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Summary of Non-consolidated Financial Results for the Year Ended December 31, 2020 [Japanese GAAP]

February 12, 2021

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 hold ordinary general shareholders' meeting:		March 26, 2021	
Scheduled date to commence dividend payments:		-	
Scheduled date to file Securities Report:		March 26, 2021	
Preparation of supplementary materials on financial results:		Yes	
Holding of financial results presentation meeting:		Yes (for institutional investors and analysts)	

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

1. Financial results for the fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

(1) Operating results (Percentages indicate year-on-year changes)

	Operating revenue		Net operating revenue		Operating profit		Ordinary profit		Net profit	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2020	2,516	62.1	2,494	62.7	(978)	-	(999)	-	(1,003)	-
December 31, 2019	1,552	76.2	1,533	78.4	(2,061)	-	(2,057)	-	(2,060)	-

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/ total assets	Operating profit/ operating revenue
Fiscal year ended	yen	yen	%	%	%
December 31, 2020	(23.58)	-	(16.5)	(7.1)	(38.9)
December 31, 2019	(53.29)	-	(48.8)	(20.3)	(132.8)

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended December 31, 2020 - million yen
Fiscal year ended December 31, 2019 - million yen

Note 1. WealthNavi Inc. (the "Company") conducted a 3-for-1 stock split for common stock with an effective date of August 30, 2020. The stated basic earnings per share has been calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.
2. Diluted earnings per share is not depicted as the basic loss per share is reported for the fiscal year.

(2) Financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
Fiscal year ended	million yen	million yen	%	yen
December 31, 2020	15,378	6,916	45.0	153.81
December 31, 2019	12,697	5,260	41.4	(485.51)

(Reference) Equity: Fiscal year ended December 31, 2020 6,916 million yen
Fiscal year ended December 31, 2019 5,260 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	million yen	million yen	million yen	million yen
December 31, 2020	(939)	(76)	2,642	10,089
December 31, 2019	992	(113)	4,103	8,475

2. Dividends

	Dividends per share					Total dividends	Dividend payout ratio	Ratio of dividends to net assets
	First quarter end	Second quarter end	Third quarter end	Fiscal year end	Total			
Fiscal year ended	yen	yen	yen	yen	yen	million yen	%	%
December 31, 2019	-	0.00	-	0.00	0.00	-	-	-
December 31, 2020	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending December 31, 2020 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Earnings forecast for the fiscal year ending December 31, 2021 (from January 1, 2021 to December 31, 2021)

The Company does not report earnings forecast for the fiscal year ending December 31, 2021, as it is difficult to reasonably calculate at the current point in time due to reasons such as uncertainty regarding the time period required for COVID-19 to be contained. The Company will promptly disclose the forecasts when reasonable calculation is possible. Please refer to page 4 of the attached materials 1. Overview of operating results and others (4) Future outlook for details.

* Notes

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

1) Changes in accounting policies in accordance with changes in accounting standards, etc.: No
2) Changes in accounting policies due to other reasons: None
3) Changes in accounting estimates: None
4) Restatement: None

(2) Number of shares issued (common shares)

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

December 31, 2020 44,967,649 shares
December 31, 2019 42,467,649 shares

2) Number of treasury shares at the end of the period

December 31, 2020 - shares
December 31, 2019 - shares

3) Average number of shares outstanding during the period

Fiscal year ended December 31, 2020 42,542,785 shares
Fiscal year ended December 31, 2019 38,670,112 shares

(Note) The Company conducted a 3-for-1 stock split for common stock with an effective date of August 30, 2020. The number of shares issued and the average number of shares outstanding during the period have been calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

* Summaries of accounts are exempt from audit conducted by certified public accountants or an audit corporation

* Proper use of earnings forecasts, and other special matters

The Company does not report earnings forecast for the fiscal year ending December 31, 2021, as it is difficult to reasonably calculate at the current point in time. Please refer to page 4 of the attached materials 1. Overview of operating results and others (4) Future outlook for matters relating to the earnings forecast.

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1. Overview of operating results and others

(1) Overview of operating results for the fiscal year ended December 31, 2020

It remained difficult to forecast the future of the world economy during the fiscal year ended December 31, 2020 with economic activities stalled due to the impact of COVID-19, instability in United States-China relations such as trade frictions and matters such as the turmoil surrounding the United States presidential election. In addition, Japan's economy remained uncertain due to concerns about a resurgence in COVID-19 even though there have been signs of partial recovery in economic activities following the lifting of the government's State of Emergency Declaration.

Under such circumstances, the Company enhanced the functions of its robo-advisor "WealthNavi" to achieve sustained business growth, recruited engineers to strengthen the business base, and involved in activities including advertising and promotional campaigns, such as television commercials.

In regard to the enhancement of "WealthNavi" functions, apart from commencing the provision of the "funds transfer service" under "WealthNavi for SBI Securities" in January and adding "eKYC," a new feature to complete KYC processes in May, the Company commenced the provision of "Automated withdrawal function" as a new feature for "Hokkoku Omakase Navi" in October. The "Automated withdrawal function" is a new function that enables the withdrawal of a fixed amount once per month from the assets under management. Since investment continues, while there is partial withdrawal, the aim is to address the needs of customers to wish to extend the life of their assets. In addition, further strengthening of system security are being called for at financial institutions involved in online trading services due to incidents, such as withdrawal of customer funds through unauthorized access at multiple financial institutions. The Company also continuously implemented security measures such as promoting the use of 2-step authentication and identity verification when there is a change in a payee's account to ensure the safe use of "WealthNavi."

In addition, the expansion of alliance channels continued. "WealthNavi for Tokyo Star Bank" commenced in April through alliance with the Tokyo Star Bank, Ltd. and "Okasan Navi Hybrid" commenced in September through alliance with Okasan Securities Co., Ltd., while in November, "WealthNavi for MUFG Bank" commenced through alliance with MUFG Bank, Ltd. and "Yumeoi Navi" commenced through alliance with Hamamatsu Iwata Shinkin Bank.

As a result, as of December 31, 2020, there were 235 thousand users (c.f. 172 thousand users as of December 31, 2019) and assets under management totaled 329.1 billion yen (c.f. 203.3 billion yen as of December 31, 2019).

Consequently, the results for the fiscal year ended December 31, 2020 revealed an increase in operating revenue to 2,516 million yen (162.1% YoY), while net operating revenue, obtained by deducting 21 million yen in financial expenses from operating revenue, also rose to 2,494 million yen (162.7% YoY). In addition, selling, general, and administrative expenses fell to 3,473 million yen (96.6% YoY), resulting in an operating loss of 978 million yen (c.f. 2,061 million yen in the previous period), an ordinary loss of 999 million yen (c.f. 2,057 million yen in the previous period), and net loss of 1,003 million yen (c.f., 2,060 million yen in the previous period).

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

(2) Overview of financial position for the fiscal year ended December 31, 2020.

(Assets)

Total assets as of December 31, 2020 were 15,378 million yen, up 2,680 million from December 31, 2019. This is mainly due to the 3,700 million yen increase in cash and deposits from items such as the capital increase through public offerings associated with listing on the Tokyo Stock Exchange Mothers market, the 2,087 million yen decline in due from banks to securities company for foreign securities (ETF) trading, and the 1,100 million yen increase in cash segregated as deposits for customers.

(Liabilities)

Total liabilities as of December 31, 2020 were 8,461 million yen, up 1,024 million yen from December 31, 2019. This is mainly due to the 904 million yen in deposits received associated with the increase in amount funds received from customers.

(Net assets)

Total net assets as of December 31, 2020 were 6,916 million yen, up 1,656 million yen from December 31, 2019. This is due to 1,329 million yen capital increase and 1,329 million yen increase in capital surplus through public offerings associated with listing on the Tokyo Stock Exchange Mothers market, coupled with 1,003 million yen decline in retained earnings due to record of a net loss. Note that based on resolution of the Ordinary General Meeting of Shareholders held on March 27, 2020 there was deficit disposition with 2,060 million yen of other capital surplus transferred to retained earnings.

(3) Overview of cash flows for the fiscal year ended December 31, 2020

Cash and cash equivalents (hereinafter, “funds”) were 10,089 million yen as of December 31, 2020. Cash flows during the fiscal year ended December 31, 2020 and their causes are as follows.

(Cash flows from operating activities)

Funds used in operating activities were 939 million yen (992 million yen was generated in the previous fiscal year). This is mainly due to 1,100 million increase in cash segregated as deposits for customers, 904 million yen increase in deposits received, and 999 million yen in loss before income taxes.

(Cash flows from investing activities)

Funds used in investing activities were 76 million yen (113 million yen used in the previous fiscal year). This is mainly due to 86 million yen in expenditure to purchase property, plant, and equipment, 45 million yen in expenditure to purchase intangible assets, and 59 million yen in proceeds from the collection of leasehold deposits and guarantees.

(Cash flows from financing activities)

Funds generated from financing activities were 2,642 million yen (4,103 million yen generated in the previous fiscal year). This is due to 2,642 million yen in proceeds from the issuance of shares associated with listing on the Tokyo Stock Exchange Mothers market.

(4) Future outlook

The Company provides robo-advisor “WealthNavi,” a fully-automated wealth management service for “long-term investment with a globally diversified portfolio.” Commission received, which is the core of the Company’s operating revenue, is commissions received from customers and linked to assets under management. Therefore, the growth of assets under management needs to be projected to reasonably calculate the forecast figure for operating revenue.

Even when there were sharp falls in the market in the fiscal year ended December 31, 2020 due to the impact of COVID-19, several customers started or continued their wealth management at “WealthNavi,” and assets under management grew 125.7 billion yen from December 31, 2019 to 329.1 billion yen (up 61.8% YoY). However, there were large market fluctuations during the fiscal year and there were also times when it was hard to project the growth of assets under management from customers.

Since economic activity stalled due to the global spread of COVID-19, there continues to be concern about the long-term impact on the global economy, and it is difficult to forecast the outlook for the fiscal year ending December 31, 2021. In Japan, the government issued a second State of Emergency Declaration in January 2021, making it difficult to forecast the outlook.

Under such circumstances, the Company does not disclose earnings forecast for the fiscal year ending December 31, 2021. The Company will promptly announce when reasonable calculation is possible.

In addition, under such economic conditions, the Company continues to progress with initiatives to achieve wealth management for customers’ long-term investment with a globally diversified portfolio. As an example, the Company will release a new feature “Robo-NISA” on February 17, 2021 to deal with Nippon Individual Savings Account (“NISA”), a tax exemption program for small investments. “Robo-NISA” will be a feature that utilizes the tax exemption merits of NISA, while enabling the wealth management of long-term investment with a globally diversified portfolio to be entrusted to “WealthNavi.” The Company will solve issues for working families that have been unable to use NISA to date citing reasons such as “I don’t know what type of products to purchase” and “It appears difficult without investment knowledge,” supporting them to build wealth for the future.

2. Basic stance on selection of accounting standards

The Company prepares its financial statements based on Japanese GAAP. While considering circumstances concerning the adoption of International Financial Reporting Standards (IFRS), the Company will make continuous effort to improve its organizational system to respond appropriately.

3. Financial statements and significant notes thereto

(1) Balance sheets

(Units: Thousands of yen)

	As of December 31, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	4,912,985	8,613,814
Cash segregated as deposits	3,510,000	4,610,000
Cash segregated as deposits for customers	3,510,000	4,610,000
Trading products	38	43
Trade date accrual	-	398
Advances paid	9,349	9,784
Advance payments	37,402	4,000
Prepaid expenses	76,651	39,251
Accounts receivable - other	103,323	24,367
Accrued income	176,336	289,200
Due from banks	3,612,970	1,525,641
Other current assets	523	589
Total current assets	12,439,581	15,117,090
Noncurrent assets		
Property, plant, and equipment		
Buildings	23,663	68,440
Equipment	43,042	64,006
Accumulated depreciation	(53,764)	(64,272)
Total property, plant, and equipment	12,940	68,174
Intangible assets		
Software	83,165	47,808
Software in progress	-	40,965
Trademark right	1,250	1,100
Total intangible assets	84,415	89,874
Investments and other assets		
Lease and guarantee deposits	157,208	97,325
Long-term prepaid expenses	3,323	5,773
Total investments and other assets	160,531	103,099
Total noncurrent assets	257,888	261,149
Total assets	12,697,470	15,378,239

(Units: Thousands of yen)

	As of December 31, 2019	As of December 31, 2020
Liabilities		
Current liabilities		
Trade date accrual	141	-
Deposits received	6,170,351	7,075,298
Accounts payable - other	199,284	253,158
Accrued expenses	63,437	84,399
Income taxes payable	3,800	48,762
Current portion of convertible bond-type bonds with share acquisition rights	-	1,000,000
Total current liabilities	6,437,014	8,461,619
Noncurrent liabilities		
Convertible bond-type bonds with share acquisition rights	1,000,000	-
Total noncurrent liabilities	1,000,000	-
Total liabilities	7,437,014	8,461,619
Net assets		
Shareholders' equity		
Share capital	100,000	1,429,687
Capital surplus		
Legal capital surplus	5,114,765	6,444,452
Other capital surplus	2,106,496	45,690
Total capital surplus	7,221,261	6,490,142
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(2,060,805)	(1,003,210)
Total retained earnings	(2,060,805)	(1,003,210)
Total shareholders' equity	5,260,455	6,916,620
Total net assets	5,260,455	6,916,620
Total liabilities and net assets	12,697,470	15,378,239

(2) Statements of income

(Units: Thousands of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Operating revenue		
Commission received	1,515,994	2,471,632
Net trading income	4,204	26,309
Financial revenue	1,224	770
Other operating revenue	31,480	17,997
Total operating revenue	1,552,903	2,516,709
Financial expenses	19,598	21,739
Net operating revenue	1,533,305	2,494,969
Selling, general, and administrative expenses		
Trading-related expenses	2,235,169	1,971,575
Personnel expenses	834,874	850,293
Real estate expenses	139,254	213,507
Office expenses	167,283	208,950
Depreciation	54,780	75,305
Taxes and dues	17,810	46,911
Other	145,856	107,219
Total selling, general, and administrative expenses	3,595,027	3,473,763
Operating loss	(2,061,722)	(978,794)
Non-operating income	5,944	4,033
Non-operating expenses		
Listing related expenses	-	4,500
Stock issuance expenses	-	18,231
Other	1,228	1,917
Total non-operating expenses	1,228	24,649
Ordinary loss	(2,057,005)	(999,410)
Loss before income taxes	(2,057,005)	(999,410)
Income taxes - current	3,800	3,800
Total income taxes	3,800	3,800
Loss	(2,060,805)	(1,003,210)

(3) Statements of changes in equity

Fiscal year ended December 31, 2019

(Units: Thousands of yen)

	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of current period	2,075,800	3,047,927	562,053	3,609,981
Changes during period				
Issuance of new shares	2,066,837	2,066,837		2,066,837
Transfer from share capital to capital surplus	(4,042,638)		4,042,638	4,042,638
Deficit disposition			(2,498,195)	(2,498,195)
Loss				
Total changes during period	(1,975,800)	2,066,837	1,544,442	3,611,279
Balance at end of current period	100,000	5,114,765	2,106,496	7,221,261

	Retained earnings		Total shareholders' equity	Total net assets
	Other retained earnings	Total retained earnings		
	Retained earnings brought forward			
Balance at beginning of current period	(2,498,195)	(2,498,195)	3,187,586	3,187,586
Changes during period				
Issuance of new shares			4,133,674	4,133,674
Transfer from share capital to capital surplus			-	-
Deficit disposition	2,498,195	2,498,195	-	-
Loss	(2,060,805)	(2,060,805)	(2,060,805)	(2,060,805)
Total changes during period	437,390	437,390	2,072,868	2,072,868
Balance at end of current period	(2,060,805)	(2,060,805)	5,260,455	5,260,455

Fiscal year ended December 31, 2020

(Units: Thousands of yen)

	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of current period	100,000	5,114,765	2,106,496	7,221,261
Changes during period				
Issuance of new shares	1,329,687	1,329,687		1,329,687
Deficit disposition			(2,060,805)	(2,060,805)
Loss				
Total changes during period	1,329,687	1,329,687	(2,060,805)	(731,118)
Balance at end of current period	1,429,687	6,444,452	45,690	6,490,142

	Retained earnings		Total shareholders' equity	Total net assets
	Other retained earnings	Total retained earnings		
	Retained earnings brought forward			
Balance at beginning of current period	(2,060,805)	(2,060,805)	5,260,455	5,260,455
Changes during period				
Issuance of new shares			2,659,375	2,659,375
Deficit disposition	2,060,805	2,060,805	-	-
Loss	(1,003,210)	(1,003,210)	(1,003,210)	(1,003,210)
Total changes during period	1,057,595	1,057,595	1,656,164	1,656,164
Balance at end of current period	(1,003,210)	(1,003,210)	6,916,620	6,916,620

(4) Statements of cash flows

(Units: Thousands of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Cash flows from operating activities		
Loss before income taxes	(2,057,005)	(999,410)
Depreciation	54,780	75,305
Loss on disposal of noncurrent assets	-	115
Decrease (increase) in cash segregated as deposits for customers	-	(1,100,000)
Decrease (increase) in trade date accrual	(1,277)	(539)
Interest and dividend income	(1,224)	(770)
Interest expenses	19,598	21,739
Decrease (increase) in advance payments	77,879	33,402
Decrease (increase) in prepaid expenses	(54,034)	36,626
Decrease (increase) in accounts receivables-others	(13,130)	78,956
Decrease (increase) in accrued income	(76,869)	(112,863)
Increase (decrease) in deposits received	2,998,998	904,947
Increase (decrease) in accounts payable-other	194,663	49,694
Increase (decrease) in accrued expenses	(105,063)	19,955
Other	(22,579)	76,716
Subtotal	1,014,735	(916,124)
Interest and dividend income received	1,224	692
Interest expenses paid	(19,598)	(20,732)
Income taxes paid	(3,800)	(3,800)
Cash flows from operating activities	992,561	(939,964)
Cash flows from investing activities		
Purchase of property, plant, and equipment	(7,891)	(86,092)
Purchase of intangible assets	(6,022)	(45,588)
Payments for leasehold deposits and guarantees	(97,325)	-
Proceeds from the collection of leasehold deposits and guarantees	-	59,882
Other	(1,950)	(4,588)
Cash flows from investing activities	(113,189)	(76,387)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(30,000)	-
Proceeds from share issuance	4,133,674	2,642,321
Cash flows from financing activities	4,103,674	2,642,321
Effect of exchange rate change on cash and cash equivalents	9,573	(12,473)
Net increase (decrease) in cash and cash equivalents	4,992,620	1,613,495
Cash and cash equivalents at beginning of period	3,483,327	8,475,947
Cash and cash equivalents at end of period	8,475,947	10,089,443

(5) Notes to financial statements

(Notes on premise of ongoing concern)

No items to report

(Segment information, etc.)

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

(Per share information)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Net assets per share	(485.51) yen	153.81 yen
Net loss per share	(53.29) yen	(23.58) yen

Note 1. The Company conducted a 3-for-1 stock split for common stock with an effective date of August 30, 2020 in accordance with a resolution obtained at a Board meeting convened on August 14, 2020; thus net assets per share and net loss per share are calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

2. Net assets per share of the previous fiscal year is calculated after deducting the distribution amount for residual assets in preferred shares.
3. In calculating the loss per share, conversion-type participative stock is treated in the same way as common shares following conversion, and is included in the average number of common shares outstanding during the period.
4. Diluted earnings per share is not depicted as basic loss per share is reported for the fiscal year.
5. The grounds for calculating the net loss per share are as follows.

Items	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Net loss per share		
Net loss (thousands of yen)	(2,060,805)	(1,003,210)
Profit attributable to owners of parent available to common shares (thousands of yen)	-	-
Current net profit relating to common shares	(2,060,805)	(1,003,210)
Average number of common shares outstanding during the period (shares)	38,670,112	42,542,785
Outline of residual shares are not included in the calculation of diluted earnings per share, as they have no dilution effect	Two types of unsecured convertible bonds (Total face value: 1,000,000,000 yen) Six types of stock options (The number of shares subject to share acquisition rights: 4,816,125)	Two types of unsecured convertible bonds (Total face value: 1,000,000,000 yen) Six types of stock options (The number of shares subject to share acquisition rights: 5,311,518)

(Significant subsequent events)

Third-party allocation of shares (Third-party allocation of shares related to secondary offering of over allotment)

The Company, at its Board of Directors meeting held on November 18, 2020 and December 3, 2020, decided to issue new shares through a capital increase by way of third-party allocation to SBI Securities Co., Ltd. for the purpose of selling the Company's common shares that SBI Securities Co., Ltd. had borrowed from the Company's shareholder, Kazuhisa Shibayama, related to a secondary offering through an over allotment with payment completed on January 20, 2021.

(1) Number of shares issued	Common shares of the Company 623,800
(2) Payment amount	935 yen per share
(3) Total payment amount	583,253,000 yen
(4) Allotment price	1,063.75 yen per share
(5) Total allotment price	663,567,250 yen
(6) Share capital and legal capital surplus to be increased	Share capital to be increased 531.875 yen per share Legal capital surplus to be increased 531.875 yen per share
(7) Allotted party and number of allotted shares	SBI Securities Co., Ltd. 623,800 shares
(8) Use of funds	Advertising and promotion expenses, recruitment expenses and personnel expenses, and funds to redeem unsecured convertible bonds