

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

CS Mega Solar Green Project Bond Trust 4 Beneficial Interest and Trust ABL

<Assignment>

Beneficial Interest:	Preliminary A
ABL:	Preliminary A

Rationale

1. Outline of Project

This is a case of project finance for the mega solar project of Canadian Solar Group which is being operated in Yamaguchi City, Yamaguchi Prefecture ("Project").

Smart Solar Yamaguchi Aio G.K. ("Project GK"), which undertakes the Project and has already started the Project, raises required funds through bridge finance and repays this bridge finance principal using funds to be raised by an investment in anonymous partnership and a loan from Hitachi Capital Trust Corporation, which procures required funds for the loan to the Project GK by a 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 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, the creditworthiness of the sponsor group, that of the panel maker, the risk associated with EPC, O&M, etc., the site location and variability of solar radiation quantity, etc. JCR considers these expected risks are being duly addressed in the Project, as follows: (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 and are placed under backup guarantee insurance; (iii) Project employs an EPC contractor with good credit standing and service delivery capacity, and the facility was already constructed; and (iv) For O&M, a backup contract is to be entered with an enterprise with rich track record.

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 of certain volatility. JCR considers it is necessary to take into account the possible variation of power generation volume depending on the changes in solar radiation quantity and the cell voltage decay for the given solar panel and also the possible increase of expenses during the project period, 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 on these variables, of which the results indicate the expected cash flow has a sufficient margin for the redemption/ repayment of the given beneficial interest and trust ABL.

3. Rating

With the scheme's robustness and high creditworthiness of the parties concerned, the Project's DSCR during the project period is good, supported by economies of scale and fixed purchase price of 40 yen (before tax). JCR affirmed that even with extremely strong stress in combination with variability of solar radiation quantity, debt service capacity of the Project can be maintained. For many hazard risks, reasonable insurance protection is in place, and a certain reserve will be set aside and dividend lock-up covenant will be put in place in preparation for unforeseen situations. Taking the above into consideration, JCR assessed preliminary ratings for both beneficial Interest and trust ABL at A.

Rating

<Assignment>

Instrument Name	Initial Issue Amount	Trust Termination Date	Coupon Type	Preliminary Rating
Beneficial Interest	To Be Determined*	May 16, 2036	Fixed	A
Trust ABL	To Be Determined*	May 16, 2036	Fixed	A

*Total amount of Beneficial Interest and Trust ABL is 9.1 billion yen.

<Information on Outline of Issue>

Trust Establishment Date:	April 28, 2017
Beneficial Interest Assignment/ ABL Execution Date:	April 28, 2017
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 Company:	Smart Solar Yamaguchi Aio 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: March 16, 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.

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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.)

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