

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

Canadian Solar Dual Tenor Green Project Bond Trust (Ibaraki/Hiroshima) Beneficial Interest and Trust ABL

<Assignment>

Beneficial Interest:	BBB+
ABL:	BBB+

Rationale

1. Outline of Project

This is project finance for mega solar projects of Canadian Solar Group to be operated at 3 sites in City of Kasama, Ibaraki Prefecture and City of Hiroshima, Hiroshima Prefecture.

CS Ibaraki Kurusu G.K., CLEAN ENERGIES MALLORCA G.K., and CS Hiroshima Suzuhari G.K. (individually or collectively referred to as "Project GK") which undertake the projects raise required expenses for the projects through an investment in anonymous partnership and loans from Hitachi Capital Trust Corporation, which makes the loans to the Project GK using moneys to be raised through a money trust and the borrowing as a trustee. Each loan partly is to be drawn down in line with construction status of the solar photovoltaic facility during the construction period. For the loan repayment, each Project GK will be jointly and severally liable for the loan obligations of other Project GKs under the structure. JCR assessed the beneficial interest and trust ABL that are backed by the loans to the project.

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

JCR applies its rating methodology for project finance to 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, risk associated with O&M, AM, etc., completion risk, site location and variability of solar radiation quantity, etc. JCR considers these expected risks are being duly addressed in the project thanks to factors including: (i) appropriate measures to secure bankruptcy remoteness of the Project GK are in place; (ii) panels are provided by a major manufacturer with extensive experience of supply and relatively good financial foundation; (iii) each project employs an EPC contractor with sufficient track records of performance; and (iv) treatments for preparation of time overrun and cost overrun risks including provision of monitoring services from a major construction consulting firm, setting of reserves, etc. are incorporated under the structure; and (v) Canadian Solar Group with abundant track records assumes development and management of 3 power plants, and additionally backup contracts are entered into with an enterprise with a rich track record.

Revenue of electricity sales of mega solar projects tends to have large volatility in a short term depending on monthly and seasonally varying solar radiation quantity. The volatility, however, is controlled in the medium term. Although initial expenses are large, their annual expenses except those for maintenance are relatively small and less volatile. With these characteristics noted in the analysis of cash flow, JCR confirmed the adequacy of reserve plan in preparation for changes in the revenue of electricity sales of the entire project and required payments during the project period. JCR considers it is necessary to take into account rise of expenses in addition to impacts on power generation amount from changes in solar radiation quantity and panel deterioration due to aging, although cash flows from a mega solar project are expected to be relatively stable thanks to the afore-mentioned characteristics of revenues and expenses. Furthermore, there are project sites where impacts from shadows and snows can have an impact on power generation due to the locations. JCR conducted stress tests by setting variables centering on these 4 factors. As a result of these tests, JCR determines that the cash flows from the projects have a sufficient margin for repayment of the beneficial interest and trust ABL.

3. Rating

Twenty-four yen, 32 yen and 17.97 yen (before tax) are applied to each project as purchase prices under the feed-in tariff system, which backs the stable revenue of electricity sales. Despite existence of projects, of which power generation is assumed to be affected by shadows and snows, JCR

confirmed that even with very strong stress in combination with variability of solar radiation quantity, the projects' ability to repay debt can be maintained in terms of the DSCR during the project period. Meanwhile, while completion risks for the individual projects are considered controlled to a certain level through the track record of performance of EPC contractors and treatments under the structure, they are still a constraining factor during the entire financing period. Taking the above into consideration, JCR assigned BBB+ ratings to the beneficial interest and trust ABL.

* JCR assigned a Green Bond Evaluation "Green 1" to the beneficial interest and trust ABL. For the details, please refer to JCR's press release 20-D-1375 and 20-D-1376. 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, Hiroki Ishizaki

Rating

<Assignment>

Instrument Name	Execution/ Issue Amount	Trust Termination Date	Coupon Type	Rating
Beneficial Interest	JPY 2,480,000,000	Mar. 14, 2041	Fixed	BBB+
Trust ABL	JPY 5,620,000,000	Mar. 14, 2041	Fixed	BBB+

<Information on Outline of Issue>

Trust Establishment Date:	March 24, 2021
Beneficial Interest Assignment/ ABL Execution Date:	March 24, 2021
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:	Goldman Sachs Japan Co., Ltd.
Trustee:	Hitachi Capital Trust Corporation
Mega Solar Project Companies:	CS Ibaraki Kurusu G.K., CLEAN ENERGIES MALLORCA G.K., and CS Hiroshima Suzuhari G.K.
Asset Manager:	Canadian Solar Projects K.K.
Arranger:	Goldman Sachs Japan Co., Ltd.

<Information on Underlying Assets>

Outline of Underlying Assets:	Loan claims against the mega solar project companies
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Rating Assignment Date: March 24, 2021

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "Project Finance" (August 28, 2012) in Information about JCR Ratings on JCR's website (<https://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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