

News Release

FOR IMMEDIATE RELEASE

February 14, 2023

Contact: Spread Co., Ltd.
Public Relations Department
E-mail: pr@spread.co.jp
URL: www.spread.co.jp/en

Spread to Become the First Vertical Farm in Japan to Sign Sustainability-Linked Loan - Secures \$4.6 Million from SHIGA BANK -

Spread Co., Ltd. (HQ: Kyoto, Japan; CEO: Shinji Inada) has signed a sustainability-linked loan (SLL) of \$4.6 million (600 million yen) with the SHIGA BANK, LTD. (Head Office: Shiga, Japan; President: Shojiro Takahashi) on the 27th of December, 2022. The loan is the first SLL for a vertical farming company*¹ in Japan.



SHIGA BANK



About the Loan

The loan defines Sustainability Performance Targets (SPT) based on the company's business strategy, and links lending conditions such as interest rate to the achievement of these targets, thus working as incentive for strengthening Spread's commitment towards ESG management.

Spread has set the following SPT for the loan:

1. Improvement in the labor productivity at its vertical farms by 30% (in comparison with FY 2018)
2. Maintenance of energy consumption per production volume at the level of FY 2021

Spread's General Manager of Corporate Planning Department, Masaki Kushiro said: "In anticipation of the further growth, following the equity financing last summer, we expect this sustainability-linked loan to be a big step in promotion of expansion and effective use of indirect financing. As a vertical farming company, we are expected to keep contributing to the environmental and social issues. By announcing some of the tasks that we are working on and linking them to economic conditions, the loan allows us to express our intention to achieve corporate growth and social contribution in parallel."

Evaluation by a Third-Party Organization

This loan has been confirmed and obtained a third-party opinion by the Rating and Investment Information, Inc. (R&I), one of the major credit rating agencies in Japan, to comply with the Sustainability Linked Loan Principles outlined by the Loan Market Association (LMA).

In the second opinion, R&I touched upon the various issues that agriculture faces in the modern world, including decrease in agricultural workers' number due to aging population and lack of successors, climate change, environmental pollution caused by the pesticides and fertilizers, food security problems due to international conflicts etc., and how Spread strives to provide a solution through the vertical farming technology. On other hand, R&I mentioned some issues faced by vertical farms, such as high operational costs and stressed the importance of maintaining high operating rate*² while reducing the costs when operating a vertical farm. In this context, both of the SPT set by Spread were deemed as "challenging" and such that are suitable for sustainability-linked loan, especially considering that Spread's current metrics on both of them are already in line with or better than the industry standard.

For details, please refer to the following R&I evaluation report. (In Japanese)

https://www.r-i.co.jp/news_release_suf/2022/12/news_release_suf_20221227_jpn.pdf

SPT and KPI

Since its founding in 2006, Spread's core value has always been "creation of a sustainable society where future generations can attain peace of mind". As a means to achieving this, solving the issues in food production through the fusion of agriculture and technology has played a major part in Spread's sustainability strategy.

With this in mind, the following SPT and KPI have been set for this loan.

SPT	KPI	Measured farms
1. Improvement in the labor productivity by 30% (in comparison with FY 2018)	Production volume per man-hour (kg/h)	Kameoka Plant, Techno Farm Keihanna
2. Maintenance of energy consumption per production volume at the level of FY 2021	Energy consumption per production volume (kWh/kg)	Kameoka Plant, Techno Farm Keihanna

Contribution to the United Nations' Sustainable Development Goals



Overview of the Loan

Lender	SHIGA BANK, LTD.
Loan amount	¥600 million
Date of signing agreement	December 27, 2022
Loan properties	Spread reports KPI results for each FY. Lending conditions change upon SPT achievement status, functioning as incentive to promote sustainability initiatives

*1 Among companies pursuing vertical farming using artificial lighting (also known as PFAL) as a main business.

*2 Number of harvested heads of produce, compared to maximum capacity of the farm.

■ Overview of Spread

Company Name : Spread Co., Ltd.

Chief Executive Officer : Shinji Inada

Location : Kyoto Research Park #6, 93 Chudojiawata-cho, Shimogyo-ku, Kyoto, Japan

Established : January, 2006

Company Website : www.spread.co.jp/en