Chapter 02

Value Creation Process
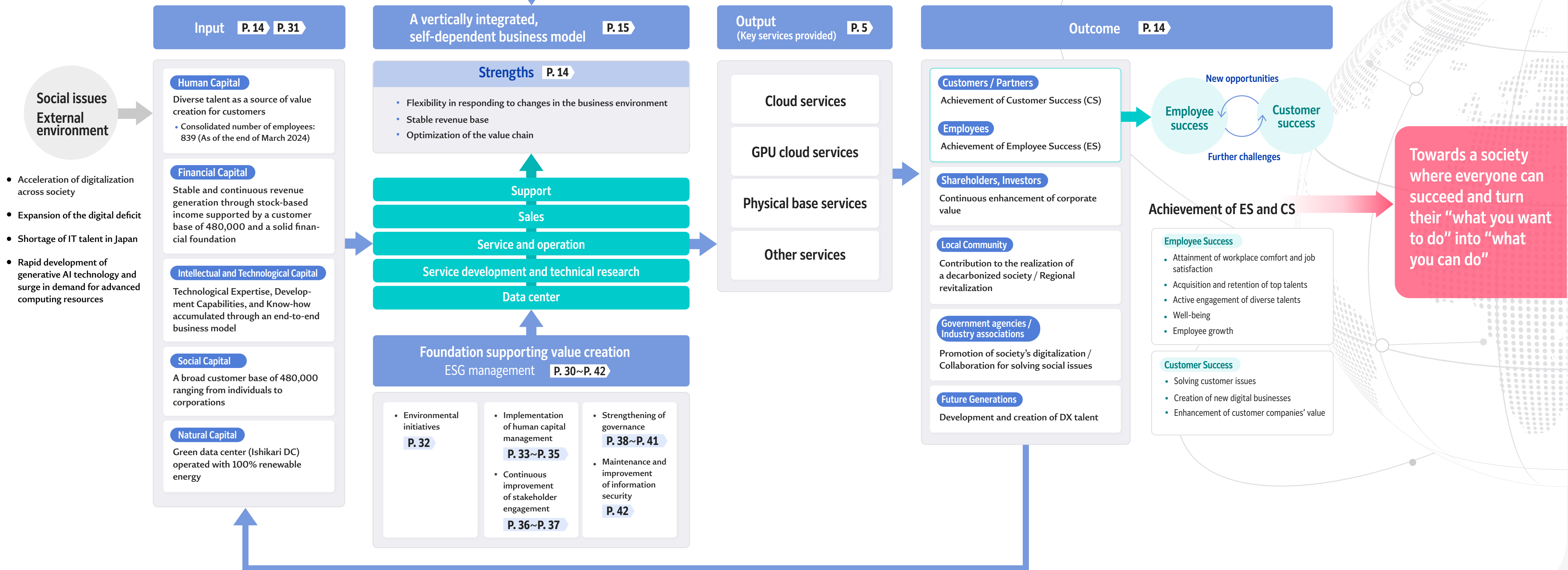
Value Creation Process

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

Input P. 14 P. 31

Social issues External environment

- Acceleration of digitalization across society
- Expansion of the digital deficit
- Shortage of IT talent in Japan
- Rapid development of generative AI technology and surge in demand for advanced computing resources

Human Capital

Diverse talent as a source of value creation for customers

- Consolidated number of employees: 839 (As of the end of March 2024)

Financial Capital

Stable and continuous revenue generation through stock-based income supported by a customer base of 480,000 and a solid financial foundation

Intellectual and Technological Capital

Technological Expertise, Development Capabilities, and Know-how accumulated through an end-to-end business model

Social Capital

A broad customer base of 480,000 ranging from individuals to corporations

Natural Capital

Green data center (Ishikari DC) operated with 100% renewable energy

A vertically integrated, self-dependent business model P. 15

Strengths P. 14

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

Support

Sales

Service and operation

Service development and technical research

Data center

Foundation supporting value creation
ESG management P. 30~P. 42

- Environmental initiatives P. 32
- Implementation of human capital management P. 33~P. 35
- Continuous improvement of stakeholder engagement P. 36~P. 37
- Strengthening of governance P. 38~P. 41
- Maintenance and improvement of information security P. 42

Output (Key services provided) P. 5

Cloud services

GPU cloud services

Physical base services

Other services

Outcome P. 14

Customers / Partners
Achievement of Customer Success (CS)

Employees
Achievement of Employee Success (ES)

Shareholders, Investors
Continuous enhancement of corporate value

Local Community
Contribution to the realization of a decarbonized society / Regional revitalization

Government agencies / Industry associations
Promotion of society's digitalization / Collaboration for solving social issues

Future Generations
Development and creation of DX talent

New opportunities

Employee success ⟷ Customer success

Further challenges

Achievement of ES and CS

Employee Success
- Attainment of workplace comfort and job satisfaction
- Acquisition and retention of top talents
- Active engagement of diverse talents
- Well-being
- Employee growth

Customer Success
- Solving customer issues
- Creation of new digital businesses
- Enhancement of customer companies' value

Towards a society where everyone can succeed and turn their "what you want to do" into "what you can do"

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

| SAKURA's strengths	Accumulated assets	Capital
Flexibility in adapting to changes in the business environment Founded during the dawn of the Internet, growing by providing services aligned with the times	• 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 • 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 • 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)	Intellectual and Technological Capital Social Capital Natural Capital
Stable Revenue Base A customer base of 480,000 and a stock-based business with monthly subscription model	• 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 • 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	Financial Capital Social Capital
Optimization of the Value Chain By developing services self-dependence and maintaining an end-to-end system, we enable the optimization of the value chain	• 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 • Self-dependence service development allows for effective cost control, and the impact of factors such as exchange rates and social conditions is limited • 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	Financial Capital Intellectual and Technological Capital Human Capital

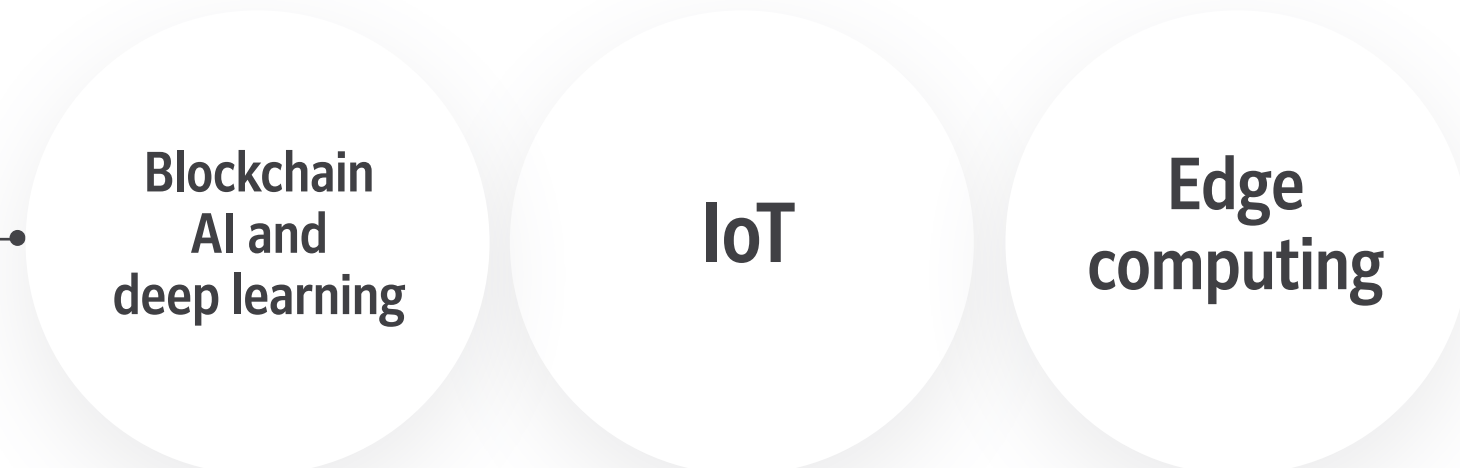# Vertically Integrated Business Model

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'.

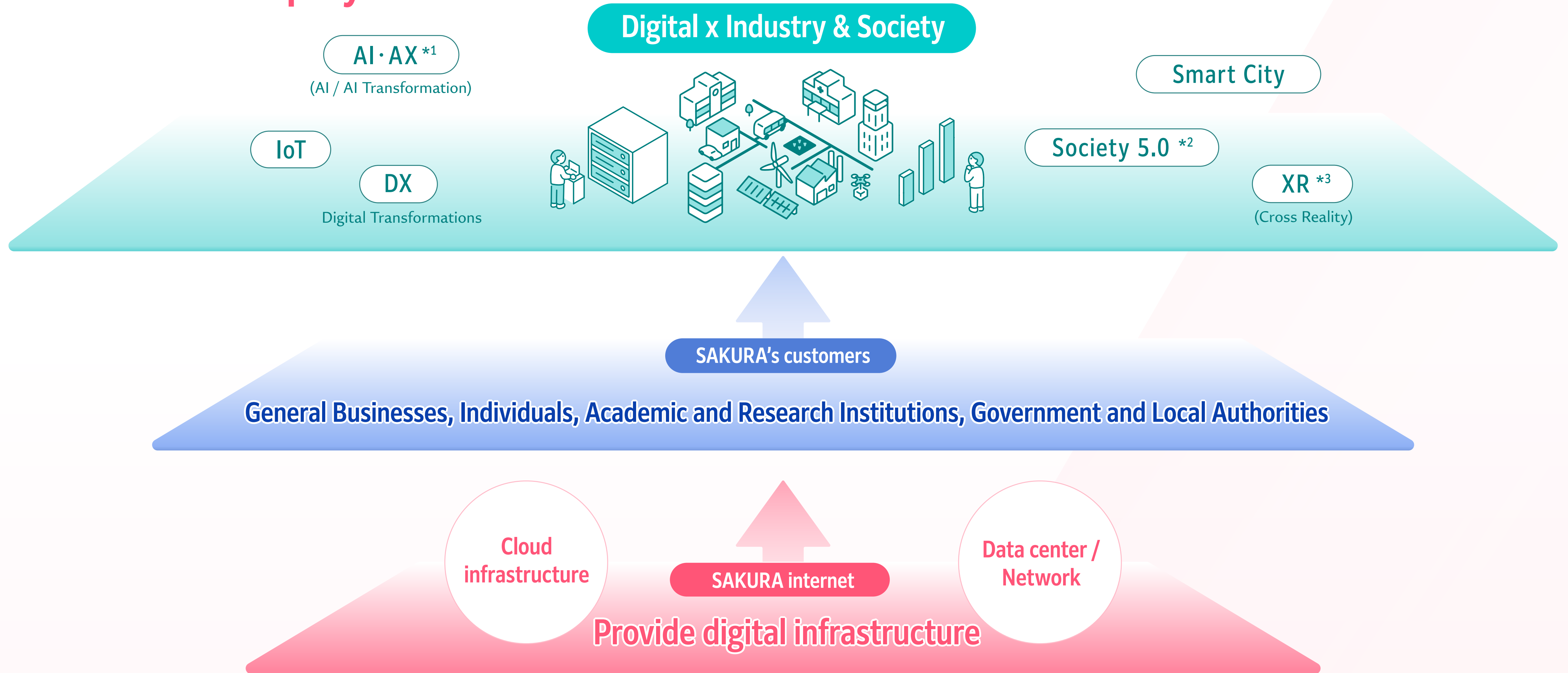| Strengths of Vertical Integration | · Flexibility in responding to changes in the business environment   · Stable revenue base   · Optimization of the value chain |

Support

Sales

Service and operation

Service development and technical research

Data center
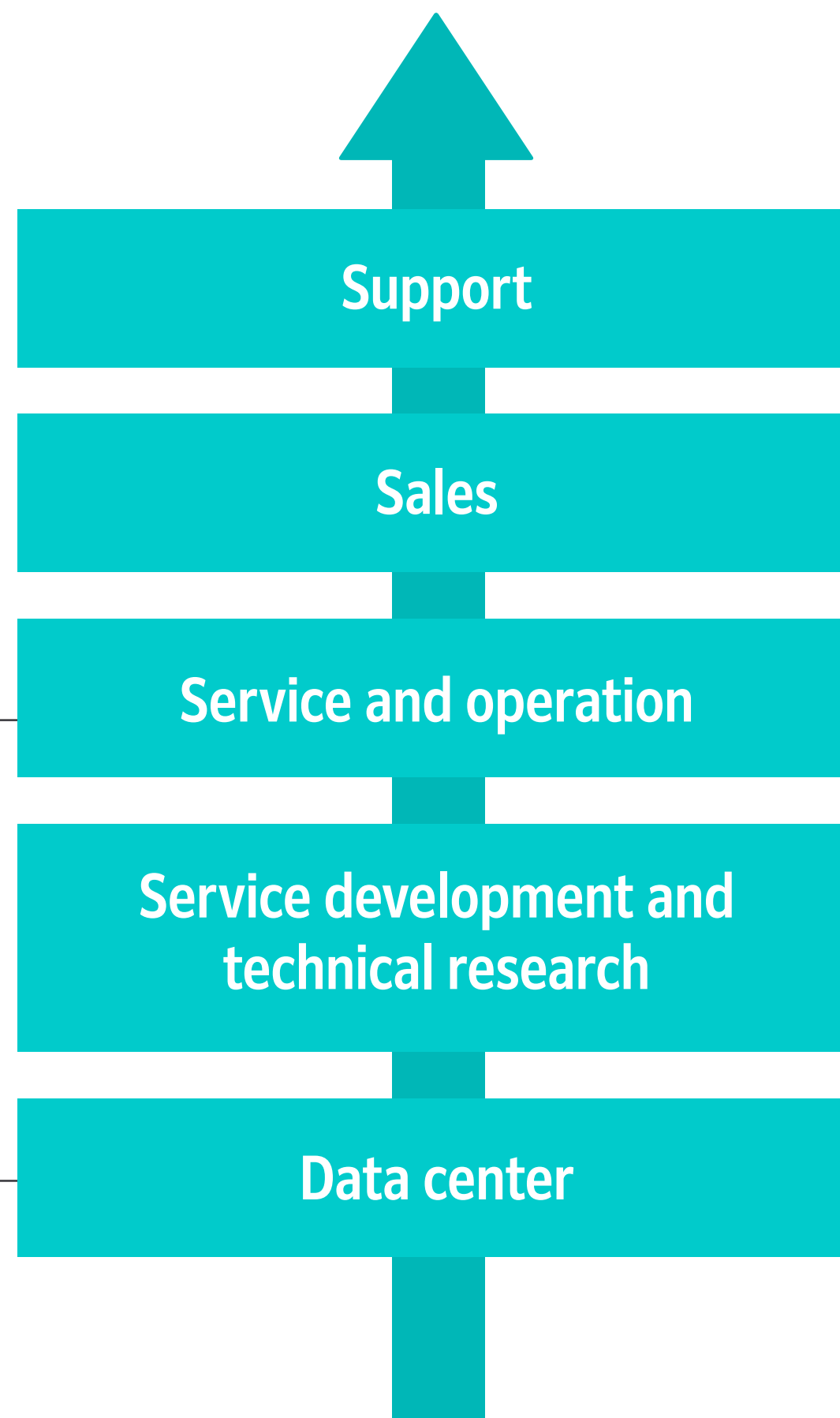
SAKURA internet
Official customer support character
"Marina"

IoT

Blockchain AI and deep learning

IoT

Edge computing

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.

Digital x Industry & Society

AI·AX [*1]
(AI / AI Transformation)

Smart City

IoT

DX
Digital Transformations

Society 5.0 [*2]

XR [*3]
(Cross Reality)

SAKURA's customers

General Businesses, Individuals, Academic and Research Institutions, Government and Local Authorities

Cloud infrastructure

SAKURA internet

Data center / Network

Provide digital infrastructure

*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)