



SAKURA internet

2023

Integrated Report

SAKURA Report

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Editorial policy

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

Period: April 01, 2022 to March 31, 2023

Disclaimer

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

VISION

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

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

SAKURA internet has progressed along with the internet itself.

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

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

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

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

Fulfilling and developing the aspirations of many people through the internet

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

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

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

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

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

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



Founder & CEO, President
Kunihiro TANAKA

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

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

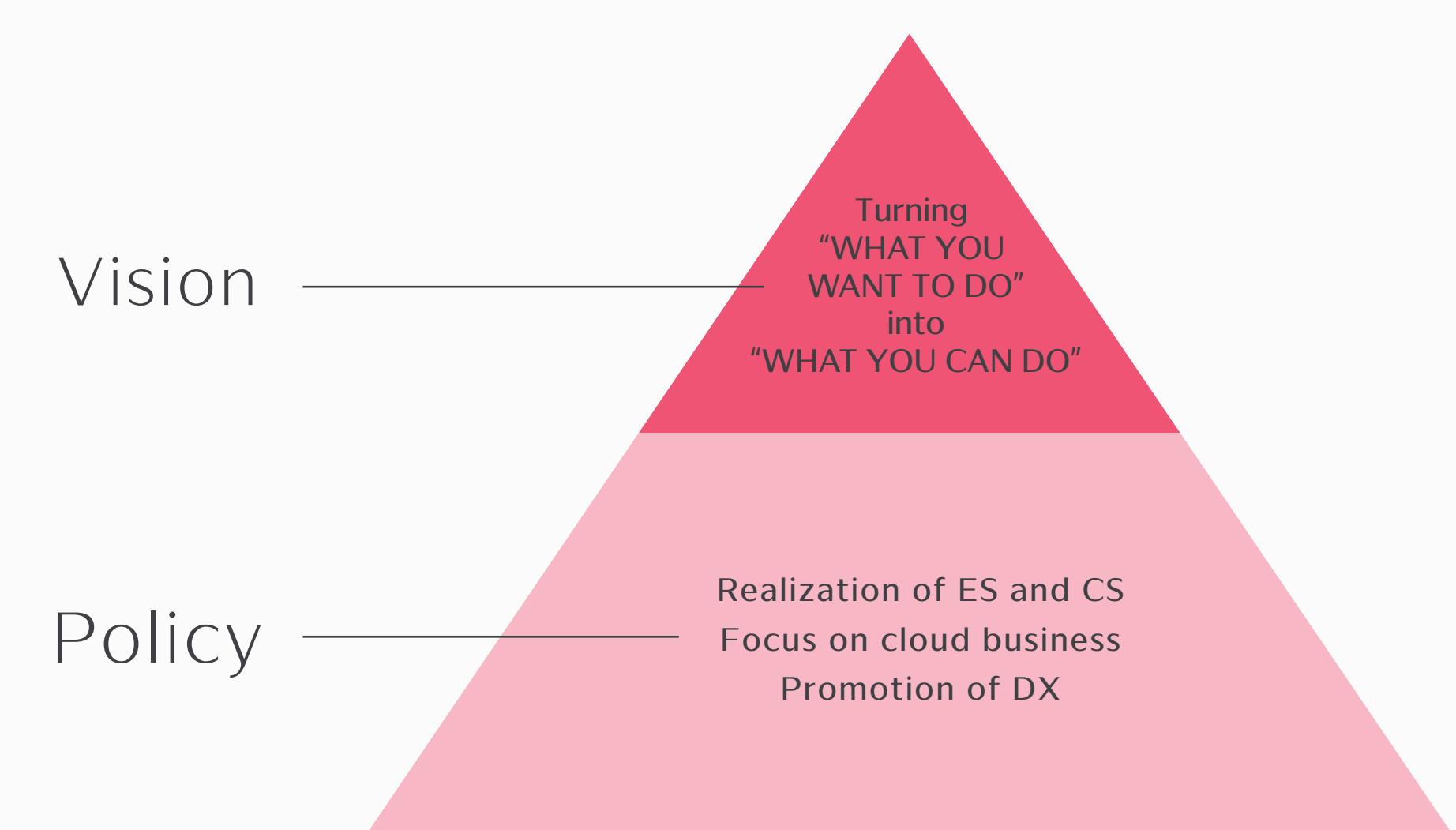
Realization of ES and CS is one key to accelerating the execution of our vision. ES stands for employee success, while CS stands for customer success, implying that a customer's success leads to the success of the employees, which in turn leads to the company's success, thus creating a cycle that can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

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

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

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

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



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

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

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

Enhance relationships with customers to achieve further growth

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

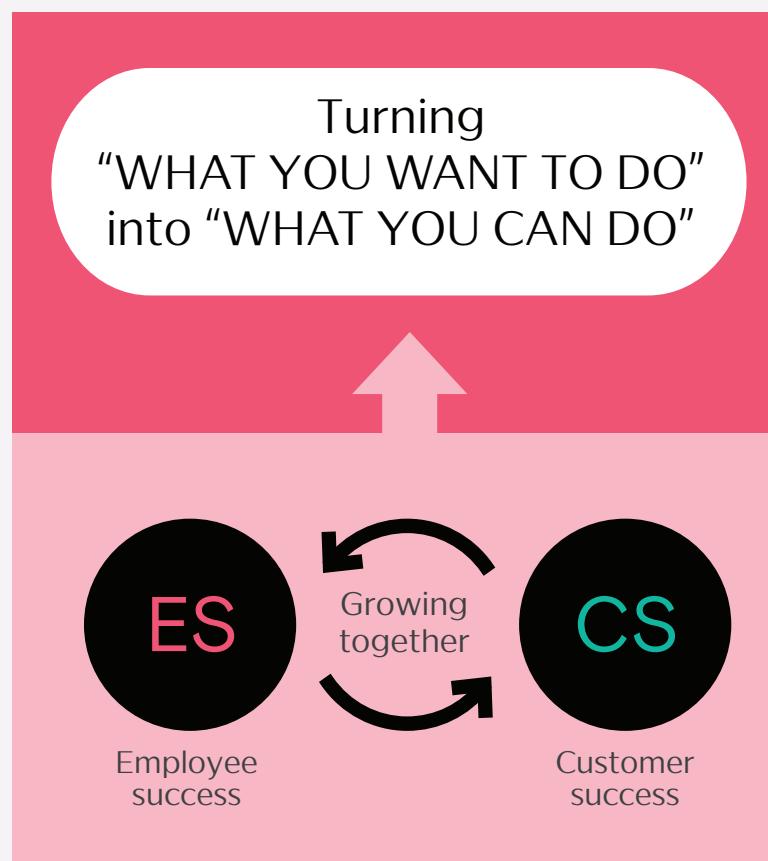
We should focus on the CS-ES cycle for further company growth, at least for the next five to 10 years. We will support the significant growth of our customers and create a cycle where each employee experiences personal growth.

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

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

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

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



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

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

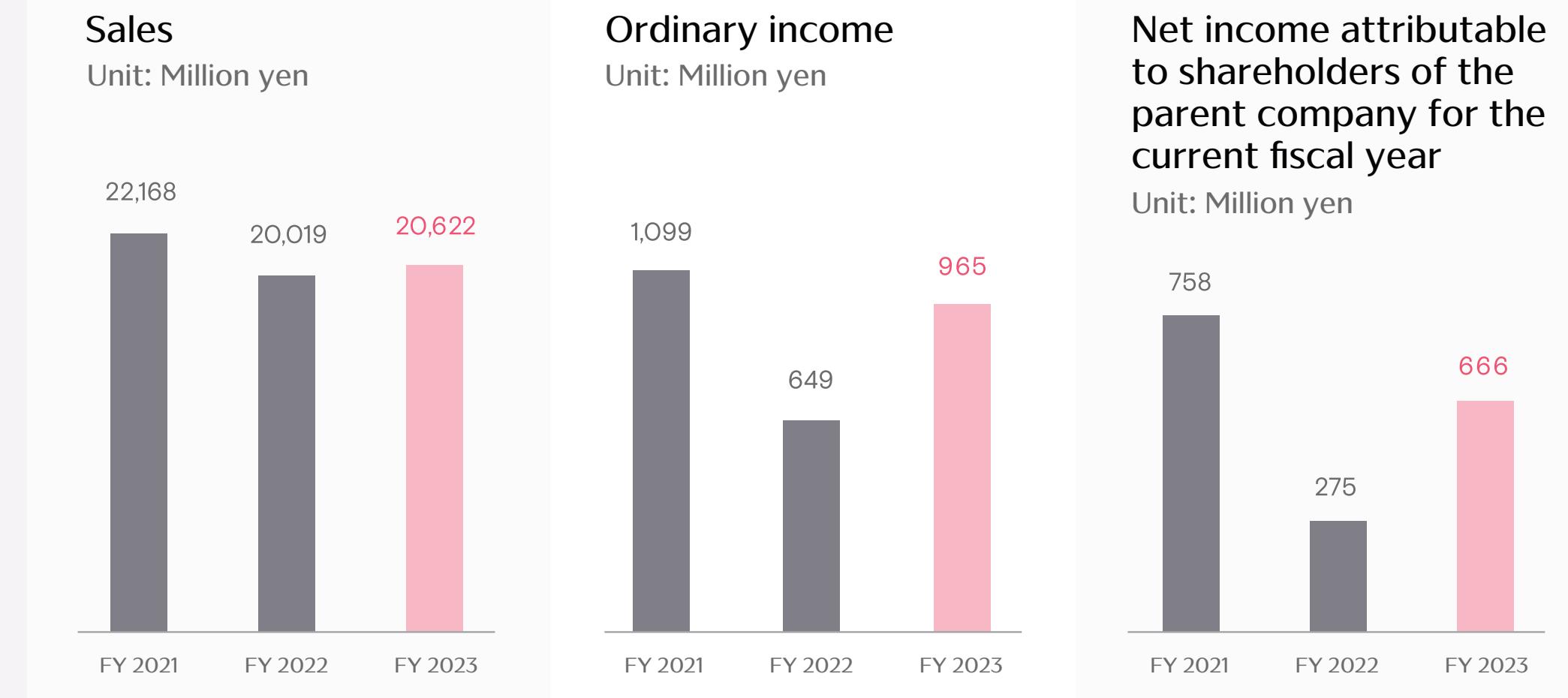
We accelerated the development of new services this fiscal year through alliances with companies aiming to achieve DX, specifically by enhancing our cloud services. Our company places significant importance on human resources and recruitment, and we have successfully continued hiring human resources,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

The consolidated performance for the fiscal year ending

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

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

Consolidated financial highlights



Toward future society Initiatives toward 2030 for further growth

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

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

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

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

The internet can make people and society more prosperous and happier

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

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

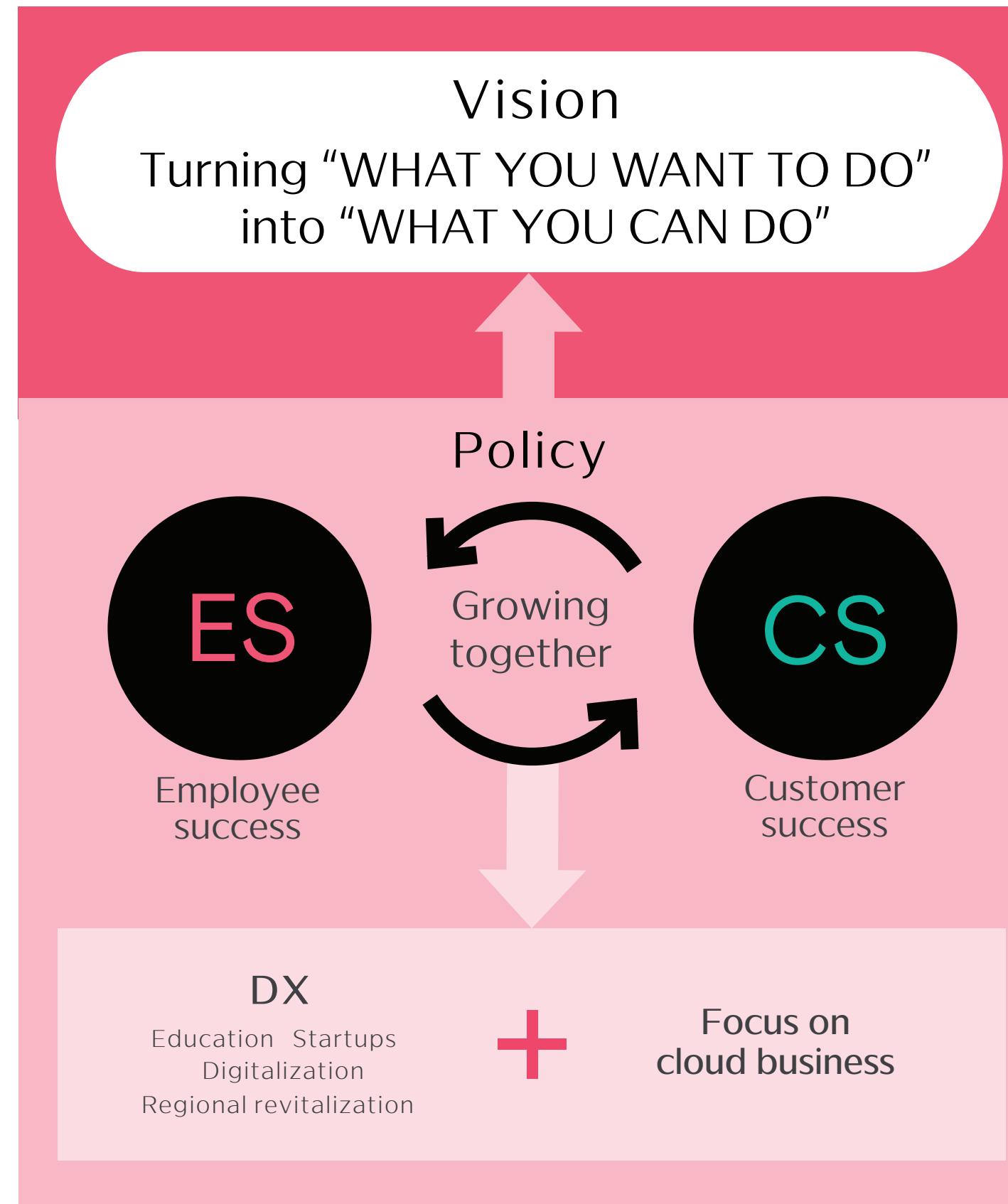
We want to increase the scope of our business even further. If we can conduct business on a scale several times larger



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

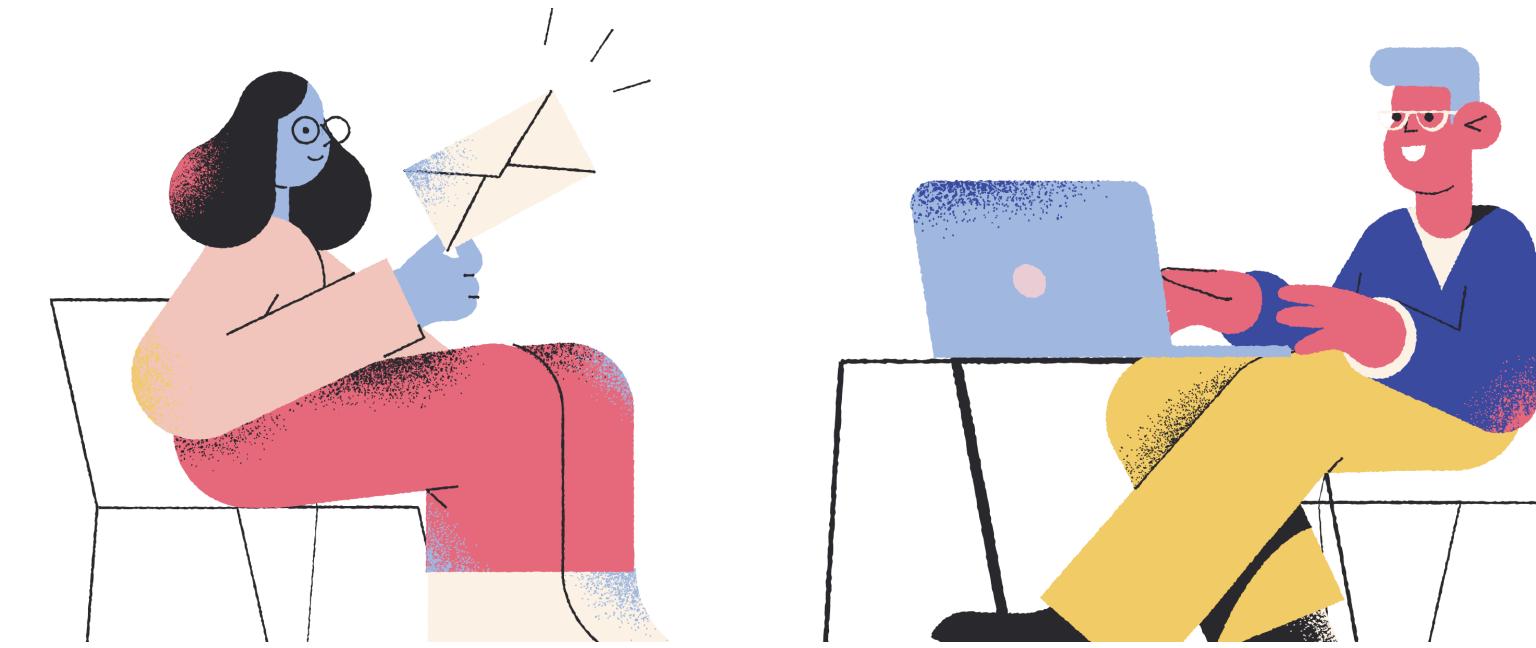
Founder & CEO, President

Kunihiko Zonka



SAKURA internet is implementing various initiatives based on our vision of turning "WHAT YOU WANT TO DO" into "WHAT YOU CAN DO. "ES and CS are the pillars of these initiatives. We are "focusing on cloud business" for future growth and have set forth education, regional revitalization, digitalization, and startups as key areas for further growth by 2030. The key policy to promote these themes is to "realize ES and CS".

The success of customers (CS) leads to the success of each employee (ES), which in turn leads to the company's success. We firmly believe that by fostering this cycle of success, we can create a world where everyone associated with us can prosper.



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

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

01 Affirmation first.

As a foundation for effective communication, we emphasize accepting the other person's thoughts positively and receptively before preparing proposals or engaging in discussions.

02 Lead and follow.

For the team's success, individuals who set the vision and goals and demonstrate leadership by taking the lead, and those who provide wholehearted support and show followership, are necessary. We place importance on the ability of each individual to act independently, sometimes as a leader and sometimes as a follower.

03 Speak until the message is conveyed.

Most interpersonal conflicts are said to arise from expectations that lack mutual agreement. We value the importance of speaking clearly until the message is conveyed to the other person and listening until we understand what the other person has to say, thereby clarifying each other's expectations and avoiding misunderstanding.

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

Diversified Business Domains

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

