



August 24, 2022

Company Name free K.K.
Representative Daisuke Sasaki,
CEO and Representative Director
Code No. 4478, Tokyo Stock Exchange
Growth
Contact Sumito Togo,
CFO and Director
(TEL. +81-3-6630-3231)

Notice of Absorption-type Merger (Simplified Merger and Short-form Merger)

free K.K. (the “Company”) hereby announces that at the meeting of Board of Directors held today, the Company resolved to implement an absorption-type Merger (the “Merger”) of consolidated subsidiary Mikatus Inc. (“Mikatus”), with September 30, 2022 as the effective date.

Since the Merger is a simplified, absorption-type merger targeting a wholly owned subsidiary of the company, some disclosure items and details have been omitted.

I. Purpose of the Merger

With its mission of “Empower Small Businesses to Take Center Stage”, the Company develops and provides services focused on integrated cloud ERP aimed at the realization of “Integrated Management Platform for Everyone to Manage Business Freely”.

With its corporate vision of “Let quality accountants service commonplace,” Mikatus has provided a cloud tax, accounting, and payroll system “A-SaaS” for tax accountants to accounting firms and their clients. The Company made Mikatus into a wholly-owned subsidiary on June 30, 2022, with the aim of expanding its market share among accounting firms and accelerating the penetration of the free Group’s products among its clients, such as small businesses, by incorporating Mikatus’s expertise in cloud tax, accounting, and payroll services.

The two companies have determined that accelerating the development and sales activities of services for accounting firms through unification will be effective for the entire free Group, and concluded to merge as a result. There will be no change in the service and support content of the A-SaaS system as a result of the Merger.

II. Summary of the Merger

(1) Schedule of the Merger

(1)	Date of resolution of the board of directors	August 24, 2022
(2)	Date of signing of the Merger agreement	August 24, 2022

(3)	Effective date of the Merger	September 30, 2022 (subject to change)
-----	------------------------------	--

Note: For the Company, the Merger meets the requirements of a simplified merger as stipulated in Article 796, Paragraph 2 of the Companies Act, and for Mikatus, it meets the requirements of a short-form merger as stipulated in Article 784, Paragraph 1 of the Companies Act. Therefore, the Merger can be implemented without approval of the merger agreement at a general meeting of shareholders.

(2) Merger method

The Merger will be an absorption-type merger with the Company as the merging company. Mikatus will be dissolved.

(3) Details of allocation related to the Merger

No shares or cash/cash equivalents will be allotted under the Merger as Mikatus will remain the Company's wholly-owned subsidiary as of the effective date of the Merger (scheduled), September 30, 2022.

(4) Stock acquisition rights and bonds with stock acquisition rights associated with the Merger

Not applicable.

III. Overview of the companies involved in the Merger

		Merging company	Absorbed company
(1)	Name	free K.K.	Mikatus Inc.
(2)	Location	2-2, Osaki 1-chome, Shinagawa-ku, Tokyo, Japan	1-3, Nihonbashibakurocho 2-chome, Chuo-ku, Tokyo, Japan
(3)	Name and title of representative	Daisuke Sasaki, CEO and Representative Director	Keisuke Tanaka, Representative Director and President
(4)	Nature of business	Development and provision of integrated cloud ERP services	Planning, development and sales of cloud service for tax accountants and for small and medium-sized enterprises
(5)	Capital ⁽¹⁾	JPY 24,724 million	JPY 199 million
(6)	Founded	July 2012	June 2009
(7)	Number of outstanding shares ⁽¹⁾	56,695,564	92,573
(8)	Fiscal year end	June 30	January 31

(9)	Major shareholders and ownership ratio (%) ⁽¹⁾	Daisuke Sasaki	19.56	freee K.K.	100.00
		MSIP CLIENT SECURITIES (Standing proxy: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)	11.98		
		MSCO CUSTOMER SECURITIES (Standing proxy: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)	5.54		
		GOLDMAN, SACHS & CO. REG (Standing proxy: Goldman Sachs Securities Japan Co., Ltd.)	4.35		
		GOLDMAN, SACHS INTERNATIONAL (Standing proxy: Goldman Sachs Securities Japan Co., Ltd.)	4.29		
(10)	Financial position and results of operations in the prior fiscal year (in JPY million)				
	Accounting period	Fiscal year ended in June 2022 (consolidated)		Fiscal year ended in January 2022	
	Net assets	36,428		△207	
	Total assets	47,413		161	
	Net assets per share	636.68 yen		△30,342.00 yen	
	Net Sales	14,380		741	
	Operating income	△3,042		87	
	Ordinary income	△3,085		84	
	Net income	△11,609		83	
	Net income per share	△208.22 yen		900.47 yen	

Note

1. As of June 30, 2022.

IV. Status after the Merger

No changes will be made as a result of the Merger to the Company's name, location of the head office, name and title of the representative, nature of business, capital, and the accounting period.

V. Matters related to underwriting capital increase by third-party allotment by Mikatus

As stated in the “Notice of Conversion of Mikatus Inc. into a Wholly Owned Subsidiary through Simplified Share Exchange with Cash Consideration” announced on May 9, 2022, a third-party allotment of approximately JPY 450 million was planned to be conducted by Mikatus with the Company as the allottee. However, the third-party allotment will not be implemented due to the decision to conduct the Merger.

VI. Future prospects

Since the Merger targets a wholly owned subsidiary of the Company, its impact on the Company’s consolidated business results will be minor.