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January 31, 2025

Summary of Financial Results for the Third Quarter Ended December 31, 2024 (Consolidated)

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

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

1. Consolidated financial results for the nine months ended December 31, 2024 (from April 1, 2024, to December 31, 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	%
Nine months ended December 31, 2024	21,397	36.6	2,585	476.3	2,488	678.3	1,642	440.2
Nine months ended December 31, 2023	15,658	4.1	448	(35.4)	319	(48.1)	304	(27.2)

Note: Comprehensive income Nine months ended December 31, 2024 ¥1,583million 314.8%
Nine months ended December 31, 2023 ¥381million [8.0%]

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2024	42.40	-
Nine months ended December 31, 2023	8.52	-

(2) Consolidated financial conditions

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
Nine months ended December 31, 2024	77,092	28,908	37.3
Fiscal year ended March 31, 2024	30,224	9,321	30.2

Reference: Shareholders' equity Nine months ended December 31, 2024 ¥28,720 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	-	0.00			
Fiscal year ending March 31, 2025 (forecast)			-	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
Full year	31,000	42.0	3,400	284.4	3,250	325.3	2,100	222.2	53.78

Note: Revisions to the most recently announced earnings forecast: Yes

* 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. Consolidated Quarterly 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)

Nine months ended December 31, 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

Nine months ended December 31, 2024	1,889,858 shares
Fiscal year ended March 31, 2024	1,911,842 shares

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

Nine months ended December 31, 2024	38,734,550 shares
Nine months ended December 31, 2023	35,692,543 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"

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of operating results

During the nine months ended December 31, 2024, there was an expectation for a moderate economic recovery to continue partly due to the positive effect of various policies as the employment and income situation improved. However, slowdowns in overseas economies, mainly due to the adverse effect of continued high interest rates in Europe and the U.S. and continued stagnancy in the Chinese real estate market, have been a risk that may weigh down Japan's economy. In addition, careful attention must be paid to the impact of price hikes, future policy trends in the United States, the situation concerning the Middle East, and financial and capital market fluctuations, etc.

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

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

Net sales were 21,397,057 thousand yen (up 36.6% 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 2,585,417 thousand yen (up 476.3% 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 2,488,466 thousand yen (up 678.3% 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 1,642,271 thousand yen (up 440.2% year on year) mainly due to increased 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 first quarter ended June 30, 2024.

(i) Cloud services

Net sales of cloud services were 10,356,809 thousand yen (up 9.6% year on year) mainly because SAKURA Cloud and SAKURA VPS continued to perform favorably.

(ii) Physical base services

Net sales of physical base services were 2,799,000 thousand yen (up 4.1% year on year), mainly due to an increase in the use of the exclusive server service.

(iii) GPU cloud services

With regard 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 3,747,005 thousand yen.

(iv) Other services

Net sales of other services were 4,494,242 thousand yen (up 27.8% 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 nine months ended December 31, 2024, and the factors affecting them are as follows:

(i) Assets

Total assets at the end of the nine months ended December 31, 2024 increased 46,867,854 thousand yen (up 155.1% year on year) to 77,092,301 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 nine months ended December 31, 2024 grew 27,280,525 thousand yen (up 130.5% year on year) to 48,183,763 thousand yen. This was mainly due to an increase in borrowings related to service equipment and accounts payable - facilities.

(iii) Net assets

The total of net assets at the end of the nine months ended December 31, 2024 grew 19,587,328 thousand yen (up 210.1% year on year) to 28,908,537 thousand yen. This was mainly due to increases in share capital and capital surplus resulting from the issuance of new shares through a public offering.

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

As announced in the "Notice Regarding Additional Investment in GPU Cloud Service" on September 30, 2024, the Company has made an additional investment in 800 units of "NVIDIA H100 Tensor Core GPUs" to accelerate the early development of GPU infrastructure for our GPU cloud service, driven by strong demand for AI development. The service commenced in December 2024.

While the launch of this service has led to increased depreciation expenses and electricity costs, along with the planned execution of sales, marketing, and employee motivation enhancement initiatives in the fourth quarter for mid-to-long-term growth beyond the next fiscal year, we expect higher sales of high-value-added services due to the early provision of GPU infrastructure for generative AI and the enhancement of cloud services, which are our key initiatives for the current fiscal year.

As a result, we have decided to revise upward our full-year consolidated earnings forecast for the fiscal year ending March 2025.

For further details, please refer to the "Notice Concerning Revisions to Full-Year Financial Results Forecasts" released today.

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)	Nine months ended December 31, 2024 (as of December 31, 2024)
Assets		
Current assets		
Cash and deposits	5,257,805	39,484,407
Notes and accounts receivable—trade, and contract assets	3,241,165	3,059,148
Merchandise and finished goods	16,747	94,499
Work in process	-	43,541
Supplies	508,314	456,872
Other	1,564,390	3,621,144
Allowance for doubtful accounts	(14,223)	(15,570)
Total current assets	10,574,200	46,744,045
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,369,459	6,388,719
Tools, furniture and fixtures, net	2,764,895	9,530,291
Leased assets, net	6,841,909	7,096,276
Other, net	680,429	2,865,756
Total property, plant and equipment	16,656,693	25,881,043
Intangible assets		
Other	505,262	942,653
Total Intangible assets	505,262	942,653
Investments and other assets		
Other	2,493,775	3,529,863
Allowance for doubtful accounts	(5,484)	(5,304)
Total investments and other assets	2,488,291	3,524,559
Total non-current assets	19,650,247	30,348,256
Total assets	30,224,447	77,092,301

(Thousands of yen)

	Fiscal year ended March 31, 2024 (as of March 31, 2024)	Nine months ended December 31, 2024 (as of December 31, 2024)
Liabilities		
Current liabilities		
Accounts payable–trade	628,323	735,583
Short-term borrowings	417,668	9,089,167
Current portion of long-term borrowings	740,210	562,432
Income taxes payable	204,779	917,793
Advances received	4,984,218	7,182,219
Provision for bonuses	451,171	279,817
Provision for bonuses for directors (and other officers)	4,500	—
Other	3,167,494	16,668,136
Total current liabilities	10,598,366	35,435,150
Non-current liabilities		
Long-term borrowings	3,617,408	5,877,442
Lease liabilities	5,935,858	6,100,006
Asset retirement obligations	683,136	684,826
Provision for share awards	59,329	82,229
Other	9,139	4,108
Total non-current liabilities	10,304,872	12,748,613
Total liabilities	20,903,238	48,183,763
Net assets		
Shareholders' equity		
Share capital	2,256,921	11,283,167
Capital surplus	1,478,896	10,577,023
Retained earnings	6,372,974	7,882,500
Treasury shares	(1,119,643)	(1,107,080)
Total shareholders' equity	8,989,147	28,635,611
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	133,781	63,820
Foreign currency translation adjustment	11,890	13,742
Deferred gains or losses on hedges	183	7,105
Total accumulated other comprehensive income	145,855	84,669
Non-controlling interests	186,206	188,257
Total net assets	9,321,209	28,908,537
Total liabilities and net assets	30,224,447	77,092,301

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

Consolidated quarterly statement of income

Nine months ended December 31, 2023

	(Thousands of yen)	
	Nine months ended December 31, 2023 (From April 1, 2023, to December 31, 2023)	Nine months ended December 31, 2024 (From April 1, 2024, to December 31, 2024)
Net sales	15,658,998	21,397,057
Cost of sales	11,633,851	14,081,549
Gross profit	4,025,146	7,315,507
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	1,574	1,661
Salaries and allowances	1,186,845	1,575,035
Provision for bonuses	96,041	111,587
Other	2,292,100	3,041,805
Total selling, general and administrative expenses	3,576,562	4,730,090
Operating profit	448,584	2,585,417
Non-operating income		
Interest income	31	2,807
Share of profit of entities accounted for using equity method	—	19,571
Reversal of allowance for doubtful accounts	444	493
Subsidy income	6,943	96,948
Other	40,016	85,001
Total non-operating income	47,436	204,822
Non-operating expenses		
Share issuance costs	1,459	109,528
Interest expenses	128,380	177,470
Share of loss of entities accounted for using equity method	7,041	—
Other	39,407	14,774
Total non-operating expenses	176,288	301,773
Ordinary profit	319,732	2,488,466
Extraordinary income		
Gain on sale of non-current assets	5,868	347
Gain on sale of investment securities	61,318	—
National subsidies	—	5,332,444
Total extraordinary income	67,186	5,332,791
Extraordinary losses		
Loss on retirement of non-current assets	1,349	9,492
Loss on valuation of investment securities	—	29,999
Loss on cancellation of leases	114	—
Loss on tax purpose reduction entry of non-current assets	—	5,331,971
Total extraordinary losses	1,463	5,371,463
Profit before income taxes	385,454	2,449,793
Income taxes - current	124,028	931,981
Income taxes - deferred	(20,106)	(126,510)
Total income taxes	103,921	805,471
Profit	281,533	1,644,322
Profit (loss) attributable to non-controlling interests	(22,471)	2,050
Profit attributable to owners of parent	304,004	1,642,271

Consolidated quarterly statement of comprehensive income

Nine months ended December 31, 2024

	(Thousands of yen)	
	Nine months ended December 31, 2023 (From April 1, 2023, to December 31, 2023)	Nine months ended December 31, 2024 (From April 1, 2024, to December 31, 2024)
Profit	281,533	1,644,322
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	91,105	(72,574)
Deferred gains or losses on hedges	182	6,922
Foreign currency translation adjustment	2,609	1,852
Share of other comprehensive income of entities accounted for using equity method	6,255	2,613
Total other comprehensive income	100,153	(61,185)
Comprehensive income	381,686	1,583,136
(Breakdown)		
Comprehensive income attributable to owners of parent	404,158	1,581,086
Comprehensive income attributable to non-controlling interests	(22,471)	2,050

(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)

Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 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 10,577,023 thousand yen, respectively, at the end of the nine months ended December 31, 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 nine months ended December 31, 2024. Depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the nine months ended December 31, 2024 are as follows.

	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)	Nine months ended December 31, 2024 (From April 1, 2024 to December 31, 2024)
Depreciation	2,261,327 thousand yen	3,291,665 thousand yen
Amortization of goodwill	2,919 thousand yen	- thousand yen