News Release

May 19, 2017

Capital Alliances Between euglena Co., Ltd. and Five Business Partners

- Strengthening Partnerships in Business and Research & Development for the Further Promotion of the Energy/Environmental and Healthcare Businesses of euglena Co., Ltd.

euglena Co., Ltd.
Kobashi Kogyo Co., Ltd.
Chiyoda Corporation
API Co., Ltd.
Isuzu Motors Limited
ITOCHU ENEX CO., LTD.

euglena Co., Ltd. (“euglena Co.”, headquartered in Minato-ku, Tokyo; Mitsuru Izumo, President) announces the implementation of a capital increase of 1.1 billion yen in total through a third-party allotment to Kobashi Kogyo Co., Ltd. (“Kobashi Kogyo”, headquartered in Okayama-shi, Okayama-ken; Shojiro Kobashi, CEO), Chiyoda Corporation (“Chiyoda”, headquartered in Yokohama-shi, Kanagawa-ken; Keiichi Nakagaki, Senior Executive Vice President (Acting President & CEO)), API Co., Ltd. (“API”, headquartered in Gifu-shi, Gifu-ken; Takahiko Nonogaki, President), Isuzu Motors Limited (“Isuzu Motors”, headquartered in Shinagawa-ku, Tokyo; Masanori Katayama, President and Representative Director) and ITOCHU ENEX CO., LTD. (“ITOCHU ENEX”, headquartered in Minato-ku, Tokyo; Kenji Okada, Representative Director, President and CEO) as scheduled recipients of the share allocation (collectively, the Five Scheduled Subscribers).

euglena Co. has been pursuing technological development and business expansion while building partnerships with a number of firms and universities since it achieved the first worldwide large-scale outdoor cultivation of euglena in December 2005. The Five Scheduled Subscribers offering subscription to the third-party allotment are comprised of the business partners that started or strengthened their collaboration in the energy/environmental businesses and healthcare business of euglena Co. after the company listed its shares on the Mothers Section of the Tokyo Stock Exchange in 2012. The Five Scheduled Subscribers and euglena Co.’s goal of achieving joint cooperation is evidenced by their formation of a capital alliance through a third party allotment. Through the capital alliance, euglena Co. and the Five Scheduled Subscribers will work together in business and in research and development to advance initiatives for the practical application of the renewable jet fuel and diesel fuel that euglena Co. has been developing. They will also work on future commercialization of biofuels, while strengthening the ability to design and develop health products that use microalgae *Euglena* and expand the product lineup.

The joint projects among euglena Co. and the Five Scheduled Subscribers including past and future projects are as follows.

Kobashi Kogyo	In September 2014, Kobashi Kogyo concluded a joint research and development contract with euglena Co. for efficient and stable methods to cultivate useful microalgae and to pursue joint research with an eye on the establishment of methods to construct facilities using paddy field creation techniques for the cultivation of euglena for fuels, and for the mitigation of construction costs. Kobashi Kogyo plans to promote joint research with the aim of reducing production costs for *Euglena* for use in fuels while undertaking initiatives for increases in scale and trial operations of paddy field-type cultivation facilities.
Chiyoda	As one of the business partners in the project to domestically produce and supply renewable jet and diesel fuels, Chiyoda has been jointly engaging in a series of preparatory tasks with euglena Co. for a demonstration plant for the production of renewable jet and diesel fuels (the “Demonstration Plant”), including the selection of technologies to be adopted for the Demonstration Plant, fundamental design and construction, and notifications and applications to relevant authorities and organizations. In February 2017, it concluded a contract for the construction of the Demonstration Plant with euglena Co. In the future, Chiyoda plans to build the Demonstration Plant with a scheduled starting date in June 2017, final completion in October 2018, and operational start in the first half of 2019.
API	API has been entrusted with the manufacture and processing of euglena Co.’s final products (both own branded and OEM branded) of health products that use microalgae, which started before euglena Co. listed its shares on the Mothers Section of the Tokyo Stock Exchange. API has also been developing new products by leveraging the knowledge of both companies. It plans to continue with the manufacture and processing of *Euglena* products and strengthening product development capabilities by further deepening its collaboration.
Isuzu Motors	In June 2014, Isuzu Motors concluded a joint research contract for renewable diesel fuel derived from *Euglena* and has been promoting the DeuSEL® Project jointly with euglena Co. The objective of this project is to promote the next generation renewable diesel fuels. In addition, Isuzu Motors is one of the business partners in the project that domestically produce and supply renewable jet and diesel fuels. Isuzu plans to consider ways to evaluate and use the output from the Demonstration Plant with the objective of achieving road trials using next generation renewable diesel fuels.
ITOCHU ENEX	In November 2015, ITOCHU ENEX, as one of the business partners in the project that domestically produces and supplies renewable jet and diesel fuels, concluded a memorandum with euglena Co. for the supply of feedstock for renewable fuels to be used at the Demonstration Plant. Accordingly, ITOCHU ENEX has been

	considering the procurement of feedstock for renewable fuels to be used in the Demonstration Plant, other than microalgae, and engaging in discussions about matters regarding supply and demand, the distribution and sale of renewable fuels produced at the Demonstration Plant. ITOCHU ENEX will conduct further discussions and investigations and start the procurement, supply, use of feedstock for renewable fuels, other than microalgae, and the study of the sale of fuels produced by the Demonstration Plant with an eye to start operations in the first half of 2019.

Comments from each of the above companies on capital alliances by way of third-party allotment are as follows:

euglena Co. (Mr. Izumo, President):

"We are very happy, through the third-party allotment, that the business partners with whom we had been on friendly terms have become the new peers of euglena Co. in the form of a capital alliance. We have a good track record in research and development and business promotion in open innovation in collaboration with those who share our vision. By putting diverse forms of collaboration into practice with the five companies offering a subscription to the new share issue, we intend to follow through with every endeavor to achieve our goal of making people and the Earth healthy.

Kobashi Kogyo (Mr. Shojiro Kobashi, CEO):

"Since 2014, Kobashi Kogyou has been conducting research jointly with euglena Co. based on the idea that our paddy field creation techniques may be used for the cultivation of microalgae. We decided to subscribe to the share allotment in order to explore new possibilities of agricultural techniques in Japan by further promoting collaboration with euglena Co., because euglena is used not only for food but in cosmetics and fuels."

Chiyoda (Mr. Keiichi Nakagaki, Senior Executive Vice President (Acting President & CEO)):

"In February 2017, Chiyoda concluded a construction contract with euglena Co., as one of the business partners in the project that domestically produces and supplies renewable jet and diesel fuels. It is our responsibility to design and construct Japan's first demonstration and refining plant for renewable jet and diesel fuels. We will proceed steadily with the construction work, not only as a business partner but also as an equity alliance partner, with the aim of launching renewable fuel production by the first half of 2019. We hope to work with a number of people on the examinations and considerations of future product commercialization."

API (Mr. Takahiko Nonogaki, President):

"API manufactures and processes health foods and medical products under contract. Since before 2012, we have been entrusted by euglena Co. with the manufacture and processing of euglena Co.'s health products. Through the subscription to the new share allotment, we hope to strengthen product development

capabilities at API and euglena Co. by benefiting from the experience and know-how of both companies."

Isuzu Motors (Mr. Masanori Katayama, President and Representative Director):

"Isuzu Motors started to develop renewable diesel fuels jointly with euglena Co. in the DeuSEL® Project announced in June 2014, and has been pursuing relevant initiatives based on the project to domestically produce and supply renewable jet and diesel fuels. Taking advantage of the capital alliance, we hope to accelerate the initiatives for the promotion and adoption of next generation bio diesel fuels jointly with euglena Co."

ITOCHU ENEX (Mr. Okada, Representative Director, President and CEO):

"ITOCHU ENEX has been considering the procurement of feedstock for renewable fuels other than microalgae jointly with euglena Co. as one of the partners in the project that domestically produces and supplies renewable jet and diesel fuels. Through the subscription to the new share issuance for capital increase, we hope to build closer relationships with euglena Co., accelerate initiatives for the practical application of renewable jet and diesel fuels and the future commercialization, and to contribute to a low carbon society as an energy company."

In cooperation with a variety of partners, including the Five Scheduled Subscribers, and relevant authorities and organizations, euglena Co. will steadily push forward with endeavors to achieve consolidated net sales of 30 billion yen by the fiscal year ending September 2020, as stated in the Medium-Term Management Plan, and the practical application of domestically produced renewable jet and diesel fuels.