

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2023 (Based on Japanese GAAP)

February 14, 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: Co-CEO and CFiO Tomohiro Wakahara TEL 03(3454)4907
 Scheduled date of ordinary general meeting of shareholders: March 19, 2024
 Scheduled date to file Securities Report: March 21, 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 year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(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, 2023	46,482	4.7	2,222	(16.1)	(1,464)	–	(1,419)	–	(2,652)	–
Year ended December 31, 2022	44,392	–	2,648	–	(3,455)	–	(2,489)	–	(2,672)	–

* 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, 2024 (from January 1, 2024 to December 31, 2024).”

Note 1: Comprehensive income Year ended December 31, 2023 ¥(2,478) million [–%]
 Year ended December 31, 2022 ¥(2,681) million [–%]

	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, 2023	(22.76)	–	(13.6)	(2.4)	(3.2)
Year ended December 31, 2022	(23.83)	–	(13.7)	(4.2)	(7.8)

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

Year ended December 31, 2023 ¥3 million
 Year ended December 31, 2022 ¥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, 2023	59,619	20,214	33.9	172.57
As of December 31, 2022	57,275	19,353	33.0	167.34

Reference: Equity As of December 31, 2023 ¥20,213 million
 As of December 31, 2022 ¥18,923 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, 2023	658	(646)	5,828	15,651
Year ended December 31, 2022	924	1,233	(2,993)	9,814

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	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2022	–	0.00	–	0.00	0.00	–	–	–
Year ended December 31, 2023	–	0.00	–	0.00	0.00	–	–	–
Year ending December 31, 2024 (Forecast)	–	0.00	–	0.00	0.00		–	

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	52,500	12.9	3,600	62.0	–	–	–	–	–	–	–

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, 2023

(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: No

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, 2023	117,150,662 shares	As of December 31, 2022	113,105,455 shares
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Number of treasury shares at the end of the period

As of December 31, 2023	20,605 shares	As of December 31, 2022	20,571 shares
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Average number of shares during the period

Year ended December 31, 2023	116,571,500 shares	Year ended December 31, 2022	112,127,164 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, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	9,954	15,791
Notes and accounts receivable - trade	3,842	3,817
Merchandise and finished goods	2,811	2,129
Work in process	470	430
Raw materials and supplies	1,340	1,124
Other	1,337	1,217
Allowance for doubtful accounts	(62)	(81)
Total current assets	19,694	24,431
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,565	6,319
Machinery, equipment and vehicles	3,520	3,446
Tools, furniture and fixtures	898	836
Land	2,068	2,062
Leased assets	101	101
Construction in progress	7	6
Accumulated depreciation	(7,313)	(7,266)
Total property, plant and equipment	5,848	5,506
Intangible assets		
Goodwill	12,485	11,639
Customer-related intangible assets	16,173	14,796
Other	1,363	1,328
Total intangible assets	30,022	27,764
Investments and other assets		
Investment securities	679	836
Guarantee deposits	329	350
Deferred tax assets	715	750
Other	108	127
Allowance for doubtful accounts	(123)	(148)
Total investments and other assets	1,710	1,917
Total non-current assets	37,581	35,187
Total assets	57,275	59,619

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,423	1,396
Short-term borrowings	2,708	3,293
Accounts payable - other	4,062	4,009
Contract liabilities	1,487	1,406
Lease liabilities	9	6
Income taxes payable	994	724
Provision for bonuses	229	386
Asset retirement obligations	–	195
Other	1,360	852
Total current liabilities	12,276	12,271
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	–	4,800
Long-term borrowings	19,496	16,971
Lease liabilities	7	1
Provision for retirement benefits for directors (and other officers)	4	4
Retirement benefit liability	370	412
Asset retirement obligations	429	74
Deferred tax liabilities	5,329	4,857
Other	7	10
Total non-current liabilities	25,645	27,133
Total liabilities	37,921	39,404
Net assets		
Shareholders' equity		
Share capital	13,985	15,867
Capital surplus	13,316	15,198
Retained earnings	(8,309)	(10,961)
Treasury shares	(34)	(34)
Total shareholders' equity	18,957	20,070
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	138
Deferred gains or losses on hedges	–	1
Foreign currency translation adjustment	(39)	1
Remeasurements of defined benefit plans	5	1
Total accumulated other comprehensive income	(34)	142
Share acquisition rights	427	1
Non-controlling interests	2	–
Total net assets	19,353	20,214
Total liabilities and net assets	57,275	59,619

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

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	44,392	46,482
Cost of sales	13,396	14,707
Gross profit	30,996	31,774
Selling, general and administrative expenses	34,452	33,239
Operating loss	(3,455)	(1,464)
Non-operating income		
Interest income	1	2
Subsidy income	788	473
Commission income	40	27
Gain on sale of investment securities	377	–
Foreign exchange gains	62	41
Share of profit of entities accounted for using equity method	58	3
Surrender value of insurance policies	255	–
Other	92	130
Total non-operating income	1,677	680
Non-operating expenses		
Interest expenses on bonds	–	1
Interest expenses	544	476
Share issuance costs	0	37
Provision of allowance for doubtful accounts	78	–
Other	88	120
Total non-operating expenses	711	635
Ordinary loss	(2,489)	(1,419)
Extraordinary income		
Gain on reversal of share acquisition rights	0	1
Gain on sale of non-current assets	150	34
Gain on sale of shares of subsidiaries and associates	336	–
Other	0	–
Total extraordinary income	487	35
Extraordinary losses		
Loss on sale of non-current assets	0	2
Impairment losses	357	117
Loss on valuation of investment securities	47	17
Losses due to the termination of operation of the demonstration plant	–	581
Loss on liquidation of subsidiaries and associates	–	7
Total extraordinary losses	405	727
Loss before income taxes	(2,407)	(2,110)
Income taxes - current	1,424	1,055
Income taxes - refund	(102)	–
Income taxes - deferred	(1,049)	(509)
Total income taxes	272	546
Loss	(2,680)	(2,657)
Loss attributable to non-controlling interests	(8)	(4)
Loss attributable to owners of parent	(2,672)	(2,652)

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Loss	(2,680)	(2,657)
Other comprehensive income		
Valuation difference on available-for-sale securities	2	143
Deferred gains or losses on hedges	–	1
Foreign currency translation adjustment	(22)	36
Remeasurements of defined benefit plans, before tax	15	(7)
Share of other comprehensive income of entities accounted for using equity method	4	4
Total other comprehensive income	(0)	178
Comprehensive income	(2,681)	(2,478)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,678)	(2,475)
Comprehensive income attributable to non-controlling interests	(2)	(2)

Consolidated statements of changes in equity

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

Fiscal year ended December 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,985	13,316	(8,309)	(34)	18,957
Changes during period					
Issuance of new shares	1,882	1,882			3,765
Loss attributable to owners of parent			(2,652)		(2,652)
Increase by share exchanges					–
Purchase of treasury shares				(0)	(0)
Change in scope of consolidation					–
Net changes in items other than shareholders' equity					–
Total changes during period	1,882	1,882	(2,652)	(0)	1,112
Balance at end of period	15,867	15,198	(10,961)	(34)	20,070

	Valuation and translation adjustments					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments			
Balance at beginning of period	0	–	(39)	5	(34)	427	2	19,353
Changes during period								
Issuance of new shares								3,765
Loss attributable to owners of parent								(2,652)
Increase by share exchanges								–
Purchase of treasury shares								(0)
Change in scope of consolidation								–
Net changes in items other than shareholders' equity	137	1	41	(3)	177	(426)	(2)	(251)
Total changes during period	137	1	41	(3)	177	(426)	(2)	860
Balance at end of period	138	1	1	1	142	1	–	20,214

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Loss before income taxes	(2,407)	(2,110)
Depreciation	2,345	2,124
Amortization of goodwill	830	846
Impairment losses	357	117
Losses due to the termination of operation of the demonstration plant	–	581
Share-based payment expenses	131	257
Loss (gain) on valuation of investment securities	47	17
Loss (gain) on liquidation of subsidiaries and associates	–	7
Loss (gain) on sale of investment securities	(377)	–
Loss (gain) on sale of shares of subsidiaries and associates	(336)	–
Loss (gain) on sale of property, plant and equipment	(149)	(31)
Bad debt expenses	–	0
Increase (decrease) in allowance for doubtful accounts	85	61
Increase (decrease) in provision for retirement benefits and retirement benefits for directors (and other officers)	(9)	32
Increase (decrease) in provision for bonuses	–	154
Increase (decrease) in provision for business restructuring	(31)	–
Interest and dividend income	(1)	(2)
Subsidy income	(788)	(473)
Gain on reversal of share acquisition rights	(0)	(1)
Interest expenses	544	476
Interest expenses on bonds	–	1
Share issuance costs	–	37
Foreign exchange losses (gains)	(2)	3
Share of loss (profit) of entities accounted for using equity method	(58)	(3)
Decrease (increase) in trade receivables	(546)	(4)
Decrease (increase) in inventories	1,855	931
Increase (decrease) in trade payables	251	(27)
Increase (decrease) in accounts payable - other	375	(596)
Decrease/increase in consumption taxes receivable/payable	80	124
Other, net	47	(331)
Subtotal	2,242	2,193
Interest and dividends received	1	2
Subsidies received	328	392
Interest paid	(549)	(475)
Income taxes paid	(1,207)	(1,593)
Income taxes refund	109	138
Net cash provided by (used in) operating activities	924	658
Cash flows from investing activities		
Decrease (increase) in time deposits	(60)	0
Purchase of property, plant and equipment	(329)	(313)
Proceeds from sale of property, plant and equipment	696	114
Purchase of intangible assets	(167)	(380)
Purchase of investment securities	(67)	(0)
Purchase of shares of subsidiaries and associates	–	(24)
Proceeds from sale and redemption of investment securities	462	–
Proceeds from liquidation of associates	–	0
Decrease (increase) in short-term loans receivable	(78)	(15)
Proceeds from collection of long-term loans receivable	130	–
Payments of guarantee deposits	(12)	(41)
Proceeds from refund of guarantee deposits	4	19
Payments for asset retirement obligations	–	(5)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	654	–
Net cash provided by (used in) investing activities	1,233	(646)

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	274	99
Proceeds from long-term borrowings	594	563
Repayments of long-term borrowings	(3,843)	(2,589)
Repayments of lease liabilities	(12)	(9)
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	–	4,800
Proceeds from issuance of share acquisition rights	–	1
Proceeds from issuance of shares	–	2,962
Dividends paid to non-controlling interests	(5)	–
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(2,993)	5,828
Effect of exchange rate change on cash and cash equivalents	3	(2)
Net increase (decrease) in cash and cash equivalents	(831)	5,837
Cash and cash equivalents at beginning of period	9,820	9,814
Increase in cash and cash equivalents resulting from share exchanges	825	–
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	–	–
Cash and cash equivalents at end of period	9,814	15,651