



Integrated Report

2024

# Contents

## SAKURA Integrated Report 2024

### Introduction

What SAKURA internet Values .....	3
SAKURA internet in Society .....	4
Services and Data Center Introduction .....	5
The History of SAKURA internet .....	6

### Chapter 01 Greetings from the President

Greetings from the President .....	8
------------------------------------	---

### Chapter 02 Value Creation Process

Value Creation Process .....	13
The Strengths We Have Built Over Time .....	14
Vertically Integrated Business Model .....	15
Towards Becoming the Leading Digital Infrastructure Company .....	16

### Chapter 03 Business Strategy

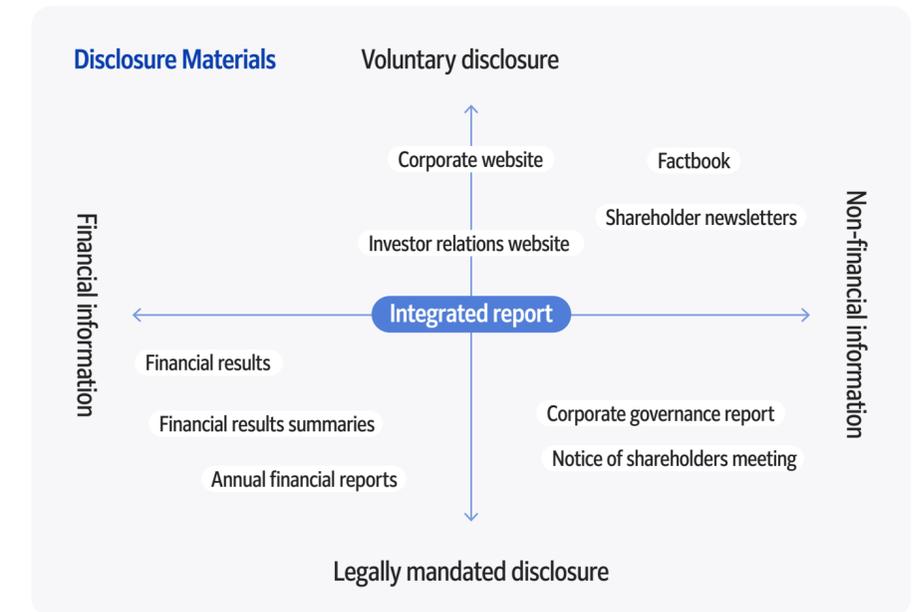
Policy .....	18
Growth Strategy	
GPU Cloud Services for Generative AI .....	19
Government Cloud .....	21
Partner System, SAKURA Cloud Certification .....	22
The Foundation that Supports Growth	
Human Resource Strategy .....	23
Proactive Investment in Digital Infrastructure .....	25
Group Companies .....	26
SAKURA internet Research Center .....	28

### Chapter 04 ESG Management Initiatives

Policy .....	30
Engagement with Stakeholders .....	31
Environmental initiatives .....	32
Implementation of Human Capital Management .....	33
Human Resource Development in the Field of Digital Technology .....	36
Open Innovation, Customer Relations .....	37
Governance .....	38
Information Security .....	42

### Chapter 05 Company Information and Financial Data

10-Year Financial Summary .....	44
Consolidated Financial Highlights .....	45
Group Companies .....	46
Company Information / Stock Information .....	47



### Editorial policy

The “SAKURA Integrated Report” introduces the corporate philosophy of SAKURA internet Inc., the business strategies that support its sustainable growth, and the specific initiatives and efforts that bring them for implementation. 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, 2023 to March 31, 2024 (Some information outside of the target period is also included.)

### Disclaimer

Forward-looking statements in the “SAKURA Integrated 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.

### – Corporate Philosophy

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

We provide a variety of approaches through the internet to turn “what you want to do” into “what you can do,” envisioning the ideal future for all the people connected to us, including customers who challenge themselves with great enthusiasm and passion to generate new ideas.

### – Vision

## We create a world where everyone involved with SAKURA can achieve success

We pursue “the success of everyone involved with SAKURA” through a chain of success that includes our customers, business partners, partners, employees, and all other stakeholders.

### – Value

## Affirmation first / Lead and follow / Speak until the message is conveyed

What all of our employees practice are the “Three Values,” which serve as guidelines for creating co-creation within teams. By practicing these values, our employees contribute to fostering the company’s culture.

# Introduction

## Transforming Society's “what you want to do” into “what you can do”

SAKURA internet aims for the success of everyone involved with our company. Since our founding in 1996, we have continuously adapted to the changing needs of society, turning your “what you want to do” into “what you can do.”

Generative AI  
Large Language Model  
Analysis and Simulation



Core Business System  
Website  
App and Service Development



Satellite Data Utilization



Mobile App

IoT (Remote Control and Monitoring)



E-commerce  
e-Learning



Image of service usage scene

# Introduction

We would like to introduce the main services our company provides. Since our founding, which began with the provision of shared server services, we have expanded to offer services such as “Koukaryoku” to support Generative AI, and “SAKURA Cloud,” which has been conditionally certified for use in government cloud systems. A key feature of our company is that we handle everything from development to operations in-house.

## Services Supporting SAKURA internet

### Introduction of main services



#### SAKURA Cloud

The service certified for Government Cloud \*

Our services are used in a wide range of fields and applications, including large-scale web services and infrastructure platforms for public and educational sectors.

\* A conditional certification based on the premise that all technical requirements will be met by the end of fiscal year 2025.



#### SAKURA VPS

Greater flexibility than SAKURA Web Hosting

This service is popular for product sites with several thousand items. By using virtualization technology, a single server is shared among multiple users, while still offering the same level of performance as a dedicated server.



#### SAKURA Web Hosting

A popular server service with over 560,000 users.

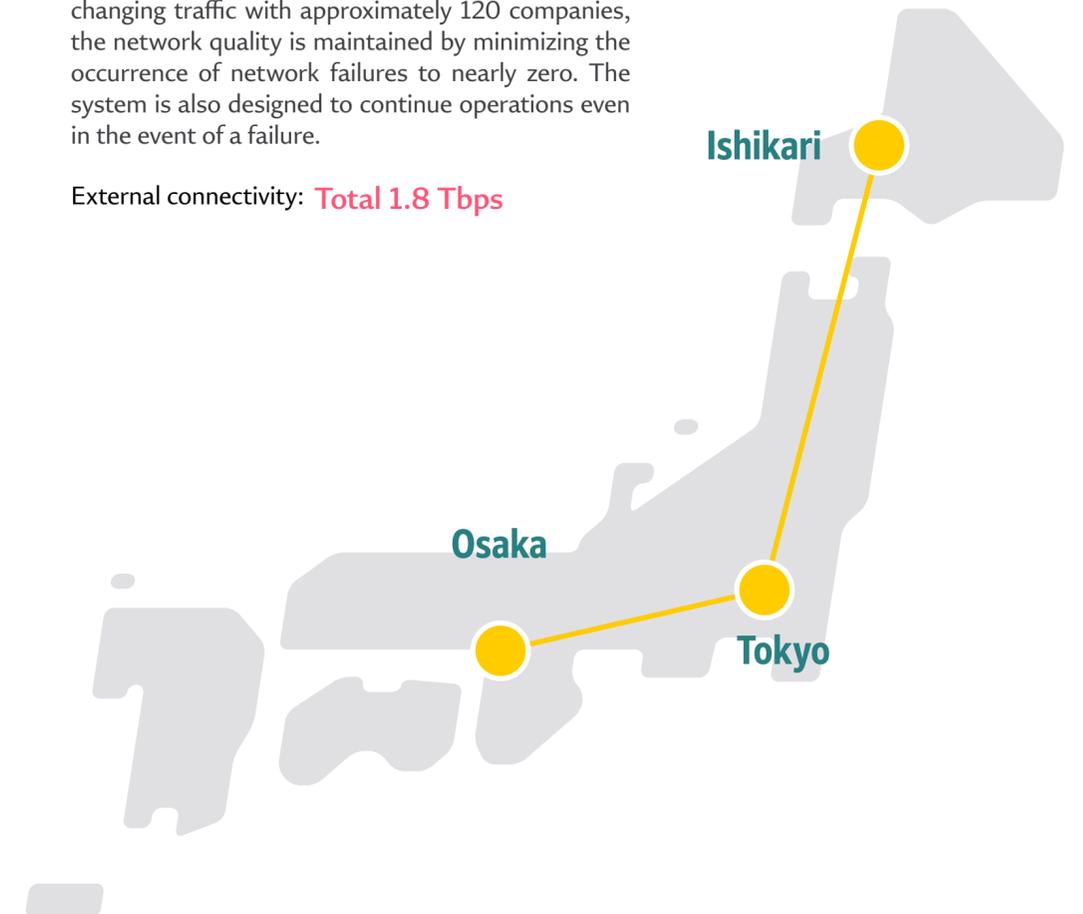
It is used for a wide variety of sites, including corporate and personal websites. Its appeal lies in the ease of use, allowing sites to go live in as little as 2 minutes.

### A data center renowned for its high level of security

#### Three locations connected by reliable trust

The three locations—Tokyo, Osaka, and Ishikari in Hokkaido—are interconnected with more than 100 Gbps links. For external connectivity, the locations are connected to multiple IXs and major ISPs. By exchanging traffic with approximately 120 companies, the network quality is maintained by minimizing the occurrence of network failures to nearly zero. The system is also designed to continue operations even in the event of a failure.

External connectivity: Total 1.8 Tbps



#### Koukaryoku

Ideal for AI and deep learning

This is a computational resource service designed to maximize performance for AI and deep learning.

#### GPU Cloud-Service

- Koukaryoku PHY: Released in January 2024. Equipped with “NVIDIA H100 Tensor Core GPUs,” this bare-metal server is ideal for analyzing complex datasets and training large-scale models.
- Koukaryoku DOK: Released in June 2024. We offer high-performance NVIDIA GPUs at a low price, with per-second billing starting from ¥0.06 per second.



#### SAKURA Dedicated Server

A highly flexible dedicated physical hosting service

This service allows customers to use our physical servers exclusively. It is ideal for websites with high traffic and frequent internal navigation, as well as corporate intranets.



#### IoT Services

We provide a communication framework that connects devices and services

Centered around our cloud services, we provide a communication framework that connects devices and services by combining essential IoT components such as devices, networks, and the cloud.



#### Tellus

A platform for utilizing satellite data

Tellus Inc. develops and operates Japan-based satellite data platform. By utilizing data from artificial satellites and ground-based data, it enables a wide range of applications depending on your ideas.

# Introduction

Our origins trace back to 1996, when our CEO, Tanaka, started a rental server service while still a student at a technical college. Believing in the potential of the internet, he helped people turn their “what you want to do” into “what you can do,” gaining more supporters and growing the company. We continue to aim for even greater success in the future.

## The History of SAKURA internet

### 1996 ~ 2000

#### The dawn of Internet adoption

- Dec. 1996:** SAKURA internet founded  
Launch of shared rental server service
- Jun. 1997:** Launch of SAKURA Dedicated Server
- Aug. 1999:** SAKURA internet Inc. was established
- Oct. 1999:** Launched housing service
- Apr. 2000:** SRS Inc. merged with Inforest LLC  
The company name was changed to SRS SAKURA internet

- 1998:** Windows 98 was released in Japan
- 1999:** ADSL was introduced  
Internet connection services for mobile phones were launched
- 2000:** Google launched its Japanese search service

### 2001 ~ 2005

#### Breakthrough in digital communication

- Apr. 2004:** Dojima Data Center (Kita-ku, Osaka) was established
- Jun. 2004:** Higashi-Shinjuku Data Center (Shinjuku-ku, Tokyo) was established
- Jul. 2004:** The company name was changed to SAKURA internet Inc.  
“SAKURA Web Hosting” was launched
- Oct. 2005:** Listed on the Tokyo Stock Exchange Mothers market

- 2001:** Telecommunications operators began offering ADSL services  
Wikipedia’s Japanese version was launched
- 2003:** Optical fiber connections became widespread for households  
The Personal Information Protection Law was enacted

### 2006 ~ 2010

#### The era of smartphones and video streaming arrived

- Apr. 2006:** ISMS certification standards were obtained for the operation of housing services at the Higashi-Shinjuku Data Center and Dojima Data Center
- Jun. 2006:** Nishi-Shinjuku Data Center (Shinjuku-ku, Tokyo) was established
- Jul. 2006:** Acquired the Privacy Mark certification
- Sep. 2006:** Daikanyama Data Center (Shibuya-ku, Tokyo) was established
- Mar. 2009:** Expanded ISO 27001/ISMS certification to all offices and data centers
- Jul. 2009:** SAKURA internet Research Center was established
- Sep. 2010:** “SAKURA VPS” was launched

- 2006:** Amazon Web Services (AWS) was launched
- 2007:** YouTube launched its Japanese-language service
- 2008:** iPhone was released in Japan
- 2010:** iPad was released in Japan

### 2011 ~ 2015

#### Growth of the cloud business

- Nov. 2011:** Ishikari Data Center (Ishikari-shi, Hokkaido) was established  
“SAKURA Cloud” was launched
- Apr. 2015:** Joe’s Cloud Computing Inc. became a subsidiary (merged into bitstar Inc. in April 2019)
- Nov. 2015:** The company was upgraded to the First Section of the Tokyo Stock Exchange

- 2011:** LINE service was launched
- 2012:** Japan ratified the Convention on Cybercrime
- 2014:** Instagram launched its Japanese-language service

### 2016 ~ 2020

#### Promotion of Digital Transformation (DX)

- May 2016:** S2i Inc. was established (liquidated in November 2023)  
Gehirn Inc. became a subsidiary
- Sep. 2016:** “Koukaryoku Computing” service was launched
- Nov. 2016:** The subsidiary SAKURA Mobile LIMITED was established
- Jan. 2017:** ITM Inc. became a subsidiary
- Feb. 2017:** Fukuoka office was opened
- Apr. 2017:** “sakura.io” was launched
- Sep. 2017:** bitstar Inc. became a subsidiary
- Feb. 2018:** “SAKURA secure mobile connect” was launched
- May 2018:** The subsidiary Prunus-Solutions Inc. was established
- Aug. 2018:** IzumoBASE Inc. became a subsidiary
- Feb. 2019:** The backbone network’s bandwidth exceeded 1Tbps
- Aug. 2019:** Joint venture BBSakura Networks, Inc. was established
- Apr. 2020:** Shift toward a remote-first working style

- 2017:** TikTok launched its service
- 2018:** The Ministry of Economy, Trade and Industry compiled the “Guidelines for Promoting Digital Transformation (DX)”
- 2020:** Major telecom companies launched 5G services

### 2021 ~ 2024

#### The evolution of generative AI and cloud services

- Dec. 2021:** The subsidiary Tellus Inc. was established  
“SAKURA Cloud” was registered with ISMAP
- Apr. 2022:** The company transitioned to the Tokyo Stock Exchange Prime Market
- Jun. 2023:** Achieved zero CO2 emissions at the Ishikari Data Center
- Sep. 2023:** Opened the DX hub “SAKURA innobase Okinawa” in Naha City, Okinawa
- Nov. 2023:** Conditionally certified for Government Cloud
- Jan. 2024:** Launched the cloud service “Koukaryoku PHY” for generative AI
- Jun. 2024:** Launched the cloud service “Koukaryoku DOK” for generative AI
- Sep. 2024:** The headquarters was relocated to “Grand Green Osaka”  
Blooming Camp was opened

- 2021:** The Digital Agency was established
- 2022:** The Digital Agency held the first public call for the Government Cloud  
ChatGPT was launched

### Historical net sales

(millions of yen)



Chapter 01

# Greetings from the President

---

# Towards Becoming the Leading Digital Infrastructure Company

## Advancing to the next stage with conditional certification as a government cloud provider and GPU cloud services for generative AI

Recently, SAKURA internet has seen a succession of positive news. Notably, in November 2023, the company received conditional certification as a provider for the Government Cloud, a cloud service used by national and local governments, provided that all technical requirements are met by the end of fiscal year 2025. The endorsement from the government is believed to be a testament to our company's expertise in turning "what you want to do" into "what you can do," thus satisfying customers' needs with our technical capabilities and service quality.

The development plan for official certification as a government cloud provider is progressing smoothly. According to an evaluation by the Digital Agency in June 2024, no delays are affecting the overall development plan, and progress is on track.

Another notable topic is that we were able to swiftly release "Koukaryoku PHY" and "Koukaryoku DOK." After our plan to develop GPU cloud services for generative AI was certified under the government's "Cloud Program," based on the Economic Security Promotion Act, we found these servers to be ideal for our AI and deep learning needs.

The driving force behind these developments is Japan's long-standing concern about its digital industry significantly falling behind other developed nations. This concern is evident in the digital deficit, which amounted to 5.5 trillion yen last year. To ensure economic security, the government has launched the "Cloud Program" certification initiative as a national strategy. This initiative aims to actively promote Japanese cloud vendors, develop infrastructure for generative AI, and foster IT professionals. This decision aligns Japan's national strategy with our company's business policy, leading to the certification of our plan to develop GPU cloud services for generative AI under the government's "Cloud Program."

Securing a stable supply of the globally renowned, high-performance "NVIDIA H100" GPUs and effectively utilizing government subsidies have enabled us to rapidly provide services to customers aiming to achieve "what you want to do" using our GPU servers. In addition, we have embarked on an ambitious development and data center expansion strategy to provide services for even more customers.

Generative AI is currently in its early days and expected to be widely adopted. As such, the demand for generative AI is expected to be sustained into the foreseeable future. Our company is leading the way in expanding business into this field, which is likely to grow significantly in the future.



## Chapter 01 Greetings from the President

I am confident of Japan's growth. If we enhance nationwide productivity as a leader in the digital industry, and the digital industry grows, our company will achieve two-fold growth. I believe that Japan will gradually overcome the setbacks its digital industry has experienced so far and make up for the delayed progress in its existing industries due to the lack of digitalization.

Our company is now heading toward a new stage. Our future vision is to contribute to creating a prosperous Japanese society of tomorrow, where more people and companies will utilize the skills we helped to cultivate. Now that the environment is right for rapid growth as a company, all we need to do is execute our strategy with a strong will.

### Now is the time to focus on cloud business, our core business

In light of this situation, as a medium-term growth strategy, our company has decided to focus on cloud business, which is our core business, beyond the fiscal year ending March 2025.

This strategy has two major advantages. One is that owning infrastructure is challenging because it requires both physical investment and engineers to maintain it, making it difficult for new companies to enter the market. Another strength of our company is the ability to develop services in-house. We are not just a provider of physical infrastructure; we have established a system that creates a synergistic effect by developing in-house services and

providing software. This system enables us to focus on our cloud business and identify opportunities for rapid growth.

The measures we have implemented include developing the technical requirements for the government cloud, providing GPU cloud services for generative AI, and building an ecosystem to promote these services.

Regarding building the ecosystem, we have reviewed our current partner system to strengthen relationships with our partners who build their systems using "SAKURA Cloud." We aim to increase the number of partners and end users who use "SAKURA Cloud."

In addition, we are now offering the "SAKURA Cloud Certification," designed for a wide range of individuals, from students to engineers.

These efforts will enable us to form closer business and technological alliances with our partners and provide excellent systems and services for our end users. These initiatives are expected to build an ecosystem that creates a virtuous cycle, increasing job opportunities even for our partners.

### Taking on challenges with our unique "vertically integrated business model," "self-dependence," and "technical capabilities"

Our vertically integrated business model and self-dependence comprehensively support our medium-term growth strategy. While both vertical integration and horizontal division have their merits and demerits, the vertically integrated business model allows us to capitalize on our strengths as a company that has grown through a server business since its inception.

The business scope for vertical integration is limited. Therefore, if employees can demonstrate

their expertise in a relatively limited area, they can achieve results. Employees from any department can actively participate and demonstrate their respective skill sets while transferring within the same company. For example, an employee who joins as a service developer can perform their duties using their original knowledge and experience, even if transferred to sales or customer support.

As a result of handling everything in-house, our company has accumulated a wide range of know-how. I enjoy working with servers, and many employees work for our company because they find building networks and services independently exciting. The same applies to employees who have recently joined. They find both using the cloud and building it themselves appealing. This engagement reduces employee turnover and imparts an organizational strength that allows most tasks to be handled solely by employees. The development of "SAKURA Cloud," aimed at government cloud certification, has been internally achieved, which I believe is a significant strength.

The vertically integrated business model offers the advantage of incurring fewer additional costs when starting new projects. As our customer base grows, our operational efficiency improves. Regarding technical capabilities, we will continue actively hiring new personnel, leveraging their fresh perspectives and discoveries to drive further improvements.



**Phase of active investment while expanding sales**

We announced a plan to invest 13 billion yen in June last year and 100 billion yen in April this year. In addition, 18 billion yen was raised through a public offering in June this year. The funds were primarily invested in securing GPUs, developing services, constructing container-type data centers, meeting the technical requirements for “SAKURA Cloud” as a government cloud provider, and acquiring highly skilled personnel. The timing for the capital increase was favorable. Thanks to the rise in our stock prices due to the news of our conditional certification as a government cloud provider, we could implement the capital increase earlier than originally planned.

Currently, our company’s sales are growing rapidly, achieving double-digit growth rates. In the fiscal year that ended March 2024, our cloud infrastructure services performed favorably, growing 10.4% year-on-year. With the growth in cloud services and the

full-scale launch of GPU cloud services for generative AI, we are expecting record-high profits in the fiscal year ending March 2025, with projected sales of 28 billion yen (up 28.3% year-on-year), operating income of 2 billion yen (up 126.1% year-on-year), and net income of 1.25 billion yen (up 91.8% year-on-year). We are now actively investing in policies aimed at our company’s medium- to long-term growth without focusing on short-term profits.

**Approach to address risks and challenges**

Our company has expanded in size by riding the waves of the Web boom and AI boom. I realize that while corporate management requires skill, growth can be achieved through aptitude and keeping up with the times. I intend to be discerning and prepared as a business operator regarding the cloud business. Our company’s “ability to ride the currents of the times” is a major factor that has helped us achieve our current position.

At present, the procurement of GPUs is stable, and the cloud business is on track. In addition, due to the depreci-

ation of the yen, customers in Japan are experiencing an increase in the price of overseas cloud vendors. This situation makes our company’s cloud and software usage fees appear cheaper and gives us a competitive edge over global companies.

However, it is naturally uncertain how long this situation will last. There is a global scramble for NVIDIA GPUs. Since GPUs are not manufactured in Japan, we must rely on imports, which means we are directly affected by exchange rates. The future situation is unclear, and we understand that the heavy reliance on GPU cloud sales for the next 2–3 years also poses a risk.

Moving forward, while remaining mindful of potential risks arising from social circumstances, we will rigorously manage our operations to ensure reliable infrastructure development and the creation of high-value software.

**Success of our employees and customers leads to our success**

Our long-standing focus in management is on customer success (CS) and employee success (ES), as we aim for sustainable growth rather than short-term growth. When employees experience customers’ success, they feel a sense of accomplishment in their work. The employees will then take action to contribute more to the customers. As the virtuous cycle of customer success and employee success is created, the company also grows, allowing it to deliver value to society. Providing high value to society can also be reflected in shareholder returns through stock price valuation.

The ES-CS cycle thus creates the foundation for the company’s growth. Given the growing shortage of human resources, companies risk losing out if they can-

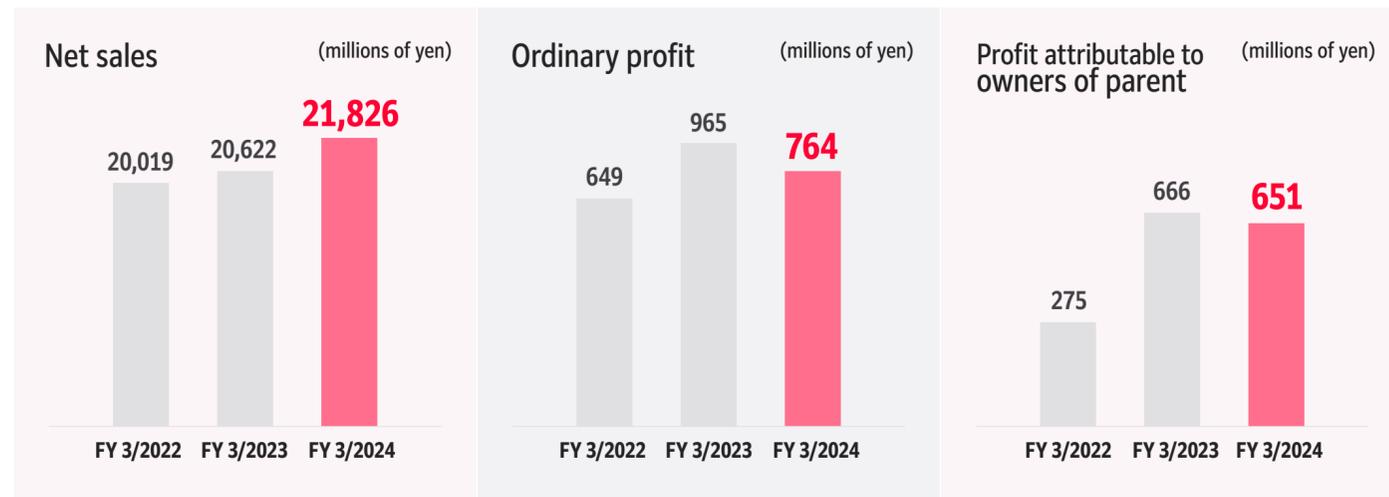
not find qualified employees to fill open positions, even when there are business opportunities. Unless a work environment is created where employees can work comfortably and find satisfaction in their work, the company will not grow. While the growth and success of both customers and employees are always directly linked to our company’s growth, I believe we can achieve further progress by implementing the ES-CS cycle to the core.

**Becoming a sustainably growing company by addressing key challenges faced by Japanese society**

From a sustainability perspective, we are actively engaged in ESG management. With the global spread of AI, reducing CO2 emissions from data centers using GPUs has become a worldwide challenge. Our company aims for green data center operations and has been implementing various initiatives, particularly at our Ishikari Data Center, since its opening. Among these initiatives, in June 2023, we changed the energy source of Ishikari Data Center to renewable energy, primarily hydroelectric power, achieving zero annual CO2 emissions.

In addition, to address the over-concentration in Tokyo, we are actively hiring employees without limiting their location and encouraging remote work. We are working to eliminate the disparities between Tokyo and other regions regarding income, employment, and educational opportunities. We consider addressing these issues crucial for our company, specializing in digital business.

Regarding our workforce, we recognize that there is room for improvement regarding gender diversity



## Chapter 01 Greetings from the President

and the representation of foreign nationals. The active engagement of diverse human resources involves fully accepting, respecting, and discovering value in each person's individuality; pursuing fairness in opportunities; and fostering mutual growth as an organization. We believe that maximizing diversity in terms of gender, region, nationality and other attributes, value systems, and professions will lead to higher value creation. The IT industry tends to have a higher percentage of male employees; however, the IT industry, including our company, should be a place where female employees play a more active role in the future. Diverse human resources bring diverse perspectives to the workplace, creating an environment conducive to generating new ideas. In addition to creating a comfortable work environment, we hold talks during the recruitment stage for female university students to learn about the active roles of female employees in our company and the joys of working in the IT industry. However, given the current situation where the number of female engineers is low, it is necessary to bring change from within society, such as by supporting educational institutions that foster engineers.

### Beyond becoming the leading digital infrastructure company

Japan has a long-standing reputation as a technological powerhouse. As exemplified by the semiconductor, telecommunications, and automobile technology, Japan has a history of raising the global technology level by taking businesses and products introduced from overseas and innovating them with advanced technology.

I believe the same can happen in the digital industry. The Internet, personal computers, digital applications, and cloud services are dominated by American technology. However, with the help of Japan's digital companies and engineers, including our own, there is a good chance of Japan's digital technology regaining its position among the world's best in the near future, thereby improving the nation's overall strength.

I mentioned the digital deficit at the beginning of this article. However, I believe the problem can be solved as Japan is now working to overcome that situation. Our company will contribute to solving the problem by providing cloud services developed in Japan. In the future, "SAKURA Cloud" may potentially support the internet services that are gaining popularity worldwide.

The corporate philosophy of our company is "turning 'what you want to do' into 'what you can do.'" I feel, once again, that these words encapsulate our company's aspirations. The philosophy will spread across the region, the country, and the world, starting with each employee and customer. We have been working to create a society where the wishes of everyone can be realized. As our company grows from a single self-built rental server to the cloud, this corporate philosophy can be realized in the greater world.

Our company has entered the wider market with conditional certification as a government cloud provider and the full-scale expansion of GPU cloud services for generative AI. By spreading Japan's digital technology to the world and providing more choices for individuals, we aim to create a fairer society. We will endeavor to the best of our ability to ensure that our company's technology and services become a global benchmark.

Founder & CEO, President

田中 邦裕



Chapter 02

# Value Creation Process

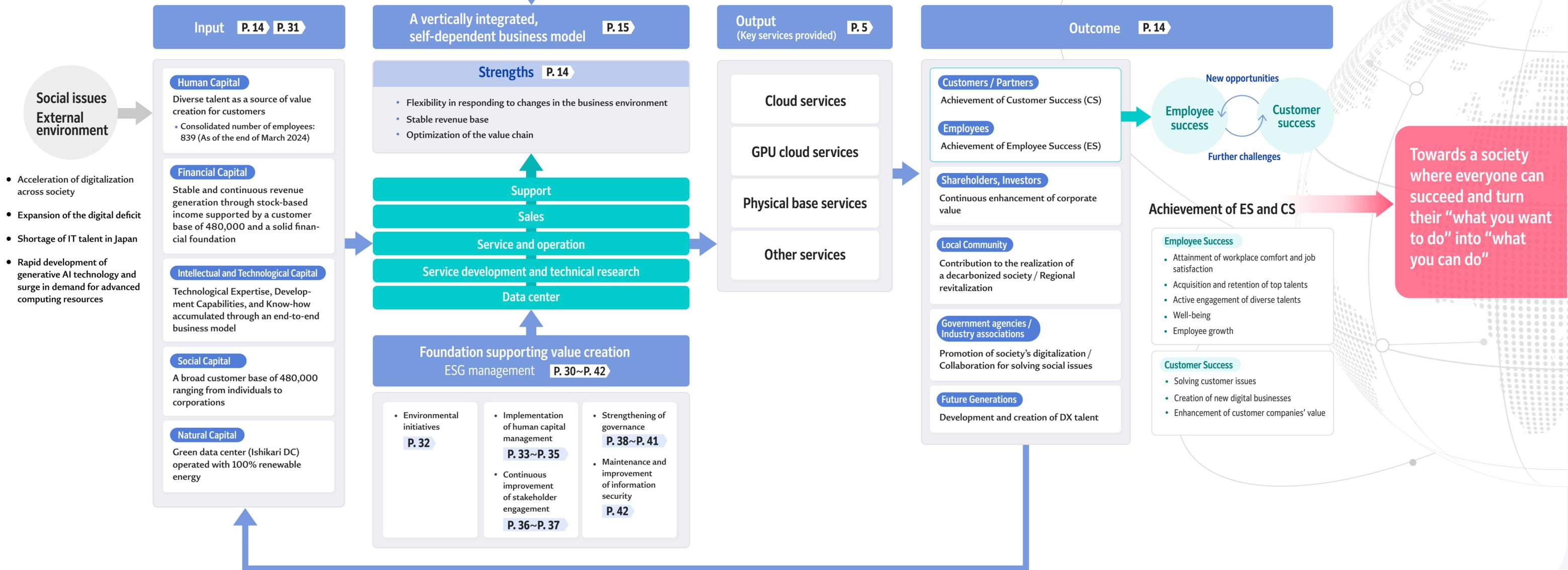
---

Value Creation Process .....	13
The Strengths We Have Built Over Time .....	14
Vertically Integrated Business Model .....	15
Towards Becoming the Leading Digital Infrastructure Company .....	16

# Value Creation Process

Corporate Philosophy Turning "WHAT YOU WANT TO DO" into "WHAT YOU CAN DO" P. 3

Implementation of a Growth Strategy and Strengthening the Foundation through Focus on Core Business P. 18~P. 25



## Strengths built through a Vertically Integrated and Self-Dependence business model

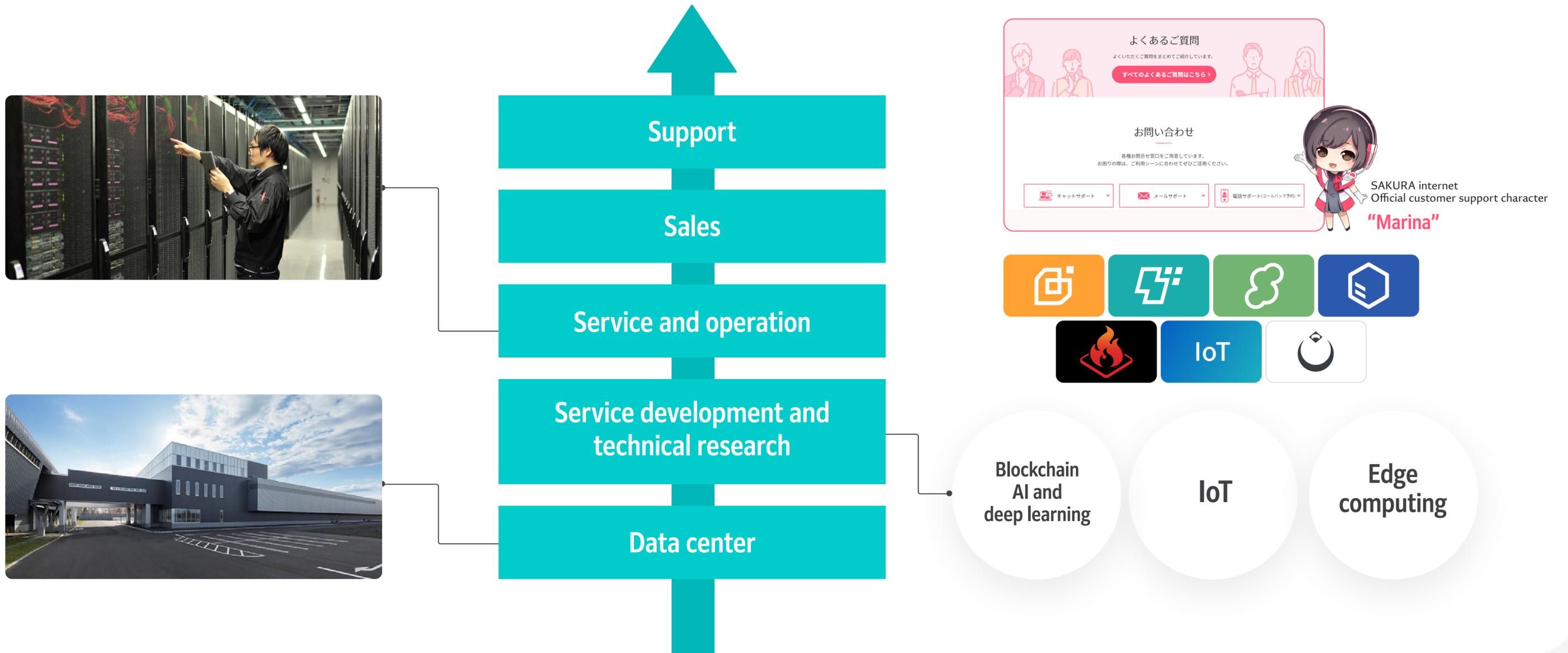
SAKURA's strengths	Accumulated assets	Capital
<p><b>Flexibility in adapting to changes in the business environment</b></p> <p>Founded during the dawn of the Internet, growing by providing services aligned with the times</p>	<ul style="list-style-type: none"> <li>• While shifting its focus from the rental server business to server business and cloud services, we have grown into a cloud service provider with a customer base of 480,000</li> <li>• Through technical initiatives aligned with trends, we have accumulated skills, knowledge, and know-how (engaging in a wide range of technical efforts, from operating urban data centers to blockchain, AI and deep learning, IoT, edge computing, and satellite data platforms) munication</li> <li>• We own and operate a sustainable data center that is highly flexible, responsive, and scalable, designed to meet the needs of the digital age (Ishikari Data Center: a green data center powered 100% by renewable energy)</li> </ul>	<ul style="list-style-type: none"> <li>Intellectual and Technological Capital</li> <li>Social Capital</li> <li>Natural Capital</li> </ul>
<p><b>Stable Revenue Base</b></p> <p>A customer base of 480,000 and a stock-based business with monthly subscription model</p>	<ul style="list-style-type: none"> <li>• By leveraging a customer base of 480,000 and a stock-based business with a monthly subscription model, we achieve continuous revenue. With a well-balanced sales structure between large and small customers, we maintain a stable revenue base</li> <li>• Through study sessions with partners, networking events with customers, and a support system provided by our own staff, we maintain sustainable relationships with both customers and partners, building an ecosystem that connects our company, partners, and customers</li> </ul>	<ul style="list-style-type: none"> <li>Financial Capital</li> <li>Social Capital</li> </ul>
<p><b>Optimization of the Value Chain</b></p> <p>By developing services self-dependence and maintaining an end-to-end system, we enable the optimization of the value chain</p>	<ul style="list-style-type: none"> <li>• Through a vertically integrated business model, from service development to maintenance, operations, and customer support, we are able to capture customer needs and quickly launch new services and features. This has allowed us to accumulate strong service development capabilities and the ability to respond promptly to customer needs</li> <li>• Self-dependence service development allows for effective cost control, and the impact of factors such as exchange rates and social conditions is limited</li> <li>• By providing an environment where we can develop our own services, we attract and cultivate talented engineers who are both customer-focused and capable of creating and utilizing technology</li> </ul>	<ul style="list-style-type: none"> <li>Financial Capital</li> <li>Intellectual and Technological Capital</li> <li>Human Capital</li> </ul>

# Vertically Integrated Business Model

SAKURA internet has built a vertically integrated, self-dependence business model, where it owns its data centers and consistently manages all processes from service development, technical research, and operations to sales and support. This enables us to flexibly and swiftly realize our customers' 'what you want to do'.

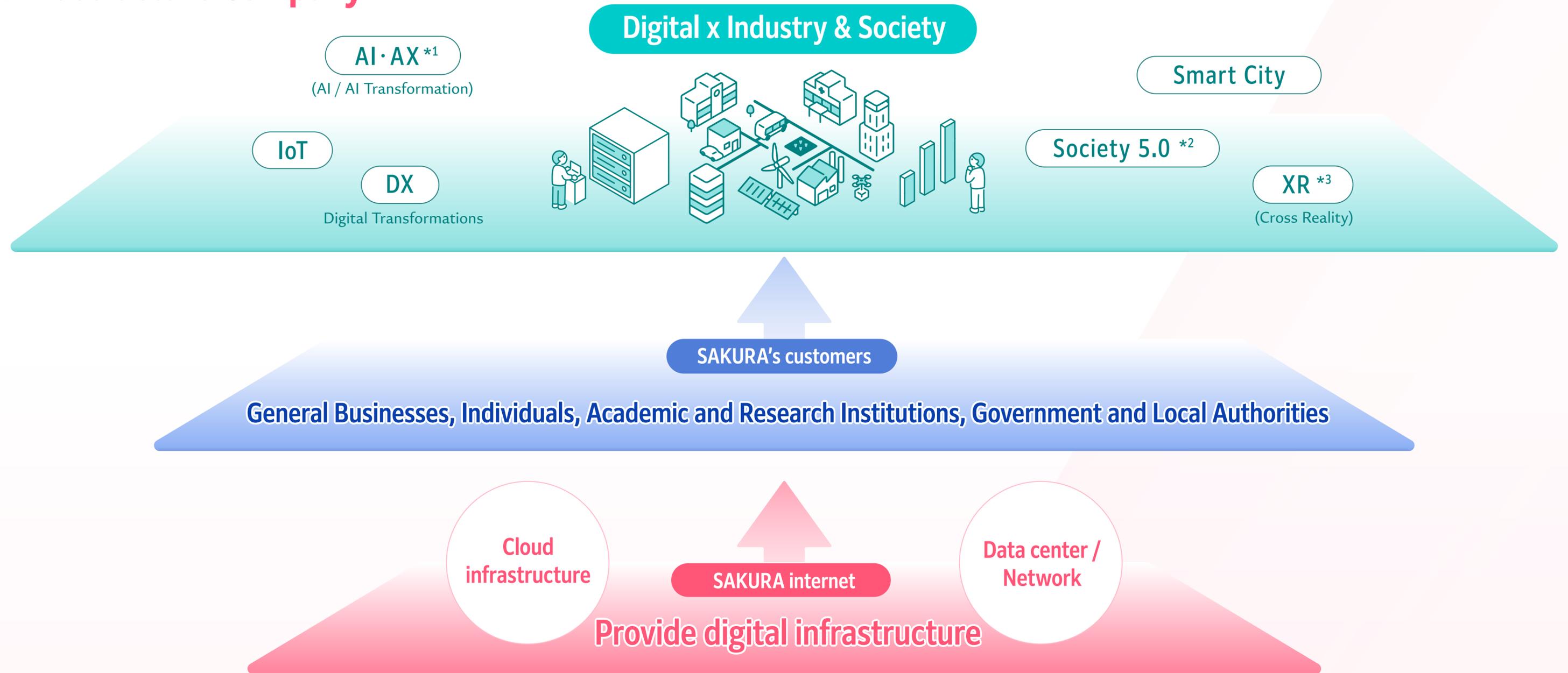
## Strengths of Vertical Integration

- Flexibility in responding to changes in the business environment
- Stable revenue base
- Optimization of the value chain



# Towards Becoming the Leading Digital Infrastructure Company

By providing digital infrastructure, we support a society that will increasingly rely on digital technologies moving forward. In a digital-first society, national borders are irrelevant. We aim to contribute by becoming an indispensable presence for a broader range of customers beyond Japan.



\*1 AX: An abbreviation for AI Transformation. It refers to the process by which companies and organizations transform their operations and strategies through the utilization of AI (artificial intelligence)

\*2 Society 5.0: Society 5.0 is a future societal concept proposed by the Japanese government. It envisions a human-centered society where economic development and the resolution of social challenges are achieved through the advanced integration of cyber (virtual) space and physical (real) space

\*3 XR: An abbreviation for Cross Reality. It refers to a broad range of technologies that create new experiences by combining the real world and the virtual world. XR is a collective term for technologies such as AR (Augmented Reality), VR (Virtual Reality), and MR (Mixed Reality)

Chapter 03

# Business Strategy

---

Policy .....	18
Growth Strategy .....	19
GPU Cloud Services for Generative AI .....	19
Government Cloud .....	21
Partner System, SAKURA Cloud Certification .....	22
The Foundation that Supports Growth .....	23
Human Resource Strategy .....	23
Proactive Investment in Digital Infrastructure .....	25
Group Companies .....	26
SAKURA internet Research Center .....	28

# Growth Strategy Practices and Strengthened Infrastructure as Foundations of Our Growth Strategy

## Medium- to long-term management policy to become the leading digital infrastructure company

SAKURA internet is shifting to a new growth trajectory by strengthening its cloud business and expanding its business domains into growth areas.

By strengthening the infrastructure and enhancing the service lineup for GPU cloud services for generative AI, by raising the technology level of cloud services with initiatives for meeting the technical requirements for “SAKURA Cloud” as a Government Cloud provider, and by building an ecosystem through the Partner System and Certification System, we aim to become a digital infrastructure company that promotes the digitalization of society and industry as a base infrastructure that underpins the digitalization of the public and private

sectors.

We will also work toward overseas expansion into Asia in the long term.

## Growth strategy practices in cloud business

Regarding GPU cloud services for generative AI, we aim to command the leading position in the high-demand domestic AI platform market by making the most of our company’s assets, such as our routes to secure GPUs, our own data centers, and our expertise and know-how in providing infrastructure for AI.

As for the Government Cloud, we are the first domestic company to have obtained conditional certification as a Government Cloud provider, through which we will improve our presence and develop the market. At the

# Focusing on Core Business in the Medium to Long Term

same time, we will strengthen our service functions to meet the technical requirements while collaborating in-house and with our group companies.

In addition, by strengthening the Partner System and launching SAKURA Cloud Certification System, we will build a larger ecosystem to expand our sales channels and increase our market share in Japan.

All these initiatives will be undertaken with a sense of speed, leveraging the benefits of margin management, vertical integration, and self-dependence.

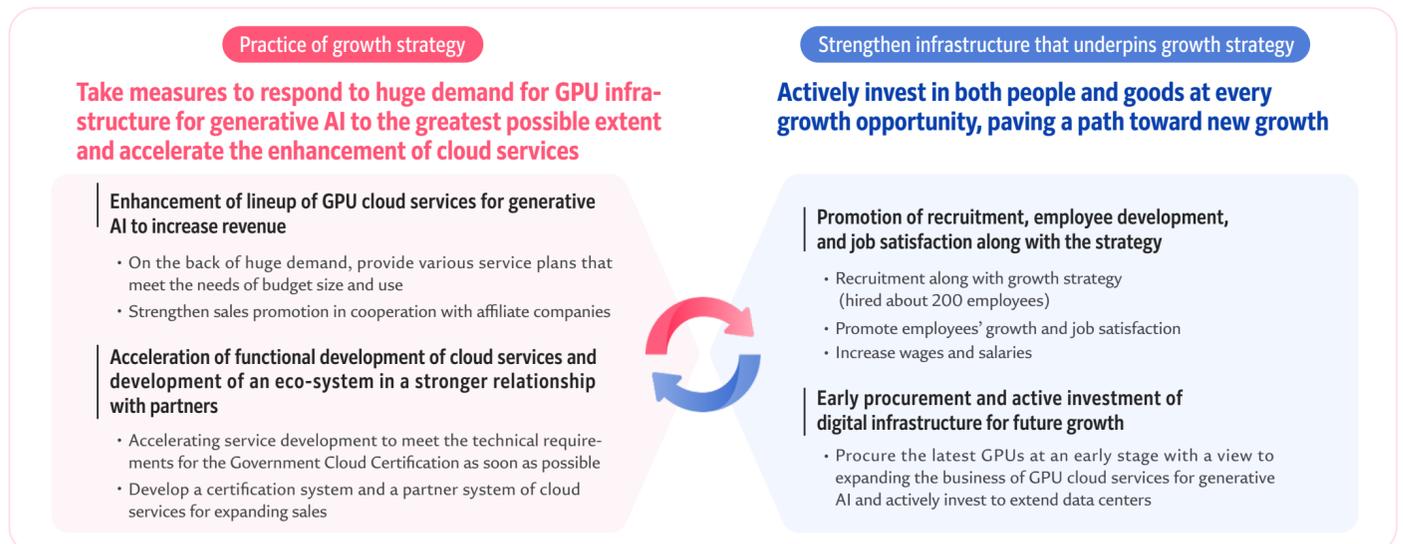
infrastructure, as shown in the figure below. We will continue to invest actively in both people and things. We will capture demand by acquiring the latest GPUs and investing swiftly in digital infrastructure such as data centers that house GPUs.

Regarding human resources, our immediate focus is on acquiring highly specialized human resources linked to our strategy. We will use efficient recruiting methods, such as referrals from existing employees, to recruit the specialized human resources required by our company in a short period.

In FY 3/2025, we plan to recruit 200 employees, mainly engineers. We plan to have 1,000 employees by the end of the fiscal year, and we will continue to work to achieve medium-term growth by supporting the active participation of newly recruited employees and focusing further on the growth and active participation of existing employees.

## Strengthening infrastructure as the foundation of our growth strategy

What underpins our medium - term growth is the early procurement of human resources and digital



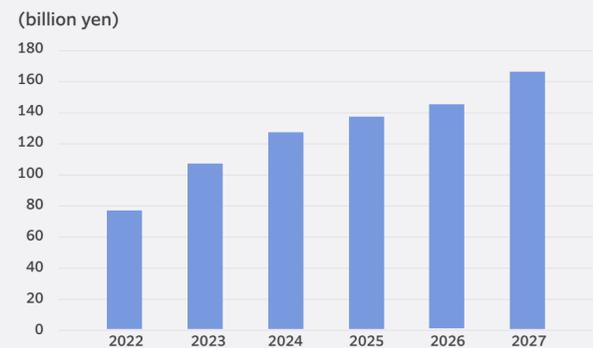
## 01. Emerging As a Front-Runner in Generative AI Infrastructure

### Tapping into the growing demand to the fullest extent

In 2016, SAKURA internet released a service for AI and deep learning called “Koukaryoku Computing.” Research institutes and educational institutions are the primary users of the service, and our company has been accumulating expertise and know-how in providing AI infrastructure since then. Later, the emergence of ChatGPT in 2022 proved to be a trigger for an explosive boom in generative AI. As we all know, the development of generative AI is progressing rapidly worldwide.

The growth in the market size of generative AI is con-

#### Domestic AI Infrastructure Market Size



Notes: Actual values for 2022, estimated values for 2023, and forecasts for 2024 and later

Source: IDC Japan press release titled “Japan Artificial Intelligence Infrastructure Market Forecast” (March 7, 2024)

spicuous even in Japan. The size of the AI infrastructure market in Japan has grown rapidly to exceed 100 billion yen in 2023 and is expected to grow further. The compound annual growth rate (CAGR) is expected to be 16.6% between 2022 and 2027.

Against the backdrop of this rapid growth in the market size, there is a global scramble for GPUs that perform high-speed data processing and are indispensable for the functioning of generative AI.

Since our company has been developing expertise, know-how, and networks through the provision of “Koukaryoku Computing”, we were able to procure NVIDIA GPUs while being certified under the government’s Cloud Program Supply Security Plan. In January 2024, we began offering a high-powered, physically dedicated “Koukaryoku PHY” server with eight “NVIDIA H100 Tensor Core GPUs” per server. Immediately after the service’s launch, we felt the excitement of the generative AI market in our company, as this release is already sold out. The service being offered is used mainly by AI venture companies and enterprises for large-scale training applications, and we believe that there will be a full-scale expansion of the user base in the future.

In light of this situation, we will tap into this growing demand to the fullest extent, with the mission to provide services as quickly as possible and as many units as possible while offering servers equipped with the latest GPUs and enhancing our service lineup.

### Margin Management, vertically integrated business model, and self-dependence has leading to speedy service

It took us approximately six months from procuring the NVIDIA GPUs to service launch. We believe that we were able to achieve such speedy delivery because of our company’s unique policy of margin management, vertical integration, and self-dependence.

Generally, many factors, including installation location, air conditioning capacity, and power supply, pose hurdles when installing GPU cloud servers. In the case of our company, particularly in terms of infrastructure, we followed the policy of always securing one or more server rooms at our Ishikari Data Center to ensure immediate availability. One of the reasons we could commence the development without delay was that the factors normally posing hurdles were already eliminated.

The speed with which we could offer services is also related to the fact that the entire process, from planning and development to the actual service operation, can be completed in-house.

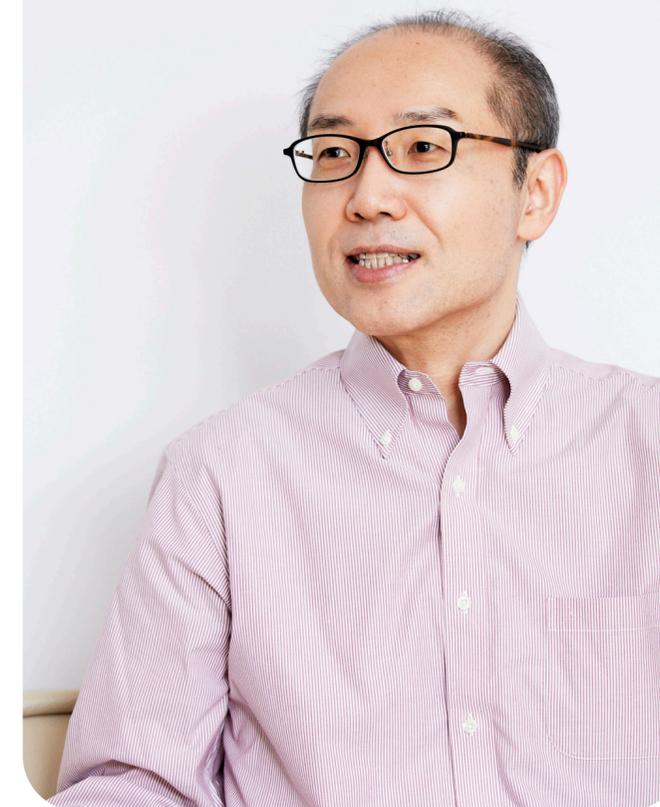
“Koukaryoku PHY” is a service in which bare metal servers are built and wide-area interconnection is offered for use with multiple servers rather than a single server. The service can achieve a performance level that was impossible to achieve in the past without building an on-premises cluster, and at zero initial cost and for a monthly subscription fee only. The quality of service is another example of how we have leveraged our strengths of self-dependence and our vertically integrated business model.

However, combining a vertically integrated business

model and self-dependence may lead to inflexibility and challenges in dealing with unpredictable situations. That is why it is important to combine these two strengths with the policy of margin management. While short-term revenues and medium- to long-term growth are required in business management, in the cloud business, excessively optimizing short-term investments often undermines medium- to long-term growth due to loss of opportunity. For this reason, we believe securing margins is very important.

Vice President / Executive Officer

**Masaaki Tateno**



Even though we are not dependent on other companies for our core business, we have the inbuilt flexibility to consider using the services of other companies to address sudden growth in demand. Our firm policy, combined with our flexibility and ability to respond quickly, is a characteristic of our company, which has the culture of an Internet firm.

We will continue to be quick and flexible in our approach, from decision-making to the launch of our services, while leveraging our strengths of margin management, vertical integration, and self-dependence.

**Up to 56.9 billion yen is planned to be received in grants from the Ministry of Economy, Trade and Industry for domestic AI development**

The procurement of NVIDIA GPUs has also received backing from the Ministry of Economy, Trade and Industry (METI) in grants amounting to 56.9 billion yen, received in two installments of 6.8 billion yen and 50.1 billion yen. This government initiative is based on the Economic Security Promotion Act, which ensures a stable supply of cloud programs and aims to “develop the production infrastructure required for the development of basic Cloud Programs for the next generation.” According to national strategy, digital infrastructure facilities with advanced computing capacity for generative AI are considered essential for developing next-generation cloud services, and we understand that the direction of our company’s policy aligns with the government’s initiatives.

Construction of systems and service development for large-scale AI training, the most common application, will be our focus areas for FY 2025. A plan to enhance NVIDIA’s latest GPU, “NVIDIA HGX B200 Sys-

tem,” is underway to provide higher-specification GPUs to customers conducting research and competing at the cutting edge of generative AI. In addition, in June 2024, we launched the pay-per-use, operational load-reducing container series “Koukaryoku DOK” for a wider range of customers as our second phase of GPU cloud service for generative AI. We plan to expand our “Koukaryoku” services further, including providing a cloud series that can be rented hourly and that offers high flexibility for building environments.

The numerical targets stated in the sales plan for these three years are 5-10 billion yen for FY 3/2025, 10-20 billion yen for FY 3/2026, and 20-30 billion yen for FY 3/2027.

We need profits, cash, organization, and personnel to achieve these targets. In terms of securing human resources, we are in the process of actively increasing our workforce.

have an almost 100% utilization rate, and customers wishing to purchase new or additional subscriptions need to wait.

To respond swiftly to market demand and seize the opportunities when Japanese society and industry are at a historic turning point brought by generative AI, we will continue to expand our services based on both changes in the market and use cases and customer feedback. We aim to become the first company that comes to mind among domestic businesses in the digital infrastructure domain, such as cloud services, and to position ourselves as an alternative to hyperscalers. As we grow and evolve, we will maintain our position as a front-runner in cloud services for generative AI.

**GPU Cloud Services [Overall Schedule]**

	FY3/2024				FY3/2025				from FY3/2026 to FY3/2031			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Subsidized by METI	Plan of 13.0 billion yen to be certified (1st investment plan)				Plan of 100 billion yen to be certified (April) (2nd investment plan)							
Service launch			● First phase Launch of Koukaryoku PHY	● Second phase Launch of Koukaryoku DOK	Will start Cloud series (subscription by hour/ GPU)							
GPU procurement		Add 2,000 more GPUs in total (completed June 2024)							Continuous enhancement of next-generation GPUs			
Data center extension									Gradual expansion of Ishikari Data Center (Construction of a container-type data center)			

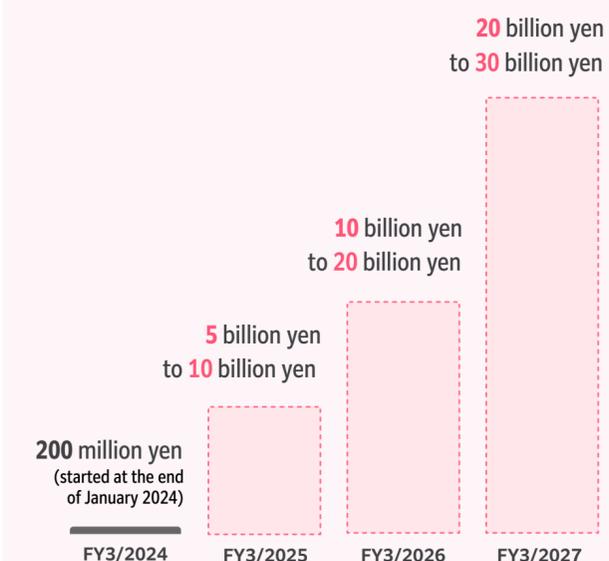
**Our role in the Japanese generative AI market**

The generative AI market in Japan is at a critical juncture, where it may or may not be dominated by cloud business and smartphones, as has already been the case overseas.

Today, although many businesses are announcing massive investments, most start by constructing data centers. We believe that we have a significant role to play as a business that has been offering large-scale computational resources since 2024.

The current supply of large-scale computational resources vis-à-vis market demand is hardly adequate for the industry. Our company’s services also continue to

**GPU cloud services – Three-year sales plan**



## 02. “SAKURA Cloud,” the First and Only Japanese Company to be Certified\* as a Government Cloud Provider

### Moving to the next stage after an overwhelming increase in visibility

In November 2023, SAKURA internet’s cloud service, “SAKURA Cloud,” was certified as a provider for the Government Cloud, provided that all technical requirements are met by the end of FY 2025. We believe this results



from an overall recognition of our technical capabilities, credibility, data security, and other safety features we provide. To meet the technical requirements, we are currently utilizing in-house human resources and actively recruiting personnel who can be immediately effective, establishing a project management system and promoting a development process by taking a panoramic perspective of the overall schedule and architecture.

The Government Cloud market is rapidly growing, with a 113.2% CAGR between 2022 and 2027 and a predicted market size of 123.4 billion yen in 2027. In principle, local governments have set out a policy to migrate their mission-critical systems to the Government Cloud by the end of FY 2025. Being certified for the Government Cloud\* amid this market expansion has suddenly increased the visibility of “SAKURA Cloud.” Our website’s traffic and the number of service and job inquiries have increased, and we believe that we have achieved an increase in visibility, which was one of the endeavors of the Government Promotion Office.

As a next step, we will strengthen our sales structure and focus on drawing people’s attention to our unique characteristics and appeal. Specifically, we are actively disseminating information during study sessions and events and inviting personnel from various public offices and local governments to join our team, thus creating a system that will enable us to make proposals based on policies and peripheral guidelines set by the government and the Digital Agency. Although national and local governments will face difficulties during cloud migration, we will provide steady support to public

offices, local governments, and concerned businesses, and together we will move forward by overcoming challenges.

### Creation of case studies in collaboration with public offices and local governments

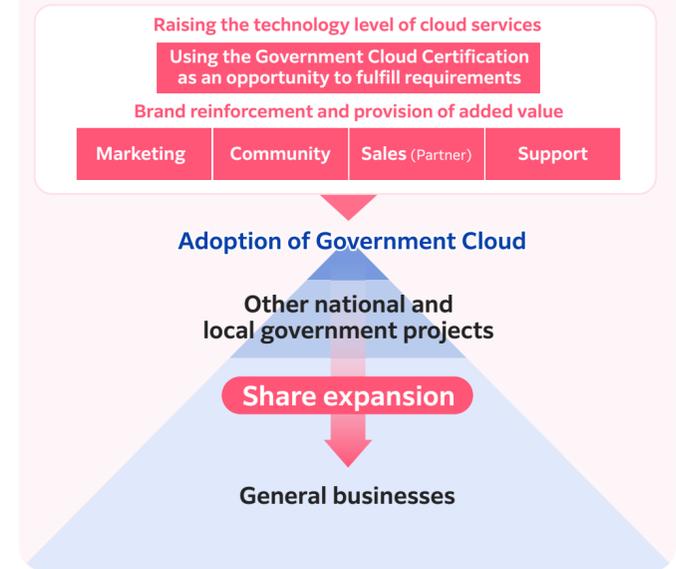
Looking at the future, our company will strengthen its cooperation with public offices, local governments, and partner companies to build on our track record. We have already made progress in our collaboration with the government. Our company is also receiving more orders for public office projects, which implies a steady expansion in opportunities for using our services.

Our development, operation, and support bases are all in Japan, allowing us to respond swiftly to market demands. Our strength lies in our ability to respond flexibly to the needs of our customers in pursuit of what is “easy to use now.”

To improve the value of our services, we must balance basic value and added value. To achieve this, we have appointed managers with expertise, and we are developing a system that will enable us to respond flexibly to the demands of public offices and local governments.

The Government Promotion Office’s role includes external outreach and internal awareness raising. Our company conducts in-house study sessions on the Government Cloud and regularly shares case studies of the initiatives of other companies. We convey the significance and importance of working on the Government Cloud to all our employees and of working together toward the same goal while incorporating multiple perspectives.

### Using the Government Cloud as an opportunity to expand our share



### Becoming the company of choice not only for governments but also for domestic companies

After the end of FY 2025, when we will have met the technical requirements, there will be an addition of domestic cloud services in the Government Cloud market, which until now has only offered overseas cloud service options. This step will give us more options to meet the needs of public offices and local governments and make it easier for customers, including many general companies, to use our cloud services. Our future aim is to use the Government Cloud to raise our technology level, reinforce our branding, and expand our domestic share, including among general companies, through measures to expand the sales channels.

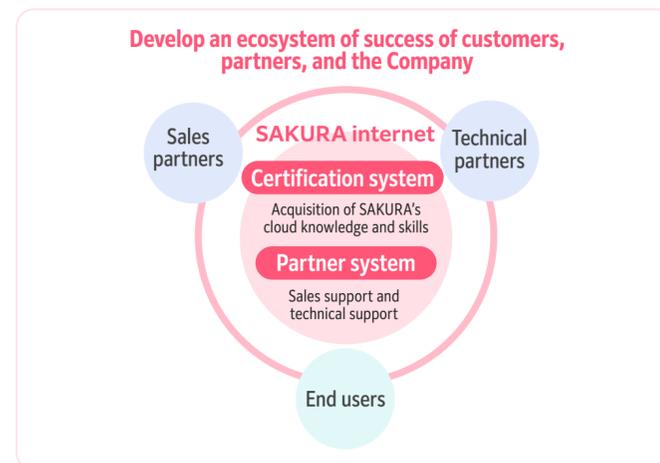
\* Certification granted on the condition of meeting all technical requirements by the end of FY 2025

### 03. Initiatives for Market Expansion

#### Building an ecosystem of success for “customers, partners, and the company” through our partner and certification systems

The expansion of our sales channels in our growth strategy is thanks to our partner system and the SAKURA Cloud Certification. SAKURA’s conditional certification as a Government Cloud provider is a step forward in adding to the options of cloud services and having customers choose our company’s services rather than overseas providers.

First, we are re-examining what we have achieved with our partner system. This system, which was started in 2014, is primarily run by the Sales Department and has successfully strengthened alliances. Starting this fiscal year, we are positioning it as a medium-term strategy, a company-wide initiative across divisions. In



doing so, we will also ensure that our activities complement the functions required in this rapidly changing industry and will help our customers succeed.

Additionally, we have established two partner categories in the new partner system. These include sales partners, who sell in-house services on our company’s cloud, and technical partners, who develop the functions of our company’s cloud. Regarding sales partners, we have been conducting onboarding before and after the introduction of services, guiding them on how best to utilize our services for selling to their clients. We will continue to strengthen this partnership. As for our technical partners, we encourage them to obtain the “SAKURA Cloud Certification,” as it will further strengthen our collaboration by deepening their knowl-



Onboarding of sales partners. (From left) Ryu Saito and Rio Fukasawa, Sales Department, CS Division

edge and understanding of our company and technologies. By complementing each other’s shortcomings and improving the services delivered to the end users of our partners and our company, we will create an ecosystem of success for customers, partners, and the company.

#### Increasing the number of engineers familiar with SAKURA Cloud through the certification test

Handling the cloud itself is not that difficult for engineers with certain skills and knowledge. Still, there are not enough workers who can respond to unforeseen situations or problems. There are also fewer opportunities for society to learn about digital technologies, and companies are chronically short of employees with requisite digital skills.

We are implementing the “SAKURA Cloud Certification” to solve this problem. It will allow professionals to learn digital technologies and prove their skills through a certification test. At the same time, through the certification process we impart our knowledge and

expertise in cloud computing, hardware, software, and networking that we have cultivated over a quarter of a century. While cloud certification tests are often specific to a company’s systems, the SAKURA Cloud Certification is designed to get more professionals interested in cloud computing, with a curriculum that begins with general knowledge, such as what cloud computing is, and ultimately enables them to handle “SAKURA Cloud.” We expect our partners and students who want to learn digital technologies, company employees looking to reskill, and teachers to use our certification. To this end, we will provide the learning material free of charge.

Our plan for the future is first to have 1,000 examinees sit for the test, followed by 20,000 to 30,000 examinees in the next few years. Through this certification test, we will increase the number of partners and users who can appropriately use “SAKURA Cloud” in any situation. We will build an ecosystem that mutually benefits everyone by having them utilize our company’s services.

General Manager,  
Technical Solutions Division

**Takashi Matsuda**

Executive Officer

**Takayuki Takahashi**

## 01. Providing Support During a Period of Change Through Active Recruitment\* and Strengthening the Organization

### Aim to hire 200 employees in FY 3/2025

Since our founding, SAKURA internet has held human resources to be one of our most highly prioritized forms of capital.

All our services have been created using the knowledge, skills, experience, and individuality of every one of our human resources. We believe that by harnessing the power of individuals and maximizing the strength of the organization, we can drive further business development.

Our company's business environment has undergone significant change over the past few years, including the advancement of digital transformation in society and the rapid growth of generative AI technology. We must acquire and train human resources to seize this change as an opportunity and grow. In addition, we need to restructure our human resources and organization from a medium- to long-term perspective.

Given this backdrop, our strategy for this fiscal year

is to actively recruit human resources and strengthen our organization to further grow our core business, "SAKURA Cloud," and GPU cloud services for generative AI.

We plan to hire 200 individuals. As of the end of June 2024, the company has 906 consolidated employees, and we plan to have over 1,000 employees by the end of March 2025. We will first focus on recruiting human resources for service-related infrastructure development, management, and operations to accelerate growth and strengthen our structure. We also plan to strengthen our sales structure to promote both direct and partner sales amid the expected enhancement of our services. As our business and services expand, we will actively recruit human resources for the corporate functions that support them. Regarding employee distribution by job type, 65% of new hires will be for sales, planning, and engineers for "SAKURA Cloud," followed by services for generative AI, and finally, human resources, which will contribute to common service infrastructure and focused services.

### Strengthening recruitment channels and creating an environment that enables career continuity

Amid concerns about a shortage of human resources, we will adopt a somewhat targeted and direct approach to recruit a large number of engineers in highly specialized fields such as cloud computing and AI, as well as talented professionals who will be responsible for the company's

transformation. Therefore, we are implementing the following three major methods for recruitment.

(1) Direct Recruiting: We proactively contact individuals considering a job change and provide them with opportunities for casual interviews to convey the appeal of working at our company. In addition to recruiting HR personnel, our company's engineers also participate in this process to talk about their work with candidates. Approximately 20% of recruitment in FY 2024 was done using this method.

(2) Referral Recruiting: This involves our employees inviting friends and acquaintances who embody our company's corporate culture and philosophy to come work for us. We have established an employee introduction system called "SaBuLiCo (Sakura Business and Life Co-Creation) Friends," which creates opportunities for casual conversation about the company over meals or in other informal settings. Approximately 20% of recruitment takes place using this method.

(3) Alumni Recruiting: We look for individuals who have previously worked at our company and would like to work for us again, having gained experience at other companies. We implement this method in conjunction with "SaBuLiCo Friends." During the selection process, we discuss the latest information about our company's current strategies and see which candidates match us best.

When focusing on business promotion in FY 3/2025, we have prioritized active recruitment and organizational strengthening to minimize the burden in the workplace. In FY 2025, we want to establish a personnel system that promotes "change and growth" through challenge.

As for our overall human resource strategy, we will be restructuring our human resource management to accelerate change and growth in our human resources and in our organization, so as to prepare for the rapid expansion of our business and organizational structure needed to realize our medium- to long-term vision.

### Working with new employees toward the same goals

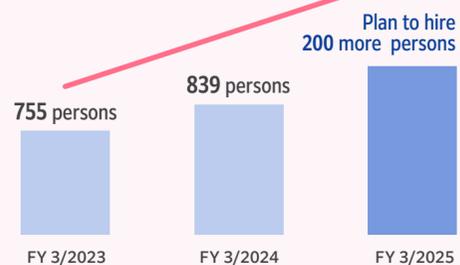
Our planned recruitment activities of hiring 200 employees will result in at least 15 individuals joining the company monthly. We conduct onboarding so that new employees can quickly become accustomed to the workplace and be encouraged to play an active role in the company.

Executive Officer / Group CHRO

**Mariko Yabe**



Number of Personnel  
(Consolidated)



On joining the company, new employees undergo an orientation that includes an address by the President; an overview of the company, its management and business strategies, and its division of roles within the organization; and a workshop introducing them to our corporate philosophy, management vision, and values. Moreover, we provide on-the-job and external training at the actual assignment sites, online lunch meetings outside of work that anyone can freely participate in, and opportunities for in-person interactions with existing employees and other new employees who joined the company in the same month. Since our company has embraced a work style conducive to remote work, we have adopted communication measures that take advantage of both online and offline communication.

In addition, HR interviews employees in their third month of employment to get feedback on any disparities between their experience before and after employment and the support they require to play an active role in the company, which is used to update our onboarding policies.

As a result, many new employees have commented on the generous follow-up they receive, even if they have joined mid-career, and many can tackle challenges

early on.

Then again, onboarding presents certain challenges as well. Sharing knowledge connects employees with specialized skills and expertise with those who need them, transcending departmental boundaries. Understanding “who knows what” and “where the people with skills and experience are” will help new employees solve the issue of “not knowing who to ask what,” allowing them to communicate voluntarily with the right employees for their purpose. This concept acts as one of the means and impetus for our corporate philosophy of turning “what you want to do” into “what you can do.” We recognize this as an issue that we must address in the future.

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

Because employee success (ES) and customer success (CS) go hand in hand, our policy of “Realization of ES and CS” is to create an ecosystem that will ultimately lead to the success of the company. The success and growth of every employee is undoubtedly the driving force behind the entire company’s success. Our company selects and determines various human resource policies based on the Realization of ES and CS policy. An external engagement survey evaluated us as having an “extremely comfortable work environment.” In that survey, many employees commented on the job satisfaction they feel from being able to work for a company that is receiving attention from society thanks to “SAKURA Cloud” being conditionally certified as a Government Cloud provider and the development of GPU cloud services for generative AI, indicating an increase in job satisfaction at our company.

In addition, to realize sustainable corporate management that will turn our customers’ “what you want to do” into “what you can do,” we have established Five Pillars\*

that support our human resource strategy of realizing the growth and success of every employee and further increasing the value of our employees, who are the source of the value we provide to society and our customers. These Five Pillars involve a cycle of learning and practice that encourages employees to demonstrate their abilities, providing them with opportunities to gather and take on challenges and to create a foundation for a secure and long-lasting career.

\* For more information on the Five Pillars, please see the Five Pillars that lead to the growth and success of human resources on p. 33.

### First steps toward diverse management and the creation of collaboration

Four of the five Executive Officers appointed in October 2023 were women, a development that enhances the company’s management functions. These appointments were made with an eye toward diversity, based on the premise that innovation and corporate value improve when diverse professionals demonstrate their abilities.

Incorporating the opinions of minority groups in our company has allowed us to pick up new viewpoints and perspectives while avoiding risks. We also hope that by increasing the number of women executives, they can serve as role models for the next generation of women. We will continue our efforts to achieve the numerical targets for the ratio of female executives (including executive officers) set in “The Basic Policy on Gender Equality and Empowerment of Women 2023,” approved by the Cabinet in June 2023, which recommends that “Each company listed on the Prime Market shall aim to raise the ratio of female executives to 30% or more by 2030.”

As the number of executives has increased, we have been holding training camps for executives about once every two months starting this fiscal year to foster a



(From left) Executive Officer Yohei Ueno (In charge of the Corporate Communication Office) and Executive Officer Sayuri Masaki (In charge of CS Division)

sense of unity among the management team, increase commitment among Executive Officers, and make the most of the knowledge, skills, experience, and individuality each executive possesses through collaboration. Specifically, we conduct workshops to promote mutual understanding by focusing on the strengths between executives and the challenges they may face, foster a sense of unity among the management team through deeper communication, and align their awareness and perspectives toward realizing our corporate philosophy. We emphasize action and change from the management team before asking employees to do so.

The company has begun implementing various human resource policies with a scope that extends beyond becoming a top digital infrastructure company. We are entering a phase in which we will acquire new strengths while expanding our existing strengths, and our human resource strategy is one of the most important subjects that will support our company’s business, now and in the future. Because we are committed to our policy of “Realization of ES and CS,” we will create a system that turns “what you want to do” into “what you can do” for every employee at our company.



## 02. Proactive Investment in Digital Infrastructure

### Proactive investment in digital infrastructure for the next growth

To achieve exponential and sustainable growth in the medium to long term, proactive investment in digital infrastructure is imperative for advancing and diversifying our cloud business. Early acquisition of cutting-edge GPUs is pivotal to our growth strategy for cloud services targeting generative AI. Building on this foundation, we will deliver services that adaptively meet evolving domestic demand.

Our investment plan for the fiscal year ending March 2025 encompasses equipment upgrades and server replacements to support revenue growth in existing cloud services, alongside strategic investments to expand our GPU cloud services for generative AI.

The initial phase of our investment plan, totaling 13 billion yen, has been certified under METI’s Cloud Program Supply Assurance Plan. We anticipate re-

ceiving a subsidy of 6.8 billion yen, covering 50% of the project costs. Our service rollout commenced in January 2024 with the launch of “Koukaryoku PHY,” a dedicated bare metal series equipped with NVIDIA H100 GPUs. It was followed in June by “Koukaryoku DOK,” a container series offering usage-based billing that will reduce the operational overhead of the second phase. Moving forward, we plan to invest approximately 100 billion yen in the second phase of our investment strategy. This plan was also certified under METI’s Cloud Program Supply Assurance Plan in April. Of the 50.1 billion yen subsidy, we aim to allocate 21.4 billion yen for procuring cutting-edge GPUs within this fiscal year. (Note: This is not included in the FY 3/2025 investment plan or performance forecast.)

In addition, approximately 18 billion yen was raised through a public offering in June. We plan to allocate these funds for capital investments, including GPU procurement and capacity expansion at the Ishikari Data Center.



Investment plan for FY 3/2025 (100 millions of yen)

Description of investment	Plan
<b>Data centers</b>	<b>56</b>
First investment plan for GPU cloud services *Plan to construct a container-type data center (Scheduled for completion in 2024)	23
<b>Servers and network equipment</b>	<b>117</b>
First investment plan for GPU cloud services	76
<b>Others</b> (systems and office-related, etc.)	<b>7</b>
<b>Total</b>	<b>181</b>

\*Amounts are rounded down to the nearest 100 million yen

### Construction of container-type data centers

We are expanding capacity with a new zone in Building No. 3 of the Ishikari Data Center while simultaneously constructing a container-type data center at the site designated for Building No. 4.

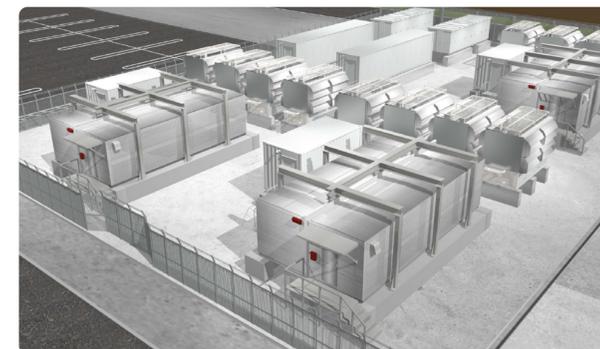
Our decision to develop container-type data centers was strategically aimed at deploying infrastructure as soon as possible to meet the surging demand in the generative AI market. In addition to dramatically reduced lead times compared to conventional data centers, the implementation of cold plate liquid cooling (Direct Liquid Cooling,)(\*1) technology—a cooling method that has garnered significant attention recently—enables us to provide high-capacity, power-dense cloud servers tailored for generative AI applications.

For this project, we are linking two custom-sized containers. Areas that the cold plate liquid cooling system cannot adequately cool will be supplemented with InRow air conditioning (\*2).

Our swift decision and commencement of construction for a container-type data center dedicated to GPU servers—a rarity in Japan—can be attributed to several factors: the availability of expansion land at our Ishikari Data Center, our extensive experience and expertise in constructing and operating proprietary data centers, insights into cutting-edge data center technologies gained through our advisory services, and the efficacy of our business model, which is characterized by strategic flexibility, vertical integration, and self-reliance. We have scheduled the construction of container-type data centers for the current fiscal year, with further developments planned for 2025 and 2026.

\*1 A method where the coolant is supplied externally to the server, cooling the GPU through direct contact with a cold plate

\*2 A precision air conditioning method utilizing strategically placed cooling units within server rows



Container-type data center



Construction of a container-type data center at the designated site for Building No. 4 of the Ishikari Data Center

## Synergizing Efforts with Group Companies

Our group companies harness their distinct strengths and specializations to deliver value to our customers. Furthermore, enhancing synergies across the group reinforces our commitment to ensuring customer success.

### ITM Inc.

**Focus on the Development of Specialized Cloud and Security Service Offerings**

To ensure safety and security in the digital landscape, we focus on developing two core business areas: cloud services and cybersecurity solutions. In our cloud services division, we design, implement, and manage optimized cloud environments to facilitate digital transformation initiatives for our clients. Our cybersecurity division develops proprietary services, including vulnerability assessments, which we offer to service providers and development professionals. We also serve as functional complement partners and third-party providers for “SAKURA Cloud,” further enhancing its capabilities.



**Takeshi Kawamoto**  
President,  
Representative  
Director

### Prunus-Solutions Inc.

**Delivering Comprehensive Solution Packages**

As a system integrator focused on data centers, we primarily specialize in high-performance computing (HPC) and support numerous projects for government agencies, research institutions, and private companies. Our process begins with tailored consultations, addressing specific client needs and objectives, followed by customized solution proposals. We provide comprehensive packaged solutions encompassing storage, connectivity, high-speed networks, and operations. Additionally, we offer bespoke solutions that integrate monitoring and security operations center (SOC) services. Harnessing our expertise in solution-based sales, we deliver cutting-edge GPU cloud services and “SAKURA Cloud” to meet our clients’ evolving needs.



**Hironori Usui**  
CEO

### IzumoBASE Inc.

**Developing Storage Solutions with Enhanced Availability, Redundancy, and Security**

As a company developing storage software products, we are engaged in security and privacy protection technologies such as encryption and secret sharing. Our flagship products include “IzumoFS,” a highly secure distributed file system, and “Man-kai,” a tailored storage solution for “SAKURA Cloud.” Furthermore, we spearhead innovative initiatives in the generative AI domain, leveraging our group’s collective expertise. We are committed to evolving our business to serve as the crucial link between diverse systems, applications, and data ecosystems.



**Jumpei Arakawa**  
CEO

### Gehirn Inc.

**With a Vision of “Making Japan Safer”, We Provide the Special Agency NERV Disaster Prevention App.**

With security as our cornerstone, we conduct extensive research and development in information security, critical infrastructure, and disaster prevention technologies. We operate a sophisticated distribution platform integrating dedicated lines with key national agencies, including the Japan Meteorological Agency. This platform enables us to receive and process critical disaster information, which we then disseminate through our “Special Agency NERV Disaster Prevention” app, various online media channels, and broadcasting networks. As of July 1, 2024, our “Special Agency NERV Disaster Prevention” app achieved a significant milestone of 5 million downloads. We are poised to launch advanced crisis management solutions for enterprises and to integrate our robust infrastructure foundation into “SAKURA Cloud.”



**Daiki Ishimori**  
CEO

### bitstar Inc.

**Leveraging IT to Address Diverse Client Challenges**

Omission, “Transforming Challenges into Opportunities through IT,” drives us to assess client needs and deliver comprehensive solutions attentively. We offer seamless value across the entire IT spectrum, from infrastructure development to web design, system implementation, and ongoing operational support. We also spearhead in-house service development, showcasing innovations such as “PiPit,” a customizable childcare center management system with nationwide adoption, and “Tsunagaru+,” a disaster preparedness app facilitating information sharing in evacuation centers that is currently deployed in Fukuoka City.



**Akihiro Maeda**  
CEO

### Tellus Inc.

**Creating New Value Through the Fusion of Space and IT**

The company develops “Tellus,” a satellite data platform of Japanese origin. “Tellus” can provide Japan’s most comprehensive government and commercial satellite data sets through APIs. This satellite data platform encourages data utilization initiatives, AI model training, and diverse applications across research and business domains. “SAKURA Cloud” is used as the foundation of this platform. As of 2024, we have spun off from SAKURA internet to operate independently.



**Hideto Yamazaki**  
CEO

### SAKURA Mobile LIMITED

**IoT Solutions and Global Telecommunications Partnerships**

- Provision of connectivity solutions and licensing for SAKURA secure mobile connect platform
- Strategic liaison and partnership management with international telecommunications providers



**Ryosuke Yamaguchi**  
CEO

### BBSakura Networks, Inc.

**Enabling a Connected Future through Advanced Innovation**

The company provides OCX, a NaaS Platform to extend the Global Telecommunication Connectivities through an enhanced Software suite which is developed by us.



**Hideyuki Sasaki**  
Representative  
Director, President &  
CEO

# “Tellus”: Creating New Value Through the Fusion of Space and IT

## Exponential growth prospects in the space business sector

Japan’s space industry has garnered significant attention with landmark achievements, including a successful lunar landing by its probe (making Japan the fifth country globally to achieve this feat) and the inaugural launch of the next-generation H3 rocket. These milestones underscore the burgeoning global space market, projected to expand from 54 trillion yen in 2022 (\*1) to approximately 110 trillion yen by 2040. The Earth observation sector, leveraging artificial satellite technology, is poised for substantial growth as well. Projections indicate an expansion from 409 billion yen in 2022 to an impressive 3.6 trillion yen by 2040 (\*2), highlighting its immense potential.

In light of these projections, the Japanese government has outlined ambitious goals in its “Basic Plan for Space” (announced June 13, 2023), which aims to expand the domestic space market from 4 trillion yen in 2020 to 8 trillion yen by the early 2030s. The government has established a dedicated Space Strategy Fund to bolster these efforts, committing to a substantial investment of 1 trillion yen over the next decade. Against this backdrop of robust market growth projections and ambitious national targets, Tellus is poised to garner increased attention and play a pivotal role in the burgeoning space industry ecosystem.

\*1 Bryce 2022 Global Space Economy

\*2 Investing in Space Exploration | Morgan Stanley



The Tokyo metropolitan area’s optical imagery was captured by JAXA’s “ALOS (Daichi)” satellite and made accessible through the “Tellus”. “Tellus” enables comprehensive access, acquisition, and analysis of a diverse range of satellite data.

Image Credit: Japan Aerospace Exploration Agency (JAXA)

“Tellus,” our satellite data platform of Japanese origin, was initiated in 2019 under SAKURA internet’s development and operational framework. In April 2024, we established our independence as Tellus Inc., embarking on a new chapter of business operations as a key group member.

## Tellus’s strategic vision and synergies within the group

Beyond its core function of providing satellite-derived data, “Tellus” offers a comprehensive platform environment for development and analysis, empowering users to transform innovative ideas into viable business ventures. Satellite data, due to its immense volume, once posed significant challenges, with downloads alone consuming hours. The transition to cloud-based operations has revolutionized this landscape, democratizing access and enabling efficient data manipulation for users across the spectrum. Our establishment as an independent entity, Tellus Inc., enables us to accelerate talent acquisition and capital procurement this fiscal year. We aim to become a comprehensive data hub for public and private sector satellite data while concurrently developing innovative solutions by leveraging this aggregated satellite information.

Operating as a group company offers significant advantages: Tellus can leverage our extensive resources while strategically utilizing assets like “SAKURA Cloud”, which is conditionally certified for Government Cloud use. This synergy enables us to deliver comprehensive, group-wide solutions to our clients. These strategic initiatives position our company to penetrate new markets, expanding our operational scope and influence. Leveraging our group’s ecosystem as a competitive advantage, we will drive development through strategic collaborations with enterprises specializing in satellite data-driven solutions.

## Democratizing access to space proprietary media platform: “Sora-Batake”

Tellus manages “Sora-Batake,” our proprietary media platform.

“Sora-Batake” disseminates cutting-edge space-related content, including insights on leveraging satellite data (focusing on “Tellus”) and comprehensive coverage of domestic and international space industry developments.

Our monthly page views have surged from approximately 18,000 in July 2018 to 160,000 in July 2024, underscoring the growing public interest in space commerce and satellite data applications.



SORABATAKE Tellusmedia <https://sorabatake.jp/>

# Advancing Internet Technologies Through Innovative Research

## Strategic foresight: systematically expanding our future potential

In the rapidly evolving landscape of the internet industry, precise future predictions remain a formidable challenge. While currently ubiquitous technologies may one day become obsolete, entirely novel innovations can emerge and revolutionize the industry within three to five years.

In response to this dynamic reality, SAKURA internet Research Center prioritizes continuous exploration of diverse ideas, ensuring a robust portfolio of research that can be readily deployed when market conditions demand.

The diverse interests of our research team members serve as wellsprings of innovation, resulting in a wide spectrum of research themes. Our researchers pursue

a balance of trend-aligned studies and avant-garde explorations that challenge conventional paradigms. While some research directly aligns with our current service offerings, others pursue more exploratory avenues that may shape future innovations. The unifying thread across all research initiatives is their potential to contribute significant value in future technological landscapes.

This forward-thinking research approach was the crucible from which “SAKURA Cloud” emerged. When the concept of cloud service offerings crystallized within our company, the diverse expertise of our research team synergized, enabling a swift transition from concept to market-ready service.

Beyond their specialized research areas, our team prioritizes staying abreast of developments in the following critical domains:

Our in-house research center, the SAKURA internet Research Center, focuses on cutting-edge internet technologies. Through academic publications and service launches, we aim to contribute significantly to societal advancement and our corporate objectives. Our diverse research initiatives continually expand the horizons of our corporate potential.

### Infrastructure

Server architecture, Network protocols, Storage solutions, Facility management, Energy systems (generation and transmission), Mobile technologies

### Basic technology

Automation and virtualization technologies, artificial intelligence, HPC, edge/fog computing and distributed systems, quantum computing and cryptography, process informatics, space-based communications, blockchain technology, DNA and organic computing/storage systems, bioinformatics, and advanced robotics.

### Services

Additive manufacturing (3D printing), geospatial applications, smart city technologies, system software orchestration, Internet of Things (IoT) ecosystems, site reliability engineering (SRE), data distribution networks, machine learning and AI applications, and comprehensive cybersecurity solutions.

## Current Research Initiatives

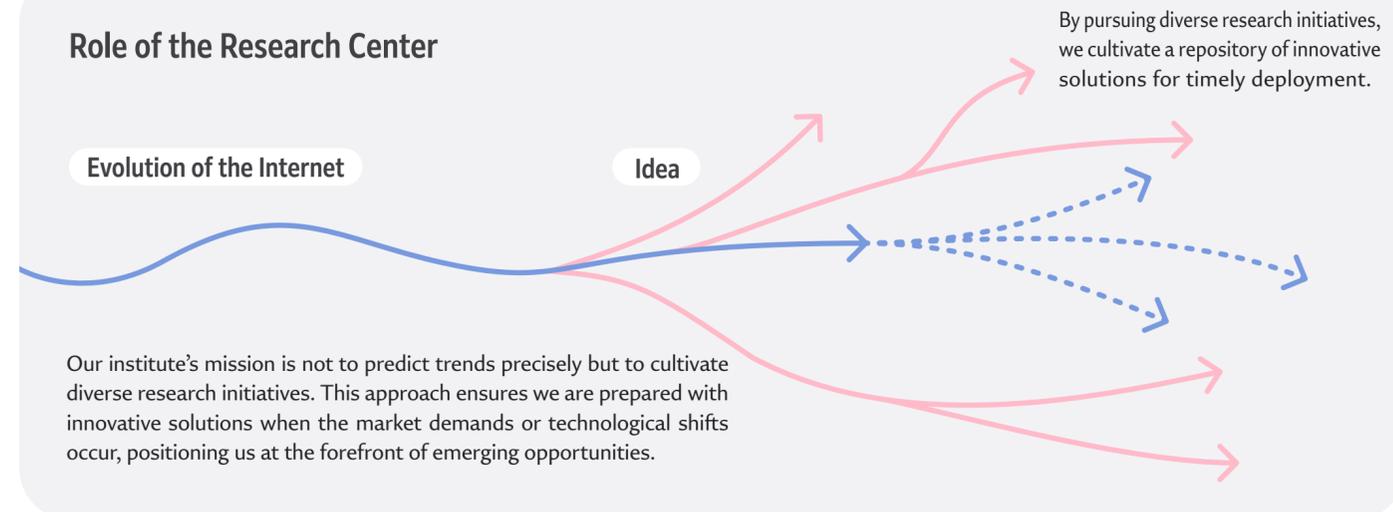
### Advanced studies in communication protocols and system software architectures within the information and communication technology (ICT) domain

- Hyper-individualized data centers
- Scalable distributed computing frameworks and execution environments
- Secure containers
- Edge/Fog computing
- Quantum cryptographic communication

### Machine learning algorithms, large language models (LLMs), and their practical applications across diverse domains

- Development of comprehensive materials science databases leveraging LLMs
- AI drug discovery
- AI for SRR
- Benchmarking and optimization of genomic analysis algorithms and software

## Role of the Research Center



## Leveraging synergies through dual research group structure

Our research activities are strategically divided into two complementary units: the Research and Development Group and the Product Development Group. While individual achievements are valued, our focus is on maximizing the synergistic impact of these contributions, aiming for transformative team-driven outcomes that exceed the sum of individual efforts.

By concurrently driving research and product development, we amplify the impact of our innovations through the powerful synergies between these two domains.



Fostering innovation through diverse research and collaborative exchange

Chapter 04

# ESG Management Initiatives

---

# Policy

**SAKURA internet will continue to contribute to the environment and society through business activities that support the creation of a digital-ready society, with the corporate philosophy of turning “what you want to do” into “what you can do.”**

## Environment

Topics **Ishikari Data Center**  
**Achieve Annual Zero CO2 Emissions**

- **Ishikari Data Center** P. 32

Our company promotes the operation of green data centers in accord with the era of cloud computing. As the digitalization of society accelerates, the electricity consumption required for data processing is also likely to increase. This section introduces our initiatives to achieve zero CO2 emissions at the large-scale Ishikari Data Center, the biggest nonmetropolitan data center in Japan, operated by our company, and with an air conditioning system that uses Hokkaido’s cold outside air.

## Social

Topics **A New Center for the Creation of Open Innovation Established in Osaka (September)**

- **Stakeholder engagement chart** P. 31
- **Implementation of human capital management** P. 33~P. 35
  - “Five Pillars” that lead to the growth and success of human resources  
Introduction to the Five Pillars established to realize human resources strategy.
  - **SAKURA from a data perspective**  
We publish data on our company’s unique features and initiatives.
  - **Active participation of human resources**  
This section introduces our company’s human resources. These are the people who actively participate with motivation while using our “SaBuLiCo” system.
- **Human resource development in the field of digital technology** P. 36
- **Open innovation** P. 37
- **Customer relations** P. 37



## Governance

Topics **Percentage of female executives, including executive officers: 25.0%**  
 (As of June 30, 2024)

- **Basic policy / Initiatives to strengthen the governance structure** P. 38
- **Operation of the Board of Directors, etc. / Policy on the appointment of executives / Skill matrix** P. 39~P. 40
- **Directors and executive officers** P. 41
- **Information security initiatives** P. 42

## Main Stakeholders of SAKURA internet

Through dialogue with stakeholders, we will build trusting relationships and, through business activities that respond to their demands and expectations, realize our goal of “Turning “what you want to do” into “what you can do””

	Customers and Partners	Employees	Shareholders and Investors	Local Communities	Governments Agency and Trade Association	Future Generations
Stakeholders	<ul style="list-style-type: none"> <li>Customers of our group</li> <li>Sales partners</li> <li>Technical partners</li> <li>Alliance companies</li> </ul>	<ul style="list-style-type: none"> <li>Employees of our group</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders</li> <li>Investors</li> </ul>	<ul style="list-style-type: none"> <li>Local communities</li> <li>Environment</li> </ul>	<ul style="list-style-type: none"> <li>Central governments</li> <li>Regional governments</li> <li>IT industry associations</li> </ul>	<ul style="list-style-type: none"> <li>Young people</li> <li>Students</li> <li>Startups</li> </ul>
Main Methods of Dialogue	<ul style="list-style-type: none"> <li>Contact point, Customer service center</li> <li>Provision of service and support information via website and SNS</li> <li>Satisfaction survey</li> <li>Study sessions and various seminars</li> <li>Hosting of exhibitions and other events</li> <li>Technical support activities by engineers</li> <li>Dialogue through sales activities</li> <li>Service provision at green data centers</li> </ul>	<ul style="list-style-type: none"> <li>Development of comfortable work environment and systems</li> <li>Fostering organizational culture that respects diversity</li> <li>Creating culture that emphasizes challenges and leadership</li> <li>Regular implementation of 1-on-1 meetings</li> <li>Implementation of internal communications</li> <li>Hosting various training programs, seminars, and briefing sessions</li> <li>Opportunities for communication and dialogue from management through meetings and audio media</li> <li>Visualization of engagement levels and physical and mental health using digital tools</li> <li>Establishment of various consultation and reporting hotlines</li> </ul>	<ul style="list-style-type: none"> <li>Financial results briefings and investor presentations</li> <li>General shareholders’ meeting and notice of convocation</li> <li>Timely disclosure (earnings reports, securities reports, and press releases)</li> <li>Information dissemination via website and other channels</li> <li>Issuance of integrated reports, shareholder newsletters, and various reports</li> <li>1-on-1 meetings, small meetings, and roadshows with domestic and international institutional investors</li> <li>Contact point</li> <li>Data center tours</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration with local communities</li> <li>Sponsorship for regional companies</li> <li>Recruitment activities in regional areas</li> <li>Community contribution activities</li> <li>Owned media</li> <li>Operation of green data centers (100% renewable energy, power consumption reduction through location-based cooling systems, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Activities within industry associations</li> <li>Speaking at various seminars and events</li> <li>Holding opinion exchange meetings</li> <li>Participation in expert panels</li> </ul>	<ul style="list-style-type: none"> <li>Information dissemination through the website</li> <li>Internship program</li> <li>Company information session</li> <li>Collaboration and support with technical colleges and the organization of programming classes for children</li> <li>Organizing pitch events and similar activities</li> <li>Providing infrastructure for free and supporting service development</li> <li>Consulting activities</li> <li>Investment in funds and dispatch support</li> <li>SAKURA Cloud Certification</li> <li>Promoting DX of society through support for next-generation entrepreneurs</li> </ul>
Related Capital	<span>Social Capital</span> <span>Natural Capital</span>	<span>Human Capital</span> <span>Intellectual and technical capital</span>	<span>Financial Capital</span>	<span>Social Capital</span> <span>Natural Capital</span>	<span>Social Capital</span>	<span>Social Capital</span> <span>Intellectual and technical capital</span>
Outcomes	<b>Achievement of Customer Success (CS)</b> <ul style="list-style-type: none"> <li>Solving customer issues</li> <li>Creation of digital business</li> <li>Enhancement of customer companies’ value</li> <li>Strengthening partnerships</li> <li>Creating mutual benefits through transactions and business co-creation</li> <li>Sustainable supply chain</li> </ul>	<b>Achievement of Employee Success (ES)</b> <ul style="list-style-type: none"> <li>Attainment of comfortable work environment and job satisfaction</li> <li>Acquisition and retention of top talents</li> <li>Active engagement of diverse talents</li> <li>Well-being</li> <li>Employee Success</li> </ul>	<b>Continuous enhancement of corporate value</b> <ul style="list-style-type: none"> <li>Enhancing shareholder value through timely and appropriate information disclosure and improved communication</li> <li>Enhancing the credibility of management</li> <li>Providing feedback to management for the improvement of business activities</li> </ul>	<b>Contribution to the realization of a decarbonized society / Regional revitalization</b> <ul style="list-style-type: none"> <li>Contributing to the realization of a decarbonized society through the operation of green data centers and reducing power consumption</li> <li>Contribution to local communities and regional revitalization</li> </ul>	<b>Promotion of society’s digitalization / Collaboration for solving social issues</b> <ul style="list-style-type: none"> <li>Collaboration for industry development and solving societal issues</li> <li>Contributing to the promotion of digitalization in society</li> </ul>	<b>Development and creation of DX talent</b> <ul style="list-style-type: none"> <li>Next-generation development and creation of highly skilled IT professionals</li> <li>Strengthening recruitment capabilities</li> </ul>

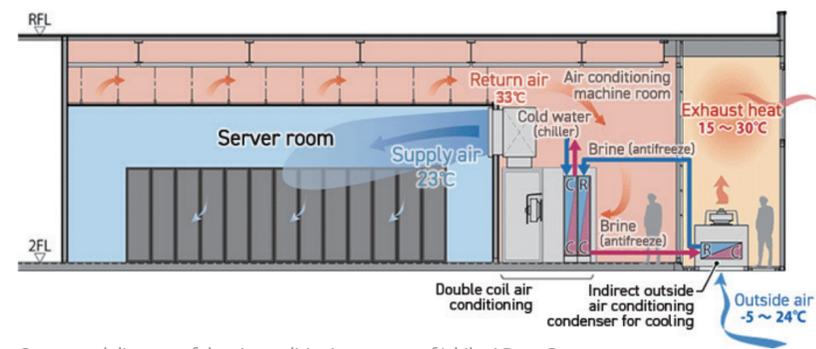
## Ishikari Data Center

### Achieve annual zero CO2 emissions

Aiming for green data center operations, among these initiatives, in June 2023, we changed the energy source of Ishikari Data Center to renewable energy, primarily hydroelectric power. The Ishikari Data Center has thus achieved zero annual CO2 emissions.

### Significant reduction in power consumption for air-conditioning

We have not stopped at using renewable energy sources from outside to achieve zero annual CO2 emissions at the Ishikari Data Center. In addition to utilizing solar power generated by the “SAKURA internet Photovoltaic Power Station,” which was established on an adjacent site in 2015, we have adopted the “direct outside air-cooling system,” which brings the cool air of Ishikari, Hokkaido, directly into the server rooms, and the “indirect outside air-cooling system,” which cools the refrigerant circulating between outdoor units and air conditioning units using outside air. The two systems have reduced power consumption by around 40% compared to a typical urban data center.



### Safety measures to keep operations running even during emergencies

Being equipped with the latest technology and security measures, our data center provides highly reliable services. A stable environment is always maintained by installing advanced cooling systems and backup power supplies. The data center is resistant to disasters such as earthquakes and fire, ensuring data security. The data center is monitored by specialized personnel 24 hours daily, allowing a quick response to any irregularity.

The entire Hokkaido region experienced a power outage for approximately 60 hours during the 2018 Hokkaido

Since establishing the Ishikari Data Center in 2011, SAKURA internet has implemented environment-conscious initiatives. As the operators of one of Japan’s largest data centers, we support our customers while constantly updating ourselves using the expertise gained through trial and error.

Eastern Iburi earthquake, which recorded a maximum seismic intensity of 7. However, thanks to our emergency power supply equipment and the quick response by our on-site personnel, the data center remained operational for two and a half days before power was restored.

The experience during the earthquake has been utilized in our current disaster-response measures, such as disaster drills and reviews of stockpiles. It was clear that stockpiling is necessary for survival and to ensure hot meals and high-quality sleep to support workers countering any emergency. Based on such experience, we are reviewing our disaster manual and stockpiles to make them more realistic. We have stockpiled a five-day supply for our employees, their families, and employees of tenant companies in the building. Our stockpile even includes milk and disposable diapers for babies. This supply is to support both life and data center maintenance.



Ishikari Data Center Building No. 3

# “Five Pillars” Leading to the Growth and Success of Human Resources

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

- 01 Develop human resources and create a culture of mutual learning.
- 02 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.

### 01 | Develop human resources and create a culture of mutual 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.

To turn “what you want to do” into “what you can do,” providing opportunities and an environment to utilize the education and acquired knowledge and skills of the employees is important. Our definition of digital literacy refers to the skills outlined by the Ministry of Economy, Trade and Industry (METI) in the Digital Skill Standards. It encompasses not only IT technology but also the ability to provide value to customers, including business skills, planning etc.

### 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.

### 02 | 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. 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.

### 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.

Since our company was born as a student venture, the startup spirit remains deeply rooted within the company. Our corporate culture is difficult to imitate and is a source of competitive advantage. By creating a business, establishing new ventures, implementing mechanisms, and cultivating a culture that enables us to provide new value to our customers, we will transform our company into one that applauds individuals who embrace challenges and take proactive action.

SAKURA internet, which provides cloud services, is a software-centric business, and our employees are responsible for maximizing the value of our company. Introduction to the Five Pillars has been established as a realistic human resources strategy.

### 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.



#### SAKURA Business and Life Co-Creation (SaBuLiCo)

Our system that realizes job satisfaction and comfortable work environment is called “SaBuLiCo” (SAKURA Business and Life Co-Creation). 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 complete the work assigned for the day can leave the office at 18:00, instead of the regular “9:30 to 18:30” working hours. Note that leaving the office early does not lead to any cut in pay whatsoever.

#### Diverse leave system “Refresh”

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

In addition to the 20 days of annual paid leave, various other leave systems are available, including three days of vacation leave every year for full-time employees, anniversary leave for birthdays of family members, and special leave granted for long service and at the time of weddings and funerals.

#### “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. 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).

#### “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.

#### “Family Time” for dropping off and picking up children from nursery school and similar responsibilities

A flexible system of shortened working hours is offered.

A shortened working-hours system has been adopted. This system offers flexible, shortened working hours to accommodate employees who must drop off or pick up their children from nursery school or kindergarten. The system is available not only to female employees but also to male employees raising children. The system supports diverse ways of working.

#### Other important measures

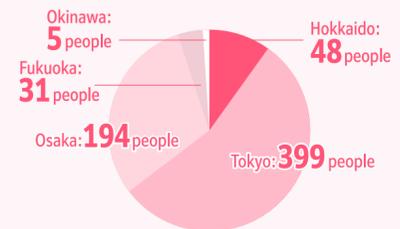
- Focusing on career diversity through “Career Consultation Service”
- Focusing on the diversity of personalities through “Team Building”
- Improving IT skills of all employees through “DX Journey”

# SAKURA from a Data Perspective

Various data are figures for Sakura internet alone.

## Number of employees (677 people)

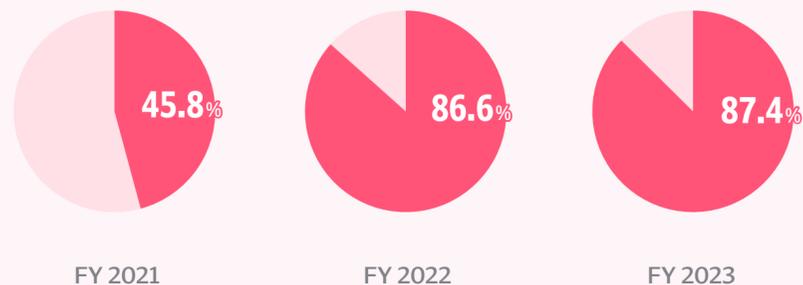
(As of the end of March 2024)



Indicates the total number of employees working in Osaka, Tokyo, the Ishikari Data Center, Fukuoka, and Okinawa.

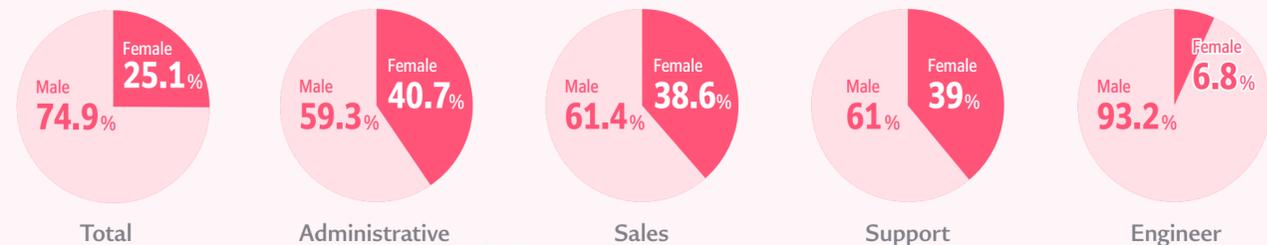
## Percentage of mid-career recruits

(As of the end of March 2024)



## Gender ratio

(As of the end of March 2024)



The workplace is male-dominated, but a large percentage of women work in clerical (administrative and back-office) positions. We also have female employees who are actively serving as managers and engineers.

## Average age

39.49 years



Employees range in age from teens to 50+.

(As of the end of March 2024)

## Over-time work hours

9h 28min  
Monthly average



FY 2023

## Paid leave utilization rate

70.4%



FY 2023

SAKURA internet publishes various data, including the number of employees, the ratio of male to female employees by job category, the ratio of mid-career hires, and the utilization rate of employee benefits. In 2023, we received the “Gold Certification” under the White Company Certification and the “Kurumin” certification in recognition of our achievements between April 1, 2020, and March 31, 2023, regarding childcare leave acquisition rate.

## Usage rate of SaBuLiCo system

We provide a comprehensive range of benefits and in-house programs prioritizing employee lifestyles. The systems with particularly high utilization rates are shown below. (See p. 33 for details of SaBuLiCo.)

### Flex utilization rate

Working hours for the day can be shifted in increments of 10 minutes.

62.2%



### Teleworking execution rate

Employees can work from their homes, cafes, coworking spaces, or any other location that suits their convenience.

89.9%



(March 2024)

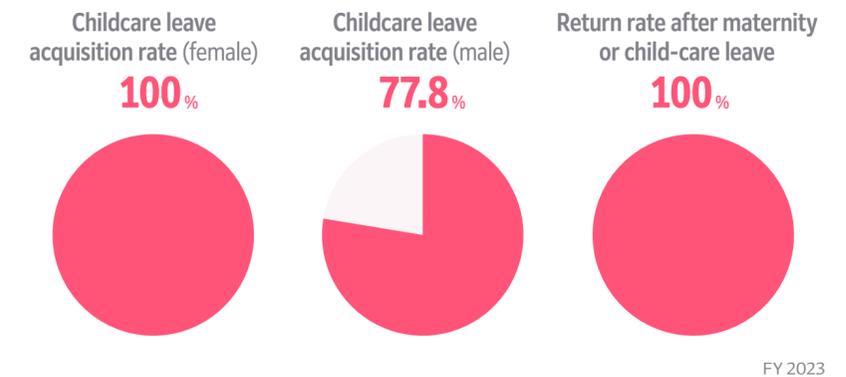
## White Company Certification

In November 2023, we received the “Gold Certification” under the White Company Certification, a private-sector certification program of the Japan Organization for the Promotion of Next-Generation Corporations that comprehensively evaluates a company’s business legitimacy and ethical policies.



## Maternity and childcare leave

A wide range of our employees, from executives to general employees, avail themselves of maternity and childcare leave and we encourage male employees to avail themselves of childcare leave too. Some employees have risen to leadership positions by working short hours to raise children.



FY 2023

## “Kurumin” certification

Our company was granted the “Kurumin” certification by the Ministry of Health, Labour and Welfare in recognition of being a company dedicated to child-rearing support. Achievement status of the main criteria is as follows.

\* Results for the period from April 1, 2020 to March 31, 2023

	SAKURA performance	“Kurumin” certification
Childcare leave acquisition rate	Male employee	66%
	Female employee	100%
Average legal overtime and legal holiday working hours for full-time workers	10 hours or less (monthly)	Less than 45 hours (monthly)



## Active Participation by Human Resources - Interviews

### U-turn to her hometown in Kagawa Prefecture after 17 years with the company

**Chie Momota, Customer Reliability Department, Cloud Business Division. Joined the company in 2006.**

I primarily deal with customer inquiries in the Customer Reliability Department. I live in the countryside, away from the central part of Kagawa Prefecture. Until a year ago, before returning to Kagawa Prefecture where my husband and I are from, I was living in Tokyo. I wanted to return to my hometown someday. However, it was difficult for me to decide when to return due to the concern that our company might shift from remote work back to office-based work amid the global decline in the percentage of companies implementing remote work after COVID-19 was downgraded to a Category 5 infectious disease.

At that time, I happened to consult a career counselor through our in-house career consultation service who had moved from Tokyo to Fukuoka Prefecture. In a casual atmosphere, I could discuss my concern about eliminating remote work and receive advice on making the most of my existing career in the unlikely event of changing jobs, and I got gentle encouragement. My boss also supported my move, which helped me decide.

When I returned to Kagawa Prefecture, I found the area less crowded, quieter, and more livable than Tokyo. Since our company has the same pay structure no matter where you live in Japan, the burden of house rent is also reduced now compared to before.

There was another reason why I opted for a U-turn and full remote working rather than changing jobs. It was because I often saw our CEO, Tanaka, listening to the employees' opinions and conversing directly with them. I wanted to continue working in a company where employees can feel that their opinions are valued. My colleagues are kind and hospitable as well. I want to continue to contribute while working in such a company.

The other day, I was approached by the local municipality to participate in an initiative to solve local issues. I feel excited when I am asked to contribute to the local community. I feel confident that in the future I will be able to engage in work with enthusiasm while immersing myself in this environment.



My niece took this photo when she came to visit me at home

### Work four days a week as a full-time employee

**Taiji Tsuchiya, Platform Department, Cloud Business Division. Joined the company in 2024.**

I just recently joined the company in June 2024. I work four days a week in the company and devote the rest of my time to doing side jobs that I started around five years back, including video distribution and book writing. Earlier, I used to work as a network engineer in a U.S. firm, but balancing work and side jobs later became difficult. While I was unsure whether to become a freelancer and work on a contract basis or not, I was approached by an employee of the company, an acquaintance. This is the reason why I joined the company. I explored the possibility of changing jobs, including with foreign companies. However, the working arrangement offered in the company of working four days a week as a full-time employee, which is rare for this industry anywhere in the world, was very appealing. Also, since the company promotes several extremely advanced projects, such as government cloud and GPU cloud, I thought I could do challenging and interesting work, so I decided to join the company. Although I have just joined, I have started working on identifying themes and issues based on the network design and operational work of services we provide, using my experience as a network engineer.

The job of a network engineer is very interesting. While this is true now, when I took up this job I was a novice and struggled to learn. In my side jobs, I produce content by paying attention to making the learning process smooth, even for beginners. I want many people to join in, take an interest in this work, and enjoy their work.

I work with the same approach in the company. The company is steadily building a solid track record in Japan with a wide range of its services being used by many customers. However, compared to global hyperscalers, there is still room for growth. In the future, I want to enjoy my work and continue to embrace new challenges with my colleagues while putting my experience to use so that we can be on par with the world's top companies.



Filming for the YouTube channel. (Left) Tsuchiya, our company employee

To turn “what you want to do” into “what you can do,” even for our employees, we have established a system that allows each employee to demonstrate his or her true potential using a working style that suits them best. While using this system, employees can embrace challenges, feel a sense of growth, and take on new challenges with motivation. This section introduces the working styles of our employees.

Working four days a week may or may not be applicable depending on the type of job and skills.

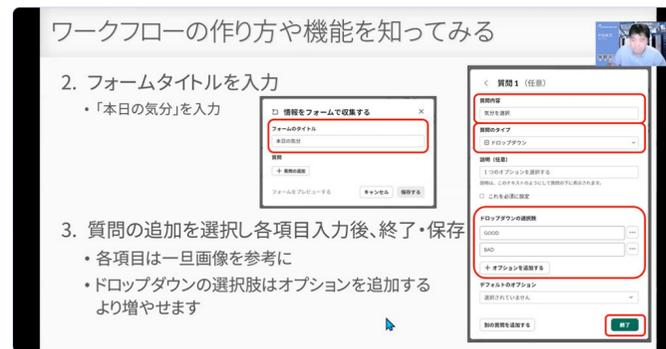
## Opportunities to Learn In-house and Social Initiatives

We are actively engaged in developing IT professionals, both internally and externally. Internally, we encourage employees to acquire general certifications and follow our program for non-engineers. Externally, we implement initiatives for various people, from children to adults, aimed at reskilling.

### In-house initiatives: Original educational program and encouragement to acquire general certifications

#### DX Journey

This initiative was started in 2021 to increase the number of people who can put DX into practice within the company. The aim is to help all employees acquire technical skills such as programming. Fellow employees teach their colleagues the unique curriculum of the program. The program helps employees acquire the ability to transform their day-to-day work.



Online course taught by Ryo Tanaami, Education Planning Department, ES Division

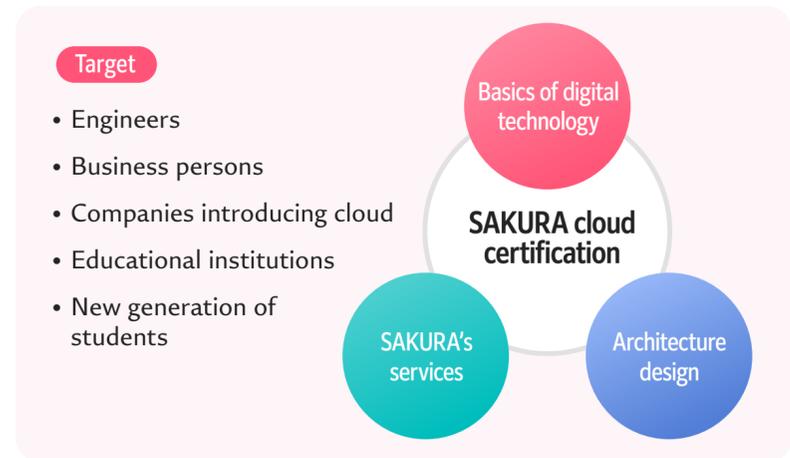
#### Example of lecture content

- How to Use Slack
- Introduction to Python Programming
- Computer and Programming Basics
- Basics of the Internet and a server-development environment

### Social initiatives: Support for reskilling and nurturing of the next generation

#### “SAKURA Cloud Certification”

In this certification, one can learn about “SAKURA Cloud,” gain a wide range of knowledge of digital technology from the basics to implementation and learn the technology that can be directly applied in practice, focusing on the design of cloud architecture. The educational content is provided free of charge to allow as many people as possible to learn.



#### KidsVenture

“KidsVenture” is a programming class run by six IT companies to give children an opportunity to experience electronics and programming. The themes include assembling a personal computer and robot control, thus providing opportunities that allow children to feel the “fun of creation” and the “joy of learning” that will lead to the creation of the next generation of digital professionals.

#### KOSEN support project

By concluding a comprehensive cooperation agreement with the National Institute of Technology (KOSEN), we support the education of students at colleges of technology all across Japan to create future IT professionals. Our executive officer and employee, visiting associate professor at National Institute of Technology, Kochi College (KOCHI KOSEN), conduct visiting lectures that focus on “implementation.”



(from left) Masahito Zenbutsu, Education Planning Department of ES Division (Visiting Associate Professor at KOCHI KOSEN / Mr. Seiichi Kishimoto, Professor of Social Design Engineering of KOCHI KOSEN (As of March 2024)

#### Recommendation of certification acquisition

We encourage our employees to obtain “Di-Lite”<sup>\*</sup> qualifications, including Information Technology Passport Examination, Japan Data Scientist Test, and JDLA Deep Learning for GENERAL, and so far 41.4% of all employees have obtained IT Passport. (As of the end of June 2024)

Helping all employees acquire and improve their digital skills leads to optimization of operations (aiming for the ideal state of affairs, not efficiency), growth and success achieved while learning, and a wider choice of new career options. By providing opportunities for continuous learning, we encourage the transformation and growth of employees and the development of human resources by ensuring our employees can cope with environmental changes.

<sup>\*</sup> The range of digital skills that should be common to all businesspeople as “users of digital technology”



## Local Revitalization and Creation of Digital Innovation

### Supporting people all over Japan who take on challenges and accelerating open innovation

SAKURA internet has long focused on “digitalization,” “education,” “local revitalization,” and “support for startups,” aiming to realize a new digital society. We are accelerating our efforts to establish new ventures and develop human resources focusing on each center.

#### Regional sites for open innovation



**Fukuoka**  
Startup support  
April 2017 Participation  
in operations

FGN(Fukuoka Growth Next)



**Osaka**  
Communication  
Opened in September  
2024

Blooming Camp



**Okinawa**  
Hire more local personnel  
Opened in September  
2023

SAKURA innobase Okinawa

### Creating Opportunities for Local Revitalization and Nurturing DX Human Resources Through Sponsorship Activities

#### Became the official top partner of “FC Ryukyu SAKURA”

Became the official top partner of the women’s soccer team “FC Ryukyu SAKURA” at Ryukyu Football Club Co., Ltd. We also provide support for the second careers of players belonging to FC Ryukyu Sakura. Aiming at building second careers suitable for each player, we provide support for acquiring the necessary business skills without being limited to IT skills, such as organizing programming courses jointly with FC Ryukyu Sakura. The support is also aimed at solving the problem of a second career faced by players and helping nurture DX human resources in Okinawa.



©FC RYUKYU

#### “NoMaps,” an exchange forum held in Hokkaido

Every year since 2019 we have been sponsoring the “NoMaps” event held in Sapporo to contribute to the industry-government-academia co-creation and promotion of digital industry originating in Hokkaido and have supported the revitalization of entrepreneurs.

## Together with Our Customers

### Exchange meetings with customers

We have been organizing user events for many years to encourage interaction and learning with customers and employees rather than focusing solely on promoting our services. We will continue to hold this historic event regularly.

We plan to hold the exchange event “SAKURA Evening” in various locations across Japan, where our company’s initiatives will be introduced, and our employees will get to interact with each other.

An event called “SAKURA Christmas Eve Party” has been held during the Christmas season to this day, a time to enjoy reflecting on the year together over Christmas cake.

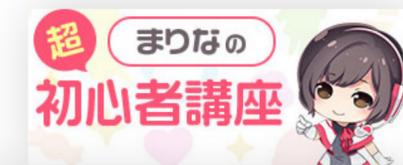


SAKURA Christmas Eve Party, a historic event at our company

### Customer service

To ensure that our 480,000 customers—from beginners on the internet to engineers—can use our services confidently, our customer service provides support with the help of active information dissemination and a fully equipped help desk for inquiries.

- Sakura Support Information
- FAQ
- Social media (X and YouTube of Marina, the official character of customer support)
- User Feedback on Sakura



Support for a wide range of customers, from beginners to advanced users

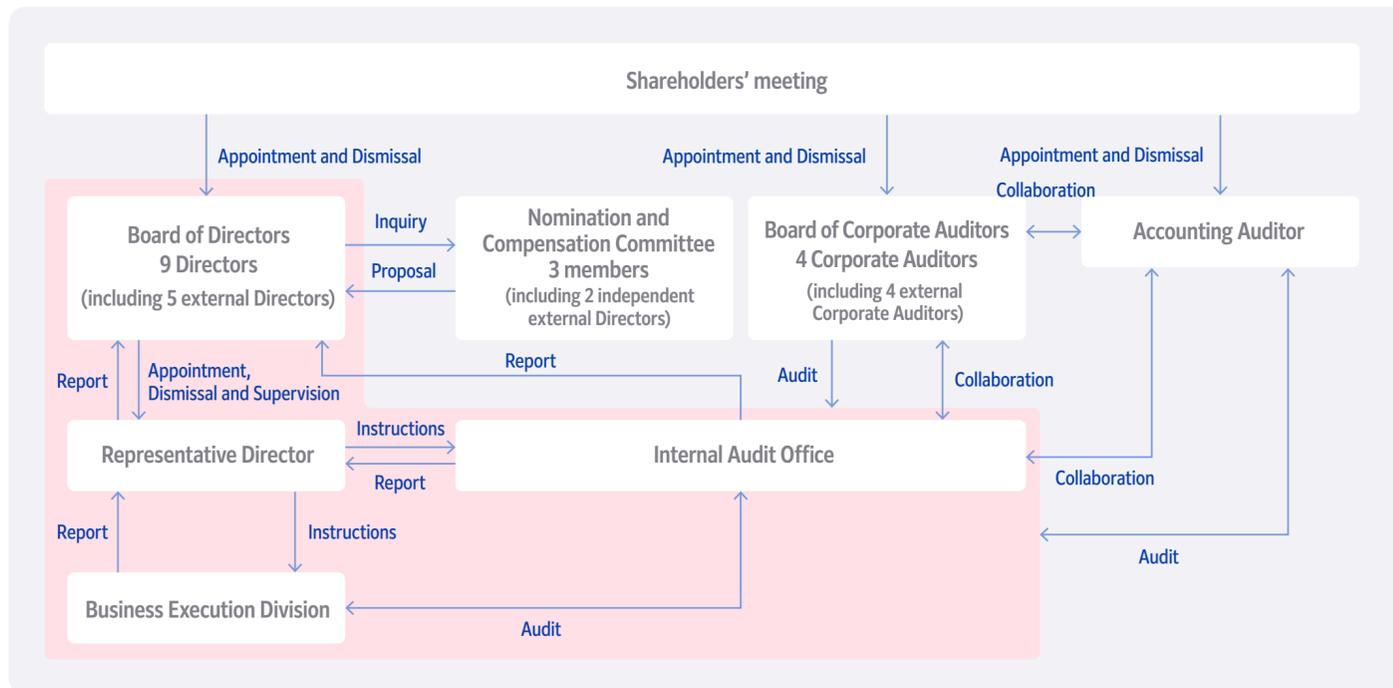
## Basic Policy and Initiatives to Strengthen the Governance Structure

### Key principles for corporate governance

SAKURA internet’s basic approach to corporate governance is to promote the establishment of management and administrative organizations as our company expands in scale, to ensure each department’s efficient and organized operation, and to enhance internal controls. From the start, we have been working based on these fundamental principles.

The internet industry in particular carries greater social responsibility than other industries as it is a business that opens communication facilities to a large number of invisible users and is established with a market for 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.

The corporate governance structure of our company is shown in the diagram below.



### Utilize external or independent officers and enhance corporate governance

#### Establishment of the Nomination and Compensation Committee and appointment of external and independent officers

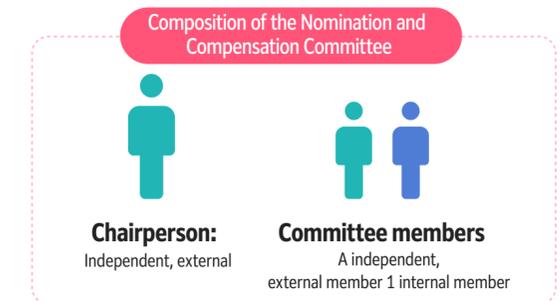
Enhance fairness, transparency, and objectivity in nomination and compensation procedures

#### A voluntary advisory body mainly consisting mainly of Independent External Directors

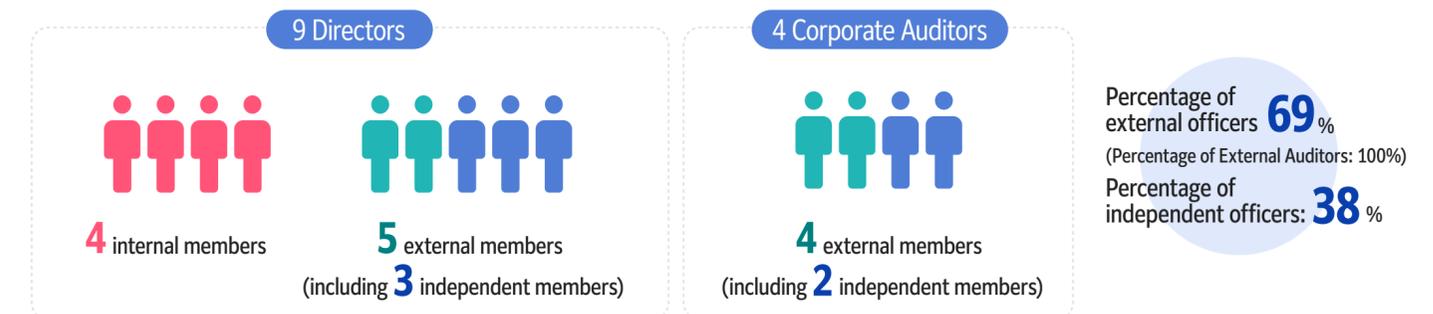
The Nomination and Compensation Committee established as a voluntary advisory body of the Board of Directors. The Chairperson is appointed from among the Independent External Directors, who make up the majority of the committee members, thereby providing greater governance than ever over the functions of the Board of Directors concerning the nomination and remuneration of Directors and Corporate Auditors.

#### Major role of the Nomination and Compensation Committee

- Examination of overall policy and procedures in determining compensation, etc. of management, Directors and Auditors
- Examination of draft policies regarding decisions on the details of remuneration, etc. for individual Directors to be submitted to the Board of Directors, and other matters



#### Percentage of external or independent officers of the Board of Directors (As of June 30, 2024)



## Operation of the Board of Directors, Policy on the Appointment of Directors, Skill Matrix

### Meetings and operation status of the Board of Directors, the Board of Corporate Auditors, and the Nomination and Compensation Committee (FY2023)

Organizations	Board of Directors	Board of Corporate Auditors	Nomination and Compensation Committee
Meetings (*)	14	13	5
Average attendance	100%	100%	93%
Details of main activities	<p><b>Main resolution matters</b></p> <ul style="list-style-type: none"> <li>Financial matters such as financial results and plans</li> <li>Management strategy, including investment decisions</li> <li>Organization and human resources</li> </ul> <p><b>Main items to be reported</b></p> <ul style="list-style-type: none"> <li>Financial status and execution of important duties</li> <li>Internal control, internal audit</li> </ul>	<p><b>Priority audit items</b></p> <ul style="list-style-type: none"> <li>Progress status of the medium-term management plan</li> <li>Status of governance</li> <li>Creation of Key Audit Matters (KAMs) for management and auditing of property, plant, and equipment</li> </ul>	<p><b>Main response to inquiries from the Board of Directors</b></p> <ul style="list-style-type: none"> <li>Policy for appointing, removing, and nominating Directors</li> <li>Nomination and remuneration of Directors for the next fiscal year</li> </ul> <p><small>*Excluding meetings by written resolution</small></p>

### Policy for Appointing Directors

To enhance fairness, transparency, and objectivity of procedures and to improve corporate governance by increasing the participation of Independent External Directors in the functions of the Board of Directors concerning the nomination and remuneration of Directors and Corporate Auditors and other related matters, the company resolved to establish a voluntary Nomination and Compensation Committee at the Board of Directors meeting held on August 21, 2023.

In response to the Board of Directors' inquiry, the Nomination and Compensation Committee proposed to the Board of Directors revisions to the policies for nominating candidates for Directors and Corporate Auditors. The Board of Directors deliberated the proposal by the Nomination and Compensation Committee and resolved the policies as follows.

### (1) Director appointment policy

The company determines the nomination of candidates for Directors based on a comprehensive review of the following points.

#### a. Management skills

- Should have ample knowledge regarding our company's business
- Should possess the qualities and abilities that will contribute to improving our company's corporate value over the medium-to-long term, based on our company's management strategy and business characteristics
- Should be able to accurately understand current trends, business environments, and market changes
- Should have an excellent ability to make analyses and decisions from an objective, company-wide standpoint
- Should be able to initiate change on their own and involve others in promoting change
- Should be able to contribute to constructive discussions and deliberations at meetings, including actively expressing their own opinions from a company-wide standpoint
- Should possess the qualities to reflect stakeholder views at Board of Directors' meetings appropriately
- Should have experience in corporate management or have held managerial positions in publicly listed companies
- Should have professional expertise in important management issues (for example, corporate management, technology, legal and compliance, finance and accounting, marketing, global)

#### b. Humanity

- Should comply with laws and regulations, and internal and external standards, and possess the necessary insight and fairness expected of a Director
- Should understand and practice our corporate philosophy and have integrity that our stakeholders can trust
- Should be understanding and accepting of diverse values and ways of thinking and practice behavior that respects individuality

## (2) Policy for appointing Corporate Auditors

The company determines the nomination of candidates for Corporate Auditors based on a comprehensive review of the following points.

### a. Management skills

- Should have ample knowledge about our company’s business
- Should possess the qualities and abilities that will contribute to improving our company’s corporate value over the medium-to-long term, based on our company’s management strategy and business characteristics
- Should be able to accurately understand current trends, business environments, and market changes
- Should have an excellent ability to make analyses and decisions from an objective, company-wide standpoint
- Should possess the qualities to reflect stakeholder views at Board of Directors’ meetings appropriately
- Should have experience in corporate management or have held managerial positions in publicly listed companies
- Should have extensive experience or knowledge of conducting audits, or should have expertise in important management issues (for example, corporate management, technology, legal and compliance, finance and accounting, marketing, global)

### b. Humanity

- Should comply with laws and regulations, and internal and external standards, and possess the necessary insight and fairness expected of a Corporate Auditor
- Should understand and practice our corporate philosophy and have integrity that our stakeholders can trust
- Should be understanding and accepting of diverse values and ways of thinking and practice behavior that respects individuality

## (3) Diversity and composition of the Board of Directors

- Selection of candidates for appointment as Directors and Corporate Auditors is based on their management skills and qualities, including their expert knowledge, without regard to such attributes as age, gender, or nationality.
- When forming the Board of Directors, we consider the balance of knowledge, experience, and skills of its members, ensure the diversity needed for the Board of Directors to make important management decisions and supervise business execution. We also ensure the Board of Directors is of an appropriate size to fulfill its functions best.
- To enhance the supervisory functions of the Board of Directors and ensure its objectivity, the percentage of Independent External Directors on the Board of Directors shall be at least one-third of the total number of Directors. The company shall also include individuals with management experience at other companies among the Independent External Directors, allowing them to play a more significant role in anticipating changes in the business environment and incorporating those changes in the management strategy.
- Corporate Auditors shall include persons who have requisite knowledge of finance and accounting.

## Skill matrix of Directors and Corporate Auditors (as of June 30, 2024)

This matrix diagram does not represent all the skills and experience each Director and Corporate Auditor possesses.

Name	Corporate Management	Legal and Compliance	Finance and Accounting	Engineering and Technology	Customer Success and Marketing	Global
Kunihiko Tanaka	●			●		
Masataka Kawada	●		●			
Koichi Ise				●		
Akihiro Maeda	●			●		
Hiroo Hatashita	●		●			
Toshihiro Igi	●	●				
Yukie Osaka					●	
Tomomi Arakawa				●	●	●
Toshiaki Kasai		●	●			●
Yayoi Yamaguchi	●		●			●
Toshiyuki Umeki	●			●		
Hiroyuki Hasegawa	●		●			●
Tomoyuki Hirose	●					●

## Directors and Executive Officers

### Directors



**Kunihiro Tanaka**  
Founder & CEO, President



**Masataka Kawada**  
Director / CFO



**Koichi Ise**  
Director



**Akihiro Maeda**  
Director

### External Directors

**Hiroo Hatashita**  
External Director

**Toshihiro Igi**  
External Director

**Yukie Osaka**  
External Director

**Tomomi Arakawa**  
External Director

**Toshiaki Kasai**  
External Director

### Corporate Auditor and External Auditors

**Yayoi Yamaguchi**  
Full-time Auditor

**Toshiyuki Umeki**  
External Auditor

**Hiroyuki Hasegawa**  
External Auditor

**Tomoyuki Hirose**  
External Auditor

### Executive Officers



**Masaaki Tateno**  
Vice President / Executive Officer



**Takayuki Takahashi**  
Executive Officer



**Takashi Shishido**  
Executive Officer



**Yota Egusa**  
Executive Officer / CISO / CIO



**Masatoshi Yokota**  
Executive Officer



**Toru Sawamura**  
Executive Officer



**Hideto Yamazaki**  
Executive Officer



**Akira Horimoto**  
Executive Officer



**Yohei Ueno**  
Executive Officer



**Masako Ohsaki**  
Executive Officer



**Mamiko Tsukada**  
Executive Officer



**Sayuri Masaki**  
Executive Officer



**Mariko Yabe**  
Executive Officer / Group CHRO



**Jun Shimoda**  
Executive Officer



**Sumito Ryuzaki**  
Executive Officer

# Information Security Initiative

## Information security basic policy

The SAKURA internet Group (hereinafter referred to as “the Group”) is a comprehensive IT infrastructure and platform corporate group operating with the corporate philosophy of providing various approaches through the “internet” for everyone who is connected to us.

To realize this philosophy, it is important that we uphold our corporate morals regarding information security, protect the information assets entrusted to us by our customers, and also the information assets that serve as the management resource of the Group from all threats.

We have thus established and are promoting our “Basic Information Security Policy” to resolve these challenges and further strengthen our security infrastructure by establishing and continuously improving an information security management system.

- Compliance with various laws and regulations
- Responding to environmental changes
- Protection of information assets
- Implementation of education and training
- Measures in the event of an accident

## SAKURA.SIRT

SAKURA.SIRT was established in May 2015, and we joined the Nippon CSIRT Association in July of the same year.

Under the motto of “Secure the safety of customers and the Internet itself”, SAKURA.SIRT works with specialized engineers within and outside the company to understand, share, and utilize security-related information and trends.



## 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 12” 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

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. (\*2) We disclose the “SOC2 Type2 Report” (\*3) to customers currently using or considering our company’s services. The “SOC3 Report” is publicly available and can be downloaded from the following link.

[https://www.sakura.ad.jp/corporate/wp-content/themes/sakura-corporate/assets/pdf/SAKURA\\_internet\\_SOC3.pdf](https://www.sakura.ad.jp/corporate/wp-content/themes/sakura-corporate/assets/pdf/SAKURA_internet_SOC3.pdf)

\*1 A common service that serves as the platform for stable and secure operations of the services provided at the Ishikari Data Center

\*2 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)

\*3 The information made available to the public is limited. If interested, please contact our company’s sales representative or inquiry desk

Chapter 05

# Company Information and Financial Data

---

10-Year Financial Summary .....	44
Consolidated Financial Highlights .....	45
Group Companies .....	46
Company Information / Stock Information .....	47

## 10-Year Financial Summary

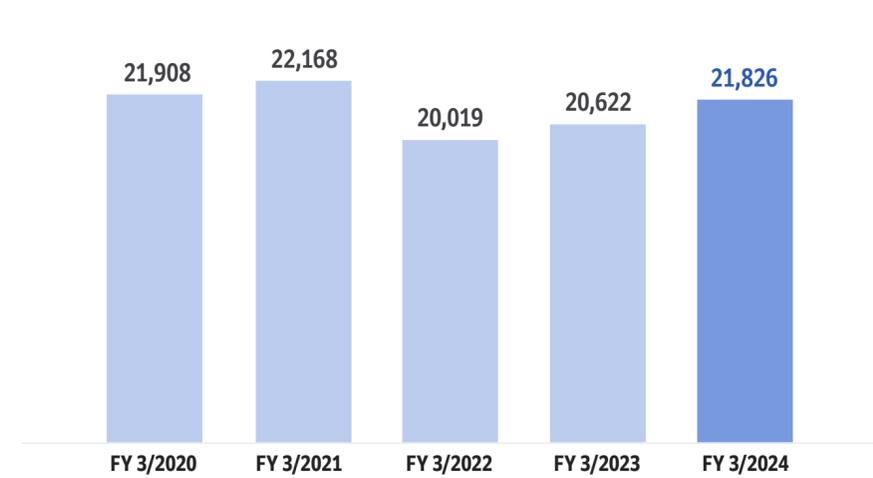
Item	FY 3 / 2015 *1	FY 3 / 2016	FY 3 / 2017	FY 3 / 2018	FY 3 / 2019	FY 3 / 2020	FY 3 / 2021	FY 3 / 2022	FY 3 / 2023	FY 3 / 2024
<b>Operating results</b> (thousand yen)										
Net sales	10,576,707	12,086,493	13,961,972	17,033,374	19,501,463	21,908,899	22,168,022	20,019,177	20,622,900	21,826,794
Operating profit	964,571	976,413	1,018,061	745,974	567,208	939,206	1,372,469	763,141	1,093,053	884,507
Ordinary profit	857,933	822,054	804,406	574,445	395,841	789,644	1,099,678	649,431	965,830	764,080
Profit attributable to owners of parent	516,441	553,498	548,871	349,469	91,639	160,091	758,363	275,451	666,551	651,716
Cash flows from operating activities	2,910,999	1,547,242	1,852,721	3,067,888	2,231,274	4,582,193	4,110,636	3,957,746	3,963,420	2,884,133
Cash flows from investing activities	△ 541,418	△ 2,550,062	△ 5,410,917	△ 1,382,827	△ 2,576,277	△ 2,973,593	△ 1,359,506	△ 1,674,766	△ 606,129	△ 2,025,638
Cash flows from financing activities	△ 1,317,256	1,940,835	4,349,483	△ 1,941,020	1,237,580	△ 2,541,492	△ 3,148,706	△ 1,005,276	△ 3,999,374	△ 410,590
Free cash flows	2,369,581	△ 1,002,820	△ 3,558,196	1,685,061	△ 345,002	1,608,600	2,751,130	2,282,980	3,357,291	858,494
<b>Financial condition</b> (thousand yen)										
Total assets	14,097,393	18,588,068	26,005,361	26,111,454	31,158,936	28,787,225	27,975,406	28,396,327	26,256,109	30,224,447
Net assets	3,957,336	4,424,059	7,609,200	7,889,655	7,344,144	7,424,308	8,113,694	8,449,929	8,486,139	9,321,209
Interest-bearing debt	6,039,944	9,866,777	13,596,585	12,817,041	16,220,479	14,371,750	12,324,113	11,552,125	9,582,112	12,414,884
<b>Per share data</b> (yen) *2										
Net income per share	14.88	15.95	15.74	9.29	2.44	4.39	20.79	7.55	18.29	18.26
Net assets per share	114.01	127.46	202.26	209.03	199.06	201.10	219.41	228.01	234.10	255.82
Dividend per share	10.00	2.50	2.50	2.50	2.50	2.50	3.00	3.00	3.50	3.50
<b>Ratios</b>										
ROA	6.1%	5.0%	3.6%	2.2%	1.4%	2.6%	3.9%	2.3%	3.5%	2.7%
ROE	13.9%	13.2%	9.1%	4.5%	1.2%	2.2%	9.9%	3.4%	8.0%	7.5%
Equity ratio	28.1%	23.8%	29.3%	30.1%	23.3%	25.5%	28.6%	29.3%	31.8%	30.2%
Payout ratio (Consolidated)	16.8%	15.7%	15.9%	26.9%	102.4%	57.0%	14.4%	39.7%	19.1%	19.2%

\*1 The non-consolidated financial figures are presented for the fiscal year ending March 2015, while the consolidated financial figures are presented from the fiscal year ending March 2016 onward

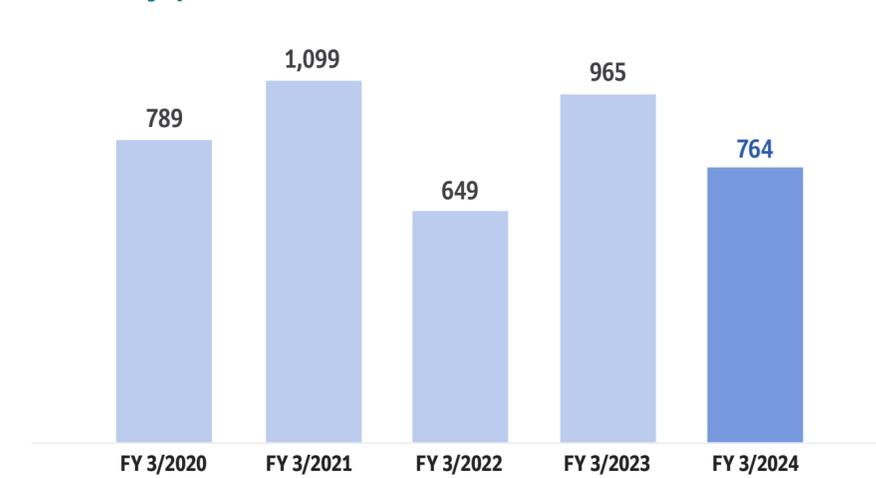
\*2 A stock split was conducted at a ratio of 4 shares for every 1 share of common stock as of September 1, 2015. Net income per share and net assets per share have been adjusted to reflect this stock split. However, dividends per share represent the actual amount paid prior to the stock split

## Consolidated Financial Highlights

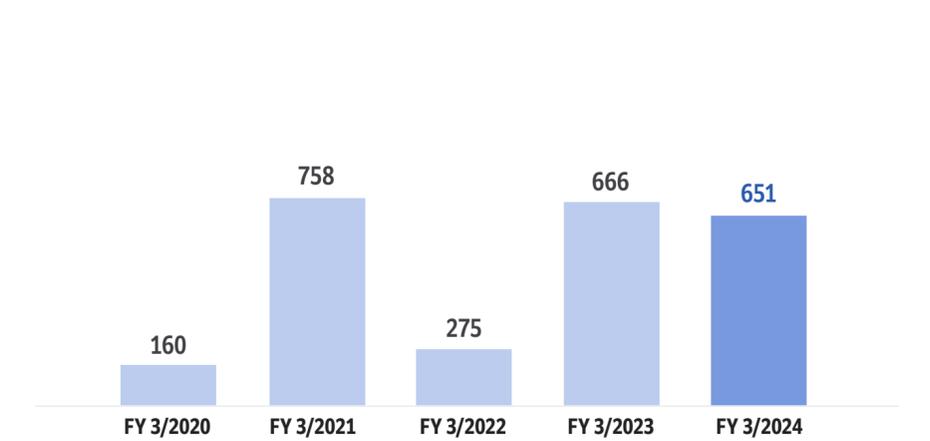
Net sales (millions of yen)



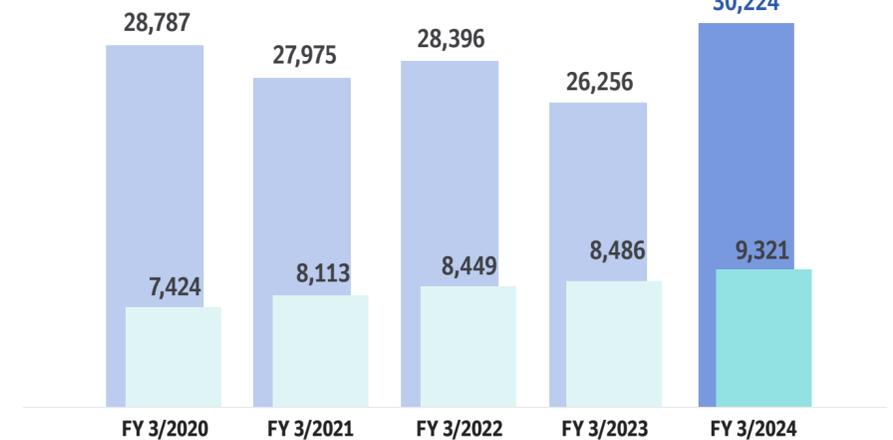
Ordinary profit (millions of yen)



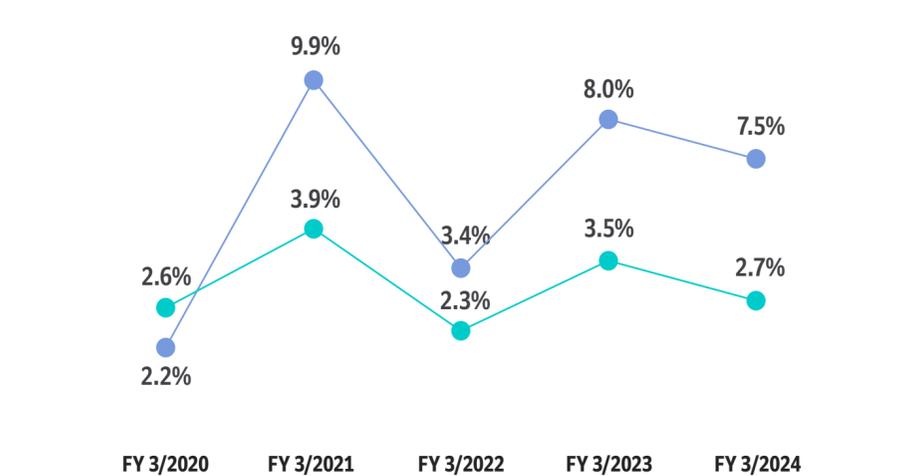
Profit attributable to owners of parent (millions of yen)



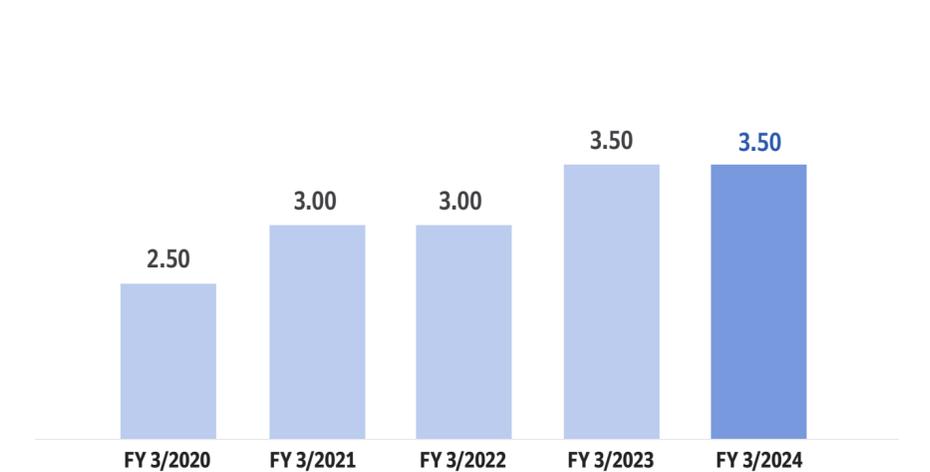
Total assets and Net assets (millions of yen)



ROE and ROA (%)



Dividend per share (yen)



## Group Companies

<b>Corporate Name</b>	ITM Inc.	<b>Business Activities</b>
<b>President, Representative Director</b>	Takeshi Kawamoto	
<b>Head Office</b>	Sumitomo Fudosan Nishi-Shinjuku Bldg. 32F, 7-20-1, Nishi-shinjuku, Shinjuku-ku, Tokyo 160-0023	
<b>Website</b>	<a href="https://www.itmanage.co.jp/">https://www.itmanage.co.jp/</a>	
<b>Business Activities</b>		
<ul style="list-style-type: none"> <li>• Managed Cloud &amp; Security Service Provider (MCSSP) Business</li> <li>• Data Center Business</li> <li>• Network Services Business</li> </ul>		

<b>Corporate Name</b>	SAKURA Mobile LIMITED	<b>Business Activities</b>
<b>CEO</b>	Ryosuke Yamaguchi	
<b>Head Office</b>	89 Queensway, Hong Kong	
<b>Business Activities</b>		
<ul style="list-style-type: none"> <li>• Development of software for telecommunications Licensing of software for connection with telecommunication carriers</li> <li>• Operation of telecommunication systems Consulting for telecommunications carriers</li> </ul>		

<b>Corporate Name</b>	Gehirn Inc.	<b>Business Activities</b>
<b>CEO</b>	Daiki Ishimori	
<b>Head Office</b>	Seki Bldg. 7F, 1-3-6 Kudankita, Chiyoda-ku, Tokyo 102-0073	
<b>Website</b>	<a href="https://www.gehirn.co.jp/">https://www.gehirn.co.jp/</a>	
<b>Business Activities</b>		
<ul style="list-style-type: none"> <li>• Security Consulting and Vulnerability Assessment</li> <li>• Planning, Management, Operation and Sale of Rental Servers (VPS)</li> <li>• Analysis and Distribution of Disaster and Weather Information</li> <li>• Web Development, Design, Management, Planning, Operation and Sales</li> </ul>		

<b>Corporate Name</b>	bitstar Inc.	<b>Business Activities</b>
<b>CEO</b>	Akihiro Maeda	
<b>Head Office</b>	Sapporo Otemachi Bldg. B1F, 4-5-1 Minami-ichijo Nishi, Chuo-ku, Sapporo-shi, Hokkaido 060-0061	
<b>Website</b>	<a href="https://bitstar.jp/">https://bitstar.jp/</a>	
<b>Business Activities</b>		
<ul style="list-style-type: none"> <li>• Internet Services Business</li> <li>• Service Integrations Business</li> <li>• Consulting Business (related to the businesses mentioned above)</li> <li>• Virtual Offices &amp; Shared Offices Business</li> </ul>		

<b>Corporate Name</b>	Prunus-Solutions Inc.	<b>Business Activities</b>
<b>CEO</b>	Hironori Usui	
<b>Head Office</b>	Sumitomo Fudosan Nishi-Shinjuku Bldg. 32F, 7-20-1, Nishi-shinjuku, Shinjuku-ku, Tokyo 160-0023	
<b>Website</b>	<a href="https://www.prunus-sol.co.jp/">https://www.prunus-sol.co.jp/</a>	
<b>Business Activities</b>		
<ul style="list-style-type: none"> <li>• System integration focusing on the area of high-performance computing</li> </ul>		

<b>Corporate Name</b>	IzumoBASE Inc.	<b>Business Activities</b>
<b>CEO</b>	Jumpei Arakawa	
<b>Head Office</b>	Sumitomo Fudosan Nishi-Shinjuku Bldg. 32F, 7-20-1, Nishi-shinjuku, Shinjuku-ku, Tokyo 160-0023	
<b>Website</b>	<a href="https://www.izumobase.com/">https://www.izumobase.com/</a>	
<b>Business Activities</b>		
<ul style="list-style-type: none"> <li>• Development of storage software products</li> <li>• Research and consulting on storage software technologies</li> </ul>		

<b>Corporate Name</b>	BBSakura Networks, Inc.	<b>Business Activities</b>
<b>Representative Director, President &amp; CEO</b>	Hideyuki Sasaki	
<b>Head Office</b>	Sumitomo Fudosan Nishi-Shinjuku Bldg. 32F, 7-20-1, Nishi-shinjuku, Shinjuku-ku, Tokyo 160-0023	
<b>Website</b>	<a href="https://bbsakura.net/ja">https://bbsakura.net/ja</a>	
<b>Business Activities</b>		
<ul style="list-style-type: none"> <li>• Virtualization of network</li> <li>• Provision of mobile communication</li> <li>• Development and operation of connectivity platforms</li> </ul>		

<b>Corporate Name</b>	Tellus Inc.	<b>Business Activities</b>
<b>CEO</b>	Hideto Yamazaki	
<b>Head Office</b>	Sumitomo Fudosan Nishi-Shinjuku Bldg. 32F, 7-20-1, Nishi-shinjuku, Shinjuku-ku, Tokyo 160-0023	
<b>Website</b>	<a href="https://corp.tellusxdp.com/">https://corp.tellusxdp.com/</a>	
<b>Business Activities</b>		
<ul style="list-style-type: none"> <li>• Various information provision services through the Internet</li> <li>• Planning, production and sales of multimedia</li> <li>• Information and data business consulting</li> <li>• Planning, development and sales of computer software</li> <li>• Other businesses relate to the above</li> </ul>		

# Corporate / Stock Information

<b>Corporate Name</b>	SAKURA internet Inc.
<b>Founder &amp; CEO, President</b>	Kunihiro Tanaka
<b>Date of Foundation</b>	December 23, 1996
<b>Date of Incorporation</b>	August 17, 1999
<b>Capital</b>	11,283,160,000 yen
<b>Registered Office Address</b>	6-38 Ofukacho, Kita-ku, Osaka-shi, Osaka 530-0011 Japan *Relocated in September 2024
<b>Business Activities</b>	Providing cloud computing services Operating data centers
<b>Number of shares issued and outstanding</b>	37,620,700 shares(As of the end of March 2024) *Capital increase in June 2024 41,890,700 shares(As of the end of September 2024)
<b>Stock Listing</b>	Prime Market of the Tokyo Stock Exchange (Securities code: 3778)
<b>Number of employees</b>	839 employees (consolidated) as of the end of March 2024
<b>Information Security Management</b>	ISMAP ISMS ISMS for cloud security PCI DSS PrivacyMark SOC2 SOC3
<b>Affiliations</b>	Software Association of Japan Japan Data Center Council Japan Internet Providers Association and others
<b>Headquarters</b>	<b>Location</b> GRAND GREEN OSAKA North, JAM BASE, 3F 6-38 Ofukacho, Kita-ku, Osaka-shi, Osaka 530-0011 Japan
<b>Tokyo Office</b>	<b>Location</b> Sumitomo Fudosan Nishi-Shinjuku Bldg. 32F, 7-20-1, Nishi-shinjuku, Shinjuku-ku, Tokyo 160-0023
<b>Fukuoka Branch</b>	<b>Location</b> Akasakamon Prime Bldg. 7F, 1-12-15, Akasaka, Chuo-ku, Fukuoka-shi, Fukuoka 810-0042
<b>Okinawa Branch “SAKURA innobase Okinawa”</b>	<b>Location</b> Haseko Naha Building 1F, 1-2-13 Matsuyama, Naha-shi, Okinawa 900-0032

## Stock Information

(As of March 31, 2024)

Total Authorized Shares:	99,200,000 shares
Total Number of Outstanding Shares (excluding 1,638,042 treasury shares):	35,982,658 shares
Number of Shareholders:	43,661

## Share Distribution Status

(As of March 31, 2024)



\*Treasury shares are included in the “Individuals and Others” category

## Major Shareholders Status

(As of March 31, 2024)

Shareholder Name	Number of Shares Held	Shareholding Ratio (%)
Sojitz Corporation	10,585,600	29.41
Kunihiro Tanaka	5,560,599	15.45
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,662,900	4.62
Ken Washikita	1,096,000	3.04
SAKURA internet ESOP	456,700	1.26
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	331,944	0.92
NOMURA INTERNATIONAL PLC A/C JAPAN FLOW	326,711	0.90
Yasukatsu Hagihara	275,200	0.76
Custody Bank of Japan, Ltd. (Trust E Account)	273,800	0.76
Hiroshi Suga	270,200	0.75

\*The shareholding ratio is calculated after deducting 1,638,042 treasury shares.

\*The number of shares owned by our President and CEO, Kunihiro Tanaka, includes the shares held by his asset management company, Kunihiro Tanaka Office Co., Ltd., reflecting his effective ownership.

\*The 273,800 shares of our company held by Custody Bank of Japan, Ltd. (Trust E Account) are part of the “Share-Based Compensation Trust (J-ESOP)” introduced by a resolution of the Board of Directors on July 28, 2022, aimed at enhancing employee motivation, morale, and driving the organization and business forward. The 273,800 shares owned by Custody Bank of Japan, Ltd. (Trust E Account) are not included in the treasury shares.



### About the Logo of SAKURA internet Inc.

The motif of the logo is based on two cherry blossom petals floating in a stream. The flow of the petals represents the flow of data and the infrastructure that supports the flow.



Integrated Report 2024