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August 30, 2021

Company Name	freee K.K.
Representative	Daisuke Sasaki, CEO and Representative Director
Code No.	4478, Tokyo Stock Exchange Mothers
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Announcement regarding Introduction of Restricted Share Plan and Performance Share Unit Plan for Directors of the Company

Last year, freee K.K. (the “Company”) introduced a restricted stock plan for our Outside Directors. As separately disclosed in the “Announcement regarding Transition to a Company with an Audit & Supervisory Committee” of August 13, 2021, the Company will transition to a company with an Audit & Supervisory Committee, subject to the approval at the Company’s 9th Term Annual Meeting of Shareholders to be held on September 29, 2021 (hereinafter “this Annual Meeting”).

The Company hereby announces that, at the meeting of the Board of Directors held today, the Company implemented a review of the executive compensation system pursuant to this transition, and resolved to submit proposals to this Annual Meeting for the introduction of a restricted share plan and a performance share unit plan (hereinafter “Plan I”) for Directors (excluding Directors who are Audit & Supervisory Committee Members or Outside Directors; hereinafter referred to as “Eligible Directors for Performance-linked Compensation”), and the introduction of a restricted stock plan (hereinafter “Plan II”) for Directors who are Audit & Supervisory Committee Members (Plan I and Plan II are collectively referred to as the “Plans”), after the transition to a company with an Audit & Supervisory Committee.

The introduction of the Plans is subject to the approval and passing by this Annual Meeting of the proposal to amend the Articles of Incorporation to transition from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee.

1. Purpose of the Plans

Plan I will be introduced for the purpose of providing incentives for Eligible Directors for Performance-linked Compensation to sustainably increase the Company’s enterprise value, and to further promote shared values with shareholders. Plan II will be introduced for the purpose of providing incentives for Directors who are Audit & Supervisory Committee Members (“Eligible Audit & Supervisory Committee Members;” hereinafter referred to, together with Eligible Directors for Performance-linked Compensation, as “Eligible Directors”) to prevent impairment of the Company’s enterprise value and maintain its credit, by promoting shared values with shareholders.



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2. Overview of the Plans

Plan I is composed of restricted share compensation, with the removal of restrictions conditional upon continual service as a Director for a predesignated period of time, and performance-linked stock compensation, which will be granted conditional upon the achievement of performance targets predesignated by the Company's Board of Directors, in addition to the service period condition indicated above.

Eligible Directors will receive common shares of the Company through issuance of new shares of common stock or disposal of treasury share, in return for contribution in kind of all monetary compensation rights provided under the Plans.

A total compensation amount of up to 300 million yen per annum for Directors of the Company (including up to 40 million yen for Outside Directors) was approved by resolution of the 7th Term Annual Meeting of Shareholders held on September 24, 2019. In addition, a restricted stock plan for Outside Directors of the Company was introduced by resolution of the 8th Term Annual Meeting of Shareholders held on September 29, 2020, with a maximum total amount of compensation for Outside Directors of 10 million yen per annum, in addition to the compensation amount indicated above. This compensation structure has been unchanged since then.

The Company will submit proposals for separate limits for compensation, etc. for Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members, to this Annual Meeting. The Company will also submit to this Annual Meeting, in addition to these compensation limits, proposals for the payment of compensation for the grant of shares based on the Plans.

The maximum total amount of compensation to be provided to Eligible Directors for Performance-linked Compensation based on Plan I will be 60 million yen per annum for the restricted share plan, and 60 million yen per annum for the performance share unit plan (for a total of 120 million yen per annum), in addition to cash compensation amounts for Directors (excluding Directors who are Audit & Supervisory Committee Members) proposed to this Annual Meeting. The maximum number of the Company's common shares to be granted by issuance or disposal under Plan I will be 12,000 shares per annum for the restricted share plan, and 12,000 shares per annum for the performance share unit plan (for a total of 24,000 shares per annum). The maximum total amount of compensation to be provided to Eligible Audit & Supervisory Committee Members based on Plan II will be 15 million yen per annum, in addition to cash compensation amounts for Directors who are Audit & Supervisory Committee Members proposed to this Annual Meeting. The maximum number of the Company's common shares to be granted by issuance or disposal under Plan II will be 3,000 shares per annum. (The number of shares to be issued or disposed of may be adjusted within a reasonable range in the event that the Company's common shares undergo a stock split, including a gratis allotment of the Company's common shares, or a reverse share split or other unavoidable cause necessitating adjustment.)

The amount to be paid-in per common share of the Company issued or disposed of based on the Plans will be determined by the Board of Directors, based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the last business day before the date of each resolution of the Board of Directors (if the Company's share is not traded on that date, the closing price on the last trading day of the Company's shares preceding the resolution) within a range that does not unfairly advantage the Eligible Directors.

The restricted stock plan in Plan I and Plan II will have a transfer restriction period of three years beginning from the date when the shares of restricted stock are delivered, in order to achieve a



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sense of values shared with shareholders in the medium and long term, which is one of the purposes of the Plans. The Board of Directors will determine the specific timing and allocation of payment to each Eligible Director. When common shares of the Company are issued or disposed of under the restricted stock plan in Plan I or in Plan II, the Company will conclude a restricted stock allotment agreement (hereinafter the “Allotment Agreement”) that includes the content in the following items, with each Eligible Director.

- 1) Eligible Directors must not transfer, pledge or otherwise dispose of common shares of the Company allotted under the Allotment Agreement for a predesignated period of time.
- 2) The Company may acquire these common shares for no consideration where certain causes arise

The performance share unit plan will be a performance-linked stock compensation plan, where the number of common shares of the Company delivered is equal to the standard number of shares delivered, calculated based on the position of each Eligible Director for Performance-linked Compensation, and adjusted within a range from 0% to 150% depending on the degree of achievement of performance indicators predetermined by the Board of Directors at the conclusion of the evaluation period. The evaluation period for the performance share unit plan will be three years. The initial period will be from October 2021 to September 2024. Subsequent evaluation periods will commence from October each year and conclude in September three years later.

Reference:

The Company also intends to introduce a restricted stock plan and a performance share unit plan similar to the Plans for some of its employees.