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April 19, 2024

Company Name	freee K.K.
Representative	Daisuke Sasaki, CEO and Representative Director
Code No.	4478, Tokyo Stock Exchange Growth
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Announcement Regarding Making freee Sign Inc. a Wholly-owned Subsidiary Through Simplified Share Exchange with Stock Consideration

freee K.K. (the “Company”) announces the execution of a share exchange (the “Share Exchange”) with stock consideration through which the Company will become the wholly-owning parent company through the exchange and freee Sign Inc. (“freee Sign”) will become a wholly-owned subsidiary through the exchange, which was resolved at the board of directors’ meeting on April 19, 2024.

The Company plans to execute the Share Exchange without approval by a resolution of the General Meeting of Shareholders through a simplified share exchange procedure pursuant to the provisions of Article 796, Item 2 of the Companies Act. In addition, because the share exchange is the one to make a consolidated subsidiary a wholly-owned subsidiary, some disclosure items and details are omitted in this disclosure.

1. Purpose of the Share Exchange

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.”

To enter the rapidly growing electronic contract market and cover the legal and contract operations with the integrated cloud ERP while aiming to establish a scheme for unified and efficient management of accounting, workflow management, HR, and contracting operations, the Company acquired 70% of the shares of Sight Visit Inc. (current freee Sign) as of April 1, 2021.

The Company and Mr. Kito, who is the CEO and representative director of freee Sign Inc., have been in a shareholders’ agreement with regard to the share acquisition which stipulates provisions regarding a right of the Company to request Mr. Kito to sell his freee Sign shares (approximately 30%) within three to five years

after the completion of the share acquisition under certain conditions, etc. The Company is going to acquire all shares of freee Sign based on the right and make freee Sign a wholly-owned subsidiary through the Share Exchange, and enhance the value of the Integrated ERP including the legal and contract fields.

2. Summary of the Share Exchange

(1) Schedule of the share exchange

Signing date of the Share Exchange Agreement on the Share Exchange (“the Share Exchange Agreement”)	May 15, 2024 (subject to change)
Date of resolution at the meeting of shareholders (freee Sign)	May 30, 2024 (subject to change)
Effective date of the Share Exchange	June 30, 2024 (subject to change)

- * The Company plans to execute the share exchange without approval by a resolution of the General Meeting of Shareholders through a simplified share exchange procedure pursuant to the provisions of Article 796, Item 2 of the Companies Act.

(2) Share Exchange Method

The Company will become the wholly-owning parent company through the Share Exchange, and freee Sign will become the wholly-owned subsidiary through the Share Exchange. The Share Exchange is planned to be executed upon the approval of the Share Exchange Agreement at the meeting of shareholders of freee Sign scheduled to be held on May 30, 2024. The Company plans to execute the Share Exchange through a simplified share exchange procedure that does not require the approval of the General Meeting of Shareholders of the Company pursuant to the provisions of Article 796, Item 2 of the Companies Act.

(3) Allotment in the share exchange

	The Company (Wholly-owning parent company through the Share Exchange)	freee Sign (Wholly-owned subsidiary through the Share exchange)
Share exchange ratio	1	0.46
The number of shares to be issued by the Share Exchange	91,494 shares (subject to change)	

*1 Exchange ratio of the Share Exchange

For the shareholders of freee Sign right before the acquisition of all the issued shares of common stock of freee Sign through the Share Exchange, the Company will allot and deliver 0.46 (“exchange ratio of the Share Exchange”) shares of common stock of the Company (“the Company share”) per share of common stock of freee Sign (“freee Sign share”). Furthermore, regarding 466,900 freee Sign stocks the Company owns (as of today), allotments will not be executed through the Share Exchange.

*2 The number of the Company shares to be issued through the Share Exchange

The Company will allot and deliver 91,494 shares of common stock through the Share Exchange. Furthermore, for the delivery of the Company share through the Share Exchange, the shares the Company will issue newly will be allotted.

*3 freee Sign plans to cancel all of such treasury stock as of the time immediately prior to the effectiveness of the Share Exchange by a resolution of the board of directors of freee Sign to be

held by the day immediately preceding the effective date. As a result, the number of shares to be allotted and delivered through the Share Exchange may be amended due to the cancellation of freee Sign's treasury stock or other reasons.

*4 Treatment of fractional shares constituting less than one share

In accordance with the provisions of Article 234 of the Companies Act and other applicable laws and regulations, with respect to shareholders of freee Sign who will receive fractional shares constituting less than one share of the Company's common stock in connection with the Share Exchange, the Company will sell such number of the Company's shares equal to the sum of all such fractional shares (any fractional shares constituting less than one share in such sum will be disregarded) and will deliver the proceeds from such sale to applicable shareholders in proportion to the number of such fractional shares.

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

With regards to all of the issued freee Sign's share acquisition rights (the 10th share acquisition rights issued on July 14, 2021, the 11th share acquisition rights issued on January 13, 2022 and the 13th share acquisition rights issued on June 30, 2022), they are planned to be exercised by each holder of share acquisition rights until the day before the effective date of the Share Exchange.

Furthermore, freee Sign has not issued any bonds with share acquisition rights.

3. Approach to Calculation of Allotment Content for the share exchange

Bridge Consulting Group Inc. ("Bridge") was selected by the Company as a third-party appraiser independent of the Company to ensure the fairness and appropriateness of the share exchange ratio, and the Company asked Bridge to calculate a stock value of freee Sign. The calculation result by Bridge is as follows.

For the calculation of the exchange ratio of the Share Exchange, the market price method was adopted for the Company because common stock of the Company is listed on the Growth Market of the Tokyo Stock Exchange and has a market price. With regards to stock value of freee Sign was decided based on discussions between parties considering the calculation result by Bridge.

The calculation does not assume a significant increase or decrease in earnings or a significant change in assets and liabilities of the Company and freee Sign.

Calculation Method	Calculation result on stock value of freee Sign per share (JPY)
DCF method	1,539 ~ 1,950

4. Summary of the Parties of the share exchange

	Parent company through share exchange	Subsidiary through share exchange
(1) Name	freee K.K.	freee Sign, Inc.
(2) Address	1-2-2, Osaki, Shinagawa-ku, Tokyo	1-2-2, Osaki, Shinagawa-ku, Tokyo
(3) Name and title of representative	Daisuke Sasaki, CEO and Representative Director	Masato Kito, CEO and Representative Director
(4) Description of business	Develop and offer integrated cloud ERP services	Electronic signing and agreement service "freee Sign"
(5) Capital	JPY 25,640 million (as of June 30, 2023)	JPY 67 million (as of June 30, 2023)
(6) Date of establishment	July 2012	April 2013
(7) Total number of issued shares	57,875,116 shares (as of June 30, 2023)	665,800 shares (as of June 30, 2023)
(8) Fiscal year end	June 30	June 30
(9) Major shareholders and their shareholding ratio	Daisuke Sasaki 19.11% MSIP CLIENT SECURITIES 10.79% GOLDMAN SACHS & Co. REG 7.18% MSCO CUSTOMER SECURITIES 5.09% INTERACTIVE BROKERS 4.21% LLC (as of June 30, 2023)	freee K.K. 70.13% Masato Kito 29.87% (as of June 30, 2023)
(10) Financial position and results of operations for the immediately preceding fiscal year (in JPY million)		
	freee K.K. (Consolidated)	freee Sign, Inc. (Non-consolidated)
Fiscal year	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2023
Net assets	27,059	(1,042)
Total assets	42,786	486
Net assets per share (JPY)	444.66	1,566
Net sales	19,219	446
Operating profit (loss)	(7,919)	(411)
Ordinary profit (loss)	(7,982)	(413)
Loss attributable to owners of parent / Net profit (loss)	(12,338)	(406)
Net loss per share (JPY)	(215.64)	(610)

5. Status After the Share Exchange

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

6. Outlook

As the Share Exchange is the one to acquire shares of the Company's consolidated subsidiary, the impact on the Company's consolidated financial results is expected to be limited.