

Title

Inaugural Cybozu Shareholders HQ Meeting - Focus on a Staff Conference Reflecting Cybozu's Open and Flat Organization and Advice from Shareholders

Summary

The following is a transcript of the content of Part 1 of the 2022 Cybozu Shareholders HQ Meeting held on March 5, 2022.

Speakers

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

Keita Kuriyama, General Manager of Sales Division and Business Strategy Office, Cybozu, Inc.

Tepei Sato, General Manager of Development Division, 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.

Tamotsu Hayashida, General Manager of Business Marketing Division, Cybozu, Inc.

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

Transcript

What is a Shareholders HQ Meeting?



Yoshihisa Aono ("Aono" below): Welcome to today's meeting. My name is Yoshihisa Aono, President of Cybozu, Inc. First of all, I would like to thank you for joining us today at the Cybozu Shareholders Meet-up, or rather our Shareholders HQ Meeting. Although when I say, "joining us," my hope is that you will also participate.

Our practice until last year, was to hold what we called our "Shareholders Meet-up," an event that shareholders were able to attend in a passive capacity. Since then, we have revised our plans in response to feedback from within the company that shareholders should be able to participate more actively in proceedings, more like what happens at an internal meeting. The outcome of that is today's inaugural Cybozu Shareholders HQ Meeting.

As you can see in the slide, Cybozu is made up of a number of divisions. We hold meetings on a regular basis and our practice is to open up important meetings to all employees, thereby providing everyone with an opportunity to contribute and express their views.

What we have now decided is to extend this practice to involve our shareholders also by opening up our internal meetings to you and seeking your participation. Which is to say, today's meeting will proceed just like a typical Cybozu internal meeting. I hope you will join in under your new employee designation of "shareholder."

How to Register Your Advice

How to Register Your Advice

Register here!



Registration details

Register in 3 steps!

(1) Themes

- Part 1: 2021 in Review
- Part 2: Outside Directors
- Part 2: Internal Directors
- Part 2: Miscellaneous

(2) Your opinion on the selected theme

- Very much in favor
- More in favor than not
- Can't say either way
- More against than not
- Very much against

(3) Your advice on the selected theme (in your own words)



Aono: We will begin today's program with a review of six of Cybozu's divisions and their plans for this year. In Part 2, we will deal with the topic of corporate governance, with a discussion of governance by our internal and outside directors and other management. The intention is for you to be able to observe these proceedings.

The key objective today is not just that you will have the opportunity to learn something worthwhile but also that you are able to register your participation using the QR code on the slide and provide us with your feedback and advice.

The key to the success of today's event will lie in our receiving a large amount of advice. You may, for example, acknowledge the effort we have been putting in, but feel there are things we could be doing better, or you may have advice on other factors to consider in corporate governance, or other ways of doing things. This is why I strongly urge you to register using the QR code.

Today's Participants

Today's Participants



President and Representative Director
Yoshihisa Aono



General Manager Sales Division/
Business Strategy Office
Keita Kuriyama



General Manager Development Division
Teppei Sato



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



General Manager Corporate Affairs Division
Tadamasa Hayashi



General Manager Business Marketing Division
Tamotsu Hayashida



Organization Strategy Office
Osamu Yamada



Manager Corporate Branding Department
Yukio Ohtsuki



Outside Director Nominee
Yasutomi Kitahara



Outside Director Nominee
Yuko Watanabe

Aono: These are the participants in today's Shareholders HQ Meeting. They include myself and six general managers. I have also invited Yukio Ohtsuki, Manager of the Corporate Branding Department, to serve as facilitator, and we will be joined for Part 2 of today's meeting by the two nominees for outside directorships.

Part 1: 2021 in Review



Aono: So, let Part 1 of today's proceedings begin. Before we go on to discuss the activities of each division over this past year and their plans for the future, I would like first to imagine for a moment that our new "shareholder employees" are new recruits and to tell you something about Cybozu as a company.

Our Vision Since 2020

Our Vision Since 2020

Purpose (our reason for existing)

Create a society brimming with teamwork

Culture

- **Share a common vision**
Create a common vision that resonates with all members and guides their actions
- **Embrace individuality**
Embrace individual differences and tap into each other's strengths
- **Be transparent**
Build a foundation for open trust
- **Be yourself, take responsibility**
Cultivate independence and generate progress through discussion



Aono: These are the principles that, as a company, we value deeply. What is interesting about Cybozu is that this company vision was passed as a resolution at our Annual Shareholders Meeting. While shareholders meetings ordinarily discuss a wide variety of other matters, the Cybozu company vision was agreed at our Annual Shareholders Meeting and its principles and philosophies for how we go about our business adopted with the approval of our shareholders.

This slide shows the company vision that we formulated in 2020 and had approved at last year's shareholders meeting. As you can see, it is split into "Purpose" and "Culture," with the former expressing what it is we seek to achieve.

While Cybozu brings together a large number of people, what is it we are all here to do? Our answer to this question: we are "Building a society brimming with teamwork." This is our goal.

An abundance of teamwork is not what we see when we look at society today. We aim to change this. What would such a society look like? The answer is expressed in the four key aspects of our "Culture."

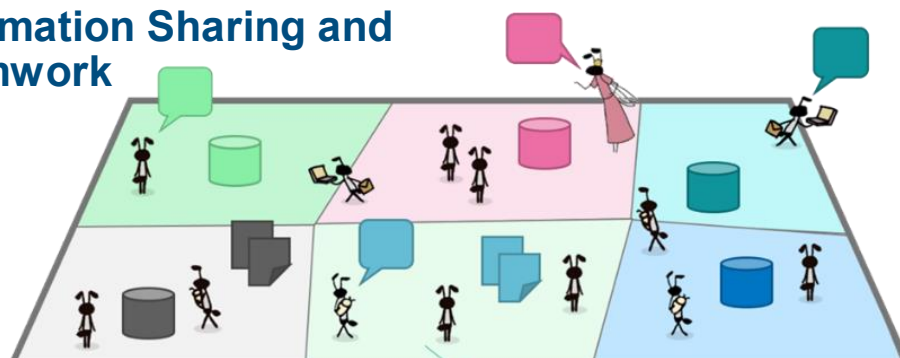
We want to achieve is for everyone to share in our vision, to engage in teamwork with respect for the individuality of everyone involved, and to establish a foundation of trust in which we are transparent, truthful, and open with one another.

To this end, our vision for a society brimming with teamwork is one that works through consultation, with people able to express their own opinions about what they want to do and how things should be done. This is the reason why Cybozu exists and this is what we have all come together to achieve.

It is not about maximizing sales or profits. Rather, our vision is to maximize global teamwork. This, more than anything else, is what I want you to understand and appreciate.

Information Sharing and Teamwork (1)

Information Sharing and Teamwork



データに国境があり、容易に越えられない。

Data, information, and communication are separated by teams, making it impossible to share information outside one's team.

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

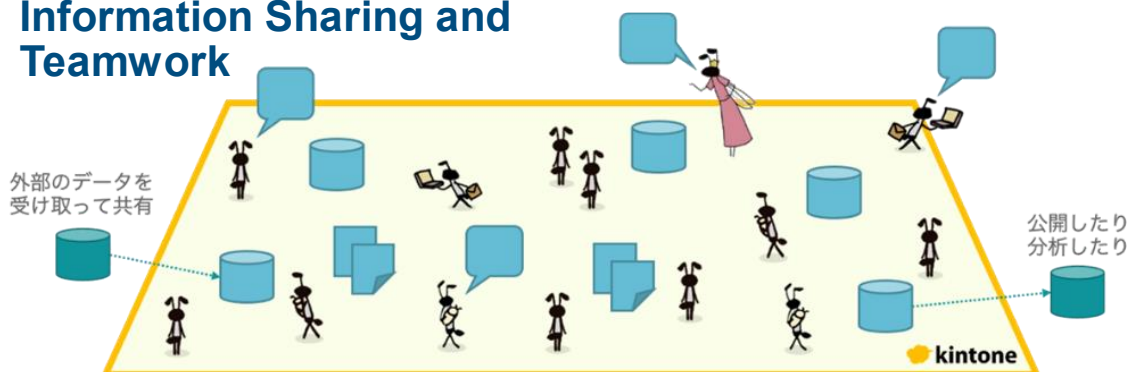


Aono: To this end, information sharing platforms are at the core of our business. In this sense, there is not much information sharing going on in society. While you no doubt make use of e-mail in your work, e-mail is a prime example of information fragmentation.

The world of e-mail is one where, when you send a message, the information goes out to those on the address list, but not to anyone else. The more emails we send, the more information becomes fragmented. It's like whispering in private.

Information Sharing and Teamwork (2)

Information Sharing and Teamwork



Information shared openly on one platform. Workplace-driven business improvement.

Information sharing boosts teamwork and helps the entire organization to evolve



Aono: Rather, what we want is a common information sharing platform that allows people to cooperate and help one another across organizational boundaries through the open sharing of information. For example, where and what kind of conversations are people having with one another, who is working where and what are they doing, and what successes or difficulties are they experiencing? We have four products designed to achieve this.

Information-sharing Tools that Cybozu Provides

Information-sharing Tools that Cybozu Provides

Groupware サイボウズ Office Easy and simple groupware for SMEs	Business app development platform キントーン kintone Platform for implementing no-code/low-code business solutions
サイボウズ Garoon Groupware for large and mid-sized organizations	メールワイズ Mailwise Centralized management of team email correspondence

Aono: I would now like to tell you about these four products. The product best suited to those just getting started is Mailwise, shown at the bottom right of the slide. Those emails that disrupt the sharing of information – with Mailwise, everyone is able to receive them, to see what they say and to reply. The service is intended to turn e-mail into a tool for sharing information.

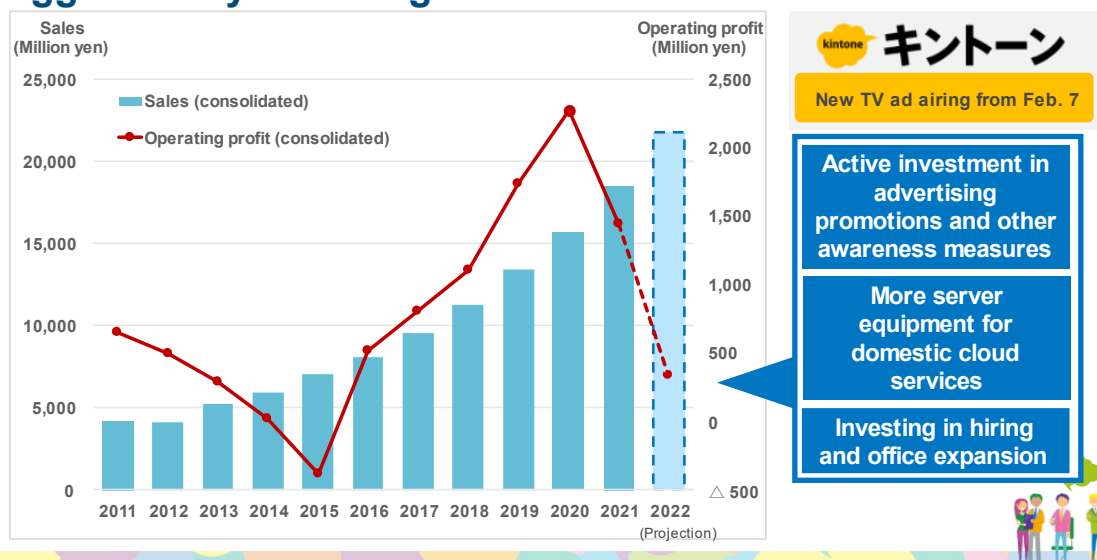
For intermediate users, Cybozu Office and Cybozu Garoon are groupware application suites of the sort typically needed for teamwork in a company. Along with e-mail, they include scheduling, a bulletin board, workflow, and files.

The current focus of our efforts is Kintone. Kintone is a cloud-based tool for creating your own applications for all the different information you want to share within your company, allowing you to put the applications out there for others to use. Through the

wider use of these products, we are working to create a society brimming with teamwork.

Aggressive Investment in Future Cloud Growth

Aggressively Investing in Future Cloud Growth



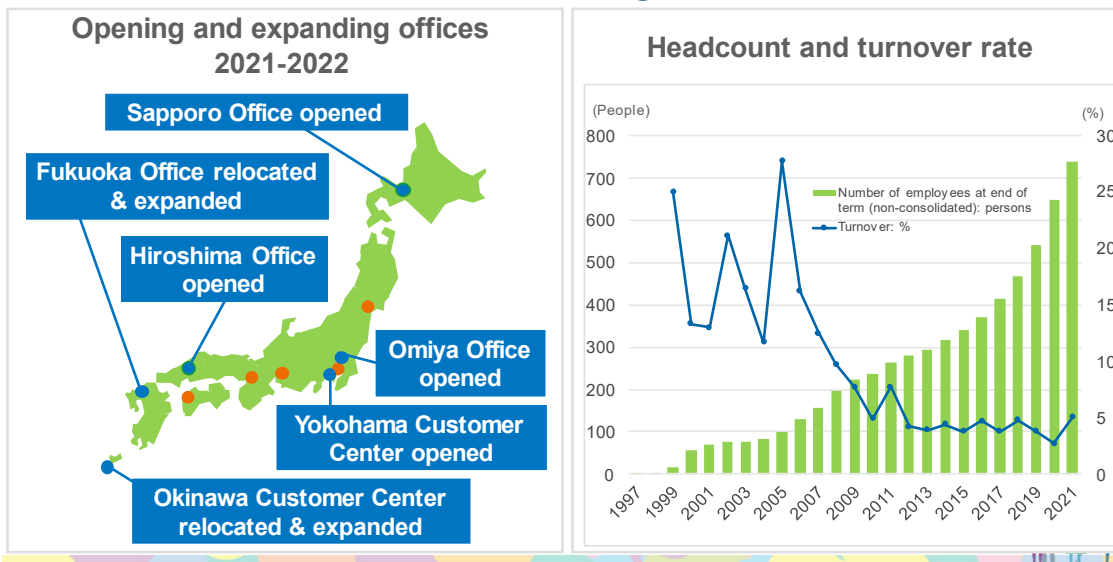
Aono: Next, I would like to look back at our performance over the past decade. The bar graph on the slide shows sales. Sales have increased more than fourfold over this period, from about 4 billion yen (4,000 million) 10 years ago to about 18.4 billion yen (18,400 million) last year. The red line graph shows our profits. Following aggressive investment in the launch of our cloud business that resulted in a loss in 2015, we have since enjoyed a V-shaped recovery.

While profits were growing steadily, we were impacted by COVID-19 and have also been increasing investment in advertising in recognition that it is about more than just showing a profit. Moreover, amid ongoing global digitalization, there is no better time than now to be promoting our efforts to create a society brimming with teamwork.

We are also anticipating lower profits for this year as we invest in enhancing our cloud infrastructure.

More Offices and Increased Hiring

More Offices and Increased Hiring



Aono: The graph on the right of the slide shows the steady increase in employee numbers. Our staff turnover rate remains at about 5 percent; meanwhile we have been steadily opening new offices in Japan.

Expansion of Global Offices

Expansion of Global Offices

Over 240 Cybozu members worldwide*As of the end of Feb. 2022



Aono: The number of overseas employees has also increased considerably. Approximate numbers are 90 in Greater China, 90 in Asia, and 50 in the USA. With the upcoming launch of a subsidiary in Malaysia, our total overseas headcount now exceeds 200.

Updated Corporate Blueprint

Updated Corporate Blueprint



Digital Transformation



Corporate Transformation

- New advisory process for all employees to give feedback on management decisions
- Selecting nominees for Board of Directors' positions from within
- Appointing Outside Directors in accordance with the revised Companies Act



Aono: Through these activities, Cybozu is engaged in more than just spreading digitization. While tools are important, we are also pursuing a Corporate Transformation in how we use these tools. This is being done to help realize our vision of a society brimming with teamwork.

We are trying out new ideas within the company. The challenges we are taking on include the use of our information sharing platform to make information more openly available to employees and making Cybozu a company in which anyone can become a director. I hope we can obtain know-how and other feedback from you on these initiatives.

Reference: 2021 Financial Results and Business Details

Reference 2021 Financial Results and Business Details

Cybozu, Inc. Business Overview and Financial Results Briefing for the Fiscal Year Ended December 2021 (held Feb. 24)

Video publicly available



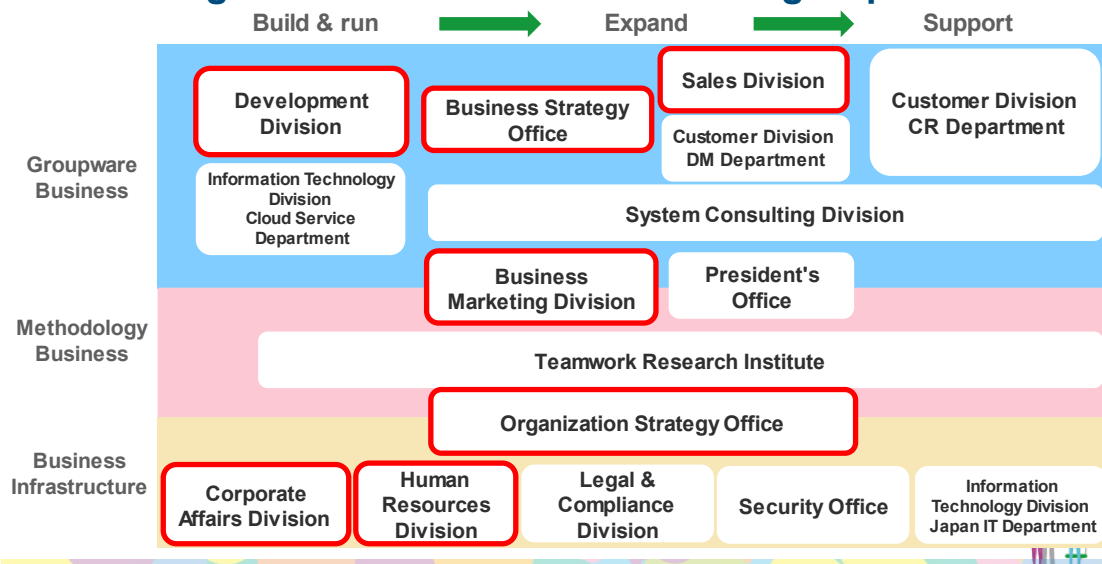
Materials publicly available



Aono: More details of our business activities are provided in the video. As this material is being made publicly available, please feel free to take a look.

Internal Organization Chart and Presenting Departments

Internal Organization Chart and Presenting Departments



Aono: We now come to the main substance of this session. As shown in the slide, Cybozu is divided into a number of divisions. In simple terms, the divisions listed as "Business Infrastructure" at the bottom of the slide handle back-office functions.

Further up the chart are the divisions responsible for producing and selling our products. Divisions further to the right of the chart have more direct contact with customers. The heads of those divisions in the red boxes are here with us today to give presentations.

Again, I ask you to listen to what they have to say and to provide us with your feedback and advice. I hope that you will join in with the spirit of the occasion and contribute whatever input you feel you have to offer.

Development Division Topics

Development Division

Development Division Topics

- 1. Revamp infrastructure**
- 2. Take on the challenge of global market expansion**
- 3. Adapt to the tougher hiring market**



Aono: I now welcome Mr. Teppei Sato, General Manager of the Development Division, to introduce himself and tell us about his division's activities for this year.

Teppei Sato ("Sato" below): My name is Teppei Sato from the Development Division. Thank you for attending today's meeting. Out of all the work my division intends to focus on during this coming year, I have three topics in particular that I want to talk to you about today. Rather than the usual discussion of new releases and so on, such as functional updates to our products, these relate more to our internal activities and challenges.

1. Revamp infrastructure

Development Division

1. Revamp infrastructure

■ The infrastructure that has supported cybozu.com for a decade is near its limits

- The initial server array of less than 100 now numbers over 1,000
- As users continue to increase, so do data and traffic
- Complex systems and operations reliant on manual effort

■ Start of migration to the new Neco infrastructure

- Adopt scalable systems able to support business growth
- Preparations for the new infrastructure are complete, products are being transferred from the old infrastructure
- Step-by-step replacement with the new infrastructure, will complete it in 2-3 years!



Sato: To summarize, the first of these relates to the revamp of our infrastructure. It has been more than a decade since we released "cybozu.com," and I am glad to say that it has grown considerably since then, with a large increase in the number of users.

Some of what we put in place initially never envisaged growth of this scale. This has caused problems with an inability to handle large quantities of data and made operating practices difficult to automate. We started working on upgrades to address these issues some three years ago.

The work completed up until last year has put the groundwork in place, meaning the challenge from this year will be to undertake the actual product migrations. We have a lot of work ahead of us and we are devoting considerable internal resources to this work.

2. Take on the challenge of global market expansion

Development Division

2. Take on the challenge of global market expansion

■ Global rollout of kintone.com

- After launching kintone.com (AWS version) in the US in 2019, we now plan to roll it out globally in April 2022
- Separating kintone.com from the Japanese version is intended to drive adoption in the global market
- Release sales management system for global version partners

■ Product challenges in the global rollout

- Enhanced internationalization, addition of supported locales
- Additional regions for data centers
- Competing with global SaaS



Sato: The second topic relates to the global market. Our past practice has been to develop products for the international market. It was to facilitate this global deployment that we transferred “kintone.com” to a database platform in 2019 to serve the US market.

We have now decided to make “kintone.com” available to the wider international market from this April. Work on this has already started and it is an area where we need to continue moving forward. The same applies to sales management systems where the challenge is to create products suitable for use around the world, including in terms of what they are able to do, and we are taking steps to achieve this.

3. Adapt to the tougher hiring market

Development Division

3. Adapt to the tougher hiring market

■ Increasingly tough competition to hire development resources

- Engineers, designers, PMs, managers, ...
- Japanese startups are attracting more funding, foreign -owned firms are boosting Japanese hires

■ At Cybozu we boosted our engineer hiring team, but even so we only just met our hiring goals for 2021

- But we still don't have enough development resources for everything we want to do

■ What are further approaches?

- Hiring other nationalities? Setting up more offices abroad? Raising pay levels?
- What is the attraction of Cybozu that will make developers want to work there?



The hiring market is becoming very tight and we need to ensure that what we do is effective. While people were already talking about how engineer recruitment has become more difficult than ever, my impression is that last year and this year it has become even tougher. I believe this is an area where we need to consider new alternatives.

While we bolstered our engineering recruitment team last year and were able to recruit about three times as many mid-career hires as in the year before, the fact that we still need more people means that this is an area with more work to be done.

Aono: Thank you very much. I would now like to open up the discussion on the topics raised by the Development Division. Recruitment is clearly difficult.

Sato: It certainly is. In the past, salary ranges and so on tended to be different at start-ups, but with the easier availability of funding in recent times, both in Japan and elsewhere, it now seems that such companies have become a source of strong competition on hiring.

Aono: Foreign-owned companies are also paying very high salaries.

Sato: Yes, that's right.

Aono: Do you do a lot of recruitment advertising?

Sato: While we make use of a variety of channels, right now most success comes from referrals, targeting, and scouting. I feel we are doing what we can on recruitment. But given that other companies are also doing the same things, there is no guarantee that this will be successful.

Aono: It would certainly be helpful if shareholders could assist with referrals.

Sato: Very much so.

Aono: Given that we have about 20,000 shareholders, one referral from each shareholder would give us an extra 20,000 employees.

Sato: What really matters is how we communicate the unique appeal of Cybozu, and how we ourselves are conscious of this.

While I believe that Cybozu has done a comparatively good job of making itself known in the context of flexible workstyles, COVID-19 has made working fully remotely a standard practice at companies competing in the market for engineers.

Being able to offer the option of working fully remotely used to be a plus for Cybozu back before COVID. Sadly, it is no longer the attraction it once was as everyone looking to recruit engineers is offering the same. As such, we need to be thinking about what else we can now do.

Aono: How about in Human Resources? Do you also feel that COVID has robbed us of an advantage?

Yumika Nakane ("Nakane" below): I am Yumika Nakane, here representing the Human Resources Division. Certainly, although everyone has done what they can, it is true that Cybozu no longer stands out from the crowd. However, I think this is a very good thing.

Not only in terms of Cybozu's competitiveness, I also feel that we will benefit from how changes in the attitudes of job candidates will flow through to the company as well.

Sato: That is certainly a factor. We are recruiting more people from places where we have not had an office in the past, places other than Tokyo and Osaka, as remote working makes it easier for them to come onboard.

Nakane: The barriers are certainly lower.

Sato: In this regard, I believe the changes are for the better.

Aono: In other words, more people are coming to realize that, whereas they may have thought of Cybozu as a Tokyo or an Osaka company, you can in fact work from anywhere.

Sato: That's right.

1. Revamp infrastructure

■The infrastructure that has supported cybozu.com for a decade is near its limits

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- Complex systems and operations reliant on manual effort

■Start of migration to the new Neco infrastructure

- Adopt scalable systems able to support business growth
- Preparations for the new infrastructure are complete, products are being transferred from the old infrastructure
- Step-by-step replacement with the new infrastructure, will complete it in 2-3 years!



Aono: If we are to build a society brimming with teamwork, then it would be a concern if other companies did not follow our example, although we also need to keep one step ahead. Let's return now to the first topic raised by the Development Division.

While it can be difficult for people outside the company to appreciate, replacing infrastructure is a real challenge. Given that it involves replacing and upgrading over 1,000 servers, we would really like to know in advance where the risks are likely to lie.

Sato: It certainly is. This is a critical project, and what makes it so is that, given our current user growth, failure to proceed with this upgrade would, in a matter of a few years, put us in a position where we would find it very difficult to accommodate any new users. This is why we need to establish new infrastructure that will give us the ability to scale as needed before that situation comes to pass.

Aono: Where do you think the bottlenecks might occur? If difficulties arise, where do you anticipate the causes might be found?

Sato: We are now getting to the actual migration stage where, to some extent, we will need to transfer data while existing systems are still running. The size of this job is daunting. It is not simply a matter of deciding on which day the transfer is to happen. Rather, the transfer will be a drawn-out process that happens in the background, and we will need to put preparations in place to allow the progressive copying of data to the

new system, over a period of many months, while users are still using the old infrastructure.

As these preparations will not be completed quickly, we also need to take the time to ensure we are ready to reallocate resources should something go wrong along the way, for example. The long timeline of the project means that any failures along the way will only further push out the completion date.

Another potential difficulty is if the new infrastructure proves to be unstable and causes delays in switching over the production environment to the new system.

Rather than designating a particular day for switching over all services at once, we are looking for ways of minimizing risk by having the migration proceed in stages, switching over one service or one part at a time as the performance of the new infrastructure gets better. In this regard, some of the smaller services are already up and running on the new infrastructure.

Aono: Doing it in a way that users won't notice?

Sato: That's right.

Aono: What makes it difficult is that we need to work behind the scenes without any service interruptions. Is there any way in which the respective divisions could help?

Sato: Certainly it might be useful if they could go a little easy on the current infrastructure. They may find themselves getting inquiries from clients wanting to make very large-scale use of the current platform, with large file sizes or heavy access loads, for example. They could perhaps suggest that users of the current infrastructure wait a little longer for these things.

Aono: Wait until the new infrastructure is ready?

Sato: I have already had to ask some people to wait a little longer as it is still a work in progress.

Aono: I certainly hope that Mr. Kuriyama and Mr. Hayashida appreciate this point.

Keita Kuriyama ("Kuriyama" below): Our partners are well informed about what is happening with Kintone and we have been building up our integration know-how as we work on the current infrastructure. Everyone is becoming much better at getting data out of the system.

Aono: A guide containing useful know-how has been put out recently and this has helped make its use more reliable.

In any case, we have now reached the end of the time allotted to the Development Division. There is more to come, however, so please stick around. I would also encourage you to continue submitting any advice you have to offer.

Business Marketing Division Topics

Business Marketing Division

Business Marketing Division Topics

- 1. Accelerated investment in product-related advertising mainly in the second half of 2021**
- 2. Communicate several viewpoints e.g. workstyles, company organizations, hybrid work, diversity**
- 3. In the process of strengthening human resources development**



Aono: Next, Mr. Hayashida will tell us about the topics relating to the Business Marketing Division, or "Bizima" as it is known within the company.

Tamotsu Hayashida ("Hayashida" below): My name is Tamotsu Hayashida from the Business Marketing Division. Thank you for attending today's meeting. The first topic relating to my division over the past and current year is our investment in product advertising, especially TV commercials, which we have stepped up from the second half of last financial year. We are also looking to issue a range of communications on

topics such as workstyle, company organization, hybrid work, and diversity. Moreover, we are in the process of strengthening our human resource development.

These are the three main topics that I wish to talk about today. I intend to focus in particular on the first and second of these, both of which relate mainly to how we present ourselves to the outside world.

1. Accelerated investment in product-related advertising mainly in the second half of FY2021

Business Marketing Division

1. Accelerated investment in product-related advertising mainly in the second half of 2021

■ Kintone's installed customer base is currently particularly growing, and in the second half of 2021 we stepped up TV commercials and other types of ads for Kintone

- We are starting to see results like an increase in the number of website visitors.
- Buyer surveys show that the majority of customers take over a year to consider a product before purchasing. Potential buyers need to be exposed to a product multiple times, in multiple situations to develop recognition and understanding.
- We are increasing recall opportunities for Kintone with the joint use of online and transport ads.
- We intend to adjust the investment amount and continue this for several years.



Hayashida: We have been investing a lot in product advertising over the period from the second half of the last financial year through to this year. We have boosted our activity across a range of channels, including television, online, and outdoor advertising, and indeed I expect many of you will have seen some of these commercials.

Much of this has been about raising the profile of Kintone and prompting people to ask themselves what Kintone actually is. While this will not necessarily lead to an immediate increase in users, website visit statistics are on the rise and I believe that the first phase of this advertising is gradually beginning to show its worth.

A survey of customers who have signed up for our services found that, in more than half of all cases, signing up for the service did not happen until more than a year after

the user first learned about Kintone. When you consider the internal approvals and other procedures such users would have needed to go through, this is not unexpected.

We appreciate that keeping these users engaged with Kintone and preventing them from forgetting about it will require reminding or informing them about it on a variety of fronts. This is why we chose to use online advertising and a range of other channels to provide these Kintone reminders.

As such advertising needs to be sustained if it is to deliver benefits, we intend to continue with it for several years, albeit with some ups and downs in the level of spending over time.

2. Communicate several viewpoints e.g. workstyles, company organizations, hybrid work, diversity

Business Marketing Division

2. Communicate several viewpoints e.g. workstyles, company organizations, hybrid work, diversity

■ At the cutting edge of Workstyle Reform

- Increase in remote work through COVID-19
- Decreasing interest in Workstyle Reform
- Cybozu took up the challenge, e.g. Board of Directors Meeting reforms
- Moving away from major cities, diversity

We will continue to communicate how we are searching for ways to synchronize emerging social trends in Japan with the challenges we are embarking on.



Hayashida: We are looking to communicate our views on topics such as workstyle and company organization. As mentioned earlier when talking about the Development Division, the issue is what message we should be trying to convey on where to next for workstyle reform.

Working remotely is becoming more common, with different companies pursuing a variety of workstyle reforms. Conversely, looking around at what is happening, my impression is that having all of these companies pursuing reforms may in fact be

reducing interest in flexible workstyles and causing a fall in the number of people looking into the subject.

On the other hand, information of a somewhat different form is coming out, like at last year's Board of Directors Meeting, and this may have the effect of reviving interest. We should get some reaction by approaching the subject from a variety of different angles, such as diversity or relocating out of the main cities.

As of right now, while we have yet to identify which angle to pursue, the challenge we face amid all of the changes happening in Japanese society is to keep trying to discover where the traction is to be gained in our ongoing communications. This is a key issue for the Business Marketing Division, especially over the period from last year through this year.

Business Marketing Division

1. Accelerated investment in product-related advertising mainly in the second half of 2021

■ Kintone's installed customer base is currently particularly growing, and in the second half of 2021 we stepped up TV commercials and other types of ads for Kintone

- We are starting to see results like an increase in the number of website visitors.
- Buyer surveys show that the majority of customers take over a year to consider a product before purchasing. Potential buyers need to be exposed to a product multiple times, in multiple situations to develop recognition and understanding.
- We are increasing recall opportunities for Kintone with the joint use of online and transport ads.
- We intend to adjust the investment amount and continue this for several years.



Aono: Thank you very much. Shareholders often ask whether we are spending too much on advertising.

Hayashida: Yes, they do.

Aono: Given that today's meeting is meant to be in-house, I feel our discussion can be a little more candid in such an environment. In Silicon Valley, a company like ours with sales in the 20 billion yen range may run at a loss of about 20 billion yen.

Yet even with all we are doing, we still expect to be in the black this year. That is, we still have the scope to step on the accelerator to the tune of 20 billion yen. When you consider the potential for Kintone to become part of the social infrastructure of the future, should we not in fact be spending even more right now while we still have a favorable tail wind? How do you respond to that?

Hayashida: Ultimately, if we wanted to spend 20 billion yen, then of course we could. While it does not have to be 20 billion yen, the essential point is that, if we want to remind customers about Kintone and keep it in their minds, then it is vital that we increase opportunities for these customers to come into contact with Kintone in many different areas of their daily lives.

To this end, we intend to keep on with the TV commercials and make plentiful use, not only of online advertising, but also outdoor channels such as trains and taxis, not to mention magazines and newspapers. There are many different places where people come into contact with ads as they go about their daily lives, so for us as an advertiser, there are many available channels and a great deal of scope for investing in even more advertising.

Aono: Have you used outdoor advertising before?

Hayashida: Not very much. While we have advertising up in railway stations, we still have not made much progress on getting ads into subway stations, particularly the places where business people are likely to pass by. It would help to have advertising in such locations.

Aono: I would appreciate any advice. Can you think of any interesting places or ways in which we could advertise? Something that stands out as being distinctively Cybozu, or suggestions as to where such advertising could go.

Hayashida: I would welcome any suggestions as to what sort of advertising people would like to see.

Aono: Previously, when we were promoting workstyle reform, I understand the ads were focused on Kasumigaseki Station.

Hayashida: Right.

Aono: And these were targeted at people from the Ministry of Health, Labor and Welfare? In that regard, the question becomes "what message do we want to convey, and to whom?"

Hayashida: That's right. We want to highlight to people how use of Kintone can make their current work more efficient and allow them to get things done more easily. There is a lot that I would like us to be getting across with regard to the value we have to offer.

Kuriyama: What I hear from our partners is that, while executives continue to travel, non-executive level employees are making fewer business trips. This means that right now could well be a good time for using airport advertising for the pinpoint targeting of executives.

Aono: Good idea. We are now getting onto our second topic, where the message shifts from one of workstyle reform to corporate governance. While workstyle reform may seem more a topic for Human Resources, moving on to corporate governance brings us into the realm of management, an area where targeting executives makes sense.

Hayashida: It certainly is. As is the case with board-level reform, when changes start happening in workstyle reform there will be some who take the view that the company is fine as it is. So, I hope we will be able to come up with some good suggestions for the executives as to other ways in which things can be done.

Rather than people scrutinizing the airport advertising, we will first need to come up with some key words that will catch people's attention and I very much hope that this is something we can do.

Aono: Thank you everyone. We have now reached the end of the time for Bizima. The next speaker is Mr. Kuriyama.

Sales Division Topics

Sales Division

Sales Division Topics

1. Take on the challenge of developing new sales channels
2. Raise Kintone's presence in the public sector market
3. Focus on product alliances



Kuriyama: The Sales Division has had a lot to do over the two years since 2020. While I found it difficult to narrow things down to just a few topics, there are three in particular that I wish to raise.

1. Take on the challenge of developing new sales channels

Sales Division

1. Take on the challenge of developing new sales channels

- Kintone proposals outside current IT sales channels
 - Financial institutions with strong connections to corporate customers
 - Consulting companies with a good reputation for human resources development

■ Take on the challenge of major system integrators and Kintone



Kuriyama: This is the first topic. In terms of our IT industry category, Cybozu can be characterized as a BtoB SaaS company. However, one characteristic that distinguishes us from the very many other BtoB SaaS companies that handle all of their own sales is that Cybozu is strong in the area of partner and other indirect sales.

We are continuing to seek out new sales channels to better leverage this characteristic. There are two such initiatives that I believe were especially successful in 2021.

One is our alliances with regional banks and other financial institutions. I also believe we have had great success with the delivery of Kintone through consulting firms, a channel where we have had very few sales in the past.

The second initiative is our work with major system integrators (Slers, implementation partners). Although we have put in a lot of effort, we have had few dealings in the past with large system integrators. To name names, the largest include NTT Data, SCSK, Nihon Unisys, and Itochu Techno-Solutions (CTC). We are putting a lot of thought into whether we can do more in this area.

2. Raise Kintone's presence in the public sector market

Sales Division

2. Raise Kintone's presence in the public sector market

- **Progressive adoption of Kintone by nearly 200 municipalities, central government agencies, and prefectural offices**
 - COVID-19 created the need to get systems up and running quickly
 - Digitalization of services for residents and operations inside govt. offices



Kuriyama: This is the second topic. Compared to the past, deployment of Kintone in the public sector has visibly accelerated over the past two years. Notably, Kintone has been adopted by nearly 200 municipalities, and some central and prefectural

government agencies are either currently considering installing it or have already installed it.

There are two reasons behind this. The first has been the need to get many systems up and running quickly during the COVID-19 pandemic. There have been numerous instances of systems commencing operation within a month of the government policy being announced. I have found myself receiving calls from people who want a system that they can start using next week. To which I can only reply, "Did I hear you correctly? Did you say next week?" This need to get systems working at very short notice has, I believe, opened up considerable opportunities for Kintone.

The second reason is the overall trend toward the digitalization of services for residents, and, of public-sector operations generally. I expect you all participate in the elections, and you will find that 70 to 80 percent of mayors these days are promoting the digitalization of resident services and city operations in their campaigning. It seems to me that this is an area where we are frequently called upon to help.

3. Focus on product alliances

Sales Division

3. Focus on product alliances

■ Create Kintone platforms in client companies

- Meet the rising demand for integration created by increased adoption of B2B services

■ Raise the product value of Kintone

- Differentiate Kintone from competing products by expanding provision of plug-in services



Kuriyama: This is the third topic. While it may not be widely appreciated, companies are increasingly adopting cloud services. It is said that trends reach Japan a few years behind the US market. The current survey data from the US is telling us that a reasonably large company can be expected to use about 70 different cloud services.

In Japan, meanwhile, while an increasing number of companies have adopted at least some cloud services, this tends to happen in a piecemeal fashion without any coordination. This is why I believe that interoperability between different BtoB SaaS products will be a major factor in the future adoption of cloud services. The sort of issues that arise in the selection process include customers choosing a particular product simply because it is available or choosing not to adopt a service because, while it looks good, it will not work with what they already have.

Fortunately, Kintone is very easy to connect to other services. It is a little hard to understand without a diagram, but suppose there are three services: A, B, and Kintone. Kintone can interoperate with both A and B. However, there is no direct link between A and B. Cases like this are very common.

It means that, while A and B cannot interoperate directly, they can do so via Kintone if it is installed. It has become clear to me that our being able to fill this role in the cloud industry is a strength, one that clearly differentiates us from our competitors.

Being able to connect various services via Kintone also strengthens our competitive position and this is an area where we intend to devote a lot of effort, including by establishing a specialized team and assigning more staff. That's all. Thank you for this opportunity to give you a brief overview of these three topics.

Aono: Thank you very much. It was very interesting. The Sales Division is involved in a range of different initiatives, of which these are but three.

Sales Division

1. Take on the challenge of developing new sales channels

■ Kintone proposals outside current IT sales channels

- Financial institutions with strong connections to corporate customers
- Consulting companies with a good reputation for human resources development

■ Take on the challenge of major system integrators and Kintone



Aono: It is interesting to hear that you have been able to bring partners, such as regional banks, onboard as sales channels. What I would really like to hear, however, is that you have got us a major system integrator (Sier). Given the many instances in Japan of large system integrators taking on large projects, the question becomes one of how to engage with them.

Some of our viewers today may work at such companies, or some of you may know people who are involved in their management. Perhaps you might want to give us a call and offer to join forces?

Kuriyama: Since this is an internal meeting, I will put it in a way that will be easier for those from other divisions to understand. Fundamentally, there is not much affinity between Kintone and large system integrators. In simple terms, Kintone is a service that allows you to create an existing system at low cost.

It is a rough way of putting it, but that is what it is. As adopting Kintone somewhere where systems are already in place only reduces the unit sales price, I expect it will be difficult to achieve any depth of engagement unless we can successfully explain to systems integrators the benefits of having Kintone as part of their portfolio of offerings.

We have been looking for answers to this problem, and are slowly starting to find some. The in-depth discussions we have been having with one of the major companies have reached the point of talking about how Kintone can play a central role in their business. While it is only one company at the moment, we are working with them to find the right answers.

Aono: As we need to make a profit if we are to remain in existence, we want to establish a model that allows us to operate our business while still keeping customers and partners happy.

Kuriyama: There was a way of expressing it that came to me while I was talking with their directors and facing a degree of reluctance. The history of the IT industry has been one of continual downsizing.

We went from mainframes to office computers, from office computers to open systems, and from open systems to the cloud, downsizing all the way. And yet, amid all of this downsizing, never once did the IT industry get any smaller.

As I put it to this person, while I lacked the evidence to prove it, there was no chance of this latest downsizing doing anything other than making their business larger, not smaller. They conceded the point and we went on to discuss how to proceed.

Aono: That's right. While people always tend to focus on what will be disrupted when a new innovation comes along, it would be great if they could also appreciate the even larger market that awaits them further down the track. Accordingly, we would love to hear advice from our shareholders on how we can better make our case and boost our earnings.

Sales Division

2. Raise Kintone's presence in the public sector market

- **Progressive adoption of Kintone by nearly 200 municipalities, central government agencies, and prefectural offices**
 - COVID-19 created the need to get systems up and running quickly
 - Digitalization of services for residents and operations inside govt. offices



Aono: Regarding the second topic of the public-sector market, I understand that is going well. Overall, the impression is that demand is coming from the cities.

Kuriyama: Yes, that's right. The numbers are higher for metropolitan areas.

Aono: Do you tend to focus on larger cities such as Tokyo, Osaka, Kobe, and Kitakyushu?

Kuriyama: Metropolitan areas, by their nature, tend to have a larger volume of work.

Aono: Local governments outside the main cities are severely understaffed. They often complain that, while they are unable to increase staff numbers, the workload does not get any smaller and so they want to get things moving quickly.

Kuriyama: I have had many opportunities to speak with local government and have heard many different stories. While I had always assumed that in the regions jobs in the public sector would be extremely popular, it turns out in fact that regional municipalities have been unable to recruit as many staff as they want or fill the vacancies with new graduates. This difficulty in hiring is something you hear about a lot when you visit the regions.

Aono: And if action is not taken soon, the work environment will only get worse ... I wish there were some good ideas on how to address this problem. Speaking of which, I understand there are about 1,600 to 1,700 municipalities in Japan?

Kuriyama: About that number.

Aono: It would be helpful if we were able to deal with them on a more collective basis. Dealing with them one at a time, there would be little to show for it even after a decade. What is needed is a strategy that can be applied across the entire sector at the same time. In any case, this completes the allotted time for the Sales Division. Thank you .

Organizational Strategy Office Topics

Organization Strategy Office

Organization Strategy Office Topics

1. 10-presidents plan
2. Decision making and advice
3. We are All Board Members



Aono: Osamu, are you there?. I understand you are in the US today?

Osamu Yamada ("Yamada" below): That's right. I'm currently in San Francisco.

I would like to start by telling you about the Organization Strategy Office. As digitalization progresses, it uncovers more and more opportunities for improvement, just like at Cybozu. What we are embarking on at the Organization Strategy Office is a veritable corporate transformation of Cybozu as a company. My three topics for today are the "10-presidents Plan," "Decision making and Advice," and "We are All Board Members."

Vision for the Organization Strategy Office

Organization Strategy Office

Vision for the Organization Strategy Office

Create a society brimming with teamwork

Expanding and sustainable teams



Mechanism centering on vision without relying on specific people



**Autonomous, decentralized
campfire-style teams**

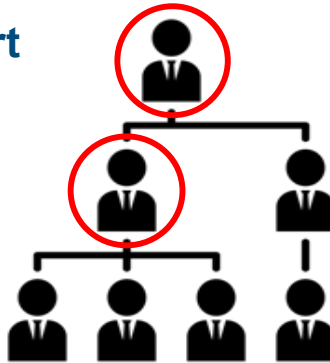


Yamada: We talk about creating a society brimming with teamwork, but this is no easy task. What we want are teams that can grow and sustain themselves, that can do so without being dependent on particular individuals, and that, rather than being based on authority or power, are able to operate in such a way that people can work toward common goals on the basis of knowing what they want to achieve. We call these "autonomous, decentralized campfire-style teams," and these are the types of teams we are setting out to build.

Cybozu's organization chart

Organization Strategy Office

Cybozu's organization chart



Created by Krisada from Noun Project

Concentration of authority

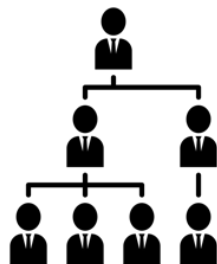


Yamada: While you might think that Cybozu has a flat corporate structure, in fact, our organization is a typical hierarchical one with a concentration of authority as shown here.

Cybozu's information sharing

Organization Strategy Office

Cybozu's information sharing



Created by Krisada from Noun Project



Created by Becris from Noun Project

Information is open

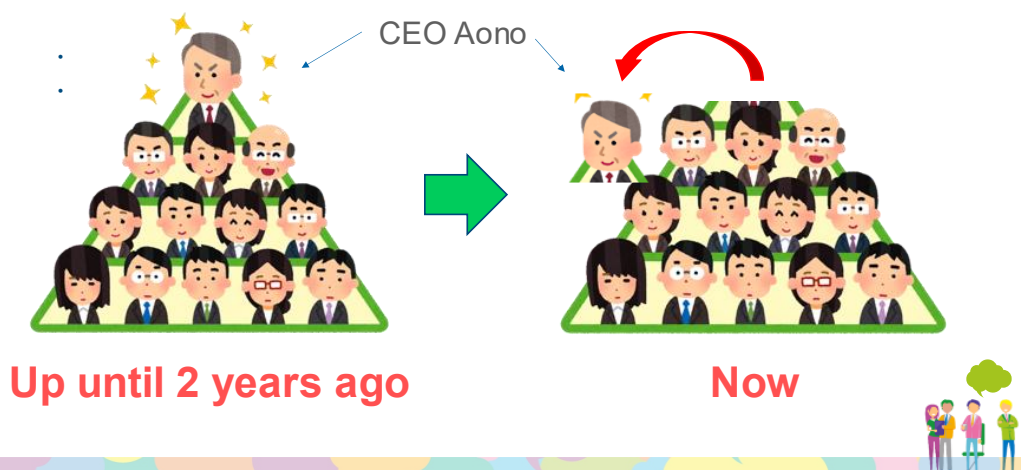


Yamada: However, we are far advanced with digitalization at Cybozu and our information sharing is very flat.

From a pyramid to Mount Fuji

Organization Strategy Office

From a pyramid to Mount Fuji

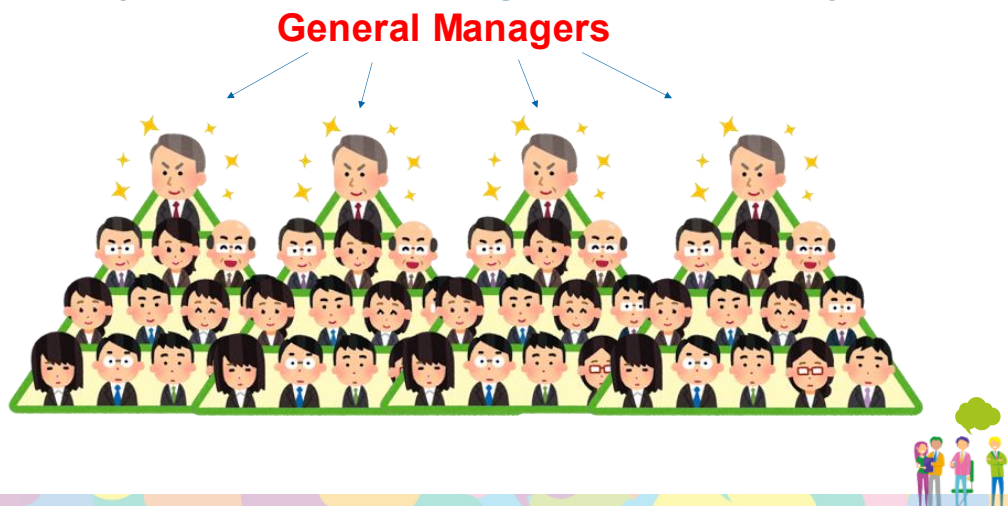


Yamada: Our first step toward making this transformation in an environment of flat information sharing was to embark on our "10-presidents Plan." Up until the year before last, Mr. Aono was the senior-most manager with ultimate authority. Now, in contrast, he has stepped down a rung and we have reshaped our organization from a pyramid to something more like Mt. Fuji.

Company-wide view looking like the Himalayas?

Organization Strategy Office

Company-wide view looking like the Himalayas?



Yamada: The result when you look at the organization chart for the entire company is more like the Himalayas. While Mr. Aono counts as one among them, it is the general managers who are the final decision makers. This means there is now much that Mr. Aono is not allowed to decide alone.

In effect, while he represents the company, in terms of authority, he is like everyone here, including perhaps myself. That is, his authority only extends as far as the scope of his particular responsibilities.

Decision-making and advice



Yamada: You may be wondering whether this decentralizing decision-making really works. However, the way we do it also includes a system for providing advice to decision makers. When a decision is to be made, we have the people with knowledge of the matter, or who can influence the decision, or bring in different perspectives, provide advice in a manner that is visible to all.

What we are doing is like what you shareholders are currently experiencing here today, including being able to agree or disagree with advice or ask questions when unsure. However, rather than all of this being a majority decision, it is still up to the decision maker to make the decision and justify it.

We are All Board Members (Mintori)

Organization Strategy Office

We are All Board Members

- Sharing **processes**
- Sharing meeting minutes (**results**)
- Be accountable to **ask & answer**

Systematize this

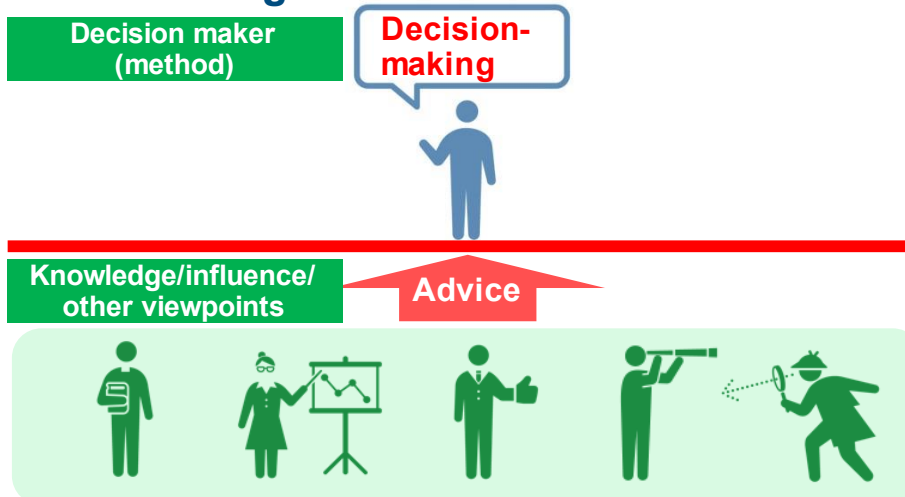


Yamada: When Cybozu switched last year to open recruitment of its internal directors, there were some murmurs as to whether our corporate governance was still okay. It is, and the reason why is because, as we have just been discussing, we share the decision-making process, share the final results in the form of minutes, and operate a system that allows everyone to ask questions on the basis of having a duty to question as well as a duty of accountability.

This information sharing also means that anyone wanting to misuse the system is unable to do so. We have also now taken this questioning one step further by making everyone a director so that we are able to make it known if we find something odd about any of the decisions made around us. It is the Organization Strategy Office that is responsible for this initiative.

Organization Strategy Office

Decision-making and advice



Aono: Thank you very much. I will put off further discussion of this “We are All Board Members (Mintori)” initiative of making everyone a director for now as we will be coming back to it in Part 2 of today’s proceedings. What I will say is that what this Shareholders HQ Meeting is doing right now is an instance of such decision making and advice. It is a chance for all of you to watch on as we discuss what the different divisions are thinking about and doing, and for us to seek your advice and fulfil our duty of accountability by answering any questions.

None of which has any point, of course, unless such advice is forthcoming. So, we are going out of our way to elicit feedback as it would be no good for this meeting if, despite our protestations of openness, no one was to offer any advice or if the atmosphere discouraged it.

Organization Strategy Office

From a pyramid to Mount Fuji



Aono: This "10-presidents Plan" is a bit disturbing because it looks like I've been lopped off.

Yamada: The way it appears on the slide is unfortunate.

Aono: Nevertheless, we have now genuinely reached a state of affairs in which decisions can be made at important company meetings without my presence. One year on, how is everyone doing? Do you find it difficult to proceed without me? How about you, Mr. Kuriyama?

Kuriyama: I haven't had any trouble.

Aono: Really? No problems? How about you, Ms. Nakane?

Nakane: When you think of the delays that would happen because Mr. Aono absolutely had to be there, then, no, I don't think it has caused me any problems.

Aono: So, in a sense then, if someone wants to get something done, they decide to do so for themselves.

Nakane: That is how it works.

Aono: And there is more of a sense of urgency?

Nakane: That's right. What we need to address next, however, is the question of how to gather advice from across the entire company when making the really big decisions that impact more than just one division, how this can be done efficiently, and who will take the lead in doing so. While, in the past, it would have been up to Mr. Aono to give the final word on such matters, given that this is no longer the case, this is now something we ought to be thinking about.

Aono: You are talking about the issue of what to do when your division has a particular plan of action but other divisions see it differently? You could put a structure in place whereby there is one individual at the top to make decisions that everyone can then follow, but we don't have that option.

Nakane: That's right, we don't.

Aono: How do we overcome this? If we discuss matters openly, I believe we should be able to reach a conclusion.

Yamada: It should at least provide us with some insights. As things currently are, when we discuss a particular matter, we do so on the basis of having already decided who it is who will decide what to do. In the future, however, I believe we need to consider a variety of factors with regard to how we should proceed when there are disputes about who gets to decide.

Aono: This is another area where, rather than worrying about something that hasn't yet happened, maybe we should figure out what to do about such situations when they do in fact arise. For example, when we have trouble deciding on the division of responsibilities, or when someone who wants to pursue a particular plan of action encounters resistance that obstructs progress.

Yamada: You are suggesting that this is currently not much of a problem. Actually, I have a very big problem.

Aono: Is that so?

Yamada: At the Organization Strategy Office, we are always dealing with the company as a whole and our work often encompasses different divisions. In the past, I believe it was easy for me to make my own decisions after hearing what others had to say so long as you (Mr. Aono) gave your approval.

The way things are now, however, because nobody pays attention to whether you have approved something, they have to listen to what I have to say. This makes it difficult to get things moving forward if other people are not really convinced. It was easier when you acted as the company president. I have become acutely conscious that things were easier when there was someone in the top spot.

Kuriyama: Does the opposite not also apply? People would bring in things saying that Mr. Aono has already given approval, but I'm glad that this now no longer happens.

Yamada: That's one side of it.

Kuriyama: And this is another.

Aono: So you are saying that you can no longer rely on presidential authority to get things done?

Kuriyama: This pyramid does give the impression of a seniority system. I just wanted to say that before the shareholders get involved.

Yamada: There is still a slight sense of seniority.

Aono: But you wanted to change how things worked. You never know when I will get sick or have an accident. Were something like that to happen, it would be great if we had 10 people already trained up to be president. Rather than having just one person as president, we are clearly in a much stronger position having 10 people in that role. I appreciate the difficulties, but I still hope you will take up the challenge.

Yamada: There was a proposal that you withdrew in response to advice and opposition from employees.

Aono: I would say that there were more people who were opposed. We have become a company that doesn't try to second-guess the President.

Hayashida: A question that warrants a lot of thought is how much and what kind of advice do we need to receive to go ahead with something, and what will cause us to pull back. You can think of it as a form of training, and I believe the more people who are in training, the stronger we will be.

Aono: Yes, that's right. As time is up, I would like to conclude this section on the Organizational Strategy Office. Thank you, Osamu!

Human Resources Division Topics

Human Resources Division

Human Resources Division Topics

- 1. To achieve a happy, autonomous, decentralized organization**
- 2. Workstyles and diversity for teams and individuals going forward**



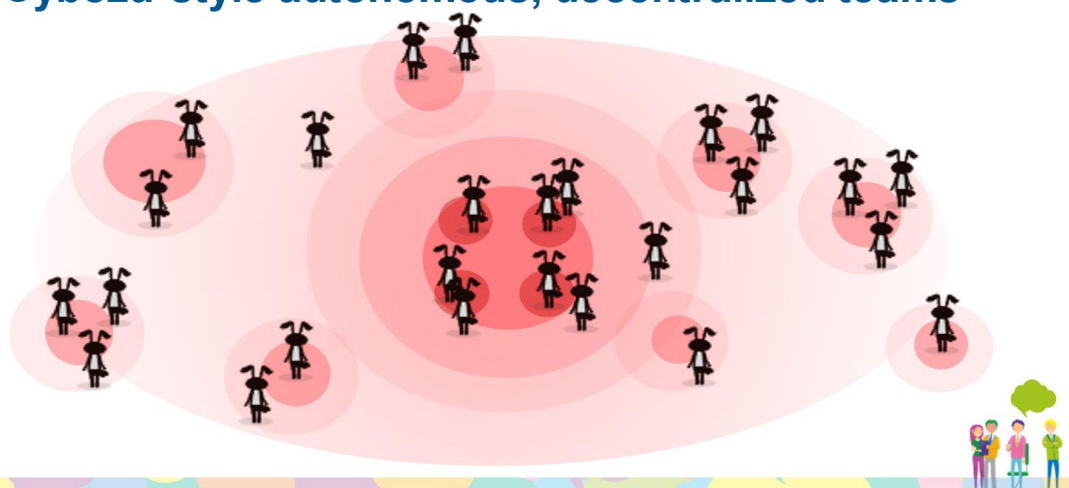
Aono: Over to you Ms. Nakane.

Nakane: I am Yumika Nakane from the Human Resources Division. I have two topics I wish to talk about today. The first is about how we achieve a happy, autonomous, decentralized organization, the second relates to diversity and our future workstyles for both teams and individuals.

A company brimming with teamwork = Cybozu-style autonomous, decentralized teams

Human Resources Division

A company brimming with teamwork = Cybozu-style autonomous, decentralized teams



Nakane: The first topic of how to realize a happy, autonomous and decentralized organization relates directly to what we have just been talking about with the Organization Strategy Office. That is, we are spreading authority more widely and becoming an organization in which people can think and make decisions for themselves.

1. Happy, autonomous, decentralized teams

Human Resources Division

1. Happy, autonomous, decentralized teams

- Decentralization alone is not enough to create autonomous and decentralized organizations.
- Decentralization leading to disorder does not make for happy teams or individuals.
- Through empathy in diverse ways to achieve our vision, what we want to create are teams utilizing teamwork to the max.
- We want to make co-creating teams, organizations that mass-produce good teams
- The keywords are “connections” and “platforms” (mechanisms and places).



Nakane: At Cybozu, not only are we adopting autonomous and decentralized ways of doing things, we also have a wide variety of workstyles. With our having also become so geographically dispersed, it raises the question of whether such a company really can be brimming with teamwork? There are issues that remain a cause for concern, one of which is that an autonomous decentralized organization does not necessarily need to be decentralized.

A decentralized organization may well appear spread out, and if each team goes about things in their own way independent of one another it may be for the best within their own context. However, the question remains: will this result in our efficiently achieving the larger ideal of Cybozu as a team in itself?

What we are trying to do at the Human Resources Division is to build Cybozu into a team in a way that gets as close as possible to being a society brimming with teamwork. We also want to create a platform that can roll out this concept of teams brimming with teamwork much more widely.

Two key concepts are needed to achieve this, I believe. One is "Connection" and the other is "Platforms." Connections are vital, meaning both connections between people and connecting with information.

At the Human Resources Division, our particular role lies in connecting people with people. The Development Division is the Development Division and the Sales Division is the Sales Division. Their respective general managers do what is best given the situation in front of them. At Human Resources, however, our role is to consider how to create connections between people in ways that transcend these different divisions and teams.

We want such connections to bring a sense of reassurance and safety, and an environment in which people can achieve things together. This is because, without this sense of reassurance and safety, I do not believe we can get accountability, and the responsibility to advise and question, to work in practice. You will be ill-inclined to offer advice to someone who you find intimidating.

A key point, then, is to be able to establish connections that are not like this, and to create opportunities for people to forge good connections.

“Platforms,” meanwhile, are all about our establishing mechanisms that make it easy for people to create their own such opportunities and ways of doing things. This is the first topic.

2. Workstyles and diversity for teams and individuals going forward

Human Resources Division

2. Workstyles and diversity for teams and individuals going forward

- Virtual workstyles advanced through COVID-19. Working in the office rate 10 to 20%.
- Utilize the good points of both real and virtual approaches to realize hybrid work.
- Workstyles offering better choices
- Offices will become places where people connect rather than just work
- Workstyles that raise teamwork outcomes and make individuals happy
- Operational efficiency, long-term and short-term results, mental health, empathy, ...



Nakane: The second topic relates to workstyles and diversity for teams and individuals going forward. Two years into the pandemic, workstyles at Cybozu have changed considerably. Pre-pandemic, around 70 percent of our people came into the office to work. Now, however, perhaps thanks to the power of groupware, that number hovers around the 10 to 20 percent range. While this number varies quite a lot across different offices and depending on what people are working on, in broad terms, this is where we are.

Over these past two years, we have given a lot of thought to whether we should reduce the number of offices we have or whether we should focus instead on making them easier to use. This has included conducting regular surveys, and over this time it has become apparent that both the real and virtual worlds have their own particular strengths. What we are trying to do is to take advantage of both worlds to provide a hybrid work environment, creating a workplace in which both individuals and teams can work in a way that lets them choose what is best given their current situation.

This ties in with what I was saying earlier about connections. What we are really trying to do, I believe, is to transform the office from somewhere where people work and produce output to a place where individuals, teams, and staff connect with one another.

In other words, rather than connection for its own sake, the end result should be a shift to ways of working that raise the output of teamwork, establishing practices and workplaces that generate results in the form of greater efficiency, higher sales, and more customers making use of our products. It is no easy task, but we are doing our best.

Human Resources Division

1. Happy, autonomous, decentralized teams

- Decentralization alone is not enough to create autonomous and decentralized organizations.
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- Through empathy in diverse ways to achieve our vision, what we want to create are teams utilizing teamwork to the max.
- We want to make co-creating teams, organizations that mass-produce good teams
- The keywords are “connections” and “platforms” (mechanisms and places).



Aono: Thank you very much. Our Human Resources Division is working on many progressive initiatives that I would love to tell you about. Right now, however, we are discussing the establishment of an autonomous, decentralized organization. While this is our aim, getting people together to “connect” in the midst of the pandemic is a challenge.

Nakane: It certainly is.

Aono: Although we want to turn the office from a place to work into a place to connect, the best use of bricks and mortar offices to achieve that is problematic.

Moreover, as well as being aware of this problem, I am also concerned about the mental health angle. With the pandemic going on, you get situations such as new recruits not having the opportunity to all get together at the same time, or staff who are only meeting their supervisor for the second time this year. What can you do about this in terms of short-term measures?

Nakane: One practical initiative we are putting a lot of effort into is holding company-wide events on a scale that brings people together from across team boundaries and keeps people interested. These provide opportunities for people to genuinely connect and we also make good use of virtual options, utilizing various technologies and new services to set up such venues and then inviting all sorts of people to attend. We are working on these sorts of company-wide events. For example, we currently have a *hanami* (cherry blossom viewing) party planned that we hope new recruits will attend.

This also relates to mental health and it pays to remember that the various problems and attitudes that arise are all created in the workplace. Meanwhile, it is the workplace managers who are most familiar with the people who work for them. At Human Resources, we want to help these managers connect with one another.

We want to create opportunities, not just for managers to acquire knowledge, but also for them to work with other managers to resolve problems, consulting with one another, and sharing know-how. This is something we have been working on since last year, and to get things moving for this year we held our first event just yesterday. We have launched a Management Bar where managers can get together.

Aono: So, the number of events has increased? You have certainly been very creative about organizing online events.

Nakane: We have done what we can, but it has been difficult.

Aono: So this is about first getting managers connected with one another so that, based on their understanding of their own people, they can then bring them together and avoid their being isolated?

How many people are there in Cybozu? We are a company of about 1,000. So, how many would you say are involved in this initiative connecting managers together?

Nakane: About 70 to 80 people.

Aono: That is quite a lot.

Nakane: Along with supporting managers, this is also about what you spoke of earlier, about how to care for people's mental health as we make the transition to online work. I see mental and physical health as both being very important and fundamental to ensuring that everyone enjoys their work. Awareness of mental health has been growing, not only for managers but also among individual employees.

One example is how staff are obliged to have annual stress checks and such like. While Cybozu obviously conducts these, and even though they are mandatory, it is left up to the individuals concerned as to whether they actually get the check. This participation rate, which was in the 70 percent range last year, has since risen to the 90 percent range for this year.

In part due to the pandemic, I believe people are now more conscious of the need to be proactive about caring for their own mental health. This has resulted in a lot of staff undergoing the checks and with it a slightly higher number being identified as having high stress. Dealing with this is a challenge for the future.

Aono: We are already recognized for our progressive workstyles and I hope that we will also come to be known for how much effort we put into this area. If anyone from outside the company has advice on how to achieve this, I would like to hear it.

Nakane: Yes, please let us know what you think.

Corporate Affairs Division Topics

Corporate Affairs Division

Corporate Affairs Division Topics

- 1. Finance and Accounting: Compliance with the new TSE market category**
- 2. Corporate Planning: Start initiatives to support information sharing**

The second part covers the running of the Board of Directors Meetings and consideration of the nominees for the next term.



Aono: Tadamas, you are our final speaker.

Tadamas Hayashi ("Hayashi" below): My name is Tadamas Hayashi representing the Corporate Affairs Division. Thank you for attending today's meeting. My division's primary mission is finding ways to ensure the reliable conduct of routine tasks, such as processing expenses and running management meetings. I would like to talk to you about some of the key topics that arose out of this work over the past year. Matters relating to the Board of Directors and the consideration of candidates for the next term will be discussed in more detail in Part 2. Right now, I have two other topics I would like to talk about.

The first is one that I expect will be of considerable interest to those of you here today, namely our shift to a new section of the Tokyo Stock Exchange (TSE). The second is our commencement of work on a new independent information sharing support initiative that was split off from Corporate Planning in January of this year.

1. Compliance with the new TSE market category

Corporate Affairs Division

1. Compliance with the new TSE market category

- In conclusion, we will apply to shift to the Prime market, which is equivalent to the old First Section of the TSE.
- Some members of the Executive Committee suggested considering shifting to the Standard market or in some cases to the Growth market.
- When we sought views from inside the company, there was an unprecedented level of opinions voiced, mainly that we should move to the Prime market.



Hayashi: In response to the new TSE market classification, we have applied to move to the Prime market, the equivalent of the existing First Section.

When, in my role as head of Finance and Accounting, I made a draft proposal to the Executive Committee to have them confirm that the Prime market was the right place for us, I was surprised that the question led to considerable discussion. The prevailing opinion at the meeting, including that of Mr. Aono and Osamu, was that the Standard or perhaps the Growth market would be best for Cybozu, given the sort of company we are and how we are placed, as these would give us more freedom to move. The general tone of the meeting was that we should be heading in that direction.

However, I was a little uneasy about agreeing to this and set out again to canvas the opinions of others in the company, putting to them the question: Which of the new market segments do you think is best for us?

When I did so, I got a strong response from staff. Much more emphatically than before, people were urging that we should go for the Prime market. When talking to people in the workplace, for example those who must face up directly to the reaction of the market, including our credibility with customers, their sense was that the impression of credibility that comes from being in the Prime market segment would be a major benefit to our business.

This then is one of my main topics: the way in which, despite the Executive Committee having felt that the Standard or Growth market would be okay, this view was overturned by feedback from the workplace, resulting ultimately in the company's senior management giving its consent and our putting in an application to move to the Prime market.

2. Start initiatives to support information sharing

Corporate Affairs Division

2. Start initiatives to support information sharing

- So that every member of Cybozu can discuss things on equal terms, we insist on thorough public information disclosure, with the exception of insider and personal information.
- Because we have concentrated all types of information and communication into our groupware, the volume of information shared in line with the growth of our organization and business is incredible.
- In order to provide platforms to edit and communicate information and to create guidelines for appropriate information distribution, we will establish a dedicated team.
- From this year it will be active as an independent department.



Hayashi: Next I would like to talk about our initiatives to support information sharing. As has already been reiterated a number of times, Cybozu discloses as much information as possible so that all staff can participate in discussions on an equal footing.

Because all of this information and communications come together on our groupware platform, the amount of information to be shared has increased enormously as our organization and operations have grown. As opportunities to meet and talk face-to-face have diminished since the start of the pandemic, I understand that the Kintone open Spaces alone now get around 35,000 comments each week, a roughly five-fold increase from before.

This flood of information makes it quite difficult to ensure the right information gets to the right people. I believe that Cybozu is now at a point where we need to be

implementing concepts of information dissemination that go beyond mere disclosure, ensuring reliable delivery as well as simply posting information publicly.

To this end, we have established a team that, from this year, will be working on ways of processing internal information appropriately and facilitating its delivery to all staff.

Thank you. This completes my summary of the two topics from the Corporate Affairs Division.

Corporate Affairs Division

1. Compliance with the new TSE market category

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Aono: Was the main practical reason why staff were so keen to move to the Prime market to do with their belief that this would make sales easier?

Hayashi: Yes, that's right. I have heard numerous reports of how, when customers ask us about things like security requirements, customers equate being on a particular section of the stock market to having a certain degree of credibility; the attitude being that if a company is on what is equivalent to the First Section of the TSE then there is no need to go into more detailed questions.

Aono: If it makes sales easier, then I think being in the Prime market segment is a good idea. At Cybozu, we have something of our own internet in-house. I do not for a minute think that I am totally across all aspects of it, so if any of our speakers here today have any specific details about work in this area that you can share with our new "shareholder employees" then please do so.



Hayashi: We have recently set up a means of sharing some of what the Executive Committee has been doing within the company during the month. This is a video entitled "Cybozu Digest" that summarizes the month's activities.

For this month, some of you will have seen the Cybozu TV commercial, and the video also reports on the completion of the sound and motion logos, and the selection of the new nominees for the Board of Directors. We are putting together items on major topics in a way that makes it easy for everyone to be informed.

Meanwhile, eliminating the information divide between those inside and outside the company is another major aspect of governance at Cybozu. While we will still be answering your IR questions as they come up, we also hope to be able to make information available outside the company in the form of summaries, covering things like what the Executive Committee has been discussing and how these matters are proceeding.

Aono: That's interesting. It would be good if this information sharing could also extend outside the company. You could think of this Shareholders HQ Meeting as being one example. Through this information sharing, we want to take up the challenge of building a society brimming with teamwork. Speaking of videos, the quality has improved dramatically in recent times.

Hayashi: They have been well received within the company and I see this as recognition that they are the culmination of everyone's efforts.

Aono: Customers often ask me whether sharing information the way we do at Cybozu just results in information overload. It really is an issue. But perhaps it is also the case that these difficulties lead us to devise ways of overcoming them, and in doing so work toward having these practices taken up more widely.

Boosting recruitment of development personnel

Development Division

3. Adapt to the tougher hiring market

■ Increasingly tough competition to hire development resources

- Engineers, designers, PMs, managers, ...
- Japanese startups are attracting more funding, foreign -owned firms are boosting Japanese hires

■ At Cybozu we boosted our engineer hiring team, but even so we only just met our hiring goals for 2021

- But we still don't have enough development resources for everything we want to do

■ What are further approaches?

- Hiring other nationalities? Setting up more offices abroad? Raising pay levels?
- What is the attraction of Cybozu that will make developers want to work there?



Aono: This is an area where I would like some feedback. One piece of advice on boosting the recruitment of development personnel is the observation that Japan has a shortage of IT talent and that we should be thinking about training as well as hiring. It might be interesting, for example, to establish a Cybozu IT school in Ehime Prefecture, our birthplace, to train engineers who could also live on site.

Sato: I think that is a very astute suggestion. Just this week our hiring team was discussing the idea of expanding the range of people able to work for us by providing more training.

Of course, training is something we are already doing. For example, we have generated a lot of buzz on social media by making our own training material for development

personnel public annually for the last two or three years. The importance placed on learning is also highlighted by the attention such initiatives receive.

Meanwhile, an increasing number of people from non-engineering backgrounds are taking up opportunities such as programming boot camps, which have lately become quite common in Japan. This growth in the number of people prepared to take up such challenges is something we should be paying attention to in the future in the sense that it represents an opportunity.

While I am not sure what form it would take if we were to go as far as setting up a school, such an initiative would parallel aspects of the President's Office and Cybozu Teamwork Research Institute. Is there some backstory to this idea of opening a school?

Aono: Ryuta Nakamura, the General Manager of the President's Office, has identified this as something he wants to do. We should also get Mr. Wada or some of the other people at the Cybozu Teamwork Research Institute involved to see what they can come up with. It sounds interesting.

TV commercials

Business Marketing Division

1. Accelerated investment in product-related advertising mainly in the second half of 2021

■ Kintone's installed customer base is currently particularly growing, and in the second half of 2021 we stepped up TV commercials and other types of ads for Kintone

- We are starting to see results like an increase in the number of website visitors.
- Buyer surveys show that the majority of customers take over a year to consider a product before purchasing. Potential buyers need to be exposed to a product multiple times, in multiple situations to develop recognition and understanding.
- We are increasing recall opportunities for Kintone with the joint use of online and transport ads.
- We intend to adjust the investment amount and continue this for several years.



Aono: Another piece of advice we have received is to put out more TV commercials. The suggestion noted that: "Both Money Forward and Rakuraku Seisan gained

exposure on TV. The first time I heard about Kintone was when I saw the name advertised on a pillar in a passageway at Tokyo Station.” That must have been a while back. I think it was around 2013 or 2014 that we were advertising in Tokyo Station.

As for commercials, this is a matter for the Business Marketing Division. To repeat what I said earlier, what do you think about the advice that this is an area where we should try to do more?

Hayashida: That is something I would love to do. It is also important to get the right balance between challenge and efficiency. Right now, we are doing enough advertising to gain a degree of recognition. There is also the option of running a short campaign of concentrated advertising that nobody will be able to miss. I hope we can take up the challenge in a way that is targeted. We are currently running the advertisements in a narrow range of time slots. Bearing in mind that there are also people who watch TV late at night, this is among the many things I would also like to try.

Alliance with a major System Integrator

Sales Division

1. Take on the challenge of developing new sales channels

■Kintone proposals outside current IT sales channels

- Financial institutions with strong connections to corporate customers
- Consulting companies with a good reputation for human resources development

■Take on the challenge of major system integrators and Kintone



Aono: The following suggestion is for the Sales Division and concerns entering into a partnership with a major system integrator. “As I think many of the big players are stuck in a billable man-months mentality, what I would suggest is a strategy that focuses on marketing Kintone to small and medium-sized companies through mid-sized system integrators.” What do you think, Mr. Kuriyama?

Kuriyama: This sounds like it was written by someone familiar with the industry, but there is a problem with targeting mid-sized companies. That is that the IT industry in Japan has a hierarchical structure, meaning that medium-sized system integrators tend to be second- or third-tier subcontractors and lack their own dedicated sales team. Companies that work under this regime may employ 1,000 people but only have two salespeople.

So while they make good partners for deals that we have closed, there are quite a few issues with using them as a means of customer acquisition. To be frank, this is the sort of advice I would give, and this is an area with which I am very familiar.

Aono: My impression is that there are a lot more firms willing to consider us among those somewhat smaller in size that you find when you move down below the layer of large top-tier IT contractors.

Kuriyama: They are certainly more of them. The numbers are up considerably, including quite a few that we have deliberately targeted.

Aono: There are some out there who are doing quite well and I hope we can generate more interest among medium-sized system integrators in the future.

Thank you for all the advice. We even had one suggesting that we advertise at the parliamentary dormitory. While we have not been able to consider all of the advice here and now, I hope we can respond to them in some form so that they do not go to waste.

Through today's event, we have had the chance to let you listen in on what Cybozu is talking about internally, and bolstered by your advice I hope that we can become a stronger and wiser organization and make further progress toward realizing our vision. I hope we can continue to count on your support.

This concludes Part 1. Thank you for your time.