

## Title

Part 2 of Cybozu Shareholders HQ Meeting

Selection of Directors and Intense Discussion with Advice and Suggestions from Employees

## Summary

The following is a transcript of the content of Part 2 of the 2022 Cybozu Shareholders HQ Meeting held on March 5, 2022.

## Speakers

Yoshihisa Aono, Representative Director & President, Cybozu, Inc.

Yumika Nakane, General Manager of Human Resources Division and Legal & Compliance Division, Cybozu Inc.

Tadamasa Hayashi, General Manager of Corporate Affairs Division, Cybozu, Inc.

Osamu Yamada, General Manager of Organization Strategy Office, Cybozu, Inc.

Yukio Otsuki, Manager of Corporate Branding Department, Cybozu, Inc.

Nana Tanaka, IR Team, Cybozu, Inc.

Yasutomi Kitahara, Outside Director Nominee

Yuko Watanabe, Outside Director Nominee

## Transcript

**Part 2 Discussion on Corporate Governance**



Yukio Otsuki ("Otsuki" below): Now we will move on Part 2, with a discussion on corporate governance. More than 120 people have now joined this session, which is around the size of one of our divisions. We've also received a lot of opinions and comments, making this just the sort of event we'd hoped for.

Yoshihisa Aono ("Aono" below): If this turns into an IT School, it will really be the start of the first initiative launched by a Shareholders HQ Meeting.

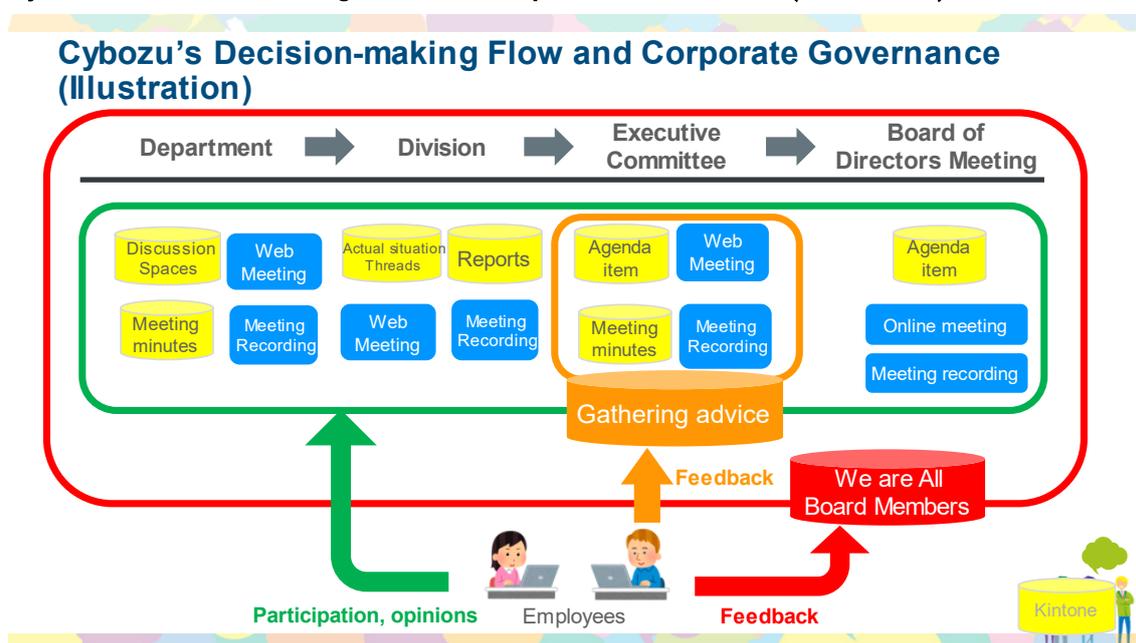
Otsuki: That would really be amazing. We're continuing to accept advice and comments for Part 2. We have with us President Aono and IR Team member Nana Tanaka. I'm Yukio Otsuki, in charge of the Corporate Branding Department.

Nana Tanaka ("Tanaka" below): Thank you.

Otsuki: With us through Zoom are Osamu of the Organization Strategy Office, Tadamasu of the Corporate Affairs Division, and Nakane of the Human Resources Division and Legal & Compliance Division. We also have two nominees for Outside Directors with us who we will introduce soon.

The initial part of this discussion on governance will cover how Cybozu's governance is ensured and being achieved in practice. Of course there are a lot of elements involved in this, but one point we'd like to explain to our shareholders participating today is the status of transparency in information sharing.

### Cybozu's Decision-making Flow and Corporate Governance (Illustration)



Otsuki: The slide shows an illustration of information flowing from left to right for decision making. Actually, there's more involved than this, but firstly discussions are held on Kintone among teams and departments. The discussions continue via online meeting systems like Zoom, then the results are registered in the Kintone meeting minutes app, so that users can see recordings of the meetings to check anytime, anywhere what was discussed.

These decisions are then raised to the division level for further discussions to ultimately become agenda items at an Executive Committee meeting, to be decided through deliberation based on everyone's opinions at an online meeting and so on. The meeting minutes are viewable on Kintone and finally the matter is tabled as an agenda item for approval by the Board of Directors.

The flow up to this point is mostly the same as that of other companies, but at Cybozu we have visibility throughout the entire process. Data can be viewed on Kintone and even new recruits can participate in Executive Committee meetings. Users can view the meeting minutes and video recordings.

Even this level is quite challenging, but last year we introduced two new further initiatives. As Osamu just told us, Kintone now has an advice-collecting app for employees to register their comments on agenda items as the matters make their way up to the Executive Committee. In fact, this app was the forum where the groundswell of opinion in response to Tadamasu's question mentioned earlier "Which market section of the TSE should we choose?" appeared.

We also started the We are All Board Members app that allows users to register Likes or comments, including about this Board of Directors Meeting, such as "What's happening with Cybozu's corporate governance?" or "I think this process is strange." I believe the fact that employees can submit feedback here means that Cybozu's corporate governance is being achieved in practice by having double and triple layers of mechanisms in place.

There are various other systems and mechanisms in place, but the point is that we are using Kintone and other apps for information sharing, thereby ensuring that governance is being achieved in practice. I really wanted all of you, our shareholders, to know this, before moving on to our subsequent discussions.

## Topics for Corporate Governance 2021 (Discussion Themes)

### Topics for Corporate Governance 2021 (Discussion Themes)

**Outside  
Directors**

**Internal  
Directors**

**We are All  
Board Members  
(Mintori)**

**An open  
Executive  
Committee**

**Gender  
(Diversity)**



Otsuki: There are so many topics we'd like to talk about today, so together with our team we chose these five key points. Unfortunately, we don't have time to discuss more, but hopefully in the course of the dialogue we can cover several topics.

In particular, we'd like to present the two Outside Directors that we have invited today as our first such nominees in some time. I'm sure the shareholders are keen to find out more about the Outside Director nominees, so let's introduce them.

#### Outside Director Nominees

### Outside Director Nominees



**Yasutomi Kitahara Ph. D.**

Professor and Dean of the NUCB  
Business School, Graduate School of  
Management, Nagoya University of  
Commerce and Business  
Kurimoto Educational Institute  
CEO of K.K. Nature



**Yuko Watanabe**

Co-founder of HSW Japan  
Senior Advisor at Greenmantle



Otsuki: May I present Professor Kitahara of Nagoya University of Commerce & Business (NUCB), and Ms. Watanabe, co-founder of HSW Japan. Professor Kitahara, can you please give us a short self-introduction?

Yasutomi Kitahara ("Kitahara" below): Hello, I'm Yasutomi Kitahara, a faculty member of the NUCB Business School. My areas of expertise are innovation, venture businesses, and decision making. Though it's a graduate school, the students in the Master's program at NUCB are all actively working at the General Manager level in the corporate world.

The class sizes range from 40 to 80 people, and are held on weekends where we engage in intense, thorough discussions of various case studies from morning to night. My current work also allows me to learn too through the process of discussing the challenges that students from all sorts of companies share.

I've been a full-time teacher for ten years now, but before that I was in business. I founded my own company and ran it for around 18 years as the CEO. As an Outside Director nominee, I bring my broad range of experience gained at the business school as well as in my position as a director of the educational corporation that runs the university. Being a director of an educational corporation is much like being a director of a private company, so from my experience with various organizations I hope I can work with Cybozu on its management and governance from a position just a little outside the company. Thank you for having me here today.

Otsuki: Thank you very much. Next is Ms. Watanabe.

Yuko Watanabe ("Watanabe" below): My name is Yuko Watanabe, I've been based in the US since 1993, currently I'm in New York. There's a 14-hour time difference with Japan, so it's nighttime here.

As for my background, the last 15 years I've been involved in work on geopolitical risk. HSW Japan, which was mentioned earlier, was founded by myself and my colleagues, and does analysis of the political situation in the Middle East. I've also worked for Greenmantle, as shown in the slide, and as an advisor to Niall Ferguson, a historian specializing in financial history.

Before that, I worked for the Japanese arm of the Eurasia Group, a company formed by Ian Bremmer, a specialist in international politics, who some of you may have heard of before. My clients were Japanese corporations, so for 12 years I would go to Japan every month to explain my analysis of how world circumstances would affect Japan.

I joined the Eurasia Group at quite an early stage, so I experienced its rapid growth from it being just a startup. I've talked before a little with Mr. Aono about governance and the challenges that occur to a company in the process of becoming bigger.

Cybozu has extremely powerful forward momentum now, so I've been wondering how it can continue to grow while retaining its joyfulness, which is why I put my hand up to become involved in the challenge the company is facing, with a personal sense of interest.

Otsuki: Thank you very much. I think these people will bring a breath of fresh air to Cybozu while broadening our knowledge.

Aono: That's certainly so. Each year we'd be asked at the Annual Shareholders Meeting why we didn't have Outside Directors on our Board of Directors, so with the new rule requiring us to have Outside Directors we searched around and found these extremely wonderful individuals. One might wonder why we didn't have them onboard before, but I certainly look forward to working with them.

Otsuki: Mr. Aono mentioned the question of why we are now seeking to appoint Outside Directors and what process this involves, so Tadamasu, could you tell us more about this and how we came to ask these two people to fill this role for us?

Tadamasu Hayashi ("Hayashi" below): I'm Tadamasu Hayashi, General Manager of the Corporate Affairs Division. I was in charge of the secretariat for the selection process of Internal and Outside Directors. As Mr. Aono said, for quite some time we haven't had any Outside Directors.

In fact, Cybozu receives a great deal of feedback from various third parties, which we have been using to ensure appropriate governance with highly-transparent information sharing and open discussion, which is why up to now we passed up the choice of

appointing Outside Directors. But it's now a legal obligation to have Outside Directors, so we debated the question of how to choose them.

In a sense, we're attempting to engage in our own unique type of governance, so we wanted to find people who would understand what Cybozu is trying to do, while ensuring we are, at the very least, fulfilling our legal obligations.

So we got company members to recommend people who would be likely to understand us, then chose nominees from amongst them, which led to the selection of the two people invited here today. I'll share with you my reasons for recommending Professor Kitahara, and Osamu will share his reasons for recommending Ms. Watanabe.

As Professor Kitahara mentioned just now, he is a faculty member at the NUCB Business School, he knows about management and governance at a great number of companies, and has managed his own company as well, so I believe he can give Cybozu advice on governance both from academic and practical perspectives. That's one reason.

In fact, Professor Kitahara used to work for a company that was acquired by Cybozu, having left that position over ten years ago. This isn't any problem in terms of the requirements for his being an Outside Director, and since then he has regularly given advice to Mr. Aono regarding Cybozu. He knows about our company and has observed it objectively over a long period of time, so I believe he can give us pertinent advice, which is why I recommended him.

Otsuki: Mr. Aono, you've received quite a lot of advice from Professor Kitahara.

Aono: That's right. While publicly I was the one proudly announcing the big decision to shift to the cloud, actually it was Professor Kitahara who was behind the scenes. I had been consulting with him every month about what sort of business strategies to take.

Formulating business strategies was a first for me, so I did so under guidance from the professor from then on. I greatly appreciate his input.

Otsuki: Professor Kitahara, what do you think of Cybozu? Please give us your impressions.

Kitahara: For over a decade, from a detached position, on a monthly basis I have been glancing over what this company has been doing, and what I get is a very strong feeling that the employees speak with complete freedom inside the company, with no sense of pressure entailing psychological risks. Not every company is automatically going to become like Cybozu by adopting groupware.

I'll mention a typical topic. At the end of one of our regular meetings, Mr. Aono suddenly started a search in Kintone with the keywords "I'll be late to work because I slept in this morning" to find a posting on being late to work for that reason.

At Cybozu, all data can be searched on Kintone, and when he found a posting like that he grinned and said "Here it is again." He was happy about it because of the honesty it indicates. Usually if someone sleeps in they'll come up with an excuse. So Mr. Aono was extremely glad to see that people were willing to state the real reason. That's why he was laughing as he searched on "slept in."

Digitalization alone isn't enough to achieve this. Hopefully I can talk in more depth about this later, but it's important that management and governance are strongly bound together.

Normally it's quite hard for employees to speak freely and to be forthcoming with ideas in front of the company founder and CEO like Mr. Aono, in fact they'd be quite nervous, so the fact that there's none of this fear in Cybozu makes it a really fascinating and unusual place.

Otsuki: That's certainly so. It's quite strange for the employees too.

Aono: If we don't create psychological safety, then people won't say what they think. They'll be afraid, just as Professor Kitahara says. Recently employees have sometimes been unable to say what they want to say in companies.

Otsuki: The Financial Services Agency was angry about this.

Aono: Getting angry with people stops them from saying what they want to say. It's crucial to create environments where that doesn't happen.

Otsuki: Thank you very much. Next, Osamu, please tell us why you recommended Ms. Watanabe.

Osamu Yamada ("Yamada" below): As you can tell from her self-introduction earlier, Ms. Watanabe is really an amazing person. Originally from Japan, she embraced the challenge of going to New York and engaging in business there, developing it to extend not just to Japan, but globally.

I happened to meet her in New York and found her to really empathize with what Cybozu was trying to do with its "culture of dialogue," and also noted that she contributes extensively to several media demonstrating a powerful ability to communicate her message. As you can see if you read one of her articles, she's not one to mince words, and is forthright in stating what she thinks.

Of course I'd like for Ms. Watanabe to share her knowledge and opinions inside the company, but another key point is that many people outside Cybozu have the impression that we are doing unique things and want to know what the actual facts are. So I hope that she can describe frankly and honestly what's going on in Cybozu.

I'd like for her to get a glimpse of Cybozu's actual management and to communicate that in her own words. I don't know whether that would positively or negatively affect us, but either way I'm sure that Ms. Watanabe is perfect as the sort of person who will state how things ought to be, which is why I approached her for this role.

Otsuki: She's certainly the person least involved with Cybozu here. I'm sure she will give us fresh insights.

Aono: It's my first time to work with Ms. Watanabe, so at first I was unsure what sort of person she would turn out to be. People outside the company often say my Tweets go too far, so when Ms. Watanabe said that I ought to go even further I realized that this was someone who would be excellent as a Director for us. I'm looking forward to learning so much from her wide-ranging global experience and her knowledge of cutting-edge management trends in the US.

Otsuki: Ms. Watanabe, from a global perspective do you think Cybozu is still lacking in some ways?

Watanabe: Without wanting to sound presumptuous, I have to say that actually I've never worked in Japan. I've worked with Japanese companies as clients but not as one of their employees, so I think you've had different experiences to me as working adults over these last 20 years.

Though I don't know everything about the US, at least from my position as someone with experience of American organizations, I think I can be of some value.

Otsuki: Well, you certainly know more than us about the US.

Aono: That's definitely true. I've only focused on management in Japan, we really have to keep up with global trends.

Otsuki: Have they both had a look at our internal IT environment?

Hayashi: Yes, we've made arrangements for them to have access to our IT environment so they are able to see our information.

Otsuki: Will there be chances for employees like us to discuss things with them?

Hayashi: Yes. We'll provide them absolutely the same environment that employees have, allowing them to participate on an equal footing with everyone in discussions conducted in open Spaces.

Otsuki: So if we tag them in a Kintone mention as we do normally within the company we might get a reply.

Hayashi: Yes, your online messages submitted that way will even reach Ms. Watanabe in New York.

Otsuki: That's wonderful. I'm looking forward to seeing all sorts of ideas generated in that way and I am sure Mr. Aono has great expectations for the two Outside Directors.

Aono: For sure, it wouldn't be interesting at all if the Outside Directors just joined the Board of Directors Meetings once a month for a few hours and only spent time with a few people there. That's exactly the sort of information fragmentation that I was talking about at the start.

Instead of that, what we want is to gather everyone together in a "sea of information" where any sort of chemical reaction could happen. That's why I'm really looking forward to this. Up to now even when we get new people coming into the company, they don't retain their outside perspective once they're part of us. I think it'll be fascinating to see what sort of fusion occurs when people with that outside perspective enter into the company.

Otsuki: Because the Outside Directors are also, of course, working for the shareholders, aren't they?

Aono: That's exactly right.

Yamada: Hopefully the first thing they'll do is search on "slept in."

Tanaka: Probably they'll find me when they do. It's a frequent occurrence for me even with the regular IR meeting.

Hayashi: It's not just in the morning either, you'll probably find cases of people sleeping in past noon as well.

Otsuki: We're running out of time, so let's end the topic of Outside Directors here. Professor Kitahara, you mentioned something you'd like to talk more about if you had the time, can you discuss it now?

Kitahara: From the little I can see from the outside, I think you have very little information asymmetry. Companies tend to rigidly control information according to hierarchy levels, but that means many people have to work to monitor even a single instance of confidential information. One benefit of Cybozu's very high level of openness, I would imagine, is the extremely low cost of handling information.

On the other hand, a greater volume of communication vastly increases the amount of words. That's because in a traditional company people read between the lines to understand each other through a common context and unwritten background, so that things can be understood with a minimum of words.

That doesn't apply to Cybozu, so there's a lot of irrelevant remarks. I'm sure you're collecting mountains of advice, but that includes a lot of such irrelevant remarks too, which requires significant cost to deal with.

There's no need to respond to it in real-time, and it is efficiently handled with digital technology so that the openness of information I noted earlier is balanced to bring the management costs down, so in the end you can make decisions with a shared process in a limited amount of time while retaining your open stance. I don't know how correct I am, but at least that's what it looks like from the outside.

Otsuki: So there are pluses and minuses. The other day the Organization Strategy Office asked our employees via the We are All Board Members app if they thought increasing information sharing to this level would conversely reduce our efficiency. Osamu, what are your thoughts on this?

Yamada: In the end there's no need for everyone to see everything. It's more important to allow people to see what they need when they need to. Rather than leave information inside our heads we need to get it out there in front of everyone, however it's processed after that.

I think it's acceptable that sometimes people's decision-making process is just to hear about something and let it pass through. That includes things that people decide straightaway to ignore, and others that they think it's all right to ignore.

When putting out information, corporate governance is very important, just as Professor Kitahara noted. The question of cost comes later. But though we can gain greater efficiency, outputting the information is the difficult point.

Otsuki: Right now we're focusing our ideas on getting information out.

Yamada: Yes, that's right.

Aono: As we touched on in Part 1, we're putting out too much information right now, so Tadamasa as the General Manager of the Corporate Affairs Division is taking steps to deal with its distribution. Even so, how people accept and deal with the output information is another question. Ms. Nakane has built a network for the Managers, so it's down to us to stretch nets between people and information to make sure we don't let anything slip through.

Otsuki: The more we discuss this sort of thing, the clearer the image will become.

### Internal Director Nominees for FY2022 (4 New appointments, 3 Reappointments)

**Internal Director Nominees for FY2022  
(4 New Appointments, 3 Reappointments)**

New appointments	 <div style="background-color: #0070C0; color: white; padding: 2px; font-size: 8px;">Joined the company in 2021</div> <b>Masato Hozumi</b> Corporate Branding Department (Residing in Fukushima)	 <div style="background-color: #0070C0; color: white; padding: 2px; font-size: 8px;">Joined the company in 2018</div> <b>Michael O'Connor</b> Kintone Corp. (US Corporation)	 <div style="background-color: #0070C0; color: white; padding: 2px; font-size: 8px;">Joined the company in 2012</div> <b>Takashi Matsukawa</b> Teamwork Research Institute	 <div style="background-color: #0070C0; color: white; padding: 2px; font-size: 8px;">Joined the company in 2018</div> <b>Katsushi Yoshihara</b> Sales Division (Nagoya)
Reappointments	 <b>Yoshihisa Aono</b> President and Representative Director	 <b>Yumika Nakane</b> General Manager Human Resources Division/ Legal & Compliance Division	 <b>Tadamasa Hayashi</b> General Manager Corporate Affairs Division	



Otsuki: Next we have the Internal Director nominees. Last year Cybozu started a new initiative to recruit Directors from inside the company. Currently we have 17. Prior to that, our Directors were three middle-aged men, so in a year we went from that to build this diverse team of Directors including women, new hires, and foreign nationals.

The nominees newly announced this time are shown on the slide. They are Mr. Hozumi of the Corporate Branding Department, who joined the company just last year, Michael of Kintone Corp. (US), Mr. Matsukawa of the Teamwork Research Institute, and Mr. Yoshihara, manager of the Nagoya Office of the Sales Division. They total seven together with the nominees for reappointment: Mr. Aono, Ms. Nakane, and Tadamasa.

Aono: So the four new people put their hands up for the role?

Otsuki: Yes, that's right. Tadamasa, could you tell us about the background to what led to this major change from having a diverse team of 17 people, including the difficulties we encountered inside the company?

Hayashi: The team of 17 Directors last year included people who were only in their second year in the company, so there was a lot of doubt about whether it would work or not. But as Mr. Otsuki said, we followed the same decision-making process as before, coming to conclusions on issues that were thoroughly discussed internally before they were presented up to the Board of Directors meetings, so there was no problem with the validity of resolutions given this decision-making process.

But it was hard to run the Board of Directors meetings with 17 people. There was a heavy operational workload involved with the various company admin procedures and meeting minutes, so for the second year we concluded it was best to reduce the number.

Some said we should try and keep going with lots of people, but it's not like Cybozu's governance is realized through just the Board of Directors meetings. I think it's better for us to seek out the governance that Cybozu wants to have in combination with other mechanisms as well, there's no need to make everyone who volunteers to be a board member into one.

We figured that under half last year's number would be good, with Mr. Aono as the nominee for the representative director. We put Ms. Nakane and myself as the secretariats for the Annual Shareholders Meeting and the Board of Directors Meeting, as that would make the running of them easier. That's three so far. The current members said they wanted to carry on, but considering that anyone can be a board member we noticed that there were four newly appointed members there, which was just the right number, so we ended by selecting seven directors.

## Examples of Advice from Employees

### Examples of Advice from Employees

Idea to promote diversity by lifting the ratio of women Internal Directors to over half  
(Against: 34 out of 74)

Registrant	Wish to actively be involved in discussions	Feedback	Reason for feedback and supplementary comments
● ● ● ● ●	Happy to leave the discussions/decisions up to the team	Very much against	-----
▲ ▲ ▲ ▲ ▲	Want to actively take part in discussions	More against than not	-----
■ ■ ■ ■ ■	Happy to leave the discussions/decisions up to the team	More against than not	-----
× × × × ×	Happy to leave the discussions/decisions up to the team	More against than not	-----

\* Created based on registration content in the actual advice app

Isn't it better to start changing this from General Managers rather than the Directors?

Surely it's inappropriate to set a quota?  
Isn't this indirectly negating the culture of Cybozu? (the current members already have diverse personalities)



Hayashi: There seem to be a lot of men. Actually, we've been discussing raising the percentage of women, and Mr. Aono suggested making the majority of the board members women.

But we got quite a lot of very pertinent pieces of advice from employees generally saying that just window dressing to lift the percentage of a certain type of board member isn't really a very Cybozu thing to do. There were arguments for and against it, but in the end we rejected Mr. Aono's proposal based on feedback from our employees, and decided on these nominees.

Aono: It was a really fascinating episode. What I mean is that up to now I've never really talked about gender within the company. I thought that doing so would somehow be self-defeating, given our concept of "100 People, 100 Workstyles." Because if we start lumping people together by gender, then we've stopped looking at them as individuals.

But an investigation by Ms. Nakane last year found that we'd gained more people than we thought, and that we did have a gender gap within the company. There's no way to close that gap without addressing the question of gender.

Everyone has some sort of bias in their actions. The only way to fix that is by being aware of it. That's why I decided to address this topic and take affirmative action by

having the same number of women as men on the Board of Directors. That generated quite a bit of feedback.

Otsuki: Did you feel like you'd said "the right thing"?

Aono: I wanted to say something that would get people thinking, because I wanted to see what sort of reaction it would get. I was really impressed by the thought people had put into it by what they said in response.

It also changed the management team's attitude. It made them think whether or not they have any unconscious biases that they weren't aware of, I think they've started using different terms. It was definitely a rewarding discussion.

Otsuki: Well, everyone takes notice of the ideas you put forward. Just like Professor Kitahara said earlier, being open with information has the advantage of both allowing others to comment on your proposals, and to let good ideas take hold better.

Aono: So for example when we have to choose a Manager, we might say "This is the guy. No, wait a minute. Are we unconsciously choosing him because he's a man?" It makes you stop and think like that. I want to see a lot of active discussions come from making information open.

Otsuki: So you actually stirred things up yourself?

Aono: I thought more people would be in agreement, in actual fact.

Hayashi: We'd reached some sort of consensus on the selection of the director nominees when this suggestion came in about making women the majority. So we went through a lot of twists and turns, wondering "Maybe we have to choose so-and-so and so-and-so from the people putting their hands up?" before landing on the obvious answer that we should listen to everyone's opinion in a non-hierarchical way and choose directors based on those opinions.

I think all our employees felt like they played a part in choosing the board members and that the decision was made through this discussion. It was difficult to manage the

whole thing, but Mr. Aono's proposition was good in encouraging that sense of participation in the process.

Aono: Incidentally, I heard from Professor Kitahara that there are two qualities in decision making. The decision that was made is one quality, while another key quality is how to enhance that process leading to the decision.

I certainly created that process in this case. In the end the decision was to leave things as they were, but I think creating the process that led to that was a significant result. What do you think of that, Professor?

Kitahara: You're right on the mark.

Aono: Thank you very much.

Tanaka: A lot of people were of the opinion that it was better to close the gender gap in essential decisions, such as having more female General Managers, rather than just closing the gender gap on the Board of Directors for the sake of form. Whereas up to now we hadn't openly talked about gender, we got people discussing what Cybozu was going to do about this issue. It might not have directly related to the decision making, but it was still a very positive thing for taking the discussion into different places.

Otsuki: Ms. Watanabe, what's your take on this process of discussion inside Cybozu?

Watanabe: The way you come up with topics to debate is impressive. On the question of increasing the number of female board members, while there are a lot of opinions for and against it, I'd say it's not just about raising the numbers of women. Once you notice that you have a gender gap, as was mentioned in this episode, the next step is to think why that gap has occurred, and how you can remedy it. Ultimately, numbers are just outcomes. If you think about the underlying problems, then the numbers will come right of their own accord.

Aono: Ms. Nakane, what do you think about this?

Yumika Nakane ("Nakane" below): I'd like to talk while referencing the next slide.

## Current Status of Human Resource Diversification

### Current Status of Human Resource Diversification

(Only for Cybozu in Japan; Excludes Offices Abroad)



Nakane: This is on the comment that we should incorporate gender diversity into the decision-making process in more substantive areas rather than just the board member composition. The percentage of women in management positions with decision-making authority is currently 24.3%. Last year it was just over the 20% mark, so it has gone up a little. But given that female employees currently account for 46 percent of the employees at Cybozu in Japan, the percentage of women in management positions is less than the percentage of employees that women account for.

One factor is that female employees have fewer years of continuous service. The average number of continuous years of service at the company is five years and nine months, but for women it's one year and four months less. The reason for this is the high number of younger female employees, with a lower average age. This is an age group where a lot of life events are likely to occur.

Women, on the whole, take longer childcare leave than men due to childbirth. This tends to result in female employees having less years of experience in the job, which is possibly reflected in the percentage of women in management. But according to the front-line Managers, this isn't something we should be too pessimistic about. Decentralization of authority has increased the actual number of women involved in the decision-making process, and there are enough female candidates, so the numbers should come to reflect this going forward.

We also decided to analyze to see if there was a gender pay disparity. Cybozu's members have so many different workstyles, so there aren't any uniform pay grades. It's extremely difficult to analyze differences in pay due to the need to render all the conditions other than gender equal. I wasn't sure how to go about it, but last year I finally found a way to unify all the other factors to calculate the pay difference in terms of gender. The results showed gender gaps in some grades. Specifically, there looks to be a gender gap for members doing highly-difficult jobs. The next step is to look at the causes of this and what to do about it.

Aono: Cybozu still has room to improve.

Otsuki: We might have gone on without noticing this point if Mr. Aono hadn't spoken out.

Aono: By sticking to 100 People, 100 Workstyles we tend to have high employee satisfaction levels, so we end up overlooking areas like this.

Tanaka: The reason generally given for raising the level of female representation in management positions is because it brings in a diversity of opinions, but in Cybozu even if you are not a decision maker as such, you can still be involved in the decision-making process by providing advice and feedback. Even as it stands now, we don't really have a problem in terms of incorporating diverse opinions.

Otsuki: In other companies the management have the authority, so the percentage of women in the management is significant, but in Cybozu we can bring our opinions to the CEO even if we're not at managerial level.

Tanaka: At Cybozu it's actually quite common for your own opinion to affect the direction of the company in some way. From a woman's point of view, I'd like to see the gender gap for pay fixed, but apart from that I don't really feel that there's anything stopping me from stating my opinion because I'm a woman.

Otsuki: Osamu, you've published a book titled *Super Lightweight Management*, what do you think about this?

Yamada: What I'm trying to achieve is autonomous and decentralized organizations. Even Cybozu still has areas where authority is concentrated in hierarchies where the top-level people make all the decisions. That's why people talk about the percentage of female General Managers.

If we give authority to people who are good at making decisions, that automatically leads to decentralized decision making. Similar to what Nana said, I think having lots of people put forward their opinions as often as possible to proactively take part in decision making is more important than the number of executives we have. By autonomously decentralizing decision making, I'd like to see a world where no one counts the gender balance of the executives.

At the same time, some people have personalities keen to make decisions and take responsibility, while other people prefer to state their opinions but leave the decisions up to others. I don't know the extent to which personality and gender are bound together, but in any case targeting executives to close the gender gap is for the old hierarchy-based world; what we want to do is shift to a different world, as I described in *Super Lightweight Management*.

Hayashi: That's certainly where we want to get to, and in fact I think we're already only a step or two away from reaching it. There really aren't many cases where Cybozu's Managers make decisions arbitrarily based on their own biases. Sometimes they ultimately make the decisions after hearing the opinions of others in their division, but basically there are almost no cases where people decide things without consulting with others.

There's also a willingness to adopt ideas put forward by people other than Managers if they make sense. I think the front-line Managers will tell you that making arbitrary decisions while ignoring these better alternatives has essentially been eliminated.

Otsuki: That really is true. Speaking as one of those front-line Managers riding these waves of organizational reform, making impulsive statements is bound to stir things up. We've thoroughly adopted the hard approach of broadly soliciting opinions and discussing things together before taking action. It's quite an amazing experience, because doing that actually takes the weight off your shoulders.

Aono: I hope lots of people watching this give us their advice and suggestions on this point. If there's something you think we ought to try out, by all means write a comment.

I'd like to fix the pay gap that Ms. Nakane mentioned just now. Our goal is to have the best teamwork in the world, so we're not going to ignore or compromise on areas like that.

## We are All Board Members

### We are All Board Members

Conducted company-wide voting on **whether or not there was feedback** about the senior management decision-making and decision-making process



Otsuki: The next topic is We are All Board Members. Osamu has outlined how it works. Now let's hear from him again as we look at the actual data.

Yamada: Starting right from the idea that "Cybozu's open information policy means we don't have to focus so much on the board members," that's okay as far as it goes, but we also want you to take it a step further. When people lie or hide information in a major management meeting, corporate governance becomes very difficult. Because it means that there are, in fact, a whole bunch of things being hidden or not reported in the process leading up to that meeting. The key cause of misconduct in corporate governance is the filters that block information partway along the chain of communication.

In the end, the board members spend the limited time in their meetings on topics that someone else has already selectively filtered. We decided that it would be far better for

corporate governance to start by asking all our people, who hold all the raw data, “is this decision-making process okay?,” and that is why we set up We are All Board Members. We received votes from some 412 people, around 40% of our employees. Of these 87% said that they had no problem with it.

We also got 55 items of feedback from 13% of them. The right side of the slide shows the feedback breakdown by department. Out of all the departments and managers, the Organization Strategy Office had the most feedback items, with 21 for me.

Some people requested that their comments be kept private, but most voters make their feedback public. We've already made 35 out of the 55 items visible to all in the form of challenges we need to work on, and the rest have been requested to the General Managers. We'd like to get people's input on how we should implement corporate governance, to help us improve it. This initiative is the first step toward that.

Otsuki: What do the two Outside Directors think of these initiatives?

Kitahara: I think this is an effective means of utilizing diversity. We all know that each person has their own individual values. The really important thing is not who is correct or not, but whether people can clearly state what they think regardless what the company thinks.

Recently there's been a lot of talk in the newspapers about the manufacturing industry prioritizing delivery times even with poor quality. A member of an organization might personally question the order to prioritize quick deliveries, but they end up bowing to pressure without being able to express their values.

Maybe their values aren't correct in this case, but expressing them is the key point. Then again, if everyone says what they think it might lead to less efficiency, and people might stay quiet to avoid being told they're causing trouble.

But even so, it's important to be able to speak up when something seems wrong, to let different values confront each other. The end result is growth for the company through giving voice to new values. I think it's crucial for our governance that through the We are All Board Members initiative we create a shared acceptance that it's okay to give voice to our values, even if they're different.

Otsuki: Thank you very much. Ms. Watanabe, what are your thoughts on this?

Watanabe: I'm essentially in agreement with Professor Kitahara. One point I'd like to note is that 60% didn't vote. As Mr. Yamada pointed out, there are some people who like to share their opinions and some who don't readily do so. Of course that's a matter of their personalities, but I think the next challenge for you is how to get these people to want to join in, how to draw them out.

Otsuki: Osamu, what's your view on that?

Yamada: Thanks for making that point. That definitely is our next challenge.

Aono: It must be hard enough to get responses from 400 people.

Yamada: It certainly was. Some people asked whether we really needed that many responses, others said they were too busy to think about decision making. I hope we can amplify what Ms. Watanabe is saying so that it can reach everyone.

Otsuki: What's your viewpoint on this initiative, Mr. Aono?

Aono: I don't think we have any serious issues at the moment overall. Building a system allowing our members to see the process each year and to bounce their opinions off each other is the key point. Otherwise when someone thinks a certain process is somehow wrong, they'll hesitate to say anything when they notice no one else is speaking up.

Without a cycle naturally accepting the sharing of opinions each year, people won't be able to express themselves. It's easier to speak up if other people are doing it too, we want to keep that constantly in play. We might have to have a go at restarting the engine for this.

Tanaka: This was the first time, so while 13% took the courage to write their opinions, there might in fact be a lot more casual feedback potentially available. I think people have realized that it's okay to state things in a casual way and that the management team won't get upset with them, just like the fact that they can state they overslept in

their daily reports. Osamu, I know it's going to be hard work, but do you think we can expect a bigger response next year?

Yamada: I'm not as strong-minded as Mr. Aono and Ms. Watanabe, I think I'd rather limit my feedback to 20 items. I want to say "We've finished with input for the Organization Strategy Office this year." Please send your feedback to Ms. Nakane and Tadamasa.

Otsuki: Ms. Nakane, the Human Resources Division had the second highest number of feedback items, what's your reaction? It didn't make you feel depressed?

Nakane: I know that the initiative itself was started this year for feedback on decision making and the process. But once I looked at the feedback I found comments unrelated to Human Resources decision making and the process.

Specifically, there were requests to change particular systems in certain ways. That wasn't the intention of We are All Board Members, but it made me realize that there are members who have no other way to make these requests, or don't know there is such a way to do that. That's something I want to take action on, and my biggest takeaway from this project.

Yamada: One point I forgot to say is that over half the responses asked what the point of We are All Board Members is. That's funny when you realize that this is the real reason why we're implementing this app.

Just saying "Let's do our best" or "This is about corporate governance" doesn't get anything across, and we got feedback asking why we have to do this in the first place. That's proof in itself that we're engaging in this sort of decision making, as we are getting feedback about whether this process is correct or not.

No one will understand what it's like to be a board member just by being suddenly told that they are one. If you assume that there basically isn't any misconduct, then you won't find get feedback on the decision-making process unless you look for it. So this means that they actually directly experienced these areas that are hard to understand instinctively. I think it was really fascinating to see people unconsciously slip into using We are All Board Members.

Otsuki: Okay, so no limit on feedback items for you next year.

Yamada: No thanks, 20 is enough.

Otsuki: Thank you very much. We are All Board Members is a wonderful initiative, it'll be interesting to see how it develops and what sort of things it stirs up going forward.

I was shocked recently when someone said to me that what I say must be right. My mindset has been just as it was when I joined this company while it had around 100 employees, so I was surprised to realize that was how people look at me.

I thought we'd succeeded in creating a team where members openly share their opinions, but people who've joined the company recently are still thinking along the lines that they should obey me because I'm the Manager. It was a firsthand example for me of the sort of bias that can occur unless we incorporate new initiatives and create an environment in which they can operate as a matter of course. That's why I'm hoping to see this initiative grow.

Okay, I'll end the discussion on this topic there. We've received a lot of feedback and advice, so let's hear some of it. Nana, over to you.

#### Outside Director Nominees

### Outside Director Nominees



**Yasutomi Kitahara Ph. D.**

Professor and Dean of the NUCB  
Business School, Graduate School of  
Management, Nagoya University of  
Commerce and Business  
Kurimoto Educational Institute  
CEO of K.K. Nature



**Yuko Watanabe**

Co-founder of HSW Japan  
Senior Advisor at Greenmantle



Kitahara: Thank you very much. We'll do our best.

Tanaka: From an employee's perspective, Directors and other executive officers seem very distant. We appreciate the fact that you were both able to attend this event in person and look forward to more dialogue with you going forward. We're so excited to be working with you.

## Ratio of Female Board Members

### Internal Director Nominees for FY2022 (4 New Appointments, 3 Reappointments)

New appointments



Joined the company in 2021  
Masato Hozumi  
Corporate Branding Department  
(Residing in Fukushima)



Joined the company in 2018  
Michael O'Connor  
Kintone Corp.  
(US Corporation)



Joined the company in 2012  
Takashi Matsukawa  
Teamwork Research Institute



Joined the company in 2018  
Katsushi Yoshihara  
Sales Division  
(Nagoya)

Reappointments



Yoshihisa Aono  
President and Representative Director



Yumika Nakane  
General Manager  
Human Resources Division/  
Legal & Compliance Division



Tadamasa Hayashi  
General Manager  
Corporate Affairs Division



Tanaka: "I'm more inclined to disagree about the Internal Directors. And listening to the discussion on the gender gap, I felt that there seems to be quite an allergy toward women having the status to participate in decision making. I was quite surprised at the level of this allergy in response to the question of having the same number of female and male board members, regardless of the fact that people with no management experience at all were chosen last year. If being a board member isn't such an important thing, why not try out having an equal number of both genders?"

Aono: It's not a case of there being an allergy to having an equal number of women and men as board members, it seems people feel it was wrong to be trying to fill a quota. There's a difference in perception there.

On top of that, I think our unconscious actions are the reason why this person feels that there is an allergy toward women having the status to participate in decision

making. As Ms. Nakane said earlier, the percentage of women in management positions in Cybozu isn't that high. But our approach doesn't rely on managers wielding their authority, so there's no sense of overt discomfort.

It's more a case of happening to notice that we actually have a lot of male managers. Allergic reactions like this can happen unconsciously and without any malicious intent.

The only way to change unconscious behavior is by being conscious of it. It's like being told to change a habit. That's why I'd like to take on the challenge of this. I think we should make an effort to raise our awareness.

Tanaka: What does everyone else think?

Watanabe: To repeat what I said earlier, there isn't much point simply making up the numbers. The crucial point to consider is whether men and women are really being given equal opportunities.

Key factors in this are, for example, whether people with the same abilities have the same opportunities waiting for them in the future, and whether they have role models for them. If the playing field allows women to be active within the company, then they will naturally move up into management positions, inspiring other young women to follow after them. In those terms, I think there's room to look at structural areas rather than numbers.

Yamada: My position was that rather than changing numbers according to categories imposed on us from the outside, we should ask each person what they want to do and support their wishes as far as possible, expecting that to essentially show itself in the numbers. But in retrospect I can see problems with this.

After all, if someone has been raised in this society, they might already have biases influencing what it is they think they want to do. In the same way that it's hard to notice our own quirks, not everyone is going to know how to answer as to what they really want to do.

I think we should set an external benchmark and ensure that it's met, even if that requires us to forcibly make some adjustments, and we need to see if there are

obstacles in the way. I'm not sure where to start from, but recently I feel that unconscious bias is a very challenging issue.

Tanaka: Thank you very much. I think there's still quite a few things we can try.

Otsuki: Finding there is a problem is half the way toward solving it, after all.

## Fairness in Selection of Internal Directors

### Internal Director Nominees for FY2022 (4 New Appointments, 3 Reappointments)

New appointments



Joined the company in 2021  
Masato Hozumi  
Corporate Branding Department  
(Residing in Fukushima)



Joined the company in 2018  
Michael O'Connor  
Kintone Corp.  
(US Corporation)



Joined the company in 2012  
Takashi Matsukawa  
Teamwork Research Institute



Joined the company in 2018  
Katsushi Yoshihara  
Sales Division  
(Nagoya)

Reappointments



Yoshihisa Aono  
President and Representative Director



Yumika Nakane  
General Manager  
Human Resources Division/  
Legal & Compliance Division



Tadamas Hayashi  
General Manager  
Corporate Affairs Division



Tanaka: "I fully approve of the Internal Directors. As long as fairness is maintained in allowing people to put themselves forward, does it matter if there are more or less men or women? After all, if you categorized them by where they come from you might find biases there too."

We use a voluntary system where anyone can nominate themselves as a board member to maintain fairness. Does anyone have any comments about this?

Aono: As Osamu noted just before, some people may themselves be unconsciously rejecting the idea of putting their hand up as a nominee.

Otsuki: You mean the sort of situation where someone wants permission to put themselves forward.

Aono: Yes, that's right. I have three kids in elementary school now. Most of the members of the PTA are women, but for some reason it's always a man who becomes the chairperson. It doesn't make sense in terms of probability. Most likely it's because it's the accepted thing. A lot of people probably just assume that the PTA chairperson will be a man, without any rational reason. In cases like that you have to actually make people consciously aware that it's absolutely okay to put their hand up for the position.

Tanaka: Factors like being on reduced working hours or having less years of experience due to taking childcare leave probably make people unconsciously hesitant to put their hand up.

Otsuki: It's perfectly okay to have a board member who works reduced hours.

Aono: I don't know if reduced working hours is the right way of putting it, but I think it was really great to have Ms. Nakane become a board member as one of our first role models. Now we have to find the next Ms. Nakane.

Nakane: I'm sure there are plenty of candidates in the company.

Tanaka: If you enjoy being a Manager or General Manager and decide you can take on the extra load it's probably exciting to have this sort of post, but it's going to be hard for people already busy with raising kids to prioritize their resources on what will mean an extra workload.

Aono: They might end up depressed like Osamu after he got his feedback. Seeing someone struggling like that is more likely to put people off doing it.

Nakane: I think what Nana said gets to the real essence of it. Going beyond gender, the workload and difficulty level of a Manager's job get harder as the organization grows. A Manager has to get results at various offices together with people with different workstyles.

So they really need to enjoy working as a Manager and be excited about fulfilling the roles that go with it. Going back to the theme of Part 1, Managers should build a network among themselves so that they have others to consult with on decisions they

have to make, even with decentralized authority. This might be biggest point to make people decide they can take on the job.

Otsuki: That's so true.

Tanaka: It might be worth holding hearings to find out why some people don't want to try doing that.

Aono: It certainly does help if you enjoy doing your job.

Hayashi: I'm Nana's Manager, maybe she thinks I'm not really enjoying my job that much? But actually, I'm quite happy doing it.

Cybozu does emphasize accountability, so Managers often involved in decision making have to take on that burden. If you get asked a question you pretty much have to answer it. It's not on the level of Osamu getting depressed, but you do have to cope with the questions you get, and the stress of that may sometimes show through.

Otsuki: Recently a group of Managers formed an organizational management team in the Marketing Division. Up to now we handled all sorts of issues relating to HR ourselves, but we really appreciate having others to consult with.

There are both men and women and a good range of ages in the team. It's more a case of making things easier for yourself rather than making things exciting. Work isn't going to be exciting if it's not going well, so we're like a team of Managers gathered at the stepping off point to leap over that.

Yamada: You remember my book, *Super Lightweight Management*.

Tanaka: But our management style is still heavy going, right?

Yamada: We should first put it into practice in the company.

Tanaka: You look so light yourself, Osamu.

Yamada: I'm basically the lightest person in Cybozu.

## Thinking on Employee Use of Time and Corporate Governance

### We are All Board Members

Conducted company-wide voting on **whether or not there was feedback** about the senior management decision-making and decision-making process



Tanaka: The next piece of feedback is, "I'm not sure what the shareholders will think about the employees' use of time with We are All Board Members. The quality and quantity of decision making isn't apparent, so what does CEO Aono emphasize in corporate governance?"

Aono: That's a difficult question to answer. What part of employees' use of time are they concerned about? Are they saying that making employees give feedback on processes is stealing their time?

Our Vision is for me absolutely vital to corporate governance. The vision we have is to "Create a society brimming with teamwork." That means creating a situation where people can embrace individuality to independently debate topics without lying to each other or keeping secrets.

That's why I want feedback so that people can tell us what things we need to pay attention to. It's fine to enjoy your own job, but teamwork is essential to what we do. Rather than just enjoy our own jobs, we have to share the goals and vision we have set out together, and pay attention to make sure the organization is running properly.

Our Vision is the reason why I want everyone to act as a board member. I think if we can do this, it will make a big difference in productivity. It will put an end to the

situation where people can't say what they want to say, feel put upon, their level of happiness declines, and nobody tries to stop the company even as it goes down some crazy path. I think we can create an organization where just by getting people to pay attention to each other they can stop things if they start going in the wrong direction, and work together toward a new shared vision that they find.

I want to show that this is possible. Some people say that what Cybozu is doing is tedious stuff, but I want to say that what we're pursuing is true efficiency, better than the naysayers. We care deeply about business performance and are making good progress on it.

Tanaka: That makes perfect sense.

Aono: I want to show just how much productivity can be improved by consistently putting into practice things that look to be tedious.

Otsuki: It's like the story of *The Tortoise and the Hare*. Your speed at the start has no relation to whether you get to the finish line or not.

Aono: Exactly. Cybozu might have been slow at the start, but once our discussions got closer to finding conclusions our speed took off. This phenomenal speed is down to the fact that everyone understands what we're doing and works toward the next vision.

Hayashi: Practicing accountability incurs a cost, but it results in everyone being convinced and propels us forward. I think we can see the principle of leverage at work here.

We're still moving forward by trial and error, in the process of which the way we ask and answer questions should become more sophisticated. Our efficiency in fulfilling accountability and our responsibilities to answer questions should also improve.

Otsuki: Seeing other people's questions allows you to learn what sort of viewpoints and what sort of questions to ask.

Hayashi: If we point out which questions are strange, then we should be able to gradually brush up our skills.

Yamada: I'd like to add Likes to questions.

Aono: I was just talking about this with Osamu. Some questions are good, some not so good. The better quality of questions we have, the better our efficiency is.

Tanaka: The same applies to advice. It's psychologically comforting if it starts with a polite beginning, but some pieces of advice can be a real shock even if they say something extremely useful.

If we raise the quality level then people can give advice with reassurance and less stress to those on the receiving end. That might boost our communication as well. If both sides get hurt it's no good for anyone, so I hope we can build systems allowing people to give advice in a relaxed way.

Otsuki: That'll raise Osamu's feedback limit.

Tanaka: Surely you can take on 30 next year?

Yamada: No thanks, 20 is enough. As I said in the first session, the more decision making is decentralized, the more we need lots of people looking at what's going on. If we keep track of what's going on around us and keep on taking part in it until it becomes a matter of course to act like that, our costs drop and it gets easier to decentralize.

Tanaka: Thank you very much. I'd like to read out the last piece of advice.

### **Growth of the Company**

Tanaka: The next piece of feedback is "I think very open and useful discussions take place in your organization. I'm a fan of Cybozu. But I'm not sure how all this links to the growth of the company. Keep on doing your best."

Otsuki: It's like they've listened to this discussion.

Aono: It starts by praising us.

Tanaka: That's the sort of advice that makes me happy.

Aono: That's well put.

Tanaka: Some employees are also unsure of the significance of We are All Board Members and asked why we're embarking on such an inefficient undertaking. It would be good if we could make people understand inside and outside the company how what we're doing helps Cybozu to grow and become a stronger organization.

What should we show them? How the General Managers have started to sparkle?

Hayashi: Stop it with the less than sparkling wit (LOL).

Tanaka: No, not that sort of thing, what should we show them?

Hayashi: I think we should point out our performance, that our number of users is consistently increasing and that our profits are rising due to that.

Aono: I think we've only just begun to work on our Vision to "Create a society brimming with teamwork." We've everything to achieve from here. This is not our final form by any means, we want to grow and to change society.

Tanaka: Thank you very much. That brings the sharing of the feedback we received to an end. The advice we received will be posted on our website so that everyone can see what sort of comments were made.

### **Summary**

Otsuki: We've reached the final summing up for today. Personally, I think we had a greater discussion and advice than I expected, I think the event went quite well. Mr. Aono, what are your thoughts on this?

Aono: I think a large part of that is because of everyone who took part today, and the robust flow allowing the advice to reach us properly. Now we can build a feedback loop with the shareholders just like the We are All Board Members system.

Creating lots of groups like this will allow us to rapidly gain insights, take action, and receive advice when we find a problem. I'm looking forward to seeing us grow into a strong organization through initiatives like this, I hope people participate when they get the chance.

### Guide to the 25th Annual Shareholders Meeting

## Guide to the 25th Annual Shareholders Meeting

No need to sign up in advance, anyone is welcome to watch the livestream!

Date and time: Saturday  
March 26, 2022  
Intended start time: 1:30 p.m.  
Streaming URL:  
<https://cybozu.co.jp/s1>



\* The above information can be found in the YouTube overview section.



Otsuki: Finally, I'll end with an announcement. After inputting the current status of Cybozu through this event, in three weeks' time we will have the Annual Shareholders Meeting. I hope our shareholders can attend and intend to vote on the agenda items.

With that, I'd like to bring today's event to a close. Thank you for attending and providing your input.