

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

## **Giga Solar Green Project Bond Trust (Fukushima) Beneficial Interest and Trust ABL**

<Assignment>

Beneficial Interest:	Preliminary BBB-
ABL:	Preliminary BBB-

### *Rationale*

#### 1. Outline of Project

This is a case of project finance for refinancing mega solar project that has been conducted by Taiwan-based Giga Solar Materials Corp. and its subsidiary, Eiwa Denryoku Kabushiki Kaisha, (collectively "Giga Solar Group") in Asakawa-cho, Ishikawa-gun, Fukushima Prefecture.

Godo Kaisha MERCHANT ENERGY 8 ("Project GK"), which conducts the mega solar project, raises funds by an investment in anonymous partnership and a loan from Shinsei Trust & Banking Co., Ltd. to pay for purchase of power plant to Eiwa Denryoku K.K. All of the funds to be raised by the investment in anonymous partnership and the loan will not be allocated to the purchase price, and a part of the raised funds will be allocated to loans to the affiliated companies of the Giga Solar Group. Shinsei Trust & Banking Co., Ltd. makes a 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 GK.

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

JCR applies its announced rating methodology for project finance to the evaluation of creditworthiness of a given mega solar project. Major risks inherent to mega solar projects include, among others, creditworthiness of sponsor group, that of panel maker, risk associated with EPC, AM, O&M, etc., site location and variability of solar radiation quantity, etc. JCR considers these expected risks are to be duly addressed in the project as follows: (i) Appropriate measures to secure bankruptcy remoteness of the Project GK are in place; (ii) Power plant has been already completed and there is a track record of over 2 years from the start of power generation; (iii) Innovation Promotion Center Co., Ltd. is scheduled to undertake a role of AM, which will improve the level of administration, management and maintenance of the power plant, etc.; and (iv) As compared with the scope of the past and current O&M operations, a more fulfilling O&M contract will be entered into.

JCR considers, on the other hand, it is necessary to closely watch the panel quality in the future in light of the facts that snail trails and separation of sealing materials were confirmed on multiple panels, although some unfavorable findings have not caused any impact on the power generation performance so far. Against those some unfavorable findings, an improvement of the administration, management and maintenance will be made and a more fulfilling O&M contract will be entered into, and these action plan will work as factors to mitigate the deterioration risk of power generation system in the future. In executing the loan, a necessary and sufficient O&M contract is to be entered into, and JCR will check the progress and details of the contract execution.

Sales revenue of mega solar projects tends to have large volatility in a short term depending on monthly and seasonally varying solar radiation quantity. The volatility is expected to equilibrate itself in the medium term, however. With large installation cost, their annual expenses are relatively small and less volatile, thanks to little running cost other than for maintenance. With these characteristics noted in the analysis of cash flow, JCR checks the adequacy of the plan of making cash reservation in preparation for the expected expenses through lifetime against the expected power generation revenues with certain volatility. JCR considers it is necessary to take into account, among other things, the possible variation of power generation volume depending on the changes in solar radiation quantity, cell voltage decay for the given solar panel and the curtailment risk of power generation, although it is noted that the project cash flow is expected to be relatively stable thanks to the aforementioned characterization of mega solar projects' revenues and expenses. Hence stress tests were conducted mainly on these 3 variables, of which the results indicate the expected cash flow has

sufficient tolerance for the redemption/ repayment of the given beneficial interest and trust ABL as BBB rating category, given the effect of schemes such as reserve for debt service, trigger of suspension of dividend payment and mandatory early repayment mechanism.

### 3. Rating

While there are plus factors in the project including enjoyment of economy of scale and application of 40 yen (before tax) as the fixed price for power purchase under the feed-in tariff system, there are also minus factors such as discovery of snail trails and separation of sealing materials on multiple panels. For this reason, JCR simulated with very strong stresses such as acceleration of panel deterioration and curtailment of power generation in combination with variability of solar radiation quantity. JCR then affirmed that the project's debt service capacity can be maintained even with these strong stresses and assessed the ratings for both beneficial interest and trust ABL at BBB-.

Fumihiro Honda, Naoki Okada and Tomohiko Iwasaki

#### Rating

##### <Assignment>

Instrument Name	Execution/ Issue Amount (bn)	Trust Termination Date	Coupon Type	Preliminary Rating
Beneficial Interest	To Be Determined*	To Be Determined	Fixed	BBB-
Trust ABL	To Be Determined*	To Be Determined	Fixed	BBB-

\*Total amount of Beneficial Interest and Trust ABL will be 6.53 billion yen.

##### <Information on Outline of Issue>

Trust Establishment Date:	December 27, 2017 (Scheduled)
Beneficial Interest Assignment/ ABL Execution Date:	December 27, 2017 (Scheduled)
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:	Shinsei Trust & Banking Co., Ltd.
Mega Solar Project Company:	Godo Kaisha MERCHANT ENERGY 8
Asset Manager:	Innovation Promotion Center Co., Ltd.
Arranger:	Goldman Sachs Japan Co., Ltd.

##### <Information on Underlying Assets>

Outline of Underlying Assets:	Loan claims against the mega solar project company
-------------------------------	--

Rating Assignment Date: November 10, 2017

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.

#### Glossary:

A preliminary rating is a credit rating assigned as a preliminary evaluation while material terms for issue to be rated are not yet finalized. When the issuing terms are finalized, JCR will confirm them and will assign a credit rating anew. The rating level of the final rating may be different from that of the preliminary rating, depending on the final content of the terms, etc.



## Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

---

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

---

Copyright © Japan Credit Rating Agency, Ltd. All rights reserved.