

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

Canadian Solar Dual Tenor Green Project Bond Trust (Fukuoka) Beneficial Interest and Trust ABL

<Assignment>

Beneficial Interest:	Preliminary A-
ABL:	Preliminary A-

Rationale

1. Outline of Project and Scheme

This is a rating for project finance for a solar power generation project in Miyako-cho, Miyako -gun, Fukuoka Prefecture, sponsored by Canadian Solar Group. Asahi I&R Energy G.K. (Project GK) has been established as the SPC for this project. In this project, J-Value Trust Company, Limited will be the trustee, and it plans to form a beneficiary interest and a trust ABL backed by a loan (Project Loan) to the Project GK. The Project GK will finance the necessary project costs, etc. by accepting these loan and silent partnership investments, etc. The loan will be drawn down after the commercial operation of the power plants start. The ratings are assigned to these beneficial interest and trust ABL.

The Project GK will make principal and interest payments on the Project Loan twice a year, using the proceeds from electricity sales and other sources. The Project GK's dividend payments to the investors are subordinated to the principal and interest payments on the Project Loan, and if the DSCR (latest 12 months combined basis) falls below a certain level, the Project GK will withhold dividend payments for the corresponding period. Furthermore, if dividend suspension events are triggered for a certain number of consecutive times, all of the cash for the retained dividend payments will be forced to be mandatorily early repaid. The Project Loan is scheduled to be fully repaid over a period of approximately 18 years and 9 months. However, if there is a shortfall in the scheduled principal and interest payments on each repayment date, the contract allows for the deferral of the payment of the shortfall to a subsequent date thereafter. If there is a shortfall on the scheduled final repayment date, a deferrable period of one year is provided in advance as a tail period thereafter. 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 will be structured to reflect the terms of the Project Loan.

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. Risk factors for mega solar projects that are considered to be very important include risks related to location (including shadow and snow effects), development and construction, variability of solar radiation quantity, maintenance and operation, output curtailment, and performance of solar power generation equipment. In terms of costs, although initial expenses are large, their annual expenses except those for maintenance are relatively small and less volatile. JCR thinks that it is important to check the impact on cash flow, focusing on stress factors such as variability of solar radiation quantity, output curtailment, impact on power generation of aging of power generation performance, and certain cost increases.

3. Rating

The project is expected to generate relatively stable cash flow over the life of the project thanks to factors including the following factors: (i) revenue is based on the feed-in tariff system; (ii) highly reliable solar panels and PCSs manufactured by major manufacturers will be used, and (iii) Canadian Solar Group, which has a proven track record, will be in charge of the operation of the power plants. On the other hand, main risk factors are that revenues are strongly affected by fluctuations in solar radiation and that it is obliged to comply with the "Shitei" rules in the feed-in tariff system and to accept unlimited output curtailment without compensation.

Although there will be some possible earnings volatility factors, such as changes in solar radiation quantity, output curtailment, greater-than-expected deterioration of power generation performance and

a rise in operating costs, JCR has confirmed that even when a very strong stress is applied by combining multiple factors, the project's ability to repay debt will be maintained thanks to the mechanisms such as the reserve, dividend suspension trigger, and accelerated redemption for output curtailment.

Based on the above, JCR has assigned a preliminary rating of "A-" to both the beneficial interest and trust ABL.

Kiichi Sugiura, Hiroki Ishizaki

Rating

<Assignment>

Instrument Name	Scheduled Initial Issue/ Execution Amount	Trust Termination Date	Coupon Type	Preliminary Rating
Beneficial Interest	JPY 3,910,000,000*	Apr. 2, 2040 (Scheduled)	Fixed	A-
Trust ABL		Apr. 2, 2040 (Scheduled)	Fixed	A-

*Total amount of Beneficial Interest and Trust ABL is scheduled to reach 3.91 billion yen.

<Information on Outline of Issue>

Trust Establishment Date:	July 12, 2021 (Scheduled)
Beneficial Interest Assignment/ ABL Execution Date:	TBD
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:	J-Value Trust Company, Limited
Mega Solar Project Company:	Asahi I&R Energy 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 company
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Rating Assignment Date: May 12, 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.

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.

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