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Summary of Non-consolidated Financial Results for the Nine Months Ended September 30, 2022 [Japanese GAAP]



November 11, 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: November 11, 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 nine months ended September 30, 2022 (from January 1, 2022 to September 30, 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	%
Nine months ended September 30, 2022	4,807	49.7	4,773	49.4	135	-	141	-	138	-
September 30, 2021	3,210	81.9	3,195	82.6	(268)	-	(268)	-	(271)	-

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2022	2.91	2.76
September 30, 2021	(5.96)	-

Note: Diluted earnings per share for the nine months ended September 30, 2021 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	%
September 30, 2022	26,006	10,720	41.2
December 31, 2021	27,377	10,037	36.7

(Reference) Equity: As of September 30, 2022: 10,720 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
Fiscal year ended December 31, 2021	Yen	Yen	Yen	Yen	Yen
	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2022	-	0.00	-	-	-
Fiscal year ending December 31, 2022 (Forecast)	-	-	-	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		Operating profit	
	million yen	%	million yen	%
Fiscal year ending December 31, 2022	6,536	40.6	45	-

Note: 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 7 “2. 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 September 30, 2022	48,209,332 shares
As of December 31, 2021	46,988,150 shares

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

As of September 30, 2022	168 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)

Nine months ended September 30, 2022	47,500,322 shares
Nine months ended September 30, 2021	45,549,212 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 3 of the attached materials 1. Qualitative information regarding quarterly results (3) Explanation regarding 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 nine months of the fiscal year, there was a growing concern over the global recession caused by interest rate hike by central banks across the world in response to inflation, continuing geopolitical risks and escalating commodity prices. The Japanese economy continued to be uncertain due to the inflationary pressure as well as the impact of the weak 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 promotions, hiring talent to drive its business, and enhancing security measures.

Regarding the functionality expansion of “WealthNavi,” the Company started offering “Robo-NISA” in April through “Yume-Oi Navi” provided jointly with Hamamatsu Iwata Shinkin Bank and “Chukyo Omakase Navi” provided jointly with the Chukyo Bank. In addition, the Company started offering “WealthNavi for AEON CARD” jointly with AEON Bank, Ltd. and AEON Credit Service Co., Ltd., which enables the customers of “AEON Card” to make automated deposits by AEON Card to a fully automated end-to-end wealth management service while earning “WAON POINT.” This service becomes the first managed account service in Japan to make automated deposits by credit cards.

The Company has also enhanced its business activities with new alliance partners. In addition to the service launch of “WealthNavi for AEON CARD,” it entered into business alliance agreements with the Chiba Bank, Ltd. and the Toho Bank, Ltd. in July and with the Juroku Bank, Ltd. in August.

As for the advertising activities, the Company has continued TV promotions starring Hiroki Hasegawa, coupled with digital advertising aiming to effectively reach potential customers who consider starting wealth management. Additionally, the Company has offered online seminars on a regular basis. These seminars include sessions for new adults and sessions with external speakers such as an expert on financial education.

As a result, as of September 30, 2022, there were 352 thousand users (increased from 303 thousand users a year ago) and assets under management totaled 693.7 billion yen (increased from 548.8 billion yen a year ago).

Consequently, for the nine months ended September 30, 2022, the operating revenue was 4,807 million yen (up 49.7% year-over-year), and the net operating revenue after deducting financial expenses of 33 million yen from the total operating revenue was 4,773 million yen (up 49.4% year-over-year), for the nine months ended September 30, 2022. In addition, the selling, general, and administrative expenses cost was 4,637 million yen (up 33.9% year-over-year), resulting in an operating profit excluding advertising expenses of 1,671 million yen (up 75.2% year-over-year), an operating profit of 135 million yen (a loss of 268 million yen in the same period of previous fiscal year; same hereinafter), an ordinary profit of 141 million yen (a loss of 268 million yen), and a quarterly net profit of 138 million yen (a loss of 271 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 September 30, 2022 were 26,006 million yen, decreased by 1,370 million yen 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 3,712 million yen.

(Liabilities)

Total liabilities as of September 30, 2022 were 15,286 million yen, decreased by 2,053 million yen from the end of the previous fiscal year. This was mainly due to the decrease in deposits received by 1,999 million yen associated with the decrease in tax payments on securities transactions.

(Net assets)

Total net assets as of September 30, 2022 were 10,720 million yen, up 683 million yen from the end of the previous fiscal year. This was mainly caused by an increase in share capital of 272 million yen and an increase in legal capital surplus of 272 million yen due to shares issued upon the exercise of stock options and restricted shares and an increase in retained earnings of 138 million yen due to the recording of a quarterly net profit.

(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 September 30, 2022.

2. Quarterly financial statements and significant notes thereto

(1) Quarterly balance sheets

(Units: Thousands of yen)

	As of December 31, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	10,039,649	12,606,642
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	49
Trade date accrual	2,347	5,493
Advances paid	7,743	2,688
Advance payments	4,354	4,000
Prepaid expenses	75,067	126,119
Accounts receivable - other	2,770	4,017
Accrued income	534,940	621,064
Deposits paid	7,461,762	3,749,678
Other current assets	562	551
Total current assets	27,129,269	25,620,304
Noncurrent assets		
Property, plant, and equipment		
Buildings	68,440	145,043
Equipment	62,701	85,873
Accumulated depreciation	(84,000)	(116,748)
Total property, plant, and equipment	47,142	114,169
Intangible assets		
Software	81,639	88,131
Software in progress	-	11,076
Trademark right	950	837
Total intangible assets	82,589	100,046
Investments and other assets		
Lease and guarantee deposits	97,325	140,587
Long-term prepaid expenses	20,845	31,789
Total investments and other assets	118,171	172,377
Total noncurrent assets	247,903	386,592
Total assets	27,377,172	26,006,897

(Units: Thousands of yen)

	As of December 31, 2021	As of September 30, 2022
Liabilities		
Current liabilities		
Deposits received	15,149,687	13,150,247
Accounts payable - other	504,157	454,963
Accrued expenses	134,462	149,021
Income taxes payable	51,246	31,854
Total current liabilities	15,839,553	13,786,086
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	15,286,086
Net assets		
Shareholders' equity		
Share capital	3,237,925	3,510,437
Capital surplus		
Legal capital surplus	8,252,690	8,525,202
Other capital surplus	45,690	45,690
Total capital surplus	8,298,380	8,570,893
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,498,669)	(1,360,409)
Total retained earnings	(1,498,669)	(1,360,409)
Treasury shares	(17)	(110)
Total shareholders' equity	10,037,619	10,720,810
Total net assets	10,037,619	10,720,810
Total liabilities and net assets	27,377,172	26,006,897

(2) Quarterly statement of income

(Units: Thousands of yen)

	For the nine months ended September 30, 2021	For the nine months ended September 30, 2022
Operating revenue		
Fee received	3,170,772	4,725,729
Net trading income	26,933	64,616
Financial revenue	548	2,520
Other operating revenue	12,600	14,400
Total operating revenue	3,210,853	4,807,266
Financial expenses	15,132	33,812
Net operating revenue	3,195,721	4,773,454
Selling, general, and administrative expenses		
Trading-related expenses	2,118,714	2,764,495
Personnel expenses	764,384	1,065,310
Real estate expenses	152,289	236,049
Office expenses	239,315	321,558
Depreciation	56,473	56,365
Taxes and dues	37,799	67,379
Other	94,904	126,674
Total selling, general, and administrative expenses	3,463,882	4,637,832
Operating profit or loss	(268,160)	135,621
Non-operating income	2,669	7,837
Non-operating expenses		
Stock issuance expenses	2,897	1,728
Other	97	621
Total non-operating expenses	2,995	2,349
Ordinary loss	(268,486)	141,109
Profit or loss before income taxes	(268,486)	141,109
Income tagxes - current	2,850	2,850
Total income taxes	2,850	2,850
Profit or loss	(271,336)	138,259

(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.