



President Kunihiro Tanaka

Sakura internet Inc. (3778)



## Company Information

Market	TSE Prime Section
Industry	Information, Telecommunication
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Year-end	March
Website	<a href="https://www.sakura.ad.jp/corporate/en/">https://www.sakura.ad.jp/corporate/en/</a>

## Stock Information

Share Price	Number of shares issued (excluding treasury shares)		Total market cap	ROE Act.	Trading Unit
¥3,025	40,024,661 shares		¥121,074 million	0.7%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥5.50	0.2%	¥21.24	142.4x	¥752.07	4.0x

\*The share price is the closing price on May 29. The number of shares issued is obtained by subtracting the number of treasury shares and shares held by the Stock Compensation Trust (J-ESOP) from the number of shares issued as of the end of the latest quarter.

## Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net profit attributed to parent company shareholders	EPS	DPS
March 2023 Act.	20,622	1,093	965	666	18.29	3.50
March 2024 Act.	21,826	884	764	651	18.26	3.50
March 2025 Act.	31,412	4,145	4,060	2,937	75.23	4.00
March 2026 Act.	35,301	-403	105	216	5.40	5.00
March 2027 Est.	45,000	1,500	1,200	850	21.24	5.50

\*Estimates are provided by the company. Units: million yen, yen.

This Bridge Report presents Sakura internet's earning results for the Fiscal Year ended March 2026, along with estimates for the Fiscal Year ending March 2027.

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## Key Points

- In the fiscal year ended March 2026, sales increased 12.4% year on year to 35.3 billion yen. The company's priority areas, GPU infrastructure services and Cloud services, drove growth, setting a new record high. The company reported an operating loss of 400 million yen (an operating income of 4.14 billion yen in the previous fiscal year). Gross profit margin declined from 35.8% in the previous fiscal year to 22.5% due to increased depreciation expenses related to GPUs and a higher cost of sales for other services. Meanwhile, selling, general, and administrative expenses rose 18.0% due to measures such as strengthening the marketing structure through restructuring. The company plans to pay a year-end dividend of 5.00 yen per share.
- For the fiscal year ending March 2027, the company is expected to increase sales by 27.5% year on year and achieve an operating income of 1.5 billion yen. Building on the official adoption of the Government Cloud initiative, the company aims to accelerate growth by expanding its sales channels in the public and enterprise sectors through collaboration and strategic alliances with partners. Furthermore, to strengthen the organizational capabilities necessary for the next phase of growth, the company plans to reorganize into an organization in which development and sales sections are linked and to build a framework enabling the rapid reflection of customer needs through the use of AI. Driven by the growth in its core businesses, GPU infrastructure services and Cloud services, the company expects a significant recovery in operating income to 1.5 billion yen (a loss of 400 million yen in the previous fiscal year).
- In the fiscal year ended March 2026, the company faced profitability challenges due to the completion of a large-scale project and upfront investments. Nevertheless, it secured a solid operating income in the fourth quarter, laying a strong foundation for achieving profitability in the fiscal year ending March 2027. The domestic AI market is expanding rapidly. Having been officially selected as the only domestic government cloud service provider, the company appears highly confident in the increase of cloud service users. Furthermore, a subsidy of 57.5 billion yen from the Ministry of Economy, Trade, and Industry has enabled the company to make large-scale investments in its GPU-based infrastructure. Strong sales growth is expected to continue. Additionally, with its latest earnings announcement, the company has demonstrated a trend of increasing profits while offsetting the costs for these investments. Considering the expected significant sales growth accompanied by a profit increase, we think that shares in the company are undervalued.

## 1. Company Overview

Sakura internet operates data centers located in Tokyo (Nishi Shinjuku, Higashi Shinjuku and Daikanyama, using rented floor space), Osaka (Dojima, using rented floor space) and Hokkaido (Ishikari, owned land, and buildings) to provide cloud/internet infrastructure services. It began offering GPU cloud services (defined as the GPU infrastructure services in FY 3/26) in January 2024. In March 2026, the company has been officially certified as the only enterprise certified for the government cloud in Japan. By owning its own infrastructure, Sakura internet pursues higher profitability by increasing utilization rates and reducing fixed cost risk.

## 2. Fiscal Year ended March 2026 Earnings Results

### 2-1 Consolidated Results

	FY 3/25	Ratio to sales	FY 3/26	Ratio to sales	YoY	Company's forecast	Difference from the forecast
Sales	31,412	100.0%	35,301	100.0%	+12.4%	35,200	+0.3%
Gross Profit	11,230	35.8%	7,956	22.5%	-29.2%	-	-
SG&A	7,084	22.6%	8,360	23.7%	+18.0%	-	-
Operating Income	4,145	13.2%	-403	-	-	-500	-
Ordinary Income	4,060	12.9%	105	0.3%	-97.4%	10	+954.8%
Net Profit attributed to Parent Company Shareholders	2,937	9.4%	216	0.6%	-92.6%	130	+66.2%

\*Unit: million yen. The company's forecast as of February 2026.

#### Sales grew 12.4% and operating loss was 400 million yen. Sales hit a record high.

Sales increased 12.4% year on year to 35.3 billion yen. The company's priority areas, GPU infrastructure services and Cloud services, drove growth, setting a new record high.

The company reported an operating loss of 400 million yen (an operating income of 4.14 billion yen in the previous fiscal year). Gross profit margin declined from 35.8% in the previous fiscal year to 22.5% due to increased depreciation expenses related to GPUs and a higher cost of sales for other services. Meanwhile, selling, general, and administrative expenses rose 18.0% due to measures such as strengthening the marketing structure through restructuring.

The company plans to pay a year-end dividend of 5.00 yen per share.

#### Sales by Service Category

	FY 3/25	Composition ratio	FY 3/26	Composition ratio	YoY	
Cloud services	14,006	44.6%	15,324	43.4%	+9.4%	
Breakdown	Cloud infrastructure	9,659	30.7%	10,599	30.0%	+9.7%
	Cloud application	4,347	13.8%	4,724	13.4%	+8.7%
GPU infrastructure services	6,771	21.6%	8,144	23.1%	+20.3%	
Physical base services	3,294	10.5%	3,056	8.7%	-7.2%	
Other services	7,339	23.4%	8,776	24.9%	+19.6%	
Total	31,412	100.0%	35,301	100.0%	+12.4%	

\*Unit: million yen

Additionally, from the fiscal year ended March 2026, services that provide GPUs via the cloud are recorded as "Cloud services." Services that provide GPUs via bare-metal infrastructure will be newly defined as "GPU infrastructure services."

The service categories for generative AI have been reorganized as follows:

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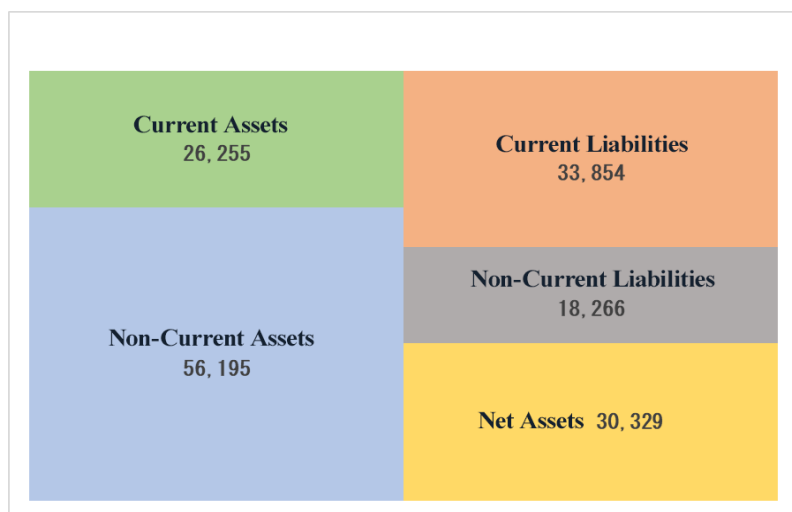
FY 3/2025		FY 3/2026	
<b>Cloud services</b>		<b>Cloud services</b>	
Cloud infrastructure	-	Cloud infrastructure	<ul style="list-style-type: none"> <li>● Koukaryoku DOK</li> <li>● Koukaryoku VRT <small>NEW</small></li> </ul>
Cloud application	-	Cloud application	-
<b>GPU cloud services</b>	<ul style="list-style-type: none"> <li>● Koukaryoku PHY</li> <li>● Koukaryoku DOK</li> </ul>	<b>GPU infrastructure services</b>	<ul style="list-style-type: none"> <li>● Koukaryoku PHY</li> <li>● Sakura dedicated server Koukaryoku Series</li> <li>● SAKURAONE <small>NEW</small></li> </ul>
<b>Physical base services</b>	<ul style="list-style-type: none"> <li>● Sakura dedicated server Koukaryoku Series</li> </ul>	<b>Physical base services</b>	-
<b>Other services</b>	-	<b>Other services</b>	<ul style="list-style-type: none"> <li>● SAKURA AI <small>NEW</small></li> </ul>

(Taken from the company’s explanatory material)

**Balance Sheet Summary**

	End of March 2025	End of March 2026		End of March 2025	End of March 2026
Current Assets	41,744	26,255	Current Liabilities	40,347	33,854
Tangible Assets	33,469	46,722	Noncurrent Liabilities	10,814	18,266
Intangible Assets	1,259	2,018	Shareholder Equity	29,931	30,072
Investments and Other Assets	4,945	7,455	Net Assets	30,257	30,329
Noncurrent Assets	39,674	56,195	Total Liabilities and Net Assets	81,419	82,451

\*Unit: million yen



\*This figure is created by Investment Bridge Co., Ltd. based on disclosed materials.

The total assets as of the end of the fiscal year ended March 2026 stood at 82.45 billion yen, up 1.03 billion yen from the end of the previous fiscal year. This was primarily due to an increase in tangible assets, such as equipment for generative AI services and container-based data centers. Liabilities increased 950 million yen from the end of the previous fiscal year to 52.12 billion yen. The main factors were the enlargement of Ishikari Data Center, an increase in lease obligations related to service equipment, an increase in borrowings related to equipment for generative AI services and other factors. Net assets increased 70 million yen to 30.32 billion yen, mainly due to the increase in retained earnings through the posting of a net profit attributed to parent company shareholders. Capital-to-asset stood at 36.5% (36.9% as of the end of the previous fiscal year).

### 3. Fiscal Year ending March 2027 Earnings Forecasts

#### 3-1 Consolidated Earnings Forecasts

	FY 3/26 Act.	Ratio to sales	FY 3/27 Est.	Ratio to sales	YoY
Sales	35,301	100.0%	45,000	100.0%	+27.5%
Operating Income	-403	-	1,500	3.3%	-
Ordinary Income	105	0.3%	1,200	2.7%	+1,037.7%
Net profit attributed to parent company shareholders	216	0.6%	850	1.9%	+293.5%

\*Unit: million yen

#### Expecting sales to grow 27.5% year on year and operating income to turn positive at 1.5 billion yen for the fiscal year ending March 2027

For the fiscal year ending March 2027, the company is expected to increase sales by 27.5% year on year to 45 billion yen and achieve an operating income of 1.5 billion yen (a loss of 400 million yen in the previous fiscal year). Building on the official adoption of the Government Cloud initiative, the company aims to accelerate growth by expanding its sales channels in the public and enterprise sectors through collaboration and strategic alliances with partners. Furthermore, to strengthen the organizational capabilities necessary for the next phase of growth, the company plans to reorganize into an organization in which development and sales sections are linked and to build a framework enabling the rapid reflection of customer needs through the use of AI. Furthermore, the company is revising its code of conduct to enhance the value it delivers to customers and is working to foster a culture that prioritizes customer value creation through company-wide efforts. Through these initiatives, the company aims to achieve both employee success (ES) and customer success (CS). Ultimately, by becoming the preferred domestic digital infrastructure provider, the company aspires to be a leading digital infrastructure company supporting Japan's future.

Driven by the growth in its core businesses, GPU infrastructure services and Cloud services, the company expects a significant recovery in operating income to 1.5 billion yen (a loss of 400 million yen in the previous fiscal year).

The company plans to pay a year-end dividend of 5.50 yen per share, up 0.50 yen per share year on year.

#### Projected Sales by Service Category

	FY 3/26	Composition ratio	FY 3/27 Est.	Composition ratio	YoY	
Cloud services	15,324	43.4%	17,600	39.1%	+14.9%	
Breakdown	Cloud infrastructure	10,599	30.0%	12,850	28.6%	+21.2%
	Cloud application	4,724	13.4%	4,750	10.6%	+0.5%
GPU infrastructure services	8,144	23.1%	18,400	40.9%	+125.9%	
Physical base services	3,056	8.7%	2,400	5.3%	-21.5%	
Other services	8,776	24.9%	6,600	14.7%	-24.8%	
Total	35,301	100.0%	45,000	100.0%	+27.5%	

\*Unit: million yen

•Investments will be focused on Cloud services, with plans for equipment investments and replacements to support revenue growth. Taking into account rising equipment procurement costs, the company plans to invest 19.8 billion yen.

Investments in next-generation GPUs are currently under consideration.

•The company plans to hire 60 new employees to strengthen the talent base that will support medium/long-term business growth.

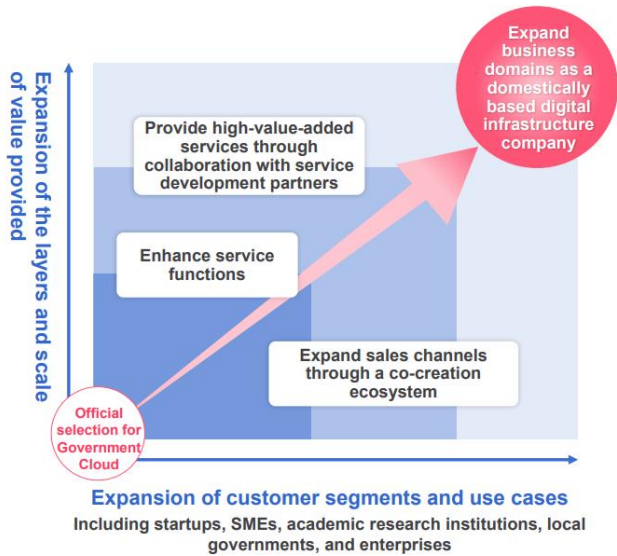
#### 3-2 Medium-Term Management Policy and Key Initiatives for the Fiscal Year Ending March 2027

The company will focus even more intently on its **core business**, allocating resources intensively to it in order to strengthen and accelerate business growth. By deepening its cloud business and expanding into new growth areas, the company will shift onto a new growth trajectory. In the fiscal year ended March 2024, the company focused on cloud services and created new growth areas.

Since the fiscal year ended March 2025, the company has been venturing into new growth areas. It is expanding its revenue by providing GPU infrastructure for AI and accelerating the enhancement of its cloud services.

The long-term vision is to become a leading digital infrastructure company.

Overview of the Growth Strategy



(Taken from the company’s explanatory material)

Expanding the Co-Creation Ecosystem

- Strengthening Partner Strategies
  - To promote the acquisition of new customer segments through collaboration with partners
  - Sakura Rental Server Agency Program
  - Sakura Partner Network
  - Japan GPU Alliance
- Promoting Alliances
  - Expansion of Domestic AI Infrastructure Options and Collaboration Aimed at the Government and Sovereign Sectors
  - Concluded a Memorandum of Understanding with Japan Business Systems, Inc. regarding activities to promote the digitization of government systems (March)
  - Initiated discussions with Mitsubishi Research Institute, Inc. about collaboration in the areas of digital government and sovereign domains (April)
  - Collaboration with Microsoft Japan Co., Ltd. to Expand Options for Domestic AI Infrastructure (April)

Key Initiatives for the fiscal year ending March 2027

By leveraging Japan’s only government cloud platform and large-scale GPU infrastructure, the company will establish a framework to maximize growth opportunities as a key player in the domestic digital infrastructure sector.

Implementation of Growth Strategies	Strengthening the Foundation to Support the Growth Strategy
To strengthen project generation capabilities by utilizing AI within the company, with a focus on enhancing sales capabilities and partner strategies.	To construct a framework that combines strategic investments to capture growth opportunities with the ability to respond promptly to fluctuations in demand
<ul style="list-style-type: none"> <li>● To reorganize into an integrated development and sales structure capable of quickly responding to customer needs</li> <li>● Dramatic expansion of sales channels through a co-creation-based partner ecosystem and strategic alliances</li> <li>● To promote AI utilization across the company throughout the fiscal year, and enhance new customer acquisition capabilities and maximize customer lifetime value (LTV)</li> </ul>	<ul style="list-style-type: none"> <li>● Leveraging the GPUs, data centers, and talent base that have been invested to date, the company will promote focused and efficient capital allocation to growing areas.</li> <li>● New investments will be discussed based on market trends, while utilizing existing data center assets to ensure the flexibility and quick responsiveness in providing the latest GPUs.</li> </ul>

Cloud Service Policy

By combining the company’s “strategic strengths” with its “co-creation ecosystem,” the company aims to maximize growth through both customer value and market expansion.

~ Maximizing Value for Existing Customers (Building Trust and Deepening Relationships)

- Building an empathic problem-solving framework through strategic proposals and technical support
- Promoting a “relationship-deepening” expansion model through upselling and cross-selling

~ Approaching New Customers (Opportunity Creation and Expansion of Domains)

- Strategic expansion into new domains through co-creation with partners
- Increase of prospective customers based on value resonance driven by challenges

The company promotes an advanced solution-based sales approach that goes beyond simply “selling” to “co-creating value,” generating future demand from a customer-centric perspective.

### Policy for Generative AI services

#### ~ Evolving into a business model that balances profitability and growth through high value-added generative AI infrastructure

With focus on maximizing results for the full fiscal year, the company will steadily advance key initiatives.

By deepening the value it offers and strengthening its proposal and development capabilities, the company will achieve sustainable growth.

#### ~ Enhancing the Value Provided by GPU Resources

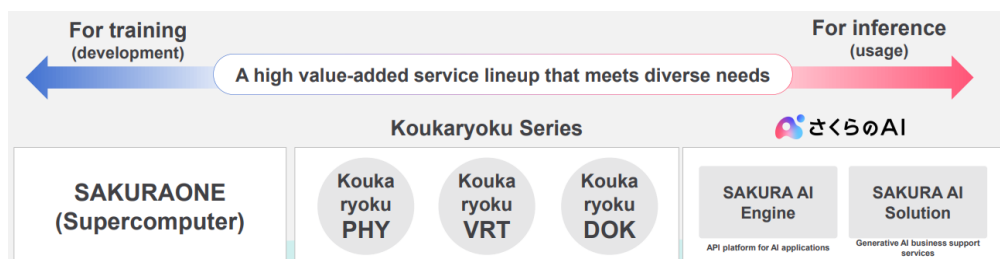
Leveraging the strengths of a leading domestic company, it will evolve into a highly profitable generative AI infrastructure service through competitive GPU resources and a flexible cloud platform.

- Improve profitability through high value-added services
- Maximize the value of GPU resources

#### ~ Enhancing Sales Capabilities

The company will establish a company-wide cross-functional structure led by a team of AI experts. By expanding collaboration with resale partners, the company will strengthen its ability to reel in new customers.

- Establish a company-wide cross-functional structure
- Increase sales through collaboration with resale partners



(Taken from the company's explanatory materials)

### Investment Status and Future Investment Schedule

The company plans to invest 113 billion yen in services for generative AI through the fiscal year ending March 2031. To date, 52.1 billion yen has been invested.

Investments in next-generation GPUs and data centers will continue to be carried out as planned. For the fiscal year ending March 2027, the company will prioritize the stable operation of existing GPU resources and will consider additional investments based on market trends.

## 4. Conclusions

In the fiscal year ended March 2026, the company faced profitability challenges due to the completion of a large-scale project, downward adjustment due to slower-than-expected revenue growth in GPU infrastructure services, and upfront investments. Nevertheless, it secured a solid operating income in the fourth quarter, laying a strong foundation for achieving profitability in the fiscal year ending March 2027. The domestic AI market is expanding rapidly. Having been officially selected as the only domestic government cloud service provider, the company appears highly confident in the increase of cloud service users. Furthermore, a subsidy of 57.5 billion yen from the Ministry of Economy, Trade, and Industry has enabled the company to make large-scale investments in its GPU-based infrastructure.

The company's ESG management initiatives, too, are noteworthy. In particular, the container-type data center for generative AI, which was completed last year and is fully powered by renewable energy, is a decarbonized facility that meets strong market demand and deserves significant recognition. Furthermore, the company's focus on human capital management is likely to facilitate a smooth recruitment process. While these efforts may not be immediately reflected in financial performance, they will ultimately enhance the company's growth potential.

Strong sales growth is expected to continue. Furthermore, the latest earnings results have demonstrated a trend of increasing profits while continuing to offset investments. Share price has been stagnant, currently being around one-third of its 2024 peak level. Considering the expected significant sales growth accompanied by a profit increase, we think that shares in the company are undervalued.

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