

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Consolidated Financial Results
for the Six Months Ended June 30, 2022
(Based on Japanese GAAP)**

August 10, 2022

Company name: Euglena Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 2931 URL <http://www.euglena.jp/>
 Representative: Representative Director, President Mitsuru Izumo
 Inquiries: Executive Officer, CFiO Tomohiro Wakahara TEL 03(3454)4907
 Scheduled date to file Quarterly Securities Report: August 10, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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, 2022 (from January 1, 2022 to June 30, 2022)

(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, 2022	21,584	179.0	2,220	929.1	(1,422)	–	(597)	–	(465)	–
Six months ended March 31, 2021	7,737	27.2	215	1.65	(511)	–	(130)	–	(196)	–

* 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 1: Comprehensive income Six months ended June 30, 2022 ¥(481) million [–%]
 Six months ended March 31, 2021 ¥(199) million [–%]

Note 2: Commencing the previous fiscal year, the Company has changed the last day of the accounting period from September 30 to December 31. Accordingly, the first six months of the fiscal year ended December 31, 2021 was the period from October 1, 2020 to March 31, 2021, and the percentage of year-on-year change indicates a comparison against that period.

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2022	(4.18)	–
Six months ended March 31, 2021	(2.10)	–

Note: The provisional accounting treatment associated with a business combination was finalized in the third quarter of the fiscal year ended December 31, 2021, and the figures for the six months ended March 31, 2021 are the figures after reflecting significant changes in the initial allocation of acquisition costs due to the finalization of the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	58,648	19,861	33.1
As of December 31, 2021	61,007	20,588	33.0

Reference: Equity As of June 30, 2022 ¥19,429 million
 As of December 31, 2021 ¥20,155 million

2. Cash dividends

	Annual dividends per share					
	1st quarter-end	2nd quarter-end	3rd quarter-end	4th quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2021	–	0.00	–	–	0.00	0.00
Year ending December 31, 2022	–	0.00				
Year ending December 31, 2022 (Forecast)			–	–	0.00	0.00

Note 1: Revision to cash dividend forecasts most recently announced: No

Note 2: As the fiscal year ended December 31, 2021 was a transitional period for the change in fiscal year that consisted of 15 months (from October 1, 2020 to December 31, 2021), the fourth quarter-end is indicated.

3. Forecast of consolidated financial results for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

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	44,000	–	2,100	–	–	–	–	–	–	–	–

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) Changes in significant subsidiaries during the six months ended June 30, 2022 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly 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: Yes
- 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, 2022	111,308,860 shares	As of December 31, 2021	111,161,886 shares
---------------------	--------------------	-------------------------	--------------------

Number of treasury shares at the end of the period

As of June 30, 2022	20,473 shares	As of December 31, 2021	20,431 shares
---------------------	---------------	-------------------------	---------------

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

Six months ended June 30, 2022	111,204,435 shares	Six months ended March 31, 2021	93,464,484 shares
--------------------------------	--------------------	---------------------------------	-------------------

* Quarterly financial results reports are exempt from quarterly 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.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	9,900	9,471
Notes and accounts receivable - trade	3,182	2,902
Securities	285	282
Merchandise and finished goods	4,572	3,669
Work in process	744	562
Raw materials and supplies	1,144	1,226
Other	673	1,373
Allowance for doubtful accounts	(64)	(52)
Total current assets	20,438	19,435
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,314	7,367
Machinery, equipment and vehicles	3,375	3,465
Tools, furniture and fixtures	1,396	1,354
Land	2,499	2,499
Leased assets	109	104
Construction in progress	5	5
Accumulated depreciation	(7,849)	(8,053)
Total property, plant and equipment	6,851	6,743
Intangible assets		
Goodwill	13,034	12,629
Customer-related assets	17,011	16,335
Other	1,858	1,726
Total intangible assets	31,903	30,691
Investments and other assets		
Investment securities	397	516
Guarantee deposits	317	321
Deferred tax assets	740	884
Other	395	94
Allowance for doubtful accounts	(37)	(38)
Total investments and other assets	1,813	1,778
Total non-current assets	40,569	39,213
Total assets	61,007	58,648

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,082	974
Short-term borrowings	2,287	2,495
Accounts payable - other	3,715	3,622
Contract liabilities	–	1,721
Lease obligations	8	8
Income taxes payable	486	817
Provision for bonuses	267	191
Provision for point card certificates	1,202	–
Provision for business restructuring	31	–
Other	1,552	1,164
Total current liabilities	10,634	10,995
Non-current liabilities		
Long-term borrowings	22,598	21,323
Lease obligations	14	12
Provision for retirement benefits for directors (and other officers)	52	17
Retirement benefit liability	390	407
Asset retirement obligations	427	429
Deferred tax liabilities	6,297	5,593
Other	4	8
Total non-current liabilities	29,784	27,792
Total liabilities	40,418	38,787
Net assets		
Shareholders' equity		
Share capital	13,888	13,949
Capital surplus	11,602	11,663
Retained earnings	(5,273)	(6,102)
Treasury shares	(34)	(34)
Total shareholders' equity	20,183	19,477
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2)	0
Deferred gains or losses on hedges	–	(0)
Foreign currency translation adjustment	(20)	(42)
Remeasurements of defined benefit plans	(5)	(5)
Total accumulated other comprehensive income	(27)	(47)
Share acquisition rights	427	427
Non-controlling interests	5	3
Total net assets	20,588	19,861
Total liabilities and net assets	61,007	58,648

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended March 31, 2021	Six months ended June 30, 2022
Net sales	7,737	21,584
Cost of sales	2,073	6,417
Gross profit	5,664	15,166
Selling, general and administrative expenses	6,175	16,589
Operating loss	(511)	(1,422)
Non-operating income		
Interest income	0	0
Foreign exchange gains	0	82
Subsidy income	325	688
Commission income	1	17
Surrender value of insurance policies	24	255
Share of profit of entities accounted for using equity method	–	35
Other	53	49
Total non-operating income	405	1,130
Non-operating expenses		
Interest expenses	14	275
Share of loss of entities accounted for using equity method	8	–
Share issuance costs	0	–
Other	0	29
Total non-operating expenses	24	305
Ordinary loss	(130)	(597)
Extraordinary income		
Gain on reversal of share acquisition rights	12	0
Gain on sale of non-current assets	0	3
Total extraordinary income	12	3
Extraordinary losses		
Loss on sale of non-current assets	0	0
Total extraordinary losses	0	0
Loss before income taxes	(117)	(595)
Income taxes - current	74	714
Income taxes - refund	–	(102)
Income taxes - deferred	1	(745)
Total income taxes	76	(133)
Loss	(194)	(462)
Profit attributable to non-controlling interests	1	3
Loss attributable to owners of parent	(196)	(465)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended March 31, 2021	Six months ended June 30, 2022
Loss	(194)	(462)
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	2
Deferred gains or losses on hedges	–	(0)
Foreign currency translation adjustment	(6)	(25)
Remeasurements of defined benefit plans, net of tax	–	(0)
Share of other comprehensive income of entities accounted for using equity method	1	4
Total other comprehensive income	(5)	(19)
Comprehensive income	(199)	(481)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(197)	(485)
Comprehensive income attributable to non-controlling interests	(1)	3

Consolidated statements of cash flows

(Millions of yen)

	Six months ended March 31, 2021	Six months ended June 30, 2022
Cash flows from operating activities		
Loss before income taxes	(117)	(595)
Depreciation	299	1,169
Amortization of goodwill	79	405
Share-based payment expenses	24	57
Loss (gain) on sale of property, plant and equipment	(0)	(2)
Increase (decrease) in allowance for doubtful accounts	8	(10)
Increase (decrease) in provision for bonuses	3	(75)
Increase (decrease) in provision for retirement benefits and retirement benefits for directors (and other officers)	(0)	(19)
Increase (decrease) in provision for business restructuring	–	(31)
Interest and dividend income	(0)	(0)
Subsidy income	(325)	(688)
Gain on reversal of share acquisition rights	(12)	(0)
Interest expenses	14	275
Foreign exchange losses (gains)	–	(3)
Share of loss (profit) of entities accounted for using equity method	8	(35)
Decrease (increase) in trade receivables	(15)	277
Decrease (increase) in inventories	(109)	1,010
Increase (decrease) in trade payables	98	(107)
Increase (decrease) in accounts payable - other	(36)	(45)
Decrease/increase in consumption taxes receivable/payable	13	183
Other, net	(2)	(401)
Subtotal	(67)	1,361
Interest and dividends received	0	0
Interest paid	(19)	(280)
Subsidies received	291	288
Income taxes refund	181	108
Income taxes paid	(23)	(418)
Net cash provided by (used in) operating activities	362	1,059
Cash flows from investing activities		
Decrease (increase) in time deposits	(2,800)	(120)
Purchase of property, plant and equipment	(52)	(203)
Proceeds from sale of property, plant and equipment	0	6
Purchase of intangible assets	(120)	(95)
Purchase of investment securities	(3,004)	(67)
Short-term loan advances	–	(48)
Proceeds from refund of guarantee deposits	68	4
Payments of guarantee deposits	(1)	(6)
Payments for asset retirement obligations	(30)	–
Other, net	3	–
Net cash provided by (used in) investing activities	(5,938)	(531)

(Millions of yen)

	Six months ended March 31, 2021	Six months ended June 30, 2022
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	2,800	232
Proceeds from long-term borrowings	610	–
Repayments of long-term borrowings	(286)	(1,308)
Repayments of lease obligations	(0)	(4)
Dividends paid to non-controlling interests	–	(5)
Net cash provided by (used in) financing activities	3,123	(1,085)
Effect of exchange rate change on cash and cash equivalents	3	8
Net increase (decrease) in cash and cash equivalents	(2,449)	(549)
Cash and cash equivalents at beginning of period	6,253	9,820
Increase in cash and cash equivalents resulting from share exchanges	378	–
Cash and cash equivalents at end of period	4,182	9,271