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Summary of Non-consolidated Financial Results for the Three Months Ended March 31, 2021 [Japanese GAAP]

May 14, 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 file quarterly Securities Report: May 14, 2021
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, 2021 (from January 1, 2021 to March 31, 2021)

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

	Operating revenue		Net operating revenue		Operating profit		Ordinary profit		Net profit	
Three months ended	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2021	897	-	892	-	(123)	-	(125)	-	(126)	-
March 31, 2020	-	-	-	-	-	-	-	-	-	-

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2021	(2.79)	-
March 31, 2020	-	-

Note 1. As the Company has not prepared non-consolidated financial statements for the three months ended March 31, 2020, earnings per share for the three months ended March 31, 2020 and the percentage indicating year-on-year changes are not shown for the three months ended March 31, 2021.
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, 2021	15,951	7,453	46.7
December 31, 2020	15,378	6,916	45.0

(Reference) Equity: As of March 31, 2021 7,453 million yen
As of December 31, 2020 6,916 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, 2020	—	0.00	—	0.00	0.00
Fiscal year ending December 31, 2021	—				
Fiscal year ending December 31, 2021 (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, 2021 (from January 1, 2021 to December 31, 2021)

(Percentages indicate year-on-year changes)

	Operating revenue		Operating profit excluding advertising expenses	
	million yen	%	million yen	%
Fiscal year ending December 31, 2021	4,316	71.5	1,076	586.2

Note 1. Operating profit excluding advertising expenses is the sum of the operating profit and advertising expenses.
2. 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.: No
(ii) Changes in accounting policies due to other reasons: None
(iii) Changes in accounting estimates: None
(iv) Restatement: None

(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, 2021 45,591,449 shares
As of December 31, 2020 44,967,649 shares

(ii) Number of treasury shares at the end of the period
As of March 31, 2021 - shares
As of December 31, 2020 - shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)
Three months ended March 31, 2021 45,459,757 shares
Three months ended March 31, 2020 - shares

(Note) Because the Company did not prepare non-consolidated quarterly financial statements for the three months ended December 31, 2020, no data is provided for average number of shares issued during that term.

* 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 first quarter of the current fiscal year, the expectations for a global economic recovery have risen because of the distribution of vaccines for COVID-19 in major countries and the enactment of a large-scale additional economic measure bill in the United States. With regard to the domestic economy, the government declared a second state of emergency and subsequently lifted it in late March 2021. However, some are concerned that the time needed for vaccinations will be longer compared with that in other major countries. Thus, progress toward making a full-scale recovery of economic activity has been slow.

To achieve continuous business growth under such circumstances, the Company has been actively working to expand the functions of "WealthNavi," recruit personnel to strengthen the foundation of its business, and conduct advertising activities such as running television commercials.

Regarding expansion of "WealthNavi"'s functionality, the Company released the new feature called "Robo-NISA" in February 2021. "Robo-NISA" is a feature leveraging the NISA's tax exemption merits while enabling the wealth management of long-term investment with a globally diversified portfolio through "WealthNavi." The feature enabled the Company to support working families that have been unable to use the NISA to date citing various reasons, such as "I don't know what type of products to purchase" and "It appears difficult without investment knowledge."

To support long-term and diversified investment asset management, the Company expanded the video tutorials series called "Understanding WealthNavi" and placed various articles about asset management onto the home screen of "WealthNavi"'s app for easy access. Furthermore, the Company has been holding webinars about asset management and receiving lots of favorable reviews, where 109 thousand customers participated in one year from the first webinar held in April 2020 to March 2021.

As a result, as of March 31, 2021, there were 269 thousand users and assets under management totaled 402.4 billion yen.

Consequently, the operating revenue was 897 million yen in the first quarter, and the net operating revenue (after deducting financial expenses of 4 million yen from the total operating revenue) was 892 million yen. In addition, the selling, general, and administrative expenses cost was 1,016 million yen, resulting in an operating loss of 123 million yen, an ordinary loss of 125 million yen, and a quarterly net 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, 2021 were 15,951 million yen, up 572 million from the end of the previous fiscal year. This increase is mainly due to the increase of 1,800 million yen in cash segregated as deposits for customers and a corresponding decrease in cash and deposits of 945 million yen.

(Liabilities)

Total liabilities as of March 31, 2021 were 8,497 million yen, up 36 million yen from the end of the previous fiscal year. This increase was mainly due to a 43 million yen increase in the amount of deposits received associated with the increase in funds received from customers.

(Net assets)

Total net assets as of March 31, 2021 were 7,453 million yen, up 536 million yen from the end of the previous fiscal year. This increase was caused by an increase in share capital of 331 million yen from a third-party allotment related to a secondary offering through an over-allotment, an increase in legal capital surplus of 331 million yen, and a decrease in retained earnings of 126 million yen due to the recording of a quarterly net loss.

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

Commission received, which is the core of the Company's operating revenue, is commissions received from customers and linked to assets under management. Therefore, it is critical that customers continue to use "WealthNavi" to achieve growth of assets under management, and the Company has achieved a low churn rate (Note 1) of 1% or less on a monthly average, making its business model stable with accumulating recurring revenues. On the other hand, the Company has been making a loss due to the business model where the Company has been investing in personnel expenses for service development etc. and advertising expenses before becoming profitable.

In the fiscal year ending December 31, 2021, the operating revenue is expected to be 4,316 million yen (up 71.5% YoY) owing to an increase in assets under management in the form of deposits from new customers and additional deposits including automatic deposits from existing customers. The operating profit excluding advertising expenses (Note 2) is expected to be 1,076 million yen (up 586.2% YoY) as the Company continues to hire personnel actively for service development and invest in information security measures.

Note 1. Percentage of users who go from a positive ETF balance to no ETF balance (monthly, total average from July 2016 to March 2021)

Note 2. Operating profit excluding advertising expenses = Operating profit + Advertising expenses

2. Quarterly financial statements and significant notes thereto

(1) Quarterly balance sheets

(Units: Thousands of yen)

	As of December 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	8,613,814	7,668,450
Cash segregated as deposits	4,610,000	6,410,000
Cash segregated as deposits for customers	4,610,000	6,410,000
Trading products	43	38
Trade date accrual	398	98
Advances paid	9,784	5,270
Advance payments	4,000	4,000
Prepaid expenses	39,251	38,711
Accounts receivable - other	24,367	1,190
Accrued income	289,200	348,712
Due from banks	1,525,641	1,213,240
Other current assets	589	577
Total current assets	15,117,090	15,690,290
Noncurrent assets		
Property, plant, and equipment		
Buildings	68,440	68,440
Equipment	64,006	49,846
Accumulated depreciation	(64,272)	(55,525)
Total property, plant, and equipment	68,174	62,762
Intangible assets		
Software	47,808	91,365
Software in progress	40,965	3,202
Trademark right	1,100	1,062
Total intangible assets	89,874	95,630
Investments and other assets		
Lease and guarantee deposits	97,325	97,325
Long-term prepaid expenses	5,773	5,152
Total investments and other assets	103,099	102,478
Total noncurrent assets	261,149	260,871
Total assets	15,378,239	15,951,161

(Units: Thousands of yen)

	As of December 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Deposits received	7,075,298	7,118,632
Accounts payable - other	253,158	278,078
Accrued expenses	84,399	87,999
Income taxes payable	48,762	13,061
Current portion of convertible bond-type bonds with share acquisition rights	1,000,000	1,000,000
Total current liabilities	8,461,619	8,497,772
Total liabilities	8,461,619	8,497,772
Net assets		
Shareholders' equity		
Share capital	1,429,687	1,761,471
Capital surplus		
Legal capital surplus	6,444,452	6,776,236
Other capital surplus	45,690	45,690
Total capital surplus	6,490,142	6,821,926
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,003,210)	(1,130,008)
Total retained earnings	(1,003,210)	(1,130,008)
Total shareholders' equity	6,916,620	7,453,389
Total net assets	6,916,620	7,453,389
Total liabilities and net assets	15,378,239	15,951,161

(2) Quarterly statement of income

(Units: Thousands of yen)

	For the three months ended March 31, 2021
Operating revenue	
Commission received	868,181
Net trading income	23,676
Financial revenue	230
Other operating revenue	5,400
Total operating revenue	897,488
Financial expenses	4,832
Net operating revenue	892,656
Selling, general, and administrative expenses	
Trading-related expenses	588,458
Personnel expenses	238,088
Real estate expenses	48,295
Office expenses	76,454
Depreciation	18,370
Taxes and dues	12,173
Other	34,637
Total selling, general, and administrative expenses	1,016,478
Operating loss	(123,821)
Non-operating income	924
Non-operating expenses	
Stock issuance expenses	2,853
Other	97
Total non-operating expenses	2,951
Ordinary loss	(125,848)
Loss before income taxes	(125,848)
Income taxes - current	950
Total income taxes	950
Loss	(126,798)

(3) Notes to quarterly financial statements

(Notes on premise of ongoing concern)

No items to report

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

The Company issued 623,800 new shares through a third-party allotment (related to a secondary offering through an over-allotment) with a payment date of January 20, 2021, and share capital and legal capital surplus increased by 331,783 thousand yen respectively.

As a result, as of March 31, 2021, the Company's share capital was 1,761,471 thousand yen, and capital surplus was 6,821,926 thousand yen.

(Significant subsequent events)

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

At the Board of Directors meeting held on April 15, 2021, 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.

At the Board of Directors meeting held on February 25, 2021, the Company resolved to introduce a new restricted stock (compensation) plan (hereinafter the "Plan") for the directors (including external directors; the same applies hereinafter), executive officers and employees of the Company. The objective is to provide incentives for continuous improvement in medium- to long-term corporate and shareholders' company value and sharing value with shareholders (in addition to enhancing welfare benefits for employees) to the directors, executive officers and employees. Moreover, at the 6th Annual General Meeting of Shareholders of the Company held on March 26, 2021, the following have been decided: (1) the total amount of monetary remuneration receivable to grant restricted stocks to the directors under the Plan shall not exceed 25 million yen per year (of which, the amount shall not exceed 5 million yen per year for external 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.

At the Board of Directors meeting held on April 15, 2021, the Company resolved to issue 2,300 common shares of the Company to four directors, four executive officers (hereinafter collectively referred to as "Eligible Executive Members"), and four employees (hereinafter "Eligible Employees"), considering the purpose of this Plan, the financial situation of the Company, and other various circumstances, in exchange for in-kind contribution of monetary (compensation) claims totaling 10,016,500 yen.

2. Outline of the Issuance

(1) Payment date	May 14, 2021
(2) Class and number of shares to be issued	2,300 shares of the Company's common stock
(3) Issue price	4,355 yen per share
(4) Total issue price	10,016,500 yen
(5) Amount of capitalization	2,177.5 yen per share
(6) Total amount of capitalization	5,008,250 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	4 directors of the Company 920 shares 4 executive officers of the Company 460 shares 4 employees of the Company 920 shares
(10) Transfer restriction period for restricted stocks	(Eligible Executive Members) From May 14, 2021 (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, Audit & Supervisory Board member or employee (Eligible Employees) From May 14, 2021 (the payment date) to May 13, 2024
(11) Other	In connection with the Issuance of New Shares, a securities notice was filed in accordance with the Financial Instruments and Exchange Act.