



Cybozu, Inc.

Business Overview and Financial Results Briefing for the Fiscal Year Ended December 2022

February 24, 2023

Event Summary

Company Name	Cybozu, Inc.	
Company ID	4776-QCODE	
Event Type	Earnings Announcement	
Event Name	Business Overview and Financial Results Briefing for the Fiscal Year Ended December 2022	
Fiscal Period	FY2021 Annual	
Date	February 22, 2023	
Time	13:00 – 14:11 (Total: 71 minutes, Presentation: 41 minutes, Q&A: 30 minutes)	
Venue	Webcast	
Number of Speakers	6	
	Yoshihisa Aono	Representative Director & President
	Yumika Nakane	Director, Executive Officer, General Manager of Human Resources Division, General Manager of Legal & Compliance Division
	Tadamasa Hayashi	Director, Executive Officer, General Manager of Corporate Affairs Division
	Tamotsu Hayashida	Executive Officer, General Manager of Business Marketing Division
	Keita Kuriyama	Executive Officer, General Manager of Sales Division, General Manager of Business Strategy Office
	Teppei Sato	Executive Officer, General Manager of Development Division/Representative Director and President of Cybozu Labs, Inc.

Presentation

MC: It's time to start, so let's begin. Thank you very much for taking the time out of your busy schedule today to attend the business overview and financial results briefing of Cybozu, Inc. for the fiscal year ending December 31, 2022. My name is Yamami, from Public Relations at Cybozu, and I am the MC for this session. Thank you for joining us.

Today's financial results and business briefing is being broadcast simultaneously via Zoom webinar and YouTube Live.

Now, Mr. Yoshihisa Aono, Representative Director & President of Cybozu, will on report on our financial results and business performance for the fiscal year ending December 31, 2022. Mr. Aono, please go ahead.

About Cybozu



Cybozu, Inc.

Business	Develop, sell, and operate groupware platforms/Methods consulting business
Representative Director and President	Yoshihisa Aono
Established	August 1997
Head Office	Tokyo Nihombashi Tower, 2-7-1 Nihombashi, Chuo-ku, Tokyo
Locations	Tokyo, Osaka, Matsuyama, Nagoya, Fukuoka, Hiroshima, Sendai, Sapporo, Yokohama, Omiya, Shanghai, Shenzhen, Taipei, Ho Chi Minh, San Francisco, Sydney, Bangkok, Kuala Lumpur, etc.
Capital Stock	JPY 613 million
Listed Exchange	Tokyo Stock Exchange, Prime Section (Securities Code 4776)
Employee Headcount	Consolidated: 1,115 employees, Non-consolidated: 870 employees * As at end of December 2022 * Open-ended contract (permanent) employees only (executives not included)

Aono: Hello, everyone. This is Aono from Cybozu. Today I will be presenting an overview of Cybozu's business activities and the financial results for the 2022 year just ended.

This is the latest company overview. One thing that has changed in the past year is that we now have a base for our South-East Asian operations in Kuala Lumpur, Malaysia.

Also, within Cybozu permanent employees are referred to as open-ended contract employees rather than permanent employees. And, on a consolidated basis we now have over 1,000 such employees in total.

Corporate Vision

(As per resolution passed at the 24th Annual Shareholders Meeting on March 28, 2021)



Purpose

Building a society brimming with teamwork

Culture

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

This is our corporate vision. Cybozu's corporate vision is different from that of other companies in that it was passed by a resolution at the Annual Shareholders Meeting. This most vital aspect of our company, our corporate vision, was passed by a resolution at the Annual Shareholders Meeting, in March 2021.

Our purpose and raison d'etre is to build a society brimming with teamwork. We exist for that reason, which we define as our highest and greatest purpose.

The four cultural elements express what kind of society a society brimming with teamwork looks like.

The first element of our culture is to share a common vision. We don't want to have the kind of team culture where people exert their authority ordering other team members to do things that aren't part of the common vision. We should all work together, sharing the same ideals. This is the first cultural element.

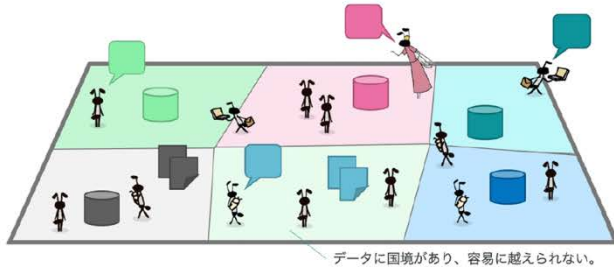
The second is to embrace individuality. It's fine for teams to include many different people. Those people are going to work as a team. In other words, some major IT companies treat people as if they are interchangeable and replaceable, laying off thousands of people without a glance, but we do not do that. We look at each person individually and value their diverse personalities.

The third is to be transparent. This means be open and do not lie. In other words, we do not have anything to hide, and we all try to share information openly, and this is the third part of our culture.

Finally, the fourth cultural element is to be yourself and take responsibility. That means when you work in a team, that you don't just listen to what others say and do not express your own opinion. We believe that it is important to have a culture where each worker takes the initiative and discusses what he or she wants to do and how to do things better. That is why we include this cultural element to be yourself and take responsibility.

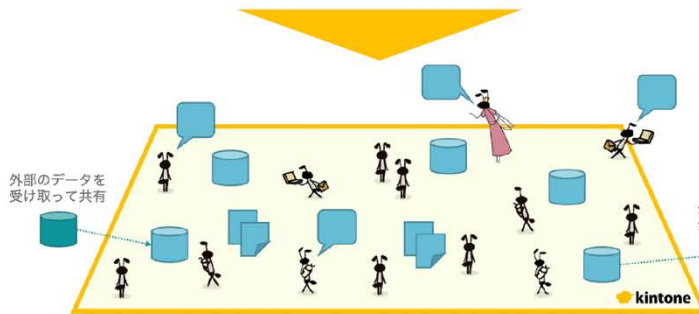
Our highest and greatest purpose is to expand the number of teams successfully using these four cultural elements around the globe. All in all, we would like to move toward this goal, and we hope you will understand this key part of how we operate.

Information Sharing and Teamwork



Data, information, and communication is separated by team, making it impossible to share information across organizations.

Information is siloed, cutting the workplace off from the data it needs to innovate







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

Information sharing boosts teamwork and helps the entire organization to evolve

Information sharing is essential to creating a society brimming with teamwork. Using various tools to talk secretly, such as communicating by email, inevitably leads to information not being openly shared and only some people knowing about things.

Instead of such tools, we want to provide an information sharing platform where more-and-more people can share a whole wealth of information, and this is what links in to our business.

Cybozu's Cloud Services

Groupware		Business app development platform	
<p>サイボウズ Office</p> <p>Easy and simple groupware for SMEs</p> <p>Installed customer base: 75,000 companies</p> 		<p>kintone <small>キントーン</small></p> <p>Platform for implementing no-code/low-code business solutions</p> <p>27,500 companies signed up</p> 	
<p>サイボウズ Garoon</p> <p>Groupware for large and mid-sized organizations</p> <p>Installed customer base: 6,800 companies</p> 		<p>Mailwise <small>メールワイズ</small></p> <p>Centralized management of team email correspondence</p> <p>Installed customer base: 13,000 companies</p> 	

* As at end of December 2022
 * Kintone: Number of domestic companies signed up to Kintone (cloud-only, no on-premises version available)
 * Other products: Total number of domestic companies who have deployed product on-premises or in the cloud

We sell four main groupware products.

The first is Cybozu Office, a groupware suite of applications that can be easily used by small- and medium-size companies.

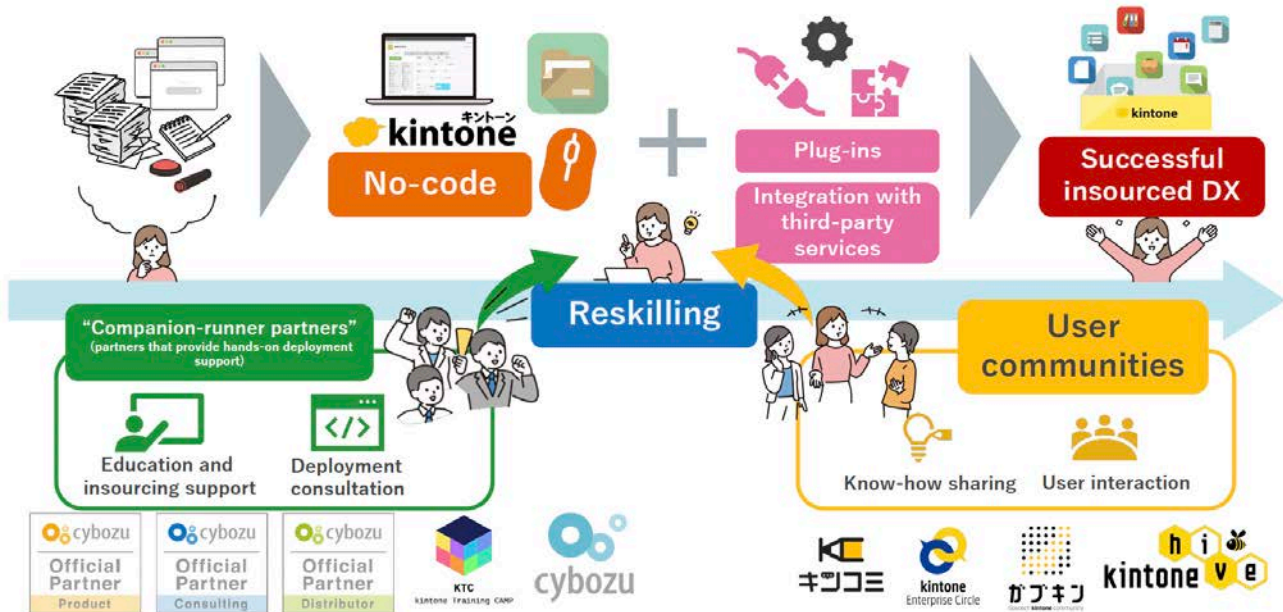
Then, there is Garoon, which can be used by much larger organizations than Cybozu Office. It can be used by organizations with hundreds or thousands of users and this groupware is also highly customizable.

In addition, Kintone, which has become Cybozu's flagship product, is an application platform that allows anyone to create information sharing apps.

The final product is Mailwise. Email still tends to be a closed-use tool, so this is a tool that allows everyone to share the emails they receive and reply to them together.

These are the four groupware products that we are currently offering and further developing. These products constitute our main business.

Achieving a Digital Transformation (DX) In-house with No-code and the Power of Hands-on Support



I would like to tell you about the business model for Kintone in more detail.

As often shown in our TV commercials, Kintone is no-code software. It allows you to create apps for business processes you previously did using spreadsheets or analog operational processes without having to do any coding. No code means no coding or programming. By learning how to use Kintone, even non-IT specialists, the people doing the day-to-day operational work in your business can create apps without needing to know how to code or program. This is the whole point of Kintone.

The TV commercials only mention this part, but in reality, once you start creating apps without having to code, you will find yourself thinking up all kinds of additional new apps you want to build for all those uses you want to put Kintone to. You will find yourself thinking up new features you want to add, or wanting to connect Kintone apps up to various different systems, and so on.

What's great about Kintone is that it is simple yet extendible, so you can expand its functionality with various plug-ins. Just like plugging in a home video games cassette, you can use plug-ins to enhance Kintone giving it more powerful functionality. There are a whole bunch of third-party plug-ins and other Kintone integrations. And there are an ever increasing number of external services that can be connected up to Kintone. This all helps make Kintone a system in which you can easily do so many of the things you want to do.

However, there is one thing that you need to remember. The word reskilling is often used today, and it is exactly what is needed with Kintone. Your non-IT people, the people involved in the day-to-day aspects of your operations, need to reskill in order to create a Kintone system for your company. And we are here to support this. Only when this is done can a Digital Transformation (DX) be achieved on a company-wide scale. We call it in-house platform creation, it is only by being able to do that that you will be able to drive your DX by yourselves, and this is the model we envision.

To support this, of course, we need partners. We need many partners who can teach us and give us advice, so we have created the Official Partner Program to nurture partners. Our model also includes providing back-up support to our users by putting qualification systems and educational institutions in place to help them learn.

In addition, we are trying to invigorate the user community so that during the learning process users can connect with each other and exchange information on what others are doing and how they are doing it.

For example, KinKomi. It stands for Kintone Community and is an online community where members can share and solve each other's problems. There is also a community for large companies called Kintone Enterprise Circle, and GovKin, which is a community for local government employees to exchange information about using Kintone for government and public administration purposes.

We have also created various forums, such as Kintone Hive, where users can share good practices with each other, and Kintone Café, to connect our customers with each other and help them learn while keeping them motivated.

So, Kintone encompasses all of this. People often ask me what the difference is between Kintone and other products, and I say that Kintone is all encompassing. It is because we go this far, that our customers will be able to drive their own DX. This is the model we are creating.

Company Slogan for 2021-2022



BET!

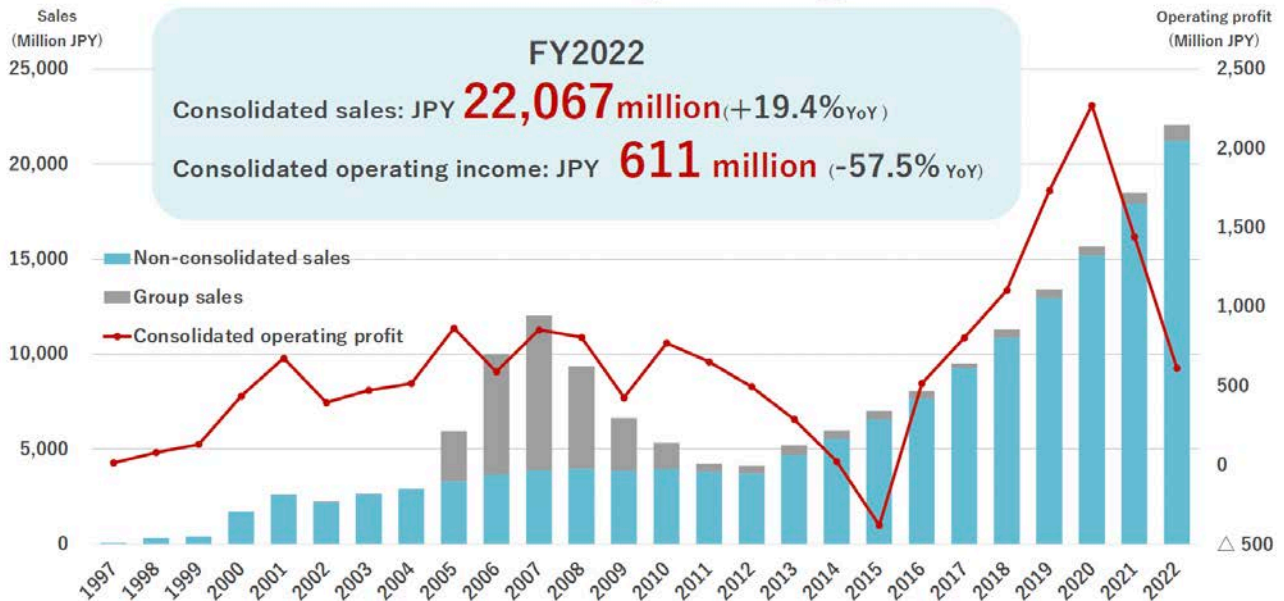
Keeping pace with the DX wave - Aggressive investment taking advantage of the favorable business environment

For the past two years, we have been working under the company-wide slogan BET! The COVID pandemic and the boom in DX, created a very favorable business environment. So our policy has been to invest unflinchingly, even if it meant incurring losses.

As a result, sales continued to grow, but profits declined under the BET! policy. In other words, we have invested.

Actually, we have done something similar in the past. In around 2014 and 2015, when we were getting our cloud business up and running and we had a policy of going for market development, even if it meant taking a loss in the short term. Similarly, in 2021 and 2022, we have also been investing to create a market for the company, even if it reduces our profits in the short term.

Consolidated Sales and Operating Profit



These are the performance figures. The numbers are as shown here.

To elaborate, sales grew by 19.4%.

Consolidated Financial Results

Consolidated financials (Unit: million JPY)	FY2021 (Actuals)	FY2022 (Actuals)	FY2023 (Projection)
S a l e s	18,489	22,067	25,497
Operating profit	1,441	611	2,376
Ordinary profit	1,468	987	2,450
Current net profit	551	66	1,541
Net profit per share	JPY 12.03	JPY 1.45	JPY 33.59
Dividend per share	JPY 12.00	JPY 13.00	JPY 14.00

That growth figure is pretty much what we achieve every year. For the past 10 years or so, we have mostly achieved 15% to 20% growth annually, and this year too we been able to continue to grow as in previous years.

Detailed Results FY2022

Consolidated PL (Unit: million JPY)	FY2021 Actuals	FY2022 Actuals
S a l e s	18,489	22,067
Cost of sales	1,339	1,951
Labor costs	6,315	7,854
A d v e r t i s i n g e x p e n s e s	4,907	6,452
O t h e r	4,486	5,198
Operating profit	1,441	611

Consolidated sales
+ JPY 3,578 million YoY
(+19.4%)

Aggressive investment,
mainly in Kintone TV
commercials

**Consolidated operating
profit**
- JPY 829 million YoY
(-57.5%)

Please look at advertising expenses.

Under the BET! slogan, we put out more-and-more TV commercials, spending money and investing hard in advertising, resulting in a total of just over JPY 6.4 billion spent on advertising. Labor costs were JPY 7.8 billion, so comparatively you can see that we spent a great deal of money on advertising. We really put a lot of money into it.

As a result, operating profit declined significantly.

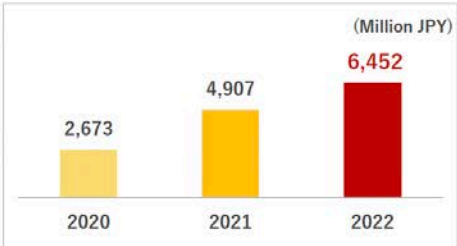
Results of Advertising Investment



Stepped up advertising to increase product awareness in response to growth in cloud segment

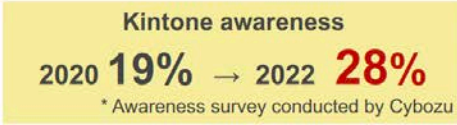
Changes in actual advertising expenditure

- Ramped up advertising in the last two years, **mainly TV commercials for Kintone**
- Advertising spend was approx. JPY 4.9 billion in 2021, and JPY 6.4 billion in 2022



Improved awareness due to stepped up advertising

- Awareness of Kintone up by 9 points
- Greater **Kintone brand name recognition by attendees** at tradeshows, seminars, and other events



A survey of the resulting product awareness shows that the effectiveness of advertising investment when spending this much has increased Kintone brand name recognition from about 19% before to 28%.

I believe that the TV commercials have made us known to a very large number of people. It is a good conversation starter and easier to market to people who have seen Kintone on TV. These are the kinds of results we are seeing.

Financials

Consolidated BS (Unit: million JPY)	FY2021	FY2022	YoY
Assets	14,037	15,907	1,870
- Cash & deposits	4,805	5,124	319
Liabilities	7,665	11,277	3,611
- Borrowings	2,200	4,680	2,480
Net assets	6,371	4,630	-1,741
- Treasury stock	-1,800	-1,800	- 0
Shareholder equity ratio	45.4%	29.1%	-16.3%
Net assets per share	JPY 138.88	JPY 100.93	JPY -37.95

Aggressive investment financed through borrowings.

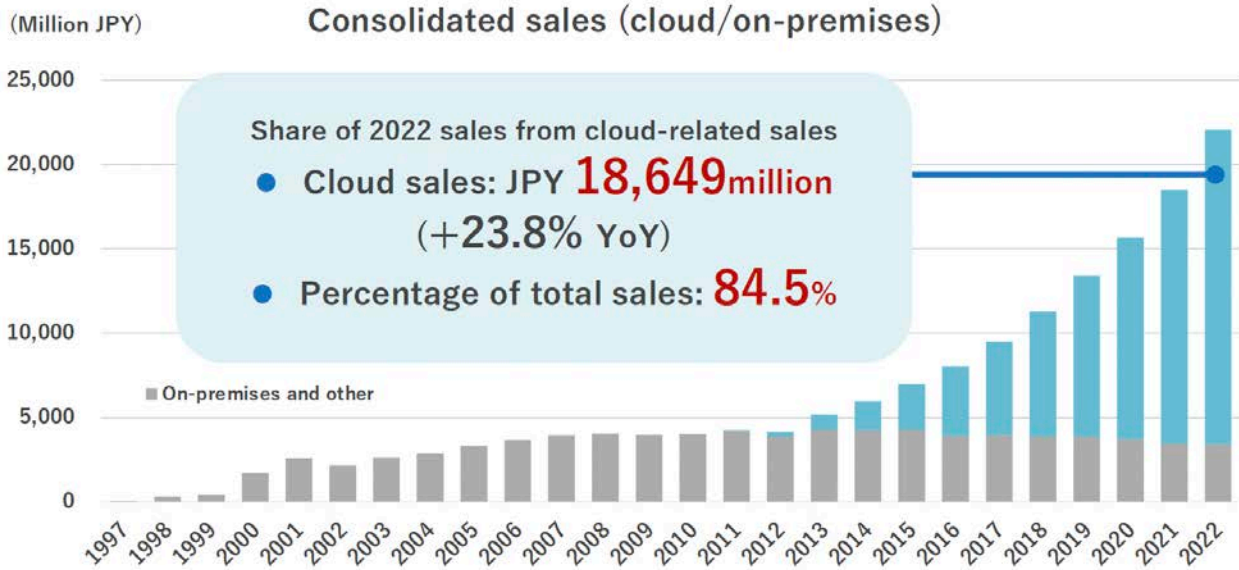
JPY 4.18 billion repaid from proceeds of disposal of treasury stock in January 2023

This is the balance sheet.

Please take a look at the borrowings. At the end of the fiscal year ended December 31, 2022, the Company's borrowings had increased from JPY 2.2 billion to JPY 4.68 billion. This figure is also shows that the Company borrowed to invest in the short term.

Just to add, at the beginning of the following term, in January 2023, we sold some of our treasury stock holding to Ricoh Company, Ltd. As a result, we generated about JPY 4.5 billion in cash, repaid JPY 4.18 billion of this debt, thereby reducing our borrowings considerably.

Solid Growth in Cloud Sales



* Figures are non-consolidated until 2010 and consolidated from 2011. * Six month-fiscal period in 1999, 11-month fiscal period in 2012

Looking at the business in detail, cloud sales now account for 84.5% of Cybozu's total sales. Light blue represents cloud sales, and cloud sales roughly account for the majority of total sales. Cloud sales have grown to JPY 18.6 billion.

First-ever release of key sales figures



Kintone Sales Break the JPY 10 Billion Mark



As is written here, we are disclosing these sales figures on a product basis for the first time ever. Until now, we have not released sales figures by product, partly for strategic reasons, but now that Kintone sales have exceeded the JPY 10 billion mark, we have decided to make them public.

Last year, Kintone sales were JPY 10.4 billion, a 32.4% growth rate over the previous year, which means Kintone has grown to be a large-scale product.

There are many SaaS companies in Japan, but I have not heard of many companies that are generating JPY 10 billion in sales from a single product, so I think Kintone has grown to be a strong product in Japan in its own right.

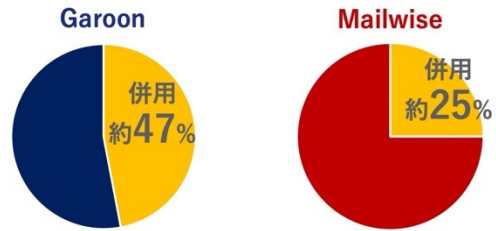
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※2022年12月時点



kintoneと併用するユーザーが増加



We are also releasing the sales figures for our other products as well as Kintone.

Cybozu Garoon, our groupware product for mid-size and large enterprises, recorded sales of JPY 4.5 billion. While Cybozu Office, our groupware for small- and medium-size companies, recorded sales of JPY 5 billion. And Mailwise, our email sharing groupware, hit sales of JPY 670 million.

I am pleased to be able to report that we are doing business on this scale. Sales of all of our products are growing, and all products are switching to being primarily cloud-centric.

Garoon for mid-size and large enterprises still has a large number of package software sales since many of these customers are running the on-premise version of Garoon on site. However, the scale of cloud product sales is becoming larger than sales of the on-premise version.

To add further detail, more-and-more users are using Garoon in combination with Kintone. For example, we have data showing that about half of our customers who use Garoon in the cloud are using Garoon in conjunction with Kintone.

Initiatives to Boost Security Trust



Delivering safe and secure products thanks to robust security measures and stable operational infrastructure

Granular account management functionality

- ✓ Account integration
- ✓ Prevent unauthorized access
- ✓ Activity log checking
- ✓ Access permission control

Integration with other companies' services

- ✓ Account management and single sign-on
- ✓ VPN connections
- ✓ LGWAN
- ✓ Mail Servers



Highly reliable infrastructure operations

- ✓ Infrastructure
- ✓ Failure response
- ✓ Service Level Objectives (SLO)
- ✓ Uptime percentages

Security protection initiatives

- ✓ Dedicated security incident response team
- ✓ Security audits by third-party organizations
- ✓ Security policies
- ✓ Cooperation with external parties

One of the things we most frequently get asked about in relation to our cloud services is security. We are also investing heavily in this area.

One key aspect is our infrastructure. Many SaaS companies run their applications on other companies' cloud infrastructure, such as AWS or Microsoft Azure, for example. However, in Cybozu's case, we have leased our own data centers and purchased our own servers for the cloud services we provide in Japan, and we also operate this cloud infrastructure ourselves, which we put a lot of time and effort into. I believe that we are able to provide a very robust and high level of service because of this.

We are also working with third-party organizations to raise the level of our infrastructure even further, as well as with other companies to further raise the level of security by integrating their services with ours. Additionally, we have continued to improve the level of security through granular access control features in our products.

Assessments by Third-party Organizations (Security)

Registered as compliant with security evaluation standard for government information systems (ISMAP)

The cloud service infrastructure cybozu.com as well as Garoon and Kintone (both hosted on cybozu.com) have been registered in the ISMAP-certified cloud service directory since 2021.

Acquired Certifications for Information Security Management Systems (ISMS)

- **ISO/IEC 27001**

Certification scope: Design, configuration, and maintenance of infrastructure for our in-house developed cloud services/Design, configuration, operation, and maintenance of our internal IT systems/Development of our cloud-based services, on-premises products, and our in-house systems

Certification number: IS 577142

- **ISO/IEC 27017**

Certification scope: ISMS cloud security management system for system operation and maintenance as a cloud services provider of Garoon, Kintone, Cybozu Office, Mailwise, and cybozu.com

Certification number: CLOUD 715091

These are the assessments of our security by external organizations. The main one is ISMAP, which is a security evaluation system created for Japanese government procurement, and we are certified and registered under this system.

We have also acquired certification under ISMS, which is a more global standard.

Third-party Commendations (Customer-support/user-experience)



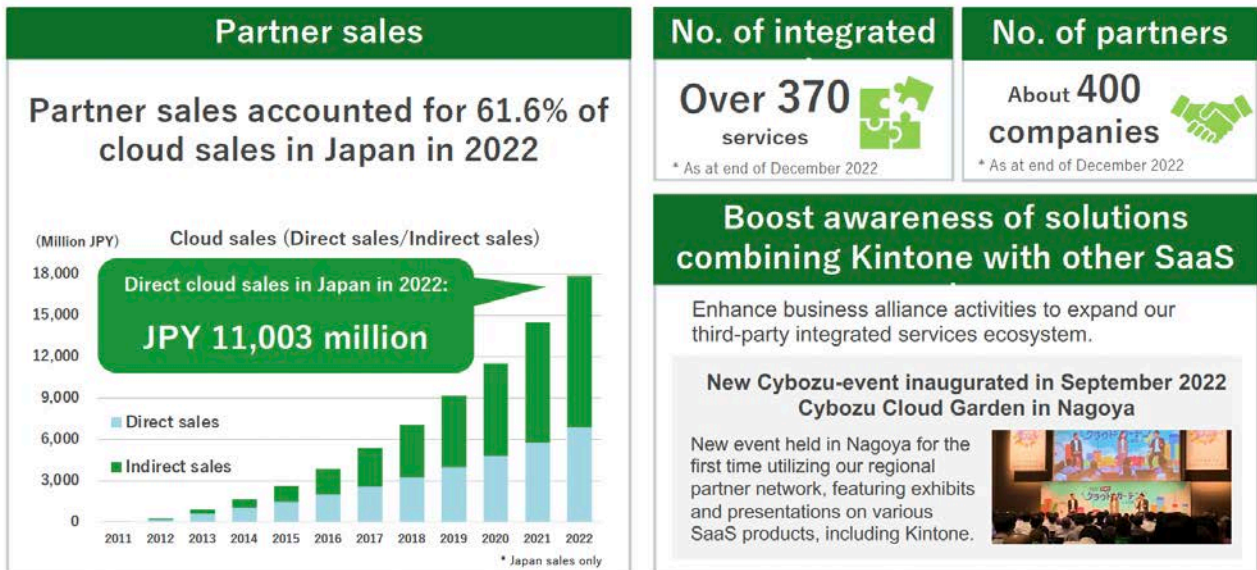
Conversely, these are evaluations of our performance from a customer perspective.

For customer support, Cybozu has achieved a three-star rating, under the HDI rating benchmark, which is very strict; it is difficult to achieve a three-star rating unless you score an average of 3.5 or higher out of 4. Our company has raised its level of support, which has resulted in this three-star rating.

Furthermore, in an annual customer satisfaction survey conducted by Nikkei Computer, Kintone ranked first in the PaaS category for customer satisfaction.

In the Magic Quadrant for Enterprise Low-Code Application Platforms, published by global research firm Gartner, Kintone has been included in the low-code/no-code application development platforms for large enterprises for the sixth time in a row.

Expanding the Partner Business



This is also the first time we have released the figures on the amount of revenue partner sales generated.

One of the salient features of Cybozu is that while we deliver cloud services, our model is very unique in that it is a partner-centered business.

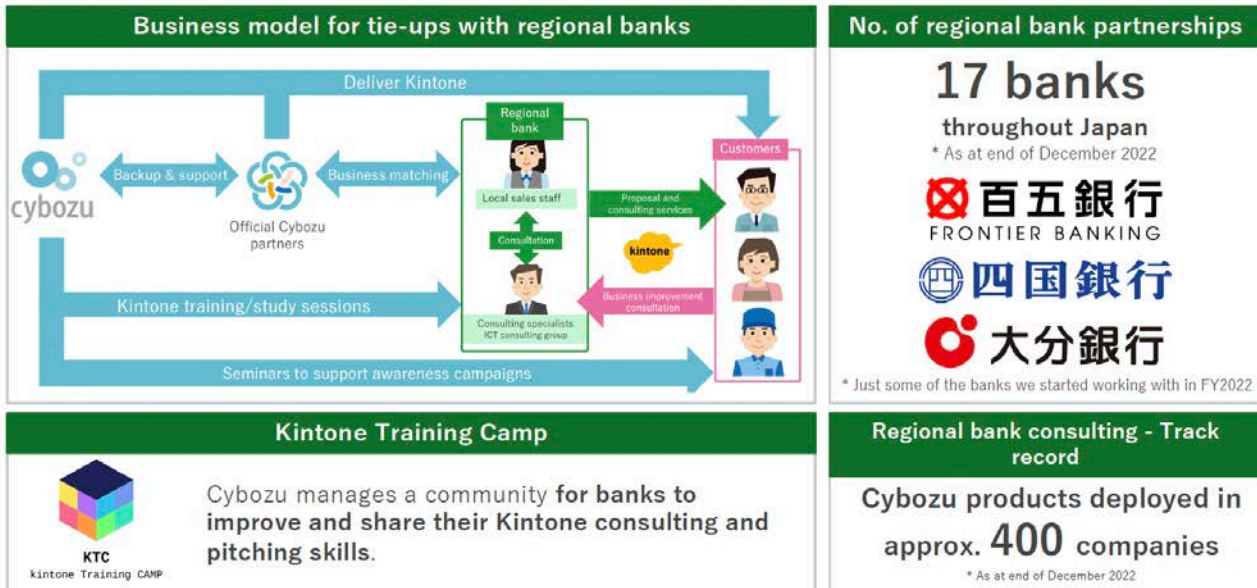
Looking at specific figures, sales through partners accounted for 61.6% of total cloud sales in Japan. That means that more than half of our cloud services are being sold through partners.

Moreover, as you can see from the graph, partner sales are growing really well. Cybozu's direct sales are growing, but sales through partners are growing even faster. Sales through partners have exceeded the JPY 11 billion mark.

As I mentioned earlier, the number of services that integrate with Kintone is now over 370, and the number of partners has reached 400. We have also held the inaugural Cybozu Cloud Garden, an event focused on the ecosystem consisting of partners and Cybozu.

Partnership case studies

How Japanese Regional Banks are Pitching Cybozu Products to Local Companies to Drive DX



When you think of partner companies, system integrators (Sis) probably come to mind, but Cybozu's partners do not stop there.

For example, regional banks. We have already partnered with 17 regional banks in Japan, which has resulted in bank employees using Kintone to provide ICT consulting services.

Kintone has already been deployed in 400 companies as a result of ICT consulting by regional bank employees.

I would like to tell you about this as it is really interesting. There aren't many IT companies in rural areas. This has led to a tendency, until now, for the rate of IT adoption to be increasingly slower the further you get out into rural areas.

We thought that partnering with banks would be a good way to accelerate the digitalization of small- and medium-sized local businesses (SMEs). There are many regional banks in Japan, and although bank employees are not necessarily proficient in programming, we were confident that they could become proficient in using a no-code business application tool like Kintone if they studied up on it.

We have been working on this initiative for a number of years, as we felt that partnering with regional bank employees might work well, since they are highly trusted by their customers and very familiar with their customers' businesses.

This has worked increasingly well, and the number of banks who have partnered with us has increased to 17. Last year, we entered into new partnerships with a number of banks, including Hyakugo Bank, which is located in Mie Prefecture, Shikoku Bank in Kochi Prefecture, and Oita Bank in Kyushu, among others. For some reason, many of these regional banks are located in the west of Japan, and we are working with these regional banks to promote the digitalization of regional SMEs.

To make this possible, we also need to reskill bank employees, so we set up a community called Kintone Training Camp for this purpose, and we are administering and driving it.

Supporting Reskilling in Collaboration with Pasona Inc.

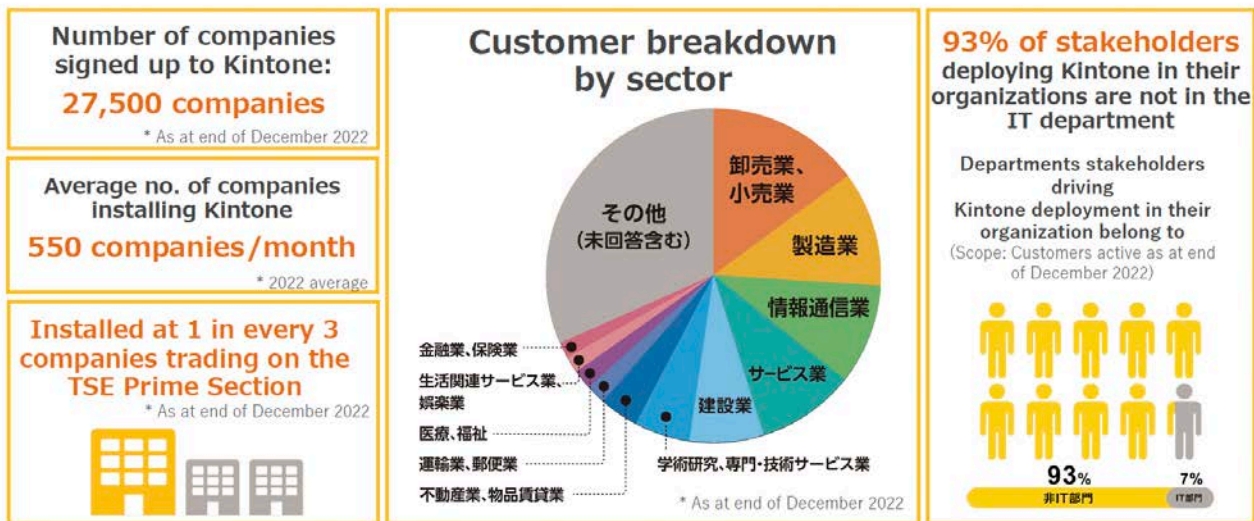
Reskilling registered temp staff so they can be dispatched to client premises to work as DX-capable talent by teaching them Kintone skills



In order to reskill more-and-more people, we partnered with Pasona last year and launched an initiative under which staff registered with Pasona's talent dispatch service learn how to use Kintone and become DX-capable personnel who are then dispatched out to client workplaces.

To make this happen, we have created a Kintone certification course and have started reskilling talent registered with the dispatch service and then sending them out to client companies. We hope that this will also serve to accelerate digital transformations within Japanese companies.

Deployment Statistics



These are the latest Kintone deployment stats.

The number of signed-up companies using Kintone right now is 27,500, and roughly 550 new companies are signing up for Kintone every month.

It is not only SMEs who are adopting Kintone in their organizations. One-in-three companies listed in the Prime Section of the Tokyo Stock Exchange (TSE) have deployed this system. Last year, I believe we said one-in-four companies, but this year the figure is one-in-three.

Although one-in-three companies are using Kintone, the number of large enterprises who are using Kintone throughout their entire organization is still small, with many having only deployed Kintone in a few of their departments. In future, with these large enterprises listed on the Prime section of the TSE, who have partially implemented Kintone, we are looking to grow the scale of their Kintone deployment within their organization.

The graph in the middle shows customers by industry sector. As you can see, Kintone is not really an industry-specific product, in fact it can be used in any industry.

It is interesting to note that the people in charge of implementing Kintone within an organization are not only from the IT department, in fact, non-IT departments are by far the largest group, with Kintone systems being supported by the frontline staff.

As I explained earlier, you can create an app with no coding needed, so you don't necessarily have to be an IT professional. The reality is that people in many different departments have seen what Kintone can do and successfully deployed the system for use in their own department.

Enhancing DX Quality with User Communities



Kintone user community for enterprises

Kintone Enterprise Circle (Kintone EPC)

- No. of participating companies: **around 20**
*As at December 2022
(Including corporations such as En Japan Inc., and Japan Airlines)
- Mutual exchange of feedback, useful information and know-how, **based on output-focused interactions between users about their company's issues and initiatives**
→ **Promote the use of Kintone within the participating companies**
- Foster user-level teamwork across organizational and corporate boundaries



Following feedback from Kintone EPC calling for the **establishment of IT governance**, and based on discussions with user companies and external advisors:
We published the Kintone Governance Guidelines in July 2022



https://kintone.cybozu.co.jp/ip/governance_guideline/

Drive successful insourced DXs with flexible and effective governance

We have particularly seen an increase in the number of large enterprises rolling out Kintone on a company-wide basis.

Last year, we launched the Kintone Enterprise Circle, an initiative designed to create a community among customers who are using Kintone at scale within major corporations. We currently have about 20 companies participating in the Kintone Enterprise Circle, with en Japan Inc., serving as chair of this user group and Japan Airlines Co., Ltd. as vice chair, and members are working to improve their know-how by exchanging information with each other.

As the IT departments of major corporations are exchanging information in this way, we thought it would also be a good idea to promote how to best use Kintone within large companies, and we have compiled this know-how in the form of the Kintone Governance Guidelines. This is very important.

With a product like Kintone, which is so easy to use and is being increasingly used by an ever expanding number of people out in the field, there is a risk of the system becoming an unregulated, anything goes zone if you get the controls wrong. However, if you impose too many restrictions, the invaluable know-how of the content experts in the frontline will not be reflected in the apps, so finding the right balance can be tricky.

We have compiled this know-how into the Kintone Governance Guidelines so that both the non-IT department people are happy and the IT department can maintain proper governance. These guidelines are available free of charge and made public, so please take a look if you are interested.

Used Kintone to rapidly start managing the majority of retail store systems in-house

- Leveraged retail experience to build business apps
- 65 *business apps built using Kintone
 - * As at January 2023
 - Built customer records with information about customer purchase history, previous interactions, and more
 - Built a manufacturing management system for rackets and other sporting equipment in two weeks
 - Built a system for the buyback of secondhand gear in two months
 - Built an order management system in two months
 - Build a part-time employment system
- Significant cost reductions and speed improvements

New structure for efficient operation of business systems in around 400 retail stores



Achieving successful **insourced DXs** made possible by empowering employees familiar with field operations to build the business solutions themselves

I would like to showcase a large company user case story from last year, Alpen.

Alpen operates 400 stores nationwide, and with 400 stores, coordination between them can be very challenging. Alpen uses Kintone as the infrastructure to provide a platform for the business systems used in its stores.

One example is customer records. For example, at Alpen they created a number of systems on Kintone all in a short period of two months or even two weeks. These include: a system that compiles information, such as what kind of problems golf lovers have, the customer purchase history, etc., as a customer record, a manufacturing management system for rackets, a secondhand outdoor equipment buyback system, an order management system, etc.

What is interesting is that the people creating these applications are not super-expert IT professionals from outside the company, but actual store staff who went to the IT department and talked to them in order to then create those applications that incorporate the opinions of the store staff. The IT department then continued the interaction with the stores, and then re-iterated those discussions into the system improvement cycle.

This is exactly the kind of case study that we are seeing, where a DX is being successfully implemented because of the field-driven approach to app creation. This is great. This is what we call bringing systems development in-house and doing-it-for-yourself.

We hope to continue to increase the number of these large companies who are developing Kintone systems in-house capabilities.

Driving DX by Japanese Local Governments with Kintone



The next topic is our work with local government municipalities. This graph shows that 190 municipalities have now deployed Kintone.

Three years ago, back in 2019, there were really only a few dozen. To put it another way, in the past it was really challenging for us to make municipalities our customers. For example, they may have not been keen to move to the cloud or they already had various vendors working with them. Consequently, for a number of reasons it was difficult for us to make headway into the government sector market.

However, the COVID pandemic has awakened many municipalities to the fact that they need to create more-and-more systems by themselves to speed up the process. That is why Kintone is being installed at local municipalities.

We decided to offer them great deals as an investment, and we are running a campaign offering one year's use of Kintone free of charge. With this campaign, we will not charge license fees for one year if the customer is willing to deploy Kintone across their entire organization. We have about 50 municipalities participating in this campaign to encourage adoption of Kintone.

If there are any municipalities that have not yet used this service, we would like to encourage them to apply. Even after installation, you may be eligible to receive up to 60% off the license fees.

I don't know if it will equate to very profitable business for Cybozu, but as a company that originated in Japan, we cannot allow Japan to sink. Anyway, I hereby commit to this, to enabling Japanese local governments to make a digital transformation.

Expanding Kintone to National Ministries

Driving DX in Japan's national ministries with Kintone

- The goal is to facilitate DX in civil service operations and enable more efficient information sharing by deploying Kintone in national ministries as well as local municipalities
- The hectic schedule of civil servants makes it difficult to find time to work on internal DX
→ Working to **expand our partner-based, hands-on support model**

Case study: Ministry A

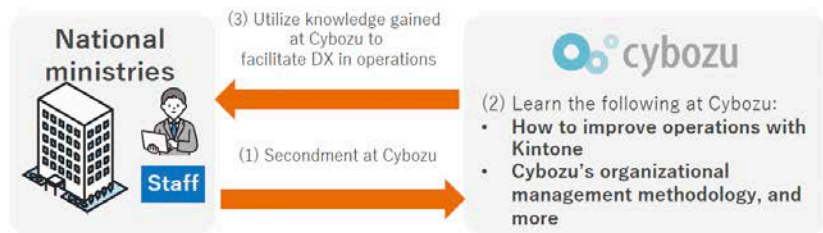
Over 90% reduction in costs after deploying Kintone through a "companion runner partner" (partner that provides hands-on deployment support)

Case study: Ministry B

Kintone deployed as a platform for information-sharing with every municipality nationwide

Cybozu to host secondments of officials from national ministries starting April 2023

- Host secondments of ministry staff to **boost our organizational capability to expand Kintone's deployment in the government sector.**
- Since 2020, Cybozu has also accepted temporary staff assignments from local municipalities. This helps grow the number of DX-promoters within the public sector, which ultimately delivers significant social value.



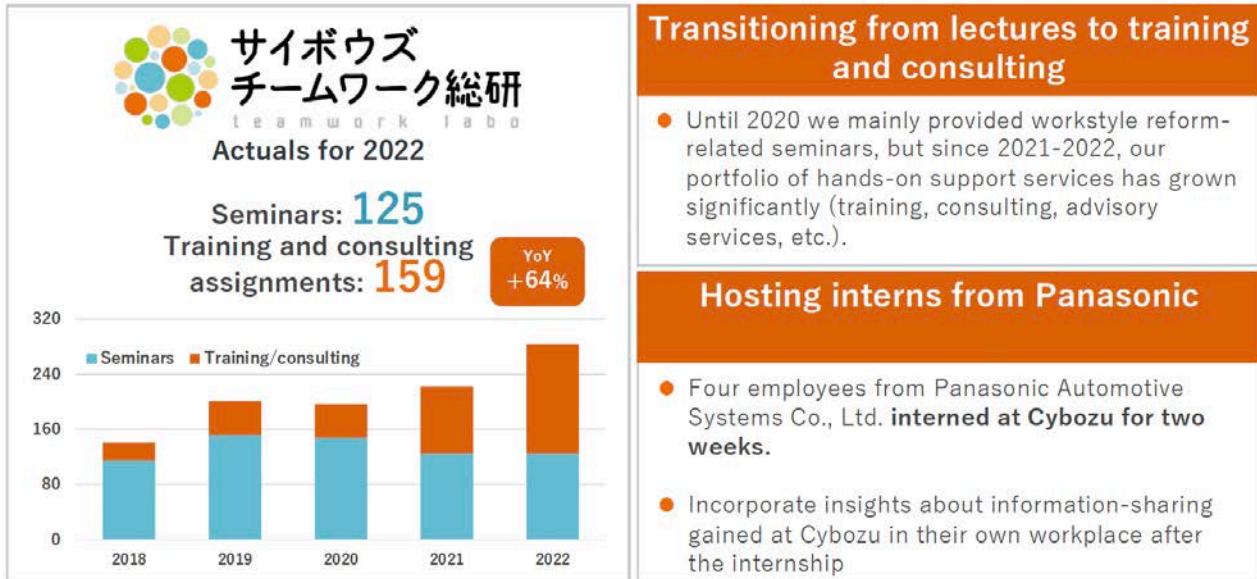
Central government ministries and agencies are also beginning to adopt Kintone, with a number of ministries having already deployed Kintone.

In addition, since April 2022, we have been welcoming ministry employees into Cybozu to have them learn how to utilize Kintone and other DX products. It is not only about DX. We are also working to have them learn what kind of organizations are capable of utilizing these tools, and then have them go back to their organizations and start with organizational reform before proceeding on to DX.

Cybozu, of course, provides the Kintone tool and groupware tools, but we would also like to share our organizational management know-how on what kind of organization is an organization where information is shared and how to manage such an organization so that it can run smoothly.

I am keen to share with them how to create an organization that is not a top-down organization like in the past, but one in which everyone shares information and initiates and engages in discussions proactively.

Expanding Our Organizational Reform Methods Consulting Services Thru Hands-on Support

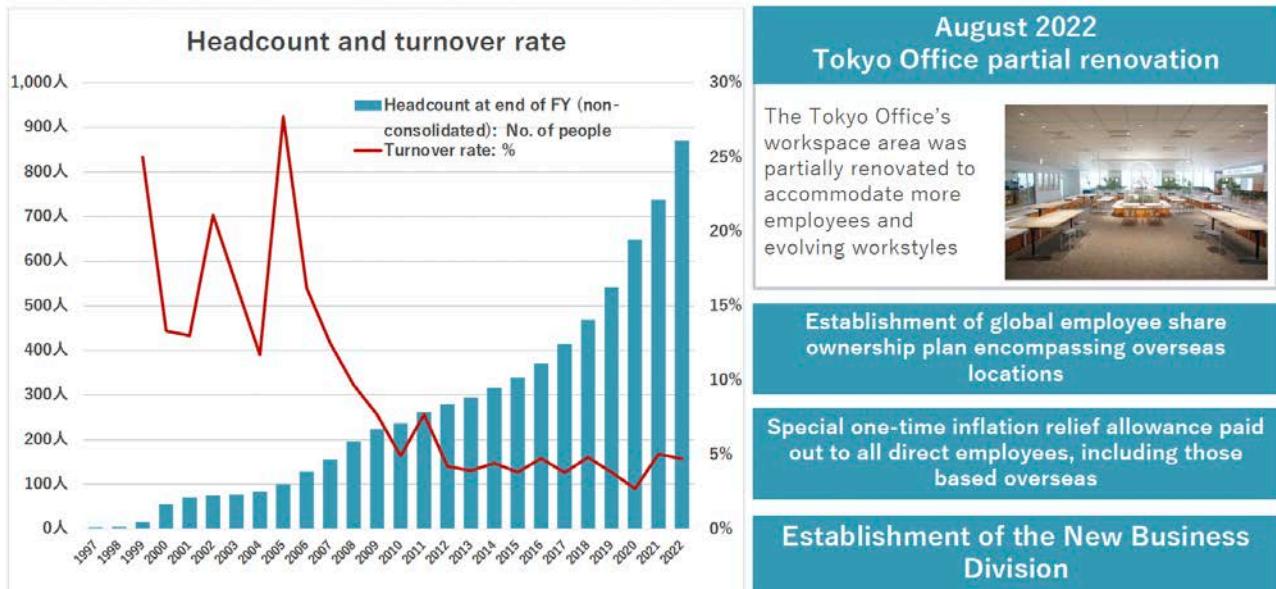


We started a brand called the Cybozu Teamwork Research Institute (TRI) for this purpose; and set up an organization called TRI, which delivers lectures, training, and consulting services in response to client requests.

We launched TRI in around 2018, but subsequently delivery of face-to-face lectures and training were suspended due to the COVID pandemic. However, in 2021, we were finally able to get TRI back on a growth trajectory once again. In 2022, TRI delivered 125 lectures and 159 training and consulting sessions, thereby growing into a much more prominent business within Cybozu.

We are also working with Panasonic welcoming Panasonic HR employees into our company to have them learn organizational management know-how at Cybozu before returning to Panasonic.

Human Resources and Organization Updates



This is information on our human resources status.

The red line graph shows the staff turnover rate. Although the turnover rate was very high in the Company's early years, we have worked to diversify our work styles, and the turnover rate has improved and remained steady at around 5% for about 10 years. I believe that we are managing to maintain a very low turnover rate for an IT company.

The blue graph shows the number of employees. The number of open-ended contract employees (permanent employees) is steadily increasing.

Some HR topics are listed here.

We have renovated our office in Nihombashi, Tokyo greatly changing its appearance. Prior to the renovation, the office was a tidy-looking configuration of non-reservation-based desks, but since the number of employees coming into the office to work has dropped, and even when we do come into the office to work, we are now more likely to have more on-line video meetings in conference rooms than to work solely out in open-plan desk areas, we renovated the office, greatly changing it up. The open-plan area where everyone works was made to look like a café, and instead, the office area was redesigned with many private rooms where people can have video conferences inside.

Also, Cybozu's employee share ownership plan is unique, and we are working to expand it globally.

This is the inflation allowance, which has attracted a lot of attention. Inflation has been rapidly rising globally for about a year now, so we decided to pay an inflation allowance, including to employees in our overseas offices, in order to swiftly respond to the situation.

We also set up the New Business Division, the division for creating the next Kintone products.

These are the organizational initiatives we have undertaken.

Corporate Governance Update



Maintaining proper governance by ensuring equal representation of candidates from three different governance perspectives for this year's appointments to the Board

Board Composition (Candidates for Board of Directors for FY2023)		
<p>Two Outside Director candidates recruited externally</p> <p>Outside Director positions were added to the Board in FY2022, in accordance with new requirements in the revised Companies Act, effective from March 1, 2021.</p> <p>Yasutomi Kitahara President and Representative Director of K.K. Nature Graduate School of Management, Nagoya University of Commerce & Business MBA Professor, Ph.D.</p> <p>Yuko Watanabe HSW Japan, Partner and Co-founder 888 NY Consulting, LLC, Founder and Owner</p>	<p>Two Internal Director candidates selected by internal vote within executive team</p> <p>Current Representative Director and one of the current Executive Officers selected as candidates, in accordance with statutory and administrative considerations.</p> <p>Yoshihisa Aono Representative Director and President</p> <p>Tadamasa Hayashi Executive Officer, General Manager of the Corporate Affairs Division</p>	<p>Two Internal Director candidates selected by internal company ballot among all employees</p> <p>Two candidates selected, representing the top two nominees in an internal ballot in which all employees were eligible to vote.</p> <p>Takakazu Morioka Teamwork Research Institute (TRI)</p> <p>Yuko Kanzaki Development Division</p>

This is an initiative regarding our Board of Directors.

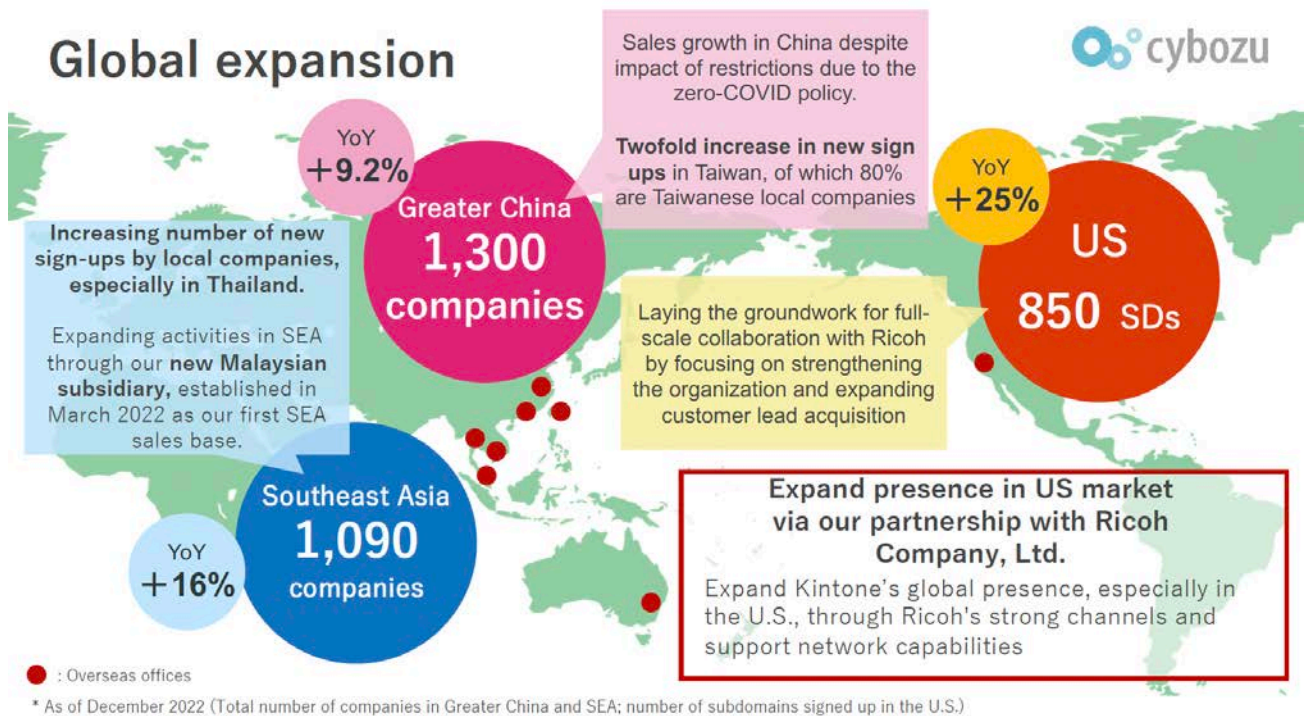
About two years ago, we conducted an open recruitment process in which any employee could nominate to be a Director on the Board, which resulted in a 17-person Board of Directors. However, I would like to share the makeup of the Board of Directors we plan to put to a decision of the Annual Shareholders Meeting next month.

Briefly, in the middle, are Mr. Tadamasa Hayashi and myself, who will be on the Board of Directors in the so-called administrative sense. As for Outside Directors, Mr. Yasutomi Kitahara, who was appointed one year ago and teaches at the Business School in the Graduate School of Management at Nagoya University of Commerce & Business, will assume the position as a specialist in business and innovation. In addition, Ms. Yuko Watanabe works in New York, and we have asked her to join us as an Outside Director so that she can bring a foreign perspective to the Board.

We are also proposing that two Internal Directors, who are employees who were elected by an internal vote, be appointed to the Board. Mr. Takakazu Morioka, who was formerly Deputy General Manager of the Sales Division, and Ms. Yuko Kanzaki, who is in the Development Division, ran as candidates for a position on the Board, and as the result of an internal vote, they were elected as Internal Directors. Including these two employees, we are planning to move forward with a six-member board for the next financial year.

I think this will be a good balance. Inevitably, Directors tend to be people who have risen to the top and that is final. In order to hold the powers of Directors in check, we would like to have people from outside the Company on the Board of Directors. And, we also would like to make sure that the opinions of the people on the front line are properly reflected.

I am hopeful that these six candidates will be selected to form the well-balanced Board of Directors structure we are putting forward.



This is our global expansion.

In Greater China, growth has weakened slightly, especially in China, where the zero-COVID policy has made face-to-face sales activities impossible, but despite that, new contracts have doubled in Taiwan. In particular, our services have earned favor amongst local Taiwanese companies.

Southeast Asia is also growing steadily. As I mentioned earlier, we are establishing a corporation in Malaysia to act as our Asian headquarters.

The US has tried its best to accelerate under the policy of BET!, but it is still struggling. However, as we announced, we have been able to form a global sales partnership with Ricoh, and this year we will be using Ricoh USA's network to expand sales of Kintone in the US. Of course, it may be difficult to see results within a year or two, but I expect that when we have the full sales teams and structures in place, the number of Kintone customers in the US will grow dramatically.

What I have explained so far are our achievements.

Company-wide Slogan for 2023-2025



25BT

“2025 and go Beyond with Trust”

Focus on reaching our next big milestone three years from now (FY2025), while simultaneously developing trust-centered initiatives that look to the future beyond 2025.

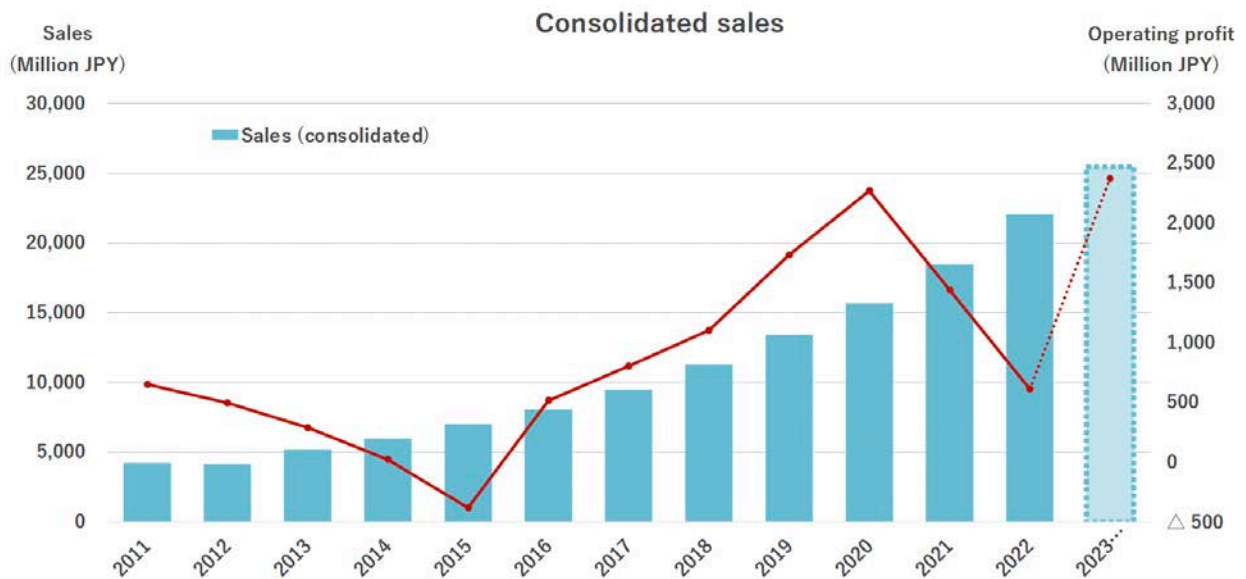
Next, I would like to introduce our new company-wide slogan.

Last year and the year before, we said we were going to increase short-term investments under BET!.

For the three years 2023, 2024, and 2025, our company-wide slogan will be "2025 and go Beyond with Trust," or 25BT.

“25” means, in short, that we are not looking in one-year increments, but always firstly taking a three-year view. Since the slogan is "go Beyond" it also means let's look beyond that. Let's look three years into the future, and then 5 years, or 10 years from there, and rather than investing for the short term, let's work toward business expansion beyond that. And "with Trust" means we have decided to proceed with a policy of building up trust.

Aim for Continued Cloud Growth

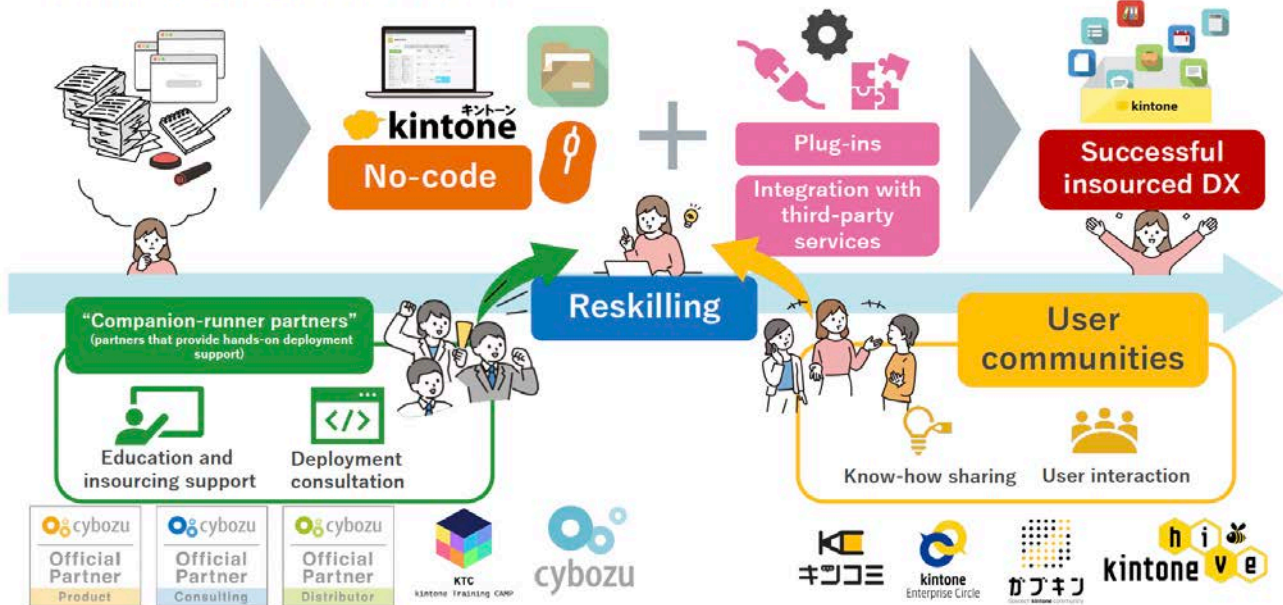


Under this policy, the focus will be on increasing medium- to long-term investments rather than short-term investments. So, I'd like to share how we expect to perform in the current fiscal year.

Sales will increase by about 15% as usual, and we expect profits to return again, as we will be investing in the medium to long term rather than in the short term.

Of course, we intend to be flexible and make changes depending on the situation, but at this point, we are proceeding with our business with this expectation.

Build a Rich and Robust Ecosystem to Power User-driven DX



Finally, please take a look at this diagram.

Kintone is more than just a product. It's an ecosystem and the peripheral plug-ins, external services, and the partners and user communities that support reskilling are all included in the Kintone ecosystem.

Triggering a Cascade of Transformations with No-code



I believe this is our strength, and that expanding the deployment of Kintone will drive digital transformations (DXs) that are brimming with this kind of teamwork, where non-IT experts, the people in the field can drive the DX themselves.

Once your organization has made this kind of progress, you will be able to successfully achieve your own DX, and you will truly be an organization that is adept at change. You will become an organization capable of change, driven by the ideas of the people in charge of the daily operations, at their own initiative, and with their own hands.

We are not simply talking about transferring analog tasks to computers. It is about moving agilely, reclaiming these lost three decades, and evolving into an organization that is adept at change. That is the customer value we envision.



Building a Society Brimming with Teamwork



Once again, this is our corporate philosophy.

What we want to do is to build a society brimming with teamwork, and we will continue to deliver products, ecosystems, and methods to achieve this goal.

That concludes my business overview.

Questions & Answers

MC [Q]: Let's move on to the question-and-answer session. Let me go ahead and take up the questions we received in the Q&A box.

There are two questions on the partner business part. I will read from the first one.

You mentioned that indirect sales exceed 60% of sales. Do you have target percentages for direct and indirect sales? This is the first question.

Second, today, you mainly talked about non-IT partners. Do you intend to focus on expanding such non-IT partners in the future? And what do you expect from IT partners?

Please respond to the first one regarding the target percentages for direct and indirect sales.

Kuriyama [A]: Thank you for your questions. I am Kuriyama, General Manager of the Sales Division.

Although we have not set clear target percentages, we have set a guide that the percentage of partner sales should not fall below 50% of sales. Although we have not set a clear target or a ceiling, as a general guideline, the common understanding we operate on within the Sales Division is working to keep the percentage from falling below 50%.

On the other question. We are not looking to add more-and-more non-IT partners. This time we have partnered with financial institutions, not because they are non-IT partners, but because they are a good match for our cloud products. We have been working on this partnership for about the past three years and it finally achieved results last year. That is how we see it. It's not that we want to add increasing numbers of non-IT partners.

The other thing, regarding what we expect from our IT partners, we are really finding that customer needs are changing in relation to the final system delivery to the customer, often referred to as implementation, or SI. It has been said for quite a long time that the so-called traditional waterfall approach of letting the customer define the requirements and then writing the specifications will be replaced by the agile approach, and this is finally starting to happen.

Therefore, we would like to work with many partners who can provide an agile, hands-on type of SI, or something like that, to match the customer's service requirements. In addition, we are seeing partners who are starting to provide this kind of hands-on support and turning delivery of that knowhow into a business.

MC [Q]: I will move on to the next question. It consists of two questions as well, and I will read from the first point.

Competition for talent is intensifying in the IT industry. Do you plan to increase personnel and hiring expenditure?

Secondly, would you say that the adoption of distinctive HR systems and work styles has been effective not only in retaining human resources, but also in acquiring talent?

Nakane [A]: My name is Nakane and I am in charge of Human Resources.

Regarding the first point, we plan to increase recruitment expenses. Over the past three years, we have increased the number of people we employ globally by approximately 13%, and we have increased our investment in personnel costs accordingly.

Not only that, but as is the case globally, per capita salary levels are also gradually rising in Japan. Cybozu is also raising its salary levels while keeping a close eye on the market, so we are investing in personnel expenses. Accordingly, the amount of investment in recruitment expenses will also increase. This is the first point.

Secondly, regarding our HR systems, I think you asked about the staff turnover rate because it is being held at between 3% and 5%, and it is definitely having a positive effect on attracting talent. In particular, we feel that after the COVID pandemic, we are now able to acquire personnel with the basic premise that we explain in job interviews that employees can work remotely.

I believe that it is not just about individuals being able to work remotely, but what is important is to be able to achieve strong results with good teamwork while working remotely. Through trial-and-error during COVID, we, too, have come to be able to work more productively in this hybrid way of working, either remotely or by coming to the office in real life. I feel that this has been successful, both in terms of acquiring personnel and retaining them.

MC [Q]: I will move on to the next question. The next person also has two questions, and I will read the first one.

What are the factors behind the significant increase in earnings forecast for this fiscal year? In addition to the effect of increased revenue, does this mean that investments in TV commercials, recruitment, etc., will be curtailed?

Second, some have pointed out that the deteriorating macro environment is making it difficult to invest, so what is the reason you are budgeting for increased profits at this time?

Hayashi [A]: My name is Hayashi and I am in charge of finance and accounting. I will answer your first and second questions together, since both of them refer to the forecast profit increase for the current fiscal year.

As for the reasons, as mentioned in the question, we invested heavily in advertising in 2021 and 2022 aimed at lifting brand recognition in a short period of time based on the BET! policy. As per the new slogan Mr. Aono just announced at the end of his presentation, we are making a major shift in strategy from 2023 onward, shifting from BET! to 25BT, thereby pivoting to medium- to long-term investment.

Regarding personnel expenses, which you pointed out, our direction is not to reduce them, but rather to increase them over the medium to long term.

For the current fiscal year, we have forecast an increase in profit due to both the curtailment of advertising, in which we invested heavily in 2021 and 2022, and the effect of increased revenue.

MC [Q]: I will move on to the next question. It is a question for Mr. Aono.

What do you see as the biggest risk going forward for the further adoption and expansion of Kintone?

Aono [A]: I would like to talk about the risks to Kintone's expansion, domestically and internationally separately.

As for Japan, the Japanese market itself is still lagging behind in DX, and if the momentum for DX stalls, it will have an impact on our business. However, at this point, there is a strong appetite for DX, and we feel that there is still a lot of room for us to continue to expand our business.

As for global business, we have great confidence in our ability to expand it. We have been making investments in Greater China, Asia, and the US as we go along. We have gradually gained customers, at a crawl, and now have about 850 customers in the US and 1,000 customers each in Greater China and Asia.

To grow the business offshore, I believe we need a strong ecosystem similar to the one in Japan. In that sense, the global partnership with Ricoh this time gives us great expectations for expansion. However, it is just the beginning, so we will continue to strive forward. It is unprecedented for a Japanese cloud vendor to be active on the global stage, so we would like to manage to make our mark.

MC [Q]: I will now move on to questions from the general viewing audience. I'll read out the first question.

The financial results included disclosure of sales by product, and for the first time you announced that Kintone's sales for the previous fiscal year exceeded JPY 10 billion. I know that until now you have been conscious of your competitors and have had a policy of not releasing this kind of information, so what kind of change in strategy did you have?

Company Representative [A]: Thank you for your question regarding financial indicators.

Cybozu's basic policy is to minimize the information gap between internal and external information as much as possible, but over the past few years we have been struggling between this policy and our competitive strategy.

We decided to disclose the figures because we believe that revealing the detailed business structure of Cybozu to the public once Kintone broke through the JPY 10 billion mark would help win trust all round thereby contributing even more to the expansion of our ecosystem and business.

MC [Q]: I will move on to the next question.

In ASCII's joint interview with Ricoh, you mentioned that you want to triple Kintone sales by 2025. Kintone sales in 2021 were about JPY 8 billion, so are you intending to increase them to JPY 24 billion by 2024? How feasible is this, and what percent of sales would you anticipate Kintone's overseas sales would account for at that point in time?

Kuriyama [A]: I will answer this question.

I just read the article myself, and it is the sales figure for 2025, not 2024. The comment is in reference to sales in the three years 2023, 2024, and 2025. We are still working on the exact figures, but we imagine the figure will be in a range close to the JPY 24 billion you have mentioned.

In regard to how feasible this is, looking at the current market environment and the status of Kintone, I feel that reaching this figure won't be easy, but it is not impossible.

The percentage of total sales that overseas sales are projected to account for is between 10% and 15%, but the actual figure we are aiming for is closer to 20%.

That is my answer to this question.

MC [Q]: I will move on to the next question.

I felt that the capital and business alliance with Ricoh was one of the most significant moves in your most recent strategy. While our expectations are high, we are uneasy about the concern that this may cause conflicts with other partners.

For example, if, among the three major partners, only Ricoh has its own brand of Kintone, and perhaps under different economic conditions, this could create a sense of unfairness. Do you have any measures to ensure a sense of unfairness does not develop among the partners? Also, to avoid differences, would you consider allocating treasury stock to FUJIFILM Business Innovation, Otsuka Corporation, etc.?

Kuriyama [A]: I will answer this question too.

With regard to this alliance, we will be focusing our efforts on the US this year, as mentioned earlier in Mr. Aono's announcement, with an eye toward the global arena. Naturally, there are also activities within Japan too, but we recognize that our partnership is in anticipation of the global market.

You are well informed about our three major partners in the domestic market as stated in your question, and in terms of whether there is any impact or not, we have been careful to ensure that there is no impact. We also believe that we are promoting this alliance in a manner that eliminates all factors that impede free competition. The client base is naturally different, and their daily activities are different, so there is no immediate direct impact.

Regarding stock allocation, that is a conversation that involves another party, and there is a possibility that the other party will say they do not want stock even if we offer to allocate it to them. We are not sure that there is zero possibility of such an allocation, but at this point, we have not had any such discussions.

MC [Q]: I will move on to the next question.

I understand that there are two broad types of capital policies that could be envisaged for the overseas expansion of Kintone. The first is to accept outside capital injected directly into Kintone Corporation, which is a wholly owned subsidiary, to raise money for sales and marketing expenses. The second is to allocate the remaining treasury shares to partners and others, as in the case of Ricoh, and for additional investment to then be made by the well-capitalized Cybozu itself, making 100% [inaudible].

Which of these two scenarios is closer to your current thinking?

Company Representative [A]: I will answer the question.

The question is it about overseas business development and the capital policy for that purpose, correct?

At present, we do not have any particular plans for either number one or number two, as we will continue to develop our business with the funds we have raised through capital increases to date and projected business income.

However, as you asked, which is more likely, number one or number two, I think number two is closer based on the current situation surrounding Cybozu.

MC [Q]: I will move on to the next question.

I believe there are 5.14 million treasury shares held even after the allocation to Ricoh. If you plan to dispose of treasury stock in the future, the higher the market capitalization, the more capital you will get at the time of disposal, so are you considering any measures to communicate appropriate corporate value to the stock market?

Compared to competing cloud-related companies, such as RAKUS, Money Forward, freee, and Sansan, Cybozu is fairly undervalued, and we feel that Cybozu's appeal has not been communicated to the stock market. Please let us know if there are any improvement measures that would make it easier, especially for domestic and foreign institutional investors, to invest in Cybozu stock.

Lastly, IR is the responsibility of a listed company, and as a Cybozu fan, I would be happy to have more opportunities to learn about the Company if you would at least disclose semi-annual financial results and hold semi-annual financial results meetings, as is generally done by listed companies. What do you think?

Aono [A]: Thank you for your questions and comments.

As for the stock price, we believe that it will converge at an appropriate level as we go about our business appropriately and also as we engage in IR appropriately. So, we do not have any specific measures to improve the stock price at this time.

On the other hand, based on your requests, we would like to be more proactive about IR from now on. Specifically, we would like to hold a group meeting for institutional investors in September to answer questions about our business and other matters. As soon as the details are decided, we will announce them on our website, etc. Please wait for a while.

MC [Q]: I will move on to the next question.

In 2022, a person who had been involved in Cybozu's corporate branding for more than 10 years left the Company. Were there any background organizational or governance issues?

Nakane [A]: I will explain about this.

First of all, since this is a personal matter, I would like to refrain from going into details. However, I would like to respond that this was not due to any organizational and governance issues as asked in the question.

MC [Q]: I will move on to the next question.

I have a question regarding the forecast for the next fiscal year. I believe that the main reason for the strong performance forecast for the next fiscal year is not just because you will be pursuing sales and profits, but that you have already made investments for the next stage and advertised to increase awareness, etc. What do you think has worked for your company?

Hayashida [A]: My name is Hayashida from the Business Marketing Division of Cybozu.

As you asked, we have worked hard to develop our advertising. However, I think that the market environment was characterized by the establishment of a no-code/low-code market and the trend toward in-house DX. We believe that the synergy in this area has been successful.

MC [Q]: I will move on to the next question.

It is about Mr. Aono. President Aono's Twitter account is not influential enough to effectively publicize or advertise, but it is a risk to Cybozu, as when you make any controversial statement, it results in flaming, which I think is a risk to Cybozu. It would be great if, like Elon Musk, Mr. Aono was charismatic and influential enough, that the company would get a whole lot of free advertising when his tweets escalated into flames.

Hayashida [A]: I would be happy to answer this question as well.

In fact, we have heard such comments within the Company as well, and at the end of last year, dozens of volunteer employees, including Mr. Aono, engaged in much discussion on this topic. As a result, we asked Mr. Aono to choose his words more carefully, and I think that probably the tone of what he says on Twitter now is completely different to what it used to be.

However, we do not prohibit our employees from expressing their individual ideals or engaging in such activities at their own responsibility, and I believe that such activities will continue to be engaged in, not only by Mr. Aono, but also by various other employees. So, when a problem arises, we would like to resolve it by discussing it internally, without hiding it.

MC [Q]: I will move on to the next question.

One thing about Mr. Aono. In President Aono's political activities, he made many enemies by making discriminatory remarks on Twitter against those with whom he disagreed, saying it will be very difficult if your boss finds out what you said you online right-winger.

This kind of thing is really a nuisance to Cybozu and should be stopped immediately. It is badly regarded not only by shareholders, but also among Cybozu employees on OpenWork. What does the Company think of these remarks of his?

Hayashida [A]: I, Hayashida, will answer this one as well.

As I mentioned earlier, we are hearing a variety of opinions within the Company, and we will continue to listen to them, discuss them on a case-by-case basis, and correct what needs to be corrected.

Aono [A]: Excuse me. I recognize that my Twitter comments have caused quite a few problems, and I would like to improve them and correct what needs to be corrected. However, I am not aiming to be Elon Musk, but rather, in order to create a society brimming with teamwork, I must say what I need to say regardless of who I am talking to. I would like to raise the level of sophistication in the way I say things. I would appreciate your continued input and advice. Thank you.

MC [Q]: I will move on to the next question.

Should we be concerned about the risk of reduced sales through other copier manufacturer-affiliated distributors as a result of Ricoh becoming a shareholder?

The answer might overlap with that given earlier, but let me ask again.

Kuriyama [A]: I think this is probably the same question as the one we received earlier, but we are working with due consideration for the domestic market, so at this point, we do not think there will be a major impact.

MC [Q]: I will move on to the next question.

You have made statements, such as that you are forgoing sales, which runs directly counter to the concept of the TSE Prime. Why did you choose to be listed in the Prime section of the TSE?

In addition, have there been any examples in the past year of things that were raised during dialogue with investors that have been reflected in the business?

Hayashi [A]: I, Hayashi, will answer this.

Rather than forgoing sales, we intend to convey that our company vision comes before sales. We would like to convey that it is not that we do not consider sales to be of any importance at all, nor do we intentionally forgo sales.

In addition, we have not had a lot of meetings with individual institutional investors. We provide opportunities to deepen understanding of our business policies and answer questions through open discussions, but from

now on, we would like to hold group meetings like the one I just mentioned in order to take our dialogue with institutional investors to the next level.

The disclosure of sales by product, as mentioned in the previous question, has been requested not only by institutional investors, but also by individual investors, so we have decided to disclose this information in light of our strategy and other factors.

MC [Q]: I will move on to the next question.

This may be a similar question, but what is the reason for disclosing figures for sales by product, sales through partners, etc., for the first time? For example, is it that since you are now at a size that ranks with competitors' services, the situation is such that giving specific numbers is not a disadvantage, but conversely, an advantage?

Hayashi [A]: This is Hayashi.

This may overlap with the previous point, but while we have always wanted to eliminate the information gap between internal and external information as much as possible, we have not been able to disclose this information due to strategic considerations with our competitors.

However, as I mentioned earlier, Kintone has just exceeded the JPY 10 billion mark, so we are releasing the figures to the public in the hope that it will help people understand Cybozu's business structure at a higher level of resolution, thereby helping to win trust in Cybozu and promote our business.

MC [Q]: I will move on to the next question.

You mentioned that you will be developing guidelines for the use of social networking services by Cybozu executives and employees, but when will they be published?

Hayashida [A]: This is Hayashida.

We are still working on the development of the guidelines, and we have not yet decided when we will make it public, as some aspects have not yet been finalized at this point in time. There is the issue of how far to allow various types of statements to go. If anything, employees often speak out about what they want to do to achieve the vision. We are considering whether to prohibit that or to what extent we should be stricter.

We apologize that we do not have a set date for publication at this time.

MC [M]: Since there are no additional questions at this time, we will conclude the question-and-answer session. Thank you very much for your questions.

Finally, I would like to inform you of the following: The slides and video of today's presentation will be available on the IR page of our official website at a later date.

There are no questions that we were unable to answer within the time today, however, we do post the questions we receive at other times along with the answers on the IR Inquiries page. If you have any additional questions about this financial results briefing, please contact us at IR Inquiries, and we will make your questions, along with the answers, available to the public. Please feel free to post your questions.

This concludes the Cybozu financial results briefing for the fiscal year ended December 2022. Thank you very much for reading to the end.

[END]

Document Notes

1. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*