

English Translation

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**Consolidated Financial Results**  
**for the Three Months Ended September 30, 2021**  
**[Japanese GAAP]**

**November 12, 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 to file quarterly securities report: November 12, 2021  
 Scheduled date to commence dividend payment: -  
 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 first three months of the fiscal year ending June 30, 2022**  
**(from July 1, 2021 to September 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	%
Three months ended September 30, 2021	3,392	52.5	(329)	-	(501)	-	(495)	-	(500)	-
September 30, 2020	2,225	49.2	(269)	-	(272)	-	(268)	-	(271)	-

- Notes: 1. Comprehensive income Three months ended September 30, 2021: ¥(500) million [-%]  
 Three months ended September 30, 2020: ¥(271) 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
Three months ended September 30, 2021	Yen (9.10)	Yen -
September 30, 2020	(5.60)	-

- Note: 1. 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
As of September 30, 2021	Millions of yen 54,270	Millions of yen 46,565	% 85.2
June 30, 2021	55,286	46,871	84.2

Reference: Equity  
 As of September 30, 2021: ¥46,227 million  
 As of June 30, 2021: ¥46,560 million

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**2. Dividends**

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2021	-	0.0	-	0.0	0.0
Fiscal year ending June 30, 2022	-	-	-	-	-
Fiscal year ending June 30, 2022 (Forecast)	-	0.0	-	0.0	0.0

Note: Revisions to the forecast of dividends most recently announced: None

**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 net sales in the fiscal year ended June 30, 2021) and adjusted operating loss(\*2) 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(\*3), reflecting the expansion of the 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.

We have revised the guidance for Other businesses(\*4) for the fiscal year ending June 30, 2022, because of the sale of the Shikaku Square business operated by our consolidated subsidiary Sight Visit Inc., announced on October 15, 2021, for which the Shikaku Square business will be deconsolidated at the end of November 2021.

For details, please refer to "1. Qualitative information regarding results for the period, (3) 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending June 30, 2022	13,971	36.2	(2,561)	-	390	-	100	-	14,361	40.0	(2,461)	-

- Notes:
- Revisions to the earnings forecasts most recently announced: Yes
  - 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 (Shikaku Square provided by Sight Visit Inc.).

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**\* Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of specific accounting for preparing the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement
- a. Changes in accounting policies due to revisions to accounting standards and other regulations: Applicable
  - b. Changes in accounting policies other than a. above: None
  - c. Changes in accounting estimates: None
  - d. Retrospective restatement: None
- (4) Number of issued shares (Common stock)

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

As of September 30, 2021	55,159,647 shares
As of June 30, 2021	54,778,125 shares

- b. Number of treasury stock at the end of the period

As of September 30, 2021	-
As of June 30, 2021	-

- c. Average number of outstanding shares during the period

Three months ended September 30, 2021	54,961,601 shares
Three months ended September 30, 2020	48,434,487 shares

\* This consolidated financial results are exempt from quarterly review 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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## 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(\*2) is around 1.2 trillion yen(\*3). 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 25.2%(\*4). 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,” we develop and offer services aimed at realization of “Integrated Management Platform for Everyone to Manage Business Freely.”

During the first quarter of the fiscal year, to further expand our customer base, we expanded our direct sales organization, strengthened relationships with financial institutions and partner companies, and we have supported scanner storage for all plans of “*free Accounting*” for self-employed and corporate customers in preparation for the amendment of the Electronic Books Maintenance Act enforced from January 2022. We also released a beta version of a linkage function for “*free Founding*” with Mynportal, an online service managed by the government of Japan which allows several kinds of administrative procedures online.

Additionally, we invested in development to improve the functions of our core services, “*free Accounting*” and “*free HR*,” and released the functional linkage between “*free Accounting*” and “*NINJA SIGN by free*,” as well as the mobile app for “*free Project Management*” to enhance customer value for achieving our mission.

As a result of initiatives including the above, as of the end of the first quarter, for Platform business(\*5), ARR(\*6) increased year-over-year by 41.3% to 12,085 million yen, the number of paying customers(\*7) by 34.2% to 313,206, and ARPU(\*8) by 5.3% to 38,586 yen. Moreover, for the first three months of Platform business, net sales increased by 41.7% to 3,151 million yen year-over-year and adjusted operating loss(\*9) was 398 million yen (269 million yen in the same period of the previous fiscal year).

As a result, for the first three months of consolidated fiscal year under review, net sales increased by 52.5% year-over-year to 3,392 million yen, adjusted operating loss was 329 million yen (269 million yen in the same period of the previous fiscal year, and the same applies hereafter), operating loss was 501 million yen (272 million yen), ordinary loss was 495 million yen (268 million yen). Loss attributable to owners of parent resulted in 500 million yen (271 million yen in the previous fiscal year).

#### Trends in ARR, Number of Paying Customers and ARPU for Platform business

	Jun 30, 2019	Jun 30, 2020	Jun 30, 2021	Sep 30, 2020	Sep 30, 2021
ARR (¥ million)	5,273	7,898	11,268	8,550	12,085
Number of paying customers	160,132	224,106	293,296	233,341	313,206
ARPU (¥)	32,930	35,246	38,419	36,645	38,586

- Notes:
- 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.
  - Small Businesses refers to businesses with 1,000 or fewer employees as well as self-employed individuals.
  - 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 2019” 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).
  - International Data Corporation(IDC), “Worldwide Public Cloud Services Spending Guide Software Add On: V2 2021.”
  - Figures represent the Group’s overall business, excluding the Shikaku Square business, operated by our consolidated subsidiary Sight Visit Inc., scheduled to be sold in December, 2021.
  - 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).
  - Refers to both self-employed and corporations that use our services.

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8. 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.
9. 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 54,270 million yen, a decrease of 1,015 million yen from the end of the previous fiscal year. This was primarily due to a decrease of 1,239 million yen in cash and deposits.

### (Liabilities)

Total liabilities at the end of the period under review came to 7,705 million yen, a decrease of 709 million yen from the end of the previous fiscal year. This was mainly because of decreases of 374 million yen in other liabilities, 197 million yen in income taxes payable, and 179 million yen in other payable.

### (Net assets)

Total net assets at the end of the period under review were 46,565 million yen, a decrease of 305 million yen from the end of the previous fiscal year. This was chiefly owing to a decrease in retained earnings by 500 million yen resulting from the posting of loss attributable to owners of parent.

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

For the fiscal year ending June 30, 2022, we forecast net sales of 13,971 million yen (up 36.2% compared to net sales 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 the 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.

We have revised the guidance for Other businesses(\*3) for the fiscal year ending June 30, 2022, because of the sale of the Shikaku Square business operated by our consolidated subsidiary Sight Visit Inc., announced on October 15, 2021, for which the Shikaku Square business will be deconsolidated at the end of November 2021. Thus, we have revised our guidance for Other businesses in the fiscal year ending June 30, 2022, for net sales to 390 million yen (a decrease of 561 million yen from the previous guidance) and adjusted operating profit to 100 million yen (an increase of 46 million yen from the previous guidance). Consequently, we have revised our consolidated guidance (total of Platform business and Other businesses) in the fiscal year ending June 30, 2022, for net sales to 14,361 million yen (a decrease of 561 million yen from the previous guidance) and adjusted operating loss to 2,461 million yen (compared to a loss of 2,508 million yen in the previous guidance).

For further details, please refer to “Notice Concerning Revision of Consolidated Guidance for Fiscal Year Ending June 30, 2022,” separately disclosed today, November 12, 2021.

- Notes:
1. 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. Platform business: Business consisting of the integrated cloud ERP offering for small businesses and financial services, etc.
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2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of June 30, 2021	As of September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	47,643,365	46,403,431
Accounts receivable - trade	1,314,115	1,219,099
Other	441,917	621,438
Allowance for doubtful accounts	(11,183)	(9,628)
Total current assets	49,388,215	48,234,341
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	180,297	189,710
Accumulated depreciation	(107,701)	(109,432)
Facilities attached to buildings, net	72,596	80,278
Tools, furniture and fixtures	369,955	404,562
Accumulated depreciation	(173,822)	(194,648)
Tools, furniture and fixtures, net	196,133	209,914
Total property, plant and equipment	268,729	290,192
Intangible assets		
Goodwill	3,885,552	3,898,216
Software	871,346	870,631
Software in progress	57,748	91,183
Other	218,000	190,750
Total intangible assets	5,032,647	5,050,781
Investments and other assets		
Investment securities	340,008	444,730
Lease and guarantee deposits	236,147	237,165
Other	48,126	32,813
Allowance for doubtful accounts	(27,559)	(19,200)
Total investments and other assets	596,722	695,509
Total non-current assets	5,898,100	6,036,483
Total assets	55,286,315	54,270,825

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(Thousands of yen)

	As of June 30, 2021	As of September 30, 2021
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term borrowings	62,610	63,080
Other payable	1,109,701	930,277
Accrued expenses	853,243	834,779
Income taxes payable	256,418	59,385
Unearned revenue	4,899,119	4,958,051
Provision for bonuses	39,306	55,082
Other	484,855	110,802
Total current liabilities	7,705,254	7,011,459
Non-current liabilities		
Long-term borrowings	229,436	213,651
Long-term other payable	480,000	480,000
Total non-current liabilities	709,436	693,651
Total liabilities	8,414,690	7,705,110
Net assets		
Shareholders' equity		
Common stock	24,151,096	24,234,516
Capital surplus	40,057,134	40,140,555
Retained earnings (Accumulated deficit)	(17,645,362)	(18,145,689)
Total shareholders' equity	46,562,867	46,229,382
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2,084)	(2,084)
Total accumulated other comprehensive income	(2,084)	(2,084)
Stock acquisition rights	310,841	338,417
Total net assets	46,871,624	46,565,715
Total liabilities and net assets	55,286,315	54,270,825



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(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income  
 Quarterly consolidated statement of income

(Thousands of yen)

	For the three months ended September 30, 2020	For the three months ended September 30, 2021
Net sales	2,225,131	3,392,321
Cost of sales	421,546	719,598
Gross profit	1,803,585	2,672,722
Selling, general and administrative expenses	2,075,827	3,173,943
Operating loss	(272,241)	(501,220)
Non-operating income		
Lecture fee and other income	18	170
Foreign exchange gains	3,424	-
Consumption taxes refund	-	617
Interest on refund of income taxes	-	5,950
Recoveries of written off receivables	-	1,057
Other	108	356
Total non-operating income	4,212	8,151
Non-operating expenses		
Interest expenses	-	912
Loss on investments in silent partnerships	279	277
Foreign exchange losses	-	1,313
Other	-	46
Total non-operating expenses	279	2,550
Ordinary loss	(268,970)	(495,618)
Loss before income taxes	(268,970)	(495,618)
Income taxes - current	2,193	4,708
Total income taxes	2,193	4,708
Loss	(271,164)	(500,327)
Loss attributable to owners of parent	(271,164)	(500,327)

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**Quarterly consolidated statement of comprehensive income**

(Thousands of yen)

	For the three months ended September 30, 2020	For the three months ended September 30, 2021
Loss	(271,164)	(500,327)
Comprehensive income	(271,164)	(500,327)
Comprehensive income attributable to		
Owners of parent	(271,164)	(500,327)
Non-controlling interests	-	-

### **(3) Notes to quarterly consolidated financial statements**

#### **(Notes on going concern assumption)**

Not applicable.

#### **(Notes on significant changes in the amount of shareholders' equity)**

Not applicable.

#### **(Changes in accounting policies)**

##### 1. Adoption of "Accounting Standard for Revenue Recognition", etc.

The Company has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the current first quarter and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The adoption of "Accounting Standard for Revenue Recognition", etc. is subject to the transitional treatment provided for in paragraph 84 of "Accounting Standard for Revenue Recognition". The cumulative effect of the retrospective adoption, assuming the new accounting policy had been applied to periods prior to the beginning of the current first quarter was added to or deducted from the opening balance of retained earnings of the current first quarter, and thus the new accounting policy was applied from such opening balance.

This change in accounting policy has no impact on quarterly consolidated financial statements.

##### 2. Adoption of "Accounting Standard for Fair Value Measurement", etc.

The Company has adopted "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the current first quarter. The new accounting policies stipulated in the new standards are applied into the future in accordance with the transitional treatment provided for in paragraph 19 of "Accounting Standard for Fair Value Measurement" and paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019).

This change in accounting policy has no impact on quarterly consolidated financial statements.

#### **(Significant subsequent events)**

(Corporate split of consolidated subsidiary (incorporation-type split) and sale of stock of newly-established company)

freee K.K. (the "Company") made a resolution at the meeting of the Board of Directors held on October 15, 2021 to split up the business of the online learning service Shikaku Square (hereinafter the "Business") owned by Company consolidated subsidiary Sight Visit Inc. (hereinafter "Sight Visit"), and to sell the Business to a newly established company through an incorporation-type split (hereinafter the "Corporate Split") and sell the stock of the newly established company to RareJob, Inc., and RISO Inc. (hereinafter the "Transaction" together with the Corporate Split).

Some information concerning the Corporate Split is excluded from the scope of the disclosure.

##### 1. Overview of the Corporate Split and Sale of Stock

(1) Name of the company to be divested through corporate split and name of the company to which the stock will be sold

a. Name of the company to be divested through corporate split

shikaku square, Inc.

b. Name of the company to which the stock will be sold

RareJob, Inc.

RISO Inc.

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### (2) Business description of the division to be split off

Operations of the online learning service Shikaku Square of Sight Visit

### (3) Purpose of the Corporate Split and Sale of Stock

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 the realization of “Integrated Management Platform for Everyone to Manage Business Freely.” In April 2021, with the aim of expanding the integrated cloud ERP into legal and contract fields, the Company acquired Sight Visit Inc., the provider of the electronic signing and agreement service “NINJA SIGN,” as a consolidated subsidiary and entered the rapid-growing electronic signing and contract market.

Now, in order to focus on the development of integrated cloud ERP software, the Company has made the decision to enter into the Transaction, selling the Business operated by Sight Visit to RareJob, Inc., which has been striving to expand its business from online English conversation lesson services for individuals to broader fields of learning. Following the Transaction, Sight Visit and the Company will further focus on the development of the integrated cloud ERP.

### (4) Schedule of the Corporate Split and Sale of Stock

Date of resolution of the incorporation-type split and sale of stock by the Board of Directors (the Company and Sight Visit)	October 15, 2021
Signing date of the Share Purchase Agreement	October 15, 2021
Date of the resolution by the General Meeting of Shareholders (Sight Visit)	November 2, 2021
Effective date of the Corporate Split	December 1, 2021 (scheduled)
Date of sale of stock	December 1, 2021 (scheduled)

### (5) Other matters concerning the outline of the transaction, including legal form

#### a. Method of Corporate Split

Incorporation-type split, where the division will be split off from Sight Visit and will form a new company.

#### b. Allotment of New Company Stock

Upon the Corporate Split, the new company will issue 100,000 ordinary shares, all of which will be allocated to Sight Visit. On the same day as the effective date of the Corporate Split, Sight Visit will sell 70,000 of such shares to RareJob, Inc. and 30,000 to RISO Inc.

## 2. Overview of Accounting Treatment

Accounting treatment will be based on “Accounting Standard for Business Divestitures” (ASBJ Statement No.7, September 13, 2013) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, January 16, 2019).

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**3. Number and Value of Shares to be Sold and Status of Owned Shares before and after the Sale**

(1) Number of shares held before the sale	100,000 shares (number of voting rights: 100,000, rate of voting rights owned: 100%)
(2) Number of shares to be sold	RareJob, Inc. : 70,000 shares (number of voting rights: 70,000) RISO Inc. : 30,000 shares (number of voting rights: 30,000)
(3) Value of sale	750,000 thousands yen
(4) Number of shares owned after the sale	0 shares (rate of voting rights: 0%)

**4. Impact on financial results**

The profit and loss related to the Transaction has not yet been fixed as it is currently under scrutiny.