

Chapter 03

# Business Strategy

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# 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.

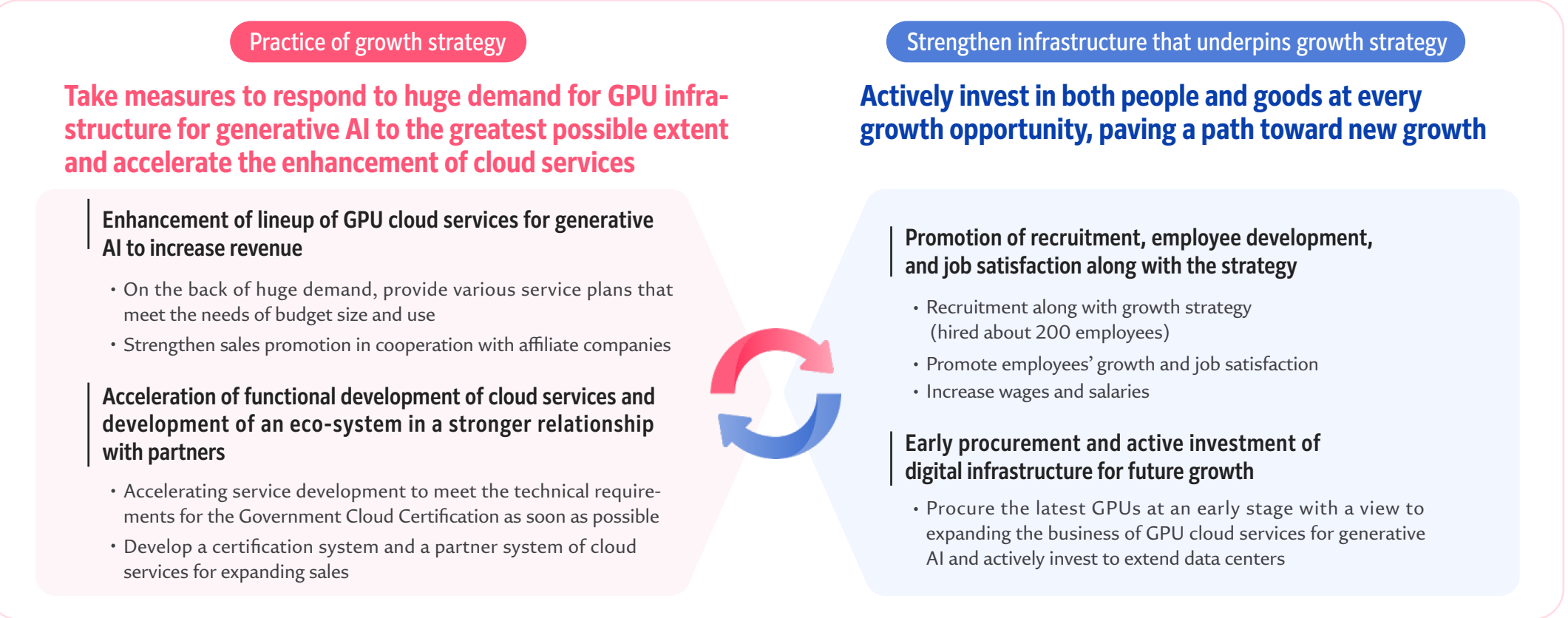
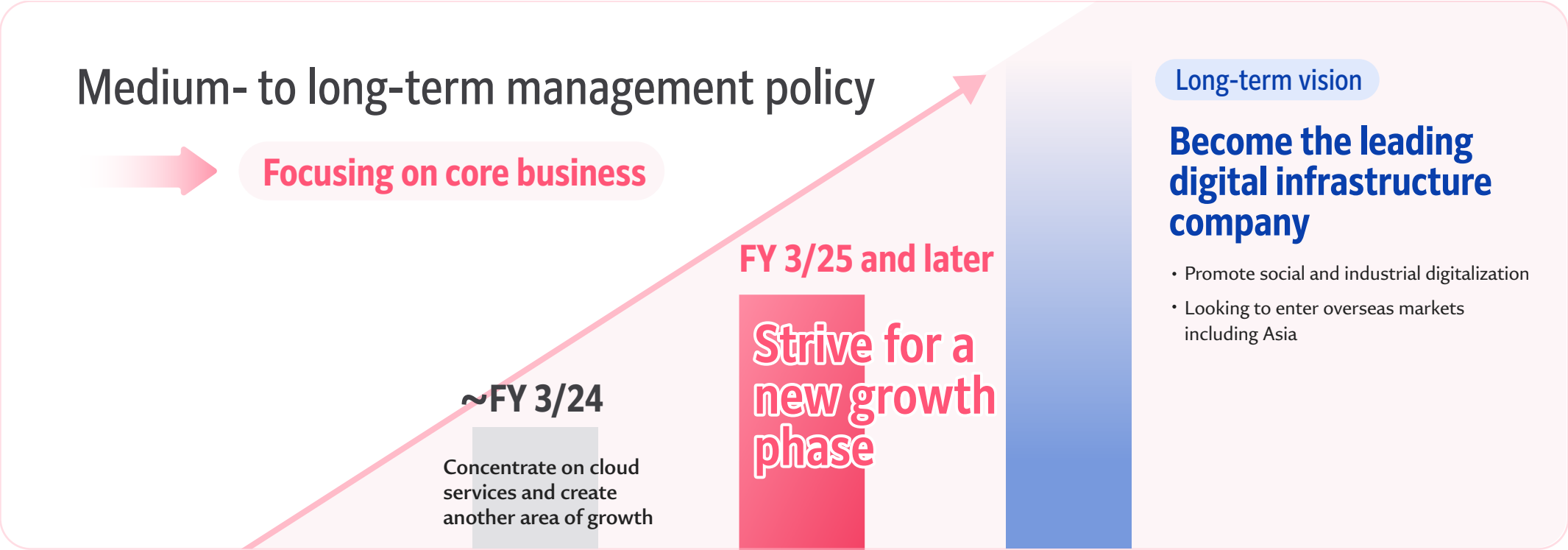
infrastructure, as shown in the figure below. We will continue to invest actively in both people and things. We will capture demand by acquiring the latest GPUs and investing swiftly in digital infrastructure such as data centers that house GPUs.

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





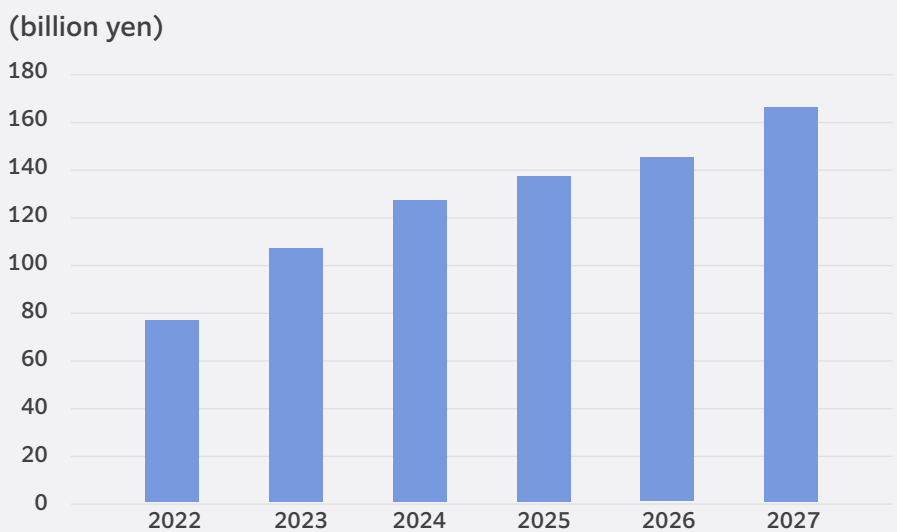
# 01. Emerging As a Front-Runner in Generative AI Infrastructure

## 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				●	●	Will start Cloud series (subscription by hour/ GPU)						
				First phase Launch of Koukaryoku PHY	Second phase Launch of Koukaryoku DOK							
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)			

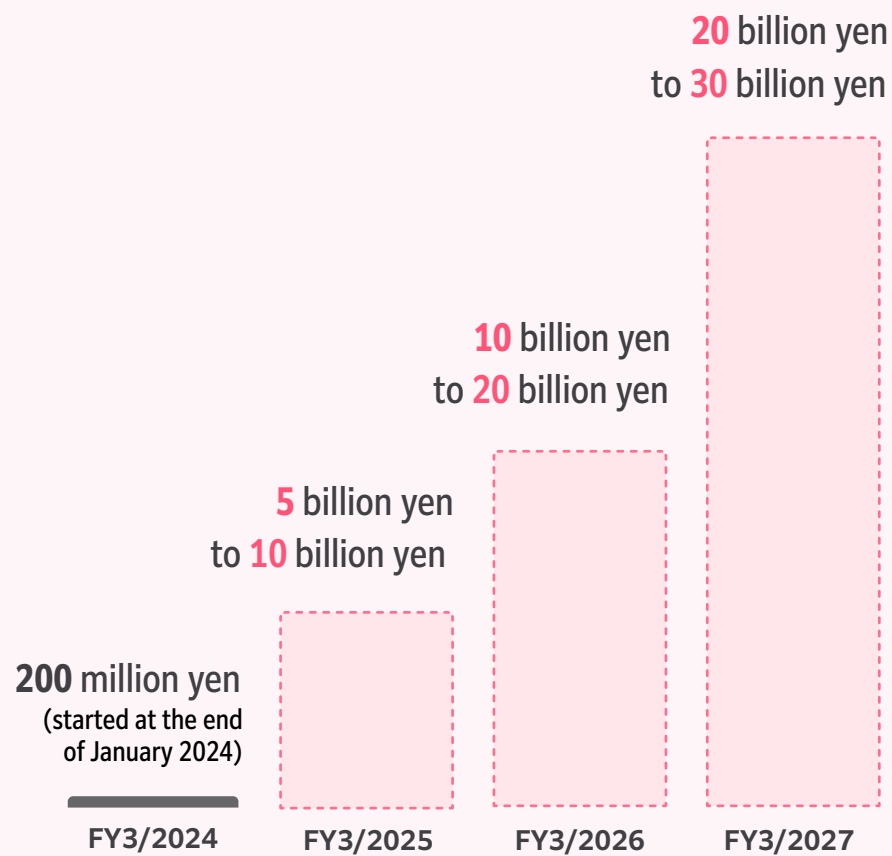
Our role in the japanese generative AI market

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



Government Promotion Office, Manager  
**Sara Komatsu**

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

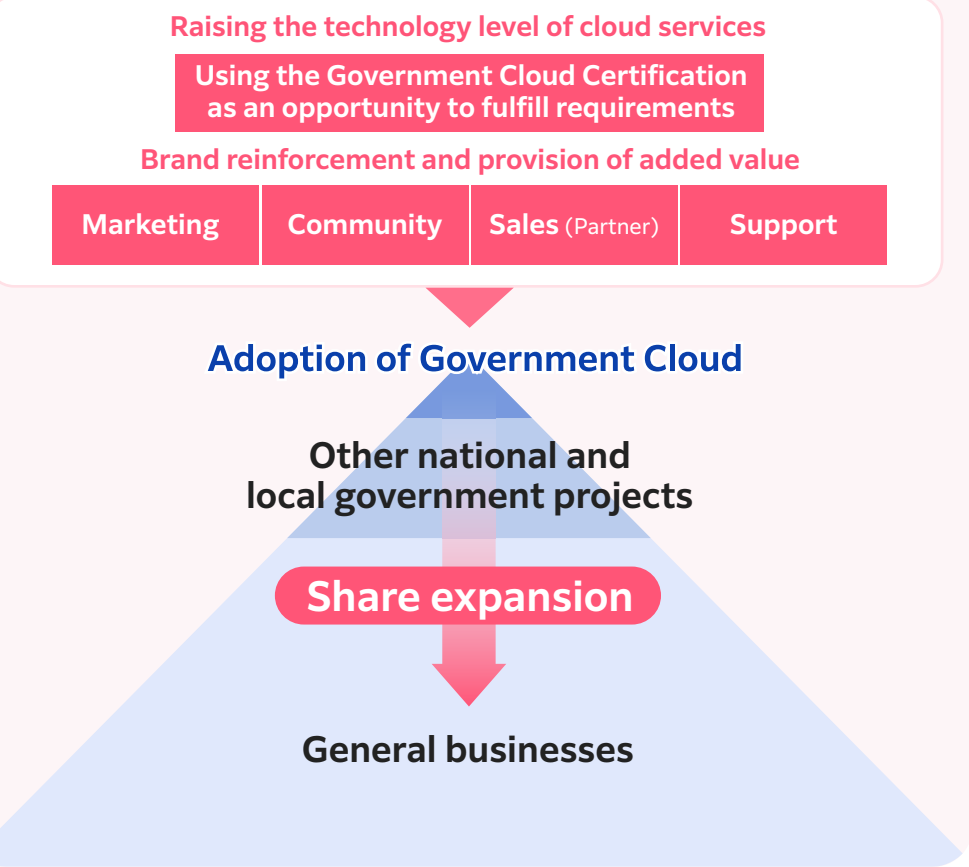
Looking at the future, our company will strengthen its cooperation with public offices, local governments, and partner companies to build on our track record. We have already made progress in our collaboration with the government. Our company is also receiving more orders for public office projects,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

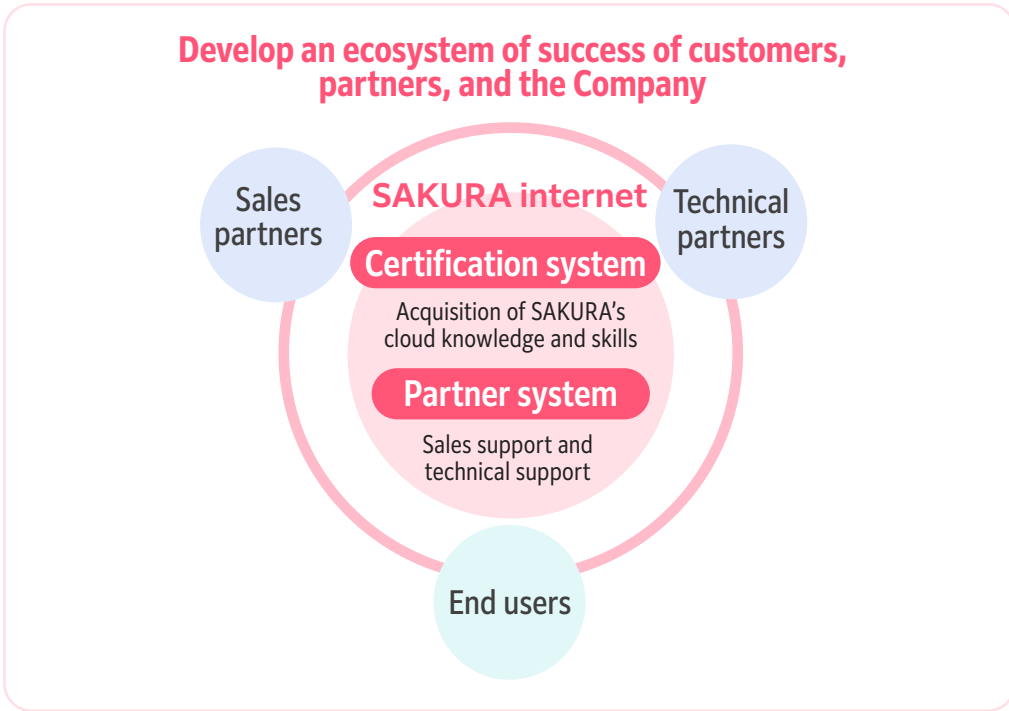


### 03. Initiatives for Market Expansion

#### 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.

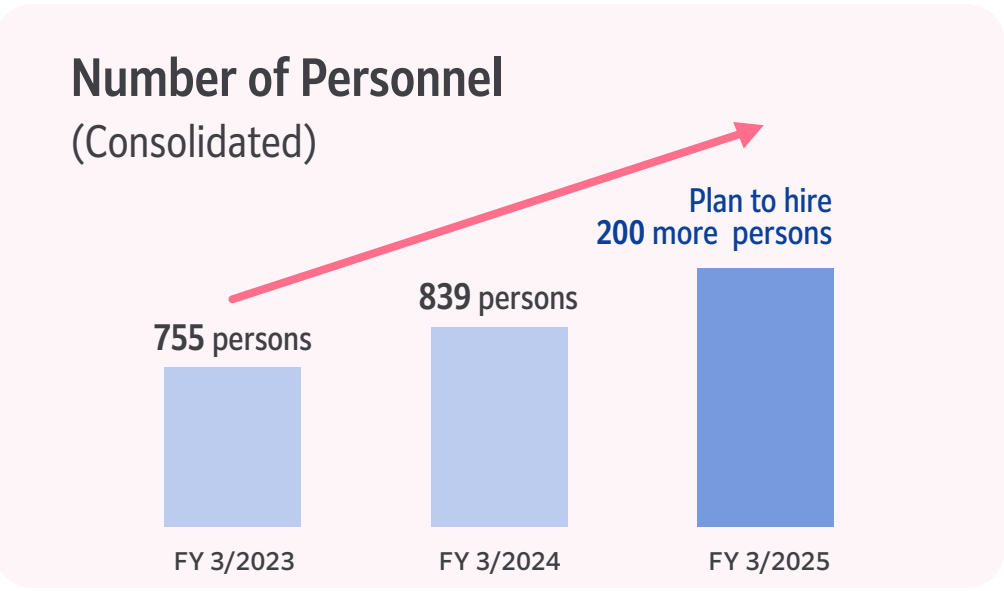
As for our overall human resource strategy, we will be restructuring our human resource management to accelerate change and growth in our human resources and in our organization, so as to prepare for the rapid expansion of our business and organizational structure needed to realize our medium- to long-term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





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.

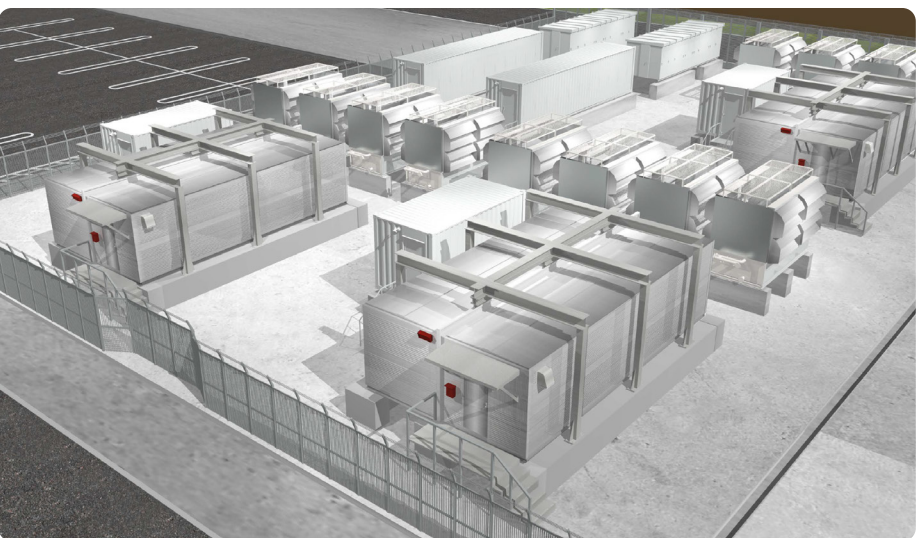
Our decision to develop container-type data centers was strategically aimed at deploying infrastructure as soon as possible to meet the surging demand in the generative AI market. In addition to dramatically reduced lead times compared to conventional data centers, the implementation of cold plate liquid 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



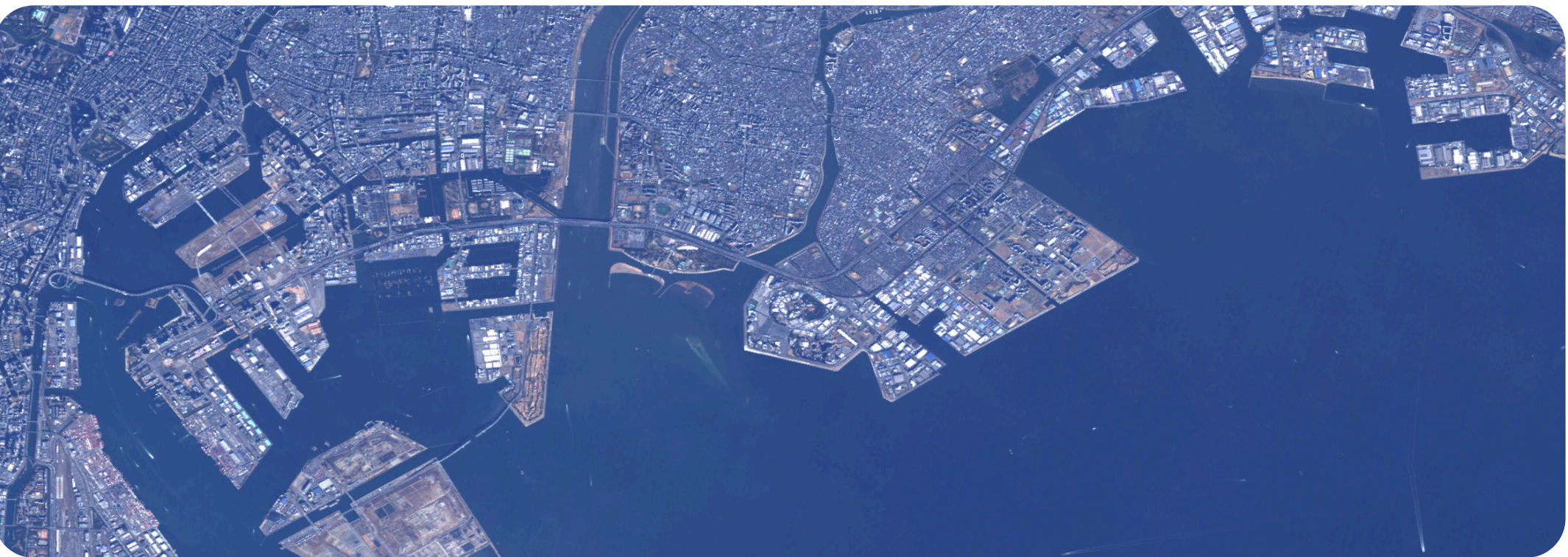
# “Tellus”: Creating New Value Through the Fusion of Space and IT

## 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



Fostering innovation through diverse research and collaborative exchange

## 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.

