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Summary of Non-consolidated Financial Results for the Three Months Ended March 31, 2024 [Japanese GAAP]



May 15, 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 file quarterly Securities Report: May 15, 2024
 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, 2024 (from January 1, 2024 to March 31, 2024)

(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	%
Three months ended March 31, 2024	2,478	40.1	2,466	40.3	88	-	(142)	-	(120)	-
March 31, 2023	1,768	21.0	1,757	21.2	(28)	-	(28)	-	(25)	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2024	(2.29)	-
March 31, 2023	(0.52)	-

Note 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, 2024	45,493	27,945	61.4
December 31, 2023	32,237	12,158	37.7

(Reference) Equity: As of March 31, 2024 27,945 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	-				
Fiscal year ending December 31, 2024 (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, 2024 (from January 1, 2024 to December 31, 2024)

The Company does not disclose earnings forecast for the fiscal year ending December 31, 2024, as it is difficult to reasonably calculate. Please refer to “1. Overview of operating results and others (3) Explanation of non-consolidated financial results forecasts and other forward-looking statements” for details on page 3 of Attached Materials.

* 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

Note: Please refer to “2. Quarterly financial statements and significant notes thereto (3) Notes to quarterly financial statements (Adoption of specified accounting methods for the preparation of quarterly non-consolidated financial statements)” on page 7 of Attached Materials.

(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, 2024	58,954,744 shares
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As of December 31, 2023	49,490,339 shares
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(ii) Number of treasury shares at the end of the period

As of March 31, 2024	9,036 shares
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As of December 31, 2023	5,598 shares
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(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2024	52,502,067 shares
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Three months ended March 31, 2023	48,672,164 shares
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* 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

Please note that the Company does not disclose the earnings forecast for the fiscal year ending December 31, 2024, due to the difficulty in making reasonably accurate projections. Please refer to 1. Qualitative information regarding quarterly results (3) Explanation of non-consolidated financial results forecasts and other forward-looking statements for details on page 3 of Attached Materials.

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 global economy sustained steady growth despite a tightening cycle of the global monetary policy. In Japan, the domestic economy has been recovering gradually, supported by wage hikes, robust corporate earnings and an increase in demand from foreign visitors regardless of the headwind from the inflationary pressure and the BOJ's policy shift.

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. It has also engaged in advertising activities including TV promotions, 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. 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 consider starting wealth management. The Company unveiled a new YouTube channel with a message "Money Basics for Beginners" in March. The Company continues to provide various financial information in order to encourage financial literacy of working families so that they can be more confident in wealth management.

The Company has 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, the Company and MUFG Bank will strengthen their existing collaboration in the robo-advisor business including "Robo-NISA," and will additionally join hands in developing and providing the Money Advisory Platform, which will include services related to not only asset management but also others, such as life insurance, pensions, housing loans, and financial education. The Company and MUFG Bank are planning to enhance and upgrade our service lineup in a phased manner, with the launch of enhanced collaboration in robo-advisor services and start of development of the Money Advisory Platform by the end of 2024, followed by the latter's release in 2025.

As a result, as of March 31, 2024, there were 398 thousand users (increased from 363 thousand users a year ago) and assets under management totaled 1,146.1 billion yen (increased from 777.6 billion yen a year ago).

Consequently, for the three months ended March 31, 2024, the operating revenue was 2,478 million yen (up 40.1% year-over-year), and the net operating revenue after deducting financial expenses of 11 million yen from the total operating revenue was 2,466 million yen (up 40.3% year-over-year). The selling, general, and administrative expenses cost was 2,377 million yen (up 33.1% year-over-year), resulting in an operating profit excluding advertising expenses of 1,023 million yen (up 54.3% year-over-year), an operating profit of 88 million yen (a loss of 28 million yen in the same period of previous fiscal year; same hereinafter), an ordinary loss of 142 million yen (a loss of 28 million yen) mainly due to non-operating expenses of 233 million yen in stock issuance expenses incurred as a result of the third-party allotment, and a quarterly net loss of 120 million yen (a loss of 25 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, 2024 were 45,493 million yen, increased by 13,256 million from the end of the previous fiscal year. This was mainly due to the increase in cash and deposits by 13,459 million yen associated with third-party allotment of shares allocated to MUFG Bank.

(Liabilities)

Total liabilities as of March 31, 2024 were 17,548 million yen, decreased by 2,530 million yen from the end of the previous fiscal year. This was mainly due to the decrease in deposits received by 2,354 million yen associated with tax payments on securities transactions.

(Net assets)

Total net assets as of March 31, 2024 were 27,945 million yen, increased by 15,786 million yen. This was caused by an increase in share capital of 7,953 million yen and an increase in legal capital surplus of 7,953 million yen mainly due to third-party allotment of shares allocated to MUFG Bank.

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

The Company started to provide New "Robo-NISA," which is in full alignment with the new NISA program, in January 2024. The new NISA program enhanced a lifetime investment allowance to 18 million yen and extended the tax-exempt period from up to 20 years to permanent. The Company set lower fee level for New NISA accounts to promote New "Robo-NISA." The number of "Robo-NISA" users increased by 19,000, and the AuM of "Robo-NISA" accounts grew by 44.2 billion yen in the first quarter backed by the enhanced tax merit and the fee reduction. While "Robo-NISA" delivered solid growth in the first quarter, it is still difficult to reasonably foretell the increase in new users and AuM in the second quarter and beyond immediately following the launch of New NISA.

As described in "Announcement Regarding Capital and Business Alliance with MUFG Bank, Ltd., Issuance of New Shares through Third-Party Allotment, and Change in Major Shareholder and Other Affiliates" published on February 14, 2024, the Company has concluded a Capital and Business Alliance with MUFG Bank. It is expected that the Capital and Business Alliance will help the Company enhance its corporate value. However, the outcome from the co-promotion for "WealthNavi for MUFG Bank" needs to be monitored, and the expenses for the Money Advisory Platform development have yet to be finalized for this fiscal year.

Under such circumstances, the Company does not disclose earnings forecast for the fiscal year ending December 31, 2024, at this moment. The Company shall promptly announce when reasonable calculation is possible. Please note that the Company expects to announce the forecast with the 2Q earnings.

2. Quarterly financial statements and significant notes thereto

(1) Quarterly balance sheets

(Units: Thousands of yen)

	As of December 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	16,387,398	29,846,443
Cash segregated as deposits	12,100,000	10,500,000
Cash segregated as deposits for customers	12,100,000	10,500,000
Trading products	314	325
Trade date accrual	-	66
Advances paid	8,436	1,249
Advance payments	5,100	4,000
Prepaid expenses	204,626	198,059
Accounts receivable - other	7,505	5,417
Accrued income	846,925	956,425
Deposit paid	1,756,730	2,982,646
Other current assets	657	644
Total current assets	31,317,694	44,495,278
Noncurrent assets		
Property, plant, and equipment		
Buildings	147,454	147,741
Equipment	113,910	134,223
Accumulated depreciation	(181,420)	(202,352)
Total property, plant, and equipment	79,944	79,613
Intangible assets		
Software	99,423	179,402
Software in progress	97,591	25,532
Trademark right	650	612
Total intangible assets	197,664	205,548
Investments and other assets		
Lease and guarantee deposits	451,792	451,792
Long-term prepaid expenses	50,814	98,532
Deferred tax assets	139,586	162,803
Total investments and other assets	642,193	713,127
Total noncurrent assets	919,802	998,288
Total assets	32,237,497	45,493,567

(Units: Thousands of yen)

	As of December 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Trade date accrual	120	-
Deposits received	17,537,254	15,182,428
Accounts payable - other	792,712	666,584
Accrued expenses	151,499	167,345
Income taxes payable	97,698	32,049
Total current liabilities	18,579,285	16,048,408
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	17,548,408
Net assets		
Shareholders' equity		
Share capital	3,965,784	11,919,441
Capital surplus		
Legal capital surplus	8,980,550	16,934,206
Other capital surplus	45,690	45,690
Total capital surplus	9,026,240	16,979,897
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(833,702)	(954,045)
Total retained earnings	(833,702)	(954,045)
Treasury stock	(110)	(134)
Total shareholders' equity	12,158,212	27,945,158
Total net assets	12,158,212	27,945,158
Total liabilities and net assets	32,237,497	45,493,567

(2) Quarterly statement of income

(Units: Thousands of yen)

	For the three months ended March 31, 2023	For the three months ended March 31, 2024
Operating revenue		
Fee received	1,752,855	2,449,550
Net trading income	8,737	17,801
Financial revenue	1,591	5,662
Other operating revenue	5,625	5,400
Total operating revenue	1,768,809	2,478,414
Financial expenses	10,866	11,898
Net operating revenue	1,757,942	2,466,515
Selling, general, and administrative expenses		
Trading-related expenses	1,014,025	1,371,551
Personnel expenses	441,503	592,924
Real estate expenses	91,037	110,439
Office expenses	125,019	166,424
Depreciation	19,007	33,727
Taxes and dues	22,385	32,671
Other	73,493	69,859
Total selling, general, and administrative expenses	1,786,472	2,377,599
Operating profit or loss	(28,530)	88,915
Non-operating income	759	2,145
Non-operating expenses		
Stock issuance expenses	1,033	233,171
Loss on amortization of restricted stock compensation	-	500
Total non-operating expenses	1,033	233,671
Ordinary loss	(28,803)	(142,610)
Loss before income taxes	(28,803)	(142,610)
Total income taxes	(3,572)	(22,267)
Loss	(25,231)	(120,343)

(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 128,166 thousand yen and legal capital surplus increased by 128,166 thousand yen.

As a result, at the end of the first quarter of the current fiscal year, share capital amounted to 11,919,441 thousand yen, and legal capital surplus amounted to 16,979,897 thousand yen.

(Adoption of specified accounting methods for 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.

(Significant subsequent events)

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

At the Board of Directors meeting held on April 12, 2024, the Company resolved to issue new shares in the form of restricted shares (compensation) (hereinafter the "Issuance of New Shares"), and it completed the payment for issuance on May 10, 2024. The details are as follows:

1. Purpose of issuance, etc.

The Company's Board of Directors has resolved to introduce a restricted share compensation plan (the "Plan") at the Board of Directors' meeting held on February 25, 2021 and to revise the Plan at the meetings held on February 21, 2022 and February 20, 2024. Upon the resolutions, the Board of Directors has resolved on April 12, 2024 to grant 101,900 common shares of the Company (the "Allotted Shares") to 5 Directors (excluding Audit & Supervisory Committee members and including Outside Directors; the "Eligible Directors") and 67 employees (the "Eligible Employees"), considering the financial status of the Company and other various factors. The Eligible Directors are to be granted 30,922 common shares as remuneration without requiring payment of money or delivery of property contributed in-kind, and the Eligible Employees are to be granted 70,978 common shares in exchange for in-kind contribution of monetary compensation claims totaling 108,809,274 yen. The purpose of the Plan 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 Eligible Employees.

Please note that the followings were approved at the 9th General Meeting of Shareholders of the Company held on March 26, 2024.

(1) the total amount of monetary remuneration payable to grant restricted stocks to the Directors under the Plan shall not exceed 75 million yen per year (of which, the amount shall not exceed 15 million yen per year for Outside Directors) , (2) the method of issuing or disposing of the Company's common shares is either by paying monetary remuneration claims to the Eligible Directors, and having the Eligible Directors contributing such monetary remuneration claims as property contributed in-kind; or without requiring payment of money or delivery of property as remuneration, etc. to the Directors , (3) the transfer restriction period for restricted stocks shall be (I) 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; or (II) a period of approximately three years to approximately five years, which is determined by the Board of Directors (provided, however, that the number of restricted shares separately determined by the Board of Directors may be partially and

gradually lifted within such period) (hereinafter, the “Allotted Share I” for the shares with the transfer restriction period of (I) and the “Allotted Share II” for the shares with the transfer restriction period of (II)), and (4) (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.

2. Outline of the Issuance

(1) Allotment date / Payment date	May 10, 2024
(2) Class and number of shares issued	101,900 shares of the Company’s common stock
(3) Issue price	1,533 yen per share
(4) Total issue price	156,212,700 yen
(5) Amount of capitalization	766.5 yen per share
(6) Total amount of capitalization	78,106,350 yen
(7) Method of offering or allotment	Allotment of restricted stocks
(8) Method of contribution	(Eligible Directors) The method in which the Company issues as remuneration for the Directors without payment of cash or provision of contributed assets in kind. (Eligible Employees) In-kind contribution of monetary (compensation) receivables
(9) Allottees and number thereof; number of shares to be allotted	5 Directors of the Company 30,922 shares 67 employees of the Company 70,978 shares
(10) Transfer restriction period for restricted stocks	(Allotted Shares I) From May 10, 2024 (the “Allotment Date” or “Payment Date”) until the retirement or resignation (excluding cases where the Eligible Director is reappointed to or assumes either of those positions simultaneous with such resignation or retirement) of such Eligible Director from his or her position as either director, executive officer, or employee. (Allotted Shares II) 1) From May 10, 2024 (the “Allotment Date” or “Payment Date”) until the time immediately after April 1, 2025 for 20% of Allotted Shares II 2) From May 10, 2024 (the “Allotment Date” or “Payment Date”) until the date of the General Meeting of Shareholders in 2026 for 30% of Allotted Shares II 3) From May 10, 2024 (the “Allotment Date” or “Payment Date”) until the date of the General Meeting of Shareholders in 2027 for 50% of Allotted Shares
(11) Other	The Company has submitted an extraordinary report in accordance with the Financial Instruments and Exchange Act on the issuance of new shares.