

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

## **Daiwa Green Finance Program Beneficial Interest and Trust ABL (Iwamizawa and Kushiro Solar Power Plants)**

<Assignment>

Beneficial Interest:	A
ABL:	A

### *Rationale*

#### 1. Outline of Project

This is a case of project finance for a mega solar project of Daiwa Energy & Infrastructure Co. Ltd. conducted in Hokkaido ("Project").

Hokkaido Renewable Energy Initiative Platform LLC ("Project GK") raises funds through investments in an anonymous partnership and a loan from Hitachi Capital Trust Corporation for acquisition of 3 solar power plants developed by Daiwa Energy & Infrastructure in Iwamizawa City and Kushiro City, Hokkaido. Daiwa Energy & Infrastructure, which is the sponsor of the Project GK, invests in the anonymous partnership along with other plural investors. Hitachi Capital Trust Corporation makes the loan to the Project GK, using proceeds from the money trust and the borrowing as trustee. The ratings are assigned to the beneficial interest and trust ABL backed by the loan to the Project.

#### 2. Inherent Risks of Mega Solar Project and Cash Flow Analysis

JCR applies its rating methodology for project finance to the evaluation of creditworthiness of a mega solar project. Major risks inherent to mega solar projects include, among others, creditworthiness of sponsor group, that of panel maker, risks associated with EPC, O&M, etc., site location and variability of solar radiation quantity. JCR considers these expected risks will be duly addressed in the Project thanks to the following factors. (i) Appropriate measures to secure bankruptcy remoteness of the Project GK were taken; (ii) Panels by a major manufacturer with extensive experience of supply and a certain financial foundation are used; (iii) Construction risk has been significantly reduced, as the power plants have already started their commercial operation; and (iv) Companies in Daiwa Securities Group, which have high reliability and abundant track records, are sponsor and asset manager in the Project.

Given that the project site is in a region where quite certain amounts of snowfall and accumulation of snow are expected, JCR considers it is necessary to watch impact of snow on the panels and facilities. For this risk, the solar power facilities were designed on the assumption of snowfall, and asset manager and O&M operator are scheduled to conduct appropriate monitoring and snow removal work, which are all working to reduce the risk. When the loan under the Project is drawn down, required O&M agreements have been concluded. JCR will confirm the progress and contents of such agreements. Revenue from sales of electric power of a mega solar project tends to have large volatility in a short term depending on monthly and seasonally varying solar radiation quantity. The volatility over the medium term, however, is expected to be reduced. Although the initial expenses are large, the annual expenses except for costs for maintenance are relatively small and less volatile. However, it is still necessary to watch impact from output control over the medium and long term. In cash flow analysis, JCR conducted stress tests in consideration of impacts from snow on power generation amount and rise of expenses during the Project's period as well as changes in solar radiation quantity and output control, based on these characteristics. As a result, JCR determined that the cash flows are sufficient for the repayment of the beneficial interest and trust ABL.

#### 3. Rating

Forty yen (excluding tax) as the fixed price for the power purchase under the feed-in tariff system applies to the Project. As more than 4 years have passed since the start of commercial operation, reliability of the power generation plan including the track record is high. JCR confirmed that the Project's ability to repay debt has been maintained even under plural stresses in light of DSCR during the project period and other indicators. A certain reserve and dividend suspension events have been

set in preparation for unforeseen situations. Taking the above into consideration, JCR assessed the ratings for both beneficial interest and trust ABL at A.

\* JCR assigned a Green Bond Evaluation "Green 1" to the beneficial interest and ABL. For the details, please refer to JCR's press release 19-D-1253 and 19-D-1254. JCR's green bond evaluation is different from its credit rating and does not promise to provide or make publicly available a predetermined credit rating.

Kiichi Sugiura, Kengo Sakaguchi

## Rating

### <Assignment>

Instrument Name	Issue/ Execution Amount	Trust Termination Date	Coupon Type	Rating
Beneficial Interest	JPY 1,900,000,000	June 30, 2036	Fixed	A
Trust ABL	JPY 2,200,000,000	June 30, 2036	Fixed	A

### <Information on Outline of Issue>

Trust Establishment Date:	March 27, 2020
Beneficial Interest Assignment/ ABL Execution Date:	March 27, 2020
Redemption/ Repayment Method:	Scheduled Redemption/ Repayment
Credit Enhancement & Liquidity Facility:	NA
Cash Reserve and Senior-subordinated Structure as Credit Enhancement & Liquidity Facility with respect to loan claims, which are the underlying assets	

### <Information on Structure and Stakeholders>

Entrustor:	Daiwa Securities Co. Ltd.
Trustee:	Hitachi Capital Trust Corporation
Mega Solar Project Company:	Hokkaido Renewable Energy Initiative Platform LLC
Asset Manager:	Daiwa Real Estate Asset Management Co. Ltd.
Arranger:	Daiwa Securities Co. Ltd.

### <Information on Underlying Assets>

Outline of Underlying Assets:	Loan claims against the mega solar project company
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Rating Assignment Date: March 27, 2020

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<http://www.jcr.co.jp/en/>).

Outline of methodology for determination of the credit rating is shown as "Project Finance" (August 28, 2012) in Information about JCR Ratings on JCR's website (<http://www.jcr.co.jp/en/>). Rating methodologies for other ancillary points such as eligible deposit accounts and bankruptcy remoteness are also shown within the same page.

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