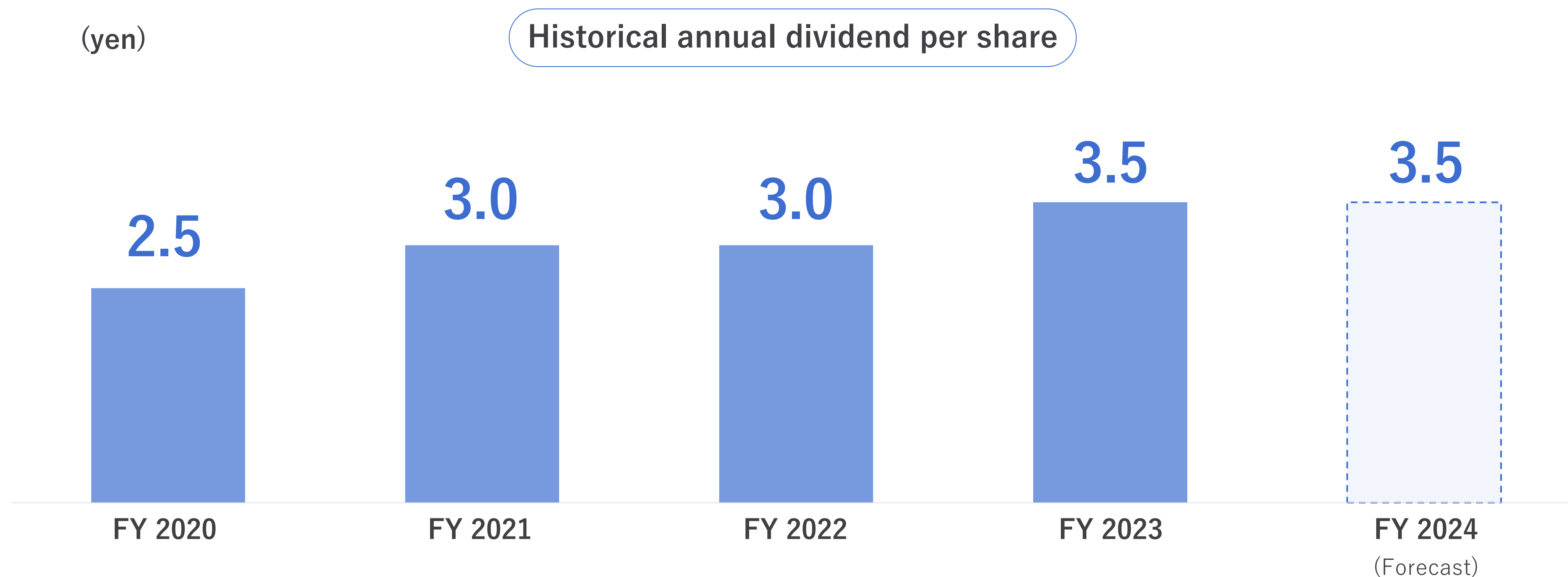| | |
|---|---|
| Recruitment proceeded smoothly<br>The consolidated number of employees increased by 67 from the previous fiscal year end | Plan to hire about 100 personnel, mainly engineers and sales and marketing staff by the end of the current fiscal year<br>The number of applicants increased 70% after being certified as a government cloud provider, and recruitment proceeded smoothly<br>Added 67 employees from the previous fiscal year end (consolidated number of employees as of the end of 3Q: 822) |
| Conducted web advertising and other digital marketing and held events aggressively | Continued aggressive investment in web advertising and other digital marketing and held events to raise awareness and acquire new customers |
| Secured a line of credit up to 8 billion yen to procure equipment for GPU cloud services, etc. | Secured a line of credit up to 8 billion yen to procure equipment for GPU cloud services, etc.<br>Continue equipment investment, including replacement of existing services, etc., while procuring GPU cloud service equipment for the next fiscal year |
| Decided to expand the Ishikari Data Center 3rd building and newly build a container-type data center | Decided in January to build a container-type data center for GPU cloud purposes in the planned site of Ishikari Data Center 4th building (to be completed by the end of FY2025) and expand the floor space of the 3rd building for existing services (to be completed in early FY2026) |

**Other**

Signed an absorption-type split contract concerning the business of Tellus Inc., a 100% subsidiary of the Company, in view of full-scale operation from April 2024, and decided to contribute financially（January）

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# Basic dividend policy

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

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

（yen）

Historical annual dividend per share

| FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 (Forecast) |
|---------|---------|---------|---------|--------------------|
| 2.5 | 3.0 | 3.0 | 3.5 | 3.5 |

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

## Environment

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

## Governance

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

## Social

- Promote educating and supporting next-generation start-ups and professionals
- Promote the development of superior IT professionals and provision of IT-driven solutions to social issues
- Put human capital-oriented management into practice

  - Virtuous cycle of learning and practice
    [Develop human resources and a culture of mutual learning]
    [Tackling challenges and leadership]

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

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

**Environment** · **Governance** · **Social**

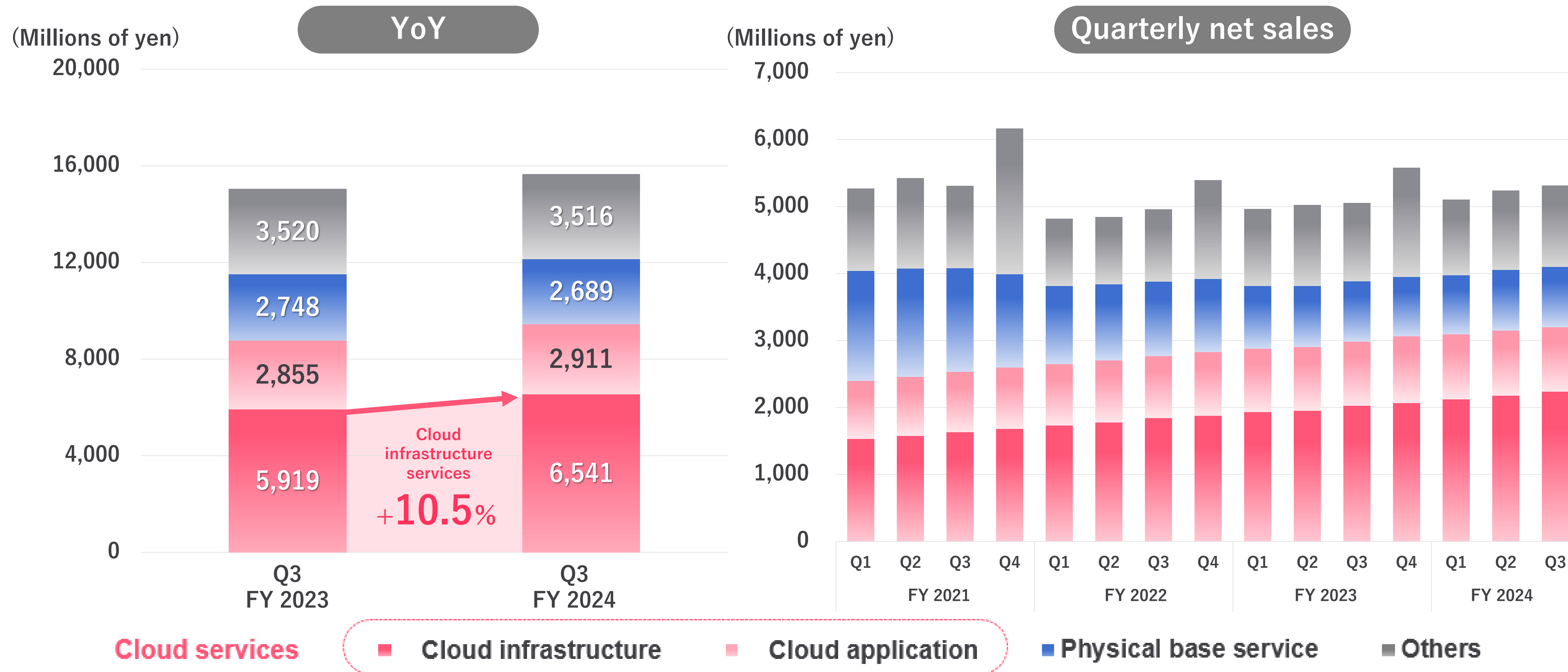# Consolidated Financial Results for Q3 FY 2024

# Summary of Consolidated Financial Results for Q3 FY 2024

**Cloud infrastructure services** saw healthy growth of 10.5% YoY
**Made a prior investment such as accelerating functional** development of cloud services and strengthening recruitment and marketing, etc. for sales promotion

(Millions of yen)

| Item | Q3 FY 2023 Amount | Q3 FY 2023 Sales composition (%) | Q3 FY 2024 Amount | Q3 FY 2024 Sales composition (%) | YoY Change | YoY Change (%) |
|---|---|---|---|---|---|---|
| Net sales | 15,043 | 100.0 | 15,658 | 100.0 | 615 | 4.1 |
| Cost of sales | 11,222 | 74.6 | 11,633 | 74.3 | 411 | 3.7 |
| Gross profit | 3,821 | 25.4 | 4,025 | 25.7 | 203 | 5.3 |
| SG & A expenses | 3,127 | 20.8 | 3,576 | 22.8 | 449 | 14.4 |
| Operating profit | 694 | 4.6 | 448 | 2.9 | (245) | (35.4) |
| Ordinary profit | 615 | 4.1 | 319 | 2.0 | (295) | (48.1) |
| Profit attributable to owners of parent | 417 | 2.8 | 304 | 1.9 | (113) | (27.2) |

# Consolidated Net Sales by Service Category（QoQ）

## Owing to the effort to shift to a cloud-focused structure, cloud infrastructure services saw double-digit growth of 10.5%



(Millions of yen)

**YoY**

| | Q3 FY 2023 | Q3 FY 2024 |
|---|---|---|
| Others | 3,520 | 3,516 |
| Physical base service | 2,748 | 2,689 |
| Cloud application | 2,855 | 2,911 |
| Cloud infrastructure | 5,919 | 6,541 |

Cloud infrastructure services +10.5%

(Millions of yen)

**Quarterly net sales**

FY 2021 (Q1–Q4) · FY 2022 (Q1–Q4) · FY 2023 (Q1–Q4) · FY 2024 (Q1–Q3)

**Cloud services** — Cloud infrastructure ■ Cloud application ■ Physical base service ■ Others

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## Factors that affected Operating profit

（YoY）



（Millions of yen）

- Increase in electric power costs : 46M
- Increase in purchase of domains : 33M

**Change in net sales**

**Decreased costs**

**Increased costs**

Q3 FY 2023 Operating profit: 694
Increase in sales of cloud-services: 677
Decreased sales of physical base services: (58)
Decrease in sales of other services: (4)
Decreased costs due to a shift to a cloud-focused structure · Streamlined investment · Optimized DC: 59
Increase in human resource investment: (472)
Increase in advertising expenses (e.g., web marketing expenses): (110)
Facility renewal of Ishikari DC: (84)
External factors: (80)
Increase in travel expenses: (43)
Increase in rent due to an increase in the number of business sites: (17)
Others: (114)
Q3 FY 2024 Operating profit: 448

# Consolidated Balance Sheet

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- ● **Investment in equipment for GPU cloud services and related increase in accounts payable-facilities**
- ● **Investment securities increased because an investee company went public and became subject to fair market valuation**
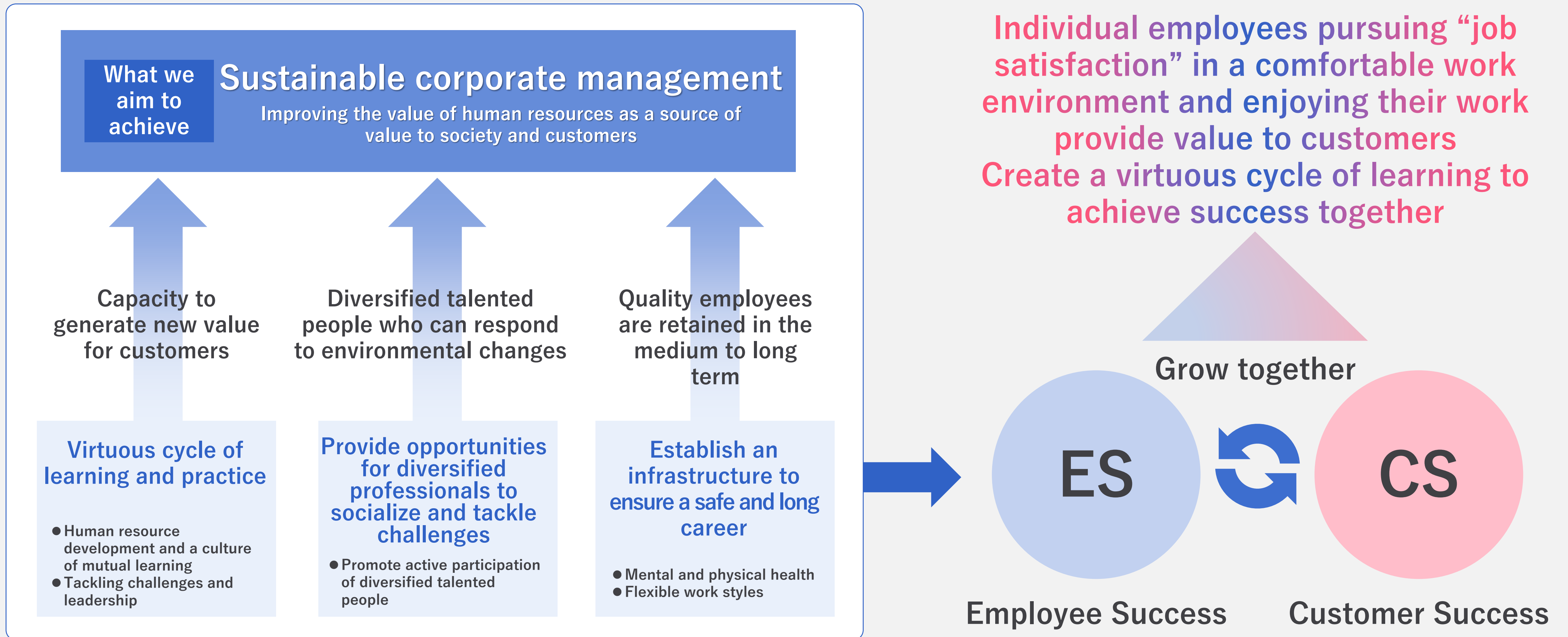
(Millions of yen)

| Item | Previous fiscal year end | End of Q3 FY2024 | Change |
|---|---|---|---|
| Current assets | 8,930 | 9,950 | 1,019 |
| Non-current assets | 17,325 | 20,852 | 3,527 |
| (Property, plant and equipment) | 14,716 | 17,944 | 3,228 |
| (Intangible assets) | 508 | 491 | (16) |
| (Investments and other assets) | 2,100 | 2,416 | 315 |
| Total assets | 26,256 | 30,802 | 4,546 |

| Item | Previous fiscal year end | End of Q3 FY2024 | Change |
|---|---|---|---|
| Current liabilities | 9,840 | 13,757 | 3,916 |
| Non-current liabilities | 7,929 | 8,110 | 181 |
| Total liabilities | 17,769 | 21,867 | 4,097 |
| Net assets | 8,486 | 8,934 | 448 |
| (Including shareholders' equity) | 8,337 | 8,645 | 307 |
| Total liabilities and net assets | 26,256 | 30,802 | 4,546 |

# Initiatives for Sustainable Growth

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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**
Employee Success

**CS**
Customer Success

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

# Initiatives of human capital-oriented management （Virtuous cycle of learning and practice）

## Develop and reskill personnel in the digital field

4 質の高い教育を みんなに

### Provide learning opportunities and expand recommended qualifications

**To start with officers, 92.3% of full-time Directors and Executive Officers have passed the IT Passport Test**
(* As of September 30, 2023)

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

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

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

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

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

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

Di-Lite

IT Passport Test

IT and software

G-certification

Di-Lite

AI and deep learning

Actuary and data science

Japan Data Scientist Test
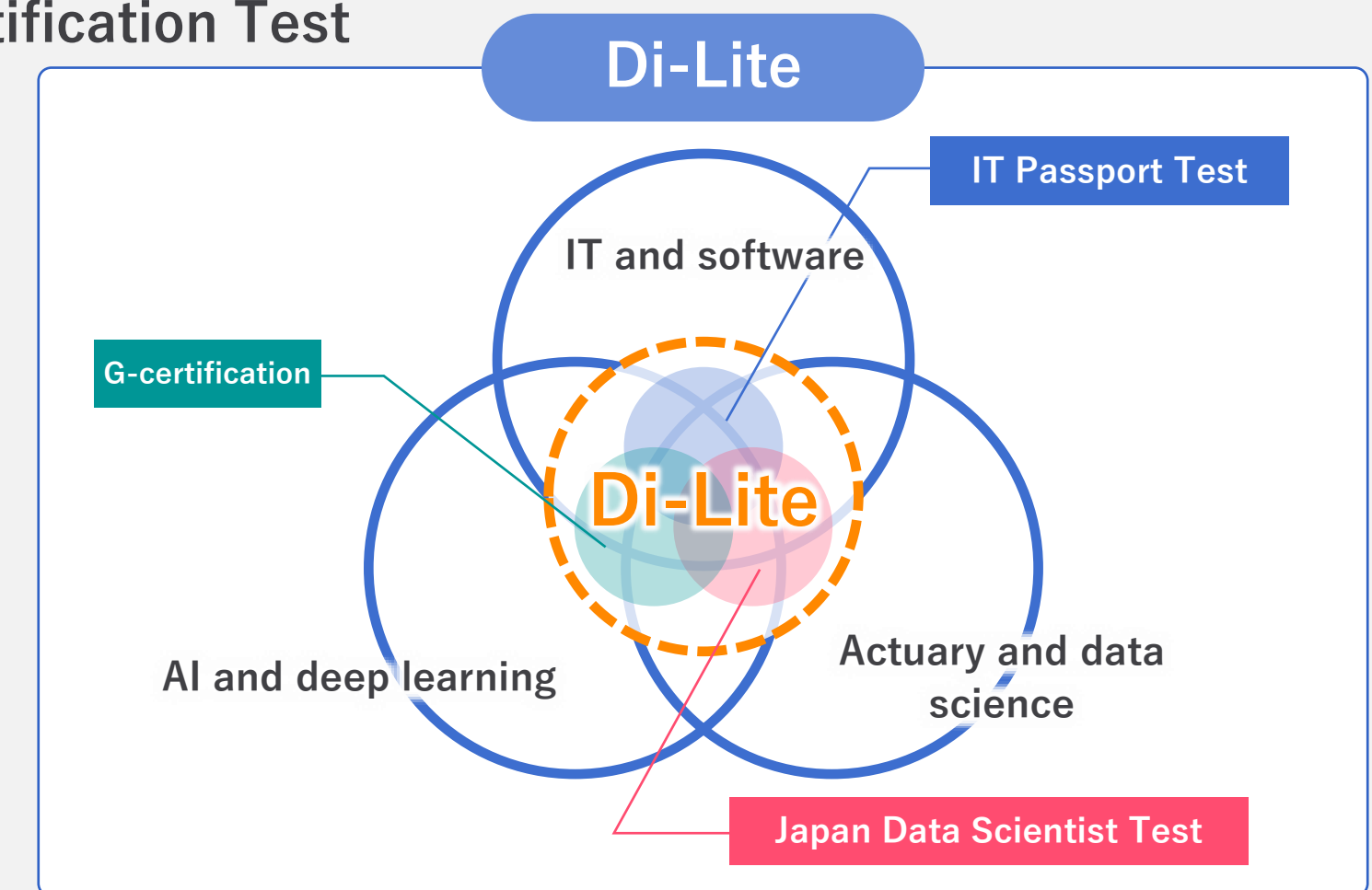
*Di-Lite: The range of digital literacy skills that should be common to all business people as "users of digital technology"

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# Initiatives of 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 women officers in order to strengthen management functions

### Strengthen management functions and develop future management personnel

Appointed six new Executive Officers （four of whom are women） to strengthen management functions. This adds a breath of fresh air to management and also promotes diversity.
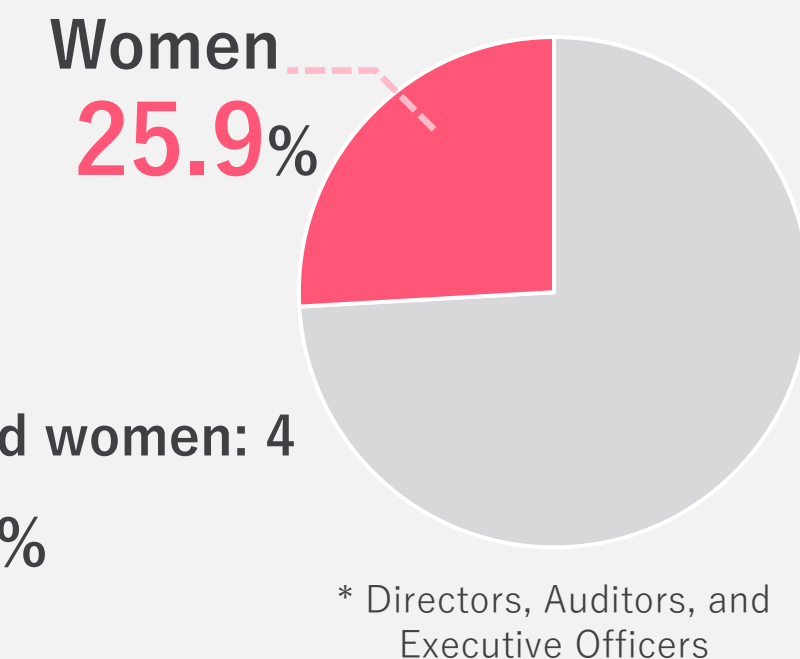The Company will continue to increase the number of Executive Officers in order to develop and secure management personnel

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

**Composition of executives and percentage of women**

Newly hired men: 2

Existing Executive Officers

Men: 8

Newly hired women: 4
28.6%
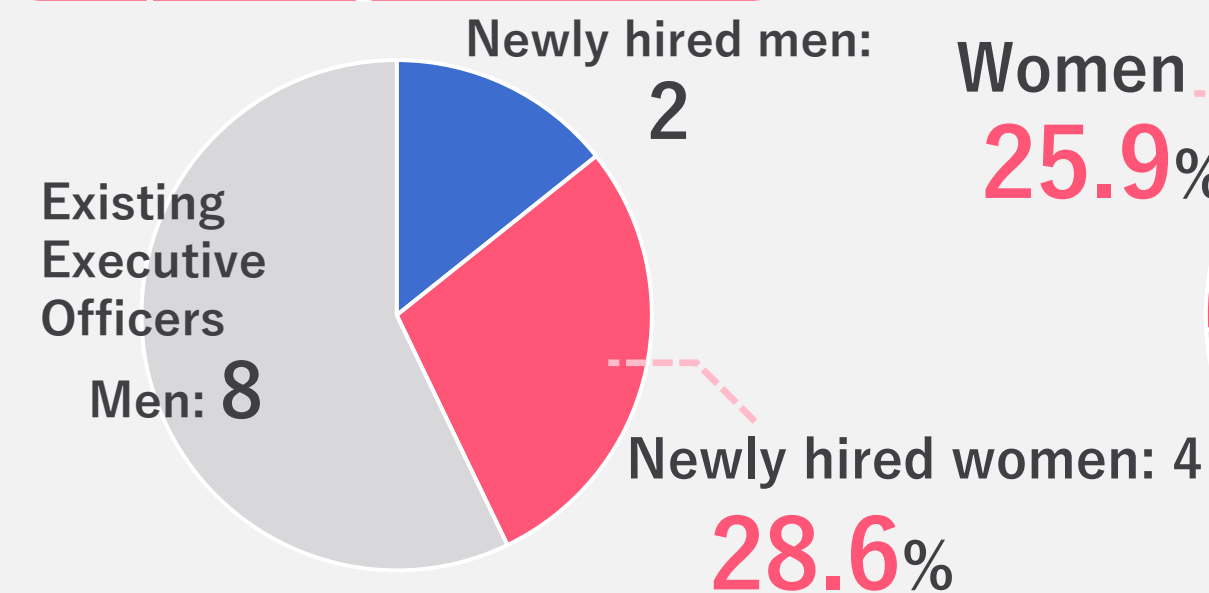
**Percentage of women executives**

Women
25.9%

* Directors, Auditors, and Executive Officers

### CASE Appointment of Group CHRO

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

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

(Photo by Nakamura Yoshinobu)

### CASE Diversified age groups of managerial personnel

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

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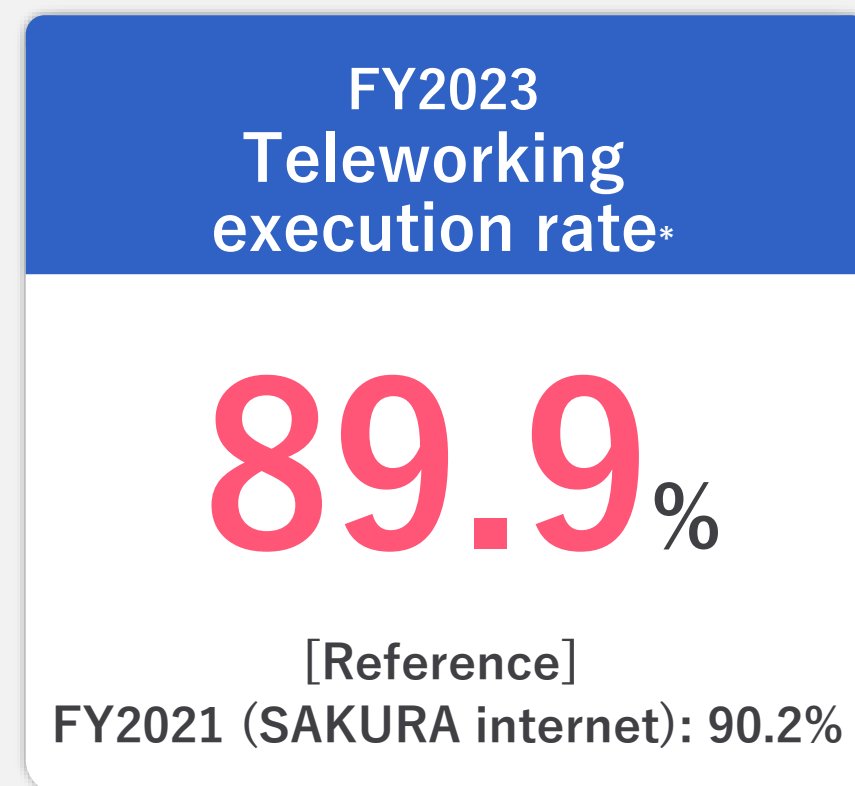the ES Headquarters in October 2023

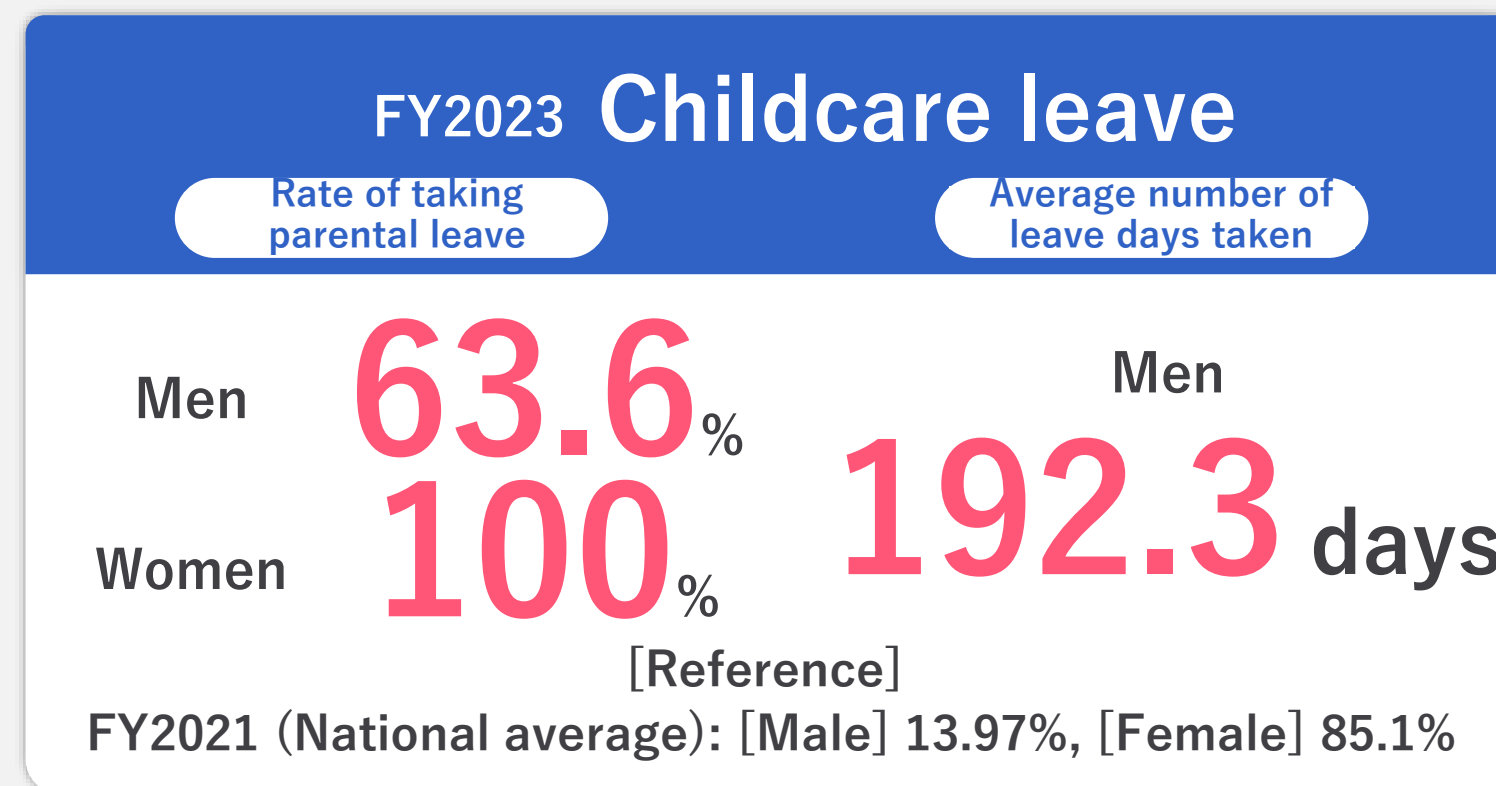Please visit the Company's corporate website below for the Company's initiatives for sustainable growth　https://www.sakura.ad.jp/corporate/work/

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

## Pursuing both "job satisfaction" and "a comfortable work environment"

Continue to support diversified work styles including internal HR programs to promote teleworking and parallel careers.
Improve the working environment and career development support system for working parents, focusing on boosting the ratio of women and active appointment of women in managerial positions
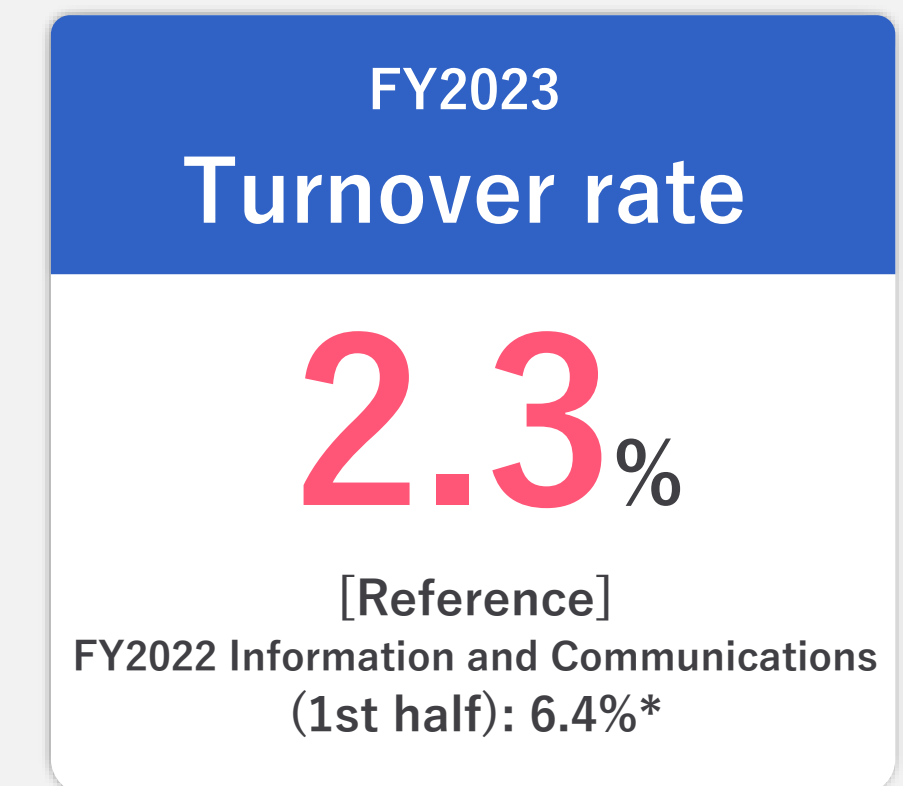
### FY2023 Teleworking execution rate*

**89.9%**

[Reference]
FY2021 (SAKURA internet): 90.2%

* Calculated for March 2023. Non-attendance rate

### FY2023 Childcare leave

Rate of taking parental leave

Men **63.6%**
Women **100%**

Average number of leave days taken

Men **192.3 days**

[Reference]
FY2021 (National average): [Male] 13.97%, [Female] 85.1%

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

### FY2023 Average over-time work hours

**8 hours 57 minutes**

[Reference] -
FY2022 Information and Communications Average: 15.7 hours*

* Source: 2022 Monthly Labour Survey

### FY2023 Turnover rate

**2.3%**

[Reference]
FY2022 Information and Communications (1st half): 6.4%*

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

## Evaluation of systems and environmental improvement initiatives by external organizations

- Acquired Gold in "White Company Certification*," a private certification system that comprehensively evaluates companies' whiteness
  The certification was granted on the already started efforts toward the realization of our five pillars of human resource strategy
  *Sponsored by the Japan Next Generation Enterprise Promotion Organization (White Foundation)

- Was granted "Kurumin" certification by the Ministry of Health, Labour and Welfare for our initiatives to support raising next-generation children
  The rate of men taking childcare leave is at least six times higher than the Kurumin certification standard (from April 1, 2020 to March 31, 2023)
  Established working conditions conducive to employees who return to work from childcare leave such as flexible working hours and teleworking

### Five pillars of human resource strategy
- Develop human resources and a culture of mutual learning
- Tackling challenges and leadership
- Promote active participation of diversified talented people
- Mental and physical health
- Flexible work styles

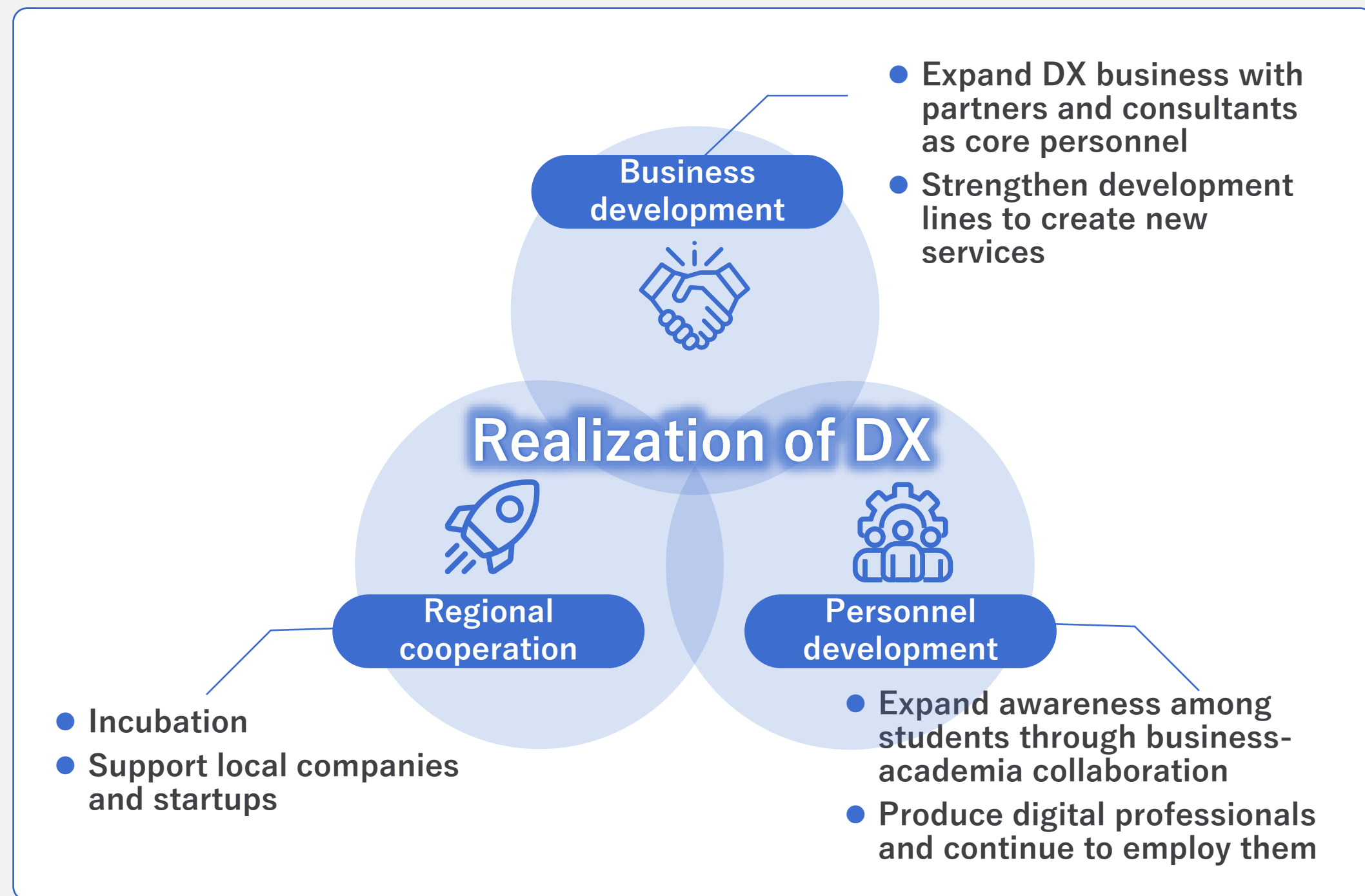Please visit the Company's corporate website below for the Company's initiatives for sustainable growth  https://www.sakura.ad.jp/corporate/work/

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

## Local revitalization and creation of digital innovation

### Accelerate the efforts to make open innovation happen

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

**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

**Osaka**

Will open in 2024

[Source: Developer of Grand Green Osaka]

**Fukuoka**

Opened in July 2017

**Communication**
Entered Grand Green Osaka, the second-phase development project of UMEKITA
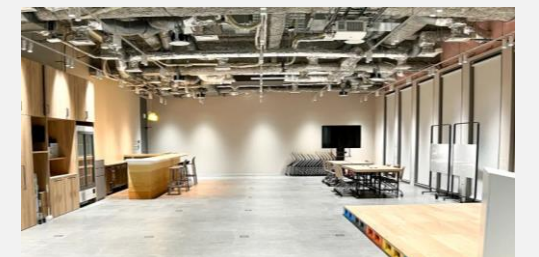
**Support startups**
Facility to support startups Fukuoka Growth Next (Joint operation) x Fukuoka Office
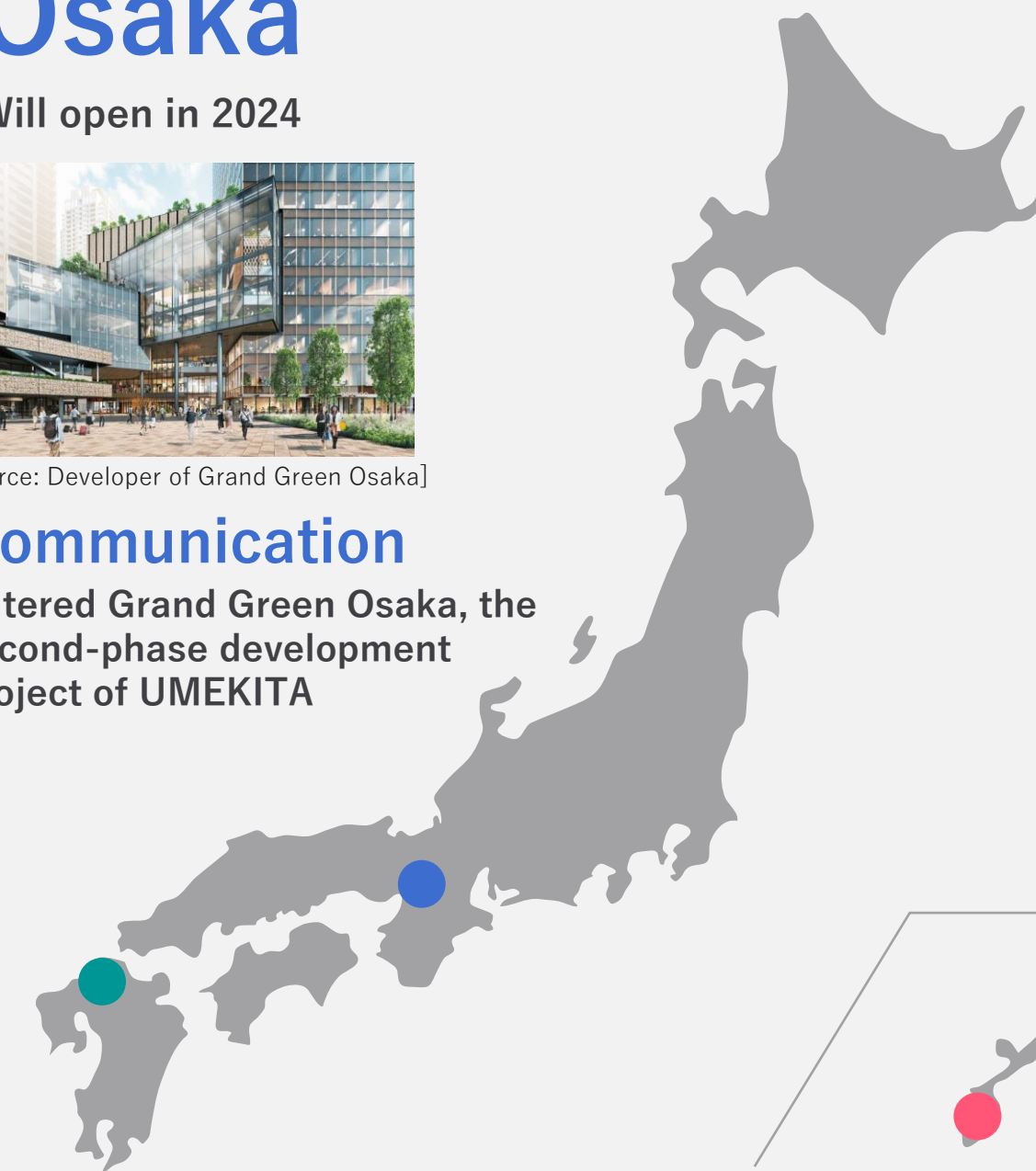
**Okinawa**

Opened in September 2023

SAKURA イノーベース

**innobase**

Okinawa

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

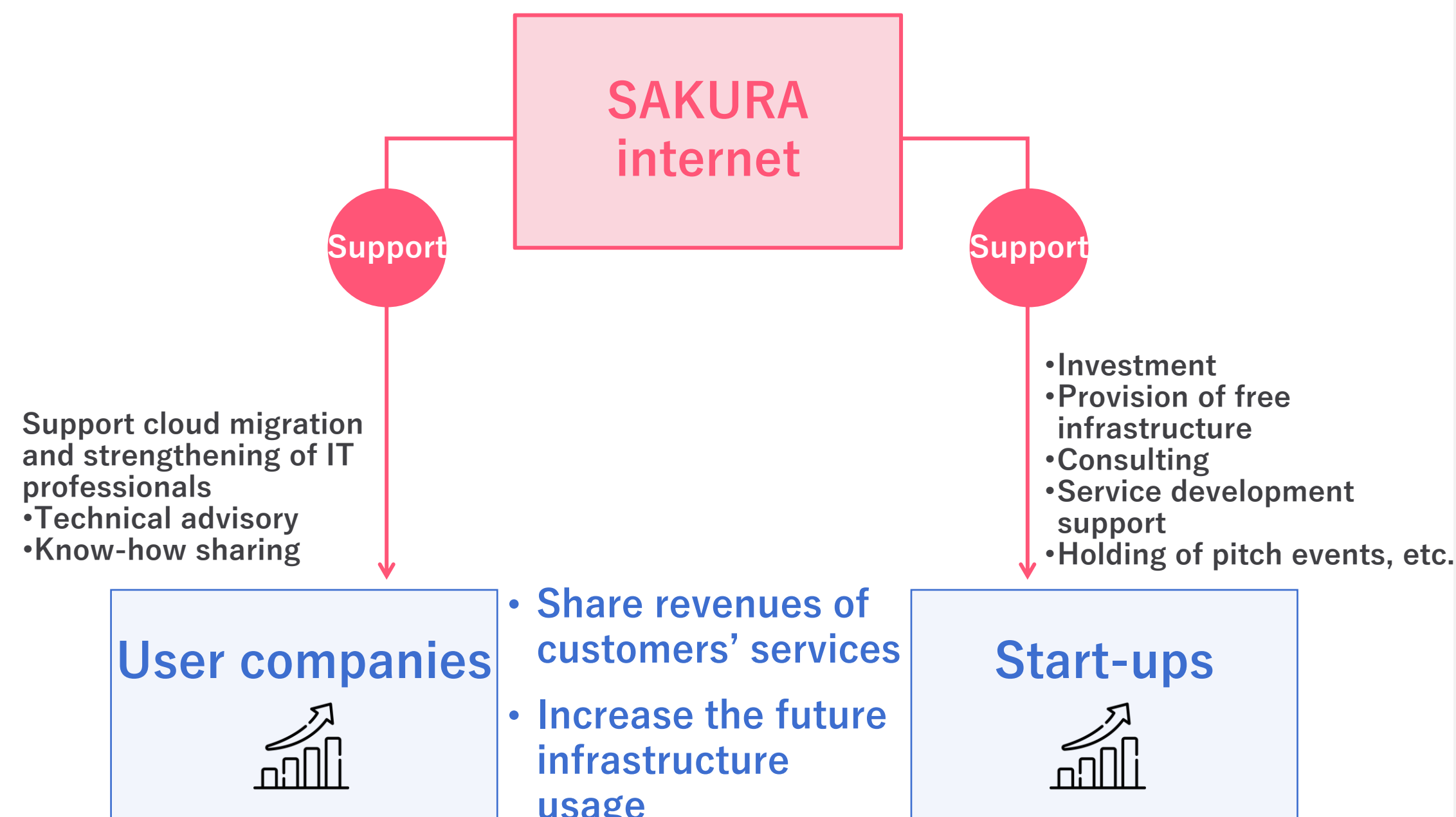Please visit the Company's corporate website below for the Company's initiatives for sustainable growth   https://www.sakura.ad.jp/corporate/work/

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

## Start-up support

**Investment and development support for start-ups**

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

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Support

Support

Support cloud migration and strengthening of IT professionals
•Technical advisory
•Know-how sharing

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

**User companies**

**Start-ups**

• Share revenues of customers' services

• Increase the future infrastructure usage

### CASE1: Provision of free infrastructure

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

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

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

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

### CASE 3: Service development support and consulting

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

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# Environmental Initiatives

## Environment-conscious data center

**13 CLIMATE ACTION**

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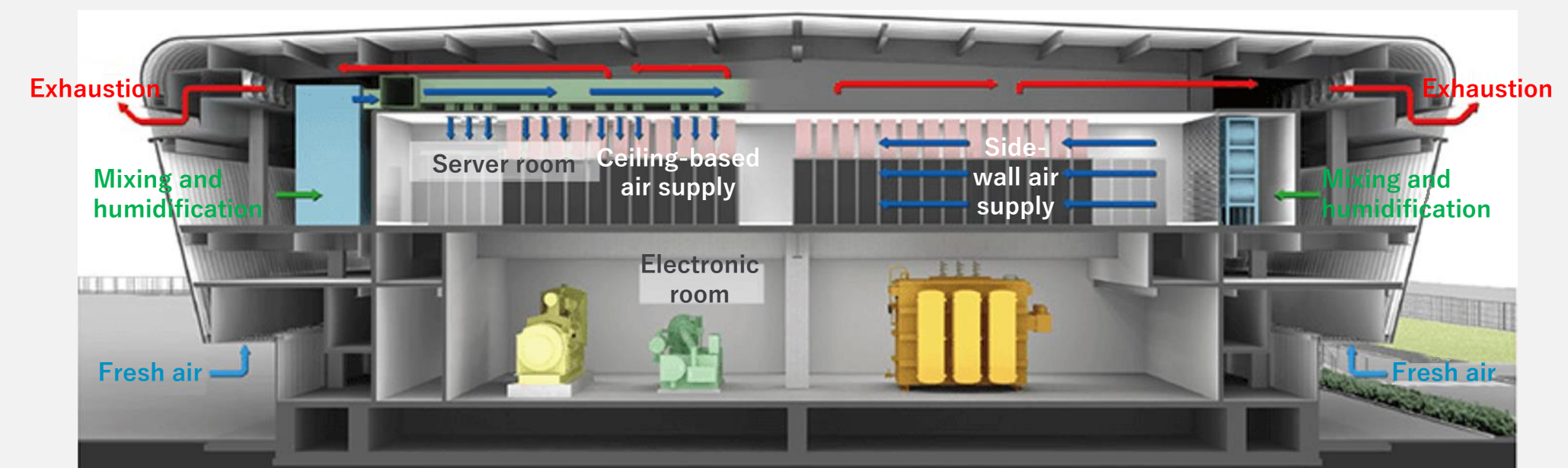


Appearance of Ishikari Dada Center (front: Buildings 3, left: Buildings 1 and 2)

## Decarbonization initiatives

Achieved 100% renewable energy in June 2023.
Achieved virtually zero annual $CO_2$ emission at Ishikari Data Center by shifting power source from electricity with a non-fossil fuel certificate to hydroelectric and other renewable energy sources

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

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



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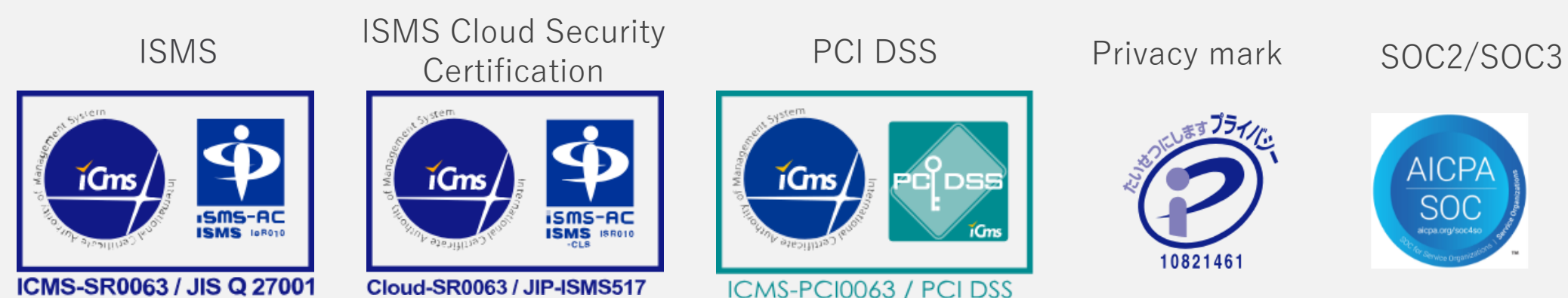
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# Security initiatives

## 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

AICPA SOC

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

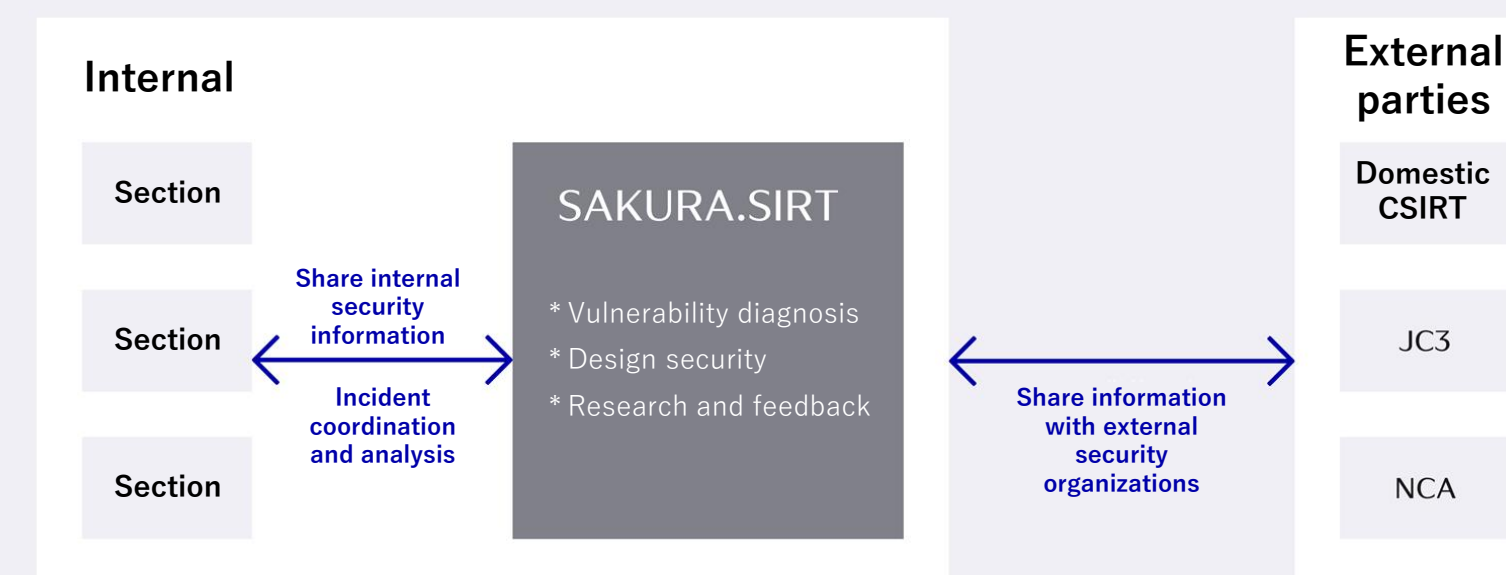**CASE** **Strengthen the skills of information security personnel**

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

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

## Cyber security initiatives

### CSIRT

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

Internal

Section

Section

Section

Share internal security information

Incident coordination and analysis

SAKURA.SIRT
* Vulnerability diagnosis
* Design security
* Research and feedback

Share information with external security organizations

External parties

Domestic CSIRT

JC3

NCA

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

SAKURA internet

# Utilize outside or independent officers and enhance corporate governance

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

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

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

The Nomination and Compensation Committee established as a voluntary advisory body to the Board of Directors.
Independent Outside Directors make up the majority of the committee members and act as committee chairs, thereby providing greater governance than ever over the functions of the Board of Directors in relation to the nomination and remuneration of Directors and Auditors and related matters

**Major role of the Nomination and Compensation Committee**
• Examination of overall policies and procedures for determining remuneration, etc. for senior management, Directors and Auditors
• Examination of draft policies regarding decisions on the details of remuneration, etc. for individual Directors to be submitted to the Board of Directors, and other matters

**Composition of the Nomination and Compensation Committee**

Chairperson: Independent, outside

Committee members
1 independent, outside member
1 internal member
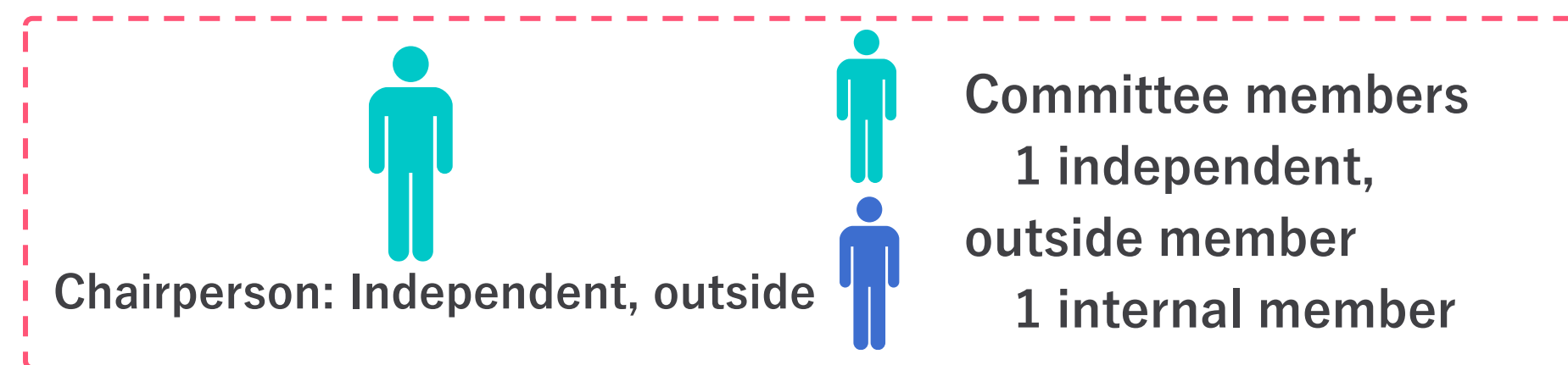
● **Percentage of outside or independent officers on the Board of Directors**
(*As of the end of September 2023)

**9** Directors

**4** internal members

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

**4** Auditors
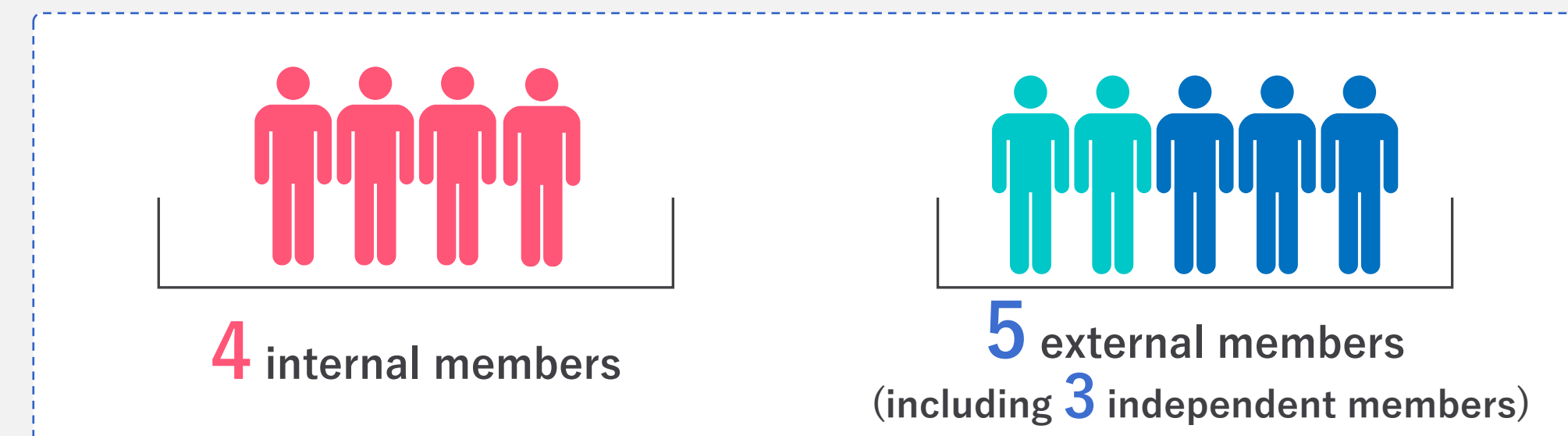
**4** external members
(including **2** independent members)
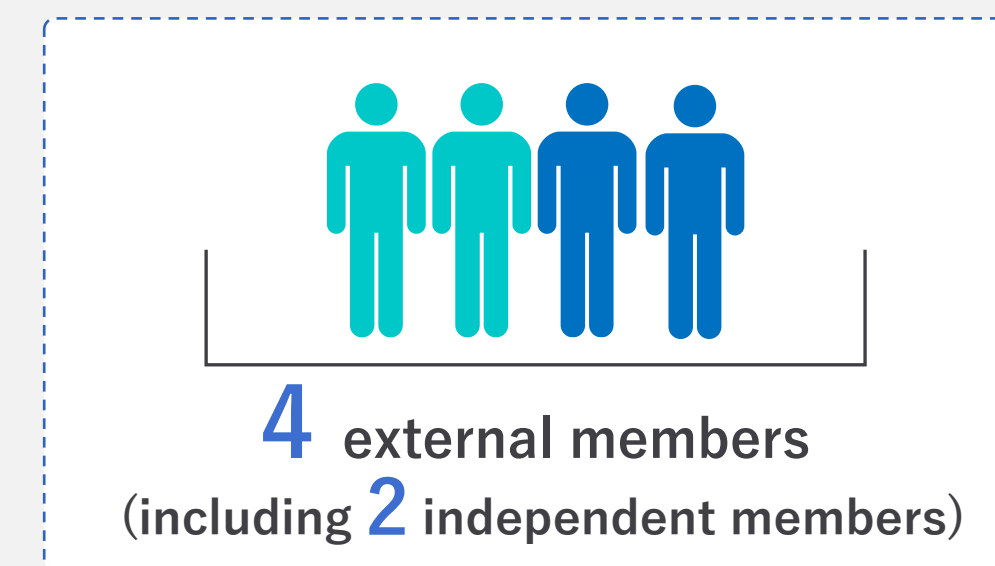
Percentage of external members: **69**%
(Percentage of External Auditors: 100%)

Percentage of independent officers: **38**%

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

# appendix

# Consolidated Net Sales by Service Category （QoQ Change）

SAKURA internet

(Millions of yen)

| Service category | FY 2023 | | | | FY 2024 | | | QoQ change | |
|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Change | Change (%) |
| **Cloud-services** | **2,883** | **2,906** | **2,985** | **3,065** | **3,096** | **3,152** | **3,204** | **51** | **1.6** |
| Composition (%) | 58.1 | 57.8 | 59.1 | 54.9 | 60.6 | 60.2 | 60.3 | | |
| Cloud infrastructure | 1,935 | 1,954 | 2,029 | 2,071 | 2,125 | 2,177 | 2,238 | 60 | 2.8 |
| Cloud application | 947 | 951 | 956 | 993 | 971 | 974 | 965 | (8) | (0.9) |
| **Physical base services** | **935** | **909** | **902** | **889** | **881** | **906** | **901** | **(4)** | **(0.5)** |
| Composition (%) | 18.9 | 18.1 | 17.9 | 16.0 | 17.3 | 17.3 | 17.0 | | |
| **Other services** | **1,144** | **1,209** | **1,165** | **1,623** | **1,127** | **1,179** | **1,209** | **30** | **2.6** |
| Composition (%) | 23.0 | 24.1 | 23.0 | 29.1 | 22.1 | 22.5 | 22.8 | | |

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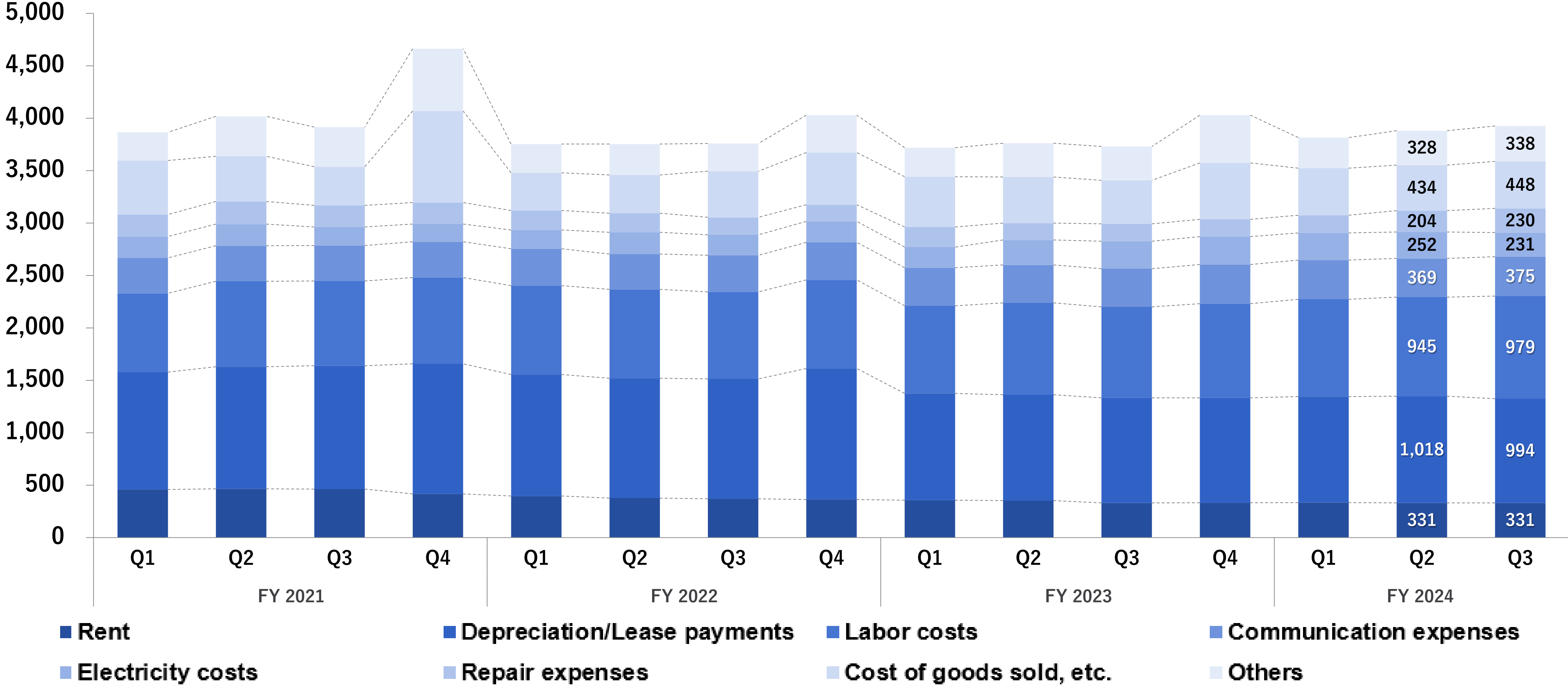- •Physical base services: Housing and exclusive server services

# Consolidated Statement of profit（QoQ Change）

SAKURA internet

(Millions of yen)

| Item | FY 2023 | | | | FY 2024 | | | QoQ change | |
|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Change | Change (%) |
| **Net sales** | **4,964** | **5,025** | **5,054** | **5,578** | **5,105** | **5,237** | **5,315** | **78** | **1.5** |
| Cost of sales | 3,723 | 3,766 | 3,732 | 4,032 | 3,819 | 3,884 | 3,929 | 45 | 1.2 |
| **Gross profit** | **1,240** | **1,259** | **1,321** | **1,546** | **1,285** | **1,353** | **1,385** | **32** | **2.4** |
| SG&A expenses | 995 | 1,067 | 1,063 | 1,147 | 1,181 | 1,208 | 1,186 | (21) | (1.8) |
| **Operating profit** | **244** | **191** | **257** | **399** | **104** | **145** | **199** | **54** | **37.2** |
| Operating margin (%) | 4.9 | 3.8 | 5.1 | 7.2 | 2.0 | 2.8 | 3.7 | | |
| **Ordinary profit** | **214** | **162** | **238** | **350** | **73** | **99** | **147** | **47** | **47.6** |
| **Profit attributable to owners of parent** | **142** | **104** | **170** | **248** | **108** | **66** | **128** | **62** | **93.3** |
| **EBITDA** | **939** | **890** | **970** | **1,094** | **852** | **901** | **955** | | |

SAKURA internet

# Breakdown of major costs

(Millions of yen)



Chart showing breakdown of major costs by quarter from FY 2021 to FY 2024.

FY 2024 Q2 values (bottom to top): 331, 1,018, 945, 369, 252, 204, 434, 328

FY 2024 Q3 values (bottom to top): 331, 994, 979, 375, 231, 230, 448, 338

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

## Investments for FY 2024

（100 millions of yen）

| Details of investment | Full-year plan | Full-year actual |
|---|---|---|
| Data centers | 3 | 8 |
| Servers and network equipment | 46 | 50 |
| Others (systems and office-related, etc.) | 1 | 0 |
| Total | 50 | 59 |

\* 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) |
|---|---|---|---|
| 13 | 2 | （※）34 | 50 |

\* Other includes 3.3 billion yen invested in GPU cloud services.

## Number of personnel in FY 2024

[Number of persons hired]

Increased by 67 from the previous year end

| | End of FY 2023 | End of December 2023 |
|---|---|---|
| Number of employees* | 755 | 822 |

■ Breakdown of changes

| | | Change (persons) |
|---|---|---|
| SAKURA internet | Engineer | +55 |
| | Sales/marketing/ new project planning | +3 |
| | Administration | +3 |
| Group companies | | +6 |
| Total | | 67 |

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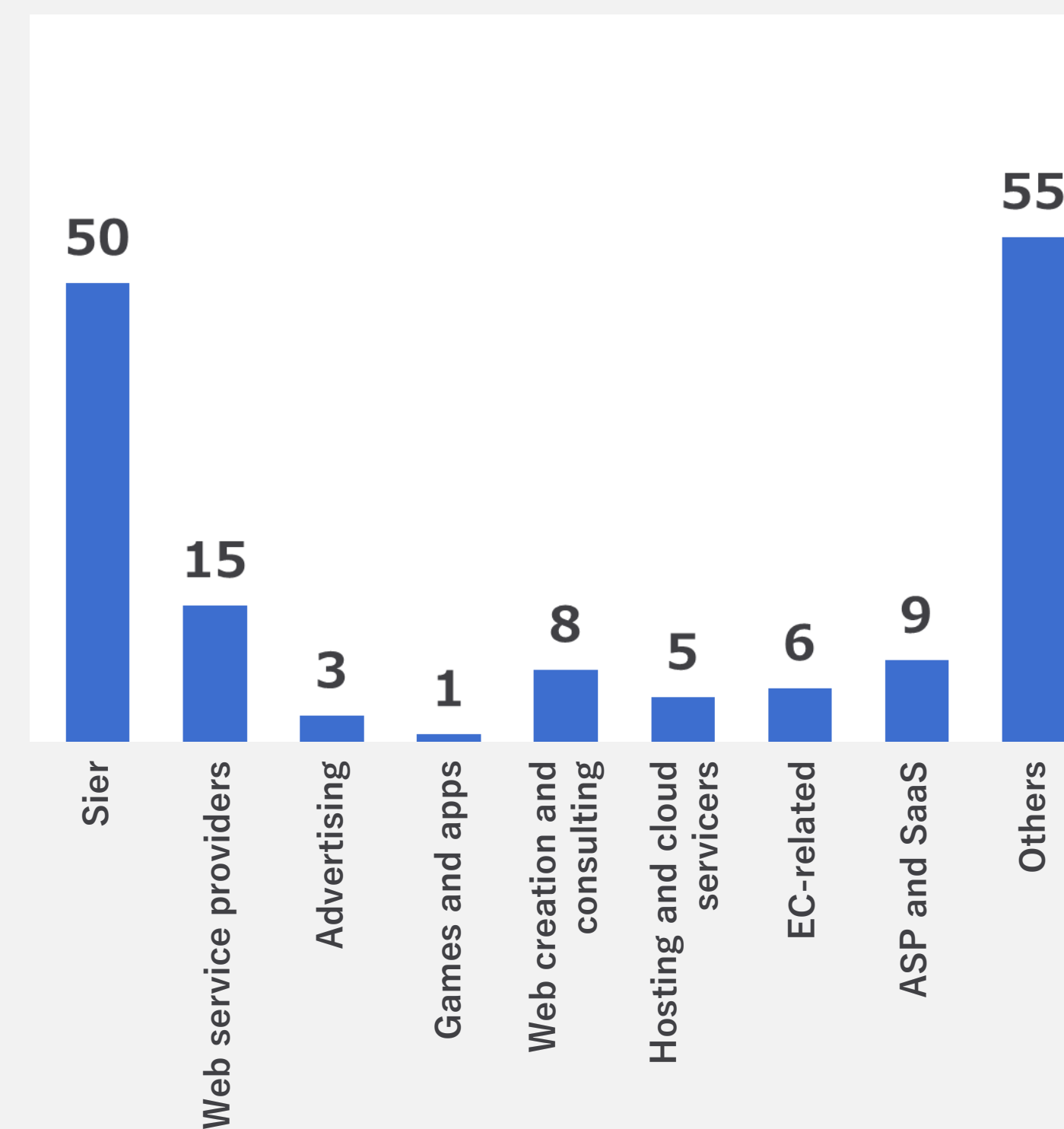
SAKURA internet

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

**Breakdown by monthly fee（Composition by sales）**

- 8.7%
- 5.8%
- 17.6%
- 23.8%
- 44.1%

- ■ 10 million yen or more
- ■ 5 million yen or more but less than 10 million yen
- ■ 1 million yen or more but less than 5 million yen
- ■ 100,000 yen or more but less than 1 million yen
- ■ Less than 100,000 yen

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

- Sier: 50
- Web service providers: 15
- Advertising: 3
- Games and apps: 1
- Web creation and consulting: 8
- Hosting and cloud servicers: 5
- EC-related: 6
- ASP and SaaS: 9
- Others: 55

| Monthly subscription fees | Number of customers | | | |
|---|---|---|---|---|
| | Mar.2023 | June 2023 | Sept.2023 | Dec.2023 |
| 10 million yen or more | 8 | 7 | 7 | 7 |
| 5 million yen or more, up to 10 million yen | 12 | 12 | 11 | 13 |
| 1 million yen or more, up to 5 million yen | 123 | 123 | 129 | 132 |

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

![SAKURA internet]

## Historical net sales, Ordinary profit, and number of employees
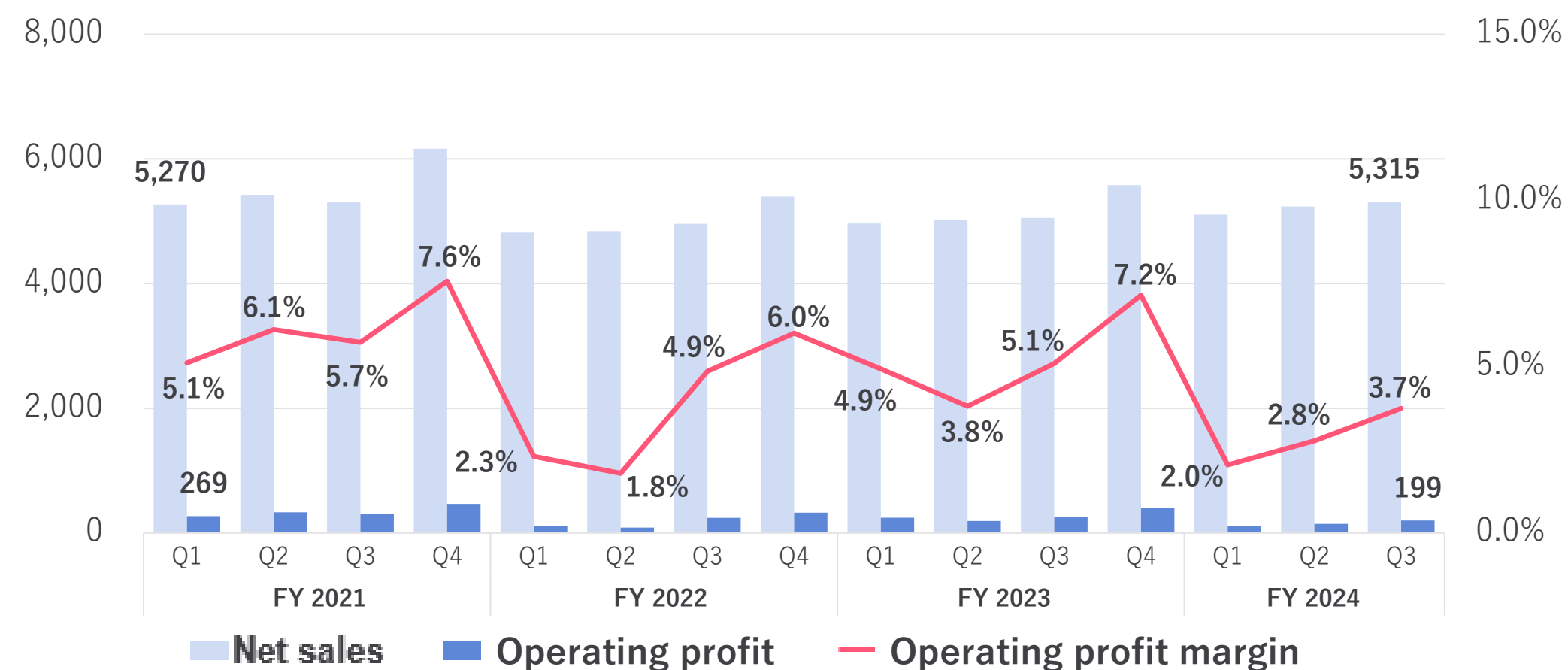
（Millions of yen） （persons）



| Net sales | Operating profit | — Number of employees |
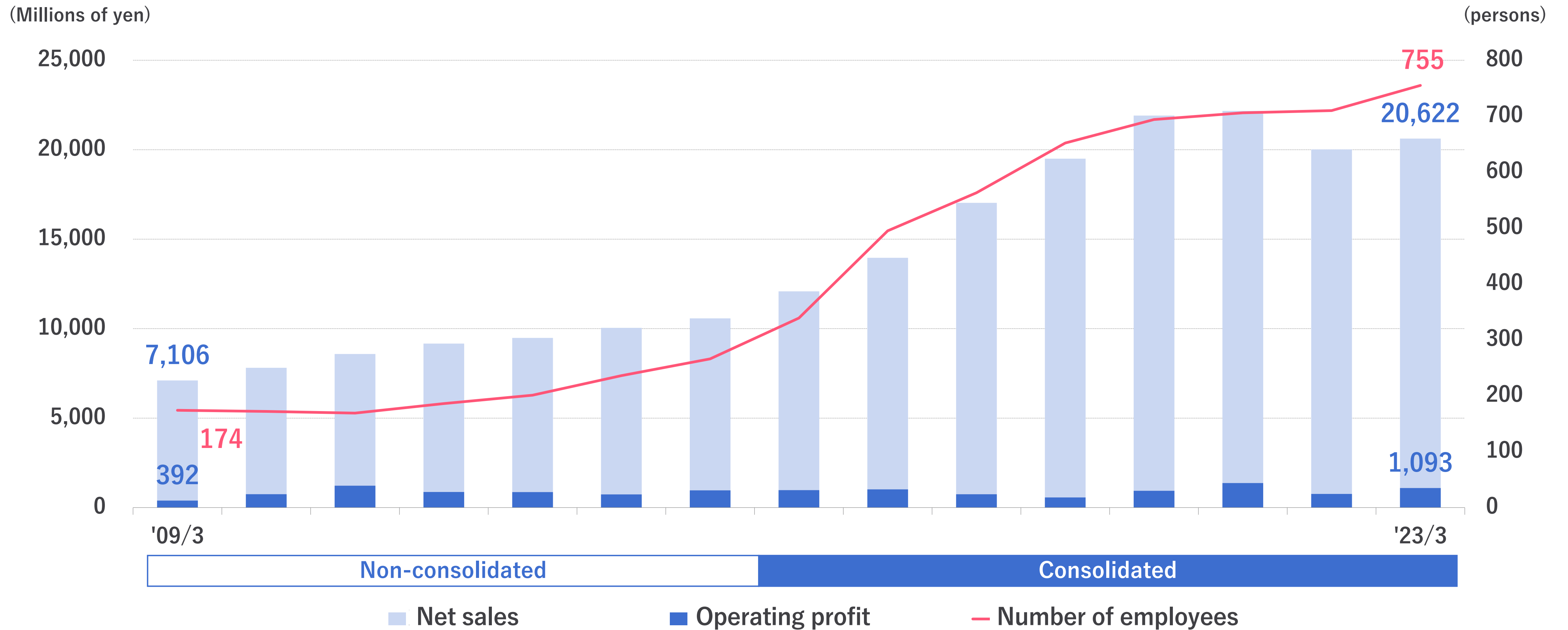
*The figures for FY 2015 or older are from non-consolidated financial results, and those for FY 2016 or later are from consolidated financial results.
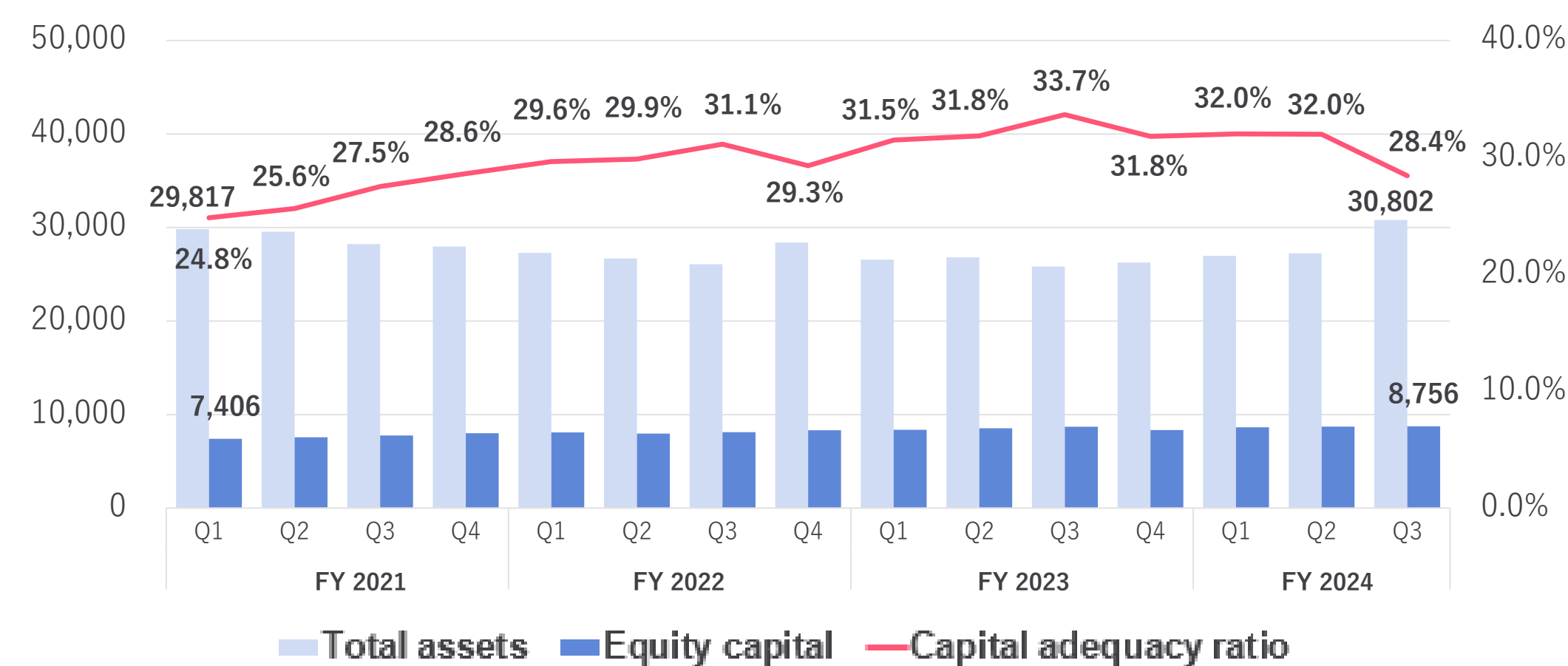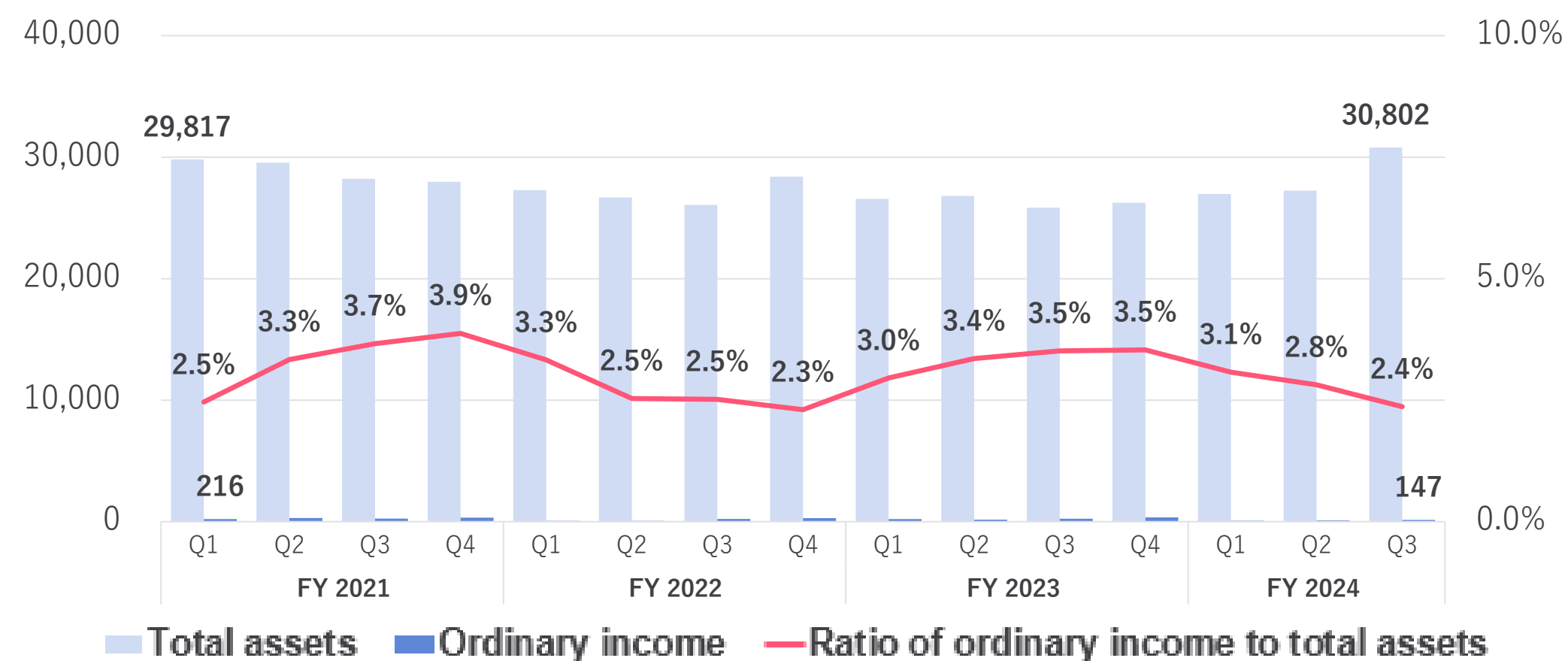
# Consolidated Financial Indicators



**Operating profit margin**

(Millions of yen)

Net sales — Operating profit — Operating profit margin

| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net sales | 5,270 | | | | | | | | | | | | | | 5,315 |
| Operating profit | 269 | | | | | | | | | | | | | | 199 |
| Operating profit margin | 5.1% | 6.1% | 5.7% | 7.6% | 2.3% | 1.8% | 4.9% | 6.0% | 4.9% | 3.8% | 5.1% | 7.2% | 2.0% | 2.8% | 3.7% |

FY 2021 — FY 2022 — FY 2023 — FY 2024

**Capital adequacy ratio**

(Millions of yen)

Total assets — Equity capital — Capital adequacy ratio

| | Q1 | Q3 |
|---|---|---|
| Total assets | 29,817 | 30,802 |
| Equity capital | 7,406 | 8,756 |

Capital adequacy ratio: 24.8%, 25.6%, 27.5%, 28.6%, 29.6%, 29.9%, 31.1%, 29.3%, 31.5%, 31.8%, 33.7%, 31.8%, 32.0%, 32.0%, 28.4%

FY 2021 — FY 2022 — FY 2023 — FY 2024

**Ratio of Ordinary profit to total assets**

(Millions of yen)

Total assets — Ordinary income — Ratio of ordinary income to total assets

| | Q1 | Q3 |
|---|---|---|
| Total assets | 29,817 | 30,802 |
| Ordinary income | 216 | 147 |

Ratio of ordinary income to total assets: 2.5%, 3.3%, 3.7%, 3.9%, 3.3%, 2.5%, 2.5%, 2.3%, 3.0%, 3.4%, 3.5%, 3.5%, 3.1%, 2.8%, 2.4%

FY 2021 — FY 2022 — FY 2023 — FY 2024

**ROE**

ROE: 2.2%, 4.2%, 7.3%, 9.9%, 8.4%, 4.7%, 4.0%, 3.4%, 4.5%, 7.2%, 7.3%, 8.0%, 7.4%, 6.9%, 6.3%

FY 2021 — FY 2022 — FY 2023 — FY 2024

# Company Profile
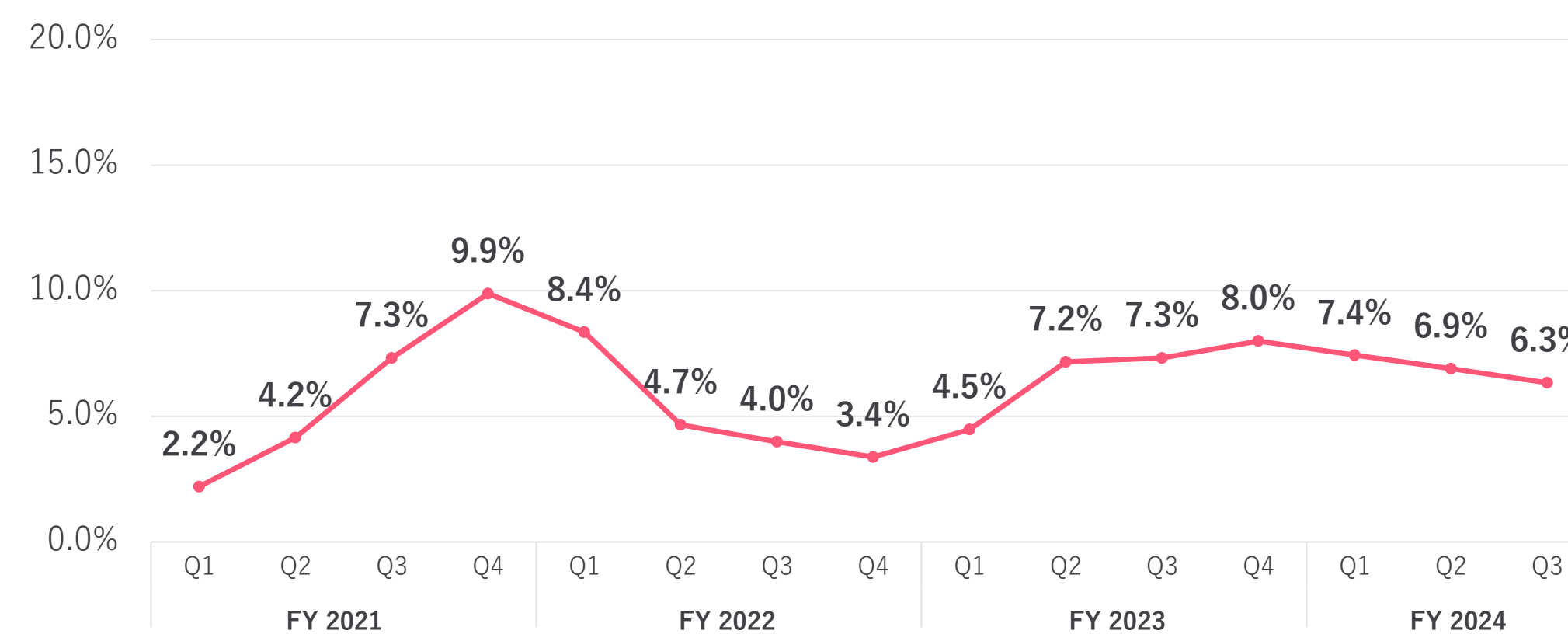
## History

**1996** ○ **Foundation**

Kunihiro Tanaka, founder & current CEO and President, founded Sakura internet as a school venture in December 1996 while in Maizuru Technical College.

**1999** ○ **Establishment as a stock company /
The first data center opened**

Established as a stock company in August 1999. The first data center was opened in Chuo-ku, Osaka in October.

**2005** ○ **Listed on TSE Mothers**

Listed on TSE Mothers in October 2005.

**2011** ○ **Ishikari Data Center opened**

Japan's largest suburban mega data center opened in Ishikari, Hokkaido in November 2011.

**2015** ○ **Changed to TSE 1st Section**

The listing market changed to TSE 1st Section in November 2015.

**2021** ○ **25th anniversary**

The Company celebrated its 25th anniversary in December 2021.

**2022** ○ **Changed to TSE Prime Market**

Changed to TSE Prime Market, a newly established market category of Tokyo Stock Exchange.

## Company Profile

| | |
|---|---|
| Trade name | SAKURA internet Inc. |
| Head office location | 1-12-12 Umeda, Kita-ku, Osaka City, Osaka |
| Date of foundation | December 23, 1996 （The company was established on August 17, 1999） |
| Date of listing | October 12, 2005 (TSE Mothers) November 27, 2015 （Transferred to TSE 1st Section （currently TSE Prime）） |
| Share capital | 2,256,920,000 yen |
| Number of employees | 822 (consolidated) |

（Note：as of the end of December 2023）

**SAKURA internet**

■IR Contact

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