

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2024 (Based on Japanese GAAP)

August 8, 2024

Company name: Euglena Co., Ltd.
Stock exchange listing: Tokyo
Stock code: 2931 URL <http://www.euglena.jp/>
Representative: Representative Director, President Mitsuru Izumo
Inquiries: Director, Co-CEO and CFiO Tomohiro Wakahara TEL 03(3454)4907
Scheduled date to file Semi-annual Securities Report: August 8, 2024
Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Adjusted EBITDA*		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2024	23,649	3.7	2,122	66.8	348	–	309	–	(267)	–
Six months ended June 30, 2023	22,805	5.7	1,272	(42.7)	(760)	–	(639)	–	(914)	–

* Because management has shifted its focus to cash flow management, the Company now presents adjusted EBITDA as a key performance indicator to show its capacity for generating free cash flows.

Note: Comprehensive income
Six months ended June 30, 2024 ¥(325) million [–%]
Six months ended June 30, 2023 ¥(884) million [–%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2024	(2.02)		–	
Six months ended June 30, 2023	(7.88)		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	70,283	31,328	44.5
As of December 31, 2023	59,619	20,214	33.9

Reference: Equity
As of June 30, 2024 ¥31,300 million
As of December 31, 2023 ¥20,213 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended December 31, 2023	–	0.00	–	0.00	0.00
Year ending December 31, 2024	–	0.00			
Year ending December 31, 2024 (Forecast)			–	0.00	0.00

Note: Revision to cash dividend forecasts most recently announced: No

3. Forecast of consolidated financial results for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Adjusted EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	48,000	3.3	3,800	71.0	–	–	–	–	–	–	–

Note: Revision to financial results forecast most recently announced: Yes

Reference: Adjusted EBITDA = EBITDA (Operating profit + Amortization of goodwill and Depreciation) + Subsidy income + Stock-related remuneration + Inventory step-up effect.

4. Notes

- (1) Significant changes in the scope of consolidation during the six months ended June 30, 2024: Yes
- (2) Application of special accounting methods for preparing interim consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	136,311,451 shares	As of December 31, 2023	117,150,662 shares
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Number of treasury shares at the end of the period

As of June 30, 2024	20,605 shares	As of December 31, 2023	20,605 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2024	132,269,043 shares	Six months ended June 30, 2023	116,048,534 shares
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* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

* Proper use of financial results forecast, and other special matters

The forward-looking statements, including the earnings forecasts, shown in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual results may differ substantially due to various factors.

Interim consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	15,791	19,091
Notes and accounts receivable - trade	3,817	4,152
Merchandise and finished goods	2,129	2,493
Work in process	430	422
Raw materials and supplies	1,124	1,448
Other	1,217	1,675
Allowance for doubtful accounts	(81)	(86)
Total current assets	24,431	29,196
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,319	7,947
Machinery, equipment and vehicles	3,446	3,988
Tools, furniture and fixtures	836	1,084
Land	2,062	2,231
Leased assets	101	119
Construction in progress	6	285
Accumulated depreciation	(7,266)	(8,974)
Total property, plant and equipment	5,506	6,680
Intangible assets		
Goodwill	11,639	17,620
Customer-related intangible assets	14,796	13,678
Other	1,328	1,378
Total intangible assets	27,764	32,677
Investments and other assets		
Investment securities	836	707
Guarantee deposits	350	486
Deferred tax assets	750	155
Other	127	554
Allowance for doubtful accounts	(148)	(175)
Total investments and other assets	1,917	1,729
Total non-current assets	35,187	41,087
Total assets	59,619	70,283

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,396	1,443
Short-term borrowings	3,293	4,402
Accounts payable - other	4,009	3,168
Contract liabilities	1,406	1,473
Lease liabilities	6	4
Income taxes payable	724	572
Provision for bonuses	386	180
Asset retirement obligations	195	171
Other	852	859
Total current liabilities	12,271	12,278
Non-current liabilities		
Bonds payable	–	1,000
Convertible-bond-type bonds with share acquisition rights	4,800	4,800
Long-term borrowings	16,971	16,687
Lease liabilities	1	8
Provision for retirement benefits for directors (and other officers)	4	4
Retirement benefit liability	412	414
Asset retirement obligations	74	181
Deferred tax liabilities	4,857	3,570
Other	10	10
Total non-current liabilities	27,133	26,676
Total liabilities	39,404	38,954
Net assets		
Shareholders' equity		
Share capital	15,867	16,305
Capital surplus	15,198	16,856
Retained earnings	(10,961)	(1,885)
Treasury shares	(34)	(34)
Total shareholders' equity	20,070	31,242
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	138	57
Deferred gains or losses on hedges	1	(0)
Foreign currency translation adjustment	1	0
Remeasurements of defined benefit plans	1	0
Total accumulated other comprehensive income	142	58
Share acquisition rights	1	1
Non-controlling interests	–	26
Total net assets	20,214	31,328
Total liabilities and net assets	59,619	70,283

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Net sales	22,805	23,649
Cost of sales	7,023	7,215
Gross profit	15,781	16,434
Selling, general and administrative expenses	16,541	16,085
Operating profit (loss)	(760)	348
Non-operating income		
Interest income	1	2
Foreign exchange gains	63	110
Subsidy income	303	48
Commission income	17	1
Surrender value of insurance policies	–	18
Share of profit of entities accounted for using equity method	–	28
Other	61	48
Total non-operating income	448	258
Non-operating expenses		
Interest expenses on bonds	0	2
Interest expenses	241	230
Share of loss of entities accounted for using equity method	8	–
Share issuance costs	37	2
Other	38	61
Total non-operating expenses	327	297
Ordinary profit (loss)	(639)	309
Extraordinary income		
Gain on reversal of share acquisition rights	1	0
Gain on sale of non-current assets	33	52
Gain on sale of investment securities	–	329
Gain on valuation of investment securities	–	15
Total extraordinary income	34	398
Extraordinary losses		
Loss on sale of non-current assets	7	–
Loss on valuation of investment securities	5	–
Loss on sale of shares of subsidiaries and associates	–	88
Impairment losses	–	1,094
Total extraordinary losses	13	1,183
Loss before income taxes	(618)	(476)
Income taxes - current	511	475
Income taxes - deferred	(217)	(716)
Total income taxes	294	(241)
Loss	(913)	(235)
Profit attributable to non-controlling interests	0	32
Loss attributable to owners of parent	(914)	(267)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Loss	(913)	(235)
Other comprehensive income		
Valuation difference on available-for-sale securities	2	(85)
Deferred gains or losses on hedges	(1)	(2)
Foreign currency translation adjustment	25	(6)
Remeasurements of defined benefit plans, net of tax	(1)	(1)
Share of other comprehensive income of entities accounted for using equity method	4	5
Total other comprehensive income	29	(90)
Comprehensive income	(884)	(325)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(884)	(352)
Comprehensive income attributable to non-controlling interests	0	26

Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities		
Loss before income taxes	(618)	(476)
Depreciation	1,255	1,012
Amortization of goodwill	423	604
Impairment losses	–	1,094
Share-based payment expenses	59	112
Loss (gain) on valuation of investment securities	5	(15)
Loss (gain) on sale of property, plant and equipment	(25)	(52)
Loss (gain) on sale of shares of subsidiaries and associates	–	88
Loss (gain) on sale of investment securities	–	(329)
Surrender value of insurance policies	–	(18)
Increase (decrease) in allowance for doubtful accounts	19	20
Increase (decrease) in provision for bonuses	(103)	(239)
Increase (decrease) in provision for retirement benefits and retirement benefits for directors (and other officers)	3	(5)
Interest and dividend income	(1)	(2)
Subsidy income	(303)	(48)
Gain on reversal of share acquisition rights	(1)	(0)
Interest expenses	242	233
Foreign exchange losses (gains)	0	0
Share issuance costs	37	–
Share of loss (profit) of entities accounted for using equity method	8	(28)
Decrease (increase) in trade receivables	577	(91)
Decrease (increase) in inventories	425	(128)
Increase (decrease) in trade payables	(321)	(175)
Increase (decrease) in accounts payable - other	(606)	(354)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	142	121
Other, net	(41)	(450)
Subtotal	1,178	871
Interest and dividends received	1	2
Interest paid	(242)	(232)
Subsidies received	291	48
Expenses associated with the termination of operation of the demonstration plant	–	(581)
Income taxes refund	138	461
Income taxes paid	(867)	(586)
Net cash provided by (used in) operating activities	500	(16)
Cash flows from investing activities		
Decrease (increase) in time deposits	(0)	(1)
Purchase of property, plant and equipment	(226)	(172)
Proceeds from sale of property, plant and equipment	104	52
Purchase of intangible assets	(163)	(181)
Purchase of investment securities	(25)	–
Proceeds from sale and redemption of investment securities	–	364
Proceeds from distributions from investment partnerships	–	56
Short-term loan advances	(5)	(13)
Proceeds from refund of guarantee deposits	5	5
Payments of guarantee deposits	(35)	(2)
Proceeds from cancellation of insurance funds	–	18
Payments for asset retirement obligations	(5)	(29)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	–	(505)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	47
Net cash provided by (used in) investing activities	(351)	(361)

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(183)	1,059
Proceeds from long-term borrowings	100	383
Repayments of long-term borrowings	(1,481)	(1,929)
Proceeds from issuance of bonds with share acquisition rights	4,800	–
Proceeds from issuance of bonds	–	1,000
Proceeds from issuance of share acquisition rights	1	–
Proceeds from issuance of shares	2,962	–
Purchase of treasury shares	(0)	–
Repayments of lease liabilities	(4)	(5)
Net cash provided by (used in) financing activities	6,195	507
Effect of exchange rate change on cash and cash equivalents	0	5
Net increase (decrease) in cash and cash equivalents	6,344	134
Cash and cash equivalents at beginning of period	9,814	15,651
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	–	3,129
Cash and cash equivalents at end of period	16,158	18,915