

English Translation

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Consolidated Financial Results
for the Fiscal Year Ended June 30, 2021
[Japanese GAAP]

August 13, 2021

Company name: freee K.K.
Listing: Tokyo Stock Exchange
Securities code: 4478
URL: <http://www.freee.co.jp>
Representative: Daisuke Sasaki, Representative Director and CEO
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Scheduled date of ordinary general meeting of shareholders: September 29, 2021
Scheduled date to commence dividend payment: -
Scheduled date to file annual securities report: September 29, 2021
Preparation of supplementary materials on financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded down, unless otherwise noted)

1. Consolidated financial results for the fiscal year ended June 30, 2021
(from July 1, 2020 to June 30, 2021)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Adjusted operating profit		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended June 30, 2021	10,258	48.8	(2,301)	-	(2,441)	-	(2,719)	-	(2,756)	-
June 30, 2020	6,895	52.7	(2,587)	-	(2,681)	-	(2,938)	-	(2,972)	-

Notes: 1. Comprehensive income For the fiscal year ended June 30, 2021: ¥(2,758) million [-%]
For the fiscal year ended June 30, 2020: ¥(2,972) million [-%]
2. Adjusted operating profit is the sum of the operating profit, stock-based compensation expenses, expenses for amortization of acquisition-related intangible assets, and one-time cost.

	Basic earnings per share	Diluted earnings per share	Return on shareholders' equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
June 30, 2021	(54.88)	-	(9.2)	(7.4)	(23.8)
June 30, 2020	(66.18)	-	(33.7)	(23.2)	(38.9)

Reference: Share of profit (loss) of entities accounted for using equity method Fiscal year ended June 30, 2021: ¥ - million
Fiscal year ended June 30, 2020: ¥ - million

Notes: 1. The Company conducted a 3-for-1 stock split of common stocks effective September 25, 2019. The "Earnings per share" is calculated assuming that the said stock split was conducted at the beginning of the previous consolidated fiscal year.
2. Diluted earnings per share is not stated because, although potential shares exist, basic loss per share was recorded.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2021	55,286	46,871	84.2	849.99
June 30, 2020	17,898	13,854	75.1	278.29

Reference: Equity
As of June 30, 2021: ¥46,560 million
As of June 30, 2020: ¥13,447 million

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(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended June 30, 2021	(192)	(3,180)	35,380	47,143
June 30, 2020	(1,380)	(1,306)	11,970	15,136

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended June 30, 2020	-	0.0	-	0.0	0.0	-	-	-
Fiscal year ended June 30, 2021	-	0.0	-	0.0	0.0	-	-	-
Fiscal year ending June 30, 2022 (Forecast)	-	0.0	-	0.0	0.0			

3. Consolidated earnings forecasts for the fiscal year ending June 30, 2022 (from July 1, 2021 to June 30, 2022)

For the fiscal year ending June 30, 2022, we forecast net sales of 13,971 million yen (up 36.2% compared to a revenue in the fiscal year ended June 30, 2021) and adjusted operating loss(*1) of 2,561 million yen (compared to a loss of 2,301 million yen in the fiscal year ended June 30, 2021) for Platform business(*2), reflecting the expansion of customer base and enhancement of customer value in the SaaS business and other factors. Adjusted operating profit margin is expected to improve by 4.1 pts to negative 18.3% from the previous fiscal year on the back of an increase in subscription net sales.

Net sales and adjusted operating profit for Other businesses(*3) are expected to be 951 million yen and 53 million yen, respectively. Our consolidated forecasts (Platform business and Other businesses in total) are for net sales of 14,923 million yen and adjusted operating loss of 2,508 million yen.

For details, please refer to "1. Qualitative information regarding results for the period, (4) Explanation of consolidated earnings guidance and other forward-looking statements."

(Percentages indicate year-on-year changes.)

	Platform business				Other businesses				Consolidated			
	Net sales		Adjusted operating profit		Net sales		Adjusted operating profit		Net sales		Adjusted operating profit	
Fiscal year ending June 30, 2022	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
	13,971	36.2	(2,561)	-	951	-	53	-	14,923	45.5	(2,508)	-

- Notes:
- Adjusted operating profit is the sum of the operating profit, stock-based compensation expenses, expenses for amortization of acquisition-related intangible assets, and one-time cost.
 - Platform business: Business consisting of the integrated cloud ERP offering for small businesses and financial services, etc.
 - Other businesses: Businesses other than Platform business (such as Shikaku Square provided by Sight Visit Inc.).

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

- Changes in accounting policies due to revisions to accounting standards and other regulations: None
- Changes in accounting policies other than a. above: None
- Changes in accounting estimates: None
- Retrospective restatement: None

(3) Number of issued shares (Common stock)

- Total number of issued shares at the end of the period (including treasury stock)

Fiscal year ended June 30, 2021	54,778,125 shares
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Fiscal year ended June 30, 2020	48,320,822 shares
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b. Number of treasury stock at the end of the period

Fiscal year ended June 30, 2021	-
Fiscal year ended June 30, 2020	-

c. Average number of outstanding shares during the period

Fiscal year ended June 30, 2021	50,224,204 shares
Fiscal year ended June 30, 2020	44,920,449 shares

Note: The Company conducted a 3-for-1 stock split of common stocks effective September 25, 2019. The "Total number of issued shares" and "Number of treasury stock" and "Average number of outstanding shares" are calculated assuming that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

(Reference) Overview of non-consolidated financial results**Non-consolidated financial results for the fiscal year ended June 30, 2021(from July 1, 2020 to June 30, 2021)****(1) Non-consolidated operating results**

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2021	10,300	48.7	(2,296)	-	(2,540)	-	(2,884)	-
June 30, 2020	6,928	51.3	(2,632)	-	(2,852)	-	(2,886)	-

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
June 30, 2021	(57.43)	-
June 30, 2020	(64.26)	-

Notes: 1. The Company conducted a 3-for-1 stock split of common stocks effective September 25, 2019. The "Earnings per share" is calculated assuming that the said stock split was conducted at the beginning of the previous fiscal year.
2. Diluted earnings per share is not stated because, although potential shares exist, basic loss per share was recorded.

(2) Non-Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2021	53,896	46,916	86.5	850.80
June 30, 2020	18,078	14,027	75.3	281.86

Reference: Equity
As of June 30, 2021: ¥46,605 million
As of June 30, 2020: ¥13,619 million

* Financial results reports are exempt from audit conducted by certified public accountants or audit firms.

* Proper use of earnings forecasts, and other special matters

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. The achievement of said forecasts cannot be promised. Results may differ materially from the consolidated forecasts due to various factors.

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Table of contents

1. Qualitative information regarding results for the period	2
(1) Explanation of operating results	2
(2) Explanation of financial position	3
(3) Explanation of cash flows	3
(4) Explanation of consolidated earnings guidance and other forward-looking statements	3
2. Basic concept regarding selections of accounting standards	4
3. Consolidated financial statements and significant notes thereto	5
(1) Consolidated balance sheet	5
(2) Consolidated statement of income and consolidated statement of comprehensive income	7
Consolidated statement of income	7
Consolidated statement of comprehensive income	8
(3) Consolidated statement of changes in equity	\ 9
(4) Consolidated statement of cash flows	11
(5) Notes to consolidated financial statements	13
Notes on going concern assumption	13
Business combination through acquisition	13
Segment information	14
Per share information	15
Significant subsequent events	15

1. Qualitative information regarding results for the period

(1) Explanation of operating results

We estimate that the TAM (*1) for cloud accounting and HR software for small businesses is around 1.2 trillion yen (*2). At present, however, among SMBs with 1,000 or fewer employees and self-employed that use accounting software, the adoption rate of cloud accounting software is only 22.5% (*3). We believe that this relatively low adoption rate represents an opportunity for us to further expand the use of cloud ERP software among SMBs. In line with our corporate mission "Empower Small Businesses to Take Center Stage," (*4) we develop and offer services aimed at realization of "Integrated Management Platform for Everyone to Manage Business Freely."

During the fiscal year, the Group invested in development to improve the functions of its core services, "*free Accounting*" and "*free HR*," and expand the workflow function to enhance customer value for achieving the Group's mission.

Additionally, to further expand our customer base, we expanded our direct sales organization, strengthened relationships with financial institutions and partner companies, acquired Sight Visit Inc. as a subsidiary to expand business in the legal operations field, and held the "free Advisor Day 2021" event targeting accounting firms.

As a result of initiatives including the above, ARR (*5) as of the end of the fiscal year increased year-over-year by 42.7% to 11,268 million yen, the number of paying customers (*6) by 30.9% to 293,296, and ARPU (*7) by 9.0% to 38,419 yen. Considering the M&As conducted during the fiscal year (ARR from "*NINJA SIGN by free*" operated by Sight Visit Inc. is 154 million yen and "*Taxnote*" operated by Nonmo LLC is 42 million yen), ARR amounted to 11,465 million yen.

As a result, net sales increased by 48.8% from the previous fiscal year to 10,258 million yen, adjusted operating loss (*8) was 2,301 million yen (2,587 million yen in the previous fiscal year, and the same applies hereafter), operating loss was 2,441 million yen (2,681 million yen), ordinary loss was 2,719 million yen (2,938 million yen). Loss attributable to owners of the parent resulted in 2,756 million yen (2,972 million yen in the previous fiscal year).

Trends in ARR, Number of Paying Customers and ARPU

	Jun. 30, 2017	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2021
ARR (¥ million)	1,720	2,986	5,273	7,898	11,268
Number of paying customers	84,517	115,808	160,132	224,106	293,296
ARPU (¥)	20,351	25,786	32,930	35,246	38,419

(Notes:) 1.TAM: Total Addressable Market. This figure represents our estimate of our maximum market opportunity and is not intended as an objective indicator of the actual size of the market for our businesses as of the date of submission of this report. Our estimate of the TAM for accounting software and HR software for small businesses is based on certain assumptions and was calculated using statistical data and publications from external sources by the calculation method shown in 2 below. Actual market size may differ from this estimate due to the limitations peculiar to such statistical data and publications in terms of their accuracy.

2.Total annual spending of all potential customers assuming that all potential customers in Japan adopted *free Accounting* and *free HR*. All potential customers are the total of self-employed and SMBs with less than 1,000 employees. (Number of businesses in each category among all potential customers of *free Accounting* and *free HR* ("Tax Statistics 2017" by National Tax Agency and "Economic Census for Business Activity, June 2016" by Ministry of Internal Affairs and Communications) × Annual base charge of *free Accounting* and *free HR* for each category) + (Estimated average number of employees in each category ("Employment Status Survey, 2017" by Ministry of Internal Affairs and Communications) × Annual charge per ID).

3. International Data Corporation(IDC), "Worldwide Public Cloud Services Spending Guide Software Add On: V1 2021."

4. Small Businesses refers to businesses with 1,000 or fewer employees as well as self-employed individuals.

5. ARR: Annual Recurring Revenue. Monthly Recurring Revenue for last month of relevant period, multiplied by 12. Monthly Recurring Revenue is defined as the amount of fees contracted to be paid by customers on a monthly basis as of the end of a particular month (excludes one-time fees).

6. Refers to both self-employed and corporations that use our services.

7. ARPU: Average Revenue Per User. Annual Recurring Revenue as of the end of the relevant period divided by the number of paying customers as of the end of the same period.

8. Adjusted operating profit is the sum of the operating profit, stock-based compensation expenses, expenses for amortization of acquisition-related intangible assets, and one-time cost.

(2) Explanation of financial position

(Assets)

Total assets at the end of the period under review amounted to 55,286 million yen, an increase of 37,388 million yen from the end of the previous fiscal year. This was primarily due to an increase of 32,006 million yen in cash and deposits resulting from the new stock issuance.

(Liabilities)

Total liabilities at the end of the period under review came to 8,414 million yen, an increase of 4,370 million yen from the end of the previous fiscal year. This was mainly because of increases of 2,314 million yen in unearned revenue and 576 million yen in other payable.

(Net assets)

Total net assets at the end of the period under review were 46,871 million yen, an increase of 33,017 million yen from the end of the previous fiscal year. This was chiefly owing to an increase of 17,694 million yen in capital stock and capital surplus, respectively, resulting from the new stock issuance.

(3) Explanation of cash flows

Cash and cash equivalent (hereinafter “cash”) as of June 30, 2021 stood at 47,143 million yen. Net cash flows and factors associated therewith in the consolidated fiscal year are as stated below.

(Cash flows from operating activities)

Net cash used in operating activities stood at 192 million yen, mainly due to loss before income taxes of 2,747 million yen with the adjustment such as increase in unearned revenue of 1,418 million yen and increase in other payable of 311 million yen.

(Cash flows from investing activities)

Net cash used in investing activities stood at 3,180 million yen, mainly due to 2,173 million yen used for purchase of shares of subsidiaries resulting in change in scope of consolidation.

(Cash flows from financing activities)

Cash provided by financing activities was 35,380 million yen, mainly due to 35,472 million yen from proceeds from issuance of common stock through the international offering.

(4) Explanation of consolidated earnings guidance and other forward-looking statements

Our SaaS business, which generates the highest proportion of our earnings, provides services to users in the subscription business model, in which earnings are built up through users’ continuous subscription of services over time. Meanwhile, this business model is characterized by prior investment in development and acquisition of customers, which generally entails an operating loss in the short term.

For the fiscal year ending June 30, 2022, we forecast net sales of 13,971 million yen (up 36.2% compared to a revenue in the fiscal year ended June 30, 2021) for Platform business(*1), reflecting the expansion of customer base and improvement in customer value in the SaaS business and other factors. As for profit items, adjusted operating profit (*2) is expected to be a loss of 2,561 million yen (compared to a loss of 2,301 million yen in the fiscal year ended June 30, 2021) because of increases in development cost and customer acquisition cost as upfront investments mentioned above, and adjusted operating profit margin is expected to improve by 4.1 pts to negative 18.3% from the previous fiscal year on the back of an increase in subscription revenue.

Net sales and adjusted operating profit for Other businesses(*3) are expected to be 951 million yen and 53 million yen, respectively. Our consolidated forecasts (Platform business and Other businesses in total) are for net sales of 14,923 million yen and adjusted operating loss of 2,508 million yen.

- Notes:
1. Platform business: Business consisting of the integrated cloud ERP offering for small businesses and financial services, etc.
 2. Adjusted operating profit is the sum of the operating profit, stock-based compensation expenses, expenses for amortization of acquisition-related intangible assets, and one-time cost.
 3. Other businesses: Businesses other than Platform business (such as Shikaku Square provided by Sight Visit Inc.).

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2. Basic concept regarding selections of accounting standards

The Group applies Japanese generally accepted accounting principles considering the comparability of consolidated financial statements from period to period.

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3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of June 30, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	15,636,430	47,643,365
Accounts receivable - trade	765,297	1,314,115
Other	200,721	441,917
Allowance for doubtful accounts	(14,821)	(11,183)
Total current assets	16,587,628	49,388,215
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	170,248	180,297
Accumulated depreciation	(103,287)	(107,701)
Facilities attached to buildings, net	66,960	72,596
Tools, furniture and fixtures	296,464	369,955
Accumulated depreciation	(89,093)	(173,822)
Tools, furniture and fixtures, net	207,371	196,133
Total property, plant and equipment	274,331	268,729
Intangible assets		
Goodwill	-	3,885,552
Software	706,183	871,346
Software in progress	64,629	57,748
Other	-	218,000
Total intangible assets	770,813	5,032,647
Investments and other assets		
Investment securities	600	340,008
Lease and guarantee deposits	211,586	236,147
Other	61,763	48,126
Allowance for doubtful accounts	(8,410)	(27,559)
Total investments and other assets	265,540	596,722
Total non-current assets	1,310,685	5,898,100
Total assets	17,898,314	55,286,315

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(Thousands of yen)

	As of June 30, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Current portion of long-term borrowings	-	62,610
Other payable	532,771	1,109,701
Accrued expenses	592,571	853,243
Income taxes payable	183,464	256,418
Unearned revenue	2,584,770	4,899,119
Provision for bonuses	-	39,306
Other	150,164	484,855
Total current liabilities	4,043,742	7,705,254
Non-current liabilities		
Long-term borrowings	-	229,436
Long-term other payable	-	480,000
Total non-current liabilities	-	709,436
Total liabilities	4,043,742	8,414,690
Net assets		
Shareholders' equity		
Common stock	6,215,195	24,151,096
Capital surplus	22,121,234	40,057,134
Retained earnings (Accumulated deficit)	(14,889,185)	(17,645,362)
Total shareholders' equity	13,447,244	46,562,867
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	(2,084)
Total accumulated other comprehensive income	-	(2,084)
Stock acquisition rights	407,327	310,841
Total net assets	13,854,571	46,871,624
Total liabilities and net assets	17,898,314	55,286,315

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(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

	(Thousands of yen)	
	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Net sales	6,895,240	10,258,082
Cost of sales	1,557,961	2,100,024
Gross profit	5,337,278	8,158,057
Selling, general and administrative expenses	8,018,375	10,599,995
Operating loss	(2,681,097)	(2,441,937)
Non-operating income		
Commission income	183	-
Lecture fee and other income	853	750
Foreign exchange gains	6,023	-
Consumption taxes refund	-	2,816
Other	449	645
Total non-operating income	7,509	4,212
Non-operating expenses		
Loss on investments in silent partnerships	-	474
Loss on investments in investment partnerships	-	19,223
Stock issuance costs	42,708	157,032
Listing related expenses	216,818	-
Financing expenses	-	94,248
Other	5,014	10,437
Total non-operating expenses	264,542	281,416
Ordinary loss	(2,938,129)	(2,719,141)
Extraordinary income		
Gain on reversal of stock acquisition rights	3,843	324
Total extraordinary income	3,843	324
Extraordinary losses		
Loss on retirement of non-current assets	-	827
Loss on valuation of investment securities	29,990	27,756
Total extraordinary losses	29,990	28,584
Loss before income taxes	(2,964,276)	(2,747,401)
Income taxes - current	8,708	8,775
Total income taxes	8,708	8,775
Loss	(2,972,985)	(2,756,177)
Loss attributable to owners of parent	(2,972,985)	(2,756,177)

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Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Loss	(2,972,985)	(2,756,177)
Other comprehensive income		
Valuation difference on available-for-sale securities	-	(2,084)
Total other comprehensive income	-	(2,084)
Comprehensive income	(2,972,985)	(2,758,262)
Comprehensive income attributable to		
Owners of parent	(2,972,985)	(2,758,262)
Non-controlling interests	-	-

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(3) Consolidated statement of changes in equity

Fiscal year ended June 30, 2020

(Thousands of yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings (Accumulated deficit)	Total shareholders' equity
Balance at beginning of period	100,000	16,006,038	(11,916,199)	4,189,838
Changes during period				
Issuance of new shares	6,101,238	6,101,238		12,202,476
Exercise of stock acquisition right	13,957	13,957		27,914
Loss attributable to owners of parent			(2,972,985)	(2,972,985)
Net changes in items other than shareholders' equity				
Total changes during period	6,115,195	6,115,195	(2,972,985)	(9,257,405)
Balance at end of period	6,215,195	22,121,234	(14,889,185)	13,447,244

	Accumulated other comprehensive income	Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities		
Balance at beginning of period	-	320,217	4,510,056
Changes during period			
Issuance of new shares			12,202,476
Exercise of stock acquisition right			27,914
Loss attributable to owners of parent			(2,972,985)
Net changes in items other than shareholders' equity	-	87,110	87,110
Total changes during period	-	87,110	9,344,515
Balance at end of period	-	407,327	13,854,571

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Fiscal year ended June 30, 2021

(Thousands of yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings (Accumulated deficit)	Total shareholders' equity
Balance at beginning of period	6,215,195	22,121,234	(14,889,185)	13,447,244
Changes during period				
Issuance of new shares	17,694,943	17,694,943		35,389,887
Exercise of stock acquisition right	240,956	240,956		481,912
Loss attributable to owners of parent			(2,756,177)	(2,756,177)
Net changes in items other than shareholders' equity				
Total changes during period	17,935,900	17,935,900	(2,756,177)	33,115,623
Balance at end of period	24,151,096	40,057,134	(17,645,362)	46,562,867

	Accumulated other comprehensive income	Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities		
Balance at beginning of period	-	407,327	13,854,571
Changes during period			
Issuance of new shares			35,389,887
Exercise of stock acquisition right			481,912
Loss attributable to owners of parent			(2,756,177)
Net changes in items other than shareholders' equity	(2,084)	(96,485)	(98,570)
Total changes during period	(2,084)	(96,485)	33,017,052
Balance at end of period	(2,084)	310,841	46,871,624

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(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Cash flows from operating activities		
Loss before income taxes	(2,964,276)	(2,747,401)
Depreciation	179,067	295,924
Stock-based compensation expenses	91,355	91,485
Stock issuance costs	42,708	157,032
Listing related expenses	216,818	-
Financing expenses	-	94,248
Increase (decrease) in allowance for doubtful accounts	4,095	(3,445)
Increase (decrease) in provision for bonuses	-	39,306
Loss (gain) on valuation of investment securities	29,990	27,756
Loss (gain) on investments in investment partnerships	-	19,223
Loss (gain) on investments in silent partnerships	-	474
Gain on reversal of stock acquisition rights	(3,843)	(324)
Decrease(increase) in trade receivables	(135,681)	(414,155)
Increase (decrease) in other payables	93,102	311,187
Increase (decrease) in accrued expenses	99,311	252,424
Increase (decrease) in unearned revenue	858,515	1,418,821
Other, net	116,931	273,064
Subtotal	(1,371,903)	(184,376)
Interest received	61	235
Interest paid	(14)	-
Income taxes paid	(8,527)	(8,392)
Net cash provided by (used in) operating activities	(1,380,383)	(192,533)

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

	(Thousands of yen)	
	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Cash flows from investing activities		
Payments into time deposits	(500,000)	-
Purchase of property, plant and equipment	(218,891)	(92,348)
Purchase of intangible assets	(505,370)	(371,589)
Purchase of investment securities	(600)	(390,330)
Payments of leasehold and guarantee deposits	(47,625)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(2,173,626)
Payments for long-term loans receivable	-	(150,000)
Other, net	(34,073)	(2,944)
Net cash provided by (used in) investing activities	(1,306,560)	(3,180,839)
Cash flows from financing activities		
Proceeds from issuance of common stock	12,186,171	35,472,907
Proceeds from issuance of stock acquisition rights	1,110	1,648
Payments for listing related expenses	(216,818)	-
Payments for financing expenses	-	(94,248)
Net cash provided by (used in) financing activities	11,970,462	35,380,307
Net increase (decrease) in cash and cash equivalents	9,283,517	32,006,934
Cash and cash equivalents at beginning of period	5,852,912	15,136,430
Cash and cash equivalents at end of period	15,136,430	47,143,365

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Business combination through acquisition)

(Business combinations)

freee K.K. (the “Company”) resolved at the Board of Directors Meeting held on March 10, 2021, to acquire a part of the outstanding shares of Sight Visit Inc. (“Sight Visit”) to make Sight Visit the Company’s subsidiary (hereinafter referred to as the “Share Acquisition”) and acquired the shares of them on April 1, 2021.

1. Overview of the business combination

(1) Acquired company name and description of business

Name : Sight Visit Inc.

Description of business : Electronic signing and agreement service “NINJA SIGN”, Online learning service “Shikaku Square”

(2) Main basis for acquisition

In line with its corporate mission “Empower Small Businesses to Take Center Stage,” the Company has developed and offered services centered around integrated cloud ERP aimed at realization of “Integrated Management Platform for Everyone to Manage Business Freely.” The Company believes that small businesses have the ability to act quickly and boldly to put ideas into action, positioning them to achieve innovation in various areas, push big businesses to evolve and inspire new movements and ideas in society.

Under its vision of “becoming a social infrastructure with legal and technological competencies,” Sight Visit offers electronic contract signing services for business users and online learning services for law personnel. Particularly, its electronic contract service “NINJA SIGN” has grown rapidly since its launch in December 2019, with its unique strengths in UX offering a cloud-based integrated workflow covering processes including contract signing and managing, as well as contract drafting.

The Share Acquisition will enable freee to enter the rapidly growing electronic contract market and cover the legal and contract operations with the integrated cloud ERP, and the Company will aim to establish a scheme for unified and efficient management of accounting, workflow, HR, and contracting operations. Furthermore, by adding the electronic contract service to the Company’s service portfolio, the Company will strengthen its pursuit of realization of a cloud-based B2B platform.

(3) Acquisition date

April 1, 2021 (the deemed acquisition date for consolidation accounting was June 30, 2021).

(4) Legal form of the business combination

Acquisition of shares.

(5) Acquired company name after the business combination

Not changed.

(6) Percentage of voting rights acquired

On the acquisition date : 68.2%

As of June 30, 2021, the percentage of voting rights came to 70.0% due to the additional share acquisition after the Acquisition date.

(7) Main basis for determining the acquiring company

Because of acquisition of shares by paying in cash.

2. The period of the operating results of the acquired company included in consolidated financial statements

The operating results of the acquired company are not included in the consolidated financial statements because only the balance sheet is consolidated for the current fiscal year.

3. The acquisition costs of the acquired company, and the breakdown by type of consideration

The consideration : 2,771,270 thousands yen in cash

The acquisition costs : 2,771,270 thousands yen

4. The details and amount of major expenses related to acquisition

Advisory fees, etc. : 36,430 thousands yen

English Translation

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5. The amount of goodwill that occurred, the cause for the occurrence, the amortization method, and the amortization period

(1) The amount of goodwill that occurred

3,510,319 thousands yen

(2) The cause for the occurrence

Mainly because of the excess earning power expected from future business development of Sight Visit.

(3) The amortization method and the period

Straight-line method for 15 years

6. The amount allocated to intangible assets other than goodwill, the breakdown by major type, and the amortization period by major type

(1) The amount allocated to intangible assets other than goodwill

218,000 thousands yen

(2) The breakdown by major type

Customer-related assets

(3) The amortization period by major type

15 years

7. The amount of assets accepted and liabilities assumed on the date of the business combination, and the major breakdown thereof

Current assets : 551,592 thousands yen

Non-current assets : 33,066 thousands yen

Total assets : 584,659 thousands yen

Current liabilities : 1,162,659 thousands yen

Non-current liabilities : 379,436 thousands yen

Total liabilities : 1,541,708 thousands yen

8. The estimated amount of the impact on the consolidated statement of income for the current fiscal year, assuming that the business combination had been completed at the beginning of the current fiscal year, and its calculation method

The estimated amount of the impact is omitted as it is not material.

(Segment information)

Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)

Segment information, etc. is omitted as the Group operates a single segment of the platform business.

Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)

Segment information, etc. is omitted as the Group operates a major segment of the platform business and does not have monetary significance of other segments.

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

(Per share information)

(Yen)

	Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)	Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)
Net assets per share	278.29	849.99
Basic earnings (loss) per share	(66.18)	(54.88)

- Notes:
1. The Company conducted a 3-for-1 stock split of common stocks as of September 25, 2019 by a resolution of the Board of Directors on August 26, 2019. The "Earnings per share" is calculated assuming that the said stock split was conducted at the beginning of the previous consolidated fiscal year.
 2. Information on diluted earnings per share for the fiscal year ended June 30, 2020 and 2021 are omitted since the recorded figure was a net loss.
 3. Basis for calculation of basic loss per share is as follows:

	Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)	Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)
Profit (loss) attributable to owners of parent (Thousands of yen)	(2,972,985)	(2,756,177)
Amounts not attributable to common shareholders (Thousands of yen)	-	-
Profit (loss) attributable to owners of parent related to common shares (Thousands of yen)	(2,972,985)	(2,756,177)
Average number of common shares outstanding during the period (Shares)	44,920,449	50,224,204
Overview of dilutive shares that are not included in the calculation of diluted earnings per share as they have no dilutive effects	5,491,260 shares of stock acquisition rights (20 types of stock acquisition rights)	3,689,809 shares of stock acquisition rights (21 types of stock acquisition rights)

(Significant subsequent events)

Not applicable.