

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

## **SPARX Biomass Green Project Bond Trust (Toki) Beneficial Interest and Trust ABL**

<Assignment>

Beneficial Interest:	BBB+
ABL:	BBB+

### *Rationale*

#### 1. Outline of Project Scheme

This is a rating for the project finance for a biomass power generation project for which SPARX Green Energy & Technology Co., Ltd assumes the position of asset manager. SGET Toki Biomass G.K. (Project GK) has been established as the SPC for the project, and silent partnership investments are made for the Project GK from a fund structured by the asset manager's group. In this project, J-Value Trust Company, Limited is the trustee, who formulates a beneficiary interest and a trust ABL backed by a loan (Project Loan) extended to the Project GK. The Project GK finances necessary project costs, etc. by accepting the proceeds, silent partnership investments, etc. Land preparation has been completed, and the loan funds are to be withdrawn sequentially according to the progress of the building and plant construction. The ratings are assigned to these beneficial interest and trust ABL.

With respect to the beneficial interest and trust ABL, the principal and interest payments will be made from the principal and interest payments on the Project Loan less trust fees. The principal repayment schedule, scheduled repayment date and tail period, among others, are structured to reflect the terms of the Project Loan.

#### 2. Inherent Risks of Biomass Power Generation Project and Cash Flow Analysis

JCR applies its rating methodology for project finance to the evaluation of creditworthiness of biomass projects. Risk factors for biomass projects include risks related to location, development and construction, fuel procurement, maintenance and operation, and output control. JCR believes that it is important to examine the impact on cash flow, focusing on stress factors such as fuel procurement, maintenance and operation, effects of output control on power generation amount, and rises in costs.

#### 3. Rating Evaluation

The project is expected to generate relatively stable cash flow over the life of the project, given the factors including the following: (i) electric power selling is based on the feed-in tariff system; (ii) a plant built by a highly reliable leading manufacturer was adopted, and a proven O&M operator will participate in the project, and (iii) the price is fixed in principle, under a fuel procurement network, which was established by a company that has a long-term businesses with a large number of various primary suppliers. Without any particular problems with regard to EPC's track record and creditworthiness, the risk of construction completion would be limited. On the other hand, major possible risk factors will include the fact that operating rates and costs for fuels and operation may fluctuate.

Regarding earnings volatility factors, such as fuel procurement prices, the number of operation days of power generation facilities, rises in maintenance/operating costs, and output control, JCR confirmed that even when stress is applied by combined multiple factors, the project's certainty for principal and interest repayment will be ensured thanks to mechanisms such as reserves and a dividend suspension trigger.

Based on the above, JCR has assigned a "BBB+" rating to both the beneficial interest and trust ABL.

\* JCR assigned Green Bond Evaluation and Green Loan Evaluation "Green 1" to the beneficial interest and trust ABL rated hereunder. For the details, please refer to JCR's press release 21-D-0840 and 21-D-0841. JCR's sustainable finance evaluation is different from its credit rating and does not promise to provide or make publicly available a predetermined credit rating.

Kiichi Sugiura, Keiji Takiguchi

## Rating

### <Assignment>

Instrument Name	Issue Amount (mn)	Subordination ratio	Trust Termination Date	Coupon Type	Rating
Beneficial Interest	JPY 3,160	-	Dec. 30, 2042	Fixed	BBB+
Trust ABL	JPY 2,500	-	Dec. 30, 2042	Fixed	BBB+

### <Information on Outline of Issue>

Trust Establishment Date:	November 11, 2021
Beneficial Interest Assignment/ ABL Execution Date:	November 11, 2021
Redemption/Repayment Method:	Scheduled Redemption/Repayment
Credit Enhancement & Liquidity Facility:	NA
Cash Reserve and Senior-subordinated Structure as respect to loan claims, which are underlying assets	Credit Enhancement & Liquidity Facility with

### <Information on Structure and Stakeholders>

Entrustor:	Goldman Sachs Japan Co., Ltd.
Trustee:	J-Value Trust Company, Limited
Biomass Power Generation Project Operator:	SGET Toki Biomass G.K.
Asset Manager:	SPARX Green Energy & Technology Co., Ltd.
Arranger:	Goldman Sachs Japan Co., Ltd.

### <Information on Underlying Assets>

Outline of Underlying Assets:	Loan claims against a biomass power generation project operator
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Rating Assignment Date: November 11, 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/>).

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