

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2022 (Based on Japanese GAAP)

February 13, 2023

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 of ordinary general meeting of shareholders: March 24, 2023
 Scheduled date to file Securities Report: March 27, 2023
 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 year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(1) Consolidated operating results

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	%
Year ended December 31, 2022	44,392	–	2,648	–	(3,455)	–	(2,489)	–	(2,672)	–
Year ended December 31, 2021	34,420	–	1,368	–	(6,565)	–	(6,354)	–	(5,038)	–

* 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. For the definition and calculation method of adjusted EBITDA, please refer to “3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023).”

Note 1: Comprehensive income Year ended December 31, 2022 ¥(2,681) million [–%]
 Year ended December 31, 2021 ¥(5,853) million [–%]

Note 2: The fiscal year ended December 31, 2021 was an irregular 15-month period due to the change in the fiscal year end. Consequently, year-on-year changes for the fiscal years ended December 31, 2021 and 2022 are not presented.

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2022	(23.83)	–	(13.7)	(4.2)	(7.8)
Year ended December 31, 2021	(49.07)	–	(34.1)	(16.5)	(19.1)

Reference: Share of profit (loss) of entities accounted for using equity method

Year ended December 31, 2022 ¥58 million
 Year ended December 31, 2021 ¥58 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2022	57,275	19,353	33.0	167.34
As of December 31, 2021	61,007	20,588	33.0	181.35

Reference: Equity As of December 31, 2022 ¥18,923 million
 As of December 31, 2021 ¥20,155 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2022	924	1,233	(2,993)	9,814
Year ended December 31, 2021	1,378	(10,338)	12,062	9,820

2. Cash dividends

	Annual dividends per share						Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	4th quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2021	–	0.00	–	–	0.00	0.00	–	–	–
Year ended December 31, 2022	–	0.00	–	–	0.00	0.00	–	–	–
Year ending December 31, 2023 (Forecast)	–	0.00	–	–	0.00	0.00		–	

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

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	45,000	1.4	1,800	(32.0)	–	–	–	–	–	–	–

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 year ended December 31, 2022

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

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

As of December 31, 2022	113,105,455 shares	As of December 31, 2021	111,161,886 shares
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Number of treasury shares at the end of the period

As of December 31, 2022	20,571 shares	As of December 31, 2021	20,431 shares
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Average number of shares during the period

Year ended December 31, 2022	112,127,164 shares	Year ended December 31, 2021	102,692,699 shares
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* Financial results reports are exempt from audit 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.

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	9,900	9,954
Notes and accounts receivable - trade	3,182	3,842
Securities	285	–
Merchandise and finished goods	4,572	2,811
Work in process	744	470
Raw materials and supplies	1,144	1,340
Other	673	1,337
Allowance for doubtful accounts	(64)	(62)
Total current assets	20,438	19,694
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,314	6,565
Machinery, equipment and vehicles	3,375	3,520
Tools, furniture and fixtures	1,396	898
Land	2,499	2,068
Leased assets	109	101
Construction in progress	5	7
Accumulated depreciation	(7,849)	(7,313)
Total property, plant and equipment	6,851	5,848
Intangible assets		
Goodwill	13,034	12,485
Customer-related assets	17,011	16,173
Other	1,858	1,363
Total intangible assets	31,903	30,022
Investments and other assets		
Investment securities	397	679
Guarantee deposits	317	329
Deferred tax assets	740	715
Other	395	108
Allowance for doubtful accounts	(37)	(123)
Total investments and other assets	1,813	1,710
Total non-current assets	40,569	37,581
Total assets	61,007	57,275

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,082	1,423
Short-term borrowings	2,287	2,708
Accounts payable - other	3,715	4,062
Contract liabilities	–	1,487
Lease liabilities	8	9
Income taxes payable	486	994
Provision for bonuses	267	229
Provision for point card certificates	1,202	–
Provision for business restructuring	31	–
Other	1,552	1,360
Total current liabilities	10,634	12,276
Non-current liabilities		
Long-term borrowings	22,598	19,496
Lease liabilities	14	7
Provision for retirement benefits for directors (and other officers)	52	4
Retirement benefit liability	390	370
Asset retirement obligations	427	429
Deferred tax liabilities	6,297	5,329
Other	4	7
Total non-current liabilities	29,784	25,645
Total liabilities	40,418	37,921
Net assets		
Shareholders' equity		
Share capital	13,888	13,985
Capital surplus	11,602	13,316
Retained earnings	(5,273)	(8,309)
Treasury shares	(34)	(34)
Total shareholders' equity	20,183	18,957
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2)	0
Foreign currency translation adjustment	(20)	(39)
Remeasurements of defined benefit plans	(5)	5
Total accumulated other comprehensive income	(27)	(34)
Share acquisition rights	427	427
Non-controlling interests	5	2
Total net assets	20,588	19,353
Total liabilities and net assets	61,007	57,275

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	34,420	44,392
Cost of sales	12,951	13,396
Gross profit	21,469	30,996
Selling, general and administrative expenses	28,034	34,452
Operating loss	(6,565)	(3,455)
Non-operating income		
Interest income	0	1
Subsidy income	334	788
Commission income	45	40
Gain on sale of investment securities	–	377
Foreign exchange gains	5	62
Share of profit of entities accounted for using equity method	58	58
Surrender value of insurance policies	143	255
Other	107	92
Total non-operating income	694	1,677
Non-operating expenses		
Interest expenses	306	544
Share issuance costs	160	0
Provision of allowance for doubtful accounts	–	78
Other	17	88
Total non-operating expenses	483	711
Ordinary loss	(6,354)	(2,489)
Extraordinary income		
Gain on reversal of share acquisition rights	12	0
Gain on sale of non-current assets	0	150
Gain on sale of shares of subsidiaries and associates	–	336
Gain on step acquisitions	174	–
Other	–	0
Total extraordinary income	186	487
Extraordinary losses		
Loss on sale of non-current assets	0	0
Impairment losses	54	357
Loss on change in equity	5	–
Loss on valuation of investment securities	42	47
Loss on extinguishment of tie-in shares	4	–
Provision for business restructuring	461	–
Total extraordinary losses	569	405
Loss before income taxes	(6,737)	(2,407)
Income taxes - current	492	1,424
Income taxes - refund	–	(102)
Income taxes - deferred	(1,392)	(1,049)
Total income taxes	(900)	272
Loss	(5,837)	(2,680)
Profit (loss) attributable to non-controlling interests	(798)	(8)
Loss attributable to owners of parent	(5,038)	(2,672)

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Loss	(5,837)	(2,680)
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	2
Foreign currency translation adjustment	(13)	(22)
Remeasurements of defined benefit plans, before tax	(5)	15
Share of other comprehensive income of entities accounted for using equity method	2	4
Total other comprehensive income	(16)	(0)
Comprehensive income	(5,853)	(2,681)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(5,056)	(2,678)
Comprehensive income attributable to non-controlling interests	(797)	(2)

Consolidated statements of changes in equity

Fiscal year ended December 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,323	2,229	(84)	(94)	9,373
Changes during period					
Issuance of new shares	6,564	6,564			13,129
Loss attributable to owners of parent			(5,038)		(5,038)
Increase by share exchanges		2,807			2,807
Disposal of treasury shares		(31)		60	29
Transfer of loss on disposal of treasury shares		31	(31)		–
Change in scope of consolidation			(117)		(117)
Net changes in items other than shareholders' equity					–
Total changes during period	6,564	9,372	(5,188)	60	10,809
Balance at end of period	13,888	11,602	(5,273)	(34)	20,183

	Valuation and translation adjustments				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments			
Balance at beginning of period	(1)	(8)	–	(10)	13	9	9,386
Changes during period							
Issuance of new shares							13,129
Loss attributable to owners of parent							(5,038)
Increase by share exchanges							2,807
Disposal of treasury shares							29
Transfer of loss on disposal of treasury shares							–
Change in scope of consolidation							(117)
Net changes in items other than shareholders' equity	(0)	(12)	(5)	(17)	414	(4)	392
Total changes during period	(0)	(12)	(5)	(17)	414	(4)	11,202
Balance at end of period	(2)	(20)	(5)	(27)	427	5	20,588

Fiscal year ended December 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,888	11,602	(5,273)	(34)	20,183
Cumulative effects of changes in accounting policies			(372)		(372)
Restated balance	13,888	11,602	(5,646)	(34)	19,810
Changes during period					
Issuance of new shares	96	96			193
Loss attributable to owners of parent			(2,672)		(2,672)
Increase by share exchanges		1,617			1,617
Purchase of treasury shares				(0)	(0)
Change in scope of consolidation			9		9
Net changes in items other than shareholders' equity					-
Total changes during period	96	1,713	(2,663)	(0)	(853)
Balance at end of period	13,985	13,316	(8,309)	(34)	18,957

	Valuation and translation adjustments				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments			
Balance at beginning of period	(2)	(20)	(5)	(27)	427	5	20,588
Cumulative effects of changes in accounting policies							(372)
Restated balance	(2)	(20)	(5)	(27)	427	5	20,216
Changes during period							
Issuance of new shares							193
Loss attributable to owners of parent							(2,672)
Increase by share exchanges							1,617
Purchase of treasury shares							(0)
Change in scope of consolidation							9
Net changes in items other than shareholders' equity	2	(19)	10	(6)	(0)	(2)	(9)
Total changes during period	2	(19)	10	(6)	(0)	(2)	(862)
Balance at end of period	0	(39)	5	(34)	427	2	19,353

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Loss before income taxes	(6,737)	(2,407)
Depreciation	1,670	2,345
Amortization of goodwill	521	830
Impairment losses	54	357
Share-based payment expenses	569	131
Loss (gain) on step acquisitions	(174)	–
Loss (gain) on valuation of investment securities	42	47
Loss (gain) on sale of securities	–	(714)
Loss (gain) on sale of property, plant and equipment	(0)	(149)
Increase (decrease) in allowance for doubtful accounts	9	85
Increase (decrease) in provision for bonuses	12	25
Increase (decrease) in provision for retirement benefits and retirement benefits for directors (and other officers)	(20)	(9)
Increase (decrease) in provision for business restructuring	31	(31)
Interest and dividend income	(0)	(1)
Subsidy income	(334)	(788)
Gain on reversal of share acquisition rights	(12)	(0)
Interest expenses	306	544
Share issuance costs	159	–
Foreign exchange losses (gains)	(0)	(2)
Loss (gain) on extinguishment of tie-in shares	4	–
Share of loss (profit) of entities accounted for using equity method	(58)	(58)
Loss (gain) on change in equity	5	–
Decrease (increase) in trade receivables	(209)	(546)
Decrease (increase) in inventories	4,913	1,855
Increase (decrease) in trade payables	(12)	251
Increase (decrease) in accounts payable - other	133	375
Decrease/increase in consumption taxes receivable/payable	(80)	80
Other, net	1,152	22
Subtotal	1,946	2,242
Interest and dividends received	4	1
Subsidies received	398	328
Interest paid	(308)	(549)
Income taxes paid	(865)	(1,207)
Income taxes refund	203	109
Net cash provided by (used in) operating activities	1,378	924

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from investing activities		
Decrease (increase) in time deposits	(80)	(60)
Purchase of property, plant and equipment	(198)	(329)
Proceeds from sale of property, plant and equipment	0	696
Purchase of intangible assets	(246)	(167)
Purchase of investment securities	(5)	(67)
Proceeds from sale and redemption of investment securities	–	462
Decrease (increase) in short-term loans receivable	–	(78)
Proceeds from collection of long-term loans receivable	–	130
Payments of guarantee deposits	(15)	(12)
Proceeds from refund of guarantee deposits	73	4
Payments for asset retirement obligations	(31)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(9,838)	–
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	654
Other, net	3	–
Net cash provided by (used in) investing activities	(10,338)	1,233
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	28	274
Proceeds from long-term borrowings	610	594
Repayments of long-term borrowings	(1,510)	(3,843)
Repayments of lease liabilities	(6)	(12)
Proceeds from issuance of shares	12,940	–
Dividends paid to non-controlling interests	–	(5)
Purchase of treasury shares	–	(0)
Net cash provided by (used in) financing activities	12,062	(2,993)
Effect of exchange rate change on cash and cash equivalents	4	3
Net increase (decrease) in cash and cash equivalents	3,106	(831)
Cash and cash equivalents at beginning of period	6,253	9,820
Increase in cash and cash equivalents resulting from share exchanges	455	825
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	4	–
Cash and cash equivalents at end of period	9,820	9,814