April 19, 2023


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| Company Name | freee K.K. |
| Representative | Daisuke Sasaki,<br>CEO and Representative Director |
| Code No. | 4478,Tokyo Stock Exchange<br>Growth |
| Contact | Masahiro Hara, VP of Finance<br>(TEL. +81 3-6630-3231) |


**Announcement Regarding Making Why, Inc. a Subsidiary Through Simplified Share Delivery**

freee K.K. (the "Company") announces the execution of a share delivery (the "Share Delivery") through which the Company will become the parent company through the delivery and Why, Inc. ("*Why*") will become a subsidiary through the delivery, which was resolved at the Board of Directors' meeting on April 19, 2023.

Furthermore, the Company plans to execute the Share Delivery without approval by a resolution of the General Meeting of Shareholders through a simplified share delivery procedure pursuant to the provisions of Article 816, Paragraph 4, Item 1 of the Companies Act.

In addition, for the Share Delivery, because the amount of totals assets of *Why* as of the end of the immediately preceding fiscal year is less than 10% of the net assets of the Company and because net sales for the immediately preceding fiscal year is less than 3% of net sales of the Company, some disclosure items and details are omitted in this disclosure based on the TSE timely disclosure guidebook.

1. Purpose of the Share Delivery

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 "an integrated management platform for everyone to manage business freely."

*Why* has been providing the "Bundle", a work automation tool for corporate information systems departments, since October 2021 with its corporate vision, "Make human work creative."

With the Share Delivery, the freee Group aims to strengthen employee data management functionality, information management in information systems departments and overall human resources products in the Company's integrated cloud ERP, by further accelerating the offering of Bundle together with integrating Identity provisoning management products and knowhow *Why* has cultivated through development and offering of Bundle.

This matter uses the share delivery system adopted by Amendment of the Companies Act enforced on March 1, 2021. In the share delivery system, shares of the subsidiary through share delivery are transferred to the parent company through share delivery, with shares of the parent company through share delivery or cash as consideration.

By using the share delivery system, it is believed that management shareholders of the subsidiary through share delivery will be enabled to continue to be committed to the business together with the granting of shares to the management team being a motivator directed at increasing the Company's enterprise value. In addition, the share delivery system will be used as rapid integration will be made possible through flexible consideration plans that include cash.

2. Summary of the Share Delivery

(1) Schedule of the Share Delivery

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| Date of resolution of the Share Delivery by the Board of Directors | April 19, 2023 |
| Application deadline for transfer of shares of the subsidiary through share delivery | May 12, 2023 (subject to change) |
| Signing date of the agreement on transferring the total number of shares | May 12, 2023 (subject to change) |
| Effective date of the share delivery | June 1, 2023 (subject to change) |

*1 The Company plans to execute the Share Delivery without approval by a resolution of the General Meeting of Shareholders through a simplified share delivery procedure pursuant to the provisions of Article 816, Paragraph 4, Item 1 of the Companies Act.

*2 The company plans to sign the agreement on transferring the total number of shares in accordance with Article 774, Paragraph 6 of the Companies Act. In the event that the agreement is signed, procedures stipulated in Article 774, Paragraph 4 (application for the transfer of shares of the subsidiary in the share delivery) and Article 774, Paragraph 5 (allocation of shares of the subsidiary in the share delivery which the parent company in the share delivery will receive) will not be carried out.

*3 The Company may change the date if necessary for the proceedings of the Share Delivery or due to any other grounds.

*4 The Share Delivery will be executed on the condition that the securities registration statement under the Financial Instruments and Exchange Act comes into effect.

(2) Share Delivery Method

The Company will become the parent company through share delivery, and *Why* will become the subsidiary through the Share Delivery. The Company plans to execute the Share Delivery through a simplified share delivery procedure that does not require the approval of the General Meeting of Shareholders of the Company pursuant to the provisions of Article 816, Paragraph 4, Item 1 of the Companies Act.

(3) Allotment in the Share Delivery

The Company shall allot and deliver 1.68 shares of common stock of the Company per share of common stock of *Why*. In addition, the Company plans to deliver money at the rate of 13,681 yen (a total of 311,379,560 yen (subject to change)) per share of Class A preferred stock of *Why*.

Furthermore, the allotment of newly issued common stock of the Company is planned to allot and deliver common stock of the Company for the Share Delivery. The number of common stock issued by the delivery is planned to be 224,360 and resulting stock dilution will be 0.39%.

In cases where a fractional amount of less than one share occurs in the Share Delivery, the common stock of the Company equivalent to the total fractional amount (The total fractional amount of less than one share will be rounded down.) will be sold and the proceeds of the fractional amount will be delivered to the shareholders of *Why* pursuant to the provisions of Article 234 of the Companies Act.

(4) Treatment of Stock Acquisition Rights and Bonds with Stock Acquisition Rights Accompanying the Share Delivery

There are no applicable items as *Why* has not issued stock acquisition rights nor bonds with stock acquisition rights.

3. Approach to Calculation of Allotment Content for the Share Delivery

(1) Basis and Reason for Allotment Content

NEXPERT Advisery, Inc. ("NEXPERT") was selected by the Company as a third-party appraiser independent of the Company and *Why* to ensure the fairness and appropriateness of the share delivery ratio and cash consideration to be used in the Share Delivery, and received a stock value calculation report for the Share Delivery as of April 13, 2023. The Company holistically considered the calculation results of the share delivery ratio and cash consideration for shares of *Why* that were received from NEXPERT and considered factors such as the financial condition, the asset condition, and the prospects for future business activities of both companies. As a result of that repeated consideration, ultimately the Company concluded that the share delivery ratio and cash consideration stated in the preceding "2. (3) Allotment in the Share Delivery" were within the share delivery ratio and cash consideration ranges calculated by NEXPERT, are not damaging to the interests of shareholders, and are appropriate.

This share delivery ratio and cash consideration are subject to change upon discussions between the Company and shareholders of *Why* in the event of material changes in the conditions, etc., on which the calculations were based.

(2) Items Relating to Calculation

i. Relationship with Calculation Institution

NEXPERT is not a related party of the Company or *Why* and does not have any material interest to be noted in connection with the Share Delivery.

ii. Summary of Calculation

NEXPERT determined that the market price method would provide sufficiently appropriate results when evaluating the value of shares of the Company as consideration for the Share Delivery because common stock of the Company is listed on the Growth Market of the Tokyo Stock Exchange and has a market price and high liquidity in the trading market, and therefore, the market price method was adopted for the calculation. Taking into consideration the fact that *Why* is an unlisted company, the discounted cash flow method ("DCF method") was adopted for the calculations to reflect the future business activities in the valuation.

The calculation result of the share delivery ratio to one common stock of *Why* assuming that the value per share of common stock of the Company is one and cash consideration per share of Class A preferred stock of *Why*, is as follows.

| | Calculation result |
|---|---|
| Share delivery ratio to one common stock of *Why* | 1.64 ~ 2.66 |
| Cash consideration per share of Class A preferred stock | JPY 11,858 ~ 14,921 |

Under the market price method, the stock value of the Company was analyzed based on the closing price of the stock of the Company on the Growth Market of the Tokyo Stock Exchange on the base date of calculation, April 18, 2023, and the simple average of the closing price of the stock for the most recent one-month, three-month, and six-month periods.

Under the DCF method, the stock value of *Why* was analyzed by discounting free cash flows that *Why* is expected to generate in the future by a certain discount rate to arrive at a present value, based on the business plan provided by *Why* for the fiscal years ended and ending March 31, 2024 through March 31, 2028.

The calculated stock value is distributed to each class of stock based on preferred distribution rights of Class A preferred stock against common stock upon the distribution of residual assets and deemed liquidation and the price difference between common stock and Class A preferred stock resulting from this.

For the stock value calculation for *Why*, NEXPERT has referred to the information provided by the Company and publicly disclosed information as is, assuming that those documents, information and so forth, are all accurate and complete. Therefore, NEXPERT has not independently verified the accuracy and completeness thereof. Furthermore, NEXPERT has not conducted an independent valuation or assessment of the assets and liabilities (including contingent liabilities) of *Why*.

The Company has not obtained an opinion (fairness opinion) stating the fairness of the Share Delivery, etc., from NEXPERT.

4. Summary of the Parties of the Share Delivery

| | | Parent company through share delivery | Subsidiary through share delivery |
|---|---|---|---|
| (1) | Name | freee K.K. | Why, Inc. |
| (2) | Address | 1-2-2, Osaki, Shinagawa-ku, Tokyo | 1-28-2, Shoto, Shibuya-ku, Tokyo |
| (3) | Name and title of representative | Daisuke Sasaki, CEO and Representative Director | Naoya Ishibashi, Representative Director |
| (4) | Description of business | Develop and offer integrated cloud ERP services | Develop and offer account management services |
| (5) | Capital | JPY 24,972 million | JPY 105 million |
| (6) | Date of establishment | July 2012 | April 2021 |
| (7) | Total number of issued shares | 57,167,857 shares<br>(as of December 31, 2022) | 156,308 shares<br>133,548 shares of common stock<br>22,760 shares of Class A preferred stock<br>(as of April 19, 2023) |
| (8) | Fiscal year end | June 30 | March 31 |
| (9) | Major shareholders and their shareholding ratio | Daisuke Sasaki 19.37%<br>MSIP CLIENT SECURITIES 11.61%<br>GOLDMAN SACHS & Co. REG 5.75%<br>MSCO CUSTOMER SECURITIES 4.43%<br>Recruit Co., Ltd. 3.98%<br>(as of December 31, 2022) | Naoya Ishibashi 63.96%<br>Kohei Suzuki 16.01%<br>JAFCO V7 Investment Limited Partnership 13.18% (Class A preferred stock)<br>East Ventures 4 Investment Limited Partnership 6.85%<br>(5.47% common stock, 1.39% Class A preferred stock)<br>(as of April 19, 2023) |
| (10) | Financial position and results of operations for the immediately preceding fiscal year (in JPY million) | | |

| | freee K.K. (Consolidated) | Why,Inc. (Non-consolidated) |
|---|---|---|
| Fiscal year | Fiscal year ended June 30, 2022 | Fiscal year ended March 31, 2022 |
| Net assets | 36,428 | 30 |
| Total assets | 47,413 | 39 |
| Net assets per share (JPY) | 636.68 | 228.85 |
| Net sales | 14,380 | 1 |
| Operating profit (loss) | (3,042) | (20) |
| Ordinary profit (loss) | (3,085) | (20) |
| Loss attributable to owners of parent / Net profit (loss) | (11,609) | (20) |
| Net loss per share (JPY) | (208.22) | (151.20) |

5. Status After the Share Delivery

No changes are expected in the name, address, name and title of representative, description of business, capital, or fiscal year-end for the Company or *Why* as a result of the Share Delivery.

6. Outlook

As a result of the Share Delivery, *Why* will be a consolidated subsidiary of the Company and the deemed acquisition date applied for consolidation accounting will be June 30, 2023. Therefore, only the balance sheet of *Why* will be consolidated for the fiscal year ending June 30, 2023 and the impact of the Share Delivery on the Company's consolidated financial results for the fiscal year ending June 30, 2023 is expected to be limited. In addition, the impact on the Company's consolidated financial results for the fiscal year ending June 30, 2024 is also expected to be limited.