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July 29 2024

## Summary of Financial Results for the First Quarter Ended June 30, 2024 (Consolidated)

Company name: SAKURA internet Inc.  
 Listing: Tokyo Stock Exchange  
 Securities code: 3778  
 URL: <https://www.sakura.ad.jp>  
 Representative: Kunihiro Tanaka, President and Chief Executive Officer  
 Inquiries: Masataka Kawada, Director, CFO  
 Telephone: +81-06-6476-8790  
 Scheduled date to commence dividend payment: —  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: No

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

### 1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024, to June 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	5,935	16.3	231	122.0	95	30.3	41	(61.5)
Three months ended June 30, 2023	5,105	2.9	104	(57.4)	73	(66.0)	108	(24.1)

Note: Comprehensive income Three months ended June 30, 2024 ¥16 million [95.2%]  
 Three months ended June 30, 2023 ¥339 million 117.9%

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2024	1.15	-
Three months ended June 30, 2023	3.04	-

#### (2) Consolidated financial conditions

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
Three months ended June 30, 2024	52,409	27,257	51.7
Fiscal year ended March 31, 2024	30,224	9,321	30.2

Reference: Shareholders' equity Three months ended June 30, 2024 ¥27,072 million  
 Fiscal year ended March 31, 2024 ¥9,135 million

## 2. Cash dividends

	Cash dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	0.00	-	3.50	3.50
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (forecast)		0.00	-	4.00	4.00

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

## 3. Consolidated forecast for the fiscal year ending March 31, 2025 (from April 1, 2024, to March 31, 2025)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	13,000	25.7	800	220.7	780	351.7	480	174.1	12.60
Full year	28,000	28.3	2,000	126.1	1,960	156.5	1,250	91.8	32.03

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

The Company issued new shares through a public offering with a payment date of June 21, 2024. "Net income per share" in the consolidated earnings forecast takes this effect into consideration.

### \* Notes:

(1) Material changes in subsidiaries during this period: Yes

Newly included: Number of subsidiaries newly consolidated: 1  
Name of subsidiaries newly consolidated: Tellus Inc.  
Excluded: - company

Note: For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to consolidated quarterly financial statements (Significant changes in the scope of consolidation)" on page 8 of the attached documents.

(2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations : None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates : None
- (iv) Restatement: None

(4) Number of issued shares (common shares)

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

Three months ended June 30, 2024	41,890,700 shares
Fiscal year ended March 31, 2024	37,620,700 shares

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

Three months ended June 30, 2024	1,911,445 shares
Fiscal year ended March 31, 2024	1,911,842 shares

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

Three months ended June 30, 2024	36,178,376 shares
Three months ended June 30, 2023	35,662,556 shares

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

\* Review by a certified public accountant or auditing firm of the attached quarterly consolidated financial statements: None

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

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

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of operating results

During the three months ended June 30, 2024, slowdowns in overseas economies as global monetary tightening continues have been a risk that may weigh down Japan's economy, while there has been an expectation for a moderate economic recovery to continue partly due to the effects of various policies. In addition, careful attention must be paid to the impact of price hikes, and financial and capital market fluctuations, etc.

As digital transformation (DX) progresses, companies are migrating their IT infrastructure to a cloud-based one. We anticipate that the market will continue to expand as expectations for a domestic public cloud are growing. In addition, the use of AI is rapidly progressing on the back of the development of AI technology and the emergence of generative AI, and the use of GPU as a service is expected to increase significantly in the future.

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

Net sales were 5,935,785 thousand yen (up 16.3% year on year), mainly due to the recording of sales of GPU cloud services whose offering was started in January 2024, and steady growth in cloud services sales.

Operating profit grew to 231,767 thousand yen (up 122.0% year on year) due to the increase in net sales, despite an increase in expenses mainly due to aggressive investments for further enhancing the functional development of cloud services and recruiting and marketing, etc. to promote sales.

Ordinary profit was 95,208 thousand yen (up 30.3% year on year) due to increased operating profit, despite the recording of share issuance costs associated with the issuance of new shares through public offering.

Profit attributable to owners of parent was 41,721 thousand yen (down 61.5% year on year) mainly due to the recording of gain on sale of investment securities in the same period of the previous year, despite the increase in ordinary profit.

Net sales by service category are as follows: GPU cloud services which were launched in January 2024 have been added as a service category, starting from the three months ended June 30, 2024.

#### (i) Cloud services

Net sales of cloud services were 3,375,577 thousand yen (up 9.0% year on year) mainly because SAKURA's cloud and VPS continued to perform favorably.

#### (ii) Physical base services

Net sales of physical base services were 932,675 thousand yen (up 5.8% year on year), mainly due to an increase in the use of the exclusive server service.

#### (iii) GPU cloud services

With regards to GPU cloud services, the Company fully launched Koukaryoku PHY service in June 2024 following the partial launch in January 2024. As a result, net sales of GPU cloud services were 427,300 thousand yen.

(iv) Other services

Net sales of other services were 1,200,231 thousand yen (up 6.4% year on year) mainly due to an increase in sales of group companies.

(2) Explanation of financial condition

Assets, liabilities and net assets at the end of the three months ended June 30, 2024, and the factors affecting them are as follows:

(i) Assets

Total assets at the end of the three months ended June 30, 2024, increased 22,185,549 thousand yen (up 73.4% year on year) to 52,409,996 thousand yen. This was mainly due to an increase in cash and deposits resulting from the issuance of new shares through public offering, and an increase in property, plant and equipment as a result of procuring service equipment for GPU cloud services, etc.

(ii) Liabilities

The balance of total liabilities at the end of the three months ended June 30, 2024, grew 4,249,213 thousand yen (up 20.3% year on year) to 25,152,451 thousand yen. This was mainly due to an increase in borrowings relating to service equipment.

(iii) Net assets

The balance of net assets at the end of the three months ended June 30, 2024, grew 17,936,335 thousand yen (up 192.4% year on year) to 27,257,545 thousand yen. This was mainly due to an increase in the capital and capital surplus due to the issuance of new shares through a public offering.

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

With regards to the consolidated earnings forecasts for the six months ending September 30, 2024, and the full year ending March 31, 2025, the Company expects that progress will be made broadly in line with the initial forecast despite the recording of share issuance costs associated with the issuance of new shares through a public offering. Accordingly, we make no change to the consolidated earnings forecasts announced in the “Summary of Financial Results for the Fiscal Year Ended March 31, 2024 (Consolidated) (JGAAP)” dated April 26, 2024.

The earnings forecasts are subject to change depending on when NVIDIA HGX B200 System, the procurement of which was announced in the press release dated April 19, 2024, “Notice Concerning the Certification of the Second Investment Plan for GPU Cloud Services by Japan’s Ministry of Economy, Trade and Industry for Supply Assurance as a Cloud Program,” will be delivered. We will announce any changes promptly as soon as the details are available.

## 2. Consolidated Quarterly Financial Statements and Major Notes

## (1) Consolidated quarterly balance sheets

(Thousands of yen)

	Fiscal year ended March 31, 2024 (as of March 31, 2024)	Three months ended June 30, 2024 (as of June 30, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	5,257,805	23,257,185
Notes and accounts receivable–trade, and contract assets	3,241,165	2,429,147
Merchandise and finished goods	16,747	11,123
Work in process	-	35,139
Supplies	508,314	554,043
Other	1,564,390	2,835,591
Allowance for doubtful accounts	(14,223)	(14,950)
Total current assets	10,574,200	29,107,279
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,369,459	6,224,367
Tools, furniture and fixtures, net	2,764,895	6,332,322
Leased assets, net	6,841,909	6,743,593
Other, net	680,429	805,340
Total property, plant and equipment	16,656,693	20,105,624
Intangible assets		
Other	505,262	554,241
Total Intangible assets	505,262	554,241
Investments and other assets		
Other	2,493,775	2,648,273
Allowance for doubtful accounts	(5,484)	(5,424)
Total investments and other assets	2,488,291	2,642,849
Total non-current assets	19,650,247	23,302,716
Total assets	30,224,447	52,409,996

(Thousands of yen)

	Fiscal year ended March 31, 2024 (as of March 31, 2024)	Three months ended June 30, 2024 (as of June 30, 2024)
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	628,323	585,184
Short-term borrowings	417,668	565,000
Current portion of long-term borrowings	740,210	668,750
Income taxes payable	204,779	52,712
Advances received	4,984,218	5,417,284
Provision for bonuses	451,171	243,747
Provision for bonuses for directors (and other officers)	4,500	-
Other	3,167,494	3,600,444
Total current liabilities	10,598,366	11,133,122
Non-current liabilities		
Long-term borrowings	3,617,408	7,447,366
Lease liabilities	5,935,858	5,813,002
Asset retirement obligations	683,136	683,760
Provision for share awards	59,329	68,000
Other	9,139	7,200
Total non-current liabilities	10,304,872	14,019,328
Total liabilities	20,903,238	25,152,451
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,256,921	11,283,167
Capital surplus	1,478,896	10,505,142
Retained earnings	6,372,974	6,281,950
Treasury shares	(1,119,643)	(1,119,432)
Total shareholders' equity	8,989,147	26,950,827
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	133,781	107,308
Foreign currency translation adjustment	11,890	14,186
Deferred gains or losses on hedges	183	28
Total accumulated other comprehensive income	145,855	121,523
Non-controlling interests	186,206	185,194
Total net assets	9,321,209	27,257,545
Total liabilities and net assets	30,224,447	52,409,996



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

## Consolidated quarterly statement of income

Three months ended June 30, 2024

(Thousands of yen)

	Three months ended June 30, 2023 (From April 1, 2023, to June 30, 2023)	Three months ended June 30, 2024 (From April 1, 2024, to June 30, 2024)
Net sales	5,105,658	5,935,785
Cost of sales	3,819,854	4,236,884
Gross profit	1,285,803	1,698,900
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	681	984
Salaries and allowances	343,655	453,048
Provision for bonuses	76,674	92,941
Other	760,380	920,159
Total selling, general and administrative expenses	1,181,391	1,467,133
Operating profit	104,411	231,767
Non-operating income		
Interest income	8	1,467
Reversal of allowance for doubtful accounts	373	317
Subsidy income	6,943	25,292
Other	17,245	19,502
Total non-operating income	24,571	46,580
Non-operating expenses		
Share issuance costs	1,459	109,766
Interest expenses	40,787	53,729
Share of loss of entities accounted for using equity method	4,625	7,383
Other	9,049	12,260
Total non-operating expenses	55,921	183,138
Ordinary profit	73,061	95,208
Extraordinary income		
Gain on sale of non-current assets	-	34
Gain on sale of investment securities	61,318	-
National subsidies	-	3,709,381
Total extraordinary income	61,318	3,709,415
Extraordinary losses		
Loss on retirement of non-current assets	0	112
Loss on cancellation of leases	114	-
Loss on tax purpose reduction entry of non-current assets	-	3,709,381
Total extraordinary losses	114	3,709,493
Profit before income taxes	134,264	95,130
Income taxes - current	2,648	15,041
Income taxes - deferred	32,410	39,379
Total income taxes	35,058	54,421
Profit	99,205	40,709
Net loss attributable to non-controlling interests	(9,260)	(1,011)
Profit attributable to owners of parent	108,466	41,721

## Consolidated quarterly statement of comprehensive income

Three months ended June 30, 2024

(Thousands of yen)

	Three months ended June 30, 2023 (From April 1, 2023, to June 30, 2023)	Three months ended June 30, 2024 (From April 1, 2024, to June 30, 2024)
Profit	99,205	40,709
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	229,173	(30,201)
Deferred gains or losses on hedges	3,288	(155)
Foreign currency translation adjustment	3,165	2,296
Share of other comprehensive income of entities accounted for using equity method	4,483	3,729
Total other comprehensive income	240,109	(24,331)
Comprehensive income	339,315	16,377
(Breakdown)		
Comprehensive income attributable to owners of parent	348,576	17,389
Comprehensive income attributable to non-controlling interests	(9,260)	(1,011)

(3) Notes to consolidated quarterly financial statements

(Notes on the assumption of going concern)

There are no applicable matters to be reported.

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

Three months ended June 30, 2024 (from April 1, 2024, to June 30, 2024)

The Company issued new shares through a public offering (general offering) pursuant to a resolution at the meeting of the Board of Directors held on June 5, 2024. Share capital and capital surplus increased by 9,026,246 thousand yen each due to the new issuance of 4,270,000 shares through public offering with the payment date of June 21, 2024.

This resulted in share capital and a capital surplus of 11,283,167 thousand yen and 10,505,142 thousand yen, respectively, at the end of the three months ended June 30, 2024.

(Significant change in the scope of consolidation)

Tellus Inc., which was previously an unconsolidated subsidiary, has been included in the scope of consolidation from the three months ended June 30, 2024, because of its increased importance as a result of the payment for the shares offered as of April 1, 2024.

(Notes on segment information, etc.)

[Segment information]

Information on the Group's business segments has been omitted because the Group is comprised of a single reportable segment engaged in the internet infrastructure business.

(Notes to consolidated statement of cash flows)

The Company has not prepared a quarterly consolidated statement of cash flows for the three months ended June 30, 2024. Depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30, 2024, are as follows.

	Three months ended June 30, 2023 (From April 1, 2023, to June 30, 2023)	Three months ended June 30, 2024 (From April 1, 2024, to June 30, 2024)
Depreciation	738,331 thousand yen	883,371 thousand yen
Amortization of goodwill	1,459 thousand yen	- thousand yen