



2023

Integrated Report

SAKURA Report

SAKURA Report 2023



Introduction

Vision 3

Greetings from the President

Greetings from the President 4

Policy

Employee Success (ES) and Customer Success (CS), DX 8
 Diversified business domains 9

Initiatives

ES 10
 ES policy 11
 Sakura from a data perspective 14
 CS 15
 CS initiatives 16
 Study sessions/User networking events 18
 Customer support 19
 Cloud 20
 Government cloud 21
 Joint development 22
 Safety initiatives 23
 Data center 25
 DX 27
 Regional revitalization 28
 Tellus 29
 SAKURA internet Research Center 30
 Training 31
 IoT..... 32
 Personnel exchange 33
 Case studies 34
 NetSTAR Inc. 35
 HENNGE K. K. 38

Company information

Performance 42
 Directors and Executive Officers 43
 Security 44
 Governance 45
 Company profile/Group companies 46

Editorial policy

The “SAKURA Report” introduces the vision (corporate philosophy) and policies that support the sustainable growth of SAKURA internet Inc. and the specific measures and initiatives to realize them. We sincerely hope that all our stakeholders, including investors, customers, business partners, and the local community, will better understand our company and that the report will serve as an opportunity to foster empathy and co-creation.
 Period: April 01, 2022 to March 31, 2023

Disclaimer

Forward-looking statements in the “SAKURA Report” include assumptions and forecasts that form the basis of future outlooks and plans as of the publication date and are not intended to guarantee that they will be realized. Actual performance in the future may vary significantly due to various factors.

VISION

Turning “WHAT YOU WANT TO DO” into “WHAT YOU CAN DO”

The thought behind SAKURA internet is to create a society where many people can fulfill their aspirations with the help of the internet.

SAKURA internet has progressed along with the internet itself.

Our company's services started in 1996 when it was established, with our representative, Mr. Tanaka, lending a server he built to his friends. Many customers are currently using our services, with users exceeding 490,000. We have grown into a company that supports society, even providing cloud services by establishing a large-scale data center in Ishikari City, Hokkaido.

The widespread use of the internet has transformed our work and lifestyle, giving rise to multiple values. The internet holds immense potential. Along with the internet, we will turn “WHAT YOU WANT TO DO” into “WHAT YOU CAN DO” for many people. By assisting them, we will continue to enhance people's lives and contribute to the further development of society.

What does it mean to turn “WHAT YOU WANT TO DO” into “WHAT YOU CAN DO”?

We launched a project with the participation of all our employees on the occasion of the company's 20th anniversary to articulate the company values. The phrase was coined after various teams and departments conducted workshops for a year. The phrase is deeply rooted among our employees and defined as our vision in the “SAKURA Report.”

Fulfilling and developing the aspirations of many people through the internet

It has been almost 30 years since the advent of the internet. Since then, society has undergone a rapid transformation and achieved remarkable progress. Amid the anticipation that this pace will accelerate even further, SAKURA internet is implementing various initiatives.

Our company was born when I lent a self-built server to my friends in the dormitory while studying at Maizuru College, National Institute of Technology (KOSEN). Since our founding 27 years ago, our company has witnessed steady growth in service users, with the current total exceeding 490,000.

During this period, our company was listed on the Tokyo Stock Exchange Mothers market in 2005, moved up to the First Section in 2015, and is currently listed on the TSE Prime Market. We have grown with the support of our stakeholders, including the many customers, shareholders, and employees of our company and our group companies.

In 2011, we realized our long-cherished dream of constructing a suburban large-scale data center in Ishikari City, Hokkaido. Our data centers were previously located in Tokyo and Osaka, where we provided rental server and housing services. However, our company has leaped forward with this opportunity and expanded into the cloud business.

The Digital Agency was established in Japan in 2021, and various measures were implemented nationwide. The SAKURA Cloud service provided by our company has been registered in ISMAP, which meets the security requirements mandated by the Japanese government and has become a user-friendly service for government procurement and private companies due to its reliability. The support of the Japanese government and the rapid digitalization and digital transformation (DX) across Japan have created an environment that will allow us to grow into an enterprise focused on cloud business.

The internet has the power to make the aspirations of many people come true. I adore the internet for this reason. With our particular emphasis on cloud business, we will strive to turn your “WHAT YOU WANT TO DO” into “WHAT YOU CAN DO” through various initiatives.



Founder & CEO, President
Kunihiro TANAKA

Focus on cloud business through the realization of Employee Success (ES) and Customer Success (CS)

Considering the current business environment, we have adopted “focus on cloud business” as our primary strategic policy to achieve medium- to long-term growth. This means expanding the scope-of-service provision to other companies in the same industry that have been our primary customers and to the general public and businesses that are unfamiliar with the internet and digital technology. The term “cloud business” covers a wide range of areas, and various options are available depending on the form of services provided to our customers. We offer a wide range of services, including SAKURA Cloud, SAKURA VPS, SAKURA Rental Server, which provides web and mail server functions, “ImageFlux”, an image conversion and delivery engine, and “Tellus,” a platform that combines satellite data and IT. As we stand at a turning point today with digitalization becoming widespread among the general public, we will aim to further turning the customers’ “WHAT YOU WANT TO DO” into “WHAT YOU CAN DO” by widening the scope of our services.

Realization of ES and CS is one key to accelerating the execution of our vision. ES stands for employee success, while CS stands for customer success, implying that a customer’s success leads to the success of the employees, which in turn leads to the company’s success, thus creating a cycle that can realize a world where everyone is successful. We believe this to be an important means for promoting digitalization and focusing on cloud business.

From my experience, we are not biased toward CS alone but equally emphasize ES, which is the success of our employees. As mentioned at the beginning, my friends at the technical college used the server I had built, which

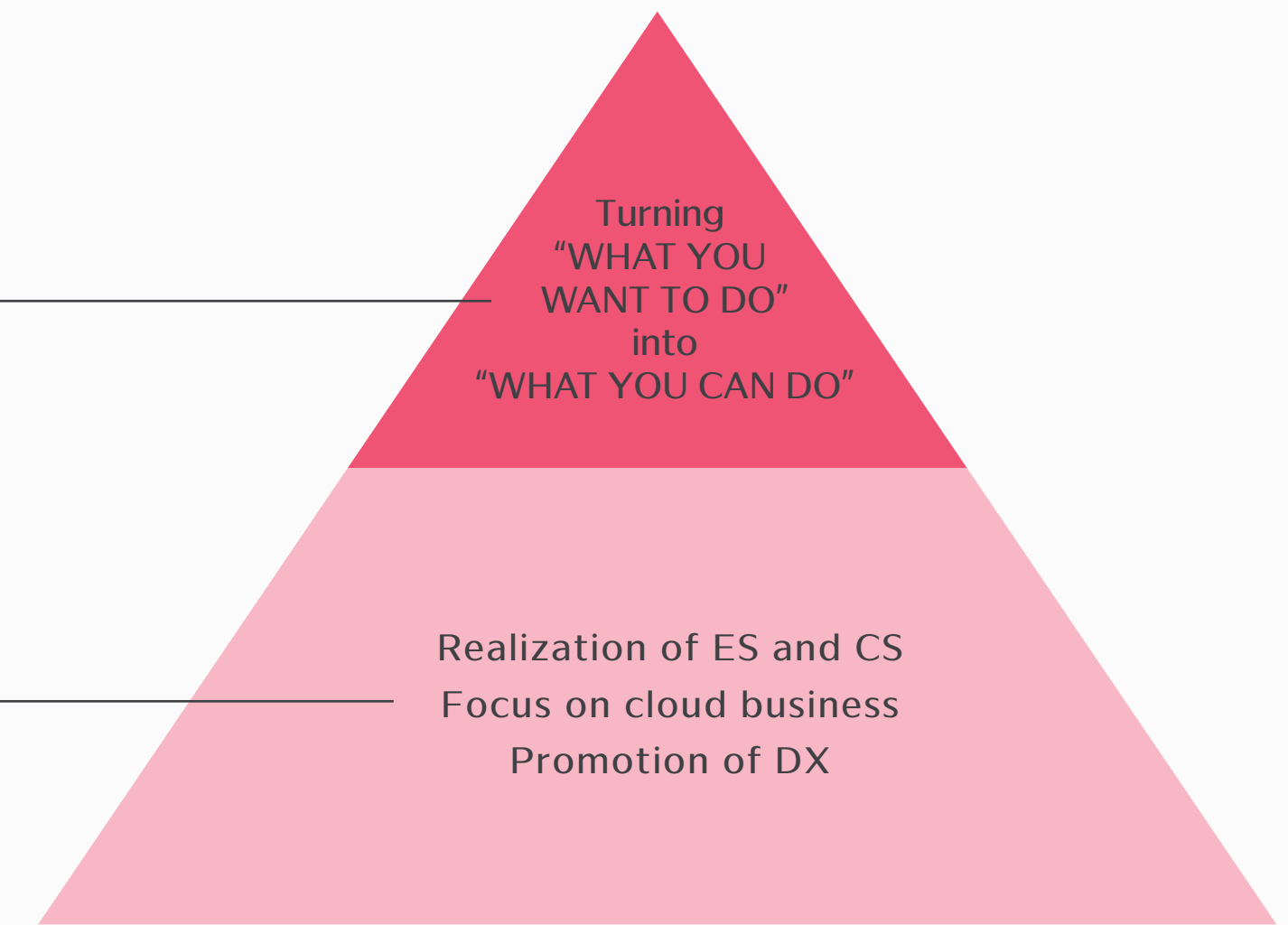
resulted in a job for me and was the reason I started the company. However, there was another factor that was just as important. This was my passion for computers and the internet. I was delighted by the happiness of my friends, and I strongly felt that I should turn my passion into a lifelong career, which was highly important to me when choosing a job.

Therefore, I want our company to be a source of inspiration for our employees in their lives. If employees are going to spend most of their time working, we need to prioritize creating a company where employees can sincerely say, “I am glad to have joined SAKURA internet” and “I wanted to work for a company like this.”

Building such a company also impacts the company’s ability to generate profits from a long-term perspective. Employees must find motivation in their work for the company to continue growing for the next 10 or 20 years. Well, what does “motivation” mean? Motivation is the sense of pride employees feel when they see customers whose aspirations have been fulfilled. It is accomplished when each employee understands the aspirations of customers and transforms them into reality with our technology and services using the internet. We believe that through such experiences, employees can bring further development and improvement to our technology and services.

Vision

Policy



What is more important for us than revenues to achieve mid- to long-term growth?

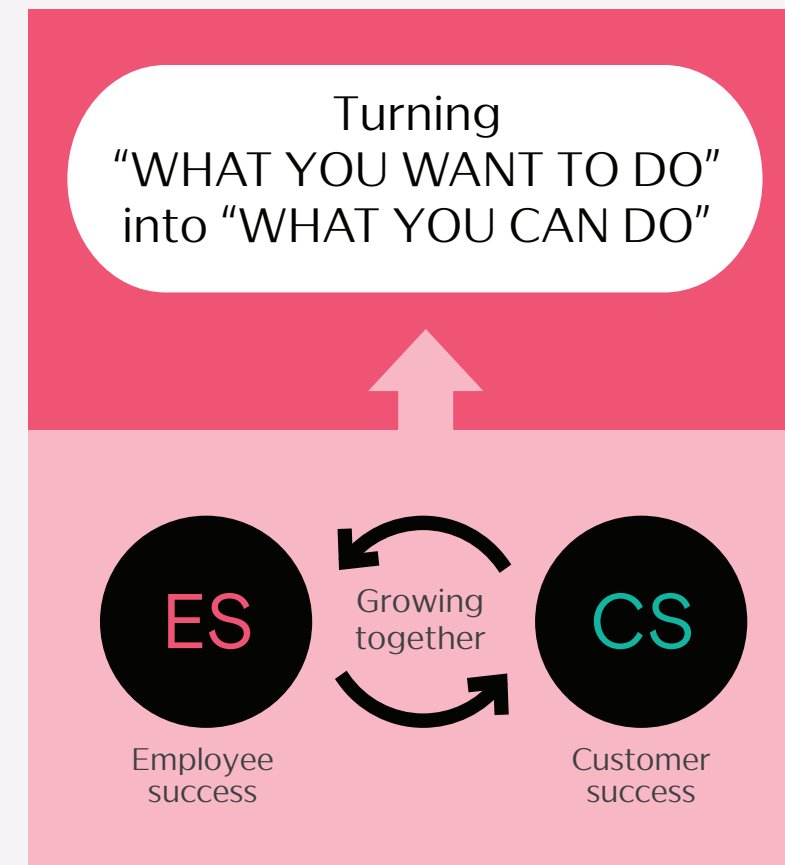
We value human resources. Our company has developed a wide range of services, and we are currently concentrating on the cloud business. Naturally, these services did not exist when I founded the company 27 years ago by providing servers. All the services we currently provide to our customers have been created over time by each employee who has thought about our customers, engaged in discussions, and worked toward turning the customers’ “WHAT YOU WANT TO DO” into “WHAT YOU CAN DO.” This is where I believe the fundamental value of our company lies. Therefore, the employees who create the services hold the value.

Thus, we have a department called the ES Department, which was formed to assist in the growth of employees. The “S” in ES stands for success, not satisfaction. We are creating an environment where employees can experience success. The ES Department, which pursues ease of working and job satisfaction, is a distinctive feature of our company, and we are committed to creating an environment where each employee can flourish and excel by establishing various systems.

Enhance relationships with customers to achieve further growth

Regarding Customer Success (CS), we are developing sales activities emphasizing improving LTV (lifetime value). Our sales representatives sell services and build long-lasting and solid relationships with customers. I feel that this has resulted in a change in the business landscape, albeit gradually. However, I understand there is still much to be done, and we will continue to take more corporate initiatives to increase LTV.

We should focus on the CS-ES cycle for further company growth, at least for the next five to 10 years. We will support the significant growth of our customers and create a cycle where each employee experiences personal growth.



Becoming a company recognized by all stakeholders and society as a publicly listed company with sustainable growth

Today, we are implementing various initiatives for medium- to long-term growth; the basis for these initiatives is the belief in the indefinite growth of the company. To be a sustainable company that will last forever, we must have a positive impact on all stakeholders, including customers, shareholders, business partners, employees, local communities, society, the country, and management.

For example, the data center in Ishikari City was established in 2011. The construction of the data center has enabled us to expand the scope of our services. One of the results is the ongoing expansion into the cloud business. The fulfillment of customers' aspirations encourages the employees who support the customers; the completed services contribute to the betterment of the local community and society, ultimately resulting in revenue that is returned to the shareholders and country forming a continuous cycle.

This virtuous cycle has led to the sustainable growth of our company and has continued making a social contri-

butution. I believe what we must do as a listed company to return profits to our shareholders is to fulfill our customers' hopes, thus generating profits for our company, motivating our employees, and helping the company grow so that the results of growth will be returned to our shareholders. While we do distribute dividends, our focus is not solely on direct profit distribution to shareholders. Instead, we aim to generate higher profits by creating an environment where employees can work with ease and feel a sense of purpose, which leads to further growth of our company and increased returns to shareholders.

The ideal company has a workplace where employees can work comfortably and provide value to customers, leading to high growth. This is the vision of a company that achieves sustainable growth. The environment around us constantly evolves, and I am confident that we can make this vision a reality with the power of digital technology and the internet.

Operating income for the fiscal year ending March 31, 2023, increased +43.2% year-on-year due to the growth in the cloud business.

Our company's sales reached 21,908 million yen in the fiscal year ending March 31, 2020, with the support of many stakeholders, and it has since maintained sales in the range of 20,000 million yen.

We accelerated the development of new services this fiscal year through alliances with companies aiming to achieve DX, specifically by enhancing our cloud services. Our company places significant importance on human resources and recruitment, and we have successfully continued hiring human resources, focusing on engineers and sales executives.

The consolidated performance for the fiscal year ending

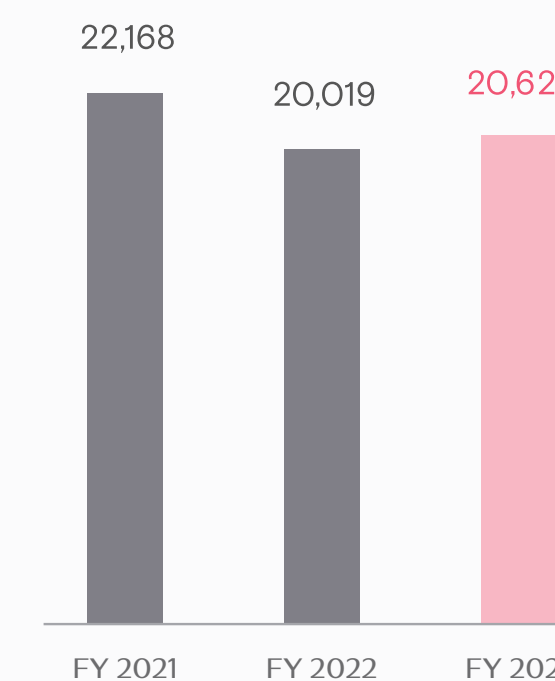
in March 2023 saw a year-on-year increase in sales of 3.0% to 20,622 million yen, operating income increased by 43.2% to 1,093 million yen, ordinary income increased by 48.7% to 965 million yen, and net income attributable to shareholders of the parent company increased by 142.0% to 666 million yen, indicating a rise in revenue and profits.

While we feel a sense of accomplishment in our performance and are not content with the current situation, we will diligently pursue forward-looking initiatives to achieve further growth.

Consolidated financial highlights

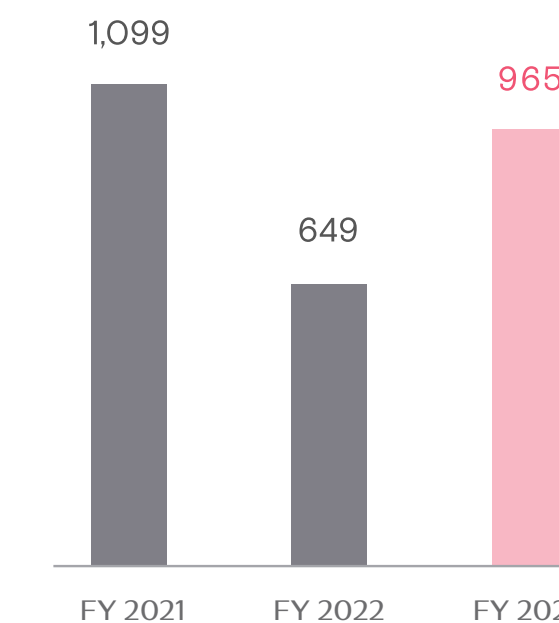
Sales

Unit: Million yen



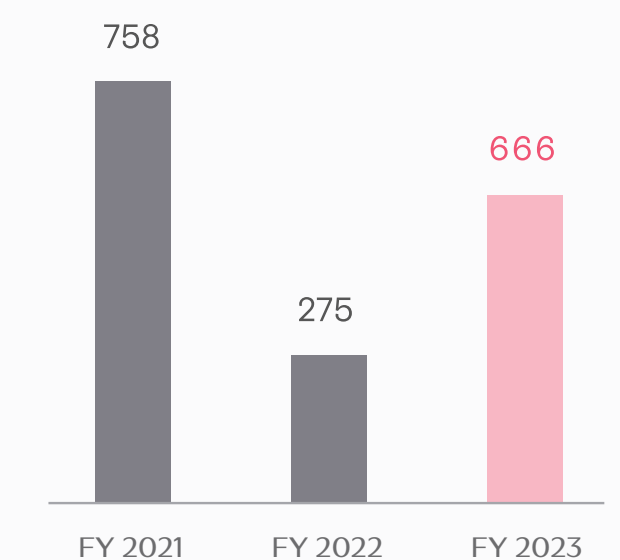
Ordinary income

Unit: Million yen



Net income attributable to shareholders of the parent company for the current fiscal year

Unit: Million yen



Toward future society Initiatives toward 2030 for further growth

Finally, I want to touch upon the forward-looking initiatives we have embarked on, with a vision extending to 2030. They are education, regional revitalization, digitalization, and startups.

Education is a particularly important initiative for our company. The more platforms we have to teach what is right, the more people can practice what is right. In addition to implementing a general training program according to the rank of the employees within the company, we have also incorporated a training program called “DX Journey” for employees other than engineers. This education program aims at increasing the number of employees within the company who can practice DX as we strive to support the digital transformation initiatives of our customers. On the other hand, we are also actively engaged in external activities, such as organizing programming classes called KidsVenture for children. Regarding regional revitalization, the second initiative, our employees are actively involved in activities outside of Tokyo. We take pride in having approximately 40% of our employees living outside Tokyo, which is considered rare for an IT company. Currently, the employees work remotely, and the company is used as a place for the employees and outsiders to come together and interact. We conduct activities rooted in local communities, such as Ishikari City, where we have our data center, Fukuoka City, where the focus is mainly on support to startups, and Naha City, which serves as our DX hub (scheduled to open during FY 2023).

Regarding digitalization, the third initiative, we will accelerate the digitalization process in Japan, which is still in its early stages. Digitalization will make work more efficient, generate new business, and create a fair society for everyone, by which the world will be transformed, leading to increased prosperity for individuals.

The fourth initiative is startups. This is rooted in our origin as a startup company and how we have grown by leveraging the capabilities of various individuals and businesses. We engage in direct communication with startup founders to provide the necessary support and contribute to society through the growth of these startups.

The internet can make people and society more prosperous and happier

I have introduced our current activities for sustainable growth and our initiatives based on the four themes for 2030. So why does our company focus on these initiatives? Because we believe that by realizing these initiatives, society and its people can lead more prosperous lives, both qualitatively and quantitatively. Diversification will progress, and people will possess various value systems. The concept of happiness is different for each individual, and we believe that the internet can make these possibilities a reality.

There may be some failures in implementing these initiatives. Nevertheless, we will take on many challenges. Our willingness to take on challenges without fear of failure has enabled us to expand our scale from a single server to a company handling satellite data.

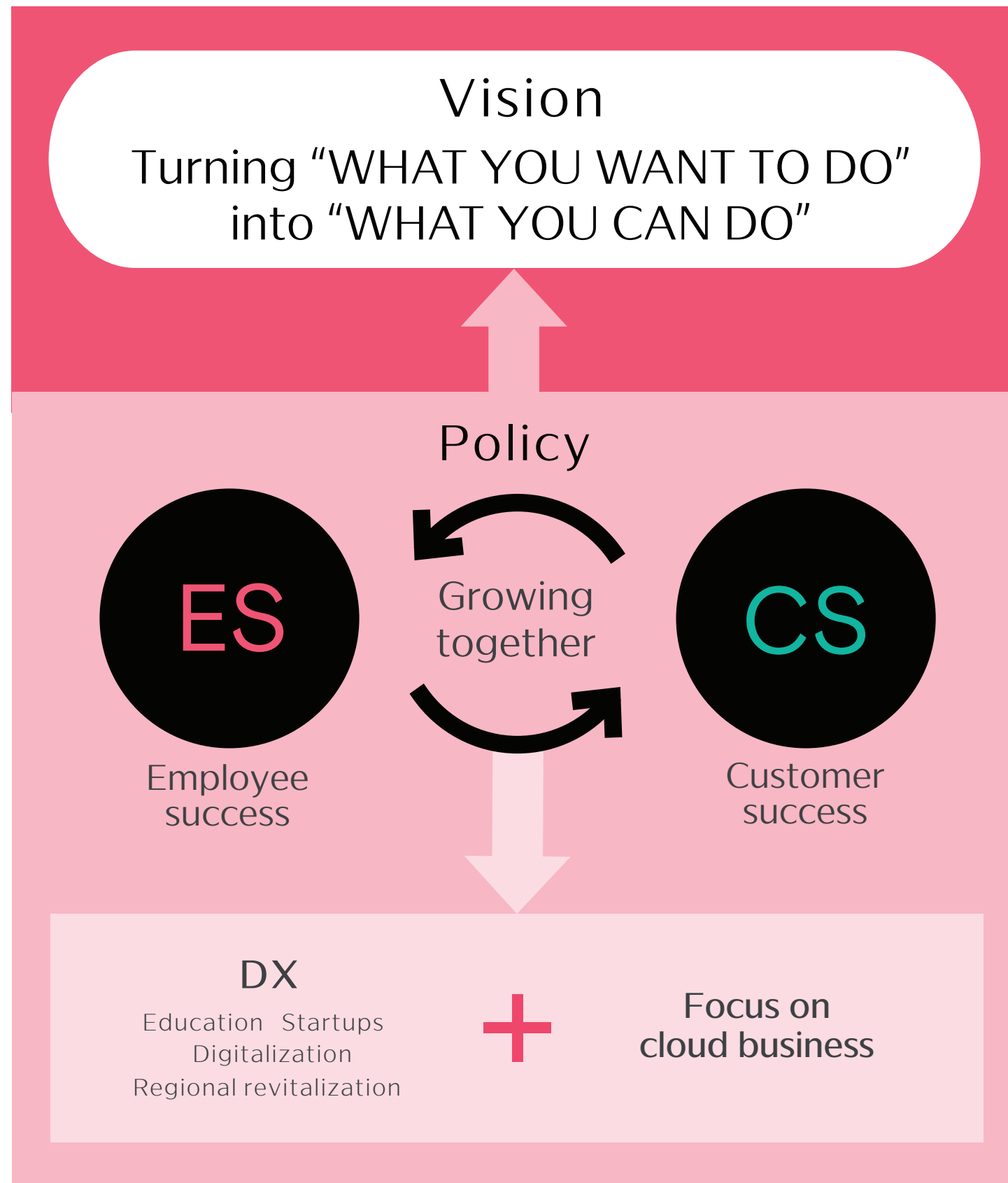
We want to increase the scope of our business even further. If we can conduct business on a scale several times larger



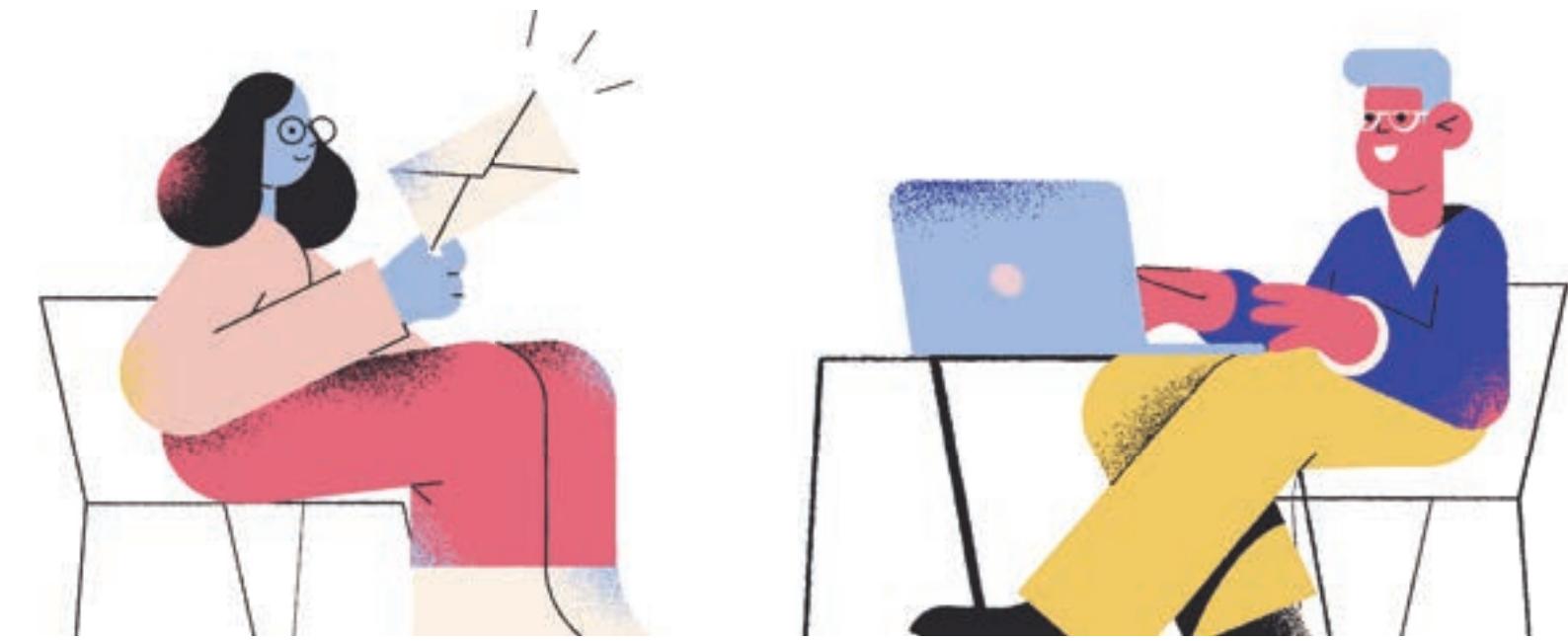
than at present, even more possibilities will open up. We will continue to grow and enrich the work and lives of people. Each of our employees will turn “WHAT YOU WANT TO DO” into “WHAT YOU CAN DO” for individuals using the internet, contributing to the prosperity of individuals and the nation.

Founder & CEO, President

Junichiro Zanka



SAKURA internet is implementing various initiatives based on our vision of turning “WHAT YOU WANT TO DO” into “WHAT YOU CAN DO.” ES and CS are the pillars of these initiatives. We are “focusing on cloud business” for future growth and have set forth education, regional revitalization, digitalization, and startups as key areas for further growth by 2030. The key policy to promote these themes is to “realize ES and CS”. The success of customers (CS) leads to the success of each employee (ES), which in turn leads to the company’s success. We firmly believe that by fostering this cycle of success, we can create a world where everyone associated with us can prosper.



Three values — Action guidelines for fostering collaborative creation by the team

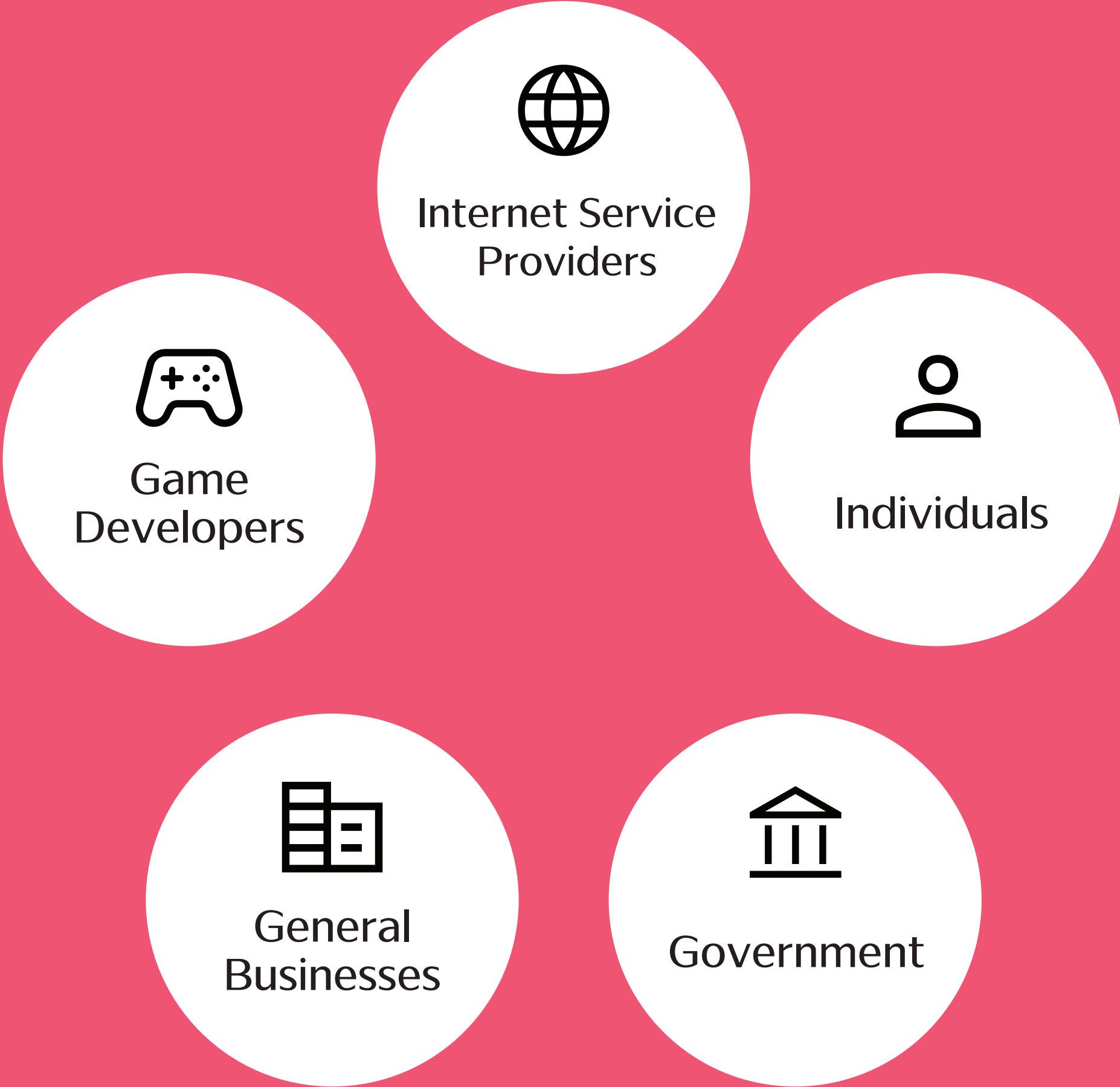
All our employees practice the action guidelines we call “Three values” for fostering collaborative creation within the company. Our employees contribute to nurturing our company culture by practicing these guidelines:

- 01 Affirmation first.**
As a foundation for effective communication, we emphasize accepting the other person’s thoughts positively and receptively before preparing proposals or engaging in discussions.
- 02 Lead and follow.**
For the team’s success, individuals who set the vision and goals and demonstrate leadership by taking the lead, and those who provide wholehearted support and show followership, are necessary. We place importance on the ability of each individual to act independently, sometimes as a leader and sometimes as a follower.
- 03 Speak until the message is conveyed.**
Most interpersonal conflicts are said to arise from expectations that lack mutual agreement. We value the importance of speaking clearly until the message is conveyed to the other person and listening until we understand what the other person has to say, thereby clarifying each other’s expectations and avoiding misunderstanding.

Grow together with customers through the promotion of cloud business and DX, turning “WHAT YOU WANT TO DO” into “WHAT YOU CAN DO.”

Diversified Business Domains

SAKURA internet contributes to the business of customers in various domains. We provide services to internet service providers such as video distribution services, communication services, e-mail distribution services, and web filtering services; to game developers such as smartphones, PC games, and battle games; to general businesses handling corporate websites and business systems; to individuals creating blogs; and to national and local governments. We have supported a wide range of businesses by creating services that meet the diverse needs of customers from various industries and sectors. We will continue to support the success of our customers and expand the field of our activities using the power of the internet.



Initiatives ES

For the enhanced ease of working and job satisfaction of each employee

Human resources are the most important factor in delivering value to customers and ensuring the sustained growth of our company. The "S" in ES stands for success, not satisfaction. We lead our employees to the success envisioned by each of them by establishing systems and mechanisms that enable them to feel motivated and experience growth and success.

Pillars of ES that enhance the value of human resources

The activities of the ES Headquarters are aligned with the concept of human capital management, which has gained attention in recent years. This is because our employees are responsible for maximizing the value of SAKURA internet, which provides cloud services and is a software-centric business. Our overall HR strategy and the five pillars embody that strategy.

Overall view of human resource strategy

We will further enhance the value of our human resources, who are the source of value to society and our customers, by realizing the growth and success (employee success) of each employee through a cycle of learning and practice that encourages employees to fulfill their potential, providing opportunities for diverse human resources to gather and take on challenges, and creating a platform where employees can work with confidence for a long time, to turn customers' "WHAT YOU WANT TO DO" into "WHAT YOU CAN DO" and achieve sustainable business management.



ES and CS work together in tandem

Our overall human resource strategy involves leading employees to success and leading our customers to success, thereby creating a chain of successes. Turning customers' "WHAT YOU WANT TO DO" into "WHAT YOU CAN DO" and realizing sustainable corporate management is possible only by creating a chain where ES and CS work together.

Formulation of our overall human resource strategy What our company values most

Our overall human resource strategy has been formulated after multiple discussions within the company. The decision-making process saw a unanimous consensus among the executives, reflecting the collective determination of the company. That consensus is to "make the company sustainable." While generating profits is an important goal for a company, we recognize the significance of not solely prioritizing profits. Our emphasis lies in creating a company that will continue into the next generation, and to achieve this, we have established five pillars.

To be a sustainable company, first, we must continuously provide value to our customers and maintain consistent recognition from society. We believe that every employee is the most valuable asset of our company and that their growth and success are the source of value we provide to our business and customers.

▼ ES Department, Senior Director, Mariko YABE



"Five Pillars"

leading to the growth and success of human resources

We have formulated the following five pillars to facilitate the realization of our overall human resource strategy:

- 01 **Develop human resources and create a culture of learning.**
- 02 **Maintain mental and physical health.**
- 03 **Promote the active participation of diverse human resources.**
- 04 **Create a culture that fosters new value through challenges and leadership.**
- 05 **Work in a flexible style.**

Continue providing value to our customers and strive to become a sustainable company

“Five Pillars” leading to the growth and success of human resources

Introduction to the five pillars that will facilitate realizing our overall human resource strategy.

01 Develop human resources and create a culture of learning.

The company will work on providing opportunities for employees to learn digital literacy both within and outside the company, as well as opportunities to apply what they learn, fostering a culture of continuous learning.

Our vision is to turn “WHAT YOU WANT TO DO” into “WHAT YOU CAN DO.” To achieve “WHAT YOU CAN DO,” providing opportunities and an environment to utilize the knowledge and skills acquired through education is important. Digital literacy, as defined by the Ministry of Economy, Trade and Industry (METI), encompasses not only IT skills but also the skills required to provide value to customers, including business skills, planning, and project management.

Internal training program for nurturing DX professionals: “DX Journey”

Considering the increasing demand for DX promotion across society, this training program has been designed to enable all employees to acquire specific technical skills. Non-engineers, such as personnel engaged in back-office work, receive specialized training in technology, including programming and IT infrastructure. A system under “SaBuLiCo Career” supports career development to improve job satisfaction.

02 Maintain mental and physical health.

We aim to achieve well-being management through promoting safety, hygiene, and health and by fostering an organizational culture that values both mental and physical health leading to sustainable growth and success of employees and the company.

Employees should be mentally and physically healthy to feel the work is rewarding and aim for growth. It is akin to saying, “If your legs hurt, you cannot run even if you are told to run faster.” We believe a healthy mind and body are the foundation for all activities. The company’s ultimate goal is to create a state (well-being management) where employees can experience happiness, the basis for which is promoting employee health.

03 Promote the active participation of diverse human resources.

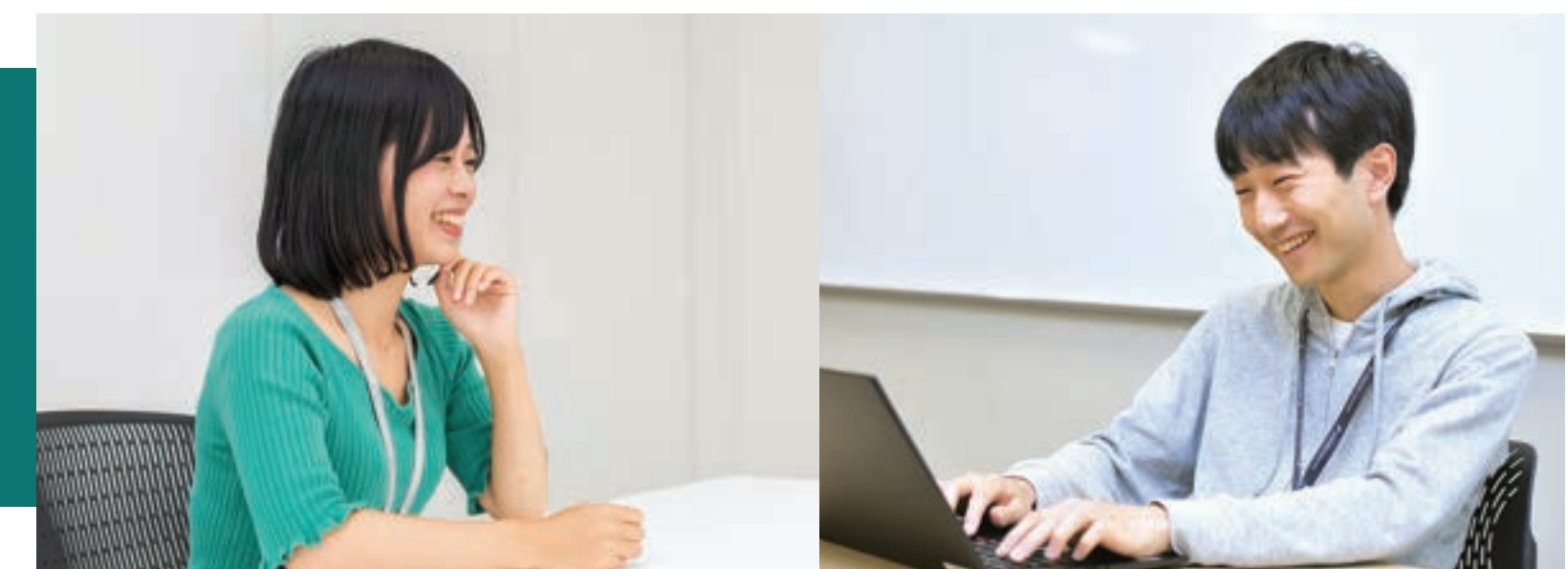
The company is committed to working toward creating a culture in which each employee can demonstrate their personality and desire to grow, and maximize their individual abilities based on the premise that all employees are members of a diverse group with different individual personalities.

Our definition of diversity, in addition to affecting attributes such as gender, region, or nationality, includes personality, values, and career. We believe every employee is a part of our “diversity.” Leveraging their attributes and personality to the fullest extent leads to greater value for society. This means accepting and respecting the personality of each person who takes on challenges, finding value in that personality, pursuing fairness in providing opportunities, and mutually harnessing them within the organization.

04 Create a culture that fosters new value through challenges and leadership.

The company will ensure that employees demonstrate leadership and take on challenges in business innovation and new ventures. We will create opportunities and environments for diverse human resources to collaborate and pursue new challenges with creative thinking, thereby delivering new value to our customers.

Our company was born as a student venture. The startup spirit remains deeply rooted as a culture within our company even today. Our corporate culture itself is difficult to imitate and serves as a source of competitive advantage. Creating a business and establishing new ventures means providing new value to our customers. By implementing mechanisms and cultivating a culture to achieve this, we will transform our company into one that applauds individuals who embrace challenges and take proactive action.



05 Work in a flexible style.

The company will implement various initiatives that respect the diversity of work styles, based on the ideal of providing a work-friendly environment where individual employees can pursue job satisfaction.

Our goal is to support employees in building a diverse career while also fulfilling personal life goals and striving to connect the knowledge and experience gained from both aspects to foster co-creation without being bound to the company. We will shift toward a work style based on the premise of remote work, improve our work style systems, and create an even more comfortable working environment.

SAKURA Business and Life Co-Creation (SaBuLiCo)

Our system that realizes job satisfaction and ease of work is called "SaBuLiCo" (SAKURA Business and Life Co-Creation). The various



systems of "SaBuLiCo" can be used in combination. For example, the "Short 30" and "Flex" systems can be combined so that employees can work from 7:00 to 15:30 (early shift) or from 12:00 to 20:30 (late shift), allowing employees to adjust their working hours to suit their personal commitments before or after work, or dropping off and picking up their children from nursery school. These systems are reviewed and updated based on the frequency of use by employees to make them more user-friendly.

"Short 30" for attending seminars or other events

Employees who finish work early can leave 30 minutes earlier.

Employees who work efficiently and complete their work early can leave the office 30 minutes before the regular time (e.g., 9:30 to 18:30). This rule allows for a flexible schedule for leaving the office in cases where employees need to leave early, for example, to attend a seminar outside the company. (Salary is not reduced because of leaving the office early.)

"Group Connect" for activities from sports to games

This benefit helps revitalize communication among employees.

The company will partially cover the cost of events (outside of work) aimed at promoting communication among employees. There are no restrictions on the activities, including sports, games, etc. Various events are held under this system, from craft classes to lunch meetings.

"Time management" for improving motivation

Overtime is paid for 20 hours in advance.

Full-time employees are paid overtime for 20 hours in advance to improve work efficiency and encourage employees to leave the office earlier. Since the overtime of most employees is less than 20 hours per month, they receive more overtime pay than the actual overtime hours worked. The excess hours will be paid in one-minute increments if the overtime exceeds 20 hours.

"Flex" for personal commitments

The "Flex" arrangement adjusts work hours in increments of 10 minutes.

This system allows work hours to be adjusted in increments of 10 minutes around the core hours of 12:00 to 16:00 (the earliest hours are 7:00 to 16:00, and the latest hours are 12:00 to 21:00). Employees can use this system for personal commitments, such as childcare, nursing care, and hospital visits.

"Refresh" for time off in addition to paid leave

This is a leave system for employees to refresh themselves mentally and physically.

In addition to the 125 days of annual paid leave, various other leave systems are available, including three days of vacation leave (for full-time employees) every year, anniversary leave (for full-time employees) for birthdays of family members, and special paid leave (for full-time employees) for marriage and childbirth. A continuous paid leave allowance of 5,000 yen/day is paid when two or more consecutive days of paid leave are availed (up to 10 days per year) to encourage employees to take paid leave.

"Family Time" for dropping off and picking up children from nursery school and similar responsibilities

Flexible reduced work hours for maternity leave, childcare leave, and end of maternity leave at birth are available.

This system offers flexible, shortened work hours to accommodate employees who must drop off or pick up their children from nursery school and kindergarten. The system is not limited to female employees but is also available for male employees raising children. In addition to telecommuting and shorter working hours, employees can return to work using this system without difficulty after maternity leave, childcare leave, and the end of maternity leave at birth.

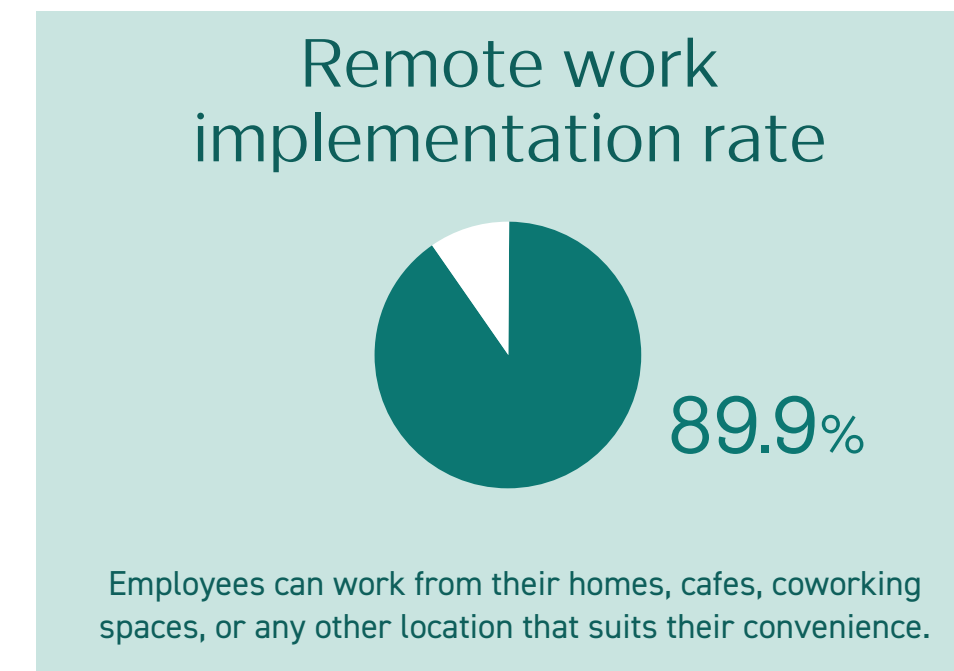
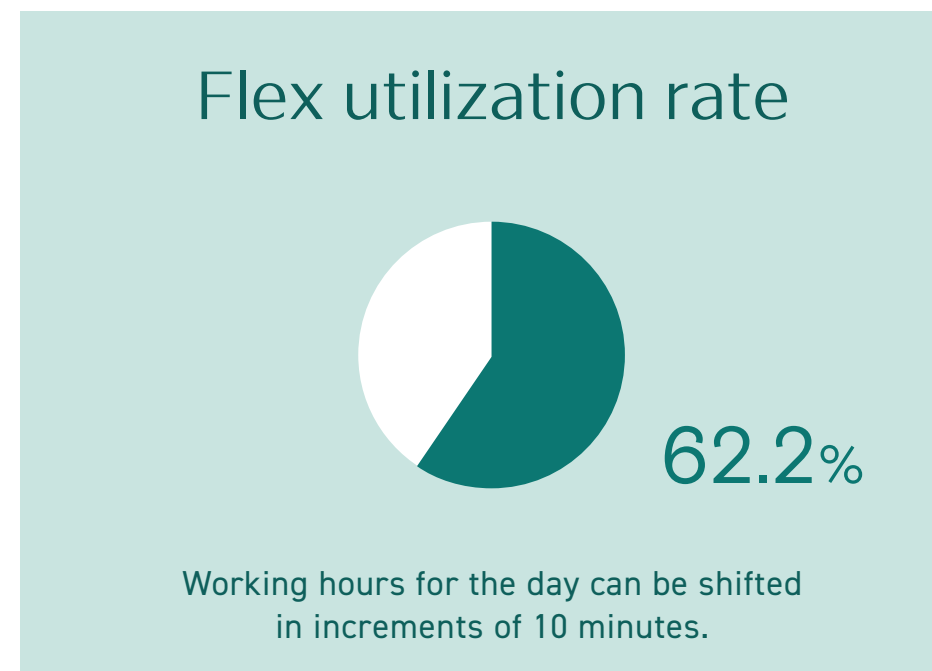
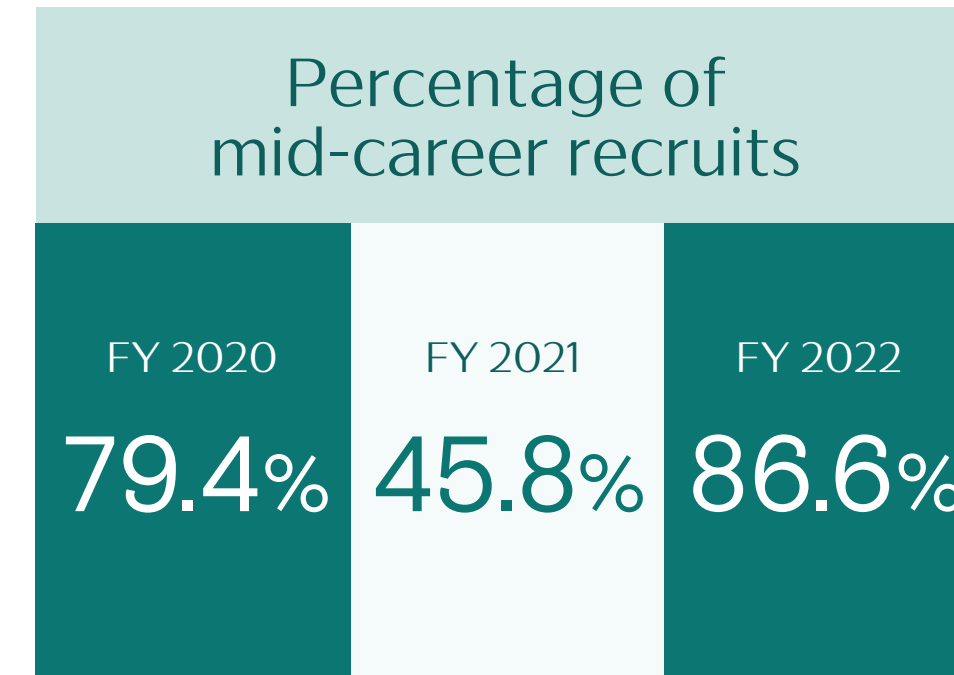
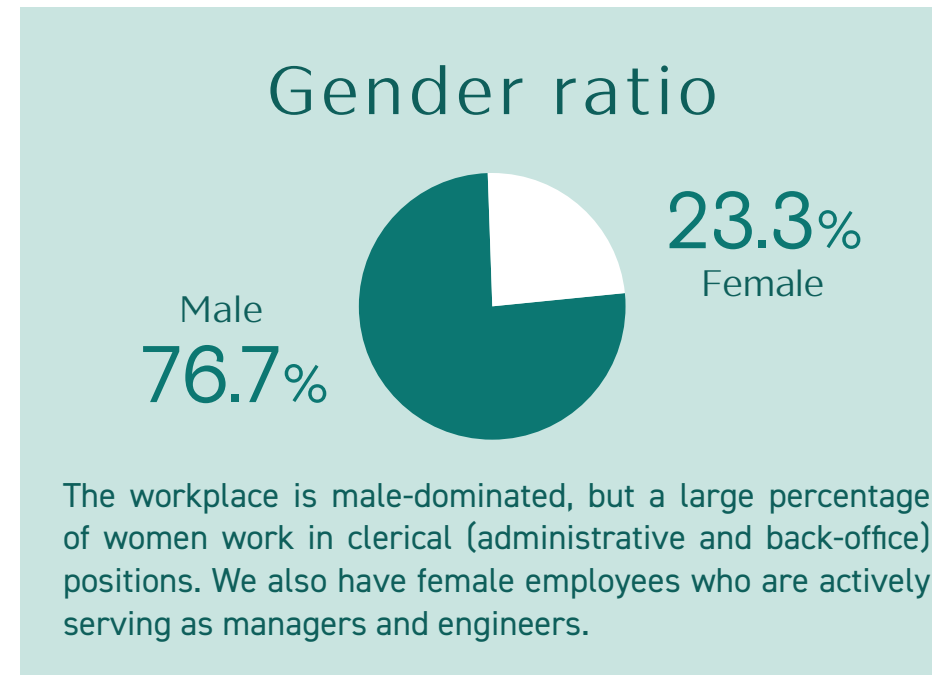
Other important measures

Focusing on career diversity through "Career Consultation Service"
Focusing on the diversity of personalities through "Team Building"
Improving IT skills of all employees through "DX Journey"

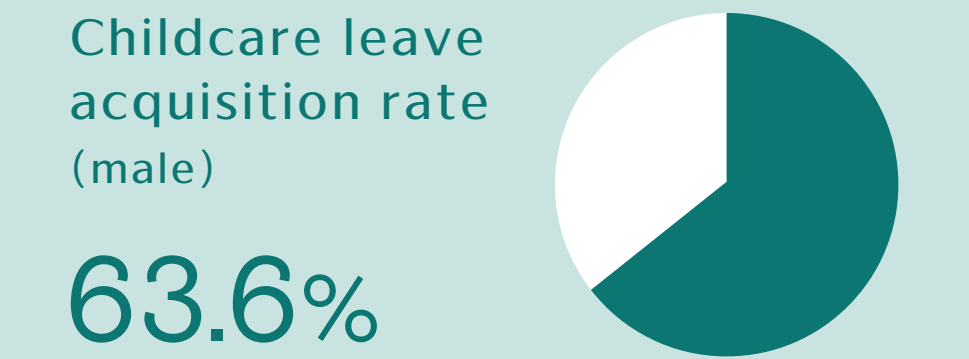
SAKURA from a data perspective

SAKURA internet publishes various data, including the ratio of male to female employees, the ratio of mid-career hires, the utilization rate of employee benefits, and the rate of return after maternity or childcare leave.

As of March 2023, our company has 590 employees on a stand-alone basis and 755 on a consolidated basis. More than half of our employees are engineers, and since there are many sales and support personnel with a background in engineering, the overall workplace is male-dominated. However, we also have many women employees in engineering and managerial positions. Recruitment is one of the focus areas for our company, and we hire not just new graduates but also many mid-career employees, creating an environment where human resources with diverse knowledge and skills can work. Average overtime was 8 hours 57 minutes per month in FY 2022, less than the average of 15.7 hours in the information and communication industry for FY 2022 (source: 2022 Monthly Labor Survey). The utilization rate of annual paid leave was 79.4% (FY 2022), which is higher than the national average of 58.3% (Source: Summary of the General Survey on Working Conditions 2022). The average age of our employees is 39.55 years. Our company does not employ a seniority system but has established a system that allows employees to work as full-time employees for a long time. Employees in all age groups, from their teens to their fifties, work with us while turning "WHAT YOU WANT TO DO" into "WHAT YOU CAN DO."



Ensuring that all employees who wish to avail childcare leave can do so



The Ministry of Health, Labor and Welfare (MHLW) implemented the "Postpartum Papa Leave (childcare leave at birth)" system in October 2022 to encourage male employees to avail childcare leave. While this move is a further boost by the government, male employees at our company have been availing childcare leave for a long time, with the system being used by a wide range of employees, from managers to general employees. The percentage of our employees who availed childcare leave in FY 2022 was 63.6%. This percentage is significantly higher compared to the national average of 14.0%. We have fostered a culture where employees can voluntarily apply for childcare leave after the birth of their child, even without needing proactive encouragement from superiors or management. We have achieved a 100% rate of employees returning to work after their leave.

Note: All figures are as of the end of March 2023.

Initiatives CS

Creating a prosperous society with the power of the internet

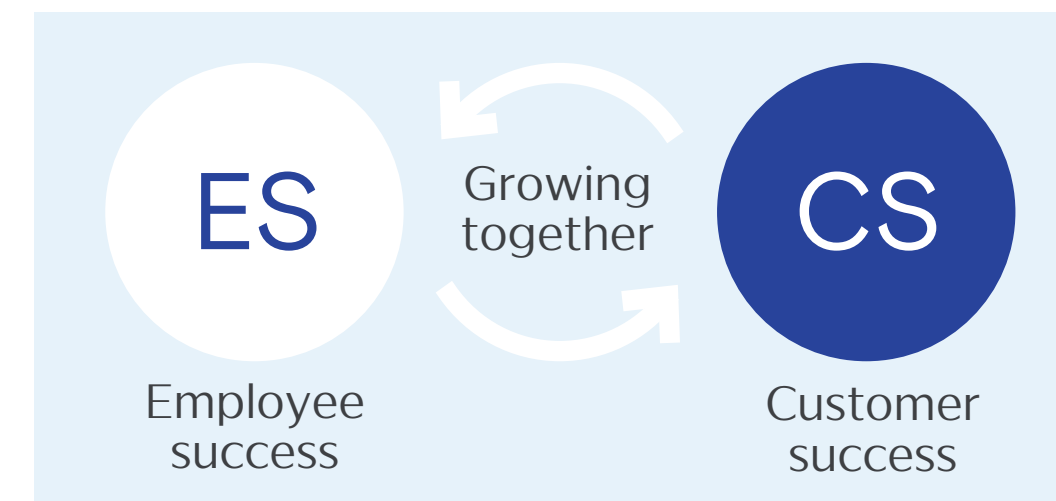
What does success mean to our customers? We support the realization of the respective visions of "success," regardless of the business size or whether they are individuals or corporations, harnessing the power of the internet. We go beyond meeting our customers in person and listening to their dreams and challenges by offering comprehensive customer support with user-friendly features and organizing study sessions and networking events to effectively convey our services' appeal. We are passionate about understanding our customers and growing together with them.

CS initiatives to achieve “SAKURA was a good choice”

SAKURA internet started as a small rental server business and has expanded its business. We interacted directly with our customers during this growth, and the need for proposals and other services emerged. Therefore, the CS Division was established to support customer success. This has become a significant strength and feature of our sales operations.

ES and CS work together in tandem

We support the success envisioned by each of our customers, regardless of the size or form of their business, with an all-in-one approach, including proposals from our sales representatives, in-house development, operations, and support. By using ES to establish an environment where employees can experience a sense of success and work with ease, we ensure that our employees approach their tasks highly motivated. Further success will be achieved only when ES and CS work in tandem.



Support for everyone, from individuals to corporations, who are taking on challenges

A rental server that allowed anyone to create a website or blog easily. This service was the starting point of our company. Since then, we have increased our services and have approximately 490,000 users. We continuously strive

to enhance our support to ensure that anyone can quickly resolve any issue they face. On the other hand, some of our customers who have been using our services for many years have started to demand a combination of multiple services as their companies grow.

Initially, our company did not have a dedicated sales department. However, as we listened to the “WHAT YOU WANT TO DO” of customers and directly communicated with them to make it happen, we realized the need for a department that could address their requests. This led to the establishment of the CS Division. Since many of the employees in CS have been transferred from the engineering department, they proactively prepare proposals to customers while obtaining the latest information because they are technically knowledgeable and love technology, a feeling that has been instrumental in the growth of our company. While maintaining this culture, we have established a system where engineers in active roles visit customers with sales representatives to hold meetings directly with them. If customers face challenges or have specific requests when they use our services, the engineers engage in direct conversations, swiftly consider measures, and work toward a speedy resolution. The strength of our company lies in the ability of our employees to guide customers at the forefront of technology toward essential answers for their “WHAT YOU WANT TO DO,” providing services while preparing proposals that satisfy our customers. They have the ability to serve any client, regardless of the size of their business. We are committed to supporting all individuals taking on challenges, and we want to contribute to customers with this mindset.

Shifting to a policy that values long-term relationships

In recent years, our company has placed significant importance on establishing a close relationship with our customers over the long term, not just in the immediate future. We believe that the value customers receive should be the same whether they use a small or large number of servers, and we strive not only for sales volume but also for customers to be satisfied with our services and use them over the long term. We are committed to maximizing our customers' Lifetime Value (LTV), emphasizing increasing value for a more extended period from the moment we first engage with them.

In the case of our company, customers who initially use our services to set up a blog may transition to a need for dedicated virtual

service within approximately 1 to 3 years, allowing them to configure programming languages and tools freely; they may handle large-scale systems within approximately 5 to 10 years. Our company supports all these stages with services such as SAKURA Rental Server, SAKURA VPS, and SAKURA Cloud. When the scale of a business grows, for example, the system's complexity increases when more servers are used. Such businesses require direct support, proposals, and follow-up, which are all handled by the CS Division. On the other hand, easy access to proper support at any time is important when the business size is small, and we provide comprehensive customer support for such requirements. In recent years, with the promotion of DX and digitalization across Japan, where cloud services have taken center stage, we have shifted our focus toward the importance of supporting our customers and growing together with them.





Passionately discussing vision with customers

We are especially passionate about understanding our customers. Our sales personnel communicate closely with customers to establish a close relationship.

When we receive a direct request regarding functionality, our engineers collaborate with the customer to discuss and implement measures immediately. If there are any challenges, they investigate by understanding the background and gathering more information. Sometimes, discussions with the customers while formulating hypotheses for measures may reveal essential solutions in areas the customer may have overlooked, leading to a quick resolution of the issues. We think about how we can help our customers realize their vision while solving everyday problems with them and having frank discussions about both companies' visions. At

times, we envision the future with our customers, not only concerning both companies but also about the expectations and challenges faced by society, and imagine the kind of world we want to create. One factor that helps us to offer such proposals to our customers is that we have an all-in-one system from development to support. All aspects, including service, development, operation, research, and sales, are handled in-house. We collect customer requests and enhance coordination between departments, enabling us to meet the needs of our customers better and develop improved services.

Thanks to our all-in-one setup, we can proactively communicate with customers and understand their plans and challenges without taking a back seat when their services experience rapid growth, allowing us to consider what can be done and guide them toward customer success.

We are not just sales representatives serving as our customers' primary point of contact. We function as a unified team across departments, working together to turn our customers' "WHAT YOU WANT TO DO" into "WHAT YOU CAN DO."

Supporting customer success at every step

When customers use our services to set up a blog or website, they often find out how to use the service themselves. Therefore, we provide support to guide them to quick and accurate solutions. We also provide individual consultations to customers handling complex systems. We believe that the value gained from both is the same.

Case Studies: The "SAKURA Report" includes customer reviews about their experience using our services. See pages 34 to 40 for the reviews.

SAKURA Cloud

A public cloud service that enables diverse infrastructure configurations on the internet. In recent years, this service has seen a particular increase in corporate customers.

SAKURA VPS

A virtual private server that combines the convenience of a rental server with the scalability of the cloud. The use of this service has been increasing, especially in recent years.

SAKURA Rental Servers

A hosting service that has been continuously chosen for over 20 years for its stability and performance and support of digital transformation (DX). This service has been offered since the company's establishment and is still used by individuals and businesses today.

▼ CS Division, Sales Department, Senior Director, Masato YAZAWA



Unique strengths of SAKURA

As many customers consider our services, including corporate and individual, there is a wide range of internet literacy levels. We strive to provide our customers with the support necessary to meet their requirements. Many case studies are available on our website detailing how customers can use our services tailored to their requirements, and we also provide hands-on support if customers send us any queries through email. The fact that the entire group conducts business activities that ultimately lead to problem-solving is a testament to our company's approach to customers and represents one of our core strengths. We provide an extensive range of proposals, and our greatest strength is that we have a well-established system that allows us to provide the best proposals to our customers when they need them most, with a dedicated team of engineers to support the proposals.

Study sessions communicate the appeal of our services and enhance interaction with customers

We hold study sessions to convey the appeal of SAKURA Cloud and our other services to engineers and for customers and employees of SAKURA internet to learn together and enhance interactions with each other.

The sessions are conducted to support the success of our customers.

Study sessions conducted directly with customers

To help customers learn more about our services, our employees prepare a curriculum for study sessions and visit our customers as instructors to provide information and technical knowledge directly to them.

Based on customer preference, the sessions can be conducted either when customers are considering introducing our services or after the services have been implemented. If the session is conducted before introducing the service, it will help support the decision to introduce the service, and if conducted after the introduction of a service, it will improve the technical skills of on-site engineers. We conducted over 30 study sessions in just the first half of 2022. The study sessions are also uploaded to our YouTube channel.

This is part of our efforts to promote our services to engineers working on IT infrastructure across Japan.

Examples of study sessions:

- An introductory study session titled “What is Cloud?” is conducted for users either on-premises ¹ or at our housing services. ²
 - How can we reduce the number of engineer man-hours required after a company introduces cloud services?
 - The study sessions are conducted as a series, and completing all of them will enable participants to build a basic web application infrastructure.
- 1: Management and operations are performed with servers installed at the customer's facility
- 2: Operations are performed with the customer's servers and network equipment installed on the racks at our data center.

Exchange meetings with long-standing customers

We have been organizing user events for many years to encourage interaction and knowledge-sharing among our customers and employees rather than focusing solely on promoting our services. In the past, we held the events in rented spaces around our offices in Tokyo and Osaka or in a corner of the company.

A holiday event called SAKURA Christmas Eve Party is held during the Christmas season to this day. We prepared a Christmas cake for our 20th-anniversary party, and our representative, Mr. Tanaka, personally cut the cake and distributed slices to our valued customers.



Enhance interactions both offline and online

In recent years, we have introduced a new concept of sharing customer issues, meeting and expanding our horizons to grow together, and also organizing online study sessions. “SAKURA Evening Online” is an online version of our previous in-person exchange event, “SAKURA Evening,” which we used to host before the COVID-19 pandemic. We also host the “Web Service Developers' Meet,” where individuals interested in developing web services (mainly for individual development) gather to exchange information. We will continue to actively organize these longstanding exchange events with our customers in the future.



Customer support that is easy for everyone to see, use, and understand

Customer support plays a significant role in ensuring that our customers can smoothly utilize the services of our company. The forte of SAKURA internet's customer support is that we handle all services from development to operation in-house, which allows us to guide how to use the services, analyze customer feedback, and improve our services with speed. We provide support 24x7x365 to resolve any issues our customers may encounter and turn their "WHAT YOU WANT TO DO" into "WHAT YOU CAN DO."

Customized support system to meet the needs of diverse customers

We regularly review and revise our support materials to ensure they are user-friendly for all our customers who utilize our services. We enhance the content with a summary of FAQs that enables customers to solve problems independently without contacting us. We also provide interactive support through callbacks to solve customers' doubts. We strive for a better understanding of our customers while resolving their doubts by prioritizing face-to-face support with an emphasis on human connections. We periodically conduct customer satisfaction surveys and send questionnaires to customers of our support services. We obtain feedback and improve support in-house.

Our customer support team strives to achieve "user friendliness" for a wide range of users, including beginners and expert internet users.

Employee Testimonial

The customer support team includes employees from the data center and other departments and employees who regularly communicate with customers. Various solutions are exchanged from different perspectives based on customer feedback, allowing us to enhance our services continuously while emphasizing a multifaceted approach.



Support

SAKURA support information

Provides information on service user manuals, FAQs, and company contact information.



User feedback on SAKURA

A message board where customers can send comments and requests about the services and functions of SAKURA.



"Marina," the official mascot of the customer center



Customer support Marina YouTube

Marina, the official mascot of the customer center, presents FAQs and service manuals in video format.



Customer support Marina Twitter

Marina, the official mascot of the customer center, posts information about our services on this Twitter account.



Initiatives on the cloud

Leaping forward in the cloud business through reliable quality and safety

We are focusing on the cloud business by improving the quality and safety of the internet. We have established a Site Reliability Engineering (SRE) office, strengthened internal and external systems, improved quality and safety from multiple perspectives by reviewing our services daily, and established a solid platform to earn the trust of our customers. We will also step into new areas of joint development that utilize the cloud.

SAKURA Cloud, a preferred service for government agencies: Aiming to realize a digital government

SAKURA internet launched SAKURA Cloud in 2011 and has provided cloud services to customers for over 10 years. Japan saw the establishment of the Digital Agency in 2021. In principle, each government agency must select a cloud service from the cloud service list of the Information System Security Management and Assessment Program (ISMAP) when using cloud services. Our service, SAKURA Cloud, was registered with ISMAP in December 2021.

To cloud services used by national and local governments in Japan

ISMAP is a system to register cloud services through an audit process conducted by a third party to check whether the security criteria established by the government, in line with international standards, have been implemented appropriately. The Japanese government had reservations about cloud services due to concerns regarding information security, migration risks, and inadequate fact recognition. However, the introduction of the “cloud by default principle” in the Basic Framework of the Security Assessment System for Cloud Services in Government Information Systems aims to promote the utilization of the “public cloud.” The general principle for the Japanese government will be to procure services listed in the ISMAP Cloud Service List when using cloud services. Local governments are expected to increasingly rely on the registration in ISMAP when selecting a cloud service. Our cloud services have been selected by national and local government organizations in Japan, which makes the service a popular choice among a wide range of businesses, particularly for its security aspects.

Aiming for Government Cloud: A common government cloud service

Government Cloud refers to the shared cloud service environment for the Japanese government. Currently, the cloud services considered eligible for the Government Cloud by the Japanese government are from overseas vendors. One of the requirements for the adoption as a Government Cloud is registration in ISMAP. As a Japanese cloud service provider, we will leverage the knowledge and expertise we have cultivated and continue to strive to be adopted as the Government Cloud.

Establishment of the Government Promotion Office

We established the Government Promotion Office in 2022. Our mission is “To become a leading cloud service provider for digital transformation (DX) in the public and private sectors for the realization of a digital society in Japan.” We are engaged in various activities, including supporting the Japanese government and local governments in migrating to public cloud computing, examining registration as a government cloud, participating in related events, and conducting

▼ Government Promotion Office, Manager, Sara KOMATSU



We want to become a reliable company and actively create a more positive impact.

external outreach through writing relevant articles and handling interviews on owned media. In addition to these external activities, we are also working on establishing a system to foster a high level of motivation throughout the company with activities aimed at understanding the digital government strategy and government cloud of the Japanese government and gathering customer needs in the government sector through feedback. Our company will carry out activities through extensive discussions with the stakeholders from the perspective of developing functions similar to overseas cloud vendors and considering simple and easy to use features for our customers that are unique to our company and the cloud-native transformation aiming to serve the national government.

Our aim is “To be widely recognized and relied upon by government agencies as the leading cloud vendor in Japan.” The main requirements of the government systems up to now were on-premises or individual customizations, which limited the value our company could provide. Our company can offer assistance in many ways if the Japanese government takes the initiative to utilize the public cloud. We aspire to positively impact everyone involved with our company to enhance overall market recognition and trust and create opportunities that will encourage more customers to utilize our services.

Unfolding a new world through joint developments

Joint development is one of the key focuses of SAKURA internet. We will create services that benefit society by collaborating with other companies, leveraging each other's strengths and fostering mutual exchange. Collaboration with other companies will not only enable the development of convenient services for the users but also serve as an opportunity to gain knowledge that cannot be obtained in-house and that enables further improvement of technology.

Building an environment of mutual respect

When engaging in joint development, employees hold certain values in high regard. One of these is mutual respect and maintaining an egalitarian relationship with each other. Excellent services can be launched by working together to collaborate on a common goal in an atmosphere fostered to encourage stakeholders to express their opinions freely, regardless whether this happens offline or online. Our engineers experienced this first-hand when our company engaged in joint development for the first time. Since then, we have been engaging in development with an awareness of mutual respect.

Joint development of image conversion and delivery engine

The first joint development project was the release of ImageFlux that we carried out with pixiv Inc. (hereinafter referred to as pixiv), which operates the site "pixiv" for posting and exchanging pictures. It took approximately four months to offer the service. The pace was considerably faster than typ-

ical development processes. This was achieved due to agile development, which excels in separating the functions and changing and adding functions. The method followed was to develop a viable version quickly and continuously make improvements instead of releasing the complete product from the beginning. Our company had limited experience with this technique then, and we acquired this knowledge through joint development with pixiv. Our company is now actively pursuing multiple projects utilizing agile development and these have contributed to improvements in our development style.

We continue to interact with pixiv through joint service operations, even after the completion of development. We added ImageFlux Live Streaming to our services two years after the development of ImageFlux because we actively interacted and continued to exchange information. Our company focuses on joint development and interacts actively with other companies to build strong relationships that can lead to developments that will be useful going forward, and everyone will find them interesting.



ImageFlux

This is a comprehensive cloud service that provides an image conversion server and cache delivery, enabling cost reduction related to image processing, such as image editing and format conversion, and enables high-speed delivery of generated images by caching them on servers in Japan.

ImageFlux Live Streaming

This managed service allows users to quickly and easily build independent live-streaming services with low latency and large-scale distribution without the need for infrastructure management.

Testimonial of development employees

Our company actively explores joint development with other companies for offerings that are synergistic with our existing services. The first development project with pixiv was an excellent experience for our development team, a sense of excitement built up gradually as we presented our technologies to each other and thought, "This is going to be interesting." The short development period of four months was an unprecedented experience for us at that time, and the successful completion of the project with the firm determination of both companies gave us confidence in joint development initiatives. We will continue to develop interesting services, satisfy our customers, and have a positive impact on society, leveraging the strengths of both companies and engaging in mutual discussions with engineers from other companies to exchange the seeds of ideas.

Support of people's knowledge, skills, and enthusiasm, improvement of internet quality and security

The handling of personal information and corporate data on the internet has been increasing, and incidents such as malicious activities and security breaches are occurring. As in the real world, improving internet security and quality has been particularly essential in recent years. SAKURA internet reviews each service daily as a cloud service provider and strives to ensure and improve quality through multifaceted initiatives. Some employees work tirelessly on the initiatives in the background.

Three pillars supporting the reliability of SAKURA Cloud registered in ISMAP

SAKURA Cloud is registered in the cloud service list of ISMAP (Information System Security Management and Assessment Program). This registration ensures the service has undergone evaluation for security, enabling a wide range of customers—including government agencies, public institutions, and general businesses—to utilize our services confidently. All of our employees voluntarily and passionately strive to improve our core values.

1 Service infrastructure is stable through comprehensive in-house development

Our company owns data centers, and a distinctive feature is that we perform comprehensive in-house development up to the control panel, which we offer to our customers. Coordination between hardware and software is important to ensure the stability of the service infrastructure, and a system has been established to respond according to the situation while performing detailed checks during testing.

Frequent equipment reviews are performed to improve hardware quality, and areas of improvement are constantly explored for the software.

2 Incorporation of customer feedback into development

In addition to engaging our sales representatives, we create opportunities to listen to our customers directly, and development is continued based on their feedback. We have created an official feedback website for our services, where our engineers review customer requirements regarding the functions of each service.

3 Establishment of SRE office to further improve reliability

Site Reliability Engineering (SRE) is a concept to enhance the operation of services and systems to achieve better reliability and the role of engineers responsible for this work. SRE, established by our company in 2022, strives to enhance the reliability of services further.

The SRE office performs improvements and operations of load balancer ¹ and server monitoring option service "simple monitoring" of SAKURA Cloud and DNS. ² Engineers in the SRE office can write code, program, and design as a team. They have expertise in documentation, thorough knowledge of Kubernetes, ³ and work in a team leveraging their respective strengths. The SRE office not only takes up the practical work but also aims to promote the activities of SRE within the company so that finally all employees become a site reliability engineer for our customers, and the presence of each individual can be linked to improving the services for our customers.

1: A device that uniformly distributes the load on the server

2: A system to manage and operate the domain name on the internet

3: A software program that realizes the operations, administration, and automation of contents

Initiatives to ensure safety both inside and outside the company

Measures against abuse

We have established a reporting channel within our company to address complaints regarding unsolicited and fraudulent websites. Reports are accepted on improper and inappropriate public behavior (abuse), such as cyberattacks, sending of unsolicited emails (spam), infringement of rights originating from our services, and responses based on the terms and conditions of the service agreement.

Examination of measures to address abuse

Our personnel read various documents, including "Guidelines for Responding to Illegal Information on the Internet," "Provider Liability Limitation Act: Guidelines Relating to Defamation and Privacy," and "Guidelines for Responding to Inquiries on Investigation-Related Matters." When they receive reports from customers, action is taken by assessing the nature of the incident and examining the appropriate response method based on the available data.

Enhancement of measures

The incidents that have occurred are classified and quantified based on the concepts of the guidelines. We conduct quantitative analysis on such factors as the frequency of incident response, harm, risk, and human burden, to implement measures to reduce future occurrences.

Coordination with relevant government agencies and industry peers

Ensuring proper and appropriate communication with a wide range of stakeholders, such as relevant government agencies, consultation offices, rights holders' organizations, and industry associations not limited to Japan, is important for the response and implementation of measures. Our goal is to provide the best response by establishing a relationship of trust with various stakeholders considering our business while broadening our perspective beyond its boundaries.

Employee Testimonial

Police officers and firefighters respond to problems occurring in the real world. However, the role of the private sector is significant when it comes to the internet. Some personnel within the company are responsible for ensuring the public's safety on the internet. This is a challenging task, but I consider it an aspect of the internet emphasizing autonomy and independence rather than relying on top-down control. We work daily to ensure that everyone can use the internet comfortably and freely.

Information systems management

In 2022, a new structure was established with the following three groups, aiming to enhance the company's administration and execution of security measures. This has ensured the provision and security of various services and helped us obtain accreditation.

Information security controls to conduct activities for obtaining accreditation

We are working on initiatives to obtain various types of security accreditation. SAKURA Cloud is registered with ISMAP, and all our offices and data centers have obtained the accreditation certification for information security management based on the JIS Q 27001:2014 (ISO/IEC27001:2013) standard. We have established regulations concerning internal security and impart training to the employees.

Corporate IT to protect employee safety

We are considering and implementing the introduction of upgraded systems, computers, and smart-phones to enable employees to work efficiently and more smoothly. Even if internal systems are present, we examine installing new ones to contribute to productivity.

SAKURA.SIRT (Security Incident Response Team)

This team provides technical support and management of security problems (incidents) occurring in the internal systems and the company's network. Our company has established a system through this team to handle responses in case any emergencies arise. The team strives to lower security risks by coordinating within and outside the company to understand, share, and use security-related information and conditions daily.

Employee Testimonial

I believe transitioning to proactive information systems management by implementing a three-group structure will significantly benefit our company's future. We know that our role is closely associated with the business strategy as security is a particularly important factor when customers choose the cloud services of our company. Therefore, we will focus on developing and providing services that can meet high-level requirements.

Environmentally conscious data centers for the next generation

SAKURA internet operates and manages data centers in Tokyo, Osaka, and Ishikari City in Hokkaido. In this era of cloud computing, we emphasize environmental awareness and promote sustainable operations while harnessing the power of nature and incorporating cutting-edge technology.



▲ Ishikari Data Center Building No. 3

Three nationwide locations connected by reliable trust

The three offices in Tokyo, Osaka, and Ishikari City are interconnected at speeds of 100 Gbps or higher and are also connected to multiple internet exchanges (IXes) and major internet service providers (ISPs) for external connectivity. Quality is supported by traffic exchange with approximately 120 companies.

One of the largest high-capacity backbones in Japan

We have achieved high availability and exceptional traffic delivery capability with a near-zero incidence of network failure by connecting Tokyo and Osaka with numerous major ISPs and IXes.

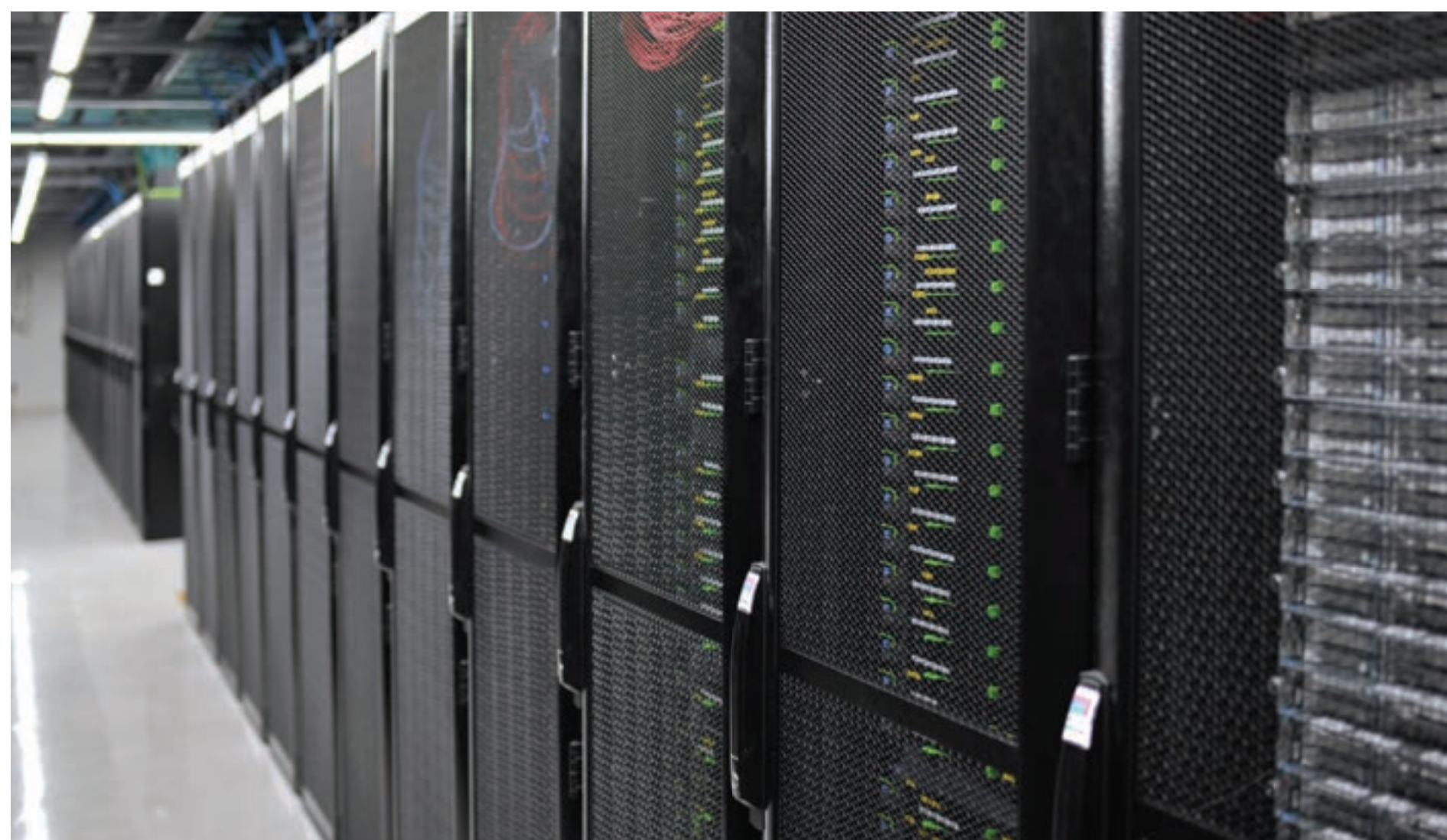
High-speed network with stability

The Tokyo, Osaka, and Hokkaido areas are connected with a redundant configuration at 100 Gbps or higher speeds. We achieve high processing capacity and stability by implementing load balancing using multiple line connections in areas where higher throughput is required.

Robust safety measures to keep operations running even during failur

We have adopted seismic control, seismic resistance, and seismic isolation structures that can withstand seismic intensity 6 or higher on the Japanese intensity scale, and the system is configured to continue operation in the event of failure, including the installation of a redundant uninterruptible power supply (UPS).

Ishikari Data Center



Largest suburban data center in Japan: A place for continuing the next challenge

The Ishikari Data Center is a suburban data center optimized for cloud computing, utilizing a vast site approximately 1.1 times the size of the Tokyo Dome. The data center is where we support our customers, take on the challenge of new initiatives, and implement updates tirelessly.

Aim for the highest standards in the world utilizing natural cooling

Buildings 1 and 2 of the Ishikari Data Center use a direct outside air-cooling system that brings cool outside air into the server room, while Building 3 uses outside air through an indirect outside air-cooling system to cool the refrigerant circulating between the outdoor and air-conditioning units, reducing power consumption by approximately 40% compared to a typical urban data center. The center has achieved the highest level of energy efficiency, even on a global scale.

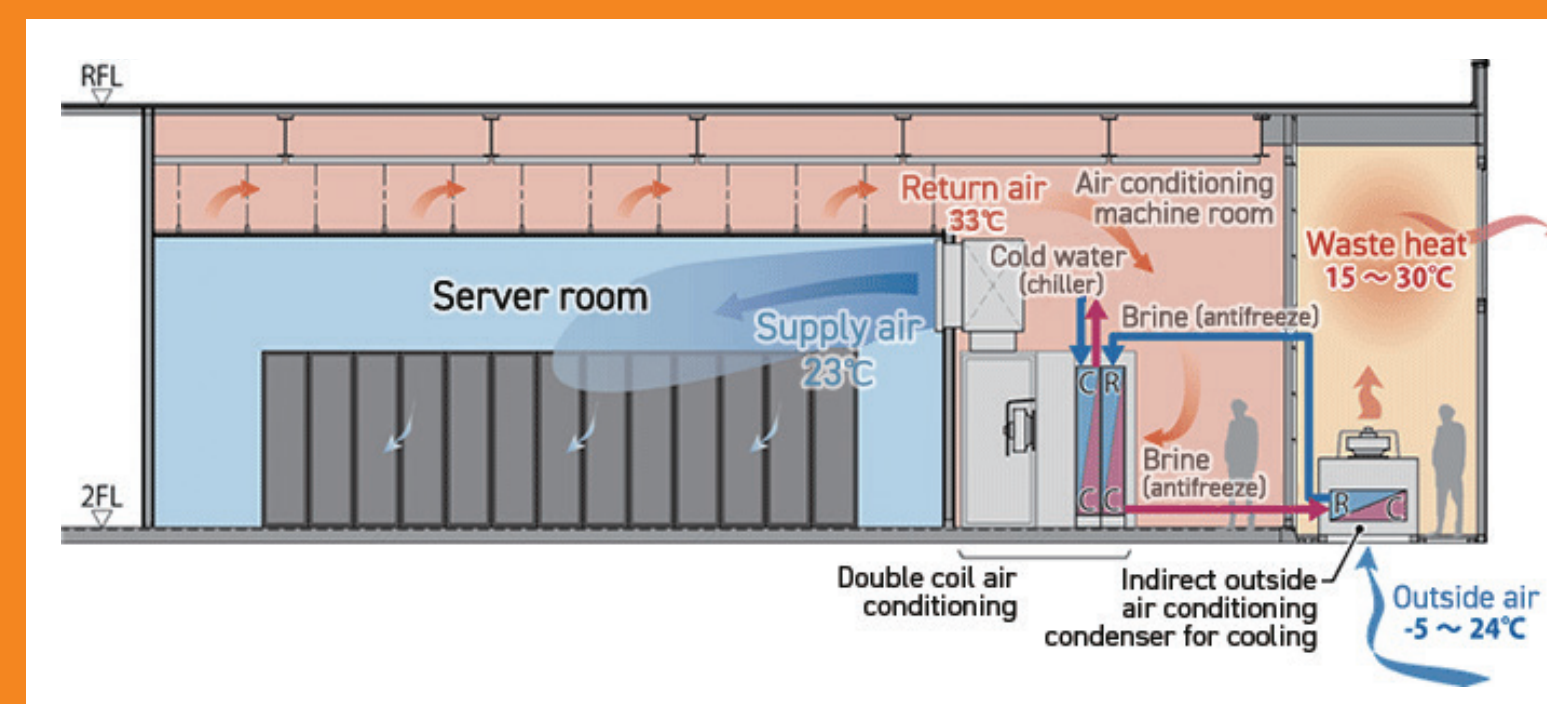
Environmental awareness: Realization of annual net zero CO2 emissions

Many companies with data centers are attempting to achieve annual net zero CO2 emissions from data centers that consume significant amounts of electricity. Our company achieved annual net zero CO2 emissions in 2022. We will strive to achieve annual net zero CO2 emissions and aim to operate data centers with even more environmental awareness in the future.

Overcome a significant blackout throughout Hokkaido

The entire Hokkaido region experienced a power outage during the 2018 Hokkaido Eastern Iburi earthquake, which recorded a maximum seismic intensity of 7. The available fuel supply for the emergency generator was enough for 48 hours, the same as that of a typical data center. We survived the disaster with the help of related organizations to supply the additional fuel needed, with no prospect of restoration of the power supply in Hokkaido. The duration of the outage was approximately 60 hours. Our team maintained operations by responding to inquiries and providing information in cooperation with the on-site engineers. This experience has been utilized in our current disaster-response measures.

▼ Ishikari Data Center Building No. 3, Indirect outside air-cooling system



Initiatives DX

Digitalization and promotion of DX to make the present and future of Japan freer

We have been focusing on education, regional revitalization, digitalization, and startups while looking 10 years into the future.
We are researching the future of IT in our research department while collaborating with various companies, students, and children.
We will achieve our aspirations with the power of the internet and move toward a freer future.



Startup support and regional revitalization with DX

SAKURA internet was founded as a startup and has been able to grow this far with the support from many companies regarding management and funding. We are working on supporting future generations from various perspectives to repay this debt. Unlike many IT companies, we have achieved a working style not limited to Tokyo. We contribute to regional revitalization by supporting startups and facilitating digital transformation (DX) in the area.

Toward genuine support for startups

To provide the support that startups need, we have established an environment where it is possible to engage in insightful communication with each company, such as having operation facilities in the startup company as a form of support. As a result, our employees have direct access to the employees of startups and have discussions with them about their needs.

Just providing financial support is not adequate for startups to grow. In addition to providing the necessary support at each stage, offering insights into long-term operational stability and cost-reduction methods are also important. We take a collaborative approach to share the knowledge and experience we have gained so far, offering advice on system development and providing servers free of charge for a limited period.

Startups often consult us on various aspects of company operations, including infrastructure and engineering know-how, and we take the time to support each com-

pany, adopting suitable approaches depending on the company to ultimately enable them to become self-sufficient. As a company that aims to foster the growth of the IT industry, we always consider whether our support to the startups can contribute to the industry's development. We provide support from a long-term perspective. Startups are highly passionate and have a solid determination to solve challenges. We do not just provide one-way support and are also constantly inspired by them. We consider ourselves partners who create new values and grow together.

Revitalization of the region, along with startup support

The number of employees working outside our Osaka headquarters and our Tokyo branch has tripled in the past 10 years. The shift to remote work has also contributed to the increase. We work with government branches nationwide that enthusiastically support startups, provide ongoing companion support, organize events for the local community, and revitalize the community.

For example, our Fukuoka office has been established as a collaborative hub for startup support and partnership with local governments. When Fukuoka City became a designated Global Startup and Job Creation Special Zone under the national strategic special zone framework, two of our employees moved to Fukuoka City to start marketing activities and understand the local conditions for startups. As a result, we opened an office based on the judgment that Fukuoka offers opportunities for further challenges, and the company can grow significantly. We launched Fukuoka Growth Next (FGN)—a support facility for startups and entrepreneurs—soon after the opening of our Fukuoka office and took direct responsibility for its operation. Since its opening, we have established numerous connections with startups and entrepreneurs from Fukuoka.

Okinawa digital transformation (DX) office (scheduled to open during FY 2023)

We will open the Okinawa DX office as a communication space, not only for the employees but also for customers and partners, and to recruit and train human resources for DX. We will also train engineers who will contribute to customer success and produce new engineers through joint research with academic institutions, organizing mutual education programs and internships. The government has actively taken up the challenge of creating an IT strategy in Okinawa Prefecture. We will work together to solve regional issues and realize a model for a developing city.



▲ Fukuoka Growth Next (FGN)

Photo by Ikonori Yamamoto

“Tellus” is a groundbreaking initiative that aims to create new value through the fusion of space and IT.

Tellus is a platform from Japan that can create new value by combining satellite data and IT. SAKURA internet is working on development and operations with the vision of creating new values through space and IT.



Origin of the name Tellus: Named after the goddess of the earth who appears in Roman mythology. We hope to create a more prosperous future on the earth that we inhabit by utilizing satellite data.



Tellus, a satellite data platform from Japan

Tellus provides an environment to create new businesses using satellite data, including data from government and commercial satellites. Some features include internet infrastructure such as cloud for satellite data analysis, educational content such as training and data analysis contests for utilizing satellite data, and owned media that introduces initiatives of Tellus and examples of satellite data utilization.

The innovative feature of Tellus is that any individual or researcher can now handle satellite data with ease. The volume of satellite data is significantly high and used to require several hours to download onto a computer in the past. Analysis of that data would require several additional hours depending on the purpose. Satellite data was limited in usability due to the high level of expertise and expensive processing equipment and software required. Tellus entered this scenario enabling a series of operations to be performed in the cloud, making satellite data readily available.

Leading the expanding space business by turning “WHAT YOU WANT TO DO” into “WHAT YOU CAN DO”

In Japan, satellite data is mostly used in primary industries such as agriculture and fishery. It has become possible to predict red tides and manage abandoned farmlands in mountainous areas utilizing Tellus. The user can decide what to achieve by using Tellus. Since anyone can easily use Tellus, the potential has expanded to many fields, including finance and real estate.

The Japan cabinet office aims to double the market size of the space industry by the early 2030s, as stated in the “Space Industry Vision 2030.” This is based on the usage situation in Europe and the United States, where private players have taken the lead, and more and more private companies are expected to enter the market in Japan in the future. In addition to developing and operating Tellus, our company will package Tellus with the cloud and develop applications using satellite data, contributing to

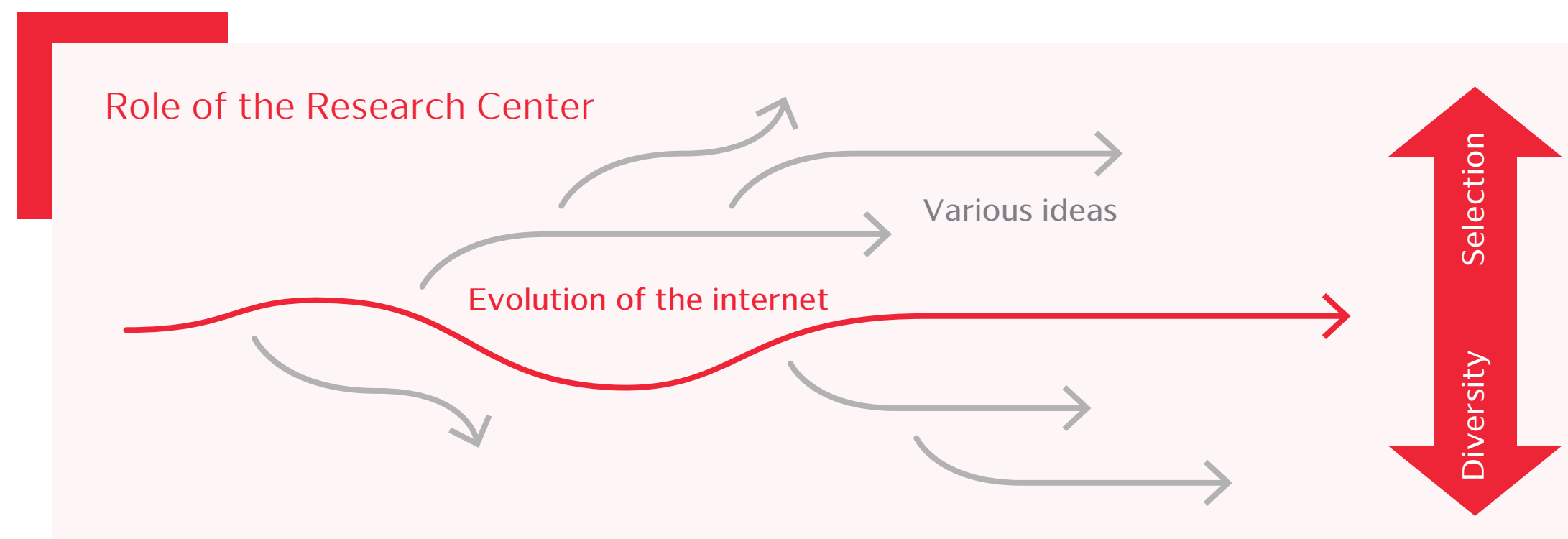
further market expansion. Information for utilization of satellite data is distributed on owned media “sorabatake” and is enhanced so that even beginners can enjoy it. We also hold AI and programming seminars for researchers and other satellite data experts. We are expanding the scope of Tellus applications, making the service user-friendly for everyone, and actively supporting the creation of new value in the world by turning people’s “WHAT YOU WANT TO DO” into “WHAT YOU CAN DO.”

What is satellite data?

To start with, it is data obtained from satellites. Since data can be collected over a wide area, the data can be used in various ways by combining it with ground data. Satellite data is particularly beneficial in primary industries such as agriculture and fisheries, which enables the prediction of the seasonality of crops and red tides. The data are also expected to be utilized more widely in various fields, such as finance and real estate.

SAKURA internet Research Center pursuing “Looks interesting!”

SAKURA internet Research Center was established in 2009, when an in-house research center was still rare in IT companies, with a stated objective to “Conduct research on Internet technologies and contribute to society and the company through the dissemination and use of the results.” Our unique researchers with a passion for the internet are working toward the growth of our company and contributing to society as a whole.



Contributing to the birth of SAKURA Cloud

Our service, SAKURA Cloud, is one of the research achievements of our research center. The research center started with only one engineer from the development department. Soon after, three more colleagues joined and decided, “Let’s do what others will not do!” They held study sessions to increase their knowledge of new technologies and fields and dedicated themselves to conducting research in fields of their interest. The research included servers, networking, storage, and bringing technologies, which at the time were far from the internet world, into internet communications. The idea of commercializing cloud services emerged within our company at that time. Such development tasks were originally the responsibility of the development department. However, since the development department was fully occupied with developing other services, the research center took responsibility. Coincidentally, the research interests of each of those researchers mentioned earlier happened to be related to the foundation of cloud technology, so the development required less time. After starting service development, we responded with a sense of urgency and obtained assistance from other departments for programming and development, and SAKURA Cloud was launched in 2011.

How are the research themes determined?

When researchers consider new research themes, they proceed with their research in line with the center’s vision. However, the vision is respected without being forced, and individuals actively work on topics they want to do or find interesting. Just as the interests of our researchers led to the creation of SAKURA Cloud, we value the ability to look ahead, prepare many research options, and use them when feasible.

Diverse members enliven the research center.

The research center, which started with one researcher in 2009, now has 12 researchers. Research results are published in papers and actively disseminated. The commitment to pursuing the research interests of all the researchers, who have strengths in various fields, has remained unchanged since its inception. There are many unique researchers in the research center, including a famous researcher in the industry who works across research center of other companies, a researcher who once worked as a firefighter after the Great East Japan

Earthquake, and a researcher who is an authority on SRE (site reliability engineering).¹ The researchers meet weekly online to report on their activities and mutually share their research.

¹: A concept to enhance the operation of services and systems to achieve better reliability, and the role of engineers who are responsible for this work.

Researching the future of IT

In this era of cloud computing, the research center believes that the current data center structure will reach its limit in a few years and is researching new forms of data centers, including “the hyper-individual data center concept.”

It is predicted that data centers will become even more decentralized in the future, utilizing the semi-centralized hierarchy of edge computing, and data center-like functions will be blended into all devices and locations. While each computing unit will function as an independent entity, they will appear to be unified, with the small and medium data centers serving as hubs, resulting in a well-connected structure. The “dispersed individual data center” and “centralized individual data centers forming a cluster” are considered to be “hyper-individual data centers,” and the environment where each computing system is autonomous and takes on a hybrid structure of distributed and centralized computing is defined as a “hyper-individual data center concept.”

Initiatives in the education field to create the next generation of IT professionals

SAKURA internet provides IT education for children and students, hoping they will know the joy of programming and acquire advanced IT skills to play an active role in society. These initiatives contribute to the future IT workforce as the shortage of highly skilled IT professionals is becoming a societal problem.



KidsVenture

KidsVenture is a program run by six companies, including ours, intending to “give children an opportunity to experience electronics and programming.” The workshop mainly comprises electronics work using a soldering iron to assemble a children’s computer called IchigoJam,¹ which is exclusively meant for programming, and game programming using the assembled IchigoJam. The children who participate have varying levels of comprehension as this program is aimed at elementary school students from grades 1 to 6.

In KidsVenture, we watch over the children’s efforts and occasionally provide support, devising ways by which all the participants can enjoy themselves without getting bored.

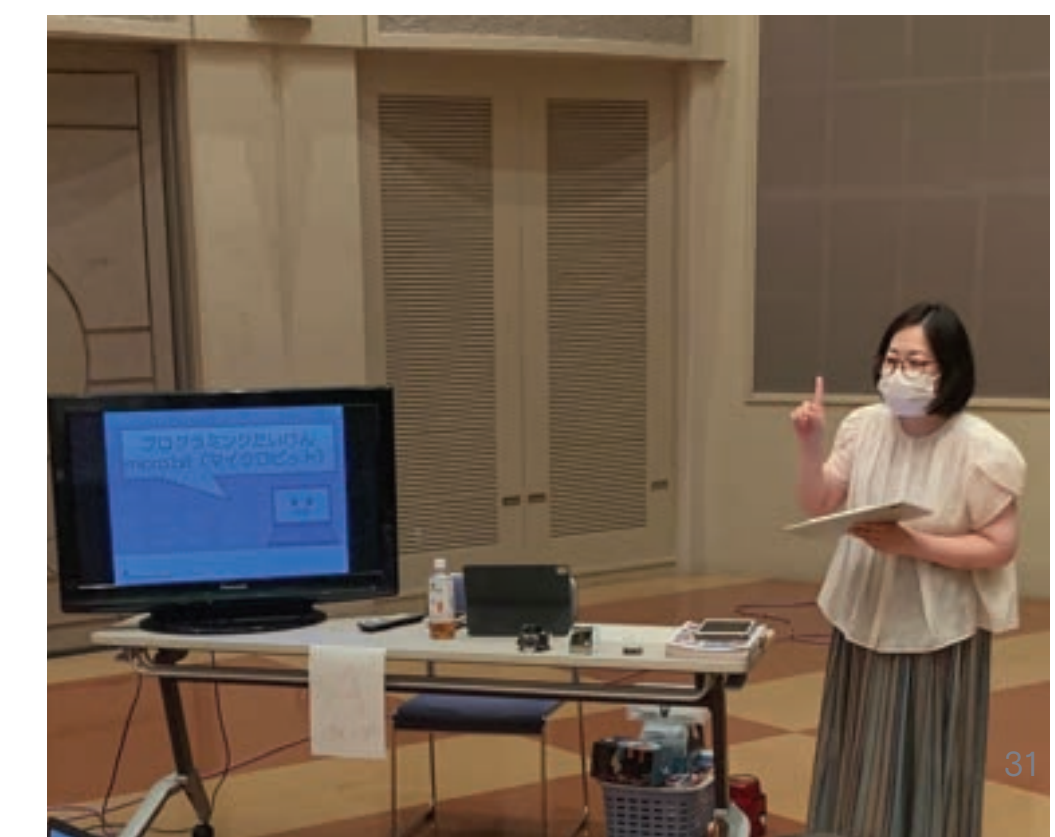
¹ IchigoJam is a registered trademark of jig.jp Co., Ltd.

Projects to support colleges of technology

We are engaged in educational support activities for students at colleges of technology across Japan. We have been sponsoring the National College of Technology Programming Contest for over 10 years and have also held hands-on sessions using our services at Kochi National College of Technology. This is the first hands-on experience in IT platforms for students. We are considering further support to contribute to creating the next generation of IT professionals.

Support for schools and educational communities

We are conducting research and disseminating information on support for schools by private companies as part of our SAKURA School Support Project by conducting special classes at elementary schools in Ishikari City, Hokkaido. For example, we provide support to educational communities and selected schools through funding and sponsorship to improve the learning environment, such as providing SAKURA Cloud free of charge to CoderDojo, a nonprofit programming platform for children with more than 200 locations nationwide. We provide rental servers and other learning environments free of charge to students of Digital Hollywood, a school specializing in creative learning. We also make contributions to “Kamiyama Marugoto Kosen,” where one can learn technology, design, and entrepreneurship simultaneously, by using the corporate version of hometown tax payment, and sponsoring the World Conference on Computers in Education (WCCE). We received the Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology (Public Understanding Promotion Category) in 2021 in recognition of our contribution to the dissemination of programming education.



Contribute to the DX of society with SIMs and platforms for the IoT (Internet of Things)

SAKURA internet is establishing a specialized department for IoT business, intending to create a society where anyone can easily implement IoT. We are steadily advancing on a path where we can contribute to society's digital transformation (DX) while providing and developing services primarily for corporations.



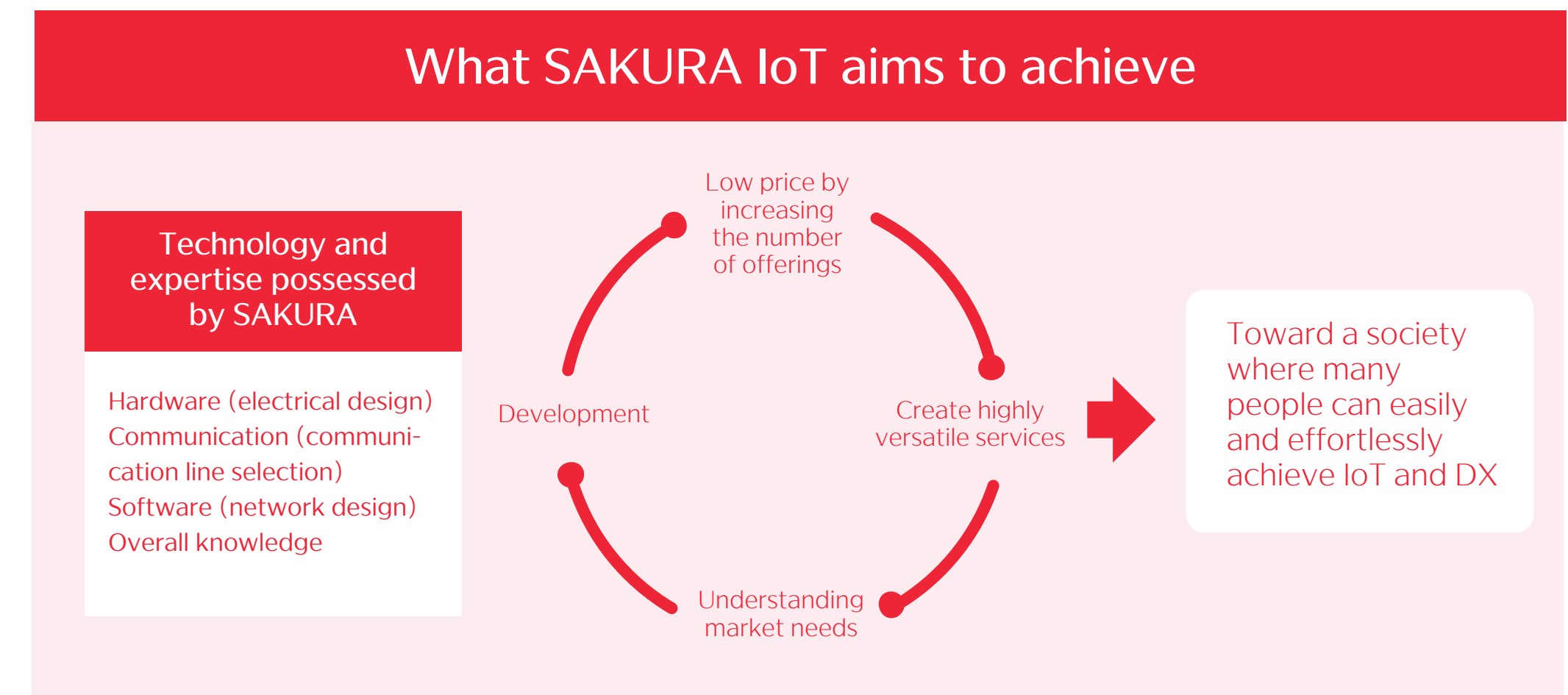
Develop SIMs and platforms for IoT

In addition to specialized skills and knowledge in multiple fields, a comprehensive insight into the process is required to realize the IoT that connects various objects and devices. In addition to engineers with expertise in the hardware (e.g., electrical design and component selection), telecommunications (communication line selection and network development) and software (e.g., network design) domains, we have engineers with extensive knowledge in multiple fields enabling us to prepare proposals by accurately understanding the market needs through direct interaction with our customers in various fields.

Open specification allows products to be used widely

We developed SAKURA Secure Mobile Connect, a mobile network service for the IoT and SAKURA IoT Platform, a platform that makes IoT construction easier from our understanding of the market needs and making proposals continuously to customers. The IoT department examines and develops specifications supporting a wide range of cases for service implementation instead of developing from scratch and delivering complete custom solutions to individual companies.

For SAKURA Secure Mobile Connect and SAKURA IoT Platform, we actively disclose the information customers require, such as manuals, application examples, and design



information of devices that have undergone operational verification. By making the information open and accessible to a broader range of industries and more people, we ensure that our customers will find it easier to consider and adopt our services.

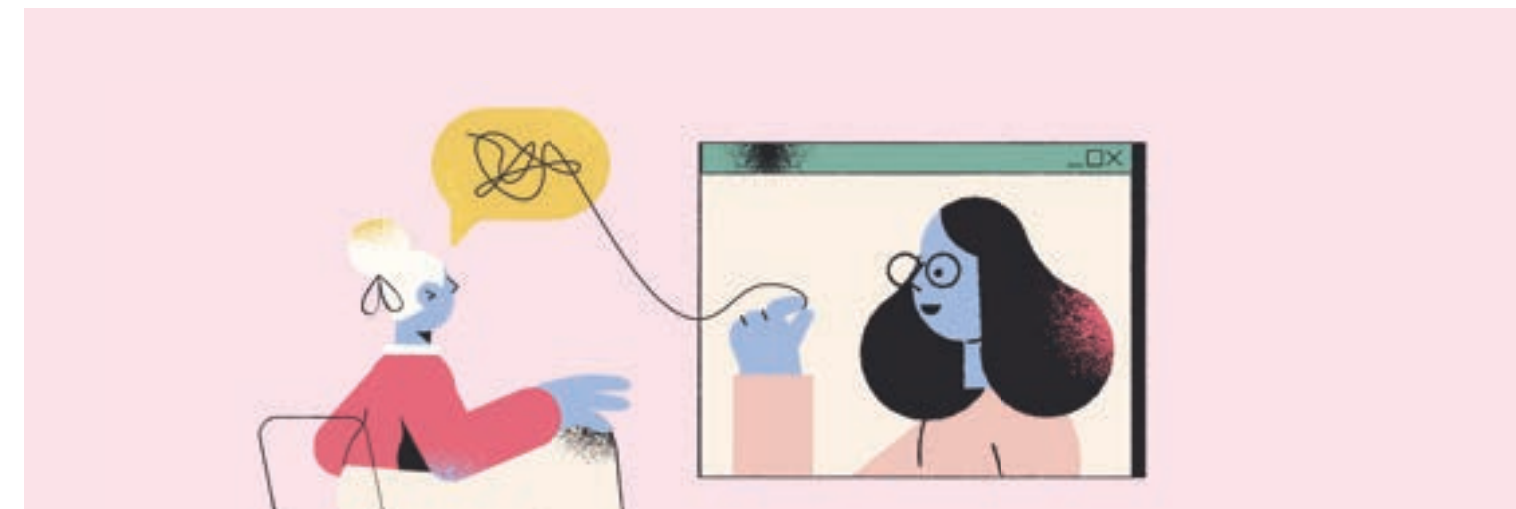
Aiming for an IoT- and DX-enabled society

We mainly provide services to companies engaged in large-scale IoT applications such as social infrastructure or have engineers with expertise in this area. We also

strive to further promote IoT by speaking at events where IoT developers gather and by actively publishing case studies on our website. We aim to expand the scope further and improve our services so that soon companies and individuals without IoT knowledge or technical skills can easily implement IoT and realize DX using our services.

Expand your horizons through personnel exchange and as an advisor

We have exchanges with companies in different industries through mutual employee transfers and as advisors, providing the knowledge and expertise of SAKURA internet while contributing to revitalizing our internal activities.



Grow together through mutual employee transfers



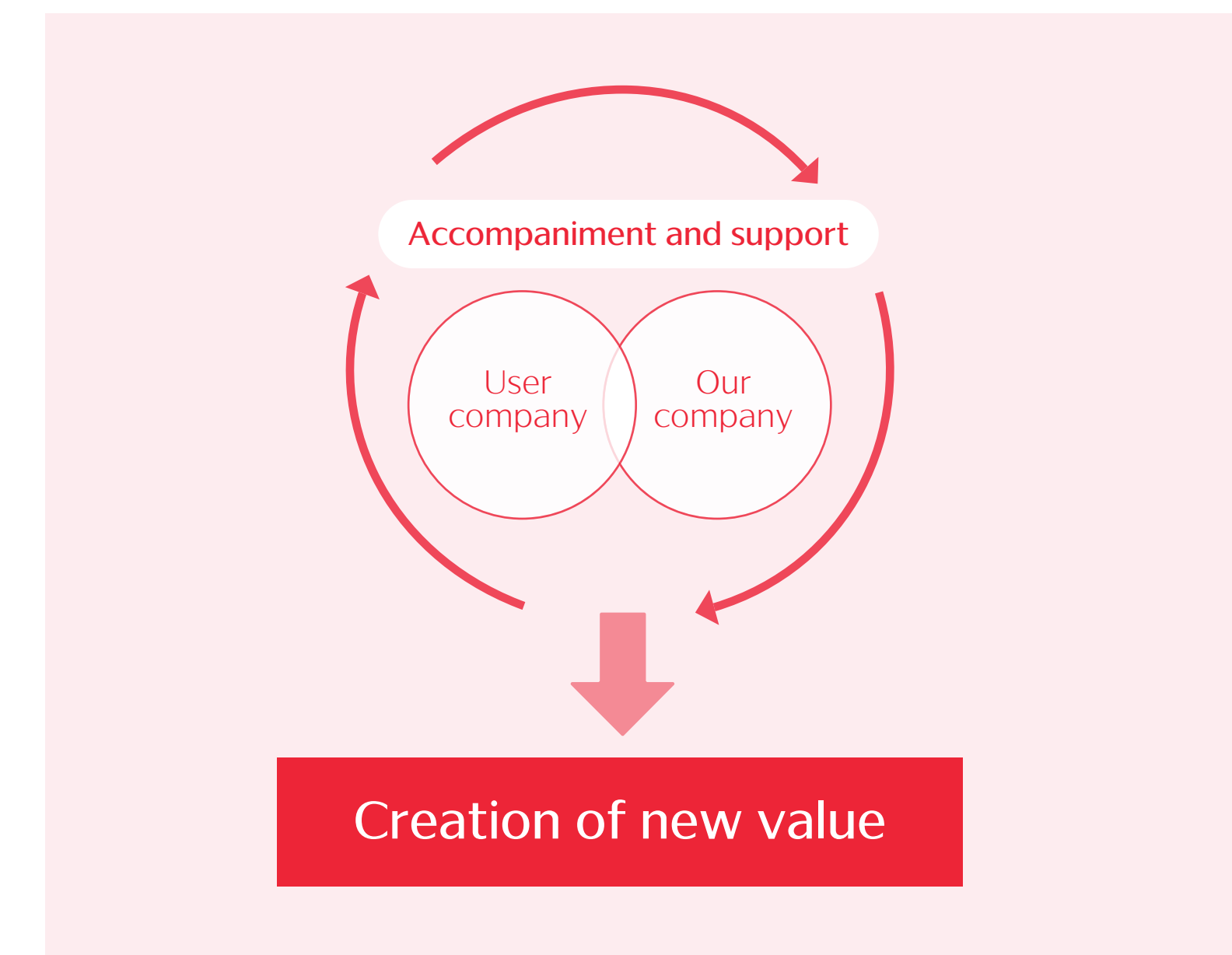
We have personnel exchanges with the Royal Hotel Co., Ltd., which operates the Rihga Royal Hotel chain, wherein employees are temporarily relocated to each other's companies. The advantage for our company is that learning about hospitality from the Royal Hotel will improve our Customer Success (CS), and we can create services that meet the needs of society better than ever before. On the other hand, the Royal Hotels aim to promote DX by learning IT skills, including cloud computing services. We believe there is value in personnel exchanges for the experience of working in a different environment and the opportunity to collaborate with external professionals. This will expose the personnel to stimulation by professionals from different corporate cultures, enabling them to reaffirm the value of their work and broaden their perspectives.

Aiming to promote Digital Transformation (DX) throughout Japan

Personnel exchange contributes to the revitalization of the industry. The Software Association of Japan (SAJ), chaired by our President and CEO, Mr. Tanaka, also encourages interactions with external communities and organizations. Active exchanges will also provide opportunities to support various companies that want to take on the challenge of cloud business and digitalization. There is a shortage of IT personnel in industries other than IT companies in Japan, leading to continued reliance on outsourcing. We believe that these activities will contribute to solving this issue, thus contributing to the promotion of DX across Japan.

Contribute to the DX of startups

Our company supports startup companies and entered into an advisory agreement with Sketchbook in 2022 to realize their vision of "Making children and everyone involved with children HAPPY!" Sketchbook is a company that aims to improve the efficiency of childcare centers and proposes creating an environment where individuals can interact with children using the time saved, leading to a fulfilling and rewarding experience. Specific support includes advice on service development and the establishment of an engineering team, "IT infrastructure design," "Development cycles, DevOps and other software development methodologies," and "Engineer recruitment and organization building". We will continue to support people who take on challenges with enthusiasm and contribute to the digital transformation (DX) of society as a whole, based on our vision of turning "WHAT YOU WANT TO DO" into "WHAT YOU CAN DO."



Specific Initiatives (Case Studies)

We find out the “WHAT YOU WANT TO DO” of customers through repeated dialogue and solving problems together through the internet.
We will explore the future by discussing our immediate successes and mutually sharing our visions.



NetSTAR, Inc.



Case study:

NetSTAR, Inc.

Protecting companies and children
with web filtering:

Security on the internet supported
by "SAKURA Cloud"

Target service overview

Filtering product

NetSTAR, Inc. offers a filtering software product for companies and schools that blocks harmful sites on the internet. This cloud-based service can be used safely and securely anytime, by anyone, from anywhere, and using any device.

NetSTAR. Inc. (hereinafter referred to as NetSTAR) has been using SAKURA Cloud for its filtering products since the commencement of its services. The service has been adopted by many companies and schools that want to use the internet securely, leading to the growth of the service. Currently, NetSTAR is using our services at multiple locations in the Tokyo and Ishikari regions as a safeguard in the case of a disaster or failure.

Takayuki TAKAHASHI and Kenichi FUJIMOTO of our company, with Masato YAZAWA as a facilitator, interviewed Mr. Yasuaki ARAKAWA of NetSTAR about the reasons why NetSTAR decided to use SAKURA Cloud, their impressions of the service, and their future outlook.

When NetStar was considering a migration to the cloud for their services, what was the reason for choosing SAKURA Cloud?

Yazawa: Currently, NetSTAR is using SAKURA Cloud. Could you share the reasons that led you to choose our service?

Mr. Arakawa: Initially, we used SAKURA VPS and SAKURA Rental Server for in-house development. Then, I met Mr. Takahashi at a technology exchange meeting, and I became interested in the cloud, and I wanted to use the cloud sooner or later. As time went by and the cloud became popular, we decided to migrate to cloud services, and that was when SAKURA Cloud came up as an option.

Takahashi: I believe it was in 2015. I remember it all started when we learned that you were considering using the cloud, and we would guide you through the staging

environment.

Yazawa: Did you compare SAKURA Cloud with other services before deciding?

Mr. Arakawa: We compared the services of 2 or 3 companies. We were the first company to launch a full-scale cloud service then. We had been using SAKURA's service without any technical issues, and we had to inevitably pass on the cost of cloud computing to the price of our services since we also develop services for our customers. The factor that led us to choose SAKURA Cloud was its cost advantage. Thanks to your company, we have offered our services to our customers at a reasonable cost.

Yazawa: I understand that your NetSTAR filtering products, which your company is developing, are experiencing growth, partly due to the GIGA School Program ¹ of the MEXT. In this context, did you have to make any innovations to use SAKURA Cloud?

Mr. Arakawa: When we migrated to the cloud, the implementation was smooth, but the service grew rapidly, and we had a tough time scaling up. Scaling up, redundancy, stability, and security. After all, these are the areas where we receive the most customer inquiries.

Accelerate rapidly growing services further in collaboration with SAKURA's people and technology

Yazawa: What aspects did our SAKURA sales representatives have in mind, including these, when working on their tasks?

Fujimoto: Since companies and schools use your [NetSTAR] company's filtering products, it is an essential prerequisite that problems should not arise, especially during working hours. We have established a system where we can immediately contact each other in case of any operational issues. In addition, we maintain close communication with the development team regarding service-related matters. However, unexpected events can still occur. That is why we place significant importance on close daily coordination.

Takahashi: We recognize the importance of such coordination and have ensured that the in-house team that provides cloud business can act quickly.

Mr. Arakawa: Since our service is used during classes by

students and children, classes cannot be conducted in the event of an outage. That's why I believe redundancy is especially important. When we started using SAKURA Cloud, we initially thought Tokyo and Ishikari regions would be enough. However, it became clear that having multiple locations was necessary as the number of users increased. This particular aspect was something we discussed with SAKURA internet for guidance.

Fujimoto: We finalized the requirements and specifications about two months after receiving the project brief. Currently, we have configured servers in all regions in Tokyo and Ishikari. After the specifications were finalized, NetSTAR gradually built the system, and the implementation was completed on schedule in about six months. I was impressed that they did it all at once and with precision after they started creating the system.



▲ Mr. Yasuaki ARAKAWA, Director, NetSTAR

▼ Mr. Yasuaki ARAKAWA, Director, NetSTAR (Center left)
 Masato YAZAWA, Senior Director, Sales Department, CS Division(Left) / Takayuki TAKAHASHI, Executive Officer (Center right) /
 Kenichi FUJIMOTO, Leader, Sales Department, CS Division(Right), SAKURA internet



Yazawa: How did using SAKURA Cloud benefit you?

Mr. Arakawa: There may be different perspectives on this, but to be honest, there are many cloud providers, and I think the benefits of migration from on premises² to the cloud would be the same. However, the most significant benefit of using SAKURA internet's service is the ease with which we can communicate closely with them like this. A prompt response whenever we have any problem is the most valuable aspect. They propose various possibilities even for seemingly impossible requests, which is the most significant advantage. I have heard from our field personnel that everyone at SAKURA is highly knowledgeable in technology, and our engineers find it easy to

have technical discussions with them. Since our company specializes in development, our engineers meet with people outside the company. Resolving our concerns on the spot is highly convenient, which is also why we can move forward so quickly.

Yazawa: Thank you. I'm glad to hear that because our company also focuses on this area. Do you have any feedback, including from the end users?

Mr. Arakawa: Customers seem to have changed their mindset, particularly in the past two or three years and are increasingly recognizing the significance of service security. Since our filtering products are used by

a wide range of users, we get more queries whenever security-related news becomes a topic of discussion. That said, we feel that security is of particular importance.

Aspiring to contribute to the development of education and IT by honing our skills

Yazawa: Finally, I want to ask about the outlook of both companies.

Mr. Arakawa: First, the pressing issues are stable operation and scale-out of the SAKURA Cloud we currently use, and we want to work together on this aspect. I believe there are many opportunities for both companies to leverage their strengths. Currently, we are engaged in overseas business as well. Do let us know if SAKURA internet also intends to venture abroad.

Takahashi: We are also exploring overseas markets. We want to hear more about your overseas business next time. Also, regarding internet security, there is still much work to be done in Japan, and we would like to take up such activities with you. Since your company's services are extensively used in the education sector, there might be an opportunity for school-IT collaboration toward digital transformation (DX).

Mr. Arakawa: I agree. I hear from users in the education sector that everyone thinks we should move ahead with DX. However, the burden of implementation will be on the teachers. Teachers have to manage maintenance and operation even if multiple devices are installed. I believe we can make significant progress if this problem can be solved.

Takahashi: It would be interesting to establish a mechanism that can effectively support the educational field, whether by creating a state where they can handle it

themselves or with external assistance.

Fujimoto: The keywords, school and education, are certainly interesting. I want to convey the importance of filtering not only to teachers, children, and students but also to parents. I believe that filtering services need to be firmly established. Today's discussion has reminded me that we should provide our services with a renewed focus on safety and security.

Yazawa: Since both our companies have solutions that contribute to education and IT, let's continue to inspire each other and strive for improvement, aiming to engage in activities that benefit people and society.

[Interview date: December 6, 2022]

- 1: A MEXT initiative started in 2019 for children and students across Japan, under which each child and student will be provided with one computer and a high-speed network.
- 2: Management and operation of servers are performed at the company's facility.

NetSTAR Inc.

Shirokanedai Building 7F, 3-2-10 Shirokanedai, Minato-ku, Tokyo

Business description: Development of products and services related to URL filtering and information security.

A company in the group of Alps System Integration (ALSI). The company develops web filtering services with a proven track record including corporations, government agencies, and educational institutions.

Case study:

HENNGE K. K.

Business was to deliver customers' important information reliably:

The reason why SAKURA Cloud was chosen for the email delivery.

Target service overview

Customers' Mail Cloud

A mail delivery service that can deliver notification emails to users with a high delivery rate.

Emails can be sent easily and reliably using cloud technology.



HENNGE K. K. (hereinafter referred to as HENNGE) offers customers Customers' Mail Cloud, a messaging platform that focuses on high delivery rate, high availability, and high security as its core values. The company uses the SAKURA Cloud service provided in the Tokyo and Ishikari regions. Takayuki TAKAHASHI, Masato YAZAWA, and Yosuke KOSUGI of our company interviewed Mr. Kazuaki MIYAMOTO and Mr. Masahiro OKUBO of HENNGE about why they chose SAKURA Cloud, their impressions after using it, additional requirements, and future outlook.



▲ Mr. Kazuaki MIYAMOTO, Executive Vice President, HENNGE

Reliability and importance of connecting businesses and customers through email

Yazawa: Please tell us about the features of HENNGE's email delivery business, reflecting on when the service was first launched in 2000.

Mr. Miyamoto: When we launched the business, sending sales emails directly to customers translated into increased revenue, and we could ride the wave smoothly.

Mr. Okubo: Email delivery had various applications back then, and many companies specialized in marketing and sales support, such as email campaigns.

Yazawa: Indeed, many email delivery services primarily focused on sending emails during that time. While high-speed delivery and cost emerged as differentiating factors, there was no maturity in added value.

Mr. Okubo: I agree. In this context, as we contemplated what truly constitutes important emails, we also discovered our unique strengths. Companies operating B to C businesses have millions of customers, and effective communication with the customers is essential. However, even today, email is the only available means to send information to many people at once. For example, credit card companies constantly email credit card statements every month. However, the credit card user will not know when the bill is settled if that email is not delivered. Ensuring that important information reaches customers reliably is of utmost importance. Our company's idea was to provide the reliability of digital communication to connect such companies with their customers.

Yazawa: I see. I now understand the necessity and importance of ensuring the reliable delivery of emails.

However, those in positions of responsibility at email delivery companies may not be proficient at these tasks.

Mr. Okubo: IT services and technology are often perceived as challenging and tend to be avoided. That is why our primary goal is to develop services that are secure, user-friendly, and accessible to everyone.

Why did you choose SAKURA Cloud for the email delivery service?

Kosugi: In 2017, you consulted with us, and in 2018 you initiated the implementation and verification of your service infrastructure on SAKURA Cloud.

Mr. Okubo: We had the impression that SAKURA excels in servers and networks. There were several reasons for choosing SAKURA Cloud. One reason is the ability to obtain IP addresses reliably. The other is the availability of IP addresses with a strong reputation. ISPs regularly assess the reputation of the source IP addresses, and we take an approach that prioritizes security when providing services by allocating a dedicated IP address to each user instead of sharing IP addresses that may significantly impact the overall service. Therefore, there is a linear increase in the need for IP addresses as our service grows, and we chose SAKURA internet because they can reliably and consistently procure trusted IP addresses.

Takahashi: I understand that Mr. Okubo has extensive knowledge and expertise in infrastructure.

Mr. Okubo: We have experience purchasing equipment from manufacturers and setting it up ourselves, and the expertise gained from that experience is also beneficial when choosing infrastructure as a service (IaaS). Specifically,

▼ Mr. Masahiro OKUBO,
Division Manager, Messaging Business Division, HENNGE



I believe that when using a cloud server, the assumption is that it should be built with the expectation that failures will occur. Therefore, it is better to set up servers in two locations rather than one. We sometimes receive requests from customers who want the servers to be set up in Japan. The fact that SAKURA internet provides its services from two locations in Japan, one in Tokyo and the other in Ishikari City, was a major deciding factor for us.

Appreciation for being able to use servers smoothly and without stress

Yazawa: I have asked you the reasons for your selection, but could you also please share your impressions of actually using SAKURA Cloud?

Mr. Okubo: After using SAKURA Cloud for about three years, stability and server performance are its notable strengths. We feel secure with the network since SAKURA internet offers a robust backbone line and wide bandwidth. Since we use Terraform and Ansible to automate our system construction, we were very grateful we could get reliable access to Terraform provider. We have tried other cloud providers before, and we experienced a noticeable sluggishness in their performance and apparent differences in response times. Indeed, we strive to deliver a production environment to our customers within approximately an hour, including the setup process, and we are grateful to you that we can create such an environment and enable our customers to use it without stress.

Takahashi: Thank you. It is encouraging to know that you value the strength of SAKURA Cloud.

Mr. Okubo: We believe that there are some aspects of your approach to system faults that we can learn from. We are required to engage with our customers to provide our services, and inevitable failures cannot be prevented when operating IT services. We feel reassured since SAKURA internet provides honest explanations about incidents, their cause, and their solution. While it is important to prioritize the prevention of failures, sincerity in addressing and reporting incidents when they occur also contributes to building trust.

Kosugi: Since cloud services tend to be a black box, when

addressing a problem, we do our best to explain as much as possible to the end users during our response. We are delighted to hear that our efforts are being understood. On the other hand, do you have any requests or requirements regarding the functionality?

Mr. Okubo: Well, let me think. Our service follows a structure of lining up small instances side by side and scaling out, so we have grown our business without experiencing any challenges from the specification perspective. On the other hand, security compliance is becoming a challenge. I believe SAKURA internet is blocking various attacks we are unaware of. However, there are many cases where network layer security such as IDS/IPS¹ is required; therefore, we would like a managed service.

Challenging environment that engineers can try out with ease

Kosugi: Lastly, please share your outlook on what you would like to achieve or work on using the cloud services of our company.

Mr. Miyamoto: Okay. The networking industry experiences frequent technological innovations, making it difficult to predict what will be popular in 5 or 10 years. I believe an environment that allows for easy experimentation and adjustment is important. I hope to have such an environment within Japan. Considering that SAKURA internet has centers in Japan, I believe there is a demand for the environment you provide.

Takahashi: Definitely. On the other hand, Japan is still significantly behind in migrating networks to the cloud. Considering the future inflow from overseas, we see this as an opportunity and believe it is important for our company to capitalize on this by consolidating our two centers in Japan into one large platform.

▼ SAKURA internet (from left) Masato YAZAWA, Senior Director, Sales Department, CS Division / Takayuki TAKAHASHI, Executive Officer / Yosuke KOSUGI, Leader, Sales Department, CS Division



Mr. Okubo: The demand for DX is expected to increase despite the decreasing number of engineers due to the declining birthrate. Our current outlook is focused on providing various forms of technical support.

Takahashi: I believe the power of digital technology becomes crucial in these unpredictable times. We hope to build a partnership with your company that will enable us to navigate and enjoy these times with strength and resilience. We look forward to working with you in the future. Thank you very much for your time today.

[Interview date: December 14, 2022]

¹: Systems to detect and prevent unauthorized access to networks/servers

HENNGE K. K.

16-28 Nanpeidaicho, Shibuya, Tokyo
Daiwa Shibuya Square

Description of business: Development and sales of unique services that bridge the gap between technology and reality with the philosophy "Liberation of Technology."

Development and sales of HENNGEOne, a software as a service (SaaS) authentication platform, identity as a service (IDaaS), and Customers' Mail Cloud, a cloud-based email delivery service.

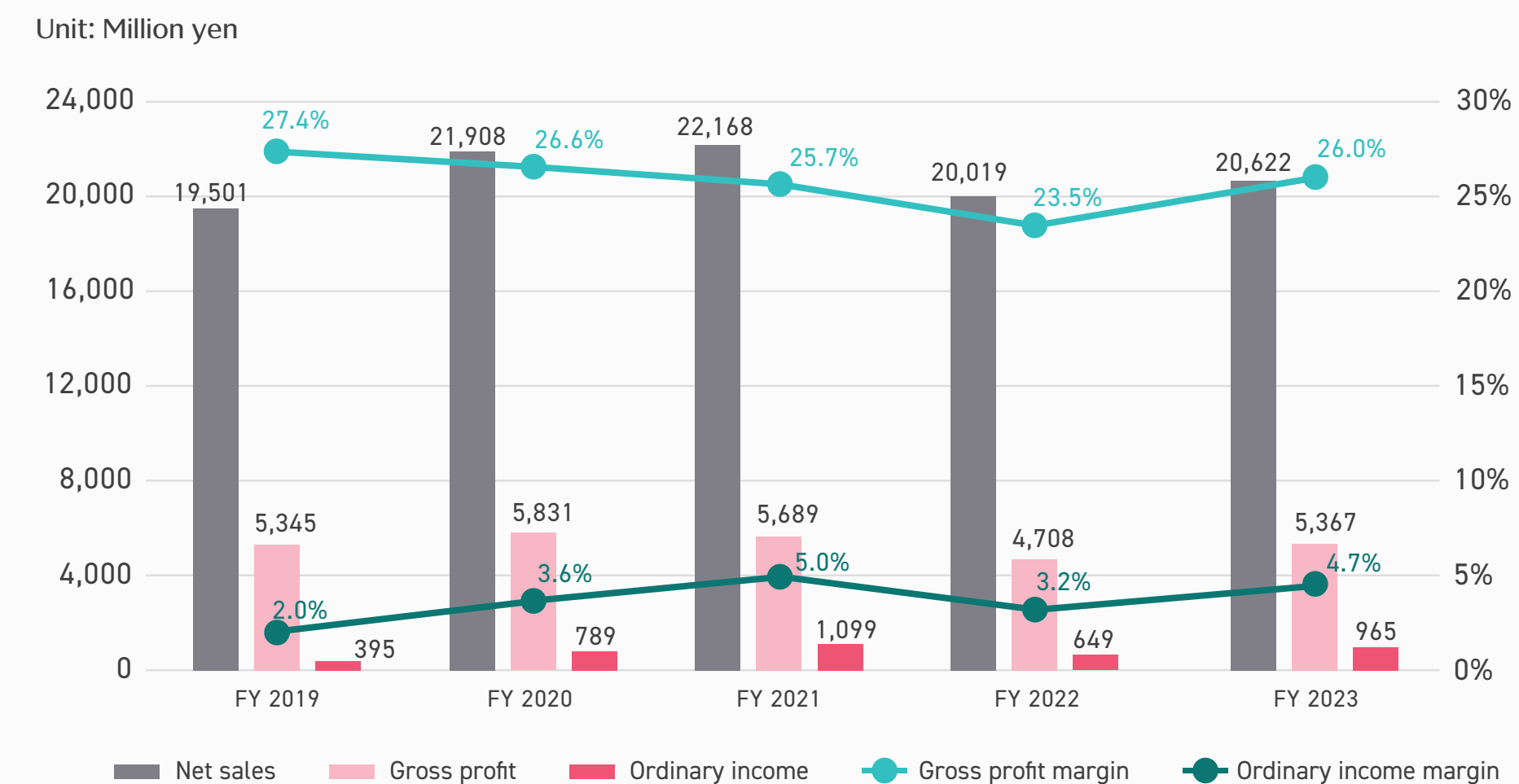
Company information

Introduction to our security initiatives, governance structure, business performance, and group companies.

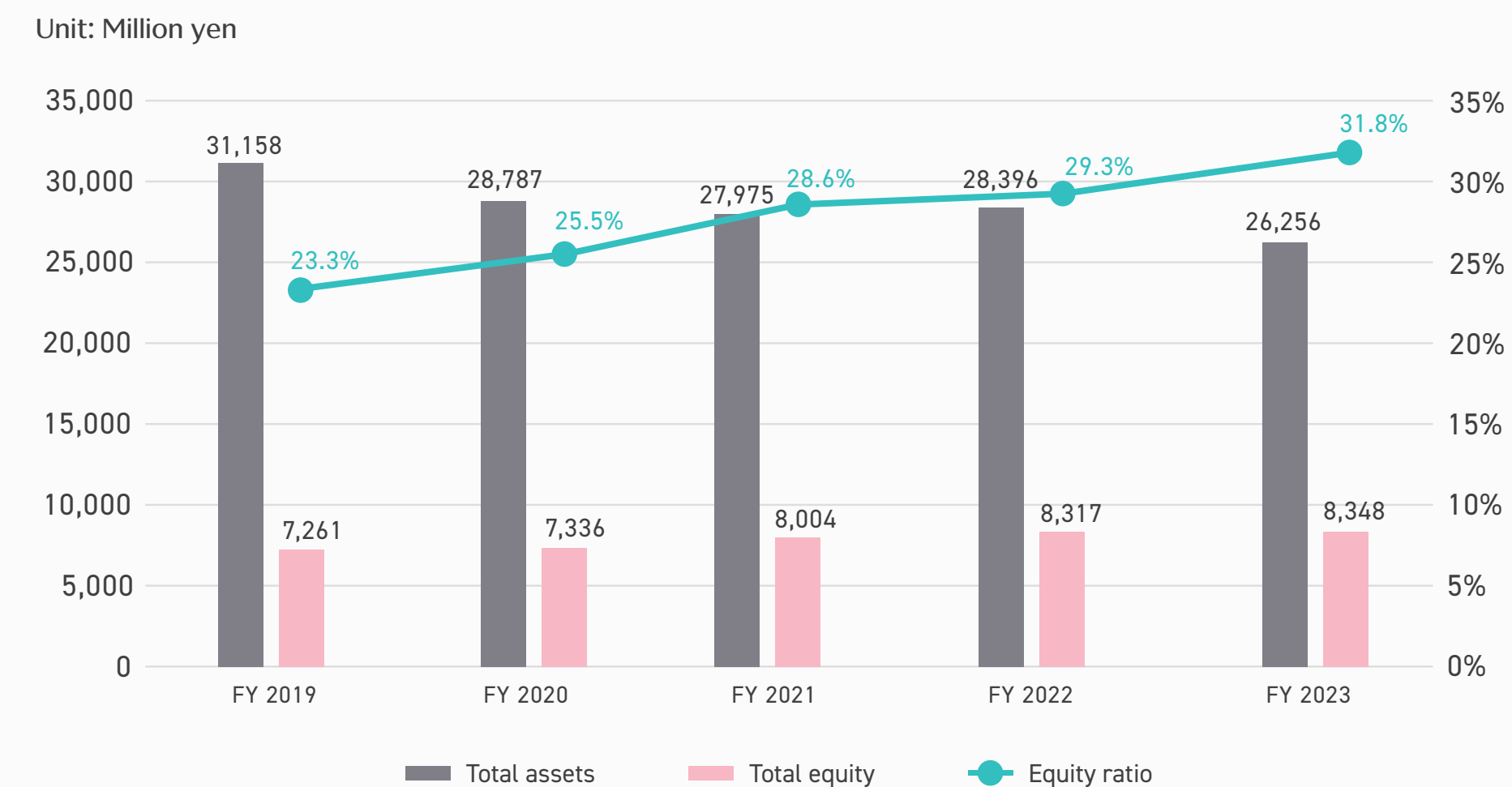
Consolidated performance highlights

Period	20	21	22	23	24
Financial year and month	March 2019	March 2020	March 2021	March 2022	March 2023
Net sales (Thousand yen)	19,501,463	21,908,899	22,168,022	20,019,177	20,622,900
Ordinary income (Thousand yen)	395,841	789,644	1,099,678	649,431	965,830
Net income attributable to shareholders of the parent company for the current fiscal year (Thousand yen)	91,639	160,091	758,363	275,451	666,551
Comprehensive income (Thousand yen)	148,501	206,464	780,586	303,671	678,736
Net assets (Thousand yen)	7,344,144	7,424,308	8,113,694	8,449,929	8,486,139
Total assets (Thousand yen)	31,158,936	28,787,225	27,975,406	28,396,327	26,256,109
Net assets per share (Yen)	199.06	201.10	219.41	228.01	234.10
Earnings per share (Yen)	2.44	4.39	20.79	7.55	18.29
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	23.3	25.5	28.6	29.3	31.8
ROE (%)	1.2	2.2	9.9	3.4	8.0
PER (Times)	202.7	106.2	37.6	75.5	33.9
Cash flows from operating activities (Thousand yen)	2,231,274	4,582,193	4,110,636	3,957,746	3,963,420
Cash flows from investing activities (Thousand yen)	△ 2,576,277	△ 2,973,593	△ 1,359,506	△ 1,674,766	△ 606,129
Cash flows from financing activities (Thousand yen)	1,237,580	△ 2,541,492	△ 3,148,706	△ 1,005,276	△ 3,999,374
Cash & cash equivalents at the end of the year (Thousand yen)	5,505,373	4,572,321	4,174,765	5,452,592	4,810,628
Number of employees (Persons) [Others, average temporary employees]	652 [70]	694 [61]	706 [41]	710 [24]	755 [25]
Dividends per share (Yen)	2.50	2.50	3.00	3.00	3.50

Profit and loss transition (Consolidated)



Transition of assets (Consolidated)



Directors and Executive Officers

 <p>Founder & CEO, President</p> <p>Kunihiro TANAKA</p> <p>Areas of Expertise: General management and administration / Entrepreneurship and startup Mentor (startups/engineers)/ organization and work style reform</p>	 <p>Director, Chief Financial Officer</p> <p>Masataka KAWADA</p> <p>Areas of Expertise: Finance and general management business</p>	 <p>Director</p> <p>Koichi ISE</p> <p>Areas of Expertise: Network computing / Design, construction, and operation of systems, and overall supervision and command</p>	 <p>Director</p> <p>Akihiro MAEDA</p> <p>Areas of Expertise: General management and administration / Entrepreneurship and startup</p>	
<p>External Director</p> <p>Hiroo HATASHITA</p>	<p>External Director</p> <p>Toshihiro IGI</p>	<p>External Director</p> <p>Masayoshi HIROSE</p>	<p>External Director</p> <p>Yukie OSAKA</p>	<p>External Director</p> <p>Tomomi ARAKAWA</p>
<p>Full-time Auditor</p> <p>Yayoi YAMAGUCHI</p>	<p>External Auditor</p> <p>Toshiyuki UMEKI</p>	<p>External Auditor</p> <p>Hiroyuki HASEGAWA</p>	<p>External Auditor</p> <p>Tomoyuki HIROSE</p>	
<p>Vice President / Executive Officer</p> <p>Masaaki TATENO</p>  <p>Areas of Expertise: Product management / Business strategy, corporate strategy</p>	<p>Executive Officer</p> <p>Takashi SHISHIDO</p>  <p>Areas of Expertise: Data center construction and operation / Project promotion</p>	<p>Executive Officer</p> <p>Shinji UEDA</p>  <p>Areas of Expertise: General management / Business investment & M&A global business (North America & Asia)</p>	<p>Executive Officer</p> <p>Toru SAWAMURA</p>  <p>Areas of Expertise: Data center markets / Server hardware / Information security</p>	
<p>Executive Officer</p> <p>Takayuki TAKAHASHI</p>  <p>Areas of Expertise: Customer success / General organization management</p>	<p>Executive Officer / Chief Information Security Officer / Chief Information Officer</p> <p>Yota EGUSA</p>  <p>Areas of Expertise: System architect / Information security / Software / Server network infrastructure / Digital circuits & embedded systems</p>	<p>Executive Officer</p> <p>Masatoshi YOKOTA</p>  <p>Areas of Expertise: General IT infrastructure trends / Presentations</p>	<p>Executive Officer</p> <p>Hideto YAMAZAKI</p>  <p>Areas of Expertise: (Global) Project management / International negotiations / General space business</p>	

Security initiatives

SAKURA internet adopted ISMS, a comprehensive information security management system, in 2009 and has continuously enhanced its information security standards. We will continue with initiatives to maintain and enhance security to provide our customers with even better services in the future. We have obtained various certifications and comply with the guidelines given below.

Certifications obtained and compliance guidelines followed

ISMAP

ISMAP is a system in which the ISMAP Steering Committee evaluates and registers in advance the cloud services that meet the security requirements of the Japanese government. Cloud service providers registered with ISMAP must undergo audits by audit agencies based on auditing standards regarding the implementation of information security measures following the management standards and pass a conformance assessment by the ISMAP Steering Committee.

Registration number	C21-0030-2
Target services	SAKURA Cloud
Initial registration date	December 20, 2021

ISMS

We have obtained the certification standard JIS Q 27001:2014 (ISO/IEC27001:2013) of the Information Security Management System, an internationally recognized third-party conformity assessment system for information security, for all our offices and data centers. This standard defines standards for the handling and management of information that companies should address, and we will further improve the level of information security through continuous operation.



ISMS Cloud, Security authentication

We have obtained the ISMS Cloud Security Certification, a certification for information security specializing in cloud services. This service's scope includes providing IaaS services in SAKURA Cloud, object storage services with unlimited capacity, and CDN (Web Accelerator) services for content distribution, and we will continue to expand the scope of application and provide more secure services.



PCI DSS

This system complies with Requirement 9 and Requirement 1 regarding physical security of the total 12 requirements of PCI DSS Ver. 3.2, a security standard established to handle credit card information securely. Customers aiming for PCI DSS compliance can reduce the burden of compliance with physical security requirements by using our data centers.



Privacy Marks

We recognize the importance of personal information in carrying out our internet service business by owning internet backbone and data centers and complying with laws and regulations, national guidelines, and other standards regarding protecting and handling personal information. The company conforms to the Personal Information Protection Management System for protecting personal information that complies with JIS Q 15001:2017 and has been granted the Privacy Mark.



SOC2 SOC3

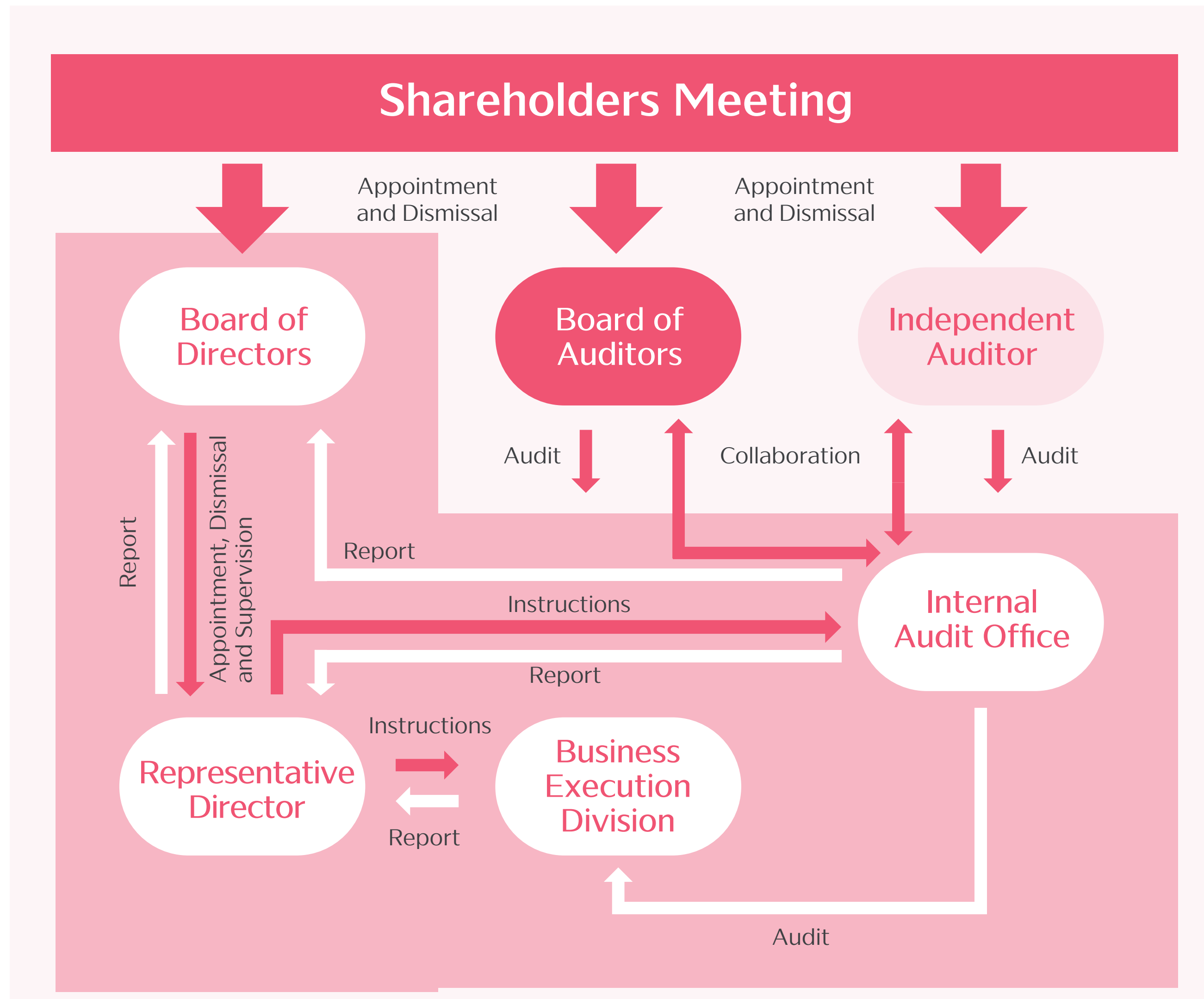


The System and Organization Controls (SOC) Report is an assurance report provided by an independent auditor that assesses the internal control over fiduciary services other than for financial reporting purposes following the Trust Services Principles and Criteria established by the American Institute of Certified Public Accountants (AICPA). Our company has received the SOC 2 Type 2 Report and the SOC 3 Report from the audit firm, which covers the security and availability of the Data Center Common Service, 1 colocation service, and housing service provided by the Ishikari Data Center.

1 Data Center Common Service serves as the platform for stable and secure operations of the services provided at Ishikari Data Center

Corporate governance

The corporate governance structure of SAKURA internet is shown in the diagram below.



Key principles for corporate governance

Our basic approach to corporate governance is to promote the establishment of management and administrative organizations as our company expands in scale, to ensure the efficient and organized operation of each department, and to enhance internal controls. We have been striving for these goals based on this fundamental principle since the company was founded.

The internet industry, in particular, carries greater social responsibility compared to other industries as it is a business that opens communication facilities to a large number of invisible users and is established with a market of internet users worldwide. We believe establishing corporate governance in our company will serve as the management platform that enables us to fulfill our social responsibility.

Handling of intellectual property rights

We regard intellectual property activities as important for the development of our business. We actively support creative activities within our company and promote the proper protection, management, and utilization of our intellectual property. We emphasize the importance of respecting the intellectual property rights of third parties by disseminating awareness in our company. We have established internal procedures for using third-party products, including software, to prevent infringements of intellectual property rights. We also educate our customers who use our services to prevent infringement of intellectual property rights. We have established a system to receive reports on intellectual property infringements and will respond appropriately in the event of inquiries or reports.

Company Profile

Trade Name	SAKURA internet Inc.
Head Office	11F Tokyo Tatemono Umeda Building, 1-12-12 Umeda, Kita-ku, Osaka-shi, Osaka 530-0001
Tokyo Branch Office	32F, Sumitomo Fudosan Nishi-Shinjuku Building, 7-20-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo 160-0023, Japan
Fukuoka Office	7F Yomiuri Fukuoka Building, 1-12-15 Akasaka, Chuo-ku, Fukuoka City, Fukuoka 810-0042, Japan
Founded	December 23, 1996
Incorporated	August 17, 1999
Capital	2.25692 billion yen
Description of business	Data center operations providing cloud computing services, etc.
Total number of issued shares	37,620,700 shares
Stock exchange listing	Prime Market, Tokyo Stock Exchange (Securities code: 3778)
Number of employees	Consolidated: 755 employees (as of March 2023)
Certifications	ISMAP ISMS ISMS Cloud Security Certification PCI DSS Privacy Marks SOC2 SOC3
Affiliations	Software Association of Japan Japan Data Center Council Japan Internet Providers Association Others

Group company

Trade Name	ITM Inc.
President	Takeshi KAWAMOTO
Head Office	32F, Sumitomo Fudosan Nishi-Shinjuku Building, 7-20-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo 160-0023, Japan
Website	https://www.itmanage.co.jp/
Trade Name	SAKURA Mobile LIMITED
Director	Ryousuke YAMAGUCHI
Head Office	89 Queensway, Hong Kong
Trade Name	Gehirn Inc.
Representative Director	Daiki ISHIMORI
Head Office	7F Seiki Building, 1-3-6 Kudan-kita, Chiyoda-ku, Tokyo 102-0073, Japan
Website	https://www.gehirn.co.jp/
Trade Name	Bitstar Inc.
Representative Director	Akihiro MAEDA
Head Office	B1F Sapporo Otemachi Bldg., 4-5-1 Minami 1 Jonishi, Chuo-ku, Sapporo, Hokkaido 060-0061, Japan
Website	https://bitstar.jp/
Trade Name	Prunus-Solutions Inc.
Representative Director	Hironori USUI
Head Office	32F, Sumitomo Fudosan Nishi-Shinjuku Building, 7-20-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo 160-0023, Japan
Website	https://www.prunus-sol.co.jp/
Trade Name	Izumobase, INC.
Representative Director	Jumpei ARAKAWA
Head Office	32F, Sumitomo Fudosan Nishi-Shinjuku Building, 7-20-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo 160-0023, Japan
Website	https://www.izumobase.com/
Trade Name	BBSakura Networks, Inc.
Representative Director	Hideyuki SASAKI
Head Office	32F, Sumitomo Fudosan Nishi-Shinjuku Building, 7-20-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo 160-0023, Japan
Website	https://bbsakura.net
Trade Name	Tellus Inc.
Representative Director	Hideto YAMAZAKI
Head Office	32F, Sumitomo Fudosan Nishi-Shinjuku Building, 7-20-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo 160-0023, Japan
Website	https://corp.tellusxdp.com

