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Summary of Non-consolidated Financial Results for the Nine Months Ended September 30, 2024 [Japanese GAAP]

November 14, 2024

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 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, 2024 (from January 1, 2024 to September 30, 2024)

(1) Non-consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Operating revenue		Net operating revenue		Operating profit		Ordinary profit		Net profit	
Nine months ended	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
September 30, 2024	8,117	37.7	8,061	37.6	523	(1.2)	282	(46.4)	233	(35.4)
September 30, 2023	5,893	22.6	5,859	22.8	529	290.2	527	273.7	361	161.7

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2024	4.11	4.06
September 30, 2023	7.39	7.24

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	million yen	million yen	%
September 30, 2024	50,187	28,587	57.0
December 31, 2023	32,237	12,158	37.7

(Reference) Equity: As of September 30, 2024 28,587 million yen As of December 31, 2023 12,158 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, 2023	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2024	-	0.00	-		
Fiscal year ending December 31, 2024 (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, 2024 (from January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes)

	Operating revenue		Operating profit	
	million yen	%	million yen	%
Fiscal year ending December 31, 2024	11,187	37.0	531	1.4

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.: None

(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 September 30, 2024 59,317,770 shares

As of December 31, 2023 49,490,339 shares

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

As of September 30, 2024 20,767 shares

As of December 31, 2023 5,598 shares

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

Nine months ended September 30, 2024 56,960,034 shares

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

* Review of the Japanese-language originals of the attached quarterly financial statements by certified public accountants or an audit firm: None

* 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."

Attached Materials

Index

1. Qualitative information regarding quarterly results 2
(1) Explanation of operating results 2
(2) Explanation of financial position 3
(3) Explanation of non-consolidated earnings forecasts and forward-looking statements 3
2. Quarterly financial statements and significant notes thereto 4
(1) Quarterly balance sheets 4
(2) Quarterly statement of income 6
(3) Notes to quarterly financial statements 7
(Notes on premise of going concern) 7
(Notes on significant changes in the amount of shareholders' equity) 7
(Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements) 7
(Notes on quarterly statement of income) 7
(Notes on quarterly statement of cash flows) 7
(Notes on segment information etc.) 7
(Significant subsequent events) 8

1. Qualitative information regarding quarterly results

(1) Explanation of operating results

During the nine months of the current fiscal year, the global economy maintained its stability supported by interest rate cuts from central banks in response to growing recession concerns. The domestic economy remained uncertain despite the favorable effects of rising real wages and increased demand from foreign visitors. The Japanese financial markets saw significant volatility, primarily driven by the Bank of Japan's policy shift.

Under such circumstances, the Company has actively worked on expanding the functions of its fully automated robo-advisor "WealthNavi" as well as enhancing initiatives with its alliance partners. It has also engaged in advertising activities including TV promotions, planning, development and provision of new businesses, hiring talent to drive its business, and enhancing security measures.

Regarding the robo-advisor "WealthNavi," the Company announced that assets under management reached 1 trillion yen as of January 11, 2024, and reached 1.3 trillion yen as of July 4, 2024. Since its foundation in 2015, it had targeted 1 trillion yen in assets under management as its milestone to support more working families with its financial services, which are easy to use, safe, and reliable. As for the functionality expansion of "WealthNavi," it launched New "Robo-NISA" in January in full alignment with the new NISA program. The Company continues to help working families build wealth by building and maintaining a long-term, globally diversified portfolio.

The Company enhanced the advertising activities including TV promotions and digital advertisement to improve brand awareness to reach more potential customers who are considering starting wealth management. The Company launched a new TV promotion starring Satomi Ishihara in May 2024. In addition, the Company unveiled a new YouTube channel with a message "Money Basics for Beginners" and its new financial education service, "Wealth Guide." The Company is committed to continuing its efforts to help working families improve their financial literacy.

The Company entered into an agreement on capital and business alliance with MUFG Bank, Ltd. (MUFG Bank) in February. The Company and MUFG Bank will, combine the strengths of both parties to accelerate supports for working families to build wealth and to offer services tailored to each customer over the medium- to long-term, with the aim of contributing to Japanese individuals' sound asset building. Specifically, in addition to strengthening their existing collaboration in the robo-advisor business including "Robo-NISA," and the Company and MUFG Bank are working together to develop and provide the Money Advisory Platform, including services related to not only asset management but also others, such as life insurance, pensions, housing loans, and financial education.

The Company obtained ISO/IEC 27001 certification, a globally recognized standard for information security management systems, as well as ISMS cloud security certification based on ISO/IEC 27017. The Company is dedicated to enhancing and strengthening its information security to provide users with secure and reliable services.

As a result, as of September 30, 2024, there were 416 thousand users (increased from 383 thousand users from a year ago) and assets under management totaled 1.25 trillion yen (increased from 928.4 billion yen a year ago).

In addition to robo-advisor service, the Company launched an online insurance advisory service which assists its users to select and review life insurance products in May 2024. The Company helps working families manage financial risks holistically by combining life insurance and NISA investments.

Moreover, Rakuten Securities, Inc. started offering "WealthNavi R" in May 2024. The Company, Rakuten Securities and Rakuten Investment Management, Inc. jointly created "WealthNavi R" to provide Rakuten Securities users investment and investment advisory services replicating "WealthNavi" with a mutual fund scheme.

Consequently, for the nine months ended September 30, 2024, the operating revenue was 8,117 million yen (up 37.7% year-over-year), and the net operating revenue after deducting financial expenses of 56 million yen from the total operating revenue was 8,061 million yen (up 37.6% year-over-year). The selling, general, and administrative expenses were 7,538 million yen (up 41.4% year-over-year), resulting in an operating profit excluding advertising expenses of 2,943 million yen (up 23.7% year-over-year), an operating profit of 523 million yen (down 1.2% year-over-year), an ordinary profit of 282 million yen (down 46.4% year-over-year) mainly due to non-operating expenses of 234 million yen in stock issuance expenses incurred as a result of the third-party allotment in March , 2024, and a quarterly net profit of 233 million yen (down 35.4% 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, 2024 were 50,187 million yen, increased by 17,950 million yen from the end of the previous fiscal year. This was caused by an increase in cash and deposits by 10,867 million yen mainly due to third-party allotment of shares allocated to MUFG Bank, and increase in deposits paid to the prime brokerage for foreign securities (ETF) purchase by 4,392 million yen.

(Liabilities)

Total liabilities as of September 30, 2024 were 21,599 million yen, increased by 1,520 million yen from the end of the previous fiscal year. This was mainly due to an increase in deposits received from customers by 1,542 million yen.

(Net assets)

Total net assets as of September 30, 2024 were 28,587 million yen, increased by 16,429 million yen. This was caused by an increase in share capital of 8,089 million yen and an increase in legal capital surplus of 8,089 million yen mainly due to third-party allotment of shares allocated to MUFG Bank.

(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, 2024, which was announced on August 9, 2024.

2. Quarterly financial statements and significant notes thereto

(1) Quarterly balance sheets

(Units: Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	16,387,398	27,254,656
Cash segregated as deposits	12,100,000	14,000,000
Cash segregated as deposits for customers	12,100,000	14,000,000
Trading products	314	396
Trade date accrual	-	257
Advances paid	8,436	61
Advance payments	5,100	170,295
Prepaid expenses	204,626	345,387
Accounts receivable - other	7,505	6,762
Accrued income	846,925	1,038,663
Deposits paid	1,756,730	6,149,104
Other current assets	657	610
Total current assets	31,317,694	48,966,196
Noncurrent assets		
Property, plant, and equipment		
Buildings	147,454	158,541
Equipment	113,910	204,327
Accumulated depreciation	(181,420)	(255,445)
Total property, plant, and equipment	79,944	107,422
Intangible assets		
Software	99,423	176,398
Software in progress	97,591	212,524
Trademark right	650	537
Total intangible assets	197,664	389,460
Investments and other assets		
Lease and guarantee deposits	451,792	451,815
Long-term prepaid expenses	50,814	133,077
Deferred tax assets	139,586	139,586
Total investments and other assets	642,193	724,478
Total noncurrent assets	919,802	1,221,362
Total assets	32,237,497	50,187,559

(Units: Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Trade date accrual	120	-
Deposits received	17,537,254	19,080,174
Accounts payable - other	792,712	752,866
Accrued expenses	151,499	168,612
Income taxes payable	97,698	98,233
Total current liabilities	18,579,285	20,099,887
Noncurrent liabilities		
Long-term loans payable	1,500,000	1,500,000
Total noncurrent liabilities	1,500,000	1,500,000
Total liabilities	20,079,285	21,599,887
Net assets		
Shareholders' equity		
Share capital	3,965,784	12,055,142
Capital surplus		
Legal capital surplus	8,980,550	17,069,907
Other capital surplus	45,690	62,624
Total capital surplus	9,026,240	17,132,532
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(833,702)	(599,866)
Total retained earnings	(833,702)	(599,866)
Treasury stock	(110)	(137)
Total shareholders' equity	12,158,212	28,587,672
Total net assets	12,158,212	28,587,672
Total liabilities and net assets	32,237,497	50,187,559

(2) Quarterly statement of income

(Units: Thousands of yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Operating revenue		
Fee received	5,822,658	8,033,449
Net trading income	42,855	31,434
Financial revenue	8,299	13,639
Other operating revenue	19,913	39,291
Total operating revenue	5,893,727	8,117,814
Financial expenses	34,045	56,253
Net operating revenue	5,859,682	8,061,560
Selling, general, and administrative expenses		
Trading-related expenses	2,909,490	3,821,999
Personnel expenses	1,378,657	2,043,072
Real estate expenses	288,578	480,912
Office expenses	393,603	546,097
Depreciation	63,548	115,303
Taxes and dues	75,159	140,186
Other	221,395	390,958
Total selling, general, and administrative expenses	5,330,432	7,538,530
Operating profit	529,250	523,030
Non-operating income	3,484	4,725
Non-operating expenses		
Stock issuance expenses	2,386	234,383
Amortization of restricted stock remuneration	2,945	10,805
Other	142	192
Total non-operating expenses	5,473	245,381
Ordinary profit	527,261	282,374
Extraordinary losses		
Non-recurring losses	* 95,062	-
Total extraordinary losses	95,062	-
Profit before income taxes	432,199	282,374
Income taxes	70,402	48,538
Total income taxes	70,402	48,538
Profit	361,796	233,836

(3) Notes to quarterly financial statements

(Notes on premise of going concern)

Not applicable.

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

The Company received a payment for a third-party allocation of new shares from MUFG Bank, Ltd. on March 4, 2024, resulting in an increase in share capital of 7,825,490 thousand yen and an increase in legal capital surplus of 7,825,490 thousand yen. Additionally, due to the exercise of new share subscription rights and the issuance of new shares, share capital increased by 209,463 and yen and legal capital surplus increased by 209,463 thousand yen, and due to the exercise of new share the issuance of new shares as restricted stock compensation, share capital increased by 54,404 thousand yen and legal capital surplus increased by 54,404 thousand yen and other capital surplus increased by 16,934 thousand yen.

As a result, at the end of the third quarter of the current fiscal year, share capital amounted to 12,055,142 thousand yen, and legal capital surplus amounted to 17,132,532 thousand yen.

(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.

(Notes on quarterly statement of income)

* Non-recurring losses

The Company recorded non-recurring losses associated with trading losses during the cumulative period of the previous third quarter. The excess buy orders were executed on July 5, 2023, which included the unexecuted buy orders placed on July 3, 2023, 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.

(Notes on quarterly statements of cash flows)

The Company has not prepared a quarterly consolidated cash flow statement for the third quarter cumulative period. Depreciation expenses for the third quarter cumulative period (including Depreciation expenses for Intangible fixed assets) are as follows.

(Units: Thousands of yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Depreciation	63,548	115,303

(Notes on segment information etc.)

(Segment information)

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

(Significant subsequent events)

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

At the Board of Directors meeting held on October 11, 2024, the Company resolved to issue new shares in the form of restricted shares (compensation), and it completed the payment for issuance on November 13, 2024.

1. Purpose of issuance

The Company's Board of Directors has resolved on October 11, 2024 to grant to 11 employees 5,539 common shares of the Company in exchange for in-kind contribution of monetary compensation claims totaling 6,253,531 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 13, 2024
(2) Class and number of shares to be issued	5,539 shares of the Company's common stock
(3) Issue price	1,129 yen per share
(4) Total issue price	6,253,531 yen
(5) Amount of capitalization	564.5 yen per share
(6) Total amount of capitalization	3,126,766 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	11 employees of the Company 5,539 shares
(10) Transfer restriction period for restricted stocks	1) from the Payment Date until the time immediately after May 9, 2025, for the 20% of the Allotted Shares 2) from the Payment Date until the time immediately after May 9, 2026, for the 30% of the Allotted Shares 3) from the Payment Date until the time immediately after May 9, 2027, for the 50% of the Allotted Shares