



**Consolidated Financial Results**  
**for the Three Months Ended September 30, 2020**  
**[Japanese GAAP]**

November 11, 2020

Company name: freee K.K.  
 Listing: Tokyo Stock Exchange  
 Securities code: 4478  
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Scheduled date to file quarterly securities report: November 11, 2020  
 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, 2021**  
**(from July 1, 2020 to September 30, 2020)**

**(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, 2020	2,225	49.2	(269)	-	(272)	-	(268)	-	(271)	-
September 30, 2019	1,491	-	(395)	-	(486)	-	(488)	-	(490)	-

- Note: 1. Comprehensive income Three months ended September 30, 2020: ¥(271) million [-%]  
 Three months ended September 30, 2019: ¥(490) million [-%]  
 2. Adjusted operating profit is the sum of the operating profit, share-based compensation expenses, expenses for amortization of acquisition-related intangible assets, and one-time cost.

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended September 30, 2020	(5.60)	-
September 30, 2019	(11.91)	-

- Note: 1. As the Company has not prepared consolidated financial statements for the three months ended September 30, 2018, the percentage indicating year-on-year changes is not shown for the three months ended September 30, 2019.  
 2. The Company conducted a 3-for-1 stock split of common stocks as of 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.  
 3. 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
	Millions of yen	Millions of yen	%
As of September 30, 2020	17,858	13,626	74.1
June 30, 2020	17,898	13,854	75.1

Reference: Equity  
 As of September 30, 2020: ¥13,241 million  
 As of June 30, 2020: ¥13,447 million

## 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.

### 2. Cash 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, 2020	-	0.0	-	0.0	0.0
Fiscal year ending June 30, 2021	-				
Fiscal year ending June 30, 2021 (Forecast)		0.0	-	0.0	0.0

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

### 3. Consolidated earnings forecasts for the fiscal year ending June 30, 2021 (from July 1, 2020 to June 30, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Adjusted operating profit	
	Millions of yen	%	Millions of yen	%
Fiscal year ending June 30, 2021	9,657	40.1	(2,212)	-

Note: 1. Revisions to the earnings forecasts most recently announced: No  
2. Adjusted operating profit is the sum of the operating profit, share-based compensation expenses, expenses for amortization of acquisition-related intangible assets, and one-time cost.

#### \* 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 restatement
  - a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
  - b. Changes in accounting policies due to other reasons: None
  - c. Changes in accounting estimates: None
  - d. Restatement: None
- (4) Number of issued shares (Common shares)

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

As of September 30, 2020	48,531,700 shares
As of June 30, 2020	48,320,822 shares

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

As of September 30, 2020	-
As of June 30, 2020	-

- c. Average number of outstanding shares during the period

As of September 30, 2020	48,434,487 shares
As of September 30, 2019	41,204,691 shares

Note: The Company conducted a 3-for-1 stock split of common stocks as of September 25, 2019. The "Total number of issued shares" and "Number of treasury shares" 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.

\* Quarterly financial results reports 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. 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 payroll software for small businesses is around 1.2 trillion yen (\*2). On the other hand, only 54.1% of businesses with 300 or fewer employees used accounting software, and among these businesses only 14.5% used cloud-based accounting software (\*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 “a platform that allows anyone with ideas, passion, and skills to easily grow a robust and streamlined business.”

During the first three months of the consolidated fiscal year, we made progress towards realization of our mission, seeking to expand direct sales organizations for further expansion in our user base and also strengthening collaboration with financial institutions and other partners. We also expanded the listing service on the *Financing free* and held an event for executives of SMBs, titled “free online conference.” Furthermore, we invested in development to improve the functions of our core services “*Accounting free*” and “*HR free*” while also releasing a mobile app for “*Founding free*” and strengthening collaborations with third-party software/services and financial institutions via API.

As a result, as of September 30, 2020, ARR (\*5) was 8,550 million yen, up 49.0% from September 30, 2019, the number of paying customers (\*6) was 233,341, up 39.0%, and ARPU (\*7) was 36,645 yen, up 7.2%.

Consequently, results for the first three months of the consolidated fiscal year under review were net sales of 2,225 million yen, up 49.2% from the same period of the previous fiscal year, an adjusted operating loss (\*8) of 269 million yen (compared with 395 million yen in the same period of the previous fiscal year; the same shall apply hereinafter), an operating loss of 272 million yen (486 million yen), an ordinary loss of 268 million yen (488 million yen), and a net loss attributable to owners of parent of 271 million yen (490 million yen).

#### Trends in ARR, Number of Paying Customers and ARPU

	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2020	Sept. 30, 2019	Sept. 30, 2020
ARR (¥ million)	2,986	5,273	7,898	5,737	8,550
Number of paying customers	115,808	160,132	224,106	167,922	233,341
ARPU (¥)	25,786	32,930	35,246	34,170	36,645

- (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 *Accounting free* and *HR free*. 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 *Accounting free* and *HR free* (“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 *Accounting free* and *HR free* 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. Survey of businesses that use cloud accounting software conducted by MM Research Institute in August 2017.
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 SMBs 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, share-based compensation expenses, expenses for amortization of acquisition-related intangible assets, and one-time cost.

## (2) Explanation of financial position

### (Assets)

Total assets as of September 30, 2020 stood at 17,858 million yen, down 39 million yen from June 30, 2020. This was mainly due to a decrease of 567 million yen in cash and despite an increase of 198 million yen in other current assets.

### (Liabilities)

Total liabilities as of September 30, 2020 came to 4,232 million yen, up 188 million yen from June 30, 2020. This was mainly due to an increase of 212 million yen in unearned revenue.

### (Net assets)

Total net assets as of September 30, 2020 amounted to 13,626 million yen, down 227 million yen from June 30, 2020. This was mainly due to a decrease of 271 million yen in retained earnings from the net loss attributable to owners of parent in this quarter.

## (3) Explanation of consolidated financial results forecasts and other forward-looking statements

Our consolidated financial guidance for the fiscal year ending June 30, 2021 has not been revised because the results are basically as originally anticipated.

**2. Consolidated financial statements and significant notes thereto****(1) Consolidated balance sheets**

(Thousands of yen)

	As of June 30, 2020	As of September 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposit	15,636,430	15,068,711
Trade accounts receivable	765,297	836,881
Other current assets	200,721	399,647
Allowance for doubtful receivables	(14,821)	(13,606)
Total current assets	16,587,628	16,291,633
Non-current assets		
Property, plant and equipment		
Buildings and structures	170,248	176,185
Accumulated depreciation	(103,287)	(104,576)
Buildings and structures, net	66,960	71,609
Tools, furniture and fixtures	296,464	307,817
Accumulated depreciation	(89,093)	(106,387)
Tools, furniture and fixtures, net	207,371	201,429
Total property, plant and equipment	274,331	273,039
Intangible assets		
Software	706,183	735,264
Software in progress	64,629	94,161
Total intangible assets	770,813	829,425
Investments and other assets		
Investment securities	600	210,153
Lease and guarantee deposits	211,586	212,223
Other	61,763	51,639
Allowance for doubtful receivables	(8,410)	(9,238)
Total investments and other assets	265,540	464,778
Total non-current assets	1,310,685	1,567,243
Total assets	17,898,314	17,858,877
<b>Liabilities</b>		
Current liabilities		
Other payables	532,771	649,517
Accrued expenses	592,571	580,582
Income taxes payable	183,464	49,996
Unearned revenue	2,584,770	2,797,108
Provision for bonuses	—	10,597
Other current liabilities	150,164	144,356
Total current liabilities	4,043,742	4,232,159
Total liabilities	4,043,742	4,232,159
<b>Net assets</b>		
Shareholders' equity		
Common stock	6,215,195	6,247,768
Capital surplus	22,121,234	22,153,807
Retained earnings (Accumulated deficit)	(14,889,185)	(15,160,349)
Total shareholders' equity	13,447,244	13,241,227
Stock acquisition rights	407,327	385,490
Total net assets	13,854,571	13,626,718
Total liabilities and net assets	17,898,314	17,858,877

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

(Thousands of yen)

	For the three months ended September 30, 2019	For the three months ended September 30, 2020
Net sales	1,491,436	2,225,131
Cost of sales	300,093	421,546
Gross profit	1,191,343	1,803,585
Selling, general and administrative expenses	1,678,310	2,075,827
Operating loss	(486,967)	(272,241)
Non-operating income		
Revenue from lecture fees	324	18
Foreign exchange gains	—	3,424
Other	298	108
Total non-operating income	623	3,550
Non-operating expenses		
Loss on investments in silent partnerships	—	279
Share issuance costs	2,000	—
Other	237	—
Total non-operating expenses	2,237	279
Ordinary loss	(488,582)	(268,970)
Loss before income taxes	(488,582)	(268,970)
Income taxes	2,102	2,193
Total income taxes	2,102	2,193
Loss	(490,684)	(271,164)
Loss attributable to owners of parent	(490,684)	(271,164)

**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.

**Consolidated statement of comprehensive income**

(Thousands of yen)

	For the three months ended September 30, 2019	For the three months ended September 30, 2020
Loss	(490,684)	(271,164)
Comprehensive income	(490,684)	(271,164)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(490,684)	(271,164)
Comprehensive income attributable to owners of Minority interest	—	—



(3) Notes to consolidated financial statements

(Notes on premise of going concern)

Not applicable.

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

Not applicable.