Euglena Co., Ltd.

Explanation Session on Financial Results of FY2026 Q2

August 19, 2026

Event Summary

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[Number of Speakers]	2

Mitsuru Izumo	President and Founder
Tomohiro Wakahara	Director, Representative Executive Officer, Co-CEO and CFiO

Presentation

Nishida: Thank you very much for taking time out of your busy schedules to attend Euglena Co., Ltd.'s financial results briefing for Q2 of the fiscal year ending December 2026. I am Nishida from Euglena, and I will serve as moderator today. Thank you for joining us.

Today, President and Founder Mitsuru Izumo will present our Q2 financial results for the fiscal year ending December 2026, as well as our future growth strategy. We will then hold a question-and-answer session. For the Q&A session, those attending at the venue may raise their hands, while those attending online may submit questions in text using the Q&A function on the Zoom screen. We will announce the Q&A procedure again when the time comes.

Well, then, thank you for waiting so long. We will now begin the financial results briefing. Please start.

Izumo: Good morning, everyone. Thank you very much for taking the time out of your busy schedules to attend our Q2 earnings briefing today, despite the heatwave.

Here are today's highlights.

For the past six years, we had continued to post operating losses. Even after the three of us—myself, Wakahara, and Uemura—moved into the current management structure, we continued to be described for six years as "a company doing good things, but still in the red." Taking into account changes in the external environment, we felt that we had to change at this point and become a strong company that generates profit. With that determination, we have worked to transform our structure.

As a result, we achieved operating profitability for the first time in seven years. Two years ago, operating profit was JPY0.3 billion, and in the previous fiscal year it was JPY3.0 billion, meaning we increased it tenfold in one year. This was the result of our intense efforts to transform the organization in order to become a strong, profitable company.

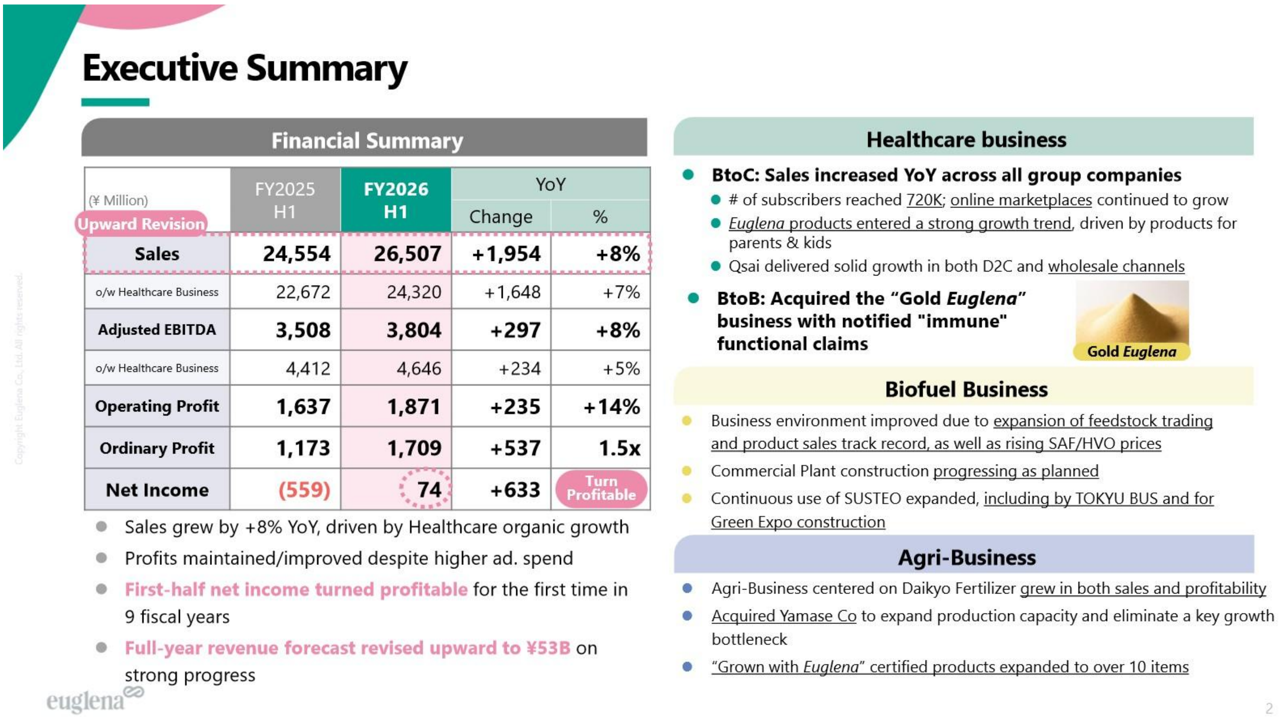
This fiscal year is the culmination of those efforts. Having posted net losses for eight consecutive years, we are now putting all our energy into becoming a lean, strong, and profitable company so that we can achieve net income at the bottom line for the first time in nine fiscal years. As the final stage of this transformation, we are working with all our strength to post net income for the first time in nine fiscal years.

For eight years, we were seen as “a company doing good things, but still in the red.” At investor briefings and media briefings, I felt that, because we were in the red, people were not looking at us, not watching us, and not paying enough attention to us. That is why, this year, I intend to seize every opportunity and communicate with all my energy that Euglena has changed and is now becoming a strong, profitable company.

Our earnings forecast for this fiscal year is sales of JPY53.0 billion and EBITDA of JPY7.0 billion. We are determined to achieve these targets and also return to profitability at the bottom line. I believe we have truly reached that stage.

At today’s earnings briefing for H1, we want the media and investors to recognize that we are not merely a good company running a deficit but rather a strong, profitable company, and we will definitely continue to evolve in that direction.

With that in mind, I have arranged this briefing today. To explain whether this is truly achievable, I would like to show you today how our healthcare business is steadily becoming a strong and profitable business.



YoY, sales showed 8% growth.

We recognize that the overall direct-to-consumer market is currently facing a challenging environment. The sales of comparable listed direct-to-consumer companies that we reviewed declined by an average of 1.1% year on year, which is a level not seen since 2020. In this environment, we increased sales by 8% year on year, while also increasing advertising and promotional expenses and maintaining an operating profit margin of approximately 15%. We believe that achieving sales growth while maintaining a high level of profitability within the industry is a major characteristic of our business.

Breaking down that 8% sales growth in more detail, we see that profit margins also rose, and advertising and promotional expenses increased from JPY5.1 billion to JPY5.9 billion in H1.

While most companies see their operating profit decline when they increase advertising and promotion to boost sales, in our company's case, operating profit rose from JPY1.6 billion to JPY1.9 billion.

Euglena has established a positive cycle that accelerates organic growth by increasing advertising and sales to drive operating profit growth. By effectively combining this with strong product appeal, product development capabilities, and marketing capabilities that ensure customers are fully aware of our high-quality products, we have now entered a virtuous cycle, or, in other words, a positive spiral. Since I really want you to understand this today, I will discuss the details shortly.

Next is the certainty of commercialization in the biofuel business. Today, including photographs shown for the first time, I would like to explain that construction of the commercial plant in Malaysia is progressing smoothly.

Although the terms biojet fuel and SAF have become much more widely known in Japan, there is still no established SAF business in the country. For that reason, we recognize that it remains difficult for many people to understand that this can truly become a business with JPY30.0 billion in top-line revenue and JPY6.0 billion in EBITDA.

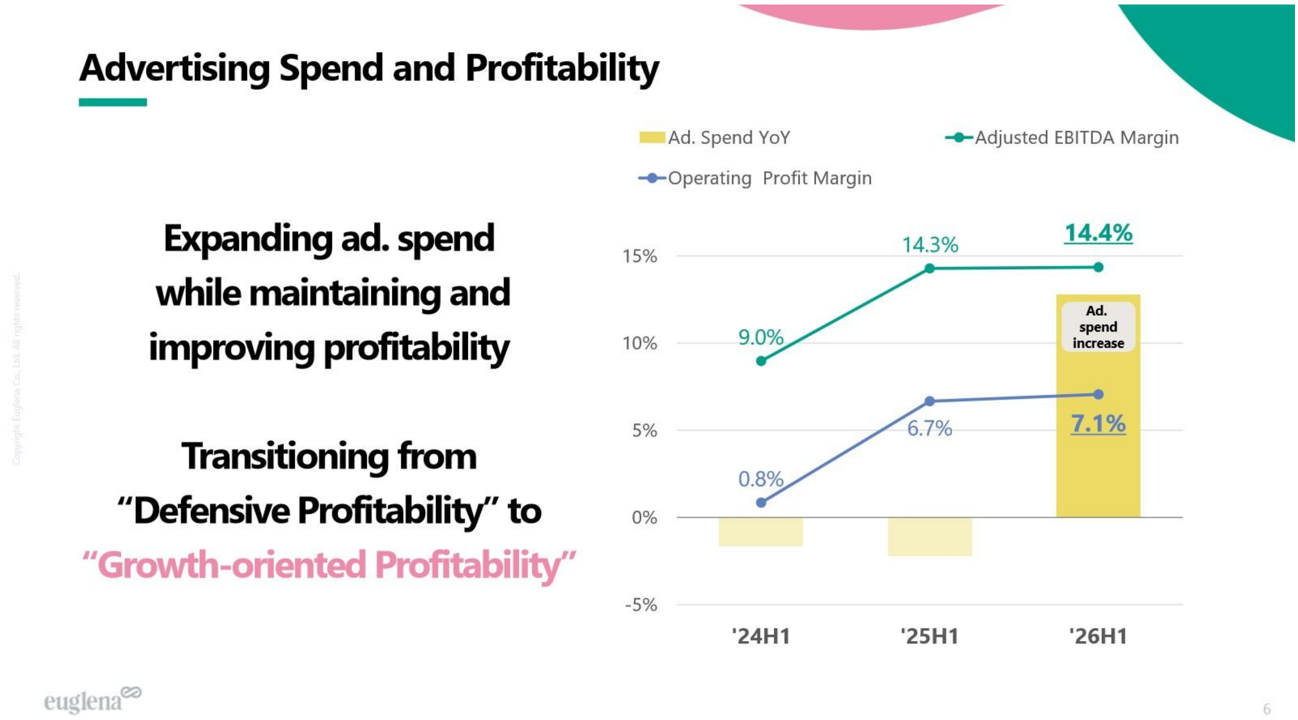
We believe this is probably because we have not explained it enough. Today, I would like to reiterate that SAF has already become a real business overseas, particularly in Europe, and that Japan has decided to introduce 1.71 million kiloliters of SAF by 2030, equivalent to 10% of its total aviation fuel consumption of 17.0 million kiloliters. I would also like to explain that the SAF we produce is a business with solid certainty, not a mere pipe dream.

Furthermore, today, I would like to take this opportunity to reiterate that the SAF we produce is a solid, reliable business, not just a pipe dream.

First, regarding organic growth, what I want to emphasize most is that we've shifted from a defensive approach to profitability to a proactive one. Put simply, achieving a surplus in the defense sector comes down to cost-cutting and restructuring.

Right now, our focus is not on cost reduction. The ability to develop products that delight customers and drive sales, as well as the communication and marketing skills needed to ensure customers recognize the high quality of our products, by improving these two areas, we've been able to develop products that customers will like and continue to use for a long time once they try them.

I'd like you to take a look at this slide to see that we are now entering a phase of proactive profitability and a proactive positive cycle, combined with marketing efforts to raise customer awareness of these excellent products.

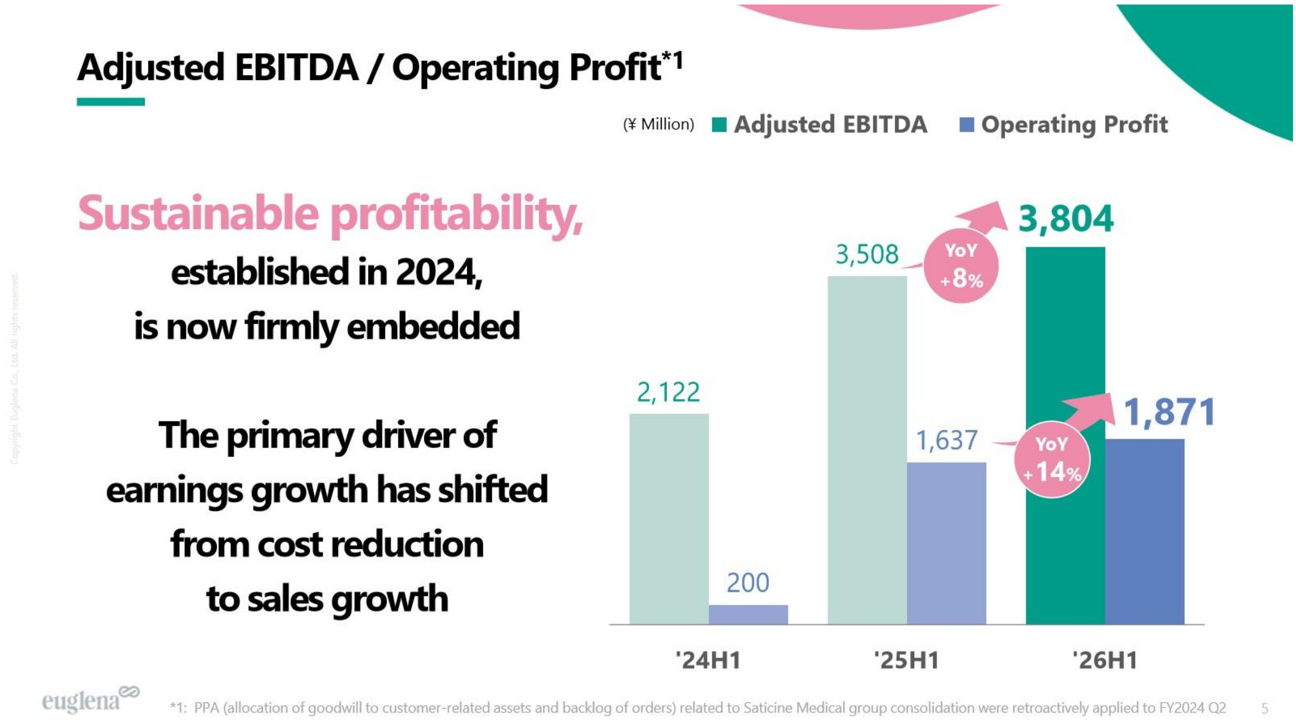


We grew operating profit from JPY0.3 billion in 2024 to JPY3 billion in 2025, and we will further push it up to JPY3.2 billion this fiscal year.

Looking at the figures by half-year, revenue for H1 of 2025 was JPY1.6 billion, and revenue for H1 of 2026 was projected to be JPY1.9 billion. This is the amount of operating profit. We see 14% growth in terms of revenue, compared to the same period last year.

Advertising and promotional expenses totaled JPY5.1 billion in H1 of the previous fiscal year and JPY5.9 billion in H1 of the current fiscal year.

However, since operating profit naturally increased in absolute terms from JPY1.6 billion to JPY1.9 billion, this is not a situation where advertising boosts sales but reduces operating profit. The Company has entered a positive cycle in which it is increasing advertising spending while boosting sales, maintaining its operating profit margin, and increasing the absolute amount of operating profit. This demonstrates that we have shifted to a proactive, profitable business model.



Operating profits for the full years of 2024, 2025, and 2026 are JPY0.3 billion, JPY3 billion, and JPY3.2 billion, respectively. We will definitely keep this story on track. Given that revenue for H1 of 2025 was JPY1.6 billion and revenue for H1 of this fiscal year was JPY1.9 billion, we are firmly on track.

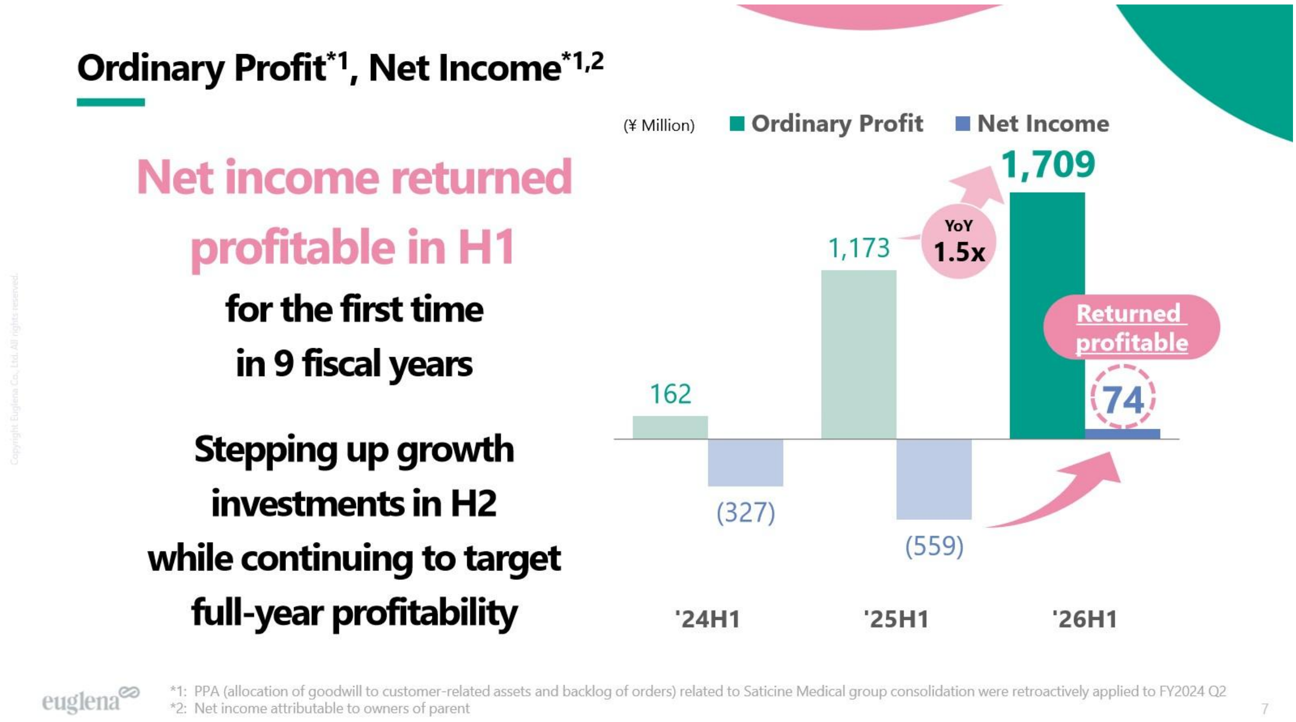
At present, we are gaining a stronger sense within the Company that developing good products and conducting appropriate marketing leads to sales growth. This environment is also a major source of encouragement for members on the front lines, creating a situation in which they can work with a positive mindset. If we simply annualize the progress made in H1, operating profit would be around JPY3.8 billion. However, we intend to allocate that buffer to further product development and marketing investments.

To drive further sales growth, we will allocate the buffer generated in H1 primarily to growth investments centered on advertising and promotion. We are increasingly confident that we are steadily shifting from profitability driven mainly by cost reductions to "proactive profitability," in which we grow the top line while also securing profits.

To further boost sales, we will invest the financial buffer generated in H1 of the fiscal year into advertising, thereby shifting our focus from cost reduction to increasing sales and top-line growth. We have reached a point where we have gained that level of confidence.

Revenue grew by 8%, EBITDA also grew by 8%, and in terms of the absolute amount of operating profit, it grew by 14%.

Therefore, the fact that the rate of improvement in operating profit is higher than that of sales indicates that advertising efficiency is increasing, and given that the Group has become quite proficient in controlling selling and logistics costs, excluding advertising expenses, as well as commission payments, these results are becoming firmly established.



I believe this will be the crucial key to the organizational restructuring needed to move beyond being a company that's doing good work but operating at a loss by the end of this year.

We posted a net income for H1 of the fiscal year for the first time in nine periods, with an ordinary income of JPY1.7 billion and a net income of JPY74 million. However, I believe we can achieve JPY7 billion in EBITDA.

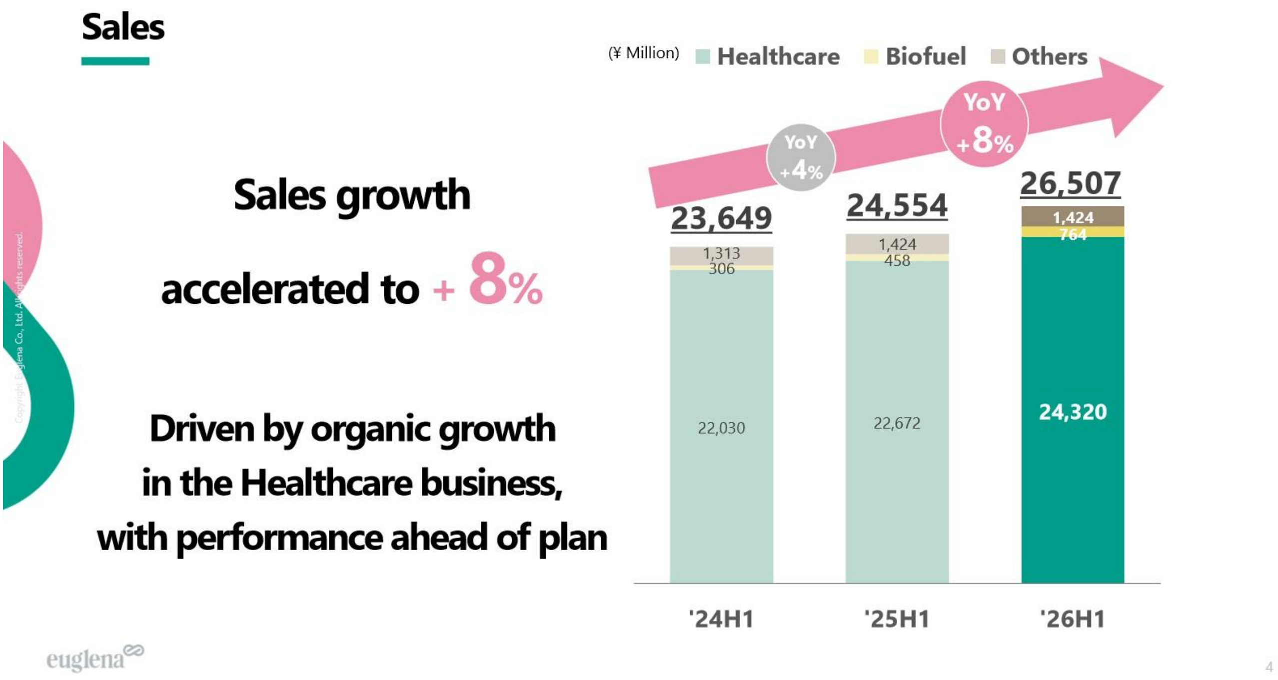
Since the Company is in the black on an operating profit basis, the only remaining items are goodwill and depreciation. So, while this isn't a cash expenditure—and it certainly helps with our image as well—we want to once again draw the attention of over 120,000 individual investors to Euglena, stock code: 2931.

To encourage shareholders to hold onto their shares rather than sell them, we feel it is essential that we achieve this net income for the first time in nine fiscal years, so we are absolutely committed to staying on track to achieve this. We will achieve top-line revenue of JPY53 billion and post a net profit for the current fiscal year.

Therefore, the key concept of a company with strong profitability is not about achieving profitability through a defensive strategy, such as cutting back on advertising and promotion, but rather through an aggressive strategy that involves growing sales while achieving a net income for the first time in nine fiscal years.

Therefore, rather than turning a profit through cost-cutting, we will absolutely achieve top-line revenue of JPY53 billion. So, with the top-line revenue of JPY53 billion, assuming 52 weeks, that comes out to JPY1 billion per week, JPY4.4 billion per month, JPY26.5 billion for the half-year, and JPY53 billion for the full year.

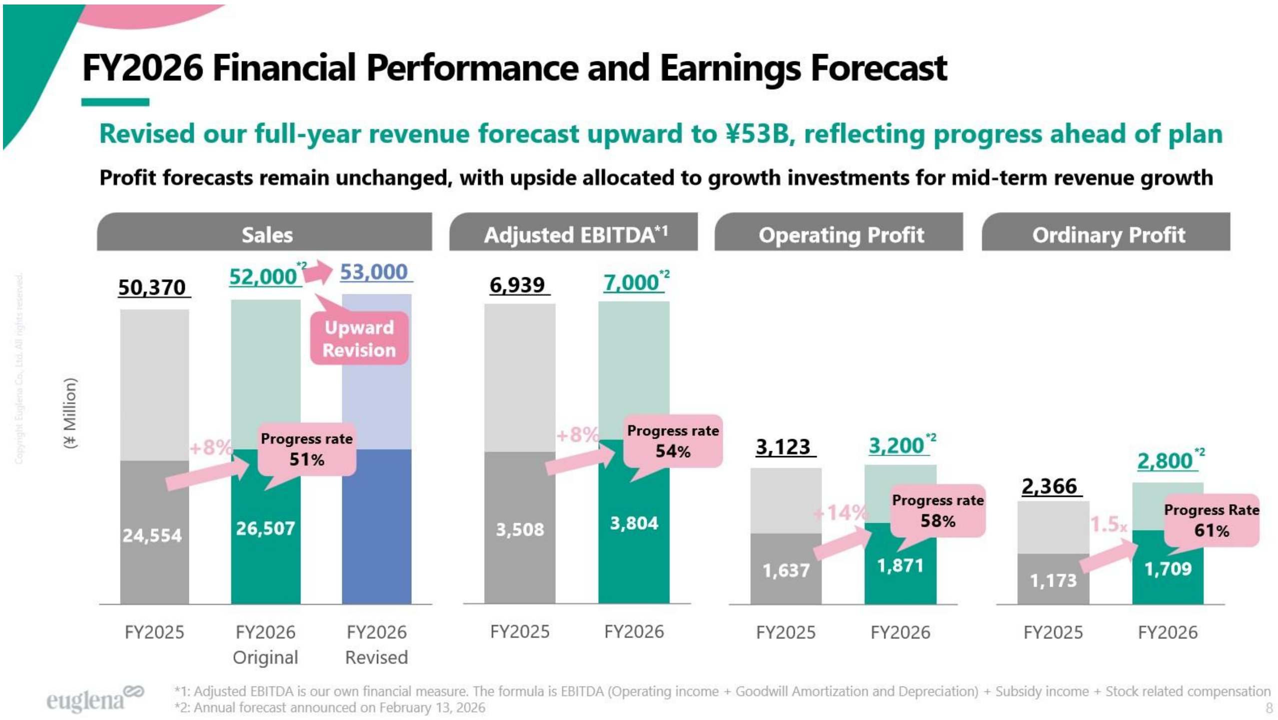
We will check every month, every week, and every day to ensure we are truly on track, and we will achieve a strong profit for the full fiscal year.



As for the reasons behind our strong YoY sales growth of 8%, I've prepared a slide on the section on healthcare, so I'll go over that later.

I think online retailers everywhere are having a pretty tough time right now. Sales for publicly traded e-commerce companies, when compared to last year, decreased by 1.1% in real terms, on average. It's been since 2020.

Our sales increased by 8%, and while we also increased our advertising and promotional expenses, our operating profit margin remained steady at 15%. We succeeded in increasing sales by 8% while maintaining the highest standards in the industry.



Against this backdrop, sales in the previous fiscal year were JPY50.0 billion and operating profit was JPY3.0 billion. This fiscal year, we aim to achieve top-line sales of JPY53.0 billion. The important point in this upward revision of our earnings forecast is to realize proactive profitability by growing sales while securing profits, thereby transforming into a strong, profitable company. Accordingly, we have revised our sales forecast upward from JPY52.0 billion to JPY53.0 billion.

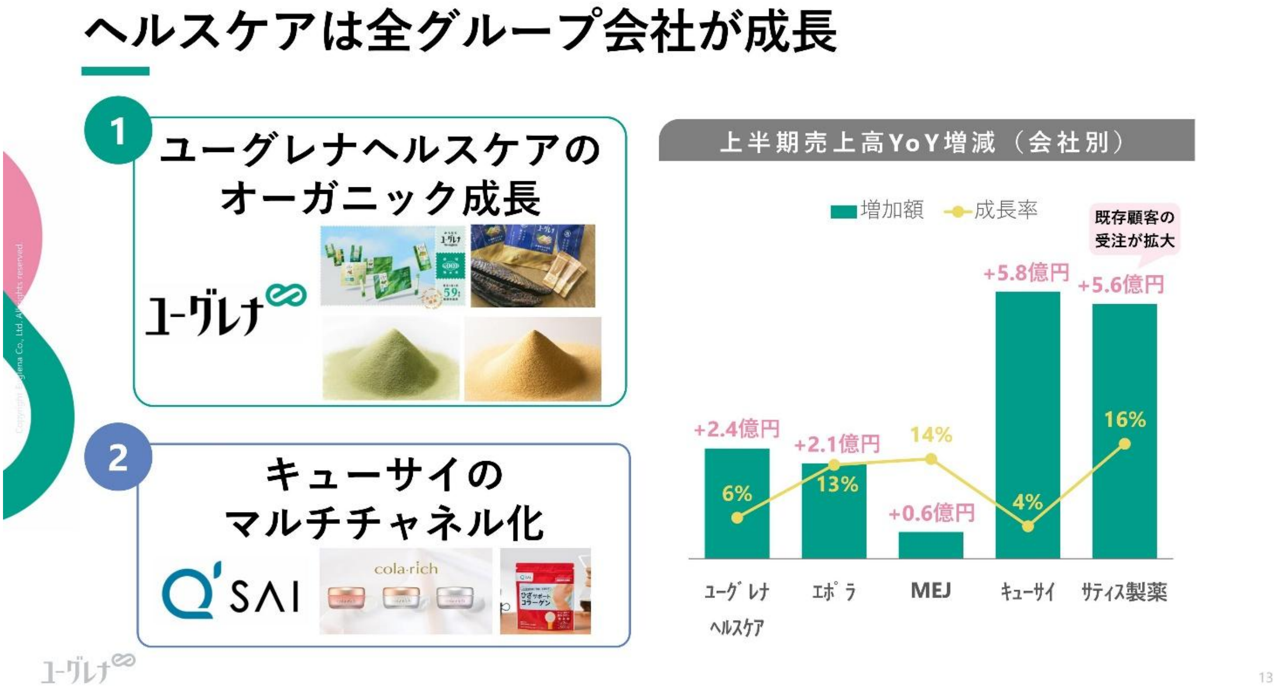
With top-line revenue reaching JPY53 billion, the Company is not only growing its sales, but also aggressively working toward profitability, making it a financially robust company.

The key to this upward revision of our earnings forecast is increasing sales to JPY53 billion and achieving a net income. We have revised our sales forecast upward from JPY52 billion to JPY53 billion.

Meanwhile, our profit forecasts remain unchanged. The most important point is to steadily achieve EBITDA of JPY7.0 billion and operating profit of JPY3.2 billion. On that basis, we will invest the upside portion in further product development and marketing to communicate product value effectively to customers, thereby pursuing both sales growth and profit retention.

However, the most important thing is to steadily achieve EBITDA of JPY7 billion and an operating profit of JPY3.2 billion.

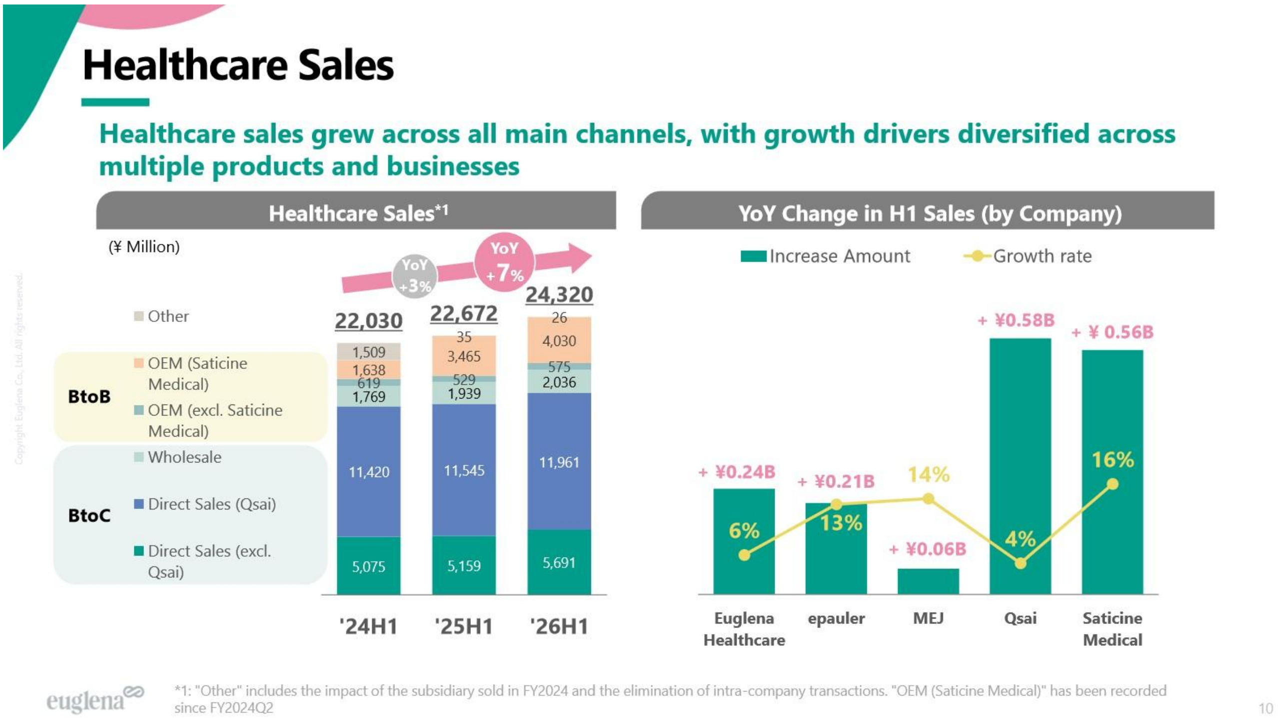
We will invest the excess revenue in developing high-quality products and in robust marketing efforts to raise customer awareness of those products, thereby achieving sales growth of 8% or close to that figure.



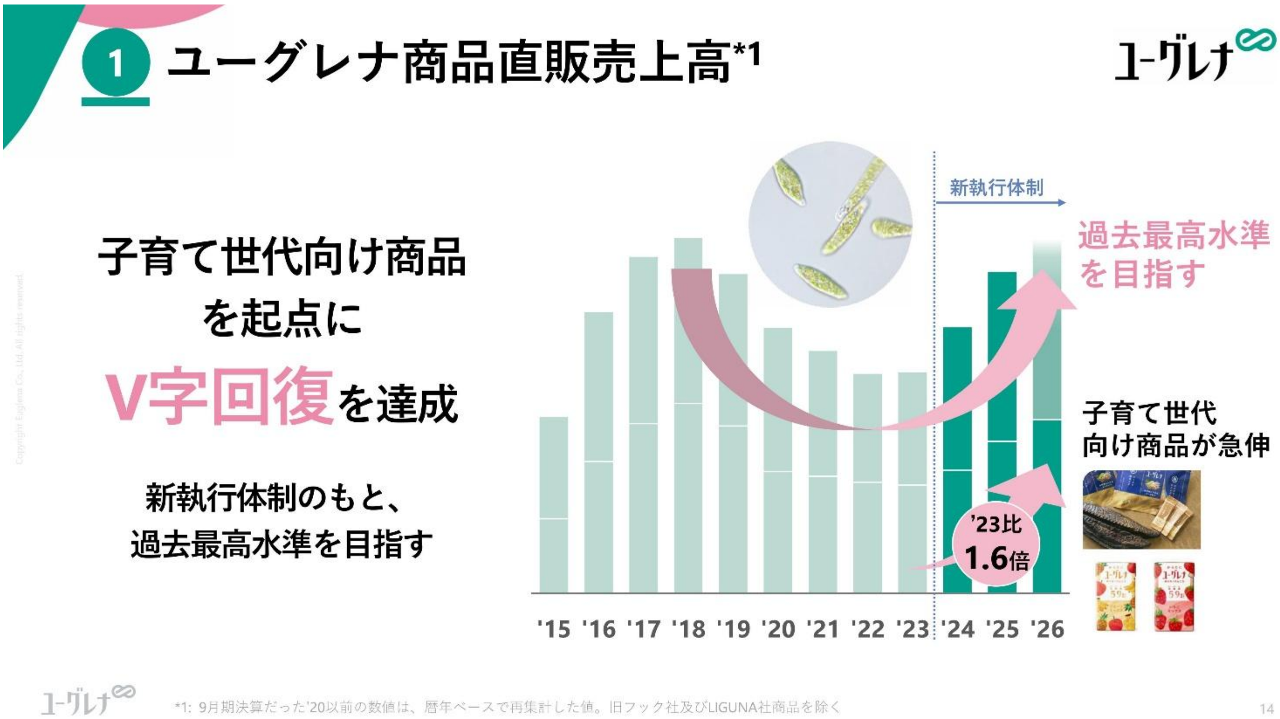
There are two key factors behind the 8% growth in sales in the healthcare business.

Sales are increasing across all companies in the Euglena Group. This isn’t a situation where sales have grown for just one company, for example, only at Qsai, or where sales have increased only for Euglena’s mail-order business, thereby offsetting declines elsewhere. Through company-wide knowledge sharing and the standardization of cost-cutting measures, communication within the Group has become much faster. In light of these factors, the fact that sales are growing across the entire group is the key to our 8% sales growth.

The second point is Qsai’s shift to a multi-channel strategy. Leveraging Qsai’s strong brand recognition, Knee Support Collagen is now distributed to 12,000 stores nationwide in Japan. Qsai, which has long focused on online sales, has leveraged its brand to begin distributing products to 12,000 stores in no time at all, and continues to grow by more than 10% YoY. As a result, Qsai's mail-order business, distribution, drugstore shipments, and multi-channel sales have all contributed significantly to sales growth.



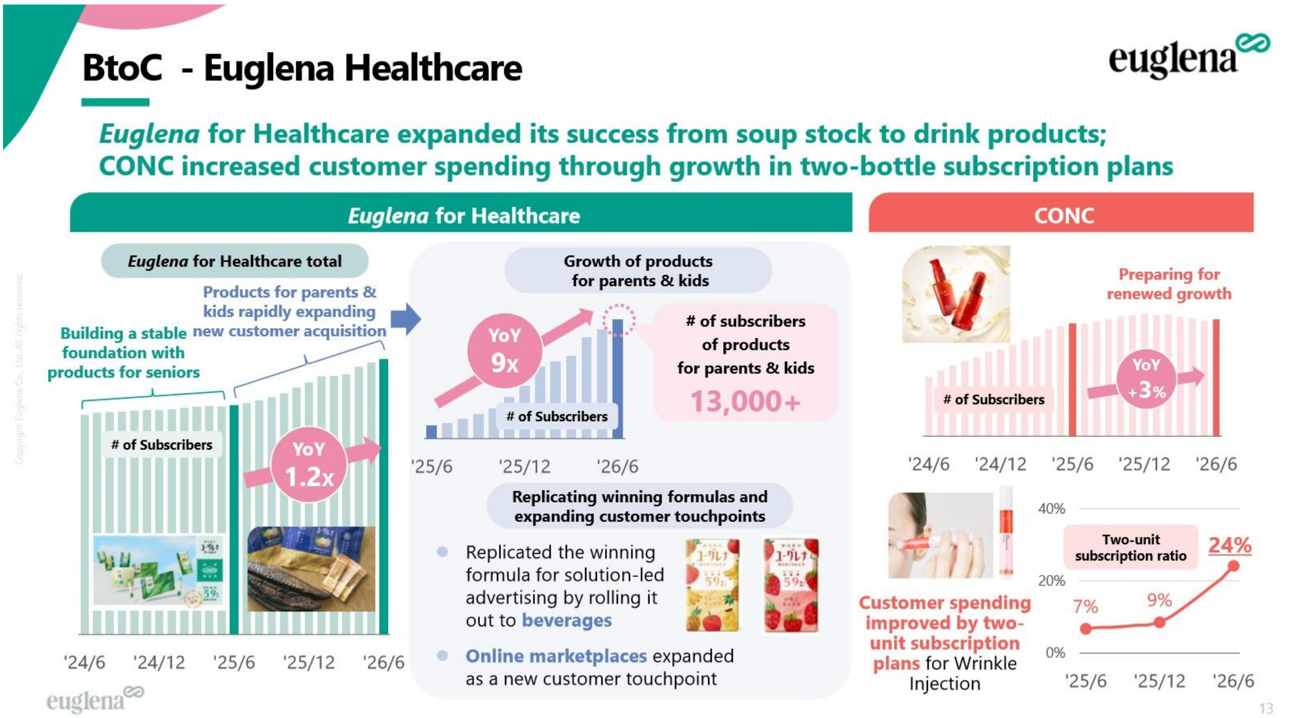
On the right-hand side, I have listed the increase in sales and growth rates for each company. Rather than a 1.1% decrease, the Company overall is growing, and the amount of the increase is as stated.



Sales of Euglena products, including direct sales of Euglena for the Body, reached a record high in 2018, which is the highest annual figure to date.

This trend is expected to continue in 2026, the current fiscal year.

Since we are now firmly on track to achieve record-high direct sales of Euglena products in 2026, we will steadily reach that record-high level under the new leadership of Mr. Wakahara and Ms. Uemura.



The growth driver is the development of products that are accepted by new customer segments and the evolution of marketing methods that appropriately deliver the value of those products. Historically, customers who regularly purchased Euglena for the Body were mainly seniors in their 60s and 70s, and they had used our products steadily through direct-to-consumer channels. In addition to this base, we have recently been making progress in approaching new customer segments.

This is the key to our success: We have consistently and reliably delivered our Euglena products via mail order to our established customer base, primarily seniors in their 60s and 70s.

Specifically, about one year ago, we began offering drinks that make it easy to take in nutrition and *Euglena*-containing dashi that delivers nutrition in a delicious form, targeting parents who value time efficiency. Both products have been accepted as new offerings that meet the needs of busy mothers and fathers in actual usage situations.

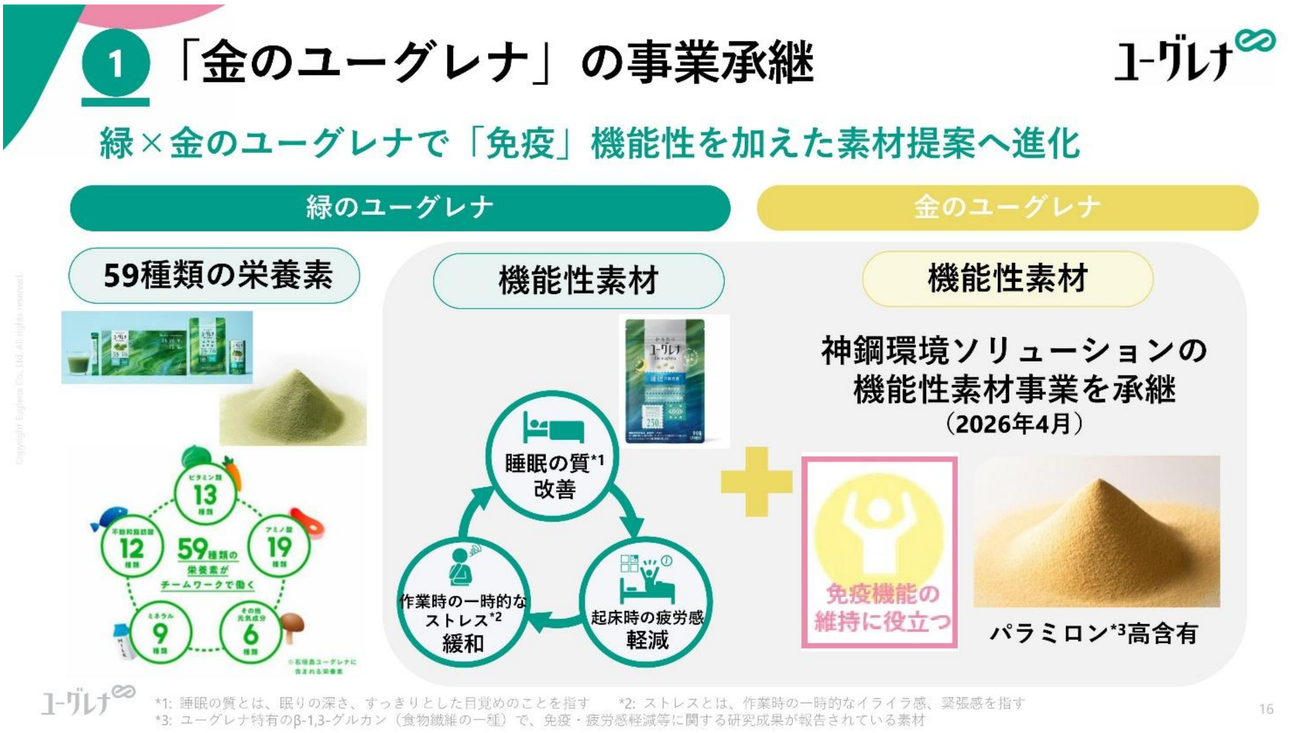
We've developed new products that really resonate with customers who appreciate and use our products in their daily lives. We will deliver these promising new products to parents of the time-efficient generation.

Since June 2025, we have also worked to use new marketing channels in order to deliver these new products, in which we have confidence, accurately to our target customers. Over the past year, we have accumulated knowledge in both product development and marketing, and we are building a structure that enables us to create good products and deliver them reliably to customers who need them.

Our menu focuses primarily on the broths and drinks I just mentioned, and the number of repeat customers who order only broths and drinks has increased ninefold over the past year. The number grew from about 1,500 to 13,000 in one year.

As a result, the number of regular purchasers of the target products, centered on dashi and drinks, expanded approximately ninefold over the past year, from about 1,500 to about 13,000. In addition, the total number of direct-to-consumer customers for *Euglena* for the Body, which had previously remained largely flat, has increased by approximately 20% since 2025.

In particular, the strong growth in purchasers of products for parenting households has contributed to the increase in the total number of regular purchasers. We believe that acquiring new customer segments is an important achievement for the future growth of direct sales of Euglena products.



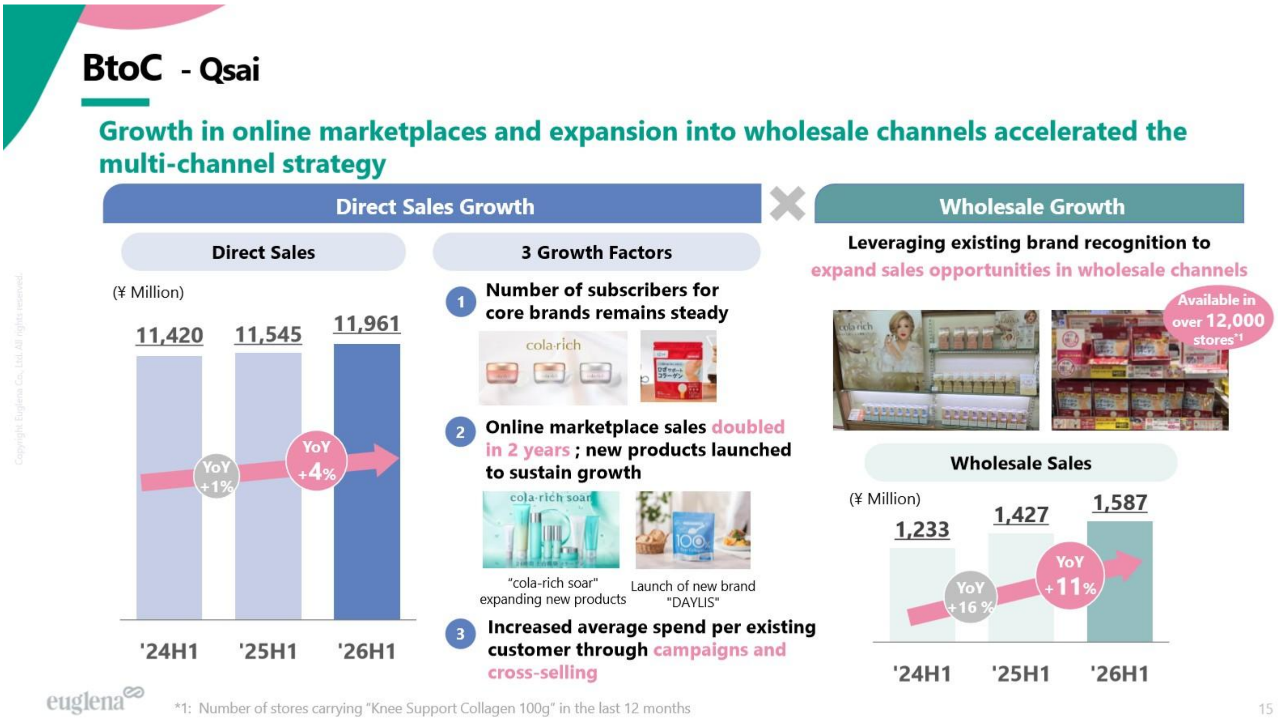
Next, I would like to explain the expansion of *Euglena* ingredients.

Until now, we have primarily focused on “green *Euglena*,” cultivated on Ishigaki Island, in our product development and customer offerings.

In April of this year, we succeeded to the functional materials business of Kobelco Eco-Solutions Co., Ltd., and the tank-cultivated “gold *Euglena*” business also joined our Group. Going forward, in addition to our conventional green *Euglena*, we will use gold Euglena to develop products that respond to customer needs.

Currently, green *Euglena* is positioned around functional claims related to improving sleep quality and relieving daytime stress.

Gold *Euglena*, on the other hand, enables claims related to immune function. Going forward, in areas that address customer needs such as immunity and fatigue relief, we will actively pursue product development and marketing using gold *Euglena*.



Another factor is the growth of Qsai’s direct sales.

Even when looking at Qsai on its own, it’s a large company, so in terms of revenue, it has the highest revenue. In terms of growth rate, we saw a 4% increase, driven solely by the direct sales division.

This is by no means flat or declining. Even on a stand-alone basis, Qsai’s revenue is already extremely substantial, and it has increased by 4% from JPY11.5 billion to JPY11.9 billion.

There are several factors contributing to growth.

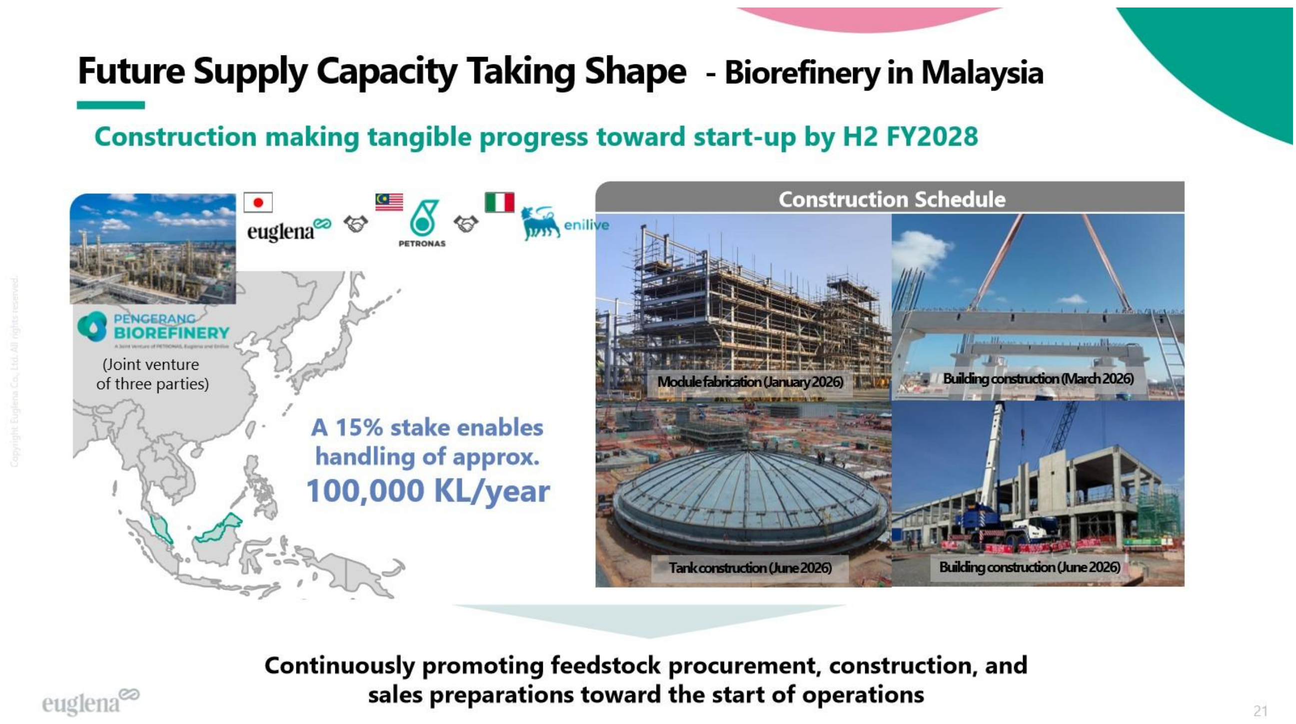
Sales through our multi-channel channels and e-commerce marketplaces are also growing steadily, and the average order value is increasing thanks to promotional campaigns and cross-selling.

Since sales are rising, the number of customers is increasing, and average revenue per customer is also rising.

The improvement in EBITDA and operating profit is accelerating.

Regarding our multi-channel strategy, we have now established a distribution system for our Knee Support Collagen product to 12,000 stores. Even if you conduct a fairly comprehensive advertising and marketing campaign, if you haven’t established a sufficient distribution network, you’ll miss out on opportunities when customers come to the store after seeing our ads, only to find that the product isn’t in stock. We understand that having firmly secured 12,000 distribution outlets, we have finally established a solid foundation from which to expand our promotional efforts and our sales network through store distribution.

Q'sai's wholesale channel sales increased 11% YoY. I believe this is a sector with promising prospects for both sales and profit margins going forward thanks to improvements in ad response rates.



Next, I will explain the biofuel business. Today, I would like to highlight two main points.

The first is that construction of the commercial plant in Malaysia is making steady progress. In these materials, we explain the local construction status using photographs also included in our H1 IR materials. We had arranged major components, including long-lead items, before construction began, and the project is progressing according to plan without being significantly affected by the current external environment.

We were virtually unaffected by the situation in the Strait of Hormuz, and we had already secured all long-lead items and components that take a long time to manufacture well before construction began.

With all those preparations in place, we’ve been working with the goal of managing progress effectively, even in the event of unforeseen circumstances, to ensure the project is completed on schedule. That matter is also proceeding smoothly at this time.

In the top-left corner, the modules are manufactured and transported to Pengerang, where the module components are assembled and rapidly built into a fully operational plant. We're using some extremely advanced construction methods. The production of that module and the integration of its components are currently proceeding smoothly at Pengerang.

As for the biofuel business, we are truly grateful that Tokyu Bus continues to use our SUSTEO51 in their daily operations.

People often question whether SAF and HVO can really be a viable business. While this business certainly doesn’t exist in Japan right now, it will definitely take off, and once it does, the demand it generates will be truly enormous. It will be on a whole different scale.

I’m still struggling to figure out how to discuss this. I haven't found an answer yet. So, I’d really like to ask the media in particular to spread the word.

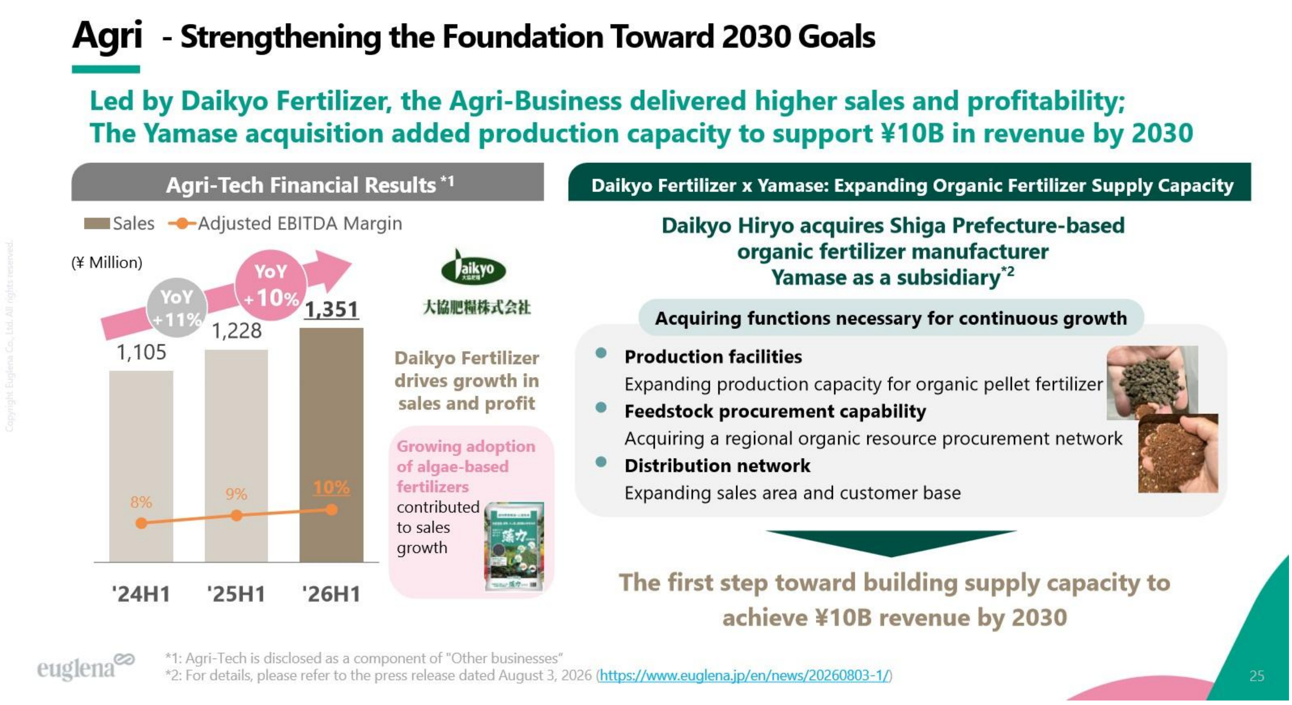
I think emissions trading is a good example of this. The Japanese emissions trading market and the European emissions trading market are completely different.

Japan’s emissions trading market currently operates on the JPX GX platform, with an annual trading volume of 600,000 metric tons of carbon, valued at approximately JPY1.8 billion. The amount of carbon and CO^2 traded in Europe is 1.2 billion metric tons. Transactions totaling 1.2 billion metric tons are now worth JPY140 trillion annually.

In Europe, there is the EU ETS market, a CO^2 trading market launched through national regulations, rather than by well-meaning volunteers, with a market size of JPY140 trillion. There is a great deal of active work being done on issues such as the need for SAF, perspectives on the SAF market, preparations, and investments.

Even when people in Japan talk about biotechnology, biofuel business, or carbon credits, given that JPX transactions currently total JPY1.8 billion, many wonder if such a market actually exists. However, by 2030, Japan will also need 10% SAF, or 1.71 million kiloliters. We believe there will inevitably be competition for supply. We intend to reliably deliver 100,000 kiloliters to our major corporate sponsors, with the Haneda Airport building etc. playing a central role in this effort.

Although this market does not yet exist, true to our nature as a start-up, we will be among the first to establish it and ensure a steady supply of SAF and HVO to the market by 2030. We want to ensure that the results of past investments and research and development in this field bring joy and satisfaction to consumers, Japan, and above all, our 120,000 investors and shareholders who have supported us for so long. I'm really excited to get started on this right now.



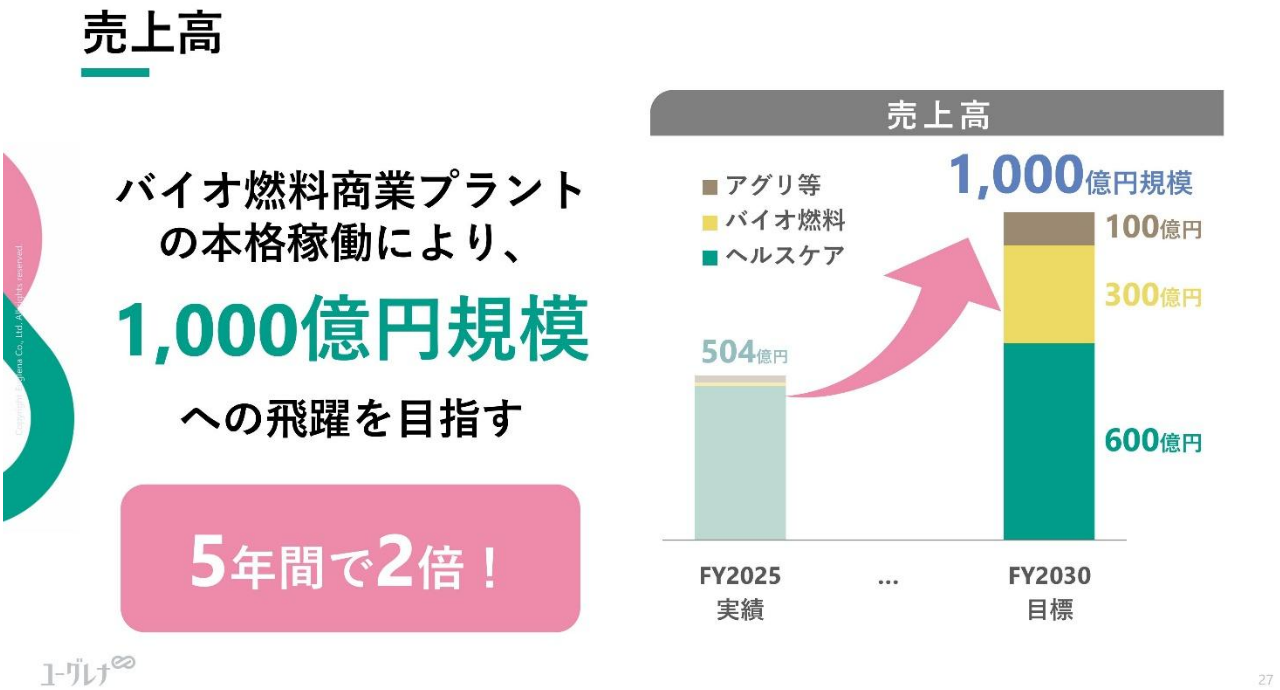
Finally, regarding our new ventures and business initiatives, specifically fertilizers, animal feed, and fuel development under the 5F initiative, we are working to expand the market by ensuring that the development of fertilizers and animal feed proceeds in parallel with securing sales channels for these products to utilize every last bit of our resources.

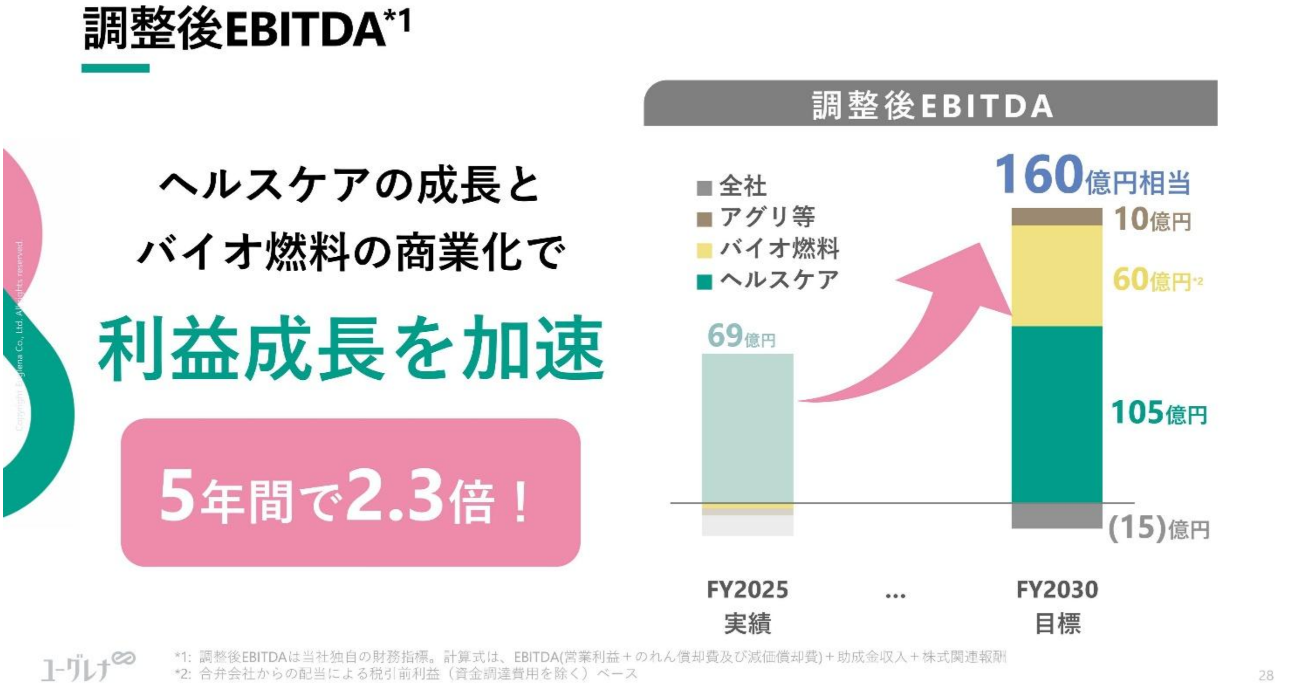
At the heart of this is Daikyo Fertilizer, whose fertilizers contain *Euglena*. That's where the algae power is, right in the middle here.

Sales of this algae-based product have been extremely strong, and the fertilizer division has also grown by 10% YoY.

It's not just about fertilizer. Pikamaru, a brand of rice grown using *Euglena*-based fertilizer, won the gold medal at last year's agricultural competition.

As the number of vegetables and agricultural products, as well as eggs, yellowtail, eel, and shrimp, that incorporate our *Euglena*-derived ingredients continues to rise, we will continue to strive to expand our engagement with customers.





We are no longer a company that does good work but operates at a loss.

This year, we will transform into a strong, profitable company, and by bringing a commercial biofuel plant online in 2030, we will add JPY30 billion in biofuel revenue and JPY6 billion in EBITDA.

Even in the healthcare business, achieving 8% growth every year is quite a challenge. In our healthcare business, we will steadily develop high-quality products, deliver them to customers who need them, steadily increase sales, maintain a proactive approach to profitability, and drive growth.

On top of that comes JPY30 billion for the biofuel business. By injecting an additional JPY10 billion into new initiatives, including fertilizers and feed derived from Euglena, other related businesses, and M&A, we will grow our total revenue to JPY100 billion.

As for EBITDA, we are currently working to develop the biofuel business, which is currently at JPY6.9 billion to JPY7 billion, into a highly profitable segment of the energy industry by 2030. So, the EBITDA margin is roughly 20%. Therefore, by adding JPY6 billion, the Group overall will be able to generate JPY16 billion in cash based on EBITDA.

As a company with such strong profitability, its profits are expected to nearly double by 2030.

Moving forward, starting from where we stand in 2026, we intend to continue driving our business forward toward 2030 while maintaining our strong profitability.

That is all from me.

Question & Answer

Nishida [M]: Well, then, I'd like to begin the question-and-answer session now.

Due to time constraints, we may not be able to answer all of your questions, so we ask for your understanding.

Now, is there anyone in the audience who would like to ask a question?

Onishi [Q]: This is Onishi from Toyo Keizai. It was great to see Mr. Izumo again after so long. It's reassuring to see that you're doing well.

Regarding the financial results for this fiscal year, profit for H1 totaled JPY1.9 billion, and the Company has a comfortable operating profit margin. You mentioned, "I'd like to use some surplus to drive revenue growth rather than just generate profit." That's all well and good, but even if the figure is raised to JPY53 billion, since it was JPY26.5 billion in H1, that means JPY26.5 billion in H2, so it's flat.

Generally speaking, when you consider seasonal demand and other factors, the fact that sales remained flat throughout both H1 and H2 of the fiscal year, even when viewed in light of past performance, leaves me with the impression that, despite this JPY53 billion figure representing robust growth, the results are still somewhat lacking. Are forecasts made on the conservative side, as usual?

Just a moment ago, you explained that various new initiatives paid off. Your organization gained a new generation of customers and parents, and you've established a system to support these new initiatives, such as [inaudible] and marketing. Given that, I feel that the JPY26.5 billion projected for H2 of this fiscal year might be insufficient when looking ahead to the next fiscal year. Could you please discuss the background and rationale behind this figure?

Izumo [A]: Mr. Onishi, thank you as always.

It's been really tough up until now. We had been running a deficit. No matter what I did, people kept telling me for two years, "You're in the red because you're doing good work." That's not true. We're actually a highly profitable company. This year, I've been attending every possible presentation opportunity, and it's been really tough because I have to get everyone to change their mind-set. However, I'm really enjoying doing this.

First, you mentioned seasonal demand. It's quite impressive that we've already reached JPY26.5 billion in H1. This shows things are going extremely well. Right now, it's absolutely difficult to control selling expenses, excluding advertising and promotion costs, so if we don't increase our sales promotion budget, our sales will drop because everyone ends up going for other products.

I'd like you to keep in mind that the basic scenario is that when you increase promotional expenses, profits decline, and sales remain flat. Right now, while maintaining sales growth in H2 of the fiscal year and aiming to post a net income for the first time in nine years, I've instructed the team that we can't just blindly spend money on sales promotions. We're trying to reach our goal by navigating an extremely narrow path.

We had an internal discussion about whether the sales figure of JPY53 billion might be viewed as conservative. So, what I'd like to emphasize here today is that we absolutely must reach the JPY53 billion target, not make excuses about things like population decline or inflation, and set sales targets that must be met at all costs. This may sound conservative, but since achieving this goal isn't exactly easy, it's a must-achieve target that we'll reach without resorting to any gimmicky sales promotions, and we're also aiming to go even higher than that.

One more thing, businesses dealing with agricultural products, such as fertilizers and animal feed, tend to be more active in H1. So, in H2, things will definitely, or rather, they'll dip a bit. In the mail-order segment, the agri-business division, which focuses primarily on Daikyo Fertilizer, recorded a significant portion of its sales in H1 of the fiscal year.

By growing our online sales segment in a more measured way rather than recklessly, we hope to steadily and reliably achieve our overall target of JPY53 billion.

Onishi [Q]: This is my second question. You mentioned that Qsai is experiencing steady growth, which I believe serves as the foundation for the entire group business, or rather, as the bedrock of the enterprise growth. I find it highly encouraging that, compared to the growth of other companies in the Euglena Group, including various subsidiaries and the parent company itself, Qsai's sales and profits have continued to grow.

That said, I believe the Euglena Group, excluding Qsai, will still post a loss this fiscal year, both for the current period and for the full year. When do you think this will turn a profit? I, for one, am paying very close attention to that aspect. Healthcare is your main growth driver for the foreseeable future.

As I mentioned earlier, I am somewhat concerned about the flat performance in H1 and H2, so unless I can be confident that sales will grow in H2 and continue to grow next fiscal year, it's still hard to deny that Euglena remains heavily reliant on Qsai. I know I'm being repetitive, but regarding Euglena, excluding Qsai, when do you expect them to achieve a positive bottom line, profitability, or even just an operating profit?

Izumo [A]: Thank you.

Since we're already profitable on an EBITDA basis, we aren't burning through cash, but it just doesn't work out, you know. It's challenging to get this across.

Instead of getting bogged down in all that talk about EBITDA and goodwill, I want to be able to say, just like Mr. Onishi did, "We're in the black!" plain and simple. To be honest, until the energy division gets its business off the ground, it's going to be a bit of a challenge given our company's structure.

That said, with Qsai's profits serving as a driving force, we've been able to develop various new products and open up new sales channels. The fact that the number of customers for Euglena's stand-alone products increased by 1.2 times YoY is something I believe is virtually unheard of anywhere else. Since Qsai, which relies primarily on direct-to-consumer sales, saw 4% YoY growth, and Euglena's direct-to-consumer customer base alone grew by 20%, this is something Euglena simply couldn't have achieved on its own.

Through collaboration with Qsai, the coordination of initiatives, the sharing of know-how, and the use of Qsai's profits for upfront product development and marketing initiatives, Euglena-related products, including *Euglena* for the Body, have grown by 20%. We will continue this cycle and further expand our positive EBITDA position.

As for the P&L's operating profit, recurring profit, and net income, we will, of course, address every area where improvements can be made, and ultimately, we hope to launch the energy business and bring it to a state of full operation.

Nishida [M]: Next up, Ms. Uruma. Thank you for your attention.

Participant [Q]: This is Uruma from The Nikkei. There are two main categories of questions.

First, I apologize for asking such a basic question, but I'd like to confirm whether you're still using the same Euglena as before. The Euglena drink was a smash hit, as you just mentioned in the sales figures. Also, since the success of this magnitude is, in the history of Euglena, quite a distinctive and massive success, could you tell me why you think it sold so well?

Izumo [A]: Thank you.

The flavor varies considerably depending on the drink and the broth. It's not just tasty. It is absolutely delicious. It turned out surprisingly delicious.

So, not only are the products different, but another factor is that, well, let's call it the delivery. The marketing targets are completely different. I wouldn't say it's been 100% so far. We usually run ads in the newspaper to drive people to call us to get more information, but it's completely different. This is for busy parents who don't have time to read the newspaper, so they get their news from social media.

This is our first time leveraging the power of social media. We were unsure how we could effectively convey just how delicious our products are, and we filmed all kinds of videos. While we were shooting, we served some rice balls using the flavor of broth. Children loved how delicious the dish was. Parents who watch those videos all say, "We really want to try that at home," and end up purchasing our products.

I wanted to convey that the taste was different. For those who are most focused on time efficiency, I think the fact that we took on a marketing channel unlike any we've tried before and discovered a positive, successful cycle is overwhelmingly significant.

Participant [Q]: Is the *Euglena* you're using the same as before?

Izumo [A]: Yes.

Participant [Q]: Regarding those broths and drinks, did you specifically target busy parents from the very beginning when you developed this product, and did that strategy actually work out as planned?

Izumo [A]: That's right. During the product development phase, we were told by time-conscious mothers that the food color shouldn't be green. If the food is green, kids will call it a green bug and won't eat it. I realized at that point, "Ah, I see. It doesn't have to be green anymore."

It's not actually green, but it's packed with *Euglena* and tastes really good. Kids gobble up the 59 different nutrients in *Euglena* in no time, saying how delicious it is. It's not like, "It has *Euglena* in it, so it's good for you. You should eat it." A video has gone viral showing busy parents making rice balls wrapped in delicious dashi broth and serving them to their kids, who easily obtain 59 different nutrients from *Euglena*, which makes the parents happy, too.

People who see it will buy it. So, using the approach we discovered with our dashi products designed for time-conscious parents, we applied it to beverage marketing through a completely new channel. Since we were able to replicate that success again, we confirmed the repeatability of the approach.

Participant [Q]: So, you're saying that changing the taste and appearance quite a bit made a big difference, right?

Izumo [A]: It was quite impactful. I said to myself, "Oh, this is it." This was an idea that would never have emerged from our usual product-driven approach. We were initially unsure about it, but once we began working on it last June, it delivered results almost immediately.

Participant [Q]: Got it.

Another question is that the Company looks set to return to a net profit this fiscal year for the first time in nine fiscal years. There are some repetitions here, but what are some reasons you will be able to return to a net profit for the first time in nine fiscal years? What do you consider to be the biggest challenge, and what is your reasoning for believing you can overcome it?

On the other hand, given that the Company has posted consecutive net losses for the past eight years, could you tell us if you have any reflections on what has been lacking during that time?

Izumo [A]: To be honest, I really didn't expect the Nikkei Average and the stock market to change this much in just two years. I, for one, had become a bit complacent about the fact that we were a company doing good work but operating at a loss.

Since the market is changing so much, the three of us, Ms. Uemura, Mr. Wakahara, and I discussed how Euglena itself would inevitably have to change at this point if it was to survive. I never would have thought it would go as high as JPY70,000. But for now, I'm managing to keep up.

Although the stock price hasn't quite kept up, I want to make it clear over the next year or two that we've become a company with strong profits. I really feel a strong sense of momentum when people say, "Oh, I see. In that case, I might take another look at Euglena and consider buying their stock."

So, when looking back over the past eight years, even if I personally believe I've been doing a good job, a deficit in operating cash flow on an EBITDA basis is unacceptable because it threatens the Company's survival.

I think one of the biggest things I need to reflect on is that I didn't pay enough attention to the visual appeal of the lower part of the P&L. I had Wakahara and Uemura take over, and I decided that we would absolutely turn things around and reach profitability within two years.

It's not just because we're doing good things. We decided first and foremost to become a company with a strong profit margin, and I'm delighted to see the results of our efforts coming to fruition like this. I think my mind-set probably played a pretty big role during those eight years.

Since we were a start-up, we were consistently in the red, and because the biofuel business is such a challenging field in particular, we operated at a loss for eight years. Over the past two years, I've come to realize that, rather than EBITDA or operating cash flow, we need to show our net income for the current period to ease the minds of shareholders.

I believe we need to become a company with strong profits that can keep pace with the Nikkei 225, and over the course of the next year, I feel we must take the time to clearly convey to everyone once again that Euglena has truly changed.

I also mentioned this when I spoke with Mr. Onishi. We've done quite a few M&A deals, and when it comes to non-cash expenses, such as amortization of goodwill and equity interests, it was inevitably quite difficult toward the end. I know this might sound like an excuse, but that was the case.

That was the case, but rather than relying on cost-cutting measures, we were able to achieve profitability by creating a cycle where advertising attracted more customers and drove profit growth. This isn't a defensive move to turn a profit through cost-cutting. It's a proactive effort to turn a profit, so, above all, our team members are full of energy and working hard.

Therefore, I believe it is crucial to use this momentum to solidify our profit and loss statement and make a fresh start as a strongly profitable company once again.

Participant [M]: Thank you.

Nishida [M]: Thank you.

I have one matter to bring to your attention. Although we have reached the scheduled end time, we would like to continue with the Q&A session, so if your schedule permits, we would appreciate it if you could stay and continue participating.

Next, Mr. Mitsumura, please go ahead.

Mitsumura [Q]: This is Mitsumura from Business Insider Japan. The main points I wanted to ask about were already covered quite thoroughly in the previous two questions. I'd like to ask you to confirm a few minor details. I have two questions as well.

I think this might be related to what you were just talking about. There were also stories about how, due to things like goodwill and other accounting items, your balance sheet might not have appeared appealing. In that sense, growth through 2030 will be driven primarily by the healthcare and agri-business sectors, but will this growth simply consist of relentlessly pursuing what is commonly referred to as organic growth? Or, how should you approach striking a balance between M&A and organic growth? I'd like to hear your thoughts.

That's my first question.

Izumo [A]: For now, we're sticking to JPY53 billion through 2026 and JPY60 billion by 2030. There might also be some M&A activity. Basically, it's extremely challenging to achieve organic growth while maintaining our current profit margins. There are various factors, such as inflation and logistics costs. We're all the same in that regard.

We develop products to attract new customers through online sales and deliver products to those customers. Whether you call this organic growth or aggressive profitability, or perhaps both, I use the terms interchangeably. Rather than making a big splash with something like an M&A deal, since our main investments in high-impact initiatives are JPY30 billion and JPY6 billion in the biofuel business, we'll basically focus on growing our mail-order business organically.

Not only that, but there are still plenty of things we can do. We will make a strong commitment to B2B sales. Other than that, it comes and goes.

I really can't tell when it's going to explode either. Now that we've started participating in trade shows overseas, in ASEAN, Asia, and North America again, we're really starting to see positive results and gaining confidence, so we'll continue to take on these challenges in overseas markets and new areas.

It's not like we're going out of our way in running the biofuel business. Rather than forcing M&A to achieve our goals at all costs, our basic strategy is to grow organically while maintaining our current margins. I think that's what makes it a strong, profitable, and forward-thinking company.

Mitsumura [Q]: Thank you.

One more thing, with operating profit for this fiscal year expected to reach about JPY3 billion and the Company set to post a net profit, I get the impression that things have changed quite a bit. I do have the impression that it's still quite difficult to attract institutional investors on the scale needed here, which is probably why there was also talk of attracting individual investors.

However, I understand that Euglena has always had a large base of individual investors, and I believe many of them were what you might call Euglena fans. When I think about attracting even more individual investors going forward, I'd just be happy if the number of fans grew.

On the other hand, I think one key point is for you to become a company that increasingly attracts the attention of individual investors, including those who invest more casually, such as through NISA.

To that end, how will operating profit trend going forward? For example, will you basically maintain the current scale for the foreseeable future, or will you steadily raise our game to become an even stronger company over the next few fiscal years, this one, the next, and the one after that? If Mr. Izumo has any kind of vision along those lines, I'd like to hear about it.

Izumo [A]: Since Mr. Wakahara is here today, let's have him share his thoughts later.

After all, the support I've received from over 100,000 individual investors is what really got me started. The next thing we need to prioritize is the overlap between our shareholders and the customers who buy our products. However, since we don't have the data, we can't actually investigate this. No matter whom I ask, whether it's trust banks or others, they all say that Euglena probably has the most overlap in Japan. I feel the same way.

So, of course, from the perspective of NISA and similar programs, I would prefer shareholders to consider incorporating our stock into their investment strategy. What has worked well for us so far is special discount deals for the customers who continue to purchase and use our Euglena products. Since stock prices are low right now, if you hold onto them for 10 years, it'll be as if you bought them for free. Please do consider. That's what I am pitching to individual investors at investor meetings.

Rather than jumping to the conclusion that everyone should include our stock in their NISA portfolio simply because it has an extremely high operating profit margin and it is a great growth stock, our goal is to help our loyal fans, or rather, our customers, who both own our stock and use our products, lead healthier lives, and work together to build a better company, a better society, and a better planet.

We hope that our 720,000 online customers and 120,000 individual shareholders will continue to support us for many years to come as a profitable, strong, and forward-thinking company. I believe that my task until 2030 is to increase the number of investors, both individual and institutional, with whom we can build long-term relationships.

However, for those who are looking at this from the perspective of asset management, such as NISA, we haven't completely ruled out things like shareholder perks or dividends, so I'll have Mr. Wakahara discuss that aspect.

Wakahara [A]: Our main target is EBITDA of JPY16 billion by 2030. Since JPY6 billion of that amount is for the biofuel business, the original plan is to increase the remaining portion, currently about JPY7 billion, to JPY10 billion. Therefore, naturally, if EBITDA increases by JPY1 billion, that amount will essentially be reflected in operating profit. The question now is when that increase will occur.

During the recent earnings announcement, we tentatively presented a target of JPY8 billion to JPY9 billion in EBITDA for 2028, and we have built up a certain level of growth for 2024, 2025, and 2026 primarily through cost reductions.

From here on, our focus will be on increasing profits by growing our top line. As for 2026, we've been prioritizing sales growth while keeping profits flat, with a slight focus on upfront investments to fuel future growth.

Therefore, since this is a phased process, where this year's investments will have an impact next year and next year's investments will have an impact the year after, I cannot provide specific figures for the next fiscal year at this time.

In 2028, JPY8 billion to JPY9 billion, if EBITDA increases by JPY1 billion from now on, operating profit will naturally increase by the same amount as well. Rather than letting it decline from this point, we intend to focus on steadily growing it.

Mitsumura [M]. Thank you. That was extremely helpful.

Nishida [M]: Thank you.

Now, if anyone has any questions, please go ahead.

Kojima [Q]: Thank you very much for your detailed presentation. My name is Kojima from Bunseki Koho Laboratory.

Just one question: I've been following your company's development for quite some time now, probably 15 years or 16 years, and I believe you went public in 2012, right? Ever since I heard Mr. Izumo speak the year before, I've been following your company's progress with great interest.

When your organization made its first appearance in the market, I believe Mr. Izumo shared an episode about a start-up business [inaudible] related to a solution for nutritional shortages in developing countries. After the Company went public, then CFO/CEO, Mr. Nagata, led the operations and I watched him work, thinking he was truly remarkable. In terms of the business development, I got the impression that the organization was moving toward a market capitalization-based management approach. I don't recall President Izumo ever specifically using the term market capitalization-based management.

Izumo [M]: That's right.

Kojima [Q]: However, given that the Company's management seems to be more focused on stock prices, as evidenced by the fact that Mr. Nagata took the lead at earnings briefings while Mr. Izumo made no appearance, I get the impression that there has been a significant shift in management style.

I believe you mentioned earlier that, following a change in management a few years ago, the Company revised its business philosophy and approach to ensure it could generate a solid profit.

My questions are as follows: First, I'd like to ask President Izumo what role market capitalization-based management has played for you over the past 15 years. Second, as this organizational structure has evolved, I'd like to hear how that role and its significance have changed up to the present, and how you plan to develop it going forward.

Please start.

Izumo [A]: Thank you for the relationship you've maintained over the past 15 years.

It hasn't always been easy, and at times it's a real dilemma. Social trends are significantly diversified. On one side, values like share-price supremacy and shareholder primacy remain strong. On the other, concepts such as multi-stakeholder management and public-interest capitalism emphasize that a company exists through the participation of all its stakeholders. The spectrum of perspectives has truly widened.

Given the wide range, and from the perspective that companies, as publicly listed and publicly traded entities, must faithfully fulfill their minimum responsibilities, it is an undeniable fact that stock prices are currently stagnant. So, if my dependence is the cause, then it is I, and not the market, who must change.

No matter what anyone says, there may well be criticism that this amounts to share price and market capitalization-driven management. I want to communicate and demonstrate that we are now a company with strong profits and a proactive stance, capable of aggressive management. I will personally lead briefings on stock prices, investor relations, and finance, and I aim to improve the situation where our shareholders are experiencing inconvenience and concern regarding our stock price. I believe we need to keep making improvements.

Setting aside the question of whether that was what I truly wanted to do most from the very beginning when I founded the Company, as the current president of Euglena, my top priority is the stock price. I am determined to lead the Company as a dynamic, profit-driven organization, and I am absolutely committed to sharing information so that everyone can see, learn about, and support us.

Going forward, we will put into practice, even while pursuing a strong, profitable, and aggressive business strategy, the long-term social mission of a venture company, as well as the goals we aim to achieve as Euglena, and the very reasons why we founded this company in the first place. That's why I feel it's my responsibility this year to clearly communicate that Euglena has made a comeback, and that we are absolutely determined never to return to a company that operates at a loss, even while doing good work.

I don't think I should say any more about things like brand value or how the P&L looks, so I won't, but one more thing, with AI and semiconductors booming as much as they have, it's really troubling that good companies, even if they're running a deficit, are being ignored, or rather, treated this way. I thought this isn't right. We need to become a company that everyone can support even more, so we must catch up with and surpass the leaders in AI and semiconductors.

Even though we're doing the right things to catch up and overtake the competition, we're still running a deficit. If we just say goodbye, there's absolutely no way we can catch up and overtake them. I, too, am determined to take the plunge and pursue an aggressive business strategy aimed at generating substantial profits, and I want to take on the challenge of making society a better place.

Nishida [M]: Thank you for the questions.

With that, we would like to close the question-and-answer session.

Finally, we'd like to ask President Izumo to share a message with our investors and the media.

Izumo [M]: Thank you so much for taking the time today despite your busy schedules. I'd also like to extend my sincere gratitude to all the reporters who have been covering Euglena for such a long time and who took the time to come to the venue in such large numbers. Thank you. I'm truly grateful.

I have a lot on my mind. However, since this is the final year of our transformation into a profitable, growth-oriented company, we will not revert to being a company that, despite doing good work, operates at a loss. I promised everyone that things have changed, made that announcement, and reaffirmed here and now, both personally and on behalf of the Company, our resolve that we will never go back.

First, I'd like everyone to know that things have changed. Then, I'd like you to take the next six months to assess the situation, and if we could work together to let the world know that things have indeed changed, I couldn't be more grateful.

Thank you for your time today. That's all from me.

Nishida [M]: Thank you, everyone.

Finally, we have a request regarding a survey. We would greatly appreciate your cooperation so that we can use your feedback to guide our future activities.

Please note that we will actively conduct individual interviews and IR meetings at a later date, so if you are interested, please feel free to contact us.

Finally, I'd like to share a message with everyone attending the event today. After this session, Mr. Izumo will stay at the main venue until 11:30 AM, so if you have any individual questions, please come up to the front.

Well, then, that concludes today's information session. Thank you for your participation.

[END]

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