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Summary of Non-consolidated Financial Results for the Nine Months Ended September 30, 2023 [Japanese GAAP]



November 10, 2023

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 10, 2023
 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, 2023 (from January 1, 2023 to September 30, 2023)

(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, 2023	5,893	22.6	5,859	22.8	529	290.2	527	273.7	361	161.7
September 30, 2022	4,807	49.7	4,773	49.4	135	-	141	-	138	-

	Basic earnings per share	Diluted earnings per share
Nine months ended September 30, 2023	Yen 7.39	Yen 7.24
September 30, 2022	2.91	2.76

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of September 30, 2023	million yen 28,327	million yen 12,016	% 42.4
December 31, 2022	25,964	10,980	42.3

(Reference) Equity: As of September 30, 2023 12,016 million yen
 As of December 31, 2022 10,980 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, 2022	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00
Fiscal year ending December 31, 2023	-	0.00	-	-	-
Fiscal year ending December 31, 2023 (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, 2023 (from January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes)

	Operating revenue		Operating profit	
	million yen	%	million yen	%
Fiscal year ending December 31, 2023	7,717	17.4	216	2.9

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: Yes

(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: Yes

(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, 2023 49,322,499 shares

As of December 31, 2022 48,377,671 shares

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

As of September 30, 2023 835 shares

As of December 31, 2022 835 shares

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

Nine months ended September 30, 2023 48,933,924 shares

Nine months ended September 30, 2022 47,500,322 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 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. The actual results may differ from the forecast due to various factors. For information regarding assumptions upon which the Company’s results forecasts are based and notes regarding the use of forecasts, please refer to Attached Materials on page 3 “1. Qualitative information regarding quarterly results (3) Explanation of non-consolidated earnings forecasts and forward-looking statements.”

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1. Qualitative information regarding quarterly results

(1) Explanation of operating results

During the nine months of the current fiscal year, there was a continuing concern over the downturn in the global economy due to inflation and prolonged tightening measures by central banks. The domestic economy continued to recover as a result of reopening, but it also remained uncertain due to the inflationary pressure as well as yen volatility driven by a possible change in global monetary policy.

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

Regarding the functionality expansion of “WealthNavi,” the Company started offering “Robo-NISA” 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. It also lowered the minimum investment threshold from 100,000 yen to 10,000 yen in order to set the bar low for initial investment for direct users in February and for a part of alliance users in April. In addition, it enabled new users to start using “WealthNavi” with the recurring deposit plan in April. Furthermore, it started offering “Robo-NISA” to users of “TAIKO Navi” in April, and it enabled “WealthNavi for AEON Bank” users to make automated deposits by AEON Cards in June. In August, it announced the product design of New “Robo-NISA,” which will be launched in January 2024 in full alignment with New NISA.

The Company also enhanced its business activities with new alliance partners. It launched “WealthNavi for ORIX Bank” in February and “WealthNavi for Toho Bank” in April. In September, it announced that WealthNavi Inc., Rakuten Securities, Inc. and Rakuten Investment Management, Inc. has reached a basic agreement on business alliance. The three companies collaborate aiming to provide Rakuten Securities users investment and investment advisory services replicating “WealthNavi” with a mutual fund scheme.

As for the advertising activities, the Company has launched a new TV commercial starring Sawako Fujima in June aiming to improve brand awareness as well to reach more potential customers who consider starting wealth management. The Company also resumed in-person seminars in addition to regular online seminars.

As a result, as of September 30, 2023, there were 383 thousand users (increased from 352 thousand users from a year ago) and assets under management totaled 928.4 billion yen (increased from 693.7 billion yen a year ago).

The Company recorded JPY 95 million of extraordinary losses associated with trading losses for the third quarter of the current fiscal year. The excess buy orders were executed on July 5, which included the unexecuted buy orders placed on July 3 when stock markets closed early in the U.S., and the excess position was booked on the Company’s account. The trading losses were mainly incurred with the adverse market movements in the process of unwinding the position.

Consequently, for the nine months ended September 30, 2023, the operating revenue was 5,893 million yen (up 22.6% year-over-year), and the net operating revenue after deducting financial expenses of 34 million yen from the total operating revenue was 5,859 million yen (up 22.8% year-over-year). The selling, general, and administrative expenses were 5,330 million yen (up 14.9% year-over-year), resulting in an operating profit excluding advertising expenses of 2,379 million yen (up 42.4% year-over-year), an operating profit of 529 million yen (up 290.2% year-over-year), an ordinary profit of 527 million yen (up 273.7% year-over-year), and a quarterly net profit of 361 million yen (up 161.7% year-over-year).

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, 2023 were 28,327 million yen, increased by 2,363 million yen from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits by 4,799 million yen through deposits from customers and stock option exercise, and a decrease in deposits paid to the prime brokerage for foreign securities (ETF) purchase by 2,210 million yen.

(Liabilities)

Total liabilities as of September 30, 2023 were 16,311 million yen, increased by 1,328 million yen from the end of the previous fiscal year. This was mainly due to an increase in deposits received from customers by 1,394 million yen.

(Net assets)

Total net assets as of September 30, 2023 were 12,016 million yen, increased by 1,035 million yen. This was mainly caused by an increase in share capital of 336 million yen and an increase in legal capital surplus of 336 million yen due to shares issued upon the exercise of stock options and restricted shares and an increase in retained earnings of 361 million yen due to the recording of a quarterly net profit.

(3) Explanation of non-consolidated earnings forecasts and forward-looking statements

There is no change to the earnings forecast for the year-ending December 31, 2023, which was announced on May 12, 2023.

2. Quarterly financial statements and significant notes thereto

(1) Quarterly balance sheets

(Units: Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	12,382,566	17,181,976
Cash segregated as deposits	9,800,000	9,300,000
Cash segregated as deposits for customers	9,800,000	9,300,000
Trading products	144	201
Trade date accrual	387	46
Advances paid	2,184	92
Advance payments	4,000	5,100
Prepaid expenses	159,777	213,305
Accounts receivable - other	6,197	4,028
Accrued income	642,424	787,546
Deposits paid	2,476,107	265,842
Other current assets	542	668
Total current assets	25,474,331	27,758,808
Noncurrent assets		
Property, plant, and equipment		
Buildings	145,043	145,555
Equipment	91,387	104,072
Accumulated depreciation	(132,710)	(160,917)
Total property, plant, and equipment	103,720	88,710
Intangible assets		
Software	82,884	107,545
Software in progress	14,768	59,956
Trademark right	800	687
Total intangible assets	98,452	168,189
Investments and other assets		
Lease and guarantee deposits	140,587	140,587
Long-term prepaid expenses	28,283	52,807
Deferred tax assets	118,877	118,877
Total investments and other assets	287,748	312,272
Total noncurrent assets	489,921	569,172
Total assets	25,964,253	28,327,981

(Units: Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Deposits received	12,703,639	14,097,908
Accounts payable - other	560,626	487,327
Accrued expenses	122,259	149,014
Income taxes payable	97,156	77,429
Total current liabilities	13,483,681	14,811,681
Noncurrent liabilities		
Long-term loans payable	1,500,000	1,500,000
Total noncurrent liabilities	1,500,000	1,500,000
Total liabilities	14,983,681	16,311,681
Net assets		
Shareholders' equity		
Share capital	3,564,603	3,901,569
Capital surplus		
Legal capital surplus	8,579,368	8,916,334
Other capital surplus	45,690	45,690
Total capital surplus	8,625,058	8,962,024
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,208,980)	(847,183)
Total retained earnings	(1,208,980)	(847,183)
Treasury shares	(110)	(110)
Total shareholders' equity	10,980,571	12,016,299
Total net assets	10,980,571	12,016,299
Total liabilities and net assets	25,964,253	28,327,981

(2) Quarterly statement of income

(Units: Thousands of yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Operating revenue		
Fee received	4,725,729	5,822,658
Net trading income	64,616	42,855
Financial revenue	2,520	8,299
Other operating revenue	14,400	19,913
Total operating revenue	4,807,266	5,893,727
Financial expenses	33,812	34,045
Net operating revenue	4,773,454	5,859,682
Selling, general, and administrative expenses		
Trading-related expenses	2,764,495	2,909,490
Personnel expenses	1,065,310	1,378,657
Real estate expenses	236,049	288,578
Office expenses	321,558	393,603
Depreciation	56,365	63,548
Taxes and dues	67,379	75,159
Other	126,674	221,395
Total selling, general, and administrative expenses	4,637,832	5,330,432
Operating profit or loss	135,621	529,250
Non-operating income	7,837	3,484
Non-operating expenses		
Stock issuance expenses	1,728	2,386
Amortization of restricted stock remuneration	-	2,945
Other	621	142
Total non-operating expenses	2,349	5,473
Ordinary profit	141,109	527,261
Extraordinary losses		
Non-recurring losses	-	* 95,062
Total extraordinary losses	-	95,062
Profit before income taxes	141,109	432,199
Income taxes	2,850	70,402
Total income taxes	2,850	70,402
Profit	138,259	361,796

(3) Notes to quarterly financial statements

(Notes on premise of going concern)

Not applicable.

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

Not applicable.

(Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements)

(Calculation of tax expenses)

The Company has calculated tax expenses by multiplying quarterly net profit before income taxes by the estimated effective tax rate. The tax rate is reasonably estimated with consideration of tax effect accounting for the full year net profit before income taxes.

In case the estimated effective tax rate is significantly unreasonable, the Company calculates tax expenses using the statutory tax rate.

(Changes in accounting policies)

(Change in the calculation method for tax expenses)

The Company used to calculate tax expenses using the same method as that used for the year-end closing. The Company changed the calculation method for tax expenses in this quarter in order to make its quarterly closing process timely and efficient. The newly adopted method is multiplying quarterly net profit before income taxes by the estimated effective tax rate. The tax rate is reasonably estimated with consideration of tax effect accounting for the full year net profit before income taxes.

The Company does not apply the change retrospectively, as the impact on the quarterly non-consolidated financial statements is immaterial.

(Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has adopted the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021, hereinafter the "Implementation Guidance") 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 27-2 of the Implementation Guidance. This change in accounting policies has no impact on the quarterly non-consolidated financial statements.

(Notes on quarterly statement of income)

* Non-recurring losses

The Company recorded non-recurring losses associated with trading losses. The excess buy orders were executed on July 5, which included the unexecuted buy orders placed on July 3 when stock markets closed early in the U.S., and the excess position was booked on the Company's account. The trading losses were mainly incurred with the adverse market movements in the process of unwinding the position.

(Significant subsequent events)

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

At the Board of Directors meeting held on October 13, 2023, the Company resolved to issue new shares in the form of restricted shares (compensation), and it completed the payment for issuance on November 10, 2023.

1. Purpose of issuance

The Company's Board of Directors has resolved on October 13, 2023 to grant to 21 employees 10,007 common shares of the Company in exchange for in-kind contribution of monetary compensation claims totaling 12,008,400 yen, considering the financial status of the Company and other various factors. The purpose 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 employees.

2. Outline of the Issuance

(1) Payment date	November 10, 2023
(2) Class and number of shares to be issued	10,007 shares of the Company's common stock
(3) Issue price	1,200 yen per share
(4) Total issue price	12,008,400 yen
(5) Amount of capitalization	600 yen per share
(6) Total amount of capitalization	6,004,200 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	21 employees of the Company 10,007 shares
(10) Transfer restriction period for restricted stocks	From November 10, 2023 (the payment date) to May 11, 2026
(11) Other	The Company has submitted a securities notice for the new share issuance as requested under the Financial Instruments and Exchange Act.

(Relocation of the headquarters)

The Company's Board of Directors has resolved on November 10, 2023 to relocate its headquarters.

1. Reason for relocation

The Company plans to relocate its office in order to expand the office space aiming to further advance the overall business operations. The Company has been proactively investing to grow the robo-advisor business and build a multi-service platform, and the number of the employee has been increasing accordingly. The relocation will provide the Company with enough office space for both current and future business expansion.

2. Address of the planned new headquarters

Gotanda JP Building, 8-4-13, Nishi-Gotanda, Shinagawa-ku, Tokyo

3. Date of relocation

October 2024 (planned)

4. Financial impact

The financial impacts of the planned relocation are negligible for FY2023. We will promptly release any information as necessary.

5. Other

The relocation of headquarters is subject to approval of an amendment to the Company's articles of incorporation at the 9th Annual General Meeting of Shareholders. We plan to relocate from Shibuya-ku, Tokyo to Shinagawa-ku, Tokyo upon the approval.