



**Consolidated Financial Results**  
**for the Nine Months Ended March 31, 2020**  
**[Japanese GAAP]**

May 15, 2020

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  
 Inquiries: Sumito Togo, Director and CFO  
 TEL: +81-3-6630-3231

Scheduled date to file quarterly securities report: May 15, 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 nine months of the fiscal year ending June 30, 2020**  
**(from July 1, 2019 to May 31, 2020)**

**(1) Consolidated operating results (cumulative)** (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended March 31, 2020	4,887	-	(1,974)	-	(2,231)	-	(2,236)	-
March 31, 2019	-	-	-	-	-	-	-	-

Note: Comprehensive income      Nine months ended March 31, 2020:      ¥(2,236) million [-%]  
    Nine months ended March 31, 2019:      ¥ – million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended March 31, 2020	(51.07)	-
March 31, 2019	-	-

- Note: 1. As the Company has not prepared consolidated financial statements for the nine months ended March 31, 2019, the financial figures and the percentage indicating year-on-year changes are not shown for the nine months ended March 31, 2019 and the percentage indicating year-on-year changes is not shown for the nine months ended March 31, 2020.
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
As of	Millions of yen	Millions of yen	%
March 31, 2020	18,185	14,592	78.0
June 30, 2019	7,380	4,510	56.8

Reference: Equity  
 As of March 31, 2020:      ¥14,182 million  
 As of June 30, 2019:      ¥4,189 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, 2019	-	0.0	-	0.0	0.0
Fiscal year ending June 30, 2020	-	0.0	-		
Fiscal year ending June 30, 2020 (Forecast)				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, 2020 (from July 1, 2019 to June 30, 2020)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending June 30, 2020	6,700	48.3	(2,876)	-	(3,127)	-	(3,135)	-	(69.81)

Note: Revisions to the earnings forecasts most recently announced: Yes

**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.

**\* 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 March 31, 2020	48,297,734 shares
As of June 30, 2019	41,204,691 shares

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

As of March 31, 2020	-
As of June 30, 2019	-

c. Average number of outstanding shares during the period

As of March 31, 2020	43,796,114 shares
As of March 31, 2019	-

Note: 1.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.

2.As the Company has not prepared consolidated financial statements for the nine months ended March 31, 2019, the average number of outstanding shares during the period for the nine months ended March 31, 2019 is not shown.

\* 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.

**Table of Contents**

1. Qualitative Information Regarding Results for the Period	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Primary Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	5
Quarterly Consolidated Statements of Income	5
Quarterly Consolidated Statements of Comprehensive Income	6
(3) Notes to the Quarterly Consolidated Financial Statements	7
Notes on premise of going concern	7
Notes on significant changes in the amount of shareholders' equity	7

## 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 nine 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 held “Tax Return FES (Festival)” event on the theme of tax returns designed to expand our customer base in the self-employed segment ahead of deadline for tax return filing. In addition, we invested in development to improve the functions of our core services “*Accounting free*” and “*HR free*” and to release our new “*Project Management free*” service, while also strengthening linkage with third-party software and services. As of March 31, 2020, ARR (\*5) was 7,059 million yen, up 44.0% from March 31, 2019, the number of paying customers (\*6) was 205,196, up 31.4%, and ARPU (\*7) was 34,402 yen, up 9.6%.

Consequently, results for the first nine months of the consolidated fiscal year under review were net sales of 4,887 million yen, an operating loss of 1,974 million yen, an ordinary loss of 2,231 million yen, and a net loss attributable to owners of parent of 2,236 million yen.

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

	Jun. 30, 2017	Jun. 30, 2018	Jun. 30, 2019	March. 31, 2019	March. 31, 2020
ARR (¥ million)	1,739	3,083	5,327	4,903	7,059
Number of paying customers	82,616	120,703	154,026	156,146	205,196
ARPU (¥)	21,051	25,545	34,591	31,401	34,402

(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 is 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.

### (2) Explanation of Financial Position

#### (Assets)

Total assets as of March 31, 2020 stood at 18,185 million yen, up 10,804 million yen from June 30, 2019. This was mainly due to an increase of 10,228 million yen in cash and cash equivalents primarily owing to the issuance of new shares.

(Liabilities)

Total liabilities as of March 31, 2020 came to 3,592 million yen, up 722 million yen from June 30, 2019. This was mainly due to an increase of 473 million yen in unearned revenue.

(Net assets)

Total net assets as of March 31, 2020 amounted to 14,592 million yen, up 10,082 million yen from June 30, 2019. This was due to increases of 6,114 million yen in common stock and capital surplus respectively due to activities including the issuance of new shares associated with listing on the Tokyo Stock Exchange Mothers.

### (3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements

We lower our consolidated net sales forecast for the fiscal year ending June 30, 2020 because the acquisition of new customers has been affected by the COVID-19 especially since March, mainly through the factors described below.

#### **Extension of Deadline for Filing Tax Returns**

On February 27, 2020, the National Tax Agency announced the extension of the deadline for filing tax returns from March 16, 2020 to April 16, 2020, further announcing on April 6 that tax returns filed after April 16 will also be accepted. Many self-employed start using our integrated cloud accounting software “*Accounting freee*” during the tax filing season every year to file their income tax returns. Due to the extension of the tax filing deadline, the timing of new subscriptions by some self-employed will no longer be March as initially anticipated but April or later and our revenue forecast is, therefore, now lower than initially anticipated.

#### **Impact on Sales Activities**

While we continue sales activities through online meetings as usual in the Small segment (corporate customers with fewer than 20 employees), we shifted to online sales meetings in the Mid segment (corporate customers with 20+ employees), where we would usually do sales activities through face-to-face sales visits. In addition, some customers in each segment face their circumstances under this environment. Our customer acquisition for this fiscal year is expected to be lower than initially anticipated due to those factors.

#### **Impact on Marketing Activities**

In consideration of the increasing risk of novel coronavirus infection, we voluntarily decided to cancel, postpone, or hold online our onsite events originally scheduled on or after February 25, 2020. While we still gain marketing leads from online events, the voluntary cancellation/rescheduling of the events resulted in lower sponsorship revenues and fewer potential leads than initially anticipated.

As a result of the foregoing, we forecast consolidated net sales of 6,700 million yen for the fiscal year ending June 30, 2020 (down 241 million yen from our previous guidance).

However, our forecasts for operating profit, ordinary profit and profit attributable to owners of parent for the same fiscal year are unchanged as we plan to properly control sales and marketing costs in view of the temporary slowdown in customer acquisitions.

In the short-term, we expect the COVID-19 situations to affect our business as described above, but we believe our overall business performance is relatively stable, given more than 90% of our revenue comes from subscription fees. However, we will continue to monitor the impact on our earnings going forward and take appropriate measures where necessary.

One of the features of our integrated ERP software is that it allows users to conduct their business operations anywhere and on any device and therefore supports the diverse working styles of small businesses. Moving forward, by continuing to do our best as a company leading the cloud services sector and provide benefits of cloud-native solutions, we will pursue our mission to “Empower small businesses to take center stage.”

**2. Quarterly Consolidated Financial Statements and Primary Notes****(1) Quarterly Consolidated Balance Sheets**

(Thousands of yen)

	As of June 30, 2019	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	5,852,912	16,081,506
Trade accounts receivable	638,027	636,994
Other current assets	144,349	269,319
Allowance for doubtful receivables	△19,135	△20,310
Total current assets	6,616,153	16,967,509
Total current assets		
Property, plant and equipment	140,352	245,629
Intangible assets		
Software	316,243	501,218
Software in progress	61,108	180,374
Total intangible assets	377,351	681,593
Investments and other assets	247,100	290,891
Total non-current assets	764,804	1,218,114
Total assets	7,380,958	18,185,624
<b>Liabilities</b>		
Current liabilities		
Short-term borrowings	-	60,000
Other payables	463,867	570,480
Accrued expenses	487,835	553,582
Income taxes payable	8,527	134,566
Unearned revenue	1,726,254	2,200,172
Other current liabilities	184,417	74,183
Total current liabilities	2,870,902	3,592,985
Total liabilities	2,870,902	3,592,985
<b>Net assets</b>		
Shareholders' equity		
Common stock	100,000	6,214,593
Capital surplus	16,006,038	22,120,631
Retained earnings (Accumulated deficit)	△11,916,199	△14,152,754
Total shareholders' equity	4,189,838	14,182,470
Stock acquisition rights	320,217	410,168
Total net assets	4,510,056	14,592,638
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>7,380,958</b>	<b>18,185,624</b>

## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

## Quarterly Consolidated Statement of Income

(Thousands of yen)

	For the nine months ended March 31, 2020
Net sales	4,887,354
Cost of sales	1,131,098
Gross profit	3,756,256
Selling, general and administrative expenses	5,730,713
Operating loss	△1,974,457
Non-operating income	
Revenue from lecture fees	849
Foreign exchange gains	616
Other	563
Total non-operating income	2,029
Non-operating expenses	
Share issuance costs	42,708
Listing related expenses	216,818
Other	14
Total non-operating expenses	259,542
Ordinary loss	△2,231,969
Extraordinary income	
Gain on reversal of stock acquisition rights	1,716
Total extraordinary income	1,716
Loss before income taxes	△2,230,253
Income taxes	6,301
Total income taxes	6,301
Loss	△2,236,554
Loss attributable to owners of parent	△2,236,554

**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.

**Quarterly Consolidated Statement of Comprehensive Income**

(Thousands of Yen)

	For the nine months ended March 31, 2020
Loss	△2,236,554
Comprehensive income	△2,236,554
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	△2,236,554
Comprehensive income attributable to owners of Minority interest	—

#### **(4) Notes to the quarterly consolidated financial statements**

##### **(Notes on premise of going concern)**

Not applicable.

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

The share capital and the capital surplus both received an addition of ¥5,082,292 thousand due to the new issuance of shares in association with the listing of the Company's common shares on the Tokyo Stock Exchange Mothers.

Company has received payment on January 15, 2020 regarding the issuance of new shares through a third-party allotment related to the offering of our shares by way of over-allotment which was resolved at our Board of Directors' meetings held on November 7 and December 2, 2019. As a result, the share capital and the capital surplus both received an addition of ¥1,018,945 thousand.

In addition, the share capital and the capital surplus both received an addition of ¥13,354 thousand due to the exercise of stock acquisition rights as a stock options.

As a result, at the end of the period, the share capital and capital surplus were ¥6,214,593 thousand, ¥22,120,631 thousand, respectively.