Cybozu, Inc.

Shareholders’ Meeting 2021 – One Day Talking with Cybozu – Part 2 Talking About the Past and Future of Cybozu

February 27, 2021

Event Summary

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[Venue Size]	
[Participants]	
[Number of Speakers]	2

Yoshihisa Aono	CEO
Ibisa Otani	Chief Editor of TECH.ASCII.jp Editorial Department, Media and Marketing Department, KADOKAWA ASCII Research Laboratories, Inc.

Presentation

Otani: Hello, everyone. My name is Ibisa Otani and I'm from KADOKAWA ASCII Research Laboratories, Inc. This session is a discussion about Cybozu's past and future. President Aono and myself will talk about this, and I will be asking him about the past and the future of Cybozu.

Aono: Nice to meet you, everyone

Otani: So, Mr. Aono, you usually explain business planning in a presentation, right? You usually explain it to shareholders. Can I ask you why we are using this format this time?

Aono: At the end of each year, the presentation has information about financial results for the previous term, as well as sales and profits for the current year. To be honest, I got tired of it.

Otani: Right, you have to do it every year.

Aono: Yes. What's more, recently, there's nothing interesting about Cybozu in those presentations. Sales are show by extending lines on graphs. And it's dull to think that it will probably do the same thing next year. Ultimately, you just focus in on a short period, explain those numbers, and you're done. People listening probably don't respond much to that.

Rather than that, I want there to be a story. This is different to what Mr. Ikeuchi mentioned earlier, but there are more things we are seeing in our future, and we want to explain the future while talking about the past. I think that shareholders also would prefer this kind of explanation.

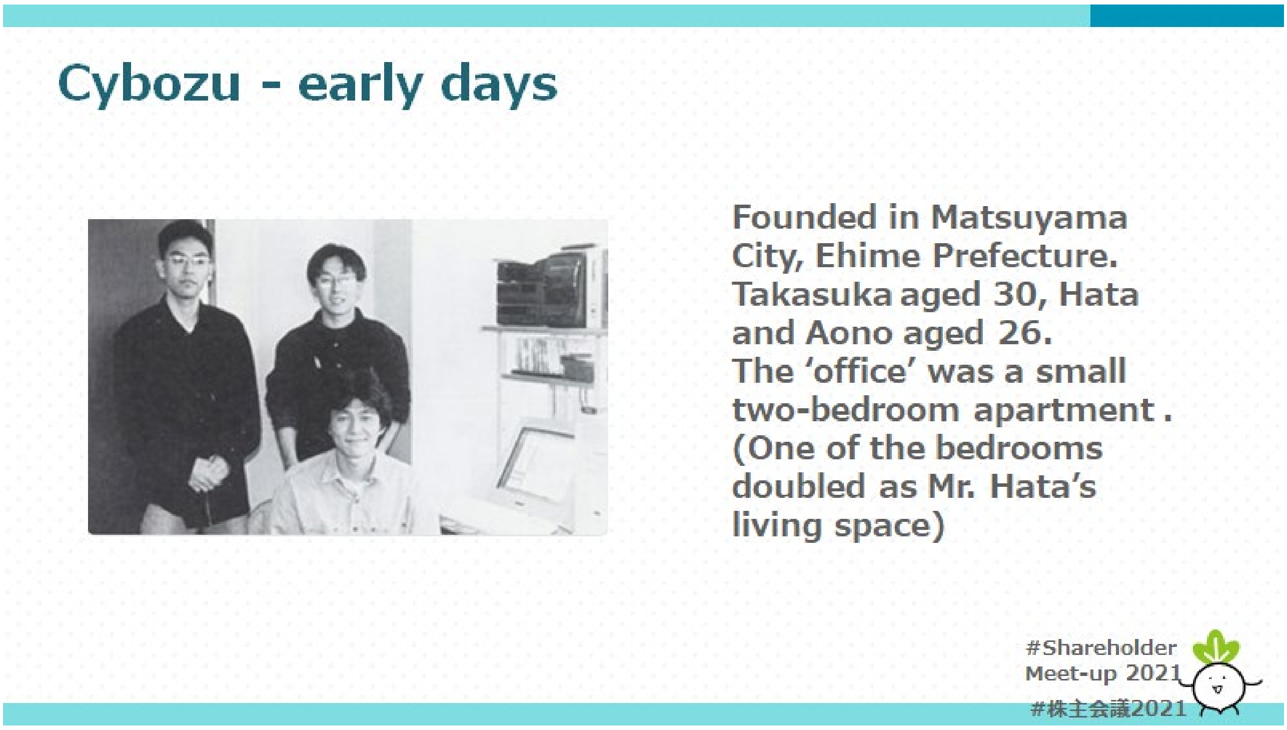
Otani: That sounds easier to understand.

Aono: Yes, I think that they would be happy.

Today, Mr. Ibisa Otani, one of the few people who know about Cybozu when it was founded, is here.

Otani: Thank you inviting me. To be frank, I think that we can talk about lots of secret things that have not been spoken about elsewhere.

Aono: You know about the company right from its beginnings.



Cybozu - early days

Founded in Matsuyama City, Ehime Prefecture.
Takasuka aged 30, Hata and Aono aged 26.
The 'office' was a small two-bedroom apartment .
(One of the bedrooms doubled as Mr. Hata's living space)

#Shareholder Meet-up 2021
#株主会議2021

Otani: That's right. First, let's go to the next photograph.

Allow me to briefly introduce myself. In 1996, which is the year after Windows 95 came out, I joined ASCII Corporation as a part-timer. Thereafter, I've been involved in making printed magazines as a reporter or as an editor. At that time, the first magazine I was involved in was a self-made computer magazine called *DOS/V Issue*.

Aono: That takes me back.

Otani: After that, I moved to an internet magazine called *Internet ASCII*, and that's when I met Mr. Aono.

Aono: Right.

Otani: At the time of Cybozu's founding, there was a sort of Silicon Valley feel.

Aono: Right. This is the first apartment, which was an apartment with a dining area, a kitchen, and two other rooms. This was in Matsuyama City in Ehime Prefecture, so I thought that if we wanted to be written about by a magazine, we would have to go to Tokyo. I flew from Matsuyama Airport to Haneda in Tokyo, and from there I went to ASCII, which I think was in Shinjuku at that time.

Otani: It was Hatsudai in Tokyo to begin with.

Aono: Right, Hatsudai.

Otani: Mr. Aono said he had come from Matsuyama on a business trip to visit various media outlets, and I got an email from him, so I decided to meet him. I was also visiting various places, and we decided to have a chat over a meal. The first place we went to was a pork cutlet shop called Tonki in Meguro.

Aono: Yes, I remember.

Otani: I'm from Tokyo, so I introduced you to some tasty places. It was around 1996 or 1997 when there was talk of getting involved in groupware establishing a Cybozu Office, right?

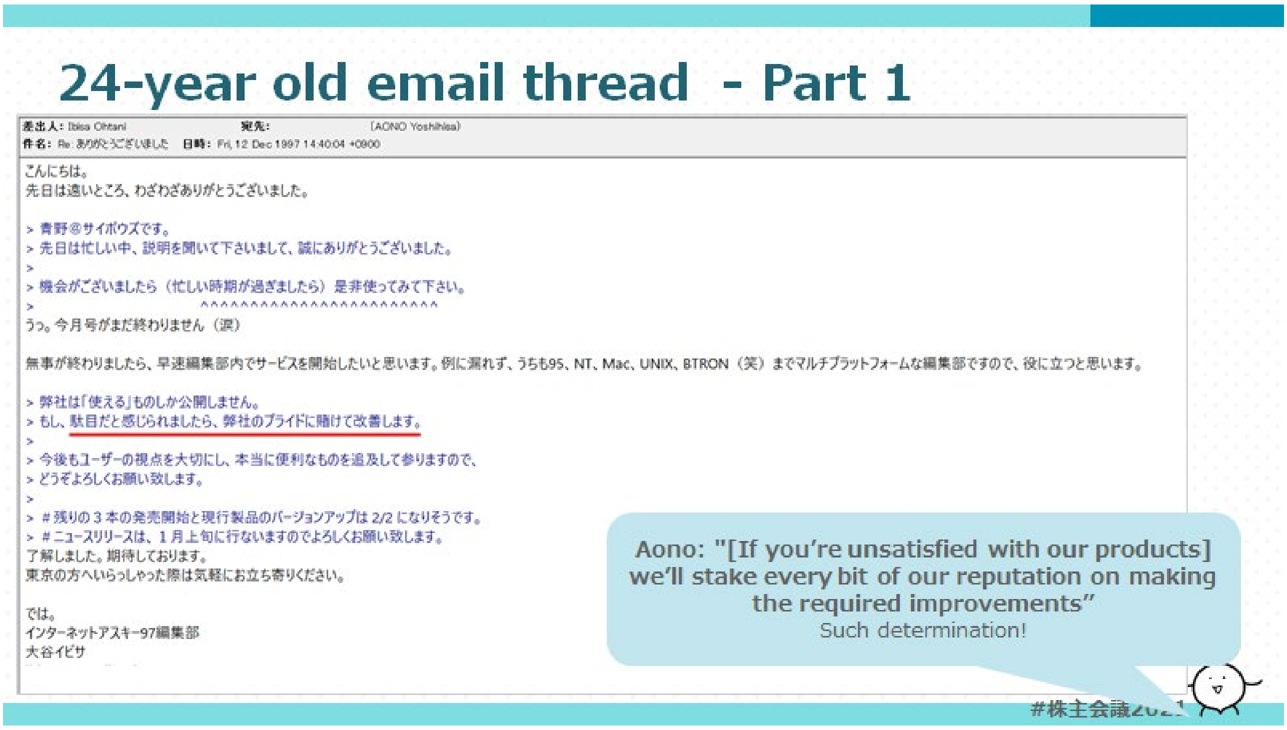
Aono: That's right.

Otani: I remember those days, laptop in hand. Mr. Aono, you're the tall one, right?

Aono: I'm short.

Otani: I had an enormous bag and I had to reproduce all the groupware on one laptop. I remember thinking it was tough.

Aono: Right, laptops back then were heavy.



24-year old email thread - Part 1

差出人: Ibisa Ohtani　　宛先: [AONO Yoshihisa]
件名: Re: ありがとうございました　日時: Fri, 12 Dec 1997 14:40:04 +0900

こんにちは。
先日は遠いところ、わざわざありがとうございました。

> 青野＠サイボウズです。
> 先日は忙しい中、説明を聞いて下さいまして、誠にありがとうございました。
>
> 機会がございましたら（忙しい時期が過ぎましたら）是非使ってみて下さい。
>　　　　　　　　　^^^^^^^^^^^^^^^^^^^^^^^^^^

うっ。今月号がまだ終わりません（涙）

無事が終わりましたら、早速編集部内でサービスを開始したいと思います。例に漏れず、うちも95、NT、Mac、UNIX、BTRON（笑）までマルチプラットフォームな編集部ですので、役に立つと思います。

> 弊社は「使える」ものしか公開しません。
> もし、駄目だと感じられましたら、弊社のプライドに賭けて改善します。
>
> 今後もユーザーの視点を大切にし、本当に便利なものを追及して参りますので、
> どうぞよろしくお願い致します。
>
> ＃残りの３本の発売開始と現行製品のバージョンアップは 2/2 になりそうです。
> ＃ニュースリリースは、１月上旬に行ないますのでよろしくお願い致します。

了解しました。期待しております。
東京の方へいらっしゃった際は気軽にお立ち寄りください。

では。
インターネットアスキー97編集部
大谷イビサ

Aono: "[If you're unsatisfied with our products] we'll stake every bit of our reputation on making the required improvements"
Such determination!

Otani: Yes. I remember thinking that laptops weighing 4 kilograms were difficult to carry around. Actually, I have an email from 24 years ago.

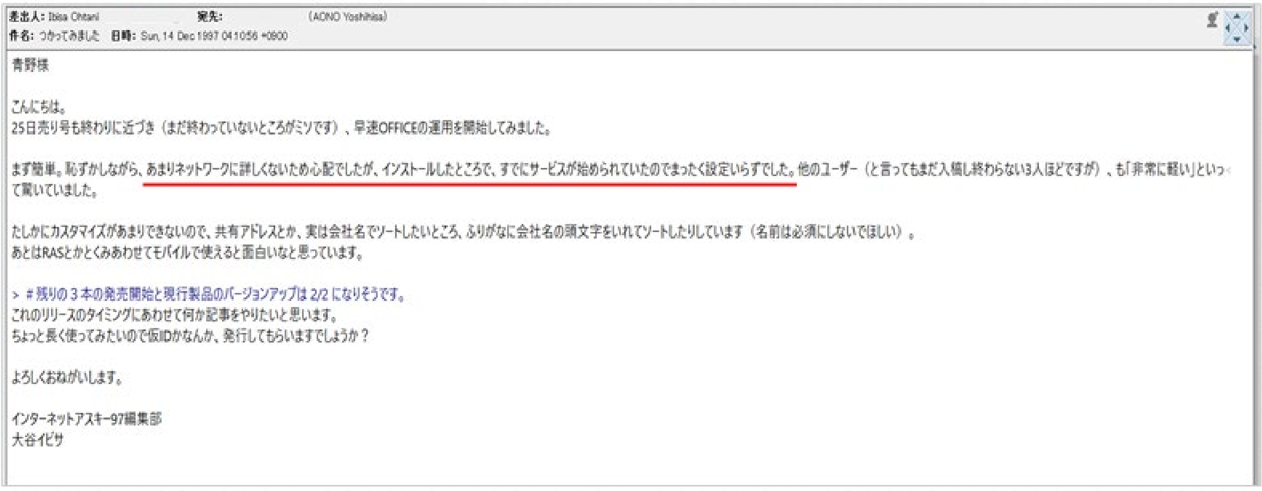
Aono: That's done well to survive.

Otani: I've kept my outgoing mail from way back, so I dug some out. This one is an email sent to Mr. Aono and it's about using groupware. It talks about making groupware within the Company, and it mentions getting the editorial department's approval and having a go at building some. The part underlined in red says that if we feel something is good, we should not fear failure and improve it.

Aono: "Company" meant three people back then.

Otani: There were only three people, but we were passionate about what we were doing and had confidence.

24-year old email thread - Part 2



差出人: Ibisa Ohtani 宛先: (AONO Yoshihisa)
件名: つかってみました 日時: Sun, 14 Dec 1997 04:10:56 +0900

青野様

こんにちは。
25日売り号も終わりに近づき（まだ終わっていないところがミソです）、早速OFFICEの運用を開始してみました。

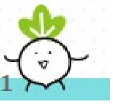
まず簡単。恥ずかしながら、あまりネットワークに詳しくないため心配でしたが、インストールしたところで、すでにサービスが始められていたのでまったく設定いらずでした。他のユーザー（と言ってもまだ入稿し終わらない3人ほどですが）、も「非常に軽い」といっ
て驚いていました。

たしかにカスタマイズがあまりできないので、共有アドレスとか、実は会社名でソートしたいところ、ふりがなに会社名の頭文字をいれてソートしたりしています（名前は必須にしないでほしい）。
あとはRASとかとくみあわせてモバイルで使えると面白いなと思っています。

> ＃残りの３本の発売開始と現行製品のバージョンアップは 2/2 になりそうです。
これのリリースのタイミングにあわせて何か記事をやりたいと思います。
ちょっと長く使ってみたいので仮IDかなんか、発行してもらいますでしょうか？

よろしくおねがいします。

インターネットアスキー97編集部
大谷イビサ



#株主会議2021

This is the email I sent after that. This is my impression. I was worried because I was not very familiar with networks, but when I installed it, the service started immediately and I didn't need to set it up. Other users were also very surprised.

The first thing that surprised me when I first used Cybozu Office was how easy it was to use. There was no cloud at that time, so we had to build a server in-house. We had to install a server.

I didn't have any knowledge of UNIX, so I thought it would be possible to build it at the level of Windows. When we tried to do it, we were glad we'd built a server. When accessed with a browser, a calendar and an address book came up, and it looked like it was usable.

What's more, when other people used it, the first thing they said was that it's light. It moved smoothly.

Aono: It worked smoothly, because it had few functions. Mr. Hata, the developer, must also be credited for this.

Otani: At that time, I had a very original experience. In short, I was in the position of an administrator as a server builder and a groupware maker. From the standpoint of an IT administrator, I was able to build a server and provide a system, and I felt that I had succeeded in overcoming something.

Aono: You suddenly became a system administrator, and you thought, "Even I can do this."

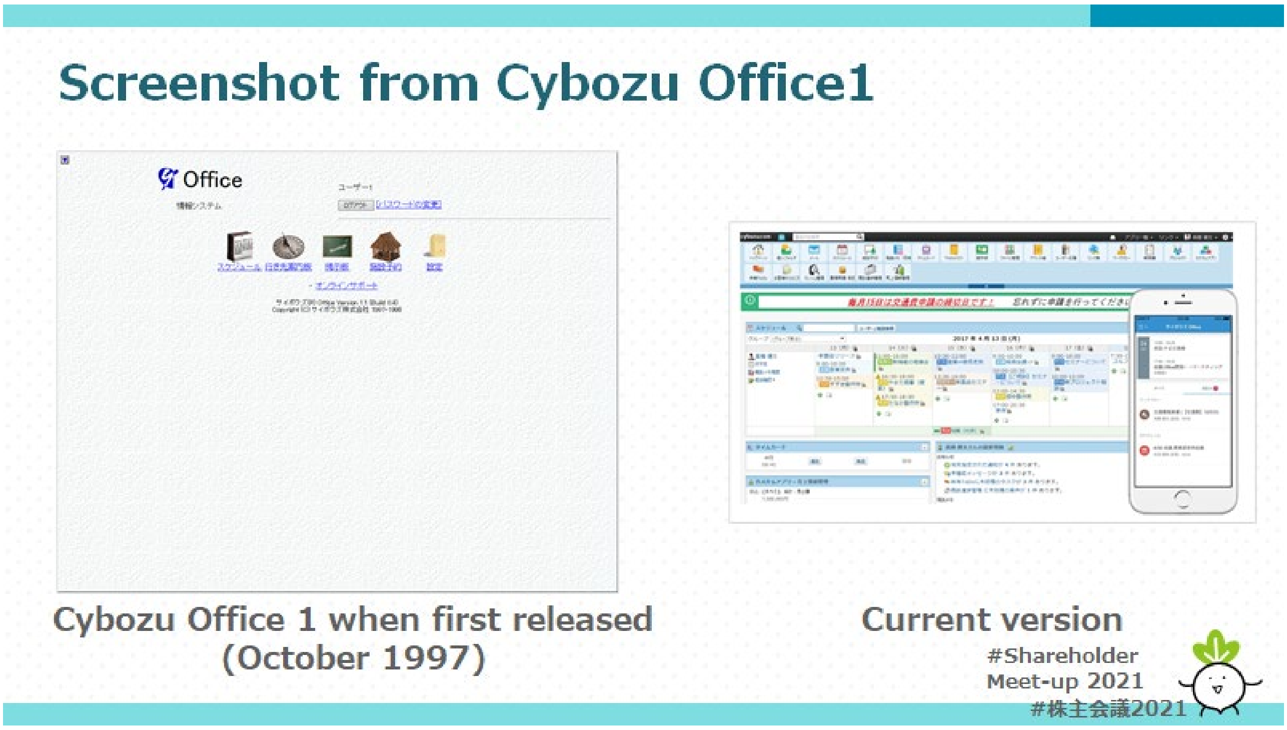
Otani: There was a strong feeling of that. At that time, I really liked it and had a review written. Mr. Aono went on to write a series of articles about what groupware is.

Aono: That was tough.

Otani: Yes, definitely. Every time he wrote something for us.

Aono: I thought I wasn't suited to being a reporter.

Otani: Thanks to that, I think that there were people who understood what groupware is and what Cybozu was.


Screenshot from Cybozu Office1

Cybozu Office 1 when first released
(October 1997)

Current version

#Shareholder
Meet-up 2021
#株主会議2021

Cybozu Office 1 looked like this.

As I said earlier, the functions were very simple. The schedule and the bulletin board were very simple, but I thought it was very interesting because it was light and smooth. The current screen is shown here. It has evolved into such a rich application.

Aono: There are more features.

Otani: Moreover, it is still selling and is still used by many people, so I think I will talk about this later.

I said that I've been keeping an eye on it for a long time, but to tell the truth, I didn't do that until around 2000 to 2010.

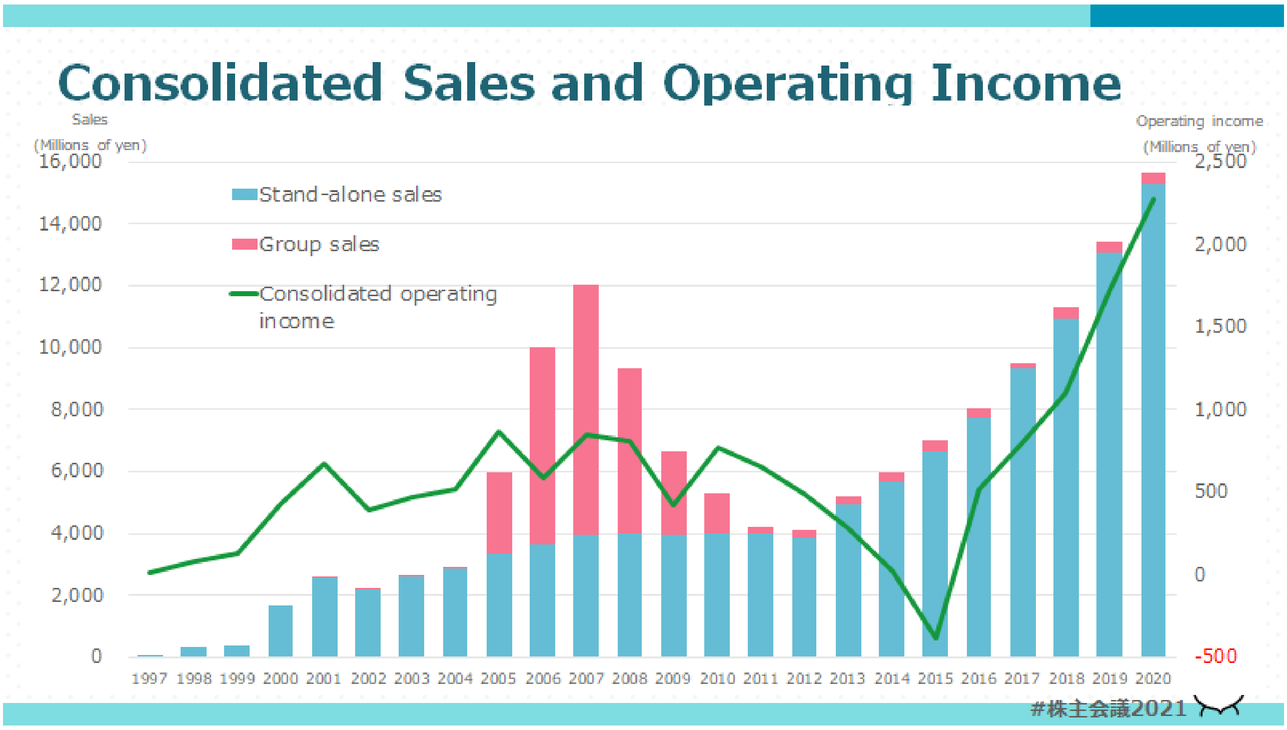
I was involved in a magazine called *Network Magazine*, and there was a broadband boom in Japan from 2000 to around 2007, 2008. It was a time when ADSL and FTTH came in and the Internet became very fast in Japan.

At that time, I was mainly working on that infrastructure and network. I knew the name Cybozu, and I sometimes went to presentations, but it wasn't what I was mainly focused on.

Aono: So you don't know about that period of wandering off course. You weren't really watching.

Otani: That's right. As to what the world was like between 2000 to 2010, in 2006, there was broadband, which was just mentioned, and Web 2.0 and I think the Livedoor debacle was in 2006.

I looked this up a moment ago, but after you announced and disclosed it at the 2006 briefing, there was an article that reported that at the briefing Mr. Aono said he would beat Microsoft and IBM. How did it go?



Consolidated Sales and Operating Income

#株主会議2021

Aono: Looking at this with a graph, sales were growing until around 2001. They were growing steadily, but selling downloadable packaged software became more difficult.

Thereafter, we launched a product called Garoon for large companies. We had to sell it to information system departments, so our sales channels were developed from nothing.

It was difficult. Growth was slow, so we used money from our listing to carry out some M&As. This can be seen in the red portions of the graph.

Otani: From 2005, the number of M&As, which is shown in pink, suddenly increased.

Aono: That's right. Our Groupware Business didn't grow that much, so we decided to use other businesses and involved ourselves in M&As. Everyone was doing it then, especially Livedoor. We tried it, but it was awkward and not suitable for us.

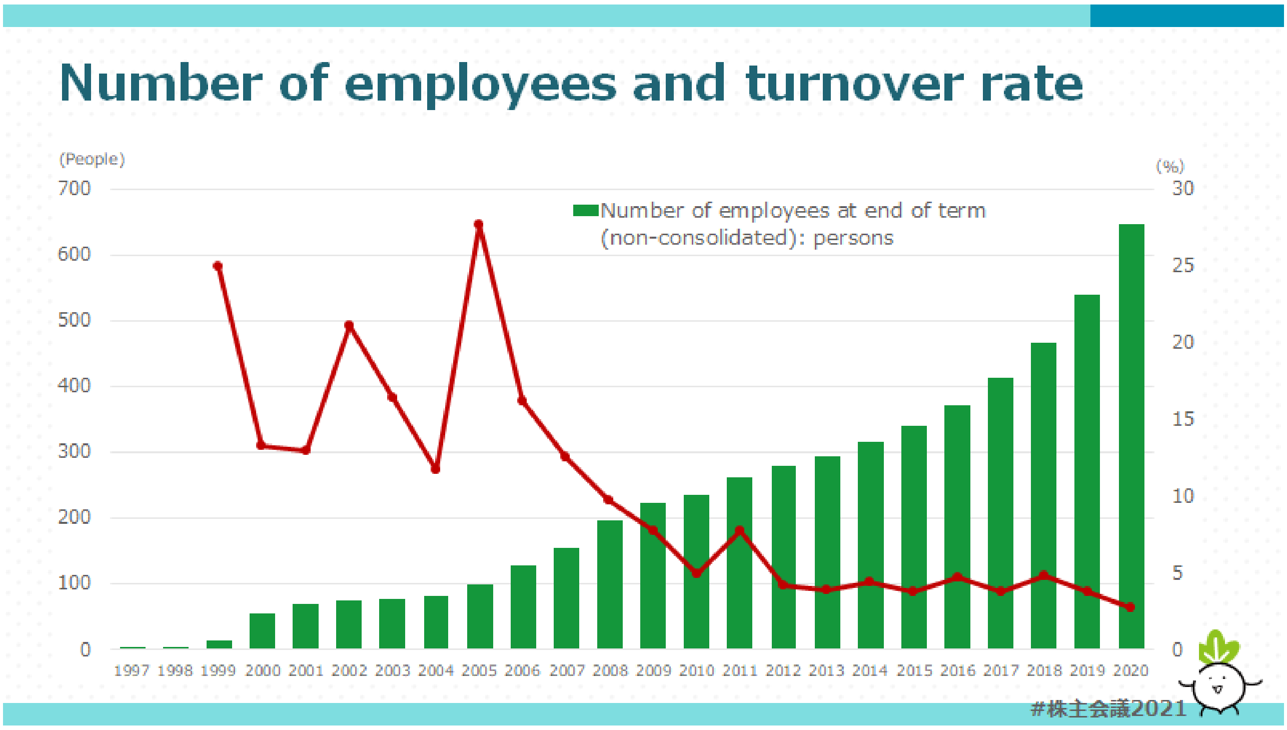
Otani: The numbers quickly leap up from 2005 and then quickly drop from 2007.

Aono: There was a quick drop. We had this period in the wilderness. We bought nine companies and sold eight companies. I realized that I'm a person who can only do groupware, so I focused on groupware again for about a decade.

Otani: After around 2010, the Cloud comes on the scene and we will talk about that. Operating income also dropped sharply from around 2010. Those difficult times were difficult for you, right? How did it affect your organization and company at that time?

Aono: We ended up in turmoil, so we sold companies, and from around 2010, we decided to get involved in the Cloud at the Company. Unexpectedly, sales did not increase and profits decreased, but the Company was excited about the future.

Otani: Can you explain?


Number of employees and turnover rate

Aono: It was a strange time. Our turnover rate was highest when we were engaged in M&As. We saw our highest turnover rate 2005, and it was under 10% in 2010. It was a mysterious time for us.

Otani: As you mentioned, it seems that the turnover rate was high in 2005. It was over 25%. One in four people would quit, but that rate seems to have quickly dropped.

The employee number itself has increased steadily.

Aono: That’s right. The number of employees has increased even though sales have not increased, so profits decrease.

Looking back, we washed our hands of M&As, and through that we realized that only groupware is not bad.

Some employees rebelled against groupware and quit. Employees who like groupware stayed, and we were able to get through the switch to the Cloud. Profit was decreasing, so some employees wanted to escape from that ship.

Otani: They thought it was a sinking ship.

Aono: In terms of the numbers, it was a sinking ship. I think that we overcame this because there were people who believed that we transitioned to the Cloud by using groupware. We had innovation in our organization.

Otani: Kintone was launched in 2011, and it was a struggle for you to launch it. Various organizational changes were made. Looking back over the last 25 years, what has been the toughest time for you?

Aono: The toughest time was failing at M&As. Just thinking back to it feels painful.

Otani: Not a happy period for you.

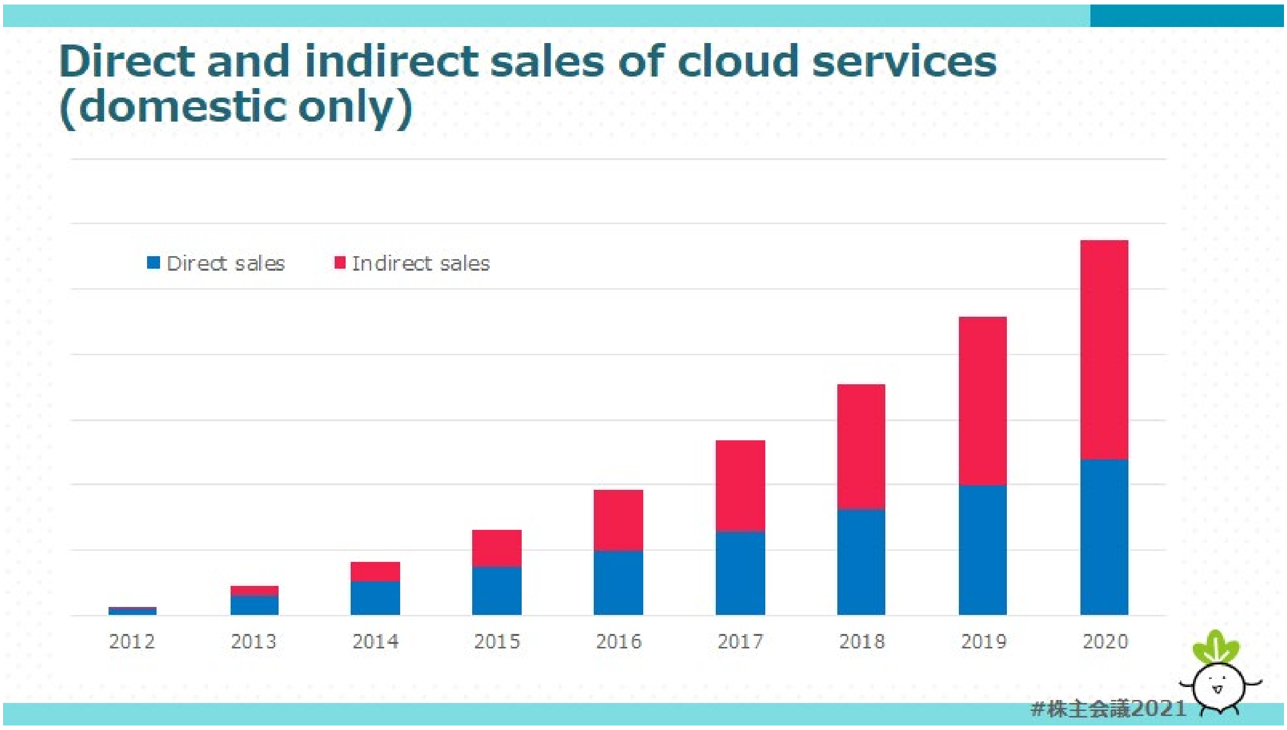
Aono: Since our founding, I felt that we were doing well. The software sold quickly and we became a publicly traded company, but sales didn’t grow. We used funds from our listing to rapidly grow sales.

Feeling that we couldn’t properly manage and that we’d made mistakes was painful.

It was in around 2007 that our focus came. From that point, we decided to focus on groupware. We had decided. We’d keep going, even if we faced some difficulties. In a sense, we had died. For me, I felt that my life had ended, so the rest of my life was liked a bonus track. I think I was able to make a choice because of this extra chance I had.

Otani: So the Cloud is from 2011.

Aono: That’s right.



Direct and indirect sales of cloud services (domestic only)

#株主会議2021

Otani: I’m perhaps a little too soon talking about this, but I would like to move on to the second part of this session.

We’re now going to talk about the future. First of all, let’s look at Cybozu’s current situation. This slide shows the growth for the Cloud since 2012, and there is a neat upward trend.

Aono: This is a characteristic of the Cloud Business. Basically, it goes up and up.

Otani: Another interesting thing is that indirect sales are growing tremendously. It’s interesting that the red areas have increased very much.

Aono: That’s right. I think this is probably a characteristic of Cybozu from the perspective of cloud SaaS vendors. It’s partly because of Kintone, and partner sales continue to grow faster than direct sales.

Otani: Did you intend to increase the volume of indirect sales?

Aono: Yes. To grow Kintone, the most important thing is to involve partners. Direct sales are growing, but we are allocating resources to our partners. That’s why we opened our office in the Nihombashi area of Tokyo.

We needed a hub office to bring our partners together, exchange knowledge, and work together. It's an office for our partners.

Otani: I see. Cybozu originally had an office in the Suidobashi area that I used to go to, as I was nearby in Ichigaya.

Otani: When I go to the Nihombashi office, I'm struck by how much room the employees have to work. It's really huge. It's like an open conference room.

Is the reason why you created such an office because, aside, of course, from customers, you want your business partners to gather in one place?

Aono: That's right. We wanted to do that. We learned much from Microsoft about this. When we were struggling, I created groupware on Microsoft's share points. So, I was invited to participate in something like their partner conference, and I went to the US every year to create an ecosystem.

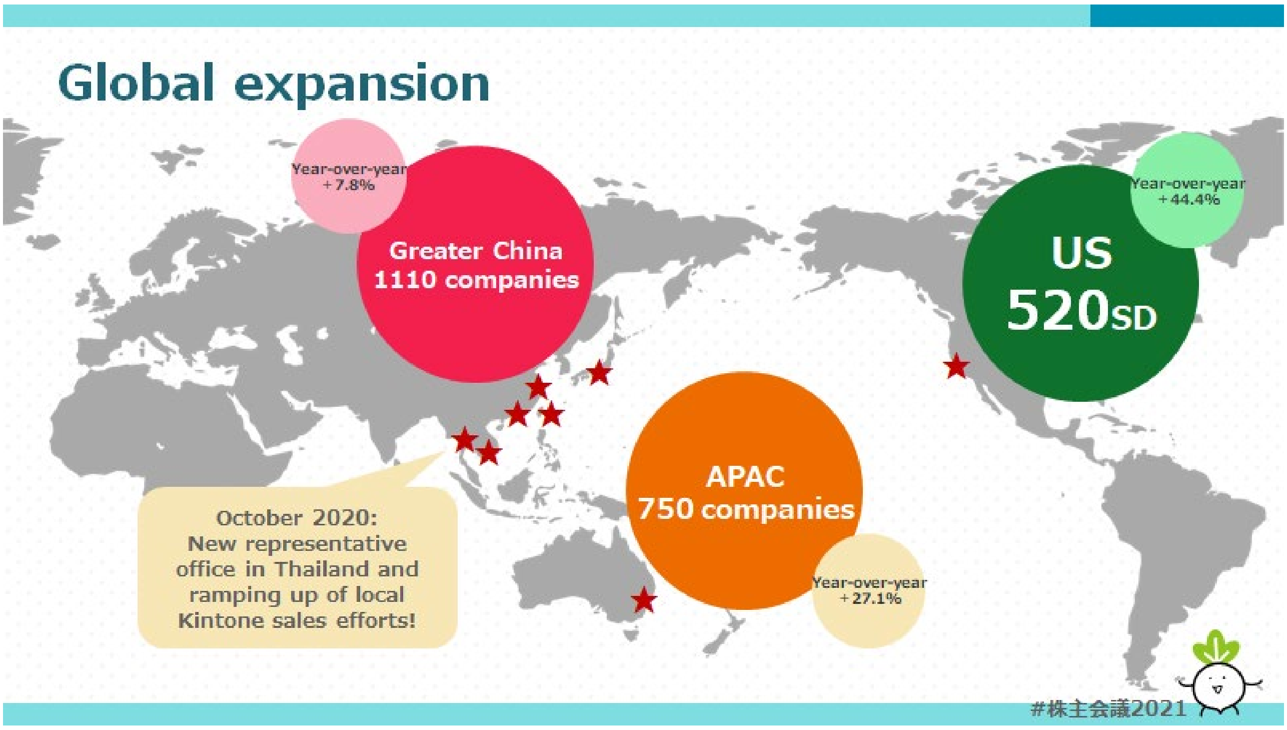
Looking at this from the other direction, if you really want to reach as many people as possible, you have to build this kind of ecosystem. I don't know if we can create a model with a high profit margin under only our own steam. But if we really want to reach many people, we had to create an ecosystem. We had to create a business model in which our partners profit. That's what I learned there.

Otani: So you learned from your pain and another outcome was born.

Aono: Yes.

Otani: Looking back on the history of the collaboration with Microsoft from the perspective of our reporters, I wonder what it was about. For Mr. Aono, it seems that it was an opportunity to learn about partner systems, what an ecosystem is, and learn about advanced IT business models in the US.

Aono: That is what it was. We learned much.



Global expansion

Year-over-year +7.8%

Greater China 1110 companies

Year-over-year +44.4%

US 520SD

APAC 750 companies

Year-over-year +27.1%

October 2020: New representative office in Thailand and ramping up of local Kintone sales efforts!

#株主会議2021

Otani: Next, we’re going to talk about what’s happening with global expansion right now. You’re growing in both China and the US. Basically, business for Kintone is booming, right?

Aono: That's right. We are globally expanding. It feels like buds have begun to sprout. I still don’t know how far we can go from here. I’m not confident.

But, for the time being, I feel like we’ve now confirmed that Kintone can potentially go global.

Otani: But, as is often said, Cybozu has failed once to expand globally, right?

Aono: Yes.

Otani: You established a corporation in the US. What did you learn from that?

Aono: The first thing I learned is what is needed to expand globally. When we failed the first time, we had an English version of Cybozu Office. So, the main functions are schedule sharing, bulletin board-like functions, and address books can be shared. There is no point in taking that to America, as they don’t need it.

Americans treat their schedules as something they personally manage, and they would ask why it needs to be shown to someone. From our point of view, that’s a surprise, because surely that it’s more convenient for everyone to share their schedules with each other. It wouldn’t be easy to set up a meeting if we couldn’t see each other.

Otani: It would be very difficult to do it each time by email.

Aono: It would be troublesome. There is a strong culture of the individual. Taking that to a country that does not have Japan’s large-open-office culture is difficult to do.

If you attack with applications, culture is strongly depended on. So it will be clear which countries you can and cannot go. So, if you want to go global, you have to go a little lower, closer to the infrastructure.

Using a personal computer as an analogy, you have to use an Intel CPU. Each country has strong manufacturers of personal computers. In Japan, we have NEC, Fujitsu, and others. In Asia, there are many companies. But Intel CPUs are used all over the world. That’s because they aren’t finished products.

Otani: It’s a platform.

Aono: It’s a platform. It’s a component, so it’s closer to infrastructure. A finished product depends on culture. You can’t win against culture. We learned that we had to attack with a semi-finished product. That’s why we have Kintone.

Otani: Kintone is undoubtedly a strategic service created entirely on the Cloud. This means that it is created not only for a domestic market but, to some extent, for the global market.

Aono: I’m only looking at the global. That’s why we’re doing it.

Otani: Conversely, Cybozu still has a very high share of groupware in Japan. I wonder if this is because, in Japan, Cybozu’s groupware cannot be replaced with a groupware developed by foreign company.

Aono: Absolutely.

Otani: One strength we have is making things that are easy for Japanese people to use because they are culturally dependent.

There are various business cloud and SaaS applications these days. Even now, I wonder why some stamp is used in a particular place, why things are written as they are, and why last names come after first names. There are lots of things like that.

Aono: There are.

Otani: The problem remains that a global product is taken to a local market with insufficient localization. In that sense, Cybozu Office was made with Japanese people in mind, so it’s easy for Japanese people to use. That’s why I think that you’ve been able to maintain a share of the market.

Aono: That is also true.

Otani: Another thing I’m personally looking forward to is that the US has announced that it will adopt AWS, specialize in Kintone, which is cloud-based, and progress with switching to the Cloud. Personally, I’m very excited about it, and I’m wondering what will happen next.

Aono: That’s right. Until now, we managed to make sales of this size because we were dependent on Japan, or Japanese culture, but we had no intention of staying there. Of course, I would like to continue what we’ve been doing here, but I want to make products that can be used globally. I would like to partner with leading overseas vendors and go global without any friction. I really want to do that.

Otani: I think that now, the keywords are no-code and low-code. Rather than Kintone or an information system, I think that people in the field will make their own applications that they want to make. I think that will become reality. Under such circumstances, the American market is getting bigger and bigger and, in that sense, will attract much attention.

Aono: That’s right. In Japan, it’s difficult to think of a rival for Kintone. But when I go to the US, I feel like new things are being launched every month, which is unfortunate. Brilliant things come out one after another and every one of them is great. They raise billions of yen, hire super engineers, and make great things with the latest technologies.

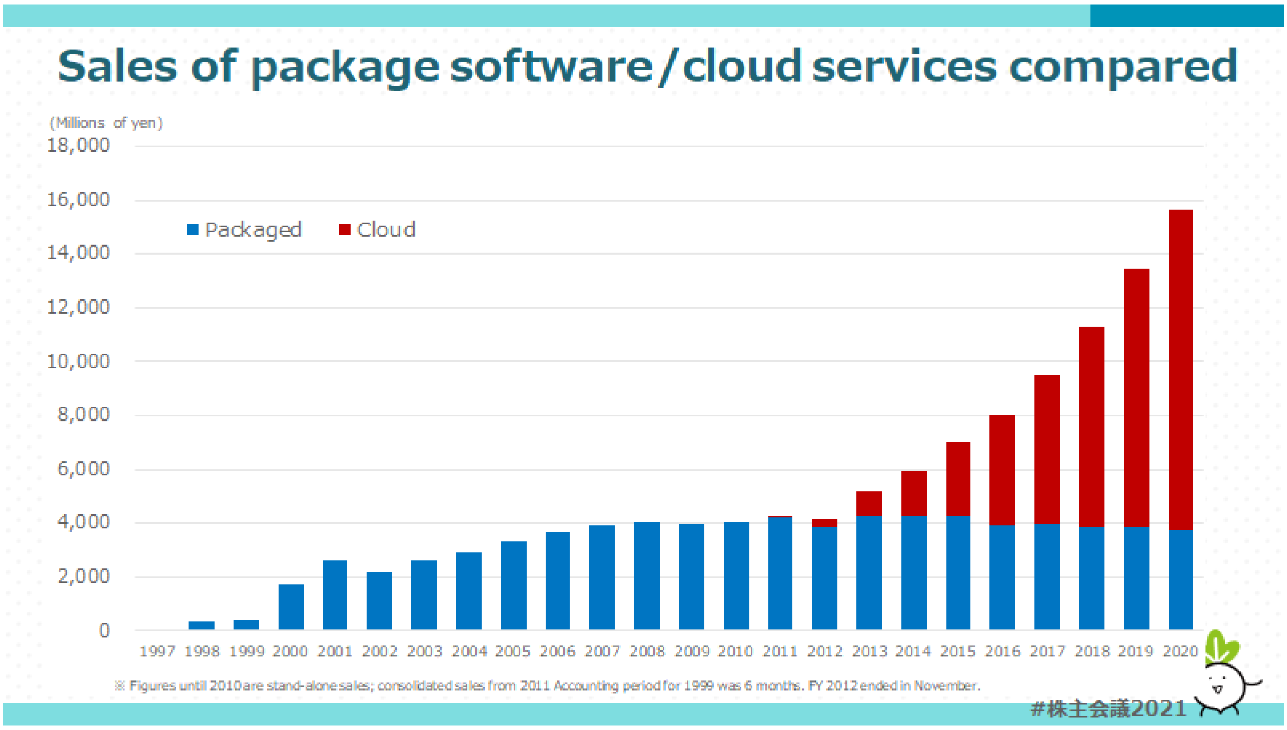
Otani: The other day, you talked about things you heard from US users of Kintone, what was interesting was that American companies who cherish improving their businesses, akin to Japanese companies, use Kintone. In essence, you have taken your culture to them.

Aono: That’s right. There are various companies in the US, not just the typical companies we think of, but other ones.

I think we can capture 3% of the American market. Our US strategy is to target 3 companies out of 100. For example, we will target manufacturers that have a culture of wanting to improve.

Otani: US companies that have a culture that is somewhat close to that of Japanese companies.

Aono: That’s right.



Sales of package software/cloud services compared

※ Figures until 2010 are stand-alone sales; consolidated sales from 2011. Accounting period for 1999 was 6 months. FY 2012 ended in November.

#株主会議2021

Otani: Let’s go to the next slide. This shows sales trends for packages and cloud. These are also interesting figures.

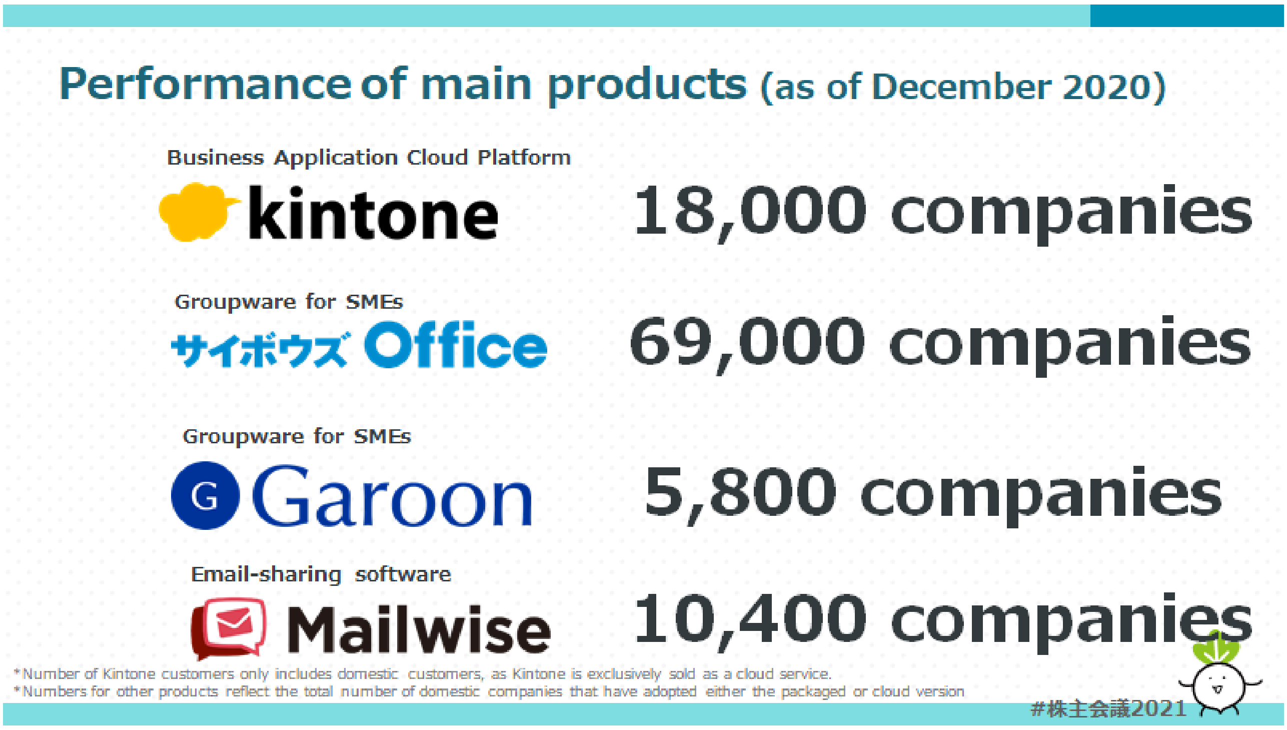
Cloud sales have increased dramatically since Kintone in 2011 and thereafter. Interestingly, the figures for packages have not decreased that much.

Aono: That’s right. This is a little unexpected. Surprisingly many people still buy packages. Customers are steadily shifting from packages to the Cloud. But there are still a certain number of customers who are buying new packages.

Otani: Interesting. Cloud is often referred to as Death Valley. If a company that originally had a model in which they sold out on-premises software changed to the Cloud, change to a subscription-based model would mean that their sales suddenly drop. Therefore, it’s often said that it’s difficult to endure this.

For Cybozu, packages haven't gone down for a long time and cloud has been growing quickly. I'm not saying this for the shareholders, but it feels like a good buy.

Aono: That's right. I was prepared in 2012 for a sudden decrease in sales. But I learned it wouldn't decrease, so I told staff to go full throttle. Thereafter, we went into a deficit in 2013, 2014, and 2015. We knew launching our cloud wouldn't result in a sales decrease. We were confident about making an investment.



Performance of main products (as of December 2020)

Business Application Cloud Platform
kintone 18,000 companies

Groupware for SMEs
サイボウズ Office 69,000 companies

Groupware for SMEs
Garoon 5,800 companies

Email-sharing software
Mailwise 10,400 companies

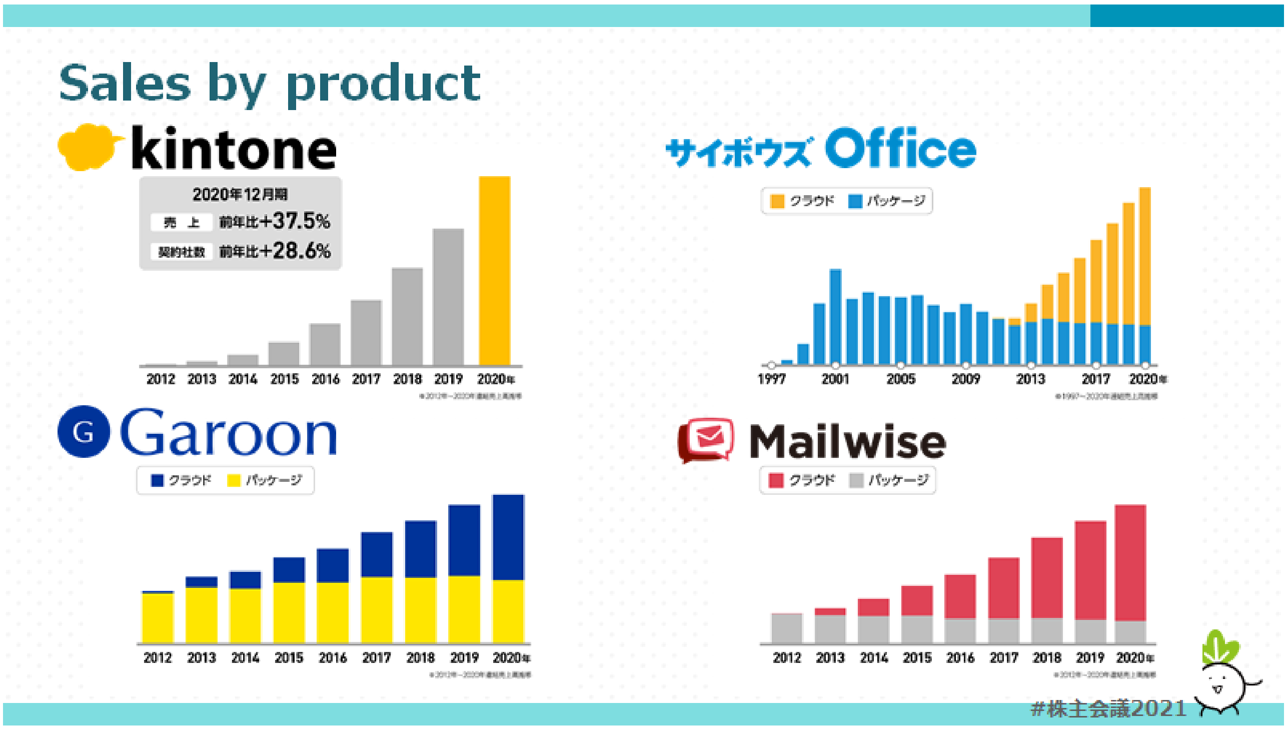
*Number of Kintone customers only includes domestic customers, as Kintone is exclusively sold as a cloud service.
*Numbers for other products reflect the total number of domestic companies that have adopted either the packaged or cloud version

#株主会議2021

Otani: I see. So, that commitment resulted in this result. Could you explain a little more about these results?

Kintone is used by 18,000 companies. Cybozu Office is used by 69,000 companies. Garoon is used by 5,800 companies. And Mailwise is used by 10,400 companies.

Aono: In terms of numbers, Cybozu Office has the most. The reason for this is that this is a package that we add up all customers who have bought it from the oldest version to the latest. In terms of cloud subscriber numbers, Kintone and this Cybozu Office are about the same. Kintone is the best in terms of money.



Sales by product

kintone

2020年12月期
売 上 前年比+37.5%
契約社数 前年比+28.6%

サイボウズ Office

Garoon

Mailwise

#株主会議2021

Otani: I see. The next slide shows the sales trends. Kintone is doing very well. Its sales have increased by 37.5% YoY.

Aono: That's right. But Cybozu Office is also a package. It is growing due to adding cloud sales, and it is gradually increasing. In that sense, Kintone seems to have begun to grow rapidly.

Otani: I'd like to ask you something once again. How did you survive in this Groupware Business amidst all the competition? You mentioned a moment ago that you had to make up your mind for this.

Aono: Otani is [inaudible]. The first thing is that the package is easy to use and because of that, we got one step ahead of our competitors as many customers struggle during installation. I think that we have overcome the installation barrier.

Otani: That's right. It's a turning point. When it comes to ease of use, I think it has been well tended in detail.

First, the same menu is at the top and bottom of the screen. It's true that the schedule is very long, the calendar is very long, and if you scroll down, you have to go back up when you want to do what you originally wanted to do. When I noticed that the menu was underneath, I was impressed. That level of details, indeed.

Aono: Yes, that attention to details makes a difference. As to how it's invested in marketing effectively, the revenue from sales is reinvested in advertisement, which brings customers to download our products. The first thing I did when I went full throttle was to get a step ahead. That's how our package managed to survive.

Next is the Cloud. I think that the reason why we managed to survive was because we said that we would wholeheartedly shift to cloud and we did prioritize cloud for everything from manufacturing to sales.

Kintone's first TV commercial

ヒョウケイさんが、重すぎる〜
TVCM
放映中!
表計算に困ったら、
サイボウズのクラウドサービス
kintone
キントーン

https://kintone.cybozu.co.jp/jp/cm-docloud/

#株主会議2021

Otani: That's right. This is a recent Kintone TV commercial.

Aono: Which features Fumino Kimura.

Otani: "Mr. Spreadsheet is too heavy" is the catchphrase in it. I went to the press even for this TV CM. I was also surprised to hear the phrase, 'Do-Cloud' ("super-cloud").

Aono: Yes, Do-Cloud.

Otani: I was like "What's that?" But when I got home, my kid saw the commercial and said it was Do-Cloud.

Aono: Thank you for remembering this.

Otani: Kids remember it. That's why I thought it was a commercial that had such an impact. What are your thoughts on this commercial?

Aono: Kintone is basically an app-development platform, so we didn't take the plunge in advertising to the general public. When we had sold to 18,000 companies, we started planning to go to the mass market. At that time, we had to ensure that Cybozu did not lose its essence, so we struggled creatively, and made many commercials that failed.

Ultimately, we were able to meet Shinya Nakajima, the legendary creator of Iyemon Tea, who made an advertisement for Cup Noodle with the tagline "Hungry". He suggested that we stop using an office in our advertisement. It's software that's used in an office, but the commercial is set in a desert.

Otani: It's like a desert or a wilderness.

Aono: Yes, a desert wasteland. In the commercial, a cloud comes to help. I was told that it should end with Do-Cloud as a tagline, and I was so impressed. This is thanks to the creator.

Otani: I see. It’s certainly used in the office, but it’s not set in the office. The worries and issues that everyone feels in the office are expressed well.

Aono: That’s right. In 15 seconds, Mr. Spreadsheet represents an excessively heavy spreadsheet.

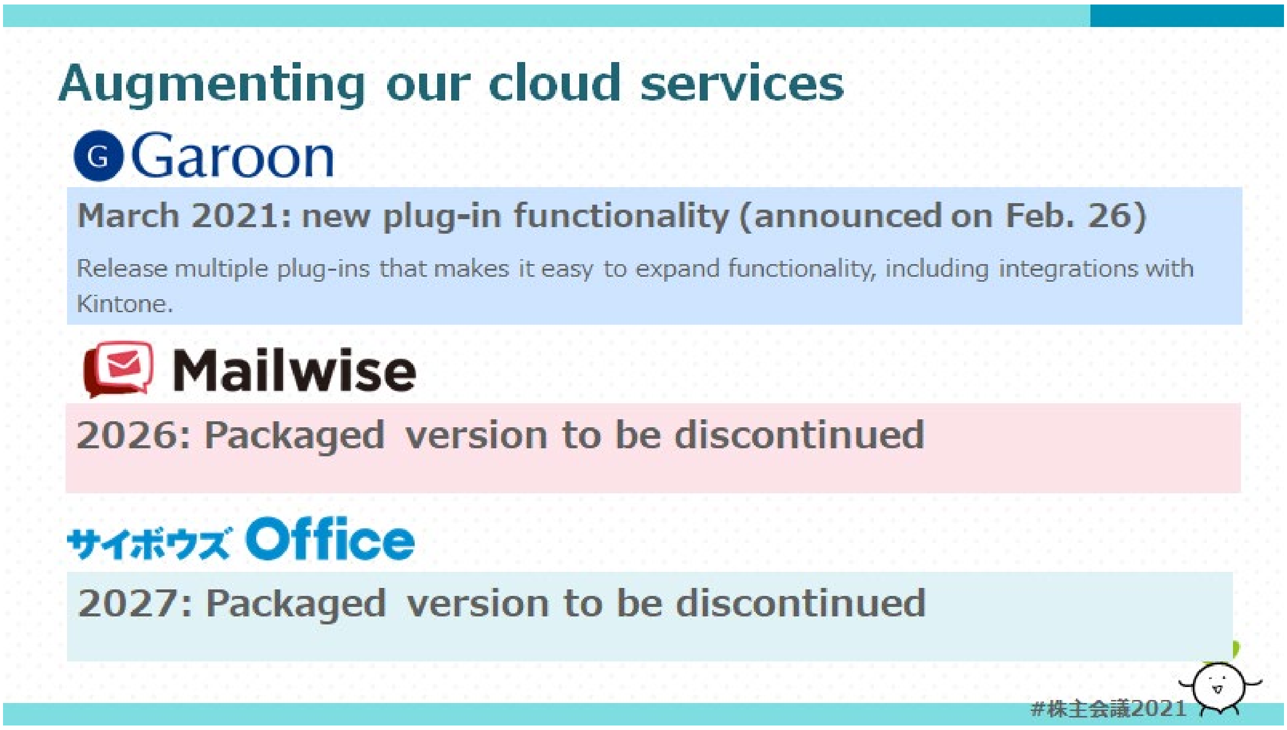
Otani: Who on earth is this person?

Aono: A spreadsheet software-like person is heavy. How quirky.

Otani: He’s heavy.

Aono: People who understand it will laugh.

Otani: Years back, only a few people used computers, right? There would be one computer in a company. In the 1990s, the number gradually increased. Spreadsheets are heavy, and this is a pain point everyone can relate to.



Augmenting our cloud services

Garoon

March 2021: new plug-in functionality (announced on Feb. 26)

Release multiple plug-ins that makes it easy to expand functionality, including integrations with Kintone.

Mailwise

2026: Packaged version to be discontinued

サイボウズ Office

2027: Packaged version to be discontinued

#株主会議2021

This announcement was made about shifting to the Cloud services more and more.

Aono: The focus is Garoon. Until now, I think that the idea behind using groupware applications was to use ones that had already been prepared. For example, using Cybozu’s easy-to-use scheduler.

Recently, it has become increasingly possible to customize. Now you can insert a plug-in, which enables you to create a plug-in and insert it if you want to expand the functions of Garoon. So, the world view is getting closer to Kintone.

Otani: That’s right. Kintone can be used to make from scratch. It’s a business system. In that sense, Garoon has some pre-packaged or packaged functions, of course, but the fact that the functions can be extended with plug-ins is very much like the current Cloud service.

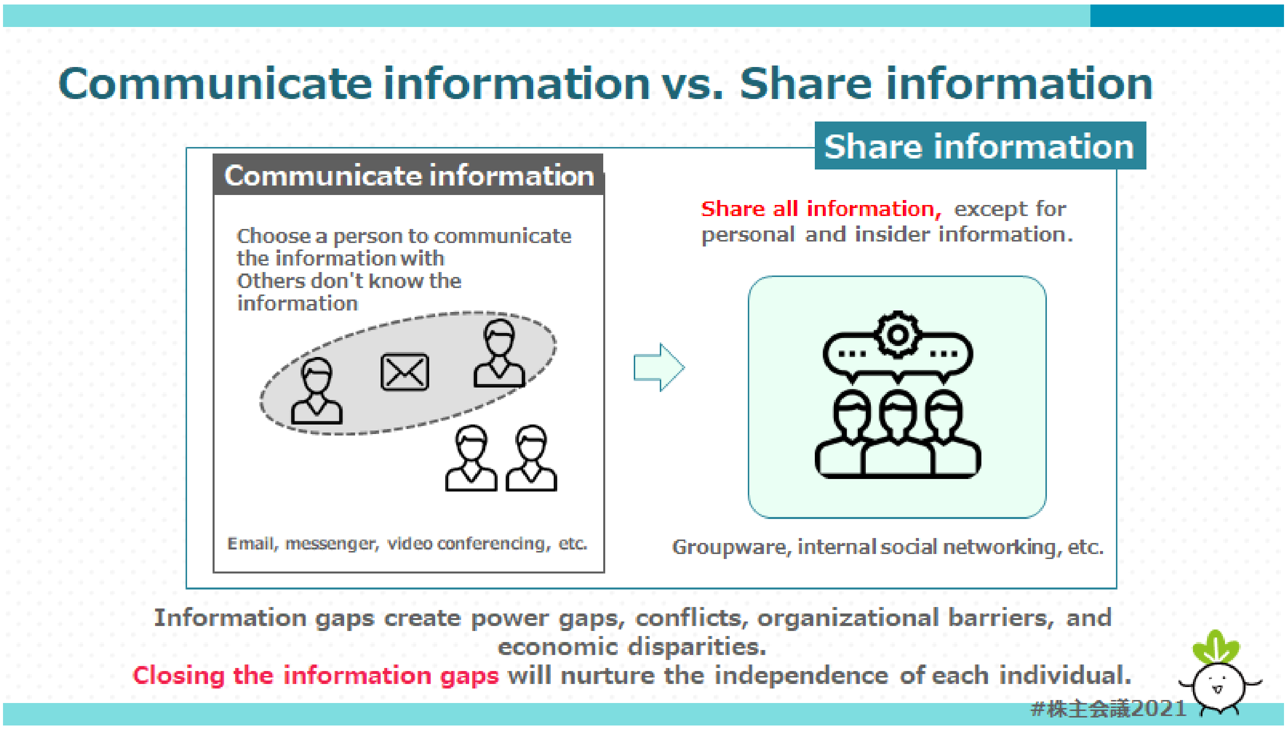
Aono: That's right. I thought this might be it. Mailwise and Office are still a long way off, but the packaged versions are to come to end.

Otani: Finally.

Aono: Finally.

Otani: Well, Cybozu Office has quite a lot of users, and many people are using packages, aren't they? Given that, I think that shifting to the Cloud will have a considerable impact at some point in the future.

Aono: That's right. We would like to strive hard to provide follow-up support so that everyone can make the transition.



Communicate information vs. Share information

Communicate information

Choose a person to communicate the information with
Others don't know the information

Email, messenger, video conferencing, etc.

Share information

Share all information, except for personal and insider information.

Groupware, internal social networking, etc.

Information gaps create power gaps, conflicts, organizational barriers, and economic disparities.
Closing the information gaps will nurture the independence of each individual.

#株主会議2021

Otani: Next, let's talk about the organization. So far, we've mainly talked about products, such as cloud strategies, sales of each product, and the ideas being thought about. Next, let's talk about the organization.

As a reporter, I've covered Cybozu with its products at the core for a long time. But for the past few years, it has been recognized as a company with cutting-edge systems. Things like your work-style reforms and being a company that is easy to work in.

In the old days, Cybozu was a synonym for groupware. Regardless of the business type, Cybozu is said to be a company that runs unusual commercials and often appears at events featuring comfortable working environment.

I feel that over the last few years this has changed.

Therefore, the keyword, which is relatively important, is "openness". In the next 25 minutes or so, we'll probably talk about openness and teamwork. We'll talk about why it needs to be open. We will also talk about distributing and sharing information.

Aono: That’s right. I’m often asked whether groupware is like an email, and I explain this at the beginning of my talks. In my experience, they are completely different things. Email is sent by selecting the recipients, so when writing, you are writing secretly to the other party while other members are not aware of the email exchange.

Wanting to share such exchanges, I focused on the Web and wanted to make software that would enable more sharing. I think it’s conceptually different from emailing. Perhaps that’s what we’ve wanted to do since founding Cybozu.

Cybozu’s scheduler isn’t just your schedule when you press the schedule button. The schedules of other people will quickly pop up. That was our original aim. However, back then I couldn’t fully explain why it was good thing.

Otani: That’s right. For example, when you go to the calendar in Cybozu, whole entire schedules of members are displayed, which I’m sure some are not happy about. There will be bosses who don’t want to be seen. So, in that sense, it must have been difficult to argue that it should be a good thing to do.

Aono: That’s right. When the talk of this manner of working came up, I wondered if everyone could work in the way that they can work at their discretion.

For example, say if a person leaves the office in the morning, how will that person’s work be taken over by another person? Will that person who left in the morning be in the office tomorrow? We need to openly share information. Without doing this, we wouldn’t be able to motivate the team by combining these diverse work styles. For us, the different contexts became linked.

Yes, the reason we were so particular about sharing information was that each and every one of us could work more freely and enjoyably. If you want to work in such a variety of ways, then sharing information is necessary, and by sharing information, you can also work in that variety of ways. I’ve been recently explaining this as an inseparable pair.

Otani: It feels like your products and organizational theories are becoming to go hand in hand

Aono: Yes. Tools can change an organization, and if an organization changes, then the tools will also change.

Otani: Information is certainly transmitted, as is written here, via email, messenger, or a video meeting, so the information is closed off as it’s from one person to another.

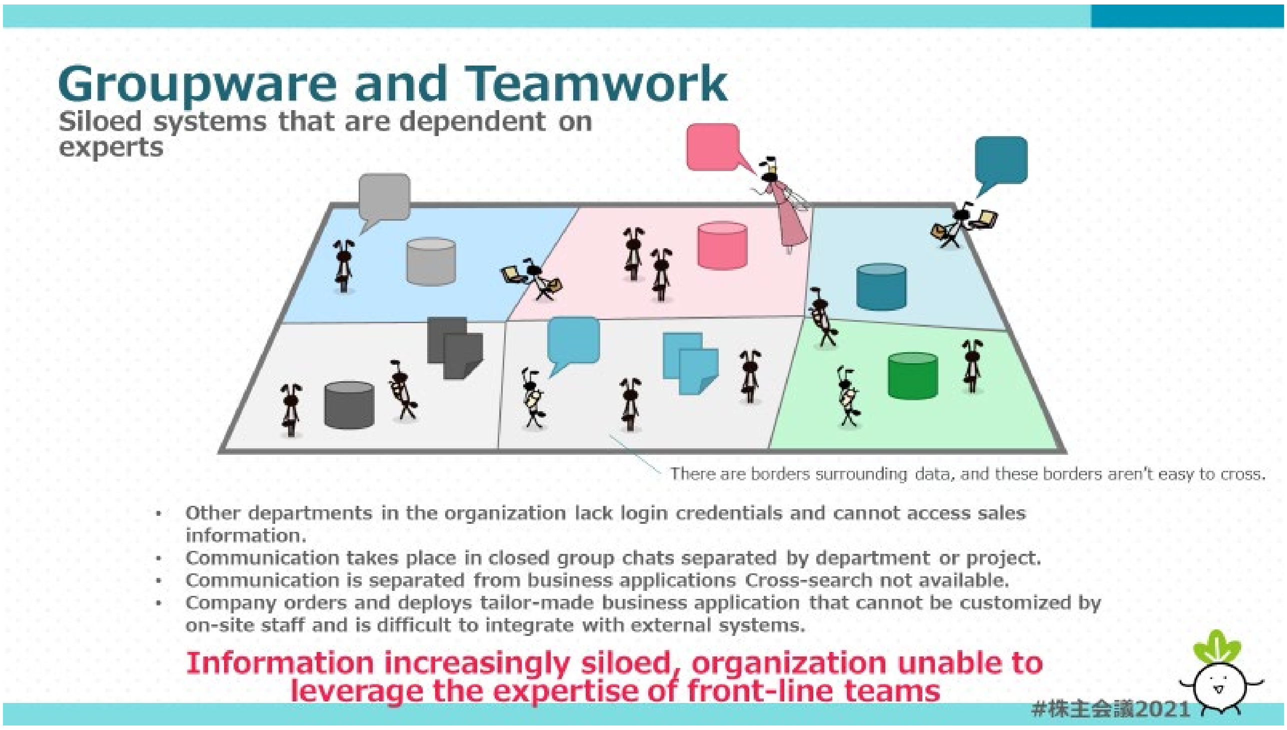
Actually, I’m looking at various business cloud services, and the same thing is happening in business chat. The content cannot be read unless you join a specific channel.

Even though a business chat was created as a denial of email, it is likely that there will be a similar situation to email where you create a group and there are many groups shown on the left of the screend.

For a Japanese company, there might be an occasion that a person might think why I have to tell this to that department when the person is particular about how the organization is set up. This is so Hanzawa Naoki, the famous Japanese TV drama.

But, it’s better to be open.

Aono: That’s right. I think that for the future, that’s better.



Groupware and Teamwork

Siloed systems that are dependent on experts

There are borders surrounding data, and these borders aren't easy to cross.

- Other departments in the organization lack login credentials and cannot access sales information.
- Communication takes place in closed group chats separated by department or project.
- Communication is separated from business applications Cross-search not available.
- Company orders and deploys tailor-made business application that cannot be customized by on-site staff and is difficult to integrate with external systems.

Information increasingly siloed, organization unable to leverage the expertise of front-line teams

#株主会議2021

Otani: Let's move on to this. Let's see how groupware and teamwork operate.

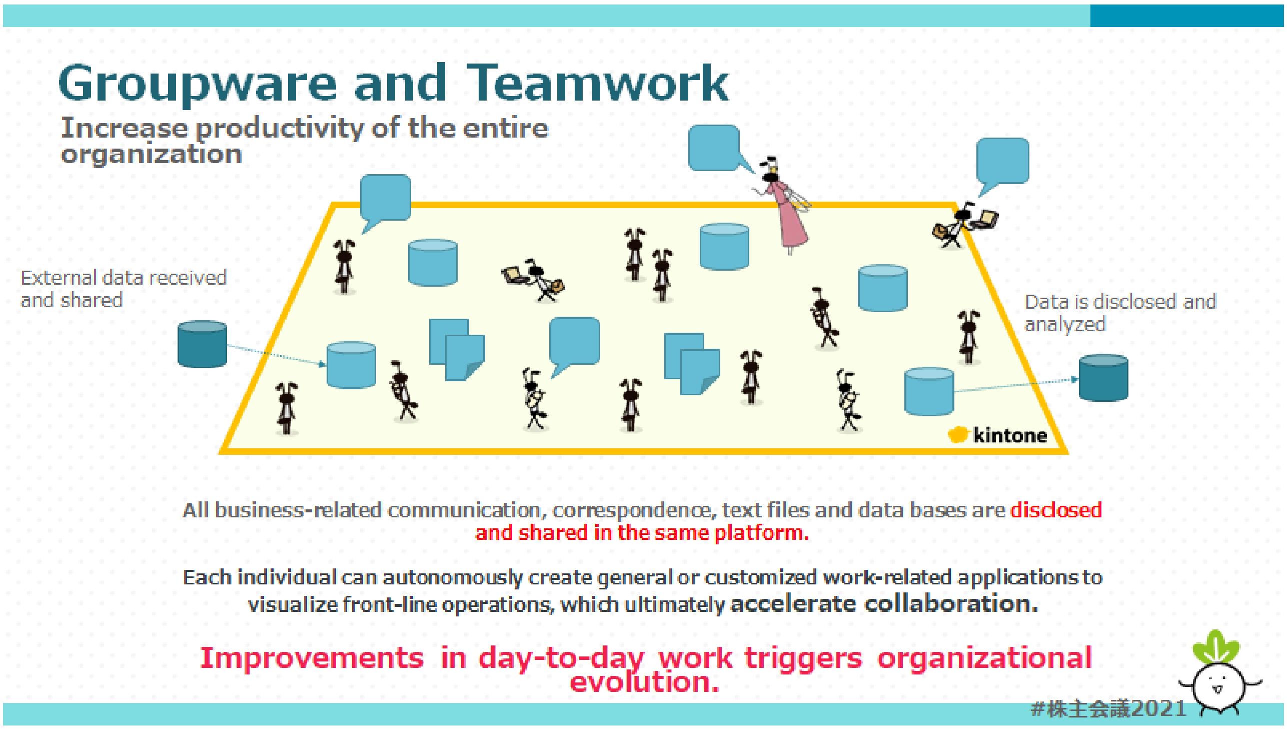
Aono: I'm writing this as a warning to everyone. Japan is, at last, going digital. What was once analog is changing to be digitized. When various systems are being made and introduced, there is a risk of silos.

For example, we added a sales support system. Sales people can see it, but people from other departments cannot access with no idea how business is doing at Sales. HR implemented a HR system. People in HR can share information there, but other people cannot.

When this happens, even though digitization has taken place, information is split up. And in terms of teamwork, it will be a poor set-up. This is the next wall we want to break down.

Otani: I see. At our very first meeting, you said creating groupware on the Internet or an in-house network was an intranet. Within the intranet, if you have a browser, anyone can see the information without installing a specific application or client. That was about 20 or 25 years ago, but now we have an information silo, or in other words information is divided up, and even with cloud services, this has not changed.

Aono: The intranet had more freedom. In a sense, outsiders did not enter, so nobody got angry with me even if I built a web server without permission and distributed to my department without granting access rights. With the Cloud, other companies can see, so protection is required. Once I protected it, I couldn't see even though it exists inside the Company. This could be the next barrier to human beings in the Cloud era. I want to change this.


External data received and shared
Data is disclosed and analyzed
kintone

Groupware and Teamwork

Increase productivity of the entire organization

All business-related communication, correspondence, text files and data bases are disclosed and shared in the same platform.

Each individual can autonomously create general or customized work-related applications to visualize front-line operations, which ultimately accelerate collaboration.

Improvements in day-to-day work triggers organizational evolution.

#株主会議2021

Otani: It will change like this.

Aono: That's right. It's pleasant to use various apps and various systems. But, basically, everyone posts information on Kintone. If you look inside Kintone, no matter what department or job, the information is there. There is data, and if the workflows flow, communication information is also listed there. When you search, everything is there, just like an intranet within a company.

Kintone's vision is to provide a new, cloud-era intranet. That's easier said than done, though.

Otani: The same is true when entering information in groupware. I think that it will be so for Kintone and the Cloud. And I think that there are definitely people who are against this. As mentioned earlier, there are bosses who don't want other to see their schedule. I wonder how this mindset can be broken.

In essence, this is about how to shift to being open. This is about tools and organizations. How should we proceed? What do you think?

Aono: For example, my schedule is open for employees to view. Aside from merely being able to view it, people can book an appointment with me.

I think that normally in a company, the boss would say that they hadn't heard about such an appointment and have some bad things to say about someone booking an appointment with them.

I thought this would change when the company was founded in 1997, but it hasn't changed. Even though the tech has evolved so much, in terms of my theory of inseparable pair, tech has evolved so much, but corporate culture remains the same as in 1997.

That's why I started to revamp our corporate culture. And now we advocate our vision in places like this. Recently, we started a Consulting Method Business. We provide training, consultation, and workshops about how Cybozu's information sharing and organizational crafting can be of interest and useful to everyone in business. This is what we've been engaged in recently. You need both, tech and corporate culture.

Otani: I agree. To summarize what I've noticed, it's been 25 years and tech has greatly evolved. Products have been somewhat refined, but ultimately, it's the organization, the culture, and tech related to work that are important, but the organization and culture haven't changed.

Aono: People haven't changed. Technology is evolving, but people are behind.

Otani: People are lagging behind. For you, Mr. Aono, who got tired of the situation, you started to offer Consulting Method Business. It might be taken to some people as presumptuous, but you go and ask people if they want to learn the methods which have been successful at Cybozu.

Aono: Yes.

Otani: What's the reaction like?

Aono: It's good, which surprised me. I wasn't sure if people were eager to listen to such, but lectures and training requests come almost every day.

Otani: Is that right?

Aono: Yes. We receive inquiries from all organizations, big and small.

Otani: What do people want to learn from Cybozu?

Aono: Inquiries come from big and small companies. But starting last year, teleworking became commonplace. We used to get together in the office to work, but it has become difficult to meet in person. I have to telework too. Teleworking requires digital solutions. But it's not enough to just digitize, and we need a culture in which we master it.

Otani: Management is difficult too, right?

Aono: Yes, management is difficult, so there are things that people can come and learn. If a manager has a slightly broader view on things, they will know that they have to change their corporate culture. In order to bring about innovation, it is possible to hire diverse people, have them work in diverse ways, and have open discussions. Managers who realize it's no longer possible to do things in an old-fashioned hierarchical manner come to us and want to learn.

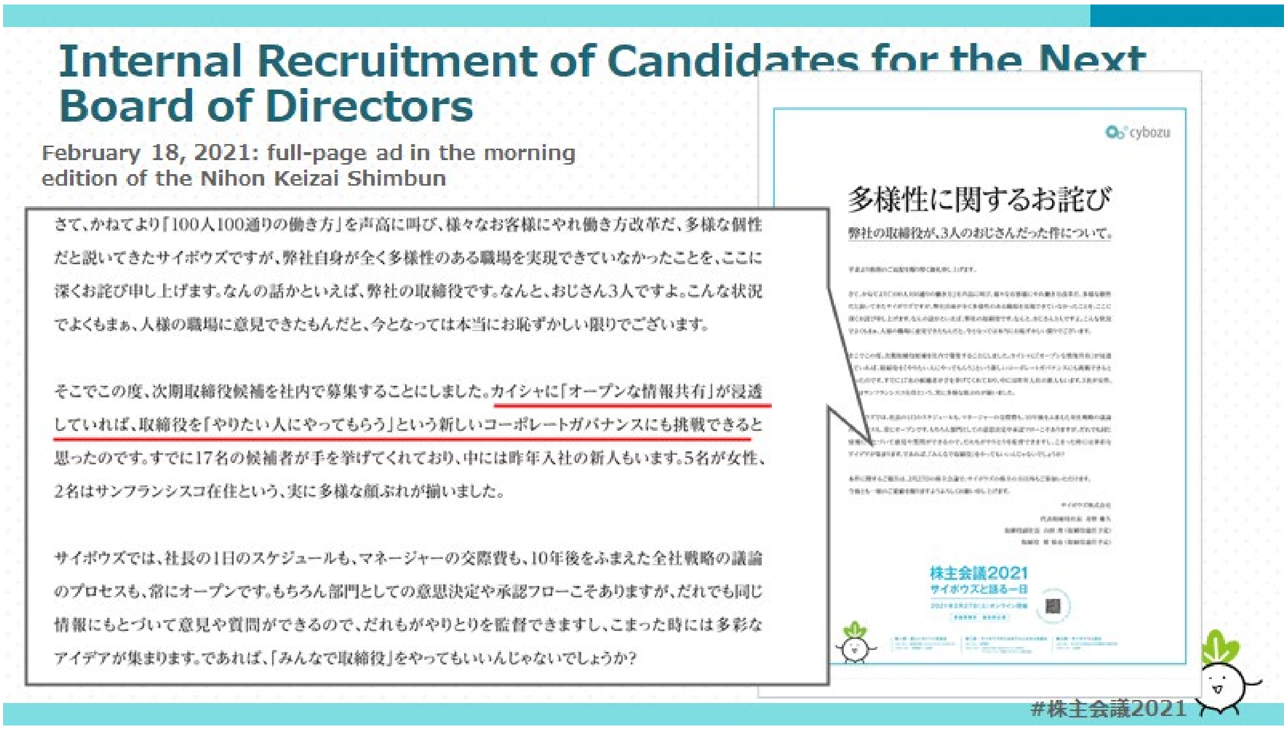
Otani: There have been many negatives with the coronavirus pandemic, but it has also been a catalyst.

Aono: Yes.

Otani: We can rethink how we work, the Company, and the organization.

Aono: Indeed.

Otani: That's happening right now. And this is about going hand in hand by using groupware and technology, with the organization.



Internal Recruitment of Candidates for the Next Board of Directors

February 18, 2021: full-page ad in the morning edition of the Nihon Keizai Shimbun

さて、かねてより「100人100通りの働き方」を声高に叫び、様々なお客様にやれ働き方改革だ、多様な個性だと説いてきたサイボウズですが、弊社自身が全く多様性のある職場を実現できていなかったことを、ここに深くお詫び申し上げます。なんの話かといえば、弊社の取締役です。なんと、おじさん3人ですよ。こんな状況でよくもまぁ、人様の職場に意見できたもんだと、今となっては本当にお恥ずかしい限りでございます。

そこでこの度、次期取締役候補を社内で募集することにしました。カイシャに「オープンな情報共有」が浸透していれば、取締役を「やりたい人にやってもらう」という新しいコーポレートガバナンスにも挑戦できると思ったのです。すでに17名の候補者が手を挙げてくれており、中には昨年入社の新人もいます。5名が女性、2名はサンフランシスコ在住という、実に多様な顔ぶれが揃いました。

サイボウズでは、社長の1日のスケジュールも、マネージャーの交際費も、10年後をふまえた全社戦略の議論のプロセスも、常にオープンです。もちろん部門としての意思決定や承認フローこそありますが、だれでも同じ情報にもとづいて意見や質問ができるので、だれもがやりとりを監督できますし、こまった時には多彩なアイデアが集まります。であれば、「みんなで取締役」をやってもいいんじゃないでしょうか？

cybozu

多様性に関するお詫び

弊社の取締役が、3人のおじさんだった件について。

株主会議2021

サイボウズと語る一日

#株主会議2021

Let’s move on to this. This is an apology related to diversity I mentioned at the beginning. Cybozu has boldly raised social problems through commercials and videos featuring moms, and the response has been great.

Aono: That’s right.

Otani: An explanation was provided at the beginning about why this happened, but can you explain once again?

Aono: This time, there was talks about changing the process of appointing directors. The background to this is that Cybozu’s internal information sharing has been very thorough. Whether it’s a director or a business strategy meeting, when it got to the stage when people felt like anyone can participate in. Then we started to wonder what directors should do. Mr. Hata and Mr. Yamada also say they are not particular about the title of director.

We thought about trying an open recruitment. A company with such high transparency of information can’t do anything wrong in the first place, and even if it does, it can be found immediately. Since directors must be appointed under the Companies Act, we though that the person who wants to serve as a director should run for it.

There is a risk of being sued. But if there are people who want to serve as director with the knowledge of that risk, we thought it was fine and solicit candidates, and 17 people came forth. This is interesting, so I wanted to send a message to society.

Otani: You mean an apology?

Aono: An ad of an apology. What I wanted to do most was to attract people to today’s shareholder meeting.

Otani: I think there are probably a lot of people who are interested in this. What’s amazing to me is that 17 applied.

Aono: I agree.

Otani: Usually would think it's just a joke.

Aono: I also thought no one raised their hand. I thought that many people would stop if they were told that their name would be revealed. And there was a risk of legal action being brought by shareholder representatives. Surprisingly, many want to throw their hat in the ring.

Otani: What kind of people?

Aono: Various.

Otani: Young people too?

Aono: Yes, there are young people. There are also newcomers, second year employees, men, women, foreigners, and so on. The advertisement kind of makes fun of men in their middle age, but such old men also applied.

Otani: Isn't that one of your intentions?

Aono: I think most people see this as Cybozu doing weird things. I'm confident in myself, and maybe other companies will start doing this. After all, if you make information transparent, you don't need a director. Looking at this from another angle, people now argue that we need governance and outside directors, which sounds one or two generations old things. I believe after 10 or 15 years, more organizations will have the same feeling as we do now.

Otani: In that sense, Cybozu is said to have started teleworking in 2010, right?

Aono: That's right.

Otani: I've been teleworking for over 10 years, and it seems like the world has finally caught up with Cybozu, and that's why the percentage of women is very high.

Aono: That's right, around 45%.

Otani: So, in that sense, you've been repeatedly discussing work styles such that people can continue to work fine even when raising children or after giving a birth. Maybe 10 years from now, there might be a new normal where people would be surprised with a company not recruiting a director from outside.

Aono: That's right. That's what I wanted to speak with you about. Perhaps we were a little too soon. To be honest, 1997 was too early for our founding. Year 2010 might have been better.

Otani: When the Cloud came on the scene.

Aono: It might have been good to share information from that point.

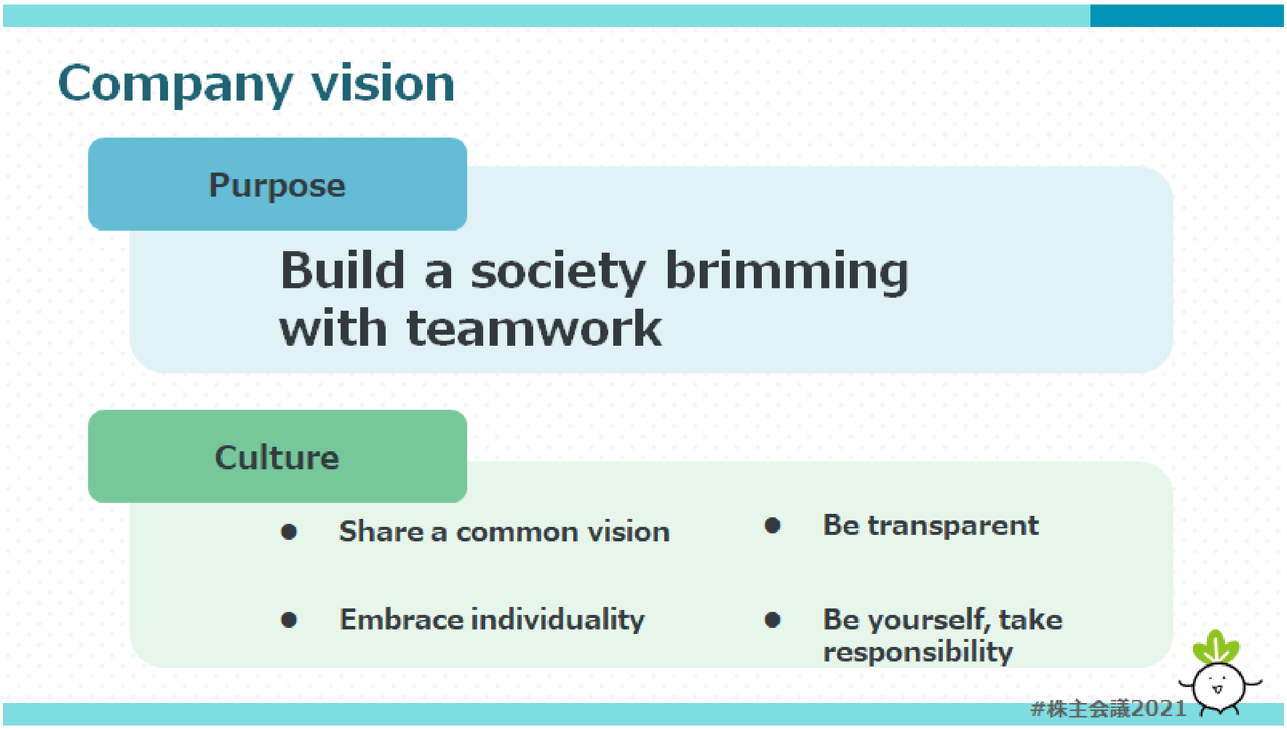
Otani: Just to return to what we were speaking about a moment ago, groupware wasn't popular in the US due to the culture of individualism. We were speaking about partitions and not wanting to show your schedule to other people, right?

Now, for example, people who sell major business cloud services are talking about communication and teamwork.

Aono: They are talking about being open.

Otani: Yes, they are talking about being open. I don't know if the term, foreigner, is appropriate, but there are also Westerners and people who are using cloud services with advanced IT, and if teamwork is being used rather than solo work, communication is important. That's what Cybozu has been saying for a long time at press events and other occasions, right?

Aono: Yes. I think that the area where we can take up challenges will expand soon.



Company vision

Purpose

Build a society brimming with teamwork

Culture

- Share a common vision
- Be transparent
- Embrace individuality
- Be yourself, take responsibility

#株主会議2021

Otani: Now to the fourth topic: creating a society brimming with teamwork. You are fastidious about teamwork. And, to summarize, this seems to remain the same for 25 years. What I would like to talk about here is that the ideal or purpose of creating a society brimming with teamwork remains the same but the definition of the word teamwork has steadily changed. Can you talk of what your ideal is for creating a society brimming with teamwork and define it?

Aono: It reminds me of the time when we started this company. Considering why I left Panasonic and released software for sharing simple calendars, it was because I wanted people to share information such that each and every one of us could work more happily.

What I mean by happily is that, if you can see other peoples' schedules, you can go to help people who have a lot in their schedule and are likely having a hard time. And someone will come to help me when I have a full schedule. If I share information, I can contribute to others, and others will be grateful as a result. That's what I mean by saying happily. I hope society could be like this.

When I worked at Panasonic, I couldn't easily do that. Seniors sitting to the side of me seemed to be very busy, but I didn't know what they were doing. Because of this, when I looked at the web, I realized that this could allow me to know how difficult those seniors' situations were, and I wanted to put into practice what I realized.

But I couldn't verbalize that, and now I finally can. I feel like this is what I wanted to do and I can put into words. We have been implementing things we wanted to do. I'm certain this is it.

Otani: I see. In that sense, each word has tremendous meaning. Ultimately, it's about teamwork. Let's make the considerable amount of time we spend working enjoyable by helping each other and complimenting each other. Let’s make it highly productive. That is what teamwork is about. And a society will be crafted that is full of it.

In essence, this is about going beyond what a company is. When you think about creating a company from scratch, it actually feels like something meaningful. The concept is somewhat meaningful and significant from the point of improving internal networks and internal communication. It is rather larger concept.

Aono: Yes. In that sense, the Cloud is amazing. Basically, we’re a company that sells to other companies. The way a company works will change. With the Cloud, we’ve starting selling to other entities than companies.

Especially amidst the coronavirus situation last year, Kanagawa Prefecture had to communicate with hospitals. They wanted to collect real-time information on how many tests were being conducted at hospitals, how many infected people were there, and what medical materials were lacking, but they didn’t exist. So, they implemented Kintone. All they had to do was to punch in data and it immediately totaled up figures and was shared with everyone.

Otani: It’s the same with subsidy applications.

Aono: Yes, I thought teamwork doesn’t only occur in organizations. Teamwork occurs everywhere in society.

Otani: And in Japan, teamwork will be needed more and more in the future.

Aono: Yes.

Otani: Japan’s economy is shrinking due to the declining birthrate and aging population. There are probably many companies that need to go global. Each person concerned is connected in various ways and because there is teamwork, they work properly.

Aono: That’s right.

Otani: The way in which teamwork is done has changed. And now, apparently, more and more people are using Kintone in local governments. Until now, it was closed inside companies, but, for example, now, a business partner or a customer might be a local government, and the scope of teamwork will be applicable to the whole area. In that sense, teamwork is steadily changing.

Aono: Yes, that’s what a society filled with teamwork is all about. It’s ironic that we only realized this now, even though this is our mission.

Otani: I hope that people understand that there are tools for that, such as Kintone, and know-how such as methods. You have four elements regarding your culture: sympathy for ideals, fairness, valuing diverse personalities, independence and discussion. Can you comment on this?

Aono: We are discussing if this could be raised at the upcoming annual shareholder meeting to be included in the articles of incorporation. Let me provide a short explanation.

First, let’s think about the word “team”. Even if a bunch of people gather together, they are not necessarily a team. They become a team when certain conditions are satisfied, which is sharing a common ideal. It’s not a team where people just happen to be there, playing baseball. Team is with people who share the same ideal, such as being qualified to play at the prestigious Koshien baseball stadium.

It’s a team only if there is something in common there, so I want to create a state in which everyone has an ideal and everyone can relate to it. That is the first condition as a team.

There are actually many teams achieving that level. What we want to value is diversity of people in the team who came for the same ideal. It's not exactly about the SDGs, but no one should be left behind. Various people gather and some might have some kind of limitations, but all should be able to work while demonstrating their individuality. The second condition that we absolutely want is to value importance of diverse individuality.

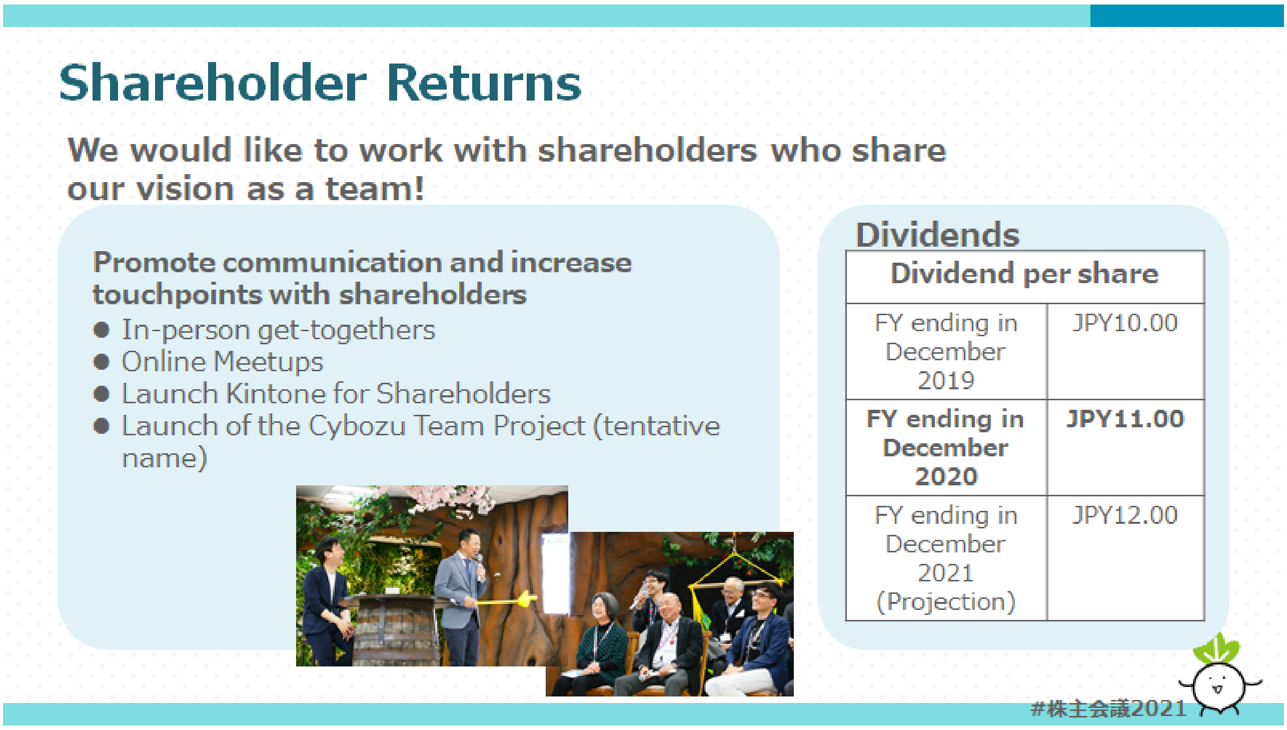
If you want to realize that, information must be open. Who is in trouble and where? Since the team is so diverse, nothings should be hidden but be open fair and square.

Moreover, the last thing I would like to add is that when placed in such an environment, each and every one of us should be able to say this is my work style. They should be able to autonomously tell others how they want to contribute and be appreciated. If we can't do that, ultimately, we will end up with many choices but unhappy people.

I realized that these four are the key points. This is a rule of thumb, so it may change. But now I'm thinking about these four culture values. If the world becomes filled with these, we should have a society full of teamwork. That's my vision.

Otani: I see. We've been in the coronavirus pandemic since last year, and I think those things have been lost. The keyword was "division", but because we live in such an era, you would like to once again properly pursue your culture.

Aono: Yes.



Shareholder Returns

We would like to work with shareholders who share our vision as a team!

Promote communication and increase touchpoints with shareholders

- In-person get-togethers
- Online Meetups
- Launch Kintone for Shareholders
- Launch of the Cybozu Team Project (tentative name)

Dividends

Dividend per share	
FY ending in December 2019	JPY10.00
FY ending in December 2020	**JPY11.00**
FY ending in December 2021 (Projection)	JPY12.00

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Otani: As to what kind of initiatives we will engage in the context of teamwork, there is this event, and it is related to shareholder return. We are about to bring shareholders into a part of your team as well.

Aono: What is often written on the Internet about Cybozu is that Cybozu focuses on its employees and disregards its shareholders. We currently have 25,000 shareholders and we are still trying to find the best way to interact with them.

Otani: I don't know the best way either.

Aono: We haven't quite yet taken measures. But, Cybozu wants to embark on an effort in this area as well. We want to make a team with shareholders. The number of Cybozu employees is now 1,000, if those around the world are included. However, if shareholders are included, we suddenly have an additional 25,000 people.

There is no way that these people cannot be leveraged. Depending on the case, the number of friends who are fans and who can inform others by word of mouth grows to 25,000, so I would like to converse with them properly and proceed while having a dialogue. The word "(shareholder) return" is a bit unpleasant, but it's behind the desire to become a team together with shareholders.

Otani: I see. You are holding various events.

Aono: That's right. We are trying to increase the number of times we come into contact with people for the time being, such as by holding online events and others.

Otani: Do you think shareholders actively respond? Is it pretty tough to talk about your annual shareholder meetings as we've heard about in the news? Do you get questions from various places? Are motions proposed? Some questions make me think that the questioner is watching too much drama on TV. Judging by the photos here, it seems different to that and it looks more comfortable.

Aono: Yes, Cybozu has perhaps worked hard thus far, but we also have many shareholder fans. There are many people who identify with the vision we are aiming to achieve and the culture we cherish, rather than short-term achievements. I think that if we properly involve these people, our annual shareholder meetings will become even more interesting.

Typically, many people who don't identify with the Company sit in an annual shareholder meeting, and the Company thinks that they will be attacked, so they put their guard up, and agenda items are forcibly pushed through. But if the people are on the same team, they will feel less intimidated, and the meeting can be enjoyable.

Otani: That's the identifying with the ideal mentioned earlier, right?

Aono: Yes.

Otani: Not only employees but also shareholders are involved, and we are thinking about it as a team and will share.

Aono: That's right. Our dividend, which is shown on the right, is increasing. Our results are good, so we're gradually increasing it.

Otani: Mr. Aono, do you have any kind of messages you'd like to say to people who are shareholders or people who are considering being a shareholder?

Aono: I'd like the people watching this today to become shareholders. Let me grumble about something. The number of Cybozu's shareholders has increased, and there are now 25,000.

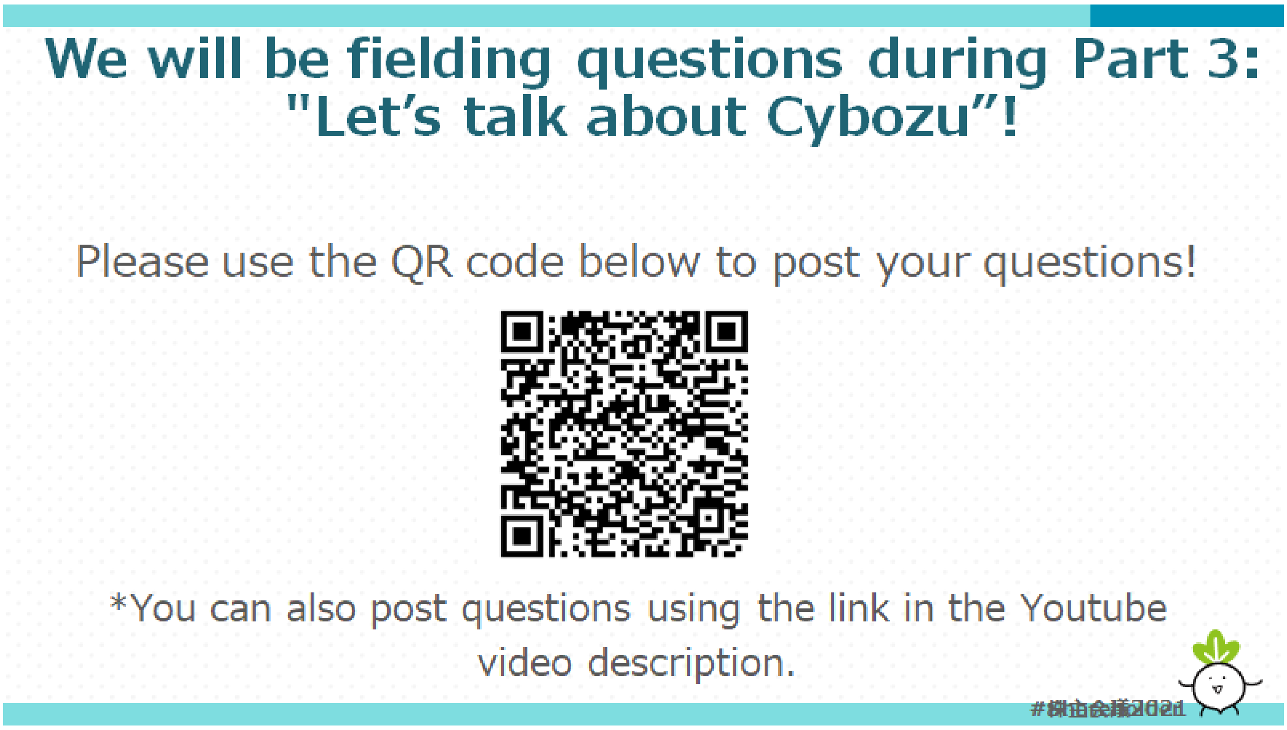
Otani: That's a lot.

Aono: We send DM to 25,000 people to inform them of our shareholders meetings. But only around 500 of them applied to join. That's about 1 in 50. On the other hand, over 1,000 non-shareholders applied.

Even though it's a shareholders meeting, more fans than shareholders are watching. I would like to do business with people who understand Cybozu and feel empathy with us. I'd like such people to buy shares.

Otani: That's what you mean by everyone here today, right?

Aono: Yes, everyone.



We will be fielding questions during Part 3: "Let's talk about Cybozu"!

Please use the QR code below to post your questions!

*You can also post questions using the link in the Youtube video description.

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Otani: Part 3 is about everyone talking about Cybozu. This is a section in which people's questions will be answered. Please use the QR code here to ask a question.

We talked a lot in an hour. How was today for you, looking back over the past 25 years?

Aono: This ended in the blink of an eye. We haven't spoken enough at all.

Otani: Yes, we haven't spoken enough.

Aono: I wanted to speak about the future of groupware. Let's definitely continue to set up similar opportunities to talk.

Otani: We could ask about the future of groupware, using the QR code.

Aono: Right.

Otani: I think it's about encouraging people to be interested in us and be a part of our team.

What will Cybozu do? Where will Cybozu trip up? I think we're all interested in these questions. Appreciate your continuous support for Cybozu and this concludes this session. Thank you for today.

Aono: Thank you.

[END]