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Summary of Non-consolidated Financial Results for the Three Months Ended March 31, 2022 [Japanese GAAP]



May 13, 2022

Company name: WealthNavi Inc.
 Listing: Tokyo
 Securities code: 7342 URL: <http://www.wealthnavi.com>
 Representative: Representative Director and CEO Kazuhisa Shibayama
 Contact: Director, CFO Gaku Hirose (TEL) +81-3-6632-4911
 Scheduled date to file quarterly Securities Report: May 13, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded down, unless otherwise noted)

1. Non-consolidated financial results for the three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)

(1) Non-consolidated operating results (cumulative) (Percentages indicate year-on-year changes)

	Operating revenue		Net operating revenue		Operating profit		Ordinary profit		Net profit	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended March 31, 2022	1,461	62.9	1,450	62.5	(34)	-	(33)	-	(34)	-
March 31, 2021	897	-	892	-	(123)	-	(125)	-	(126)	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2022	(0.73)	-
March 31, 2021	(2.79)	-

Note 1. As the Company has not prepared non-consolidated financial statements for the three months ended March 31, 2020, the percentage indicating year-over-year changes are not shown for the three months ended March 31, 2021.

Note 2. Diluted earnings per share is not depicted because, although potential shares exist, the basic loss per share is reported for the quarter.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	million yen	million yen	%
March 31, 2022	21,358	10,195	47.7
December 31, 2021	27,377	10,037	36.7

(Reference) Equity: As of March 31, 2022 10,195 million yen

As of December 31, 2021 10,037 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2021	—	0.00	—	0.00	0.00
Fiscal year ending December 31, 2022	—				
Fiscal year ending December 31, 2022 (Forecast)		0.00	—	0.00	0.00

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

3. Non-consolidated earnings forecast for the fiscal year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Percentages indicate year-on-year changes)

	Operating revenue	
	million yen	%
Fiscal year ending December 31, 2022	6,681	43.7

Note 1. Revisions to the earnings forecast most recently announced: None

* Notes

(1) Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements: None

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies in accordance with changes in accounting standards, etc.: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: Please refer to Attached Materials on page 6 “Quarterly financial statements and significant notes thereto (3) Notes to quarterly financial statements (Changes in accounting policies).”

(3) Number of shares issued (common shares)

(i) Number of shares issued at the end of the period (including treasury shares)

As of March 31, 2022 47,305,643 shares

As of December 31, 2021 46,988,150 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2022 119 shares

As of December 31, 2021 119 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2022 47,183,190 shares

Three months ended March 31, 2021 45,459,757 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Explanation of the proper use of earnings forecasts, and other special matters

The forward-looking statements such as earnings forecasts contained in these materials are based on information currently available to the Company and certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Because of variable factors, actual results may differ from the forecast figures. For information regarding assumptions upon which the Company’s results forecasts are based and notes regarding the use of forecasts, please refer to page 2 of Attached Materials 1. Qualitative information regarding quarterly results (3) Explanation of non-consolidated forecasts and forward-looking statements.

Attached Materials

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1. Qualitative information regarding quarterly results

(1) Explanation of operating results

During the first quarter of the current fiscal year, there was an emerging concern over a global economic slowdown caused by such factors as quantitative tightening to fight against inflation by central banks, geopolitical risks with Russian invasion of Ukraine and higher commodity prices. The domestic economy continued to be uncertain due to the rise in commodity prices as well as the sharp slide of the yen.

Under such circumstances, the Company has actively worked on to expand the functions of its fully automated robo-advisor “WealthNavi” and to increase the number of its alliance partners. The Company has also engaged in advertising activities including TV commercials, hiring talent to drive its business, and enhancing security measures.

Regarding the functionality expansion of “WealthNavi,” the Company has continued to widen the service coverage of “Robo-NISA” to managed account services provided jointly with its alliance partners. In addition, the Company has been developing a managed account service jointly with AEON Credit Service Co. Ltd. for customers of “AEON Card” under the agreement announced in December 2021.

As for the advertising activities, the Company has prepared to enhance TV promotions. Additionally, it has been analyzing the effectiveness of the existing marketing approaches so that it can reach more of potential customers in an effective way.

The Company has prepared to provide its service to customers at the age of 18 and 19 years old in response to the revision to Japan’s Civil Code to lower the legal age of adulthood from 20 to 18 effective on April 1, 2022.

As a result, as of March 31, 2022, there were 332 thousand users (increased from 269 thousand users from a year ago) and assets under management totaled 662.6 billion yen (increased from 402.4 billion yen a year ago).

Consequently, for the three months ended March 31, 2022, the operating revenue was 1,461 million yen (up 62.9% year-over-year), and the net operating revenue after deducting financial expenses of 11 million yen from the total operating revenue was 1,450 million yen (up 62.5% year-over-year). The selling, general, and administrative expenses cost was 1,484 million yen (up 46.0% year-over-year), resulting in an operating profit excluding advertising expenses of 458 million yen (up 123.9% year-over-year), an operating loss of 34 million yen (a loss of 123 million yen in the same period of previous fiscal year; same hereinafter), an ordinary loss of 33 million yen (a loss of 125 million yen), and a quarterly net loss of 34 million yen (a loss of 126 million yen).

The Company only operates in a single segment being the robo-advisor business, and thus, no segment information is reported.

(2) Explanation of financial position

(Assets)

Total assets as of March 31, 2022 were 21,358 million yen, decreased by 6,018 million from the end of the previous fiscal year. This was mainly due to the decrease in deposit paid to prime brokerage for ETF purchase by 7,327 million yen.

(Liabilities)

Total liabilities as of March 31, 2022 were 11,163 million yen, decreased by 6,176 million yen from the end of the previous fiscal year. This was mainly due to the decrease in deposits received by 5,990 million yen associated with the decrease in funds received from customers and tax payments on securities transactions.

(Net assets)

Total net assets as of March 31, 2022 were 10,195 million yen, increased by 157 million yen. This was caused by an increase in share capital of 96 million yen and an increase in legal capital surplus of 96 million yen due to shares issued upon the exercise of stock options, and a decrease in retained earnings of 34 million yen due to the recording of a quarterly net loss.

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

There is no change to the financial results forecast for the year-ending December 31, 2022 announced on February 14, 2022.

2. Quarterly financial statements and significant notes thereto

(1) Quarterly balance sheets

(Units: Thousands of yen)

	As of December 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	10,039,649	11,730,024
Cash segregated as deposits	9,000,000	8,500,000
Cash segregated as deposits for customers	9,000,000	8,500,000
Trading products	71	46
Trade date accrual	2,347	-
Advances paid	7,743	2,688
Advance payments	4,354	60,385
Prepaid expenses	75,067	93,926
Accounts receivable - other	2,770	2,723
Accrued income	534,940	549,786
Deposit paid	7,461,762	134,124
Other current assets	562	541
Total current assets	27,129,269	21,074,247
Noncurrent assets		
Property, plant, and equipment		
Buildings	68,440	68,440
Equipment	62,701	68,371
Accumulated depreciation	(84,000)	(92,821)
Total property, plant, and equipment	47,142	43,991
Intangible assets		
Software	81,639	73,539
Software in progress	-	5,873
Trademark right	950	912
Total intangible assets	82,589	80,325
Investments and other assets		
Lease and guarantee deposits	97,325	140,587
Long-term prepaid expenses	20,845	19,616
Total investments and other assets	118,171	160,203
Total noncurrent assets	247,903	284,520
Total assets	27,377,172	21,358,768

(Units: Thousands of yen)

	As of December 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Trade date accrual	-	104
Deposits received	15,149,687	9,159,578
Accounts payable - other	504,157	353,949
Accrued expenses	134,462	131,181
Income taxes payable	51,246	18,347
Total current liabilities	15,839,553	9,663,161
Noncurrent liabilities		
Long-term loans payable	1,500,000	1,500,000
Total noncurrent liabilities	1,500,000	1,500,000
Total liabilities	17,339,553	11,163,161
Net assets		
Shareholders' equity		
Share capital	3,237,925	3,334,162
Capital surplus		
Legal capital surplus	8,252,690	8,348,927
Other capital surplus	45,690	45,690
Total capital surplus	8,298,380	8,394,617
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,498,669)	(1,533,156)
Total retained earnings	(1,498,669)	(1,533,156)
Treasury shares	(17)	(17)
Total shareholders' equity	10,037,619	10,195,606
Total net assets	10,037,619	10,195,606
Total liabilities and net assets	27,377,172	21,358,768

(2) Quarterly statement of income

(Units: Thousands of yen)

	For the three months ended March 31, 2021	For the three months ended March 31, 2022
Operating revenue		
Fee received	868,181	1,454,720
Net trading income	23,676	1,159
Financial revenue	230	600
Other operating revenue	5,400	5,100
Total operating revenue	897,488	1,461,580
Financial expenses	4,832	11,458
Net operating revenue	892,656	1,450,122
Selling, general, and administrative expenses		
Trading-related expenses	588,458	871,672
Personnel expenses	238,088	350,519
Real estate expenses	48,295	62,426
Office expenses	76,454	110,214
Depreciation	18,370	16,958
Taxes and dues	12,173	17,759
Other	34,637	54,973
Total selling, general, and administrative expenses	1,016,478	1,484,523
Operating loss	(123,821)	(34,401)
Non-operating income	924	1,421
Non-operating expenses		
Stock issuance expenses	2,853	524
Other	97	33
Total non-operating expenses	2,951	557
Ordinary loss	(125,848)	(33,537)
Loss before income taxes	(125,848)	(33,537)
Income taxes - current	950	950
Total income taxes	950	950
Loss	(126,798)	(34,487)

(3) Notes to quarterly financial statements

(Notes on premise of ongoing concern)

Not applicable.

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

Not applicable.

(Changes in accounting policies)

(Adoption of Accounting Standards for Revenue Recognition)

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. The Company recognizes revenue at the time the control of promised goods or services is transferred to the customer in the amount expected to be received upon exchange of said goods or services. This change in accounting policies has no impact on the quarterly non-consolidated financial statements.

(Adoption of Accounting Standard for Fair Value Measurement)

The Company has adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the first quarter of the current fiscal year. The new accounting policy will be applied prospectively, in line with the transitional treatment specified in Paragraph 19 of the Accounting Standard for Market Value Accounting and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This change in accounting policies has no impact on the quarterly non-consolidated financial statements.

(Significant subsequent events)

(Issuance of new shares in the form of restricted shares (compensation))

At the Board of Directors meeting held on April 15, 2022, the Company resolved to issue new shares in the form of restricted shares (compensation) (hereinafter the "Issuance of New Shares") as follows:

1. Purpose of issuance, etc.

The Company's Board of Directors has resolved to introduce a restricted share compensation plan (hereinafter the "Plan") at the Board of Directors' meeting held on February 25, 2021 and to revise the Plan at the meeting held on February 21, 2022. Upon the resolutions, the Board of Directors has resolved on April 15, 2022 to grant to four (4) Directors (excluding Audit & Supervisory Committee Members and including Outside Directors) and three (3) executive officers (together with four Directors ; hereinafter the "Eligible Executive Members") and ten (10) employees (hereinafter the "Eligible Employees") 15,230 common shares of the Company (hereinafter "Allotted Shares") in exchange for in-kind contribution of monetary compensation claims totaling 34,267,500 yen, considering the financial status of the Company and other various factors. The purpose of the Plan is to improve shareholders' value of the Company by further aligning the interest of them and that of shareholders, and further enhancing employee benefits for the Eligible Employees. Please note that, at the 7th Annual General Meeting of Shareholders of the Company held on March 24, 2022, an approval was granted to the effect that (1) the total amount of monetary remuneration payable to grant restricted stocks to the Directors (excluding Audit & Supervisory Committee members and including Outside Directors) under the Plan shall not exceed 50 million yen per year (of which, the amount shall not exceed 10 million yen per year for Outside Directors) , (2) the transfer restriction period for restricted stocks shall be a period from when the allotted shares are granted until the retirement or resignation (excluding cases where the Director is reappointed to or assumes either of those positions simultaneous with such resignation or retirement; the same applies hereinafter) of such Director and executive officer from his or her position as Director or other position defined by the Board of Directors, and (3) (i) a Director continuously maintains his or her position during the service provision period as determined by the Company's Board of Directors and (ii) if a Director resigns from his or her position or retires from the Company before the expiration date of the service provision period for a reason the Company's Board of Directors deems justifiable, the Company shall make reasonable adjustments to the number of allotted shares for which the transfer restrictions are lifted, as necessary.

2. Outline of the Issuance

(1) Payment date	May 13, 2022						
(2) Class and number of shares to be issued	15,230 shares of the Company's common stock						
(3) Issue price	2,250 yen per share						
(4) Total issue price	34,267,500 yen						
(5) Amount of capitalization	1,125 yen per share						
(6) Total amount of capitalization	17,133,750 yen						
(7) Method of offering or allotment	Allotment of restricted stocks						
(8) Method of contribution	In-kind contribution of monetary (compensation) receivables						
(9) Allottees and number thereof; number of shares to be allotted	<table> <tr> <td>4 Directors of the Company</td> <td>5,002 shares</td> </tr> <tr> <td>3 executive officers of the Company</td> <td>3,336 shares</td> </tr> <tr> <td>10 employees of the Company</td> <td>6,892 shares</td> </tr> </table>	4 Directors of the Company	5,002 shares	3 executive officers of the Company	3,336 shares	10 employees of the Company	6,892 shares
4 Directors of the Company	5,002 shares						
3 executive officers of the Company	3,336 shares						
10 employees of the Company	6,892 shares						
(10) Transfer restriction period for restricted stocks	<p>(Eligible Executive Members) From May 13, 2022 (the payment date) until the retirement or resignation (excluding cases where the Eligible Executive Member is reappointed to or assumes either of those positions simultaneous with such resignation or retirement) of such Eligible Executive Member from his or her position as either director, executive officer, or employee</p> <p>(Eligible Employees) From May 13, 2022 (the payment date) to May 12, 2025</p>						
(11) Other	In connection with the Issuance of New Shares, a securities notice was filed in accordance with the Financial Instruments and Exchange Act.						