

News Release

8th May 2015

SPREAD CO., LTD.

PUBLIC RELATIONS DEPARTMENT

Kyoto Research Park #8, 90 ChudojiAwata-cho,
Shimogyo-ku, Kyoto 600-8815 Japan

Business Development of “Vegetable Factory™” Vol.1

SPREAD CO., LTD. begins discussions with OBAYASHI Corporation about future business partnership and franchise projects for vertical farming

SPREAD Co., LTD. (SPREAD) [President and CEO: Shinji Inada], from Kyoto, Japan entered into a basic agreement with OBAYASHI Corporation (Obayashi) [President and CEO: Toru Shiraishi], from Tokyo, Japan in order to step forward and begin the initial discussions regarding a future business partnership and franchise projects for SPREAD’s vertical farm using artificial lighting, called a “Vegetable Factory™”.

1. Background of the agreement

In recent years, there have been global changes in population and the environment, which is expected to result in an increase in the demand for food when looking from a medium to long-term perspective. SPREAD has been the leading company operating the largest vertical farm using artificial lighting in the world with the aim of providing food-security for our customers as well as delivering stable supply of food to wholesalers daily. Beginning in November 2014, SPREAD launched its franchise projects worldwide.

The indoor farming plant system has been increasingly receiving high expectations as being at the forefront of agricultural technology for the next generation because vegetables can be produced without any influence from the external environment; on the other hand, further advancement through technological innovation is required in order to lower operation costs and improve economies of scale.

With the combination of SPREAD's advanced growing technology for indoor farming operations, and Obayashi's wide experience in designing and constructing plant facilities, especially in the field of engineering and environmental control technology, both SPREAD and Obayashi believe it is possible to build an internationally competitive vertical farm using artificial lighting utilizing both companies' competitive advantages.

Moreover, Obayashi plans on diversifying its business by entering into the vertical farming business as a franchisee. SPREAD will create strategies for sales and marketing, while both Obayashi and SPREAD will benefit from the dramatic increase of production and profits. Both companies have agreed to discuss the practical steps and procedures required for co-operative development from now and into the future.

2. Agenda

- (1) Joint research and technology development for the large-scale vertical farm using artificial lighting
- (2) Cooperation with Obayashi in the field of construction and SPREAD's franchise projects
- (3) Obayashi's participation in SPREAD's franchise project to operate the vertical farm

3. Future Development

Detailed discussions began in April 2015 and there are plans to complete the business partnership and franchise agreements by the end of December 2015. After contracts, both companies will proceed with the construction of the large-scale vertical farm using artificial lighting with the aim of operating the lettuce factory (total area of 5000~6000m²) producing 30,000 heads per day to be completed by 2017.

SPREAD will continue to promote the development of the Vegetable Factory[™] business domestically and internationally with the aim of expanding their current 20,000 per day lettuce production to 50,000 per day after five years.

Including the decision to commercialize the solar-type vegetable factory (Chiba Prefecture), Obayashi is committed to growing annual sales of the agriculture business to 3 billion yen after five years.

【Company Profile】

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Name : OBAYASHI Corporation
Home Office : 2-15-2 Konan Minato-ku Tokyo Japan
Capital : 57,752,000,000 JPY
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【Inquiry】

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